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European Commission
Directorate-General for Economic and Financial Affairs

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

3rd Quarter 2017

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.

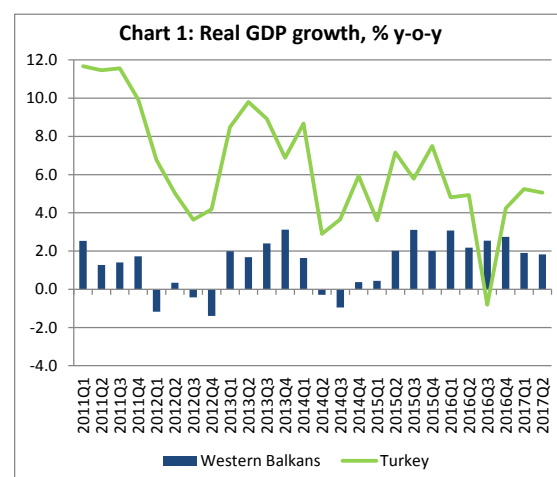
OVERVIEW

The economic recovery in the Western Balkans continued during the second quarter of 2017 with annual GDP growth accelerating in most countries despite unfavourable weather conditions which impacted negatively on output growth in some economies. At the same time, investment and private consumption continued to support growth and exports seem to have regained momentum. Annualised current account deficits narrowed in almost all countries, but overall external positions in many cases remain vulnerable. Economic expansion led to further job creation, and unemployment rates continued to fall in most countries, but they remain high across the Western Balkans. Despite further progress in fiscal consolidation, still high public debt levels remain a source of vulnerability in several countries, especially given no or limited monetary policy autonomy. In Turkey, the economic rebound from the slowdown experienced last year continued with construction-related investment and net exports as the main drivers of growth, even though annual GDP expansion decelerated marginally.

The growth performance improved in most countries of the **Western Balkans** in the second quarter of 2017. *Montenegro* recorded the strongest acceleration of annual GDP growth, namely to 5.1% from 3.2% in the first quarter, largely driven by buoyant private consumption growth. Also in *Kosovo*, output growth strengthened, to 4.6% y-o-y (from 3.8%), mainly on the back of stronger investments. In *Serbia* and *Albania*, the GDP growth increased only marginally to 1.3% and 4.1%, respectively. In *Serbia*, output performance was largely driven by exports and household consumption whereas output in agriculture and the construction sectors were affected by unfavourable weather conditions. In *Albania*, economic expansion was broad-based with all domestic demand components, and also net exports, having a positive contribution to growth. Conversely, in *Bosnia and Herzegovina* economic growth slowed to 1.7% y-o-y from 2.9% in the first quarter owing to adverse weather conditions and lower-than-planned public capital spending. The *former Yugoslav Republic of Macedonia* is the only country where the economy shrank in the second quarter (by 1.8% y-o-y), reflecting a sharp drop in investment amid an unstable political environment. Overall, in the second quarter of 2017, the **Western Balkan** region's real GDP growth stood at 1.8%, marginally down from 1.9% in the preceding quarter, and

compared to 2.2% in the same quarter of the previous year (Chart 1).

In **Turkey**, annual GDP expanded by 5.1% (compared to an upward-revised 5.2% growth in the first quarter), mainly driven by strong investment, probably as a result of lower political uncertainty and the state-guaranteed corporate loan scheme, as well as a positive contribution from net foreign trade.

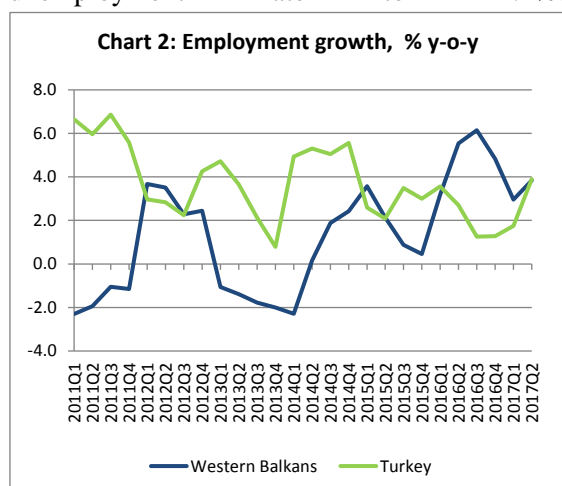


Source: IHS DataInsight, Commission calculations

The labour market situation in the **Western Balkans** remains challenging but the ongoing economic recovery has led to a faster pace of job creation in most countries of the region in the second quarter of 2017. Annual employment growth accelerated, compared to

the preceding quarter, in *Albania* (from 2.8% to 3.5%), in *Montenegro* (from 2.0% to 3.2%) and in *Serbia* (from 3.2% to 4.3%). In the former Yugoslav Republic of Macedonia employment growth remained at 2.7%. Overall, the average annual job growth rate in the **Western Balkans** reached 3.8%, up from 3% in the first quarter (Chart 2). Growing employment levels contributed to lower unemployment rates in most countries. The decline was particularly significant in *Serbia* and *Montenegro*, where unemployment rates dropped by more than 2 percentage points quarter-on-quarter, to 11.8% and 15.3%, respectively.

In *Turkey*, annual employment growth accelerated to 3.9%, resulting in a drop of the unemployment rate to 11.1%.

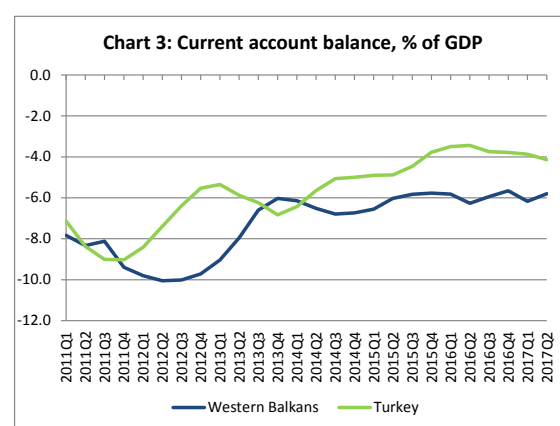


Source: IHS DataInsight, Commission calculations

In the context of narrow production bases and competitiveness challenges, merchandise trade deficits remain very high across the **Western Balkans**, ranging from 12% of GDP for *Serbia* to 18% or above for the former Yugoslav Republic of Macedonia, *Albania* and *Bosnia and Herzegovina* and equal to 38% or above for *Kosovo* and *Montenegro*. Trade deficits are only partially offset by surpluses in the services account and in current transfers, resulting in large foreign financing needs. At the same time, improving budget balances and higher external demand contributed to the

narrowing of annualised current account deficits in all countries except *Serbia*. In the four quarters to June, the regional current account deficit was less than 6% of GDP, one of the lowest levels in many years (Chart 3).

In *Turkey*, the 12-month cumulative current account deficit increased from 3.8% of GDP in 2016 to 4% in July 2017 largely due to a further increase in the trade deficit in goods. As opposed to the Western Balkan countries, the financing of the current account deficit in Turkey continues to rely mainly on debt-creating flows.



Source: IHS DataInsight, Commission calculations

Low inflation remains a key characteristic of the **Western Balkan** economies, reflecting low commodity prices and exchange rate stability. At the same time, economic growth is generating some upward pressure on prices, and consumer price inflation gained pace in several countries in the region. In *Montenegro*, *Bosnia and Herzegovina* and the former Yugoslav Republic of Macedonia annual CPI inflation accelerated to 3.4%, 1% and 1.9% respectively, in August while in *Kosovo* it remained stable at 1.7%. In *Albania*, annual CPI inflation stood at 1.6% in August and September (still below the central bank's 3% target) while in *Serbia* it was at 2.5%, within the recently adjusted target tolerance band of $3 \pm 1.5\%$. The central bank of *Serbia* intensified its accommodative monetary policy stance by cutting its key policy rate in September and

October by 25 bps each to 3.50% while the *Bank of Albania* has kept it at the historic low of 1.25% since May 2016. The central bank of the *former Yugoslav Republic of Macedonia* maintained the coupon on its bills, which serves as its benchmark interest rate, unchanged since February, at 3.25%.

In *Turkey*, the annual CPI inflation remained significantly above the central bank's official 5% target (+/- 2%-pt band width). It accelerated to 11.2% in September from 10.7% in the preceding month mainly due to a surge in prices of core goods.

In the second quarter of 2017, bank lending continued to be supportive of growth in the *Western Balkan* region. Credit growth accelerated moderately, compared to the previous quarter, in *Bosnia and Herzegovina* and the *former Yugoslav Republic of Macedonia* while it rose significantly in *Montenegro*. On the other hand, credit growth decelerated in *Serbia* and *Kosovo*, and was negative in *Albania* (unadjusted for exchange rate changes). As a common feature, household lending has been growing faster than corporate lending. Credit extension is gradually becoming less constrained by the level of non-performing loans, as most *Western Balkan* countries managed to further reduce NPL ratios partly as a result of improved resolution frameworks and mandatory write-offs. *Albania* and *Serbia* are still recording the highest NPL ratios in the region (15–16% of total loans), followed by *Bosnia and Herzegovina* (11.1%) and *Montenegro* (8.8%).

Supported by public loan guarantees and a relaxation of macro-prudential policies, annual credit growth in *Turkey* further accelerated to 21.9% in the second quarter up from 19.9% in the preceding three months. The NPL ratio decreased marginally to 3.3% down from 3.4%

in the first quarter of 2017 as a result of a continued fast loan growth.

Higher revenues generated by the economic recovery, expenditure restraints and delays in public capital spending continued to support the reduction of fiscal deficits in almost all *Western Balkan* countries in the first eight months of 2017. In *Montenegro*, revenues increased marginally while capital expenditure surged, albeit it remained below plan. The central government deficit amounted to 2.6% of full-year GDP in January to August. During the same period, the *former Yugoslav Republic of Macedonia* registered a central government fiscal deficit of 1.7% of full-year GDP, with both revenues and expenditures going up moderately. In *Albania*, budget revenues and expenditure rose more vigorously, and the budget recorded a small surplus (close to 0% of GDP). In *Serbia*, the fiscal situation continued to improve with the budget surplus amounting to 1.8% of GDP as revenue growth largely outperformed expenditure increases. However, continued fiscal consolidation (without, however, undermining much-needed capital spending) is necessary in a number of countries to rebuild fiscal buffers and reduce public debt levels which are especially high in *Serbia* (68.9% of GDP), *Albania* (66.9% of GDP), and *Montenegro* (61.8% of GDP).

In *Turkey*, in the first eight months of 2017, central government total revenues increased by 10.9% y-o-y and total spending by 19.3% y-o-y. General government debt declined from 28.9% in the first quarter to 27.4% of GDP in the second quarter of 2017.

Candidate and potential candidate countries: Summary table

						ECFIN 2017 Spring forecast							
	2012	2013	2014	2015	2016	2017	2018	Q1 17	Q2 17	Q3 17	Jul 17	Aug 17	Sep 17
Gross domestic product (in real terms, annual % change)													
Albania	1.4	1.0	1.8	2.2	3.5	3.7	3.9	4.0	4.1	:	N.A.	N.A.	N.A.
The former Yugoslav Republic of Macedonia	-0.5	2.7	3.5	3.9	2.9	2.9	3.2	0.0	-1.8	:	N.A.	N.A.	N.A.
Montenegro	-2.7	3.5	1.8	3.4	2.9	3.3	3.5	3.2	5.1	:	N.A.	N.A.	N.A.
Serbia	-1.0	2.6	-1.8	0.8	2.8	3.2	3.6	1.0	1.3	:	N.A.	N.A.	N.A.
Turkey	4.8	8.5	5.2	6.1	3.2	3.0	3.3	5.2	5.1	:	N.A.	N.A.	N.A.
Bosnia and Herzegovina	0.1	2.6	0.3	3.8	2.9	:	:	2.8	1.7	:	N.A.	N.A.	N.A.
Kosovo	2.8	3.4	1.2	4.1	3.4	:	:	3.8	4.6	:	N.A.	N.A.	N.A.
Unemployment													
Albania	13.8	16.4	17.9	17.5	15.6	14.7	13.8	14.6	14.3	:	N.A.	N.A.	N.A.
The former Yugoslav Republic of Macedonia	31.0	29.0	28.0	26.1	23.7	22.4	20.9	22.9	22.6	:	N.A.	N.A.	N.A.
Montenegro	19.7	19.5	18.2	17.8	18.0	17.5	17.3	17.7	15.3	:	N.A.	N.A.	N.A.
Serbia	23.9	22.1	19.2	17.7	15.3	13.1	11.0	14.6	11.8	:	N.A.	N.A.	N.A.
Turkey	N.A.	N.A.	10.1	10.5	11.1	13.6	14.1	12.7	10.5	:	:	:	:
Bosnia and Herzegovina	28.0	27.5	27.5	27.7	25.4	:	:	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Kosovo	30.9	30.0	35.3	32.9	27.5	:	:	30.5	:	:	N.A.	N.A.	N.A.
Current account balance (% of GDP)**													
Albania	-10.2	-9.3	-10.8	-8.6	-7.5	-10.9	-10.5	-6.9	-6.3	:	N.A.	N.A.	N.A.
The former Yugoslav Republic of Macedonia	-3.2	-1.6	-0.5	-2.1	-3.1	-2.2	-1.9	-3.7	-2.4	:	N.A.	N.A.	N.A.
Montenegro	-18.5	-14.5	-15.2	-13.2	-18.1	-22.6	-22.5	-19.6	-17.5	:	N.A.	N.A.	N.A.
Serbia	-11.6	-6.1	-6.0	-4.7	-4.0	-4.3	-4.7	-5.1	-5.2	:	N.A.	N.A.	N.A.
Turkey	-5.5	-7.8	-5.0	-3.8	-3.8	-4.4	-4.3	-3.9	-4.1	:	N.A.	N.A.	N.A.
Bosnia and Herzegovina	-8.6	-5.3	-7.4	-5.7	-5.1	:	:	-4.9	-4.8	:	N.A.	N.A.	N.A.
Kosovo	-5.8	-3.4	-6.9	-8.6	-9.1	:	:	-9.5	-9.2	:	-9.5	N.A.	N.A.
Inflation (Consumer price index, annual % change)													
Albania	2.0	1.9	1.6	1.9	1.3	2.2	2.6	2.4	2.0	0.7	2.0	1.6	1.6
The former Yugoslav Republic of Macedonia	3.3	2.8	-0.3	-0.2	-0.2	0.8	2.3	0.5	1.2	:	1.2	1.9	:
Montenegro (HICP)	4.0	1.8	-0.5	1.4	0.1	2.6	2.1	2.5	2.5	0.5	3.2	3.4	:
Serbia	7.3	7.9	2.1	1.4	1.1	3.4	3.5	3.1	3.7	3.0	3.2	2.5	3.2
Turkey	8.9	7.5	8.9	7.7	7.8	11.1	8.6	10.2	11.5	10.6	9.8	10.7	11.2
Bosnia and Herzegovina	2.0	-0.1	-0.9	-1.0	-1.1	:	:	1.1	1.2	:	0.9	1.0	:
Kosovo	2.5	1.8	0.4	-0.5	0.3	:	:	1.6	1.9	:	1.7	1.7	:
General government balance (% of GDP)													
Albania	-3.4	-5.0	-5.2	-4.0	-1.8	-2.0	-1.9	1.6	0.9	:	N.A.	N.A.	N.A.
The former Yugoslav Republic of Macedonia	-3.8	-3.8	-4.2	-3.5	-2.7	-3.2	-3.0	-2.4	-3.1	:	N.A.	N.A.	N.A.
Montenegro	-5.7	-4.6	-2.9	-8.3	-3.6	-5.8	-5.1	-10.0	-3.0	:	N.A.	N.A.	N.A.
Serbia	-6.8	-5.5	-6.6	-3.7	-1.3	-0.5	0.3	1.2	3.0	:	N.A.	N.A.	N.A.
Turkey	-0.4	0.1	0.1	1.3	-0.9	-1.6	-1.4	-0.9	-0.1	:	N.A.	N.A.	N.A.
Bosnia and Herzegovina	-2.0	-2.2	-2.0	0.7	1.2	:	:	:	:	:	N.A.	N.A.	N.A.
Kosovo	-2.6	-3.1	-2.2	-2.0	-1.2	:	:	:	:	:	N.A.	N.A.	N.A.

Forecast: ECFIN forecast Spring 2017 published 11/05/2017

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

ALBANIA



Key developments

Following the general elections in June, Prime Minister Edi Rama has formed a new government based on an absolute majority of the Socialist Party in parliament. The new government won a vote of confidence in parliament and assumed office on 13 September. A number of ministries have been merged, including the finance and economy ministries.

An IMF team visited Tirana in the second half of September for regular Article IV consultations. The Concluding Statement recognised that Albania's economy continues to strengthen, benefitting from rising domestic demand, large energy-related foreign direct investment, growing tourism, and a recovery in key EU trading partners. But it also noted that the reform momentum in the country has slowed given the elections and extended government transition.

Real sector

Real GDP growth picked up to 4.1 % y-o-y in the second quarter from an upwardly revised 4.0 % in the previous three months. All domestic demand components made a positive contribution to growth. Compared to the first quarter, household spending gained momentum and rose by 2.3 % y-o-y. Government consumption remained robust with a growth rate of 5.8 % which, among other things, reflects the wage hike in large parts of the public sector in March. Investment growth strengthened to 14.3 % y-o-y, much supported by foreign direct investment into the construction of the Albanian section of the Trans Adriatic Pipeline (TAP) and the Statkraft/Devoll hydropower project. Net exports also contributed positively to GDP growth which was particularly based on a 22.0 % rise in services exports, including tourism and transport. Exports of goods (+4.4 %) expanded for the third consecutive quarter, confirming the trend reversal after three years of decline.

On the production side, construction activity recorded the highest growth rate with 22.7 % y-o-y, reflecting the peak period of the on-going investment activity in the energy sector. Financial and insurance activities (+10.6 %) and manufacturing (+6.3 %) were also performing strongly.

Available data suggest that economic activity continued to expand in the third quarter. In particular, consumer confidence continued to improve and business confidence remained at a relatively high level.

Labour market

The labour market developed favourably in the second quarter. Employment in the 15-64 age group increased by 3.5 % y-o-y, up from 2.8 % in the previous quarter. A 1.4 % y-o-y increase of the labour force pushed the labour force participation rate up by 1 pp. to 66.8 %. The unemployment rate declined by 1.6 pps. y-o-y to 14.3 %. The youth unemployment rate (15-29 age group) declined by 3.4 pps to 26.4 %. According to administrative data, employment in the non-agricultural private sector accelerated to 14.6 % y-o-y growth in the second quarter while public sector employment stagnated and agricultural employment declined slightly.

Wages jumped by 11.0 % in the second quarter as a result of the 10 % wage hike in large parts of the public sector.

External sector

The Bank of Albania released revised balance of payments data for 2013-2016 in September. The revision, which relates to the primary income balance, has lowered the annual current account deficits as a share of GDP by an average of 1.9 pps. The deficit for 2016 has been reduced from 9.6 % to 7.6 % of GDP.

In the second quarter of 2017, the current account deficit declined by 19.7 % y-o-y. As in the first quarter, this was the result of sharply higher surpluses on the balances for transport, travel, and other services. The improvement of the services balance was partly offset by a slightly higher trade deficit for goods and by a declining surplus on the primary income balance. The large surplus on the balance for secondary income (mainly workers' remittances) remained stable. In the twelve months to June 2017, the current account deficit corresponded to 6.3 % of GDP, i.e. the trend towards a smaller deficit, which started in 2015, continued.

For July and August, the monthly data on foreign trade in goods from the national

statistical institute show that goods exports increased by 10.8 % y-o-y while goods imports rose by 7.9 %. Due to the much higher level of goods imports, the trade deficit increased by 5.9 % y-o-y.

Although net foreign direct investments (FDI) declined by 14.2 % y-o-y in the second quarter, they covered 93 % of the current account deficit in the same period, compared to 138 % in the four quarters to mid-2017.

Gross external debt increased by 0.3 % year-on-year to EUR 7.85 billion at the end of the second quarter. This corresponds to about 69 % of GDP, down from about 73 % of GDP one year earlier. International reserve assets declined slightly to EUR 2.7 billion at the end of August 2017, estimated to cover around 6.6 months of imports of goods and services.

Monetary developments

Following a weather-related spike in food prices, which had pushed up the consumer price index to a year-on-year increase of 2.8 % in January, headline inflation has receded to 1.6 % in August and September. Apart from reversing food prices, this was also helped by an appreciating currency. There is still no evidence in the CPI data that rising economic activity is generating upward pressures on prices.

The Bank of Albania has maintained its accommodative monetary policy stance by keeping the key policy rate (the repo rate) at the record low of 1.25 % and the interest rates for the overnight deposit facility and the overnight lending facility at 0.25 % and 2.25 %, respectively. As forward guidance, the central bank has again extended the expected duration of the current monetary policy stance by one quarter. Following the Supervisory Council meeting on 3 October, the central bank stated that it now judges that it will not have to reduce the intensity of the monetary stimulus before the second quarter of 2018. It expects inflation to average 2.2 % in 2017 and rise toward its 3 % target in the course of 2018.

The Albanian lek has been relatively strong against foreign currencies in 2017. In the second quarter, the lek was up by 4.6 % year-on-year in nominal effective terms and by 4.4 % in real effective terms. In bilateral terms against the euro, the lek was up by 2.7 % y-o-y at the end of September although it has depreciated by 0.8 % over the third quarter.

Financial sector

Total credit growth to the economy has been negative since April (-0.2 % y-o-y in August) in domestic currency terms. This, however, is the result of the declining value of foreign exchange loans due to the lek's appreciation. When adjusted for the exchange rate effect, credit to the business and household sectors increased by, respectively, 2.0 % and 7.5 % y-o-y in the second quarter. Relatively low credit growth to the business sector partly reflects the settlement of non-performing loans, including write-offs.

The gradual rebalancing towards lek-denominated loans continued as the share of foreign-currency loans in total credit declined to 51.1 % in August, down by 3.3 pps y-o-y.

The ratio of non-performing loans (NPLs) to total loans has continued to trend downward in recent months. It stood at 15.1 % in August, down from 21.4 % in August 2016.

The banking sector as a whole is well capitalised with a capital adequacy ratio of 16.3 % at the end of the second quarter of 2017, up by 0.5 pps over the quarter, and comfortably above the regulatory minimum of 12%.

Fiscal developments

Total revenues increased by 6.7 % y-o-y in the first eight months of 2017, clearly above the budgeted revenue growth for the period (4.0 %). Revenues from profit tax, local tax and social insurance performed particularly well. Following the hike in public sector wages, total expenditures increased by a hefty 12.4 % y-o-y in the first eight months, which is nevertheless slightly below the budgeted expenditure growth for the period (13.7 %). Overall budget execution in January-August resulted in a small (close to zero) surplus in the government's cash balance which compares to a surplus corresponding to 0.9 % of full-year GDP in the first eight months of 2016 and to a targeted deficit of 2.0 % of GDP for the full year 2017.

On 16 August the government adopted a revised budget for 2017 and sent it for approval to parliament. Total expenditures and of revenues have only been increased marginally and the deficit target has been kept at 2.0 % of GDP.

Public debt (including guarantees) declined from 68.4 % of expected 2017 GDP at the end of March to 66.9 % at the end of June.

TABLE



European Commission, ECFIN-D-1

ALBANIA

							ECFIN 2017 Spring forecast							
		2012	2013	2014	2015	2016	2017	2018	Q1 17	Q2 17	Q3 17	Jul 17	Aug 17	Sep 17
1 Real sector														
Industrial confidence ^{1.1}	Percent	-17.3	-16.6	-6.9	-5.5	-3.7	:	:	0.3	4.8	:	N.A.	N.A.	N.A.
Industrial production ^{1.2}	Ann. %ch	16.6	13.9	3.4	2.5	-19.3	:	:	11.2	14.4	:	N.A.	N.A.	N.A.
Gross domestic product ^{1.3}	Ann. %ch	1.4	1.0	1.8	2.2	3.5	3.7	3.9	4.0	4.1	:	N.A.	N.A.	N.A.
Private consumption ^{1.4}	Ann. %ch	0.1	1.8	2.8	1.2	:	2.8	3.2	2.0	2.3	:	N.A.	N.A.	N.A.
Gross fixed capital formation ^{1.5}	Ann. %ch	-7.9	-2.0	-4.5	4.0	14.9	9.0	4.7	11.0	14.3	:	N.A.	N.A.	N.A.
Construction index ^{1.6}	Ann. %ch	0.6	1.0	0.2	0.3	0.0	:	:	0.9	0.8	:	N.A.	N.A.	N.A.
Retail sales ^{1.7}	Ann. %ch	3.8	5.4	4.7	5.9	6.6	:	:	2.5	1.6	:	:	:	:
2 Labour market														
Unemployment ^{2.1}	%	13.8	16.4	17.9	17.5	15.6	14.7	13.8	14.6	14.3	:	N.A.	N.A.	N.A.
Employment ^{2.2}	Ann. %ch	18.5	-9.7	1.6	4.9	6.1	4.5	4.5	2.8	3.5	:	N.A.	N.A.	N.A.
Wages ^{2.3}	Ann. %ch	7.3	4.1	1.7	1.8	0.9	5.3	3.3	4.1	11.0	:	N.A.	N.A.	N.A.
3 External sector														
Exports of goods ^{3.1}	Ann. %ch	7.6	-29.4	-13.0	-17.3	-9.1	:	:	41.9	8.3	:	:	:	:
Imports of goods ^{3.2}	Ann. %ch	-4.3	-13.2	3.6	-2.7	6.2	:	:	7.1	1.6	:	:	:	:
Trade balance* ^{3.3}	% of GDP	-20.9	-20.4	-22.2	-22.5	-24.1	-25.2	-25.1	-23.6	-23.2	:	N.A.	N.A.	N.A.
Exports goods and services ^{3.4}	% of GDP	33.3	28.7	28.2	27.4	28.8	:	:	29.6	30.5	:	N.A.	N.A.	N.A.
Imports goods and services ^{3.5}	% of GDP	52.0	47.0	47.2	44.7	45.6	:	:	45.2	45.0	:	N.A.	N.A.	N.A.
Current account balance* ^{3.6}	% of GDP	-10.2	-9.3	-10.8	-8.6	-7.5	-10.9	-10.5	-6.9	-6.3	:	N.A.	N.A.	N.A.
Direct investment (FDI, net)* ^{3.7}	% of GDP	6.8	9.6	8.2	8.0	8.7	:	:	9.2	8.6	:	N.A.	N.A.	N.A.
International reserves ^{3.8}	mio EUR	1 907.7	1 955.7	2 084.8	2 637.7	2 880.3	:	:	2 906.4	2 742.7	:	2 686.8	2 686.0	:
Int. reserves / months Imp ^{3.9}	Ratio	5.0	5.2	5.3	6.9	7.0	:	:	:	:	:	:	:	:
4 Monetary developments														
CPI ^{4.1}	Ann. %ch	2.0	1.9	1.6	1.9	1.3	2.2	2.6	2.4	2.0	1.7	2.0	1.6	1.6
Producer prices ^{4.2}	Ann. %ch	:	:	:	:	-1.5	:	:	5.1	1.6	:	:	:	:
Food prices ^{4.3}	Ann. %ch	2.4	4.2	2.2	4.3	3.3	:	:	4.3	3.9	3.8	4.7	3.3	3.5
M2 ^{4.4}	Ann. %ch	4.7	5.7	4.0	7.2	4.6	:	:	6.0	5.6	:	4.3	3.0	:
Exchange rate LEK/EUR ^{4.5}	Value	139.04	140.26	140.14	139.74	137.37	:	:	135.85	134.41	132.88	132.57	132.53	133.55
Nominal eff. exchange rate ^{4.6}	Index	:	:	:	:	:	:	:	:	:	:	:	:	:
5 Financial indicators														
Interest rate (3 months) ^{5.1}	% p.a.	5.16	4.23	3.10	2.87	1.13	:	:	:	:	:	:	:	:
Bond yield ^{5.2}	% p.a.	6.77	6.03	3.45	2.77	2.05	:	:	1.94	2.02	:	2.25	2.38	:
Stock markets ^{5.3}	Index	:	:	:	:	:	:	:	:	:	:	:	:	:
Credit growth ^{5.4}	Ann. %ch	7.4	-0.2	0.2	0.3	-0.7	:	:	0.2	-1.1	:	-0.8	-0.2	:
Deposit growth ^{5.5}	Ann. %ch	9.4	3.7	1.5	1.9	1.1	:	:	2.2	1.7	:	1.4	0.0	:
Non performing loans ^{5.6}	% total	22.8	23.2	22.8	17.7	18.3	:	:	17.4	15.6	:	15.3	15.1	:
6 Fiscal developments														
General government balance* ^{6.1}	% of GDP	-3.4	-5.0	-5.2	-4.0	-1.8	-2.0	-1.9	1.6	0.7	:	N.A.	N.A.	N.A.
General government debt* ^{6.2}	% of GDP	62.1	65.6	70.1	73.1	72.0	69.5	67.0	68.4	66.9	:	N.A.	N.A.	N.A.

f: ECFIN forecast Spring 2017 published 11/05/2017

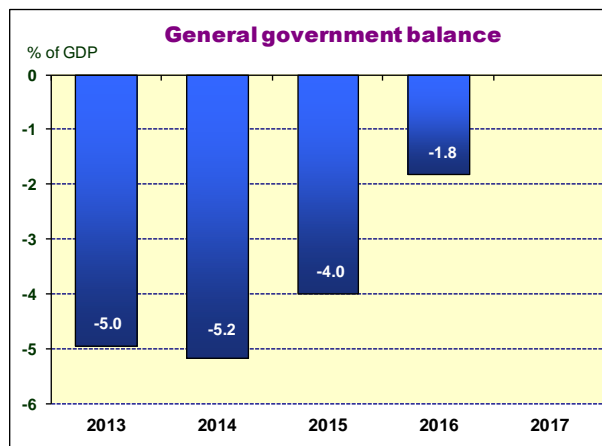
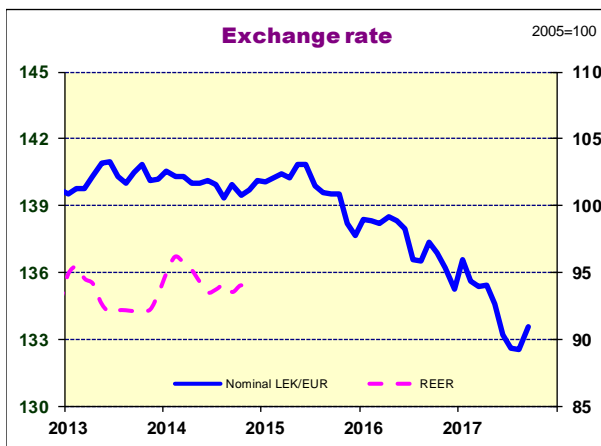
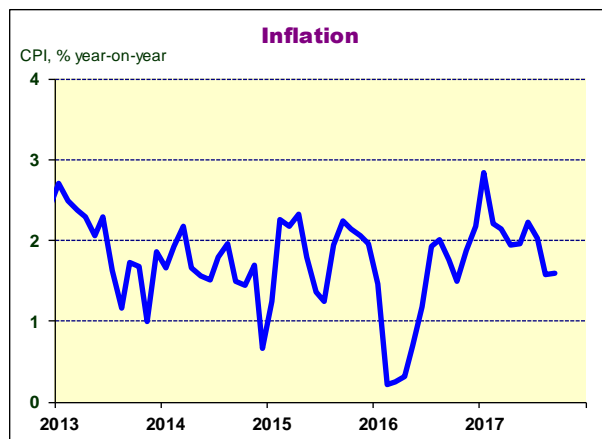
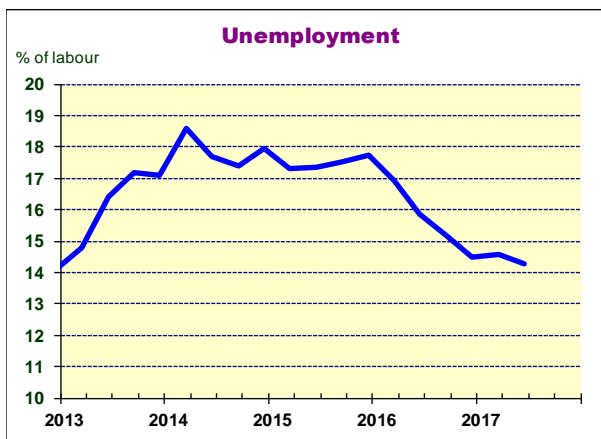
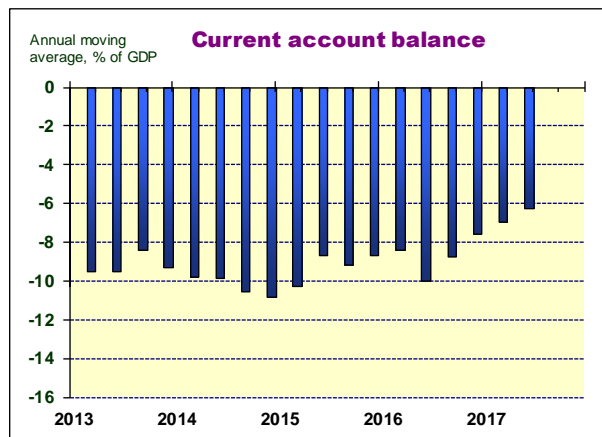
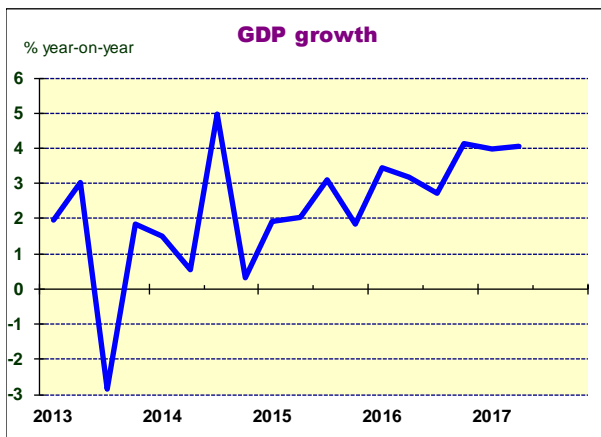
* Q figures refer to a 4 quarters moving average.

CHARTS



European Commission, ECFIN-D-1

ALBANIA



THE FORMER YUGOSLAV REPUBLIC OF MACEDONIA



Key developments

On 18 September 2017, the IMF completed its annual Article IV mission to the country. The concluding statement calls on the new government to adopt durable fiscal consolidation measures so as to prevent a widening fiscal deficit and rising public debt. It draws attention to potential risks to the sustainability of public finances arising from the government's plan to support growth by wage subsidies and corporate tax incentives.

On 19 September, the government presented a draft Public Finance Management Strategy for 2018-2021. It foresees seven priority areas for action, including the legislative adoption of fiscal rules by 2019, and the establishment of a fiscal council.

Real sector

The economy contracted in the second quarter, in annual terms, as investment dropped sharply, according to a first estimate from the Statistical Office. Real GDP was lower by 1.8% from one year earlier, with gross capital formation down by almost 20% y-o-y, as investor confidence continued to suffer from the lingering political crisis. Annual growth of household spending accelerated to 4.1%, from 2.7% in the first quarter. Government consumption, too, increased at a faster annual rate (2% y-o-y compared to 0.7% in Q1). Exports remained buoyant (8.5% y-o-y), but import growth slowed down significantly (3.5% compared to 10.7%), largely reflecting the decrease in capital investment and a reduced demand for inputs in the manufacturing and construction industry. Manufacturing output contracted by 1.6% y-o-y just after its return to a moderate expansion in the first quarter. Partly reflecting a base effect, the contraction in the construction industry deepened further (-17.3% y-o-y compared to -6.3% in the first quarter). Looking ahead to the third quarter, most high frequency indicators point to continued weakness in the economy. Industrial production declined by 5.3% in

August, after a modest 1.1% increase in July. Retail sales declined by 0.3% y-o-y on average in July and August. Yet, imports of capital goods picked up by 22% y-o-y in August, after having dropped by 6% in July.

Labour market

Job creation remained dynamic also in the second quarter. Annual employment growth amounted to 2.7% y-o-y, the same as in the preceding three months, and the unemployment rate dropped by 0.3pps to 22.6%, according to the Labour Force Survey. The labour force increased further (0.8% y-o-y, almost the same rate as in the preceding quarter), reflecting, as in the preceding two quarters, an increase in the female workforce overcompensating the decline in male labour. Labour market participation among the working age population (15-64) remains low, at 65.4%, which is only 1pp higher than in the same period one year earlier. More young workers (age group 15-24) were drawn into the workforce (+8.8% y-o-y). This largely overcompensated for a small increase in the number of jobless in this age group, so that the youth unemployment rate dropped by 2.1pps to 47.1%, compared to the same period one year earlier. Monthly real net wages continued to increase in the first seven months of the year (1.2% y-o-y), but at a slower pace than in the same period one year earlier (2.5%). The slowdown comes on the back of a lower increase in gross wages, as well as the renewed rise in consumer prices.

External sector

The current account deficit narrowed q-o-q (-26.4%) and y-o-y (-57.8%) between April and June. In the four quarters to June, it amounted to 2.4% of GDP, compared to 3.7% in the same period one year earlier. This improvement was driven by a smaller merchandise trade deficit in this period (18.3% of GDP, down by 1.7pps y-o-y). Net private transfer inflows were, however, lower by 0.4pp y-o-y (16.1% of GDP) and covered some 90% of the merchandise trade deficit. The deficit in the primary income

balance widened to 4.2% of GDP (+0.5pp y-o-y). FDI inflows amounted to 2.6% of GDP, about the same as in this period one year earlier.

At the end of June, the gross foreign debt stock, excluding central bank transactions, had risen by 4.7% compared to the end of 2016. The bulk of the increase was accounted for by higher intercompany loans related to foreign direct investment (+10.5%). The external debt of the government increased by 3.7% in the first half of the year. Overall, the foreign debt stock amounted to 72.6% of projected full-year GDP, slightly lower than at end-2016 (74.1% of estimated GDP). The central bank's foreign currency reserves declined throughout the second quarter and beyond, and, at the end of August, they were some 13% below their pre-year level. This development was mainly driven by central bank interventions in foreign exchange markets as well as by changes in currency and in the price of gold. Reserves remained adequate and covered about five months of prospective imports.

Monetary developments

Annual consumer price inflation accelerated in the second quarter (1.2% compared to 0.5% in the first quarter), and beyond. Pressures arose mainly from core inflation (+2.2%), with a solid rise in cost for transport, communication, hotels and restaurants. Food prices decreased during this period. Annual price increases for liquid fuels decelerated, compared to the preceding three months. In the year to August, fuel prices rose by 17.1% y-o-y on average. The increase in broad money supply (M4) accelerated to 7.8% y-o-y on average in the second quarter (Q1: 4.1%). The largest contribution came from demand deposits. Currency in circulation rose as well. The central bank has kept the key interest rate, the CB bills rate, unchanged since February, at 3.25%.

Financial sector

Total credit growth to the non-government sector picked up in the second quarter, to 2.1% y-o-y (Q1: +0.1% y-o-y), accounted for entirely by household loans (+7.7% y-o-y). The annual decline in credit to non-financial enterprises decelerated (-2.4% y-o-y compared to -5.4% in Q1). In July and August, corporate credit even posted some (modest) gains, in annual terms. Overall, in the year to August, total lending expanded by 2.1% y-o-y on average.

Interest rates on outstanding loans and deposits declined further between end-May and end-August. Rates for loans and deposits in Denar dropped by 10bps each, to 6.2% and 2.1%, respectively, as did rates on foreign currency loans, to 4.9%, and deposits, to 0.8%. In the second quarter, the funding of loans by deposits worsened somewhat, with the loan-to-deposit ratio for non-financial clients (excluding interbank loans and deposits) rising by 1.8pps q-o-q, to 89.4%. At end-August, deposits were some 6.1% higher than one year earlier, reflecting mainly, as throughout the year to August, robust growth in household deposits. The quality of banks' assets worsened in the second quarter as the ratio of non-performing to total loans rose by 0.4pps q-o-q to 6.5%.

Fiscal developments

Notwithstanding the economic contraction in the first half of the year, taxes and contributions were up by 4.6% y-o-y in the first eight months of the year, with particularly strong increase in personal income (+8.9%) and profit taxes (+15%). VAT receipts, accounting for some 27% of total tax revenue in this period, were up by 0.7% y-o-y. Overall, central government revenues were some 4.9% above pre-year level, amounting to 63% of the full year projection. Government spending was some 5.3% higher than in the same period one year earlier. The increase was due mainly to higher current expenditure (+4.7%), in particular transfers (+5.3%). Capital expenditure rose by 12% y-o-y, partly reflecting the low spending levels of the past year, and in spite of a significant annual reduction between June and August. Capital spending in the year to August amounted to 44.5% of (revised) full-year plan.

In July, the new government adopted a budget rebalancing which lowered 2017 revenue projections by 1.5% and expenditure by 1.4%. The central government fiscal deficit was set at 2.9%. In the first eight months of the year, it amounted to 58% of the projected full-year target, or 1.7% of projected full-year GDP. General government debt levels remained almost unchanged in the second quarter, compared to the first quarter, and stood at some 39% of projected full-year GDP at the end of the period. Public debt, including the guaranteed debt of public sector companies, declined slightly, partly reflecting the repayment of a 77.3 mio EUR foreign commercial loan. Public debt stood at some 46% of GDP at end-June 2017, compared to 47.1% at the end of 2016.

TABLE



European Commission, ECFIN-D-1

The former Yugoslav Republic of Macedonia

							ECFIN 2017 Spring forecast							
		2012	2013	2014	2015	2016	2017	2018	Q1 17	Q2 17	Q3 17	Jul 17	Aug 17	Sep 17
1 Real sector														
Industrial confidence ^{1.1}	Balance	14.7	12.3	11.4	17.5	24.0	:	:	25.5	24.7	:	25.3	25.8	:
Industrial production ^{1.2}	Ann. %ch	-6.6	3.2	4.8	4.9	3.9	:	:	-1.6	2.8	:	1.1	-5.3	:
Gross domestic product ^{1.3}	Ann. %ch	-0.5	2.7	3.5	3.9	2.9	2.9	3.2	0.0	-1.8	:	N.A.	N.A.	N.A.
Private consumption ^{1.4}	Ann. %ch	-0.7	4.8	2.4	3.9	4.2	2.7	2.6	2.7	4.1	:	N.A.	N.A.	N.A.
Gross capital formation ^{1.5}	Ann. %ch	21.2	-16.8	15.2	3.6	-2.2	3.5	4.3	0.6	-19.9	:	N.A.	N.A.	N.A.
Construction ^{1.6}	Ann. %ch	4.2	-7.3	16.5	14.8	18.5	:	:	-12.3	-16.0	:	N.A.	N.A.	N.A.
Retail sales ^{1.7}	Ann. %ch	:	-0.8	4.2	9.8	18.8	:	:	-13.8	-10.9	:	-13.5	-7.1	:
2 Labour market														
Unemployment ^{2.1}	%	31.0	29.0	28.0	26.1	23.7	22.4	20.9	22.9	22.6	:	N.A.	N.A.	N.A.
Employment ^{2.2}	Ann. %ch	0.8	4.3	1.7	2.3	2.5	1.8	1.9	2.7	2.7	:	N.A.	N.A.	N.A.
Wages ^{2.3}	Ann. %ch	0.2	1.2	1.0	2.7	2.0	1.1	1.6	2.3	2.3	:	1.5	:	:
3 External sector														
Exports of goods ^{3.1}	Ann. %ch	-3.7	2.9	17.2	9.2	11.5	:	:	17.5	20.2	:	:	:	:
Imports of goods ^{3.2}	Ann. %ch	0.3	-1.8	9.5	4.9	7.6	:	:	16.8	6.1	:	:	:	:
Trade balance* ^{3.3}	% of GDP	-26.5	-22.9	-21.7	-20.1	-19.3	-17.5	-16.7	-19.3	-18.3	:	N.A.	N.A.	N.A.
Exports goods and services ^{3.4}	% of GDP	44.5	42.3	47.7	48.7	49.9	:	:	50.2	51.7	:	N.A.	N.A.	N.A.
Imports goods and services ^{3.5}	% of GDP	66.9	60.4	64.9	64.9	64.7	:	:	65.2	65.9	:	N.A.	N.A.	N.A.
Current account balance* ^{3.6}	% of GDP	-3.2	-1.6	-0.5	-2.1	-3.1	-2.2	-1.9	-3.7	-2.4	:	N.A.	N.A.	N.A.
Direct investment (FDI, net)* ^{3.7}	% of GDP	1.7	3.3	2.3	2.2	3.6	:	:	3.3	2.7	:	N.A.	N.A.	N.A.
International reserves ^{3.8}	mio EUR	2 193.3	1 993.0	2 436.5	2 261.8	2 613.4	:	:	2 534.4	2 399.9	:	2 273.3	2 275.4	:
Int. reserves / months Imp ^{3.9}	Ratio	6.1	5.6	6.3	5.6	6.0	:	:	5.6	5.2	:	:	:	:
4 Monetary developments														
CPI ^{4.1}	Ann. %ch	3.3	2.8	-0.3	-0.2	-0.2	0.8	2.3	0.5	1.2	:	1.2	1.9	:
Producer prices ^{4.2}	Ann. %ch	4.5	0.4	-1.2	-4.1	-0.1	:	:	0.1	0.0	:	0.4	0.5	:
Food prices ^{4.3}	Ann. %ch	2.3	3.4	-1.0	0.0	-1.3	:	:	-1.8	0.3	:	0.9	1.1	:
Monetary aggregate M4 ^{4.4}	Ann. %ch	4.4	5.3	10.5	6.8	6.1	:	:	4.2	7.8	:	7.4	6.5	:
Exchange rate MKD/EUR ^{4.5}	Value	61.53	61.58	61.62	61.61	61.60	:	:	61.56	61.65	61.58	61.57	61.53	61.63
Nominal eff. exchange rate ^{4.6}	Index	100.3	101.8	102.9	101.6	102.6	:	:	103.2	103.3	:	101.7	101.7	:
5 Financial indicators														
Interest rate (3 months) ^{5.1}	% p.a.	:	:	:	:	:	:	:	:	:	:	:	:	:
Bond yield ^{5.2}	% p.a.	8.50	8.04	7.46	7.08	6.61	:	:	6.38	6.26	:	6.19	:	:
Stock markets ^{5.3}	Index	1 890	1 726	1 735	1 731	1 887	:	:	2 251	2 247	2 554	2 391	2 601	2 671
Credit growth ^{5.4}	Ann. %ch	7.3	4.3	8.4	9.1	4.6	:	:	0.1	2.1	:	4.9	5.1	:
Deposit growth ^{5.5}	Ann. %ch	7.2	4.8	8.2	7.9	4.3	:	:	5.3	6.8	:	7.3	6.1	:
Non-performing loans ^{5.6}	% total	10.4	11.9	11.6	10.3	6.3	:	:	6.1	6.5	:	N.A.	N.A.	N.A.
6 Fiscal developments														
General government balance ^{6.1}	% of GDP	-3.8	-3.8	-4.2	-3.5	-2.7	-3.2	-3.0	-2.4	-3.1	:	N.A.	N.A.	N.A.
Central government debt ^{6.2}	% of GDP	33.7	34.0	38.2	38.0	39.1	41.0	40.8	38.1	38.0	:	N.A.	N.A.	N.A.

f: ECFIN forecast Spring 2017 published 11/05/2017

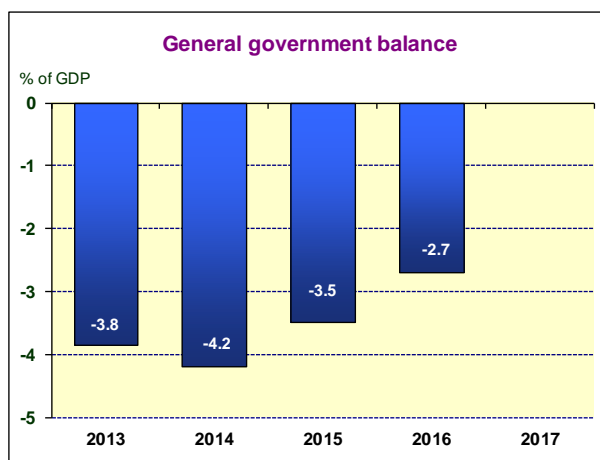
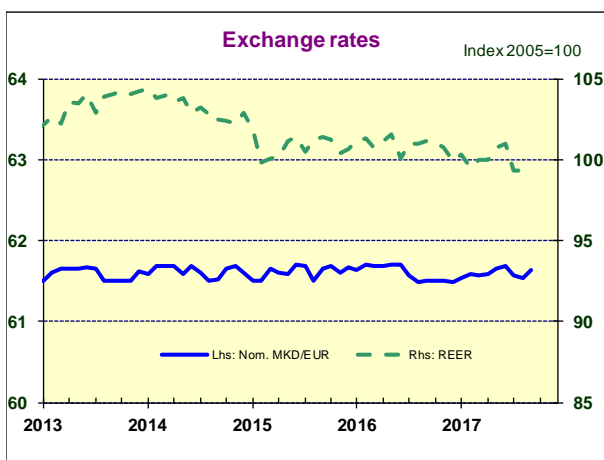
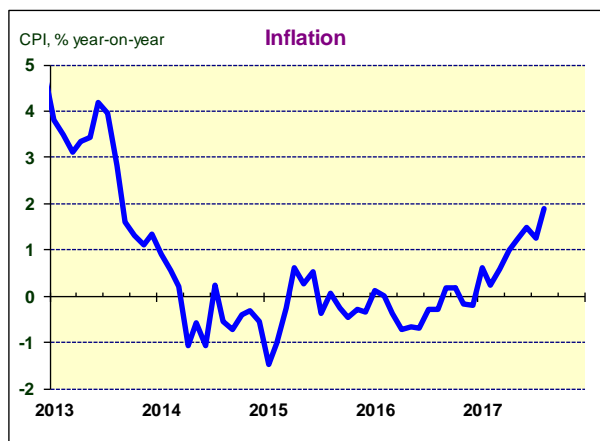
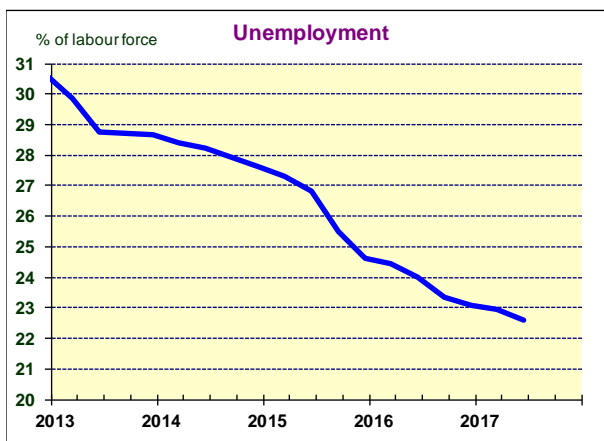
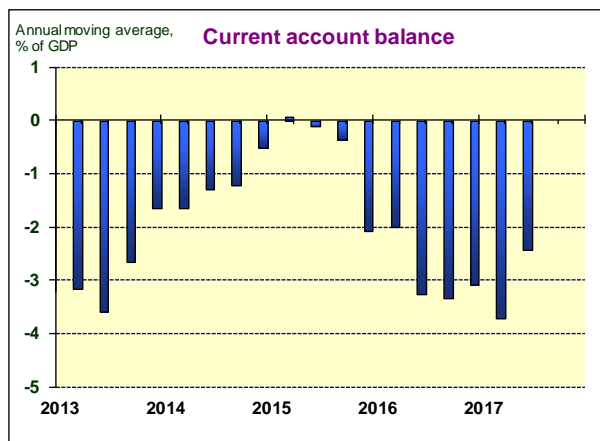
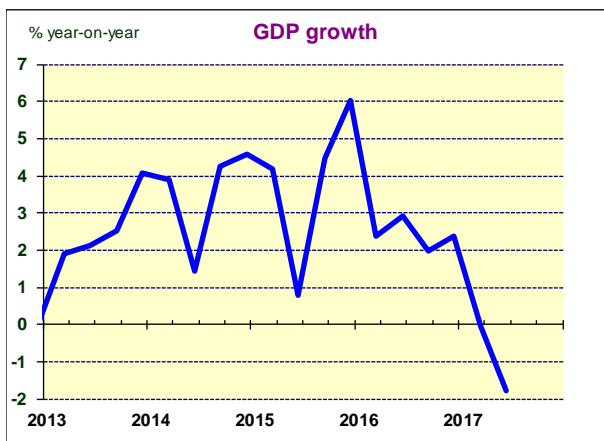
* Q figures refer to a 4 quarters moving average.

CHARTS



European Commission, ECFIN-D-1

The former Yugoslav Republic of Macedonia





Key developments

On 29 September, Moody's Investors Service changed the outlook of Montenegro's B1 long-term debt rating from negative to stable. Moody's decision reflects the government's fiscal consolidation measures adopted in June, an improved economic outlook, as well as the country's accession to NATO and progress in EU accession negotiations. Similarly, on 6 October, Standard & Poor's ratings agency revised to stable Montenegro's outlook, affirming the B+/B ratings.

On 26 September, the World Economic Forum's Global Competitiveness index 2017 ranked Montenegro 77th among 137 economies, up five spots compared to last year. Montenegro's highest scores were for health and primary education and the lowest for market size.

Real sector

In September, the Statistical Office of Montenegro revised annual GDP growth for 2016 to 2.9%, up from 2.5% in its preliminary estimate. The new data results from an upward revision of private consumption growth (from 2.6% up to 2.9%), and a downward revision of investment growth (from 29.6% down to 27.5%) as well as for exports and imports of goods and services (lower by some 2 percent of GDP each). Government consumption remained broadly unchanged.

In the second quarter of 2017, real GDP growth accelerated to 5.1% y-o-y, from 3.2% in the previous quarter. Output increased in almost all sectors of the economy, and particularly in construction, where it surged by 51.5% y-o-y. On the expenditure side, growth was mainly driven by private consumption (up by real 4.6% y-o-y), fuelled by rising employment and credit to households. Government consumption also increased, albeit more moderately (by 2.1% y-o-y). Conversely, negative contributions were recorded from gross fixed capital formation, which declined by 10.4% y-o-y as a result of base effects and the reduction of fixed investment after completion of a wind power plant.

After recording a sharp decline (9% y-o-y) in the

first half of the year, industrial output stabilised in July (0.2% y-o-y) and rose by 2.7% in August. The recovery was largely driven by the surge in mining of metal ores (bauxite). However, despite record-high consumption of electricity, production in the utilities sector further declined in August (by 8.9% y-o-y) due to the impact of drought on hydropower production. Manufacturing output also contracted, albeit more moderately, by 1.8% y-o-y.

Labour market

Strong economic activity resulted in further improvements in the labour market. According to the Labour Force Survey (LFS), the unemployment rate declined to 15.3% in the second quarter, down from 17.7% a year before. During the same period, total employment increased by 3.2%, lifting the overall employment rate by 1.7pps y-o-y, to 54.0%. By gender, the employment rate of men increased to 60.3%, compared to 47.8% rate for women, which recorded a 1pp decline over the year. Youth unemployment remains high at 28.9%, but dropped significantly from 35.5% a year before.

Wage increase continued to decelerate as the effects from last year's salary rise waned, and the government introduced salary cuts for public sector workers this year. After expanding by 1.8% y-o-y in the second quarter in nominal terms, the growth of gross wages slowed in July and August to 0.4% and 1.1% y-o-y, respectively.

External sector

The current account deficit narrowed to 17.5% of GDP in the four quarters to June, compared to 19.6% in the four months to March. A sharp deceleration of merchandise imports in the second quarter, largely due to base effects from easing imports of construction equipment, resulted in a modest reduction in the trade deficit. This was accompanied by improvements in the balance of services, owing to the good performance of tourism since last year, and the rising surplus in the primary income and current-transfers balances, thanks partly to growing remittances from abroad.

In the four quarters to June, net FDI inflows totalled 11.2% of GDP, covering almost two thirds of the current account deficit in the same period.

Monetary developments

After the CPI index recorded 2.5% annual growth in the first and second quarter of the year, inflation further accelerated in July and August to 3.2% and 3.4% y-o-y, respectively. The main drivers of the overall price increase were higher excises on alcohol and tobacco introduced in June. Moreover, strong demand from tourism resulted in rising prices for restaurants and cafes as well as accommodation services. Fuel prices remained the second main factor sustaining the acceleration of inflation, registering a y-o-y increase of 14.6% in August.

Financial sector

Credit growth remained strong thanks to household and general government borrowing, amidst weak lending to the corporate sector. After expanding by 9.3% y-o-y in the second quarter, total credit growth slowed to 7.4% in July, and picked up slightly to 7.7% in August. Lending to household expanded by 9.8% y-o-y in August, accounting for 40.6% of total credit. Lending to private non-financial companies grew in August by marginal 0.6% y-o-y, while loans to public companies contracted further. General government borrowing recorded the fastest pace of growth (163.8% y-o-y), but this category represents just 4.2% of total credit.

Bank deposits recorded annual growth slightly above 10% in July and August, similar to the growth rate in the second quarter. By sectors, the increase in deposits continues to be largely driven by domestic private companies (+21.2% y-o-y) and households (+8.7% y-o-y). Yet, the financial sector itself recorded a 241.8% y-o-y surge of its own deposits, although the sector represents but 0.6% of total deposits.

The increase in lending activity and the

restructuring programme supported by the Central Bank of Montenegro helped reducing the ratio of commercial banks' non-performing loans, which declined to 7.8% in August down from 11.4% a year before.

Fiscal developments

The strong acceleration of economic activity in the first half of 2017 was reflected in increases in general government revenue by 8.2% y-o-y, with stronger demand fuelling VAT and excise receipts as well as corporate income tax and social security contributions. However, the rise in employment and wages has resulted so far in a marginal improvement in personal income tax revenues. Total spending rose by 5.2% y-o-y. The accelerated highway works boosted capital spending, surging by 130% y-o-y, which however still remained 38% short of the first half of the year target. Despite efforts to contain public sector wages, they increased by 9% y-o-y, reflecting the spillover effect from the increase at the end of last year. Yet, substantial savings were recorded in social security-related spending thanks to a reduction in pension and redundant workers benefits. Overall, the consolidated general government deficit reached 2.6% of full-year GDP in June –compared to the deficit target of 4.1% foreseen for this period– due to capital and social security underspending, and a marginal surplus in the local government budget.

In the first eight months of 2017, the central government deficit remained broadly unchanged at 2.6% of GDP.

In June, the stock of public debt reached 61.8% of GDP, up from 58.3% a year before. Over the second quarter, public debt grew by marginal 0.2% of GDP. The public external debt totalled 49.7% of GDP at the end of June, after recording a slight increase compared to 49.1% in the previous quarter. By contrast, the domestic debt declined –also marginally– to 12.07% of GDP, down from 12.17% in the first quarter.

TABLE

European Commission, ECFIN-D-1



MONTENEGRO

							ECFIN 2017 Spring forecast							
		2012	2013	2014	2015	2016	2017	2018	Q1 17	Q2 17	Q3 17	Jul 17	Aug 17	Sep 17
1 Real sector														
Industrial confidence ^{1.1}	Balance	N.A.	8.7	11.1	9.8	3.0	:	:	5.0	7.4	6.0	7.2	4.8	5.9
Industrial production ^{1.2}	Ann.%ch	-7.1	10.7	-10.5	7.9	-3.3	:	:	-9.8	-8.4	:	0.2	2.7	:
Gross domestic product ^{1.3}	Ann.%ch	-2.7	3.5	1.8	3.4	2.9	3.3	3.5	3.2	5.1	:	N.A.	N.A.	N.A.
Private consumption ^{1.4}	Ann.%ch	-3.9	1.6	2.9	2.2	5.4	1.6	2.1	6.9	4.6	:	N.A.	N.A.	N.A.
Gross fixed capital formation ^{1.5}	Ann.%ch	-2.4	10.7	-2.5	11.9	27.5	19.9	8.9	30.3	-10.4	:	N.A.	N.A.	N.A.
Construction index ^{1.6}	Ann.%ch	-13.2	9.7	2.0	5.8	31.5	:	:	37.5	51.5	:	N.A.	N.A.	N.A.
Retail sales ^{1.7}	Ann.%ch	6.7	11.3	2.5	4.5	4.1	:	:	4.8	5.0	:	4.7	:	:
2 Labour market														
Unemployment ^{2.1}	%	19.7	19.5	18.2	17.8	18.0	17.5	17.3	17.7	15.3	:	N.A.	N.A.	N.A.
Employment ^{2.2}	Ann.%ch	1.9	1.4	6.6	1.9	1.1	2.2	2.7	2.0	3.2	:	N.A.	N.A.	N.A.
Wages ^{2.3}	Ann.%ch	0.8	-0.2	-0.3	0.3	3.5	1.5	1.9	3.8	1.8	:	0.4	1.1	:
3 External sector														
Exports of goods ^{3.1}	Ann.%ch	-17.6	2.1	-9.7	-9.0	6.2	:	:	36.3	-11.7	:	9.3	54.3	:
Imports of goods ^{3.2}	Ann.%ch	-0.1	-2.7	0.6	3.2	12.0	:	:	20.4	0.8	:	5.7	3.0	:
Trade balance* ^{3.3}	%of GDP	-43.5	-39.5	-39.8	-40.0	-41.9	-47.0	-47.1	-44.8	-44.5	:	-49.6	-49.3	:
Exports goods and services ^{3.4}	%of GDP	43.7	41.3	40.1	42.1	40.5	:	:	25.1	36.7	:	N.A.	N.A.	N.A.
Imports goods and services ^{3.5}	%of GDP	68.1	61.4	60.0	60.6	62.9	:	:	73.8	75.2	:	N.A.	N.A.	N.A.
Current account balance* ^{3.6}	%of GDP	-18.5	-14.5	-15.2	-13.2	-18.1	-22.6	-22.5	-19.6	-17.5	:	N.A.	N.A.	N.A.
Direct investment (FDI, net)* ^{3.7}	%of GDP	14.5	9.6	10.2	16.9	9.4	:	:	10.6	11.2	:	N.A.	N.A.	N.A.
International reserves ^{3.8}	mio EUR	347.9	423.7	544.7	673.7	803.0	:	:	757.8	701.6	:	696.4	737.0	:
Int. reserves / months Imp ^{3.9}	Ratio	2.3	2.9	3.7	4.4	4.7	:	:	4.2	3.9	:	3.9	4.1	:
4 Monetary developments														
HICP ^{4.1}	Ann.%ch	4.0	1.8	-0.5	1.4	0.1	2.6	2.1	2.5	2.5	:	3.2	3.4	:
Producer prices ^{4.2}	Ann.%ch	1.9	1.7	0.2	0.3	-0.1	:	:	1.1	0.5	:	0.1	0.0	:
Food prices ^{4.3}	Ann.%ch	4.2	4.0	-1.4	2.9	-0.8	:	:	2.6	2.4	:	1.9	1.4	:
M21 ^{4.4}	Ann.%ch	:	:	:	:	:	:	:	:	:	:	:	:	:
Exchange rate EUR/EUR ^{4.5}	Value	1.00	1.00	1.00	1.00	1.00	:	:	1.00	1.00	1.00	1.00	1.00	1.00
Nominal eff. exchange rate ^{4.6}	Index	N.A.	N.A.	N.A.	N.A.	N.A.	:	:	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
5 Financial indicators														
Interest rate (3 months) ^{5.1}	%p.a.	5.32	3.39	1.60	:	:	:	:	2.35	:	:	:	:	:
Bond yield ^{5.2}	%p.a.	4.75	3.19	1.26	0.50	1.58	:	:	2.53	1.88	1.55	1.71	1.39	:
Stock markets ^{5.3}	Index	9 091	9 532	10 696	11 949	11 113	:	:	11 394	11 162	10 854	11 041	10 770	10 750
Credit growth ^{5.4}	Ann.%ch	-0.7	3.1	-1.9	0.8	1.3	:	:	5.5	9.3	:	7.4	7.7	:
Deposit growth ^{5.5}	Ann.%ch	9.0	5.9	10.0	13.7	9.4	:	:	9.5	10.9	:	10.3	10.9	:
Non-performing loans ^{5.6}	%of total	17.6	18.4	16.8	13.4	10.3	:	:	9.9	8.8	:	8.2	7.8	:
6 Fiscal developments														
General government balance ^{6.1}	%of GDP	-5.7	-4.6	-2.9	-8.3	-3.6	-5.8	-5.1	-1.9	-2.6	:	:	:	:
General government debt ^{6.2}	%of GDP	53.4	57.5	58.6	62.3	64.4	71.1	75.8	61.6	61.8	:	:	:	:

f: ECFIN forecast Spring 2017 published 11/05/2017

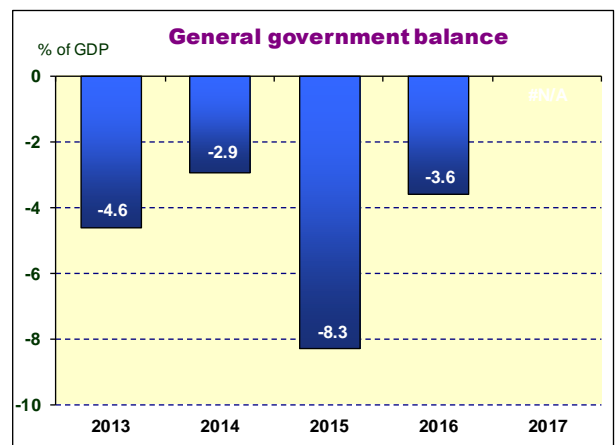
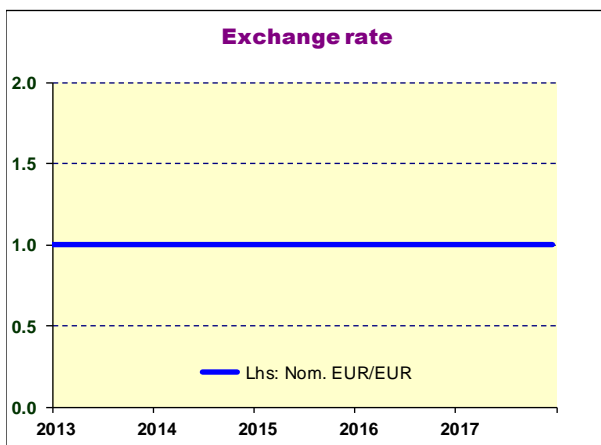
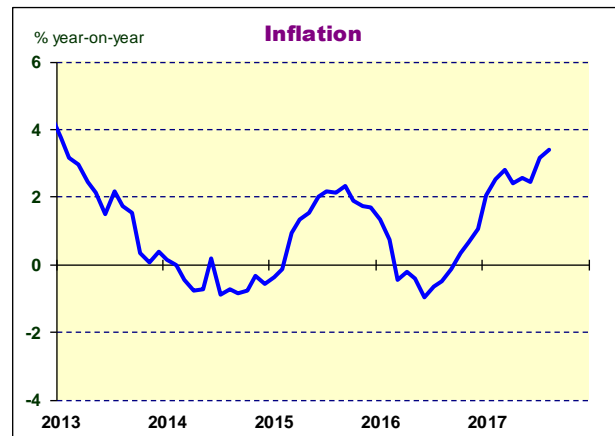
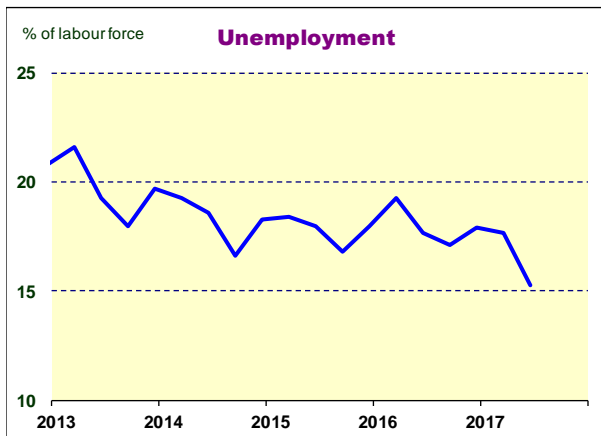
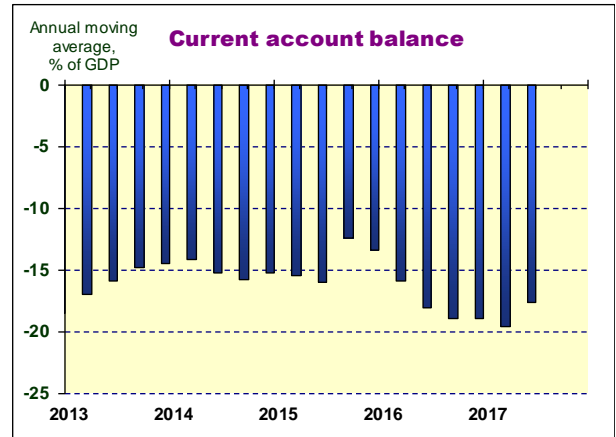
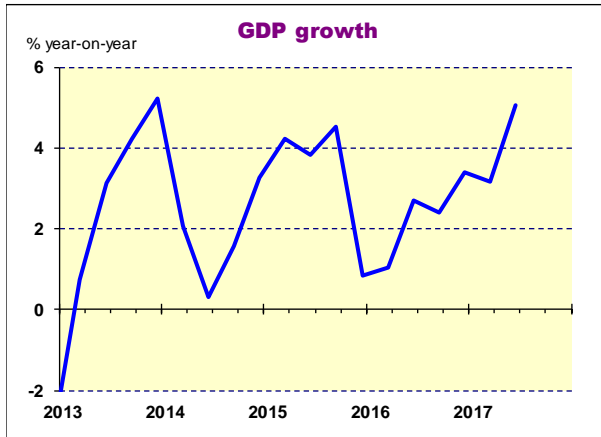
* Q figures refer to a 4 quarters moving average.

CHARTS

European Commission, ECFIN-D-1



MONTENEGRO





Key developments

Serbia's Stand-By Arrangement with the IMF remained on track and the 7th review of the programme was completed successfully in August. The authorities indicated that they would continue treating the SBA as precautionary and would not draw on the available SDR 771.7 million (around EUR 920 million). The Executive Board of the IMF also concluded Article IV consultations, noting that despite significant economic improvements since the last consultation and successful implementation of the IMF programme, continued reform efforts are needed to address remaining vulnerabilities and structural weaknesses.

As part of its efforts to strengthen the macro-prudential framework and introduce Basel III standards, the central bank has implemented a system of capital buffers. As of end-June, it set the rate of the capital conservation buffer at 2.5%, the countercyclical capital buffer at 0% (kept unchanged in September), the capital buffer for systemically important banks at 1-2%, and the systemic risk buffer at 3%. The minimum capital adequacy ratio has been lowered from 12% to 8%. The minimum Common equity Tier 1 capital was set at 4.5% and the minimum Tier 1 capital at 6%.

Real sector

Following a tepid performance in the first quarter (1.0% y-o-y), real GDP growth disappointed again in the second quarter (1.3% y-o-y). Despite robust increases in manufacturing and domestic trade, economic activity continued to be sapped by strong declines in agriculture (-10.0% y-o-y) and construction (-2.8% y-o-y), which were negatively affected by adverse weather conditions. On the demand side, growth drivers remained largely unchanged in the second quarter. Household and general government consumption grew at broadly the same pace of 1.6% y-o-y and 1.7% y-o-y, respectively. Investment increased by just 2.0% y-o-y, undermined by delays in government capital spending since the beginning of the year. Driven by robust external demand in the EU and

previous FDIs in tradeable sectors, the growth of exports of goods and service accelerated to 11.5% y-o-y in the second quarter. Imports growth stood at double-digit levels as well, decelerating slightly from 11.7% y-o-y in the first to 10.3% y-o-y in the second quarter.

High frequency indicators point at accelerating economic expansion in the summer months. Following a poor performance in the beginning of the year, industrial production recovered strongly, rising by 5.7% y-o-y in the period June-August. Although, a strike in a major car-producing plant dented manufacturing results in July, it remained robust and increased by 9.7% y-o-y in August. In January-August, manufacturing grew by 6.5% y-o-y and two-thirds of all sectors were in a positive territory. Retail trade moved upward as well, growing by 4.1% and 4.4% in July and August.

The 2016 annual GDP data have confirmed preliminary estimates that the economy expanded by 2.8%. However, the GDP deflator was revised from 1.1% to 2.5% and growth composition has changed. The real growth of imports of goods and services has been revised upwards from 6.8% to 9.0%. Correspondingly, net exports' contribution to growth turned out to be much smaller at 0.5pps, than the previously reported 1.7pps, and the contribution of inventories went up from -0.8pps to 0.3pps.

Labour market

The unemployment rate fell further in the second quarter. According to LFS data, it stood at 11.8%, dropping by 3.4 pps y-o-y. The activity rate went up by 0.4 pps y-o-y in the second quarter. The number of employed increased by 119.4 thousand or 4.3% y-o-y, outpacing the growth rate of economic activity. Most of the increase was in formal employment (excluding agriculture). Informal employment grew as well, although its share decreased slightly by 0.6 pp. y-o-y to the still high of 22.1%.

Registered employment and unemployment data also confirm the continuing positive labour market trends. Registered employment grew by 2.7% y-o-y in the second quarter and the National Employment Service data show a continuing decline in the number of jobseekers – 9.2% y-o-y in August and 8.1% y-o-y on

average since the beginning of the year. Growth in gross real wages moderated in the summer, bringing the average wage growth to 1.1% y-o-y in January-August.

External sector

The robust expansion of commodity trade continued unabated over the summer months. Exports in euro terms grew by double-digits, bringing the average in the period January-August to 13.4% y-o-y. The good export performance was mainly driven by strong and broad-based manufacturing exports, representing 90% of total exports. Imports increased as well, broadly at the same pace as exports, and registered an average growth of 13.1% y-o-y in January-August. However, as a result of imports' higher base, the trade deficit increased by 11.8 % y-o-y to EUR 2,636.6 million.

The expanding merchandise trade deficit was the main factor behind the widening of the current account deficit which in the period January-July went up by 70% y-o-y. In the four quarters to June it stood at slightly above 5% of GDP. A significant increase in primary income outflows, related to dividend withdrawals and reinvested earnings which grew by more than 50% y-o-y in January-July, was the other major driver of the deteriorating current account deficit. Over the same period, the balance on the service account remained positive but unchanged from its previous year's level, while the surplus on the secondary income account increased by 8.4% y-o-y, supported by higher worker remittances' inflows. By the end of July, the cumulative net FDI inflows increased by 12.9% y-o-y and fully covered the current account deficit.

Monetary developments

After peaking at 4.0% y-o-y in April, inflation slowed to 2.5% in August before rebounding to 3.2% in September. Price pressures eased in July and August on the back of downward correction in food and unprocessed food prices and base effects. Core inflation, excluding energy and unprocessed food, also inched down to 2.1% y-o-y. Taking into account the lower inflation, strong dinar, significantly better than expected fiscal performance, and well-anchored inflation expectations, the central bank lowered its key rate in September and October by 25 bps each to 3.50%.

In the period June-September the dinar appreciated in nominal terms by 2.9% y-o-y vis-à-vis the euro and by 7.7% y-o-y vis-à-vis the

U.S. dollar. The real effective exchange rate appreciated as well – it was up 5.1% y-o-y in August. The central bank stepped up its interventions on the forex market, buying EUR 950 million in the period June-September. The foreign exchange reserves passed the EUR 10 billion threshold in August and stood at EUR 10.6 billion in September, covering more than six months' imports of goods and services.

Financial sector

The growth in domestic claims decelerated to 1.4% y-o-y in August, impacted mainly by declining net claims on government. Due to a good budget performance, government liquidity improved and government deposits, most of which are held with the NBS, increased by 10% y-o-y in August. Claims on households retained a robust growth, going up by 9.9% y-o-y, while claims on companies remained subdued, expanding by 1.5%. However, the underlying strength of corporate lending is likely higher, as the headline numbers are not adjusted for the effects of NPL sales and write-offs and of exchange rate movements. In the first half of the year the banks sold RSD 9.2 billion NPLs to non-banking sector entities and wrote-off another RSD 6.1 billion. As a result, the share of NPLs in total loans fell by 1.4 pps since the beginning of the year to 15.6% in June. The banking system remained well-capitalised and liquid and profitability improved since the beginning of the year.

Fiscal developments

Budget execution continued to outperform deficit targets. The general government surplus increased further and in January-August stood at RSD 80.4 billion (1.8% of full-year GDP) in comparison to a surplus of RSD 9.1 billion in the same period last year and a revised annual deficit target of 1.1% of GDP. By the end of August, the cumulative revenue growth remained robust at 7.1% y-o-y, supported by strong income tax revenue and social contributions. However, receipts from excises on tobacco underperformed in June-August. They fell 44% y-o-y in August and coupled with lower non-tax revenue led to a decline of the monthly revenue by 1.6% y-o-y. Total expenditure increased by 1.2% y-o-y in January-August on the back of moderate increase in current spending and underperforming capital expenditure which were down 13% y-o-y. By end-August government debt stood at EUR 23.8 billion or 64.6% of the estimated full-year GDP.

TABLE

European Commission, ECFIN-D-1



SERBIA

							ECFIN 2017 Spring forecast							
		2012	2013	2014	2015	2016	2017	2018	Q1 17	Q2 17	Q3 17	Jul 17	Aug 17	Sep 17
1 Real sector														
Industrial confidence ^{1.1}	Balance	N.A.	N.A.	N.A.	N.A.	N.A.	:	:	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Industrial production ^{1.2}	Ann. %ch	-3.4	5.6	-6.1	8.4	4.8	:	:	0.7	3.1	:	4.2	7.3	:
Gross domestic product ^{1.3}	Ann. %ch	-1.0	2.6	-1.8	0.8	2.8	3.2	3.6	1.0	1.3	:	N.A.	N.A.	N.A.
Private consumption ^{1.4}	Ann. %ch	-2.1	-0.4	-1.3	0.4	0.8	2.6	3.3	2.0	1.6	:	N.A.	N.A.	N.A.
Gross fixed capital formation ^{1.5}	Ann. %ch	13.2	-12.0	-3.6	5.6	5.1	5.8	6.0	1.9	2.0	:	N.A.	N.A.	N.A.
Construction index ^{1.6}	Ann. %ch	-0.2	-24.0	-3.8	12.8	5.1	:	:	-1.6	0.8	:	N.A.	N.A.	N.A.
Retail sales ^{1.7}	Ann. %ch	-3.9	-5.3	2.0	1.4	7.7	:	:	3.6	3.5	:	4.1	4.4	:
2 Labour market														
Unemployment ^{2.1}	%	23.9	22.1	19.2	17.7	15.3	13.1	11.0	14.6	11.8	:	N.A.	N.A.	N.A.
Employment ^{2.2}	Ann. %ch	-1.1	3.7	10.1	0.6	5.6	1.5	1.7	3.2	4.3	:	N.A.	N.A.	N.A.
Wages ^{2.3}	Ann. %ch	9.0	5.7	1.1	-0.4	3.8	:	:	4.3	4.7	:	4.0	4.2	:
3 External sector														
Exports of goods ^{3.1}	Ann. %ch	4.5	24.7	1.5	7.9	11.5	:	:	13.4	13.2	:	10.3	14.7	:
Imports of goods ^{3.2}	Ann. %ch	3.2	4.7	0.2	5.8	5.9	:	:	15.4	10.2	:	14.1	12.9	:
Trade balance* ^{3.3}	%of GDP	-18.8	-13.0	-13.0	-13.0	-11.3	-10.6	-11.1	-12.0	-11.9	:	N.A.	N.A.	N.A.
Exports goods and services ^{3.4}	%of GDP	36.3	40.7	43.4	46.7	50.0	:	:	51.7	52.8	:	N.A.	N.A.	N.A.
Imports goods and services ^{3.5}	%of GDP	53.6	51.9	54.4	56.5	57.5	:	:	59.9	61.0	:	N.A.	N.A.	N.A.
Current account balance* ^{3.6}	%of GDP	-11.6	-6.1	-6.0	-4.7	-4.0	-4.3	-4.7	-5.1	-5.2	:	N.A.	N.A.	N.A.
Direct investment (FDI, net)* ^{3.7}	%of GDP	2.2	3.9	3.7	5.4	5.4	:	:	5.6	5.9	:	N.A.	N.A.	N.A.
International reserves ^{3.8}	mio EUR	10 914.7	11 188.8	9 907.2	10 378.0	10 204.6	:	:	9 730.4	9 670.2	:	9 948.0	10 277.7	:
Int. reserves / months Imp ^{3.9}	Ratio	9.3	9.2	8.0	8.1	7.5	:	:	7.0	6.7	:	6.9	:	:
4 Monetary developments														
CPI ^{4.1}	Ann. %ch	7.3	7.9	2.1	1.4	1.1	3.4	3.5	3.1	3.7	3.0	3.2	2.5	3.2
Producer prices ^{4.2}	Ann. %ch	6.4	0.8	0.2	0.7	2.2	:	:	3.1	3.0	3.2	2.7	3.6	3.3
Food prices ^{4.3}	Ann. %ch	15.4	-2.5	2.2	-0.1	0.4	:	:	2.8	4.5	3.5	4.3	2.1	4.1
M3 ^{4.4}	Ann. %ch	9.4	4.6	7.6	6.6	11.6	:	:	12.1	7.4	:	6.8	6.6	:
Exchange rate RSD/EUR ^{4.5}	Value	113.01	113.09	117.25	120.76	123.10	:	:	123.88	122.91	119.76	120.42	119.56	119.30
Nominal eff. exchange rate ^{4.6}	Index	74.1	74.0	68.4	66.6	65.3	:	:	65.2	66.9	69.2	68.1	68.9	69.2
5 Financial indicators														
Interest rate (BEONIA) ^{5.1}	%p.a.	9.51	8.82	6.76	4.75	2.70	:	:	2.77	2.84	2.73	2.93	2.68	2.58
Bond yield (12 months) ^{5.2}	%p.a.	13.04	10.67	9.18	7.27	4.63	:	:	4.71	4.65	:	:	:	:
Stock markets ^{5.3}	Index	932	1 035	1 215	1 359	1 383	:	:	1 570	1 571	1 575	1 542	1 566	1 618
Credit growth ^{5.4}	Ann. %ch	12.9	-6.5	5.8	7.0	9.0	:	:	7.6	2.9	:	1.9	1.4	:
Deposit growth ^{5.5}	Ann. %ch	10.4	3.3	7.6	6.5	11.4	:	:	11.8	7.2	:	7.0	6.6	:
Non-performing loans ^{5.6}	%total	18.6	21.4	21.5	21.6	17.0	:	:	16.8	15.6	:	N.A.	N.A.	N.A.
6 Fiscal developments														
General government balance* ^{6.1}	%of GDP	-6.8	-5.5	-6.6	-3.7	-1.3	-0.5	0.3	1.2	3.0	:	N.A.	N.A.	N.A.
General government debt ^{6.2}	%of GDP	55.9	58.8	68.3	74.1	71.7	71.1	67.3	71.5	68.9	:	N.A.	N.A.	N.A.

f: ECFIN forecast Spring 2017 published 11/05/2017

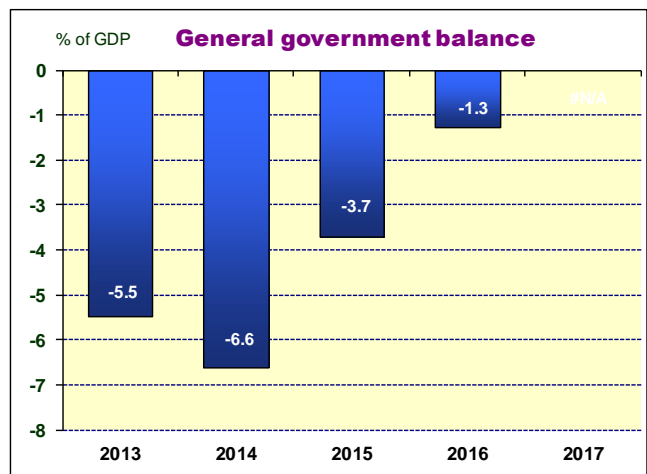
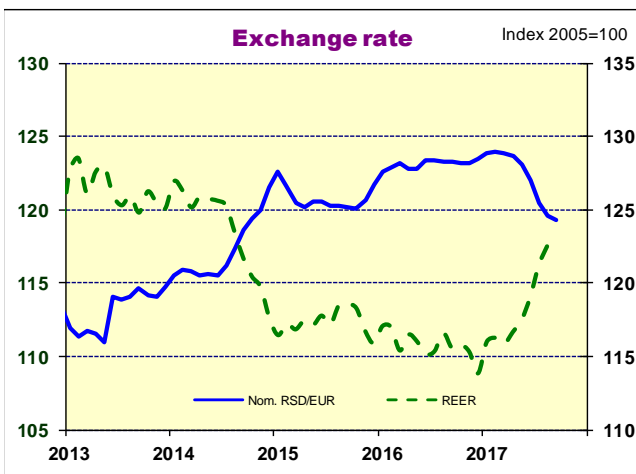
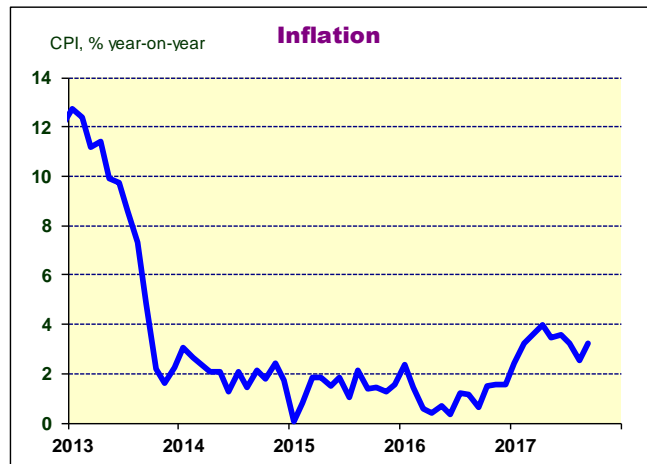
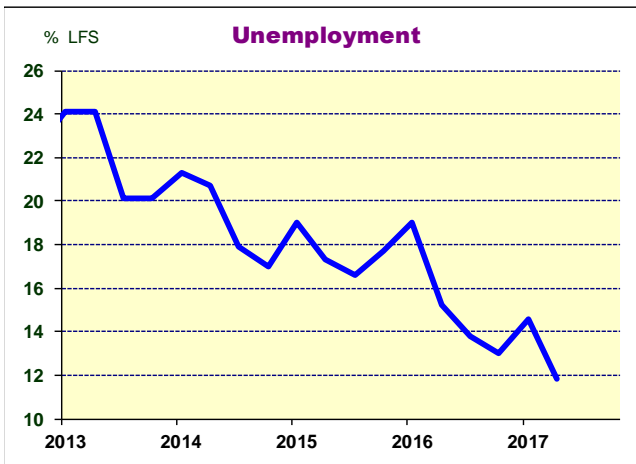
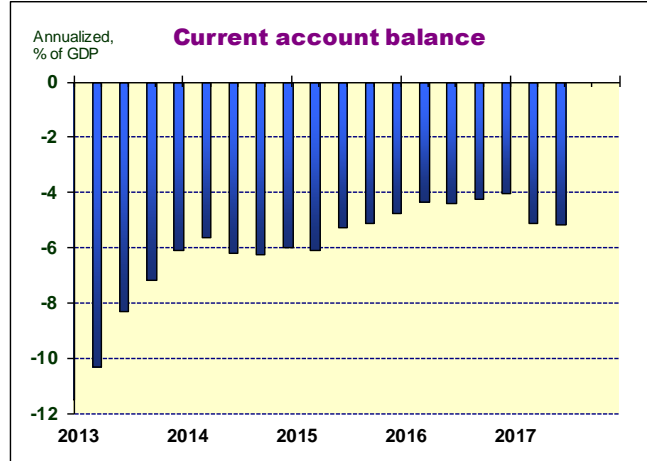
* Q figures refer to a 4 quarters moving average.

CHARTS

European Commission, ECFIN-D-1



SERBIA



TURKEY



Key developments

The government presented on 27 September its Medium Term Programme. It aims for 5.5% growth in the years 2017-2020, a decline in the inflation rate from 9.5% at the end of 2017 to the central bank target of 5.0% at the end of 2020 and a decline in unemployment from 10.8% this year to 9.6% in 2020. The government deficit is expected to decline from 2.4% of GDP in 2017 to 1.6% in 2020.

The head of the Turkish Sovereign Wealth Fund, holding state assets worth over 20% of GDP, has been dismissed. The president of the Istanbul stock exchange replaces him.

The government's credit guarantee fund, which saw a six-fold increase of its capacity by TRY 250 bn in March, and together with a relaxation of macro-prudential regulation was a major factor behind the strong increase in loan growth this year, had only TRY 58 bn left at the beginning of September. This remainder will be dedicated to investments and export promotion according to Deputy Prime Minister Simsek.

Real Sector

Turkstat estimated that real GDP increased by 5.1% year-on-year in the second quarter, a similar growth rate as in the first quarter (which was revised upwards from 4.7% to 5.2%). In the second quarter, the construction sector saw the largest increase in value added (+6.8% y-o-y). Construction and real estate activities represent a larger portion of total value added than in the EU. Turkstat also revised upwards its GDP growth estimate for 2016 from 2.9% to 3.2%.

On the expenditure side, the second quarter growth in gross fixed capital formation (+9.5% y-o-y) was particularly strong, driven solely by a surge in construction investment (+25.0% y-o-y) while investment in machinery and equipment continued to decline (-8.6% y-o-y). Household consumption growth decelerated to 3.2% y-o-y in the second quarter from 3.6% in the first three months. Government consumption declined by

4.3% y-o-y, following a strong 9.7% y-o-y growth in the first quarter. In contrast to government consumption government capital expenditures did contribute to GDP growth. Net trade in goods and services saw a strong increase for the second quarter in a row. Exports surged by a strong 10.5% y-o-y whereas imports rose by a mere 2.3% y-o-y.

Industrial production increased by 4.6% y-o-y in the second quarter with production of capital goods and intermediate goods increasing the most. After its marked improvement in the second quarter, confidence in the manufacturing sector improved only slightly in the third quarter. Confidence also improved further in the retail and services sector whereas it declined in the construction sector. Retail sales volume increased by 2.6% y-o-y in both July and August – a strong improvement compared to the last half of 2016 and first half of 2017.

Labour market

In the second quarter, employment growth accelerated to 3.9% y-o-y slightly above labour force growth (3.8%). As a consequence, the unemployment rate decreased to 11.1% for the full labour force and 13.2% for the non-agricultural labour force. While the unemployment rates fell for the labor force with high school education or less, it increased for those with higher education.

Hourly labor costs rose by 12.1% y-o-y in the second quarter with the strongest increase in construction (16.7%). Labour productivity rose by 2.9% y-o-y in the broad economy. The number of hours worked in industry (-2.4% y-o-y) continued their decline that started in the first quarter of 2016.

External sector

Between January and July, the current account deficit recorded a deficit of USD 26 billion, increasing by 20.8% y-o-y. In the twelve months to August the current account deficit climbed to 4.3% of GDP from 3.6% of GDP in the same

period a year earlier. The main driver was the further widening of the merchandise deficit to 5.5% of GDP whereas the services surplus improved to 2.1% of GDP. The number of tourist arrival jumped by 46% y-o-y in July and stood only 7.4% lower than in July 2015. However, spending per foreign tourist decreased by 9.3% y-o-y in the second quarter, confirming a trend of lower spending per tourist that started in 2013.

Net financial flows into Turkey increased by 24% y-o-y in the second quarter. Portfolio inflows accounted for 81% of net inflows, FDI for only 7% and other investment for 11%. Official reserves increased by USD 1.6 billion bringing their level to USD 109 billion, corresponding to 5 months of imports. The foreign exchange liabilities of companies increased by USD 6 bn to USD 211 billion (around 24% of GDP) at the end of July.

Monetary developments

At its meeting on 14 September, the Turkish central bank kept interest rates unchanged with the Late Liquidity Window continuing to be the main policy channel. The central bank considers its current monetary policy stance to be tight and signalled it will maintain this policy stance until the inflation outlook displays a significant improvement.

The central bank has revised upwards the end-of-year inflation projection for the third time this year to 8.7% in September. Consumer prices increased on average by 10.6% y-o-y in the second quarter, decelerating from 11.5% in the first three months. At the same time, core inflation increased to 10.2% in the second quarter from 9.3% in the first quarter.

Money in circulation rose by 14.7% y-o-y in the first eight months of the year and M3 increased by 18.6% over the same period. Since the depth of the crisis in the first half of 2009, M3 has outstripped nominal GDP growth by a cumulative 54.6%.

Financial sector

Borsa Istanbul Index continued its boom in the third quarter, rising by 34.5% y-o-y. However, translating local currency stock into US dollar and Euro reduces the gains to 14.3% and 8.6% respectively (measured by MSCI Turkey). Since the global economic and financial crisis the

MSCI in US dollar and Euro has moved mostly sideways.

For a third quarter in a row, the government has been faced with an inverse yield curve on its benchmark bonds. In the second quarter, the yield curve got more negatively inverted. Having reached the lowest point this year in the first half of this year, yields on USD denominated bonds have increased at the beginning of the third quarter and are now some 50bps higher than a year ago.

Underpinned by the government guarantee scheme and macro-prudential loosening, bank loans increased at their fastest pace in two years (+23.5% y-o-y) in the third quarter with domestic currency loans growing faster than foreign currency loans. Banks' net profits increased by 25.3% y-o-y in the first eight months of 2017. The capital adequacy ratio of banks was 17.2 percent in August and the NPL ratio was 3.2%. The loan-to-deposit ratio increased to 121 in the third quarter, the highest level since records started in 2005.

Fiscal developments

Finance minister Agbal has indicated that the central government's budget deficit in 2017 could turn out to be 30% higher (TRY 60 bn, approximately 2.0% of GDP) than originally foreseen (TRY 47 bn) due to ad hoc spending and tax cuts ahead of the April referendum as well as capital expenditures over the full period. On a twelve month rolling basis the general government recorded a deficit of 2.1% of GDP in August. Government revenues increased by 12.0% y-o-y and expenditures by 19.5% in the first eight months. Capital expenditures and transfers alone have increased by 68.5% y-o-y on average in the first eight months of this year.

Government debt was 26.6% of GDP in the second quarter, the same as a year earlier. FX denominated debt was 38.2% of total outstanding debt. Since March the share of the euro has more than tripled in FX debt at the expense of JPY and other currencies. USD denominated debt is still the largest component of FX debt (63%).

On 28 September, the 2018 central government draft budget law was sent to Parliament containing several tax hikes and aiming for a budget deficit of 1.9% of GDP.

TABLE



European Commission, ECFIN-D-1

TURKEY

		2012	2013	2014	2015	2016	ECFIN 2017 Spring forecast		Q1 17	Q2 17	Q3 17	Jul 17	Aug 17	Sep 17
							2017	2018						
1 Real sector														
Industrial confidence ^{1.1}	Balance	106.3	108.1	107.1	104.0	105.0	:	:	104.0	110.9	110.6	109.5	110.7	111.6
Industrial production ^{1.2}	Ann. %ch	2.4	3.5	3.5	2.9	1.8	:	:	2.1	4.6	:	14.5	:	:
Gross domestic product ^{1.3}	Ann. %ch	4.8	8.5	5.2	6.1	3.2	3.0	3.3	5.2	5.1	:	N.A.	N.A.	N.A.
Private consumption ^{1.4}	Ann. %ch	3.2	8.0	2.9	5.4	3.6	1.9	3.0	3.6	3.3	:	N.A.	N.A.	N.A.
Gross fixed capital formation ^{1.5}	Ann. %ch	2.7	13.8	5.1	9.3	2.2	1.6	3.1	3.0	9.5	:	N.A.	N.A.	N.A.
Construction index ^{1.6}	Ann. %ch	34.9	16.4	38.7	-9.1	16.3	:	:	-3.1	75.0	:	N.A.	N.A.	N.A.
Retail sales ^{1.7}	Ann. %ch	5.2	4.1	3.9	3.6	0.8	:	:	-2.3	0.7	:	2.6	:	:
2 Labour market														
Unemployment ^{2.1}	%	N.A.	N.A.	10.1	10.5	11.1	13.6	14.1	12.7	10.5	:	:	:	:
Employment ^{2.2}	Ann. %ch	N.A.	N.A.	N.A.	2.5	2.2	1.1	2.7	1.6	2.5	:	:	:	:
Wages ^{2.3}	Ann. %ch	11.5	12.4	14.2	14.9	18.4	13.0	9.2	12.2	:	:	:	:	:
3 External sector														
Exports of goods ^{3.1}	Ann. %ch	13.0	-0.4	3.8	-8.7	-0.9	:	:	9.1	7.2	:	28.2	12.3	:
Imports of goods ^{3.2}	Ann. %ch	-1.8	6.4	-3.8	-14.4	-4.2	:	:	7.8	9.5	:	46.3	15.3	:
Trade balance* ^{3.3}	%of GDP	-7.5	-8.4	-6.8	-5.6	-4.7	-8.5	-8.2	-4.8	-5.2	:	N.A.	N.A.	N.A.
Exports goods and services ^{3.4}	%of GDP	23.7	22.3	23.8	23.3	22.0	:	:	22.9	23.7	:	N.A.	N.A.	N.A.
Imports goods and services ^{3.5}	%of GDP	28.6	28.1	27.6	26.0	24.9	:	:	25.8	27.0	:	N.A.	N.A.	N.A.
Current account balance* ^{3.6}	%of GDP	-5.5	-7.8	-5.0	-3.8	-3.8	-4.4	-4.3	-3.9	-4.1	:	N.A.	N.A.	N.A.
Direct investment (FDI, net)* ^{3.7}	%of GDP	1.5	1.3	1.4	2.0	1.4	:	:	1.5	1.4	:	N.A.	N.A.	N.A.
International reserves ^{3.8}	bio EUR	91.7	97.0	102.5	104.1	100.6	:	:	98.9	96.8	94.0	92.7	93.0	94.0
Int. reserves / months Imp ^{3.9}	Ratio	6.0	6.1	6.7	6.7	6.7	:	:	6.4	6.1	:	5.7	5.7	:
4 Monetary developments														
CPI ^{4.1}	Ann. %ch	8.9	7.5	8.9	7.7	7.8	11.1	8.6	10.2	11.5	10.6	9.8	10.7	11.2
Producer prices ^{4.2}	Ann. %ch	6.1	4.5	10.2	5.3	4.3	:	:	15.0	15.5	16.0	15.5	16.3	16.3
Food prices ^{4.3}	Ann. %ch	8.4	9.1	12.6	11.1	5.8	:	:	9.7	15.6	11.5	10.1	12.0	12.5
M4 ^{4.4}	Ann. %ch	9.0	18.5	16.4	17.5	12.5	:	:	16.4	18.1	:	17.3	19.1	:
Exchange rate TRY/EUR ^{4.5}	Value	2.31	2.53	2.91	3.02	3.34	:	:	3.93	3.93	4.13	4.10	4.15	4.14
Nominal eff. exchange rate ^{4.6}	Index	84.14	78.87	69.40	64.20	59.10	:	:	49.40	49.80	:	48.75	48.71	:
5 Financial indicators														
Interest rate (3 months) ^{5.1}	%p.a.	8.44	6.60	9.84	10.48	9.88	:	:	10.92	12.18	12.48	12.44	12.49	12.50
Interest rate, long term ^{5.2}	%p.a.	8.47	7.77	9.18	9.30	10.19	:	:	11.11	10.63	:	10.65	10.69	:
Stock markets ^{5.3}	Index	63 731	77 977	75 190	80 661	77 177	:	:	86 317	95 416	106 319	104 675	108 291	105 990
Credit growth ^{5.4}	Ann. %ch	18.6	33.4	19.4	20.7	16.1	:	:	19.9	21.9	:	22.5	23.1	:
Deposit growth ^{5.5}	Ann. %ch	10.8	20.4	18.1	18.4	13.8	:	:	19.1	20.9	20.8	21.5	20.7	20.1
Non-performing loans ^{5.6}	%total	3.0	3.0	3.0	3.1	3.4	:	:	3.4	3.3	3.3	3.3	3.3	3.3
6 Fiscal developments														
General government balance ^{6.1}	%of GDP	-0.4	0.1	0.1	1.3	-0.9	-1.6	-1.4	-0.9	-0.1	:	N.A.	N.A.	N.A.
General government debt ^{6.2}	%of GDP	32.6	31.3	28.6	27.5	26.4	26.5	24.9	:	:	:	N.A.	N.A.	N.A.

f: ECFIN forecast Spring 2017 published 11/05/2017

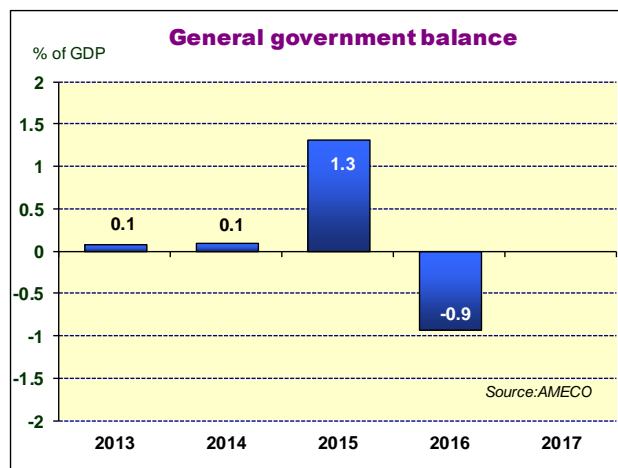
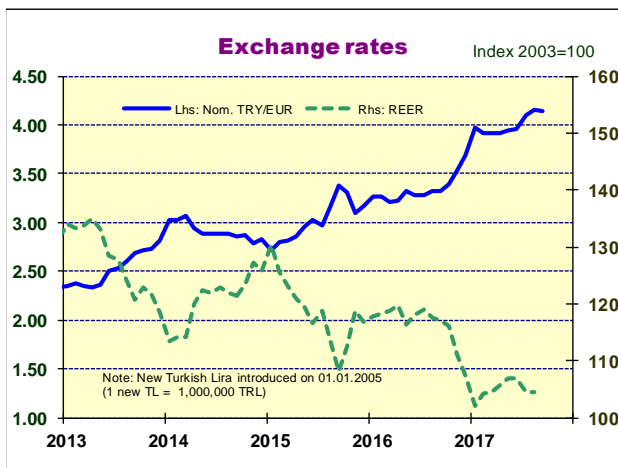
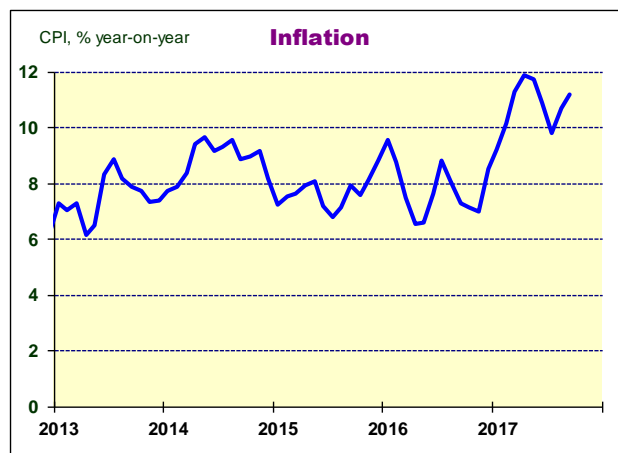
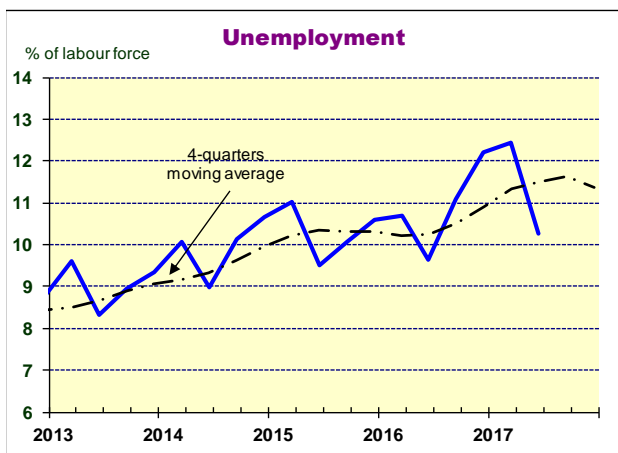
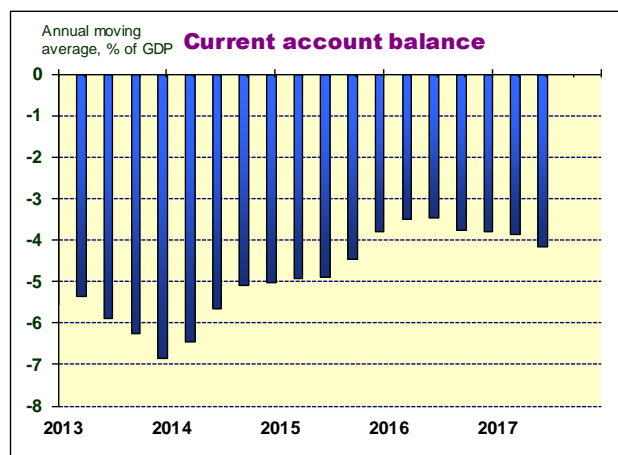
* Q figures refer to a 4 quarters moving average.

CHARTS



European Commission, ECFIN-D-1

TURKEY



BOSNIA AND HERZEGOVINA



Key developments

On 12 September, the international ratings agency Standard and Poor's affirmed the country's credit rating B with stable outlook. The stable rating reflects the agency's assessment of steady, albeit moderate economic growth and solid revenue growth, pointing to sustainable public finances. However, further delays in meeting the conditions for the disbursement of another tranche of IMF funds could deteriorate the agency's assessment of the country's outlook.

On 19 September, Bosnia-Herzegovina signed the EU-Western Balkans Transport Community Treaty. This step will – among others - support the build-up of regional transport infrastructure, such as the construction of roads related to Corridor Vc and the rehabilitation of the Port of Brcko. The projects are planned to be co-financed by the country and through loans from EIB and EBRD.

Real sector

National account data for the second quarter point to a deceleration in economic activity. Year-on-year, real valued added was 1.7% higher than a year before, compared to a year-on-year increase by 2.9% in the first quarter. In the first half of 2017, annual growth slowed slightly to 2.3%, compared to 2.6% in the first half of 2016. Lower growth is partly explained by bad weather conditions impacting on output in agriculture and construction, but also lower than planned public investment spending. At the same time, trade and manufacturing were the main drivers of growth. The value added in the public sector (public administration, education and health), which accounts for nearly a quarter of total value added, increased by 2.2% year-on-year, compared to a similar annual increase (+2.1% year-on-year) in the first quarter. Thus, this sector contributed about 0.5 percentage points to growth in the second quarter.

High-frequency indicators for the recent months present a mixed picture. Industrial production accelerated markedly in July and August to around 6% year-on-year. This brings output growth in industry to 3.1% during the first eight months of the year, compared to 3.9% in the same period of 2016. An important contribution to this acceleration came from export-oriented

production. On the other hand the real growth of retail sales decelerated temporarily in July, before it recovered in August. It rose by 5.5% y/y on average in the first eight months compared to 6.7% during the same period in 2016.

Labour market

Registered employment continued to increase during recent months, albeit at a decelerating pace. In July, registered employment was 2.7% higher than a year before, compared to a growth rate of 4% at the beginning of the year. The main contributor to employment growth was manufacturing, accounting for nearly half of new employment, while the service sector created another third of new jobs. At the same time, the number of registered unemployed has continued to decline throughout the year and was 6.5% lower in July than a year before. This translated into a drop in the registered unemployment rate by more than two percentage points (from 41.6% in July 2016 to a still worrying 39.4% in July 2017). Registered youth unemployment remains above 60%. These rates are still among the highest in the region.

Nominal wages rose by 1.8% year-on-year in the second quarter, after a 1.5% increase in January-March. In July, nominal wages were 1.9% higher than a year before. When taking into account consumer price inflation, real wages in the first half of 2017 were still about 0.5% higher than a year before. In 2016, annual average nominal wage growth was 0.9%, which – due to a declining overall price level - translated into an increase by nearly 2% in real terms.

External sector

The current account deficit remained largely unchanged in the second quarter, with its 4-quarter moving average declining slightly to 4.8% of GDP compared to 4.9% in the four quarters to March. Commodity exports increased by 15.6% year-on-year in the second quarter, but import growth was also strong, at 10.6%.

When looking at the first eight months, the value of goods exports rose by 17.2%, compared to 2% the year before. This strong acceleration came on the back of higher exports to neighbouring countries, in particular Croatia and

Slovenia, but also the Western Balkans. Trade to the EU, including Croatia and Slovenia, contributed about 11 percentage points to the nominal increase, while trade to the Western Balkan countries accounted for another 4.6 percentage points. Merchandise imports increased at a lower rate than exports (+12.3% in the first eight months). The surplus in the service balance increased to 7.1% of GDP in the second quarter, about 0.5 percentage points higher than a year before. By mid-2017, the surplus in the service balance accounted for 6.5% of the period's GDP, compared to 6.2% the year before. This is partly the result of stronger tourism revenues.

FDI inflows rose to about 2.6% of GDP by mid-2017, compared to 1.6% of GDP the year before. The main source of FDI was retained earnings, with Croatia, Austria and Saudi-Arabia being the main countries of origin. Foreign reserves remained largely unchanged in terms of import coverage, at slightly above 7 months.

Monetary developments

Average inflation has remained slightly above 1% in the first eight months of 2017, compared to a negative rate of 1.3% the year before. Important drivers for the price dynamics have been prices for transport, which rose sharply at the beginning of the 2017, while prices for footwear and furniture have remained significantly lower than a year before.

The annual growth of the monetary aggregate M2 continued to accelerate, from 9.4% in the first quarter to 9.9% in the second quarter. This probably reflects the strong growth in deposits.

Financial sector

Domestic credit growth accelerated further, reaching 5.1% year-on-year in the second quarter, compared to 3.0% in the first three months. Household and corporate credits, accounting in nearly equal shares for about 92% of total loans, continued to be the main driving force behind this trend. Household loans rose by 5.5% y/y in the second quarter, compared to 4.3% in January-March. Corporate credits increased slightly faster, by 6.3%, compared to 4.3% in the first quarter. Loans to the public sector (entities, cantons and municipalities), which account for around 5% of total credits, were in the second quarter some 7% lower than a year before. In the first quarter, public sector loans were 13% lower year-on-year. In particular, in June, the drop in public loans was

significantly lower than in the preceding months, declining by only 2.8% year-on-year. However, when compared to the beginning of the year, the volume of loans to the public sector has increased slightly.

Growth of total deposits remained strong at 10.2% in April-June, compared to 9.2% in the first quarter. As a result of the robust increase in deposits, the loan-to-deposit ratio continued to be below the 100% mark (at 97.1% in June), compared to 101.5% a year before.

The share of non-performing loans in total loans continued to decline slightly, to 11.1% in the second quarter from 11.5% the quarter before. At the same time, loan-loss provisioning has slightly improved, reaching 76.5% in the second quarter, compared to 76.1% in the first quarter. Banking sector profitability (ROE) dropped slightly in the second quarter to 12.1%, from 13.6% in the first quarter. The return on average assets (ROAA) also fell slightly, to 1.7% in the second quarter, compared to 2% in the first quarter. The banking system's overall capital adequacy ratio rose again marginally to 15.9%, compared to 15.7% in the first quarter. This overall level is clearly above the Basel III minimum requirement of 8% of its risk-weighted assets. However, there are big differences among the various banks.

Fiscal developments

According to preliminary Central Bank sources, public sector revenues performed well in the first half of 2017, increasing by 6.6% year-on-year. Taxes and social contributions both contributed to that increase in largely equal terms. A year before, the increase in public revenue had been at 2% only. Data on current public spending points to very moderate growth, of around 1% in the first half of 2017. Spending on public sector employment dropped by 0.1% year-on-year in the first half of 2017, while spending on goods and services rose by some 0.4%. There is no reliable data on public investment available yet. However, anecdotal evidence suggests lower than planned spending on investment, partly due to political stalemates and the resulting delays in securing financing and implementation. This would suggest that the general government accounts might again register a slight surplus in 2017, as in 2016 and 2015.

Public debt decreased slightly at end-June, dropping to some 39% of GDP compared to 40.8% a year earlier. The currency composition remained largely unchanged: about 16% were

denominated in domestic currency, the remaining 84% in foreign currency. The three largest holders of foreign debt are the World Bank, the European Investment Bank (EIB) and

the International Monetary Funds (IMF), accounting for 22%, 19% and 12% of the country's total foreign public debt.

TABLE

European Commission, ECFIN-D-1



BOSNIA AND HERZEGOVINA

		2012	2013	2014	2015	2016	Q1 17	Q2 17	Q3 17	Jul 17	Aug 17	Sep 17
1 Real sector												
Industrial confidence ^{1.1}	Balance	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Industrial production ^{1.2}	Ann. %ch	-3.9	5.2	0.2	3.1	4.4	2.5	1.8	:	6.4	5.8	:
Gross domestic product ^{1.3}	Ann. %ch	0.1	2.6	0.3	3.8	2.9	2.8	1.7	:	N.A.	N.A.	N.A.
Private consumption ^{1.4}	Ann. %ch	-0.6	0.8	1.4	1.8	1.8	:	:	:	N.A.	N.A.	N.A.
Gross fixed capital formation ^{1.5}	Ann. %ch	2.1	-1.2	11.5	-3.5	2.5	:	:	:	N.A.	N.A.	N.A.
Construction index ^{1.6}	Ann. %ch	1.3	-25.8	22.2	-22.7	-38.0	-37.1	-4.4	:	N.A.	N.A.	N.A.
Retail sales ^{1.7}	Ann. %ch	1.6	4.6	1.8	7.8	7.0	5.8	5.6	:	4.1	5.9	:
2 Labour market												
Unemployment ^{2.1}	%	28.0	27.5	27.5	27.7	25.4	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Employment ^{2.2}	Ann. %ch	-0.3	1.0	-1.2	1.2	-2.6	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Wages ^{2.3}	Ann. %ch	1.5	0.1	-0.1	0.0	0.9	1.5	1.8	:	1.9	:	:
3 External sector												
Exports of goods ^{3.1}	Ann. %ch	4.1	10.5	3.0	5.1	7.0	20.7	15.6	:	25.5	20.5	:
Imports of goods ^{3.2}	Ann. %ch	-0.1	-0.7	7.1	-2.3	2.4	12.8	10.6	:	13.7	15.8	:
Trade balance* ^{3.3}	%of GDP	-29.9	-26.5	-28.8	-25.2	-23.5	-24.0	-23.6	:	N.A.	N.A.	N.A.
Exports goods and services ^{3.4}	%of GDP	32.1	33.7	34.0	34.6	35.1	36.7	:	:	N.A.	N.A.	N.A.
Imports goods and services ^{3.5}	%of GDP	55.8	54.2	56.7	53.4	52.3	54.1	:	:	N.A.	N.A.	N.A.
Current account balance* ^{3.6}	%of GDP	-8.6	-5.3	-7.4	-5.7	-5.1	-4.9	-4.8	:	N.A.	N.A.	N.A.
Direct investment (FDI, net)* ^{3.7}	%of GDP	1.9	1.3	2.9	1.7	1.6	2.0	2.1	:	N.A.	N.A.	N.A.
International reserves ^{3.8}	mio EUR	3 327.8	3 614.0	4 001.2	4 400.3	4 873.2	4 724.9	4 839.7	:	:	:	:
Int. reserves / months Imp ^{3.9}	Ratio	5.1	5.6	5.8	6.5	7.1	7.3	7.3	:	:	:	:
4 Monetary developments												
CPI ^{4.1}	Ann. %ch	2.0	-0.1	-0.9	-1.0	-1.1	1.1	1.2	:	0.9	1.0	:
Producer prices ^{4.2}	Ann. %ch	1.3	-2.2	-0.2	-0.6	-0.9	2.7	1.0	:	-0.1	0.8	:
Food prices ^{4.3}	Ann. %ch	1.8	0.0	-2.7	-0.9	-1.1	0.1	0.7	:	0.6	1.0	:
M2 ^{4.4}	Ann. %ch	4.6	5.7	7.5	8.0	7.8	9.4	9.9	:	9.6	9.8	:
Exchange rate BAMEUR ^{4.5}	Value	1.96	1.96	1.96	1.96	1.96	1.96	1.96	1.96	1.96	1.96	1.96
Nominal eff. exchange rate ^{4.6}	Index	105.5	103.55	104.99	103.92	105.22	105.56	105.63	:	:	:	:
5 Financial indicators												
Interest rate (3 months) ^{5.1}	%p.a.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Bond yield ^{5.2}	%p.a.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Stock markets ^{5.3}	Index	737	770	707	701	691	652	618	625	623	623	630
Credit growth ^{5.4}	Ann. %ch	5.1	2.7	3.7	1.8	2.1	3.0	5.1	:	N.A.	:	:
Deposit growth ^{5.5}	Ann. %ch	2.6	5.1	8.4	6.2	7.7	9.2	10.2	:	N.A.	:	:
Non performing loans ^{5.6}	%total	12.7	14.5	15.2	13.9	12.3	11.5	11.1	:	N.A.	N.A.	N.A.
6 Fiscal developments												
General government balance ^{6.1}	%of GDP	-2.0	-2.2	-2.0	0.7	1.2	:	:	:	N.A.	N.A.	N.A.
General government debt* ^{6.2}	%of GDP	36.5	37.6	41.6	41.9	40.5	40.8	39.0	:	N.A.	N.A.	N.A.

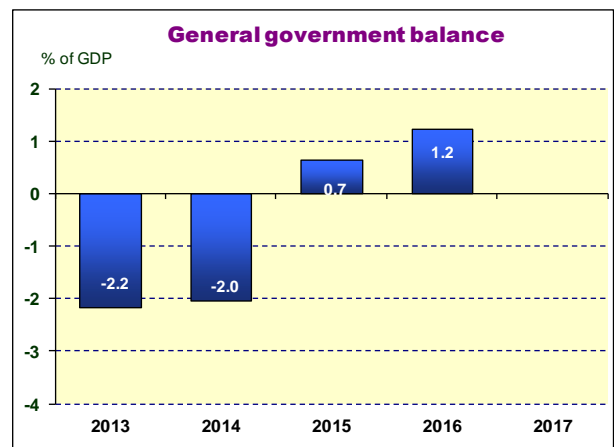
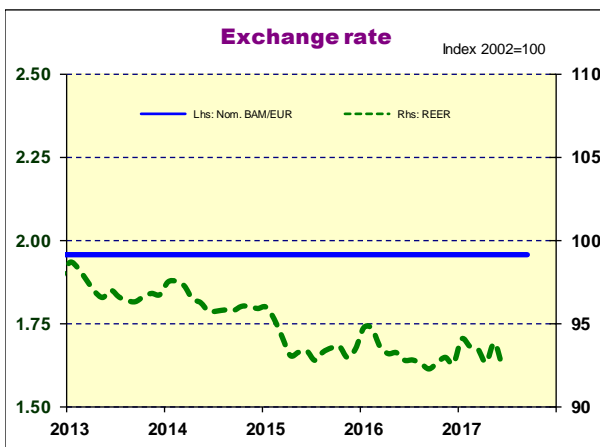
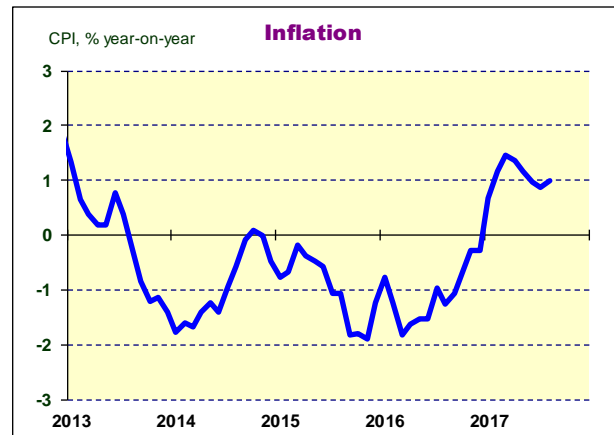
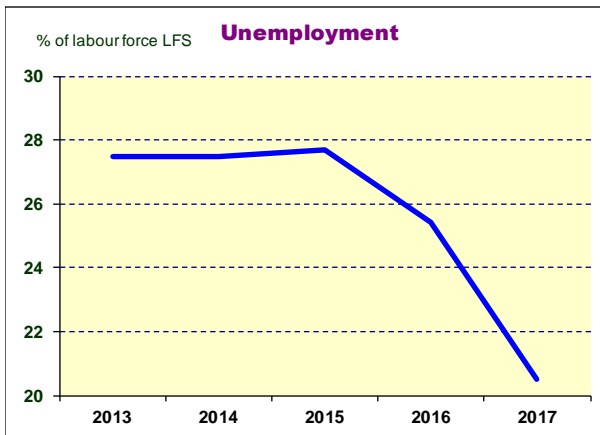
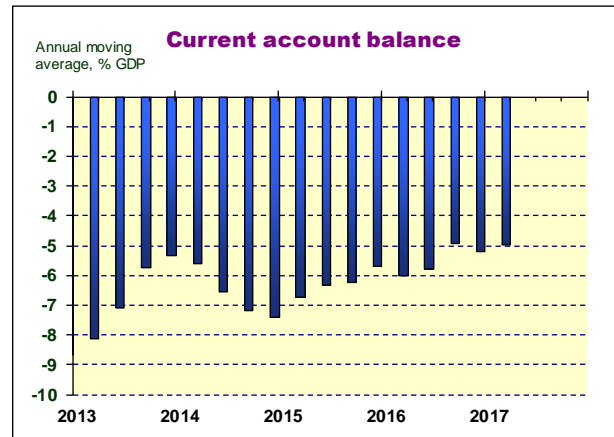
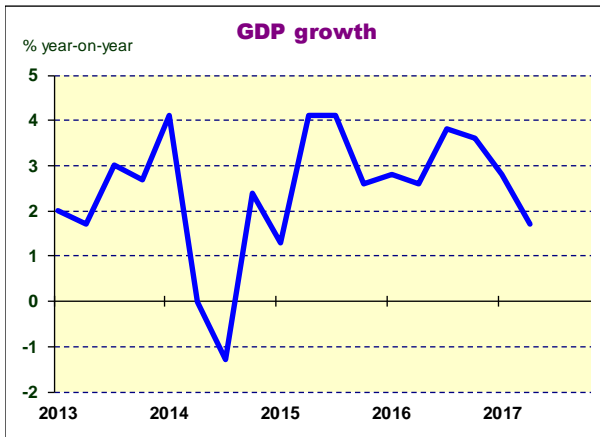
* Q figures refer to a 4 quarters moving average and refers only to foreign public debt.

CHARTS



European Commission, ECFIN-D-1

BOSNIA AND HERZEGOVINA





Key developments

After three months of political stalemate, in September, the new Kosovo government led by Ramush Haradinaj was backed by a narrow majority of 62 out of 120 parliamentarians. The new government was formed through a coalition of the Democratic Party of Kosovo, the Alliance for the Future of Kosovo, and the Initiative of Kosovo, which all emerged from the 1998-1999 conflict with Serbia, with a dozen smaller parties and was supported by the Lista Srpska group of Serbian parliamentarians.

The new government presented its programme for 2017-2021 on 19 September 2017. However it has not yet been adopted by the parliament. The programme foresees economic growth of 5-7% over the period supported by implementation of growth-friendly reforms and robust public investment spending. The programme also envisages an unspecified increase of salaries for public sector employees.

Real sector

Economic growth further accelerated in the second quarter to 4.6% y/y bringing the total growth in the first six months to 4.3% y/y. Unlike in previous years, final consumption declined by 1% y/y in the first half of 2017, due to an especially weak second quarter. This is mainly due to a sharp decline in public consumption (-6.2% y/y) while private consumption shrank by only 0.1% y/y. Economic activity was mainly driven by investment (15.8% y/y growth) as works on the Route 6 highway to Skopje intensified. Moreover, total exports grew by 12.4% y/y underpinned by strong exports of services and a steady recovery of metal exports. Ferronikeli, the largest exporter of metals in Kosovo, which temporarily stopped work in 2016, has been slowly regaining its lost markets during 2017.

On the production side, agriculture and electricity production recorded negative growth rates, while output of the construction and mining sectors increased at double-digit rates (20.1% and 22.5% y/y respectively). The financial sector grew by 11.8% y/y, reflecting persistent credit growth. Somewhat puzzling is a 5.1% y/y growth of retail and wholesale trade

given a drop in private consumption.

Sector accounts data confirms strong growth in manufacturing and retail sectors. In the second quarter of 2017, industrial turnover in Kosovo increased by an estimated 11.9% y/y. Turnover in the mining sector rose by 46.1% y/y and in the manufacturing sector by 4% y/y. Productivity per employee increased substantially in both sectors for the second straight quarter due to increased output as Ferronikeli restarted its operation.

Strong retail turnover growth continued in the second quarter; most notably, sales of food, beverages and tobacco rose 21.3% y/y.

Labour market

According to the labour force survey, labour market developments in the first half of 2017 had mixed results following some improvement in 2016. The unemployment rate recorded for the first half of 2017 increased to 30.6% up from 27% the year before. On the other hand the employment rate rose to 29.4% (compared to 26.7% a year before), after it had been falling since 2013. The labour force participation rate remains extremely low at 42.3%. The youth jobless rate (15-24 years) decreased to 50.7% , from 52.4% in the same period in 2016. Labour market outcomes are especially poor for women, as less than one in five women of working age are active in the labour market and only 12.8% are employed.

External sector

In the first seven months of 2017, the current account deficit continued to widen and stood at 9.5% of GDP in the 12 months to July 2017 compared to 9.4% of GDP in the corresponding period one year earlier. The goods and services balance deteriorated slightly, recording a deficit of 28.9% of GDP compared to 28.2% of GDP in the same period in 2016. Worker remittances increased, accounting for 10.8% of GDP in the same period. On the financing side, net inflows of FDI increased in the twelve months to July to 3.8% of GDP, compared to 3.3% a year ago. Portfolio investments recorded a net outflow of 2.8% of GDP. As usually, relatively high net errors and omissions (6.6% of GDP) captured

the larger share of total capital inflows. Reserve assets declined by 0.1% of GDP, but still covered 6.3 months of imports.

In the first eight months of 2017 total goods exports expanded by 22.5% y/y due to the strong growth of mineral and base metal exports following a period of sharp decline in 2015. Exports of agricultural products and processed food continued to record significant increases. In the same period, imports of goods rose by 8.8% y/y with mineral fuels and crude materials being the main import drivers reflecting rising oil prices and a stronger construction sector. During January-August the overall merchandise trade deficit increased by 7.1% y/y.

Monetary developments

Kosovo's inflation rate remains heavily influenced by price developments in the main trading partners, namely the EU. The CPI inflation was stable in the first eight months of 2017 at 1.7% y/y. Food, energy and fuel prices were the main drivers of price growth as core inflation's contribution declined from 2pps in January 2017 to 0.4pp in August 2017. The producer price index increased by 0.9% y/y, and the construction cost index by 1.2% in the first half of 2017 namely due to price rises of construction and electrical materials. Import prices increased by 4.6% y/y in H1 2017 due to increases in mineral and metal products.

Financial sector

Strong credit growth has continued throughout 2017 (9.9% y/y in August). Loans to enterprises grew by 8.7% y/y, reflecting looser credit requirements, and improvements in project preparation by enterprises. Lending to households grew by 12.3% y/y. Total deposits in commercial banks grew at a slower pace, (8.7% y/y in August), causing the loan-to-deposit ratio to rise slightly to 78.4% in August from 76.9% in December 2016, still indicating banks' stable liquidity position and substantial room for stronger lending activity.

The interest rate spread remains on a downward trajectory. The 12-month moving average spread declined by 67 basis points in August 2017

compared to a year before. This reduction was driven by a 68 basis points decrease in the average lending interest rates from a year earlier, to 7.03%.

Financial soundness indicators in the banking sector remained satisfactory throughout the first eight months of 2017. For the banking system as a whole, the ratio of liquid assets to short-term liabilities stood at 39.7% in August 2017, while the capital adequacy ratio was 18.7%, well above the regulatory minimum of 12%. The already low NPL ratio decreased further to 3.9%. Existing NPLs are fully covered by loan loss provisions (136.4%).

Fiscal developments

In the first eight months of 2017 budget revenues rose by 4.4% y/y which is lower than the projected annual growth of 7.2% in 2017. Revenue from VAT (8.5% y/y) and personal income tax (12% y/y), and non-tax revenue (9.1% y/y) were the main driver of revenue growth. On the other hand, revenue from corporate income shrunk by 4% despite stable economic growth. Budget expenditure grew by 9.1% y/y due to the 25.7% rise in budget capital spending. Higher investment spending reflects mainly payments for the Route 6 highway construction. Current expenditure grew by 5.2% y/y due to rise in goods and services spending (9.6% y/y) and social transfers (8.1% y/y). The new war veteran benefits package was the main driver of growth in social spending. Despite high overall expenditure growth all expenditure categories except transfers under-performed compared to the budget plan. Overall, the budget recorded a surplus of 0.6% of full-year GDP in the first 8 months.

In June 2017 total public debt (including guarantees) stood at 15.7% of GDP, not including Kosovo's share of the London and Paris club debt of the former Yugoslavia, which is currently estimated at around 6% of GDP. The average weighted interest rate continued declining to 1.92% owing to the large share of concessional loans from IFIs. Average maturity of domestic debt is likely to continue increasing after Kosovo issued for the first time a bond with seven year maturity in August.

TABLE

European Commission, ECFIN-D-1



KOSOVO*

		2012	2013	2014	2015	2016	Q1 17	Q2 17	Q3 17	Jul 17	Aug 17	Sep 17
1 Real sector												
Industrial confidence ^{1.1}	Balance	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Industrial production ^{1.2}	Ann.%ch	N.A.	3.2	0.0	1.3	-1.3	11.7	11.9	:	:	:	:
Gross domestic product ^{1.3}	Ann.%ch	2.8	3.4	1.2	4.1	3.4	3.8	4.6	:	N.A.	N.A.	N.A.
Private consumption ^{1.4}	Ann.%ch	2.9	2.0	4.9	3.8	4.8	3.9	-3.3	:	N.A.	N.A.	N.A.
Investment ^{1.5}	Ann.%ch	-12.9	-0.3	-5.0	11.3	10.4	13.7	17.1	:	N.A.	N.A.	N.A.
Construction index ^{1.6}	Ann.%ch	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Retail sales ^{1.7}	Ann.%ch	N.A.	N.A.	11.6	7.1	6.5	13.3	16.6	:	N.A.	N.A.	N.A.
2 Labour market												
Unemployment ^{2.1}	%	30.9	30.0	35.3	32.9	27.5	30.5	:	:	N.A.	N.A.	N.A.
Employment ^{2.2}	Ann.%ch	:	11.7	-4.4	-8.2	11.7	:	:	:	N.A.	N.A.	N.A.
Wages ^{2.3}	Ann.%ch	N.A.	N.A.	N.A.	5.8	:	:	:	:	N.A.	N.A.	N.A.
3 External sector												
Exports of goods ^{3.1}	Ann.%ch	-13.5	6.4	10.5	0.2	-4.8	6.2	27.9	:	26.2	51.9	:
Imports of goods ^{3.2}	Ann.%ch	5.3	-2.3	3.7	3.8	5.9	8.5	6.9	:	14.3	9.9	:
Trade balance** ^{3.3}	%of GDP	-40.5	-37.5	-37.0	-36.3	-37.9	-38.1	-38.1	:	-38.3	N.A.	N.A.
Exports goods and services** ^{3.4}	%of GDP	23.3	21.9	22.5	21.9	22.2	22.2	22.8	:	22.9	N.A.	N.A.
Imports goods and services** ^{3.5}	%of GDP	53.9	49.6	51.2	50.4	50.8	51.2	51.4	:	51.8	N.A.	N.A.
Current account balance** ^{3.6}	%of GDP	-5.8	-3.4	-6.9	-8.6	-9.1	-9.5	-9.2	:	-9.5	N.A.	N.A.
Direct investment (FDI, inflow)** ^{3.7}	%of GDP	4.5	5.3	2.7	5.3	3.6	3.7	4.5	:	4.3	N.A.	N.A.
International reserves ^{3.8}	mio EUR	1 356.0	1 504.3	1 266.4	1 329.4	1 291.4	1 385.8	1 534.8	:	1 463.5	1 540.6	:
Int. reserves / months Imp ^{3.9}	Ratio	6.5	7.4	6.0	6.1	5.6	5.9	6.4	:	6.0	6.3	:
4 Monetary developments												
CPI ^{4.1}	Ann.%ch	2.5	1.8	0.4	-0.5	0.3	1.6	1.9	:	1.7	1.7	:
Producer prices ^{4.2}	Ann.%ch	1.9	2.4	1.6	2.7	-0.1	0.9	-0.5	:	N.A.	N.A.	N.A.
Food prices ^{4.3}	Ann.%ch	1.0	2.1	-0.2	0.4	-0.3	1.0	1.9	:	1.5	1.4	:
Broad money liabilities ^{4.4}	Ann.%ch	7.1	17.3	-4.2	6.5	8.4	7.0	8.9	:	10.7	11.2	:
Exchange rate EUR/EUR ^{4.5}	Value	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Real eff. exchange rate (CPI) ^{4.6}	Index	106.1	106.5	106.7	104.7	:	:	:	:	:	:	:
5 Financial indicators												
Interest rate ^{5.1}	%p.a.	12.67	11.82	10.61	8.32	7.47	7.25	6.71	:	6.39	6.84	:
Bond yield ^{5.2}	%p.a.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Stock markets ^{5.3}	Index	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Credit growth ^{5.4}	Ann.%ch	8.9	3.0	2.9	6.2	9.1	10.6	10.3	:	9.6	9.9	:
Deposit growth ^{5.5}	Ann.%ch	8.0	6.6	7.2	5.6	4.8	8.7	8.8	:	8.9	8.6	:
Non-performing loans ^{5.6}	%total	7.5	8.7	8.3	6.2	4.9	:	:	:	:	:	:
6 Fiscal developments												
General government balance** ^{6.1}	%of GDP	-2.6	-3.1	-2.2	-2.0	-1.2	:	:	:	N.A.	N.A.	N.A.
General government debt ^{6.2}	%of GDP	8.4	9.1	10.6	13.1	14.4	15.2	15.7	:	N.A.	N.A.	N.A.

* Q figures refer to a 4 quarters moving average.

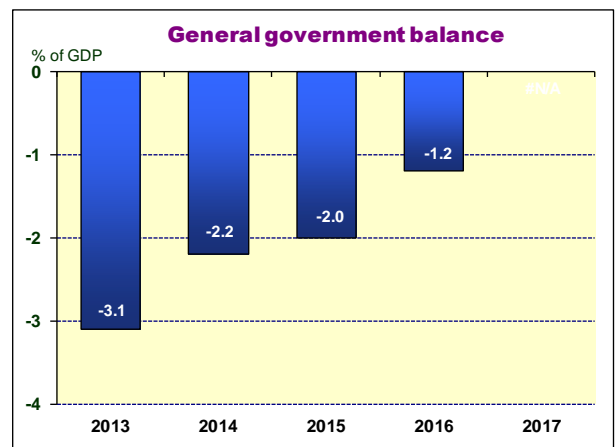
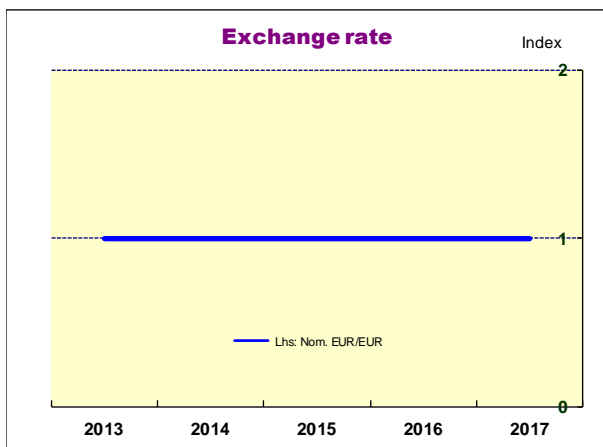
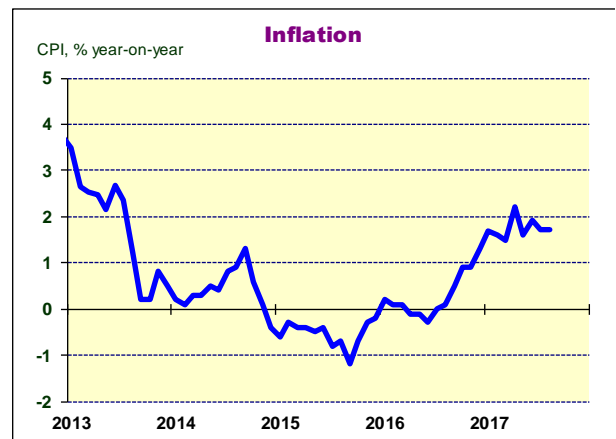
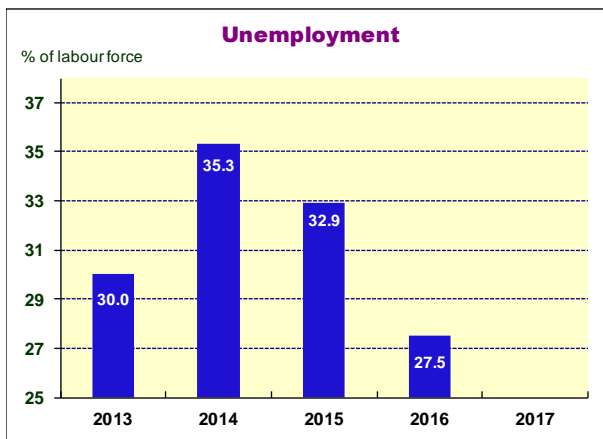
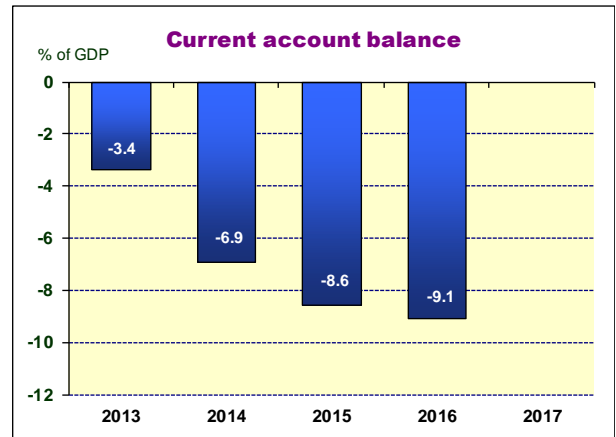
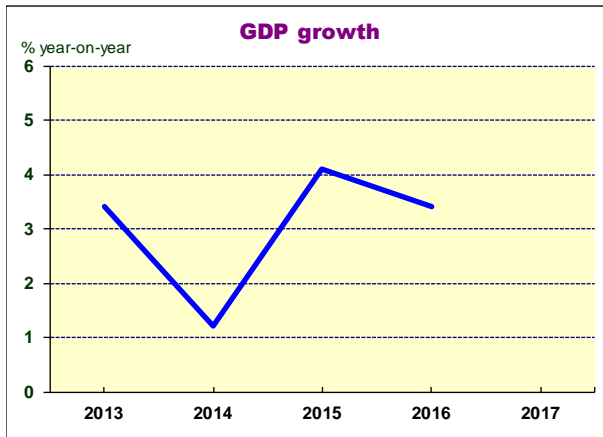
** Q figures refer to a 4 quarters moving average.

CHARTS

European Commission, ECFIN-D-1



KOSOVO*



Source of data: IMF, national sources



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



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



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



No.	Indicator	Note	Source
1. Real sector			
1.1.	Industrial confidence indicator	Not available	
1.2.	Industrial production	Total, Index, CPPY=100	IHS/DataInsight
1.3.	Gross domestic product	Annual percent change at constant (average) prices 2002 Production approach	IHS/DataInsight
1.4.	Private consumption	Annual percent change , Real Individual Consumption Expenditure, Household Sector (ESA2010) (2010), NSA	IHS/DataInsight
1.5.	Gross fixed capital formation	Annual percent change, Real Gross Fixed Capital Formation (ESA2010) (2010), NSA	IHS/DataInsight
1.6.	Construction index	Annual pc change, Value Index of Performed Works, Total CPPY=100, NSA	IHS/DataInsight
1.7.	Retail sales	Annual pc change, retail trade turnover, constant prices, CPPY=100	IHS/DataInsight
2. Labour market			
2.1.	Unemployment	In percent of total labour force, Labour Force Survey definition for annual data. Semi-annual data.	IHS/DataInsight
2.2.	Employment	Annual percentage change, as from 2014 based on LFS. Data before 2014 are based on official data on registered employment.	IHS/DataInsight
2.3.	Wages	Gross wages annual percentage change; average growth rate, nominal	IHS/DataInsight
3. External sector			
3.1.	Exports of goods	Annual percentage change, mio. EUR, fob	IHS/DataInsight
3.2.	Imports of goods	Annual percentage change, mio. EUR, cif	IHS/DataInsight
3.3.	Trade balance	In percent of GDP, fob-cif, annualised data	IHS/DataInsight
3.4.	Exports goods and services	In percent of GDP	IHS/DataInsight
3.5.	Imports goods and services	In percent of GDP	IHS/DataInsight
3.6.	Current account balance	In percent of GDP, annualised data	IHS/DataInsight
3.7.	Direct investment (<i>FDI, net</i>)	In percent of GDP, annualised data	IHS/DataInsight
3.8.	International reserves NBS	Total, mio EUR.	IHS/DataInsight
3.9.	Reserves / months Imp	Ratio of 12 months imports of goods moving average.	IHS/DataInsight
4. Monetary developments			
4.1.	CPI	Consumer Prices, Total, CPPY, average.	IHS/DataInsight
4.2.	Producer prices	Annual average percentage change, domestic market	IHS/DataInsight
4.3.	Food prices	Annual pc, food and non-alcoholic beverages, CPPY=100	IHS/DataInsight
4.4.	M3	Annual percentage change, M3 (broad money), RSD	IHS/DataInsight
4.5.	Exchange rate RSD/EUR	Spot Rates, close, period average	IHS/DataInsight
4.6.	Nominal eff. exchange rate	Period average, moving base year, RSD	IHS/DataInsight
5. Financial indicators			
5.1.	Interest rate	Belgrade Overnight Index Average (BEONIA)	IHS/DataInsight
5.2.	Bond yield	Weighted average interest rate on RS government bills.	NBS
5.3.	Stock markets	Belgrade Stock Exchange, BELEXfm index, price return, close, RSD	IHS/DataInsight
5.4.	Credit growth	Annual percentage change, monetary survey, domestic credit, total, RSD	IHS/DataInsight
5.5.	Deposit growth	Annual percentage change, deposits, nonmonetary sector, total, RSD	IHS/DataInsight
5.6.	Non-performing loans	Gross Non-Performing Loan Ratio	IHS/DataInsight
6. Fiscal developments			
6.1.	General government balance	Consolidated GG, Overall balance. In percent of quarterly GDP	Min. of Finance
6.2.	General government debt	Central government debt. In percent of GDP	Min. of Finance



No.	Indicator	Note	Source
1. Real sector			
1.1.	Industrial confidence indicator	Industry survey, confidence index real sector	IHS/DataInsight
1.2.	Industrial production	Annual percentage change, volume (index 2010), excluding construction, calendar adjusted	IHS/DataInsight
1.3.	Gross domestic product	Annual percentage change,	IHS/DataInsight
1.4.	Private consumption	Annual percentage change, index (2009 prices)	IHS/DataInsight
1.5.	Gross fixed capital formation	Annual percentage change,	IHS/DataInsight
1.6.	Construction index	Annual percentage change, construction permits, buildings, total, TRY	IHS/DataInsight
1.7.	Retail sales	Annual percentage change, volume, 2010=100	
2. Labour market			
2.1.	Unemployment	In percent of total labour force, 15-64 age group, Labour Force Survey data	NSI
2.2.	Employment	Annual percentage change, 15-64 age group, Labour Force Survey data	NSI
2.3.	Wages	Annual percentage, Hourly earnings manufacturing / Index publication base -	IHS/DataInsight
3. External sector			
3.1.	Exports of goods	Annual percentage change, mio. EUR, fob	IHS/DataInsight
3.2.	Imports of goods	Annual percentage change, mio. EUR, cif	IHS/DataInsight
3.3.	Trade balance	In percent of GDP, annualised moving average	IHS/DataInsight
3.4.	Exports goods and services	In percent of GDP	IHS/DataInsight
3.5.	Imports goods and services	In percent of GDP	IHS/DataInsight
3.6.	Current account balance	In percent of GDP, annualised moving average	IHS/DataInsight
3.7.	Direct investment (<i>FDI, net</i>)	In percent of GDP, annualised moving average of direct investment in reporting economy minus direct investment abroad	IHS/DataInsight
3.8.	Reserves, International reserves of the National Bank	Gross international reserves, mio EUR, eop.	IHS/DataInsight
3.9.	Reserves / months Imp	Ratio of 12 months imports of goods moving average	IHS/DataInsight
4. Monetary developments			
4.1.	CPI	Annual percentage change, index 1994, Interim HICP is not available	IHS/DataInsight
4.2.	Producer prices	Annual percentage change, wholesale prices index (1994)	IHS/DataInsight
4.3.	Food prices	Annual pc, Food and Non-alcoholic Beverages, Total, TRY, 2003=100	IHS/DataInsight
4.4.	M3	Money supply M3, total, TRY	IHS/DataInsight
4.5.	Exchange rate YTL/EUR	Period averages	IHS/DataInsight
4.6.	Nominal eff. exchange rate	Index 1999, period averages	IHS/DataInsight
5. Financial indicators			
5.1.	Interest rate	Deposit rates, 3 month, close	IHS/DataInsight
5.2.	Bond yield	T-bond ISMA bid, 2 year, yield, close	IHS/DataInsight
5.3.	Stock markets	ISE index, trading volume (business), January 1986 = 1 Turkish Lira	IHS/DataInsight
5.4.	Credit growth	Annual percentage change, banking system, total loans, TRY	IHS/DataInsight
5.5.	Deposit growth	Annual percentage change, banking system, total deposits, TRY	IHS/DataInsight
5.6.	Non-performing loans	In percent of total lons	IHS/DataInsight
6. Fiscal developments			
6.1.	General government balance	In percent of GDP	Nat. sources
6.2.	General government debt	In percent of GDP, ESA 95 methodology	Nat. sources



No.	Indicator	Note	Source
1. Real sector			
1.1.	Industrial confidence indicator	Not available	
1.2.	Industrial production	Production, total, Index 2010=100, Annual percentage change	IHS/DataInsight
1.3.	Gross domestic product	Annual percentage change	IHS/DataInsight
1.4.	Private consumption	Annual percentage change, Households, Total, Chain index	IHS/DataInsight
1.5.	Gross fixed capital formation	Annual percentage change	IHS/DataInsight
1.6.	Construction index	Annual percentage change, residential construction, completed dwellings m2, CPPY=100	IHS/DataInsight
1.7.	Retail sales	Total sale, index CPPY=100, weighted average Federation of Bosnia and Herzegovina 65% Serb Republic 35%	IHS/DataInsight
2. Labour market			
2.1.	Unemployment	Labour Force Survey, in percent of total labour force	IHS/DataInsight,
2.2.	Employment	Labour Force Survey, annual percentage change	IHS/DataInsight
2.3.	Wages	Annual percentage change, average gross wages, BAM	IHS/DataInsight
3. External sector			
3.1.	Exports of goods	Annual percentage change, mio. BAM, General merchandise, FOB	IHS/DataInsight
3.2.	Imports of goods	Annual percentage change, mio. BAM, General merchandise, FOB	IHS/DataInsight
3.3.	Trade balance	In percent of GDP, annualised data	IHS/DataInsight
3.4.	Exports goods and services	In percent of GDP, estimated from Balance of Payments data	IHS/DataInsight
3.5.	Imports goods and services	In percent of GDP, estimated from Balance of Payments data	IHS/DataInsight
3.6.	Current account balance	In percent of GDP, annualised data	IHS/DataInsight
3.7.	Direct investment (<i>FDI, net</i>)	In percent of GDP, annualised data	IHS/DataInsight
3.8.	Reserves, International reserves of the National Bank	Gross foreign reserves, total, mio EUR	IHS/DataInsight
3.9.	Reserves / months Imp	Ratio of 12 months imports of goods moving average.	IHS/DataInsight
4. Monetary developments			
4.1.	CPI	All Items, with temporary reductions of prices, index CPPY=100	IHS/DataInsight
4.2.	Producer prices	Domestic, total, index CPPY=100	IHS/DataInsight
4.3.	Food prices	Annual pc change, food and non-alcoholic beverages, 2005=100,	IHS/DataInsight
4.4.	M2	Annual percentage change, M2 (broadest money)	IHS/DataInsight
4.5.	Exchange rate BAM/EUR	Period averages, spot rates, close	IHS/DataInsight
4.6.	Nominal eff. exchange rate	Index (2002 Apr=100); 9 Trade partners selected in order to set up the index (AT, FR, DE, HU, IT, SLO, HR, RS, CH)	IHS/DataInsight
5. Financial indicators			
5.1.	Interest rate	Not available	
5.2.	Bond yield	Not available	
5.3.	Stock markets	SASX-10 Index, close	IHS/DataInsight
5.4.	Credit growth	Annual percentage change, loans, total, BAM, End of period	IHS/DataInsight
5.5.	Deposit growth	Annual percentage change, deposits, total, BAM, End of period	IHS/DataInsight
5.6.	Non-performing loans	NPLs to total loans, BAM, End of period	IHS/DataInsight
6. Fiscal developments			
6.1.	General government balance	In percent of GDP, consolidated budget, net lending	IHS/DataInsight
6.2.	General government debt	In percent of GDP, external public debt	IHS/DataInsight



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

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