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European Commission
Directorate-General for Economic and Financial Affairs

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1st 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

Economic growth in the Western Balkans moderated in 2023. The region's real GDP growth decelerated to 2.5% from 3.3% in 2022 as almost all economies recorded a slower pace of expansion than a year before. However, average output growth picked up in the second half of the year in year-on-year terms, driven by Serbia, the largest economy in the region, where it rose to 3.5% from 1.5% in the first six months.

Economic growth was generally driven by domestic demand. Consumer spending remained a key contributor to output growth in 2023, although its year-on-year growth decelerated in most 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 showed a mixed picture as it recovered in Kosovo and continued to increase in Albania, Serbia and Montenegro, whereas it fell in North Macedonia, mainly due to destocking. Trade dynamics were generally dragged down by weak and in some cases contracting goods exports, which were however offset by a continued robust increase in services exports, especially in tourism-dependent countries. Imports also shrank in most of the region's economies.

The unemployment rate fell in most economies in 2023. In line with the deceleration in economic activity, average employment growth slowed to 1.4%¹ in 2023, while labour force participation increased in some countries. Overall, unemployment rates in the region were at historically low levels but remained high compared with the EU, ranging from 9.5% in Serbia to 13.4% in Montenegro.

The region's current account deficit narrowed significantly to 2.8% of GDP in 2023, from 6.7% in 2022, the lowest level in the last sixteen years. This improvement, which was broad-based across countries, was mainly due to the continued growth in services exports (especially tourism) as well as declining merchandise trade deficits helped by lower import prices, compared to the very high levels seen in 2022. Although foreign direct investment inflows as a share of GDP fell in most countries in 2023, they continued to cover most or all of the current account deficit. Foreign exchange reserves increased in most countries.

Average annual inflation slowed to 9.3% in 2023 from almost 12% a year before, mainly driven by lower energy and food prices. Annual consumer price inflation continued to fall in most economies in the first two months of 2024, ranging from an average of 2% in Kosovo and in Bosnia and Herzegovina to 5% in Serbia. In countries with monetary autonomy the pace of tightening slowed in 2023: in Albania the key policy rate has remained unchanged since November, in North Macedonia since September and in Serbia since July. In April 2024, the key policy rate stood at 3.25% in Albania, 6.3% in North Macedonia and 6.5% in Serbia. Reflecting tighter financing conditions, average annual loan growth decelerated in most countries in 2023.

Continued economic expansion supported the growth of budget revenues and fiscal balances improved in most Western Balkan economies in 2023. However, in some of them (Montenegro, Kosovo) the improvement was partly due to capital expenditure lagging behind plans by a substantial margin. The public debt-to-GDP ratio decreased in most economies of the region compared to end-2022, partly due to the robust rise in nominal GDP. The fall in the debt burden was most pronounced in

¹ This figure does not include Kosovo for which yearly data were not available by the cut-off date for this report.

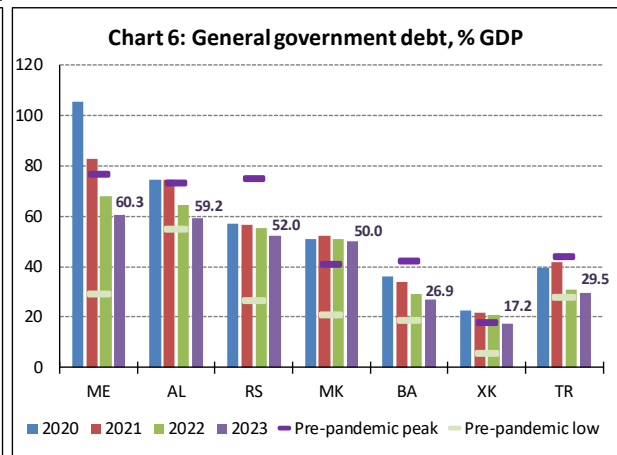
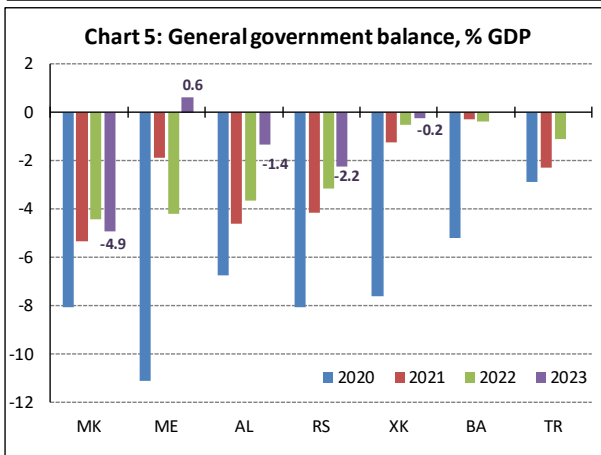
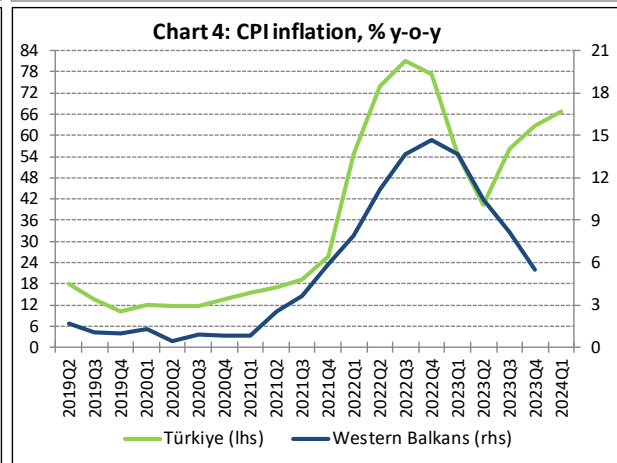
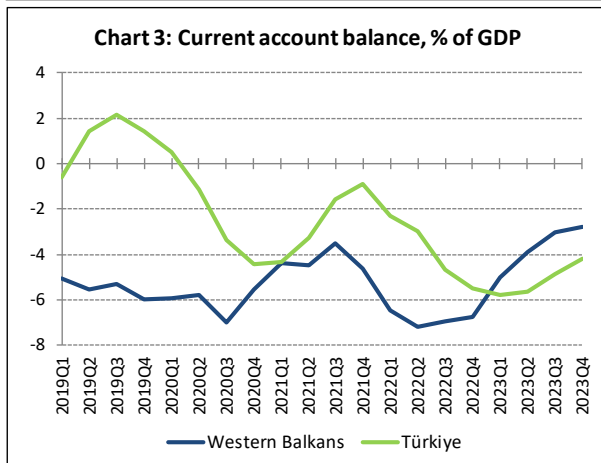
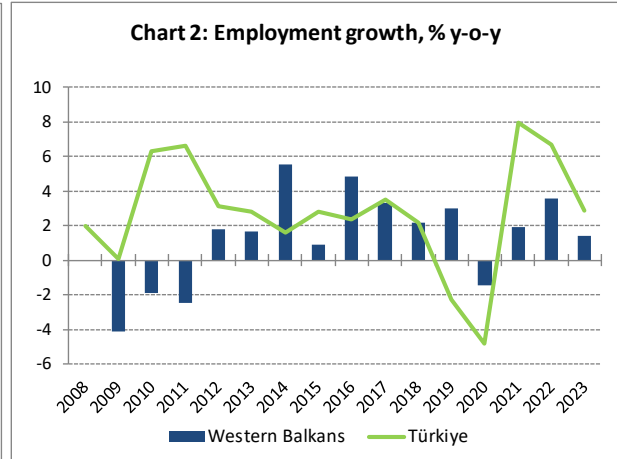
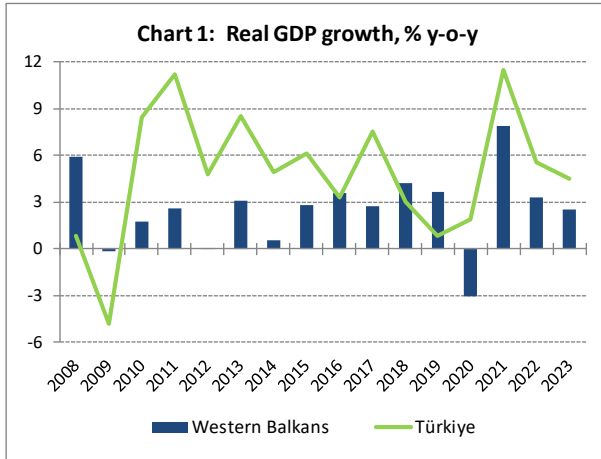
Montenegro and Albania, but they remained the countries with the highest debt ratio at 60.3% and 59.2% of GDP, respectively at end-2023.

In Türkiye, economic growth lost steam in 2023, but remained buoyant with real GDP expanding by 4.5%. Growth was driven by still strong, albeit moderating domestic demand, in particular robust household consumption and a marked increase of investment. The current account deficit narrowed to 4.2% of GDP in 2023 from 5.5% in 2022. The merchandise trade deficit shrank compared to a year before due to improved terms-of-trade and the decline in goods imports. Higher foreign exchange demand in the period before the local elections at end-March 2024 put pressure on the lira and official reserves decreased to USD 123 billion at the end of the first quarter of 2024, from USD 141 billion at end-2023.

Annual consumer price inflation averaged 53.9% in 2023. An acceleration of monthly inflation in the beginning of the year, combined with high base effects, pushed annual inflation up to 68.5% in March. To counteract high inflationary pressures and anchor inflation expectations, the central bank further tightened its monetary policy stance by increasing its key policy rate in two steps from 42.5% in December 2023 to 50% in March. In the first quarter of 2024, the lira lost 9.7% of its value against the US dollar.

Partly driven by post-earthquake reconstruction and pre-election spending on higher salaries and pensions, total budget expenditure more than doubled in 2023 and outpaced the surge in revenue, which was boosted by very high inflation and tax hikes adopted in summer. This resulted in a central government budget deficit of TRY 1.4 trillion (5.2% of GDP) in 2023, significantly higher than the shortfall recorded a year before. The general government debt decreased slightly to 29.5% of GDP in 2023, compared to 30.8% at end-2022.

Candidate and potential candidate countries: Overview graphs



Candidate and potential candidate countries: Summary table

	2019	2020	2021	2022	2023	ECFIN 2023 Autumn forecast		Q3 23	Q4 23	Q1 24	Jan 24	Feb 24	Mar 24
						2024	2025						
Gross domestic product (in real terms, annual % change)													
Albania	2.1	-3.3	8.9	4.8	3.4	3.1	3.7	3.8	3.8	:	N.A.	N.A.	N.A.
Bosnia and Herzegovina	2.3	-2.9	7.3	3.8	1.6	2.0	2.3	1.9	1.7	:	N.A.	N.A.	N.A.
Montenegro	4.1	-15.3	13.0	6.4	6.0	2.7	2.3	6.6	4.3	:	N.A.	N.A.	N.A.
North Macedonia	3.9	-4.7	4.5	2.2	1.0	2.7	2.8	1.0	0.9	:	N.A.	N.A.	N.A.
Serbia	4.3	-0.9	7.7	2.5	2.5	3.1	3.7	3.6	3.8	:	N.A.	N.A.	N.A.
Türkiye	0.8	1.9	11.4	5.5	4.5	3.5	4.0	6.1	4.0	:	N.A.	N.A.	N.A.
Kosovo	4.8	-5.3	10.7	4.3	3.3	:	:	3.1	4.0	:	N.A.	N.A.	N.A.
Unemployment													
Albania	12.0	12.2	12.1	11.3	11.2	10.2	9.9	11.0	11.2	:	N.A.	N.A.	N.A.
Bosnia and Herzegovina	15.7	15.9	17.4	15.4	13.2	:	:	13.6	12.7	:	N.A.	N.A.	N.A.
Montenegro	15.4	18.4	16.9	15.1	13.4	13.2	13.0	12.0	12.4	:	N.A.	N.A.	N.A.
North Macedonia	17.5	16.6	15.6	14.5	13.2	13.7	13.5	12.9	13.2	:	N.A.	N.A.	N.A.
Serbia	11.2	9.7	11.0	9.4	9.5	9.0	8.6	9.0	9.1	:	N.A.	N.A.	N.A.
Türkiye	13.7	13.1	12.0	10.5	9.4	10.2	9.8	9.3	8.6	:	9.8	9.2	:
Kosovo	25.7	25.9	20.7	12.6	:	:	:	:	:	:	N.A.	N.A.	N.A.
Current account balance* (% of GDP)													
Albania	-7.9	-8.7	-7.7	-5.9	-0.9	-5.1	-4.9	-2.3	-1.0	:	N.A.	N.A.	N.A.
Bosnia and Herzegovina	-2.6	-2.8	-1.8	-4.3	-2.8	-4.0	-3.8	-3.3	-2.7	:	N.A.	N.A.	N.A.
Montenegro	-14.3	-26.1	-9.2	-12.9	-11.4	-12.3	-12.1	-9.6	-11.4	:	N.A.	N.A.	N.A.
North Macedonia	-3.0	-2.9	-2.8	-6.1	0.7	-3.6	-2.4	-0.5	0.7	:	N.A.	N.A.	N.A.
Serbia	-6.9	-4.1	-4.2	-6.9	-2.6	-3.5	-3.3	-2.4	-2.6	:	N.A.	N.A.	N.A.
Türkiye	1.4	-4.5	-0.9	-5.5	-4.2	-2.9	-2.7	-4.9	-4.2	:	N.A.	N.A.	N.A.
Kosovo	-5.7	-7.0	-8.7	-10.2	-7.6	:	:	-7.7	-7.6	:	N.A.	N.A.	N.A.
Inflation (Consumer price index, annual % change)													
Albania	1.4	1.6	2.0	6.7	4.8	3.5	2.9	4.1	3.9	:	3.4	2.6	:
Bosnia and Herzegovina	0.6	-1.1	2.0	14.0	6.1	3.5	3.0	4.3	2.0	:	2.0	2.1	:
Montenegro (HICP)	0.5	-0.8	2.5	11.9	8.9	5.7	3.8	8.4	5.7	:	5.0	4.9	:
North Macedonia	0.8	1.2	3.2	14.1	9.6	4.1	2.1	7.7	3.4	3.4	3.2	3.0	4.0
Serbia	1.8	1.6	4.1	12.0	12.4	5.5	3.6	11.4	8.0	:	6.5	5.6	:
Türkiye	15.2	12.3	19.6	72.3	53.9	53.6	22.9	56.2	62.7	66.8	64.9	67.1	68.5
Kosovo	2.7	0.2	3.3	11.6	4.9	:	:	3.2	2.8	2.1	1.8	2.2	2.4
General government balance** (% of GDP)													
Albania	-1.9	-6.7	-4.6	-3.7	-1.4	-2.2	-2.3	2.2	-1.4	:	N.A.	N.A.	N.A.
Bosnia and Herzegovina	1.9	-5.2	-0.3	-0.4	:	-1.5	-0.5	1.4	:	:	N.A.	N.A.	N.A.
Montenegro	-2.0	-11.1	-1.9	-4.2	0.6	-3.4	-3.5	2.6	0.6	:	:	:	:
North Macedonia	-2.0	-8.0	-5.3	-4.4	-4.9	-3.8	-3.5	-3.3	-4.9	:	N.A.	N.A.	:
Serbia	-0.2	-8.0	-4.1	-3.2	-2.2	-2.2	-1.5	0.2	-2.2	:	N.A.	:	:
Türkiye	-3.2	-2.9	-2.3	-1.1	:	-6.0	-3.5	-1.6	:	:	N.A.	N.A.	N.A.
Kosovo	-2.9	-7.6	-1.2	-0.5	-0.2	:	:	2.0	-0.2	:	N.A.	N.A.	:
General government debt*** (% of GDP)													
Albania	65.8	74.3	74.5	64.5	59.2	61.2	60.9	60.2	59.2	:	N.A.	N.A.	N.A.
Bosnia and Herzegovina	32.3	36.1	33.9	29.3	26.9	27.0	26.5	26.6	26.9	:	N.A.	N.A.	N.A.
Montenegro	76.5	105.3	82.5	68.0	60.3	63.5	61.2	60.2	60.3	:	N.A.	N.A.	N.A.
North Macedonia	40.5	50.8	52.0	51.0	50.0	51.7	51.1	48.2	50.0	:	N.A.	N.A.	N.A.
Serbia	52.0	57.0	56.5	55.2	52.0	51.2	50.1	51.0	52.0	:	:	:	:
Türkiye	32.4	39.4	40.4	30.8	29.5	33.0	32.8	30.5	29.5	:	N.A.	N.A.	N.A.
Kosovo	17.6	22.4	21.5	20.7	17.2	:	:	16.8	17.2	:	N.A.	N.A.	N.A.

Forecast: ECFIN forecast Autumn 2023 published November 2023.

* Q figures refer to a 4 quarters moving average.

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

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



Key developments

On 15 January 2024, Albania submitted to the European Commission its Economic Reform Programme (ERP) for 2024-2026. The programme projects real GDP growth to average of 3.8% annually in 2024-2026 and the fiscal deficit to widen to 2.5% of GDP in 2024, followed by a gradual improvement in the following two years.

In March, S&P upgraded Albania's sovereign debt credit rating by one notch, from B+ to BB-. The assessment reflects positively the resilience of the Albanian economy, strong economic growth in the last 3 years, decreasing public debt, and the authorities' commitment to the fiscal rules outlined in the Organic Budget Law. In April, Moody's affirmed Albania's B1 rating and improved its outlook from stable to positive.

Real sector

Real GDP increased by 3.8% y-o-y in Q4-2023, which brings the full-year growth rate for 2023 to 3.4%, down from 4.8% in 2022. Private consumption decelerated in Q4 to 1.6% y-o-y (from 2.2% in Q3 and 4.3% in Q2). In contrast, government consumption accelerated in Q4-2023 to 16.1% y-o-y, following already high growth rates in the previous two quarters (9.9% in Q3 and 7.4% in Q2). Investment expanded as well, registering a higher growth rate of 5.2% y-o-y in Q4 compared to 2.9% y-o-y in Q3. After surging by almost 18% y-o-y in Q3, total exports grew by 15.1% y-o-y in Q4, driven by exports of services whose growth reached 22.9% in Q4 (from 29.8% in Q3). Imports of goods and services contracted by 0.9% y-o-y in Q4 because of the decrease in goods imports, which fell by 9.4% y-o-y.

Full-year real GDP growth was underpinned by growth in private consumption (3% in 2023), public consumption (9.3% in 2023), investment (6.4%) and exports (10.1%).

On the production side, construction was the main contributor to GDP growth in Q4-2023 (by 1.28 pps), followed by public administration, education and health (1.01 pps); professional and administrative services (0.66 pps), and real estate activity (0.58 pps). Agriculture and industry recorded negative contributions to growth in Q4-2023 (-0.72 pps and -0.23 pps respectively).

The latest business and consumer confidence survey shows that in March ESI increased by 2.5 points (after falling in the previous two months) and stands at 7 pps above the historical average. Construction confidence indicator slightly dropped in March, while confidence in the industry picked-up on the back of more optimistic expectations on future export orders.

Labour market

The employment rate for the population aged 15 to 64 stood at 66.7% in Q4-2023, down by 1 pp compared to Q3-2023, and up by 0.2 pps compared to Q4-2022. The unemployment rate (15-64 years) edged up by 0.2 pps q-o-q and also y-o-y to 11.2% in Q4-2023. The youth unemployment rate stood at 22%, the same level as in Q3, but remained 0.5 pps above Q4-2022.

The labour force participation rate (15-64 years) decreased 1 pp. q-o-q to 75.1% in Q4-2023, but stood 0.3 pps above Q4-2022. Female participation rate fell by 0.5 pps y-o-y to 68.6% which expanded the gender gap to 13.2 pps in Q4-2023.

Annual employment growth was again strongest in services (2.8%), declining in agriculture (-2%) as well as industry (-0.1%). The average monthly nominal wage increased by 13.7% y-o-y in Q4-2023, driven by a 18% y-o-y increase in public sector wages; while the average private sector wage rose by 11.6% y-o-y. The minimum wage increased by 17.6%, reaching 53.3% of the average gross monthly wage.

External sector

The current account deficit decreased to 0.9% of GDP in 2023, a historically low level, compared to 2.1% in the four quarters to Q3 and to 5.9% in 2022. Led by tourism related services, the services trade surplus increased by 2.6 pps y-o-y to 16% of GDP in 2023, while the goods trade deficit narrowed by 2.6 pps y-o-y to 21.1% of GDP.

The surplus of the secondary income balance fell by 0.6 pps y-o-y to 5.6% of GDP, mainly because the share of remittances continued to fall, from 4.6% of GDP in 2022 to 4.3% in 2023. The primary income deficit decreased by 0.4 pps to 1.3% of GDP in 2023. The share of total exports in GDP increased by 2.4 pps y-o-y to 39.9% in

2023 on the back of robust services exports growth. Meanwhile, the total imports-to-GDP ratio declined by 2.8 pps y-o-y to 45.1%.

FDI inflows grew by 4.8% y-o-y in 2023 but their share in GDP declined to 5.9%, from 6.6% one year earlier. They financed the current account deficit multiple times. Foreign reserves jumped 18% y-o-y to EUR 5.8 billion in December 2023, pushing up their coverage of imports to 7.3 months (from 6.9 a year earlier).

Monetary developments

The inflation rate continued its downward path, declining from 3.9% in Q4-2023 to 2.6% in February 2024 and further to 2.3% in March.

The key contributors to inflation in March were 'Food and non-alcoholic beverage' prices (with 0.7 pps contribution to the inflation rate), 'Housing, water, electricity, gas and other fuels' prices (0.45 pps contribution), followed by 'Furniture household goods and maintenance' prices (0.31 pps contribution). Transport prices contributed negatively (-0.02 pps). Compared to March 2023, prices increased the most in the 'Furniture household goods and maintenance' group by 4.2%, followed by 3.8% increase in 'Recreation and culture' prices and then by the 3.5% increase in 'Hotels, coffee-house and restaurants'. Meanwhile, food prices increased only by 2%. Nevertheless, food prices remain the key contributor to the inflation rate due to their high weight in the consumer price index.

In March 2024, the Bank of Albania maintained the base interest rate unchanged at 3.25%.

The lek exchange rate against the euro strengthened in 2023 (to an average of ALL/EUR 108.7 from ALL/EUR 118.9 in 2022). The lek continued to appreciate in the beginning of 2024, standing at ALL/EUR 103.55 in March (appreciating by 9.4% y-o-y).

The growth of monetary aggregate M3 averaged 2.3% in 2023, followed by a slowdown to 1.5% y-o-y in January 2024 and a return to 2.3% y-o-y in February 2024.

Financial sector

The banking sector's capital adequacy ratio increased by 0.8 pps y-o-y to 17.7% in Q4-2023, but fell by 0.5 pps compared to the previous quarter. The broad liquidity ratio increased to 30.8% in December 2023 (+0.3 pps q-o-q). Banks' profitability improved in 2023, driven by higher net interest income. The return on assets rose from 1.9% in September 2023 to 2% in

December 2023, while the return on equity increased from 16.2% to 17.3% over the same period. The ratio of non-performing loans to total loans decreased from 5.2% in September 2023 to 4.7% in December 2023.

Lending to the private sector increased in Q4-2023, with an average y-o-y growth of 8.7% (2 pps higher than in the previous quarter). The expansion of the loan portfolio was mainly in lek in Q4-2023. Credit in foreign currency continued to slow down, with an average annual growth of 3.7% (0.6 pps lower than in Q3-2023).

Deposits in banks recorded an average annual growth of 10.7% in Q4-2023. In comparison to Q3-2023, the growth of deposits in lek accelerated to 5.5% (from 2.4% in Q3-2024).

Average interest rates on new loans in euro to non-financial corporations continued to increase in Q4-2024, reaching 6.8% (from 6.4% in Q3). Meanwhile, interest rates on mortgage loans for households slightly decreased to 5% from 5.3% in Q3-2023. The average interest rate on new loans in lek to enterprises was 6.5% in Q4, showing marginal changes compared to Q3 and Q2. The interest rate on new mortgage loans in lek to households increased from 4% in Q3 to 4.4% in December 2024.

Fiscal developments

Fiscal performance improved in 2023, with the budget deficit falling to 1.4% of GDP (from 3.7% of GDP in 2022), reflecting a strong performance of revenues, which grew by 12.3% while expenditures recorded a small increase of 3.6%.

The public debt-to-GDP ratio dropped by 5.3 pps to 59.2% at end-2023, below its pre-pandemic level. The 2024 budget was revised in February 2024 via a normative act, increasing the level of ambition with respect to the surplus of the primary balance, which is now set to reach 0.4% of GDP, while the revised deficit target is slightly lower at 2.4% of GDP.

In Q1-2024 total government revenues were higher than planned (105%), while total expenditures were lower, with an execution rate of 96% of the budget plan for Q1. As a result, the budget balance was in surplus.

TABLE



European Commission, ECFIN-D-1

ALBANIA

		2019	2020	2021	2022	2023	ECFIN 2023 Autumn forecast		Q3 23	Q4 23	Q1 24	Jan 24	Feb 24	Mar 24
							2024	2025						
1 Real sector														
Industrial confidence ^{1.1}	Balance	6.1	-0.8	6.4	7.2	8.4	:	:	6.2	9.4	5.6	8.7	4.7	3.5
Industrial production ^{1.2}	Ann. % ch	5.6	-10.1	23.6	8.0	-11.6	:	:	-14.4	-5.8	:	N.A.	N.A.	N.A.
Gross domestic product ^{1.3}	Ann. % ch	2.1	-3.3	8.9	4.8	3.4	3.1	3.7	3.8	3.8	:	N.A.	N.A.	N.A.
Private consumption ^{1.4}	Ann. % ch	3.3	-3.3	4.7	7.4	3.0	2.9	3.3	2.2	1.6	:	N.A.	N.A.	N.A.
Gross fixed capital formation ^{1.5}	Ann. % ch	-3.6	-1.4	19.2	6.5	6.4	3.3	4.4	3.0	5.2	:	N.A.	N.A.	N.A.
Construction index ^{1.6}	Ann. % ch	-2.5	9.5	18.0	12.5	:	:	:	2.6	:	:	N.A.	N.A.	N.A.
Retail sales ^{1.7}	Ann. % ch	4.2	1.0	5.3	5.1	:	:	:	4.5	:	:	:	:	:
2 Labour market														
Unemployment ^{2.1}	%	12.0	12.2	12.1	11.3	11.2	10.2	9.9	11.0	11.2	:	N.A.	N.A.	N.A.
Employment ^{2.2}	Ann. % ch	2.4	-1.9	-0.4	4.8	1.6	1.8	2.0	1.6	-1.5	:	N.A.	N.A.	N.A.
Wages ^{2.3}	Ann. % ch	3.8	2.7	6.3	8.2	14.0	:	:	16.0	13.7	:	N.A.	N.A.	N.A.
3 External sector														
Exports of goods ^{3.1}	Ann. % ch	-3.8	-9.0	35.6	32.0	-9.5	:	:	-12.6	-11.2	:	-29.2	-16.1	:
Imports of goods ^{3.2}	Ann. % ch	1.2	-6.8	32.3	18.7	-8.2	:	:	-15.1	-12.8	:	3.4	6.4	:
Trade in goods balance* ^{3.3}	% of GDP	-22.9	-22.4	-25.3	-23.8	-21.4	-22.2	-22.2	-22.4	-21.1	:	N.A.	N.A.	N.A.
Exports goods and services* ^{3.4}	% of GDP	31.3	22.7	31.3	37.5	39.9	:	:	39.2	39.5	:	N.A.	N.A.	N.A.
Imports goods and services* ^{3.5}	% of GDP	45.0	37.2	44.8	47.9	45.1	:	:	45.8	44.6	:	N.A.	N.A.	N.A.
Current account balance* ^{3.6}	% of GDP	-7.9	-8.7	-7.7	-5.9	-0.9	-5.1	-4.9	-2.3	-1.0	:	N.A.	N.A.	N.A.
Direct investment (FDI, net)* ^{3.7}	% of GDP	7.5	6.7	6.5	6.6	5.9	:	:	6.2	5.8	:	N.A.	N.A.	N.A.
International reserves ^{3.8}	mn EUR	3,360	3,942	4,972	4,952	5,847	:	:	5,731	5,847	:	5,683	5,581	:
Int. reserves / months Imp ^{3.9}	Ratio	6.5	9.6	8.8	6.9	7.3	:	:	7.4	7.3	:	N.A.	N.A.	N.A.
4 Monetary developments														
CPI ^{4.1}	Ann. % ch	1.4	1.6	2.0	6.7	4.8	3.5	2.9	4.1	3.9	:	3.4	2.6	:
Producer prices ^{4.2}	Ann. % ch	-0.8	-3.4	2.7	19.9	6.1	:	:	5.2	3.1	:	:	:	:
Food prices ^{4.3}	Ann. % ch	2.9	3.6	3.9	11.8	9.4	:	:	8.2	7.1	:	5.3	2.7	:
M3 ^{4.4}	Ann. % ch	4.3	10.5	8.6	4.9	2.3	:	:	2.2	2.3	:	1.5	2.3	:
Exchange rate ALL/EUR ^{4.5}	Value	123.00	123.74	122.45	118.98	108.77	:	:	105.27	104.13	103.79	103.91	103.91	103.55
Real effective exchange rate ^{4.6}	Index	108.6	110.7	112.5	113.0	125.1	:	:	129.6	131.4	:	130.8	129.8	:
5 Financial indicators														
Interest rate (3 months-TRIBOR) ^{5.1}	% p.a.	1.45	1.46	1.39	2.21	3.68	:	:	3.62	3.72	3.80	3.73	3.77	3.91
Bond yield ^{5.2}	% p.a.	1.76	1.63	1.63	1.93	:	:	:	:	:	:	:	:	:
Stock markets ^{5.3}	Index	N.A.	N.A.	N.A.	N.A.	N.A.	:	:	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Credit growth ^{5.4}	Ann. % ch	3.0	6.1	6.9	11.2	2.6	:	:	1.0	1.9	:	4.1	5.6	:
Deposit growth ^{5.5}	Ann. % ch	2.5	5.8	8.5	8.0	1.9	:	:	0.8	1.0	:	1.9	2.7	:
Non performing loans ^{5.6}	% total	8.4	8.1	5.7	5.0	4.7	:	:	5.2	4.7	:	4.9	:	:
6 Fiscal developments														
General government revenue** ^{6.1}	% of GDP	27.2	25.9	27.5	26.8	27.8	:	:	20.6	27.8	:	N.A.	N.A.	N.A.
General government expenditure** ^{6.1}	% of GDP	29.1	32.6	32.1	30.4	29.2	:	:	18.4	29.2	:	N.A.	N.A.	N.A.
General government balance** ^{6.1}	% of GDP	-1.9	-6.7	-4.6	-3.7	-1.4	-2.2	-2.3	2.2	-1.4	:	N.A.	N.A.	N.A.
General government debt*** ^{6.2}	% of GDP	65.8	74.3	74.5	64.5	59.2	61.2	60.9	60.2	59.2	:	N.A.	N.A.	N.A.

f. ECFIN forecast Autumn 2023 published November 2023

* Q figures refer to a 4 quarters moving average.

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

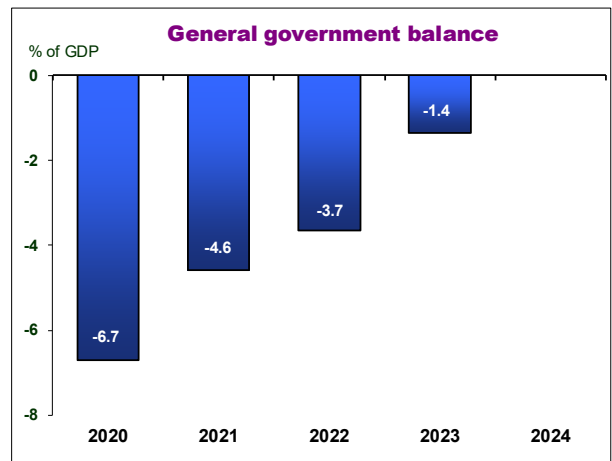
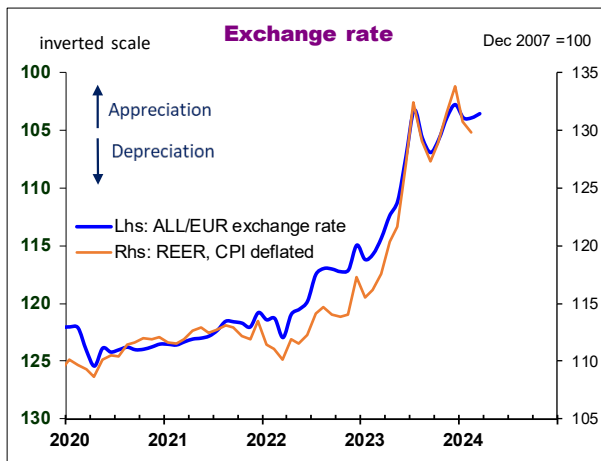
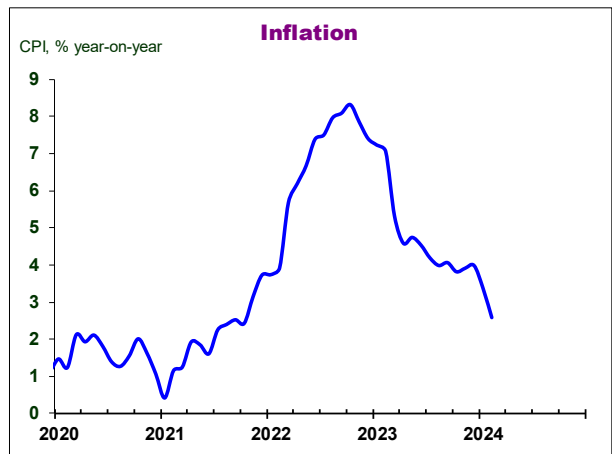
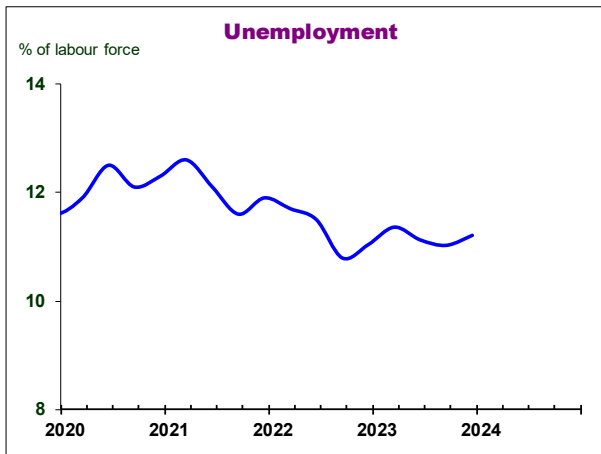
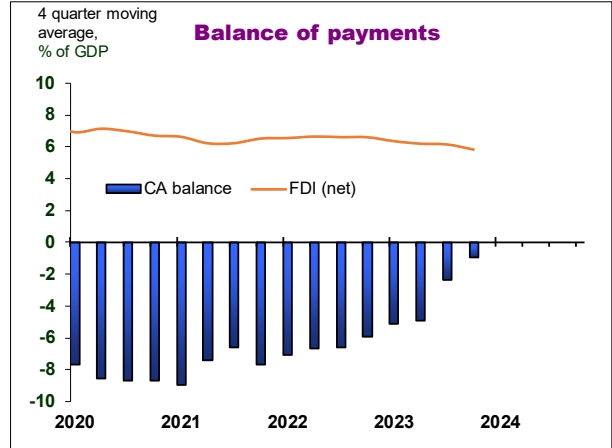
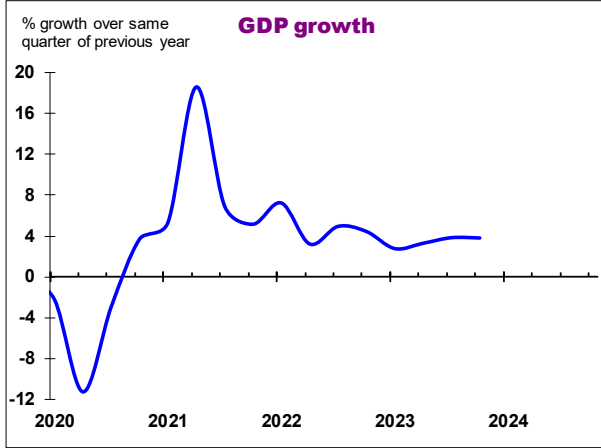
*** Q figures in percent of estimated annual GDP.

CHARTS

European Commission, ECFIN-D-1



ALBANIA



BOSNIA AND HERZEGOVINA



Key developments

On 2 February, the rating agency Standard & Poor's confirmed the country's sovereign credit rating of "B+" with a stable outlook. The agency indicated it could raise the rating if the country showed signs of more consensus-based domestic policymaking that, over the medium term, potentially could accelerate structural reforms.

On 28 February, Bosnia and Herzegovina submitted to the European Commission its Economic Reform Programme (ERP) for 2024-2026, which projects GDP growth to accelerate to around 3% in 2024 and 2025 and to 3.4% in 2026, benefiting from rebounding exports and increasing private and public investment. In line with expected international price developments, inflation is projected to fall to around 1.9% by 2026. The fiscal framework projects expenditure-driven fiscal consolidation, leading to a small budget surplus in 2026.

Real sector

Economic growth slightly weakened on a seasonally-adjusted q-o-q basis, registering 0.5% growth in Q4-2023, compared to 0.8% in Q3. Compared to a year before, real GDP increased by 1.7%, down from 1.9% in Q3-2023. The main driver of output growth continued to be private consumption, increasing by 2.0% y-o-y (2.8% in Q3) and contributing 1.4 pps to overall output growth. Government consumption increased by 1.4% y-o-y, compared to 1.9% in Q3. Gross capital formation dropped by 4.4% y-o-y, compared to a growth rate of 1.0% in Q3. Real exports of goods and services were 4.3% lower than a year before, compared to a drop by 5.9% in Q3. Imports were 5.4% lower y-o-y, partly reflecting the high import content of certain exports. On the production side, growth continued to be mainly driven by trade, transport, accommodation and food services, although at a decelerating pace, while the growth of IT services accelerated markedly, reaching 8.5% y-o-y. The value-added in manufacturing continued to decline, by 6% y-o-y in Q4, compared to a drop by 4% in Q3. For the whole year, provisional data suggest output growth of about 1.6% in 2023, compared to 3.8% a year before.

High-frequency indicators point to an uptick in activity in recent months. After a decline by 6% in Q4 and 6.2% in January, industrial production

registered a y-o-y increase by 2.5% in February. Retail sales turnover remained strong, increasing by 13.0% and 18.6% in January and February respectively, after an acceleration to 14.9% in Q4.

Tourism showed signs of slowing down. In the first two months of 2024, the number of arrivals and overnight stays was 4.6% and 1.7% higher than a year before. During the whole year of 2023, arrivals and overnight stays were 18.4% and 13.9% higher than in 2022. After a sharp drop in the number of foreign tourists during the pandemic, their share in total arrivals and overnight stays is now largely back to pre-COVID levels. The largest group of foreign tourists continue to come from Croatia, followed by Serbia, Slovenia and Turkey.

Labour market

Growth of registered employment accelerated in Q4 to 1.9% y-o-y, from 1.0% in Q3. In the first two months of 2024 employment remained largely unchanged. During the whole of 2023, average employment growth was 1.4%, mainly as a result of job growth in the accommodation and food sector, as well as in information and communication and education. Employment in the mining sector fell by 1.2% compared to the previous year.

In February, the number of registered unemployed was 4.7% lower than a year before. This brought the administrative unemployment rate slightly down to 28.7%, compared to 29.4% a year before. The Labour Force Survey (LFS) also registered a decrease in the unemployment rate, to 12.7% in Q4 compared to 14.9% a year before. The LFS youth unemployment rate (age group 15-24) stood at 28.9% in Q4, compared to 36.2% a year before.

The annual growth in average nominal gross wages continued to decelerate, to 10.7% in Q4-2023, compared to 11.4% in Q3-2023. During the whole year 2023, real wages were 6.9% higher than a year before when using headline inflation as deflator. Official wage statistics do not include micro enterprises, which represent a large share of employment.

External sector

In 2023, the current account deficit shrunk to 2.8% of GDP, compared to 4.3% in 2022. During

the year, the 4-quarter moving-average current account deficit as a percent of GDP underwent a continued reduction, as lower export revenues were more than compensated by lower import values, higher income from service exports (in particular tourism) as well as higher remittances.

The value of external trade continued to decline in Q4: nominal exports declined y-o-y by 7.0%, while the value of imports was 6.2% lower. Monthly data for January and February paint a mixed picture, with exports dropping by 16.5% y-o-y and 9.9% y-o-y respectively, while imports rose by 3.4% and 9.5%, respectively. The main factors 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.

Net FDI inflows stood at 3.1% of GDP in 2023, largely unchanged compared to 3.2% GDP in the four quarters to Q3. About 40% of those inflows were reinvested earnings. The main inflows were in the electricity, the financial and the petroleum and coal sector (about 10% of total inflows each). In contrast to previous years, the main source of FDI inflows in the first three quarters of 2023 was Russia, accounting for 21.7% of all FDI in that period. On the second and third place were the UK and the Netherlands, accounting for 11.5% and 11.3% of total FDI inflows, respectively. The reason for the unusually high share of Russia was the purchase of a single natural resource-related company located in the RS entity. Official foreign exchange reserves recovered slightly to 7 months of imports of goods and services in Q4.

Monetary developments

Annual headline inflation continued to decelerate, from 4.3% in 2023-Q3 to 2.0% in Q4. This brought average inflation in 2023 to 6.1%, compared to 14.0% in 2022. In January and February 2024, annual inflation remained low, at 2.0% and 2.1% respectively. The main drivers were still relatively high price rises for food and non-alcoholic beverages, increasing by 4.1% on average during Q4-2023, and by 2.5% on average during the first two months of 2024. Prices for household equipment were further important drivers of headline inflation. On the other hand, transport prices, which had been a key inflation driver during 2022, continued to decline.

Growth of the monetary aggregate M2 remained stable during the second half of 2023 and the first month of 2024, at 7.5% and 8.0%, respectively.

Financial sector

The financial sector remained stable. Annual credit growth accelerated slightly from 5.0% in Q3-2023 to 6.2% y-o-y in Q4. In January and February lending growth remained high, with the loan stock being 7.3% and 7.5% higher than a year before. The main factors were solid growth of bank loans to households, which account for about 50% of total loans and increased by 7.8% on average during the first two months of 2024. Credit growth to private companies, which account for about 40% of total loans, accelerated to 5.6% in Q4-2023 and reached 7.9% in the first two months of 2024.

Bank deposit growth remained at 7.0% in Q4-2023, and accelerated slightly to 7.6% and 7.5% in January and February 2024. This slight acceleration is to a large extent due to stronger deposit growth of households, which increased their deposits by around 10% in Q4-2023 and also in the first two months of 2024. The loan-to-deposit ratio remained largely unchanged, at 75.3% in Q4-2023, compared to 75.2% in Q3.

Fiscal developments

The country does not publish high-frequency country-wide fiscal data. During 2023, revenue from centrally collected indirect taxes registered a nominal growth of 7.8%, compared to nominal GDP growth of 13.8% during that period. Data on the country's fiscal performance in 2023 is scheduled to be published by end-October only. The Federation entity adopted its 2024 budget on 24 January, expecting an increase in revenues by 5.8% y-o-y, while current expenditures were planned to increase by 7.2%. Public investment of the Federation's central government is projected to increase by 0.5% in nominal terms. However, the largest part of the Federation's public investment is taking place on the level of cantons. Revenues are expected to increase by 0.2 pps of GDP, while current spending is set to increase by 0.4 pps. As a result, the Federation's central government deficit is planned to increase from about 0.4% of GDP in 2023 to 0.7% in 2024.

The general government debt ratio rose slightly from 26.6% of GDP in Q3-2023 to 26.9% in Q4. This was mainly due to an increase in foreign-currency debt, which accounts for about two thirds of the rise in the debt ratio. However, in an annual comparison the debt-to-GDP ratio declined, from 29.3% in 2022 to 26.9% at end-2023, benefiting from both a lower nominal debt level and strong nominal GDP growth.

TABLE



European Commission, ECFIN-D-1

BOSNIA AND HERZEGOVINA

							ECFIN 2023 Autumn forecast							
		2019	2020	2021	2022	2023	2024	2025	Q3 23	Q4 23	Q1 24	Jan 24	Feb 24	Mar 24
1 Real sector														
Industrial confidence ^{1.1}	Balance	N.A.	N.A.	N.A.	N.A.	N.A.	:	:	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Industrial production ^{1.2}	Ann. % ch	-5.3	-6.3	9.7	1.0	-3.9	:	:	-0.4	-6.0	:	-6.2	2.5	:
Gross domestic product ^{1.3}	Ann. % ch	2.3	-2.9	7.3	3.8	1.6	2.0	2.3	1.9	1.7	:	N.A.	N.A.	N.A.
Private consumption ^{1.4}	Ann. % ch	3.8	-0.7	4.2	4.4	15.1	2.0	2.3	2.8	2.0	:	N.A.	N.A.	N.A.
Gross fixed capital formation ^{1.5}	Ann. % ch	5.8	-4.1	5.1	0.3	:	4.0	4.3	:	:	:	N.A.	N.A.	N.A.
Construction index ^{1.6}	Ann. % ch	15.4	-18.6	12.0	8.1	1.3	:	:	99.3	1.3	:	N.A.	N.A.	N.A.
Retail sales ^{1.7}	Ann. % ch	5.2	-6.8	18.5	13.9	14.0	:	:	16.5	14.9	:	13.0	18.6	:
2 Labour market														
Unemployment ^{2.1}	%	15.7	15.9	17.4	15.4	13.2	:	:	13.6	12.7	:	N.A.	N.A.	N.A.
Employment ^{2.2}	Ann. % ch	2.5	-1.2	0.9	2.3	1.4	1.4	1.0	1.0	1.9	:	0.1	0.1	:
Wages ^{2.3}	Ann. % ch	4.3	4.0	4.4	11.7	13.0	:	:	11.4	10.7	:	10.3	11.0	:
3 External sector														
Exports of goods ^{3.1}	Ann. % ch	-2.3	-7.4	34.9	28.8	-4.3	:	:	-6.7	-7.0	-12.6	-16.5	-9.9	-11.4
Imports of goods ^{3.2}	Ann. % ch	1.1	-13.5	26.7	33.6	-2.6	:	:	-3.9	-6.2	4.3	3.4	9.5	-0.1
Trade in goods balance* ^{3.3}	% of GDP	-22.3	-18.0	-18.3	-22.3	-20.8	:	:	-20.4	-19.7	:	N.A.	N.A.	N.A.
Exports goods and services* ^{3.4}	% of GDP	40.0	34.6	42.6	48.1	44.1	:	:	42.9	41.7	:	N.A.	N.A.	N.A.
Imports goods and services* ^{3.5}	% of GDP	54.5	47.9	53.9	61.9	56.9	:	:	55.5	53.8	:	N.A.	N.A.	N.A.
Current account balance* ^{3.6}	% of GDP	-2.6	-2.8	-1.8	-4.3	-2.8	-4.0	-3.8	-3.3	-2.7	:	N.A.	N.A.	N.A.
Direct investment (FDI, net)* ^{3.7}	% of GDP	2.1	2.0	2.7	3.0	3.3	:	:	3.2	3.1	:	N.A.	N.A.	N.A.
International reserves ^{3.8}	mn EUR	6,441	7,091	8,359	8,214	8,329	:	:	8,138	8,329	:	8,134	8,196	:
Int. reserves / months Imp ^{3.9}	Ratio	7.8	10.0	9.3	6.8	7.0	:	:	6.8	7.0	:	:	:	:
4 Monetary developments														
CPI ^{4.1}	Ann. % ch	0.6	-1.1	2.0	14.0	6.1	3.5	3.0	4.3	2.0	:	2.0	2.1	:
Producer prices ^{4.2}	Ann. % ch	0.4	-0.4	4.5	19.1	4.2	:	:	-0.2	0.4	:	:	:	:
Food prices ^{4.3}	Ann. % ch	1.1	1.0	3.5	21.5	10.5	:	:	7.6	4.1	:	2.9	2.0	:
M2 ^{4.4}	Ann. % ch	8.9	7.3	11.6	5.5	7.6	:	:	7.4	7.6	:	8.0	:	:
Exchange rate BAM/EUR ^{4.5}	Value	1.96	1.96	1.96	1.96	1.96	:	:	1.96	1.96	:	1.96	1.96	:
Real effective exchange rate ^{4.6}	Index	95.9	95.2	94.9	98.6	98.5	:	:	98.3	98.4	:	98.4	:	:
5 Financial indicators														
Interest rate (3 months) ^{5.1}	% p.a.	N.A.	N.A.	N.A.	N.A.	N.A.	:	:	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Bond yield ^{5.2}	% p.a.	N.A.	N.A.	N.A.	N.A.	N.A.	:	:	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Stock markets ^{5.3}	Index	772	769	870	1009	1032	:	:	1,002	1,034	988	1,042	981	943
Credit growth ^{5.4}	Ann. % ch	5.7	1.1	1.7	4.2	5.0	:	:	5.0	6.2	:	7.3	7.5	:
Deposit growth ^{5.5}	Ann. % ch	9.3	5.6	10.1	5.9	7.2	:	:	7.0	7.0	:	7.6	7.5	:
Non performing loans ^{5.6}	% total	7.4	6.1	5.8	4.5	3.8	:	:	4.0	3.8	:	N.A.	N.A.	N.A.
6 Fiscal developments														
General government revenue** ^{6.1}	% of GDP	42.0	41.6	41.0	39.9	:	:	:	:	:	:	N.A.	N.A.	N.A.
General government expenditure** ^{6.2}	% of GDP	40.1	46.8	41.3	40.3	:	:	:	:	:	:	N.A.	N.A.	N.A.
General government balance** ^{6.1}	% of GDP	1.9	-5.2	-0.3	-0.4	:	-1.5	-0.5	:	:	:	N.A.	N.A.	N.A.
General government debt*** ^{6.2}	% of GDP	32.3	36.1	33.9	29.3	26.9	27.0	26.5	26.6	26.9	:	N.A.	N.A.	N.A.

f. ECFIN forecast Autumn 2023 published November 2023

* Q figures refer to a 4 quarters moving average.

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

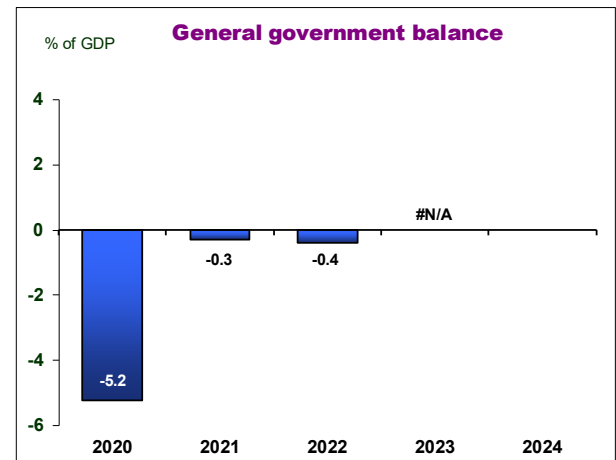
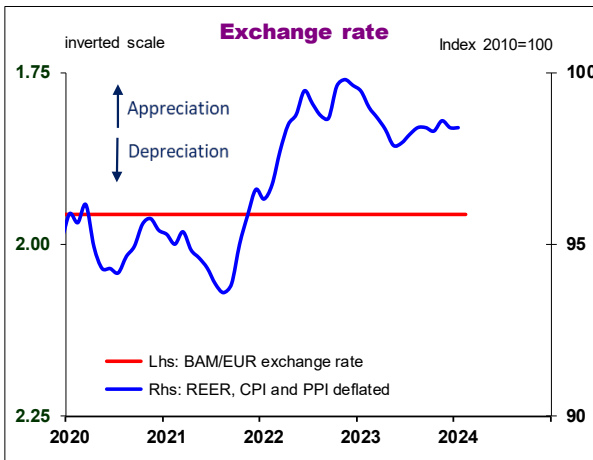
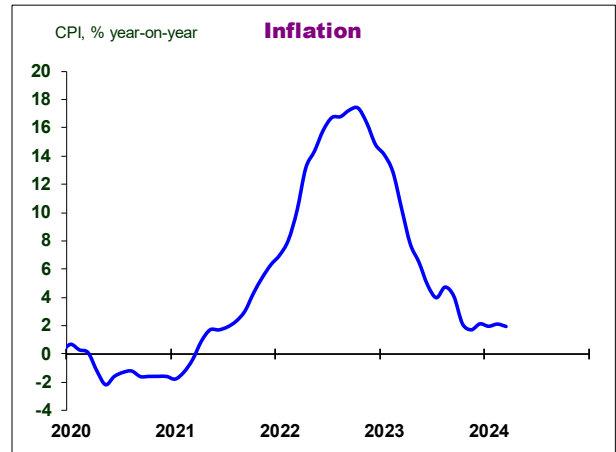
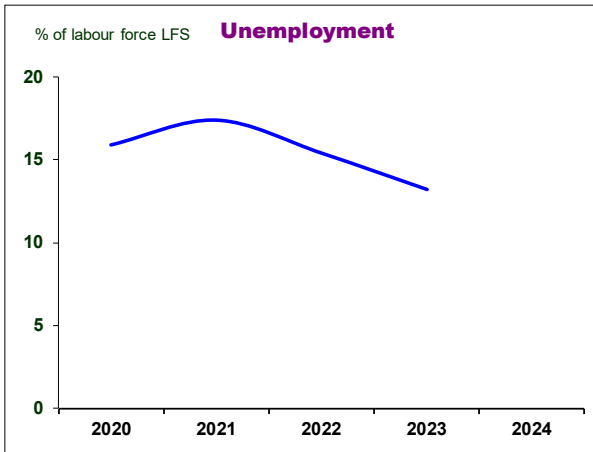
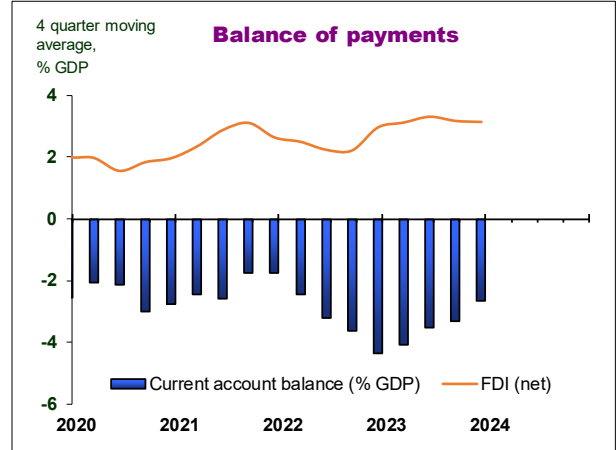
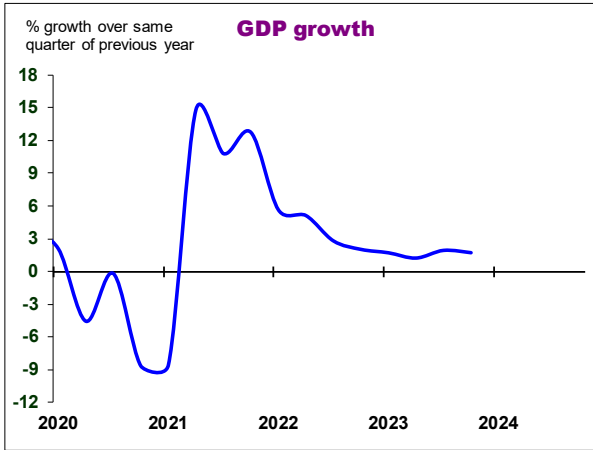
*** Q figures in percent of estimated annual GDP.

CHARTS



European Commission, ECFIN-D-1

BOSNIA AND HERZEGOVINA





Key developments

On 12 January 2024, the government submitted to the European Commission its Economic Reform Programme (ERP) for 2024-2026. The programme projects real GDP growth to slow to an annual average of 3.2% in 2024-2026. Growth continues to be driven by domestic demand while net exports are projected to provide only a marginal contribution as tourism services are expected to decelerate from double-digit growth. The ERP's fiscal scenario projects a sizeable deterioration of the budget balance to a 5.1% of GDP deficit in 2024, followed by a gradual improvement in the following two years.

The IMF staff concluded the Article IV mission, highlighting strong economic performance in 2023, but also the elevated external financing needs and recommended the development of comprehensive fiscal strategy with a commitment to the debt anchor.

Real sector

In Q4-2023, real GDP growth decelerated to 4.3% y-o-y compared to a 6.6% expansion in the previous quarter. Private and government consumption grew by 2.1% and 3.1% y-o-y, respectively, while gross fixed capital formation increased by 5.8% y-o-y. Further support to growth came from stocks which rose by 67% y-o-y. Due to a slump in merchandise exports, exports of goods and services contracted by 14.2% y-o-y following a double-digit growth throughout the year. Imports declined by 3.2% y-o-y. Net exports' overall contribution to GDP growth was negative at 4.2 pps.

Based on quarterly data, full-year GDP growth is estimated at 6.0% y-o-y in 2023, down from 6.4% a year before. The expansion of the economy was mainly driven by exports of goods and services (8.6%) and private consumption (5.4%). The latter was supported by a large inflow of foreign nationals and growing disposable income. Further support came from government consumption and investment, which expanded by 3.1% and 4.8%, respectively. The expansion of imports (5.2%) led to net exports subtracting from GDP growth.

Industrial production increased (by 7.4% y-o-y)

in Q4-2023, bringing the full-year expansion to 6.2% y-o-y. In early 2024, industrial output continued to grow (by 0.2% and 10% y-o-y in January and February, respectively). Reflecting the trends in consumption and tourism in 2023, there was a strong increase in retail trade (up by 8%). In both January and February 2024, retail trade continued to expand at an annual rate of 10% y-o-y.

Labour market

Supported by strong economic growth, the average unemployment rate fell to a new historical low of 13.4% in 2023 from 15.1% in the previous year. The favourable effects from seasonal employment associated with tourism activity brought unemployment down to 12% in Q3 followed by a slight increase to 12.4% in Q4. Employment growth stood at 10.7% y-o-y in Q4 after expanding by 14% y-o-y in Q3. The unemployment rate for women and men stood at 14% and 12.2% in 2023, respectively. Albeit declining substantially from 29.4% in 2022, the youth unemployment rate (ages 15-24) remained high at 23.3% in 2023.

The average gross wage increased by 11.8% in nominal terms to EUR 1 018 in 2023 while the average net wage rose to EUR 814. Wage growth continued in January 2024 with gross and net wages reaching EUR 1 026 and 821, respectively.

External sector

External imbalances narrowed due to a strong growth in services exports and a slower growth in imports. As a result, the current account deficit declined to 11.4% of GDP in 2023, compared to 12.9% of GDP a year before. The merchandise trade deficit moderated somewhat to 43.6% of GDP from 45.1% due to a pronounced slowdown of good imports growth while exports of goods contracted by 3.7% y-o-y. The rapid increase in exports of services (21% y-o-y) led to a higher surplus in service trade (24.8% of GDP as compared to 22.2% in 2022). The surpluses in the primary and secondary accounts declined marginally and stood at 1% and 6.4% of GDP in 2023, respectively, the latter on the back of lower expatriate remittances.

Net FDI inflows declined by 45.2% y-o-y as compared to 2022 and stood at 6.3% of GDP in 2023, due to a combination of lower inflows of equity investment and inter-company debt and higher outflows. The latter was mainly driven by the withdrawal of funds by non-residents.

Merchandise exports continued to contract in early 2024 by 47% y-o-y in January and 13% in February, while the growth in merchandise imports increased from 6% to 15% in the same period.

Monetary developments

Consumer price inflation was on a declining trend throughout 2023 from 16.2% y-o-y in January to 4.3% in December and averaged 8.9% for the year as a whole. While inflation was driven predominantly by import prices and food-related inflation, domestic policy-induced increases in wages and pensions also played a role. In January-February CPI inflation stood at 4.3% but bounced back to 5.5% y-o-y in March, driven by price increases for catering services, textiles and footwear.

Financial sector

The banking sector remained well-capitalised, liquid and profitable in 2023. Banks continued to fund themselves mainly through domestic deposits which increased by 15.5% in 2023. Credit growth accelerated to 10.8% from 6.6% in the previous year. Borrowing costs increased with the nominal weighted average lending rate reaching 6.5% by the end of 2023 as compared to 5.3% at the beginning of the year. The widening spread between lending and deposit rates, reaching 623 basis points in Q3-2023 from 566 at the end of 2022, supported the profitability of the banking sector: The return on assets increased to 2.6% from 1.7% over the same period. The non-performing loan ratio declined moderately to 5.0% of total loans at the end of 2023, as compared to 5.7% one year earlier.

Montenegro's banking sector continued to expand in early 2024. Bank loans increased by 12.1% y-o-y in February 2024 after growing by 10% y-o-y in January. The increase was driven by inter-bank lending, which expanded by 46% and nearly 39% y-o-y in February and January, respectively. Loans to the private sector and government grew by 8.6% and 21.6% y-o-y, respectively in February. Lending to privately

owned companies decelerated to 2.3% y-o-y in February, after higher growth in October - January. Credit growth to households has remained roughly stable since mid-2023 and stood at 9.6% y-o-y in February with lending to non-residents increasing by 17.2%.

The growth of bank deposits decelerated to 3.2% y-o-y in February and 3.6% y-o-y in January after robust growth in 2023. By sectors, deposits of financial institutions declined by 21.5% y-o-y, following a negative trend since mid-2023. Corporate deposits declined by 10.6% y-o-y in February with a negative trend since November. Household deposits growth grew by 10% y-o-y in January and February each. Non-residents' deposits grew by 12.2% and 8.7% in the first two months, respectively.

Fiscal developments

The 2023 budget outcome is estimated at a surplus of 0.6% of GDP, significantly above the revised deficit target of 3.4%. This outcome was supported by much higher revenue (43% of GDP versus 37.6% foreseen in the revised 2023 budget), which outweighed the increase in spending (42.4% versus 40.9% of GDP). Public revenue growth was driven by high consumer spending fuelled by a large inflow of foreign nationals, high inflation, a successful tourism season, and improved tax discipline. Revenues also benefited from an increase in social contributions following public sector wage increases as well as one-off revenues related to the economic citizenship programme, the termination of a hedging arrangement and the energy-related budget support from the EU. Overall, total revenues increased by 26.3% y-o-y, while total spending rose by 12.8%. Current expenditure increased by 17.2% y-o-y, driven by higher social transfers (23.6%), an increased wage bill (19.3%) and a surge in interest payments (34.9%). At the same time, capital spending declined by 9%.

In the first two months of 2024 the budget deficit stood at 0.3% of GDP.

At end-2023, the public debt ratio decreased to 60.3% of GDP, down from 68% of GDP a year earlier. The marked reduction of the debt ratio was driven by high nominal GDP growth. Government deposits amounted to 2.3% of GDP at the end of 2023 down from 3.6% in Q3.

TABLE



European Commission, ECFIN-D-1

MONTENEGRO

		2019	2020	2021	2022	2023	ECFIN 2023 Autumn forecast		Q3 23	Q4 23	Q1 24	Jan 24	Feb 24	Mar 24
							2024	2025						
1 Real sector														
Industrial confidence ^{1.1}	Balance	3.6	-18.3	-3.9	6.6	5.4	:	:	8.2	4.9	7.3	8.7	5.2	8.1
Industrial production ^{1.2}	Ann. % ch	-6.1	-0.9	5.7	-1.7	6.2	:	:	9.1	7.4	:	0.2	10.0	:
Gross domestic product ^{1.3}	Ann. % ch	4.1	-15.3	13.0	6.4	6.0	2.7	2.3	6.6	4.3	:	N.A.	N.A.	N.A.
Private consumption ^{1.4}	Ann. % ch	3.1	-4.6	4.0	9.7	5.4	2.7	2.2	0.2	2.1	:	N.A.	N.A.	N.A.
Gross fixed capital formation ^{1.5}	Ann. % ch	-1.7	-12.0	-12.3	0.1	4.8	3.2	3.1	5.5	5.8	:	N.A.	N.A.	N.A.
Construction index ^{1.6}	Ann. % ch	10.7	-5.6	-4.8	-4.4	-7.9	:	:	-9.7	-3.1	:	N.A.	N.A.	N.A.
Retail sales ^{1.7}	Ann. % ch	5.2	-12.0	16.6	14.2	8.0	:	:	8.0	2.8	:	10.3	10.0	:
2 Labour market														
Unemployment ^{2.1}	%	15.4	18.4	16.9	15.1	13.4	13.2	13.0	12.0	12.4	:	N.A.	N.A.	N.A.
Employment ^{2.2}	Ann. % ch	2.6	-10.1	-2.4	17.2	10.5	2.2	0.8	14.0	10.7	:	N.A.	N.A.	N.A.
Wages ^{2.3}	Ann. % ch	0.8	1.3	1.4	11.2	11.8	:	:	12.5	12.8	:	8.9	7.1	:
3 External sector														
Exports of goods ^{3.1}	Ann. % ch	3.8	-11.9	19.4	60.2	-3.7	:	:	-13.2	-19.0	:	-47.3	-12.9	:
Imports of goods ^{3.2}	Ann. % ch	1.8	-19.1	19.0	41.1	7.8	:	:	4.8	7.8	:	6.3	15.2	:
Trade in goods balance* ^{3.3}	% of GDP	-41.7	-39.2	-38.7	-45.1	-43.6	-47.1	-46.9	-43.5	-43.6	:	N.A.	N.A.	N.A.
Exports goods and services* ^{3.4}	% of GDP	43.9	26.0	42.8	51.5	50.9	:	:	53.6	50.9	:	N.A.	N.A.	N.A.
Imports goods and services* ^{3.5}	% of GDP	65.0	61.0	62.2	74.4	69.7	:	:	71.4	69.7	:	N.A.	N.A.	N.A.
Current account balance* ^{3.6}	% of GDP	-14.3	-26.1	-9.2	-12.9	-11.4	-12.3	-12.1	-9.6	-11.4	:	N.A.	N.A.	N.A.
Direct investment (FDI, net)* ^{3.7}	% of GDP	6.2	11.2	11.7	13.2	6.3	:	:	7.3	6.3	:	N.A.	N.A.	N.A.
International reserves ^{3.8}	mn EUR	1,367	1,739	1,749	1,915	1,425	:	:	1,624	1,425	:	1,325	1,259	N.A.
Int. reserves / months imp ^{3.9}	Ratio	5.1	8.2	6.8	5.2	3.6	:	:	4.1	3.6	:	3.4	3.2	:
4 Monetary developments														
HICP ^{4.1}	Ann. % ch	0.5	-0.8	2.5	11.9	8.9	5.7	3.8	8.4	5.7	:	5.0	4.9	:
Producer prices ^{4.2}	Ann. % ch	2.4	0.0	1.3	11.2	6.3	:	:	4.6	3.7	:	:	:	:
Food prices ^{4.3}	Ann. % ch	3.4	1.3	3.4	22.0	11.5	:	:	10.5	3.5	:	2.2	1.6	:
M2 ^{4.4}	Ann. % ch	-3.8	-3.5	16.5	30.7	6.9	:	:	14.4	6.9	:	5.0	:	:
Exchange rate EUR/EUR ^{4.5}	Value	1.00	1.00	1.00	1.00	1.00	:	:	1.00	1.00	1.00	1.00	1.00	1.00
Real effective exchange rate ^{4.6}	Ann. % ch	-1.5	-0.6	N.A.	N.A.	N.A.	:	:	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
5 Financial indicators														
Interest rate (6 months) ^{5.1}	% p.a.	0.52	0.87	:	3.70	3.75	:	:	:	3.75	:	:	:	:
Bond yield (10 yrs) ^{5.2}	% p.a.	2.61	3.53	3.85	7.25	7.31	:	:	6.99	6.76	:	6.32	6.23	:
Stock markets ^{5.3}	Index	10,980	10,225	10,910	11,077	14,946	:	:	14,919	15,498	15,177	15,410	15,274	14,848
Credit growth ^{5.4}	Ann. % ch	4.0	5.0	6.6	6.1	10.8	:	:	10.0	11.6	:	12.1	9.3	:
Deposit growth ^{5.5}	Ann. % ch	1.8	-2.6	12.8	23.2	15.1	:	:	13.9	7.6	:	3.6	3.2	:
Non-performing loans ^{5.6}	% of total	4.7	5.5	6.2	5.7	5.0	:	:	5.0	5.0	:	:	:	:
6 Fiscal developments														
General government revenue** ^{6.1}	% of GDP	43.4	44.6	44.3	39.2	43.0	:	:	27.8	43.0	:	N.A.	N.A.	N.A.
General government expenditure** ^{6.1}	% of GDP	45.4	55.7	46.2	43.4	42.4	:	:	25.2	42.4	:	N.A.	N.A.	N.A.
General government balance** ^{6.1}	% of GDP	-2.0	-11.1	-1.9	-4.2	0.6	-3.4	-3.5	2.6	0.6	:	:	:	:
General government debt*** ^{6.4}	% of GDP	76.5	105.3	82.5	68.0	60.3	63.5	61.2	60.2	60.3	:	N.A.	N.A.	N.A.

f: ECFIN forecast Autumn 2023 published November 2023

* Q figures refer to a 4 quarters moving average.

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

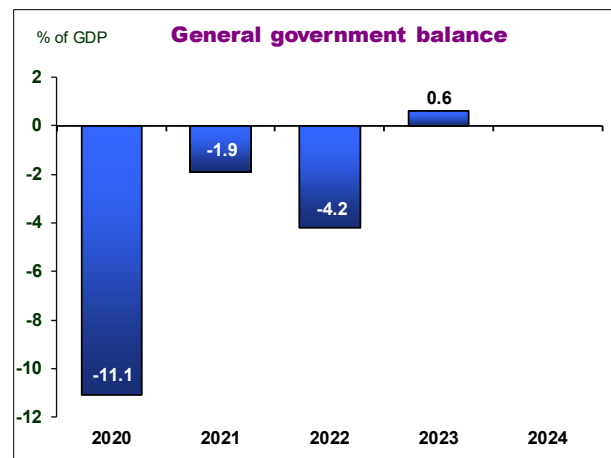
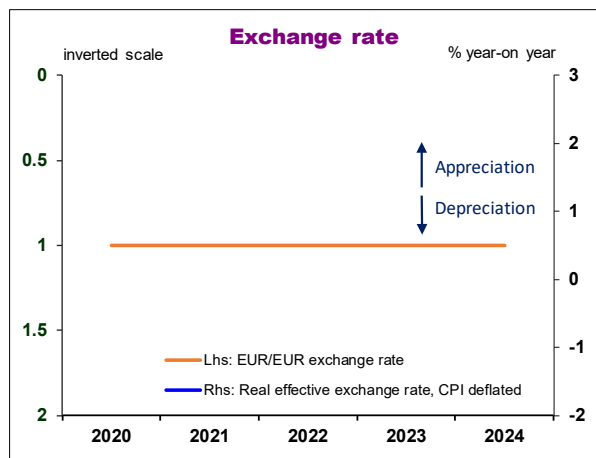
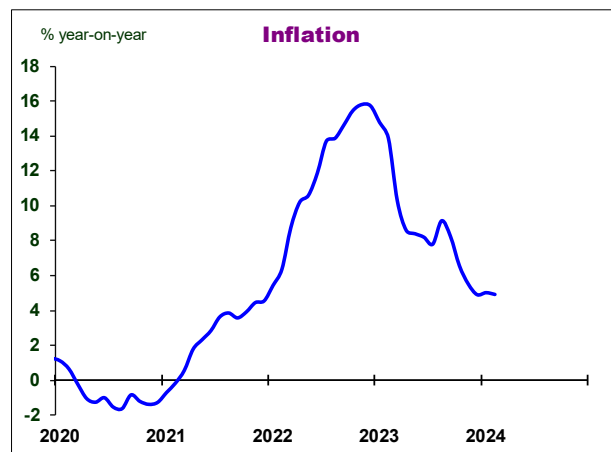
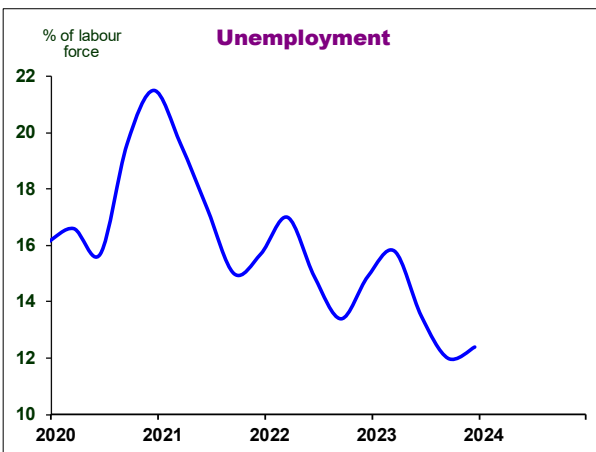
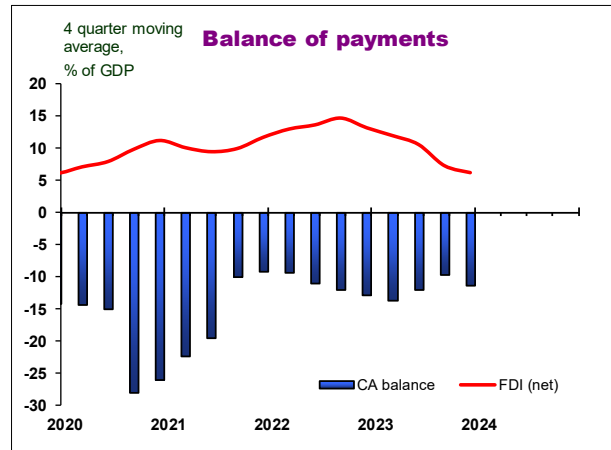
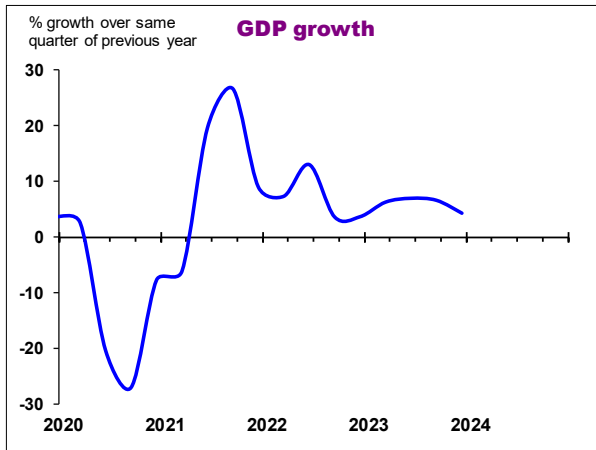
*** Q figures refer to central government debt only, in percent of estimated annual GDP.

CHARTS

European Commission, ECFIN-D-1



MONTENEGRO



NORTH MACEDONIA



Key developments

On 18 January, the government submitted its 2024-2026 Economic Reform Programme to the European Commission. Economic growth is projected to average 4.4% in this period, mainly as increased public infrastructure spending would support domestic demand. Inflationary pressures are expected to subside further. The programme envisages the general government fiscal deficit to narrow to 3% of GDP in 2025, in line with the new fiscal rules, and the public debt ratio to rise above 60% in 2024 and to drop thereafter.

On 5 April, Fitch rating agency affirmed its 'BB+' long-term issuer default rating with stable outlook, citing sound macroeconomic policies underpinning the stable exchange rate to the euro, and the EU accession process catalysing growth-enhancing reforms. Analysts expect growth to reach 3.2% in 2024 and the general government deficit to narrow further.

Real sector

In Q4-2023, the increase in real GDP, at 0.9% y-o-y, remained at about the same level as in Q3 and in Q2. Net exports were the main driver of GDP growth. Household consumption, supported by strong real wage growth and remittances, strengthened (3.3% y-o-y), compared to the first 3 quarters of the year (2.1% on average). Investment dropped by 16.7%, reflecting the continued drawdown of firms' inventories. Public consumption increased by 5.6%, partly reflecting a 10% rise in public sector wages as of September. Exports stagnated, after a large drop in the Q3 (-5%). Imports of goods dropped starkly in Q4 (-6.8% y-o-y), partly on account of destocking as well as lower electricity imports. In the full year 2023, real GDP increased by an estimated 1%, slowing from 2.2% in 2022.

High frequency indicators for the first two months of 2024 point to a slight acceleration in economic activity. The industrial production index rose by 1.7% y-o-y on average in January and February, after virtual stagnation in the second half of 2023, and compared to a drop by 0.5% in the same period one year earlier. Manufacturing output rose by 4% on average in the first two

months. Retail trade (except automotive fuel) rose by 3.4% y-o-y on average in January and February, after dropping by 3% in the second half of 2023.

Labour market

The labour market lost some momentum in Q4. The number of employed (age group 15-64 years) stagnated, and the employment rate remained almost unchanged, compared to the same period one year earlier (-0.1 pps y-o-y to 56.6%). The unemployment rate dropped slightly (-0.2 pps y-o-y to 14.2%). For the full year 2023, the unemployment rate amounted to 13.2% on average, compared with 14.5% in 2022. The labour force decreased by 2% y-o-y in 2023, which is an acceleration compared to the annual drop in 2022 (-1.3%). The decline was entirely due to the drop in male workers, while the female labour force increased marginally. Labour market participation dropped to 65.4% (-1 pp. y-o-y, which is also a larger drop than in 2022), on account of a lower rate for men, while the activity rate for women increased slightly. The unemployment rate for young people (age group 15-24) declined by 3.2 pps, to 29.3%, reflecting a strong fall in the labour force in this cohort (-5.5% y-o-y, also a larger drop than in 2022). Average gross nominal wages rose by 15.3% in 2023, with the annual increase accelerating to 16.8% in January. In real terms, wages rose by 5.4% in 2023, and further by 13.2% in January, reflecting the stark decline in inflation.

External sector

In 2023, the current account posted a surplus of 0.7% of GDP compared to a deficit of 6.1% in 2022. This improvement came on account of a sizeable decrease in the merchandise trade deficit (7.8 pps y-o-y to 18.9% of GDP), reflecting lower energy import values, and was supported by a rise in remittances (+0.5 pps to 19.7% of GDP), while the services balance surplus declined (-0.4 pps to 5.4% of GDP) and the primary balance deficit deteriorated (-1.1 pps to 5.5% of GDP). Net FDI inflows dropped (-1.2 pps to 3.8% of GDP). Gross external debt was almost unchanged at the end of 2023, compared to one

year earlier, amounting to 84.1% of estimated GDP (-0.3 pps). The increase in nominal external debt was due to both higher government borrowing abroad as well as higher private sector external debt. Foreign reserves increased by 16.3% y-o-y at the end of 2023 and covered 4.6 months of prospective imports.

Monetary developments

Annual inflation slowed down further in Q4-2023, to 3.4%, and was unchanged in Q1-2024, slightly rising in March (4%) as government measures to contain basic food prices expired. Core inflation came down further, too, as the impact of high energy prices on energy-intensive sectors like transportation is abating. The annual average CPI growth in 2023 amounted to 9.4% (2022: 14.2%). Annual growth of broad money (M3) increased to 5.9% in Q4, the same rate as in Q3. Growth of M3 accelerated in the bank has left the key policy rate unchanged since September 2023, at 6.3%, citing lingering risks to price developments and the need for a sustainable disinflation process, while acknowledging the significant reduction in first two months of 2024, to, on average, 6.8%. The central the inflation spread with the euro area.

Financial sector

Credit growth to the private sector accelerated somewhat in the first two months of 2024 (6.1% y-o-y on average, from 5.6% on average in the second half of 2023). Lending to households remained resilient in Q4 and beyond. There was a gradual decrease in the growth rate of housing loans, supported by central bank measures. Growth of lending to households in domestic currency has picked up since summer 2023, while the increase in lending in foreign currency slowed down. In Q1, lending to corporates picked up overall, with the increase entirely from domestic currency loans, while foreign currency loans to corporates declined. In the full year 2023, lending increased by 6.2% y-o-y, slowing down from 9.6% annual growth in 2022. Interest rates continued to rise. Between November and

February, the spread between denar loans and deposits remained almost unchanged, at 3.6bps, while the spread between those in foreign currency dropped by some 0.3bps, to 3.7bps. The ratio of non-performing to total loans (financial and non-financial sector) remained at its level of one year earlier (2.8%) in Q4. The share of foreign-currency denominated loans in total loans was lower in Q4 than one year earlier (-1 pps y-o-y to 42.2%) The funding of loans by deposits remained solid, with the loan-to-deposit ratio for non-financial clients amounting to 81.6% (-3.9 pps y-o-y) in Q4. Capital adequacy in the banking sector strengthened further, with the ratio of regulatory capital to risk-weighted assets at 18.1% (+0.4 pps. y-o-y). The profitability of banks much improved throughout 2023. Banks' return on assets (ROAA) rose to 2% in Q4 (+0.5 pps y-o-y), and the return on equity (ROAE) increased to 16.1% (+3.9 pps).

Fiscal developments

In Q4, public finances benefitted from the entry into force of some revenue-enhancing tax policy measures. Tax revenue was higher by 28.3% compared to the same period one year earlier, largely on account of income from the one-off solidarity tax. For the full year 2023, revenue increased by 14% y-o-y, driven by higher tax income. Current expenditure increased by 10% y-o-y. Capital expenditure implementation was at a record level (97% of target), and was some 52% higher than in 2022. The general government budget deficit, at 4.9% of GDP, was above the government's target of 4.8% as well as above the 2022 outcome (4.4%). In the first two months of 2024, revenue increased strongly (+17% y-o-y), while current expenditure rose by slightly less (+15%). General government debt at end-2023 stood at 53.3% of GDP (+2.8 pps y-o-y), while the public debt ratio rose by more (+5.1 pps y-o-y), to 62.2%, reflecting an increase in the (government-guaranteed) debt of public sector enterprises which are financing a number of large energy and transport infrastructure projects.

TABLE



European Commission, ECFIN-D-1

NORTH MACEDONIA

		2019	2020	2021	2022	2023	ECFIN 2023 Autumn forecast		Q3 23	Q4 23	Q1 24	Jan 24	Feb 24	Mar 24
							2024	2025						
1 Real sector														
Industrial confidence ^{1.1}	Balance	-0.1	-16.6	-7.1	-3.8	-2.0	:	:	-1.7	-4.4	-6.4	-3.4	-9.0	-6.9
Industrial production ^{1.2}	Ann. % ch	4.1	-9.5	3.1	-1.0	0.6	:	:	-0.8	0.6	:	2.8	0.3	:
Gross domestic product ^{1.3}	Ann. % ch	3.9	-4.7	4.5	2.2	1.0	2.7	2.8	1.0	0.9	:	N.A.	N.A.	N.A.
Private consumption ^{1.4}	Ann. % ch	3.7	-3.6	10.0	5.3	4.0	3.3	3.4	2.8	3.3	:	N.A.	N.A.	N.A.
Gross capital formation ^{1.5}	Ann. % ch	9.5	-15.1	2.9	9.4	-16.7	5.4	5.6	-18.7	-20.5	:	N.A.	N.A.	N.A.
Construction ^{1.6}	Ann. % ch	9.1	-8.9	10.3	17.9	0.0	:	:	-11.7	10.7	:	N.A.	N.A.	N.A.
Retail sales ^{1.7}	Ann. % ch	11.3	-8.5	8.7	-3.1	-0.6	:	:	-5.3	-0.7	:	2.3	4.4	:
2 Labour market														
Unemployment**** 2.1	%	17.5	16.6	15.6	14.5	13.2	13.7	13.5	12.9	13.2	:	N.A.	N.A.	N.A.
Employment**** 2.2	Ann. % ch	5.4	-0.5	n.a.	n.a.	-0.2	1.4	1.6	0.5	-0.1	:	N.A.	N.A.	N.A.
Wages ^{2.3}	Ann. % ch	5.1	8.3	5.7	11.1	15.3	6.4	3.3	15.2	17.0	:	16.8	:	:
3 External sector														
Exports of goods ^{3.1}	Ann. % ch	9.5	-9.9	25.3	21.2	-0.4	:	:	-4.6	-4.7	:	:	:	:
Imports of goods ^{3.2}	Ann. % ch	10.2	-9.2	26.5	28.9	-8.6	:	:	-12.4	-6.8	:	:	:	:
Trade in goods balance* 3.3	% of GDP	-17.3	-16.6	-19.7	-26.7	-18.9	-23.2	-23.5	-20.0	-18.9	:	N.A.	N.A.	N.A.
Exports goods and services* 3.4	% of GDP	61.9	57.7	65.8	74.0	72.8	:	:	74.1	72.8	:	N.A.	N.A.	N.A.
Imports goods and services* 3.5	% of GDP	76.2	70.4	81.3	94.9	86.3	:	:	89.2	86.3	:	N.A.	N.A.	N.A.
Current account balance* 3.6	% of GDP	-3.0	-2.9	-2.8	-6.1	0.7	-3.6	-2.4	-0.5	0.7	:	N.A.	N.A.	N.A.
Direct investment (FDI, net)* 3.7	% of GDP	3.2	1.4	3.3	5.0	3.8	:	:	4.1	3.8	:	N.A.	N.A.	N.A.
International reserves ^{3.8}	m n EUR	3,263	3,360	3,643	3,863	4,538	:	:	3,902	4,538	:	4,337	4,348	:
Int. reserves / months imp ^{3.9}	Ratio	4.6	5.3	4.5	3.7	4.6	:	:	3.9	4.6	:	:	:	:
4 Monetary developments														
CPI ^{4.1}	Ann. % ch	0.8	1.2	3.2	14.1	9.6	4.1	2.1	7.7	3.4	3.4	3.2	3.0	4.0
Producer prices ^{4.2}	Ann. % ch	-0.6	5.6	-3.3	9.8	2.5	:	:	1.7	3.0	:	-2.3	-1.9	:
Food prices ^{4.3}	Ann. % ch	1.6	2.4	3.1	20.7	12.4	:	:	10.2	1.0	:	1.9	1.5	:
Monetary aggregate M3 ^{4.4}	Ann. % ch	8.2	8.0	8.8	5.3	5.9	:	:	5.9	5.9	:	7.1	6.5	:
Exchange rate MKD/EUR ^{4.5}	Value	61.51	61.67	61.63	61.62	61.56	:	:	61.51	61.50	61.62	61.60	61.69	61.57
Real effective exchange rate ^{4.6}	Index	100.4	102.4	103.5	105.9	111.1	:	:	113.9	111.4	:	110.6	:	:
5 Financial indicators														
Interest rate (3 months-SKIBOR) ^{5.1}	% p.a.	1.46	1.38	1.33	1.79	4.02	:	:	4.25	4.43	4.54	4.53	4.55	4.54
Bond yield ^{5.2}	% p.a.	5.61	5.19	4.86	4.63	5.44	:	:	5.67	5.75	:	5.91	5.90	:
Stock markets ^{5.3}	Index	3,939	4,377	5,382	5,888	5,844	:	:	5,740	5,986	6,602	6,268	6,683	6,855
Credit Growth ^{5.4}	Ann. % ch	7.2	6.4	5.8	9.6	6.2	:	:	5.9	5.2	:	5.6	6.6	:
Deposit growth ^{5.5}	Ann. % ch	9.6	7.8	8.3	4.2	9.1	:	:	10.5	8.8	:	10.2	9.7	:
Non-performing loans ^{5.6}	% total	4.8	3.4	3.2	2.9	2.8	:	:	2.8	2.8	:	N.A.	N.A.	N.A.
6 Fiscal developments														
General government revenue** 6.1	% of GDP	29.4	28.4	30.0	30.3	33.0	:	:	23.5	33.0	:	N.A.	N.A.	N.A.
General government expenditure** 6.1	% of GDP	31.4	36.4	35.3	34.7	37.9	:	:	26.8	37.9	:	N.A.	N.A.	N.A.
Central government balance** 6.1	% of GDP	-2.0	-8.0	-5.3	-4.4	-4.9	-3.8	-3.5	-3.3	-4.9	:	N.A.	N.A.	:
General government debt*** 6.2	% of GDP	40.5	50.8	52.0	51.0	50.0	51.7	51.1	48.2	50.0	:	N.A.	N.A.	N.A.

f. ECFIN forecast Autumn 2023 published November 2023

* Q figures refer to a 4 quarters moving average.

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

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

**** From Q1-2022, the Labour Force Survey is based on the results of the 2021 population census, restricting comparability with pre-year data.

In a first step, the Statistical Office has recently revised 2021 data based on census data.

In 2023, the implementation of a new regulation caused changes in the survey affecting the scope and definition of employment and unemployment.

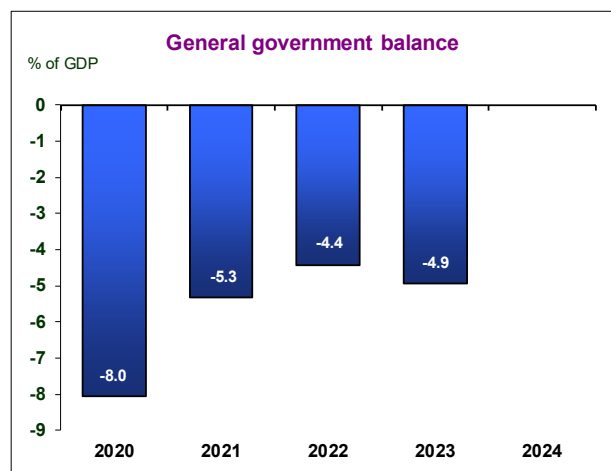
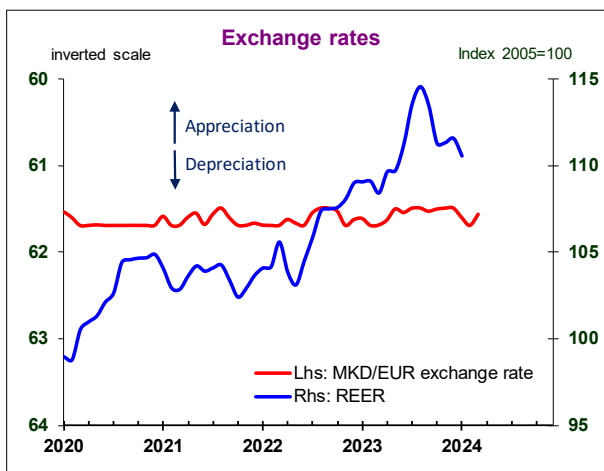
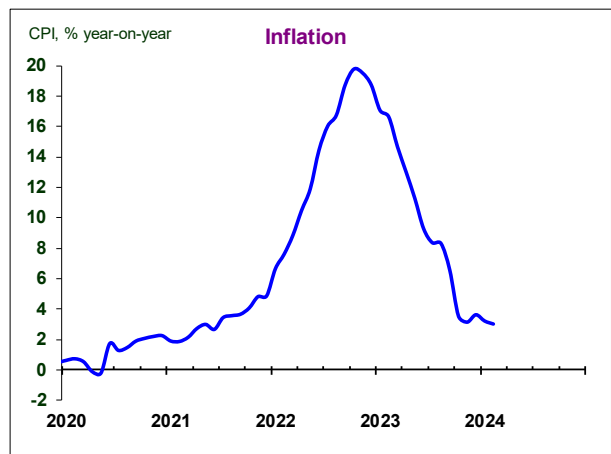
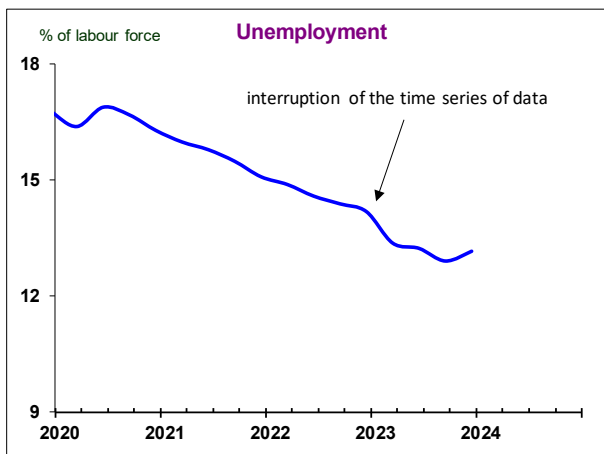
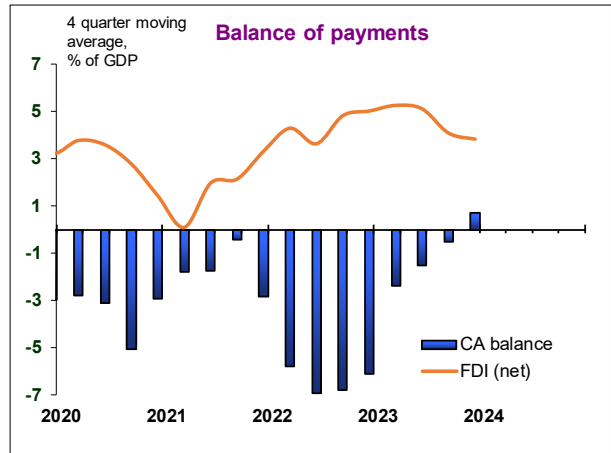
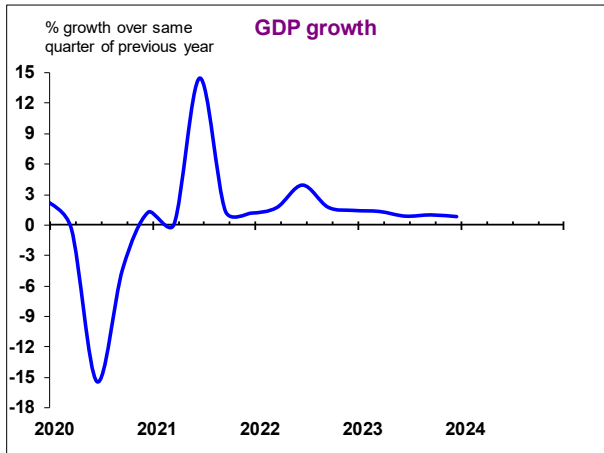
This caused an interruption of the time series of data, restricting comparability with previous data.

CHARTS

European Commission, ECFIN-D-1



North Macedonia



SERBIA



Key developments

On 15 January, Serbia submitted its Economic Reform Programme (ERP) to the Commission, covering 2024-2026. The ERP's macroeconomic scenario projects GDP growth to gradually pick up to 3.5% in 2024 and about 4.0% in 2025-2026, mainly driven by a robust increase in private consumption and investment. The ERP envisages compliance with the 1.5% of GDP deficit ceiling in 2025-2026.

The IMF revised upwards Serbia's growth forecast by 0.5 pps to 3.5% in 2024 and 4.5% for 2025. Inflation is projected to drop to 4.8% in 2024 and to 3.1% in 2025. The Serbian authorities and IMF concluded the third review under the Stand-By Arrangement. The agreement reflects Serbia's good macroeconomic performance, including recovering growth, a solid fiscal position, ongoing disinflation, high foreign reserves, and a resilient labour market. IMF noted that the "Leap into the Future—Serbia 2027" development plan outlines significant increases in public infrastructure investment, emphasising the importance of prudent fiscal management and medium-term investment planning.

Standard & Poor's rating agency revised Serbia's outlook from stable to positive. The country's credit rating is currently at BB+, just one notch below investment grade. As the agency explains, the improved outlook reflects Serbia's strong macroeconomic outcomes in 2023, the resilience of its economy amid global turbulences over the past years and the improved fiscal performance and external position.

Fitch Ratings affirmed Serbia's rating at BB+, with a stable outlook. According to Fitch, Serbia's rating is supported by its credible economic policy framework, higher level of economic development measured by GDP per capita, better governance and stronger human development compared with 'BB' medians, as well as sound public finances and falling public debt.

Real sector

According to the Statistics Office, economic growth accelerated from 1½% y-o-y in the first half of 2023 to 3½ in Q3 and Q4, with annual GDP growth reaching 2.5%. On the expenditure side, growth in Q4 was driven by domestic demand, notably public consumption (+5.9% y-o-y), investments (5.2%) and private consumption

(2.5%). As imports declined more than exports (partly due to lower energy imports as a base effect from 2022), net exports also contributed to GDP growth. On the supply side, the fastest growth in Q4 was recorded in agriculture (+7.7%), construction (+7.4%), and information and communication (+6.5%). Growth in other main economic sectors was also positive. Manufacturing increased in 2023 in 12 out of 24 divisions compared with 2022. Acceleration in manufacturing towards the end of the year was underpinned by an improvement in industrial confidence in Q4.

Short-term indicators from the first months of 2024 (industrial production, consumption, tax accruals) suggest that overall economic activity picked up further in early 2024. As a one-off factor, the regular maintenance of a large oil refinery is set to suppress industrial growth temporarily over March-April 2024.

Labour market

According to LFS data, in Q4-2023 the unemployment rate decreased to 9.1%, from 9.6% in the previous quarter. The employment rate of the population aged 15 years and above reached 50.7%, rising by 0.5 pps y-o-y. The total number of employed in 2023 increased by 2.2% y-o-y. Employment growth was positive in most economic sectors and was particularly strong in information and communication (+13.8%), professional, scientific and technical activities (+10.3%) and accommodation and food services activities (+5.2%). At the same time, employment declined in agriculture (-2%) and public administration (-0.5%).

The average nominal net wage continued to grow strongly, by 14.3% y-o-y in Q4-2023, well above inflation. In January 2024, wage growth continued by 15.8% y-o-y. Wage growth was slightly faster in the public sector (16.2% y-o-y) than in the private sector (15.6% y-o-y). Employment increased further by 0.5% y-o-y during the period January-February 2024.

External sector

The current account deficit narrowed substantially from 6.9% of GDP in 2022 to 2.6% in 2023. The total value of goods exports increased in 2023 by 3.7%, relative to 2022, while imports decreased by 5.5%. This was

helped by base effects as electricity imports were extraordinarily high in 2022 due to high import prices and unexpected domestic supply disruptions, while both factors abated in 2023. A surplus in the services trade balance grew significantly over 2023, driven by ICT and business services' exports. The surplus in services (4.3% of GDP) covered about a half of the deficit in goods trade (9.6% of GDP). In the period January-February 2024, favourable trends continued as exports of goods increased by 3.2% y-o-y, imports declined by 0.5% and the trade deficit decreased by 15.4% y-o-y.

FDI inflows increased from EUR 4.4 billion in 2022 to EUR 4.5 billion in 2023, a record level in nominal terms but representing a decline as a share of GDP from 7.2% to 6.1% (but covering multiple times the current account deficit). The share of China as an FDI source country has increased rapidly over recent years, accounting for a third of total inflows in 2023. EU countries collectively account for the majority and Russia is sixth among countries with a relatively minor share.

The primary income deficit increased substantially by about 30% y-o-y over 2023, reflecting mainly higher dividend and interest payments. The large increase in secondary income surplus in 2022 (largely reflecting remittances) has petered out over 2023 and has turned to a slight decrease y-o-y. The primary income deficit in January-February 2024 increased by 42% y-o-y (reflecting mainly higher dividend and interest payments). Secondary income surplus (mainly remittances), decreased by about 19% y-o-y, but from a high level. During January-February 2024, net FDI inflows increased by 213% i.e., doubled y-o-y to EUR 854 million.

Monetary developments

Consumer price inflation has been on a declining trend since peaking at 16.2% in March 2023. Large increases in electricity and gas tariffs (24% and 33% respectively), also gave a one-off push to inflation in 2023. By March 2024, inflation declined to 5%, helped by decreasing pressures from food prices. Core inflation has declined to similar levels, thus approaching the upper bound of the central bank's target tolerance band of 3% +/-1.5 pps.

In April 2024, the National Bank of Serbia kept unchanged its key policy rate at 6.5% for the ninth consecutive month, explained by the declining, though still strong global inflationary pressures, the current medium-term inflation projection, and global uncertainty over energy and primary commodity prices.

NBS foreign exchange reserves increased strongly over 2023, and have remained relatively high in recent months, reaching EUR 24.9 billion at end-March 2024, covering 6.7 months of imports of goods and services. The dinar's exchange rate against the euro has remained stable, with the NBS countering some appreciation pressures.

Financial sector

The financial sector has remained stable. The annual growth of credit to households and corporates has continued at slightly above zero, impacted by the higher interest rates of dinar and Euribor-indexed loans. The ratio of non-performing loans remained stable, at 3.2% in February, near to its historic low. The capital adequacy ratio of the banking sector (regulatory capital to risk-weighted assets) stayed flat in Q4-2023 at 21.4%. As regards liquidity ratios, both the share of liquid assets to total assets (41%) and the share of liquid assets to short-term liabilities (54%) increased further in Q4-2023. Bank profitability indicators continued at relatively high levels reaching 2.5% (for RoA) and 18.1% (for RoE) in Q4-2023.

Fiscal developments

In 2023, general government deficit fell by about one percentage point to 2.2% of GDP, while general government debt fell to 52.3% of GDP at the end of 2023. The better-than-expected outcome in 2023 was due to higher revenues, especially from corporate income tax and unexpected increases in excise rates and road tolls. Revenues generated by a strong labour market and lower subsidy requirements for state-owned energy companies also contributed to the improvement. However, the supplementary budget towards the end of the year raised spending on pensions, subsidies were redirected from the energy sector to agriculture, one-time payments were made for children, and additional wage increases in education and health. Capital expenditure stayed relatively high, making up 7.2% of GDP in 2023, and subsidies still remained elevated at 2.7% of GDP.

Public finances appear to have had a strong start to the year. In the period January-February 2024, revenues have continued to growth strongly at 9% y-o-y (with tax revenue up by 12%, while grants recorded a large decline). Expenditures increased by 6.5%, dragged down by a slow start in investment spending. Overall, it is too early to draw strong conclusions from this early data on the deficit outlook for the full year.

TABLE

European Commission, ECFIN-D-1



SERBIA

		2019	2020	2021	2022	2023	ECFIN 2023 Autumn forecast		Q3 23	Q4 23	Q1 24	Jan 24	Feb 24	Mar 24
							2024	2025						
1 Real sector														
Industrial confidence ^{1.1}	Balance	5.9	-1.0	3.1	0.3	-0.9	:	:	-2.0	1.1	2.4	2.4	2.6	2.1
Industrial production ^{1.2}	Ann. % ch	0.2	0.4	6.1	1.6	2.4	:	:	3.8	2.8	:	6.9	8.4	:
Gross domestic product ^{1.3}	Ann. % ch	4.3	-0.9	7.7	2.5	2.5	3.1	3.7	3.6	3.8	:	N.A.	N.A.	N.A.
Private consumption ^{1.4}	Ann. % ch	3.7	-1.9	7.9	3.9	0.8	2.9	3.4	1.4	2.5	:	N.A.	N.A.	N.A.
Gross fixed capital formation ^{1.5}	Ann. % ch	17.2	-1.9	15.7	1.9	3.8	4.7	4.9	4.1	5.2	:	N.A.	N.A.	N.A.
Construction index ^{1.6}	Ann. % ch	32.3	-1.5	25.0	5.4	15	:	:	16.1	12.5	:	N.A.	N.A.	N.A.
Retail sales ^{1.7}	Ann. % ch	8.9	4.2	10.0	5.6	-1.9	:	:	-1.8	4.1	:	4.1	8.8	:
2 Labour market														
Unemployment**** ^{2.1}	%	11.2	9.7	11.0	9.4	9.5	9.0	8.6	9.0	9.1	:	N.A.	N.A.	N.A.
Employment**** ^{2.2}	Ann. % ch	2.4	-0.2	2.6	2.3	0.8	0.5	0.6	0.2	1.9	:	:	:	:
Wages ^{2.3}	Ann. % ch	10.5	9.4	9.4	13.8	14.7	:	:	13.6	14.3	:	15.9	:	:
3 External sector														
Exports of goods ^{3.1}	Ann. % ch	8.8	-3.7	26.9	26.3	5.1	:	:	1.6	-2.1	:	-1.6	:	:
Imports of goods ^{3.2}	Ann. % ch	9.9	-4.7	25.0	33.1	-3.1	:	:	-5.7	-4.1	:	-7.5	:	:
Trade in goods balance ^{3.3}	% of GDP	-12.2	-11.1	-11.3	-15.5	-9.6	-11.7	-11.8	-10.0	-9.6	:	N.A.	N.A.	N.A.
Exports goods and services ^{3.4}	% of GDP	50.8	47.6	54.0	62.9	59.3	:	:	61.1	59.3	:	N.A.	N.A.	N.A.
Imports goods and services ^{3.5}	% of GDP	60.8	56.3	62.7	74.6	64.5	:	:	66.5	64.5	:	N.A.	N.A.	N.A.
Current account balance ^{3.6}	% of GDP	-6.9	-4.1	-4.2	-6.9	-2.6	-3.5	-3.3	-2.4	-2.6	:	N.A.	N.A.	N.A.
Direct investment (FDI, net) ^{3.7}	% of GDP	7.7	6.3	6.9	7.2	6.1	:	:	6.8	6.1	:	N.A.	N.A.	N.A.
International reserves ^{3.8}	mn EUR	13,378	13,492	16,455	19,416	24,909	:	:	24,182	24,909	:	25,037	25,031	:
Int. reserves / months Imp ^{3.9}	Ratio	5.7	6.1	5.9	5.2	6.7	:	:	6.5	6.7	:	6.7	:	:
4 Monetary developments														
CPI ^{4.1}	Ann. % ch	1.8	1.6	4.1	12.0	12.4	5.5	3.6	11.4	8.0	:	6.5	5.6	:
Producer prices ^{4.2}	Ann. % ch	0.7	-1.8	9.1	16.4	3.5	:	:	1.7	1.1	:	0.0	0.7	:
Food prices ^{4.3}	Ann. % ch	2.6	2.6	4.5	18.7	17.3	:	:	12.6	9.4	:	7.2	4.7	:
M3 ^{4.4}	Ann. % ch	8.4	18.1	13.3	6.9	12.7	:	:	11.8	12.7	:	13.8	10.9	:
Exchange rate RSD/EUR ^{4.5}	Value	117.86	117.58	117.57	117.46	117.25	:	:	117.21	117.18	117.19	117.21	117.18	117.19
Real effective exchange rate ^{4.6}	Index	123.6	125.7	128.0	129.3	139.2	:	:	139.8	140.7	:	142.2	141.8	:
5 Financial indicators														
Interest rate (BELIBOR) ^{5.1}	% p.a.	2.52	1.19	0.89	2.47	5.61	:	:	5.85	5.72	5.70	5.71	5.70	5.69
Bond yield (10 year) ^{5.2}	% p.a.	:	:	2.50	6.76	5.43	:	:	5.25	:	:	:	:	:
Stock markets ^{5.3}	Index	1,584	1,544	1,639	1,720	1,806	:	:	1,796	1,862	1,999	1,921	1,982	2,094
Credit growth ^{5.4}	Ann. % ch	9.7	12.3	9.1	10.9	1.7	:	:	0.3	0.1	:	0.7	0.4	:
Deposit growth ^{5.5}	Ann. % ch	12.9	15.0	14.4	8.4	11.4	:	:	12.0	12.2	:	13.7	11.0	:
Non-performing loans ^{5.6}	% total	4.1	3.7	3.6	3.0	3.2	:	:	3.2	3.2	:	N.A.	N.A.	N.A.
6 Fiscal developments														
General government revenue** ^{6.1}	% of GDP	42.0	41.0	43.2	43.7	42.6	:	:	30.9	42.6	:	N.A.	N.A.	N.A.
General government expenditure** ^{6.1}	% of GDP	42.2	49.0	47.4	46.9	44.8	:	:	30.7	44.8	:	N.A.	N.A.	N.A.
General government balance** ^{6.1}	% of GDP	-0.2	-8.0	-4.1	-3.2	-2.2	-2.2	-1.5	0.2	-2.2	:	N.A.	:	:
General government debt*** ^{6.2}	% of GDP	52.0	57.0	56.5	55.2	52.0	51.2	50.1	51.0	52.0	:	:	:	:

f. ECFIN forecast Autumn 2023 published November 2023

* Q figures refer to a 4 quarters moving average.

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

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

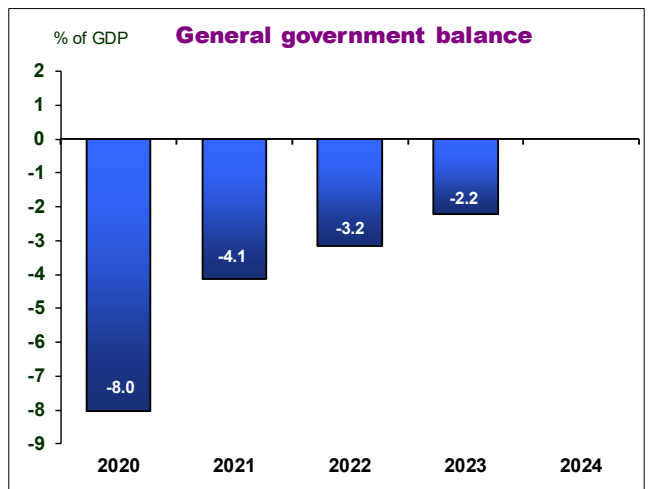
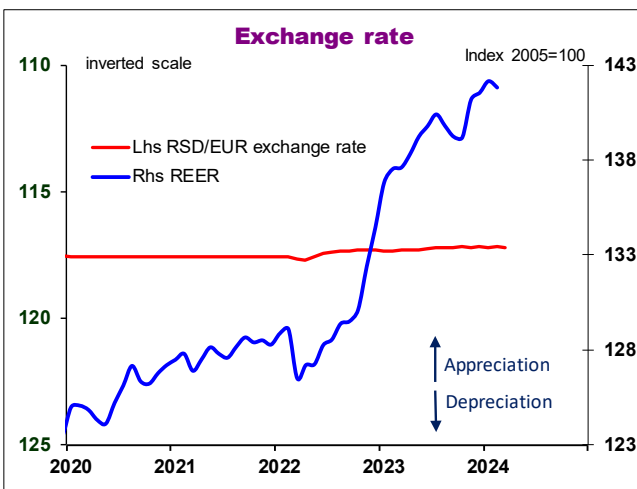
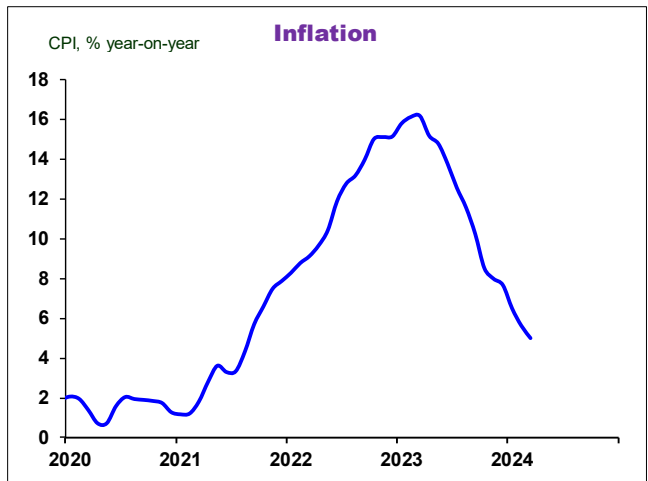
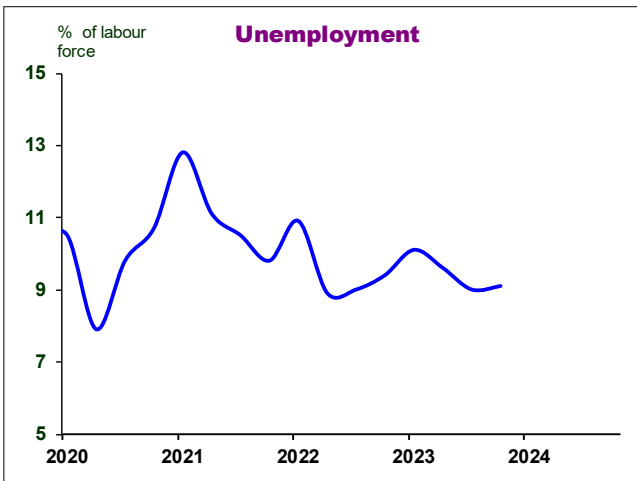
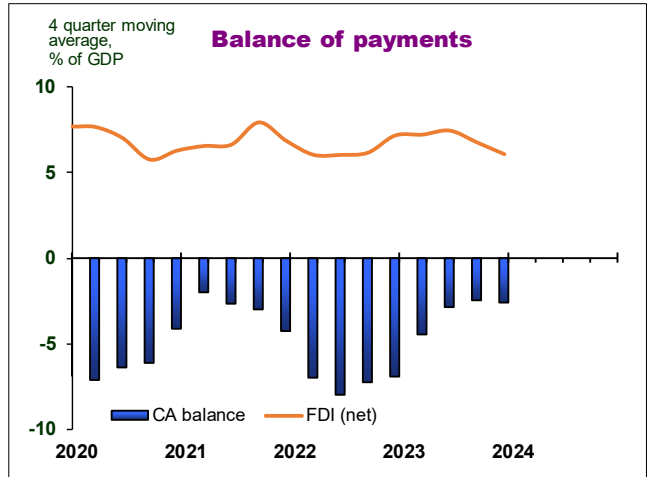
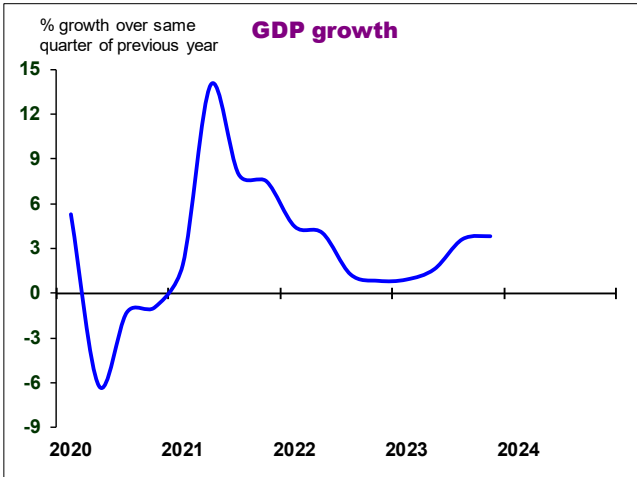
**** From Q1-2022, the Labour Force Survey is based on the results of the 2022 population census, restricting comparability with pre-year data.

CHARTS

European Commission, ECFIN-D-1



SERBIA



TÜRKIYE



Key developments

The ruling coalition lost ground in the local elections held on 31 March, while the incumbent mayors from the opposition kept their seats in the two biggest metropolises of Ankara and Istanbul.

On 15 January, the government submitted to the European Commission its Economic Reform Programme (ERP) for 2024-2026, which projects real GDP growth to slow to 4.0% in 2024, before rebounding to 5.0% in 2026 as domestic demand growth cools down to more sustainable levels. The projected economic rebalancing is expected to be helped by the ongoing policy normalisation that saw a very substantial monetary tightening as well as by a planned expenditure-based fiscal consolidation in the medium term. The ERP expects the budget balance to improve significantly (by 4 percentage points between 2023 and 2026) and to reach a surplus of 1.2% of GDP by 2026, while government debt is set to hover at or below 35% of GDP in 2024-2026.

Moody's (in January) and Fitch (in March) have both increased from 'stable' to 'positive' Türkiye's sovereign credit rating outlook in foreign currency and in lira, quoting increased confidence in economic policies and reduced vulnerabilities.

Real sector

Real GDP increased by 4.5% in 2023, down from 5.5% a year before. In Q4-2023, economic growth remained robust at 4.0% y-o-y and 1.0% q-o-q, despite a slowdown in domestic demand. Household consumption growth decelerated to single digits (9.3% y-o-y) for the first time in two years but remained strong compared to the previous quarter (+3.6%) despite tighter economic policies. Demand for durable consumer goods remained very strong (+20.1% y-o-y), while demand for services (+4.6% y-o-y) and semi-durable goods (+5.9% y-o-y) was more subdued. Government consumption growth weakened markedly in annual terms (1.7%) and fell by 4.3% compared to Q3. Gross fixed capital formation growth softened to 10.7% y-o-y, with continuously strong investment in machinery and equipment (14.0% y-o-y). However, stockbuilding's contribution to GDP growth turned negative (-3.8 pps). Exports growth was marginal (0.2% y-o-y) and the net exports' contribution to output growth also remained negative (-1.0 pps)

in Q4, despite the strong deceleration in imports growth (2.7% y-o-y and -3.9% q-o-q). On the supply side, the weak performance of agriculture continued (0.5% y-o-y) and growth slowed in industry (1.9% y-o-y) and services (2.2% y-o-y). Economic activity became more vibrant only in construction (10.8% y-o-y).

High frequency indicators point to still strong economic activity. Economic confidence increased to 100 in March (99.5 on average in Q1), driven mainly by improving consumer and service sector confidence. However, real sector confidence declined somewhat (102.8 in Q1), while in retail trade it remained largely unchanged (114.5). After a strong performance in December, trade sales declined in January (-2.8% m-o-m), as wholesale trade weakened, before expanding again in February (2.3% m-o-m). Industrial production (seasonally and calendar adjusted) rebounded in the last couple of months, increasing strongly in February (3.2% m-o-m). The manufacturing PMI increased to 49.8 in Q1, skirting the threshold indicating expansion. The seasonally adjusted capacity utilisation rate in manufacturing declined somewhat to 76.9 in Q1.

Labour market

The labour market situation remained broadly favourable in the beginning of the year. In January and February, the participation rate (seasonally adjusted, 15 years and over) stood at 54.0% (53.3% in Q4-2023). The employment rate increased to 49.3% in February (48.6% in Q4). The unemployment rate inched up to 9.0% in January (8.8% in Q4) but fell again in February to 8.7%. Total employment (seasonally adjusted) continued increasing. In Q4-2023, it went up by 1.8% y-o-y, with significant gains in construction (7.5% y-o-y) and services (3.7% y-o-y), while employment declined in industry (-1.5% y-o-y) and agriculture (-3.4% y-o-y). Indicating some cooling of the labour market, labour underutilisation (including unemployment, time-related underemployment, and the potential labour force) increased strongly to 26.5% in January (up 5.1 pps from its low in October 2023), mostly due to higher time-related underemployment, and remained elevated in February (24.5%). The seasonally and calendar-adjusted hourly labour cost index grew by 111.0% y-o-y (16.6% q-o-q) in Q4, 48.3 pps above the rate of inflation.

External sector

The current account deficit narrowed to 4.2% of GDP (USD 45.5 billion) in 2023, down from 5.5% in 2022. The merchandise trade deficit declined in the second half of the year, as terms of trade improved and domestic demand weakened, and stood at 7.9% of GDP in 2023, compared to 10.0% of GDP a year before. Despite higher growth in export of goods (2.6% y-o-y) in Q4, overall exports fell by 1.0% in 2023. The fall in imports continued in Q4 (-6.6% y-o-y), bringing the total decline in imports to 1.5% in 2023. Lower imports of non-monetary gold, likely reflecting improved confidence, and lower international energy prices were the main factors behind the declining import bill and current account deficit in 2023. The current account deficit fell further in January-February 2024 (the 12-month cumulative current account deficit stood at USD 31.8 billion), as exports growth firmed up and imports fell. Financial account inflows remained sizable, contributing to a further increase (USD 8.9 billion) in reserve assets in Q4. However, higher FX demand in the period before the local elections at end-March 2024 put pressure on the lira and the central bank's foreign exchange reserves declined from USD 141 billion at end-2023 to USD 123 billion at the end of Q1-2024.

Monetary developments

Monthly inflation accelerated in the beginning of the year which, coupled with strong base effects, pushed annual inflation up to 68.5% y-o-y in March. Food inflation, in particular of unprocessed food, remained elevated in Q1, while energy inflation, although crawling up, was below the headline rate. Service price inflation, however, increased strongly to 96.5% y-o-y in March. Producer prices also increased but at a slower pace and remaining far below consumer inflation (reaching 51.5% y-o-y in March) as electricity, gas, and steam prices (-18.9% y-o-y) continued to exert a deflationary pressure.

Quoting the stickiness of service inflation, inflation expectations, and high food prices, the central bank tightened further its policy, increasing its key policy rate in two steps from 42.5% in December to 50% in March. The bank has also widened the corridor for overnight borrowing and lending rates from 150 to 300 basis points below and above the policy rate. It signalled readiness to further tighten the monetary policy stance in case of a significant and persistent deterioration in inflation outlook. The central bank took additional measures to simplify its macroprudential framework by terminating the securities maintenance

requirement based on loan growth and continued to tighten credit by lowering the monthly growth limit on lira commercial and general-purpose loans. The costs of the FX-protected deposits scheme and of the policy normalisation (increased interest rates and sterilisation of excess lira liquidity) have been significant and materially worsened the central bank's financial result in 2023 when it recorded an exceptionally high loss of TRY 818.2 billion.

The pressure on the lira increased before the local elections and it depreciated by 9.7% against the US dollar in Q1. However, both the CPI- and PPI-based real effective exchange rates remained broadly stable since the beginning of the year. Türkiye's 5-year sovereign risk premium remained broadly stable since the beginning of the year, hovering around 300 bps.

Financial sector

The banking sector's capital adequacy ratio was 19.1% at the end of 2023 (16.8% for state banks). The ratio of non-performing loans to total loans was 1.55% in February (1.04% in state banks) – broadly stable since mid-2023. The share of lira deposits has been largely unchanged since the beginning of 2024 and was 41.5% in end-March, while there was a 3 pps. fall in FX-protected deposits to 14.7% over the same period.

Fiscal developments

The 2023 central government budget deficit (TRY 1.4 trillion) was 5.2% of GDP, 1.2 pps. lower than the revised target. However, it was much higher than both its level in 2022 (when it was only 1.0% of GDP) and the original budget target (3.5% of GDP) because of large earthquake-related costs (3.7% of GDP) and pre-election spending on higher salaries and pensions in 2023. Nevertheless, more than half of the recorded earthquake-related expenditure has not been spent and was booked under deferred payments. Total revenue increased by 86% y-o-y (to 19.5% of GDP). Both direct (75% y-o-y) and indirect (101% y-o-y) tax revenue went up, boosted by high inflation and tax hikes adopted in the summer of 2023. Total expenditure increased by 125% y-o-y (to 24.7% of GDP), with large increases of spending on employees, capital expenditure and transfers.

In 2023, the government debt ratio declined slightly in comparison to the previous year to 29.5% of GDP, helped by the strong denominator effect from the very high inflation. However, net government debt increased to 21.2% of GDP from 16.8% in 2022, as falling net assets of the central bank drove total public sector net assets down to their lowest level in decades.

TABLE



TÜRKİYE

European Commission, ECFIN-D-1

		2019	2020	2021	2022	2023	ECFIN 2023 Autumn forecast		Q3 23	Q4 23	Q1 24	Jan 24	Feb 24	Mar 24
							2024	2025						
1 Real sector														
Industrial confidence ^{1.1}	Balance	-3.8	-4.1	5.6	-0.4	-0.7	:	:	-1.0	-1.2	-1.5	-0.7	-2.2	-1.6
Industrial production ^{1.2}	Ann. % ch	-0.6	1.4	19.0	4.7	1.6	:	:	5.6	2.3	:	1.3	11.5	:
Gross domestic product ^{1.3}	Ann. % ch	0.8	1.9	11.4	5.5	4.5	3.5	4.0	6.1	4.0	:	N.A.	N.A.	N.A.
Private consumption ^{1.4}	Ann. % ch	1.5	3.2	15.4	19.0	12.8	3.0	3.0	11.1	9.3	:	N.A.	N.A.	N.A.
Gross fixed capital formation ^{1.5}	Ann. % ch	-12.5	7.3	7.2	1.3	8.9	2.8	3.6	14.8	10.7	:	N.A.	N.A.	N.A.
Construction index ^{1.6}	Ann. % ch	-7.1	5.6	39.0	107.1	98.5	:	:	102.1	92.5	:	102.2	104.0	:
Retail sales ^{1.7}	Ann. % ch	-0.2	4.8	15.5	12.8	24.2	:	:	22.2	14.8	:	13.7	25.1	:
2 Labour market														
Unemployment ^{2.1}	%	13.7	13.1	12.0	10.5	9.4	10.2	9.8	9.3	8.6	:	9.8	9.2	:
Employment ^{2.2}	Ann. % ch	-2.3	-4.8	7.9	6.7	2.9	2.4	2.7	2.8	1.5	:	1.5	4.9	:
Wages ^{2.3}	Ann. % ch	26.2	18.0	19.3	73.2	106.0	59.6	29.1	96.1	107.5	:	:	:	:
3 External sector														
Exports of goods ^{3.1}	Ann. % ch	2.1	-6.2	32.8	12.9	0.5	:	:	2.1	3.9	:	3.5	13.6	:
Imports of goods ^{3.2}	Ann. % ch	-9.0	4.4	23.6	34.0	-0.5	:	:	-4.2	-5.5	:	-22.1	-9.2	:
Trade in goods balance ^{3.3}	% of GDP	-2.2	-5.3	-3.6	-10.0	-8.0	-7.1	-6.0	-9.0	-8.0	:	N.A.	N.A.	N.A.
Exports goods and services ^{3.4}	% of GDP	32.8	28.9	35.1	38.3	32.1	:	:	33.0	32.1	:	N.A.	N.A.	N.A.
Imports goods and services ^{3.5}	% of GDP	30.0	32.1	34.8	42.8	35.3	:	:	37.0	35.3	:	N.A.	N.A.	N.A.
Current account balance ^{3.6}	% of GDP	1.4	-4.5	-0.9	-5.5	-4.2	-2.9	-2.7	-4.9	-4.2	:	N.A.	N.A.	N.A.
Direct investment (FDI, net) ^{3.7}	% of GDP	0.9	0.6	0.8	1.0	0.4	:	:	0.5	0.4	:	N.A.	N.A.	N.A.
International reserves ^{3.8}	bn EUR	105.7	93.6	111.2	128.7	140.9	:	:	122.2	140.9	:	133.9	128.5	:
Int. reserves / months Imp ^{3.9}	Ratio	5.6	4.9	4.7	4.0	4.4	:	:	3.8	4.4	:	4.2	4.1	:
4 Monetary developments														
CPI ^{4.1}	Ann. % ch	15.2	12.3	19.6	72.3	53.9	53.6	22.9	56.2	62.7	66.8	64.9	67.1	68.5
Producer prices ^{4.2}	Ann. % ch	17.6	12.2	43.9	128.5	49.9	:	:	47.1	42.0	47.7	44.2	47.3	51.5
Food prices ^{4.3}	Ann. % ch	19.5	13.8	24.3	85.6	65.8	:	:	69.6	70.4	70.4	69.7	71.1	70.4
M3 ^{4.4}	Ann. % ch	29.5	32.8	51.1	64.1	65.3	:	:	66.0	65.3	60.7	63.0	62.7	61.7
Exchange rate TRY/EUR ^{4.5}	Value	6.35	8.03	10.45	17.38	25.73	:	:	29.19	30.69	33.60	32.79	33.21	34.80
Real effective exchange rate ^{4.6}	Index	83.8	75.1	67.4	60.7	62.1	:	:	58.4	62.1	64.7	63.9	65.3	64.8
5 Financial indicators														
Interest rate (TLREF) ^{5.1}	% p.a.	20.53	10.85	17.88	13.16	18.80	:	:	20.40	35.68	45.39	42.42	45.55	48.20
Interest rate, long term ^{5.2}	% p.a.	15.76	12.75	17.61	17.61	17.92	:	:	20.77	27.03	25.85	26.25	25.69	25.61
Stock markets ^{5.3}	Index	993	1,133	1,510	2,979	6,340	:	:	7,404	7,861	8,674	7,962	9,089	8,970
Credit growth ^{5.4}	Ann. % ch	6.4	28.4	22.7	56.0	55.7	:	:	57.3	54.9	52.6	52.8	52.2	52.8
Deposit growth ^{5.5}	Ann. % ch	18.3	36.4	28.0	78.3	65.4	:	:	67.1	64.5	60.7	64.3	60.3	57.6
Non-performing loans ^{5.6}	% total	5.4	4.1	3.1	2.1	1.6	:	:	1.5	1.6	:	1.6	:	:
6 Fiscal developments														
General government revenue** ^{6.1}	% of GDP	29.8	29.6	28.0	25.3	:	:	:	18.5	:	:	N.A.	N.A.	N.A.
General government expenditure** ^{6.2}	% of GDP	32.9	32.5	30.3	26.4	:	:	:	20.1	:	:	N.A.	N.A.	N.A.
General government balance** ^{6.1}	% of GDP	-3.2	-2.9	-2.3	-1.1	:	-6.0	-3.5	-1.6	:	:	N.A.	N.A.	N.A.
General government debt*** ^{6.2}	% of GDP	32.4	39.4	40.4	30.8	29.5	33.0	32.8	30.5	29.5	:	N.A.	N.A.	N.A.

f: ECFIN forecast Autumn 2023 published November 2023

* Q figures refer to a 4 quarters moving average.

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

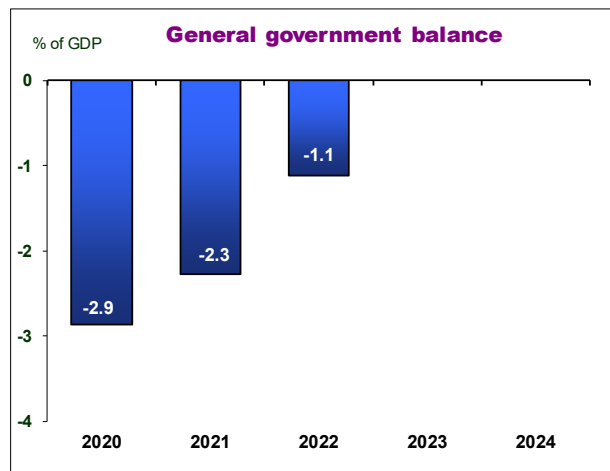
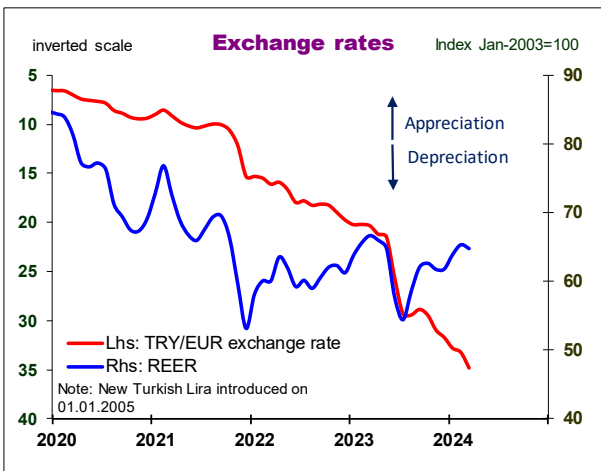
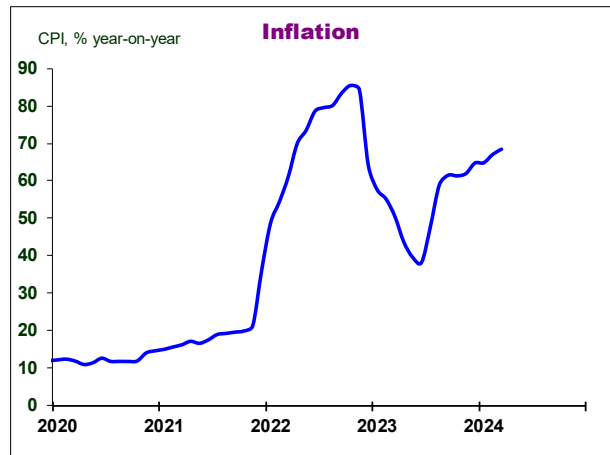
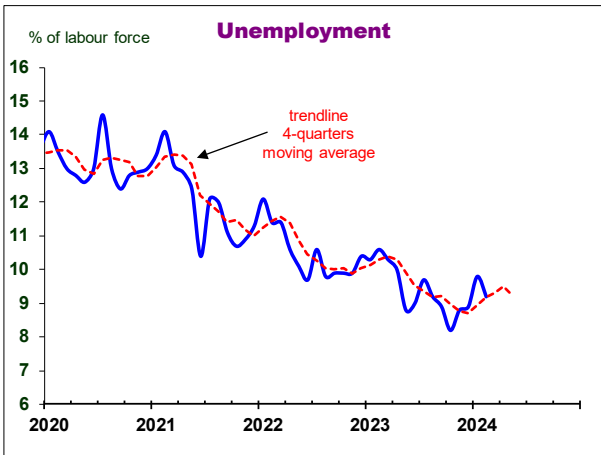
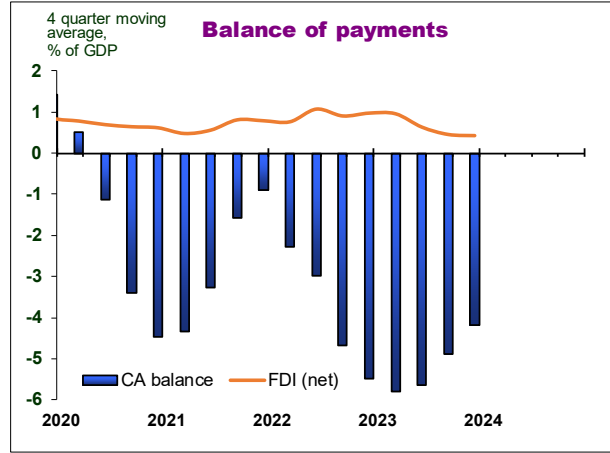
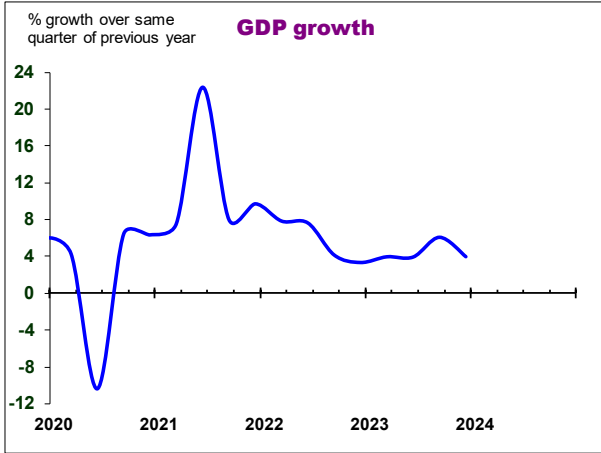
*** Q figures in percent of GDP on a four quarter moving basis.

CHARTS

European Commission, ECFIN-D-1



TÜRKIYE





Key developments

On 15 January, Kosovo submitted its Economic Reform Programme (ERP) to the Commission, covering 2024-2026. While acknowledging downside risks stemming from the evolution of global energy and food prices and growth in the main trading partners, the ERP's baseline macroeconomic scenario projects an annual average GDP growth of 4.6% over the programme period, mainly driven by a robust increase in investment. The ERP plans a strong fiscal impulse in 2024 while ensuring compliance with the 2% of GDP deficit ceiling as per the fiscal rule definition in 2024-2026.

Following a staff visit to Pristina from 18 to 27 March, in the context of the second reviews of Kosovo's Stand-By Arrangement and Resilience and Sustainability Facility Arrangement, the IMF underlined that despite a challenging external environment, Kosovo's economy has continued to perform well with a notable decline in inflation, a sound banking system and a prudent fiscal stance. However, commodity price spikes due to global geopolitical tensions, weaker economic activity in advanced European economies, and tensions in northern Kosovo are risks to the outlook.

On 19 April, Kosovo obtained for the first time a sovereign credit rating from Fitch Ratings. The latter assigned Kosovo a Long-Term Foreign-Currency Issuer Default Rating of 'BB-', with a stable outlook.

Real sector

In the Q4-2023, real GDP grew by nearly 4% y-o-y on the back of household consumption and capital investment, which increased by 9.7% and 2.5% y-o-y, respectively. The external sector had a negative contribution to growth as imports increased at a faster pace (10.8% y-o-y) than exports (6.6%), mainly driven by a surge in imports of services (26.1% y-o-y). Public consumption also subtracted from growth as it fell by almost 2% y-o-y.

On the production side, the largest gains in output in Q4 took place in public administration and defence (6.9% y-o-y), in professional, scientific and technical activities (5.1%) as well as in the arts, entertainment and recreation sector (4.8% y-o-y).

Annual GDP growth in 2023 is estimated at 3.3%, down from a revised 4.3% in 2022. The key factor behind the economic slowdown was the negative contribution of net exports to growth (-1.8 pps), mainly due to a notable deceleration in real exports growth (6.3% y-o-y). GDP growth was driven by a pick-up in private consumption growth (4.3% y-o-y) on the back of rising real wages, higher bank lending as well as a slight increase in net inflows of remittances as a share of GDP. Further support came from the recovery of gross fixed capital formation (3% y-o-y), reflecting a strong increase in public investment as well as from the acceleration in public consumption growth (2.3%), largely due to higher public-sector wages.

Labour market

The results of the labour force survey continue to be published with large delays. In line with the robust economic activity, the employment rate increased to 34.9% in the Q1-2023, from 32.2% one year earlier, while the unemployment rate (15-64 years) declined notably, to 11.5% from 16.6%, and despite the increase in the labour force participation rate to 39.5% from 38.6% in the same period. The gap between male and female employment rates (51.5% and 18.5%, respectively in Q1-2023) widened. The share of young people (aged 15-24) not in employment, education or training (NEET) slightly increased to 32.6%, in the first three months of 2023 from 32.2% in the same period a year before.

External sector

The current account deficit narrowed significantly to 7.6% of GDP in 2023 from 10.3% in 2022. The key factors were the continued rebound of services exports, combined with the energy-balance-driven decline in the merchandise trade deficit, which resulted in a decrease in the overall trade deficit to 30.8% of GDP from 32.8% a year before. The primary income surplus widened to 1.9% of GDP in 2023 from 1.3% in 2022, while remittances slightly increased to 13.9% of GDP from 13.7% one year earlier. Further unofficial remittances were reflected in large errors and omissions (2.9% of GDP) in 2023. On the financing side, net FDI inflows grew by 0.5 pps to 6.8% of GDP in 2023, covering most (89%) of the current account deficit. Official reserve assets,

expressed in months of imports covered, continued to decline to 2.0 in 2023 from 2.2 a year before.

In the first two months of 2024, the value of total goods exports fell by 3.5% y-o-y, largely due to the decline in exports of plastic and rubber articles and mineral products. In the same period, imports of goods increased notably by almost 14% y-o-y, mainly on the back of higher imports of prepared foodstuffs, beverages and tobacco as well as base metals. The overall merchandise trade deficit widened by around 18% y-o-y in January-February.

Monetary developments

Consumer price inflation slowed significantly in the course of 2023, averaging 4.9% for the year as a whole, markedly lower than the 11.6% rate registered in 2022. The key driver was lower global commodity prices. Inflation slowed further to 2.1% y-o-y in the Q1-2024, mainly due to decelerating food prices.

Import prices rose by 4.2% on average in 2023, mainly driven by higher prices for vegetable products, textile as well as paper and articles thereof. For the same period, the construction cost index grew only by 0.6% on average, as price increases in machinery and other costs were mitigated by the strong decline in energy prices. The producer price index declined by an average of 3.1% in 2023, compared to an increase of 9.3% in 2022, largely due to falling prices for electricity, gas, steam and air conditioning supply (-22% y-o-y).

Financial sector

Bank loan growth decelerated to an average of 14.1% in 2023 from 17.4% in the previous year, largely due to slower growth in credit to businesses, reflecting tighter financing conditions. Deposits' average growth picked-up to nearly 14% from 10.8% in 2022. In January-February 2024, credit growth decelerated to 13% y-o-y on average, while deposits grew at a much slower pace of 8%. The interest rate spread decreased marginally to 3.5 pps. in February from 3.6 pps in January.

Financial soundness indicators remained satisfactory. At the end of 2023, the loan-to-deposit ratio and the non-performing loan (NPL) ratio stood at 80.2% and 2%, respectively. The NPL ratio remained unchanged in February, and existing NPLs were fully covered by loan loss provisions (143.3%).

Bank profitability has slightly declined, with the average return-on-equity ratio falling to 19.7% in 2023 from 20.6% in 2022. For the banking system as a whole, the ratio of liquid assets to short-term liabilities stood at 32.6% in February and the capital adequacy ratio was at 16.6%, both standing well above the regulatory minima of 25% and 12%, respectively.

Fiscal developments

Fiscal developments in 2023 were marked by robust revenue growth and an under-execution of capital spending. Budget revenue increased by 14.5% in 2023, partly due to improved tax compliance, with income from direct and indirect taxes growing by 18.5% and 11% y-o-y, respectively. However, this outcome fell short of the planned revenue increase of 15.7%, set in the revised 2023 budget. Budget expenditure increased by 13.3% in 2023. The largest increase took place in capital spending, which rose significantly by 32% y-o-y, however, only reaching around 68% of the revised budget allocation. Roughly in line with the budget plan, current expenditure grew by 9.3% y-o-y, mainly on the back of increased spending on goods and services (18%) and wages (17.5%), whereas transfers and subsidies grew by only 1.3% y-o-y, reflecting the gradual withdrawal of support related to the energy crisis.

Overall, the headline fiscal deficit fell to 0.2% of GDP in 2023 from 0.5% in the previous year and significantly undershot the target of 3.6% set in the revised 2023 budget. According to the definition of the fiscal rule, which excludes investments financed by international financial institutions, the budget surplus increased to 0.5% of GDP from 0.2% in 2022. The government's cash reserve decreased to 2.4% of GDP, from 3.2% in 2022.

In the first two months of 2024, budget revenue and spending rose by 18.1% and 13.7% y-o-y, respectively.

At end-2023, the debt-to-GDP ratio fell to 17.2%, from 20.7% one year earlier. Domestic debt, which is held by a narrow investor base, decreased significantly by almost 13% in 2023. The share of domestic debt held by the Kosovo Pension Saving Trust (KPST) and commercial banks decreased to 46% and 24%, respectively, compared to 49% and 25% in 2022. The Central Bank of Kosovo holds a further 22% of domestic debt. Foreign debt grew by around 8% in 2023, on the back of financing provided by international donors.

TABLE

European Commission, ECFIN-D-1



KOSOVO

		2019	2020	2021	2022	2023	Q3 23	Q4 23	Q1 24	Jan 24	Feb 24	Mar 24
1 Real sector												
Industrial confidence ^{1.1}	Balance	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Industrial production ^{1.2}	Ann. % ch	2.6	-1.2	19.3	0.3	:	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Gross domestic product ^{1.3}	Ann. % ch	4.8	-5.3	10.7	4.3	3.3	3.1	4.0	:	N.A.	N.A.	N.A.
Private consumption ^{1.4}	Ann. % ch	5.6	2.5	7.3	3.4	4.3	1.2	9.7	:	N.A.	N.A.	N.A.
Gross fixed capital formation ^{1.5}	Ann. % ch	2.9	-7.6	13.0	-3.2	3.0	3.6	:	:	N.A.	N.A.	N.A.
Construction index ^{1.6}	Ann. % ch	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Retail sales ^{1.7}	Ann. % ch	25.6	-0.4	11.0	:	9.1	3.0	:	:	N.A.	N.A.	N.A.
2 Labour market												
Unemployment ^{2.1}	%	25.7	25.9	20.7	12.6	:	:	:	:	N.A.	N.A.	N.A.
Employment ^{2.2}	Ann. % ch	5.2	-4.4	10.4	5.4	:	:	:	:	N.A.	N.A.	N.A.
Wages ^{2.3}	Ann. % ch	5.3	-2.3	3.9	7.6	:	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
3 External sector												
Exports of goods ^{3.1}	Ann. % ch	4.4	23.8	57.8	22.8	-6.2	-10.6	-4.3	:	-3.0	-3.9	:
Imports of goods ^{3.2}	Ann. % ch	4.5	-5.7	41.1	21.2	4.8	3.6	12.0	:	7.4	19.7	:
Trade in goods balance* ^{3.3}	% of GDP	-40.3	-38.0	-44.8	-48.2	-47.6	-47.1	-47.6	:	N.A.	N.A.	N.A.
Exports goods and services* ^{3.4}	% of GDP	29.3	21.7	33.4	38.6	39.7	40.0	39.7	:	N.A.	N.A.	N.A.
Imports goods and services* ^{3.5}	% of GDP	56.4	53.9	65.2	71.4	70.5	70.0	70.5	:	N.A.	N.A.	N.A.
Current account balance* ^{3.6}	% of GDP	-5.7	-7.0	-8.7	-10.2	-7.6	-7.7	-7.6	:	N.A.	N.A.	N.A.
Direct investment (FDI, inflow)* ^{3.7}	% of GDP	2.7	4.2	4.0	6.3	6.8	5.6	6.8	:	N.A.	N.A.	N.A.
International reserves ^{3.8}	mn EUR	863.7	900.6	1,100.3	1,175.8	1,131.1	1,374.6	1,131.1	1,160.8	1,188.4	1,177.4	1,160.8
Int. reserves / months imp ^{3.9}	Ratio	2.6	3.0	2.5	2.2	2.0	2.5	2.0	:	2.1	:	:
4 Monetary developments												
HICP ^{4.1}	Ann. % ch	2.7	0.2	3.3	11.6	4.9	3.2	2.8	2.1	1.8	2.2	2.4
Producer prices ^{4.2}	Ann. % ch	0.9	-0.6	4.9	9.3	-3.1	-12.6	2.7	:	N.A.	N.A.	N.A.
Food prices ^{4.3}	Ann. % ch	8.3	10.1	12.7	31.2	42.1	5.6	3.4	1.8	2.4	1.5	1.5
Broad money liabilities ^{4.4}	Ann. % ch	12.0	15.3	12.1	11.3	10.7	7.7	10.7	:	6.6	4.9	:
Exchange rate EUR/EUR ^{4.5}	Value	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Real effective exchange rate (CPI) ^{4.6}	Index	107.1	107.3	109.8	115.7	117.4	117.6	118.0	:	119.0	119.7	:
5 Financial indicators												
Short-Term interest rate ^{5.1}	% p.a.	0.54	N.A.	0.61	N.A.	N.A.	N.A.	N.A.	:	:	:	:
Bond yield ^{5.2}	% p.a.	3.39	3.59	3.48	3.42	3.58	N.A.	N.A.	:	:	:	:
Stock markets ^{5.3}	Index	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Credit growth ^{5.4}	Ann. % ch	10.7	7.7	11.2	17.4	14.1	13.5	13.2	:	12.9	13.1	:
Deposit growth ^{5.5}	Ann. % ch	12.6	12.2	13.8	10.8	13.9	12.3	10.7	:	8.0	7.9	:
Non-performing loans ^{5.6}	% total	2.0	2.7	2.3	2.0	2.0	2.0	2.0	:	2.0	2.0	:
6 Fiscal developments												
General government revenue** ^{6.1}	% of GDP	26.8	25.4	27.7	28.0	29.6	21.3	29.6	:	N.A.	N.A.	N.A.
General government expenditure** ^{6.1}	% of GDP	29.7	33.0	28.9	28.6	29.8	19.3	29.8	:	N.A.	N.A.	N.A.
General government balance** ^{6.1}	% of GDP	-2.9	-7.6	-1.2	-0.5	-0.2	2.0	-0.2	:	N.A.	N.A.	:
General government debt*** ^{6.2}	% of GDP	17.6	22.4	21.5	20.7	17.2	16.8	17.2	:	N.A.	N.A.	N.A.

* Q figures refer to a 4 quarters moving average.

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

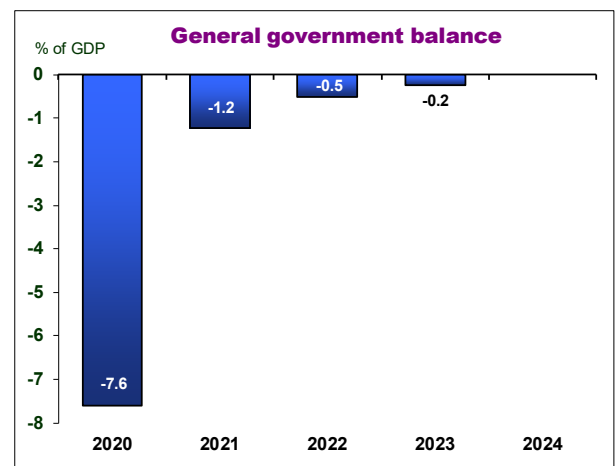
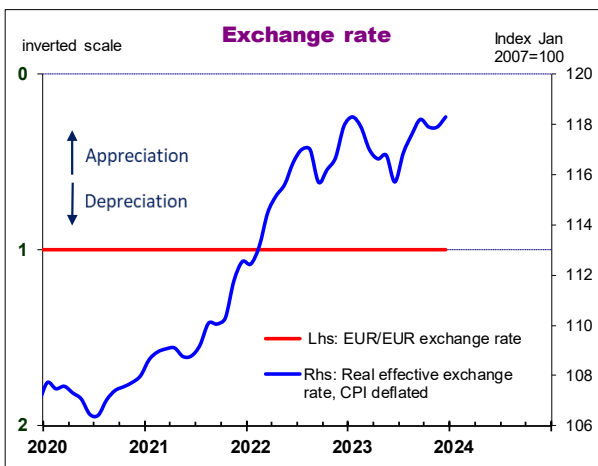
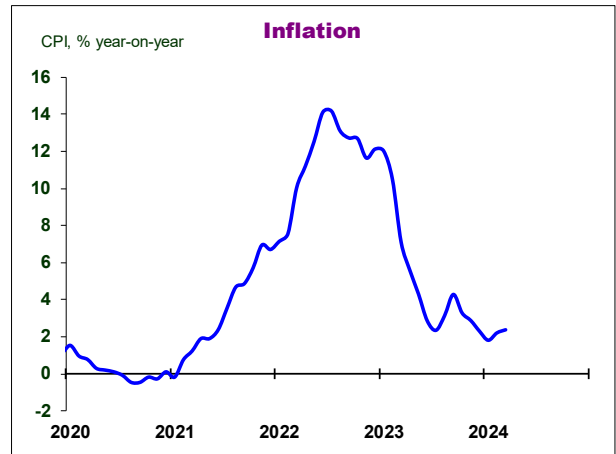
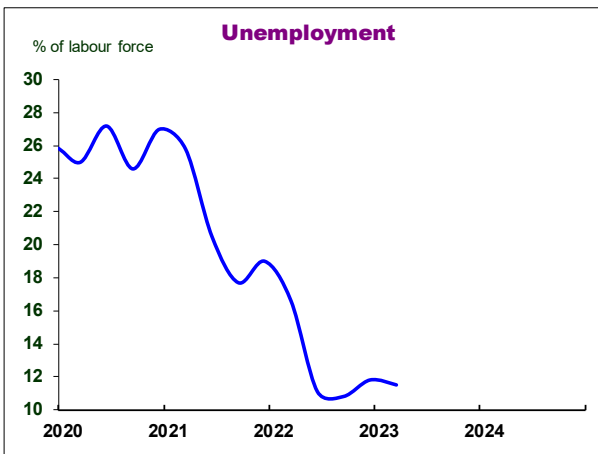
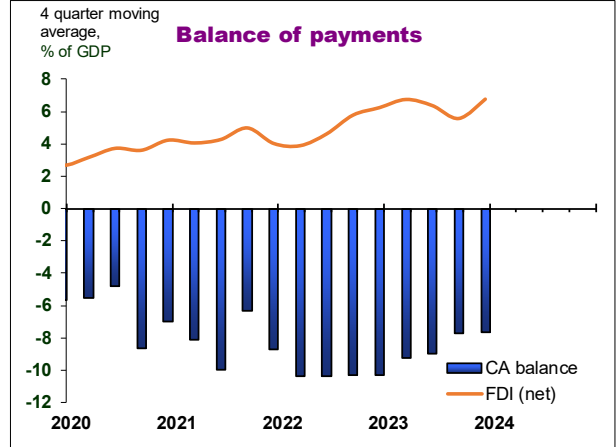
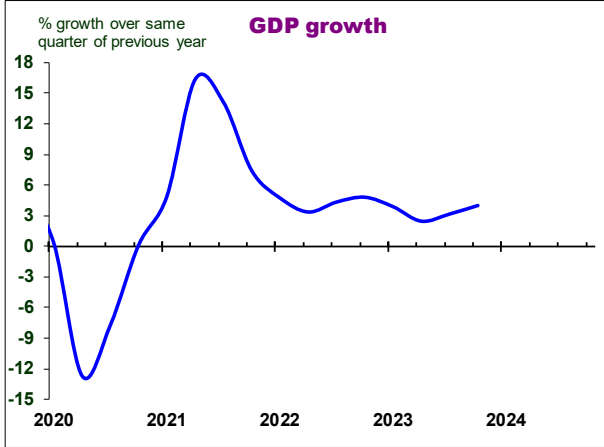
*** Q figures in percent of estimated annual GDP from the Budget Law.

CHARTS

European Commission, ECFIN-D-1



KOSOVO





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

² Data extracted via IHS Markit.

BOSNIA AND HERZEGOVINA Explanatory notes



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



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

NORTH MACEDONIA Explanatory notes



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



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



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



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

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