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European Commission

Directorate-General for Economic and Financial Affairs

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

3rd Quarter 2015

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

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

OVERVIEW

The economic recovery in the Western Balkans continued during the second quarter and gained further pace in some countries of the region. The good growth performance rests on stronger domestic demand, largely driven by increases in investment spending. At the same time, private and public consumption remain generally subdued, reflecting, among others, persistent labour market weaknesses and fiscal consolidation needs. Benign external factors, such as lower oil prices and stronger foreign demand, supported the recovery. But the region's export performance remained still generally modest, despite the recovery in main EU trading partners. To turn exports into a consistent source of growth, the region needs to accelerate the structural reform agenda directed at increasing productivity and attracting green field investments. Yet, for the region as a whole it now appears that economic growth will be significantly stronger in 2015 compared to the year before.

Annual economic growth accelerated in the second quarter in *Bosnia and Herzegovina* (from 2.3% to 4.4%) and in *Montenegro* (from 3.2% to 3.4%). In *Albania* and the *former Yugoslav Republic of Macedonia*, annual growth somewhat slowed, to 2.5% and 2.6%, respectively, but both countries still exhibit a robust performance, backed by a surge in investment and stronger contribution from net exports. *Serbia* recorded, for the first time after five consecutive quarters of falling output, a small positive real GDP growth of 1%. Leading indicators for the region, such as the annual growth of industrial production and retail sales, exhibit some volatility, but generally point to a continuation of a relatively good performance during the third quarter of 2015.

In *Turkey*, annual real GDP growth accelerated to 3.8% in the second quarter, up from 2.5% in the previous three months. The economy experienced a further shift towards domestic-demand driven growth, as consumer spending growth accelerated to 5.6% y-o-y while at the same there was also a remarkable pick-up in private capital spending (+11.4%) after five consecutive quarters with little or no growth in investment activity. In the third quarter, economic confidence indicators fell sharply against the background of the worsening political situation and financial market turbulence.

A difficult labour market situation continued to be a key policy challenge in the **Western Balkans**. Low activity and employment rates

and stubbornly high unemployment, especially among the young, point to deep-seated structural weaknesses. At the same time, labour market conditions have slightly improved, as reported in most recent labour force surveys. Notably, annual employment growth accelerated in all countries except *Albania* during the second quarter. Total employment grew by 1.8% y-o-y in the *former Yugoslav Republic of Macedonia*, by 2% in *Bosnia and Herzegovina* and by 3.4% in *Montenegro*. In *Albania*, employment growth slowed from 11% in the first quarter to a still robust 4.2%. Also *Serbia* reported net job creation, in particular in the private sector. The unemployment rates dropped in all Western Balkan countries in the second quarter, compared to the same period of the previous year, by around one percentage point on average across the region. Interestingly, the *Serbian* economy registered the strongest reduction in the unemployment rate (by 2.4 ppt y-o-y) despite the ongoing recession during most of the period. Also the *former Yugoslav Republic of Macedonia* registered an above-average fall in the unemployment rate (by 1.4 ppt.).

In *Turkey*, the number of employed persons increased by 1.9% y-o-y for the 15-64 age group, but the unemployment rate continued to rise 0.6 percentage points year-on-year to 9.7% for this age group on the back of a 2.5% rise in the labour force.

Significant external imbalances remain a key challenge in most **Western Balkan** countries, reflected in large merchandise trade deficits.

They range from around 13% of GDP in *Serbia*, above 20% in *Albania* and the *former Yugoslav Republic of Macedonia* to around 40% of GDP for *Montenegro*. External developments in the region during the second quarter of 2015 point to a rather heterogeneous picture. Annualised current account deficits narrowed markedly in some countries of the region, such as in *Albania* and *Serbia*. Both countries benefited from a higher services surplus as well as a stronger inflow of remittances. Contrary to this, the current account gap widened in *Montenegro*, mainly due to a strong increase in investment-related imports. The former Yugoslav Republic of Macedonia is the only country in the region with a (low) current account surplus. Current account deficits still remained predominantly covered by capital inflows in the form of foreign direct investment (FDI). However, a high share of FDI takes place in non-tradable sectors (such as in construction, retail, real estate and financial services), which is not conducive to strengthening export capacity and alleviate potential balance of payment problems in the future.

In *Turkey*, the 12-month cumulative current account deficit has been relatively stable in recent months, standing at USD 45.0 billion in July. As a percentage of GDP, however, the current account deficit has edged upwards to 6.0% from 5.8% in 2014 due to lira depreciation. The share of the current account deficit financed with net foreign direct investment has increased, but remained still modest at 15.2% for the 12 months to July 2015.

Low inflation remains a key characteristic of the *Western Balkan* economies, but price dynamics differ from country to country. *Bosnia and Herzegovina* and *Kosovo* continued to experience downward pressure on prices during the second and third quarter, largely driven by lower prices for transport and textiles (*Bosnia and Herzegovina*) and for education and transport (*Kosovo*). The *former Yugoslav Republic of Macedonia* switched from a low annual inflation in the second quarter (0.3%) back to an average fall in consumer prices by 0.2% in the third quarter, despite higher energy prices. Annual consumer price inflation remained positive in

Montenegro (2.1% in September), *Serbia* (2.1%) and *Albania* (1.8%). For the latter two countries, inflation stayed below their central bank's respective targets, allowing a continuation of an accommodative monetary policy stance. Namely, the *Serbian* central bank reduced its key interest rate from 6% in June to 5% in September. The *Bank of Albania* kept monetary policy stimulating, maintaining its policy rate at a historic low of 2% since January and continuing to inject liquidity into money markets.

In *Turkey*, inflationary pressures strengthened in the third quarter and lifted the year-on-year increase of the CPI from 7.2% in June to 7.9% in September. Food prices re-accelerated and were up by 10.7% year-on-year in September despite improved agricultural production. Inflation was also pushed higher by foreign-exchange pass-through following the recent lira depreciation.

Financial sector developments and in particular bank lending activities continued to be rather heterogeneous across the *Western Balkan* region. As a common trend, annual credit growth remained generally positive but somewhat muted, providing limited support to the economy. An exception is the *former Yugoslav Republic of Macedonia*, where average credit growth remained particularly strong at around 9% y-o-y in the period April to August. Also in *Kosovo*, overall credit growth continued to accelerate during this period, to 7.4% y-o-y in August. The other countries of the region exhibit credit growth rates below 2% y-o-y. In *Albania*, despite favourable liquidity conditions, credit growth turned negative in August as a fall in lending to firms outweighed stronger lending to households. As another common feature, in many countries, household lending has generally remained significantly stronger than corporate lending, but in the *former Yugoslav Republic of Macedonia* and in *Montenegro*, lending to the corporate sector has recently gained some strength. Going forward, lingering asset quality risks, as evidenced by a high level of non-performing loans is likely to continue to put a break on credit growth. All Western Balkans still have significantly higher NPL ratios compared to the pre-crisis ones, with *Albania* and *Serbia* registering by far the

highest ratios, at around 20% and 22.8%, respectively, in the second quarter of 2015. On a more positive note, most countries of the region managed to lower NPLs, compared to the same period of the previous year. The strongest reductions of NPLs are recorded in the case of Albania (4 pts) as well as in Bosnia and Herzegovina and Montenegro (around 1.5 pts).

In **Turkey**, bank lending to the non-financial sector decelerated slightly over the quarter, registering 24.2% year-on-year on 2 October. This was driven by consumer loans which fell back to a year-on-year growth rate of 11.6% from 14.9% in early July.

Public finances in **Western Balkans** remain a concern, not least in view of the strong rise in public debt over recent years and elevated financing needs. Furthermore, prevailing budget rigidities and at times poor fiscal discipline jeopardises a process of sustained fiscal consolidation. Budget developments during the first eight months of 2015 have been rather uneven across the region. There have been some positive surprises as most countries, with the exception of *Albania* and *Kosovo*, benefited from strong and sometimes stronger-than-expected revenue growth. This in principle bodes well for fiscal consolidation, the declared objective of all countries in the region. However, at the same time spending pressures remain high in some countries and

over-performing revenues are often used to increase spending for transfers and wages, such as in the *former Yugoslav Republic of Macedonia*, *Bosnia and Herzegovina* and *Kosovo*. An exception to this pattern are *Albania* and *Serbia*, where successful consolidation efforts have recently taken place on the spending side of the budget as well. In the case of *Serbia*, strong revenue performance was coupled with a steady decline in current spending which brought the cumulative fiscal deficit in the first eight months down to a third of the level of the same period a year before. As a common feature in the region, fiscal consolidation and adjustment often happens at the cost of reducing or delaying much-needed capital investment, thus undermining the evolution towards a more growth-enhancing pattern of public spending.

In **Turkey**, the central government's budget has improved in the first eight months of 2015 compared to the same period in 2014. Receipts from income taxes, VAT and consumption taxes increased strongly, resulting in total revenue growth of 13.1%. Expenditures increased slightly less (11.8%). The 12-month rolling budget deficit amounted to 19.3 billion lira at the end of August which corresponds to 1.1% of GDP. This is identical to the 2015 deficit target and less than the budget deficit in 2014 (1.3% of GDP).

Candidate and potential candidate countries: Summary table

	2010 2011 2012 2013 2014					ECFIN Forecast		Q1 15 Q2 15 Q3 15			Jul 15 Aug 15 Sep 15		
	2015	2016											
Gross domestic product (in real terms, annual % change)													
Albania	3.7	2.5	1.4	1.1	2.1	3.0	3.6	2.8	2.5	:	N.A.	N.A.	N.A.
The former Yugoslav Republic of Macedonia	2.8	3.0	-0.5	2.7	3.8	3.8	3.9	3.2	2.6	:	N.A.	N.A.	N.A.
Montenegro	2.5	3.2	-2.7	3.5	1.8	3.3	3.9	3.2	3.4	:	N.A.	N.A.	N.A.
Serbia	0.6	1.4	-1.0	2.6	-1.8	-0.1	1.2	-2.0	1.0	:	N.A.	N.A.	N.A.
Turkey	9.2	8.8	2.1	4.2	2.9	3.2	3.7	2.5	3.8	:	N.A.	N.A.	N.A.
Bosnia and Herzegovina	0.8	0.9	-0.9	2.4	1.4	:	:	2.3	4.4	:	N.A.	N.A.	N.A.
Kosovo*	3.3	4.4	2.8	3.4	0.9	:	:	0.2	:	:	:	:	:
Unemployment													
Albania	13.7	13.4	13.8	16.4	17.9	16.8	15.5	17.3	17.3	:	N.A.	N.A.	N.A.
The former Yugoslav Republic of Macedonia	32.1	31.4	31.0	29.0	28.0	27.4	26.4	27.3	26.8	:	N.A.	N.A.	N.A.
Montenegro	19.7	19.7	19.7	19.5	18.0	17.3	16.1	18.2	17.7	:	N.A.	N.A.	N.A.
Serbia	19.2	23.0	23.9	22.1	18.9	19.3	20.3	19.2	17.9	:	N.A.	N.A.	N.A.
Turkey	10.9	9.0	8.3	8.9	10.1	10.6	10.5	11.3	9.7	:	:	:	:
Bosnia and Herzegovina	42.7	43.8	45.9	44.5	43.6	:	:	43.6	43.0	:	43.2	:	:
Kosovo*	:	44.8	30.9	30.0	35.3	:	:	:	:	:	:	:	:
Current account balance (% of GDP)**													
Albania	-11.3	-13.2	-10.2	-10.9	-12.9	-13.6	-14.4	-12.3	-10.9	:	N.A.	N.A.	N.A.
The former Yugoslav Republic of Macedonia	-2.0	-2.9	-3.2	-1.7	-1.3	-1.4	-1.8	0.1	0.4	:	N.A.	N.A.	N.A.
Montenegro	-22.8	-17.6	-18.5	-14.5	-15.2	-15.1	-16.0	-15.6	-16.3	:	N.A.	N.A.	N.A.
Serbia	-6.8	-10.9	-11.6	-6.1	-6.0	-3.8	-3.7	-6.2	-5.3	:	N.A.	N.A.	N.A.
Turkey	-6.2	-9.7	-6.1	-7.8	-5.8	-4.4	-5.0	-5.8	-5.8	:	N.A.	N.A.	N.A.
Bosnia and Herzegovina	-6.0	-9.5	-8.7	-5.7	-7.6	:	:	-7.1	-7.1	:	N.A.	N.A.	N.A.
Kosovo*	-11.7	-13.7	-7.5	-6.4	-7.9	:	:	-0.6	-3.3	:	0.1	N.A.	N.A.
Inflation (Consumer price index, annual % change)													
Albania	3.6	3.5	2.0	1.9	1.6	2.1	2.6	1.9	1.8	:	1.3	1.9	:
The former Yugoslav Republic of Macedonia	1.6	3.9	3.3	2.8	-0.3	1.2	1.7	-0.9	0.3	:	-0.4	0.1	:
Montenegro (HICP)	:	3.3	4.0	1.8	-0.5	1.2	1.8	0.1	1.6	:	2.2	2.1	:
Serbia***	10.2	7.0	12.2	2.2	1.7	2.4	4.1	1.9	1.9	:	1.0	2.1	:
Turkey	8.6	6.5	8.9	7.5	8.9	7.0	7.3	7.5	7.7	7.3	6.8	7.1	7.9
Bosnia and Herzegovina	2.1	3.7	2.0	-0.1	-0.9	:	:	-0.5	-0.5	:	-1.1	-1.1	:
Kosovo*	3.5	7.3	2.5	1.8	0.4	:	:	-0.4	-0.4	:	-0.7	-0.6	:
General government balance (% of GDP)													
Albania	-3.1	-3.5	-3.4	-5.0	-5.2	-4.0	-2.8	-0.3	-0.9	:	-1.1	-1.1	:
The former Yugoslav Republic of Macedonia	-2.4	-2.5	-3.8	-3.9	-4.2	-3.8	-3.6	-5.0	-2.3	:	N.A.	N.A.	N.A.
Montenegro	-4.8	-4.9	-5.8	-6.4	-3.0	-4.5	-4.0	-0.6	-6.0	:	:	:	:
Serbia	-4.5	-4.7	-6.8	-5.5	-6.7	-4.9	-4.6	-2.4	-1.4	:	N.A.	N.A.	N.A.
Turkey	-2.9	-0.8	-0.3	-1.6	-1.5	-1.4	-1.3	-0.5	0.6	:	N.A.	N.A.	N.A.
Bosnia and Herzegovina	-2.4	-1.2	-2.0	-2.1	-2.0	:	:	1.6	:	:	N.A.	N.A.	N.A.
Kosovo*	-2.6	-1.7	-2.6	-3.1	-2.2	:	:	:	:	:	N.A.	N.A.	N.A.

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

Forecast: ECFIN forecast Spring 2015

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

*** End of period, Forecast = average

ALBANIA



Key developments

German Chancellor Angela Merkel expressed her support for Albania's EU accession bid during her first official visit to Tirana in July, but stressed the importance of intensifying reforms to the judiciary system and the fight against organised crime and corruption to meet the required standards.

According to OSHEE, the publicly-owned power utility company, network losses decreased to 31.7% in the first eight months from 39.4% in the same period a year earlier, while bill payments were up almost 50%. The government has been making efforts to combat electricity theft and reform the power sector, which are considered key to lowering budgetary risks stemming from this sector.

Albania launched a campaign against informality in September which involves increased controls as well as heftier penalties for businesses not declaring their transactions, activity and employees. Partly as a result, business registrations surged in August and September.

Real sector

Economic growth decelerated somewhat with real GDP increasing by 2.5% y-o-y in the second quarter, down from a rate of 2.8% in the previous three months. Construction, partly boosted by base effects, surged 24.5% y-o-y and contributed 2 pps. to growth. Industry also performed well, increasing 6.3% y-o-y and providing a 0.7 pps. contribution. Among services, the biggest boost to growth came from public administration, education and health (0.5 pps.), whereas the largest category "wholesale and retail trade, transport and accommodation" registered lacklustre growth of 1% y-o-y which provided a 0.2 pps. contribution. Agriculture declined by 0.8% y-o-y and subtracted 0.2% from overall growth.

In terms of expenditure, both household spending and government consumption decreased y-o-y in the second quarter (by 3.2% and 1.3% respectively), similarly to the previous three months. However, this was more than offset by a continuing surge in investment (up 19% y-o-y) and a positive contribution from net

exports, driven by a 13.9% y-o-y fall in import volumes.

Labour market

The LFS-estimated unemployment rate (15-64 years) was 17.3% in the second quarter, unchanged from the previous three months. Compared with the same quarter a year earlier, the jobless rate declined by 0.4 pps. as the growth in employment, at 4.2%, outweighed the 3.8% expansion of the labour force. Job creation was broad-based across sectors, with the exception of agriculture and the extracting industry.

At the same time, the rate of youth unemployment (15-29 years) continued to increase both in annual and quarterly terms, to 34.2% in the second quarter.

External sector

The current account deficit decreased substantially, by 43.1% y-o-y in April to June, continuing the improvement started in the previous quarter. All main components except the primary income balance registered an improvement. The merchandise trade deficit decreased by 7.9% y-o-y as the fall in the value of goods imports (-7.3%) outweighed the decline in merchandise exports (-6.4%). The surplus on the services account increased by 142% y-o-y driven mostly by travel spending, as inbound tourists consumed 6.1% more than a year earlier, whereas outbound travellers' spending declined by 15.2%. The primary income balance continued to worsen in annual terms due to a 35.3% y-o-y increase in repatriated profits, whereas the secondary income surplus surged 19.3% y-o-y on the back of a continuing increase in remittances earnings. In the year to June, the current account deficit amounted to 10.9% of GDP, down from 12.3% in the same period a year earlier.

Net FDI inflows rose by 39% y-o-y in April to June and for the second consecutive quarter they exceeded the current account deficit. Favourable balance-of-payment flows led to a 12% y-o-y increase in foreign reserves, which stood at EUR 2.17 billion in the second quarter and covered 6.8 months of imports of goods and services.

The stock of gross external debt rose by 9.1% y-o-y, mostly due to increased government borrowing, and stood at some 71% of projected full-year GDP. Long-term debt, mostly owed by the government, makes up 80% of the total.

Monetary developments

Average consumer price inflation continued to remain below Bank of Albania's (BoA) target of 3%, reflecting a negative output gap, low inflation in trading partners and a stable exchange rate against the euro. Inflation averaged 1.8% in the second quarter and showed some volatility in July (1.3%) and August (1.9%) as a result of food price changes.

In view of below-target inflation, BoA maintained an accommodative monetary policy stance by keeping its policy rate at a historic low of 2% since January and continuing to inject liquidity into money markets.

The Albanian lek (ALL) remained broadly stable vis-à-vis the euro in the third quarter, appreciating by 0.1% compared with the same period a year earlier and by 0.7% compared with its second-quarter value.

Financial sector

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

Reflecting various efforts to improve the quality of loan portfolios, including a mandatory write-off of non-performing loans (NPLs), the NPL ratio declined to 20% in the second quarter from 22.7% in the previous three months.

Lending standards applied by banks eased for both businesses and households in the second quarter, overturning the tightening seen in the previous three months. Demand for credit was assessed to have decreased somewhat for businesses but increased considerably for households.

The average interest rate on new ALL loans declined to 7.8% in July-August from 8.6% in the first quarter. Nevertheless, the stock of loans decreased in August (-1.2% y-o-y) as a 3.7% fall in business lending outweighed a 3.1% increase in loans extended to households.

Fiscal developments

In the first half of 2015, tax revenue fell short of target by 7.4% mainly due to overoptimistic assumptions about revenue growth, lower-than-expected inflation, and the fall in oil prices that affected royalties to the government from oil producers. This prompted a budget revision in July when revenue targets were lowered by 3.9%, but thanks to substantial savings on interest payments and a 6.9% cut in capital expenditure, the overall deficit target was left unchanged at 4% of GDP (which includes repayment of arrears worth 1.4% of GDP).

Fiscal data for January-August show that revenues were 1.1% lower than the revised plan, driven by a 1.5% shortfall in VAT revenue. However, underperformance relative to plan was even more pronounced on the expenditure side (-2.9%), especially for capital expenditure (-9.7%), local budget spending (-7.1%) and operational expenditure (-6.1%).

On balance, therefore, the budget deficit for the first eight months undershot the revised target by 23.7% and amounted to only 1.1% of estimated full-year GDP.

Following a 10.7% y-o-y increase, public debt stood at 70.4% of GDP in the first quarter (without the still outstanding government arrears).

TABLE



European Commission, ECFIN-D-1

ALBANIA

		2010	2011	2012	2013	2014	ECFIN Forecast		Q1 15	Q2 15	Q3 15	Jul 15	Aug 15	Sep 15
							2015	2016						
1 Real sector														
Industrial confidence ^{1.1}	Percent	-5.4	-3.0	-10.6	-9.5	1.2	:	:	-2.1	3.8	:	N.A.	N.A.	N.A.
Industrial production ^{1.2}	Ann. %ch	19.9	-10.2	16.6	13.9	3.3	:	:	-4.7	:	:	N.A.	N.A.	N.A.
Gross domestic product ^{1.3}	Ann. %ch	3.7	2.5	1.4	1.1	2.1	3.0	3.6	2.8	2.5	:	N.A.	N.A.	N.A.
Private consumption ^{1.4}	Ann. %ch	1.7	1.8	0.7	1.8	3.4	3.6	3.7	-1.4	-3.2	:	N.A.	N.A.	N.A.
Gross fixed capital formation ^{1.5}	Ann. %ch	4.0	0.7	0.5	1.2	-2.2	6.0	7.9	12.3	19.0	:	N.A.	N.A.	N.A.
Construction index ^{1.6}	Ann. %ch	0.3	0.5	0.6	1.0	0.2	:	:	0.4	0.4	:	N.A.	N.A.	N.A.
Retail sales ^{1.7}	Ann. %ch	2.5	6.5	4.8	6.3	5.1	:	:	3.3	3.4	:	:	:	:
2 Labour market														
Unemployment ^{2.1}	%	13.7	13.4	13.8	16.4	17.9	16.8	15.5	17.3	17.3	:	N.A.	N.A.	N.A.
Employment ^{2.2}	Ann. %ch	-0.1	2.3	18.5	-9.7	1.6	2.3	2.9	11.1	4.2	:	N.A.	N.A.	N.A.
Wages ^{2.3}	Ann. %ch	6.7	7.0	7.3	4.1	1.7	:	:	2.1	2.4	:	N.A.	N.A.	N.A.
3 External sector														
Exports of goods ^{3.1}	Ann. %ch	62.5	22.2	7.6	-30.5	-11.6	:	:	-19.6	-6.0	:	:	:	:
Imports of goods ^{3.2}	Ann. %ch	10.9	14.2	-4.3	-13.2	3.6	:	:	0.3	-7.0	:	:	:	:
Trade balance* ^{3.3}	% of GDP	-23.1	-24.2	-20.9	-20.6	-22.2	-19.8	-20.8	-22.5	-21.9	:	N.A.	N.A.	N.A.
Exports goods and services ^{3.4}	% of GDP	32.4	34.0	33.3	28.7	28.2	:	:	28.1	27.8	:	N.A.	N.A.	N.A.
Imports goods and services ^{3.5}	% of GDP	53.0	56.7	52.0	47.0	47.2	:	:	46.7	45.1	:	N.A.	N.A.	N.A.
Current account balance* ^{3.6}	% of GDP	-11.3	-13.2	-10.2	-10.9	-12.9	-13.6	-14.4	-12.3	-10.9	:	N.A.	N.A.	N.A.
Direct investment (FDI, net)* ^{3.7}	% of GDP	9.3	6.6	6.8	9.6	8.2	:	:	8.8	9.2	:	N.A.	N.A.	N.A.
International reserves ^{3.8}	mio EUR	1 821.4	1 848.6	1 907.7	1 955.7	2 084.8	:	:	2 239.4	2 169.1	:	2 421.3	2 416.9	:
Int. reserves / months imp ^{3.9}	Ratio	6.7	6.1	6.5	6.8	:	:	:	:	:	:	:	:	:
4 Monetary developments														
CPI ^{4.1}	Ann. %ch	3.6	3.5	2.0	1.9	1.6	2.1	2.6	1.9	1.8	:	1.3	1.9	:
Producer prices ^{4.2}	Ann. %ch	0.3	2.6	:	:	:	:	:	:	:	:	:	:	:
Food prices ^{4.3}	Ann. %ch	4.8	4.8	2.4	4.2	2.2	:	:	3.9	3.9	:	2.4	4.2	:
M2 ^{4.4}	Ann. %ch	5.5	6.7	4.7	5.7	4.0	:	:	7.6	8.4	:	7.0	6.8	:
Exchange rate LEK/EUR ^{4.5}	Value	137.79	140.33	139.04	140.26	140.14	:	:	140.23	140.63	139.66	139.85	139.59	139.52
Nominal eff. exchange rate ^{4.6}	Index	:	:	:	:	:	:	:	:	:	:	:	:	:
5 Financial indicators														
Interest rate (3 months) ^{5.1}	% p.a.	5.76	5.46	5.16	4.23	3.10	:	:	3.16	2.90	:	2.71	2.66	:
Bond yield ^{5.2}	% p.a.	7.25	6.53	6.77	6.03	3.45	:	:	3.07	2.96	:	2.39	2.40	:
Stock markets ^{5.3}	Index	:	:	:	:	:	:	:	:	:	:	:	:	:
Credit growth ^{5.4}	Ann. %ch	8.6	11.7	7.4	-0.2	0.2	:	:	2.6	2.0	:	0.2	-1.2	:
Deposit growth ^{5.5}	Ann. %ch	15.5	14.5	9.4	3.7	1.5	:	:	2.7	2.4	:	1.3	1.3	:
Non performing loans ^{5.6}	% total	12.6	17.0	21.7	24.0	23.9	:	:	22.7	20.0	:	N.A.	N.A.	N.A.
6 Fiscal developments														
General government balance* ^{6.1}	% of GDP	-3.1	-3.5	-3.4	-5.0	-5.2	-4.0	-2.8	-0.3	-0.9	:	-1.1	-1.1	:
General government debt* ^{6.2}	% of GDP	57.7	59.4	62.1	65.5	70.2	72.5	70.5	70.7	70.4	:	N.A.	N.A.	N.A.

f: ECFIN forecast Spring 2015

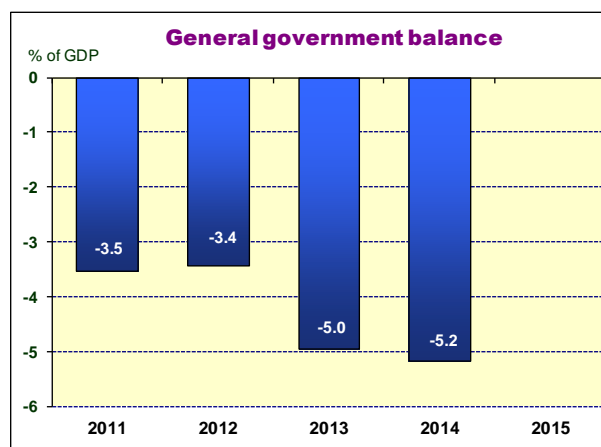
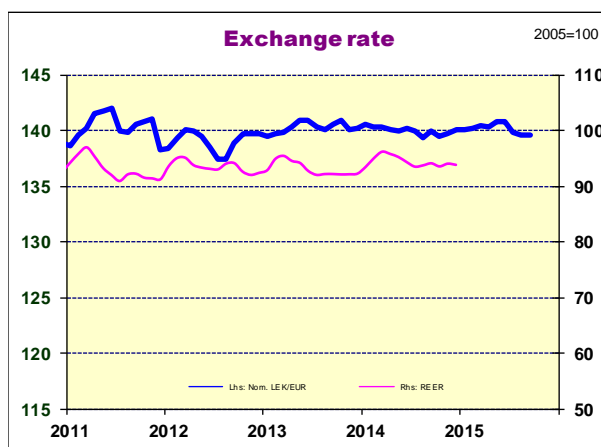
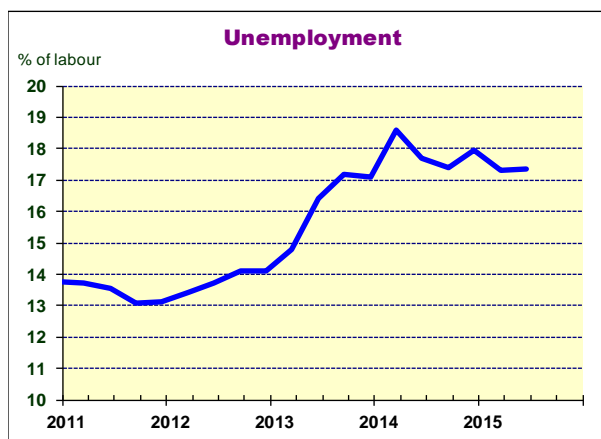
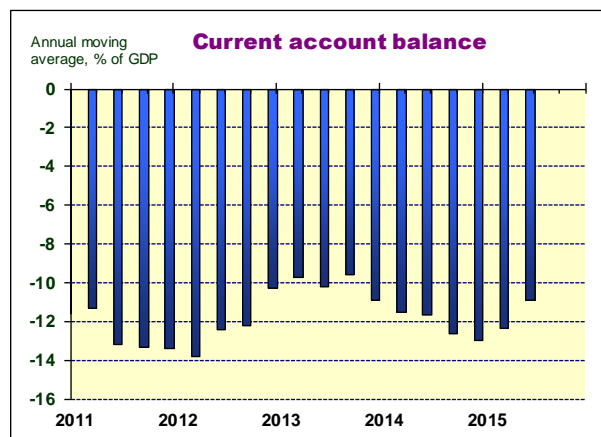
* Q figures refer to a 4 quarters moving average.

CHARTS



European Commission, ECFIN-D-1

ALBANIA



THE FORMER YUGOSLAV REPUBLIC OF MACEDONIA



Key developments

At the end of September, and ahead of an election year, the country's outgoing government adopted a draft budget for 2016 which foresees an increase of 4.7% in nominal expenditure compared to the revised 2015 budget, and a central government deficit target of 3.2%.

On 28 August, the IMF concluded its Article IV consultation with the country. It revised downwards its growth projection for 2015, to 3.2% from 3.8%, and urged the country to strengthen fiscal policy buffers and private sector led employment growth.

Real sector

After robust output expansion in the first quarter (3.2% y-o-y), GDP growth slowed down in the second quarter, to 2.6% in real terms. Investment spending declined, compared to the same period a year earlier, by 7.6%. Private consumption growth remained resilient at 2%. Given the recent increase in crisis- and flood-related public spending, and sizeable public sector pay rises, there was a hike in government consumption (5.8%). Gains in both, export (7.4%) and import volumes (1.6%) slowed down compared to the first quarter. Export performance was particularly strong on the back of increased production capacity of export-oriented foreign investors. The contribution of net exports to overall growth increased.

These dynamics were supported by robust performance in the construction sector, and by moderate gains in manufacturing. Overall, industrial production continued to disappoint also in the second quarter, increasing by 0.5% y-o-y, after 3.7% in the first quarter. This brings total gains in the first eight months to 1.7%, down from 4.4% in the same period a year earlier. The slowdown is mainly the result of weak output in manufacturing, which accounts for over three quarters of the industry structure, in the first seven months. Manufacturing rebounded in August, on the back of a strong increase in the clothing and food industries.

Labour market

Given strong job creation in FDIs, and further support by the government's subsidized recruitment schemes, employment growth accelerated to 1.8% y-o-y in the second quarter, according to the Labour Force Survey. This led to a further incremental increase in the employment rate to 41.7%, almost unchanged from the first quarter. The unemployment rate declined further, to 26.8%, from 27.3% in the first three months of the year. The number of unemployed declined by 5% y-o-y, while the labour force remained largely unchanged. Employment increased by 1.8% y-o-y, and hence faster than in the four preceding quarters. Labour market participation remained low, at 57% of the working age population. The unemployment rate for young workers fell markedly compared to the second quarter a year earlier, by some 9pp to 46.3%. The government had introduced incentives for employers to hire young workers earlier in the year. The employment rate for women rose by 1.6pp to 34%, on account of both, a strong rise in the number of employed, and a decline in the female labour force. Real net wages continued to increase in the second quarter and beyond. On the back of accelerating nominal wage growth, overcompensating the rise in consumer prices, they rose by 2.7% y-o-y between April and June, slightly faster than in the preceding quarter. This reflects the hike in FDI inflows into mining and manufacturing, where pay gains were strongest in the first half of the year. Real wages have been rising for 16 months in a row.

External sector

In the second quarter, the current account deficit widened compared to the previous quarter, but was still well below its level of one year earlier. The deterioration, in quarterly comparison, came mainly on account of a slight worsening in the merchandise trade balance, even though export values of goods posted a solid increase, at 11% y-o-y, according to National Bank data. Private transfer income fell by some 7% in the second

quarter, yet in the four quarters to end-June, remittances still accounted for some 18% of GDP, above their 2014 average. The primary income deficit widened further in the second quarter, with outflows of direct and portfolio investment remaining elevated. Overall, in the four quarters to end-June, the current account posted a surplus of 0.4 % of GDP, amply covered by FDI inflows in the same period, which amounted to 2.3% of GDP. Gross external debt rose further in the second quarter, compared to the first quarter, partly on account of foreign investment-related intercompany lending, with external government debt declining slightly. Yet, it still stood at 66.8% of GDP at the end of the quarter, up by 3pp compared to the same period a year earlier, with the increase reflecting the government's 500 mio Eurobond in July 2014. The share of short-term external debt declined. In August, central bank foreign exchange reserves were some 10.6% lower than at end- 2014, covering about 5 months of prospective imports.

Monetary developments

In the second quarter of 2015, consumer prices moved back into mild inflation, at 0.3% y-o-y on average, after having decreased by 0.9% in the preceding quarter. Yet, the CPI returned into deflation in the third quarter (-0.2%) - consumer prices increased, marginally, only in August, on account of rising fuel prices over the summer purchasing period. Food prices, accounting for some 38% of the CPI basket, rose somewhat during the second quarter and beyond, while prices in the transport sector, which make up some 9% of the index structure declined further. On average, over the first eight months, consumer prices fell by 0.3% y-o-y. The expansion rate of M4 money slowed down in the second quarter, to 9.3% y-o-y, due to growth moderation in both, deposits and currency in circulation. In July and August, M4 growth relented even further, to an average of 7.4%. The central bank kept the key policy rate unchanged.

Financial sector

Credit extension to the private sector remained robust in the second quarter and beyond, bringing the average increase for the first eight months to 9.2% y-o-y. Yet, the pace of annual increases has slowed down progressively since April (10.2%) dropping to 8.8% in August. Loans to non-financial private companies increased by 6.9% on average between April and

August 2015. These loans accounted for well over half of the annual increase in total lending to the private sector during this period. The quality of banks' asset portfolios did not improve markedly. By end-June, the share of non-performing to total loans had decreased only marginally compared to the preceding quarter, to 11.5%, (-0.1pp), and compared to the same quarter a year earlier (-0.3pp). Interest rates decreased further in the second quarter and beyond. At end-August, nominal lending rates on outstanding loans in national currency stood at 7.0%, lower by 0.1pp from end-May. Deposit rates decreased by 0.3pp to 2.7%, leading to a widening spread.

Fiscal developments

As in previous years, the government was constrained to resort to a supplementary budget for the current period. In August, it adopted a revised budget for 2015, which foresees additional expenditure, in particular for social welfare assistance and police wages, transfer payments, and public investment. The government stressed that the additional expenditure was affordable given the better than expected revenue collection in the first half of the year - profit tax collection, effective in March and April, had more than doubled on account of the recent removal of exemptions for reinvested profits. Still, the government increased the 2015 deficit target from 3.4% to 3.6% of GDP and lowered GDP growth expectations for 2015, by 0.5pp to 3.5%. In August, the central government budget deficit had reached some 64% of the revised 2015 target. Overall revenue in the first eight month had increased by 13% compared to the same period a year earlier. While current expenditure was up by some 8.4% y-o-y, reflecting mainly the recent rise in government consumption, capital expenditure had declined by some 8%.

At the end of the second quarter, the level of government debt (36.1% of projected full-year GDP) and of public debt (43.7%) was almost unchanged from the previous quarter, and somewhat below the 2014 average. The amount of government-guaranteed debt of public enterprises continued to rise in the second quarter, by 4% compared to 2014. Debt owed to foreign lenders made up two thirds of overall public debt.

TABLE



European Commission, ECFIN-D-1

The former Yugoslav Republic of Macedonia

		2010	2011	2012	2013	2014	ECFIN Forecast		Q1 15	Q2 15	Q3 15	Jul 15	Aug 15	Sep 15
							2015	2016						
1 Real sector														
Industrial confidence ^{1.1}	Balance	-9.6	18.4	14.7	12.3	11.4	:	:	12.7	17.2	:	18.8	19.6	:
Industrial production ^{1.2}	Ann.%ch	-4.6	4.0	-6.6	3.2	4.8	:	:	1.6	0.2	:	-2.7	12.7	:
Gross domestic product ^{1.3}	Ann.%ch	2.8	3.0	-0.5	2.7	3.8	3.8	3.9	3.2	2.6	:	N.A.	N.A.	N.A.
Private consumption ^{1.4}	Ann.%ch	2.3	7.4	1.2	2.1	2.3	2.8	2.9	2.2	2.0	:	N.A.	N.A.	N.A.
Gross capital formation ^{1.5}	Ann.%ch	-4.3	15.7	21.2	-16.8	15.2	8.5	7.1	1.3	-7.6	:	N.A.	N.A.	N.A.
Construction ^{1.6}	Ann.%ch	11.7	25.3	4.2	-7.3	6.9	:	:	15.8	8.0	:	N.A.	N.A.	N.A.
Retail sales ^{1.7}	Ann.%ch	4.2	N.A.	N.A.	-0.8	4.2	:	:	3.2	13.6	:	9.6	6.6	:
2 Labour market														
Unemployment ^{2.1}	%	32.1	31.4	31.0	29.0	28.0	27.4	26.4	27.3	26.8	:	N.A.	N.A.	N.A.
Employment ^{2.2}	Ann.%ch	1.3	1.1	0.8	4.3	1.7	1.9	1.9	1.6	1.8	:	N.A.	N.A.	N.A.
Wages ^{2.3}	Ann.%ch	0.9	1.3	0.2	1.2	1.0	3.1	3.6	2.1	3.3	:	2.9	:	:
3 External sector														
Exports of goods ^{3.1}	Ann.%ch	46.7	21.0	-3.7	2.9	17.0	:	:	14.4	12.1	:	3.2	:	:
Imports of goods ^{3.2}	Ann.%ch	13.6	22.4	0.3	-1.8	9.4	:	:	3.1	6.7	:	-0.2	:	:
Trade balance* ^{3.3}	% of GDP	-21.6	-25.2	-26.5	-23.0	-21.7	-21.5	-21.3	-20.9	-20.5	:	N.A.	N.A.	N.A.
Exports goods and services ^{3.4}	% of GDP	38.4	45.6	44.5	42.3	47.9	:	:	48.8	49.1	:	N.A.	N.A.	N.A.
Imports goods and services ^{3.5}	% of GDP	58.1	66.1	66.9	60.4	65.1	:	:	65.1	64.8	:	N.A.	N.A.	N.A.
Current account balance* ^{3.6}	% of GDP	-2.0	-2.9	-3.2	-1.7	-1.3	-1.4	-1.8	0.1	0.4	:	N.A.	N.A.	N.A.
Direct investment (FDI, net)* ^{3.7}	% of GDP	2.2	4.6	1.7	3.3	3.3	:	:	2.0	2.3	:	N.A.	N.A.	N.A.
International reserves ^{3.8}	mio EUR	1 714.5	2 068.9	2 193.3	1 993.0	2 436.5	:	:	2 354.8	2 254.8	:	2 198.3	2 177.7	:
Int. reserves / months Imp ^{3.9}	Ratio	5.9	5.8	6.1	5.6	6.3	:	:	6.1	5.7	:	5.6	:	:
4 Monetary developments														
CPI ^{4.1}	Ann.%ch	1.6	3.9	3.3	2.8	-0.3	1.2	1.7	-0.9	0.3	:	-0.4	0.1	:
Producer prices ^{4.2}	Ann.%ch	8.3	11.1	4.5	0.4	-1.2	:	:	-4.6	-4.1	:	-4.8	-4.7	:
Food prices ^{4.3}	Ann.%ch	0.3	6.2	2.3	3.4	-0.9	:	:	-0.1	0.9	:	0.0	0.3	:
Monetary aggregate M4 ^{4.4}	Ann.%ch	12.1	10.5	7.5	4.0	8.0	:	:	9.8	9.3	:	7.8	7.0	:
Exchange rate MKD/EUR ^{4.5}	Value	61.51	61.53	61.53	61.58	61.62	:	:	61.55	61.63	61.61	61.68	61.50	61.65
Nominal eff. exchange rate ^{4.6}	Index	100.0	101.3	100.3	101.8	103.0	:	:	101.4	101.2	:	101.1	:	:
5 Financial indicators														
Interest rate (3 months) ^{5.1}	% p.a.	:	:	:	:	:	:	:	:	:	:	:	:	:
Bond yield ^{5.2}	% p.a.	9.48	8.87	8.50	8.04	7.46	:	:	7.32	7.14	:	7.05	:	:
Stock markets ^{5.3}	Index	2 472	2 407	1 890	1 726	1 735	:	:	1 830	1 683	1 667	1 649	1 672	1 680
Credit Growth ^{5.4}	Ann.%ch	5.4	8.1	7.3	4.3	8.4	:	:	9.2	9.6	:	8.9	8.8	:
Deposit growth ^{5.5}	Ann.%ch	13.0	10.9	7.2	4.8	8.2	:	:	9.5	8.9	:	7.4	6.7	:
Non-performing loans ^{5.6}	% total	9.0	9.5	10.1	10.9	10.8	:	:	11.1	11.0	:	N.A.	N.A.	N.A.
6 Fiscal developments														
Central government balance ^{6.1}	% of GDP	-2.4	-2.5	-3.8	-3.9	-4.2	-3.8	-3.6	-5.0	-2.3	:	N.A.	N.A.	N.A.
General government debt ^{6.2}	% of GDP	24.1	27.7	33.7	34.2	38.2	39.1	40.5	36.0	36.1	:	N.A.	N.A.	N.A.

f: ECFIN forecast Spring 2015

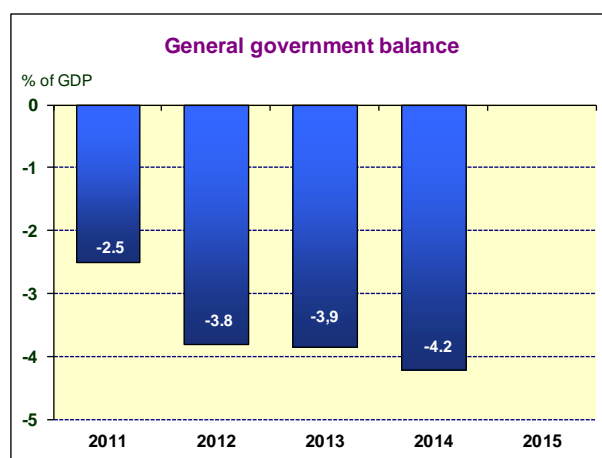
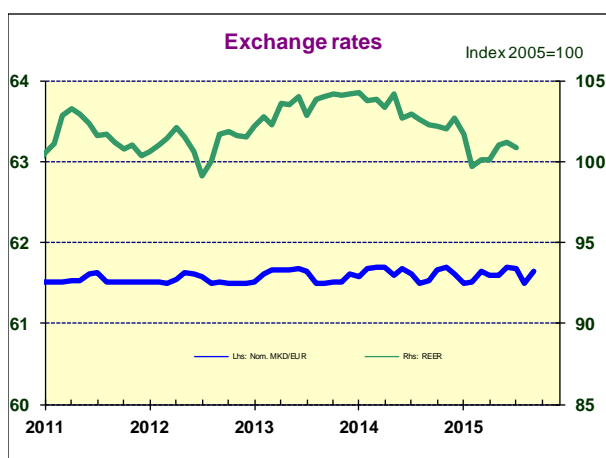
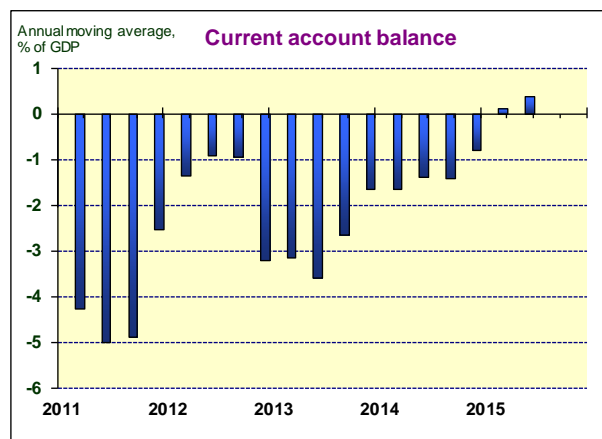
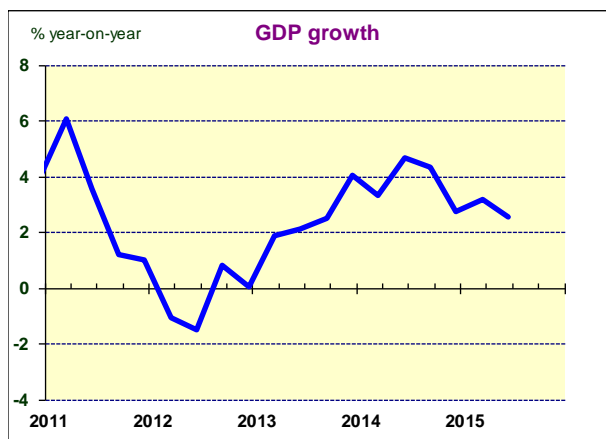
* Q figures refer to a 4 quarters moving average.

CHARTS



European Commission, ECFIN-D-1

The former Yugoslav Republic of Macedonia





Key developments

Construction of the Bar-Boljare highway started to shape Montenegro's economy. Preliminary works started in May 2015, and so far -until September-, nine Montenegrin companies and some 200 local workers are engaged. Imports, notably of construction vehicles and machinery started to show in deepening trade deficit and public finance parameters.

In August 2015, the sale of KAP's aluminium smelter was concluded after the payment of the final instalment by a local company. The new owner announced the investment in a new plant with capacity of 30,000 tons of alloys to be operational by November 2016, and the purchase of the bankrupt Nikšić bauxite mine.

Also in August, Montenegro was included in the list of countries from which Russia bans imports of agricultural products after Montenegro joined earlier EU decision on the extension of sanctions against Russia.

On 30 September, the privatisation council launched a new tender for the New Tobacco Plant Podgorica (NDKP).

Real sector

Real GDP growth for 2014 was revised upwards from 1.4% to 1.8% following the revision in September by the Statistical Office (MONSTAT) of the national accounts data for the period 2010-2014 based on the European system of accounts ESA2010.

Economic activity has somewhat strengthened. In the second quarter of 2015, (according to ESA95 methodology) GDP growth accelerated to 3.4% y-o-y, after 3.2% growth in the first quarter. Growth was driven by a (32% y-o-y) surge in capital investments related to several large tourism investments, the construction of the power link with Italy and some preparatory works of the highway. Private consumption growth remains subdued (0.9% y-o-y), reflecting stagnation of wages and pensions, as inflation offset any nominal income gains. The contribution from government consumption to growth remained negative, contracting by 4.8% y-o-y due to ongoing fiscal consolidation to

make space for the highway financing. Net exports contribution was also negative, as the marginal (0.3% y-o-y) expansion in exports did not suffice to balance faster (6.4%) imports growth.

Early indicators for the third quarter provide a mixed picture. Industrial production reflects the volatility of electricity and mining output. Despite record high consumption of electricity, its production contracted in August as the incumbent power company leveraged higher exports prices in order to import cheaper electricity and reduce running costs, namely of lignite for its thermal plant. On the other hand, several manufacturing sectors like basic metals, metal products, pharmaceutical, beverages and wood kept growing at double-digit annual rates. Retail sales continued expanding moderately in July and August supported by a successful tourism season.

Labour market

Economic growth continues supporting job creation. In the second quarter of 2015, the number of employed increased by 3.4% y-o-y while those unemployed declined by 1.8%. As a result, the unemployment rate fell to 17.7%, down from 18.2% in the first quarter, and 18.6% in the fourth quarter of 2014. The share of unemployed persons looking for a job for more than two years was 61.3%. However, regional disparities remain very large, with 8.9% unemployment rate in the coast compared to 12.8% and 36.1% in the central and northern regions, respectively.

Despite some improvement in labour market conditions, the public sector wage freeze and low inflation expectations inhibits the growth of salaries at large. Modest increase in nominal gross wages in July and August resulted in real term annual contractions of -1% and -1.6%, respectively.

External sector

The increase in capital formation in the first half of 2015 was reflected in a broadening trade deficit and the contraction of the income and transfers balance surpluses. As a result, the current account gap widened 10% y-o-y,

totalling 16.3% of GDP in the four quarters to June, despite a moderate increase in the services surplus. The current account deficit is predominantly financed by capital inflows in the form of foreign direct investments, and more recently, also by a credit line to finance the construction of the highway.

Preliminary data for July and August offers a mixed picture. In the first seven months of 2015, net FDI surged by 20.5% y-o-y. Meanwhile, in the eight months to August, the total number of tourists grew by 18% y-o-y.

Monetary developments

Following a gradual increase since March 2015, when inflation returned into positive territory, the harmonised index of consumer price stabilised at around 2% annual growth in the period June-August. Only transport (i.e. fuels) prices sustained a downward trend, while communications prices stagnated and accommodation, restaurants as well as food costs recorded some further growth.

Financial sector

At the end of August, commercial banks assets increased 10.8% y-o-y to EUR 3.46 billion or some 96% of GDP. Yet, loans, which account for 72% of total assets, grew more moderately, by 0.9% y-o-y. Corporate lending accelerated by 2% y-o-y in August, compared to marginal 0.3% increase a month before. Loans to households grew by 1.9%, albeit slowing from a 2.4% expansion a month earlier.

Commercial banks deposits kept expanding fast in August (by 15% y-o-y), with corporate deposits surging by 29% y-o-y while households' deposits rose by 10%. Despite a lukewarm support by market players to the Law on Voluntary Financial Restructuring of Debts to Financial Institutions (known as the 'Podgorica Approach'), the stock of non-performing loans declined to 15.5% of total loans at the end of August, compared to 18.2% a year earlier. The average effective lending interest rate on new loans decreased by 1.35 percentage points y-o-y to 9.05% in August.

In July 2015, the new subsidiary of Turkey's Ziraat Bank started officially to work, raising to fourteen the number of banks operating in Montenegro.

In August, Montenegro's stock exchange turnover declined by 64% y-o-y to EUR 1.33 million after rising by 20% the month before. Market capitalisation also contracted, by 3.6% y-o-y. The MNSE10 index ended the month at 946.64, or 2.36% lower than a month before.

Fiscal developments

In the first eight months of 2015, the central government cash-base deficit reached 6.5% of GDP after the Ministry of Finance revised the capital expenditures data to EUR 194 million (or 5.4% of GDP) by including the government's advance payment on the Bar-Boljare highway. Overall, current revenue exceeded the plan by 0.7%, rising by 2.2% y-o-y thanks to the improved performance of social security contributions and excises. However, current spending also exceeded the plan (by 2.9%) due to higher interests and the repayment of arrears from court decisions, utilities and pensions.

On 25 September, the government adopted the macroeconomic and fiscal indicators for the period 2015-2018, which represents the starting point for drafting the 2016 budget. The document updates GDP projections for 2015 and 2016 to 4.3% and 4.1% respectively, and as a result, revises downwards the central government deficit target for 2015 from 6.6% to 6.2% of GDP. The government has also increased the 2015 cap on budget funds allocated for state guarantees by additional EUR 107 million to allow municipalities to clear arrears to the tax administration and suppliers, to refinance their existing credit obligations and to streamline their administration.

In the second quarter of 2015, public debt rose to 60.3% of GDP, up from 54.1% in the previous quarter, driven by the withdrawal of two tranches (totalling EUR 169.6 million, or 4.7% of GDP) from the loan to build the highway. Montenegro's Economic and Reform Programme plans public debt to reach 63.2% of GDP at the end of 2015.

TABLE



European Commission, ECFIN-D-1

MONTENEGRO

		2010	2011	2012	2013	2014	ECFIN Forecast							
							2015	2016	Q1 15	Q2 15	Q3 15	Jul 15	Aug 15	Sep 15
1 Real sector														
Industrial confidence ^{1.1}	Balance	N.A.	N.A.	N.A.	8.7	11.1	:	:	2.6	12.8	15.7	18.3	15.4	13.5
Industrial production ^{1.2}	Ann.%ch	17.5	-10.3	-7.1	10.7	-10.4	:	:	7.3	13.7	:	33.5	-0.1	:
Gross domestic product ^{1.3}	Ann.%ch	2.5	3.2	-2.7	3.5	1.8	3.3	3.9	3.2	3.4	:	N.A.	N.A.	N.A.
Private consumption ^{1.4}	Ann.%ch	2.0	0.5	-3.9	1.6	2.9	2.2	3.0	4.5	0.9	:	N.A.	N.A.	N.A.
Gross fixed capital formation ^{1.5}	Ann.%ch	-18.5	-7.2	-2.4	10.7	-2.5	21.8	11.8	6.8	32.3	:	N.A.	N.A.	N.A.
Construction index ^{1.6}	Ann.%ch	13.7	10.2	-13.2	9.7	2.0	:	:	9.5	9.9	:	N.A.	N.A.	N.A.
Retail sales ^{1.7}	Ann.%ch	1.6	12.6	6.7	11.3	2.5	:	:	2.5	2.3	:	6.0	7.2	:
2 Labour market														
Unemployment ^{2.1}	%	19.7	19.7	19.7	19.5	18.0	17.3	16.1	18.2	17.7	:	N.A.	N.A.	N.A.
Employment ^{2.2}	Ann.%ch	-2.2	-6.1	2.2	1.1	7.1	2.0	2.3	1.6	3.4	:	N.A.	N.A.	N.A.
Wages ^{2.3}	Ann.%ch	11.0	1.0	0.8	-0.2	-0.3	0.8	1.8	0.4	0.2	:	0.8	0.3	:
3 External sector														
Exports of goods ^{3.1}	Ann.%ch	20.3	33.6	-17.8	1.0	-9.7	:	:	3.0	-13.4	:	-29.5	-8.1	:
Imports of goods ^{3.2}	Ann.%ch	0.9	9.2	-0.1	-3.2	0.6	:	:	4.5	2.9	:	6.6	0.9	:
Trade balance* ^{3.3}	% of GDP	-40.8	-40.0	-43.7	-39.5	-39.8	-40.7	-42.1	-40.3	-40.5	:	-42.1	-42.2	:
Exports goods and services ^{3.4}	% of GDP	37.0	42.3	43.7	41.3	40.1	:	:	24.2	33.8	:	N.A.	N.A.	N.A.
Imports goods and services ^{3.5}	% of GDP	62.7	64.3	68.1	61.4	60.0	:	:	62.9	70.6	:	N.A.	N.A.	N.A.
Current account balance* ^{3.6}	% of GDP	-22.8	-17.6	-18.5	-14.5	-15.2	-15.1	-16.0	-15.6	-16.3	:	N.A.	N.A.	N.A.
Direct investment (FDI, net)* ^{3.7}	% of GDP	17.4	11.9	14.5	9.6	10.2	:	:	10.5	11.0	:	N.A.	N.A.	N.A.
International reserves ^{3.8}	mio EUR	416.4	303.5	347.9	423.7	544.7	:	:	938.2	818.5	:	798.1	855.6	:
Int. reserves / months Imp ^{3.9}	Ratio	3.0	2.0	2.3	2.9	3.7	:	:	6.3	5.4	:	5.2	5.6	:
4 Monetary developments														
HICP ^{4.1}	Ann.%ch	:	3.3	4.0	1.8	-0.5	1.2	1.8	0.1	1.6	:	2.2	2.1	:
Producer prices ^{4.2}	Ann.%ch	-0.7	3.2	1.9	1.7	0.2	:	:	0.6	0.4	:	0.3	0.1	:
Food prices ^{4.3}	Ann.%ch	0.3	2.8	4.2	4.0	-1.4	:	:	2.4	3.4	:	2.8	3.9	:
M21 ^{4.4}	Ann.%ch	:	:	:	:	:	:	:	:	:	:	:	:	:
Exchange rate EUR/EUR ^{4.5}	Value	1.00	1.00	1.00	1.00	1.00	:	:	1.00	1.00	1.00	1.00	1.00	1.00
Nominal eff. exchange rate ^{4.6}	Index	N.A.	N.A.	N.A.	N.A.	N.A.	:	:	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
5 Financial indicators														
Interest rate (3 months) ^{5.1}	% p.a.	:	2.27	5.32	3.39	1.60	:	:	:	:	:	:	:	:
Bond yield ^{5.2}	% p.a.	3.37	2.45	4.75	3.19	1.26	:	:	0.61	:	0.38	0.41	0.36	0.36
Stock markets ^{5.3}	Index	13 993	11 896	9 091	9 532	10 696	:	:	11 620	12 579	12 042	12 243	12 107	11 777
Credit growth ^{5.4}	Ann.%ch	-4.8	-6.3	-0.7	3.1	-1.9	:	:	-2.7	0.2	:	0.2	0.9	:
Deposit growth ^{5.5}	Ann.%ch	-1.9	1.5	9.0	5.9	10.0	:	:	10.0	12.0	:	13.2	15.3	:
Non-performing loans ^{5.6}	% of total	21.0	15.5	17.6	18.4	16.8	:	:	16.7	16.5	:	16.4	15.5	:
6 Fiscal developments														
General government balance ^{6.1}	% of GDP	-4.8	-4.9	-5.8	-6.4	-3.0	-4.5	-4.0	-0.6	-6.0	:	:	:	:
General government debt ^{6.2}	% of GDP	40.7	45.5	53.4	57.5	54.8	62.0	65.7	54.1	60.3	:	:	:	:

f: ECFIN forecast Spring 2015

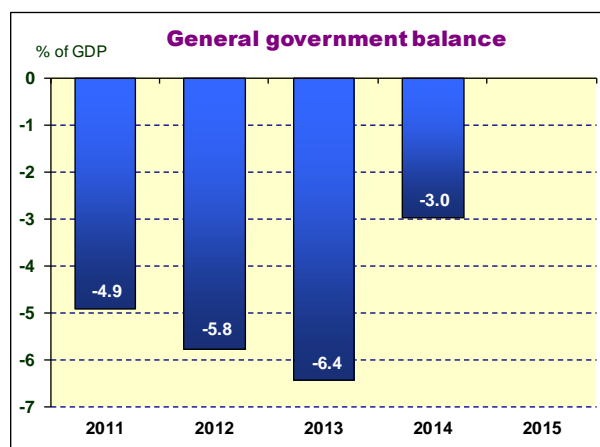
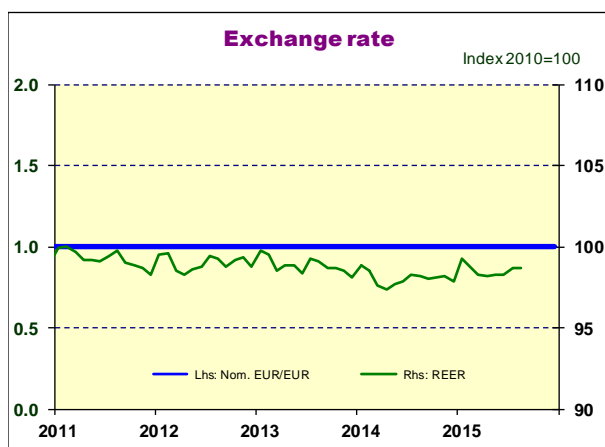
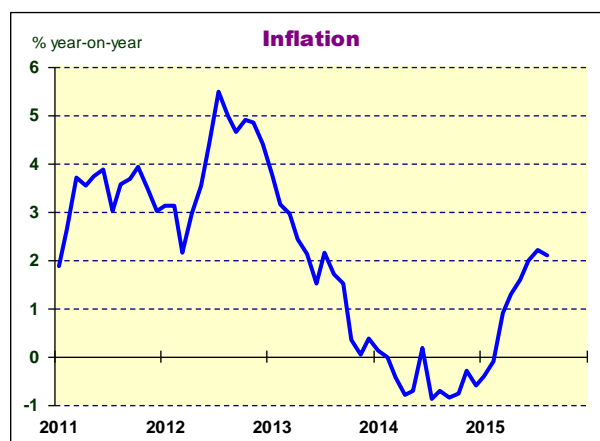
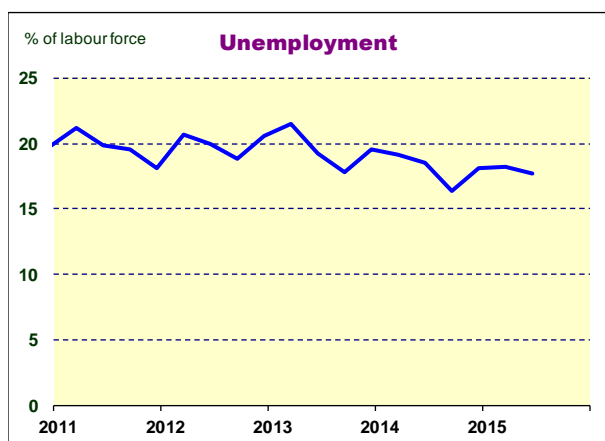
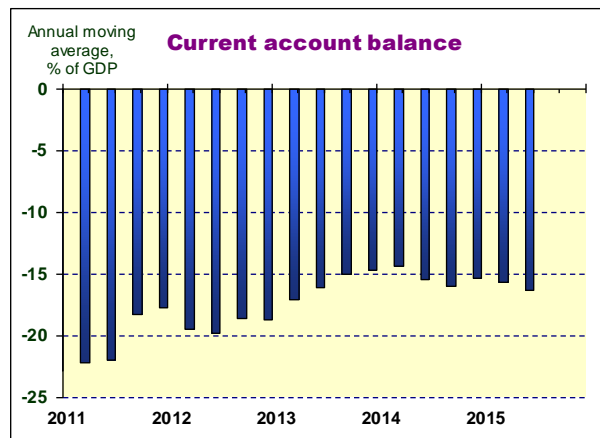
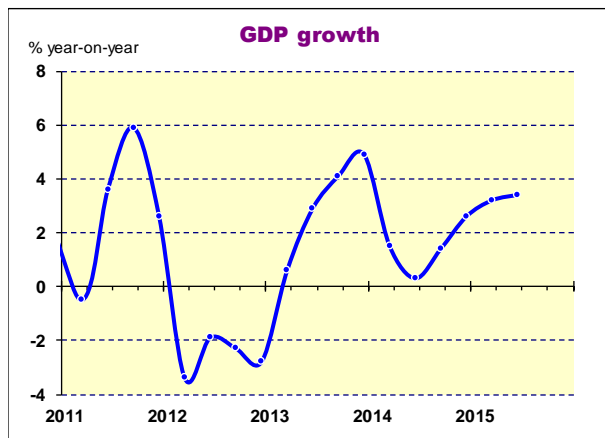
* Q figures refer to a 4 quarters moving average.

CHARTS

European Commission, ECFIN-D-1



MONTENEGRO



SERBIA



Key developments

In end-August, the IMF held discussions with the authorities and reached a staff-level agreement on the set of policies needed to complete the second review under Serbia's precautionary Stand-By Arrangement. The review is expected to be considered by the Executive Board in mid-October, making available a cumulative SDR 421 million. The authorities have indicated that they would not make any purchases and will continue to treat the arrangement as precautionary.

Over the summer months, a large number of refugees, originating mainly from the Middle East, passed through Serbia. According to the authorities, some 170,000 people entered the country since the beginning of the year, most of them in the months of August and September. This has led to the temporary closure for several days, also for trade, of Hungary's and Croatia's borders with Serbia.

Real sector

The economy is slowly emerging from recession, supported by base effects, low international commodity prices, and foreign demand. Real GDP increased by 1.0% y-o-y in the second quarter, driven by strong export and investment performance. Gross fixed capital formation gathered speed, albeit from a low level, accelerating its growth from 4.3% in the first, to 8.6% y-o-y in the second quarter. Exports performed steadily, growing by 8.7% in the same quarter, while imports were subdued, after a flamboyant growth in the beginning of the year. Despite improving labour market indicators, reduced fiscal transfers and falling real wages contributed to a drop in households' consumption by 1.4% y-o-y. The ongoing fiscal consolidation took a toll on public consumption.

The rebound of growth in the second quarter was mostly evident in sectors like mining and quarrying and electricity production, that had suffered from the spring floods a year ago. However, a strong pick-up in construction activity (12.6% y-o-y) and a modest recovery of wholesale and retail trade point at an ongoing, although tepid expansion of economic growth basis. Still, growth in most other sectors, in

particular in agriculture (-9.4% y-o-y), remained in negative territory.

High frequency indicators point at a continuation of good economic performance in the third quarter. Industrial production kept growing at double-digit rates in July (13.0% y-o-y) and August (12.9% y-o-y), still largely driven by energy and mining. In addition, manufacturing grew steadily – by 6.5% y-o-y in August and 5.9% y-o-y in the first eight months of the year and, since April, growth in retail trade turnover has also been positive.

Labour market

The second quarter Labour Force Survey continued to register improving labour market indicators. The unemployment rate fell by 2.4 percentage points y-o-y to 17.9% and both activity and employment rates increased to new highs. Employment gains were particularly pronounced among registered private employment, increasing by close to 220,000 people in comparison to the same quarter of the previous year. About half of these gains, however, came from reclassification, as testified by the reduced number of employees in unregistered private employment and the drop in informal employment from 21.2% to 18.5%. Surprisingly, the public sector added some 32,000 jobs over the same period, despite policies to limit new hiring by the government.

The National Employment Service data also confirm the improving labour market situation, registering a decline in the number of unemployed of 2.6% y-o-y in August and an average drop of 3.5% y-o-y since the beginning of the year. Real wages continued to be influenced by last year's cut in public sector wages and declined by 2.2% y-o-y in the period January-August.

External sector

The growth of exports continued unabated during the summer months. In July and August, monthly exports of goods increased by more than 10% y-o-y in euro terms, outpacing the performance of imports. In the period January-August exports were up by 9.0% y-o-y, while imports grew by 5.9% y-o-y. The good exports

performance was visible in Serbia's trade with most of its partners, in particular with the EU (10.3% y-o-y) and Mediterranean countries (12.9% y-o-y). As a result, since the beginning of the year, the cumulative merchandise trade deficit fell by 2.2% y-o-y in euro terms and by end-August stood at EUR 2.7 billion or 8.2% of the estimated annual GDP. External trade was up across all major headings but energy, which saw strong declines in both exports (-17.3% y-o-y) and imports (-9.5% y-o-y) due to significant price effects.

In the first seven months the cumulative current account deficit shrank by 30.4% y-o-y to EUR 795 million. In annualised terms, it stood at 5.3% of GDP (in the four quarters to June), down from 6% of GDP in 2014. In addition to the better trade in goods performance, a higher surplus in trade in services and workers' remittances pulled the current account deficit down. In the period January-July net FDI went up 6.0% y-o-y, covering more than 110% of the current account deficit. Improved balance of payments flows have supported persistently high central bank foreign exchange reserves which stood at EUR 10.6 billion in August.

Monetary developments

Although inflation accelerated to 2.1% y-o-y in August, pushed by an electricity price increase, it still remained below the central bank tolerance band of $4\pm 1.5\%$. The long period of price moderation, extending now for almost two years, continues to be driven by weak domestic demand, low international prices of primary commodities and exchange rate stability.

The low inflationary environment and a rapidly falling budget deficit in 2015 allowed the central bank to continue cutting its key interest rate in two steps, from 6.0 % in June to 5.0 % in September 2015. In order to support lending activity, in September the central bank has also decided to cut the foreign currency reserve requirement ratio by six percentage points in total by February 2016 – down to 20% for maturities of up to two years and to 13% for longer maturities. Effectively, this ratio will be brought down by one percentage point in six consecutive maintenance periods.

The dinar/euro exchange rate remained stable in the third quarter, although it appreciated mildly in end September, falling below 120 dinars per euro for the first time since March. The central

bank interventions on the forex market were limited and mostly on the purchase side.

Financial sector

The growth of commercial banks' non-monetary deposits decelerated from 8.0% y-o-y in May to 3.9% in August – a development driven mainly by short-term households' foreign currency deposits which shrank by 3.3% y-o-y. However, long-term households' deposits continued to increase strongly by close to 30% y-o-y and total households deposits still registered a positive growth of 4.2% y-o-y. Bank claims on non-government sectors increased by 2.1% y-o-y in August, supported by a steady expansion of claims on households. Company loans, however, accelerated their annual decline to 7.8% y-o-y, still influenced by the expiration of the programme of subsidised lending, in particular in the short-term loans segment. The very good budget performance has significantly reduced government financing needs and banks nominal claims on the government have remained broadly stable since April.

The level of non-performing loans inched up from an already very high level to reach 22.8% in the second quarter, clogging banks' balance sheets. As part of its efforts to address this issue, and in line with the authorities' NPL resolution strategy, the central bank has commissioned an asset quality review, covering most of the banking system.

Fiscal developments

By the end of August, the consolidated budget deficit stood at RSD 44.4 billion or 1.1% of the estimated annual GDP – a third of its level observed in the same period of the previous year and far below the target. Total revenue growth remained robust at 6.8% y-o-y, supported by strong performance of excise duties on tobacco (19.8% y-o-y), VAT on imports (9.3% y-o-y) and, in particular, non-tax revenue (51.1% y-o-y) – largely driven by one-offs from telecom licences, SOEs dividends and receipts from publicly-owned companies. Total expenditure have picked up during the summer months but still declined by 1.8% y-o-y, pulled down by wages (-11.4%) and pensions (-3.5%) spending.

By the end of August, government debt reached RSD 2,866 billion (72.3% of the estimated GDP), increasing by around RSD 113 billion since the beginning of the year.

TABLE

European Commission, ECFIN-D-1



SERBIA

		2010	2011	2012	2013	2014	ECFIN Forecast		Q1 15	Q2 15	Q3 15	Jul 15	Aug 15	Sep 15
							2015	2016						
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	3.1	2.0	-3.4	5.6	-6.1	:	:	-2.0	12.1	:	13.0	12.9	:
Gross domestic product ^{1.3}	Ann. % ch	0.6	1.4	-1.0	2.6	-1.8	-0.1	1.2	-2.0	1.0	:	N.A.	N.A.	N.A.
Private consumption ^{1.4}	Ann. % ch	-0.6	0.9	-2.1	-0.4	-1.3	-1.7	-0.4	-0.5	-1.4	:	N.A.	N.A.	N.A.
Gross fixed capital formation ^{1.5}	Ann. % ch	-6.5	4.6	13.2	-12.0	-2.7	5.8	6.3	4.3	8.6	:	N.A.	N.A.	N.A.
Construction index ^{1.6}	Ann. % ch	13.6	28.6	-14.6	-23.8	26.6	:	:	-4.0	20.1	:	N.A.	N.A.	N.A.
Retail sales ^{1.7}	Ann. % ch	-0.7	-14.6	-3.9	-5.3	2.0	:	:	-0.8	0.9	:	3.4	1.0	:
2 Labour market														
Unemployment ^{2.1}	%	19.2	23.0	23.9	22.1	18.9	19.3	20.3	19.2	17.9	:	N.A.	N.A.	N.A.
Employment ^{2.2}	Ann. % ch	-3.6	-3.1	-1.1	-1.0	-0.8	-0.1	-1.3	6.5	6.6	:	N.A.	N.A.	N.A.
Wages ^{2.3}	Ann. % ch	7.4	11.1	9.0	5.7	1.1	:	:	-0.4	-1.0	:	1.1	-2.3	:
3 External sector														
Exports of goods ^{3.1}	Ann. % ch	24.0	14.0	-0.9	25.5	1.2	:	:	3.6	8.0	:	10.4	11.1	:
Imports of goods ^{3.2}	Ann. % ch	9.8	14.8	1.6	4.7	0.5	:	:	6.7	2.7	:	-3.0	8.3	:
Trade balance* ^{3.3}	% of GDP	-15.4	-16.0	-17.8	-12.1	-12.4	-10.2	-10.0	-13.0	-12.7	:	N.A.	N.A.	N.A.
Exports goods and services ^{3.4}	% of GDP	34.0	34.4	36.3	40.7	43.7	:	:	45.1	46.3	:	N.A.	N.A.	N.A.
Imports goods and services ^{3.5}	% of GDP	-49.3	-49.8	-53.6	-51.9	-54.8	:	:	-56.5	-57.3	:	N.A.	N.A.	N.A.
Current account balance* ^{3.6}	% of GDP	-6.8	-10.9	-11.6	-6.1	-6.0	-3.8	-3.7	-6.2	-5.3	:	N.A.	N.A.	N.A.
Direct investment (FDI, net)* ^{3.7}	% of GDP	-2.9	-5.5	2.2	3.9	3.8	:	:	4.0	3.9	:	N.A.	N.A.	N.A.
International reserves ^{3.8}	mio EUR	10 001.6	12 058.2	10 914.7	11 188.8	9 907.2	:	:	10 515.1	10 292.8	:	10 631.1	10 610.3	:
Int. reserves / months Imp ^{3.9}	Ratio	10.0	10.5	9.3	9.2	8.0	:	:	8.4	8.2	:	8.5	:	:
4 Monetary developments														
CPI ^{4.1}	Ann. % ch	10.2	7.0	12.2	2.2	1.7	2.4	4.1	1.9	1.9	:	1.0	2.1	:
Producer prices ^{4.2}	Ann. % ch	16.2	9.7	6.4	0.8	0.2	:	:	0.7	1.2	:	0.4	-0.2	:
Food prices ^{4.3}	Ann. % ch	10.6	6.4	15.4	-2.5	2.2	:	:	4.7	3.3	:	1.0	2.3	:
M3 ^{4.4}	Ann. % ch	12.9	10.3	9.4	4.6	8.7	:	:	8.5	7.8	:	5.6	4.0	:
Exchange rate RSD/EUR ^{4.5}	Value	102.90	101.96	113.01	113.09	117.25	:	:	121.56	120.44	120.21	120.21	120.22	120.19
Nominal eff. exchange rate ^{4.6}	Index	79.3	81.8	74.1	74.0	68.4	:	:	67.2	67.6	:	67.6	67.7	:
5 Financial indicators														
Interest rate (3 months) ^{5.1}	% p.a.	10.85	12.56	12.50	9.49	7.24	:	:	7.10	6.05	:	4.79	4.40	:
Bond yield (12 months) ^{5.2}	% p.a.	10.60	12.90	13.04	10.67	9.18	:	:	9.20	7.92	:	:	:	6.80
Stock markets ^{5.3}	Index	1 283	1 270	932	1 035	1 215	:	:	1 347	1 435	1 330	1 339	1 340	1 310
Credit growth ^{5.4}	Ann. % ch	32.3	5.5	12.9	-6.5	6.7	:	:	4.3	:	:	:	:	:
Deposit growth ^{5.5}	Ann. % ch	14.4	9.2	10.4	3.3	8.1	:	:	8.2	7.4	:	5.3	3.9	:
Non-performing loans ^{5.6}	% total	16.9	19.0	18.6	21.4	21.5	:	:	22.6	22.8	:	N.A.	N.A.	N.A.
6 Fiscal developments														
General government balance* ^{6.1}	% of GDP	-4.5	-4.7	-6.8	-5.5	-6.7	-4.9	-4.6	-2.4	-1.4	:	N.A.	N.A.	N.A.
General government debt ^{6.2}	% of GDP	40.8	44.2	55.9	58.8	71.0	79.6	83.7	74.2	73.2	:	N.A.	N.A.	N.A.

f: ECFIN forecast Spring 2015

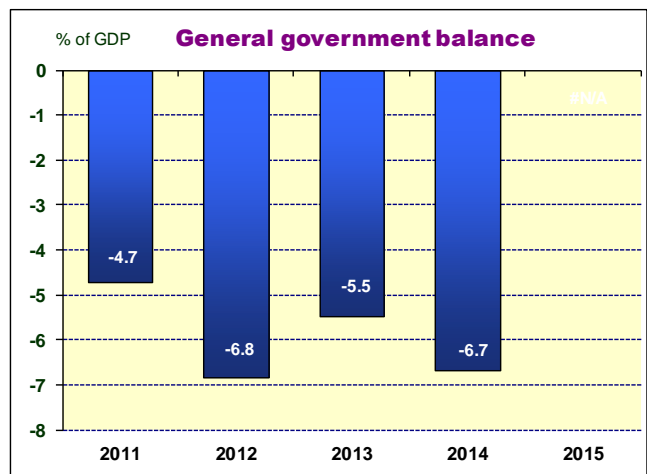
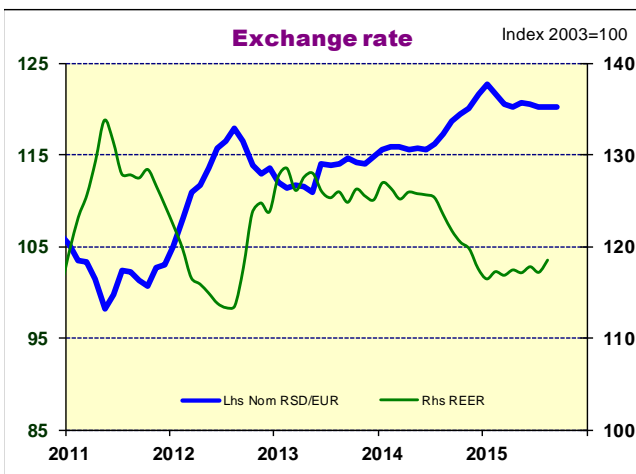
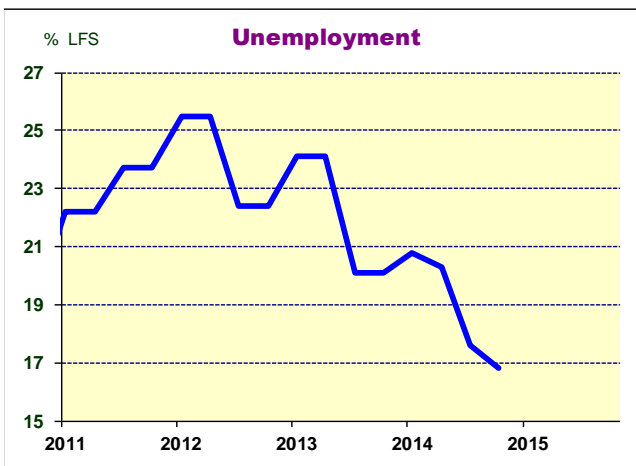
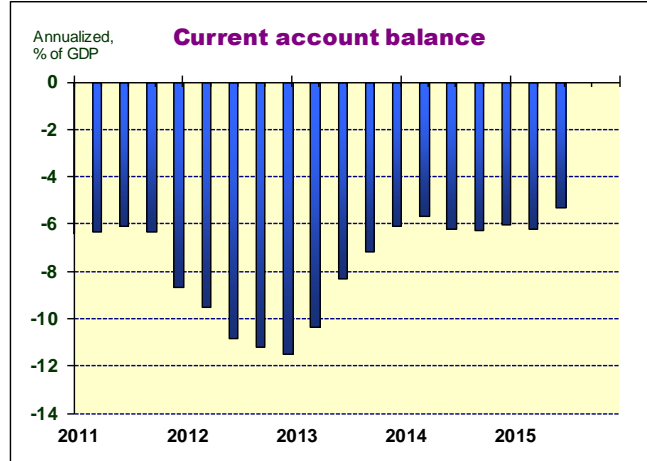
* Q figures refer to a 4 quarters moving average.

CHARTS

European Commission, ECFIN-D-1



SERBIA



TURKEY



Key developments

Following the failure to form a coalition government after the general elections in June, new elections have been called for 1 November. Business and consumer confidence have been driven to long-time lows by the continuation of domestic political uncertainties and the deteriorating security situation in the context of terrorist incidents, renewed clashes with the PKK, and the escalating war in Syria.

The turbulence in global financial markets in July/August hit the Turkish lira and domestic equity and bond markets hard, underlining the economy's vulnerability to shifts in global investor sentiment.

The World Economic Forum has lowered Turkey's ranking in its global competitiveness index by six places to 51st. Almost all factors determining competitiveness were downgraded.

Real Sector

Real GDP growth increased 3.8% year-on-year in the second quarter of 2015. The growth rate for the first quarter has been revised up by 0.2 percentage points to 2.5%. In seasonally adjusted quarter-on-quarter terms, GDP growth declined from 1.5% in the first to 1.3% in the second quarter.

The second quarter saw a consolidation of the shift towards domestic-demand driven growth which had taken place in the preceding two quarters. Consumer spending accelerated to 5.6% year-on-year growth and contributed 3.6 percentage points to GDP growth. There was also a remarkable pick-up in private capital spending (+11.4%) after five consecutive quarters with little or no growth in investment activity. This component contributed 2.3 percentage points to overall growth. While public investment was relatively subdued (+1.0%), public consumption was strong (+7.2%), adding 0.8 percentage points to overall growth. Inventory adjustments, on the other hand, subtracted 1.9 percentage points.

Exports of goods and services (-2.1%) contracted for the second consecutive quarter. Exports to Iraq and Russia, two of Turkey's most important non-EU trading partners, were sharply lower. Imports increased at a relatively modest rate (+1.6%) considering the strength in domestic demand. Overall, net exports subtracted 1.1 percentage points from GDP growth.

In the third quarter, economic confidence indicators fell sharply against the background of the worsening political situation and financial market turbulence. The consumer confidence index dropped from 66.4 in June to 58.5 in September, the lowest level since the recession in 2009. The industrial confidence index fell below the 100-mark line for the first time in almost three years. The available hard data for the third quarter suggest, however, that the economy still mustered some growth. The retail sales volume index was up by 3.6% year-on-year in August, although the monthly change was barely positive between May and August. Industrial production in July and August combined was 3.7% higher year-on-year in calendar-adjusted terms. The capacity utilisation rate in the manufacturing industry was up by 0.8 percentage points year-on-year in the quarter.

Labour market

Employment increased by 0.9% in the second quarter of 2015 on a seasonally adjusted quarterly basis. In year-on-year terms, the number of employed persons was up by 1.9% for the 15-64 age group. In spite of this significant employment growth, the unemployment rate increased by 0.6 percentage points year-on-year to 9.7% for this age group on the back of a 2.5% rise in the labour force. This labour force growth was the combined result of a 0.7 percentage-point rise in the participation rate to 56.4% and a 1.2% increase of the working-age population.

The hourly labour cost index continued to increase at a relatively stable double-digit rate in year-on-year terms (12.8%).

External sector

The 12-month cumulative current account deficit has been relatively stable in recent months, standing at USD 45.0 billion in July. As a percentage of GDP, however, the current account deficit has edged upwards to 6.0% from 5.8% in 2014 due to lira depreciation. The share of the current account deficit financed with net foreign direct investment has increased to a still modest 15.2% for the 12 months to July 2015.

Eurostat data show that Turkey became the EU's fifth largest trading partner (for goods) in the first half of 2015 after the US, China, Switzerland and Russia, but ahead of Norway and Japan. Turkey was the destination for 4.6% of EU goods exports and the origin of 3.5% of EU goods imports.

Gross external debt increased by USD 2.5 billion in the first half of 2015 to USD 405.2 at the end of June. Expressed as a share of GDP, gross external debt increased from 53.3% to 59.3% due to lira depreciation. The central bank's gross foreign exchange reserves have decreased from USD 101.9 billion on 3 July to USD 100.0 billion on 2 October.

Monetary developments

Inflationary pressures strengthened in the third quarter and lifted the year-on-year increase of the CPI from 7.2% in June to 7.9% in September. Food prices re-accelerated and were up by 10.7% year-on-year in September despite improved agricultural production. Inflation was also pushed higher by foreign-exchange passthrough following the recent lira depreciation. Core inflation has risen from 7.5% in June to 7.9% in September. Expectations for CPI inflation 12-months ahead increased from 7.0% in June to 7.25% in September.

The central bank continued to keep the one-week repo rate steady at 7.5% and to describe its monetary policy stance as "cautious". It is widely expected that interest rates will be hiked at the latest when the US Federal Reserve starts to raise its policy rate.

The lira depreciated by 11.7% against the euro and by 11.2% against the US dollar in the third

quarter. Since the beginning of the year, the lira has depreciated by 16.5% and 23.3% against the euro and the dollar, respectively. In real effective terms (CPI-based), the lira has depreciated by 11.8% between September 2014 and September 2015.

Bank lending to the non-financial sector decelerated slightly over the quarter, registering 24.2% year-on-year on 2 October. This was driven by consumer loans which fell back to a year-on-year growth rate of 11.6% from 14.9% in early July.

Financial sector

Concerns about China's slowing economy and the outlook for emerging markets in general weighed heavily on Turkish financial markets during the summer in spite of Turkey's fairly modest trade exposure to China. Stock prices slumped between mid-July and late August and the main stock index of the Borsa Istanbul was 9.8% lower over the quarter. The yield on the benchmark 2-year government note increased by 177 basis points to 11.53% between end-June and end-September.

The banking sector's net profit had been flat in 2014 and was mildly lower (-3.0% year-on-year) in the first eight months of 2015. The sector's capital adequacy ratio declined by 1.5 percentage points year-on-year to 14.8% at the end of August. The share of non-performing loans in total loans has remained stable at 3.0%.

Fiscal developments

The central government's budget has improved in the first eight months of 2015 compared to the same period in 2014. Receipts from income taxes, VAT and consumption taxes increased strongly, resulting in total revenue growth of 13.1%. Expenditures increased slightly less (11.8%). The 12-month rolling budget deficit amounted to 19.3 billion lira at the end of August which corresponds to 1.1% of GDP. This is identical to the 2015 deficit target and less than the budget deficit in 2014 (1.3% of GDP).

General government debt as a share of GDP edged up by 0.2 percentage points over the first half of 2015 to 33.7%. Lira depreciation will have raised the debt ratio more significantly in the third quarter as about one third of public debt is denominated in foreign currency.

TABLE



TURKEY

European Commission, ECFIN-D-1

		2010	2011	2012	2013	2014	ECFIN Forecast		Q1 15	Q2 15	Q3 15	Jul 15	Aug 15	Sep 15
							2015	2016						
1 Real sector														
Industrial confidence ^{1.1}	Balance	110.3	110.5	106.3	108.1	107.1	:	:	103.4	107.3	102.7	105.4	103.7	99.1
Industrial production ^{1.2}	Ann.%ch	12.8	10.1	2.5	3.0	3.6	:	:	1.3	3.7	:	1.5	8.4	:
Gross domestic product ^{1.3}	Ann.%ch	9.2	8.8	2.1	4.2	2.9	3.2	3.7	2.5	3.8	:	N.A.	N.A.	N.A.
Private consumption ^{1.4}	Ann.%ch	6.7	7.7	-0.5	5.1	1.3	2.9	3.9	4.6	5.6	:	N.A.	N.A.	N.A.
Gross fixed capital formation ^{1.5}	Ann.%ch	30.5	18.0	-2.7	4.4	-1.3	2.3	3.5	0.4	9.7	:	N.A.	N.A.	N.A.
Construction index ^{1.6}	Ann.%ch	77.4	-16.2	34.9	16.3	38.2	:	:	-36.6	-7.5	:	N.A.	N.A.	N.A.
Retail sales ^{1.7}	Ann.%ch	N.A.	8.9	5.2	4.1	3.9	:	:	3.3	4.0	:	7.1	3.6	:
2 Labour market														
Unemployment ^{2.1}	%	10.9	9.0	8.3	8.9	10.1	10.6	10.5	11.3	9.7	:	:	:	:
Employment ^{2.2}	Ann.%ch	6.3	6.6	3.1	2.8	1.6	2.5	3.1	2.3	1.9	:	:	:	:
Wages ^{2.3}	Ann.%ch	11.8	9.7	11.5	12.4	14.2	9.2	9.4	14.0	15.0	:	:	:	:
3 External sector														
Exports of goods ^{3.1}	Ann.%ch	11.5	18.5	13.0	-0.4	3.8	:	:	-7.7	-8.8	:	-16.5	-2.8	:
Imports of goods ^{3.2}	Ann.%ch	31.7	29.8	-1.8	6.4	-3.8	:	:	-9.0	-12.7	:	-8.7	-18.2	:
Trade balance* ^{3.3}	%of GDP	-7.7	-11.5	-8.3	-9.7	-8.0	-6.3	-6.5	-7.9	-7.6	:	N.A.	N.A.	N.A.
Exports goods and services ^{3.4}	%of GDP	21.2	24.0	26.3	25.6	27.7	:	:	27.3	27.4	:	N.A.	N.A.	N.A.
Imports goods and services ^{3.5}	%of GDP	26.8	32.6	31.5	32.2	32.2	:	:	31.7	31.6	:	N.A.	N.A.	N.A.
Current account balance* ^{3.6}	%of GDP	-6.2	-9.7	-6.1	-7.8	-5.8	-4.4	-5.0	-5.8	-5.8	:	N.A.	N.A.	N.A.
Direct investment (FDI, net)* ^{3.7}	%of GDP	1.2	2.1	1.7	1.5	1.6	:	:	1.5	1.6	:	N.A.	N.A.	N.A.
International reserves ^{3.8}	bio EUR	83.2	83.9	104.8	107.9	115.0	:	:	127.5	124.1	:	128.2	:	:
Int. reserves / months Imp ^{3.9}	Ratio	7.1	5.8	6.8	6.8	7.6	:	:	8.2	7.8	:	8.0	:	:
4 Monetary developments														
CPI ^{4.1}	Ann.%ch	8.6	6.5	8.9	7.5	8.9	7.0	7.3	7.5	7.7	7.3	6.8	7.1	7.9
Producer prices ^{4.2}	Ann.%ch	8.5	11.1	6.1	4.5	10.2	:	:	3.3	6.0	6.3	5.6	6.2	6.9
Food prices ^{4.3}	Ann.%ch	10.6	6.2	8.4	9.1	12.6	:	:	12.9	12.2	9.9	9.3	9.7	10.7
M4 ^{4.4}	Ann.%ch	15.2	19.6	8.6	19.1	16.2	:	:	13.6	18.8	:	18.2	22.0	:
Exchange rate TRY/EUR ^{4.5}	Value	1.99	2.33	2.31	2.53	2.91	:	:	2.77	2.95	3.17	2.97	3.17	3.38
Nominal eff. exchange rate ^{4.6}	Index	100.00	85.99	84.19	78.86	69.36	:	:	70.23	64.78	:	64.76	61.46	:
5 Financial indicators														
Interest rate (3 months) ^{5.1}	%p.a.	7.19	8.34	8.44	6.60	9.84	:	:	9.28	10.50	11.11	10.82	11.08	11.42
Interest rate, long term ^{5.2}	%p.a.	14.99	14.19	16.03	15.31	:	:	:	:	:	:	:	:	:
Stock markets ^{5.3}	Index	59 484	60 751	63 731	77 977	75 190	:	:	85 054	83 272	76 859	80 861	76 254	73 462
Credit growth ^{5.4}	Ann.%ch	40.8	35.2	18.6	33.4	19.4	:	:	21.4	26.2	27.1	26.3	26.7	27.1
Deposit growth ^{5.5}	Ann.%ch	16.6	20.3	10.8	20.4	18.1	:	:	12.4	19.2	21.9	20.2	21.8	23.6
Non-performing loans ^{5.6}	%total	5.4	3.4	3.0	3.0	3.0	:	:	3.0	3.0	3.0	3.0	3.0	3.0
6 Fiscal developments														
General government balance ^{6.1}	%of GDP	-2.9	-0.8	-0.3	-1.6	-1.5	-1.4	-1.3	-0.5	0.6	:	N.A.	N.A.	N.A.
General government debt ^{6.2}	%of GDP	42.3	39.1	36.2	36.3	33.5f	31.7	30.4	:	:	:	N.A.	N.A.	N.A.

f: ECFIN forecast Spring 2015

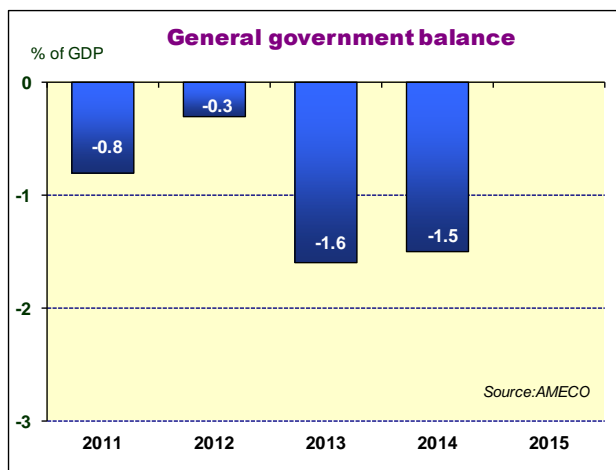
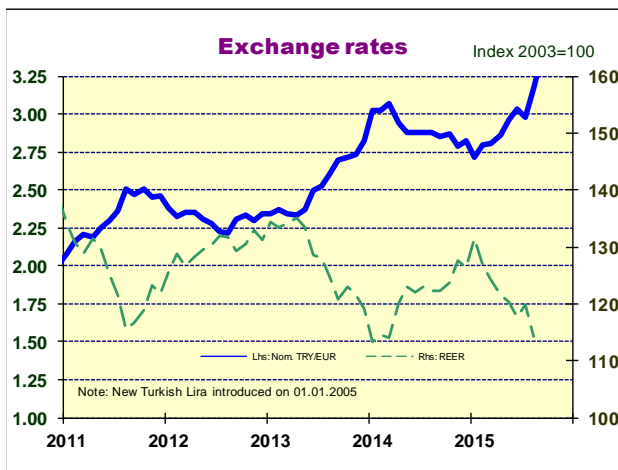
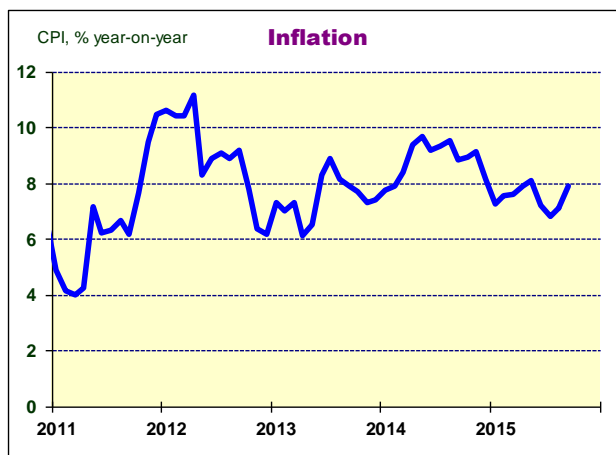
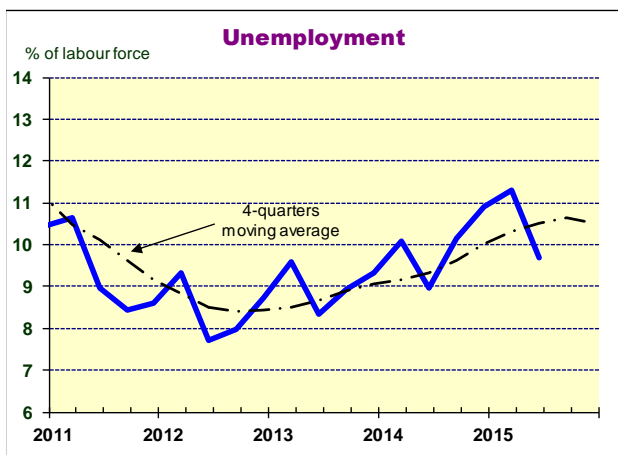
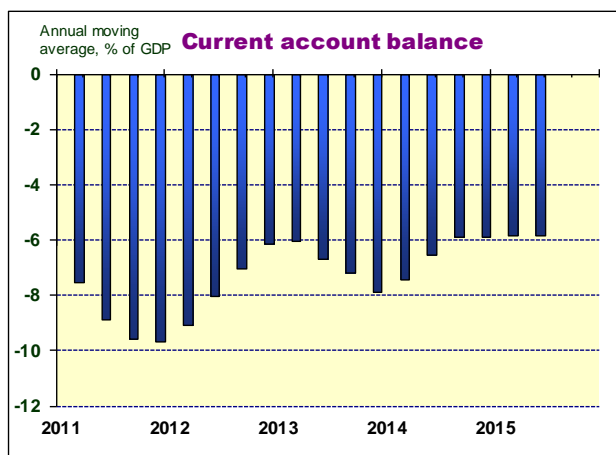
* Q figures refer to a 4 quarters moving average.

CHARTS



European Commission, ECFIN-D-1

TURKEY



BOSNIA AND HERZEGOVINA



Key developments

On 4 September, Standard and Poor's confirmed its rating of Bosnia and Herzegovina of B with a stable outlook, referring to the country's fragile and complex institutions, weak fiscal management and a vulnerable external position.

In mid-September, the Republika Srpska adopted a law on fiscal responsibility, including establishment of an independent Fiscal Council and a fiscal rule limiting government expenditures and deficits.

The Stand-by Arrangement with the IMF expired at end-June. Discussions on a successor programme are on-going. According to the Fund, a new programme would be conditional, inter alia, on measures to improve the operation of the labour market, increase tax collection and improve the business environment.

Real sector

The economy continued to recover during the second quarter. Gross value added was 4.4% higher in real terms than a year before. However due to a base effect, second quarter growth rates tend to appear stronger than the actual underlying economic dynamics. Like in the first quarter, economic activity was largely driven by a strong increase in retail trade and repair, increasing by 8.1% y-o-y, and contributing about one third to the quarter's output growth. In contrast to the first quarter, growth has started to be broader based, with important contributions from manufacturing (+6% y-o-y and a growth contribution of 0.7 percentage points). Furthermore, for the first time after 4 weak quarters, agriculture and mining registered positive growth rates, 4.8 % y-o-y and 13.6% y-o-y, respectively.

The pattern of strengthening economic activity is confirmed by high-frequency indicators for the third quarter, such as country-wide industrial production. It expanded by 2.4% and 8.0% y-o-y in July and August, respectively. During the first eight months of the year, total industrial production was 3.3% higher than in the same period the year before. In 2014, industrial output had contracted by 0.3%.

Labour market

Unemployment remains very high, although the increased economic activity led to a rise in registered employment, by 1.8% in July and 1.4% on average during the first seven months of the year. Main contributors to employment growth were the sector of wholesale, retail and repair (+1.4% yoy and contributing 0.3 percentage points to employment growth in July) and manufacturing, with employment growth of 2.2% yoy and contributing 0.4 percentage points to total employment growth. Employment in the public sector continued to post a minor growth as well. On the other hand, employment in the financial services and the construction sector took a hit. In the first seven months of 2015, the average registered unemployment rate declined to 43.4%, compared 44.6% the year before.

The difficult labour market situation is also reflected in a low wage dynamics. Gross nominal wages have been declining during most of 2014, but registered a minor increase by 0.4% in the second quarter of 2015. In July, nominal gross wages were 0.2% higher than a year before.

External sector

The current account deficit widened again in the second quarter, increasing from 5.8% of GDP in the first quarter to 7.8% of GDP. A key factor was stronger growth of imports, increasing by 11.4% compared to the previous quarter, while exports rose by 4.4% q-o-q only. However, when comparing the situation in the first half of this year with the situation a year before, the trade deficit is slightly lower, mainly as a result of somewhat lower imports this year, at around 6.8% of GDP, compared to 7.8% a year before. Merchandise exports expanded by 4.9% y-o-y in the first eight months of 2015, mainly driven by stronger sales abroad of the food and textile industries. Imports of goods during the first eight months were slightly lower than a year before (-0.2% y-o-y). Accordingly, the trade deficit narrowed by some 6.3% y-o-y. Service exports were some 10% higher in the second quarter than the quarter before, leading to an increase in the surplus of service balance, from 6% of GDP in the first quarter to 7% in the second quarter. A year before, the surplus in services still had accounted for 6.5% of GDP. Secondary income, including workers

remittances, remained on a similar level as the quarter before, at some 12.5% of GDP. However, a year before, the surplus in secondary income still had accounted for 14% of GDP.

As a result, in the second quarter, the current account deficit was slightly higher compared to the quarter before, but largely unchanged when compared to a year before. In terms of GDP, in the four quarters to June, the deficit remained at 7.1% of GDP.

On the financing side, net FDI inflows rose to 3.7% of GDP in the second quarter, bringing average net FDI inflows in the last 4 quarters to June to 2.6% of GDP.

Foreign reserves remained largely unchanged in the first two quarters of the year, but registered an increase in July and August. However, due to the recent increase in imports, the import coverage of foreign exchange reserves dropped from 6.4 months of imports at end-June to a still comfortable level of 6.1 months by end August.

Monetary developments

The overall price level continued to decline. In the first eight months of 2015, the overall level of consumer prices was 0.6% lower than in the same period a year before. However, the decline in the index was mainly driven by a limited number of commodity groups, such as clothing and footwear, and transport, while prices for housing and education rose by 1.2% and 2.1%, respectively.

On the back of the steady growth of deposits, the liquidity conditions have remained rather accommodative and the annual growth of the monetary aggregate M2 rose by 8.4% in the second quarter, compared to 7.1% in the first quarter. In July, the increase in M2 remained strong, at 8.3% y-o-y.

Financial sector

In spite of the stronger economic growth in the first half of 2015, credit growth has remained at some 2% y-o-y. In August, commercial banks' claims to corporates were 2% lower than a year before, while lending to the household sector increased by 5% y-o-y. The strong increase in bank lending to the public sector came to an end in mid-2015, with credit growth slowing down to some 5% y-o-y. The share of corporate loans in total loans dropped from 44.5% in August 2014 to 42.6% in August 2015, while the shares of loans to households increased from 44% to 45.2% and the share of loans to the public sector

rose from 5.8% to 5.9% of total loans. The level of short-term interest rates on consumer and corporate loans registered a moderate downward trend, reaching in August rates slightly below 7%.

Total deposits increased by 5.2% in the first eight months of the year, driven by a robust increase in both the household and the corporate sectors. On the back of the parallel low dynamics of credit growth, the downward adjustment of the loans-to-deposit ratio continued at a faster pace falling to 107% as of end-August.

The share of non-performing loans in total loans has decreased slightly to 14.1% in the second quarter. At the same time, the credit risks have been mitigated through an increase of loan-loss provisioning to 70.5%. Banking sector profitability remained in positive territory, but the return on average equity almost halved to 2.3%, while the return on average assets remained broadly unchanged at 0.4%. The system's overall capital adequacy ratio remained at the comfortable level of 16.2%, decreasing slightly from 16.3% as of end-December. However, there are significant differences among the various institutions.

Fiscal developments

On the back of reconstruction activities related to the spring floods, fiscal imbalances widened in 2014. On a positive note, however, revenues from taxes took only a mild hit and still increased by 2.5% y-o-y despite a slowdown of economic activity. Overall, fiscal revenues increased by 4% y-o-y. But total expenditures also rose stronger than planned, mainly in the category of social benefits. The fiscal deficit of the general government is projected to have increased to 2.1% of GDP, which is somewhat above the initially announced target (1.8% of GDP).

The fiscal performance in the first quarter of 2015 has been marked by higher than budgeted revenues, increasing by some 4% y-o-y. This was, however, coupled with a slight rise of current spending (e.g. on wages). On a positive note, capital spending soared by some 10.7%, but from a very low base. Overall, the budget recorded a small deficit, amounting to 0.4% of the full-year GDP. The 2015 budget foresees a deficit target of 5.5% of GDP.

In the second quarter of 2015, public foreign debt declined slightly and reached some 30% of GDP. Foreign debt servicing has been on the rise recently and came to nearly 3% of GDP.

TABLE

European Commission, ECFIN-D-1



BOSNIA AND HERZEGOVINA

		2010	2011	2012	2013	2014	Q1 15	Q2 15	Q3 15	Jul 15	Aug 15	Sep 15
1 Real sector												
Industrial confidence ^{1.1}	Balance	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Industrial production ^{1.2}	Ann. %ch	1.6	5.9	-5.3	6.6	-0.3	0.1	5.4	N.A.	2.4	8.0	:
Gross domestic product ^{1.3}	Ann. %ch	0.8	0.9	-0.9	2.4	1.4	2.3	4.4	:	N.A.	N.A.	N.A.
Private consumption ^{1.4}	Ann. %ch	0.9	1.6	2.2	2.6	3.0	:	:	:	N.A.	N.A.	N.A.
Gross fixed capital formation ^{1.5}	Ann. %ch	-12.2	6.8	6.3	-2.4	9.5	:	:	:	N.A.	N.A.	N.A.
Construction index ^{1.6}	Ann. %ch	29.4	-24.4	1.3	-25.8	22.2	-28.3	-39.1	:	N.A.	N.A.	N.A.
Retail sales ^{1.7}	Ann. %ch	8.2	11.2	1.6	4.6	1.8	7.2	11.1	:	8.6	7.4	:
2 Labour market												
Unemployment ^{2.1}	%	42.7	43.8	45.9	44.5	43.6	43.6	43.0	:	43.2	:	:
Employment ^{2.2}	Ann. %ch	1.9	-1.6	-0.4	0.6	2.7	1.0	2.0	:	1.8	:	:
Wages ^{2.3}	Ann. %ch	1.1	4.4	1.5	0.1	-0.1	-0.5	0.4	:	0.2	:	:
3 External sector												
Exports of goods ^{3.1}	Ann. %ch	33.5	20.2	-1.8	8.1	11.4	8.0	3.8	:	2.4	11.6	:
Imports of goods ^{3.2}	Ann. %ch	8.3	13.2	0.0	-1.5	9.2	-0.5	0.7	:	4.3	-6.7	:
Trade balance* ^{3.3}	%of GDP	-30.8	-32.7	-33.0	-30.1	-31.8	-29.0	-28.6	:	N.A.	N.A.	N.A.
Exports goods and services ^{3.4}	%of GDP	27.0	28.8	28.3	29.1	31.0	34.0	34.1	:	N.A.	N.A.	N.A.
Imports goods and services ^{3.5}	%of GDP	50.2	54.4	54.5	52.5	56.2	56.6	56.1	:	N.A.	N.A.	N.A.
Current account balance* ^{3.6}	%of GDP	-6.0	-9.5	-8.7	-5.7	-7.6	-7.1	-7.1	:	N.A.	N.A.	N.A.
Direct investment (FDI, net)* ^{3.7}	%of GDP	2.1	2.6	1.9	1.6	3.0	2.5	2.6	:	N.A.	N.A.	N.A.
International reserves ^{3.8}	mio EUR	3 301.8	3 284.3	3 327.8	3 614.0	4 001.2	3 986.4	4 045.5	:	4 197.1	:	:
Int. reserves / months Imp ^{3.9}	Ratio	5.7	5.0	5.1	5.6	5.8	6.4	6.4	:	6.1	:	:
4 Monetary developments												
CPI ^{4.1}	Ann. %ch	2.1	3.7	2.0	-0.1	-0.9	-0.5	-0.5	:	-1.1	-1.1	:
Producer prices ^{4.2}	Ann. %ch	0.9	3.8	1.3	-2.2	-0.2	-0.6	-0.2	:	0.1	-0.1	:
Food prices ^{4.3}	Ann. %ch	-0.7	6.0	1.8	0.0	-2.7	0.4	-0.3	:	-2.1	-1.5	N.A.
M2 ^{4.4}	Ann. %ch	7.8	5.6	4.6	5.7	7.5	7.1	8.4	:	8.3	:	:
Exchange rate BAMEUR ^{4.5}	Value	1.96	1.96	1.96	1.96	1.96	1.96	1.96	:	1.96	1.96	:
Nominal eff. exchange rate ^{4.6}	Index	103.7	104.60	105.50	102.76	105.43	107.41	105.23	:	106.01	:	:
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	931	979	737	770	707	707	710	697	693	706	693
Credit growth ^{5.4}	Ann. %ch	-0.9	5.6	5.2	2.5	3.6	1.8	2.1	N.A.	2.1	N.A.	N.A.
Deposit growth ^{5.5}	Ann. %ch	4.7	2.6	2.6	5.1	8.4	5.4	6.6	N.A.	5.1	N.A.	N.A.
Non performing loans ^{5.6}	%total	9.1	12.0	12.7	14.5	15.2	14.2	14.1	:	N.A.	N.A.	N.A.
6 Fiscal developments												
General government balance ^{6.1}	%of GDP	-2.4	-1.2	-2.0	-2.1	-2.0	1.6	:	:	N.A.	N.A.	N.A.
General government debt* ^{6.2}	%of GDP	39.3	40.5	45.1	42.5	30.1	31.3	30.2	:	N.A.	N.A.	N.A.

* Q figures refer to a 4 quarters moving average.

** Refers only to foreign public debt.

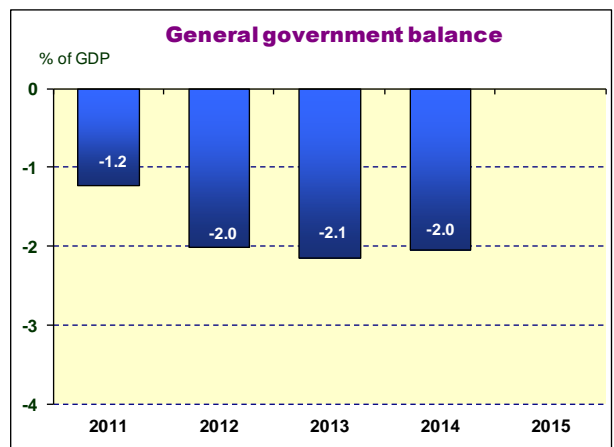
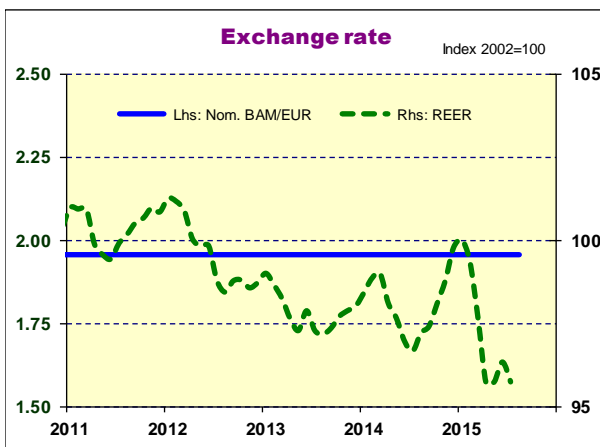
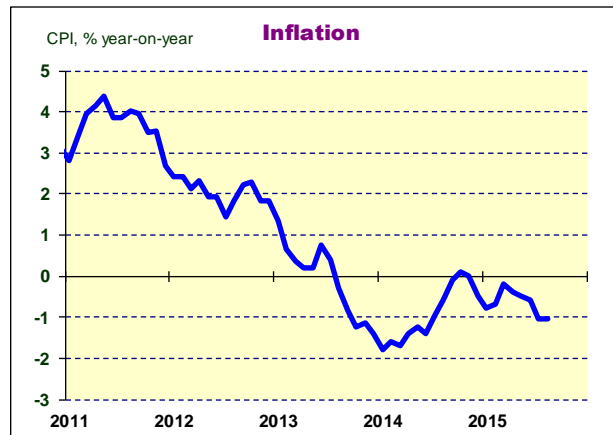
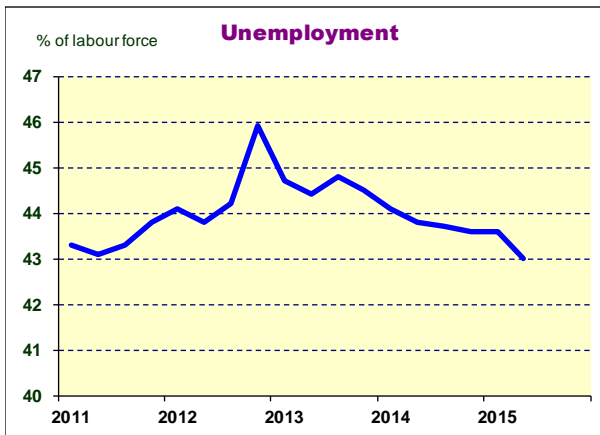
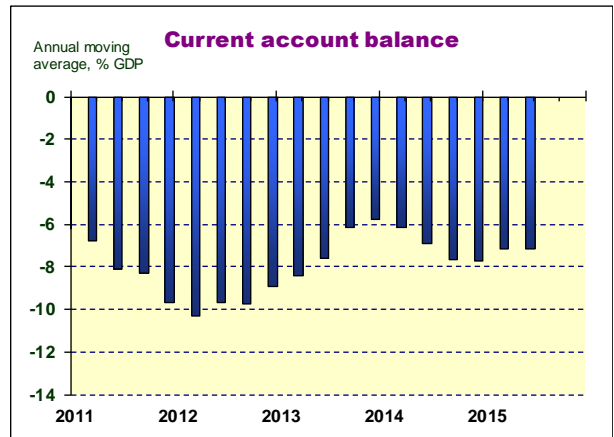
*** 2015-2017 Economic Reform Programme of Bosnia and Herzegovina.

CHARTS



European Commission, ECFIN-D-1

BOSNIA AND HERZEGOVINA



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

Key developments

On 29 July, the IMF board approved a new 22 month stand-by arrangement worth up to 184 million EUR (250% of the quota), with the immediate disbursement of 35 million EUR. The programme is set to preserve low fiscal deficits in line with the 2% deficit rule and debt by containing current spending on wages and good and services, thereby creating fiscal space for growth-enhancing public investments. Funds from the program will mainly be used to refinance 110 million EUR of existing IMF loans coming due in 2016 and 2017, and to increase government deposits to the threshold implied by the existing fiscal rule (4.5% of GDP).

The IMF program foresees adoption of an amendment to the Law on Public Financial Management, the purpose of which would be to specify rules of public wage adjustment mechanism, to avoid further repetition of ad-hoc pre-election wage hikes. Additionally the program foresees an amendment to the fiscal rule which would allow for IFI funded capital projects to be excluded from the headline deficit calculations, pursuant to debt level conditions.

Real sector

In the first quarter of 2015, Kosovo's real GDP growth decelerated to 0.2% y/y, following a 3.3% y/y increase in Q4 2014. On the production side, gross value added contracted by 1.1% y/y driven by declines in public administration, construction and energy production. A substantial rise in wholesale and retail trade (26.2% y/y) provided the largest positive contribution. Consistent with rising retail trade volumes, the expenditure side shows growth in household final consumption (2.6%) and imports (5.3). The final government consumption declined by 8.7%. Exports of goods and services rose by 14.9% y/y offsetting the negative contribution of imports growth.

Industrial turnover in Kosovo dropped 7.7%¹ in

¹ Composite index not officially published by the Statistics Office was estimated from its components

Q2 2015 compared to a year ago. Unlike in Q1 when a sharp reduction in mining and quarrying influenced contraction of overall industrial production, in Q2 mining slightly recovered but a sharp 11.3% reduction in manufacturing further deepened the overall drop.

Labour market

According to the 2014 Labour Force Survey, Kosovo's unemployment rate rose to 35.3% in 2014, from 30% a year earlier. The overall employment rate fell to 26.9% in 2014, from 28.4% in 2013, while the inactivity rate stood, highest in Europe, at 58.4% at end-2014. The youth jobless rate (15-24) increased to 61%, from 55.9% in 2013, with youth representing 28.5% of unemployed in Kosovo in 2014. Despite continuous economic growth since independence Kosovo was unable to alleviate pressures on the labour market.

External sector

Balance of payments 2015 H1 data show a widening of the current account deficit (-3.9% of GDP compared to -3.6% in 2014), a result of underperforming government transfers and lower net income flows. Growing net remittances (5.4% of GDP) helped offset a stubbornly high goods and services trade deficit (14.1% of GDP). On the financing side, net FDI rebounded (2.6% of GDP compared to 0.7% a year ago).

In the first eight months of 2015 exports of goods rose by 8.8% y/y driven primarily by a 14.5% increase in base metal exports. Other exports generally underperformed compared to the same period in 2014 although some import substitution is seen in agriculture and processed foods products. At the same time imports rose by 4.3% y/y driven by 7.9% and 11.7% rise in manufactured goods, and machinery and transport equipment respectively. The trade deficit reached EUR 1.464 million by August, an increase 3.6% compared to the same period in 2014.

The external debt position in Kosovo remains stable. Gross external debt stood at a relatively low level of 30.4% of GDP in Q1 2015. The

short term component is fully covered by central bank reserves, providing further cushion against shocks.

Monetary developments

Being dependent on price developments in the main trading partners, namely the EU, Kosovo's economy entered a deflationary period at the end of 2014. Underpinned by stagnating import prices -0.1% in Q2 2015, consumer prices continued on a downward trajectory by August (-0.6% y/y). However, the swing into deflation can be attributed to few declining price index components, mainly transport and education, while others are still recording positive albeit declining inflation. Food prices have been increasing by 0.8% y/y on average by May 2015. Housing utilities prices increased by 4.4% y/y on average throughout 2015 owing to electricity price increases towards the end of 2014. Utility prices are expected to stabilise in the second half of 2015 with price increase effects dissipating and the application of the new lower 8% VAT rate as of September 2015. Producer prices have been increasing by 3.9% on average in H1 of 2015; however this development was solely a product of double digit rise in costs of electricity, due to the explosion in Kosovo B power plant in June last year. Similar developments are observed in the breakdown of construction costs index.

Financial sector

In the first eight months of 2015 total loans and lease financing rose by 7.4% y/y. Total deposits in commercial banks continued to grow steadily (5.7% y/y). Thus, the loans to deposit ratio remained stable at 74.7 indicating a stable liquidity position and substantial room for stronger banking activity.

Interest rate spread decreased throughout 2015 reaching 6.9% in August, compared to 8.13 in December 2014. Both the reduction in the average loans interest rate and slight pickup in the deposits rate contributed to the narrowing of the spread. In August the effective interest rate on deposits and loans stood at 1.02%, and 7.9%, respectively.

The risk profile of the banking sector remained satisfactory in August. The ratio of liquid assets and short-term liabilities stood at 45.3%, while capital adequacy ratio was 19.3, far above the regulatory requirement of 12%. NPLs remain low compared to the regional peers at 7.5%, but rose from 7.1% in July. NPLs are still fully

covered by loan loss provisions (115.6%).

Improved profitability continued with banking profits rising 46.8% y/y by August. Declining interest rates depressed interest income as well as expenditures. However, a rise in non-interest income and a substantial drop in loan loss provisioning increased profitability of the banking sector.

Fiscal developments

The Kosovo assembly adopted a 2015 budget revision in July, reducing both expected revenue and expenditure by around 50 million EUR (0.9% of GDP). While revenue adjustment was necessary to compensate for overestimated revenue projections in the initial budget, savings on the expenditure side were found without affecting the capital investment budget. Overall, the planned deficit was kept unchanged at 2% of GDP, in line with the deficit neutrality rule for mid-term budget reviews.

In the first seven months of 2015 revenues rose by 9.5% y/y, substantially lower than the 14.1% increase of the revised budget. Revenue growth drivers were the VAT and corporate tax. The 10.8% rise in collected VAT is probably due to collection of some unpaid VAT from 2014, while the 20% rise in corporate tax can be attributed to stronger economic performance in 2015. Border taxes, as the largest single revenue contributor, grew by 7.4% thanks to successful reforms in the customs administration, directed at better goods evaluation and fighting smuggling. Total spending in the first seven months of 2015 grew by 4.3% on the account of the rising current expenditure. Capital investment and goods and services spending contracted by 11.9% and 9.1%, respectively, while spending on wages and transfers rose by 10% and 17.1% respectively. Overall, the budget recorded a EUR 6 million surplus in the first seven months of 2015.

Given underperformance of revenues compared to the revised budget plan, reaching revenue targets in 2015 will be challenging despite VAT and excise increases valid from September, and projected one-off revenues from telecom market liberalisation and debt-repayment. The risk remains that in order to keep the deficit under 2% of GDP fiscal rule, last minute savings will be sought among capital investments.

Public debt stood at relatively low 11.4% of GDP in June 2015.

TABLE

European Commission, ECFIN-D-1

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		2010	2011	2012	2013	2014	Q1 15	Q2 15	Q3 15	Jul 15	Aug 15	Sep 15
1 Real sector												
Industrial confidence ^{1.1}	Balance	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Industrial production ^{1.2}	Ann. % ch	N.A.	N.A.	N.A.	3.2	0.2	-3.1	-7.7	N.A.	N.A.	N.A.	N.A.
Gross domestic product ^{1.3}	Ann. % ch	3.3	4.4	2.8	3.4	0.9	0.2	:	:	:	:	:
Private consumption ^{1.4}	Ann. % ch	3.5	3.5	2.9	2.0	1.3	2.6	:	:	:	:	:
Investment ^{1.5}	Ann. % ch	10.9	7.8	-12.9	-0.3	1.5	-2.5	:	:	:	:	:
Construction index ^{1.6}	Ann. % ch	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Retail sales ^{1.7}	Ann. % ch	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
2 Labour market												
Unemployment ^{2.1}	%	:	44.8	30.9	30.0	35.3	:	:	:	:	:	:
Employment ^{2.2}	Ann. % ch	:	:	:	1.4	-4.4	:	:	:	:	:	:
Wages ^{2.3}	Ann. % ch	-13.1	-1.3	-3.0	-5.5	:	:	:	:	:	:	:
3 External sector												
Exports of goods ^{3.1}	Ann. % ch	79.0	7.8	-13.5	6.4	10.5	15.7	13.5	:	7.6	-14.4	:
Imports of goods ^{3.2}	Ann. % ch	11.5	10.4	5.3	-2.3	3.6	1.7	7.6	:	3.5	1.5	:
Trade balance** ^{3.3}	% of GDP	-42.3	-42.8	-44.1	-40.5	-39.7	-7.4	-10.8	:	-3.7	-3.8	N.A.
Exports goods and services** ^{3.4}	% of GDP	19.9	19.6	18.2	17.4	19.7	3.8	4.6	:	2.9	N.A.	N.A.
Imports goods and services** ^{3.5}	% of GDP	55.5	56.8	52.4	49.0	50.8	9.5	13.0	:	5.0	N.A.	N.A.
Current account balance** ^{3.6}	% of GDP	-11.7	-13.7	-7.5	-6.4	-7.9	-0.6	-3.3	:	0.1	N.A.	N.A.
Direct investment (FDI, net)** ^{3.7}	% of GDP	8.4	8.0	4.5	5.3	2.7	1.3	1.4	:	0.5	N.A.	N.A.
International reserves ^{3.8}	mio EUR	1 246.9	1 234.6	1 469.1	1 610.0	1 368.1	1 391.5	1 394.0	:	1 473.3	1 502.8	:
Int. reserves / months Imp ^{3.9}	Ratio	6.9	6.2	7.0	7.9	6.5	6.6	6.4	:	6.8	6.9	:
4 Monetary developments												
CPI ^{4.1}	Ann. % ch	3.5	7.3	2.5	1.8	0.4	-0.4	-0.4	:	-0.7	-0.6	:
Producer prices ^{4.2}	Ann. % ch	4.1	4.5	1.9	2.4	1.6	3.6	4.2	:	N.A.	N.A.	N.A.
Food prices ^{4.3}	Ann. % ch	4.8	12.4	1.0	2.1	-0.2	1.5	0.7	:	-0.1	-0.3	:
Broad money liabilities ^{4.4}	Ann. % ch	12.9	8.8	7.1	17.3	-4.2	-4.7	-2.3	:	0.3	1.4	:
Exchange rate EUR/EUR ^{4.5}	Value	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Real eff. exchange rate (CPI) ^{4.6}	Index	104.8	105.8	106.6	107.2	106.0	105.1	104.1	:	104.19	:	:
5 Financial indicators												
Interest rate (3-12 months) ^{5.1}	% p.a.	18.24	18.13	16.30	14.52	10.74	9.30	7.95	:	8.06	7.95	:
Bond yield ^{5.2}	% p.a.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Stock markets ^{5.3}	Index	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Credit growth ^{5.4}	Ann. % ch	10.1	15.4	8.9	3.0	2.9	4.3	6.1	:	6.8	7.4	:
Deposit growth ^{5.5}	Ann. % ch	14.8	12.2	8.0	6.6	7.2	5.9	6.3	:	5.7	5.7	:
Non-performing loans ^{5.6}	% total	5.9	5.7	7.5	8.7	8.3	8.1	7.2	:	7.1	7.5	:
6 Fiscal developments												
General government balance** ^{6.1}	% of GDP	-2.6	-1.7	-2.6	-3.1	-2.2	:	:	:	N.A.	N.A.	N.A.
General government debt ^{6.2}	% of GDP	5.9	5.3	8.1	8.9	10.6	10.9	11.4	:	N.A.	N.A.	N.A.

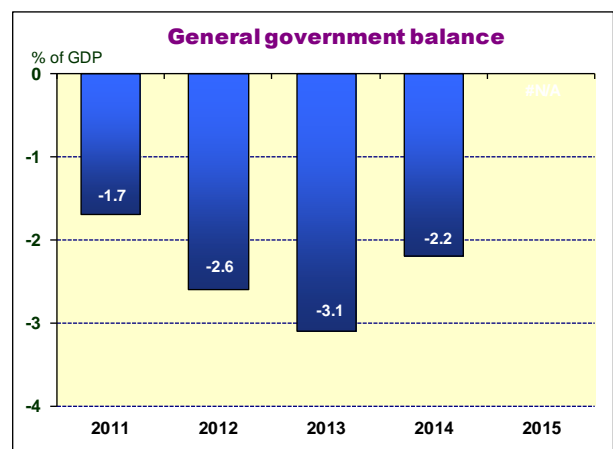
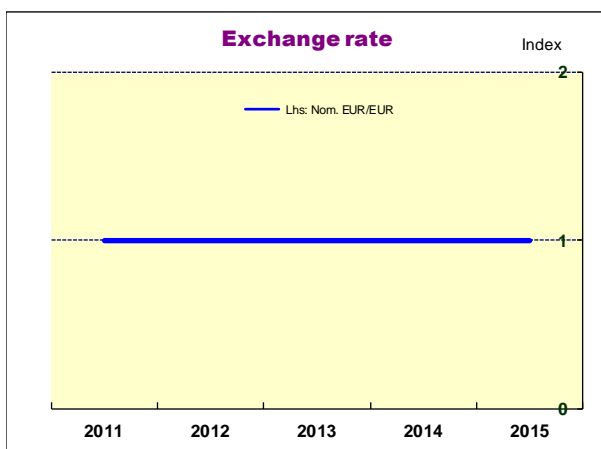
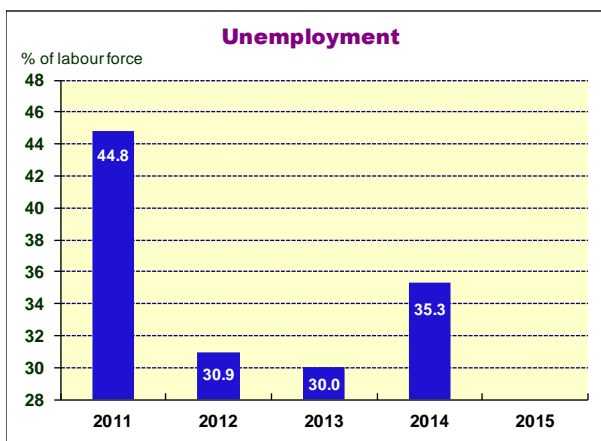
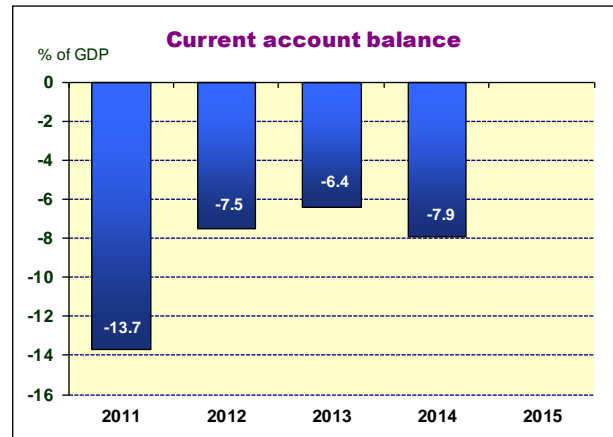
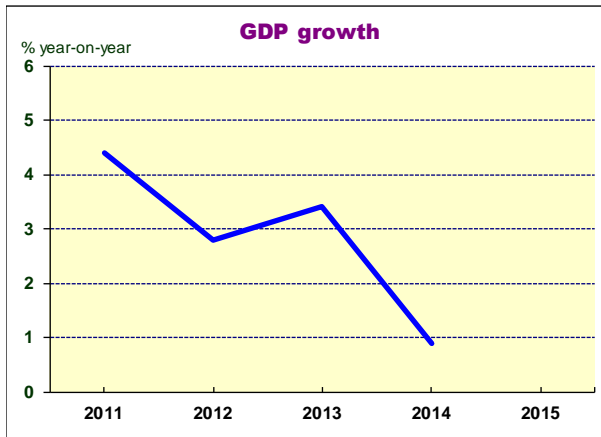
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** Q figures refer to a 4 quarters moving average.

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Source of data: IMF, national sources



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



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



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



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



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



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

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

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

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