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Western Balkans & Türkiye

2nd Quarter 2023

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European Commission
Directorate-General for Economic and Financial Affairs

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2nd Quarter 2023

Western Balkans and Türkiye

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

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

OVERVIEW – FLASH NOTES

After six consecutive quarters of slowing growth, economic output in the Western Balkan region expanded faster in the first quarter of 2023 than in the previous three months. The region's GDP growth accelerated marginally to 1.7% year-on-year from 1.6% in the preceding quarter as most countries, except for Albania and Bosnia and Herzegovina, recorded a pick-up in the rate of output growth.

Growth was generally driven by net exports and recovering investment. Private consumption showed a mixed performance as it decelerated in most countries and even turned negative in some cases, but it continued to increase at a robust pace in Montenegro. Government consumption contracted in North Macedonia, Serbia and Kosovo, partly reflecting the gradual withdrawal of pandemic-related support measures.

The unemployment rate edged up compared to the previous quarter in several countries, but it was generally lower than in the same period one year earlier. Employment grew at an average pace of 2.2%¹ y-o-y in the Western Balkans in the first quarter of 2023, while labour force participation increased in some countries. Overall, unemployment rates in the region remained high, ranging from 10.1% in Serbia to around 17% in Kosovo (the latter reflects the latest available data from the first quarter of 2022).

The region's four-quarter moving average current account deficit fell to 5.1% of GDP in March, the lowest level since 2021. This improvement was mainly due to the strong growth in services exports, higher remittances inflows, and generally declining merchandise trade deficits helped by moderating import prices. The decrease in the current account deficit was especially pronounced in North Macedonia and Serbia, which saw the largest deterioration in their external balance when the energy crisis hit in 2022.

Driven by decelerating energy and food prices, average annual consumer price inflation in the Western Balkans slowed to 13.5% in the first quarter of 2023. The rate of inflation continued to fall through May and reached single digits in most countries, ranging from 4.7% in Albania to 14.8% in Serbia. Still above-target inflation led most of the region's central banks with monetary autonomy to raise further their key policy rate, which stood at 3% in Albania, 6% in North Macedonia, and 6.25% in Serbia in June 2023.

Continued economic expansion and high inflation supported the growth of budget revenues and fiscal balances improved in almost all Western Balkan economies in the first five months of 2023, except for North Macedonia. The public debt-to-GDP ratio decreased in all countries in the first quarter of 2023 compared to end-2022, partly due to the robust rise in nominal GDP. The public debt ratio remained the highest in Montenegro and Albania at 66.1% and 63.3% of GDP, respectively.

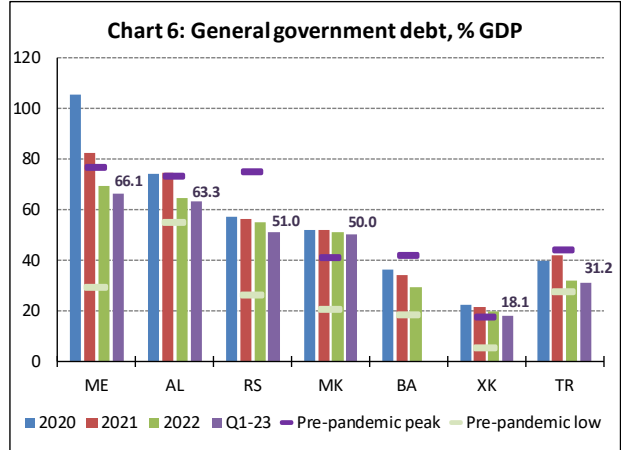
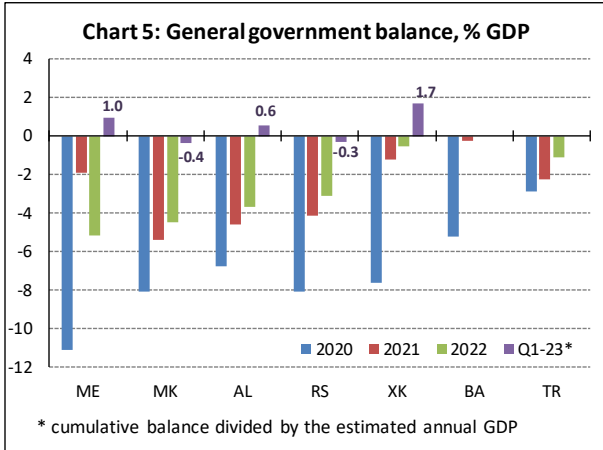
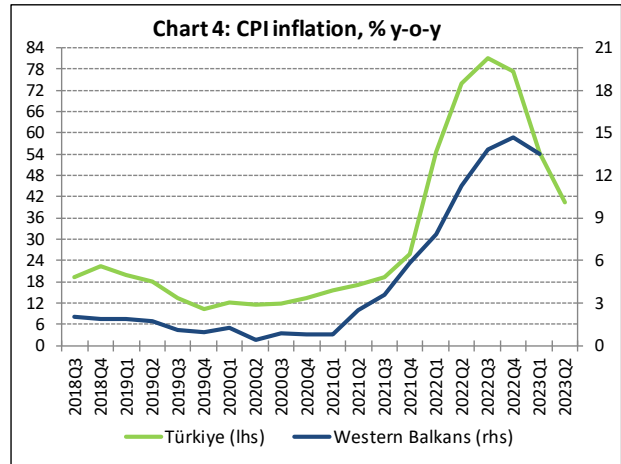
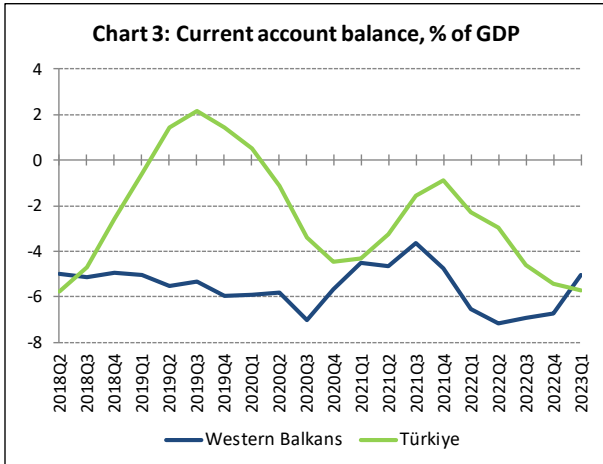
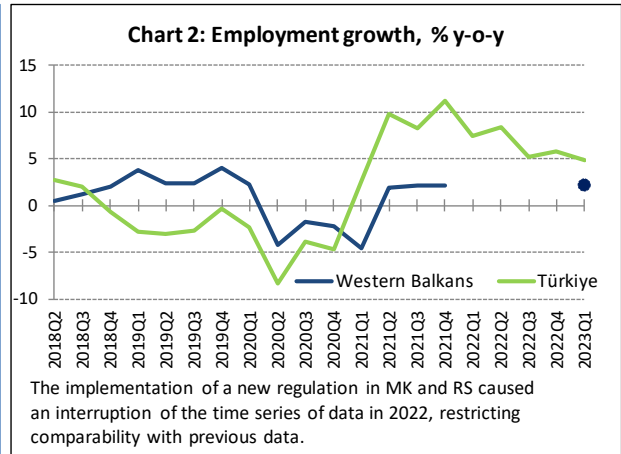
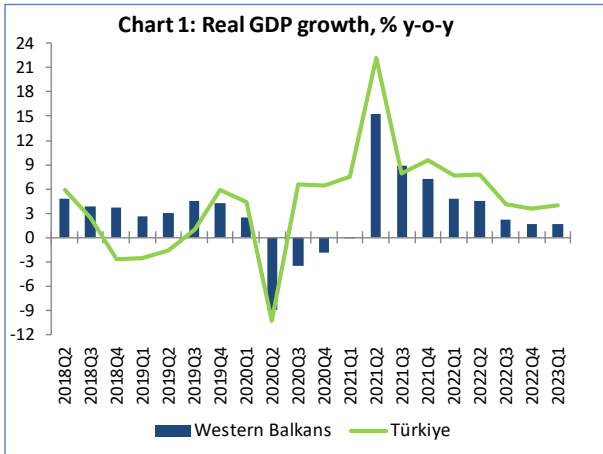
In Türkiye, the economic rebound continued in the first quarter of 2023, with real GDP growth accelerating to 4% y-o-y from 3.5% in the previous three months. Growth was driven by domestic demand, in particular robust household consumption, but it was accompanied by widening imbalances. The 4-quarter rolling average current account deficit increased to 6% of GDP in April compared to 5.4% in 2022.

¹ This figure does not include Kosovo and North Macedonia for which first-quarter data were not available by the cut-off date for this report.

Disinflation lost speed with annual consumer price inflation slowing only marginally to 38.2% in June. To counteract high inflationary pressures and anchor inflation expectations, the central bank began tightening its monetary policy stance by increasing its key policy rate by 650 bps. to 15% in June. Following May's elections, the lira's depreciation accelerated. By early July it had lost 34% of its value against the US dollar compared to the end of April.

Total expenditure almost doubled in year-on-year terms and the central government budget deficit stood at TRY 263.6 billion (1.2% of GDP) in the first five months of 2023. Government debt decreased slightly to 31.2% of GDP in the first quarter of 2023, compared to 31.7% at end-2022.

Candidate and potential candidate countries: Overview graphs



Candidate and potential candidate countries: Summary table

	2018	2019	2020	2021	2022	ECFIN 2023 Spring forecast		Q4 22	Q1 23	Q2 23	Apr 23	May 23	Jun 23
						2023	2024						
Gross domestic product (in real terms, annual % change)													
Albania	4.0	2.1	-3.3	8.9	4.8	2.9	3.8	4.4	2.7	:	N.A.	N.A.	N.A.
Bosnia and Herzegovina	4.6	2.3	-3.3	7.1	4.0	1.5	2.3	1.9	1.1	:	N.A.	N.A.	N.A.
Montenegro	5.1	4.1	-15.3	13.0	6.1	3.0	2.9	3.3	6.1	:	N.A.	N.A.	N.A.
North Macedonia	2.8	3.9	-4.7	3.9	2.1	2.0	3.1	0.6	2.1	:	N.A.	N.A.	N.A.
Serbia	4.5	4.3	-0.9	7.5	2.3	1.9	3.0	0.5	0.7	:	N.A.	N.A.	N.A.
Türkiye	3.0	0.8	1.9	11.4	5.6	3.5	4.0	3.5	4.0	:	N.A.	N.A.	N.A.
Kosovo	3.4	4.8	-5.3	10.7	3.5	:	:	3.6	3.9	:	N.A.	N.A.	N.A.
Unemployment													
Albania	12.8	12.0	12.2	12.1	11.3	10.9	10.3	11.0	11.4	:	N.A.	N.A.	N.A.
Bosnia and Herzegovina	18.4	15.7	15.9	17.4	15.4	14.5	14.0	14.3	13.3	N.A.	N.A.	N.A.	N.A.
Montenegro	15.5	15.4	18.4	16.9	15.1	14.1	13.9	14.9	15.8	:	N.A.	N.A.	N.A.
North Macedonia	21.0	17.5	16.6	15.6	14.5	14.2	13.9	14.2	13.4	:	N.A.	N.A.	N.A.
Serbia	13.7	11.2	9.7	11.0	9.6	9.3	9.0	9.4	10.1	:	N.A.	N.A.	N.A.
Türkiye	10.9	13.7	13.1	12.0	10.5	10.1	10.1	10.1	10.4	:	10.0	:	:
Kosovo	29.6	25.7	25.9	20.7	:	:	:	:	:	:	N.A.	N.A.	N.A.
Current account balance* (% of GDP)													
Albania	-6.8	-7.9	-8.7	-7.7	-6.0	-5.9	-5.8	-6.0	-5.2	:	N.A.	N.A.	N.A.
Bosnia and Herzegovina	-3.3	-2.6	-3.2	-2.4	-4.5	-3.8	-4.4	-4.5	-4.5	:	N.A.	N.A.	N.A.
Montenegro	-17.0	-14.3	-26.1	-9.2	-13.2	-10.3	-12.3	-13.2	-14.0	:	N.A.	N.A.	N.A.
North Macedonia	0.2	-3.0	-2.9	-3.1	-6.0	-4.1	-3.8	-6.0	-2.0	:	N.A.	N.A.	N.A.
Serbia	-4.8	-6.9	-4.1	-4.2	-6.9	-5.5	-5.1	-6.9	-4.4	:	N.A.	N.A.	N.A.
Türkiye	-2.6	1.4	-4.5	-0.9	-5.4	-4.2	-2.7	-5.4	-5.7	:	N.A.	N.A.	N.A.
Kosovo	-7.6	-5.7	-7.0	-8.7	-10.5	:	:	-10.5	-9.4	:	N.A.	N.A.	N.A.
Inflation (Consumer price index, annual % change)													
Albania	2.0	1.4	1.6	2.0	6.7	4.6	3.1	7.9	6.5	4.7	4.6	4.7	:
Bosnia and Herzegovina	1.4	0.6	-1.1	2.0	14.0	7.0	4.0	16.2	12.4	:	7.8	6.5	:
Montenegro (HICP)	2.9	0.5	-0.8	2.5	11.9	8.0	4.9	15.7	13.0	:	8.6	8.4	:
North Macedonia	1.5	0.8	1.2	3.2	14.1	7.9	3.7	19.4	16.1	:	13.0	11.3	:
Serbia	2.0	1.8	1.6	4.1	12.0	12.4	5.9	15.1	16.0	:	15.2	14.8	:
Türkiye	16.3	15.2	12.3	19.6	72.3	45.0	30.3	77.4	54.3	40.4	43.7	39.6	38.2
Kosovo	1.1	2.7	0.2	3.3	11.6	:	:	12.1	10.1	:	6.3	5.4	:
General government balance** (% of GDP)													
Albania	-1.6	-1.9	-6.7	-4.6	-3.7	-2.2	-2.2	-3.7	0.6	:	N.A.	N.A.	N.A.
Bosnia and Herzegovina	2.2	1.9	-5.2	-0.3	:	-0.3	-0.8	:	:	:	N.A.	N.A.	N.A.
Montenegro	-3.9	-2.0	-11.1	-1.9	-5.2	-4.7	-4.5	-5.2	1.0	:	1.7	1.7	N.A.
North Macedonia	-1.8	-2.0	-8.0	-5.4	-4.5	-3.9	-3.5	-4.5	-0.4	:	-1.4	-1.6	:
Serbia	0.6	-0.2	-8.0	-4.1	-3.1	-2.8	-1.9	-3.1	-0.3	:	-0.3	:	:
Türkiye	-2.8	-3.2	-2.9	-2.3	-1.1	-4.9	-4.7	-1.1	:	:	N.A.	N.A.	N.A.
Kosovo	-2.9	-2.9	-7.6	-1.2	-0.5	:	:	0.0	1.7	:	1.9	1.5	:
General government debt*** (% of GDP)													
Albania	67.7	65.8	74.3	74.5	64.6	64.3	63.9	64.6	63.3	:	N.A.	N.A.	N.A.
Bosnia and Herzegovina	34.1	32.3	36.1	34.0	29.3	29.5	30.0	29.3	:	:	N.A.	N.A.	N.A.
Montenegro	70.1	76.5	105.3	82.5	69.5	71.0	71.6	69.5	66.1	:	N.A.	N.A.	N.A.
North Macedonia	40.4	40.5	51.9	51.8	51.0	51.5	53.0	51.0	50.0	:	N.A.	N.A.	N.A.
Serbia	53.7	52.0	57.0	56.5	55.2	52.1	50.7	55.2	51.0	:	50.6	:	:
Türkiye	30.1	32.6	39.7	41.8	31.7	32.7	35.0	31.7	31.2	:	N.A.	N.A.	N.A.
Kosovo	17.0	17.6	22.4	21.5	19.9	:	:	19.9	18.1	:	N.A.	N.A.	N.A.

Forecast: ECFIN forecast Spring 2023 published May 2023.

* Q figures refer to a 4 quarters moving average.

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

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

ALBANIA



Key developments

On 16 May, the annual Economic and Financial Dialogue between the EU and the Western Balkans and Türkiye took place. The jointly adopted policy guidance invites Albania to continue its fiscal consolidation path to achieve a positive primary balance as intended in 2023, while supporting vulnerable population if needed. This should be accompanied by a further reduction of arrears, an increase in the tax revenue ratio, and more spending on education, social protection, and health. In addition, Albania agreed to continue reforms supporting SMEs, the energy sector and young people's transition into the labour market.

On 15 June 2023, Albania presented the status of its alignment with the EU acquis on economic and monetary policy ("screening" of chapter 17) in Brussels.

Real sector

Real GDP increased by 2.7% y-o-y in Q1-2023, slowing from 4.4% in the previous three months. Private consumption, which was the strongest growth driver in 2022 (+7.4%), continued to decelerate from 4.8% y-o-y in Q4-2022 to 3% in Q1-2023. Investment growth also slowed somewhat but remained strong at 7% y-o-y. Exports increased by 8.3% y-o-y (Q4-2022: 0.6%), driven by surging services exports (+19.8%), whereas goods exports contracted (-12.3%). Strongly growing services imports (29.7% y-o-y) outweighed the slight contraction of merchandise imports (-0.7%) and pushed overall import growth to 7%. Government consumption returned to positive growth of 4.3% y-o-y following four quarters of contraction.

On the production side, growth was mostly driven by services: the category of "arts, entertainment and recreation and other services" recorded the highest growth (31.8%, partly due to base effects) and despite its small weight in GDP contributed 0.6 pps y-o-y to the GDP growth rate. Only real estate activities, which continued their strong growth for the sixth quarter in a row (11% y-o-y), contributed as much to GDP growth (0.6 pps). Other service categories made an aggregated contribution of about 1.2 pps. The contribution of construction

and industry fell to 0.4 pps and 0.2 pps respectively, partly due to base effects, and agriculture basically stagnated (0.4% y-o-y growth).

The economic sentiment indicator continued its upward trend as increasing confidence across the sectors of industry, construction and trade lifted it by 0.8 points in June to a new peak of 19.6 points above the historical average. The increase was strongest in construction, while the services confidence indicator fell but it stood around 27.5 pps above the long-term average. Consumer confidence continued its gradual convergence to its historical average amid moderating price expectations.

Labour market

Employment continued to grow in Q1-2023, by 0.4% q-o-q for the age group 15-64 (4.4% y-o-y). The unemployment rate (15-64 years) fell to 11.4% in Q1-2023 from 11.7% in Q1-2022 but edged up by 0.4 pps q-o-q. The unemployment rate of young people (15-29) increased by 1.8 pps y-o-y to 22.5%; however this masks the 2.8 pps y-o-y increase in the participation rate for this age group. While overall female unemployment tends to be higher than of men, the unemployment rate of young women (15-29) was lower than young men's in Q4-2022 and Q1-2023 (by 1.9 pps and 1.1 pps respectively).

The labour force participation rate (15-64 years) continued to climb to a new peak of 75.7%, 4.4 pps above Q1-2022. This was driven by a 5 pps y-o-y increase in the female participation rate to 69.5%, which continued to narrow the gender gap to 12.7 pps in Q1-2023 (down from 15.3 pps in Q1-2022). However, compared to Q4-2022 the gender gap widened by 1.1 pps. Employment decreased by 2.7% y-o-y in industry and grew again the most in services (11%). Agricultural employment grew slightly by 0.4% annually but contracted by 3.2% compared to Q4-2022.

The average monthly nominal wage increased by 9.2% y-o-y in Q1-2023, but contracted by 2% q-o-q. Agriculture, the sector with the lowest wages, continued to register the strongest increase of 14.2% y-o-y.

External sector

The four-quarter moving average current account deficit decreased further to 5.2% of GDP in Q1-2023 from 6% in Q4-2022 and 7% in the same period one year earlier. This improvement was due to a 1.7 pps y-o-y increase in the services trade surplus to 13.7% of GDP in Q1-2023, supported by increasing tourism and manufacturing services, and a decrease of the goods trade deficit by 1 pp to 23.2%. The strong growth in services exports pushed the share of total exports in GDP to 37.8% (up 4.8 pps y-o-y), while imports rose by 2.5 pps to 47.4% of GDP. The secondary income surplus decreased by 0.6 pps y-o-y to 6.1% of GDP as the share of remittances in GDP continued its decline (to 4.8%). The primary income deficit increased by 0.2 pps y-o-y to 1.7% of GDP.

In the four quarters to Q1-2023, net FDI inflows dropped by 2.7% y-o-y, mainly due to increasing outflows in Q1-2023, and their share in GDP slightly decreased to 6.4% from 6.5% one year earlier. They still financed more than 100% of the current account deficit. Foreign reserves returned to above EUR 5 billion in March 2023, following a slight drop to EUR 4.9 billion in December 2022, while their coverage of imports slightly decreased to 6.8 months on account of the increased import value.

Monetary developments

Since peaking at 8.3% in October 2022 annual inflation has decelerated due to base effects and a drop in transport prices. The inflation rate fell to 4.6% in April before slightly increasing to 4.7% in May 2023. In May, food prices continued to increase in annual terms but fell by 1.2% compared to April 2023, whereas prices for “recreation” and “hospitality services” increased both in annual terms (by 6.9% and 5% respectively) and in monthly terms (by 1.2% and 0.9%). Following a cumulative 250 bps increase, the Bank of Albania has left its key policy rate unchanged at 3% since March 2023.

Supported by continuing external inflows from tourism and FDI, the appreciation of the lek against the euro accelerated from 4.2% y-o-y in January 2023 to 7% in March and 10.4% in June 2023.

The growth of monetary aggregate M3 averaged 7.3% in 2022 but decelerated gradually from 5.7% in January to 2.5% in May 2023.

Financial sector

Credit growth to the private sector decelerated from 10.6% in December 2022 to 8.5% y-o-y in Q1-2023, mainly on account of slowing lending in foreign currency. Despite its deceleration, foreign currency lending grew much faster (12.3% y-o-y) than lending in lek (4.9%) but given the lek’s appreciation the share of foreign currency loans in banks’ loan portfolio remained unchanged at 49%.

Due to concerns about increasing production costs and the creditworthiness of commercial borrowers, banks continued tightening lending standards for loans to enterprises in Q1. Despite a high demand for investments loans, business lending growth slowed by 3.3 pps q-o-q to 5.2% in Q1. Lending conditions and standards for households improved and their lending growth only slightly decelerated to 14.3% y-o-y. Average lending rates increased by 0.3 pps q-o-q to 7.3% for enterprises but decreased for households by 0.4 pps to 7.6% in Q1-2023.

Deposits increased broadly at their average growth rate of the second half of 2022 (9.6%). A shift of individual lek savings to government securities with higher returns could partly explain the slower growth of lek deposits (2.9%) compared to foreign currency deposit growth (15.7%) in Q1. This increased the share of foreign currency deposits by 1.2 pps y-o-y to 54.1%.

The banking sector’s capital adequacy and broad liquidity ratios increased in Q1 to 17.5% (+1 pp q-o-q) and 30.4% (+0.7 pps) respectively. The ratio of non-performing loans to total loans has fluctuated around 5.2% since March 2022, down from 8% in March 2021. Bank profitability indicators recovered to 1.8% (for RoA) and 15.4% (for RoE) in Q1-2023.

Fiscal developments

The budget balance registered a 87.5% higher surplus in the first 5 months than one year earlier on account of strong tax revenue growth (+8.4% y-o-y, driven by profit and income tax revenue) and lower-than-expected spending (with execution at about 90% of the plan). Underspending was mainly due to low capital expenditure execution at 76.7% of the plan; foreign financed capital expenditure lagged particularly behind. Public debt continued to fall to 63.3% of GDP in Q1-2023, 1.3 pps below its end-2022 level.

TABLE



European Commission, ECFIN-D-1

ALBANIA

		2018	2019	2020	2021	2022	ECFIN 2023 Spring forecast		Q4 22	Q1 23	Q2 23	Apr 23	May 23	Jun 23
							2023	2024						
1 Real sector														
Industrial confidence ^{1.1}	Balance	8.3	6.1	-0.8	6.4	7.2	:	:	7.2	8.5	10.5	12.3	10.5	8.6
Industrial production ^{1.2}	Ann. % ch	9.7	5.6	-10.1	23.6	8.0	:	:	0.5	:	:	N.A.	N.A.	N.A.
Gross domestic product ^{1.3}	Ann. % ch	4.0	2.1	-3.3	8.9	4.8	2.9	3.8	4.4	2.7	:	N.A.	N.A.	N.A.
Private consumption ^{1.4}	Ann. % ch	3.1	3.3	-3.3	4.7	7.2	3.3	4.3	4.8	3.0	:	N.A.	N.A.	N.A.
Gross fixed capital formation ^{1.5}	Ann. % ch	2.3	-3.6	-1.4	19.2	6.5	1.3	2.2	9.8	7.0	:	N.A.	N.A.	N.A.
Construction index ^{1.6}	Ann. % ch	5.6	-2.5	9.5	18.0	12.5	:	:	18.5	:	:	N.A.	N.A.	N.A.
Retail sales ^{1.7}	Ann. % ch	1.8	4.2	1.0	5.3	5.1	:	:	3.4	5.1	:	:	:	:
2 Labour market														
Unemployment ^{2.1}	%	12.8	12.0	12.2	12.1	11.3	10.9	10.3	11.0	11.4	:	N.A.	N.A.	N.A.
Employment ^{2.2}	Ann. % ch	2.1	2.4	-1.9	-0.4	4.8	1.2	1.4	5.4	3.7	:	N.A.	N.A.	N.A.
Wages ^{2.3}	Ann. % ch	3.1	3.8	2.7	6.3	8.2	:	:	10.8	9.2	:	N.A.	N.A.	N.A.
3 External sector														
Exports of goods ^{3.1}	Ann. % ch	13.7	-3.8	-9.0	35.6	32.0	:	:	16.8	2.1	:	-19.2	-11.7	:
Imports of goods ^{3.2}	Ann. % ch	2.4	1.2	-6.8	32.3	18.7	:	:	4.1	0.4	:	-3.9	1.2	:
Trade in goods balance* ^{3.3}	% of GDP	-22.4	-22.9	-22.4	-25.3	-23.8	-23.1	-22.8	-23.8	:	:	N.A.	N.A.	N.A.
Exports goods and services* ^{3.4}	% of GDP	31.6	31.3	22.7	31.3	37.5	:	:	37.5	:	:	N.A.	N.A.	N.A.
Imports goods and services* ^{3.5}	% of GDP	45.4	45.0	37.2	44.8	47.9	:	:	47.9	:	:	N.A.	N.A.	N.A.
Current account balance* ^{3.6}	% of GDP	-6.8	-7.9	-8.7	-7.7	-6.0	-5.9	-5.8	-6.0	-5.2	:	N.A.	N.A.	N.A.
Direct investment (FDI, net)* ^{3.7}	% of GDP	8.0	7.5	6.7	6.5	6.7	:	:	6.7	6.4	:	N.A.	N.A.	N.A.
International reserves ^{3.8}	mn EUR	3,399	3,360	3,942	4,972	4,952	:	:	4,952	5,021	:	4,946	4,947	:
Int. reserves / months Imp ^{3.9}	Ratio	7.0	6.5	9.6	8.8	6.9	:	:	6.9	6.8	:	N.A.	N.A.	N.A.
4 Monetary developments														
CPI ^{4.1}	Ann. % ch	2.0	1.4	1.6	2.0	6.7	4.6	3.1	7.9	6.5	:	4.6	4.7	:
Producer prices ^{4.2}	Ann. % ch	1.6	-0.8	-3.4	2.7	19.9	:	:	21.4	:	:	:	:	:
Food prices ^{4.3}	Ann. % ch	2.7	2.9	3.6	3.9	11.8	:	:	14.5	12.6	:	9.6	10.0	:
M3 ^{4.4}	Ann. % ch	-0.2	4.3	10.5	8.6	4.9	:	:	4.9	3.7	:	2.7	2.5	:
Exchange rate ALL/EUR ^{4.5}	Value	127.58	123.00	123.74	122.45	118.98	:	:	116.43	115.41	110.25	112.41	111.10	107.25
Real effective exchange rate ^{4.6}	Index	104.3	107.9	109.9	111.9	112.4	:	:	114.2	115.6	:	119.1	120.1	:
5 Financial indicators														
Interest rate (3 months-TRIBOR) ^{5.1}	% p.a.	1.83	1.45	1.46	1.39	2.21	:	:	3.51	3.70	3.68	3.70	3.68	3.65
Bond yield ^{5.2}	% p.a.	2.20	1.76	1.63	1.63	1.93	:	:	2.35	:	:	:	:	:
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	-1.7	3.0	6.1	6.9	11.2	:	:	9.2	5.5	:	3.0	2.4	:
Deposit growth ^{5.5}	Ann. % ch	-1.2	2.5	5.8	8.5	8.0	:	:	6.3	4.2	:	2.1	2.0	:
Non performing loans ^{5.6}	% total	11.1	8.4	8.1	5.7	5.0	:	:	5.0	5.2	:	5.2	:	:
6 Fiscal developments														
General government revenue** ^{6.1}	% of GDP	27.5	27.2	25.9	27.5	26.8	:	:	26.8	7.2	:	N.A.	N.A.	N.A.
General government expenditure** ^{6.1}	% of GDP	29.1	29.1	32.6	32.1	30.5	:	:	30.5	5.2	:	N.A.	N.A.	N.A.
General government balance** ^{6.1}	% of GDP	-1.6	-1.9	-6.7	-4.6	-3.7	-2.2	-2.2	-3.7	0.6	:	N.A.	N.A.	N.A.
General government debt*** ^{6.2}	% of GDP	67.7	65.8	74.3	74.5	64.6	64.3	63.9	64.6	63.3	:	N.A.	N.A.	N.A.

f. ECFIN forecast Spring 2023 published May 2023

* Q figures refer to a 4 quarters moving average.

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

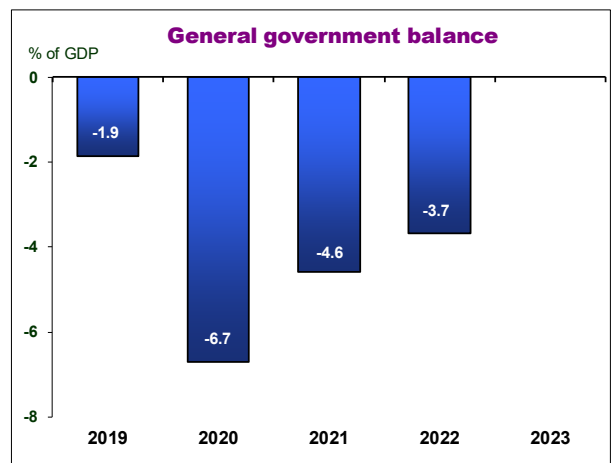
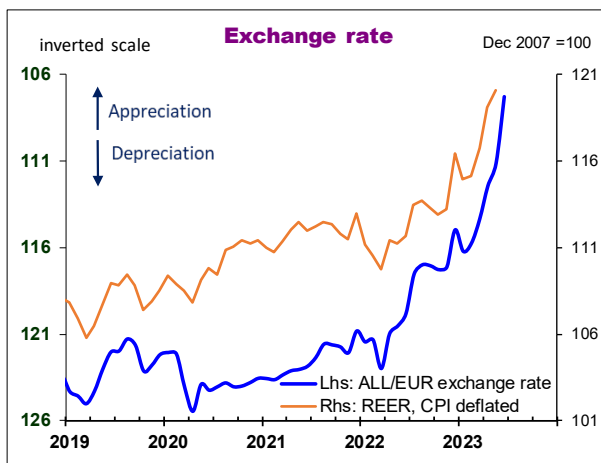
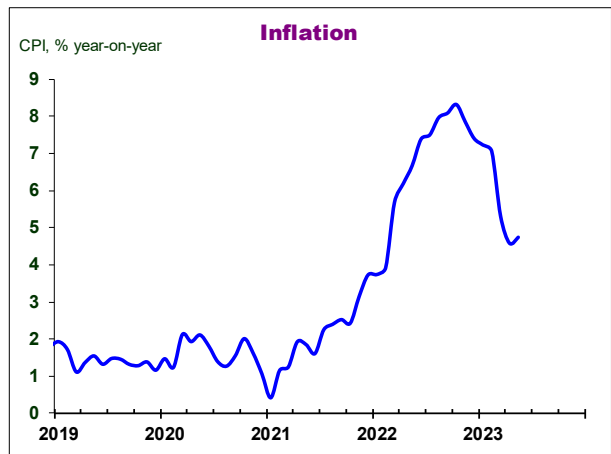
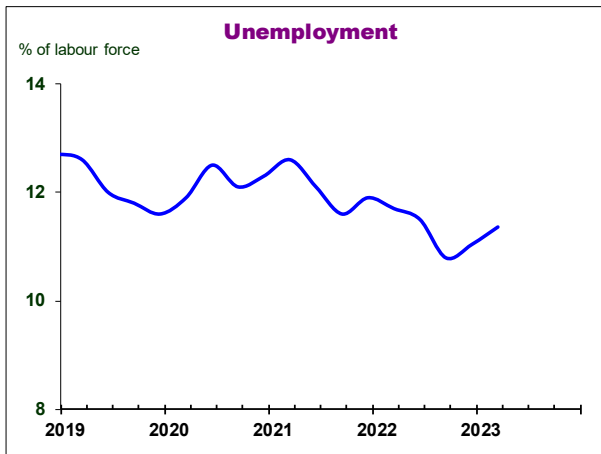
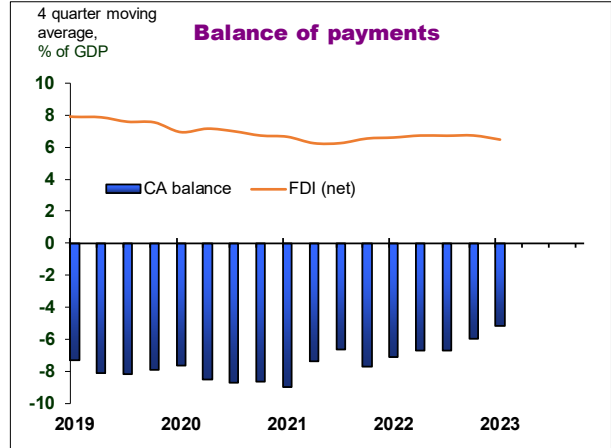
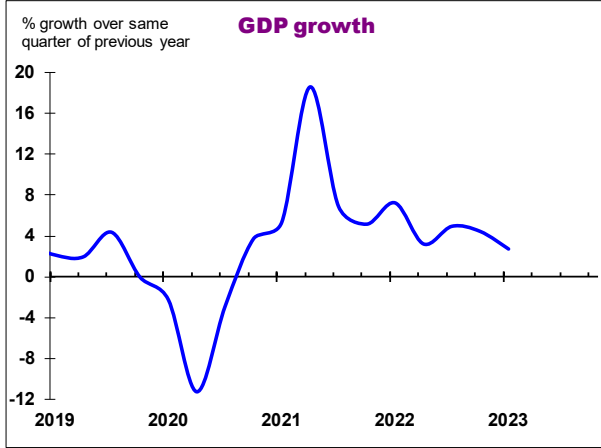
*** Q figures in percent of estimated annual GDP.

CHARTS

European Commission, ECFIN-D-1



ALBANIA



BOSNIA AND HERZEGOVINA



Key developments

On 16 May, the Economic and Financial Dialogue between the EU and the Western Balkans and Türkiye noted the very limited implementation of the previous year's jointly agreed policy guidance. The participants agreed on a new set of recommendations, stressing the need to use the available fiscal space in the 2023 budget for targeted, high-energy-price-related support to vulnerable households and firms. Among others, the policy guidance also calls for increasing public investment, improving the efficiency of tax collection, better monitoring contingent liabilities, strengthening the analytical capacities of institutions responsible for fiscal policies as well as an upgrading of statistics in the areas of macro-economy, regional accounts, labour force survey and government finance.

On 5 July, the Directorate for Economic Planning presented its economic outlook for 2023–2026. Average real GDP growth is expected to be 3% during this period, based on an increase in private consumption and, to a lesser extent, investments. Benefitting from international energy and food price dynamics, consumer price inflation is expected to decline to 3.1% in 2024 and further to 1.9% by 2026.

Real sector

Economic growth remained relatively subdued in Q1-2023, at 0.7% on a seasonally adjusted q-o-q basis, compared to 0.6% in Q4-2022. In annual terms, GDP growth continued to decelerate, to 1.1% in Q1-2023 from 1.9% in Q4-2022. Household consumption contracted (-0.4% y-o-y) after 5 quarters of expansion, whereas government consumption growth picked up, reaching 2%. The Statistical Office also registered a continued robust increase in gross capital formation (12.4% y-o-y), although a large part of this growth could be due to inventory buildup and statistical discrepancies. Real growth in both exports and imports decelerated very sharply, to 1.7% y-o-y and 2% y-o-y respectively (from 16.8% and 20.6% respectively in Q4-2022). On the production side, growth was mainly driven by trade, accommodation, food and IT and communication services.

High-frequency indicators confirm the continued deceleration of economic activity in the second quarter. Industrial production fell by 9% and 1.7% in April and May, respectively after dropping 2.5% in Q1-2023. At the same time, retail sales turnover remained strong, increasing by 15.4% and 10.6% in April and May, respectively, after 11.4% in Q1-2023.

Tourism continued to recover from the COVID-19 related decline. In the first 5 months of 2023, the number of arrivals and of overnight stays were 16.6% and 11% higher, respectively, than a year before. Compared to 2019, the last pre-COVID-19 year, arrivals in the first 5 months of 2023 were still some 6% lower, while the number of overnight stays increased by some 9%. After a sharp drop in the number of foreign tourists during the pandemic, their share in total arrivals has started to recover, reaching 68% in May 2023, compared to 60% a year before. Before COVID-19, foreign tourists accounted for some 70% of total arrivals. Tourists from Serbia were the largest group, accounting for 14.1% of total foreign tourists, while tourists from Croatia and Turkey accounted for 8.5%, each. Slovenia followed on the fourth place, accounting for 7.5% of all foreign tourists.

Labour market

The growth of registered employment accelerated again, reaching 1.4% y-o-y in Q1-2023, compared to 0.5% y-o-y in Q4-2022. In April, employment growth continued at a similar rate and nearly 10,800 more employees than a year ago were registered. Job-creation dynamics continued to shift from construction to accommodation and food, as well as information and communication.

In April, the number of registered unemployed was some 36,300 (or 9.0%) lower than a year before. This brought the administrative unemployment rate down to 30.0%, compared to 32.3% a year before. However, the drop in the number of unemployed tends to be significantly larger than the number of new employment, leading to an actual decline in the labour force. Data from the Labour Force Survey (LFS) confirm the declining trend in the unemployment rate, which reached 13.3% in Q1, compared to 16.7% a year earlier. The LFS youth unemployment rate (age group 15-24) stood at 30.1% in Q1, compared to 35.7% a year

before. The current level is comparable to youth-unemployment rates before the COVID-19 pandemic.

Growth in average nominal gross wages accelerated further, from 14.4% in Q4-2022, to 15.6% y-o-y in Q1-2023. In April and May, nominal wage increases stayed high, at 16.0% and 15.3%, respectively. While during the whole year of 2022, nominal wage growth had been some 2¼ percentage points below headline inflation, declining inflation rates in early 2023 translated into a positive nominal wage-inflation differential of 7.5 percentage points in April. Official wage statistics do not include micro enterprises, which represent a large share of employment.

External sector

The current account deficit remained at its relatively high level of 4.5% of GDP in the four quarters to Q1-2023, compared to 4.2% in 2022. The main factors were decelerating export revenues and high spending on imports driven by higher commodity prices.

The nominal growth of external trade decelerated markedly in Q1-2023, with the value of goods exports being only 4.4% higher than a year earlier, while the value of imports was 6.0% higher. Monthly data for April and May point to sharp falls in the value of exports by some 9.6% and 6.8% y-o-y, respectively. The main factors behind this decline were lower exports of base metals and mineral products to Serbia, Italy and Croatia, which together account for about one third of total exports.

The 4-quarter moving average of net FDI inflows rose in Q1-2023 to 3.0% of GDP, compared to 2.5% GDP in Q4-2022, only partly covering the current account deficit. A large part of those FDI inflows were reinvested earnings. Official foreign exchange reserves dropped to 6.4 months of imports of goods and services

Monetary developments

Inflationary pressures continued to ease, with year-on-year inflation decelerating from 16.2% in Q4-2022 to 12.4% in Q1-2023. In April and May annual inflation declined to 7.8% and 6.5%, respectively. The main drivers were lower prices for transport and food and non-alcoholic beverages, which had been the key inflation drivers during 2022. However, during the first 5 months of the year, average inflation was still elevated at 10.4%. Core inflation data is not published.

Growth of the monetary aggregate M2 accelerated to 7.5% y-o-y in Q1-2023, after 5.5% in Q4-2022. In April and May, money supply rose by 8.2% and 7.7%, respectively, which is in line with current CPI inflation.

Financial sector

The financial sector remained stable. Annual credit growth remained at around 4.5% in Q1-2023, but slightly declined from 4.6% in April to 3.9% in May. The main factors were lower growth of bank loans to households and to private companies, which account for 50% and 40% of total loans, respectively. Public sector loans account for some 7% of total loans.

Bank deposit growth accelerated in Q1-2023, from 5.1% in Q4 to 6.3%. In April, deposit growth reached 9.4%, but decelerated to 8.4% in May. The main drivers shifted from private corporations to the household sector, which accounted for more than half of this increase. The loan-to-deposit ratio maintained its level during the last quarter. However, compared to a year before, the coverage ratio was 3.3 pps lower in May, at 75.4%.

The share of non-performing loans in total loans continued to decline, to 4.2% at the end of Q1-2023, compared 4.5% at the end of Q4-2022, and 5.4% one year earlier. The ratio of non-performing loans covered by loan-loss provisions remained at 81.2% in Q1-2023, compared to 81.4% in Q4-2022 and 77.1% a year before. Banking sector profitability improved slightly. The return-on-equity (ROE) ratio rose markedly from 12.0% in Q4-2022, to 17.0% in Q1-2023. The return on assets (ROA) improved from 1.6% in Q4-2022 to 2.2% in Q1-2023. The banking system's overall capital-adequacy ratio remained stable, at 19.4% in Q1-2023, compared to 19.6% in Q4 and unchanged compared to a year before. This continues to be well above the regulatory minimum of 12%. However, there are sizeable differences among the country's 21 banks, with pockets of vulnerability remaining.

Fiscal developments

The country does not publish high-frequency country-wide fiscal data. During the first 6 months of 2023, revenue from centrally collected indirect taxes registered nominal growth of 6.3%, which was below the rate of inflation during this period. This revenue category accounts for nearly half of total revenues. The public debt-to-GDP ratio stood at 29.3% at the end of December 2022, compared to 34.0% a year before.

TABLE



European Commission, ECFIN-D-1

BOSNIA AND HERZEGOVINA

							ECFIN 2023 Spring forecast							
		2018	2019	2020	2021	2022	2023	2024	Q4 22	Q1 23	Q2 23	Apr 23	May 23	Jun 23
1 Real sector														
Industrial confidence ^{1.1}	Balance	N.A.	N.A.	N.A.	N.A.	N.A.	:	:	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Industrial production ^{1.2}	Ann. % ch	1.6	-5.3	-6.3	9.7	1.0	:	:	-3.1	-2.5	:	-9.9	-1.7	:
Gross domestic product ^{1.3}	Ann. % ch	4.6	2.3	-3.3	7.1	4.0	1.5	2.3	1.9	1.1	:	N.A.	N.A.	N.A.
Private consumption ^{1.4}	Ann. % ch	3.4	5.4	-1.9	4.0	7.5	:	:	3.4	-0.4	:	N.A.	N.A.	N.A.
Gross fixed capital formation ^{1.5}	Ann. % ch	8.1	5.8	-4.2	4.8	6.6	:	:	:	:	:	N.A.	N.A.	N.A.
Construction index ^{1.6}	Ann. % ch	5.2	15.4	-18.6	12.0	8.1	:	:	8.1	-1.1	:	N.A.	N.A.	N.A.
Retail sales ^{1.7}	Ann. % ch	8.2	5.2	-6.8	18.5	13.9	:	:	12.6	11.4	:	15.4	10.6	:
2 Labour market														
Unemployment ^{2.1}	%	18.4	15.7	15.9	17.4	15.4	14.5	14.0	14.3	13.3	N.A.	N.A.	N.A.	N.A.
Employment ^{2.2}	Ann. % ch	6.2	2.5	-1.2	0.9	2.3	0.7	1.5	0.5	1.4	:	1.3	:	:
Wages ^{2.3}	Ann. % ch	3.1	4.3	4.0	4.4	11.7	:	:	14.4	15.6	:	15.3	:	:
3 External sector														
Exports of goods ^{3.1}	Ann. % ch	11.5	-2.3	-7.4	34.9	26.9	:	:	9.3	4.4	:	-13.1	-9.6	:
Imports of goods ^{3.2}	Ann. % ch	7.1	1.1	-13.5	26.7	31.9	:	:	20.1	6.0	:	-5.0	-2.4	:
Trade in goods balance* ^{3.3}	% of GDP	-22.5	-22.3	-18.0	-18.3	-22.1	:	:	-22.1	-22.4	:	N.A.	N.A.	N.A.
Exports goods and services* ^{3.4}	% of GDP	42.6	40.0	34.2	42.2	47.0	:	:	46.9	47.5	:	N.A.	N.A.	N.A.
Imports goods and services* ^{3.5}	% of GDP	57.3	54.5	47.9	53.9	61.2	:	:	61.1	61.8	:	N.A.	N.A.	N.A.
Current account balance* ^{3.6}	% of GDP	-3.3	-2.6	-3.2	-2.4	-4.5	-3.8	-4.4	-4.5	-4.5	:	N.A.	N.A.	N.A.
Direct investment (FDI, net)* ^{3.7}	% of GDP	2.9	2.1	1.8	2.3	2.5	:	:	2.5	3.0	:	N.A.	N.A.	N.A.
International reserves ^{3.8}	m n EUR	5,943	6,441	7,091	8,359	8,214	:	:	8,214	7,775	:	7,838	7,939	:
Int. reserves / months Imp ^{3.9}	Ratio	7.3	7.8	10.0	9.3	6.9	:	:	6.9	6.4	:	:	:	:
4 Monetary developments														
CPI ^{4.1}	Ann. % ch	1.4	0.6	-1.1	2.0	14.0	7.0	4.0	16.2	12.4	:	7.8	6.5	:
Producer prices ^{4.2}	Ann. % ch	3.2	0.4	-0.4	4.5	19.1	:	:	19.1	13.9	:	4.9	1.7	:
Food prices ^{4.3}	Ann. % ch	0.6	1.1	1.0	3.5	21.5	:	:	24.5	20.5	:	12.7	11.0	:
M2 ^{4.4}	Ann. % ch	9.4	8.9	7.3	11.6	5.5	:	:	5.5	7.5	:	8.2	7.7	:
Exchange rate BAM/EUR ^{4.5}	Value	1.96	1.96	1.96	1.96	1.96	:	:	1.96	1.96	:	1.96	1.96	:
Real effective exchange rate ^{4.6}	Index	96.4	95.2	94.7	94.4	97.7	:	:	98.4	97.9	:	97.3	:	:
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	621	772	769	870	1009	:	:	1,081	1,051	1,042	1,051	1,043	1,033
Credit growth ^{5.4}	Ann. % ch	6.6	5.7	1.1	1.7	4.2	:	:	4.5	4.5	:	4.6	3.9	:
Deposit growth ^{5.5}	Ann. % ch	11.3	9.3	5.6	10.1	5.9	:	:	5.1	6.3	:	9.4	8.4	:
Non performing loans ^{5.6}	% total	8.8	7.4	6.1	5.8	4.5	:	:	4.5	4.2	:	N.A.	N.A.	N.A.
6 Fiscal developments														
General government revenue** ^{6.1}	% of GDP	43.0	42.0	41.6	41.1	:	:	:	:	:	:	N.A.	N.A.	N.A.
General government expenditure** ^{6.2}	% of GDP	40.8	40.1	46.8	41.3	:	:	:	:	:	:	N.A.	N.A.	N.A.
General government balance** ^{6.1}	% of GDP	2.2	1.9	-5.2	-0.3	:	-0.3	-0.8	:	:	:	N.A.	N.A.	N.A.
General government debt*** ^{6.2}	% of GDP	34.1	32.3	36.1	34.0	29.3	29.5	30.0	29.3	:	:	N.A.	N.A.	N.A.

f: ECFIN forecast Spring 2023 published May 2023

* Q figures refer to a 4 quarters moving average.

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

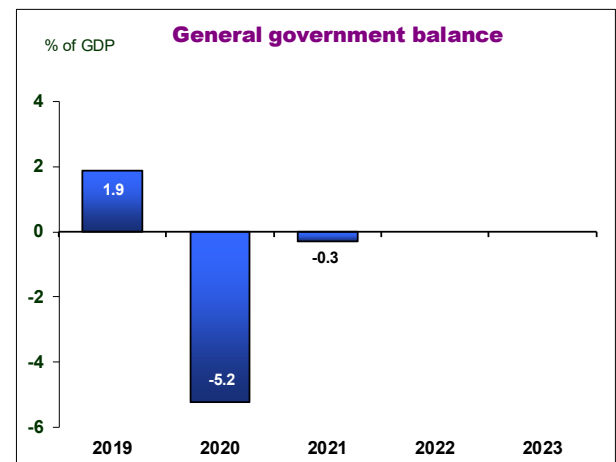
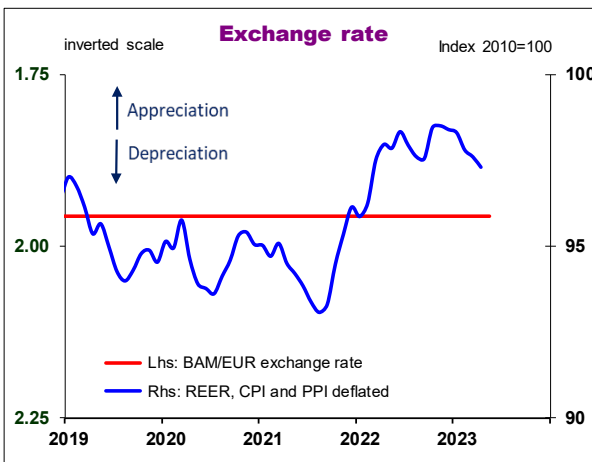
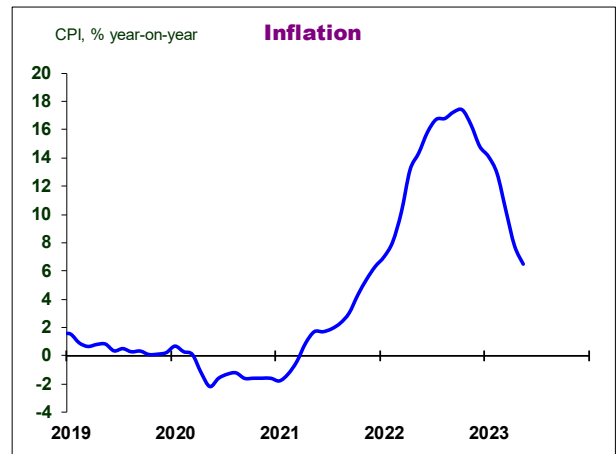
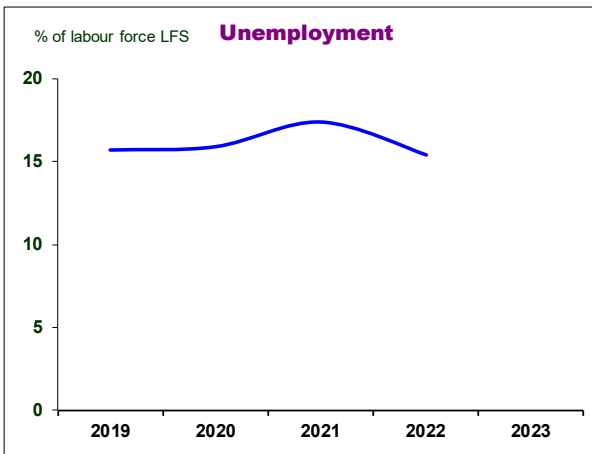
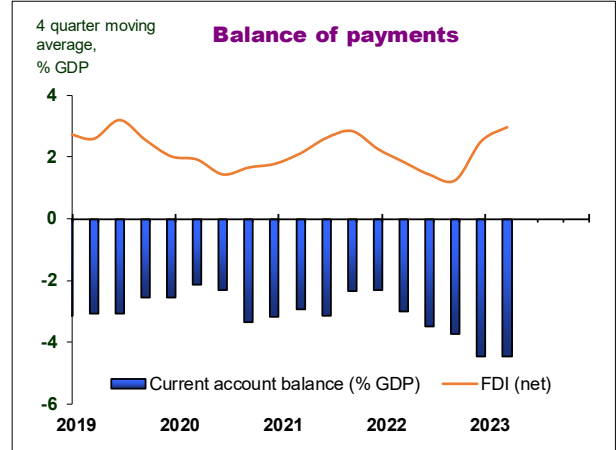
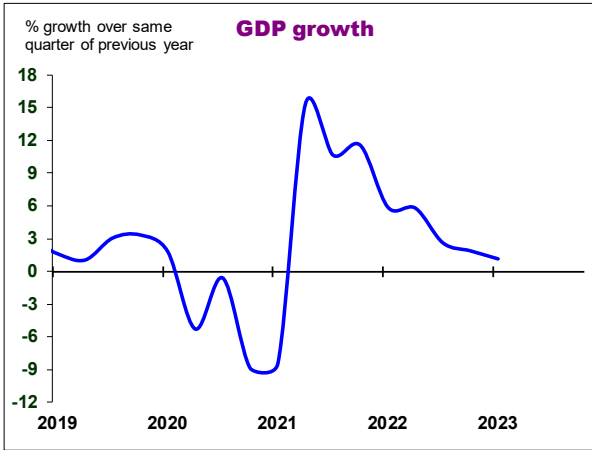
*** Q figures in percent of estimated annual GDP.

CHARTS



European Commission, ECFIN-D-1

BOSNIA AND HERZEGOVINA





Key developments

Early parliamentary elections took place on 11 June. Europe Now got most votes (over 25%) but fell short of an absolute majority. The Constitutional Court ruled that elections must be repeated at one polling station, which is leading to further delays.

On 16 May, the annual Economic and Financial Dialogue between the EU and the Western Balkans and Turkey adopted joint conclusions with country-specific policy guidance, which called on Montenegro, inter alia, to strengthen fiscal sustainability by containing the 2023 budget deficit and adopting a new medium-term fiscal strategy together with the 2024 budget, including consolidation measures to support continued public debt reduction. The policy guidance also invited Montenegro to cost fiscal initiatives prior to adoption and finalise the setting up of a fiscal council.

On 18 May, the government adopted a budget revision, which projects higher revenues (due to the EU energy support package, higher inflation than assumed in December and improved tax discipline) and some additional spending items for early parliamentary elections and insufficient funds for disabled. The revised budget targets a deficit of 3% of GDP which would be in line with the fiscal rule.

Real sector

Real GDP expanded by 6.1% y-o-y in Q1-2023, accelerating from 3.3% in the previous quarter. Private consumption was the key growth driver in Q1, surging by 16.3% y-o-y thanks to higher real disposable income of households and an increased number of temporary residents from Russia and Ukraine. Further impetus came from recovering investment, which registered double-digit growth (12.7% y-o-y) after four years of subdued performance. The growth of public consumption stood unchanged from the previous quarter at 2.9% y-o-y. Imports of goods and services expanded slightly faster (29% y-o-y) than exports (28.8%), resulting in a negative contribution of net exports to growth.

In Q1 2023, industrial production grew by 9.5% y-o-y, as compared to a contraction (1.9%) in the previous quarter. By sectors, manufacturing and mining declined by 8.7% y-o-y and 14% y-o-y, respectively, while electricity production surged by 34.4% y-o-y. The value of performed construction works fell by 7% y-o-y in Q1. Meanwhile, strong consumption demand supported the buoyant growth in retail sales (+11.3% y-o-y in Q1).

In May industrial production expanded by 8.1% y-o-y after dipping (-13.5%) in April. The key driver for this recovery was a surge in electricity production by 141% y-o-y in May. Retail sales increased by 8.8% and 10.8% y-o-y in both months, respectively.

Labour market

Labour market performance weakened somewhat in Q1-2023 in line with seasonal patterns. According to the labour force survey (LFS), employment growth slowed to 8.8% y-o-y in Q1 from 10% in the previous quarter and from 21.7% in Q1-2022, which was mainly driven by post-COVID recovery. Meanwhile, the unemployment rate picked up to 15.8%, from 14.9% in Q4-2022, but it was below the unemployment rate (17%) in Q1-2022. There was a pronounced decline in men's unemployment rate, to 15.3% from 18% in Q1-2022, while female unemployment edged up slightly, to 15.7% from 15.3% over the same period.

The average net monthly wage (without taxes and contributions) rose by 11.7% y-o-y in May, following a 11.2% increase in April. The average net wage amounted to EUR 793 in May. The gross average wage increased to EUR 988 in May from EUR 883 in 2022.

External sector

The four-quarter moving average current account deficit widened to 14% of GDP in Q1-2023, compared to 9.5% in the same period one year earlier. This deterioration was mainly driven by a widening deficit of goods trade, which reached 47.2% of GDP, as compared to 39.3% in Q1 2022. The key driver were fast growing imports on the back of stronger domestic demand and still high global commodity prices. The surplus of services trade increased to 23% of GDP in the four quarters to Q1-2023 from 19.1% in the same period a year before. By contrast, the surplus of the primary income balance declined slightly to 1.8% of GDP, while the surplus of secondary income stood roughly stable at 8.2% of GDP in Q1-2023.

Net FDI inflows moderated in the four quarters to March 2023 when they amounted to 12.2% of GDP compared to 13.0% a year before. At the same time there was a large increase in net errors and omissions to 12.3% of GDP. The stock of international foreign exchange reserves declined to the equivalent of 4.6 months of imports of goods and services in Q1-2023 from 6.0 months in Q1-2022.

Monetary developments

Inflation fell to 8.4% y-o-y in May from April's 8.6%, marking the lowest reading since February 2022. Strong annual price increases were registered in accommodation and catering (16.5%), housing and energy (12.6%) as well as food (10.7%). Softer increases took place in prices for alcoholic beverages and tobacco (5.4%) as well as health services (5%).

Based on regular and extraordinary adjustment to inflation, the government decided to raise pensions by 8.5% from June onwards.

Financial sector

Montenegro's banking sector has remained stable. Commercial banks' loan stock kept expanding by 8.5% y-o-y in May, after moving up by 10.1% y-o-y in April and by 11.1% y-o-y in Q1. The increase was mainly driven by very strong growth of lending to financial institutions,

which averaged 52.2% y-o-y in January-May. Lending to households and businesses increased by 8% and 5.3% y-o-y respectively over the same period. Lending to non-residents grew by 31.7% y-o-y and accounted to 17% of all loans in May. Due to rapid credit growth, the level of non-performing loans declined to 5.5% of total loans in May as compared to 6.2% a year before. The pace of growth of commercial banks' deposits eased to 18.3% y-o-y in May, after rising 19.1% in April and 22% in Q-1. By sectors, corporate deposits increased by 45.3% y-o-y on average in the first five months while deposits of households grew by 15.6% y-o-y. Deposits of financial institutions nearly stagnated at 0.4% y-o-y. Non-resident deposits accounted for 26% of the total in May.

Fiscal developments

High inflation and strong retail sales resulted in higher than planned budget revenue in the first five months of 2023, increasing by 31.4% compared to the same period in 2022. Revenues from VAT and excise duties were up by 20.9% and 11.3% y-o-y respectively. Good economic performance, improved tax discipline and the implementation of progressive profit taxation boosted corporate income tax revenue, which surged by 75.9% y-o-y. There was also an increase in the category of social contributions (24.9% y-o-y), mainly due to higher coefficients for public wages.

Budget expenditure increased by 11.1% y-o-y as compared to the same period in 2022. The main drivers for this increase were higher spending on wages, interest and other expenditure. As a result, the budget surplus stood at 1.7% of estimated GDP in January-May compared to the deficit of 0.7% of GDP in the same period in 2022.

In Q1-2023, the public debt ratio fell to 66.1% of GDP, down from 69.5% of GDP recorded in Q4-2022. This decrease was driven by low domestic borrowing and a strong growth in nominal GDP. Foreign debt increased to EUR 3.62 billion from EUR 3.56 billion at end-2022. At end-March government deposits, including gold, stood at 4.5% of estimated GDP.

TABLE



European Commission, ECFIN-D-1

MONTENEGRO

							ECFIN 2023 Spring forecast							
		2018	2019	2020	2021	2022	2023	2024	Q4 22	Q1 23	Q2 23	Apr 23	May 23	Jun 23
1 Real sector														
Industrial confidence ^{1.1}	Balance	5.6	3.6	-18.4	-4.0	6.6	:	:	5.6	4.1	5.3	4.4	6.1	5.5
Industrial production ^{1.2}	Ann. % ch	23.6	-6.1	-0.9	5.7	-1.7	:	:	-1.9	9.5	:	:	:	:
Gross domestic product ^{1.3}	Ann. % ch	5.1	4.1	-15.3	13.0	6.1	3.0	2.9	3.3	6.1	:	N.A.	N.A.	N.A.
Private consumption ^{1.4}	Ann. % ch	4.6	3.1	-4.6	4.0	9.7	3.2	2.8	4.7	16.3	:	N.A.	N.A.	N.A.
Gross fixed capital formation ^{1.5}	Ann. % ch	14.7	-1.7	-12.0	-12.3	-1.1	2.4	4.4	3.6	12.7	:	N.A.	N.A.	N.A.
Construction index ^{1.6}	Ann. % ch	24.9	10.7	-5.6	-4.8	-4.4	:	:	-8.1	-7.0	:	N.A.	N.A.	N.A.
Retail sales ^{1.7}	Ann. % ch	3.5	5.2	-12.0	16.6	14.2	:	:	11.8	11.3	:	8.8	10.8	:
2 Labour market														
Unemployment ^{2.1}	%	15.5	15.4	18.4	16.9	15.1	14.1	13.9	14.9	15.8	:	N.A.	N.A.	N.A.
Employment ^{2.2}	Ann. % ch	3.2	2.6	-10.1	-2.4	17.2	1.4	1.5	10.0	8.8	:	N.A.	N.A.	N.A.
Wages ^{2.3}	Ann. % ch	0.1	0.8	1.3	1.4	11.2	:	:	11.8	8.9	:	12.0	12.8	:
3 External sector														
Exports of goods ^{3.1}	Ann. % ch	14.7	6.8	-12.2	28.6	45.2	:	:	25.7	5.0	:	-29.9	-22.5	:
Imports of goods ^{3.2}	Ann. % ch	10.9	1.8	-19.0	19.0	40.7	:	:	32.5	26.0	:	1.1	13.3	:
Trade in goods balance* ^{3.3}	% of GDP	-43.9	-41.7	-39.2	-38.7	-46.1	-45.3	-45.0	-46.1	-47.2	:	N.A.	N.A.	N.A.
Exports goods and services* ^{3.4}	% of GDP	42.9	43.8	26.0	42.8	52.7	:	:	52.7	54.0	:	N.A.	N.A.	N.A.
Imports goods and services* ^{3.5}	% of GDP	66.7	65.0	61.0	62.2	76.0	:	:	76.0	78.1	:	N.A.	N.A.	N.A.
Current account balance* ^{3.6}	% of GDP	-17.0	-14.3	-26.1	-9.2	-13.2	-10.3	-12.3	-13.2	-14.0	:	N.A.	N.A.	N.A.
Direct investment (FDI, net)* ^{3.7}	% of GDP	6.9	6.2	11.2	11.7	13.5	:	:	13.5	12.2	:	N.A.	N.A.	N.A.
International reserves ^{3.8}	mn EUR	1,050	1,367	1,739	1,749	1,915	:	:	1,915	1,787	:	1,729	N.A.	N.A.
Int. reserves / months Imp ^{3.9}	Ratio	4.0	5.1	8.2	6.8	5.2	:	:	5.2	4.6	:	4.4	:	:
4 Monetary developments														
HICP ^{4.1}	Ann. % ch	2.9	0.5	-0.8	2.5	11.9	8.0	4.9	15.7	13.0	:	8.6	8.4	:
Producer prices ^{4.2}	Ann. % ch	1.7	2.4	0.0	1.3	11.2	:	:	13.0	12.0	:	:	:	:
Food prices ^{4.3}	Ann. % ch	0.6	3.4	1.3	3.4	22.0	:	:	28.3	20.5	:	12.0	:	:
M2 ^{4.4}	Ann. % ch	5.0	-3.8	-3.5	16.5	30.7	:	:	30.7	26.7	:	26.1	:	:
Exchange rate EUR/EUR ^{4.5}	Value	1.00	1.00	1.00	1.00	1.00	:	:	1.00	1.00	1.00	1.00	1.00	1.00
Real effective exchange rate ^{4.6}	Ann. % ch	2.7	-1.5	-0.6	:	:	:	:	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
5 Financial indicators														
Interest rate (6 months) ^{5.1}	% p.a.	0.47	0.52	0.87	:	3.70	:	:	3.70	:	:	:	:	:
Bond yield (10 yrs) ^{5.2}	% p.a.	N.A.	2.61	3.53	3.85	7.25	:	:	8.37	7.84	7.64	7.60	7.67	7.66
Stock markets ^{5.3}	Index	10,374	10,980	10,225	10,910	11,077	:	:	12,691	14,579	14,790	14,751	14,673	14,946
Credit growth ^{5.4}	Ann. % ch	10.6	4.0	5.0	6.6	6.1	:	:	6.8	11.1	:	10.1	8.5	:
Deposit growth ^{5.5}	Ann. % ch	12.0	1.8	-2.6	12.8	23.2	:	:	22.9	22.0	:	19.1	18.3	:
Non-performing loans ^{5.6}	% of total	6.7	4.7	5.5	6.2	5.7	:	:	5.7	5.6	:	5.4	5.5	:
6 Fiscal developments														
General government revenue** ^{6.1}	% of GDP	42.2	43.4	44.6	44.3	39.7	:	:	39.7	8.2	:	N.A.	N.A.	N.A.
General government expenditure** ^{6.1}	% of GDP	46.0	45.4	55.7	46.2	44.8	:	:	44.8	7.3	:	N.A.	N.A.	N.A.
General government balance** ^{6.1}	% of GDP	-3.9	-2.0	-11.1	-1.9	-5.2	-4.7	-4.5	-5.2	1.0	:	1.7	1.7	N.A.
General government debt*** ^{6.4}	% of GDP	70.1	76.5	105.3	82.5	69.5	71.0	71.6	69.5	66.1	:	N.A.	N.A.	N.A.

f. ECFIN forecast Spring 2023 published May 2023

* Q figures refer to a 4 quarters moving average.

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

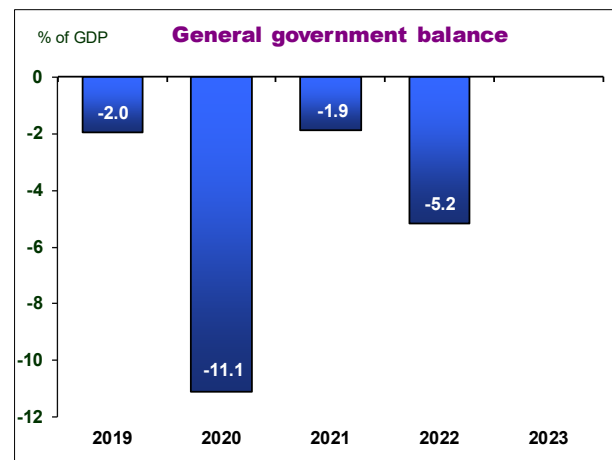
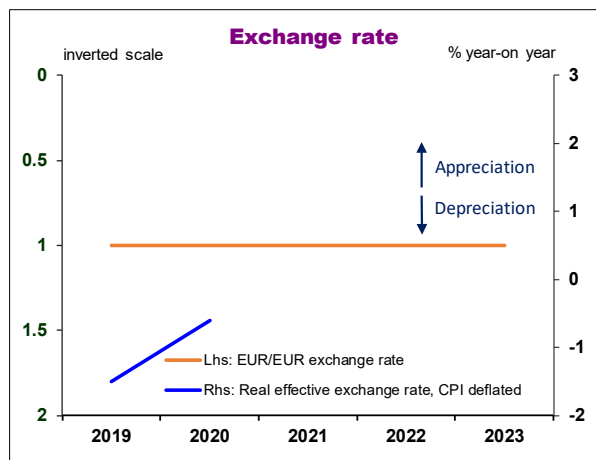
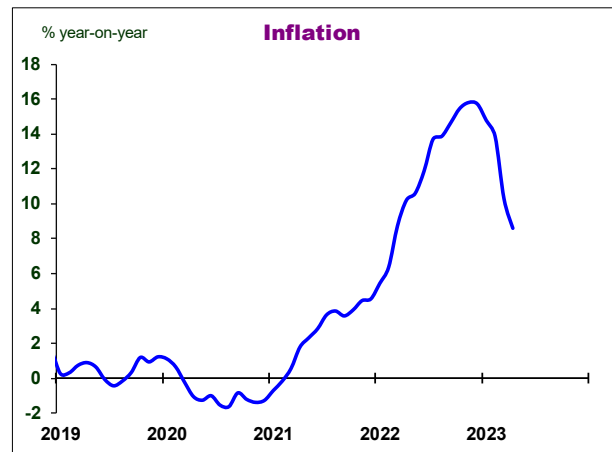
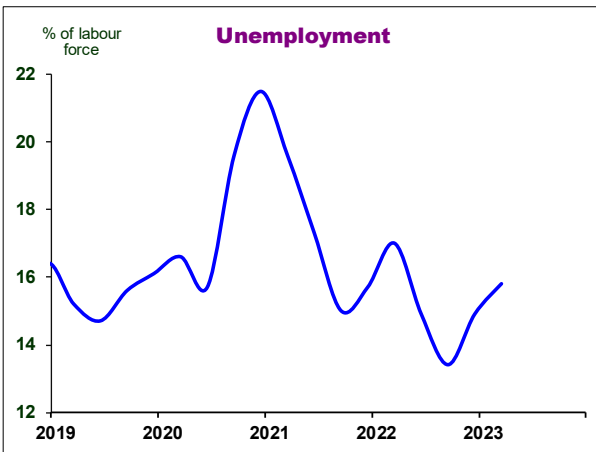
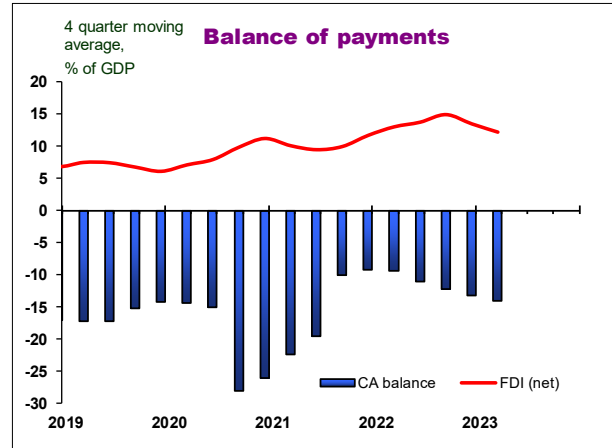
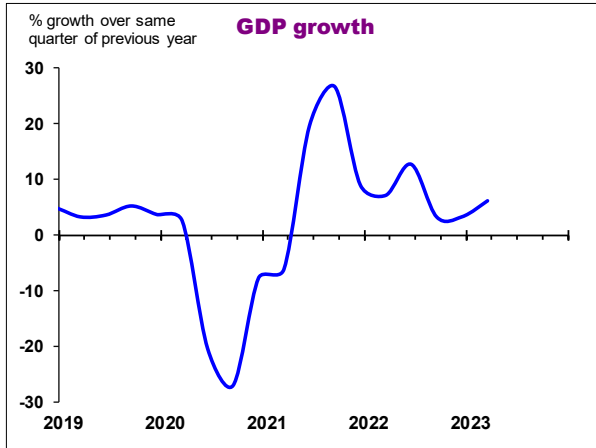
*** Q figures refer to central government debt only, in percent of estimated annual GDP.

CHARTS

European Commission, ECFIN-D-1



MONTENEGRO



NORTH MACEDONIA



Key developments

On 14 April, Fitch rating agency affirmed North Macedonia's long-term issuer default rating at 'BB+' and revised the outlook from negative to stable, reflecting the country's resilience to external shocks, the narrowing fiscal deficit, the stable banking sector, as well as subdued growth on account of the energy shock and continued high inflation. Analysts point out that fiscal reforms leading to a decline in the debt ratio could improve the rating, while expectations of prolonged fiscal loosening might foster a downgrade.

On 16 May, the annual Economic and Financial Dialogue between the EU and the Western Balkans and Türkiye took place. The jointly adopted policy guidance invites North Macedonia to, among others, continue with anti-crisis fiscal support measures to vulnerable households and firms, implement reforms in public investment management; ensure a sufficiently tight monetary policy stance to preserve price stability; and enhance energy resilience and the green transition.

On 6 June, the bilateral screening meeting for Chapter 17 (monetary and economic policy) in the framework of EU accession negotiations took place in Brussels. The government presented the state of current legislation regarding, inter alia, the fiscal framework and the independence of the central bank.

Real sector

In the first quarter of 2023, real GDP rose by 2.1% y-o-y, up from 0.6% in Q4-2022. Household consumption growth decelerated to 2.7% y-o-y, while government consumption dropped by 5.9% compared to the same period one year earlier. The fall in investment, which started in Q4-2022, deepened to 22.3% y-o-y, partly due to base effects (Q1-2022: 31.8%). Export growth slowed down from 10.2% y-o-y in Q4-2022 to 7.1% y-o-y in Q1-2023. Imports contracted by 4.3% y-o-y, after decelerating throughout 2022.

On the production side, construction grew the fastest in Q1-2023 (+12.7 y-o-y), partly due to base effects (-16.7% in Q1-2022) and made the largest contribution to GDP growth, followed by

wholesale and retail trade (+10.6% y-o-y). Manufacturing output remained broadly unchanged, compared to the same quarter in the previous year (-0.1% y-o-y).

High-frequency indicators for March and April point to a stagnation of the economy. The industrial production index decreased by 1.7% y-o-y in April, following a 1.2% y-o-y rise a month before. Manufacturing output declined by 1.8% y-o-y on average in March and April. In contrast, energy production increased by 17.5% y-o-y on average in the same period. Retail trade (except automotive fuel) dropped by 1.5% in April, after an increase of 3.4% on average in Q1-2023.

Labour market

According to the Labour Force Survey,² the employment rate for the age group 15-64 stood at 56.5% in Q1-2023. The unemployment rate was 13.4% in the same period. Yet, for young workers (aged 15-24) the unemployment rate reached 28.9% (30.2% for men and 26.3% for women). Overall labour market participation decreased by 0.9 pps, compared to the last quarter of 2022, to 65.2%.

Due to a rise in the minimum wage (+12%), that entered into force in March, average gross wages increased by 12.7% y-o-y in March, and by 15% y-o-y in April. However, in real terms, wages did not change, on average, in these two months (-1.8% y-o-y in March and +1.8% in April).

External sector

In Q1-2023, the 4-quarter moving average of the current account deficit narrowed significantly to 2% of GDP (-4.1pps y-o-y and -4.0pps q-o-q). The improvement came in spite of a higher merchandise trade deficit (+0.9pps y-o-y to 24% of GDP), as secondary income, which consists mainly of private transfers, rose by 2.8pps y-o-y

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

to 20.2% of GDP while the services trade surplus increased by 2.2 pps to 6.2% of GDP. The primary balance deficit remained unchanged at 4.3% of GDP. Foreign direct investment amounted to 5% of GDP in the year to Q1-2023, 0.6 pps. above its level of one year earlier and fully covering the current account deficit.

Gross external debt, excluding central bank transactions, was lower by 6.1 pps y-o-y at end-Q1, at 78.1% of projected GDP. This was due to a reduction in external private sector debt, while external public sector debt increased, with the issuance of a new Eurobond of EUR 500 million. Official foreign reserves were higher by 31% y-o-y at the end of May 2023, covering 4 months of prospective imports of goods and services.

Monetary developments

Annual consumer price inflation continued to decelerate in April and May, to 12.1 % on average, compared to 19.4% in Q4-2022, and 16.1% in Q1-2023, as the rise in energy, food and transport prices slowed down. Electricity and fuel price rises decelerated to 14.7% y-o-y in April and May on average, down from 15.4% in Q1. Food price inflation decelerated to 15.5% in April and May on average (24% in Q1). Transport costs dropped in May (-2.7% y-o-y) partly due to base effects (31.4% in May 2022). The core inflation rate also decreased by 3.6 pps from Q1 to 12.2% y-o-y on average in April and May.

Annual growth of broad money (M3) picked up in Q1-2023, to 6.6%, compared to the preceding three months (5.3%), and rose further in April (8.1%) and May (9.8%). In May 2023, the central bank increased the key policy rate to 5.75%, and further to 6% in June, citing lingering risks related to high inflation and inflation expectations.

Financial sector

The rate of annual loan growth decreased in Q1-2023, compared to the previous three months (1.4 pps. to 7.6%), and decelerated further in April and May to 6.4% on average. Credit growth to households decreased slightly to 7.1% y-o-y on average in the first three months of the year, compared to Q4-2022 (7.5%), and decelerated further in April and May to 6.6% on average. Lending to private non-financial corporations also declined from 12% y-o-y in

Q4-2022 to 8% in Q1-2023, and dropped further to 6.2% on average in April and May. The ratio of non-performing to total loans (financial and non-financial sector) stood unchanged from Q4-2022 at 2.8% at end-March (-0.3 pps. y-o-y). The share of foreign-currency denominated loans in total loans increased in Q1-2023 to 42.7% (+1.3 pps. y-o-y). Annual deposit growth accelerated in Q1 to 6.2% y-o-y, up from 4.8% y-o-y in the last quarter of 2022 and strengthened further in April and May to 10.3% y-o-y on average. The increase was mostly driven by households' deposits in foreign currency. Hence, the funding of loans by deposits remained solid, with the loan-to-deposit ratio for non-financial clients at 85.5% at end-March (-1.1 pps. y-o-y).

Banks' solvency remained robust, with the sector-wide capital adequacy ratio strengthening further to 18% in Q1 (+1 pps. y-o-y), and hence well above the required regulatory minimum. The return on assets (ROA) improved to 2.2% in Q1, compared to 1.5% in the last quarter of 2022 and to 1.6% in the same period one year earlier. The return-on-equity (ROE) also rose from 12.2% in Q4 to 17.6% in Q4 (+3.6 pps. y-o-y).

Fiscal developments

Public revenues continued to increase in the first quarter and beyond, supported by still elevated inflation and tax increases that entered into force at the beginning of the year. In the first five months of 2023, total revenue was 14.5% above its level in the same period one year earlier and amounted to 39% of the full-year target, driven mainly by higher revenue from taxes (+7 y-o-y) and social contributions (+19% y-o-y). Net VAT receipts amounted to only 35% of target, compared to 42% in the same period one year earlier. Total expenditure rose by more than revenue (+19.6% y-o-y) in this period, with current expenditure higher by 11.7% y-o-y and reaching about 39% of the full-year plan. Capital expenditure more than doubled compared with the first five months of the previous year, reaching 33.5% of the full-year target. As a result, the fiscal deficit increased by 78% y-o-y, to 1.7% of projected GDP. General government debt as a share of projected GDP decreased by 2 pps at the end of Q1-2023 compared to the end of 2022, to 48.9%. The public debt ratio amounted to 56.2% (-3.4 pps. compared to end-2022), which implies a drop in the debt of public sector enterprises by 1.4 pps.

TABLE



European Commission, ECFIN-D-1

NORTH MACEDONIA

		2018	2019	2020	2021	2022	ECFIN 2023 Spring forecast		Q4 22	Q1 23	Q2 23	Apr 23	May 23	Jun 23
							2023	2024						
1 Real sector														
Industrial confidence ^{1.1}	Balance	0.6	-0.1	-16.6	-7.1	-3.8	:	:	-2.4	-0.6	-1.3	-1.2	-0.3	-2.5
Industrial production ^{1.2}	Ann. % ch	5.4	4.1	-9.5	3.1	-1.0	:	:	-3.4	0.0	:	-1.7	6.1	:
Gross domestic product ^{1.3}	Ann. % ch	2.8	3.9	-4.7	3.9	2.1	2.0	3.1	0.6	2.1	:	N.A.	N.A.	N.A.
Private consumption ^{1.4}	Ann. % ch	3.7	3.7	-3.6	8.1	3.1	2.3	2.8	3.0	2.7	:	N.A.	N.A.	N.A.
Gross capital formation ^{1.5}	Ann. % ch	1.7	9.5	-15.1	0.9	15.0	4.5	5.0	-5.3	-22.3	:	N.A.	N.A.	N.A.
Construction ^{1.6}	Ann. % ch	-10.8	9.1	-8.9	10.3	12.4	:	:	8.5	23.8	:	N.A.	N.A.	N.A.
Retail sales ^{1.7}	Ann. % ch	8.1	11.3	-8.5	8.7	-3.1	:	:	-4.6	3.4	:	-1.5	1.4	:
2 Labour market														
Unemployment**** ^{2.1}	%	21.0	17.5	16.6	15.6	14.5	14.2	13.9	14.2	13.4	:	N.A.	N.A.	N.A.
Employment**** ^{2.2}	Ann. % ch	2.0	5.4	-0.5	n.a.	n.a.	0.9	0.8	n.a.	n.a.	:	N.A.	N.A.	N.A.
Wages ^{2.3}	Ann. % ch	5.8	5.1	8.3	5.7	11.1	8.0	7.0	14.1	13.2	:	15.0	:	:
3 External sector														
Exports of goods ^{3.1}	Ann. % ch	19.8	9.5	-9.9	24.5	22.4	:	:	25.2	10.4	:	:	:	:
Imports of goods ^{3.2}	Ann. % ch	12.9	10.2	-9.2	26.4	29.0	:	:	17.7	-3.1	:	:	:	:
Trade in goods balance* ^{3.3}	% of GDP	-16.2	-17.3	-16.6	-20.3	-26.8	-25.5	-23.6	-26.8	-24.0	:	N.A.	N.A.	N.A.
Exports goods and services* ^{3.4}	% of GDP	60.2	61.9	57.7	66.2	74.9	:	:	74.9	74.5	:	N.A.	N.A.	N.A.
Imports goods and services* ^{3.5}	% of GDP	72.9	76.2	70.4	82.3	96.0	:	:	95.9	92.3	:	N.A.	N.A.	N.A.
Current account balance* ^{3.6}	% of GDP	0.2	-3.0	-2.9	-3.1	-6.0	-4.1	-3.8	-6.0	-2.0	:	N.A.	N.A.	N.A.
Direct investment (FDI, net)* ^{3.7}	% of GDP	5.6	3.2	1.4	3.3	5.2	:	:	5.2	5.0	:	N.A.	N.A.	N.A.
International reserves ^{3.8}	m n EUR	2,867	3,263	3,360	3,643	3,863	:	:	3,863	4,159	:	4,124	4,175	:
Int. reserves / months Imp ^{3.9}	Ratio	4.4	4.6	5.3	4.5	3.7	:	:	3.7	4.0	:	:	:	:
4 Monetary developments														
CPI ^{4.1}	Ann. % ch	1.5	0.8	1.2	3.2	14.1	7.9	3.7	19.4	16.1	:	13.0	11.3	:
Producer prices ^{4.2}	Ann. % ch	-0.4	-0.6	5.6	-2.0	8.1	:	:	13.3	3.3	:	6.8	5.9	:
Food prices ^{4.3}	Ann. % ch	0.8	1.6	2.4	3.1	20.7	:	:	29.4	24.0	:	16.5	14.6	:
Monetary aggregate M3 ^{4.4}	Ann. % ch	10.8	8.2	8.0	8.8	5.3	:	:	5.3	6.6	:	8.1	9.8	:
Exchange rate MKD/EUR ^{4.5}	Value	61.51	61.51	61.67	61.63	61.62	:	:	61.62	61.67	61.56	61.63	61.50	61.55
Real effective exchange rate ^{4.6}	Index	99.8	98.3	99.6	100.4	104.5	:	:	108.1	108.6	:	110.5	111.6	:
5 Financial indicators														
Interest rate (3 months-SKIBOR) ^{5.1}	% p.a.	1.54	1.46	1.38	1.33	1.79	:	:	2.60	3.45	3.93	3.84	3.92	4.04
Bond yield ^{5.2}	% p.a.	6.11	5.61	5.19	4.86	4.63	:	:	4.69	5.11	:	5.19	:	:
Stock markets ^{5.3}	Index	3,154	3,939	4,377	5,382	5,888	:	:	5,581	5,804	5,845	5,876	5,926	5,734
Credit Growth ^{5.4}	Ann. % ch	6.6	7.2	6.4	5.8	9.6	:	:	9.7	7.6	:	6.3	6.5	:
Deposit growth ^{5.5}	Ann. % ch	8.6	9.6	7.8	8.3	4.2	:	:	4.8	6.2	:	9.3	11.3	:
Non-performing loans ^{5.6}	% total	5.0	4.6	3.3	3.1	2.8	:	:	2.8	2.8	:	N.A.	N.A.	N.A.
6 Fiscal developments														
General government revenue** ^{6.1}	% of GDP	28.5	29.4	28.4	30.3	30.6	:	:	30.6	7.3	:	N.A.	N.A.	N.A.
General government expenditure** ^{6.1}	% of GDP	30.3	31.4	36.4	35.7	35.0	:	:	35.0	7.6	:	N.A.	N.A.	N.A.
Central government balance** ^{6.1}	% of GDP	-1.8	-2.0	-8.0	-5.4	-4.5	-3.9	-3.5	-4.5	-0.4	:	-1.4	-1.6	:
General government debt*** ^{6.2}	% of GDP	40.4	40.5	51.9	51.8	51.0	51.5	53.0	51.0	50.0	:	N.A.	N.A.	N.A.

f. ECFIN forecast Spring 2023 published May 2023

* Q figures refer to a 4 quarters moving average.

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

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

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

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

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

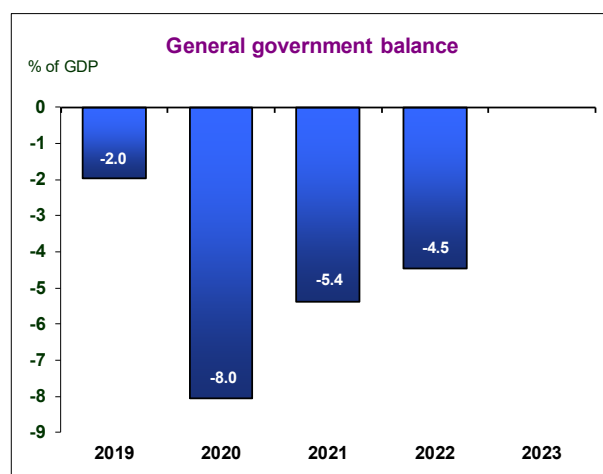
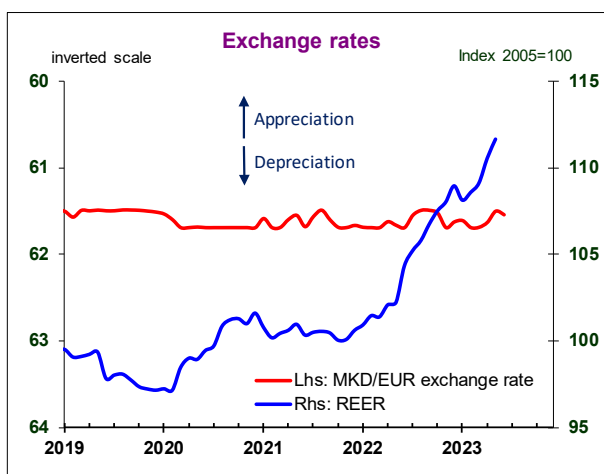
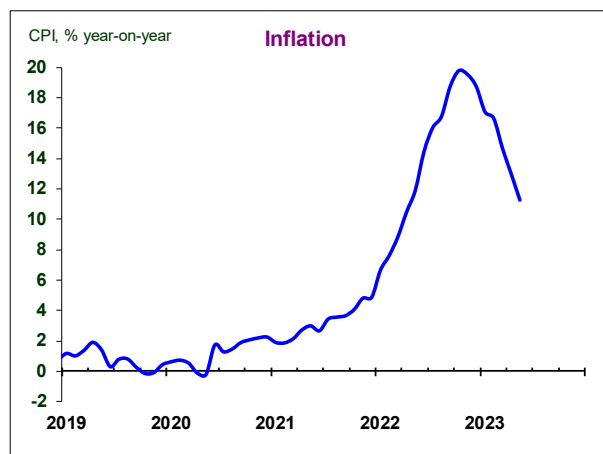
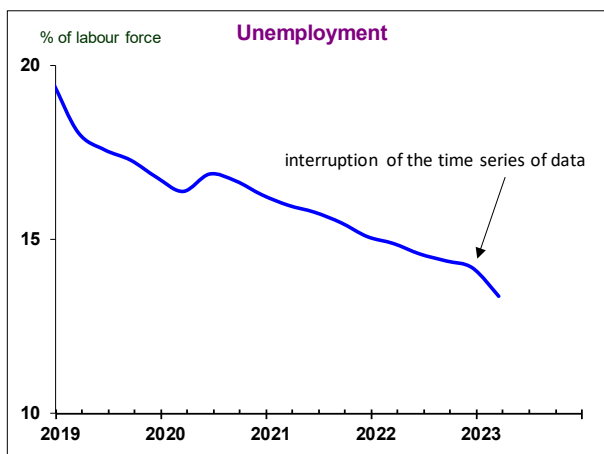
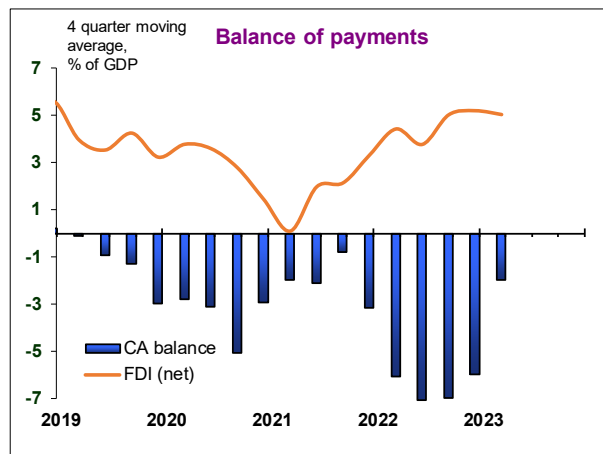
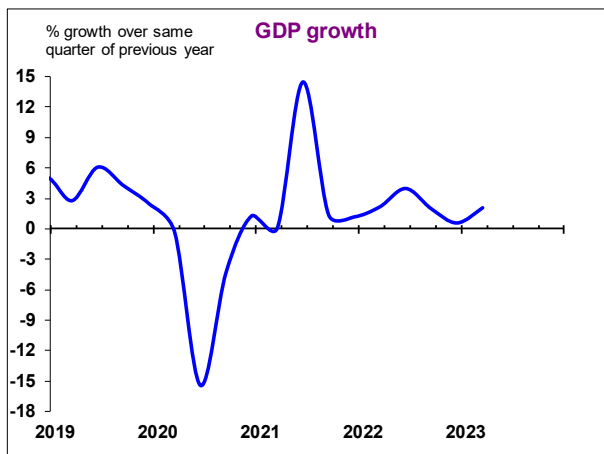
This caused an interruption of the time series of data, restricting comparability with previous data.

CHARTS

European Commission, ECFIN-D-1



North Macedonia





Key developments

On 16 May, the Economic and Financial Dialogue between the EU and the Western Balkans and Türkiye agreed on joint conclusions that invited Serbia, inter alia, to keep an appropriately tight fiscal stance in 2023 to help disinflation, plan a further gradual reduction in the deficit in the 2024 budget and in the medium term planning, contain overall spending on wages, strengthen medium-term budgeting, advance the tax administration reform, reinforce fiscal risk analysis capacity and improve the governance of SOEs.

On 8 June, the government adopted the Fiscal Strategy for 2024-2026, projecting gradually decreasing budget deficits of 3.0% of GDP in 2023, 2.2% in 2024 and 1.5% in both 2025 and 2026. The debt-to-GDP ratio is expected to gradually decline from 54.3% in 2023 to 51.9% in 2026.

At the end of June, the IMF completed the first review under the 2022-2024 Stand-By Arrangement. The IMF expects tighter monetary and fiscal policies, still high inflation, weak external demand and tightening global financial conditions to weigh on activity and reduce growth in 2023 to 2.0%. The fiscal deficit is not expected to exceed 3% of GDP in 2023, thereby supporting disinflation and further public debt reduction. Conditional on tighter monetary policy, likely requiring further policy rate increases, annual inflation is projected to decline to around 8% by the end of the year.

Real sector

In Q1-2023, economic growth remained subdued at 0.7% y-o-y, slightly up from 0.4% y-o-y in Q4-2022. As a result of solidly increasing exports (+8.3%) and decreasing imports (-1.8%), growth was mostly driven by a high positive contribution of net exports to GDP growth that was to a large extent offset by a similarly high negative contribution from lower inventories. An increase in gross fixed capital formation (+2.0%) was more than offset by falling government consumption (-4.9%) and private consumption (-0.3%).

On the supply side, information and communication (+9.9%), agriculture (+5.4%) and industry activities (+2.3%) picked up

somewhat and many other service sectors outside trade still recorded robust but mostly decelerating y-o-y growth rates, such as professional, scientific, technical, administrative and support activities (+5.7%) and arts, recreation and other services (+7.4%). Services (outside trade), industry and agriculture thus accounted for the bulk of the overall annual increase in output in Q1-2023. Their relative resilience was however to some extent offset by the year-on-year declines in public administration, education and health (-4.2%), construction (-1.5%) and wholesale and retail trade, transportation and storage, accommodation and food service activities (-0.2%).

Some short-term indicators suggest that overall economic activity remained subdued in spring 2023. Industrial production growth broadly stabilised, increasing by 0.9% y-o-y in March, 0.4% y-o-y in April and by 1.5% y-o-y in May, particularly supported by the recovery of electricity production. Impacted by high inflation, real retail trade fell by 9.0% y-o-y in March, by 6.1% y-o-y in April and by 6.2% y-o-y in May.

Labour market

According to revised LFS data (using new demographic estimates based on the 2022 census), in Q1-2023 the unemployment rate edged up by 0.7 pps q-o-q to 10.1% and the employment rate of the population aged 15 years and above increased by 0.5 pps to 49.6%. This was mainly the result of increases by 8.6% q-o-q in the number of unemployed people and by 0.7% q-o-q in the number of employed persons that led to a 1.4% q-o-q increase in the active population. Employment increased by 0.4% q-o-q in the formal sector (accounting for half of the total employment gain) while informal employment rose by 2.6% q-o-q, mostly outside agriculture.

According to administrative data, in Q1-2023 employment increased by 0.3% q-o-q and 3.1% y-o-y. Annual employment growth was positive in 18 out of 19 sectors and was particularly strong in information and communication (+19.0%), professional, scientific and technical activities (+8.6%) and administrative and support service activities (+5.1%), accounting

for the bulk of employment gains, while only agriculture (-3.4%) recorded employment losses. The number of registered unemployed decreased by 9.1% y-o-y in May. The average nominal net wage rose by 14.8% y-o-y in April while the average real net wage fell by 0.3% y-o-y.

External sector

In the first four months of 2023, the current account was almost balanced as the deficit narrowed very substantially by EUR 2.0bn or 99% y-o-y in euro terms as compared with the same period of 2022. In the four quarters to March 2023, the current account deficit stood at 4.4% of GDP as compared to 6.9% in 2022. The improvement in January to April was due to a significantly lower merchandise trade deficit (-63.7% y-o-y, supported by lower energy imports), a significantly higher services trade surplus (+60.1% y-o-y, especially due to IT services exports) and a higher secondary income surplus (+24.6% y-o-y, reflecting chiefly a rebound in remittances) that were only slightly offset by a higher primary income deficit (+26.0% y-o-y, reflecting mainly higher dividend payments and higher compensation of employees). Net FDI inflows increased by 76.0% y-o-y in January-April, covering multiple (58) times the very low current account deficit. Merchandise trade dynamics in spring were marked by decelerating y-o-y rises in the EUR value of exports (12.4% in March, 5.6% in April and 0.9% in May) accompanied by continued y-o-y decreases in the EUR value of imports (-3.0%, -14.8% and -11.6% respectively, reflecting in particular a strong decrease in energy imports). Over the first five months of 2023, the value of exports of goods grew by 10.5% y-o-y, while imports decreased by 5.0%.

Monetary developments

Annual consumer price inflation started to decrease in Q2-2023, by 1.1 pps. and 0.3 pps. in April and May respectively, down to 14.8% in May, still largely exceeding the upper bound of the central bank's target tolerance band of 3% +/-1.5 pps. Inflation continued to be particularly driven by food (+24.5% y-o-y in May) and electricity, gas and other fuels prices (+26.2% in May). Core inflation (excluding energy, food, alcohol and tobacco) started to decrease from a peak of 11.3% in March to 10.4% in May. After leaving its key policy rate unchanged in May, the National Bank of Serbia (NBS) returned to raising it by a further 25 bps. in June, thereby bringing it to 6.25%. The NBS remained an active participant on the foreign exchange

market by buying EUR 600 million in April and EUR 255 million in May, resulting in net purchases of EUR 1.3 billion in the first five months of the year. NBS foreign exchange reserves increased by 58.9% y-o-y to EUR 22.1 billion in May 2023, covering 5.8 months of imports of goods and services.

Financial sector

In May 2023, domestic claims of the banking sector increased by 13.5% y-o-y, up from 9.6% y-o-y in February due to a strong increase in claims on the NBS. The annual growth of credit to households recorded some further slowdown to 3.0% in May, from 5.2% in February. Annual credit growth to companies also decelerated further from 2.4% in February to 0.2% in May. The loan-to-deposit ratio stood at 80.5% at the end of April 2023. The ratio of non-performing loans remained unchanged at 3.0% in Q1-2023. The capital adequacy ratio of the banking sector (regulatory capital to risk-weighted assets) increased by 0.3 pps to 20.5% in Q1-2023. As regards liquidity ratios, both the share of liquid assets to total assets (39.2%, +1.7 pps. q-o-q) and the share of liquid assets to short-term liabilities (50.7%, +2.0 pps. q-o-q) picked up further in Q1-2023.

Fiscal developments

In the period January-May 2023, the increase in general government revenue decelerated to 10.2% y-o-y. The growth of revenues was particularly supported by social contributions (+11.7%), personal income tax (+23.7%), grants (+538.6%, reflecting the inflow of the bulk of the EU budget support to mitigate the energy crisis) and corporate income tax (+17.4%) while VAT receipts (+3.6%) and excise duties (+1.6%) performed more moderately. Total general government expenditure growth (+7.1%) remained below the revenue increase and was particularly driven by capital transfer budget loans (+323.4%), social grants and transfers (+8.7%) and expenditure for employees (+6.4%) while purchases of goods and services (+2.4%) and capital expenditure (+2.0%) increased only moderately and other current expenditure decreased by 33.9%. As a result, in January-May 2023, the budget recorded a deficit of 0.3% of expected annual GDP as compared to a deficit of 0.9% in the same period of 2022. In May, central government debt stood at 51.4% of the projected 2023 full-year GDP, down from 55.1% at end-2022, mainly as a result of high expected nominal GDP growth in 2023.

TABLE

European Commission, ECFIN-D-1



SERBIA

		2018	2019	2020	2021	2022	ECFIN 2023 Spring forecast		Q4 22	Q1 23	Q2 23	Apr 23	May 23	Jun 23
							2023	2024						
1 Real sector														
Industrial confidence ^{1.1}	Balance	6.7	5.8	-1.0	2.9	0.5	:	:	-0.7	-1.8	-0.8	-0.5	-1.8	-0.1
Industrial production ^{1.2}	Ann. % ch	1.5	0.2	0.4	6.1	1.6	:	:	0.7	2.3	:	0.4	1.5	:
Gross domestic product ^{1.3}	Ann. % ch	4.5	4.3	-0.9	7.5	2.3	1.9	3.0	0.5	0.7	:	N.A.	N.A.	N.A.
Private consumption ^{1.4}	Ann. % ch	3.1	3.7	-1.9	7.8	3.7	2.0	2.8	1.5	-0.3	:	N.A.	N.A.	N.A.
Gross fixed capital formation ^{1.5}	Ann. % ch	17.5	17.2	-1.9	15.9	-0.6	0.8	2.6	-2.7	2.0	:	N.A.	N.A.	N.A.
Construction index ^{1.6}	Ann. % ch	9.6	32.3	-1.5	25.0	5	:	:	0.6	9.7	:	N.A.	N.A.	N.A.
Retail sales ^{1.7}	Ann. % ch	4.1	8.9	4.2	10.0	5.6	:	:	2.0	-3.7	:	-6.1	-6.2	:
2 Labour market														
Unemployment**** 2.1	%	13.7	11.2	9.7	11.0	9.6	9.3	9.0	9.4	10.1	:	N.A.	N.A.	N.A.
Employment**** 2.2	Ann. % ch	1.4	2.4	-0.2	2.6	2.3	0.1	0.5	n.a.	1.1	:	:	:	:
Wages 2.3	Ann. % ch	4.3	10.5	9.4	9.4	13.8	:	:	13.4	15.5	:	14.8	:	:
3 External sector														
Exports of goods ^{3.1}	Ann. % ch	6.5	8.8	-3.7	26.9	25.4	:	:	19.2	17.4	:	7.8	2.5	:
Imports of goods ^{3.2}	Ann. % ch	11.2	9.9	-4.7	25.0	31.8	:	:	20.0	5.5	:	-10.0	-9.7	:
Trade in goods balance ^{3.3}	% of GDP	-11.9	-12.2	-11.1	-11.3	-15.5	-13.9	-13.7	-15.5	-13.6	:	N.A.	N.A.	N.A.
Exports goods and services ^{3.4}	% of GDP	49.3	50.8	47.6	54.0	63.0	:	:	62.9	63.7	:	N.A.	N.A.	N.A.
Imports goods and services ^{3.5}	% of GDP	58.9	60.8	56.3	62.7	74.6	:	:	74.6	73.1	:	N.A.	N.A.	N.A.
Current account balance ^{3.6}	% of GDP	-4.8	-6.9	-4.1	-4.2	-6.9	-5.5	-5.1	-6.9	-4.4	:	N.A.	N.A.	N.A.
Direct investment (FDI, net) ^{3.7}	% of GDP	7.4	7.7	6.3	6.9	7.1	:	:	7.1	7.2	:	N.A.	N.A.	N.A.
International reserves ^{3.8}	mn EUR	11,262	13,378	13,492	16,455	19,416	:	:	19,416	21,381	:	21,557	22,088	:
Int. reserves / months imp ^{3.9}	Ratio	5.4	5.7	6.1	5.9	5.2	:	:	5.2	5.6	:	5.7	:	:
4 Monetary developments														
CPI ^{4.1}	Ann. % ch	2.0	1.8	1.6	4.1	12.0	12.4	5.9	15.1	16.0	:	15.2	14.8	:
Producer prices ^{4.2}	Ann. % ch	2.1	0.7	-1.8	9.1	16.4	:	:	14.8	8.5	:	3.8	3.0	:
Food prices ^{4.3}	Ann. % ch	1.9	2.6	2.6	4.5	18.7	:	:	22.9	24.6	:	23.1	23.2	:
M3 ^{4.4}	Ann. % ch	14.5	8.4	18.1	13.3	6.9	:	:	6.9	11.9	:	11.8	13.1	:
Exchange rate RSD/EUR ^{4.5}	Value	118.27	117.86	117.58	117.57	117.46	:	:	117.31	117.33	117.28	117.28	117.28	117.27
Real effective exchange rate ^{4.6}	Index	123.8	123.6	125.7	128.0	129.3	:	:	132.3	137.3	:	138.3	139.3	:
5 Financial indicators														
Interest rate (BELIBOR) ^{5.1}	% p.a.	2.96	2.52	1.19	0.89	2.47	:	:	4.23	5.25	5.60	5.55	5.58	5.68
Bond yield (10 year) ^{5.2}	% p.a.	5.17	:	:	2.50	6.76	:	:	6.78	:	5.60	:	5.60	:
Stock markets ^{5.3}	Index	1,562	1,584	1,544	1,639	1,720	:	:	1,746	1,772	1,793	1,789	1,813	1,777
Credit growth ^{5.4}	Ann. % ch	4.3	9.7	12.3	9.1	10.9	:	:	8.8	5.1	:	2.1	1.3	:
Deposit growth ^{5.5}	Ann. % ch	7.4	12.9	15.0	14.4	8.4	:	:	7.4	8.9	:	12.0	13.4	:
Non-performing loans ^{5.6}	% total	5.7	4.1	3.7	3.6	3.0	:	:	3.0	3.0	:	N.A.	N.A.	N.A.
6 Fiscal developments														
General government revenue** 6.1	% of GDP	41.5	42.0	41.0	43.3	43.4	:	:	43.4	9.5	:	N.A.	N.A.	N.A.
General government expenditure** 6.1	% of GDP	40.9	42.2	49.0	47.4	46.5	:	:	46.5	9.8	:	N.A.	N.A.	N.A.
General government balance** 6.1	% of GDP	0.6	-0.2	-8.0	-4.1	-3.1	-2.8	-1.9	-3.1	-0.3	:	-0.3	:	:
General government debt*** 6.2	% of GDP	53.7	52.0	57.0	56.5	55.2	52.1	50.7	55.2	51.0	:	50.6	:	:

f. ECFIN forecast Spring 2023 published May 2023

* Q figures refer to a 4 quarters moving average.

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

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

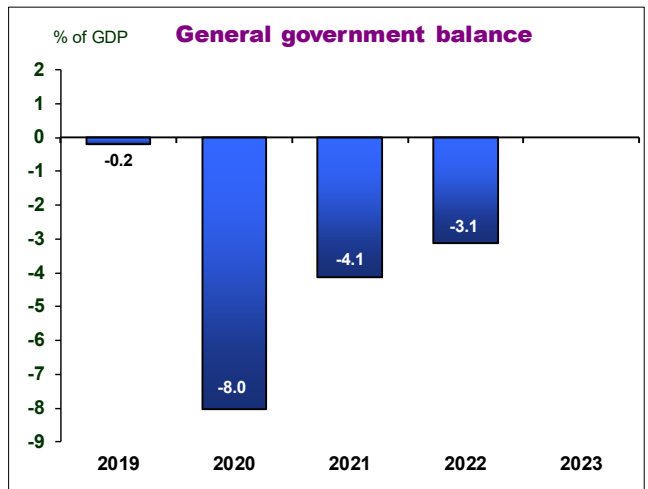
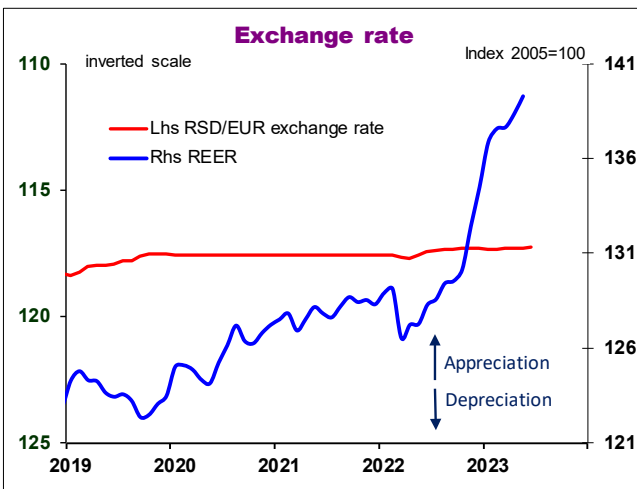
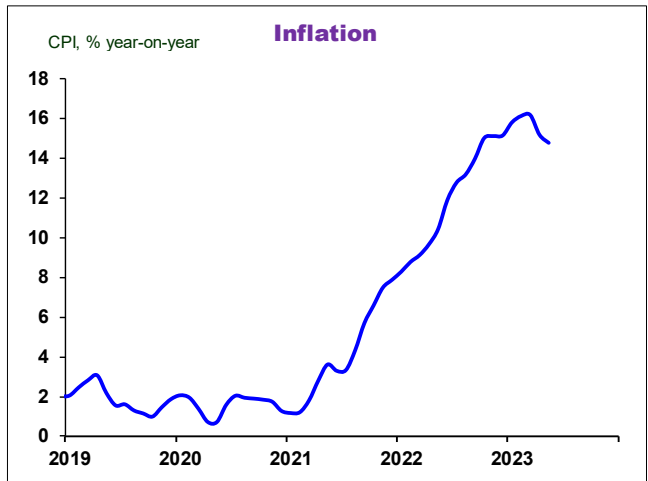
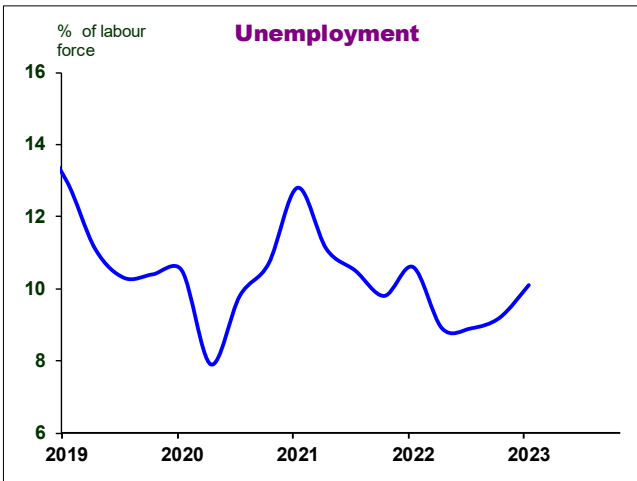
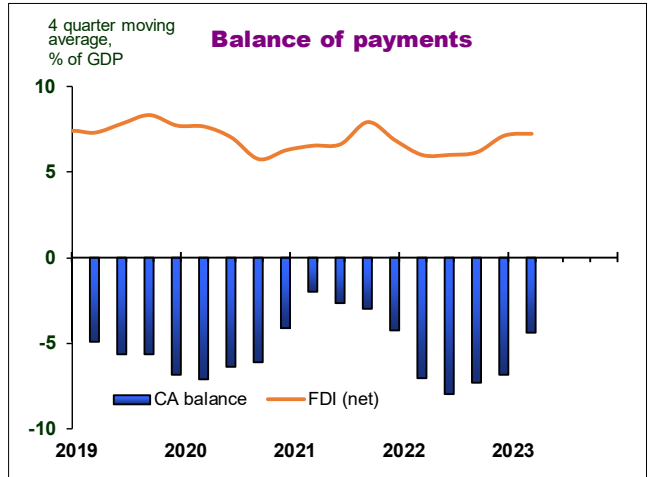
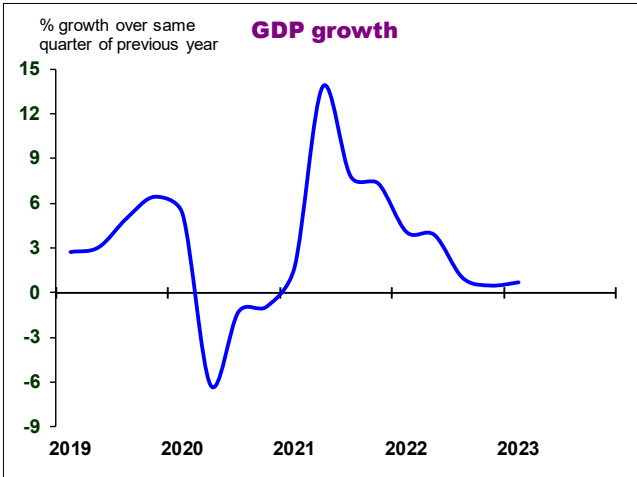
**** From Q1-2022, the Labour Force Survey is based on the results of the 2022 population census, restricting comparability with pre-year data.

CHARTS

European Commission, ECFIN-D-1



SERBIA





Key developments

The incumbent president Erdoğan won the May presidential elections. The ruling alliance also remained in power, after winning the parliamentary elections. The president replaced the economic team, with the appointment of Mr Mehmet Şimşek as a minister of treasury and finance and of Ms Hafize Gaye Erkan as central bank governor.

The Economic and Financial Dialogue between the EU and the Western Balkans and Turkey, held on 16 May, adopted joint conclusions with targeted policy guidance, which *inter alia* invited Turkey to: use all tools available to the central bank, including interest rates, more decisively in order to accelerate the disinflation process; keep an appropriately tight fiscal stance in 2023; present a credible medium-term strategy and gradually return to a primary surplus of at least 1% of GDP; and prepare an options paper for fiscal rules and the setting up of an independent fiscal oversight body.

Real sector

Türkiye's economy expanded further in Q1-2023 (4.0 % y-o-y, 0.3 % q-o-q), despite the impact of the devastating earthquakes. Domestic demand, in particular very strong household consumption (+16.2 % y-o-y), remained the main driver of growth, contributing 11.4 pps. Net exports' negative contribution to growth deepened to 7.4 pps, following a further loss in export momentum and a pick-up in imports. The two-year long decline in inventories has come to a halt, while a pick-up in machinery and equipment investment lifted gross fixed capital formation growth to 4.9 % y-o-y. Government consumption increased by a robust 5.3 % y-o-y. On the supply side, the weak performance of agriculture (-3.8 % y-o-y) and industry (-0.7 % y-o-y) continued. However, manufacturing returned to growth (1.6 % y-o-y), and economic activity expanded across all other sectors of the economy. After four years of decline, the construction sector consolidated its recovery, growing for a second consecutive quarter (5.1 % y-o-y). Supported by a strong recovery in tourism, the growth of services accelerated to 12.4 % y-o-y. Growth also remained high in

information and communication (8.1 % y-o-y), financial and insurance activities (11.2 % y-o-y), and professional, administrative and support service activities (12.0 % y-o-y).

High frequency indicators have shown a quick rebound in economic activity in the aftermath of the February earthquakes. In May, consumer confidence (91.1) increased to levels not seen for nearly five years, before subsiding after the elections. Economic confidence also peaked in May at 103.7. Real sector, retail trade, and services confidence sub-indexes continued growing in June. In tune with the strong consumer sentiment, retail sales grew by 27.5 % y-o-y in April. The manufacturing PMI rose further from 50.9 in March to 51.5 in the months of April, May and June. Capacity utilisation in manufacturing increased from its trough in March (74.2) to 76.6 in June. Although industrial production nearly recovered from the slump in February (-5.9 % m-o-m) already in March (5.8 % m-o-m), it remained in general weak and was down again in April (-0.9 % m-o-m).

Labour market

The labour market remained relatively upbeat since the beginning of the year. In April, the labour force participation rate (seasonally adjusted, 15 years and over) increased to 53.9 % and the employment rate stood at 48.4 %. The headline unemployment rate went down to 10.0 %. The seasonally adjusted employment growth was robust in Q1 (5.2 % y-o-y), with job gains in industry (3.8 % y-o-y), construction (11.1 % y-o-y), and services (7.3 % y-o-y). Only agriculture continued shedding labour (-2.3 % y-o-y). In April, labour market underutilisation (including unemployment, time-related underemployment, and the potential labour force) increased to 23.8%, driven by rising time-related underemployment and lower actual working hours of those employed. The seasonally and calendar-adjusted hourly labour cost index in Q1 increased strongly by 118.5% y-o-y (29.1% q-o-q), 64 pps above the rate of inflation. Labour costs were heavily influenced by the 54.6 % hike of the net minimum wage in January. The minimum wage was raised again

by 34.0 % in July.

External sector

The 12-month cumulative current account deficit increased from 5.4% of GDP in 2022 to 6.0% of GDP (USD 58 billion) in April 2023. The trade deficit rose further as the value of goods exports dropped steeply in April (-18.3 % y-o-y), bringing the total cumulative decline of exports of goods since the beginning of the year to -4.1 % y-o-y. The growth of imports decelerated strongly since January and turned negative in April (-5.8 % y-o-y), largely driven by the lower value of energy imports, while imports of non-monetary gold remained elevated. The surplus in services trade increased further, as transport and travel exports reached new highs. Portfolio investment outflows accelerated in March and April, while net FDI inflows remained limited. Net errors and omissions turned negative and the current account deficit was financed by other investments and the reduction in reserve assets. The central bank's foreign exchange reserves (including gold) decreased from USD 128.7 billion in December to around USD 114.9 billion in April, covering 3.5 months of imports. Reserves continued falling in the following months, dropping below USD 100 billion in end-May, before recovering somewhat in the second half of June, after the central bank had tightened its policy.

Monetary developments

The annual consumer price inflation fell marginally to 38.2 % in June (40.5 % in Q2). However, after being on a downward trend in the first five months, monthly inflation went up again to 3.9 %. Despite deflationary energy prices (-16.5 % y-o-y), price pressures remained strong and the disinflationary drive lost steam in Q2, with food (53.5 % y-o-y) and service (59.3 % y-o-y) inflation remaining high. Annual producer price inflation also stabilised at a relatively high level of 40.4 %, while core inflation even inched-up again, to 47.3 % in June.

Under the helm of the new central bank governor, in June the central bank increased the key policy rate from 8.5 % to 15.0 %, although the weighted average cost of central bank funding was still below the key rate in the following week. The bank also signalled a gradual further tightening of monetary

conditions and simplification of the existing micro- and macro-prudential framework. The lira depreciated strongly against the USD after the May elections, and by early July it was down 34.0 % since the end of April. Türkiye's 5-year sovereign risk premium spiked above 700 prior to the second round of the presidential elections in May but subsided since then to just under 500 in the beginning of July – still significantly above the pre-COVID average of around 230.

Financial sector

Loan growth accelerated in real terms, reaching 10.8 % y-o-y in May, largely driven by lending to households (31.7 % y-o-y), while corporate lending remained subdued (4.9 % y-o-y). The average nominal interest rate on personal loans in lira increased from around 30 % in Q1 to 41.7 % in mid-June, while rates on commercial loans remained broadly unchanged at close to 15 %. The interest rate on lira deposits also increased from around 19 % in Q1 to above 30 % in mid-June, substantially above the policy rate.

The banking sector's capital adequacy ratio decreased from 17.7 % in March to 17.1% in May, driven by lower capitalisation of state-owned banks due to transfers to the earthquakes reconstruction fund. The ratio of non-performing loans to total loans declined further to 1.75 % in May (1.14 % in state-owned banks). The share of foreign currency deposits in total deposits remained broadly stable in April and May, but increased above 42 % in June, while the share of the FX-protected lira deposits increased strongly from 17.1 % in March to 23.6 % in June.

Fiscal developments

In January-May, total revenue increased by 48.7 % y-o-y as direct taxes and non-tax revenue were hit by the February earthquakes and the low-interest rate policy. Total expenditure grew much stronger (95.4 % y-o-y), across all major expenditure items. In the same period, the central budget deficit stood at TRY 263.6 billion – 1.2 % of the forecast annual GDP, compared to a surplus of TRY 124.6 billion recorded over the same period last year. The government debt-to-GDP ratio inched down from 31.7 % of GDP at the end of 2022 to 31.2 % of GDP in Q1-2023. Net debt was largely stable at 17% of GDP.

TABLE



TÜRKİYE

European Commission, ECFIN-D-1

		2018	2019	2020	2021	2022	ECFIN 2023 Spring forecast		Q4 22	Q1 23	Q2 23	Apr 23	May 23	Jun 23
							2023	2024						
1 Real sector														
Industrial confidence ^{1.1}	Index	-1.5	-3.8	-4.1	5.6	-0.4	:	:	-3.5	-1.3	0.5	0.5	1.4	-0.4
Industrial production ^{1.2}	Ann. % ch	1.1	-0.6	2.2	16.5	6.2	:	:	0.4	-0.4	:	-9.8	:	:
Gross domestic product ^{1.3}	Ann. % ch	3.0	0.8	1.9	11.4	5.6	3.5	4.0	3.5	4.0	:	N.A.	N.A.	N.A.
Private consumption ^{1.4}	Ann. % ch	0.5	1.5	3.2	15.3	19.7	5.9	3.0	16.1	16.2	:	N.A.	N.A.	N.A.
Gross fixed capital formation ^{1.5}	Ann. % ch	-0.2	-12.5	7.4	7.4	2.8	3.7	4.5	2.6	4.9	:	N.A.	N.A.	N.A.
Construction index ^{1.6}	Ann. % ch	22.8	-7.1	5.6	39.0	104.7	:	:	116.7	118.6	:	93.1	:	:
Retail sales ^{1.7}	Ann. % ch	1.9	-0.5	3.3	15.6	10.2	:	:	14.9	28.5	:	26.7	:	:
2 Labour market														
Unemployment ^{2.1}	%	10.9	13.7	13.1	12.0	10.5	10.1	10.1	10.1	10.4	:	10.0	:	:
Employment ^{2.2}	Ann. % ch	2.2	-2.3	-4.8	7.9	6.7	3.1	2.7	5.8	4.9	:	3.0	:	:
Wages ^{2.3}	Ann. % ch	18.3	26.2	18.0	19.3	73.2	50.3	36.6	89.8	106.4	:	:	:	:
3 External sector														
Exports of goods ^{3.1}	Ann. % ch	7.7	2.1	-6.2	32.8	12.9	:	:	2.6	2.4	:	-17.3	14.4	:
Imports of goods ^{3.2}	Ann. % ch	-3.2	-9.0	4.4	23.6	34.0	:	:	18.3	11.1	:	-4.8	15.5	:
Trade in goods balance* ^{3.3}	% of GDP	-5.2	-2.2	-5.3	-3.6	-10.0	-7.2	-5.9	-10.0	-10.2	:	N.A.	N.A.	N.A.
Exports goods and services* ^{3.4}	% of GDP	30.3	32.9	28.9	35.1	38.5	:	:	38.5	36.4	:	N.A.	N.A.	N.A.
Imports goods and services* ^{3.5}	% of GDP	31.6	30.0	32.1	34.8	42.9	:	:	42.9	41.2	:	N.A.	N.A.	N.A.
Current account balance* ^{3.6}	% of GDP	-2.6	1.4	-4.5	-0.9	-5.4	-4.2	-2.7	-5.4	-5.7	:	N.A.	N.A.	N.A.
Direct investment (FDI, net)* ^{3.7}	% of GDP	1.1	0.9	0.6	0.8	0.9	:	:	0.9	0.9	:	N.A.	N.A.	N.A.
International reserves ^{3.8}	bn EUR	93.0	105.7	93.6	111.2	128.7	:	:	128.7	122.4	:	114.9	:	:
Int. reserves / months Imp ^{3.9}	Ratio	4.5	5.6	4.9	4.7	4.0	:	:	4.0	3.7	:	3.5	:	:
4 Monetary developments														
CPI ^{4.1}	Ann. % ch	16.3	15.2	12.3	19.6	72.3	45.0	30.3	77.4	54.3	40.4	43.7	39.6	38.2
Producer prices ^{4.2}	Ann. % ch	27.0	17.6	12.2	43.9	128.5	:	:	127.7	74.5	44.1	52.1	40.8	40.4
Food prices ^{4.3}	Ann. % ch	18.0	19.5	13.8	24.3	85.6	:	:	92.3	69.3	53.5	53.9	52.5	53.9
M3 ^{4.4}	Ann. % ch	18.6	29.5	32.8	51.1	64.1	:	:	64.1	58.9	55.1	62.0	50.3	55.1
Exchange rate TRY/EUR ^{4.5}	Value	5.68	6.35	8.03	10.45	17.38	:	:	18.99	20.25	22.79	21.20	21.48	25.69
Real effective exchange rate ^{4.6}	Index	86.1	83.8	75.1	67.5	60.7	:	:	62.0	65.3	62.8	66.0	64.8	57.52
5 Financial indicators														
Interest rate (TLREF) ^{5.1}	% p.a.	19.85	20.53	10.85	17.88	13.16	:	:	10.69	9.03	10.11	9.57	10.00	10.77
Interest rate, long term ^{5.2}	% p.a.	16.39	16.01	12.81	17.69	17.69	:	:	9.31	7.35	:	9.98	:	:
Stock markets ^{5.3}	Index	1,019	993	1,133	1,510	2,979	:	:	4,505	5,086	5,010	4,972	4,585	5,473
Credit growth ^{5.4}	Ann. % ch	21.8	6.4	28.4	22.7	56.0	:	:	59.3	55.0	55.3	57.5	54.8	53.9
Deposit growth ^{5.5}	Ann. % ch	23.0	18.3	36.4	28.0	78.3	:	:	80.8	66.7	63.4	68.7	60.8	61.3
Non-performing loans ^{5.6}	% total	3.9	5.4	4.1	3.1	2.1	:	:	2.1	1.8	:	1.9	1.8	:
6 Fiscal developments														
General government revenue** ^{6.1}	% of GDP	29.8	29.8	29.6	28.0	25.3	:	:	25.3	:	:	N.A.	N.A.	N.A.
General government expenditure** ^{6.2}	% of GDP	32.5	33.0	32.5	30.3	26.4	:	:	26.4	:	:	N.A.	N.A.	N.A.
General government balance** ^{6.1}	% of GDP	-2.8	-3.2	-2.9	-2.3	-1.1	-4.9	-4.7	-1.1	:	:	N.A.	N.A.	N.A.
General government debt*** ^{6.2}	% of GDP	30.1	32.6	39.7	41.8	31.7	32.7	35.0	31.7	31.2	:	N.A.	N.A.	N.A.

f: ECFIN forecast Spring 2023 published May 2023

* Q figures refer to a 4 quarters moving average.

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

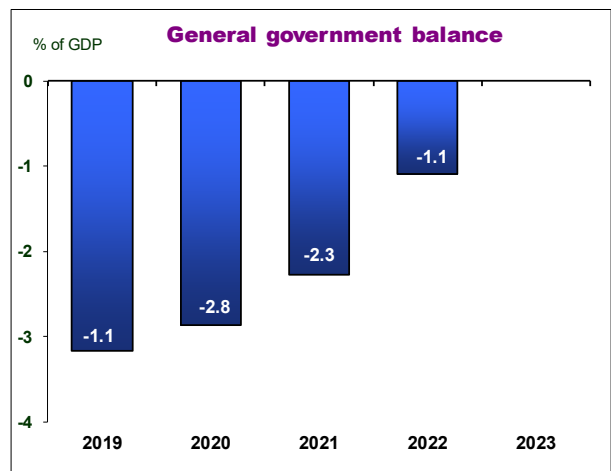
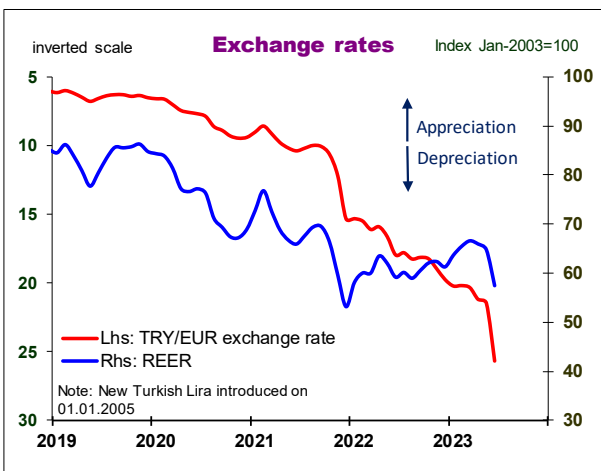
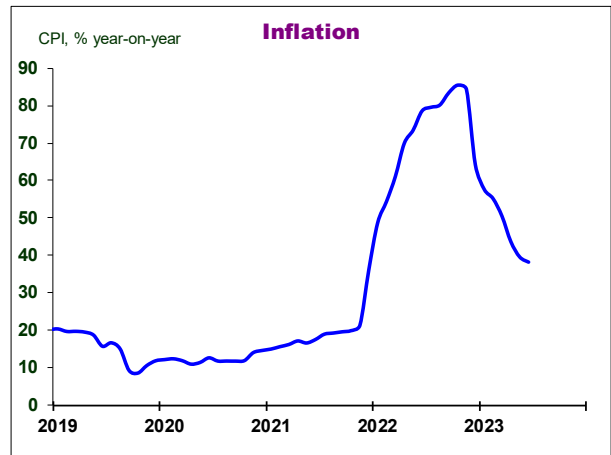
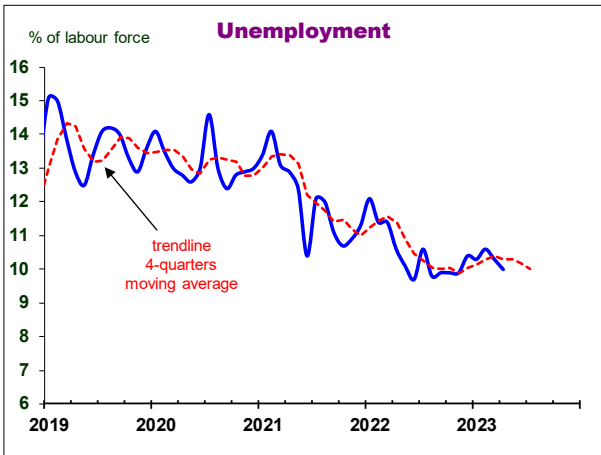
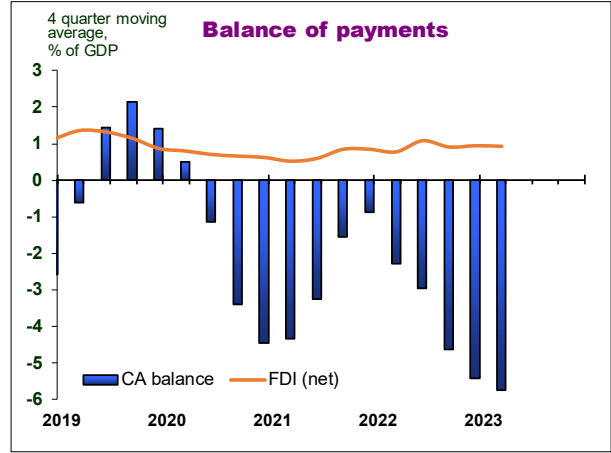
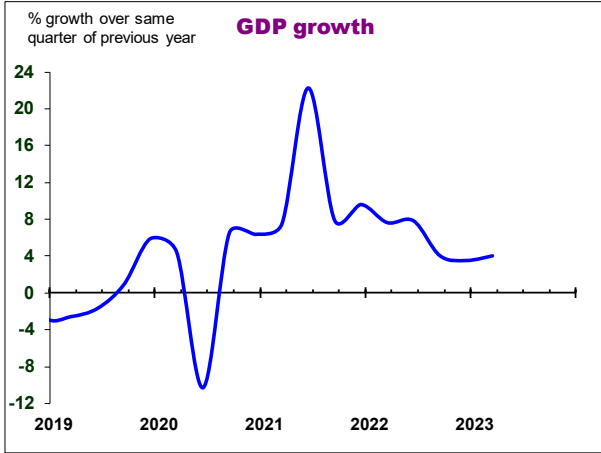
*** Q figures in percent of GDP on a four quarter moving basis.

CHARTS

European Commission, ECFIN-D-1



TÜRKIYE





Key developments

In April, the government adopted the Medium-Term Expenditure Framework (MTEF) and the State Debt Programme (SDP) for 2024-2026, including a downward revision of the forecast for real GDP in 2023 from 7.1% to 5.2%, which is still well above the IMF projection of 3.5%. The MTEF foresees compliance with the deficit rule in 2024-2026. The SDP projects an increase of public debt to 25.1% of GDP in 2026. It envisages that in 2023 domestic short-term debt would decrease to 21.2% of the total from 22.5% in 2022 and continue declining in the subsequent years.

On 16 May, the Economic and Financial Dialogue between the EU and the Western Balkans and Türkiye adopted joint conclusions with country-specific policy guidance, which invited Kosovo to use the available fiscal space in the 2023 budget to provide well-targeted and temporary energy crisis-related support to vulnerable households and businesses whilst ensuring compliance with the 2% deficit ceiling of the fiscal rule. Kosovo was also invited, *inter alia*, to ensure that spending on war veteran pensions and public-sector salaries according to the new wage law comply with the prescribed legal ceilings, and to improve the financial oversight and accountability of publicly owned enterprises as well as the management and execution of capital spending.

On 28 June, temporary measures were communicated by the EU to Kosovo's authorities in response to the latter's failure to take steps to de-escalate tensions in the northern region. The measures include the suspension of the sub-committees' meetings established under the Stabilisation and Association Agreement (SAA), the exclusion of Kosovo's officials from high-level meetings, and the suspension of bilateral visits, except for those related to addressing the crisis in the north through the EU-facilitated dialogue. Moreover, funds from the Instrument for Pre-accession Assistance (IPA) 2024 have been halted.

Real sector

Economic growth picked-up slightly to 3.9% year-on-year in the first quarter of 2023 from

3.6% in the last quarter of 2022. The key factors behind the acceleration were the recovery in gross fixed capital formation (3.3% y-o-y) and a positive contribution (2.9 pps) of net exports to growth on the back of a strong increase in exports of goods and services (14.7% y-o-y) that outweighed the real import growth (2.5% y-o-y). Private consumption growth decelerated to 0.9% y-o-y from 1.2% in the preceding quarter, due to the impact of high inflation on real disposable incomes, which was cushioned by government support measures as well as higher remittances and bank lending. Government consumption fell by 1.4% y-o-y.

On the production side, the largest gains in output in Q1 took place in the information and communication sector (15% y-o-y), professional, scientific and technical activities (10.3%), wholesale and retail trade (9.7%) as well as manufacturing (9.3%).

In April, output in the manufacturing and electricity and gas sectors virtually stagnated in y-o-y terms while it marginally declined in the mining sector. Water supply and sewage production increased only by 0.3% y-o-y compared to 1.2% in March.

Labour market

Labour force survey (LFS) results continue to be published with large delays. The latest available data refer to the first quarter of 2022 with the employment and unemployment rates at 32.2% and 16.6%, respectively. Tax administration data suggest that official employment in the private and public sector increased by 4.9% in 2022. At the same time, in December 2022, the number of registered job seekers decreased by 1.5 percent compared to the same period a year before. Nominal wages increased by 7.6% in 2022, mainly driven by wage growth in the private sector (13%). Public wages, which are around 30% higher on average than wages in the private sector, declined by 1.3% as compared to 2021.

External sector

The current account deficit improved, with its 4-quarter moving average narrowing to 9.4% of GDP in Q1 as compared to 10.5% in full-year 2022. The key drivers were the decline in the

traditionally high merchandise trade deficit to 47.1% of GDP from 47.9% in 2022 as well as the continued rebound of services exports. Workers' remittances, which usually offset a large part of the trade deficit, increased to 21.4% of GDP in the four quarters to March. For the same period, the primary income surplus decreased to 0.2% of GDP. On the financing side, the 4-quarter moving average of net FDI inflows increased to 7.2% of GDP in Q1 compared to 6.7% for 2022 as a whole. Reserve assets slightly increased and covered 2.3 months of imports of goods and services in Q1.

In January-May the value of total merchandise exports fell by 4.2% y-o-y, mainly due to the decline in exports of base metals, plastic and rubber articles as well as various manufactured items. In the same period, goods imports grew by 3.1% y-o-y driven by higher imports of machinery, appliances and electrical equipment, prepared foodstuffs, beverages and tobacco as well as base metals. The overall goods trade deficit increased by 4.6% y-o-y during January-May.

Monetary developments

Consumer price inflation slowed to 10.1% y-o-y in Q1-2023 and further to 5.4% in May, bringing the annual average HICP inflation to 8.4% in the first five months of the year, on the back of gradually decelerating global commodity prices.

Import prices grew by 8.6% y-o-y in Q1, mainly driven by higher prices of vegetables, paper as well as articles of stone, plaster, ceramic products and glass. For the same period, the construction price index rose by 3.3% y-o-y on the back of increasing prices for transport and machinery whereas prices for energy fell by nearly 15% y-o-y. The producer price index decreased by an average of 0.1% y-o-y in Q1, due to the falling prices for supply of electricity, gas, steam and air conditioning as well as manufacture of fabricated metal products.

Financial sector

Credit growth continued decelerating and stood at 15.1% y-o-y in May, compared to an average of 17.4% in 2022. The growth of bank deposit accelerated to 16.9% y-o-y in May from an average of 10.8% in 2022. The loan-to-deposit ratio increased to 82.9% in May from 77.8% in January.

The banking sector remained stable throughout the first five months of 2023. The interest rate spread remained unchanged at 4.8 pps. in May as compared to January. The return on average equity was at 21% in May, practically unchanged from 20.8% in January, while the average return on assets was stable at 2.6% throughout the first five months.

The ratio of liquid assets to short-term liabilities remained roughly unchanged at 32% in May, as compared to 31.9% a year before. For the same period, the banking system's capital adequacy ratio slightly increased to 15.6% from 15.4%, standing well above the regulatory minimum of 12%. The NPL ratio fell marginally to 2.1% during the first five months as compared to 2.2% in May 2022, which was partially driven by still strong credit growth. Existing NPLs are fully covered by loan-loss provisions (137.5%).

Fiscal developments

On the back of high inflation, budget revenues increased by 20% y-o-y, in January-May, with income from direct and indirect taxes growing by 21.5% and 11.6% y-o-y, respectively. Among direct taxes, property tax income increased substantially by 70.8% y-o-y because of the re-evaluation of real estate properties and improved tax compliance. VAT collection rose by 13.4%, compared to the same period a year before. Budget expenditure increased by 14.2% y-o-y in the first five months. After a severe contraction in 2022, total capital spending almost doubled (96% y-o-y). Current expenditure grew by 7.7% y-o-y on the back of increased spending on wages (12.2%), transfers and subsidies (5.6%) and goods and services (3.8%) while spending on utilities virtually stagnated.

Overall, the five-month budget execution resulted in a general government surplus of EUR 151 million (1.5% of projected annual GDP), compared to a surplus of EUR 137 million in the same period in 2022.

At the end of Q1, the public debt-to-GDP ratio stood at 18.1%, lower compared to a revised 19.9% at the end of 2022. The largest share of domestic debt is held by the Kosovo Pension Saving Trust (49%), followed by commercial banks (24%) and the Central Bank of Kosovo (20%). Foreign-owned debt stood at 6.6% of GDP in Q1 compared to a revised 7.2% at end-2022.

TABLE

European Commission, ECFIN-D-1



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		2018	2019	2020	2021	2022	Q4 22	Q1 23	Q2 23	Apr 23	May 23	Jun 23
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	-0.7	2.6	-1.2	19.3	:	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Gross domestic product 1.3	Ann. % ch	3.4	4.8	-5.3	10.7	3.5	3.6	3.9	:	N.A.	N.A.	N.A.
Private consumption 1.4	Ann. % ch	4.4	5.6	2.5	7.3	4.0	1.2	0.9	:	N.A.	N.A.	N.A.
Gross fixed capital formation 1.5	Ann. % ch	5.4	2.9	-7.6	13.0	-6.5	-9.3	3.3	:	N.A.	N.A.	N.A.
Construction index 1.6	Ann. % ch	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Retail sales 1.7	Ann. % ch	17.4	25.6	-0.4	11.0	:	:	:	:	N.A.	N.A.	N.A.
2 Labour market												
Unemployment 2.1	%	29.6	25.7	25.9	20.7	:	:	:	:	N.A.	N.A.	N.A.
Employment 2.2	Ann. % ch	-3.4	5.2	-4.4	10.4	:	:	:	:	N.A.	N.A.	N.A.
Wages 2.3	Ann. % ch	5.1	5.3	-2.3	3.9	7.6	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
3 External sector												
Exports of goods 3.1	Ann. % ch	-2.8	4.4	23.8	57.8	22.8	11.5	-0.4	:	-16.9	-1.6	:
Imports of goods 3.2	Ann. % ch	9.8	4.5	-5.7	41.1	21.2	12.5	0.5	:	-3.1	16.7	:
Trade in goods balance* 3.3	% of GDP	-41.0	-40.3	-38.0	-44.8	-47.9	-47.9	-47.1	:	N.A.	N.A.	N.A.
Exports goods and services* 3.4	% of GDP	29.1	29.3	21.7	33.4	38.3	38.3	39.0	:	N.A.	N.A.	N.A.
Imports goods and services* 3.5	% of GDP	57.3	56.4	53.9	65.2	70.9	70.9	70.0	:	N.A.	N.A.	N.A.
Current account balance* 3.6	% of GDP	-7.6	-5.7	-7.0	-8.7	-10.5	-10.5	-9.4	:	N.A.	N.A.	N.A.
Direct investment (FDI, inflow)* 3.7	% of GDP	3.4	2.7	4.2	4.0	6.7	6.7	7.2	:	N.A.	N.A.	N.A.
International reserves 3.8	mn EUR	933.9	937.1	969.1	1,060.9	1,146.8	1,146.8	1,233.2	:	1,301.5	1,325.1	:
Int. reserves / months Imp 3.9	Ratio	2.9	2.8	3.2	2.5	2.2	2.2	2.3	:	2.4	:	:
4 Monetary developments												
HICP 4.1	Ann. % ch	1.1	2.7	0.2	3.3	11.6	12.1	10.1	:	6.3	5.4	:
Producer prices 4.2	Ann. % ch	1.4	0.9	-0.6	4.9	9.3	0.6	-0.2	:	N.A.	N.A.	N.A.
Food prices 4.3	Ann. % ch	2.8	8.3	10.1	12.7	31.2	18.7	16.1	:	10.6	9.4	:
Broad money liabilities 4.4	Ann. % ch	7.9	12.0	15.3	12.1	11.3	11.3	14.6	:	15.2	15.8	:
Exchange rate EUR/EUR4.5	Value	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Real effective exchange rate (CPI) 4.6	Index	104.7	107.1	107.3	109.8	115.7	116.9	117.7	:	116.6	116.8	:
5 Financial indicators												
Short-Term interest rate 5.1	% p.a.	0.47	0.54	N.A.	0.61	N.A.	N.A.	N.A.	:	:	:	:
Bond yield 5.2	% p.a.	4.28	3.39	3.59	3.48	3.42	N.A.	3.58	:	:	:	:
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	11.1	10.7	7.7	11.2	17.4	16.8	15.2	:	14.4	15.1	:
Deposit growth 5.5	Ann. % ch	6.5	12.6	12.2	13.8	10.8	13.7	16.4	:	17.0	16.9	:
Non-performing loans 5.6	% total	2.6	1.9	2.5	2.1	1.9	1.9	1.8	:	1.9	1.9	:
6 Fiscal developments												
General government revenue** 6.1	% of GDP	26.3	26.8	25.4	27.7	27.8	29.3	6.9	:	N.A.	N.A.	N.A.
General government expenditure** 6.1	% of GDP	29.2	29.7	33.0	28.9	28.4	29.3	5.2	:	N.A.	N.A.	N.A.
General government balance** 6.1	% of GDP	-2.9	-2.9	-7.6	-1.2	-0.5	0.0	1.7	:	1.9	1.5	:
General government debt*** 6.2	% of GDP	17.0	17.6	22.4	21.5	19.9	19.9	18.1	:	N.A.	N.A.	N.A.

* Q figures refer to a 4 quarters moving average.

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

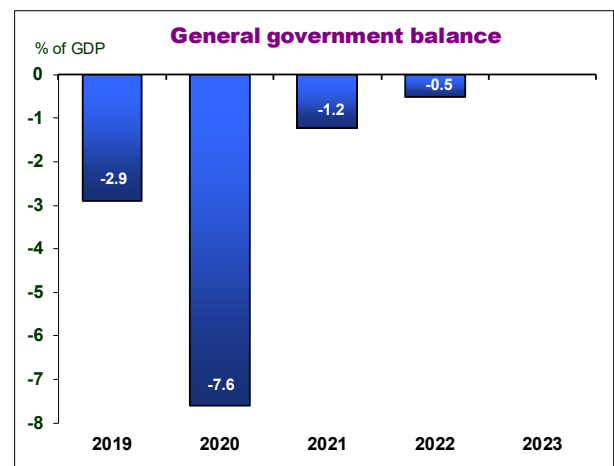
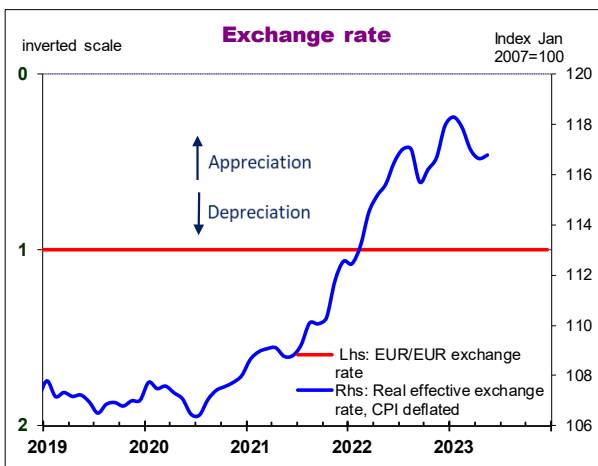
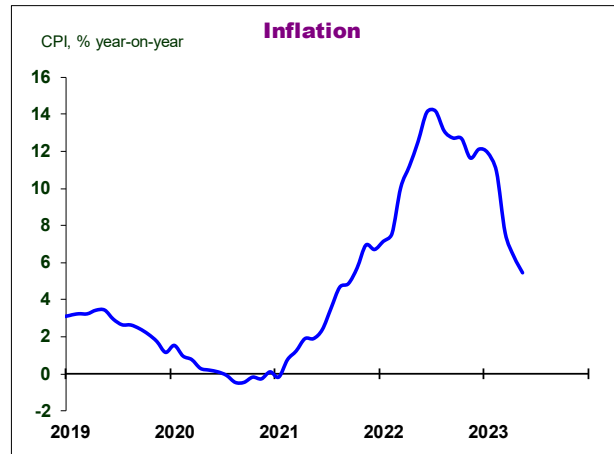
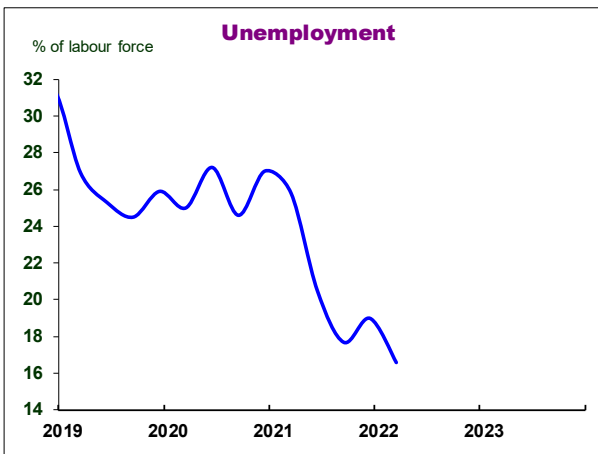
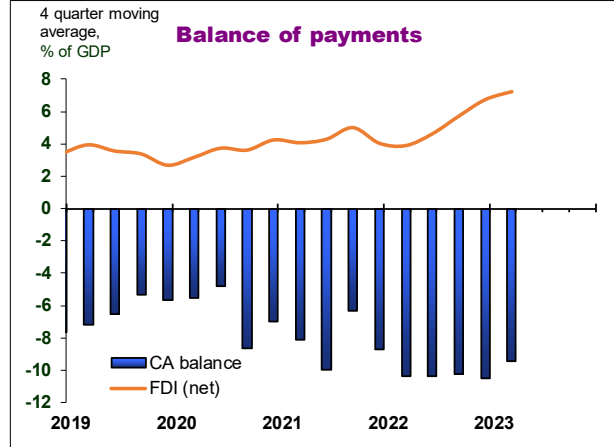
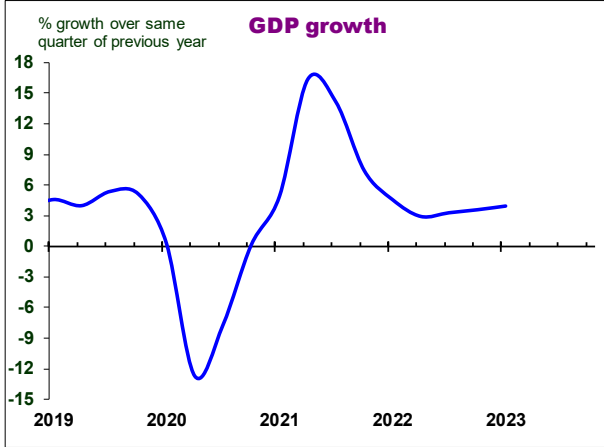
*** Q figures in percent of estimated annual GDP from the Budget Law.

CHARTS

European Commission, ECFIN-D-1



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

³ Data extracted via IHS Markit.

BOSNIA AND HERZEGOVINA Explanatory notes



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



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

NORTH MACEDONIA Explanatory notes



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



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



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



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

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