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Western Balkans & Türkiye

1st Quarter 2023

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1st Quarter 2023

Western Balkans and Türkiye

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

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

OVERVIEW – FLASH NOTES

The economic rebound in the Western Balkans moderated in 2022, impacted by the fallout from Russia's war of aggression against Ukraine, with the region's GDP growing by 3.2% compared to 7.7% in 2021. The slowdown in annual output growth was most pronounced in the second half of the year and was driven by Serbia, the largest economy in the region. In the fourth quarter of 2022, the region's GDP rose by only 1.6% year-on-year.

Private consumption and exports remained the key growth drivers in most countries of the region while investment showed a mixed performance, with year-on-year declines registered in some of the countries. Public consumption contracted in some countries, partly reflecting the gradual withdrawal of pandemic-related support measures.

In line with the deceleration in economic activity, average employment growth slowed to 1.4% in the Western Balkans in 2022. Employment gains led to a decrease in unemployment rates while labour force participation decreased in some countries. Still, unemployment rates in the region remained high, ranging from 9.4% in Serbia to around 17% in Kosovo (the latter reflects the latest available data from the first quarter of 2022).

The region's current account deficit stood at 6.8% of GDP in 2022, the highest level in the last ten years. This was mainly due to the energy-balance-driven increase in merchandise trade deficits which outweighed the strong rebound in services exports and higher remittances inflows.

Average annual inflation rose to multi-decade highs in 2022 but in most cases (with the exception of Serbia) headline inflation has come down from its peak reached in autumn 2022. Decelerating energy and food prices resulted in a slight slowdown of annual consumer price inflation, which averaged 13.5% in the first quarter of 2023 from 14.7% in the preceding quarter, ranging from 6.5% in Albania to 16.1% in North Macedonia. Monthly readings show a more sizeable fall in headline inflation through March 2023, partly due to base effects. However, the above-target inflation led the region's central banks with monetary autonomy to raise further their key policy rate, which stood at 3% in Albania, 5.5% in North Macedonia, and 6% in Serbia in April 2023.

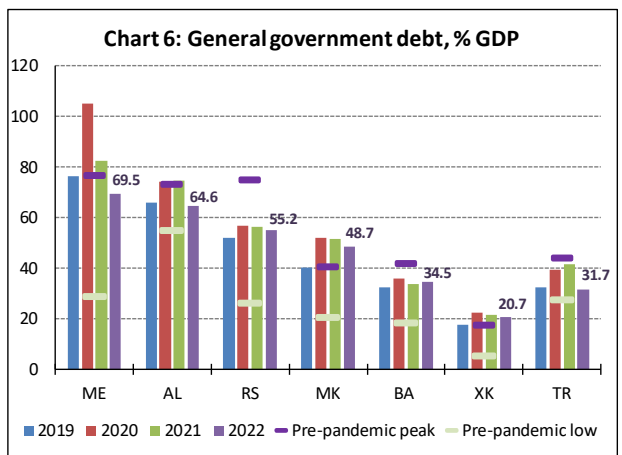
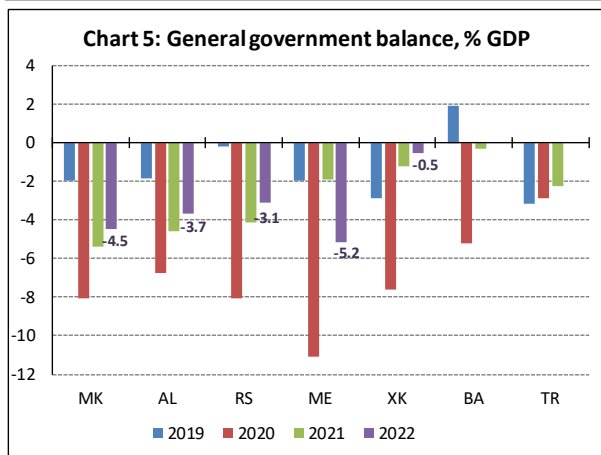
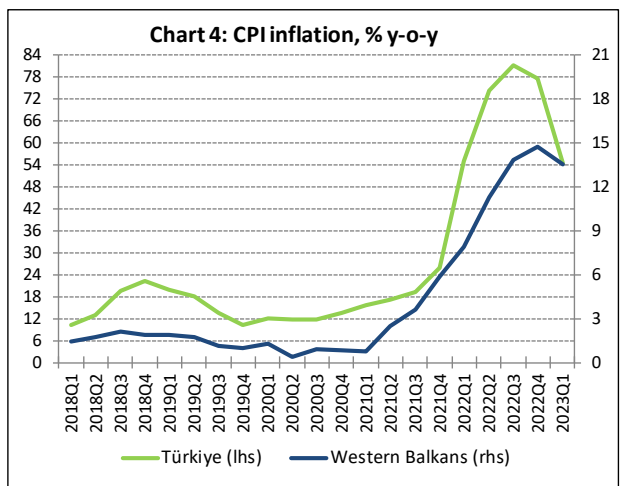
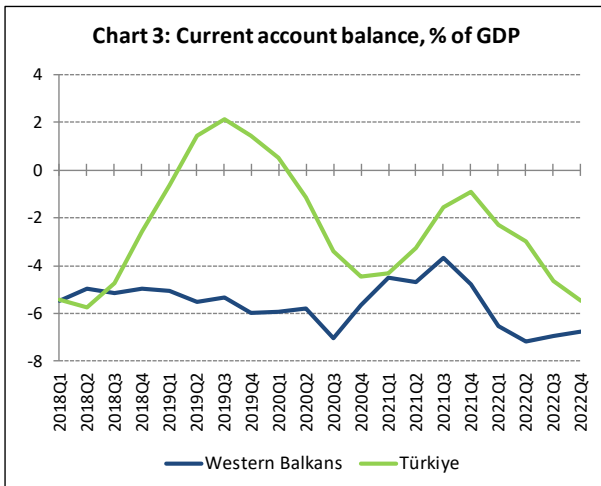
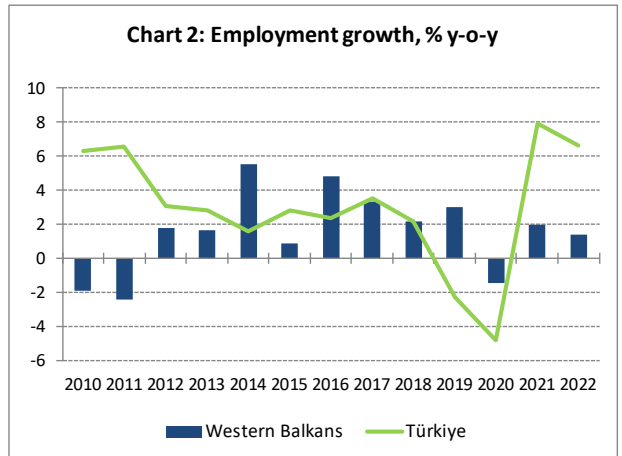
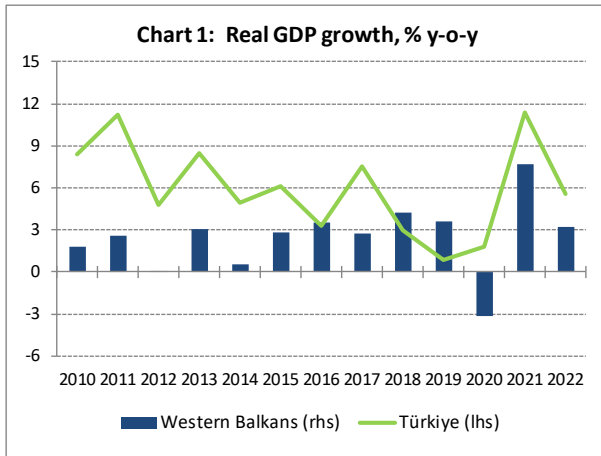
Continued economic expansion and high inflation supported the growth of budget revenues and fiscal balances improved in almost all Western Balkan economies in 2022, with the exception of Montenegro. The public debt-to-GDP ratios decreased compared to end-2021, partly due to the strong rise in nominal GDP. The fall in the debt burden was most pronounced in Montenegro and Albania, but they remained the countries with the highest debt ratio at 69.5% and 64.6% of GDP, respectively at end-2022.

In Türkiye, the economic rebound lost steam in 2022, although growth remained buoyant with real GDP expanding by 5.6%. Growth was driven by surging household consumption, and supported by external demand, but it was accompanied by widening imbalances. The 4-quarter rolling average current account deficit increased to 5.5% of GDP in 2022 compared to 0.9% in 2021.

Consumer price inflation slowed to 50.5% y-o-y in March, partly driven by base effects. In response to the devastating February earthquakes and despite very high inflation and inflation expectations, the central bank reduced its key policy rate further, by 50 bps. to 8.5%, after having reduced it by a cumulative 300 bps between September and December 2022.

Budget revenue doubled in nominal terms in 2022 and the central government budget deficit fell to TRY 139.1 billion (0.9% of GDP) in 2022. Government debt decreased substantially, to 31.7% of GDP in 2022, compared to 41.8% at end-2021.

Candidate and potential candidate countries: Overview graphs



Candidate and potential candidate countries: Summary table

	2018	2019	2020	2021	2022	ECFIN 2022 Autumn forecast		Q3 22	Q4 22	Q1 23	Jan 23	Feb 23	Mar 23
						2023	2024						
Gross domestic product (in real terms, annual % change)													
Albania	4.0	2.1	-3.3	8.9	4.8	2.6	3.4	4.9	4.7	:	N.A.	N.A.	N.A.
North Macedonia	2.8	3.9	-4.7	3.9	2.1	2.5	2.8	2.0	0.6	:	N.A.	N.A.	N.A.
Montenegro	5.1	4.1	-15.3	13.0	6.1	2.9	3.2	3.2	3.3	:	N.A.	N.A.	N.A.
Serbia	4.5	4.3	-0.9	7.5	2.3	2.4	3.0	1.0	0.4	:	N.A.	N.A.	N.A.
Türkiye	3.0	0.9	1.8	11.4	5.6	3.5	3.0	4.0	3.5	:	N.A.	N.A.	N.A.
Bosnia and Herzegovina	4.6	2.3	-3.3	7.1	4.0	:	:	2.6	1.7	:	N.A.	N.A.	N.A.
Kosovo	3.4	4.8	-5.3	10.7	3.5	:	:	3.3	3.6	:	N.A.	N.A.	N.A.
Unemployment													
Albania	12.8	12.0	12.2	12.1	11.3	10.9	10.5	10.8	11.0	:	N.A.	N.A.	N.A.
North Macedonia	21.0	17.5	16.6	15.8	14.5	14.7	14.6	14.4	14.2	:	N.A.	N.A.	N.A.
Montenegro	15.5	15.4	18.4	16.9	15.1	17.4	15.9	13.4	14.9	:	N.A.	N.A.	N.A.
Serbia	13.7	11.2	9.7	11.0	9.4	9.5	9.2	8.9	9.2	:	N.A.	N.A.	N.A.
Türkiye	10.9	13.7	13.1	12.0	10.5	10.5	10.5	10.1	10.1	:	10.3	10.7	:
Bosnia and Herzegovina	18.4	15.7	15.9	17.4	15.4	:	:	14.9	14.3	N.A.	N.A.	N.A.	N.A.
Kosovo	29.6	25.7	25.9	20.7	:	:	:	:	:	:	N.A.	N.A.	N.A.
Current account balance* (% of GDP)													
Albania	-6.8	-7.9	-8.7	-7.7	-6.0	-7.9	-7.4	-6.7	-6.0	:	N.A.	N.A.	N.A.
North Macedonia	0.2	-3.0	-2.9	-3.1	-6.0	-4.8	-3.6	-7.0	-6.0	:	N.A.	N.A.	N.A.
Montenegro	-17.0	-14.3	-26.1	-9.2	-13.3	-9.3	-10.1	-12.4	-13.3	:	N.A.	N.A.	N.A.
Serbia	-4.8	-6.9	-4.1	-4.2	-6.9	-7.8	-6.5	-7.3	-6.9	:	N.A.	N.A.	N.A.
Türkiye	-2.6	1.4	-4.5	-0.9	-5.5	-3.3	-2.6	-4.6	-5.5	:	N.A.	N.A.	N.A.
Bosnia and Herzegovina	-3.3	-2.6	-3.2	-2.4	-4.5	:	:	-3.7	-4.5	:	N.A.	N.A.	N.A.
Kosovo	-7.6	-5.7	-7.0	-8.7	-10.5	:	:	-10.2	-10.5	:	N.A.	N.A.	N.A.
Inflation (Consumer price index, annual % change)													
Albania	2.0	1.4	1.6	2.0	6.7	4.3	3.4	7.9	7.9	6.5	7.2	7.1	5.3
North Macedonia	1.5	0.8	1.2	3.2	14.1	7.9	4.0	17.2	19.4	16.1	17.1	16.7	14.7
Montenegro (HICP)	2.9	0.5	-0.8	2.5	11.9	6.1	3.0	14.1	15.7	:	14.8	13.9	:
Serbia	2.0	1.8	1.6	4.1	12.0	10.6	5.6	13.3	15.1	16.0	15.8	16.1	16.2
Türkiye	16.3	15.2	12.3	19.6	72.3	54.1	40.4	81.1	77.4	54.3	57.7	55.2	50.5
Bosnia and Herzegovina	1.4	0.6	-1.1	2.0	14.0	:	:	16.9	16.2	:	14.1	12.9	:
Kosovo	1.1	2.7	0.2	3.3	11.6	:	:	13.3	12.1	10.1	11.9	10.9	7.6
General government balance** (% of GDP)													
Albania	-1.6	-1.9	-6.7	-4.6	-3.7	-3.0	-1.9	0.8	-3.7	:	N.A.	N.A.	:
North Macedonia	-1.8	-2.0	-8.0	-5.4	-4.5	-4.4	-3.3	-2.0	-4.5	:	N.A.	N.A.	:
Montenegro	-3.9	-2.0	-11.1	-1.9	-5.2	-4.3	-3.2	-0.6	-4.3	:	N.A.	N.A.	N.A.
Serbia	0.6	-0.2	-8.0	-4.1	-3.1	-3.4	-2.8	0.6	-3.1	:	:	:	:
Türkiye	-2.8	-3.2	-2.9	-2.3	:	-4.0	-3.5	-0.7	:	:	N.A.	N.A.	N.A.
Bosnia and Herzegovina	2.2	1.9	-5.2	-0.3	:	:	:	:	:	:	N.A.	N.A.	N.A.
Kosovo	-2.9	-2.9	-7.6	-1.2	-0.5	:	:	2.6	0.0	:	N.A.	N.A.	:
General government debt*** (% of GDP)													
Albania	67.7	65.8	74.3	74.5	64.6	67.5	66.4	64.9	64.6	:	N.A.	N.A.	N.A.
North Macedonia	40.4	40.5	51.9	51.8	48.7	51.6	52.5	49.8	48.7	:	N.A.	N.A.	N.A.
Montenegro	70.1	76.5	105.3	82.5	69.5	73.1	71.5	69.0	69.5	:	N.A.	N.A.	N.A.
Serbia	53.7	52.0	57.0	56.5	55.2	52.4	51.3	53.6	55.2	:	50.2	51.1	:
Türkiye	30.1	32.6	39.7	41.8	31.7	38.3	37.2	34.7	31.7	:	N.A.	N.A.	N.A.
Bosnia and Herzegovina	34.1	32.3	36.1	34.0	34.5	:	:	36.7	34.5	:	N.A.	N.A.	N.A.
Kosovo	17.0	17.6	22.4	21.5	20.7	:	:	20.5	20.7	:	N.A.	N.A.	N.A.

Forecast: ECFIN forecast Autumn 2022 published November 2022.

* Q figures refer to a 4 quarters moving average.

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

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

ALBANIA



Key developments

On 31 January 2023, Albania submitted to the European Commission its Economic Reform Programme (ERP) for 2023-2025. Following a slowdown in 2023, the ERP expects growth to rebound to 3.9% in 2024 and stay close to this rate in the following year. In the medium-term, a decreasing expenditure-to-GDP ratio is projected to lower the budget deficit to just above 2% of GDP, resulting in a gradual decrease in the public debt ratio of about 1 pp. per year.

Following the confirmation of Albania's B+ rating with stable outlook by S&P at the end of March, Moody's confirmed the B1 sovereign rating of Albania with an unchanged stable outlook in April 2022. Both assessments reflect positively the decreasing debt burden, the authorities' commitment to fiscal discipline and the continuing resilience of the Albanian economy.

Real sector

Real GDP increased by 4.7% y-o-y in Q4-2022, which brings the full-year growth rate for 2022 to 4.8%, down from 8.9% in 2021. Private consumption remained the strongest growth driver in 2022 (+7.2%) but its increase decelerated in Q4 to 4.5% y-o-y following three quarters of high growth between 7%-8%. In contrast, investment growth (+6.5% in 2022) accelerated in the last quarter of 2022 to 9.8% y-o-y. Government consumption continued to contract in Q4 (-3% y-o-y), resulting in an annual decrease of 4.8% in 2022. Export growth (7.1% in 2022) continued to slow in Q4, to 0.6% y-o-y, mainly reflecting base effects. Total imports (+13.4% in 2022) showed a mixed picture in Q4. While merchandise imports contracted by 2.6%, in line with slowing private demand and lower electricity imports, services imports accelerated to 24.2% y-o-y.

On the production side, construction grew the fastest in 2022 (+10.7%) and it also took over as the main growth contributor in Q4-2022 (1.7 pps), followed by transport, trade and hospitality services (1 pp.) and public services including education and health (0.9 pps). Manufacturing grew by 7.1% in 2022, more than industry overall (5.5%), whereas agriculture recorded basically no growth.

Following a brief stagnation in February 2023,

the economic sentiment indicator picked up in March and returned to the upward trend it had followed since November 2022. Increasing confidence across all sectors covered by the index lifted it to 13.5 points above the historical average to reach its highest value since 2016. Construction, industry and services all reached values last seen in early 2022, while consumer confidence gradually climbed back to close to its historical average, a value last seen in September 2021.

Labour market

Employment continued to grow in Q4-2022, by 1.6% q-o-q for the age group 15-64 (5.4% y-o-y). The unemployment rate (15-64 years) fell to 11% in Q4 from 11.9% in Q4-2021 but edged up by 0.2 pps q-o-q. The youth unemployment rate increased by 0.9 pps y-o-y and 1 pp. q-o-q to 21.5%.

The labour force participation rate (15-64 years) continued to climb to a new peak of 74.8%, 4.4 pps above Q4-2021, driven by a 5.9 pps y-o-y increase in the female participation rate to 69.1% which continued to narrow the gender gap to 11.6 pps in Q4-2022. Given the decreasing population of working age, the rise in labour supply reflects the increasing mobilisation of the inactive population, which shrunk by 5.2% q-o-q in Q4-2022 (16.1% y-o-y).

Annual employment growth was again strongest in services (6.3%) and agriculture (3.8%), and more subdued in industry (0.5%), but it contracted slightly for the latter two compared to Q3-2022. The average monthly nominal wage increased by 14.2% y-o-y in the private sector (2.4% q-o-q), with agriculture, the sector with the lowest wages, again registering the strongest increase of 18.2% y-o-y. Given the average inflation rate of 7% in 2022, lower income groups recorded real wage growth between 4% and 5% in 2022, helped by the 13.3% increase in the minimum wage.

External sector

The four-quarter moving average current account deficit decreased further to 6% of GDP in Q4-2022 compared to 6.7% Q3 and to 7.7% a year before. This improvement was mainly due to the increase in the services trade surplus from 11.6% of GDP in 2021 to 13% in 2022. The goods trade deficit recorded a nominal increase

by 11.5% but due to the high GDP denominator it decreased in terms of GDP by 1 pp. to 23.8% of GDP. The surplus of the secondary income balance, which stayed above 7% of GDP since 2013, fell for the first time to just above 6% of GDP in 2022, partly because the share of remittances continued to fall, from 4.9% of GDP in 2021 to 4.5% in 2022. The primary income deficit slightly increased to 1.8% of GDP. Total exports surged by 41.8% in nominal terms in 2022 thanks to strong growth in both goods (52.8%) and services exports (37.8%). Imports grew less strongly, by 26.8% in 2022.

FDI inflows grew by 33% y-o-y in 2022 and recovered to 6.7% of GDP, up from 6.5% one year earlier. They financed more than 100% of the current account deficit. Foreign reserves, which exceeded EUR 5 billion in Q3, fell slightly to EUR 4.9 billion in December 2022, while their coverage of imports decreased to 7.3 months on account of the strongly increased import value.

Monetary developments

The inflation rate peaked at 8.3% in October 2022 before falling to 7.1% in February and further to 5.3% in March, due to base effects and a drop in transport prices. Food prices continued to increase both in yearly and monthly terms and were the key driver of the monthly increase of the price level by 0.7% in March. To counter above-target inflation, the Bank of Albania increased its key policy rate by a cumulative 225 bps to 2.75% in 2022 and, following a pause after its November rate rise, it increased it further to 3% in March 2023.

Supported by continuing external inflows from tourism and FDI, the lek appreciated against the euro by 4.2% y-o-y in Q4-2022 and by 5.3% y-o-y in Q1-2023.

The growth of monetary aggregate M3 averaged 7.3% in 2022 but it slowed to 5.2% y-o-y in December 2022 before slightly accelerating to 5.7% y-o-y in January 2023.

Financial sector

Credit to the private sector decelerated from 14% y-o-y in Q3 to 10.6% in December 2022. In Q4-2022, lending slowed in particular for foreign currency loans, but overall in 2022 foreign currency lending grew faster (15.3%) than loans in lek (6.3%). Banks' lending standards remained tight for all types of loans in Q4, reflecting concerns about interest rate developments and the future solvency of borrowers. Despite high demand from

enterprises to cover higher input costs and finance energy-saving investments, lending to enterprises decelerated by around 4 pps to 8.5% in Q4-2022. Households' loan demand continued to contract. Although lending growth to households slowed by 1.3 pps q-o-q in Q4-2022, it still expanded by 14.5% y-o-y.

Reflecting the pass-through of policy rate hikes, average interest rates for new lek loans increased for both enterprises (from 6.2% in Q3 to 7% in Q4) and households (from 7.6% to 8%). The interest rate on new loans in euro increased from 4.8% in Q3 to 5.4% in Q4 for enterprises and showed no change for household loans (3.4%). Policy transmission was also evident in the gradually rising interest rates for deposits, which reached an average of 1.5% for lek deposits (+0.9 pps) and 0.7% for euro deposits (+0.5 pps) in December.

The banking sector's capital adequacy ratio fell to 16.9% in Q4-2022, the same level as one year earlier, following a rise to 18.1% in Q2-2022. The broad liquidity ratio, which had remained around 29% since February 2022 (about 4 pps below its end-2021 level), increased to 30.2% in February 2023. The ratio of non-performing loans to total loans showed a slight increase from 5% in December 2022 to 5.2% in February 2023. Following relative stability over the first half of 2022, the gradual recovery of bank profitability indicators has accelerated since December: return on assets rose from 0.8% in July 2022 to 2% in February 2023 while return on equity increased from 7.1% to 17% over the same period, both exceeding for the first time their respective 2021 levels.

OTP Bank Albania received approval to buy the Greek-owned Alpha Bank Albania, which decreases the number of banks in Albania to 11.

Fiscal developments

The fiscal deficit turned out at 3.7% of GDP in 2022, lower than expected on account of strong inflation-driven tax revenue growth (+13.8%) and a moderate expenditure increase (+2.1%), as the extraordinary support to the state-owned electricity provider and vulnerable groups was partly offset by savings on interest and personnel expenditure and under-execution of foreign financed investments. Public debt decreased slightly in nominal terms and, given the large increase in nominal GDP, the public debt ratio dropped by 8.4 pps to 64.6% of GDP at end-2022, below its pre-pandemic level. Parliament approved the 2023 budget on 24 November 2022, with a planned budget deficit of 2.6% of GDP.

TABLE



European Commission, ECFIN-D-1

ALBANIA

							ECFIN 2022 Autumn forecast							
		2018	2019	2020	2021	2022	2023	2024	Q3 22	Q4 22	Q1 23	Jan 23	Feb 23	Mar 23
1 Real sector														
Industrial confidence ^{1.1}	Balance	8.3	6.1	-0.8	6.4	7.2	:	:	10.3	7.1	8.5	7.2	8.8	9.4
Industrial production ^{1.2}	Ann. % ch	9.7	5.6	-10.1	23.6	8.0	:	:	6.8	0.5	:	N.A.	N.A.	N.A.
Gross domestic product ^{1.3}	Ann. % ch	4.0	2.1	-3.3	8.9	4.8	2.6	3.4	4.9	4.7	:	N.A.	N.A.	N.A.
Private consumption ^{1.4}	Ann. % ch	3.1	3.3	-3.3	4.7	7.2	2.6	3.2	7.7	4.5	:	N.A.	N.A.	N.A.
Gross fixed capital formation ^{1.5}	Ann. % ch	2.3	-3.6	-1.4	19.2	6.5	1.6	2.7	7.4	9.8	:	N.A.	N.A.	N.A.
Construction index ^{1.6}	Ann. % ch	5.6	-2.5	9.5	18.0	12.5	:	:	14.0	18.5	:	N.A.	N.A.	N.A.
Retail sales ^{1.7}	Ann. % ch	1.8	4.2	1.0	5.3	5.1	:	:	4.2	3.4	:	:	:	:
2 Labour market														
Unemployment ^{2.1}	%	12.8	12.0	12.2	12.1	11.3	10.9	10.5	10.8	11.0	:	N.A.	N.A.	N.A.
Employment ^{2.2}	Ann. % ch	2.1	2.4	-1.9	-0.4	4.8	0.9	0.9	3.8	5.4	:	N.A.	N.A.	N.A.
Wages ^{2.3}	Ann. % ch	3.1	3.8	2.7	6.3	8.2	:	:	9.2	10.8	:	N.A.	N.A.	N.A.
3 External sector														
Exports of goods ^{3.1}	Ann. % ch	13.7	-3.8	-9.0	35.6	32.0	:	:	27.2	16.8	:	20.2	2.8	:
Imports of goods ^{3.2}	Ann. % ch	2.4	1.2	-6.8	32.3	18.7	:	:	23.7	4.1	:	5.8	1.1	:
Trade in goods balance* ^{3.3}	% of GDP	-22.4	-22.9	-22.5	-24.8	-23.8	-26.5	-26.1	-24.8	-23.8	:	N.A.	N.A.	N.A.
Exports goods and services* ^{3.4}	% of GDP	31.6	31.3	22.7	30.8	37.5	:	:	37.0	37.5	:	N.A.	N.A.	N.A.
Imports goods and services* ^{3.5}	% of GDP	45.4	45.0	37.3	44.0	47.9	:	:	48.5	47.9	:	N.A.	N.A.	N.A.
Current account balance* ^{3.6}	% of GDP	-6.8	-7.9	-8.7	-7.7	-6.0	-7.9	-7.4	-6.7	-6.0	:	N.A.	N.A.	N.A.
Direct investment (FDI, net)* ^{3.7}	% of GDP	8.0	7.5	6.7	6.5	6.7	:	:	6.7	6.7	:	N.A.	N.A.	N.A.
International reserves ^{3.8}	m n EUR	3,399	3,360	3,942	4,972	4,952	:	:	5,060	4,952	:	4,927	4,959	:
Int. reserves / months Imp ^{3.9}	Ratio	7.0	6.5	9.6	8.8	6.9	:	:	7.3	6.9	:	N.A.	N.A.	N.A.
4 Monetary developments														
CPI ^{4.1}	Ann. % ch	2.0	1.4	1.6	2.0	6.7	4.3	3.4	7.9	7.9	6.5	7.2	7.1	5.3
Producer prices ^{4.2}	Ann. % ch	1.6	-0.8	-3.4	2.7	19.9	:	:	20.9	21.4	:	:	:	:
Food prices ^{4.3}	Ann. % ch	2.7	2.9	3.6	3.9	11.8	:	:	13.7	14.5	12.6	13.3	13.5	11.0
M3 ^{4.4}	Ann. % ch	-0.2	4.3	10.5	8.6	4.9	:	:	6.1	4.9	:	5.4	4.6	:
Exchange rate ALL/EUR ^{4.5}	Value	127.58	123.00	123.74	122.45	118.98	:	:	117.17	116.43	115.41	116.19	115.72	114.33
Real effective exchange rate ^{4.6}	Index	104.3	107.9	109.9	111.9	112.4	:	:	113.5	114.2	:	115.0	115.4	:
5 Financial indicators														
Interest rate (3 months-TRIBOR) ^{5.1}	% p.a.	1.83	1.45	1.46	1.39	2.21	:	:	2.30	3.51	3.70	3.78	3.66	3.65
Bond yield ^{5.2}	% p.a.	2.20	1.76	1.63	1.63	1.93	:	:	1.99	2.35	:	:	:	:
Stock markets ^{5.3}	Index	N.A.	N.A.	N.A.	N.A.	N.A.	:	:	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Credit growth ^{5.4}	Ann. % ch	-1.7	3.0	6.1	6.9	11.2	:	:	12.4	9.2	:	7.0	5.3	:
Deposit growth ^{5.5}	Ann. % ch	-1.2	2.5	5.8	8.5	8.0	:	:	7.2	6.3	:	4.9	4.2	:
Non performing loans ^{5.6}	% total	11.1	8.4	8.1	5.7	5.0	:	:	5.1	5.0	:	5.1	5.2	:
6 Fiscal developments														
General government revenue** ^{6.1}	% of GDP	27.5	27.2	25.9	27.5	26.8	:	:	20.0	26.8	:	N.A.	N.A.	N.A.
General government expenditure** ^{6.1}	% of GDP	29.1	29.1	32.6	32.1	30.5	:	:	19.2	30.5	:	N.A.	N.A.	N.A.
General government balance** ^{6.1}	% of GDP	-1.6	-1.9	-6.7	-4.6	-3.7	-3.0	-1.9	0.8	-3.7	:	N.A.	N.A.	:
General government debt*** ^{6.2}	% of GDP	67.7	65.8	74.3	74.5	64.6	67.5	66.4	64.9	64.6	:	N.A.	N.A.	N.A.

f: ECFIN forecast Autumn 2022 published November 2022

* Q figures refer to a 4 quarters moving average.

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

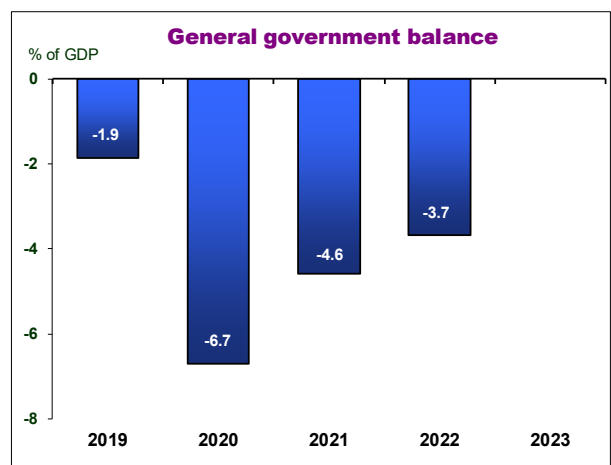
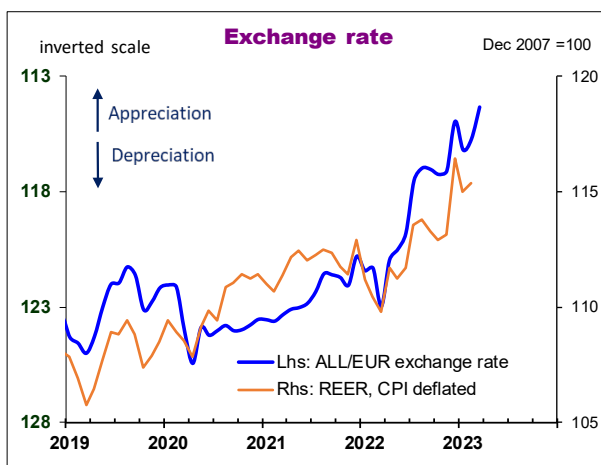
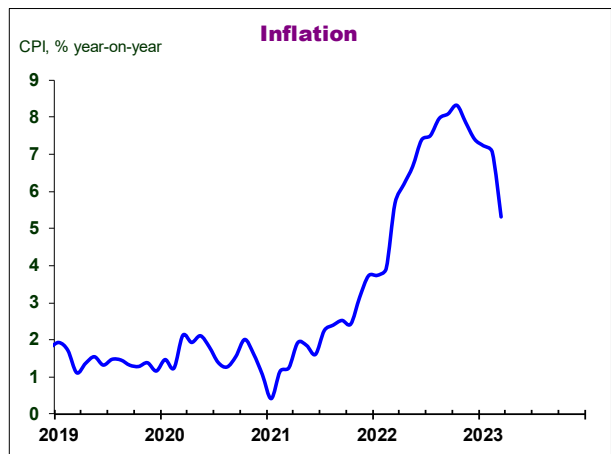
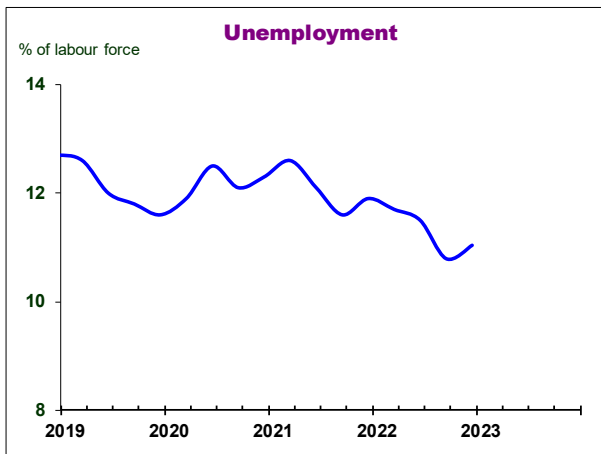
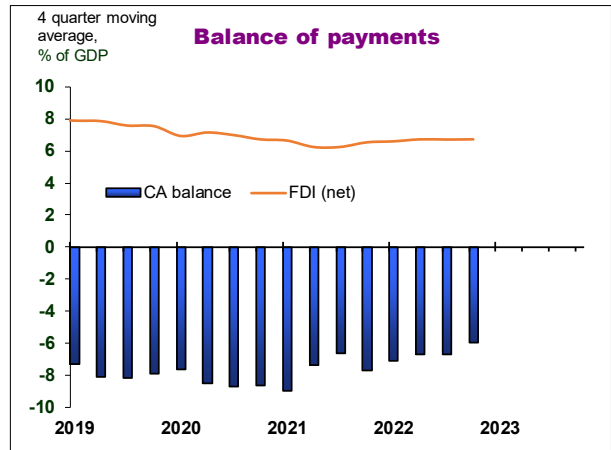
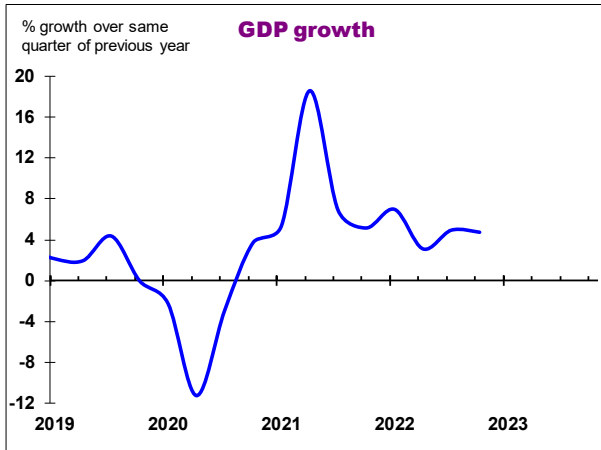
*** Q figures in percent of estimated annual GDP.

CHARTS

European Commission, ECFIN-D-1



ALBANIA





Key developments

On 25 January 2023, the government submitted to the European Commission its Economic Reform Programme (ERP) for 2023-2025. The programme, prepared under the caretaker government, expects real GDP growth to stabilise at around 4% after a robust post-COVID recovery. The economy is set to benefit from a strong tourism sector and increases in private investment, while higher social transfers and wages are expected to support private consumption. The budget deficit is projected to rise to nearly 6% of GDP in 2023-2025. Annual inflation is set to gradually fall from a peak of 13% in 2022 to 2.2% in 2025.

On 17 March, the incumbent president Milo Djukanović dissolved the parliament and called snap parliamentary elections for 11 June, after months of political crisis in Montenegro. On 2 April, the centre-right former Economy Minister Jakov Milatović won the presidential election runoff with 60.1% of the votes and will take office in May.

Real sector

In Q4-2022 real GDP growth remained largely stable at 3.3% y-o-y as compared to a 3.2% expansion in the previous quarter. Government consumption and exports of goods and services rose at a faster pace (2.9% and 21.4% y-o-y) than in Q3, while there was a slowdown in private consumption (4.7% y-o-y), due to elevated inflation and higher interest rates. Private investment turned positive (3.6% y-o-y) in Q4 after contracting in the previous quarter. Negative contributions came from imports and declining stocks (12.3% and 16.1% y-o-y).

Based on quarterly data, full-year GDP growth is estimated at 6.1% y-o-y in 2022. The expansion of the economy was mainly driven by exports of goods and services (22.7%) and private consumption (9.7%). The latter was supported by a significant increase in disposable income and an influx of Russian and Ukrainian nationals. Further support came from government consumption, which expanded by 1.2%. Investment activity remained weak, declining by 1.1%. The rapid expansion of imports (21.3%) means that net exports

subtracted from GDP growth.

Due to a fall in manufacturing, industrial production continued to decline (by 2.7% y-o-y) in the last quarter of 2022, bringing a full-year contraction to 1.8% y-o-y. In early 2023, industrial output continued to decline (by 1.6% y-o-y in January). Consistent with strong consumption and tourism in 2022, there was a robust increase in retail trade (up by 14.2%). In January and February 2023, retail trade continued to perform strongly with annual growth rates of 14% and 10.9%, respectively.

Labour market

Supported by economic growth and policy measures, such as abolishing mandatory health contributions and introducing a non-taxable part of wages, the average unemployment rate fell to a historical low of 15.1% in 2022 from 16.9% in the previous year. The favourable effects from seasonal employment associated with tourism activity brought unemployment down to 13% in Q3 followed by an increase to 14.4% in Q4. Employment growth stood at 10% y-o-y in Q4 after expanding by 11.1% y-o-y in Q3. The unemployment rate for women and men stood at 12.8% and 16.2% in 2022, respectively. Albeit declining substantially from 37.1% in 2021, youth unemployment remained a major issue, with 29.4% of the population aged 15-24 jobless in 2022.

The average gross wage increased by 11% in nominal terms to EUR 883 while, supported by a large decrease in the labour tax wedge, the average net wage rose by nearly 34% to EUR 793 in 2022.

External sector

Despite a strong tourism recovery, external imbalances widened on the back of high import growth. As a result, the current account deficit widened to 13.3% of GDP in 2022, compared to 9.2% of GDP a year before. The deterioration was mainly driven by an extremely large deficit in merchandise trade (50.4% of GDP) which outweighed a surplus in the services account (24.8% of GDP). The merchandise trade deficit expanded by 39.7% y-o-y in nominal terms due to fast growth in imports (40.9% y-o-y), driven

by increasing private consumption and higher global commodity prices. The rapid increase in exports of services (43.3% y-o-y) did not suffice to compensate the impact of strong import growth. The surpluses in the primary and secondary accounts increased only marginally and stood at 2.2% and 8.8% of GDP in 2022, respectively, the latter on the back of substantial expatriate remittances.

Net FDI inflows increased by 34.6% y-o-y in 2022 and amounted to 13.5% of GDP, fully financing the current account deficit, with the largest share going into real estate.

Merchandise trade started by robust increases in January, which decelerated in February. Exports of goods slowed down from 35.2% to 8% y-o-y, while the growth of merchandise imports fell from 46.3% to 18.7%, y-o-y.

Monetary developments

The inflation rate averaged 11.9% in 2022. Consumer prices started to increase in the last quarter of 2021 and inflation reached its peak in November 2022 (17.5% y-o-y), while in March 2023 it eased slightly to 10.5%. Inflation was mainly driven by high international energy and food prices. Further inflationary pressure came from demand side factors such as the strong recovery in tourism, favourable developments on the labour market and the minimum wage hike by 80% at the beginning of 2022.

Financial sector

The banking sector remained well-capitalised, liquid and profitable in 2022. The capital adequacy ratio rose to 19.3% in late 2022 as compared to 18.5% in 2021. The ratio of non-performing loans declined 5.7% in Q4-2022 from 6.2% at end-2021.

Montenegro's banking sector continued to expand in early 2023. Bank loans increased by 11.7% y-o-y in February 2023 after growing by 10% y-o-y in January. The increase was driven by inter-bank lending, which expanded by 67% and nearly 100% y-o-y in February and January, respectively. Loans to the private sector grew by 12.8% y-o-y, while loans to the general government contracted by 1.1% y-o-y in February. Lending to privately owned companies decelerated to 7.4% y-o-y in February, after higher growth in the previous eleven months. Credit growth to households has remained roughly stable since December and

stood at 8.7% y-o-y in February.

Bank deposits increased by 21.9% y-o-y in February after rising by 23% y-o-y in January. By sectors, corporate deposits surged by some 48% y-o-y in the first two months of 2023. Household deposits growth decelerated to 15.4% y-o-y in February from 17.9% y-o-y a month earlier. Non-residents' deposits grew by 13.2% and 11.5% in January and February, respectively.

Fiscal developments

The 2022 budget deficit was contained at 5.2% of GDP, which is much higher than the deficit of 2021 (1.9% of GDP), but below the October budget revision's target of 8.3% of GDP. The better than expected outcome was driven by a combination of higher-than-projected revenue, mainly from VAT, and lower-than-expected spending, on the back of under-execution of investment and lower spending on wages as a result of delays in planned employment; as well as higher nominal GDP than previously projected. Heavily impacted by measures adopted in 2021 to abolish mandatory health contributions and introduce a non-taxable part of wages, general government revenues increased by only 3.3% y-o-y in nominal terms. They were supported by high inflation, a successful tourism season, high consumer spending and improved tax discipline, while the temporary reduction of excise taxes on fuel and the reduction of VAT rates on basic foodstuff and pellets for heating had the opposite effect. A further increase in government revenue was thanks to the implementation of the economic citizenship programme. Budget spending increased by 11% as compared to 2021. Current expenditure grew by 9.8% y-o-y, driven by an increase in social security transfers (17.8%) due to higher child allowances and pensions and the rise in transfers (29.3%), covering shortfalls in the Health Insurance Fund and the Pension and Disability Fund. Capital spending increased by 22%, but the execution rate stood at only 84.4% of the revised budget.

At end-2022, the public debt ratio decreased to 69.5% of GDP, down from 82.5% of GDP a year earlier. The marked reduction of the debt ratio was mainly due to nominal GDP growth. Government deposits accounted for 1.9% of GDP at the end of 2022, down from 9.4% of GDP one year earlier.

TABLE



European Commission, ECFIN-D-1

MONTENEGRO

		2018	2019	2020	2021	2022	ECFIN 2022 Autumn forecast		Q3 22	Q4 22	Q1 23	Jan 23	Feb 23	Mar 23
							2023	2024						
1 Real sector														
Industrial confidence ^{1.1}	Balance	5.6	3.6	-18.4	-4.0	6.6	:	:	6.4	5.7	4.4	4.8	4.7	3.6
Industrial production ^{1.2}	Ann. % ch	23.6	-6.1	-0.9	5.8	-1.8	:	:	-6.8	-2.7	:	-1.6	:	:
Gross domestic product ^{1.3}	Ann. % ch	5.1	4.1	-15.3	13.0	6.1	2.9	3.2	3.2	3.3	:	N.A.	N.A.	N.A.
Private consumption ^{1.4}	Ann. % ch	4.6	3.1	-4.6	4.0	9.7	1.4	3.6	9.8	4.7	:	N.A.	N.A.	N.A.
Gross fixed capital formation ^{1.5}	Ann. % ch	14.7	-1.7	-12.0	-12.3	-1.1	2.0	3.5	-8.1	3.6	:	N.A.	N.A.	N.A.
Construction index ^{1.6}	Ann. % ch	24.9	10.7	-5.6	-4.8	-4.4	:	:	-5.4	-8.1	:	N.A.	N.A.	N.A.
Retail sales ^{1.7}	Ann. % ch	3.5	5.2	-12.0	16.6	14.2	:	:	7.3	11.8	:	14.0	10.9	:
2 Labour market														
Unemployment ^{2.1}	%	15.5	15.4	18.4	16.9	15.1	17.4	15.9	13.4	14.9	:	N.A.	N.A.	N.A.
Employment ^{2.2}	Ann. % ch	3.2	2.6	-10.1	-2.4	17.2	1.1	1.6	11.1	10.0	:	N.A.	N.A.	N.A.
Wages ^{2.3}	Ann. % ch	0.1	0.8	1.3	1.4	11.2	:	:	11.4	11.8	:	5.6	9.5	:
3 External sector														
Exports of goods ^{3.1}	Ann. % ch	14.7	6.8	-12.2	28.6	45.2	:	:	20.5	25.7	:	35.2	8.0	:
Imports of goods ^{3.2}	Ann. % ch	10.9	1.8	-19.0	19.0	40.9	:	:	38.6	32.5	:	46.3	18.7	:
Trade in goods balance* ^{3.3}	% of GDP	-43.9	-41.7	-39.2	-38.7	-46.2	-40.3	-41.0	-44.8	-46.2	:	N.A.	N.A.	N.A.
Exports goods and services* ^{3.4}	% of GDP	42.9	43.8	26.0	42.8	52.7	:	:	50.5	52.7	:	N.A.	N.A.	N.A.
Imports goods and services* ^{3.5}	% of GDP	66.7	65.0	61.0	62.2	76.1	:	:	73.4	76.1	:	N.A.	N.A.	N.A.
Current account balance* ^{3.6}	% of GDP	-17.0	-14.3	-26.1	-9.2	-13.3	-9.3	-10.1	-12.4	-13.3	:	N.A.	N.A.	N.A.
Direct investment (FDI, net)* ^{3.7}	% of GDP	6.9	6.2	11.2	11.7	13.5	:	:	14.9	13.5	:	N.A.	N.A.	N.A.
International reserves ^{3.8}	mn EUR	1,050	1,367	1,739	1,749	1,915	:	:	1,923	1,915	:	1,852	1,724	N.A.
Int. reserves / months Imp ^{3.9}	Ratio	4.0	5.1	8.2	6.8	5.2	:	:	5.6	5.2	:	5.0	4.7	:
4 Monetary developments														
HICP ^{4.1}	Ann. % ch	2.9	0.5	-0.8	2.5	11.9	6.1	3.0	14.1	15.7	:	14.8	13.9	:
Producer prices ^{4.2}	Ann. % ch	1.7	2.4	0.0	1.3	11.2	:	:	14.3	13.0	:	:	:	:
Food prices ^{4.3}	Ann. % ch	0.6	3.4	1.3	3.4	22.0	:	:	25.3	28.3	:	:	:	:
M2 ^{4.4}	Ann. % ch	5.0	-3.8	-3.5	16.5	30.7	:	:	24.4	30.7	:	:	:	:
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 effective exchange rate ^{4.6}	Ann. % ch	2.7	-1.5	-0.6	:	:	:	:	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
5 Financial indicators														
Interest rate (6 months) ^{5.1}	% p.a.	0.47	0.52	0.87	:	3.70	:	:	:	3.70	:	:	:	:
Bond yield (10 yrs) ^{5.2}	% p.a.	N.A.	2.61	3.53	3.85	7.25	:	:	8.53	8.37	7.84	8.00	7.77	7.75
Stock markets ^{5.3}	Index	10,374	10,980	10,225	10,910	11,077	:	:	11,249	12,691	14,579	14,420	14,628	14,690
Credit growth ^{5.4}	Ann. % ch	10.6	4.0	5.0	6.6	6.1	:	:	4.2	6.8	:	10.0	11.7	:
Deposit growth ^{5.5}	Ann. % ch	12.0	1.8	-2.6	12.8	23.2	:	:	22.1	22.9	:	23.0	21.9	:
Non-performing loans ^{5.6}	% of total	6.7	4.7	5.5	6.2	5.7	:	:	5.9	5.7	:	:	:	:
6 Fiscal developments														
General government revenue** ^{6.1}	% of GDP	42.2	43.4	44.6	44.3	39.7	:	:	25.2	34.7	:	N.A.	N.A.	N.A.
General government expenditure** ^{6.1}	% of GDP	46.0	45.4	55.7	46.2	44.8	:	:	25.8	38.9	:	N.A.	N.A.	N.A.
General government balance** ^{6.1}	% of GDP	-3.9	-2.0	-11.1	-1.9	-5.2	-4.3	-3.2	-0.6	-4.3	:	N.A.	N.A.	N.A.
General government debt*** ^{6.4}	% of GDP	70.1	76.5	105.3	82.5	69.5	73.1	71.5	69.0	69.5	:	N.A.	N.A.	N.A.

f. ECFIN forecast Autumn 2022 published November 2022

* Q figures refer to a 4 quarters moving average.

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

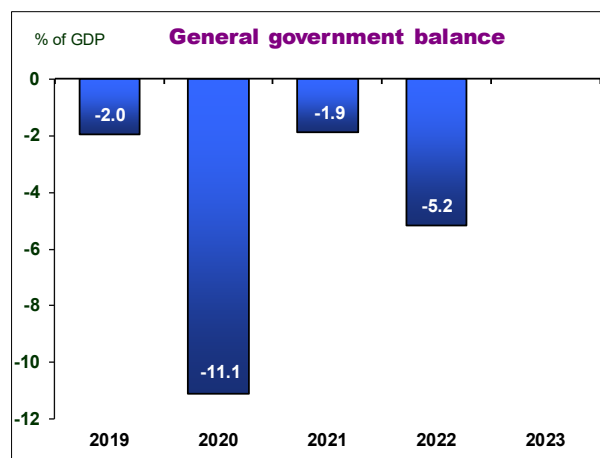
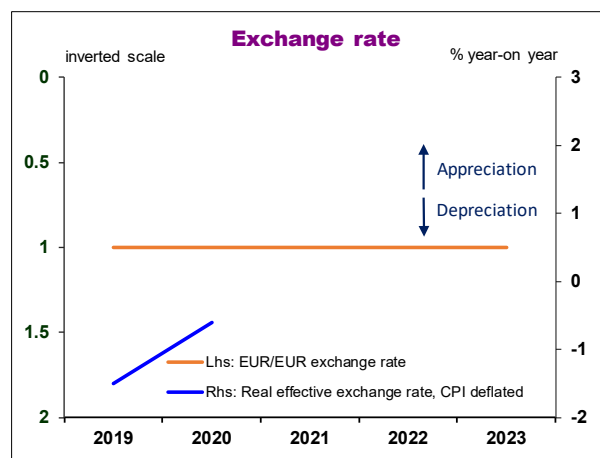
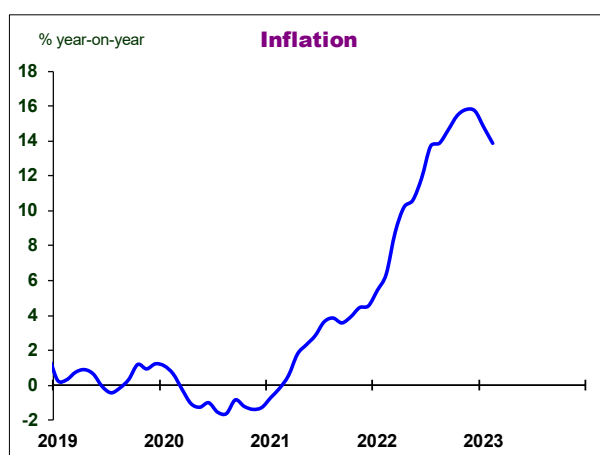
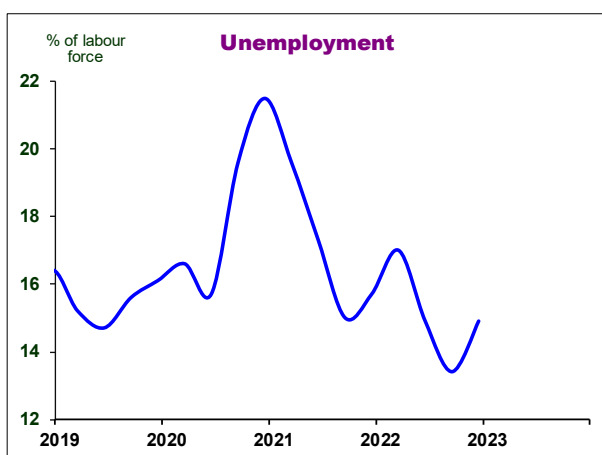
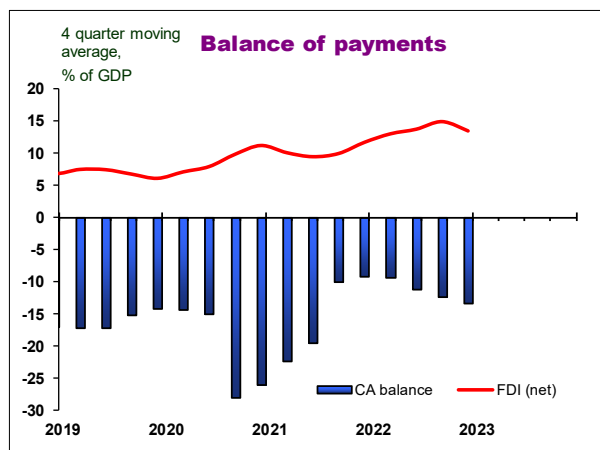
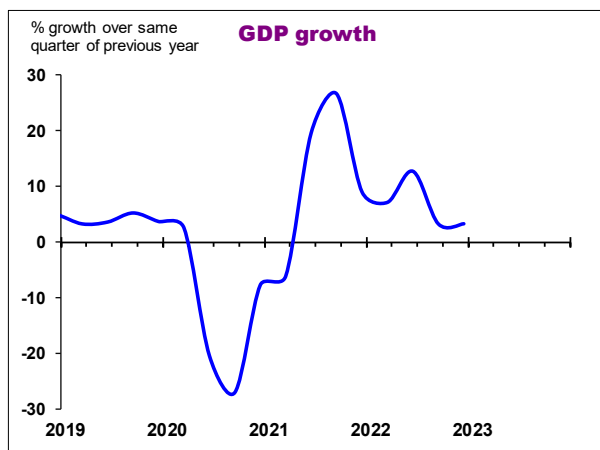
*** Q figures refer to central government debt only, in percent of estimated annual GDP.

CHARTS

European Commission, ECFIN-D-1



MONTENEGRO



NORTH MACEDONIA



Key developments

On 2 February, the government submitted its 2023-2025 Economic Reform Programme to the European Commission. It projects economic growth to average 4% in this period, driven by domestic demand. Inflationary pressures are expected to decline, and employment growth is forecast to accelerate further. The programme envisages the general government fiscal deficit to narrow to 2.9% of GDP in 2025, and the public debt ratio to remain above 60% until then.

On 30 January, rating agency Standard and Poor's confirmed its rating BB-/B with stable outlook for the country. Analysts underline the proactive policies of the government and the moderate public debt level, while pointing to continued risks to economic performance from the Russian war of aggression against Ukraine.

On 15 April, Fitch rating agency affirmed its 'BB+' long-term issuer default rating, and revised the outlook for North Macedonia from negative to stable, citing the economy's resilience to the pandemic and the energy crisis, and the government's credible and consistent policy mix as key rating drivers. Analysts expect this year's high external financing needs to be met in full and the general government deficit to narrow further in 2023 and 2024.

Real sector

In the fourth quarter of 2022, the annual increase in real GDP slowed to 0.6%, from 2% in Q3 and 4% in Q2. Household consumption growth decelerated (-2.4pps to 3% y-o-y), but it was the main driver of GDP growth. Investment dropped by 5.3% y-o-y (Q3: +9%), while public consumption fell by 2.8% (Q3: -4.7%). Export performance slowed down compared to the third quarter (-7.6pps to 10.2% y-o-y), and imports growth also decelerated markedly (6.5% after 19.4% in Q3). In sum, net exports made a negative contribution to GDP growth. For the full year 2022, GDP increased by an estimated 2.1% y-o-y, slowing from 3.9% in 2021. Both imports and exports of goods and services rose more strongly in 2022 than in 2021.

High frequency indicators for the first two months of 2023 point to a further deceleration in economic activity. The industrial production

index dropped by 0.5% y-o-y on average in January and February, with manufacturing output declining by 3.7%. Retail trade (except automotive fuel) stagnated in January, and dropped by an annual 3.7% in February, after falling by 3.1% on average in 2022.

Labour market

While fiscal support to employers was gradually withdrawn in the second half of 2022, the labour market proved resilient also in the fourth quarter. According to the Labour Force Survey, the employment rate for the 15-64 old rose by 0.2pps y-o-y to 56.7%, yet this reflected a drop in the labour force, as employment decreased by 0.4% in this period.¹ The unemployment rate (14.2%) was lower by 1.1 pps than one year earlier. For the full year 2022, the unemployment rate amounted to 14.4% on average, compared with 15.4% in 2021. The labour force decreased by 1.3% y-o-y, with the bulk accounted for by women (-2pps), while the drop was smaller for men (0.8pps). Overall labour market participation dropped to 66.4% (-0.4pps y-o-y). The unemployment rate for young people (age group 15-24) declined by 3.6pps y-o-y to 32.5% in 2022, yet again reflecting a fall in the labour force in this cohort (-3.9% y-o-y). Employment decreased by 1.5% y-o-y. Average gross nominal wages rose by 11.1% in 2022, with the annual increase accelerating to 13.5% on average in January and February. However, in real terms, wages declined by 2.9% y-o-y on average in the first two months. In March 2023, the minimum wage was raised by 12%.

External sector

In the last three months of 2022, the 4-quarter moving average current account deficit narrowed compared to the preceding quarter (-1pp to 6% of GDP). This came mainly on account of a slight improvement in the merchandise trade balance, reflecting lower energy import values due to a decline in commodity prices, but also to higher domestic

¹ From Q1-2022, the Labour Force Survey is based on the results of the 2021 population census, restricting comparability with pre-year data. In a first step, the Statistical Office has recently revised 2021 data based on census data.

electricity production and lower consumption. For the year 2022 as a whole, the current account deficit rose to 6% of GDP (2021: 3.1%), mainly on account of the steep rise in the merchandise trade deficit (+6.5pps y-o-y, to 26.8% of GDP), which was partly offset by a 1.5pps increase in the services surplus, an improvement of 0.2 pps in the primary balance deficit, and a rise in secondary income (+2pps to 19.4% of GDP). Net FDI inflows increased to 5.2% of GDP (+1.9pps y-o-y). Gross external debt was 13.4% higher at the end of 2022, amounting to 84.3% of estimated GDP (+3pps y-o-y). The increase was largely due to cross-border intercompany lending (+20.7% y-o-y), while general government external debt rose marginally in this period (+1.1pps). Foreign reserves were higher by 27% y-o-y in Q1-2023 and covered 4.3 months of prospective imports.

Monetary developments

Annual inflation slowed in Q1-2023 to 16.1%, from 19.4% in Q4-2022, mainly resulting from lower energy prices and in spite of a rise in the VAT rate on electricity from 1 January. The annual average CPI growth in 2022 amounted to 14.2%. Core inflation remains sticky, with significant spillover effects from recent high energy prices onto manufacturing and services sectors. Food price inflation abated somewhat in the first quarter (24.7% y-o-y), compared to Q4 (30.4%). Annual growth of broad money (M3) increased to 5.3% in Q4 (3.7% in Q3), and remained at a similar level in the first two months of 2023, on average (5.2%). On 8 February and on 15 March, the central bank raised the key policy rate further, by 25bps each time, to 5.5%, citing the continued need to contain inflation expectations. Between April 2022 and March 2023, the central bank raised the policy rate in ten consecutive steps.

Financial sector

Credit growth to the private sector accelerated in the fourth quarter, compared to the same period one year earlier (+2.2pps y-o-y to 9.7%), slowing somewhat in the first two months of 2023 (8.1% y-o-y on average). In the full year 2022, lending increased by 9.6%, which is a marked acceleration compared to one year earlier (5.8%). Interest rates continued to rise. Between November and February, the spread between denar loans and deposits remained

almost unchanged, at 3.7bps, while the spread between those in foreign currency rose by 6bps, possibly reflecting differentiated reserve requirements for loans in domestic and foreign currency. The ratio of non-performing to total loans (financial and non-financial sector) was below its level of one year earlier (-0.3pps to 2.8% in Q4), while banks at the same time increased their coverage of NPLs with loan loss provisions. The share of foreign-currency denominated loans in total loans was higher in Q4 than one year earlier (+3 pps y-o-y to 43.2%), in part reflecting companies' needs to settle higher than usual import bills. The funding of loans by deposits remained solid, with the loan-to-deposit ratio for non-financial clients in the fourth quarter 2022 up 3.7pps y-o-y to 85.5%. Capital adequacy in the banking sector strengthened further in the fourth quarter, with the ratio of regulatory capital to risk-weighted assets at 17.7% (+0.4 pps. y-o-y), and hence well above the required regulatory minimum. Banks' profitability remained solid, with the return on assets (ROAA) unchanged y-o-y at 1.5% in the fourth quarter, and the return on equity (ROAE) at 12.2% (-0.7bps). Liquidity coverage, after having dropped somewhat in H1-2023, recovered in H2-2023 and remains at over twice the regulatory minimum.

Fiscal developments

Driven by inflation, tax revenue increased strongly throughout 2022. In the fourth quarter, it was 6.6% higher than in the same period one year earlier, while current expenditure was lower by 7.6%. For the full year 2022, revenue increased by 11.3% y-o-y, driven by higher tax income (+13.1% y-o-y). The revenue ratio rose by 0.4pps y-o-y, to 30.6% of estimated GDP. Current expenditure increased by 6.9% y-o-y, on the back of higher social transfers and subsidies. Capital expenditure was higher by 22.3% y-o-y. The revised budget for capex was implemented at some 89%, which is above its level in 2021 (+10pps). The fiscal deficit turned out lower than projected, at 4.5% of GDP, down from 5.4% in 2021. Revenue growth remained strong also in the first quarter of 2023 (+15.9% y-o-y). General government debt at end-2022 stood at 50.9% of GDP (-1pp y-o-y), while the public debt ratio dropped by more (-3.9pps y-o-y), to 57.1%, reflecting a decrease in the debt of public sector enterprises.

TABLE



European Commission, ECFIN-D-1

NORTH MACEDONIA

		2018	2019	2020	2021	2022	ECFIN 2022 Autumn forecast		Q3 22	Q4 22	Q1 23	Jan 23	Feb 23	Mar 23
							2023	2024						
1 Real sector														
Industrial confidence ^{1.1}	Balance	0.6	-0.1	-16.6	-7.1	-3.8	:	:	-3.2	-2.4	-0.5	-1.6	-1.1	1.3
Industrial production ^{1.2}	Ann. % ch	5.4	4.1	-9.5	3.1	-1.0	:	:	-5.0	-3.4	:	-2.3	1.0	:
Gross domestic product ^{1.3}	Ann. % ch	2.8	3.9	-4.7	3.9	2.1	2.5	2.8	2.0	0.6	:	N.A.	N.A.	N.A.
Private consumption ^{1.4}	Ann. % ch	3.7	3.7	-4.6	8.1	3.1	2.4	2.2	5.4	3.0	:	N.A.	N.A.	N.A.
Gross capital formation ^{1.5}	Ann. % ch	1.7	9.5	-16.1	0.9	15.0	8.1	6.9	9.0	-5.3	:	N.A.	N.A.	N.A.
Construction ^{1.6}	Ann. % ch	-10.8	9.1	-8.0	9.1	12.4	:	:	15.5	8.5	:	N.A.	N.A.	N.A.
Retail sales ^{1.7}	Ann. % ch	8.1	11.3	-8.5	8.7	-3.1	:	:	-5.7	-4.6	:	0.1	-3.7	:
2 Labour market														
Unemployment ^{2.1}	%	21.0	17.5	16.6	15.8	14.5	14.7	14.6	14.4	14.2	:	N.A.	N.A.	N.A.
Employment ^{2.2}	Ann. % ch	2.0	5.4	-0.5	0.2	-13.2	0.9	0.7	-13.4	-13.6	:	N.A.	N.A.	N.A.
Wages ^{2.3}	Ann. % ch	5.8	5.1	8.3	5.7	11.1	8.4	4.0	12.0	14.1	:	13.6	13.4	:
3 External sector														
Exports of goods ^{3.1}	Ann. % ch	19.8	9.5	-9.9	24.5	22.4	:	:	21.4	25.2	:	:	:	:
Imports of goods ^{3.2}	Ann. % ch	12.9	10.2	-9.2	26.4	29.0	:	:	34.7	17.7	:	:	:	:
Trade in goods balance* ^{3.3}	% of GDP	-16.2	-17.3	-16.6	-20.3	-26.8	-23.1	-22.3	-27.8	-26.8	:	N.A.	N.A.	N.A.
Exports goods and services* ^{3.4}	% of GDP	60.2	61.9	57.7	66.2	74.9	:	:	74.1	74.9	:	N.A.	N.A.	N.A.
Imports goods and services* ^{3.5}	% of GDP	72.9	76.2	70.4	82.3	96.0	:	:	96.2	95.9	:	N.A.	N.A.	N.A.
Current account balance* ^{3.6}	% of GDP	0.2	-3.0	-2.9	-3.1	-6.0	-4.8	-3.6	-7.0	-6.0	:	N.A.	N.A.	N.A.
Direct investment (FDI, net)* ^{3.7}	% of GDP	5.6	3.2	1.4	3.3	5.2	:	:	5.0	5.2	:	N.A.	N.A.	N.A.
International reserves ^{3.8}	mn EUR	2,867	3,263	3,360	3,643	3,863	:	:	3,754	3,863	4,159	3,776	3,650	4,159.2
Int. reserves / months Imp ^{3.9}	Ratio	4.4	4.6	5.3	4.5	3.7	:	:	3.8	3.7	:	:	:	:
4 Monetary developments														
CPI ^{4.1}	Ann. % ch	1.5	0.8	1.2	3.2	14.1	7.9	4.0	17.2	19.4	16.1	17.1	16.7	14.7
Producer prices ^{4.2}	Ann. % ch	-0.4	-0.6	5.9	-2.5	8.1	:	:	8.7	13.3	:	14.4	11.7	:
Food prices ^{4.3}	Ann. % ch	0.8	1.6	2.4	3.1	20.7	:	:	25.8	29.4	24.0	25.1	25.3	21.7
Monetary aggregate M3 ^{4.4}	Ann. % ch	10.8	8.2	8.0	8.8	5.3	:	:	3.7	5.3	:	4.5	5.8	:
Exchange rate MKD/EUR ^{4.5}	Value	61.51	61.51	61.67	61.63	61.62	:	:	61.51	61.62	61.67	61.61	61.69	61.69
Real effective exchange rate ^{4.6}	Index	99.8	98.3	99.6	100.4	104.5	:	:	105.9	108.1	:	108.2	108.6	:
5 Financial indicators														
Interest rate (3 months-SKIBOR) ^{5.1}	% p.a.	1.54	1.46	1.38	1.33	1.79	:	:	1.85	2.60	3.45	3.24	3.40	3.71
Bond yield ^{5.2}	% p.a.	6.11	5.61	5.19	4.86	4.63	:	:	4.66	4.69	:	5.07	:	:
Stock markets ^{5.3}	Index	3,154	3,939	4,377	5,382	5,888	:	:	5,782	5,581	5,804	5,794	5,787	5,830
Credit Growth ^{5.4}	Ann. % ch	6.6	7.2	6.4	5.8	9.6	:	:	9.8	9.7	:	8.5	7.7	:
Deposit growth ^{5.5}	Ann. % ch	8.6	9.6	7.8	8.3	4.2	:	:	2.8	4.8	:	4.9	6.1	:
Non-performing loans ^{5.6}	% total	5.0	4.6	3.3	3.1	2.9	:	:	3.2	2.8	:	N.A.	N.A.	N.A.
6 Fiscal developments														
General government revenue** ^{6.1}	% of GDP	28.5	29.4	28.4	30.3	30.6	:	:	22.5	30.6	:	N.A.	N.A.	N.A.
General government expenditure** ^{6.1}	% of GDP	30.3	31.4	36.4	35.7	35.0	:	:	24.5	35.0	:	N.A.	N.A.	N.A.
Central government balance** ^{6.1}	% of GDP	-1.8	-2.0	-8.0	-5.4	-4.5	-4.4	-3.3	-2.0	-4.5	:	N.A.	N.A.	:
General government debt*** ^{6.2}	% of GDP	40.4	40.5	51.9	51.8	48.7	51.6	52.5	49.8	48.7	:	N.A.	N.A.	N.A.

f. ECFIN forecast Autumn 2022 published November 2022

* Q figures refer to a 4 quarters moving average.

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

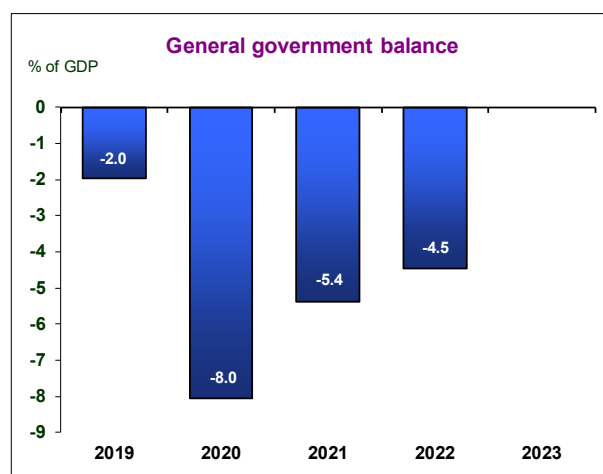
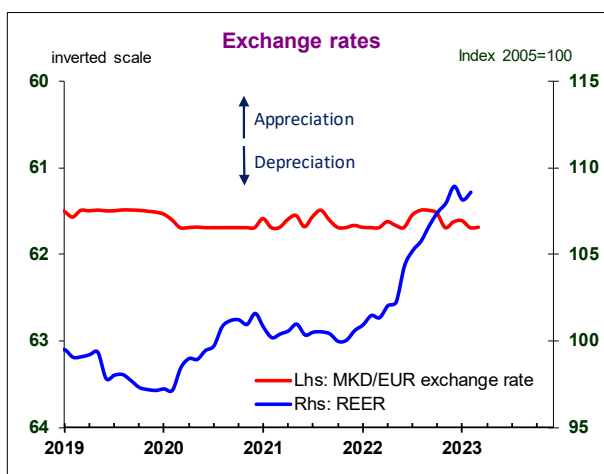
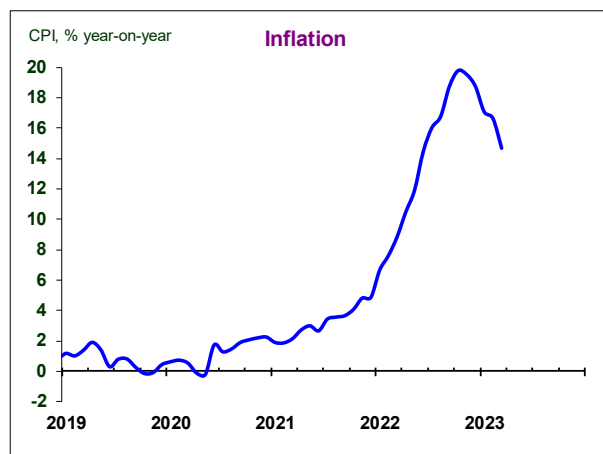
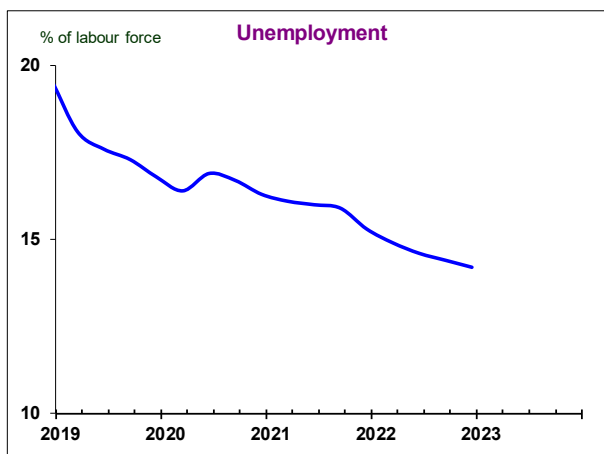
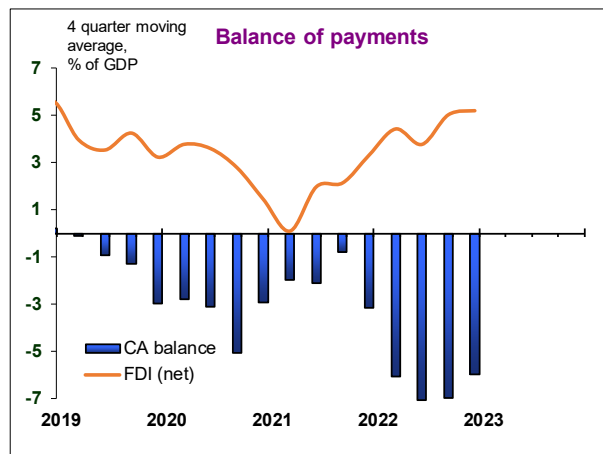
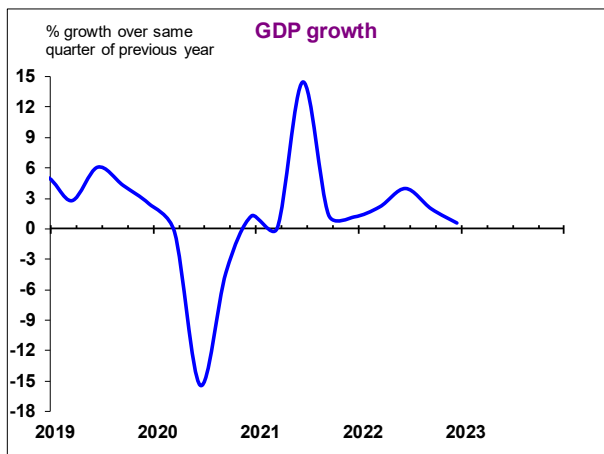
*** Q figures in percent of estimated annual GDP.

CHARTS

European Commission, ECFIN-D-1



North Macedonia



SERBIA



Key developments

On 31 January, Serbia submitted its 2023-2025 economic reform programme (ERP). The ERP projects GDP growth to accelerate to 2.5%, 3.5% and 4.0% in 2023, 2024 and 2025 respectively and the general government deficit to gradually decline from 3.3% to 1.4% of GDP in the same period. Annual inflation is forecast to gradually fall to 3% by 2025, from a projected 12.5% in 2023.

In early April, IMF staff concluded their mission for the first review under the Stand-By Arrangement and the 2023 Article IV consultations. According to staff level preliminary conclusions, the programme remains on track with all end-December 2022 quantitative targets met. Growth is expected to be at around 2% in 2023, impacted by weak trading partner growth and tight macroeconomic policies that the IMF staff considers necessary to rein in inflation.

Real sector

In Q4-2022, economic growth decelerated further to 0.4% y-o-y, down from 1.0% y-o-y in Q3. Growth continued to be particularly driven by private consumption (+1.5% y-o-y) but was dampened by y-o-y decreases in government consumption (-2.4%) and gross fixed capital formation (-2.7%). While the annual growth of exports very significantly exceeded the rise in imports (+12.9% and +6.6% respectively), the resulting high positive contribution of net exports to GDP growth was to a large extent offset by a similarly high negative contribution from lower inventories.

On the supply side, while construction, agriculture and public administration continued to record y-o-y contraction, industry activities picked up slightly (+1.2%) and many service sectors still recorded robust but mostly decelerating y-o-y growth rates. Thus, wholesale and retail trade, transportation and storage, accommodation and food service activities (+2.8%), information and communication (+7.7%), professional, scientific, technical, administrative and support activities (+7.2%) and arts, recreation and other services (+10.9%) accounted for the bulk of the overall annual increase in output in Q4-2022. Their relative

resilience was however to a large extent offset by the year-on-year declines in construction (-12.5%), agriculture (-7.8%) and public administration, education and health (-2.0%).

Some short-term indicators suggest that overall economic activity tended to broadly stabilise at a moderate pace of expansion in winter 2022-2023. Industrial production picked up somewhat, increasing by 1.8% y-o-y in December, 4.1% in January and by 1.9% y-o-y in February, particularly supported by the recovery of electricity production. Impacted by high inflation, real retail trade fell by 0.2% y-o-y in December and increased by 1.8% y-o-y in January before falling by 3.8% y-o-y in February.

Labour market

According to LFS data, in Q4-2022 the unemployment rate edged up by 0.3 pps q-o-q to 9.2% while the employment rate of the population aged 15 years and above decreased by 0.8 pps to 50.1%. This was mainly the result of a decrease in the number of employed persons by 1.8% q-o-q that was accompanied by a 1.6% q-o-q decrease in the active population and a 0.8% increase in the number of unemployed people. Employment decreased by 0.4% q-o-q in the formal sector (accounting for a fifth of the total employment loss) while informal employment fell by 10.4% q-o-q, mostly in agriculture.

According to administrative data, in Q4-2022 employment increased by 1.5% q-o-q and 2.6% y-o-y. Annual employment growth was positive in around 90% of the sectors and was particularly strong in information and communication (+18.3%), professional, scientific and technical activities (+8.1%) and administrative and support service activities (+4.9%), accounting for the bulk of employment gains, while only agriculture (-6.1%) and the energy sector (-2.8%) recorded employment losses. The number of registered unemployed decreased by 10.3% y-o-y in March 2023. The average nominal net wage rose by 16.7% y-o-y in January 2023 while the average real net wage grew by 0.8% y-o-y.

External sector

In 2022, the current account deficit widened by 82.7% y-o-y in euro terms, resulting in a strong increase as a share of GDP from 4.2% in 2021 to 6.9% in 2022. The higher current account deficit was due to a significantly larger merchandise trade deficit (+55.4% y-o-y, mostly driven by higher energy imports) and a higher primary income deficit (+46.4% y-o-y, reflecting mainly a rebound in dividend payments and reinvested earnings). They were only partially offset by a higher surplus in services trade (+65.6%) and in secondary income (+33.9% y-o-y), the latter reflecting chiefly a rebound in remittances. Net FDI inflows increased by 17.7% y-o-y in 2022, covering 104% of the current account deficit.

Merchandise trade dynamics in winter were marked by diverging trends on the exports and imports side with relatively robust y-o-y rises in the EUR value of exports (13.8% in December, 21.1% in January and 14.9% in February) accompanied by more subdued y-o-y rises in the EUR value of imports in December and January (11.6% and 12.5% respectively) that were followed by a 5.4% y-o-y decrease in February, reflecting in particular a strong decrease in energy imports. Over the first two months of 2023, the value of exports of goods grew by 17.9% y-o-y, while imports increased by 2.7%.

Monetary developments

Annual consumer price inflation continued to increase in Q1-23, by 0.7 pps., 0.3 pps. and 0.1 pp in January, February and March respectively, reaching 16.2% in March, thus largely exceeding the upper bound of the central bank's target tolerance band of 3% +/-1.5 pps. in 19 consecutive months. Inflation continued to be particularly driven by food (+27.0% in March) and electricity, gas and other fuels prices (+24.2% in March). However, core inflation (excluding energy, food, alcohol and tobacco) also picked up further from 10.1% in December 2022 to 11.3% in March 2023. The National Bank of Serbia (NBS) continued to gradually raise its key policy rate by 25 bps. each month in February, March and April, thereby bringing it to 6.0%. The NBS remained an active participant on the foreign exchange market by selling a net EUR 225 million in January and by buying EUR 390 million in February and EUR 300 million in March, resulting in net purchases of EUR 465 million in Q1-2023. Further boosted in January by the inflow from the two Eurobond issuances worth a total USD 1.75 billion, NBS foreign exchange reserves increased by 49.6% y-o-y to EUR 21.4

billion in March 2023, covering 5.6 months of imports of goods and services.

Financial sector

In February 2023, domestic claims of the banking sector increased by 9.6% y-o-y, up from 8.1% y-o-y in November due to a strong increase in claims on the NBS. The annual growth of credit to households recorded some further slowdown to 5.2% in February, from 6.8% in November. Annual credit growth to companies also decelerated further from 6.4% in November to 2.4% in February. The loan-to-deposit ratio stood at 81.1% at the end of February 2023. The ratio of non-performing loans decreased slightly to 3.0% in Q4-2022 (-0.2 pps. q-o-q). The capital adequacy ratio of the banking sector (regulatory capital to risk-weighted assets) increased by 0.7 pps to 20.2% in Q4-2022. As regards liquidity ratios, both the share of liquid assets to total assets (37.5%, +2.5 pps. q-o-q) and the share of liquid assets to short-term liabilities (48.7%, +3.3 pps. q-o-q) picked up further in Q4-2022.

Fiscal developments

The general government budget recorded a deficit of 3.1% of GDP in 2022, 0.7 pps. lower than projected in the November amending budget, mostly due to higher-than-expected revenue and lower current and capital expenditure, that were partially offset by higher net budget loans. In the period January-February 2023, total general government revenue increased by 14.2% y-o-y. It was particularly supported by grants (reflecting the inflow of the bulk of the EU budget support to mitigate the energy crisis). Revenue from social contributions (+11.5%), VAT (+12.3), personal income tax (+14.3%) and corporate income tax (+16.0%) also increased while excise duties remained broadly unchanged (-0.1%). Total general government expenditure growth (+3.8%) remained below the revenue increase and was particularly driven by capital transfer budget loans (+282.9%), capital expenditure (+30.8%) and purchases of goods and services (+12.6%) while other current expenditure and social transfers decreased by 49.3% and 4.6% respectively. As a result, in January-February 2023, the budget was practically balanced as compared to a deficit of 0.7% of GDP in the same period of 2022. In February, central government debt stood at 51.1% of the projected 2023 full-year GDP, down from 55.1% at end-2022, mainly as a result of high expected nominal GDP growth in 2023.

TABLE

European Commission, ECFIN-D-1



SERBIA

		2018	2019	2020	2021	2022	ECFIN 2022 Autumn forecast		Q3 22	Q4 22	Q1 23	Jan 23	Feb 23	Mar 23
							2023	2024						
1 Real sector														
Industrial confidence ^{1.1}	Balance	6.7	5.8	-1.0	2.9	0.5	:	:	0.8	-0.8	-1.9	-1.4	-3.1	-1.3
Industrial production ^{1.2}	Ann. % ch	1.5	0.2	0.4	6.1	1.6	:	:	-0.5	0.7	:	4.1	1.9	:
Gross domestic product ^{1.3}	Ann. % ch	4.5	4.3	-0.9	7.5	2.3	2.4	3.0	1.0	0.4	:	N.A.	N.A.	N.A.
Private consumption ^{1.4}	Ann. % ch	3.1	3.7	-1.9	7.8	3.7	2.9	3.1	3.1	1.5	:	N.A.	N.A.	N.A.
Gross fixed capital formation ^{1.5}	Ann. % ch	17.5	17.2	-1.9	15.9	-0.6	1.4	2.3	-1.9	-2.7	:	N.A.	N.A.	N.A.
Construction index ^{1.6}	Ann. % ch	9.6	32.3	-1.5	25.0	5	:	:	4.8	0.6	:	N.A.	N.A.	N.A.
Retail sales ^{1.7}	Ann. % ch	4.1	8.9	4.2	10.0	5.6	:	:	4.6	2.0	:	1.8	-3.8	:
2 Labour market														
Unemployment ^{2.1}	%	13.7	11.2	9.7	11.0	9.4	9.5	9.2	8.9	9.2	:	N.A.	N.A.	N.A.
Employment ^{2.2}	Ann. % ch	1.4	2.4	-0.2	2.6	2.3	0.3	0.5	0.6	-1.0	:	:	:	:
Wages ^{2.3}	Ann. % ch	4.3	10.5	9.4	9.4	13.8	:	:	14.8	13.4	:	16.7	:	:
3 External sector														
Exports of goods ^{3.1}	Ann. % ch	6.5	8.8	-3.7	26.9	25.4	:	:	23.0	19.2	:	22.9	16.8	:
Imports of goods ^{3.2}	Ann. % ch	11.2	9.9	-4.7	25.0	31.8	:	:	23.9	20.0	:	19.6	-0.7	:
Trade in goods balance ^{3.3}	% of GDP	-11.9	-12.2	-11.1	-11.3	-15.5	-14.0	-13.8	-15.7	-15.5	:	N.A.	N.A.	N.A.
Exports goods and services ^{3.4}	% of GDP	49.3	50.8	47.6	54.0	63.0	:	:	61.1	62.9	:	N.A.	N.A.	N.A.
Imports goods and services ^{3.5}	% of GDP	58.9	60.8	56.3	62.7	74.6	:	:	73.7	74.6	:	N.A.	N.A.	N.A.
Current account balance ^{3.6}	% of GDP	-4.8	-6.9	-4.1	-4.2	-6.9	-7.8	-6.5	-7.3	-6.9	:	N.A.	N.A.	N.A.
Direct investment (FDI, net) ^{3.7}	% of GDP	7.4	7.7	6.3	6.9	7.1	:	:	6.2	7.1	:	N.A.	N.A.	N.A.
International reserves ^{3.8}	mn EUR	11,262	13,378	13,492	16,455	19,416	:	:	16,502	19,416	:	20,913	21,196	:
Int. reserves / months imp ^{3.9}	Ratio	5.4	5.7	6.1	5.9	5.2	:	:	4.6	5.2	:	5.5	:	:
4 Monetary developments														
CPI ^{4.1}	Ann. % ch	2.0	1.8	1.6	4.1	12.0	10.6	5.6	13.3	15.1	16.0	15.8	16.1	16.2
Producer prices ^{4.2}	Ann. % ch	2.1	0.7	-1.8	9.1	16.4	:	:	17.9	14.8	8.5	10.6	9.4	5.5
Food prices ^{4.3}	Ann. % ch	1.9	2.6	2.6	4.5	18.7	:	:	20.2	22.9	24.6	23.7	24.6	25.4
M3 ^{4.4}	Ann. % ch	14.5	8.4	18.1	13.3	6.9	:	:	6.8	6.9	:	5.7	7.6	:
Exchange rate RSD/EUR ^{4.5}	Value	118.27	117.86	117.58	117.57	117.46	:	:	117.36	117.31	117.33	117.36	117.33	117.31
Real effective exchange rate ^{4.6}	Index	123.8	123.6	125.7	128.0	129.3	:	:	129.2	132.3	:	136.8	137.6	:
5 Financial indicators														
Interest rate (BELIBOR) ^{5.1}	% p.a.	2.96	2.52	1.19	0.89	2.47	:	:	2.83	4.23	5.25	5.07	5.27	5.42
Bond yield (10 year) ^{5.2}	% p.a.	5.17	:	:	2.50	6.76	:	:	6.80	6.78	:	:	:	:
Stock markets ^{5.3}	Index	1,562	1,584	1,544	1,639	1,720	:	:	1,703	1,746	1,772	1,756	1,763	1,796
Credit growth ^{5.4}	Ann. % ch	4.3	9.7	12.3	9.1	10.9	:	:	11.6	8.8	:	6.1	5.5	:
Deposit growth ^{5.5}	Ann. % ch	7.4	12.9	15.0	14.4	8.4	:	:	7.2	7.4	:	6.0	8.4	:
Non-performing loans ^{5.6}	% total	5.7	4.1	3.7	3.6	3.0	:	:	3.2	3.0	:	N.A.	N.A.	N.A.
6 Fiscal developments														
General government revenue** ^{6.1}	% of GDP	41.5	42.0	41.0	43.3	43.4	:	:	31.8	43.4	:	N.A.	N.A.	N.A.
General government expenditure** ^{6.1}	% of GDP	40.9	42.2	49.0	47.4	46.5	:	:	31.2	46.5	:	N.A.	N.A.	N.A.
General government balance** ^{6.1}	% of GDP	0.6	-0.2	-8.0	-4.1	-3.1	-3.4	-2.8	0.6	-3.1	:	:	:	:
General government debt*** ^{6.2}	% of GDP	53.7	52.0	57.0	56.5	55.2	52.4	51.3	53.6	55.2	:	50.2	51.1	:

f. ECFIN forecast Autumn 2022 published November 2022

* Q figures refer to a 4 quarters moving average.

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

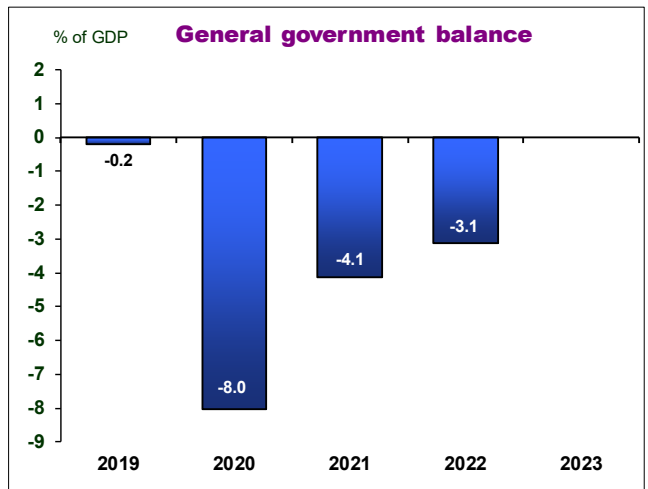
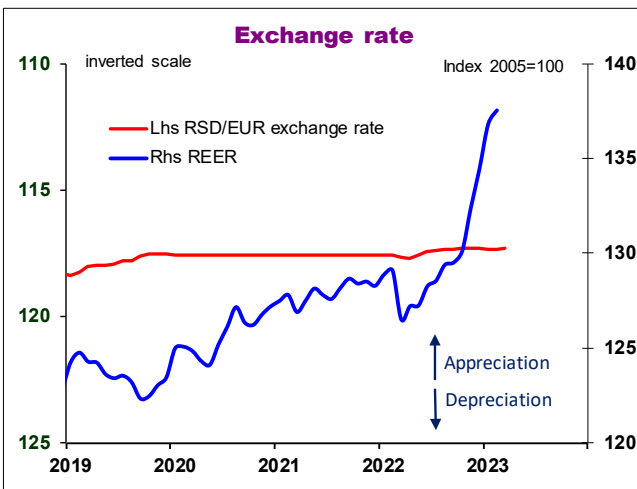
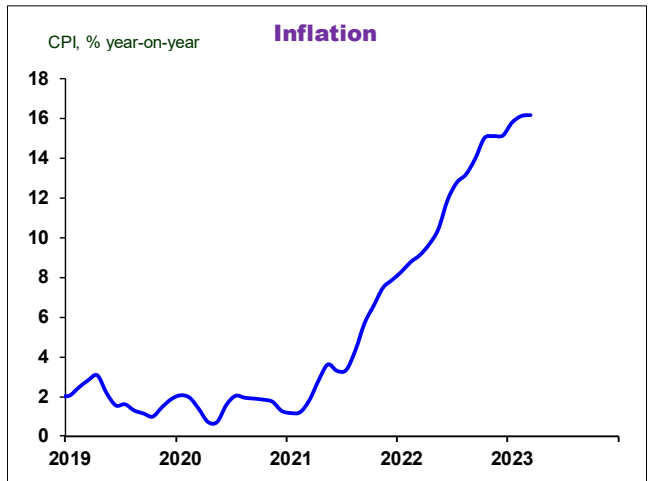
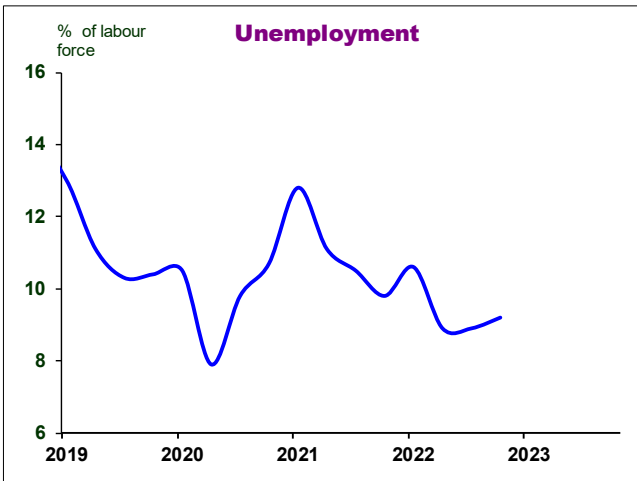
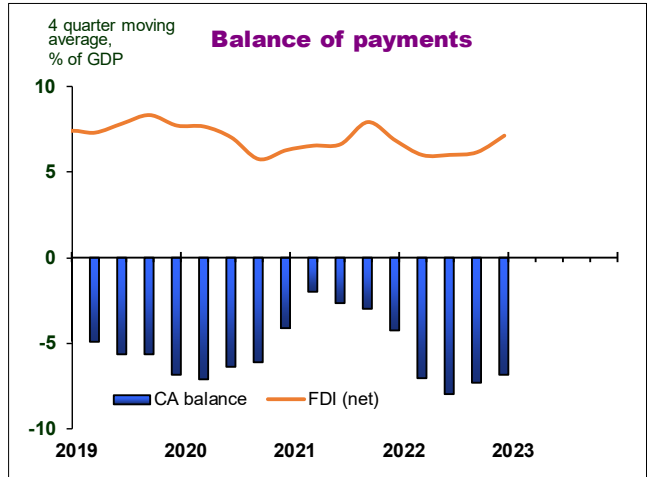
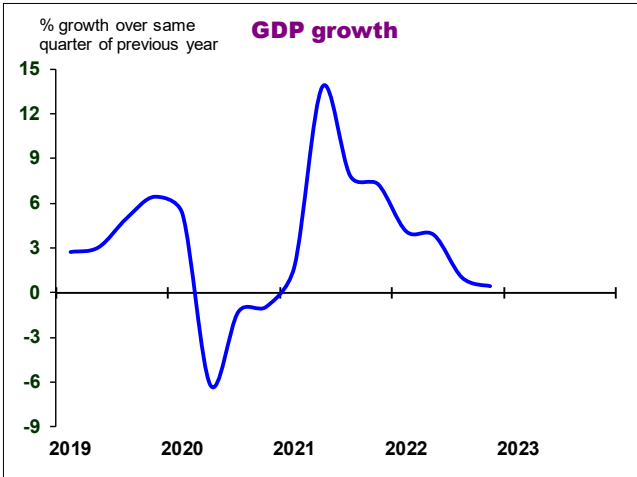
*** Q figures in percent of estimated annual GDP.

CHARTS

European Commission, ECFIN-D-1



SERBIA





Key developments

Two devastating earthquakes hit the country on 6 February, causing a tragic loss of lives and destruction of capital assets. Although the full impact of the earthquakes is yet to be assessed, a preliminary damage assessment, which covered 11 of the 17 provinces declared as earthquake-stricken zones (accounting for around 16.5% of Türkiye's overall population and around 10% of GDP), estimated the direct cost of the disaster at USD 103.6 billion.

Parliamentary and presidential elections have been scheduled on 14 May 2023. The incumbent president Erdoğan is facing the six-party opposition alliance candidate Mr Kılıçdaroğlu in a high-stakes election.

On 31 January, the government submitted to the European Commission its Economic Reform Programme (ERP) for 2023-2025, which projects real GDP growth of around 5% over the ERP period and annual inflation to fall steadily to 24.5% by the end of 2023. The ERP foresees an expenditure-driven consolidation which targets a primary surplus of 1.5% of GDP by 2025. Both the macroeconomic and the fiscal scenario were prepared before the February earthquakes and do not fully reflect all policy measures adopted by the authorities in early 2023.

Real sector

In Q4-2022, GDP growth decelerated to 3.5% y-o-y, down from 4.0% y-o-y in Q3, although the quarterly growth rebounded to 0.9% q-o-q (seasonally and calendar adjusted). Household consumption remained the main growth driver, growing by 16.1% y-o-y and contributing 8.9 pps to GDP growth in Q4. Government consumption increased as well (9% y-o-y), and overall investment recovered to 2.6% y-o-y after decreasing by 0.8% y-o-y in the previous quarter. The robust performance of domestic demand (excluding stocks), which contributed 10.8 pps to GDP growth, was partially offset by a negative contribution of net exports of 5.4 pps. Imports of goods increased by 10.2% y-o-y, while exports recorded a fall of 3.3% y-o-y in Q4 as demand from the EU slackened. Change in inventories also contributed negatively to

output growth (-1.9 pps). On the supply side, Q4 saw trends reversals in some sectors. Industry (-3% y-o-y) and manufacturing (-1.6% y-o-y) declined for the first time since Q2-2020. Agricultural activity also entered a downward trend (-0.3 y-o-y) after an annual increase in Q3-2022. In contrast, construction (2% y-o-y) increased after five consecutive quarters of negative growth. Services (8.6%), information and communication (5.2%), and professional administrative support (9.1%) expanded.

High frequency indicators have captured the first negative economic effects of the earthquakes already in February, with steep monthly falls in industrial production (-8.2% y-o-y and -9.6% m-o-m) and retail sales (-6.5% m-o-m). Economic confidence also declined, albeit more moderately, down to 98.8% in March. However, manufacturing PMI rose to 50.9 in March, from 50.1 in the previous 2 months, although capacity utilisation in manufacturing declined further to 74.2 in March. Real sector and services confidence indexes rebounded in March, while consumer confidence saw a sharp increase in April to a level not seen in nearly five years.

Labour market

After a slight improvement in January to 54.1%, the labour force participation rate (seasonally adjusted, 15 years and over) dropped in February (53.6%). The seasonally adjusted employment growth was positive (5.7% y-o-y and 1.8% q-o-q) driven by job creation in industry (4.1% y-o-y), construction (7.9%), and services (7.8%), while employment in agriculture dropped by 0.4% y-o-y. The seasonally adjusted unemployment rate increased from 9.8% in January to 10% in February, but it remained below the 10.2% recorded in Q4-2022. Labour market underutilisation (including unemployment, time-related underemployment, and the potential labour force) remained elevated at 23.4%, the highest level since the second quarter of 2021. The seasonally and calendar-adjusted hourly labour cost index in Q4 increased by 89.6% y-o-y (11.5% q-o-q), 11.5 pps above the rate of inflation.

External sector

The 12-month cumulative moving current account deficit increased from 5.4% of GDP in 2022 to 5.8% of GDP (USD 55 billion) in February 2023. The value of goods exports recorded a fall of 6.6% y-o-y in February – the first in more than two years – mostly driven by a decrease in manufacturing exports (-6.4% y-o-y), as effects from the earthquakes added to weak external demand. The growth of total imports remained elevated at 10.7% y-o-y, driven by the increase in imports of non-monetary gold, which represented around 14% of all imports, continuing a trend that started in early 2022. The trade surplus in services continued to grow, but it only partially offset the deficit in merchandise trade. FDI inflows remained marginal and unchanged, with net inflows of USD 8.3 billion (0.9% of GDP) in the 12 months to February. Reflecting the large current account deficit and limited financial inflows, including from net errors and omissions, the central bank's foreign exchange reserves (including gold) decreased from USD 128.7 billion in December to around USD 117.4 billion in February, still covering 3.6 months of imports.

Monetary developments

Annual consumer price inflation decelerated by 7 pps from January to March to 50.5%, partially driven by base effects. The m-o-m inflation fell from 6.6% in January to 2.3% in March due to a deceleration in food and energy prices, which have been falling since October 2022. Annual producer price inflation has also eased from 86.5% in January to 62.5% in March. Inflation expectations (12-month ahead inflation) edged up to 31.6% in March. After a cumulative 300 bps cut between September and December 2022, the central bank further reduced its one-week repo rate by 50 bps to 8.5% in late February in response to the earthquakes. The lira's exchange rate against the USD depreciated by 3.5% in the first four months of the year. Despite a slight increase in February, Türkiye's 5-year sovereign risk premium remained roughly stable between 500 and 560 in Q1-2023.

Financial sector

In January, the central bank announced further steps under the liraisation strategy. It set the reserve requirement ratio at 0% for TL deposit accounts with maturities longer than 3 months and for the increase in FX liabilities with maturities longer than 6 months, provided directly from abroad until the end of 2023. In

addition, the central bank will provide 2% conversion support to companies selling FX obtained from abroad and depositing funds (after selling at least 40% of their FX) in FX-protected conversion accounts.

After declining by around 6% y-o-y in December, real bank loans grew by 3.6% y-o-y in real terms in March. Real bank deposit growth accelerated from December (1.8% y-o-y) to March (9.5% y-o-y). The share of foreign currency deposits in total deposits decreased from 46% at the end of 2022 to 42.4% in February.

The return-on-equity ratio increased in 2022 (49.9%), compared to 15.5% in 2021, and the return on assets increased from 1.32% in 2021 to 3.7% in 2022. However, both bank profitability indicators were deeply negative in real terms due to high inflation. The banking sector's capital adequacy ratio decreased from 19.5% in December to 17.1% in February, remaining above the regulatory minimum. The ratio of non-performing loan to total loans declined further and fell in February (1.9%) to its lowest level in the last two decades. However, headline asset quality indicators remain blurred by extensive forbearance measures.

Fiscal developments

The 2022 central government budget deficit (TRY 139.1 billion or 0.9% of GDP) was significantly below the revised budget target (30% of the target) and the previous year's deficit (2.8% of GDP). Total revenue increased by 101% y-o-y (to 20.7% of GDP). Both direct (113% y-o-y) and indirect (96% y-o-y) tax revenue increased strongly, mostly boosted by high inflation and good corporate profits. Total expenditure increased by 83% y-o-y as a result of an increase in lending to SOEs and transfers to households to contain pressures from high energy prices. The good budget execution and high inflation helped to further reduce the government debt-to-GDP ratio from 34.7% in Q3 to 31.7% in Q4-2022. Net debt also declined from 18.3% of GDP in Q3 to 16.8% in Q4.

Influenced by the election cycle and earthquake-related emergency spending, total expenditure increased by 105% y-o-y in January-February 2023. In the first two months of the year, the cumulative central budget deficit stood at TRY 202.8 billion (around 0.8% of projected GDP). After an increase in January (64% y-o-y), public revenues recorded a fall of 19% y-o-y in February, mostly driven by a sharp decline of direct tax revenues (-66.3% y-o-y), affected by the disruptions caused by the earthquakes.

TABLE



TÜRKİYE

European Commission, ECFIN-D-1

		2018	2019	2020	2021	2022	ECFIN 2022 Autumn forecast		Q3 22	Q4 22	Q1 23	Jan 23	Feb 23	Mar 23
							2023	2024						
1 Real sector														
Industrial confidence ^{1.1}	Index	-1.5	-3.9	-4.1	5.6	-0.4	:	:	-3.3	-3.6	-1.4	-2.1	-2.2	0.1
Industrial production ^{1.2}	Ann. % ch	1.1	-0.6	2.2	16.5	6.2	:	:	3.3	0.4	:	7.1	-8.2	:
Gross domestic product ^{1.3}	Ann. % ch	3.0	0.9	1.8	11.4	5.6	3.5	3.0	4.0	3.5	:	N.A.	N.A.	N.A.
Private consumption ^{1.4}	Ann. % ch	0.5	1.5	3.2	15.3	19.7	3.5	2.7	20.4	16.1	:	N.A.	N.A.	N.A.
Gross fixed capital formation ^{1.5}	Ann. % ch	-0.2	-12.4	7.3	7.4	2.8	1.7	2.0	-0.8	2.6	:	N.A.	N.A.	N.A.
Construction index ^{1.6}	Ann. % ch	22.8	-7.1	5.6	39.0	104.7	:	:	105.2	116.7	:	116.6	136.5	:
Retail sales ^{1.7}	Ann. % ch	1.9	-0.5	3.3	15.5	10.2	:	:	7.8	14.7	:	33.9	21.8	:
2 Labour market														
Unemployment ^{2.1}	%	10.9	13.7	13.1	12.0	10.5	10.5	10.5	10.1	10.1	:	10.3	10.7	:
Employment ^{2.2}	Ann. % ch	2.2	-2.3	-4.8	7.9	6.7	2.6	1.8	5.2	5.8	:	6.4	5.0	:
Wages ^{2.3}	Ann. % ch	18.3	26.2	18.0	19.3	73.2	72.9	57.6	93.1	89.8	:	:	:	:
3 External sector														
Exports of goods ^{3.1}	Ann. % ch	7.7	2.1	-6.2	32.8	12.9	:	:	11.6	2.6	:	10.3	-6.4	:
Imports of goods ^{3.2}	Ann. % ch	-3.2	-9.0	4.4	23.6	34.0	:	:	39.9	18.3	:	20.7	10.1	:
Trade in goods balance* ^{3.3}	% of GDP	-5.2	-2.2	-5.3	-3.6	-10.0	-6.6	-5.8	-9.1	-10.0	:	N.A.	N.A.	N.A.
Exports goods and services* ^{3.4}	% of GDP	30.3	32.8	28.9	35.1	38.5	:	:	40.1	38.5	:	N.A.	N.A.	N.A.
Imports goods and services* ^{3.5}	% of GDP	31.6	30.0	32.1	34.8	43.0	:	:	43.5	43.0	:	N.A.	N.A.	N.A.
Current account balance* ^{3.6}	% of GDP	-2.6	1.4	-4.5	-0.9	-5.5	-3.3	-2.6	-4.6	-5.5	:	N.A.	N.A.	N.A.
Direct investment (FDI, net)* ^{3.7}	% of GDP	1.1	0.9	0.6	0.8	0.9	:	:	0.9	0.9	:	N.A.	N.A.	N.A.
International reserves ^{3.8}	bn EUR	93.0	105.7	93.6	111.2	128.7	:	:	107.0	128.7	:	125.3	117	:
Int. reserves / months Imp ^{3.9}	Ratio	4.5	5.6	4.9	4.7	4.0	:	:	3.5	4.0	:	3.9	3.6	:
4 Monetary developments														
CPI ^{4.1}	Ann. % ch	16.3	15.2	12.3	19.6	72.3	54.1	40.4	81.1	77.4	54.3	57.7	55.2	50.5
Producer prices ^{4.2}	Ann. % ch	27.0	17.6	12.2	43.9	128.5	:	:	146.7	127.7	74.5	86.5	76.6	62.5
Food prices ^{4.3}	Ann. % ch	18.0	19.5	13.8	24.3	85.6	:	:	92.6	92.3	69.3	71.0	69.3	67.9
M3 ^{4.4}	Ann. % ch	18.6	29.5	32.8	51.1	63.4	:	:	85.7	63.4	57.5	62.2	59.9	57.5
Exchange rate TRY/EUR ^{4.5}	Value	5.68	6.35	8.03	10.45	17.38	:	:	18.06	18.99	20.25	20.22	20.19	20.34
Real effective exchange rate ^{4.6}	Index	86.1	83.8	75.2	67.5	60.7	:	:	60.0	61.8	65.1	63.7	65.4	66.3
5 Financial indicators														
Interest rate (TLREF) ^{5.1}	% p.a.	19.85	20.53	10.85	17.88	13.16	:	:	13.64	10.69	9.03	9.12	9.08	8.89
Interest rate, long term ^{5.2}	% p.a.	16.39	16.01	12.81	17.69	17.69	:	:	15.01	9.31	7.35	7.07	7.08	7.90
Stock markets ^{5.3}	Index	1,019	993	1,133	1,510	2,979	:	:	2,907	4,505	5,086	5,250	4,868	5,141
Credit growth ^{5.4}	Ann. % ch	21.8	6.4	28.4	22.7	56.0	:	:	66.4	59.3	55.0	54.9	55.8	54.4
Deposit growth ^{5.5}	Ann. % ch	23.0	18.3	36.4	28.0	78.3	:	:	93.7	80.8	66.7	67.2	68.1	64.9
Non-performing loans ^{5.6}	% total	3.9	5.4	4.1	3.1	2.1	:	:	2.3	2.1	:	2.0	1.9	:
6 Fiscal developments														
General government revenue** ^{6.1}	% of GDP	29.8	29.8	29.6	28.0	:	:	:	17.3	:	:	N.A.	N.A.	N.A.
General government expenditure** ^{6.2}	% of GDP	32.5	32.9	32.5	30.3	:	:	:	18.0	:	:	N.A.	N.A.	N.A.
General government balance** ^{6.1}	% of GDP	-2.8	-3.2	-2.9	-2.3	:	-4.0	-3.5	-0.7	:	:	N.A.	N.A.	N.A.
General government debt*** ^{6.2}	% of GDP	30.1	32.6	39.7	41.8	31.7	38.3	37.2	34.7	31.7	:	N.A.	N.A.	N.A.

f: ECFIN forecast Autumn 2022 published November 2022

* Q figures refer to a 4 quarters moving average.

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

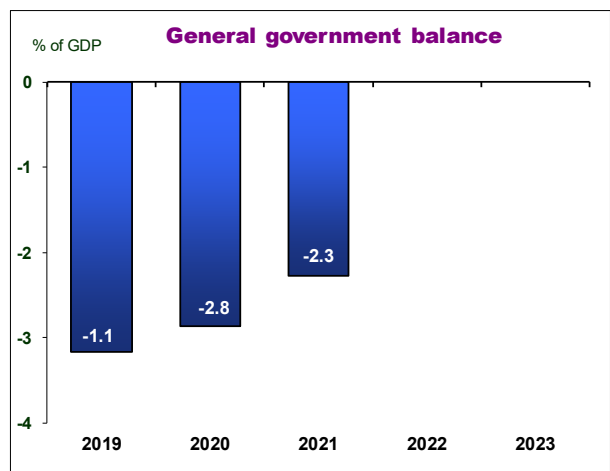
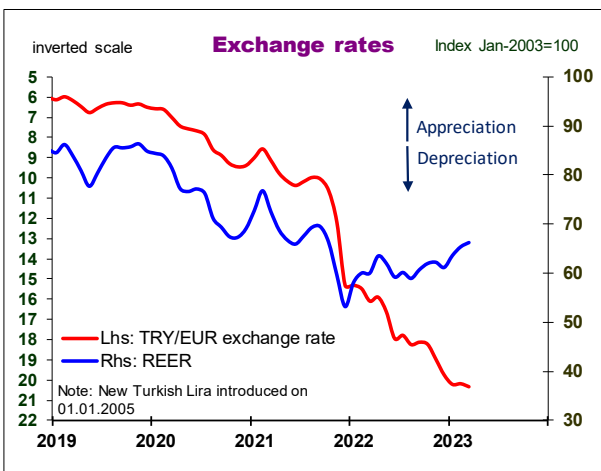
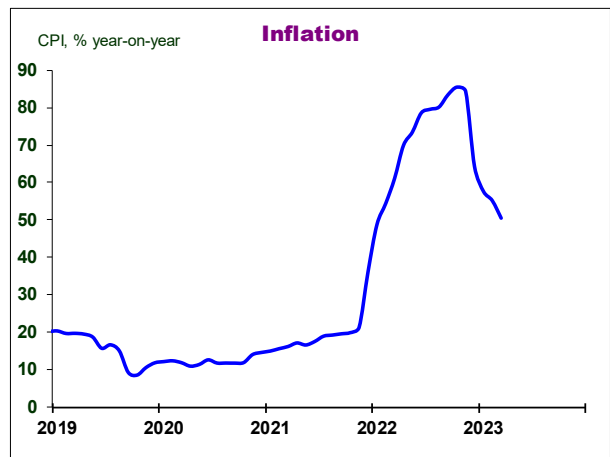
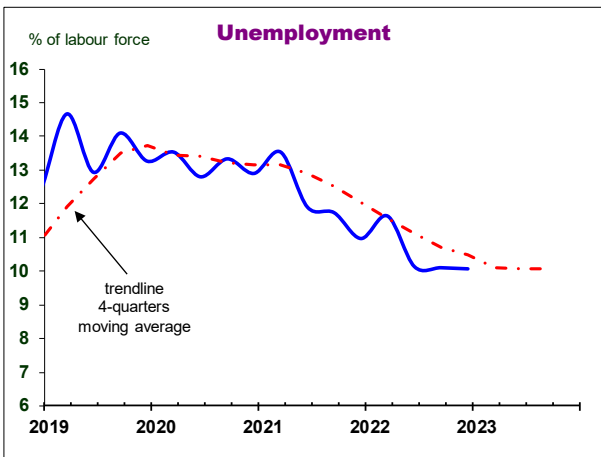
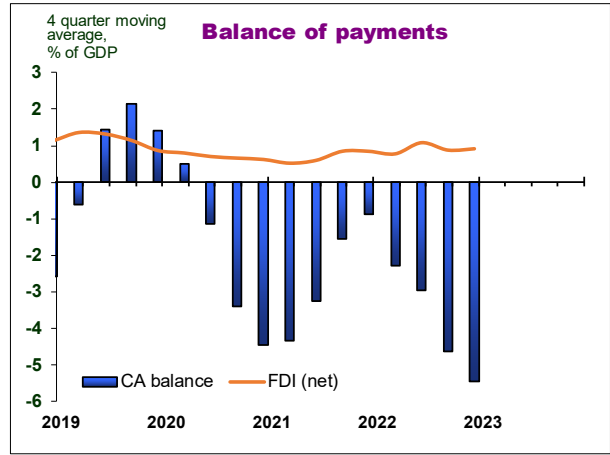
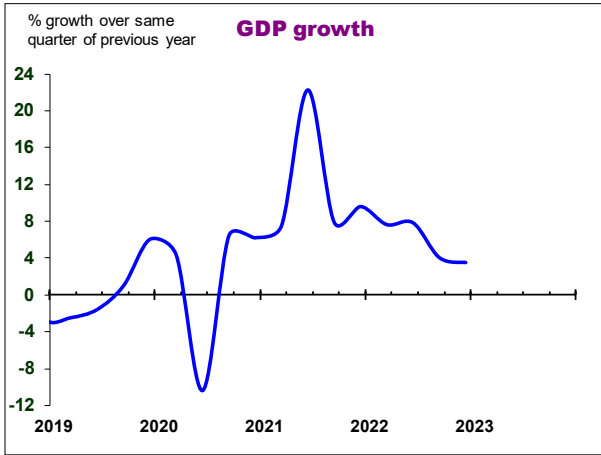
*** Q figures in percent of GDP on a four quarter moving basis.

CHARTS

European Commission, ECFIN-D-1



TÜRKIYE



BOSNIA AND HERZEGOVINA



Key developments

Bosnia and Herzegovina submitted its Economic Reform Programme (ERP) to the EU with a 7-week delay on 20 March. The ERP projects moderate output growth and significant budget surpluses in 2023 and 2024. Annual average inflation is forecast to decline from 13.1% in 2022 to 2.2% in 2025.

On 11 April, the IMF published its latest World Economic Outlook, maintaining its GDP growth forecast for Bosnia and Herzegovina at 2.0% y-o-y for 2023 and expecting growth to accelerate to 3% in 2024. Inflation is projected to slow down to 6% in 2023 and to 3% in 2024. The current account is forecast to widen to 4.3% of GDP in 2023 and to decline to 3.7% in 2024.

Real sector

Economic activity accelerated slightly in Q4-2022 on a seasonally-adjusted q-o-q basis (+1.2%). However, compared to a year before, economic growth slowed to 1.7% from 2.6% in the previous quarter. The main growth drivers were exports, gross investment (including inventories) and private consumption. Due to strong imports and decelerating exports, the growth contribution of net exports continued to be negative. This brings output growth for 2022 to 4%, compared to 7.1% a year before. On the production side, the main sources of growth in Q4 continued to be services, in particular trade, transport and tourism, IT and communication as well as manufacturing. While in Q3, industrial output was 0.6% lower than a year before, it dropped by 3.1% y-o-y in Q4.

High-frequency indicators point to a continued deceleration of economic activity in early 2023. Industrial production remained largely unchanged y-o-y in January but fell by 3% in February. However, the growth of retail sales turnover remained strong, increasing by 15.1% and 9.0% in January and February, respectively (after average growth of 13.9% in 2022).

Tourism continued to recover from the COVID-19 related decline. In 2022, the number of arrivals at accommodations and of overnight stays were 52.4% and 43.2% higher than a year before, respectively. Compared to 2019, the last pre-COVID-19 year, the number of arrivals during 2022 was still some 11% lower, while the

number of overnight stays was some 5% below its 2019 level. Before COVID-19, foreign tourists accounted for some 70% of total arrivals. After a sharp drop in the number of foreign tourists during the pandemic, this share has started to recover, reaching 62% in December 2022, compared to 52% a year before. Tourists from Serbia were the largest group, accounting for 14.5% of total foreign tourists, while tourists from Croatia and Slovenia were the second and third largest groups, accounting for 14.2% and 6.1%, respectively.

Labour market

The increase in registered employment decelerated to 0.5% y-o-y in Q4, compared to 2.1% in Q3, resulting mainly from an employment decline in November. In January and February 2023, y-o-y employment growth returned to 1.5%. Job-creation dynamics shifted from the trade sector to accommodation and food, as well as information and communication. In December, nearly 10,500 more employees were registered.

In the same month, the number of registered unemployed was some 21,500 (5.7%) lower than a year before. This brought the administrative unemployment rate down to 29.5%, compared to 31.0% the year before. However, the drop in the number of unemployed tends to be significantly larger than the number of new employment, leading to an actual decline in the labour force, i.e. persons who are actively participating in the labour market. Data from the Labour Force Survey (LFS) confirm the declining trend in the unemployment rate, which reached 14.3% in Q4, compared to 16.1% a year earlier. The LFS youth unemployment rate (age group 15-24) stood at 36.2% in Q4, compared to 34.9% a year before. The current level is comparable to youth-unemployment rates before the COVID-19 pandemic.

Growth in the average nominal gross wage accelerated further, from 13.4% y-o-y in Q3 to 14.4% in Q4. In view of decelerating inflationary pressures, real gross wage growth became positive again in January and February, reaching some 2%. In 2022, growth of the average gross wage was some 2.3 pps lower than headline inflation. Official wage statistics do not include micro enterprises, which represent a large share of employment.

External sector

The current account deficit increased to 4.5% of GDP in 2022, compared to 2.4% in 2021, largely reflecting decelerating export revenues and high spending on imports driven by higher commodity prices.

The nominal growth of external trade decelerated in Q4, with the value of goods exports being 9.3% higher than a year earlier, while the value of imports was still 20.1% higher. However, monthly data for January and February show a sharp slowdown in trade, with nominal export growth slowing down to 7.8% y-o-y in February, while nominal import growth slowed to 4%. The main export destinations were Croatia, Germany, Serbia, Austria and Italy, accounting for about two thirds of total exports.

Net FDI inflows rose in 2022 to 2.5% GDP, compared to 3.3% of GDP in 2021. A large part of those FDI inflows were reinvested earnings. Official foreign exchange reserves dropped to 6.9 months of imports of goods and services, largely reflecting higher nominal spending on imports.

Monetary developments

Inflationary pressures continued to ease, but only moderately, with year-on-year inflation decelerating from 16.9% in Q3 to 16.2% in Q4 and to 14.1% and 12.9% in January and February, respectively. For the whole year of 2022, average headline inflation was 14.0%, mainly as a result of higher prices for food and non-alcoholic beverages, accounting for one third of the consumer basket and contributing about half to headline inflation. Transport prices, accounting for nearly 13% of the basket, contributed about one fifth to the CPI increase. Core inflation data is not published, but when excluding food, energy, alcohol and tobacco from headline inflation, the adjusted rate was 4.8% in 2022, 5.1% in Q4 and 4.4% and 3.9% in January and February, respectively.

Growth of the monetary aggregate M2 slowed down to 5.5% y-o-y in Q4, after 6.7% in Q3, before accelerating again to 4.8% and 5.5% in January and February, respectively.

Financial sector

The financial sector remained stable. Annual credit growth remained at around 4.5% in Q4

and in January and February. The main driving factors were bank loans to households and to private companies, which account for 50% and 40% of total loans, respectively. Public sector loans account for some 7% of total loans.

Bank deposit growth decelerated slightly, from 5.5% in Q3 to 5.1% in Q4, resulting in an average growth of 5.9% in 2022. In the first two months of 2023, deposit growth remained in this range, at 4% in January and 5.8% in February. The main drivers were private corporations, accounting for some 20% of total deposits, and cantonal governments, accounting for some 5% of total deposits. The growth of household deposits, which account for about half of the total, was rather weak in Q4, but accelerated again in January and February. Due to the higher growth of deposits compared to loans, the loan-to-deposit ratio continued its downward trend, dropping to 75.4% in February, compared to 76.3% a year before.

The share of non-performing loans in total loans continued to decline, to 4.5% at the end of Q4, compared to 5.8% one year earlier. The ratio of non-performing loans covered by loan-loss provisions stood at 81.4% in Q4, compared to 79.6% in Q3, and 78.4% a year before. Banking sector profitability remained largely stable. The return-on-equity (ROE) ratio stood at 12.0% in Q4, compared 12.6% in Q3. The return on assets (ROA) remained at 1.6% in Q4. The banking system's overall capital-adequacy ratio increased again, reaching 19.6% in Q4, compared to 19.2% in Q3. This continues to be well above the regulatory minimum of 12%. However, there are sizeable differences among the country's 21 banks, with pockets of vulnerability remaining.

Fiscal developments

The country does not publish high-frequency country-wide fiscal data. However, during the first eleven months of 2022, revenue from centrally collected indirect taxes registered high nominal growth (+14.7% y-o-y), largely due to high inflation. This revenue category accounts for nearly half of total revenues. Preliminary entity-level expenditure data point to a strong increase in 2022 due to raises in public sector wages, pensions and social transfers. The public debt-to-GDP ratio stood at 34.5% at the end of December, compared to 34.0% at end-2021.

TABLE



European Commission, ECFIN-D-1

BOSNIA AND HERZEGOVINA

		2018	2019	2020	2021	2022	Q3 22	Q4 22	Q1 23	Jan 23	Feb 23	Mar 23
1 Real sector												
Industrial confidence ^{1.1}	Balance	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Industrial production ^{1.2}	Ann. % ch	1.6	-5.3	-6.3	9.7	1.0	-0.6	-3.1	:	0.1	-3.0	:
Gross domestic product ^{1.3}	Ann. % ch	4.6	2.3	-3.3	7.1	4.0	2.6	1.7	:	N.A.	N.A.	N.A.
Private consumption ^{1.4}	Ann. % ch	3.4	5.4	-1.9	4.0	7.5	5.2	3.2	:	N.A.	N.A.	N.A.
Gross fixed capital formation ^{1.5}	Ann. % ch	8.1	5.8	-4.2	4.8	:	:	:	:	N.A.	N.A.	N.A.
Construction index ^{1.6}	Ann. % ch	5.2	15.4	-18.6	12.0	8.1	-54.6	8.1	:	N.A.	N.A.	N.A.
Retail sales ^{1.7}	Ann. % ch	8.2	5.2	-6.8	18.5	13.9	10.1	12.6	:	15.1	9.0	:
2 Labour market												
Unemployment ^{2.1}	%	18.4	15.7	15.9	17.4	15.4	14.9	14.3	N.A.	N.A.	N.A.	N.A.
Employment ^{2.2}	Ann. % ch	6.2	2.5	-1.2	0.9	2.3	2.1	0.5	:	1.5	1.5	:
Wages ^{2.3}	Ann. % ch	3.1	4.3	4.0	4.4	11.7	13.4	14.4	:	:	:	:
3 External sector												
Exports of goods ^{3.1}	Ann. % ch	11.5	-2.3	-7.4	34.9	26.9	24.7	9.3	:	6.0	7.8	:
Imports of goods ^{3.2}	Ann. % ch	7.1	1.1	-13.5	26.7	31.9	30.5	20.1	:	7.7	4.0	:
Trade in goods balance* ^{3.3}	% of GDP	-22.5	-22.3	-18.0	-18.3	-22.1	-21.0	-22.1	:	N.A.	N.A.	N.A.
Exports goods and services* ^{3.4}	% of GDP	42.6	40.0	34.2	42.2	47.0	47.1	46.9	:	N.A.	N.A.	N.A.
Imports goods and services* ^{3.5}	% of GDP	57.3	54.5	47.9	53.9	61.2	60.5	61.0	:	N.A.	N.A.	N.A.
Current account balance* ^{3.6}	% of GDP	-3.3	-2.6	-3.2	-2.4	-4.5	-3.7	-4.5	:	N.A.	N.A.	N.A.
Direct investment (FDI, net)* ^{3.7}	% of GDP	2.9	2.1	1.8	2.3	2.5	1.3	2.5	:	N.A.	N.A.	N.A.
International reserves ^{3.8}	mn EUR	5,943	6,441	7,091	8,359	8,214	8,446	8,214	:	8,154	7,856	:
Int. reserves / months Imp ^{3.9}	Ratio	7.3	7.8	10.0	9.3	6.9	7.4	6.9	:	:	:	:
4 Monetary developments												
CPI ^{4.1}	Ann. % ch	1.4	0.6	-1.1	2.0	14.0	16.9	16.2	:	14.1	12.9	:
Producer prices ^{4.2}	Ann. % ch	3.2	0.4	-0.4	4.5	19.1	22.3	19.1	:	16.2	13.7	:
Food prices ^{4.3}	Ann. % ch	0.6	1.1	1.0	3.5	21.5	25.5	24.5	:	22.0	20.7	:
M2 ^{4.4}	Ann. % ch	9.4	8.9	7.3	11.6	5.5	6.7	5.5	:	4.8	5.5	:
Exchange rate BAM/EUR ^{4.5}	Value	1.96	1.96	1.96	1.96	1.96	1.96	1.96	:	1.96	1.96	:
Real effective exchange rate ^{4.6}	Index	96.4	95.2	94.7	94.4	97.6	97.6	98.4	:	98.3	:	:
5 Financial indicators												
Interest rate (3 months) ^{5.1}	% p.a.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Bond yield ^{5.2}	% p.a.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Stock markets ^{5.3}	Index	621	772	769	870	1009	1,032	1,081	1,051	1,058	1,044	1,052
Credit growth ^{5.4}	Ann. % ch	6.6	5.7	1.1	1.7	4.2	4.5	4.5	:	4.5	4.5	:
Deposit growth ^{5.5}	Ann. % ch	11.3	9.3	5.6	10.1	5.9	5.5	5.1	:	4.0	5.8	:
Non performing loans ^{5.6}	% total	8.8	7.4	6.1	5.8	4.5	4.9	4.5	:	N.A.	N.A.	N.A.
6 Fiscal developments												
General government revenue** ^{6.1}	% of GDP	43.0	42.0	41.6	41.1	:	:	:	:	N.A.	N.A.	N.A.
General government expenditure** ^{6.2}	% of GDP	40.8	40.1	46.8	41.3	:	:	:	:	N.A.	N.A.	N.A.
General government balance** ^{6.1}	% of GDP	2.2	1.9	-5.2	-0.3	:	:	:	:	N.A.	N.A.	N.A.
General government debt*** ^{6.2}	% of GDP	34.1	32.3	36.1	34.0	34.5	36.7	34.5	:	N.A.	N.A.	N.A.

* Q figures refer to a 4 quarters moving average.

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

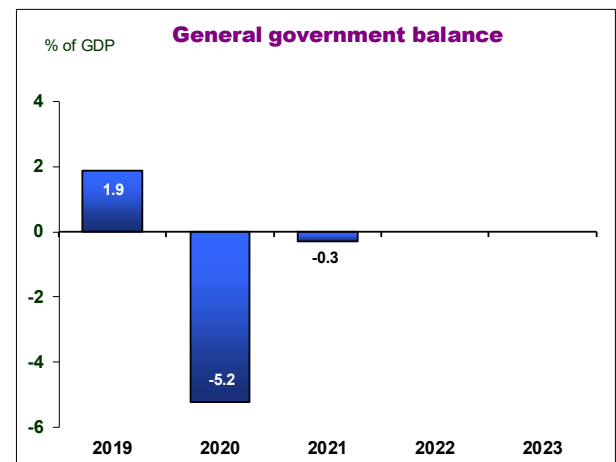
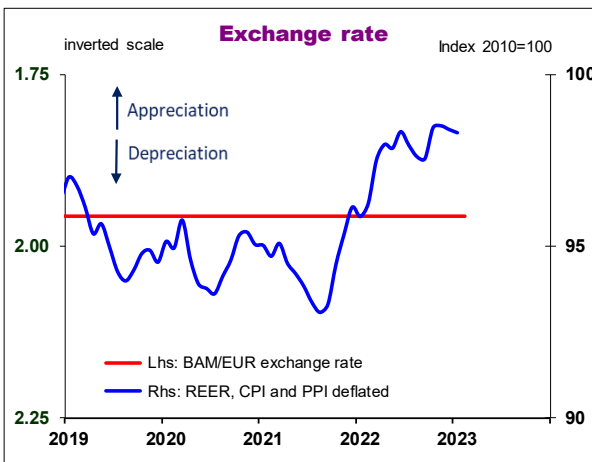
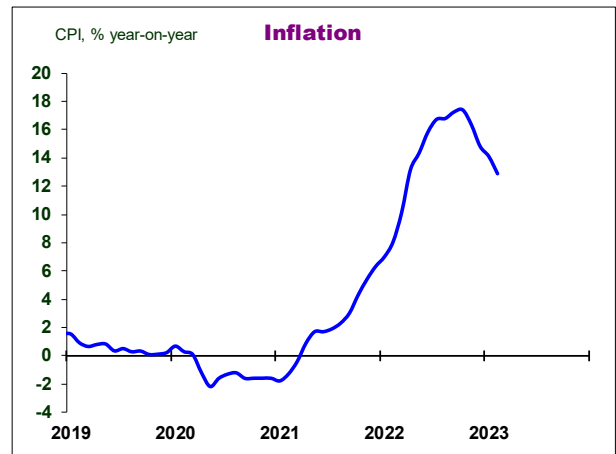
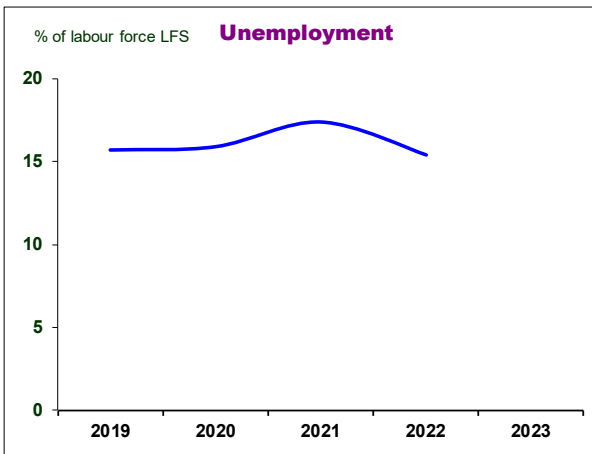
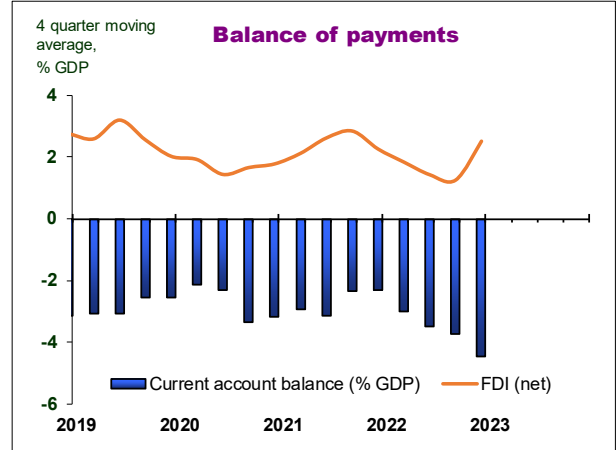
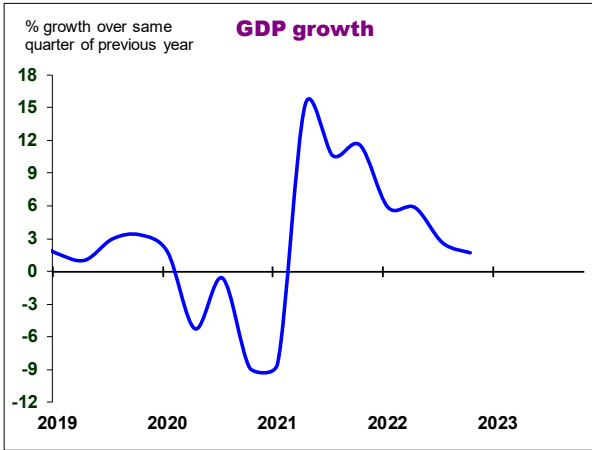
*** Q figures in percent of estimated annual GDP.

CHARTS



European Commission, ECFIN-D-1

BOSNIA AND HERZEGOVINA





Key developments

On 31 January, Kosovo submitted its Economic Reform Programme (ERP) to the Commission, covering 2023-2025. While acknowledging downside risks due to the economic fallout from Russia's war of aggression against Ukraine and the related energy crisis, the ERP's macroeconomic scenario projects an annual average GDP growth of 6.1% over the programme period, well above the historical trend, mainly driven by a robust rebound in public and private investment. The ERP expects a strong fiscal impulse in 2023 while ensuring compliance with the 2% of GDP deficit ceiling as per the fiscal rule definition in 2023-2025.

In April, Kosovo and the IMF reached staff-level agreement on a new support package worth up to EUR 180 million. As part of the agreement, EUR 80 million from the IMF's newly established Resilience and Sustainability Facility will be used for investments in renewable energy and energy efficiency. In addition, a 24-month precautionary Stand-By-Arrangement in the amount of EUR 100 million was agreed.

Real sector

Kosovo's economic rebound moderated significantly in 2022 due to the fallout from Russia's war against Ukraine on energy prices and inflation, as well as a decline in investments and remittances. Based on quarterly data for 2022, the provisional estimate of annual GDP growth is 3.5%, down from 10.7% in 2021. The key factors behind the economic slowdown were a decline in gross fixed capital formation (-6.5% y-o-y) and a deceleration in private consumption growth (4% y-o-y), the latter due to high inflation and the resulting fall in real disposable incomes as well as a moderate drop in net inflows of remittances as a share of GDP. Still, household consumption remained one of the main drivers of growth on the back of government support measures and higher bank lending whereas government consumption fell by 1.5% y-o-y. Net exports provided a positive contribution to growth (2.6 pps) owing to a strong increase in exports of goods and services (17.2% y-o-y) coupled with a sharp slowdown in real imports growth (4.9% y-o-y).

In the fourth quarter of 2022, real GDP grew by 3.6% y-o-y on the back of private consumption and exports, which increased by 1.2% and 9.5% y-o-y, respectively. Further support came from falling imports (-5% y-o-y), driven by the decline in imports of goods (-6.4% y-o-y). Public consumption and gross fixed capital formation subtracted from growth as they decreased by 0.5% and 9.3% y-o-y, respectively.

On the production side, the largest gains in output in 2022 took place in the manufacturing sector (8.7% y-o-y) and in wholesale and retail trade as well as in financial and insurance activities with an equal real growth rate of 7.6% y-o-y. Output in the construction sector shrank by almost 8% y-o-y while in public administration it contracted by 2.8% y-o-y.

Labour market

The results of the labour force survey continue to be published with large delays. In line with the continued rebound of economic activity, the employment rate increased to 32.2% in the first quarter of 2022 from 29.3% one year earlier and the unemployment rate (15-64 years) declined notably to 16.6% from 25.8%, while the labour force participation rate decreased to 38.6% from 39.5% in the same period. The gap between male and female employment rates (46.6% and 17.9%, respectively in Q1-2022) persisted. The share of young people (aged 15-24) not in employment, education or training (NEET) increased to 32.2%, in the first three months of 2022 from 29.8% in the same period a year before.

External sector

The current account deficit widened significantly to 10.5% of GDP in 2022 from 8.7% in 2021. A key factor was the strong energy-balance-driven rise in the merchandise trade deficit which outweighed the continued rebound of services exports, resulting in an increase in the overall trade deficit to 32.5% of GDP from 31.8% a year before. The primary income surplus decreased to 1% of GDP in 2022 from 1.9% in 2021 while remittances, affected by the economic slowdown in the EU, fell to 13.7% of GDP from 14.5% a year before. Further unofficial remittances are reflected in large errors and omissions (2.7% of GDP) in

2022. On the financing side, net FDI inflows grew strongly to 6.7% of GDP in 2022, covering 64% of the current account deficit. Official reserve assets expressed in months of imports covered continued to decline to 2.2 in 2022 from 2.5 a year before.

In the first two months of 2023, total goods exports expanded by 4.5% y-o-y, largely driven by the good performance of base metals and mineral products. In the same period, goods imports fell slightly by 1.1% y-o-y due to lower imports of mineral products, edible oils, and plastic and rubber articles while the overall merchandise trade deficit narrowed by 2.3% y-o-y.

Monetary developments

Consumer price inflation decelerated somewhat to 12.1% y-o-y in the last three months of 2022, bringing the annual average to 11.6%, markedly higher than the 3.3% rate registered in 2021. The main causes were rising food, energy and transport prices. Inflation slowed to 10.1% y-o-y in the first quarter of 2023, mainly due to decelerating food prices.

Import prices rose by 18.7% on average in 2022, mainly driven by higher prices for mineral products, edible oil as well as articles of stone, plaster, ceramic products and glass. For the same period, the construction cost index increased by 20.1% on average due to rising prices for transport, building materials and energy. Average annual producer price inflation accelerated to 9.3% in 2022 from 4.9% in 2021 largely on the back of higher prices for supply of electricity, gas, steam and air conditioning as well as food processing while the price of metal ore extraction fell by 16.1% y-o-y.

Financial sector

Bank loan growth accelerated to an average of 17.4% in 2022 from 11.2% in the previous year, largely on the back of businesses needing more credit to cover higher input costs. Deposits' average growth eased to 10.8% from 13.8% in 2021. In January-February, credit growth slowed to around 15% y-o-y on average whereas deposits grew at a faster pace of nearly 16%. The interest rate spread decreased slightly to 4.5 pps in February from 4.8 pps in January.

Financial soundness indicators remained satisfactory. At the end of 2022, the loan-to-deposit ratio and the non-performing loan (NPL) ratio stood at 78.3% and 2%, respectively. The NPL ratio remained unchanged in February, and existing NPLs were fully covered by loan loss

provisions (148.1%).

Bank profitability improved in nominal terms with the average return-on-equity ratio rising to 20.6% in 2022 from 17.6% in 2021. For the banking system as a whole, the ratio of liquid assets to short-term liabilities stood at 36.3% in February and the capital adequacy ratio was at 15.3%, both standing well above the regulatory minima of 25% and 12%, respectively.

Fiscal developments

On the back of high inflation and some formalisation gains, budgetary revenue increased by nearly 14% in 2022 with income from direct and indirect taxes growing by 21% and 12%, respectively. This outcome outpaced the revised 2022 budget's assumption of 10.4% annual revenue increase. Budget expenditure increased by 10.5% year-on-year. The largest increase took place in the category of transfers and subsidies (26.3% y-o-y), mainly driven by energy subsidies. The execution of overall current expenditure was roughly in line with the revised budget plan. Capital spending practically stagnated compared to 2021, and only reached around 60% of the revised budget allocation, affected by insufficient technical capacity and higher input prices, which have led to a surge in project costs.

According to preliminary figures on the budget outcome, as presented in the Economic Reform Programme, the headline fiscal deficit fell to 0.5% of GDP in 2022 from 1.2% in the previous year and significantly undershot the target of 5.4% set in the revised 2022 budget. According to the definition of the fiscal rule, which excludes investments financed by international financial institutions, the budget balance turned into a surplus of 0.2% of GDP from a deficit of 0.6% in 2021. The government's cash reserve decreased slightly to 3.5% of GDP from nearly 4% in 2021.

In January 2023, budget revenue and spending rose by 8.1% and 16.4% y-o-y, respectively.

At end-2022, the debt-to-GDP ratio decreased to 20.7% from 21.5% a year earlier. Domestic debt, which is held by a narrow investor base, rose marginally by 0.5% in 2022. The share of domestic debt held by the Kosovo Pension Saving Trust (KPST) increased to 49% compared to 44% in 2021, whereas the share of commercial banks decreased to 25% from 29%. The Central Bank of Kosovo holds a further 19% of domestic debt. Foreign debt grew by 11.2% in 2022 on the back of financing provided by international donors.

TABLE

European Commission, ECFIN-D-1



KOSOVO

		2018	2019	2020	2021	2022	Q3 22	Q4 22	Q1 23	Jan 23	Feb 23	Mar 23
1 Real sector												
Industrial confidence ^{1.1}	Balance	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Industrial production ^{1.2}	Ann. % ch	-0.7	2.6	-1.2	19.3	:	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Gross domestic product ^{1.3}	Ann. % ch	3.4	4.8	-5.3	10.7	3.5	3.3	3.6	:	N.A.	N.A.	N.A.
Private consumption ^{1.4}	Ann. % ch	4.4	5.6	2.5	7.3	4.0	3.8	1.2	:	N.A.	N.A.	N.A.
Gross fixed capital formation ^{1.5}	Ann. % ch	5.4	2.9	-7.6	13.0	-6.5	-1.7	-9.3	:	N.A.	N.A.	N.A.
Construction index ^{1.6}	Ann. % ch	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Retail sales ^{1.7}	Ann. % ch	17.4	25.6	-0.4	11.0	:	:	:	:	N.A.	N.A.	N.A.
2 Labour market												
Unemployment ^{2.1}	%	29.6	25.7	25.9	20.7	:	:	:	:	N.A.	N.A.	N.A.
Employment ^{2.2}	Ann. % ch	-3.4	5.2	-4.4	10.4	:	:	:	:	N.A.	N.A.	N.A.
Wages ^{2.3}	Ann. % ch	5.1	5.3	-2.3	3.9	:	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
3 External sector												
Exports of goods ^{3.1}	Ann. % ch	-2.8	4.4	23.8	57.8	22.8	21.2	11.5	:	-3.2	12.1	:
Imports of goods ^{3.2}	Ann. % ch	9.8	4.5	-5.7	41.1	21.2	18.8	12.5	:	4.6	-5.8	:
Trade in goods balance* ^{3.3}	% of GDP	-44.7	-44.1	-41.7	-49.0	-52.7	-52.9	-52.7	:	N.A.	N.A.	N.A.
Exports goods and services* ^{3.4}	% of GDP	29.1	29.3	21.7	33.4	38.3	38.2	38.3	:	N.A.	N.A.	N.A.
Imports goods and services* ^{3.5}	% of GDP	57.3	56.4	53.9	65.2	70.9	71.2	70.9	:	N.A.	N.A.	N.A.
Current account balance* ^{3.6}	% of GDP	-7.6	-5.7	-7.0	-8.7	-10.5	-10.2	-10.5	:	N.A.	N.A.	N.A.
Direct investment (FDI, inflow)* ^{3.7}	% of GDP	3.4	2.7	4.2	4.0	6.7	5.7	6.7	:	N.A.	N.A.	N.A.
International reserves ^{3.8}	mn EUR	933.9	937.1	969.1	1,060.9	1,146.8	1,490.6	1,146.8	:	1,217.1	1,294.5	:
Int. reserves / months imp ^{3.9}	Ratio	2.9	2.8	3.2	2.5	2.2	2.9	2.2	:	2.3	:	:
4 Monetary developments												
HICP ^{4.1}	Ann. % ch	1.1	2.7	0.2	3.3	11.6	13.3	12.1	10.1	11.9	10.9	7.6
Producer prices ^{4.2}	Ann. % ch	1.4	0.9	-0.6	4.9	9.3	17.2	0.6	:	N.A.	N.A.	N.A.
Food prices ^{4.3}	Ann. % ch	2.8	8.3	10.1	12.7	31.2	19.5	18.7	16.1	17.8	17.1	13.3
Broad money liabilities ^{4.4}	Ann. % ch	7.9	12.0	15.3	12.1	11.3	13.1	11.3	:	12.5	15.6	:
Exchange rate EUR/EUR ^{4.5}	Value	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Real effective exchange rate (CPI) ^{4.6}	Index	104.7	107.1	107.3	109.8	115.7	116.6	116.9	:	118.5	118.7	:
5 Financial indicators												
Short-Term interest rate ^{5.1}	% p.a.	0.47	0.54	N.A.	0.61	N.A.	N.A.	N.A.	:	:	:	:
Bond yield ^{5.2}	% p.a.	4.28	3.39	3.59	3.48	3.42	N.A.	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	11.1	10.7	7.7	11.2	17.4	18.3	16.8	:	15.3	15.1	:
Deposit growth ^{5.5}	Ann. % ch	6.5	12.6	12.2	13.8	10.8	11.7	13.7	:	14.9	16.9	:
Non-performing loans ^{5.6}	% total	2.6	1.9	2.5	2.1	2.0	2.0	2.0	:	2.0	2.0	:
6 Fiscal developments												
General government revenue** ^{6.1}	% of GDP	26.3	26.8	25.4	27.7	27.8	21.1	29.3	:	N.A.	N.A.	N.A.
General government expenditure** ^{6.1}	% of GDP	29.2	29.7	33.0	28.9	28.4	18.5	29.3	:	N.A.	N.A.	N.A.
General government balance** ^{6.1}	% of GDP	-2.9	-2.9	-7.6	-1.2	-0.5	2.6	0.0	:	N.A.	N.A.	:
General government debt*** ^{6.2}	% of GDP	17.0	17.6	22.4	21.5	20.7	20.5	20.7	:	N.A.	N.A.	N.A.

* Q figures refer to a 4 quarters moving average.

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

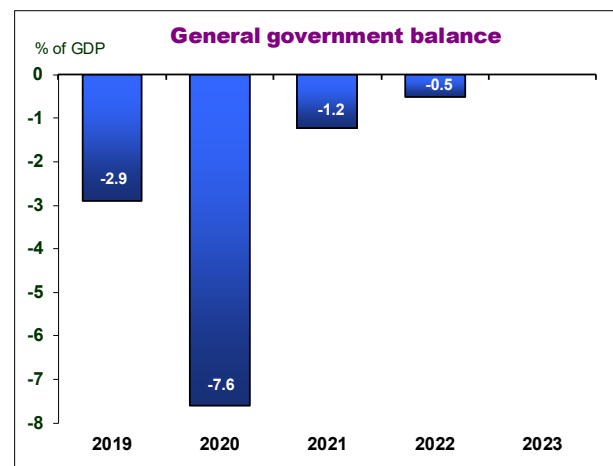
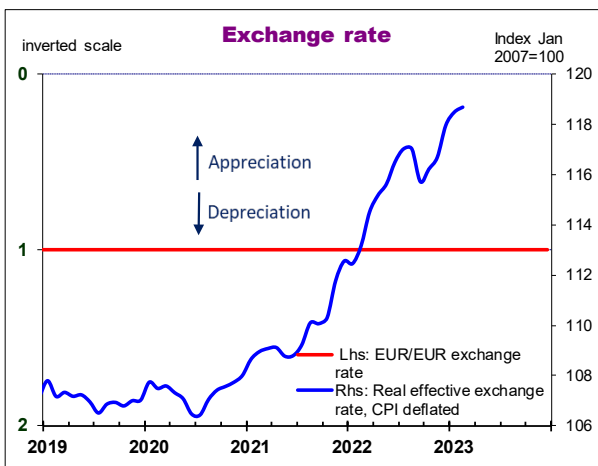
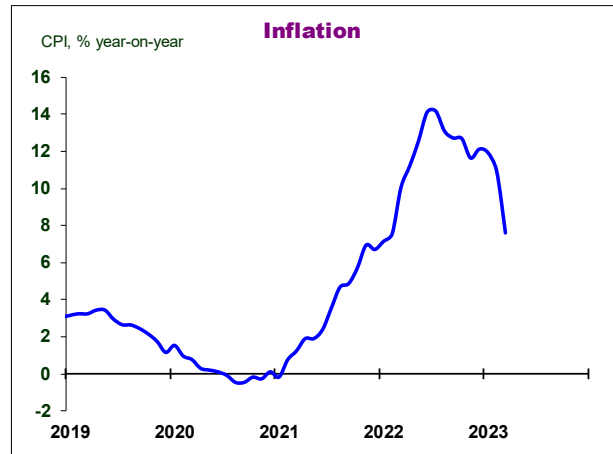
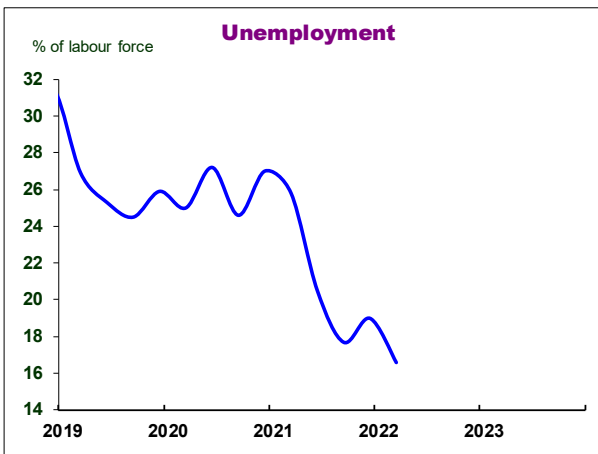
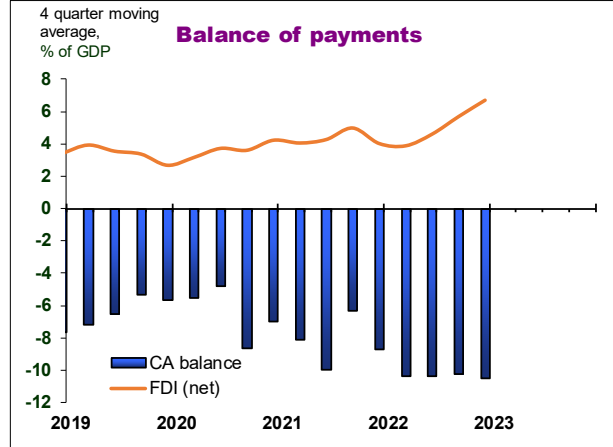
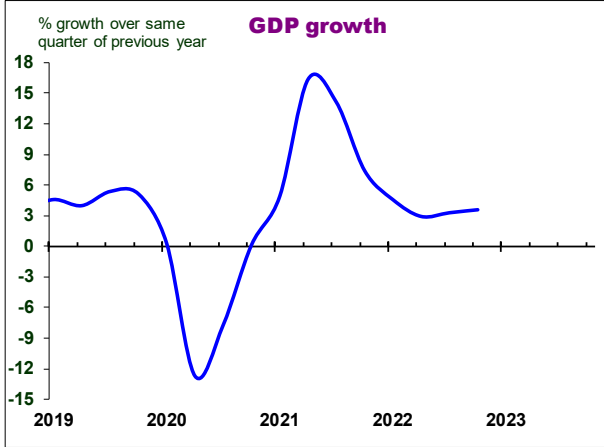
*** Q figures in percent of estimated annual GDP from the Budget Law.

CHARTS

European Commission, ECFIN-D-1



KOSOVO





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

² Data extracted via IHS Markit.



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

NORTH MACEDONIA Explanatory notes



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



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



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



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



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

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