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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

Against a background of high uncertainty and slowing global activity, recovery continued in the pre-accession economies in the second quarter of 2011. All countries enjoyed positive growth, including Croatia where real GDP increased by 0.8% year-on-year.

However, the pace of growth started to moderate in the second quarter in some countries such as Serbia and Iceland. Economic activity also slowed in Turkey while remaining very robust (8.8% year-on-year). Signs of further weakening seem to have emerged over the summer which could point to potentially higher spill-overs from financial markets stress and weakening external demand and trade. With the exception of Turkey where the improvement was substantial, conditions in the labour markets have stabilized. They deteriorated in Iceland. While consumer price inflation continued to increase in the third quarter in Turkey and Iceland, it started to recede in most countries, partly reflecting the fading impact of past hikes in oil and food prices.

Rapid expansion, still driven by strong private sector demand, continued in Turkey with a 10.2% year-on-year GDP growth in the first half of 2011.

In the Western Balkans, growth was still mainly driven by exports while domestic demand remained weak or even further dropped. Only in the former Yugoslav Republic of Macedonia where growth accelerated to 5.2% in the first half of 2011, have sources of growth shifted to private consumption in the second quarter of 2011. GDP growth turned positive in Croatia in the second quarter (0.8%) following a contraction of the same magnitude in the first quarter. Serbia posted an increase of GDP of 3% in the first half of 2011 as activity started to slow down in the second quarter (2.4%) after the vigorous acceleration of the first quarter (3.7%) and growth in Montenegro is estimated at 2.1-2.5%. In Iceland, annual GDP growth in the second quarter, largely driven by private consumption, slowed to 1.4% year-on-year from 3.6% in the first quarter.

Current account deficits deteriorated significantly in Turkey, Albania, Bosnia and Herzegovina while the widening was contained in Serbia. These developments were mainly driven by widening trade deficits (also in Kosovo), coupled in Albania with a reduction in current transfers (workers remittances). In contrast, the current account deficit narrowed in the other countries including Iceland. It

nevertheless remained very elevated in Montenegro (22.7% of GDP in the first half of 2011).

With the exception of Turkey where the unemployment rate fell substantially in tandem with the strong economic expansion and returned to its pre-crisis level, labour market conditions have at best stabilised. They have further weakened in Croatia and Serbia in the second quarter and deteriorated markedly in Iceland. In the Western Balkans, unresolved pre-crisis structural deficiencies and fragilities hamper a gradual recovery.

Monetary policy remained accommodative in the Western Balkans. The monetary stance was recently further eased in Albania and in Serbia where the policy rate was reduced as inflation continued to subside gradually. In Montenegro reserve requirements were lowered. In Turkey, the Central Bank cut its main policy rate in early August and raised its main overnight borrowing rate. In Iceland, the policy rate was increased in August as inflationary pressures were rising. Inflationary tensions accelerated in all countries in the second quarter, reflecting the price increases of major commodities through April but receded over the summer, in line with their broad easing.

Access to credit may have somewhat eased in many Western Balkan countries. The cost of bank loans has declined in Croatia, Bosnia and Herzegovina and (slightly) in the former Yugoslav Republic of Macedonia. Credit growth accelerated in the second quarter and over the summer in most countries, except in Montenegro where it contracted by 10.8% in the first seven months of 2011. Credit growth also continued to be negative through August in Iceland while in Turkey the very strong credit growth is now slowing, suggesting that the target of 25% set by the authorities might be met. However, the quality of the loan portfolio deteriorated further in the second quarter in Serbia where the share of non-performing loans in total loans reached 18%, Albania (16.6 %) and Bosnia and Herzegovina (11.8%). NPLs remained very high in Montenegro (25.3%) and Iceland (40%).

Turkey continued to post strong fiscal results thanks to surging tax revenues and the budget balance is improving. In Iceland, while the budget deficit narrowed in the first half of 2011 compared to 2010, the fiscal target for the primary balance has been somewhat relaxed. In the Western Balkans, with the exception of Bosnia and Herzegovina, budget deficits have tended to widen in the first six or eight months of 2011 compared to the same period in 2010. In Serbia the target was raised to 4.5% of GDP. In Kosovo, the budget turned into deficit in August.

Candidate and potential candidate countries: Summary table

	2006	2007	2008	2009	2010	ECFIN May Forecast		Q1 11	Q2 11	Q3 11	Jul 11	Aug 11	Sep 11
						2011	2012						
Gross domestic product (in real terms, annual % change)													
Croatia	4.9	5.1	2.2	-6.0	-1.2	1.1	2.0	-0.8	0.8	:	n.a.	n.a.	n.a.
The former Yugoslav Republic of Macedonia	5.1	6.2	5.1	-1.0	1.8	2.5	3.3	5.1	5.3	:	n.a.	n.a.	n.a.
Iceland	4.7	6.0	1.3	-6.7	-4.0	1.5	2.5	3.6	1.4	:	n.a.	n.a.	n.a.
Montenegro	8.6	10.7	6.9	-5.7	2.5	2.4	4.0	:	:	:	n.a.	n.a.	n.a.
Turkey	6.9	4.7	0.7	-4.8	9.0	6.1	5.5	11.6	8.8	:	n.a.	n.a.	n.a.
Albania	5.4	5.9	7.5	3.3	4.1	:	:	3.4	:	:	n.a.	n.a.	n.a.
Bosnia and Herzegovina	6.0	6.2	5.7	-2.9	0.7	:	:	:	:	:	n.a.	n.a.	n.a.
Serbia	4.8	6.2	4.7	-2.9	1.9	:	:	3.7	2.4	:	n.a.	n.a.	n.a.
Kosovo*	3.4	6.3	6.9	2.9	4.0	:	:	:	:	:	n.a.	n.a.	n.a.
Unemployment (LFS, in % of workforce)													
Croatia	n.a.	9.6	8.4	9.1	11.8	11.3	9.8	14.3	13.5	:	n.a.	n.a.	n.a.
The former Yugoslav Republic of Macedonia	36.0	34.9	33.8	32.2	32.1	31.4	30.5	31.2	31.3	:	:	:	:
Iceland	2.9	2.3	3.0	7.2	7.5	6.9	6.2	7.8	8.5	:	n.a.	n.a.	n.a.
Montenegro	14.7	11.9	10.7	11.4	12.2	:	:	12.4	11.3	11.0	11.0	11.0	11.1
Turkey	9.9	9.9	11.0	14.1	12.0	10.2	9.8	11.5	9.4	:	:	:	:
Albania	13.9	13.4	12.8	13.0	13.7	:	:	13.5	13.3	:	:	:	:
Bosnia and Herzegovina	44.2	42.9	40.6	42.7	42.7	:	:	43.3	43.1	:	43.2	:	:
Serbia	20.9	18.1	13.6	16.1	20.0	:	:	22.2	:	:	:	:	:
Kosovo*	44.9	43.6	47.5	45.4	:	:	:	:	:	:	:	:	:
Current account balance (% of GDP)													
Croatia	-6.7	-7.3	-8.9	-5.3	-1.2	-2.2	-2.5	-1.5	-1.2	:	n.a.	n.a.	n.a.
The former Yugoslav Republic of Macedonia	-0.4	-7.1	-12.8	-6.7	-2.8	-3.1	-3.7	-4.6	-4.4	:	n.a.	n.a.	n.a.
Iceland	-23.8	-15.7	-24.5	-11.7	-11.2	-6.2	-5.5	-12.8	-11.6	:	n.a.	n.a.	n.a.
Montenegro	-24.7	-39.6	-51.3	-30.1	-25.1	-27.3	-31.0	-23.3	-22.7	:	n.a.	n.a.	n.a.
Turkey	-6.1	-5.9	-5.6	-2.3	-6.5	-7.7	-8.1	-7.9	-9.2	:	n.a.	n.a.	n.a.
Albania	-6.6	-10.5	-15.5	-15.1	-11.9	:	:	-11.8	-13.0	:	n.a.	n.a.	n.a.
Bosnia and Herzegovina	-8.0	-10.7	-14.0	-6.3	-6.1	:	:	-7.1	-8.3	:	n.a.	n.a.	n.a.
Serbia	-11.7	-16.1	-20.6	-7.4	-7.6	:	:	-7.1	-6.8	:	n.a.	n.a.	n.a.
Kosovo*	-7.2	-10.4	-16.3	-15.4	-16.0	:	:	:	:	:	n.a.	n.a.	n.a.
Inflation (Consumer price index, annual % change)													
Croatia	3.2	2.9	6.1	2.4	1.0	2.8	2.5	2.2	2.3	:	1.9	2.0	:
The former Yugoslav Republic of Macedonia	3.2	2.3	8.3	-0.8	1.6	4.3	3.8	4.1	4.7	3.6	3.8	3.6	3.4
Iceland	6.7	5.1	12.7	12.0	5.4	3.0	2.7	2.0	3.5	5.3	5.0	5.0	5.7
Montenegro	3.0	4.3	7.4	3.4	0.5	3.7	2.2	2.3	3.6	:	3.0	3.6	:
Turkey	9.6	8.8	10.4	6.3	8.6	6.5	5.5	4.3	5.9	6.4	6.3	6.7	6.2
Albania	2.4	2.9	3.4	2.3	3.6	:	:	4.0	4.1	:	3.6	3.1	:
Bosnia and Herzegovina	6.1	1.5	7.4	-0.4	2.1	:	:	3.2	4.0	:	3.9	3.9	:
Serbia	n.a.	11.0	8.6	6.6	10.3	:	:	14.1	12.7	:	12.1	10.5	:
Kosovo*	0.6	4.4	9.4	-2.4	3.5	:	:	9.2	10.0	:	8.3	5.3	:
General government balance (% of GDP)													
Croatia	-3.0	-2.5	-1.4	-4.1	-4.9	-6.0	-5.0	:	:	:	n.a.	n.a.	n.a.
The former Yugoslav Republic of Macedonia	-0.6	0.6	-1.0	-2.7	-2.5	-2.5	-2.2	:	:	:	n.a.	n.a.	n.a.
Iceland	6.3	5.4	-13.5	-9.9	-10.1	-4.9	-3.6	-4.4	-5.9	:	n.a.	n.a.	n.a.
Montenegro	3.4	6.6	0.5	-4.4	-5.0	-3.1	-0.1	-1.7	-1.6	:	n.a.	n.a.	n.a.
Turkey	-0.1	-1.0	-2.2	-5.7	-3.6	-2.8	-2.2	:	:	:	n.a.	n.a.	n.a.
Albania	-3.3	-3.5	-5.5	-7.0	-3.1	:	:	-1.0	-2.1	:	n.a.	n.a.	n.a.
Bosnia and Herzegovina	2.9	1.2	-2.2	-4.5	-2.5	:	:	:	:	:	n.a.	n.a.	n.a.
Serbia	-1.6	-2.0	-2.6	-4.5	-4.9	:	:	-0.8	-2.0	:	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 Spring 2011

CROATIA



Key developments

Croatia's government announced parliamentary elections to be held on 4 December 2011, to be confirmed by the President of Croatia.

The draft treaty on Croatia's accession to the EU was made public in September following the closure of the accession negotiations in June. The current Polish EU Presidency intends to sign the treaty in Warsaw by the end of the year. Subsequently, Croatia will hold a referendum on the treaty in early 2012. The treaty will have to be ratified by all 27 Member States and Croatia in accordance with their constitutional requirements by 30 June 2013 so that it can enter into force on 1 July 2013.

The government adopted its "Economic and Fiscal Policy Guidelines for the Period 2012-2014" in July. It targets a gradual reduction of the fiscal deficit to 1.8% of GDP by 2014.

Real sector

Real GDP increased 0.8% year-on-year in the second quarter of 2011 following a decrease of the same magnitude in the first quarter. The growth rate was 0.4% in seasonally-adjusted quarter-on-quarter terms. The level of real GDP was still 8% below the pre-recession level.

Both private and public consumption increased in real year-on-year terms in the second quarter (by 0.6% and 1.7%, respectively) following declines in the preceding quarter. Fixed investment, however, continued to drop (-7.3%). Export volume, which had suffered a sharp setback in the first quarter, showed a partial recovery, but was still only 1.1% higher year-on-year. Import volume extended its decline from the first quarter and was 6.0% lower year-on-year.

In terms of growth contributions, a significant drag from fixed investment was compounded by a sharp decline in the build-up of inventories. Despite the positive contribution from private and public consumption, domestic demand as a whole contributed negatively to GDP growth. This was, however, more than offset by the

improvement of net exports.

Monthly data provide a mixed picture about economic activity in the third quarter. The volume of industrial production dropped by 4.4% in working-day adjusted year-on-year terms in August following several months of stabilisation. The value of exports and imports of goods fell by 4.3% and 6.0% year-on-year, respectively, in the period July-August. The declining trend in construction, which started in the first half of 2009, has shown no sign of abating in recent months and the total volume of construction works was 9.2% lower year-on-year in July (working-day adjusted). On the positive side, the physical indicators for tourism were robust for the summer months. Foreign tourist arrivals, for instance, were about 5% higher than in 2010. Furthermore, the slight upward trend in retail sales volume was maintained in July (+0.9% year-on-year) and strengthened in August (+2.0%). Overall, the continuation of the second quarter's economic performance in the third quarter seems somewhat uncertain.

Labour market

The labour market continued to weaken in the second quarter of 2011. According to the labour force survey, employment was 3.5% lower year-on-year. Reflecting seasonal variation, the unemployment rate fell from 14.3% in the first quarter to 13.5% in the second quarter. In year-on-year terms, however, the unemployment rate was 1.1 percentage points higher and the underlying trend is still rising. The registered unemployment rate stood at 16.7% in August which is 0.3 percentage point higher year-on-year.

Wage developments remained stable in recent months. The average nominal gross wage was 0.9% higher year-on-year in July, leading to an average wage growth of 1.1% in the first seven months of 2011, compared to a 1% wage decline in the same period in 2010. Adjusted for inflation, the average gross wage dropped by 0.9% in July and by 1.1% in the first seven months.

External sector

Last year's narrowing of the current account deficit was consolidated in the first half of 2011. Over the four quarters to end-June, the deficit amounted to 1.2% of GDP (based on values in kuna), the same as in 2010. While the first quarter had seen a slight widening of the deficit, this was offset by a renewed narrowing in the second quarter.

Exports of goods and services increased 7.1% year-on-year in the second quarter, whereas imports of goods and services fell 0.8%. A good part of the year-on-year improvement in the goods and services balance was, however, neutralised by a rising deficit on the income balance due to higher income payments to abroad.

In the course of the second quarter Croatia's total gross external debt decreased by €0.3 billion to €47.2 billion which corresponds to 103.2% of GDP. Gross international reserves amounted to €11.2 billion (24.5% of GDP) at the end of August, down from €11.4 billion at the end of the second quarter, but up from €10.7 billion at the end of 2010.

Monetary developments

Headline inflation (consumer price inflation in year-on-year terms) has receded from 2.5% in May to 2.0% in August. Worldwide price increase for agricultural products, energy and raw materials had pushed up inflation last winter and spring. Higher commodity prices had also spilled over into areas like transport services and processed food. These inflationary pressures have recently abated which has allowed the consumer price index to decline by 1.1% between May and August.

Following a slight decline in the first four months of the year, broad money (M4) started to increase again in May and was 4.2% higher year-on-year at the end of August. Bank loans and deposits were up by, respectively, 5.7% and 6.3%.

The kuna was under mild downward pressure against the euro in the third quarter. The kuna/euro rate stood at 7.50 at the end of September compared to 7.40 at the end of June which translates into a 1.3% depreciation of the kuna over the quarter. The central bank intervened on two occasions in the foreign exchange market to support the domestic currency. It purchased kuna for €238.9 million on 25 July and for €180.5 million on 19

September.

As an additional measure to ease the depreciation pressures on the kuna the central bank increased the minimum reserve requirement for banks from 13% to 14% on 20 September. This measure is expected to withdraw liquidity corresponding to about €400 million from the banking system.

Financial sector

Liquidity in the domestic financial system remained ample through July and interest rates on the various loans types were on average 90 basis points lower than a year earlier. Interest rates on kuna credits not indexed to foreign currency stood at 8.9%, interest rates on credits indexed to the euro averaged 7.3%, and interest rates for euro-denominated credits averaged 6.4%. In the context of renewed turbulence in global financial markets and broadly in line with major stock markets abroad, the Croatian stock market index fell by 17% in the course of the third quarter. The index has thereby been brought back to the level of 12 months ago.

Fiscal developments

The government released its "Economic and Fiscal Policy Guidelines for the Period 2012-2014" in late July. It is based on a macroeconomic projection in which real GDP increases 1.5% in 2011 and then accelerates gradually to 2.5% in 2012, 3.5% in 2013, and 4.0% in 2014. The general government budget deficit, which amounted to 4.9% of GDP in 2010, is projected to increase to 5.4% of GDP in 2011 in line with the current budget. In the following years the deficit is expected to decline gradually to 4.1% in 2012, 2.7% in 2013, and 1.8% in 2014. The primary balance is projected to be brought into balance in 2013. Expenditures are projected to decline by at least 1 percentage point of GDP over the next three years in accordance with the rules of the Fiscal Responsibility Act.

Regarding budget execution, total revenues fell by close to 2% year on year in the first half of 2011. Current spending remained flat whereas investment spending dropped by 3% year on year. The deficit of general government equalled around 2.5% of full-year projected GDP, compared to a slightly lower deficit of 2.2% of GDP in the first half of 2010. General government debt stood at 41.2% of GDP at end-April, excluding contingent liabilities amounting at around 17% of GDP.

TABLE



European Commission, ECFIN-D-1

CROATIA

		2006	2007	2008	2009	2010	ECFIN Forecast		Q1 11	Q2 11	Q3 11	Jul 11	Aug 11	Sep 11
							2011	2012						
1 Real sector														
Industrial outlook ^{1.1}	Balance	N.A.	70.9	38.0	-33.3	3.0	:	:	15.0	-8.0	25.0	N.A.	N.A.	N.A.
Industrial production ^{1.2}	Ann. % ch	4.5	5.6	1.6	-9.0	-1.5	:	:	-4.9	1.3	:	0.9	-4.4	:
Gross domestic product ^{1.3}	Ann. % ch	4.9	5.1	2.2	-6.0	-1.2	1.1	2.0	-0.8	0.8	:	N.A.	N.A.	N.A.
Private consumption ^{1.4}	Ann. % ch	3.2	6.3	0.8	-8.5	-0.9	0.8	1.2	-0.1	0.6	:	N.A.	N.A.	N.A.
Gross fixed capital formation ^{1.5}	Ann. % ch	11.1	7.1	8.2	-11.8	-11.3	-0.5	5.0	-6.7	-7.3	:	N.A.	N.A.	N.A.
Construction index ^{1.6}	Ann. % ch	N.A.	N.A.	11.8	-6.5	-15.9	:	:	-8.5	-10.6	:	-12.5	:	:
Retail sales ^{1.7}	Ann. % ch	N.A.	N.A.	N.A.	-15.3	-1.8	:	:	-0.4	1.8	:	0.9	:	:
2 Labour market														
Unemployment ^{2.1}	%	N.A.	9.6	8.4	9.1	11.8	11.3	9.8	14.3	13.5	:	N.A.	N.A.	N.A.
Employment ^{2.2}	Ann. % ch	N.A.	1.8	1.3	-1.9	-4.0	-0.2	1.2	-5.6	-3.5	:	N.A.	N.A.	N.A.
Wages ^{2.3}	Ann. % ch	6.2	6.2	7.1	2.2	-0.4	0.3	0.3	0.5	1.8	:	0.9	:	:
3 External sector														
Exports of goods ^{3.1}	Ann. % ch	16.1	8.8	5.1	-20.2	17.3	:	:	-1.8	8.5	:	8.9	-18.2	:
Imports of goods ^{3.2}	Ann. % ch	12.9	11.0	8.9	-25.6	-1.1	:	:	2.6	1.4	:	-1.3	-10.8	:
Trade balance ^{3.3}	% of GDP	-21.0	-21.7	-22.6	-16.2	-12.9	-14.0	-14.3	-13.2	:	:	N.A.	N.A.	N.A.
Exports goods and services ^{3.4}	% of GDP	42.7	42.1	41.7	35.4	38.3	:	:	38.0	38.4	:	N.A.	N.A.	N.A.
Imports goods and services ^{3.5}	% of GDP	49.8	49.8	49.9	39.4	38.8	:	:	38.7	38.4	:	N.A.	N.A.	N.A.
Current account balance ^{3.6}	% of GDP	-6.7	-7.3	-8.9	-5.3	-1.2	-2.2	-2.5	-1.5	-1.2	:	N.A.	N.A.	N.A.
Direct investment (FDI, net) ^{3.7}	% of GDP	6.4	8.0	6.7	2.6	0.7	:	:	-0.4	0.8	:	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	:	:	11 423.8	11 422.3	:	11 232.9	11 217.3	:
Int. reserves / months Imp ^{3.9}	Ratio	6.1	5.9	5.3	8.2	8.5	:	:	9.0	9.0	:	8.9	9.0	:
4 Monetary Developments														
CPI ^{4.1}	Ann. % ch	3.2	2.9	6.1	2.4	1.0	2.8	2.5	2.2	2.3	:	1.9	2.0	:
Producer prices ^{4.2}	Ann. % ch	:	:	:	-0.4	4.3	:	:	7.6	7.4	:	7.1	7.6	:
Food prices ^{4.3}	Ann. % ch	2.5	3.4	10.0	1.7	-1.5	:	:	3.4	3.6	:	2.9	3.0	:
M4 ^{4.4}	Ann. % ch	14.3	17.9	10.9	1.6	2.7	:	:	3.6	3.4	:	4.4	4.2	:
Exchange rate HRK/EUR ^{4.5}	Value	7.30	7.33	7.22	7.34	7.29	:	:	7.40	7.39	7.46	7.42	7.46	7.49
Nominal eff. exchange rate ^{4.6}	Index	98.7	98.0	96.1	97.2	98.2	:	:	100.09	99.30	:	:	:	:
5 Financial indicators														
Interest rate (3 months) ^{5.1}	% p.a.	4.46	5.66	7.19	8.96	2.44	:	:	2.63	1.66	3.10	2.19	3.27	3.83
Bond yield ^{5.2}	% p.a.	N.A.	N.A.	5.9	6.4	5.8	:	:	5.9	5.3	5.4	5.2	5.5	5.5
Stock markets ^{5.3}	Index	2 771	4 673	3 299	1 871	1 990	:	:	2 275	2 248	2 021	2 174	2 034	1 854
Credit growth ^{5.4}	Ann. % ch	22.0	19.4	11.6	5.0	2.9	:	:	6.0	6.9	:	7.9	6.8	:
Deposit growth ^{5.5}	Ann. % ch	51.6	27.2	7.4	-15.2	-19.8	:	:	-1.4	4.4	:	6.1	8.7	:
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	-4.9	-6.0	-5.0	:	:	:	N.A.	N.A.	N.A.
General government debt ^{6.2}	% of GDP	35.5	32.9	28.9	35.2	41.2	45.2	48.4	:	:	:	N.A.	N.A.	N.A.

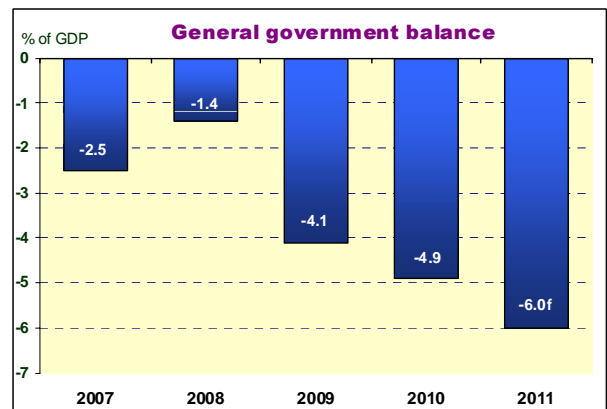
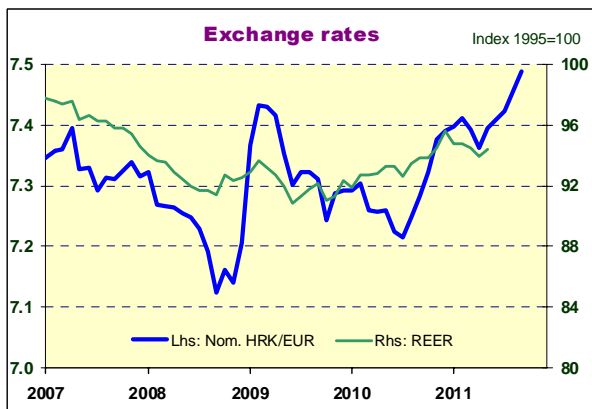
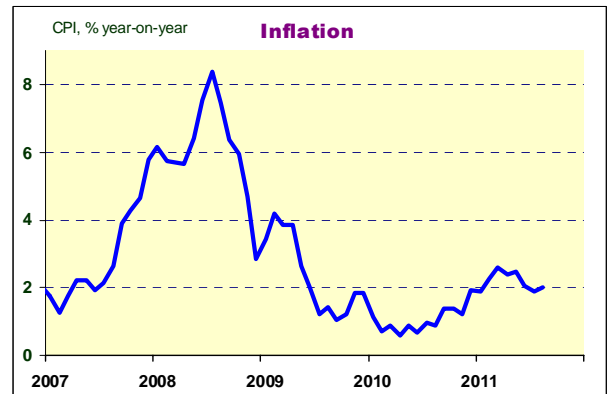
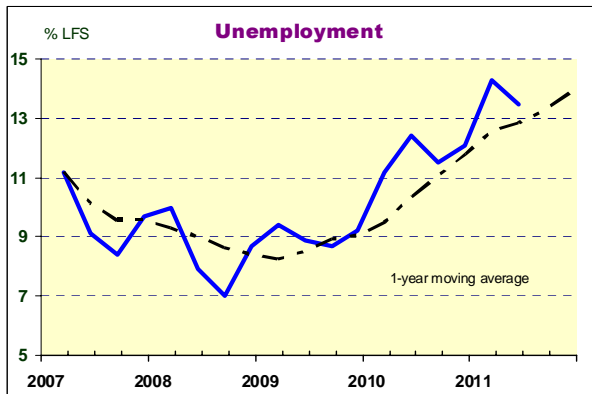
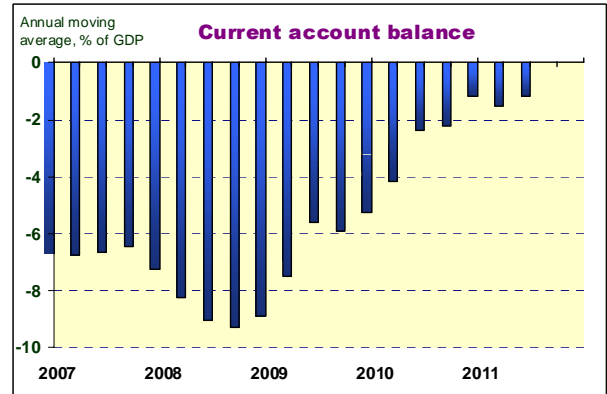
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European Commission, ECFIN-D-1

CROATIA



THE FORMER YUGOSLAV REPUBLIC OF MACEDONIA



Key developments

On 25 August, Standard & Poor lowered the country's credit rating from BB+ to BB, referring to weaknesses in infrastructure, energy dependencies, high unemployment and inflexibility of government spending as main reasons for their downgrade.

On 2 September, the IMF concluded its first review under its Pre-cautionary Credit Line, commending the country for its sound economic policy stance but also pointing to the need of monitoring existing external vulnerabilities, in particular in those times of increased global uncertainties.

Real sector

Output growth accelerated in the first half of 2011 to 5.2%, up from 0.5% year-on-year in the first half of 2010. In 2010 as a whole, output growth was reported to be 1.8%. The main sources for growth shifted from net exports in the first half of 2010, to gross fixed capital formation in the second half of 2010 and the first quarter of 2011. In the second quarter of 2011, private consumption appears to have been the main driver for growth, increasing by 8.4% year-on-year, while equipment investment declined by 7.5%. Probably as a result of the drop in investment, import growth slowed down in the second quarter, from 36.5% year-on-year in the first quarter to 4.5% in the second. Export growth also decelerated, from 34.8% in the first quarter to 8.9% in the second. To some extent, the strong growth in the first half of 2011 reflects a weak base in the previous year, but also increased public spending ahead of general elections in June.

The performance of industrial production and retail trade confirm a marked year-on-year acceleration in the first half of 2011. Industrial production recovered in this period by 9% year-on-year. However, the recovery appears to have slowed down since then, with a year-on-year volume increase of 5.5% in July and 0.9% in August. The overall level of industrial

production is still lower than before the crisis.

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 continues to improve gradually, albeit at a decelerating pace. In the second quarter, the number of employed persons rose by 2.5% year-on-year, compared to 5.5% and 5.9% in the two preceding quarters. The main sectors with employment growth were agriculture, tourism and trade. In the construction sector LFS data points to a largely unchanged employment situation compared to, year before, despite a significant increase in construction in this period. However, a change in the LFS sector classification scheme impedes year-on-year comparability. The number of unemployed dropped slightly in the second quarter by 0.9%, i.e. by 3.000 persons. Overall, labour supply increased by 1.4%, which limited the drop in the unemployment rate to 31.3% of the labour force, compared to 32.1% the year before. A positive development is the continued decline in youth unemployment (age bracket 15-24 years), from 55.0% in the second quarter of 2010 to 54.6% in the second quarter of 2011. At the same time, the share of youth unemployment in total unemployment went down from 19.3% in the second quarter of 2010 to 18.5% in the second quarter of 2011. Facilitated access to higher education courses as a result of the opening of "dispersed universities" may have helped to reduce youth unemployment rates.

Nominal wage growth remains below inflation. In the period January-July 2011, nominal gross wages rose by 1.6%, which translates into a real wage decline by 2.4%.

External sector

In the second quarter of 2011, the annualised trade deficit (moving annual average) improved

slightly, from 23.1% of GDP in the first quarter, to 22.1%, in the second one. This is mainly due to strong exports in April and May. Average current transfers were lower in the second quarter, at some 18% of GDP, compared to 19% in the first quarter of 2011. As a result, the annualised current account deficit remained largely unchanged, at 4.4% of GDP, compared to 4.6% the previous quarter. The current account deficit was still more than covered by higher capital inflows, amounting to some 5% of GDP. The two main sources were FDI, where annualised inflows were at some 3% of GDP, and "other inflows", in particular related to the partial use of the IMF's pre-cautionary facility, boosting capital inflows by about 3% of GDP. However, the annualised figures only partially reflect a marked decline in trade flows, as well as lower capital inflows during May and June.

Foreign exchange reserves remained at around EUR 2.0 billion by end August. Due to the high level of imports in the first five months of the year, the import coverage of foreign reserves has declined to below 5 months of imports.

Gross external debt rose by June to about 61.4% of the projected full-year GDP, compared to 56% of GDP a year before. The main contributor to the increase was public debt, contributing 3.1 percentage points of GDP. Private bank external borrowing increased at a lower rate than the public sector's borrowing, leading to a slightly lower private sector share in total external debt.

Monetary developments

Inflation continued to decelerate, albeit from a rather high level. In September, consumer prices increased by 3.4%, after having reached a peak of around 5% in the period March to May. Average inflation was 4.1% during the first nine months of 2011 (it had been at 1.6% in 2010). The main inflationary pressures still come from price increases of food and renting costs rising in the period from January to September by 7.0% and 6.4% respectively. Fuel prices rose by 4.6%. Food prices account for about 40% of the consumer basket.

Year-on-year growth of M4 slowed in the second quarter of 2011, increasing by 8.7%, compared to 11.7% in the first quarter of 2011. In the third quarter, M4 growth accelerated again, reaching 12.3% in August.

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

Financial sector

Monetary conditions have continued to soften. Weighted nominal lending rates which had started to decline slightly during 2010, stood at 8.8% in August 2011. Interest rates on deposits have come down to 5.8% in August 2011. The spread between lending and borrowing rates has remained at 3 percentage points. 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 remained stable in the second quarter, at 9.4% in June 2011. A year before, the sector's overall NPL ratio had temporarily increased to around 10½%. Profitability of the banking sector has remained weak. At end-June, the whole sector's return-on-assets ratio was at 0.2%, compared to 0.4% a year before. The sector's return-on-equity stood at 2.1% end-June 2011, compared to 3.2% a year before. However, larger banks register profits, while most profitability indicators for medium and small banks are still negative.

In line with international developments, the stock market registered losses in the second quarter of 2011. The market capitalisation currently amounts to some 30 % of GDP.

Fiscal developments

In the first half of 2011, total revenues increased by 8% year on year in nominal terms. Tax revenues rose by more than 9% whereas social security contributions increased by 2.8% only. Nominal total spending rose by nearly 11%, with current spending increasing by 7%, while capital spending rose by 50%, from 2¾% of GDP by June 2010 to around 4%. As a result, the share of revenues in GDP remained the same as a year before, while spending was slightly higher. This brought the annualised central government deficit in July to about 3½% of the year's estimated GDP, compared to a deficit of 2¾% of GDP the year before. However, a part of this increase reflects front-loaded spending related to early elections in June. The deficit target for 2011 is 2.5%.

By end-2010, general government debt had slightly increased to some 34% of GDP, some 65% being denominated in EUR and 22% in domestic currency.

TABLE



European Commission, ECFIN-D-1

The former Yugoslav Republic of Macedonia

		2006	2007	2008	2009	2010	ECFIN Forecast		Q1 11	Q2 11	Q3 11	Jul 11	Aug 11	Sep 11
							2011	2012						
1 Real sector														
Industrial confidence ^{1.1}	Balance	4.3	7.0	6.8	-13.8	-9.6	:	:	10.5	19.0	:	25.1	27.1	:
Industrial production ^{1.2}	Ann. % ch	2.3	4.1	5.9	-7.3	-4.2	:	:	13.8	:	:	:	:	:
Gross domestic product ^{1.3}	Ann. % ch	5.1	6.2	5.1	-1.0	1.8	2.5	3.3	5.1	5.3	:	N.A.	N.A.	N.A.
Private consumption ^{1.4}	Ann. % ch	6.0	9.8	8.1	-4.8	1.8	2.0	3.0	7.5	12.5	:	N.A.	N.A.	N.A.
Gross fixed capital formation ^{1.5}	Ann. % ch	11.6	13.3	16.5	0.5	-7.5f	8.5	8.0	:	:	:	N.A.	N.A.	N.A.
Construction ^{1.6}	Ann. % ch	11.6	18.5	-2.8	5.3	20.0	:	:	29.7	36.8	:	N.A.	N.A.	N.A.
Retail sales ^{1.7}	Ann. % ch	9.5	17.1	11.6	-3.8	4.2	:	:	:	:	:	N.A.	N.A.	N.A.
2 Labour market														
Unemployment ^{2.1}	%	36.0	34.9	33.8	32.2	32.1	31.4	30.5	31.2	31.3	:	N.A.	N.A.	N.A.
Employment ^{2.2}	Ann. % ch	4.6	3.5	3.2	3.4	1.3	2.0	2.5	5.5	2.5	:	N.A.	N.A.	N.A.
Wages ^{2.3}	Ann. % ch	8.0	4.8	8.7	14.1	1.0	3.4	4.9	1.7	1.7	:	:	:	:
3 External sector														
Exports of goods ^{3.1}	Ann. % ch	16.5	29.2	8.9	-28.7	29.8	:	:	44.9	27.5	:	:	:	:
Imports of goods ^{3.2}	Ann. % ch	16.6	25.3	21.9	-22.1	14.1	:	:	50.4	15.8	:	:	:	:
Trade balance ^{3.3}	% of GDP	-19.1	-19.8	-26.2	-23.1	-21.1	-21.4	-21.4	-23.1	-22.3	:	N.A.	N.A.	N.A.
Exports goods and services ^{3.4}	% of GDP	45.5	52.4	50.9	39.0	47.3	:	:	49.9	51.3	:	N.A.	N.A.	N.A.
Imports goods and services ^{3.5}	% of GDP	64.6	70.8	76.2	60.6	66.0	:	:	70.2	70.7	:	N.A.	N.A.	N.A.
Current account balance ^{3.6}	% of GDP	-0.4	-7.1	-12.8	-6.7	-2.8	-3.1	-3.7	-4.6	-4.4	:	N.A.	N.A.	N.A.
Direct investment (FDI, net) ^{3.7}	% of GDP	6.6	8.5	6.1	2.0	3.2	:	:	5.3	3.3	:	N.A.	N.A.	N.A.
International reserves ^{3.8}	mio EUR	1439.7	1551.2	1496.9	1598.7	1715.3	:	:	1900.6	1951.6	:	2027.7	2006.1	:
Int. reserves / months Imp ^{3.9}	Ratio	5.9	5.1	4.0	5.5	5.2	:	:	5.2	5.2	:	:	:	:
4 Monetary developments														
CPI ^{4.1}	Ann. % ch	3.2	2.3	8.3	-0.8	1.6	4.3	3.8	4.1	4.7	3.6	3.8	3.6	3.4
Producer prices ^{4.2}	Ann. % ch	4.5	1.6	10.4	-6.4	8.3	:	:	:	:	:	:	:	:
Food prices ^{4.3}	Ann. % ch	2.1	3.7	14.4	-1.4	0.3	:	:	6.8	8.1	:	6.0	5.4	:
Monetary aggregate M4 ^{4.4}	Ann. % ch	10.0	28.9	21.3	3.5	12.1	:	:	11.7	8.7	:	13.5	12.3	:
Exchange rate MKD/EUR ^{4.5}	Value	61.19	61.18	61.26	61.28	61.51	:	:	61.51	61.55	:	61.62	61.51	:
Nominal eff. exchange rate ^{4.6}	Index	100.0	99.6	100.6	106.6	106.0	:	:	:	:	:	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	:	:	9.0	8.9	:	8.9	8.8	:
Stock markets ^{5.3}	Index	3 219	6 971	5 149	2 497	2 472	:	:	2 599	2 579	2 384	2 531	2 388	2 233
Credit Growth ^{5.4}	Ann. % ch	25.0	35.0	40.3	14.2	5.4	:	:	7.3	8.3	:	8.7	7.9	:
Deposit growth ^{5.5}	Ann. % ch	21.0	31.4	23.5	4.6	13.0	:	:	12.8	9.2	:	13.9	12.4	:
Non-performing loans ^{5.6}	% total	11.2	7.5	6.7	8.9	9.0	:	:	9.1	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	-2.5	-2.2	:	:	:	N.A.	N.A.	N.A.
General government debt ^{6.2}	% of GDP	40.2	27.3	28.8	32.1	35.1	27.7	29.6	:	:	:	N.A.	N.A.	N.A.

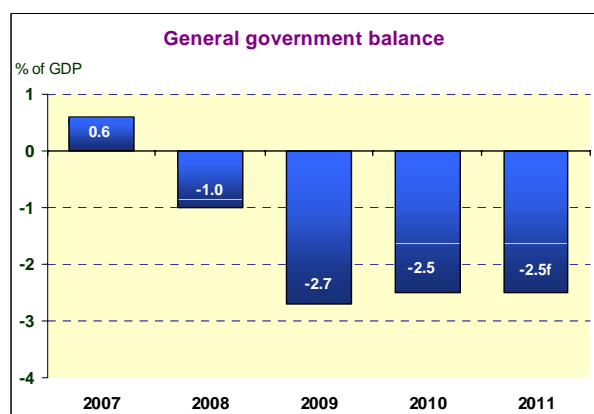
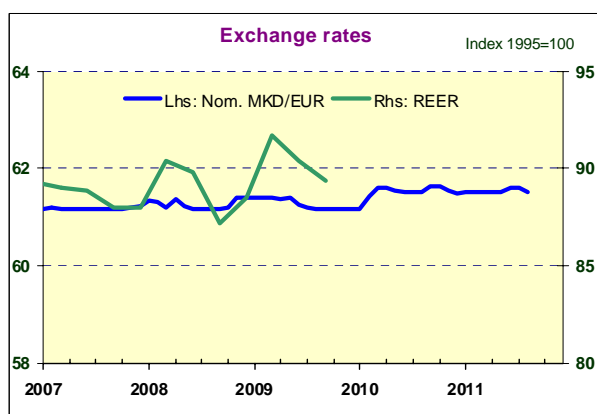
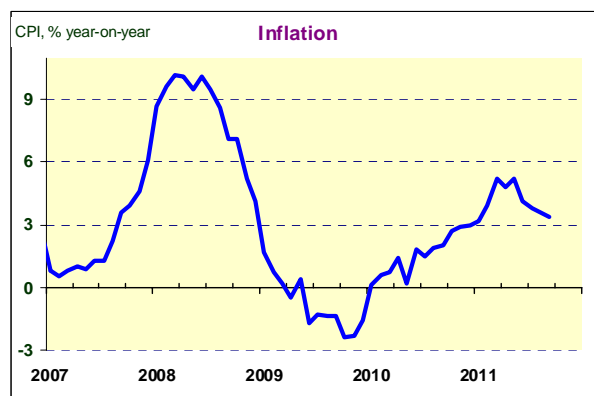
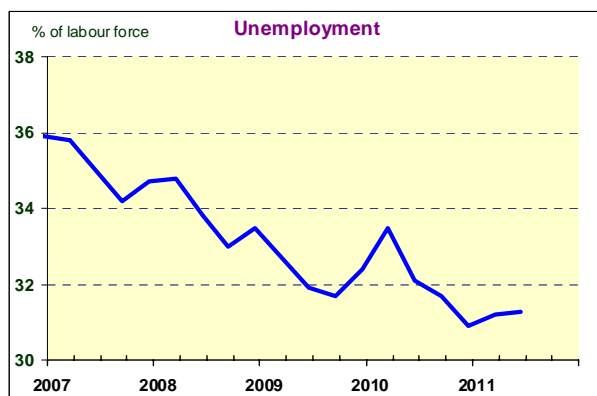
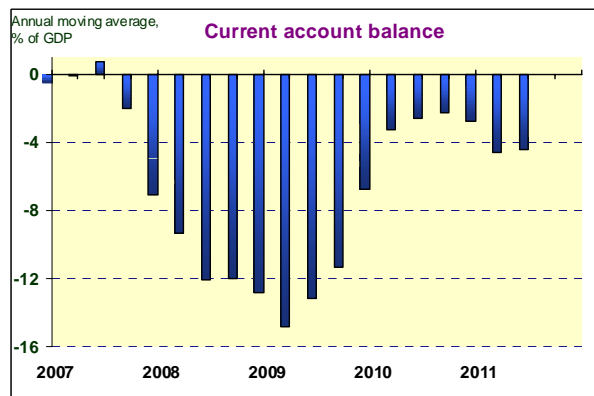
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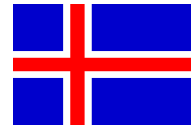


European Commission, ECFIN-D-1

The former Yugoslav Republic of Macedonia



ICELAND



Key developments

On 26 August, the IMF Executive Board completed the fifth and final review under the stand-by programme, noting that all key programme objectives had been successfully met. A total of €1.56 billion has been disbursed under the programme.

On 17 September, the Icelandic parliament adopted a bill which extends the temporary provision authorising capital controls until end-2013. The aim is to secure the gradual removal of capital controls without threatening financial stability.

On 30 September, the 2012 central government budget was adopted and sent to Parliament. It projects total revenues to increase by 8% and total spending by 2.7%. It targets a deficit of 1% of GDP.

Real sector

The economy continued to grow in the second quarter, but uncertainties persist with respect to the sustainability of the current pace of recovery. Annual GDP growth slowed to 1.4%, down from the 3.6% in the first quarter. Growth in the second quarter was largely driven by a 5% increase in private consumption as household spending was supported by a number of temporary factors, such as one-off pay increases, pension withdrawals as well as debt relief measures provided in the context of debt restructuring. Investment spending remained rather subdued, and rose by as little as 1%. The performance of total exports deteriorated (-3.7%) while imports continued to grow relatively strongly (4.1%). Seasonally adjusted quarterly data, which are often subject to major revisions and should thus be interpreted with caution, provide a somewhat bleaker picture of the economy. According to these, real GDP dropped by 2.8% in the second compared to the first quarter. The negative growth rate was largely driven by changes in inventories.

High-frequency indicators for the third quarter so far are not particularly promising. Consumer confidence indicators dropped, the number of

corporate insolvencies doubled in July on a year-on-year basis and most of Icelandic trading partners have revised downwards their economic forecasts. On the other hand, tourism has performed well during the summer months.

Labour market

The crisis-related effects continued to be felt on the labour market in the second quarter of 2011 as unemployment rose to 8.5%, markedly up from 7.8% in the first quarter and only slightly lower than in the same period of 2010. The level of total employment rose marginally by 0.3% year-on-year, compared to a fall of 1% in the first quarter. Weak labour market conditions continued to have a serious effect on long-term unemployment which increased to around 25% of total unemployment in the second quarter of 2011, around 8 percentage points higher compared to the same period a year ago. Also, the youth unemployment rate as a share of total unemployment remained at elevated levels of nearly 19%.

Pay rises agreed among social partners in May have since then led to a marked increase in gross wages, to 8% year-on-year in August, up from 4.4% in the first four months of 2011. Average wage growth in the first eight months of 2011 reached 5.7%, compared to around 4.5% in the same period of 2010. This translates into a rise in real wages of slightly above 2% in the same period, compared to a negative real wage growth a year before.

External sector

The annualised balance in goods and services recorded a surplus of 8.8% of GDP in the four quarters to end-June, which was about one percentage point lower as compared to the four quarter to end-March. During the same time, the annualised current account deficit fell from 12.8 to 11.6%, mainly on account of an improved income balance. Excluding accrued interest of banks in winding-up proceedings, the current account recorded a much smaller annualised deficit of 2.5% of GDP in the same period, according to estimates of the central bank.

Merchandise trade data for July and August point to stronger export growth of around 25% and 33% year-on-year, respectively. However, cumulative export growth in 2011 has been weaker than the growth of imports, reversing the trend seen in 2010 which supported a strengthening of the current account. In fact, in the first eight months, goods imports have been growing around two times faster than goods exports, leading to a lower trade surplus during this period as compared to the corresponding pre-year period (i.e. 4.2% of GDP as compared to 5%).

Total net capital inflows in the second quarter of 2011 were larger than the current account deficit. As a result, gross official foreign exchange reserves held at the central bank increased by an amount equivalent to around 4% of GDP, reaching 55% of GDP by end-June. The central bank estimates the external debt stock, corrected for banks in winding-up procedures and one multinational company, at around 200% of GDP and Iceland's net international investment position at a negative 23% of GDP. This compares favourably with a pre-crisis external debt of around 570% of GDP.

Monetary developments

In August 2011, policy rates were raised for the first time (since March 2009), by 0.25 percentage points to 4.25%, in reaction to rising inflationary pressures. After annual inflation had fallen below the Central Bank's official 2.5% inflation target in early 2011, it accelerated markedly to 5.7% in September, as a result of rising oil, house and food prices and strong pass-through effects from unexpectedly high wage increases negotiated in the collective wage agreements of May. As those effects have worsened the inflation outlook, inflation expectations have risen markedly.

In the first half of 2011, the króna lost some 8% of its value vis-à-vis the euro, but again slightly appreciated by 4% over the third quarter, also helped by a relatively strong tourism season.

Financial sector

The refinancing of the banking sector has been largely completed even though further operational and financial restructuring is required to allow for the resumption of bank lending and a further consolidation in the sector. The market remains dominated by the three 'new' banks that emerged from the financial collapse in autumn 2008. They have been

recapitalised and are now much smaller in size compared to pre-crisis levels, focusing on domestic operations. Credit growth continued to be negative through August (-1.7% year-on-year). Domestic private credit is estimated at 90% of GDP in mid-2011, somewhat lower than a year before and only a fraction of the pre-crisis level.

Despite rather high capital adequacy ratios of above 12% of tier 1 capital, banks are faced with vulnerabilities arising from weak asset quality and currency and maturity mismatches. Private households and businesses continue to suffer from high indebtedness, default is widespread, and non-performing loan ratios remain exceptionally high (at 40% of total loans by mid-2011). Deposits continued to fall in the first eight months of 2011. In August, the stock of deposits were 0.4% lower than a year before. Nonetheless, deposits represent by far the largest share in bank funding, equivalent to around 90% of outstanding loans at mid-2011.

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 during July, but dropped since August in line with international stock market developments.

Fiscal developments

The first half of the year showed strong revenue performance and spending below projections. Total general government revenues increased by 3.9% and total spending by 0.9% year-on-year. The general government balance recorded a deficit of 5.2% of GDP, compared to a deficit of 6.3% in the first half of 2010.

At the same time, as part of the wage agreement with social partners, the government decided to increase social benefits and wages more than previously planned and therefore to relax the 2011 fiscal target for the primary balance by 0.5 percentage points to target a small deficit (0.25% of GDP) instead of a small surplus. Fiscal policy remains confronted with a number of risks. In particular, lower than expected growth and significant contingent liabilities, notably in form of government guarantees, could jeopardise the achievement of the revised fiscal target.

According to Iceland's most recent fiscal notification, gross general government debt increased from 88% of GDP in 2009 to 93% at end-2010.

TABLE



European Commission, ECFIN-D-1

ICELAND

		2006	2007	2008	2009	2010	ECFIN Forecast		Q1 11	Q2 11	Q3 11	Jul 11	Aug 11	Sep 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	:	:	-1.5	-0.3	:	1.5	:	:
Gross domestic product ^{1.3}	Ann. % ch	4.7	6.0	1.3	-6.7	-4.0	1.5	2.5	3.6	1.4	:	N.A.	N.A.	N.A.
Private consumption ^{1.4}	Ann. % ch	3.6	5.7	-7.9	-14.9	-0.4	2.3	2.7	1.0	5.1	:	N.A.	N.A.	N.A.
Gross fixed capital formation ^{1.5}	Ann. % ch	24.4	-12.2	-20.0	-51.1	-8.0	14.0	16.0	3.5	1.0	:	N.A.	N.A.	N.A.
Construction index ^{1.6}	Ann. % ch	27.9	12.1	-21.2	-23.4	N.A.	:	:	:	:	:	:	:	:
Retail sales ^{1.7}	Ann. % ch	8.0	7.9	-8.7	-23.2	-4.2	:	:	:	:	:	N.A.	N.A.	N.A.
2 Labour market														
Unemployment ^{2.1}	%	2.9	2.3	3.0	7.2	7.5	6.9	6.2	7.8	8.5	:	N.A.	N.A.	N.A.
Employment ^{2.2}	Ann. % ch	5.1	4.5	0.7	-6.1	-0.3	0.6	1.1	-1.0	0.3	:	N.A.	N.A.	N.A.
Wages ^{2.3}	Ann. % ch	9.5	9.0	8.1	3.9	4.8	4.0	4.0	4.3	5.6	:	7.8	8.0	:
3 External sector														
Exports of goods ^{3.1}	Ann. % ch	24.9	25.7	52.6	7.3	12.0	:	:	4.8	-0.4	:	24.9	32.6	:
Imports of goods ^{3.2}	Ann. % ch	38.9	-1.5	20.2	-13.3	7.4	:	:	8.8	18.6	:	5.4	36.2	:
Trade balance ^{3.3}	% of GDP	-13.4	-6.7	-0.4	6.0	7.8	7.1	6.8	7.6	6.2	:	N.A.	N.A.	N.A.
Exports goods and services ^{3.4}	% of GDP	32.2	34.6	44.4	52.6	56.0	:	:	55.9	55.8	:	N.A.	N.A.	N.A.
Imports goods and services ^{3.5}	% of GDP	50.5	45.3	47.1	44.2	46.0	:	:	46.1	47.0	:	N.A.	N.A.	N.A.
Current account balance ^{3.6}	% of GDP	-23.8	-15.7	-24.5	-11.7	-11.2	-6.2	-5.5	-12.8	-11.6	:	N.A.	N.A.	N.A.
Direct investment (FDI, net) ^{3.7}	% of GDP	-10.2	-16.5	30.4	-18.2	23.7	:	:	25.8	22.5	:	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	:	:	4 747.3	5 007.1	:	5 166.2	5 585.5	:
Int. reserves / months Imp ^{3.9}	Ratio	4.8	4.7	8.0	13.4	19.1	:	:	19.9	20.1	:	20.8	22.0	:
4 Monetary developments														
CPI ^{4.1}	Ann. % ch	6.7	5.1	12.7	12.0	5.4	3.0	2.7	2.0	3.5	5.3	5.0	5.0	5.7
Producer prices ^{4.2}	Ann. % ch	:	1.8	31.0	11.3	11.8	:	:	3.5	8.4	:	17.1	17.2	:
Food prices ^{4.3}	Ann. % ch	8.0	-1.1	16.0	17.5	4.2	:	:	1.7	2.2	5.7	5.3	5.6	6.2
M3 ^{4.4}	Ann. % ch	19.8	36.1	41.2	15.6	-6.6	:	:	-8.8	-6.6	:	-2.0	0.0	:
Exchange rate ISK/EUR ^{4.5}	Value	87.8	87.7	127.6	172.2	161.6	:	:	158.6	164.1	163.2	165.5	163.9	160.4
Nominal eff. exchange rate ^{4.6}	Index	89.5	90.9	65.9	47.6	48.7	:	:	49.3	48.4	:	47.8	48.2	:
5 Financial indicators														
Interest rate (3 months) ^{5.1}	% p.a.	12.35	14.28	15.84	11.28	6.79	:	:	4.04	4.00	4.28	4.00	4.27	4.56
Bond yield ^{5.2}	% p.a.	9.21	N.A.	11.00	8.15	5.38	:	:	5.01	5.76	5.29	5.63	5.22	5.03
Stock markets ^{5.3}	Index	5 494	7 017	3 510	465	563	:	:	611	620	602	624	605	577
Credit growth ^{5.4}	Ann. % ch	45.5	27.3	-34.0	-8.5	-3.0	:	:	-3.6	-3.0	:	-1.3	-1.7	:
Deposit growth ^{5.5}	Ann. % ch	19.9	36.5	31.5	-1.3	-7.1	:	:	-9.4	-7.3	:	-2.5	-0.4	:
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	-9.9	-10.1	-4.9	-3.6	-4.4	-5.9	:	N.A.	N.A.	N.A.
General government debt ^{6.2}	% of GDP	30.1	28.6	70.4	106.6	124.3	94.3	93.0	:	:	:	N.A.	N.A.	N.A.

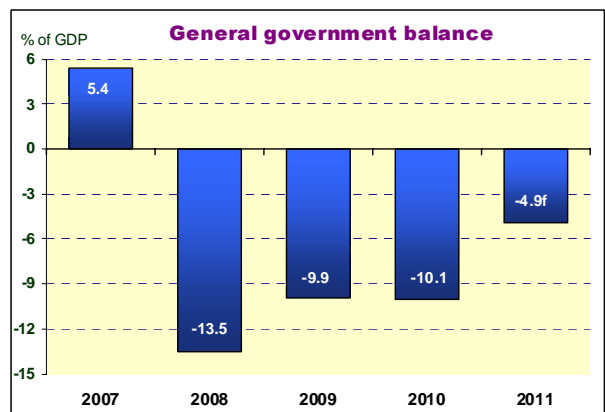
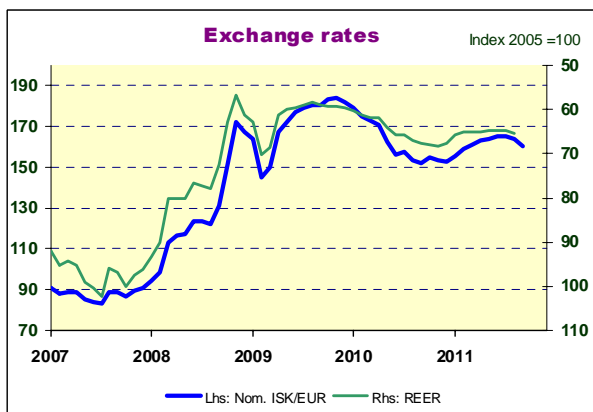
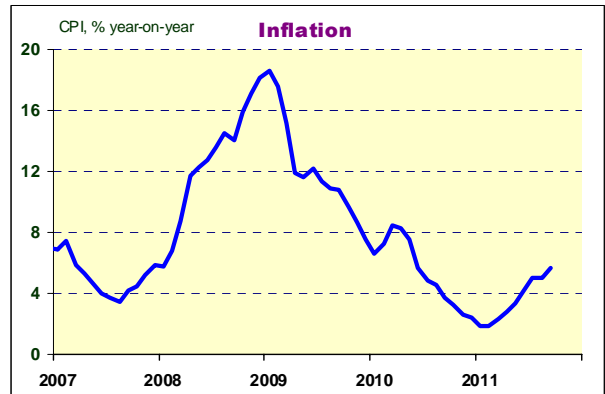
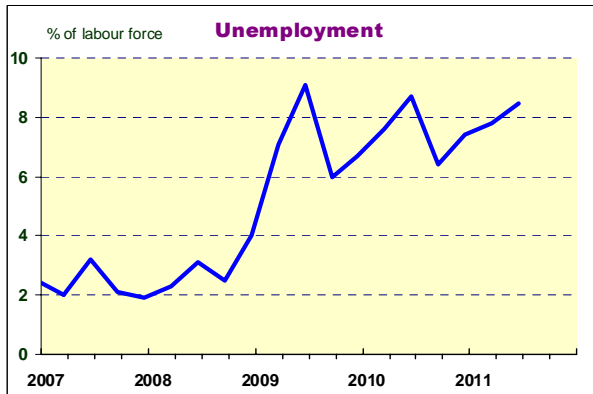
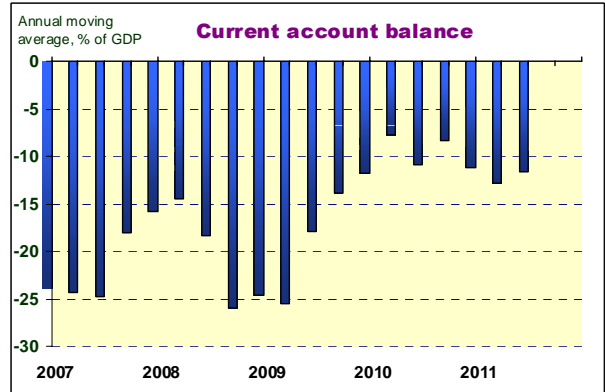
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CHARTS

European Commission, ECFIN-D-1



ICELAND





Key developments

In July, Montenegro finalised negotiations with EFTA on a free trade agreement expected to be signed in November and to come into force in July 2012.

On 8 September, the parliament adopted amendments to the electoral law, which was one of the seven key priorities to be met in view of opening EU accession negotiations.

The government adopted in September the draft law on recognition of foreign qualifications. The bill should help to improve the procedure of recognition and transferability of foreign qualification levels.

Montenegro and Serbia initialled in September a border-crossing agreement concerning road and railway transport. The agreement will provide for the introduction of joint border checkpoints.

Real sector

The Montenegrin economy continued to register moderate growth in 2011. Following a growth rate of 2.5% in 2010, the economy grew by 2.5% in the first half of 2011, according to Central Bank (CBCG) estimates. The government estimates growth at 2.1%.

In the first eight months of 2011, industrial production contracted on average by 6.6% year-on-year. By sectors, manufacturing expanded by 12% year-on-year on average, and mining by 2.7%. However, utilities contracted by 28% during the same period, due to base effects. Retail sales increased by 18% year-on-year in August, bringing average growth in the first eight months to 19%.

Labour market

The unemployment rate increased marginally in September to 11.1%. In the first nine months of 2011, the Employment Agency reported around 15,700 newly employed workers as well as a similar number of work permits to non-residents. However, employment still contracted on average by 1% during the first seven months of 2011.

Average gross wages in Montenegro contracted by 5.7% year-on-year in August, compared with a 2% annual rise recorded a month earlier. In the first eight months of the year, average wages increased by 2.3%, compared to 0.4% in 2010. The average net salary in August was EUR 475. Some sectors like fishing, hotels and restaurants as well as financial intermediation witnessed annual wage increases, while others, like construction, real estate and utilities recorded lower wages.

External sector

The current account deficit narrowed by 12.5% year-on-year in the first half of 2011, to 22.7% of GDP in annualised terms. The improvement was mainly driven by a widening surplus on the services and income accounts. However, in the first eight months of 2011 the trade deficit reached EUR 770 million, or 24% of full-year GDP, a level similar to the previous year. Imports increased by less than 10%, while exports grew by 44%, driven by the increase of sales to Hungary, Italy, Slovenia, Serbia and Croatia. Exports of aluminium increased by 60% year-on-year, and other metals like steel, copper, and lead, recorded annual growth of some 30%. Aluminium accounts for 46% of total exports while other metal represent altogether 10%. The share of electricity and mineral fuels exports kept rising, reaching 15% of total exports, compared with 10% a year earlier. Services recorded steady growth during the summer season, with tourist arrivals increasing by 7.3% year-on-year in the first eight months of 2011, while overnight stays rose by 9.5%.

Net FDI fell by 38% year-on-year in the first seven months of 2011, totalling some 7% of the projected GDP for the year. 33% of total FDI inflows represented real estate operations, 41% investments in companies and banks and 22% intercompany debt. Total FDI outflows represented less than 2% of GDP, of which, 69% referred to withdrawal of funds invested in domestic companies and banks.

Monetary developments

In July 2011 the Central Bank adopted a new decision on capital adequacy providing new guidelines to calculate banks' own funds as well as to assess different risks. It also adopted a new decision lowering mandatory reserves. The former 10% reserves ratio for deposits was reduced to 9.5% for deposits with maturities up to one year, and to 8.5% for those with higher maturities.

Annual consumer price inflation increased from 2.3% in the first quarter of 2011 to 3.6% in the second, and dropped to 3% in July to re-accelerate to 3.6% in August. The rise in inflation over 2011 so far was mainly due to the rise of excises on alcohol and tobacco, as well as the impact of international oil prices on transport.

Financial sector

The weighted average effective interest rate on loans rose to 9.72% in July 2011, compared to 9.57% a year before, while the weighted average interest rate for deposits decreased to 3.16% from 3.72% a year earlier.

Bank lending contracted by 12% year-on-year in July, bringing the average growth of lending in the first seven months to -10.8%. The strong drop in lending led to a significant fall in the credit-to-GDP ratio. The total credit extended by commercial banks represented 64% of GDP in July, compared to 77% a year earlier.

Bank deposits increased by 1.6% year-on-year in July and by 1.5% in the first seven months. The growth was mainly driven by the increase of households' savings (by 12% year-on-year), which reached almost pre-crisis levels (EUR 1 billion). Deposits from entrepreneurs as well as from central and local government also recorded positive growth rates.

Banks' capital contracted by 10.5% year-on-year in the first half of 2011, bringing the capital adequacy ratio down to 15.3% in June 2011 compared to 15.9% at the end of 2010. Banks recorded an aggregated loss of EUR 9 million by the end of June. The aggregate return on assets as well as on equity remained negative at -0.6% and -6.3% respectively. The ratio of non-performing loans remained very high at 25.3% of total loans at the end of June.

The largest bank operating in the country, Crnogorska Komercijalna Banka AD (CKB)

increased its capital in September by 9.4% to EUR 107 million.

Market capitalisation of the Montenegro stock exchange rose by 25% year-on-year in September. However, both the MONEX20 index as well as the bourse's turnover contracted by almost 18% during the same period. In the first half of 2011 the insurance market expanded by 4.5% year-on-year. Life insurance gross premiums increased by 8.7% over the year while general insurance premiums augmented by 3.8%.

Fiscal developments

The consolidated budget recorded a deficit of 1.3% of full-year GDP in the first half of 2011. General government revenues decreased by 3.9% year-on-year, totalling EUR 341 million, or 10.7% of GDP. Revenues from corporate income tax and from excises increased particularly strongly, by 64% and 14.6% year-on-year, respectively, while income from VAT rose by only 1%. By contrast, revenues from personal income tax decreased by 8% and from real estate tax dropped by 26% year-on-year. Total spending increased by 2.8% year-on-year in the first half of 2011. However, current expenditures increased much faster, by 17.7% driven by the sharp increase of gross wages and other personal income, as well as from social protection transfers, mostly related to pensions. Consolidation efforts largely focused on investment spending, which contracted in the first half of 2011 by 29% year-on-year.

Preliminary data points to a positive balance of the budget in the month of August of some EUR 18 million, after recording a deficit of EUR 9 million in July. However, the aggregated results for the first eight months of 2011 still present a deficit of 1.3% of GDP, in the wake of higher social expenditures as revenues remained at similar levels as a year before. However, the level of tax arrears is not yet available.

The stock of public debt contracted in August 2011 to 43.1% of GDP from 44.9% peak in June. The share of domestic debt in total public debt decreased from 28.2% at the end of 2010, to 24.5% in August 2011, while the external one increased from 71.8% to 75.5%.

TABLE



European Commission, ECFIN-D-1

MONTENEGRO

		2006	2007	2008	2009	2010	ECFIN Forecast		Q1 11	Q2 11	Q3 11	Jul 11	Aug 11	Sep 11
							2011	2012						
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	:	:	0.0	-21.2	:	0.2	18.0	:
Gross domestic product ^{1.3}	Ann. % ch	8.6	10.7	6.9	-5.7	2.5	2.4	4.0	:	:	:	N.A.	N.A.	N.A.
Private consumption ^{1.4}	Ann. % ch	:	:	:	-7.7	4.2	4.7	6.1	:	:	:	N.A.	N.A.	N.A.
Gross fixed capital formation ^{1.5}	Ann. % ch	:	:	:	-25.3	-21.2	7.1	12.1	:	:	:	N.A.	N.A.	N.A.
Construction index ^{1.6}	Ann. % ch	N.A.	-3.2	45.7	-21.5	13.1	:	:	22.5	35.7	:	N.A.	N.A.	N.A.
Retail sales ^{1.7}	Ann. % ch	N.A.	40.8	22.3	-9.0	1.6	:	:	18.7	14.1	:	36.0	17.9	:
2 Labour market														
Unemployment ^{2.1}	%	14.7	11.9	10.7	11.4	12.2	:	:	12.4	11.3	11.0	11.0	11.0	11.1
Employment ^{2.2}	Ann. % ch	4.5	3.7	6.3	4.8	-7.1	:	:	-7.8	3.1	:	6.5	:	:
Wages ^{2.3}	Ann. % ch	15.6	14.2	22.8	5.7	11.0	5.1	3.8	7.8	0.0	:	2.0	-5.7	:
3 External sector														
Exports of goods ^{3.1}	Ann. % ch	40.7	-20.4	-12.7	-34.2	20.3	:	:	91.8	15.9	:	14.6	41.8	:
Imports of goods ^{3.2}	Ann. % ch	53.7	39.6	22.1	-34.6	0.3	:	:	13.1	9.7	:	2.3	11.1	:
Trade balance ^{3.3}	% of GDP	-39.5	-58.7	-68.1	-46.0	-42.4	-45.0	-49.6	-41.7	-42.3	:	N.A.	N.A.	N.A.
Exports goods and services ^{3.4}	% of GDP	49.4	44.4	39.5	32.1	34.7	:	:	:	:	:	N.A.	N.A.	N.A.
Imports goods and services ^{3.5}	% of GDP	79.1	86.7	94.0	65.4	63.1	:	:	:	:	:	N.A.	N.A.	N.A.
Current account balance ^{3.6}	% of GDP	-24.7	-39.6	-51.3	-30.1	-25.1	-27.3	-31.0	-23.3	-22.7	:	N.A.	N.A.	N.A.
Direct investment (FDI, net) ^{3.7}	% of GDP	21.7	20.8	18.9	35.8	17.5	:	:	16.9	12.9	:	N.A.	N.A.	N.A.
International reserves ^{3.8}	mio EUR	310.3	467.9	313.0	397.5	416.4	:	:	307.8	409.9	:	382.9	:	:
Int. reserves / months Imp ^{3.9}	Ratio	N.A.	3.3	1.5	2.9	3.0	:	:	2.2	2.8	:	2.6	:	:
4 Monetary developments														
CPI ^{4.1}	Ann. % ch	3.0	4.3	7.4	3.4	0.5	3.7	2.2	2.3	3.6	:	3.0	3.6	:
Producer prices ^{4.2}	Ann. % ch	3.1	8.5	14.0	-3.8	-0.7	:	:	4.3	2.9	:	3.6	3.2	:
Food prices ^{4.3}	Ann. % ch	N.A.	N.A.	9.0	3.3	0.3	:	:	3.5	5.3	:	2.3	2.4	:
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	:	:	:	:	:	:	:	:	2.27	:	:	2.27
Bond yield ^{5.2}	% p.a.	1.17	0.90	:	3.63	3.37	:	:	2.69	2.72	2.58	:	2.58	:
Stock markets ^{5.3}	Index	14406	36159	19947	13303	13993	:	:	14298	12317	11109	11396	10877	11053
Credit growth ^{5.4}	Ann. % ch	125.3	165.1	24.6	-14.3	-8.2	:	:	-11.2	-12.4	:	-12.1	:	:
Deposit growth ^{5.5}	Ann. % ch	120.5	94.4	-4.8	-8.3	-1.9	:	:	0.9	1.6	:	1.6	:	:
Non-performing loans ^{5.6}	% of total	7.6	3.7	7.2	13.5	21.0	:	:	23.2	25.3	:	N.A.	N.A.	N.A.
6 Fiscal developments														
General government balance ^{6.1}	% of GDP	3.4	6.6	0.5	-4.4	-5.0	-3.1	-0.1	-1.7	-1.6	:	N.A.	N.A.	N.A.
General government debt ^{6.2}	% of GDP	32.6	27.5	29.0	38.2	40.9	44.7	42.7	40.1	44.9	:	44.2	43.1	:

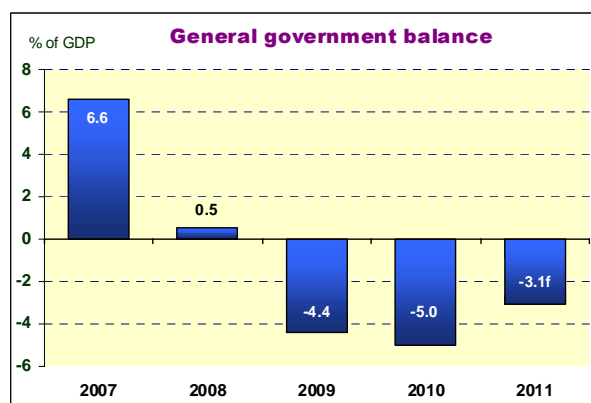
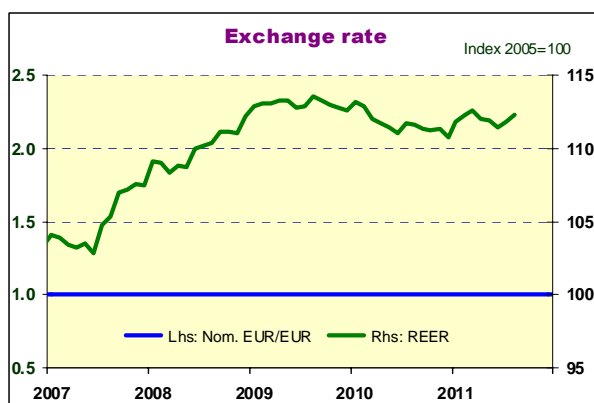
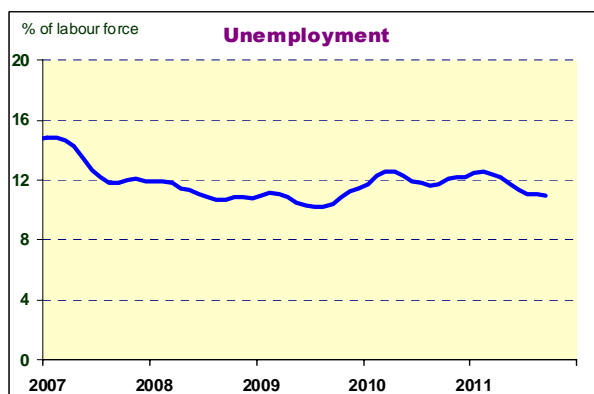
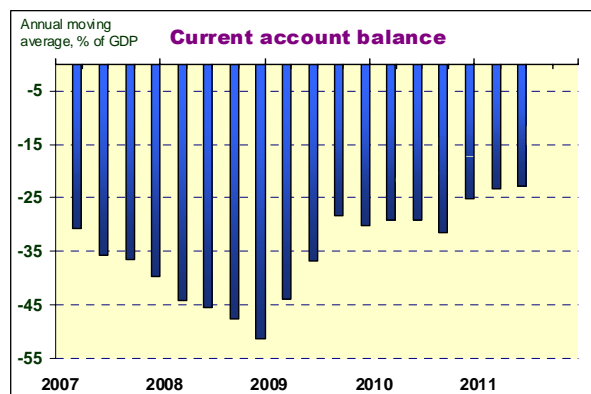
f: ECFIN forecast Spring 2011

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European Commission, ECFIN-D-1



MONTENEGRO



TURKEY



Key developments

The government's Medium-Term Programme (MTP) for 2012-14 will be published by mid-October. It comprises macroeconomic projections and sets out a medium-term fiscal framework for the 2012 budget bill to be presented to the parliament later in the month.

The Privatisation Administration has invited bids for the rights to manage all of Turkey's toll roads and the two Bosphorus bridges for a 25-years period.

Real Sector

After a steep recovery in 2010 when the Turkish economy grew by 9% year on year, rapid economic expansion continued with a 10.2% year-on-year GDP growth in the first half of 2011. In the second quarter, the pace of economic growth slowed to a still-robust 8.8% year-on-year, down from 11.6% in the preceding quarter. On a seasonally and calendar-adjusted basis, the rise in GDP during the second quarter was 1.3%, down from 1.7% in the first quarter and 3.6% in the fourth quarter of 2010. The rapid growth in domestic demand has been met in part through rising imports of goods and services which continued in the second quarter of 2011, when exports rose by only 0.2% year on year, whereas imports grew by 18.8%.

Strong private-sector demand, boosted by low interest rates, remained the main driver of growth. Private consumption grew by 9.2% year on year during the second quarter of 2011, down from 12.4% in the first quarter, and private fixed investment registered growth of 33.5% compared with 38% in January-March. Government consumption growth was more moderate but accelerated in the second quarter compared with the first, possibly owing to the effect of the June parliamentary elections.

Most sectors of the economy recorded a slowdown in growth in the second quarter.

Gross value added in manufacturing, the largest sector, accounting for 16.4% of GDP, grew by 8% year on year, compared with 13.7% during the first quarter.

High frequency indicators (in particular confidence) are increasingly affected by financial market volatility and the slowdown in the global activity.

Labour market

In tandem with the robust economic expansion, unemployment fell by 1.3 percentage points on an annual basis, and stood at 9.2% as of June 2011, back to its pre-crisis 2008 levels. The pace of monthly improvements is declining more or less in line with the slowdown in industrial production. In the previous year, the Turkish economy created some 1.4 million new jobs, 73.5% being in the non-farm sectors.

Youth unemployment still sails at high levels, at around 18%. The labour force participation and employment rates are the highest since 2002. Nevertheless, substantial gender disparities in labour markets persist and female employment remains particularly low, at about 20%, compared with over 60% for men.

External sector

The current-account deficit remains high, reflecting a large merchandise trade deficit, which in turn is mainly attributable to the impact of strong domestic demand and high oil prices on the import bill. In the first half of 2011, the current-account deficit more than doubled compared with a year earlier, reaching EUR 35billion, or about 8% of GDP. In July, the monthly current-account deficit was relatively low by recent standards, although still 50% higher than a year earlier, at EUR 4 billion. This improvement was partly attributable to an increase in the services surplus owing to strong seasonal tourism receipts. At almost EUR 2.5 billion, gross monthly travel credits were 20% higher than in July 2010. In addition, the

merchandise trade deficit, as shown in the balance-of-payments statistics, was lower than in the previous two months, at just under EUR 6 billion. Exports were quite strong, at EUR 8 billion, while imports remained slightly below the average for the previous four months, at EUR 15 billion. A more competitive lira and slowing domestic demand, as well as continuing strong tourism receipts, may help to temper the current-account deficit during the remainder of 2011. Nevertheless, as a proportion of GDP, the deficit for 2011 will be significantly higher than the 6.5% of GDP recorded in 2010.

Monetary developments

Concerns about Turkey's growing current-account deficit coupled with strong short-term capital inflows and their impact on the country's financial stability continued to make the central bank of Turkey's task of setting monetary policy highly challenging. In early August, the bank cut its main policy rate (the weekly repo lending rate) from 6.25% to 5.75% and raised its main overnight borrowing rate from 1.5% to 5%, citing the risk of recession owing to the problems of the world economy. At the same time, the bank began to hold daily foreign-exchange auctions to limit the decline in the value of the lira. In early October, the bank reduced the reserve requirement ratio for FX deposits by some 0.5%, providing extra FX liquidity to markets. The exchange rate TRY/USD hit 1.90 while TRY/EUR remained at 2.50, unchanged since August, but down by 25% since 2010.

Consumer prices rose by 6.2% in the year to September 2011. This compares with an official target of 5.5% for the end of 2011, with a tolerance band of ± 2 percentage points. Core inflation, which excludes unprocessed foods, energy, tobacco products, alcoholic drinks and gold, rose to 7% in September. Although consumer demand is assumed to be weakening, annual inflation may continue to edge higher in the remainder of 2011, as the impact of the weak lira continues to be felt in various sectors, possibly including electricity and gas.

Financial sector

Turkish financial markets appear to have stabilised following the global turmoil of late July-early August. Having fallen by almost 20% in the first week of August, the main Istanbul Stock Exchange index staged a partial recovery,

reaching 57,000 in early October, compared with 50,000 in mid-August. At this level, the index was still 12.3% lower in local-currency terms than at the end of 2010 and 17.4% off its peak in early May 2011.

The yield on the benchmark domestic government bond, maturing in May 2013, fell below 8% in mid-August and stabilised at 7.7% in September-October, amid expectations of further monetary policy easing. The growth in the volume of outstanding bank credit was slowing, and the target of 25%, set earlier in 2011 at a time of concern over the impact of rapid credit growth and related consumer expenditure on the current-account deficit, becomes more and more realistic. According to central bank's figures, domestic loans of deposit-money banks, which account for over 90% of all domestic bank credit, had risen by 27% to EUR 200bn year to date as of end-August, with lira-denominated loans up by 22%, at EUR 100bn, and foreign exchange-denominated loans up 47%, at EUR 50bn.

Fiscal developments

Thanks primarily to cyclical factors, Turkey reports strong fiscal results, with the overall budget balance improving on an annual basis due to a surge in tax revenues and falling interest expenditures. Non-interest expenditures have increased 11.5% year-on-year in the January-August period, while budget revenues were up 17.7% year-on-year, in part as a result of a tax amnesty announced in June. Interest expenditures were down 10% year-to-date in 2011 compared to 2010.

The budget deficit target for 2011 amounts to 2.8% of GDP compared with a deficit of 3.6% in 2010. Since 2009, public debt fell significantly and currently amounts to about 40% of GDP.

TABLE



TURKEY

European Commission, ECFIN-D-1

							ECFIN Forecast							
		2006	2007	2008	2009	2010	2011	2012	Q1 11	Q2 11	Q3 11	Jul 11	Aug 11	Sep 11
1 Real sector														
Industrial confidence ^{1.1}	Balance	102.4	111.5	90.1	87.3	110.3	:	:	113.1	116.2	112.1	114.1	109.8	112.4
Industrial production ^{1.2}	Ann. % ch	7.3	7.0	-0.6	-9.9	13.1	:	:	14.2	7.9	:	6.9	:	:
Gross domestic product ^{1.3}	Ann. % ch	6.9	4.7	0.7	-4.8	9.0	6.1	5.5	11.6	8.8	:	N.A.	N.A.	N.A.
Private consumption ^{1.4}	Ann. % ch	4.6	5.5	-0.3	-2.3	6.7	5.1	4.3	12.4	9.2	:	N.A.	N.A.	N.A.
Gross fixed capital formation ^{1.5}	Ann. % ch	13.3	3.1	-6.2	-19.0	29.9	15.0	5.1	33.6	28.9	:	N.A.	N.A.	N.A.
Construction index ^{1.6}	Ann. % ch	38.7	9.8	-4.4	-7.9	77.4	:	:	-10.2	-6.1	:	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	10.2	9.8	11.5	9.4	:	:	:	:
Employment ^{2.2}	Ann. % ch	-0.4	-3.6	1.3	0.4	6.2	0.9	1.4	7.2	6.0	:	:	:	:
Wages ^{2.3}	Ann. % ch	10.9	9.8	11.7	9.9	10.8	7.0	4.9	8.2	:	:	:	:	:
3 External sector														
Exports of goods ^{3.1}	Ann. % ch	14.8	14.9	14.8	-18.2	17.5	:	:	21.9	4.8	:	11.1	18.9	:
Imports of goods ^{3.2}	Ann. % ch	17.7	11.6	10.4	-26.3	39.2	:	:	46.8	25.1	:	16.4	13.6	:
Trade balance ^{3.3}	% of GDP	-7.8	-7.2	-7.1	-4.0	-7.7	-10.3	-10.4	-9.0	-10.4	:	N.A.	N.A.	N.A.
Exports goods and services ^{3.4}	% of GDP	22.7	22.3	23.9	23.3	21.1	:	:	21.3	21.4	:	N.A.	N.A.	N.A.
Imports goods and services ^{3.5}	% of GDP	27.6	27.5	28.3	24.4	26.6	:	:	28.2	29.6	:	N.A.	N.A.	N.A.
Current account balance ^{3.6}	% of GDP	-6.1	-5.9	-5.6	-2.3	-6.5	-7.7	-8.1	-7.9	-9.2	:	N.A.	N.A.	N.A.
Direct investment (FDI, net) ^{3.7}	% of GDP	3.6	3.1	2.3	1.1	1.1	:	:	1.3	1.3	:	N.A.	N.A.	N.A.
International reserves ^{3.8}	bio EUR	68.8	74.4	84.8	75.0	80.3	:	:	81.1	80.6	:	83.3	:	:
Int. reserves / months Imp ^{3.9}	Ratio	7.4	7.2	7.4	8.9	6.9	:	:	6.4	6.0	:	6.1	:	:
4 Monetary developments														
CPI ^{4.1}	Ann. % ch	9.6	8.8	10.4	6.3	8.6	6.5	5.5	4.3	5.9	6.4	6.3	6.7	6.2
Producer prices ^{4.2}	Ann. % ch	9.3	6.3	12.7	1.2	8.5	:	:	10.6	9.3	11.2	10.3	11.0	12.1
Food prices ^{4.3}	Ann. % ch	9.7	12.4	12.8	8.0	10.6	:	:	5.0	7.8	5.2	7.6	6.0	2.2
M4 ^{4.4}	Ann. % ch	32.9	17.8	23.7	17.4	21.2	:	:	25.1	23.8	:	21.4	23.1	:
Exchange rate TRY/EUR ^{4.5}	Value	1.80	1.78	1.91	2.16	2.00	:	:	2.16	2.25	2.45	2.37	2.51	2.47
Nominal eff. exchange rate ^{4.6}	Index	26.18	26.73	25.77	23.24	24.33	:	:	:	:	:	:	:	:
5 Financial indicators														
Interest rate (3 months) ^{5.1}	% p.a.	18.07	18.85	18.04	10.68	7.95	:	:	8.00	8.50	8.71	9.09	8.62	8.43
Bond yield ^{5.2}	% p.a.	:	18.13	19.30	11.66	8.47	:	:	8.26	8.79	8.42	8.92	8.18	8.16
Stock markets ^{5.3}	Index	39 867	48 270	37 582	37 510	59 484	:	:	64 676	65 453	58 108	62 435	54 597	57 292
Credit growth ^{5.4}	Ann. % ch	48.6	28.6	31.5	8.0	29.5	:	:	43.7	43.6	:	42.4	44.7	:
Deposit growth ^{5.5}	Ann. % ch	33.1	17.7	21.8	18.0	18.0	:	:	20.4	19.4	:	18.3	20.4	:
Non-performing loans ^{5.6}	% total	5.2	4.7	4.2	6.4	5.8	:	:	4.2	3.7	:	3.4	3.4	:
6 Fiscal developments														
General government balance ^{6.1}	% of GDP	-0.1	-1.0	-2.2	-5.7	-3.6	-2.8	-2.2	:	:	:	N.A.	N.A.	N.A.
General government debt ^{6.2}	% of GDP	46.1	39.4	39.5	45.5	41.6	40.1	38.5	:	:	:	N.A.	N.A.	N.A.

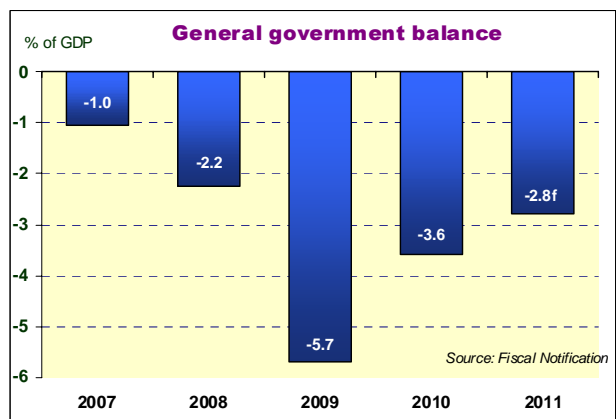
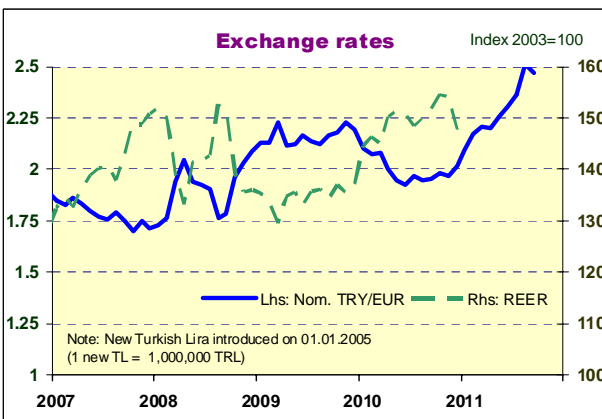
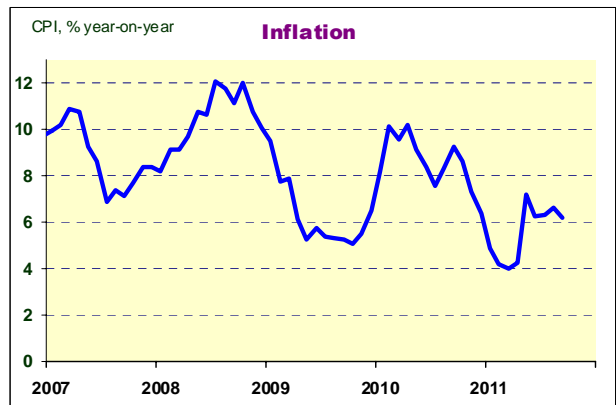
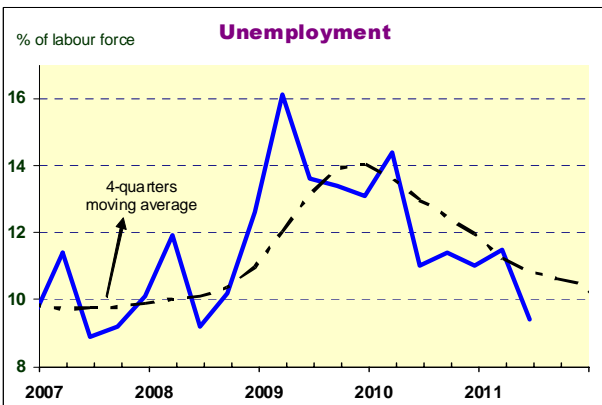
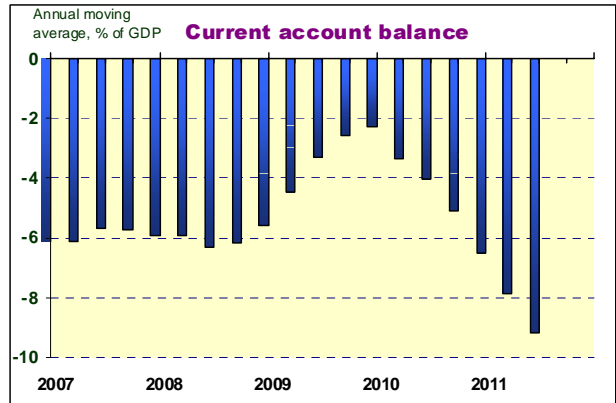
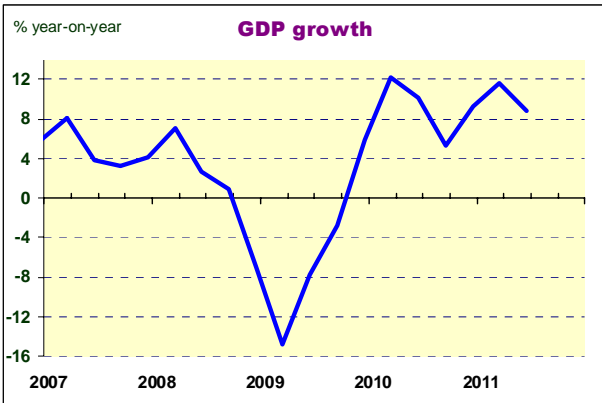
f: ECFIN forecast Spring 2011

CHARTS

European Commission, ECFIN-D-1



TURKEY





Key developments

In July 2011, the government decided to re-balance the 2011 budget, prompted by lower than planned revenue reflecting over-optimistic projections and underperforming indirect tax receipts amid sluggish domestic demand. The revised budget envisages a reduction in revenue and expenditure, mainly as a result of lower capital outlays and spending on maintenance, while keeping the 2011 deficit target unchanged at 3.5% of GDP.

Real sector

Survey results published by the Bank of Albania (BoA) show an improvement in the economic sentiment in the second quarter of 2011. This outcome is due to strengthened confidence in the services sector and among consumers. The latter reflects favourable expectations for the households' future financial situation. Industry, facing lower external demand in the second quarter, registered a worsening sentiment. Similarly, confidence in construction deteriorated in the second quarter suggesting that, looking forward, operators foresee weak demand. This is reflected in a deceleration in the construction index to 0.2% in the second quarter down from 0.5% in the first three months of 2011.

Labour market

Data for the second quarter of 2011 show an improvement in labour market conditions. Employment growth increased to 2.7% year on year, from 2.2% in the first trimester mainly on the back of a 6.5% year on year rise in private non-agriculture jobs. Employment with the public sector continued to decline. The rate of unemployment fell slightly to 13.3% from 13.5% in the first quarter and 13.8% in the same quarter of last year.

In the second quarter of 2011, public administration salaries increased by 6.3% year on year, down from 8.3% in the first three months. In July, the government granted a raise in public service salaries which peaks at 4.5% for health and education sectors and around 2-

3% for the remaining civil service staff. At the same time, the minimum monthly wage was raised by 5.2% to EUR 144.

External sector

The current account deficit deteriorated significantly in the first half of 2011, increasing by around 34% year on year. The widening external deficit reflects a deterioration in the goods and services accounts and lower workers' remittances. In the four quarters to end-June, the current account deficit rose to 13.3% of projected GDP, from 11.9% in 2010.

Merchandise exports increased by slightly less than 18% year on year in the first six months, which was insufficient to offset a higher level of imports. Foreign sales of goods decelerated in the second quarter reflecting a decline in electricity exports and lower global commodity prices which dampened the export value of sectors such as construction materials, minerals and fuels. Exports of goods continued to increase in July and August. Imports of goods rose by some 13% in the first half of 2011, boosted by higher import of fuel as well as machinery and equipment. Increases were also recorded in import of food which, especially in the first quarter, reflected higher global prices. Imports of goods moderated somewhat in July and August.

The deficit on the services account increased sizeably primarily due to a deterioration in the tourism account. Earnings from tourism fell by around 2.5% year on year, despite an increase in the reported number of inbound visitors. Meanwhile, in the first half of 2011, tourism outflows rose by almost 14%, year on year. Current transfers fell weighed down by the continued downward trend in workers' remittances which fell by 11% compared to the same period a year before.

Net FDI declined by some 10% year on year in the first half of 2011, reflecting a base effect and the repatriation of a significant amount of foreign capital, both occurring in the first quarter. Net borrowing fell by around 30% year on year in the first half of 2011.

The balance of payments was in deficit in the

first half of 2011 which led to a corresponding fall in reserves of some EUR 79 million. Foreign reserves in the second quarter of 2011 provided 4.2 months of import cover. Gross external debt stood at EUR 3.8 billion in the second quarter of 2011, representing a year on year increase of 6.8%. Government long-term borrowing constitutes some 51% of gross external debt.

Monetary developments

The annual growth of the monetary aggregate M2 accelerated significantly during the second quarter of 2011 rising to 7.1% from 5.6% in the first trimester. Thereafter, the pace of M2 growth decelerated to 6.7% and 6.3% in July and August, respectively.

Inflation peaked at 4.5% (year on year) in February 2011 and receded thereafter to 3.1% in August, around the mid-point of the Bank of Albania's (BoA) target range of 2-4%. The main contributor to the decline in inflation was the arrival of local agricultural produce which helped to mitigate the higher imported food prices. Significant declines were also recorded in prices for tobacco and medical care.

On the back of easing inflationary pressures, the Supervisory Council of the BoA decided to cut the key repo rate by 25 basis points to 5% in September. In the third quarter of 2011, the Albanian currency appreciated by 1.2% vis-à-vis the euro but depreciated by almost 7% against the US dollar compared to the previous quarter.

Financial sector

Interest rates on deposits generally continued to decline in the first eight months of 2011. Compared to end-2009, the decline has been more pronounced for the 36-month interest rate which fell by 34 basis points to 6.6% by August 2011. The upward trend in the average yield of the 12-month Treasury bills, which started in February 2011, appears to have stabilised at 7.7% in September.

Deposits grew by some 16% year on year in the second quarter, practically unchanged from the previous three-month period. In July and August, the pace of deposit growth slowed somewhat to 15.2% and 13.7%, respectively. Foreign-currency deposits posted the strongest increase reaching 16% in August, against 11% for deposits denominated in lek.

Credit growth accelerated in the second trimester to 11% up from 9.6% in the first quarter. Lending growth continued to rise in July and August by 12.5% and 12.8%, respectively. Credit to the private sector accelerated from 15.9% year on year in March 2011 to 19.4% in August. Household lending grew at a faster pace, doubling from 2.7% in March to 5.4% in August, year on year.

The loan-to-deposit ratio stood at 60.1% in August 2011 with relatively higher levels for foreign currency denominations (82.9%), whereas the ratio for loans and deposits denominated in lek remained below 40%. The upward trend in external borrowing by the banking sector recorded in the first five months of 2011 continued and stood at 6.4% in August 2011.

The quality of bank loans continued to deteriorate with the share of non-performing loans as a percentage of total loans rising to 16.6% during the second quarter of 2011. During the same period, profitability indicators remained generally stable while the capital adequacy ratio declined marginally to 14.6%, still above the BoA minimum requirement of 12%.

Fiscal developments

According to cash-based government finance data, total revenue in the period January-August 2011 increased by 2.2%, year on year. Revenue from VAT and excise taxes - the major components of tax receipts - rose by 0.4% and 3.2%, respectively. Social contributions increased by slightly more than 5%, reflecting improved labour market conditions.

Total expenditure increased by 5.2% year on year in the period January-August. Current expenditure rose by almost 4%, mainly due to higher spending in operations and maintenance, subsidies and public service wages. Capital outlays increased by 2.8%.

As a result of these developments, the budget deficit in the period January-August 2011 widened by some 1.3 times to Lek 30.6 million from Lek 23.2 million in the same period of 2010. The deficit for the first eight months of 2011 was some 4% lower than planned. Almost 80% of the deficit was financed from domestic sources.

TABLE

European Commission, ECFIN-D-1



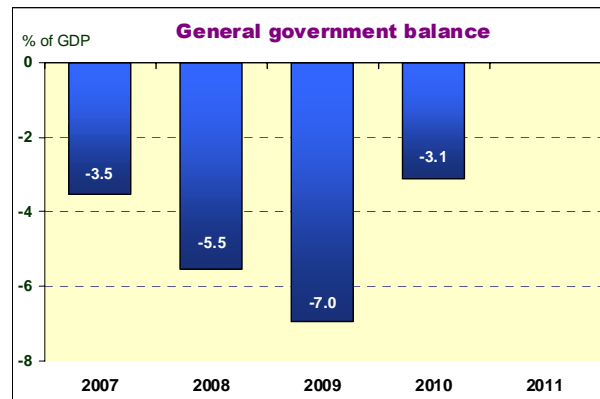
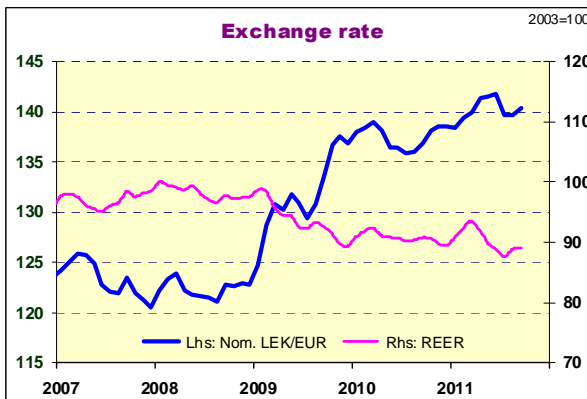
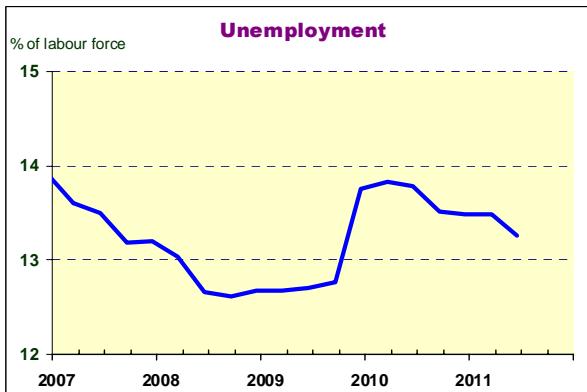
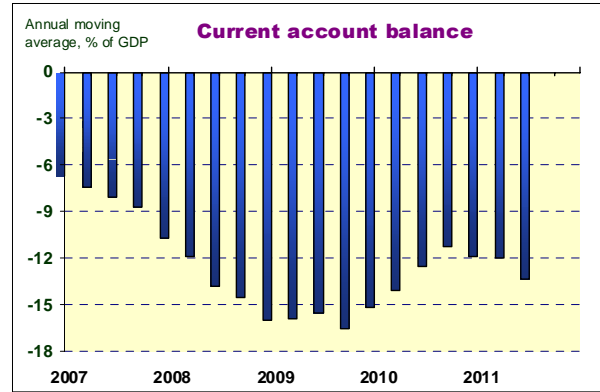
ALBANIA

		2006	2007	2008	2009	2010	Q1 11	Q2 11	Q3 11	Jul 11	Aug 11	Sep 11
1 Real sector												
Industrial confidence ^{1.1}	Percent	3.8	0.9	0.4	-13.4	-5.9	0.3	-6.6	:	N.A.	N.A.	N.A.
Industrial production ^{1.2}	Ann. % ch	12.1	-9.7	8.7	7.2	:	:	:	:	:	:	:
Gross domestic product ^{1.3}	Ann. % ch	5.4	5.9	7.5	3.3	4.1	3.4	:	:	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	:	:	:	0.0	0.3	0.5	0.2	:	N.A.	N.A.	N.A.
Retail sales ^{1.7}	Ann. % ch	N.A.	10.9	23.7	-1.7	0.2	-6.0	:	:	N.A.	N.A.	N.A.
2 Labour market												
Unemployment ^{2.1}	%	13.9	13.4	12.8	13.0	13.7	13.5	13.3	:	:	:	:
Employment ^{2.2}	Ann. % ch	0.2	0.2	2.9	-0.8	-4.7	2.2	2.7	:	:	:	:
Wages ^{2.3}	Ann. % ch	7.5	17.1	8.3	11.9	6.7	8.3	6.3	:	:	:	:
3 External sector												
Exports of goods ^{3.1}	Ann. % ch	18.0	25.0	15.7	-11.8	62.5	46.1	0.5	:	32.4	38.3	:
Imports of goods ^{3.2}	Ann. % ch	14.9	26.5	16.4	-1.9	11.3	16.5	14.9	:	7.5	14.8	:
Trade balance ^{3.3}	% of GDP	-23.1	-26.8	-27.3	-26.4	-23.4	-23.3	-24.1	:	N.A.	N.A.	N.A.
Exports goods and services ^{3.4}	% of GDP	24.9	28.1	29.2	28.9	32.2	34.0	33.4	:	N.A.	N.A.	N.A.
Imports goods and services ^{3.5}	% of GDP	48.4	54.6	55.7	53.2	53.6	55.6	56.1	:	N.A.	N.A.	N.A.
Current account balance ^{3.6}	% of GDP	-6.6	-10.5	-15.5	-15.1	-11.9	-12.0	-13.3	:	N.A.	N.A.	N.A.
Direct investment (FDI, net) ^{3.7}	% of GDP	3.5	5.9	6.9	7.7	9.4	8.1	8.9	:	N.A.	N.A.	N.A.
International reserves ^{3.8}	mio EUR	1305.8	1418.7	1638.9	1567.4	1825.3	1710.8	1695.0	:	1721.4	1746.8	:
Int. reserves / months Imp ^{3.9}	Ratio	6.8	5.9	5.9	6.2	6.7	6.1	5.9	:	:	:	:
4 Monetary developments												
CPI ^{4.1}	Ann. % ch	2.4	2.9	3.4	2.3	3.6	4.0	4.1	:	3.6	3.1	:
Producer prices ^{4.2}	Ann. % ch	0.8	3.5	6.5	-1.7	0.3	3.1	3.3	:	:	:	:
Food prices ^{4.3}	Ann. % ch	N.A.	3.0	5.2	4.9	4.8	5.8	6.1	:	5.3	4.3	:
M2 ^{4.4}	Ann. % ch	7.4	9.6	7.4	8.7	4.5	5.6	7.1	:	6.7	6.3	:
Exchange rate LEK/EUR ^{4.5}	Value	122.76	123.31	122.39	131.82	137.48	139.18	141.52	139.84	139.59	139.66	140.28
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.	:	:	:	:	:	5.65	:
Bond yield ^{5.2}	% p.a.	7.18	8.22	8.43	9.24	8.55	7.47	7.92	8.38	8.30	8.45	8.40
Stock markets ^{5.3}	Index	:	:	:	:	:	:	:	:	:	:	:
Credit growth ^{5.4}	Ann. % ch	60.9	53.9	43.8	20.5	8.6	9.6	11.0	:	12.5	12.8	:
Deposit growth ^{5.5}	Ann. % ch	N.A.	N.A.	14.8	-0.1	15.5	15.9	15.7	:	15.2	13.7	:
Non performing loans ^{5.6}	% total	3.3	3.2	4.7	9.1	12.6	14.4	16.6	:	N.A.	N.A.	N.A.
6 Fiscal developments												
General government balance ^{6.1}	% of GDP	-3.3	-3.5	-5.5	-7.0	-3.1	-1.0	-2.1	:	N.A.	N.A.	N.A.
General government debt ^{6.2}	% of GDP	56.8	54.8	54.8	59.3	58.5	55.5	56.7	:	N.A.	N.A.	N.A.

CHARTS



ALBANIA





Key developments

Twelve months after the last general elections, held in October 2010, the local political parties have still not agreed on the formation of a ruling coalition at the State level. The political stalemate did not allow for the 2011 State budget bill to be adopted. As the interim financing arrangement for the third quarter expired on 30 September, a temporary financing decision for the fourth time this year is to be adopted in early-October. The Fiscal Council has still not adopted the Global Fiscal Framework for 2011-2013 nor the one for the period 2012-2014, which has created uncertainty over the short and the medium term and seriously hampered the credibility of the fiscal stance.

International rating agency Standard & Poor's revised in July its outlook on Bosnia's sovereign ratings from stable to negative on the political standstill.

Real sector

According to preliminary data published by the state statistical office, real GDP grew by 0.7% in 2010. Manufacturing and utility sectors witnessed the highest expansion, while construction and agriculture continued to underperform. On the expenditure side, the main contributor to the economy's expansion was exports, while households' consumption and gross capital formation dropped further.

Annual growth of country-wide industrial production picked up in 2011, reaching 7.6% in January-August, driven by mining and quarrying (22.4%) and manufacturing (6.1%), while the volume of production in electricity, gas and water supply rose by 5.1% year-on-year.

Judging from available indicators, domestic demand is gaining speed. Retail sales grew by 13.5% year-on-year in August, up from 13.2% in May.

In the Republika Srpska, according to figures released by the Entity's Institute of Statistics, the economy expanded by 1.7% year-on-year in the second quarter, as compared to the 1.6% real

growth reported in January-March. The mining and manufacturing industries continued to report solid expansion rates (14.2% and 8.9%, respectively), while the construction sector slowed down its decline.

Labour market

The high level of registered unemployment persisted during 2011, reaching 43.2% in July, slightly above the first quarter figures. The sector most affected by rising unemployment in 2011 (January-July) was construction, followed by hotels and restaurants. On the other hand, the highest growth of employment was registered in real estate, compensating partially for the significant decline in the number of employed in the sector over the last couple of years. Employment in the public sector increased further. According to the annual Labour Force Survey following ILO methodology conducted in April, unemployment increased further to 27.6% in 2011 from 27.2% in 2010. It was particularly high among the young population (57.9% for people aged between 15 and 24, up from 57.5% a year earlier).

Following a marginal increase in 2010, wages have been growing faster throughout 2011. The nominal average gross wages increased by 4.3% year-on-year in July, bringing average wage growth in the first seven months up to 4.4%, compared to 0.5% in the same period a year before. Nevertheless, wage growth is still well below the pre-crisis rates.

External sector

According to preliminary figures from the Central Bank, the current account deficit more than doubled year-on-year in the second quarter of 2011, mainly on the expansion of the trade deficit (16.2%), but also due to unfavourable developments in the income (shrinking by 43.6%) and services (down by 0.6%) balances. The export of goods witnessed annual growth moderation to 13%, down from 24.5% in the first quarter, while the import's expansion decelerated from 23% in January-March to 14.5% in April-June. In the meantime, the

surplus in the current transfers account rose by 1.3%, supported by the relatively stable flow of remittances. As a result, the current account deficit increased to 8.3% of GDP in the four quarters to end-June, compared to 7.1% in the four quarters to end-March.

FDI inflows more than doubled in the first half of the year, but stood at a still negligible €98.7 million. In the four quarters to June, FDI accounted for 1.8% of GDP, and were thus significantly lower than the current account deficit. Official foreign exchange reserves increased by 2.3% year-on-year, covering around five months of imports by end-June.

Monetary developments

The annual growth of the monetary aggregate M2 continued to slow down from 5.4% in April to 5.2% in August.

Inflation did not continue its upward trend from the first half of the year even if it remained at a relatively high level. Annual inflation fell to 3.9% in August, down from 4.2% in May, bringing the 12-month moving average inflation rate to 3.3%. The recent disinflationary trend was caused mainly by the price growth moderation in food and non-alcoholic beverages, as well as in transport. At the same time, the surging electricity prices in the Federation as of July 1 exerted an upward pressure on the overall price level in the country.

Financial sector

Market short-term interest rates for loans to the corporate sector have continued to decrease from 7.5% in May to 7.4% in August, while the interest rates for households remained at the higher level of 9.9% (non-indexed loans in local currency). Interest rates for deposits for the corporate sector fell marginally to 1.9% in August (time and savings deposits in local currency), while interest rates for the household sector deposits fell a bit faster by 0.3 percentage points over the last 3 months, reaching 2.6% in August.

Annual credit growth accelerated further, reaching 6.7% in August from 5.4% in May. Credits to households, which turned positive only at end-2010, sped up their increase to 3.4% in August, as compared to 1.9% in May. The upward trend in credits to the private corporate sector continued as well. Deposits continued

their recovery though at a more moderate pace (a modest 1.2% in August). Households increased their savings by 11% whereas the decline in deposits from both the corporate and the government sectors accelerated to 11.5% and 17.6%, respectively. The loans-to-deposit ratio fell slightly to 118.6% in August from 119.1% in May.

In the third quarter of 2011 the downward correction on the two stock markets in Bosnia and Herzegovina continued. The main index of the Sarajevo Stock Exchange lost another 9.9% and the main index of the Banja Luka Stock Exchange fell further by 11%. The combined turnover of the bourses soared over twofold year-on-year in the third quarter of 2011, mainly influenced by the first-ever T-bills issue of the Federation (September).

The quality of the loan portfolio deteriorated further. The share of non-performing loans to total loans increased from 11.7% in the first quarter of 2011 to 11.8% in the second, the highest level since 2004. However, banking profitability indicators improved. The return on average equity rose from 1.4% to 3.5%, while the return on average assets increased from 0.2% to 0.4%. Liquidity indicators weakened further with the rate of liquid to total assets decreasing from 27.9% in the first quarter to 26.2% in the second and liquid assets to short-term financial liabilities falling from 48.5% to 46.2%.

Fiscal developments

In the first half of 2011, budget deficits were significantly lowered, mainly due to improved tax revenue collection (increasing by 4.4% year-on-year), but also to the further reduction of capital expenditures (down by 59.5%, partly due to lagging execution). The gradual economic recovery allowed for an increase in the collection of indirect tax revenues. The revenues from direct taxes were also on the rise in the first half of 2011, partially because of the increase in tax rates in the Republika Srpska. The current expenditures increased by 1.1% year-on-year even if the subsidies and purchases of goods and services shrank by 40.6% and 25.1%, respectively, as the social benefits, accounting for 44.5% of the consolidated budget expenditures, rose rapidly by 15.8%. The wage bill of the government also expanded though at a slower pace of 4.8% year-on-year.

In the first half of 2011, official foreign debt fell slightly by 1.5%, after surging by 20.2% in 2010.

TABLE

European Commission, ECFIN-D-1



BOSNIA AND HERZEGOVINA

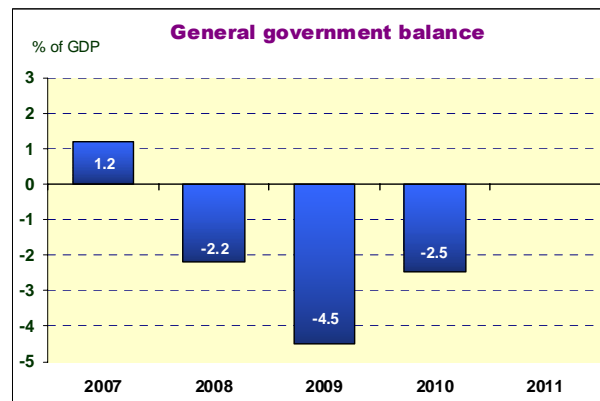
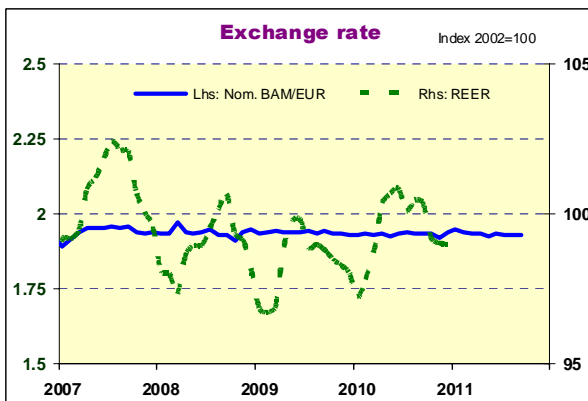
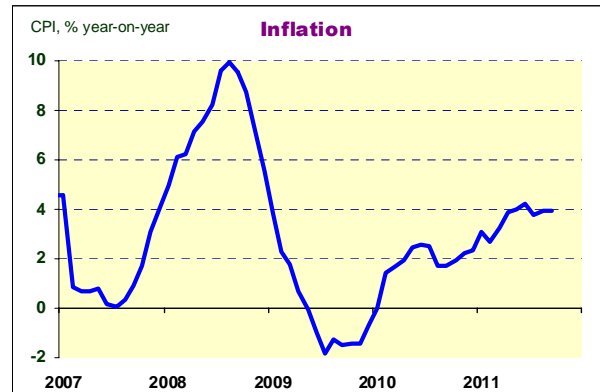
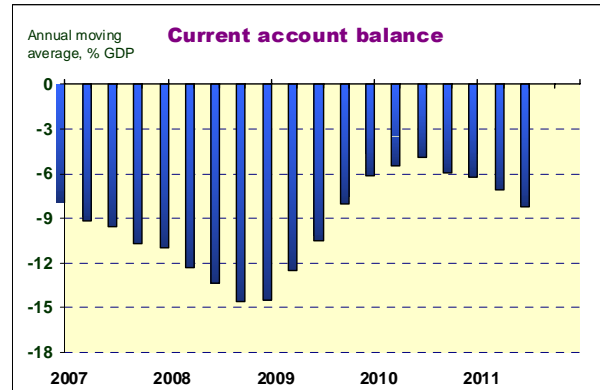
		2006	2007	2008	2009	2010	Q1 11	Q2 11	Q3 11	Jul 11	Aug 11	Sep 11
1 Real sector												
Industrial confidence ^{1.1}	Balance	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Industrial production ^{1.2}	Ann. % ch	:	:	:	:	1.6	10.7	5.3	:	10.1	4.5	:
Gross domestic product ^{1.3}	Ann. % ch	6.0	6.2	5.7	-2.9	0.7	:	:	:	N.A.	N.A.	N.A.
Private consumption ^{1.4}	Ann. % ch	4.5	10.9	10.3	2.3	-0.9	:	:	:	N.A.	N.A.	N.A.
Gross fixed capital formation ^{1.5}	Ann. % ch	-9.7	34.3	22.8	-17.7	-9.9	:	:	:	N.A.	N.A.	N.A.
Construction index ^{1.6}	Ann. % ch	N.A.	N.A.	11.7	8.8	33.9	-33.2	7.0	:	N.A.	N.A.	N.A.
Retail sales ^{1.7}	Ann. % ch	N.A.	N.A.	N.A.	N.A.	7.8	12.6	15.5	:	9.3	13.5	:
2 Labour market												
Unemployment ^{2.1}	%	44.2	42.9	40.6	42.7	42.7	43.3	43.1	:	43.2	:	:
Employment ^{2.2}	Ann. % ch	2.3	4.4	2.7	-2.8	1.9	-0.7	2.7	:	2.7	:	:
Wages ^{2.3}	Ann. % ch	9.6	9.8	16.6	8.2	1.1	3.9	5.0	:	4.3	:	:
3 External sector												
Exports of goods ^{3.1}	Ann. % ch	30.5	15.0	13.9	-17.1	27.7	24.5	13.0	:	:	:	:
Imports of goods ^{3.2}	Ann. % ch	1.2	18.7	15.4	-24.1	10.2	23.0	14.5	:	:	:	:
Trade balance ^{3.3}	% of GDP	-34.6	-37.2	-38.2	-27.8	-25.9	-26.6	-27.4	:	N.A.	N.A.	N.A.
Exports goods and services ^{3.4}	% of GDP	36.4	37.3	36.8	32.2	37.6	38.2	38.8	:	N.A.	N.A.	N.A.
Imports goods and services ^{3.5}	% of GDP	-65.6	-68.8	-69.7	-55.3	-59.3	-60.6	-61.9	:	N.A.	N.A.	N.A.
Current account balance ^{3.6}	% of GDP	-8.0	-10.7	-14.0	-6.3	-6.1	-7.1	-8.3	:	N.A.	N.A.	N.A.
Direct investment (FDI, net) ^{3.7}	% of GDP	6.2	13.5	5.3	1.4	1.1	1.6	1.8	:	N.A.	N.A.	N.A.
International reserves ^{3.8}	mio EUR	2 837.9	3 458.5	3 230.1	3 219.7	3 330.5	3 173.1	3 151.0	:	3 179.6	:	:
Int. reserves / months Imp ^{3.9}	Ratio	5.6	5.7	4.6	6.0	5.7	5.2	4.9	:	:	:	:
4 Monetary developments												
CPI ^{4.1}	Ann. % ch	6.1	1.5	7.4	-0.4	2.1	3.2	4.0	:	3.9	3.9	:
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	6.1	7.7	:	5.9	5.4	:
M2 ^{4.4}	Ann. % ch	21.1	25.1	13.4	-1.6	7.3	7.0	5.2	:	6.0	5.2	:
Exchange rate BAM/EUR ^{4.5}	Value	1.95	1.94	1.94	1.94	1.93	1.94	1.93	1.93	1.93	1.93	1.93
Nominal eff. exchange rate ^{4.6}	Index	99.7	100.28	100.07	96.27	96.52	96.06	:	:	:	:	:
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	1 078	1 034	962	987	956	943
Credit growth ^{5.4}	Ann. % ch	24.5	27.5	27.7	5.2	-0.8	4.2	5.3	:	6.7	6.7	:
Deposit growth ^{5.5}	Ann. % ch	27.7	36.1	15.3	-4.1	4.6	4.1	1.3	:	2.2	1.2	:
Non performing loans ^{5.6}	% total	4.7	3.4	3.0	4.5	9.1	11.7	11.8	:	N.A.	N.A.	N.A.
6 Fiscal developments												
General government balance ^{6.1}	% of GDP	2.9	1.2	-2.2	-4.5	-2.5	:	:	:	N.A.	N.A.	N.A.
General government debt ^{6.2}	% of GDP	21.1	18.2	17.2	21.8	25.7	25.2	24.7	:	N.A.	N.A.	N.A.

CHARTS

European Commission, ECFIN-D-1



BOSNIA AND HERZEGOVINA





Key developments

On 29 September, the IMF Board approved a new precautionary Stand-By Arrangement with Serbia. Covering 18 months, effective ahead of the next general elections, it is intended to anchor the commitment of policy-makers to long-delayed structural reforms. The programme addresses obstacles to doing business, including by the enforcement of property rights, restructuring and privatisation of public enterprises as well as removing red tape and structural rigidities, especially those affecting the labour market. By supporting the implementation of the new fiscal responsibility framework and further development of local financial markets, it aims to forge macroeconomic stability amid marked uncertainties in the global environment. In the case of an economic slump, Serbia will have a possibility to resort to financial aid in the total amount of EUR 1.1 billion.

Real sector

After having accelerated vigorously during the first three months of the year, economic activity started to slow down in the second quarter. Real GDP grew by 2.4% year-on-year (3.7% in the first quarter) as output stagnated quarter-on-quarter (seasonally adjusted -0.1%, down from 2% in the previous quarter). With GDP up by 3% in the first half of the year, projected growth for the whole year of 3% was well on track. However, in the light of the recent headwinds in the international environment, a contraction of activity is expected going forward, which has prompted a cut of the annual forecast to between 2% (the IMF and the Ministry of Finance) and 2.5% (the National Bank of Serbia).

The economy continues to be driven by solid export growth, but the impetus is likely to wane given the ongoing slowdown in Serbia's main trading partners. At the same time, domestic demand remains weak as private consumption is constrained by eroded disposable income while investment is picking up only slowly.

Economic activity in the second quarter of 2011 was fuelled by still relatively strong industrial activity. Growth in manufacturing decelerated to

2.4%, but mining and the utilities continued to expand vigorously, with their output up by 17.5% and 13% year-on-year. However, industrial production has been slowing down. Between January and August, it increased by 3% compared to the same period last year but was around 1.5% below the annual average. While activity in mining and the utilities remained robust and well above the 2010 average level, output growth in manufacturing over the eight months moderated to 1.6% year-on-year and was 4% lower compared to last year's average. Industrial production is likely to decelerate further in the coming months given the outlook for the global economy. On the other hand, construction showed signs of recovery; up by 7% in the second quarter, it was the first rebound in activity since 2009.

Domestic demand, however, failed to provide impetus for trade and the accommodation and food services in the second quarter. In the eight months to September, retail trade turnover (measured in constant prices) was almost 17% lower in comparison with the same period last year. The ever increasing gap points to a major erosion of disposable household income due to a jobless recovery and high inflation.

Labour market

The situation on the labour market remains strife. In the second quarter, the number of employed persons dropped by over 3% year-on-year, reaching a historic low at some 1.76 million (according to the national employment office). For the population above 15 years of age, the employment rate is at just 36% and the unemployment rate is more than 22%.

In spite of two hikes, following the re-introduction of indexation of public sector salaries (and pensions) as from 2011, wage growth was contained during eight months. Compared to the same period a year ago, the average net wage rose by 11.2% nominally, but in real terms declined by 1.3%.

External sector

In the period between January and July, the current account deficit widened by 3.5% in

comparison with the same period last year and accounted for around 7% of GDP. This was the result of a higher trade deficit (9% year-on-year) and a larger gap on the income account (close to 6% year-on-year), which was only partly covered with higher surpluses on the current transfers account (almost 11% year-on-year) and the services account. Against the background of slowing economic activity, the widening of the trade gap has been contained. Over the eight months, it amounted to EUR 3.6 billion, which was around 6% higher than a year ago. Export growth, albeit decelerating, remained solid and broad based (with an annual growth rate of over 20%). Import growth also eased off over the last months (from around 20% to 15% year-on-year) as a result of the worsened prospects for the domestic industry in the face of the more subdued external demand.

In 2011, foreign currency inflows have been picking up, but remained modest. In the period between January and July, the financial account was 10% lower than a year ago. FDI doubled to almost EUR 1 billion. At EUR 900 million, portfolio investment was also substantially higher compared to the same period last year, largely as a consequence of sizeable inflows into debt securities. At the same time, private sector's external liabilities decreased as companies and banks, in particular, continued to deleverage. Foreign exchange reserves with the NBS remained largely stable at more than EUR 10 billion, sufficient to cover around 8 months' of imports. By end-July, Serbia's total external debt rose to just over EUR 23 billion, i.e. accounting for around $\frac{3}{4}$ of GDP.

Monetary developments

After peaking in April at close to 15% year-on-year, CPI inflation began to recede thereafter mainly as a result of falling food prices. The impact of an increase in fixed telephony prices as of 1 August, which the government regulator justified as required by market liberalisation, was limited. The annual inflation rate decelerated to 10.5% in August, bringing the cumulative rate since the beginning of the year to 6.2%. The contribution of food prices to inflation is expected to ease further given the trend in global agricultural prices and in view of the upbeat outlook for domestic agricultural production this autumn. As no hikes in regulated prices are foreseen and consumer spending remains weak due to constrained household incomes, inflation expectations have stabilised.

As inflation continued to subside gradually, the National Bank of Serbia (NBS) relaxed the monetary stance further by cutting the policy rate twice by 50 bps, to 10.75%. The NBS's foreign exchange interventions on the interbank market have been limited given that the exchange rate stability has been maintained even amid the recent spike in risk premia throughout the region. In the period between January and October 2011, the RSD/EUR exchange rate appreciated by around 4% as a result of higher capital inflows. Following a sustained contraction of monetary aggregate M2 in annual terms since the beginning of the year, growth was finally recorded in August as a result of higher deposits while lending to the non-government sector decelerated.

Financial sector

During the first half of the year, the banking sector activity was modest. Deposits, which are the main source of bank lending, were at end-May lower by around 5% compared to end-2010, but started to grow thereafter. Household and corporate lending also spiked in June, but slowed down by August. The share of non-performing loans exceeded 18% of total loans.

Fiscal developments

In the summer, the pressure on public finances unexpectedly mounted in the face of the lower-than-expected inflows of VAT revenue. At end-August, the (unconsolidated) budgetary gap amounted to around 80% of the yearly plan. In view of the considerable revenue shortfall due to the anticipated economic slowdown ahead and the recent bill on fiscal decentralisation, which reallocated resources from the general to local governments, the government committed to revise the 2011 and 2012 budgets. In agreement with the IMF, the fiscal deficit for this year was raised by 0.3 pp, to 4.5% of GDP. The government secured budgetary financing by issuing the first 10-year eurobond in the amount of USD 1 billion, with an annual coupon rate of 7.25%. Over the eight months to September 2011, public debt grew by more than EUR 1.6 billion and reached almost EUR 13.8 billion, i.e. close to 42% of GDP. The laws on restitution and public property, which were passed in September to improve legal clarity in relation to property rights, are deemed to be fiscally responsible, but a comprehensive financial impact analysis has yet to be presented.

TABLE

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SERBIA

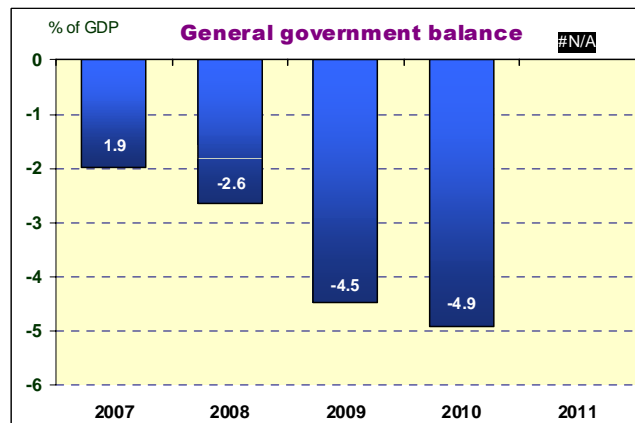
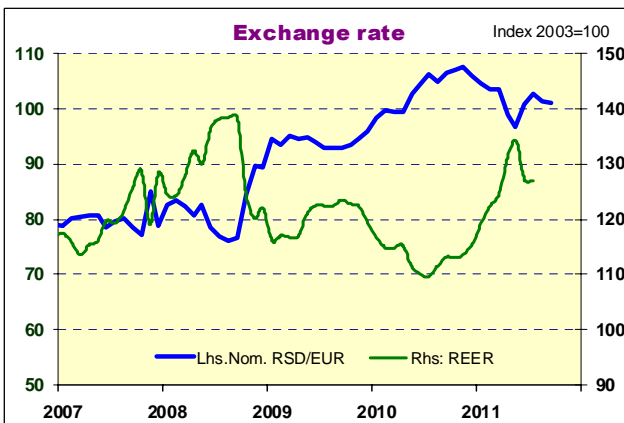
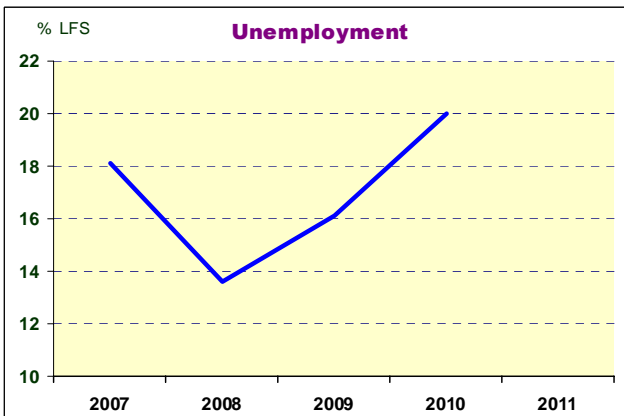
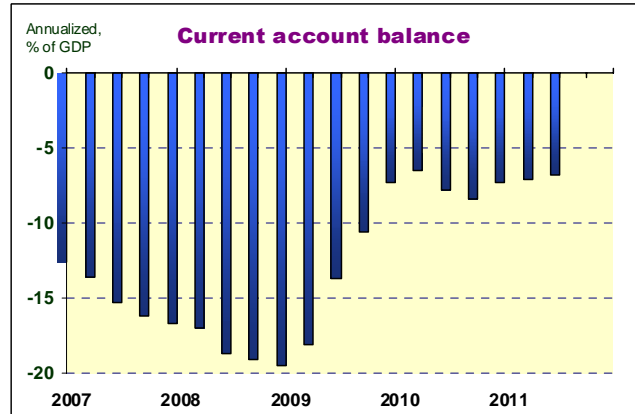
		2006	2007	2008	2009	2010	Q1 11	Q2 11	Q3 11	Jul 11	Aug 11	Sep 11
1 Real sector												
Industrial confidence ^{1.1}	Balance	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Industrial production ^{1.2}	Ann. % ch	5.7	3.3	1.3	-12.4	3.1	5.6	3.6	:	-3.3	-0.3	:
Gross domestic product ^{1.3}	Ann. % ch	3.6	5.4	3.8	-3.5	1.0	3.7	2.4	:	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	-23.7	0.1	4.9	18.8	:	N.A.	N.A.	N.A.
Retail sales ^{1.7}	Ann. % ch	8.1	25.7	3.4	-11.4	-0.7	-8.1	-15.4	:	-19.5	-18.3	:
2 Labour market												
Unemployment ^{2.1}	%	20.9	18.1	13.6	16.1	20.0	22.2	:	:	:	:	:
Employment ^{2.2}	Ann. % ch	-1.4	-1.1	-0.1	-6.1	-3.7	-3.7	-3.2	:	-2.9	:	:
Wages ^{2.3}	Ann. % ch	11.3	15.0	4.5	1.0	7.4	10.2	11.0	:	11.9	12.9	:
3 External sector												
Exports of goods ^{3.1}	Ann. % ch	37.2	24.8	15.9	-19.6	23.9	32.2	15.4	:	15.4	:	:
Imports of goods ^{3.2}	Ann. % ch	22.2	29.8	14.6	-26.1	9.9	22.4	11.3	:	16.4	:	:
Trade balance ^{3.3}	% of GDP	-20.0	-23.1	-25.5	-18.1	-17.0	-17.0	-16.5	:	N.A.	N.A.	N.A.
Exports goods and services ^{3.4}	% of GDP	29.1	30.7	31.1	29.3	34.8	35.4	35.4	:	N.A.	N.A.	N.A.
Imports goods and services ^{3.5}	% of GDP	50.5	55.0	54.8	47.0	51.3	51.6	51.2	:	N.A.	N.A.	N.A.
Current account balance ^{3.6}	% of GDP	-11.7	-16.1	-20.6	-7.4	-7.6	-7.1	-6.8	:	N.A.	N.A.	N.A.
Direct investment (FDI, net) ^{3.7}	% of GDP	13.8	6.4	6.2	4.8	3.1	3.0	3.3	:	N.A.	N.A.	N.A.
International reserves ^{3.8}	mio EUR	9 020.0	9 633.6	8 161.8	10 601.9	10 001.6	9 918.9	9 966.8	:	10 383.8	10 420.0	:
Int. reserves / months Imp ^{3.9}	Ratio	10.7	8.8	6.5	11.5	9.8	9.3	9.1	:	9.4	:	:
4 Monetary developments												
CPI ^{4.1}	Ann. % ch	N.A.	11.0	8.6	6.6	10.3	14.1	12.7	:	12.1	10.5	:
Producer prices ^{4.2}	Ann. % ch	7.3	9.8	9.0	7.4	16.2	:	:	:	:	:	:
Food prices ^{4.3}	Ann. % ch	N.A.	18.4	13.8	0.8	10.7	22.9	17.8	:	17.3	12.8	:
M3 ^{4.4}	Ann. % ch	38.3	42.5	9.8	21.5	12.9	8.0	3.7	:	4.5	9.1	:
Exchange rate RSD/EUR ^{4.5}	Value	79.11	78.76	89.48	95.88	105.93	103.41	100.67	100.98	102.57	101.36	100.98
Nominal eff. exchange rate ^{4.6}	Index	110.7	102.1	88.6	92.8	89.5	103.1	104.8	:	104.9	:	:
5 Financial indicators												
Interest rate (3 months) ^{5.1}	% p.a.	13.46	6.48	5.20	13.40	10.85	13.36	12.71	:	11.95	:	:
Bond yield (12 months) ^{5.2}	% p.a.	N.A.	N.A.	N.A.	N.A.	11.45	:	:	:	:	:	:
Stock markets ^{5.3}	Index	2 186	4 096	2 604	1 197	1 283	1 401	1 420	1 238	1 351	1 219	1 143
Credit growth ^{5.4}	Ann. % ch	15.3	32.5	34.2	24.4	29.9	22.0	12.6	:	10.9	10.3	:
Deposit growth ^{5.5}	Ann. % ch	39.6	46.9	8.8	23.6	14.4	9.3	4.8	:	5.0	9.6	:
Non-performing loans ^{5.6}	% total	N.A.	N.A.	N.A.	N.A.	11.5	N.A.	N.A.	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	-4.9	-0.8	-2.0	:	N.A.	N.A.	N.A.
General government debt ^{6.2}	% of GDP	36.2	29.4	25.6	31.3	37.0	:	:	:	N.A.	N.A.	N.A.

CHARTS

European Commission, ECFIN-D-1



SERBIA



KOSOVO*

*as defined by UNSCR 1244

Key developments

At the end of July, in response to Serbia's non-recognition of Kosovo customs stamps, Kosovo banned all imports from Serbia and introduced a 10% customs tariff on imports from Bosnia and Herzegovina. Three days later Kosovo Special Police forces attempted to establish control over the two border check-points in the north (between northern Kosovo and Serbia) and effectively implement the import ban. The situation escalated and KFOR troops intervened establishing themselves at the two border crossings.

Due to these events, the dialogue with Serbia, which had been put on hold, could only restart in early September. In this round of discussions Serbia accepted to recognise Kosovo customs stamps and to work together with Kosovo on establishing a fully reliable cadastre in Kosovo. Consequently, Kosovo lifted the trade ban in mid-September but its trade relations with Serbia continue to be strained. The security situation in the north remains highly tense, with widespread road blocks installed and maintained by the local Serb population and sporadic bursts of violence.

Real sector

According to the preliminary results of the Kosovo 2011 population and housing census, the total population of Kosovo is 1,733,872 people (excluding the north). The result is much lower than previous estimates which were above 2 million people. Regarding housing, a total of 28.4% of all dwellings in Kosovo are uninhabited, with little variations of this indicator across different municipalities.

In June 2011 two companies, out of the five which had declared interest, qualified for the next stage of the Post and Telecom of Kosovo (PTK) privatisation. In September, the government gave two additional weeks for expression of interest to the companies which had not qualified in the previous round. While this decision may lead to more competitive bidding, it will also delay the privatisation process. The completion of the PTK

privatisation by the end of 2011 is a structural benchmark under the Staff-Monitored Programme with the IMF. Meeting this target now seems unlikely.

Labour market

In the second quarter of 2011, the average number of registered unemployed remained almost unchanged over the corresponding period of the previous year, standing at around 336 thousand. By the end of June 2011, unskilled unemployed accounted for 60% of all registered job-seekers. Unemployed with university education, although a relatively small number, have steadily increased and approached 4,000, signalling structural weaknesses in the functioning of and the links between the labour market and the education system.

Employment in the government sector, in particular in education and general administration, increased by 1.8% (year-on-year) to more than 77 thousand people in the second quarter. Following the government decision to increase significantly wages in the sector that was implemented as of March 2011, the average net wage reached EUR 374 by the end of June, marking a 29.7% increase in the second quarter (year-on-year). By the end of June, average net wages in the government sector ranged between EUR 309 in housing and EUR 428 in general services.

External sector

The ban on imports from Serbia, introduced in end-July, had a profound impact on trade flows, as imports of goods from Serbia represented about 13% of total imports. According to preliminary data, the growth of imports from Serbia decelerated from 39% in June to 10% by the end of August (year-on-year). In nominal terms the monthly imports dropped to EUR 5 million – only a fifth of the average monthly imports from Serbia in the first half of the year. Most of the banned imports have been substituted, judging from the pronounced surges in imports from other neighbouring countries, in particular from Albania and FYROM.

Total imports of goods grew by 13% in the first eight months of the year (year-on-year), indicating a clear decelerating path. Imports continued to be dominated by intermediate and consumption goods with a share of 83% at the end of August. Total exports of goods increased by 15%, mainly on the back of robust growth in base metals exports (12%) and mineral products (40%); the latter from a very low base. By end of August the trade deficit widened by a EUR 155 million to EUR 1,328 million.

The Balance of Payments data for the second quarter of 2011 have not been released yet by the time of preparation of this report.

Monetary developments

The growth in broad money stood at 18.3% (year-on-year) by end-August. Although, it has been affected by the significant withdrawals of dividends from PTK, the underlying positive trend has been sustained by a steady increase in net foreign assets and strong net domestic assets expansion.

After peaking in March (10.8% year-on-year) consumer inflation decelerated to a still high 5.3% by the end of August on the back of declining food prices, which nevertheless remained the main contributor to inflation with 3.5 percentage points. About 90% of all goods in the consumer basket exhibited increasing prices, indicating broad-based inflationary pressures.

Financial sector

The interest rate spread between loans and deposits remained double-digit at 10.4 percentage points in August. The effective interest rates on deposits increased marginally over the summer months to 3.6%. Effective interest rates on loans have been more volatile but remained high at above 14%.

Growth in commercial banks deposits accelerated to 15.9% in August. The pace of sight deposits growth has surged to 31.2% and time and savings deposits posted an 8.7% annual increase. Banks deposits continued to be attracted mostly from the households. Households deposits grew at double-digit rates in the last eight years and by end of August increased by 17% (year-on-year). Other non-financial corporations' deposits grew by 16.7% but their increase was entirely driven by sight deposits, while deposits with longer maturities declined by 0.7%.

Lending activity has been quite robust – gross loans and lease financing increased by 15.9% (year-on-year) by end-August. More than 60% of the new lending since the beginning of the year went to non-financial corporations, of which close to a half were investment loans. Households loans made up about 37% of new loans, with consumer lending representing 60% of total, mortgages another 13%, and loans with favourable conditions (loans backed by deposits) almost a quarter of all. The composition of lending by industry remained broadly unchanged. Services, especially wholesale and retail trade, continued to absorb most of the loans and banks' exposure to construction and manufacturing remained limited, at about 7-8% of all loans and lease financing for each of these sectors.

Banks interest income from loans increased by 9.8% (year-on-year) and fees and commissions by 11.3% by end-August. Growth of total expenditure surpassed those of revenue and stood at 15.4%. Spending on interest declined by 2.3% but was more than compensated by increases in other expenditures. Notably, provisions for loan and other assets losses rose by 82.5% and general and administrative expenditures by 8.9%. The net profit of the banking system was EUR 23.1 million, marking a 6% annual decline.

Fiscal developments

In August the budget turned into deficit (EUR 16 million). Total revenue stood at EUR 814 million or 7.2% higher than in the corresponding period of last year. Domestic tax revenue continued to perform strongly, increasing by about 20% (year-on-year). Border tax revenue rose by 15.4%, following closely imports of goods dynamics. The combined non-tax and own-source revenue remained broadly unchanged. Overall, despite a relatively good tax revenue performance, and without additional measures, the budget is likely to miss its end-of-the-year ambitious revenue target.

Total expenditures have gathered pace, after a restrictive first quarter, reaching EUR 831 million by end-August (24% increase year-on-year). Current spending accelerated significantly in August, mainly because both July and August wages were paid out in this month. Capital outlays increased by 61% (year-on-year) to EUR 296 million, more than half being executed at central level on the route 7 motorway.

TABLE

European Commission, ECFIN-D-1

KOSOVO*

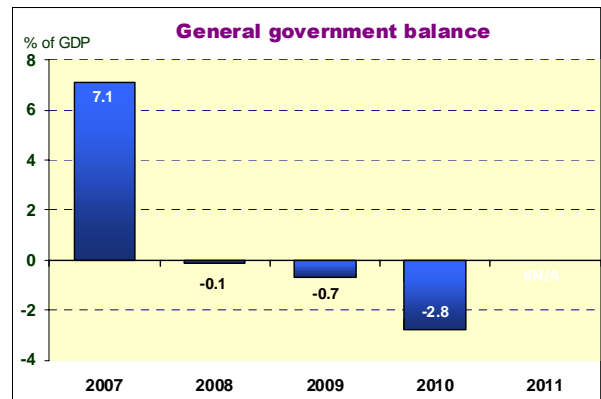
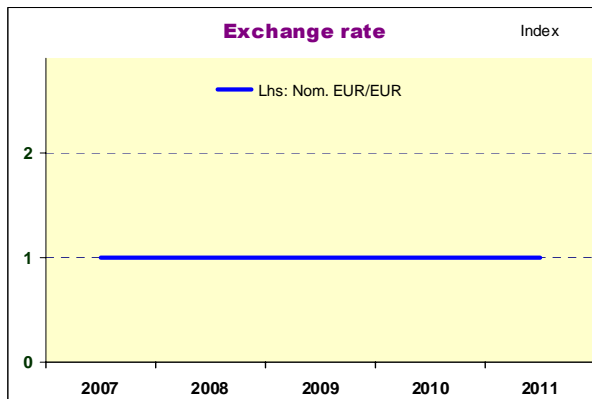
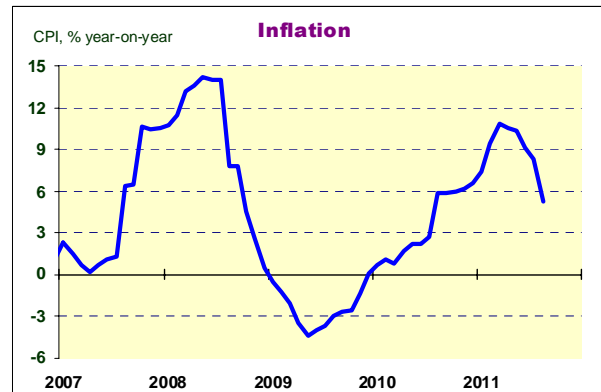
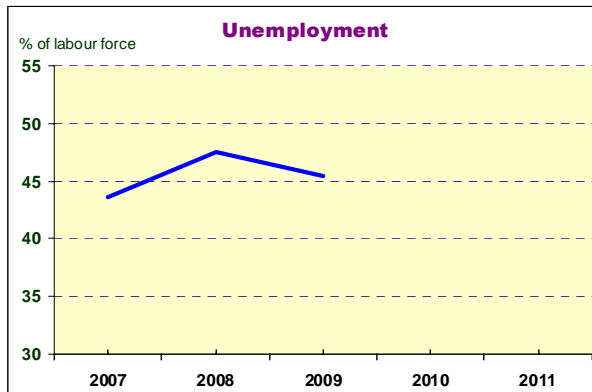
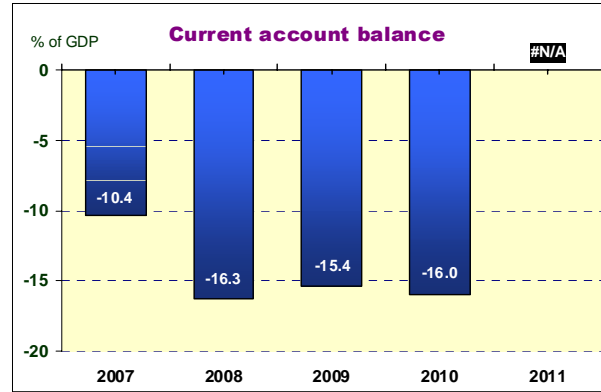
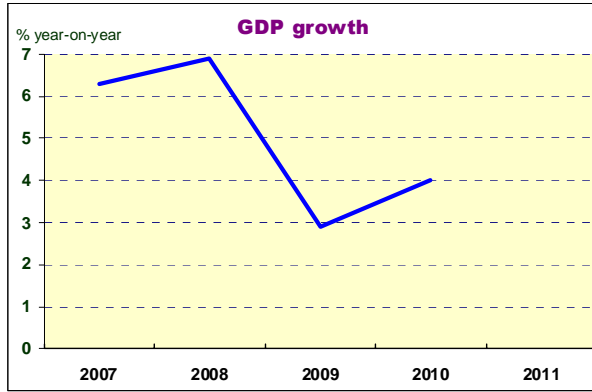
		2006	2007	2008	2009	2010	Q1 11	Q2 11	Q3 11	Jul 11	Aug 11	Sep 11
1 Real sector												
Industrial confidence ^{1.1}	Balance	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Industrial production ^{1.2}	Ann. % ch	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Gross domestic product ^{1.3}	Ann. % ch	3.4	6.3	6.9	2.9	4.0	:	:	:	:	:	:
Private consumption ^{1.4}	Ann. % ch	4.3	10.0	8.6	1.5	3.2	:	:	:	:	:	:
Investment ^{1.5}	Ann. % ch	1.3	4.1	15.3	10.7	5.2	:	:	:	:	:	:
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	79.0	42.7	-0.1	:	32.0	-9.4	:
Imports of goods ^{3.2}	Ann. % ch	12.8	20.7	22.3	0.4	11.5	21.5	10.1	:	5.2	10.8	:
Trade balance ^{3.3}	% of GDP	-37.6	-40.3	-43.3	-42.8	-41.9	:	:	:	N.A.	N.A.	N.A.
Exports goods and services ^{3.4}	% of GDP	13.8	14.7	14.3	15.5	20.1	:	:	:	N.A.	N.A.	N.A.
Imports goods and services ^{3.5}	% of GDP	51.1	54.6	57.1	55.2	60.8	:	:	:	N.A.	N.A.	N.A.
Current account balance ^{3.6}	% of GDP	-7.2	-10.4	-16.3	-15.4	-16.0	:	:	:	N.A.	N.A.	N.A.
Direct investment (FDI, net) ^{3.7}	% of GDP	9.3	12.7	8.9	7.2	7.5	:	:	:	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	1 292.2	1 300.1	:	1 294.1	1 297.4	:
Int. reserves / months Imp ^{3.9}	Ratio	5.9	8.1	6.9	7.4	6.9	6.9	6.8	:	6.7	6.7	:
4 Monetary developments												
CPI ^{4.1}	Ann. % ch	0.6	4.4	9.4	-2.4	3.5	9.2	10.0	:	8.3	5.3	:
Producer prices ^{4.2}	Ann. % ch	N.A.	N.A.	N.A.	3.8	4.7	10.5	7.4	:	N.A.	N.A.	N.A.
Food prices ^{4.3}	Ann. % ch	3.6	9.1	16.7	-4.4	4.8	15.9	18.0	:	15.2	8.3	:
Broad money liabilities ^{4.4}	Ann. % ch	5.5	23.4	23.6	11.2	12.9	14.2	19.9	:	18.3	18.3	:
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
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	19.24	18.13	:	:	:	:
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	13.5	15.0	:	15.3	15.9	:
Deposit growth EUR/EUR ^{5.5}	Ann. % ch	14.8	19.3	25.6	20.2	14.8	8.2	10.9	:	15.7	15.9	:
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.	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, consolidated budget, net lending	Ecowin/Reuters
6.2.	General government debt	In percent of GDP, external public debt	Ecowin/Reuters



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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