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Authorised for publication by István Jakab, Head of Unit D1 - Candidate and Pre-Candidate Countries.

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European Commission

Directorate-General for Economic and Financial Affairs

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

2nd 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.

Contact: Anders.Lindqvist@ec.europa.eu.

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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 growth performance in most of the Western Balkan economies appears to have further strengthened in early 2015. Factors such as stronger employment, export and credit growth contributed – at varying degrees across the region – to this outcome. But domestic and external imbalances as well as persistent structural weaknesses still cast some doubts on the strength of the recovery going forward. Moreover, the Greek crisis may slow the growth momentum in some countries if confidence weakens and potential spill-overs materialise.

Recent economic data present a somewhat mixed picture. On the one hand, annual GDP growth accelerated in the first quarter of 2015 in *Bosnia and Hercegovina* (to 2.1% y-o-y), *Albania* (to 2.8%), as well as in the *former Yugoslav Republic of Macedonia* and *Montenegro* (to 3.2%), compared to the annual growth rates recorded in the previous quarter. On the other hand, leading indicators, such as the annual growth of industrial production and retail sales weakened in the second quarter in the latter two countries. Generally, annual growth in the first three months of the year continued to be mainly driven by a modest revival of domestic demand. Private consumption got some support from rising employment as well as from stronger bank lending to households. Also investment activity picked up, in particular in *Montenegro*, where it was supported by strong construction activity. In *Albania*, growth was driven by both domestic and net foreign demand.

An exception to the general picture is the case of *Serbia*. Its economy continued to suffer from a recession with GDP declining by 1.8% y-o-y in the first quarter. But there are also signs for a somewhat better outlook: the decline in private consumption was less pronounced than before, capital investment firmed up, and output in manufacturing was considerably stronger during the second quarter, although partly due to base effects.

In *Turkey*, real GDP growth decelerated somewhat to 2.3% year-on-year in the first quarter of 2015, down from 2.6% in the preceding quarter, but still surprisingly robust in view of very weak survey indicators. The composition of growth shifted from net exports to consumer spending, supported by rising employment. Business and consumer sentiment during the second quarter remained at very low levels, widely attributed to political

uncertainty. At the same time, available hard data suggest a continuation of moderate growth.

The labour market situation in the *Western Balkan* region remained challenging. 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, all countries recorded gains in the level of employment during the first quarter. Total employment grew by 1.6% y-o-y in the *former Yugoslav Republic of Macedonia* and in *Montenegro* and by 1% in *Bosnia and Herzegovina*. *Albania* benefited from a particular strong employment growth of 11%, and also *Serbia* reported net job creation, in particular in the private sector. The unemployment rates dropped in all Western Balkan countries in the first quarter, compared to the same period of the previous year, by around 0.5-1.6 percentage points. Interestingly, the *Serbian* economy registered the strongest reduction in unemployment (1.6ppt) despite the ongoing recession, followed by an almost similar improvement in the case of *Albania* (1.3 ppt).

In *Turkey*, the number of employed persons increased by 2.6% y-o-y in the first quarter, but the unemployment rate continued to rise by 1ppt y-o-y to 11%, due to a rapidly rising labour force.

Significant external imbalances remain a key challenge in most *Western Balkan* countries, reflected in large merchandise trade deficits, ranging from around 13% of GDP in the case of *Serbia* to around 40% of GDP for

Montenegro and *Kosovo*. External developments in the region during the first quarter of 2015 point to a rather heterogeneous picture. Current account deficits narrowed in some countries of the region, such as in *Albania*, *Bosnia and Herzegovina*, *Serbia* as well as in the *former Yugoslav Republic of Macedonia*, which records by far the lowest deficit. Most countries benefited from a stronger export performance, also reflecting improved economic conditions in the main EU trading partners. Contrary to this, *Montenegro* experienced a further widening of its external deficit, prompted by a drop in merchandise exports, despite a more benign external environment.

In *Turkey*, the 12-month cumulative current account deficit has declined from USD 46.5 billion last December to USD 44.7 billion in May. But expressed as a share of GDP, the deficit has remained at 5.8%. The most significant change in the composition of Turkey's current account is the surge in net exports of non-monetary gold to USD 4.5 billion in the first five months of 2015 from USD 0.8 billion in the corresponding period in 2014.

Low inflation remained a characteristic of the *Western Balkan* economies, but price dynamics differed from country to country. *Bosnia and Herzegovina* and *Kosovo* are the two countries which continued to experience downward pressure on prices in the first five months of the year, largely driven by lower prices for food and textiles (*Bosnia and Herzegovina*) and for education and transport (*Kosovo*). Both *Montenegro* and the *former Yugoslav Republic of Macedonia* switched from a negative annual inflation at end-2014 to low positive rates of 1.6% (in May) and 0.1% (in April), respectively. Annual consumer price inflation remained positive in *Serbia* (1.5% in May) and *Albania* (1.8%), but below their central bank's respective targets. Low inflation and weak economic performance allowed the *Serbian* central bank to continue reducing its key interest rate from 7% in April to 6% in June. 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 remained elevated in the second quarter. Overall consumer price inflation declined from 7.6% in March to 7.2% in June, much helped by a recent downward correction of food prices. Core inflation increased by 0.4 percentage points to 7.5% over the same period, indicating underlying inflationary pressures, notably the on-going pass-through from lira depreciation and inflation expectations.

Financial sector developments and in particular bank lending activities continued to be rather heterogeneous across the *Western Balkan* region in 2015 so far. As a common trend, annual credit growth remained generally positive and in some cases even accelerated, providing support to the economic recovery. In the first five months, average credit growth was particularly strong in the *former Yugoslav Republic of Macedonia*, where it accelerated to close to 10% y-o-y, while *Serbia* and *Kosovo* recorded growth rates of 4-5%. In *Bosnia and Herzegovina*, average credit growth decelerated to around 2% y-o-y. *Montenegro* experienced a long period of negative credit growth which continued through April 2015, before it turned positive for the first time in May. As another common feature, in most countries, household lending has generally been significantly stronger than corporate lending. *Serbia* and *Bosnia and Herzegovina* are the only countries, where loans to firms contracted. In *Serbia*, this was mainly the result of the expiration of the government's subsidised lending programme. 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. *Albania* and *Serbia* register by far the highest ratios, at around 22.5% of total loans in the first quarter of 2015. Compared to the same period of the previous year, most countries of the region managed to lower NPLs, with the exception of *Serbia* and of the *former Yugoslav Republic of Macedonia* where they increased to 11.1%.

In *Turkey*, bank lending to the non-financial sector has picked up again and registered 25.4% year-on-year at the beginning of July. Bank lending to consumers has continued to

grow at a lower speed, increasing 14.9% year-on-year. The share of non-performing loans in total loans has remained stable, registering 3.0% at the end of May.

Fiscal developments during the first five months of 2015 have been rather uneven across the *Western Balkans*. There have been some positive surprises as some countries benefited from strong and sometimes stronger-than-expected revenues (*Serbia, the former Yugoslav Republic of Macedonia, Bosnia and Hercegovina*). This in principle bodes well for the process of fiscal consolidation, the declared objective of all countries in the region. However, spending pressures remain high at the same time in some countries. On a positive note, in the case of *Serbia*, strong revenue performance was coupled with a steady reform-induced decline in current spending which brought the cumulative fiscal deficit in the first five months down to a quarter of the level of the same period a year before. In the *former Yugoslav Republic of Macedonia*, current spending soared as a result of earlier wage and pension increases. Unfortunately, capital spending suffered a 14% y-o-y

reduction, which shifted public finances further away from a more growth-enhancing spending mix. A similar pattern was observed in Kosovo where spending on wages and transfers rose by 20% and 31%, respectively, while capital investments declined by 20% y-o-y. Both *Montenegro* and *Bosnia and Hercegovina* recorded increases in capital expenditure, although from a low base. In contrast to developments in most of its peers, in *Albania* total revenues underperformed, falling short by 4.2% compared to plan. The shortfall was however compensated for by lower-than-planned spending and the budget deficit undershot the target by 44.2% in the first five months of 2015.

In *Turkey*, in the first five months of 2015, central government total revenues increased by 12.5% y-o-y and total spending by 12.1% y-o-y which led to a lowering of the budget deficit in this period. So far, budget developments are in line with the objective to reduce the central government's deficit from 1.3% of GDP in 2014 to 1.1% in 2015.

Candidate and potential candidate countries: Summary table

	2010	2011	2012	2013	2014	ECFIN Forecast		Q4 14	Q1 15	Q2 15	Apr 15	May 15	Jun 15
						2015	2016						
Gross domestic product (in real terms, annual % change)													
Albania	3.6	2.5	1.4	1.1	2.1	3.0	3.6	2.4	2.8	:	N.A.	N.A.	N.A.
The former Yugoslav Republic of Macedonia	2.8	3.0	-0.4	2.7	3.8	3.8	3.9	2.7	3.2	:	N.A.	N.A.	N.A.
Montenegro	2.5	3.2	-2.5	3.3	1.4	3.3	3.9	2.6	3.2	:	N.A.	N.A.	N.A.
Serbia	0.6	1.4	-1.0	2.6	-1.8	-0.1	1.2	-1.8	-1.8	:	N.A.	N.A.	N.A.
Turkey	9.2	8.8	2.1	4.2	2.9	3.2	3.7	2.6	2.3	:	N.A.	N.A.	N.A.
Bosnia and Herzegovina	0.8	1.0	-1.2	2.5	1.4	:	:	1.9	2.1	:	N.A.	N.A.	N.A.
Kosovo*	3.3	4.4	2.8	3.4	0.9	:	:	3.3	:	:	:	:	:
Unemployment													
Albania	13.7	13.4	13.8	16.4	17.9	16.8	15.5	18.0	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	27.6	27.3	:	N.A.	N.A.	N.A.
Montenegro	19.7	19.7	19.7	19.5	18.0	17.3	16.1	18.1	18.2	:	N.A.	N.A.	N.A.
Serbia	19.2	23.0	23.9	22.1	18.9	19.3	20.3	16.8	19.2	:	N.A.	N.A.	N.A.
Turkey	11.2	9.2	8.4	9.1	10.0	10.6	10.5	10.7	11.0	:	:	:	:
Bosnia and Herzegovina	42.7	43.8	45.9	44.5	43.6	:	:	43.6	43.6	:	43.3	:	:
Kosovo*	:	44.8	30.9	30.0	35.3	:	:	:	:	:	:	:	:
Current account balance (% of GDP)**													
Albania	-11.3	-13.2	-10.2	-10.8	-13.1	-13.6	-14.4	-13.1	-12.6	:	N.A.	N.A.	N.A.
The former Yugoslav Republic of Macedonia	-2.0	-2.5	-2.9	-1.8	-1.3	-1.4	-1.8	-1.3	-0.3	:	N.A.	N.A.	N.A.
Montenegro	-23.0	-17.7	-18.7	-14.6	-15.4	-15.1	-16.0	-15.4	-15.6	:	N.A.	N.A.	N.A.
Serbia	-6.5	-8.6	-11.5	-6.1	-6.0	-3.8	-3.7	-6.0	-6.0	:	N.A.	N.A.	N.A.
Turkey	-6.2	-9.7	-6.1	-7.9	-5.8	-4.4	-5.0	-5.8	-5.8	:	N.A.	N.A.	N.A.
Bosnia and Herzegovina	-6.2	-9.6	-8.9	-5.7	-7.7	:	:	-7.7	-7.3	:	N.A.	N.A.	N.A.
Kosovo*	-11.7	-13.7	-7.5	-6.4	-8.0	:	:	-2.8	-0.9	:	N.A.	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	1.3	1.9	1.8	2.3	1.8	1.4
The former Yugoslav Republic of Macedonia	1.6	3.9	3.3	2.8	-0.3	1.2	1.7	-0.4	-0.9	:	0.1	0.3	:
Montenegro (HICP)	:	3.3	4.0	1.8	-0.5	1.2	1.8	-0.6	0.1	:	1.3	1.6	:
Serbia***	10.2	7.0	12.2	2.2	1.7	2.4	4.1	1.7	1.9	:	1.8	1.5	:
Turkey	8.6	6.5	8.9	7.5	8.9	7.0	7.3	8.8	7.5	7.7	7.9	8.1	7.2
Bosnia and Herzegovina	2.1	3.7	2.0	-0.1	-0.9	:	:	-0.1	-0.5	:	-0.4	-0.5	:
Kosovo*	3.5	7.3	2.5	1.8	0.4	:	:	0.1	-0.4	:	-0.4	-0.4	:
General government balance (% of GDP)													
Albania	-3.1	-3.5	-3.4	-5.0	-5.2	-4.0	-2.8	-5.2	-0.3	:	:	:	:
The former Yugoslav Republic of Macedonia	-2.4	-2.5	-4.2	-3.9	-4.2	-3.8	-3.6	-3.4	-5.0	:	N.A.	N.A.	N.A.
Montenegro	-4.9	-5.0	-5.8	-5.3	-1.3	-4.5	-4.0	-1.3	-2.4	:	:	:	:
Serbia	-4.5	-4.7	-6.8	-5.5	-6.7	-4.9	-4.6	-10.1	-2.4	:	N.A.	N.A.	N.A.
Turkey	-2.9	-0.8	-0.3	-1.6	-1.5	-1.4	-1.3	-0.9	-0.5	:	N.A.	N.A.	N.A.
Bosnia and Herzegovina	-2.5	-1.3	-2.0	-2.2	-2.1	:	:	-1.6	-0.4	:	N.A.	N.A.	N.A.
Kosovo*	-2.6	-1.7	-2.6	-3.1	-2.2	:	:	-2.3	:	:	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

The centre-left ruling coalition strengthened its position in local elections held on 21 June by winning three-quarters of mayoral posts, including in Tirana and almost all other major cities. The elections were the first since a territorial reorganisation had reduced the number of municipalities from 373 to 61.

An IMF mission conducted discussions in the second half of June on the fifth review of Albania's ongoing Extended Fund Facility arrangement. The mission concluded that Albania's economic programme continued to make progress despite a shortfall in tax revenues in the January-May period compared to the budget. Spillover risks from the Greek crisis were judged to be low.

The World Bank endorsed in May the 2015-19 Country Partnership Framework for Albania, which proposes a lending programme of up to USD 1.2 billion over a five-year period aimed at supporting equitable growth and progress towards EU accession. The World Bank welcomed Albania's recent progress in implementing macro-fiscal and structural reforms.

Real sector

The Albanian statistical office, INSTAT, has revised earlier estimates and for the first time published quarterly GDP data in addition to gross value added. According to the latest release, economic recovery gathered pace in the first quarter, with GDP growth accelerating to 2.8% y-o-y from 2.4% recorded in the previous three months. All main branches provided positive contribution to growth, with the biggest one, 1.2 percentage points (pps.), coming from services, due to a large extent to the 13.1% y-o-y expansion in financial and insurance activities and the 3.4% growth in public administration, education and health. Industry's output rose by 7.6%, providing a 1 pp. contribution. Agriculture (0.4 pps.) and the construction sector (0.3 pps.) also grew in annual terms.

Data reflecting the expenditure approach, which was also published for the first time, shows that first-quarter growth was driven by investment and net exports, whereas household and government consumption fell slightly y-o-y.

A first estimate for real GDP growth in 2014 indicates that economic output increased by 2.1% last year, thus reversing the downward trend in growth rates which bottomed out in 2013 when growth was only 1.1%.

Labour market

The LFS-estimated unemployment rate (15-64 years) declined to 17.3% in the first quarter from 18% recorded in the previous three months. Compared with the same quarter a year earlier, the decrease was even more pronounced (1.3 pps) as employment growth accelerated to 11.1% y-o-y, outweighing a 9.3% expansion of the labour force. However, youth unemployment (15-29 years) increased in the first quarter both in annual and quarterly terms, to 34.1%.

The y-o-y increase in employment was broad-based across sectors, with the exception of the extracting industry which was shedding jobs under the impact of the oil price fall.

External sector

After widening for five consecutive quarters, the current account deficit shrank 15.4% y-o-y in January to March. The merchandise trade deficit increased by 10.1% y-o-y as the value of goods exports fell by 19.8% while imports stagnated; however, this was more than offset by a continuing strong performance of services whose surplus more than trebled in the first quarter. The improvement was driven mostly by travel spending as inbound tourists consumed 12.9% more than a year earlier, whereas outbound travellers' spending declined by 13.8%. The primary income balance continued to worsen on account of repatriated investment earnings, whereas the secondary income surplus surged 27.6% y-o-y on the back of a 24.6% increase in remittances inflows. In the year to March, the current account deficit amounted to 12.6% of GDP, down from 13.1% in the same period a year earlier.

Net FDI inflows rose by 53.6% y-o-y in January to March and surpassed the first-quarter current account deficit. Following an annual increase of 16.5%, foreign reserves stood at EUR 2.24 billion in the first quarter, covering 5.6 months of imports of goods and services.

The stock of gross external debt rose by 12.1% y-o-y, mostly due to increased government borrowing, and stood at some 68% of projected full-year GDP. Long-term debt, mostly owed by the government, makes up more than 80% of the total.

Monetary developments

Average consumer price inflation fell slightly to 1.8% in the second quarter from 1.9% in the previous three months, with disinflation particularly pronounced in June (1.4%). Economic slack, low imported inflation and improved agricultural production generated little upward pressure on prices and prevented inflation from moving closer to the Bank of Albania's (BoA) target of 3%.

BoA kept monetary policy stimulating, maintaining 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 second quarter, depreciating by 0.4% compared with the same period a year earlier and by 0.3% compared with its first-quarter value.

Financial sector

Lending standards applied to businesses were tightened for the second consecutive quarter, mainly due to the stricter loan conditions for large enterprises. Concerning households, banks reported a slight tightening of standards for both home purchase and consumer loans. Credit demand was assessed to have decreased for businesses and increased by less than in the previous quarter for households.

The average interest rate on new ALL loans increased to 8.6% in April-May from 8.1% in the first quarter, suggesting that it might have bottomed out after a long-standing downward trend and that monetary easing has diminishing returns in terms of lowering lending rates further.

Subdued growth in the stock of loans persisted in April (+2.5% y-o-y) and May (+2.6%) with the growth in household loans continuing to outstrip the increase in business loans. Rebalancing towards ALL-denominated loans

continued, but foreign-currency loans still made up 57.5% of the total stock in May. The level of non-performing loans (NPLs) fell slightly in the first quarter to 22.7% from 22.8% in the previous three months, but it remains elevated and constrains a more vigorous upturn in lending.

The capital adequacy ratio of the banking sector as a whole decreased in the first quarter to 15.8% from 16.8% recorded in the previous three months, but it remained comfortably above the regulatory minimum of 12%. Profitability indicators remained in positive territory and improved considerably in the first quarter.

Fiscal developments

Budgetary performance was mixed in the first five months of the year. Tax revenues fell short of the plan by 7.5%, with most main categories underperforming, except profit tax. Lower than expected inflation and oil production dented revenues, but the broad-based nature of the shortfall suggest continuing weaknesses in budget planning and tax administration. Overall revenues performed better and were behind budget by only 4.2%, thanks to higher than expected one-off proceeds from selling 4G licences.

The revenue shortfall was more than offset by a lower-than-budgeted increase in expenditure, which overall fell short of the target by 8.2%. This was mainly due to savings in interest spending (8.9% lower than planned), operational expenditure (12.3%) and capital outlays (12.7%). In response to the revenue underperformance, the allocated amount of the contingency line was also saved. Arrears clearance proceeded in line with plans in the January-May period.

As the revenue underperformance was outweighed by the expenditure shortfall, the budget deficit undershot the target by 44.2% in the first five months and amounted to 0.7% of estimated full-year GDP. The deficit target for 2015 as a whole is 3.9% of GDP.

Following a 13.7% y-o-y increase, public debt stood at 70.7% 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		Q4 14	Q1 15	Q2 15	Apr 15	May 15	Jun 15
							2015	2016						
1 Real sector														
Industrial confidence ^{1.1}	Percent	-5.4	-3.0	-10.6	-9.5	1.2	:	:	1.2	-2.1	:	N.A.	N.A.	N.A.
Industrial production ^{1.2}	Ann. % ch	19.9	-10.2	16.6	13.9	3.3	:	:	5.2	-4.7	:	N.A.	N.A.	N.A.
Gross domestic product ^{1.3}	Ann. % ch	3.6	2.5	1.4	1.1	2.1	3.0	3.6	2.4	2.8	:	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	-0.3	-1.2	:	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	7.1	14.1	:	N.A.	N.A.	N.A.
Construction index ^{1.6}	Ann. % ch	0.3	0.5	0.6	1.0	0.2	:	:	0.1	0.4	:	N.A.	N.A.	N.A.
Retail sales ^{1.7}	Ann. % ch	2.5	6.5	4.8	6.3	5.1	:	:	4.1	4.7	:	:	:	:
2 Labour market														
Unemployment ^{2.1}	%	13.7	13.4	13.8	16.4	17.9	16.8	15.5	18.0	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	8.6	11.1	:	N.A.	N.A.	N.A.
Wages ^{2.3}	Ann. % ch	6.7	7.0	7.3	4.1	1.7	:	:	2.3	2.1	:	N.A.	N.A.	N.A.
3 External sector														
Exports of goods ^{3.1}	Ann. % ch	62.5	22.2	7.6	-29.7	-13.2	:	:	-21.5	-20.1	:	:	:	:
Imports of goods ^{3.2}	Ann. % ch	10.9	14.2	-4.3	-15.3	3.3	:	:	-1.0	-0.2	:	:	:	:
Trade balance ^{3.3}	% of GDP	-23.1	-24.2	-20.8	-19.7	-21.4	-19.8	-20.8	-21.6	-21.9	:	N.A.	N.A.	N.A.
Exports goods and services ^{3.4}	% of GDP	32.4	34.0	33.3	30.0	29.7	:	:	29.7	29.6	:	N.A.	N.A.	N.A.
Imports goods and services ^{3.5}	% of GDP	53.0	56.7	51.9	48.1	48.4	:	:	48.4	47.8	:	N.A.	N.A.	N.A.
Current account balance ^{3.6}	% of GDP	-11.3	-13.2	-10.2	-10.8	-13.1	-13.6	-14.4	-13.1	-12.6	:	N.A.	N.A.	N.A.
Direct investment (FDI, net) ^{3.7}	% of GDP	9.3	6.6	6.7	9.6	8.1	:	:	8.1	8.9	:	N.A.	N.A.	N.A.
International reserves ^{3.8}	mio EUR	1821.4	1848.6	1907.7	1955.7	2084.8	:	:	2084.8	2239.4	:	2163.0	2158.1	:
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	1.3	1.9	1.8	2.3	1.8	1.4
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	:	:	1.4	3.9	3.9	5.2	3.8	2.7
M2 ^{4.4}	Ann. % ch	5.5	6.7	4.7	5.7	4.0	:	:	5.0	7.6	:	8.4	8.7	:
Exchange rate LEK/EUR ^{4.5}	Value	137.79	140.33	139.04	140.26	140.14	:	:	140.39	140.23	140.63	140.26	140.82	140.82
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	:	:	3.12	3.16	:	3.00	2.90	:
Bond yield ^{5.2}	% p.a.	7.25	6.53	6.77	6.03	3.45	:	:	3.00	3.07	:	2.92	2.97	:
Stock markets ^{5.3}	Index	:	:	:	:	:	:	:	:	:	:	:	:	:
Credit growth ^{5.4}	Ann. % ch	8.6	11.7	7.4	-0.2	0.2	:	:	3.1	2.6	:	2.5	2.6	:
Deposit growth ^{5.5}	Ann. % ch	15.5	14.5	9.4	3.7	1.5	:	:	1.7	2.7	:	2.7	2.7	:
Non performing loans ^{5.6}	% total	12.6	17.0	21.7	24.0	23.9	:	:	22.8	22.7	:	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	-5.2	-0.3	:	:	:	:
General government debt ^{6.2}	% of GDP	57.7	59.4	62.0	65.5	70.2	72.5	70.5	70.2	70.7	:	N.A.	N.A.	N.A.

f: ECFIN forecast Spring 2015

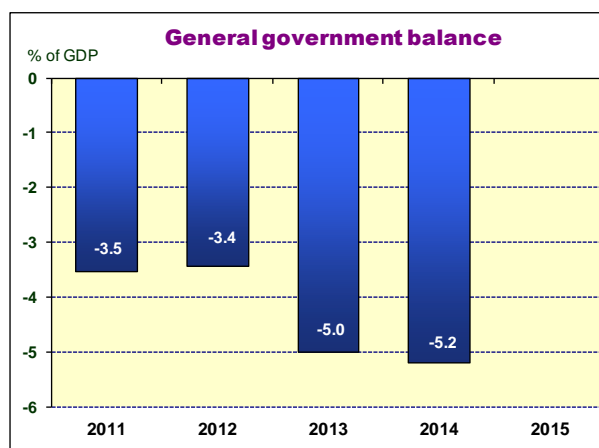
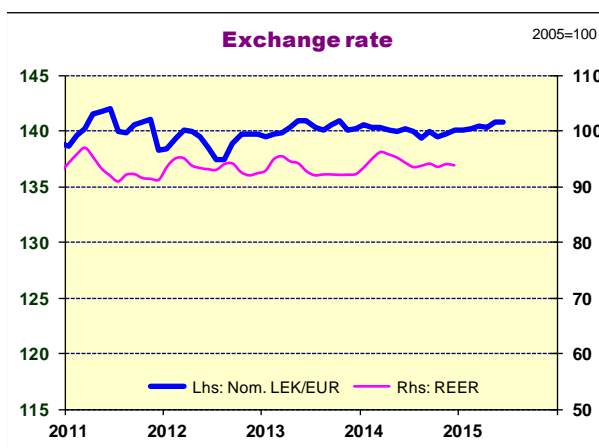
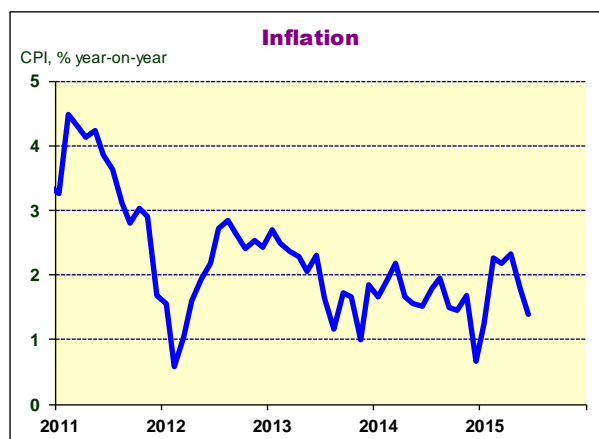
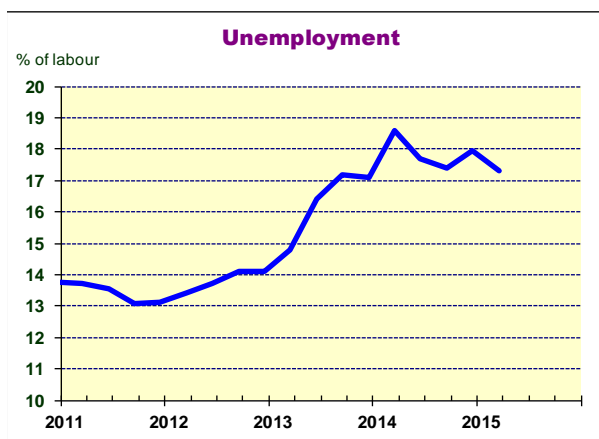
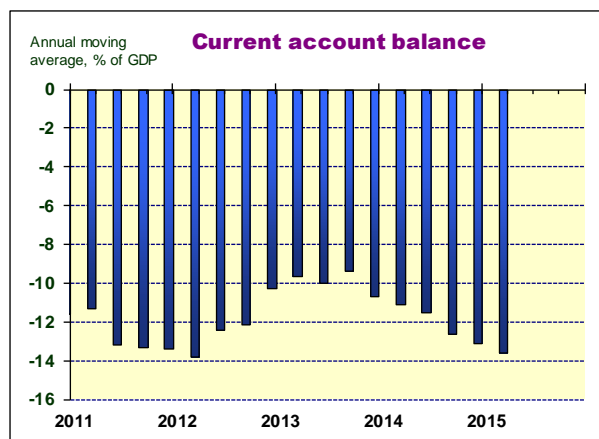
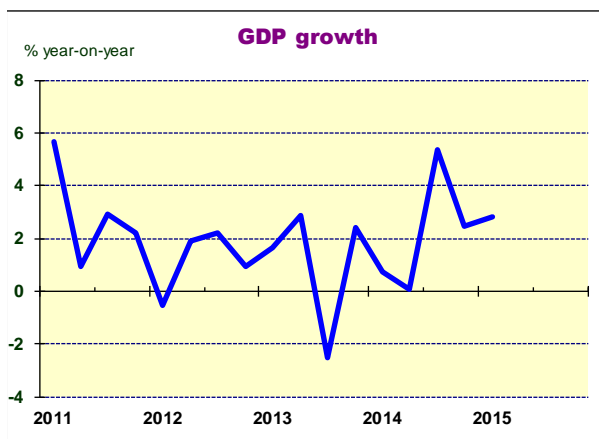
* Q figures refer to a 4 quarters moving average.

CHARTS

European Commission, ECFIN-D-1



ALBANIA



THE FORMER YUGOSLAV REPUBLIC OF MACEDONIA



Key developments

In spite of a number of internationally-brokered negotiations, the political crisis in the country continues. The implementation of the EU-negotiated agreement of 2 June to hold early elections in April 2016 looks increasingly at risk. The four main political parties have not found agreement over a transitional government to organise the elections..

In conclusions of its Article IV mission on July 7, the IMF lowered its 2015 GDP growth forecast for the country to 3.2%, from previously 3.8%. It emphasized increased downside risks to the economy from the domestic political crisis and from the Greek crisis.

On 28 June, in a move to limit spillover from the Greek banking crisis, the governor of the national bank ordered the country's commercial banks to withdraw all deposits and loans from banks in Greece and their branches abroad.

Real sector

First quarter GDP estimate points to continued robust growth of the economy, albeit amidst further slowdown in manufacturing. Output expanded by 3.2% y-o-y in real terms, some 0.5pp below its 2014 average rate, and driven mainly by strong domestic demand. All expenditure components posted further gains compared to the same period a year earlier. Gross fixed capital formation increased at a more moderate level than in the preceding four quarters (2.4% y-o-y), which largely reflects the statistical effect from the strong surge of investment expenditure in the same period a year ago (+31%) Both, exports (+8%) and imports (+4.3%), increased, also at a more subdued pace. The external balance made a marginal positive contribution to GDP growth.

On the production side, positive contributions to the first quarter GDP increase came mainly from the trade sector and from construction, while manufacturing output dropped on average by 1.8pp in real terms. Overall, industrial production disappointed in the first quarter and

beyond. Over the first five months, the sector's output dropped by 0.4% y-o-y. Annual volume gains became progressively smaller every month between January and March, turning into a decline in output in April (-0.9 y-o-y) and May (-5% y-o-y). This was mainly on account of the sharp deterioration in manufacturing. In 2014, industrial production had increased by 4.8% on average in real terms, carried by a 10% rise in manufacturing. The latter accounts for almost three quarters of the industry structure in the country.

Labour market

There was further slight improvement in the labour market situation in the first quarter. The overall unemployment rate fell to 27.3%. The number of unemployed declined by 3.6% y-o-y, while the labour force remained largely unchanged, according to the Labour Force Survey. Employment increased by 1.6%, slightly faster than in the three preceding quarters, and largely accounting for the rise in the total employment rate by 0.6pp to 41.6%. Labour market participation remained low, at 57% of the working age population, and particularly so for women. Their participation rate dropped further, by 1pp to 44%, compared to the same period a year earlier, mainly on account of a decline in the female labour force. Most likely as a result of the government's recently stepped up incentives for employers to hire young workers, the unemployment rate for the age group 15-24 dropped in the first quarter by some 7pp to 47.6%. The positive employment development is reflected in the average monthly net wage, which increased by 1.9% y-o-y in the first four months. With continued deflation, this translated into a 2.9% rise in real net wages, which have been increasing since the second quarter 2014, after an extended period of decline.

External sector

External imbalances diminished further in the first quarter and beyond. Between January and April, the current account deficit declined by 60% y-o-y. This was mainly on account of

further narrowing of the merchandise trade deficit (-11% y-o-y), and rising private transfer inflows (+10.5% y-o-y). The primary income deficit widened during this period, as a result of higher direct and portfolio investment outflows. Hence, in the four quarters to end-March, the current account posted a surplus of 0.3% of GDP. Private transfer inflows stood at 18% of GDP, slightly higher than the 2014 average. Gross external debt levels continued to rise in the first quarter, by 3.6% y-o-y, mainly driven by a 7% increase in short-term public debt. FDI inflows decreased by 36% y-o-y in the first quarter, amounting to 2.8% of GDP in the four quarters to end-March. This was mainly due to a marked decrease in reinvested earnings. However, in April, FDI inflows amounted to almost four times their total of a year earlier, bringing the accumulated drop in the first four months down to 11% y-o-y. International reserves were somewhat below their end-2014 level in May, after the government had repaid all remaining IMF loans (153mn EUR) at the end of February, but still covered about 5 months of projected imports.

Monetary developments

In the first quarter of 2015, the pace of deflation quickened to 0.9% y-o-y on average, with continued strong decreases in the transport sector, which accounts for some 9% of the index structure, while the speed of decline in food prices, accounting for some 38% of the index structure, slowed further. However, on a monthly basis, deflation abated gradually in the first three months, and progressively accelerating price increases resumed in the three months thereafter. Housing and utilities cost increased by 1.6% y-o-y in the first six months, mainly on account of a 3.6% rise in the cost of electricity. On average, over the first six months, consumer prices fell by 0.3% y-o-y. The central bank adopted a neutral stance and kept the key policy rate unchanged, at 3.25% during the first half of the year. The expansion rate of M4 money accelerated further in the first quarter, to 9.8% y-o-y (up by 4pp compared to the same period a year earlier), mainly on account of a strong increase in currency in circulation. In April and May, M4 growth slowed to an average of 9.3%, as deposits rose more moderately.

Financial sector

Lending to households increased at a progressively higher rate over the first five months of 2015, averaging 12% y-o-y and

reaching 12.8% in May. Loans to non-financial private companies increased by 7.4% on average during this period (compared to 5.9% in 2014), accounting for almost half of the annual increase in lending to the private sector (9.4%). This positive development comes against the background of lingering asset quality problems. By end-March, the share of non-performing to total loans had increased again, in annual (+0.5pp) and quarterly (+0.3pp) comparison, to 11.6%. Interest rates decreased further in the first quarter and beyond. At the end of May, nominal lending rates on outstanding loans in national currency stood at 7.1%, lower by 0.3pp from end-February. Deposit rates decreased by 0.3pp to 3%, keeping spreads unchanged.

Fiscal developments

Government revenues were up by some 14% y-o-y in the first five months of the year, due to a solid rise in income from personal and, in particular, corporate profit taxes, and contributions, and in spite of disappointing performance of VAT income. Total expenditure was above pre-year level, on account of a 7% y-o-y rise in current expenditure, caused by recent statutory increases in transfer payments, rises in public sector wages, higher transfers to the health fund, and increased cost of goods and services. This came, however, at the expense of capital expenditure, which fell by 14% y-o-y. In the first five months, only 31% of budgeted capital expenditure, less by 5pp than in the same period a year earlier, had been realised. At the end of May, the accumulated central government budget deficit amounted to 43% of the full-year budget target (3.3% of GDP), or 1.4% of projected full-year GDP. Given further expected increases in current expenditure items, and additional capital expenditure necessitated by the security situation, the government is considering the adoption of a supplementary budget in late summer. The level of government debt declined by 2.2pp in the first quarter to 36% of projected full-year GDP, compared to end-2014, as the government repaid all outstanding IMF loans. Meanwhile, the amount of government-guaranteed debt of public enterprises continued to rise, by 3.5% compared to end-2014, somewhat offsetting the positive impact on the overall public debt level, which dropped by 2.4pp to 43.6% of GDP. Since 2011, public debt levels have risen by over 11pp, reflecting both, an increase in general government debt and in government-guaranteed debt.

TABLE



European Commission, ECFIN-D-1

The former Yugoslav Republic of Macedonia

		2010	2011	2012	2013	2014	ECFIN Forecast		Q4 14	Q1 15	Q2 15	Apr 15	May 15	Jun 15
							2015	2016						
1 Real sector														
Industrial confidence ^{1.1}	Balance	-9.6	18.4	14.7	12.3	11.4	:	:	11.6	12.7	:	15.1	17.4	:
Industrial production ^{1.2}	Ann.%ch	-4.6	4.0	-6.6	3.2	4.8	:	:	4.7	1.6	:	-0.9	-5.0	:
Gross domestic product ^{1.3}	Ann.%ch	2.8	3.0	-0.4	2.7	3.8	3.8	3.9	2.7	3.2	:	N.A.	N.A.	N.A.
Private consumption ^{1.4}	Ann.%ch	1.5	2.9	-3.0	2.1	2.3	2.8	2.9	2.9	2.2	:	N.A.	N.A.	N.A.
Gross capital formation ^{1.5}	Ann.%ch	-4.3	15.7	21.2	-16.8	13.5	8.5	7.1	1.8	2.4	:	N.A.	N.A.	N.A.
Construction ^{1.6}	Ann.%ch	11.7	25.3	4.2	-7.3	6.1	:	:	-14.4	3.1	:	N.A.	N.A.	N.A.
Retail sales ^{1.7}	Ann.%ch	4.2	N.A.	N.A.	-0.8	4.2	:	:	4.0	3.2	:	13.4	9.9	:
2 Labour market														
Unemployment ^{2.1}	%	32.1	31.4	31.0	29.0	28.0	27.4	26.4	27.6	27.3	:	N.A.	N.A.	N.A.
Employment ^{2.2}	Ann.%ch	1.3	1.1	0.8	4.3	1.3	1.9	1.9	1.5	1.6	:	N.A.	N.A.	N.A.
Wages ^{2.3}	Ann.%ch	0.9	1.3	0.2	1.2	2.2	3.1	3.6	2.8	2.1	:	2.9	:	:
3 External sector														
Exports of goods ^{3.1}	Ann.%ch	46.7	21.0	-3.7	2.7	17.3	:	:	17.0	8.0	:	-0.4	:	:
Imports of goods ^{3.2}	Ann.%ch	13.6	22.4	0.3	-2.0	9.6	:	:	10.0	4.3	:	4.8	:	:
Trade balance* ^{3.3}	% of GDP	-21.6	-25.2	-26.5	-22.9	-21.7	-21.5	-21.3	-21.7	-20.8	:	N.A.	N.A.	N.A.
Exports goods and services ^{3.4}	% of GDP	38.4	45.6	44.5	42.3	47.9	:	:	47.9	48.3	:	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	71.4	:	N.A.	N.A.	N.A.
Current account balance* ^{3.6}	% of GDP	-2.0	-2.5	-2.9	-1.8	-1.3	-1.4	-1.8	-1.3	-0.3	:	N.A.	N.A.	N.A.
Direct investment (FDI, net)* ^{3.7}	% of GDP	2.2	4.6	1.5	3.3	3.3	:	:	3.3	2.8	:	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	:	:	2 436.5	2 354.8	:	2 344.3	2 328.5	:
Int. reserves / months Imp ^{3.9}	Ratio	5.9	5.8	6.1	5.7	6.3	:	:	6.3	6.1	:	6.0	:	:
4 Monetary developments														
CPI ^{4.1}	Ann.%ch	1.6	3.9	3.3	2.8	-0.3	1.2	1.7	-0.4	-0.9	:	0.1	0.3	:
Producer prices ^{4.2}	Ann.%ch	8.3	11.1	4.5	0.4	-1.2	:	:	-1.0	-4.6	:	-3.9	-4.2	:
Food prices ^{4.3}	Ann.%ch	0.3	6.2	2.3	3.4	-0.9	:	:	-0.3	-0.1	:	0.7	0.6	:
Monetary aggregate M4 ^{4.4}	Ann.%ch	12.1	10.5	7.5	4.0	8.0	:	:	9.4	9.8	:	9.7	8.9	:
Exchange rate MKD/EUR ^{4.5}	Value	61.51	61.53	61.53	61.58	61.62	:	:	61.65	61.55	61.63	61.60	61.59	61.69
Nominal eff. exchange rate ^{4.6}	Index	100.0	101.3	100.3	101.8	103.0	:	:	102.4	101.4	:	100.9	:	:
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	:	:	7.28	7.32	:	7.19	:	:
Stock markets ^{5.3}	Index	2 472	2 407	1 890	1 726	1 735	:	:	1 830	1 830	1 683	1 730	1 670	1 648
Credit Growth ^{5.4}	Ann.%ch	5.4	8.1	7.3	4.3	8.4	:	:	9.8	9.2	:	10.2	9.5	:
Deposit growth ^{5.5}	Ann.%ch	13.0	10.9	7.2	4.8	8.2	:	:	9.1	9.5	:	9.5	8.4	:
Non-performing loans ^{5.6}	% total	9.0	9.5	10.1	10.9	10.8	:	:	10.8	11.1	:	N.A.	N.A.	N.A.
6 Fiscal developments														
Central government balance ^{6.1}	% of GDP	-2.4	-2.5	-4.2	-3.9	-4.2	-3.8	-3.6	-3.4	-5.0	:	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	38.1	36.0	:	N.A.	N.A.	N.A.

f: ECFIN forecast Spring 2015

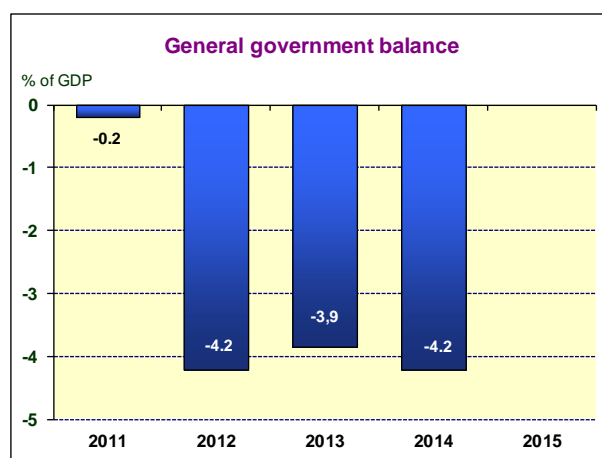
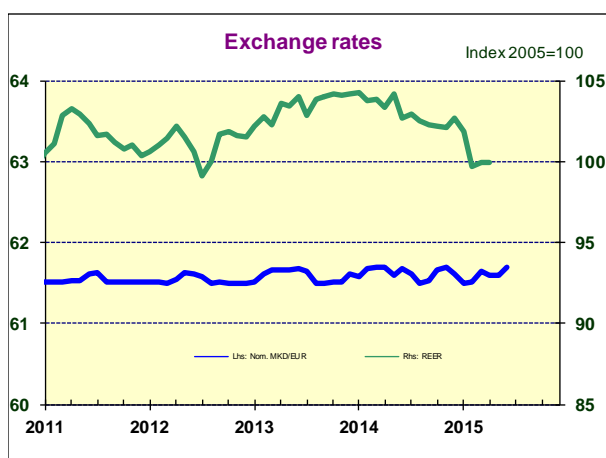
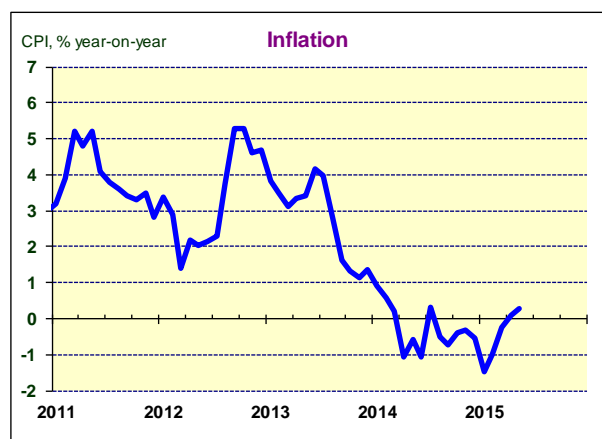
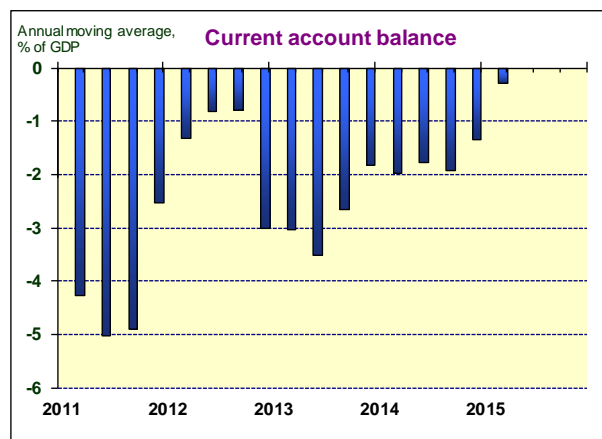
* Q figures refer to a 4 quarters moving average.

CHARTS



European Commission, ECFIN-D-1

The former Yugoslav Republic of Macedonia





Key developments

On 24 April 2015, the parliament adopted the Law on Consensual Financial Restructuring of Debts to Financial Institutions (also known as Podgorica approach). The law introduces tax and supervisory incentives during a period of two years for bank resolution of non-performing loans (NPL).

On 15 May, Standard & Poor's affirmed Montenegro's long- and short-term ratings at B+/B respectively, with stable outlook on expectations for stronger economic growth backed by increased investment activity and against constraining factors, such as the low income level, high external debt and the lack of monetary policy flexibility. On 18 May, Moody's maintained Montenegro's Ba3 rating with negative outlook based on the small size of the economy, large external deficits and heavy reliance on foreign savings. The rating agency notes that the country's growth outlook is likely to benefit from a heavy pipeline of mostly FDI-funded investment projects.

On 11 May, China's CRBC commenced the construction of the first section of the Bar-Boljare highway, planned to be completed within 48 months.

On 22 June 2015, the EU opened two additional chapters in the context of Montenegro's accession negotiations: chapter 9 on financial services, and chapter 21 on trans-European networks. So far, 20 out of 35 negotiating chapters were opened, out of which two chapters are temporarily closed.

Real sector

The economic recovery seems to have gathered pace in early 2015. In the first quarter of 2015, the economy expanded by 3.2% y-o-y in real terms, up from 2.6% in the previous quarter, and compared to 1.5% in the first quarter a year before. Growth was driven by domestic demand, namely by gross capital formation which got a boost from construction. Private consumption continued to recover, supported by the stronger bank lending to households and rising employment. Government consumption grew by 3.6% despite the introduction of further

consolidation measures. The contribution of net foreign demand to growth remained negative as exports grew more strongly than imports.

High frequency indicators suggest some kind of moderation of economic activity during the second quarter. Industrial production stagnated in May following an 11.4% y-o-y growth in the previous month. While electricity production and mining contracted, several branches in manufacturing recorded an increase in output, in particular basic metals, pharmaceuticals, machinery and chemical products. On the demand side, retail sales recorded somewhat lower annual growth rates of 1% in April and May, compared to 2.5% in the first quarter.

Labour market

The latest labour force survey (LFS) points to some improvements in labour market conditions. In the first quarter of 2015, the unemployment rate declined to 18.2%, down from 19.1% a year before. Total employment increased by 1.6% y-o-y following a very strong expansion in the previous quarter. The employment rate rose to 42.1%, while the share of inactive population contracted by 0.6% y-o-y. However, the number of those unemployed for longer than one year increased to 80.6% in the first quarter, compared to 76.9% a year before.

Officially registered data of the Employment Agency (which follow a different methodology than the LFS) confirm a lowering of the unemployment rate. It was recorded at 13.4% in June compared to 13.8% a year before. In the first six months of 2015, the agency has recorded 7,210 new employed workers (or 2.3% more than a year before), and issued 8,380 work permits to non-residents, a decline of 39% y-o-y.

The trend of stagnating or slightly falling wages was interrupted in the first quarter of 2015 and in April, with gross wages increasing by 0.4% y-o-y. However, salaries stagnated again in May.

External sector

The weak performance of the trade balance continues to determine the external position. In the first five months of 2015, the cumulated trade deficit increased by 2.8% y-o-y to EUR

555 million, or some 15.6% of annual projected GDP as merchandise exports declined by 8.2% y-o-y due to lower exports of food, beverages, tobacco, electricity and chemicals; whereas imports increased marginally by 0.8% y-o-y.

The poor export performance contributed to the further deterioration of the annualised current account. In the four quarters to March 2015, the current account deficit widened to 15.6% of GDP, from 14.3% a year before. The higher surplus in the services balance was largely offset by the simultaneous contraction in the primary and secondary income surpluses. During the period strong net capital inflows were larger than the current account deficit, leading to a further accumulation of central bank foreign reserves (by 14% of GDP). Capital inflows took the form of net FDI (which increased by 7.1% to 10.5% of GDP) and portfolio investments mainly reflecting the emission of government Eurobonds. Other investments (mostly bank loans) recorded a net outflow of some 5.3% of GDP.

Monetary developments

Following a period of slightly falling consumer prices, inflation started to record positive growth rates in 2015 as the impact from low food and oil prices began to fade. In May 2015, the Harmonised Index of Consumer Prices (HICP) increased by 1.6%, up from 1.3% a month before. Alcoholic beverages, food, and clothing prices were the main drivers of the increase, while transport costs fell by 1.9%.

Financial sector

For a long time, the financial sector was characterised by negative lending growth. In May 2015, for the first time¹ since the outbreak of the crisis in September 2008, the aggregated growth of credit turned positive, at 1.1% y-o-y. Credit to financial institutions as well as to households recorded annual growth rates of 16.7% and 2.5% respectively. However, the general government sector reduced its borrowing from commercial banks by 34% y-o-y. Meanwhile, banks' deposits continued to grow at a robust pace, at 12.4% y-o-y. Households' deposits (accounting for 57% of the total) rose by 9.3%, while corporate deposits kept also expanding strongly, by 22.5% y-o-y. The share of non-performing loans in total credit declined

marginally to 17.0% in May, compared to 17.2% in April and 16.8% in the first quarter of 2015.

In May, the turnover in Montenegro's stock exchange declined by 78% y-o-y to EUR 1.25 million after surging by 60% the month before. By contrast, market capitalisation increased by 4.3% y-o-y. On 1st April the MNSE10, tracking the performance of the 10 biggest listed companies' index replaced the MONEX20. In May, the MNSE10 index ended 3.18% lower than a month before.

Fiscal developments

Budget developments in early 2015 were marked by lower than planned spending, albeit total expenditure is likely to catch up during the year in line with the planned highway project. In the first five months of 2015, current revenue increased by 1% y-o-y, driven by social security contributions and excises, compensating for lower income from personal and corporate income taxes as well as property and value added taxes. Public expenditure increased at a faster pace (by 5.3% y-o-y), largely driven by growing capital spending and transfers to institutions. Most other expenditure items recorded lower than planned spending compared to their targets. At the end of May, the central government deficit was 2.7% of GDP and 48% lower than planned.

In March 2015 the public debt stock stood at 54.6% of GDP, down from 56.7% at the end of 2014. Around 80% of the debt relates to foreign creditors. Eurobonds issued in March are held in deposits (around EUR 500 million) for the rollover of bonds maturing in September. The start of the highway in May will further increase public debt as authorities withdraw funds from a credit line from Chinese Exim Bank to finance the works.

¹ Excluding the statistical effect from the methodological change introduced by the Central Bank in 2013.

TABLE



European Commission, ECFIN-D-1

MONTENEGRO

		2010	2011	2012	2013	2014	ECFIN Forecast							
							2015	2016	Q4 14	Q1 15	Q2 15	Apr 15	May 15	Jun 15
1 Real sector														
Industrial confidence ^{1.1}	Balance	N.A.	N.A.	N.A.	8.7	11.1	:	:	1.5	2.6	12.8	5.1	15.0	18.2
Industrial production ^{1.2}	Ann.%ch	17.5	-10.3	-7.1	10.7	-10.4	:	:	-6.2	7.3	:	11.4	0.1	:
Gross domestic product ^{1.3}	Ann.%ch	2.5	3.2	-2.5	3.3	1.4	3.3	3.9	2.6	3.2	:	N.A.	N.A.	N.A.
Private consumption ^{1.4}	Ann.%ch	2.0	4.2	-3.2	1.1	1.3	2.2	3.0	N.A.	4.5	:	N.A.	N.A.	N.A.
Gross fixed capital formation ^{1.5}	Ann.%ch	-18.5	-10.3	-3.3	8.8	5.5	21.8	11.8	N.A.	6.8	:	N.A.	N.A.	N.A.
Construction index ^{1.6}	Ann.%ch	13.7	10.2	-13.2	9.7	2.0	:	:	-6.9	9.5	:	N.A.	N.A.	N.A.
Retail sales ^{1.7}	Ann.%ch	1.6	12.6	6.7	11.3	2.5	:	:	0.9	2.5	:	1.1	0.8	:
2 Labour market														
Unemployment ^{2.1}	%	19.7	19.7	19.7	19.5	18.0	17.3	16.1	18.1	18.2	:	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	9.3	1.6	:	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	-0.2	0.4	:	0.4	0.0	:
3 External sector														
Exports of goods ^{3.1}	Ann.%ch	20.3	33.6	-17.8	1.0	-9.7	:	:	5.1	3.0	:	-24.4	-35.3	:
Imports of goods ^{3.2}	Ann.%ch	0.9	9.2	-0.1	-3.2	0.6	:	:	2.0	4.4	:	-2.7	-3.5	:
Trade balance* ^{3.3}	% of GDP	-41.1	-40.4	-44.1	-39.9	-40.2	-40.7	-42.1	-40.2	-40.3	:	-41.2	-41.3	:
Exports goods and services ^{3.4}	% of GDP	34.7	42.8	44.1	41.8	40.6	:	:	40.6	40.8	:	N.A.	N.A.	N.A.
Imports goods and services ^{3.5}	% of GDP	63.1	64.9	68.8	62.1	60.6	:	:	60.6	60.9	:	N.A.	N.A.	N.A.
Current account balance* ^{3.6}	% of GDP	-23.0	-17.7	-18.7	-14.6	-15.4	-15.1	-16.0	-15.4	-15.6	:	N.A.	N.A.	N.A.
Direct investment (FDI, net)* ^{3.7}	% of GDP	17.5	12.0	14.7	9.7	10.3	:	:	10.3	10.5	:	N.A.	N.A.	N.A.
International reserves ^{3.8}	mio EUR	416.4	303.5	347.9	423.7	544.7	:	:	544.7	938.2	:	861.0	837.1	:
Int. reserves / months Imp ^{3.9}	Ratio	3.0	2.0	2.3	2.9	3.7	:	:	3.7	6.3	:	5.8	5.6	:
4 Monetary developments														
HICP ^{4.1}	Ann.%ch	:	3.3	4.0	1.8	-0.5	1.2	1.8	-0.6	0.1	:	1.3	1.6	:
Producer prices ^{4.2}	Ann.%ch	-0.7	3.2	1.9	1.7	0.2	:	:	1.0	0.6	:	0.3	0.5	:
Food prices ^{4.3}	Ann.%ch	0.3	2.8	4.2	4.0	-1.5	:	:	0.1	2.4	:	4.1	3.8	:
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	:	:	0.43	0.61	:	:	:	:
Stock markets ^{5.3}	Index	13 993	11 896	9 091	9 532	10 696	:	:	11 732	11 620	12 579	12 514	12 791	12 432
Credit growth ^{5.4}	Ann.%ch	-4.8	-6.3	-0.7	3.1	-1.9	:	:	-1.9	-2.7	:	-0.8	1.1	:
Deposit growth ^{5.5}	Ann.%ch	-1.9	1.5	9.0	5.9	10.0	:	:	10.0	10.0	:	11.6	12.4	:
Non-performing loans ^{5.6}	% of total	21.0	15.5	17.6	18.4	16.8	:	:	16.8	16.7	:	17.2	17.0	:
6 Fiscal developments														
General government balance ^{6.1}	% of GDP	-4.9	-5.0	-5.8	-5.3	-1.3	-4.5	-4.0	-1.3	-2.4	:	:	:	:
General government debt ^{6.2}	% of GDP	40.9	46.0	54.0	58.1	56.7	62.0	65.7	56.7	54.6	:	:	:	:

f: ECFIN forecast Spring 2015

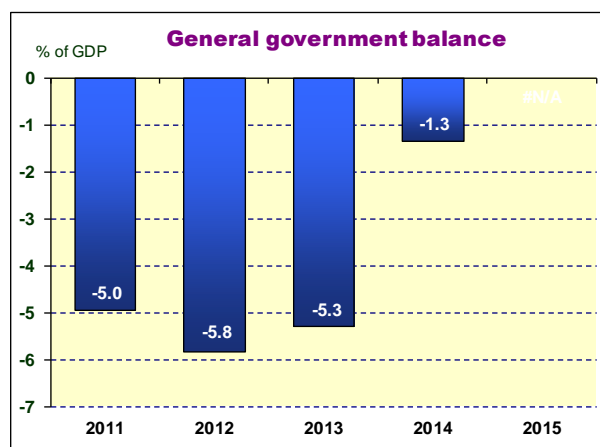
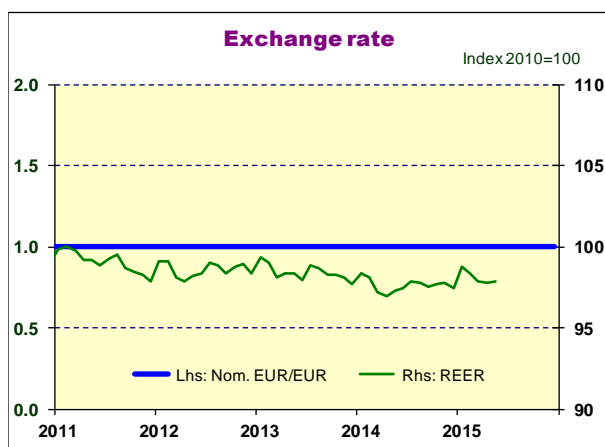
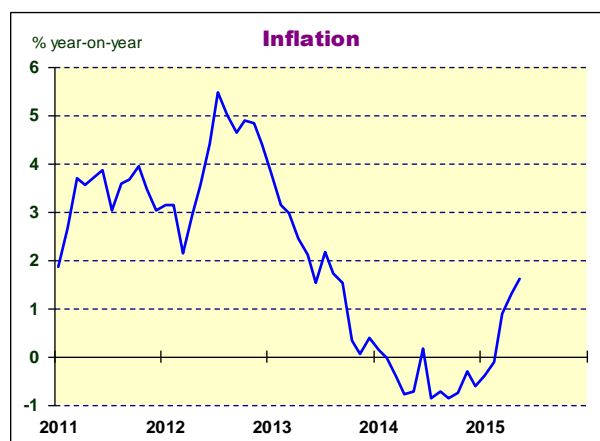
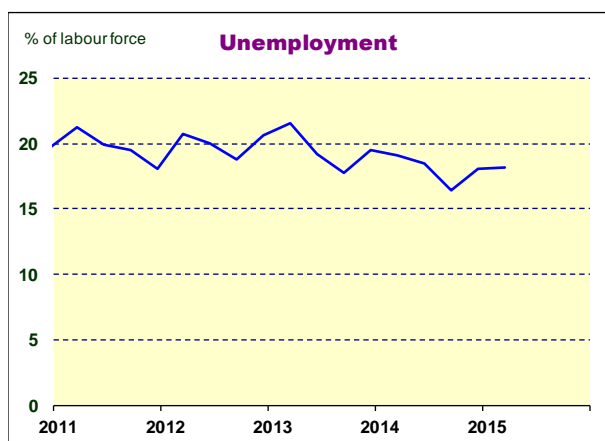
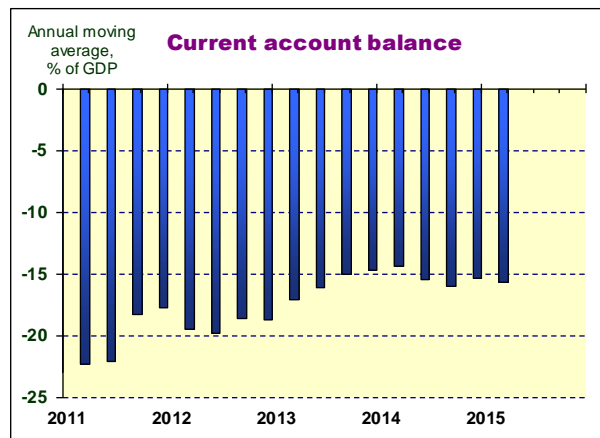
* Q figures refer to a 4 quarters moving average.

CHARTS

European Commission, ECFIN-D-1



MONTENEGRO





Key developments

In June, the Executive Board of the IMF completed the first review of the Stand-By Arrangement, making available a cumulative amount of SDR 304 million (about EUR 380 million). In view of the comfortable international reserve position and access to external financing, the Serbian authorities announced that they would not make any purchases and will continue to treat the arrangement as precautionary.

In the framework of the high level dialogue for normalisation of relations between Belgrade and Pristina, the text of two agreements – on principles of the establishment of the Association/Community of Serb majority municipalities in Kosovo and on the implementation arrangements in the field of telecoms was finalised. However, final political agreement on these two agreements has not been reached.

In end-June, the central bank took measures to enhance its monitoring of the four majority Greek-owned commercial banks and declared that they have created adequate liquidity and capital buffers. In an attempt to pre-empt any negative spill-overs from the Greek to the Serbian financial system, the central bank has also limited their transactions with parent banking groups. By the end of 2014, the majority Greek-owned banks held about 14% of the banking system assets.

Real sector

The recession continued in the first quarter of 2015 and real GDP fell by 1.8% y-o-y. However, the drop in households' consumption further decelerated to -0.6% y-o-y and gross fixed capital formation growth firmed up to 4.4%. Due to the wage cuts in the autumn and lower government spending on goods and services, public consumption contracted by 3.5% y-o-y. Both exports and imports posted robust growth rates, spurred by the ongoing recovery in Serbia's major trading partners.

Economic performance across different activities continued to vary in the first quarter. Although output in most of the sectors continued

to fall, the contraction was lower in some of them. Key sectors like retail trade posted only a marginal decrease. The fall of industrial activity, in particular, slowed down from 9.4% y-o-y in the last quarter of 2014 to 4.0% y-o-y.

High frequency indicators confirm a continuation of this trend and some signs of recovery were notable in the second quarter. Industrial production accelerated and was up by 17.7% y-o-y in May. The sharp rebound was driven to a large extent by base effects as electricity production and mining of coal and lignite recovered from the effects of the May 2014 floods. In addition, manufacturing performed strongly, growing by 11.0% in May and by 5.1% y-o-y in the first five months of the year. Retail trade turnover moved into positive territory as well, growing by 1.5% y-o-y in May.

Labour market

The first quarter Labour Force Survey registered an improvement of labour market conditions. The unemployment rate fell by 1.6 percentage points y-o-y to 19.2% and both activity and employment rates increased notably. Although some of the new jobs were in the state sector and informal employment remains sizeable, important gains were made in private employment. In particular, registered (LFS) private employment increased by nearly 200,000 people in a year, more than half of which in the first quarter of 2015. Most of these jobs, however, went into less paid, low productivity sectors, like retail trade and agriculture. The fall in unemployment, although not as impressive, was also confirmed by the National Employment Service. According to its data, registered unemployment dropped on average by 3.6% y-o-y or about 28,500 people in the first five months of the year.

Due to the cut of public sector wages, implemented in the end of 2014, average wages fell strongly in the sectors of public administration and defence, education and health care. However, the decline in wages for the overall economy was far less pronounced as a number of sectors, including manufacturing and construction, registered robust wage increases. Thus, in the first five months of the year, the real gross average wage dropped by just 1.8% y-o-y.

External sector

Following a robust start in the beginning of the year, external trade continued to perform strongly in the period March-May. In these three months, the growth of exports of goods averaged 7.5% y-o-y in euro terms, outpacing imports which increased by 5.1% y-o-y. As a result, in particular, of the very good May exports growth (15.6% y-o-y), the January-May merchandise trade deficit stood at EUR 1.7 billion (5.3% of the estimated annual GDP), broadly unchanged from its corresponding level last year.

By the end of April, the cumulative current account deficit shrank by 31.2% y-o-y to EUR 458 million (1.4% of the estimated annual GDP). The reduction was driven mostly by a lower primary income deficit, due to decreasing direct investment income payments, and higher secondary income surplus, including workers' remittances. Net FDI fell by close to 30% but still covered around two-thirds of the current account deficit – broadly unchanged from the levels observed last year.

Monetary developments

During the second quarter, inflation continued to be below the central bank tolerance band of $4\pm 1.5\%$, reaching 1.5% in May. The main contributors to the long period of price moderation were the low domestic demand, low international prices of primary commodities, exchange rate stability, and delays in administrative price adjustments.

The low inflationary environment and a rapidly falling budget deficit allowed the central bank to continue reducing its key interest rate in successive steps, from 7.0% in April to 6.0% in June. In a step to stabilise interbank money market interest rates, in May, the Executive Board of the bank narrowed the corridor of interest rates set in reference to the key policy rate from $\pm 2.5\%$ to $\pm 2.0\%$. In the second quarter, the dinar/euro exchange rate remained broadly stable and the central bank interventions to reduce the daily oscillations were limited and mostly on the purchase side. The foreign exchange reserves of the national bank increased slightly to EUR 10.5 billion in end-May, covering approximately seven months' worth of imports of goods and services.

Financial sector

Commercial banks' non-monetary deposits continued to expand steadily, growing by 8.6% y-o-y in the first five months of the year. However, the stock of banks' claims on the non-government sectors has steadily declined since February, mostly as a result of the expiration of the government subsidised lending programme. Company loans were affected the most by the expiration of this programme and accelerated their decline to 4.5% y-o-y in May. However, underpinned by a robust increase in lending to households (on average 8.4% y-o-y in the period February-May), the annualised growth of non-government claims remained positive. The rapid fall of the budget deficit has reduced financing needs and the growth of bank claims on the government decelerated sharply since the beginning of the year to 17.7% y-o-y in May. The stock of these claims expanded by only RSD 16.2 billion in the period January-May in comparison to the RSD 66.0 billion in the first five months of 2014.

The level of non-performing loans remained very high at 22.6% in the first quarter, clogging banks' balance sheets. To address this issue, the authorities, including the central bank, have engaged in designing a comprehensive strategy for NPL resolution.

Fiscal developments

Budgetary performance continued to surprise on the positive side and the consolidated budget run a small deficit of RSD 27.2 billion by the end of May (0.7% of the estimated annual GDP) – a quarter of the level observed in the same period of the previous year. Total revenue maintained their strong growth (8.2% y-o-y), underpinned by excise duties on tobacco (21.8% y-o-y), VAT on imports (10.2% y-o-y) and, in particular, non-tax revenue (58.3% y-o-y) which were largely driven by one-offs from telecom licences and SOEs dividends. Total expenditure declined at a steady pace by 4.7% y-o-y, as spending on wages (-12.2% y-o-y) and pensions (-3.2% y-o-y) continued to fall.

By the end of May, government debt reached RSD 2,904 billion (74% of the estimated GDP), and increased by more than RSD 150 billion since the beginning of the year, largely due to the depreciation of the euro against the US dollar.

TABLE

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SERBIA

		2010	2011	2012	2013	2014	ECFIN Forecast		Q4 14	Q1 15	Q2 15	Apr 15	May 15	Jun 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	:	:	-8.4	-2.0	:	-0.1	17.7	:
Gross domestic product ^{1.3}	Ann. % ch	0.6	1.4	-1.0	2.6	-1.8	-0.1	1.2	-1.8	-1.8	:	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	:	:	:	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	:	:	:	N.A.	N.A.	N.A.
Construction index ^{1.6}	Ann. % ch	13.6	28.6	-14.6	-23.8	26.6	:	:	13.0	-4.0	:	N.A.	N.A.	N.A.
Retail sales ^{1.7}	Ann. % ch	-0.7	-14.6	-3.9	-5.3	2.0	:	:	2.0	-0.8	:	0.2	1.5	:
2 Labour market														
Unemployment ^{2.1}	%	19.2	23.0	23.9	22.1	18.9	19.3	20.3	16.8	19.2	:	N.A.	N.A.	N.A.
Employment ^{2.2}	Ann. % ch	N.A.	-6.0	-1.1	3.7	4.8	-0.1	-1.3	2.7	6.5	:	:	:	:
Wages ^{2.3}	Ann. % ch	7.4	11.1	9.0	5.7	1.1	:	:	0.4	-0.2	:	-1.0	-0.8	:
3 External sector														
Exports of goods ^{3.1}	Ann. % ch	24.0	14.0	-0.9	25.6	1.2	:	:	-4.5	3.7	:	0.4	:	:
Imports of goods ^{3.2}	Ann. % ch	9.8	14.8	1.6	4.7	0.5	:	:	-4.5	6.7	:	-1.5	:	:
Trade balance* ^{3.3}	% of GDP	-15.4	-16.0	-17.8	-12.1	-12.0	-10.2	-10.0	-12.4	-13.0	:	N.A.	N.A.	N.A.
Exports goods and services ^{3.4}	% of GDP	34.0	34.4	36.3	40.7	43.7	:	:	43.7	45.0	:	N.A.	N.A.	N.A.
Imports goods and services ^{3.5}	% of GDP	49.3	49.8	-53.6	-51.9	-54.8	:	:	-54.8	-56.5	:	N.A.	N.A.	N.A.
Current account balance* ^{3.6}	% of GDP	-6.5	-8.6	-11.5	-6.1	-6.0	-3.8	-3.7	-6.0	-6.0	:	N.A.	N.A.	N.A.
Direct investment (FDI, net)* ^{3.7}	% of GDP	2.9	5.5	2.2	3.9	3.8	:	:	3.8	3.7	:	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	:	:	9,907.2	10,515.1	:	10,533.5	10,545.2	:
Int. reserves / months imp ^{3.9}	Ratio	10.0	10.5	9.3	9.2	8.0	:	:	8.0	8.4	:	8.4	:	:
4 Monetary developments														
CPI ^{4.1}	Ann. % ch	10.2	7.0	12.2	2.2	1.7	2.4	4.1	1.7	1.9	:	1.8	1.5	:
Producer prices ^{4.2}	Ann. % ch	16.2	9.7	6.4	0.8	0.2	:	:	0.2	0.7	:	1.0	1.1	:
Food prices ^{4.3}	Ann. % ch	10.6	6.4	15.4	-2.5	2.2	:	:	2.2	4.7	:	4.0	2.7	:
M3 ^{4.4}	Ann. % ch	12.9	10.3	9.4	4.6	8.7	:	:	8.7	8.5	:	8.8	8.0	:
Exchange rate RSD/EUR ^{4.5}	Value	102.90	101.96	113.01	113.09	117.25	:	:	120.29	121.56	120.44	120.17	120.59	120.56
Nominal eff. exchange rate ^{4.6}	Index	79.3	81.8	74.1	74.0	68.4	:	:	68.4	67.2	67.6	67.4	67.6	67.6
5 Financial indicators														
Interest rate (3 months) ^{5.1}	% p.a.	10.85	12.56	12.50	9.49	7.24	:	:	6.85	7.10	:	6.45	5.63	:
Bond yield (12 months) ^{5.2}	% p.a.	10.60	12.90	13.04	10.67	9.18	:	:	9.00	9.20	:	8.63	7.20	:
Stock markets ^{5.3}	Index	1,283	1,371	932	1,035	1,215	:	:	1,368	1,347	1,435	1,445	1,455	1,406
Credit growth ^{5.4}	Ann. % ch	32.3	5.5	12.9	-6.5	6.7	:	:	6.7	4.3	:	:	:	:
Deposit growth ^{5.5}	Ann. % ch	14.4	9.2	10.4	3.3	8.1	:	:	8.1	8.2	:	8.5	8.0	:
Non-performing loans ^{5.6}	% total	16.9	19.0	18.6	21.4	21.5	:	:	:	22.6	:	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	-10.1	-2.4	:	N.A.	N.A.	N.A.
General government debt ^{6.2}	% of GDP	41.8	45.4	56.2	59.6	71.0	79.6	83.7	71.0	74.1	:	74.2	74.3	N.A.

f: ECFIN forecast Spring 2015

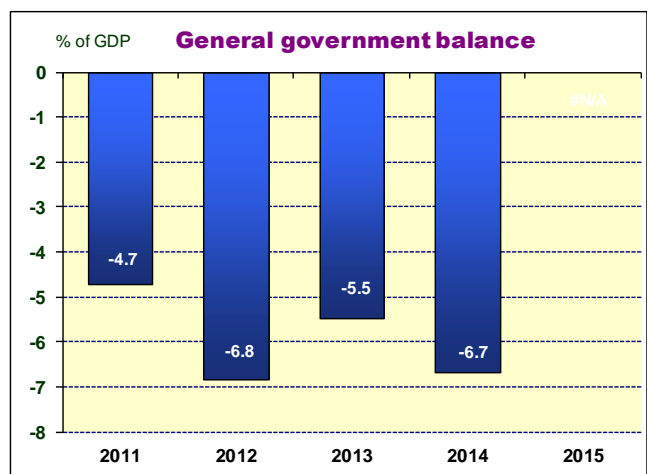
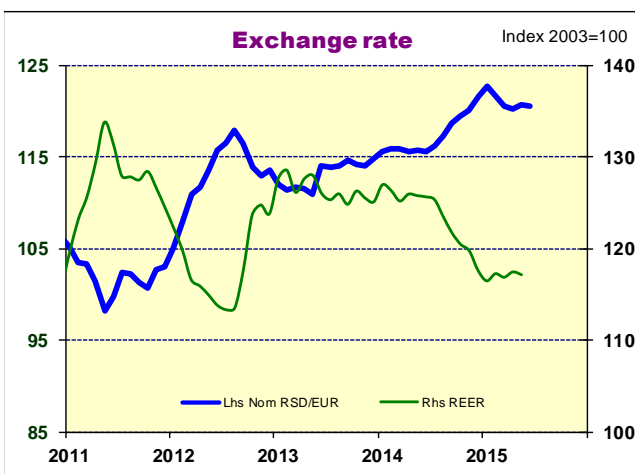
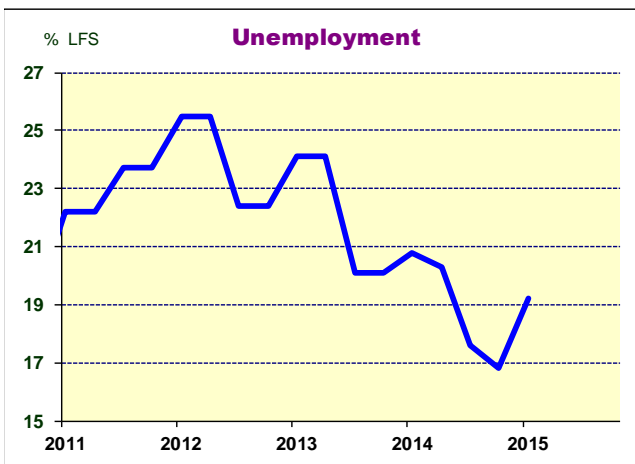
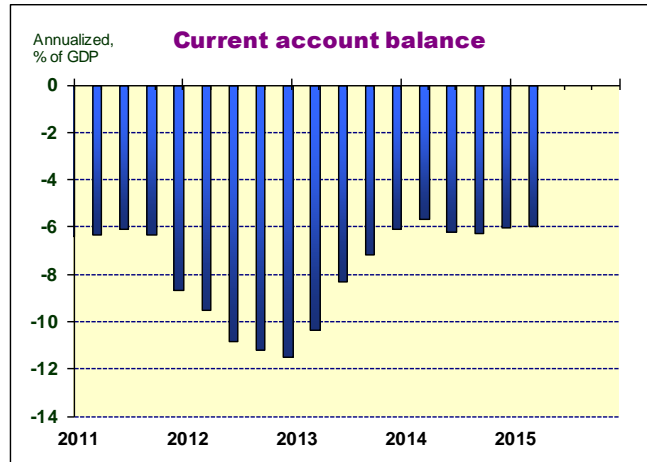
* Q figures refer to a 4 quarters moving average.

CHARTS

European Commission, ECFIN-D-1



SERBIA



TURKEY



Key developments

The Economic and Financial Dialogue between the EU and the Western Balkans and Turkey on 12 May issued joint conclusions which, *inter alia*, invited Turkey to pursue a sufficiently restrictive fiscal stance, to reinforce the pursuit of price stability, to improve the business environment, and to accelerate structural reforms.

The general elections on 7 June resulted in a hung parliament, ending thirteen years of single-party government by the AKP. Pre- and post-election uncertainties seem to have affected business and consumer sentiment negatively.

Real Sector

Real GDP growth increased 2.3% year-on-year in the first quarter of 2015. This was less than in the preceding quarter (2.6%), but surprisingly robust in view of very weak survey indicators. In seasonally adjusted quarter-on-quarter terms, GDP growth even increased from 0.8% to 1.3%.

The components of first quarter GDP show a continued shift in the composition of growth from net exports to consumer spending, a trend which had started in the previous quarter. Personal consumption expenditure surged by 4.5% and contributed a full 3 percentage points to GDP growth. Consumer spending was supported by rising employment.

Public consumption increased 2.5% year-on-year, adding 0.3 percentage points to overall growth. Public investment (-10.2%) declined for the fifth consecutive quarter following the massive surge in 2013. Private investment, on the other hand, picked up (+1.9%) after having been close to stagnation for two years. Overall, gross fixed capital formation registered zero growth year-on-year. Inventory adjustments added 0.2 percentage points to GDP growth.

Exports of goods and services contracted 0.3% year-on-year, but from a very strong base. Imports increased by 4.1%, reflecting the

strength in consumer spending. Overall, net exports subtracted 1.2 percentage points from GDP growth.

In the second quarter, business and consumer sentiment remained at very low levels which is widely attributed to political uncertainty. The manufacturing PMI averaged 49.2, suggesting a slight contraction of the sector. The consumer confidence index declined further, reaching a new six-year low of 65.4 in May. However, the available hard data for the second quarter are more positive and suggest that output growth may have continued at a moderate pace. The retail sales volume index increased at a steady clip month-on-month and was up by 4.5% year-on-year in May. Industrial production was 2.4% higher year-on-year in May in calendar-adjusted terms. The capacity utilisation rate in the manufacturing industry was little changed at around 75% both in quarter-on-quarter and year-on-year terms.

According to the foreign trade data, the level of exported goods was 5.7% lower and the level of imported goods was 2.5% lower in April-May compared to the first quarter in seasonally and calendar adjusted terms. As the trade data are expressed in US dollars, the recent dollar appreciation has lowered the measured export and import values. Trade volumes may very well have increased. On balance, the data suggest that net exports have exerted a continued drag on GDP growth.

Labour market

Employment increased by 0.8% in the first quarter of 2015 on a seasonally adjusted quarterly basis. In year-on-year terms, the number of employed persons was up by 2.6%. But with a 3.7% rise in the labour force (15 years+), the unemployment rate increased to 11.0%, up by 1.0 percentage points year-on-year. The rise in the labour force was partly the result of a 1.1 percentage point rise in the participation rate to 50.2% and partly due to a rising working age population. The hourly labour cost index increased by 12.7% year-on-

year in the first quarter, significantly more than in the preceding quarter.

External sector

The 12-month cumulative current account deficit has declined from USD 46.5 billion last December to USD 44.7 billion in May. But expressed as a share of GDP, the deficit has remained at 5.8% due to the rising value of the dollar against the Turkish lira. The most significant change in the composition of Turkey's current account is the surge in net exports of non-monetary gold to USD 4.5 billion in the first five months of 2015 from USD 0.8 billion in the corresponding period in 2014.

Net inflows of foreign direct investments amounted to USD 3.3 billion in the first five months of 2015 compared to USD 3.8 billion in the corresponding period in 2014.

Gross external debt decreased by USD 9.6 billion to USD 392.8 billion between the end of 2014 and the end of March 2015. Expressed as a share of GDP, however, gross external debt increased from 53.3% to 57.5% due to the appreciation of the US dollar. The central bank's gross foreign exchange reserves have remained essentially unchanged at around USD 102 billion over the second quarter. Net foreign exchange reserves amount to only one third of gross reserves.

Monetary developments

Inflationary pressures remained elevated in the second quarter. Overall consumer price inflation declined from 7.6% in March to 7.2% in June, much helped by a recent downward correction of food prices. Core inflation, on the other hand, increased by 0.4 percentage points to 7.5% over the same period, indicating persistent strength in the underlying inflationary pressures, notably the on-going pass-through from lira depreciation and inflation expectations. Expectations for CPI inflation 12-months ahead have edged upward in recent months to 7.0% in June.

The central bank has kept its key policy rate, the one-week repo rate, unchanged at 7.5% since February. The interest rate corridor for the overnight rate has also remained constant at 7.25% – 10.75% since February. The central bank has recently kept liquidity relatively tight, steering the actual overnight rate in the interbank

market to close to the upper limit of the interest rate corridor.

The lira depreciated by 6.1% against the euro and by 2.8% against the US dollar in the second quarter. Since the beginning of the year, the lira has depreciated by 5.5% and 13.7% against the euro and the dollar, respectively. In real effective terms (CPI-based), the lira has depreciated by 5.4% between June 2014 and June 2015.

Bank lending to the non-financial sector has picked up again and registered 25.4% year-on-year at the beginning of July. Bank lending to consumers has continued to grow at a lower speed, increasing 14.9% year-on-year.

Financial sector

Turkish stocks performed strongly in April and the first half of May, but lost momentum subsequently. In the second quarter as a whole, the main stock index of the Borsa Istanbul gained 1.7%. The yield on the benchmark 2-year government note increased by about 1 percentage point to 9.75% at the end of June.

The banking sector's net profits were flat in 2014 compared to the preceding year, but increased 8.1% year-on-year in the first five months of 2015. The share of non-performing loans in total loans has remained stable, registering 3.0% at the end of May. At the same time, banks' capital adequacy ratio stood at 15.3%, down by 1 percentage point year-on-year.

Fiscal developments

In the first five months of 2015, the central government's finances recorded a 12.5% year-on-year rise in revenues and 12.1% rise in expenditures. This resulted in a 12.4% decline year-on-year in the budget deficit in this period. This implies that the budget realisation in the January-May period is in line with the budgeted decline in the central government's deficit from 1.3% of GDP in 2014 to 1.1% in 2015.

General government debt as a share of GDP had declined to 33.5% at the end of 2014, but edged up to 33.8% at the end of March 2015. As about one third of the debt is held in foreign currency, the debt ratio is sensitive to exchange rate fluctuations.

TABLE



European Commission, ECFIN-D-1

TURKEY

		2010	2011	2012	2013	2014	ECFIN Forecast		Q4 14	Q1 15	Q2 15	Apr 15	May 15	Jun 15
							2015	2016						
1 Real sector														
Industrial confidence ^{1.1}	Balance	110.3	110.5	106.3	108.1	107.1	:	:	103.6	103.4	107.3	107.9	109.0	104.9
Industrial production ^{1.2}	Ann.%ch	12.8	10.1	2.5	3.0	3.6	:	:	2.5	1.3	:	3.9	2.4	:
Gross domestic product ^{1.3}	Ann.%ch	9.2	8.8	2.1	4.2	2.9	3.2	3.7	2.6	2.3	:	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	2.4	4.5	:	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	-1.0	0.0	:	N.A.	N.A.	N.A.
Construction index ^{1.6}	Ann.%ch	77.4	-16.2	34.9	16.2	37.7	:	:	-5.4	-40.2	:	N.A.	N.A.	N.A.
Retail sales ^{1.7}	Ann.%ch	N.A.	8.9	5.2	4.1	3.9	:	:	3.1	3.3	:	3.8	4.5	:
2 Labour market														
Unemployment ^{2.1}	%	11.2	9.2	8.4	9.1	10.0	10.6	10.5	10.7	11.0	:	:	:	:
Employment ^{2.2}	Ann.%ch	6.0	6.3	3.1	2.8	5.2	2.5	3.1	5.6	2.6	:	:	:	:
Wages ^{2.3}	Ann.%ch	11.8	9.7	11.5	12.4	14.2	9.2	9.4	12.7	13.9	:	:	:	:
3 External sector														
Exports of goods ^{3.1}	Ann.%ch	11.5	18.5	13.0	-0.4	3.8	:	:	-0.5	-7.6	:	0.2	-18.8	:
Imports of goods ^{3.2}	Ann.%ch	31.7	29.8	-1.8	6.4	-3.8	:	:	-2.6	-9.0	:	-11.1	-14.4	:
Trade balance* ^{3.3}	% of GDP	-7.7	-11.5	-8.3	-9.7	-8.0	-6.3	-6.5	-8.0	-7.9	:	N.A.	N.A.	N.A.
Exports goods and services ^{3.4}	% of GDP	21.2	24.0	26.3	25.6	27.7	:	:	27.7	27.4	:	N.A.	N.A.	N.A.
Imports goods and services ^{3.5}	% of GDP	26.8	32.6	31.5	32.2	32.1	:	:	32.1	31.7	:	N.A.	N.A.	N.A.
Current account balance* ^{3.6}	% of GDP	-6.2	-9.7	-6.1	-7.9	-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	:	:	1.6	1.5	:	N.A.	N.A.	N.A.
International reserves ^{3.8}	bio EUR	83.2	83.9	104.8	107.9	115.0	:	:	115.0	127.5	:	130.6	:	:
Int. reserves / months Imp ^{3.9}	Ratio	7.1	5.8	6.8	6.8	7.6	:	:	7.6	8.2	:	8.3	:	:
4 Monetary developments														
CPI ^{4.1}	Ann.%ch	8.6	6.5	8.9	7.5	8.9	7.0	7.3	8.8	7.5	7.7	7.9	8.1	7.2
Producer prices ^{4.2}	Ann.%ch	8.5	11.1	6.1	4.5	10.2	:	:	8.3	3.3	6.0	4.8	6.5	6.7
Food prices ^{4.3}	Ann.%ch	10.6	6.2	8.4	9.1	12.6	:	:	13.2	12.9	12.2	14.4	12.8	9.3
M4 ^{4.4}	Ann.%ch	15.2	19.6	8.6	19.1	16.2	:	:	12.0	13.6	:	17.7	20.1	:
Exchange rate TRY/EUR ^{4.5}	Value	1.99	2.33	2.31	2.53	2.91	:	:	2.83	2.77	2.95	2.86	2.96	3.03
Nominal eff. exchange rate ^{4.6}	Index	100.00	85.99	84.19	78.86	69.36	:	:	70.57	70.23	:	65.72	64.83	:
5 Financial indicators														
Interest rate (3 months) ^{5.1}	% p.a.	7.19	8.34	8.44	6.60	9.84	:	:	9.77	9.28	10.50	10.22	10.55	10.75
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	:	:	80 616	85 054	83 272	83 302	85 038	81 476
Credit growth ^{5.4}	Ann.%ch	40.8	35.2	18.6	33.4	19.4	:	:	19.4	21.4	26.2	24.3	25.7	26.2
Deposit growth ^{5.5}	Ann.%ch	16.6	20.3	10.8	20.4	18.1	:	:	14.2	12.4	19.2	17.3	19.3	20.8
Non-performing loans ^{5.6}	% total	5.4	3.4	3.0	3.0	3.0	:	:	3.1	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	-0.9	-0.5	:	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

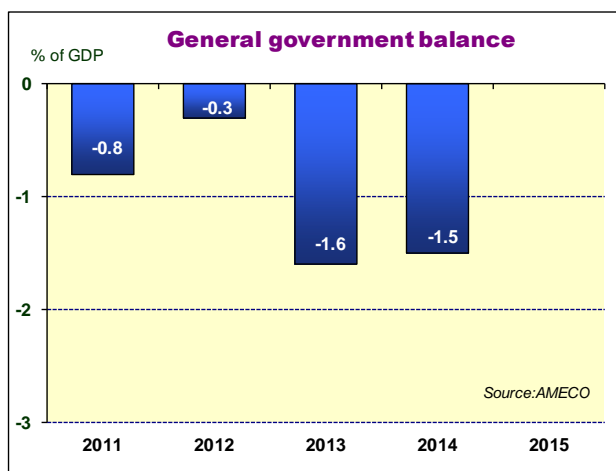
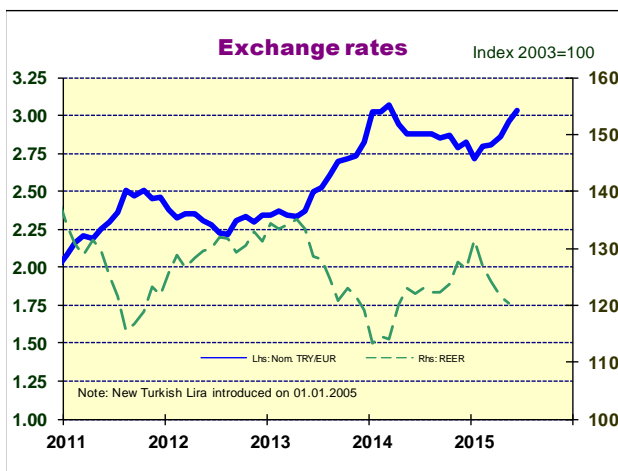
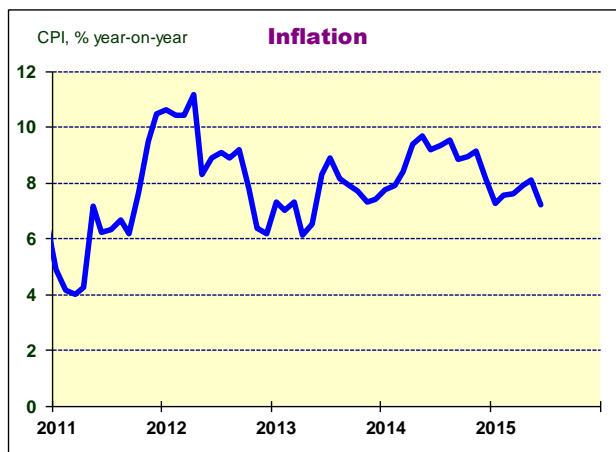
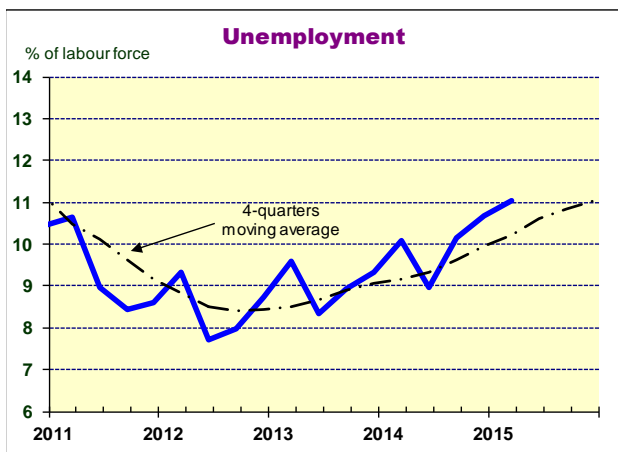
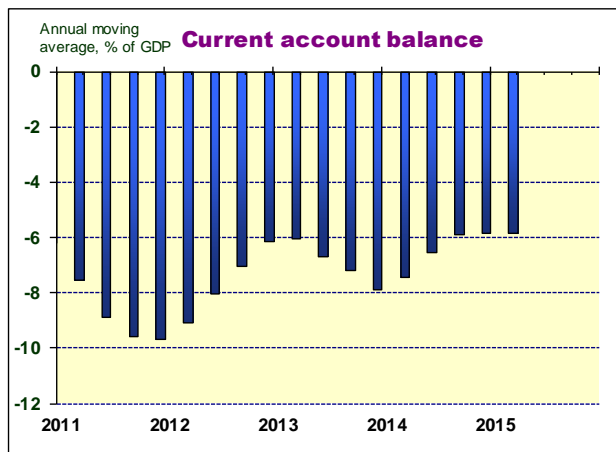
* Q figures refer to a 4 quarters moving average.

CHARTS

European Commission, ECFIN-D-1



TURKEY





Key developments

On 23 June, the Fiscal Council of Bosnia and Herzegovina adopted the Global framework of fiscal balance and policies 2016-2018, which foresees that the revenues from indirect taxes for the Institutions of Bosnia and Herzegovina in 2015 remain at KM 750 million, unchanged from 2014. The policy framework projects a lowering of the budget deficit from 2.8% of GDP planned in 2016 to close to balance in 2018.

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 economic recovery in Bosnia and Herzegovina continued with annual GDP growth accelerating to 2.1% in the first quarter of 2015. Economic activity was largely driven by a marked increase in retail trade (7.2% y-o-y), pointing at stronger private consumption. At the same time, output of the mining and the agriculture sectors contracted for a third consecutive quarter, by 9.2% and 3.7%, respectively.

High-frequency indicators confirm an acceleration of economic activity with country-wide industrial production expanding by 2.0% and 9.9% y-o-y in April and May, respectively. In 2014, industrial output contracted by 0.3%.

Labour market

Unemployment remains very high and the economic recovery started to show only a minor positive effect on the overall situation on the labour market. In the first four months of 2015, the registered unemployment rate declined y-o-y by 0.5 percentage points to 43.6%. Furthermore, the level of total employment increased by 1% y-o-y. This was mainly due to stronger employment in the tourism industry and the utilities sector. Employment in the public sector posted a minor growth as well. On the other

hand, employment in the financial services and the construction sector took a hit.

The difficult labour market situation is also reflected in a low wage dynamics. Gross nominal wages have been on the decline in the last four quarters. They fell by 0.5% in January-March 2015. However, in March and April wages recorded a positive growth of 0.9% and 0.3% y-o-y respectively.

External sector

The trend of a widening of trade deficit observed last year reversed in early 2015. Merchandise exports expanded by 4.6% y-o-y in the first quarter of 2015, mainly driven by stronger sales abroad of the food and textile industries. The growth of imports of goods turned negative (-0.1% y-o-y). Accordingly, the trade deficit narrowed by 7.6% y-o-y. However, this went hand in hand with a 10.4% y-o-y reduction of the surplus of the services balance, while net personal transfers increased by 3.8% y-o-y.

As a result, the current account deficit narrowed by around one fifth in the first quarter, compared to the same period of the previous year. In terms of GDP, in the four quarters to March, the deficit fell slightly to 7%, down from 7.7% in 2014.

On the financing side, net FDI inflows suffered a significant drop by 72% y-o-y in January-March, covering only a quarter of the current account deficit. Net FDI decreased to 2.3% of GDP in the four quarters to March, down from 3.1% in 2014.

The combined current and capital account recorded a deficit, leading to a mild drop in foreign reserves. However, they still remained at a rather comfortable level, representing 6.4 months of imports at end-May.

Monetary developments

The deflationary trend continued in the first five months of 2015, largely driven by falling prices in the food and clothing industries. The annual CPI dropped by 0.5% on average, compared to an annual average reduction of 0.9% in 2014.

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 surged to 7.1% in the first quarter, while accelerating further in May 2015 to 8.1% y-o-y.

Financial sector

In spite of the resumption of economic growth at the beginning of 2015, credit growth has been steadily decelerating on the back of stagnating lending to the non-financial corporate sector. The growth of lending almost halved to 1.9% y-o-y in the first four months down from 3.6% y-o-y in 2014. Commercial banks claims to corporates edged down by 4.6% y-o-y. Lending to the household sector accelerated to 5.8% y-o-y on average. In addition, banks passed on liquidity to the public sector with the growth of these claims remaining far above average, accelerating to 10.4% y-o-y in April. The level of short-term interest rates on consumer and corporate loans has broadly remained unchanged (at some 7.5%) in the first four months to April.

The growth of total deposits accelerated to around 8% y-o-y in the first four months of the year, driven by a robust 7-9% y-o-y increase in both the household and the corporate sectors. On the back of the parallel stagnation of credit activity, the downward adjustment of the loans-to-deposit ratio continued at a faster pace falling to 110% as of end- April.

The share of non-performing loans in total loans has somewhat decreased to 14.2% in the first 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 capital adequacy ratio of the whole banking system remained at the comfortable level of 16.2%, decreasing slightly from 16.3% as of end-December. On a negative note, the liquidity of the system deteriorated somewhat as of end March 2014 with the ratio of liquid assets to total assets falling to 24.7% along with a decline of liquid assets to short-term financial liabilities from 46.1% to 43.3%.

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 basis. Overall, the budget recorded a small deficit, amounting to 0.4% of the full-year GDP.

In the fourth quarter of 2014 and at the beginning of 2015, the pace of increase of the official foreign debt accelerated substantially and reached 31.5% of GDP as of end- March 2015. Foreign debt servicing is also on the rise and came to nearly 3% of GDP as of end 2014.

TABLE

European Commission, ECFIN-D-1



BOSNIA AND HERZEGOVINA

		2010	2011	2012	2013	2014	Q4 14	Q1 15	Q2 15	Apr 15	May 15	Jun 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	-0.5	0.1	:	2.0	9.9	:
Gross domestic product ^{1.3}	Ann. %ch	0.8	1.0	-1.2	2.5	1.4	1.9	2.1	:	N.A.	N.A.	N.A.
Private consumption ^{1.4}	Ann. %ch	0.9	1.6	2.2	2.7	:	:	:	:	N.A.	N.A.	N.A.
Gross fixed capital formation ^{1.5}	Ann. %ch	-12.2	7.9	5.2	-2.6	:	:	:	:	N.A.	N.A.	N.A.
Construction index ^{1.6}	Ann. %ch	29.4	-24.4	1.3	-25.8	22.2	22.2	-28.3	:	N.A.	N.A.	N.A.
Retail sales ^{1.7}	Ann. %ch	8.2	11.2	1.6	4.6	1.8	4.2	7.2	:	10.6	14.6	:
2 Labour market												
Unemployment ^{2.1}	%	42.7	43.8	45.9	44.5	43.6	43.6	43.6	:	43.3	:	:
Employment ^{2.2}	Ann. %ch	1.9	-1.6	-0.4	0.6	2.7	2.7	1.0	:	0.5	:	:
Wages ^{2.3}	Ann. %ch	1.1	4.4	1.5	0.1	-0.1	-0.6	-0.5	:	0.3	:	:
3 External sector												
Exports of goods ^{3.1}	Ann. %ch	33.5	20.2	-1.8	8.1	11.4	17.1	24.7	:	2.8	12.6	:
Imports of goods ^{3.2}	Ann. %ch	8.3	13.2	0.0	-1.5	9.2	8.2	1.1	:	2.6	1.8	:
Trade balance* ^{3.3}	% of GDP	-31.4	-33.2	-33.6	-30.6	-32.2	-32.2	-31.0	:	N.A.	N.A.	N.A.
Exports goods and services ^{3.4}	% of GDP	27.5	29.3	28.8	29.6	31.4	31.4	32.3	:	N.A.	N.A.	N.A.
Imports goods and services ^{3.5}	% of GDP	51.1	55.3	55.5	53.4	56.8	56.8	56.7	:	N.A.	N.A.	N.A.
Current account balance* ^{3.6}	% of GDP	-6.2	-9.6	-8.9	-5.7	-7.7	-7.7	-7.3	:	N.A.	N.A.	N.A.
Direct investment (FDI, net)* ^{3.7}	% of GDP	2.1	2.6	2.0	1.7	3.1	3.1	2.3	:	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	4 001.2	3 986.4	:	4 058.4	4 116.5	:
Int. reserves / months Imp ^{3.9}	Ratio	5.7	5.0	5.1	5.6	5.8	6.4	6.4	:	5.9	6.0	:
4 Monetary developments												
CPI ^{4.1}	Ann. %ch	2.1	3.7	2.0	-0.1	-0.9	-0.1	-0.5	:	-0.4	-0.5	:
Producer prices ^{4.2}	Ann. %ch	0.9	3.8	1.3	-2.2	-0.2	0.9	:	:	:	:	:
Food prices ^{4.3}	Ann. %ch	-0.7	6.0	1.8	0.0	-2.7	-0.8	0.4	:	0.2	-0.2	:
M2 ^{4.4}	Ann. %ch	7.8	5.6	4.6	5.7	7.5	7.5	7.1	:	8.2	8.1	:
Exchange rate BAMEUR ^{4.5}	Value	1.96	1.96	1.96	1.96	1.96	1.96	1.96	:	1.96	1.96	1.96
Nominal eff. exchange rate ^{4.6}	Index	103.7	104.60	105.50	102.76	105.43	106.55	107.41	:	:	:	:
5 Financial indicators												
Interest rate (3 months) ^{5.1}	%p.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.	:	:	:	:	:	:
Stock markets ^{5.3}	Index	931	979	737	770	707	698	707	710	716	717	699
Credit growth ^{5.4}	Ann. %ch	-0.9	5.6	5.2	2.5	3.6	3.3	1.8	:	2.4	2.0	:
Deposit growth ^{5.5}	Ann. %ch	4.7	2.6	2.6	5.1	8.4	8.2	5.4	:	6.6	6.2	:
Non performing loans ^{5.6}	%total	9.1	12.0	12.7	14.5	15.1	14.0	14.2	:	N.A.	N.A.	N.A.
6 Fiscal developments												
General government balance ^{6.1}	% of GDP	-2.5	-1.3	-2.0	-2.2	-2.1	-1.6	-0.4	:	N.A.	N.A.	N.A.
General government debt* ^{6.2}	% of GDP	39.3	40.5	45.1	42.5	40.5***	30.5**	31.7**	:	N.A.	N.A.	N.A.

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

** Refers only to foreign public debt.

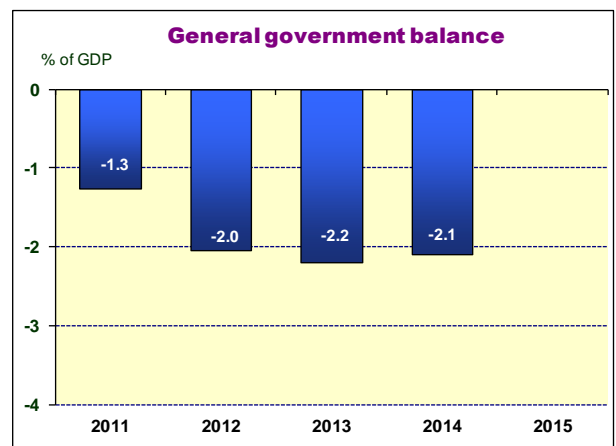
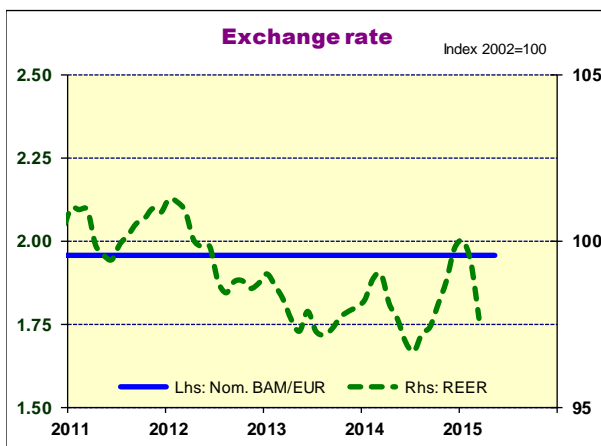
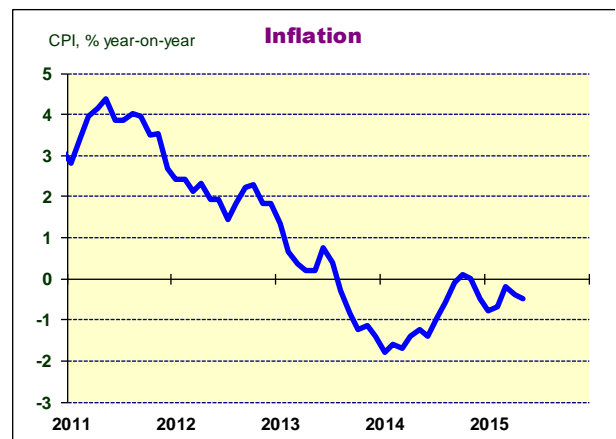
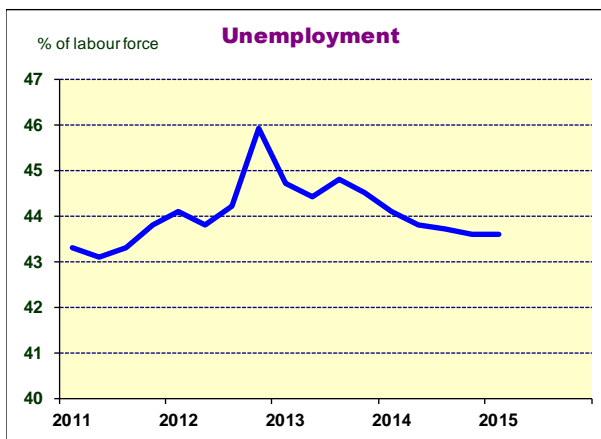
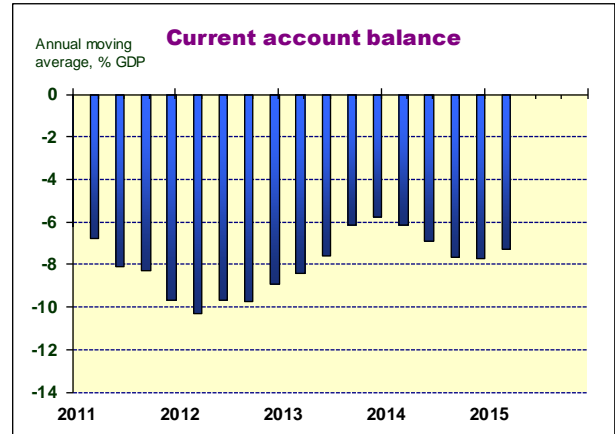
*** 2015-2017 Economic Reform Programme of Bosnia and Herzegovina.

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

Kosovo government and the IMF reached a staff level agreement for the new 22 month stand-by arrangement worth up to 185 million EUR (250% of the quota). The program agenda is set on improving competitiveness and productive capacity to boost growth in the medium term. 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 World Bank expects the Kosovan economy to expand by 3.0%, 3.5%, and 3.7% in 2015, 2016, and 2017 respectively. The central bank of Kosovo expects similar 3.5% growth in 2015, boosted by domestic demand and investments.

Real sector

Kosovo's economic growth slowed to 0.9% in 2014, compared to 3.4% a year earlier, according to the first estimates of the Kosovo Agency of Statistics (KAS). The figure comes as a surprise as it is substantially lower than the government and IFI forecasts (around 3% on average). The slowdown is due to lower than expected private consumption growth and delays in capital investments due to the political deadlock.

In the fourth quarter of 2014 alone, Kosovo's GDP grew by a real 3.3% y/y, following a 2.9% decrease a year earlier. Main drivers of growth were real estate activities (12.4%), trade (6.1%), and construction (5.8%). Biggest decreases in annual terms in the fourth quarter were recorded in public administration (-3.1%), and utilities distribution (-2.3%). The expenditure approach shows growth in household final consumption (+3.8%), export of goods and services (+33.6% y/y), and import of goods and services (+8.2% y/y). The final government consumption declined by 5.9%.

Industrial turnover in Kosovo dropped 3.1%² in

² Composite index not officially published by the Statistics Office was estimated from its components

Q1 2015 compared to a year ago. Despite an 8.2% rise in manufacturing a 43.7% drop in mining was enough to compress industrial turnover after it rebounded by 14.7% y/y in Q4 2014.

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 Q1 data shows a widening of the current account deficit (-0.9% of GDP compared to -0.7% in 2013), a result of underperforming government transfers and lower net income flows. Growing net remittances (2.6% of GDP) helped offset a stubbornly high goods and services trade deficit (5.7% of GDP). On the financing side, net FDI rebounded (1.4% of GDP compared to 0.75% a year ago). Nevertheless largest part of financial flows remains informal and unrecorded as net errors and omissions rose to 1.5% of GDP, compared to 1.2 in Q1 2014.

In the first five months of 2015 exports of goods rose by 15.1% y/y driven primarily by a 54.7% 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 process foods products. At the same time imports rose by 5.4% y/y driven by 32.9% and 23.1% rise in plastics and rubber products, and transport means respectively. The trade deficit reached EUR 830 million by May, an increase 3.8% 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 31.6% of GDP in 2014. 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 falling import prices - 1.4% in Q1 2014, consumer prices continued on a downward trajectory by May (-0.4% y/y). However change 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 1.3% y/y on average by May 2015. Housing utilities prices increased by 4.9% 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 July 2015

Financial sector

In the first five months of 2015 total loans and lease financing rose by 5.4% y/y. Total deposits in commercial banks continued to grow steadily (6.6% y/y). Thus, the loans to deposit ratio remained stable at 76.1 indicating a stable liquidity position and substantial room for stronger banking activity.

The effective interest rate on deposits increased 12 bp since January to 0.91%. Effective loans interest rate continued decreasing and now stands at 7.9%, 100 bp lower than in December 2014. Thus, the interest rate spread decreased to 7%.

The risk profile of the banking sector remained satisfactory in May. The ratio of liquid assets

and short-term liabilities stood at 43%, while capital adequacy ratio was 19.2, far above the regulatory requirement of 12%. NPLs remain low compared to the regional peers, and declined to 7.6%, fully covered by loan loss provisions (117.9%).

Improved profitability continued with banking profits rising 102.1% y/y by May. 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

In the first three months of 2015 revenues rose by 6.6% y/y, substantially lower than the 18% increase planned in the 2015 budget. Revenue growth drivers were the VAT and income tax. A 13% rise in income tax can be partially explained by public wage increase while the 13% rise in collected VAT is probably due to collection of some unpaid VAT from 2014. Border taxes, as the largest single revenue contributor, grew marginally by only 1.1%. Total spending grew by 12% on the account of the rising current expenditure. Capital investment and goods and services spending contracted by 20% and 13%, respectively, while wages and transfers spending rose by 20% and 31% respectively. Overall, the budget recorded a EUR 14 million surplus in the first four months of 2015. This is equivalent to 0.25% of annual GDP, compared to an almost balanced budget in the same period of the last year.

Public debt stood at relatively low 10.9% of GDP in March 2015. Government deposits stood at EUR 163 million or 3% of GDP at the end of 2014, substantially below the threshold implied by the fiscal rule (4.5%). Thus, further budget savings will have to be sought in order to secure adequate government financing buffers.

TABLE

European Commission, ECFIN-D-1

KOSOVO*

		2010	2011	2012	2013	2014	Q4 14	Q1 15	Q2 15	Apr 15	May 15	Jun 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	14.7	-3.1	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	3.3	:	:	:	:	:
Private consumption ^{1.4}	Ann. % ch	3.5	3.5	2.9	2.0	1.3	:	:	:	:	:	:
Investment ^{1.5}	Ann. % ch	10.9	7.8	-12.9	-0.3	1.5	:	:	:	:	:	:
Construction index ^{1.6}	Ann. % ch	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Retail sales ^{1.7}	Ann. % ch	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
2 Labour market												
Unemployment ^{2.1}	%	:	44.8	30.9	30.0	35.3	:	:	:	:	:	:
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	24.1	15.7	:	13.3	15.4	:
Imports of goods ^{3.2}	Ann. % ch	11.5	10.4	5.3	-2.3	3.6	3.5	1.7	:	8.8	3.9	:
Trade balance** ^{3.3}	% of GDP	-42.3	-42.8	-44.1	-40.5	-39.7	-39.7	:	:	N.A.	N.A.	N.A.
Exports goods and services** ^{3.4}	% of GDP	19.9	19.6	18.2	17.4	19.7	5.0	3.8	:	N.A.	N.A.	N.A.
Imports goods and services** ^{3.5}	% of GDP	55.5	56.8	52.4	49.0	50.8	13.7	9.5	:	N.A.	N.A.	N.A.
Current account balance** ^{3.6}	% of GDP	-11.7	-13.7	-7.5	-6.4	-8.0	-2.8	-0.9	:	N.A.	N.A.	N.A.
Direct investment (FDI, net)** ^{3.7}	% of GDP	7.5	7.9	4.2	4.5	2.3	0.3	1.4	:	N.A.	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	1 368.1	1 391.5	:	1 398.6	1 372.7	:
Int. reserves / months Imp ^{3.9}	Ratio	6.9	6.2	7.0	7.9	6.5	6.5	6.6	:	6.5	6.4	:
4 Monetary developments												
CPI ^{4.1}	Ann. % ch	3.5	7.3	2.5	1.8	0.4	0.1	-0.4	:	-0.4	-0.4	:
Producer prices ^{4.2}	Ann. % ch	4.1	4.5	1.9	2.4	1.6	4.1	3.6	:	N.A.	N.A.	N.A.
Food prices ^{4.3}	Ann. % ch	4.8	12.4	1.0	2.1	-0.2	1.2	1.5	:	1.5	0.5	:
Broad money liabilities ^{4.4}	Ann. % ch	12.9	8.8	7.1	17.3	-4.2	-4.2	-4.7	:	-4.3	-6.2	:
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	106.0	105.08	N.A.	104.0	103.9	N.A.
5 Financial indicators												
Interest rate (3-12 months) ^{5.1}	% p.a.	14.60	14.10	13.40	12.40	10.70	9.80	9.30	:	8.30	7.90	:
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	13.2	16.4	3.8	2.4	4.2	4.2	4.3	:	5.3	5.4	:
Deposit growth ^{5.5}	Ann. % ch	11.0	8.6	8.3	7.5	3.6	3.6	5.9	:	6.2	6.6	:
Non-performing loans ^{5.6}	% total	5.9	5.7	7.5	8.7	8.3	8.3	8.10	N.A.	7.90	7.60	N.A.
6 Fiscal developments												
General government balance** ^{6.1}	% of GDP	-2.6	-1.7	-2.6	-3.1	-2.2	-2.3	:	:	N.A.	N.A.	N.A.
General government debt ^{6.2}	% of GDP	5.9	5.3	8.1	8.9	10.6	10.6	10.9	:	N.A.	N.A.	N.A.

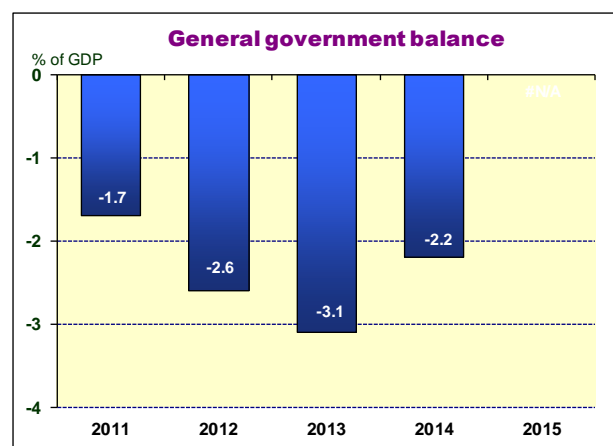
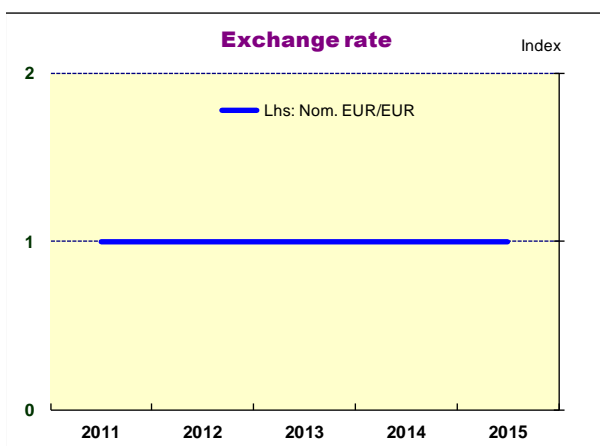
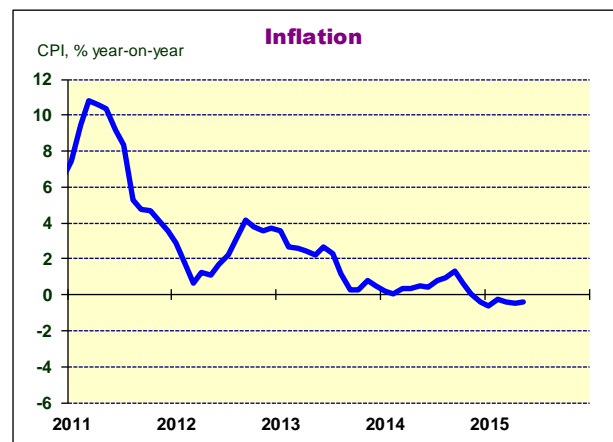
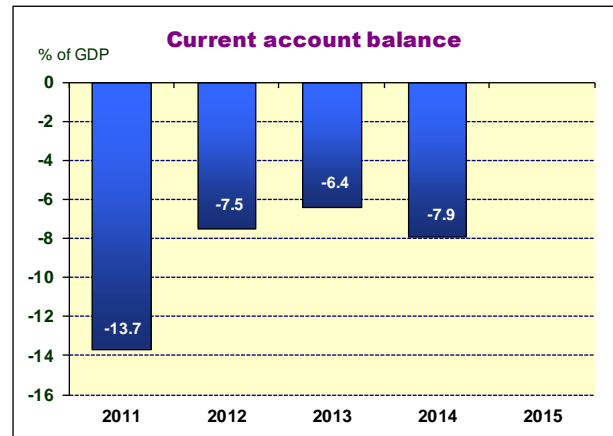
* This designation is without prejudice to positions on status, and is in line with UNSCR 1244 and the ICJ Opinion on the Kosovo Declaration of Independence.

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

CHARTS

European Commission, ECFIN-D-1

KOSOVO*



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Source of data: IMF, national sources



No.	Indicator	Note	Source
1.	Real sector		
1.1.	Industrial confidence indicator	Business Surveys, industry sector, industrial confidence Indicator, SA	IHS/DataInsight
1.2.	Industrial production	Annual percentage change, total, constant prices	IHS/DataInsight
1.3.	Gross domestic product	Annual percentage change, volume. Annual data	IHS/DataInsight
1.4.	Private consumption	Annual percentage change, constant prices, ALL, average prices of previous year	IHS/DataInsight
1.5.	Gross fixed capital formation	Annual percentage change, constant prices, ALL, average prices of previous year	IHS/DataInsight
1.6.	Construction index	Annual percentage change, construction costs, total, 1999Q4=100	IHS/DataInsight
1.7.	Retail sales	Annual percentage change, total, 2005=100	IHS/DataInsight
2.	Labour market		
2.1.	Unemployment	In percent of total labour force	IHS/DataInsight
2.2.	Employment	Annual percentage change	IHS/DataInsight
2.3.	Wages	Average monthly wages in State sector	IHS/DataInsight
3.	External sector		
3.1.	Exports of goods	Annual percentage change, mio. EUR	IHS/DataInsight
3.2.	Imports of goods	Annual percentage change, mio. EUR	IHS/DataInsight
3.3.	Trade balance	In percent of GDP	IHS/DataInsight
3.4.	Exports goods and services	In percent of GDP. Annual data	IHS/DataInsight
3.5.	Imports goods and services	In percent of GDP. Annual data	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	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 pc change at constant (average) prices 2002 Production approach	IHS/DataInsight
1.4.	Private consumption	Not available	
1.5.	Gross fixed capital formation	Not available	
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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