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European Commission
Directorate-General for Economic and Financial Affairs

EU Candidate & Potential Candidate Countries' Economic Quarterly (CCEQ) 2nd Quarter 2016

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

OVERVIEW

The economic recovery in the Western Balkans continued in 2016, although growth decelerated in some countries. The growth performance continues to rely on stronger private and public investments and, in some cases, a broadening of the recovery across more economic sectors. At the same time, private consumption remained somewhat subdued, reflecting, among others, stagnating wages and pensions in most countries as well as still weak consumer confidence. The region's export performance has gained pace, but remained generally modest, despite the recovery in main EU trading partners. The recovery led to some job creation in the private sector, but unemployment rates remain stubbornly high. Despite progress in fiscal consolidation, still high public debt levels in most countries of the region remain a cause for concern.

Growth dynamics decelerated in most countries of the Western Balkans in the first quarter of 2016. In *Montenegro*, real output growth fell to 1.1% y-o-y in light of strong investment-related imports, a contraction of exports and weak government consumption. In the *former Yugoslav Republic of Macedonia* annual real GDP growth decelerated more markedly to 2.0%, compared to 3.9% in the previous quarter, as stronger total consumption and net exports were offset by substantial investment decrease reflecting the uncertainty caused by the unstable political environment. Contrary to this, in *Serbia*, GDP growth surged to 3.5% year-on-year in the first quarter of 2016, up from 1.2% in the preceding one, largely due to higher investment and exports. First-quarter GDP data have not yet been published for *Albania*, but available indicators suggest that private consumption and investment continued to support the economic recovery.

In *Turkey*, GDP growth moderated to 4.8% year-on-year in the first quarter of 2016, down from 5.7% in the preceding quarter, and was largely driven by strong consumption. Related to this, net exports subtracted from growth as a result of surging imports.

The labour market situation in the *Western Balkans* remains generally challenging but the economic recovery has contributed to further

increase in the employment levels in almost all countries in the region, although at an uneven pace. In the first quarter of 2016, the growth of jobs accelerated compared to the previous quarter in *Albania* (from 3.1% to 5.7%), in *Montenegro* (from 1.9% to 3.1%) and in *Bosnia and Herzegovina* (from 1.1% to 2.0%). In *Serbia*, total employment grew by 2.7% y-o-y after two consecutive quarters of decline. However, growing employment levels contributed to lower unemployment rates only in the case of *Albania* (16.9%) and *Bosnia and Herzegovina* (42.4%).

In *Turkey*, average employment increased by 4.1% y-o-y in the first quarter of 2016, allowing the unemployment rate to fall to 10.3% since the labour force increased by less than the number of jobs.

Significant external imbalances remain a concern in most *Western Balkan* countries, reflected in large merchandise trade deficits which range from around 13% of GDP for *Serbia* to equal or above 20% for the *former Yugoslav Republic of Macedonia*, *Albania*, and *Bosnia and Herzegovina* and above 40% for *Kosovo* and *Montenegro*. External developments in the region during the first quarter of 2016 point to a rather diverse picture. In *Serbia*, the current account deficit in the four quarters to March 2016 narrowed to 4% of GDP from 4.8% in 2015, mainly due to

a fall in the merchandise trade deficit and higher surplus of services. Also the *former Yugoslav Republic of Macedonia* recorded a slightly lower external deficit of 1% of GDP in annualised terms, down from 1.4% in 2015. In *Albania*, the current account shortfall remained at 11.2% of GDP as the rise of the merchandise trade deficit was offset by a higher services surplus. In *Bosnia and Herzegovina*, the current account deficit remained of a similar magnitude as in the fourth quarter of 2015, when it stood at 5.6% of GDP. Contrary to this, *Montenegro* experienced a significant widening of the current account deficit to 15.8% of GDP in the four quarters to March, from 13.4% in 2015 due to investment-related imports and poor industrial performance, while in *Kosovo* the current account shortfall increased further to 10.4% of GDP from 9.1% in 2015, mainly driven by a growing trade deficit and lower transfers to the government.

In *Turkey*, the current account deficit decreased further in the first four months of 2016 to 4.0% of GDP which is fully explained by the year-on-year decline of prices for imported energy.

Persistently low inflation remains a key characteristic of the **Western Balkan** economies, reflecting low commodity prices, negative output gaps, weak domestic demand, and exchange rate stability. The *former Yugoslav Republic of Macedonia* and *Bosnia and Herzegovina* are the two countries which continued to experience downward pressure on prices in the first quarter of 2016, while *Montenegro* and *Kosovo* switched from a positive annual inflation in the first quarter of 2016 to negative inflation rates in May 2016, of 0.3% and 0.2%, respectively. Annual inflation remained positive in *Serbia* (0.3% in June) and *Albania* (1.2% in June) – well below their central banks' respective targets, allowing a continuation of accommodative monetary

policy. The central bank of *Serbia* cut further its key policy rate by 25 basis points to 4 % in July 2016, while Bank of *Albania* by 25 basis points to a new historic low of 1.25% in May 2016.

In *Turkey*, headline inflation increased to 7.6% in June 2016, but is still lower than last December (8.8%) thanks to a downward correction in food prices in the spring.

In the first quarter of 2016, annual credit growth in the **Western Balkan** region remained generally positive, helped by lower lending rates. In some cases it even accelerated, providing support to the ongoing economic recovery. As a common characteristic in the region, household lending has been growing significantly faster than corporate lending. The *former Yugoslav Republic of Macedonia*, *Kosovo* and *Serbia* registered strong average credit growth rates of 8.6%, 8.2% and 11.4%, respectively although in the case of *Serbia* it was mainly due to the rising claims on government. On the other hand, in May 2016, in *Albania* and *Montenegro* the y-o-y decline in total bank lending reached 1.6% and 1.5%, respectively. With the exception of *Albania* and the *former Yugoslav Republic of Macedonia* most **Western Balkan** countries managed to decrease NPLs in the first quarter of 2016 compared to the previous one. However, all countries in the region still have significantly higher NPL ratios compared to the pre-crisis levels. *Serbia* and *Albania* register by far the highest ratios at 20.9% and 18.9% respectively of total loans, followed by *Bosnia and Herzegovina* (13.2%), *Montenegro* (12.9%) and the *former Yugoslav Republic of Macedonia* (10.9%).

In *Turkey*, in June 2016 credit growth has continued to decelerate (12% y-o-y) while the NPL ratio has remained on an upward trend (3.6%).

In the first quarter of 2016, implementation of fiscal consolidation measures and the economic recovery continued to support the reduction of fiscal deficits in almost all countries in the *Western Balkan* region. In *Montenegro*, the general government deficit improved markedly to 1.2% of GDP (from 8.4% in 2015) largely due to delays in capital investment. In *Serbia*, revenue over performance and strict execution of expenditure has reduced substantially the shortfall. In *Albania*, sizable under-execution of expenditure and increased budget revenue resulted in a budget surplus of 1.2% of GDP in the first five months of 2016, compared to a deficit of 4% in 2015 as a whole. In the *former Yugoslav Republic of Macedonia*, in the first quarter of 2016, the general government deficit slightly improved and stood at 4% of GDP compared to 3.9% in the previous quarter. At the end of June 2016, the government adopted a supplementary budget, raising the deficit target for 2016 from the original 3.2% of projected GDP to 3.6%. Except for *Serbia*,

where capital spending increased by 62.2 % y-o-y by the end of May 2016, most countries continue to experience underperforming capital expenditure, reflecting persistent weaknesses in the planning, selection and management of public investment. Public debt levels are still a cause for concern even though they decreased in almost all countries in the region in the first quarter of 2016. Specifically, in the first quarter the debt to GDP ratio decreased in *Albania*, *Serbia*, *Montenegro* and the *former Yugoslav Republic of Macedonia* to 70.4%, 73.7%, 59.3% and 36.8% of GDP, respectively. However, in the case of *Montenegro* it is expected to increase significantly due to (relatively) huge public investment in the transport sector.

In *Turkey*, in the first five months of 2016, central government total revenues increased by 16.7% y-o-y and total spending by 10.8% y-o-y which has turned the budget balance from deficit to surplus. General government debt in the first quarter of 2016 decreased to 32.3% of GDP from 32.9% at the end of 2015.

Candidate and potential candidate countries: Summary table

						ECFIN 2016 Spring forecast							
	2011	2012	2013	2014	2015	2016	2017	Q4 15	Q1 16	Q2 16	Apr 16	May 16	Jun 16
Gross domestic product (in real terms, annual % change)													
Albania	2.5	1.4	1.0	1.8	2.6	3.2	3.5	2.1	:	:	N.A.	N.A.	N.A.
The former Yugoslav Republic of Macedonia	3.0	-0.5	2.7	3.5	3.7	3.5	3.5	3.9	2.0	:	N.A.	N.A.	N.A.
Montenegro	3.2	-2.7	3.5	1.8	3.2	3.6	3.9	1.4	1.1	:	N.A.	N.A.	N.A.
Serbia	1.4	-1.0	2.6	-1.8	0.7	2.0	2.5	1.2	3.5	:	N.A.	N.A.	N.A.
Turkey	8.8	2.1	4.2	3.0	4.0	3.5	3.7	5.7	4.8	:	N.A.	N.A.	N.A.
Bosnia and Herzegovina	0.9	-0.9	2.4	1.4	3.2	:	:	2.1	:	:	N.A.	N.A.	N.A.
Kosovo*	4.4	2.8	3.4	0.9	:	:	:	:	:	:	:	:	:
Unemployment													
Albania	13.4	13.8	16.4	17.9	17.5	17.1	16.3	17.7	16.9	:	N.A.	N.A.	N.A.
The former Yugoslav Republic of Macedonia	31.4	31.0	29.0	28.0	26.1	24.7	23.5	24.6	24.5	:	N.A.	N.A.	N.A.
Montenegro	19.7	19.7	19.5	18.0	17.6	17.1	16.6	17.9	19.1	:	N.A.	N.A.	N.A.
Serbia	23.0	23.9	22.1	19.2	17.7	17.0	16.2	17.7	19.0	:	N.A.	N.A.	N.A.
Turkey	9.0	8.3	8.9	10.1	10.4	10.8	10.9	10.6	10.7	:	:	:	:
Bosnia and Herzegovina	43.8	45.9	44.5	43.6	42.9	:	:	42.9	42.4	:	42.0	:	:
Kosovo*	44.8	30.9	30.0	35.3	32.9	:	:	:	:	:	:	:	:
Current account balance (% of GDP)**													
Albania	-13.2	-10.2	-10.9	-12.9	-11.2	-12.1	-12.5	-11.2	:	:	N.A.	N.A.	N.A.
The former Yugoslav Republic of Macedonia	-2.9	-3.2	-1.6	-0.8	-1.4	-1.7	-2.2	-1.4	-1.0	:	N.A.	N.A.	N.A.
Montenegro	-17.6	-18.5	-14.5	-15.2	-13.4	-13.8	-14.7	-13.4	-15.8	:	N.A.	N.A.	N.A.
Serbia	-10.9	-11.6	-6.1	-6.0	-4.8	-4.3	-4.3	-4.8	-4.0	:	N.A.	N.A.	N.A.
Turkey	-9.7	-6.1	-7.8	-5.9	-4.5	-4.8	-5.1	-4.5	-4.2	:	N.A.	N.A.	N.A.
Bosnia and Herzegovina	-9.5	-8.7	-5.3	-7.5	-5.6	:	:	-5.6	:	:	N.A.	N.A.	N.A.
Kosovo*	-13.7	-7.5	-6.4	-7.8	-9.1	:	:	-9.1	-10.4	:	N.A.	N.A.	N.A.
Inflation (Consumer price index, annual % change)													
Albania	3.5	2.0	1.9	1.6	1.9	1.5	2.4	2.0	0.6	0.7	0.3	0.7	1.2
The former Yugoslav Republic of Macedonia	3.9	3.3	2.8	-0.3	-0.3	1.1	1.4	-0.4	-0.1	-0.7	-0.7	-0.7	-0.7
Montenegro (HICP)	3.3	4.0	1.8	-0.5	1.4	1.5	2.0	1.8	0.3	0.5	-0.2	-0.3	0.3
Serbia	11.2	7.3	7.9	2.1	1.4	1.6	2.8	1.4	1.5	:	0.4	0.7	:
Turkey	6.5	8.9	7.5	8.9	7.7	8.6	8.0	8.2	8.6	6.9	6.6	6.6	7.6
Bosnia and Herzegovina	3.7	2.0	-0.1	-0.9	-1.0	:	:	-1.7	-1.3	:	-1.6	-1.5	:
Kosovo*	7.3	2.5	1.8	0.4	-0.5	:	:	-0.4	0.1	:	-0.1	-0.2	:
General government balance (% of GDP)													
Albania	-3.5	-3.4	-5.0	-5.2	-4.0	-2.3	-1.6	-4.0	0.9	:	:	:	:
The former Yugoslav Republic of Macedonia	-2.5	-3.8	-3.8	-4.2	-3.5	-3.4	-2.9	-3.9	-4.0	:	N.A.	N.A.	N.A.
Montenegro	-5.4	-6.1	-5.2	-3.1	-8.4	-6.2	-6.1	-8.4	-1.2	:	:	:	:
Serbia	-4.7	-6.8	-5.5	-6.6	-3.8	-3.1	-2.9	-9.2	-1.7	:	N.A.	N.A.	N.A.
Turkey	-0.8	-0.3	-1.6	-1.5	-1.4	-1.7	-1.6	-0.8	-0.3	:	N.A.	N.A.	N.A.
Bosnia and Herzegovina	-1.2	-2.0	-2.1	-2.0	:	:	:	:	:	:	N.A.	N.A.	N.A.
Kosovo*	-1.7	-2.6	-3.1	-2.2	-2.0	:	:	:	:	:	N.A.	N.A.	N.A.

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

Forecast: ECFIN forecast Spring 2016

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



Key developments

The annual economic and financial dialogue between the EU and the Western Balkans and Turkey took place on 25 May. The jointly agreed country-specific recommendations call on Albania to continue fiscal consolidation and strengthen its fiscal governance, implement the action plan to resolve bad loans and step up efforts to encourage the use of the local currency in the financial system, among others.

In June the Parliament enacted changes to the Organic Budget Law (OBL), introducing a fiscal rule that mandates a long-term debt ceiling of 45% of GDP and budget balances that ensure a falling debt ratio until this target is reached. Earlier plans to set up an independent fiscal body to monitor compliance have been abandoned. The OBL amendments also aim to address the persistent optimism bias in economic forecasts, make medium-term budget plans more binding, and increase transparency over fiscal risks stemming from public-private partnerships.

An IMF team visited Tirana in June and reached staff level agreement with the authorities on the policies needed to complete the eighth review of the country's ongoing Extended Fund Facility arrangement. The IMF mission deemed that Albania's economic programme remained broadly on track, with good progress in advancing structural reforms, but it expressed concerns about the re-emergence of arrears.

Real sector

First-quarter GDP data have not yet been released by the cut-off date of this publication, but available evidence points to continued economic recovery driven by private domestic demand. The y-o-y increase in the retail trade volume index decelerated in the first quarter but remained in positive territory, suggesting that private consumption growth might have continued. Household spending was supported by rising employment as well as strong growth in consumer credit amid easing financing conditions. There are indications that gross fixed capital formation, especially private investment, also continued to grow in the first quarter, as reflected in the increase in the value of imported machinery and equipment, although confidence and turnover indicators suggest a slowdown of

construction activity in the same period. Public consumption and foreign trade are likely to have provided negative growth contribution in January to March.

The statistics office has revised GDP data for 2013 and 2014. The estimate for real GDP growth was lowered from 1.1% to 1% in 2013 and from 2% to 1.8% in 2014. In both years, growth was driven by private and public consumption while investment and net exports had a negative contribution to real growth.

Labour market

The continued economic recovery has put a dent in the unemployment rate. The LFS-estimated unemployment rate (15-64 years) was 16.9% in the first quarter, decreasing by 0.4 pps. y-o-y and 0.8 pps. q-o-q. Employment growth in the same age group intensified (+5.7% y-o-y), outweighing the continued increase in the labour force (+5.1% y-o-y). The employment rate rose to 54.8%, its highest level since mid-2012. Industry saw the biggest increase in employment (+15.5% y-o-y), followed by services (+6%).

The rate of youth unemployment (15-29 years) fell by 3.7 pps. y-o-y but was still high at 30.4% in the first quarter.

External sector

In January to March the current account deficit widened for the third consecutive quarter, by 7.5% y-o-y. The decrease in the value of goods exports, impacted by the oil price fall, deepened (-27.3% y-o-y) whereas merchandise imports picked up (+6.2% y-o-y). On the other hand, the surplus on the services account rose by 51.7% y-o-y as the balances of manufacturing services, tourism, and other services all registered improvement. The primary income deficit narrowed (-59.6% y-o-y) due a decrease in repatriated investment earnings, whereas the secondary income surplus shrank (-11% y-o-y) mainly because of a fall in remittances. In the year to March, the current account deficit amounted to 11.2% of GDP, down from 12.3% in the same period a year earlier.

On the financing side, the decrease in FDI inflows continued for the third consecutive quarter (-41.8% y-o-y), but they still covered

59% of the current account deficit in January to March.

Following an annual increase of 12.1%, foreign reserves stood at EUR 2.51 billion in the first quarter, covering 6.5 months of imports of goods and services.

The stock of gross external debt rose by 6.9% y-o-y in the first quarter, mostly due to increased government borrowing, and stood at 72.2% of projected full-year GDP. Long-term debt, mostly owed by the government, makes up more than 80% of the total.

Monetary developments

Annual consumer price inflation rose slightly to 0.7% in the second quarter from 0.6% in the previous three months and continued to undershoot the central bank's 3% target by a wide margin. The inflation slowdown reflects low imported inflation, weak domestic price pressures due to still below-potential output, and statistical base effects as food prices were comparatively high in the wake of floods in spring 2015.

To counteract disinflationary pressures the central bank continued its easing cycle and lowered its policy rate by 25 bps. to a new historic low of 1.25% in May. It now expects inflation to return to target at the end of 2018 and intends to maintain an accommodative monetary policy stance throughout 2016.

In the second quarter, the exchange rate of the Albanian lek remained flat vis-à-vis the euro in quarterly terms and appreciated against it by 1.7% y-o-y.

Financial sector

Financial markets continued to be characterised by ample liquidity and falling interest rates, reflecting the pass-through of monetary stimulus as well as low domestic borrowing by the government. Government security yields declined further and the average interest rate on new bank loans in lek decreased to 7.3% in May from 7.7% in the first quarter.

Notwithstanding easing financing conditions, private-sector credit continued to decline (-1.8% y-o-y) due to the mandatory write-off of certain categories of non-performing loans (NPLs).

Excluding the impact of the write-off, loans to the private sector recorded a still sluggish 2.5% y-o-y growth in April. The gradual rebalancing towards lek-denominated loans continued, but foreign-currency loans still made up 57.4% of total private-sector credit in May.

The capital adequacy ratio of the banking sector as a whole increased in the first quarter to 16% from 15.7% recorded in the previous three months, remaining comfortably above the regulatory minimum of 12%. Profitability indicators worsened in the January to March on account of higher loan loss provisioning.

The downward trend in NPLs was reversed in the first quarter as their ratio increased to 18.9% from 17.4% in the previous three months. High NPLs continue to constrain credit growth.

Fiscal developments

Multi-pronged government action against informality, efforts to strengthen revenue administration and the economic recovery helped raise budget revenue in January to May. Tax revenue increased by 12.8% y-o-y, slightly above plan, whereas total revenue was up 8.1% y-o-y, in line with the budgeted amount. Revenue from all main taxes registered substantial improvement, with VAT (+8.8% y-o-y), profit tax (+23.6%), and personal income tax (+19%) contributing the most. Social security contributions also rose, by 13.4% y-o-y.

At the same time, an across-the-board under-execution of expenditure in the first five months left total budgetary spending 11.8% below plan. The shortfall in local government expenditure (which also includes investments) and in capital spending by the central government was especially noticeable, underperforming relative to plan by 26% and 21.8%, respectively. Capital spending has a tendency to fall short of plans due to weaknesses in the management of public investment.

Overall, budget execution in January-May resulted in a surplus amounting to 1.2% of estimated full-year GDP. The target for 2016 as a whole is a deficit of 2.2% of GDP.

Following a 3.9% y-o-y increase, public debt (including guarantees) stood at 70.4% of GDP at the end of the first quarter.

TABLE



European Commission, ECFIN-D-1

ALBANIA

							ECFIN 2016 Spring forecast							
		2011	2012	2013	2014	2015	2016	2017	Q4 15	Q1 16	Q2 16	Apr 16	May 16	Jun 16
1 Real sector														
Industrial confidence ^{1.1}	Percent	-3.1	-10.6	-9.5	1.1	2.4	:	:	5.2	2.2	:	N.A.	N.A.	N.A.
Industrial production ^{1.2}	Ann. % ch	-10.2	16.6	13.9	3.4	2.3	:	:	1.2	:	:	N.A.	N.A.	N.A.
Gross domestic product ^{1.3}	Ann. % ch	2.5	1.4	1.0	1.8	2.6	3.2	3.5	2.1	:	:	N.A.	N.A.	N.A.
Private consumption ^{1.4}	Ann. % ch	1.8	0.1	1.8	3.0	-0.2	2.1	2.5	2.1	:	:	N.A.	N.A.	N.A.
Gross fixed capital formation ^{1.5}	Ann. % ch	5.9	-7.9	-2.0	-4.0	11.3	9.6	8.8	6.9	:	:	N.A.	N.A.	N.A.
Construction index ^{1.6}	Ann. % ch	0.5	0.6	1.0	0.2	0.3	:	:	0.0	-0.2	:	N.A.	N.A.	N.A.
Retail sales ^{1.7}	Ann. % ch	6.5	4.8	6.3	5.1	5.4	:	:	6.8	4.7	:	:	:	:
2 Labour market														
Unemployment ^{2.1}	%	13.4	13.8	16.4	17.9	17.5	17.1	16.3	17.7	16.9	:	N.A.	N.A.	N.A.
Employment ^{2.2}	Ann. % ch	2.3	18.5	-9.7	1.6	4.9	2.2	2.6	3.1	5.7	:	N.A.	N.A.	N.A.
Wages ^{2.3}	Ann. % ch	7.0	7.3	4.1	1.7	1.8	:	:	0.9	0.9	:	N.A.	N.A.	N.A.
3 External sector														
Exports of goods ^{3.1}	Ann. % ch	22.2	7.6	-30.5	-11.6	-17.3	:	:	-23.1	-28.1	:	:	:	:
Imports of goods ^{3.2}	Ann. % ch	14.2	-4.3	-13.2	3.6	-2.7	:	:	-1.5	4.7	:	:	:	:
Trade balance* ^{3.3}	% of GDP	-24.2	-20.9	-20.6	-22.2	-22.2	-23.2	-23.7	-22.2	:	:	N.A.	N.A.	N.A.
Exports goods and services ^{3.4}	% of GDP	34.0	33.3	28.7	28.2	27.1	:	:	27.1	:	:	N.A.	N.A.	N.A.
Imports goods and services ^{3.5}	% of GDP	56.7	52.0	47.0	47.2	44.3	:	:	44.3	:	:	N.A.	N.A.	N.A.
Current account balance* ^{3.6}	% of GDP	-13.2	-10.2	-10.9	-12.9	-11.2	-12.1	-12.5	-11.2	-11.2	:	N.A.	N.A.	N.A.
Direct investment (FDI, net)* ^{3.7}	% of GDP	6.6	6.8	9.6	8.2	8.4	:	:	8.4	7.2	:	N.A.	N.A.	N.A.
International reserves ^{3.8}	mio EUR	1848.6	1907.7	1955.7	2084.8	2637.7	:	:	2637.7	2509.4	:	2409.4	2469.7	:
Int. reserves / months Imp ^{3.9}	Ratio	6.1	6.5	6.8	:	:	:	:	:	:	:	:	:	:
4 Monetary developments														
CPI ^{4.1}	Ann. % ch	3.5	2.0	1.9	1.6	1.9	1.5	2.4	2.0	0.6	0.7	0.3	0.7	1.2
Producer prices ^{4.2}	Ann. % ch	2.6	:	:	:	:	:	:	-2.3	-4.1	:	:	:	:
Food prices ^{4.3}	Ann. % ch	4.8	2.4	4.2	2.2	4.3	:	:	5.5	2.9	:	2.0	2.3	:
M2 ^{4.4}	Ann. % ch	6.7	4.7	5.7	4.0	7.2	:	:	6.3	4.7	:	3.8	3.2	:
Exchange rate LEK/EUR ^{4.5}	Value	140.33	139.04	140.26	140.14	139.74	:	:	138.45	138.30	138.25	138.51	138.32	137.92
Nominal eff. exchange rate ^{4.6}	Index	:	:	:	:	:	:	:	:	:	:	:	:	:
5 Financial indicators														
Interest rate (3 months) ^{5.1}	% p.a.	5.46	5.16	4.23	3.10	2.87	:	:	2.60	1.50	:	:	:	:
Bond yield ^{5.2}	% p.a.	6.53	6.77	6.03	3.45	2.77	:	:	2.66	2.66	:	2.26	2.12	:
Stock markets ^{5.3}	Index	:	:	:	:	:	:	:	:	:	:	:	:	:
Credit growth ^{5.4}	Ann. % ch	11.7	7.4	-0.2	0.2	0.3	:	:	-2.1	-2.2	:	-1.6	-1.6	:
Deposit growth ^{5.5}	Ann. % ch	14.5	9.4	3.7	1.5	1.9	:	:	1.2	1.0	:	0.5	0.0	:
Non performing loans ^{5.6}	% total	17.0	21.7	24.0	23.9	20.2	:	:	17.4	18.9	:	N.A.	N.A.	N.A.
6 Fiscal developments														
General government balance* ^{6.1}	% of GDP	-3.5	-3.4	-5.0	-5.2	-4.0	-2.3	-1.6	-4.0	0.9	:	:	:	:
General government debt* ^{6.2}	% of GDP	59.4	62.1	65.6	70.1	72.3	71.5	69.3	72.3	70.4	:	N.A.	N.A.	N.A.

f: ECFIN forecast Spring 2016

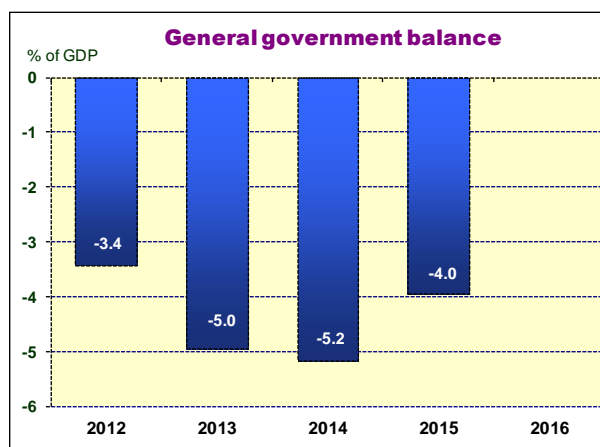
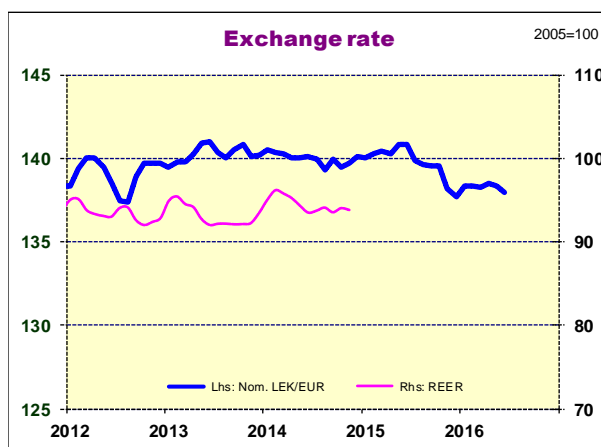
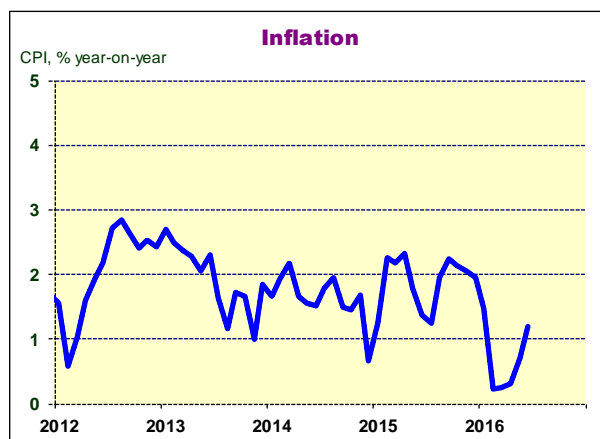
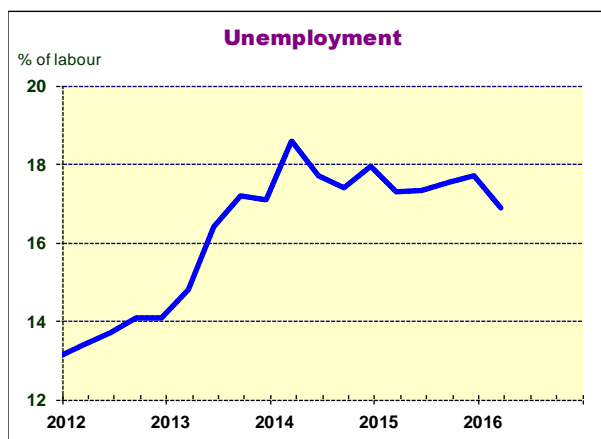
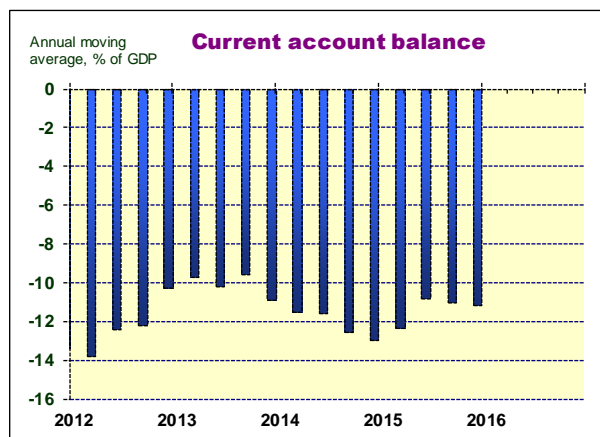
* Q figures refer to a 4 quarters moving average.

CHARTS



European Commission, ECFIN-D-1

ALBANIA



THE FORMER YUGOSLAV REPUBLIC OF MACEDONIA



Key developments

The Economic and Financial Dialogue between the EU and the Western Balkans and Turkey, concluded on 25 May, invited the country to further strengthen fiscal consolidation, improve fiscal transparency and budget planning, and to strengthen the provision of activation measures especially for vulnerable youth, women and long-term unemployed.

In June, the government adopted a supplementary budget for 2016, increasing the deficit target to 3.6% of GDP, from previously 3.2%. This came in response to a downward revision of 2016 real GDP growth, from previously 4% to 2.3%.

Real sector

There was a marked slowdown in economic growth in the first quarter. Real GDP increased by 2% y-o-y, compared to 3.9% in the preceding quarter, and to 3.7% in 2015. Negative confidence effects from the political crisis seem to have taken a toll on investment. Gross capital formation was lower by 9.1% compared to the same quarter one year earlier. Household consumption remained resilient, increasing by 3.5%, almost unchanged from the fourth quarter 2015. Net exports contributed positively to economic growth, with exports of goods and services increasing by 14.7% y-o-y (2015 average: 4.6%). Government consumption increased by 4.2%, as expenditure on goods and services and public wages remained elevated. Among sectors, the construction industry, trade, and financial services witnessed the strongest expansion, while manufacturing output contracted by 7% y-o-y, after having remained largely flat throughout 2015.

High-frequency indicators point mostly to sustained growth momentum in the economy in the second quarter. The industrial production index for April and May shows a rebound in manufacturing (+10.6% average). Data regarding the fundamentals for further

household consumption growth provides a mixed picture. After increasing by 2% in the first quarter, the annual growth of retail sales accelerated to 8.8% on average in April and May. Imports of consumer goods rose by 14% in the first five months, in annual terms, while domestic production of consumer goods dropped.

Labour market

The situation in the labour market continued to improve in the first quarter. Employment growth decelerated only slightly to 2.5% y-o-y, after 2.8% in the preceding quarter, according to the Labour Force Survey. In the same period, the labour force decreased by 1.4%. As a result, the employment rate rose to 42.6% (+1pp y-o-y). The unemployment rate declined, compared to one year earlier, by 2.8pp to 24.5%. The number of jobless people dropped in this period by 12%. Yet, the situation for young workers deteriorated. Unemployment in the age group 15-24 years rose by 2.2%, while employment fell by 8%, and this only partly on account of a 3.2% drop in the age-specific labour force. The unemployment rate in this age group amounted to 50.2%, up by 2.6pp y-o-y. To improve the persistently high youth unemployment, the government, in 2015, provided incentives for employers who are recruiting young workers.

Real net wages increased by 3% yoy in the first four months on average, which is faster than in the fourth quarter of 2015 (+2.2% y-o-y). This is on account of both, an acceleration in nominal wage increases, and deepening deflation. Wage growth was particularly strong in the machinery and equipment sectors and in the chemical industry, in which several foreign companies established in the country are active. Real wages have been growing for 25 months in a row.

External sector

The current account deficit remained largely unchanged, in nominal terms, in the first four months of the year compared to the same period one year earlier. While there was a higher

surplus in private transfers and an improvement in the overall trade balance, which in turn was due to a larger surplus in the services account, the merchandise trade balance deteriorated. The trade deficit (goods and services) was no longer covered by transfer inflows. Net FDI inflows declined by 3.5% y-o-y during this period, amounting to 1.1% of projected full-year GDP. Their levels did not quite compensate for the current account deficit in the first four months. FDI is increasingly made up of intercompany loans, rather than equity, hence driving up gross external debt levels. At the end of March, the foreign debt stock was higher by 7.3% y-o-y, amounting to 72% of projected full-year GDP. The rise came largely on account of repo transactions by the central bank in relation to its foreign exchange reserves management. Reserves, which had picked up towards the end of 2015, as the government issued a 270m Eurobond, have been declining steadily every month since the beginning of the year. At the end of June, reserves were some 4.3% lower than a year earlier, covering about 4 months of projected imports.

Monetary developments

Consumer prices dropped further in the first six months of the year. The CPI decreased by 0.4% on average during this period, after a similar plunge in the fourth quarter of 2015, both mainly on account of declining prices for energy, transport and food, the latter accounting for over 40% of the index structure. Deflation has taken hold of the economy since spring 2014, with the CPI dropping almost consistently every quarter, in annual comparison, since summer 2015. Yet, core inflation, excluding energy and food prices, has remained positive since summer 2015.

The central bank intervened heavily in the foreign exchange markets at end-April, when demand for foreign currency and deposit withdrawals by households surged suddenly, in response to the latest developments in the domestic political crisis. Banks' deposit base dropped by 2.2% in April, compared to March. The central bank subsequently raised the key interest rate for the first time since July 2013, by 75bp to 4%.

Financial sector

Credit to the private sector slowed down further in the first quarter and beyond, on account of a marked deceleration in the growth of corporate credit. Between January and May, loans to

private non-financial companies increased by an average of 4.4%, compared to 7.4% in the same period one year earlier. Annual growth in household credit (12.7%) was marginally higher in this period. At the end of 2015, the central bank had increased capital requirements on long-term consumer loans, in a move to prevent excessive lending to households. The central bank reasons that the slowdown in private sector credit is due in part to its December 2015 decision, which obliges banks to write-off fully-provisioned loans on their books for more than 2 years by June 2016.

The quality of banks' asset portfolios improved noticeably. By end-March, the share of non-performing to total loans had decreased by 0.7pp compared to one year earlier, to 10.9%, yet almost unchanged from the end of 2015. Interest rates remained sticky throughout the first quarter and beyond. At end-May, nominal lending rates on outstanding loans in national currency stood at 6.6%, lower by 0.2pp since the end of 2015 (-0.4pp y-o-y). Deposit rates, at 2.5%, have been unchanged since the beginning of the year (-0.5pp y-o-y). The spread narrowed slightly.

Fiscal developments

Budget execution in the first five months was largely in line with projections. Tax revenues were some 6% higher than one year earlier, due to a 20% rise in VAT intake, and in spite of income drops in all other tax categories. While total expenditure exceeded pre-year levels by 2%, capital expenditure execution was some 19% lower. The deficit in the first five months of the year amounted to 33.3% of the planned, revised deficit target, or 1.1% of projected GDP. Yet, at the end of June, the government adopted a supplementary budget, raising the deficit target for 2016 from the original 3.2% of projected GDP to 3.6%. Overall capital expenditure is reduced compared to the original budget, yet spending on infrastructure projects was slightly increased given accelerated implementation schedules. Funds for public wages, pensions and social transfers were increased. The government is currently preparing for a new Eurobond issue to cover the fiscal deficit. General government debt increased marginally, in nominal terms, in the first quarter, compared to end-2015, amounting to some 38% of projected GDP. The public debt stock, including guaranteed liabilities of state-owned enterprises, increased further in this period, and stood at 46.5% of projected GDP, unchanged from its level at end-2015.

TABLE



European Commission, ECFIN-D-1

The former Yugoslav Republic of Macedonia

		2011	2012	2013	2014	2015	ECFIN 2016 Spring forecast		Q4 15	Q1 16	Q2 16	Apr 16	May 16	Jun 16
							2016	2017						
1 Real sector														
Industrial confidence ^{1.1}	Balance	18.4	14.7	12.3	11.4	17.5	:	:	20.8	22.1	:	23.0	23.3	:
Industrial production ^{1.2}	Ann. %ch	4.0	-6.6	3.2	4.8	4.9	:	:	11.7	10.7	:	3.6	5.3	:
Gross domestic product ^{1.3}	Ann. %ch	3.0	-0.5	2.7	3.5	3.7	3.5	3.5	3.9	2.0	:	N.A.	N.A.	N.A.
Private consumption ^{1.4}	Ann. %ch	7.4	1.2	2.1	2.4	3.1	2.5	2.7	3.6	3.5	:	N.A.	N.A.	N.A.
Gross capital formation ^{1.5}	Ann. %ch	15.7	21.2	-16.8	15.2	0.1	6.5	6.6	5.5	-9.1	:	N.A.	N.A.	N.A.
Construction ^{1.6}	Ann. %ch	25.3	4.2	-7.3	16.5	17.6	:	:	14.6	11.1	:	N.A.	N.A.	N.A.
Retail sales ^{1.7}	Ann. %ch	:	N.A.	-0.8	4.2	9.8	:	:	14.5	27.5	:	12.9	17.9	:
2 Labour market														
Unemployment ^{2.1}	%	31.4	31.0	29.0	28.0	26.1	24.7	23.5	24.6	24.5	:	N.A.	N.A.	N.A.
Employment ^{2.2}	Ann. %ch	1.1	0.8	4.3	1.7	2.3	2.2	2.0	2.8	2.5	:	N.A.	N.A.	N.A.
Wages ^{2.3}	Ann. %ch	1.3	0.2	1.2	1.0	2.7	2.4	2.9	2.0	2.6	:	2.7	:	:
3 External sector														
Exports of goods ^{3.1}	Ann. %ch	21.0	-3.7	2.9	17.0	9.4	:	:	7.9	13.8	:	23.9	:	:
Imports of goods ^{3.2}	Ann. %ch	22.4	0.3	-1.8	9.4	5.0	:	:	9.4	6.7	:	10.3	:	:
Trade balance* ^{3.3}	% of GDP	-25.2	-26.5	-22.9	-21.8	-20.1	-20.2	-20.4	-20.1	-19.5	:	N.A.	N.A.	N.A.
Exports goods and services ^{3.4}	% of GDP	45.6	44.5	42.3	47.8	48.5	:	:	48.5	48.9	:	N.A.	N.A.	N.A.
Imports goods and services ^{3.5}	% of GDP	66.1	66.9	60.4	65.1	64.8	:	:	64.8	64.6	:	N.A.	N.A.	N.A.
Current account balance* ^{3.6}	% of GDP	-2.9	-3.2	-1.6	-0.8	-1.4	-1.7	-2.2	-1.4	-1.0	:	N.A.	N.A.	N.A.
Direct investment (FDI, net)* ^{3.7}	% of GDP	4.6	1.7	3.3	2.3	1.9	:	:	1.9	1.8	:	N.A.	N.A.	N.A.
International reserves ^{3.8}	mio EUR	2 068.9	2 193.3	1 993.0	2 436.5	2 261.8	:	:	2 261.8	2 266.3	2 172.4	2 193.9	2 164.4	2 158.8
Int. reserves / months Imp ^{3.9}	Ratio	5.8	6.1	5.6	6.3	5.6	:	:	5.6	5.5	:	5.3	:	:
4 Monetary developments														
CPI ^{4.1}	Ann. %ch	3.9	3.3	2.8	-0.3	-0.3	1.1	1.4	-0.4	-0.1	-0.7	-0.7	-0.7	-0.7
Producer prices ^{4.2}	Ann. %ch	11.1	4.5	0.4	-1.2	-4.1	:	:	-3.1	-0.3	:	-0.2	0.5	:
Food prices ^{4.3}	Ann. %ch	6.2	2.3	3.4	-0.9	0.1	:	:	-0.6	-0.9	-2.0	-2.2	-1.5	-2.3
Monetary aggregate M4 ^{4.4}	Ann. %ch	10.5	7.5	4.0	8.0	8.2	:	:	6.9	5.4	:	3.8	3.7	:
Exchange rate MKD/EUR ^{4.5}	Value	61.53	61.53	61.58	61.62	61.61	:	:	61.65	61.68	61.69	61.68	61.70	61.69
Nominal eff. exchange rate ^{4.6}	Index	101.3	100.3	101.8	102.9	101.6	:	:	102.0	102.5	:	102.5	:	:
5 Financial indicators														
Interest rate (3 months) ^{5.1}	% p.a.	:	:	:	:	:	:	:	:	:	:	:	:	:
Bond yield ^{5.2}	% p.a.	8.87	8.50	8.04	7.46	7.08	:	:	6.86	6.74	:	6.67	:	:
Stock markets ^{5.3}	Index	2 407	1 890	1 726	1 735	1 731	:	:	1 743	1 806	1 741	1 761	1 740	1 722
Credit Growth ^{5.4}	Ann. %ch	8.1	7.3	4.3	8.4	9.1	:	:	8.6	8.6	:	7.5	6.4	:
Deposit growth ^{5.5}	Ann. %ch	4.6	7.2	4.8	8.2	7.9	:	:	6.6	5.3	:	3.1	3.7	:
Non-performing loans ^{5.6}	% total	9.6	10.4	11.9	11.6	10.3	:	:	10.3	:	:	N.A.	N.A.	N.A.
6 Fiscal developments														
Central government balance ^{6.1}	% of GDP	-2.5	-3.8	-3.8	-4.2	-3.5	-3.4	-2.9	-3.9	-4.0	:	N.A.	N.A.	N.A.
General government debt ^{6.2}	% of GDP	27.7	33.7	34.0	38.2	38.0	39.6	40.6	38.4	36.8	:	N.A.	N.A.	N.A.

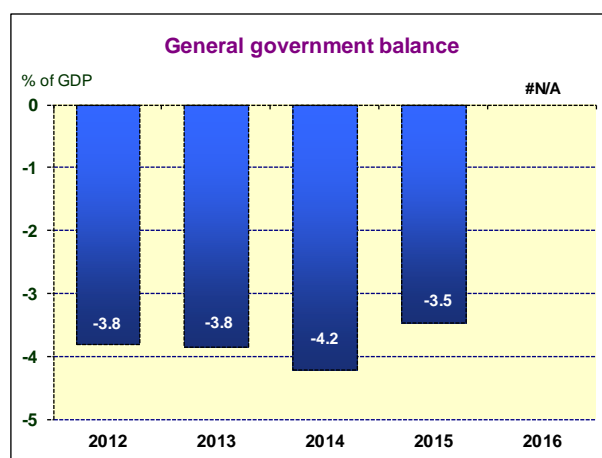
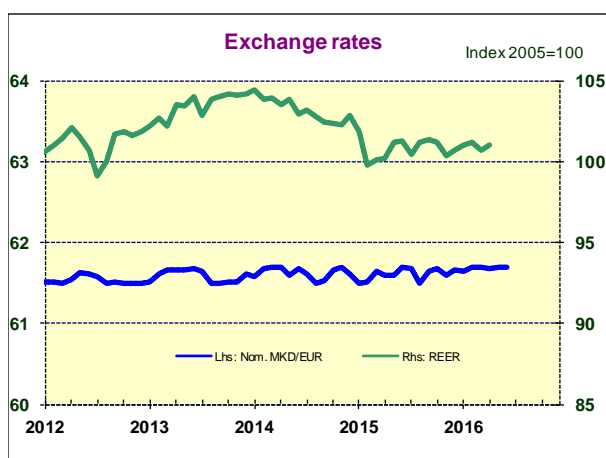
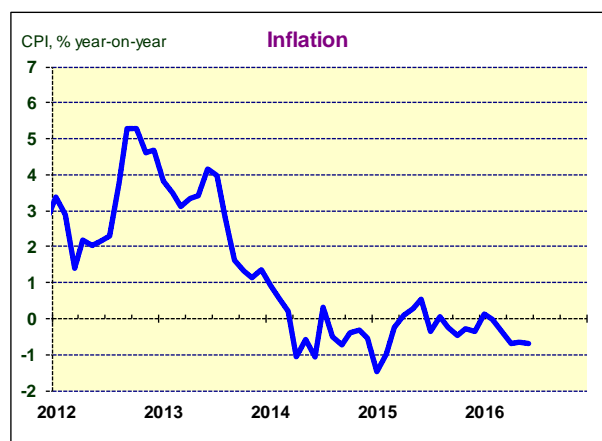
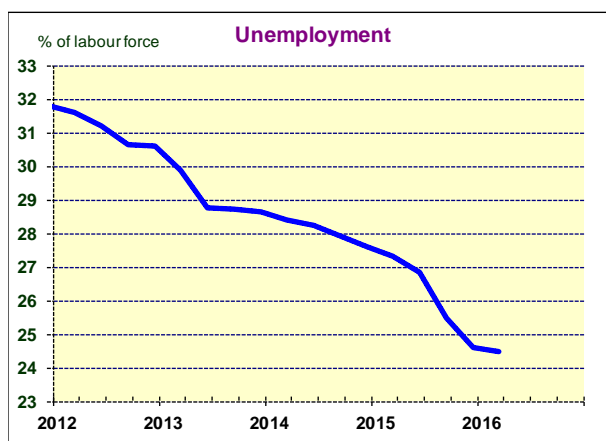
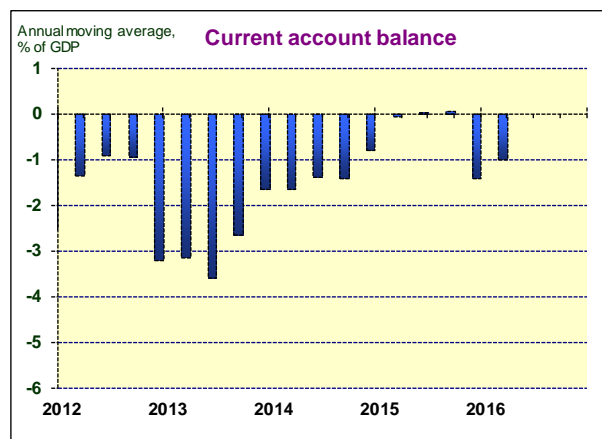
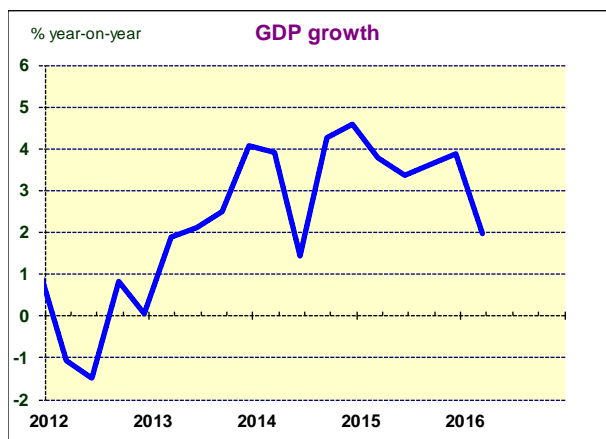
f: ECFIN forecast Spring 2016

* Q figures refer to a 4 quarters moving average.

CHARTS



The former Yugoslav Republic of Macedonia





Key developments

On 25 May, the Economic and Financial Dialogue between the EU and the Western Balkans and Turkey invited Montenegro to restrain current spending and stabilise the public debt, improve labour market participation, and support SMEs, the disposal of non-performing loans by banks, and the opening of the rail and energy markets.

On 19 May, the Montenegrin parliament adopted the special legislation enabling the entry in the government of four new opposition ministers and a new deputy prime minister. The agreement is expected to bring political stability ahead of the general elections in October.

On 13 May, the rating agency Standard&Poor's affirmed Montenegro's B+/B long- and short-term sovereign credit ratings but cut the outlook to negative as public debt will rise faster than projected, hampering policy responsiveness to shocks. One day later, Moody's downgraded Montenegro's debt ratings by one notch to B1 from Ba3, with negative outlook due to fiscal risks related to the highway project, the government's pro-cyclical fiscal policy, and the erosion of external buffers due to elevated and persistent external imbalances.

On 30 June, the EU opened two new chapters in the accession negotiations with Montenegro: chapter 12 on food safety, veterinary and phytosanitary policy, and chapter 13 on fisheries. So far 24 out of 35 negotiating chapters have been opened.

Real sector

Investment consolidates as the main driver of growth. In the first quarter of 2016 all expenditure components –except exports– recorded growth, leading to a real GDP expansion of 1.1% y-o-y, easing from 1.4% in the previous quarter. The slowdown reflects the strong import-dependence of investments, the decline in exports and weak government consumption. The 8.8% y-o-y surge in gross fixed capital investments was largely offset by a 13.7% expansion in imports. The exhaustion of the fiscal space after the recent increases in wages and social benefits lead to the stagnation

in government consumption. Meanwhile, private consumption grew by 2.4% y-o-y in the first quarter; a slower pace than the 3.8% increase recorded a year before, but still higher than the 1.8% expansion in the previous three months.

Industrial production continues to be volatile. After plunging by 9% y-o-y in the first quarter of 2016 and by 14% in April, industrial output achieved strong gains in May (9% y-o-y). Overall, in the first five months, industrial production has contracted on average by 7.3% y-o-y, with only four sectors (pharmaceutical, wood, paper, and printing products) recording growth during this period.

Retail sales increased by 3.3% y-o-y in the first quarter of 2016, to further accelerate in April and May above 4%. Retail sales have been driven by trade in food, drinks and tobacco as well as pharmaceutical and cosmetic products.

Labour market

The active labour force is recording further increases following the substantial rise in the number of registrations (mostly women) in the Employment Agency after the introduction of the new family allowance. In the first quarter of 2016, the active labour force increased by 4% y-o-y despite a stagnant population, but overall employment rose by less (3% y-o-y). Therefore, the unemployment rate grew to 19.1% compared to 18.2% a year earlier.

After several years of stagnation, gross wages started to increase in 2016 driven by the rise in public sector salaries. In the first quarter of 2016, gross wages still recorded modest growth of 1.3% y-o-y, but the trend strengthened in April and May, when salaries expanded by 3.9% and 3.6% y-o-y respectively, reflecting the average 7.8% y-o-y growth of public administration wages in the first five months of the year.

External sector

Investment-related imports –namely machinery and transport equipment– and poor industrial performance broadened considerably the current account deficit. In the four quarters to March 2016, the deficit widened to 15.8% of GDP

compared to 13.4% at the end of 2015, but marginally below the 15.4% deficit recorded a year earlier. In the first quarter of 2016, for the first time since 2011, and despite the fast growing number of tourist, the balance of services recorded a negative result. Similarly, the surplus of primary income recorded a sharp reduction due to a surge of payments abroad. Only the balance of secondary income (i.e. current transfers) recorded improvement in Q1.

In the first quarter of 2016, the capital and financial account plunged as a result of substantial FDI outflows due to a large dividend payment from a foreign company in Montenegro as well as the base effect of lower government issuance of Eurobonds (compared with the same period a year earlier). Overall, the external gap was financed by transfers recorded under net errors and omissions.

Monetary developments

Energy prices drag consumer inflation into negative territory. In May, for a third consecutive month, the harmonised index of consumer prices was negative (-0.3% y-o-y), driven by the sharp decline in energy prices of 7.6%, and to a lesser extent, by falling costs of meat and vegetables. While product prices recorded an overall decline by 1.4% y-o-y, the price of services (mainly accommodation and restaurants) recorded 15 months of consecutive expansion, growing by 2.3% y-o-y in May.

Financial sector

Banks' credit activity remains concentrated into the retail sector, eluding investment risk. In May, the decline in total bank lending accelerated to 1.5% y-o-y, up from 0.2% contraction a month before. The main reason for the decline was the sharp drop of interbank lending (-20% y-o-y) as well as to domestic private companies (-0.8% y-o-y), the latter representing 40% of total lending, compared to 12% for interbank credit. Meanwhile, lending to households (which represent another 40% of bank credit), grew by 4.7% y-o-y. Robust growth of bank deposits continues. In the first five months of 2016, deposits grew by 10.4% y-o-y on average, supported by corporate savings surging by 25.5% y-o-y. Households' saving

(accounting for 55% of total bank deposits) increased more moderately, by 6.3% y-o-y.

Banks profitability is improving while the stock of impaired loans and lending interest rates decline. In the first quarter of 2016, commercial banks recorded an aggregated profit of EUR 6.6 million, compared to EUR 3.4 million loss the previous quarter. In March, the (gross) share of non-performing loans declined to 12.9%, to further contract to 12.2% two months later. In May, the average effective lending rate was 7.75%, compared to 9.14% a year earlier.

On 25 May 2016, in order to fulfil the requirements for the opening of the EU accession negotiation Chapter 17 (on Economic and Monetary Policy), the Central Bank Council adopted a decision limiting the period in which banks may still keep treasury bills as part of their reserve requirements after 2016.

Fiscal developments

Delays in capital investments provide a temporary relief to the budget. In the first quarter of 2016, the central government deficit reached 1.2% of GDP, compared to 1.6% a year before. The deficit further broadened to 2.3% of GDP in April, albeit remaining below the previous year level of 4.4% and the 4.9% of the plan; largely on account of the EUR 100 million (or 2.6% of GDP) postponement in planned capital expenditure. Apart from this, total revenues performed better than planned thanks to the improved performance of direct taxes, VAT and social security contributions. In the first four months of 2016, current expenditures remained 1.3% below the plan after growing by 10% y-o-y driven by increases in public sector wages, interests and social security transfers. The Minister of Finance announced a revision of the 2016 budget to service a financing gap worth some EUR 60 million (or 1.6% of GDP).

In the first quarter of 2016, the net public (central government) debt further grew by EUR 26 million, representing close to 60% of GDP. The share of external debt remains predominant, accounting for 86% of the total. When including deposits (i.e. EUR 300 million Eurobond issued in March to rollover part of the maturing debt in 2016), the total gross debt stood at 67.2% of GDP.

TABLE

European Commission, ECFIN-D-1



MONTENEGRO

							ECFIN 2016 Spring forecast							
		2011	2012	2013	2014	2015	2016	2017	Q4 15	Q1 16	Q2 16	Apr 16	May 16	Jun 16
1 Real sector														
Industrial confidence ^{1.1}	Balance	N.A.	N.A.	8.7	11.1	9.8	:	:	8.0	4.9	8.2	7.1	6.9	10.5
Industrial production ^{1.2}	Ann.%ch	-10.3	-7.1	10.7	-10.4	7.9	:	:	6.1	-9.4	:	-14.0	9.1	:
Gross domestic product ^{1.3}	Ann.%ch	3.2	-2.7	3.5	1.8	3.2	3.6	3.9	1.4	1.1	:	N.A.	N.A.	N.A.
Private consumption ^{1.4}	Ann.%ch	0.5	-3.9	1.6	2.9	0.7	1.9	2.1	1.8	2.4	:	N.A.	N.A.	N.A.
Gross fixed capital formation ^{1.5}	Ann.%ch	-7.2	-2.4	10.7	-2.5	10.5	12.0	5.0	7.5	8.8	:	N.A.	N.A.	N.A.
Construction index ^{1.6}	Ann.%ch	10.2	-13.2	9.7	2.0	5.8	:	:	3.1	12.3	:	N.A.	N.A.	N.A.
Retail sales ^{1.7}	Ann.%ch	12.6	6.7	11.3	2.5	4.5	:	:	6.1	3.3	:	4.2	4.3	:
2 Labour market														
Unemployment ^{2.1}	%	19.7	19.7	19.5	18.0	17.6	17.1	16.6	17.9	19.1	:	N.A.	N.A.	N.A.
Employment ^{2.2}	Ann.%ch	-6.1	2.2	1.1	7.1	2.5	1.8	2.1	1.9	3.1	:	N.A.	N.A.	N.A.
Wages ^{2.3}	Ann.%ch	1.0	0.8	-0.2	-0.3	0.3	3.0	1.7	0.2	1.3	:	3.9	3.6	:
3 External sector														
Exports of goods ^{3.1}	Ann.%ch	33.6	-17.8	1.0	-9.7	-9.0	:	:	-1.5	-24.9	:	66.1	65.1	:
Imports of goods ^{3.2}	Ann.%ch	9.2	-0.1	-3.2	0.6	3.2	:	:	1.6	4.8	:	21.2	37.5	:
Trade balance* ^{3.3}	% of GDP	-40.0	-43.7	-39.5	-39.8	-40.7	-40.7	-40.5	-40.7	-41.5	:	-44.0	-45.3	:
Exports goods and services ^{3.4}	% of GDP	42.3	43.7	41.3	40.1	42.8	:	:	28.3	21.3	:	N.A.	N.A.	N.A.
Imports goods and services ^{3.5}	% of GDP	64.3	68.1	61.4	60.0	61.5	:	:	65.6	66.6	:	N.A.	N.A.	N.A.
Current account balance* ^{3.6}	% of GDP	-17.6	-18.5	-14.5	-15.2	-13.4	-13.8	-14.7	-13.4	-15.8	:	N.A.	N.A.	N.A.
Direct investment (FDI, net)* ^{3.7}	% of GDP	11.9	14.5	9.6	10.2	17.2	:	:	17.2	15.1	:	N.A.	N.A.	N.A.
International reserves ^{3.8}	mio EUR	303.5	347.9	423.7	544.7	673.7	:	:	673.7	864.5	:	675.1	669.6	:
Int. reserves / months imp ^{3.9}	Ratio	2.0	2.3	2.9	3.7	4.4	:	:	4.4	5.6	:	4.3	4.1	:
4 Monetary developments														
HICP ^{4.1}	Ann.%ch	3.3	4.0	1.8	-0.5	1.4	1.5	2.0	1.8	0.3	:	-0.2	-0.3	:
Producer prices ^{4.2}	Ann.%ch	3.2	1.9	1.7	0.2	0.3	:	:	0.0	0.1	:	0.2	-0.2	:
Food prices ^{4.3}	Ann.%ch	2.8	4.2	4.0	-1.4	2.9	:	:	2.5	-0.7	:	-1.9	-1.6	:
M21 ^{4.4}	Ann.%ch	:	:	:	:	:	:	:	:	:	:	:	:	:
Exchange rate EUR/EUR ^{4.5}	Value	1.00	1.00	1.00	1.00	1.00	:	:	1.00	1.00	1.00	1.00	1.00	1.00
Nominal eff. exchange rate ^{4.6}	Index	N.A.	N.A.	N.A.	N.A.	N.A.	:	:	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
5 Financial indicators														
Interest rate (3 months) ^{5.1}	% p.a.	2.27	5.32	3.39	1.60	:	:	:	:	:	:	:	:	:
Bond yield ^{5.2}	% p.a.	2.45	4.75	3.19	1.26	0.50	:	:	:	1.11	2.67	2.67	:	:
Stock markets ^{5.3}	Index	11 896	9 091	9 532	10 696	11 949	:	:	11 555	11 770	10 912	11 260	10 971	10 505
Credit growth ^{5.4}	Ann.%ch	-6.3	-0.7	3.1	-1.9	0.8	:	:	0.8	1.4	:	-0.2	-1.5	:
Deposit growth ^{5.5}	Ann.%ch	1.5	9.0	5.9	10.0	13.7	:	:	13.7	12.8	:	11.6	10.4	:
Non-performing loans ^{5.6}	% of total	15.5	17.6	18.4	16.8	13.4	:	:	13.4	12.9	:	12.4	12.2	:
6 Fiscal developments														
General government balance ^{6.1}	% of GDP	-5.4	-6.1	-5.2	-3.1	-8.4	-6.2	-6.1	-8.4	-1.2	:	:	:	:
General government debt ^{6.2}	% of GDP	45.6	53.4	57.6	54.8	63.3	70.7	74.4	63.3	59.3	:	:	:	:

f: ECFIN forecast Spring 2016

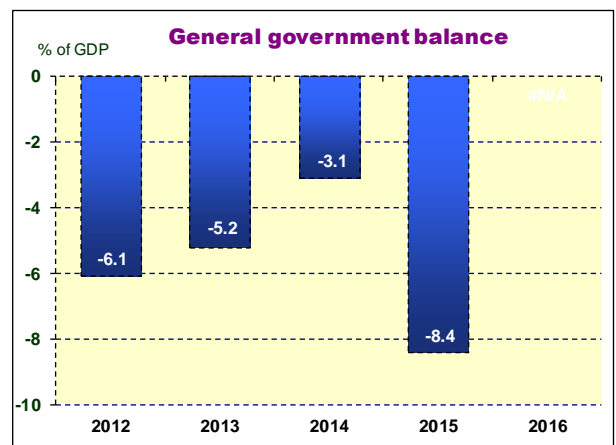
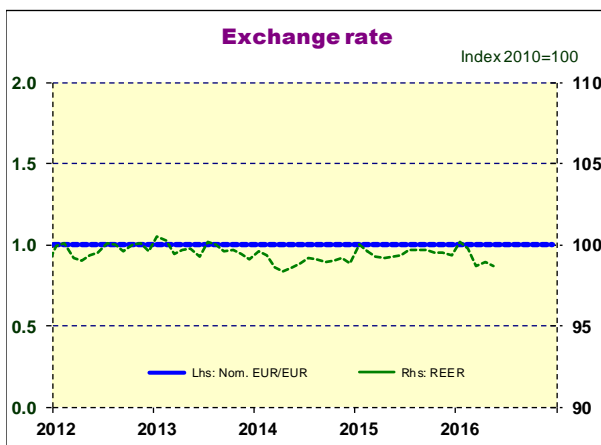
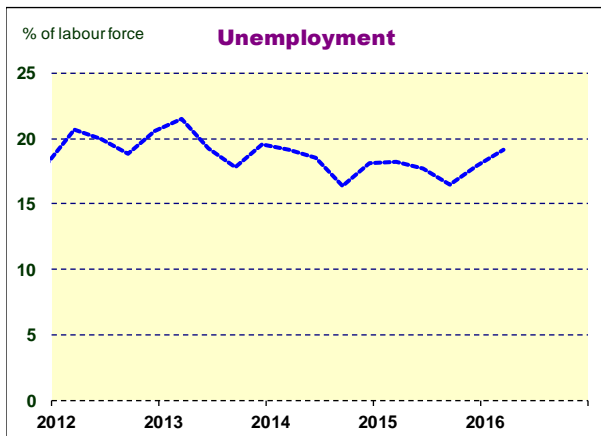
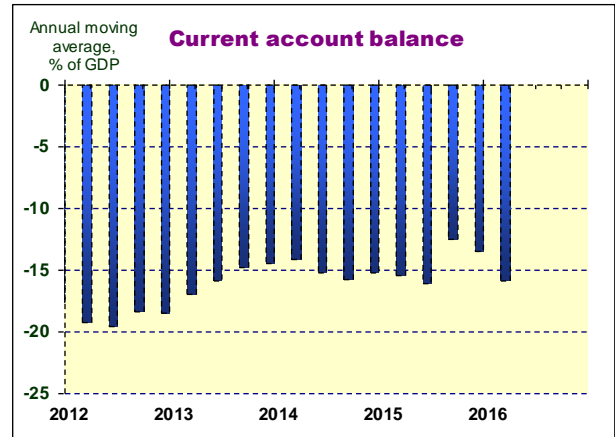
* Q figures refer to a 4 quarters moving average.

CHARTS

European Commission, ECFIN-D-1



MONTENEGRO



SERBIA



Key developments

The Economic and Financial Dialogue between the EU and the Western Balkans and Turkey, concluded on 25 May, invited Serbia to further strengthen fiscal consolidation, continue the restructuring of large utility companies, improve revenue collection, advance the reform of the public administration, and pursue reforms to enhance competitiveness.

In June, an IMF mission reached a staff-level agreement with the authorities on the policies needed to complete the fourth and fifth review of the Stand-By Arrangement. Once elected, the new Serbian government is expected to endorse the agreement, which is also scheduled for consideration by the IMF Management and Executive Board for late August.

In June, the rating agency Fitch upgraded Serbia's long-term foreign and local currency ratings from B+ to BB- with stable outlooks. The better macroeconomic performance, strong fiscal consolidation, narrowing external imbalances, formal opening of EU accession chapters, political stability, and government commitment to reforms in the context of the IMF agreement have been key factors driving the rating upgrade.

The immediate impact of the UK referendum on leaving the EU was limited. The central bank reacted strongly and pressure on the dinar exchange rate dissipated quickly.

Real sector

GDP growth accelerated strongly from 1.2 % in the last quarter of 2015 to 3.5 % y-o-y in the first quarter of 2016. The growth continued to be driven mainly by robust investment and export performance, increasing by 7.9 % and 11.5 % y-o-y, respectively. Household final consumption turned to growth as well – still marginal at 0.7 %, supported by steadily increasing real wages, increased confidence and minor gains in employment. Public consumption rose markedly, growing by 3.2 % y-o-y. Although expenditure on wages and salaries remained restrained, public consumption was underpinned by base effects and double-digit increases of government spending on goods and

services. On the supply side, economic growth was broad-based as all sectors, but real estate, which declined marginally, contributed to it. The industry has continued to perform strongly and there was a marked acceleration of wholesale and retail trade growth. In line with the very upbeat investment activity, construction registered the highest growth rate of 15 % y-o-y.

High frequency indicators indicate a continuation of economic growth in the second quarter, albeit at a reduced pace. Following a period of strong growth in the first four months of the year, industrial production growth decelerated to 0.9 % y-o-y in May. With a few exceptions, this deceleration was across the board but was particularly strong in sectors that have recovered from the devastating floods in 2014. Nevertheless, manufacturing activity stayed on a positive trajectory and the cumulative performance of most industries in the period from the beginning of the year until May remained robust. Retail trade turnover continued to increase strongly in April and May, growing by 8.6 % y-o-y in the first five months.

Labour market

According to LFS data, in the first quarter of 2016 total employment increased by 2.7 % y-o-y, reversing the trend from the previous two quarters. Although most of the gains were in formal employment, informal employment increased as well, keeping the rate of informal employment high at 20.3 %. The activity rate rose strongly as some 80,000 people joined the labour force. However, as the labour market was not yet dynamic enough to provide sufficient employment opportunities, unemployment increased as well by close to 15,000 people and the unemployment rate remained at 19.0 % – the same as in the first quarter last year. However, the National Employment Service data on registered unemployment diverge from the LFS, showing a continuous decline in the number of unemployed – by 1.8 % y-o-y in the first and 4.4 % in the second quarter.

The Statistical office also published a revised series of data on registered employment. According to it, registered employment increased only marginally by 0.1 % y-o-y in the first quarter of 2016. Supported by base effects

and the ongoing economic recovery, gross real wages have increased on average by 3.2 % y-o-y in the first five months of the year.

External sector

The trade gap expanded in May, curtailing the overall decline of the cumulative January-May merchandise trade deficit to 10.9 % y-o-y. Following a very strong performance in the first four months, the growth in exports of goods decelerated (in euro terms) to 4.8 % y-o-y in May on the back of weaker energy and capital goods export. Imports, on the other hand, picked up across most of the sectors and grew by 10.6 % y-o-y. However, in the period January-May exports still outpaced imports, growing by 10.5 % versus 4.9 % y-o-y.

The cumulative current account deficit fell by almost half in euro terms by the end of April and in the four quarters until end-March it was down below 4 % of GDP. The strong reduction in the merchandise trade deficit was the main factor behind this development. The balance of trade in services has improved strongly as well, expanding by 36.5 % y-o-y, while the primary and secondary income balances have worsened by close to 10 % y-o-y each. Net FDI remained broadly unchanged over the previous year and stood at EUR 459 million in the first four months, covering more than 150 % of the current account deficit.

Monetary developments

Annual inflation remained below the central bank tolerance band of $4\pm 1.5\%$. It fell to 0.3 % y-o-y in June – its lowest level in more than a year, as food prices continued declining.

Due to persistently low inflationary pressure and further reductions of domestic and external imbalances, in July the central bank has cut its key policy rate by 25 basis points to 4 %. It also narrowed the interest rate corridor from $\pm 1.75\%$ to $\pm 1.50\%$ in order to further stabilise interest rates in the interbank money market. The dinar exchange rate remained broadly stable against the euro in the second quarter, depreciating by around 2 % y-o-y. The central bank interventions on the market continued on a lower scale and it sold net EUR 205 million in April and May. The NBS foreign exchange reserves fell further to EUR 9.3 billion in May, still covering about six months' worth of imports of goods and services.

Financial sector

The growth in domestic claims accelerated to 14.6 % y-o-y in May. It remained largely driven by claims on government which continued rising rapidly by 27.0 %, while claims on households expanded by 6.2 % y-o-y. The long decline in credit to private companies has been reversed and the growth in bank claims on them accelerated to 6.8 % y-o-y in May. Commercial banks' deposit base continued expanding steadily and non-monetary sector deposits grew by 8.4 %, underpinned by a strong rise in the long-term deposits, and in particular of households foreign currency deposits. Government deposits with commercial banks increased by almost a quarter since the beginning of the year. Following an 8.6 % monthly increase in last December, banks provisioning against losses on enterprise claims have declined by 3.8 % since the beginning of the year. In comparison to the last quarter of 2015, the level of non-performing loans declined by 0.7 percentage points to 20.9 % in March. This decrease was mainly driven by reductions of NPLs in the corporate sector as a result of collection, restructuring, write-off and sale of some of them. Despite the high level of NPLs, capital adequacy remained significantly above the regulatory minimum, at close to 21 %.

Fiscal developments

Following a strong reduction of the deficit to 3.8 % of GDP in 2015, the budget continued to over-perform. By the end of May the cumulative deficit stood at RSD 23.9 billion (-12.5 % y-o-y). Revenue grew steadily (8.6 % y-o-y), underpinned by robust increases in VAT (10.3 % y-o-y) and excise (25.3 % y-o-y) receipts. Expenditure execution remained cautious (7.7 % y-o-y), curtailing the overall deficit. Key categories, like expenditure for employees and pensions stood at or even below their levels in the corresponding period of the previous year. The structure of expenditure improved significantly as capital spending increased by 62.2 % y-o-y by the end of May. The government used part of its deposits with the NBS to finance the deficit and by the end of May, government debt fell to RSD 2,990 billion (72.3 % of the estimated GDP). Nevertheless, the legacy of high government debt and exchange rate dynamics, have continued pushing interest expenditure up and they still grew by a double-digit rate (11.2 % y-o-y).

TABLE



SERBIA

European Commission, ECFIN-D-1

							ECFIN 2016 Spring forecast							
		2011	2012	2013	2014	2015	2016	2017	Q4 15	Q1 16	Q2 16	Apr 16	May 16	Jun 16
1 Real sector														
Industrial confidence ^{1.1}	Balance	N.A.	N.A.	N.A.	N.A.	N.A.	:	:	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Industrial production ^{1.2}	Ann. %ch	2.0	-3.4	5.6	-6.1	8.4	:	:	10.2	10.4	:	8.4	0.9	:
Gross domestic product ^{1.3}	Ann. %ch	1.4	-1.0	2.6	-1.8	0.7	2.0	2.5	1.2	3.5	:	N.A.	N.A.	N.A.
Private consumption ^{1.4}	Ann. %ch	0.9	-2.1	-0.4	-1.3	-0.6	0.5	1.5	-0.3	0.7	:	N.A.	N.A.	N.A.
Gross fixed capital formation ^{1.5}	Ann. %ch	4.6	13.2	-12.0	-3.6	8.3	7.5	7.5	7.8	7.9	:	N.A.	N.A.	N.A.
Construction index ^{1.6}	Ann. %ch	28.6	-14.6	-23.8	26.6	17.2	:	:	5.1	24.2	:	N.A.	N.A.	N.A.
Retail sales ^{1.7}	Ann. %ch	-14.6	-3.9	-5.3	2.0	1.4	:	:	3.4	10.2	:	9.6	4.0	:
2 Labour market														
Unemployment ^{2.1}	%	23.0	23.9	22.1	19.2	17.7	17.0	16.2	17.7	19.0	:	N.A.	N.A.	N.A.
Employment ^{2.2}	Ann. %ch	-6.0	-1.1	3.7	10.1	0.6	0.2	0.3	-1.1	2.7	:	N.A.	N.A.	N.A.
Wages ^{2.3}	Ann. %ch	11.1	9.0	5.7	1.1	-0.4	:	:	0.4	4.5	:	7.9	0.1	:
3 External sector														
Exports of goods ^{3.1}	Ann. %ch	14.1	4.5	24.7	1.5	7.8	:	:	6.0	11.0	:	13.8	4.8	:
Imports of goods ^{3.2}	Ann. %ch	13.4	3.2	4.7	0.2	5.7	:	:	6.7	2.7	:	5.5	10.6	:
Trade balance* ^{3.3}	% of GDP	-17.6	-18.8	-13.0	-13.0	-13.2	-10.8	-10.8	-13.2	-12.5	:	N.A.	N.A.	N.A.
Exports goods and services ^{3.4}	% of GDP	34.4	36.3	40.7	43.4	47.6	:	:	47.6	48.4	:	N.A.	N.A.	N.A.
Imports goods and services ^{3.5}	% of GDP	-49.8	-53.6	-51.9	-54.4	-57.5	:	:	-57.5	-57.3	:	N.A.	N.A.	N.A.
Current account balance* ^{3.6}	% of GDP	-10.9	-11.6	-6.1	-6.0	-4.8	-4.3	-4.3	-4.8	-4.0	:	N.A.	N.A.	N.A.
Direct investment (FDI, net)* ^{3.7}	% of GDP	-5.5	2.2	3.9	3.7	5.5	:	:	5.5	5.4	:	N.A.	N.A.	N.A.
International reserves ^{3.8}	mio EUR	12,058.2	10,914.7	11,188.8	9,907.2	10,378.0	:	:	10,378.0	9,500.9	:	9,338.0	9,264.0	:
Int. reserves / months Imp ^{3.9}	Ratio	10.5	9.3	9.2	8.0	8.1	:	:	8.1	7.4	:	7.2	:	:
4 Monetary developments														
CPI ^{4.1}	Ann. %ch	11.2	7.3	7.9	2.1	1.4	1.6	2.8	1.4	1.5	0.5	0.4	0.7	0.3
Producer prices ^{4.2}	Ann. %ch	9.7	6.4	0.8	0.2	0.7	:	:	0.7	-1.5	:	-1.5	-1.9	:
Food prices ^{4.3}	Ann. %ch	6.4	15.4	-2.5	2.2	-0.1	:	:	-0.1	-1.8	-1.7	-2.0	-0.8	-2.3
M3 ^{4.4}	Ann. %ch	10.3	9.4	4.6	8.7	7.2	:	:	7.2	7.9	:	7.8	9.7	:
Exchange rate RSD/EUR ^{4.5}	Value	101.96	113.01	113.09	117.25	120.76	:	:	120.83	122.85	123.01	122.81	122.82	123.40
Nominal eff. exchange rate ^{4.6}	Index	81.8	74.1	74.0	68.4	66.6	:	:	66.6	66.1	66.1	66.5	66.5	66.1
5 Financial indicators														
Interest rate (3 months) ^{5.1}	% p.a.	12.56	12.50	9.49	7.24	5.18	:	:	2.95	2.77	:	:	:	:
Bond yield (12 months) ^{5.2}	% p.a.	12.90	13.04	10.67	9.18	7.27	:	:	4.95	4.95	:	:	:	:
Stock markets ^{5.3}	Index	1,270	932	1,035	1,215	1,359	:	:	1,323	1,303	1,341	1,337	1,338	1,347
Credit growth ^{5.4}	Ann. %ch	5.5	12.9	-6.5	6.7	7.6	:	:	7.6	11.4	:	12.6	14.6	:
Deposit growth ^{5.5}	Ann. %ch	9.2	10.4	3.3	8.1	6.5	:	:	6.5	6.8	:	6.6	8.4	:
Non-performing loans ^{5.6}	% total	19.0	18.6	21.4	21.5	21.6	:	:	21.6	20.9	:	N.A.	N.A.	N.A.
6 Fiscal developments														
General government balance* ^{6.1}	% of GDP	-4.7	-6.8	-5.5	-6.6	-3.8	-3.1	-2.9	-9.2	-1.7	:	N.A.	N.A.	N.A.
General government debt ^{6.2}	% of GDP	44.2	55.9	58.8	71.0	75.4	78.6	79.9	75.4	73.7	:	N.A.	N.A.	N.A.

f: ECFIN forecast Spring 2016

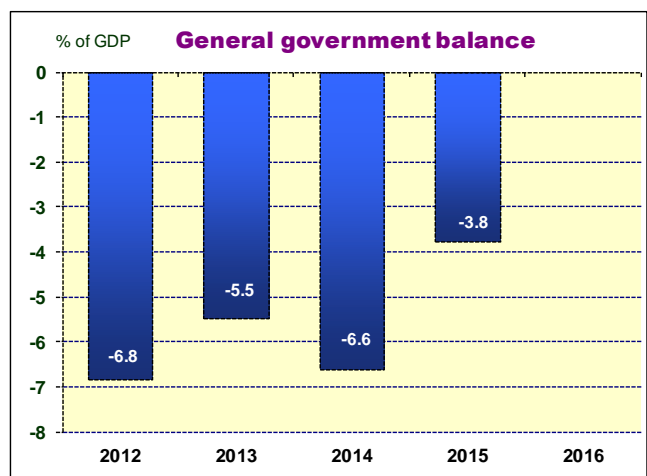
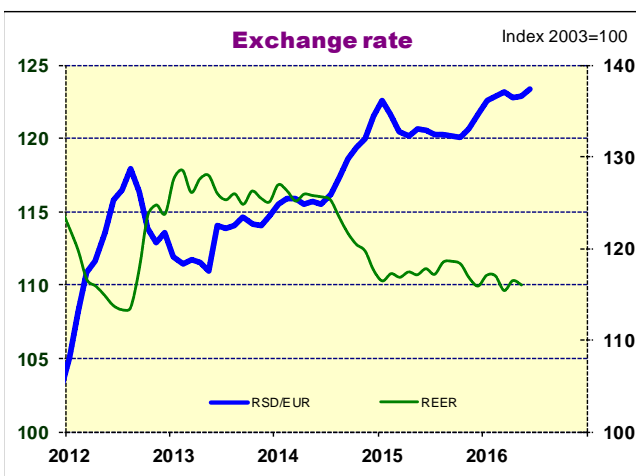
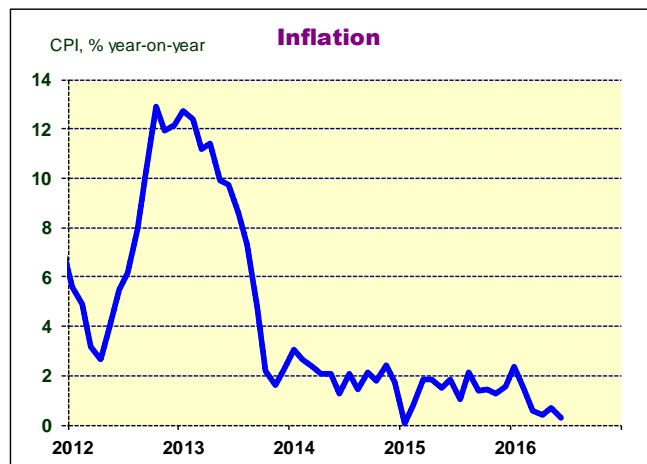
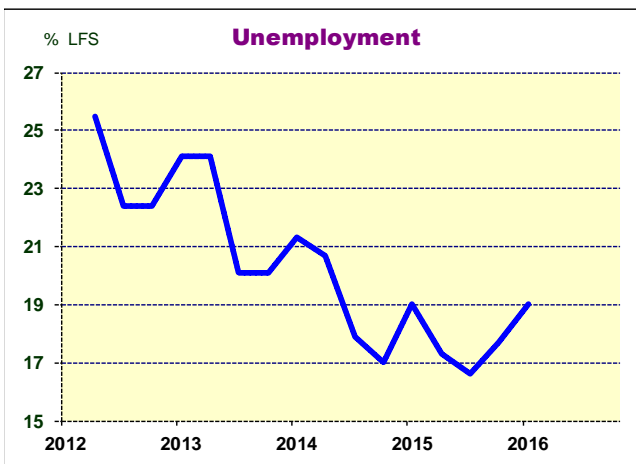
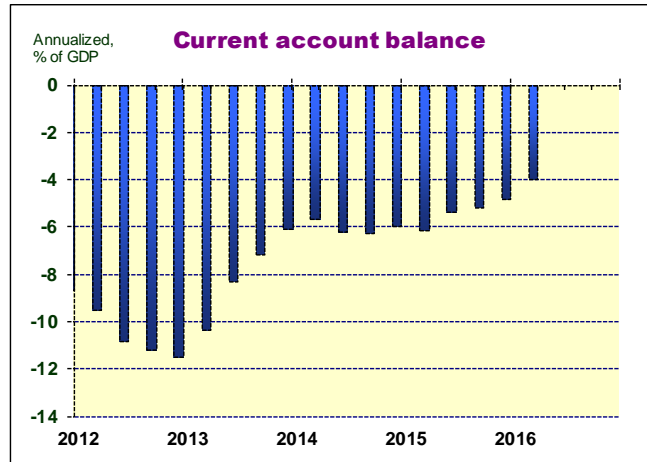
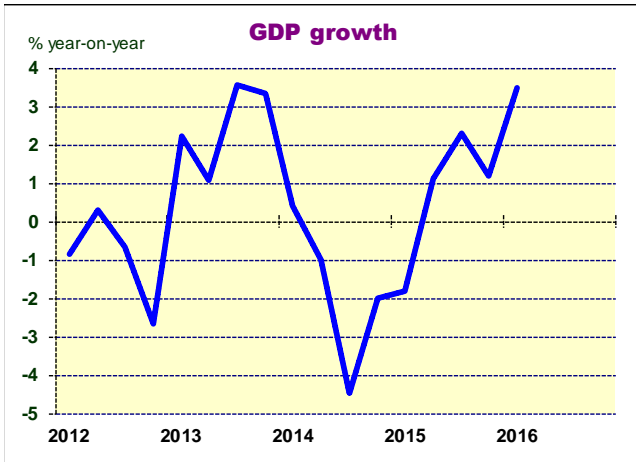
* Q figures refer to a 4 quarters moving average.

CHARTS

European Commission, ECFIN-D-1



SERBIA



TURKEY



Key developments

The Economic and Financial Dialogue between the EU and the Western Balkans and Turkey on 25 May issued joint conclusions which, *inter alia*, invited Turkey to pursue a sufficiently restrictive fiscal stance, to reinforce the pursuit of price stability, to strengthen the rule of law, and to promote education and R&D.

A new government under the premiership of Binali Yıldırım (AKP) received a vote of confidence in parliament on 29 May. It announced the preparation of a new economic package to improve the business environment and attract more foreign investments on 13 June.

In Turkey's EU accession process, Chapter 33 on financial and budgetary provisions was opened for negotiations at an intergovernmental conference in Brussels on 30 June.

Real Sector

Real GDP growth increased at a strong rate of 4.8% year-on-year in the first quarter of 2016, down from 5.7% in the previous quarter. In seasonally-adjusted quarter-on-quarter terms, GDP growth declined from 1.2% to 0.8%, the lowest quarterly rate since 2014.

GDP growth in the first quarter was again primarily based on booming domestic consumption. Private and public consumption increased at year-on-year rates of 6.9% and 10.9%, respectively, and contributed almost 6 percentage points to GDP growth. Consumer spending was fuelled by the 30% hike of the minimum wage in January and strong employment growth. The continued surge in public spending seems to be at least partly related to the deteriorating security situation. Private investment remained weak (-0.3%) and public investment decelerated sharply to 1.2% growth after three quarters with close to 10% growth. The contribution of overall gross fixed capital formation to GDP growth was zero. Exports of goods and services increased at the modest rate of 2.4% whereas imports surged by

7.5%, the highest growth rate for more than two years. As a result, net exports subtracted 1.5 pps from GDP growth. Stock adjustments added 0.4 pps to growth.

Monthly data point towards lower economic growth in the second quarter. Industrial production declined by 1.1% month-on-month in April and was only up by 0.7% year-on-year in calendar-adjusted terms. The capacity utilisation rate in the manufacturing industry increased to 76.1% in June which is one percentage point higher year-on-year. The PMI data point to a significant downturn in manufacturing in the second quarter. This indicator had fallen below the no-change mark of 50 in March and declined further to 47.4 in June, the lowest level since April 2009. The retail sales volume index was marginally lower month-on-month in April following a surge in the first quarter, but still up by 3.4% year-on-year. Consumer confidence improved marginally in the second quarter compared to March and was 3 points higher year-on-year in June, but the survey was carried out before the terrorist attack on the Istanbul airport on 28 June with 44 dead and more than 200 injured.

In the context of Turkey's deteriorating security situation and tensions with Russia, the number of European and Russian tourist visits have declined by, respectively, 33% and 83% year-on-year in the first five months of 2016.

Labour market

Employment was up by a strong 4.1% year-on-year in March for the 15-64 age group. This allowed the unemployment rate to fall by half a percentage point year-on-year to 10.3% since the labour force increased by less than the number of jobs. The 3.5% rise in the labour force was the combined result of a 1.2 percentage-point increase of the participation rate to 56.2% and a 1.3% increase of the working-age population.

Hourly labour costs accelerated sharply from 11.7% year-on-year in the fourth quarter of 2015 to 21.0% in the first quarter of 2016 much

helped by the government-imposed 30% hike in the minimum wage on 1 January.

External sector

The 12-month cumulative current account deficit declined from USD 32.2 billion last December to USD 28.6 billion in April. Expressed as a share of GDP, the deficit declined from 4.5% to 4.0%. The deficit reduction in the first four months of the year is fully explained by lower prices for imported energy.

Net inflows of foreign direct investments declined to USD 1.7 billion in the first four months of 2016 from USD 3.7 billion in the corresponding period in 2015. Net portfolio inflows, however, surged from USD 0.7 billion to USD 6.2 billion reflecting a more favourable investor sentiment towards Turkey from February onwards.

Gross external debt increased by USD 13.6 billion to USD 411.5 billion during the first quarter. Expressed as a share of GDP, gross external debt amounted to 58.1% at the end of March.

Monetary developments

Headline inflation declined below 7% in April and March on the back of temporarily lower food prices. In June, however, the year-on-year increase of the consumer price index firmed to 7.6%, i.e. slightly above 7.5% in March. Core inflation declined from 9.5% to 8.7% over the same three-month period which was helped by the recent stability in the lira's external value coupled with the waning pass-through from last year's depreciation. Expectations for CPI inflation 12-months ahead edged lower from 7.9% in March to 7.6% in June.

After keeping its policy rates unchanged for more than a year, the central bank started lowering its overnight lending rate in March and continued with these rate cuts in each of the following three months. This has reduced the overnight lending rate from 10.75% to 9%. The overnight borrowing rate and the one-week repo rate have remained at 7.25% and 7.5%, respectively, unchanged since February 2015. The overnight lending rate constitutes the upper boundary of the corridor for overnight rates which has now been narrowed to 175 basis points. The central bank portrays these cuts as a simplification of its monetary policy framework

more than an easing of its monetary policy stance which it continues to describe as tight. Nevertheless, the average cost of funding at the central bank has been reduced by about half the combined cut in the overnight lending rate over the past twelve months.

The lira was relatively stable in currency markets in the second quarter. It appreciated 0.2% against the euro and depreciated 2.1% against the US dollar over the quarter. In real effective terms, the lira depreciated by 2.6% between June 2015 and June 2016.

Bank lending to the non-financial sector has decelerated to a year-on-year growth rate of 11.8% by late June. The growth rate for consumer loans has receded to 5.4%.

Financial sector

Following a rally in the first quarter, stock prices fell 5.4% over the second quarter. However, the main stock index of the Borsa Istanbul was still up by 8.7% over the first half of the year as a whole. The yield on 2-year benchmark government debt receded to 8.9% at the end of June.

The banking sector's net profit increased 5.9% in 2015 and the sector has reported net profit growth of 27.4% year-on-year in the first five months of 2016. The sector's capital adequacy ratio has increased 0.2 percentage points year-on-year to 15.5% at the end of May. Non-performing loans, however, are on an increasing trend, rising from 3.0% of total loans in June 2015 to 3.6% in June 2016.

Fiscal developments

In 2015, the central government had realised a budget deficit of 1.2% of GDP. In the first five months of 2016, year-on-year revenue growth exceeded expenditure growth significantly (16.7% compared to 10.8%), resulting in a swing from budget deficit to surplus for this five-month period. This suggests that the central government will not exceed the targeted deficit of 1.3% for 2016 as a whole.

General government debt as a share of GDP fell from 32.9% at the end of 2015 to 32.3% at the end of March 2016.

TABLE



European Commission, ECFIN-D-1

TURKEY

		2011	2012	2013	2014	2015	ECFIN 2016 Spring forecast		Q4 15	Q1 16	Q2 16	Apr 16	May 16	Jun 16
							2016	2017						
1 Real sector														
Industrial confidence ^{1.1}	Balance	110.5	106.3	108.1	107.1	104.0	:	:	102.6	104.6	108.9	110.1	109.8	106.8
Industrial production ^{1.2}	Ann. % ch	10.1	2.5	3.0	3.6	3.2	:	:	7.5	5.6	:	0.6	:	:
Gross domestic product ^{1.3}	Ann. % ch	8.8	2.1	4.2	3.0	4.0	3.5	3.7	5.7	4.8	:	N.A.	N.A.	N.A.
Private consumption ^{1.4}	Ann. % ch	7.7	-0.5	5.1	1.4	4.5	3.8	3.4	4.7	6.9	:	N.A.	N.A.	N.A.
Gross fixed capital formation ^{1.5}	Ann. % ch	18.0	-2.7	4.4	-1.3	3.6	3.7	4.1	3.5	-0.1	:	N.A.	N.A.	N.A.
Construction index ^{1.6}	Ann. % ch	-16.2	34.9	16.4	38.3	-10.4	:	:	22.2	38.5	:	N.A.	N.A.	N.A.
Retail sales ^{1.7}	Ann. % ch	8.9	5.2	4.1	3.8	3.6	:	:	3.7	4.0	:	3.4	:	:
2 Labour market														
Unemployment ^{2.1}	%	9.0	8.3	8.9	10.1	10.4	10.8	10.9	10.6	10.7	:	:	:	:
Employment ^{2.2}	Ann. % ch	6.6	3.1	2.8	1.6	2.8	2.7	2.8	3.0	3.6	:	:	:	:
Wages ^{2.3}	Ann. % ch	9.7	11.5	12.4	14.2	14.9	15.8	11.8	12.0	19.3	:	:	:	:
3 External sector														
Exports of goods ^{3.1}	Ann. % ch	18.5	13.0	-0.4	3.8	-8.7	:	:	-6.5	-6.4	:	-10.4	9.6	:
Imports of goods ^{3.2}	Ann. % ch	29.8	-1.8	6.4	-3.8	-14.4	:	:	-18.4	-10.6	:	-11.9	-3.8	:
Trade balance* ^{3.3}	% of GDP	-11.5	-8.3	-9.7	-8.0	-6.7	-6.9	-7.1	-6.7	-6.4	:	N.A.	N.A.	N.A.
Exports goods and services ^{3.4}	% of GDP	24.0	26.3	25.6	27.9	28.0	:	:	28.0	27.9	:	N.A.	N.A.	N.A.
Imports goods and services ^{3.5}	% of GDP	32.6	31.5	32.2	32.1	30.8	:	:	30.8	30.6	:	N.A.	N.A.	N.A.
Current account balance* ^{3.6}	% of GDP	-9.7	-6.1	-7.8	-5.9	-4.5	-4.8	-5.1	-4.5	-4.2	:	N.A.	N.A.	N.A.
Direct investment (FDI, net)* ^{3.7}	% of GDP	2.1	1.7	1.5	1.6	2.3	:	:	2.3	2.1	:	N.A.	N.A.	N.A.
International reserves ^{3.8}	bio EUR	83.9	104.8	107.9	115.0	117.7	:	:	117.7	121.9	:	121.1	:	:
Int. reserves / months Imp ^{3.9}	Ratio	5.8	6.8	6.8	7.6	7.6	:	:	7.6	8.0	:	8.1	:	:
4 Monetary developments														
CPI ^{4.1}	Ann. % ch	6.5	8.9	7.5	8.9	7.7	8.6	8.0	8.2	8.6	6.9	6.6	6.6	7.6
Producer prices ^{4.2}	Ann. % ch	11.1	6.1	4.5	10.2	5.3	:	:	5.6	4.7	3.2	2.9	3.2	3.4
Food prices ^{4.3}	Ann. % ch	6.2	8.4	9.1	12.6	11.1	:	:	9.7	8.3	3.4	1.4	2.5	6.6
M4 ^{4.4}	Ann. % ch	19.7	9.0	18.5	16.4	17.5	:	:	19.0	15.6	:	11.0	12.6	:
Exchange rate TRY/EUR ^{4.5}	Value	2.33	2.31	2.53	2.91	3.02	:	:	3.19	3.25	3.27	3.22	3.32	3.28
Nominal eff. exchange rate ^{4.6}	Index	86.15	84.14	78.87	69.39	64.20	:	:	61.05	60.90	:	61.54	59.59	:
5 Financial indicators														
Interest rate (3 months) ^{5.1}	% p.a.	8.34	8.44	6.60	9.84	10.48	:	:	11.02	11.27	10.02	10.48	10.07	9.51
Interest rate, long term ^{5.2}	% p.a.	14.19	16.03	15.31	:	:	:	:	:	:	:	:	:	:
Stock markets ^{5.3}	Index	60 751	63 731	77 977	75 190	80 662	:	:	77 462	74 788	80 128	84 640	78 758	76 985
Credit growth ^{5.4}	Ann. % ch	35.2	18.6	33.4	19.4	20.7	:	:	20.7	14.9	12.0	13.5	14.1	12.0
Deposit growth ^{5.5}	Ann. % ch	20.3	10.8	20.4	18.1	18.4	:	:	19.9	17.7	14.0	14.4	15.0	12.5
Non-performing loans ^{5.6}	% total	3.4	3.0	3.0	3.0	3.1	:	:	3.2	3.2	3.5	3.5	3.5	3.6
6 Fiscal developments														
General government balance ^{6.1}	% of GDP	-0.8	-0.3	-1.6	-1.5	-1.4	-1.7	-1.6	-0.8	-0.3	:	N.A.	N.A.	N.A.
General government debt ^{6.2}	% of GDP	39.9	36.2	36.2	33.5	32.9	32.0	31.2	32.9	32.3	:	N.A.	N.A.	N.A.

f: ECFIN forecast Spring 2016

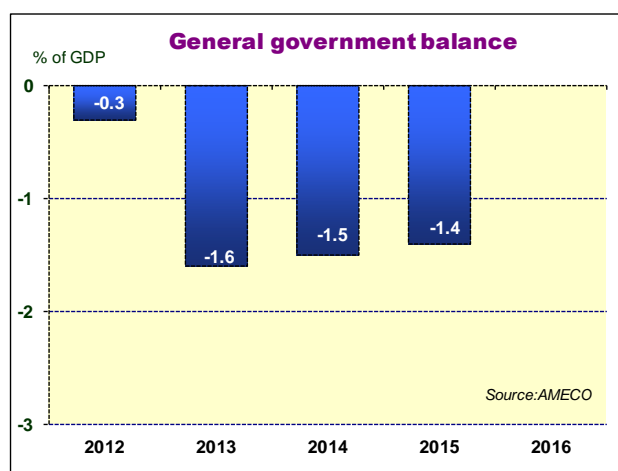
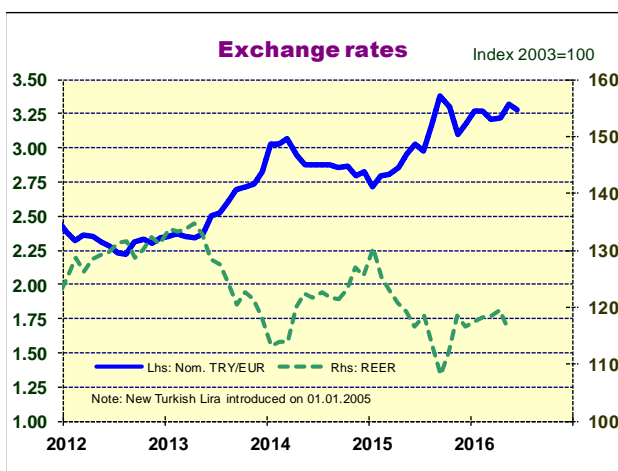
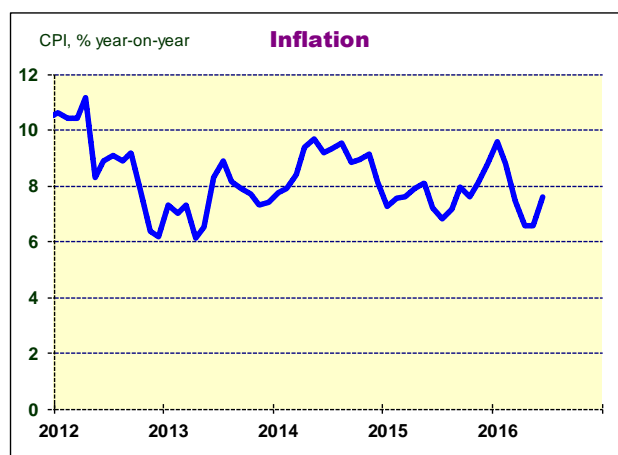
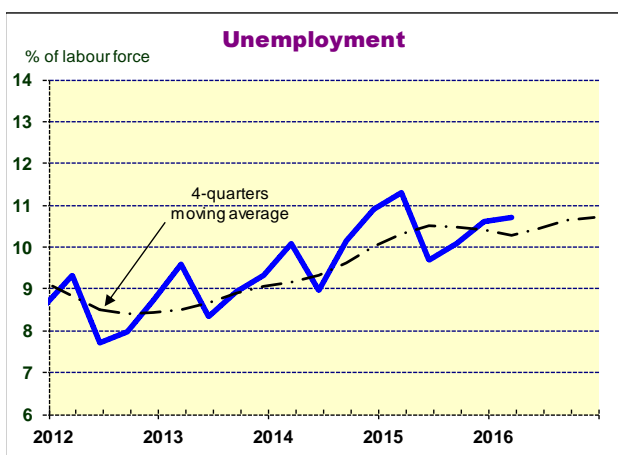
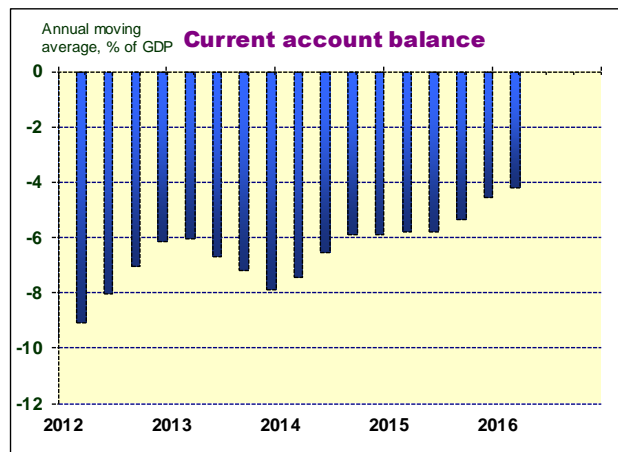
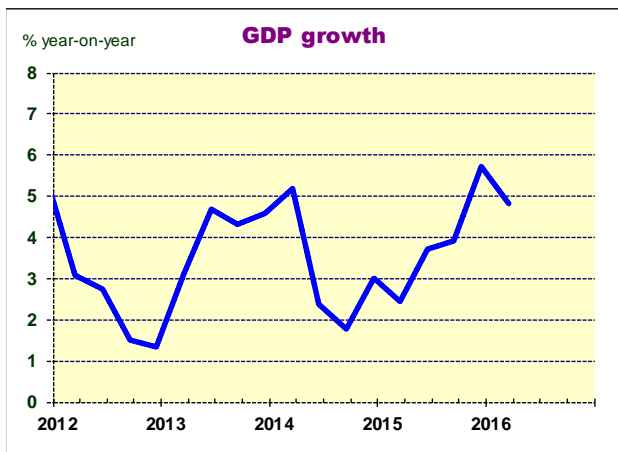
* Q figures refer to a 4 quarters moving average.

CHARTS

European Commission, ECFIN-D-1



TURKEY



BOSNIA AND HERZEGOVINA



Key developments

On 23 May, Bosnia and Herzegovina adopted the Global Fiscal Framework for the period 2016-2019. The framework envisages a public sector deficit of 1.6% of GDP for 2016, slightly higher than the estimated 2015 deficit of 1.4% of GDP. Over the time horizon, the share of revenues and expenditure is expected to drop by 3.2 and 6.3 percentage points of GDP, respectively. The main sources for the fiscal adjustment are envisaged to be subsidies, public investment and public wages.

On 25 May, the Economic and Financial Dialogue between the EU and the Western Balkans and Turkey, invited Bosnia and Herzegovina among others to improve the quality of public finances, to better align statistics to international standards and to reduce the unsupportive tax wedge and disincentives for the unemployed and inactive persons to take up formal work.

On 30 June, the Agency for Statistics of Bosnia and Herzegovina officially announced the results of the census from 2013. Among others, the data point to a drastic decline in population, dropping in the period 1991-2013 by nearly 20% to 3.5 million.

Real sector

In the fourth quarter of 2015, real output increased by 1.7% year-on-year, compared to a 3% year-on-year increase in the third quarter. To some extent, the lower year-on-year growth is due to a base effect. Nearly half of output growth in the fourth quarter resulted from stronger activity in manufacturing, which during the year has gained momentum. Furthermore, retail trade and repair continued to be a key source of growth. Output growth in agriculture remained subdued. For the whole year, output growth was 3.2%, compared to 1.4% in 2014. On the expenditure side, main drivers for growth were consumption, investment and exports.

High-frequency indicators point to solid growth in the industrial sector, which accounts for about one quarter of the country's output. In 2015 industrial output was 3.1% higher than a year before. Strong output growth in March 2016 brought the first quarter's growth rate up to 4.9%. In April and May, output growth of

industrial production remained strong, at 2.7% and 4.0%, respectively.

Labour market

Unemployment remains very high, although stronger economic activity helped to increase registered employment by 2% on average in the first quarter. Main contributors to employment growth were the sector of wholesale, retail and repair (+0.7 percentage points year-on-year), and manufacturing (+0.6 percentage points) and accommodation and food services (+0.4 percentage points). Public sector employment declined by 1% year-on-year. The registered unemployment rate was 42.4% at the end of the first quarter, compared 43.6% the year before. Youth unemployment remained above 60%

Despite the difficult labour market situation nominal wages rose by 1.2% year-on-year in February and March, bringing the year-on-year nominal wage increase for the first quarter to 0.8%. However, in April, nominal average wages dropped again to a level which was 0.4% lower than a year before.

External sector

Exports of goods were 2.2% lower in the first quarter of 2016, compared to an increase by 2.7% in the fourth quarter of 2015. An important factor was lower exports to CEFTA countries in January, in particular to Serbia. However, in February and March, the performance of exports improved. Like in the previous quarters, the export performance was negatively affected by weaker exports of mineral products and base metals. Spending for commodity imports was some 1.7% lower than a year before, which – however - to some extent reflects lower energy and commodity prices. Despite a lower trade deficit in the first quarter the overall current account deficit widened compared to the previous quarter, mainly due to a lower surplus in the primary income balance. In terms of GDP, the current account deficit was slightly above 5% of GDP.

On the financing side, net FDI inflows were slightly higher than on average in 2015, when net FDI accounted for 1.4% of GDP. In 2014, FDI inflows had been at 2.6% of GDP.

Foreign reserves remained stable in the first five months, keeping the import coverage of reserves 7.2 months of imports. This is significantly higher than in previous years.

Monetary developments

The overall price level continued to decline in the first quarter. After a drop in the overall consumer price level by 1% in 2015, the annual headline CPI registered another drop by 1.3% in the first quarter. Like in the past, the main drivers were commodity groups with a high import content, such as clothing and footwear, and transport, while, for example, prices for education continued to increase by some 2%. In April and May, this pattern continued. However, the trend of lower inflation seems to spread more widely among commodity groups.

On the back of the steady growth of deposits, liquidity conditions have remained rather accommodative. The annual growth of the monetary aggregate M2 continued to increase by 8.0% in the first quarter of 2016, compared to 8.2% in the fourth quarter of 2015. In April, the increase in M2 remained steady at 8%.

Financial sector

Year-on-year credit growth accelerated slightly to 3% in the first quarter, from 2.4% in the fourth quarter of 2015. However, in April and May, credit growth decelerated again, to 2.2% and 1.4% respectively. This brought average credit growth to 2.5% for the first five months of the year. The deceleration in overall credit growth is mainly a result of slightly lower growth in the two main credit components, corporate and household credit, which in largely equal shares account together for some 90% of total credits. Another important factor is markedly lower credit provision to the public sector and to state enterprises, declining by 3.7% and 9.4% respectively. As a result, by May, the shares of loans to the public sector and to state enterprises were down to 5.6% and 2.2% of total loans, respectively. The level of short-term interest rates on consumer and corporate loans remained on a similar level during the first five months of 2016.

Growth of total deposits accelerated towards the end of the year, reaching 7.7% in the fourth quarter of 2015 and accelerating further to 8.6% in the first quarter. On the back of the parallel low dynamics of credit growth, the downward adjustment of the loans-to-deposit ratio continued falling to 101% as of end-May.

The share of non-performing loans in total loans continued its moderate improvement, with a further drop from 13.7% in the fourth quarter of 2015 to 13.2 in the first quarter of 2016. At the same time, the credit risks have been increasingly mitigated through an increase of loan-loss provisioning to 74% by end-March. Banking sector profitability recovered slightly in the first quarter, with an increase in the return on average equity from 2.4% in the fourth quarter to 2015 to 3% in the first quarter of 2016. However, in 2014 and 2015, average profitability had been 4.1% and 4.6%, respectively. The return on average assets remained low, at 0.4%, compared to 0.3% the quarter before. The system's overall capital adequacy ratio remained stable at 15.1%, compared to 15% the quarter before. However, there are significant differences among the various institutions.

Fiscal developments

The fiscal performance in the first three quarters of 2015 has been marked by higher than budgeted revenues, increasing by some 3% y-o-y. In particular, tax revenues rose by 5.7%, compared to the same period a year before, reflecting higher rates for excises and better tax collection. According to provisional data, levels of current spending have remained largely unchanged during this period. However, capital spending was rather low in the first half of 2015, but increased markedly in the third quarter. However, end-year data could point to a significant fiscal slippage.

Central Bank estimates point to a stable public foreign debt ratio of some 31% of GDP in the first quarter of 2016. The level of total public debt remained largely unchanged at some 42.3% of GDP 2015.

TABLE



European Commission, ECFIN-D-1

BOSNIA AND HERZEGOVINA

		2011	2012	2013	2014	2015	Q4 15	Q1 16	Q2 16	Apr 16	May 16	Jun 16
1 Real sector												
Industrial confidence ^{1.1}	Balance	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Industrial production ^{1.2}	Ann. %ch	2.4	-3.9	5.2	0.2	3.1	3.3	4.9	:	2.7	4.0	:
Gross domestic product ^{1.3}	Ann. %ch	0.9	-0.9	2.4	1.4	3.2	2.1	:	:	N.A.	N.A.	N.A.
Private consumption ^{1.4}	Ann. %ch	1.6	2.2	2.6	3.0	:	:	:	:	N.A.	N.A.	N.A.
Gross fixed capital formation ^{1.5}	Ann. %ch	6.8	6.3	-2.4	9.5	:	:	:	:	N.A.	N.A.	N.A.
Construction index ^{1.6}	Ann. %ch	-24.4	1.3	-25.8	22.2	-22.7	-22.7	56.7	:	N.A.	N.A.	N.A.
Retail sales ^{1.7}	Ann. %ch	11.2	1.6	4.6	1.8	7.8	4.9	8.3	:	4.6	:	:
2 Labour market												
Unemployment ^{2.1}	%	43.8	45.9	44.5	43.6	42.9	42.9	42.4	:	42.0	:	:
Employment ^{2.2}	Ann. %ch	-1.6	-0.4	0.6	2.7	1.1	1.1	2.0	:	2.0	:	:
Wages ^{2.3}	Ann. %ch	4.4	1.5	0.1	-0.1	0.0	-0.2	0.8	:	-0.4	:	:
3 External sector												
Exports of goods ^{3.1}	Ann. %ch	21.0	1.2	10.0	3.0	5.3	2.7	-2.2	:	5.7	2.6	:
Imports of goods ^{3.2}	Ann. %ch	13.6	-0.1	-0.7	7.1	-2.1	-5.9	-1.7	:	4.0	-5.3	:
Trade balance* ^{3.3}	%of GDP	-30.8	-30.5	-27.4	-29.7	-26.4	-26.4	:	:	N.A.	N.A.	N.A.
Exports goods and services ^{3.4}	%of GDP	32.1	32.4	33.8	34.1	35.0	35.0	:	:	N.A.	N.A.	N.A.
Imports goods and services ^{3.5}	%of GDP	55.8	55.9	54.2	56.8	54.2	54.2	:	:	N.A.	N.A.	N.A.
Current account balance* ^{3.6}	%of GDP	-9.5	-8.7	-5.3	-7.5	-5.6	-5.6	:	:	N.A.	N.A.	N.A.
Direct investment (FDI, net)* ^{3.7}	%of GDP	2.6	1.9	1.4	2.6	1.4	1.4	:	:	N.A.	N.A.	N.A.
International reserves ^{3.8}	mio EUR	3,284.3	3,327.8	3,614.0	4,001.2	4,400.3	4,400.3	4,393.7	:	4,451.4	4,415.6	:
Int. reserves / months Imp ^{3.9}	Ratio	5.0	5.1	5.6	5.8	6.5	7.2	7.2	:	7.2	7.2	:
4 Monetary developments												
CPI ^{4.1}	Ann. %ch	3.7	2.0	-0.1	-0.9	-1.0	-1.7	-1.3	:	-1.6	-1.5	:
Producer prices ^{4.2}	Ann. %ch	3.8	1.3	-2.2	-0.2	-0.6	-1.3	-1.4	:	-1.3	-0.2	:
Food prices ^{4.3}	Ann. %ch	6.0	1.8	0.0	-2.7	-0.9	-1.8	-1.4	:	-1.7	-1.2	N.A.
M2 ^{4.4}	Ann. %ch	5.6	4.6	5.7	7.5	8.0	8.2	8.0	:	8.0	:	:
Exchange rate BAMEUR ^{4.5}	Value	1.96	1.96	1.96	1.96	1.96	1.96	1.96	1.96	1.96	1.96	1.96
Nominal eff. exchange rate ^{4.6}	Index	104.6	105.50	102.76	105.43	106.91	107.73	109.38	:	108.43	:	:
5 Financial indicators												
Interest rate (3 months) ^{5.1}	%p.a.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Bond yield ^{5.2}	%p.a.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Stock markets ^{5.3}	Index	979	737	770	707	701	691	681	698	699	695	701
Credit growth ^{5.4}	Ann. %ch	5.8	5.1	2.7	3.7	1.8	2.4	3.0	N.A.	2.2	1.4	N.A.
Deposit growth ^{5.5}	Ann. %ch	2.6	2.6	5.1	8.4	6.2	7.7	8.6	N.A.	8.2	N.A.	N.A.
Non performing loans ^{5.6}	%total	12.0	12.7	14.5	15.2	13.9	13.7	13.2	:	N.A.	N.A.	N.A.
6 Fiscal developments												
General government balance ^{6.1}	%of GDP	-1.2	-2.0	-2.1	-2.0	:	:	:	:	N.A.	N.A.	N.A.
General government debt* ^{6.2}	%of GDP	40.5	45.1	42.5	40.8	42.3	42.3	:	:	N.A.	N.A.	N.A.

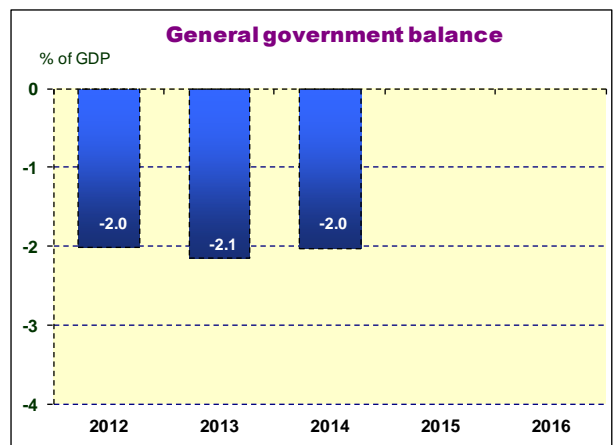
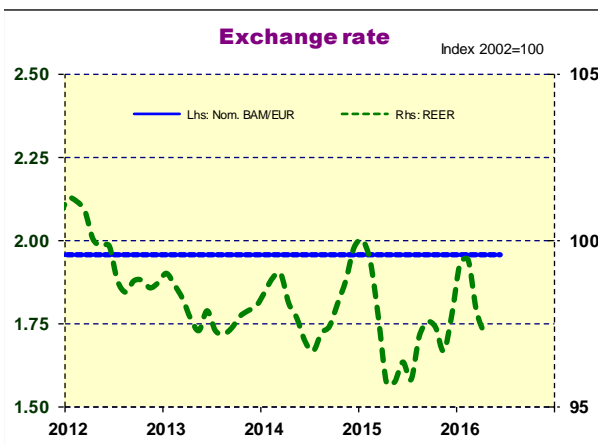
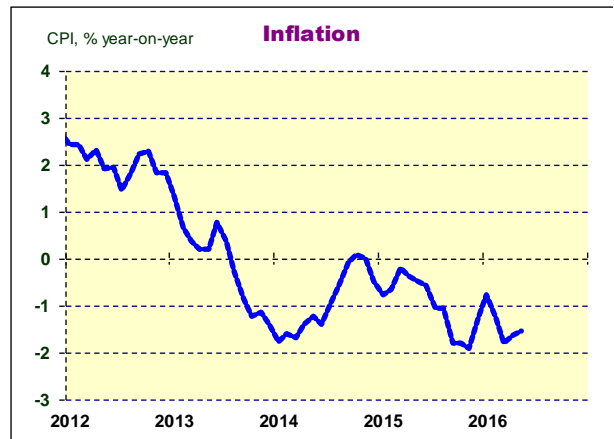
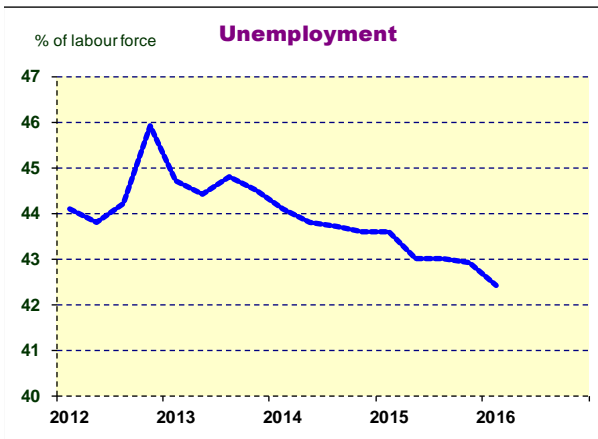
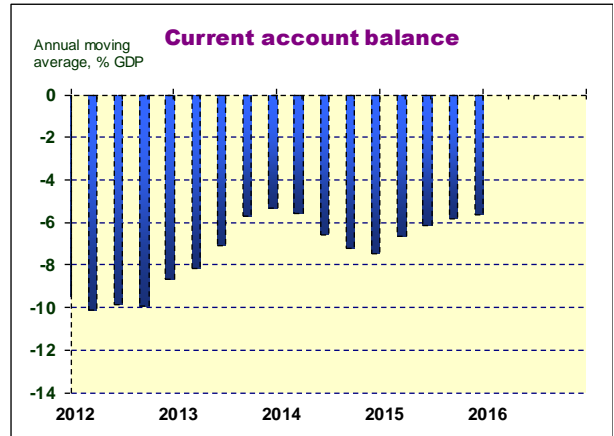
* Q figures refer to a 4 quarters moving average and refers only to foreign public debt.

CHARTS

European Commission, ECFIN-D-1



BOSNIA AND HERZEGOVINA



KOSOVO*

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

Key developments

The programme with the IMF has been technically taken off-track. The second review of the EUR 184 million SBA programme with the IMF has been postponed to December due to disagreements over the introduction of the new war veterans benefits. If an agreement is reached, by December, a single disbursement of 100 million EUR (rather than initially planned 2 disbursements of 50 million EUR) will be released by the IMF.

The 2016 budget originally allocated 25 million EUR for the introduction of the war veteran's benefits, based on the estimated 12.000-13.000 eligible recipients, out of the 29.000 certified war veterans. The current number of certified war veterans is 46.230, with a large share of them being eligible for benefits (those not having any other income), raising doubts over the credibility of the certification process. With the new number of beneficiaries the scheme would endanger the sustainability of public finance.

On June 18, the Evaluation Committee for development of the Brezovica Ski Resort, has announced that the French-Andorran-Kosovar consortium failed to provide proof of securing the financing (EUR 165 million) for implementation of first project phase, as required by the concession contract, thus bringing the tendering process to its end. The total investment of EUR 400 over 20 years was expected to significantly contribute to the economic development of Kosovo. The government has already announced that they remain committed to the development of Brezovica Ski Resort and that in the coming months the process will be re-launched, probably once the new Law on Strategic investments is adopted.

Real sector

According to the quarterly data, the 2015 Kosovo's real GDP growth accelerated to 4% y-o-y, owing to a strong performance towards the end of the year. On the expenditure side, the largest contribution to growth came from household consumption (2.9 p.p.) and

investments (2.8p.p.). Government consumption and net exports contributions were -0.6p.p and -1.1p.p respectively, as the government sought savings in the current expenditure and exports slowed down towards the end of the year. On the production side, gross value added grew by 2.7% y-o-y driven by construction (1 p.p.) with substantial positive contributions from agriculture, trade, and electricity production. The largest negative contributions came from public administration (-0.8 p.p.).

Labour market

According to the 2015 Labour Force Survey, Kosovo's unemployment rate decreased to 32.9%, from 35.3% a year earlier. The overall employment rate continued falling to 25.2%, from 26.3% in 2014, while the inactivity rate stood, highest in Europe, at 62.4% at end-2015. The youth jobless rate (15-24) slightly decreased to 57.7%, from 61% in 2014. Labour market outcomes are especially poor for women, as less than one in five women are active in the labour market and only 11.5% are employed.

External sector

Balance of payments data for Q1 2016 show a widening of the current account deficit to 1.8% of annual GDP, compared to 0.6% in Q1 2015, mainly as a result of growing trade deficit and lower transfers to the government. Net remittances declined slightly to 2.4% of GDP. On the financing side, net FDI stagnated (1.2% of GDP) and portfolio investments recorded a significant net outflow of 1.4% of GDP. Thus the whole financial account recorded a net outflow of 0.4%. The majority of financial flows was unrecorded as net errors and omission grew to 2.2% of GDP.

Cumulative goods exports by April 2016 contracted by 8.4% y-o-y, mainly due to a continuation of the poor crude metals exports performance which started in July 2015. It is likely that Kosovo is struggling to find new export markets for crude metals after exports to China and India contracted sharply in the second half of 2015. In the first four months of 2016 imports rose by 12.4% y-o-y driven by double digit rises in manufactured goods, machinery

and transport equipment, and chemicals, possibly reflecting the import component of higher investment and the introduced tax exemptions for capital goods. By April the overall trade deficit increased by 15.9%, y-o-y.

Monetary developments

Kosovo remains heavily dependent on price developments in the main trading partners, namely the EU. The deflationary pressures, started at the end of 2014, seem to have weakened and prices have stabilised in the first five months in of 2016 (0% inflation until May). Food and energy prices are still in the deflationary period, -0.5% and -4.4% respectively, while the core inflation is recovering, 0.5% on average. Alcohol and tobacco prices have risen by 11.2% due to the level effect of the increased excise in September 2015. Producer price index decreased by 0.5% in Q1 2016, namely due to price adjustments in non-metallic minerals processing industry.

Financial sector

Credit activity continued growing strongly in the first five months of 2016 when total loans and lease financing rose by 9.5% y-o-y. Total deposits in commercial banks continued to grow steadily (3.9% y-o-y). Thus, the loans to deposit ratio slightly increased to 80.1 still indicating a stable liquidity position and substantial room for stronger banking activity.

Interest rate spread increased slightly 6.8% in May 2016, on the account of further decrease of deposits interest rate (0.8% in May compared to 1.15% at the end of 2015). Effective interest rate on loans changed only marginally, standing at 7.58% in May.

The risk profile of the banking sector remained satisfactory in the first five months of 2016. The ratio of liquid assets and short-term liabilities stood at 42.4% in May, while capital adequacy ratio was 19.2%, far above the regulatory requirement of 12%. Already low level of NPLs further decreased to 5.6. Existing NPLs are fully covered by loan loss provisions (117.7%).

Following exceptionally high profitability in 2015 due to lower provisioning, the banking sector profits returned to normal in 2016. By May ROAE was still high 20% compared to 27.2 a year ago. Interest income and expenditure both increased contributing to the drop in overall income. However rise in non interest expenditure was enough to offset savings on interest paid and total expenditures grew by 1.9%.

Fiscal developments

Budget revenue in Q1 2016 grew by 15.4%, driven by strong growth in border (25.7%) revenues. The increase is a result of higher imports, improvements in revenue collection and level effects of the recent VAT increase. Domestic revenues increased by only 3.6%. Expenditure was 14% higher than in Q1 2015. Capital spending increased by almost 60% due to the ongoing construction of the new highway project. However it is still lagging behind in overall execution with only 11% of the annual amount executed by March. The budget was almost balanced in Q1 with the total budget deficit amounting to only EUR 2.9 million. Public debt stood at 13.6% of GDP at the end of Q1. The government has continued issuing domestic debt, reaching 50.3% of overall public debt, with continuously falling yield.

TABLE

European Commission, ECFIN-D-1

KOSOVO*

		2011	2012	2013	2014	2015	Q4 15	Q1 16	Q2 16	Apr 16	May 16	Jun 16
1 Real sector												
Industrial confidence ^{1.1}	Balance	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Industrial production ^{1.2}	Ann. % ch	N.A.	N.A.	3.2	0.2	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Gross domestic product ^{1.3}	Ann. % ch	4.4	2.8	3.4	0.9	:	:	:	:	:	:	:
Private consumption ^{1.4}	Ann. % ch	3.5	2.9	2.0	1.3	:	:	:	:	:	:	:
Investment ^{1.5}	Ann. % ch	7.8	-12.9	-0.3	1.5	:	:	:	:	:	:	:
Construction index ^{1.6}	Ann. % ch	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Retail sales ^{1.7}	Ann. % ch	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
2 Labour market												
Unemployment ^{2.1}	%	44.8	30.9	30.0	35.3	32.9	:	:	:	:	:	:
Employment ^{2.2}	Ann. % ch	:	:	1.4	-4.4	:	:	:	:	:	:	:
Wages ^{2.3}	Ann. % ch	-1.3	-3.0	-5.5	-9.0	:	:	:	:	:	:	:
3 External sector												
Exports of goods ^{3.1}	Ann. % ch	7.8	-13.5	6.4	10.5	0.2	-14.4	-5.4	:	-16.9	:	:
Imports of goods ^{3.2}	Ann. % ch	10.4	5.3	-2.3	3.7	3.8	6.4	12.5	:	12.0	:	:
Trade balance** ^{3.3}	% of GDP	-42.8	-44.1	-40.5	-39.8	-40.0	-40.0	-40.7	:	N.A.	N.A.	N.A.
Exports goods and services** ^{3.4}	% of GDP	19.6	18.2	17.4	19.7	:	4.3	:	:	N.A.	N.A.	N.A.
Imports goods and services** ^{3.5}	% of GDP	56.8	52.4	49.0	50.8	:	13.5	:	:	N.A.	N.A.	N.A.
Current account balance** ^{3.6}	% of GDP	-13.7	-7.5	-6.4	-7.8	-9.1	-9.1	-10.4	:	N.A.	N.A.	N.A.
Direct investment (FDI, net)** ^{3.7}	% of GDP	8.0	4.5	5.3	2.7	5.6	5.6	5.1	:	N.A.	N.A.	N.A.
International reserves ^{3.8}	mio EUR	1 234.6	1 469.1	1 610.0	1 368.1	1 457.1	1 457.1	1 562.5	:	1 577.4	1 580.6	:
Int. reserves / months Imp ^{3.9}	Ratio	6.2	7.0	7.9	6.5	6.6	6.6	7.0	:	6.9	:	:
4 Monetary developments												
CPI ^{4.1}	Ann. % ch	7.3	2.5	1.8	0.4	-0.5	-0.4	0.1	:	-0.1	-0.2	:
Producer prices ^{4.2}	Ann. % ch	4.5	1.9	2.4	1.6	2.7	0.3	-0.5	:	N.A.	N.A.	N.A.
Food prices ^{4.3}	Ann. % ch	12.4	1.0	2.1	-0.2	0.4	-0.4	-0.2	:	-0.9	-0.5	:
Broad money liabilities ^{4.4}	Ann. % ch	8.8	7.1	17.3	-4.2	6.5	6.5	6.6	:	5.9	11.7	:
Exchange rate EUR/EUR ^{4.5}	Value	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Real eff. exchange rate (CPI) ^{4.6}	Index	105.8	106.6	107.2	106.0	:	:	:	:	:	:	:
5 Financial indicators												
Interest rate (3-12 months) ^{5.1}	% p.a.	13.78	12.67	11.82	10.62	8.03	7.48	7.14	:	6.92	6.97	:
Bond yield ^{5.2}	% p.a.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Stock markets ^{5.3}	Index	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Credit growth ^{5.4}	Ann. % ch	15.4	8.9	3.0	2.9	6.2	7.9	8.2	:	8.6	9.5	:
Deposit growth ^{5.5}	Ann. % ch	12.2	8.0	6.6	7.2	5.6	5.4	4.2	:	2.9	3.9	:
Non-performing loans ^{5.6}	% total	5.7	7.5	8.7	8.3	:	:	:	:	:	:	:
6 Fiscal developments												
General government balance** ^{6.1}	% of GDP	-1.7	-2.6	-3.1	-2.2	-2.0	:	:	:	N.A.	N.A.	N.A.
General government debt ^{6.2}	% of GDP	5.3	8.1	8.9	10.6	13.2	13.2	:	:	N.A.	N.A.	N.A.

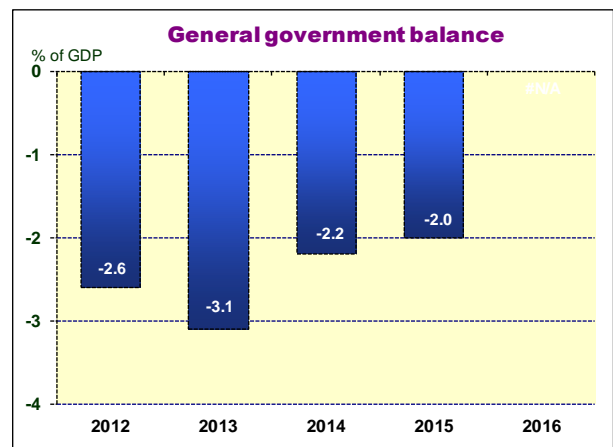
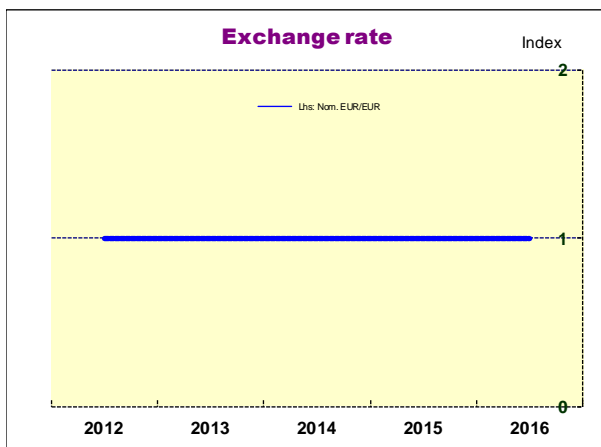
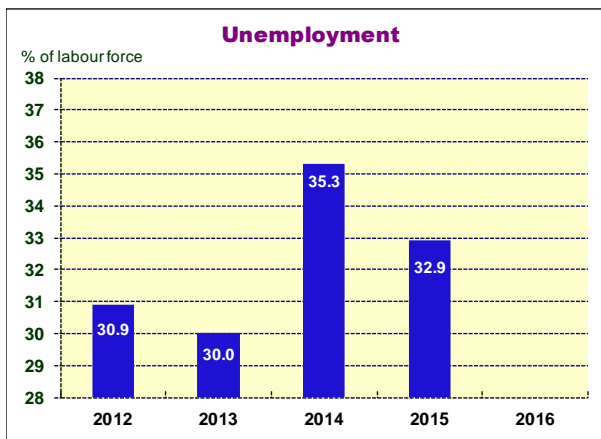
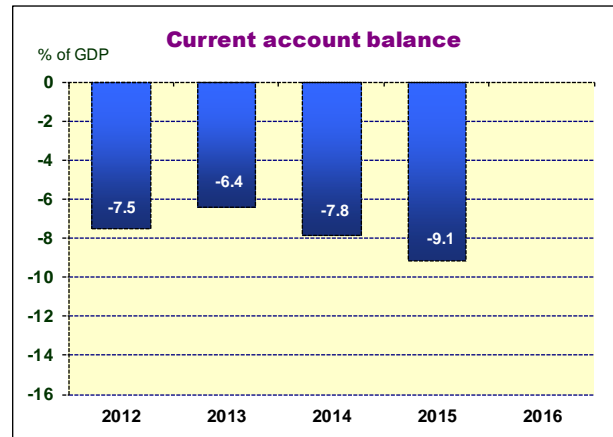
* This designation is without prejudice to positions on status, and is in line with UNSCR 1244 and the ICJ Opinion on the Kosovo Declaration of Independence.

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

CHARTS

European Commission, ECFIN-D-1

KOSOVO*



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Source of data: IMF, national sources



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



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



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



No.	Indicator	Note	Source
1. Real sector			
1.1.	Industrial confidence indicator	Not available	
1.2.	Industrial production	Total, Index, CPPY=100	IHS/DataInsight
1.3.	Gross domestic product	Annual percent change at constant (average) prices 2002 Production approach	IHS/DataInsight
1.4.	Private consumption	Annual percent change, Real Individual Consumption Expenditure, Household Sector (ESA2010) (2010), NSA	IHS/DataInsight
1.5.	Gross fixed capital formation	Annual percent change, Real Gross Fixed Capital Formation (ESA2010) (2010), NSA	IHS/DataInsight
1.6.	Construction index	Annual pc change, value of construction work done, total, 2008=100	IHS/DataInsight
1.7.	Retail sales	Annual pc change, retail trade turnover, constant prices, CPPY=100	IHS/DataInsight
2. Labour market			
2.1.	Unemployment	In percent of total labour force, Labour Force Survey definition for annual data. Semi-annual data.	IHS/DataInsight
2.2.	Employment	Annual percentage change, as from 2014 based on LFS. Data before 2014 are based on official data on registered employment.	IHS/DataInsight
2.3.	Wages	Gross wages annual percentage change; average growth rate, nominal	IHS/DataInsight
3. External sector			
3.1.	Exports of goods	Annual percentage change, mio. EUR, fob	IHS/DataInsight
3.2.	Imports of goods	Annual percentage change, mio. EUR, cif	IHS/DataInsight
3.3.	Trade balance	In percent of GDP, fob-cif, annualised data	IHS/DataInsight
3.4.	Exports goods and services	In percent of GDP	IHS/DataInsight
3.5.	Imports goods and services	In percent of GDP	IHS/DataInsight
3.6.	Current account balance	In percent of GDP, annualised data	IHS/DataInsight
3.7.	Direct investment (<i>FDI, net</i>)	In percent of GDP, annualised data	IHS/DataInsight
3.8.	International reserves NBS	Total, mio EUR.	IHS/DataInsight
3.9.	Reserves / months Imp	Ratio of 12 months imports of goods moving average.	IHS/DataInsight
4. Monetary developments			
4.1.	CPI	Consumer Prices, Total, CPPY, average.	IHS/DataInsight
4.2.	Producer prices	Annual average percentage change, domestic market	IHS/DataInsight
4.3.	Food prices	Annual pc, food and non-alcoholic beverages, CPPY=100	IHS/DataInsight
4.4.	M3	Annual percentage change, M3 (broad money), RSD	IHS/DataInsight
4.5.	Exchange rate RSD/EUR	Spot Rates, close, period average	IHS/DataInsight
4.6.	Nominal eff. exchange rate	Period average, moving base year, RSD	IHS/DataInsight
5. Financial indicators			
5.1.	Interest rate	Treasury Bills, 3 month, yield, average, RSD	IHS/DataInsight
5.2.	Bond yield	Weighted average interest rate on RS government bills.	NBS
5.3.	Stock markets	Belgrade Stock Exchange, BELEXfm index, price return, close, RSD	IHS/DataInsight
5.4.	Credit growth	Annual percentage change, monetary survey, domestic credit, total, RSD	IHS/DataInsight
5.5.	Deposit growth	Annual percentage change, deposits, nonmonetary sector, total, RSD	IHS/DataInsight
5.6.	Non-performing loans	Provisioning against losses	IHS/DataInsight
6. Fiscal developments			
6.1.	General government balance	Consolidated GG, Overall balance including grants. In percent of GDP	Min. of Finance
6.2.	General government debt	Public sector debt. In percent of GDP	Min. of Finance



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



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

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

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

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