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

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CANDIDATE AND PRE-ACCESSION COUNTRIES' ECONOMIC QUARTERLY

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*as defined by UNSCR 1244

OVERVIEW

Data from the final quarter of 2010 mostly confirmed previous trends in pre-accession countries. While growth was buoyant in Turkey, fed by private consumption and investment, the situation in the Western Balkans remained uneven, with most countries in positive growth territory. However, Croatia, the most severely hit by the crisis in the region, still registered negative GDP growth in 2010, the last quarter included. Iceland is only slowly emerging from the recession with zero growth - a relative improvement - in the fourth quarter 2010. With the exception of Turkey, where unemployment significantly decreased in 2010, labour markets have generally not yet benefited from the improved economic situation and have generally, either continued to deteriorate or at best bottom out.

Growth accelerated in Turkey, with an unexpected +9.2% in the last quarter (+3.6% seasonally adjusted), bringing annual 2010 growth to 8.9%. This strong recovery was fed by internal consumption, investment and inventories.

Conversely, in the Western Balkans growth was generally more subdued. Fourth quarter 2010 GDP growth data (year-on-year) were still negative in Croatia (-0.6%). Growth was moderate in Serbia (+1.7% year-on-year), the former Yugoslav Republic of Macedonia (+2.3% year-on-year in Q4) and, according to a number of indicators, in Bosnia and Herzegovina as well as Montenegro. Albania remains an outlier in the region, as the country weathered the crisis without a recession, and GDP grew by a further 5.7% in the last quarter of 2010.

In Iceland, while real GDP declined last year by 3.5%, with a negative contribution from all domestic demand components, fourth quarter data (0% growth year-on-year), however, suggest that the recession may progressively be coming to an end.

On the external accounts side, net exports have been the main positive driving element of growth in Iceland and throughout the Western Balkans. External deficits generally moderated last year. The current account deficit halved in Bosnia - at around 5% of GDP - and came down to 1.5% in Croatia, from 5.5% in 2009. The situation is rather the opposite in Turkey, where strong domestic consumption and investment fuelled high imports growth and a widening of the trade deficit to 6.6% of GDP, compared with 2.3% in 2009.

Labour market developments also point to very dissimilar situations. In Turkey the unemployment rate, in tandem with high growth, declined further in the last quarter of 2010, down to 11% (i.e. 3 percentage points below its end-2009 peak). Conversely, in the fourth quarter of 2010 unemployment continued to rise in Croatia and Iceland. Elsewhere a lag could, as expected, be observed between the overall improving economic situation and developments in the labour markets, where no material improvement could be noticed, except to some extent in Albania and the former Yugoslav Republic of Macedonia, where unemployment decreased slightly in the second half of 2010.

In the context of booming activity, the Turkish monetary authorities had recourse to unconventional policy measures, reducing the main Central Bank policy rate in January while increasing reserve requirements to curb credit growth. Inflationary tensions have resurfaced in Western Balkan countries because of rising food and commodity prices, notably oil prices. In Serbia and Albania this triggered a central bank policy response in the form of interest rate increases in March 2011. Conversely, the Icelandic central bank further reduced its core interest rate in February to 4.25% (compared with 10% a year earlier), on the back of still weak activity, a stable exchange rate and decreasing local inflation.

The crisis took a toll on financial sector activity and performance. While non-performing loans have significantly risen, banks have remained well capitalised, with capital adequacy ratios above 15% in Turkey and the Western Balkans. Non-performing loans were still on the up in Croatia (up to 18% end 2010) but decreased significantly in Turkey, falling to 3.4 % by early March 2011. Credit growth recorded a high level of 30% in Turkey, but remained below 10% in most Western Balkan countries, including Albania (+8%), the country with the highest growth in the region. In Iceland, still struggling with the restructuring of the banking sector, it remained negative for the third consecutive year.

Public finances, which had been severely impacted by the crisis in 2009, improved significantly in 2010 in Turkey and Albania where the deficit was reduced by 42% and 58% respectively. It was also curbed in Iceland, Montenegro, Bosnia and Herzegovina and the former Yugoslav Republic of Macedonia. However public finance continued to deteriorate throughout the year in Croatia, Serbia, and Kosovo. Almost all countries have embarked on further fiscal consolidation in 2011.

Candidate and potential candidate countries: Summary table

	2006	2007	2008	2009	2010	ECFIN Nov Forecast		Q3 10	Q4 10	Q1 11	Jan 11	Feb 11	Mar 11
						2011	2012						
Gross domestic product (in real terms, annual % change)													
Croatia	4.9	5.1	2.2	-6.0	-1.2	1.5	2.1	0.3	-0.6	:	n.a.	n.a.	n.a.
The former Yugoslav Republic of Macedonia	4.0	6.1	5.0	-0.9	0.7	2.2	2.5	1.3	2.3	:	n.a.	n.a.	n.a.
Iceland	4.6	6.0	1.4	-6.9	-3.5	0.7	2.1	-1.0	0.0	:	n.a.	n.a.	n.a.
Montenegro	8.6	10.7	6.9	-5.7	1.1e	:	:	:	:	:	n.a.	n.a.	n.a.
Turkey	6.9	4.7	0.7	-4.8	8.9	5.5	4.5	5.2	9.2	:	n.a.	n.a.	n.a.
Albania	5.4	5.9	7.7	3.3	4.1	:	:	5.0	5.4	:	n.a.	n.a.	n.a.
Bosnia and Herzegovina	6.0	6.2	5.7	-3.0	0.9	:	:	:	:	:	n.a.	n.a.	n.a.
Serbia	5.2	6.9	5.5	-3.1	1.8	:	:	3.1	1.7	:	n.a.	n.a.	n.a.
Kosovo*	3.4	6.3	6.9	2.9	4.6	:	:	:	:	:	n.a.	n.a.	n.a.
Unemployment (LFS, in % of workforce)													
Croatia	n.a.	9.6	8.4	9.1	11.8	12.3	11.2	11.5	12.1	:	n.a.	n.a.	n.a.
The former Yugoslav Republic of Macedonia	36.0	34.9	33.8	32.2	32.1	31.1	30.0	31.7	30.9	:	:	:	:
Iceland	2.9	2.3	3.0	7.2	7.5	7.3	6.3	6.4	7.4	:	n.a.	n.a.	n.a.
Montenegro	14.7	11.9	10.7	11.4	12.1	:	:	11.8	12.1	12.5	12.4	12.5	12.5
Turkey	9.9	9.9	11.0	14.1	12.0	11.7	11.3	11.4	11.0	:	:	:	:
Albania	13.9	13.4	12.8	13.0	13.7	:	:	13.5	13.5	:	:	:	:
Bosnia and Herzegovina	44.2	42.9	40.6	42.7	42.7	:	:	43.2	42.7	:	43.1	:	:
Serbia	20.9	18.1	13.6	16.1	20.0e	:	:	20.0	:	:	:	:	:
Kosovo*	44.9	43.6	47.5	45.4	:	:	:	:	:	:	:	:	:
Current account balance (% of GDP)													
Croatia	-6.9	-7.5	-9.2	-5.5	-1.5	-3.7	-4.7	-2.6	-1.5	:	n.a.	n.a.	n.a.
The former Yugoslav Republic of Macedonia	-0.4	-7.1	-12.8	-6.7	-2.5	-4.1	-5.3	-2.2	-2.0	:	n.a.	n.a.	n.a.
Iceland	-23.8	-16.3	-24.5	-10.3	-7.8	-4.9	-4.6	-5.5	-7.8	:	n.a.	n.a.	n.a.
Montenegro	-24.7	-37.8	-50.7	-30.1	-25.6	:	:	-32.1	-25.6	:	n.a.	n.a.	n.a.
Turkey	-6.1	-5.9	-5.6	-2.3	-6.6	-6.6	-7.1	-5.2	-6.6	:	n.a.	n.a.	n.a.
Albania	-6.6	-10.6	-15.4	-15.5	-11.9	:	:	-11.5	-11.9	:	n.a.	n.a.	n.a.
Bosnia and Herzegovina	-8.0	-10.7	-14.2	-6.2	-5.3	:	:	-5.4	-5.3	:	n.a.	n.a.	n.a.
Serbia	-11.7	-16.1	-20.6	-7.4	-7.3	:	:	-8.5	-7.3	:	n.a.	n.a.	n.a.
Kosovo*	-7.2	-10.4	-16.3	-17.4	-18.5	:	:	:	:	:	n.a.	n.a.	n.a.
Inflation (Consumer price index, annual % change)													
Croatia	3.2	2.9	6.1	2.4	1.0	1.8	2.0	1.1	1.5	:	1.9	2.2	:
The former Yugoslav Republic of Macedonia	3.2	2.3	8.3	-0.8	1.6	2.3	2.5	1.8	2.9	:	3.2	3.9	:
Iceland	6.7	5.1	12.7	12.0	5.4	2.5	2.3	4.3	2.8	2.0	1.8	1.9	2.3
Montenegro	3.0	4.3	7.4	3.4	0.5	:	:	0.4	0.7	:	1.1	2.0	:
Turkey	9.6	8.8	10.4	6.3	8.6	6.5	5.5	8.4	7.4	4.4	4.9	4.2	4.0
Albania	2.4	2.9	3.4	2.3	3.6	:	:	3.4	3.1	:	3.3	4.5	:
Bosnia and Herzegovina	6.1	1.5	7.4	-0.4	2.1	:	:	1.8	2.5	:	2.7	3.3	:
Serbia	n.a.	11.0	8.6	6.6	10.3	:	:	7.7	10.3	:	11.2	12.6	:
Kosovo*	0.6	4.4	9.4	-2.4	3.5	:	:	4.8	6.2	:	7.4	9.5	:
General government balance (% of GDP)													
Croatia	-3.0	-2.5	-1.4	-4.1	-5.7f	-6.1	-5.6	:	:	:	n.a.	n.a.	n.a.
The former Yugoslav Republic of Macedonia	-0.6	0.6	-1.0	-2.7	-2.5	-2.6	-2.3	:	:	:	n.a.	n.a.	n.a.
Iceland	6.3	5.4	-13.5	-10.0	-7.8	-4.2	-3.2	-5.3	-8.0	:	n.a.	n.a.	n.a.
Montenegro	2.7	6.7	-0.4	-4.4	-3.0	:	:	0.0	-3.0	:	n.a.	n.a.	n.a.
Turkey	-0.1	-1.0	-2.2	-5.7	-3.3	-2.8	-2.2	:	:	:	n.a.	n.a.	n.a.
Albania	-3.3	-3.5	-5.5	-7.1	-3.0	:	:	:	:	:	n.a.	n.a.	n.a.
Bosnia and Herzegovina	2.9	1.2	-2.2	-4.4	-3.8e	:	:	:	:	:	n.a.	n.a.	n.a.
Serbia	-1.6	-2.0	-2.6	-4.5	-4.5e	:	:	-2.4	:	:	n.a.	n.a.	n.a.
Kosovo*	2.5	7.1	-0.1	-0.7	-2.8	:	:	:	:	:	n.a.	n.a.	n.a.

* as defined by UNSCR 1244

Forecast: ECFIN forecast Autumn 2010

CROATIA



Key developments

Economic activity proceeded in very low gear over the winter months with recession lingering on in the labour market. This has added to the pressures on the government, partly manifested by anti-government demonstrations in February and March. At the same time, a number of high-profile corruption cases have figured prominently in the political debate. The approaching parliamentary elections, to be held in March 2012 at the latest, make political decision-making increasingly difficult.

The government submitted its seventh Pre-Accession Economic Programme to the European Commission in January 2011. In the EU accession negotiations seven negotiating chapters were still open at the end of March. The Commission released an interim report on 2 March concluding that Croatia needs to do further work in the field of judiciary and fundamental rights before all closing benchmarks are met in this chapter. Competition policy is another chapter where issues need to be resolved.

Real sector

Real GDP declined by 1.2% in 2010, i.e. significantly less than the 6.0% drop in 2009. Quarterly data show stagnation in the fourth quarter following the slight improvement in the third quarter when real GDP expanded for the first time in two years. However, negative GDP growth in the fourth quarter is a consequence of stock adjustments and not of faltering final demand.

Overall GDP (in real terms) was 0.6% lower year-on-year in the fourth quarter. Consumer spending continued to increase year-on-year (1.2%), which is somewhat less than in the preceding quarter. Fixed investment was still declining, but at a decelerating rate (-8.0%). Net exports of goods and services continued to rise as exports (+10.8%) increased much more than imports (+1.1%). The decline in import growth from 3.4% in the third quarter is consistent with

the softening of domestic demand including the destocking.

In terms of contribution to GDP growth, the largest input in the fourth quarter came again from net exports (3.4 percentage points). The other main positive contribution to GDP growth was private consumption (0.8 percentage points). Fixed investment was again a major drag (-2.1 percentage points) although somewhat less than in previous quarters. The largest negative contribution came from stock adjustments (-3.0 percentage points).

Monthly data indicate that subdued economic activity has been extended into early 2011. Industrial production has trended downwards again in recent months following some stabilisation last autumn. In February the volume of industrial production was 4.1% lower year-on-year. The year-on-year increase in retail sales volume, which started last July, has levelled off over the winter months and registered 0.8% in February. Construction output was still down by 8.3% in year-on-year terms in January which nevertheless is an improvement compared to the double-digit rates of decline in 2010. Merchandise trade decelerated in the January-February period. It is, however, a positive sign for output growth that the year-on-year growth rate for exports (3.9%) continued to exceed the growth rate for imports (2.4%).

Labour market

In tune with stagnating output, the labour market remained weak over the winter months. According to the labour force survey, employment was 4.1% lower year-on-year in the fourth quarter of 2010. The unemployment rate increased from 11.5% in the third quarter to 12.1% in the fourth quarter. In year-on-year terms the unemployment rate was 2.9 percentage points higher and the underlying trend is still rising. This is corroborated by registered unemployment which stood at 19.6% in January and February compared to a seasonal low of 16.4% in August and 18.3% in February 2010.

The large slack in the labour market continued to keep nominal wage growth close to zero. In

January 2001 the average gross wage was only 0.3% higher year-on-year.

External sector

The recession has narrowed the current account deficit more sharply than previously expected. It registered 1.5% of GDP in 2010, down from 5.5% in 2009 and 9.2% in 2008. Imports of goods started rising again in the second half of 2010 as the economy bottomed out, but the deficit continued to narrow on a rolling four-quarter basis thanks to much stronger growth of goods exports.

The improvement of the current account stems predominantly from trade in merchandise goods where the deficit narrowed by 3.3 percentage points of GDP between 2009 and 2010. The services balance improved by 0.2 percentage points and the balance of income and transfer payments by 0.5 percentage points. The deficit in merchandise trade (12.9% of GDP) was almost offset by the tourism-related surplus on services trade (12.6% of GDP) in 2010. The deficit on income and transfer payments amounted to 1.2% of GDP.

Croatia's total gross external debt increased from €43.1 billion at the end of 2009 to €45.8 billion at the end of 2010. The external debt ratio has increased by seven percentage points to 101% of GDP in the course of last year. Gross international reserves increased from €10.4 billion at the end of 2009 to €10.7 billion at the end of 2010 (24% of GDP) before declining slightly in the first two months of 2011.

Monetary developments

Headline inflation increased significantly over the winter months mainly due to higher energy and food prices. The year-on-year increase in the total consumer price index registered 2.2% in February compared to 1.2% in November. Higher commodity prices have to some extent spilled over into related areas like transport and processed food, but underlying inflationary pressures have remained subdued.

Broad money (M4) was almost stagnant in the fourth quarter (+0.1% quarter-on-quarter) and declined by 0.5% month-on-month in January. In year-on-year terms it was nevertheless 3.7% higher in January. Bank lending to the non-financial corporate sector continued to advance at a slow rate in recent months and has been almost stagnant for the household sector. In

order to stimulate bank lending for investment projects the central bank released €850 million worth of additional euro liquidity into the banking system in early March by lowering the minimum reserve requirement on banks' foreign exchange liabilities from 20% to 17%.

In the foreign exchange market the kuna remained broadly stable. The nominal exchange rate against the euro stood at 7.38 both at the beginning and at the end of the first quarter although slight downward pressure on the currency had briefly lifted the rate to 7.43 at the end of February. The central bank did not intervene in the foreign exchange market during the first quarter.

Financial sector

Despite high liquidity levels in the domestic financial system, interest rates of commercial banks have, on the whole, continued to decline only very slowly. In the interbank money market interest rates have remained very low. The capital adequacy ratio of the banking sector stood at a relatively high level of 18.4% at the end of 2010. The ratio of non-performing loans to total loans continued its upward trend and registered 11.2% at the end of 2010. The deterioration in the quality of bank loans was most pronounced for corporate loans. The stock market extended its December rally into January with an 8½% gain in the share index. Subsequently, the index remained stable until the end of the quarter.

Fiscal developments

According to available budget data, the actual 2010 budget implementation on a cash basis appears to have been rather in line with the revised state budget from August 2010. The budget deficit as measured according to ESA95 standards may only have exceeded the planned level of 5.2% of GDP by a relatively small margin. The rise of the budgetary deficit from 4.1% of GDP in 2009 was mainly the result of lower revenues following the continuing economic contraction and rising unemployment.

The first two months of 2011 saw a decline in central government revenues of 1% year-on-year, whereas total spending decreased by 3%. The budgeted deficit of general government in 2011 is 5.6% of GDP. Public debt is projected to increase from 41.6% at the end of 2010 to 44.2% at the end of 2011.

TABLE



European Commission, ECFIN-D-1

CROATIA

		2006	2007	2008	2009	2010	ECFIN Forecast			Jan 11	Feb 11	Mar 11		
							2011	2012	Q3 10	Q4 10	Q1 11			
1 Real sector														
Industrial outlook ^{1.1}	Balance	N.A.	70.9	38.0	-33.3	3.0	:	:	-9.0	16.0	15.0	N.A.	N.A.	N.A.
Industrial production ^{1.2}	Ann. % ch	4.5	5.6	1.6	-9.0	-1.5	:	:	0.1	-1.7	:	-6.6	-4.1	:
Gross domestic product ^{1.3}	Ann. % ch	4.9	5.1	2.2	-6.0	-1.2	1.5	2.1	0.3	-0.6	:	N.A.	N.A.	N.A.
Private consumption ^{1.4}	Ann. % ch	3.2	6.3	0.8	-8.5	-0.9	1.3	2.0	1.9	1.2	:	N.A.	N.A.	N.A.
Gross fixed capital formation ^{1.5}	Ann. % ch	11.1	7.1	8.2	-11.8	-11.3	2.0	4.3	-9.5	-8.0	:	N.A.	N.A.	N.A.
Construction index ^{1.6}	Ann. % ch	N.A.	N.A.	11.8	-6.5	-15.9	:	:	-15.3	-12.8	:	-8.3	:	:
Retail sales ^{1.7}	Ann. % ch	N.A.	N.A.	N.A.	-15.3	-1.8	:	:	1.7	0.9	:	0.2	0.8	:
2 Labour market														
Unemployment ^{2.1}	%	N.A.	9.6	8.4	9.1	11.8	12.3	11.2	11.5	12.1	:	N.A.	N.A.	N.A.
Employment ^{2.2}	Ann. % ch	N.A.	1.8	1.3	-1.9	-4.0	-0.2	1.0	-4.2	-4.1	:	N.A.	N.A.	N.A.
Wages ^{2.3}	Ann. % ch	6.2	6.2	7.1	2.2	-0.4	0.4	0.6	-0.2	0.5	:	0.3	:	:
3 External sector														
Exports of goods ^{3.1}	Ann. % ch	16.1	8.8	5.1	-20.2	17.3	:	:	17.6	27.4	:	5.5	2.3	:
Imports of goods ^{3.2}	Ann. % ch	12.9	11.0	8.9	-25.6	-1.1	:	:	5.3	5.4	:	-0.1	1.1	:
Trade balance ^{3.3}	% of GDP	-21.0	-21.7	-22.6	-16.2	-12.9	-15.8	-16.7	-13.7	-12.9	:	N.A.	N.A.	N.A.
Exports goods and services ^{3.4}	% of GDP	42.7	42.1	41.7	35.4	38.3	:	:	37.1	38.3	:	N.A.	N.A.	N.A.
Imports goods and services ^{3.5}	% of GDP	49.8	49.8	49.9	39.4	38.8	:	:	38.4	38.8	:	N.A.	N.A.	N.A.
Current account balance ^{3.6}	% of GDP	-6.9	-7.5	-9.2	-5.5	-1.5	-3.7	-4.7	-2.6	-1.5	:	N.A.	N.A.	N.A.
Direct investment (FDI, net) ^{3.7}	% of GDP	6.4	8.0	6.7	2.7	1.3	:	:	2.4	1.3	:	N.A.	N.A.	N.A.
International reserves ^{3.8}	mio EUR	8 725.3	9 307.4	9 120.9	10 375.8	10 660.3	:	:	11 154.4	10 660.3	:	10 456.2	10 464.0	:
Int. reserves / months Imp ^{3.9}	Ratio	6.1	5.9	5.3	8.2	8.5	:	:	8.9	8.5	:	8.3	8.3	:
4 Monetary Developments														
CPI ^{4.1}	Ann. % ch	3.2	2.9	6.1	2.4	1.0	1.8	2.0	1.1	1.5	:	1.9	2.2	:
Producer prices ^{4.2}	Ann. % ch	:	:	:	-0.4	4.3	:	:	3.8	5.1	:	6.5	8.0	:
Food prices ^{4.3}	Ann. % ch	2.5	3.4	10.0	1.7	-1.5	:	:	-0.5	0.4	:	2.4	3.6	:
M4 ^{4.4}	Ann. % ch	14.3	17.9	10.9	1.6	2.7	:	:	3.2	4.5	:	3.7	3.7	:
Exchange rate HRK/EUR ^{4.5}	Value	7.30	7.33	7.22	7.34	7.29	:	:	7.25	7.36	7.40	7.40	7.41	7.39
Nominal eff. exchange rate ^{4.6}	Index	98.7	98.0	96.1	97.2	98.2	:	:	98.23	99.37	:	100.31	100.30	:
5 Financial indicators														
Interest rate (3 months) ^{5.1}	% p.a.	4.46	5.66	7.19	8.96	2.44	:	:	2.66	2.61	2.63	2.80	2.64	2.47
Bond yield ^{5.2}	% p.a.	N.A.	N.A.	5.9	6.4	5.8	:	:	5.7	5.9	5.9	6.0	6.0	5.9
Stock markets ^{5.3}	Index	2 771	4 673	3 299	1 871	1 990	:	:	1 873	1 922	2 275	2 293	2 241	2 290
Credit growth ^{5.4}	Ann. % ch	22.0	19.4	11.6	5.0	2.9	:	:	4.5	6.4	:	5.6	6.4	:
Deposit growth ^{5.5}	Ann. % ch	51.6	27.2	7.4	-15.2	-19.8	:	:	-17.3	-13.4	:	-5.4	-1.5	:
Non performing loans ^{5.6}	% of total	N.A.	N.A.	N.A.	N.A.	N.A.	:	:	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
6 Fiscal developments														
General government balance ^{6.1}	% of GDP	-3.0	-2.5	-1.4	-4.1	-5.7f	-6.1	-5.6	:	:	:	N.A.	N.A.	N.A.
General government debt ^{6.2}	% of GDP	35.5	32.9	28.9	35.3	40.9f	45.9	49.9	:	:	:	N.A.	N.A.	N.A.

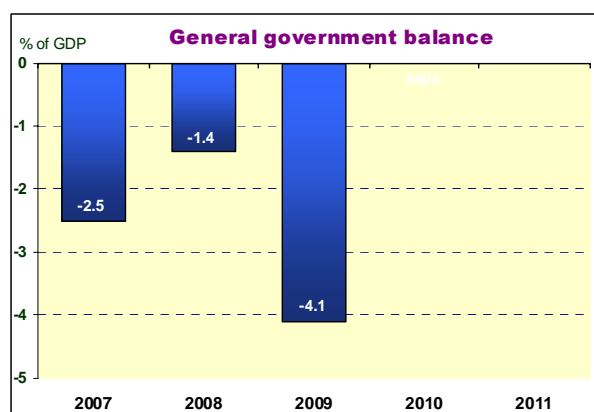
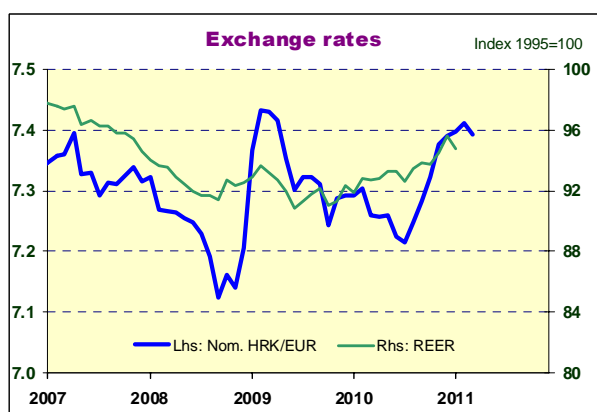
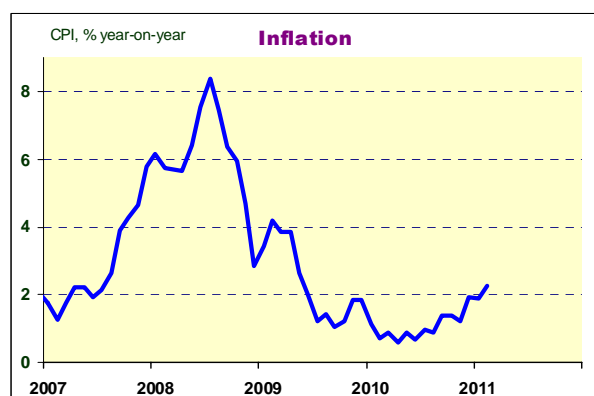
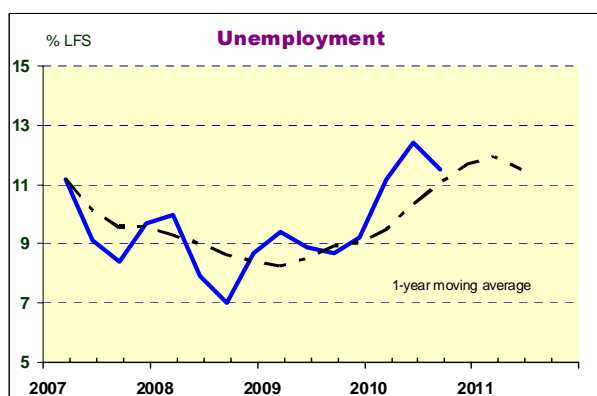
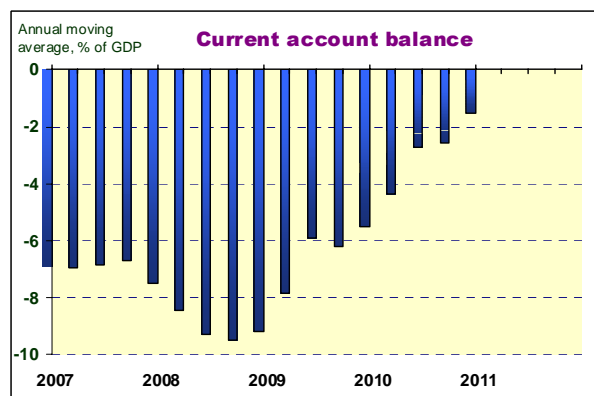
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European Commission, ECFIN-D-1

CROATIA



THE FORMER YUGOSLAV REPUBLIC OF MACEDONIA



Key developments

On 23 March, the government decided to draw €200 mio (3% of GDP) from the €390 mio precautionary credit line (PCL), which the IMF has provided for 2011. The main reason for this withdrawal was the postponement of a planned Eurobond issue, due to early elections. The government intends to finance the planned deficit of 2.5% of GDP exclusively via external sources. According to the 2-year PCL arrangements, the IMF provides emergency financing of up to €390 mio in 2011 and another €80 mio in 2012. The interest rate for this loan is 1.4%, with a 3¼ year grace period and a 5-year repayment schedule.

Real sector

In the fourth quarter of 2010, real GDP increased by 2.3% year-on-year, compared to an increase of 1.6% in the third quarter. The main positive contribution to growth came from net-exports and a pick-up of gross fixed capital investment, in particular construction, while private consumption was surprisingly weak. The decline in private consumption might be related to the strong increase in inflation and its effects on real incomes. Import growth accelerated, in line with stronger exports. Overall, output was 0.7% higher in 2010 than a year ago, but still below its pre-crisis level.

On the supply side, growth in 2010, and in particular in the second half of the year, appears to have been mainly driven by construction, while the overall contribution of manufacturing to growth was negative, despite significant increases in a few export oriented sectors.

High frequency indicators, such as industrial production, point to a continued overall weakness in domestic production, with a decline by 4.5% in the fourth quarter of 2010. In general, export oriented industries, such as base metals, or the manufacture of wearing apparel perform better than domestic oriented ones.

Labour market

The overall labour market situation remained bleak. During 2010, employment increased by about 1.3%, as overall job losses in the first half of 2010 were more than compensated by additional employment in the second half, in particular in the fourth quarter. According to LFS data, about half of the additional jobs were created in agriculture and about one third in the public sector. The strong increase in agricultural employment (by some 9 000 jobs) might reflect recent financial incentives to employment registration. The number of unemployed increased by 0.5% in 2010. However, as a result of the increased labour force, the annual unemployment rate remained largely unchanged at some 32%. On a quarterly base, the unemployment rate showed a declining trend, from 33.5% in the first quarter to 30.9% in the fourth quarter. A positive development is the continued decline in youth unemployment (age bracket 15-24 years), from 56.6% in the fourth quarter of 2009 to 50.5% in the last quarter of 2010. At the same time, the share of youth unemployment in total unemployment went down from 20.5% in 2009Q4 to 17.7% in 2010Q4. A key factor for this marked decline has been a strong reduction in youth unemployment among women. Furthermore, facilitated access to higher education courses helped to reduce unemployment rates.

Nominal wages rose by 1.7% in the fourth quarter, which however implied a decline by 1.2.9% in real terms, when taking into account consumer price inflation in that quarter.

External sector

During the fourth quarter of 2010, the situation in the external sector remained stable. Similar to the year before, the current account registered an annualised deficit of about 2% of GDP, with largely the same structure as the year before. However, FDI inflows rose slightly, from 0.9% of GDP in 2010 Q4 to 1.3% in 2011Q4. For the

whole year, the current account deficit improved markedly, from 6.7% of GDP in 2009 to 2.8% in 2010. The main factors were higher inflows of current transfers, rising from 17% of GDP in 2009 to 30% in 2010 and the decline in the trade deficit from 23.2% of GDP in 2009 to 21.6% in 2010. FDI inflows rose from 2% of GDP in 2009 to 3.2% in 2010. A significant proportion of the improvement took place in the first quarter, as a result of a recovery in exports, while imports remained low. The inflow of current transfers remained during the whole year higher than the year before. Current transfers consist of workers remittances and to a large extent of cash exchanges at cash offices, partly reflecting unrecorded exports.

Foreign exchange reserves remained stable at around EUR 1.7 billion. However, mainly as a result of the still relatively low imports, the import coverage has recovered to some 4½ months of expected imports.

Gross external debt amounted to about 62% of GDP at the end of 2010, compared to 57% of GDP a year before. The main contributor to the increase still is intercompany lending and bank lending.

Monetary developments

Overall CPI inflation continued to accelerate, reaching 5.2% year-on-year in March, bringing inflation in the first quarter of 2011 to 4.1%. End of 2010, inflation had reached 3%, while the annual average was still 1.6%. The main inflationary pressures came from price increases of food and housing, rising by 9.1% and 4.3% respectively. Food prices account for about 40% of the consumer basket.

Year-on-year growth of M4 continued to slow slightly in the fourth quarter of 2010, increasing by 12.7% year-on-year, compared to 12.9% in the second quarter. In January, growth in M4 declined further to 11.5%.

The exchange rate of the Denar has remained stable against the euro at 61.5 MKD/EUR.

Financial sector

Since October 2009, monetary conditions have continued to soften. After an increase in weighted nominal lending rates to 10.3% in September 2009, rates started to decline slightly during 2010, reaching 9.0% since November

2010. Interest rates on deposits had increased to 7.5% in March 2010, but have come down to 6.3% in February 2011. The spread between lending and borrowing rates widened slightly to 2¾ percentage points, mainly due to a faster decline in deposit rates. The overall credit-to-GDP level is still relatively low at some 45% of GDP.

The ratio of non-performing loans to total loans has declined from 10.4% end-September to 9.3% in December 2010. Profitability has improved but not yet fully recovered. End-December the return-on-assets ratio continued to improve, reaching 0.8%, compared to 0.5% end-September. Return on equity rose to 7.3% end-2010, compared to 4.0% end-September. However, it is mainly the large banks that are profitable, while the indicators for medium and small banks are still negative.

The country's stock market recovered during the last months. After reaching a peak in 2007, the market capitalisation started to decline again and currently amounts to some 30 % of GDP.

Fiscal developments

Revenue collection in 2010 was largely in line with the level realised in 2009, at some 31% of GDP, while spending was slightly lower than a year before, at some 33¼% of GDP. Thus, despite a significant underperformance of revenue against planned targets (by some 3% of GDP), the deficit target of 2.5% of GDP was achieved. On the revenue side, VAT revenues appear to have been slightly higher than a year before, by some ½% of GDP, and largely in line with budgetary projections. On the expenditure side, capital spending appears to have been slightly higher than a year ago, by some ¼% of GDP, but around 2% of GDP lower than originally planned. Current spending was about ¾% of GDP lower than in 2009, and about 1½% of GDP lower than originally planned. The budget for 2011 envisages a deficit of 2.2% of GDP for the central government deficit and of 2.5% for the general government.

By end-2010, general government debt had slightly increased, from 32.1% of GDP in 2009 to some 34% of GDP end of 2010. The main reason for the increase was recourse to foreign and domestic lending for financing government activities. Some 65% of the public debt is denominated in EUR, while the share of debt denominated in domestic currency rose from 14% in 2009 to 22%.

TABLE



European Commission, ECFIN-D-1

The former Yugoslav Republic of Macedonia

		2006	2007	2008	2009	2010	ECFIN Forecast							
							2011	2012	Q3 10	Q4 10	Q1 11	Jan 11	Feb 11	Mar 11
1 Real sector														
Industrial confidence ^{1.1}	Balance	4.3	7.0	6.8	-13.8	-9.6	:	:	-6.7	-0.1	:	6.9	10.2	:
Industrial production ^{1.2}	Ann. % ch	2.3	4.1	5.9	-7.3	-4.2	:	:	-1.7		:	:	:	:
Gross domestic product ^{1.3}	Ann. % ch	4.0	6.1	5.0	-0.9	0.7	2.2	2.5	1.3	2.3	:	N.A.	N.A.	N.A.
Private consumption ^{1.4}	Ann. % ch	6.0	9.8	8.1	-5.6	0.7	2.0	2.5	4.0	-3.1	:	N.A.	N.A.	N.A.
Gross fixed capital formation ^{1.5}	Ann. % ch	11.6	13.3	16.5	0.5	-6.0f	7.0	8.0	:	:	:	N.A.	N.A.	N.A.
Construction ^{1.6}	Ann. % ch	N.A.	N.A.	-2.8	4.2	:	:	:	13.6	:	:	N.A.	N.A.	N.A.
Retail sales ^{1.7}	Ann. % ch	9.5	17.1	11.6	-3.8	4.2	:	:	6.3	5.8	:	N.A.	N.A.	N.A.
2 Labour market														
Unemployment ^{2.1}	%	36.0	34.9	33.8	32.2	32.1	31.1	30.0	31.7	30.9	:	:	:	:
Employment ^{2.2}	Ann. % ch	4.6	3.5	3.2	3.4	1.3	2.0	2.5	1.0	5.9	:	:	:	:
Wages ^{2.3}	Ann. % ch	8.0	4.8	8.7	14.1	1.0	3.4	5.1	0.9	1.7	:	3.2	:	:
3 External sector														
Exports of goods ^{3.1}	Ann. % ch	16.5	29.2	8.9	-28.7	29.8	:	:	28.7	42.7	:	:	:	:
Imports of goods ^{3.2}	Ann. % ch	16.6	25.3	21.9	-22.1	14.1	:	:	20.4	21.7	:	:	:	:
Trade balance ^{3.3}	% of GDP	-19.7	-19.8	-26.2	-23.2	-21.6	-22.1	-22.4	-21.5	-27.6	:	N.A.	N.A.	N.A.
Exports goods and services ^{3.4}	% of GDP	46.9	52.4	50.9	38.8	47.7	:	:	44.3	48.3	:	N.A.	N.A.	N.A.
Imports goods and services ^{3.5}	% of GDP	66.5	70.8	76.2	60.2	67.0	:	:	63.7	69.7	:	N.A.	N.A.	N.A.
Current account balance ^{3.6}	% of GDP	-0.4	-7.1	-12.8	-6.7	-2.5	-4.1	-5.3	-2.2	-2.0	:	N.A.	N.A.	N.A.
Direct investment (FDI, net) ^{3.7}	% of GDP	6.8	8.5	6.1	2.0	3.2	:	:	1.9	2.3	:	N.A.	N.A.	N.A.
International reserves ^{3.8}	mio EUR	1439.7	1551.2	1496.9	1598.7	1715.3	:	:	1690.1	1715.3	:	1707.4	:	:
Int. reserves / months Imp ^{3.9}	Ratio	5.9	5.1	4.0	5.5	5.2	:	:	5.4	5.2	:	:	:	:
4 Monetary developments														
CPI ^{4.1}	Ann. % ch	3.2	2.3	8.3	-0.8	1.6	2.3	2.5	1.8	2.9	:	3.2	3.9	:
Producer prices ^{4.2}	Ann. % ch	4.5	1.6	10.4	-6.4	8.3	:	:	7.7	8.3	:	12.7	:	:
Food prices ^{4.3}	Ann. % ch	2.1	3.7	14.4	-1.4	0.3	:	:	1.1	3.2	:	5.1	6.6	:
Monetary aggregate M4 ^{4.4}	Ann. % ch	10.0	28.9	21.3	3.5	12.1	:	:	12.9	12.7	:	11.5	:	:
Exchange rate MKD/EUR ^{4.5}	Value	61.19	61.18	61.26	61.28	61.51	:	:	61.55	61.56	:	61.51	61.51	:
Nominal eff. exchange rate ^{4.6}	Index	100.0	99.6	100.6	106.6	:	:	:	105.9	:	:	N.A.	N.A.	N.A.
5 Financial indicators														
Interest rate (3 months) ^{5.1}	% p.a.	6.40	5.60	5.30	:	:	:	:	:	:	:	:	:	:
Bond yield ^{5.2}	% p.a.	11.3	10.2	9.7	10.1	9.5	:	:	9.2	9.1	:	9.0	9.0	:
Stock markets ^{5.3}	Index	3 219	6 971	5 149	2 497	2 472	:	:	2 315	2 214	:	2 493	2 689	:
Credit Growth ^{5.4}	Ann. % ch	25.0	35.0	40.3	14.2	5.4	:	:	6.9	7.5	:	6.8	:	:
Deposit growth ^{5.5}	Ann. % ch	21.0	31.4	23.5	4.6	13.0	:	:	14.0	14.0	:	12.9	:	:
Non-performing loans ^{5.6}	% total	11.2	7.5	6.7	8.8	9.3	:	:	10.4	9.3	:	N.A.	N.A.	N.A.
6 Fiscal developments														
General government balance ^{6.1}	% of GDP	-0.6	0.6	-1.0	-2.7	-2.5	-2.6	-2.3	:	:	:	N.A.	N.A.	N.A.
General government debt ^{6.2}	% of GDP	40.2	27.3	28.8	32.1	34.0	26.8	27.6	:	:	:	N.A.	N.A.	N.A.

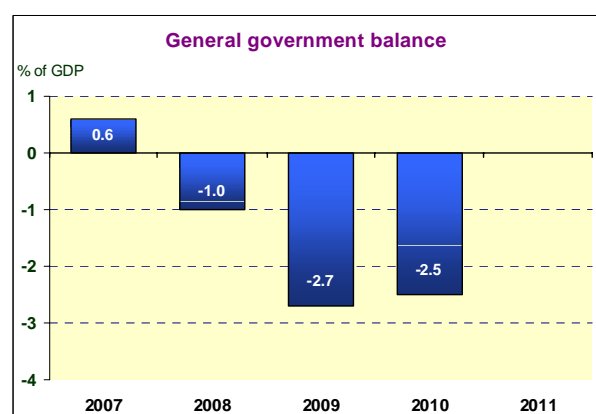
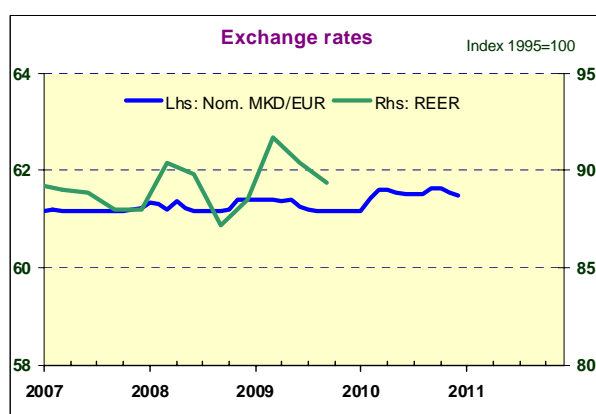
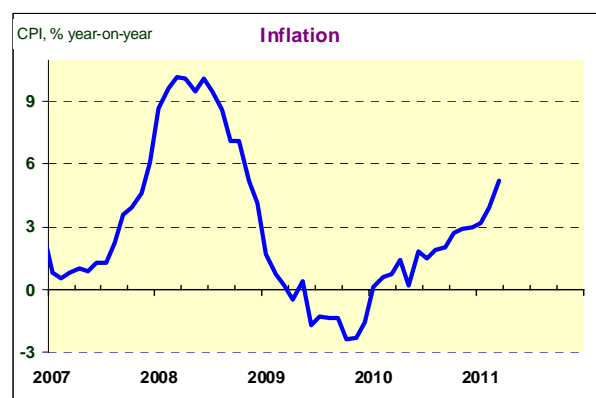
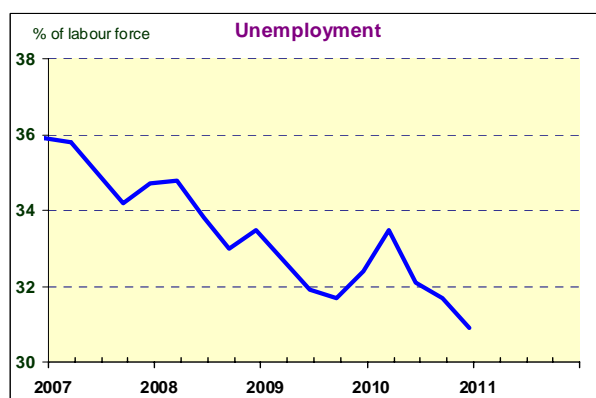
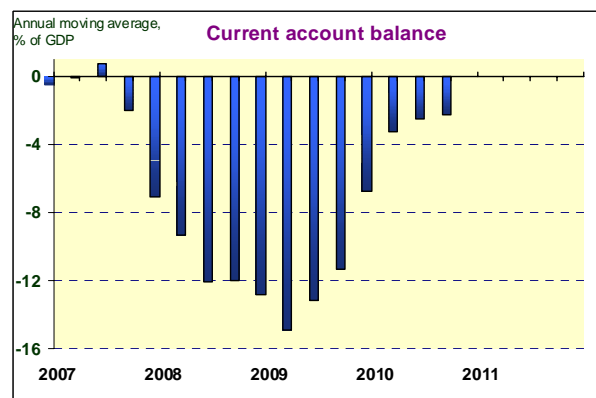
f: ECFIN forecast Autumn 2010

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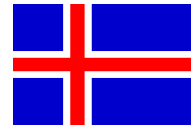


European Commission, ECFIN-D-1

The former Yugoslav Republic of Macedonia



ICELAND



Key developments

In January, the Icelandic government submitted its first Pre-Accession Economic Programme (PEP) to the European Commission. It envisages a significant improvement of the general government balance by close to 9 percentage points of GDP over the period 2010-2013.

The Icesave bill was voted through Parliament on 16 January with 44 votes in favour and 16 against. The majority of MPs from the opposition Independence Party (IP) supported the bill. The President decided to refer the law to a national referendum to be held on 9 April.

On 4 April, Statistics Iceland released its revised economic forecast (2010-2015) which projects GDP growth at 2.3% in 2011 (up from 1.9% in their previous forecast) and 2.9% (unchanged) in 2012.

Real sector

In the last quarter of 2010, GDP fell by 1.5% quarter-on-quarter (in seasonally adjusted terms), following an increase of 2.2% in the third quarter. The negative rate was largely due to a strong increase in total imports of 10% quarter-on-quarter while exports rose 3%. Domestic final expenditure rose by 1.6%, driven by a close to 15% increase in investments and a 1.6% rise in private consumption.

On an annual, non-adjusted basis, real GDP stagnated in the fourth quarter, leading to a growth rate of -3.5% for the year 2010 as a whole, compared to -6.8% in 2009. All domestic demand components continued to fall in 2010 and thus posted a negative contribution to growth equivalent to 2.1 percentage points. Total imports grew by 3.9%, stronger than total exports (1.1%), resulting in a negative contribution of net exports by 1.2 percentage points. Consumer sentiment and expectations have recently improved somewhat, but industrial production continued to fall in January. Although the long and severe recession seems to have been bottoming out, available data do not yet confirm that a robust recovery has already started.

Labour market

Unemployment remained far above pre-crisis levels. According to the Labour Force Survey, the unemployment rate increased to 7.4% in the fourth quarter, up from 6.4% in the previous one, partly due to seasonal effects. But the rate also increased on an annual basis, e.g. compared to the same quarter a year before when it was recorded at 6.7%. For the year 2010 as a whole, the unemployment rate stood at 7.5%, up from 7.2% a year before. Total employment dropped by 0.3% year-on-year in 2010. The total labour force shrank compared to a year before, as the effects of continued net emigration were only partly offset by returns of migrant workers.

The growth of nominal wages moderated somewhat during the fourth quarter, but annual wage growth in 2010 accelerated to 4.8%, from 3.9% in 2009. Higher wage growth together with falling annual inflation led to a significantly lower fall in real wages in 2010 (-0.6%), compared to 2009 (-7.3%). In early 2011, the growth of nominal wages further moderated to 4.2% year-on-year in February.

External sector

In the fourth quarter, total exports of goods and services increased by 3.2% compared to the same period a year before, while total imports rose by 1.4%. The balance in goods and services recorded a surplus of 8.2% of GDP, compared to 7.2% in the same quarter a year before. For the year 2010, the balance of goods and services stood at 10.6% of GDP, compared to 8.7% a year before. Due to the improved performance of trade, the current account deficit narrowed to 7.8% of GDP in 2010, from 10.3% in 2009. Excluding accrued interest of the banks in winding-up proceedings, the current account balance recorded a surplus of 1.7% of GDP in 2010, though somewhat lower than in 2009.

Recent merchandise trade data suggest a mixed performance of exports in early 2011: After a strong rise of around 9% year-on-year in January, exports' growth decelerated to some 4% in February. The growth of imports

accelerated from around 5% in January to 7% in February. For the two first months of 2011, the trade balance recorded a surplus of 1.2% of annual GDP, comparable to the performance during the same period a year before.

Balance of payments statistics record net capital inflows of around 9% of GDP in 2010, thus larger than the funds required to financing the current account deficit, leading to an increase in foreign reserves at the central bank. Gross reserves stood at around 44% of GDP at the end-2010, and strengthened further to 48% by February.

The stock of gross foreign debt (excluding banks in winding up proceedings) came down to an estimated 213% of GDP at end-2010, compared to 242% a year before. The private sector accounts for roughly three quarters of the external debt stock.

Monetary developments

A process of dis-inflation continued through 2010, and average inflation came down to 5.4%, compared to 12% in 2009. During the first quarter of 2011, some mild inflationary pressures emerged, as higher energy and food prices led to a marked increase in monthly inflation. As a result, the annual inflation rate (CPI) rose to 2.3% year-on-year in March, up from 1.8% in January.

After having appreciated by around 14% between end-2009 and end-2010, the Icelandic krona depreciated by 5.6% during the first three months of 2011 vis-à-vis the euro. The current rate of ISK 161.2 ISK/€ (average March 2011) is far below the pre-crisis exchange rate of ISK 87.6/€ (2007).

Low inflation and a relatively stable exchange rate allowed the Central Bank to continue a gradual easing of monetary policy during the last quarter of 2010 and in early 2011. The key policy rate was reduced in successive steps to a historical low of 4.25% in February, compared to 10% in early 2010. The three months interbank rate has continued to fall to 4.0% in March 2011.

Financial sector

Financial sector restructuring has further advanced. The new banks which focus on domestic operations are much smaller in size and each of them fulfils the minimum capital requirement of 16%. Preliminary data on banks'

balance sheets suggest that domestic credit (by deposit money banks, e.g. banks and savings banks) stood at around 120% of GDP at end-2010, compared to a pre-crisis level of above 300% of GDP. The new banks do not yet fully perform their financial intermediation role. Changes in assets are largely due to revaluations and new lending remains very limited.

Banks are exposed to weak asset quality (official estimates put the ratio of non-performing loans at around 40%) and suffer from currency and maturity mismatches. Deposit growth continues to be slightly negative. Nonetheless, deposits represent by far the largest share in bank funding, equivalent to around 90% of outstanding loans at end-2010. Deposits are currently "protected" by capital controls and a government blanket guarantee.

Bond and stock markets still play a very minor role in financial intermediation, with most trading taking place in government-guaranteed bonds. The stock market index continued to recover somewhat, but remains volatile.

Fiscal developments

In 2010, total general government revenues increased by close to 6% year-on-year. Tax revenues rose by around 6.5% while social contributions grew by more than 40% as a result of payroll tax increases in 2009 and early 2010. The rise in total spending was kept below 1%, helped by a significant reduction in investment spending of around 25%. The general government budget recorded a deficit of 7.8% of GDP, which compares to a target of 6% as stipulated in Iceland's first PEP, the difference being mainly due to a call of government guarantees.

The 2011 budget targets a primary surplus and contains fiscal measures equivalent to around 2.7% of GDP with most of the adjustment on the expenditure side (2% of GDP), including freezes on wages and transfers and cuts in investments. Available data on central government cash operations for the first two months of 2011 indicate that total revenues increased by 1.6% year-on-year, while current spending dropped by 8% and investments by 50% during this period.

General government debt increased from around 29% of GDP in 2007 to around 100% at end-2010. The jump reflects cyclical effects, costs of financial sector restructuring, as well as external borrowing to bolster foreign reserves. The government's official target is to reduce the debt ratio to 70% of GDP by 2014.

TABLE



European Commission, ECFIN-D-1

ICELAND

		2006	2007	2008	2009	2010	ECFIN Forecast		Q3 10	Q4 10	Q1 11	Jan 11	Feb 11	Mar 11
							2011	2012						
1 Real sector														
Industrial outlook ^{1.1}	Index	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	18.7	28.5	76.9	10.3	-0.6	:	:	-4.1	-1.0	:	-0.8	:	:
Gross domestic product ^{1.3}	Ann. % ch	4.6	6.0	1.4	-6.9	-3.5	0.7	2.1	-1.0	0.0	:	N.A.	N.A.	N.A.
Private consumption ^{1.4}	Ann. % ch	3.6	5.6	-7.9	-15.6	-0.2	1.5	1.9	1.0	2.8	:	N.A.	N.A.	N.A.
Gross fixed capital formation ^{1.5}	Ann. % ch	22.4	-11.1	-19.7	-50.9	-8.1	5.0	10.0	-12.8	-8.1	:	N.A.	N.A.	N.A.
Construction index ^{1.6}	Ann. % ch	27.9	12.1	-21.2	-23.4	:	:	:	:	:	:	:	:	:
Retail sales ^{1.7}	Ann. % ch	8.0	7.9	-9.2	-22.9	:	:	:	:	:	:	N.A.	N.A.	N.A.
2 Labour market														
Unemployment ^{2.1}	%	2.9	2.3	3.0	7.2	7.5	7.3	6.3	6.4	7.4	:	N.A.	N.A.	N.A.
Employment ^{2.2}	Ann. % ch	5.1	4.5	0.7	-6.1	-0.3	0.5	1.0	-0.8	-0.5	:	N.A.	N.A.	N.A.
Wages ^{2.3}	Ann. % ch	9.5	9.0	8.1	3.9	4.8	2.5	2.9	6.0	5.1	:	4.4	4.2	:
3 External sector														
Exports of goods ^{3.1}	Ann. % ch	24.9	25.7	52.6	7.3	11.9	:	:	-1.0	5.7	:	9.2	-3.8	:
Imports of goods ^{3.2}	Ann. % ch	38.9	-1.5	20.2	-13.3	7.7	:	:	0.4	4.6	:	4.9	7.1	:
Trade balance ^{3.3}	% of GDP	-13.4	-6.7	-0.4	6.0	7.7	5.9	6.1	7.5	7.7	:	N.A.	N.A.	N.A.
Exports goods and services ^{3.4}	% of GDP	32.2	34.6	44.3	52.9	56.5	:	:	56.2	56.5	:	N.A.	N.A.	N.A.
Imports goods and services ^{3.5}	% of GDP	50.0	45.3	47.1	44.3	45.9	:	:	45.9	45.9	:	N.A.	N.A.	N.A.
Current account balance ^{3.6}	% of GDP	-23.8	-16.3	-24.5	-10.3	-7.8	-4.9	-4.6	-5.5	-7.8	:	N.A.	N.A.	N.A.
Direct investment (FDI, net) ^{3.7}	% of GDP	-10.2	-16.5	30.4	-18.2	8.4	:	:	-17.9	8.4	:	N.A.	N.A.	N.A.
International reserves ^{3.8}	mio EUR	1 824.5	1 793.5	2 565.3	2 661.7	4 369.0	:	:	3 203.5	4 369.0	:	4 706.4	4 530.1	:
Int. reserves / months Imp ^{3.9}	Ratio	4.8	4.7	8.0	13.4	19.1	:	:	14.8	19.1	:	20.2	19.3	:
4 Monetary developments														
CPI ^{4.1}	Ann. % ch	6.7	5.1	12.7	12.0	5.4	2.5	2.3	4.3	2.8	2.0	1.8	1.9	2.3
Producer prices ^{4.2}	Ann. % ch	:	1.8	31.0	11.3	11.8	:	:	3.1	2.2	:	0.8	2.7	:
Food prices ^{4.3}	Ann. % ch	8.0	-1.1	16.0	17.5	4.2	:	:	3.1	1.0	1.7	1.5	1.8	1.9
M3 ^{4.4}	Ann. % ch	19.8	36.1	41.2	15.6	-6.6	:	:	-8.7	-10.0	:	-8.9	-8.5	:
Exchange rate ISK/EUR ^{4.5}	Value	87.8	87.7	127.6	172.2	161.6	:	:	154.3	153.5	158.6	155.7	158.8	161.2
Nominal eff. exchange rate ^{4.6}	Index	89.5	90.9	65.9	47.6	48.7	:	:	50.3	51.1	:	49.9	49.2	:
5 Financial indicators														
Interest rate (3 months) ^{5.1}	% p.a.	12.35	14.28	15.84	11.28	6.79	:	:	6.45	4.82	4.04	4.12	4.00	4.00
Bond yield ^{5.2}	% p.a.	9.21	N.A.	11.00	8.15	5.38	:	:	4.22	4.75	5.01	4.80	5.03	5.20
Stock markets ^{5.3}	Index	5 494	7 017	3 510	465	563	:	:	580	578	611	595	615	622
Credit growth ^{5.4}	Ann. % ch	45.5	27.3	-34.0	-8.5	-2.9	:	:	-1.5	-2.4	:	-4.3	-4.1	:
Deposit growth ^{5.5}	Ann. % ch	19.9	36.5	31.5	-1.3	-7.1	:	:	-9.2	-10.7	:	-9.6	-9.2	:
Non-performing loans ^{5.6}	% total	N.A.	N.A.	N.A.	N.A.	N.A.	:	:	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
6 Fiscal developments														
General government balance ^{6.1}	% of GDP	6.3	5.4	-13.5	-10.0	-7.8	-4.2	-3.2	-5.3	-8.0	:	N.A.	N.A.	N.A.
General government debt ^{6.2}	% of GDP	30.1	28.6	70.3	92.5	96.3	93.5	92.8	:	:	:	N.A.	N.A.	N.A.

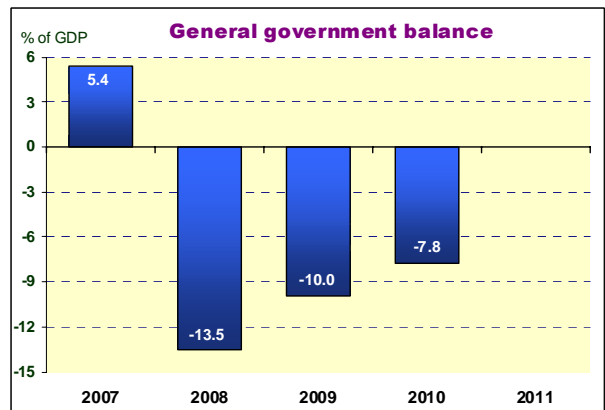
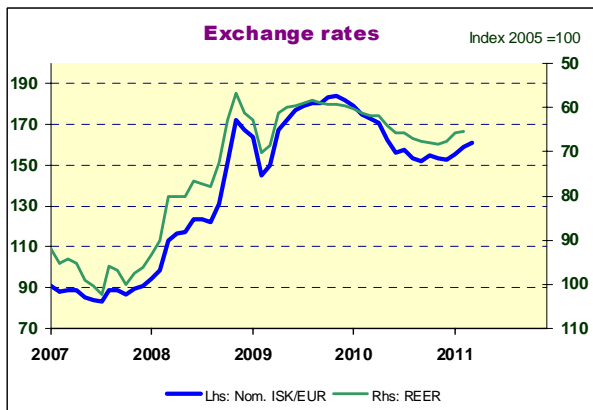
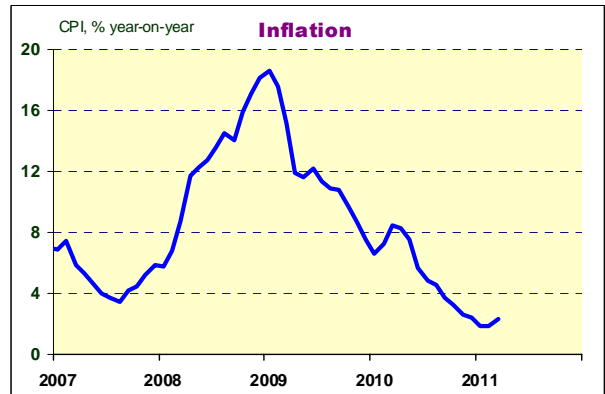
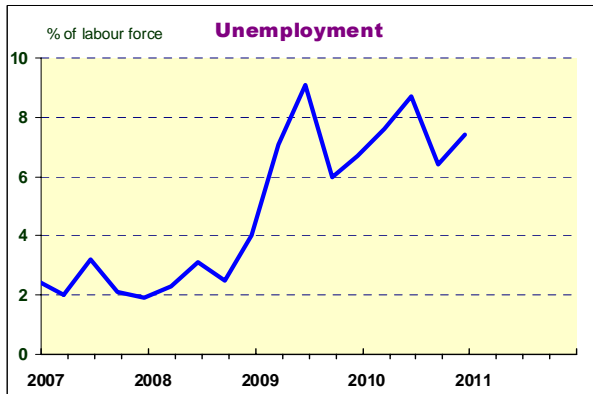
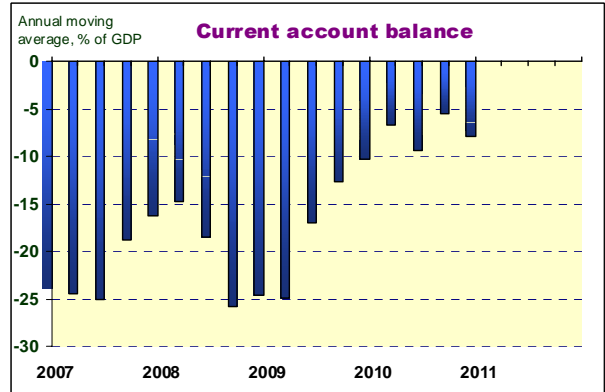
f: ECFIN forecast Autumn 2010

CHARTS

European Commission, ECFIN-D-1



ICELAND





Key developments

On 31 March the rating agency Moody's changed the outlook of Montenegro's sovereign from negative to stable on the basis of fiscal consolidation, financial system stabilisation and overall economic recovery. The government bond rating remains at Ba3, while the foreign currency deposits and bonds are kept at B1 and Baa1 respectively.

The government placed successfully on 1st April EUR 180 million Eurobonds. This second 5-years issue has a fixed annual coupon of 7.25%, or 62 bps lower than the previous one in September 2010. The issue attracted 67 investors from 21 different countries.

Montenegro completed on 1st April the first round of negotiations for the conclusion of a free trade agreement with the European Free Trade Association (EFTA).

The census of the population which should last 15 days commenced on 1st April. The last census dates from 2003.

Real sector

The economy started to recover from the effects of the crisis, growing by an estimated 1.1% in 2010 according to recent government and IMF projections. The first signs of revitalisation appeared in the second quarter of 2010 after 18 months of continuous contraction. The turnaround of the global metal market gave an additional boost to the recently restructured local industries, raising total industrial production by 23.3% year-on-year on average in 2010. Industrial output further accelerated by 8.4% year-on-year in February 2011, despite an 8% contraction from utilities.

In the last quarter of 2010 the construction industry accelerated rapidly, recording a 61% year-on-year expansion of the value of finalised construction works, following the initial recovery of 1.8% recorded in the previous quarter after one year of continuous contraction. Overall, construction works accounted for 8.4% of GDP in 2010, expanding by 13%, compared with the reduction of 21% recorded a year earlier.

Retail sales expanded in real terms by 1.1% year-on-year in 2010. The cumulative turnover accounted for 28.7% of GDP. Retail trade further accelerated during the first two months of 2011, expanding in real terms by 6.8% year-on-year.

Labour market

The unemployment rate reached 12.1% at the end of 2010, and continued deteriorating during the first months of 2011, reaching 12.5% by the end of March, marginally below the 12.6% rate recorded a year earlier. Yet, the number of job vacancies announced in the first quarter of 2011 has increased by 33% year-on-year. However, employment rates should remain negative until April due to methodological changes introduced a year ago.

The weak dynamics of the labour market were reflected in the moderation of average net wages, which increased by 3.5% in 2010. Yet, the rise of social securities contributions expanded gross wages by 11% year-on-year in 2010, before they gradually moderated to 9% in February 2011.

End March, the government adopted amendments to the labour law intended to increase labour flexibility, to introduce a broader parental leave and equal pay for men and women, and to limit the accumulation of temporary contracts. The amendments have been forwarded to the Assembly for discussion.

External sector

The recovery of the industry contributed to the increase of total merchandise exports in 2010 by 20% year-on-year (exports of aluminium contributing 37% of the increase and oil derivatives 47%). At the same time, merchandise imports increased marginally by 0.2% in 2010. As a result, the trade gap decreased to 43.5% of GDP, from 46% a year earlier. After a successful tourism season, the surplus in services increased by 16% year-on-year. These positive developments brought down the current account deficit to 25.6% of GDP in 2010, from 30% a year earlier. Net FDI reached 18% of GDP in 2010 despite the lack of

major privatisation deals. Yet, net errors and omissions represent a sizeable 13.4% of GDP.

In January 2011 FDI inflows surged by 112% year-on-year as a result of a one-off sale of a minority stake of the power grid operator CGES.

Monetary developments

The Central Bank's Council adopted several decisions in March 2011 establishing the framework for open market operations, amending the central register of bank accounts, and defining the conditions for intervention of the Central Bank as lender of last resort.

Consumer prices remained subdued during 2010. The average price index averaged 0.5%, while headline inflation recorded a 0.7% year-on-year acceleration in December. The trend was supported by the reduction of food prices, benefitting from the favourable exchange rate with Serbia, but also the reduction of annually adjusted electricity prices. However, the first months of 2011 have witnessed a reversal with the acceleration of prices to 2% year-on-year in February, fuelled by the rapid increase of food and oil global prices.

Financial sector

The weighted average effective interest rate on loans was 9.61% in January 2011 (or 17 basis points higher than a year before). By contrast, the weighted average interest rate for deposits contracted to 3.20% from 3.91% a year earlier.

Bank lending remained negative throughout 2010, contracting by 7.9% year-on-year, as the increased share of non-performing assets resulted in the consequent write-offs of receivables and the tightening of lending conditions. Lending to businesses decreased by 11% year-on-year, while credits to households declined more moderately by 6%. Total loans accounted for 73% of GDP in 2010, compared to 80.4% a year before. In January 2011 bank credits further decreased by 9.6% year-on-year.

Bank deposits contracted by 1.9% year-on-year in 2010, driven by the contraction of corporate and government deposits by 16% and 22% respectively. However, households' savings, which represent 52% of total deposits, increased by 13% year-on-year in 2010 and by further 14% in January 2011, bringing deposits growth back to positive territory (1.7%).

Overall, banks' capital fell by 6% year-on-year in 2010, bringing the capital adequacy ratio down to 15.9% at the end of the year, compared with 16.5% in September. Seven banks recorded an aggregated profit of EUR 9.5 million. However, the combined losses of the four others totalled EUR 89 million. The aggregate return on assets as well as on equity remained negative at the end of 2010 at -2.7% and -27.3% respectively. The ratio of non-performing loans accounted for 21% of total loans at the end of 2010.

The combined turnover of the two stock exchanges recorded a sharp contraction of 86% year-on-year in 2010, mostly as a result of the high base following the partial privatisation of the electric power company (EPCG) a year earlier. The aggregated turnover of the two bourses in 2010 totalled EUR 55 million resulting from 19,825 transactions.

Fiscal developments

Budget revenues totalled 42% of GDP in 2010. The effects of the crisis translated into the stagnation of VAT revenues and the contraction of the corporate income tax (9% lower than planned). However, the government did not need to proceed to any budget rebalancing in 2010 as personal income tax, social security contributions and local taxes revenues overshot the plan (by 8.7%, 21% and 9.4% respectively). Public expenditures reached 45% of GDP, Gross wages rose by 2.4% and social protection transfers by 4%, while subsidies contracted by 12% compared with the planned spending. Capital expenditure execution remained flat, 2 percentage points of GDP lower than planned as the highway works were postponed. Overall, the 2010 consolidated budget deficit represented 3% of GDP.

Public debt reached 42% of GDP in 2010 against 38% a year earlier. The increase was a consequence of the rapid expansion of the external debt, which represents 72% of the total. The public debt further decreased to 39.7% of GDP by end-February 2011, although it is bound to increase again in April following the new emission of Eurobonds (some 5.6% of GDP) on 1 April 2011.

TABLE

European Commission, ECFIN-D-1



MONTENEGRO

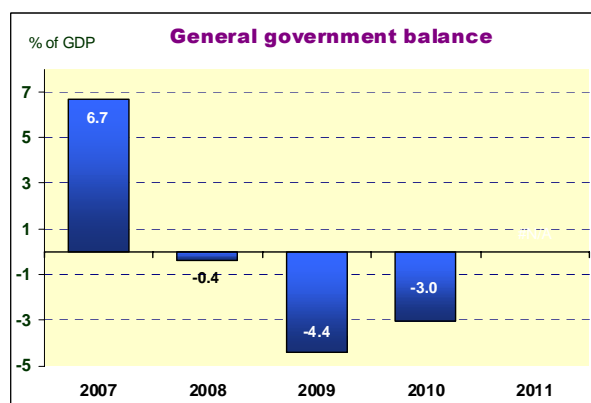
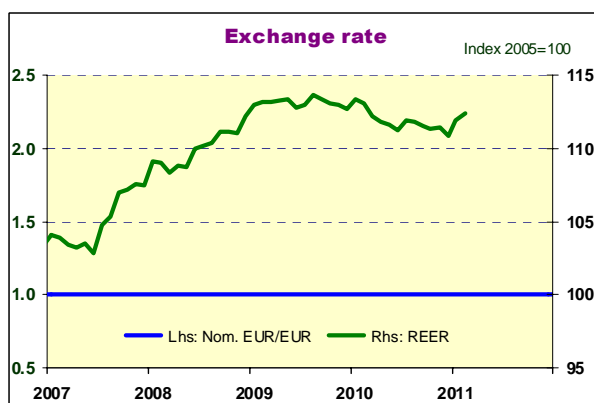
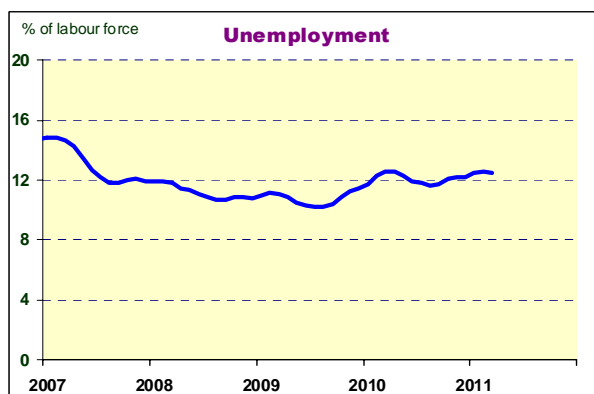
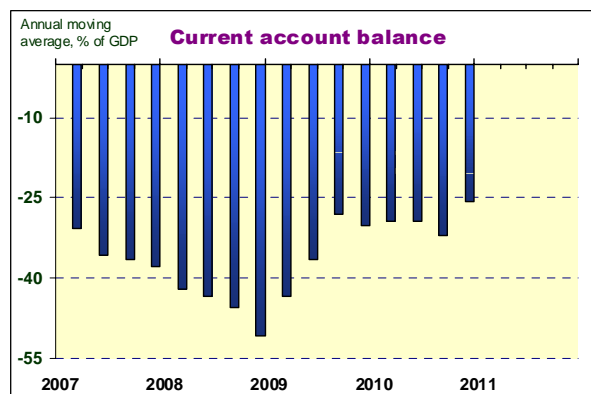
		2006	2007	2008	2009	2010	Q3 10	Q4 10	Q1 11	Jan 11	Feb 11	Mar 11
1 Real sector												
Industrial confidence ^{1.1}	Balance	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Industrial production ^{1.2}	Ann. % ch	1.0	0.1	-2.0	-32.3	23.3	41.7	43.7	:	2.0	8.4	:
Gross domestic product ^{1.3}	Ann. % ch	8.6	10.7	6.9	-5.7	1.1e	:	:	:	N.A.	N.A.	N.A.
Private consumption ^{1.4}	Ann. % ch	:	:	:	-7.7	:	:	:	:	N.A.	N.A.	N.A.
Gross fixed capital formation ^{1.5}	Ann. % ch	:	:	:	-25.3	:	:	:	:	N.A.	N.A.	N.A.
Construction index ^{1.6}	Ann. % ch	N.A.	-3.2	45.7	-21.5	13.1	1.8	60.7	:	N.A.	N.A.	N.A.
Retail sales ^{1.7}	Ann. % ch	N.A.	40.8	22.3	-9.0	1.6	3.2	-0.1	:	15.8	3.5	:
2 Labour market												
Unemployment ^{2.1}	%	14.7	11.9	10.7	11.4	12.1	11.8	12.1	12.5	12.4	12.5	12.5
Employment ^{2.2}	Ann. % ch	4.5	3.7	6.3	4.8	-7.1	-10.9	-9.0	:	-8.4	-7.9	:
Wages ^{2.3}	Ann. % ch	15.6	14.2	22.8	5.7	11.0	13.5	14.4	:	10.0	9.1	:
3 External sector												
Exports of goods ^{3.1}	Ann. % ch	40.7	-20.4	-9.4	-36.6	20.3	17.2	20.3	:	176.4	70.2	:
Imports of goods ^{3.2}	Ann. % ch	53.7	39.6	22.0	-34.6	0.2	6.5	0.2	:	14.7	10.4	:
Trade balance ^{3.3}	% of GDP	-39.5	-56.1	-67.5	-46.0	-43.5	-52.5	-43.5	:	N.A.	N.A.	N.A.
Exports goods and services ^{3.4}	% of GDP	49.4	42.4	39.5	32.1	36.5	41.2	36.5	:	N.A.	N.A.	N.A.
Imports goods and services ^{3.5}	% of GDP	79.1	82.8	94.0	65.4	65.2	77.1	65.2	:	N.A.	N.A.	N.A.
Current account balance ^{3.6}	% of GDP	-24.7	-37.8	-50.7	-30.1	-25.6	-32.1	-25.6	:	N.A.	N.A.	N.A.
Direct investment (FDI, net) ^{3.7}	% of GDP	21.7	19.9	17.9	30.8	17.9	20.9	17.9	:	N.A.	N.A.	N.A.
International reserves ^{3.8}	mio EUR	310.3	467.9	313.0	397.5	416.4	472.6	416.4	:	403.1	:	:
Int. reserves / months Imp ^{3.9}	Ratio	N.A.	3.3	1.5	2.9	3.0	3.4	3.0	:	2.9	:	:
4 Monetary developments												
CPI ^{4.1}	Ann. % ch	3.0	4.3	7.4	3.4	0.5	0.4	0.7	:	1.1	2.0	:
Producer prices ^{4.2}	Ann. % ch	3.1	8.5	14.0	-3.8	-0.7	2.3	0.5	:	2.8	4.5	:
Food prices ^{4.3}	Ann. % ch	N.A.	N.A.	9.0	3.3	0.3	1.1	2.3	:	1.6	2.9	:
M21 ^{4.4}	Ann. % ch	82.9	71.9	-14.3	:	:	:	:	:	:	:	:
Exchange rate EUR/EUR ^{4.5}	Value	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Nominal eff. exchange rate ^{4.6}	Index	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
5 Financial indicators												
Interest rate (3 months) ^{5.1}	% p.a.	1.21	:	:	:	:	:	:	:	:	:	:
Bond yield ^{5.2}	% p.a.	1.17	0.90	:	3.63	3.37	3.40	2.58	2.69	:	:	2.69
Stock markets ^{5.3}	Index	14 406	36 159	19 947	13 303	13 993	13 579	13 923	14 298	15 043	14 595	13 255
Credit growth ^{5.4}	Ann. % ch	125.3	165.1	24.6	-14.3	-7.9	-12.0	-7.9	:	-9.6	:	:
Deposit growth ^{5.5}	Ann. % ch	120.5	94.4	-4.8	-8.3	-1.9	-6.2	-1.9	:	1.7	:	:
Non-performing loans ^{5.6}	% of total	7.6	3.7	7.2	13.5	21.2	17.6	21.2	:	N.A.	N.A.	N.A.
6 Fiscal developments												
General government balance ^{6.1}	% of GDP	2.7	6.7	-0.4	-4.4	-3.0	0.0	-3.0	:	N.A.	N.A.	N.A.
General government debt ^{6.2}	% of GDP	32.6	26.3	29.0	38.2	42.0	42.3	42.0	:	N.A.	N.A.	N.A.

CHARTS

European Commission, ECFIN-D-1



MONTENEGRO



TURKEY



Key developments

A new commercial code has been adopted by the Turkish Parliament and published on 14 February 2011. It aims at better integrating Turkish commercial regulations with EU legislation, puts into effect generally accepted financial reporting and auditing principles, and should therefore facilitate various core business activities, including access to credit and entering/exiting the markets.

At the same time, the Parliament adopted the "omnibus" law, which primarily aims at removing some labour market rigidities. This law also authorises the transfer of authority from the Central Bank's Bank Assembly to the Monetary Policy Committee on decision-making based on "other" instruments in the area of monetary policy, in particular macro-prudential regulations (including Commercial Banks' Reserve requirements).

Real Sector

In 2010, the Turkish economy grew by 8.9%, following a contraction of 4.8% in 2009. The surge was largely driven by the private sector, with consumer spending up 6.6% on the year, private sector investment up 33.5% and a turnaround in the stockbuilding cycle adding 2.5% points to annual GDP growth. The strength of domestic demand led to import volumes soaring 20.7% on the year, while in contrast the average level of export volumes was only 3.4% higher than in 2009. As a result, net external trade subtracted 4.4% points from GDP growth. Seasonally adjusted GDP grew by 3.6% in the fourth quarter of 2010, a marked pick-up from the third quarter's 1.2% rise despite a heavy drag from the external sector. On the supply side, the industry, construction, trade and transportation sectors all grew at double digit rates throughout 2010. The widespread recovery accelerated in the final quarter of 2010, and high-frequency indicators point at a continuation of strong growth in the first quarter of 2011.

Labour market

In tandem with the strong recovery, the unemployment rate declined to 12% in 2010 from 14.1% a year before. The non-farm unemployment rate, which stood at 16.6% a year earlier, showed a broadly similar downward trend as it fell to 14.2% by end-2010. The youth unemployment rate dropped somewhat faster to 21.6% from over 24% in 2009, most likely due to the priority recently given to this segment.

Employment data show a marked improvement, as the number of employed increased by over 1,214,000 in the year to December 2010. The employment rate went up by 6.2% in 2010, up from 0.4% in 2009. The overall labour participation rate amounts to 49%, with a significant gender imbalance. While the labour participation is 70% for men, it is as low as 27% for women. While overall the female unemployment rate - at 13% - is 1.6 percent higher than men's, the difference becomes even larger when looking at non-agricultural unemployment, where female unemployment is a whopping 20.2%, which compares with 13% for men. Out of the 6.5 million women employed, 2.7 million work in agriculture, 75% of whom are unpaid family workers. These 2.3 million female unpaid family workers significantly inflate the female employment statistics.

External sector

The current account deficit edged up rapidly, in tandem with the widening trade deficit. Robust domestic demand and higher energy prices fuelled merchandise imports, which increased by 40% in 2010. In tandem with the rise in imports, nominal exports performed relatively well - largely due to price effects - but rose at a much slower pace by about 18% in the same period. Consequently, the trade deficit roughly doubled, from 4% of GDP in 2009 to 7.7% in 2010. The current account balance broadly showed similar patterns and the deficit is still widening rapidly. In 2010, the deficit amounted to 6.6% of GDP,

compared with 2.3% in 2009. While total financing needs have doubled in 2010, the financing has been shifting towards more portfolio and cross-border credits to domestic banks (covering 40% of the current account deficit) and less direct investment. Reserves rose by about EUR 6 billion to roughly EUR 81 billion (i.e. 7 months of merchandise imports). The gross external debt stock amounted to 40% of GDP by end 2010, almost unchanged from a year earlier. About two thirds is held by the private sector.

Monetary developments

At its January meeting, the Monetary Policy Committee (MPC) cut the one week repo rate by 25 basis points to 6.25%. The move was aimed at curbing the excess of short-term capital inflows and marked the second consecutive interest rate cut since December last year. By lowering interest rates, the MPC aims at reducing the attractiveness of Turkish fixed income assets, hence avoiding an appreciation of the TRY. A second aim of the policy mix is to cool credit expansion (up by over 40% on the year in end-March, and 10% on the quarter) by raising commercial banks' reserve requirements ratios, which vary according to the maturity and contribute to a differentiation towards the end of the curve (RRR). In January and March, the central bank announced RRR hikes on deposits, nearly doubling the rate for short maturities. The main goal is to achieve and maintain financial and price stability. The bank believes that the divergence between domestic and foreign demand growth (fanned by the recent surge in short-term capital inflows) coupled with rapid credit expansion is increasing the current account deficit, hence contributing to risks regarding financial stability.

In recent months, inflation came down dramatically, to 4% in March 2011 from 10% a year ago, in large part on the back of strong base effects and volatile food prices. However, the combination of strong domestic demand, significantly higher world fuel and food prices over the last few months and a weaker currency (down by about 10% in real effective terms since November 2010) can be expected to push inflation up significantly in the coming months.

Financial sector

In 2010, a revival of Turkey's banking sector increasingly gained traction in tandem with the

recovery, and loan and asset growth grew solidly, by respectively 30% and 20% in TRY terms. Banking sector profits increased by 8.5% to EUR 10bn. The capital adequacy ratio stood at 19% at end 2010, versus 20.5% a year earlier. The non-performing loans ratio fell gradually from 5.3% end-2009 to 3.7% by December and 3.4% by early March 2011. The recent hike in RRR appears to have dented profits rather than lending per se. Provisional data provided by the banking regulation and supervision agency show that banking sector profits declined by 13.5% year-on-year to EUR 1.4bn in January-March. Assets of the banking industry exhibited a 25% year-on-year increase. Loans increased by over 40% year-on-year and 5% compared to end-2010 and deposits grew 19% year-on-year. The capital adequacy ratio declined to 18.1% by March 2011. However, the sector should continue to be profitable in 2011, as it may take advantage of the robust economic expansion in Turkey's economy and of increasing private sector leverage.

The Istanbul Stock Exchange Index rose by 27% in 2010. In the first three months of 2011, stock markets were quite volatile, but by early April 2011 the index was unchanged from early January. By late March, the Istanbul stock market's capitalisation amounted to about EUR 200 billion, or 40% of GDP and a mere 340 companies are listed

Fiscal developments

The budget performed much better than expected in 2010, especially due to the robust recovery in domestic demand, which supported indirect tax revenues significantly. Overall real tax revenues rose by 35% year-on-year in 2011, and real expenditure grew by 15%.

Consequently, the primary surplus almost tripled and the overall central government budget deficit fell by about half from 5.7% of GDP in 2009 to 3.3% of GDP in 2011, much better than the programmed level of 4.7% of GDP. In the first two months of 2011, strong demand continued to support the budget performance, as revenues increased by 16% year-on-year, which broadly halved the deficit compared with last year.

The public debt stock fell significantly in the second half of 2010, thereby fully mitigating early year increases, and amounted to about 42% of GDP by the end of 2010.

TABLE



TURKEY

European Commission, ECFIN-D-1

		2006	2007	2008	2009	2010	ECFIN Forecast		Q3 10	Q4 10	Q1 11	Jan 11	Feb 11	Mar 11
							2011	2012						
1 Real sector														
Industrial confidence ^{1.1}	Balance	102.4	111.5	90.1	87.3	110.3	:	:	111.7	107.1	113.1	113.6	111.0	114.8
Industrial production ^{1.2}	Ann. % ch	7.3	7.0	-0.6	-9.9	13.1	:	:	10.0	12.1	:	18.9	:	:
Gross domestic product ^{1.3}	Ann. % ch	6.9	4.7	0.7	-4.8	8.9	5.5	4.5	5.2	9.2	:	N.A.	N.A.	N.A.
Private consumption ^{1.4}	Ann. % ch	4.6	5.5	-0.3	-2.3	6.6	4.5	3.0	6.5	9.0	:	N.A.	N.A.	N.A.
Gross fixed capital formation ^{1.5}	Ann. % ch	13.3	3.1	-6.2	-19.0	29.9	9.2	5.2	30.0	42.1	:	N.A.	N.A.	N.A.
Construction index ^{1.6}	Ann. % ch	38.7	9.8	-4.4	-9.5	73.8	:	:	62.1	158.2	:	N.A.	N.A.	N.A.
Retail sales ^{1.7}	Ann. % ch	N.A.	N.A.	N.A.	N.A.	N.A.	:	:	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
2 Labour market														
Unemployment ^{2.1}	%	9.9	9.9	11.0	14.1	12.0	11.7	11.3	11.4	11.0	:	:	:	:
Employment ^{2.2}	Ann. % ch	-0.4	-3.6	1.3	0.4	6.2	0.9	1.4	4.9	5.1	:	:	:	:
Wages ^{2.3}	Ann. % ch	10.9	9.8	11.7	9.9	10.8	7.0	4.9	12.0	12.0	:	:	:	:
3 External sector														
Exports of goods ^{3.1}	Ann. % ch	14.8	14.9	14.8	-18.2	17.6	:	:	17.8	20.6	:	30.2	22.5	:
Imports of goods ^{3.2}	Ann. % ch	17.7	11.6	10.4	-26.3	39.2	:	:	36.7	48.1	:	54.3	48.9	:
Trade balance ^{3.3}	% of GDP	-7.8	-7.2	-7.1	-4.0	-7.7	-9.9	-10.2	-6.5	-7.7	:	N.A.	N.A.	N.A.
Exports goods and services ^{3.4}	% of GDP	22.7	22.3	23.9	23.3	21.1	:	:	21.6	21.1	:	N.A.	N.A.	N.A.
Imports goods and services ^{3.5}	% of GDP	27.6	27.5	28.3	24.4	26.6	:	:	25.8	26.6	:	N.A.	N.A.	N.A.
Current account balance ^{3.6}	% of GDP	-6.1	-5.9	-5.6	-2.3	-6.6	-6.6	-7.1	-5.2	-6.6	:	N.A.	N.A.	N.A.
Direct investment (FDI, net) ^{3.7}	% of GDP	3.6	3.1	2.3	1.1	1.0	:	:	0.8	1.0	:	N.A.	N.A.	N.A.
International reserves ^{3.8}	bio EUR	68.8	74.4	84.8	75.0	80.3	:	:	82.4	80.3	:	81.3	:	:
Int. reserves / months Imp ^{3.9}	Ratio	7.4	7.2	7.4	8.9	6.9	:	:	7.8	6.9	:	6.7	:	:
4 Monetary developments														
CPI ^{4.1}	Ann. % ch	9.6	8.8	10.4	6.3	8.6	6.5	5.5	8.4	7.4	4.4	4.9	4.2	4.0
Producer prices ^{4.2}	Ann. % ch	9.3	6.3	12.7	1.2	8.5	:	:	8.7	9.0	10.6	10.8	10.9	10.0
Food prices ^{4.3}	Ann. % ch	9.7	12.4	12.8	8.0	10.6	:	:	10.4	12.1	:	7.1	4.5	:
M4 ^{4.4}	Ann. % ch	32.9	17.8	23.7	17.4	21.2	:	:	24.1	23.5	:	25.3	25.4	:
Exchange rate TRY/EUR ^{4.5}	Value	1.80	1.78	1.91	2.16	2.00	:	:	1.95	1.99	2.16	2.09	2.17	2.21
Nominal eff. exchange rate ^{4.6}	Index	26.18	26.73	25.77	23.24	:	:	:	:	:	:	:	:	:
5 Financial indicators														
Interest rate (3 months) ^{5.1}	% p.a.	18.07	18.85	18.04	10.68	7.95	:	:	8.15	8.11	8.00	7.75	8.10	8.16
Bond yield ^{5.2}	% p.a.	:	18.13	19.30	11.66	8.47	:	:	8.25	7.64	8.26	7.42	8.48	8.90
Stock markets ^{5.3}	Index	39 867	48 270	37 582	37 510	59 484	:	:	60 185	67 808	64 676	66 735	64 354	62 940
Credit growth ^{5.4}	Ann. % ch	48.6	28.6	31.5	8.0	29.5	:	:	35.6	39.2	:	43.0	44.1	:
Deposit growth ^{5.5}	Ann. % ch	33.1	17.7	21.8	18.0	18.0	:	:	20.1	20.1	:	20.6	20.6	:
Non-performing loans ^{5.6}	% total	5.2	4.7	4.2	6.4	5.8	:	:	5.4	4.9	:	4.4	4.2	:
6 Fiscal developments														
General government balance ^{6.1}	% of GDP	-0.1	-1.0	-2.2	-5.7	-3.3	-2.8	-2.2	:	:	:	N.A.	N.A.	N.A.
General government debt ^{6.2}	% of GDP	46.1	39.4	39.5	43.7	42.1	42.1	42.0	:	:	:	N.A.	N.A.	N.A.

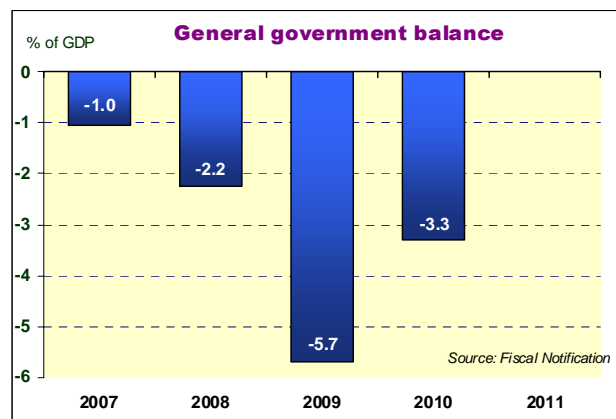
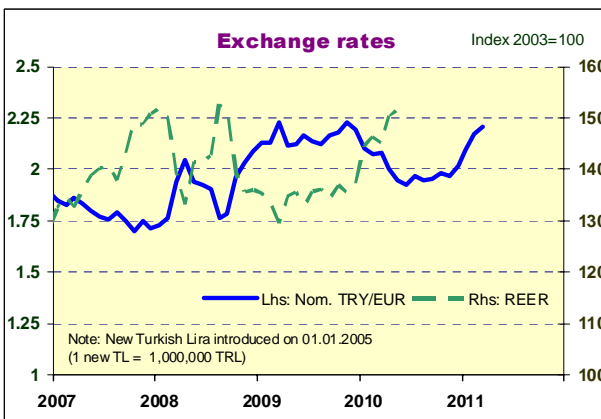
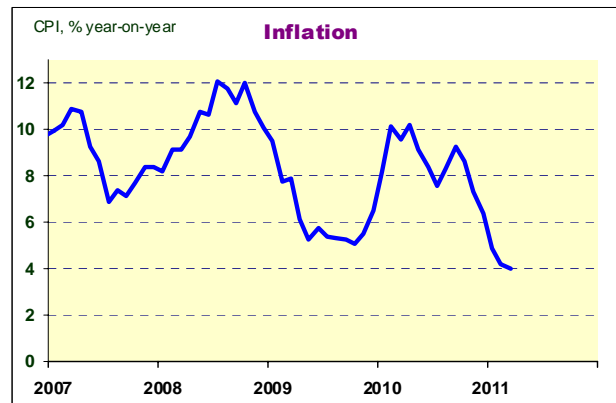
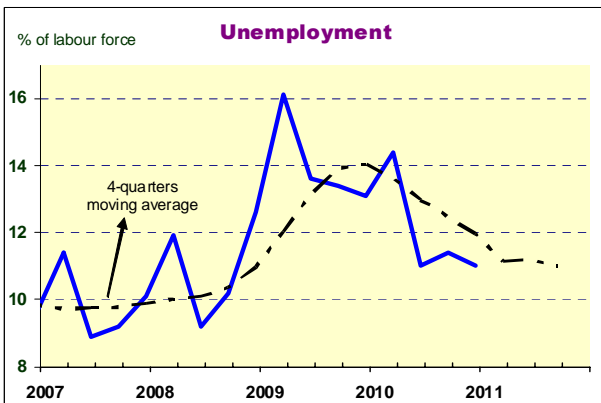
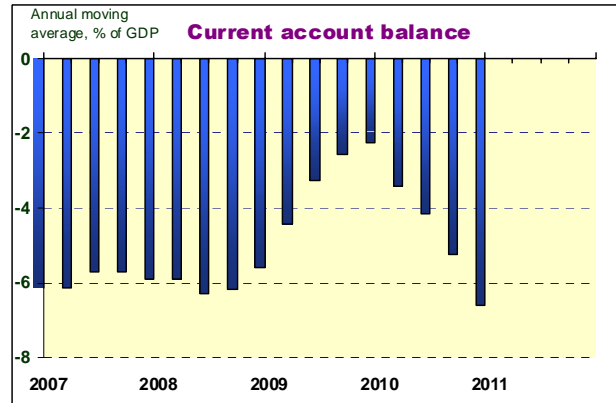
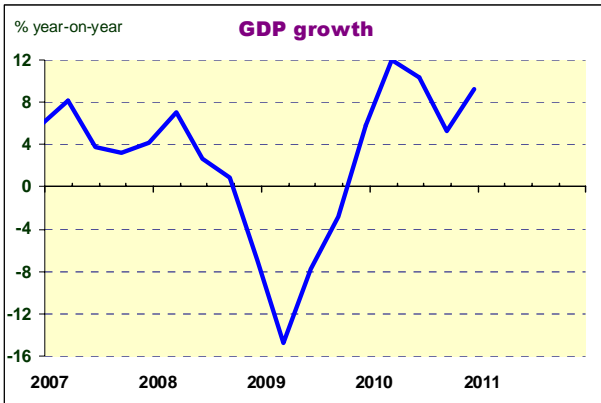
f: ECFIN forecast Autumn 2010

CHARTS

European Commission, ECFIN-D-1



TURKEY





Key developments

In February 2011, the government adopted its medium-term economic and fiscal framework setting a ceiling for the government deficit of 3% of GDP for the period 2012-14. The framework foresees annual GDP growth to hover around 6% while inflation is expected to remain close to 3%. As for public debt, the medium-term framework projects a modest downward path and it is expected to reach some 57½% of GDP by 2014.

The government introduced measures intended to further broaden the tax base. Relevant legislation was amended to include professional-service providers in the list of taxpayers subject to VAT regardless of the amount of their turnover. As of 1 February, medicines sold in Albania became subject to a 10% VAT.

In March, the credit rating agency Standard & Poor's kept Albania's sovereign rating stable at 'B+B'. The agency indicated that the ratings on Albania are constrained by the country's low per capita GDP level, high government debt and a polarised political environment which constrains the government's ability to press ahead with reforms. The outlook remained stable on account of Albania's strong growth potential and the policy anchor of EU integration which balance the downside risks.

Real sector

In the last quarter of 2010, real GDP growth reached 5.4% year-on-year, continuing the strong economic performance registered in the first three trimesters of the year. Industry remained the main driver of growth, largely owing to a sizeable increase in electricity production. The trade, hotels and restaurants sector continued to improve in the fourth quarter. The contraction in the construction sector recorded in the first three quarters of 2010 continued in the fourth trimester, albeit at a lower pace.

Labour market

Labour market conditions improved somewhat in the fourth quarter of 2010, in line with a

continued acceleration of economic activity. Year-on-year employment growth reached 2% in the fourth trimester following contractions in the first three quarters of 2010. As a result, the rise in unemployment was halted and stood at 13.5% in the fourth quarter.

External sector

In 2010, the current account deficit narrowed by around 22% to EUR 1.1 billion from EUR 1.3 billion a year earlier, primarily on the back of an improved export performance.

The merchandise trade gap declined as exports of goods grew at a faster pace than imports. Foreign sales of goods rose by some 63% (year-on-year) in 2010, spurred mostly by exports of electricity due to a rebound in energy prices as well as full capacity production of the local hydropower generation. Food and beverages, textiles and footwear and construction materials also registered an increase. These positive trends in exports of goods continued in January and February 2011. Imports of goods increased moderately in 2010, mainly reflecting the normalisation of import of machinery and equipment from the high level recorded in 2009. In January and February 2011, imports posted a significant increase driven primarily by food, fuel and capital goods imports. The surplus on the services account rose by 50% in 2010. A sharp drop in tourism outflows more than offset the lower earnings from inbound travel leading to an improved balance of the tourism account. The other services category also increased. Current transfers declined by 1.7% in 2010 in the wake of a continuing decline in workers' remittances. Inflows of remittances, which represent the bulk of current transfers, shrank by almost 12% partly reflecting the weak economic conditions in the host countries.

FDI inflows increased significantly by 17% in 2010 mainly due to investment in exploration and drilling of oil and gas as well as new concessions especially in the energy sector. Portfolio investment registered a significant increase, owing to the issuance of the EUR 300 million Eurobond by the government in the last quarter of 2010. The improvement in FDI and portfolio investment was, however, more than compensated by a sharp swing in other investment from a net inflow to an outflow

primarily due to the repayment of a syndicated loan by government. These developments led to a decline in capital inflows of some 11%. Overall, the balance of payments registered a surplus in 2010 which led to a corresponding rise in reserves of some EUR 179 million. Foreign reserves at the end of 2010 provided 4.8 months of import cover. Gross external debt stood at EUR 3.7 billion in the last quarter of 2010, representing a year-on-year increase of 11%. Government long-term borrowing constitutes slightly more than half of gross external debt.

Monetary developments

Following a peak in October, the monetary aggregate M2 declined to 4.6% year-on-year in December 2010. It accelerated in the first months of 2011, reaching 5.5% in February.

The decline in consumer prices continued in the fourth quarter when inflation reached 3.1% (year-on-year). However, in December inflationary pressures resumed and accelerated in the first two months of 2011. In January, inflation reached 3.3% year-on-year, rising further to 4.5% in February. The pick-up in inflation was mostly driven by higher prices of food and to a lesser extent fuel, reflecting developments in the international commodity markets. Higher prices were also recorded for tobacco as a result of a rise in the excise rate as well as pharmaceuticals due to the introduction of a 10% VAT.

The increase in inflationary pressures during the first months of 2011 prompted the Supervisory Council of the Bank of Albania (BoA), in its meeting of 23 March 2011, to raise the key repo rate by 25 basis points to 5.25%. In the first quarter of 2011, the Albanian currency weakened by 0.6% vis-à-vis the euro but appreciated by some 4.7% against the US dollar compared to the previous quarter.

Financial sector

Interest rates on deposits continued the downward trend started in the final quarter of 2009. Compared to end-2009, the decline has been more pronounced for longer-term deposits with the 36-month interest rate falling by 126 basis points to 6.4% by February 2011. The downward trend which started in November 2009 in the average yield of the 12-month Treasury bills appears to have stabilised in February 2011 at 6.9%.

Deposits continued to grow in the fourth quarter of 2010 reaching 17.6% year-on-year. In January and February, they grew at a slower rate, although this may reflect seasonal factors. Foreign-currency deposits continued to record the strongest increase reaching 16.8% in February, against almost 9.5% for deposits denominated in lek. The pace of credit growth in the last quarter of 2010 remained subdued at 8.6% year-on-year. The deceleration in lending appears to have bottomed out as credit in January and February increased by 8.8% and 9.4%, respectively. Following a period of deceleration, lending to both the private sector and households showed the first signs of a turnaround. On the other hand, credit to the public sector, which accounts for a small share of the total, contracted.

The loan-to-deposit ratio reached 60.5% in February 2011. Its level is relatively high for foreign currency denominations (87%), whereas it 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 2011, after a deceleration in 2010.

Following a progressively rising trend, the share of non-performing loans as a percentage of total loans appears to have stabilised at 13.6% in the fourth quarter of 2010. During the same period, profitability indicators strengthened while the capital adequacy ratio declined marginally to 15.4%.

Fiscal developments

According to cash-based government finance data, total revenue in January and February 2011 rose by 5% year-on-year, on account of a continuing strong performance of tax receipts which increased by 8.6%. The intake from VAT and social contributions rose by 8% and 8.5%, respectively. Total expenditure was up by some 26% year-on-year in January and February. Current spending increased by 8.7%, primarily due to higher expenditure in wages, social transfers and interest payments. Capital outlays rose almost threefold in the first two months of 2011 as the government embarks on a renewed effort to upgrade infrastructure.

As a result of these developments, the budget balance deteriorated substantially from a small surplus in January-February 2010 to a deficit of some Lek 9 billion in the same months of 2011. Nevertheless, this deficit was lower than planned, as expenditure undershot by more than the underperformance of revenue. Almost all the deficit was financed from domestic sources.

TABLE

European Commission, ECFIN-D-1



ALBANIA

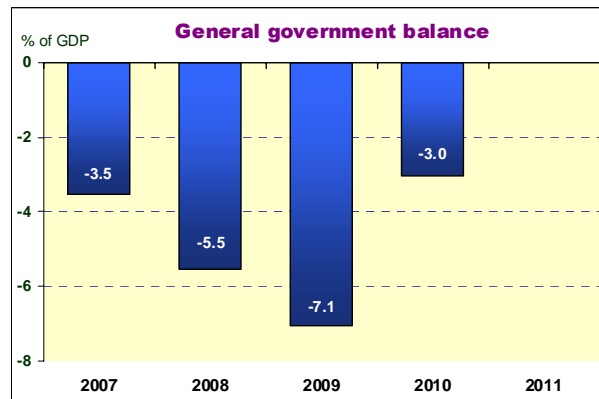
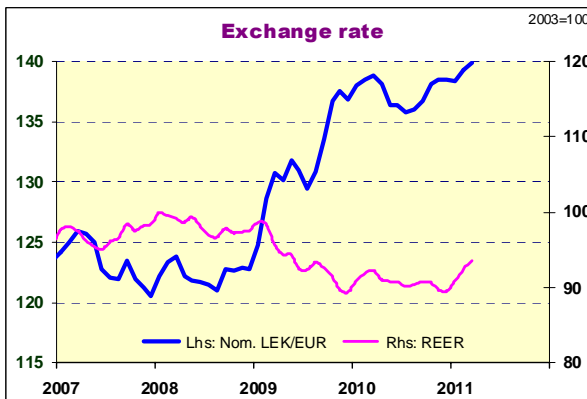
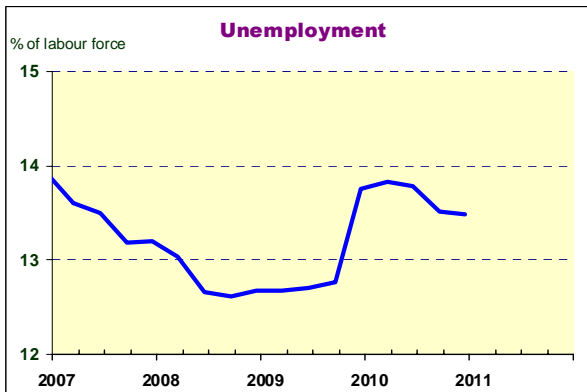
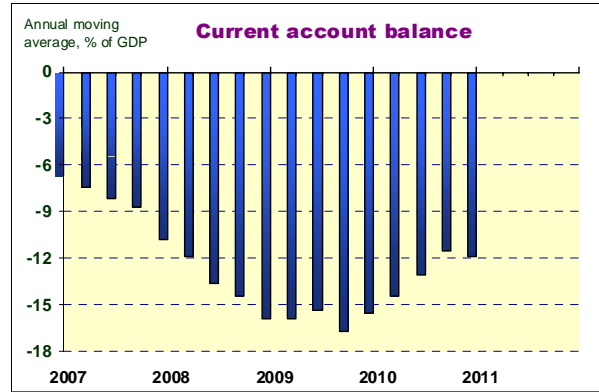
		2006	2007	2008	2009	2010	Q3 10	Q4 10	Q1 11	Jan 11	Feb 11	Mar 11
1 Real sector												
Industrial confidence ^{1.1}	Percent	3.8	0.9	0.4	-13.4	-5.9	-7.7	-2.3	:	N.A.	N.A.	N.A.
Industrial production ^{1.2}	Ann. % ch	12.1	-9.7	9.4	0.6	:	:	:	:	:	:	:
Gross domestic product ^{1.3}	Ann. % ch	5.4	5.9	7.7	3.3	4.1	5.0	5.4	:	N.A.	N.A.	N.A.
Private consumption ^{1.4}	Ann. % ch	7.2	13.4	9.8	7.7	2.2	:	:	:	N.A.	N.A.	N.A.
Gross fixed capital formation ^{1.5}	Ann. % ch	16.2	6.5	12.9	2.4	-5.2	:	:	:	N.A.	N.A.	N.A.
Construction index ^{1.6}	Ann. % ch	1.1	2.5	1.2	0.0	0.3	0.5	0.5	:	N.A.	N.A.	N.A.
Retail sales ^{1.7}	Ann. % ch	N.A.	10.9	23.7	-1.7	0.2	-0.7	-1.1	:	N.A.	N.A.	N.A.
2 Labour market												
Unemployment ^{2.1}	%	13.9	13.4	12.8	13.0	13.7	13.5	13.5	:	:	:	:
Employment ^{2.2}	Ann. % ch	0.2	0.2	2.9	-0.8	-4.7	-5.7	2.0	:	:	:	:
Wages ^{2.3}	Ann. % ch	7.5	17.1	8.3	11.9	6.7	6.4	7.1	:	:	:	:
3 External sector												
Exports of goods ^{3.1}	Ann. % ch	18.0	25.0	15.7	-11.8	62.5	50.9	50.2	:	:	:	:
Imports of goods ^{3.2}	Ann. % ch	13.3	26.5	15.0	-1.7	10.9	13.4	11.4	:	:	:	:
Trade balance ^{3.3}	% of GDP	-23.1	-26.8	-27.3	-26.6	-23.4	-24.3	-23.8	:	N.A.	N.A.	N.A.
Exports goods and services ^{3.4}	% of GDP	24.9	28.0	29.3	28.4	32.2	31.8	32.8	:	N.A.	N.A.	N.A.
Imports goods and services ^{3.5}	% of GDP	48.4	54.6	55.8	53.6	53.6	53.7	54.5	:	N.A.	N.A.	N.A.
Current account balance ^{3.6}	% of GDP	-6.6	-10.6	-15.4	-15.5	-11.9	-11.5	-11.9	:	N.A.	N.A.	N.A.
Direct investment (FDI, net) ^{3.7}	% of GDP	3.5	6.0	7.0	7.8	5.9	5.2	5.9	:	N.A.	N.A.	N.A.
International reserves ^{3.8}	mio EUR	1305.8	1418.7	1638.9	1567.4	1825.3	1694.4	1825.3	:	1789.9	1735.0	:
Int. reserves / months Imp ^{3.9}	Ratio	6.8	5.9	5.9	6.2	6.7	6.4	6.7	:	:	:	:
4 Monetary developments												
CPI ^{4.1}	Ann. % ch	2.4	2.9	3.4	2.3	3.6	3.4	3.1	:	3.3	4.5	:
Producer prices ^{4.2}	Ann. % ch	0.8	3.5	6.5	-1.7	0.3	0.4	0.6	:	:	:	:
Food prices ^{4.3}	Ann. % ch	N.A.	3.0	5.2	4.9	4.8	4.3	4.1	:	4.4	6.9	:
M2 ^{4.4}	Ann. % ch	7.6	9.8	7.4	8.7	4.5	4.0	4.7	:	5.3	5.5	:
Exchange rate LEK/EUR ^{4.5}	Value	122.76	123.31	122.39	131.82	137.48	136.19	138.37	139.18	138.38	139.31	139.86
Nominal eff. exchange rate ^{4.6}	Index	:	:	:	:	:	:	:	:	:	:	:
5 Financial indicators												
Interest rate (3 months) ^{5.1}	% p.a.	5.49	5.92	6.24	N.A.	:	:	:	:	:	5.20	:
Bond yield ^{5.2}	% p.a.	7.18	8.22	8.43	9.24	8.55	8.38	8.10	7.47	7.45	7.35	7.60
Stock markets ^{5.3}	Index	:	:	:	:	:	:	:	:	:	:	:
Credit growth ^{5.4}	Ann. % ch	60.9	53.9	43.8	20.5	8.6	8.6	8.6	:	8.8	9.4	:
Deposit growth ^{5.5}	Ann. % ch	N.A.	N.A.	14.8	-0.1	15.5	17.3	17.6	:	16.7	15.7	:
Non performing loans ^{5.6}	% total	3.3	3.2	4.7	9.1	12.6	13.5	13.6	:	N.A.	N.A.	N.A.
6 Fiscal developments												
General government balance ^{6.1}	% of GDP	-3.3	-3.5	-5.5	-7.1	-3.0	:	:	:	N.A.	N.A.	N.A.
General government debt ^{6.2}	% of GDP	56.8	54.8	53.9	59.7	59.4	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.

CHARTS

European Commission, ECFIN-D-1



ALBANIA





Key developments

On 24 January, the Bosnian authorities submitted the 2011 Economic and Fiscal Programme to the European Commission, covering the period 2011-2013.

On 17 March, more than five months after the general elections, the Upper House of the Federation Parliament was constituted and a new government elected. However, the legality of the inaugural session was questioned afterwards as the delegates of three cantons had not been appointed yet. On 25/26 March the Parliament approved the 2011 budget for the Federation in an urgent procedure. As the budget had been prepared by the outgoing government, a revision is expected soon.

Government formation at State level is still ongoing. Nevertheless, the care-taking government adopted the 2011 State budget in late March and forwarded it to the Presidency. Given the political situation, it is uncertain whether the Parliament will approve it soon. Therefore, the government endorsed a temporary financing for the second quarter.

Real sector

According to preliminary data published by the Central Bank of Bosnia and Herzegovina, real GDP grew by 0.9% in 2010, above the previously estimated 0.5%.

Annual growth of country-wide industrial production picked up in early 2011, reaching 6.6% in February, driven by mining and quarrying (12.9%) and manufacturing (9.9%), while the volume of production in electricity, gas and water supply fell by 3.6% year-on-year.

Judging from available indicators, domestic demand is recovering. After an annual increase of 11.8% in the fourth quarter 2010, retail sales continued to rise in early 2011 (8.4% in January, 17.9% in February).

In the Republika Srpska, according to figures released by the Entity's Institute of Statistics, the economy expanded by 1.4% in the fourth quarter 2010 driven by the mining and utilities sectors,

while growth in agriculture and construction was still negative.

Labour market

The high level of registered unemployment persisted during 2010, reaching 43.3% in December, relatively unchanged throughout the year. Employment fell most in construction, manufacturing and hotels and restaurants, while on the other hand, the highest growth of employment was registered in financial intermediation and transport. In January 2011, the rate fell marginally to 43.1%.

Strongly contrasting with previous years' developments, real wages remained relatively stable in 2010 which could translate into a positive input to an improved competitiveness of the economy. In nominal terms, average monthly gross wages were 2.2% higher in December 2010 than a year before.

External sector

According to preliminary figures from the Central Bank the current account deficit decreased by 13.2% in 2010 to 5.3% of GDP. The trade gap narrowed by 4.8% (imports growing by 10.2% and exports by 27.7%) and the surplus in current transfers grew by 3.1%. On the other hand, the surpluses in the services and income balances fell by 8.6% and 14.8%, respectively. After the current account balance had recorded a 63% expansion in the third quarter 2010 – the first quarterly increase since 2008Q4 – it narrowed by 5.6% in the fourth quarter 2010. This was due to an acceleration of export growth and a moderation of imports. Net foreign direct investments went down by 93.1% in 2010 to a mere EUR 12.6 million. However, while even net outflows were recorded in the first half 2010, FDI recovered in the second half of the year and turned positive. Official foreign exchange reserves decreased slightly by 2.2% between November 2010 and February 2011, covering more than 5½ months of imports.

In early 2011 trade continued to be strong with the export of goods rising by 35% year-on-year in the first two months and imports by 23.9%.

Monetary developments

On 1 February 2011 the reduction of minimum reserve requirements for short-term deposits from 14% to 10% came into effect. The annual growth of the monetary aggregate M2 moderated, falling from 9.7% in November 2010 to 7.1% in February 2011.

Annual inflation continued to rise, reaching 3.3% in February, one percentage point higher than in November 2010. The 12-month moving average inflation rate went up to 2.4%, from 2.1% recorded for 2010. The hike of excises on tobacco and alcohol from the beginning of 2010 is still reflected in the prices of these goods which grew by 8.4%. The rise of food and non-alcoholic beverages prices went up to 6% in February, from 2.1% in November, reflecting international price developments. Other price drivers were transport (6.7%) and communication (5.9%). Price decreases were recorded in clothing and footwear (-7.2%) and health (-3.4%).

Financial sector

Market short-term interest rates for loans have decreased from 7.9% in November to 7.7% in February for the corporate sector, but have increased from 9.7% to 10.2% for households (non-indexed loans in local currency). Interest rates for deposits for the corporate sector have shown some volatility in recent months, ranging between 2.5% in October and 3.5% in January, falling afterwards to 2.8% in February (time and savings deposits in local currency). They are much more stable for the household sector, reaching 3% in February. The spread between average lending and deposit interest rates stood at 7.87 percentage points in December 2010, 19 basis points below the September level.

Annual credit growth further recovered and reached 3.9% in February. However, as the effect of the low base is fading out, there was already a slight decrease compared to January (4.1%). Credits to households were rising by 0.2% in February after a long period of falling rates. Those to private enterprises showed a stronger performance, growing by 5.7%. Deposits continued recovering, though at a slower pace, recording an annual increase of 5.2%. Both private households and the corporate sector increased their savings (by 12.8% and 3.4% respectively). The loans-to-deposit ratio continued its increasing trend from previous months and reached 116.8% in February.

The Sarajevo Stock Exchange gathered pace, recording a quarterly upswing of 17% in the first quarter 2011. The Banja Luka Stock Exchange showed a similar performance as its main index also increased by 17% in 2011Q1.

The quality of the loan portfolio is further deteriorating: the share of non-performing loans to total loans increased from 9.2% in Q3 to 11.4% in Q4, the highest level since 2004. Banking profitability indicators have also worsened: the return on average equity fell further from -3.5% to -5.5%, its lowest level since 2002. The return on average assets kept dropping from -0.4% to -0.6%. However, these developments are to some extent driven by some outliers in the banking system. Liquidity indicators remained relatively stable with the rate of liquid to total assets decreasing from 29.3% in Q3 to 29% in Q4, and liquid assets to short-term financial liabilities from 50.3% to 49.7%. Banks operating in Bosnia and Herzegovina recorded accumulated losses of EUR 71.5 million in 2010. Nevertheless, 23 banks recorded profits, and only six losses. The Capital Adequacy Ratio of the whole banking system stood at a comfortable 16.2% in Q4, up from 15.6% in Q3.

Fiscal developments

The draft 2011 budget of State institutions foresees a volume of appropriations unchanged compared to the 2010 budget. No solution has been found yet, however, on the distribution of revenues from indirect taxes, which are the main source of income for the State institutions. This is also the main reason why the Global Fiscal Framework 2011-2013 has still not been adopted.

The 2011 budget in the Federation foresees an 8.8% reduction compared to the 2010 budget. Some 55% of the 2011 budget will be allocated to social spending, 22% to debt servicing, 14% to public sector wages, and only 7.7% to investment.

During the first two months 2011, revenues from indirect taxes increased by 3.3% annually, shifting for the first time above the level registered in the same period 2008 before the crisis broke out.

Proposals to introduce a differentiation of VAT rates are being discussed in the Entities but no concrete action has been taken yet.

TABLE



European Commission, ECFIN-D-1

BOSNIA AND HERZEGOVINA

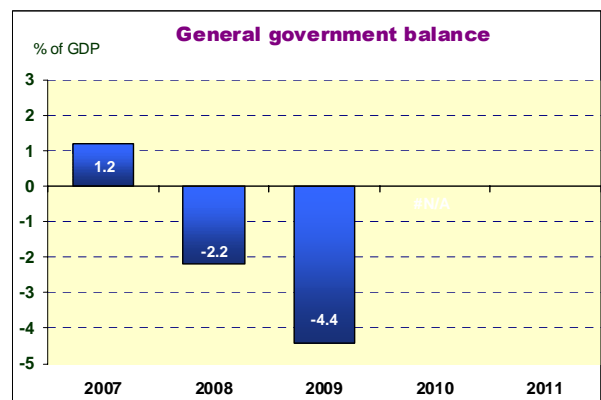
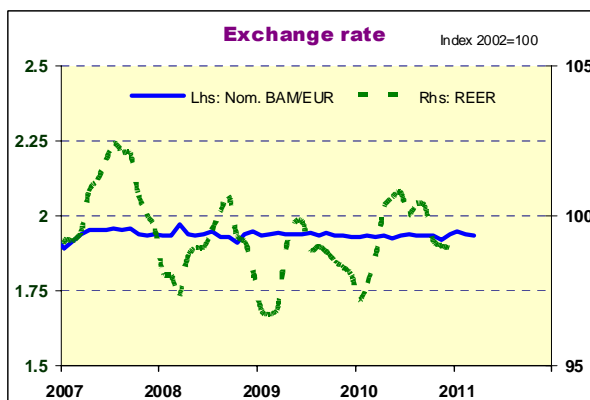
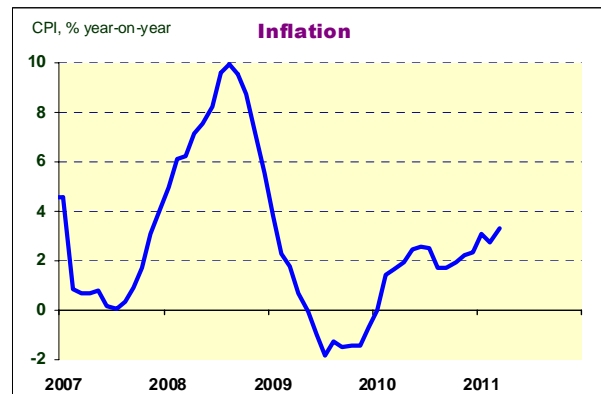
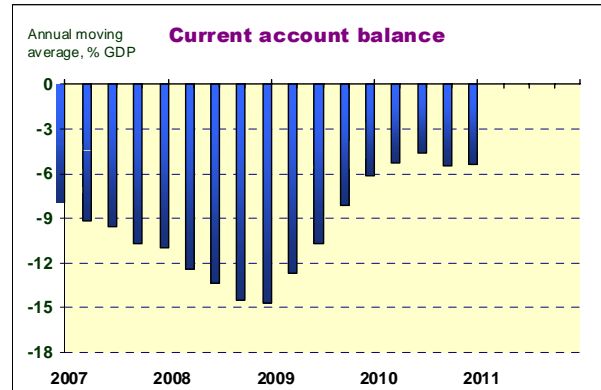
		2006	2007	2008	2009	2010	Q3 10	Q4 10	Q1 11	Jan 11	Feb 11	Mar 11
1 Real sector												
Industrial confidence ^{1.1}	Balance	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Industrial production ^{1.2}	Ann. % ch	:	:	:	:	1.6	0.4	3.5	:	17.5	6.6	:
Gross domestic product ^{1.3}	Ann. % ch	6.0	6.2	5.7	-3.0	0.9	:	:	:	N.A.	N.A.	N.A.
Private consumption ^{1.4}	Ann. % ch	4.5	10.8	10.3	2.0	:	:	:	:	N.A.	N.A.	N.A.
Gross fixed capital formation ^{1.5}	Ann. % ch	-9.4	38.3	16.7	-20.1	:	:	:	:	N.A.	N.A.	N.A.
Construction index ^{1.6}	Ann. % ch	N.A.	N.A.	11.7	8.8	33.9	-23.9	40.8	:	N.A.	N.A.	N.A.
Retail sales ^{1.7}	Ann. % ch	N.A.	N.A.	N.A.	N.A.	7.8	11.7	11.8	:	8.4	17.9	:
2 Labour market												
Unemployment ^{2.1}	%	44.2	42.9	40.6	42.7	42.7	43.2	42.7	:	43.1	:	:
Employment ^{2.2}	Ann. % ch	2.3	4.4	2.7	-2.8	1.9	-1.4	1.9	:	-0.7	:	:
Wages ^{2.3}	Ann. % ch	9.6	9.8	16.6	8.2	1.1	1.6	1.8	:	2.4	:	:
3 External sector												
Exports of goods ^{3.1}	Ann. % ch	30.5	15.0	13.9	-17.1	27.7	23.4	25.2	:	:	:	:
Imports of goods ^{3.2}	Ann. % ch	1.2	18.7	15.4	-24.1	10.2	16.8	14.3	:	:	:	:
Trade balance ^{3.3}	% of GDP	-34.6	-37.2	-38.2	-27.8	-26.2	-25.9	-26.3	:	N.A.	N.A.	N.A.
Exports goods and services ^{3.4}	% of GDP	36.4	37.3	36.8	32.2	37.9	36.4	38.0	:	N.A.	N.A.	N.A.
Imports goods and services ^{3.5}	% of GDP	-65.6	-68.8	-69.7	-55.3	-59.9	-58.0	-60.0	:	N.A.	N.A.	N.A.
Current account balance ^{3.6}	% of GDP	-8.0	-10.7	-14.2	-6.2	-5.3	-5.4	-5.3	:	N.A.	N.A.	N.A.
Direct investment (FDI, net) ^{3.7}	% of GDP	6.2	13.5	5.0	1.5	0.1	-0.4	0.1	:	N.A.	N.A.	N.A.
International reserves ^{3.8}	mln EUR	2 837.9	3 458.5	3 230.1	3 219.7	3 330.5	3 236.6	3 330.5	:	3 256.3	3 239.3	:
Int. reserves / months Imp ^{3.9}	Ratio	5.6	5.7	4.6	6.0	5.7	5.7	5.7	:	:	:	:
4 Monetary developments												
CPI ^{4.1}	Ann. % ch	6.1	1.5	7.4	-0.4	2.1	1.8	2.5	:	2.7	3.3	:
Producer prices ^{4.2}	Ann. % ch	N.A.	N.A.	N.A.	N.A.	N.A.	:	:	:	:	:	:
Food prices ^{4.3}	Ann. % ch	8.3	2.9	12.1	-0.9	-0.7	0.2	2.5	:	4.6	6.0	:
M2 ^{4.4}	Ann. % ch	21.1	25.1	13.4	-1.6	7.3	8.2	8.2	:	7.6	7.1	:
Exchange rate BAM/EUR ^{4.5}	Value	1.95	1.94	1.94	1.94	1.93	1.94	1.93	1.94	1.95	1.94	1.94
Nominal eff. exchange rate ^{4.6}	Index	99.7	100.28	100.07	96.27	96.53	96.65	95.79	:	:	:	:
5 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.	4 330	2 251	1 038	954	887	909	1 078	1 023	1 107	1 103
Credit growth ^{5.4}	Ann. % ch	24.5	27.5	27.7	5.2	-0.8	0.1	2.0	:	4.1	3.9	:
Deposit growth ^{5.5}	Ann. % ch	27.7	36.1	15.3	-4.1	4.6	4.4	5.7	:	5.0	5.2	:
Non performing loans ^{5.6}	% total	4.7	3.4	3.0	4.5	9.1	9.2	11.4	:	N.A.	N.A.	N.A.
6 Fiscal developments												
General government balance ^{6.1}	% of GDP	2.9	1.2	-2.2	-4.4	-3.8e	:	:	:	N.A.	N.A.	N.A.
General government debt ^{6.2}	% of GDP	21.2	18.2	17.2	21.8	:	:	:	:	N.A.	N.A.	N.A.

CHARTS

European Commission, ECFIN-D-1



BOSNIA AND HERZEGOVINA





Key developments

In mid-March, the Cabinet was downsized from 27 to 21 members and portfolios streamlined to 17 (24 previously). The Prime Minister, who now assumes direct charge of the Finance Ministry, outlined 10 policy priorities to be pursued until the end of the term in early 2012. A consistent implementation of this new programme will be challenging against the backdrop of the strife social conditions.

On 15 April, the two-year Stand-By Arrangement (SBA) with the IMF worth EUR 3 billion comes to an end. Since May 2009, seven programme reviews have been concluded with the recommendation for a disbursement of funds, following the satisfactory fulfilment of performance criteria. In total, roughly half of the programme's amount has been released as the authorities have been drawing upon the available instalments only partially since March 2010, given the ample foreign exchange reserves.

Real sector

Up by 1.8% in real terms, the country's output rebounded in 2010 more than expected (1.5%, according to the IMF and national forecasts). After strengthening steadily over the first half of the year, economic activity accelerated vigorously in the third quarter but moderated again in the last three months of the year. GDP contracted by 1.1% quarter-on-quarter, for the first time since the start of the recovery in mid-2009. This resulted in the slowing of annual GDP growth to 1.7% (3.1% in the third quarter).

The economic upturn in 2010 was driven by vigorous broad-based export growth as revival was gradually underway in Serbia's main trading partners, and the dinar continued to depreciate. Domestic consumption and investment began to pick up only slowly against the background of constrained disposable incomes.

Buoyant foreign demand stimulated a rebound of industrial activity, up by almost 3% compared to 2009, thanks especially to solid growth in manufacturing of basic metals and chemicals. However, services continued to provide the main stimulus to growth. Transport and financial intermediation expanded by almost 7%

following some deceleration towards the end of the year as the economy hit a soft patch. After a temporary slow-down of industrial production in the last months of 2010, activity began to pick up this year in manufacturing, mining as well as in the utilities, resulting in output growth of almost 5% year-on-year in the first two months. Further strengthening is expected given the sustained reduction of inventories at end-2010.

In face of the ongoing economic rebalancing toward more export-based growth and unfavourable market conditions in 2010, construction and agriculture shrunk compared to 2009. The hospitality sector too contracted in spite of a strong acceleration in the fourth quarter on the back of a rebound in private spending. Retail trade turnover remained subdued in the first two months of 2011 (lower by some 5% compared to last year, measured in constant prices) given the constrained household income due to high inflation.

Labour market

In spite of the ongoing recovery, the unemployment rate lingered at 20% throughout 2010. Job losses were contained from the second half of the year and the employment rate stabilised at some 47%.

In 2010, wage moderation prevailed owing largely to the agreement to keep public sector wages frozen in nominal terms. Wage and pension indexation is being re-introduced from 2011 and the first adjustment of public sector salaries was carried out in January. This contributed to a 11.7% nominal yearly increase of average net wages in the first two months. However, wages fell by 0.2% in real terms due to the inflation hike. Wage growth is expected to accelerate following an indexation of public sector wages to past inflation, planned for April and October. Wage rises in the private sector, on the other hand, are likely to remain subdued given the weak labour market.

External sector

In 2010, the current account deficit narrowed further by a notch to about 7% of GDP as the merchandise trade deficit was some 7% lower than the year before. Export activity boomed

against the solid external demand, supported also by the steady dinar depreciation. Compared to 2009, the deficit on the income account was by a third higher and the surplus on the current transfers account slightly lower despite the sustained high inflow of remittances. However, in the beginning of this year the current account gap widened substantially owing mostly to a higher trade deficit. Robust export growth continued but imports rallied, partly due to the global energy price hike but also well in step with the accelerating industrial production. In particular, capital good imports surged in the first two months of the year, reflecting a gradual strengthening of investment activity in view of the upbeat prospects. In January, surpluses on the income and current transfer accounts were smaller than a year ago.

Throughout 2010, financial and capital flows remained modest, with FDI markedly lower in comparison with 2009. At the same time, private sector's external liabilities decreased as companies and banks were repaying foreign loans. Foreign exchange reserves with the NBS remained largely stable at about EUR 10 billion, sufficient to cover some 9 months' of imports. In early 2011, net financial inflows were some 11% lower than a year ago as FDI amounted to only about a third of the amount a year ago and could not be offset by higher portfolio and other investment inflows. Foreign currency inflows have been largely insufficient to cover the current account deficit. During 2010, total external debt had risen by almost EUR 1.3 billion to around EUR 23.8 billion, i.e. close to 80% of GDP. At the beginning of this year, debt retracted to just below EUR 23 billion.

Monetary developments

In early 2011, inflation continue to accelerate (up by 12.6% year-on-year in February) as a result of the base effect as well as the food price spikes and higher utility prices. Following the government approval of a 15.1% electricity price increase (the first in 2011 after a 10% rise in March 2010), inflation is expected to peak in April but slow down thereafter and meet the year-end target of 3%-6%. However, these projections are being challenged by the recent high global commodity price volatility. The government did not yet respond to the requested 20% average increase of gas prices by the incumbent operator. The impact of the liberalisation of oil derivatives imports as of 1 January on fuel prices has been blurred by the discriminatory higher excise duties on imported

oil. These are in breach with the interim trade agreement and are expected to be removed. Additional pressures stemming from higher consumer spending, which have so far been contained, might build up following the April and October adjustments of wages and pensions.

In pursuit of price stability as its key policy objective, the National Bank of Serbia (NBS) continued to hike the reference interest rate in the first quarter and raising it further to 12.5% in early April. On the other hand, the NBS has limited its interventions on the interbank market as the dinar has been strengthening gradually since end-2010. Over the first three months, the RSD/EUR exchange rate appreciated by almost 2%. In early 2011, M2 contracted compared to end-2010 against the decelerating deposits and slowing lending to the non-government sector.

Financial sector

By the end of 2010, the banking sector activity picked up slightly. Compared to the third quarter, new credit granted to companies was more than double but lending to households moderated. The share of total credit in GDP remained stable at around 86%. Non-performing loans continue to account for 12% of total loans.

Since the beginning of 2011, the banking sector activity has been decelerating. In February, banking asset growth was the slowest over the past two years. Accounting for 87% of total banking sector assets, loans were up by some 13% year-on-year, mostly due to a surge in lending to the government sector. At the same time, deposits were 10% higher in annual terms.

Fiscal developments

In 2010, the budgetary outcome was better than expected. The improved revenue performance in the second half of the year helped to contain the general government deficit at 4.5% of GDP, i.e. 0.3pp lower than anticipated in the supplementary budget adopted in November. Revenue windfalls were sufficient to cover additional social assistance and subsidies, which were provided against the poor living conditions.

In early 2011, the revenue performance remains solid. According to the 2011 budget bill, the deficit is planned to be reduced to 4.1% of GDP. To finance the gap, the government continued selling dinar t-bills and also announced a EUR 0.5 billion Eurobond issue. At end-February, public debt stood at around 40% of GDP.

TABLE

European Commission, ECFIN-D-1



SERBIA

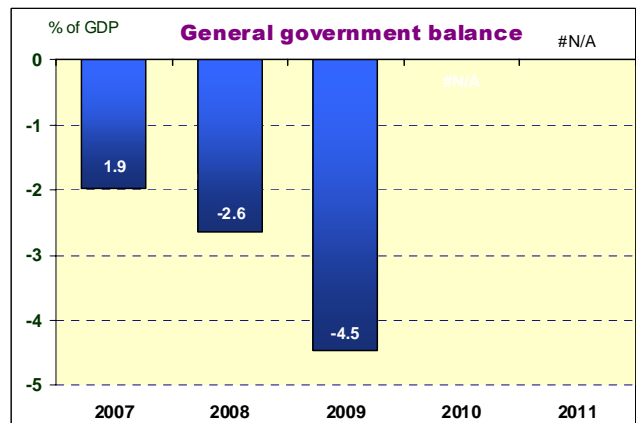
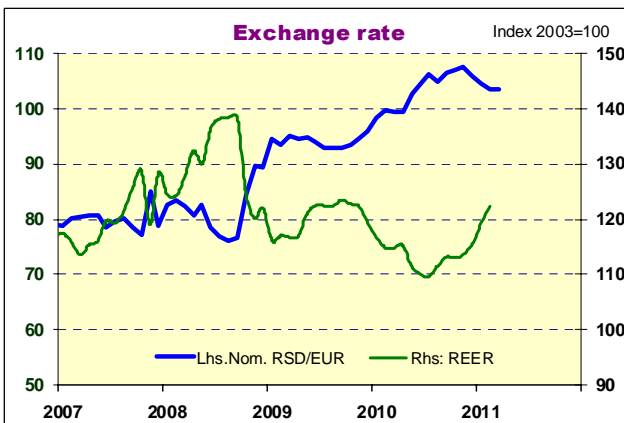
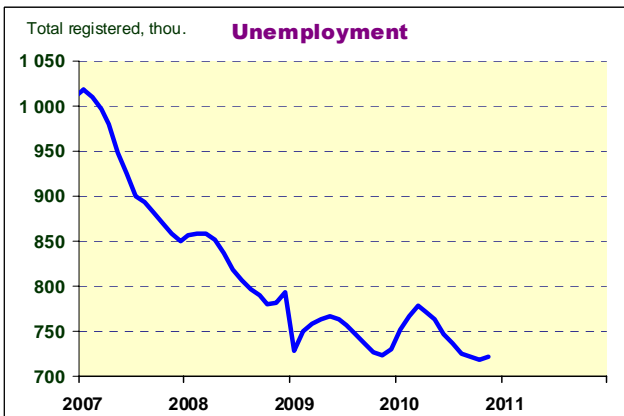
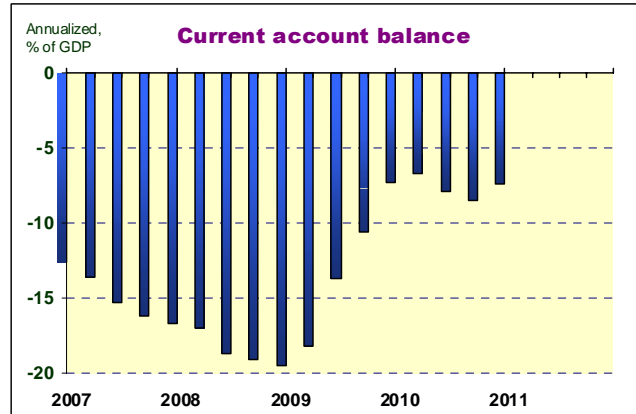
		2006	2007	2008	2009	2010	Q3 10	Q4 10	Q1 11	Jan 11	Feb 11	Mar 11
1 Real sector												
Industrial confidence ^{1.1}	Balance	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Industrial production ^{1.2}	Ann. % ch	5.7	3.3	1.3	-12.4	3.1	3.7	-1.4	:	3.8	5.8	:
Gross domestic product ^{1.3}	Ann. % ch	5.2	6.9	5.5	-3.1	1.8	3.1	1.7	:	N.A.	N.A.	N.A.
Private consumption ^{1.4}	Ann. % ch	:	:	:	:	:	:	:	:	N.A.	N.A.	N.A.
Gross fixed capital formation ^{1.5}	Ann. % ch	:	:	:	:	:	:	:	:	N.A.	N.A.	N.A.
Construction index ^{1.6}	Ann. % ch	27.1	25.4	4.9	-18.8	-6.0	-4.1	8.6	:	N.A.	N.A.	N.A.
Retail sales ^{1.7}	Ann. % ch	8.1	25.7	3.4	-11.4	-0.7	3.6	5.8	:	-4.9	-5.2	:
2 Labour market												
Unemployment ^{2.1}	%	20.9	18.1	13.6	16.1	20.0e	20.0	:	:	:	:	:
Employment ^{2.2}	Ann. % ch	-1.4	-1.2	0.1	-6.1	-3.7	-2.8	-4.8	:	-4.6	:	:
Wages ^{2.3}	Ann. % ch	11.3	15.0	4.5	1.0	7.4	8.4	8.3	:	13.8	10.1	:
3 External sector												
Exports of goods ^{3.1}	Ann. % ch	37.2	24.8	15.9	-19.6	24.0	24.6	33.1	:	30.6	:	:
Imports of goods ^{3.2}	Ann. % ch	22.2	29.8	14.6	-26.1	9.9	17.3	11.9	:	30.3	:	:
Trade balance ^{3.3}	% of GDP	-20.0	-23.1	-25.5	-18.1	-16.5	-17.4	-16.7	:	N.A.	N.A.	N.A.
Exports goods and services ^{3.4}	% of GDP	29.1	30.7	31.1	29.3	33.9	31.7	33.9	:	N.A.	N.A.	N.A.
Imports goods and services ^{3.5}	% of GDP	50.5	55.0	54.8	47.0	49.9	48.2	49.9	:	N.A.	N.A.	N.A.
Current account balance ^{3.6}	% of GDP	-11.7	-16.1	-20.6	-7.4	-7.3	-8.5	-7.3	:	N.A.	N.A.	N.A.
Direct investment (FDI, net) ^{3.7}	% of GDP	13.8	6.4	6.2	4.8	3.0	3.3	3.0	:	N.A.	N.A.	N.A.
International reserves ^{3.8}	m b EUR	9 041.4	9 659.9	8 189.9	10 601.9	10 001.6	9 875.7	10 001.6	:	9 859.8	10 061.0	:
Int. reserves / months Imp ^{3.9}	Ratio	10.7	8.8	6.5	11.5	9.8	10.0	9.8	:	9.5	:	:
4 Monetary developments												
CPI ^{4.1}	Ann. % ch	N.A.	11.0	8.6	6.6	10.3	7.7	10.3	:	11.2	12.6	:
Producer prices ^{4.2}	Ann. % ch	7.3	9.8	9.0	7.4	16.2	14.0	16.2	:	:	:	:
Food prices ^{4.3}	Ann. % ch	N.A.	18.4	13.8	0.8	10.7	6.2	10.7	:	13.3	17.2	:
M3 ^{4.4}	Ann. % ch	38.3	42.5	9.8	21.5	12.9	20.1	12.9	:	9.5	7.6	:
Exchange rate RSD/EUR ^{4.5}	Value	79.11	78.76	89.48	95.88	105.93	106.34	105.93	103.41	104.44	103.32	103.41
Nominal eff. exchange rate ^{4.6}	Index	110.7	102.1	88.6	92.8	89.5	89.3	89.5	:	101.3	102.9	:
5 Financial indicators												
Interest rate (3 months) ^{5.1}	% p.a.	13.46	6.48	5.20	13.40	10.85	10.62	11.94	:	13.89	13.33	:
Bond yield (12 months) ^{5.2}	% p.a.	N.A.	N.A.	N.A.	N.A.	N.A.	12.3	:	:	:	:	:
Stock markets ^{5.3}	Index	2 186	4 096	2 604	1 197	1 283	1 218	1 257	1 401	1 349	1 422	1 431
Credit growth ^{5.4}	Ann. % ch	15.3	32.5	34.2	24.4	29.9	30.7	29.9	:	25.6	23.6	:
Deposit growth ^{5.5}	Ann. % ch	39.6	46.9	8.8	23.6	14.4	21.3	14.4	:	11.5	9.3	:
Non-performing loans ^{5.6}	% total	N.A.	N.A.	N.A.	N.A.	11.5	11.9	11.9	N.A.	N.A.	N.A.	N.A.
6 Fiscal developments												
General government balance ^{6.1}	% of GDP	-1.6	-2.0	-2.6	-4.5	-4.5e	-2.4	:	:	N.A.	N.A.	N.A.
General government debt ^{6.2}	% of GDP	36.2	29.4	25.6	31.3	41.4e	34.4	:	:	N.A.	N.A.	N.A.

CHARTS

European Commission, ECFIN-D-1



SERBIA



KOSOVO*

*as defined by UNSCR 1244

Key developments

Following the early elections in December 2010, a new Assembly was constituted and a new government was established in February, headed by the previous Prime Minister Hashim Thaci. The new government is a coalition between PDK, AKR and minorities members of parliament.

As part of the coalition agreement, Mr. Behgjet Pacolli (AKR) was elected President of Kosovo by the Assembly, at the third and final round of voting, by a thin majority. Less than two months later, on 28 March, the Constitutional Court declared Mr. Pacolli's election unconstitutional, effectively removing him from the Presidency, on the grounds of lack of quorum and lack of any competing candidate. Coalition members announced they would seek Mr. Pacolli's re-election, strictly following procedural requirements.

Given political developments, Kosovo was not able to adopt a 2011 budget last year. Since January, appropriations were limited to one-twelfth of the 2010 budget. As of April, in the absence of approved budget, the legislation forbids any expenditure appropriations (except debt servicing). In view of this constraint, the Assembly approved the 2011 budget on 31 March. The budget includes a substantial increase of government sector employees' wages (by 30% to 50%) – a measure that deviates from commitments made in the current IMF programme and that will lead to a deterioration of price competitiveness and external imbalances as well as to lower job creation incentives.

Real sector

The Ministry of finance estimates real GDP growth of 4.0% in 2010 and 6.1% in 2011.

Coal production increased by 4.3% in the third quarter of 2010. Electricity production rose by 16.7%, surpassing the growth of final electricity consumption (12.9%) over the same period. However, electricity losses remained significant (around 40% of total supply), which required additional imports, bringing the nine-month

increase in net electricity imports to 22.6%.

The 2011 budget law includes an article allowing the government to proceed with the privatisation of the Post and Telecommunications of Kosovo (PTK). This approach to PTK privatisation faced significant criticism in the Assembly. Considering it circumvented a separate discussion and approval of the privatisation strategy, the opposition declared its intention to challenge it in the Constitutional Court. The privatisation of PTK is a structural benchmark under the IMF agreement which should have been completed by the end of 2010.

Labour market

In the last quarter of 2010, the number of registered unemployed remained stable at around 335 thousand, though about 1% lower than a year ago. Unskilled unemployment, with a share of 60%, still dominated.

Across regions, the number of registered unemployed declined only in Gjilan (by 3.3%) and Peja (by 11.3%), while it continued to increase in the other five regions.

External sector

In 2010, on the back of strong foreign demand and rising base metals prices, exports of goods increased by 78% year-on-year (from a very low base). Imports of goods increased as well, by 11%. Nevertheless, the trade gap widened from EUR 1,770 million in 2009 to EUR 1,851 million in 2010. Preliminary data show that in January 2011 exports growth decelerated but remained sustained at 45%. The trade gap continued to widen, as almost all import groups posted an increase and imports growth picked-up to 28%.

According to balance-of-payments statistics, in the first three quarters of 2010 the current account deficit was EUR 512 million (12.5% of GDP), increasing against a deficit of EUR 451 million (11.6% of GDP) in the same period of 2009. This deterioration was mainly driven by higher imports of goods and services.

The surplus on the capital and financial account (EUR 315 million) was underpinned by strong other investment inflows (EUR 487 million), which also saw an important change in structure. The trade credits extended to Kosovo enterprises shrank four-fold, while currency and deposits held abroad decreased by more than EUR 400 million. Net foreign direct investments' inflow (EUR 191 million) covered only 40% of the current account deficit. A significant part of the balance-of-payments' flows remains unexplained, as net errors and omissions increased significantly reaching EUR 197 million (almost 5% of GDP).

Monetary developments

Broad money reached EUR 1.7 billion in February, increasing by 15% year-on-year on the back of moderate domestic credit expansion and still rising net foreign assets. With a share of about 98%, net foreign assets continue to dominate the overall broad money dynamics. Commercial banks have been slowly gaining weight and increased their share in net foreign assets to one-third by the end of February. It is noteworthy that the growth (year-on-year) of their liabilities to non residents turned slightly negative for the first time in almost three years.

Consumer prices reached new highs and inflation accelerated to 9.5% (year-on-year) by the end of February. The main drivers of the inflationary dynamic continue to be food and energy prices, contributing respectively 7.1 and 1.1 percentage points. Prices of basic food staples, such as bread and cereals and oils and fats continued to rise, hitting disproportionately the poor segments of the population. More than 93% of the goods and services in the CPI basket exhibited increasing prices. Broad based inflationary pressures may have been aggravated by the recent government decision to increase substantially government employees' wages and salaries.

Financial sector

The 12-month moving average interest rate spread between loans and deposits continued to increase and reached 11.2 percentage points in February. Over the previous twelve months this spread widened by about 1.3 percentage points, a trend almost equally driven by both a reduction in deposit interest rates and increases in interest rates on loans.

Commercial banks deposits increased by 8.1%

(year-on-year) in February, underpinned almost exclusively by growing sight deposits (26.2% growth). Time and savings deposits posted only a small increase of 0.7% due to the significant reduction in government deposits over the last year, following the withdrawal of PTK dividend payments. However, households deposits growth remained robust at around 21.3% (year-on-year), increasing over almost all maturities. These deposits remain commercial bank's most important source of financing, representing 69% of total deposits.

In the last few months lending activity started to pick-up again and by end-February gross loans and lease financing increased by 14.4% (year-on-year). Lending to non-financial corporations regained momentum and expanded by 14.1%. Short-term corporate financing (up to one year) grew by 26.3% outpacing the medium and long-term financing, although loans with maturity over two years also increased at a double-digit rate (13.0%). Most of this increase in lending went to the sector of services and, in particular, wholesale and retail trade. Households credit stagnated in nominal terms. Mostly due to a basis effect, its growth decelerated sharply, especially in its long-term segment, to 15.1%.

In 2010 the banking system increased its profit by 45% to EUR 36.6 million mainly because of higher interest income.

Fiscal developments

The budget deficit (excluding direct budget support) is planned to increase from EUR 146 million in 2010 (3.5% of GDP) to EUR 226 million in 2011 (4.7% of GDP). Two factors contribute to this deficit increase - higher spending on route 7 construction (highway to Albania) and on wages and salaries. While expenditure on the highway is envisaged to remain as initially foreseen, the overall wage bill is 27% higher than in 2010.

In order to cover partially the increased expenditures, the government is planning one-off dividend receipts, measures to boost tax revenues, and cuts in some expenditure lines.

The 2011 budget is facing serious risks as it is based on two assumptions, which may not materialise this year - donor support and privatisation receipts from the sale of 75% of PTK. There is thus a significant risk that the available government bank balances, which stood at EUR 243 million at the end of 2010, will be depleted by the end of this year.

TABLE

European Commission, ECFIN-D-1

KOSOVO*

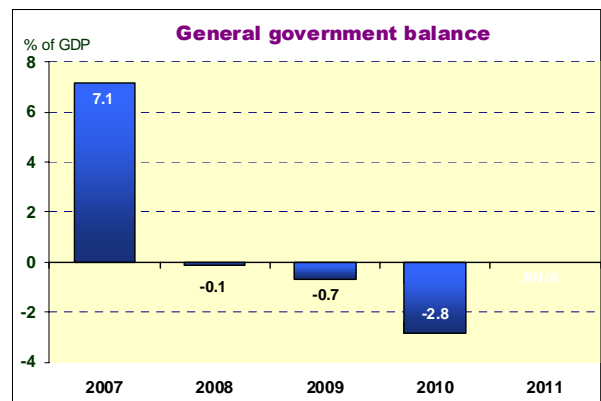
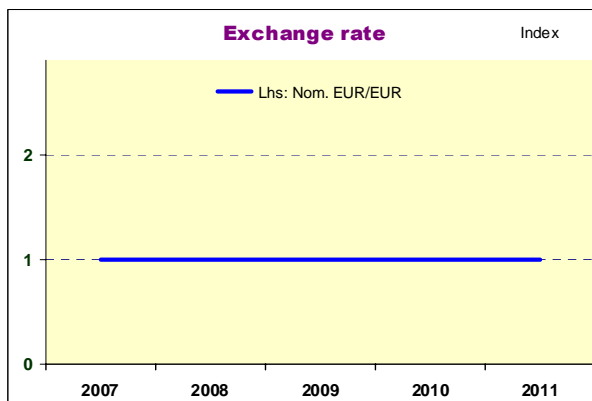
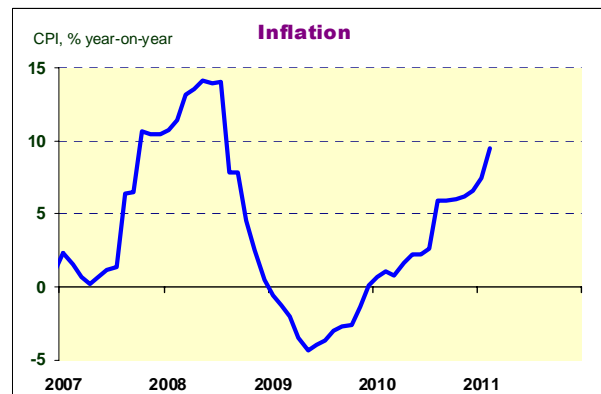
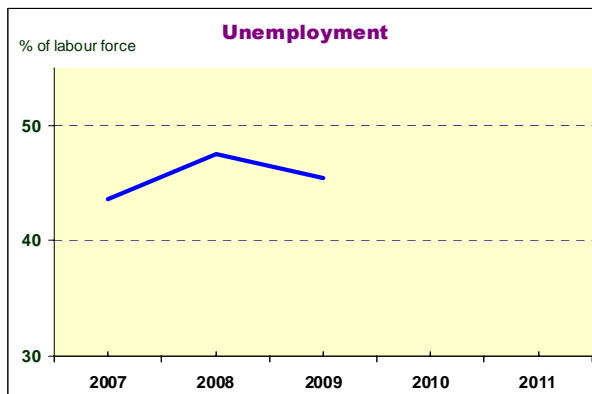
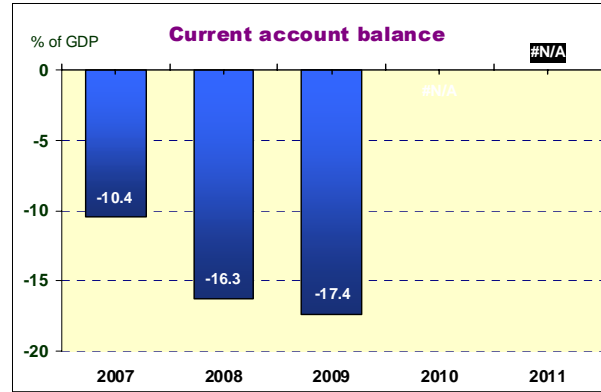
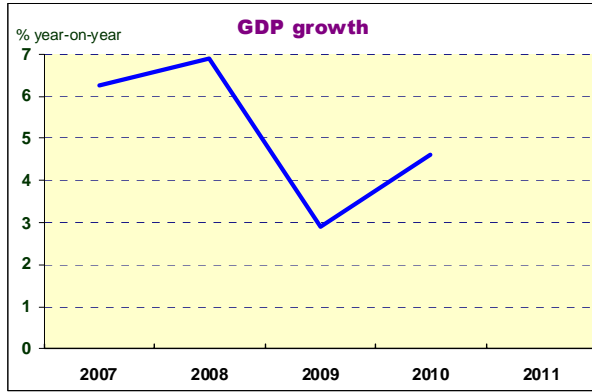
		2006	2007	2008	2009	2010	Q3 10	Q4 10	Q1 11	Jan 11	Feb 11	Mar 11
1 Real sector												
Industrial confidence ^{1.1}	Balance	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Industrial production ^{1.2}	Ann. % ch	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Gross domestic product ^{1.3}	Ann. % ch	3.4	6.3	6.9	2.9	4.6	:	:	:	:	:	:
Private consumption ^{1.4}	Ann. % ch	4.3	10.0	8.6	1.5	2.8	:	:	:	:	:	:
Investment ^{1.5}	Ann. % ch	1.3	4.1	15.3	10.7	14.9	:	:	:	:	:	:
Construction index ^{1.6}	Ann. % ch	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Retail sales ^{1.7}	Ann. % ch	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
2 Labour market												
Unemployment ^{2.1}	%	44.9	43.6	47.5	45.4	:	:	:	:	:	:	:
Employment ^{2.2}	Ann. % ch	-10.1	8.1	-12.9	8.7	:	:	:	:	:	:	:
Wages ^{2.3}	Ann. % ch	:	:	:	:	:	:	:	:	:	:	:
3 External sector												
Exports of goods ^{3.1}	Ann. % ch	96.8	49.1	20.2	-16.7	77.8	52.9	47.8	:	45.2	:	:
Imports of goods ^{3.2}	Ann. % ch	12.8	20.7	22.3	0.4	10.8	16.7	7.2	:	28.4	:	:
Trade balance ^{3.3}	% of GDP	-35.8	-39.0	-42.5	-44.8	-45.0	:	:	:	N.A.	N.A.	N.A.
Exports goods and services ^{3.4}	% of GDP	13.8	14.7	14.3	15.2	:	:	:	:	N.A.	N.A.	N.A.
Imports goods and services ^{3.5}	% of GDP	51.1	54.6	57.1	57.0	:	:	:	:	N.A.	N.A.	N.A.
Current account balance ^{3.6}	% of GDP	-7.2	-10.4	-16.3	-17.4	-18.5	:	:	:	N.A.	N.A.	N.A.
Direct investment (FDI, net) ^{3.7}	% of GDP	9.3	12.7	8.9	7.0	:	:	:	:	N.A.	N.A.	N.A.
International reserves ^{3.8}	mio EUR	641.2	1 057.6	1 110.7	1 198.5	1 246.9	1 346.3	1 246.9	:	1 289.7	1 265.2	:
Int. reserves / months Imp ^{3.9}	Ratio	5.9	8.1	6.9	7.4	7.0	7.7	7.0	:	7.1	:	:
4 Monetary developments												
CPI ^{4.1}	Ann. % ch	0.6	4.4	9.4	-2.4	3.5	4.8	6.2	:	7.4	9.5	:
Producer prices ^{4.2}	Ann. % ch	N.A.	N.A.	N.A.	3.8	:	1.5	:	:	N.A.	N.A.	N.A.
Food prices ^{4.3}	Ann. % ch	3.6	9.1	16.7	-4.4	4.8	7.2	9.9	:	12.0	16.6	:
Broad money liabilities ^{4.4}	Ann. % ch	5.5	23.4	23.6	11.2	12.9	-1.6	12.9	:	16.4	15.0	:
Exchange rate EUR/EUR ^{4.5}	Value	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Real eff. exchange rate (CPI) ^{4.6}	Index	-2.8	-0.1	:	:	:	:	:	:	:	:	:
5 Financial indicators												
Interest rate (3-12 months) ^{5.1}	% p.a.	15.38	15.25	16.61	14.11	18.24	19.02	18.57	:	:	:	:
Bond yield ^{5.2}	% p.a.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Stock markets ^{5.3}	Index	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Credit growth ^{5.4}	Ann. % ch	30.6	29.7	38.7	17.4	10.2	11.0	11.9	:	13.0	14.4	:
Deposit growth ^{5.5}	Ann. % ch	14.8	19.3	25.6	20.2	14.8	10.8	9.9	:	8.4	8.1	:
Non-performing loans ^{5.6}	% total	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
6 Fiscal developments												
General government balance ^{6.1}	% of GDP	2.5	7.1	-0.1	-0.7	-2.8	:	:	:	N.A.	N.A.	N.A.
General government debt ^{6.2}	% of GDP	N.A.	N.A.	N.A.	6.5	:	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.	Real sector		
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, SA.	Ecwin/Reuters
1.3.	Gross domestic product	Annual percentage change, volume (reference year 2000)	Ecwin/Reuters
1.4.	Private consumption	Annual percentage change, volume (reference year 2000)	Ecwin/Reuters
1.5.	Gross fixed capital formation	Annual percentage change, volume (reference year 2000)	Ecwin/Reuters
1.6.	Construction index	Annual percentage change, total, 2005=100, volume,	Ecwin/Reuters
1.7.	Retail sales	Annual percentage change, Retail Trade Turnover, real, total, 2005=100	Ecwin/Reuters
2.	Labour market		
2.1.	Unemployment	In percent of total labour force. Labour Force Survey	Ecwin/Reuters
2.2.	Employment	Annual percentage change. Labour Force Survey	Ecwin/Reuters
2.3.	Wages	Annual percentage change. Average nominal gross wages	Ecwin/Reuters
3.	External sector		
3.1.	Exports of goods	Annual percentage change. Balance of payments statistics for annual and quarterly data, customs reports for monthly data.	Ecwin/Reuters
3.2.	Imports of goods	Annual percentage change. Balance of payments statistics for annual and quarterly data, customs reports for monthly data.	Ecwin/Reuters
3.3.	Trade balance	In percent of GDP. Goods only. Balance of payments statistics.	Ecwin/Reuters
3.4.	Exports goods and services	In percent of GDP. National Accounts.	Ecwin/Reuters
3.5.	Imports goods and services	In percent of GDP. National Accounts.	Ecwin/Reuters
3.6.	Current account balance	In percent of GDP. Rolling four-quarter basis for quarterly data. Balance of payments statistics.	Ecwin/Reuters
3.7.	Direct investment (<i>FDI, net</i>)	In percent of GDP. Rolling four-quarter basis for quarterly data. Balance of payments statistics.	Ecwin/Reuters
3.8.	Reserves, International reserves of the National Bank	Mio EUR.	Ecwin/Reuters
3.9.	Reserves / months Imp	Ratio of 12 months imports of goods moving average.	Ecwin/Reuters
4.	Monetary developments		
4.1.	Interim CPI	Annual average percentage change.	Ecwin/Reuters
4.2.	Producer prices	Annual percentage change, without construction, index 2001	Ecwin/Reuters
4.3.	Food prices	Annual percentage change, food and non-alcoholic beverages	
4.4.	M4	Annual percentage change, M4 (broadest money aggregate)	Ecwin/Reuters
4.5.	Exchange rate HRK/EUR	Period averages, midpoint exchange rates	Ecwin/Reuters
4.6.	Nominal eff. exchange rate	Index 2001, period averages	Ecwin/Reuters
5.	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.	Credit growth	Annual percentage change, domestic credit, HRK	Ecwin/Reuters
5.5.	Deposit growth	Annual percentage change, savings and time deposits, HRK	Ecwin/Reuters
5.6.	Non-performing loans	N.A	

6. Fiscal developments

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.	Real sector		
1.1.	Industrial confidence indicator	Current Situation, Assessment, Enterprises, total, MKD	Ecwin/Reuters
1.2.	Industrial production	Annual percentage change, volume, excluding construction	Ecwin/Reuters
1.3.	Gross domestic product	Annual percentage change, volume (previous year prices)	Ecwin/Reuters
1.4.	Private consumption	Annual percentage change, volume (previous year prices)	Ecwin/Reuters
1.5.	Gross fixed capital formation	Annual percentage change, volume (previous year prices)	SSO
1.6.	Construction	Value Added, Economic Activity, Current Prices, MKD	Ecwin/Reuters
1.7.	Retail sales	Annual percentage change, Retail trade, turnover, total,	Ecwin/Reuters
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.	External sector		
3.1.	Exports of goods	Annual percentage change, fob	Ecwin/Reuters
3.2.	Imports of goods	Annual percentage change, cif	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	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	Ecwin/Reuters
3.7.	Direct investment (<i>FDI, net</i>)	In percent of GDP, annualised data	Ecwin/Reuters
3.8.	Reserves, International reserves of the National Bank	Foreign assets, mio EUR.	Ecwin/Reuters
3.9.	Reserves / months Imp	Ratio of 12 months imports of goods moving average.	Ecwin/Reuters
4.	Monetary developments		
4.1.	CPI	Annual average percentage change, HICP not yet available for FYRoM	Ecwin/Reuters
4.2.	Producer prices	Annual percentage change, industrial products	Ecwin/Reuters
4.3.	Food prices	Annual percentage change, food and non alcoholic beverages	Ecwin/Reuters
4.4.	M4	Annual percentage change, M4 (Broadest money)	Ecwin/Reuters
4.5.	Exchange rate MKD/EUR	Averages, spot close	Ecwin/Reuters
4.6.	Nominal eff. exchange rate	Nominal Effective Exchange Rate, MKD, Index 2003=100	Ecwin/Reuters
5.	Financial indicators		
5.1.	Interest rate	Interest rate Denar deposits	Ecwin/Reuters
5.2.	Bond yield	Not available	
5.3.	Stock markets	MSE Index (MBI-10)	Ecwin/Reuters
5.4.	Credit growth	Annual percentage change, domestic credit, DMB, total, overall, with Saving houses, MKD	Ecwin/Reuters
5.5.	Deposit growth	Annual percentage change, with Saving houses, total, MKD	Ecwin/Reuters
5.6.	Non-performing loans	In percent of total	Ecwin/Reuters

6. Fiscal developments

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.	Real sector		
1.1.	Industrial outlook	Not available	
1.2.	Industrial production	Annual percentage change, aluminium, total, ton	Ecwin/Reuters
1.3.	Gross domestic product	Annual percentage change, total (2000 prices)	Ecwin/Reuters
1.4.	Private consumption	Annual percentage change, volume (2000 prices)	Ecwin/Reuters
1.5.	Gross fixed capital formation	Annual percentage change, volume (2000 prices)	Ecwin/Reuters
1.6.	Construction index	Annual percentage change, turnover/sales, SA, ISK	Ecwin/Reuters
1.7.	Retail sales	Annual percentage change, total, constant prices, ISK, 2000=100	Ecwin/Reuters
2.	Labour market		
2.1.	Unemployment	LFS, In percent of total labour force, Total	Ecwin/Reuters
2.2.	Employment	LFS, Annual percentage change, Total, over all	Ecwin/Reuters
2.3.	Wages&Salaries	Annual percentage change, Total, Index, ISK 1998M12=100	Ecwin/Reuters
3.	External sector		
3.1.	Exports of goods	Annual percentage change, mio ISK, fob. Statistics Iceland reports used for monthly data. Central Bank's otherwise.	Ecwin/Reuters
3.2.	Imports of goods	Annual percentage change, mio. ISK, cif Statistics Iceland 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	Ecwin/Reuters
3.5.	Imports goods and services	In percent of GDP, volume	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
3.8.	Reserves, International reserves of the National Bank	Gross foreign currency reserves, total, mio EUR.	Ecwin/Reuters
3.9.	Reserves / months Imp	Ratio of 12 months imports of goods moving average.	Ecwin/Reuters
4.	Monetary developments		
4.1.	CPI	Annual average percentage change, All items, Index, ISK, 1988M5=100	Ecwin/Reuters
4.2.	Producer prices	Annual percentage change, total, index, 2005Q4=100	Ecwin/Reuters
4.3.	Food prices	Annual percentage change, food and non-alcoholic beverages, ISK, 1997=100	Ecwin/Reuters
4.4.	M3	Annual percentage change, M3 (Money supply)	Ecwin/Reuters
4.5.	Exchange rate ISK/EUR	Period averages, midpoint exchange rates	Ecwin/Reuters
4.6.	Nominal eff. exchange rate	Index 2005, period averages	Ecwin/Reuters
5.	Financial indicators		
5.1.	Interest rate	REIBOR, 3 month, fixing, ISK	Ecwin/Reuters
5.2.	Bond yield	Government Benchmarks, bid, 5 year, yield, close	Ecwin/Reuters
5.3.	Stock markets	OMX, Main Index (All-Share), price return, close	Ecwin/Reuters
5.4.	Credit growth	Annual percentage change, domestic credit, ISK	Ecwin/Reuters
5.5.	Deposit growth	Annual percentage change, demand, sight and time deposits, ISK	Ecwin/Reuters
5.6.	Non-performing loans	Not available	
6.	Fiscal developments		
6.1.	General government balance	In percent of GDP	Ecwin/Reuters



No.	Indicator	Note	Source
1.	Real sector		
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	Ecwin/Reuters
1.4.	Private consumption	Not available	
1.5.	Gross fixed capital formation	Not available	
1.6.	Construction index	Annual percentage change, value of performed work, current prices	Ecwin/Reuters
1.7.	Retail sales	Annual percentage change, turnover, total	Ecwin/Reuters
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.	External sector		
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
3.8.	Reserves, International reserves of the National Bank	Claim on nonresidents, total, mio EUR.	Ecwin/Reuters
3.9.	Reserves / months Imp	Ratio of 12 months imports of goods moving average.	Ecwin/Reuters
4.	Monetary developments		
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.	Producer prices	Annual percentage change	Ecwin/Reuters
4.3.	Food prices	Annual percentage change, food and non-alcoholic beverages, total, CPPY=100	Ecwin/Reuters
4.4.	M21	Annual percentage change, M21 (Broadest money)	Ecwin/Reuters
4.5.	Exchange rate EUR/EUR	Use of the Euro since March 2002	
4.6.	Nominal exchange rate	Not available	
5.	Financial indicators		
5.1.	Interest rate	Treasury Bills, 3 Month, auction, yield, average	Ecwin/Reuters
5.2.	Bond yield	Treasury Bills, 6 Month, auction, yield, average	Ecwin/Reuters
5.3.	Stock markets	MOSTE Index, Close	Ecwin/Reuters
5.4.	Credit growth	Annual percentage change, commercial banks, assets, loans	Ecwin/Reuters
5.5.	Deposit growth	Annual percentage change, commercial banks, liabilities, deposits	Ecwin/Reuters
5.6.	Non-performing loans	% of total	Min. of Finance
6.	Fiscal developments		
6.1.	General government balance	In percent of GDP	Min. of Finance

6.2. General government debt In percent of GDP

Min. of Finance



No.	Indicator	Note	Source
1.	Real sector		
1.1.	Industrial confidence indicator	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.	Private consumption	Annual percentage change, volume (1998 prices)	Ecwin/Reuters
1.5.	Gross fixed capital formation	Annual percentage change,	Ecwin/Reuters
1.6.	Construction index	Annual percentage change, construction permits, buildings, total, TRY	Ecwin/Reuters
1.7.	Retail sales	Not available	
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.	External sector		
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
3.8.	Reserves, International reserves of the National Bank	Gross international reserves, mio EUR.	Ecwin/Reuters
3.9.	Reserves / months Imp	Ratio of 12 months imports of goods moving average.	Ecwin/Reuters
4.	Monetary developments		
4.1.	CPI	Annual percentage change, index 1994, Interim HICP is not available	Ecwin/Reuters
4.2.	Producer prices	Annual percentage change, wholesale prices index (1994)	Ecwin/Reuters
4.3.	Food prices	Annual percentage change, Food and Non-alcoholic Beverages, Total, TRY, 2003=100	Ecwin/Reuters
4.4.	M3	Annual percentage change	Ecwin/Reuters
4.5.	Exchange rate YTL/EUR	Period averages	Ecwin/Reuters
4.6.	Nominal eff. exchange rate	Index 1999, period averages	Ecwin/Reuters
5.	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.	Credit growth	Annual percentage change, banking system, total loans, TRY	Ecwin/Reuters
5.5.	Deposit growth	Annual percentage change, banking system, total deposits, TRY	Ecwin/Reuters
5.6.	Non-performing loans	In percent of total lons	Ecwin/Reuters
6.	Fiscal developments		
6.1.	General government balance	In percent of GDP	Nat. sources



No.	Indicator	Note	Source
1. Real sector			
1.1.	Industrial confidence indicator	Business Surveys, industry sector, industrial confidence Indicator, SA	Ecwin/Reuters
1.2.	Industrial production	Annual percentage change, total, constant prices	Ecwin/Reuters
1.3.	Gross domestic product	Annual percentage change, volume. Annual data	Ecwin/Reuters
1.4.	Private consumption	Annual percentage change, constant prices, ALL, average prices of previous year	Ecwin/Reuters
1.5.	Gross fixed capital formation	Annual percentage change, constant prices, ALL, average prices of previous year	Ecwin/Reuters
1.6.	Construction index	Annual percentage change, construction costs, total, 1999Q4=100	Ecwin/Reuters
1.7.	Retail sales	Annual percentage change, total, 2005=100	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. External sector			
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 (FDI, net)	In percent of GDP	Ecwin/Reuters
3.8.	Reserves, International reserves of the National Bank	Net foreign assets, total, mio EUR.	Ecwin/Reuters
3.9.	Reserves / months Imp	Ratio of 12 months imports of goods moving average.	Ecwin/Reuters
4. Monetary developments			
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.	Producer prices	Annual percentage change, Total, index (1998)	Ecwin/Reuters
4.3.	Food prices	Annual percentage change, Food and Non-alcoholic Beverages, Total, December 2007=100	Ecwin/Reuters
4.4.	M2	Annual percentage change	Ecwin/Reuters
4.5.	Exchange rate LEK/EUR	Period averages	Ecwin/Reuters
4.6.	Change in real eff. exchange rate	Not available	
5. 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.	Credit growth	Annual percentage change, total	Ecwin/Reuters
5.5.	Deposit growth	Annual percentage change, total	Ecwin/Reuters
5.6.	Non-performing loans	Credit Portfolio Quality, NPLs %	Ecwin/Reuters

6. Fiscal developments

6.1.	General government balance	In percent of GDP	IMF
6.2.	General government debt	In percent of GDP	IMF



No.	Indicator	Note	Source
1. Real sector			
1.1.	Industrial confidence indicator	Not available	
1.2.	Industrial production	Production, total, CPPY=100	Ecwin/Reuters
1.3.	Gross domestic product	Annual percentage change	Ecwin/Reuters
1.4.	Private consumption	Annual percentage change, Households, Total, 2004=100	Ecwin/Reuters
1.5.	Gross fixed capital formation	Annual percentage change	Ecwin/Reuters
1.6.	Construction index	Annual percentage change, residential construction, completed dwellings m2, CPPY=100	Ecwin/Reuters
1.7.	Retail sales	Not available	
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. External sector			
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
3.8.	Reserves, International reserves of the National Bank	Gross foreign reserves, total, mio EUR.	Ecwin/Reuters
3.9.	Reserves / months Imp	Ratio of 12 months imports of goods moving average.	Ecwin/Reuters
4. Monetary developments			
4.1.	CPI	Consumer price index from 2006; Retail price index otherwise.	CBBH/ Ecwin/Reuters
4.2.	Producer prices	Annual percentage change, retail sales, total, CPPY=100, weighted Fed B&H 65% and SerbRep 35%.	Ecwin/Reuters
4.3.	Food prices	Annual percentage change, food and non-alcoholic beverages, 2005=100,	Ecwin/Reuters
4.4.	M2	Annual percentage change, M2 (broadest money)	Ecwin/Reuters
4.5.	Exchange rate BAM/EUR	Period averages, spot rates, close	Ecwin/Reuters
4.6.	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
5. 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.	Credit growth	Annual percentage change, loans, total, BAM	Ecwin/Reuters
5.5.	Deposit growth	Annual percentage change, deposits, total, BAM	Ecwin/Reuters
5.6.	Non-performing loans	NPLs to total loans, BAM	Ecwin/Reuters

6. Fiscal developments

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.	Real sector		
1.1.	Industrial confidence indicator	Not available	
1.2.	Industrial production	Total, Index, CPPY=100	Ecwin/Reuters
1.3.	Gross domestic product	Annual percentage change at constant (average) prices 2002 Production approach	Ecwin/Reuters
1.4.	Private consumption	Not available	
1.5.	Gross fixed capital formation	Not available	
1.6.	Construction index	Annual percentage change, value of construction work done, total, 2008=100	Ecwin/Reuters
1.7.	Retail sales	Annual percentage change, retail trade turnover, total, constant prices, CPPY=100	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 annual LFS and adjusted on the basis of monthly/quarterly changes of data on registered unemployment.	Ecwin/Reuters
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.	Ecwin/Reuters
2.3.	Wages	Gross wages annual percentage change; average growth rate, nominal	Ecwin/Reuters
3.	External sector		
3.1.	Exports of goods	Annual percentage change, mio. USD, fob	Ecwin/Reuters
3.2.	Imports of goods	Annual percentage change, mio. USD, cif	Ecwin/Reuters
3.3.	Trade balance	In percent of GDP, fob-cif, annualised data	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 data	Ecwin/Reuters
3.7.	Direct investment (<i>FDI, net</i>)	In percent of GDP, annualised data	Ecwin/Reuters
3.8.	Reserves, International reserves of the National Bank	Total, mio EUR.	Ecwin/Reuters
3.9.	Reserves / months Imp	Ratio of 12 months imports of goods moving average.	Ecwin/Reuters
4.	Monetary developments		
4.1.	CPI	Consumer Prices, Total, CPPY	Ecwin/Reuters
4.2.	Producer prices	Annual percentage change, total, CPPY=100	Ecwin/Reuters
4.3.	Food prices	Annual percentage change, food and non-alcoholic beverages, CPPY=100	Ecwin/Reuters
4.4.	M3	Annual percentage change, M3 (broad money), RSD	Ecwin/Reuters
4.5.	Exchange rate RSD/EUR	Spot Rates, close, period average	Ecwin/Reuters
4.6.	Nominal eff. exchange rate	Period average, moving base year, RSD	Ecwin/Reuters
5.	Financial indicators		
5.1.	Interest rate	Treasury Bills, 3 month, yield, average, RSD	Ecwin/Reuters
5.2.	Bond yield	Not available	
5.3.	Stock markets	Belgrade Stock Exchange, BELEXfm index, price return, close, RSD	Ecwin/Reuters
5.4.	Credit growth	Annual percentage change, domestic credit, total, RSD	Ecwin/Reuters

5.5.	Deposit growth	Annual percentage change, deposits, nonmonetary sector, total, RSD	Ecwin/Reuters
5.6.	Non-performing loans	Not available	
6.	Fiscal developments		
6.1.	General government balance	Consolidated GG, Overall balance including grants. In percent of GDP	Min. of Finance
6.2.	General government debt	Public sector debt. In percent of GDP	Min. of Finance

No.	Indicator	Note	Source
1.	Real sector		
1.1.	Industrial confidence indicator	Not available.	
1.2.	Industrial production	Not available.	
1.3.	Gross domestic product	Annual percentage change.	IMF
1.4.	Private consumption	Annual percentage change.	IMF
1.5.	Gross fixed capital formation	Annual percentage change.	IMF
1.6.	Construction index	Not available.	
1.7.	Retail sales	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.	External sector		
3.1.	Exports of goods	Annual percentage change.	Ecwin/Reuters
3.2.	Imports of goods	Annual percentage change.	Ecwin/Reuters
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.	IMF, Central Banking Authority (CBAK)
3.7.	Direct investment (<i>FDI, net</i>)	In percent of GDP, Annual data.	CBAK
3.8.	Reserves, International reserves of the National Bank	CBAK Survey, claims on nonresidents, mio EUR.	Ecwin/Reuters
3.9.	Reserves / months Imp	Ratio of 12 months imports of goods moving average.	Ecwin/Reuters
4.	Monetary developments		
4.1.	Interim CPI	Annual average percentage change, index (May 2002 = 100)	Ecwin/Reuters
4.2.	Producer prices	Annual percentage change, total, 2007=100	Ecwin/Reuters
4.3.	Food prices	Annual percentage change, food and non-alcoholic beverages, CPPY=100	Ecwin/Reuters
4.4.	M2	Annual percentage change, M2 (deposits included in broad money)	Ecwin/Reuters
4.5.	Exchange rate EUR/EUR	Not applicable.	
4.6.	Real eff. exchange rate	Price change % CPI.	IMF
5.	Financial indicators		
5.1.	Interest rate	Interest rates, short-term (3-12 months loans to non-financial corporations)	Ecwin/Reuters
5.2.	Bond yield	Not available.	
5.3.	Stock markets	Not available.	
5.4.	Credit growth	Annual percentage change, ODC balance sheet, assets, gross loss and lease financing.	Ecwin/Reuters
5.5.	Deposit growth	Annual percentage change, ODC deposits.	Ecwin/Reuters
5.6.	Non-performing loans	Not available.	
6.	Fiscal developments		
6.1.	General government balance	In percent of GDP.	IMF, Ministry of Finance and

6.2.

General government debt

In percent of GDP.

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