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

Western Balkans & Turkey

2<sup>nd</sup> Quarter 2022

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European Commission  
Directorate-General for Economic and Financial Affairs

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

2<sup>nd</sup> Quarter 2022

Western Balkans & Turkey

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

*The economic rebound in the **Western Balkan** region lost some speed in the first quarter of 2022 but remained buoyant nonetheless, with the region's GDP expanding by 4.7% y-o-y, compared to 6.3% in the preceding quarter. The deceleration was largely driven by a slowdown in Serbia and in Bosnia and Herzegovina. Annual output growth continued benefitting from solid domestic and external demand on the back of the gradual lifting of COVID-19-related containment measures as well as base effects in some countries. Job creation continued albeit at a slower pace than in the previous three months, and unemployment rates declined while labour force participation increased in most countries. The region's current account deficit stood at 6.5% of GDP in the four quarters to March, the highest level since the third quarter of 2020, as the increase in merchandise trade deficits outweighed the strong rebound of services exports and higher remittances inflows. The continued economic recovery and high inflation supported the growth of budget revenues and fiscal deficits narrowed across the Western Balkans in the first quarter of 2022, while the public debt-to-GDP ratio decreased in most countries compared to end-2021. Russia's invasion of Ukraine in February is expected to have a negative impact on the Western Balkan economies through various transmission channels. In particular, strong increases in energy, food and transport prices are fuelling a further acceleration in inflation, which prompted the region's central banks with monetary autonomy to raise further the key policy rate.*

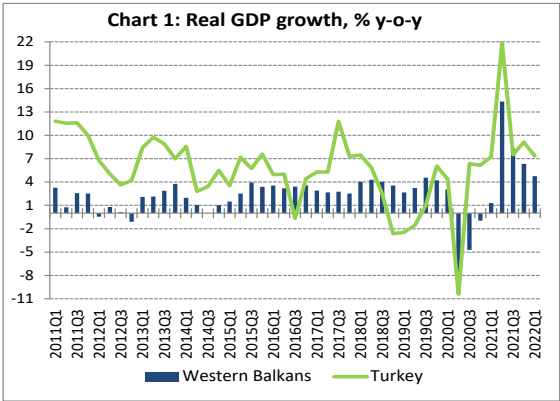
*In **Turkey**, although losing some steam, the economy expanded by 7.3% y-o-y, propped up by base effects and supported by buoyant domestic and external demand. The 4-quarter rolling average current account deficit increased to 3.2% of GDP in April compared to 1.7% in 2021. Despite very high inflation exceeding 78% and surging inflation expectations, the central bank has kept its policy rate unchanged at 14% since December 2021. Exacerbated by Russia's invasion of Ukraine, the lira had lost a third of its value against the US dollar since the beginning of the year in June.*

The rebound of the **Western Balkan** economies moderated in the first quarter of 2022, but it remained solid, underpinned by buoyant external and domestic demand. In *Serbia*, annual output growth eased to a still robust 4.4%, down from 7.0% in the previous quarter, as the sustained increase in household consumption, significantly higher inventories as well as more moderate investment and public consumption growth were partially offset by the strong negative contribution of net exports to growth. Also *Bosnia and Herzegovina* experienced some moderation. Real GDP growth softened to 5.5% from 7.5% in the previous three months, mainly due to weaker consumption. Nonetheless, household consumption, exports as well as soaring investment propelled by base effects continued to be the main growth drivers. In *Montenegro*, although the economic expansion lost some steam in the first quarter of 2022, real GDP rose by 7.2% y-o-y, supported by rebounding

tourism, and mainly driven by base effects as well as the strong increase in private consumption on the back of higher real disposable income. In *Kosovo*, real GDP growth slowed to 4.8% y-o-y from 6.3% in the preceding quarter, mainly due to a contraction in public consumption and a continued large increase in imports amid stronger private consumption growth and buoyant exports. In *Albania*, the rebound of economic activity continued in the first quarter of 2022 with real GDP expanding by 6% y-o-y after a growth rate of 5.5% in the previous quarter. The expansion was mainly on the back of strong investment growth and a solid increase in private consumption. In *North Macedonia*, economic growth accelerated marginally to 2.4% y-o-y compared to the previous three months. Growth was driven by domestic demand and in particular a surge in investment partly due to a base effect. Overall, the **Western Balkan** region's GDP increased by 4.7% in the first quarter of 2022,

down from an average growth rate of 6.3% in the previous three months (Chart 1).

In **Turkey**, although decelerating somewhat, the growth momentum remained buoyant in the first quarter of 2022 and real GDP rose by 7.3% y-o-y. Economic expansion was on the back of robust external demand and relatively solid domestic demand, the latter mainly driven by significant year-on-year private consumption growth due to base effects. However, following Russia’s invasion of Ukraine in February and the tightening of global financing conditions, the overall economic confidence index plunged since the beginning of the year to 93.6 in June while the manufacturing PMI fell below the neutral threshold of 50.0 points since March and decreased further to 48.1 in June.



Source: IHS DataInsight, Commission calculations

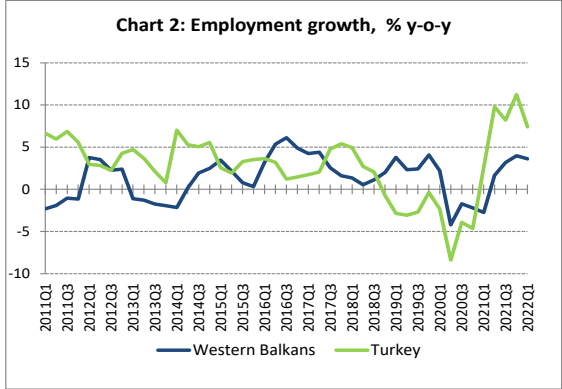
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In line with decelerating economic activity, the pace of job creation slowed down in the **Western Balkans** in the first quarter of 2022. The average rate of employment growth slightly fell to 3.6%<sup>1</sup>, from 4.0% in the preceding quarter (Chart 2). Employment gains led to a decrease in unemployment rates while labour force participation increased in most countries. Still, jobless rates remained high, ranging from 10.6% in *Serbia* to 25.8% in

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

*Kosovo* (the latter reflects the latest available data from the first quarter of 2021).

In **Turkey**, the economic rebound continued to support the return of the labour market to pre-pandemic levels in spring, albeit at a slow pace. The seasonally adjusted labour force participation and employment rates increased to 53.1% and 47.1%, respectively in April while the seasonally adjusted unemployment rate stagnated.

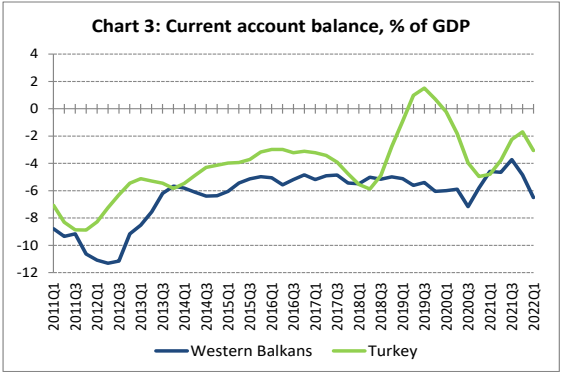


Source: IHS DataInsight, Commission calculations

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External developments in the **Western Balkans** during the first quarter of 2022 were driven by the strong recovery of services exports (namely tourism), the solid growth of remittances as well as the continued growth of exports of goods in most countries. At the same time, imports of goods also increased at a fast pace which led to higher merchandise trade deficits as a percentage of GDP, in most countries of the region. On balance, with the exception of *Albania*, annualised current account deficits widened or remained broadly unchanged in the **Western Balkan** countries, compared to the previous quarter. Overall, in the four quarters to March, the current account deficit in the region stood at 6.5% of GDP, the highest level since the third quarter of 2020, compared to 4.8% in 2021 (Chart 3). The deficits continued to be financed mostly by net FDI inflows, which increased as a percentage of GDP in *North Macedonia*, *Montenegro*, and *Kosovo* while they declined in *Serbia*, *Albania*, and *Bosnia and Herzegovina*.

In **Turkey**, the 12-month cumulative current account deficit widened to 3.2% of GDP in April from 1.7% in 2021 as the strong growth of imports, mainly due to increasing energy and other commodity prices, more than offset the robust performance of exports of goods and the continued recovery of the balance in trade in services. After inching up in April, official reserves further decreased in May and June due to the large trade deficit and the ongoing lira depreciation.



Source: IHS DataInsight, Commission calculations

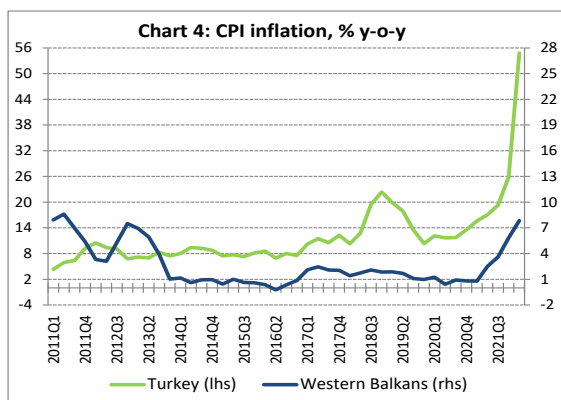
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The recovery in aggregate demand as well as strong increases in energy, food and transport prices fuelled further acceleration in inflation across the **Western Balkan** region in the first quarter of 2022 and beyond. Strengthening inflation dynamics triggered further monetary tightening in countries with an independent monetary policy. In **Serbia**, average annual consumer price inflation accelerated to 8.7% in the first quarter of 2022 and rose further to 9.6% and 10.4% y-o-y in April and May respectively, thus significantly exceeding the upper bound of the central bank’s target tolerance band of 3%±1.5 pps. for the ninth month in a row. The central bank of **Serbia** decided in June to increase its key policy rate by another 50 bps. to 2.5% after raising it to 1.5% and 2.0% in April and May, respectively. In **North Macedonia**, annual CPI inflation averaged 10% in the first half of 2022 up from 2.4% a year earlier. In June, the central bank raised the key policy rate by another 25 bps. to

2% after two successive increases of 25 bps. each, to 1.50% and 1.75% in April and May, respectively. In **Albania**, consumer price inflation accelerated to 6.8% y-o-y in the second quarter of 2022, up from 4.4% in the previous three months, thus well above the 3% inflation target. After lifting it by 50 bps. to 1.0% in March, the **Bank of Albania** kept the key policy rate unchanged until early July, when it was further increased by 25 bps. to 1.25%.

In **Montenegro, Bosnia and Herzegovina** and **Kosovo**, annual consumer price inflation accelerated to 6.8%, 8.4% and 8.2%, respectively, in the first quarter of 2022 while it continued its upward trajectory reaching 10.6%, 14.3% and 12.5% y-o-y, respectively in May. In all three countries, upward price pressures came from food and transport prices combined with utility prices in the case of **Montenegro**, energy in the case of **Kosovo** and non-alcoholic beverages in the case of **Bosnia and Herzegovina**. Overall, annual CPI inflation in the **Western Balkan** region averaged 7.8% in the first quarter of 2022 up from 0.8% a year earlier (Chart 4).

In **Turkey**, inflation surged to 78.6% y-o-y in June, the highest level in decades as food and energy inflation reached new highs, driven by rising global commodity prices and the weak lira. Despite soaring inflation and inflation expectations, the central bank has kept its policy rate unchanged at 14% since it had reduced it by a cumulative 500 bps. between September and December 2021. In June, authorities introduced measures limiting the access to lira loans of companies with a very large share of foreign exchange cash assets to halt further depreciation of the lira, which has lost a third of its value against the US dollar since the start of the year. The 5-year CDS spread reached its highest level in decades at 872 bps. in mid-June and remained elevated since then.



Source: IHS DataInsight, Commission calculations

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In the first quarter of 2022, annual credit growth decelerated, compared to the previous three months, in *Montenegro* whereas it picked-up in other *Western Balkan* countries. The continued recovery of economic activity and the continuation of some regulatory measures to support the flow of credit helped annual loan growth to accelerate further in most countries of the region in April and May 2022. For the same period, in most countries credit to households grew faster than corporate lending. The share of non-performing loans (NPLs) in total loans fell further in most *Western Balkan* countries. The NPL ratio in *Montenegro* stood at 6.2% in May. In *Bosnia and Herzegovina*, the NPL ratio fell to 5.4% in the first quarter of 2022, the same as in *Albania* (at 5.4% in April, 2.5 pps. lower than a year earlier), followed by *Serbia* (3.4% in the first quarter of 2022). Nevertheless, since most central banks have allowed some regulatory relaxation in order to bolster bank lending, the NPL figures might not yet reflect the full impact of the pandemic-induced crisis on the financial sector.

In *Turkey*, in May and June, the central bank established macro-prudential measures to contain lending by imposing a 10% reserve requirement (later increased to 20%), on the banks' and other financial institutions' lira-denominated commercial loans extended since April 2022 as well as a penalty for banks whose loan portfolio increased by more than 20% between the beginning of the year and

end-May. The NPL ratio further decreased to 2.6% in May from 3.7% a year earlier.

\*\*\*

In the first five months of 2022, the rebound in tax revenues due to increased economic activity and high inflation, supported the narrowing of fiscal deficits in the *Western Balkan* region. In *Montenegro*, the budget shortfall narrowed to 0.7% of GDP as the surge in revenue from VAT, excises and corporate income tax outpaced the significant increase in capital expenditure. In *North Macedonia*, the budget deficit fell to 1% of GDP as the solid increase in revenue from social contributions and taxes, in particular VAT receipts offset the strong growth of capital expenditure and the moderate rise in current spending. In *Serbia*, in January-May, the revenue increase was slightly higher than expenditure growth and the budget shortfall remained broadly stable compared to the same period a year earlier, at 0.9% of expected GDP. In *Albania*, year-on-year revenue growth significantly outpaced the marginal increase in expenditure, resulting in a cash surplus of 1.03% compared to a deficit target of 0.95% of GDP. In *Kosovo*, large increases in direct and indirect tax proceeds coupled with the strong decline in capital expenditure as well as a moderate fall in spending on wages, resulted in a small surplus of EUR 140 thousand, in the first four months of the year. The general government debt ratio decreased in most countries in the region in the first quarter of 2022, partly reflecting recovering nominal GDP. At the end of March, the debt ratio was the highest in *Albania* (82.7% of GDP), followed by *Montenegro* (76.6%), albeit significantly lower compared to end-2021, and *Serbia* (52.3% of GDP end-May).

In *Turkey*, in the first five months of 2022, the 100% y-o-y revenue growth due to much higher than expected inflation as well as significantly below-inflation increases in treasury aid and compensation of employees, resulted in a cumulative budget surplus of 1% of GDP. Government debt rose to 42.6% of GDP in the first quarter of 2022, compared to 42.0% at end-2021.



## Candidate and potential candidate countries: Summary table

	2017	2018	2019	2020	2021	ECFIN 2022 Spring forecast							
						2022	2023	Q4 21	Q1 22	Q2 22	Apr 22	May 22	Jun 22
<b>Gross domestic product</b> (in real terms, annual % change)													
Albania	3.8	4.0	2.1	-3.5	8.5	2.7	3.1	5.5	6.0	:	N.A.	N.A.	N.A.
North Macedonia	1.2	2.8	3.9	-6.1	4.2	3.0	3.1	2.3	2.4	:	N.A.	N.A.	N.A.
Montenegro	4.7	5.1	4.1	-15.3	12.4	3.8	3.4	8.2	7.2	:	N.A.	N.A.	N.A.
Serbia	2.1	4.5	4.3	-0.9	7.4	3.4	3.8	7.0	4.4	:	N.A.	N.A.	N.A.
Turkey	7.5	3.0	0.9	1.8	11.0	2.0	3.0	9.1	7.3	:	N.A.	N.A.	N.A.
Bosnia and Herzegovina	3.0	3.3	2.8	-3.2	6.9	:	:	7.2	5.5	:	N.A.	N.A.	N.A.
Kosovo	4.8	3.4	4.8	-5.3	10.5	:	:	6.4	4.9	:	N.A.	N.A.	N.A.
<b>Unemployment</b>													
Albania	14.1	12.8	12.0	12.2	12.1	11.5	10.8	11.9	11.7	:	N.A.	N.A.	N.A.
North Macedonia	22.6	21.0	17.5	16.6	15.8	15.3	15.2	15.3	14.9	:	N.A.	N.A.	N.A.
Montenegro	16.4	15.5	15.4	18.4	16.9	15.2	14.7	15.7	17.0	:	N.A.	N.A.	N.A.
Serbia	14.5	13.7	11.2	9.7	11.0	10.0	9.3	9.8	10.6	:	N.A.	N.A.	N.A.
Turkey	10.9	10.9	13.7	13.1	12.0	12.8	12.6	11.0	11.6	:	10.6	:	:
Bosnia and Herzegovina	20.5	18.4	15.7	15.9	17.4	:	:	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Kosovo	30.5	29.6	25.7	25.9	:	:	:	:	:	:	N.A.	N.A.	N.A.
<b>Current account balance*</b> (% of GDP)													
Albania	-7.5	-6.8	-7.9	-8.7	-7.9	-8.3	-7.9	-7.7	-7.0	:	N.A.	N.A.	N.A.
North Macedonia	-1.0	-0.1	-3.3	-3.4	-3.5	-4.1	-3.9	-3.5	-6.3	:	N.A.	N.A.	N.A.
Montenegro	-16.1	-17.0	-14.3	-26.1	-9.3	-12.1	-12.5	-9.3	-9.4	:	N.A.	N.A.	N.A.
Serbia	-5.2	-4.8	-6.9	-4.1	-4.4	-6.5	-6.4	-4.4	-6.9	:	N.A.	N.A.	N.A.
Turkey	-4.8	-2.8	0.7	-5.0	-1.7	-3.8	-3.5	-1.7	-3.1	:	N.A.	N.A.	N.A.
Bosnia and Herzegovina	-4.8	-3.3	-2.8	-3.8	-2.1	-12.9	-5.9	-2.1	-2.9	:	N.A.	N.A.	N.A.
Kosovo	-5.5	-7.6	-5.7	-7.0	-8.6	:	:	-8.6	-10.9	:	N.A.	N.A.	N.A.
<b>Inflation</b> (Consumer price index, annual % change)													
Albania	2.0	2.0	1.4	1.6	2.0	4.9	3.5	3.1	4.4	6.8	6.2	6.7	7.4
North Macedonia	1.4	1.5	0.8	1.2	3.2	6.7	3.9	4.6	7.7	:	10.5	11.9	:
Montenegro (HICP)	2.8	2.9	0.5	-0.8	2.5	6.5	2.9	4.3	6.8	:	10.2	10.6	:
Serbia	3.1	2.0	1.8	1.6	4.1	8.5	4.6	7.3	8.7	:	9.6	10.4	:
Turkey	11.1	16.3	15.2	12.3	19.6	63.1	54.1	25.8	54.8	74.0	70.0	73.5	78.6
Bosnia and Herzegovina	1.3	1.4	0.6	-1.1	2.0	:	:	5.3	8.4	:	13.2	14.3	:
Kosovo	1.5	1.1	2.7	0.2	3.3	:	:	6.4	8.2	:	11.2	12.5	:
<b>General government balance**</b> (% of GDP)													
Albania	-2.0	-1.6	-1.9	-6.7	-4.6	-4.2	-2.7	-2.7	:	:	N.A.	N.A.	N.A.
North Macedonia	-2.7	-1.8	-2.0	-8.2	-5.4	-6.1	-4.4	-2.0	:	:	N.A.	N.A.	N.A.
Montenegro	-5.3	-3.9	-2.0	-11.1	-1.9	-4.4	-2.2	-0.7	-0.4***	:	N.A.	N.A.	N.A.
Serbia	1.1	0.6	-0.2	-8.0	-4.1	-3.1	-1.8	-3.1	:	:	N.A.	N.A.	N.A.
Turkey	-2.0	-2.8	-3.2	-2.9	-2.3	-4.5	-4.5	:	:	:	N.A.	N.A.	N.A.
Bosnia and Herzegovina	2.6	2.2	1.9	-5.3	3.5	:	:	:	:	:	N.A.	N.A.	N.A.
Kosovo	-1.3	-2.9	-2.9	-7.6	-1.3	:	:	-2.5	1.3	:	N.A.	N.A.	N.A.

Forecast: ECFIN forecast Spring 2022 published May 2022.

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

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



## Key developments

The Albanian Parliament elected the former armed forces chief Bajram Begaj as President of Albania on 4 June 2022. Mr Begaj, who succeeds outgoing President Ilir Meta, was nominated and voted for by the majority-holding Socialist Party, after it could not find an agreement on a candidate with the opposition.

On 24 May, the annual Economic and Financial Dialogue between the EU and the Western Balkans and Turkey adopted joint conclusions with country-specific policy guidance, which called on Albania, *inter alia*, to use the available fiscal space in the 2022 budget to cushion the impact of adverse shocks to vulnerable households and firms, assess the fiscal risks from state-owned enterprises and to increase public investment on education, health, social protection, and research.

The European Council on 23 June 2022 did not decide to open accession negotiations with North Macedonia and Albania, as Bulgaria's concerns over North Macedonia persisted.

## Real sector

The rebound of the Albanian economy continued in Q1-2022 with 6% y-o-y real GDP growth, after 5.5% y-o-y expansion in Q4-2021. Private consumption growth accelerated by 2.8 pps over the quarter to 8.6%, while government consumption contracted by 2.8%, after growing by 6.8% in Q4-2021. Export growth accelerated to 25.25%, whereas the increase in investment and imports was slightly lower but still robust at 15.5% and 17.6% y-o-y, respectively, although the rise in goods imports decelerated.

On the production side, construction (1.95 pps.) real estate activities (1.5 pps) and trade and (0.9 pps.) remained the largest contributors to GDP growth. Manufacturing and financial and professional services also performed well, recording double-digit growth rates without benefiting from base effects.

In the first 4 months of 2022, the economic sentiment indicator declined but remained above its historical average, before it turned upwards in May due to improved confidence in all sectors except construction. Price expectations edged downwards in all sectors except in services, which like trade, also had more upbeat expectations for the future.

## Labour market

The labour market continued to present a mixed picture. While employment of the age group 15-64 grew by 0.7% q-o-q (5.9% y-o-y due to strong base effects), youth employment (aged 15-29) dropped 2.2% q-o-q (+ 7.7% y-o-y due to base effects). The employment growth mainly reflected the mobilisation of the inactive population, as the inactivity rate decreased strongly both in quarterly (by 2.5 pps) and annual comparison (by 4.5 pps) to 28% in Q1-22, historically the lowest rate so far. Rising activity meant that the job growth only had a limited effect on the reduction of the unemployment rate, which fell from 11.9% Q4-21 to 11.7% Q1-22 (age group 15-64), while the youth unemployment rate (age group 15-29) edged slightly up to 20.7% (+0.1pp q-o-q), but remained still 2.6 pps lower than a year ago.

Industry recorded the highest q-o-q employment growth (1.5%), whereas employment in services slightly decreased (-0.4%) and employment in agriculture remained basically unchanged (+0.1%). Public sector wages slightly decreased following four quarters of growth above that of the private sector. The average monthly wage in the private sector increased by 10.5% y-o-y in Q1-22 following a similar increase in Q4-21. Part of the private sector wage growth is likely to be statistical due to recent enhanced tax office controls of underreported wages, which in particular reduced the number of workers receiving the minimum wage.

## External sector

In Q1-22, the trend of 2021 continued with an increasing services balance surplus narrowing the four-quarter moving average current account deficit to 7% of GDP, while the goods trade deficit remained high at 24.2% of GDP. The primary balance deficit remained unchanged and the secondary balance surplus decreased slightly, despite stable remittances growth, as their share in GDP decreased to 4.8% compared with 5.1% one year earlier. Travel and transport exports continued their strong recovery but in contrast to the previous quarter, the strong rebound of exports of manufacturing services (+24.8% y-o-y in Q1-22) also supported the services balance. Coupled with strongly

rebounding merchandise exports (82.9% y-o-y, still benefitting from large base effects), this pushed total exports above their pre-crisis level following a 58.8% y-o-y increase. The easing of travel restrictions also led to surging services imports (+47.9% y-o-y) as travel service imports grew almost twice as fast as in the previous quarter (+133% y-o-y, partly due to base effects. Goods imports on the other hand grew less than in Q4-21, by 27.8% y-o-y, which resulted in an overall import growth of 32.1% y-o-y in Q1-22. The shares of total exports and imports in GDP increased to 32.5% and 44.9% respectively.

Following a strong rebound in Q4-21, the growth in net FDI inflows decelerated to 13.5% y-o-y in Q1-22. In the year to Q1-22, net FDI amounted to 6.3% of GDP, down from 6.6% one year earlier. Net FDI coverage of the current account deficit increased to 91%, compared with 73.7% in Q1-21 but still below the 95.2% in 2019. Foreign reserves slightly decreased to EUR 4.8 billion in Q1-2022, from EUR 4.9 billion in Q4, but remained about EUR 1 billion above their average level of 2020, while their coverage of imports decreased to 8.2 months.

### Monetary developments

The already elevated inflation rate jumped in March by almost 2 pps to 5.7% and accelerated further to 6.7% in May and 7.4% in June 2022, driven by spiking import prices for food, energy and transport. This acceleration reflected largely the impact of Russia's invasion of Ukraine on international commodity prices, which also lifted the growth in the import price index to 10% y-o-y in Q1-22 (from 4.9% in Q4-21). After raising it in March, the Bank of Albania (BoA) maintained its key policy interest rate at 1.0% until early July, when it was further increased by 0.25pps. to 1.25% due to the accelerating inflation and tightening financial conditions.

Growth of monetary aggregate M3 decelerated further from 8.9% in February to 7.5% in May. Following a slight depreciation in the first quarter, which reflected the uncertainty caused by the war in Ukraine, the lek's exchange rate against the euro returned to its slightly appreciative trend from April, reaching 119.5 in June (from 123 in March). The BoA continued to provide liquidity to the market but switched to fixed allotments at variable prices.

### Financial sector

Bank lending to the private sector increased by 12.8% y-o-y in March, driven by lending in foreign currency and households loans. The growth of credit to enterprises picked up 10.8% y-o-y in Q1-22 (up from 9.1% y-o-y in Q4-21), reflecting a need for liquidity in view of surging prices. The growth in household loans accelerated significantly by 16.3% y-o-y in Q1-22, up from 11.6% y-o-y in Q4-21, mainly driven by mortgage loans. Both enterprises and households showed increased demand for foreign currency loans, which grew by 16.3% and exceeded the increase in lek lending (9.6%), possibly reflecting higher import prices. However, the share of credit in lek remained at 51% of total private sector credit. Deposit growth remained strong at 10.1% y-o-y in Q1-22, still driven by foreign currency deposits (+18.2%), but it decelerated in April and May.

Average interest rates for new loans in lek increased for consumer credit by 1.2 pps to 9.1%, above their long-term average of 8.3%. Interest rates for loans in euro continued their gradual increase started in Q3-21, to 4.9% for businesses, and they remained close to their 2021 average for households.

The banking sector's capital adequacy ratio continued to edge downwards to 17.9% in Q1-22 from 18% in Q4-21 whereas the liquidity ratio fell from 33.3% to 28% over the same period. The ratio of non-performing loans to total loans fell 2.5 pps y-o-y to 5.4% in April 2022. Bank profitability indicators deteriorated in early 2022: the return on assets fell from 1.4% in December 2021 to 0.9% in April 2022, while the return on equity decreased from 12.9% to 8.2% in the same period.

### Fiscal developments

The budget amendment in March left the fiscal deficit target for 2022 unchanged at 4.9% of GDP, while providing funds for a new social support programme to support households and SMEs to cope with the stark food and energy price increases. In the first 5 months of 2022, public finance recorded a surge in revenue (up by 21.9% y-o-y), while public expenditure rose by 0.9% y-o-y, resulting in a 1.03% of GDP cash surplus, in contrast to the planned deficit target of 0.95% of GDP.

In the first quarter of 2022, the public debt stock rose to 82.7% of GDP, up from 74.9% in the previous quarter and 68.8% of GDP a year ago.

## TABLE



European Commission, ECFIN-D-1

### ALBANIA

							ECFIN 2022 Spring forecast							
		2017	2018	2019	2020	2021	2022	2023	Q4 21	Q1 22	Q2 22	Apr 22	May 22	Jun 22
<b>1 Real sector</b>														
Industrial confidence <sup>1.1</sup>	Balance	8.3	8.3	6.1	-0.8	6.4	:	:	9.3	4.8	5.7	2.5	6.1	8.6
Industrial production <sup>1.2</sup>	Ann. % ch	8.4	9.7	5.6	-10.1	23.6	:	:	17.1	19.5	:	N.A.	N.A.	N.A.
Gross domestic product <sup>1.3</sup>	Ann. % ch	3.8	4.0	2.1	-3.5	8.3	2.7	3.1	5.5	6.0	:	N.A.	N.A.	N.A.
Private consumption <sup>1.4</sup>	Ann. % ch	2.6	3.1	3.3	-3.5	4.4	3.0	3.3	5.8	8.6	:	N.A.	N.A.	N.A.
Gross fixed capital formation <sup>1.5</sup>	Ann. % ch	6.0	2.3	-3.6	-1.1	20.3	3.1	3.4	16.9	15.5	:	N.A.	N.A.	N.A.
Construction index <sup>1.6</sup>	Ann. % ch	19.6	5.6	-2.5	9.5	18.0	:	:	22.6	:	:	N.A.	N.A.	N.A.
Retail sales <sup>1.7</sup>	Ann. % ch	2.4	1.8	4.2	1.0	5.3	:	:	3.6	6.0	:	:	:	:
<b>2 Labour market</b>														
Unemployment <sup>2.1</sup>	%	14.1	12.8	12.0	12.2	12.1	11.5	10.8	11.9	:	:	N.A.	N.A.	N.A.
Employment <sup>2.2</sup>	Ann. % ch	2.7	2.1	2.4	-1.9	-0.4	1.8	1.6	2.1	5.9	:	N.A.	N.A.	N.A.
Wages <sup>2.3</sup>	Ann. % ch	3.0	3.1	3.8	2.7	6.3	:	:	8.4	:	:	N.A.	N.A.	N.A.
<b>3 External sector</b>														
Exports of goods <sup>3.1</sup>	Ann. % ch	12.1	13.7	-3.8	-9.0	35.6	:	:	33.4	49.6	:	46.6	36.8	:
Imports of goods <sup>3.2</sup>	Ann. % ch	8.1	2.4	1.2	-6.8	32.3	:	:	38.8	27.9	:	23.7	28.6	:
Trade in goods balance* <sup>3.3</sup>	% of GDP	-24.4	-22.4	-22.9	-22.5	-24.8	-26.1	-26.4	-24.8	-24.2	:	N.A.	N.A.	N.A.
Exports goods and services* <sup>3.4</sup>	% of GDP	31.6	31.6	31.3	22.7	30.6	:	:	30.6	32.5	:	N.A.	N.A.	N.A.
Imports goods and services* <sup>3.5</sup>	% of GDP	46.7	45.4	45.0	37.3	43.9	:	:	43.9	44.9	:	N.A.	N.A.	N.A.
Current account balance* <sup>3.6</sup>	% of GDP	-7.5	-6.8	-7.9	-8.7	-7.9	-8.3	-7.9	-7.7	-7.0	:	N.A.	N.A.	N.A.
Direct investment (FDI, net)* <sup>3.7</sup>	% of GDP	8.6	8.0	7.5	6.7	6.6	:	:	6.4	6.3	:	N.A.	N.A.	N.A.
International reserves <sup>3.8</sup>	mn EUR	2,996	3,399	3,360	3,942	4,972	:	:	4,972	4,912	:	4,886	4,862	:
Int. reserves / months imp <sup>3.9</sup>	Ratio	6.7	7.0	6.5	9.6	8.8	:	:	8.8	8.2	:	N.A.	N.A.	N.A.
<b>4 Monetary developments</b>														
CPI <sup>4.1</sup>	Ann. % ch	2.0	2.0	1.4	1.6	2.0	4.9	3.5	3.1	4.4	6.7	6.2	6.7	7.4
Producer prices <sup>4.2</sup>	Ann. % ch	2.8	1.6	-0.8	-3.4	2.7	:	:	5.6	17.0	:	:	:	:
Food prices <sup>4.3</sup>	Ann. % ch	3.9	2.7	2.9	3.6	3.9	:	:	5.1	7.6	11.3	9.9	11.4	12.6
M3 <sup>4.4</sup>	Ann. % ch	0.3	-0.2	4.3	10.5	8.6	:	:	8.6	8.4	:	8.0	7.5	:
Exchange rate ALL/EUR <sup>4.5</sup>	Value	134.14	127.58	123.00	123.74	122.45	:	:	121.52	121.90	120.42	120.96	120.50	119.80
Real effective exchange rate <sup>4.6</sup>	Index	97.8	104.9	108.6	110.6	112.4	:	:	112.6	110.7	:	111.7	111.1	:
<b>5 Financial indicators</b>														
Interest rate (3 months-TRIBOR) <sup>5.1</sup>	% p.a.	2.15	1.83	1.45	1.46	1.39	:	:	1.36	1.35	1.67	1.65	1.68	1.67
Bond yield <sup>5.2</sup>	% p.a.	2.07	2.20	1.76	1.63	1.63	:	:	1.73	1.67	:	1.71	1.87	:
Stock markets <sup>5.3</sup>	Index	:	:	:	:	:	:	:	:	:	:	:	:	:
Credit growth <sup>5.4</sup>	Ann. % ch	-0.1	-1.7	3.0	6.1	6.9	:	:	9.9	10.8	:	12.1	12.5	:
Deposit growth <sup>5.5</sup>	Ann. % ch	1.0	-1.2	2.5	5.8	8.5	:	:	9.6	10.1	:	8.9	8.3	:
Non performing loans <sup>5.6</sup>	% total	13.2	11.1	8.4	8.1	5.7	:	:	5.7	5.2	:	5.4	5.4	:
<b>6 Fiscal developments</b>														
General government balance** <sup>6.1</sup>	% of GDP	-2.0	-1.6	-1.9	-6.7	-4.6	-4.2	-2.7	-2.7	:	:	N.A.	N.A.	N.A.
General government debt*** <sup>6.2</sup>	% of GDP	70.2	67.7	65.8	74.5	74.9	72.4	70.9	74.9	82.7	:	N.A.	N.A.	N.A.

f: ECFIN forecast Spring 2022 published May 2022

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

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

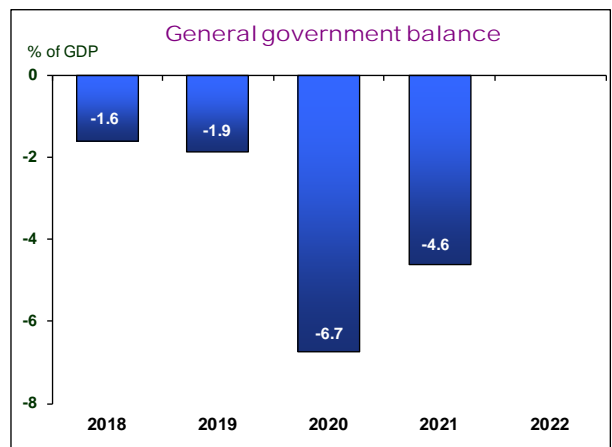
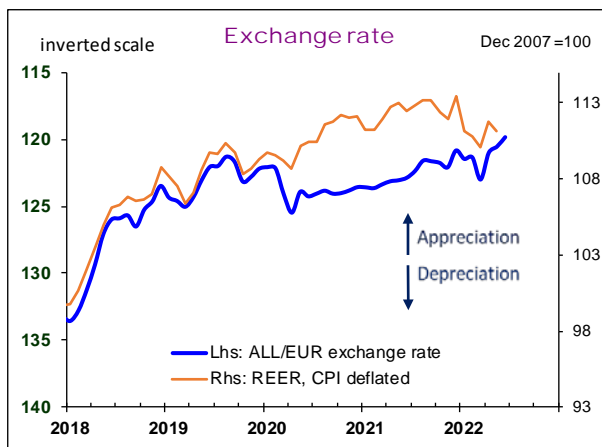
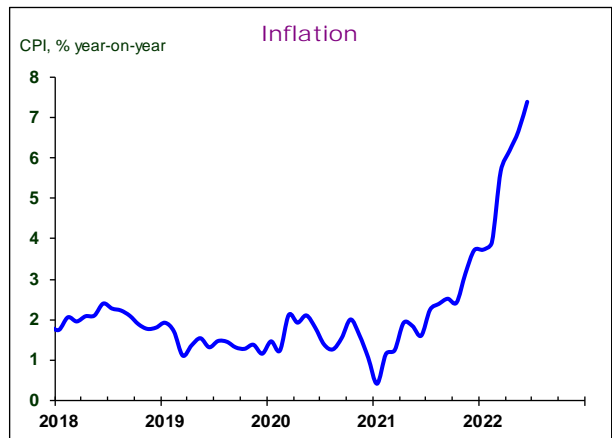
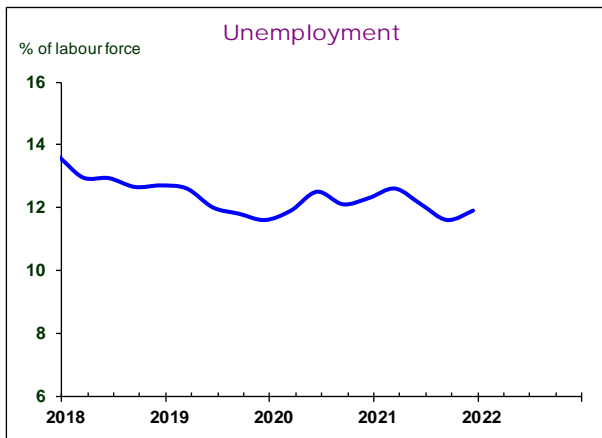
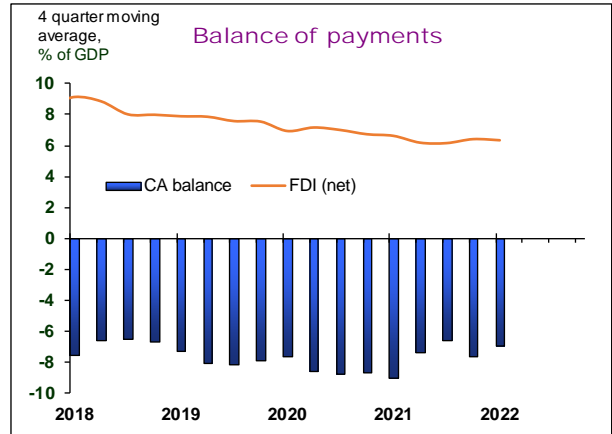
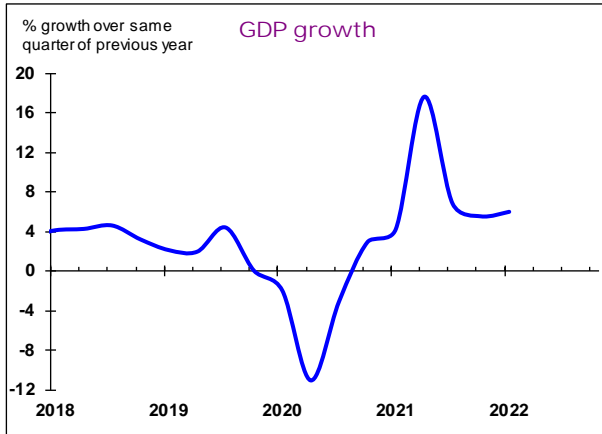
\*\*\* Q figures in percent of estimated annual GDP.

# CHARTS

European Commission, ECFIN-D-1



## ALBANIA





## Key developments

On 28 April 2022, Montenegro's parliament approved the minority government led by PM Abazović. The new government's declared intention is to focus on improving the rule of law and fostering economic development, with five priority lines of action: fight against corruption, sustainable investments, EU integration, environmental protection and support for children and youth.

On 24 May, the annual Economic and Financial Dialogue between the EU and the Western Balkans and Turkey adopted joint conclusions with country-specific policy guidance, which called on Montenegro, *inter alia*, to strengthen fiscal sustainability by containing the 2022 budget deficit and adopting a new medium-term fiscal strategy together with the 2023 budget, including consolidation measures to support continued public debt reduction. The policy guidance also invited Montenegro to take concrete steps toward setting up a fiscal council.

## Real sector

A relaxation of COVID-19 containment measures enabled the strong recovery in tourism activity and private consumption, boosting GDP growth in Q1-2022. The outbreak of Russia's war of aggression against Ukraine at the end of February had a limited impact on the economy in Q1, notwithstanding Montenegro's exposure to these countries in terms of tourism and investment. Also driven by base effects, GDP grew by 7.2% y-o-y in Q1-2022, easing somewhat from the 8.2% expansion in the previous quarter. Private consumption was the key growth driver in Q1, surging by 13.8% y-o-y thanks to higher real disposable income of households fuelled by the increase in the minimum wage, the introduction of tax exemptions for below-average wages, and the abolition of mandatory health contributions. Government consumption (+2.0% y-o-y in Q1, up from 1.2% y-o-y the previous quarter), and investment (+1.6% y-o-y in Q1, after contracting in the previous two quarters) also contributed positively to GDP growth. However, the negative contribution of net exports to growth increased, reflecting a strong rise in imports.

In April 2022, industrial production fell by 9.5% y-o-y, easing from the 13.5% y-o-y plunge in Q1. By sectors, manufacturing and mining increased by 5.5% y-o-y and 3.6% y-o-y, respectively, while electricity production dropped 23.9% y-o-y, due to unfavourable hydrological conditions. Moreover, the value of performed construction works recorded a 5.2% y-o-y contraction in Q1. Meanwhile, strong consumption demand supported the buoyant growth in retail sales (+18.9% y-o-y in Q1, 18.8% y-o-y in April and 19.4% y-o-y in May).

## Labour market

The labour market performance improved somewhat in Q1-2022 thanks to the reopening of the economy and the recovery of the tourism industry. According to the labour force survey (LFS), the employment rate bounced back to 54.4%, up from 44.8% a year before, practically recovering its pre-pandemic level. Meanwhile, the unemployment rate eased to 17.0%, down from 19.4% a year before. The reduction in the unemployment rate was particularly pronounced for women, with their jobless rate falling to 15.5% in Q1-2022 from 19.7% a year earlier, as sectors where female employment is predominant, such as services, were recovering faster than the industrial and construction sectors, where men account for the majority of the workforce. As a result, the decrease in the male unemployment rate was smaller (-1.2 pps. y-o-y to 18.3% in Q1-2022).

According to the Employment Agency, the number of registered unemployed persons declined to 20.5% at the end of May 2022, compared to 21.8% in April, 23% in March and 24% in May 2021.

The abolition of health contributions and the increase in the minimum wage introduced at the beginning of 2022 resulted in a robust increase in nominal wages boosting private consumption. Thus, the average net wage (without taxes and contributions) surged by nominal 33.6% y-o-y in May, or 23% y-o-y in real terms after discounting for inflation. Yet, gross wages grew at a slower pace (by 10.6% y-o-y) in nominal terms, remaining practically flat in real terms.

## External sector

The strong recovery of tourism helped reduce the current account deficit in Q1-2022 to 9.4% of GDP in annualised terms, compared to the 22.5% gap registered a year before. This improvement was mainly driven by the surplus in the services account, which reached 18.4% of GDP in Q1 compared to 3.9% in the same period a year before. In addition, the primary and secondary income balances also recorded substantially higher surpluses. By contrast, the trade deficit expanded in the four quarters to March 2022 to 39.6% of GDP, up from 37.1% a year before, due to the fast growth in imports driven by stronger domestic demand and rising global commodity prices.

Net FDI inflows accelerated in the four quarters to March 2022 when they amounted to 13.0% of GDP compared to 10.1% a year before. The stock of international foreign exchange reserves declined from the equivalent of 6.8 months of imports of goods and services at the end of 2021, to 6.0 months of imports in Q1-2022.

## Monetary developments

Russia's war against Ukraine had a marked impact on food and energy prices. As a result, inflation rose further to 10.6% y-o-y in May, up from 10.2% y-o-y in the month before. The major inflation driver in May was food prices, whose increase accelerated to 20.6% y-o-y compared to 19.0% in the previous month. Bread and cereal prices increased particularly strongly, by 37.1% y-o-y in May and 35.8% y-o-y in April. Utility prices (including electricity and gas) also increased, climbing 5.8% y-o-y in May after a 3.0% y-o-y growth the previous month. The increase in transport prices (including fuels) eased to 20.6% y-o-y in May from 23.4% y-o-y in the previous month.

In an effort to curb inflation, the government reduced in June 2022 the excise duties on unleaded fuel and gasoil by 50% and limited sales price margins of flour, sugar and cooking oil by up to 5% on the wholesale price of the products and by 7% the retail price.

## Financial sector

Montenegro's banking sector has remained stable. Commercial banks' loan stock increased by 7.2% y-o-y in May, after moving up by 7.7% y-o-y in April and by 6.0% y-o-y in Q1. The increase reflected a stronger increase in lending to companies, up by 11.1% y-o-y at end-May, while household loans grew 6.6% y-o-y. In spite of the fast increase in lending activity, the level of non-performing loans remained relatively high, accounting for 6.2% of total loans in May, similar to a month earlier and compared to 5.5% a year before. The pace of growth of commercial banks' deposits eased to 22.2% y-o-y in May, after rising 25.6% y-o-y in April. By sectors, corporate deposits increased 19.1% y-o-y, after rising 24.0% y-o-y in April, while household deposits rose 16.9% y-o-y in May after rising 16.4% y/y in April.

## Fiscal developments

High inflation and strong retail sales resulted in higher than planned budget revenue in the first five months of 2022, increasing by 19.7% compared to the same period in 2021. Revenues from VAT and excises were up by 46.9% and 27.1% y-o-y respectively, while the recovery of the economy boosted corporate income tax revenue, surging by 36.6% y-o-y. However, the new tax exemption for below-average wages introduced in January, resulted in a 12.8% y-o-y contraction of revenue from personal income tax, while the abolition of health contributions led to a 70.2% annual contraction from this source. On the expenditure side, almost all categories were lower than planned (by 8.3% overall), mainly driven by lower current expenditure and, in particular, interests. In contrast, capital spending recorded a strong increase by 58% y-o-y. As a result, the central government deficit in January-May fell to 0.7% of projected annual GDP, compared to a gap of 3.3% of GDP in the same period a year before.

In Q1-2022, public debt decreased further thanks to loan repayment financed with deposits instead of recurring to new credit arrangements. As a result, the public debt ratio declined to 76.6% of GDP at the end of March, down from 83.4% of GDP recorded a year earlier.

## TABLE

European Commission, ECFIN-D-1



## MONTENEGRO

							ECFIN 2022 Spring forecast							
		2017	2018	2019	2020	2021	2022	2023	Q4 21	Q1 22	Q2 22	Apr 22	May 22	Jun 22
<b>1 Real sector</b>														
Industrial confidence <sup>1.1</sup>	Balance	4.6	5.6	3.6	-18.4	-4.0	:	:	4.0	9.9	4.8	8.4	1.6	4.4
Industrial production <sup>1.2</sup>	Ann. % ch	-4.3	23.6	-6.1	-0.9	5.8	:	:	-0.2	-13.4	:	-9.5	:	:
Gross domestic product <sup>1.3</sup>	Ann. % ch	4.7	5.1	4.1	-15.3	12.4	3.8	3.4	8.2	7.2	:	N.A.	N.A.	N.A.
Private consumption <sup>1.4</sup>	Ann. % ch	3.9	4.6	3.1	-4.6	4.3	2.9	3.3	5.6	13.8	:	N.A.	N.A.	N.A.
Gross fixed capital formation <sup>1.5</sup>	Ann. % ch	18.7	14.7	-1.7	-12.0	-10.3	2.2	4.2	-15.6	1.6	:	N.A.	N.A.	N.A.
Construction index <sup>1.6</sup>	Ann. % ch	51.5	24.9	10.7	-5.6	-4.8	:	:	-7.9	-5.2	:	N.A.	N.A.	N.A.
Retail sales <sup>1.7</sup>	Ann. % ch	3.4	3.5	5.2	-12.0	16.6	:	:	13.5	18.9	:	18.8	19.1	:
<b>2 Labour market</b>														
Unemployment <sup>2.1</sup>	%	16.4	15.5	15.4	18.4	16.9	15.2	14.7	15.7	17.0	:	N.A.	N.A.	N.A.
Employment <sup>2.2</sup>	Ann. % ch	2.1	3.2	2.6	-10.1	-2.4	2.1	2.3	15.2	21.7	:	N.A.	N.A.	N.A.
Wages <sup>2.3</sup>	Ann. % ch	2.0	0.1	0.8	1.3	1.4	:	:	1.9	11.3	:	10.5	10.6	:
<b>3 External sector</b>														
Exports of goods <sup>3.1</sup>	Ann. % ch	8.3	14.7	6.8	-12.2	28.6	:	:	19.9	99.9	:	92.4	86.8	:
Imports of goods <sup>3.2</sup>	Ann. % ch	11.6	10.9	1.8	-19.0	19.0	:	:	24.6	46.3	:	44.9	38.9	:
Trade in goods balance* <sup>3.3</sup>	% of GDP	-43.3	-43.9	-41.7	-39.2	-39.0	-38.8	-40.6	-39.0	-39.6	:	N.A.	N.A.	N.A.
Exports goods and services* <sup>3.4</sup>	% of GDP	41.1	42.9	43.8	26.0	43.2	:	:	43.2	46.3	:	N.A.	N.A.	N.A.
Imports goods and services* <sup>3.5</sup>	% of GDP	64.5	66.7	65.0	61.0	62.7	:	:	62.7	66.6	:	N.A.	N.A.	N.A.
Current account balance* <sup>3.6</sup>	% of GDP	-16.1	-17.0	-14.3	-26.1	-9.3	-12.1	-12.5	-9.3	-9.4	:	N.A.	N.A.	N.A.
Direct investment (FDI, net)* <sup>3.7</sup>	% of GDP	11.3	6.9	6.2	11.2	11.8	:	:	11.8	13.0	:	N.A.	N.A.	N.A.
International reserves <sup>3.8</sup>	mn EUR	847	1,050	1,367	1,739	1,749	:	:	1,749	1,686	:	1,621	1,608	:
Int. reserves / months Imp <sup>3.9</sup>	Ratio	3.7	4.0	5.1	8.2	6.8	:	:	6.8	6.0	:	5.8	5.7	:
<b>4 Monetary developments</b>														
HICP <sup>4.1</sup>	Ann. % ch	2.8	2.9	0.5	-0.8	2.5	6.5	2.9	4.3	6.8	:	10.2	10.6	:
Producer prices <sup>4.2</sup>	Ann. % ch	0.4	1.7	2.4	0.0	1.3	:	:	2.5	6.0	:	:	:	:
Food prices <sup>4.3</sup>	Ann. % ch	1.9	0.6	3.4	1.3	3.4	:	:	5.8	13.8	:	19.0	20.6	:
M2 <sup>4.4</sup>	Ann. % ch	13.6	5.0	-3.8	-3.5	16.5	:	:	16.5	16.8	:	19.2	:	:
Exchange rate EUR/EUR <sup>4.5</sup>	Value	1.00	1.00	1.00	1.00	1.00	:	:	1.00	1.00	1.00	1.00	1.00	1.00
Real effective exchange rate <sup>4.6</sup>	Ann. % ch	0.5	2.7	-1.5	-0.6	:	:	:	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
<b>5 Financial indicators</b>														
Interest rate (6 months) <sup>5.1</sup>	% p.a.	1.71	0.47	0.52	0.87	:	:	:	:	:	:	:	:	:
Bond yield (10 yrs) <sup>5.2</sup>	% p.a.	N.A.	N.A.	2.61	3.53	3.85	:	:	4.27	5.05	:	6.31	6.89	:
Stock markets <sup>5.3</sup>	Index	10,951	10,374	10,980	10,225	10,910	:	:	10,783	9,915	10,452	9,976	10,398	10,983
Credit growth <sup>5.4</sup>	Ann. % ch	7.8	10.6	4.0	5.0	6.6	:	:	6.9	6.0	:	7.7	7.2	:
Deposit growth <sup>5.5</sup>	Ann. % ch	10.7	12.0	1.8	-2.6	12.8	:	:	23.9	24.9	:	25.6	22.2	:
Non-performing loans <sup>5.6</sup>	% of total	7.3	6.7	4.7	5.5	6.2	:	:	6.2	:	:	6.2	6.2	:
<b>6 Fiscal developments</b>														
General government balance** <sup>6.1</sup>	% of GDP	-5.3	-3.9	-2.0	-11.1	-1.9	-4.4	-2.2	-0.7	-0.4***	:	N.A.	N.A.	N.A.
General government debt** <sup>6.2</sup>	% of GDP	63.3	70.1	76.5	105.3	83.3	76.7	72.7	83.3	76.6	:	N.A.	N.A.	N.A.

f: ECFIN forecast Spring 2022 published May 2022

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

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

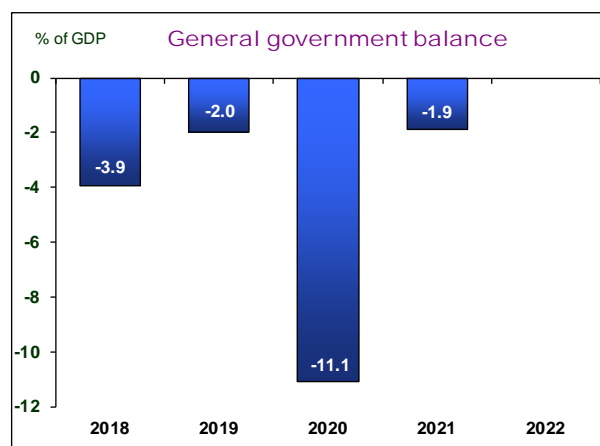
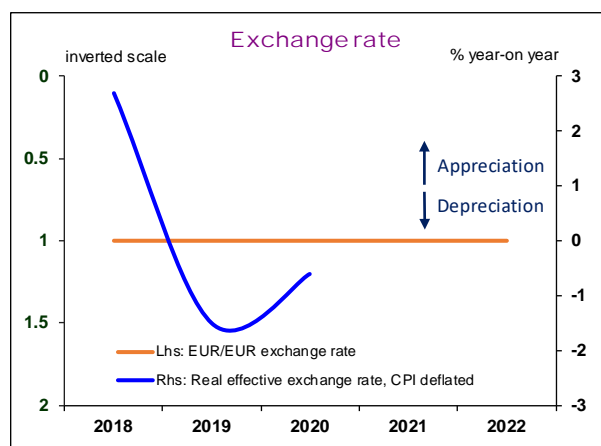
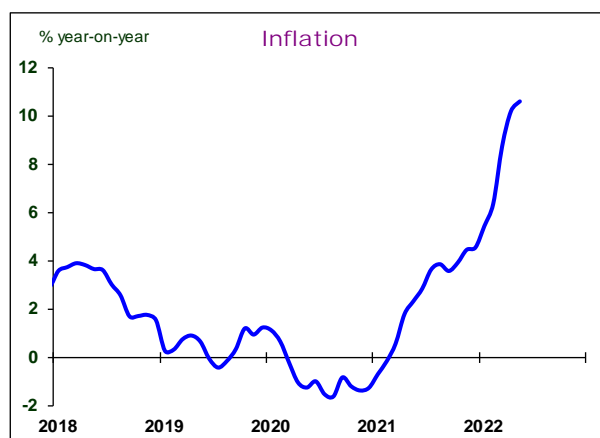
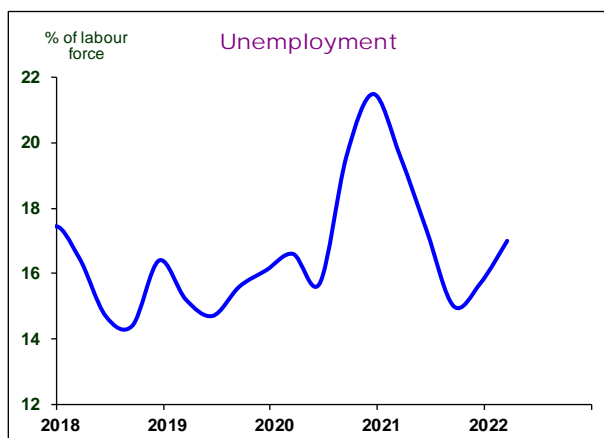
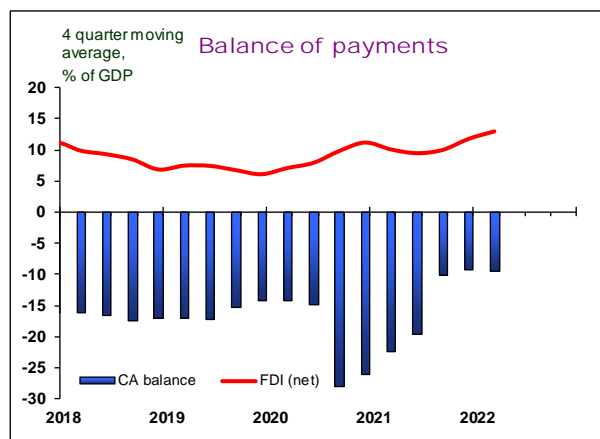
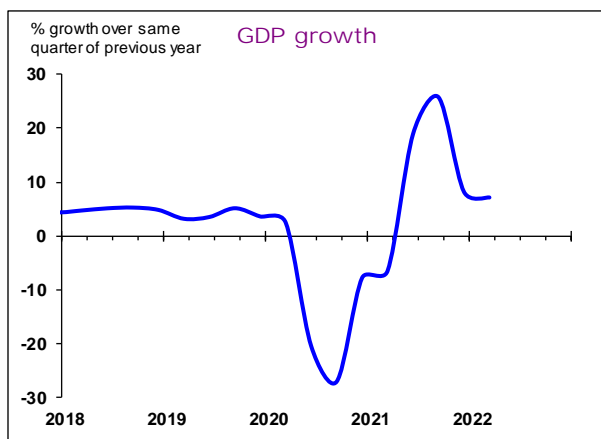
\*\*\* Q figures refer to central government debt only, in percent of estimated annual GDP.



# CHARTS



## MONTENEGRO



## NORTH MACEDONIA A



### Key developments

On 29 April, Fitch rating agency affirmed its 'BB+' long-term issuer default rating with negative outlook for North Macedonia, mainly on account of stable macroeconomic and fiscal policies underpinning the exchange rate peg, favourable governance, and ease of doing business. Global supply chain disruptions and sustained increases in the current account deficit due to higher energy import costs are key risks for the outlook.

On 24 May, the annual Economic and Financial Dialogue between the EU and the Western Balkans and Turkey took place. The jointly adopted policy guidance invite North Macedonia to, among others, better target crisis-related fiscal support to vulnerable households and companies, to improve the management of public investment, and to implement the new Organic Budget Law once it is passed by the parliament.

### Real sector

Driven by domestic demand, real GDP rose by 2.4% y-o-y in Q1, about the same growth rate as in the preceding quarter. Gross capital formation increased by 38.6%, in part due to a base effect (Q1-2021: -15.3%). Private consumption was higher by 4.9% y-o-y, while government consumption increased by 0.5%. Net exports made a negative contribution to GDP growth. Although annual export growth accelerated to 11.1%, after muted performance in the last quarter of 2021 (1.8%), gains were exceeded by the stark increase in imports (24.4%, almost double the rate in the preceding quarter), driven by the strong investment activity.

High-frequency indicators for Q2 point to a fragile economic recovery from the pandemic-induced trough. The industrial production (IP) index increased by 8.5% y-o-y in May, following a drop of 3.8% y-o-y a month before. The increase in energy output (10% of the IP structure) accelerated in April and May to 41% on average. The drop in retail sales (total, except automotive fuel) accelerated further in April (1.5%) and May (5%), compared to Q1 (0.6%).

### Labour market

Labour market data sends mixed signals, amidst statistical changes which affect data comparability.<sup>2</sup> In Q1, the labour force (aged 15-64) dropped by 14.1% y-o-y, and the participation rate rose by 1 pp., to 66.3%, implying a large drop in the working age population (-15.5% y-o-y). Labour market participation rates rose for both men and women, yet, at a faster rate for men than for women, as throughout the pandemic. The number of unemployed decreased even faster than the labour force, bringing the unemployment rate down to 14.9% (-1.2 pps. y-o-y). The unemployment rate for young workers amounted to 34.8% (-2.3 pps.). LFS data point to a drop in employment, compared to the same period one year earlier (-12.9%). The employment rate rose to 56.4% (+1.6 pps. y-o-y). Employers continued to benefit from government subsidies to wage costs. The minimum wage was raised by 18.5%, effective as of March, with the government compensating employers for the ensuing wage rises. The rise in gross wages accelerated to 11.1% on average in the first four months, compared to 5.5% in the same period one year earlier.

### External sector

Driven by a sharply deteriorating energy trade balance, the current account deficit widened markedly in Q1 (+641% y-o-y). The increase in the merchandise trade deficit (67%), and the decline in the surplus in services trade (16%), together largely outweighed the rise in private transfers from abroad (8% y-o-y). The deficit in the primary income balance remained at the same level as one year earlier.

Net FDI inflows amounted to 5.9% of GDP in the four quarters to March, largely above their level of one year earlier (0.3%), but this was not sufficient to fully cover the current account deficit in the same period (8.3% y-o-y). Gross external debt, excluding central bank transactions, was higher by 4.1% y-o-y at

<sup>2</sup> The Labour Force Survey is based, for the first time, on the results of the 2021 population census.

end-Q1. It amounted to 75.8% of government-projected annual GDP (-11.7 pps. y-o-y). External public debt dropped in this period (repayment of a 2014 Eurobond worth EUR 500 million in July 2021 which had been refinanced earlier in the year), while external intercompany debt rose strongly in Q1-2022.

Due to the large increase in the energy trade deficit as well as some domestic conversion pressures into foreign exchange and public debt repayments, foreign reserves declined in the first half of the year. At the end of the second quarter, they were lower by 22.7% compared to one year earlier and were equivalent to 3.4 months of imports of goods and services.

### Monetary developments

Driven by global energy and food prices, annual consumer price inflation accelerated each month since the beginning of 2022, to 14.5% in June. The biggest annual rise was in transport costs (31.4%), followed by food prices (20.9%). The increase in food prices has accelerated rapidly each month since the beginning of the year, averaging 12.6% y-o-y in the first half of 2022. Prices for housing and utilities rose by 9.4% y-o-y in June, bringing average annual inflation in this category to 8% in the first half of the year. Annual growth of broad money (M3) slowed down in Q1, compared to the previous quarter, to 4% y-o-y (-4.4 pps.), and further to 3.5% on average in April and May. The growth in M3 came on account of higher short-term deposits. In June, the central bank raised its key policy rate for a third month in a row, by another 0.25 bps. to 2%, citing growing spillover effects from import price increases to core inflation. Also in June, it amended, for the second time this year after March, reserve requirements for denar and foreign currency liabilities, in order to stimulate savings in domestic currency.

### Financial sector

Annual loan growth sped up in Q1, compared to the previous three months (1.5 pps. to 9%), and accelerated further thereafter, to 9.9% on average in April and May. Lending to businesses picked up particularly strongly, with annual growth speeding up from 10.3% on average in Q1, to 12.1% on average in April and May. Credit to households increased by 7.9% on average in the first five months, unchanged from

the same period one year earlier. By contrast, annual deposit growth slowed down in Q1 to 6.2%, from 8.9% in Q1, and further in April and May 3.2% on average), with overall increases largely due to higher household deposits in foreign currency. Corporate deposits fell in the first five months y-o-y, as there was a sharp drop in businesses' long-term foreign currency deposits.

Hence, the funding of loans by deposits declined slightly, with the loan-to-deposit ratio for non-financial clients higher by 4.3 pps. y-o-y at 86.6% at end-March. The ratio of foreign-currency denominated to total loans dropped 0.9 pps. y-o-y to 41.4%. Banks' solvency remained robust, with the capital adequacy ratio improving to 17% at the end of Q1 (+0.2 pps. y-o-y). The ratio of non-performing to total loans (financial and non-financial sector) dropped by 0.4 pps. y-o-y, to 3%.

### Fiscal developments

On 19 May, the government adopted a supplementary budget to accommodate additional measures decided in March to combat the energy and food crisis. It raised the fiscal deficit target for 2022 by 1 pp. to 5.3% of GDP. Revenues are expected to rise by 12.5% compared to the 2021 outcome (+2.9% compared to the original budget), expenditure by 12.1% (+5.9% compared to the original budget). The new budget is based on lower growth expectations for 2022 (-1.4 pps. to 3.2%), and higher inflation (7.2%). Capital expenditure is expected rise by 37.8% over the 2021 outturn.

Reflecting the nascent economic recovery, which benefits from government support and from the phasing out of pandemic-related containment measures, revenue from taxes and contributions increased by 15.2% y-o-y in the first five months, with income from VAT higher by 16% compared to one year earlier. Current expenditure rose by 7.2%, with transfers higher by 6.5%. Capital expenditure rose by some 36% y-o-y. As a result, the fiscal deficit narrowed by 29% y-o-y to 1% of government-projected GDP.

General government debt as a share of (government-projected) GDP decreased by 5 pps. in Q1 compared to the outcome at end-2021, to 46.8%. Public debt amounted to 54.9% (-5.9 pps. compared to end-2021), which implies a drop in public enterprises' debt by 0.9 pps.

## TABLE



European Commission, ECFIN-D-1

### NORTH MACEDONIA

		2017	2018	2019	2020	2021	ECFIN 2022		Q4 21	Q1 22	Q2 22	Apr 22	May 22	Jun 22
							Spring forecast							
							2022	2023						
<b>1 Real sector</b>														
Industrial confidence <sup>1.1</sup>	Balance	-0.4	0.6	-0.1	-16.6	-7.1	:	:	-1.2	-5.9	-3.7	-1.1	-4.3	-5.7
Industrial production <sup>1.2</sup>	Ann. % ch	0.2	5.4	4.1	-9.5	3.1	:	:	-2.2	2.3	:	-3.8	8.5	:
Gross domestic product <sup>1.3</sup>	Ann. % ch	1.2	2.8	3.9	-6.1	4.2	3.0	3.1	2.3	2.4	:	N.A.	N.A.	N.A.
Private consumption <sup>1.4</sup>	Ann. % ch	2.1	3.7	3.7	-4.6	5.0	2.9	3.1	5.7	4.9	:	N.A.	N.A.	N.A.
Gross capital formation <sup>1.5</sup>	Ann. % ch	-2.2	1.7	9.5	-16.1	9.2	4.7	6.4	15.8	63.0	:	N.A.	N.A.	N.A.
Construction <sup>1.6</sup>	Ann. % ch	-2.5	-10.8	9.1	-8.0	0.1	:	:	-3.0	-5.1	:	N.A.	N.A.	N.A.
Retail sales <sup>1.7</sup>	Ann. % ch	-4.2	8.1	11.3	-8.5	8.7	:	:	6.3	-0.6	:	-1.9	-5.0	:
<b>2 Labour market</b>														
Unemployment <sup>2.1</sup>	%	22.6	21.0	17.5	16.6	15.8	15.3	15.2	15.3	14.9	:	N.A.	N.A.	N.A.
Employment <sup>2.2</sup>	Ann. % ch	2.7	2.0	5.4	-0.5	0.2	0.8	2.3	1.0	-12.9	:	N.A.	N.A.	N.A.
Wages <sup>2.3</sup>	Ann. % ch	2.6	5.8	5.1	8.3	5.7	8.6	4.4	5.4	7.7	:	11.0	:	:
<b>3 External sector</b>														
Exports of goods <sup>3.1</sup>	Ann. % ch	15.4	19.8	9.5	-9.9	24.5	:	:	7.1	18.9	:	:	:	:
Imports of goods <sup>3.2</sup>	Ann. % ch	9.7	12.9	10.2	-9.2	26.4	:	:	20.3	31.7	:	:	:	:
Trade in goods balance* <sup>3.3</sup>	% of GDP	-17.8	-16.2	-17.3	-17.0	-20.2	-21.4	-21.2	-20.2	-22.5	:	N.A.	N.A.	N.A.
Exports goods and services* <sup>3.4</sup>	% of GDP	54.9	60.2	61.9	58.9	65.9	:	:	65.9	66.9	:	N.A.	N.A.	N.A.
Imports goods and services* <sup>3.5</sup>	% of GDP	69.0	72.9	76.2	71.9	81.9	:	:	81.9	85.5	:	N.A.	N.A.	N.A.
Current account balance* <sup>3.6</sup>	% of GDP	-1.0	-0.1	-3.3	-3.4	-3.5	-4.1	-3.9	-3.5	-6.3	:	N.A.	N.A.	N.A.
Direct investment (FDI, net)* <sup>3.7</sup>	% of GDP	1.8	5.6	3.2	1.5	3.7	:	:	3.7	4.5	:	N.A.	N.A.	N.A.
International reserves <sup>3.8</sup>	mn EUR	2,336	2,867	3,263	3,360	3,643	:	:	3,643	3,273	3,116	3,240	3,183	3,116
Int. reserves / months Imp <sup>3.9</sup>	Ratio	4.1	4.4	4.6	5.3	4.5	:	:	4.5	3.8	:	:	:	:
<b>4 Monetary developments</b>														
CPI <sup>4.1</sup>	Ann. % ch	1.4	1.5	0.8	1.2	3.2	6.7	3.9	4.6	7.7	:	10.5	11.9	:
Producer prices <sup>4.2</sup>	Ann. % ch	0.6	-0.4	-0.6	5.9	-2.3	:	:	-3.2	3.8	:	21.4	21.7	:
Food prices <sup>4.3</sup>	Ann. % ch	0.2	0.8	1.6	2.4	3.1	:	:	5.7	10.1	:	14.8	17.1	:
Monetary aggregate M3 <sup>4.4</sup>	Ann. % ch	4.6	10.8	8.2	8.0	8.8	:	:	8.8	4.0	:	4.2	2.7	:
Exchange rate MKD/EUR <sup>4.5</sup>	Value	61.57	61.51	61.51	61.67	61.63	:	:	61.69	61.69	61.66	61.63	61.67	61.70
Real effective exchange rate <sup>4.6</sup>	Index	98.6	99.8	98.3	99.5	100.3	:	:	99.8	100.3	:	101.5	101.9	:
<b>5 Financial indicators</b>														
Interest rate (3 months-SKIBOR) <sup>5.1</sup>	% p. a.	1.78	1.54	1.46	1.38	1.33	:	:	1.32	1.32	1.39	1.33	1.38	1.46
Bond yield <sup>5.2</sup>	% p. a.	6.61	6.11	5.61	5.19	4.86	:	:	4.71	4.60	:	4.59	:	:
Stock markets <sup>5.3</sup>	Index	2,405	3,154	3,939	4,377	5,382	:	:	5,889	6,126	6,061	6,143	6,136	5,904
Credit Growth <sup>5.4</sup>	Ann. % ch	2.4	6.6	7.2	6.4	5.8	:	:	7.5	9.0	:	9.9	9.8	:
Deposit growth <sup>5.5</sup>	Ann. % ch	5.7	8.6	9.6	7.8	8.3	:	:	8.9	6.2	:	3.7	2.6	:
Non-performing loans <sup>5.6</sup>	% total	6.1	5.0	4.6	3.3	3.1	:	:	3.1	:	:	N.A.	N.A.	N.A.
<b>6 Fiscal developments</b>														
Central government balance** <sup>6.1</sup>	% of GDP	-2.7	-1.8	-2.0	-8.2	-5.4	-6.1	-4.4	-2.0	:	:	N.A.	N.A.	N.A.
General government debt*** <sup>6.2</sup>	% of GDP	39.4	40.4	40.5	51.9	51.8	54.6	56.4	51.8	46.8	:	N.A.	N.A.	N.A.

f: ECFIN forecast Spring 2022 published May 2022

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

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

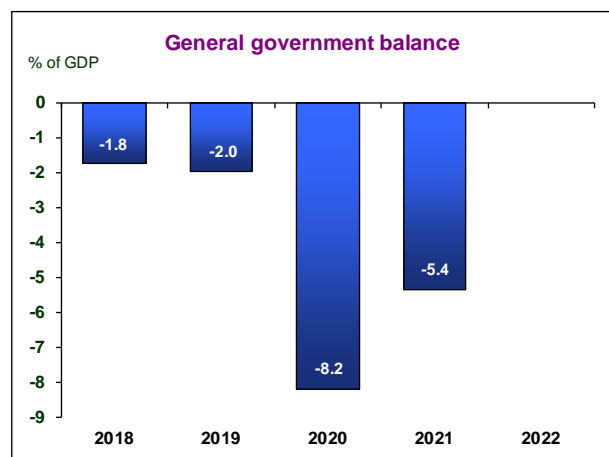
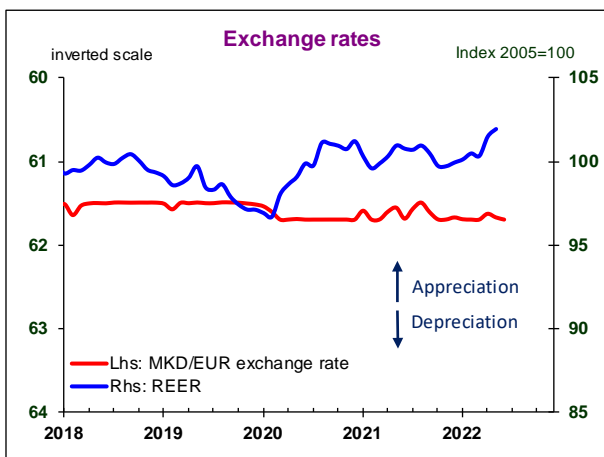
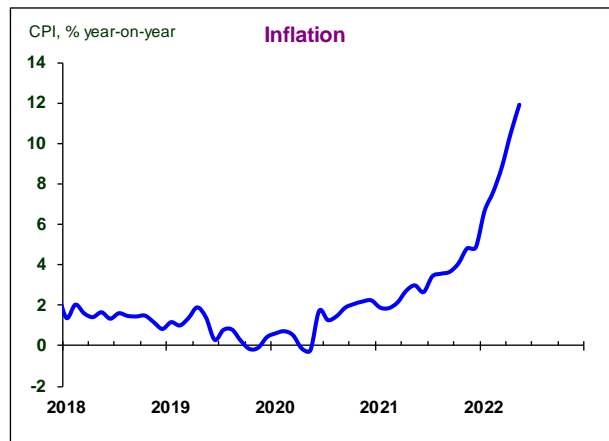
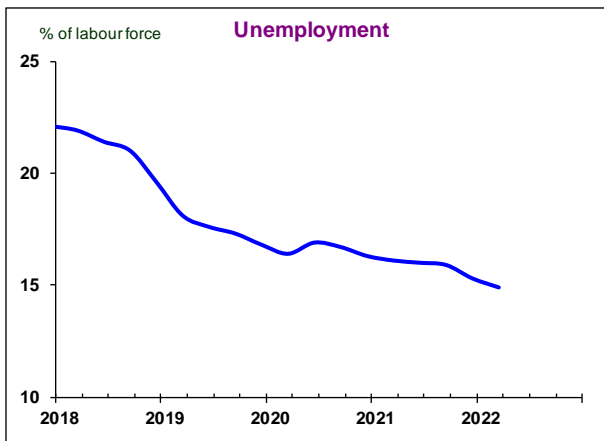
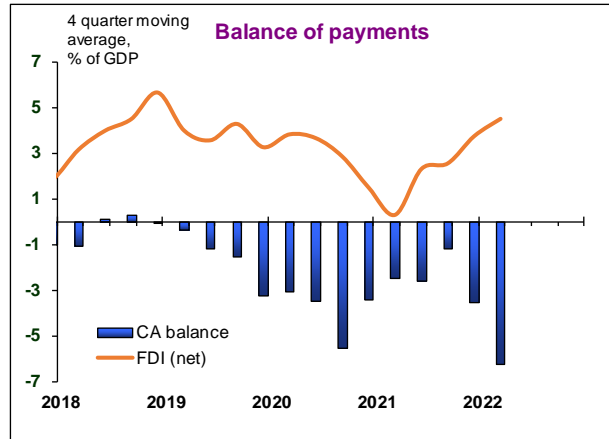
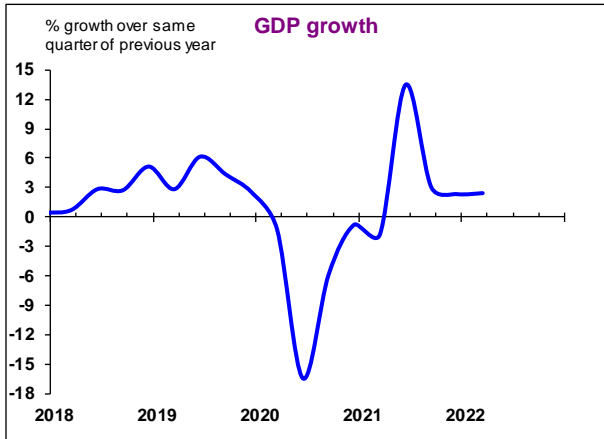
\*\*\* Q figures in percent of estimated annual GDP.

# CHARTS

European Commission, ECFIN-D-1



## North Macedonia





## Key developments

On 24 May, the Economic and Financial Dialogue between the EU and the Western Balkans and Turkey adopted joint conclusions with targeted policy guidance, inviting Serbia, *inter alia*, to use available fiscal space in 2022 to cushion the impact of adverse shocks and to plan gradual fiscal consolidation thereafter via contained spending on wages, strengthened fiscal rules, reforms in revenue administration and better SOE governance.

In June, the government adopted the Fiscal Strategy for 2023-2025, projecting gradually decreasing budget deficits of 1.5% in 2023, 1.0% in 2024 and 0.5% in 2025. Debt-to-GDP is expected to gradually decline to 53.1% in 2023, 52.0% in 2024 and 50.7% in 2025.

At the end of June, the IMF completed the second review under the 2021-2023 Policy Coordination Instrument. The IMF expects the impact of Russia's war of aggression against Ukraine, energy sector challenges and high inflation to reduce growth in 2022 to 3.5% amid high uncertainty. Supported by strong revenue collection, the fiscal deficit target of 3% of GDP for 2022 is considered to remain appropriate and feasible. The Fund welcomes the tightening of monetary policy in response to continued high domestic and global inflation and calls for reforms in the energy sector.

## Real sector

In the first quarter, economic growth decelerated to 4.4% y-o-y (-0.5% in seasonally-adjusted quarter-on-quarter terms), down from 7.0% y-o-y in Q4-2021; Growth in Q1 was mostly driven by private consumption (+7.1% y-o-y) and substantially higher inventories while government consumption (+2.5%) and gross fixed capital formation (+1.0%) grew more moderately. The still robust performance of domestic demand was to a large extent offset by a strongly negative contribution of net exports to GDP growth as a result of structurally higher imports and annual growth of imports significantly exceeding the rise in exports in Q1-2022 (+27.3% and +19.6% respectively).

Some deceleration was also noticeable on the supply side, although a few sectors still recorded

double-digit growth rates. Thus, wholesale and retail trade, transportation and storage, accommodation and food service activities (+11.0%), arts, recreation and other services (+14.6%), professional, scientific, technical, administrative and support activities (+6.8%) and information and communication (+5.2%) accounted for the bulk of the overall annual increase in output in Q1-2022. Construction (-5.3%) was the only activity recording a significant year-on-year decline.

Some short-term indicators suggest that economic activity was broadly resilient in spring. Industrial production expanded by 7.7% y-o-y in March, 2.0% in April and 8.7% in May. The year-on-year growth of real retail trade accelerated from 7.7% in February to 18.7% in March before decelerating to 6.9% in April and 5.1% in May.

## Labour market

According to LFS data, the unemployment rate of the population aged 15 years and above increased by 0.8 pps. q-o-q to 10.6% in Q1-2022. This was mainly the result of a decrease in employment by 1.6% q-o-q, that was mitigated by a 0.7% q-o-q decrease in the active population. Employment decreased by 1.3% q-o-q in the formal sector (accounting for two thirds of the total employment loss) while informal employment fell by 4.0% q-o-q. In line with reduced activity in the winter months, a fifth of the total employment decrease concerned agriculture.

According to administrative data, in Q1-2022 employment remained broadly unchanged compared to the previous quarter but increased 1.9% y-o-y. Annual employment growth remained positive in most sectors and was particularly strong in information and communication (+11.0%), administrative and support service activities (+7.5%) and professional, scientific and technical activities (+4.9%), while the manufacturing sector recorded low employment gains (+1.2%). The number of registered unemployed decreased by 17.7% y-o-y in May 2022. Nominal net wages rose by 12.4% y-o-y in April 2022 while real net wages grew by 2.6% y-o-y.

## External sector

In the first four months of 2022, the current account deficit widened very substantially by EUR 1.7 billion compared with an almost balanced current account in the same period of 2021. Over the four quarters to March 2022, it stood at 6.9% of GDP as compared to 4.4% in 2021 as a whole. The higher current account deficit over January to April was due to a significantly larger merchandise trade deficit (+111.3% y-o-y, driven by higher energy imports) and a higher primary income deficit (+85.9% y-o-y, reflecting mainly a rebound in reinvested earnings and dividend payments). They were only slightly offset by a higher secondary income surplus (+19.3% y-o-y), reflecting chiefly a rebound in remittances. The services trade surplus remained unchanged. Net FDI inflows decreased by 31.6% y-o-y in January-April, covering 38% of the current account deficit.

Merchandise trade dynamics were strong, with a steep rise in the value of exports (29.0% in March, 23.8% in April and 42.1% in May) surpassed by an even stronger import growth of 43.0%, 38.1% and 54.6%, respectively, particularly driven by energy. Over the first five months of 2022, exports of goods grew 30.3% y-o-y, while imports increased by 47.8%.

## Monetary developments

Annual consumer price inflation continued to accelerate by 0.5 pps. and 0.8 pps. in April and May respectively, reaching 10.4% in May, thus largely exceeding the upper bound of the central bank's target tolerance band of 3% +/-1.5 pps. in nine consecutive months. Inflation continued to be driven by food (16.2% in May) and fuel prices (23.2% in May). However, core inflation (excluding energy, food, alcohol and tobacco) also accelerated further from 4.8% in March to 6.3% in May. In both May and June, the National Bank of Serbia (NBS) raised its key policy rate by 50 bps. each, thereby bringing it to 2.5%. The NBS remained an active participant on the foreign exchange market by selling a net EUR 155 million in April and by buying a net EUR 75 million in May, resulting in net sales of EUR 2.2 billion in the first five months of the year. NBS foreign exchange

reserves decreased slightly by 2% y-o-y to EUR 13.9 billion in May 2022 (covering five months of imports of goods and services) as large FX inflows in Q3-2021, in particular from Eurobond issuances worth EUR 1.8 billion, were more than offset by the NBS's net FX sales in the first five months of 2022 to stabilise the dinar exchange rate.

## Financial sector

In May, domestic claims of the banking sector increased by 5.9% y-o-y (down from 8.5% y-o-y in February due to a strong decrease in claims on the NBS against repo transactions). The annual growth of credit to households slightly decelerated to 10.2% in May, from 10.4% in February. Annual credit growth to companies accelerated from 7.0% in February to 9.0% in May. The loan-to-deposit ratio stood at 88.4% at the end of April 2021. The ratio of non-performing loans decreased slightly to 3.4% in Q1-2022. The capital adequacy ratio in the banking sector (regulatory capital to risk-weighted assets) decreased to 20.0% in Q1 (-0.8 pps. q-o-q). As regards liquidity ratios, both the share of liquid assets to total assets (35.6%, -2.1 pps. q-o-q) and the share of liquid assets to total short-term liabilities (46.7%, -2.9 pps. q-o-q) decreased in Q1.

## Fiscal developments

In the period January-May 2022, total revenue remained buoyant and increased by 16.6% y-o-y, particularly supported by surging VAT receipts (+31.6%), corporate income tax (+36.3%) and personal income tax (+17.2%) while social contributions (+9.0%) and excise duties (+10.9%) performed more moderately. Total expenditure growth (+15.3%) remained slightly below the revenue increase and was driven by social transfers (+16.2%), capital expenditure (+34.7%), purchases of goods and services (+21.1%) and other current expenditure (+46.9%). As a result, in January-May, the budget recorded a deficit of 0.9% of expected annual GDP, as compared to 1.0% in the same period of 2021. In May, central government debt stood at 52.3% of the projected full-year GDP, down from 56.5% at end-2021, mainly as a result of high expected nominal GDP growth in 2022.

## TABLE

European Commission, ECFIN-D-1



## SERBIA

		2017	2018	2019	2020	2021	ECFIN 2022		Q4 21	Q1 22	Q2 22	Apr 22	May 22	Jun 22
							Spring forecast							
							2022	2023						
<b>1 Real sector</b>														
Industrial confidence <sup>1.1</sup>	Balance	5.8	6.7	5.9	-1.0	3.2	:	:	6.6	0.2	-0.7	-0.8	-2.1	0.9
Industrial production <sup>1.2</sup>	Ann. % ch	3.4	1.5	0.2	0.4	6.1	:	:	3.7	1.5	:	2.0	8.7	:
Gross domestic product <sup>1.3</sup>	Ann. % ch	2.1	4.5	4.3	-0.9	7.4	3.4	3.8	7.0	4.4	:	N.A.	N.A.	N.A.
Private consumption <sup>1.4</sup>	Ann. % ch	2.2	3.1	3.7	-1.9	7.7	3.7	3.8	7.3	7.1	:	N.A.	N.A.	N.A.
Gross fixed capital formation <sup>1.5</sup>	Ann. % ch	6.6	17.5	17.2	-1.9	12.5	4.4	4.8	9.8	1.0	:	N.A.	N.A.	N.A.
Construction index <sup>1.6</sup>	Ann. % ch	9.3	9.6	32.3	-1.5	25	:	:	25.7	9.3	:	N.A.	N.A.	N.A.
Retail sales <sup>1.7</sup>	Ann. % ch	3.3	4.1	8.9	4.2	10	:	:	8.4	10.2	:	6.9	5.1	:
<b>2 Labour market</b>														
Unemployment <sup>2.1</sup>	%	14.5	13.7	11.2	9.7	11.0	10.0	9.3	9.8	10.6	:	N.A.	N.A.	N.A.
Employment <sup>2.2</sup>	Ann. % ch	2.8	1.4	2.4	-0.2	2.6	0.8	0.7	4.1	5.4	:	:	:	:
Wages <sup>2.3</sup>	Ann. % ch	4.0	4.3	10.5	9.4	9.4	:	:	12.1	13.4	:	12.4	:	:
<b>3 External sector</b>														
Exports of goods <sup>3.1</sup>	Ann. % ch	13.8	6.5	8.8	-3.7	26.6	:	:	23.2	28.6	:	23.8	42.1	:
Imports of goods <sup>3.2</sup>	Ann. % ch	14.0	11.2	9.9	-4.7	24.2	:	:	27.4	47.9	:	38.1	54.6	:
Trade in goods balance <sup>* 3.3</sup>	% of GDP	-10.2	-11.9	-12.2	-11.1	-11.1	-12.9	-13.0	-11.1	-13.1	:	N.A.	N.A.	N.A.
Exports goods and services <sup>* 3.4</sup>	% of GDP	49.3	49.3	50.8	47.6	53.6	:	:	53.6	55.7	:	N.A.	N.A.	N.A.
Imports goods and services <sup>* 3.5</sup>	% of GDP	57.0	58.9	60.8	56.4	62.0	:	:	62.0	66.2	:	N.A.	N.A.	N.A.
Current account balance <sup>* 3.6</sup>	% of GDP	-5.2	-4.8	-6.9	-4.1	-4.4	-6.5	-6.4	-4.4	-6.9	:	N.A.	N.A.	N.A.
Direct investment (FDI, net) <sup>* 3.7</sup>	% of GDP	6.2	7.4	7.7	6.3	6.8	:	:	6.8	6.1	:	N.A.	N.A.	N.A.
International reserves <sup>3.8</sup>	mn EUR	9,962	11,262	13,378	13,492	16,455	:	:	16,455	14,296	:	14,114	13,904	:
Int. reserves / months Imp <sup>3.9</sup>	Ratio	5.4	5.4	5.7	6.1	6.0	:	:	6.0	4.7	:	4.5	:	:
<b>4 Monetary developments</b>														
CPI <sup>4.1</sup>	Ann. % ch	3.1	2.0	1.8	1.6	4.1	8.5	4.6	7.3	8.7	:	9.6	10.4	:
Producer prices <sup>4.2</sup>	Ann. % ch	3.4	2.1	0.7	-1.8	9.1	:	:	15.5	14.3	:	18.0	18.2	:
Food prices <sup>4.3</sup>	Ann. % ch	3.3	1.9	2.6	2.6	4.5	:	:	11.1	14.8	:	15.8	16.0	:
M3 <sup>4.4</sup>	Ann. % ch	3.6	14.5	8.4	18.1	13.3	:	:	13.3	8.3	:	8.6	6.9	:
Exchange rate RSD/EUR <sup>4.5</sup>	Value	121.41	118.27	117.86	117.58	117.57	:	:	117.58	117.62	117.57	117.72	117.57	117.43
Real effective exchange rate <sup>4.6</sup>	Index	119.5	123.8	123.6	125.7	128.0	:	:	128.4	128.2	:	127.2	127.3	:
<b>5 Financial indicators</b>														
Interest rate (BELIBOR) <sup>5.1</sup>	% p.a.	3.41	2.96	2.52	1.19	0.89	:	:	0.91	1.04	:	1.42	1.73	:
Bond yield (7 year) <sup>5.2</sup>	% p.a.	:	:	4.00	:	:	:	:	:	:	:	:	:	:
Stock markets <sup>5.3</sup>	Index	1,584	1,562	1,584	1,544	1,639	:	:	1,685	1,748	1,682	1,711	1,656	1,680
Credit growth <sup>5.4</sup>	Ann. % ch	2.4	4.3	9.7	12.3	9.1	:	:	8.7	10.6	:	12.1	13.1	:
Deposit growth <sup>5.5</sup>	Ann. % ch	7.9	7.4	12.9	15.0	14.4	:	:	13.3	11.8	:	9.0	7.1	:
Non-performing loans <sup>5.6</sup>	% total	9.8	5.7	4.1	3.7	3.6	:	:	3.6	3.4	:	N.A.	N.A.	N.A.
<b>6 Fiscal developments</b>														
General government balance <sup>** 6.1</sup>	% of GDP	1.1	0.6	-0.2	-8.0	-4.1	-3.1	-1.8	-3.1	:	:	N.A.	N.A.	N.A.
General government debt <sup>*** 6.2</sup>	% of GDP	59.2	53.7	52.0	57.0	56.5	54.5	52.5	56.5	:	:	52.8	:	:

f: ECFIN forecast Spring 2022 published May 2022

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

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

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

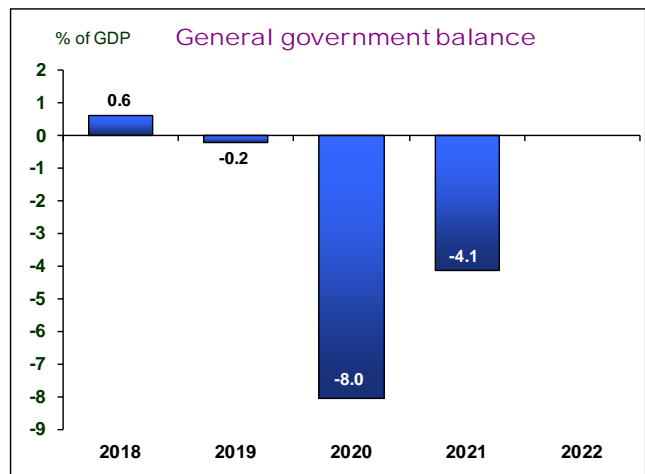
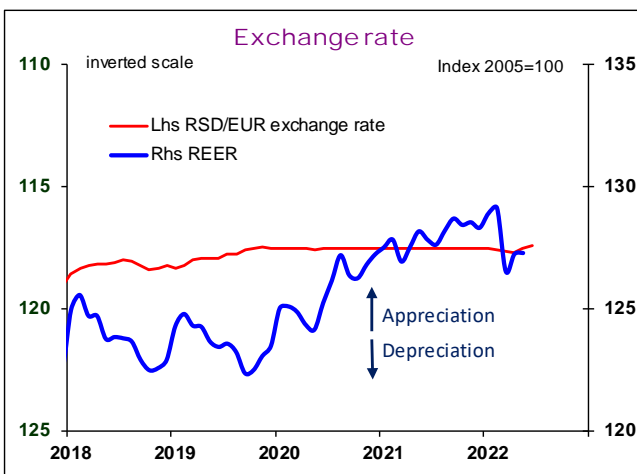
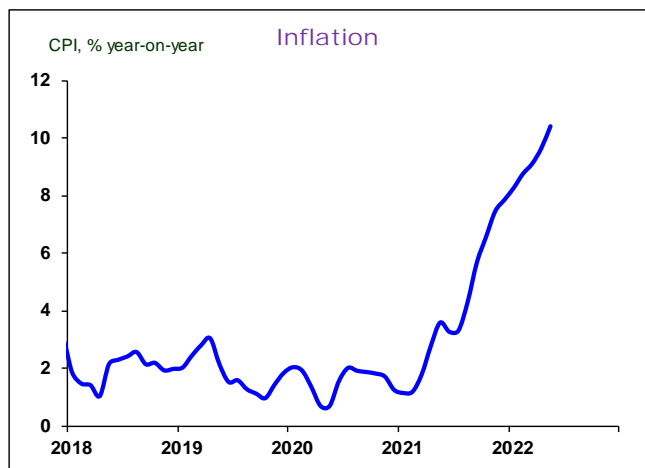
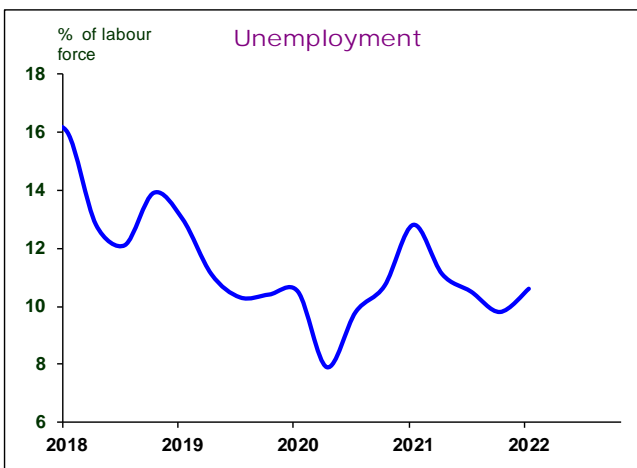
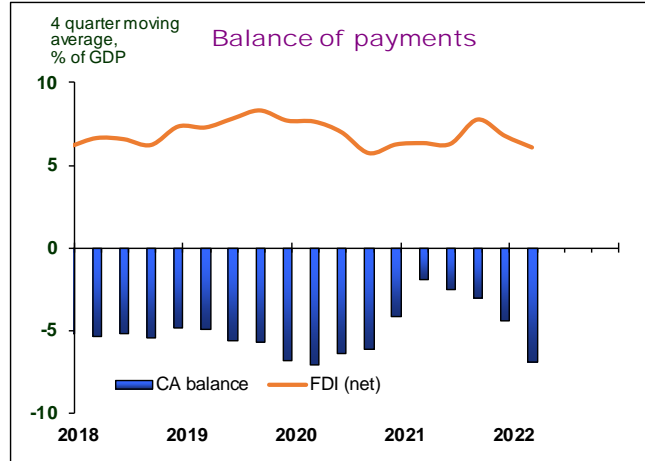
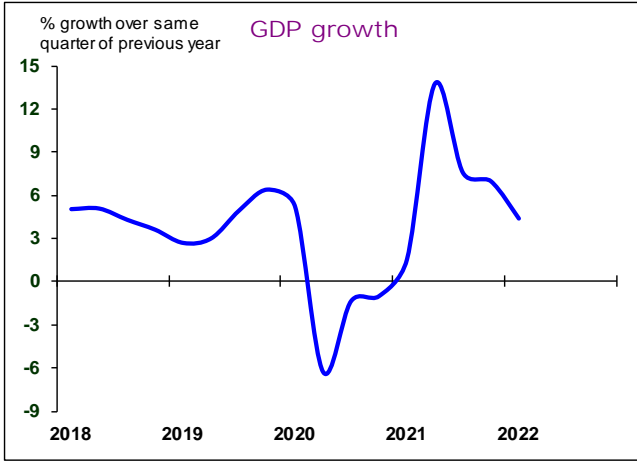


# CHARTS

European Commission, ECFIN-D-1



## SERBIA





### Key developments

The Economic and Financial Dialogue between the EU and the Western Balkans and Turkey, held on 24 May, adopted joint conclusions with targeted policy guidance, which *inter alia* invited Turkey to: rebalance the policy mix and use the available fiscal space in the 2022 budget to support vulnerable households and firms; use all available monetary policy instruments to ensure a permanent fall in inflation towards the target; improve the management and monitoring of public-private partnerships; simplify public procurement procedures and reduce the number of exemptions; phase out the FX value guarantees on lira time deposits by end-2022 or earlier; strengthen the rule of law and the regulatory environment; improve the transition of young people into the labour market and incentivise female labour market participation.

In view of the markedly different macroeconomic situation and the much higher than expected inflation, the government proposed a supplementary budget in June. It preserved the overall budget deficit target of 3.5% of GDP, but added another TRY 880.5 (7% of GDP) in expenditure to finance measures to cushion the impact of increased energy costs, hikes in public pensions and wages, and the scheme guaranteeing the FX value of lira time deposits. As part of the budget process, and following a 50% hike in the beginning of the year, the minimum wage was increased by an additional 30% from TRY 4 253 to TRY 5 500.

### Real sector

Although losing some speed, the economy expanded further in Q1 (1.2% q-o-q and 7.3% y-o-y). Domestic demand (including changes in inventories) was relatively robust, contributing 2.9 pps. to real y-o-y GDP growth. It was mainly driven by household consumption, which despite falling in quarterly terms, continued to grow very strongly in annual comparison (19.5%) due to base effects. The growth in government consumption (0.9% y-o-y) and gross fixed capital formation (1.1% y-o-y) was subdued. Inventories, however, saw another large decline, suppressing domestic demand and subtracting

8.2 pps. from real GDP growth. Net exports were again a main driver of growth (4.5 pps.). Affected by the weak lira and the global relaxation of COVID-19-related restrictions, export growth remained in the double-digits (16.8% y-o-y), while imports were subdued (2.3% y-o-y).

On the supply side, although less upbeat than in the previous quarters, the good manufacturing (7.6% y-o-y) and industry performance extended into Q1. Services grew strongly, in particular information and communication (16.8% y-o-y) and finance (24.2% y-o-y). Despite a quarterly rebound, the construction sector declined again in annual terms (-7.2%). Agricultural activity remained largely unchanged (0.9% y-o-y).

Despite a strong performance of industrial production (10% y-o-y) and retail sales (14.7% y-o-y) in April, the overall growth momentum decelerated in Q2, amplified by the effects of Russia's invasion of Ukraine and the tightening of global financing conditions. The already poor economic sentiment indicators worsened further and some of the high-frequency indicators moved into recessionary territory, amid rising imbalances and higher risks. The overall economic confidence index fell steeply since the beginning of the year to 93.6 in June. Consumer confidence reached its lowest level on record (63.4), declining across the board as households' assessment and expectations of their financial situation hit new lows. Real sector confidence also declined to 104.6, although investment, employment, export, and output expectations remained relatively upbeat. The manufacturing PMI moved below the threshold of 50 since March and declined further to 48.1 in June.

### Labour market

The labour market continued to improve slowly, largely returning to its pre-COVID-19 levels in the spring. The labour force and employment (15 years and over) expanded further, with the seasonally adjusted participation rate reaching 53.1% and the employment rate 47.1% in April. In the first quarter, employment growth was uneven across sectors – ranging from around 10% y-o-y in services and industry, to -4.6% in agriculture and -0.4% in construction. The

headline unemployment rate fell to 10.6% in April, but stagnated in seasonally adjusted terms and increased among women. The significant slack on the market was also visible in the still very high level of labour underutilisation (based on indicators of unemployment, time-related underemployment, and the potential labour force), which stood at a seasonally adjusted 21.7% (29.5% for women) in April. The average weekly hours of work remained broadly unchanged at around 44, with women working noticeably less, 40 hours per week. The seasonally and calendar-adjusted hourly labour cost index increased by 50.6% y-o-y in Q1 (17.1% q-o-q), 4.1 pps. below the inflation rate.

### External sector

The current account deficit continued to expand rapidly, with its 12-month cumulative value reaching USD 25.7 billion (3.2% of GDP) by end-April, compared to USD 14.0 billion (1.7% of GDP) in 2021 as a whole. The widening of the deficit was mainly driven by the larger trade deficit (USD 46.1 billion) due to the rising energy and other commodity prices. Although exports of goods continued their strong performance (up 20.4% y-o-y) in the first five months of the year, the worsening terms-of-trade drove imports up even faster (40.8% y-o-y). The ongoing recovery in services trade helped to partly offset the deteriorating merchandise trade balance. The relatively large portfolio outflows in March and April were largely compensated by other investment inflows and significant net errors and omissions. However, after edging up in April, the central bank's gross foreign exchange reserves continued falling in May and June, reflecting the large trade gap and further downward pressure on the lira.

### Monetary developments

Inflation increased to new highs – 78.6% y-o-y in June. Inflationary pressures remained elevated as producer price inflation rose to 138.3% y-o-y and the gap between producer and consumer price inflation rates reached record levels (60 pps.). Inflation expectations increased as well – the 12-month ahead inflation inched up to 37% in June. The distance between core and headline inflation widened further to 21.4 pps., driven by the continued strong surge in energy (151.3% y-o-y) and food (93.9% y-o-y) price inflation. Following increases earlier this year, gas prices went up again in June (30% for households and 10-40% for industry). Electricity prices were also increased by 15% for households and 25% for companies. Service

inflation, on the other hand, was below the average, at 48.7% y-o-y in June, suppressed by a slower rise in some regulated prices. In June, in an attempt to limit the rise in inflation, the authorities introduced a temporary cap of 25% on rent increases (applicable until July 2023).

Despite surging inflation and inflation expectations, the central bank has kept its policy rate unchanged at 14% since December. In order to limit the risks to the financial system from a large conversion of maturing FX-guaranteed lira time deposits and stem further depreciation of the lira, which has lost a third of its value against the U.S. dollar since the beginning of the year, in June the authorities introduced new macro-prudential measures limiting the access to lira loans of companies with a significant share of FX cash assets (including gold and FX deposits). As part of their 'lirisation' efforts, the authorities also introduced revenue-indexed bonds. In mid-June, Turkey's sovereign risk premium rose to its highest level in decades (872) and has remained elevated since then.

### Financial sector

In May and June, the central bank introduced macro-prudential measures to limit lending and to direct it to uses and sectors deemed more beneficial to economic and financial stability. Consumer loans were curtailed and a 10% reserve requirement (later increased to 20%) was imposed on the banks' and other financial institutions' lira-denominated commercial loans extended since April 2022, with a penalty for banks whose loan portfolio increased by more than 20% between the beginning of the year and end-May. Loans to SMEs, export, investment, tradesmen, agriculture and some other categories were exempted from this rule. The banking sector's capital adequacy ratio stood at 18.2% in May, well above the regulatory minimum. The NPL ratio declined further to 2.6% in (1.8% in state-owned banks). By end-June, the FX-protected deposits increased to above TRY 1 trillion, representing around 15% of all deposits.

### Fiscal developments

In January-May, the much higher than expected inflation doubled government revenue over the same period in 2021 and led to the accumulation of a budget surplus of TRY 124.6 billion (1% of GDP). Total expenditure increased by less (75% y-o-y) as spending on major expenditure lines, such as compensation of employees and treasury aid, increased by 50% y-o-y, significantly below inflation. Government debt increased to 42.6% in Q1, up from 42.0% of GDP at end-2021.

TABLE



TURKEY

European Commission, ECFIN-D-1

		2017	2018	2019	2020	2021	ECFIN 2022 Spring forecast		Q4 21	Q1 22	Q2 22	Apr 22	May 22	Jun 22
							2022	2023						
<b>1 Real sector</b>														
Industrial confidence <sup>1.1</sup>	Index	3.6	-1.5	-3.8	-4.1	5.6	:	:	6.3	5.1	0.4	1.5	0.4	-0.8
Industrial production <sup>1.2</sup>	Ann. % ch	9.1	1.1	-0.6	2.2	16.5	:	:	11.5	10.3	:	10.5	:	:
Gross domestic product <sup>1.3</sup>	Ann. % ch	7.5	3.0	0.9	1.8	11.0	2.0	3.0	9.1	7.3	:	N.A.	N.A.	N.A.
Private consumption <sup>1.4</sup>	Ann. % ch	5.9	0.5	1.5	3.2	15.1	0.5	2.0	21.4	19.5	:	N.A.	N.A.	N.A.
Gross fixed capital formation <sup>1.5</sup>	Ann. % ch	8.3	-0.2	-12.4	7.2	6.4	-1.5	3.0	-0.8	1.1	:	N.A.	N.A.	N.A.
Construction index <sup>1.6</sup>	Ann. % ch	25.9	22.8	-7.1	5.9	38.7	:	:	46.2	68.6	:	108.9	:	:
Retail sales <sup>1.7</sup>	Ann. % ch	5.6	1.9	-0.5	3.1	16.5	:	:	13.4	7.1	:	12.5	:	:
<b>2 Labour market</b>														
Unemployment <sup>2.1</sup>	%	10.9	10.9	13.7	13.1	12.0	12.8	12.6	11.0	11.6	:	10.6	:	:
Employment <sup>2.2</sup>	Ann. % ch	3.5	2.2	-2.3	-4.8	7.9	1.6	2.6	11.2	7.4	:	7.3	:	:
Wages <sup>2.3</sup>	Ann. % ch	9.3	18.3	26.2	18.0	19.3	61.6	63.5	31.2	50.2	:	:	:	:
<b>3 External sector</b>														
Exports of goods <sup>3.1</sup>	Ann. % ch	10.2	7.7	2.1	-6.2	32.8	:	:	25.7	20.5	:	24.5	15.3	:
Imports of goods <sup>3.2</sup>	Ann. % ch	18.1	-3.2	-9.0	4.4	23.6	:	:	23.6	42.0	:	35.0	43.5	:
Trade in goods balance <sup>* 3.3</sup>	% of GDP	-6.8	-5.2	-2.2	-5.3	-3.6	-4.9	-4.0	-3.6	-5.4	:	N.A.	N.A.	N.A.
Exports goods and services <sup>* 3.4</sup>	% of GDP	25.9	30.2	32.2	28.5	34.9	:	:	34.9	37.4	:	N.A.	N.A.	N.A.
Imports goods and services <sup>* 3.5</sup>	% of GDP	29.7	31.6	30.0	32.1	35.3	:	:	35.3	39.1	:	N.A.	N.A.	N.A.
Current account balance <sup>* 3.6</sup>	% of GDP	-4.8	-2.8	0.7	-5.0	-1.7	-3.8	-3.5	-1.7	-3.1	:	N.A.	N.A.	N.A.
Direct investment (FDI, net) <sup>* 3.7</sup>	% of GDP	1.0	1.1	0.9	0.6	0.9	:	:	0.9	0.8	:	N.A.	N.A.	N.A.
International reserves <sup>3.8</sup>	bn EUR	107.7	93.0	105.7	93.3	111.2	:	:	111.2	105.9	:	:	:	:
Int. reserves / months Imp <sup>3.9</sup>	Ratio	5.1	4.5	5.6	4.9	4.7	:	:	4.7	4.1	:	:	:	:
<b>4 Monetary developments</b>														
CPI <sup>4.1</sup>	Ann. % ch	11.1	16.3	15.2	12.3	19.6	63.1	54.1	25.8	54.8	74.0	70.0	73.5	78.6
Producer prices <sup>4.2</sup>	Ann. % ch	15.8	27.0	17.6	12.2	43.9	:	:	60.6	104.7	:	121.8	132.2	:
Food prices <sup>4.3</sup>	Ann. % ch	12.7	18.0	19.5	13.8	24.3	:	:	32.9	63.6	:	89.1	91.6	:
M3 <sup>4.4</sup>	Ann. % ch	15.5	18.6	29.5	32.8	51.1	:	:	51.1	64.3	74.2	63.9	68.5	74.2
Exchange rate TRY/EUR <sup>4.5</sup>	Value	4.12	5.68	6.35	8.03	10.45	:	:	12.72	15.63	16.83	15.91	16.64	17.95
Real effective exchange rate <sup>4.6</sup>	Index	103.2	88.0	87.1	78.6	70.6	:	:	62.4	63.0	:	67.4	66.1	:
<b>5 Financial indicators</b>														
Interest rate (3 months-TRLIBOR) <sup>5.1</sup>	% p.a.	12.81	19.85	20.66	11.25	18.70	:	:	16.78	16.01	16.01	16.01	16.01	16.01
Interest rate, long term <sup>5.2</sup>	% p.a.	11.15	16.39	16.01	12.81	17.69	:	:	20.83	24.16	22.25	23.51	23.55	19.70
Stock markets <sup>5.3</sup>	Index	990	1,019	993	1,133	1,510	:	:	1,696	2,037	2,469	2,433	2,433	2,541
Credit growth <sup>5.4</sup>	Ann. % ch	21.8	21.8	6.4	28.4	22.7	:	:	23.8	42.6	53.7	46.7	53.0	61.2
Deposit growth <sup>5.5</sup>	Ann. % ch	20.4	23.0	18.3	36.4	28.0	:	:	34.2	63.6	72.3	66.1	71.1	79.3
Non-performing loans <sup>5.6</sup>	% total	3.0	3.9	5.4	4.1	3.1	:	:	3.1	2.9	:	2.8	:	:
<b>6 Fiscal developments</b>														
General government balance <sup>** 6.1</sup>	% of GDP	-2.0	-2.8	-3.2	-2.9	-2.3	-4.5	-4.5	:	:	:	N.A.	N.A.	N.A.
General government debt <sup>*** 6.2</sup>	% of GDP	27.9	30.1	32.6	39.7	42.0	41.4	39.3	42.0	:	:	N.A.	N.A.	N.A.

f: ECFIN forecast Spring 2022 published May 2022

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

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

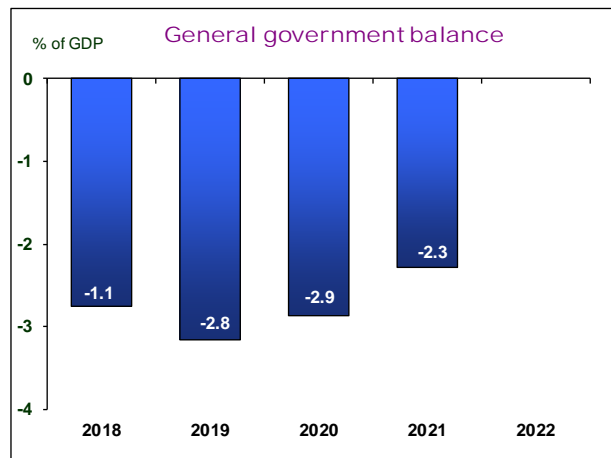
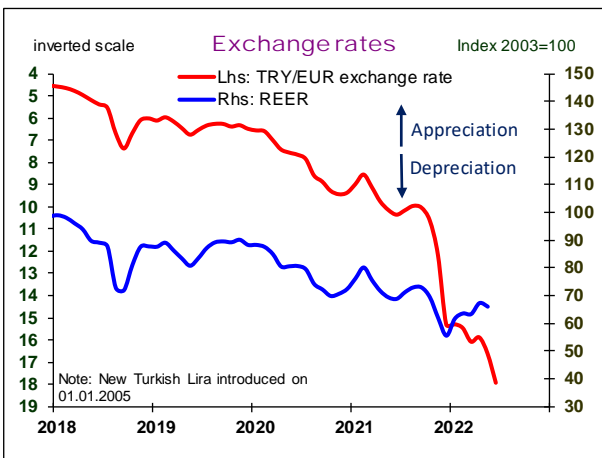
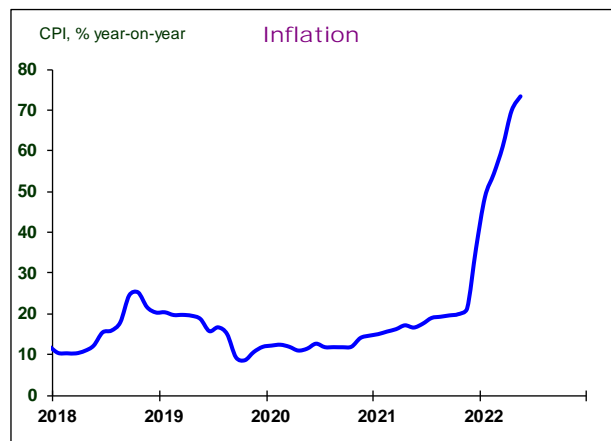
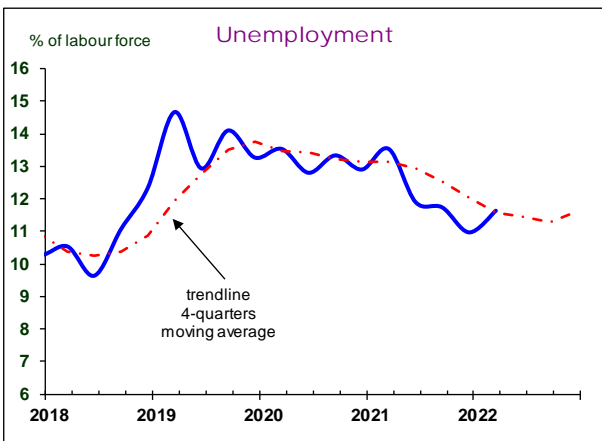
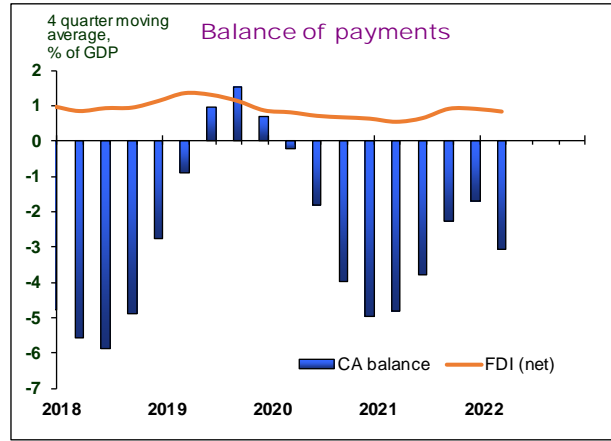
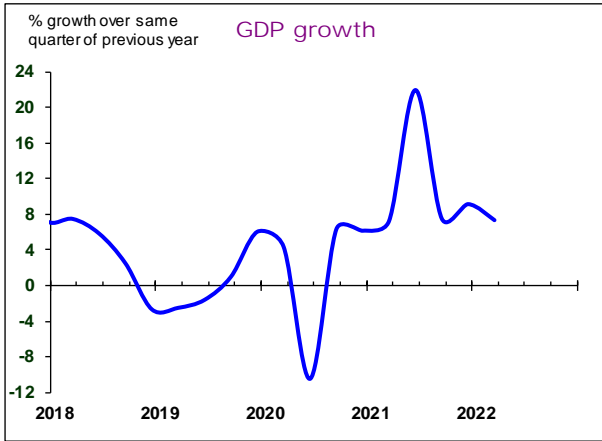
\*\*\* Q figures in percent of GDP on a four quarter moving basis.

# CHARTS

European Commission, ECFIN-D-1



## TURKEY



# BOSNIA AND HERZEGOVINA



## Key developments

On 24 May, the annual Economic and Financial Dialogue between the EU and the Western Balkans and Turkey adopted joint conclusions with country-specific policy guidance, which called on Bosnia and Herzegovina, *inter alia*, to use the available fiscal space in the 2022 budget for targeted support to vulnerable households and firms, and, provided the recovery is well entrenched, to return to a debt-stabilising fiscal policy as of 2023 with a gradually improving primary balance in the medium-term fiscal plans. The policy guidance also invited the country to increase the share of government capital spending in GDP and to improve the efficiency of tax collection.

On 27 May, the Central Bank lowered its growth forecast for 2022 to 2.8%, down from 3.9% in November, reflecting a less favourable international environment, in particular due to Russia's invasion of Ukraine, leading to higher prices of energy and food. The Central Bank now expects consumer prices to increase by 7.7% on average in 2022, compared to 2.1% expected in November. The main inflationary factors are significant price increases for raw materials, energy, food and oil, especially because of the war against Ukraine, but also due to the low base from the first half of 2021, when consumer prices stagnated.

On 19 May, the *Republika Srpska* (RS) entity revised its 2022 central government budget, accounting for some 10% of the country's GDP. Planned spending was increased by some 9%, mainly for permanent increases in public sector salaries, pensions, war veterans' allowances and social benefits. The financing of higher expenditure is based on expected much higher revenues, which according to the RS authorities will lead to an even slightly lower deficit (by KM 1 million) of KM 209 million, or about 1.5% of the RS entity's GDP.

## Real sector

In Q1, the economy continued to recover, registering a seasonally-adjusted, quarter-on-quarter GDP increase of 1.5%, mainly driven by strong value-added growth in trade, transport and tourism. Year-on-year, output growth was 5.5% in Q1, compared to 7.5% in Q4-2021. The main sources of annual growth continued to be private consumption - increasing by 5.2% and

contributing nearly 5 pps. to growth – and exports, which rose by 40.6% y-o-y. Boosted by base effects due to a 11.2% drop a year before, investment rose by 23.1% y-o-y. Imports increased by 41.0% y-o-y. For the whole year of 2021, output was 6.9% higher than a year before, when it registered a decline by 3.2%. The main growth drivers in 2021 were private consumption and exports, while real investment growth remained rather subdued.

High-frequency data points to a continued recovery. In Q1, industrial production was still nearly 12% higher than a year before. However, in April, growth in industrial output has slowed down to 4.6% y-o-y. Retail sales turnover gained some additional momentum: in Q1, its turnover was 18.2% higher than a year before, compared to 17.2% in Q4-2021. In April, the acceleration continued, with a year-on-year increase of 21.5%.

Tourism continued to rebound. During the first five months of 2022, the number of overnight stays and arrivals at the accommodations were higher by 76.7% and 87.3% respectively than a year before. Domestic tourists accounted for 41% of total overnight stays. Serbia, Croatia and Slovenia accounted for 22%, 21% and 7% of total foreign tourists, respectively.

## Labour market

Registered employment was nearly 3.7% y-o-y higher in Q1. Important sectors with an improving employment situation were trade and tourism as well as manufacturing. In April, the number of employees continued to be 3.7% higher than a year before, i.e. nearly 30 000 more employees were registered.

The number of the registered unemployed in Q1 was some 36 000 (8.7%) lower than a year before. This brought the administrative unemployment rate down to 30.7%, compared to 33.4% the year before. In April, the number of registered unemployed persons was some 36 300 persons (9%) lower than a year before. According to the survey-based Labour Force Statistics (LFS), the unemployment rate was 16.7% in Q1, markedly lower than a year ago, when the rate was at its peak of 19.0%. The LFS youth unemployment rate (age group 15-24) dropped to 35.7% in Q1, compared to 40.1% a year before. This level is comparable to youth-unemployment rates before the COVID-19 pandemic.

The annual growth in nominal gross wages accelerated further, to 8.2% y-o-y in Q1, and 8.6% y-o-y in April. However, adjusted for inflation, the increase in real wages has come to a halt. The official wage statistics do not include micro enterprises, which represent a large share of employment.

### External sector

The current account's 4-quarter moving average registered an increase in the deficit from 2.1% of GDP in Q4-2021, to 2.9% in Q1, largely reflecting a strong increase in spending for imports driven by strong consumption but also accelerating prices for energy imports.

Trade continued its rebound in Q1, with the value of goods exports being 36.6% higher than a year earlier, while imports had increased by 40.7%, reflecting strong growth of private consumption and exports as well as higher prices. The strong trade performance continued in April and May. The value of merchandise exports rose by 44.5% and 52.4% y-o-y, respectively, mainly due to a strong recovery of demand from Serbia, Croatia and Italy.

Net FDI inflows dropped in the year to Q1 to 1.7% GDP, compared to 2.1% of GDP in 2021. Official foreign exchange reserves stayed high in Q1, but dropped to 8.4 months of imports of goods and services.

### Monetary developments

The increase in the overall level of consumer prices continued, with year-on-year inflation rising from 5.3% in Q4 to 8.4% in Q1, and further to 13.2% and 14.3% in April and May, respectively. The main factors for the acceleration were higher prices for food and non-alcoholic beverages. Prices for this group account for 32% of the basket and rose on average by 13.3% in Q1 and by 20.7% and 22.7% y-o-y in April and May, respectively. Prices for transport, accounting for nearly 13% of the basket, increased by 17.8% y-o-y in Q1, and by 28.8% and 30.3% in April and May, respectively. At the same time, prices for clothes and footwear continued to decline by some 5% y-o-y.

The annual growth of the monetary aggregate M2 decelerated to 7.3% in Q1, compared to 11.6% in Q4-2021. In April and May, the slower increase of M2 continued, at close to 7%.

### Financial sector

Overall, the financial sector has weathered the COVID-19 crisis relatively well so far. Annual

credit growth continued to accelerate in Q1, reaching 3.7% y-o-y, compared to 3.2% in Q4. This trend continued in April and May, with lending increasing by 4.1% and 4.5% y-o-y, respectively. This increase continued to be mainly driven by bank loans to households.

Bank deposit growth also remained high in Q1, (8.9%), although there was a clear deceleration when compared to Q4, when the year-on-year increase had still been 11.2%. In April and May, deposit growth remained markedly lower, at 3.1% and 4.9% y-o-y, respectively. Households and in particular non-financial private enterprises continued to be the main drivers of deposit growth. As a result of the decelerating deposit growth and accelerating loan growth, the loan-to-deposit ratio returned to a similar level as the year before, at some 79%, compared to its lowest level of 75% reached in January 2021.

The share of non-performing loans in total loans declined to 5.4% at the end of Q1, compared to 6.0% one year earlier. The ratio of non-performing loans covered by loan-loss provisions dropped slightly to 77.1% in Q1, compared to 78.4% in Q4-2021 and 78.5% a year before. Banking sector profitability remained largely unchanged in Q1 after a marked improvement in Q1-2021 partly following methodological changes. The return-on-equity (ROE) ratio improved slightly to 10.4% in Q1, compared to 9.6% in Q4-2021. The return on assets (ROA) remained at 1.3%. The banking system's overall capital-adequacy ratio remained high at 19.4% in Q1, compared to 19.6% in Q4-2021. This continues to be well above the regulatory minimum of 12%. However, there are sizeable differences among the country's 22 banks, with some pockets of vulnerability remaining.

### Fiscal developments

Tax revenues continued their strong recovery. In the first five months of 2022, indirect tax revenues were 20.6% higher than a year before. High growth reflects the economic recovery and high inflation. During 2021, the collection of indirect taxes had been 21.5% higher than a year before, mainly thanks to strong VAT revenues, in particular during the summer months. Latest official estimates expect a 2021 general government deficit of 0.9% of GDP, after 5.3% in 2020. IMF estimates even point to a possible surplus of 0.8% of GDP in 2021. The public debt ratio continued to decrease slightly in Q1 to 34.1% of GDP, compared to 34.8% in Q4-2021.

## TABLE

European Commission, ECFIN-D-1



# BOSNIA AND HERZEGOVINA

		2017	2018	2019	2020	2021	Q4 21	Q1 22	Q2 22	Apr 22	May 22	Jun 22
<b>1 Real sector</b>												
Industrial confidence <sup>1.1</sup>	Balance	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Industrial production <sup>1.2</sup>	Ann. % ch	3.1	1.6	-5.3	-6.3	9.7	6.9	3.5	:	4.9	8.2	:
Gross domestic product <sup>1.3</sup>	Ann. % ch	3.0	3.3	2.8	-3.2	6.9	7.2	5.5	:	N.A.	N.A.	N.A.
Private consumption <sup>1.4</sup>	Ann. % ch	0.8	4.7	4.3	-1.5	6.0	7.3	6.7	:	N.A.	N.A.	N.A.
Gross fixed capital formation <sup>1.5</sup>	Ann. % ch	7.9	8.1	5.8	-4.1	11.6	:	:	:	N.A.	N.A.	N.A.
Construction index <sup>1.6</sup>	Ann. % ch	-6.9	5.2	15.4	-18.6	12.0	12.0	14.4	:	N.A.	N.A.	N.A.
Retail sales <sup>1.7</sup>	Ann. % ch	5.0	8.2	5.2	-6.8	18.5	17.2	18.2	:	21.5	11.8	:
<b>2 Labour market</b>												
Unemployment <sup>2.1</sup>	%	20.5	18.4	15.7	15.9	17.4	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Employment <sup>2.2</sup>	Ann. % ch	4.0	6.2	2.5	-1.2	0.9	2.4	3.7	:	3.7	:	:
Wages <sup>2.3</sup>	Ann. % ch	1.6	3.1	4.3	4.0	4.4	5.1	8.2	:	8.6	:	:
<b>3 External sector</b>												
Exports of goods <sup>3.1</sup>	Ann. % ch	21.3	11.5	-2.3	-7.4	34.9	39.3	36.6	:	44.5	52.4	:
Imports of goods <sup>3.2</sup>	Ann. % ch	13.3	7.1	1.1	-13.4	26.7	35.7	40.7	:	39.6	43.9	:
Trade in goods balance* <sup>3.3</sup>	% of GDP	-23.6	-22.5	-22.6	-18.4	-19.3	-19.0	-20.4	:	N.A.	N.A.	N.A.
Exports goods and services* <sup>3.4</sup>	% of GDP	40.9	42.6	40.6	34.5	44.1	43.4	46.3	:	N.A.	N.A.	N.A.
Imports goods and services* <sup>3.5</sup>	% of GDP	57.1	57.3	55.2	48.5	56.4	55.5	59.3	:	N.A.	N.A.	N.A.
Current account balance* <sup>3.6</sup>	% of GDP	-4.8	-3.3	-2.8	-3.8	-2.1	-2.1	-2.9	:	N.A.	N.A.	N.A.
Direct investment (FDI, net)* <sup>3.7</sup>	% of GDP	2.3	2.9	1.5	1.7	2.1	2.1	1.7	:	N.A.	N.A.	N.A.
International reserves <sup>3.8</sup>	mn EUR	5,398	5,943	6,441	7,091	8,359	8,359	8,158	:	8,158	8,165	:
Int. reserves / months Imp <sup>3.9</sup>	Ratio	7.1	7.3	7.8	10.0	9.3	9.3	8.4	:	:	:	:
<b>4 Monetary developments</b>												
CPI <sup>4.1</sup>	Ann. % ch	1.3	1.4	0.6	-1.1	2.0	5.3	8.4	:	13.2	14.3	:
Producer prices <sup>4.2</sup>	Ann. % ch	1.8	3.2	0.4	-0.4	4.5	8.2	12.8	:	20.3	24.0	:
Food prices <sup>4.3</sup>	Ann. % ch	1.3	0.6	1.1	1.0	3.5	8.6	13.3	:	20.7	22.7	:
M2 <sup>4.4</sup>	Ann. % ch	9.5	9.4	8.9	7.3	11.6	11.6	7.3	:	6.8	6.9	:
Exchange rate BAMEUR <sup>4.5</sup>	Value	1.96	1.96	1.96	1.96	1.96	1.96	1.96	:	1.96	1.96	:
Real effective exchange rate <sup>4.6</sup>	Index	95.9	96.4	95.2	94.7	94.4	95.2	96.5	:	98.6	:	:
<b>5 Financial indicators</b>												
Interest rate (3 months) <sup>5.1</sup>	% p.a.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Bond yield <sup>5.2</sup>	% p.a.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Stock markets <sup>5.3</sup>	Index	627	621	772	769	870	1,026	952	973	953	959	1,006
Credit growth <sup>5.4</sup>	Ann. % ch	5.3	6.6	5.7	1.1	1.7	3.2	3.7	:	4.1	4.5	:
Deposit growth <sup>5.5</sup>	Ann. % ch	10.4	11.3	9.3	5.6	10.1	11.2	8.9	:	3.1	4.9	:
Non performing loans <sup>5.6</sup>	% total	10.0	8.8	7.4	6.1	5.8	5.8	5.4	:	N.A.	N.A.	N.A.
<b>6 Fiscal developments</b>												
General government balance** <sup>6.1</sup>	% of GDP	2.6	2.2	1.9	-5.3	3.5	:	:	:	N.A.	N.A.	N.A.
General government debt*** <sup>6.2</sup>	% of GDP	36.1	34.1	32.7	36.6	35.4	35.4	:	:	N.A.	N.A.	N.A.

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

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

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

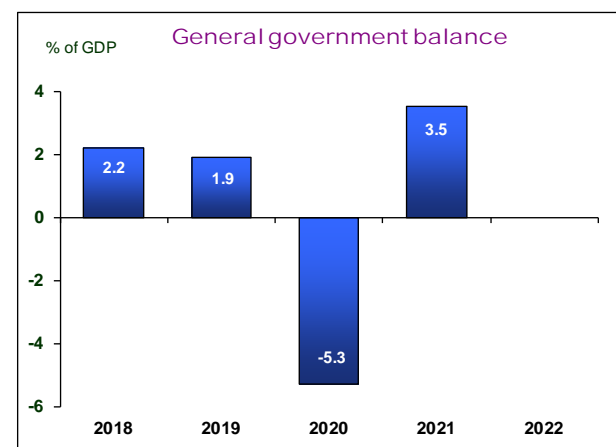
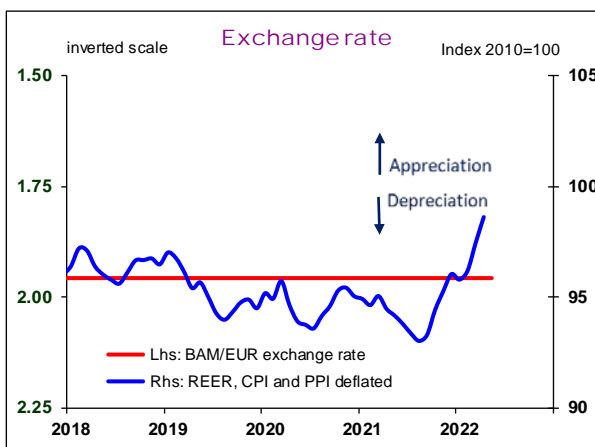
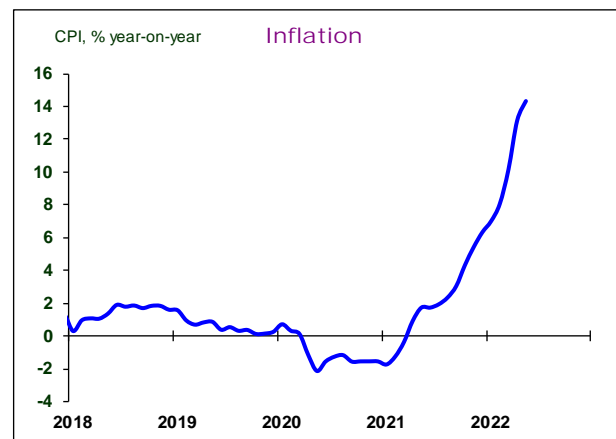
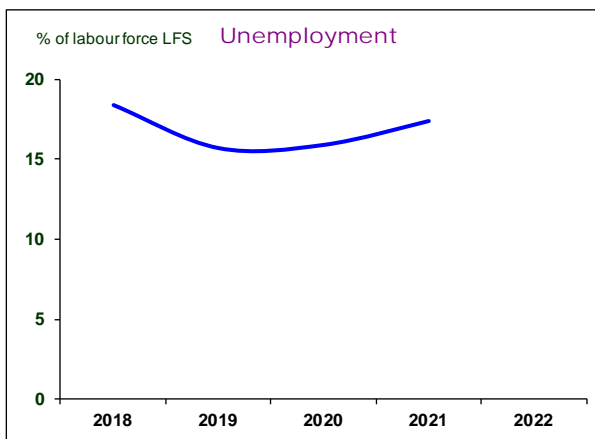
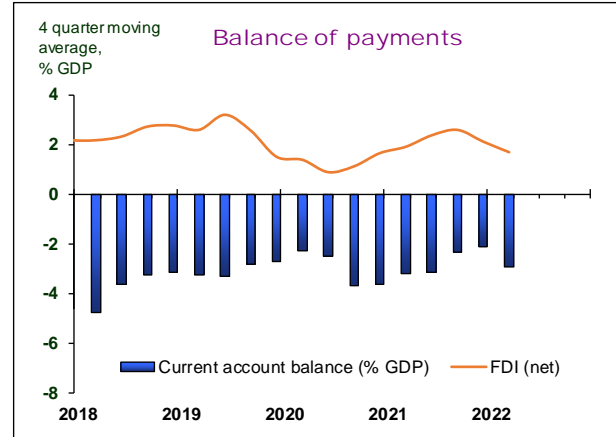
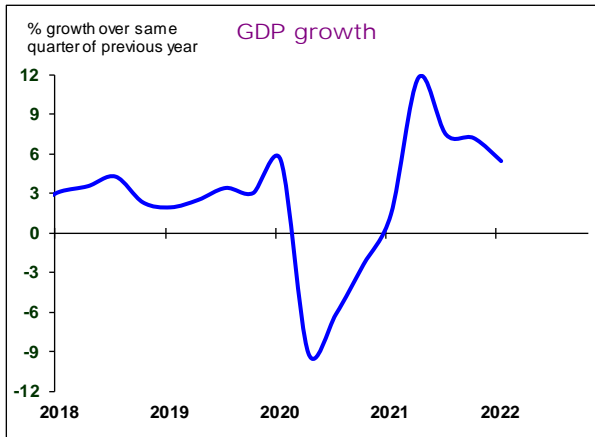


# CHARTS



European Commission, ECFIN-D-1

## BOSNIA AND HERZEGOVINA





## Key developments

In April, the government adopted a revised MTEF, including a downward revision of real GDP from 7.8% to 5.7%, which is still much above the IMF assumption of 2.8%. The MTEF foresees a return to compliance with the deficit rule by 2023.

In the context of the fallout of Russia's war of aggression against Ukraine and rapidly increasing energy and food prices, the government decided in April to provide financial support to low income groups of EUR 100 million.

On 24 May, the Economic and Financial Dialogue between the EU and the Western Balkans and Turkey adopted joint conclusions with targeted policy guidance, which invited Kosovo to use the available fiscal space in the 2022 budget to cushion the impact of adverse developments, while planning in the 2023 budget and medium-term expenditure framework (MTEF) a gradual return to the 2% deficit ceiling. Kosovo was also invited, *inter alia*, to ensure proper costing of new pension and social policy initiatives, and to improve the financial oversight of publicly owned enterprises as well as the management and execution of capital spending.

In June, the government reached an agreement with Serbia to address electricity billing issues in the northern municipalities of Kosovo. This agreement is expected reduce the losses of publicly-owned enterprise Kosovo Transmission System Operator.

## Real sector

In Q1, GDP growth decelerated to 4.8% y-o-y from 6.3% in the last quarter of 2021. The slowdown was primarily caused by a fall in government consumption (-2.5% y-o-y) and continuous strong growth in imports (22% y-o-y). Private consumption increased by a robust 11.5% y-o-y. Exports growth reached 27% y-o-y, on the back of a strong performance of both goods and services exports, expanding by 33.8% and 24%, y-o-y, respectively. Given that the size of imports is more than twice higher the size of exports, net exports' contribution to GDP growth was negative (7.3 pps.).

Gross value added increased by 3.8% y-o-y in Q1. Output growth was above 8% y-o-y in financial services, retail and wholesale trade. Lower growth rates were recorded in the sectors of construction (3.8%) manufacturing (5.4%) and agriculture (1%).

## Labour market

Due to the COVID-19 related disruptions, the publication of the labour force survey (LFS) results has been discontinued. The latest available release refers to Q1-2021 with the unemployment rate at 25.8%. Tax administration data suggest that official employment in the private and public sector increased by 10% in 2021.

Nominal wages increased by 3.9% in 2021, which was driven by wage growth in the private sector (10%). Public wages, which are around 30% higher than wages in private sector, declined by 1% as compared to 2020.

## External sector

The current account deficit deteriorated, with its 4-quarter moving average rising to 10.9% of GDP in Q1 as compared to 8.6% in full-year 2021. The key driver was the traditionally negative balance of goods trade, which widened to 52% of GDP on the back of strong growth of imports. Workers' remittances, which usually offset a large part of the trade deficit, stagnated and stood at 14.5% of GDP in the four quarters to March. On the financing side, the 4-quarter moving average of net FDI inflows increased slightly to 4.3% GDP in Q1. Reserve assets slightly declined and covered 2.4 months of imports of goods and services in Q1.

In January-May merchandise exports expanded by 38% y-o-y, while imports grew by 29% as compared to the same period in 2021. Nevertheless, the volume of imports outweighed exports by nearly six times. The overall goods trade deficit deteriorated by 27% y-o-y during January-May.

## Monetary developments

Monthly consumer price inflation continued to its upward trend, reaching 12.5% y-o-y in May.

Annual inflation averaged 9.7% in the first five months. The key inflation drivers were food, energy and transport prices.

In Q1, the construction price index rose by 24 % y-o-y on the back of increasing prices for building materials, energy and wages. The producer price index increased by an average of 9.6% y-o-y, too due to higher prices for food processing, manufacturing of metals and energy, while the price of metal ore extraction fell by 22% y-o-y. Import prices grew by 22% y-o-y driven by higher prices of mineral products and base metals.

## Financial sector

Credit growth continued accelerating and stood at 17.6% y-o-y in May 2022, as compared to the average of 11.2% in 2021. The growth of bank deposit decelerated to 8.1% y-o-y in May from an average of 13.8% in 2021, due to negative deposit growth of other financial corporations since January. As a consequence, the loan-to-deposit ratio increased from 77.6% in January to 84% in May 2022.

The banking sector remained stable throughout the first five months of 2022. The interest rate spread was roughly unchanged at 4.3 pps. in May as compared to 4.4 pps. in January. The return on average equity was at 22.1% in May, practically unchanged from 21.8% in January, while the average return on assets was stable 2.6% throughout the first five months.

The ratio of liquid assets to short-term liabilities declined to 31.9% in May, as compared to 36.7% a year before. During the same period, The capital adequacy ratio declined to 15.4% from 17.4%, still above the regulatory minimum of 12%. The NPL ratio fell slightly to 2.2% during the first five months as compared to 2.6% in May 2021, which was partially driven by strong credit growth. Existing NPLs are fully covered by loan-loss provisions (145.2%).

## Fiscal developments

In June, the Assembly approved the revised 2022 budget, including an additional support package of EUR 100 million for low income groups. The budget revision foresees an increase in total spending and total revenue by 5.5% and 2.8% respectively, as compared to the initial 2022 budget. The main adjustment on the expenditure side results from the additional support package, increasing spending on social transfers by 17% as compared to the original 2022 budget. The revision also includes a moderate increase of indirect tax revenue (4.2%), mainly due to inflation, while income from direct taxes are slightly revised downwards (-1.5%). Projections for capital spending remain unchanged. The headline deficit is set to widen to 5.3% of GDP instead of initially planned 4.5%. A budget deficit, as per fiscal rule definition, is projected at 3.8% of GDP as compared to the originally planned 2.9%. The government cash reserve is expected to decline to 3% of GDP, which is below the initial projection of 3.9%.

In January-April, budget revenue increased by 19% y-o-y, supported by large increases in direct and indirect tax revenue (by 38% and 14% y-o-y, respectively). VAT income rose by 20% y-o-y. Total spending declined by 4.4% y-o-y with a particularly strong contraction for public investment (39% y-o-y). Current spending increased by 1%, in particular on goods and services (5.2%), utilities (6.6%) and social transfers (7%), while spending on wages fell by 5.6%. Overall, the four-month budget execution resulted in a small surplus of EUR 140 thousand as compared to a deficit of EUR 12 thousand in the same period in 2021.

At the end of Q1, the public debt-to-GDP ratio stood at 20.3%, lower compared to the 21.9% in end-2021. A large share of domestic debt is held with Kosovo Pensions Saving Trust (48%), followed by the Central Bank of Kosovo (19%) and commercial banks (27%). Foreign-owned debt stood at 6.7% of GDP in Q1.

## TABLE



European Commission, ECFIN-D-1

## KOSOVO

		2017	2018	2019	2020	2021	Q4 21	Q1 22	Q2 22	Apr 22	May 22	Jun 22
<b>1 Real sector</b>												
Industrial confidence <sup>1.1</sup>	Balance	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Industrial production <sup>1.2</sup>	Ann. % ch	-1.3	-0.7	2.6	-1.2	:	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Gross domestic product <sup>1.3</sup>	Ann. % ch	4.8	3.4	4.8	-5.3	10.5	6.4	4.9	:	N.A.	N.A.	N.A.
Private consumption <sup>1.4</sup>	Ann. % ch	2.5	3.8	5.1	1.9	7.5	9.3	11.6	:	N.A.	N.A.	N.A.
Investment <sup>1.5</sup>	Ann. % ch	0.6	7.0	-1.6	-7.1	10.2	0.8	4.4	:	N.A.	N.A.	N.A.
Construction index <sup>1.6</sup>	Ann. % ch	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Retail sales <sup>1.7</sup>	Ann. % ch	12.0	17.4	25.6	-0.4	11.0	8.4	:	:	N.A.	N.A.	N.A.
<b>2 Labour market</b>												
Unemployment <sup>2.1</sup>	%	30.5	29.6	25.7	25.9	:	:	:	:	N.A.	N.A.	N.A.
Employment <sup>2.2</sup>	Ann. % ch	7.6	-3.4	5.2	-4.4	:	:	:	:	N.A.	N.A.	N.A.
Wages <sup>2.3</sup>	Ann. % ch	2.1	5.1	5.3	-2.3	3.9	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
<b>3 External sector</b>												
Exports of goods <sup>3.1</sup>	Ann. % ch	22.1	-2.8	4.4	23.8	57.9	45.6	42.7	:	32.5	31.5	:
Imports of goods <sup>3.2</sup>	Ann. % ch	9.2	9.7	4.6	-5.7	41.1	34.8	35.5	:	20.3	21.3	:
Trade in goods balance* <sup>3.3</sup>	% of GDP	-42.0	-44.6	-44.1	-41.7	-49.9	-49.9	-52.2	:	N.A.	N.A.	N.A.
Exports goods and services* <sup>3.4</sup>	% of GDP	27.3	29.1	29.3	21.7	34.6	34.6	35.9	:	N.A.	N.A.	N.A.
Imports goods and services* <sup>3.5</sup>	% of GDP	53.1	57.3	56.4	53.9	66.4	66.4	69.7	:	N.A.	N.A.	N.A.
Current account balance* <sup>3.6</sup>	% of GDP	-5.5	-7.6	-5.7	-7.0	-8.6	-8.6	-10.9	:	N.A.	N.A.	N.A.
Direct investment (FDI, inflow)* <sup>3.7</sup>	% of GDP	3.3	3.4	2.7	4.2	4.0	4.0	4.3	:	N.A.	N.A.	N.A.
International reserves <sup>3.8</sup>	mn EUR	939.4	933.9	937.1	969.1	1,060.9	1,060.9	1,104.9	:	1,136.4	1,195.6	:
Int. reserves / months Imp <sup>3.9</sup>	Ratio	3.3	2.9	2.8	3.2	2.5	2.5	2.4	:	N.A.	N.A.	N.A.
<b>4 Monetary developments</b>												
HICP <sup>4.1</sup>	Ann. % ch	1.5	1.1	2.7	0.2	3.3	6.4	8.2	:	11.2	12.5	:
Producer prices <sup>4.2</sup>	Ann. % ch	0.6	1.4	0.9	-0.6	4.9	7.2	9.7	:	N.A.	N.A.	N.A.
Food prices <sup>4.3</sup>	Ann. % ch	1.2	2.7	8.3	10.1	12.7	6.3	10.5	:	15.1	17.1	:
Broad money liabilities <sup>4.4</sup>	Ann. % ch	6.4	7.9	12.0	15.3	12.1	12.1	8.3	:	8.2	8.0	:
Exchange rate EUR/EUR <sup>4.5</sup>	Value	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Real effective exchange rate (CPI) <sup>4.6</sup>	Index	105.0	104.7	107.1	107.3	109.8	111.5	113.4	:	114.5	:	:
<b>5 Financial indicators</b>												
Short-Term interest rate <sup>5.1</sup>	% p.a.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	2.34	N.A.
Bond yield <sup>5.2</sup>	% p.a.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	2.98	N.A.
Stock markets <sup>5.3</sup>	Index	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Credit growth <sup>5.4</sup>	Ann. % ch	10.5	11.1	10.7	7.7	11.2	14.5	16.9	:	17.9	17.6	:
Deposit growth <sup>5.5</sup>	Ann. % ch	8.6	6.5	12.6	12.2	13.8	12.9	9.3	:	8.6	8.1	:
Non-performing loans <sup>5.6</sup>	% total	2.9	2.6	1.9	2.5	2.1	2.1	2.0	:	2.0	2.1	:
<b>6 Fiscal developments</b>												
General government balance** <sup>6.1</sup>	% of GDP	-1.3	-2.9	-2.9	-7.6	-1.3	-2.5	1.3	:	N.A.	N.A.	N.A.
General government debt*** <sup>6.2</sup>	% of GDP	16.4	17.0	17.6	22.4	21.9	21.9	20.3	:	N.A.	N.A.	N.A.

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

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

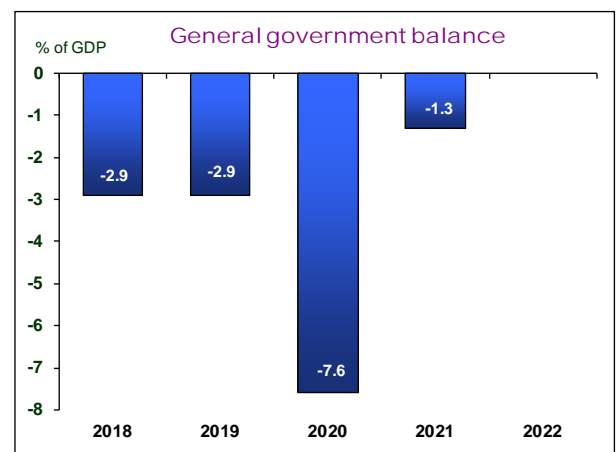
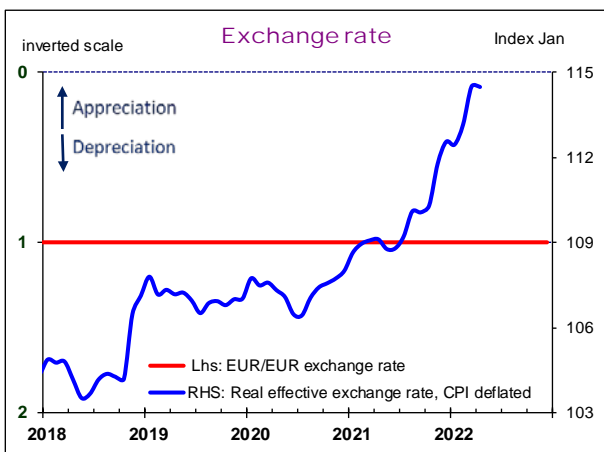
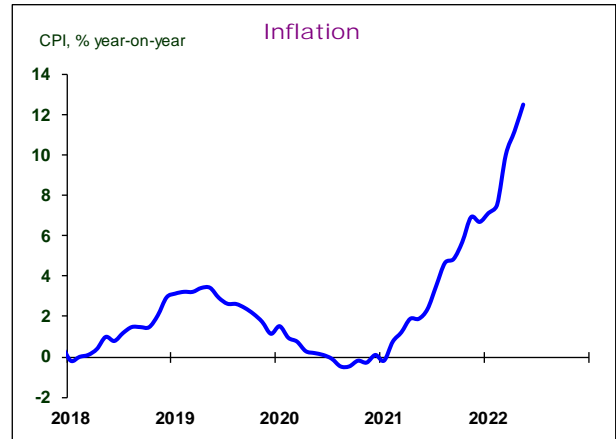
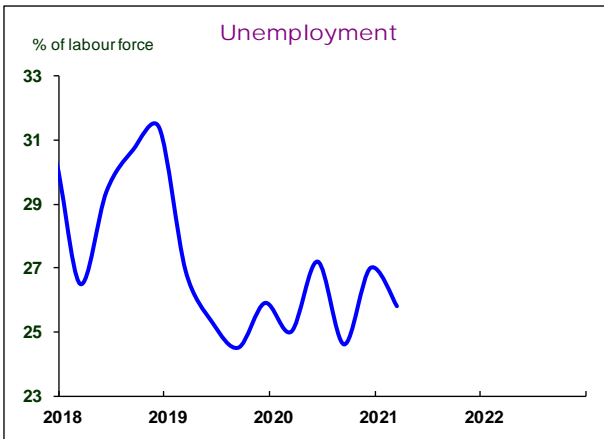
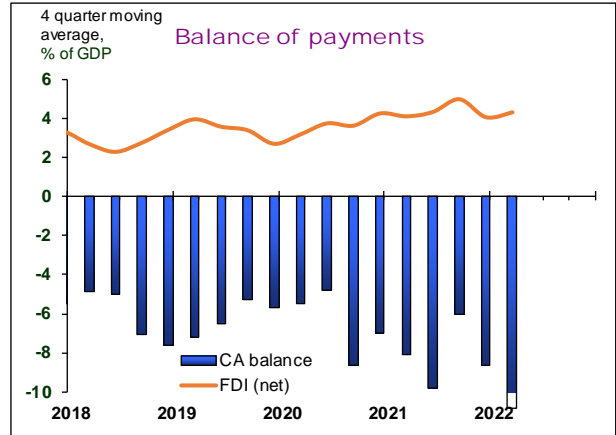
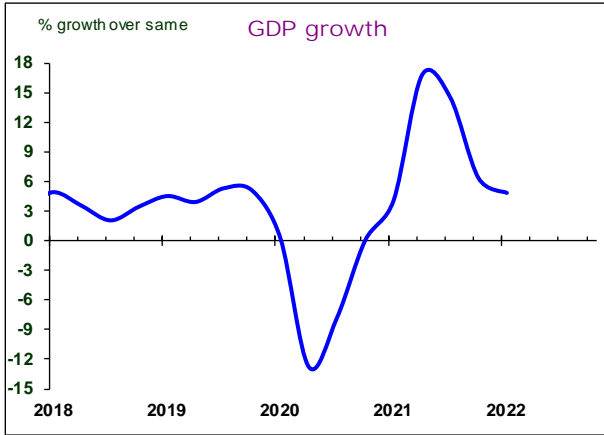
\*\*\* Q figures in percent of estimated annual GDP from the Budget Law.

# CHARTS

European Commission, ECFIN-D-1



## KOSOVO





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

<sup>3</sup> Data extracted via IHS Markit.



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



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





No.	Indicator	Note	Source <sup>3</sup>
<b>1. Real sector</b>			
1.1.	Industrial confidence indicator	Surveys, EC Industry Survey, Industrial Confidence Indicator, SA	Eur. Commission
1.2.	Industrial production	Total, Index, CPPY=100	Statistical Office
1.3.	Gross domestic product	Annual percent change at constant (average) prices 2002 Production approach	Statistical Office
1.4.	Private consumption	Annual percent change, Real Individual Consumption Expenditure, Household Sector (ESA2010) (2010), NSA	Statistical Office
1.5.	Gross fixed capital formation	Annual percent change, Real Gross Fixed Capital Formation (ESA2010) (2010), NSA	Statistical Office
1.6.	Construction index	Annual pc change, Value Index of Performed Works, Total CPPY=100, NSA	Statistical Office
1.7.	Retail sales	Annual pc change, retail trade turnover, constant prices, CPPY=100	Statistical Office
<b>2. Labour market</b>			
2.1.	Unemployment	In percent of total labour force, Labour Force Survey definition. Data as of 2021 according to new LFS methodology, data prior to 2021 revised according to new methodology	National Bank
2.2.	Employment	Annual percentage change, based on LFS. Data as of 2021 according to new LFS methodology, data prior to 2021 revised according to new methodology	National Bank
2.3.	Wages	Gross wages annual percentage change; average growth rate, nominal	Statistical Office
<b>3. External sector</b>			
3.1.	Exports of goods	Annual percentage change, mio. EUR, fob	Statistical Office
3.2.	Imports of goods	Annual percentage change, mio. EUR, cif	Statistical Office
3.3.	Trade in goods balance	In percent of GDP, Q figures refer to 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
<b>4. Monetary developments</b>			
4.1.	CPI	Consumer Prices, Total, CPPY, average	Statistical Office
4.2.	Producer prices	Annual average percentage change, domestic market	Statistical Office
4.3.	Food prices	Annual pc, food and non-alcoholic beverages, CPPY=100	Statistical Office
4.4.	M3	Annual percentage change, M3 (broad money), RSD	National Bank
4.5.	Exchange rate RSD/EUR	Spot Rates, close, period average	National Bank
4.6.	Real effective exchange rate	Index 2005 = 100, period average, RSD	National Bank
<b>5. Financial indicators</b>			
5.1.	Interest rate	Interbank Rates, BELIBOR, 3 Month, fixing	National Bank
5.2.	Bond yield	Weighted average interest rate on 7Y RSD government bonds	National Bank
5.3.	Stock markets	Belgrade Stock Exchange, BELEXfm index, price return, close, RSD	Belgrade Stock Exchange
5.4.	Credit growth	Annual percentage change, domestic credit, private, RSD	National Bank
5.5.	Deposit growth	Annual percentage change, deposits, nonmonetary sector, total, RSD	National Bank
5.6.	Non-performing loans	Gross Non-Performing Loan Ratio	National Bank
<b>6. Fiscal developments</b>			
6.1.	General government balance	Consolidated GG, Overall balance. In percent GDP	Min. of Finance
6.2.	General government debt	Central government debt. In percent of GDP	Min. of Finance



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



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



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

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