



European  
Commission

ISSN 2443-8049 (online)

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

Western Balkans & Türkiye

3<sup>rd</sup> Quarter 2024

TECHNICAL PAPER 076 | OCTOBER 2024

EUROPEAN ECONOMY

Economic and  
Financial Affairs

**European Economy Technical Papers** are reports and data compiled by the staff of the European Commission's Directorate-General for Economic and Financial Affairs.

Authorised for publication by Uwe Stamm, Head of Unit D1, Candidate and Pre-Candidate Countries.

The Report is released every quarter of the year.

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Luxembourg: Publications Office of the European Union, 2024

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PDF ISBN 978-92-68-11336-3 ISSN 2443-8049 doi:10.2765/382432 KC-BF-24-008-EN-N

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European Commission  
Directorate-General for Economic and Financial Affairs

## **EU Candidate Countries' & Potential Candidates' Economic Quarterly (CCEQ)**

3<sup>rd</sup> Quarter 2024

Western Balkans and Türkiye

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

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

## OVERVIEW – FLASH NOTES

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**The Western Balkans' annual economic growth slowed down somewhat in the second quarter of 2024, but it remained robust.** The region's real GDP growth moderated to 3.5% year-on-year in Q2-2024 from 3.8% in the preceding quarter as all economies except North Macedonia and Albania recorded lower rates of output growth. Still, GDP growth reached or exceeded 4% in Kosovo, Albania and Serbia.

**Economic growth was generally driven by domestic demand.** Consumer spending remained a key contributor to output growth in the second quarter of 2024, although its year-on-year growth decelerated in some economies of the region. Household consumption was supported by continued high nominal wage growth across the region, which translated into sizeable real wage increases amid lower inflation. Investment growth picked-up in most economies, in particular in Montenegro and Serbia. Trade dynamics were generally dragged down by weak and in some cases contracting exports while imports held up better, leading to negative contributions from international trade to GDP growth.

**The unemployment rate fell in some economies in the second quarter of 2024, compared to the same period a year before.** In line with the moderation of economic activity, average annual employment growth slowed to 1.6%<sup>1</sup> in the Western Balkans, while labour force participation increased marginally in some countries. Overall, unemployment rates in the region were at historically low levels but remained high compared with the EU, ranging from 8.2% in Serbia to 13.3% in Bosnia and Herzegovina.

**The region's four-quarter moving current account deficit increased to 3.9% of GDP in June from 3.6% in the preceding quarter and 2.8% in full-year 2023.** The deterioration was driven by increasing merchandise trade deficits as well as lower surpluses in the secondary income (mainly remittances) and services trade balances as a percent of GDP. Albania and North Macedonia were the only countries where the current account balance improved compared to the previous quarter, mainly on the back of increasing services trade surpluses and improved merchandise trade deficits. In the four quarters to June foreign direct investment inflows as a share of GDP increased in some countries on a year-on-year basis, and they generally continued to cover a large part of or even exceeded the current account deficits. Foreign exchange reserves rose in most economies in the region, in particular in Serbia.

**Average annual inflation slowed to 3.5% in the second quarter of 2024.** Annual consumer price inflation decelerated further in most economies in July and August, ranging from 1.5% in Bosnia and Herzegovina to 4.3% in Serbia. Rate cuts by the ECB and inflation rates falling to within the target range, enabled some central banks in the region to ease their monetary policy stance. In September, the National Bank of Serbia lowered the key policy rate by another 25 bps. to 5.75%, after having reduced it by a cumulative 50 bps in June and July. The central bank of North Macedonia decreased the key policy rate by 25 bps. to 6.05% in September, after having kept it unchanged for a year while the Bank of Albania has maintained it at 3% since its last cut by 25 bps. in July.

**Continued economic expansion supported strong revenue growth and fiscal balances improved in most Western Balkan economies in the first eight months of 2024.** However, in some of them (Albania, Kosovo) the improvement was partly due to capital expenditure lagging behind plans by a substantial margin. The eight-month budget execution showed a surplus in most countries, but this is not necessarily indicative of the full-year outcome as spending is often concentrated at the end of the year. The public debt-to-GDP ratio decreased in most economies of the region in June 2024 compared to end-2023, partly due to the robust rise in nominal GDP. The fall in the debt burden was most pronounced in Serbia. The public debt ratio remained the

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<sup>1</sup> This figure does not include Albania and Kosovo for which second-quarter data were not available by the cut-off date for this report.

highest in Montenegro at 62.4% of GDP, followed by North Macedonia and Albania at 60.5% and 55.7% of GDP, respectively.

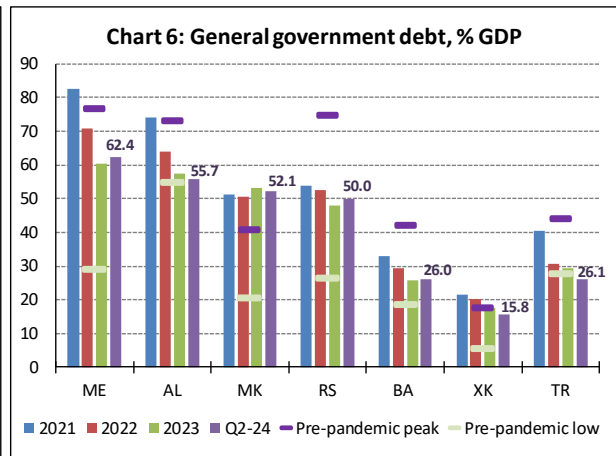
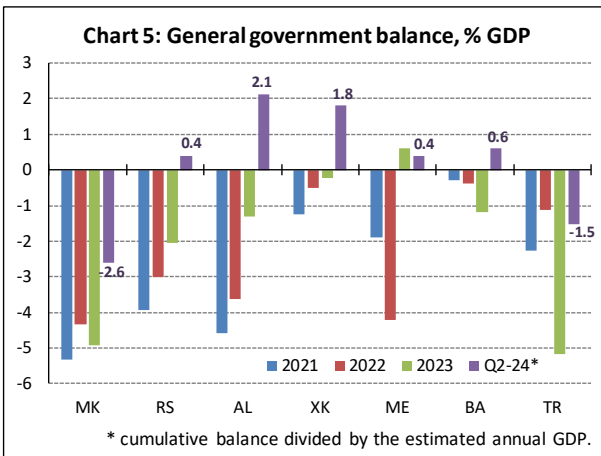
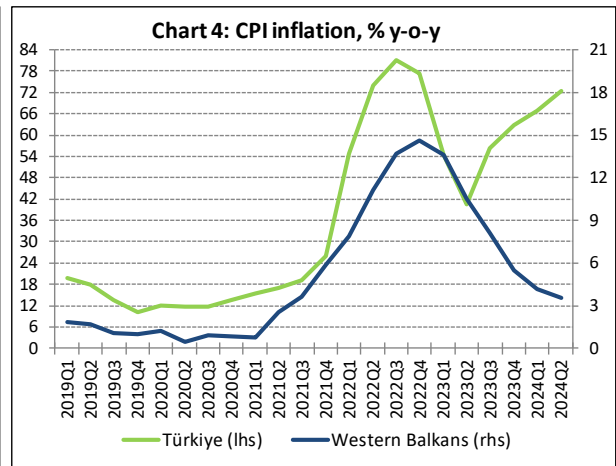
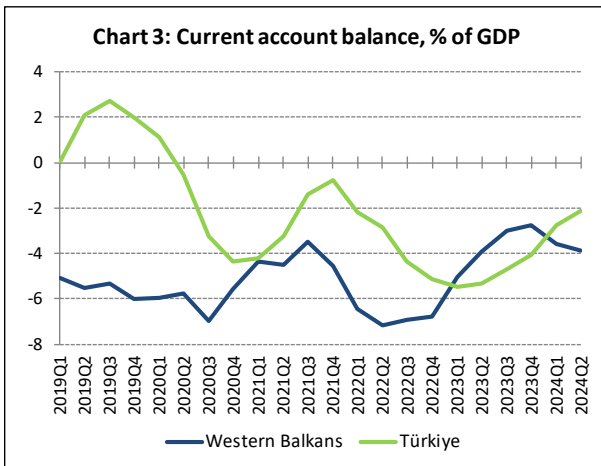
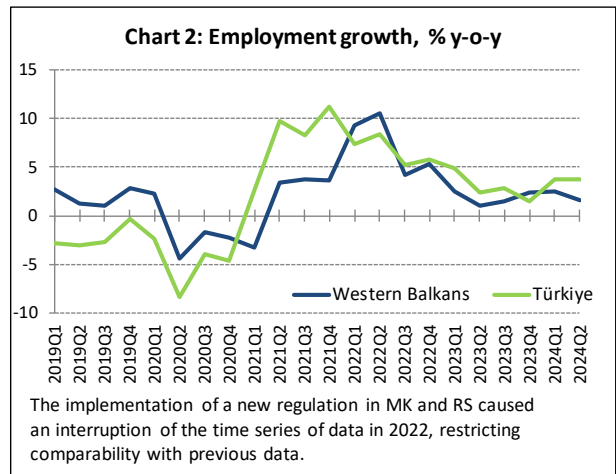
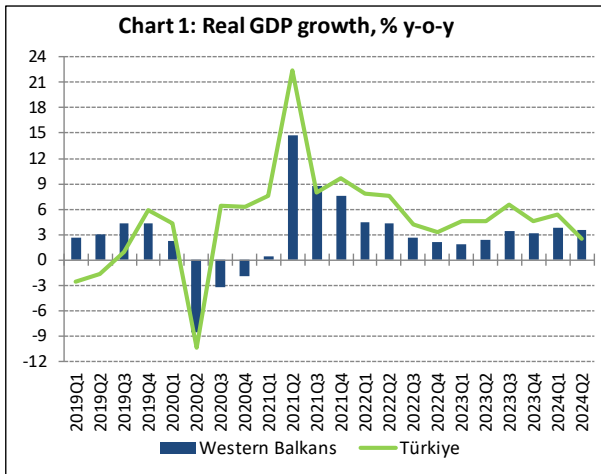
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**In Türkiye, economic growth softened notably in the second quarter of 2024, with real GDP growing by 2.5% on a year-on-year basis.** The economic slowdown was driven by subdued domestic demand largely on the back of a marked deceleration in household consumption and investment growth. Net exports were the main driver of growth. The current account deficit narrowed to 0.9% of GDP in the 12 months to August, down from 3.7% in 2023. Over the same period, the merchandise trade deficit shrank significantly compared to a year before, mainly due to the strong contraction of net imports of non-monetary gold. The central bank's foreign exchange reserves have nearly recovered the losses incurred in the first four months of the year, reaching USD 156 billion on 4 October, equivalent to around 5 months of imports.

**Annual inflation decelerated strongly during the summer months, falling to 49.4% in September from a peak of 75.4% in May, mainly driven by high base effects.** The central bank has kept its key policy rate unchanged at 50% since March and confirmed that it would maintain its tight monetary policy stance until a significant and sustained decline in the underlying trend of monthly inflation is observed. The lira's value against the US dollar remained broadly stable in real terms in the third quarter of 2024.

**In the first eight months of 2024, the very strong increase in budget revenue was more than offset by the surge in expenditure as compensation of employees, capital spending and domestic interest grew by more than 100% year-on-year.** This resulted in a central government budget deficit of TRY 974 billion (2.2% of projected GDP) in January-August, much higher than the shortfall recorded in the same period a year before. The general government debt decreased to 26.1% of GDP at end-June, compared to 29.3% at end-2023.

Candidate and potential candidate countries: Overview graphs



## Candidate and potential candidate countries: Summary table

	2019	2020	2021	2022	2023	ECFIN 2024 Spring forecast		Q1 24	Q2 24	Q3 24	Jul 24	Aug 24	Sep 24
						2024	2025						
<b>Gross domestic product</b> (in real terms, annual % change)													
Albania	2.1	-3.3	9.0	4.8	3.9	3.3	3.5	3.8	4.1	:	N.A.	N.A.	N.A.
Bosnia and Herzegovina	2.8	-2.9	7.6	3.8	1.9	2.3	2.8	2.5	2.2	:	N.A.	N.A.	N.A.
Montenegro	4.1	-15.3	13.0	6.4	6.3	3.4	3.0	4.4	2.7	:	N.A.	N.A.	N.A.
North Macedonia	3.9	-4.7	4.5	2.8	1.0	2.9	3.0	1.2	2.3	:	N.A.	N.A.	N.A.
Serbia	4.3	-1.0	7.9	2.6	3.8	3.5	4.3	4.6	4.0	:	N.A.	N.A.	N.A.
Türkiye	0.8	1.9	11.4	5.5	5.1	3.5	3.8	5.3	2.5	:	N.A.	N.A.	N.A.
Kosovo	4.8	-5.3	10.7	4.3	4.1	:	:	5.6	4.3	:	N.A.	N.A.	N.A.
<b>Unemployment</b>													
Albania	12.0	12.2	12.1	11.3	11.2	10.9	10.4	:	:	:	N.A.	N.A.	N.A.
Bosnia and Herzegovina	15.7	15.9	17.4	15.4	13.2	:	:	13.5	13.3	:	N.A.	N.A.	N.A.
Montenegro	15.4	18.4	16.9	15.1	13.4	11.8	11.7	12.0	11.5	:	N.A.	N.A.	N.A.
North Macedonia	17.4	16.4	15.6	14.5	13.2	12.9	12.8	12.9	12.6	:	N.A.	N.A.	N.A.
Serbia	11.2	9.7	11.1	9.5	9.4	9.3	9.1	9.4	8.2	:	N.A.	N.A.	N.A.
Türkiye	13.7	13.1	12.0	10.5	9.4	10.2	10.2	9.3	8.4	:	9.3	8.5	:
Kosovo	25.7	25.9	20.7	12.6	10.9	:	:	:	:	:	N.A.	N.A.	N.A.
<b>Current account balance*</b> (% of GDP)													
Albania	-7.8	-8.6	-7.7	-5.9	-1.2	-1.1	-1.2	-2.1	-1.9	:	N.A.	N.A.	N.A.
Bosnia and Herzegovina	-2.5	-2.8	-1.4	-4.4	-2.3	-2.8	-2.5	-3.4	-3.5	:	N.A.	N.A.	N.A.
Montenegro	-14.3	-26.1	-9.2	-12.9	-11.4	-10.3	-9.7	-13.6	-15.2	:	N.A.	N.A.	N.A.
North Macedonia	-3.0	-2.9	-2.8	-6.0	0.7	-1.0	-1.1	-1.4	-1.3	:	N.A.	N.A.	N.A.
Serbia	-6.6	-3.9	-4.1	-6.6	-2.4	-3.6	-3.6	-2.9	-3.3	:	N.A.	N.A.	N.A.
Türkiye	2.0	-4.3	-0.8	-5.1	-4.1	-2.7	-2.1	-2.7	-2.1	:	N.A.	N.A.	N.A.
Kosovo	-5.7	-7.0	-8.7	-10.3	-7.5	:	:	-8.4	-8.9	:	N.A.	N.A.	N.A.
<b>Inflation</b> (Consumer price index, annual % change)													
Albania	1.4	1.6	2.0	6.7	4.8	3.0	3.0	2.7	2.1	:	2.1	2.0	:
Bosnia and Herzegovina	0.6	-1.1	2.0	14.0	6.1	2.2	2.0	2.0	1.9	:	1.8	1.3	:
Montenegro (HICP)	0.5	-0.8	2.5	11.9	8.7	4.8	4.3	5.3	4.9	:	3.0	2.0	:
North Macedonia	0.8	1.2	3.2	14.1	9.4	3.0	1.9	3.4	3.9	2.6	2.9	2.2	2.6
Serbia	1.8	1.6	4.1	11.9	12.1	4.7	3.2	5.7	4.4	:	4.3	4.3	:
Türkiye	15.2	12.3	19.6	72.3	53.9	57.4	31.5	66.8	72.3	54.1	61.8	52.0	49.4
Kosovo	2.7	0.2	3.3	11.6	4.9	:	:	2.1	2.4	:	2.2	1.4	:
<b>General government balance**</b> (% of GDP)													
Albania	-1.8	-6.7	-4.6	-3.6	-1.3	-2.4	-2.0	1.3	2.1	:	2.2	2.4	:
Bosnia and Herzegovina	1.9	-5.1	-0.3	-0.4	-1.2	-1.5	-1.0	0.6	:	:	N.A.	N.A.	N.A.
Montenegro	-2.0	-11.1	-1.9	-4.2	0.6	-3.7	-3.2	0.2	0.4	:	N.A.	N.A.	N.A.
North Macedonia	-2.0	-8.0	-5.3	-4.3	-4.9	-3.7	-3.0	-1.6	-2.6	:	-2.4	:	:
Serbia	-0.2	-7.7	-3.9	-3.0	-2.1	-2.2	-1.5	-0.2	0.4	:	0.9	N.A.	N.A.
Türkiye	-3.2	-2.9	-2.3	-1.1	-5.2	-4.3	-3.6	-1.5	:	:	N.A.	N.A.	N.A.
Kosovo	-2.9	-7.6	-1.2	-0.5	-0.2	:	:	0.8	1.8	:	2.5	2.6	:
<b>General government debt***</b> (% of GDP)													
Albania	65.0	73.9	74.1	64.1	57.5	58.2	57.2	55.8	55.7	:	N.A.	N.A.	N.A.
Bosnia and Herzegovina	31.6	35.2	33.1	29.3	25.8	29.3	29.0	26.2	26.0	:	N.A.	N.A.	N.A.
Montenegro	76.5	105.3	82.5	70.8	60.3	61.7	62.9	65.0	62.4	:	N.A.	N.A.	N.A.
North Macedonia	40.5	50.8	51.4	50.5	53.1	54.6	54.2	51.5	52.1	:	N.A.	N.A.	N.A.
Serbia	49.8	54.4	53.9	52.5	48.1	51.4	49.9	47.7	50.0	:	50.0	N.A.	N.A.
Türkiye	32.4	39.4	40.4	30.8	29.3	31.1	31.3	28.2	26.1	:	N.A.	N.A.	N.A.
Kosovo	17.6	22.4	21.5	20.0	17.5	:	:	15.6	15.8	:	N.A.	N.A.	N.A.

Forecast: ECFIN forecast Spring 2024 published May 2024.

\* Q figures refer to moving annual total.

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

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



# ALBANIA

## Key developments

The 16th Subcommittee meeting on Economic and Financial Issues and Statistics took place on 25 September 2024 in Tirana. This subcommittee is a platform for the regular economic dialogue between the EU and Albania. It noted that the Albanian economy continued to expand, following robust growth in 2023. There was a common understanding that continued reliance on tourism as a source of growth would require significant investment in infrastructure. The economic transition to a higher value-added production structure, including in tourism and manufacturing, remains important.

## Real sector

Recently revised data showed that real GDP growth was 3.94% y-o-y in 2023, stronger than the previous estimate of 3.45% that was based on quarterly estimates.

Real GDP growth picked-up to 4.1% y-o-y in Q2-2024, from 3.8% in the previous three months. Private consumption witnessed significant growth of 6% y-o-y (up from 4.4% y-o-y in Q1-2024), which is the largest increase seen since Q4-2022. Government consumption growth accelerated as well to 6.7% y-o-y in Q2, from 5.2% in Q1-2024. Investment expanded at a similar growth rate (3.8% y-o-y in Q2-2024) as in Q1 (3.6% y-o-y).

After surging by 16.8% y-o-y and 13.1% y-o-y in the last two quarters of 2023, total exports declined by 10.3% y-o-y in Q1-2024, before rebounding in Q2-2024 with 4.9% y-o-y growth, driven by both services and goods exports. Exports of services slowed down this year, growing by 5.25% y-o-y in Q2-2024 (and -0.4% in Q1-2024), following rapid growth in 2023 (of above 20% y-o-y in three quarters). Exports of goods increased by 3.6% y-o-y in Q2-2024, after five consecutive quarters of negative growth. Total imports grew by 5.6% y-o-y in Q2-2024 (down from 7.6% y-o-y in Q1-2024), supported by increases in both goods and services imports.

On the production side, construction was the top growth contributor (1.1 pps.) in Q2-2024 with 10.1% growth, together with trade, transport, accommodation, and food services (1.1 pps.). Public administration, education and health contributed by 0.9 pps. while professional and administrative services by 0.6 pps. In contrast to

the previous quarter, agriculture contributed positively to growth (0.2 pps). Nevertheless, industry continued to have a negative contribution (of almost 1 pp.). The contraction of industry deepened in Q2-2024 to 8.9% y-o-y, up from 7.9% in Q1-2024. In particular, manufacturing continued to fall for the 6th consecutive quarter (by 7.7% y-o-y in Q2-2024).

The economic sentiment indicator (ESI) rose by 0.6 points in September 2024, similar to the average expansion in the two previous months. ESI level stood around 12 pps. above the historical average. The increase was driven by enhanced confidence in industry, construction and services. On the other hand, confidence in the trade sector was slightly down, while consumer confidence remained unchanged from August.

## Labour market

The Labour Force Surveys for Q1 and Q2 of 2024 have not been published yet. Labour markets statistics will be published with delay due to reconciliation needs of data with the preliminary results of the Population and Housing Census published in June, which showed that Albania's population fell from 2.8 million in 2011 to 2.4 million in 2023.

In Q2-2024, the average monthly nominal wage increased by 5.9% y-o-y to ALL 75 114 (about EUR 745). The average private sector wage rose by 6.9% y-o-y, while public sector wages increased by 4.5% y-o-y. The minimum wage stood at ALL 40 000 per month, unchanged since Q2-2023. Average wages in the sectors of agriculture, industry, construction and hospitality services and trade all are still below that overall average wage.

## External sector

The current account deficit decreased to 1.9% of GDP in the year to Q2-2024, compared to 5.1% recorded in the same period one year earlier. Nevertheless, the deficit was larger than in full-year 2023 (1.2% of GDP).<sup>2</sup>

The goods trade deficit narrowed by 2.3 pps. y-o-y to 21.1% of GDP in the four quarters to Q2-2024 but increased compared to 2023 (by 0.4 pps.). The services trade surplus increased by 1.1

<sup>2</sup> Figures take into account historical GDP data revision published on 27 September 2024.

pps. y-o-y to 14.9% of GDP in the four quarters to Q2-2024, but slightly decreased compared to 2023 (by 0.4 pps.).

The surplus of the secondary income balance fell by 0.8 pps. y-o-y to 5.3% of GDP, mainly because remittances continued to fall, from 4.6% of GDP in the four quarters to Q2-2023 to 4.2% in Q2-2024. The primary income deficit decreased by 0.6 pps. y-o-y to 1.0% of GDP in Q2-2024. The share of total exports in GDP was 37% in Q2-2024 while the total imports-to-GDP ratio stood at 43.2%.

In the four quarters to Q2-2024, net FDI inflows increased by 8.1% y-o-y, but their share in GDP slightly decreased to 5.5% from 6.2% one year earlier.

Foreign reserves decreased from EUR 5.8 billion in December 2023 to EUR 5.5 billion in June 2024; pushing down their coverage of imports from 7.3 months in Q1 to 6.4 months in Q2. Nevertheless, reserves increased again over July and August, almost reaching their end-of-2023 level.

### Monetary developments

The annual inflation rate declined over the summer to 1.9% in September, which is much lower than a year earlier (4.1%).

The key contributors to inflation in September were 'Food and non-alcoholic beverage' prices (with 0.94 pps. contribution to the inflation rate), 'Housing, water, electricity, gas and other fuels' prices (0.3 pps.), followed by 'Furniture household goods and maintenance' prices (0.26 pps.).

Compared to September 2023, prices increased the most in the 'Recreation and culture' group by 4.6%, followed by 'Clothing and footwear' and 'Furniture household goods and maintenance' by 3.6% each. 'Alcoholic beverages and tobacco' prices grew by 3.5% while 'Food and non-alcoholic beverage' increased by 2.7%. Nevertheless, food prices remain the key contributor to the inflation rate due to their high weight in the consumer price index.

Following a 25 bps decrease in July, the Bank of Albania has left its key policy rate unchanged at 3%.

The growth of monetary aggregate M3 averaged 2.3% in 2023 and accelerated gradually from 2.4% in Q1 to 3.9% in Q2-2024.

The lek continued to appreciate against the euro over the first three quarters of 2024, supported by foreign currency inflows from tourism. The ALL/EUR exchange rate was at 99.37 in September, down from 103.9 in January 2024.

### Financial sector

Credit growth to the private sector accelerated to 14.2% y-o-y in Q2-2024, up by 3 pps. from Q1-2024. Credit growth in lek increased to 21% (2 pps. higher than in Q1-2024), while loans in foreign currency recorded an increase of 6.6% y-o-y, financing mainly private investments. The lek to total loans ratio stood at 57.3% in Q2-2024, close to its Q1-2024 level. An expansion of credit was recorded for both households and businesses, but loans to enterprises, particularly loans for investments, had the strongest growth. Overall, outstanding credit to GDP was about 31.5%.

The average interest rate on new loans in lek to enterprises increased slightly (to 6.8% in Q2-2024 from 6.6% in Q1-2024), while lek interest rates for consumer and mortgage loans to households decreased slightly (to 9.5% and 4.1%, respectively) compared to Q1. Interest rates on loans in euro have stabilised at high levels for enterprises (7%) while for households they continued to grow.

Total deposits grew by 11.1%, driven by the increase in household deposits. Deposits amount to around 65% of GDP.

The banking sector's capital adequacy ratio slightly increased in Q2 to 17.7% (+0.2 pps. q-o-q) whereas the broad liquidity ratio fell by 1.5 pps. to 28.4%. The ratio of non-performing loans to total loans inched down to 4.6% in August 2024 from 4.9% in January. As regards bank profitability, RoA stood at 2.2% and RoE at 18.5% in Q2 2024.

### Fiscal developments

Public revenue increased by 9% in January-August 2024 compared to the same period of 2023, driven by higher income from taxes (+12 % y-o-y). Revenues surpassed the budgeted figures for this period by 3.4%.

Total expenditure rose by 7.4% y-o-y in January-August, with current expenditure higher by 8.4% y-o-y, while capital expenditures fell by 0.5% y-o-y. Capital expenditure execution was low (at 81.4% of the period's plan), while current expenditures were also below target (by 4.9%). Overall, spending execution was at about 93% of the eight-month plan, while only 52.6% of the full-year budget spending plan (as revised by the August Normative Act) was realised.

Due to the underperformance of expenditures, the budget balance was in significant surplus over January-August (at about 2.4% of GDP). Public debt stood at 55.7% of GDP in June 2024, down from 57.5% at end-2023.

# TABLE

European Commission, ECFIN-D-1

## ALBANIA

							ECFIN 2024 Spring forecast							
		2019	2020	2021	2022	2023	2024	2025	Q1 24	Q2 24	Q3 24	Jul 24	Aug 24	Sep 24
<b>1 Real sector</b>														
Industrial confidence <sup>1.1</sup>	Balance	6.1	-0.8	6.4	7.2	8.4	:	:	5.5	5.2	9.0	7.1	10.7	9.2
Industrial production <sup>1.2</sup>	Ann. % ch	5.5	-10.1	23.6	7.9	-11.4	:	:	-3.4	-5.0	:	N.A.	N.A.	N.A.
Gross domestic product <sup>1.3</sup>	Ann. % ch	2.1	-3.3	9.0	4.8	3.9	3.3	3.5	3.8	4.1	:	N.A.	N.A.	N.A.
Private consumption <sup>1.4</sup>	Ann. % ch	3.2	-5.6	4.4	6.1	3.2	2.7	3.2	4.4	6.0	:	N.A.	N.A.	N.A.
Gross fixed capital formation <sup>1.5</sup>	Ann. % ch	-2.2	-0.9	19.6	1.6	1.0	3.0	2.8	3.6	3.8	:	N.A.	N.A.	N.A.
Construction index <sup>1.6</sup>	Ann. % ch	-2.4	9.4	18.0	12.6	2.8	:	:	9.0	14.5	:	N.A.	N.A.	N.A.
Retail sales <sup>1.7</sup>	Ann. % ch	3.5	1.0	5.3	5.2	5.1	:	:	6.7	6.8	:	:	:	:
<b>2 Labour market</b>														
Unemployment <sup>2.1</sup>	%	12.0	12.2	12.1	11.3	11.2	10.9	10.4	:	:	:	N.A.	N.A.	N.A.
Employment <sup>2.2</sup>	Ann. % ch	2.4	-1.9	-0.4	4.8	1.6	1.0	1.2	:	:	:	N.A.	N.A.	N.A.
Wages <sup>2.3</sup>	Ann. % ch	3.8	2.7	6.3	8.2	14.0	:	:	13.8	5.9	:	N.A.	N.A.	N.A.
<b>3 External sector</b>														
Exports of goods <sup>3.1</sup>	Ann. % ch	-3.8	-9.0	35.6	32.0	-9.5	:	:	-22.3	-6.9	:	-12.0	-18.2	:
Imports of goods <sup>3.2</sup>	Ann. % ch	1.2	-6.8	32.3	18.7	-8.2	:	:	0.4	0.3	:	21.1	1.9	:
Trade in goods balance* <sup>3.3</sup>	% of GDP	-22.9	-22.4	-25.3	-23.8	-21.4	-20.8	-20.6	-21.4	-21.1	:	N.A.	N.A.	N.A.
Exports goods and services* <sup>3.4</sup>	% of GDP	31.3	22.7	31.3	37.5	39.6	:	:	37.2	37.0	:	N.A.	N.A.	N.A.
Imports goods and services* <sup>3.5</sup>	% of GDP	45.0	37.2	44.8	47.9	45.1	:	:	43.6	43.2	:	N.A.	N.A.	N.A.
Current account balance* <sup>3.6</sup>	% of GDP	-7.8	-8.6	-7.7	-5.9	-1.2	-1.1	-1.2	-2.1	-1.9	:	N.A.	N.A.	N.A.
Direct investment (FDI, net)* <sup>3.7</sup>	% of GDP	7.4	6.7	6.5	6.6	5.8	:	:	5.6	5.5	:	N.A.	N.A.	N.A.
International reserves <sup>3.8</sup>	mn EUR	3,360	3,942	4,972	4,952	5,847	:	:	5,617	5,518	:	5,698	5,810	:
Int. reserves / months Imp <sup>3.9</sup>	Ratio	6.5	9.6	8.8	6.9	7.3	:	:	6.8	6.4	:	N.A.	N.A.	N.A.
<b>4 Monetary developments</b>														
CPI <sup>4.1</sup>	Ann. % ch	1.4	1.6	2.0	6.7	4.8	3.0	3.0	2.7	2.1	:	2.1	2.0	:
Producer prices <sup>4.2</sup>	Ann. % ch	-0.8	-3.4	2.7	19.9	6.8	:	:	2.8	1.8	:	:	:	:
Food prices <sup>4.3</sup>	Ann. % ch	2.9	3.6	3.9	11.8	9.4	:	:	3.3	1.8	:	1.9	2.4	:
M3 <sup>4.4</sup>	Ann. % ch	4.3	10.5	8.6	4.9	2.3	:	:	2.4	3.9	:	5.7	3.4	:
Exchange rate ALL/EUR <sup>4.5</sup>	Value	123.00	123.74	122.45	118.98	108.77	:	:	103.79	100.82	99.88	100.31	99.97	99.37
Real effective exchange rate <sup>4.6</sup>	Index	108.7	110.7	112.5	113.1	125.2	:	:	130.8	134.9	:	135.5	136.3	:
<b>5 Financial indicators</b>														
Interest rate (3 months-TRIBOR) <sup>5.1</sup>	% p.a.	1.45	1.46	1.39	2.21	3.68	:	:	3.80	3.75	:	:	:	:
Bond yield <sup>5.2</sup>	% p.a.	1.76	1.63	1.63	1.93	:	:	:	:	:	:	:	:	:
Stock markets <sup>5.3</sup>	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 <sup>5.4</sup>	Ann. % ch	3.0	6.1	6.9	11.2	2.6	:	:	5.7	10.0	:	13.3	12.1	:
Deposit growth <sup>5.5</sup>	Ann. % ch	2.5	5.8	8.5	8.0	1.9	:	:	2.4	3.7	:	6.8	3.7	:
Non performing loans <sup>5.6</sup>	% total	8.4	8.1	5.7	5.0	4.7	:	:	4.6	4.7	:	4.7	:	:
<b>6 Fiscal developments</b>														
General government revenue** <sup>6.1</sup>	% of GDP	26.9	25.7	27.4	26.6	27.1	:	:	6.7	14.1	:	N.A.	N.A.	N.A.
General government expenditure** <sup>6.1</sup>	% of GDP	28.7	32.4	31.9	30.3	28.5	:	:	5.4	12.0	:	N.A.	N.A.	N.A.
General government balance** <sup>6.1</sup>	% of GDP	-1.8	-6.7	-4.6	-3.6	-1.3	-2.4	-2.0	1.3	2.1	:	2.2	2.4	:
General government debt*** <sup>6.2</sup>	% of GDP	65.0	73.9	74.1	64.1	57.5	58.2	57.2	55.8	55.7	:	N.A.	N.A.	N.A.

f: ECFIN forecast Spring 2024 published May 2024

\* Q figures refer to moving annual total.

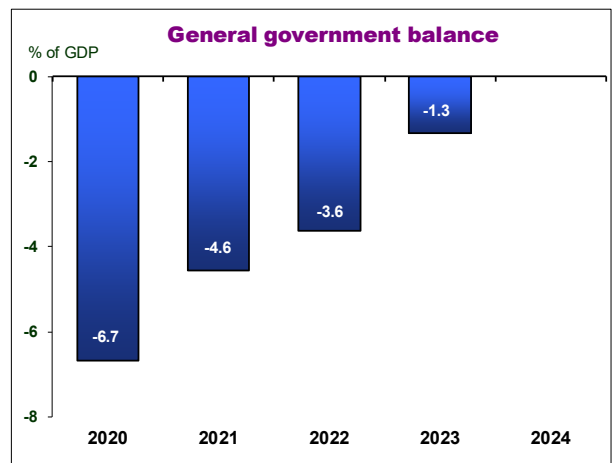
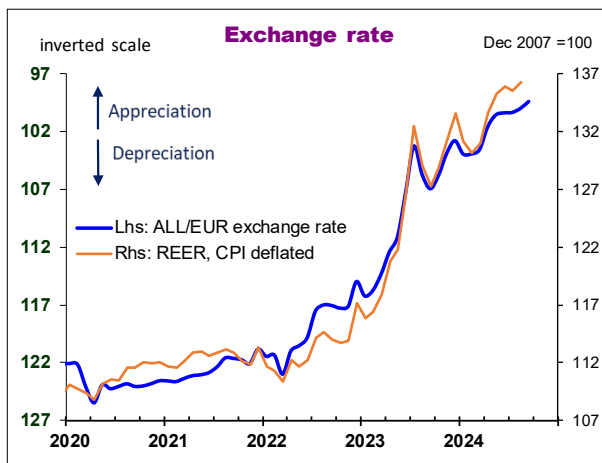
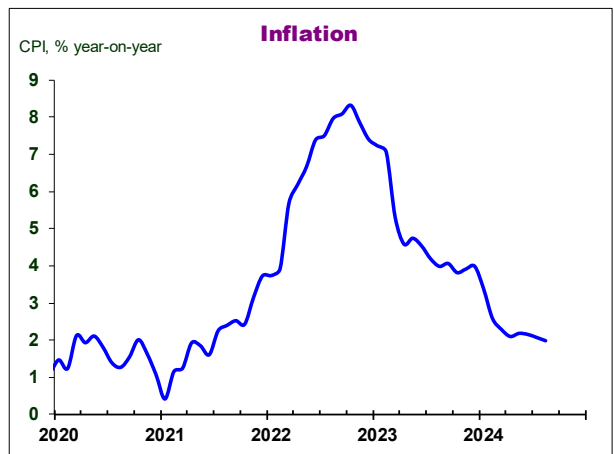
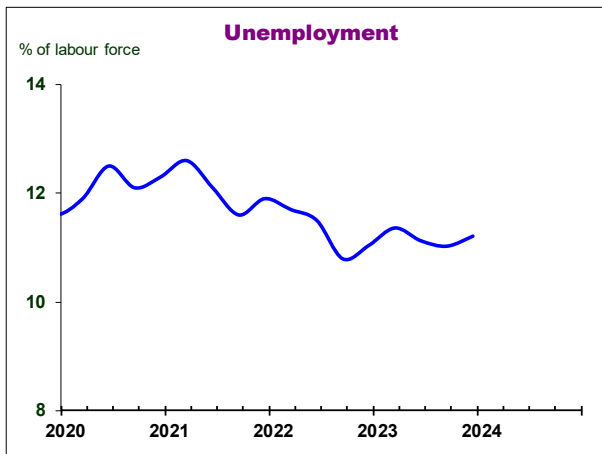
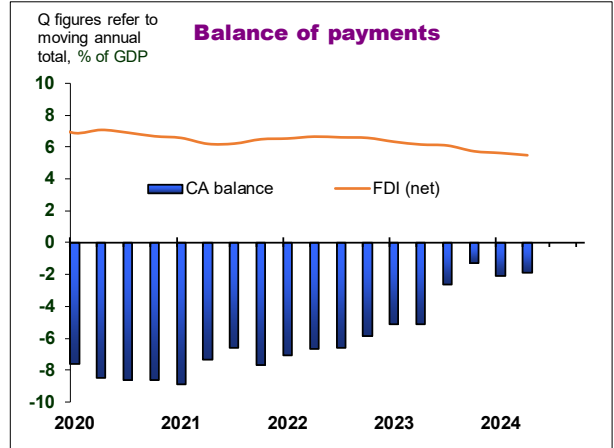
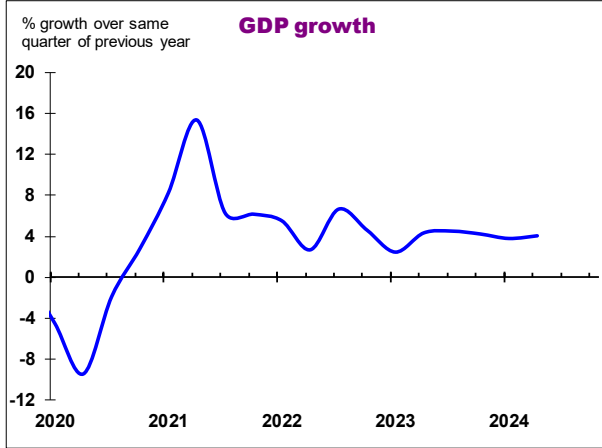
\*\* M and Q figures refer to the cumulative balance divided by the estimated annual GDP.

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

# CHARTS

European Commission, ECFIN-D-1

## ALBANIA



# BOSNIA AND HERZEGOVINA

## Key developments

On 5 August, the international rating agency Standard and Poor's maintained the country's credit rating of 'B+' with a stable outlook. The agency referred to the country's economic resilience in the first half of the year, supported by strong consumption, declining inflation and increasing real wages. The assessment also took into account stronger investment, in particular in construction and energy production, as well as improved external demand. The agency also pointed out that a further improvement in consensual political decision making could speed up structural reforms and the country's EU accession process.

On 3 October, severe weather conditions triggered widespread floods and landslides, causing numerous deaths, and destroying houses and infrastructure. It is still too early to assess the full material damage, however, the short-term economic impact could be significant.

## Real sector

Seasonally-adjusted real GDP growth slowed down in Q2-2024, to 1% q-o-q from 1.5% q-o-q in Q1. Non-seasonally-adjusted annual growth decelerated to 2.2%, after 2.5% in Q1. On the expenditure side, the main growth driver was domestic demand, in particular gross capital formation. Private consumption growth slowed down to 1.8% y-o-y in Q2, after 2.5% in Q1. Investment growth also contributed to a strong increase in imports, which rose by 5.2% y-o-y compared to 2.1% in Q1. Export growth was more muted, at 1.8%, which however followed a strong export decline by 12.8% y-o-y in Q1. On the production side, growth was mainly driven by trade, transport and tourism, contributing 1.3 pps. to growth. Output in industry, accounting for about 20% of total gross value added, declined for the eighth consecutive quarter. Newly released data revised output growth for 2023 from 1.7% to 1.9%, compared to 3.8% in 2022.

High-frequency indicators paint a diverse picture. Industrial production registered further declines by 1.5% and 7.7% y-o-y in July and August, respectively, following a drop by 6.5% in Q2-2024 and 5% in Q1-2024. This was mainly due to lower output in energy production and mining. Retail sales turnover slowed down in recent months, increasing by 4.2% y-o-y in July

and 2.2% in August, after an average growth of 12.7% in Q1-2024 and 11.1% in Q2.

In tourism, demand continued to increase. During the first eight months of 2024, arrivals and overnight stays were 12.0% and 9.3% higher than a year before. However, after a peak in June, tourist arrivals and overnight stays slowed down slightly in July and August. The largest group of foreign tourists continued to come from Croatia, followed by Serbia and Türkiye.

## Labour market

Growth of registered employment picked up slightly, from 0.1% y-o-y in Q1-2024 to 0.7% y-o-y in Q2. In July and August, the y-o-y increase was 0.5%. Available data for the first eight months point to significant employment losses in manufacturing (-3% y-o-y), agriculture (-3.5% y-o-y) and mining (-4.2% y-o-y). However, these losses were more than compensated by employment growth in wholesale trade and tourism (+1.1% y-o-y) and construction (+4.6% y-o-y). As a result, during the first eight months of 2024, average employment growth was 0.4%.

The number of registered unemployed was lower by 6.1% y-o-y in Q2-2024. In August, the decrease was 5.8% y-o-y. This brought the administrative unemployment rate to 28.0% in August, compared to 29.3% a year before. However, the Labour Force Survey (LFS) registered a rather stable unemployment rate, at 13.3% in Q2-2024, compared to 13.1% a year before. The LFS youth unemployment rate (age group 15-24) increased to 30.4% in Q2, compared to 29.1% a year before.

Annual growth in nominal gross wages remained high, at 9.8% in Q2-2024, compared to 9.6% in Q1-2024. When using headline inflation as a deflator, real wages rose by 8% y-o-y in Q2-2024 after growing by 7% in 2023. Official wage statistics do not include micro enterprises, which represent a large share of employment and might register different wage dynamics.

## External sector

The current account deficit remained stable at 3.5% in the year to Q2-2024, compared to 3.4% in Q1-2024. In Q2, slightly lower goods exports and somewhat higher goods imports resulted in an increase in the trade deficit by about ½ pps. q-

o-q, to 21.5% of GDP. The services trade balance remained largely unchanged. The deterioration in the merchandise trade balance was largely compensated by slightly higher surpluses in the primary and secondary income balances, by about ¼ % of GDP each.

The weakness in exports started to peter out during the first half of 2024, with the decline in export earnings slowing to 1.6% y-o-y in Q2-2024, compared to a drop by 12.7% in Q1-2024. In July and August, the value of exports even registered small increases, by 0.6% and 0.4% y-o-y respectively. The main factors for the fall in the first half of 2024 were lower exports of base metals and mineral products amid lower foreign demand from Germany, Italy and Croatia, which together account for about 40% of total exports. At the same time, the rate of increase in the value of imports fell to 3.8% y-o-y in Q2-2024 from 5% in Q1. In July and August, imports rose by 8.4% and 1.5%, respectively. During the first eight months of 2024, nominal exports were 6.3% lower than a year before, while nominal imports were 3.6% higher than a year before. Decelerating export and import price increases also have a dampening impact on the dynamics of nominal trade flows.

Net FDI inflows remained close to 3% of GDP in the four quarters to Q2-2024, largely unchanged compared to 3.4% of GDP in Q1-2024. About 40% of those inflows were reinvested earnings. The largest inflows were in the electricity, the financial and the petroleum and coal sectors (about 10% of total inflows each). Official foreign exchange reserves remained largely stable in Q2-2024, at around 7 months of imports of goods and services.

## Monetary developments

Average annual headline inflation declined to 1.8% in the first eight months of 2024. The main inflation drivers were still price rises for food and non-alcoholic beverages, as well as price increases in restaurants, for housing and electricity as well as health. On the other hand, prices for clothing and foot-ware continued to decline, by 6.9% on average in Q2 and by 7.5% in July and August.

Growth of the monetary aggregate M2 remained strong, increasing by 8.5% in Q2-2024, and by 7.7% in July. The main driving factors continued to be deposits in domestic currency, accounting for about half of M2.

## Financial sector

Annual credit growth accelerated further, from 7.7% in Q1-2024 to 9.0% in Q2-2024, and 9.7% and 9.6% in July and August, respectively. The main drivers were solid growth in bank loans to households, (8.7% in Q2 and 9.0% in July and August), which account for about 50% of total loans, as well as lending to private companies (accounting for about 42% of total loans), which accelerated to 9.8% in Q2-2024 and about 10% in July and August, respectively.

Bank deposit growth remained strong at 7.6% y-o-y in Q2-2024, and at 7.8% and 7% in July and August, respectively. It continued to be mainly driven by household deposits, which during the first eight months of 2024 were some 9.8% higher than a year before. Corporate deposits were higher by 14.1% y-o-y, while deposits of the entity governments were some 19.6% lower than a year before. The loan-to-deposit ratio remained largely unchanged in Q2 and July and August, at close to 77%.

The share of non-performing loans in total loans remained unchanged q-o-q at 3.5% in of Q2-2024 and fell compared to the rate of 4.1% registered one year earlier. Banking sector profitability remained strong. The return-on-equity (ROE) ratio was at 18.4% in Q2-2023, compared to 18.5% in Q1-2024. The return on assets (ROA) remained at the same value as in Q1-2024, at 2.5%, and slightly up from 2% a year before. The banking system's overall capital-adequacy ratio remained stable at 19.6% in Q2-2024. This continues to be well above the regulatory minimum of 12%.

## Fiscal developments

According to recent Central Bank estimates, the country's fiscal position deteriorated in 2023, from a deficit of 0.4% of GDP in 2022 to a deficit of 1.2% in 2023. According to IMF methodology, the 2023 deficit was 1.7% of GDP. In view of recently adopted permanent increases in public wages and social spending, the IMF expects a further increase in the deficit to 2.4% of GDP in 2024. During the first eight months of 2024, revenue from centrally collected indirect taxes registered nominal growth of 12.2%. This revenue category accounts for nearly half of total revenues.

The level of general government debt declined slightly as a result of a reduction in long-term loans, bringing the public debt ratio from 26.2% at the end of Q1-2024 to 26.0% at the end of Q2-2024.

# TABLE

European Commission, ECFIN-D-1

## BOSNIA AND HERZEGOVINA

							ECFIN 2024 Spring forecast							
		2019	2020	2021	2022	2023	2024	2025	Q1 24	Q2 24	Q3 24	Jul 24	Aug 24	Sep 24
<b>1 Real sector</b>														
Industrial confidence <sup>1.1</sup>	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 <sup>1.2</sup>	Ann. % ch	-5.3	-6.3	9.7	1.0	-3.9	:	:	-5.0	-6.5	:	-1.5	-7.7	:
Gross domestic product <sup>1.3</sup>	Ann. % ch	2.8	-2.9	7.6	3.8	1.9	2.3	2.8	2.5	2.2	:	N.A.	N.A.	N.A.
Private consumption <sup>1.4</sup>	Ann. % ch	2.3	-3.5	4.2	1.8	1.0	2.2	3.0	2.5	1.8	:	N.A.	N.A.	N.A.
Gross fixed capital formation <sup>1.5</sup>	Ann. % ch	5.8	-4.1	5.1	0.3	12.1	3.0	4.0	:	:	:	N.A.	N.A.	N.A.
Construction index <sup>1.6</sup>	Ann. % ch	15.4	-18.6	12.0	8.1	1.3	:	:	3.3	17.3	:	N.A.	N.A.	N.A.
Retail sales <sup>1.7</sup>	Ann. % ch	5.2	-6.8	18.5	13.9	14.0	:	:	12.7	11.1	:	4.2	2.2	:
<b>2 Labour market</b>														
Unemployment <sup>2.1</sup>	%	15.7	15.9	17.4	15.4	13.2	:	:	13.5	13.3	:	N.A.	N.A.	N.A.
Employment <sup>2.2</sup>	Ann. % ch	2.5	-1.2	0.9	2.3	1.4	1.5	1.6	0.1	0.7	:	0.6	0.5	:
Wages <sup>2.3</sup>	Ann. % ch	4.3	4.0	4.4	11.7	13.0	:	:	9.6	9.8	:	11.1	:	:
<b>3 External sector</b>														
Exports of goods <sup>3.1</sup>	Ann. % ch	-2.3	-7.4	34.9	28.8	-5.3	:	:	-12.7	-1.6	:	0.6	0.4	:
Imports of goods <sup>3.2</sup>	Ann. % ch	1.1	-13.5	26.7	33.6	-3.0	:	:	5.0	3.8	:	8.4	1.5	:
Trade in goods balance* <sup>3.3</sup>	% of GDP	-21.8	-17.6	-17.9	-22.3	-20.1	:	:	-21.5	-21.7	:	N.A.	N.A.	N.A.
Exports goods and services* <sup>3.4</sup>	% of GDP	39.2	33.8	41.8	48.3	43.1	:	:	41.6	41.1	:	N.A.	N.A.	N.A.
Imports goods and services* <sup>3.5</sup>	% of GDP	53.4	46.8	52.6	61.9	54.6	:	:	54.5	54.3	:	N.A.	N.A.	N.A.
Current account balance* <sup>3.6</sup>	% of GDP	-2.5	-2.8	-1.4	-4.4	-2.3	-2.8	-2.5	-3.4	-3.5	:	N.A.	N.A.	N.A.
Direct investment (FDI, net)* <sup>3.7</sup>	% of GDP	2.0	2.0	2.7	3.1	3.3	:	:	3.4	2.9	:	N.A.	N.A.	N.A.
International reserves <sup>3.8</sup>	mn EUR	6,441	7,091	8,359	8,214	8,329	:	:	8,196	8,465	:	8,402	:	:
Int. reserves / months imp <sup>3.9</sup>	Ratio	7.8	10.0	9.3	6.8	7.0	:	:	6.8	7.0	:	:	:	:
<b>4 Monetary developments</b>														
CPI <sup>4.1</sup>	Ann. % ch	0.6	-1.1	2.0	14.0	6.1	2.2	2.0	2.0	1.9	:	1.8	1.3	:
Producer prices <sup>4.2</sup>	Ann. % ch	0.4	-0.4	4.5	18.4	5.8	:	:	0.3	1.9	:	3.0	4.0	:
Food prices <sup>4.3</sup>	Ann. % ch	1.1	1.0	3.5	21.5	10.5	:	:	2.0	0.8	:	0.8	1.4	:
M2 <sup>4.4</sup>	Ann. % ch	8.9	7.3	11.6	5.5	7.7	:	:	9.3	8.5	:	7.7	:	:
Exchange rate BAM/EUR <sup>4.5</sup>	Value	1.96	1.96	1.96	1.96	1.96	:	:	1.96	1.96	:	1.96	1.96	:
Real effective exchange rate <sup>4.6</sup>	Index	95.9	95.2	94.9	98.6	98.5	:	:	98.4	97.2	:	:	:	:
<b>5 Financial indicators</b>														
Interest rate (3 months) <sup>5.1</sup>	% p.a.	N.A.	N.A.	N.A.	N.A.	N.A.	:	:	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Bond yield <sup>5.2</sup>	% 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 <sup>5.3</sup>	Index	772	769	870	1009	1032	:	:	988	994	1,092	1,066	1,090	1,120
Credit growth <sup>5.4</sup>	Ann. % ch	5.7	1.1	1.7	4.2	5.0	:	:	7.7	9.0	:	9.7	9.6	:
Deposit growth <sup>5.5</sup>	Ann. % ch	9.3	5.6	10.1	5.9	7.2	:	:	7.9	7.6	:	7.8	7.0	:
Non performing loans <sup>5.6</sup>	% total	7.4	6.1	5.8	4.5	3.8	:	:	3.6	3.5	:	N.A.	N.A.	N.A.
<b>6 Fiscal developments</b>														
General government revenue** <sup>6.1</sup>	% of GDP	41.1	40.6	40.0	39.9	39.9	:	:	:	:	:	N.A.	N.A.	N.A.
General government expenditure** <sup>6.2</sup>	% of GDP	39.2	45.6	40.3	40.3	41.1	:	:	:	:	:	N.A.	N.A.	N.A.
General government balance** <sup>6.1</sup>	% of GDP	1.9	-5.1	-0.3	-0.4	-1.2	-1.5	-1.0	:	:	:	N.A.	N.A.	N.A.
General government debt*** <sup>6.2</sup>	% of GDP	31.6	35.2	33.1	29.3	25.8	29.3	29.0	26.2	26.0	:	N.A.	N.A.	N.A.

f: ECFIN forecast Spring 2024 published May 2024

\* Q figures refer to moving annual total.

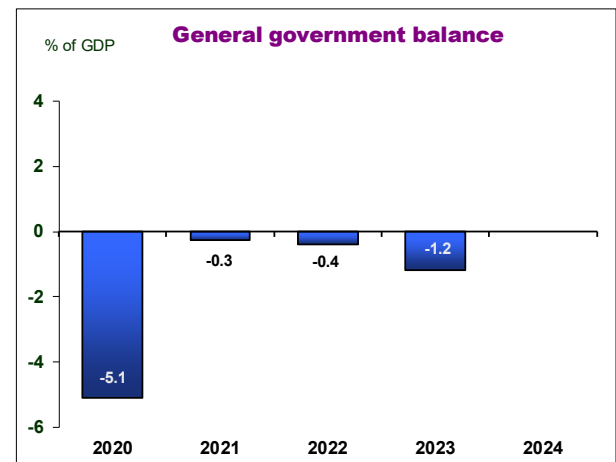
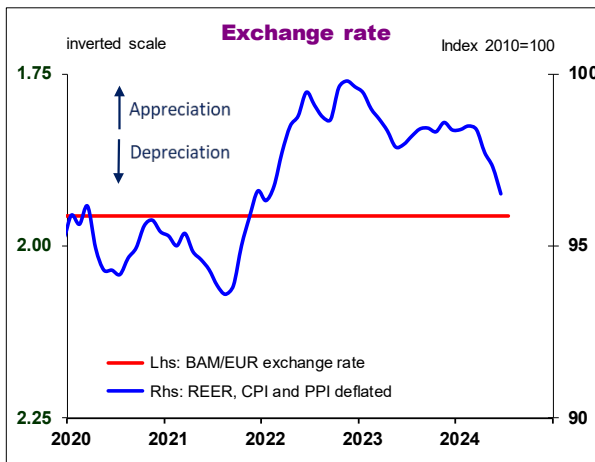
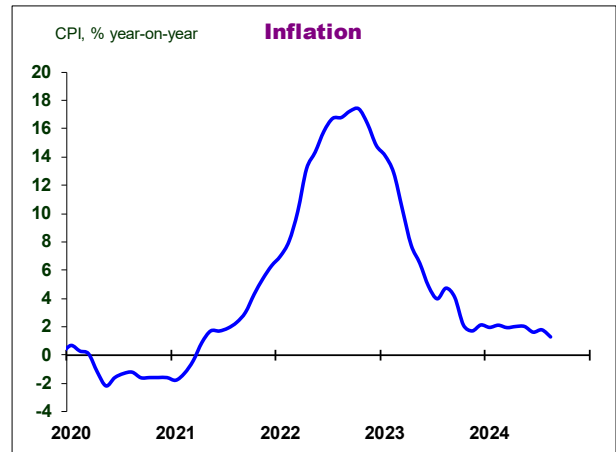
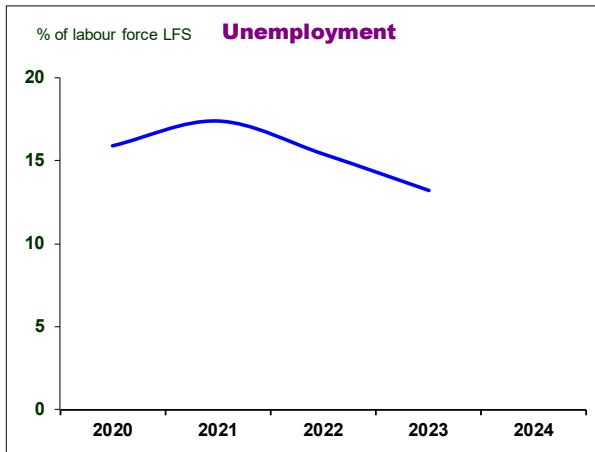
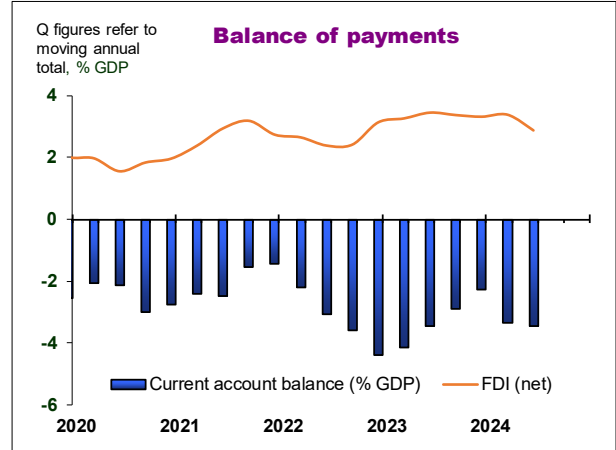
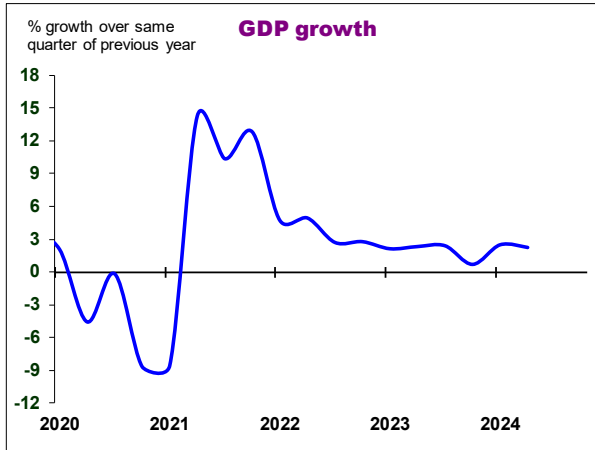
\*\* Q figures refer to the cumulative balance divided by the estimated annual GDP.

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

# CHARTS

European Commission, ECFIN-D-1

## BOSNIA AND HERZEGOVINA





# MONTENEGRO

## Key developments

On September 9, the National Assembly adopted a revision of the 2024 budget along with the set of laws (on labour, VAT, corporate income tax, personal income tax, excise duties, contributions for mandatory social insurance and the waiver of interest on due tax) required for the implementation of the Fiscal Strategy and the Europe Now 2 Programme. As of October, the implementation of Europe Now 2 Programme results in two major changes (1) a significant increase in minimum wages to an average of EUR 700 from the current EUR 450 and (2) changes in pension contributions. Employee contributions to the Pension and Disability Insurance Fund will be reduced from 15% to 10%, while employer contributions (5.5%) will be abolished.

On September 2, Standard & Poor's upgraded Montenegro's credit rating from B to B+ with a stable outlook due to the reduction of public debt, strong GDP growth, and continued progress in structural reforms associated with Montenegro's EU accession process.

On September 30 Moody's upgraded Montenegro's credit rating from B1 to Ba3, with a stable outlook, due to strong medium-term growth prospects and improved fiscal stability, attributed to lower public debt associated with the completion of the Bar-Boljare highway.

## Real sector

On 18 September, the Statistical Office of Montenegro released final GDP data for 2023, slightly revising the real growth rate to 6.3% y-o-y, up from the previous estimate of 6%.

Economic growth decelerated in Q2-2024 due to a contraction of exports and a strong recovery of imports. As a result, real GDP grew by 2.7% y-o-y in Q2, down from 4.4% y-o-y in Q1, and substantially below the rate of 7.3% y-o-y in the same period one year earlier. Private consumption, supported by an increase in minimum pensions at the beginning of the year, increased by 9.9% y-o-y. Further support to growth came from gross fixed capital formation which expanded by 11.7% y-o-y while government consumption grew modestly by 1.8% y-o-y. Exports of goods and services contracted (by 1.5% y-o-y) for the third quarter in a row. Imports of goods and services surged by 8.4% y-

o-y in Q2, interrupting the negative trend of the previous two quarters. The contribution of net exports to GDP growth was negative at -6.6 pps. Further negative contribution came from stocks which fell by 5.5% y-o-y.

Montenegro's industrial production remained on a downward trend. After a fall by 20.6% y-o-y in Q2, the contraction of industrial output continued at a slower pace in July (by 5.5% y-o-y) and August (4.5% y-o-y). On average, industrial production decreased by 6.5% y-o-y in the first eight months of 2024, led by a large fall in electricity production (23.1% y-o-y), while mining output grew 10.9% and manufacturing recorded an increase of 9.5%. Construction output increased by 2.8% y-o-y in Q2. Retail sales expanded by 5.8% in Q2 and continued to grow by 8.3% and 5.8% y-o-y in July and August, respectively.

## Labour market

Labour market performance improved in Q2-2024. According to the labour force survey (LFS), employment growth decelerated in Q2 (4.7% y-o-y) compared to the very high growth rate of the previous quarter (10.1%). Activity rate was roughly stable at 71% as compared to Q2-2023. Meanwhile, the unemployment rate fell to 11.5% in Q2-2024 from 12% in Q1-2024 and was also lower than in the same period one year earlier (12.9%). Both the male and female unemployment rates decreased, to 10.4% and 12.9% respectively in Q2-2024 from 13.2% and 13.8% in the same quarter previous year.

In August the average net monthly wage rose by 7.8% y-o-y and amounted to EUR 861. The gross average wage reached EUR 1080 in August from EUR 995 in the same month of 2023.

## External sector

The current account deficit widened to 15.2% of GDP in the four quarters to June 2024, from 13.6% of GDP in the previous quarter and the 12% gap recorded in the same period a year earlier. The four-quarter merchandise trade deficit increased to 44.2% of GDP from 43.7% in the previous quarter but was lower than in the same period a year before (44.9%). The surplus in services trade declined slightly to 23% of GDP in Q2 from 23.5% in the previous quarter and

compared to 23.8% in Q2-2023. Reflecting slower growth in the EU and a decline in remittances, the surpluses in the primary and secondary income balance declined substantially in the year to June 2024 to 0.1% and 5.9% of GDP respectively as compared to 1.8% and 7.4% of GDP in the same period of 2023.

Net FDI inflows declined in the four quarters to June 2024, totalling 5.8% of GDP compared to 7.3% a year before, thus covering only some 38% of the current account deficit. The stock of international foreign exchange reserves stood at the equivalent of 3.9 months of imports in June.

### Monetary developments

After a short interruption in April (5.8% y-o-y) the downward trend in consumer price increases continued and inflation decelerated to 2% y-o-y in August.

In January – August annual average consumer prices increased for clothing and footwear (by 6% y-o-y) as well as for housing and utilities, including electricity (4.4% y-o-y), while restaurant and hotel prices rose 4% y-o-y. Meanwhile, food and transport prices declined by 0.1% and 0.7% y-o-y over the same period, respectively.

### Financial sector

The robust pace of credit growth continued during the summer months. Commercial banks' loans expanded by 14.3% and 17.1% y-o-y in July and August, respectively, after growing by 12.6% y-o-y in Q2. The increase was mainly driven by very strong growth of lending to financial institutions, which peaked at 60.3% y-o-y in May and continued at 33.3% y-o-y in August. The growth of lending to households and corporates accelerated from 11.5% and 6.7% y-o-y in April to 13.6% and 10.4% in August, respectively. Credit to central government was growing by more than 20% y-o-y in each of the first eight months. The growth in lending to non-residents accelerated from 16.3% y-o-y in June to 34% y-o-y in August and accounted for 29% of all loans. Due to rapid credit growth, the non-performing loan ratio declined to 4.3% in Q2 and further to 4% in August as compared to 4.9% in Q1-2024.

The pace of growth of commercial banks' deposits was slower, increasing marginally from

2.4% y-o-y in Q2 to 2.8% in July and 3.1% in August. Deposits of households recorded the strongest growth, increasing by 13.8% and 12% y-o-y in May and August, respectively. The y-o-y growth of corporate deposits was negative in each of the first eight months, but the fall moderated somewhat from 15% y-o-y in May to 10.2% in August. Also deposits of financial institutions were on a contracting trend for the same period, falling by 12% y-o-y in May and 8.1% y-o-y in August.

### Fiscal developments

Strong private demand supported higher than planned budget revenue in the first eight months of 2024. Total revenues increased by 8.2% y-o-y. Revenues from VAT and excise duties were up by 14.9% and 13.9% y-o-y respectively. Improved tax discipline and the implementation of progressive profit taxation boosted corporate income tax revenue, which surged by 44.4% y-o-y, while income from personal income tax surged by 42.6% y-o-y, in line with increasing employment and wages. Social contributions rose by 10.6% y-o-y.

In the same period, budget expenditure increased by 15.8% y-o-y as compared to the same period in 2023. The main drivers for current expenditure were higher spending on social transfers due to an increase in minimum pensions, interest payments and current maintenance. Social security transfers rose by 24% y-o-y, with the largest increase in pension and disability insurance (34%) while funds for redundant labour declined by 8% y-o-y. Capital spending increased by 26.6% over the same period, partially due to a low base as investment was underperforming in 2023. Overall, the budget showed a surplus of 1.3% of estimated GDP in January-August compared to a surplus of 3% of GDP in the same period in 2023. The deficit target for full-year 2024 is 3.3% of GDP.

The stock of general government debt declined to 62.4% of GDP in Q2-2024 compared to 65% in Q1 but was higher than 60.3% of GDP at end-2023. Government deposits, including gold, stood at 8.7% of GDP in Q2-2024 which is somewhat lower than in Q1 (10.6%), but way above the level of 2.1% of GDP at end-2023.

# TABLE

European Commission, ECFIN-D-1

## MONTENEGRO

		2019	2020	2021	2022	2023	ECFIN 2024 Spring forecast		Q1 24	Q2 24	Q3 24	Jul 24	Aug 24	Sep 24
							2024	2025						
<b>1 Real sector</b>														
Industrial confidence <sup>1.1</sup>	Balance	3.6	-18.3	-3.9	6.6	5.5	:	:	6.8	5.3	4.1	5.4	4.6	2.4
Industrial production <sup>1.2</sup>	Ann. % ch	-6.1	-0.9	5.7	-1.7	6.2	:	:	4.9	-20.6	:	-5.5	-4.3	:
Gross domestic product <sup>1.3</sup>	Ann. % ch	4.1	-15.3	13.0	6.4	6.3	3.4	3.0	4.4	2.7	:	N.A.	N.A.	N.A.
Private consumption <sup>1.4</sup>	Ann. % ch	3.1	-4.6	4.0	9.7	6.5	3.2	2.5	6.2	9.9	:	N.A.	N.A.	N.A.
Gross fixed capital formation <sup>1.5</sup>	Ann. % ch	-1.7	-12.0	-12.3	0.1	6.9	4.2	3.7	7.1	11.7	:	N.A.	N.A.	N.A.
Construction index <sup>1.6</sup>	Ann. % ch	10.7	-5.6	-4.8	-4.4	-7.9	:	:	3.4	2.8	:	N.A.	N.A.	N.A.
Retail sales <sup>1.7</sup>	Ann. % ch	5.2	-12.0	16.6	14.2	8.0	:	:	7.4	5.8	:	8.3	5.8	:
<b>2 Labour market</b>														
Unemployment <sup>2.1</sup>	%	15.4	18.4	16.9	15.1	13.4	11.8	11.7	12.0	11.5	:	N.A.	N.A.	N.A.
Employment <sup>2.2</sup>	Ann. % ch	2.6	-10.1	-2.4	17.2	10.5	1.4	1.2	10.1	4.7	:	N.A.	N.A.	N.A.
Wages <sup>2.3</sup>	Ann. % ch	0.8	1.3	1.4	11.2	11.8	:	:	7.5	5.8	:	7.5	8.5	:
<b>3 External sector</b>														
Exports of goods <sup>3.1</sup>	Ann. % ch	3.8	-11.9	19.4	60.2	-3.7	:	:	-28.4	-8.4	:	-4.2	4.9	:
Imports of goods <sup>3.2</sup>	Ann. % ch	1.8	-19.1	19.0	41.1	7.8	:	:	1.2	4.2	:	16.3	3.7	:
Trade in goods balance* <sup>3.3</sup>	% of GDP	-41.7	-39.2	-38.7	-45.1	-42.9	-40.1	-39.6	-43.7	-44.2	:	N.A.	N.A.	N.A.
Exports goods and services* <sup>3.4</sup>	% of GDP	43.9	26.0	42.8	51.5	50.0	:	:	47.0	45.8	:	N.A.	N.A.	N.A.
Imports goods and services* <sup>3.5</sup>	% of GDP	65.0	61.0	62.2	74.4	68.6	:	:	67.1	67.1	:	N.A.	N.A.	N.A.
Current account balance* <sup>3.6</sup>	% of GDP	-14.3	-26.1	-9.2	-12.9	-11.4	-10.3	-9.7	-13.6	-15.2	:	N.A.	N.A.	N.A.
Direct investment (FDI, net)* <sup>3.7</sup>	% of GDP	6.2	11.2	11.7	13.2	6.2	:	:	6.1	5.8	:	N.A.	N.A.	N.A.
International reserves <sup>3.8</sup>	mn EUR	1,367	1,739	1,749	1,915	1,425	:	:	1,846	1,582	:	1,583	1,658	N.A.
Int. reserves / months Imp <sup>3.9</sup>	Ratio	5.1	8.2	6.8	5.2	3.6	:	:	4.7	3.9	:	3.9	4.1	:
<b>4 Monetary developments</b>														
HICP <sup>4.1</sup>	Ann. % ch	0.5	-0.8	2.5	11.9	8.7	4.8	4.3	5.3	4.9	:	3.0	2.0	:
Producer prices <sup>4.2</sup>	Ann. % ch	2.4	0.0	1.3	11.2	6.3	:	:	1.7	3.4	:	2.4	6.6	:
Food prices <sup>4.3</sup>	Ann. % ch	3.4	1.3	3.4	22.0	11.5	:	:	2.8	2.4	:	-0.1	-1.1	:
M2 <sup>4.4</sup>	Ann. % ch	-3.8	-3.5	16.5	30.7	6.9	:	:	1.7	-0.9	:	-0.7	:	:
Exchange rate EUR/EUR <sup>4.5</sup>	Value	1.00	1.00	1.00	1.00	1.00	:	:	1.00	1.00	1.00	1.00	1.00	1.00
Real effective exchange rate <sup>4.6</sup>	Ann. % ch	-2.2	-1.0	-1.2	1.0	3.5	:	:	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
<b>5 Financial indicators</b>														
Interest rate (6 months) <sup>5.1</sup>	% p.a.	0.52	0.87	:	3.70	3.75	:	:	:	:	:	:	:	:
Bond yield (10 yrs) <sup>5.2</sup>	% p.a.	2.61	3.53	3.85	7.25	7.31	:	:	6.09	5.40	5.19	5.36	5.30	4.92
Stock markets <sup>5.3</sup>	Index	10,980	10,225	10,910	11,077	14,946	:	:	15,177	14,939	15,139	15,050	15,035	15,331
Credit growth <sup>5.4</sup>	Ann. % ch	4.0	5.0	6.6	6.1	10.8	:	:	10.8	12.6	:	14.3	17.1	:
Deposit growth <sup>5.5</sup>	Ann. % ch	1.8	-2.6	12.8	23.2	15.1	:	:	3.2	2.4	:	2.8	3.1	:
Non-performing loans <sup>5.6</sup>	% of total	4.7	5.5	6.2	5.7	5.0	:	:	4.9	4.3	:	4.1	4.0	:
<b>6 Fiscal developments</b>														
General government revenue** <sup>6.1</sup>	% of GDP	43.4	44.6	44.3	39.2	42.2	:	:	9.6	16.8	:	N.A.	N.A.	N.A.
General government expenditure** <sup>6.1</sup>	% of GDP	45.4	55.7	46.2	43.4	41.6	:	:	9.4	16.4	:	N.A.	N.A.	N.A.
General government balance** <sup>6.1</sup>	% of GDP	-2.0	-11.1	-1.9	-4.2	0.6	-3.7	-3.2	0.2	0.4	:	N.A.	N.A.	N.A.
General government debt*** <sup>6.4</sup>	% of GDP	76.5	105.3	82.5	70.8	60.3	61.7	62.9	65.0	62.4	:	N.A.	N.A.	N.A.

f. ECFIN forecast Spring 2024 published May 2024

\* Q figures refer to moving annual total.

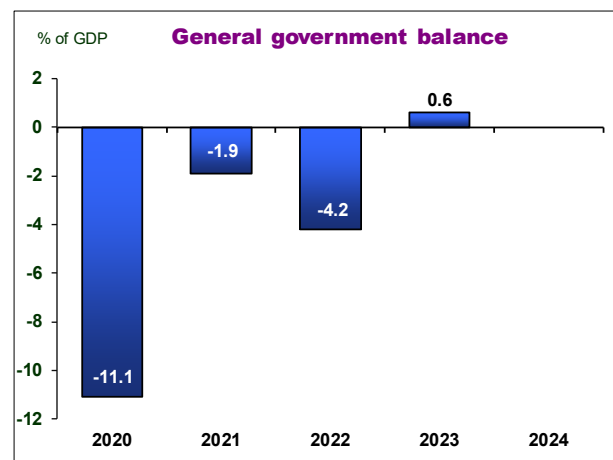
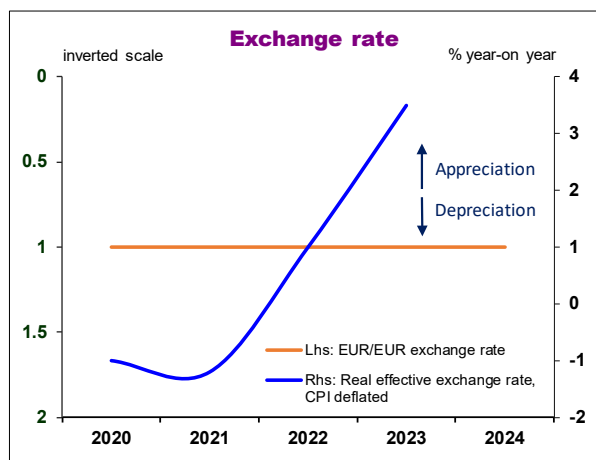
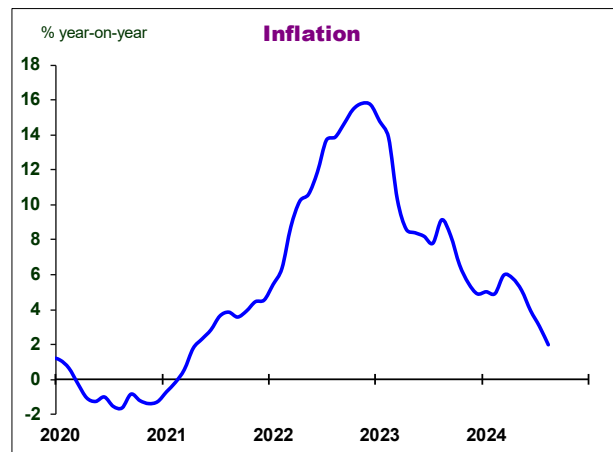
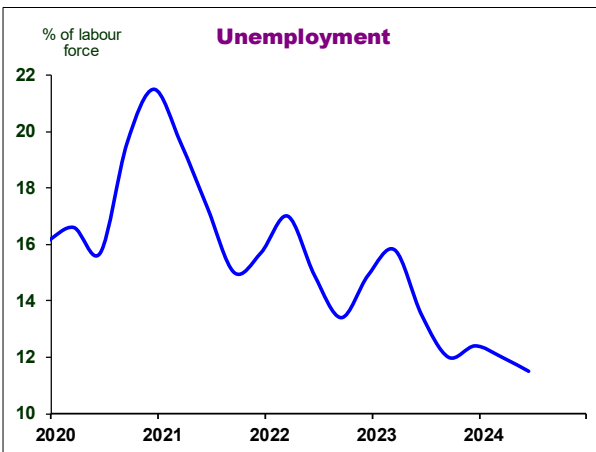
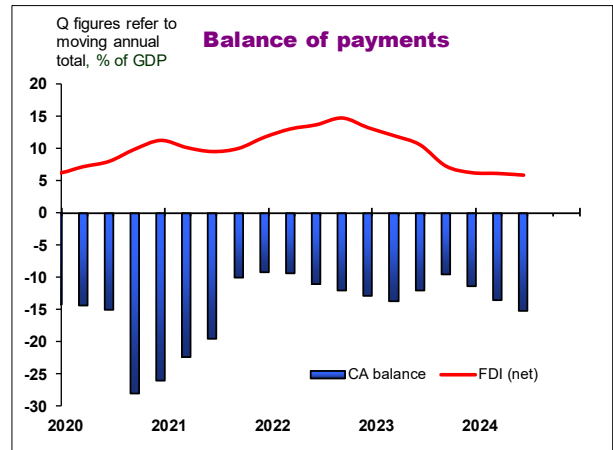
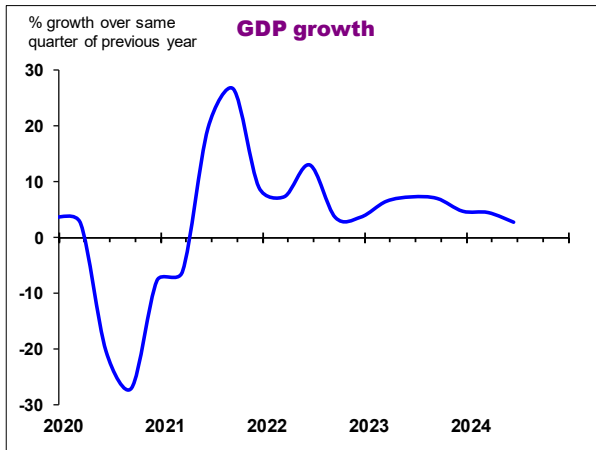
\*\* M and Q figures refer to the cumulative balance divided by the estimated annual GDP.

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

# CHARTS

European Commission, ECFIN-D-1

## MONTENEGRO



## NORTH MACEDONIA

### Key developments

On 31 July, rating agency Standard and Poor's reaffirmed the country's rating at BB- with stable outlook. Analysts project GDP to expand by 2.5% in 2024, driven by strong investment growth. They stress the need for stricter fiscal consolidation and note economic risks stemming from high emigration, labour shortages, and the informal economy. They point to persisting fiscal risks from potential cost overruns of highway project Corridor 8/10d.

On 18 September, the central bank lowered the key interest rate by 0.25 pps. to 6.05%, citing the strong decline in headline inflation and slowing core inflation. The central bank had kept the rate on its bills at 6.3% since September 2023. However, it warns of risks to price developments from global commodity prices and domestic wage policy.

On 4 October, rating agency Fitch reaffirmed the country's BB+ rating with stable outlook. This is based on consistent macroeconomic policies and good governance indicators, according to the analysts, while risks persist in particular from euroisation and structural unemployment.

### Real sector

In Q2-2024, real GDP growth accelerated to 2.3% y-o-y, up from 1.1% in the preceding three months. Household consumption growth decelerated to 1.3% y-o-y following a 2% annual rise in Q1, but nonetheless remained the main growth driver. Government consumption increased by 3.5%, partly due to base effects. Gross capital formation fell by 1.7% (Q1: +23.6%). Exports dropped by 2.9% y-o-y, less than the 7.8% fall recorded in Q1-2024, while imports declined by 4.5%, after a marginal annual increase in Q1. This resulted in a positive contribution from the external sector to GDP growth. On the production side, wholesale and retail trade remained the largest contributor to GDP growth in Q2 (+5.8% y-o-y). Manufacturing output rose by 0.7% y-o-y, after dropping by 0.3% in Q1-2024. Construction increased by 5.1%. High-frequency indicators for July and August convey a mixed picture. The industrial production index increased by 1.1%

y-o-y on average in July and August, with manufacturing outpacing overall production growth at 2.6%. Energy production was down by 3% on the year, after having dropped by 21% in Q2. Growth in retail trade (except automotive fuel) accelerated in July and August, compared to Q2 (+4 pps. to 10.3% y-o-y).

### Labour market

According to the Labour Force Survey,<sup>3</sup> the employment rate for the age group 15-64 stood at 57.4% in Q2 (compared to 56.8% in Q2-2023), including a marked increase in the employment rate of women (+1.8 pps. to 49.1%). Unemployment in this age group stood at 12.6% in Q2-2024, lower by 0.6 pps. compared to one year earlier. It declined in particular for women (-1.2 pps. y-o-y to 11.7%). The unemployment rate for young workers (aged 15-29) remained high, only slightly declining from 24.5% in Q2-23 to 22.8%. Overall labour market participation increased by only 0.3 pps. y-o-y to 65.7%, with an above-average increase of 1.3 pps. for women. Average gross wages rose by 13.1% y-o-y in July in nominal terms, only slightly abating from the rate in Q2 (14.2%). In real terms, wages increased by 9.9% y-o-y in July, bringing the average annual increase in real gross wages in the first seven months of the year to 11%.

### External sector

In the four quarters to June 2024, the current account deficit narrowed slightly to 1.3% of GDP (-0.3 pps. y-o-y), mainly as a result of an improvement in the merchandise trade deficit (-1 pp. y-o-y to 21% of GDP), reflecting the ongoing decline in the prices of imported commodities, and an increased surplus in services trade (+2.1 pps. y-o-y to 7.2% of GDP). The primary income deficit widened to 5.5% of GDP (+0.5 pps.), while the surplus of the secondary income balance, driven mainly by private

<sup>3</sup> Statistical changes for 2022 and the first quarter of 2023 affect data comparability. In Q1-2023, the implementation of a new regulation caused changes in the survey affecting the scope and definition of employment and unemployment. This caused an interruption of the time series of data, restricting comparability with previous data.

transfers, declined by 2.3 pps. to 18.1% of GDP. Net foreign direct investment inflows were higher by 0.9 pps. y-o-y in the four quarters to Q2 and stood at 5.1% of GDP, largely exceeding the current account deficit. Gross external debt had increased by 3.3% y-o-y at the end of Q2, amounting to 80.4% of (government-)projected GDP (Q2-24: 83.5% of GDP). The rise was primarily due to increased intercompany lending and foreign borrowing of non-financial corporations. Official foreign reserves were higher by 12.9% y-o-y at the end of September, and equivalent to 4.6 months of prospective imports of goods and services.

### Monetary developments

Annual consumer price inflation further decelerated in Q2 (3.9% y-o-y on average) and Q3 (2.6%). Electricity and fuel prices declined by 2% y-o-y in September, while they had increased by 1.5% in Q3. Food prices rose only modestly in Q3 (+0.7% y-o-y) after having increased by 3.5% in Q2. Even though core inflation remains above 5% some secondary effects from the period of high energy prices are petering out, in particular regarding transport cost (+0.2% y-o-y in Q3), with annual growth declining from 5.3% in Q2. However, annual price increases in the hotel and restaurant business are accelerating (Q2: 7.9%; Q3: 13.5%). Broad money (M3) increased at a slower pace in Q2 (5.4% y-o-y) and in July and August (6.5% y-o-y on average), compared to the first three months of the year (6.6%). In September, the central bank cut the key policy rate by 0.25 pps. after having kept the rate unchanged at 6.3% over the last 12 months.

### Financial sector

Annual loan growth accelerated in Q2 to 6.6% y-o-y, up from 6.1% in Q1. Its pace picked up further in July and August, to 7.5% on average. Annual credit growth to households remained at the same level as in Q1 (7%) and accelerated to 7.4% on average in July and August. Growth in lending to private businesses stood at 6.3% y-o-y (Q1: 5.2%). Its pace increased further in July and August, to 7.7% y-o-y on average. Annual deposit growth decelerated to 8.7% y-o-y in Q2, down from 9.9% in Q1. It remained stable in July and August (8.6% y-o-y on average). Hence, the funding of loans by deposits remained solid, with the loan-to-deposit ratio (non-financial sector) at 84.2% at end-June, slightly lower than one year earlier (-0.2 pps.).

The ratio of non-performing to total loans (financial and non-financial sector) went up slightly, to 3% at end-June (+0.2 pps. y-o-y), yet reflecting a change in the methodology for determining the non-performing status of loans. The share of foreign-currency denominated loans in total loans dropped further in Q2 and stood at 40.4% (-2.9 pps. y-o-y). Banks' solvency improved further to 19% in Q2 (+0.8 pps. y-o-y), the highest since 2006 and well above the required regulatory minimum. This is due to retained bank earnings and partly also reflects the recent tightening of regulatory requirements for banks' capital, such as for countercyclical capital buffers. The return-on-equity ratio (ROE) stood at 19.8% in Q1 (+2.7 pps. y-o-y). The return on assets (ROA) rose by 0.4 pps. to 2.5% in this period.

### Fiscal developments

In Q2 and beyond, public revenue rose markedly, compared to the same period one year earlier, partly reflecting the tax base-broadening legal changes which had entered into force in October 2023 and in January 2024. In the period January-August 2024, total revenue was 12.4% higher y-o-y, amounting to 62% of the revised full-year target, supported by a rise in tax revenues (+16.7% y-o-y) and social contributions (+15.9% y-o-y). The government took on new spending commitments, mainly in relation to ad hoc increases in pensions which entered into force in September 2024. Total expenditure rose by 9% y-o-y in the first 8 months of the year, amounting to 61% of the revised target, with current expenditure posting a particularly large annual hike (+16%). The fiscal deficit was lower by 12.7% y-o-y amounting to 2.6% of projected GDP. In July, the government adopted a supplementary budget that raised the full-year revenue and expenditure targets, as well as the projected fiscal deficit, to 4.9% of the revised GDP projection, from previously 3.4%. At the end of Q2-2024, public debt, at 60.5% of projected GDP, stood lower by 1.6 pps. compared to end-2023. General government debt amounted to 52.1% of GDP (-1 pp.), indicating a 0.6 pps. drop in public enterprise debt in the first half of 2024. In nominal terms, the increase in government domestic debt (+9.9% y-o-y) much exceeded the growth of foreign debt (+1.9%) in this period.

# TABLE

European Commission, ECFIN-D-1

## NORTH MACEDONIA

		2019	2020	2021	2022	2023	ECFIN 2024 Spring forecast		Q1 24	Q2 24	Q3 24	Jul 24	Aug 24	Sep 24
							2024	2025						
<b>1 Real sector</b>														
Industrial confidence <sup>1.1</sup>	Balance	-0.1	-16.6	-7.1	-3.8	-2.0	:	:	-6.5	-5.3	-5.2	-4.1	-6.9	-4.7
Industrial production <sup>1.2</sup>	Ann. % ch	4.1	-9.5	3.1	-1.0	0.6	:	:	-2.4	-6.9	:	3.8	-1.6	:
Gross domestic product <sup>1.3</sup>	Ann. % ch	3.9	-4.7	4.5	2.8	1.0	2.9	3.0	1.2	2.3	:	N.A.	N.A.	N.A.
Private consumption <sup>1.4</sup>	Ann. % ch	3.7	-3.6	8.6	3.8	2.4	2.7	2.9	2.0	1.3	:	N.A.	N.A.	N.A.
Gross capital formation <sup>1.5</sup>	Ann. % ch	9.5	-15.1	2.9	9.4	-16.7	8.2	9.6	23.6	-1.7	:	N.A.	N.A.	N.A.
Construction <sup>1.6</sup>	Ann. % ch	9.1	-8.9	10.3	17.9	0.0	:	:	-2.5	1.4	:	N.A.	N.A.	N.A.
Retail sales <sup>1.7</sup>	Ann. % ch	11.3	-8.5	8.7	-3.1	-0.6	:	:	-2.6	0.3	:	10.9	6.5	:
<b>2 Labour market</b>														
Unemployment**** 2.1	%	17.4	16.4	15.6	14.5	13.2	12.9	12.8	12.9	12.6	:	N.A.	N.A.	N.A.
Employment**** 2.2	Ann. % ch	4.6	-1.3	-1.3	-0.1	-0.2	0.8	0.8	0.3	0.0	:	N.A.	N.A.	N.A.
Wages <sup>2.3</sup>	Ann. % ch	5.1	8.3	5.7	11.1	15.3	6.2	4.1	16.6	14.1	:	13.1	:	:
<b>3 External sector</b>														
Exports of goods <sup>3.1</sup>	Ann. % ch	9.5	-9.9	25.3	21.2	-0.4	:	:	-12.3	-6.5	:	:	:	:
Imports of goods <sup>3.2</sup>	Ann. % ch	10.2	-9.2	26.5	28.9	-8.6	:	:	-0.4	1.2	:	:	:	:
Trade in goods balance* <sup>3.3</sup>	% of GDP	-17.3	-16.6	-19.7	-26.3	-18.9	-19.7	-20.6	-20.3	-21.0	:	N.A.	N.A.	N.A.
Exports goods and services* <sup>3.4</sup>	% of GDP	61.9	57.7	65.8	72.8	72.8	:	:	71.1	69.3	:	N.A.	N.A.	N.A.
Imports goods and services* <sup>3.5</sup>	% of GDP	76.2	70.4	81.3	93.4	86.3	:	:	85.7	83.1	:	N.A.	N.A.	N.A.
Current account balance* <sup>3.6</sup>	% of GDP	-3.0	-2.9	-2.8	-6.0	0.7	-1.0	-1.1	-1.4	-1.3	:	N.A.	N.A.	N.A.
Direct investment (FDI, net)* <sup>3.7</sup>	% of GDP	3.2	1.4	3.3	4.9	3.8	:	:	4.6	5.1	:	N.A.	N.A.	N.A.
International reserves <sup>3.8</sup>	m n EUR	3,263	3,360	3,643	3,863	4,538	:	:	4,287	4,338	4,407	4,429	4,470	4,407
Int. reserves / months Imp <sup>3.9</sup>	Ratio	4.6	5.3	4.5	3.7	4.6	:	:	4.4	4.5	:	:	:	:
<b>4 Monetary developments</b>														
CPI <sup>4.1</sup>	Ann. % ch	0.8	1.2	3.2	14.1	9.4	3.0	1.9	3.4	3.9	2.6	2.9	2.2	2.6
Producer prices <sup>4.2</sup>	Ann. % ch	-0.6	5.6	-3.3	9.8	2.5	:	:	-3.4	-4.9	:	3.5	4.1	:
Food prices <sup>4.3</sup>	Ann. % ch	1.6	2.4	3.1	20.7	12.4	:	:	2.3	3.5	:	0.9	0.2	:
Monetary aggregate M3 <sup>4.4</sup>	Ann. % ch	8.2	8.0	8.8	5.3	5.9	:	:	6.6	5.4	:	5.6	7.4	:
Exchange rate MKD/EUR <sup>4.5</sup>	Value	61.51	61.67	61.63	61.62	61.56	:	:	61.62	61.52	61.50	61.50	61.49	61.49
Real effective exchange rate <sup>4.6</sup>	Index	100.4	102.4	103.5	105.9	111.1	:	:	110.7	111.5	:	111.6	:	:
<b>5 Financial indicators</b>														
Interest rate (3 months-SKIBOR) <sup>5.1</sup>	% p.a.	1.46	1.38	1.33	1.79	4.02	:	:	4.54	4.55	4.53	4.53	4.53	4.53
Bond yield <sup>5.2</sup>	% p.a.	5.61	5.19	4.86	4.63	5.44	:	:	5.90	5.87	:	5.88	:	:
Stock markets <sup>5.3</sup>	Index	3,939	4,377	5,382	5,888	5,844	:	:	6,602	7,375	8,429	8,155	8,462	8,672
Credit Growth <sup>5.4</sup>	Ann. % ch	7.2	6.4	5.8	9.6	6.2	:	:	6.1	6.6	:	7.4	7.6	:
Deposit growth <sup>5.5</sup>	Ann. % ch	9.6	7.8	8.3	4.2	9.1	:	:	9.9	8.7	:	7.8	9.4	:
Non-performing loans <sup>5.6</sup>	% total	4.8	3.4	3.2	2.9	2.8	:	:	3.1	3.1	:	N.A.	N.A.	N.A.
<b>6 Fiscal developments</b>														
General government revenue** <sup>6.1</sup>	% of GDP	29.4	28.4	30.0	29.8	33.0	:	:	7.6	15.8	:	N.A.	N.A.	N.A.
General government expenditure** <sup>6.1</sup>	% of GDP	31.4	36.4	35.3	34.1	37.9	:	:	9.2	18.4	:	N.A.	N.A.	N.A.
Central government balance** <sup>6.1</sup>	% of GDP	-2.0	-8.0	-5.3	-4.3	-4.9	-3.7	-3.0	-1.6	-2.6	:	-2.4	:	:
General government debt*** <sup>6.2</sup>	% of GDP	40.5	50.8	51.4	50.5	53.1	54.6	54.2	51.5	52.1	:	N.A.	N.A.	N.A.

f. ECFIN forecast Spring 2024 published May 2024

\* Q figures refer to moving annual total.

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

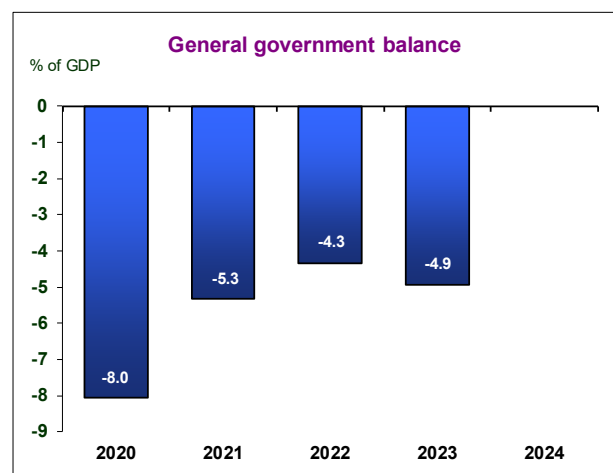
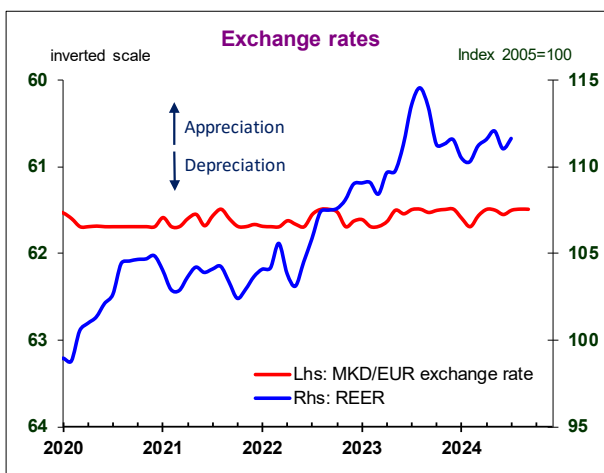
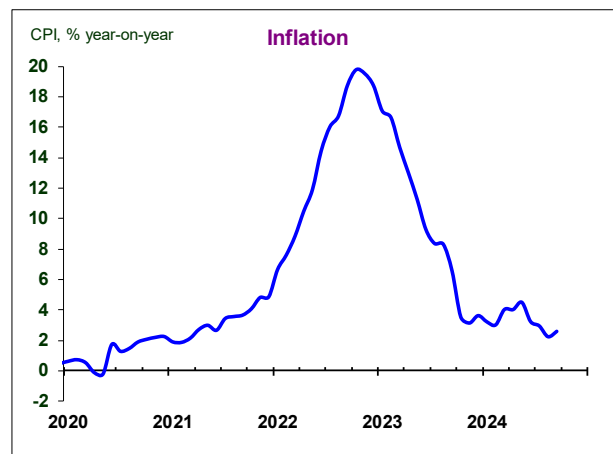
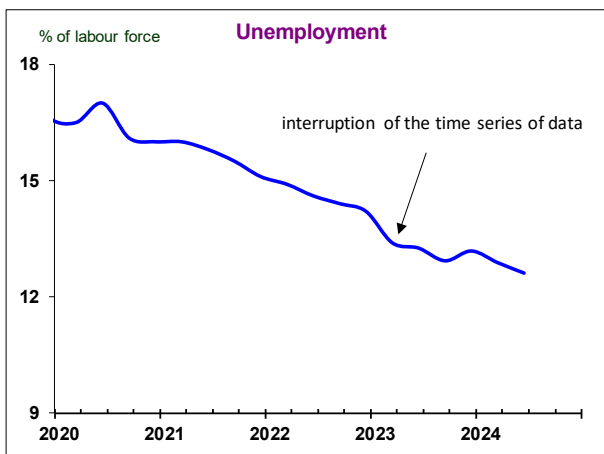
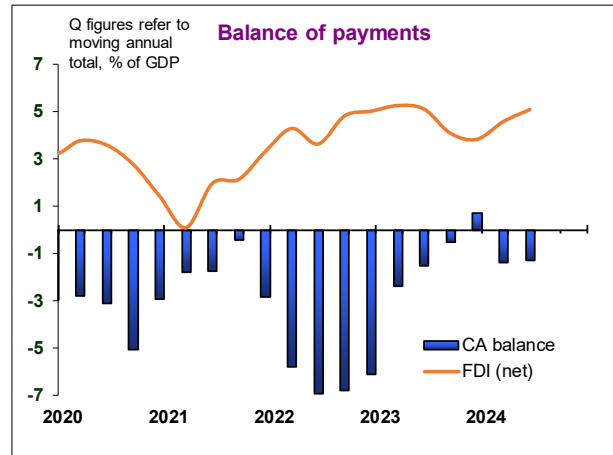
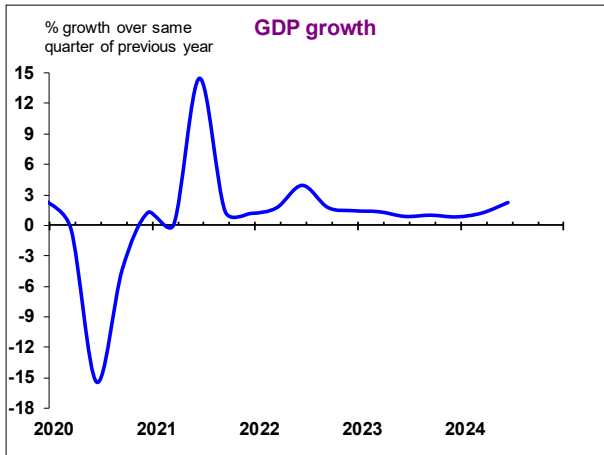
\*\*\* Q figures in percent of estimated annual GDP.

\*\*\*\* In 2023, the implementation of a new regulation caused changes in the survey affecting the scope and definition of employment and unemployment. This caused an interruption of the time series of data, restricting comparability with previous data.

# CHARTS

European Commission, ECFIN-D-1

## North Macedonia





# SERBIA

## Key developments

The Government adopted a new 2025 Fiscal Strategy on 4 July 2024, with projections until 2027. Notably, the full entry into force of the fiscal rules was postponed from 2025 to 2029, to make room for planned investments in the framework of the EXPO 2027/Serbia 2027 agenda. The initial 2025 deficit target of 1.5% of GDP was revised to 2.5% of GDP.

A revised 2024 budget was adopted on 30 September to accommodate EUR 1.7 billion in additional spending, increasing the projected deficit from 2.2% to 2.9% of GDP in 2024. Additional funds are mostly directed to defence spending (facilitation of reactivation of military service and purchase of new fighter planes), capital investments (EXPO 2027/Serbia 2027 agenda), as well as financial support to families with children, the healthcare sector and agriculture.

On 4 October Standard & Poor's upgraded Serbia's credit rating to BBB-, reaching 'investment grade' status for the first time. Two other major credit rating agencies Fitch and Moody's improved in August their outlooks for Serbia's credit rating to positive, signalling the potential for an upgrade to 'investment grade' in the coming months if economic performance remains strong and risks don't materialise.

On 1 October, Serbia concluded its benchmark revision of GDP, done every five years. Based on improved and new methods and data sources, nominal GDP for the year 2022, as the so-called benchmark year, increased by 5.1%. However, real GDP growth rates remained broadly at previously published figures. The GDP ratios used in the below report still reflect the old figures, due to data availability.

## Real sector

In Q2-2024, economic growth remained robust with real GDP increasing by 0.8% q-o-q and 4.0% y-o-y, similarly to Q1 (0.9% q-o-q and 4.6% y-o-y respectively). On the expenditure side, growth was boosted by domestic demand, notably investments (8.5% y-o-y), household consumption (4.8%) and public consumption (4.5%). Strong domestic demand pushed up imports by 8.5%, well exceeding export growth (4.4%). As a potentially temporary factor, net trade was negatively affected by lower electricity

exports, reverting back from an exceptionally high level in the previous year. On the supply side, fast growth continued in construction (7.2% y-o-y), wholesale and retail trade and accommodation and food service activities (7.1%) and information and communication (6%). The only sector that declined was agriculture (-4.2%).

Short-term indicators from Q3 imply that a similar growth pattern is continuing, with booming domestic demand underpinned by a strong labour market and consumer confidence, while the still positive growth in industry and exports is overtaken by rapid growth in imports. Retail trade real growth remained buoyant at 5.3% y-o-y in August 2024, a slight deceleration from 7.1% over January - August 2024 relative to the same period 2023. Industrial production grew more modestly by 2.6% in the period January-August 2024, led by manufacturing (4.1%) and mining (7.8%), while the energy sector declined by 7.2%.

## Labour market

The labour market continued to perform strongly. According to the labour force survey, total employment increased by 1.1% y-o-y in Q2-2024. The unemployment rate (8.2%) decreased by 1.4 pps. y-o-y, while participation in the labour market rose marginally. Data from Employment Registry indicates that job growth was fastest in professional, scientific and technical activities (+8.9%), healthcare (7.8%), information and communication (+4%), and construction (+2.5%).

In January-July 2024, the average gross monthly wage increased by 15.1% y-o-y in nominal terms (9.7% in real terms). In terms of sectors, the growth was broad-based and relatively even, ranging from about 12% in mining to over 16% in manufacturing and 19% in education. However, overall public sector wages grew slightly less than in the private sector.

## External sector

The current account deficit amounted to 3.3 % of GDP in the year to Q2-2024, a rise from 2.6% in full-year 2023. Latest balance of payments data from July indicates that the trend of weakening current account continues, notably on account of rising imports. The overall trend in January-July 2024 was driven by a higher deficit in goods trade, widening by 15% y-o-y, while the services

surplus came down by 14% y-o-y. Notably, even though exports of services rose substantially by 13%, imports of services surged even more by 22%, especially due to travel (Serbian residents travelling abroad), other business services and intellectual property imports. Nevertheless, the surplus in services is still at a substantial level, covering about 35 % of the deficit in goods trade, thanks to strong ICT and business services' exports. The primary income deficit (composed mainly of dividend and interest payments) also grew by about 16% y-o-y in January-July. At the same time, the secondary income surplus (mainly remittances), decreased by about 7% y-o-y, but from a high level.

Net inflows of FDI amounted to 5.8% of GDP in Q2-2024, down from 6.3% in Q1, but slightly above the 5.6% recorded in full-year 2023. Observed by activities, the largest share of FDI in H1 2024 went to construction (29%) and mining (22%) information and communications (15%), and the manufacturing industry (12%). In terms of countries of origin, in H1 2024, about 60% came from Europe (mainly the EU) and 35% from China.

### Monetary developments

Consumer price inflation appears to have bottomed out in recent months. It declined steadily over the first half of 2024 to 3.8% y-o-y in June, but rebounded to 4.3% in both July and August, recently driven up by prices of restaurants, housing, alcohol/tobacco and some services, while food and transport exerted downward pressure. In view of the easing of inflation to within the National Bank of Serbia's (NBS) target range of 3% +/-1.5 pps., the NBS reduced the reference interest rate in three steps in June, July and September by 25 basis points each, to 5.75%. The NBS projects that inflation will remain within its target range in the coming years.

The NBS data shows that foreign exchange reserves increased consistently over the first half of 2024, reaching a new record level of EUR 28.2 billion in Q2-2024 (37.8% of full year GDP), covering a solid 7.2 months of goods and services imports. The NBS net purchased EUR 1.8 billion between January and August to counter appreciation pressures and maintain the dinar's stability against the euro.

### Financial sector

The financial sector has remained stable. After a prolonged tightening cycle, banks have started to

loosen their credit standards over the course of 2024, for both the corporate and housing sector. At the same time, the bank lending survey indicates that demand for corporate and household loans has increased over 2024. As a result, credit growth has started to pick up pace and grew by 3.2% y-o-y in Q2-2024 and 6% in August 2024, rising broadly equally for corporate and household loans. Still, total deposits grew much faster than loans so far in 2024, up by 14% y-o-y in August 2024. The weighted average interest rate on new corporate dinar loans has continued its decline to 7.6% in August, down from 8.8% a year ago. At the same time, the average interest rate on corporate euro loans has declined to 6.6% (from 7% one year earlier). The interest rates on household loans have likewise started to decline, reaching 11.4% for new dinar loans and 6% on euro loans by August (from 13.6% and 7.3% respectively a year before).

The ratio of non-performing loans to total loans remained at its historic low of 2.9% in Q2-2024. The capital adequacy ratio of the banking sector (regulatory capital to risk-weighted assets) stayed high in Q2-2024 at 21.8%. Return on assets reached a new record in Q2 at 3.2%, while it averaged 1.4% over the previous decade.

### Fiscal developments

Public finances reflect the booming domestic demand and labour market. According to preliminary data published by the Ministry of Finance, in January-July 2024, general government revenues grew rapidly by 15% y-o-y, driven by tax revenues (VAT: +18.8%, personal income tax: +17.1%, social contributions: +15.8%), while a sharp drop was recorded in revenue from grants (-63%). Expenditures increased slightly less than revenues, by 14.5% y-o-y. However, subsidies increased sharply by 27.7%, pensions by 21%, while investments had a slower start with 12.4% growth. The consolidated balance in January-July 2024 was thus slightly better by about 0.2 pps. than in the same period last year, reaching a surplus close to 1% of projected GDP. However, it is too early to draw strong conclusions from mid-year data, as a large part of the deficit accrues at the end of the year when also the supplementary budget expenditures kick in. Public debt in July 2024 amounted to 50% of GDP, down from 52% of GDP at the end of 2023.

# TABLE

European Commission, ECFIN-D-1

## SERBIA

		2019	2020	2021	2022	2023	ECFIN 2024 Spring forecast		Q1 24	Q2 24	Q3 24	Jul 24	Aug 24	Sep 24
							2024	2025						
<b>1 Real sector</b>														
Industrial confidence <sup>1.1</sup>	Balance	5.9	-1.0	3.1	0.3	-0.9	:	:	2.1	0.0	1.1	-0.9	1.9	2.4
Industrial production <sup>1.2</sup>	Ann. % ch	0.2	0.4	6.1	1.6	2.4	:	:	3.2	1.3	:	4.6	0.9	:
Gross domestic product <sup>1.3</sup>	Ann. % ch	4.3	-1.0	7.9	2.6	3.8	3.5	4.3	4.6	4.0	:	N.A.	N.A.	N.A.
Private consumption <sup>1.4</sup>	Ann. % ch	3.6	-2.0	7.6	3.5	0.6	3.6	4.3	4.4	4.8	:	N.A.	N.A.	N.A.
Gross fixed capital formation <sup>1.5</sup>	Ann. % ch	16.9	-1.4	14.7	2.2	9.7	5.9	7.0	7.5	8.5	:	N.A.	N.A.	N.A.
Construction index <sup>1.6</sup>	Ann. % ch	32.3	-1.5	25.0	5.4	14.9	:	:	20.2	15.5	:	N.A.	N.A.	N.A.
Retail sales <sup>1.7</sup>	Ann. % ch	8.9	4.2	10.0	5.6	-1.9	:	:	6.5	8.3	:	5.7	5.3	:
<b>2 Labour market</b>														
Unemployment**** <sup>2.1</sup>	%	11.2	9.7	11.1	9.5	9.4	9.3	9.1	9.4	8.2	:	N.A.	N.A.	N.A.
Employment**** <sup>2.2</sup>	Ann. % ch	0.4	-0.1	2.2	2.3	0.8	0.5	0.5	2.2	1.7	:	:	:	:
Wages <sup>2.3</sup>	Ann. % ch	10.5	9.4	9.4	13.8	14.7	:	:	15.0	14.6	:	16.9	:	:
<b>3 External sector</b>														
Exports of goods <sup>3.1</sup>	Ann. % ch	8.8	-3.7	26.9	26.3	4.7	:	:	-2.4	0.9	:	7.5	0.4	:
Imports of goods <sup>3.2</sup>	Ann. % ch	9.9	-4.7	25.0	33.1	-3.5	:	:	-3.8	5.6	:	22.6	13.1	:
Trade in goods balance <sup>3.3</sup>	% of GDP	-11.7	-10.6	-10.8	-14.7	-8.8	-8.2	-8.5	-9.0	-9.3	:	N.A.	N.A.	N.A.
Exports goods and services <sup>3.4</sup>	% of GDP	48.5	45.4	51.5	59.9	54.5	:	:	58.0	57.5	:	N.A.	N.A.	N.A.
Imports goods and services <sup>3.5</sup>	% of GDP	58.1	53.8	59.8	71.0	59.3	:	:	62.9	62.8	:	N.A.	N.A.	N.A.
Current account balance <sup>3.6</sup>	% of GDP	-6.6	-3.9	-4.1	-6.6	-2.4	-3.6	-3.6	-2.9	-3.3	:	N.A.	N.A.	N.A.
Direct investment (FDI, net) <sup>3.7</sup>	% of GDP	7.4	6.0	6.5	6.8	5.6	:	:	6.3	5.8	:	N.A.	N.A.	N.A.
International reserves <sup>3.8</sup>	mn EUR	13,378	13,492	16,455	19,416	24,909	:	:	24,942	27,507	:	28,113	28,225	:
Int. reserves / months Imp <sup>3.9</sup>	Ratio	5.7	6.1	5.9	5.2	6.7	:	:	6.7	7.2	:	7.2	:	:
<b>4 Monetary developments</b>														
CPI <sup>4.1</sup>	Ann. % ch	1.8	1.6	4.1	11.9	12.1	4.7	3.2	5.7	4.4	:	4.3	4.3	:
Producer prices <sup>4.2</sup>	Ann. % ch	0.7	-1.8	9.1	16.4	3.5	:	:	0.9	2.5	:	3.3	0.9	:
Food prices <sup>4.3</sup>	Ann. % ch	2.6	2.6	4.5	18.7	17.3	:	:	4.9	1.4	:	1.4	2.8	:
M3 <sup>4.4</sup>	Ann. % ch	8.4	18.1	13.3	6.9	12.7	:	:	11.2	14.0	:	12.8	14.4	:
Exchange rate RSD/EUR <sup>4.5</sup>	Value	117.86	117.58	117.57	117.46	117.25	:	:	117.19	117.11	117.04	117.05	117.04	117.05
Real effective exchange rate <sup>4.6</sup>	Index	123.6	125.7	128.0	129.3	139.2	:	:	141.8	141.5	:	142.3	143.2	:
<b>5 Financial indicators</b>														
Interest rate (BELIBOR) <sup>5.1</sup>	% p.a.	2.52	1.19	0.89	2.47	5.61	:	:	5.70	5.65	:	5.30	5.16	:
Bond yield (10 year) <sup>5.2</sup>	% p.a.	:	:	2.50	6.76	5.43	:	:	:	:	:	:	:	:
Stock markets <sup>5.3</sup>	Index	1,584	1,544	1,639	1,720	1,806	:	:	1,999	2,192	2,321	2,241	2,303	2,419
Credit growth <sup>5.4</sup>	Ann. % ch	9.7	12.3	9.1	10.9	1.7	:	:	0.8	3.2	:	5.1	6.1	:
Deposit growth <sup>5.5</sup>	Ann. % ch	12.9	15.0	14.4	8.4	11.4	:	:	11.9	13.0	:	13.6	14.5	:
Non-performing loans <sup>5.6</sup>	% total	4.1	3.7	3.6	3.0	3.2	:	:	3.2	2.9	:	N.A.	N.A.	N.A.
<b>6 Fiscal developments</b>														
General government revenue** <sup>6.1</sup>	% of GDP	40.2	39.1	41.2	41.6	39.4	:	:	10.0	21.7	:	N.A.	N.A.	N.A.
General government expenditure** <sup>6.1</sup>	% of GDP	40.4	46.8	45.2	44.6	41.4	:	:	10.2	21.4	:	N.A.	N.A.	N.A.
General government balance** <sup>6.1</sup>	% of GDP	-0.2	-7.7	-3.9	-3.0	-2.1	-2.2	-1.5	-0.2	0.4	:	0.9	N.A.	N.A.
General government debt*** <sup>6.2</sup>	% of GDP	49.8	54.4	53.9	52.5	48.1	51.4	49.9	47.7	50.0	:	50.0	N.A.	N.A.

f. ECFIN forecast Spring 2024 published May 2024

\* Q figures refer to moving annual total.

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

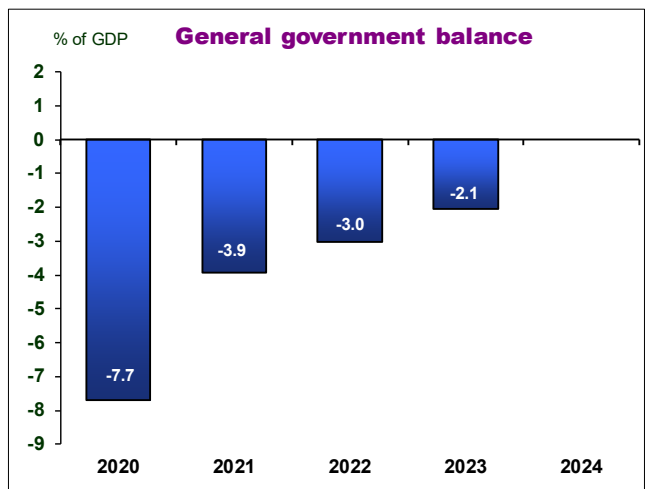
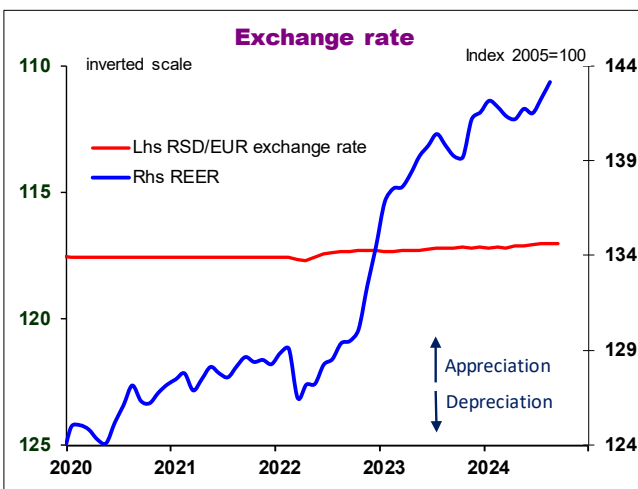
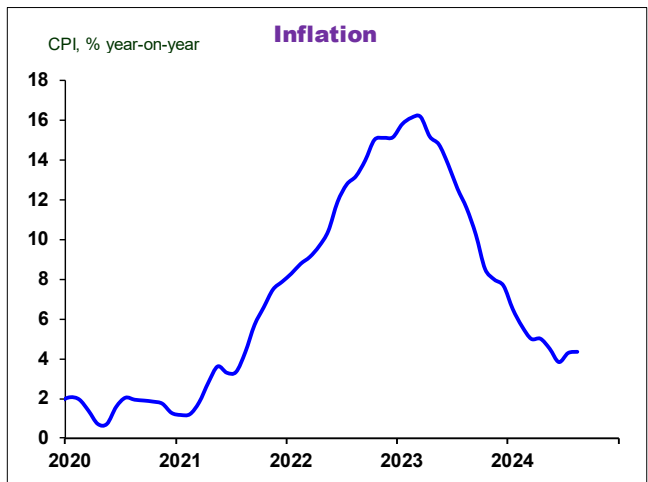
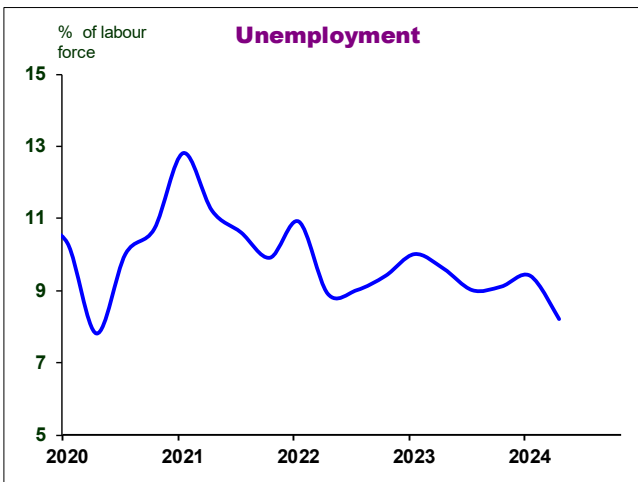
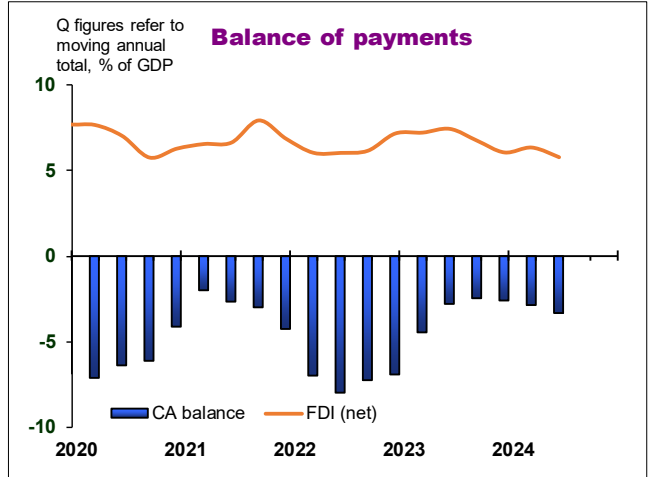
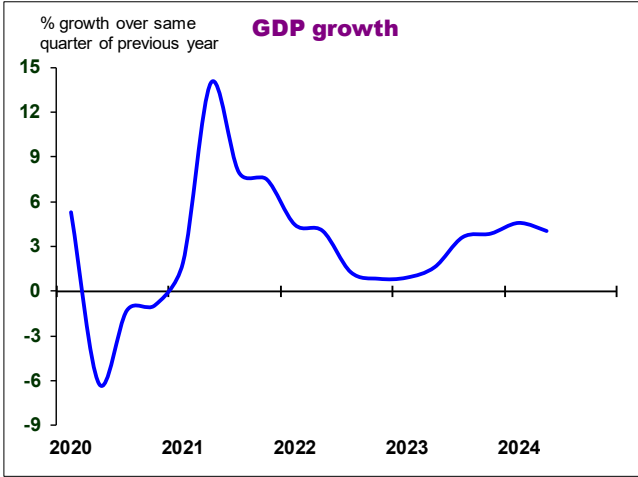
\*\*\* Q figures in percent of estimated annual GDP.

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

# CHARTS

European Commission, ECFIN-D-1

## SERBIA



# TÜRKIYE

## Key developments

In September, the authorities adopted the Medium-Term Economic Programme for 2025-2027. Compared to the 2024 budget forecast, real GDP growth was revised downwards from 4.0% to 3.5% in 2024, from 4.5% to 4% in 2025, and from 5% to 4.5% in 2026. The end-year inflation is projected to decline to 41.5% in 2024, 17.5% in 2025, and to reach 7% in 2027. The budget deficit was revised downwards from 5.9% to 4.9% of GDP in 2024, while the medium-term target of 2.5% of GDP remained unchanged.

Türkiye's sovereign credit rating improved further. In September, Fitch upgraded Türkiye's long-term issuer default rating from B+ to BB-, quoting larger external buffers and reduced contingent FX liabilities. In July, Moody's also upgraded Turkey's long-term foreign- and domestic-currency issuer ratings by two notches to B1 from B3, citing improvements in governance and a tighter macroeconomic policy stance.

## Real sector

The statistical institute revised 2023 annual real GDP growth from 4.5% to 5.1%. In Q2, economic policy tightening cooled down the economy and GDP growth slowed sharply to 0.1% q-o-q (2.5% y-o-y), down from 1.4% (5.3% y-o-y) in the previous quarter. Net exports were the main driver of y-o-y growth, contributing 2.0 pps., while the contribution of domestic demand fell to 0.5 pps. After a relatively strong Q1, exports stagnated in Q2. Subdued domestic demand pulled down imports of goods and services, which fell by 5.7% y-o-y. Household consumption growth dropped to its lowest level in four years (1.6% y-o-y). The demand for durable goods declined by 7.3% y-o-y, and it stagnated for semi-durable goods and services. The growth of government consumption was marginal at 0.7% y-o-y in Q2. Investment activity cooled down markedly as well: the growth of gross capital formation was just 0.5% y-o-y (-4.1% q-o-q), and inventories' contribution to growth remained negative (-0.7 pps.). Investment in machinery and equipment declined for the first time since 2019 (-5.6% y-o-y). On the supply side, economic activity expanded in agriculture (3.7% y-o-y), construction (6.5% y-o-y), and services (3.1% y-o-y), while it contracted in industry (-1.8%

y-o-y) and in particular in manufacturing (-2.9% y-o-y).

High-frequency indicators point to a continuing cooling of economic activity in Q3. The economic confidence index averaged 94.2 in Q3, down from 97.7 in Q2. Although it fell across all major sub-indexes, confidence remained relatively upbeat in the services sector, and it rebounded slightly in September. Industrial production (seasonally and calendar adjusted) declined strongly in Q2 and was weak in July (-3.7% y-o-y) and August (-4.6% y-o-y). The manufacturing PMI has been under 50 and on a downward trend since April. It fell strongly in September to 44.3, signalling further worsening of the economic situation in the sector. The seasonally adjusted capacity utilisation rate in manufacturing also declined to 75.8 in Q3. Trade sales also lost momentum in Q2 and were down in July (-0.3% m-o-m), before rebounding in August (2.9% m-o-m). Building permits declined in the Q2, with number of buildings, number of dwelling units and floor area of buildings falling by 22.7%, 28.9% and 30.9% y-o-y respectively.

## Labour market

The participation rate (seasonally adjusted, 15 years and over) stood at 54.4% (up from 53.5% in Q2 2023), the employment rate was 49.6% (48.3% in Q2 2023), and the unemployment rate was 8.8% (9.7% in Q2 2023). Labour indicators improved further in the summer and in August the unemployment rate fell to 8.5%. Total employment (seasonally adjusted) increased by 3.5% y-o-y in Q2, with continuing strong employment gains in construction (10.3% y-o-y), and robust growth in services (4.8% y-o-y) and agriculture (3.8% y-o-y). Reflecting weak manufacturing outcomes, the decline of industrial employment accelerated (-2.1% y-o-y). Informal employment increased as well, and a bit more than a quarter (26.3%) of all employed (and more than 80% of those working in agriculture), were with no social security registration. After a strong rise in Q2 to 27.3%, the composite measure of labour underutilisation remained elevated at 26.5% in July and 27.2% in August. Time-related underemployment remained significant, pointing to a large slack on the labour market. The seasonally and calendar-adjusted hourly labour cost index grew by 112.5% y-o-y (13.8% q-o-q) in Q2, 40.2 pps. above the rate of

inflation.

### External sector

The 12-month cumulative current account deficit further narrowed to 0.9% of GDP (USD 11.3 billion) in August, down from 3.7% in full-year 2023. Over the same period, the merchandise trade deficit was down by 44% y-o-y, mostly due to a fall in the imports of goods (-10.9% y-o-y). Net imports of non-monetary gold declined by 60% y-o-y, contributing markedly to the reduction of the current account deficit. On the other hand, as the effects of low international prices tapered out, the bill on energy imports increased y-o-y in June and July. According to the general trade system data, imports of goods (CIF) declined further in August by 10.7% y-o-y, while exports (FOB) increased 2.3% y-o-y, bringing their cumulative increase since the beginning of the year to 3.9% y-o-y. Service exports remained robust in the summer months, sustained by a strong tourism season. Improving trade and service balances, and investment inflows boosted the central bank's official reserves by more than USD 24 billion in May-July, nearly recovering the reserve assets drain in the first four months of the year. The central bank's foreign exchange reserves reached USD 156 billion on 4 October, equivalent to around 5 months of imports.

### Monetary developments

Consumer price inflation decelerated strongly during the summer months, falling to 49.4% y-o-y in September. However, most of the decline was driven by large base effects, while the monthly inflation rate remained elevated (3.2% in July, 2.5% in August, and 3.0% in September). The m-o-m service inflation increased in Q3, averaging 4.6%, pointing to still persistent inflationary pressures. Services inflation was significantly above the CPI as the prices of rent, transportation services, and other services (education in particular) increased at a much faster pace. After strong increases in July (10.0% m-o-m) and August (6.8% m-o-m), energy inflation also remained relatively high at 62.9% y-o-y in September. On the other hand, food inflation was more subdued, falling to 49.2% y-o-y in Q3 (43.7% in September) and the domestic producer price inflation decelerated further to 36.7% y-o-y in Q3 (33.1% in September). Inflation expectations of market participants declined further, with the 12-month ahead inflation falling to 27.5% in September, but households' inflation expectations remained elevated.

Since March, the central bank has kept its key policy rate unchanged at 50%. It confirmed that it

would maintain its tight monetary stance until a significant and sustained decline in the underlying trend of monthly inflation is observed, and inflation expectations converge to the projected forecast range. To support macrofinancial stability and the monetary transmission mechanism, the central bank increased its reserve requirement ratios for Turkish lira deposits and introduced some changes to the reserve requirement practice. In Q3, the lira depreciated nominally on average by 3.6% q-o-q against the USD but was largely unchanged in real terms. Since May, Türkiye's 5-year sovereign risk premium remained broadly stable at around 270 bps.

### Financial sector

The decline in lending has become less pronounced since June and banking sector loans were down by 7.8% y-o-y in real terms in August. The uptick in lending activity was notable in both the corporate and household segments. Despite policy measures to restrain it, real growth of credit cards loans accelerated in the summer months. The weighted average nominal interest rate on loans dropped marginally in Q3, but increased in real terms, especially on personal and consumer loans. The weighted average interest rate on lira deposits remained broadly stable, while rates on FX deposits declined. The USD-equivalent of FX-protected deposits fell further to 44 billion in September. The banking sector's capital adequacy ratio remained largely unchanged since the beginning of the year at around 17% but increased in state banks to 16.1% in August. The ratio of non-performing loans to total loans was 1.7% (1.3% in state banks).

### Fiscal developments

In January-August, the central government budget deficit stood at TRY 974 billion (2.2% of the forecast annual GDP), compared to a deficit of TRY 383 billion (1.0% of GDP) over the same period last year and a revised 2024 full-year deficit target of TRY 2,652 billion (4.9% of GDP). The cash deficit was bigger, at TRY 1,337 billion (3% of GDP), because of the execution of sizeable, previously deferred payments. Between January and August, total revenue increased 75.2% y-o-y and total expenditure by 84.1% y-o-y, with strong increases of compensation of employees (113%), capital spending (125%), and domestic interest (121%).

The government debt-to-GDP ratio fell from 29.3% at the end of 2023 to 26.1% in Q2-2024. Net debt also declined, to 18.1% of GDP in Q2.

# TABLE

European Commission, ECFIN-D-1

## TÜRKİYE

		2019	2020	2021	2022	2023	ECFIN 2024 Spring forecast		Q1 24	Q2 24	Q3 24	Jul 24	Aug 24	Sep 24
							2024	2025						
<b>1 Real sector</b>														
Industrial confidence <sup>1.1</sup>	Balance	-3.8	-4.1	5.6	-0.4	-0.7	:	:	-1.6	-2.4	-3.8	-3.6	-4.3	-3.4
Industrial production <sup>1.2</sup>	Ann. % ch	-0.6	1.4	19.0	4.7	1.6	:	:	5.7	-1.9	:	-4.0	-5.3	:
Gross domestic product <sup>1.3</sup>	Ann. % ch	0.8	1.9	11.4	5.5	5.1	3.5	3.8	5.3	2.5	:	N.A.	N.A.	N.A.
Private consumption <sup>1.4</sup>	Ann. % ch	1.5	3.2	15.4	19.0	13.6	3.0	3.0	6.8	1.6	:	N.A.	N.A.	N.A.
Gross fixed capital formation <sup>1.5</sup>	Ann. % ch	-12.5	7.3	7.2	1.3	8.4	3.0	3.1	9.3	0.5	:	N.A.	N.A.	N.A.
Construction index <sup>1.6</sup>	Ann. % ch	-7.1	5.6	39.0	107.3	98.4	:	:	114.9	91.3	:	58.8	:	:
Retail sales <sup>1.7</sup>	Ann. % ch	-0.2	4.8	15.5	12.8	24.2	:	:	19.8	8.7	:	5.8	13.3	:
<b>2 Labour market</b>														
Unemployment <sup>2.1</sup>	%	13.7	13.1	12.0	10.5	9.4	10.2	10.2	9.3	8.4	:	9.3	8.5	:
Employment <sup>2.2</sup>	Ann. % ch	-2.3	-4.8	7.9	6.7	2.9	1.8	2.0	3.8	3.8	:	2.7	3.4	:
Wages <sup>2.3</sup>	Ann. % ch	26.2	18.1	19.2	73.1	106.3	64.0	41.3	112.4	118.2	:	:	:	:
<b>3 External sector</b>														
Exports of goods <sup>3.1</sup>	Ann. % ch	2.1	-6.2	32.8	12.9	0.6	:	:	3.7	1.4	:	13.7	2.3	:
Imports of goods <sup>3.2</sup>	Ann. % ch	-9.0	4.4	23.6	34.0	-0.5	:	:	-12.7	-3.8	:	-7.7	-10.7	:
Trade in goods balance* <sup>3.3</sup>	% of GDP	-2.2	-5.3	-3.6	-10.0	-7.9	-7.0	-6.2	-6.3	-5.6	:	N.A.	N.A.	N.A.
Exports goods and services* <sup>3.4</sup>	% of GDP	33.4	29.0	35.3	38.8	32.0	:	:	31.2	30.4	:	N.A.	N.A.	N.A.
Imports goods and services* <sup>3.5</sup>	% of GDP	30.0	32.1	34.8	42.9	35.1	:	:	32.9	31.4	:	N.A.	N.A.	N.A.
Current account balance* <sup>3.6</sup>	% of GDP	2.0	-4.3	-0.8	-5.2	-3.7	-2.7	-2.1	-2.4	-1.8	:	N.A.	N.A.	N.A.
Direct investment (FDI, net)* <sup>3.7</sup>	% of GDP	0.9	0.6	0.8	1.0	0.4	:	:	0.3	0.4	:	N.A.	N.A.	N.A.
International reserves <sup>3.8</sup>	bn EUR	105.7	93.6	111.2	128.7	140.9	:	:	123.1	142.9	:	147.9	:	:
Int. reserves / months Imp <sup>3.9</sup>	Ratio	5.6	4.9	4.7	4.0	4.4	:	:	3.9	4.6	:	4.8	:	:
<b>4 Monetary developments</b>														
CPI <sup>4.1</sup>	Ann. % ch	15.2	12.3	19.6	72.3	53.9	57.4	31.5	66.8	72.3	54.1	61.8	52.0	49.4
Producer prices <sup>4.2</sup>	Ann. % ch	17.6	12.2	43.9	128.5	49.9	:	:	47.7	54.4	:	41.4	35.8	:
Food prices <sup>4.3</sup>	Ann. % ch	19.5	13.8	24.3	85.6	65.8	:	:	70.4	68.9	48.9	58.9	44.9	43.7
M3 <sup>4.4</sup>	Ann. % ch	29.5	32.8	51.1	64.1	65.3	:	:	60.7	46.8	43.3	43.4	42.8	43.3
Exchange rate TRY/EUR <sup>4.5</sup>	Value	6.35	8.03	10.45	17.38	25.73	:	:	33.60	34.83	36.82	35.65	37.03	37.77
Real effective exchange rate <sup>4.6</sup>	Index	83.8	75.1	67.4	60.7	62.2	:	:	64.8	68.4	70.0	70.3	69.6	70.1
<b>5 Financial indicators</b>														
Interest rate (TLREF) <sup>5.1</sup>	% p.a.	20.53	10.85	17.88	13.16	18.80	:	:	45.39	51.33	50.33	50.05	50.72	50.23
Interest rate, long term <sup>5.2</sup>	% p.a.	15.76	12.75	17.61	18.36	17.92	:	:	25.85	28.37	28.24	27.38	28.57	28.76
Stock markets <sup>5.3</sup>	Index	993	1,133	1,510	2,979	6,340	:	:	8,674	10,167	10,210	10,887	9,942	9,802
Credit growth <sup>5.4</sup>	Ann. % ch	6.4	28.4	22.7	56.0	55.7	:	:	52.6	45.4	39.9	38.5	39.9	41.1
Deposit growth <sup>5.5</sup>	Ann. % ch	18.3	36.4	28.0	78.3	65.4	:	:	60.7	50.8	34.2	35.7	33.2	33.7
Non-performing loans <sup>5.6</sup>	% total	5.4	4.1	3.1	2.1	1.6	:	:	1.5	1.5	:	1.7	1.7	:
<b>6 Fiscal developments</b>														
General government revenue** <sup>6.1</sup>	% of GDP	29.8	29.6	28.0	25.3	27.8	:	:	5.4	:	:	N.A.	N.A.	N.A.
General government expenditure** <sup>6.1</sup>	% of GDP	32.9	32.5	30.3	26.4	33.0	:	:	7.0	:	:	N.A.	N.A.	N.A.
General government balance** <sup>6.1</sup>	% of GDP	-3.2	-2.9	-2.3	-1.1	-5.2	-4.3	-3.6	-1.5	:	:	N.A.	N.A.	N.A.
General government debt*** <sup>6.2</sup>	% of GDP	32.4	39.4	40.4	30.8	29.3	31.1	31.3	28.2	26.1	:	N.A.	N.A.	N.A.

f. ECFIN forecast Spring 2024 published May 2024

\* Q figures refer to moving annual total.

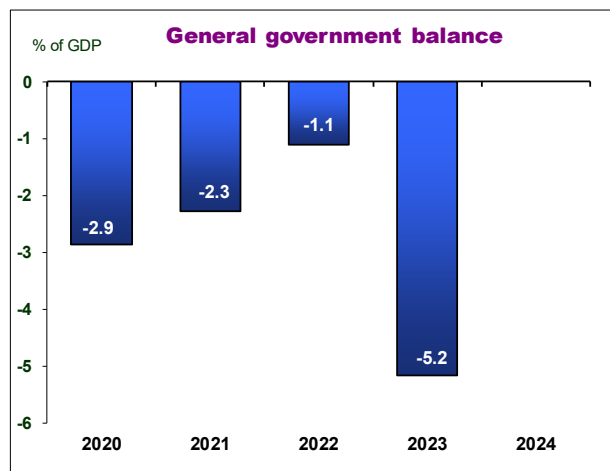
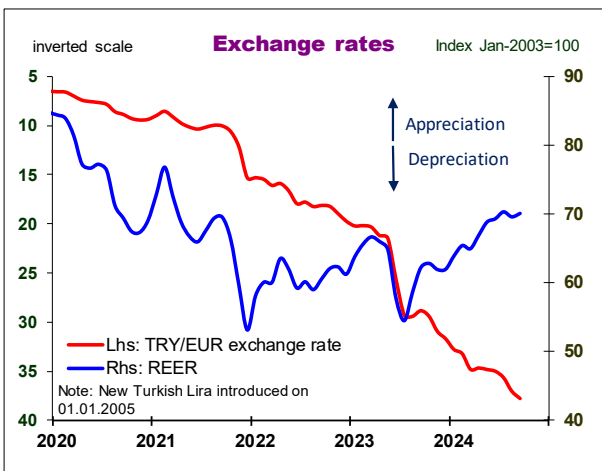
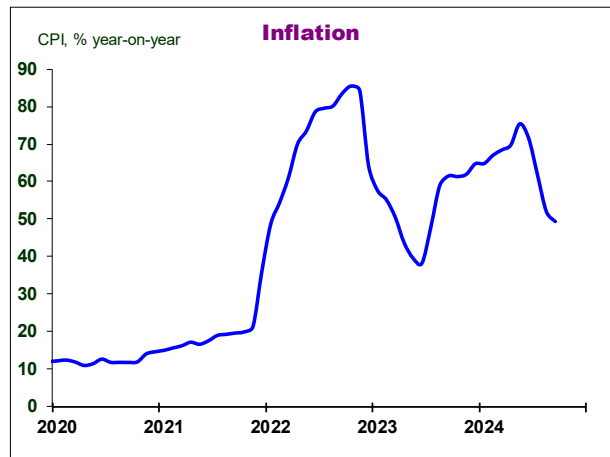
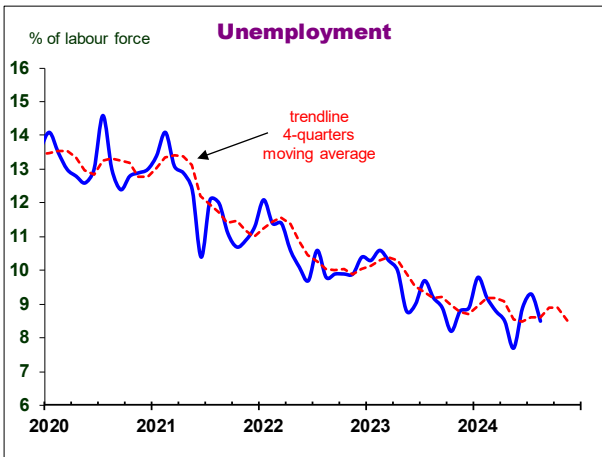
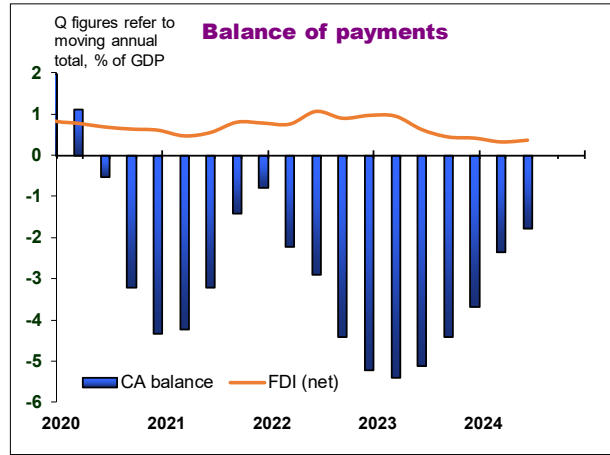
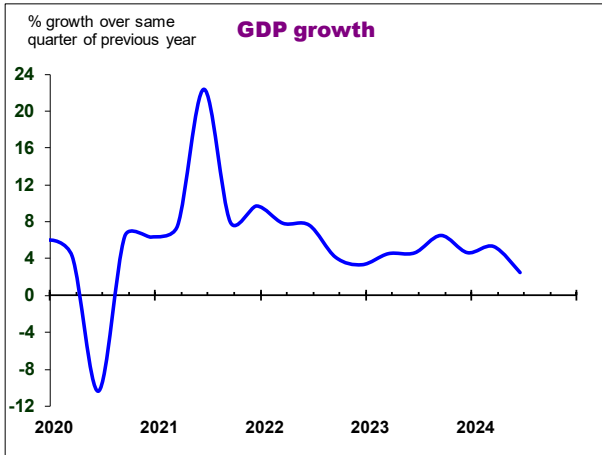
\*\* Q figures refer to the cumulative balance divided by the estimated annual GDP.

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

# CHARTS

European Commission, ECFIN-D-1

## TÜRKIYE





# KOSOVO

## Key developments

On 12 July, the Statistics Agency of Kosovo presented the preliminary results of the population and housing census. Resident population stands at 1,586,659, marking an 8.8% decline from the 2011 census with a nearly even gender split. The average population age rose to 34.8 years, up from 30 in 2011. The average family size decreased by 1.4 members to 4.5 in 2024.

Ahead of the 9 February 2025 elections, Kosovo's government has put forward measures with a sizeable fiscal impact. In July, the MoF announced a rise (implemented from August) in the child allowance scheme, which will double it to around EUR 100 million annually. On 28 August, the authorities announced another sharp increase (effective from 1 October) in the gross minimum wage to EUR 350 per month, up from EUR 264. The latter amount had come into force on 23 August, following the Constitutional Court's ruling on the Law on Minimum Wage. On 7 October, Prime Minister Kurti announced a 20% increase in all pensions with an estimated annual cost of EUR 100 million.

## Real sector

The Kosovo Agency of Statistics revised its real GDP growth estimate for 2023 to 4.1%, up from 3.3%. In terms of demand components, exports of services (12.6%) and public consumption (6%) recorded the strongest growth rates. Private consumption and total investment grew more moderately by 3.1% and 3.5%, respectively. The expansion of these demand components was partly offset by the decline in goods exports (-7.2%), rapidly growing imports of services (20.2%) and stronger imports of goods (12.6%). Overall, net exports subtracted from growth (-0.6 pps.).

Economic activity slowed but remained buoyant in Q2-2024, with real GDP growing by 4.3% y-o-y, compared to 5.6% in Q1. The key factor behind the deceleration was the softer, albeit still robust expansion of private consumption (7.2% y-o-y), which remained the main growth driver. Further positive contribution came from investment, which grew at a slightly faster pace than in the previous three months (3% y-o-y). Public consumption fell by 1.6% y-o-y, partly due to the high base in 2023. Exports of goods

recovered strongly (10.7% y-o-y) while the growth in services exports moderated to around 7% y-o-y. The growth in goods imports slowed down (5.5% y-o-y) in Q2, while imports of services rose robustly by 18% y-o-y, making the contribution of the external sector to GDP growth negative (-2.9 pps.).

On the production side, the strongest output growth in Q2 took place in the mining and quarrying, manufacturing and electricity, gas and steam sector (8.3% y-o-y), information and communication (4.2%) as well as professional, scientific and technical activities (3.6% y-o-y).

## Labour market

The labour force survey (LFS) results continue to be published with large delays. The latest available data refer to 2023 as a whole. In line with buoyant economic activity, the employment rate increased to 36.3%, up from nearly 34% in 2022. Meanwhile, the unemployment rate fell by 1.7 pps. to 10.9%, despite the increase in the labour force participation rate to 40.7% from 38.6% in 2022. In 2023, the share of young people (aged 15-24) not in employment, education or training (NEET) increased slightly to 33.4%, from 33% in 2022. The gap between male and female employment rates (53.4% and 19.8%, respectively) widened.

## External sector

In the first half of 2024, the current account deficit widened by 28.6% y-o-y. In the four quarters to June, it increased to 8.9% of GDP, up from 8.4% in the four quarters to March, while it remained unchanged compared to the same period one year earlier. The key driver of the q-o-q increase in the 4-quarter current account deficit was the decline in the services trade and secondary income surpluses (by 0.2 pps. each, to 16.5% and 20.4% of GDP, respectively). The merchandise trade deficit stood unchanged from Q1 at 47.8% of GDP but was 0.4 pps. higher than in the same period a year before. Workers' remittances, which usually offset a large part of the trade deficit, decreased by 0.3 pps. to 13.4% of GDP in the four quarters to June as compared to the previous three months and by 0.7 pps. y-o-y. For the same period, the primary income surplus decreased marginally to 2% of GDP from 2.1% in Q1 but was 1.1 pps. higher than in Q2-2023. On the financing side, net FDI inflows fell

to 6.9% of GDP in the four quarters to June from 7.1% in the four quarters to March, but still covered more than three quarters of the current account deficit. Reserve assets slightly increased and covered 2.2 months of imports of goods and services at the end of July.

In the first eight months of 2024, the value of total merchandise exports rose by 9% y-o-y, largely due to the increase in exports of base metals, mineral products as well as prepared foodstuffs, beverages and tobacco. In the same period, the value of goods imports grew by 8.7% y-o-y mainly on the back of higher imports of machinery, appliances and electrical material, prepared foodstuffs, beverages and tobacco as well as transport means. The overall goods trade deficit increased by 8.7% y-o-y during January-August.

### Monetary developments

Consumer price inflation inched up to 2.4% y-o-y in Q2, while it slowed to 2.2% in July and further to 1.4% y-o-y in August. This brought the annual average HICP inflation to 2.1% in the first eight months of the year, as compared to 6% in the same period a year before. The key driver of disinflation was lower global commodity prices.

Import prices rose by 1% y-o-y on average in Q2, as increases in vegetables, footwear and edible oil prices were mitigated by the decline in prices of leather and articles thereof. In the same period, the construction cost index increased by nearly 4% y-o-y, mainly on the back of rising wages and transport prices, whereas energy and machinery prices fell by 2.1 and 1.3% respectively. The producer price index grew by an average of almost 1% y-o-y in Q2, largely due to higher prices for mining of metal ore and manufacturing of leather, paper and articles thereof.

### Financial sector

Bank lending growth decelerated to an average of 13.2% y-o-y in January-August, down from 14.6% in 2023. For the same period, the growth of bank deposits slowed notably to an average of some 9% y-o-y, compared to 15.6% a year before. The average loan-to-deposit ratio increased to 84.6% in January-August as compared to 81.4% in the same period one year earlier.

The interest rate spread stood at 3.2 pps. in August, slightly below its January level of 3.6 pps. The return on average equity in the banking sector fell somewhat to 19% in August down

from 19.7% in January, while the average return on assets was stable at 2.5% throughout the first eight months.

Financial soundness indicators in the banking sector remained satisfactory. For the banking system as a whole, the ratio of liquid assets to short-term liabilities decreased to 31.7% in August from 33.7% a year before, while the capital adequacy ratio slightly increased to 15.8% from 15.6% over the same period, well above the regulatory minimum of 12%. The NPL ratio increased marginally y-o-y to 2.1% in August. Existing NPLs were fully covered by loan-loss provisions (125.13%).

### Fiscal developments

Fiscal developments in the first eight months were marked by buoyant revenues and under-execution of capital investment. Budget revenues rose by 8.7% y-o-y, with income from indirect and direct taxes growing by 13.6% and 5.1% y-o-y, respectively. Personal income tax and corporate income tax rose by 13% and 7.5%, respectively, partly due to improved tax compliance, whereas property tax income fell significantly by 36.1% y-o-y. VAT revenue grew by 11.3% y-o-y.

Budget spending increased by 9% y-o-y in the first eight months. Capital expenditure increased by 20.4% y-o-y, but it represented only 33% of the full-year budget allocation, despite recent government initiatives to improve public investment management. Current expenditure grew by 7% y-o-y on the back of increased spending on wages (14.4%) and goods and services (7.2%), while transfers and subsidies rose by 1% y-o-y only. The execution rate of current spending stood at 60% of the annual plan.

Overall, the eight-month budget execution resulted in a general government surplus of EUR 273 million (2.6% of projected 2024 GDP), compared to a surplus of 2.2% of GDP in the same period in 2023.

The public debt-to-GDP ratio declined to 15.8% in Q2 from 17.5% at end-2023. The share of domestic debt held by the Kosovo Pension Saving Trust (KPST) increased by 2 pps. to 48% compared to end-2023, while the share of commercial banks fell to 22%. The part held by the central bank decreased slightly to 21% in Q2. Foreign-owned debt stood at 6.7% of GDP in Q2 compared to 7.2% at end-2023.

TABLE

European Commission, ECFIN-D-1

KOSOVO

		2019	2020	2021	2022	2023	Q1 24	Q2 24	Q3 24	Jul 24	Aug 24	Sep 24
<b>1 Real sector</b>												
Industrial confidence <sup>1.1</sup>	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 <sup>1.2</sup>	Ann. % ch	2.6	-1.2	19.3	0.3	:	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Gross domestic product <sup>1.3</sup>	Ann. % ch	4.8	-5.3	10.7	4.3	4.1	5.6	4.3	:	N.A.	N.A.	N.A.
Private consumption <sup>1.4</sup>	Ann. % ch	5.6	2.5	7.3	3.4	3.1	9.7	7.2	:	N.A.	N.A.	N.A.
Gross fixed capital formation <sup>1.5</sup>	Ann. % ch	2.9	-7.6	13.0	-3.2	4.5	2.6	:	:	N.A.	N.A.	N.A.
Construction index <sup>1.6</sup>	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 <sup>1.7</sup>	Ann. % ch	25.6	-0.4	11.0	:	10.5	12.2	:	:	N.A.	N.A.	N.A.
<b>2 Labour market</b>												
Unemployment <sup>2.1</sup>	%	25.7	25.9	20.7	12.6	10.9	:	:	:	N.A.	N.A.	N.A.
Employment <sup>2.2</sup>	Ann. % ch	5.2	-4.4	10.4	5.4	5.4	:	:	:	N.A.	N.A.	N.A.
Wages <sup>2.3</sup>	Ann. % ch	5.3	-2.3	3.9	7.6	:	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
<b>3 External sector</b>												
Exports of goods <sup>3.1</sup>	Ann. % ch	4.4	23.8	57.8	22.8	-6.2	-2.7	10.3	:	27.6	24.0	:
Imports of goods <sup>3.2</sup>	Ann. % ch	4.5	-5.7	41.1	21.2	4.8	9.2	5.7	:	13.6	11.2	:
Trade in goods balance* <sup>3.3</sup>	% of GDP	-40.3	-38.0	-44.8	-48.2	-47.5	-47.8	-47.8	:	N.A.	N.A.	N.A.
Exports goods and services* <sup>3.4</sup>	% of GDP	29.3	21.7	33.4	38.6	39.6	39.8	40.0	:	N.A.	N.A.	N.A.
Imports goods and services* <sup>3.5</sup>	% of GDP	56.4	53.9	65.2	71.4	70.3	70.9	71.3	:	N.A.	N.A.	N.A.
Current account balance* <sup>3.6</sup>	% of GDP	-5.7	-7.0	-8.7	-10.3	-7.5	-8.4	-8.9	:	N.A.	N.A.	N.A.
Direct investment (FDI, inflow)* <sup>3.7</sup>	% of GDP	2.7	4.2	4.0	6.3	6.7	7.1	6.9	:	N.A.	N.A.	N.A.
International reserves <sup>3.8</sup>	mn EUR	863.7	900.6	1,100.3	1,175.8	1,131.1	1,162.0	1,317.0	:	1,346.2	1,392.2	:
Int. reserves / months Imp <sup>3.9</sup>	Ratio	2.6	3.0	2.5	2.2	2.0	2.0	2.2	:	2.2	:	:
<b>4 Monetary developments</b>												
HICP <sup>4.1</sup>	Ann. % ch	2.7	0.2	3.3	11.6	4.9	2.1	2.4	:	2.2	1.4	:
Producer prices <sup>4.2</sup>	Ann. % ch	0.9	-0.6	4.9	9.3	-3.1	-0.8	0.9	:	N.A.	N.A.	N.A.
Food prices <sup>4.3</sup>	Ann. % ch	8.3	10.1	12.7	31.2	42.1	1.8	1.8	:	1.8	1.7	:
Broad money liabilities <sup>4.4</sup>	Ann. % ch	12.0	15.3	12.1	11.3	10.7	10.6	7.1	:	12.6	11.9	:
Exchange rate EUR/EUR <sup>4.5</sup>	Value	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Real effective exchange rate (CPI) <sup>4.6</sup>	Index	107.1	107.3	109.8	115.7	117.4	119.2	118.5	:	118.2	118.5	:
<b>5 Financial indicators</b>												
Short-Term interest rate <sup>5.1</sup>	% p.a.	0.54	N.A.	0.61	N.A.	N.A.	3.73	N.A.	:	:	:	:
Bond yield <sup>5.2</sup>	% p.a.	3.39	3.59	3.48	3.42	3.58	N.A.	4.35	:	:	:	:
Stock markets <sup>5.3</sup>	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 <sup>5.4</sup>	Ann. % ch	10.7	7.7	11.2	17.4	14.1	12.9	12.8	:	13.6	14.9	:
Deposit growth <sup>5.5</sup>	Ann. % ch	12.6	12.2	13.8	10.8	13.9	8.3	8.6	:	10.2	10.6	:
Non-performing loans <sup>5.6</sup>	% total	2.0	2.7	2.3	2.0	2.0	2.0	2.1	:	2.1	2.1	:
<b>6 Fiscal developments</b>												
General government revenue** <sup>6.1</sup>	% of GDP	26.8	25.4	27.7	28.0	29.5	6.5	13.9	:	N.A.	N.A.	N.A.
General government expenditure** <sup>6.1</sup>	% of GDP	29.7	33.0	28.9	28.6	29.7	5.7	12.1	:	N.A.	N.A.	N.A.
General government balance** <sup>6.1</sup>	% of GDP	-2.9	-7.6	-1.2	-0.5	-0.2	0.8	1.8	:	2.5	2.6	:
General government debt*** <sup>6.2</sup>	% of GDP	17.6	22.4	21.5	20.0	17.5	15.6	15.8	:	N.A.	N.A.	N.A.

\* Q figures refer to moving annual total.

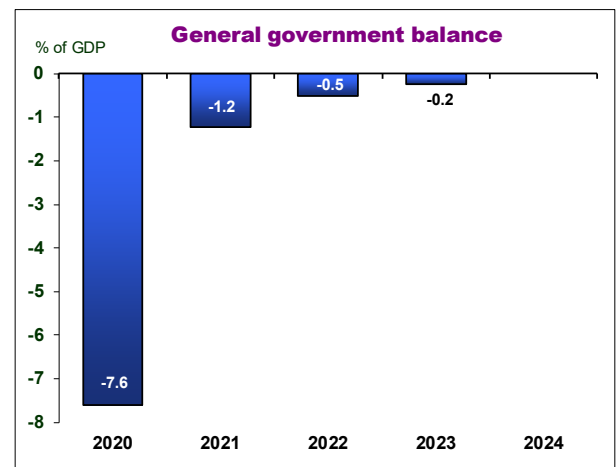
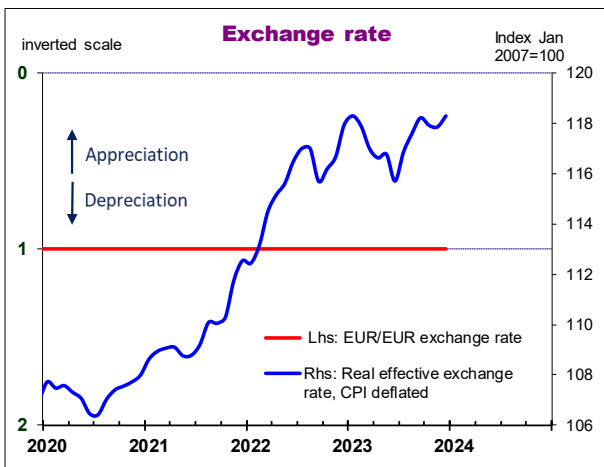
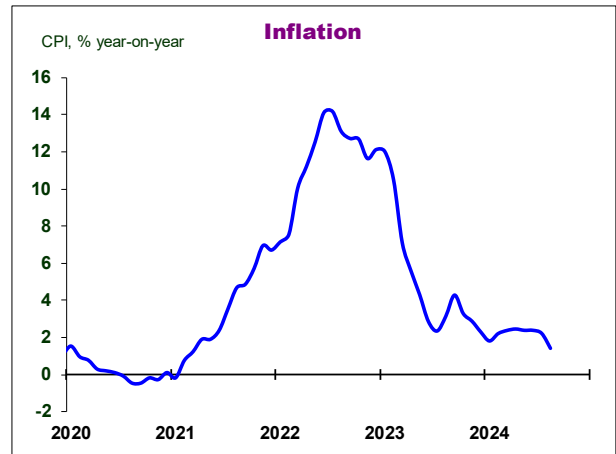
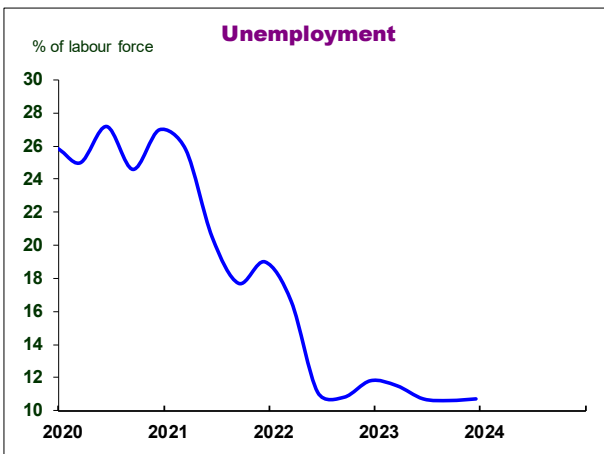
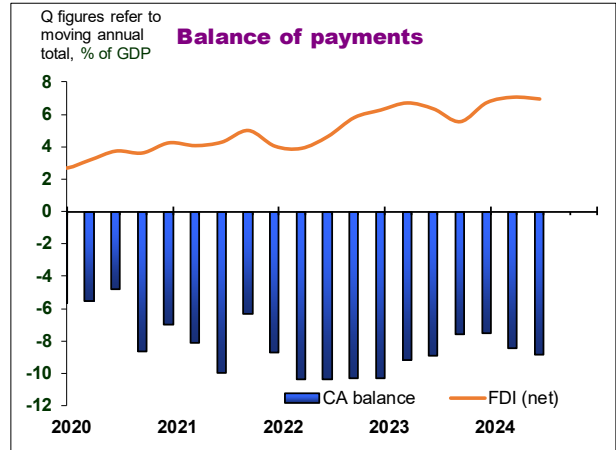
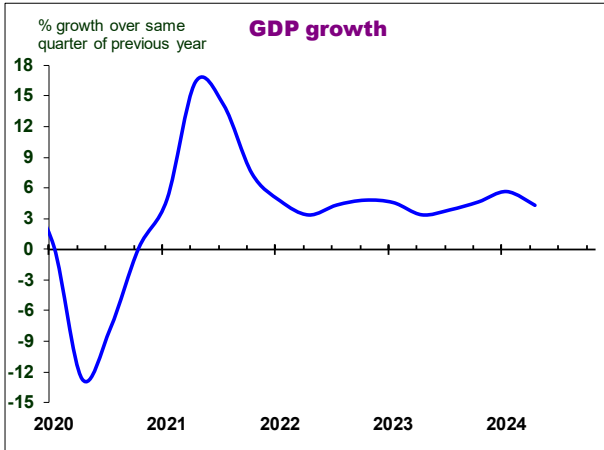
\*\* M and Q figures refer to the cumulative balance divided by the estimated annual GDP.

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

# CHARTS

European Commission, ECFIN-D-1

## KOSOVO



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

<sup>4</sup> Data extracted via IHS Markit.

## BOSNIA AND HERZEGOVINA Explanatory notes

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

No.	Indicator	Note	Source <sup>3</sup>
<b>1. Real sector</b>			
1.1.	Industrial confidence indicator	Surveys, EC Industry Survey, Industrial Confidence Indicator, SA	Eur. Commission
1.2.	Industrial production	Annual percentage change	MONSTAT
1.3.	Gross domestic product	Annual percentage change, annual data, chain index. ESA2010 from 2011 onwards, before ESA95.	MONSTAT
1.4.	Private consumption	Annual percentage change, annual data, chain index	MONSTAT
1.5.	Gross fixed capital formation	Annual percentage change, annual data, chain index	MONSTAT
1.6.	Construction index	Annual percentage change, value of performed work, current prices	Central Bank
1.7.	Retail sales	Annual percentage change, turnover, constant prices, total	MONSTAT
<b>2. Labour market</b>			
2.1.	Unemployment	Unemployment rate of the age group between 15-64, e.o.p.	MONSTAT
2.2.	Employment	Annual percentage change of registered employment, avrg.	MONSTAT
2.3.	Wages	Annual percentage change, average gross wages (nominal, in EUR)	MONSTAT
<b>3. External sector</b>			
3.1.	Exports of goods	Annual percentage change, thou. EUR	MONSTAT
3.2.	Imports of goods	Annual percentage change, thou. EUR	MONSTAT
3.3.	Trade in goods balance	In percent of GDP, Q figures refer to moving annual total	MONSTAT
3.4.	Exports goods and services	In percent of GDP, Q figures refer to moving annual total	Central Bank
3.5.	Imports goods and services	In percent of GDP, Q figures refer to moving annual total	Central Bank
3.6.	Current account balance	In percent of GDP, Q figures refer to moving annual total	Central Bank
3.7.	Direct investment ( <i>FDI, net</i> )	In percent of GDP, Q figures refer to moving annual total	Central Bank
3.8.	Reserves, International reserves of the National Bank	Claim on nonresidents, total, mio EUR	Central Bank
3.9.	Reserves / months Imp	Ratio of 12 months imports of goods and services moving average	Central Bank
<b>4. Monetary developments</b>			
4.1.	CPI	Consumer price index (from Jan. 2008, cost-of-living index before), annual average percentage change, moving base year	MONSTAT
4.2.	Producer prices	Annual percentage change	MONSTAT
4.3.	Food prices	Annual percentage change, food and non-alcoholic beverages, total, CPPY=100	MONSTAT
4.4.	M2	Annual percentage change, M2 (Intermediate money)	WiiW
4.5.	Exchange rate EUR/EUR	Use of the Euro since March 2002	
4.6.	Real effective exchange rate	Annual percentage change, CPI deflated	IMF
<b>5. Financial indicators</b>			
5.1.	Interest rate	Treasury Bills, 6 Month, auction, yield, average	Central Bank
5.2.	Bond yield	Long-Term Bond, 10 Year, Yield	Bloomberg
5.3.	Stock markets	MOSTE Index, Close	Mon. Stock Exch.
5.4.	Credit growth	Annual percentage change, commercial banks, assets, loans	Central Bank
5.5.	Deposit growth	Annual percentage change, commercial banks, liabilities, deposits	Central Bank
5.6.	Non-performing loans	% of total	Central Bank
<b>6. Fiscal developments</b>			
6.1.	General gov. rev./exp./balance	In percent of GDP	Min. of Finance
6.2.	General government debt	In percent of GDP	Min. of Finance

# NORTH MACEDONIA Explanatory notes

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



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

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

No.	Indicator	Note	Source <sup>3</sup>
<b>1.</b>	<b>Real sector</b>		
1.1.	Industrial confidence indicator	Not available	
1.2.	Industrial production	Annual percentage change	Central Bank
1.3.	Gross domestic product	Annual percentage change	Statistical Office of Kosovo (SOK)
1.4.	Private consumption	Annual percentage change	SOK
1.5.	Gross fixed capital formation	Annual percentage change	SOK, Eurostat
1.6.	Construction index	Not available	
1.7.	Retail sales	Wholesale Trade and Retail Sales, Retail Trade Turnover Value Index, Retail Sale in Non-Specialised Stores, 2013=100, NSA	SOK
<b>2.</b>	<b>Labour market</b>		
2.1.	Unemployment	Unemployment rate of the age group between 15-64	SOK
2.2.	Employment	Annual pc change of number of employees, LFS 2012 onwards	SOK
2.3.	Wages	Annual pc change, average monthly wages (Tax Register)	SOK
<b>3.</b>	<b>External sector</b>		
3.1.	Exports of goods	Annual percentage change, thou. EUR	SOK
3.2.	Imports of goods	Annual percentage change, thou. EUR	SOK
3.3.	Trade in goods balance	In percent of GDP, Q figures refer to moving annual total	Central bank
3.4.	Exports goods and services	In percent of GDP, Q figures refer to moving annual total	Central Bank
3.5.	Imports goods and services	In percent of GDP, Q figures refer to moving annual total	Central Bank
3.6.	Current account balance	In percent of GDP, Q figures refer to moving annual total	Central Bank
3.7.	Direct investment ( <i>FDI, net</i> )	In percent of GDP, Q figures refer to moving annual total	Central Bank
3.8.	Reserves, International reserves of the National Bank	CBAK Survey, claims on non-residents, mio EUR	Central Bank
3.9.	Reserves / months Imp	Ratio of 12 months imports of goods and services moving average	Central Bank
<b>4.</b>	<b>Monetary developments</b>		
4.1.	CPI	Annual average percentage change, index (May 2002 = 100)	Central Bank
4.2.	Producer prices	Annual percentage change, total, 2007=100	SOK
4.3.	Food prices	Annual percentage change, food and non-alcoholic beverages, CPPY=100	Central Bank
4.4.	M2	Annual percentage change, M2 (deposits included in broad money)	SOK
4.5.	Exchange rate EUR/EUR	Not applicable	
4.6.	Real effective exchange rate	Index 2007=100, CPI deflated	Central Bank
<b>5.</b>	<b>Financial indicators</b>		
5.1.	Interest rate	Short-Term Treasury Bills yield	Central Bank
5.2.	Bond yield	Long-Term Bonds, over 5 Years up to 10 Years, Yield	Central Bank
5.3.	Stock markets	Not available	
5.4.	Credit growth	Annual percentage change, ODC balance sheet, assets, gross loss and lease financing	Central Bank
5.5.	Deposit growth	Annual percentage change, ODC deposits	Central Bank
5.6.	Non-performing loans	In percent of total	Central Bank
<b>6.</b>	<b>Fiscal developments</b>		
6.1.	General gov. rev./exp./balance	In percent of GDP	Min. of Finance
6.2.	General government debt	In percent of GDP	Min. of Finance



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