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European Commission
Directorate-General for Economic and Financial Affairs

EU Candidate & Potential Candidate Countries' Economic Quarterly (CCEQ) 3rd Quarter 2016

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

OVERVIEW

The economic recovery in the Western Balkans continued in the second quarter of 2016 with annual GDP growth accelerating in most countries of the region. While stronger investment continues to support growth performance, private consumption has become a major growth driver, reflecting positive economic and labour market developments or generous public wages and transfers. The region's export performance has gained some pace, but remained generally modest, despite the recovery in main EU trading partners. The recovery led to further job creation in the private sector, but unemployment rates remain stubbornly high. Despite progress in fiscal consolidation, still high public debt levels in most countries of the region remain a cause for concern. In Turkey, GDP growth softened in the second quarter, resulting from weak private investment and net exports. Data suggest that the growth declined further in the third quarter in the context of sharply lower tourism and coup-related disruptions.

The growth performance in the second quarter improved in *Montenegro*, the *former Yugoslav Republic of Macedonia* and *Albania*. In *Montenegro*, real GDP growth accelerated significantly to 2.7% y-o-y from 1.1% in the first quarter, mostly due to a surge in investments. In the *former Yugoslav Republic of Macedonia* annual economic growth increased slightly to 2.2% compared to 2% in the first quarter, largely supported by household and government consumption. Also *Albania* recorded a marginal increase in the rate of GDP growth, from 3.1% to 3.2%, driven by stronger domestic demand particularly in the form of private consumption. Contrary to this, in *Serbia*, annual real GDP growth decelerated to 2% down from 3.8% in the preceding quarter, as a robust increase in investment and exports as well as stronger private and public consumption were offset by higher imports. Also in *Bosnia and Herzegovina*, real output growth fell to 1.4% year-on-year, compared to 1.9% in the first quarter.

In *Turkey*, GDP growth fell to 3.1% y-o-y in the second quarter of 2016, down from 4.7% in the previous quarter, and was entirely driven by public and private spending. Related to this, net exports subtracted from growth as a result of surging imports and stagnating exports.

The labour market situation in the **Western Balkans** remains generally challenging but the ongoing economic recovery has gradually led to further increases in employment levels in most countries of the region, although at an uneven pace. In the second quarter of 2016, total employment grew by 3% y-o-y in the *former Yugoslav Republic of Macedonia* and by 5.8% in *Albania* while *Serbia* recorded the strongest job growth of 6.7%. On the other hand, annual employment growth slowed slightly in *Bosnia and Herzegovina* (from 2% to 1.9%) and in *Montenegro* it registered a marginal contraction of 0.6% compared to a positive growth rate of 3.1% in the first quarter. Growing employment levels contributed to a lowering of unemployment rates in all **Western Balkan** countries in the second quarter of 2016, compared to the previous quarter. The decline was particularly significant in *Serbia* (from 19% to 15.2%).

In *Turkey*, employment growth decelerated to 1.4% y-o-y in June 2016 resulting in an unemployment rate increase to 10.4% y-o-y since the labour force increased by 2.2%.

Significant external imbalances remain a key challenge in most **Western Balkan** countries, reflected in large merchandise trade deficits ranging from around 13% of GDP for *Serbia* to equal or above 20% for the *former Yugoslav Republic of Macedonia*, *Albania*, and *Bosnia and Herzegovina* and above 40% for *Kosovo* and *Montenegro*. External developments in the region during the second quarter of 2016 point to a widening of annualised current account deficits in most of the Western Balkans. *Serbia* is the only exception. Its current account deficit narrowed in the four quarters to June 2016 to 4.4% of GDP from 4.8% in 2015, mainly due to a lower merchandise trade gap and higher surplus of services. Contrary to this, the *former Yugoslav Republic of Macedonia*, experienced a widening of (a still moderate) current account gap to 2.5% of GDP from 0.1% of GDP a year earlier, as the trade deficit widened and inflows of private transfers declined. Also in *Montenegro*, the current account shortfall increased further to 18% of GDP in the four quarters to June from 16% a year before, on account of a widening trade deficit and a declining services surplus. Similarly, *Albania* recorded a higher current account deficit (12.1% of GDP in the year to June, compared to 10.6% in the same period one year earlier), largely due to a higher merchandise trade deficit while in *Kosovo*, the external deficit increased further to 10.6% of GDP from 9.1% in 2015, mainly driven by an increasing trade deficit and lower transfers to the government. In *Bosnia and Herzegovina*, the current account deficit decreased to 5.9% of GDP in the four quarters to June from 6.3% of GDP a year earlier.

In *Turkey*, the 12-month cumulative current account deficit declined from 4.5% of GDP in 2015 to 4.1% in July 2016.

Persistently low inflation remains a key characteristic of the **Western Balkan** economies, reflecting low commodity prices

and exchange rate stability. *Bosnia and Herzegovina* and the *former Yugoslav Republic of Macedonia* are the two countries which continued to experience deflation in the second quarter of 2016. In *Montenegro* and *Kosovo*, the annual change in the CPI switched from negative territory at end-June to virtually nil in August. Annual inflation remained positive in *Serbia* and *Albania* (1.2% and 2% respectively, in August 2016), but below their central banks' respective targets despite a continued accommodative monetary policy stance. The central bank of *Serbia* has maintained its key policy rate at 4% since July 2016 while the *Bank of Albania* has kept it at the historic low of 1.25% since May 2016.

In *Turkey*, headline inflation decreased to 7.3% in September 2016, down from 8.8% last December. Core inflation has declined as well.

In the second quarter of 2016, annual credit growth in the **Western Balkan** region remained generally positive, helped by lower lending rates. In some cases it even accelerated, providing support to the ongoing economic recovery. As a common characteristic in the region, household lending has been growing significantly faster than corporate lending. *Serbia* and *Kosovo* registered strong average credit growth rates of 13.3% and 8.8%, respectively although in the case of *Serbia* it was mainly due to the rising claims on government. On the other hand, in August 2016, in the *former Yugoslav Republic of Macedonia* and *Montenegro* annual growth in loans decelerated to 2.9% and 0.6%, respectively. In *Albania* the decline in private-sector bank lending moderated but continued (-0.1% y-o-y), reflecting the impact of the mandatory write-off of certain NPLs and overall still subdued new credit flows. In *Bosnia and Herzegovina*, credit growth remained low at around 2%. With the exception of the *former Yugoslav Republic of Macedonia*, in the second quarter of 2016, all other **Western Balkan** countries still had

significantly higher NPL ratios compared to the pre-crisis levels with *Serbia* and *Albania* registering by far the highest ratios at 20.2% and 20%, respectively. On a more positive note, almost all countries of the region managed to decrease NPLs in the second quarter of 2016, compared to the preceding one. The strongest reduction of NPLs is recorded in the *former Yugoslav Republic of Macedonia* (3.7 ppts) but this is due to large, mandatory write-offs that banks had to undertake before end-June.

In *Turkey*, bank lending to the non-financial sector slowed to 9.4% year-on-year in September. The NPL ratio has remained stable at around 3.5% in the third quarter.

In the first eight months of 2016, implementation of fiscal consolidation measures and the economic recovery continued to support the reduction of fiscal deficits in almost all countries in the *Western Balkan* region. In *Montenegro*, increased revenue collection and under-execution of capital budget reduced substantially the budget shortfall to 0.9% of GDP (from 7.3% in 2015). In the *former Yugoslav Republic of Macedonia* the budget deficit stood at 1.7% of GDP in the first eight months, while in *Serbia*, further acceleration of revenue growth and strict execution of expenditure resulted in a budget surplus of 0.2% of GDP compared to a deficit

of 1.1% in the same period last year. In *Albania*, increased tax revenues and lower expenditure contributed to a general government surplus of 0.9% of GDP in the first eight months. In July the Government adopted a revised budget, raising the deficit target for 2016 from 2.2% of GDP to 2.4%, reflecting the impact of spending a part of new privatisation receipts and the downward revision of expected nominal GDP. Except for *Serbia*, where capital spending increased by 36.2% y-o-y by the end of August 2016, most countries continue to experience underperforming capital expenditure, reflecting persistent weaknesses in the planning, selection and management of public investment. Public debt levels are still a cause for concern in most of the countries in the region. Specifically, the debt to GDP ratio increased in *Albania* from 70.4% in the first quarter of 2016 to 70.8% in the second quarter and in *Montenegro* from 59% of GDP to 60.6%. In contrast to this, it decreased in the *former Yugoslav Republic of Macedonia* (from 37.5% to 36.9%) and *Serbia* (from 73.7% to 72.9%) of GDP, but is still significantly higher compared to pre-crisis levels.

In *Turkey*, in the first eight months of 2016, central government total revenues increased by 15% y-o-y and total spending by 13.7% y-o-y suggesting that the full year deficit target of 1.3% is achievable. General government debt in the second quarter of 2016 decreased to 32.4% of GDP from 32.9% at the end of 2015.

Candidate and potential candidate countries: Summary table

						ECFIN 2016 Spring forecast							
	2011	2012	2013	2014	2015	2016	2017	Q1 16	Q2 16	Q3 16	Jul 16	Aug 16	Sep 16
Gross domestic product (in real terms, annual % change)													
Albania	2.5	1.4	1.0	1.8	2.8	3.2	3.5	3.1	3.2	:	N.A.	N.A.	N.A.
The former Yugoslav Republic of Macedonia	3.0	-0.5	2.7	3.5	3.7	3.5	3.5	2.0	2.2	:	N.A.	N.A.	N.A.
Montenegro	3.2	-2.7	3.5	1.8	3.4	3.6	3.9	1.1	2.7	:	N.A.	N.A.	N.A.
Serbia	1.4	-1.0	2.6	-1.8	0.8	2.0	2.5	3.8	2.0	:	N.A.	N.A.	N.A.
Turkey	8.8	2.1	4.2	3.0	4.0	3.5	3.7	4.7	3.1	:	N.A.	N.A.	N.A.
Bosnia and Herzegovina	0.9	-0.9	2.4	1.4	3.2	:	:	1.9	1.4	:	N.A.	N.A.	N.A.
Kosovo*	4.4	2.8	3.4	1.2	4.0	:	:	3.8	:	:	:	:	:
Unemployment													
Albania	13.4	13.8	16.4	17.9	17.5	17.1	16.3	16.9	15.9	:	N.A.	N.A.	N.A.
The former Yugoslav Republic of Macedonia	31.4	31.0	29.0	28.0	26.1	24.7	23.5	24.5	24.0	:	N.A.	N.A.	N.A.
Montenegro	19.7	19.7	19.5	18.0	17.6	17.1	16.6	19.1	17.5	:	N.A.	N.A.	N.A.
Serbia	23.0	23.9	22.1	19.2	17.7	17.0	16.2	19.0	15.2	:	N.A.	N.A.	N.A.
Turkey	9.0	8.3	8.9	10.1	10.4	10.8	10.9	10.7	9.6	:	:	:	:
Bosnia and Herzegovina	43.8	45.9	44.5	43.6	42.9	:	:	42.4	41.6	:	41.6	:	:
Kosovo*	44.8	30.9	30.0	35.3	32.9	:	:	:	:	:	:	:	:
Current account balance (% of GDP)**													
Albania	-13.2	-10.2	-10.9	-12.9	-10.8	-12.1	-12.5	-10.5	-12.1	:	N.A.	N.A.	N.A.
The former Yugoslav Republic of Macedonia	-2.9	-3.2	-1.6	-0.5	-2.1	-1.7	-2.2	-1.6	-2.5	:	N.A.	N.A.	N.A.
Montenegro	-17.6	-18.5	-14.5	-15.2	-13.3	-13.8	-14.7	-15.9	-18.0	:	N.A.	N.A.	N.A.
Serbia	-10.9	-11.6	-6.1	-6.0	-4.7	-4.3	-4.3	-4.4	-4.4	:	N.A.	N.A.	N.A.
Turkey	-9.7	-6.1	-7.8	-5.9	-4.5	-4.8	-5.1	-4.2	-4.2	:	N.A.	N.A.	N.A.
Bosnia and Herzegovina	-9.5	-8.7	-5.3	-7.4	-5.7	:	:	-6.0	-5.9	:	N.A.	N.A.	N.A.
Kosovo*	-13.7	-7.5	-6.4	-7.8	-9.1	:	:	-10.4	-10.9	:	N.A.	N.A.	N.A.
Inflation (Consumer price index, annual % change)													
Albania	3.5	2.0	1.9	1.6	1.9	1.5	2.4	0.6	0.7	0.7	1.9	2.0	1.2
The former Yugoslav Republic of Macedonia	3.9	3.3	2.8	-0.3	-0.3	1.1	1.4	-0.1	-0.7	:	-0.3	-0.3	:
Montenegro (HICP)	3.3	4.0	1.8	-0.5	1.4	1.5	2.0	0.3	-0.4	0.5	-0.2	0.0	0.3
Serbia	11.2	7.3	7.9	2.1	1.4	1.6	2.8	1.5	0.5	:	1.2	1.2	:
Turkey	6.5	8.9	7.5	8.9	7.7	8.6	8.0	8.6	6.9	8.0	8.8	8.0	7.3
Bosnia and Herzegovina	3.7	2.0	-0.1	-0.9	-1.0	:	:	-1.3	-1.6	:	-1.0	-1.3	:
Kosovo*	7.3	2.5	1.8	0.4	-0.5	:	:	0.1	-0.2	:	0.0	0.0	:
General government balance (% of GDP)													
Albania	-3.5	-3.4	-5.0	-5.2	-4.0	-2.3	-1.6	0.9	0.9	:	1.1	0.9	:
The former Yugoslav Republic of Macedonia	-2.5	-3.8	-3.8	-4.2	-3.5	-3.4	-2.9	-4.0	-0.9	:	N.A.	N.A.	N.A.
Montenegro	-5.4	-7.2	-5.2	-3.1	-7.3	-6.2	-6.1	-2.0	-2.9	:	:	:	:
Serbia	-4.7	-6.8	-5.5	-6.6	-3.7	-3.1	-2.9	-1.7	-0.2	:	N.A.	N.A.	N.A.
Turkey	-0.8	-0.3	-1.6	-1.5	-1.4	-1.7	-1.6	-0.3	0.2	:	N.A.	N.A.	N.A.
Bosnia and Herzegovina	-1.2	-2.0	-2.2	-2.0	0.7	:	:	1.4	2.5	:	N.A.	N.A.	N.A.
Kosovo*	-1.7	-2.6	-3.1	-2.2	-2.0	:	:	:	:	:	N.A.	N.A.	N.A.

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

Forecast: ECFIN forecast Spring 2016

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

ALBANIA



Key developments

In July, the Parliament adopted with cross-party consensus important constitutional amendments that pave the way for a comprehensive reform of Albania's justice system. A successful implementation of the reform requires further legislative action and institution-building. Inefficiency and corruption within the judiciary are among the top concerns repeatedly expressed by businesses in Albania.

In August, Standard & Poor's affirmed its 'B+/B' long- and short-term sovereign credit ratings for Albania. The credit-rating agency considered that Albania's steady economic performance and ongoing improvement in its fiscal consolidation were likely to continue, despite the risk of fiscal slippages due to the 2017 general elections. The rating outlook was deemed stable.

The deal involving the acquisition of Canada-based oil company Bankers Petroleum, one of the biggest foreign investors in Albania, by Geo-Jade Petroleum from China was completed in September.

Real sector

Real GDP growth picked up to 3.2% y-o-y in the second quarter from a revised 3.1% recorded in the previous three months. All domestic demand components had a positive contribution to growth. Household spending gained momentum and rose by 4% y-o-y. Government consumption overturned a five-quarter long decline and posted a 1.7% y-o-y increase. Investment continued to decelerate, expanding by 4.4% y-o-y. Net exports contributed negatively to GDP growth: rising domestic absorption and base effects led to a 19.8% y-o-y increase in imports, which greatly outweighed the 3.9% growth in exports.

On the production side, agriculture shrank in real terms for the fifth consecutive quarter (-1.5% y-o-y), whereas industry returned to growth after two quarters of contraction (+1.4%) despite a sharp deceleration of manufacturing activity (+2.4%). Construction rose by a modest 1.8% y-o-y, in line with softening investment growth. The services sector was the main growth driver thanks mainly to the activities 'trade, hotels, restaurants and transport' (+5% y-o-y),

'professional and administrative services' (+10.2%) and 'real estate' (+8.1%).

Labour market

The labour market registered a marked improvement in April to June, reinforcing the positive trend seen in the preceding quarters. The LFS-estimated unemployment rate (15-64 years) dropped by 1 pp. q-o-q and by 1.4 pps. y-o-y, to 15.9%. It now stands at its lowest level in more than three years. The y-o-y growth in employment (age group 15-64 years) accelerated to 5.8% in the second quarter and outweighed the continuing expansion of the labour force.

Industry saw the biggest increase in employment (+9.9% y-o-y), followed by services (+9.6%) and agriculture (+3.4%).

The rate of youth unemployment (15-29 years) also fell in the second quarter, to 29.9%, improving by 0.5 pps. q-o-q and 4.3 pps. y-o-y.

External sector

In April to June the current account deficit widened significantly, by 117.2% y-o-y, which is partly explained by base effects. The trade deficit increased by 53.7% y-o-y as the small rise in the value of exports (+1.6% y-o-y) was outweighed by a 19.2% y-o-y surge in imports. The value of merchandise exports continued to decline significantly (-22.7% y-o-y), reflecting the enduring impact of the oil price fall. On the other hand, earnings from tourism and manufacturing services continued to boost services exports which registered a 14.9% y-o-y increase. Imports of both goods and services accelerated (growing by 17.9% and 22.3% y-o-y, respectively). The primary income deficit remained largely unchanged, whereas the secondary income surplus rose slightly (+3.3% y-o-y) due to higher transfers to the general government from abroad.

In the four quarters to June, the current account deficit amounted to 12.1% of GDP, up from 10.6% in the same period a year earlier.

On the financing side net FDI inflows were boosted by energy-sector investments and rose by 22.4% y-o-y, covering more than two-thirds of the current account deficit in the second quarter.

Following an annual increase of 11.8%, foreign-exchange reserves stood at EUR 2.7 billion in August, covering 6.7 months of imports of goods and services.

The stock of gross external debt rose by 9% y-o-y in the second quarter, chiefly due to increased government borrowing, and stood at 73% of projected full-year GDP. Long-term debt, mainly owed by the government, makes up more than 80% of the total stock.

Monetary developments

Reflecting rising food and oil prices, annual consumer price inflation picked up from 0.7% in the second quarter to 1.9% in July and 2.0% in August, putting an end to the disinflationary episode seen in the first five months of the year. Still, inflation remained below the central bank's 3% target, reflecting low imported inflation and subdued domestic price pressures as a result of still below-potential output.

Since May the central bank has kept its policy rate unchanged at a record low of 1.25%. It expects inflation to return to target only in the second half of 2018 and hinted that it would not raise the policy rate throughout 2016.

In July to September, the year-on-year appreciation of the lek vis-à-vis the euro accelerated to 2% from 1.7% recorded in the previous three months. The lek's exchange rate has now strengthened for five consecutive quarters.

Financial sector

Despite the loose monetary policy stance, lending growth remained sluggish. The y-o-y decline in private-sector credit (which also reflects the impact of mandatory write-offs of certain categories of non-performing loans) moderated but continued (-0.1% y-o-y in August). Excluding the impact of the write-offs and of exchange rate fluctuations, loans to the private sector recorded a 4.2% y-o-y growth in August, with household credit performing better than business loans. The gradual rebalancing towards lek-denominated loans continued, but foreign-currency loans still made up 56.6% of total private-sector credit in August.

The downward trend in lending interest rates stopped as the average lek lending rate rose to

7.7% in July-August from 6.9% in the second quarter. Lending standards continued to ease for households but remained tight for businesses in the second quarter.

The bank lending channel continued to be impaired by the high level of non-performing loans (NPLs). Driven by some large bankruptcies, the proportion of NPLs has been on an increasing trend since the beginning of the year, climbing to 21.4% in August from 18.2% at end-2015.

The capital adequacy ratio of the banking sector as a whole increased marginally in the second quarter, to 16.1%, and remained comfortably above the regulatory minimum of 12%. Profitability indicators worsened in the first eight months compared with the previous year mainly on account of higher loan loss provisioning.

Fiscal developments

In July the Government adopted a revised budget for 2016. It lowers expected total revenue by 1.1% largely due to underperforming local taxes and dividend payments by state-owned companies. It also reduces expenditure, by 0.7% compared with the initial plan, mainly as a result of savings on wages and social security payments as well as lower spending by local governments. The revised budget also reallocates internally a significant part of capital expenditure, reacting to the substantial underperformance of foreign-financed investments. As a result of these changes, the 2016 deficit target increased by 3.8%, to 2.4% of GDP. This increase is fully offset on the financing side by new privatisation receipts.

In the first eight months, tax revenues increased by 9.7% y-o-y, largely in line with plans, although this is partly due to the one-off receipt of a disputed tax payment which might have to be reimbursed. Expenditure in the same period was 4.8% lower than a year earlier as a result of the completion of the arrears clearance exercise. Overall, budget execution in January-August resulted in a surplus amounting to 0.9% of estimated full-year GDP.

Following a 5.2% y-o-y increase, public debt (including guarantees) stood at 70.9% of GDP at the end of the second quarter.

TABLE



European Commission, ECFIN-D-1

ALBANIA

							ECFIN 2016 Spring forecast							
		2011	2012	2013	2014	2015	2016	2017	Q1 16	Q2 16	Q3 16	Jul 16	Aug 16	Sep 16
1 Real sector														
Industrial confidence ^{1.1}	Percent	-10.1	-17.3	-16.6	-6.9	-5.5	:	:	-5.1	-5.8	:	N.A.	N.A.	N.A.
Industrial production ^{1.2}	Ann. % ch	-10.2	16.6	13.9	3.4	1.6	:	:	-5.3	-9.0	:	N.A.	N.A.	N.A.
Gross domestic product ^{1.3}	Ann. % ch	2.5	1.4	1.0	1.8	2.8	3.2	3.5	3.1	3.2	:	N.A.	N.A.	N.A.
Private consumption ^{1.4}	Ann. % ch	1.8	0.1	1.8	3.0	-0.4	2.1	2.5	1.4	4.0	:	N.A.	N.A.	N.A.
Gross fixed capital formation ^{1.5}	Ann. % ch	5.9	-7.9	-2.0	-4.0	12.5	9.6	8.8	6.2	4.4	:	N.A.	N.A.	N.A.
Construction index ^{1.6}	Ann. % ch	0.5	0.6	1.0	0.2	0.3	:	:	-0.2	-0.2	:	N.A.	N.A.	N.A.
Retail sales ^{1.7}	Ann. % ch	6.5	4.8	6.3	5.1	5.4	:	:	4.7	6.2	:	:	:	:
2 Labour market														
Unemployment ^{2.1}	%	13.4	13.8	16.4	17.9	17.5	17.1	16.3	16.9	15.9	:	N.A.	N.A.	N.A.
Employment ^{2.2}	Ann. % ch	2.3	18.5	-9.7	1.6	4.9	2.2	2.6	5.7	5.8	:	N.A.	N.A.	N.A.
Wages ^{2.3}	Ann. % ch	7.0	7.3	4.1	1.7	1.8	:	:	0.9	1.0	:	N.A.	N.A.	N.A.
3 External sector														
Exports of goods ^{3.1}	Ann. % ch	22.2	7.6	-30.5	-11.6	-17.3	:	:	-28.1	-23.7	:	:	:	:
Imports of goods ^{3.2}	Ann. % ch	14.2	-4.3	-13.2	3.6	-2.7	:	:	5.2	16.0	:	:	:	:
Trade balance* ^{3.3}	% of GDP	-24.2	-20.9	-20.6	-22.2	-22.3	-23.2	-23.7	-22.8	-24.2	:	N.A.	N.A.	N.A.
Exports goods and services ^{3.4}	% of GDP	34.0	33.3	28.7	28.2	27.2	:	:	26.9	26.6	:	N.A.	N.A.	N.A.
Imports goods and services ^{3.5}	% of GDP	56.7	52.0	47.0	47.2	44.5	:	:	44.1	45.4	:	N.A.	N.A.	N.A.
Current account balance* ^{3.6}	% of GDP	-13.2	-10.2	-10.9	-12.9	-10.8	-12.1	-12.5	-10.5	-12.1	:	N.A.	N.A.	N.A.
Direct investment (FDI, net)* ^{3.7}	% of GDP	6.6	6.8	9.6	8.2	8.0	:	:	6.8	7.1	:	N.A.	N.A.	N.A.
International reserves ^{3.8}	mio EUR	1848.6	1907.7	1955.7	2084.8	2637.7	:	:	2509.4	2742.1	:	2725.9	2703.1	:
Int. reserves / months imp ^{3.9}	Ratio	6.1	6.5	6.8	:	:	:	:	:	:	:	:	:	:
4 Monetary developments														
CPI ^{4.1}	Ann. % ch	3.5	2.0	1.9	1.6	1.9	1.5	2.4	0.6	0.7	:	1.9	2.0	:
Producer prices ^{4.2}	Ann. % ch	2.6	:	:	:	:	:	:	-4.1	-2.0	:	:	:	:
Food prices ^{4.3}	Ann. % ch	4.8	2.4	4.2	2.2	4.3	:	:	2.9	2.3	:	4.3	4.7	:
M2 ^{4.4}	Ann. % ch	6.7	4.7	5.7	4.0	7.2	:	:	4.7	3.5	:	4.1	4.8	:
Exchange rate LEK/EUR ^{4.5}	Value	140.33	139.04	140.26	140.14	139.74	:	:	138.30	138.25	136.81	136.58	136.51	137.34
Nominal eff. exchange rate ^{4.6}	Index	:	:	:	:	:	:	:	:	:	:	:	:	:
5 Financial indicators														
Interest rate (3 months) ^{5.1}	% p.a.	5.46	5.16	4.23	3.10	2.87	:	:	1.50	0.90	:	:	:	:
Bond yield ^{5.2}	% p.a.	6.53	6.77	6.03	3.45	2.77	:	:	2.66	2.13	:	1.77	1.67	:
Stock markets ^{5.3}	Index	:	:	:	:	:	:	:	:	:	:	:	:	:
Credit growth ^{5.4}	Ann. % ch	11.7	7.4	-0.2	0.2	0.3	:	:	-2.2	:	:	:	:	:
Deposit growth ^{5.5}	Ann. % ch	14.5	9.4	3.7	1.5	1.9	:	:	1.0	0.3	:	1.0	1.8	:
Non performing loans ^{5.6}	% total	18.9	22.8	23.2	22.8	17.7	:	:	19.3	20.0	:	21.2	21.4	:
6 Fiscal developments														
General government balance* ^{6.1}	% of GDP	-3.5	-3.4	-5.0	-5.2	-4.0	-2.3	-1.6	0.9	1.1	:	1.1	0.9	:
General government debt* ^{6.2}	% of GDP	59.4	62.1	65.6	70.1	72.7	71.5	69.3	70.4	70.9	:	N.A.	N.A.	N.A.

f: ECFIN forecast Spring 2016

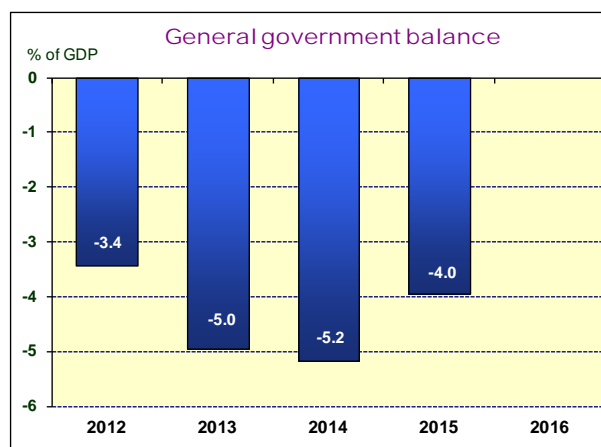
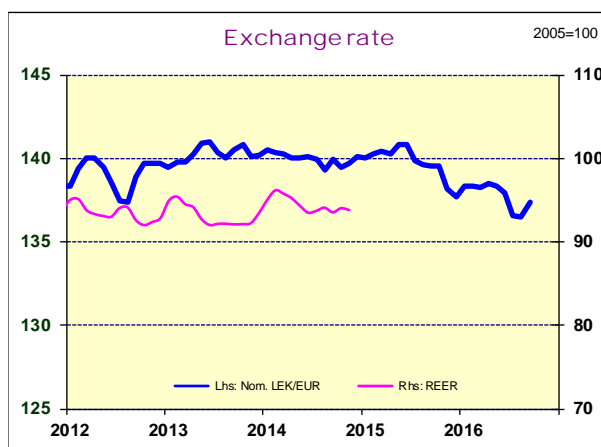
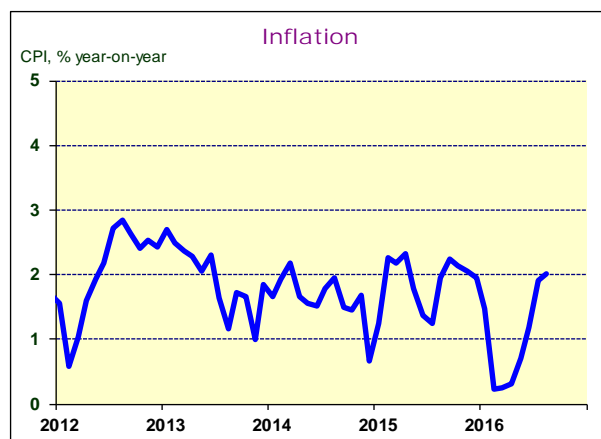
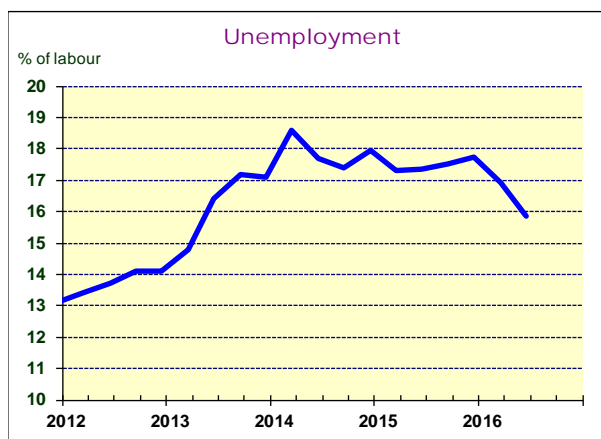
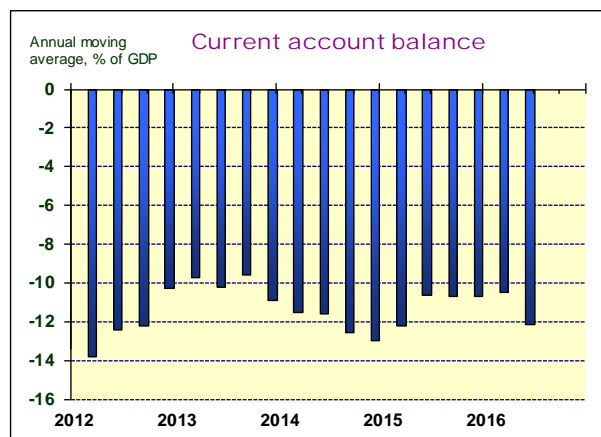
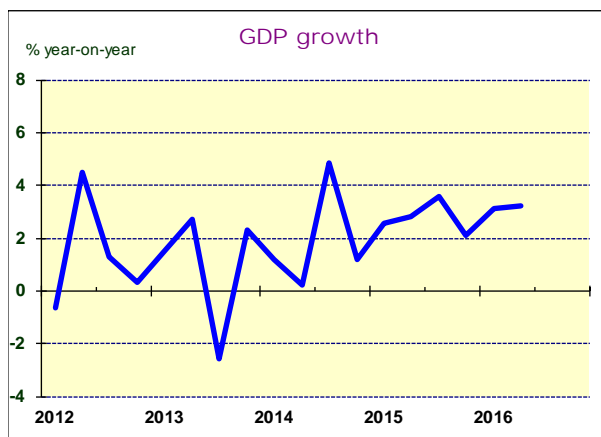
* Q figures refer to a 4 quarters moving average.

CHARTS



European Commission, ECFIN-D-1

ALBANIA



THE FORMER YUGOSLAV REPUBLIC OF MACEDONIA



Key developments

On 19 September, the parliament adopted a second revision of the 2016 budget to accommodate compensations for flood victims. The 2016 deficit target was raised to 4% of projected GDP.

In July, the government issued a 450mn Eurobond to help cover budget deficits in 2016 and 2017 as well as repayment of maturing debt.

Fitch credit rating agency downgraded the country's sovereign bonds, while S&P upheld its rating and stable outlook. The country also dropped lower in rank in the Global Competitiveness Index published by the World Economic Forum.

Real sector

Annual GDP growth accelerated slightly in the second quarter, to 2.2% (+0.2pp), mainly on the back of household and government consumption. Gross capital formation increased (+9.2%yoy), in real terms, but this is largely the statistical result of a base effect, as investment had dropped sharply in the same period one year earlier. Compared to the first quarter, in real terms, investment stayed flat, as the private sector is holding back capital spending amidst the lingering political crisis. The external sector did not contribute to the economy's expansion in the second quarter, as export growth decelerated, while imports continued to grow at a robust pace. Among sectors, the strongest expansion was posted by the construction industry (+31% y-o-y, after 7.7% in the first quarter), while manufacturing output was flat, after an annual decline of 7% in the first quarter, reflecting the ongoing confidence crisis among investors.

High-frequency indicators for July and August point to a pick-up of capital formation and robust household consumption spending. The industrial production index increased by 5.3% y-o-y on average and also imports of capital and consumer goods, and retail sales (+9%) recorded stronger growth.

Labour market

The situation in the labour market improved further in the second quarter. Annual employment growth picked up to reach 3%, after 2.5% in the first quarter. A large part of the new jobs were created in the public sector or through government subsidies and active labour market measures. Participation increased slightly among men (70%), but declined among women (43%).

The labour force continued to decrease, by 0.8% y-o-y, also contributing to the increase in the employment rate to 42.9% (+1.2pp y-o-y). The overall unemployment rate declined in this period by 2.8pp to 24%. The improvement in the headline figures continues to mask a tense job situation for young workers – the unemployment rate in the age group 15-24 years rose by 2.9pp, in annual terms, to 49.2%, though largely on account of a 12% drop in the age-specific labour force.

Real net wages increased by 2.5% y-o-y on average in the first seven months, which is only slightly below the rate in the same period one year earlier (2.7%). Nominal wages increased more slowly, while the drop in consumer prices was almost equal. Robust wage growth was sustained in particular in the industries in which foreign companies are invested, such as machinery and transport equipment as well as chemicals. Real wages have been rising for 28 months in a row, outpacing productivity developments.

External sector

The current account deficit almost doubled in the second quarter 2016, compared to the same period one year earlier. In the four quarters to end-June, it amounted to 2.5% of GDP, compared to 0.1% of GDP one year earlier. This came on account of a deteriorating merchandise trade balance and lower inflows of private transfers (workers' remittances and others). The latter dropped in the same period by 1.5pp to 15.7% of GDP. In the second quarter, the deficit in the goods trade balance was 15% higher than in the same period one year earlier. Further

burdened by a decline in the surplus of the services balance, the trade deficit was hence no longer covered by inflows of private transfers. In July, there was some, though weak, reversal of these trends, with the current account posting a positive balance.

Net FDI inflows amounted to 1.3% of projected GDP in the year to July, which is markedly below their long-term average, and slightly less than one year earlier (1.7%), but still compensating for the current account deficit. At the end of June, the foreign debt stock had increased by 7.8% y-o-y and amounted to 73.1% of projected GDP (+2.5pp). Reserves had declined by 4.2% y-o-y at the end of the second quarter, but picked up in July as the government issued a 450mn Eurobond.

Monetary developments

Consumer prices dropped further in the first eight months of the year, by an average of 0.4%, as prices for energy, transport and food continued to decline, and in spite of core inflation, excluding energy and food prices, having remained positive since summer 2015. The CPI has been dropping almost consistently every quarter, in annual comparison, since summer 2015.

Money supply growth (M4) slowed down considerably in the second quarter (2.5% y-o-y, after 6.2% in the first quarter), caused largely by a drawdown of deposits at commercial banks in April and May, which was caused by effects from the political crisis. There was a renewed acceleration in M4 growth in July and August, as deposits were replenished.

Financial sector

The quality of banks' asset portfolios improved noticeably in the second quarter as banks complied with a December 2015 central bank decision obliging them to write off, by end-June, fully-provisioned loans on their books for more than 2 years. Accordingly, the NPL ratio dropped to 7.2% (end-March: 10.9%).

Credit growth to private non-financial companies slowed down in the year to August (2.4%), compared to the same period one year earlier (7%), likely reflecting entrepreneurs' uncertainty in view of the political situation on the one hand, and banks' large-scale write-offs on the other. Household loans continued to increase at a robust rate, yet annual growth rates

have slowed down markedly since May. In the first eight months, household credit increased by 11% y-o-y, compared to 12.6% in the same period one year earlier. At the end of 2015, the central bank had increased capital requirements on long-term consumer loans in order to curb excessive lending.

Deposit and lending rates do not yet reflect the central bank's raise of the key interest rate in May by 75bp to 4%. At the end of August, the rates for Denar deposits (6.6%) and loans (2.5%) were unchanged from end-May and only marginally lower than at end-2015. With rates on foreign currency loans and deposits equally sticky over the summer, their spreads to Denar assets have remained almost unchanged since May.

Fiscal developments

Budget execution in the second quarter and beyond was impacted by two revisions of the 2016 budget. After the July rebalancing, the government resorted to a second supplementary budget in August, allowing for higher transfer expenditure to pay relief to flood victims (35mn euro). As a result of the two supplementary budgets, revenues were lowered by 2%, and capital expenditure was cut by 7%. The deficit target was raised to 4% (from the original 3.2% and the revised 3.6%). The budget deficit in the first eight months of 2015 reached 1.7% of projected GDP. The draft budget for 2017 was adopted in September and foresees the deficit to decline to 3% of GDP.

Current expenditure in the year to August exceeded pre-year levels by 4%. Total revenues were some 6.2% higher y-o-y. Income from VAT, which has suffered persistently from collection shortcomings, rose by 2.6%, but amounted to only 59% of full-year plan. Capital expenditure in the second quarter was lower by 13.5% y-o-y, bringing the total annual decline in the year to August to 9.4%.

At the end of Q2, general government debt stood at 36.9% of projected GDP, with no significant change compared to end-2015. The share of foreign currency debt has increased over recent years, augmenting foreign exchange risks, mainly as a result of Eurobond issuance. It now amounts to three quarters of total government debt.

TABLE



European Commission, ECFIN-D-1

The former Yugoslav Republic of Macedonia

		2011	2012	2013	2014	2015	ECFIN 2016 Spring forecast		Q1 16	Q2 16	Q3 16	Jul 16	Aug 16	Sep 16
							2016	2017						
1 Real sector														
Industrial confidence ^{1.1}	Balance	18.4	14.7	12.3	11.4	17.5	:	:	22.1	23.3	:	24.0	24.6	:
Industrial production ^{1.2}	Ann. % ch	4.0	-6.6	3.2	4.8	4.9	:	:	10.7	1.5	:	5.1	5.2	:
Gross domestic product ^{1.3}	Ann. % ch	3.0	-0.5	2.7	3.5	3.7	3.5	3.5	2.0	2.2	:	N.A.	N.A.	N.A.
Private consumption ^{1.4}	Ann. % ch	7.4	1.2	2.1	2.4	3.1	2.5	2.7	3.5	2.2	:	N.A.	N.A.	N.A.
Gross capital formation ^{1.5}	Ann. % ch	15.7	21.2	-16.8	15.2	0.1	6.5	6.6	-9.0	9.2	:	N.A.	N.A.	N.A.
Construction ^{1.6}	Ann. % ch	25.3	4.2	-7.3	16.5	16.8	:	:	7.7	31.0	:	N.A.	N.A.	N.A.
Retail sales ^{1.7}	Ann. % ch	:	N.A.	-0.8	4.2	9.8	:	:	27.5	15.9	:	23.0	24.9	:
2 Labour market														
Unemployment ^{2.1}	%	31.4	31.0	29.0	28.0	26.1	24.7	23.5	24.5	24.0	:	N.A.	N.A.	N.A.
Employment ^{2.2}	Ann. % ch	1.1	0.8	4.3	1.7	2.3	2.2	2.0	2.5	3.0	:	N.A.	N.A.	N.A.
Wages ^{2.3}	Ann. % ch	1.3	0.2	1.2	1.0	2.7	2.4	2.9	2.6	1.6	:	2.2	:	:
3 External sector														
Exports of goods ^{3.1}	Ann. % ch	21.0	-3.7	2.9	17.2	9.2	:	:	14.1	6.0	:	16.5	:	:
Imports of goods ^{3.2}	Ann. % ch	22.4	0.3	-1.8	9.5	4.9	:	:	6.7	9.4	:	2.2	:	:
Trade balance* ^{3.3}	% of GDP	-25.2	-26.5	-22.9	-21.7	-20.0	-20.2	-20.4	-19.5	-19.9	:	N.A.	N.A.	N.A.
Exports goods and services ^{3.4}	% of GDP	45.6	44.5	42.3	47.7	48.7	:	:	48.9	48.7	:	N.A.	N.A.	N.A.
Imports goods and services ^{3.5}	% of GDP	66.1	66.9	60.4	64.9	65.0	:	:	64.6	64.7	:	N.A.	N.A.	N.A.
Current account balance* ^{3.6}	% of GDP	-2.9	-3.2	-1.6	-0.5	-2.1	-1.7	-2.2	-1.6	-2.5	:	N.A.	N.A.	N.A.
Direct investment (FDI, net)* ^{3.7}	% of GDP	4.6	1.7	3.3	2.3	2.2	:	:	2.5	2.1	:	N.A.	N.A.	N.A.
International reserves ^{3.8}	mio EUR	2 068.9	2 193.3	1 993.0	2 436.5	2 261.8	:	:	2 266.3	2 158.8	:	2 588.2	2 676.6	:
Int. reserves / months Imp ^{3.9}	Ratio	5.8	6.1	5.6	6.3	5.6	:	:	5.5	5.1	:	6.1	:	:
4 Monetary developments														
CPI ^{4.1}	Ann. % ch	3.9	3.3	2.8	-0.3	-0.3	1.1	1.4	-0.1	-0.7	:	-0.3	-0.3	:
Producer prices ^{4.2}	Ann. % ch	11.1	4.5	0.4	-1.2	-4.1	:	:	-0.3	0.3	:	0.4	0.3	:
Food prices ^{4.3}	Ann. % ch	6.2	2.3	3.4	-0.9	0.1	:	:	-0.9	-2.0	:	-0.9	-1.1	:
Monetary aggregate M4 ^{4.4}	Ann. % ch	10.5	7.5	4.0	8.0	8.2	:	:	6.2	2.5	:	3.6	4.5	:
Exchange rate MKD/EUR ^{4.5}	Value	61.53	61.53	61.58	61.62	61.61	:	:	61.68	61.69	61.52	61.57	61.49	61.50
Nominal eff. exchange rate ^{4.6}	Index	101.3	100.3	101.8	102.9	101.6	:	:	102.5	102.1	:	102.6	:	:
5 Financial indicators														
Interest rate (3 months) ^{5.1}	% p.a.	:	:	:	:	:	:	:	:	:	:	:	:	:
Bond yield ^{5.2}	% p.a.	8.87	8.50	8.04	7.46	7.08	:	:	6.74	6.64	:	6.60	:	:
Stock markets ^{5.3}	Index	2 407	1 890	1 726	1 735	1 731	:	:	1 806	1 741	1 888	1 805	1 904	1 955
Credit growth ^{5.4}	Ann. % ch	8.1	7.3	4.3	8.4	9.1	:	:	8.6	5.8	:	3.0	2.9	:
Deposit growth ^{5.5}	Ann. % ch	4.6	7.2	4.8	8.2	7.9	:	:	5.3	3.0	:	3.5	4.5	:
Non-performing loans ^{5.6}	% total	9.6	10.4	11.9	11.6	10.3	:	:	10.4	7.2	:	N.A.	N.A.	N.A.
6 Fiscal developments														
Central government balance ^{6.1}	% of GDP	-2.5	-3.8	-3.8	-4.2	-3.5	-3.4	-2.9	-4.0	-0.9	:	N.A.	N.A.	N.A.
General government debt ^{6.2}	% of GDP	27.7	33.7	34.0	38.2	38.0	39.6	40.6	37.5	36.9	:	N.A.	N.A.	N.A.

f: ECFIN forecast Spring 2016

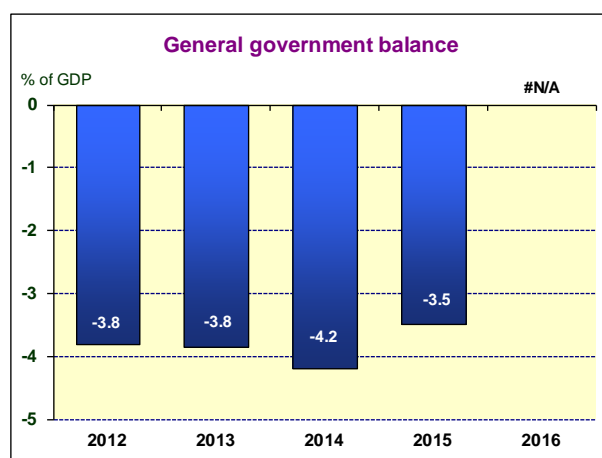
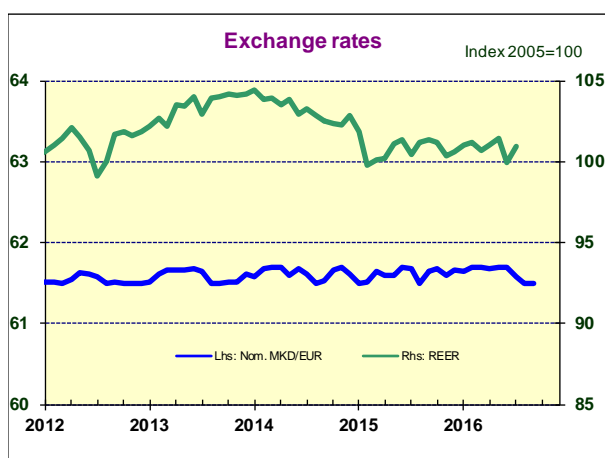
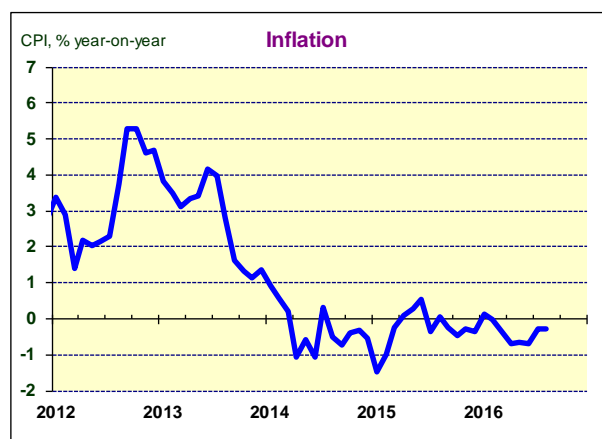
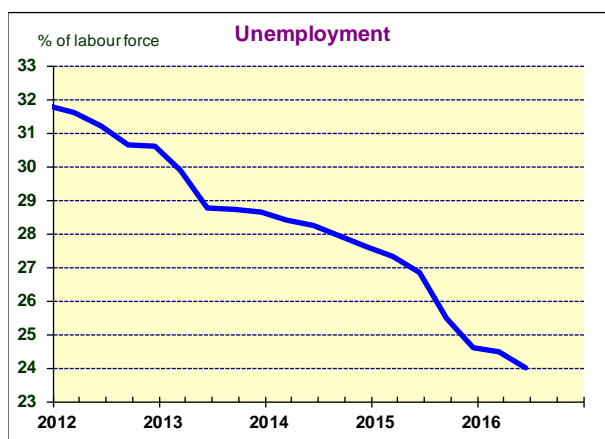
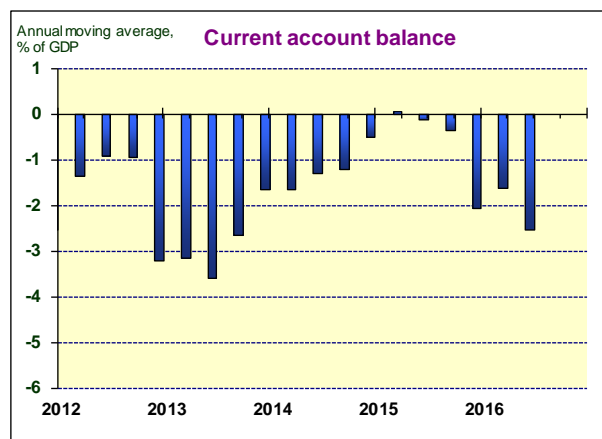
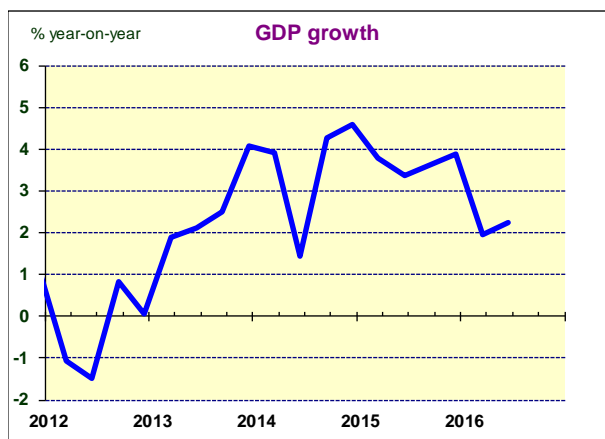
* Q figures refer to a 4 quarters moving average.

CHARTS



European Commission, ECFIN-D-1

The former Yugoslav Republic of Macedonia





Key developments

On 5 September, the Montenegrin parliament adopted amendments to the law on conversion of Swiss franc loans. According to the amendments, banks are required to convert such loans retroactively.

On 14 September, Montenegro signed a contract with a consortium of Italy's Eni and Russian gas firm Novatek, awarding it a 30-year concession for oil and gas exploration in the Adriatic sea.

After two years of negotiations, Montenegrin power utility EPCG and Czech Škoda Praha signed in September a contract for construction of a 254 MW thermal power plant worth EUR 324 million.

On 30 September, the parliament approved former Minister of Finance, Mr Radoje Žugić, for central bank governor, a responsibility he also performed between 2010 and 2012.

Real sector

On 30 September, the statistical office (MONSTAT) reviewed GDP growth for 2015 slightly upwards to 3.4%, compared to 3.2% in its preliminary estimate. By sectors, the figures confirmed the strong growth of tourism-related services, and in particular of hotels and restaurants, surging by real 16.6% y-o-y, while transport and construction grew by robust 4.8% each. In addition, manufacturing expanded by 6.0% y-o-y, and agriculture and fishing by 2.1%. However, electricity supply recorded a contraction of 4.7%.

GDP growth accelerated markedly to 2.7% y-o-y in the second quarter of 2016, up from 1.1% in the previous quarter. Growth was largely driven by a 43% y-o-y surge in investments, and to a lesser extent by the recovery of private and government consumption. Exports of goods and services recovered with robust 15.7% y-o-y increase (compared with a contraction of 5.4% the previous quarter). Yet, the high import-dependence of investments fuelled a faster increase of imports (by 20.7%), overall resulting in a negative contribution of net exports to growth.

Industrial output remained weak and volatile. It

contracted in the first quarter, increased marginally in the second one, fell by 15.5% y-o-y in July and recovered in August (8.1% y-o-y).

On the demand side, the growth in retail sales have been supported by a combination of further increase in the number of tourists and higher household's disposable income. As a result, retail sales increased by 4.4% y-o-y in the second quarter of 2016, to remain at around 4% annual growth in July and August.

Labour market

Despite some improvements, the high unemployment rate remains a drag on the country's economy. In the second quarter of 2016, the unemployment rate declined partly due to seasonal factors to 17.5%, down from 19.1% in the first quarter, but still a similar figure to the 17.7% rate of one year ago. The strong investment activity had a limited impact on the creation of employment, which recorded a marginal annual contraction of 0.6% in the second quarter, compared to a positive 3.4% growth rate a year before. During the second quarter, some 2,100 women quitted the labour market, some of them (mothers of three children or more), in order to become eligible for generous benefit provided by a new law, while men participation increased by further 1,800 new workers.

The realignment of salaries introduced at the beginning of the year with the new law on public salaries supported an overall increase of wages by 3.8% in the second quarter of the year. So far, the fastest wage increases were recorded in public administration (9.8% y-o-y) and agriculture (6.2%). In August, the average monthly net salary amounted to EUR 502 (or 66.5% of the gross wage), and to EUR 580 in the public sector. The lowest average salary was recorded in retail trade (EUR 347) and the highest in financial services (EUR 907).

External sector

The recovery of merchandise exports failed to improve the trade deficit. Despite recording a two-digit growth rate in the second quarter of 2016, as well as in July and in August, exports of goods failed to offset the also robust growth

of imports, in particular, the surge in power-generating and electrical machinery as well as manufactures of metals required for the construction of energy, transport and tourism infrastructure. As a result, the trade deficit widened by 19% in the eight months of 2016, raising the deficit to 46% of GDP in August up from 42% a year before.

Meanwhile, despite an increase in the number of tourists, the surplus in the balance of services declined by 24% y-o-y in the first half of the year due to a sharp (28%) increase of imports of transportation and other business services. Similarly, the strong increase of outflows from compensation of employees and from direct investment income turned the primary income balance traditional surplus into deficit.

Overall, in the four quarters to June 2016 the current account deficit widened to 18% of GDP from 16% a year earlier. Discounting the frontloading of a large dividend outflow from the telecom industry, FDI has been financing most of the external deficit. In the four quarters to June, net FDI totalled 14.6% of GDP.

Monetary developments

Low price pressures at the beginning of the year brought the HICP index back again into negative territory in the second quarter of 2016. In July and August, imported inflation (namely fuels and food) kept prices practically flat at -0.2% and 0.0% respectively. By contrast, some inflationary pressure was recorded in accommodation services, garments and shoes as well as tobacco.

Financial sector

The recuperation of the banking sector continues. In the first eight months of 2016, bank deposits, lending to the private sector and overall financial stability indicators improved. Lending to households surged by 9% y-o-y in August, supporting private consumption, while credit to non-financial corporations grew by still modest 1.3% y-o-y. Banks' exposure to general government surged by 16% y-o-y, although the latter represents but 4.2% of total bank lending, and largely reflects the base effect of refinancing municipalities' debt at the end of 2015.

Commercial bank deposits grew by robust 7.8% y-o-y in August, driven by the fast increase of corporate savings (17.8% y-o-y), and to a lesser extent (4.3% y-o-y) households.

The level of non-performing loans in total loans further declined to 11.4% in August, compared to 11.7% in the second quarter of the year. The slight improvement in the stock of impaired loans facilitated some easing of the weighted effective average lending interest rate, declining to 7.80% at the end of August, down from 8.93% a year earlier.

Fiscal developments

The budget deficit in the first eight months narrowed substantially and was significantly lower than planned, mainly due to an underperformance of capital spending and better than planned revenue collection. As a result, in the first eight months of 2016, the deficit declined to 0.9% of GDP, far below plans and the 6.5% of GDP deficit of a year earlier.

On the revenue side, the overall growth of wages resulted in a surge in personal income tax revenue of 30% y-o-y, while the increase in imports improved tax proceeds from international trade by 8.4% y-o-y. A similar growth rate was recorded for the corporate income tax. VAT income also increased by more than 8% y-o-y, reflecting the good performance of tourism and of retail trade. One-off revenues from the radio-frequencies concession fees (accounting for 1.4% of GDP), contributed significantly to the better-than-planned revenue performance.

On the expenditure side, current spending surged by 9.6% y-o-y as a result of increases in public sector salaries, social security transfers (namely the new benefit for mothers), services, supplies, and interests payments. However, the capital budget recorded a significant decrease; totalling but 0.6% of GDP compared to the 5.9% of GDP plan for the period, due to delayed construction permits for the highway.

Lower than planned deficits and growing GDP resulted in the moderation of the public debt. In the second quarter of 2016, net public debt increased to 60.6% of GDP.

TABLE

European Commission, ECFIN-D-1



MONTENEGRO

		2011	2012	2013	2014	2015	ECFIN 2016		Q1 16	Q2 16	Q3 16	Jul 16	Aug 16	Sep 16
							Spring forecast							
							2016	2017						
1 Real sector														
Industrial confidence ^{1.1}	Balance	N.A.	N.A.	8.7	11.1	9.8	:	:	4.9	8.2	-1.1	0.8	-3.2	-0.8
Industrial production ^{1.2}	Ann. % ch	-10.3	-7.1	10.7	-10.4	7.9	:	:	-9.4	0.4	:	-15.5	8.1	:
Gross domestic product ^{1.3}	Ann. % ch	3.2	-2.7	3.5	1.8	3.4	3.6	3.9	1.1	2.7	:	N.A.	N.A.	N.A.
Private consumption ^{1.4}	Ann. % ch	0.5	-3.9	1.6	2.9	2.2	1.9	2.1	2.4	3.4	:	N.A.	N.A.	N.A.
Gross fixed capital formation ^{1.5}	Ann. % ch	-7.2	-2.4	10.7	-2.5	11.9	12.0	5.0	8.8	42.8	:	N.A.	N.A.	N.A.
Construction index ^{1.6}	Ann. % ch	10.2	-13.2	9.7	2.0	5.8	:	:	12.3	32.1	:	N.A.	N.A.	N.A.
Retail sales ^{1.7}	Ann. % ch	12.6	6.7	11.3	2.5	4.5	:	:	3.3	4.4	:	3.9	:	:
2 Labour market														
Unemployment ^{2.1}	%	19.7	19.7	19.5	18.0	17.6	17.1	16.6	19.1	17.5	:	N.A.	N.A.	N.A.
Employment ^{2.2}	Ann. % ch	-6.1	2.2	1.1	7.1	2.5	1.8	2.1	3.1	-0.6	:	N.A.	N.A.	N.A.
Wages ^{2.3}	Ann. % ch	1.0	0.8	-0.2	-0.3	0.3	3.0	1.7	1.3	3.8	:	4.9	4.9	:
3 External sector														
Exports of goods ^{3.1}	Ann. % ch	33.6	-17.8	1.0	-9.7	-9.0	:	:	-24.7	24.9	:	23.2	17.9	:
Imports of goods ^{3.2}	Ann. % ch	9.2	-0.1	-3.2	0.6	3.2	:	:	5.6	18.5	:	4.1	18.7	:
Trade balance* ^{3.3}	% of GDP	-40.0	-43.7	-39.5	-39.8	-40.4	-40.7	-40.5	-41.6	-43.3	:	-45.3	-46.0	:
Exports goods and services ^{3.4}	% of GDP	42.3	43.7	41.3	40.1	42.5	:	:	21.3	35.9	:	N.A.	N.A.	N.A.
Imports goods and services ^{3.5}	% of GDP	64.3	68.1	61.4	60.0	61.1	:	:	66.6	80.4	:	N.A.	N.A.	N.A.
Current account balance* ^{3.6}	% of GDP	-17.6	-18.5	-14.5	-15.2	-13.3	-13.8	-14.7	-15.9	-18.0	:	N.A.	N.A.	N.A.
Direct investment (FDI, net)* ^{3.7}	% of GDP	11.9	14.5	9.6	10.2	17.1	:	:	15.1	14.6	:	N.A.	N.A.	N.A.
International reserves ^{3.8}	mio EUR	303.5	347.9	423.7	544.7	673.7	:	:	864.5	665.8	:	661.5	714.5	:
Int. reserves / months imp ^{3.9}	Ratio	2.0	2.3	2.9	3.7	4.4	:	:	5.6	4.1	:	4.0	4.3	:
4 Monetary developments														
HICP ^{4.1}	Ann. % ch	3.3	4.0	1.8	-0.5	1.4	1.5	2.0	0.3	-0.4	:	-0.2	0.0	:
Producer prices ^{4.2}	Ann. % ch	3.2	1.9	1.7	0.2	0.3	:	:	0.1	0.0	:	0.1	-0.2	:
Food prices ^{4.3}	Ann. % ch	2.8	4.2	4.0	-1.4	2.9	:	:	-0.7	-1.6	:	-0.6	-0.6	:
M21 ^{4.4}	Ann. % ch	:	:	:	:	:	:	:	:	:	:	:	:	:
Exchange rate EUR/EUR ^{4.5}	Value	1.00	1.00	1.00	1.00	1.00	:	:	1.00	1.00	1.00	1.00	1.00	1.00
Nominal eff. exchange rate ^{4.6}	Index	N.A.	N.A.	N.A.	N.A.	N.A.	:	:	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
5 Financial indicators														
Interest rate (3 months) ^{5.1}	% p.a.	2.27	5.32	3.39	1.60	:	:	:	:	:	:	:	:	:
Bond yield ^{5.2}	% p.a.	2.45	4.75	3.19	1.26	0.50	:	:	1.11	2.67	1.73	1.33	2.13	:
Stock markets ^{5.3}	Index	11 896	9 091	9 532	10 696	11 949	:	:	11 770	10 912	10 792	10 735	10 863	10 777
Credit growth ^{5.4}	Ann. % ch	-6.3	-0.7	3.1	-1.9	0.8	:	:	1.4	-0.2	:	1.8	0.6	:
Deposit growth ^{5.5}	Ann. % ch	1.5	9.0	5.9	10.0	13.7	:	:	12.8	9.3	:	10.7	7.8	:
Non-performing loans ^{5.6}	% of total	15.5	17.6	18.4	16.8	13.4	:	:	12.86	11.70	:	11.40	11.37	:
6 Fiscal developments														
General government balance ^{6.1}	% of GDP	-5.4	-7.2	-5.2	-3.1	-7.3	-6.2	-6.1	-2.0	-2.9	:	:	:	:
General government debt ^{6.2}	% of GDP	45.6	53.4	57.6	54.8	61.2	70.7	74.4	59.0	60.6	:	:	:	:

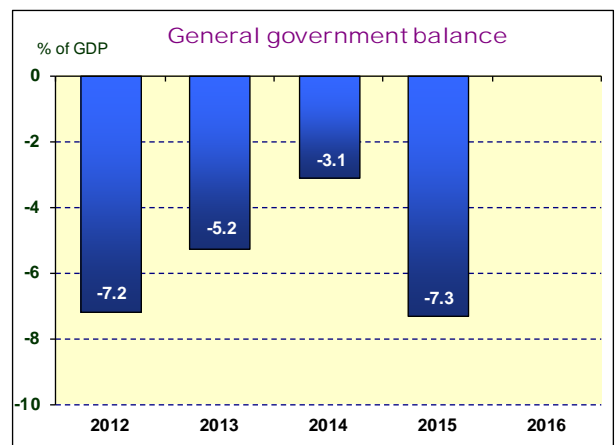
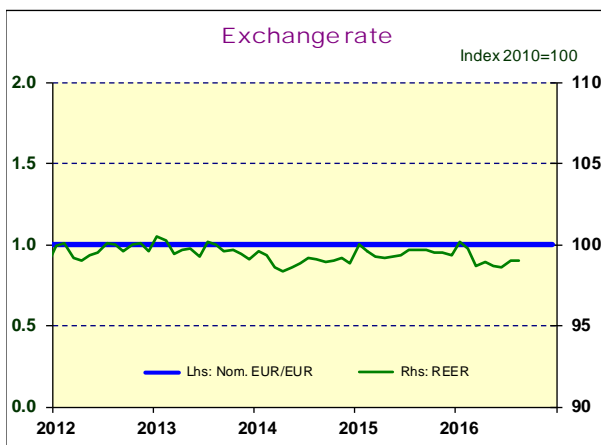
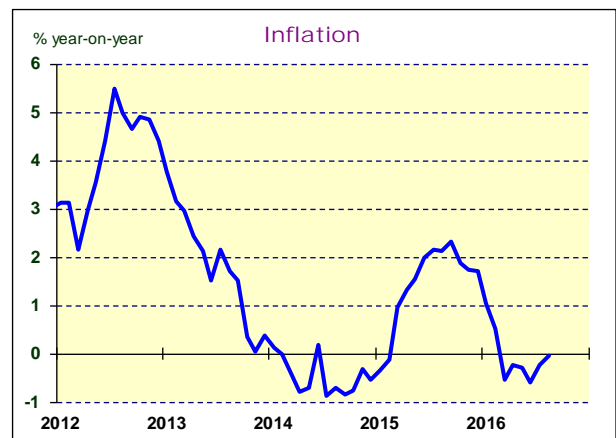
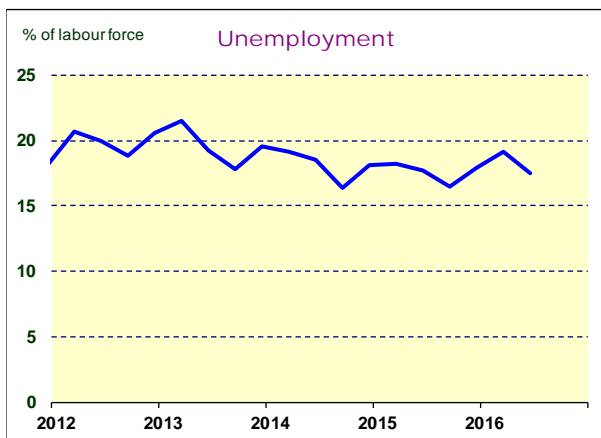
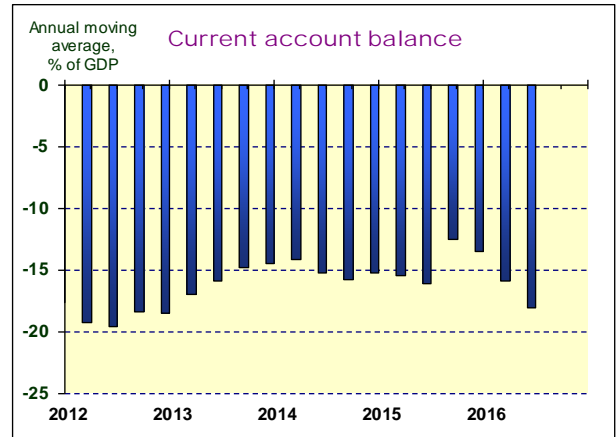
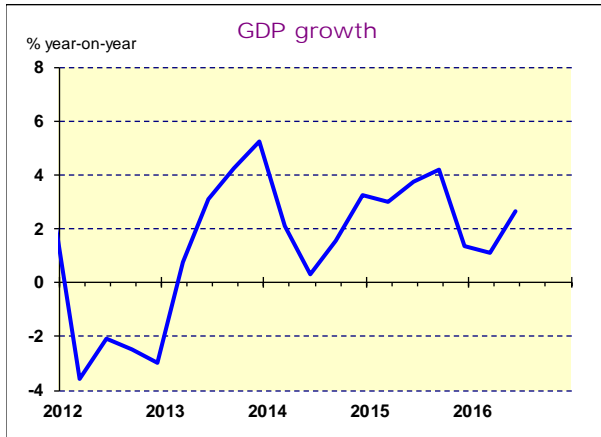
f: ECFIN forecast Spring 2016

* Q figures refer to a 4 quarters moving average.

CHARTS



MONTENEGRO



SERBIA



Key developments

Following the snap elections this spring, a new government was formed in August. The governing coalition remained mostly unchanged and many of the incumbent ministers, including the finance minister, were reappointed.

In late August, the IMF completed the fourth and fifth reviews of the Stand-By-Arrangement, making available cumulative SDR 608 million (about EUR 755 million). The authorities have indicated that they would not make any purchases and will continue to treat the arrangement as precautionary. In September, the IMF staff and the authorities commenced discussions on fiscal policy for the remainder of the year and on the 2017 budget, which should be finalised during the regular review mission in October.

Real sector

Following a strong 3.8 % y-o-y growth in the first quarter, economic growth decelerated to 2.0 % y-o-y in the second quarter. Growth fundamentals remained strong as robust investment and exports, increasing by 4.9 % and 10.0 % y-o-y, respectively, have continued supporting the recovery. After a long period of decline, there are indications that consumption is also gathering pace. Public consumption grew at 4.6 % y-o-y. Underpinned by growing real wages, gains in employment as well as improved confidence, private consumption growth accelerated to 1.3 % in the second quarter. Strong demand pushed imports up, which led to a negative growth contribution of net exports.

On the supply side, growth remained broad-based and most of the sectors continued expanding in the second quarter. However, industrial growth turned negative as a result of base effects and capital overhaul works. Base effects have also brought down the growth in construction to a still strong 6.1 % y-o-y. High frequency indicators suggest that the slowdown in industrial activity was most likely only temporary. Industrial production turned again to growth in July and accelerated to 5.1 % y-o-y in August, not far from the average industrial production growth of 5.3 % recorded in the first eight months. By August, manufacturing growth

remained overall steady and broad-based, with an average growth of 5.8 % y-o-y and positive contributions from most industries. Signalling a continuation of the rebound in private consumption, retail trade turnover maintained a robust performance over the summer months, averaging a real 6.2 % y-o-y in July and August.

In line with its regular publication calendar, the Statistical office published revised annual GDP data for 2015. While the headline real GDP growth was broadly unchanged, there were sizeable changes in real growth rates and deflators of major GDP components. Gross capital formation growth was revised downwards from 8.3 % to 5.6 %, while household consumption growth went up from -0.5 % to a positive 0.4 %. Imports and exports of goods and services were also revised markedly up, from 7.9 % to 10.2 % and from 5.6 % to 9.3 %, respectively. The GDP deflator was revised upwards from 0.9 % to 2.6 %.

Labour market

According to LFS data, employment indicators improved markedly in the second quarter. The activity and employment rates reached new highs and total employment increased by 6.7 % y-o-y, adding almost 174,000 jobs. Two-thirds of these gains were, however, in informal employment, bringing the rate of informal employment up by 3 percentage points to 22.7 %. This was also visible in the breakdown of employment, where employment went up the most in the sector of services. Formal employment increased as well by nearly 57,000 people. As a result of this dynamic, the unemployment rate fell strongly to 15.2 %, its lowest level in years.

Data on registered employment and unemployment also confirm the positive labour market trend. Registered employed increased by 1.3 % y-o-y to slightly above 2 million people in the second quarter, despite continuous job losses in the public sector. The data of the National Employment Service on registered unemployment captured similar dynamics, showing an acceleration of the decline in the number of registered unemployed from 4.4 % in the second to 6.1 % y-o-y in the third quarter. Gross real wages reacted as well to the ongoing

recovery, growing on average by a real 2.6 % y-o-y in the first eight months of the year.

External sector

The strong growth of exports and imports of goods has been interrupted temporarily in July when they both registered only marginal increases. The robust trade expansion, however, resumed in August with exports in euro terms growing by 12.4 % and imports by 10.8 % y-o-y. In the first eight months, the cumulative export growth stood at 9.3 %, outpacing imports which grew by 5.8 % y-o-y. Despite deteriorating over the summer, the merchandise trade deficit still declined by 4.4 % y-o-y in the period January-August. The economy continued to benefit from low international prices of energy goods, oil in particular, with imports of energy nearly a quarter below their level a year ago. The structure of imports, though, could still change significantly as about 20 % of all imports remain unclassified by final use.

The dynamics of the current account deficit has been largely determined by the merchandise trade deficit. As a result, since May the current account deficit has moved closer to its levels in the previous year. The balance of trade in services continued improving, expanding by some 40 % y-o-y, while the primary and secondary income balances have worsened by close to 10 % y-o-y each. Net FDI picked up over the summer months, in particular in the segment of debt instruments, and stood at EUR 1,054 million, covering more than 150 % of the current account deficit in the first eight months.

Monetary developments

Annual inflation remained below the central bank tolerance band of $4\pm 1.5\%$. Driven mainly by food prices, it sped up from its low this year of 0.3 % y-o-y in June to 1.2 % in August.

Since its last cut in July, the central bank has kept the key policy rate unchanged at 4 %. Despite persistently low inflationary pressures, the NBS was guided by effects from past rate cuts and took into consideration uncertainties stemming from the international environment. The dinar exchange rate against the euro remained broadly stable in the third quarter, depreciating by around 2.6 % y-o-y. The central bank interventions to ease excessive daily volatility on the market have increased and the

bank bought EUR 445 million in July and August. This allowed the NBS to beef up its foreign exchange reserves to EUR 9.6 billion by the end of August, sufficient to cover about six months' worth of imports of goods and services.

Financial sector

The growth in domestic claims remained very strong over the summer and stood at 13.2 % y-o-y in August. Net claims on government more than doubled y-o-y as bank claims grew by close to 30 % y-o-y and government deposits remained below their levels in comparison to the previous year. Lower interest rates and rising economic activity boosted company lending which grew by 6.4 % y-o-y in August. Credit to households was supported by a continuous easing of commercial banks' lending standards and accelerated further to 9.3 % y-o-y in August. The growth of non-monetary sector deposits also picked-up to 10.6 % y-o-y, covering 92.6 % of all claims on non-government sectors. Credit expansion and the active implementation of the NPL resolution strategy have reduced the NPL ratio by 1.4 percentage points since the beginning of the year to 20.2 % in June.

Fiscal developments

The budget execution remained very strong, continuously over-performing revenue and deficit targets. By the end of August the cumulative balance was in surplus of RSD 8.5 billion in comparison to a deficit of RSD 44.1 billion in the same period last year. Revenue growth accelerated further to 9.9 % y-o-y, supported in particular by robust increases of indirect tax revenue which grew by 14.4 % y-o-y. Expenditure execution remained cautious (4.9 % y-o-y) as in August the cumulative spending on employees and pensions stood around their respective levels in the same period last year. The good budget performance curtailed interest expenditure, which in June and July were even below their corresponding monthly levels in 2015, and created room for a marked expansion of capital expenditure (36.2 % y-o-y). The budget surplus and the use of government deposits with the NBS to repay maturing obligations have helped reducing government debt by RSD 27.3 billion since the beginning of the year to RSD 2,990 billion by the end of August. However, debt still remained high at above 70% of the estimated GDP.

TABLE

European Commission, ECFIN-D-1



SERBIA

		2011	2012	2013	2014	2015	ECFIN 2016 Spring forecast		Q1 16	Q2 16	Q3 16	Jul 16	Aug 16	Sep 16
							2016	2017						
1 Real sector														
Industrial confidence ^{1.1}	Balance	N.A.	N.A.	N.A.	N.A.	N.A.	:	:	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Industrial production ^{1.2}	Ann. % ch	2.0	-3.4	5.6	-6.1	8.4	:	:	10.4	2.4	:	0.7	5.1	:
Gross domestic product ^{1.3}	Ann. % ch	1.4	-1.0	2.6	-1.8	0.8	2.0	2.5	3.8	2.0	:	N.A.	N.A.	N.A.
Private consumption ^{1.4}	Ann. % ch	0.9	-2.1	-0.4	-1.3	0.4	0.5	1.5	0.9	1.3	:	N.A.	N.A.	N.A.
Gross fixed capital formation ^{1.5}	Ann. % ch	4.6	13.2	-12.0	-3.6	5.6	7.5	7.5	8.4	4.9	:	N.A.	N.A.	N.A.
Construction index ^{1.6}	Ann. % ch	28.6	-14.6	-23.8	26.6	17.2	:	:	16.5	4.6	:	N.A.	N.A.	N.A.
Retail sales ^{1.7}	Ann. % ch	-14.6	-3.9	-5.3	2.0	1.4	:	:	10.2	7.3	:	5.6	6.7	:
2 Labour market														
Unemployment ^{2.1}	%	23.0	23.9	22.1	19.2	17.7	17.0	16.2	19.0	15.2	:	N.A.	N.A.	N.A.
Employment ^{2.2}	Ann. % ch	-6.0	-1.1	3.7	10.1	0.6	0.2	0.3	2.7	6.7	:	N.A.	N.A.	N.A.
Wages ^{2.3}	Ann. % ch	11.1	9.0	5.7	1.1	-0.4	:	:	4.5	4.2	:	1.6	1.5	:
3 External sector														
Exports of goods ^{3.1}	Ann. % ch	14.1	4.5	24.7	1.5	7.9	:	:	11.0	8.9	:	1.8	12.4	:
Imports of goods ^{3.2}	Ann. % ch	13.4	3.2	4.7	0.2	5.7	:	:	2.7	8.7	:	0.5	10.8	:
Trade balance ^{3.3}	% of GDP	-17.6	-18.8	-13.0	-13.0	-13.0	-10.8	-10.8	-12.5	-12.7	:	N.A.	N.A.	N.A.
Exports goods and services ^{3.4}	% of GDP	34.4	36.3	40.7	43.4	46.7	:	:	48.5	49.4	:	N.A.	N.A.	N.A.
Imports goods and services ^{3.5}	% of GDP	-49.8	-53.6	-51.9	-54.4	-56.5	:	:	-57.3	-58.3	:	N.A.	N.A.	N.A.
Current account balance ^{3.6}	% of GDP	-10.9	-11.6	-6.1	-6.0	-4.7	-4.3	-4.3	-4.4	-4.4	:	N.A.	N.A.	N.A.
Direct investment (FDI, net) ^{3.7}	% of GDP	-5.5	2.2	3.9	3.7	5.4	:	:	5.8	5.5	:	N.A.	N.A.	N.A.
International reserves ^{3.8}	mio EUR	12 058.2	10 914.7	11 188.8	9 907.2	10 378.0	:	:	9 500.9	9 291.1	:	9 605.7	9 584.0	:
Int. reserves / months Imp ^{3.9}	Ratio	10.5	9.3	9.2	8.0	8.1	:	:	7.4	7.1	:	7.3	:	:
4 Monetary developments														
CPI ^{4.1}	Ann. % ch	11.2	7.3	7.9	2.1	1.4	1.6	2.8	1.5	0.5	:	1.2	1.2	:
Producer prices ^{4.2}	Ann. % ch	9.7	6.4	0.8	0.2	0.7	:	:	-1.5	-1.6	:	-1.2	-0.6	:
Food prices ^{4.3}	Ann. % ch	6.4	15.4	-2.5	2.2	-0.1	:	:	-1.8	-2.3	:	-0.3	0.9	:
M3 ^{4.4}	Ann. % ch	10.3	9.4	4.6	7.6	6.6	:	:	7.2	9.0	:	9.9	10.7	:
Exchange rate RSD/EUR ^{4.5}	Value	101.96	113.01	113.09	117.25	120.76	:	:	122.85	123.01	123.30	123.35	123.31	123.23
Nominal eff. exchange rate ^{4.6}	Index	81.8	74.1	74.0	68.4	66.6	:	:	66.1	66.1	66.2	65.9	66.1	66.2
5 Financial indicators														
Interest rate (3 months) ^{5.1}	% p.a.	12.56	12.50	9.49	7.24	5.18	:	:	2.77	:	:	:	:	:
Bond yield (12 months) ^{5.2}	% p.a.	12.90	13.04	10.67	9.18	7.27	:	:	4.95	4.30	:	:	:	:
Stock markets ^{5.3}	Index	1 270	932	1 035	1 215	1 359	:	:	1 303	1 341	1 377	1 337	1 379	1 415
Credit growth ^{5.4}	Ann. % ch	5.5	12.9	-6.5	5.8	7.0	:	:	10.9	13.3	:	13.4	13.2	:
Deposit growth ^{5.5}	Ann. % ch	9.2	10.4	3.3	7.6	6.5	:	:	6.9	9.2	:	9.5	10.6	:
Non-performing loans ^{5.6}	% total	19.0	18.6	21.4	21.5	21.6	:	:	20.9	20.2	:	N.A.	N.A.	N.A.
6 Fiscal developments														
General government balance ^{6.1}	% of GDP	-4.7	-6.8	-5.5	-6.6	-3.7	-3.1	-2.9	-1.7	-0.2	:	N.A.	N.A.	N.A.
General government debt ^{6.2}	% of GDP	44.2	55.9	58.8	68.3	74.1	78.6	79.9	73.7	72.9	:	N.A.	N.A.	N.A.

f: ECFIN forecast Spring 2016

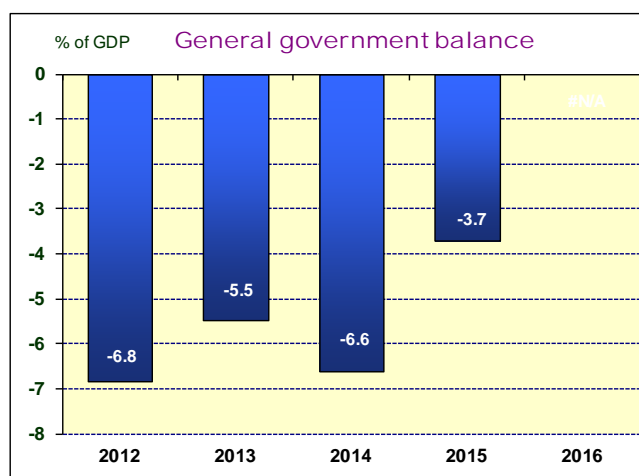
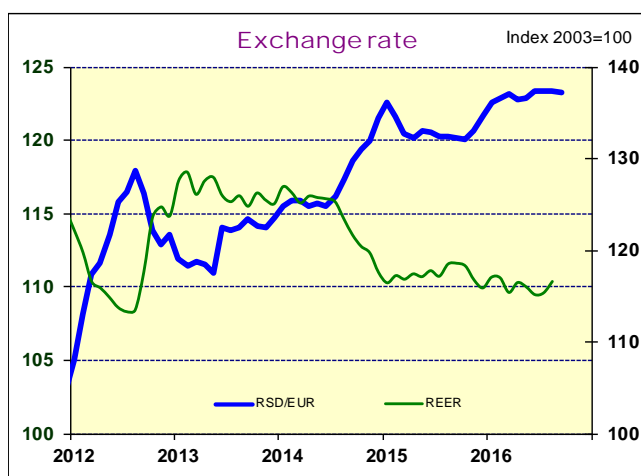
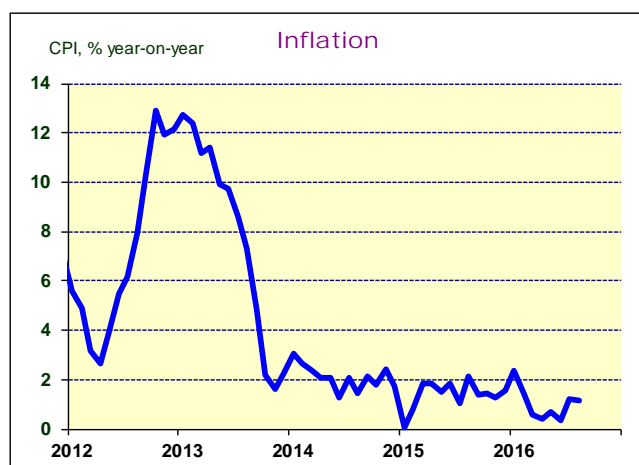
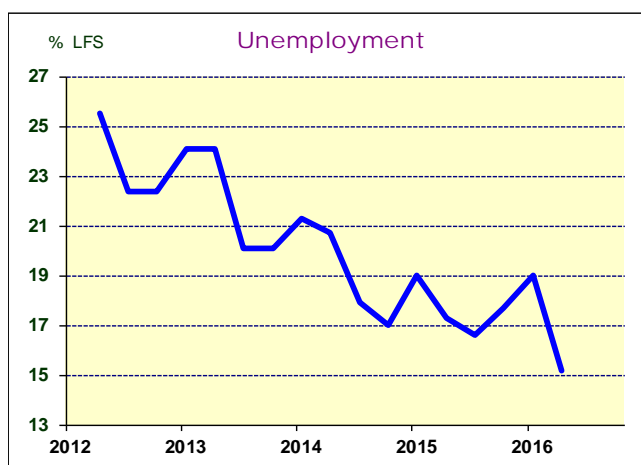
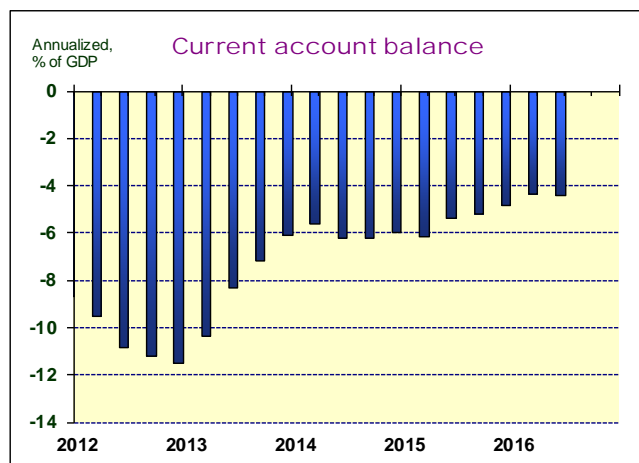
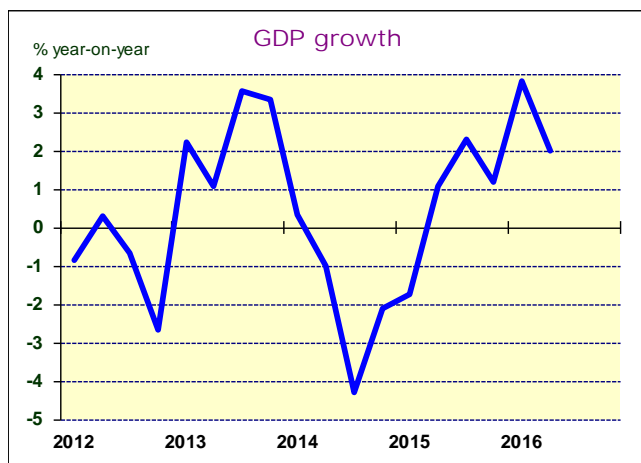
* Q figures refer to a 4 quarters moving average.

CHARTS

European Commission, ECFIN-D-1



SERBIA



TURKEY



Key developments

A military coup attempt on 15-16 July resulted in 241 dead and more than 2,000 injured people. Subsequently, a countrywide state of emergency was declared, significant legislative amendments were introduced by decree, and a large number of officials were dismissed or detained. The coup attempt caused economic disruptions as evidenced by monthly data for July. It also triggered a sell-off in financial markets, but most of this was quickly reversed.

Against the background of large-scale terrorist attacks and a generally worsening security situation, foreign tourism has declined sharply this year which will weigh heavily on GDP growth, particularly in the third quarter.

In September, the government announced an easing of conditions for consumer loans and credit card payments to stimulate private consumption, Moody's Investors Service cut Turkey's sovereign credit rating to non-investment grade, and the World Economic Forum lowered Turkey's ranking in its global competitiveness index by four places to 55th.

The government's Medium Term Program (MTP) for 2017-2019 was released on 4 October. It lowered projected GDP growth from 4.5% to 3.2% for 2016 and from 5.0% to 4.4% for 2017.

Real Sector

Real GDP growth increased 3.1% year-on-year in the second quarter of 2016, down from 4.7% in the preceding quarter. In seasonally adjusted quarter-on-quarter terms, GDP growth registered only 0.3%, down from 0.7% in the first quarter.

GDP growth in the second quarter was exclusively based on domestic consumption. Private and public consumption increased at year-on-year rates of 5.2% and 15.9%, respectively, and contributed 5.2 percentage points (pps) to GDP growth. In year-on-year terms consumer spending still benefits from the

30% hike of the minimum wage in January. The continued surge in public spending is related to the tense security situation. Private investment remained weak (-1.6%) while public investment continued to increase robustly (4.7%). The contribution of overall gross fixed capital formation to GDP growth was negative (-0.1 pp). Exports of goods and services increased by only 0.2% whereas imports surged by 7.7%, the highest growth rate in 2½ years. As a result, net exports subtracted 2.1 pps from GDP growth.

Monthly data indicate that real GDP may have contracted in the third quarter as a consequence of sharply lower tourism and coup-related disruptions. Industrial production declined by 7.2% month-on-month in July before surging by 9.4% in August. In calendar-adjusted year-on-year terms industrial production was up by 2.2% in August. The PMI manufacturing index remained clearly below the no-change mark of 50, averaging 47.6 in the third quarter. The retail sales volume index was 2.8% lower year-on-year in July. Although retail sales recovered in August, the index was still only 0.1% higher year-on-year. Monthly foreign trade data show that the levels of goods exports and imports were, respectively, 4.4% and 2.0% lower in July-August compared to the second quarter in seasonally and calendar adjusted terms which suggests that net exports of goods exerted a drag on GDP growth in the third quarter.

In the context of Turkey's deteriorating security situation and tensions with Russia, the number of foreign tourist visits have declined by 32% year-on-year in the first eight months of 2016. The government estimates that the decline in tourism will lower annual GDP growth by about 1 percentage point in 2016.

Labour market

Employment fell between May and June, lowering employment growth to 1.4% year-on-year for the 15-64 age group. Since the labour force increased by 2.2%, the unemployment rate was pushed up by 0.7 pps year-on-year to 10.4% in June. Labour force growth was the combined

result of a 0.5 pps increase of the participation rate to 57.5% and a 1.3% increase of the working-age population.

The year-on-year rise in hourly labour costs remained at a very high level (19.6%) in the second quarter. To a large extent, this is the result of the government-imposed 30% hike in the minimum wage on 1 January.

External sector

The 12-month cumulative current account deficit has been relatively stable at around USD 29 billion between April and July. It corresponds to 4.1% of GDP, down from 4.5% in 2015.

Net inflows of foreign direct investments declined to USD 3.0 billion in the first seven months of 2016 from USD 7.7 billion in the corresponding period in 2015. Net portfolio inflows, however, surged from USD 0.3 billion to USD 9.7 billion indicating an improving sentiment among foreign investors towards Turkish financial assets, debt securities in particular.

Gross external debt increased by USD 9.9 billion to USD 421.4 billion (59.5% of GDP) during the second quarter.

Monetary developments

Headline inflation has averaged 7.9% in the first three quarters of 2016 compared to 7.7% in 2015. The monthly rate has fallen from 8.8% last December to 7.3% in September. This is still significantly above the official 5% target. Core inflation has declined from 9.5% to 7.7% over the same nine-month period which has been helped by relative stability in the lira's external value and the slowdown in aggregate demand. Expectations for CPI inflation 12-months ahead have remained stable at 7.6% over the third quarter.

After keeping its policy rates unchanged for more than a year, the central bank started lowering its overnight lending rate in March and continued with these rate cuts in each of the following six months. This has reduced the overnight lending rate from 10.75% to 8.25% and contributed to a significant reduction in the average cost of funding at the central bank. In addition, the central bank has released liquidity to financial markets by cutting reserve requirement ratios and other measures. The

overnight borrowing rate and the one-week repo rate have remained at 7.25% and 7.5%, respectively, unchanged since February 2015.

In the week following the attempted coup, the lira depreciated 5% against the euro, but half of this decline was recovered over the following two months. In the last week of September, the lira started to depreciate again which resulted in a 4.5% depreciation over the third quarter. In real effective terms, the lira has appreciated by 10.2% between September 2015 and September 2016.

Bank lending to the non-financial sector slowed to 9.4% year-on-year and total lending to consumers was only 6.0% higher at the end of September. In this context, macro-prudential restrictions regarding the repayment of credit card loans and other personal credits were relaxed and the maximum loan-to-value ratio on mortgages was raised in September.

Financial sector

Stock prices dropped nearly 14% over the four trading days following the coup attempt in mid-July, but recovered subsequently. The main stock index of the Borsa Istanbul was almost unchanged (-0.4%) over the third quarter as a whole. The yield on 10-year government bond rose by 47 basis points over the quarter to 9.50% at the end of September.

The banking sector's net profit jumped by 63.4% year-on-year in the first eight months of 2016 helped by a low base. The sector's capital adequacy ratio has increased 1.2 pps year-on-year to 16.0% at the end of August. The share of non-performing loans in total loans has remained stable at 3.5% over the third quarter, but is up by 0.5 pps year-on-year.

Fiscal developments

In 2015, the central government realised a budget deficit of 1.2% of GDP. In the first eight months of 2016, year-on-year revenue growth exceeded expenditure growth (15.0% compared to 13.7%), implying that the 1.3% deficit target for the full year remains within reach.

General government debt as a share of GDP fell from 32.9% at the end of 2015 to 32.4% at the end of June 2016.

TABLE



European Commission, ECFIN-D-1

TURKEY

		2011	2012	2013	2014	2015	ECFIN 2016 Spring forecast		Q1 16	Q2 16	Q3 16	Jul 16	Aug 16	Sep 16
							2016	2017						
1 Real sector														
Industrial confidence ^{1.1}	Balance	110.5	106.3	108.1	107.1	104.0	:	:	104.6	108.9	106.0	108.0	103.6	106.5
Industrial production ^{1.2}	Ann. % ch	10.1	2.5	3.0	3.6	3.2	:	:	5.6	2.9	:	-4.9	2.2	:
Gross domestic product ^{1.3}	Ann. % ch	8.8	2.1	4.2	3.0	4.0	3.5	3.7	4.7	3.1	:	N.A.	N.A.	N.A.
Private consumption ^{1.4}	Ann. % ch	7.7	-0.5	5.1	1.4	4.8	3.8	3.4	7.1	5.2	:	N.A.	N.A.	N.A.
Gross fixed capital formation ^{1.5}	Ann. % ch	18.0	-2.7	4.4	-1.3	4.0	3.7	4.1	0.0	-0.6	:	N.A.	N.A.	N.A.
Construction index ^{1.6}	Ann. % ch	-16.2	34.9	16.4	38.5	-9.6	:	:	41.7	3.1	:	N.A.	N.A.	N.A.
Retail sales ^{1.7}	Ann. % ch	8.9	5.2	4.1	3.8	3.6	:	:	4.0	2.1	:	-2.8	0.1	:
2 Labour market														
Unemployment ^{2.1}	%	9.0	8.3	8.9	10.1	10.4	10.8	10.9	10.7	9.6	:	:	:	:
Employment ^{2.2}	Ann. % ch	6.6	3.1	2.8	1.6	2.8	2.7	2.8	3.6	2.7	:	:	:	:
Wages ^{2.3}	Ann. % ch	9.7	11.5	12.4	14.2	14.8	15.8	11.8	19.3	17.8	:	:	:	:
3 External sector														
Exports of goods ^{3.1}	Ann. % ch	18.5	13.0	-0.4	3.8	-8.7	:	:	-6.4	1.5	:	-11.6	7.7	:
Imports of goods ^{3.2}	Ann. % ch	29.8	-1.8	6.4	-3.8	-14.4	:	:	-10.6	-2.9	:	-19.7	3.7	:
Trade balance* ^{3.3}	% of GDP	-11.5	-8.3	-9.7	-8.0	-6.7	-6.9	-7.1	-6.4	-6.1	:	N.A.	N.A.	N.A.
Exports goods and services ^{3.4}	% of GDP	24.0	26.3	25.6	27.9	28.0	:	:	27.9	27.5	:	N.A.	N.A.	N.A.
Imports goods and services ^{3.5}	% of GDP	32.6	31.5	32.2	32.1	30.8	:	:	30.6	30.4	:	N.A.	N.A.	N.A.
Current account balance* ^{3.6}	% of GDP	-9.7	-6.1	-7.8	-5.9	-4.5	-4.8	-5.1	-4.2	-4.2	:	N.A.	N.A.	N.A.
Direct investment (FDI, net)* ^{3.7}	% of GDP	2.1	1.7	1.5	1.6	2.4	:	:	2.1	2.0	:	N.A.	N.A.	N.A.
International reserves ^{3.8}	bio EUR	83.9	104.8	107.9	115.0	117.7	:	:	121.9	125.4	:	128.1	:	:
Int. reserves / months imp ^{3.9}	Ratio	5.8	6.8	6.8	7.6	7.6	:	:	8.0	8.3	:	8.7	:	:
4 Monetary developments														
CPI ^{4.1}	Ann. % ch	6.5	8.9	7.5	8.9	7.7	8.6	8.0	8.6	6.9	8.0	8.8	8.0	7.3
Producer prices ^{4.2}	Ann. % ch	11.1	6.1	4.5	10.2	5.3	:	:	4.7	3.2	2.9	4.0	3.0	1.8
Food prices ^{4.3}	Ann. % ch	6.2	8.4	9.1	12.6	11.1	:	:	8.3	3.4	6.7	9.7	6.2	4.2
M4 ^{4.4}	Ann. % ch	19.7	9.0	18.5	16.4	17.5	:	:	15.6	11.9	:	11.2	8.7	:
Exchange rate TRY/EUR ^{4.5}	Value	2.33	2.31	2.53	2.91	3.02	:	:	3.25	3.27	3.31	3.27	3.32	3.32
Nominal eff. exchange rate ^{4.6}	Index	86.16	84.14	78.87	69.40	64.20	:	:	60.89	60.49	:	60.06	59.46	:
5 Financial indicators														
Interest rate (3 months) ^{5.1}	% p.a.	8.34	8.44	6.60	9.84	10.48	:	:	11.27	10.02	9.11	9.33	9.17	8.81
Interest rate, long term ^{5.2}	% p.a.	9.28	8.47	7.77	9.18	9.30	:	:	10.71	9.71	:	9.56	9.75	:
Stock markets ^{5.3}	Index	60 751	63 731	77 977	75 190	80 662	:	:	74 788	80 128	77 247	77 032	77 216	77 493
Credit growth ^{5.4}	Ann. % ch	35.2	18.6	33.4	19.4	20.7	:	:	14.9	12.0	:	11.9	9.9	:
Deposit growth ^{5.5}	Ann. % ch	20.3	10.8	20.4	18.1	18.4	:	:	17.7	14.0	10.2	12.6	10.5	7.6
Non-performing loans ^{5.6}	% total	3.4	3.0	3.0	3.0	3.1	:	:	3.2	3.5	3.4	3.5	3.4	3.5
6 Fiscal developments														
General government balance ^{6.1}	% of GDP	-0.8	-0.3	-1.6	-1.5	-1.4	-1.7	-1.6	-0.3	0.2	:	N.A.	N.A.	N.A.
General government debt ^{6.2}	% of GDP	39.9	36.2	36.2	33.5	32.9	32.0	31.2	32.3	:	:	N.A.	N.A.	N.A.

f: ECFIN forecast Spring 2016

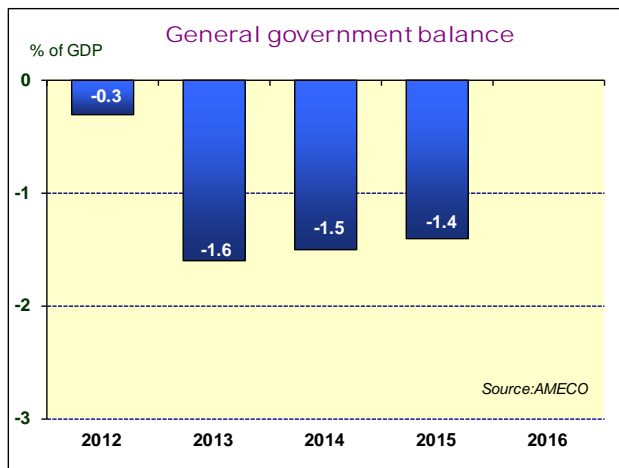
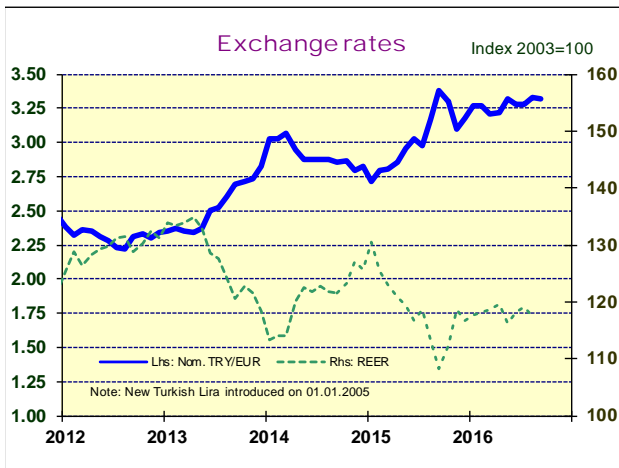
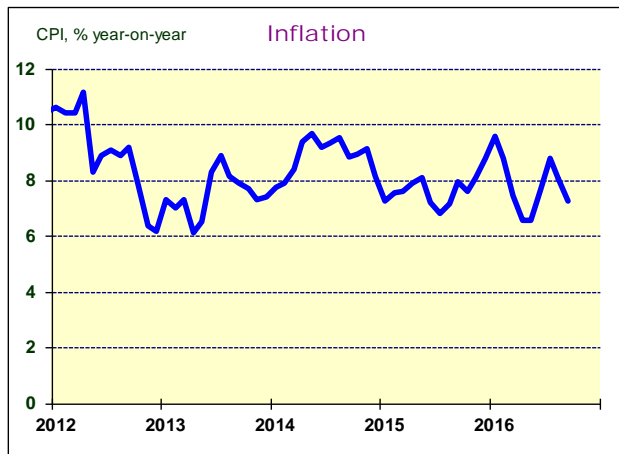
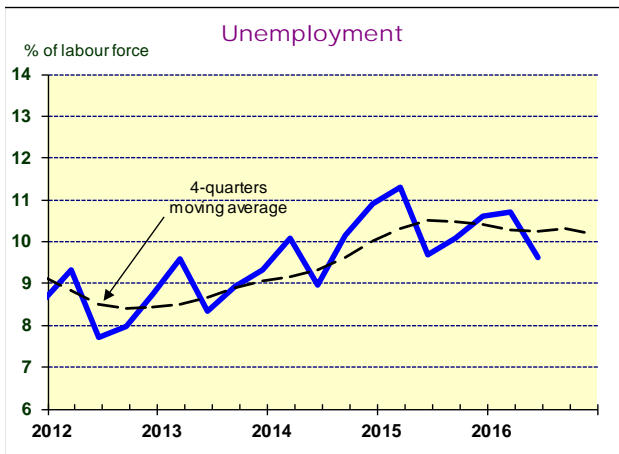
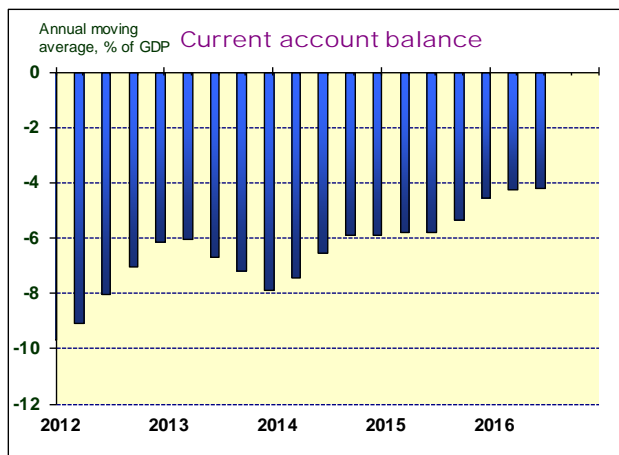
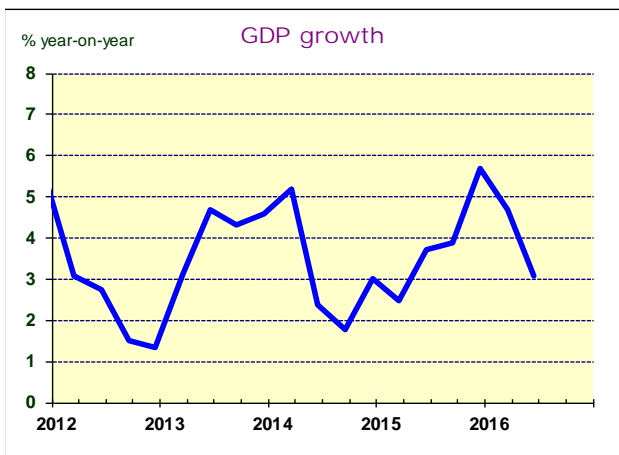
* Q figures refer to a 4 quarters moving average.

CHARTS



European Commission, ECFIN-D-1

TURKEY



BOSNIA AND HERZEGOVINA



Key developments

In July, the Bosnian authorities agreed on a number of EU requirements, such as the adaption of the Stabilisation and Association Agreement with the EU and the establishment of a coordination mechanism for a more efficient cooperation when preparing EU accession related meetings and documents.

On 7 September, the IMF approved a 3-year, 550 million EUR Extended Funds Facility for Bosnia and Herzegovina, which should alleviate external financing constraints while allowing to proceed with structural reforms.

On 9 September, the rating agency Standard & Poor's has affirmed the country's sovereign credit rating at „B with stable outlook". The agency cited continued international support, such as the recent agreement with the IMF and progress with respect to the country's EU accession process as important factors for the stable outlook, compensating risks related to political uncertainties and institutional inefficiencies.

On 20 September, the European Council decided to assess the country's accession application, submitted on 15 February 2016. The next step will be the sending of a list of questions to the Bosnian authorities, which will be the base for the Commission's "opinion", assessing whether the country can be accepted as a Candidate Country to EU accession.

Real sector

In the second quarter of 2016, real output increased by 1.4% year-on-year, compared to 1.9% in the first quarter. The main contribution to growth continued to come from manufacturing, accounting for some 12% of total value added and contributing nearly half to overall GDP growth. Interestingly, the value added of the public sector (public administration, education and health) was in real terms about 1% lower than in the second quarter last year. Furthermore, output in the construction sector and in information and communication services was also slightly lower than a year before. However, output growth in the second quarter of 2015 had been relatively strong, dampening growth rates in a year-to-year comparison. Furthermore, lower value-added generation in the public sector also lowered

output growth in the second quarter. When looking at the first half of 2016, the real value added was 1.7% higher than a year before, mainly driven by manufacturing. In 2015, output growth has been 3.2%, compared to 1.4% in 2014. For the whole year of 2016, international institutions expect GDP growth at close to 3%, and of about 3.2% in 2017. In terms of expenditure, main drivers for growth appear to still be private consumption and exports.

High-frequency indicators point to solid growth in the industrial sector, with output growth of some 4% during the first eight months of the year. In 2015 industrial output was 3.1% higher than a year before.

Labour market

Unemployment remains very high, although stronger economic activity helped to increase registered employment by 1.8% on average in the seven months of 2016. Main contributors to employment growth were the sector of wholesale, retail and repair (+0.6 percentage points year-on-year), and manufacturing (+0.5 percentage points) and accommodation and food services (+0.3 percentage points). Public sector employment declined by 0.8% year-on-year. The registered unemployment rate was 41.7% in July 2016, compared 43.2% the year before. Youth unemployment remained above 60%.

Nominal wages rose despite the difficult labour market situation by 0.3% year-on-year in the second quarter. However, in July, nominal average wages dropped again to a level which was 0.7% lower than a year before.

External sector

Exports of goods were 2.2% higher in the first eight months of 2016, compared to an increase by 5% in the same period a year before. An important factor was lower exports to Turkey and CEFTA countries, such as Serbia but also Montenegro. Like in the previous quarters, the export performance was negatively affected by weaker exports of mineral products and base metals. Spending for commodity imports remained largely unchanged (-0.2% year-on-year), which – however - to some extent reflects lower energy and commodity prices. As a result, the trade deficit of the first eight months of the year is slightly lower than a year before. However, according to quarterly data, the

current account balance deteriorated, largely due to lower inflows of primary income. In terms of GDP, the current account deficit was slightly above 6% of the period's GDP, compared to 8% of GDP the year before.

On the financing side, net FDI inflows were slightly lower than on average in the period in 2016. Net FDI accounted for 1.4% of GDP on average during the first two quarters of 2016, compared to 2.2% of GDP in the first half of 2015.

Foreign reserves continued to increase in the first eight months of the year, bringing the import coverage of reserves to more than 7 months of imports. This is significantly higher than in previous years.

Monetary developments

The overall price level continued to decline in the first eight months. After a drop in the overall consumer price level by 1% in 2015, the annual headline CPI registered another drop by 1.3% in the first eight months of the year. Like in the past, the main drivers were commodity groups with a high import content, such as clothing and footwear, and transport, while, for example, prices for education continued to increase by some 2%.

On the back of the steady growth of deposits, liquidity conditions have remained rather accommodative. The annual growth of the monetary aggregate M2 continued to increase by 7.4% in the second quarter of 2016, compared to 8.0% in the first quarter. In July and August, the increase in M2 remained steady at 7.8% and 7.6%, respectively.

Financial sector

Year-on-year credit growth fell back to around 2% in July and August, compared to growth rates around 3% at the beginning of the year. This deceleration brought average credit growth to 2.3% for the first eight months of the year. The slowdown in overall credit growth is mainly a result of declining credit provision to the public sector and state-owned enterprises, shrinking by 6.4% and 9.8% respectively. As a result, the share of credit to the public sector dropped from 8.6% of total credits in the first eight months of 2015 to 7.8% in the same period in 2016. The level of short-term interest rates on consumer and corporate loans registered a slight downward trend during the first eight months of 2016.

Growth of total deposits remained high during the first eight months of the year, resulting in

average growth of 8% during that period, compared to 5.8% the year before. Important factors for the strong deposit growth are probably continuously strong inflows of foreign remittances and increasing real disposable income, benefitting from low inflation and increasing employment. On the back of the parallel low dynamics of credit growth, the downward adjustment of the loans-to-deposit ratio continued falling, to 101.3% as of end-August.

The share of non-performing loans in total loans continued its improvement, with a further drop from 14.1% in the second quarter of 2015 to 12.1 in the second quarter of 2016. At the same time, credit risks have been increasingly mitigated through an increase of loan-loss provisioning to 74.5% by end-June. Banking sector profitability recovered slightly in the first quarter, with an increase in the return on average equity to 5.6%, i.e. a similar level as a year before. In 2014 and 2015, average profitability had been 4.1% and 4.6%, respectively. The return on average assets improved slightly to 0.7%, compared to 0.4% the quarter before. The system's overall capital adequacy ratio improved to 15.8% by mid-2016, compared to 15.1% in the first quarter. However, there are significant differences among the various institutions.

Fiscal developments

The general government accounts registered a slight surplus in 2015, amounting to 0.7% of GDP, compared to a deficit of 2.0% the year before. Besides maintaining spending on public sector wages at pre-year level, the marked improvement in the fiscal account is primarily due to delayed public investment, which dropped from 4.1% of GDP in 2014 to 2.0% in 2015. This was a key factor in lowering expenditure from 45.8% of GDP in 2014 to 43.2% in 2015. An important reason for this cut in investment appears to have been difficulties and delays in securing international finance, such from the IMF and the World Bank. However, total spending and revenue ratios are still rather high when compared to peer countries.

Public debt declined slightly in the first half of 2016, after having steadily increased in recent years, reaching 41.9% of GDP by the end of 2015. However, during the first half of 2016, the level in domestic general government debt stabilised at some 12% of GDP, while foreign general government debt declined slightly as a share in GDP, partly reflecting difficulties in accessing foreign capital markets.

TABLE

European Commission, ECFIN-D-1



BOSNIA AND HERZEGOVINA

		2011	2012	2013	2014	2015	Q1 16	Q2 16	Q3 16	Jul 16	Aug 16	Sep 16
1 Real sector												
Industrial confidence ^{1.1}	Balance	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Industrial production ^{1.2}	Ann. % ch	2.4	-3.9	5.2	0.2	3.1	4.9	4.6	:	-0.2	3.8	:
Gross domestic product ^{1.3}	Ann. % ch	0.9	-0.9	2.4	1.4	3.2	1.9	1.4	:	N.A.	N.A.	N.A.
Private consumption ^{1.4}	Ann. % ch	1.6	2.2	2.6	3.0	:	:	:	:	N.A.	N.A.	N.A.
Gross fixed capital formation ^{1.5}	Ann. % ch	6.8	6.3	-2.4	9.5	:	:	:	:	N.A.	N.A.	N.A.
Construction index ^{1.6}	Ann. % ch	-24.4	1.3	-25.8	22.2	-22.7	56.7	69.3	:	N.A.	N.A.	N.A.
Retail sales ^{1.7}	Ann. % ch	11.2	1.6	4.6	1.8	7.8	8.4	4.4	:	6.4	7.9	:
2 Labour market												
Unemployment ^{2.1}	%	43.8	45.9	44.5	43.6	42.9	42.4	41.6	:	41.6	:	:
Employment ^{2.2}	Ann. % ch	-1.6	-0.4	0.6	2.7	1.1	2.0	1.9	:	2.1	:	:
Wages ^{2.3}	Ann. % ch	4.4	1.5	0.1	-0.1	0.0	0.8	0.3	:	-0.6	:	:
3 External sector												
Exports of goods ^{3.1}	Ann. % ch	21.0	1.2	10.0	3.0	5.3	-2.2	6.0	:	-4.4	5.2	:
Imports of goods ^{3.2}	Ann. % ch	13.6	-0.1	-0.7	7.1	-2.3	-1.2	3.4	:	-9.6	3.8	:
Trade balance* ^{3.3}	% of GDP	-30.8	-30.5	-27.4	-29.7	-26.0	-25.7	-25.7	:	N.A.	N.A.	N.A.
Exports goods and services ^{3.4}	% of GDP	32.1	32.4	33.8	34.0	34.6	34.2	34.4	:	N.A.	N.A.	N.A.
Imports goods and services ^{3.5}	% of GDP	55.8	55.9	54.2	56.7	53.3	52.7	52.9	:	N.A.	N.A.	N.A.
Current account balance* ^{3.6}	% of GDP	-9.5	-8.7	-5.3	-7.4	-5.7	-6.0	-5.9	:	N.A.	N.A.	N.A.
Direct investment (FDI, net)* ^{3.7}	% of GDP	2.6	1.9	1.3	2.8	1.5	1.7	1.2	:	N.A.	N.A.	N.A.
International reserves ^{3.8}	mio EUR	3 284.3	3 327.8	3 614.0	4 001.2	4 400.3	4 393.7	4 485.4	:	4 571.9	4 673.1	:
Int. reserves / months Imp ^{3.9}	Ratio	5.0	5.1	5.6	5.8	6.5	7.2	7.3	:	6.8	6.9	:
4 Monetary developments												
CPI ^{4.1}	Ann. % ch	3.7	2.0	-0.1	-0.9	-1.0	-1.3	-1.6	:	-1.0	-1.3	:
Producer prices ^{4.2}	Ann. % ch	3.8	1.3	-2.2	-0.2	-0.6	-1.4	-0.5	:	-0.5	-0.6	:
Food prices ^{4.3}	Ann. % ch	6.0	1.8	0.0	-2.7	-0.9	-1.4	-1.3	:	-0.1	-0.9	:
M2 ^{4.4}	Ann. % ch	5.6	4.6	5.7	7.5	8.0	8.0	7.4	:	7.8	7.6	:
Exchange rate BAM/EUR ^{4.5}	Value	1.96	1.96	1.96	1.96	1.96	1.96	1.96	1.96	1.96	1.96	1.96
Nominal eff. exchange rate ^{4.6}	Index	104.6	105.50	102.76	105.43	106.91	109.38	108.49	:	108.19	:	:
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	979	737	770	707	701	681	698	692	683	688	706
Credit growth ^{5.4}	Ann. % ch	5.8	5.1	2.7	3.7	1.8	3.0	1.6	:	2.2	2.0	:
Deposit growth ^{5.5}	Ann. % ch	2.6	2.6	5.1	8.4	6.2	8.6	7.7	:	7.1	7.9	:
Non performing loans ^{5.6}	% total	12.0	12.7	14.5	15.2	13.9	13.2	12.1	:	N.A.	N.A.	N.A.
6 Fiscal developments												
General government balance ^{6.1}	% of GDP	-1.2	-2.0	-2.2	-2.0	0.7	1.4	2.5	:	N.A.	N.A.	N.A.
General government debt* ^{6.2}	% of GDP	32.8	36.6	37.7	41.6	41.9	:	:	:	N.A.	N.A.	N.A.

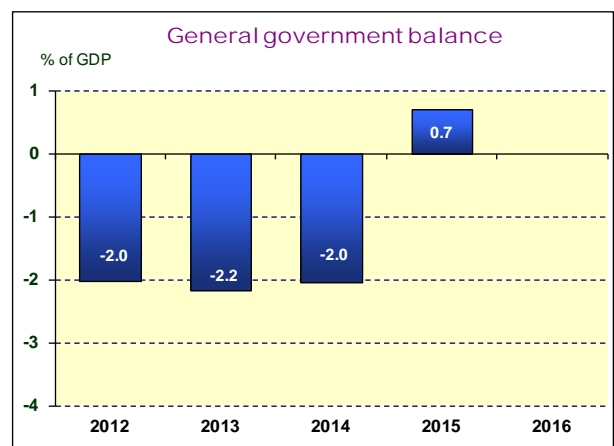
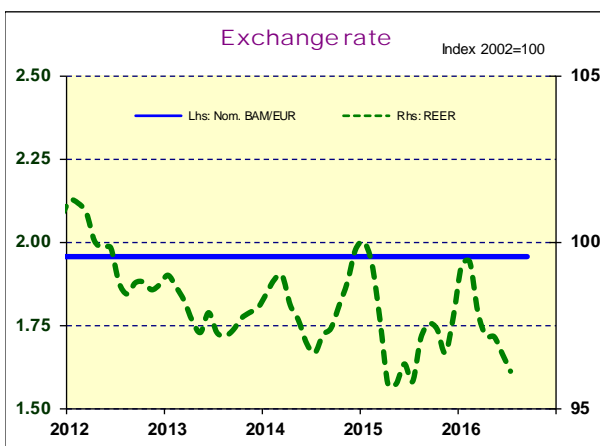
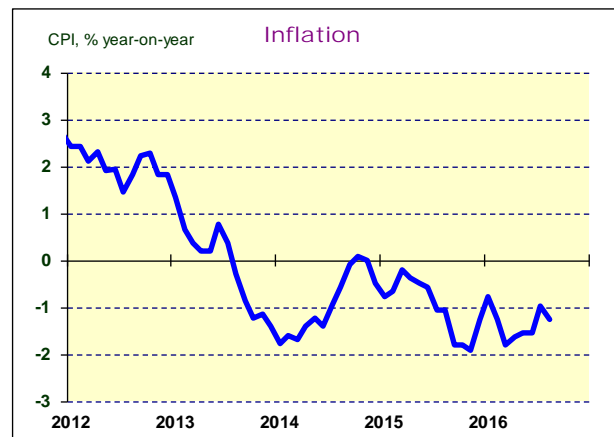
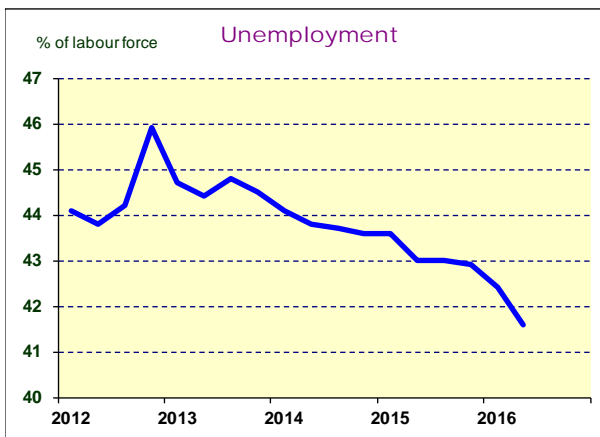
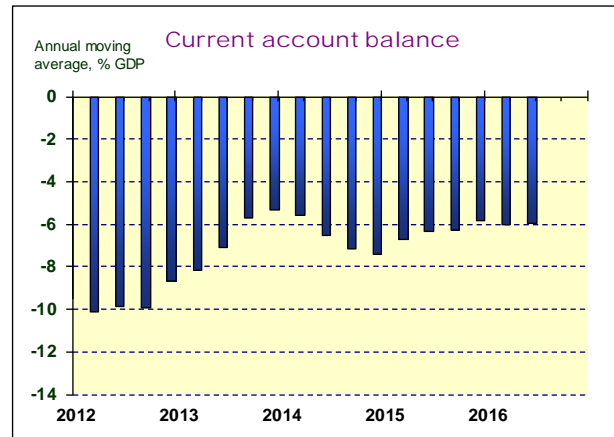
* Q figures refer to a 4 quarters moving average and refers only to foreign public debt.

CHARTS



European Commission, ECFIN-D-1

BOSNIA AND HERZEGOVINA



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

Key developments

The newly released forecasts by the IMF¹ and the World Bank² show sustained growth above 3.5% until 2021. Private consumption and investments are expected to be the main drivers. The impact of net exports on GDP growth is set to remain negative due to level effect, despite stronger expected growth of exports. Inflation is expected to remain subdued reaching 2% only by 2021.

The war veterans' benefits issue remains an outstanding issue of concern, with implications for the planned 100 million EUR IMF loan disbursement scheduled for December, and EU's continued budget support operation. The 2016 budget originally allocated 25 million EUR for the introduction of the war veteran's benefits, based on the estimated 13.000 recipients while the number currently is around 28.000 and growing. The current number of certified war veterans is 46.230, with a large share of them being eligible for benefits (those not having any other income). IMF expects cost of the benefits scheme in 2016 to reach 88 million EUR, significantly more than the originally allocated amount of 60 million EUR. If the current certification scheme and benefits are maintained, the implication for the budget could grow to a 100 million EUR on a yearly basis.

Real sector

Quarterly GDP data shows a continuation of stronger growth in Q1 of 2016. Kosovo's real GDP grew by 3.8% y/y in Q1. On the expenditure side, the largest contribution to growth came from investments (4.8 p.p.), mainly large infrastructure projects, and household consumption (4.6 p.p.). Government consumption contribution remained flat at 0.2p.p as the government sought savings in the current expenditure. Net exports contribution remained negative at -5.8p.p, as goods exports contracted and imports of construction material and machinery, associated with the highway construction rose considerably. Gross value

added grew by only 0.6% y/y and was driven by construction (8.1% y/y) with positive contributions from trade, and tourism sectors. Mining, real estate and public administration sectors recorded negative growth rates.

In the first half of 2016, industrial turnover in Kosovo increased by an estimated 8% compared to the same period in 2015. Turnover of the mining and energy production sectors rose sharply by 33.7% and 14.2% respectively while manufacturing grew by a modest 2.3% y/y.

Labour market

According to the registered unemployment data, in March 2016, there were 127,378 unemployment persons in Kosovo. Following the change in methodology, in January 2015, which deleted two thirds of then registered unemployed, the number of registered unemployed has increased by 42.8% by March 2016. People with no formal education comprise 55.9% of all unemployed persons.

Although there is no official wage data for the whole economy it can be computed from the LFS data that the average monthly net wage in Kosovo in 2015 was around 400 EUR. A conservative estimation shows that net wages in the public sector are around 16% higher than in the rest of the economy³.

External sector

Balance of payments data for the first half of 2016 show a widening of the current account deficit to 5.3% of annual GDP, compared to 3.6% in 2015, mainly as a result of a growing trade deficit and lower transfers to the government but also lower workers remittances. Net remittances declined to 5% of GDP compared to 5.4% of GDP a year before. On the financing side, net FDI almost halved (1.4% of GDP compared to 2.6% in H1 2015) and portfolio investments recorded a significant net outflow of 2% of GDP. Overall financial inflow decreased substantially to 1.5% of GDP compared to 2.6% in H1 2015. The majority of

¹ 2016 October World Economic Outlook

² South East Europe Regular Economic Report – Fall 2016

³ Ecfm staff calculations from LFS and official government wage data

financial flows was unrecorded as net errors and omission grew to 4% of GDP, equivalent to the whole year value in 2015.

Cumulative goods exports contracted by 9.8% by August 2016, mainly due to a continuation of the poor crude metals exports performance which started in July 2015. It is likely that Kosovo is struggling to find new export markets for crude metals after exports to China and India contracted sharply in the second half of 2015. In the first eight months of 2016 imports rose by 7.1% y/y driven by double digit rises in manufactured goods, machinery and transport equipment, and chemicals, possibly reflecting the import component of higher investment and the introduced tax exemptions for capital goods. By August the overall goods trade deficit increased by 9.7% y/y, equivalent to 26.7% of GDP.

Monetary developments

Kosovo remains heavily dependent on price developments in the main trading partners, namely the EU. The deflationary pressures, started at the end of 2014, seem to have weakened and prices have stabilised in the first eight months in of 2016 (0% inflation until August). Food and energy prices are still in the deflationary period, -0.7% and -4.6% respectively, while the core inflation is recovering, 0.5% on average. Alcohol and tobacco prices have risen by 10.4% due to the level effect of the increased excise in September 2015. Producer price index decreased by 5.4% in Q2 2016, namely due to price adjustments in energy and non-metallic minerals processing industries.

Financial sector

Credit activity continued growing strongly in the first eight months of 2016 when total loans and lease financing rose by 9.2% y/y. Total deposits in commercial banks continued to grow steadily (5.3% y/y). Thus, the loans to deposit ratio slightly rose to 77.5 still indicating a stable liquidity position and substantial room for stronger banking activity.

Interest rate spread increased is on a downward trajectory, losing 27 basis points since the end of 2015. Interest rates on deposits increased by 10 basis points in the course of 2016 while loan

interest rates decreased by 17 basis points. Interest rates spread reduction and stronger credit activity were aided by the adoption of the new bankruptcy law, the new law on enforcement procedures and successful introduction of private bailiffs.

The risk profile of the banking sector remained satisfactory in the first eight months of 2016. The ratio of liquid assets and short-term liabilities stood at 42.1% in August, while capital adequacy ratio was 18.1%, far above the regulatory requirement of 12%. Already low level of NPLs further decreased to 5.1. Existing NPLs are fully covered by loan loss provisions (121.1%).

Following exceptionally high profitability in 2015 due to lower provisioning, the banking sector profits returned to normal in 2016. By August ROAE was still high 20.4% compared to 25.6 a year ago.

Fiscal developments

Budget revenue in the first seven months of 2016 grew by 14.2% on the account of increased customs collection, last year's tax reform - increase of VAT (from 16% to 18%) and better tax collection. The government estimates the foregone customs revenues on the account of the SAA to 15 million EUR so far, and for this year it is expected to reach 20-25 million EUR. The expenditure side is characterised by broad underspending compared to the budget. Only 30% of the planned capital expenditure was executed in the first seven months of 2016. The unused funds will be reallocated for the construction of the R6 highway. The spending on wages, goods and services, and transfers (excluding war veteran benefits) is below the plan. In the first seven months of 2016 the budget was in surplus of 1.2% of GDP however this might overturn in the latter part of the year as payments for capital investment are usually back loaded.

At the end of Q2 2016 public debt stood at 13.8% of GDP. This estimate does not include Kosovo's share of the London and Paris club debt of the former Yugoslavia, which is currently around 6% of GDP. The government has continued issuing domestic debt, reaching 52.7% of overall public debt, with continuously falling yield.

TABLE

European Commission, ECFIN-D-1

KOSOVO*

		2011	2012	2013	2014	2015	Q1 16	Q2 16	Q3 16	Jul 16	Aug 16	Sep 16
1 Real sector												
Industrial confidence ^{1.1}	Balance	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Industrial production ^{1.2}	Ann. % ch	N.A.	N.A.	3.2	0.0	-0.5	3.9	11.2	N.A.	N.A.	N.A.	N.A.
Gross domestic product ^{1.3}	Ann. % ch	4.4	2.8	3.4	1.2	4.0	3.8	:	:	:	:	:
Private consumption ^{1.4}	Ann. % ch	3.5	2.9	2.0	4.9	3.7	5.2	:	:	:	:	:
Investment ^{1.5}	Ann. % ch	7.9	-12.9	-0.3	-5.0	10.7	22.1	:	:	:	:	:
Construction index ^{1.6}	Ann. % ch	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Retail sales ^{1.7}	Ann. % ch	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
2 Labour market												
Unemployment ^{2.1}	%	44.8	30.9	30.0	35.3	32.9	:	:	:	:	:	:
Employment ^{2.2}	Ann. % ch	:	:	1.4	-4.4	:	:	:	:	:	:	:
Wages ^{2.3}	Ann. % ch	-1.3	-3.0	-5.5	-9.0	:	:	:	:	:	:	:
3 External sector												
Exports of goods ^{3.1}	Ann. % ch	7.8	-5.1	6.5	10.4	0.2	-5.4	-5.9	:	-17.0	-24.2	:
Imports of goods ^{3.2}	Ann. % ch	10.4	8.6	-2.3	3.6	3.8	12.5	5.2	:	-2.1	10.3	:
Trade balance** ^{3.3}	% of GDP	-37.2	-34.1	-31.6	-30.9	-30.4	-31.0	-31.2	:	30.2	N.A.	N.A.
Exports goods and services** ^{3.4}	% of GDP	19.6	18.2	17.4	19.6	19.4	19.3	19.0	:	N.A.	N.A.	N.A.
Imports goods and services** ^{3.5}	% of GDP	56.8	52.4	49.0	50.5	49.8	50.2	50.2	:	N.A.	N.A.	N.A.
Current account balance** ^{3.6}	% of GDP	-13.7	-7.5	-6.4	-7.8	-9.1	-10.4	-10.9	:	N.A.	N.A.	N.A.
Direct investment (FDI, inflow)** ^{3.4}	% of GDP	8.0	4.5	5.3	2.7	5.6	5.1	4.2	:	N.A.	N.A.	N.A.
International reserves ^{3.8}	mio EUR	1 234.6	1 469.1	1 610.0	1 368.1	1 457.1	1 562.5	1 608.0	:	1 548.7	1 610.4	:
Int. reserves / months Imp ^{3.9}	Ratio	6.2	7.0	7.9	6.5	6.6	7.0	7.1	:	6.8	7.0	:
4 Monetary developments												
CPI ^{4.1}	Ann. % ch	7.3	2.5	1.8	0.4	-0.5	0.1	-0.2	:	0.0	0.0	:
Producer prices ^{4.2}	Ann. % ch	4.5	1.9	2.4	1.6	2.7	-0.5	-5.4	:	N.A.	N.A.	N.A.
Food prices ^{4.3}	Ann. % ch	12.4	1.0	2.1	-0.2	0.4	-0.2	-0.9	:	-1.1	-0.7	:
Broad money liabilities ^{4.4}	Ann. % ch	8.8	7.1	17.3	-4.2	6.5	6.0	9.5	:	5.2	4.8	:
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	105.8	106.6	107.2	106.0	:	:	:	:	:	:	:
5 Financial indicators												
Interest rate (3-12 months) ^{5.1}	% p.a.	13.78	12.67	11.82	10.62	8.04	7.14	6.84	:	6.18	6.65	:
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	15.4	8.9	3.0	2.9	6.2	8.2	8.8	:	9.2	9.2	:
Deposit growth ^{5.5}	Ann. % ch	12.2	8.0	6.6	7.2	5.6	4.2	3.8	:	4.0	5.3	:
Non-performing loans ^{5.6}	% total	5.7	7.5	8.7	8.3	6.2	5.9	5.3	:	5.2	5.1	:
6 Fiscal developments												
General government balance** ^{6.1}	% of GDP	-1.7	-2.6	-3.1	-2.2	-2.0	:	:	:	N.A.	N.A.	N.A.
General government debt ^{6.2}	% of GDP	5.3	8.1	8.9	10.6	13.1	13.5	13.8	:	N.A.	N.A.	N.A.

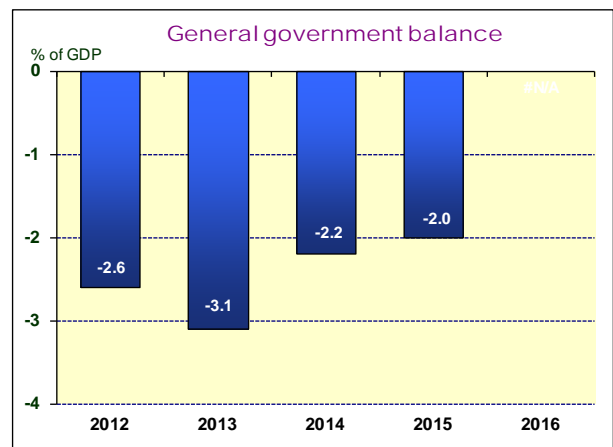
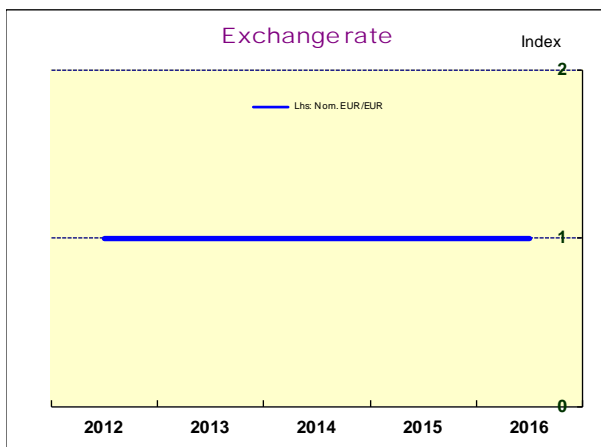
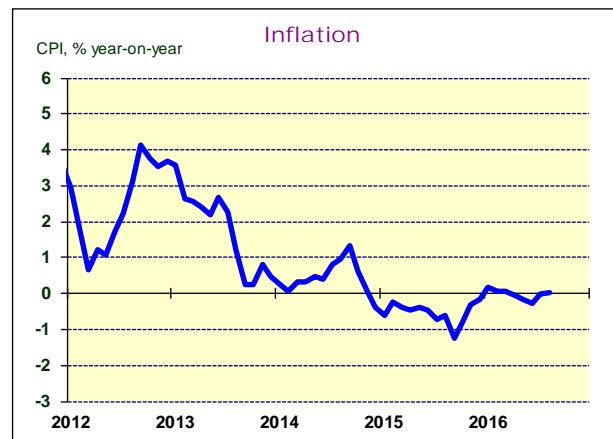
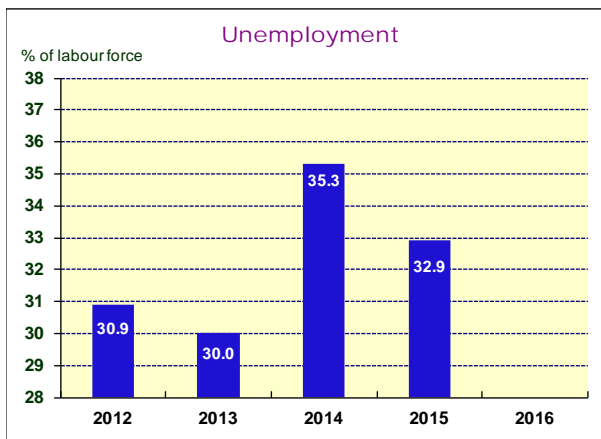
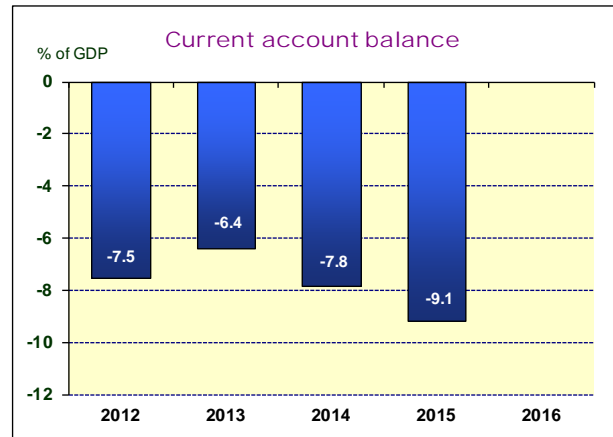
* This designation is without prejudice to positions on status, and is in line with UNSCR 1244 and the ICJ Opinion on the Kosovo Declaration of Independence.

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

CHARTS

European Commission, ECFIN-D-1

KOSOVO*



* This designation is without prejudice to positions on status, and is in line with UNSCR 1244 and the ICJ Opinion on the Kosovo Declaration of Independence.
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 of 12 months imports of goods moving average.	IHS/DataInsight
4. Monetary developments			
4.1.	Interim CPI	Consumer Prices, All items, Total. Annual percentage change Up to 2007 Dec2001 = 100, 2007 onwards Dec2007 = 100.	IHS/DataInsight
4.2.	Producer prices	Annual percentage change, Total, index (1998)	IHS/DataInsight
4.3.	Food prices	Annual percentage change, Food and Non-alcoholic Beverages, Total, December 2007=100	IHS/DataInsight
4.4.	M2	Annual percentage change	IHS/DataInsight
4.5.	Exchange rate LEK/EUR	Period averages	IHS/DataInsight
4.6.	Change real eff. exchange rate	Not available	
5. Financial indicators			
5.1.	Interest rate	Treasury Bills, 3 Month Auction, Yield	IHS/DataInsight
5.2.	Bond yield	Government Benchmarks, 2 Year Bond, Yield	IHS/DataInsight
5.3.	Stock markets	Not available	
5.4.	Credit growth	Annual percentage change, total	IHS/DataInsight
5.5.	Deposit growth	Annual percentage change, total	IHS/DataInsight
5.6.	Non-performing loans	Credit Portofolio Quality, NPLs %	IHS/DataInsight
6. Fiscal developments			
6.1.	General government balance	In percent of GDP	IMF
6.2.	General government debt	In percent of GDP	IMF



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



No.	Indicator	Note	Source
1.	Real sector		
1.1.	Industrial confidence indicator	Surveys, EC Industry Survey, Industrial Confidence Indicator, NSA	IHS/DataInsight
1.2.	Industrial production	Annual percentage change	IHS/DataInsight
1.3.	Gross domestic product	Annual percentage change, annual data, chain index. 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 of construction work done, total, 2008=100	IHS/DataInsight
1.7.	Retail sales	Annual pc change, retail trade turnover, constant prices, CPPY=100	IHS/DataInsight
2. Labour market			
2.1.	Unemployment	In percent of total labour force, Labour Force Survey definition for annual data. Semi-annual data.	IHS/DataInsight
2.2.	Employment	Annual percentage 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	Treasury Bills, 3 month, yield, average, RSD	IHS/DataInsight
5.2.	Bond yield	Weighted average interest rate on RS government bills.	NBS
5.3.	Stock markets	Belgrade Stock Exchange, BELEXfm index, price return, close, RSD	IHS/DataInsight
5.4.	Credit growth	Annual percentage change, monetary survey, domestic credit, total, RSD	IHS/DataInsight
5.5.	Deposit growth	Annual percentage change, deposits, nonmonetary sector, total, RSD	IHS/DataInsight
5.6.	Non-performing loans	Provisioning against losses	IHS/DataInsight
6. Fiscal developments			
6.1.	General government balance	Consolidated GG, Overall balance. 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	Nat. sources
1.2.	Industrial production	Annual percentage change, volume (index 2010), excluding construction	IHS/DataInsight
1.3.	Gross domestic product	Annual percentage change, volume (1987 prices)	IHS/DataInsight
1.4.	Private consumption	Annual percentage change, volume (1998 prices)	IHS/DataInsight
1.5.	Gross fixed capital formation	Annual percentage change,	IHS/DataInsight
1.6.	Construction index	Annual percentage change, construction permits, buildings, total, TRY	IHS/DataInsight
1.7.	Retail sales	Annual percentage change, volume, 2010=100	
2. Labour market			
2.1.	Unemployment	In percent of total labour force, 15-64 age group, Labour Force Survey data	IHS/DataInsight
2.2.	Employment	Annual percentage change, 15-64 age group, Labour Force Survey data	IHS/DataInsight
2.3.	Wages	Annual percentage change; index of real earning per production worker in manufacturing industry	Nat. sources
3. External sector			
3.1.	Exports of goods	Annual percentage change, mio. EUR, fob	IHS/DataInsight
3.2.	Imports of goods	Annual percentage change, mio. EUR, cif	IHS/DataInsight
3.3.	Trade balance	In percent of GDP, annualised moving average	IHS/DataInsight
3.4.	Exports goods and services	In percent of GDP	IHS/DataInsight
3.5.	Imports goods and services	In percent of GDP	IHS/DataInsight
3.6.	Current account balance	In percent of GDP, annualised moving average	IHS/DataInsight
3.7.	Direct investment (<i>FDI, net</i>)	In percent of GDP, annualised moving average of direct investment in reporting economy minus direct investment abroad	IHS/DataInsight
3.8.	Reserves, International reserves of the National Bank	Gross international reserves, mio EUR.	IHS/DataInsight
3.9.	Reserves / months Imp	Ratio of 12 months imports of goods moving average.	IHS/DataInsight
4. Monetary developments			
4.1.	CPI	Annual percentage change, index 1994, Interim HICP is not available	IHS/DataInsight
4.2.	Producer prices	Annual percentage change, wholesale prices index (1994)	IHS/DataInsight
4.3.	Food prices	Annual pc, Food and Non-alcoholic Beverages, Total, TRY, 2003=100	IHS/DataInsight
4.4.	M3	Money supply M3, total, TRY	IHS/DataInsight
4.5.	Exchange rate YTL/EUR	Period averages	IHS/DataInsight
4.6.	Nominal eff. exchange rate	Index 1999, period averages	IHS/DataInsight
5. Financial indicators			
5.1.	Interest rate	Deposit rates, 3 month, close	IHS/DataInsight
5.2.	Bond yield	T-bond ISMA bid, 2 year, yield, close	IHS/DataInsight
5.3.	Stock markets	ISE index, trading volume (business), January 1986 = 1 Turkish Lira	IHS/DataInsight
5.4.	Credit growth	Annual percentage change, banking system, total loans, TRY	IHS/DataInsight
5.5.	Deposit growth	Annual percentage change, banking system, total deposits, TRY	IHS/DataInsight
5.6.	Non-performing loans	In percent of total lons	IHS/DataInsight
6. Fiscal developments			
6.1.	General government balance	In percent of GDP	Nat. sources
6.2.	General government debt	In percent of GDP, ESA 95 methodology	Nat. sources



No.	Indicator	Note	Source
1. Real sector			
1.1.	Industrial confidence indicator	Not available	
1.2.	Industrial production	Production, total, 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	Registered, in percent of total labour force, end of period.	IHS/DataInsight, NSO
2.2.	Employment	Registered, annual percentage change. New methodology as per Dec 2012 – data not fully comparable. End of period.	IHS/DataInsight
2.3.	Wages	Annual percentage change, average gross wages, BAM	IHS/DataInsight
3. External sector			
3.1.	Exports of goods	Annual percentage change, mio. BAM, General merchandise, FOB	IHS/DataInsight
3.2.	Imports of goods	Annual percentage change, mio. BAM, General merchandise, FOB	IHS/DataInsight
3.3.	Trade balance	In percent of GDP, annualised data	IHS/DataInsight
3.4.	Exports goods and services	In percent of GDP, estimated from Balance of Payments data	IHS/DataInsight
3.5.	Imports goods and services	In percent of GDP, estimated from Balance of Payments data	IHS/DataInsight
3.6.	Current account balance	In percent of GDP, annualised data	IHS/DataInsight
3.7.	Direct investment (<i>FDI, net</i>)	In percent of GDP, annualised data	IHS/DataInsight
3.8.	Reserves, International reserves of the National Bank	Gross foreign reserves, total, mio EUR	IHS/DataInsight
3.9.	Reserves / months Imp	Ratio of 12 months imports of goods moving average.	IHS/DataInsight
4. Monetary developments			
4.1.	CPI	All Items, with temporary reductions of prices, index CPPY=100	IHS/DataInsight
4.2.	Producer prices	Domestic, total, index CPPY=100	IHS/DataInsight
4.3.	Food prices	Annual pc change, food and non-alcoholic beverages, 2005=100,	IHS/DataInsight
4.4.	M2	Annual percentage change, M2 (broadest money)	IHS/DataInsight
4.5.	Exchange rate BAM/EUR	Period averages, spot rates, close	IHS/DataInsight
4.6.	Nominal eff. exchange rate	Index (2002 Apr=100); 9 Trade partners selected in order to set up the index (AT, FR, DE, HU, IT, SLO, HR, RS, CH)	IHS/DataInsight
5. Financial indicators			
5.1.	Interest rate	Not available	
5.2.	Bond yield	Not available	
5.3.	Stock markets	SASX-10 Index, close	IHS/DataInsight
5.4.	Credit growth	Annual percentage change, loans, total, BAM, End of period	IHS/DataInsight
5.5.	Deposit growth	Annual percentage change, deposits, total, BAM, End of period	IHS/DataInsight
5.6.	Non-performing loans	NPLs to total loans, BAM, End of period	IHS/DataInsight
6. Fiscal developments			
6.1.	General government balance	In percent of GDP, consolidated budget, net lending	IHS/DataInsight
6.2.	General government debt	In percent of GDP, external public debt	IHS/DataInsight

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

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

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