



European Commission



Economic
and Financial Affairs
DIRECTORATE-GENERAL

ECFIN Unit D-1

Current update: 9 April 2010

Next update: July 2010

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

CCEQ

ISSN 1830-6292

Cat. No. KC-AO-10-002-EN-N

CANDIDATE AND PRE-ACCESSION COUNTRIES' ECONOMIC QUARTERLY

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*as defined by UNSCR 1244

OVERVIEW

Encouraging developments towards the end of 2009 and early 2010 in Turkey point to a bottoming out of the crisis driven by a vigorous recovery in private consumption. Conversely, available data on the Western Balkan economies most affected by the crisis (Croatia, Serbia, Montenegro) do not yet suggest any turnaround. A mild recovery in the last quarter of 2009 in the former Yugoslav Republic of Macedonia remains to be confirmed in early 2010.

The crisis severely affected Western Balkan economies in 2009, with negative GDP growth (estimates) in Croatia (-5.8%), the former Yugoslav Republic of Macedonia (-0.7%), Serbia (-3%), Montenegro (-5.3%) and Bosnia and Herzegovina (-3.2%). While the situation improved to some extent in the former Yugoslav Republic of Macedonia over the last quarter of 2009, growth remained negative in Serbia and Croatia towards the end of the year and there has been no tangible evidence of improvements in these two countries in early 2010. Kosovo and Albania appear as remarkable outliers, as although the international crisis took a toll on growth levels in 2009, it has not led to a recession.

In Turkey, among the first in South East Europe to have been affected by the crisis in 2008, the recovery has gained momentum. After a severe contraction in the first half of 2009, the economy grew by 6% in the last quarter of the year on the back of vigorous private consumption, leading to a milder than expected GDP decline over the whole year (-4.7%). High frequency indicators in early 2010 tend to confirm the turnaround, and point to a gradual recovery.

Current account balances witnessed a drastic adjustment in 2009, mainly due to shrinking imports and strongly declining trade deficits. In Turkey, the current account balance even narrowed down to 2.2% of GDP in 2009. This process however has started to bottom out during the end of 2009 and early 2010 in some countries as the decrease in imports has moderated. Contrary to expectations, remittances inflows proved rather resilient overall and remained significant in the Western Balkans, contributing to the financing of the trade deficit. In spite of lower FDI,

capital accounts still recorded net inflows that helped replenish foreign exchange reserves throughout the region, also boosted in Bosnia and Herzegovina and Serbia by significant IMF support under the two SBA programmes.

The economic downturn has severely affected the labour markets, as might be expected. Unemployment has surged in 2009 by some two to three percentage points in Turkey, Serbia and Bosnia and Herzegovina. The former Yugoslav Republic of Macedonia is an exception : the unemployment rate has continued to decline, although part of this improvement is apparently due to methodological changes in statistics.

After a relaxation of monetary policy during 2009 on the back of improving central bank foreign exchange reserves and lower inflation levels, recent monetary developments in a number of countries seem to signal the end of this easing process due to the re-emergence of some inflationary tensions. Countries with an anchor to the euro have been able to maintain their formal or informal pegs throughout the crisis and exchange rate depreciation pressure has faded out in countries with a free float regime (Albania, Serbia and Turkey).

In the Western Balkans the fiscal stance turned generally restrictive in 2009, with a series of budget rebalancing exercises to tame down surging deficits as fiscal revenue significantly underperformed. On average, and in spite of sizeable expenditure cuts, fiscal deficits were significantly worse than initially planned, by several GDP percentage points. The fiscal stance was somewhat less restrictive in Albania due to increased public infrastructure spending, though the government did not use discretionary fiscal measures. It was expansionary in Turkey, which used its fiscal space to pursue a clearly counter-cyclical fiscal policy in 2009 that added to automatic stabilisers and led to a general government deficit of 5.8% of GDP.

While lower deficit levels have been planned in almost all pre-accession countries in 2010, fiscal outcomes remain highly uncertain as they depend on the real economy's resilience and recovery. Due to limited public debt levels, fiscal sustainability is not jeopardized but margins of manoeuvre are becoming tighter.

Candidate and potential candidate countries: Summary table

	2005	2006	2007	2008	2009	Q3 09	Q4 09	Q1 10	Jan 10	Feb 10	Mar 10
Gross domestic product (in real terms, annual % change)											
Croatia	4.2	4.7	5.5	2.4	-5.8	-5.7	-4.5	:	n.a.	n.a.	n.a.
The former Yugoslav Republic of Macedonia	4.1	4.0	5.8	5.5	-0.7	-1.8	1.2	:	n.a.	n.a.	n.a.
Turkey	8.4	6.9	4.7	0.7	-4.7	-2.9	6.0	:	n.a.	n.a.	n.a.
Albania	5.7	5.4	6.0	8.0	:	:	:	:	n.a.	n.a.	n.a.
Bosnia and Herzegovina	3.9	6.1	6.2	5.7	-3.2	:	:	:	n.a.	n.a.	n.a.
Montenegro	4.2	8.6	10.7	6.9	-5.3e	-4.0	:	:	n.a.	n.a.	n.a.
Serbia	5.6	5.2	6.9	5.5	-3.0	-2.3	-1.6	:	n.a.	n.a.	n.a.
Kosovo*	3.8	3.9	5.0	5.4	:	:	:	:	n.a.	n.a.	n.a.
Unemployment (LFS, in % of workforce)											
Croatia	17.9	16.6	14.8	13.2	14.9	14.3	16.1	:	17.8	18.3	:
The former Yugoslav Republic of Macedonia	37.3	36.0	34.9	33.8	32.2	31.7	32.4	:	:	:	:
Turkey	10.2	9.9	9.9	11.0	14.1	13.4	13.1	:	:	:	:
Albania	14.3	13.9	13.4	12.8	:	12.8	:	:	:	:	:
Bosnia and Herzegovina	44.7	44.2	42.9	40.6	42.7	42.1	42.7	:	42.4	:	:
Montenegro	18.5	14.7	11.9	10.7	11.4	10.4	11.4	12.0	11.8	11.9	12.5
Serbia	21.8	21.6	18.8	14.7	17.4	17.4	:	:	:	:	:
Kosovo*	41.4	44.9	43.6	47.5	:	:	:	:	:	:	:
Current account balance (% of GDP)											
Croatia	-5.6	-7.0	-7.6	-9.3	-5.3	-6.1	-5.3	:	n.a.	n.a.	n.a.
The former Yugoslav Republic of Macedonia	-2.6	0.9	-7.2	-13.1	-7.3	-11.3	-7.3	:	n.a.	n.a.	n.a.
Turkey	-4.6	-6.1	-5.9	-5.6	-2.2	-2.6	-2.2	:	n.a.	n.a.	n.a.
Albania	-8.9	-6.6	-10.6	-15.4	-14.9	-15.9	-14.9	:	n.a.	n.a.	n.a.
Bosnia and Herzegovina	-17.1	-7.8	-10.4	-15.1	-7.5	-9.5	-7.4	:	n.a.	n.a.	n.a.
Montenegro	-8.5	-24.7	-30.8	-32.6	:	-17.6	:	:	n.a.	n.a.	n.a.
Serbia	-8.7	-10.1	-15.5	-17.1	-5.7	-3.4	-5.6	:	n.a.	n.a.	n.a.
Kosovo*	-9.8	-7.1	-9.6	-15.6	:	:	:	:	n.a.	n.a.	n.a.
Inflation (Consumer price index, annual % change)											
Croatia	3.3	3.2	2.9	6.1	2.4	1.2	1.6	:	1.1	0.7	:
The former Yugoslav Republic of Macedonia	0.5	3.2	2.3	8.3	-0.8	-1.4	-2.1	0.5	0.1	0.6	0.7
Turkey	8.2	9.6	8.8	10.4	6.3	5.3	5.7	9.3	8.2	10.1	9.6
Albania	2.4	2.4	2.9	3.4	2.2	2.1	2.9	:	4.1	4.4	:
Bosnia and Herzegovina	4.3	6.1	1.5	7.4	-0.4	-1.4	-0.7	:	1.4	1.6	:
Montenegro	2.4	3.0	4.3	7.4	3.4	2.3	1.8	:	0.8	0.2	:
Serbia	17.3	12.7	6.5	12.4	8.1	7.3	6.6	4.3	4.8	3.6	4.4
Kosovo*	-1.4	0.6	4.4	9.4	-2.4	-3.1	-1.3	:	0.6	1.1	:
General government balance (% of GDP)											
Croatia	-3.5	-3.1	-2.6	-1.4	:	-2.0	:	:	n.a.	n.a.	n.a.
The former Yugoslav Republic of Macedonia	0.2	-0.5	0.6	1.0	-2.8	:	:	:	n.a.	n.a.	n.a.
Turkey	-0.6	-0.1	-1.0	-2.2	-5.8	-8.1	-11.9	:	n.a.	n.a.	n.a.
Albania	-3.6	-3.2	-3.5	-5.5	-6.9	:	:	:	n.a.	n.a.	n.a.
Bosnia and Herzegovina	2.4	2.9	1.3	-2.0	:	:	:	:	n.a.	n.a.	n.a.
Montenegro	-2.3	2.7	6.7	-0.4	-3.5	-1.0	-3.5	:	n.a.	n.a.	n.a.
Serbia	0.9	-1.6	-2.0	-2.5	-4.1	-3.1	-5.0	:	n.a.	n.a.	n.a.
Kosovo*	-3.0	2.4	6.7	-0.2	0.0	:	:	:	n.a.	n.a.	n.a.

* as defined by UNSCR 1244

CROATIA



Recent economic and political developments

In early 2010, the government launched a new set of anti-crisis measures aimed to revive commercial bank lending to viable companies through active participation of the Croatian Bank for Reconstruction and Development and the Croatian National Bank and the establishment of a new guarantee fund to assume part of the credit risk.

In March, the parliament passed a law encouraging first time buyers of apartments through a subsidised lending scheme.

Another two chapters in EU accession negotiations (on fisheries and environment) were opened during the first quarter, bringing the number of opened chapters to 30.

In the annual Stabilisation and Association Council meeting in March 2010 the EU emphasised that Croatia needs to continue its reforms, especially in areas such as judiciary, public administration, fight against corruption and organised crime, protection of minorities, return of refugees and economic reforms.

Output and demand

The effects of the global crisis on the Croatian economy have continued to be felt in the fourth quarter, when real GDP declined by 4.5% year-on-year after the 5.7% drop in the third quarter. For the year 2009 as a whole, real GDP fell by 5.8%. The contraction was mainly driven by a considerable drop in domestic demand. Private consumption decreased by 8.5% year-on-year and real investment fell by 11.8%. Thus, domestic demand posted a large negative contribution to GDP growth by 9.4 percentage points. At the same time total imports declined by 20.7% while total exports fell by 16.2%, resulting in a positive contribution of net exports to GDP growth, by 3.6 percentage points.

On the supply side, the strongest decline of economic activity in 2009 was recorded in wholesale and retail trade (14.3% year-on-year), followed by mining and quarrying, manufacturing, electricity, gas and water supply

(8.5%), and transport, storage and communication (6.4%) as well as construction activity (6.1%). The hotels and restaurants sector was less severely affected with a decline in real added value by 2.9%. Only agriculture, financial intermediation and public administration continued to grow in real terms.

Although the severe recession seems to have been bottoming out, high frequency indicators do not yet suggest the beginning of broad-based recovery. In January, construction activity and retail turnover continued to fall year-on-year by 18.4% and 9.3%, respectively. Sales of new cars dropped by 21.5% year-on-year in the first quarter. The decline in industrial production moderated somewhat in early 2010, to 0.1% in January and 1.3% in February, compared to a fall of 7.7% year-on-year in the last quarter of 2009. Seasonal adjusted data for industrial production even suggest a slight recovery in January and February.

Labour market

According to the latest data obtained from the labour force survey, the unemployment rate stood at 8.7% in the third quarter, compared to 7% in the same period a year ago. More recent data on officially registered unemployment confirm that the economic downturn has continued to severely affect the labour market. In the twelve months to February 2010, the number of unemployed had increased by around 21%. The officially registered unemployment rate climbed to 18.3%, compared to 14.8% in the same month a year before. Total employment declined by 6.6% in the twelve months to February.

Downward pressures on wages have become more pronounced recently. Average gross wages fell by 1.2% year-on-year in January, following a decrease of 0.4% in the last quarter of 2009.

International transactions

As a consequence of rapidly falling domestic demand and total imports, external deficits have significantly declined in 2009. The current

account deficit narrowed by 4 percentage points of GDP, to 5.3% compared to 9.3% in 2008. Such adjustment primarily resulted from a lower merchandise trade deficit, which fell from 22.8% of GDP in 2008 to 16.3% in 2009. This latter reduction was partly compensated for by a significant reduction of net revenues from services by around 17% year-on-year. Moreover, the deficit in the income balance increased from 3.3% to 3.7% of GDP, also reflecting higher net factor income payments on external debt.

In January 2010, merchandise exports grew by 13.5% year-on-year, after having experienced a sharp drop in 2009. However, this increase was mainly due to the export of ships. Merchandise imports continued to fall (-8.7%), although to a much lesser extent compared to 2009.

The financial accounts in 2009 recorded a surplus equivalent to 8.6% of GDP, compared to a surplus of 11.8% a year before. Net inflows of FDI fell sharply from 6.7% of GDP to 2.1%. Other investments, mainly cross border lending to the financial and non-financial corporate sector, recorded net inflows of 5.9% of GDP, less than the 6.4% surplus in 2008.

As net capital inflows exceeded the amount required to finance the current account deficit in 2009, the official reserves of the Croatian National Bank continued to increase. The stock of reserves rose by EUR 1,255 million to EUR 10,394 million at end-2009, equivalent to around 5.5 months of imports. The stock of external debt continued to increase, to EUR 44.6 billion or close to 99% of GDP by end-2009, against 83.8% of GDP at end-2008. External debt dynamics were largely driven by foreign borrowing of the non-financial corporate sector and of the government which issued bonds on foreign markets.

Prices

CPI inflation continued to decelerate to 0.7% year-on-year in February, from 1.1% a month before. The slowdown in consumer price dynamics mainly resulted from the weaker growth of prices for housing, utilities, transport and food and non-alcoholic beverages.

As a result of shrinking domestic demand and easing price pressures, annual average inflation came down to 1.9% in February, compared to 5.7% in the same month a year before.

Monetary and financial indicators

Annual domestic credit growth was slightly negative in 2009 (-0.6% year-on-year), mainly due to a decline in outstanding credit to the private household sector (-2.9%), while credits to the non-financial corporate sector continued to grow at a very moderate pace (2.1%).

The Kuna's exchange rate mildly appreciated in the first quarter of 2010, by some 0.5% vis-à-vis the euro, following a slight depreciation of 0.4% during the previous quarter. The average exchange rate stood at 7.26 Kuna/Euro in March, compared to 7.2912 Kuna/Euro in December.

Short term interest rates declined significantly from 4.6% in December to 3% in January, 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 gained some 6.6% during the first quarter, after it had recovered by 16% during 2009.

General government finance

According to available budget data, the actual 2009 budget implementation on a cash basis appears to have been rather in line with the plan. However, the budget deficit as measured according to ESA 95 standards exceeded the planned level of 3.4% of GDP by a considerable margin, mainly due to activations of state guarantees. The ESA 95 deficit is estimated at around 4.1% of GDP. The first two months of 2010 saw a drop of total revenues of 0.5% year-on-year, whereas total spending continued to increase, by 6.4% year-on-year. The budgeted deficit amounts to 3.3% of GDP in 2010.

The stock of general government debt increased significantly by 22% year-on-year in the twelve months to September, and reached a level equivalent to 33.4% of GDP. In the same period, total public debt, including state guarantees and the debt of the State Development Bank, climbed by over 20%, thereby reaching close to 45% of GDP.

TABLE



European Commission, ECFIN-D-1

CROATIA

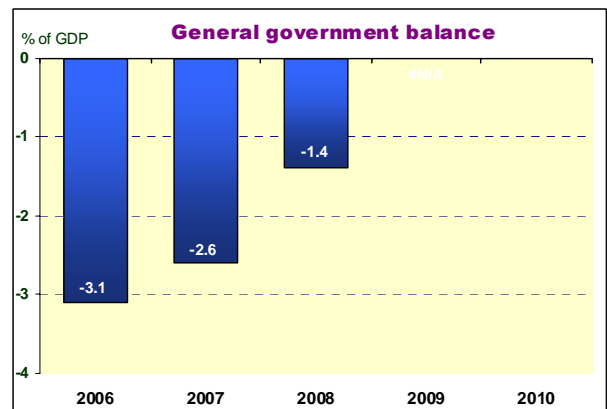
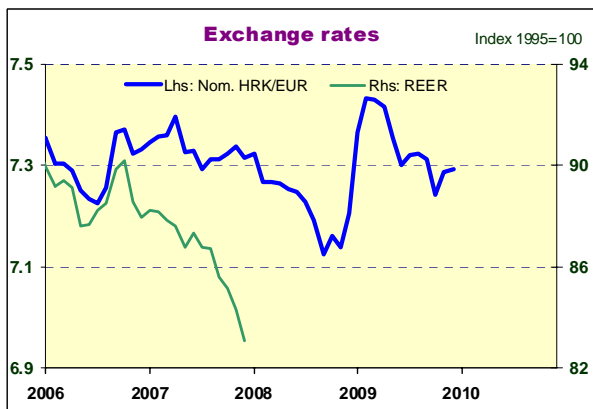
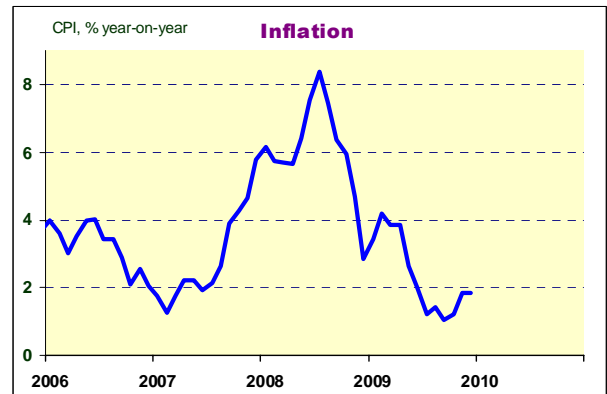
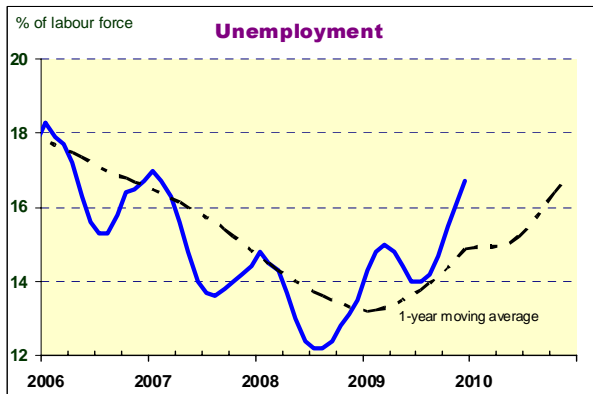
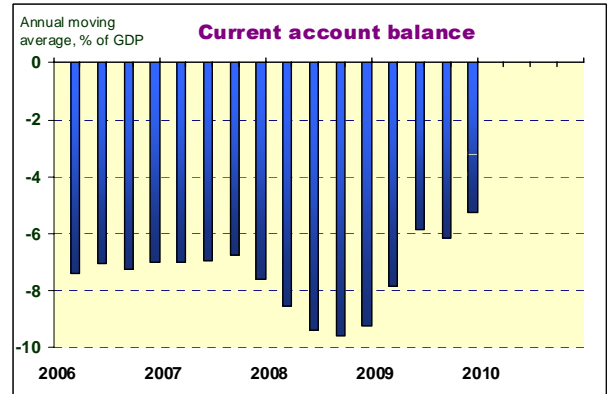
		2005	2006	2007	2008	2009	Q3 09	Q4 09	Q1 10	Jan 10	Feb 10	Mar 10
1 Output and demand												
Industrial outlook ^{1.1}	Balance	N.A.	N.A.	70.9	38.0	-33.3	-42.0	9.0	5.0	N.A.	N.A.	N.A.
Industrial production ^{1.2}	Ann. % ch	5.1	4.5	5.6	1.6	-9.3	-9.0	-7.7	:	-0.1	-1.3	:
Gross domestic product ^{1.3}	Ann. % ch	4.2	4.7	5.5	2.4	-5.8	-5.7	-4.5	:	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.	N.A.	N.A.	N.A.
Private consumption ^{1.5}	Ann. % ch	4.4	3.5	6.2	0.8	-8.5	-6.9	-7.5	:	N.A.	N.A.	N.A.
Gross fixed capital formation ^{1.6}	Ann. % ch	4.9	10.9	6.5	8.2	-11.8	-10.5	-11.3	:	N.A.	N.A.	N.A.
Change in stocks ^{1.7}	% of GDP	1.7	2.0	2.7	3.2	2.0	1.4	2.0	:	N.A.	N.A.	N.A.
2 Labour market												
Unemployment ^{2.1}	%	17.9	16.6	14.8	13.2	14.9	14.3	16.1	:	17.8	18.3	:
Employment ^{2.2}	Ann. % ch	0.8	3.3	3.3	2.5	-3.2	-4.1	-5.3	:	-6.3	-6.6	:
Wages ^{2.3}	Ann. % ch	4.4	6.2	6.2	7.1	2.2	1.4	-0.4	:	-1.2	:	:
3 International transactions												
Exports of goods ^{3.1}	Ann. % ch	7.9	16.1	8.8	5.1	-20.3	-29.6	-15.2	:	17.5	-20.8	:
Imports of goods ^{3.2}	Ann. % ch	9.1	12.9	11.0	8.9	-25.6	-29.8	-20.0	:	-8.7	-15.0	:
Trade balance ^{3.3}	% of GDP	-21.0	-21.3	-22.0	-22.8	-16.3	-17.5	-16.3	:	N.A.	N.A.	N.A.
Exports goods and services ^{3.4}	% of GDP	42.6	43.4	42.8	41.9	36.1	37.3	36.1	:	N.A.	N.A.	N.A.
Imports goods and services ^{3.5}	% of GDP	49.1	50.4	50.4	50.3	39.4	41.6	39.4	:	N.A.	N.A.	N.A.
Current account balance ^{3.6}	% of GDP	-5.6	-7.0	-7.6	-9.3	-5.3	-6.1	-5.3	:	N.A.	N.A.	N.A.
Direct investment (FDI, net) ^{3.7}	% of GDP	3.4	6.5	8.2	6.7	2.1	4.0	2.1	:	N.A.	N.A.	N.A.
4 Prices												
CPI ^{4.1}	Ann. % ch	3.3	3.2	2.9	6.1	2.4	1.2	1.6	:	1.1	0.7	:
GDP Deflator ^{4.2}	Ann. % ch	3.3	3.4	4.0	6.4	3.3	1.4	2.6	:	:	:	:
Producer prices ^{4.3}	Ann. % ch	:	:	:	:	-0.4	-2.3	0.1	:	3.0	2.7	:
Import prices ^{4.4}	Ann. % ch	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
5 Monetary and financial indicators												
Interest rate (3 months) ^{5.1}	% p.a.	6.21	4.46	5.66	7.19	8.96	9.63	6.21	:	3.03	:	:
Bond yield ^{5.2}	% p.a.	N.A.	N.A.	N.A.	5.9	6.4	6.7	6.8	5.8	6.1	5.7	5.7
Stock markets ^{5.3}	Index	1,920	2,771	4,673	3,299	1,871	2,028	2,072	2,161	2,203	2,138	2,143
M4 ^{5.4}	Ann. % ch	9.6	14.3	17.9	10.9	1.6	-0.7	0.2	:	0.9	0.9	:
Exchange rate HRK/EUR ^{5.5}	Value	7.39	7.30	7.33	7.22	7.34	7.32	7.27	7.28	7.29	7.30	7.26
Nominal eff. exchange rate ^{5.6}	Index	90.4	89.3	87.3	84.3	86.9	85.98	84.62	:	85.64	:	:
6 Government balance and debt												
General government balance ^{6.1}	% of GDP	-3.5	-3.1	-2.6	-1.4	:	-2.0	:	:	N.A.	N.A.	N.A.
General government debt ^{6.2}	% of GDP	38.3	35.7	33.0	33.5	0.0	:	:	:	N.A.	N.A.	N.A.

CHARTS

European Commission, ECFIN-D-1



CROATIA



THE FORMER YUGOSLAV REPUBLIC OF MACEDONIA



Recent economic and political developments

On 6 March, the authorities presented a fourth anti-crisis package, containing some 24 measures related to streamlining fiscal procedures, to facilitating privatisation of land, improving credit access for SMEs and promoting agricultural employment. The government claims to have spent EUR 300 million (some 4½% of GDP) so far, to fight the impact of the global financial crisis.

On 25 March, the Central Bank lowered its key policy interest rates, the rate for 28-day central bank bills, from 7½% to 6½% and the rate for overnight credits from 9% to 8%.

Output and demand

After an output drop by 1.4% during the first three quarters, GDP rose by 1.2% year-on-year in the fourth quarter of 2009. The strong last quarter thus limited the output contraction to 0.7% in 2009, after an increase by 4.8% in 2008. The main factors for the relatively strong output growth in the last quarter were solid private consumption, increasing by 1.2% year-on-year, while imports dropped by 7.3%. Public consumption dropped by 16.6%, while investment rose by 0.3%. Exports declined by 3.7%. For the whole year, the main growth supporting factors have been private consumption, increasing by 0.2% and a drop in imports by 10.7%. Most likely, the decline in imports reflects the decline in exports, by 8.2%, and the contraction of investment, by 9.2%.

Industrial production, which accounts for some 20% of total value added, returned to negative growth rates in January and February, after a temporary recovery in the last 2 months of 2009. During the first 2 months of 2010, output was some 8% below the level a year before. In February, the overall decline by 13% was broad based, with the exception of electricity, for which output increased by some 6%.

Labour market

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

In the fourth quarter of 2009, the labour force survey reports an increase in employment by 2.3% year-on-year, and a drop in the number of unemployed by 2.4%. As a result, the unemployment rate declined, from 33.5% in the fourth quarter of 2008 to 32.4% in the last quarter of 2009. For the whole year, employment rose by 3.4%, while the number of unemployed declined by 3.7%. Annual unemployment declined from 33.8% in 2008 to 32.2% in 2009. Stricter registration procedures and increased public spending seem to have been a important factors behind this improvement. Compared to last year, about 20.000 more persons were registered as employed. The sectors with the biggest employment increases were trade (+10.000 persons), public administration (+8.000 persons) and financial intermediation (+5.300 persons), while manufacturing and agriculture were the sectors with the biggest job losses (-4.800 and -3.000 persons, respectively). About 20% of the unemployed are between 15-24 years old. Unemployment in this age group declined in line with the overall trend, from 56.4% in 2008 to 55.1% in 2009. Nominal wage growth slowed down to 8.3% in the fourth quarter. However, a large part of this increase is probably due to a methodological change, i.e. switching from calculating wages on net terms to a gross wage concept. In January, the first month without the aforementioned base effect, nominal wage growth was 1.2% only.

International transactions

In the fourth quarter, the current account registered a deficit of some 2% of the actual annual GDP, after a surplus of 1½% of the

estimated GDP for 2009 in the third quarter. However, compared to a year before, the fourth quarter BOP deficit was some 4% of GDP lower. The main reasons for the year-on-year improvement were higher private transfers and a lower deficit in the income balance.

For the whole year of 2009, the current account deficit returned to the level registered in 2007, declining from 13.1% of GDP in 2008 to 7.5% in 2009. The main factor for this improvement was a decline in the trade deficit by 3 percentage points of GDP, resulting from a drop in spending for imports by 14.7% of GDP, while export revenues declined by 11.7% of GDP only. The level of current transfers increased by 2.3% of GDP in 2009, reaching 16.6% of GDP, compared to 14.3% of GDP in 2008. Here again, the inflow of current transfers reached a level comparable to 2007. On the financing side, the most noteworthy development was the drop in FDI by 3.3 percentage points of GDP, from 6.3% of GDP in 2008 to 2.7% in 2009. However, despite the decline in capital inflows, foreign exchange reserves rose by 1.1% of GDP.

Prices

Consumer prices continued to rise at the beginning of the year. In March, the price level was 0.7% higher than a year before, bringing the average increase of consumer prices in the first quarter of 2010 to 0.5%. In 2009, the overall price level had dropped by 0.8%, mainly due to lower food prices, which account for some 50% of the CPI's basket, while other components of the index registered significant increases. This pattern persisted in the first three months of 2010, with food prices dropping by 2.3% year-on-year, while costs of housing and transport increased by 7% and 8%, respectively.

Monetary and financial indicators

Since October 2009, monetary conditions continued to soften slightly. Average weighted nominal lending rates had increased from 9.7% at the beginning of 2009 to 10.3% in September, but dropped slightly to 10% in February. Interest rates on deposits increased from 6.8% in January to 7.5% in February. The spread between lending and borrowing rates thus dropped to about 2½ 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 -0.9% in the third quarter, but accelerated again to 4.8% in the fourth quarter. In January, growth in M4 accelerated further to 8% year-on-year.

The exchange rate of the Denar has remained largely unchanged against the euro at 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 maintaining the current informal peg to the euro.

Foreign exchange reserves have recovered to EUR 1.6 billion end of February (some 24% of GDP), after a sharp decline during the first months of the year. The increase is largely due to funds stemming from a EUR 175 million 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 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

In 2009, the realised public sector deficit was as planned 2.8% of GDP. However, both, revenues and spending were some 10% lower than anticipated. Total current revenue was about 6% lower than in 2008, while total spending rose by 1.7%, mainly due to higher transfers and subsidies, while capital investment rose by 0.4% only. During January and February, revenues remained significantly below expectations while spending was higher than anticipated. By end February, total revenues were some 6% lower than a year before, mainly due to a decline in tax revenues by 11.5%. In the same period spending increased by 7.5%. This resulted in a deficit of EUR 66 million, or about 1% of the estimated 2010 GDP. For the whole year, the 2010 budget envisages a deficit of 2.5% of GDP.

The general government debt increased in 2009 to around 25% of GDP, compared to 21% in 2008. However, the reporting of public sector accounts is not yet in line with ESA 95.

TABLE

European Commission, ECFIN-D-1



The former Yugoslav Republic of Macedonia

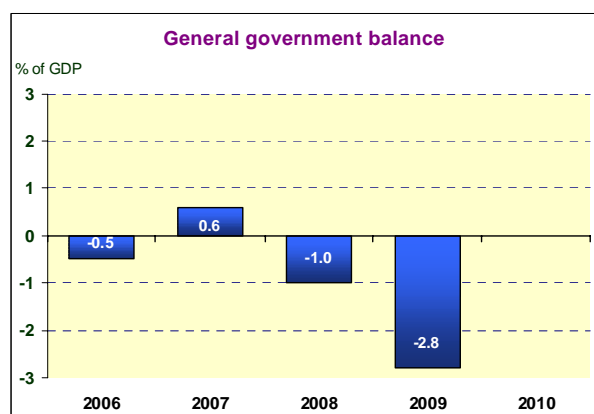
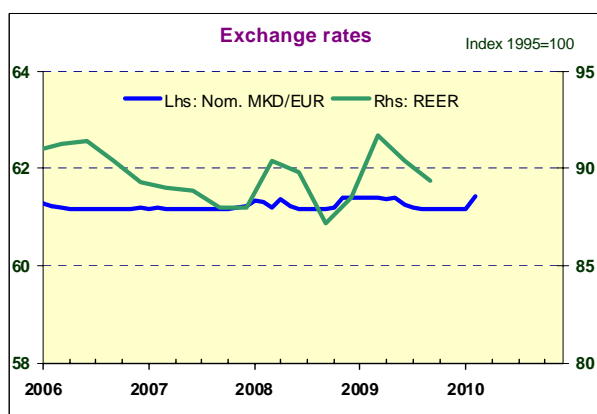
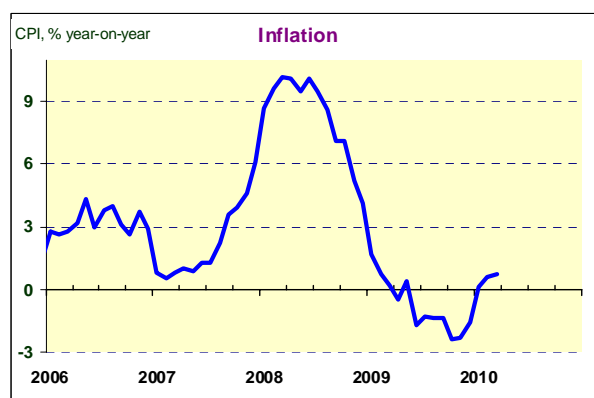
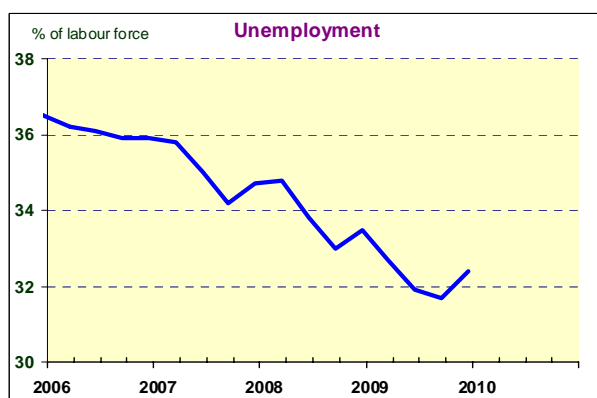
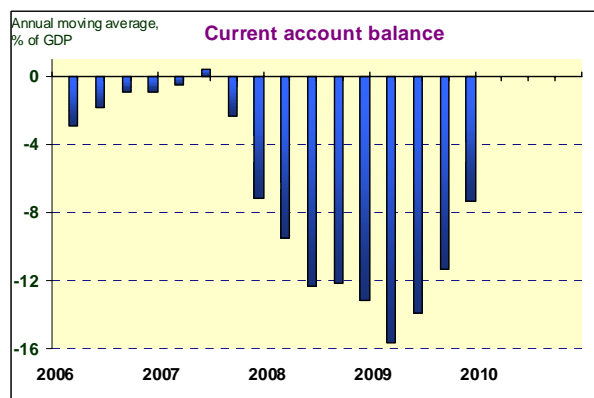
		2005	2006	2007	2008	2009	Q3 09	Q4 09	Q1 10	Jan 10	Feb 10	Mar 10
1 Output and demand												
Industrial confidence ^{1.1}	Balance	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Industrial production ^{1.2}	Ann. % ch	7.2	2.3	4.1	5.9	-7.3	-13.2	7.8	:	-2.9	-13.1	:
Gross domestic product ^{1.3}	Ann. % ch	4.1	4.0	5.8	5.5	-0.7	-1.8	1.2	:	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.	N.A.	N.A.	N.A.
Private consumption ^{1.5}	Ann. % ch	5.7	6.0	9.8	8.1	-2.7	-3.7	-2.1	:	N.A.	N.A.	N.A.
Gross fixed capital formation ^{1.6}	Ann. % ch	-5.4	11.6	13.3	7.3	-9.2	-26.7	0.3	:	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	32.2	31.7	32.4	:	:	:	:
Employment ^{2.2}	Ann. % ch	4.3	4.6	3.5	3.2	3.4	3.7	2.3	:	:	:	:
Wages ^{2.3}	Ann. % ch	2.7	8.0	4.8	8.7	14.1	13.3	8.3	:	1.2	:	:
3 International transactions												
Exports of goods ^{3.1}	Ann. % ch	22.2	15.8	28.3	9.9	-28.4	-28.6	-16.0	:	:	:	:
Imports of goods ^{3.2}	Ann. % ch	10.7	16.9	23.7	22.6	-21.7	-28.5	-11.3	:	:	:	:
Trade balance ^{3.3}	% of GDP	-18.4	-20.1	-20.3	-26.9	-23.4	-24.0	-23.4	:	N.A.	N.A.	N.A.
Exports goods and services ^{3.4}	% of GDP	43.2	46.9	53.4	52.7	39.4	41.4	39.4	:	N.A.	N.A.	N.A.
Imports goods and services ^{3.5}	% of GDP	62.1	66.5	72.3	78.7	61.2	64.3	61.2	:	N.A.	N.A.	N.A.
Current account balance ^{3.6}	% of GDP	-2.6	0.9	-7.2	-13.1	-7.3	-11.3	-7.3	:	N.A.	N.A.	N.A.
Direct investment (FDI, net) ^{3.7}	% of GDP	1.6	6.8	8.8	6.3	2.6	2.9	2.6	:	N.A.	N.A.	N.A.
4 Prices												
CPI ^{4.1}	Ann. % ch	0.5	3.2	2.3	8.3	-0.8	-1.4	-2.1	0.5	0.1	0.6	0.7
GDP Deflator ^{4.2}	Ann. % ch	3.8	4.4	7.6	7.2	2.7	1.3	1.5	:	:	:	:
Producer prices ^{4.3}	Ann. % ch	3.2	4.5	1.6	10.4	-6.4	-10.1	-0.4	:	6.5	7.4	:
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	:	:	:	:	:	:	:
Bond yield ^{5.2}	% p.a.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Stock markets ^{5.3}	Index	1,930	3,219	6,971	5,149	2,497	2,608	3,199	2,825	2,779	2,921	2,775
M4 ^{5.4}	Ann. % ch	15.1	10.0	28.9	21.3	3.5	-0.8	4.8	:	8.0	:	:
Exchange rate MKD/EUR ^{5.5}	Value	61.30	61.19	61.18	61.26	61.28	61.18	61.17	:	61.16	61.42	:
Nominal eff. exchange rate ^{5.6}	Index	104.7	104.9	104.5	105.6	:	112.1	:	:	N.A.	N.A.	N.A.
6 Government balance and debt												
General government balance ^{6.1}	% of GDP	0.2	-0.5	0.6	-1.0	-2.8	:	:	:	N.A.	N.A.	N.A.
General government debt ^{6.2}	% of GDP	39.6	31.4	23.4	21.4	25.0	:	:	:	N.A.	N.A.	N.A.

CHARTS



European Commission, ECFIN-D-1

The former Yugoslav Republic of Macedonia



TURKEY



Recent economic and political developments

The government is pursuing a number of constitutional reforms, including amendments to make the closure of political parties more difficult and change the structure and the way the Constitutional Court and the Supreme Board of Judges and Prosecutors are elected.

Both the IMF and the Turkish authorities announced that the protracted negotiations on a new IMF-programme came to an end. As market reactions indicate, the incipient recovery is not immediately at risk. A new fiscal rule is currently under preparation, and should be in place in 2011.

In a statement made on 30th March, the Monetary Policy Committee stressed that strengthening the commitment to fiscal discipline and the structural reform agenda would support the improvement of Turkey's sovereign risk, and thus facilitate macroeconomic and price stability.

Output and demand

While the economy grew by 6.0% year-on-year in the fourth quarter, GDP contracted by 4.7% year-on-year in 2009. The previous eight quarters' data underwent major revisions. As a result, the size of the 2009 contraction came significantly below the market consensus and the official forecast of -6%.

On a quarter-on-quarter base, GDP increased by 2.3% in the final quarter of 2009 (adjusted for seasonality and working days), which is in fact weaker than in the previous two quarters. Manufacturing and trade were the driving sectors, as they expanded at double-digit rates.

The 2.3% year-on-year contraction in private consumption and the 7.8% growth in public consumption were better than expected. Although GFCF remained weak, its contraction lost pace as it contracted by some 4.7% year-on-year in the fourth quarter, compared with a 19.2% decline in the whole year. Net exports'

contribution to growth moved for the first time since over a year into negative territory. After four quarters of negative or zero growth, the inventory depletion appears to have been reversed.

Confidence and high frequency indicators do not yet indicate economic growth to reach pre-crisis levels. In part due to the low base year effect, industrial production grew by 18% in February 2010. This robust growth mainly stems from a 73% increase in the car production. The capacity utilisation rate started to pick up slowly and currently amounts to 68%, which points at the currently limited needs for new capacity investments in the industry.

Labour market

In 2009, the unemployment rate rose to 14.1% from 11.0% in 2008. Towards the end of the year, the unemployment rate slightly improved as the jobless rate fell from 13.4% in the third quarter of 2009 to 13.1% in the final quarter. The number of unemployed increased by 800,000 in one year, to reach 3.5 million. Only 31% of the total population -and about 21% of women- is employed in Turkey. Of the working population, 26% are employed in agriculture, 19% in the industry, 6% in construction and 49% in the service sector.

Employment increased by 0.3% in the final quarter of 2009, and by 0.4% in the year. However, most of these newly created jobs went to the agricultural sector, though the sector increasingly accounts for large pockets of underemployment (unpaid family workers). Real wages rose by 3.7% year-on-year in the third quarter of 2009, while productivity in the industry (output per man-hour worked) increased by 2.7% in the same period, thereby posting a positive growth for the first time in over a year.

International transactions

Turkey's current account deficit fell by two thirds in 2009 - to 2.2% of GDP from 5.6% of GDP in 2008 - mainly on the back of a sharp

drop in imports accentuated by lower oil prices. However this trend has been recently reversed, as in the three months to January 2010, the deficit roughly doubled year-on-year. In previous years, the Turkish economy had posted relatively large and widening current account deficits. A high import content of domestically-produced manufacturing products for exports and the country's dependence on energy imports were the main reasons. The effect of rising oil prices is also partly responsible for the strong rise in imports in recent months, by rates as high as 20% in the year to February 2010. Exports continued to shrink over the same period by about 7% year-on-year.

FDI fell by 60% year-on-year to EUR 4.5bn in 2009, and financed 44% of the current account deficit last year, compared with 37% a year earlier. The central bank's international reserves remain relatively comfortable at around USD 70 billion. This equals 5.5 months of imports and one fourth of total external debt.

Prices

Consumer price inflation hit a 40-year trough at 5.1% year-on-year in October. In recent months, however, headline CPI has accelerated significantly to 10.1% in February 2010, before losing ground slightly to 9.6% in March. The main reasons of the increase were unfavourable base effects, higher food prices - due to adverse weather conditions - and hikes in administered prices. Price increases were recorded in eight of the twelve consumers' basket sub-sectors. However, core CPI amounts to just 4% year-on-year, suggesting weak demand-side pressures. The central bank's year-end inflation target remains unchanged at 6.5%.

Monetary and financial indicators

In 2009, the Turkish Lira depreciated by about 10% against the euro. The rise in the domestic benchmark bond yield, which began in mid-October, continued during February and March 2010. Consequently, the spread between the benchmark and overnight rates amounts to about 2.5% at the end of March 2010. After the central bank started signalling - in November 2009 - that the easing cycle (cumulative cuts of 1025 bps in the previous year) was over, interest rates for all maturities increased. In tandem with the sharp rise in inflation, real interest rates have turned negative since February 2010.

The Turkish banking sector performed well in 2009. The net banking sector's profit surged by 50% on a yearly basis in the crisis year. The Turkish banks' high profitability has continued in January: according to the consolidated banking data, the banks posted a TRY 2.1bn (EUR 1 bn) monthly profit, which is an historical record. The banks hold a large bonds portfolio, which so far have yielded high profits. Loan provisions have plunged by 30% compared to the average monthly provision for 2009. The gross banking sector NPL ratio started to fall slightly from 5.2% in early January 2010 to 5.0% in mid-March. On the back of decreasing Non-Performing Loans (NPL) the diminishing provisions will be instrumental in supporting profitability in the next months.

General government finance

The fiscal stance in 2009 was not neutral, as counter cyclical measures added to automatic stabiliser effects. Tax revenues were almost flat year-on-year, and the fiscal stimuli led to a double-digit increase in total public spending. The 5% decrease in social security contributions, the increase in transfers to municipalities, and measures to support flexible working caused the general government budget deficit to soar to 6% of GDP.

The central government deficit target for 2009, set at -6.6% of GDP in the Pre-accession Economic Programme (PEP) has been met. The social security system remains Achilles' heel of public finances with a deficit of around 3.3% of GDP in 2009 burdened by lower revenues and a recent discount on part-time work contributions of 5 points.

The recent deterioration in Turkey's fiscal balance is also being reflected in public debt. After falling to 39.4% of GDP in 2007 from a near 100% level in 2001 the general government debt-to-GDP ratio is estimated to have significantly increased last year at around 47% of GDP. The government expects the ratio to peak at 49% of GDP in 2010, before resuming a gradual downtrend in the following 2 years. With respect the domestic debt roll-over ratio for this year, the Turkish treasury indicated in mid-March that it expects it to fall to 90-95% this year, compared with an earlier forecast of 99.5%.

TABLE



European Commission, ECFIN-D-1

TURKEY

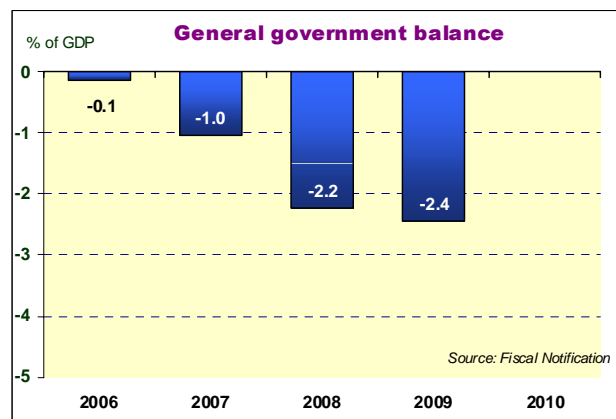
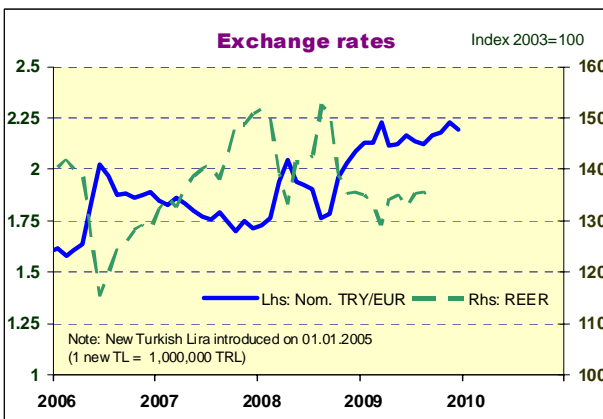
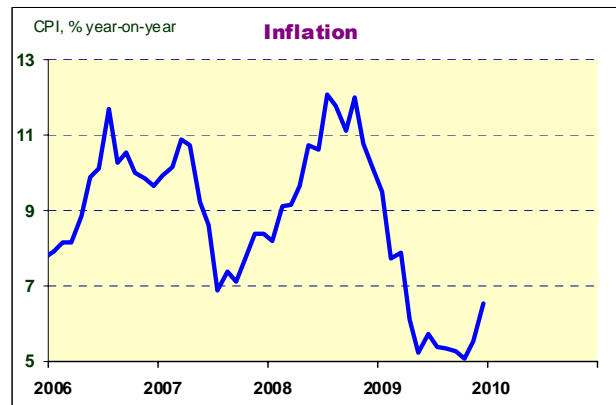
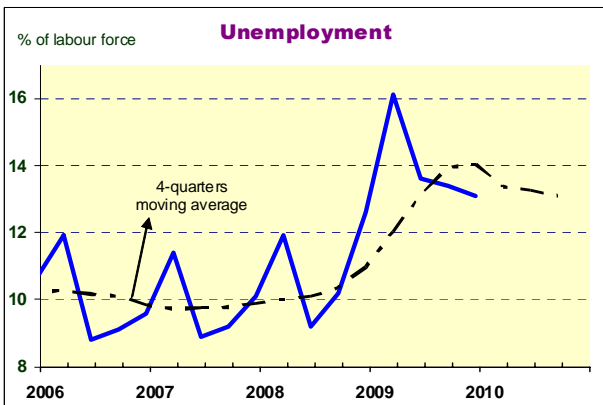
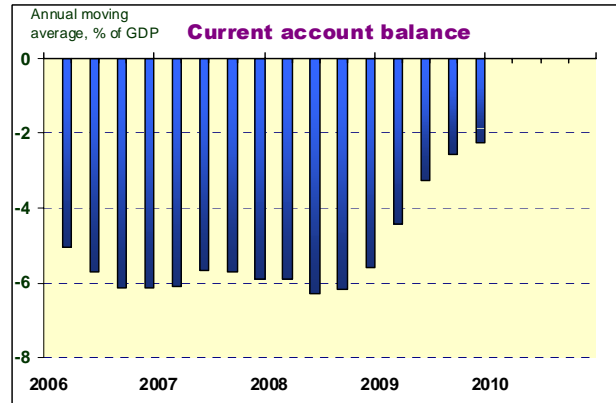
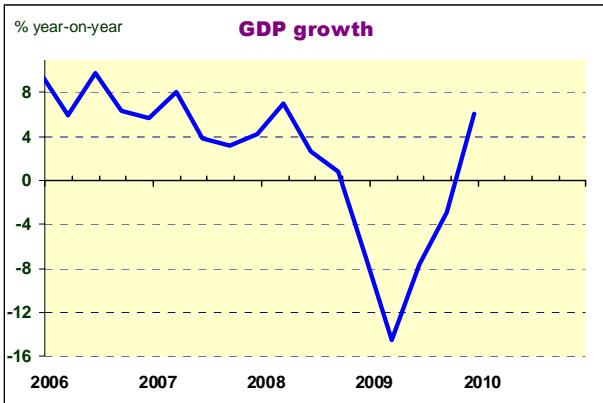
		2005	2006	2007	2008	2009	Q3 09	Q4 09	Q1 10	Jan 10	Feb 10	Mar 10
1 Output and demand												
Industrial confidence ^{1.1}	Balance	102.8	102.4	110.3	89.0	87.1	98.8	92.5	106.0	102.0	105.4	110.6
Industrial production ^{1.2}	Ann. % ch	:	7.8	6.9	-0.9	-9.6	-8.1	9.0	:	12.1	:	:
Gross domestic product ^{1.3}	Ann. % ch	8.4	6.9	4.7	0.7	-4.7	-2.9	6.0	:	N.A.	N.A.	N.A.
Consumer confidence ^{1.4}	Balance	100.1	95.6	94.4	78.2	79.4	81.9	79.2	:	79.2	81.8	:
Private consumption ^{1.5}	Ann. % ch	7.9	4.6	5.5	-0.3	-2.3	-1.9	4.7	:	N.A.	N.A.	N.A.
Gross fixed capital formation ^{1.6}	Ann. % ch	17.4	13.3	3.1	-6.2	-19.2	-18.5	-4.7	:	N.A.	N.A.	N.A.
Change in stocks ^{1.7}	% of GDP	-1.0	-0.2	-0.4	1.9	-2.0	-1.8	-2.0	:	N.A.	N.A.	N.A.
2 Labour market												
Unemployment ^{2.1}	%	10.2	9.9	9.9	11.0	14.1	13.4	13.1	:	:	:	:
Employment ^{2.2}	Ann. % ch	1.7	-0.4	-3.6	1.3	0.4	0.2	3.5	:	:	:	:
Wages ^{2.3}	Ann. % ch	12.4	11.0	9.5	11.3	:	9.0	:	:	:	:	:
3 International transactions												
Exports of goods ^{3.1}	Ann. % ch	16.6	14.8	14.9	14.8	-18.2	-27.0	-3.6	:	-7.2	-7.7	:
Imports of goods ^{3.2}	Ann. % ch	20.1	17.7	11.6	10.4	-26.3	-30.5	-6.2	:	15.5	20.0	:
Trade balance ^{3.3}	% of GDP	-6.9	-7.8	-7.2	-7.1	-4.0	-4.2	-4.0	:	N.A.	N.A.	N.A.
Exports goods and services ^{3.4}	% of GDP	21.9	22.7	22.3	23.9	23.2	23.4	23.2	:	N.A.	N.A.	N.A.
Imports goods and services ^{3.5}	% of GDP	25.4	27.6	27.5	28.3	24.3	24.6	24.3	:	N.A.	N.A.	N.A.
Current account balance ^{3.6}	% of GDP	-4.6	-6.1	-5.9	-5.6	-2.2	-2.6	-2.2	:	N.A.	N.A.	N.A.
Direct investment (FDI, net) ^{3.7}	% of GDP	1.9	3.6	3.1	2.1	1.0	1.5	1.0	:	N.A.	N.A.	N.A.
4 Prices												
CPI ^{4.1}	Ann. % ch	8.2	9.6	8.8	10.4	6.3	5.3	5.7	9.3	8.2	10.1	9.6
GDP Deflator ^{4.2}	Ann. % ch	7.1	9.3	6.2	12.0	5.4	-2.1	1.4	:	:	:	:
Producer prices ^{4.3}	Ann. % ch	5.9	9.3	6.3	12.7	1.2	-1.5	2.5	7.2	6.3	6.8	8.6
Import prices ^{4.4}	Ann. % ch	7.0	8.6	9.7	20.0	-19.5	-25.7	-6.5	:	6.6	:	:
5 Monetary and financial indicators												
Interest rate (3 months) ^{5.1}	% p.a.	16.74	18.07	18.85	18.04	10.68	9.31	7.98	7.50	7.36	7.56	7.58
Bond yield ^{5.2}	% p.a.	:	:	18.13	19.30	11.66	10.21	8.76	8.92	8.76	8.95	9.06
Stock markets ^{5.3}	Index	29,353	39,867	48,270	37,582	37,510	43,443	49,071	53,373	54,467	51,934	53,718
M4 ^{5.4}	Ann. % ch	31.3	32.9	17.8	23.7	17.4	16.7	12.2	:	13.5	14.4	:
Exchange rate TRY/EUR ^{5.5}	Value	1.67	1.80	1.78	1.91	2.16	2.14	2.20	2.08	2.10	2.08	2.08
Nominal eff. exchange rate ^{5.6}	Index	28.11	26.18	26.73	25.77	:	23.47	:	:	:	:	:
6 Government balance and debt												
General government balance ^{6.1}	% of GDP	-0.6	-0.1	-1.0	-2.2	-5.8	-8.1	-11.9	:	N.A.	N.A.	N.A.
General government debt ^{6.2}	% of GDP	52.3	46.1	39.4	39.5	47.3	:	:	:	N.A.	N.A.	N.A.

CHARTS

European Commission, ECFIN-D-1



TURKEY





Recent economic and political developments

Although rather mild compared to the regional peers, the delayed impact of the international economic crisis continued to weigh on the Albanian economy in the last quarter of 2009. Economic activity appears to have decelerated further in the wake of lower workers' remittances, tight credit and loose labour market conditions. However, some positive signs emerged from the external sector. The trade deficit narrowed significantly mostly due to a sharp drop in imports but also reflecting a recovery of exports. Foreign sales of goods rose further in January and February 2010, helped mostly by the manufacturing and extraction sectors as well as higher electricity exports. The depreciation in the local currency, the lek, recorded during the first three quarters of 2009 continued in the last three months. The depreciation trend continued in the first three months of 2010, albeit at a lower pace.

In view of the weak inflationary pressures resulting from the still-fragile economic situation, the Supervisory Council of the Bank of Albania (BoA) in its meeting of 24 March 2010, kept the base interest rate unchanged at 5.25%.

The 2009 budget was revised for the second time in December raising the projected public deficit to 6.9% of GDP, from the original 4.2%. The higher deficit reflects both expenditure slippages and the adverse impact of the weak economic performance on tax revenue. The government announced plans to launch a EUR 300 million Eurobond to refinance the syndicated loan obtained in 2009 and to finance the 2010 deficit.

Output and demand

In contrast to the other countries in the region and partly due to an expansionary fiscal policy, Albania is expected to register a positive real GDP growth in 2009, albeit at a more subdued pace than in the previous years. According to INSTAT, quarterly GDP growth in the first two quarters of 2009 was 6% and 5.3%, respectively (year-on-year, seasonally adjusted). As the impulse provided by private consumption and

public expenditure receded, economic activity continued to slow down in the third quarter to 4.1%, while sluggish retail sales and continued tight bank lending suggest that the slowdown persisted in the last quarter of 2009.

Labour market

Labour market conditions continued to weaken in the third quarter of 2009, in line with the subdued economic activity. Employment growth decelerated to 0.2% in the third quarter from 3.2% and 0.7% in the first and second quarters, respectively. Following the declines recorded in the past years, the unemployment rate inched up during 2009 and stood at 12.8% in the third quarter.

International transactions

The current account deficit narrowed in the last three months of the 2009, after a deterioration in the first three quarters. This improvement was sufficient to reduce the current account deficit for the whole year to EUR 1.3 billion from EUR 1.4 billion in 2008.

The improvement in the current account in the fourth quarter was mainly due to a lower deficit in merchandise trade. This reflected a sharp fall in imports of goods in turn due to a contraction, by around 28% (year-on-year), of imports of machinery and equipment, in the wake of lower public capital spending, lower global oil prices and reduced electricity imports. The surplus on the services account increased significantly in the last quarter 2009 compared to the corresponding period a year earlier, mostly on the back of lower spending by Albanians on visits abroad. On the other hand, the income balance went into negative territory as a result of a significant rise in investment income outflows. The current transfers surplus (mainly remittances), which typically finances more than two-fifths of the trade deficit, increased in the fourth quarter. A further drop in workers' remittances of some 7% (year-on-year) was more than offset by lower other current outflows.

FDI inflows increased by 3.3% in 2009. The positive outcome was concentrated in the first half of 2009 which saw FDI almost double on the back of the privatisation of the power distribution company and the sale of the remaining state-owned shares of the mobile telecommunication company. FDI however contracted by 28% and 53% in the third and fourth quarters, respectively.

Prices

Although at an average of 2.2% for the whole year, consumer prices started to accelerate in the last quarter of 2009. By December the inflation rate reached 3.5% (y-o-y) still within the Bank of Albania's target band of 3% +/- 1 percentage point. The acceleration in consumer prices continued in the first two months of 2010. In January and February inflation stood at 4.1% and 4.4%, respectively. A number of factors explain the upward trend in prices observed since October 2009, namely: rising international commodity prices, increases in administrative prices and the depreciation of the lek which increased import prices.

Monetary and financial indicators

In December 2009, the Bank of Albania kept the base interest rate unchanged at 5.25% following a cut of 50 bps each in January and October. The Bank kept the benchmark rate unchanged during the first three months of 2010. 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 10.3% at end December 2009, up from 6.5% in the last quarter of 2008, triggering higher provisioning which in turn put some pressure on profitability. Despite a decline in the return on equity, the banking sector recorded positive financial results in 2009. At end-December the capital adequacy ratio remained stable at 16.2%.

Overall credit growth continued with positive monthly rates throughout 2009. However, credit expanded at significantly lower rates than those observed in the past, decelerating from 36% in January to 11.1% (year-on-year) in December. This trend continued in January and February 2010 with credit growth decelerated to 10.5% and 8.5% weighed down by slower corporate and consumer lending. The stock of deposits started to recover steadily in the last quarter of 2009 as public confidence in the banking system

was re-established following several months of deposit withdrawals caused by the global crisis. Deposits continued to increase in the first two months of 2010. In January and February, the stock of deposits rose by 9.8% and 12.2%, respectively. The loan-to-deposit ratio stood at 64.2% in February 2010, however with significantly different levels for foreign currency denominations (97%), whereas this indicator remains below 40% in case of loans and deposits denominated in lek. External borrowing by the banking sector stabilised in the first two months of 2010, after a deceleration in the second, third and fourth quarters of 2009. After reaching a peak of 9.4% in October 2009, the average yield of 12-month Treasury bills began to decline reaching 8.6% in March 2010.

The depreciation of the Albanian currency intensified in the last three months of 2009. By end-December, the lek depreciated by 11.4% (year-on-year) against the euro and 3.3% against the US dollar. The depreciation trend continued in the first three months of 2010, albeit at a lower pace.

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. In view of the worse-than-expected results, the Parliament approved two supplementary budgets which revised upwards the 2009 fiscal deficit, a first one in September to 6.4% of GDP, and a second one in December to 6.9% of GDP. The worse-than-planned deficit reflects both revenue underperformance and expenditure slippages. Revenue in 2009 amounted to 26.4% of GDP or 2 percentage points less than planned as direct and to a lesser extent indirect taxes and social contributions suffered in the wake of weaker economic performance. Total expenditure reached 33.2% of GDP, 0.6 percentage points higher than anticipated. The spending overruns were primarily driven by capital outlays on the construction of the key *Durres-Kukes* motorway.

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. The budgetary consolidation will be achieved primarily through lower expenditure, which is expected to decline by 2.3 percentage points of GDP. Most of this decline is accounted for by capital expenditure which is projected to fall by 2 percentage points of GDP.

TABLE



European Commission, ECFIN-D-1

ALBANIA

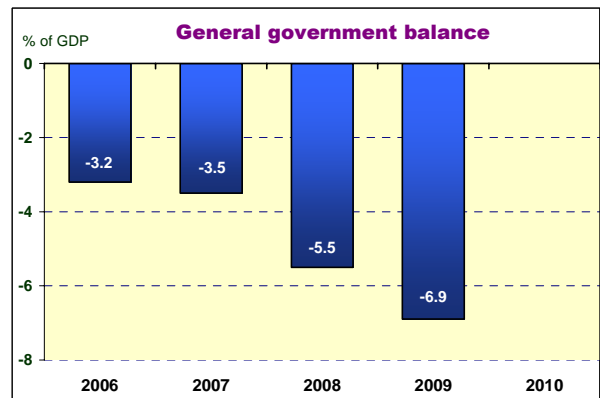
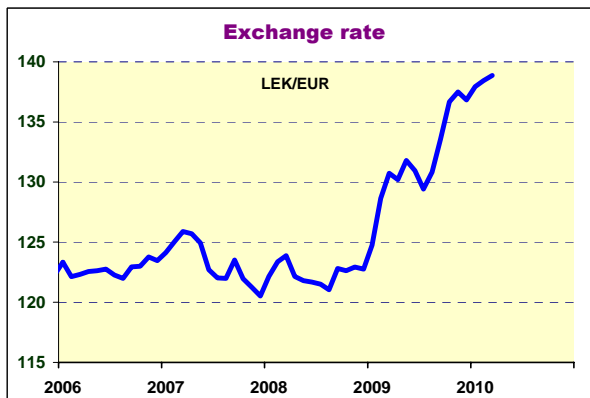
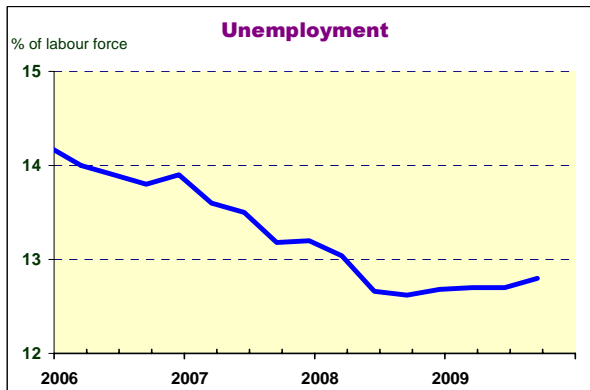
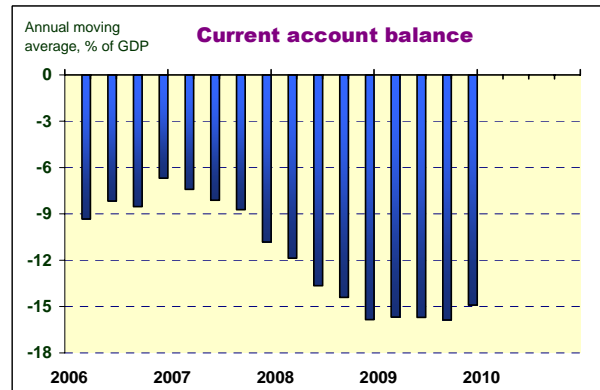
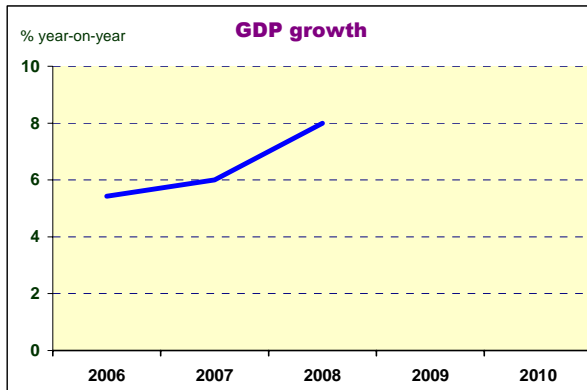
		2005	2006	2007	2008	2009	Q3 09	Q4 09	Q1 10	Jan 10	Feb 10	Mar 10
1 Output and demand												
Industrial confidence ^{1.1}	Balance	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Industrial production ^{1.2}	Ann. % ch	11.7	12.1	-10.3	9.4	:	:	:	:	:	:	:
Gross domestic product ^{1.3}	Ann. % ch	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.	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	:	12.8	:	:	:	:	:
Employment ^{2.2}	Ann. % ch	0.9	0.2	0.2	2.9	:	0.2	:	:	:	:	:
Wages ^{2.3}	Ann. % ch	9.9	7.5	17.1	8.3	:	16.4	:	:	:	:	:
3 International transactions												
Exports of goods ^{3.1}	Ann. % ch	9.3	19.3	24.7	16.7	-18.3	-23.2	-1.6	:	44.0	50.5	:
Imports of goods ^{3.2}	Ann. % ch	14.2	14.4	26.3	15.9	-8.9	-6.2	-15.1	:	8.1	-4.2	:
Trade balance ^{3.3}	% of GDP	-22.4	-23.1	-26.8	-27.5	25.9	-27.6	-26.4	:	N.A.	N.A.	N.A.
Exports goods and services ^{3.4}	% of GDP	8.1	8.8	10.1	10.3	8.8	8.8	8.9	:	N.A.	N.A.	N.A.
Imports goods and services ^{3.5}	% of GDP	32.2	33.9	38.9	40.3	36.7	38.6	37.4	:	N.A.	N.A.	N.A.
Current account balance ^{3.6}	% of GDP	-8.9	-6.6	-10.6	-15.4	-14.9	-15.9	-14.9	:	N.A.	N.A.	N.A.
Direct investment (FDI, net) ^{3.7}	% of GDP	3.2	3.5	6.0	7.0	7.5	8.8	7.4	:	N.A.	N.A.	N.A.
4 Prices												
CPI ^{4.1}	Ann. % ch	2.4	2.4	2.9	3.4	2.2	2.1	2.9	:	4.1	4.4	:
GDP Deflator ^{4.2}	Ann. % ch	2.8	2.8	3.6	4.8	:	7.7	7.7	:	:	:	:
Producer prices ^{4.3}	Ann. % ch	N.A.	0.8	3.5	6.5	-1.7	-2.1	-0.9	:	:	:	:
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	6.23	6.33	6.31	:	:	6.27	:
Bond yield ^{5.2}	% p.a.	8.11	7.18	8.22	8.43	9.24	9.15	9.45	9.10	9.20	9.20	8.90
Stock markets ^{5.3}	Index	:	:	:	:	:	:	:	:	:	:	:
M2 ^{5.4}	Ann. % ch	11.7	7.6	9.8	7.4	8.7	8.8	6.4	:	3.9	4.8	:
Exchange rate LEK/EUR ^{5.5}	Value	123.73	122.76	123.31	122.39	131.82	131.27	137.00	138.41	137.93	138.44	138.87
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	-6.9	:	:	:	N.A.	N.A.	N.A.
General government debt ^{6.2}	% of GDP	56.7	55.7	:	:	:	:	:	:	N.A.	N.A.	N.A.

CHARTS

European Commission, ECFIN-D-1



ALBANIA





Recent economic and political developments

On 25 March 2010, the IMF Board approved the first review of the Standby Arrangement with Bosnia and Herzegovina (BiH) which resulted in the release of the second and third tranche in the amount of approximately EUR 140 million. The review was only approved after the reform of untargeted social benefits had passed the Parliament of the Federation of BiH (FBiH) in February. The reform envisages i.a. that all benefits and transfers that individuals receive from the budget will be subject to means-testing, inflation indexation, and to certain coefficients. This includes previously privileged groups such as war veterans and demobilised soldiers.

The World Bank concluded negotiations with the authorities on a Development Policy Loan in March, aiming at better targeting social transfers, improving the structure and efficiency of public expenditure, and enhancing private sector competitiveness. The World Bank Board approved the loan on 8 April. It was also linked to the reform of social benefits in the FBiH and has a volume of around EUR 155 million.

A delegation from the European Commission visited Sarajevo and Banja Luka in March in order to negotiate the conditionality of the macro-financial assistance of EUR 100 million that the Council had approved on 30 November.

Output and demand

In the first two months 2010, industrial production fell slightly by 0.4% compared to the same period in the previous year. The production decreased in mining and quarrying (by 3.8%) and manufacturing (2.3%), while it increased in the category of electricity, gas and water supply (by 5.2%). The usual pattern of an increase in monthly production at the beginning of the year can also be observed in 2010.

No national account data for 2009 have been published yet. Latest estimates point to a real growth rate of slightly below -3%.

Labour market

The official rate of registered unemployment remained relatively stable between the fourth quarter 2009 and early 2010, reaching 42.4% in January, up from 40.1% a year earlier. Despite this increase, the impact of the economic crisis on the formal labour market was limited due to the already existing very high stock of structural unemployment and the flexibility of informal labour arrangements. Sectors with the highest growth of employment in 2009 were financial intermediation and the public sector, while employment decreased particularly in manufacturing, mining and construction.

Nominal average gross wage growth slowed further down to 1% year-on-year in January. In the whole year 2009 the annual rise of the average wage was higher in the FBiH than in the RS (8.9% compared to 6.4%). Given shrinking inflation rates, average real wage increases were still quite substantial.

International transactions

The slowdown of trade recorded in the first three quarters of 2009 decelerated in the fourth quarter, to some extent due to a base effect as trade had fallen drastically in the fourth quarter 2008. Imports of goods fell by 18.1% year-on-year (compared to a 27.6% decrease in the third quarter) and exports by 5.1% (17.3%), resulting in an improvement of the trade deficit by 27.4%. For the whole year 2009, the trade deficit shrank by 27.8%, causing a halving of the current account deficit to an estimated 7.5% of GDP. Falling surpluses in the services, income and current transfers balances did not offset this development.

Trade developments in early 2010 show first signs of recovery: Exports soared by 18% annually in the first two months, while imports dropped by a mere 5.8%. This resulted in a 26.6% year-on-year improvement of the trade balance. Exports were mainly driven by manufacturing.

Foreign direct investments halved in 2009. While this appears to be mainly a result of the global economic crisis and worsened investors'

sentiments, the lack of reform efforts, the standstill in privatisation and the unstable fiscal situation may have also contributed. Official foreign exchange reserves fell by 2.8% in the first two months of 2010 compared to their end-2009 level. However, they still cover around six months of imports.

Prices

The downward pressure on prices came to a halt in December 2009 when prices were unchanged compared to the December 2008 level, and was reversed in early 2010. Annual inflation rose to 1.4% in January and 1.6% in February. Main drivers of inflation were rising transport and communication costs and an increase in excises on alcohol and tobacco. Overall in 2009 the average price level decreased by 0.4% compared to 2008. Despite the inflationary development in early 2010, the 12-month moving average inflation rate remained at -0.4% in February as disinflationary trends had been quite substantial until the third quarter 2009.

Monetary and financial indicators

The monetary aggregate M2 did not continue its upward trend of the third and fourth quarters 2009 and remained relatively stable in early 2010. The February level was 0.3% above the December level (4.4% above February 2009). It has completely regained declines recorded in the first half 2009.

The improvement of profitability and liquidity indicators in financial markets that was recorded in the third quarter 2009 did not continue in the fourth quarter. The return on average equity decreased from 2% in the third to 0.8% in the fourth quarter, the return on average assets from 0.2% to 0.1%. The rate of liquid to total assets remained at 30.9%, and liquid assets to short-term financial liabilities only rose slightly from 52.2% to 52.9%. The quality of the loan portfolio is deteriorating, as could be expected following the economic downturn: The share of non-performing loans to total loans increased to 5.9% in the fourth quarter, up from 4.8% in the third quarter.

Annual credit growth has remained in negative territory since September 2009, reaching -3.1% in February, though it was relatively stable in recent months. Restrictions came from both the demand and supply side. The highest drop was recorded in credits to households (-6.7%), while

those to private enterprises were stable (-0.2%) and those to the government sector increased (+19.8%). It is worth noting that the government sector has a low share of overall credits (2.4%). On the other hand, deposits are recovering in an annual comparison and recorded a rise for the third month in a row in February, growing by 1%. This development is mainly due to private households who increased their savings by 12.4%. Households' savings have by now totally recovered their massive losses of the fourth quarter 2008. Private enterprises and the government sector still recorded annual declines of their deposits in February (-4.5% and -27.1%, respectively). As a consequence of these developments, the loans-to-deposit ratio declined to 117% in February.

In the first quarter 2010, stock markets continued their slowdown of the fourth quarter 2010. The main index of the Sarajevo Stock Exchange lost 1.9% and that of the Banja Luka Stock Exchange 8%. The combined market capitalisation of the two stock exchanges declined by 5.1% in 2009.

The Deposit Insurance Agency raised the deposit guarantee by 75% in March to around EUR 18,000, following an agreement on a EUR 50 million credit line from the EBRD.

General government balance

The country's fiscal position weakened significantly in 2009. Revenues fell due to the slowdown of economic activity, lower domestic demand and lower imports. On the other hand, despite some budget rebalancing implemented under the IMF programme, expenditures fell to a much lesser extent, so that the consolidated 2009 budget deficit may be in the range of 5% of GDP. Available data for the first three quarters of 2009 display an annual drop in revenues by 6.3% and of expenditures by 1.7%.

The Indirect Taxation Authority reported an annual increase of revenues in the first two months 2010 of 3%. Since this includes the effects of the new Law on Excises (increase of road fees and excise duty on cigarettes) the overall effect seems to be below expectations. The collection of VAT and excises rose, while that of custom duties marked a 22% decline.

The RS Tax Administration reported an annual drop in the collection of direct taxes by 7.4% in the first two months of 2010, while the FBiH reported a surge of 16.9% in the first quarter.

TABLE



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BOSNIA AND HERZEGOVINA

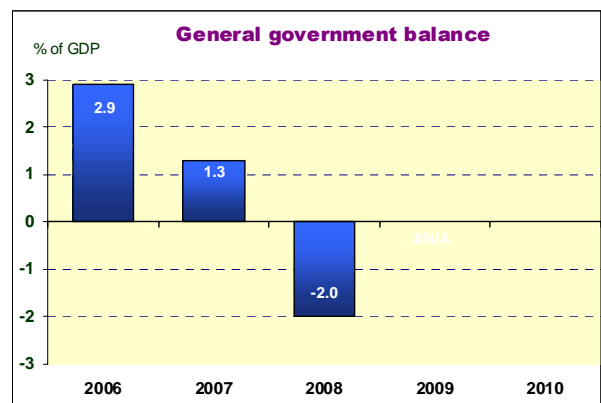
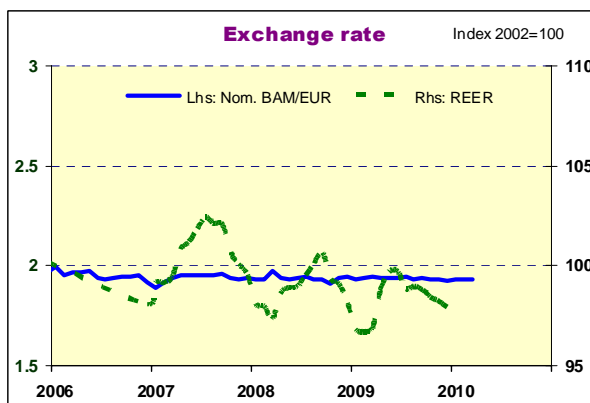
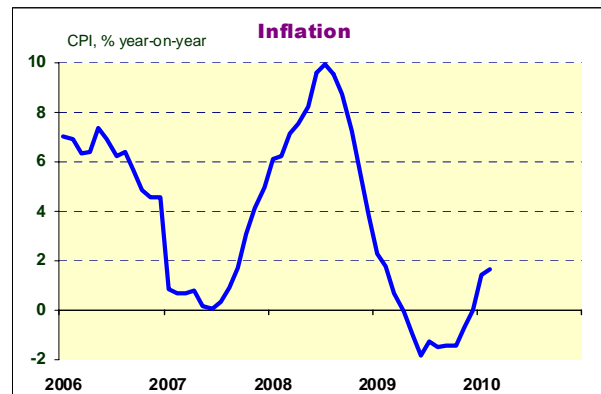
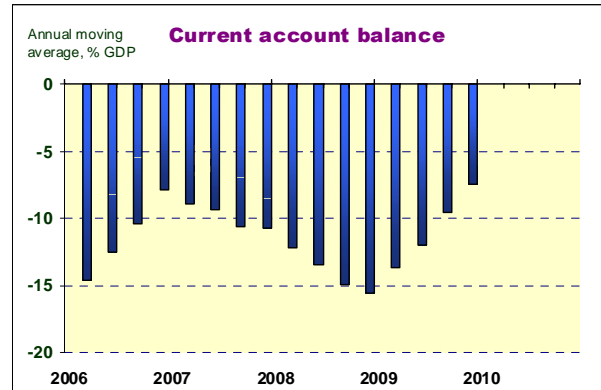
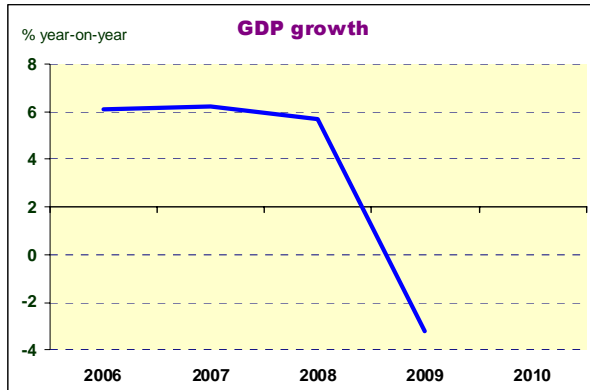
		2005	2006	2007	2008	2009	Q3 09	Q4 09	Q1 10	Jan 10	Feb 10	Mar 10
1 Output and demand												
Industrial confidence ^{1.1}	Balance	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Industrial production ^{1.2}	Ann. % ch	10.6	11.6	6.7	10.8	-1.2	-2.0	-0.1	:	-0.5	-0.5	:
Gross domestic product ^{1.3}	Ann. % ch	3.9	6.1	6.2	5.7	-3.2	:	:	:	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.	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	42.7	42.1	42.7	:	42.4	:	:
Employment ^{2.2}	Ann. % ch	0.8	2.3	4.4	2.7	-2.8	-2.3	-2.8	:	-3.6	:	:
Wages ^{2.3}	Ann. % ch	6.1	9.6	9.8	16.6	8.2	5.6	4.0	:	:	:	:
3 International transactions												
Exports of goods ^{3.1}	Ann. % ch	22.8	30.5	15.0	13.9	-17.1	-17.1	-5.1	:	11.7	23.8	:
Imports of goods ^{3.2}	Ann. % ch	12.5	1.2	18.7	15.4	-24.2	-27.6	-18.1	:	-12.7	0.2	:
Trade balance ^{3.3}	% of GDP	-45.2	-34.6	-37.2	-38.2	-27.8	-29.9	-27.4	:	N.A.	N.A.	N.A.
Exports goods and services ^{3.4}	% of GDP	32.6	36.5	37.3	36.8	31.9	32.0	31.6	:	N.A.	N.A.	N.A.
Imports goods and services ^{3.5}	% of GDP	-72.8	-65.7	-68.8	-69.9	-55.4	-57.5	-54.8	:	N.A.	N.A.	N.A.
Current account balance ^{3.6}	% of GDP	-17.1	-7.8	-10.4	-15.1	-7.5	-9.5	-7.4	:	N.A.	N.A.	N.A.
Direct investment (FDI, net) ^{3.7}	% of GDP	5.6	5.8	13.5	5.7	2.9	3.9	2.9	:	N.A.	N.A.	N.A.
4 Prices												
CPI ^{4.1}	Ann. % ch	4.3	6.1	1.5	7.4	-0.4	-1.4	-0.7	:	1.4	1.6	:
GDP Deflator ^{4.2}	Ann. % ch	4.6	6.3	6.8	7.8	0.2	:	:	:	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	1,021	1,101	1,044	1,047	1,061	1,025
M2 ^{5.4}	Ann. % ch	17.6	21.1	25.1	13.6	-1.2	-4.8	0.8	:	4.1	4.4	:
Exchange rate BAMEUR ^{5.5}	Value	1.95	1.95	1.94	1.94	1.94	1.94	1.93	1.93	1.93	1.93	1.93
Nominal eff. exchange rate ^{5.6}	Index	100.0	99.72	100.28	100.07	96.34	96.53	96.24	:	:	:	:
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	25.4	21.2	18.2	17.2	:	:	:	:	N.A.	N.A.	N.A.

CHARTS

European Commission, ECFIN-D-1



BOSNIA AND HERZEGOVINA





Recent economic and political developments

The Stabilisation and Association Agreement (SAA) between Montenegro and the European Union will take effect on 1 May, after all EU Member States notified the completion of their ratification procedures, concluding a process initiated on 15 October 2007.

The tender for the railway carrier Montecargo attracted only one bidder, the Romanian group of railways sector companies 'Grampet', which already owns the Bulgarian and the Hungarian freight transport railways operators. After extending the original deadline by 2 months, the tender for the Montenegrin port container and general cargo operator failed.

The rating agency Standard & Poor's downgraded in March Montenegro's sovereign long-term rating by one notch to 'BB' due to contingent risks associated with the significant pressure on its real economy and banking system, while confirming the short-term rating at 'B'. The outlook remained negative on the risk of rising public debt due to large contingent liabilities.

Output and demand

The country's economy was severely affected in 2009 by the global crisis. Preliminary GDP estimates indicate a decline by 5.3% driven mainly by a sharp contraction in the manufacturing and mining sectors by 38.6% and 65% respectively, as they continued to suffer from low external demand and commodity prices. Investments and households' consumption contracted as well, while net exports and government consumption are expected to have contributed positively to real GDP growth. The surplus in services remained basically unchanged from the previous year as tourism revenues performed rather well.

Industrial production further declined by 23% in February 2010, driven by the underperformance of the mining and utility sectors (-37% and -18% respectively). By contrast, the manufacturing industry recorded a slight recovery due to some improvements in food and chemical sectors.

Labour market

The local repercussions of the global crisis resulted in a moderation of employment growth. In February 2010 the employment agency recorded a 1.1% annual expansion, compared with 5.3% a year earlier. The services sector accounts for most of the new jobs, representing 77% of total employment, up from 73% a year before. Meanwhile, employment in manufacturing and mining decreased by 18% and 29% respectively, as a consequence of the restructuring and accompanying social programmes initiated in January 2010. As a result, the unemployment rate further increased to 12.5% by end of March 2010.

In 2009 net wages increased in nominal terms by 11.3% year-on-year, much faster than gross earnings which grew by 5.7% during the same period. However, since early 2010 the effects of the increase in employees' social security contributions are reflected in an acceleration of gross salaries by 6.3% year-on-year, as employers charge the rise of employee's contributions as overhead.

International transactions

The trade deficit narrowed by 33% during 2009, still representing some 44% of GDP, down from 66% recorded a year earlier. The reduction was a consequence of the significant decline in imports by 33% year-on-year, notwithstanding a faster contraction by 35% of exports, although from a much lower base.

Total foreign direct investments surged by 31% year-on-year in 2009, reaching EUR 1 billion. The growth was driven by equity investment on the privatisation and recapitalisation of the electricity company EPCG but also on the recapitalisation of banks, representing 41% and 10% of total inflows respectively. By contrast, FDI outflows were modest at EUR 157 million, of which, repayment of loans from parent banks accounted for 22% of the total, and real estate divestments for an additional 16%. Overall, net FDI represented almost 30% of GDP.

Prices

Average annual inflation moderated in 2009 to 3.4%, from 7.4% recorded a year before. By year-end inflation reached 1.5% year-on-year. The improvement was a consequence of the much slower growth of food and communication prices and the decline in transport prices. The consumer price index further moderated in February, reaching 0.2% year-on-year, compared with a 0.8% annual rise a month earlier. The lower increase in transport prices in February (14.7% year-on-year down from 19.2% a month earlier) and the faster decline of food prices to -1.3% year-on-year contributed to the overall moderation. The cumulative inflation for the first two months of 2010 reached 0.5%.

Meanwhile, the deleveraging of real estate prices to more sustainable values continued. By March 2010 prices for residential buildings in Podgorica decreased by 8.4% compared to September 2009, and by 33.5% compared with end-2007, at the peak of the real estate boom.

The industrial producer prices further contracted by 6.3% in January, down from the 2.9% annual drop a month earlier. The contraction was driven by a 4.5% decline in manufacturing and a 13.5% fall in utilities prices.

Monetary and financial indicators

Four banks, out of eleven operating in the country, recorded a combined loss of EUR 33.7 mn by end 2009. Yet, the two largest ones (Crnogorska Komercijalna Banka and Hypo Alpe Adria Bank) accounted for 89% of the total losses. By end-December, banks assets contracted by 8.5% year-on-year to EUR 3 billion, or 98% of GDP (down from 107% a year before). The main factor was the contraction of the credit portfolio by 14.3% year-on-year. The corporate sector was the most affected, recording a drop by 19%, while households reported an 11% contraction. By contrast, the public sector, accounting for 2.5% of total loans, doubled its indebtedness during 2009. Credits extended by commercial banks accounted for 78% of GDP, down from 91% a year earlier. The largest shares, mortgages and loans for building renovation, respectively account for 15% and 17% of total loans.

Banks deposits recorded a reduction of 8.3% year-on-year in December, bringing the stock of deposits down to EUR 1.8 billion. Household

deposits declined by 1.4% over the year, while those of the corporate sector recorded a 14% annual drop. Government savings in commercial banks decreased by 17%.

After a deep contraction in 2008, the capital markets recovered during 2009, supported by the sale of the shares of the electricity company EPCG. The combined market capitalisation of the two stock exchanges reached EUR 4.9 billion, or 162% of GDP, compared with 119% a year earlier. The combined turnover expanded 2.5 times to EUR 406 million in 2009, after a 78% annual drop in 2008. Meanwhile, the two main indices, MOSTE and NEX20, recorded growth rates of 36% and 46% respectively. In January 2010, shareholders of the two domestic stock exchanges approved their merger to create a single bourse. The merger should be completed in a few months, after approval by the Securities Commission.

General government finance

The consolidated budget registered a deficit of 3.5% of GDP in 2009, mostly due to the sharp decline of revenues. Compared with 2008, tax incomes decreased by 14%, with VAT revenue, accounting for 46% of total taxes, dropping by 16%. Personal and corporate income taxes contracted by 14% and 13% respectively. Yet, the highest declines were in property taxes and excises, by 48% and 32% respectively, although they only represent 2.5% and 6.2% of total taxes. Social security contributions declined by 9%. The government had to tighten the fiscal stance in the course of the year, and all expenditures were lower than the original targets. Thus, gross salaries decreased by 5%, maintenance by 67%, and capital expenditures by 19%. Total consolidated expenditures amounted to EUR 1.47 billion, or 49% of GDP (instead of 41% estimated, due to the sharp contraction of the GDP denominator).

Public debt reached 37% of GDP in 2009. The domestic public debt increased by 6.6% and accounts for 39% of the total. However, external public debt surged by 45% as the government secured loans from foreign commercial banks to finance the budget. In March 2010, the government selected a legal advisor to prepare a first issue of Eurobonds to finance this year's budget deficit and to rebuild some reserves also for 2011. It is estimated that some EUR 200 million will be placed.

TABLE

European Commission, ECFIN-D-1



MONTENEGRO

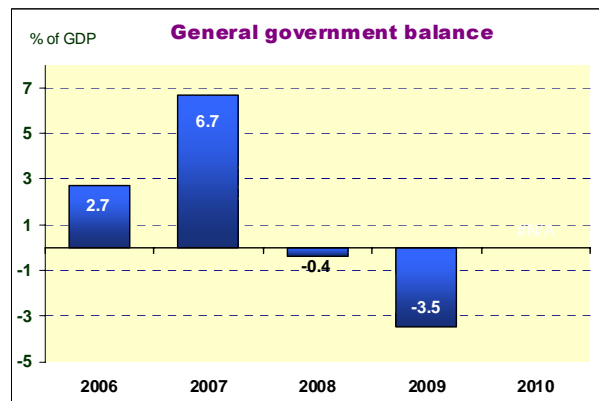
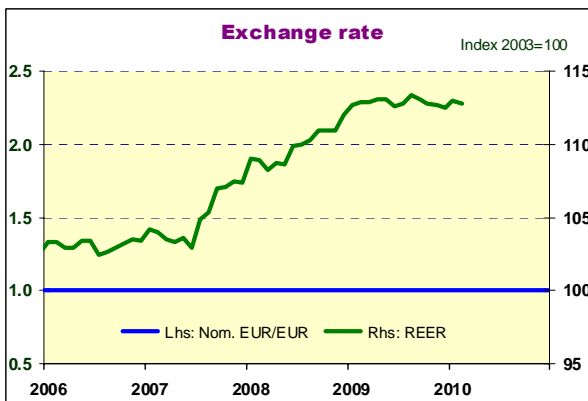
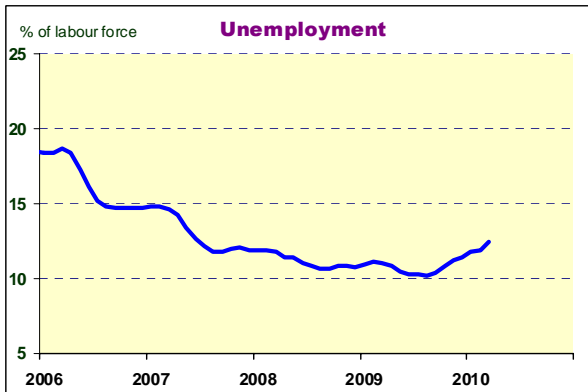
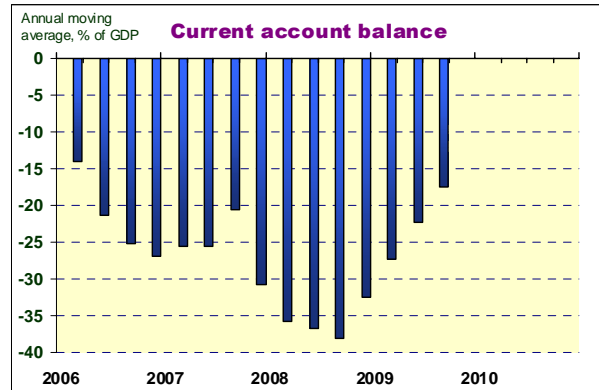
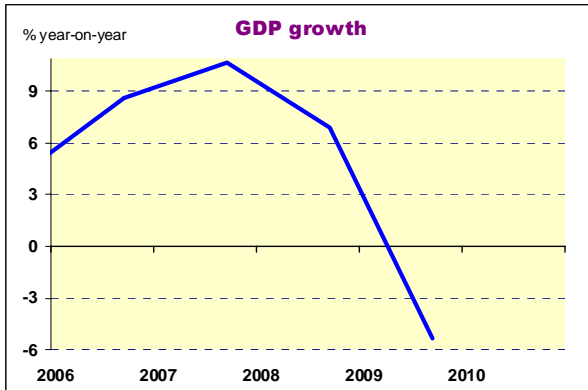
		2005	2006	2007	2008	2009	Q3 09	Q4 09	Q1 10	Jan 10	Feb 10	Mar 10
1 Output and demand												
Industrial confidence ^{1.1}	Balance	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Industrial production ^{1.2}	Ann. % ch	-1.9	1.0	0.1	-2.0	-32.3	-51.9	-36.0	:	-11.3	-23.2	:
Gross domestic product ^{1.3}	Ann. % ch	4.2	8.6	10.7	6.9	-5.3e	-4.0	:	:	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.	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	11.4	10.4	11.4	12.0	11.8	11.9	12.5
Employment ^{2.2}	Ann. % ch	0.6	4.5	3.7	6.3	4.8	5.8	2.6	:	1.8	1.1	:
Wages ^{2.3}	Ann. % ch	8.0	15.6	14.2	22.8	5.7	2.3	0.9	:	7.2	6.3	:
3 International transactions												
Exports of goods ^{3.1}	Ann. % ch	1.9	40.7	1.8	-21.3	:	-37.0	:	:	:	:	:
Imports of goods ^{3.2}	Ann. % ch	12.2	53.7	33.6	0.4	:	-36.6	:	:	:	:	:
Trade balance ^{3.3}	% of GDP	-28.3	-39.5	-50.1	-48.3	:	-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	:	-17.6	:	:	N.A.	N.A.	N.A.
Direct investment (FDI, net) ^{3.7}	% of GDP	21.0	21.7	19.6	18.4	29.5	25.0	29.5	:	N.A.	N.A.	N.A.
4 Prices												
CPI ^{4.1}	Ann. % ch	2.4	3.0	4.3	7.4	3.4	2.3	1.8	:	0.8	0.2	:
GDP Deflator ^{4.2}	Ann. % ch	4.5	9.8	14.0	7.7	5.2	:	:	:	N.A.	N.A.	N.A.
Producer prices ^{4.3}	Ann. % ch	2.1	3.1	8.5	14.0	-3.8	-9.3	-6.2	:	-6.3	:	:
Import prices ^{4.4}	Ann. % ch	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	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	:	:	:	:	:	:	:	:	:
Bond yield ^{5.2}	% p.a.	3.09	1.17	0.90	:	3.94	3.82	:	3.96	:	:	3.96
Stock markets ^{5.3}	Index	5 670	14 406	36 159	19 947	13 303	16 173	15 198	14 611	14 255	14 593	14 984
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.	N.A.	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	-0.4	-3.5	-1.0	-3.5	:	N.A.	N.A.	N.A.
General government debt ^{6.2}	% of GDP	38.6	32.6	27.5	29.0	37.0	34.7	37.0	:	N.A.	N.A.	N.A.

CHARTS

European Commission, ECFIN-D-1



MONTENEGRO





Recent economic and political developments

In March, the IMF completed the third review of the EUR 2.97 billion worth Stand-By Arrangement (SBA). Following a favourable assessment of Serbia's latest performance under the economic programme supported by the SBA, the third tranche of the loan of EUR 360 million was made available for release. However, the national authorities decided to draw only half of the planned instalment, which brings total disbursements under the current programme at about EUR 1.3 billion.

The macroeconomic stabilisation programme has created conditions to relax the agreement under the European Bank Co-ordination ("Vienna") Initiative reached at the end of March 2009 whereby parent banks of top 10 foreign banks operating in Serbia had pledged for 2009 to maintain the same level of loans in the economy as in 2008. The banks will as of April 2010 gradually lower their pledged exposure to 80% compared to the previous year.

Output and demand

The Serbian GDP shrank by 3% in 2009 after the decline of output started easing in the third quarter from a 4.1% year-on-year fall in the first half of the year. The sectors most heavily affected by the crisis were construction (-17.1%) and manufacturing (-15.3%), followed by hospitality services (-10.3%) and trade (-8.7%). Modest growth was recorded in transport (7.2%) and financial intermediation (5.1%), i.e. only a third of pre-crisis growth rates.

In the fourth quarter of 2009, the economic contraction decelerated further to 1.6% year-on-year (2.3% year-on-year in the third quarter) although GDP was marginally lower (-0.1%) in comparison with the previous quarter. GDP decreased on the back of a fall of output in trade, manufacturing and construction with the latter posting the biggest drop (-19.6%). The negative contributions to GDP growth were partly offset by a sustained activity in transport (8.1%) and financial intermediation (3.7%).

In the first two months of 2010, industrial production picked up by 3% year-on-year but was still lower by 10.6% than the 2009 average. The increase is mainly the consequence of the low base from the previous year. Following a

substantial slowdown of manufacturing activity compared to January (1.9% vs. 8.1% year-on-year), the output in manufacturing over the two months increased by 4.6% year-on-year and stood at the level of 82.6% of the 2009 average.

Labour market

The Labour Force Survey, conducted in October 2009, registered an increase in unemployment to 17.4% compared to 14.7% a year ago. In step with this trend, employment is estimated to have declined by 4.6%, resulting in a lower employment rate than in 2008 (50% vs. 53.3%).

In the fourth quarter of 2009, gross real wages were broadly unchanged (-0.1% year-on-year) compared to the previous year while gross nominal wage growth decelerated further (5.4%, down from 7.7% in the third quarter). The nominal freeze of public sector wages resulted in wage moderation for the year as a whole: real wages grew modestly (1%) and nominal wages increased considerably less than in 2008 (8.8% vs. 17.8%).

In the first two months of 2010, wage growth continued to be constrained. In February, gross wages broadly stagnated in real terms (-0.1% year-on-year) and were nominally 3.5% higher than last year.

International transactions

In 2009, the current account deficit considerably narrowed (-5.5% of GDP vs. 17.8% in 2008) despite the worsening of the merchandise trade towards the end of the year (deficit of -15.6% of GDP in the fourth quarter compared to around -13.5% of GDP in the two preceding quarters). The reduction in the current account deficit was also partly due to a record inflow of remittances in 2009 of EUR 2.6 billion. In the period from January to February, export activity has continued to recover gradually (up by 13.3% year-on-year) while imports again registered a drop compared to a year ago (down by 5.3% year-on-year), when they already plummeted following a substantial contraction in domestic activity. Consequently, the trade deficit decreased in the first two months by almost 20% year-on-year to EUR 785.4 million.

Towards the end of last year, capital inflows started to pick up but were for the year as a

whole considerably lower than in 2008. Foreign direct investment dropped by 24.8%; however, other investments increased slightly given the pick-up in the short-term borrowing by banks and funds drawn from the international financial organisations. The additional SDR holdings of the central bank, in particular, boosted reserve assets in 2009, against a fall in foreign currency reserves a year earlier. In January 2010, foreign direct investment amounted to EUR 123 million, which was twice the amount recorded in January 2009. Net inflows from current transfers of EUR 156 million, however, were 35% weaker than a year before.

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% by end-January. The National Bank of Serbia (NBS) continued to intervene to tame the market, albeit to a limited extent. In the first quarter of 2010, the NBS sold a total of EUR 621.5 million.

Prices

In early 2010, disinflation remained on track and the inflation rate stayed well within the band of 6% +/- 2% targeted by the NBS. At end-March, the consumer price inflation accelerated slightly to 4.4% year-on-year (up from 3.9%) following a 10% hike in energy prices, which translated into an overall price increase of 2% year-on-year for the first quarter. The retail price inflation reached 7.4% year-on-year in March (up from 6.3%), resulting in a 3% year-on-year price increase for the first quarter of 2010.

Monetary and financial indicators

On 23 March 2010, the NBS cut the reference rate by 50 bps, to 9.0% in line with its policy of further gradual easing of the monetary stance. While on the same day, the central bank governor Radovan Jelašić resigned changes to the monetary policy are unlikely. From 2010, the NBS instituted the use of swap transactions of foreign currencies as a regular instrument of monetary policy. This will enable sale and purchase of foreign currencies against dinars between the NBS and commercial banks for a term of three months, thereby boosting transactions on the inter-bank foreign currency market. Also, a simplification of the reserve requirement regime as well as a gradual lowering of the rates have been announced.

Since the last quarter of 2009, there has been a clear downward trend in the weighted average of

interest rates on total deposits as well as in short-term interest rates on dinar-denominated loans. Interest rates on long-term lending, however, soared in the beginning of 2010.

In the first quarter of 2010, the Belgrade Stock Exchange index remained on a downward trend on average. Since the end of 2009, the main index has lost about 5% of its value.

General government balance

In 2009, the general government deficit is estimated to have reached 4.2% of GDP which is slightly below the anticipated deficit of 4.5%, revised under the SBA loan programme in September. Compared to 2008, the expenditure ratio is estimated to have declined by 0.5 pp to 43% of GDP owing to substantial savings in the current expenditures. The fiscal adjustment came largely from hiring restrictions in the public sector and a nominal freeze of public sector wages and pensions. Furthermore, capital expenditures declined by 11% year-on-year, twice the fall as a year earlier. 2009 also saw a drop in the share of revenues as a percentage of GDP, estimated at 2.4 pp compared to 2008, to 38.7% of GDP. A difficult economic situation also involving extensive lay-offs in the private sector and salary freezes in the public sector translated into a shortfall in personal income tax revenue. Furthermore, indirect taxation (customs revenues and VAT) plunged following the drop in domestic demand and imports. Conversely, excise taxes increased as a consequence of the rise in excise duties on diesel and gasoline.

The budget financing gap in 2009 spurred government borrowing on the domestic financial market as well as from international sources. By end-December, public debt reached EUR 9.85 billion (31.3% of GDP). In early 2010, it has continued to increase moderately and stood at EUR 10.1 billion at end-February.

In December, the Serbian Parliament passed the 2010 budget, which envisages a deficit of RSD 126.4 billion or 4% of GDP. Total revenues are expected to decrease by 0.4 pp, while expenditures are planned to decrease by 0.7 pp. The underlying assumptions of the deficit reduction are unchanged taxes, a downsizing of public administration and a sustained freeze of pensions and public sector wages. Achieving the planned result might prove challenging as budgetary developments have faltered from the beginning of 2010 due to a weaker revenue performance than expected.

TABLE

European Commission, ECFIN-D-1



SERBIA

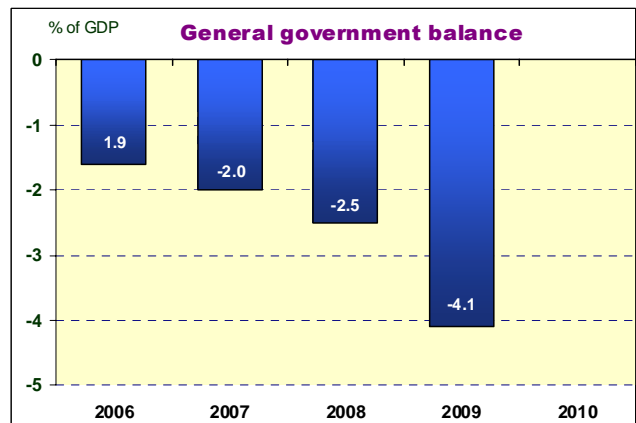
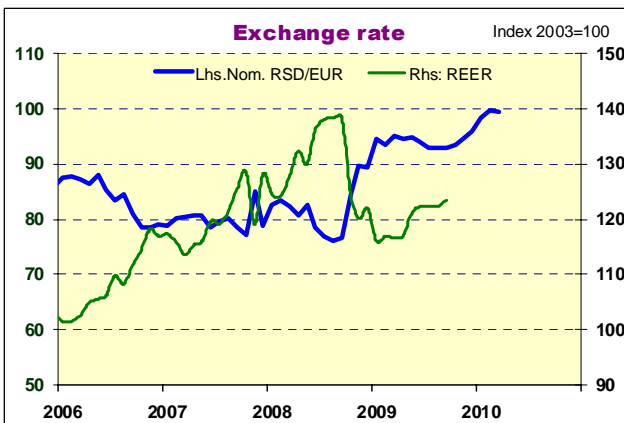
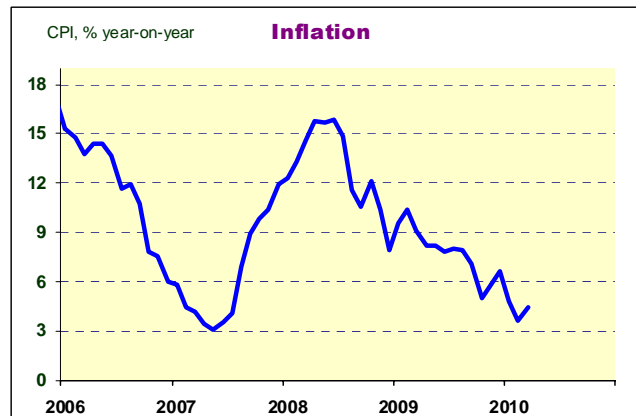
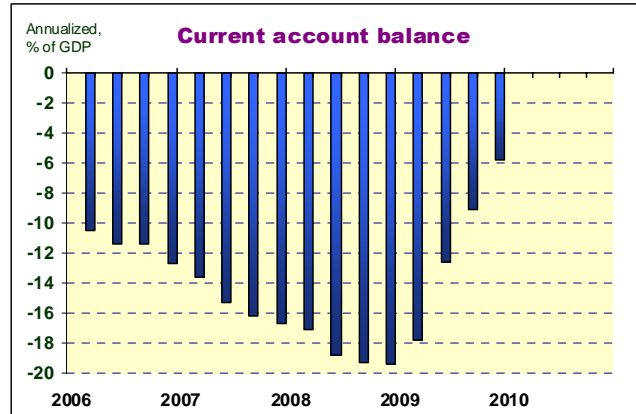
		2005	2006	2007	2008	2009	Q3 09	Q4 09	Q1 10	Jan 10	Feb 10	Mar 10
1 Output and demand												
Industrial confidence ^{1.1}	Balance	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Industrial production ^{1.2}	Ann. % ch	0.8	4.7	3.7	1.1	-12.1	-10.6	-3.8	:	3.7	2.8	:
Gross domestic product ^{1.3}	Ann. % ch	5.6	5.2	6.9	5.5	-3.0	-2.3	-1.6	:	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.	N.A.	N.A.	N.A.
Private consumption ^{1.5}	Ann. % ch	:	:	:	:	:	:	:	:	:	:	:
Gross fixed capital formation ^{1.6}	Ann. % ch	:	:	:	:	:	:	:	:	:	:	:
Change in stocks ^{1.7}	% of GDP	:	:	:	:	:	:	:	:	:	:	:
2 Labour market												
Unemployment ^{2.1}	%	21.8	21.6	18.8	14.7	17.4	17.4	:	:	:	:	:
Employment ^{2.2}	Ann. % ch	0.9	-1.4	0.1	2.3	-4.6	N.A.	N.A.	:	:	:	:
Wages ^{2.3}	Ann. % ch	24.1	24.4	21.9	17.8	8.8	7.7	5.4	:	-3.5	3.5	:
3 International transactions												
Exports of goods ^{3.1}	Ann. % ch	26.5	29.4	26.1	15.5	-19.7	-24.2	-7.9	:	10.7	15.5	:
Imports of goods ^{3.2}	Ann. % ch	-2.3	22.2	29.1	14.7	-28.0	-33.1	-18.6	:	-6.1	-5.0	:
Trade balance ^{3.3}	% of GDP	-20.9	-21.2	-22.5	-22.3	-15.5	-13.4	-15.6	:	:	:	:
Exports goods and services ^{3.4}	% of GDP	25.0	29.1	29.4	29.6	26.0	26.7	26.1	:	:	:	:
Imports goods and services ^{3.5}	% of GDP	47.3	50.5	52.7	52.4	41.3	43.4	40.9	:	:	:	:
Current account balance ^{3.6}	% of GDP	-8.7	-10.1	-15.5	-17.1	-5.7	-3.4	-5.6	:	:	:	:
Direct investment (FDI, net) ^{3.7}	% of GDP	5.9	13.5	4.4	5.3	4.4	4.0	4.4	:	:	:	:
4 Prices												
CPI ^{4.1}	Ann. % ch	17.3	12.7	6.5	12.4	8.1	7.3	6.6	4.3	4.8	3.6	4.4
GDP Deflator ^{4.2}	Ann. % ch	16.0	11.3	10.4	10.5	17.6	16.9	16.1	:	:	:	:
Producer prices ^{4.3}	Ann. % ch	15.4	7.3	9.8	9.0	7.4	5.4	6.4	:	10.4	9.5	:
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.	17.22	13.48	6.44	5.34	13.51	12.39	10.63	:	9.55	9.49	:
Bond yield ^{5.2}	% p.a.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Stock markets ^{5.3}	Index	1,737	2,186	4,096	2,604	1,197	1,292	1,418	1,338	1,335	1,359	1,320
M3 ^{5.4}	Ann. % ch	39.1	37.4	41.1	29.6	11.5	12.0	16.6	:	20.3	18.6	:
Exchange rate RSD/EUR ^{5.5}	Value	83.25	83.91	79.90	81.94	94.08	92.97	94.59	99.20	98.41	99.70	99.49
Nominal eff. exchange rate ^{5.6}	Index	92.7	103.2	99.6	97.0	89.0	91.5	88.8	:	86.5	85.0	:
6 Government balance and debt												
General government balance ^{6.1}	% of GDP	0.9	-1.6	-2.0	-2.5	-4.1	-3.1	-5.0	:	N.A.	N.A.	N.A.
General government debt ^{6.2}	% of GDP	50.3	36.2	29.4	25.6	31.3	32.0	31.3	:	N.A.	30.6	:

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 February – early March to discuss a possible Fund programme. As discussions could not be concluded, the prospect of a programme has been postponed.

In March the government awarded a Turkish-American joint venture (ENKA-BECHTEL) a contract for building the Vermica – Merdare motorway, enhancing the country's transport links with Albania. The government intends to give high priority to the estimated EUR 700 million (about 20% of GDP) project and to complete it in three years.

This road infrastructure project and the unplanned increased remunerations of some categories of public sector employees, implemented in the first months of the year, signal a deviation from the initial 2010 budget. These developments adversely affect fiscal sustainability.

In late March the Kosovo government was reshuffled. Six ministers (Public Administration, Internal Affairs, Health, Justice, Agriculture, Forestry and Rural Development, Culture, Youth and Sports) were replaced and a new ministry of Integration created.

Output and demand

After an estimated (by the Ministry of Economy and Finance) 4.4% real GDP growth in 2009, the 2010 budget is based on a relatively optimistic 4.0% growth assumption.

Growth is conditioned on expected recovery in base metals exports and increased domestic consumption. Investments and imports are envisaged to remain broadly unchanged from their 2009 nominal levels.

Labour market

By the end of 2009 the number of registered unemployed persons stood at 338,895, up 0.9% compared to December 2008. After some moderation in October, registered unemployment accelerated again in the last two

months of the year and the number of unemployed people increased in all regions but Pristina. Female and unskilled unemployment have continuously increased over 2009 and their shares in the overall unemployed reached 47.5% and 60.1%, respectively in December. The number of people with high school education looking for a job slowly decreased in the last quarter of 2009, confirming the pattern that had already emerged earlier in the year. At the same time, the number of unemployed with a university degree continued to rise faster than overall unemployment.

International transactions

Though they continued to recover in the last months of the year, exports of goods in 2009 (EUR 162.6 million) stood below the EUR 195.9 million recorded in 2008, marking an 18.1% annual decrease. While almost all categories of exports declined, the negative performance was predominantly driven by the base metals and articles of base metals category, which dropped by EUR 21.7 million. Exports of goods decreased for all destinations in 2009, except to Albania and Turkey. Exports to Albania increased their share in total exports by 4.7 percentage points to 15.3%. Exports to the "EU and Switzerland" posted a 19% nominal decline and their share dropped by 0.6 percentage points to 50% of total exports.

Following its recovery in late 2009, export performance remained strong in January 2010 – more than doubling over January 2009. Exports of base metals and articles of base metals represented two-thirds of all exports and explained about 80% of the overall increase in exports in January.

Nominal imports of goods recorded only a marginal decrease of 1.5%, reaching EUR 1,898.7 million in 2009. As the import price index declined on average by 4.8%, imports of goods appear to have had a positive real growth in 2009. The structure of imports has changed – beverages and tobacco and mineral fuels, lubricants and related material decreased their shares by 1.1 and 3.4 percentage points, respectively, while imports of machinery and transport equipment increased their share by 3.3

percentage points. Imports from Albania and the former Yugoslav Republic of Macedonia decreased by 6.2% and 16.7% and the two countries' shares in total imports fell to 3.1% and 15.3%, respectively. Imports from the "EU and Switzerland", Turkey, and "Croatia and Bosnia and Herzegovina" gained not only in nominal terms but also increased their shares by 1.9, 0.8 and 1.4 percentage points to 39.8%, 7.4% and 6.0% of total imports.

In January 2010 imports of goods posted a 4.3% nominal increase on the back of relatively strong live animals and animal products (36.6%) and base metal and articles of base metals (34.7%) increases.

As a consequence of trade developments, the coverage ratio of exports as a percentage of imports (12-month moving average) has increased since last September (7.7%) and stood at 9.0% in January 2010, a still particularly low level. The trade deficit remained broadly unchanged in 2009 at EUR 1,736.1 million (45.9% of GDP) compared to EUR 1,732.0 million in 2008 (45.6% of GDP). The January 2010 trade deficit (EUR 87.6 million) improved slightly over the corresponding month of the previous year (EUR 92.4 million) on the basis of stronger exports.

Prices

Monthly inflation rates (year-on-year) turned again positive (0.1%) in December 2009. Since then, inflation slightly accelerated and reached 1.1% in February.

The main factor for the recent rise in inflation was food prices, which contributed by 0.42 percentage points. By the end of February the goods and services with positive contribution to inflation had a total weight of close to 51% in the whole CPI basket.

Monetary and financial indicators

In the final two months of 2009 the growth in deposits accelerated and reached 20.8% by end-December. Households deposits, with a share of almost 60%, continue to represent the majority of total deposits. Over one year, they have grown by 23.3%.

In December credit growth however decelerated to 8.9%. Credit to nonfinancial corporations grew by a mere 3.5% and credit to households – by 24.4%. Almost three quarters of all credit (73%) is allocated to non-financial corporations,

with the rest being credit to households. The loans to deposit ratio decreased to 73.9% in December, well below the informal benchmark according to which loans to deposits should not exceed 80%.

Banks' profits reached EUR 25.3 million for the year – 30% lower than the 2008 results.

The interest rate spread between loans and deposits remained high. By end-December, the 12-month moving average spread for all types of loans and deposits stood at 10.1 percentage points.

General government finance

According to preliminary data from the Ministry of economy and finance the general government posted a deficit of EUR 43.5 million in 2009. The underlying deficit is much higher (EUR 243.5 million or about 6.8% of GDP) if a one-off EUR 200 million dividend payment from the PTK is taken into account. The underlying nominal growth in total 2009 revenue (corrected for the one-off revenue) was slightly positive at 0.5%. Tax revenue increased by 1.4%, while non-tax revenue (excluding the PTK dividend) underperformed and declined by 5.1%.

Total expenditure increased substantially in 2009. The nominal growth in overall expenditure reached 17.8%. Spending on wages and salaries was up by 16.4%, subsidies and transfers increased by 22.5% from an already high base in 2008, spending on goods and services was up by 9.0%, and capital outlays rose by 15.4%.

The current expenditure growth pattern continued in early 2010 as well. By the end of February spending on wages and salaries grew by 21.9% (year-on-year). Total expenditure though was 4.1% lower because of a 33.4% reduction in spending on subsidies and transfers. Total revenue grew by 1.7% on the back of strong non-tax revenue performance (48.8%) and weak tax revenues (-2.2%). The overall surplus stood at EUR 27.2 million by the end of February 2010 – higher than the EUR 21.1 million recorded at the end of February 2009.

Despite this positive balance after the first two months of the year, the budget is facing growing risks as tax revenue performance is well below the target (7.6% nominal growth) and pressures on the expenditure side are rising.

TABLE

European Commission, ECFIN-D-1

KOSOVO*

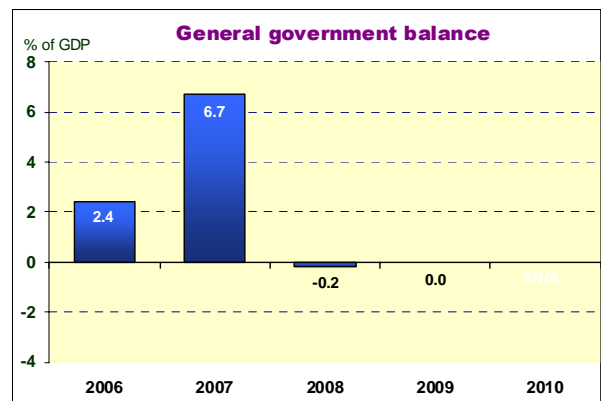
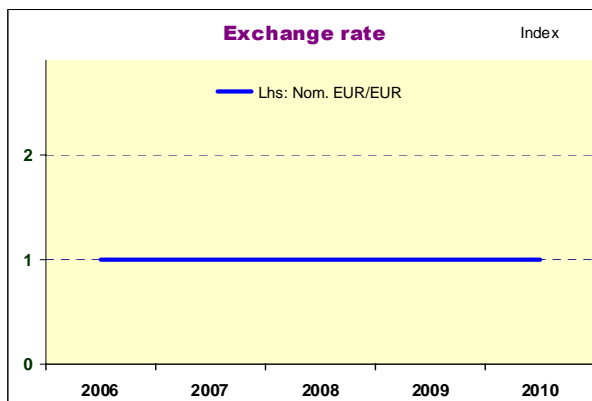
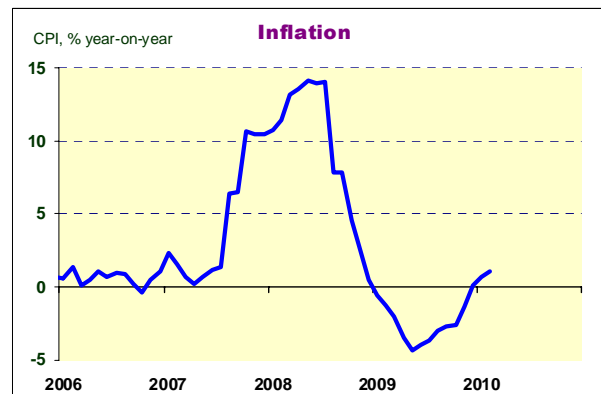
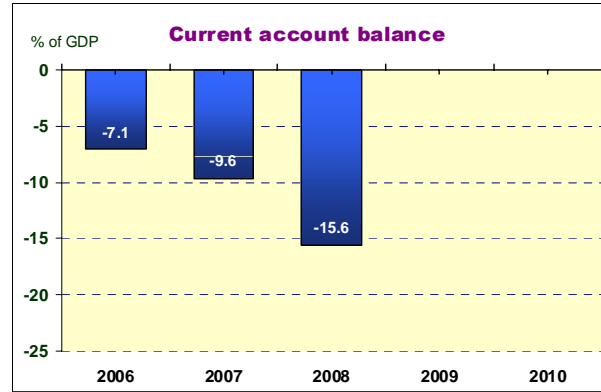
		2005	2006	2007	2008	2009	Q3 09	Q4 09	Q1 10	Jan 10	Feb 10	Mar 10
1 Output and demand												
Industrial confidence ^{1.1}	Balance	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Industrial production ^{1.2}	Ann. % ch	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Gross domestic product ^{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.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Private consumption ^{1.5}	Ann. % ch	8.6	4.0	8.1	3.2	1.9	:	:	:	:	:	:
Investment ^{1.6}	Ann. % ch	4.7	10.3	12.4	17.7	:	:	:	:	:	:	:
Change in stocks ^{1.7}	% of GDP	4.2	4.4	:	:	:	:	:	:	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	8.1	-12.9	:	:	:	:	:	:	:
Wages ^{2.3}	Ann. % ch	8.5	:	:	:	:	:	:	:	:	:	:
3 International transactions												
Exports of goods ^{3.1}	Ann. % ch	-0.5	96.8	49.1	20.2	-18.1	-16.4	38.2	:	134.5	:	:
Imports of goods ^{3.2}	Ann. % ch	8.9	12.8	20.7	22.3	-1.5	-1.4	-1.5	:	4.3	:	:
Trade balance ^{3.3}	% of GDP	-34.0	-35.8	-39.0	-42.5	-43.9	-45.1	-44.2	:	:	:	:
Exports goods and services ^{3.4}	% of GDP	7.0	8.9	10.0	10.5	:	:	:	:	N.A.	N.A.	N.A.
Imports goods and services ^{3.5}	% of GDP	42.5	45.5	50.1	56.4	:	:	:	:	N.A.	N.A.	N.A.
Current account balance ^{3.6}	% of GDP	-9.8	-7.1	-9.6	-15.6	:	:	:	:	N.A.	N.A.	N.A.
Direct investment (FDI, net) ^{3.7}	% of GDP	2.6	9.1	12.6	8.9	:	:	:	:	N.A.	N.A.	N.A.
4 Prices												
CPI ^{4.1}	Ann. % ch	-1.4	0.6	4.4	9.4	-2.4	-3.1	-1.3	:	0.6	1.1	:
GDP Deflator ^{4.2}	Ann. % ch	-1.7	0.2	3.4	5.4	:	:	:	:	:	:	:
Producer prices ^{4.3}	Ann. % ch	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	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.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
5 Monetary and financial indicators												
Interest rate (3-12 months) ^{5.1}	% p.a.	15.60	15.38	15.25	16.61	:	14.25	:	:	:	:	:
Bond yield ^{5.2}	% p.a.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Stock markets ^{5.3}	Index	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Broad money liabilities ^{5.4}	Ann. % ch	20.3	5.5	23.4	23.6	:	18.2	:	:	:	:	:
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}	Index	-5.0	-2.8	-0.1	:	:	:	:	:	:	:	:
6 Government balance and debt												
General government balance ^{6.1}	% of GDP	-3.0	2.4	6.7	-0.2	0.0	:	:	:	N.A.	N.A.	N.A.
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.	