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***EU CANDIDATE AND
PRE-ACCESSION COUNTRIES
ECONOMIC QUARTERLY***

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CANDIDATE AND PRE-ACCESSION COUNTRIES' ECONOMIC QUARTERLY

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*as defined by UNSCR 1244

OVERVIEW

The international financial and economic crisis continues to affect the Western Balkans and Turkey, though some signs of a bottoming out of the recession seem to be emerging since the third quarter of 2009. In the most affected countries, the contraction of real GDP is slowing down. But this improvement could be shortlived as it is partly attributable to the effects of swelling budget deficits, which will now have to be brought back onto a sustainable path, with deficit reductions planned in most of the national budgets for 2010 adopted by the region's parliaments in November and December 2009. In some countries, the contraction of exports is weakening, which is also contributing to the rebound in economic activity. In most of the region, current account deficits have continued to narrow; annual average inflation declined.

Lower capital inflows and domestic credit have *negatively impacted domestic demand and, as a result, real GDP will contract significantly in 2009 in almost all the economies of the region. The pace of contraction is however slowing down in the most affected economies.* In Turkey, negative GDP growth slowed down to -3.3% year-on-year in the third quarter, a noticeable improvement compared to -14.3% in the first quarter -7.9 % in the second quarter. In Croatia, GDP decreased by 5.7% in the third quarter, slightly less than the 6% year-on-year registered in the two previous consecutive quarters. In Serbia, growth stood at -2.3%, an improvement on the more than -4% recorded in the two previous quarters. In Bosnia and Herzegovina, there are indications that the contraction slowed down in the second half of 2009. In other Western Balkan countries the crisis appears to have had less pronounced effects so far, though negative real GDP growth slightly accelerated in the third quarter in Montenegro and fYRoM. Growth remained positive though more subdued in Albania and Kosovo – but for the latter there is very limited data on recent developments.

In tandem with the economic slowdown, unemployment has been rising in the two most affected countries, Croatia and Turkey,

as well as in Serbia and, to a lesser extent though from an already very high level, in Bosnia and Herzegovina. In other Western Balkan countries the effects of the crisis on the labour market are less pronounced.

The slump in external demand is still taking a heavy toll on export-oriented sectors, though strengthening demand in trade partner countries may start feeding through trade channels to the region's benefit. The pace of export contraction is slowing down in Croatia, Albania, Montenegro, Kosovo, Bosnia and Herzegovina, Turkey and fYRoM. As the contraction continues to be more pronounced on the import side in most economies, due to the combination of lower domestic and foreign demand and lower commodity prices, current account deficits continue to narrow in most countries. Croatia and fYRoM even recorded a current account surplus in the third quarter, in Croatia's case largely due to tourism. There are however two exceptions: Albania, where a slight improvement in the trade balance was more than offset by lower net remittance inflows and a lower surplus in services, and Kosovo, where the trade deficit has deteriorated.

The deceleration of credit and deposit growth has become more subdued. Annual deposit growth has generally stabilised while credit growth still reflects the reduction in demand and stricter lending policies, partly as a reaction to rising ratios of non-performing loans. In many economies, annual credit growth remained in positive territory in 2009. Higher provisioning continues to put some pressure on profitability but indicators confirm the soundness of the banking sector. In Turkey, bank profits even increased by 44% y-o-y during January-November. Floating currencies have generally depreciated against the euro in the year to September/October 2009 but tensions on the foreign exchange and inflation sides have been avoided. Several central banks, notably in Turkey, Serbia and Albania, further reduced their core policy rates in the last quarter of 2009.

Fiscal revenues were in general significantly lower than planned and triggered a series of budget rebalancing exercises, the last revisions being adopted in December in Bosnia and

Herzegovina to comply with IMF requirements. Fiscal deficits widened everywhere, though to varying degrees depending on the impact of the crisis on fiscal revenues and the measures implemented to reduce expenditures. In Montenegro the budget surplus recorded in 2008 turned into a deficit of close to 1% of GDP in the first nine months

of 2009. Most of the national budgets adopted for 2010 tend to avoid a further deterioration and project a reduction in deficits.

Economic Indicators																
% -change compared to the same month previous year.																
	HR		FYROM		TR		AL		BiH		ME		SR		KO	
	Oct	Nov	Sep	Oct	Oct	Nov	Oct	Nov	Oct	Nov	Oct	Nov	Oct	Nov	Sep	Oct
Industrial production	-8.5	-8.5	-9.8	-0.9	6.5	n.a	n.a	n.a	-1.6	0.5	-37.7	-45.6	-6.6	-5.3	n.a	n.a
Exports, goods	-18.1	-17.1	-24.1	n.a	3.9	-5.2	0.8	n.a	-12.4	-6.5	-35.7	-36.8	1.3	n.a	-20.4	7.4
Imports, goods	-25.7	-16.1	-28.4	n.a	-14.8	4.5	-12.1	n.a	-27.2	-19.2	-26.6	-35.0	-17.1	n.a	0.7	2.9
Credit growth	-0.5	1.3	14.5	13.3	1.5	4.8	12.1	10.3	-2.8	-3.4	n.a	n.a	20.3	n.a	13.2	11.3
Deposits	-0.3	3.9	-0.3	3.6	12.4	11.9	58.0	36.9	-1.6	-2.3	n.a	n.a	16.5	n.a	n.a	n.a
Government revenues	n.a	n.a	n.a	n.a	25.8	-1.0	4.5	2.2	n.a	n.a	4.2	n.a	4.5	n.a	n.a	n.a
Central bank fx-reserves	1.6	n.a	-9.5	-7.7	-1.6	1.8	13.4	1.2	-2.7	-2.2	n.a	n.a	n.a	n.a	n.a	n.a
fx-rate vis-à-vis euro	-1.1	-2.1	0.0	0.1	-11.3	-9.4	-11.4	-11.9	0.0	0.0	n.a	n.a	-14.6	-9.0	n.a	n.a

Candidate and potential candidate countries: Summary table

	2004	2005	2006	2007	2008	ECFIN Forecast		Q2 09	Q3 09	Q4 09	Oct 09	Nov 09	Dec 09
						2009	2010						
Gross domestic product (in real terms, annual % change)													
Croatia	4.2	4.2	4.7	5.5	2.4	-5.8	0.2	-6.3	-5.7	:	n.a.	n.a.	n.a.
The former Yugoslav Republic of Macedonia	4.1	4.1	4.0	5.8	5.5	-2.0	1.5	-1.4	-1.8	:	n.a.	n.a.	n.a.
Turkey	9.4	8.4	6.9	4.7	0.9	-5.8	2.8	-7.9	-3.3	:	n.a.	n.a.	n.a.
Albania	5.7	5.7	5.4	6.0	8.0	:	:	:	:	:	n.a.	n.a.	n.a.
Bosnia and Herzegovina	6.3	3.9	6.9	6.0	5.4	:	:	:	:	:	n.a.	n.a.	n.a.
Montenegro	4.4	4.2	8.6	10.7	6.9	:	:	-3.5	-4.0	:	n.a.	n.a.	n.a.
Serbia	8.3	5.6	5.2	6.9	5.5	:	:	-4.2	-2.3	:	n.a.	n.a.	n.a.
Kosovo*	3.4	3.8	3.9	5.0	5.4	:	:	:	:	:	n.a.	n.a.	n.a.
Unemployment (LFS, in % of workforce)													
Croatia	18.0	17.9	16.6	14.8	13.2	10.0	9.8	14.4	14.3	:	15.5	16.1	:
The former Yugoslav Republic of Macedonia	37.2	37.3	36.0	34.9	33.8	35.6	36.1	31.9	31.7	:	:	:	:
Turkey	10.3	10.2	9.9	9.9	11.0	13.5	13.9	13.6	13.4	:	:	:	:
Albania	14.7	14.3	13.9	13.4	12.8	:	:	:	:	:	:	:	:
Bosnia and Herzegovina 2.1	43.1	44.7	44.2	42.9	40.6	:	:	41.6	42.1	:	42.3	:	:
Montenegro	22.3	18.5	14.7	11.9	10.7	:	:	10.3	10.4	11.3	10.5	10.9	11.3
Serbia	19.5	21.8	21.6	18.8	13.6	:	:	15.7	:	:	16.6	:	:
Kosovo* 2.1	39.7	41.4	44.9	43.6	47.5	:	:	:	:	:	:	:	:
Current account balance (% of GDP)													
Croatia	-4.5	-6.3	-7.9	-7.6	-9.2	-6.3	-6.9	-5.8	-6.2	:	n.a.	n.a.	n.a.
The former Yugoslav Republic of Macedonia	-8.4	-2.6	0.9	-7.2	-13.1	-9.6	-9.2	-13.8	-11.2	:	n.a.	n.a.	n.a.
Turkey	-3.6	-4.6	-6.1	-5.9	-5.6	-2.1	-2.8	-3.2	-2.4	:	n.a.	n.a.	n.a.
Albania	-5.8	-8.9	-6.6	-10.6	-14.8	:	:	-15.5	-16.5	:	n.a.	n.a.	n.a.
Bosnia and Herzegovina	-16.3	-17.3	-7.9	-10.4	-14.9	:	:	-11.6	-9.1	:	n.a.	n.a.	n.a.
Montenegro	-7.2	-8.5	-24.7	-30.8	-32.6	:	:	-22.3	-17.6	:	n.a.	n.a.	n.a.
Serbia	-13.4	-8.3	-9.4	-14.9	-17.6	:	:	-11.4	-7.1	:	n.a.	n.a.	n.a.
Kosovo*	-9.9	-9.9	-10.6	-12.6	-19.4	:	:	:	:	:	n.a.	n.a.	n.a.
Inflation (Consumer price index, annual % change)													
Croatia	2.0	3.3	3.2	2.9	6.1	2.6	3.0	2.8	1.2	:	1.2	1.9	:
The former Yugoslav Republic of Macedonia	-0.4	0.5	3.2	2.3	8.3	-0.6	1.1	-0.6	-1.4	-2.1	-2.4	-2.3	-1.6
Turkey	8.6	8.2	9.6	8.8	10.4	6.1	5.6	5.7	5.3	5.7	5.1	5.5	6.5
Albania	2.9	2.4	2.4	2.9	3.4	:	:	2.1	2.1	:	2.3	2.8	:
Bosnia and Herzegovina	0.5	4.3	6.1	1.5	7.4	:	:	-1.0	-1.4	:	-1.4	-0.7	:
Montenegro	2.2	2.4	3.0	4.3	7.4	:	:	4.3	2.3	:	1.7	2.3	:
Serbia	9.8	16.1	11.8	6.4	12.9	:	:	8.1	7.7	5.8	5.0	5.8	6.6
Kosovo*	-1.1	-1.4	0.6	4.4	9.4	:	:	-3.9	-3.1	:	-2.6	-1.3	:
General government balance (% of GDP)													
Croatia	-4.6	-3.5	-3.1	-2.6	-1.4	-3.7	-3.0	:	:	:	n.a.	n.a.	n.a.
The former Yugoslav Republic of Macedonia	0.0	0.2	-0.5	0.6	-0.9	-4.0	-3.5	:	:	:	n.a.	n.a.	n.a.
Turkey	-4.5	-0.6	1.2	-1.0	-2.2	-7.9	-6.8	:	:	:	n.a.	n.a.	n.a.
Albania	-5.1	-3.6	-3.2	-3.5	-5.5	:	:	:	:	:	n.a.	n.a.	n.a.
Bosnia and Herzegovina	1.6	2.4	2.9	1.3	-2.0	:	:	:	:	:	n.a.	n.a.	n.a.
Montenegro	-2.6	-2.3	2.7	6.7	0.5	:	:	0.4	-1.0	:	n.a.	n.a.	n.a.
Serbia	0.9	0.9	-1.6	-2.0	-2.5	:	:	-1.5	:	:	n.a.	n.a.	n.a.
Kosovo*	-4.5	-1.9	2.5	7.1	-0.2	:	:	0.6	0.1	:	n.a.	n.a.	n.a.

f: ECFIN forecast Autumn 2009

* as defined by UNSCR 1244

CROATIA



Recent economic and political developments

The government's proposal for the 2010 budget was adopted by the Parliament on 2 December. The general government deficit is projected at 2.7% of GDP, compared to the planned 2009 target of 2.9%.

Progress has been made in Croatia's accession process. During the intergovernmental conferences on 27 November and 21 December five policy chapters were closed (among which financial services, energy, and social policy and employment), bringing the number of closed chapters to 17.

The EU adopted a financial package for Croatia covering the first two years of its membership and amounting to EUR 3.57 billion, most of which will be available through cohesion and structural funds.

The first round of presidential elections was held on 27 December, but none of the 12 candidates reached the necessary threshold of 50% plus one vote, as expected. The two candidates with most of the votes, Ivo Josipovic from the Social Democrats (32.4%) and the independent Milan Bandic (14.8%) will compete in the second round of elections scheduled for 10 January.

Output and demand

The effects of the global crisis on the Croatian economy have continued to be felt in the third quarter, when real GDP declined by 5.7% year-on-year, after the 6.3% drop in the second quarter. The contraction in output was mainly driven by a considerable drop in domestic demand. Private consumption decreased by around 6.9% year-on-year and real investment by 10.5%. The decline was however less strong compared to the first half of the year. Nonetheless, domestic demand again posted a large negative contribution to GDP growth. At the same time total imports declined by 23.5% while total exports fell by 17.6%, resulting in a positive contribution of net exports to GDP growth, by 2.2 percentage points.

On the supply side, the strongest decline of economic activity was recorded in wholesale and retail trade (12.5% year-on-year), followed by mining and quarrying, manufacturing, electricity, gas and water supply (8.1%), and transport, storage and communication as well as construction activity (both 6.8%). The hotels and restaurants sector was less severely affected with a decline in real value added by 2.1%.

High frequency indicators suggest a continued contraction of the economy in the fourth quarter. Retail trade and construction output declined by 15.4% and 15.7% year-on-year, respectively, in October, and industrial production shrank by 8.5% in November.

Labour market

According to the latest data obtained from the labour force survey, the unemployment rate stood at 8.9% in the second quarter, compared to 7.9% in the same period a year ago. More recent data on officially registered unemployment confirm that the economic downturn has started to affect the labour market. In the twelve months to November, the number of unemployed had increased by around 20%, and the officially registered unemployment rate climbed to 16.1%. This is three percentage points higher compared to the same month a year before. The number of employed declined by 5.4% in the twelve months to November.

The growth of average gross wages decelerated further to 0.3% year-on-year in October, from an average growth of 1.4% year-on-year in the third quarter. Deflated by consumer price inflation, this translates into a real wage decline of 0.9% year-on-year.

International transactions

In line with the usual seasonal pattern and largely influenced by tourism, the current account recorded a surplus in the third quarter. However, the surplus was lower than a year before (by 7.5%), as net revenues from services dropped significantly by 19% year-on-year.

Moreover, the deficit in the income balance increased by 37% year-on-year, also reflecting higher net factor income payments on external debt. Also, net transfers declined by close to 9%. As a result, the annualised current account deficit, calculated as a four quarter moving average, increased from 5.8% of GDP in the second quarter to 6.2% in the third quarter. More recent merchandise trade data suggest a narrowing of the current account deficit in the fourth quarter, as the trade deficit declined by around 23% in October/November.

The financial account recorded a deficit equivalent to 1.6% of GDP in the third quarter. Both portfolio investments and FDI recorded net outflows, while net inflows continued through other investments, including cross border lending, although at a much reduced pace compared to a year ago.

Official reserves of the Croatian National Bank continued to recover and reached EUR 10.1 billion at end-November, equivalent to around 5.5 months of imports. The stock of external debt continued to increase, by 18% year-on-year, to EUR 42.8 billion or close to 95% of GDP at the end of the third quarter. At end-2008, external debt stood at 83.8% of GDP. External debt dynamics were largely driven by foreign borrowing of the non-financial corporate sector, mostly in the form of direct investments. At the same time, foreign outstanding liabilities of the general government and the financial sector did not change significantly.

Prices

CPI inflation accelerated to 1.9% year-on-year in November, from 1.2% a month before. This was mainly driven by price increases in housing and utilities as well as health services.

As a result of shrinking domestic demand and easing price pressures, annual average inflation came down to 2.5% in November, significantly lower than the 6.1% average inflation recorded in 2008.

Monetary and financial indicators

Annual domestic credit growth stood at a low 1.3% year-on-year in November, mainly due to a

decline in outstanding credit to the private household sector (-0.3%), while credits to the non-financial corporate sector grew by 3.5%.

The Kuna's exchange rate vis-à-vis the euro came under mild depreciation pressure. It lost some 0.4% in the fourth quarter, following an appreciation of 0.1% during the previous quarter. The average exchange rate stood at 7.2912 Kuna/Euro in December, compared to 7.2067 Kuna/Euro in the same month a year before.

Short term interest rates declined significantly from 5.8% in November to 4.2% in December, also as a result of central bank money market operations. However, interest rates for household and corporate sector loans appear to remain relatively elevated compared to pre-crisis levels.

The Croatian stock market index lost some 8.8% during the fourth quarter. However, during the year 2009 it had recovered by 16%.

General government finance

The budget outcome in the first three quarters of 2009 revealed continuing fiscal pressures, in particular on the spending side. Total general government expenditure increased by 6.4% year-on-year, while budget revenues declined by 6.5%. The budget balance turned into a deficit, equivalent of 2.7% of projected GDP. Thus, it almost reached the planned deficit level for the whole year, which was set at 2.9% of GDP (in GFS terms) in the context of the third budget revision approved in July.

The government's proposal for the 2010 budget was adopted by the Parliament on 2 December. The budget is based on the assumption of a 0.5% real GDP growth rate and a 3% inflation rate. Total revenues are planned to increase by 1.5%, whereas total spending is set to rise by 0.7%. The general government deficit is projected at 2.7% of GDP.

The stock of general government debt increased by 5.8% year-on-year in the twelve months to August, and reached a level equivalent to 32.7% of GDP. In the same period, total public debt, including state guarantees, climbed by over 19%, thereby reaching close to 43% of GDP.

TABLE



European Commission, ECFIN-D-1

CROATIA

		2005	2006	2007	2008	2009	ECFIN Forecast							
							2009	2010	Q2 09	Q3 09	Q4 09	Oct 09	Nov 09	Dec 09
1 Output and demand														
Industrial outlook ^{1.1}	Balance	N.A.	N.A.	70.9	38.0	-33.3	:	:	-60.0	-42.0	9.0	N.A.	N.A.	N.A.
Industrial production ^{1.2}	Ann. % ch	5.1	4.5	5.6	1.6	N.A.	:	:	-9.5	-9.0	:	-8.5	-8.5	N.A.
Gross domestic product ^{1.3}	Ann. % ch	4.2	4.7	5.5	2.4	N.A.	-5.8	0.2	-6.3	-5.7	:	N.A.	N.A.	N.A.
Consumer confidence ^{1.4}	Balance	N.A.	N.A.	N.A.	N.A.	N.A.	:	:	:	:	:	N.A.	N.A.	N.A.
Private consumption ^{1.5}	Ann. % ch	4.4	3.5	6.2	0.8	N.A.	-7.0	0.5	-9.4	-6.9	:	N.A.	N.A.	N.A.
Gross fixed capital formation ^{1.6}	Ann. % ch	4.9	10.9	6.5	8.2	N.A.	-13.0	1.0	-12.7	-10.5	:	N.A.	N.A.	N.A.
Change in stocks ^{1.7}	% of GDP	1.7	2.0	2.7	3.2	N.A.	:	:	1.6	1.4	:	N.A.	N.A.	N.A.
2 Labour market														
Unemployment ^{2.1}	%	17.9	16.6	14.8	13.2	N.A.	10.0	9.8	14.4	14.3	:	15.5	16.1	:
Employment ^{2.2}	Ann. % ch	0.8	3.3	3.3	2.5	N.A.	-1.0	0.5	-2.7	-4.1	:	-5.0	-5.4	:
Wages ^{2.3}	Ann. % ch	4.4	6.2	6.2	7.1	N.A.	1.5	3.3	3.4	1.4	:	0.3	:	:
3 International transactions														
Exports of goods ^{3.1}	Ann. % ch	9.3	17.2	8.6	6.8	:	:	:	-23.7	-30.9	:	-18.1	-17.1	:
Imports of goods ^{3.2}	Ann. % ch	10.6	14.0	10.8	10.6	:	:	:	-30.1	-31.1	:	-25.7	-16.1	:
Trade balance ^{3.3}	% of GDP	-24.0	-24.4	-22.0	-22.8	N.A.	-17.3	-18.2	-19.0	-17.5	:	N.A.	N.A.	N.A.
Exports goods and services ^{3.4}	% of GDP	42.6	43.4	42.8	41.9	N.A.	:	:	39.8	37.3	:	N.A.	N.A.	N.A.
Imports goods and services ^{3.5}	% of GDP	49.1	50.4	50.4	50.3	N.A.	:	:	44.7	41.6	:	N.A.	N.A.	N.A.
Current account balance ^{3.6}	% of GDP	-6.3	-7.9	-7.6	-9.2	N.A.	-6.3	-6.9	-5.8	-6.2	:	N.A.	N.A.	N.A.
Direct investment (FDI, net) ^{3.7}	% of GDP	4.1	7.5	8.1	6.8	N.A.	:	:	4.6	4.0	:	N.A.	N.A.	N.A.
4 Prices														
CPI ^{4.1}	Ann. % ch	3.3	3.2	2.9	6.1	N.A.	2.6	3.0	2.8	1.2	:	1.2	1.9	:
GDP Deflator ^{4.2}	Ann. % ch	3.3	3.4	4.0	6.4	N.A.	2.8	3.0	3.7	1.4	:	:	:	:
Producer prices ^{4.3}	Ann. % ch	:	:	:	:	:	:	:	-0.6	-2.3	:	-1.4	0.2	:
Import prices ^{4.4}	Ann. % ch	:	:	:	:	:	:	:	:	:	:	:	:	:
5 Monetary and financial indicators														
Interest rate (3 months) ^{5.1}	% p.a.	6.21	4.46	5.66	7.19	8.96	:	:	9.82	9.63	6.21	8.65	5.81	4.16
Bond yield ^{5.2}	% p.a.	N.A.	N.A.	N.A.	5.9	6.4	:	:	6.2	6.7	6.8	7.3	6.8	6.3
Stock markets ^{5.3}	Index	1,920	2,771	4,673	3,299	1,871	:	:	1,878	2,028	2,072	2,145	2,067	2,004
M4 ^{5.4}	Ann. % ch	9.6	14.3	17.9	10.9	:	:	:	2.1	-0.7	:	-1.0	2.5	:
Exchange rate HRK/EUR ^{5.5}	Value	7.39	7.30	7.33	7.22	7.34	:	:	7.36	7.32	7.27	7.24	7.29	7.29
Nominal eff. exchange rate ^{5.6}	Index	90.4	89.3	87.3	84.3	:	:	:	87.62	85.98	:	84.23	:	:
6 Government balance and debt														
General government balance ^{6.1}	% of GDP	-3.5	-3.1	-2.6	-1.4	:	-3.7	-3.0	:	:	:	N.A.	N.A.	N.A.
General government debt ^{6.2}	% of GDP	38.3	35.7	33.0	33.5	:	37.8	39.2	:	:	:	N.A.	N.A.	N.A.

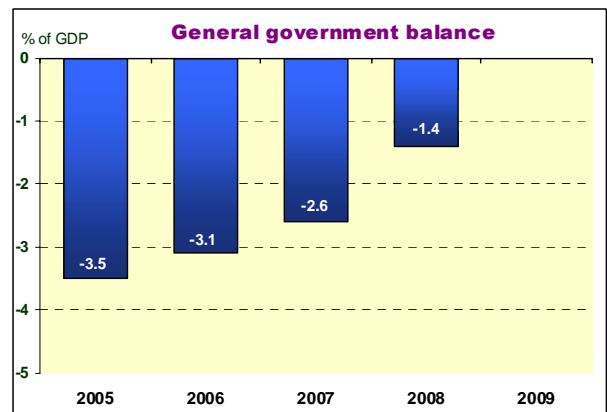
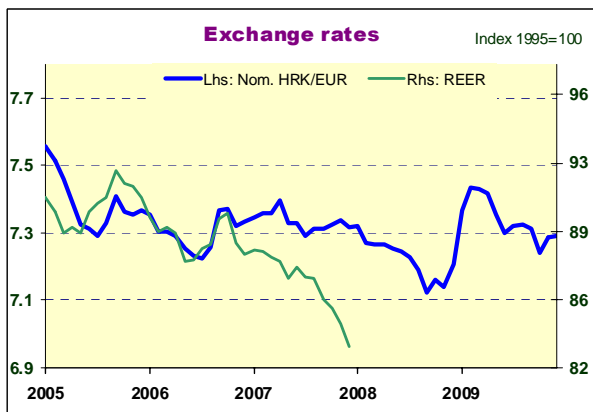
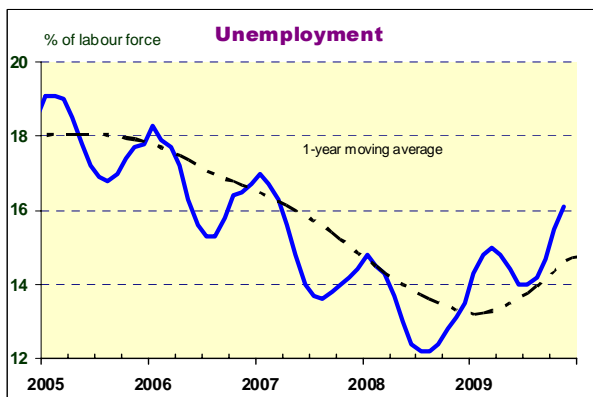
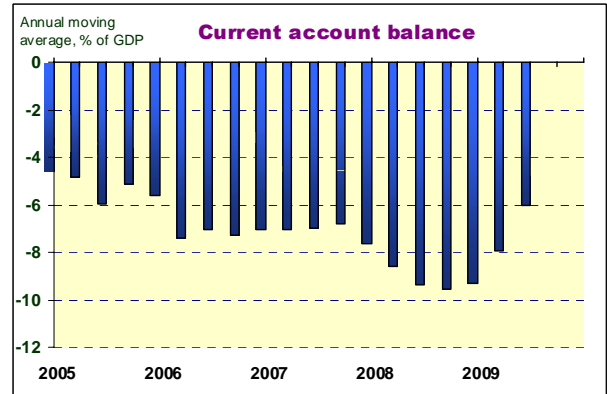
f: ECFIN forecast Autumn 2009

CHARTS



European Commission, ECFIN-D-1

CROATIA



THE FORMER YUGOSLAV REPUBLIC OF MACEDONIA



Recent economic and political developments

On 24 December, the parliament adopted the budget for 2010, envisaging a deficit of 2.5% of GDP. This deficit target is based on expected GDP growth of 2% and of an inflation rate of also 2%. Revenues are expected to increase by 3.4%, while expenditure is planned to rise by 2.8%.

On 5 January, the Central Bank lowered its key policy interest rate, the rate for 28-day central bank bills, from 8½% to 8%. This step reflects increased confidence in the stability of the exchange rate.

Output and demand

Output contraction continued in the third quarter, with a year-on-year decline in GDP by 1.8%, after a drop by 1.4% and 0.9% in the second and first quarter, respectively. The main source of output decline in the third quarter was investment, which dropped by 24%. Private consumption shrank by about 1%, while public consumption rose by 1.5%. Exports of goods and services declined by nearly 13%. However, imports declined by more than 15%, largely compensating the drop in investment and exports. For the first 3 quarters, this implies a GDP decline by 1.4%, compared to the same period the year before.

Industrial production, which accounts for some 20% of total value added, recovered in November, but the overall output level of the first 11 months of the year is still some 10% below its level a year before. In 2008, industrial productions had expanded by 6%, compared to 4% the year before. While in 2008 metal production had been one of the main drivers of growth, it has been one of the main factors for the strong decline this year.

Labour market

According to official statistics, the labour market situation continued to improve. However, in some sectors, such as trade, a significant share of employment gains probably is due to a methodological change.

In the third quarter of 2009, the labour force survey reports an increase in employment by 3.7% year-on-year, and a drop in the number of unemployed by 2.3%. As a result, the unemployment rate declined, from 33.0% in the third quarter of 2008 to 31.7% this year. This improvement is remarkable given the clear deterioration in the economic environment. Public spending seems to have been an important factor behind this favourable development. Compared to last year, about 23.000 more persons were registered as employed. The sectors with the biggest employment increases were trade (+13.000 persons), financial intermediation (+10.000 persons) and public administration (+8.000 persons, mainly on municipal level), while manufacturing and agriculture were the sectors with the biggest job losses (-7.000 and -3.000 persons, respectively). About 20% of the unemployed are between 15-24 years old. Unemployment in this age group increased, from 53.9% in the third quarter of 2008 to 54.6% the third quarter this year. Nominal wages rose by more than 13% in the third quarter of 2009. However, a large part of this increase is due to a methodological change, i.e. switching from calculating wages on net terms to a gross wage concept.

International transactions

The current account registered in the third quarter a surplus of 1½% of the estimated GDP for 2009, after deficits of 5¼% and 1½% of GDP in the first and the second quarters. A year before, the quarterly current account was in deficit by about 1% of the full-year GDP. The

main reason for the surplus in the third quarter was a strong decline in imports – by 5 percentage points of GDP compared to a year before -, while exports were only 3¼ percentage points lower. Furthermore, private transfers were about 1 percentage point of GDP higher than a year before. On the financing side, the most noteworthy developments were a strong increase in portfolio and other investment (by some 3% of GDP) while FDI inflows remained low, at less than ¼% of GDP. The surplus in the current account helped to increase foreign exchange reserves to some EUR 1.5 bn, i.e., some 23% of GDP.

Overall, the current account deficit for the first three quarters was at 5¼% of the estimated GDP, compared to 7% a year before. Like in the third quarter, the main reason for this improvement is a strong decline in imports in the second and third quarter. Inflows of private transfers, which in 2009 amounted to some 14% of GDP, were slightly below pre-year levels in the first and second quarter of 2009. However, strong inflows in the third quarter more than compensated this development, so that by end-September, private transfers were about a ½ percentage point higher than a year before.

Prices

Consumer prices declined by 1.6 in December. As a result, the average price level in 2009 was 0.8% lower than a year ago. Like in the past, the main factors for this decline were prices for food and transport. Prices for housing and energy rose by nearly 6% compared to 2008.

Monetary and financial indicators

Monetary conditions remained tight until October. Average weighted nominal lending rates rose from 9.7% at the beginning of the year to 10.3% in September, but dropped slightly to 10.2% in November. Interest rates on deposits increased from 6.8% in January to 7.2% in November. The spread between lending and borrowing rates thus remained largely unchanged at about 3 percentage points. The overall credit-to-GDP level is still relatively low at some 44% of GDP. Year-on-year growth of M4 decelerated during the first three quarters, from 7.9% in the first quarter to 2.7% in the second and -0.9% in the third quarter. However, in October and November, growth in M4

accelerated again, by 2.4% and 5.9% respectively.

The exchange rate of the Denar has remained largely unchanged against the euro on a level of 61.4 MKD/EUR. However, during 2009, the Central Bank had to intervene more frequently than in the past to maintain the stability of the exchange rate to the euro. The Central Bank continues to be strongly committed to maintain the current informal peg to the euro.

Foreign exchange reserves have recovered to € 1.5 bn end of November (some 23% of GDP), after a sharp decline during the first months of the year. The increase is largely due to funds, stemming from a € 175 mn Eurobond issue in summer and a favourable development in trade and private transfers. As a result of the increase in reserves and of declining imports, the import coverage through foreign exchange reserves has recovered to some 5 months of imports.

By end-September 2009, gross external debt amounted to about 58% of GDP, compared to some 50% of GDP a year before.

General government finance

Revenues remained significantly below plans in the first eleven months of 2009. In particular, VAT revenues, which are the most important single tax revenue, are about 10% lower than a year before. The sharp decline in indirect tax revenues most likely reflects the slowdown of economic activity due to the impact of the global financial crisis. Spending continued to increase by some 10%, mainly due to increased spending for public sector wages and pensions. As a result, public sector accounts registered in the first nine months of 2009 an annualised deficit of about 2¾% of the expected GDP.

On 24 December, the parliament adopted the budget for 2010, envisaging a deficit of 2.5% of GDP. This deficit target is based on expected GDP growth of 2% and of an inflation rate of also 2%. Revenues are expected to increase by 3.4%, while expenditure is planned to rise by 2.8%.

The general government debt increased during the first 11 months of 2009 to around 25% of GDP, compared to 21% in 2008. However, the definition of this aggregate is not yet in line with ESA 95.

TABLE



European Commission, ECFIN-D-1

The former Yugoslav Republic of Macedonia

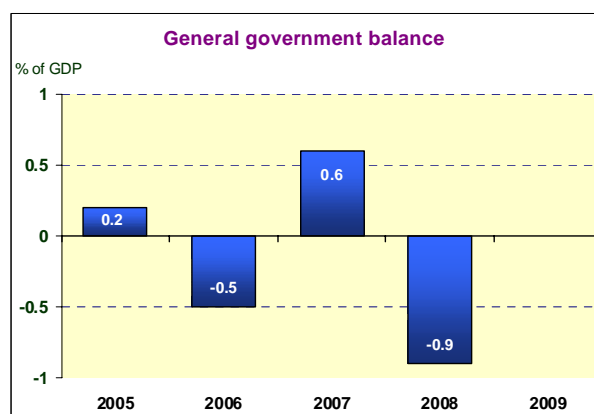
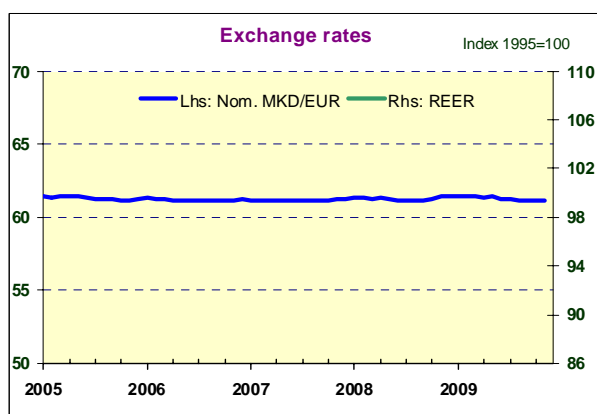
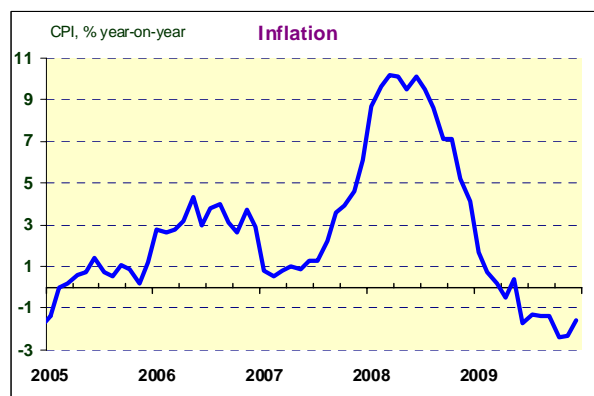
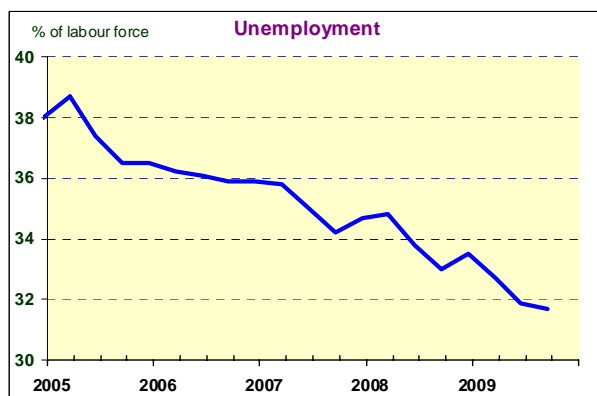
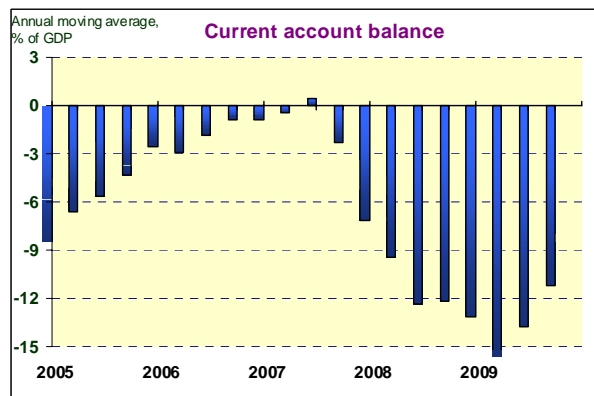
		2005	2006	2007	2008	2009	ECFIN Forecast							
							2009	2010	Q2 09	Q3 09	Q4 09	Oct 09	Nov 09	Dec 09
1 Output and demand														
Industrial confidence ^{1.1}	Balance	N.A.	N.A.	N.A.	N.A.	N.A.	:	:	:	:	:	:	:	:
Industrial production ^{1.2}	Ann. % ch	7.2	2.3	4.1	5.9	:	:	:	-13.1	-13.2	:	-0.9	4.3	:
Gross domestic product ^{1.3}	Ann. % ch	4.1	4.0	5.8	5.5	:	-2.0	1.5	-1.4	-1.8	:	N.A.	N.A.	N.A.
Consumer confidence ^{1.4}	Balance	N.A.	N.A.	N.A.	N.A.	N.A.	:	:	:	:	:	:	:	:
Private consumption ^{1.5}	Ann. % ch	5.7	6.0	9.8	7.8	:	-1.0	1.5	-2.5	-0.9	:	N.A.	N.A.	N.A.
Gross fixed capital formation ^{1.6}	Ann. % ch	-5.4	11.6	13.3	16.5	:	-18.0	1.0	-20.9	-24.1	:	N.A.	N.A.	N.A.
Change in stocks ^{1.7}	% of GDP	3.7	3.7	4.0	4.9	:	:	:	:	:	:	N.A.	N.A.	N.A.
2 Labour market														
Unemployment ^{2.1}	%	37.3	36.0	34.9	33.8	:	35.6	36.1	31.9	31.7	:	:	:	:
Employment ^{2.2}	Ann. % ch	4.3	4.6	3.5	3.2	:	-2.7	-0.5	4.8	3.7	:	:	:	:
Wages ^{2.3}	Ann. % ch	2.7	8.0	4.8	8.7	:	1.4	0.5	17.9	13.3	:	8.5	:	:
3 International transactions														
Exports of goods ^{3.1}	Ann. % ch	22.2	15.8	28.3	9.9	:	:	:	-33.2	-28.6	:	:	:	:
Imports of goods ^{3.2}	Ann. % ch	10.7	16.9	23.7	22.6	:	:	:	-30.8	-28.5	:	:	:	:
Trade balance ^{3.3}	% of GDP	-18.4	-20.1	-20.3	-26.9	:	-22.6	-21.9	-25.8	-24.0	:	N.A.	N.A.	N.A.
Exports goods and services ^{3.4}	% of GDP	43.2	46.9	53.4	52.7	:	:	:	44.9	41.4	:	N.A.	N.A.	N.A.
Imports goods and services ^{3.5}	% of GDP	62.1	66.5	72.3	78.7	:	:	:	69.6	64.3	:	N.A.	N.A.	N.A.
Current account balance ^{3.6}	% of GDP	-2.6	0.9	-7.2	-13.1	:	-9.6	-9.2	-13.8	-11.2	:	N.A.	N.A.	N.A.
Direct investment (FDI, net) ^{3.7}	% of GDP	1.6	6.8	8.8	6.3	:	:	:	4.0	2.8	:	N.A.	N.A.	N.A.
4 Prices														
CPI ^{4.1}	Ann. % ch	0.5	3.2	2.3	8.3	-0.8	-0.6	1.1	-0.6	-1.4	-2.1	-2.4	-2.3	-1.6
GDP Deflator ^{4.2}	Ann. % ch	3.8	4.4	7.6	7.2	:	1.4	1.3	3.5	1.3	:	:	:	:
Producer prices ^{4.3}	Ann. % ch	3.2	4.5	1.6	10.4	:	:	:	-8.8	-10.1	:	-5.9	1.4	:
Import prices ^{4.4}	Ann. % ch	:	:	:	:	:	:	:	:	:	:	:	:	:
5 Monetary and financial indicators														
Interest rate (3 months) ^{5.1}	% p.a.	9.95	6.40	5.60	6.69	:	:	:	9.11	:	:	:	:	:
Bond yield ^{5.2}	% p.a.	N.A.	N.A.	N.A.	N.A.	N.A.	:	:	:	:	:	:	:	:
Stock markets ^{5.3}	Index	1,930	3,219	6,971	5,149	:	:	:	2,174	2,608	:	3,486	3,260	:
M4 ^{5.4}	Ann. % ch	15.1	10.0	28.9	21.3	:	:	:	2.7	-0.8	:	2.4	:	:
Exchange rate MKD/EUR ^{5.5}	Value	61.30	61.19	61.18	61.26	:	:	:	61.34	61.18	:	61.17	61.17	:
Nominal eff. exchange rate ^{5.6}	Index	104.7	104.9	104.5	105.6	:	:	:	111.6	:	:	N.A.	N.A.	N.A.
6 Government balance and debt														
General government balance ^{6.1}	% of GDP	0.2	-0.5	0.6	-0.9	:	-4.0	-3.5	:	:	:	N.A.	N.A.	N.A.
General government debt ^{6.2}	% of GDP	39.6	31.4	23.4	21.4	:	25.5	28.3	:	:	:	N.A.	N.A.	N.A.

f: ECFIN forecast Autumn 2009

CHARTS



The former Yugoslav Republic of Macedonia



TURKEY



Recent economic and political developments

In early December 2009, Fitch upgraded Turkey's sovereign ratings by two notches. This upgrade reflected Turkey's relative resilience to the global financial crisis and some easing in prior acute constraints related to inflation, external finances and the political risk. Fitch attributed much of this resilience to the strength of the Turkish banking sector but expressed concerns about Turkey's public finances due to a widening budget deficit and a heavier debt burden.

In the December Monetary Policy Committee meeting, the Turkish central bank confirmed that the economic activity is on a moderate but stable upward trend, thanks to the recovery of industrial production and private investment. The bank stopped the easing process begun in November 2008, but emphasized that given the still moderate inflation and the below-potential growth, it would keep its policy rates at low levels for a long time.

In early January, both Economy Minister Babacan and Prime Minister Erdogan considered favourably the possibility of a new stand-by agreement with the IMF. Such an agreement would boost the recovery prospects by increasing confidence.

Output and demand

GDP contracted by 3.3% y-o-y in the third quarter of 2009 and by 8.4% y-o-y in the first nine months of the year. GDP grew 2.7% q-o-q when adjusted for seasonality and working days. The industrial production index rose strongly in October, by as much as 6.5% y-o-y. The first and second quarter's data, which underwent major revisions, seem to point to a broad-based improvement across almost all sectors. Agriculture and banking had the largest positive contributions to output growth. As regards the demand components, the 0.9% y-o-y contraction (compared to 1.5% in the second quarter) in domestic demand was better than expected. A sizeable contribution came from the consumption of durable goods, much higher than in the second quarter, which may suggest that the better-than-expected outcome was related to the tax breaks which largely expired during the final quarter of 2009. Public consumption performed

well in the third quarter and added half a percentage point to annual GDP growth. Conversely, although private investment remained weak, its contraction lost pace while the opposite was true for the public sector fixed investments, which contracted by over 10% y-o-y in the third quarter (adding -0.4 ppt to growth). Net exports' contribution to growth declined further to 2ppt but remained positive. After three quarters, the inventory depletion appears to have come to an end.

The monthly real sector confidence index, which had been falling since August 2009, rose slightly in December, although it does not yet indicate an optimistic outlook. All components of the index, except the total employment component, registered improvements. Among the factors limiting production, insufficient demand was by far the most important one. The financial constraints factor was the least important after labour shortage, confirming the recently released results of the World Bank's Enterprise Financial Crisis Survey that despite the severity of the credit crunch, for most firms, contraction in demand was by far the biggest problem.

Labour market

Labour market conditions deteriorated in tandem with the slump in economic activity. The unemployment rate amounted to 13.4% in September, unchanged from August, but up 2.7 ppt y-o-y. The number of unemployed increased by 800,000 in one year, to reach 3.4 million. Only 31% of the total population and about 21% of all women is employed in Turkey. Of the working population, 26.1% are employed in agriculture, 19.2% in the industry, 6.1% in construction and 48.6% in the service sector. Agricultural sector workers increased by 1.1 ppt and service sector workers by 0.4 ppt, while the industrial employment declined by 1.5 ppt y-o-y.

Real wages and productivity in the industry (production per hour worked) fell by respectively 9% and 2% y-o-y in the second quarter of 2009, down from an annual decline of respectively 5.4% and 6.8% in 2008.

International transactions

The trade deficit declined by more than half in the year to October 2009. In October 2009 exports rose by 3.9% y-o-y, the first increase in more than a year. Exports to the EU rose by 15% (y-o-y), the highest growth rate since July 2008. Textile, clothing and car exports jumped approximately by 20% y-o-y. On the other hand, basic metal and petroleum products exports contracted approximately by 20% y-o-y in October. Imports continued to decrease, falling by 15% y-o-y. Consumption goods imports rose by 3.1% in October, while the pace of intermediate and investment goods deceleration eased.

The 12-month current account deficit declined by over 25% in October 2009 (m-o-m) and over half compared with the same period of 2008.

During January-Oct 2009, FDI inflows decreased by 59% to EUR 4.4 billion compared to the same period last year. In the year to November 2009, the central bank's international reserves increased by around USD 1.3 billion, and remained relatively comfortable at around USD 70 billion. This equals 5.5 months of imports and one fourth of total external debt.

Prices

In recent months, consumer prices continued to fall, and CPI inflation amounted to 5.3% in September, down from 11.8% a year earlier. Unprocessed food prices are still up by over 16% year-on-year, in spite of a fall by 3.4% m-o-m. Also, despite the 0.3% monthly rise in processed food prices, they fell by almost 2% over the past year. Meanwhile, the energy market regulatory authority approved a 21.8% hike in wholesale electricity prices, and a 10% increase in retail prices is expected to be implemented as of October. The annual producer price inflation turned back to positive territory and amounted to 0.5%. This compares with a 14% producer price inflation in September 2008. The services price inflation, which is more rigid and traditionally higher than most other deflators in Turkey fell to 5.6% in the year to September. There were virtually no signs of exchange rate pass-through and weak demand conditions seemed to remain the dominating factor. The core CPI fell to 3.4% year-on-year in September from a trough of 3.8% in August, but remains significantly lower than the 7% registered in September last year. Going forward, annual inflation is likely to be challenged by the

phasing-out of the temporary consumption tax cuts and the base effect.

Monetary and financial indicators

In 2009, the Turkish Lira depreciated by about 13% against the euro. The Eurobond-30 yield of Turkey did not change significantly during the same period. The recent rating upgrades had only a minor impact on Turkey's financial indicators. The rise in the domestic benchmark bond yield, which began in mid-October, continued during November and December. Consequently, the spread between the benchmark and overnight rates rose to about 3% at the end of December from 1% in October as the central bank has continued to cut rates, by a cumulative 1100 bps since November 2008. After the central bank signalled that the easing cycle was over, interest rates for all maturities increased. While annual CPI rose in November and December, ex-post real interest rate fell to 3% in November.

General government finance

The government budget has been deteriorating since 2007, and the deterioration has become more pronounced in 2009 when tax revenues were almost flat y-o-y in the first 11 months and structural increases in expenditures led to a double-digit increase in public spending. The 5% decrease in social security contributions, the increase in transfers to municipalities, and measures to support flexible working cause the budget deficit to soar.

The central government deficit target for 2009 set at -6.6% of GDP in the medium-term programme seems on track. The social security system remains Achilles heel of public finances with a deficit of around 3.5% of GDP in 2009 burdened by lower revenues and a recent discount on part-time work contributions of 5 points. As of November, the public debt stock rose by around 16% y-o-y and currently amounts to about 48% of GDP. In late December 2009, the Parliament adopted a 2010 budget, which projects a deficit of 4.9% of GDP, based on the assumption of a 3.5% GDP growth in 2010. The significant increase in pensions in 2010 decided by the government in early January is not budgeted. It would imply a 4.5% hike for the highest pensions and a 20.4% hike for the lowest pensions. In the second half of the year, an additional 3% will be provided for all. The cost of the hikes would be TRL3bn or about EUR1.5bn (0.2-0.3% of GDP).

TABLE



TURKEY

European Commission, ECFIN-D-1

		2005	2006	2007	2008	2009	ECFIN Forecast		Q2 09	Q3 09	Q4 09	Oct 09	Nov 09	Dec 09
							2009	2010						
1 Output and demand														
Industrial confidence ^{1.1}	Balance	102.8	102.4	110.3	89.0	87.1	:	:	93.8	98.8	92.5	94.0	91.2	92.2
Industrial production ^{1.2}	Ann. % ch	:	7.8	6.9	-0.9	:	:	:	-15.3	-8.1	:	6.5	:	:
Gross domestic product ^{1.3}	Ann. % ch	8.4	6.9	4.7	0.9	:	-5.8	2.8	-7.9	-3.3	:	N.A.	N.A.	N.A.
Consumer confidence ^{1.4}	Balance	100.1	95.6	94.4	78.2	:	:	:	83.1	81.9	:	80.5	78.4	:
Private consumption ^{1.5}	Ann. % ch	7.9	4.6	4.6	0.8	:	-4.9	2.2	-1.5	-0.9	:	N.A.	N.A.	N.A.
Gross fixed capital formation ^{1.6}	Ann. % ch	17.4	13.3	5.4	-7.1	:	-20.6	3.1	-24.3	-18.0	:	N.A.	N.A.	N.A.
Change in stocks ^{1.7}	% of GDP	-1.0	-0.2	-0.4	1.9	:	:	:	-1.1	-2.6	:	N.A.	N.A.	N.A.
2 Labour market														
Unemployment ^{2.1}	%	10.2	9.9	9.9	11.0	:	13.5	13.9	13.6	13.4	:	:	:	:
Employment ^{2.2}	Ann. % ch	1.7	-0.4	-3.6	1.3	:	-1.3	0.9	-1.8	0.2	:	:	:	:
Wages ^{2.3}	Ann. % ch	12.4	11.0	9.5	11.3	:	-1.2	6.4	11.8	:	:	:	:	:
3 International transactions														
Exports of goods ^{3.1}	Ann. % ch	16.6	14.8	14.9	14.8	:	:	:	-25.2	-26.9	:	-7.0	-19.2	:
Imports of goods ^{3.2}	Ann. % ch	20.1	17.7	11.6	10.4	:	:	:	-32.4	-30.9	:	-23.7	-10.9	:
Trade balance ^{3.3}	% of GDP	-6.9	-7.8	-7.2	-7.1	:	-3.6	-4.2	-4.9	-4.1	:	N.A.	N.A.	N.A.
Exports goods and services ^{3.4}	% of GDP	21.9	22.7	22.3	23.9	:	:	:	23.9	23.4	:	N.A.	N.A.	N.A.
Imports goods and services ^{3.5}	% of GDP	25.4	27.6	27.5	28.4	:	:	:	25.8	24.5	:	N.A.	N.A.	N.A.
Current account balance ^{3.6}	% of GDP	-4.6	-6.1	-5.9	-5.6	:	-2.1	-2.8	-3.2	-2.4	:	N.A.	N.A.	N.A.
Direct investment (FDI, net) ^{3.7}	% of GDP	1.9	3.6	3.1	2.1	:	:	:	1.7	1.5	:	N.A.	N.A.	N.A.
4 Prices														
CPI ^{4.1}	Ann. % ch	8.2	9.6	8.8	10.4	6.3	6.1	5.6	5.7	5.3	5.7	5.1	5.5	6.5
GDP Deflator ^{4.2}	Ann. % ch	7.1	9.3	6.2	11.7	:	5.6	5.8	-2.1	-1.7	:	:	:	:
Producer prices ^{4.3}	Ann. % ch	5.9	9.3	6.3	12.7	1.2	:	:	-1.6	-1.5	2.5	0.2	1.5	5.9
Import prices ^{4.4}	Ann. % ch	7.0	8.6	9.7	20.0	:	:	:	-27.1	-25.7	:	-13.8	:	:
5 Monetary and financial indicators														
Interest rate (3 months) ^{5.1}	% p.a.	16.74	18.07	18.85	18.04	10.68	:	:	11.16	9.31	7.98	8.20	7.91	7.82
Bond yield ^{5.2}	% p.a.	:	:	18.13	19.30	11.66	:	:	12.50	10.21	8.76	8.24	8.79	9.26
Stock markets ^{5.3}	Index	29,353	39,867	48,270	37,582	37,510	:	:	32,493	43,443	49,071	49,851	47,015	50,348
M4 ^{5.4}	Ann. % ch	31.3	32.9	17.8	23.7	:	:	:	17.5	16.7	:	12.4	12.2	:
Exchange rate TRY/EUR ^{5.5}	Value	1.67	1.80	1.78	1.91	2.16	:	:	2.14	2.14	2.20	2.18	2.23	2.19
Nominal eff. exchange rate ^{5.6}	Index	28.11	26.18	26.73	25.78	:	:	:	23.31	:	:	:	:	:
6 Government balance and debt														
General government balance ^{6.1}	% of GDP	-0.6	1.2	-1.0	-2.2	:	-7.9	-6.8	:	:	:	N.A.	N.A.	N.A.
General government debt ^{6.2}	% of GDP	52.3	46.1	39.4	39.5	:	47.3	49.8	:	:	:	N.A.	N.A.	N.A.

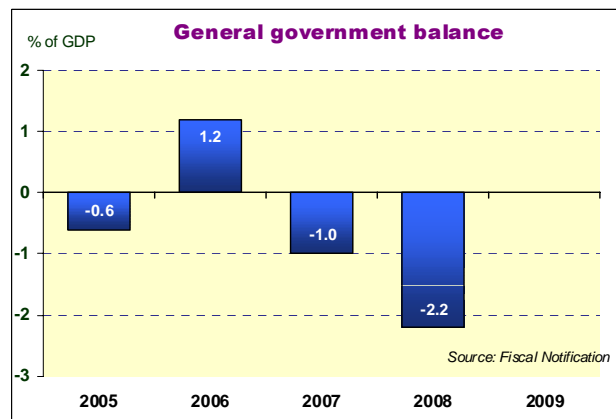
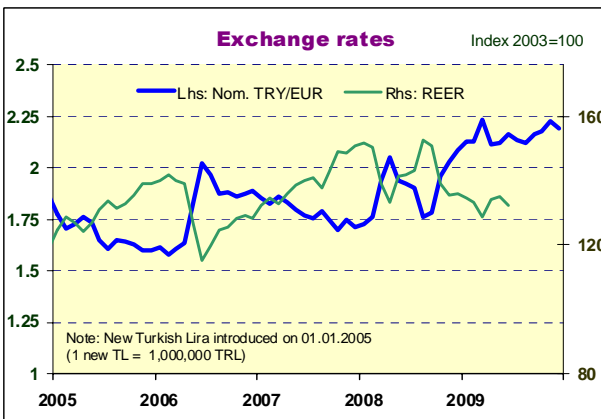
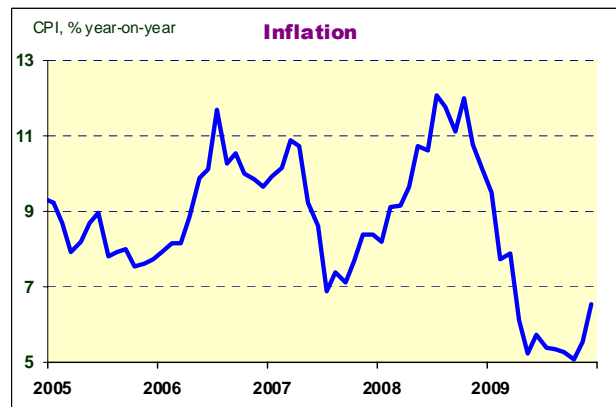
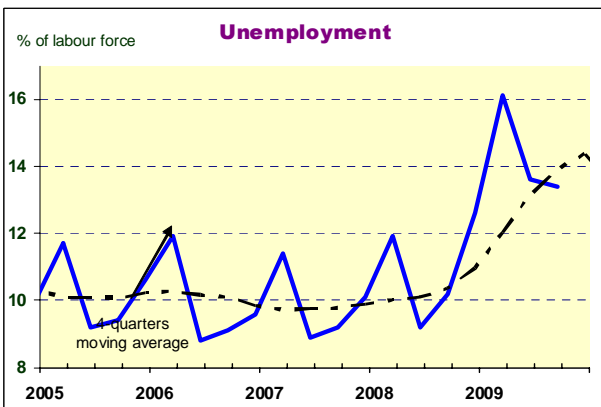
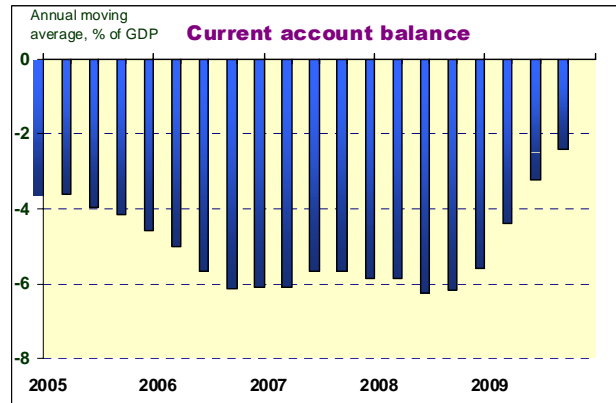
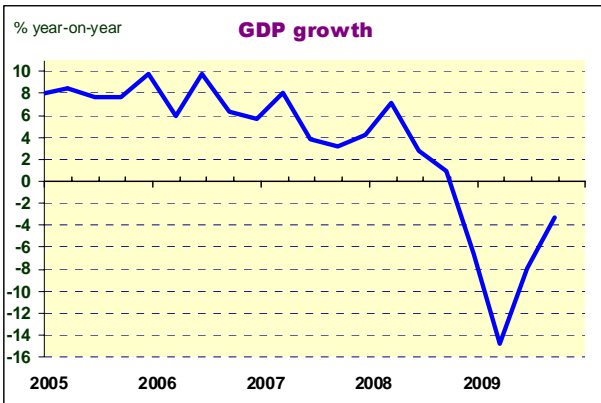
f: ECFIN forecast Autumn 2009

CHARTS



European Commission, ECFIN-D-1

TURKEY





Recent economic and political developments

A budget rebalancing was approved by Parliament in September, revising the budget deficit target for 2009 from 4.2% to 6.4% of GDP. The 2010 budget adopted by Parliament on 26 November is targeting a reduction in the fiscal deficit to 3.9% of GDP.

In line with the latest data, the Supervisory Council of the Bank of Albania (BoA) confirmed a slow down in economic activity in its meeting of 23 December. As a result, inflationary pressures remain weak, leading the BoA to keep the base interest rate unchanged at 5.25%.

Following the application of Albania for EU membership, on 16 November the Council requested the European Commission to prepare an Opinion on Albania's application by the end of 2010. In this context, on 16 December the EU presented the Albanian authorities a questionnaire to assess the country's application for EU membership.

Output and demand

In contrast to the other countries in the region and partly due to an expansionary fiscal policy, Albania's real GDP registered strong growth in the first half of 2009, albeit at a more subdued pace than in the previous year. According to INSTAT, quarterly GDP growth in the first two quarters of 2009 was 6% and 5.3%, respectively (year-on-year, seasonally adjusted). Economic activity continued to slow down in the third quarter to 4.1% as the impulse provided by private consumption and public expenditure receded.

In its October release of the WEO forecast, the IMF anticipates economic growth to decelerate to only 0.7% of GDP in 2009.

Labour market

Labour market conditions weakened in the first half of 2009, in line with the subdued economic activity. Employment growth decelerated to 0.7% in the second quarter following an increase

of 3.6% in the first quarter. Following the declines recorded in the past years, the unemployment rate remained stable at around 12.7% in the first six months of 2009.

Wage growth in the first half of 2009 accelerated from 8.3% recorded in 2008. In the first two quarters, wages increased by 10% and 11.6%, respectively possibly reflecting the wage increases awarded to public sector employees.

International transactions

During January-September 2009, the current account deficit widened by 20% reaching around €1 billion. The deterioration was mainly the result of declining surpluses in the services account and current transfers. The deficit in merchandise trade recorded a slight reduction (0.9% y-o-y) as lower exports of goods were more than compensated by a drop in imports mainly due to lower global prices and a significant reduction in electricity imports. The surplus on the services account declined by almost 26% y-o-y, to €49 m. Despite increases in export of services, including growth in tourism receipts, services imports grew by almost 10% y-o-y, mostly in Q3. Current transfers amounted to €662 million in the first nine months of 2009 representing a fall of 6.1% over the corresponding period of 2008. Of these, remittances accounted for €581m which represents a drop of 6.3% over 2008, reflecting the worsening economic situation in the host countries. Capital inflows increased during the period January-September 2009 with net inflows worth €902 million or an increase of slightly more than 21% over the corresponding period of 2008. The positive outcome was mainly due to strong FDI inflows which increased by some 62% on account of the finalisation of the privatisation of the power distribution company OSSH to the Czech power group CEZ in April.

Privatisation continued in 2009 with the sale of the remaining state owned shares of the mobile telecommunication company AMC, while a fourth mobile communication company license was awarded to Kosovo's PTK.

Prices

The inflation rate continued its declining trend during the first three months of 2009, reaching 1.6% in March. Thereafter, consumer prices increased slightly reaching 2.3% in June and stabilising in the third quarter before jumping to 2.8% in November. This remains within the Bank of Albania's target band for price stability (the inflation target for the 2009-2011 period: 3% +/- 1 percentage point). The relatively low inflation rate reflects the slowdown in economic activity, a low pass-through of exchange rate depreciation on prices of imported goods and stabilised inflationary expectations.

Monetary and financial indicators

In December 2009, the BoA kept the base interest rate unchanged at 5.25% following a cut in October by 50 bps. This was the second cut in the repo rate during 2009, following a similar cut to 5.75% in January from 6.25%. The loan portfolio quality of the banking sector deteriorated further with the share of non-performing loans (NPLs) as a percentage of total loans increasing to 9.8% at end September 2009, up from 6.5% in the last quarter of 2008, triggering higher provisioning which in turn put some pressure on profitability. The average rate of return on equity declined to 1.5% in Q1 2009, from 11.4% in the last quarter of 2008, but improved slightly in the second quarter and stabilised at 1.8% in Q3 of 2009. However, the banking sector recorded positive financial results in the year to September 2009; at end-September the capital adequacy ratio remained stable at 16.7% and the liquidity-asset ratio stood at around 40%.

Although at significantly lower rates than those observed in the past, overall credit growth continued with positive monthly rates throughout the first eleven months of 2009; only in June, loans contracted by 1.3% on the back of a sharp fall in business credit. Thereafter, credit growth returned to positive territory so that annual overall credit growth stood at 10.3% in November 2009. After shrinking between October and March, the deposit base turned positive again between April and September, except for a decline recorded in June. Between January and September, overall deposits increased by 3.4%. The loan-to-deposit ratio stood at 65.4% in September, however with significantly different levels for foreign currency

denominations (100%), whereas this indicator remains below 40% in case of loans and deposits denominated in lek. After increasing during the first semester of 2009, external borrowing by the banking sector decelerated in the second and third quarter. The average yield of 12 month Treasury bills stood at 8.6% at the end of 2008, up from 8.4% a year before, and continued to increase to 9.4% by end-October 2009.

After the lek had on average appreciated in 2008 against the euro and the U.S. dollar by 0.7% and 7.2%, respectively, between January and December 2009 it depreciated by 9.7% vis-à-vis the euro and appreciated by 2.4% vis-à-vis the U.S. dollar.

General government finance

The government deficit for 2009 was initially targeted at 4.2% of GDP, including a contingency line of approximately 2% of GDP, earmarked to address fiscal downside risks. This contingency was however already partly used to fund the increase in expenditure due to higher public wages as of May 2009.

Data published by the Ministry of Finance show that, for the period January-November, the budget deficit increased to €468 million from €159 million in the same period of 2008. This outcome was mainly the result of higher expenditure (up by some 16% y-o-y) on the back of increased public infrastructure spending. In addition, revenue growth was more modest at 2.2%, which appears to be related to weaker tax collection due to the economic slowdown.

In view of the worse-than-expected results, the Parliament approved a supplementary budget in September which projects an increase in the 2009 fiscal deficit to 6.4% of GDP. The revised budget assumes general government revenues down by 2.3% against the initial plan and an increase in expenditures of 4.4%, mainly (60%) allocated to capital expenditures.

For 2010, the government is planning to tighten the fiscal stance. The budget, which was endorsed by Parliament on 26 November, projects a reduction in the budget deficit to 3.9% of GDP by lowering expenditure, which is expected to decline by 2.3 percentage points of GDP. Specifically, public investment is planned to fall to 6.4% of GDP, primarily reflecting lower spending on the construction of the key Durres-Kukes motorway.

TABLE

European Commission, ECFIN-D-1



ALBANIA

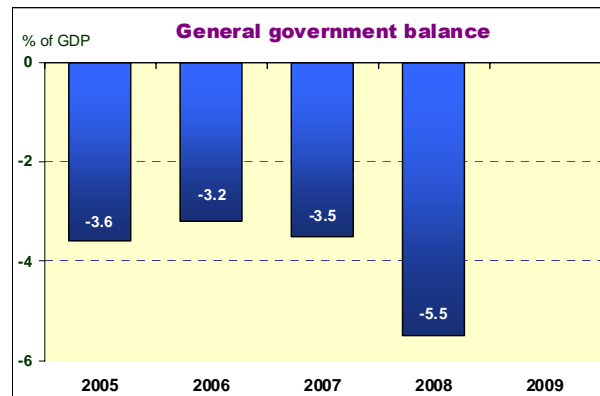
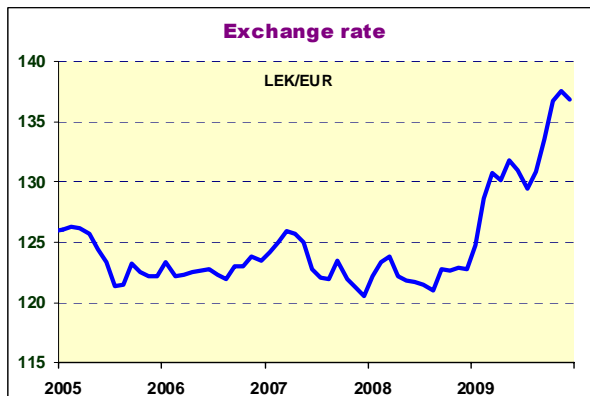
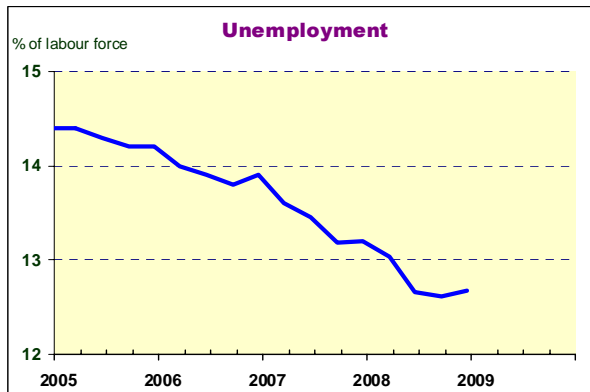
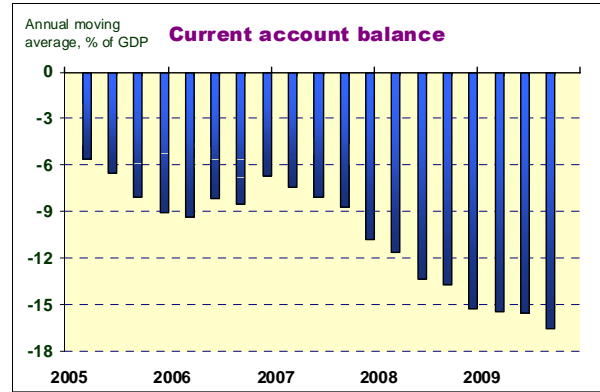
		2005	2006	2007	2008	2009	Q2 09	Q3 09	Q4 09	Oct 09	Nov 09	Dec 09
1 Output and demand												
Industrial confidence ^{1.1}	Balance	N.A.	N.A.	N.A.	N.A.	N.A.	:	:	:	:	:	:
Industrial production ^{1.2}	Ann. % ch	11.7	12.1	-10.3	:	:	:	:	:	:	:	:
Gross domestic product ^{1.3}	Ann. % ch	5.7	5.4	6.0	8.0	:	:	:	:	N.A.	N.A.	N.A.
Consumer confidence ^{1.4}	Balance	N.A.	N.A.	N.A.	N.A.	N.A.	:	:	:	N.A.	N.A.	N.A.
Private consumption ^{1.5}	Ann. % ch	N.A.	N.A.	N.A.	N.A.	N.A.	:	:	:	N.A.	N.A.	N.A.
Gross fixed capital formation ^{1.6}	Ann. % ch	N.A.	N.A.	N.A.	N.A.	N.A.	:	:	:	N.A.	N.A.	N.A.
Change in stocks ^{1.7}	% of GDP	N.A.	N.A.	N.A.	N.A.	N.A.	:	:	:	N.A.	N.A.	N.A.
2 Labour market												
Unemployment ^{2.1}	%	14.3	13.9	13.4	12.8	:	12.7	:	:	:	:	:
Employment ^{2.2}	Ann. % ch	0.9	0.2	0.2	2.9	:	0.7	:	:	:	:	:
Wages ^{2.3}	Ann. % ch	9.9	7.5	17.1	8.3	:	11.6	:	:	:	:	:
3 International transactions												
Exports of goods ^{3.1}	Ann. % ch	9.3	19.3	24.7	16.7	:	-25.1	-16.7	:	0.8	:	:
Imports of goods ^{3.2}	Ann. % ch	14.2	14.4	26.3	15.9	:	-7.2	-6.2	:	-12.1	:	:
Trade balance ^{3.3}	% of GDP	-22.4	-23.1	-26.7	-27.5	:	-27.4	-27.3	:	N.A.	N.A.	N.A.
Exports goods and services ^{3.4}	% of GDP	8.1	8.8	10.0	10.3	:	9.2	8.8	:	N.A.	N.A.	N.A.
Imports goods and services ^{3.5}	% of GDP	32.2	33.9	38.7	40.3	:	39.2	38.6	:	N.A.	N.A.	N.A.
Current account balance ^{3.6}	% of GDP	-8.9	-6.6	-10.6	-14.8	:	-15.5	-16.5	:	N.A.	N.A.	N.A.
Direct investment (FDI, net) ^{3.7}	% of GDP	3.2	3.5	6.0	6.6	:	9.2	8.9	:	N.A.	N.A.	N.A.
4 Prices												
CPI ^{4.1}	Ann. % ch	2.4	2.4	2.9	3.4	:	2.1	2.1	:	2.3	2.8	:
GDP Deflator ^{4.2}	Ann. % ch	2.8	2.9	4.1	4.3	:	7.7	7.7	7.7	:	:	:
Producer prices ^{4.3}	Ann. % ch	N.A.	0.8	3.5	6.5	:	-2.6	-2.1	:	:	:	:
Import prices ^{4.4}	Ann. % ch	N.A.	N.A.	N.A.	N.A.	N.A.	:	:	:	:	:	:
5 Monetary and financial indicators												
Interest rate (3 months) ^{5.1}	% p.a.	5.55	5.49	5.92	6.24	:	6.20	:	:	:	6.32	:
Bond yield ^{5.2}	% p.a.	8.11	7.18	8.22	8.43	9.24	9.20	9.15	9.45	9.50	9.45	9.40
Stock markets ^{5.3}	Index	:	:	:	:	:	:	:	:	:	:	:
M2 ^{5.4}	Ann. % ch	11.7	7.6	9.8	7.4	:	10.2	8.8	:	7.5	7.5	:
Exchange rate LEK/EUR ^{5.5}	Value	123.73	122.76	123.31	122.39	131.82	130.97	131.27	137.00	136.66	137.51	136.83
Nominal eff. exchange rate ^{5.6}	Index	:	:	:	:	:	:	:	:	:	:	:
6 Government balance and debt												
General government balance ^{6.1}	% of GDP	-3.6	-3.2	-3.5	-5.5	:	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
General government debt ^{6.2}	% of GDP	56.7	55.7	53.8	:	:	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.

CHARTS



European Commission, ECFIN-D-1

ALBANIA





Recent economic and political developments

In its meeting of 7 December 2009, the Council of the European Union expressed concern about developments in the political situation and called on Bosnia and Herzegovina to urgently speed up key reforms and to meet the outstanding objectives and conditions for the closure of the Office of the High Representative, in line with the statement by the Peace Implementation Council on 18 and 19 November 2009.

On 20 November, the IMF concluded its first review mission of the Stand-By Arrangement, with overall mixed results. The IMF demanded the implementation of several measures before the end of the year, including the approval of 2010 budgets by State and Entity Parliaments. In case of a positive assessment by the IMF management, the Executive Board could consider the review in January and release the second tranche of the assistance package of around EUR 94 million.

Standard & Poor's confirmed the country's long term and short term sovereign credit ratings at B+/B with a stable outlook.

Output and demand

The trend of falling industrial production could be reversed as an annual increase of 0.5% was recorded in November. However, the picture is mixed when looking at developments in the two Entities: While the Federation registered a drop of industrial production of 11.8% annually from January to November, it increased by 18.8% in Republika Srpska (RS). In the Federation, production dropped in manufacturing (-16.7%), and less in mining (-2.6%) and electricity, gas and water supply (-3.9%). The overall monthly drop of industrial production increased to 6.1% in November. In the RS, production in manufacturing increased by 34.9% and by 9% in electricity, gas and water supply annually in the first eleven months 2009, while it fell by 9.8% in mining. The overall monthly trend stood at +4.3% in November.

In its October release of the WEO, the IMF anticipates 2009 real GDP growth to fall to -3%.

Labour market

The official rate of registered unemployment further increased in the third quarter of 2009 to 42.3% in October, up from 41.8% in July and 40.6% at end-2008, revealing some impact of the economic crisis on the formal labour market. Sectors with the highest annual growth of employment in the first ten months of 2009 were public administration, financial intermediation, fishing and education, while employment decreased in manufacturing, real estate, mining and construction. According to the final results of the Labour Force Survey 2009 following ILO methodology unemployment increased to 24.1% in 2009 from 23.4% in 2008, the activity rate fell slightly from 43.9% to 43.6% and the employment rate from 33.6% to 33.1%.

Nominal average gross wage growth slowed down to 4% year-on-year in October. Wage growth was moderate in 2009 as compared to previous years. Wage dynamics are, however, somewhat different in the two Entities: In the Federation, gross nominal wages in October increased by 4.5% annually and by 3.2% as compared to end-2008. Meanwhile in the RS, wages decreased in the first eleven months of 2009 by 2.4%. In annual comparison, they were slightly higher by 1% in November 2009.

International transactions

The rapid slowdown of trade recorded in the first half of 2009 continued in the third quarter. Imports fell by 27.6% y-o-y in the third quarter and exports by 17.3%, resulting in an improvement of the trade deficit by almost 30%. The drop in trade resulted in a 62.7% decline of the current account deficit in the third quarter and of 53.4% in the period January to September. Falling surpluses in the services, income and current transfers balances did not offset this development. In October and November 2009, the annual drop in exports lost pace as exports started to increase again in the second half of 2009 and as the fourth quarter 2008 that entered into the comparison was that of the initial trade shock.

Foreign direct investments more than halved in the first three quarters of 2009. While this appears to be mainly a result of the global economic crisis and worsened investors' sentiments, the lack of reform efforts and the unstable fiscal situation may have also contributed. Official foreign exchange reserves started to fall again in September when funds under the SBA were released, after they had recovered in July and August as a result of the increase in the country's allocation of SDRs and of the disbursement of the first tranche of the IMF support in July. In November, they stood 7% below their August level, however still covering around six months of imports.

Prices

The downward pressure on prices became less pronounced in the fourth quarter so that the annual inflation rate rose to -0.7% in November from -1.6% in October. This is partly the result of base effects, but also a reversal in the falling trend of transport prices contributed to it. As inflation rates were still higher in late 2008 and early 2009, the 12-month moving average inflation rate became negative only in November and stood at -0.1%, compared to 7.4% in 2008.

Monetary and financial indicators

The stability of the currency board arrangement has remained the cornerstone of macroeconomic policy. The Central Bank has kept the minimum reserve requirement ratios at the levels introduced in earlier 2009. The monetary aggregate M2 continued its upward trend of the third quarter 2009 during the fourth quarter, with the November level 2.1% above the June level, having recovered almost completely from previous declines.

The stability situation of financial markets eased in the third quarter 2009, as most profitability and liquidity indicators improved following their deterioration during the first half of 2009. The return on average equity increased from 1.3% in the second to 2.1% in the third quarter 2009, the return on average assets from 0.1% to 0.2%. The rate of liquid to total assets rose from 28.5% to 30.9%, and liquid assets to short-term financial liabilities from 49.5% to 52.2%. However, the share of non-performing loans to total loans increased to 4.8% in the third quarter, up from 4% in the second quarter.

Annual credit growth turned negative in September 2009 for the first time since January 2000 and reached -3.4% in November. Restrictions came from both the demand and supply side. As the massive withdrawal of deposits in October 2008 falls out of the annual comparison, the year-on-year drop of deposits decreased to 2.3% in November after 6.3% in August. As a consequence, the loans to deposit ratio remained roughly stable in recent months, reaching 119% in November.

In the fourth quarter 2009, stock markets did not continue their recovery of the two previous quarters. The main index of the Sarajevo Stock Exchange lost 6.7% and that of the Banja Luka Stock Exchange 4.9%.

General government balance

While the State budget is expected to record a small surplus in 2009, the fiscal situation in both Entities remained difficult. In the Federation, revenues fell short of projections and current expenditures exceeded their budgeted values. This was partly offset by reductions in capital spending. In the RS, social contributions and direct taxes developed better than planned and increased annually by 5% in 2009, offsetting shortfalls in indirect tax revenues. However, expenditures on wages and salaries are expected to exceed budget plans.

Both the Federation and the RS adopted revised 2009 budgets in December in order to comply with IMF requirements and to bring the expected deficits closer to the levels agreed in the programme. In the Federation it was the third revision, decreasing both expenditures and revenues by some EUR 30 million. In the RS it was the second one, leaving the overall envelope unchanged but moving budget allocations on both the revenue (higher non-tax revenues offsetting lower taxes and foreign loans) and the expenditure side.

Also shortly before year-end, the State and the Entities adopted their 2010 budgets. At State level, a balanced budget is foreseen, 1% lower than the 2009 budget. The 2010 budget of the Federation is 15.7% lower as compared to the third rebalancing of the 2009 budget. The deficit of EUR 171 million is planned to be covered by credits from the IMF and the World Bank and transfers from the central budget. The volume of the 2010 budget of the RS is unchanged as compared to the revised 2009 budget. The deficit of EUR 38 million is planned to be more than offset by the credits from the IMF.

TABLE

European Commission, ECFIN-D-1



BOSNIA AND HERZEGOVINA

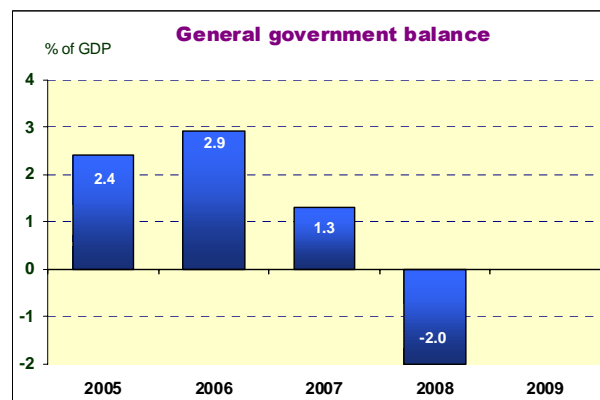
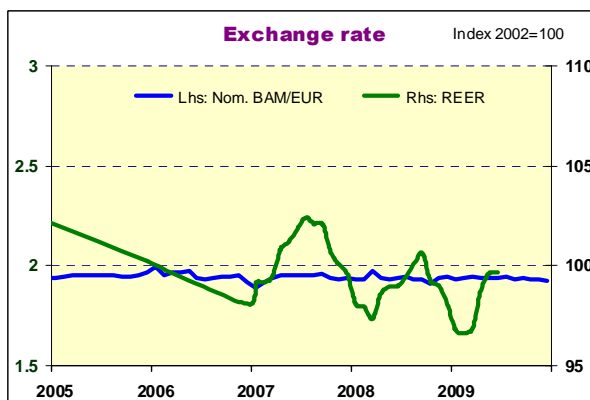
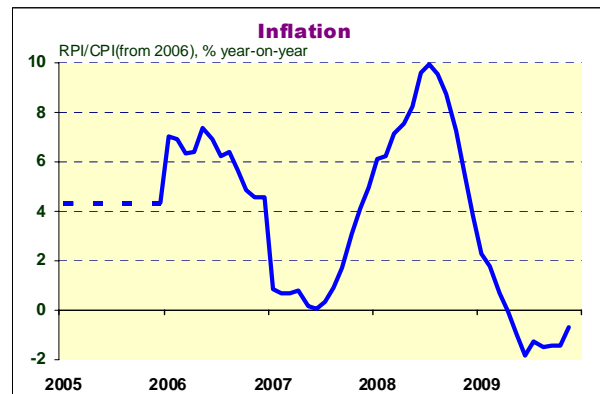
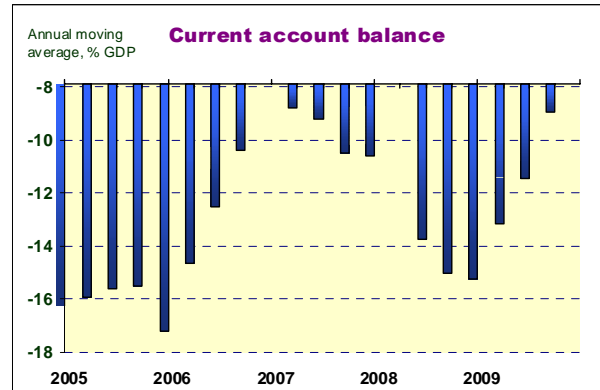
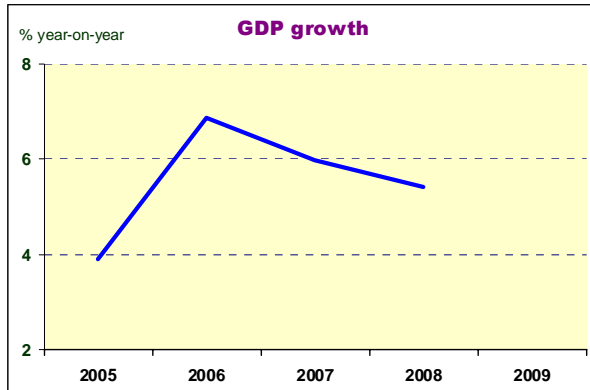
		2005	2006	2007	2008	2009	Q2 09	Q3 09	Q4 09	Oct 09	Nov 09	Dec 09
1 Output and demand												
Industrial confidence ^{1.1}	Balance	N.A.	N.A.	N.A.	N.A.	N.A.	:	:	:	:	:	:
Industrial production ^{1.2}	Ann. % ch	10.6	11.6	6.7	10.8	:	1.0	-2.0	:	-1.6	0.5	:
Gross domestic product ^{1.3}	Ann. % ch	3.9	6.9	6.0	5.4	:	:	:	:	N.A.	N.A.	N.A.
Consumer confidence ^{1.4}	Balance	N.A.	N.A.	N.A.	N.A.	N.A.	:	:	:	:	:	:
Private consumption ^{1.5}	Ann. % ch	6.2	8.3	10.9	9.8	:	:	:	:	N.A.	N.A.	N.A.
Gross fixed capital formation ^{1.6}	Ann. % ch	18.5	-7.6	38.3	15.3	:	:	:	:	N.A.	N.A.	N.A.
Change in stocks ^{1.7}	% of GDP	0.1	-1.0	1.5	1.6	:	:	:	:	N.A.	N.A.	N.A.
2 Labour market												
Unemployment ^{2.1}	%	44.7	44.2	42.9	40.6	:	41.6	42.1	:	42.3	:	:
Employment ^{2.2}	Ann. % ch	0.8	2.3	4.4	2.7	:	-1.7	-2.3	:	-2.7	:	:
Wages ^{2.3}	Ann. % ch	6.1	9.6	9.8	16.6	:	9.0	5.6	:	4.0	:	:
3 International transactions												
Exports of goods ^{3.1}	Ann. % ch	22.8	30.5	15.0	13.9	:	-24.7	-17.3	:	-12.4	-6.5	:
Imports of goods ^{3.2}	Ann. % ch	12.5	1.2	18.7	15.3	:	-26.5	-27.6	:	-27.2	-19.2	:
Trade balance ^{3.3}	% of GDP	-45.8	-34.8	-37.2	-38.1	:	-33.3	-29.9	:	N.A.	N.A.	N.A.
Exports goods and services ^{3.4}	% of GDP	33.0	36.7	37.3	36.8	:	33.4	31.9	:	N.A.	N.A.	N.A.
Imports goods and services ^{3.5}	% of GDP	-73.6	-66.2	-69.0	-69.5	:	-61.9	-57.1	:	N.A.	N.A.	N.A.
Current account balance ^{3.6}	% of GDP	-17.3	-7.9	-10.4	-14.9	:	-11.6	-9.1	:	N.A.	N.A.	N.A.
Direct investment (FDI, net) ^{3.7}	% of GDP	5.7	5.8	13.7	5.7	:	5.2	3.8	:	N.A.	N.A.	N.A.
4 Prices												
CPI ^{4.1}	Ann. % ch	4.3	6.1	1.5	7.4	:	-1.0	-1.4	:	-1.4	-0.7	:
GDP Deflator ^{4.2}	Ann. % ch	3.3	6.1	7.8	8.2	:	:	:	:	N.A.	N.A.	N.A.
Producer prices ^{4.3}	Ann. % ch	N.A.	N.A.	N.A.	N.A.	N.A.	:	:	:	:	:	:
Import prices ^{4.4}	Ann. % ch	N.A.	N.A.	N.A.	N.A.	N.A.	:	:	:	:	:	:
5 Monetary and financial indicators												
Interest rate (3 months) ^{5.1}	% p.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.	:	:	:	:	:	:
Stock markets ^{5.3}	Index	N.A.	N.A.	4,330	2,251	1,038	1,018	1,021	1,101	1,151	1,109	1,042
M2 ^{5.4}	Ann. % ch	17.6	21.1	25.1	13.6	:	-2.2	-4.8	:	-0.3	0.5	:
Exchange rate BAM/EUR ^{5.5}	Value	1.95	1.95	1.94	1.94	1.94	1.94	1.94	1.93	1.93	1.94	1.93
Nominal eff. exchange rate ^{5.6}	Index	100.0	99.72	100.28	100.07	:	96.36	:	:	:	:	:
6 Government balance and debt												
General government balance ^{6.1}	% of GDP	2.4	2.9	1.3	-2.0	:	:	:	:	N.A.	N.A.	N.A.
General government debt ^{6.2}	% of GDP	25.7	21.3	18.2	17.2	:	:	:	:	N.A.	N.A.	N.A.

CHARTS

European Commission, ECFIN-D-1



BOSNIA AND HERZEGOVINA





Recent economic and political developments

On 30 November, the European Union granted visa free travel to the citizens of Montenegro, Serbia and the former Yugoslav Republic of Macedonia. The measure became effective as of 19 December.

On 9 December, PM Djukanović handed over to Commissioner Rehn the replies to the EC Questionnaire on the country's application for EU membership.

Output and demand

Industrial production contracted by 45.6% year-on-year in November, down from 37.7% a month earlier. On top of the large base effect from the metallurgy industry, which is expected to fade away by year's end, contraction was recorded in all manufacturing sectors with the exception of the food and chemical industries. Moreover, the utilities sector declined as the restarting of production of the sole thermal power plant was delayed until December to allow for maintenance works. As a result, coal production underperformed during November.

The implementation of the social programme in the aluminium plant (KAP) started in mid-December with the approval by the shareholders assembly of a EUR 50 mn state-guaranteed loan for restructuring the company, settling former obligations, and starting the process of voluntary termination of employment of redundant workers. Meanwhile, the steel mill Niksić acquired EUR 25 mn of new equipment for the production of special steels. The new and more efficient furnace will allow a significant increase of output while reducing energy consumption.

The most recent forecasts from the IMF and EBRD point to an annual contraction of the gross domestic product in 2009 by 4%.

Labour market

The impact of the economic crisis on the domestic labour market was only felt in the autumn 2009, when the number of unemployed started to increase, from an historical low rate of 10.2% in August, to 11.3% by mid-December.

Meanwhile, the number of newly employed persons registered in 2009 was of 20,126, down from 40,012 registered a year earlier. The number of foreigners employed during 2009 dropped to 16,840, five times less than a year before.

Yet, the average net wage grew in real terms by 4.1% year-on-year in November. Down from 6% a month before, it nevertheless confirms the declining path observed since the start of the year. In nominal terms, the average net salary stood at EUR 456 in November, or 6.5% higher year-on-year. By contrast, gross wages recorded a marginal growth of 0.6% year-on-year in November.

International transactions

The current account deficit further contracted in September to 18% of GDP in annualised terms, down from 38% a year before. The significant reduction was driven by the continuous contraction of the trade deficit during 2009, but also by the effect of the seasonal peak of the tourist industry, which recovered markedly during the summer, on the balance of services. Yet, while the balance of current transfers remained positive, this surplus was practically offset by the negative results on the income account.

Foreign direct investments have remained surprisingly high during 2009 despite the global crisis, rising by 24.7% year-on-year in the first nine months. Furthermore, net FDI reached almost 27% of GDP in annualised terms, while earlier forecasts had only expected 10% for the whole year. The privatisation of the local power company accounts for 51% of total inflows, while the recapitalisation of banks brought another 34% and real estate investments an additional 14%. Meanwhile, FDI outflows contracted markedly by 60% year-on-year.

Prices

In November the consumer price index went up to 2.3% year-on-year, from 1.7% recorded a month earlier. The acceleration was mainly driven by the base effect on transport prices, as retail fuel prices did not change in November.

Meanwhile, the rise of food prices moderated to 0.6% year-on-year in November, down from 1.5% registered a month before. Overall, inflation remains moderate, averaging 1.4% during the first eleven months of the year.

As of 1 January 2010, the Regulatory Agency for Energy (RAE) decided to decrease electricity prices by 15.7% on average.

The industrial producer prices contracted by 3.7% during the first 10 months of the year driven by a 9.4% decline in manufacturing prices influenced by the contraction of metal prices.

Monetary and financial indicators

During the first nine months of 2009 banks assets contracted by 2.6%. Deposits rose by 10% in September, limiting the cumulative drop since the start of the year to 4.5%, as the privatisation of the public power utility (EPCG) brought fresh funds into the banking system. Households' deposits continued to slightly recover for the fifth consecutive month, although they still remain 30% below their 2008 level. Banks credit portfolio represented 79% of GDP as of end-September, after a contraction of 8% since the beginning of the year. Loans granted to households and the corporate sector decreased by 10% year-on-year in September. Loans to the government sector recorded a 36% annual increase, though they only represent 1% of total credits.

In an effort to further stimulate lending to the economy, Montenegro's Central Bank (CBCG) eased on 23 December 2009 its provisioning rules by eliminating provisions for good loans (A category), while capping provisions for B type loans to 3%, down from the previous 8%. The CBCG also amended the conditions for credit restructuring, allowing debt restructuring for loans late up to 180 days, instead of 90 days before.

In December, the Slovenian insurer Triglav acquired a 41% stake in Lovćen Osiguranje from the state. Triglav already held some 50% in the local insurer, whose share is around 60% of the domestic insurance market. This operation concludes the privatisation of the financial sector in Montenegro.

The stock markets partially recovered during the second half of 2009 after registering heavy losses during 2008 and early 2009. The aggregated capitalisation of the two bourses reached 155% of GDP at the end of November, compared to 111% a year earlier. The combined turnover attained EUR 11 mn, growing by 13.5% year-on-year. The main indices, NEX20 and MOSTE, improved significantly, expanding by 70% and 74% respectively over the year.

General government finance

On 17 December the parliament adopted the 2010 budget. The budget appears rather conservative as revenues are projected to decrease by 7% in 2010, and expenditures are budgeted at a level 4% lower than in 2009. Yet, the deficit would widen to 4.2% of GDP. Given the very low level of reserves, the government would use again the capital budget (EUR 121 mn) as a fiscal buffer. Current expenditures for 2010 are set at EUR 1.15 bn (36% of GDP), or EUR 40 mn less than in 2009.

The parliament also adopted a set of tax laws amendments tightening the fiscal policy while implementing the reduction of the personal income tax flat rate from the current 12% to 9%, as well as a further reduction of employer's social security contributions as from January 2010.

In the first nine months of 2009 the consolidated budget recorded a deficit just below 1% of GDP. Despite a shortfall of revenues (13% against planned fiscal incomes), severe cuts in capital expenditures by 44% as well as on some current spending items (personnel allowances, goods and services consumption, and maintenance) managed to restrain net lending to moderate levels.

The public debt expanded by 20% since the beginning of the year, reaching 33% of GDP by the end of September. While the domestic public debt contracted by 6% year-on-year, accounting for 40% of total obligations, external indebtedness grew mostly due to two credit arrangement with commercial banks for budget financing, as well as the take over of the national railways' debt by the government.

TABLE

European Commission, ECFIN-D-1



MONTENEGRO

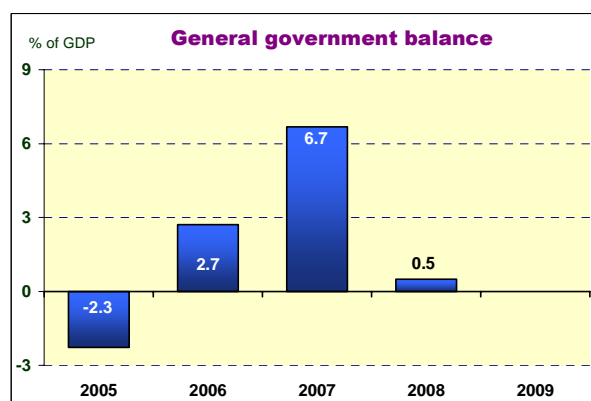
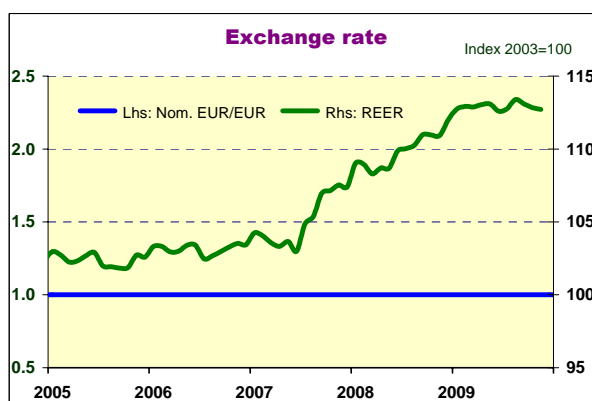
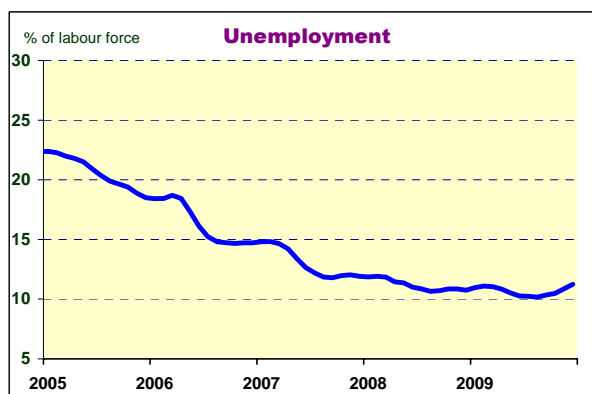
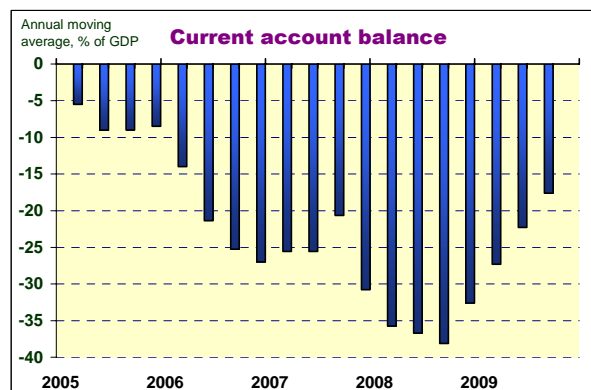
		2005	2006	2007	2008	2009	Q2 09	Q3 09	Q4 09	Oct 09	Nov 09	Dec 09
1 Output and demand												
Industrial confidence ^{1.1}	Balance	N.A.	N.A.	N.A.	N.A.	N.A.	:	:	:	:	:	:
Industrial production ^{1.2}	Ann. % ch	-1.9	1.0	0.1	-2.0	:	-28.0	-51.9	:	-37.7	-45.6	:
Gross domestic product ^{1.3}	Ann. % ch	4.2	8.6	10.7	6.9	:	-3.5	-4.0	:	N.A.	N.A.	N.A.
Consumer confidence ^{1.4}	Balance	N.A.	N.A.	N.A.	N.A.	N.A.	:	:	:	:	:	:
Private consumption ^{1.5}	Ann. % ch	:	:	:	:	:	:	:	:	N.A.	N.A.	N.A.
Gross fixed capital formation ^{1.6}	Ann. % ch	:	:	:	:	:	:	:	:	N.A.	N.A.	N.A.
Change in stocks ^{1.7}	% of GDP	-0.3	3.6	1.5	2.3	:	:	:	:	N.A.	N.A.	N.A.
2 Labour market												
Unemployment ^{2.1}	%	18.5	14.7	11.9	10.7	11.3	10.3	10.4	11.3	10.5	10.9	11.3
Employment ^{2.2}	Ann. % ch	0.6	4.5	3.7	6.3	:	5.5	5.8	:	4.1	:	:
Wages ^{2.3}	Ann. % ch	8.0	15.6	14.2	22.8	:	7.3	2.3	:	1.9	0.6	:
3 International transactions												
Exports of goods ^{3.1}	Ann. % ch	1.9	40.7	1.8	-21.3	:	-57.5	-37.0	:	:	:	:
Imports of goods ^{3.2}	Ann. % ch	12.2	53.7	33.6	0.4	:	-42.9	-36.6	:	:	:	:
Trade balance ^{3.3}	% of GDP	-28.3	-39.5	-50.1	-48.3	:	-36.4	-29.7	:	N.A.	N.A.	N.A.
Exports goods and services ^{3.4}	% of GDP	43.5	49.4	44.4	39.6	:	:	:	:	N.A.	N.A.	N.A.
Imports goods and services ^{3.5}	% of GDP	61.1	79.1	86.7	94.0	:	:	:	:	N.A.	N.A.	N.A.
Current account balance ^{3.6}	% of GDP	-8.5	-24.7	-30.8	-32.6	:	-22.3	-17.6	:	N.A.	N.A.	N.A.
Direct investment (FDI, net) ^{3.7}	% of GDP	21.0	21.7	19.6	18.4	:	17.3	25.0	:	N.A.	N.A.	N.A.
4 Prices												
CPI ^{4.1}	Ann. % ch	2.4	3.0	4.3	7.4	:	4.3	2.3	:	1.7	2.3	:
GDP Deflator ^{4.2}	Ann. % ch	4.5	9.8	14.0	7.7	:	:	:	:	N.A.	N.A.	N.A.
Producer prices ^{4.3}	Ann. % ch	2.1	3.1	8.5	14.0	:	-3.2	-9.3	:	-8.1	:	:
Import prices ^{4.4}	Ann. % ch	N.A.	N.A.	N.A.	N.A.	N.A.	:	:	:	:	:	:
5 Monetary and financial indicators												
Interest rate (3 months) ^{5.1}	% p.a.	1.20	1.21	N.A.	:	:	:	:	:	:	:	:
Bond yield ^{5.2}	% p.a.	3.09	1.17	0.90	:	3.94	:	3.82	:	:	:	:
Stock markets ^{5.3}	Index	5,670	14,406	36,159	19,947	13,303	12,108	16,173	15,198	16,643	14,682	14,269
M21 ^{5.4}	Ann. % ch	58.7	82.9	71.9	-14.3	:	:	:	:	:	:	:
Exchange rate EUR/EUR ^{5.5}	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 ^{5.6}	Index	N.A.	N.A.	N.A.	N.A.	N.A.	:	:	:	:	:	:
6 Government balance and debt												
General government balance ^{6.1}	% of GDP	-2.3	2.7	6.7	0.5	:	0.4	-1.0	:	N.A.	N.A.	N.A.
General government debt ^{6.2}	% of GDP	38.6	32.6	27.5	29.0	:	31.0	33.0	:	N.A.	N.A.	N.A.

CHARTS

European Commission, ECFIN-D-1



MONTENEGRO





Recent economic and political developments

In December, the IMF completed the second review of the EUR 2.97 billion worth Stand-By Arrangement (SBA). The completion enabled Serbia to withdraw another SDR 319.6 million, bringing total disbursements at about SDR 1 billion. Importantly, the review has also granted a waiver for non-observance of the end-September general government deficit criterion and approved a modification of the 2009 budget deficit and inflation targets.

In December the EU Commission released the first EUR 50 million tranche of its EUR 100 million budget support grant under the Instrument for Pre-Accession. The second tranche, as well as a EUR 200 million macro-financial assistance loan for the government, are envisaged to be released in 2010, subject to fulfilment of conditionality.

Output and demand

Preliminary data, published by the Statistical office, show that the Serbian economy contracted by 2.3% y/y in the third quarter, bringing the total decline in the first nine months to 3.5%. The GDP decline clearly decelerated in comparison to the first half of the year, when the economy shrank by 4.2%. Manufacturing (14.1%) and construction (18.5%) continued to be the most affected sectors in the economy. Transport (8.5%) and financial intermediation (4.2%) were those with the highest growth rates. There was a marked improvement in growth rates or a deceleration of the slowdown in the third quarter in comparison with the first two quarters, in manufacturing, transport, mining and quarrying, electricity, gas and water supply, and hotels and restaurants. Conversely, in the sectors of trade, construction, and financial intermediation the growth rates decreased slightly.

The slump in industrial production continued to decelerate in the last months of 2009. In November, the industrial production index declined by 4.2% y/y, after having declined by double-digit rates in the first three quarters. By end-November, on a cumulative basis since the beginning of 2009 the overall production index was still down by 13.1%.

Labour market

The Labour Force Survey, conducted in October, registered an increase in unemployment to 16.6% compared to 14.0% a year ago. In conjunction with this trend, both official and informal employment rates declined to 40.8% and 20.6%, respectively.

The growth of the nominal gross average wage remained positive – at 5.2% y/y in November, marking a deceleration from the high 10.1% in June. Real wages growth was negative at 0.6% y/y in November. Average real wages for the period January-November, though, remained positive at 1.0%. By end-October, real wages in mining and quarrying (8.9%), trade (4.1%), hotels and restaurants (6.6%), transport and communications (1.8%), financial intermediation (0.1%), and real estate (2.1%) posted positive growth rates. At the same time, real wage growth in health (7.9%), education (4.4%), public administration (9.5%), construction (8.8%), electricity, gas and water supply (1.0%), manufacturing (2.9%), and fishing (36.6%) were still in negative territory.

International transactions

Foreign trade, supported by improving external and domestic demand, and with base effects kicking-in, has started to recover, registering positive growth rates in exports and imports of goods in November. Nevertheless, in the period January-November, nominal exports of goods in USD were still 25.9% lower compared to the previous year, while imports were down by 33.7%.

As a result of this dynamic, the trade deficit decreased by 40.8% to USD 6.5 billion. It narrowed to 13.5% of GDP in Q3, compared to 19.1% a quarter earlier. At the same time, the current account deficit improved from 11.4% to 7.1% of GDP.

In the first ten months until end-October, capital inflows dramatically slowed down in comparison to the same period of 2008. Foreign direct investments dropped by 47.1%, while other investments were down by 37.3%. However, reserve assets surpassed their 2008 peak due to the reduction of the current account

deficit by 75.2% y/y over the same period and to the increased SDR holdings of the central bank.

By the end of 2009 and in early 2010, there was some pressure on the foreign exchange market, which led to a slight depreciation of the dinar against the euro of about 4% and to limited interventions by the National Bank of Serbia (NBS) in order to tame the market. In the period from 4 December 2009 to 5 January 2010 the bank made three interventions, selling in total EUR 117.5 million. According to the NBS, the market disturbances were caused by a one-off peak in demand and excess dinar liquidity, partly driven by a massive sale of foreign currency-denominated funds received in December (from the IMF and the EU) by the government.

Prices

By end-November, the CPI inflation stood at 5.9% y/y. The average inflation since the beginning of the year was 8.3% and was positive for all sub-groups. It ranged from 23.1% for alcoholic beverages and tobacco to 5.1% for transport. The end-year inflation, at 6.6%, is within the band of 6% 10% targeted by the NBS.

The Retail Price Index inflation reached 10.4% y/y in December. The 2009 average inflation stood at 10.1%, driven mostly by inflation in services (17%).

Monetary and financial indicators

Since early October, the NBS continued its monetary policy easing by cutting the reference rate by 2.5 percentage point in three steps, from 12% to 9.5%. Dinar liquidity was additionally boosted after the banks were allowed to allocate in dinars 25% of their reserve requirements (instead of 30% previously).

After stagnating for most of the year, bank lending to households and enterprises slowly peaked-up again in October and November. Nevertheless, credit growth to the non-government sector continued to decelerate. By end November, it stood at 12.8% y/y. Credit to private enterprises increased at the same rate, while credit to households rose by 7.7% y/y. Banks credit to government increased substantially and by end-November it reached RSD 107.8 million – more than a fivefold increase y/y.

Since the summer, there has been a clear trend of reduction in short-term interest rates on dinar-denominated loans. At the same time, interest rates on long-term lending remained more or less unchanged. The weighted average interest rate on total deposits came down by about 1 percentage point and by end-November stood at 5.9%. The decrease was driven mainly by the lower interest rates on legal entities' deposits and not by changes in interests on households deposits.

After reaching a peak by the end of the third quarter, the Belgrade Stock Exchange index decreased in the last quarter of 2009. By the end of the year, the main index lost more than 15% of its value.

General government balance

By end-October, the general government budget deficit reached SRD 85.4 billion or 2.9% of the expected GDP. Total nominal revenues declined by 1.1% y/y in the first ten months of 2009. The customs revenues dropped by 27.1%, revenues from corporate income tax by 19.7%, and from value added tax by 2.2%. Excises revenues posted a strong increase of 15.0%. In real terms, the decline in total revenues was even more pronounced at 8.8%. At the same time, total expenditures recorded a nominal increase of 5.4% y/y, particularly due to increases in pension payments, which grew by 19.4%. Capital expenditures declined by 15.4% y/y.

The rising budget deficit spurred government borrowing on the domestic financial market, as well as from international sources. By end-November, public debt reached EUR 9.7 billion (30.7% of GDP). Since the beginning of the year, total public debt has increased by 10.1% or EUR 883.6 million. More than half of this increase came from a rise in domestic indebtedness.

In December, the Serbian Parliament adopted the 2010 state budget, which envisages a deficit of RSD 107 billion or 3.5% of GDP. The overall general government deficit has been agreed with the IMF at 4% of GDP, allowing for a minor deficit of up to 0.5% of GDP at the other levels of government. Total revenues are expected to decrease by 2.4%, while expenditures are planned to increase by 2.2% in comparison to the foreseen 2009 outcome. The 2010 budget is premised on unchanged taxes, downsizing of public administration and on continuing freezing of pensions and public sector wages.

TABLE

European Commission, ECFIN-D-1



SERBIA

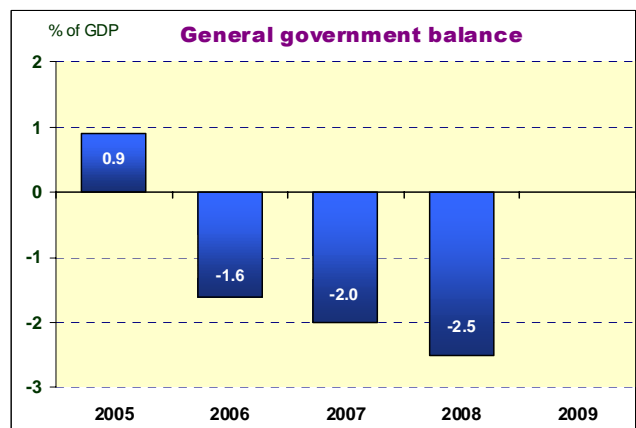
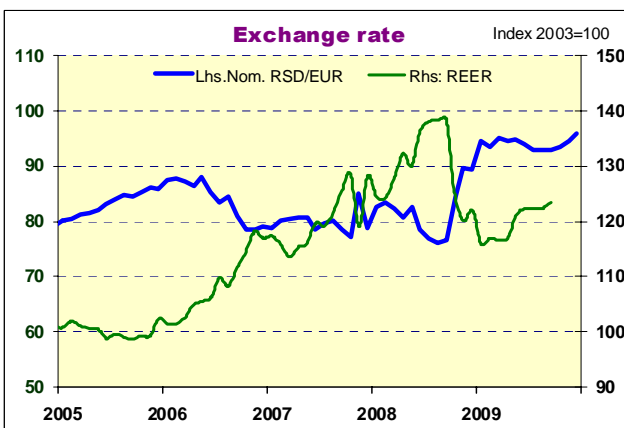
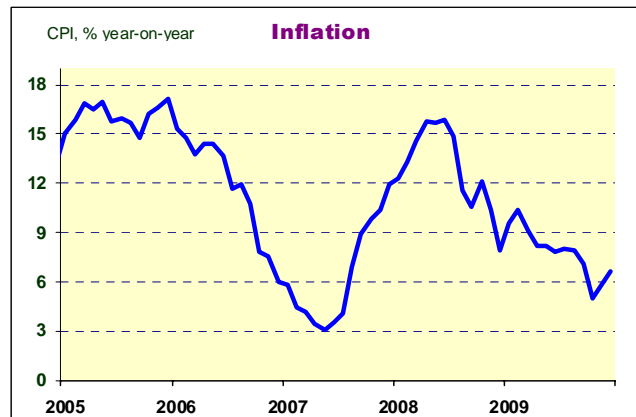
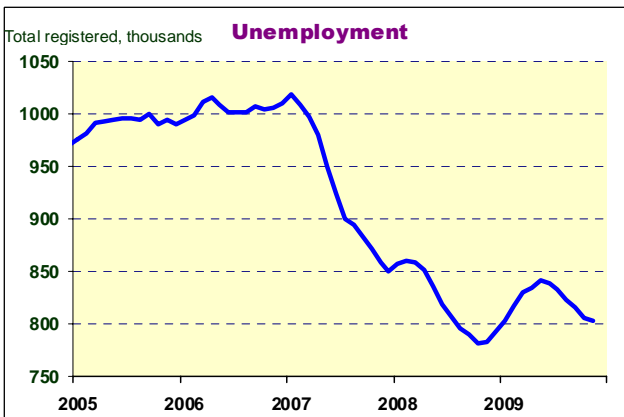
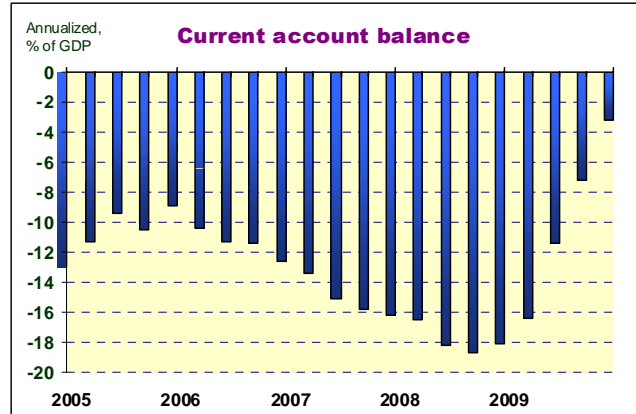
		2005	2006	2007	2008	2009	Q2 09	Q3 09	Q4 09	Oct 09	Nov 09	Dec 09
1 Output and demand												
Industrial confidence ^{1.1}	Balance	N.A.	N.A.	N.A.	N.A.	N.A.	:	:	:	:	:	:
Industrial production ^{1.2}	Ann. % ch	0.8	4.7	3.7	1.1	:	-17.8	-11.4	:	-5.8	-4.2	:
Gross domestic product ^{1.3}	Ann. % ch	5.6	5.2	6.9	5.5	:	-4.2	-2.3	:	N.A.	N.A.	N.A.
Consumer confidence ^{1.4}	Balance	N.A.	N.A.	N.A.	N.A.	N.A.	:	:	:	:	:	:
Private consumption ^{1.5}	Ann. % ch	N.A.	N.A.	N.A.	N.A.	N.A.	:	:	:	N.A.	N.A.	N.A.
Gross fixed capital formation ^{1.6}	Ann. % ch	N.A.	N.A.	N.A.	N.A.	N.A.	:	:	:	N.A.	N.A.	N.A.
Change in stocks ^{1.7}	% of GDP	N.A.	N.A.	N.A.	N.A.	N.A.	:	:	:	N.A.	N.A.	N.A.
2 Labour market												
Unemployment ^{2.1}	%	21.8	21.6	18.8	13.6	:	15.7	:	:	16.6	:	:
Employment ^{2.2}	Ann. % ch	-6.7	-3.8	1.0	6.2	:	-7.6	-8.1	:	-8.3	-8.5	:
Wages ^{2.3}	Ann. % ch	24.1	24.4	22.1	17.9	:	10.1	5.5	:	3.9	5.2	:
3 International transactions												
Exports of goods ^{3.1}	Ann. % ch	26.3	31.2	37.3	24.3	:	-32.0	-28.3	:	-6.6	14.3	:
Imports of goods ^{3.2}	Ann. % ch	-2.9	24.1	40.9	23.3	:	-42.1	-36.8	:	-22.3	7.4	:
Trade balance ^{3.3}	% of GDP	-22.8	-22.2	-21.4	-24.2	:	-19.1	-13.5	:	N.A.	N.A.	N.A.
Exports goods and services ^{3.4}	% of GDP	25.1	27.7	28.0	30.9	:	27.4	19.5	:	N.A.	N.A.	N.A.
Imports goods and services ^{3.5}	% of GDP	45.2	47.6	50.2	53.6	:	46.2	32.5	:	N.A.	N.A.	N.A.
Current account balance ^{3.6}	% of GDP	-8.3	-9.4	-14.9	-17.6	:	-11.4	-7.1	:	N.A.	N.A.	N.A.
Direct investment (FDI, net) ^{3.7}	% of GDP	5.9	13.5	5.9	5.6	:	4.0	3.5	:	N.A.	N.A.	N.A.
4 Prices												
CPI ^{4.1}	Ann. % ch	16.1	11.8	6.4	12.9	7.8	8.1	7.7	5.8	5.0	5.8	6.6
GDP Deflator ^{4.2}	Ann. % ch	16.3	12.1	12.4	10.5	:	15.8	14.0	:	:	:	:
Producer prices ^{4.3}	Ann. % ch	14.2	13.3	5.9	12.4	:	5.7	5.4	:	5.1	6.8	:
Import prices ^{4.4}	Ann. % ch	5.7	4.0	12.0	17.3	:	:	:	:	:	:	:
5 Monetary and financial indicators												
Interest rate (3 months) ^{5.1}	% p.a.	17.54	13.48	6.44	5.34	:	15.31	12.39	:	11.48	10.37	:
Bond yield ^{5.2}	% p.a.	N.A.	N.A.	N.A.	N.A.	N.A.	:	:	:	:	:	:
Stock markets ^{5.3}	Index	1,737	2,186	4,096	2,604	1,197	1,052	1,292	1,418	1,549	1,415	1,289
M3 ^{5.4}	Ann. % ch	42.1	38.3	42.5	9.8	:	9.5	12.0	:	12.9	15.5	:
Exchange rate RSD/EUR ^{5.5}	Value	83.25	83.91	79.90	81.94	94.08	94.43	92.97	94.59	93.32	94.57	95.88
Nominal eff. exchange rate ^{5.6}	Index	92.7	103.2	99.6	97.0	:	93.4	95.5	:	:	:	:
6 Government balance and debt												
General government balance ^{6.1}	% of GDP	0.9	-1.6	-2.0	-2.5	:	-1.5	N.A.	N.A.	N.A.	N.A.	N.A.
General government debt ^{6.2}	% of GDP	50.3	36.2	29.4	25.6	:	30.4	N.A.	N.A.	N.A.	N.A.	N.A.

CHARTS

European Commission, ECFIN-D-1



SERBIA



KOSOVO*

*as defined by UNSCR 1244

Recent economic and political developments

An IMF mission visited Kosovo in late October to discuss mainly the draft 2010 budget. The IMF confirmed its previous forecasts for real growth rates of about 4% in 2009 and 2010 and expressed appreciation for the stabilisation in expenditure growth in the 2010 budget. Discussions on an IMF program and support are expected to be pursued in early 2010.

Two rounds of local elections were held in November and December. They revealed tensions within the ruling coalition.

Hearings were held at the International Court of Justice from 1 to 11 December on the question of the accordance with international law of the unilateral declaration of independence by the Provisional institutions of self-government of Kosovo. The court has begun its deliberation and is expected to provide an advisory opinion on the question in 2010.

Following the declaration of independence on 17 February 2008, so far 64 countries have recognised Kosovo as an independent state.

Output and demand

According to the latest GDP estimates published by the Statistical Office of Kosovo (SOK), real GDP growth reached 6.1% in 2008. Final consumption expenditure increased its share in GDP from 111.9% in 2007 to 112.9% in 2008. Gross capital formation reached 28.5% of GDP and is on a clear upward trend since 2004 when it was 23.6% of GDP. As a result of these developments, net exports continued to worsen and were -41.3% of GDP in 2008.

The IMF forecasts a real GDP growth of about 4% in 2009.

Labour market

The data of the newly released Labour Force Survey (LFS) show that almost all basic labour market indicators worsened in 2008. The labour force, as a percent of the working age population, dropped from 46.8% in 2007 to 46.2% in 2008. The employment rate was only

24.3%, far from its peak of 29.0% in 2006. The sector of trade provided most of the jobs in 2008 (17.1%), followed by education (13.6%), administration (9.7%), production (8.7%), and construction (8.6%).

The unemployment rate stood at 47.5% in 2008, marking a significant increase from the 2007 level of 43.6%. Both unemployment rates among women and men were on the rise, reaching 59.6% and 42.7%, respectively. Youth unemployment rate (15-24 years) increased by 3 percentage points over the previous year to 73%.

International transactions

Since May 2009, there has been a deceleration in the negative growth of exports of goods. For the period January-October 2009 exports were down by 27.8% on an annual basis. As base effects kick-in in the end of 2009, the process of exports growth recovery is expected to continue. Still, the value of exports will remain well below its peak until the main export group – base metals, regains its previous level.

Since the beginning of 2009, annual growth of imports of goods has turned negative as well. It remained relatively stable throughout the year and was -1% by end-October. Nevertheless, because the import price index was negative at -1.3% in the first quarter and -6.4% in the second quarter of the year, imports of goods have most likely increased in real terms.

As a consequence of trade developments, the coverage ratio of exports as a percentage of imports (12-month moving average) has hovered around 8% since May and was 8.2% in November 2009. The trade deficit widened to EUR 1,558.3 million in January-November, compared to EUR 1,537.3 million for the same period in 2008.

Prices

Monthly inflation rates on an annual basis turned negative in January 2009, reaching a deflationary peak of -4.4% in May. Since then, the deflation decelerated and by November it was -1.3%.

The main drivers behind recent deflationary developments continue to be the prices of food (contributing -1.6 percentage points to the headline inflation in November) and transport (-0.3 percentage points). On the other hand, tobacco prices added 0.2 percentage points, electricity, gas and other fuels added 0.5 percentage points, and water supply contributed with another 0.2 percentage points. By end-November, the goods and services with negative contribution to inflation had a total weight of close to 62% in the whole CPI basket.

Monetary and financial indicators

Since February 2009, the growth in deposits has decelerated and by end-October it was 15.9%. Households deposits, with a share of almost 60%, continue to represent the majority of total deposits. Over one year, they have grown by 14.1%, while deposits by nonfinancial corporations increased by 2.2%.

In October there was a noticeable reduction in public nonfinancial corporations deposits, by around one quarter (EUR 75.9 million), which was due to the withdrawal by the government of a significant dividend of EUR 200 million from the Post and Telecommunications of Kosovo (PTK) J.S.C. As a result of this operation, the central government deposits in commercial banks increased with around EUR 180 million.

After peaking-up slightly in September, in October the annual credit growth decelerated again to 11.3%. Credit to nonfinancial corporations grew by 10.1% and credit to households – by 27.2%. By end-October, almost three quarters of all credit is held by nonfinancial corporations, with the rest being credit to households.

The loans to deposit ratio decreased in the months to October and reached 78.8%. While there is no legally binding restriction, there is an informal agreement according to which loans to deposits should not exceed 80%.

Banks continued to be profitable, although by end-October their accumulated profits were by more than 40% lower compared to the corresponding period of last year. October was also the first month in which banks profits declined on a monthly basis, mainly due to

higher provisions for loan and other assets losses.

The interest rate spread between loans and deposits remained high. By end of October, the 12-month moving average spread for all types of loans and deposits stood at 9.9 percentage points. It was lower for loans to households (8.6 percentage points) than for business loans (10.5 percentage points). Since September 2008, these indicators have been on a clear downward trend, with the overall spread narrowing by about one percentage point over this period. However, having in mind the still high volatility of the monthly interest rates on deposits and loans, it is not clear whether this trend can persist.

General government finance

By end-October the general government posted a surplus of EUR 139.4 million. The surplus increased substantially in October due to a one-off EUR 200 million dividend payment from the PTK. The underlying nominal growth in total revenue (corrected for the one-off revenue) remained flat by the end of the month. In the period January-October tax revenue increased by 1%, while non-tax revenue underperformed and declined by 7.9% in comparison with the corresponding period of the previous year.

Total expenditure increased substantially since the beginning of 2009. The nominal growth in expenditure by end-October reached 32.1%. Spending on wages and salaries was up by 15.5%, subsidies and transfers increased by 21.1% from an already high base in 2008, spending on goods and services was up by 58.2%, and capital outlays rose by 44.8%. These trends in expenditure growth pose a clear threat to fiscal sustainability and would most probably require significant adjustment measures in the near future.

The 2010 budget law was adopted by the Parliament on 29 December. It is based on the assumption of a 4% real GDP growth in 2010. The overall budget deficit is set at about 5.2% of GDP. Underlying total revenue (corrected for the one-off revenues in 2009) is expected to increase by 7.6% in nominal terms, while expenditure will rise by 7.8%.

TABLE

European Commission, ECFIN-D-1

KOSOVO*

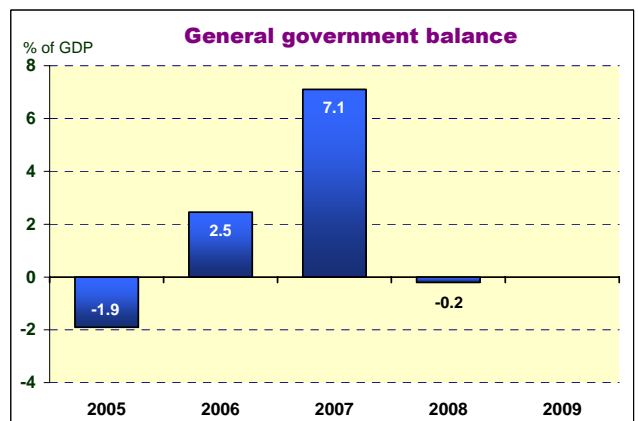
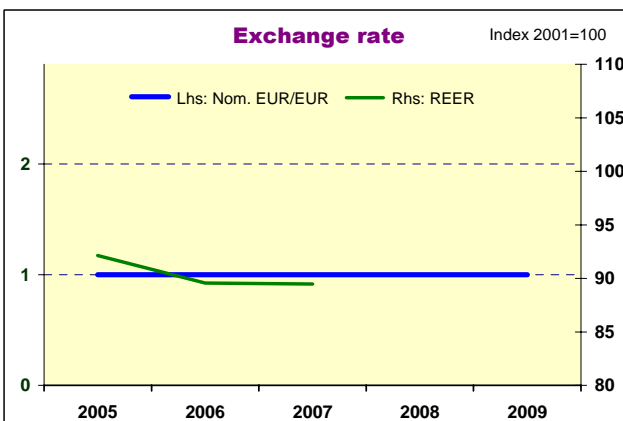
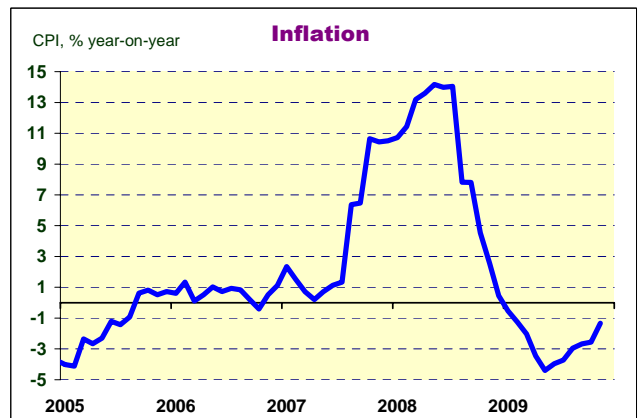
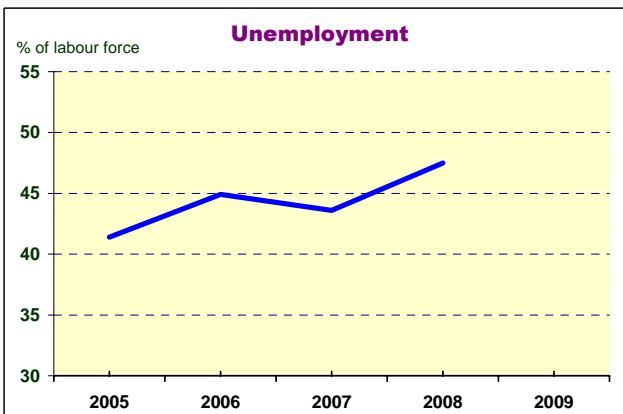
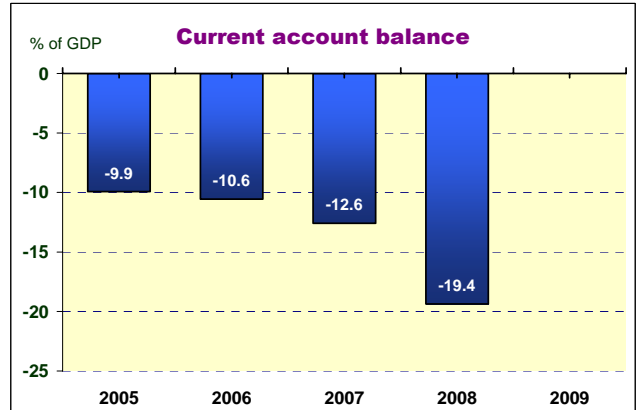
		2005	2006	2007	2008	2009	Q2 09	Q3 09	Q4 09	Oct 09	Nov 09	Dec 09
1 Output and demand												
Industrial confidence ^{1.1}	Balance	N.A.	N.A.	N.A.	N.A.	N.A.	:	:	:	:	:	:
Industrial production ^{1.2}	Ann. % ch	N.A.	N.A.	N.A.	N.A.	N.A.	:	:	:	:	:	:
Gross domestic product ^{1.3}	Ann. % ch	3.8	3.9	5.0	5.4	:	:	:	:	:	:	:
Consumer confidence ^{1.4}	Balance	N.A.	N.A.	N.A.	N.A.	N.A.	:	:	:	:	:	:
Private consumption ^{1.5}	Ann. % ch	8.6	4.0	6.9	5.3	:	:	:	:	:	:	:
Investment ^{1.6}	Ann. % ch	-11.4	0.4	28.1	19.9	:	:	:	:	:	:	:
Change in stocks ^{1.7}	% of GDP	N.A.	N.A.	N.A.	N.A.	N.A.	:	:	:	:	:	:
2 Labour market												
Unemployment ^{2.1}	%	41.4	44.9	43.6	47.5	:	:	:	:	:	:	:
Employment ^{2.2}	Ann. % ch	-1.1	-10.1	10.8	:	:	:	:	:	:	:	:
Wages ^{2.3}	Ann. % ch	8.5	N.A.	N.A.	N.A.	N.A.	:	:	:	:	:	:
3 International transactions												
Exports of goods ^{3.1}	Ann. % ch	-0.5	96.8	49.1	20.2	:	-37.7	-16.4	:	7.4	:	:
Imports of goods ^{3.2}	Ann. % ch	8.9	12.8	20.7	22.3	:	-1.9	-1.4	:	2.9	:	:
Trade balance ^{3.3}	% of GDP	-34.8	-36.3	-38.1	-41.3	:	-45.3	-45.1	:	N.A.	N.A.	N.A.
Exports goods and services ^{3.4}	% of GDP	10.2	12.8	14.2	13.8	:	:	:	:	N.A.	N.A.	N.A.
Imports goods and services ^{3.5}	% of GDP	44.9	49.1	52.4	55.2	:	:	:	:	N.A.	N.A.	N.A.
Current account balance ^{3.6}	% of GDP	-9.9	-10.6	-12.6	-19.4	:	:	:	:	N.A.	N.A.	N.A.
Direct investment (FDI, net) ^{3.7}	% of GDP	2.6	8.0	12.4	9.4	:	:	:	:	N.A.	N.A.	N.A.
4 Prices												
CPI ^{4.1}	Ann. % ch	-1.4	0.6	4.4	9.4	:	-3.9	-3.1	:	-2.6	-1.3	:
GDP Deflator ^{4.2}	Ann. % ch	-1.6	0.7	0.2	2.9	:	:	:	:	:	:	:
Producer prices ^{4.3}	Ann. % ch	N.A.	N.A.	N.A.	1.3	:	4.9	:	:	:	:	:
Import prices ^{4.4}	Ann. % ch	N.A.	N.A.	3.6	8.5	:	-6.4	:	:	:	:	:
5 Monetary and financial indicators												
Interest rate (3-12 months) ^{5.1}	% p.a.	15.60	15.47	15.49	16.61	:	10.32	14.26	:	12.96	:	:
Bond yield ^{5.2}	% p.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.	:	:	:	:	:	:
Broad money liabilities ^{5.4}	Ann. % ch	20.3	5.5	23.4	23.6	:	19.3	18.2	:	5.6	:	:
Exchange rate EUR/EUR ^{5.5}	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) ^{5.6}	Ann. % ch	-5.0	-2.8	-0.1	:	:	:	:	:	:	:	:
6 Government balance and debt												
General government balance ^{6.1}	% of GDP	-1.9	2.5	7.1	-0.2	:	0.6	0.1	:	3.6	:	:
General government debt ^{6.2}	% of GDP	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.

* as defined by UNSCR 1244

CHARTS

European Commission, ECFIN-D-1

KOSOVO*



* as defined by UNSCR 1244
Source of data: IMF, national sources



No.	Indicator	Note	Source
1.	Output and demand		
1.1.	Industrial confidence indicator	Business Surveys, Economic Outlook, Industry	Ecwin/Reuters
1.2.	Industrial production	Annual percentage change, volume, excluding construction. 2009 onwards base year 2005 and new methodology.	Ecwin/Reuters
1.3.	Gross domestic product	Annual percentage change, volume (1997 prices)	Ecwin/Reuters
1.4.	Consumer confidence indicator	Not available	N.A.
1.5.	Private consumption	Annual percentage change, volume (1997 prices)	Ecwin/Reuters
1.6.	Gross fixed capital formation	Annual percentage change, volume (1997 prices)	Ecwin/Reuters
1.7.	Change in stocks	In percent of GDP, volume (1997 prices)	Ecwin/Reuters
2.	Labour market		
2.1.	Unemployment	In percent of total labour force, Labour Force Survey definition for annual data. Monthly and quarterly data are based on official data on registered employment and unemployment	Ecwin/Reuters
2.2.	Employment	Annual percentage change, Labour Force Survey definition for annual data. Monthly and quarterly data are based on official data on registered employment and unemployment	Ecwin/Reuters
2.3.	Wages	Annual percentage change; average gross wages (nominal amount in kuna)	Ecwin/Reuters
3.	International Transactions		
3.1.	Exports of goods	Annual percentage change, mio. HRK, fob. Customs reports used for monthly data. Central Bank's otherwise.	Ecwin/Reuters
3.2.	Imports of goods	Annual percentage change, mio. HRK, cif Customs reports used for monthly data. Central Bank's otherwise.	Ecwin/Reuters
3.3.	Trade balance	In percent of GDP, fob-cif	Ecwin/Reuters
3.4.	Exports goods and services	In percent of GDP, volume (1997 prices)	Ecwin/Reuters
3.5.	Imports goods and services	In percent of GDP, volume (1997 prices)	Ecwin/Reuters
3.6.	Current account balance	In percent of GDP, rolling four quarter for quarterly data	Ecwin/Reuters
3.7.	Direct investment (<i>FDI, net</i>)	In percent of GDP, annualised data	Ecwin/Reuters
4.	Prices		
4.1.	Interim CPI	Annual average percentage change, HICP not yet available for Croatia	Ecwin/Reuters
4.2.	GDP deflator	Annual percentage change	Ecwin/Reuters
4.3.	Producer prices	Annual percentage change, without construction, index 2001	Ecwin/Reuters
4.4.	Import prices	Not available	N.A.
5.	Monetary and financial indicators		
5.1.	Interest rate	Zagreb Interbank 3 month - middle rate	Ecwin/Reuters
5.2.	Bond yield	Government Benchmarks, Bid, 5 Year, Yield, Close	Ecwin/Reuters
5.3.	Stock markets	CROBEX index	Ecwin/Reuters
5.4.	M4	Annual percentage change, M4 (Broadest money)	Ecwin/Reuters
5.5.	Exchange rate HRK/EUR	Period averages, midpoint exchange rates	Ecwin/Reuters
5.6.	Nominal eff. exchange rate	Index 2001, period averages	Ecwin/Reuters
6.	Government balance and debt		
6.1.	General government balance	In percent of GDP	Nat. sources
6.2.	General government debt	In percent of GDP	Nat. sources



No.	Indicator	Note	Source
1.	Output and demand		
1.1.	Industrial confidence indicator	Not available	
1.2.	Industrial production	Annual percentage change, volume, excluding construction	SSO
1.3.	Gross domestic product	Annual percentage change, volume (previous year prices)	SSO
1.4.	Consumer confidence indicator	Not available	
1.5.	Private consumption	Annual percentage change, volume (previous year prices)	SSO
1.6.	Gross fixed capital formation	Annual percentage change, volume (previous year prices)	SSO
1.7.	Change in stocks	In percent of GDP, volume (previous year prices)	SSO
2.	Labour market		
2.1.	Unemployment	In percent of total labour force, Labour Force Survey definition for annual data, registered otherwise	SSO
2.2.	Employment	Annual percentage change, Labour Force Survey definition for annual data, registered otherwise	SSO
2.3.	Wages	Annual percentage change; average gross wages (nominal amount in Denar)	SSO
3.	International Transactions		
3.1.	Exports of goods	Annual percentage change, fob	NBRM
3.2.	Imports of goods	Annual percentage change, cif	NBRM
3.3.	Trade balance	In percent of GDP, fob-cif	NBRM
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	NBRM
3.7.	Direct investment (<i>FDI, net</i>)	In percent of GDP, annualised data	NBRM
4.	Prices		
4.1.	CPI	Annual average percentage change, HICP not yet available for fYRoM	SSO/Ecowin/ Reuters
4.2.	GDP deflator	Annual percentage change	SSO
4.3.	Producer prices	Annual percentage change, industrial products	SSO
4.4.	Import prices	Not available	SSO
5.	Monetary and financial indicators		
5.1.	Interest rate	Interest rate Denar deposits	NBRM
5.2.	Bond yield	Not available	NBRM
5.3.	Stock markets	MSE Index (MBI-10)	Macedonian SE
5.4.	M4	Annual percentage change, M4 (Broadest money)	NBRM
5.5.	Exchange rate MKD/EUR	Averages, spot close	Ecowin/Reuters
5.6.	Nominal eff. exchange rate	Nominal Effective Exchange Rate, MKD, Index 2003=100	Ecowin/Reuters
6.	Government balance and debt		
6.1.	General government balance	In percent of GDP	MoF
6.2.	General government debt	In percent of GDP	MoF



No.	Indicator	Note	Source
1.	Output and demand		
1.1.	Industrial confidence indicator	Industry survey, confidence index real sector	Nat. sources
1.2.	Industrial production	Annual percentage change, volume (index 1997), excluding construction	Ecwin/Reuters
1.3.	Gross domestic product	Annual percentage change, volume (1987 prices)	Ecwin/Reuters
1.4.	Consumer confidence indicator	Consumer tendency survey	Nat. sources
1.5.	Private consumption	Annual percentage change, volume (1998 prices)	Ecwin/Reuters
1.6.	Gross fixed capital formation	Annual percentage change	Ecwin/Reuters
1.7.	Change in stocks	In percent of GDP	Ecwin/Reuters
2.	Labour market		
2.1.	Unemployment	In percent of total labour force, Labour Force Survey data	Ecwin/Reuters
2.2.	Employment	Annual percentage change, Labour Force Survey data	Ecwin/Reuters
2.3.	Wages	Annual percentage change; index of real earning per production worker in manufacturing industry	Nat. sources
3.	International Transactions		
3.1.	Exports of goods	Annual percentage change, mio. EUR, fob	Ecwin/Reuters
3.2.	Imports of goods	Annual percentage change, mio. EUR, cif	Ecwin/Reuters
3.3.	Trade balance	In percent of GDP, annualised moving average	Ecwin/Reuters
3.4.	Exports goods and services	In percent of GDP	Ecwin/Reuters
3.5.	Imports goods and services	In percent of GDP	Ecwin/Reuters
3.6.	Current account balance	In percent of GDP, annualised moving average	Ecwin/Reuters
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	Ecwin/Reuters
4.	Prices		
4.1.	CPI	Annual percentage change, index 1994, Interim HICP is not available	Ecwin/Reuters
4.2.	GDP deflator	Annual percentage change	Ecwin/Reuters
4.3.	Producer prices	Annual percentage change, wholesale prices index (1994)	Ecwin/Reuters
4.4.	Import prices	Total Index, 2003=100	Ecwin/Reuters
5.	Monetary and financial indicators		
5.1.	Interest rate	Deposit rates, 3 month, close	Ecwin/Reuters
5.2.	Bond yield	T-bond ISMA bid, 2 year, yield, close	Ecwin/Reuters
5.3.	Stock markets	ISE index, trading volume (business), January 1986 = 1 Turkish Lira	Ecwin/Reuters
5.4.	M3	Annual percentage change	Ecwin/Reuters
5.5.	Exchange rate YTL/EUR	Period averages	Eurostat
5.6.	Nominal eff. exchange rate	Index 1999, period averages	Eurostat
6.	Government balance and debt		
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.	Output and demand		
1.1.	Industrial confidence indicator	Not available	
1.2.	Industrial production	Not available	
1.3.	Gross domestic product	Annual percentage change, volume. Annual data	Ecwin/Reuters
1.4.	Consumer confidence indicator	Not available	
1.5.	Private consumption	Not available	
1.6.	Gross fixed capital formation	Not available	
1.7.	Change in stocks	In percent of GDP. Annual data	Ecwin/Reuters
2.	Labour market		
2.1.	Unemployment	In percent of total labour force	Ecwin/Reuters
2.2.	Employment	Annual percentage change	Ecwin/Reuters
2.3.	Wages	Average monthly wages in State sector	Ecwin/Reuters
3.	International Transactions		
3.1.	Exports of goods	Annual percentage change, mio. EUR	Ecwin/Reuters
3.2.	Imports of goods	Annual percentage change, mio. EUR	Ecwin/Reuters
3.3.	Trade balance	In percent of GDP	Ecwin/Reuters
3.4.	Exports goods and services	In percent of GDP. Annual data	Ecwin/Reuters
3.5.	Imports goods and services	In percent of GDP. Annual data	Ecwin/Reuters
3.6.	Current account balance	In percent of GDP, including official transfers	Ecwin/Reuters
3.7.	Direct investment (<i>FDI, net</i>)	In percent of GDP	Ecwin/Reuters
4.	Prices		
4.1.	Interim CPI	Consumer Prices, All items, Total. Annual percentage change Up to 2007 Dec2001 = 100, 2007 onwards Dec2007 = 100.	Ecwin/Reuters
4.2.	GDP deflator	Implicit GDP deflator. Annual percentage change	
4.3.	Producer prices	Annual percentage change, Total, index (1998)	Ecwin/Reuters
4.4.	Import prices	Not available	
5.	Monetary and financial indicators		
5.1.	Interest rate	Treasury Bills, 3 Month Auction, Yield	Ecwin/Reuters
5.2.	Bond yield	Government Benchmarks, 2 Year Bond, Yield	Ecwin/Reuters
5.3.	Stock markets	Not available	
5.4.	M2	Annual percentage change	Ecwin/Reuters
5.5.	Exchange rate LEK/EUR	Period averages	Ecwin/Reuters
5.6.	Change in real eff. exchange rate	Not available	
6.	Government balance and debt		
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. Output and demand			
1.1.	Industrial confidence indicator	Not available	
1.2.	Industrial production	Entity indices weighted by shares in GDP	NSI
1.3.	Gross domestic product	Annual percentage change	Ecwin/Reuters
1.4.	Consumer confidence indicator	Not available	
1.5.	Private consumption	Annual percentage change, Households, Total, 2004=100	Ecwin/Reuters
1.6.	Gross fixed capital formation	Annual percentage change	Ecwin/Reuters
1.7.	Change in stocks	In percent of GDP	Ecwin/Reuters
2. Labour market			
2.1.	Unemployment	Registered, in percent of total labour force	Ecwin/Reuters
2.2.	Employment	Registered, annual percentage change	Ecwin/Reuters
2.3.	Wages	Annual percentage change, average gross wages, BAM	Ecwin/Reuters
3. International Transactions			
3.1.	Exports of goods	Annual percentage change, mio. BAM, General merchandise, FOB	Ecwin/Reuters
3.2.	Imports of goods	Annual percentage change, mio. BAM, General merchandise, FOB	Ecwin/Reuters
3.3.	Trade balance	In percent of GDP, annualised data	Ecwin/Reuters
3.4.	Exports goods and services	In percent of GDP, estimated from Balance of Payments data	Ecwin/Reuters
3.5.	Imports goods and services	In percent of GDP, estimated from Balance of Payments data	Ecwin/Reuters
3.6.	Current account balance	In percent of GDP, annualised data	Ecwin/Reuters
3.7.	Direct investment (<i>FDI, net</i>)	In percent of GDP, annualised data	Ecwin/Reuters
4. Prices			
4.1.	CPI	Consumer price index from 2006; Retail price index otherwise.	CBBH/ Ecwin/Reuters
4.2.	GDP deflator	Implicit GDP deflator. Annual percentage change	
4.3.	Producer prices	Not available	
4.4.	Import prices	Not available	
5. Monetary and financial indicators			
5.1.	Interest rate	Not available	
5.2.	Bond yield	Not available	
5.3.	Stock markets	SASX-10 Index, Close	Ecwin/Reuters
5.4.	M2	Annual percentage change, M2 (broadest money)	Ecwin/Reuters
5.5.	Exchange rate BAM/EUR	Period averages, spot rates, close	Ecwin/Reuters
5.6.	Nominal eff. exchange rate	Index (2002 Apr=100); 9 Trade partners selected in order to set up the index (Austria, France, Germany, Hungary, Italy, Slovenia, Croatia, Serbia and Switzerland)	Ecwin/Reuters
6. Government balance and debt			
6.1.	General government balance	In percent of GDP. Certain local level data not included	CBBH
6.2.	General government debt	External public debt only	CBBH



No.	Indicator	Note	Source
1.	Output and demand		
1.1.	Industrial confidence indicator	Not available	
1.2.	Industrial production	Annual percentage change	Ecwin/Reuters
1.3.	Gross domestic product	Annual percentage change, annual data, chain index	MONSTAT
1.4.	Consumer confidence indicator	Not available	
1.5.	Private consumption	Annual percentage change, annual data, chain index	MONSTAT
1.6.	Gross fixed capital formation	Annual percentage change, annual data, chain index	MONSTAT
1.7.	Change in stocks	Annual percentage change, annual data	MONSTAT
2.	Labour market		
2.1.	Unemployment	In percent of active population, e.o.p.	Ecwin/Reuters
2.2.	Employment	Annual percentage change of registered employment, avrg.	Ecwin/Reuters
2.3.	Wages	Annual percentage change, average gross wages (nominal, in EUR)	Ecwin/Reuters
3.	International Transactions		
3.1.	Exports of goods	Annual percentage change, thou. EUR	Ecwin/Reuters
3.2.	Imports of goods	Annual percentage change, thou. EUR	Ecwin/Reuters
3.3.	Trade balance	In percent of GDP, annualised data	Ecwin/Reuters
3.4.	Exports goods and services	Annual data	MONSTAT
3.5.	Imports goods and services	Annual data	MONSTAT
3.6.	Current account balance	In percent of GDP, annualised data	Ecwin/Reuters
3.7.	Direct investment (<i>FDI, net</i>)	In percent of GDP, annualised data	Ecwin/Reuters
4.	Prices		
4.1.	CPI	Consumer price index (from Jan. 2008, cost-of-living index before), annual average percentage change, moving base year	Ecwin/Reuters
4.2.	GDP deflator	Implicit GDP deflator. Annual percentage change	Ecwin/Reuters
4.3.	Producer prices	Annual percentage change	Ecwin/Reuters
4.4.	Import prices	Not available	
5.	Monetary and financial indicators		
5.1.	Interest rate	Treasury Bills, 3 Month, auction, yield, average	Ecwin/Reuters
5.2.	Bond yield	Treasury Bills, 6 Month, auction, yield, average	Ecwin/Reuters
5.3.	Stock markets	NEX20 Index, Close	Ecwin/Reuters
5.4.	M21	Annual percentage change, M21 (Broadest money)	Ecwin/Reuters
5.5.	Exchange rate EUR/EUR	Use of the Euro since March 2002	
5.6.	Nominal exchange rate	Not available	
6.	Government balance and debt		
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.	Output and demand		
1.1.	Industrial confidence indicator	Not available	
1.2.	Industrial production	Annual percentage change, total, 2005=100, SA, Index	SORS
1.3.	Gross domestic product	Annual percentage change at constant (average) prices 2002 Production approach	SORS
1.4.	Consumer confidence indicator	Not available.	
1.5.	Private consumption	Not available	
1.6.	Gross fixed capital formation	Not available	
1.7.	Change in stocks	In percent of GDP	SORS
2.	Labour market		
2.1.	Unemployment	In percent of total labour force, Labour Force Survey definition for annual data. Monthly and quarterly data are based on annual LFS and adjusted on the basis of monthly/quarterly changes of data on registered unemployment.	SORS
2.2.	Employment	Annual percentage changes are based on LFS. Monthly and quarterly percentage changes (period of year in relation to the same period of previous year) data are based on official data on registered employment.	SORS
2.3.	Wages	Gross wages annual percentage change; average growth rate, nominal	SORS
3.	International Transactions		
3.1.	Exports of goods	Annual percentage change, mio. USD, fob	SORS
3.2.	Imports of goods	Annual percentage change, mio. USD, cif	SORS
3.3.	Trade balance	In percent of GDP, fob-cif, annualised data	SORS, Ecwin
3.4.	Exports goods and services	In percent of GDP	Ecwin
3.5.	Imports goods and services	In percent of GDP	Ecwin
3.6.	Current account balance	In percent of GDP, annualised data	NBS, Ecwin
3.7.	Direct investment (<i>FDI, net</i>)	In percent of GDP, annualised data	NBS, Ecwin
4.	Prices		
4.1.	CPI	Consumer Prices, Total, CPPY	Ecwin
4.2.	GDP deflator	Implicit GDP deflator. Annual percentage change	SORS
4.3.	Producer prices	Annual percentage change, total, index (2000)	SORS
4.4.	Import prices	Annual percentage change, total	SORS
5.	Monetary and financial indicators		
5.1.	Interest rate	Treasury Bills, 3 month, yield, average, RSD	NBS
5.2.	Bond yield	Not available	
5.3.	Stock markets	Belgrade Stock Exchange, BELEXfm index, price return, close, RSD	Ecwin/Reuters
5.4.	M3	Annual percentage change, M3 (broad money), RSD	NBS
5.5.	Exchange rate RSD/EUR	Spot Rates, close, period average	Ecwin/Reuters
5.6.	Nominal eff. exchange rate	Period average, moving base year, RSD	NBS
6.	Government balance and debt		
6.1.	General government balance	Consolidated GG, Overall balance including grants. In percent of GDP	MoF
6.2.	General government debt	Public sector debt. In percent of GDP	MoF

SORS: Statistical Office of the Republic of Serbia, NBS: National Bank of Serbia, MoF: Serbian Ministry of Finance

No.	Indicator	Note	Source
1. Output and demand			
1.1.	Industrial confidence indicator	Not available.	
1.2.	Industrial production	Not available.	
1.3.	Gross domestic product	Annual percentage change.	IMF
1.4.	Consumer confidence indicator	Not available.	
1.5.	Private consumption	Annual percentage change.	IMF
1.6.	Gross fixed capital formation	Annual percentage change.	IMF
1.7.	Change in stocks	Not available.	
2 Labour market			
2.1.	Unemployment	In percent of total labour force.	Statistical Office of Kosovo (SOK)
2.2.	Employment	Annual percentage change of number of employees according to the Tax Register.	Statistical Office of Kosovo (SOK)
2.3.	Wages	Annual percentage change, average monthly wages according to the Tax Register.	Statistical Office of Kosovo (SOK)
3. International Transactions			
3.1.	Exports of goods	Annual percentage change.	Ecwin
3.2.	Imports of goods	Annual percentage change.	Ecwin
3.3.	Trade balance	In percent of GDP.	Statistical Office of Kosovo (SOK)
3.4.	Exports goods and services	In percent of GDP.	IMF
3.5.	Imports goods and services	In percent of GDP.	IMF
3.6.	Current account balance	In percent of GDP, Annual data.	Central Banking Authority (CBAK)
3.7.	Direct investment (<i>FDI, net</i>)	In percent of GDP, Annual data.	CBAK
4. Prices			
4.1.	Interim CPI	Annual average percentage change, index (May 2002 = 100)	Ecwin
4.2.	GDP deflator	Annual percentage change.	IMF
4.3.	Producer prices	Not available.	
4.4.	Import prices	Not available.	
5. Monetary and financial indicators			
5.1.	Interest rate	Interest rates, short-term (3-12 months loans to non-financial corporations)	CBAK
5.2.	Bond yield	Not available.	
5.3.	Stock markets	Not available.	
5.4.	M2	Annual percentage change, M2 (deposits included in broad money)	Ecwin
5.5.	Exchange rate EUR/EUR	Not applicable.	
5.6.	Nominal eff. exchange rate	Not available.	IMF
6. Government balance and debt			
6.1.	General government balance	In percent of GDP	IMF, Ministry of Finance and Economy
6.2.	General government debt	Not applicable.	