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European Commission

Directorate-General for Economic and Financial Affairs

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

4th Quarter 2015

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 and the ICJ Opinion on the Kosovo Declaration of Independence.

OVERVIEW

The economic recovery in the Western Balkans gained further pace during the third quarter, with annual GDP growth accelerating in most countries of the region. In many cases, the good growth performance rests on stronger investment spending and exports and a broadening of the recovery across more economic sectors. At the same time, private consumption remained generally subdued, reflecting, among others, stagnating wages and pensions and still weak consumer confidence. Benign external factors, such as lower oil prices and stronger foreign demand, continued to support the recovery. As a result, the region's export performance has gained some pace, but remained generally modest, despite the recovery in main EU trading partners. To turn exports into a consistent source of growth, the region would need to accelerate structural reforms directed at increasing productivity and attracting green field investments. Yet, for the region as a whole, economic growth is estimated to have been significantly stronger in 2015 compared to the year before.

Annual economic growth accelerated markedly in the third quarter compared to the previous three months in *Montenegro* (from 3.7% to 4.2%) and in *Serbia* (from 0.8% to 2.2%), despite a continued contraction of private consumption. Stronger investment activity, including FDI, and an improved export performance (in the case of *Montenegro* mainly based on tourism) continued to support the recovery in these two countries. Annual GDP growth also accelerated in the *former Yugoslav Republic of Macedonia* (from 3.3% to 3.5%) and this was, contrary to other countries in the region, mainly based on buoyant private consumption. But a switch to mildly positive investment growth after a strong contraction in the second quarter also contributed to the growth pick-up. *Albania* maintained its annual GDP growth at 3%, as private consumption recorded again positive growth after a three-quarter-long contraction. Investment growth somewhat slowed, but still performed at double-digit growth rates. Leading indicators for the region, such as the annual growth of industrial production and retail sales, exhibit some volatility, but generally point to a continuation of a relatively good performance during the fourth quarter of 2015.

In *Turkey*, GDP growth also increased in year-on-year terms in the third quarter (from 3.8% to 4.0%). It was overwhelmingly driven by consumption expenditure of households and government and by inventory adjustments. Indicators for the fourth quarter point to continued moderate growth.

Difficult labour market conditions continue to be a key policy challenge in the **Western Balkans**. Low activity and employment rates and stubbornly high unemployment, especially among the young, point to deep-seated structural weaknesses. As reported in most recent labour force surveys, in the third quarter of 2015, employment levels continued to grow on an annual basis in all countries of the region, although at a generally somewhat slower pace. Total employment grew by 2% y-o-y in *Albania*, down from 4.2% y-o-y in the second quarter, due to job losses in the agricultural sector. *Montenegro* recorded a robust employment growth of 3.0% and *Serbia* accomplished further gains in private sector employment. The *former Yugoslav Republic of Macedonia* is the only country where the growth rate of jobs accelerated (from 1.8% to 3.0% y-o-y). Growing employment levels have not uniformly led to fall in unemployment rates across the region, due to simultaneous increases in the labour force, often resulting from efforts to combat the grey economy. In *Albania* and *Montenegro*, the jobless rate in the third quarter has basically remained unchanged compared to the same quarter a year before (i.e. it increased by 0.1 percentage points) at 17.5% and 16.5%, respectively. Contrary to this, the rate dropped markedly in the *former Yugoslav Republic of Macedonia* (from 27.9% to 25.5%) and in *Serbia* (from 18.1 to 16.7%).

In *Turkey*, employment growth (2.7%) was again outpaced by labour force growth,

although the difference was smaller than in previous quarters. As a consequence, the unemployment rate (10.7% in October) continued to edge upwards.

Significant external imbalances remain a key challenge in most **Western Balkan** countries, reflected in large merchandise trade deficits. They range from around 12% of GDP in *Serbia*, to above 20% in *Albania* and the *former Yugoslav Republic of Macedonia* and around 40% of GDP for *Montenegro* and *Kosovo*. External developments in the region during the third quarter of 2015 point to a rather heterogeneous picture. The annualised current account deficits widened somewhat in the third quarter in *Albania* (to 10.9% of GDP), as lower oil prices reduced revenues from oil exports and earnings from remittances dropped by 18%. Also *Kosovo* recorded a mild widening of the deficit (to 8.5% of GDP), reflecting a drop in transfers to the government. Contrary to this, the annualised current account gap narrowed markedly in *Montenegro* (by 3.5 percentage points to 12.6% of GDP), as a result of a record tourism season, but also in *Serbia* (to 5.2% of GDP) and *Bosnia and Herzegovina* (to 6.5% of GDP). While *Serbia's* external position benefited from robust goods exports, a higher surplus in the trade of services and stronger inflow of remittances, current account improvements in *Bosnia and Herzegovina* were largely due to a falling imports resulting from lower oil and commodity prices. Current account deficits in most countries of the region still remained predominantly covered by capital inflows in the form of foreign direct investment (FDI). However, a high share of FDI takes place in non-tradable sectors (such as in construction, retail, real estate and financial services), which is not conducive to strengthening export capacity and alleviate potential balance of payment problems in the future.

In **Turkey**, the current account deficit has narrowed by about 1 percentage point in 2015 to just below 5% of GDP which to a large extent was due to the lower oil price. Net foreign direct investment increased significantly, but this was more than offset by a turnaround in net portfolio investment.

Low inflation remains a key characteristic of the **Western Balkan** economies, reflecting low commodity prices, negative output gaps, weak domestic demand, and exchange rate stability. The trend of falling prices continued in *Bosnia and Herzegovina*, the *former Yugoslav Republic of Macedonia*, and *Kosovo*, whereas end-year inflation remained positive in *Montenegro* (1.7% in December), *Albania* (2.0%) and *Serbia* (1.5%). In the latter two countries, inflation stayed below their central bank's respective targets, allowing a continuation of accommodative monetary policy. Namely, the *Serbian* central bank reduced its key interest rate from 5% in September to 4.5% in October and kept the rate unchanged since then. The *Bank of Albania* stepped up its accommodative monetary policy stance by lowering its key policy rate to a historic low of 1.75% in November.

In **Turkey**, inflationary pressures continued increasing which drove headline inflation to 8.8% in December, clearly overshooting the official 5%-target. Core inflation is even approaching 10%.

Financial sector developments and in particular bank lending activities continued to be rather heterogeneous across the **Western Balkan** region. As a common trend, annual credit growth remained generally positive and has somewhat accelerated during the third and fourth quarters in some countries, mostly due to stronger lending to private households. Credits to the corporate sector, in particular to small and medium-sized firms, remain generally muted. Going forward, lingering asset quality risks, as evidenced by a high level of non-performing loans is likely to continue to put a break on credit growth. All **Western Balkan** countries still register significantly higher NPL ratios compared to the pre-crisis ones, with *Albania* and *Serbia* registering by far the highest ratios, at around 20.2% and 22.0%, respectively, in the third quarter of 2015.

In **Turkey**, stock prices softened in the fourth quarter, while the yield on government debt remained broadly unchanged. Key indicators

for the banking sector continued to show resilience.

Public finances in the *Western Balkans* remain a concern, not least in view of the strong rise in public debt over recent years and elevated financing needs. Furthermore, prevailing budget rigidities and at times poor fiscal discipline undermine a process of sustained fiscal consolidation. Budget developments in 2015 have been rather uneven across the region. On a positive note, most countries of the region, with the exception of *Albania*, benefited from buoyant revenue growth, reflecting stronger economic activity. This in principle bodes well for fiscal consolidation, the declared objective of all countries in the region. However, at the same time spending pressures remain high in some countries and over-performing revenues are often used to increase spending for transfers and wages, such as in the *former Yugoslav Republic of Macedonia* and *Kosovo*. An exception to this pattern are *Albania* and *Serbia*, where successful consolidation efforts have recently

taken place with a view to reduce or contain current spending. In the case of *Serbia*, strong revenue performance was coupled with lower spending on wages and pensions which contributed to a lowering of the cumulative fiscal deficit in the first eleven months to 1.6% of GDP, significantly below the revised annual target of 4.1% of GDP. As a common feature in the region, fiscal consolidation and adjustment often happens at the cost of reducing or delaying much-needed capital investment, thus undermining the evolution towards a more growth-enhancing pattern of public spending. Most countries experienced a significant under-execution of their capital budget in the first ten or eleven months of the year, reflecting prevailing weaknesses in the management of public investments.

In *Turkey*, the central government's budget deficit declined by 0.1 percentage point to 1.2% in 2015. General government debt, on the other hand, has increased slightly as a result of the lira's depreciation.

Candidate and potential candidate countries: Summary table

	2011	2012	2013	2014	2015	Q2 15	Q3 15	Q4 15	Oct 15	Nov 15	Dec 15
Gross domestic product (in real terms, annual % change)											
Albania	2.5	1.4	1.1	2.0	2.7e	3.0	3.0	:	N.A.	N.A.	N.A.
The former Yugoslav Republic of Macedonia	3.0	-0.5	2.7	3.5	3.2e	3.3	3.5	:	N.A.	N.A.	N.A.
Montenegro	3.2	-2.7	3.5	1.8	4.0e	3.7	4.2	:	N.A.	N.A.	N.A.
Serbia	1.4	-1.0	2.6	-1.8	0.8e	0.9	2.2	:	N.A.	N.A.	N.A.
Turkey	8.8	2.1	4.2	2.9	3.0e	3.8	4.0	:	N.A.	N.A.	N.A.
Bosnia and Herzegovina	0.9	-0.9	2.4	1.4	:	4.3	3.1	:	N.A.	N.A.	N.A.
Kosovo*	4.4	2.8	3.4	0.9	:	3.4	:	:	:	:	:
Unemployment											
Albania	13.4	13.8	16.4	17.9	17.5e	17.3	17.5	:	N.A.	N.A.	N.A.
The former Yugoslav Republic of Macedonia	31.4	31.0	29.0	28.0	27.0e	26.8	25.5	:	N.A.	N.A.	N.A.
Montenegro	19.7	19.7	19.5	18.0	17.7e	17.7	16.5	:	N.A.	N.A.	N.A.
Serbia	23.0	23.9	22.1	18.9	17.7e	17.9	16.7	:	N.A.	N.A.	N.A.
Turkey	9.0	8.3	8.9	10.1	10.8e	9.7	10.1	:	10.7	:	:
Bosnia and Herzegovina	43.8	45.9	44.5	43.6	:	43.0	43.0	:	42.8	:	:
Kosovo*	44.8	30.9	30.0	35.3	:	:	:	:	:	:	:
Current account balance (% of GDP)**											
Albania	-13.2	-10.2	-10.9	-12.9	-11.0e	-10.8	-10.9	:	N.A.	N.A.	N.A.
The former Yugoslav Republic of Macedonia	-2.9	-3.2	-1.6	-0.8	-1.9e	0.3	0.4	:	N.A.	N.A.	N.A.
Montenegro	-17.6	-18.5	-14.5	-15.2	-16.0e	-16.2	-12.6	:	N.A.	N.A.	N.A.
Serbia	-10.9	-11.6	-6.1	-6.0	-4.7e	-5.4	-5.2	:	N.A.	N.A.	N.A.
Turkey	-9.7	-6.1	-7.8	-5.9	-5.9e	-5.8	-5.4	:	N.A.	N.A.	N.A.
Bosnia and Herzegovina	-9.5	-8.8	-5.5	-7.8	:	-6.9	-6.5	:	N.A.	N.A.	N.A.
Kosovo*	-13.7	-7.5	-6.4	7.9	:	-8.2	-8.4	:	N.A.	N.A.	N.A.
Inflation (Consumer price index, annual % change)											
Albania	3.5	2.0	1.9	1.6	1.9	1.8	1.8	2.0	2.1	2.1	2.0
The former Yugoslav Republic of Macedonia	3.9	3.3	2.8	-0.3	-0.3	0.3	-0.2	-0.4	-0.5	-0.3	-0.3
Montenegro (HICP)	3.3	4.0	1.8	-0.5	1.6e	1.6	2.2	:	1.9	1.7	:
Serbia	11.2	7.3	7.9	2.1	1.5	1.7	1.5	1.4	1.4	1.3	1.5
Turkey	6.5	8.9	7.5	8.9	7.7	7.7	7.3	8.2	7.6	8.1	8.8
Bosnia and Herzegovina	3.7	2.0	-0.1	-0.9	:	-0.5	-1.3	:	-1.8	-1.9	:
Kosovo*	7.3	2.5	1.8	0.4	:	-0.4	-0.9	:	-0.8	-0.3	:
General government balance (% of GDP)											
Albania	-3.5	-3.4	-5.0	-5.2	-3.9e	-0.9	-1.3	:	-1.4	-1.7	:
The former Yugoslav Republic of Macedonia	-2.5	-3.8	-3.8	-4.2	-3.9e	-2.5	-3.0	:	N.A.	N.A.	N.A.
Montenegro	-5.4	-6.1	-5.2	-3.1	-6.3e	-5.9	-5.2	:	:	:	:
Serbia	-4.7	-6.8	-5.5	-6.6	-3.3e	-1.4	-1.5	:	N.A.	N.A.	N.A.
Turkey	-0.8	-0.3	-1.6	-1.5	-1.4e	0.6	-0.9	:	N.A.	N.A.	N.A.
Bosnia and Herzegovina	-1.2	-2.0	-2.1	-2.0	:	:	:	:	N.A.	N.A.	N.A.
Kosovo*	-1.7	-2.6	-3.1	-2.2	:	:	:	:	N.A.	N.A.	N.A.

* This designation is without prejudice to positions on status, and is in line with UNSCR 1244 and the ICJ Opinion on the Kosovo Declaration of Independence.

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

e: ECFIN estimate

ALBANIA



Key developments

In a rare display of cross-party consensus, the Parliament unanimously passed on 17 December a legislative package aimed at barring convicted criminals from public office. The legislation imposes a permanent ban from holding public positions on those convicted of serious criminal offences, while lesser crimes, such as corruption, carry a temporary exclusion of up to 20 years.

Albania successfully tapped international credit markets in November by selling a five-year EUR 450 million sovereign Eurobond with an interest rate of 5.75%. The issue was delayed from June because of uncertainty caused by the Greek crisis. It follows the repayment in October of Albania's first ever EUR 300 million Eurobond from 2010.

Real sector

GDP growth maintained its pace at 3% y-o-y in the third quarter, unchanged from the (upwardly revised) second quarter growth rate. The three-quarter-long fall in household consumption was reversed as it registered a 1.9% y-o-y increase, whereas gross fixed capital formation decelerated somewhat but still grew by 12.6% y-o-y. Government consumption continued to contract (by 1.9% y-o-y). Net exports provided positive contribution as the fall in real imports (4% y-o-y) exceeded the decrease in exports (2%). On the supply side, most branches contributed positively to growth, with construction activity giving the biggest boost (1.5 pps.) following real growth of 16.5% y-o-y in the third quarter.

The statistics office also released preliminary estimates for growth in 2014. They indicate that GDP rose by 2%, driven by household and government consumption (up 2.7% and 7.9%, respectively) as well as an increase in inventories. On the other hand, net exports provided a negative contribution to growth, similarly to gross fixed capital formation, which recorded a third consecutive year of contraction (by 3.9%). On the production side, mining and quarrying activities grew by 15.4% and provided the biggest growth contribution (0.76 pps.) among the sectors.

Labour market

The LFS-estimated unemployment rate (15-64 years) was 17.5% in the third quarter, up 0.2 pps. from the previous three months. The jobless rate also increased (by 0.1 pp.) compared with the same quarter a year earlier, as the growth in employment, at 2%, was outweighed by a 2.2% expansion of the labour force. The annual rate of job creation slowed down as agriculture, the by far biggest source of employment, provided fewer jobs in the third quarter (by 3.5%, y-o-y).

At the same time, the rate of youth unemployment (15-29 years) declined by 1.9 pps. from the previous three months but remained very high at 32.3% in the third quarter.

External sector

The current account deficit increased by 10.1% y-o-y in July to September, bringing improvements registered in the previous two quarters to a halt. The deterioration was caused by worsening balance of trade in goods and on the secondary income account. The drop in the value of goods exports, impacted mainly by the oil price fall, accelerated from the previous quarter (down 24% y-o-y) whereas services exports, boosted by manufacturing processing services and tourism spending, continued to increase (up 5% y-o-y). Total imports recorded a slight decrease (by 1.9% y-o-y) in the third quarter due to falling merchandise imports. The primary income deficit remained practically unchanged whereas the surplus on the secondary income account declined by 13.1% y-o-y in the third quarter, driven by a 18.1% fall in remittances earnings. However, the large amount of "errors and omissions" in this quarter might point to efforts to circumvent capital controls imposed by Greece. In the year to September, the current account deficit amounted to 10.9% of GDP, down from 12.5% in the same period a year earlier.

Net FDI inflows decreased by 4.5% y-o-y in July to September and financed some 70% of the current account deficit in the same period. Overall, favourable balance-of-payment flows led to a continued large increase in foreign reserves (up 17.9% y-o-y), which stood at EUR 2.48 billion in the third quarter and covered 6.6 months of imports of goods and services.

The stock of gross external debt rose by 8.3% y-o-y in the third quarter, mostly due to increased government borrowing, and stood at some 72.8% of projected full-year GDP. Long-term debt, mostly owed by the government, makes up 80% of the total.

Monetary developments

Average consumer price inflation was 2% in the fourth quarter, slightly up from 1.8% in the previous three months. Price rises were driven by changes in food prices, whereas most other items provided negligible or negative contribution to the headline rate. The annual rate of inflation averaged 1.9% in 2015, undershooting the Bank of Albania's (BoA) target of 3% for the fourth consecutive year. Persistently weak inflation reflects a negative output gap, low inflation in trading partners and a stable exchange rate against the euro.

In view of below-target inflation, BoA stepped up its accommodative monetary policy stance by lowering its policy rate to a historic low of 1.75% in November and continuing to inject liquidity into money markets.

The Albanian lek (ALL) appreciated against the euro by 1.4% y-o-y and 0.9% q-o-q in the fourth quarter. Its y-o-y depreciation against the USD slowed to 9.2% from 12% in the previous quarter.

Financial sector

Monetary easing as well as banks' comfortable liquidity and capital adequacy levels provide support for increased lending activity, but the still high level of impaired loans on banks' balance sheets and low demand for new loans continued to hamper credit activity. The capital adequacy ratio of the banking sector as a whole decreased slightly to 15.8% in the third quarter from 16% recorded in the previous three months but remained well above the regulatory minimum of 12%. Profitability indicators remained in positive territory even if they were somewhat lower than in the second quarter.

Despite various efforts to improve the quality of loan portfolios, including a mandatory write-off of non-performing loans (NPLs), the NPL ratio rose slightly to 20.2% in the third quarter from 20% in the previous three months, even if it declined from its peak of 24.9% recorded one year ago.

Lending standards applied by banks remained unchanged for businesses but maintained their easing trend for households in the third quarter. Demand for credit from businesses was assessed to have decreased somewhat. It continued to increase for household loans, especially for consumption purposes, although by less than in the previous quarter.

The average interest rate on new ALL loans declined to 7.7% in October-November from 8.3% in the first half of the year. Nevertheless, the total stock of loans, not adjusted for the effect of the NPL write-off, was down by 2.2% y-o-y in November due to a 4.2% fall in business lending. Adjusting for the reduction of banks' loan portfolio as a result of the NPL write-off, credit growth was still in positive territory in August (up 0.7% y-o-y) but business loans contracted by 1.1% y-o-y also on this metric.

Fiscal developments

In January to November, revenues continued to underperform even relative to the reduced target set in July. The 4.2% shortfall was mainly caused by lower-than-expected revenues from VAT (3.8% below plan) and excise duties (10.2%). However, the extent to which expenditure lagged behind the budgeted figure was even greater, at 7.9%. The expenditure shortfall was broad-based, affecting operational expenses, social insurance outlays and local government spending, but the biggest contribution came from underperforming capital expenditure (18.2% below target), pointing to persistent problems regarding the management of public investment. Overall, the budget deficit in the first eleven months was 40% lower than planned and amounted to 1.7% of estimated full-year GDP (the target for 2015 as a whole is 4%).

Nonetheless, public debt continued to rise. Following a 10.5% y-o-y increase, public debt (including guarantees) stood at 73.6% of GDP in the third quarter.

The Parliament adopted the 2016 budget on 17 December. It is based on the assumption that nominal GDP will grow by 6.2% and targets a headline deficit of 2.2% of GDP as well as a primary surplus of 0.6%, mainly by tightly controlling expenditure and increasing revenues through better administration. Tax adjustments will only play a minor role.

TABLE



European Commission, ECFIN-D-1

ALBANIA

		2011	2012	2013	2014	2015	Q2 15	Q3 15	Q4 15	Oct 15	Nov 15	Dec 15
1 Real sector												
Industrial confidence ^{1.1}	Percent	-3.0	-10.6	-9.5	1.2	:	3.9	1.5	:	N.A.	N.A.	N.A.
Industrial production ^{1.2}	Ann.%ch	-10.2	16.6	13.9	3.4	:	11.0	-2.3	:	N.A.	N.A.	N.A.
Gross domestic product ^{1.3}	Ann.%ch	2.5	1.4	1.1	2.0	2.7e	3.0	3.0	:	N.A.	N.A.	N.A.
Private consumption ^{1.4}	Ann.%ch	1.8	0.1	1.4	2.7	-1.8e	-3.0	1.9	:	N.A.	N.A.	N.A.
Gross fixed capital formation ^{1.5}	Ann.%ch	5.9	-7.9	-2.1	-3.9	9.4e	18.5	12.6	:	N.A.	N.A.	N.A.
Construction index ^{1.6}	Ann.%ch	0.5	0.6	1.0	0.2	:	0.4	0.4	:	N.A.	N.A.	N.A.
Retail sales ^{1.7}	Ann.%ch	6.5	4.8	6.3	5.1	:	3.4	7.8	:	:	:	:
2 Labour market												
Unemployment ^{2.1}	%	13.4	13.8	16.4	17.9	17.5e	17.3	17.5	:	N.A.	N.A.	N.A.
Employment ^{2.2}	Ann.%ch	2.3	18.5	-9.7	1.6	1.7e	4.2	2.0	:	N.A.	N.A.	N.A.
Wages ^{2.3}	Ann.%ch	7.0	7.3	4.1	1.7	:	2.4	2.0	:	N.A.	N.A.	N.A.
3 External sector												
Exports of goods ^{3.1}	Ann.%ch	22.2	7.6	-30.5	-11.6	:	-6.0	-24.1	:	:	:	:
Imports of goods ^{3.2}	Ann.%ch	14.2	-4.3	-13.2	3.6	:	-7.0	-3.3	:	:	:	:
Trade balance* ^{3.3}	% of GDP	-24.2	-20.9	-20.6	-22.2	-21.9e	-21.9	-21.9	:	N.A.	N.A.	N.A.
Exports goods and services ^{3.4}	% of GDP	34.0	33.3	28.7	28.2	:	27.8	27.3	:	N.A.	N.A.	N.A.
Imports goods and services ^{3.5}	% of GDP	56.7	52.0	47.0	47.2	:	45.1	44.4	:	N.A.	N.A.	N.A.
Current account balance* ^{3.6}	% of GDP	-13.2	-10.2	-10.9	-12.9	-11.0e	-10.8	-10.9	:	N.A.	N.A.	N.A.
Direct investment (FDI, net)* ^{3.7}	% of GDP	6.6	6.8	9.6	8.2	:	9.3	9.1	:	N.A.	N.A.	N.A.
International reserves ^{3.8}	mio EUR	1848.6	1907.7	1955.7	2084.8	:	2169.1	2480.7	:	2490.6	2599.6	:
Int. reserves / months Imp ^{3.9}	Ratio	5.7	6.0	6.4	6.3	:	6.6	7.6	:	7.7	:	:
4 Monetary developments												
CPI ^{4.1}	Ann.%ch	3.5	2.0	1.9	1.6	1.9	1.8	1.8	2.0	2.1	2.1	2.0
Producer prices ^{4.2}	Ann.%ch	2.6	N.A.	N.A.	N.A.	:	0.7	-3.1	:	:	:	:
Food prices ^{4.3}	Ann.%ch	4.8	2.4	4.2	2.2	4.3	3.9	3.8	5.5	5.5	5.9	5.1
M2 ^{4.4}	Ann.%ch	6.7	4.7	5.7	4.0	:	8.4	6.8	:	6.8	6.6	:
Exchange rate LEK/EUR ^{4.5}	Value	140.33	139.04	140.26	140.14	139.74	140.63	139.66	138.45	139.53	138.18	137.65
Nominal eff. exchange rate ^{4.6}	Index	:	:	:	:	:	:	:	:	:	:	:
5 Financial indicators												
Interest rate (3 months) ^{5.1}	% p.a.	5.46	5.16	4.23	3.10	:	2.90	2.66	:	:	:	:
Bond yield ^{5.2}	% p.a.	6.53	6.77	6.03	3.45	:	2.96	2.38	:	2.42	2.70	:
Stock markets ^{5.3}	Index	:	:	:	:	:	:	:	:	:	:	:
Credit growth ^{5.4}	Ann.%ch	11.7	7.4	-0.2	0.2	:	2.0	-1.0	:	-1.7	-2.2	:
Deposit growth ^{5.5}	Ann.%ch	14.5	9.4	3.7	1.5	:	2.3	1.3	:	1.4	1.4	:
Non performing loans ^{5.6}	% total	17.0	21.7	24.0	23.9	:	20.0	20.2	:	N.A.	N.A.	N.A.
6 Fiscal developments												
General government balance* ^{6.1}	% of GDP	-3.5	-3.4	-5.0	-5.2	-3.9e	-0.9	-1.3	:	-1.4	-1.7	:
General government debt* ^{6.2}	% of GDP	59.4	62.1	65.5	70.2	72.4e	70.4	73.6	:	N.A.	N.A.	N.A.

* Q figures refer to a 4 quarters moving average.

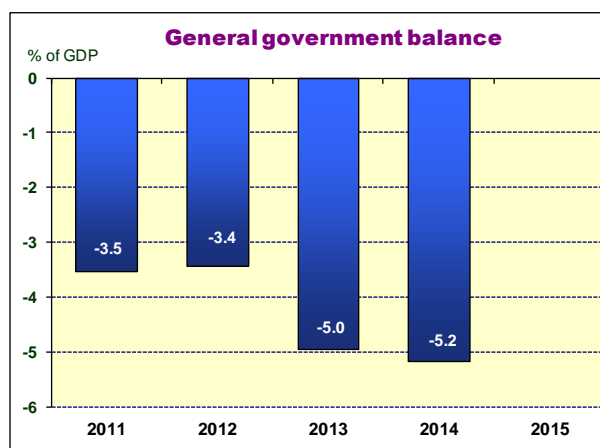
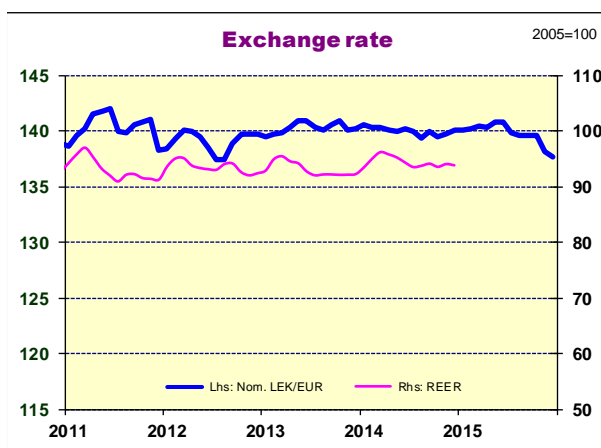
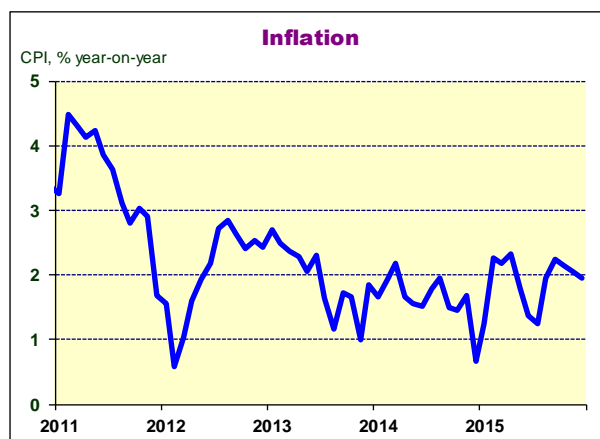
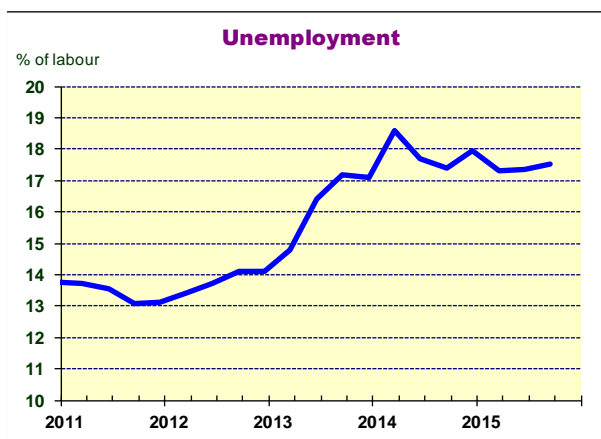
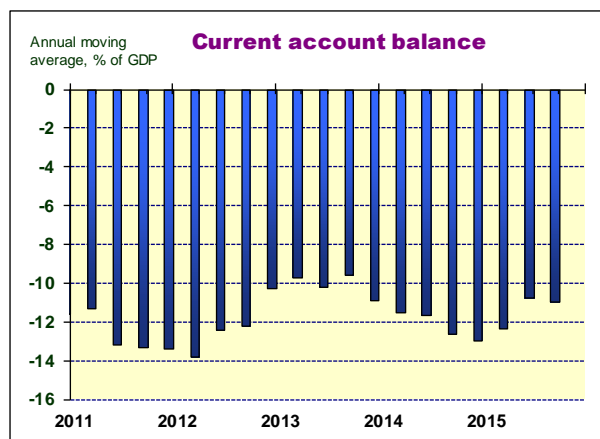
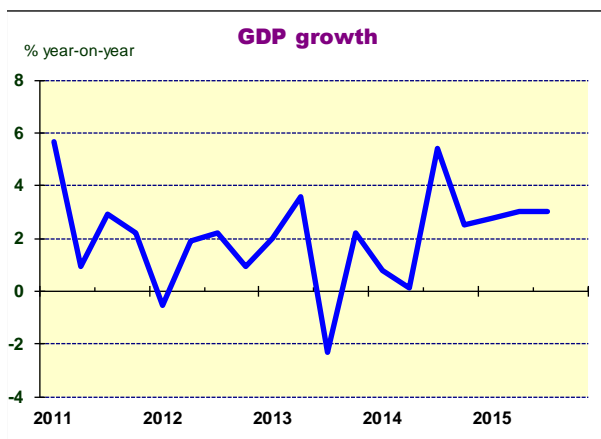
e: ECFIN estimate

CHARTS

European Commission, ECFIN-D-1



ALBANIA



THE FORMER YUGOSLAV REPUBLIC OF MACEDONIA



Key developments

In November, the country successfully issued its fourth Eurobond (270mn), with a 5-year maturity. The proceeds were earmarked for repayment of a 2005 Eurobond (150mn), which matured in early December 2015, for budget financing in the first half of 2016, and for measures related to the migrant crisis.

In October, the government adopted the Fiscal Strategy for 2016-2018. It foresees a gradual reduction in the general government deficit from 3.2% of GDP in 2016 to 2.6% in 2018, and an increase in public debt from 49.1% to 52.4%. Growth is projected to average 4.3%.

Real sector

In the third quarter, the pace of real GDP growth accelerated to an estimated 3.5% y-o-y up from 3.3% in the second quarter (revised by +0.7pp compared to the September estimate), and equal to first quarter gains (revised by +0.3pp to 3.5% y-o-y). Growth was broader based than in the first half of the year. Gains in household consumption spending accelerated to 4.3% y-o-y from an average of 2.4% in the first two quarters. Investment activity recovered slightly from its 16% y-o-y plunge in Q2, to 2.8% y-o-y in the third quarter. Spurred by major pre-election spending that comprised increases in transfer payments as well as in the public payroll, general government final consumption surged by 15.4% y-o-y. Export growth decelerated to 3.1% y-o-y after a 7.9% increase in the second quarter, while import growth, fuelled by foreign direct investors' demand for machinery and certain raw materials, accelerated by 0.8pp to 1.6% y-o-y. Still, net exports made a small positive contribution to growth.

The construction sector continued to provide the biggest boost to the economic performance (+29.4% y-o-y), while manufacturing output was only slightly above its level from a year earlier (+1.5%), and reversing only some of the 2.6% yoy drop in the second quarter. Industrial production continued to disappoint also in the

third quarter, but picked up in October (+13.1%), due to a renewed pickup in manufacturing (+18.2%), which accounts for over three quarters of the industry structure.

Labour market

There was some further improvement in labour market conditions in the third quarter. Employment growth accelerated further, to 3% y-o-y, after 1.8% in the second quarter, according to the Labour Force Survey. Complemented by a slight reduction in the labour force, this led to a further rise in the total employment rate, to 42.4% of working age population, marking an increase of 1.1pp over the same quarter a year earlier. The unemployment rate declined further in this period, by 2.4pp, to 25.5%, reflecting a drop in the number of unemployed by 9% y-o-y. However, conditions for young workers remained strained - the unemployment rate in the age group 15-24 amounted to 48.2%, yet marking a drop by 3.8pp from the same period a year earlier. Participation declined slightly, by 0.4pp to 56.9% of the working age population.

Real net wages continued to increase in the third quarter and beyond. On the back of accelerating nominal wage growth, and a return to consumer price deflation after the summer, they rose by an average of 3.5% y-o-y between July and September, markedly faster than in the preceding quarter (2.7%), bringing wage growth for the first ten months to an average of 2.9% y-o-y. Gains were particularly strong in export-intensive sectors with important FDI presence, such as manufacturing of motor vehicle components and chemical products, as well as in metal ore mining, and in textiles. Real wages have been rising for 18 months in a row.

External sector

The current account balance swung back into surplus in the third quarter (6% of GDP, almost unchanged from its level in the same period one year earlier), on account of a marked improvement in the merchandise trade deficit (17.3% of GDP, compared to 19.3% in the

second quarter), as well as a higher surplus in the services balance, and a seasonal rise in private transfer inflows. Compared to the same quarter one year earlier, the deficit in the merchandise trade balance was lower by 3.5pp. The primary income deficit narrowed somewhat in the third quarter, compared to the previous quarter, but was still some 22% higher than in the same period a year earlier. Overall, in the four quarters to end-September, the current account posted a surplus of 0.4 % of GDP. In the same period, private transfers accounted for 17% of GDP, the same as their 2014 average.

FDI inflows slowed down in the third quarter (0.2% of GDP), picking up again in October. Gross external debt stood at 66.4% of GDP at the end of the quarter, down by more than 3pp compared to the same period a year earlier. The decrease in absolute levels reflects the government's repayment of outstanding IMF loans in early 2015, while there was a noticeable increase in intercompany lending in relation with foreign direct investment. At the end of 2015, central bank foreign exchange reserves were some 7% lower than a year earlier, still covering about 5 months of prospective imports.

Monetary developments

The CPI returned into deflation in the second half of the year (-0.2% in Q3 and -0.4% in Q4). It had only temporarily gained positive territory over the summer, mainly because of a rise in fuel prices over the summer purchasing period. Transport prices (9% of the index structure) registered the strongest plunges during the second half. As of October, food prices, accounting for some 41% of the CPI, started to decline, too, compared to the same period a year earlier. For the full year, annual consumer price deflation amounted to 0.3% in 2015, unchanged from 2014. The expansion rate of M4 money slowed down in the third quarter, to 7% y-o-y, from 9.3% in the second quarter, due to growth moderation in both, deposits and currency in circulation, and relented further in October and November, to an average of 6.9%. The central bank kept the key policy rate unchanged.

Financial sector

Credit extension to the private sector slowed down further in the third quarter and beyond, on account of a drop in the annual growth rate of loans to private non-financial companies. These increased by 6% y-o-y on average in the third quarter, compared to 7.5% in the second quarter,

and by an average of 4.9% in the two succeeding months. Since the peak in April (+8.6%), the pace of credit growth to private companies has relented for 7 months in a row. Meanwhile, increases in household loans remained robust at 12.7% y-o-y in the third quarter, and an average of 12.5% in October and November. The quality of banks' asset portfolios deteriorated slightly in the third quarter. By end-September, the share of non-performing to total loans had increased somewhat compared to the preceding quarter, to 11.7 (+0.2pp), yet it was still lower compared to the same quarter a year earlier (-0.6pp). Interest rates changed only marginally in the third quarter and beyond. At end-November, nominal lending rates on outstanding loans in national currency stood at 6.9%, almost unchanged from end-August (-0.1pp). Deposit rates, too, at 2.6% at end-November, had decreased by 0.1pp compared to end-August, leaving the spread unchanged.

Fiscal developments

Public revenue performance in the third quarter remained largely in line with the upwardly revised projections of the 2015 supplementary budget, adopted by the government in August 2015. Overall revenue in the year to November had increased by 12% y-o-y, as profit tax collection outperformed projections in the first half of the year, due to the removal of exemptions for reinvested profits. In line with the supplementary budget, public consumption spending as well as social transfer expenditure increased in the third quarter and beyond, compared to the original budget projections. By end-November, spending on goods and services, partly conditioned by the migrant crisis, was up 15% compared to the first eleven months of the previous year. Expenditure on wages and allowances, and on transfers had risen by close to 7% each. Yet, by end-November, only 68% of capital expenditure foreseen in the revised budget had been implemented. The deficit amounted to some 80% of the revised full-year target (3.6%). At the end of the third quarter, the level of government debt was almost unchanged from the previous quarter, at 36% of projected full-year GDP, marking a slight decline from the 2014 average level (38.2%). The government-guaranteed debt of state enterprises rose by 3.3% compared to the end of the second quarter, bringing overall public debt to close to 44% of GDP, up by 0.2pp from the end of the second quarter. About two thirds of public debt was owed to foreign lenders.

TABLE



European Commission, ECFIN-D-1

The former Yugoslav Republic of Macedonia

		2011	2012	2013	2014	2015	Q2 15	Q3 15	Q4 15	Oct 15	Nov 15	Dec 15
1 Real sector												
Industrial confidence ^{1.1}	Balance	18.4	14.7	12.3	11.4	:	17.2	19.5	:	20.3	20.8	:
Industrial production ^{1.2}	Ann. %ch	4.0	-6.6	3.2	4.8	:	0.2	6.2	:	13.1	11.5	:
Gross domestic product ^{1.3}	Ann. %ch	3.0	-0.5	2.7	3.5	3.2e	3.3	3.5	:	N.A.	N.A.	N.A.
Private consumption ^{1.4}	Ann. %ch	7.4	1.2	2.1	2.4	2.4e	2.7	4.3	:	N.A.	N.A.	N.A.
Gross capital formation ^{1.5}	Ann. %ch	15.7	21.2	-16.8	13.1	6.0e	-16.0	2.8	:	N.A.	N.A.	N.A.
Construction ^{1.6}	Ann. %ch	25.3	4.2	-7.3	1.8	:	2.8	29.4	:	N.A.	N.A.	N.A.
Retail sales ^{1.7}	Ann. %ch	N.A	N.A	-0.8	4.2	:	13.6	7.1	:	12.8	17.9	:
2 Labour market												
Unemployment ^{2.1}	%	31.4	31.0	29.0	28.0	27.0e	26.8	25.5	:	N.A.	N.A.	N.A.
Employment ^{2.2}	Ann. %ch	1.1	0.8	4.3	1.7	2.1e	1.8	3.0	:	N.A.	N.A.	N.A.
Wages ^{2.3}	Ann. %ch	1.3	0.2	1.2	1.0	1.3e	3.3	3.3	:	2.4	:	:
3 External sector												
Exports of goods ^{3.1}	Ann. %ch	21.0	-3.7	2.9	17.0	:	12.4	6.3	:	1.6	:	:
Imports of goods ^{3.2}	Ann. %ch	22.4	0.3	-1.8	9.4	:	6.7	0.5	:	3.2	:	:
Trade balance* ^{3.3}	% of GDP	-25.2	-26.5	-22.9	-21.8	-21.6e	-19.3	-17.3	:	N.A.	N.A.	N.A.
Exports goods and services ^{3.4}	% of GDP	45.6	44.5	42.3	47.8	:	49.0	47.9	:	N.A.	N.A.	N.A.
Imports goods and services ^{3.5}	% of GDP	66.1	66.9	60.4	65.1	:	65.9	60.3	:	N.A.	N.A.	N.A.
Current account balance* ^{3.6}	% of GDP	-2.9	-3.2	-1.6	-0.8	-1.9e	0.3	0.4	:	N.A.	N.A.	N.A.
Direct investment (FDI, net)* ^{3.7}	% of GDP	4.6	1.7	3.3	2.3	:	2.0	0.2	:	N.A.	N.A.	N.A.
International reserves ^{3.8}	mio EUR	2 068.9	2 193.3	1 993.0	2 436.5	2 261.7	2 254.8	2 187.4	2 261.7	2 188.0	2 203.4	2 261.7
Int. reserves / months imp ^{3.9}	Ratio	5.8	6.1	5.6	6.3	5.5	5.7	5.5	5.4	5.5	5.4	5.4
4 Monetary developments												
CPI ^{4.1}	Ann. %ch	3.9	3.3	2.8	-0.3	-0.3	0.3	-0.2	-0.4	-0.5	-0.3	-0.3
Producer prices ^{4.2}	Ann. %ch	11.1	4.5	0.4	-1.2	:	-4.1	-4.6	:	-4.4	-4.2	:
Food prices ^{4.3}	Ann. %ch	6.2	2.3	3.4	-0.9	0.1	0.9	0.3	:	-0.1	-0.4	-1.5
Monetary aggregate M4 ^{4.4}	Ann. %ch	10.5	7.5	4.0	8.0	:	9.3	7.0	:	7.0	6.8	:
Exchange rate MKD/EUR ^{4.5}	Value	61.53	61.53	61.58	61.62	61.61	61.63	61.61	61.65	61.68	61.60	61.66
Nominal eff. exchange rate ^{4.6}	Index	101.3	100.3	101.8	103.0	:	101.2	101.9	:	102.4	:	:
5 Financial indicators												
Interest rate (3 months) ^{5.1}	% p.a.	:	:	:	:	:	:	:	:	:	:	:
Bond yield ^{5.2}	% p.a.	8.87	8.50	8.04	7.46	:	7.14	7.00	:	6.91	:	:
Stock markets ^{5.3}	Index	2 407	1 890	1 726	1 735	1 731	1 683	1 667	1 743	1 705	1 739	1 786
Credit Growth ^{5.4}	Ann. %ch	8.1	7.3	4.3	8.4	:	9.6	8.9	:	8.4	7.9	:
Deposit growth ^{5.5}	Ann. %ch	10.9	7.2	4.8	8.2	:	8.9	6.6	:	6.5	6.6	:
Non-performing loans ^{5.6}	% total	9.5	10.1	10.9	10.8	:	11.0	11.2	:	N.A.	N.A.	N.A.
6 Fiscal developments												
Central government balance ^{6.1}	% of GDP	-2.5	-3.8	-3.8	-4.2	-3.9e	-2.5	-3.0	:	N.A.	N.A.	N.A.
General government debt ^{6.2}	% of GDP	27.7	33.7	34.2	38.2	39.7e	36.1	36.0	:	N.A.	N.A.	N.A.

* Q figures refer to a 4 quarters moving average.

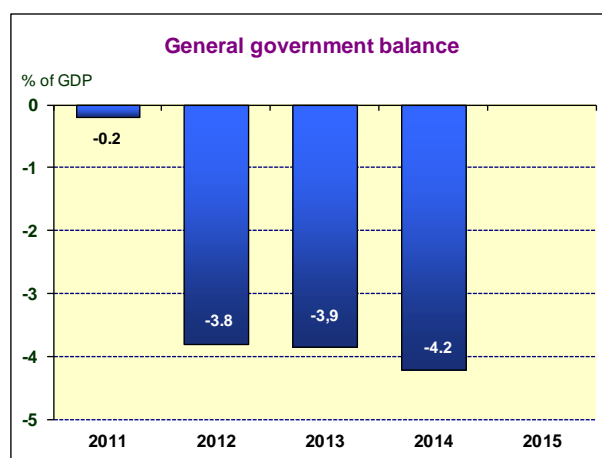
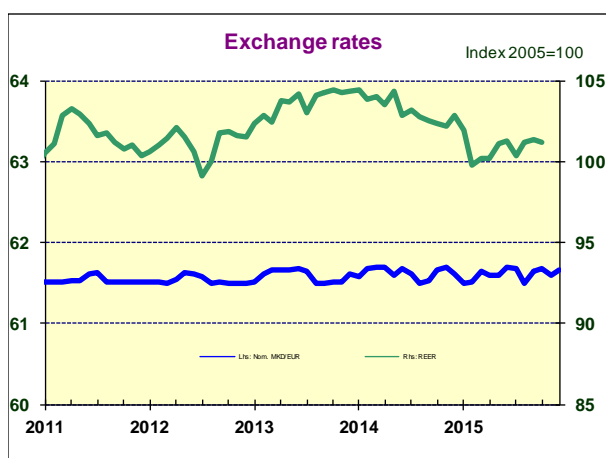
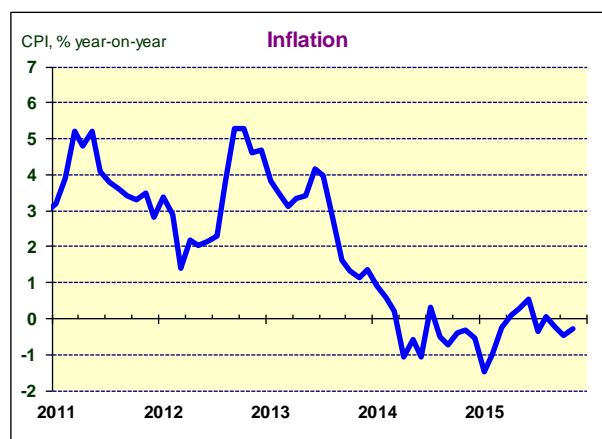
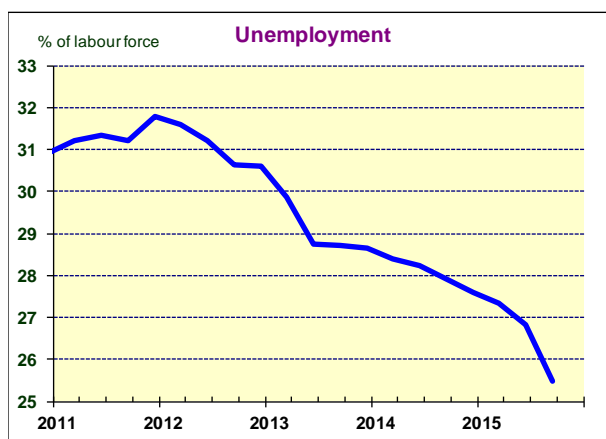
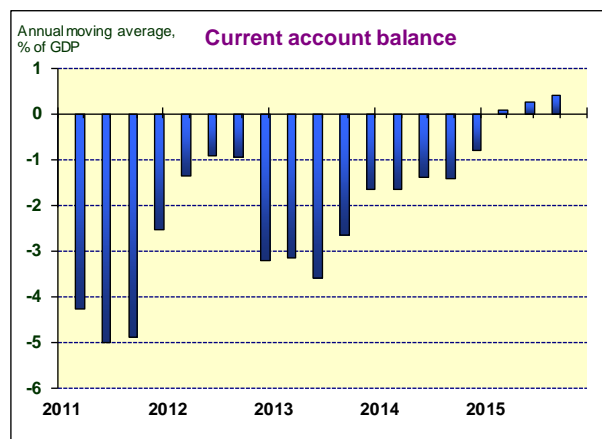
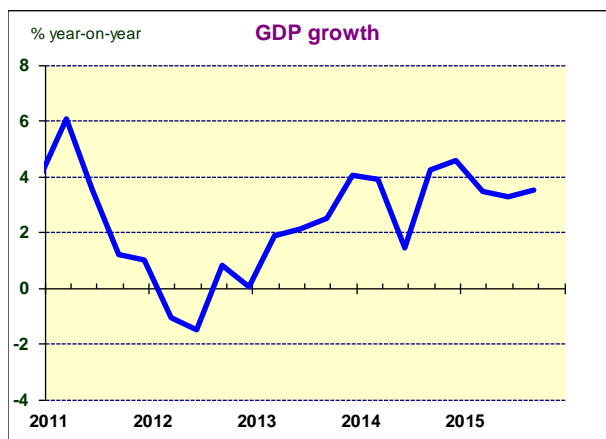
e: ECFIN estimate

CHARTS



European Commission, ECFIN-D-1

The former Yugoslav Republic of Macedonia





Key developments

On 13 November, Standard & Poor's affirmed Montenegro's long-term and short-term B+/B ratings with stable outlook. The agency noted the strong economic growth supported by increased investment activity, albeit constrained by low income level, high external debt, and lack of monetary policy flexibility.

On 2 December, NATO foreign ministers invited Montenegro to become the 29th member of the alliance and to start accession talks in early 2016.

On 21 December, the EU opened two new chapters in the accession negotiations with Montenegro: chapter 14 on transport, and chapter 15 on energy. So far, 22 out of 35 negotiating chapters have been opened.

Also on 28 December, after four unsuccessful attempts to privatise the Bijela shipyard, the bankruptcy management launched a tender for the sale of the company's assets.

Real sector

Stronger than expected growth in fixed capital investment and exports of services supported the economy in the third quarter of 2015, when real GDP growth accelerated to 4.2% y-o-y, compared to (revised¹) 3.7% in the previous quarter. Development of large tourism projects and the preliminary works in the highway boosted gross fixed capital formation, expanding by 21.4% y-o-y. Yet, private consumption still presented a negative contribution to economic growth, contracting by 1.6% y-o-y as a result of stagnating wages and pensions. By contrast, the contribution from government consumption turned positive in the third quarter, growing by 10.1% y-o-y. Also, the contribution of net exports to growth turned positive in the third quarter, driven by strong growth (13.5% y-o-y) of goods and services as a result of an excellent tourism season. This offset the also robust expansion of imports (7.7%) sustained by acquisition of construction equipment.

High frequency indicators suggest a continuation

of a relatively strong performance in the last quarter of 2015. On the production side, latest data point to a recovery of industrial production led by manufacturing. In November 2015, industrial production grew by 23.6% y-o-y, compared to 12% a month before. Manufacturing output surged by 47.3% y-o-y, driven by pharmaceutical, machinery and wood products. However, mining declined by 20.7% y-o-y due to lower metal ores production. Also, electricity output contracted, albeit more moderately, by 2.5% y-o-y. Meanwhile, tourism continued performing well after the summer season. In the first eleven months of 2015, foreign tourist arrivals recorded further increase of 15.4% y-o-y.

Labour market

The impact of the economic recovery on the labour market presents mixed results. In the third quarter of 2015, the number of employed increased by 3.0% y-o-y. However, as employment gains are being offset by a simultaneous increase in the labour force, the unemployment rate increased to 16.5% at the end of September, a similar level as a year ago (16.4%). At the end of 2015, there were 39,020 jobseekers registered at the Employment Agency, equivalent to an unemployment rate of 16.8%.

Gross wages started to record some modest growth in 2015 after having contracted for most of 2014. However, inflation keeps offsetting nominal salaries gains. In November, the average gross wage increased by nominal 0.6% y-o-y, translating into a 1.1% contraction in real terms.

External sector

In the four quarters to September 2015, the current account deficit narrowed markedly to 12.6% of GDP, compared to 15.8% deficit a year before. The very good results of the tourism season were the main factor for the improvement of the external deficit, in spite of some further deepening of the merchandise trade balance to 40.8% of GDP following a sharp deterioration of exports of 22.9% y-o-y coupled with an increase of imports of 3.6% y-o-y. Higher surpluses in the primary and secondary income balances also

¹ According to ESA2010 methodology.

contributed to the reduction of the current account gap. The trade deficit stagnated in October to widen again in November, as merchandise exports kept declining, albeit at a slower pace. Imports dropped in October, driven by oil price and base effects from the strong performance of meat trade a year ago, but regained growth a month later.

The external deficit is being largely financed by a surge in net FDI, totalling 17.4% of GDP in the four quarters to September, while Central Bank reserves increased by almost 5% of GDP during the same period.

Monetary developments

Falling global oil prices continue to weigh on Montenegrin inflation. The decline of transport prices by 5.3% y-o-y in November dampened inflationary pressures in restaurant and hotels, clothing, beverages and food. As a result, the harmonised index of consumer prices (HICP) eased to 1.7% y-o-y in November, down from 1.9% a month earlier.

Financial sector

Banks loans grew by 4.8% y-o-y in October, albeit moderating its pace to 3.5% in November, as a result of lower government borrowing. Meanwhile, credit to corporates and households' increased in November by 4.6% and 2.8% y-o-y, respectively. The gradual recovery of lending activity was also reflected in further reduction of interest rates and NPL stock. Thus, in November, the average effective interest rate on new loans decreased by 1.95 percentage points y-o-y to 7.76%, while the stock of bad loans declined to 13.3% of total loans in November, compared to 17.1% a year earlier.

Bank deposits grew by robust 16.9% y-o-y in November, driven by corporate savings. Among these, deposits of state-owned companies expanded much faster (34.9% y-o-y) than private companies (21.5%). Households, which account for 53% of total banks deposits, increased their savings by 8.8% y-o-y.

In December, the Central Bank of Montenegro decided to lower as of 2016 the upper limit of the share of mandatory reserves that commercial banks can hold in the form of domestic T-bills to 25%, down from 35% threshold before.

Fiscal developments

In the first eleven months of 2015, the central government cash-base deficit reached 7.3% of GDP, markedly exceeding the full year target of 6.7% of GDP. Although budget revenues were broadly in line with the eleven-months plan (thanks to growing social security contributions compensating for the decline from tax income), current spending increased 4.6% more than planned, driven by repayments of other obligations from previous years' worth 2% of GDP. In contrast, capital spending turned out to be 20% below plan.

On 29 December, the parliament adopted the 2016 (central government) budget, targeting a deficit of 7.15% of GDP. The planned deficit reflects, to a large extent, the allocation of substantial funds (6.8% of GDP) to finance the works in 2016 of the priority section of the highway to Serbia. To stimulate the economy, the government has reduced as of 2016 the higher tax rate on personal income (paid by the employer) from 13% to 12%, and increased public sector wages, pensions and transfers.

According to the 2016 budget law, Montenegro will need to borrow EUR 688 million (or some 18% of GDP) in 2016 to repay EUR 390 million debt, EUR 255 million for the motorway, EUR 36 million to finance the budget deficit, and EUR 6 million to settle the health fund's debt.

In the third quarter of 2015, the net stock of public debt totalled 58.8% of GDP, or 8.7 million less than in the second quarter. The EUR 34 million net increase in external debt (which accounts for 84.7% of the total stock), was offset by EUR 43 million decline in domestic debt. In the same period deposits declined by EUR 219 million, reducing (by 9% q-o-q) the total gross debt to 62.9% of GDP.

TABLE

European Commission, ECFIN-D-1



MONTENEGRO

		2011	2012	2013	2014	2015	Q2 15	Q3 15	Q4 15	Oct 15	Nov 15	Dec 15
1 Real sector												
Industrial confidence ^{1.1}	Balance	N.A.	N.A.	8.7	11.1	9.8	12.8	15.7	8.0	15.7	4.5	3.7
Industrial production ^{1.2}	Ann. %ch	-10.3	-7.1	10.7	-10.4	:	13.7	9.4	:	12.0	23.7	:
Gross domestic product ^{1.3}	Ann. %ch	3.2	-2.7	3.5	1.8	4.0e	3.7	4.2	:	N.A.	N.A.	N.A.
Private consumption ^{1.4}	Ann. %ch	0.5	-3.9	1.6	2.9	1.9e	-0.5	-1.6	:	N.A.	N.A.	N.A.
Gross fixed capital formation ^{1.5}	Ann. %ch	-7.2	-2.4	10.7	-2.5	21.5e	11.9	21.4	:	N.A.	N.A.	N.A.
Construction index ^{1.6}	Ann. %ch	10.2	-13.2	9.7	2.0	:	9.9	2.3	:	N.A.	N.A.	N.A.
Retail sales ^{1.7}	Ann. %ch	12.6	6.7	11.3	2.5	:	2.3	6.2	:	5.2	:	:
2 Labour market												
Unemployment ^{2.1}	%	19.7	19.7	19.5	18.0	17.7e	17.7	16.5	:	N.A.	N.A.	N.A.
Employment ^{2.2}	Ann. %ch	-6.1	2.2	1.1	7.1	1.6e	3.4	3.0	:	N.A.	N.A.	N.A.
Wages ^{2.3}	Ann. %ch	1.0	0.8	-0.2	-0.3	1.1e	0.2	0.3	:	-0.4	0.6	:
3 External sector												
Exports of goods ^{3.1}	Ann. %ch	33.6	-17.8	1.0	-9.7	:	-12.7	-22.9	:	-17.5	-12.6	:
Imports of goods ^{3.2}	Ann. %ch	9.2	-0.1	-3.2	0.6	:	3.2	3.6	:	-5.4	5.6	:
Trade balance* ^{3.3}	% of GDP	-40.0	-43.7	-39.5	-39.8	-39.6e	-40.2	-40.8	:	-41.5	-41.8	:
Exports goods and services ^{3.4}	% of GDP	42.3	43.7	41.3	40.1	:	33.3	71.4	:	N.A.	N.A.	N.A.
Imports goods and services ^{3.5}	% of GDP	64.3	68.1	61.4	60.0	:	69.8	52.3	:	N.A.	N.A.	N.A.
Current account balance* ^{3.6}	% of GDP	-17.6	-18.5	-14.5	-15.2	-16.0e	-16.2	-12.6	:	N.A.	N.A.	N.A.
Direct investment (FDI, net)* ^{3.7}	% of GDP	11.9	14.5	9.6	10.2	:	10.9	17.4	:	N.A.	N.A.	N.A.
International reserves ^{3.8}	mio EUR	303.5	347.9	423.7	544.7	:	818.5	703.0	:	704.1	694.5	:
Int. reserves / months Imp ^{3.9}	Ratio	2.0	2.3	2.9	3.7	:	5.4	4.6	:	4.6	4.5	:
4 Monetary developments												
HICP ^{4.1}	Ann. %ch	3.3	4.0	1.8	-0.5	1.6e	1.6	2.2	:	1.9	1.7	:
Producer prices ^{4.2}	Ann. %ch	3.2	1.9	1.7	0.2	:	0.4	0.2	:	0.0	0.0	:
Food prices ^{4.3}	Ann. %ch	2.8	4.2	4.0	-1.4	:	3.4	3.3	:	2.5	2.5	:
M21 ^{4.4}	Ann. %ch	:	:	:	:	:	:	:	:	:	:	:
Exchange rate EUR/EUR ^{4.5}	Value	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Nominal eff. exchange rate ^{4.6}	Index	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
5 Financial indicators												
Interest rate (3 months) ^{5.1}	%p.a.	2.27	5.32	3.39	1.60	:	:	:	:	:	:	:
Bond yield ^{5.2}	%p.a.	2.45	4.75	3.19	1.26	0.50	:	0.38	:	:	:	:
Stock markets ^{5.3}	Index	11 896	9 091	9 532	10 696	11 949	12 579	12 042	11 555	11 926	11 308	11 430
Credit growth ^{5.4}	Ann. %ch	-6.3	-0.7	3.1	-1.9	:	0.2	4.1	:	4.8	3.5	:
Deposit growth ^{5.5}	Ann. %ch	1.5	9.0	5.9	10.0	:	12.0	15.7	:	18.1	16.9	:
Non-performing loans ^{5.6}	% of total	15.5	17.6	18.4	16.8	:	16.5	14.7	:	13.9	13.3	:
6 Fiscal developments												
General government balance ^{6.1}	% of GDP	-5.4	-6.1	-5.2	-3.1	-6.3e	-5.9	-5.2	:	:	:	:
General government debt ^{6.2}	% of GDP	48.2	55.9	61.6	59.9	61.3e	59.0	58.8	:	:	:	:

* Q figures refer to a 4 quarters moving average.

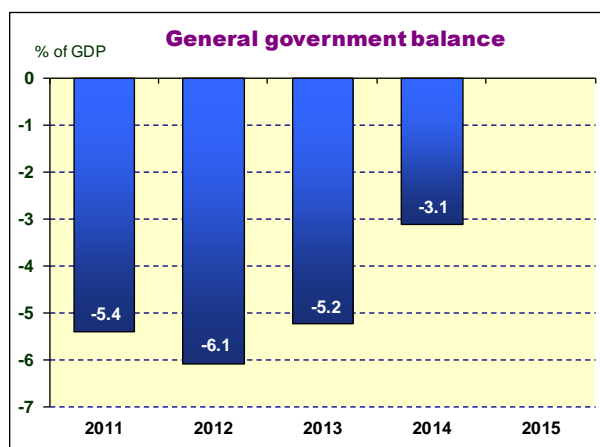
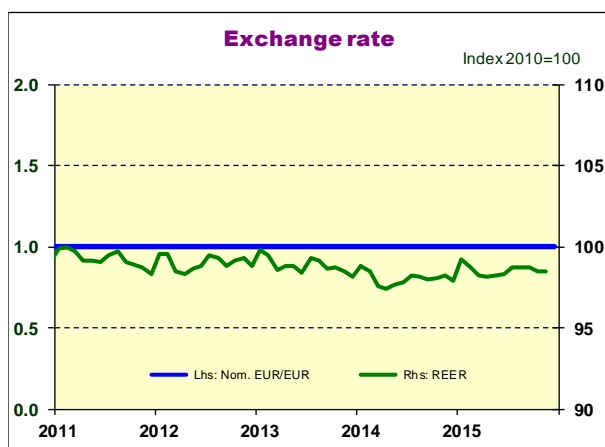
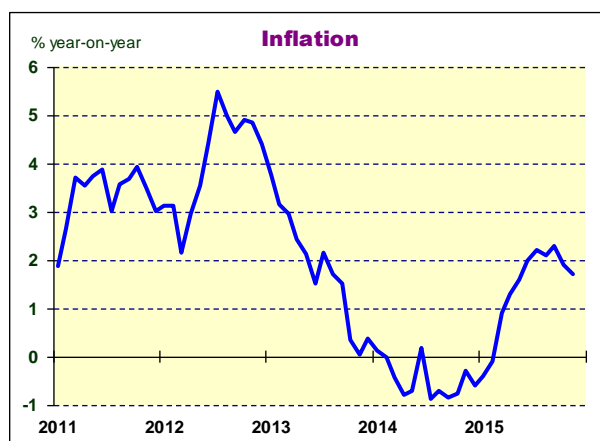
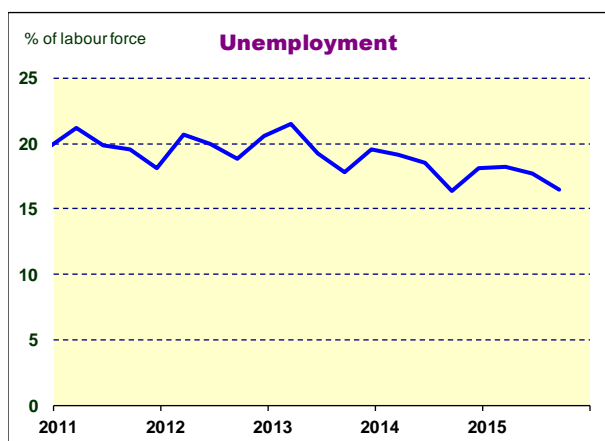
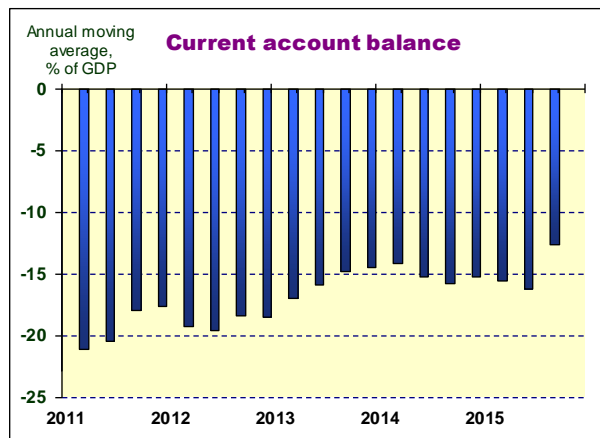
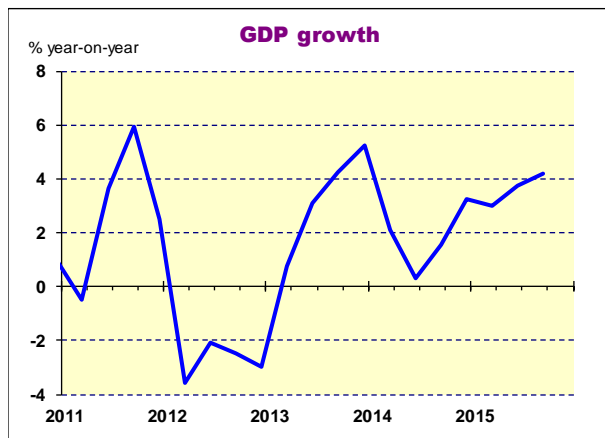
e: ECFIN estimate

CHARTS

European Commission, ECFIN-D-1



MONTENEGRO



SERBIA



Key developments

In mid-December, accession negotiations on two chapters were opened with Serbia – chapter 32 on financial control and chapter 35 on other business: Item 1, on normalisation of relations between Serbia and Kosovo*.

In January, the Prime Minister announced his decision that early national elections should be called, to take place simultaneously with the regular regional (Vojvodina) and municipal elections.

The Executive Board of the IMF completed the third review of Serbia's Stand-By Arrangement in December. The authorities have indicated that they would not make any purchases and will continue to treat the arrangement as precautionary.

In December, amendments to the privatisation law were adopted, stipulating the closing of the Privatisation Agency as of February 2016. The Bankruptcy Supervision Agency and the ministry of economy should take over all remaining privatisation and bankruptcy procedures.

Real sector

Low oil prices and still robust external demand have continued to support the ongoing recovery. GDP growth picked-up in the third quarter to 2.2% y-o-y, from 0.9% y-o-y a quarter before, driven mainly by stronger investments and a robust performance of exports. Recent reforms improving the business environment, coupled with rising FDIs, have underpinned a double-digit investment growth. Total exports performed steadily, growing by 8.8% y-o-y. Higher government expenditure on goods and services has nudged the public consumption growth slightly above zero, signalling a weakening of the otherwise very strong fiscal consolidation effort. On the other hand, households' consumption growth remained negative at -0.6% y-o-y, although less so than previously expected due to higher disposal income as a result of remittances inflows and lower commodity prices. With the exception of real estate activities (-1.0% y-o-y) and agriculture (-6.4% y-o-y), all other sectors

registered some annual growth in the third quarter. Growth was particularly strong in mining and energy, which have recovered from the flood effects from the previous year, and in construction (18.3% y-o-y), booming after three years in decline.

High frequency indicators point at a continuation of good economic performance in the last quarter of last year. Industrial production growth has remained robust in October (7.8% y-o-y) and November (11.7% y-o-y), still largely driven by energy and mining. In addition, manufacturing production increased in most of the sectors and retail trade turnover grew at a steady pace. The Statistical office preliminary estimates put the 2015 growth at 0.8% y-o-y.

Labour market

Due to recent methodological changes, the 2014 LFS data have been revised substantially, resulting in higher activity, employment, and unemployment rates. Notwithstanding, the third quarter LFS continued to register improvements in key labour market indicators. The unemployment rate fell by 1.4 percentage point y-o-y to 16.7%, while the employment rate went up by 0.4 percentage point to 43.2%. These gains were mostly the result of a shrinking labour force and increased private sector employment. However, the overall net employment creation was limited due to job losses in the public sector. Informalities on the labour market continued to decline and the rate of informal employment fell by 2.1 percentage points y-o-y to 20.4%.

The National Employment Service data confirmed an improving labour market situation. The number of unemployed fell by 2.7% y-o-y in the third and the fourth quarter each. Real wages, however, remained in decline, falling by around 2% on average in the period January-November, still influenced by last year's decision to reduce salaries in the public sector.

External sector

After decelerating in September, the growth in monthly exports of goods picked-up again to 6.4% and 8.8% y-o-y in euro terms in October and November, respectively. In line with

rebounding domestic demand, imports went up as well. Since the beginning of the year, until end-November, cumulative exports (8.4% y-o-y) outpaced imports growth (5.9% y-o-y), leaving the merchandise trade balance marginally lower. The good exports performance was visible in Serbia's trade with most of its partners, including with the EU (10.0% y-o-y). However, although from a low basis, exports increased rapidly towards countries in Asia (58.4% y-o-y) and Africa (40.0% y-o-y), enabling a diversification and expansion of Serbia's market share in global trade.

In the first ten months, the cumulative current account deficit shrank by 17.2% y-o-y to EUR 1.3 billion. In annualised terms, it stood at 5.2% of GDP (in the four quarters to September), down from 6.0% of GDP in 2014. In addition to the better trade in goods performance, a higher surplus in trade in services and a stronger inflow of workers' remittances pulled the current account deficit down. However, persistently growing primary income outflows, related to direct and portfolio investment, have remained major deficit-increasing factors. Since June, net FDI have accelerated markedly and, in the period June-October, they have doubled in comparison to the same period last year. By end-October, the cumulative net FDI since the beginning of the year stood at EUR 1.4 billion, growing 39.1% y-o-y and covering more than 110% of the current account deficit. Improved balance of payments flows have supported a high level of central bank foreign exchange reserves, which stood at EUR 10.4 billion in December.

Monetary developments

Inflation has been persistently low and below the central bank target tolerance band of $4\pm 1.5\%$ for almost two years. Following a blip above 2% y-o-y in August, due to increased electricity prices, inflation fell back to around 1.5% in December. The long period of price moderation continues to be driven by weak domestic demand, exchange rate stability and low international prices of primary commodities.

Continued price stability and strong fiscal consolidation have facilitated further monetary policy easing. In October, the central bank reduced its key policy rate by another 50 basis points to 4.5%, but has kept the rate unchanged since then, referring to uncertainties from the international environment. The dinar depreciated slightly against the euro in the fourth quarter,

losing on average some 0.5% in comparison to the previous quarter. In October and November, the central bank interventions on the forex market were limited and mostly on the purchase side, while in December it intervened more heavily, selling a EUR 300 million in net terms.

Financial sector

The central bank has completed a special diagnostic study (SDS), covering 14 banks, representing 88% of total banking system assets. The study did not identify capital shortfalls for any of the participating banks and has led to only a limited decrease of the aggregate, SDS adjusted, capital adequacy ratio by 176 basis points to 18.45%.

The growth of commercial banks' non-monetary deposits accelerated to 5.3% y-o-y in November, driven mainly by a rise in the long-term deposits' segment. In an environment of lower interest rates and broadly stable exchange rate, depositors moved from short- to long-term deposits and from foreign currency to dinar deposits. Although overall domestic credit growth accelerated, the growth in bank claims on non-government sectors remained broadly unchanged since the summer (2.1% in end-November), supported by a steady expansion of claims on households. Since August, bank claims on the government have increased, accelerating their growth to 18.7% y-o-y in November. The level of non-performing loans fell slightly to 22.0% in the third quarter.

Fiscal developments

The good budget performance continued and by end-November the overall deficit stood at RSD 65.2 billion, or 1.6% of the estimated annual GDP, and far below the revised target of 4.1% of GDP. Total revenue growth decelerated slightly but still remained robust at 5.3% y-o-y in the period January-November, while total expenditure continued to decline (1.7% y-o-y), pulled down by spending on wages and pensions. Part of the new fiscal space, due to the better budget execution and significant one-off revenues, was used by the government to finance additional one-off expenditure, a limited increase of pensions, and targeted increases of public sector wages.

By the end of November, government debt reached RSD 2,994 billion (75.1% of the estimated GDP), increasing by around RSD 241 billion since the beginning of the year.

TABLE

European Commission, ECFIN-D-1



SERBIA

		2011	2012	2013	2014	2015	Q2 15	Q3 15	Q4 15	Oct 15	Nov 15	Dec 15
1 Real sector												
Industrial confidence ^{1.1}	Balance	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Industrial production ^{1.2}	Ann.%ch	2.0	-3.4	5.6	-6.1	:	12.1	13.2	:	7.8	11.7	:
Gross domestic product ^{1.3}	Ann.%ch	1.4	-1.0	2.6	-1.8	0.8e	0.9	2.2	:	N.A.	N.A.	N.A.
Private consumption ^{1.4}	Ann.%ch	0.9	-2.1	-0.4	-1.3	-1.0e	-1.3	-0.6	:	N.A.	N.A.	N.A.
Gross fixed capital formation ^{1.5}	Ann.%ch	4.6	13.2	-12.0	-3.6	8.1e	8.7	10.1	:	N.A.	N.A.	N.A.
Construction index ^{1.6}	Ann.%ch	28.6	-14.6	-23.8	26.6	:	20.1	54.3	:	N.A.	N.A.	N.A.
Retail sales ^{1.7}	Ann.%ch	-14.6	-3.9	-5.3	2.0	:	0.9	2.2	:	2.4	2.3	:
2 Labour market												
Unemployment ^{2.1}	%	23.0	23.9	22.1	18.9	17.7e	17.9	16.7	:	N.A.	N.A.	N.A.
Employment ^{2.2}	Ann.%ch	-6.0	-1.1	3.7	10.1	5.0e	1.4	0.2	:	N.A.	N.A.	N.A.
Wages ^{2.3}	Ann.%ch	11.1	9.0	5.7	1.1	:	-1.0	-0.6	:	-1.9	-0.1	:
3 External sector												
Exports of goods ^{3.1}	Ann.%ch	14.0	-0.9	25.5	1.2	:	8.0	8.2	:	7.3	:	:
Imports of goods ^{3.2}	Ann.%ch	14.8	1.6	4.7	0.5	:	2.7	0.9	:	5.5	:	:
Trade balance* ^{3.3}	%of GDP	-16.0	-17.8	-12.1	-12.3	-11.0e	-12.6	-12.1	:	N.A.	N.A.	N.A.
Exports goods and services ^{3.4}	%of GDP	34.4	36.3	40.7	43.4	:	46.1	46.9	:	N.A.	N.A.	N.A.
Imports goods and services ^{3.5}	%of GDP	-49.8	-53.6	-51.9	-54.4	:	-57.0	-57.0	:	N.A.	N.A.	N.A.
Current account balance* ^{3.6}	%of GDP	-10.9	-11.6	-6.1	-6.0	-4.7e	-5.4	-5.2	:	N.A.	N.A.	N.A.
Direct investment (FDI, net)* ^{3.7}	%of GDP	-5.5	2.2	3.9	3.7	:	4.0	4.8	:	N.A.	N.A.	N.A.
International reserves ^{3.8}	mio EUR	12 058.2	10 914.7	11 188.8	9 907.2	:	10 292.8	10 511.4	:	10 674.5	10 746.0	:
Int. reserves / months Imp ^{3.9}	Ratio	10.5	9.3	9.2	8.0	:	8.2	8.3	:	8.4	:	:
4 Monetary developments												
CPI ^{4.1}	Ann.%ch	11.2	7.3	7.9	2.1	1.5	1.7	1.5	1.4	1.4	1.3	1.5
Producer prices ^{4.2}	Ann.%ch	9.7	6.4	0.8	0.2	0.7	1.2	-1.2	0.7	-0.7	-0.2	0.7
Food prices ^{4.3}	Ann.%ch	6.4	15.4	-2.5	2.2	:	3.3	0.9	:	1.3	0.3	:
M3 ^{4.4}	Ann.%ch	10.3	9.4	4.6	8.7	:	7.8	4.1	:	5.2	5.5	:
Exchange rate RSD/EUR ^{4.5}	Value	101.96	113.01	113.09	117.25	120.76	120.44	120.21	120.83	120.08	120.65	121.75
Nominal eff. exchange rate ^{4.6}	Index	81.8	74.1	74.0	68.4	66.6	67.6	67.9	66.6	67.9	67.0	66.6
5 Financial indicators												
Interest rate (3 months) ^{5.1}	%p.a.	12.56	12.50	9.49	7.24	:	6.05	:	:	3.00	2.94	:
Bond yield (12 months) ^{5.2}	%p.a.	12.90	13.04	10.67	9.18	:	7.92	:	:	4.95	:	:
Stock markets ^{5.3}	Index	1 270	932	1 035	1 215	1 359	1 435	1 330	1 323	1 316	1 301	1 353
Credit growth ^{5.4}	Ann.%ch	5.5	12.9	-6.5	6.7	:	3.3	5.9	:	6.2	6.6	:
Deposit growth ^{5.5}	Ann.%ch	9.2	10.4	3.3	8.1	:	7.4	3.7	:	4.6	5.3	:
Non-performing loans ^{5.6}	%total	19.0	18.6	21.4	21.5	:	22.8	22.0	:	N.A.	N.A.	N.A.
6 Fiscal developments												
General government balance* ^{6.1}	%of GDP	-4.7	-6.8	-5.5	-6.6	-3.3e	-1.4	-1.5	:	N.A.	N.A.	N.A.
General government debt ^{6.2}	%of GDP	44.2	55.9	58.8	71.0	75.7e	72.8	73.5	:	74.0	75.1	N.A.

* Q figures refer to a 4 quarters moving average.

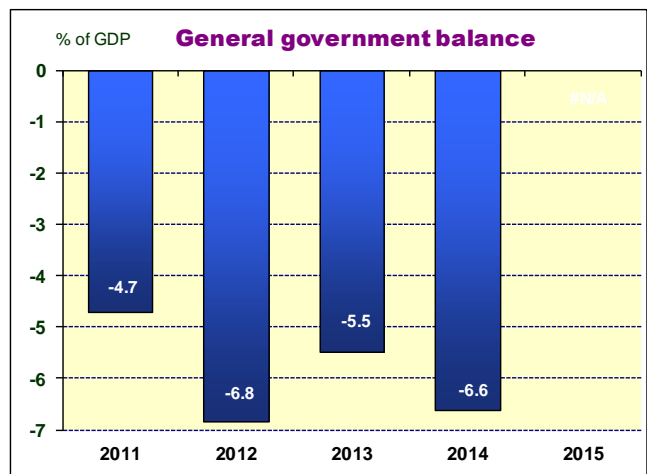
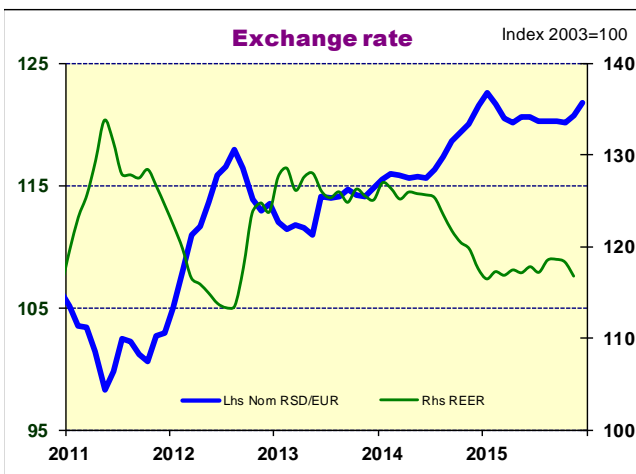
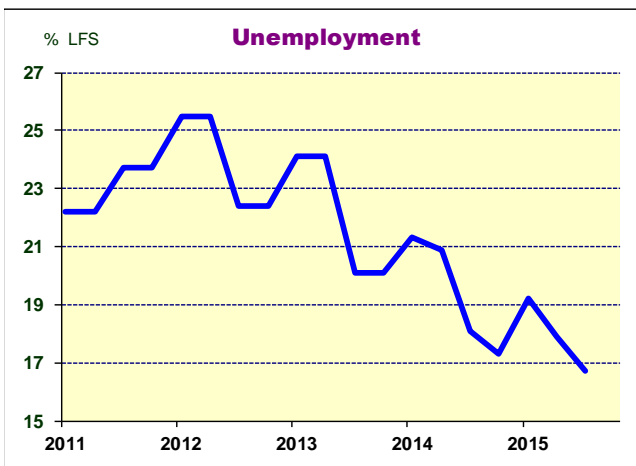
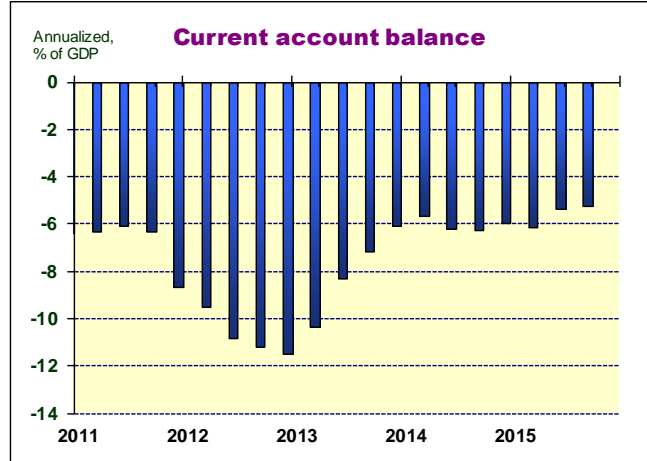
e: ECFIN estimate

CHARTS

European Commission, ECFIN-D-1



SERBIA



TURKEY



Key developments

The general elections on 1 November resulted in an absolute majority for the AK Party of Prime Minister Davutoglu. A new government took office after a vote of confidence in parliament on 30 November.

The government announced a new action plan for boosting economic growth on 10 December. As part of the plan, the minimum wage will be increased by 30% in 2016.

The government's Medium Term Program (MTP) for 2016-2018 was released on 10 October and a revised version on 11 January 2016. The revised MTP projects GDP growth at 4.5% in 2016 and at 5.0% in the following two years.

Following the downing of a Russian bomber aircraft by the Turkish airforce at the Turkish/Syrian border on 24 November, Russia imposed economic sanctions on Turkey as of 1 January.

In Turkey's EU accession process, Chapter 17 (Economic and Monetary Policy) was opened for negotiations at an Intergovernmental Conference in Brussels on 14 December.

Real Sector

Real GDP growth increased 4.0% year-on-year in the third quarter of 2015, up from 3.8% in the preceding quarter. In seasonally adjusted quarter-on-quarter terms, GDP growth registered 1.4%, down from 1.3% in the second quarter.

The main contributions to year-on-year GDP growth came from private consumption (2.2 percentage points), government spending (0.8 pps), and inventory adjustments (1.0 pps). Business investment subtracted slightly from growth (-0.1 pps) since it returned to contraction (-0.7% year-on-year) following a strong surge in the second quarter. Exports of goods and services declined for the third consecutive quarter (-0.6%), subtracting 0.2 pps from

growth. Imports also registered a fall (-1.0%), thereby adding 0.3 pps to growth.

In the fourth quarter, economic confidence indicators recovered in the wake of the general elections. The consumer confidence index surged from 58.5 in September, the lowest level since the recession in 2009, to 77.1 in November before receding slightly in December. The PMI survey also strengthened, rising gradually from 48.8 in September to 52.2 in December, the highest level since November 2014. The available hard data suggest a continuation of moderate growth in the quarter. The retail sales volume index was up by 3.4% year-on-year in both October and November. Industrial production was 3.5% higher year-on-year in calendar-adjusted terms in November. The capacity utilisation rate in the manufacturing industry was up by 1.1 percentage points year-on-year in the quarter.

Labour market

Employment was up by 2.7% year-on-year in October for the 15-64 age group. As the labour force increased slightly faster (2.8%), the unemployment rate was up by 0.1 percentage point to 10.7%. The rise in the labour force was the combined result of a 0.9 percentage-point rise in the participation rate to 56.5% and a 1.2% increase of the working-age population.

Hourly labour costs accelerated from a year-on-year rise of 13.8% in the second quarter to 15.2% in the third quarter, the fastest rise since the beginning of the data series in 2007.

External sector

The 12-month cumulative current account deficit declined significantly from USD 45.6 billion in July to USD 34.7 billion in November. As a percentage of GDP, the current account deficit declined from 5.8% in 2014 to an estimated 4.8% in the 12-month period to November 2015.

Net foreign direct investments increased to USD 10.1 billion in the same period, up from USD

5.7 billion in 2014. As a share of GDP, net FDI doubled from 0.7% to 1.4%. Net portfolio investments, on the other hand, moved sharply in the opposite direction. From an inflow of USD 20.1 billion in 2014, they reversed to an outflow of USD 13.6 billion as international investors reduced their exposure to Turkish equities and bonds sharply.

The current account deficit has been financed with official reserves to a significant extent. The central bank's gross foreign exchange reserves fell by USD 13.4 billion to USD 92.9 billion during 2015. The decline in reserves amounted to USD 7.1 billion in the fourth quarter alone.

Gross external debt increased by USD 3.5 billion in the first three quarters of 2015 to USD 406.0, corresponding to almost 65% of GDP at the end-of-September exchange rate.

Monetary developments

Inflationary pressures strengthened further in the fourth quarter and lifted the CPI's year-on-year increase from 7.9% in September to 8.8% in December, clearly overshooting the official end-of-year target of 5%. 2015 was the fifth consecutive year in which the inflation target was exceeded. Core inflation rose even more than headline inflation, viz. from 8.2% year-on-year in September to 9.5% in December. The passthrough from earlier depreciation continued to exert upward pressure on prices. Food price inflation was particularly strong (10.8%) despite improved agricultural production and the downward trend in global prices for food commodities. Expectations for CPI inflation 12-months ahead increased from 7.3% in September to 7.6% in December.

In December, the Turkish central bank surprised markets by keeping all interest rates on hold despite the worsening inflation performance and the beginning of a monetary tightening cycle in the United States. Since February 2015, the one-week repo rate has remained at 7.5% and the corridor for the interbank overnight rate at 7.25% - 10.75%. A previously promised simplification of the monetary policy framework was postponed. The central bank describes its monetary policy stance as tight.

The lira appreciated by 6.7% against the euro and by 3.3% against the US dollar in the fourth quarter. In the course of 2015 as a whole, the lira depreciated by 12.2% and 20.8% against the

euro and the dollar, respectively. In real effective terms (CPI-based), the lira depreciated by 6.7% between December 2014 and December 2015.

Bank lending to the non-financial sector decelerated from 24.2% to 21.1% year-on-year over the fourth quarter. This was driven by consumer loans which fell back to a year-on-year growth rate of 8.3% at the end of December from 11.6% three months earlier.

Financial sector

Stock prices rallied in October before falling back again in November and December. The main stock index of the Borsa Istanbul was 3.3% lower over the quarter and 16.1% over the year as a whole. The yield on government debt was little changed over the quarter.

The banking sector's net profit increased by 5.6% year-on-year in the first eleven months of 2015 after having been flat in 2014. The sector's capital adequacy ratio declined by 1.1 percentage points year-on-year to 15.5% at the end of November. The share of non-performing loans in total loans edged up to 3.2%.

Fiscal developments

The central government's budget deficit declined from TRY 23.4 billion in 2014 (1.3% of GDP) to TRY 22.6 billion in 2015 (1.2% of estimated GDP). Thereby, the realised deficit stood between the government's initial budget plan (1.1% of GDP) and the upward-revised target from October (1.3% of GDP). Revenues and expenditures increased by 13.6% and 12.8%, respectively.

The 2016 budget had not yet been adopted at the end of 2015 due to the limited time available after the general elections on 1 November. A temporary budget law is in force in the first quarter of 2016. According to the revised Medium Term Program, the 2016 budget will operate with a deficit of 1.3% of GDP.

General government debt as a share of GDP increased by 1.1 percentage points over the first three quarters of 2015 to 34.6%. This was mainly the result of lira depreciation since about one third of public debt is denominated in foreign currency.

TABLE



European Commission, ECFIN-D-1

TURKEY

		2011	2012	2013	2014	2015	Q2 15	Q3 15	Q4 15	Oct 15	Nov 15	Dec 15
1 Real sector												
Industrial confidence ^{1.1}	Balance	110.5	106.3	108.1	107.1	104.0	107.3	102.7	102.6	100.5	105.2	102.2
Industrial production ^{1.2}	Ann. % ch	10.1	2.5	3.0	3.6	:	3.7	0.3	:	14.8	3.6	:
Gross domestic product ^{1.3}	Ann. % ch	8.8	2.1	4.2	2.9	3.0e	3.8	4.0	:	N.A.	N.A.	N.A.
Private consumption ^{1.4}	Ann. % ch	7.7	-0.5	5.1	1.3	3.6e	5.5	3.4	:	N.A.	N.A.	N.A.
Gross fixed capital formation ^{1.5}	Ann. % ch	18.0	-2.7	4.4	-1.3	3.0e	9.7	-0.5	:	N.A.	N.A.	N.A.
Construction index ^{1.6}	Ann. % ch	-16.2	34.9	16.4	38.5	:	-6.6	-14.0	:	N.A.	N.A.	N.A.
Retail sales ^{1.7}	Ann. % ch	8.9	5.2	4.1	3.9	:	4.0	3.5	:	3.4	3.4	:
2 Labour market												
Unemployment ^{2.1}	%	9.0	8.3	8.9	10.1	10.8e	9.7	10.1	:	10.7	:	:
Employment ^{2.2}	Ann. % ch	6.6	3.1	2.8	1.6	2.2e	1.9	3.5	:	2.7	:	:
Wages ^{2.3}	Ann. % ch	9.7	11.5	12.4	14.2	9.2e	15.2	17.7	:	:	:	:
3 External sector												
Exports of goods ^{3.1}	Ann. % ch	18.5	13.0	-0.4	3.8	:	-8.9	-11.9	:	2.9	-10.2	:
Imports of goods ^{3.2}	Ann. % ch	29.8	-1.8	6.4	-3.8	:	-12.6	-17.4	:	-11.9	-25.3	:
Trade balance* ^{3.3}	% of GDP	-11.5	-8.3	-9.7	-8.0	-8.2e	-7.6	-7.4	:	N.A.	N.A.	N.A.
Exports goods and services ^{3.4}	% of GDP	24.0	26.3	25.6	27.7	:	27.4	27.8	:	N.A.	N.A.	N.A.
Imports goods and services ^{3.5}	% of GDP	32.6	31.5	32.2	32.2	:	31.6	31.4	:	N.A.	N.A.	N.A.
Current account balance* ^{3.6}	% of GDP	-9.7	-6.1	-7.8	-5.9	-5.9e	-5.8	-5.4	:	N.A.	N.A.	N.A.
Direct investment (FDI, net)* ^{3.7}	% of GDP	2.1	1.7	1.5	1.6	:	1.6	2.2	:	N.A.	N.A.	N.A.
International reserves ^{3.8}	bio EUR	83.9	104.8	107.9	115.0	:	124.1	126.8	:	126.7	:	:
Int. reserves / months Imp ^{3.9}	Ratio	5.8	6.8	6.8	7.6	:	7.8	8.0	:	8.0	:	:
4 Monetary developments												
CPI ^{4.1}	Ann. % ch	6.5	8.9	7.5	8.9	7.7	7.7	7.3	8.2	7.6	8.1	8.8
Producer prices ^{4.2}	Ann. % ch	11.1	6.1	4.5	10.2	5.3	6.0	6.3	5.6	5.7	5.3	5.7
Food prices ^{4.3}	Ann. % ch	6.2	8.4	9.1	12.6	11.1	12.2	9.9	9.7	8.7	9.5	10.9
M4 ^{4.4}	Ann. % ch	19.7	9.0	18.5	16.4	17.3	18.2	20.3	18.5	19.6	19.2	16.9
Exchange rate TRY/EUR ^{4.5}	Value	2.33	2.31	2.53	2.91	3.02	2.95	3.17	3.19	3.30	3.09	3.17
Nominal eff. exchange rate ^{4.6}	Index	86.15	84.14	78.86	69.39	:	64.57	61.26	:	59.52	62.36	:
5 Financial indicators												
Interest rate (3 months) ^{5.1}	% p.a.	8.34	8.44	6.60	9.84	10.48	10.50	11.11	11.02	11.28	10.77	11.00
Interest rate, long term ^{5.2}	% p.a.	14.19	16.03	15.31	:	:	:	:	:	:	:	:
Stock markets ^{5.3}	Index	60 751	63 731	77 977	75 190	80 662	83 272	76 859	77 462	78 605	80 318	73 464
Credit growth ^{5.4}	Ann. % ch	35.2	18.6	33.4	19.4	20.7	26.2	27.1	20.7	24.2	22.1	20.7
Deposit growth ^{5.5}	Ann. % ch	20.3	10.8	20.4	18.1	18.4	19.2	21.9	19.9	21.0	19.6	19.1
Non-performing loans ^{5.6}	% total	3.4	3.0	3.0	3.0	3.1	3.0	3.0	3.2	3.1	3.2	3.2
6 Fiscal developments												
General government balance ^{6.1}	% of GDP	-0.8	-0.3	-1.6	-1.5	-1.4e	0.6	-0.9	:	N.A.	N.A.	N.A.
General government debt ^{6.2}	% of GDP	39.9	36.2	36.2	33.5	34.3e	33.7	34.6	:	N.A.	N.A.	N.A.

* Q figures refer to a 4 quarters moving average.

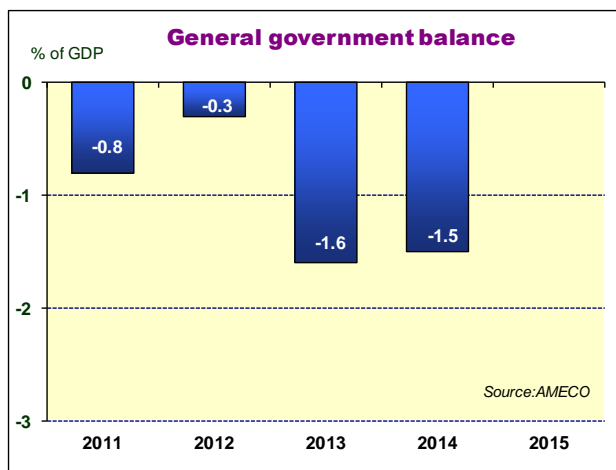
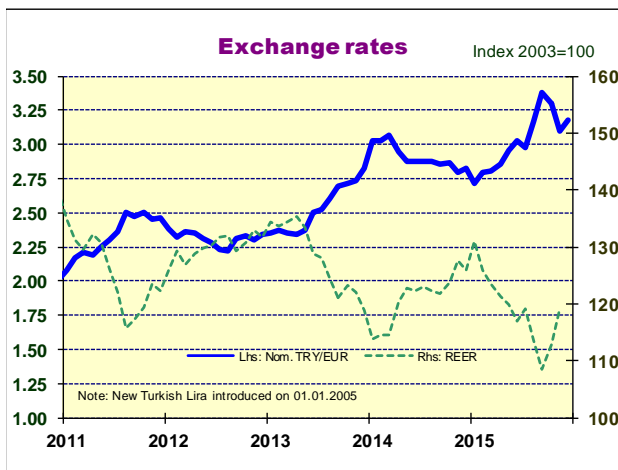
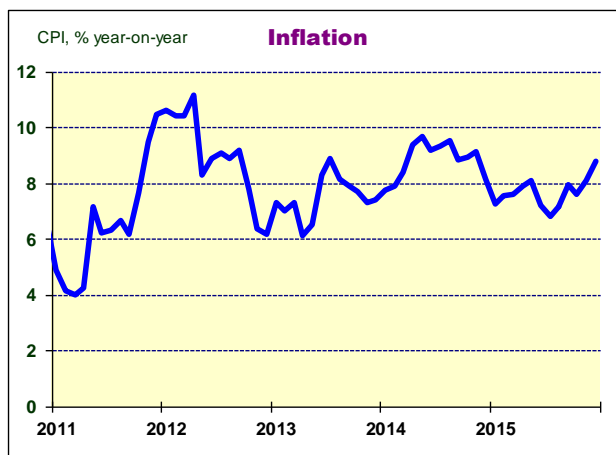
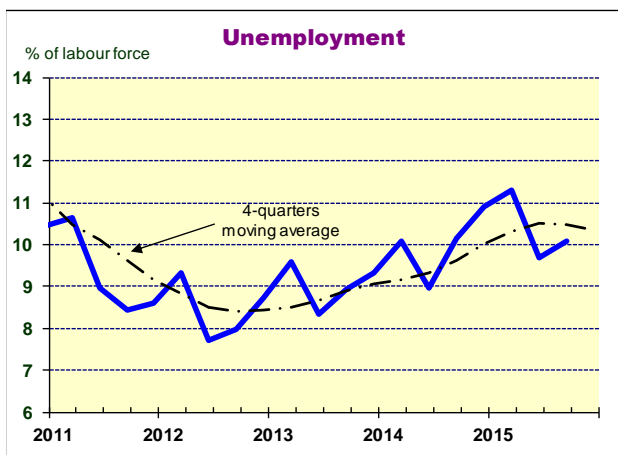
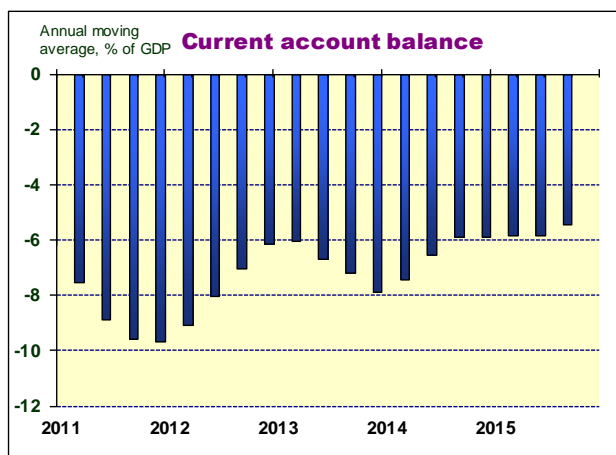
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CHARTS



European Commission, ECFIN-D-1

TURKEY



BOSNIA AND HERZEGOVINA



Key developments

On 8 January, the Federation's Ministry of Finance published its Economic Programme 2016-2018. Real GDP growth is expected to accelerate from 2.6% in 2015 to 4.4% in 2018, while the fiscal balance is planned to improve, from a deficit of 0.8% of GDP in 2016 to a surplus of 1.2% of GDP in 2018. The Serbian entity discussed in parliament its economic outlook, expecting GDP growth of 2.4% in 2016. The World Bank expects for the whole country an increase in GDP by 2.3% in 2016, accelerating to 3.5% by 2018.

On 11 December, the first meeting of the EU-BiH Stabilisation and Association Council took place in Brussels, following the entry into force of the Stabilisation and Association Agreement with the EU in June.

During 28 October and 11 November, an IMF mission met with the authorities of Bosnia and Herzegovina to discuss a possible new IMF programme conditional upon measures to improve the operation of the labour market, increase tax collection and improve the business environment. The discussions will be continued in the period ahead.

On 29 December, the parliament of the Republica Srpska adopted in emergency procedure a new Labour Law, which is supposed to bring the entity's labour legislation closer to international standards.

Real sector

The economy continued to recover during the third quarter. Gross value added was 3.1% higher in real terms than a year before. Like in the first half year, economic activity was largely driven by a strong increase in retail trade and repair by 4.4% y-o-y, contributing about 0.6 percentage points to the quarter's output growth. Real value added by the manufacturing sector increased by 5% y-o-y and contributed about 0.5 percentage points to overall growth. Growth of value added in public sector was high too, around 12% y-o-y. However, due to the sector's smaller weight in output, the impact on overall growth was around 0.2 percentage points only. Furthermore, after 4 weak quarters, agriculture and mining continued to register positive growth rates, with 4% y-o-y and 5.7% y-o-y, respectively.

High-frequency indicators for industrial production confirm this picture and point to continued strong activity in October and November. For example, in manufacturing, real production was 8% and 6% higher than a year before, compared to average growth of slightly below 4% in the first 9 months of the year. Total industrial production rose by 3.4% and 4.9% in October and November, respectively, compared to an average growth of 3.1% in the first nine months. In 2014, industrial output had remained largely unchanged, increasing by 0.2% only.

Labour market

Unemployment remains very high, although stronger economic activity led to a rise in registered employment, by 1.4% on average during the first ten months of the year. Main contributors to employment growth were the sector of wholesale, retail and repair (+2.9% year-on-year and contributing 0.5 percentage points to employment growth in July) and manufacturing, with employment growth of 1.7% year-on-year. Employment in the public sector continued to rise as well. On the other hand, employment in the financial services and the construction sector continued to decline. The registered unemployment rate fell to 42.8% in October, compared 43.6% the year before. Youth unemployment remained above 60%

The difficult labour market situation is also reflected in low wage dynamics. Gross nominal wages increased slightly above 0 % during the first 9 months of the year. In October, wages declined by 1%.

External sector

By end-September, accumulated export levels were largely unchanged compared to a year before, mainly due to weaker exports to neighboring countries, such as Serbia, Montenegro, Croatia, but also Italy. The export performance was negatively affected by weak exports of mineral products and base metals. Spending for imports was some 6% lower than a year before, which however to some extent reflects lower energy and commodity prices. As a result, the trade deficit of the first 9 months of 2015 improved compared to a year before. In the four quarters to September, it declined to -27.8% of GDP, compared to -28.6% in the four quarters to June 2015. The current account

registered a similar dynamics during the same period. In the four quarters to September, its deficit narrowed to 6.5% of GDP, compared to 6.9% a quarter before.

On the financing side, net FDI inflows dropped to 1.2% of GDP in the third quarter, bringing average net FDI inflows in the four quarters to September to 1.6% of GDP.

Foreign reserves continued to improve in the second half of the year. In the third quarter, a somewhat stronger increase in foreign exchange inflows and moderate growth of import spending led to an increase in reserves to 6.8 months of imports. However, in October and November, this ratio dropped again to around 6.5 months of imports, which however is nearly 1 month of imports higher than a year before.

Monetary developments

The overall price level continued to decline. In the first eleven months of 2015, the overall level of consumer prices was 0.9% lower than in the same period a year before. However, the decline in the index was mainly driven by a limited number of commodity groups, such as clothing and footwear, and transport, while prices for housing and education rose by 1.2% and 2.2%, respectively.

On the back of the steady growth of deposits, the liquidity conditions have remained rather accommodative and the annual growth of the monetary aggregate M2 continued to increase by more than 8% in the third quarter, compared to 8.4% in the second quarter. In November, the increase in M2 remained strong, at 8.1% y-o-y.

Financial sector

In spite of the stronger economic growth in the first three quarters of 2015, credit growth has remained at some 2% y-o-y. In November, credit growth accelerated to 3.4% y-o-y, mainly due to an increase of commercial banks claims to corporates, which after one year of declining, returned to previous levels. The deceleration of bank lending to the public sector continued, with a loan increase in November by 3% year-on-year only, compared to an average growth of 15% in the first half of 2015. The share of corporate loans in total loans dropped from 43.9% in November 2014 to 42.8% in November 2015, while the shares of loans to households increased from 44.3% to 45.1%. The share of loans to the public sector remained largely unchanged at close to 6% of total loans. The level of short-term interest rates on consumer

and corporate loans continued its moderate downward trend, reaching in November rates around 6.5%, which is nearly one percentage point lower than a year before.

Growth of total deposits accelerated towards the end of the year, reaching 7.9% in November, while average growth in the first eleven months was around 6%. On the back of the parallel low dynamics of credit growth, the downward adjustment of the loans-to-deposit ratio continued at a faster pace, falling to 105% as of end-November.

The share of non-performing loans in total loans continued to decrease, to 13.8% in the third quarter, compared to 14.1% in the second quarter. At the same time, the credit risks have been mitigated through an increase of loan-loss provisioning to 70.5%. Banking sector profitability improved, with an increase in the return on average equity to 7.6%, compared to 5.7% and 2.8% in the second and first quarter, respectively. The return on average assets rose to 1% in the third quarter, compared to 0.7% and 0.4% in the second and first quarters, respectively. The system's overall capital adequacy ratio remained at the comfortable level of 16.2%, decreasing slightly from 16.3% as of end-December 2014. However, there are significant differences among the various institutions.

Fiscal developments

The fiscal performance in the first three quarters of 2015 has been markedly by higher than budgeted revenues, increasing by some 3% y-o-y. In particular, tax revenues rose by 5.7%, compared to the same period a year before. According to provisional data, levels of current spending have remained largely unchanged during this period. However, capital spending was rather low in the first half of 2015, but increased markedly in the third quarter. According to the Global Fiscal Framework from June 2015, the general government deficit target for 2015 was 1.6% of GDP. However, there is a significant risk of fiscal slippage towards the end of the year. The 2016 budget foresees a deficit target of 2.8% of GDP.

In the third quarter of 2015, public foreign debt declined and dropped slightly below 30% of GDP. Foreign debt servicing has been on the rise recently and came to nearly 3% of GDP. Overall, the level of general government debt was 4% higher in the third quarter than a year before. However, as a ratio of GDP, public debt remained, at some 42.4% of GDP.

TABLE

European Commission, ECFIN-D-1



BOSNIA AND HERZEGOVINA

		2011	2012	2013	2014	2015	Q2 15	Q3 15	Q4 15	Oct 15	Nov 15	Dec 15
1 Real sector												
Industrial confidence ^{1.1}	Balance	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Industrial production ^{1.2}	Ann. %ch	2.4	-3.9	5.2	0.2	:	5.3	3.7	N.A.	3.4	4.9	:
Gross domestic product ^{1.3}	Ann. %ch	0.9	-0.9	2.4	1.4	:	4.3	3.1	:	N.A.	N.A.	N.A.
Private consumption ^{1.4}	Ann. %ch	1.6	2.2	2.6	3.0	:	:	:	:	N.A.	N.A.	N.A.
Gross fixed capital formation ^{1.5}	Ann. %ch	6.8	6.3	-2.4	9.5	:	:	:	:	N.A.	N.A.	N.A.
Construction index ^{1.6}	Ann. %ch	-24.4	1.3	-25.8	22.2	:	-39.1	-27.2	:	N.A.	N.A.	N.A.
Retail sales ^{1.7}	Ann. %ch	11.2	1.6	4.6	1.7	:	11.1	7.9	:	1.5	5.2	:
2 Labour market												
Unemployment ^{2.1}	%	43.8	45.9	44.5	43.6	:	43.0	43.0	:	42.8	:	:
Employment ^{2.2}	Ann. %ch	-1.6	-0.4	0.6	2.7	:	2.0	1.5	:	1.4	:	:
Wages ^{2.3}	Ann. %ch	4.4	1.5	0.1	-0.1	:	0.4	0.2	:	-1.0	:	:
3 External sector												
Exports of goods ^{3.1}	Ann. %ch	21.0	1.2	10.0	3.0	:	3.8	1.4	:	2.2	-1.1	:
Imports of goods ^{3.2}	Ann. %ch	13.6	-0.1	-0.7	7.1	:	0.7	-3.2	:	-6.2	-5.1	:
Trade balance* ^{3.3}	%of GDP	-30.8	-30.5	-27.4	-29.7	:	-28.6	-27.8	:	N.A.	N.A.	N.A.
Exports goods and services ^{3.4}	%of GDP	32.1	32.2	33.6	33.9	:	34.4	34.6	:	N.A.	N.A.	N.A.
Imports goods and services ^{3.5}	%of GDP	55.8	55.9	54.2	56.8	:	56.1	55.3	:	N.A.	N.A.	N.A.
Current account balance* ^{3.6}	%of GDP	-9.5	-8.8	-5.5	-7.8	:	-6.9	-6.5	:	N.A.	N.A.	N.A.
Direct investment (FDI, net)* ^{3.7}	%of GDP	2.6	1.9	1.4	2.6	:	1.7	1.6	:	N.A.	N.A.	N.A.
International reserves ^{3.8}	mio EUR	3 284.3	3 327.8	3 614.0	4 001.2	:	4 045.5	4 231.5	:	4 337.2	4 411.5	:
Int. reserves / months Imp ^{3.9}	Ratio	5.0	5.1	5.6	5.8	:	6.4	6.8	:	6.4	6.5	:
4 Monetary developments												
CPI ^{4.1}	Ann. %ch	3.7	2.0	-0.1	-0.9	:	-0.5	-1.3	:	-1.8	-1.9	:
Producer prices ^{4.2}	Ann. %ch	3.8	1.3	-2.2	-0.2	:	-0.2	-0.2	:	-1.1	-1.3	:
Food prices ^{4.3}	Ann. %ch	6.0	1.8	0.0	-2.7	:	-0.3	-1.8	:	-1.8	-2.2	:
M2 ^{4.4}	Ann. %ch	5.6	4.6	5.7	7.5	:	8.4	8.1	:	8.7	8.1	:
Exchange rate BAMEUR ^{4.5}	Value	1.96	1.96	1.96	1.96	1.96	1.96	1.96	1.96	1.96	1.96	1.96
Nominal eff. exchange rate ^{4.6}	Index	104.6	105.50	102.76	105.43	:	105.23	107.26	:	107.74	:	:
5 Financial indicators												
Interest rate (3 months) ^{5.1}	%p.a.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Bond yield ^{5.2}	%p.a.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Stock markets ^{5.3}	Index	979	737	770	707	701	710	697	691	686	704	683
Credit growth ^{5.4}	Ann. %ch	5.6	5.2	2.5	3.6	:	2.1	2.0	:	2.0	3.4	:
Deposit growth ^{5.5}	Ann. %ch	2.6	2.6	5.1	8.4	:	6.6	5.1	:	7.6	7.9	:
Non performing loans ^{5.6}	%total	12.0	12.7	14.5	15.2	:	14.1	13.8	:	N.A.	N.A.	N.A.
6 Fiscal developments												
General government balance ^{6.1}	%of GDP	-1.2	-2.0	-2.1	-2.0	:	:	:	:	N.A.	N.A.	N.A.
General government debt* ^{6.2}	%of GDP	31.6	35.9	38.1	40.8	:	43.8	43.1	42.4	N.A.	N.A.	N.A.

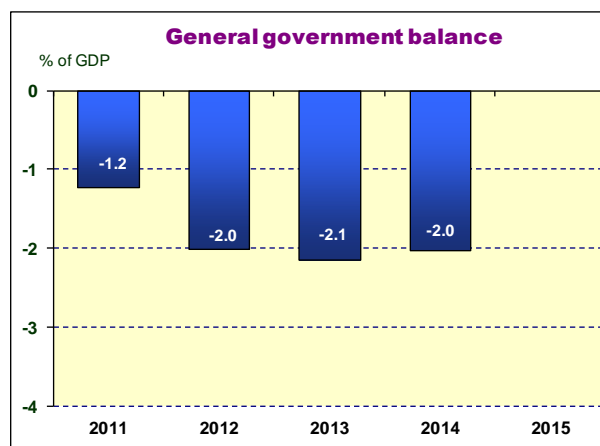
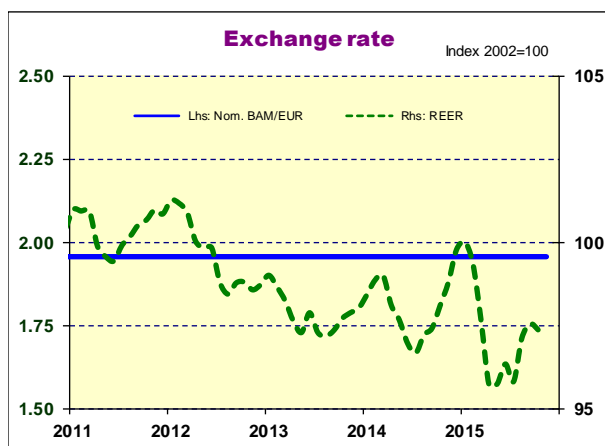
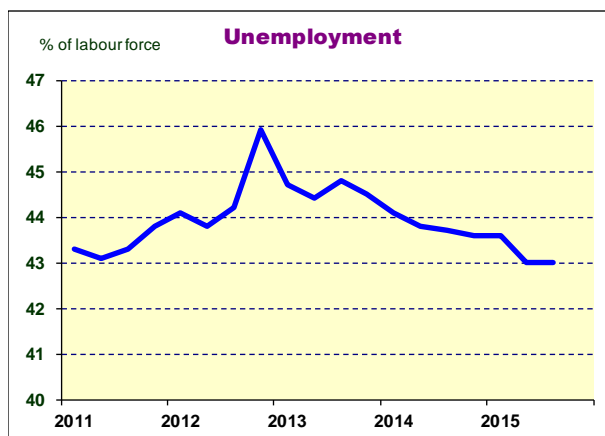
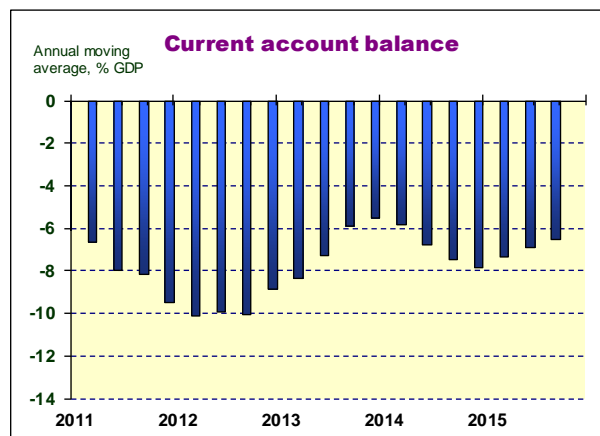
* Q figures refer to a 4 quarters moving average and refers only to foreign public debt.

CHARTS



European Commission, ECFIN-D-1

BOSNIA AND HERZEGOVINA



* This designation is without prejudice to positions on status, and is in line with UNSCR 1244 and the ICJ Opinion on the Kosovo Declaration of Independence.

Key developments

On 17 October, Kosovo signed the Stabilisation and Association agreement with the European Union. The agreement is supposed to facilitate economic development in Kosovo by removing trade and investment barriers and boosting investor's confidence.

The prolonged political crisis in Kosovo continues as the opposition blocks the work of the parliament in protest of the border demarcation deal with Montenegro and the EU brokered deal with Serbia. The obstruction in the parliament threatens to delay reform implementation, agreed under the new 22 month stand by arrangement with the IMF, and foreseen in the newly signed SAA.

Real sector

In the first half of 2015, Kosovo's real GDP growth accelerated to 1.9% y/y, owing to particularly strong rebound in Q2 (3.4% y/y). On the production side, gross value added grew by 0.3% y/y driven by wholesale and retail trade (1.7 p.p.) with substantial positive contributions from construction and real estate activities. Largest negative contributions came from public administration and other services sectors (-1.3 and -1.4 p.p. respectively). Consistent with rising retail trade volumes, the expenditure side shows stronger growth in household consumption (2.9%) and imports (5.7). Recovery in the main trading partners positively influenced exports of goods and services which rose by 12.1% y/y almost offsetting the negative contribution of imports growth.

In the first nine months of 2015, industrial turnover in Kosovo increased by an estimated 3.3% compared to the same period in 2014. Supported by import substitution, rising external demand, and recovering domestic demand, the manufacturing industry in Kosovo expanded by an estimated 10.9% y/y. On the other hand mining industry recorded a sharp decline of 22.8% y/y.

Labour market

Due to the change in methodology, the official

unemployment data is no longer comparable to the previous years' data series. In the course of 2015, registered unemployment increased from 89,210 in January to 108,747 in September. The 22% increase follows after many registered unemployed were deleted from the registry due to inactivity. Their new enlisting could partially explain the rise. Long duration of average unemployment is bound to repeat as more than 60% of registered unemployed are with no formal education and thus with low employment probabilities.

External sector

Balance of payments data for the first nine months of 2015 show a slight widening of the current account deficit (5.5% of GDP compared to 5.1% in the same period in 2014, mainly as a result of lower transfers to the government and lower net income flows. Growing net remittances (9.3% of GDP) helped partially offset a stubbornly high goods and services trade deficit (22% of GDP). On the financing side, net FDI rebounded (4.4% of GDP compared to 1.9% a year ago dto).

By November the cumulative goods exports growth slowed to 1.2% y/y The slowdown came as a surprise following strong export growth in the first three quarters of 2015 (5.6% y/y). The sharp contraction of base metal exports in October and November (-22.9% y/y) was the main driver of exports slowdown. At the same time imports rose by 2.9% y/y driven by 8.2% and 10.2% rise in manufactured goods, and machinery and transport equipment respectively, possibly reflecting the import component of stronger FDI. The trade deficit increased by 3.2% y/y in January to November, reaching 36.8% of GDP

The gross external debt in Kosovo continues increasing but remains on moderate levels. Gross external debt stood at 33.8% of GDP in Q3 2015, compared to 31.5% at the end of 2014. The short term debt component is fully covered by central bank reserves, providing further cushion against shocks.

Monetary developments

Kosovo remains heavily dependent on price developments in the main trading partners, namely the EU. Its economy entered a deflationary period at the end of 2014. Underpinned by declining import prices (-0.8% y/y in the first nine months of 2015), due to falling oil prices, consumer prices continued on a downward trajectory throughout 2015 (-0.5% y/y). However, the swing into deflation can be attributed to few declining price index components, mainly transport and education, whereas food prices have been increasing. Housing utilities prices increased by 2.2% y/y on average throughout 2015 owing to electricity price increases towards the end of 2014. Utility prices are expected to stabilise in 2016 with price increase effects dissipating and the application of the new lower 8% VAT rate as of September 2015. Producer prices have been increasing by 3.5% on average in the first three quarters of 2015; however this development was due to a double digit rise in the cost of electricity after the explosion in Kosovo B power plant in June last year.

Financial sector

The recovery of the credit activity was evident in the first eleven months of 2015 when total loans and lease financing rose by 8.3% y/y. Total deposits in commercial banks continued to grow steadily (5.0% y/y). Thus, the loans to deposit ratio slightly increased to 76.7 still indicating a stable liquidity position and substantial room for stronger banking activity.

Interest rate spread seems to have levelled towards the end of 2015 hovering around 7.1% since June, compared to 8.13 in December 2014. In November the effective interest rate on deposits and loans stood at 1.02%, and 8.2%, respectively.

The risk profile of the banking sector remained satisfactory in August. The ratio of liquid assets and short-term liabilities stood at 43.5%, while capital adequacy ratio was 18.9%, far above the regulatory requirement of 12%. Already low level of NPLs further decreased to 6.5. Existing NPLs are fully covered by loan loss provisions (116.7%).

Improved profitability continued with banking profits rising 52.5% y/y in January to November. Declining interest rates depressed interest

income as well as expenditures. However, a rise in non-interest income and a substantial drop in loan loss provisioning increased profitability of the banking sector. With banks fully capitalised, profitable, liquid and with declining interest rates supply side conditions for stronger credit activity in 2016 seem to be fulfilled.

Fiscal developments

In the first ten months of 2015, revenues rose by 9.4% y/y, substantially lower than the 14.1% increase envisaged by the revised budget. Revenue growth drivers were the VAT and corporate income tax. The 18.5% rise in collected VAT is probably due to collection of some unpaid VAT from 2014 and VAT rate increases starting with September, while the 25.5% rise in corporate tax can be attributed to stronger economic performance in 2015. Border taxes, as the largest single revenue contributor, grew by 8% thanks to successful reforms in the customs administration, directed at better goods evaluation and fighting smuggling. Total spending in the first ten months of 2015 grew by 7.2% on the account of the rising current expenditure (wages and salaries, and transfers grew by 8.8% and 15.4% respectively). Savings were sought in spending on goods and services which contracted by 2% while capital spending stayed on the same level as in 2014. Assuming the usual back loading of capital spending in December, it is still hard to expect full execution of the capital budget as current execution stands at only 57% of the plan. Overall, the budget recorded a EUR 14 million surplus in the first eleven months of 2015.

Public debt with state guarantees increases slowly but still remains at a relatively low level of 12.9% of GDP in Q3 2015.

On November 17, the Kosovo parliament adopted the 2016 budget. It foresees revenue and expenditure growth of 4.4% and 2.3%, respectively, compared to the revised budget for 2015. The deficit is projected to remain in line with the fiscal rule of 2% of GDP and the government deposits are expected to increase to 4.5% of GDP. However, when comparing the 2016 budget to the likely under executed budget outcome in 2015, both revenue and expenditure are ambitiously expected to grow by double digit rates. Experience from recent years shows that delay of capital spending is used to cushion against lower than expected revenue collection.

TABLE

European Commission, ECFIN-D-1

KOSOVO*

		2011	2012	2013	2014	2015	Q2 15	Q3 15	Q4 15	Oct 15	Nov 15	Dec 15
1 Real sector												
Industrial confidence ^{1.1}	Balance	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Industrial production ^{1.2}	Ann. % ch	N.A.	N.A.	3.2	0.2	N.A.	8.7	3.4	:	N.A.	N.A.	N.A.
Gross domestic product ^{1.3}	Ann. % ch	4.4	2.8	3.4	0.9	:	3.4	:	:	:	:	:
Private consumption ^{1.4}	Ann. % ch	3.5	2.9	2.0	1.3	:	3.1	:	:	:	:	:
Investment ^{1.5}	Ann. % ch	7.8	-12.9	-0.3	1.5	:	10.2	:	:	:	:	:
Construction index ^{1.6}	Ann. % ch	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Retail sales ^{1.7}	Ann. % ch	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
2 Labour market												
Unemployment ^{2.1}	%	44.8	30.9	30.0	35.3	:	:	:	:	:	:	:
Employment ^{2.2}	Ann. % ch	:	:	1.4	-4.4	:	:	:	:	:	:	:
Wages ^{2.3}	Ann. % ch	-1.3	-3.0	-5.5	-9.0	:	:	:	:	:	:	:
3 External sector												
Exports of goods ^{3.1}	Ann. % ch	7.8	-13.5	6.4	10.5	:	13.5	-7.5	:	-8.5	-23.0	:
Imports of goods ^{3.2}	Ann. % ch	10.4	5.3	-2.3	3.6	:	7.6	-0.6	:	3.0	3.3	:
Trade balance** ^{3.3}	% of GDP	-42.8	-44.1	-40.5	-39.8	:	-40.1	-40.0	:	-40.2	-40.4	N.A.
Exports goods and services** ^{3.4}	% of GDP	19.6	18.2	17.4	19.7	:	4.6	6.7	:	N.A.	N.A.	N.A.
Imports goods and services** ^{3.5}	% of GDP	56.8	52.4	49.0	50.8	:	13.0	14.5	:	N.A.	N.A.	N.A.
Current account balance** ^{3.6}	% of GDP	-13.7	-7.5	-6.4	-8.0	:	-8.2	-8.3	:	N.A.	N.A.	N.A.
Direct investment (FDI, net)** ^{3.7}	% of GDP	7.9	4.2	4.5	2.3	:	4.2	4.8	:	N.A.	N.A.	N.A.
International reserves ^{3.8}	mio EUR	1 234.6	1 469.1	1 610.0	1 368.1	:	1 394.0	1 516.6	:	1 521.6	1 496.4	:
Int. reserves / months Imp ^{3.9}	Ratio	6.2	7.0	7.9	6.5	:	6.4	7.0	:	7.0	6.9	:
4 Monetary developments												
CPI ^{4.1}	Ann. % ch	7.3	2.5	1.8	0.4	:	-0.4	-0.9	:	-0.8	-0.3	:
Producer prices ^{4.2}	Ann. % ch	4.5	1.9	2.4	1.6	:	4.2	2.7	:	N.A.	N.A.	N.A.
Food prices ^{4.3}	Ann. % ch	12.4	1.0	2.1	-0.2	:	0.7	-0.3	:	-0.7	-0.1	:
Broad money liabilities ^{4.4}	Ann. % ch	8.8	7.1	17.3	-4.2	:	-2.3	4.5	:	:	:	:
Exchange rate EUR/EUR ^{4.5}	Value	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Real eff. exchange rate (CPI) ^{4.6}	Index	106.4	106.1	106.5	106.7	N.A.	104.0	104.50	:	104.90	104.50	:
5 Financial indicators												
Interest rate (new loans) ^{5.1}	% p.a.	13.78	12.67	11.82	10.62	:	7.97	7.97	:	8.21	8.18	:
Bond yield ^{5.2}	% p.a.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Stock markets ^{5.3}	Index	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Credit growth ^{5.4}	Ann. % ch	16.4	3.8	2.4	4.2	:	6.1	7.5	:	8.2	8.3	:
Deposit growth ^{5.5}	Ann. % ch	8.6	8.3	7.5	3.6	:	6.3	5.5	:	4.8	5.0	:
Non-performing loans ^{5.6}	% total	5.7	7.5	8.7	8.3	:	7.2	6.8	:	6.8	6.5	:
6 Fiscal developments												
General government balance** ^{6.1}	% of GDP	-1.7	-2.6	-3.1	-2.2	:	:	:	:	N.A.	N.A.	N.A.
General government debt ^{6.2}	% of GDP	5.3	8.1	8.9	10.6	:	11.5	12.7	:	N.A.	N.A.	N.A.

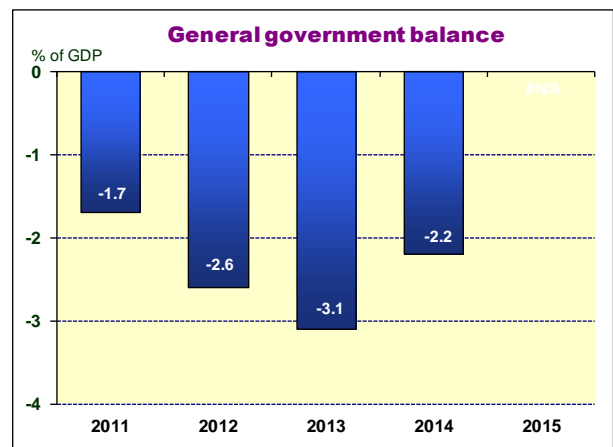
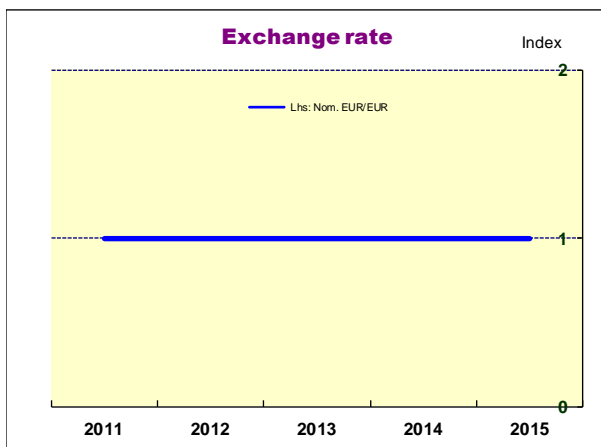
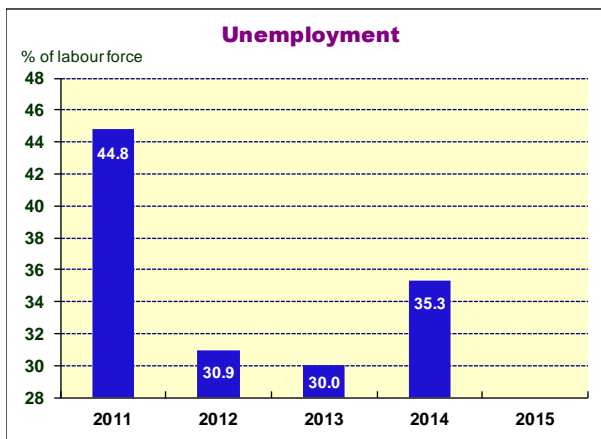
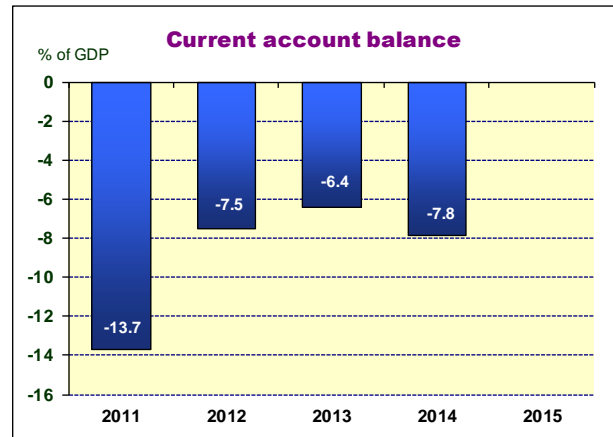
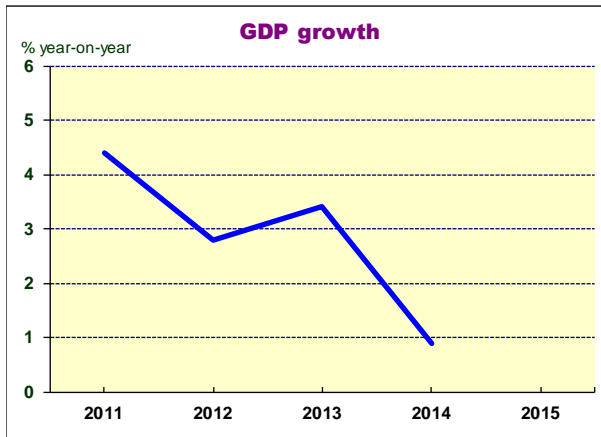
* This designation is without prejudice to positions on status, and is in line with UNSCR 1244 and the ICJ Opinion on the Kosovo Declaration of Independence.

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

CHARTS

European Commission, ECFIN-D-1

KOSOVO*



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Source of data: IMF, national sources



No.	Indicator	Note	Source
1.	Real sector		
1.1.	Industrial confidence indicator	Business Surveys, industry sector, industrial confidence Indicator, SA	IHS/DataInsight
1.2.	Industrial production	Annual percentage change, total, constant prices	IHS/DataInsight
1.3.	Gross domestic product	Annual percentage change, volume. Annual data	IHS/DataInsight
1.4.	Private consumption	Annual percentage change, constant prices, ALL, average prices of previous year	IHS/DataInsight
1.5.	Gross fixed capital formation	Annual percentage change, constant prices, ALL, average prices of previous year	IHS/DataInsight
1.6.	Construction index	Annual percentage change, construction costs, total, 1999Q4=100	IHS/DataInsight
1.7.	Retail sales	Annual percentage change, total, 2005=100	IHS/DataInsight
2.	Labour market		
2.1.	Unemployment	In percent of total labour force	IHS/DataInsight
2.2.	Employment	Annual percentage change	IHS/DataInsight
2.3.	Wages	Average monthly wages in State sector	IHS/DataInsight
3.	External sector		
3.1.	Exports of goods	Annual percentage change, mio. EUR. Break in series 2013.	IHS/DataInsight
3.2.	Imports of goods	Annual percentage change, mio. EUR. Break in series 2013.	IHS/DataInsight
3.3.	Trade balance	In percent of GDP	IHS/DataInsight
3.4.	Exports goods and services	In percent of GDP. Annual data. Break in series 2013.	IHS/DataInsight
3.5.	Imports goods and services	In percent of GDP. Annual data. Break in series 2013.	IHS/DataInsight
3.6.	Current account balance	In percent of GDP, including official transfers	IHS/DataInsight
3.7.	Direct investment (FDI, net)	In percent of GDP	IHS/DataInsight
3.8.	Reserves, International reserves of the National Bank	Net foreign assets, total, mio EUR.	IHS/DataInsight
3.9.	Reserves / months Imp	Ratio of 12 months imports of goods moving average.	IHS/DataInsight
4.	Monetary developments		
4.1.	Interim CPI	Consumer Prices, All items, Total. Annual percentage change Up to 2007 Dec2001 = 100, 2007 onwards Dec2007 = 100.	IHS/DataInsight
4.2.	Producer prices	Annual percentage change, Total, index (1998)	IHS/DataInsight
4.3.	Food prices	Annual percentage change, Food and Non-alcoholic Beverages, Total, December 2007=100	IHS/DataInsight
4.4.	M2	Annual percentage change	IHS/DataInsight
4.5.	Exchange rate LEK/EUR	Period averages	IHS/DataInsight
4.6.	Change real eff. exchange rate	Not available	
5.	Financial indicators		
5.1.	Interest rate	Treasury Bills, 3 Month Auction, Yield	IHS/DataInsight
5.2.	Bond yield	Government Benchmarks, 2 Year Bond, Yield	IHS/DataInsight
5.3.	Stock markets	Not available	
5.4.	Credit growth	Annual percentage change, total	IHS/DataInsight
5.5.	Deposit growth	Annual percentage change, total	IHS/DataInsight
5.6.	Non-performing loans	Credit Portofolio Quality, NPLs %	IHS/DataInsight
6.	Fiscal developments		
6.1.	General government balance	In percent of GDP	IMF
6.2.	General government debt	In percent of GDP	IMF



No.	Indicator	Note	Source
1. Real sector			
1.1.	Industrial confidence indicator	Current Situation, Assessment, Enterprises, total, MKD	IHS/DataInsight
1.2.	Industrial production	Annual percentage change, volume, excluding construction	IHS/DataInsight
1.3.	Gross domestic product	Real Gross Domestic Product, Total, Growth Rate (2005), NSA.	IHS/DataInsight
1.4.	Private consumption	Real Final Consumption, Households including NPISH's, Growth Rate (2005), NSA.	IHS/DataInsight
1.5.	Gross fixed capital formation	Real Gross Capital Formation, Growth Rate (2005), NSA.	IHS/DataInsight
1.6.	Construction	Value Added, Economic Activity, Current Prices, MKD	IHS/DataInsight
1.7.	Retail sales	Annual percentage change, Retail trade, turnover, total. Starting 2012 Retail Sale of Non-Food Products except Fuel (2010), NSA.	IHS/DataInsight
2. Labour market			
2.1.	Unemployment	In percent of total labour force, Labour Force Survey definition for annual data, registered otherwise	IHS/DataInsight
2.2.	Employment	Annual percentage change, Labour Force Survey definition for annual data, registered otherwise	IHS/DataInsight
2.3.	Wages	Annual percentage change; average gross wages (nominal amount in Denar)	IHS/DataInsight
3. External sector			
3.1.	Exports of goods	Annual percentage change, fob	IHS/DataInsight
3.2.	Imports of goods	Annual percentage change, cif	IHS/DataInsight
3.3.	Trade balance	In percent of GDP, fob-cif	IHS/DataInsight
3.4.	Exports goods and services	In percent of GDP, volume	SSO
3.5.	Imports goods and services	In percent of GDP, volume	SSO
3.6.	Current account balance	In percent of GDP, rolling four quarter for quarterly data	IHS/DataInsight
3.7.	Direct investment (<i>FDI, net</i>)	In percent of GDP, annualised data	IHS/DataInsight
3.8.	Reserves, International reserves of the National Bank	Foreign assets, mio EUR.	IHS/DataInsight
3.9.	Reserves / months Imp	Ratio of 12 months imports of goods moving average.	IHS/DataInsight
4. Monetary developments			
4.1.	CPI	Annual average percentage change, HICP not yet available for FYRoM	IHS/DataInsight
4.2.	Producer prices	Annual percentage change, industrial products	IHS/DataInsight
4.3.	Food prices	Annual percentage change, food and non alcoholic beverages	IHS/DataInsight
4.4.	M4	Annual percentage change, M4 (Broadest money)	IHS/DataInsight
4.5.	Exchange rate MKD/EUR	Averages, spot close	IHS/DataInsight
4.6.	Nominal eff. exchange rate	Nominal Effective Exchange Rate, MKD, Index 2005=100	IHS/DataInsight
5. Financial indicators			
5.1.	Interest rate	Interest rate Denar deposits	IHS/DataInsight
5.2.	Bond yield	Not available	
5.3.	Stock markets	MSE Index (MBI-10)	IHS/DataInsight
5.4.	Credit growth	Annual percentage change, domestic credit, DMB, total, overall, with Saving houses, MKD	IHS/DataInsight
5.5.	Deposit growth	Annual percentage change, with Saving houses, total, MKD	IHS/DataInsight
5.6.	Non-performing loans	In percent of total	IHS/DataInsight
6. Fiscal developments			
6.1.	Central government balance	In percent of GDP	MoF
6.2.	Central government debt	In percent of GDP	MoF



No.	Indicator	Note	Source
1.	Real sector		
1.1.	Industrial confidence indicator	Surveys, EC Industry Survey, Industrial Confidence Indicator, NSA	IHS/DataInsight
1.2.	Industrial production	Annual percentage change	IHS/DataInsight
1.3.	Gross domestic product	Annual percentage change, annual data, chain index. ESA2010 from 2011 onwards, before ESA95.	IHS/DataInsight
1.4.	Private consumption	Annual percentage change, annual data, chain index	IHS/DataInsight
1.5.	Gross fixed capital formation	Annual percentage change, annual data, chain index	IHS/DataInsight
1.6.	Construction index	Annual percentage change, value of performed work, current prices	IHS/DataInsight
1.7.	Retail sales	Annual percentage change, turnover, total	IHS/DataInsight
2.	Labour market		
2.1.	Unemployment	In percent of active population, e.o.p.	IHS/DataInsight
2.2.	Employment	Annual percentage change of registered employment, avrg.	IHS/DataInsight
2.3.	Wages	Annual percentage change, average gross wages (nominal, in EUR)	IHS/DataInsight
3.	External sector		
3.1.	Exports of goods	Annual percentage change, thou. EUR	IHS/DataInsight
3.2.	Imports of goods	Annual percentage change, thou. EUR	IHS/DataInsight
3.3.	Trade balance	In percent of GDP, annualised data	IHS/DataInsight
3.4.	Exports goods and services	Annual data	IHS/DataInsight
3.5.	Imports goods and services	Annual data	IHS/DataInsight
3.6.	Current account balance	In percent of GDP, annualised data	IHS/DataInsight
3.7.	Direct investment (<i>FDI, net</i>)	In percent of GDP, annualised data	IHS/DataInsight
3.8.	Reserves, International reserves of the National Bank	Claim on nonresidents, total, mio EUR.	IHS/DataInsight
3.9.	Reserves / months Imp	Ratio of 12 months imports of goods moving average.	IHS/DataInsight
4.	Monetary developments		
4.1.	CPI	Consumer price index (from Jan. 2008, cost-of-living index before), annual average percentage change, moving base year	IHS/DataInsight
4.2.	Producer prices	Annual percentage change	IHS/DataInsight
4.3.	Food prices	Annual percentage change, food and non-alcoholic beverages, total, CPPY=100	IHS/DataInsight
4.4.	M21	Annual percentage change, M21 (Broadest money)	Discontinued
4.5.	Exchange rate EUR/EUR	Use of the Euro since March 2002	
4.6.	Nominal exchange rate	Not available	
5.	Financial indicators		
5.1.	Interest rate	Treasury Bills, 3 Month, auction, yield, average	IHS/DataInsight
5.2.	Bond yield	Treasury Bills, 6 Month, auction, yield, average	IHS/DataInsight
5.3.	Stock markets	MOSTE Index, Close	IHS/DataInsight
5.4.	Credit growth	Annual percentage change, commercial banks, assets, loans	IHS/DataInsight
5.5.	Deposit growth	Annual percentage change, commercial banks, liabilities, deposits	IHS/DataInsight
5.6.	Non-performing loans	% of total	Central Bank ME
6.	Fiscal developments		
6.1.	General government balance	In percent of GDP	Min. of Finance
6.2.	General government debt	In percent of GDP	Min. of Finance



No.	Indicator	Note	Source
1. Real sector			
1.1.	Industrial confidence indicator	Not available	
1.2.	Industrial production	Total, Index, CPPY=100	IHS/DataInsight
1.3.	Gross domestic product	Annual percent change at constant (average) prices 2002 Production approach	IHS/DataInsight
1.4.	Private consumption	Annual percent change , Real Individual Consumption Expenditure, Household Sector (ESA2010) (2010), NSA	IHS/DataInsight
1.5.	Gross fixed capital formation	Annual percent change, Real Gross Fixed Capital Formation (ESA2010) (2010), NSA	IHS/DataInsight
1.6.	Construction index	Annual pc change, value of construction work done, total, 2008=100	IHS/DataInsight
1.7.	Retail sales	Annual pc change, retail trade turnover, constant prices, CPPY=100	IHS/DataInsight
2. Labour market			
2.1.	Unemployment	In percent of total labour force, Labour Force Survey definition for annual data. Semi-annual data.	IHS/DataInsight
2.2.	Employment	Annual percentage changes are based on LFS. Monthly and quarterly percentage changes (period of year in relation to the same period of previous year) data are based on official data on registered employment.	IHS/DataInsight
2.3.	Wages	Gross wages annual percentage change; average growth rate, nominal	IHS/DataInsight
3. External sector			
3.1.	Exports of goods	Annual percentage change, mio. EUR, fob	IHS/DataInsight
3.2.	Imports of goods	Annual percentage change, mio. EUR, cif	IHS/DataInsight
3.3.	Trade balance	In percent of GDP, fob-cif, annualised data	IHS/DataInsight
3.4.	Exports goods and services	In percent of GDP	IHS/DataInsight
3.5.	Imports goods and services	In percent of GDP	IHS/DataInsight
3.6.	Current account balance	In percent of GDP, annualised data	IHS/DataInsight
3.7.	Direct investment (<i>FDI, net</i>)	In percent of GDP, annualised data	IHS/DataInsight
3.8.	International reserves NBS	Total, mio EUR.	IHS/DataInsight
3.9.	Reserves / months Imp	Ratio of 12 months imports of goods moving average.	IHS/DataInsight
4. Monetary developments			
4.1.	CPI	Consumer Prices, Total, CPPY, end of period. Forecast = average.	IHS/DataInsight
4.2.	Producer prices	Annual average percentage change, domestic market	IHS/DataInsight
4.3.	Food prices	Annual pc, food and non-alcoholic beverages, CPPY=100	IHS/DataInsight
4.4.	M3	Annual percentage change, M3 (broad money), RSD	IHS/DataInsight
4.5.	Exchange rate RSD/EUR	Spot Rates, close, period average	IHS/DataInsight
4.6.	Nominal eff. exchange rate	Period average, moving base year, RSD	IHS/DataInsight
5. Financial indicators			
5.1.	Interest rate	Treasury Bills, 3 month, yield, average, RSD	IHS/DataInsight
5.2.	Bond yield	Weighted average interest rate on RS government bills.	NBS
5.3.	Stock markets	Belgrade Stock Exchange, BELEXfm index, price return, close, RSD	IHS/DataInsight
5.4.	Credit growth	Annual percentage change, monetary survey, domestic credit, total, RSD	IHS/DataInsight
5.5.	Deposit growth	Annual percentage change, deposits, nonmonetary sector, total, RSD	IHS/DataInsight
5.6.	Non-performing loans	Provisioning against losses	IHS/DataInsight
6. Fiscal developments			
6.1.	General government balance	Consolidated GG, Overall balance including grants. In percent of GDP	Min. of Finance
6.2.	General government debt	Public sector debt. In percent of GDP	Min. of Finance



No.	Indicator	Note	Source
1. Real sector			
1.1.	Industrial confidence indicator	Industry survey, confidence index real sector	Nat. sources
1.2.	Industrial production	Annual percentage change, volume (index 1997), excluding construction	IHS/DataInsight
1.3.	Gross domestic product	Annual percentage change, volume (1987 prices)	IHS/DataInsight
1.4.	Private consumption	Annual percentage change, volume (1998 prices)	IHS/DataInsight
1.5.	Gross fixed capital formation	Annual percentage change,	IHS/DataInsight
1.6.	Construction index	Annual percentage change, construction permits, buildings, total, TRY	IHS/DataInsight
1.7.	Retail sales	Annual percentage change, volume, 2010=100	
2. Labour market			
2.1.	Unemployment	In percent of total labour force, 15-64 age group, Labour Force Survey data	IHS/DataInsight
2.2.	Employment	Annual percentage change, 15-64 age group, Labour Force Survey data	IHS/DataInsight
2.3.	Wages	Annual percentage change; index of real earning per production worker in manufacturing industry	Nat. sources
3. External sector			
3.1.	Exports of goods	Annual percentage change, mio. EUR, fob	IHS/DataInsight
3.2.	Imports of goods	Annual percentage change, mio. EUR, cif	IHS/DataInsight
3.3.	Trade balance	In percent of GDP, annualised moving average	IHS/DataInsight
3.4.	Exports goods and services	In percent of GDP	IHS/DataInsight
3.5.	Imports goods and services	In percent of GDP	IHS/DataInsight
3.6.	Current account balance	In percent of GDP, annualised moving average	IHS/DataInsight
3.7.	Direct investment (<i>FDI, net</i>)	In percent of GDP, annualised moving average of direct investment in reporting economy minus direct investment abroad	IHS/DataInsight
3.8.	Reserves, International reserves of the National Bank	Gross international reserves, mio EUR.	IHS/DataInsight
3.9.	Reserves / months Imp	Ratio of 12 months imports of goods moving average.	IHS/DataInsight
4. Monetary developments			
4.1.	CPI	Annual percentage change, index 1994, Interim HICP is not available	IHS/DataInsight
4.2.	Producer prices	Annual percentage change, wholesale prices index (1994)	IHS/DataInsight
4.3.	Food prices	Annual pc, Food and Non-alcoholic Beverages, Total, TRY, 2003=100	IHS/DataInsight
4.4.	M3	Money supply M3, total, TRY	IHS/DataInsight
4.5.	Exchange rate YTL/EUR	Period averages	IHS/DataInsight
4.6.	Nominal eff. exchange rate	Index 1999, period averages	IHS/DataInsight
5. Financial indicators			
5.1.	Interest rate	Deposit rates, 3 month, close	IHS/DataInsight
5.2.	Bond yield	T-bond ISMA bid, 2 year, yield, close	IHS/DataInsight
5.3.	Stock markets	ISE index, trading volume (business), January 1986 = 1 Turkish Lira	IHS/DataInsight
5.4.	Credit growth	Annual percentage change, banking system, total loans, TRY	IHS/DataInsight
5.5.	Deposit growth	Annual percentage change, banking system, total deposits, TRY	IHS/DataInsight
5.6.	Non-performing loans	In percent of total lons	IHS/DataInsight
6. Fiscal developments			
6.1.	General government balance	In percent of GDP	Nat. sources
6.2.	General government debt	In percent of GDP, ESA 95 methodology	Nat. sources



No.	Indicator	Note	Source
1. Real sector			
1.1.	Industrial confidence indicator	Not available	
1.2.	Industrial production	Production, total, Index 2010=100, Annual percentage change	IHS/DataInsight
1.3.	Gross domestic product	Annual percentage change	IHS/DataInsight
1.4.	Private consumption	Annual percentage change, Households, Total, Chain index	IHS/DataInsight
1.5.	Gross fixed capital formation	Annual percentage change	IHS/DataInsight
1.6.	Construction index	Annual percentage change, residential construction, completed dwellings m2, CPPY=100	IHS/DataInsight
1.7.	Retail sales	Total sale, index CPPY=100, weighted average Federation of Bosnia and Herzegovina 65% Serb Republic 35%	IHS/DataInsight
2. Labour market			
2.1.	Unemployment	Registered, in percent of total labour force	IHS/DataInsight, NSO
2.2.	Employment	Registered, annual percentage change. New methodology as per Dec 2012 – data not fully comparable.	IHS/DataInsight
2.3.	Wages	Annual percentage change, average gross wages, BAM	IHS/DataInsight
3. External sector			
3.1.	Exports of goods	Annual percentage change, mio. BAM, General merchandise, FOB	IHS/DataInsight
3.2.	Imports of goods	Annual percentage change, mio. BAM, General merchandise, FOB	IHS/DataInsight
3.3.	Trade balance	In percent of GDP, annualised data	IHS/DataInsight
3.4.	Exports goods and services	In percent of GDP, estimated from Balance of Payments data	IHS/DataInsight
3.5.	Imports goods and services	In percent of GDP, estimated from Balance of Payments data	IHS/DataInsight
3.6.	Current account balance	In percent of GDP, annualised data	IHS/DataInsight
3.7.	Direct investment (<i>FDI, net</i>)	In percent of GDP, annualised data	IHS/DataInsight
3.8.	Reserves, International reserves of the National Bank	Gross foreign reserves, total, mio EUR	IHS/DataInsight
3.9.	Reserves / months Imp	Ratio of 12 months imports of goods moving average.	IHS/DataInsight
4. Monetary developments			
4.1.	CPI	All Items, with temporary reductions of prices, index CPPY=100	IHS/DataInsight
4.2.	Producer prices	Domestic, total, index CPPY=100	IHS/DataInsight
4.3.	Food prices	Annual pc change, food and non-alcoholic beverages, 2005=100,	IHS/DataInsight
4.4.	M2	Annual percentage change, M2 (broadest money)	IHS/DataInsight
4.5.	Exchange rate BAM/EUR	Period averages, spot rates, close	IHS/DataInsight
4.6.	Nominal eff. exchange rate	Index (2002 Apr=100); 9 Trade partners selected in order to set up the index (AT, FR, DE, HU, IT, SLO, HR, RS, CH)	IHS/DataInsight
5. Financial indicators			
5.1.	Interest rate	Not available	
5.2.	Bond yield	Not available	
5.3.	Stock markets	SASX-10 Index, close	IHS/DataInsight
5.4.	Credit growth	Annual percentage change, loans, total, BAM, End of period	IHS/DataInsight
5.5.	Deposit growth	Annual percentage change, deposits, total, BAM, End of period	IHS/DataInsight
5.6.	Non-performing loans	NPLs to total loans, BAM, End of period	IHS/DataInsight
6. Fiscal developments			
6.1.	General government balance	In percent of GDP, consolidated budget, net lending	IHS/DataInsight
6.2.	General government debt	In percent of GDP, external public debt	IHS/DataInsight

No.	Indicator	Note	Source
1.	Real sector		
1.1.	Industrial confidence indicator	Not available.	
1.2.	Industrial production	Annual % ch	SOK, EC calculation
1.3.	Gross domestic product	Annual percentage change.	Statistical Office of Kosovo (SOK)
1.4.	Private consumption	Annual percentage change.	SOK
1.5.	Gross capital formation	Annual percentage change.	SOK
1.6.	Construction index	Not available.	
1.7.	Retail sales	Not available.	
2	Labour market		
2.1.	Unemployment	In percent of total labour force.	SOK
2.2.	Employment	Annual pc change of number of employees, LFS	SOK
2.3.	Wages	Annual pc change, average monthly wages (Tax Register).	SOK
3.	External sector		
3.1.	Exports of goods	Annual percentage change.	IHS/DataInsight
3.2.	Imports of goods	Annual percentage change.	IHS/DataInsight
3.3.	Trade balance	In percent of GDP.	SOK
3.4.	Exports goods and services	In percent of GDP.	Central Bank of Kosovo
3.5.	Imports goods and services	In percent of GDP.	CB Kosovo
3.6.	Current account balance	In percent of GDP, Annual data.	IMF, CB Kosovo
3.7.	Direct investment (<i>FDI, net</i>)	In percent of GDP, Annual data.	CB Kosovo
3.8.	Reserves, International reserves of the National Bank	CBAK Survey, claims on nonresidents, mio EUR.	IHS/DataInsight
3.9.	Reserves / months Imp	Ratio of 12 months imports of goods moving average.	IHS/DataInsight
4.	Monetary developments		
4.1.	Interim CPI	Annual average percentage change, index (May 2002 = 100)	IHS/DataInsight
4.2.	Producer prices	Annual percentage change, total, 2007=100	IHS/DataInsight
4.3.	Food prices	Annual percentage change, food and non-alcoholic beverages, CPPY=100	IHS/DataInsight
4.4.	M2	Annual percentage change, M2 (deposits included in broad money)	IHS/DataInsight
4.5.	Exchange rate EUR/EUR	Not applicable.	
4.6.	Real eff. exchange rate	Price change % CPI.	CB Kosovo
5.	Financial indicators		
5.1.	Interest rate	Average loan interest rate.	CBK
5.2.	Bond yield	Government bonds, 1 year, auction, yield.	Central Bank of Kosovo
5.3.	Stock markets	Not available.	
5.4.	Credit growth	Annual percentage change, ODC balance sheet, assets, gross loss and lease financing.	IHS/DataInsight
5.5.	Deposit growth	Annual percentage change, ODC deposits.	IHS/DataInsight
5.6.	Non-performing loans	Not available.	CB Kosovo
6.	Fiscal developments		
6.1.	General government balance	In percent of GDP.	IMF, Ministry of Finance
6.2.	General government debt	In percent of GDP.	Ministry of Finance

* This designation is without prejudice to positions on status, and is in line with UNSCR 1244 and the ICJ Opinion on the Kosovo Declaration of Independence.

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