



European Commission



Economic
and Financial Affairs
DIRECTORATE • GENERAL

ISSN 1830-6292

ECFIN Unit D-1

Current update: 13 January 2012

Next update: April 2012

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

CCEQ

CANDIDATE AND PRE-ACCESSION COUNTRIES' ECONOMIC QUARTERLY

Contents

OVERVIEW.....	3
CROATIA	5
THE FORMER YUGOSLAV REPUBLIC OF MACEDONIA	9
ICELAND.....	13
MONTENEGRO.....	17
TURKEY	21
ALBANIA.....	25
BOSNIA AND HERZEGOVINA	29
SERBIA	33
KOSOVO*.....	37

*as defined by UNSCR 1244

OVERVIEW

All pre-accession economies will record positive growth in 2011, although differences in performance are significant, ranging from a modest recovery in Croatia to the continuation of still very strong activity in Turkey. The signs of the slowdown detected in a few countries in the second quarter of 2011 broadened to most of the economies in the third quarter, with the exception of Iceland and Montenegro. However, a further move to a lower growth trajectory is not generally confirmed by available indicators for the fourth quarter, despite the incidence of the deterioration of the global and EU economic environment on external demand and trade. With the exception of Turkey, the recovery has entailed only very slow employment growth and high unemployment persists. The disinflation process which started in the third quarter, after the peak of commodity prices in the first half of 2011, continued until the end of the year except in Turkey, Croatia, and to some extent in Iceland, where inflation increased.

Strong economic growth continued in Turkey in Q3, although it moderated slightly to 8.2% year-on-year. It was still driven by strong private sector demand despite a significant slowdown in investment. Exports of goods and services outpaced imports for the first time in seven quarters, thanks to improved price competitiveness. In Iceland, real growth accelerated markedly, to 4.8% year-on-year in Q3, primarily driven by private consumption but also by a positive contribution from net exports. Growth also accelerated in the first three quarters - by 3.5% on average - in Montenegro. In Croatia (0.7%) and Serbia (0.5%), net exports were the main drivers of growth while the contribution of domestic demand was negative in the former and subdued in the latter. Conversely, in the former Yugoslav Republic of Macedonia, domestic demand - both gross fixed capital formation and private consumption - were the main determinants of growth (2.3%) while the contribution of net exports was negative.

The current account deficit practically doubled over one year in Turkey, reaching about 10% of GDP in the first ten months of 2011. In the Western Balkans, the picture is mixed but in several cases the progress made in reducing external imbalances in 2010 was reversed in 2011. In Q3, current account deficits further widened in Albania, Bosnia

and Herzegovina and Serbia. In contrast, a sharp improvement was recorded in Croatia where the long standing deficit turned into a surplus (0.4%). The deficit was also reduced in Montenegro, albeit it remained at an elevated level (20% of GDP) and in Iceland (6.9%).

With the exception of Turkey and to some extent Iceland, employment growth has been very slow. Despite some improvements in the third quarter, labour market conditions have hardly changed, reflecting the legacy of very high unemployment rates in the Western Balkans. They even deteriorated in Croatia and Bosnia and Herzegovina compared to 2010.

Inflation generally continued to decline in the Western Balkans in Q3 and Q4, after rising in the first half of 2011 mainly due to the pass-through of rising commodity and food prices. This led to monetary easing in Serbia, where inflation at the end of December (7%) was nevertheless well above the Central Bank target, and in Albania. In Iceland, inflation remained far above the Central Bank target, which led to a further tightening of the policy rates. In Turkey, rising inflation, reaching 10.4% in December, still high credit growth, a widening current account deficit and the weakening of the lira all continue to make the setting of monetary policy highly challenging.

Except in Iceland and Montenegro where lending activity continued to be negative in October, access to credit and credit conditions have remained stable and have sometimes improved. This is notably the case in Kosovo, where lending growth remained strong (16% year-on-year at the end of November). In Turkey, credit growth decelerated to 23% in Q4, i.e. below the Central Bank cap of 25%. The quality of the loan portfolio, however, deteriorated further in Q3 in Serbia, where the share of non-performing loans in total loans was over 19%, Albania (18%) and Bosnia and Herzegovina (12.6%). NPLs remained very high in Montenegro, though decreasing, (19.7%) and in Iceland (25%) while their level is low in Turkey (2.6%).

In many Western Balkan economies (e.g. Croatia, the former Yugoslav Republic of Macedonia, Kosovo, Serbia) budget execution appears to be on track compared with official targets and plans. In Bosnia and Herzegovina, the deficit of the consolidated budget even turned into surplus in the first three quarters of 2011. Turkey continued to post strong fiscal results and the 2011 target (- 2.8%) is likely to be reached. In Iceland, the deficit has improved to 4.6% of GDP, compared to some 6% during the first three quarters of 2010.

Candidate and potential candidate countries: Summary table

	2007	2008	2009	2010	2011	ECFIN Nov. Forecast		Q2 11	Q3 11	Q4 11	Oct 11	Nov 11	Dec 11
						2012	2013						
Gross domestic product (in real terms, annual % change)													
Croatia	5.1	2.2	-6.0	-1.2	0.6f	0.8	1.2	0.8	0.7	:	n.a.	n.a.	n.a.
The former Yugoslav Republic of Macedonia	6.2	5.1	-1.0	1.7	3.0f	2.5	3.5	5.0	2.3	:	n.a.	n.a.	n.a.
Iceland	6.0	1.3	-6.7	-4.0	2.1f	1.5	2.7	2.4	4.8	:	n.a.	n.a.	n.a.
Montenegro	10.7	6.9	-5.7	2.5	2.7f	2.2	3.2	2.5	3.5	:	n.a.	n.a.	n.a.
Turkey	4.7	0.7	-4.8	9.0	7.5f	3.0	4.1	8.8	8.2	:	n.a.	n.a.	n.a.
Albania	5.9	7.5	3.3	4.1	:	:	:	0.5	:	:	n.a.	n.a.	n.a.
Bosnia and Herzegovina	6.2	5.7	-2.9	0.7	:	:	:	:	:	:	n.a.	n.a.	n.a.
Serbia	5.4	3.8	-3.5	1.0	1.9	:	:	2.5	0.5	:	n.a.	n.a.	n.a.
Kosovo*	6.3	6.9	2.9	3.9	:	:	:	:	:	:	n.a.	n.a.	n.a.
Unemployment (LFS, in % of workforce)													
Croatia	9.6	8.4	9.1	11.8	13.6f	13.2	12.4	13.5	12.2	:	n.a.	n.a.	n.a.
The former Yugoslav Republic of Macedonia	34.9	33.8	32.2	32.0	30.5f	30.0	28.5	31.3	31.2	:	n.a.	n.a.	n.a.
Iceland	2.3	3.0	7.2	7.5	7.6f	7.3	6.7	8.5	5.9	:	n.a.	n.a.	n.a.
Montenegro	11.9	10.7	11.4	12.2	:	:	:	11.3	11.1	:	11.4	11.6	:
Turkey	9.9	11.0	14.1	12.0	10.2f	10.3	10.4	9.4	9.2	:	:	:	:
Albania	13.4	12.8	13.0	13.7	:	:	:	13.3	:	:	:	:	:
Bosnia and Herzegovina	42.9	40.6	42.7	42.7	:	:	:	43.1	43.3	:	43.3	:	:
Serbia	18.1	13.6	16.1	20.0	:	:	:	:	:	:	:	:	:
Kosovo*	43.6	47.5	45.4	:	:	:	:	:	:	:	:	:	:
Current account balance (% of GDP)**													
Croatia	-7.3	-8.9	-5.3	-1.2	-1.2f	-0.6	-1.4	-1.3	0.4	:	n.a.	n.a.	n.a.
The former Yugoslav Republic of Macedonia	-7.1	-12.8	-6.7	-2.8	-5.5f	-5.5	-6.5	-4.5	-4.9	:	n.a.	n.a.	n.a.
Iceland	-15.7	-24.5	-11.7	-8.0	-10.4f	-9.6	-9.5	-7.8	-6.9	:	n.a.	n.a.	n.a.
Montenegro	-39.6	-51.3	-30.1	-24.7	-21.5f	-20.4	-21.3	-22.3	-20.5	:	n.a.	n.a.	n.a.
Turkey	-5.9	-5.6	-2.3	-6.4	-9.8f	-8.8	-8.6	-9.1	-9.8	:	n.a.	n.a.	n.a.
Albania	-10.5	-15.5	-15.1	-11.7	:	:	:	-13.0	-13.1	:	n.a.	n.a.	n.a.
Bosnia and Herzegovina	-10.7	-14.0	-6.3	-6.1	:	:	:	-8.6	-8.7	:	n.a.	n.a.	n.a.
Serbia	-16.1	-20.6	-7.4	-7.5	:	:	:	-7.9	-8.2	:	n.a.	n.a.	n.a.
Kosovo*	-10.4	-16.3	-15.4	-17.5	:	:	:	-18.1	-17.0	:	n.a.	n.a.	n.a.
Inflation (Consumer price index, annual % change)													
Croatia	2.9	6.1	2.4	1.0	2.1f	1.5	1.7	2.3	2.1	:	2.7	2.6	:
The former Yugoslav Republic of Macedonia	2.3	8.3	-0.8	1.6	3.9	2.5	3.3	4.7	3.6	3.2	3.3	3.5	2.8
Iceland	5.1	12.7	12.0	5.4	4.0	3.6	2.8	3.5	5.3	5.3	5.3	5.2	5.3
Montenegro	4.3	7.4	3.4	0.5	3.1f	2.6	3.2	3.6	3.3	:	3.3	3.0	:
Turkey	8.8	10.4	6.3	8.6	6.5	7.2	7.2	5.9	6.4	9.2	7.7	9.5	10.4
Albania	2.9	3.4	2.3	3.6	3.5	:	:	4.1	3.2	2.5	3.0	2.9	1.7
Bosnia and Herzegovina	1.5	7.4	-0.4	2.1	:	:	:	4.0	4.0	:	3.7	3.8	:
Serbia	11.0	8.6	6.6	10.3	:	:	:	12.7	9.3	:	8.7	8.1	:
Kosovo*	4.4	9.4	-2.4	3.5	:	:	:	10.0	6.1	:	4.7	4.2	:
General government balance (% of GDP)													
Croatia	-2.5	-1.4	-4.1	-4.9	-5.5f	-5.4	-5.2	:	:	:	n.a.	n.a.	n.a.
The former Yugoslav Republic of Macedonia	0.6	-1.0	-2.7	-2.5	-2.5f	-2.2	-2.0	:	:	:	n.a.	n.a.	n.a.
Iceland	5.4	-13.5	-9.9	-10.1	-5.7f	-4.4	-3.1	-5.3	-4.4	:	n.a.	n.a.	n.a.
Montenegro	6.6	0.5	-4.4	-4.9	-3.2f	-2.6	-1.3	-1.5	-1.8	:	n.a.	n.a.	n.a.
Turkey	-1.0	-2.2	-5.7	-3.6	-2.4f	-2.4	-2.5	:	:	:	n.a.	n.a.	n.a.
Albania	-3.5	-5.5	-7.0	-3.1	:	:	:	-2.1	-2.4	:	n.a.	n.a.	n.a.
Bosnia and Herzegovina	1.2	-2.2	-4.5	-2.5	:	:	:	:	:	:	n.a.	n.a.	n.a.
Serbia	-2.0	-2.6	-4.5	-4.9	:	:	:	-4.3	-4.5	:	n.a.	n.a.	n.a.
Kosovo*	7.1	-0.1	-0.7	-2.6	:	:	:	-3.2	-4.1	:	n.a.	n.a.	n.a.

* as defined by UNSCR 1244

Forecast: ECFIN forecast Autumn 2011

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

CROATIA



Key developments

The treaty on Croatia's accession to the EU was signed at the meeting of the European Council in Brussels on 9 December 2011. Croatia will hold a referendum on the accession on 22 January 2012. The treaty is foreseen to enter into force on 1 July 2013, following ratification by all the current 27 Member States and Croatia in accordance with their respective constitutional requirements.

Parliamentary elections were held on 4 December 2011. A four-party coalition led by the Social Democratic Party (SDP) won a majority of 80 seats in the 151-seat parliament defeating the governing coalition of incumbent Prime Minister Jadranka Kosor. The leader of the SDP, Zoran Milanovic, has become new Prime Minister and Slavko Linic has been appointed Minister of Finance. The new government was confirmed by parliament at the end of December.

One of the first tasks of the new government will be the preparation of a state budget for 2012 in the context of weakening economic activity. Pending adoption of the budget there is temporary financing of government expenditures in accordance with Croatia's Budget Law.

Real sector

Real GDP increased 0.7% year-on-year in the third quarter of 2011 which is slightly less than in the second quarter (0.8%). In seasonally adjusted quarter-on-quarter terms GDP increased by 1.0% in the third quarter compared to 0.5% in the second quarter.

However, the composition of growth shows that domestic demand continued to contract. Private consumption increased by only 0.1% in real year-on-year terms in the third quarter following a 0.6% increase in the preceding quarter. Government consumption fell by 0.4% following a 1.7% gain. Fixed investment dropped again at a significant rate (-8.4% following -7.3%). Export volume continued to grow in low gear (2.0% following 1.1%). Most

significantly, import volume extended its substantial decline from the previous two quarters and was 8.3% lower year-on-year.

In terms of growth contributions, a strong drag from fixed investment was compounded by a sharp decline of inventories. Since private and public consumption combined was close to neutral, domestic demand as a whole contributed negatively to GDP growth. This was, however, more than offset by improving net exports, primarily due to falling imports. Overall, the GDP data for the third quarter are consistent with a situation of declining economic activity.

On balance, the most recent monthly data suggest that the economy has weakened further in the fourth quarter. On the positive side, the moderate upward trend in retail sales volume registered in the second and third quarter was maintained in October and November (1.8% and 1.0% year-on-year, respectively) seemingly supported by continued year-on-year growth of tourist turnover in those months. On the negative side, consumer confidence fell sharply in December after several months of stagnation. The volume of industrial production expressed in seasonally-adjusted month-on-month terms fell by 0.6% in October and remained unchanged in November. The long-lasting slump in the construction sector continued unabated in October when overall construction output fell by 2.3% month-on-month in seasonally-adjusted terms. In foreign trade, the value of exports and imports of goods fell by 16.7% and 4.2% year-on-year, respectively, in the October-November period. The sharp fall in goods exports suggests that the decline of economic activity in some of Croatia's major export markets is starting to depress the domestic economy.

Labour market

Labour market conditions continued to soften in the third quarter of 2011, but at a reduced speed. According to the labour force survey, employment was 0.4% lower year-on-year. The unemployment rate increased 0.7 percentage point year-on-year to 12.2%. The more timely data on registered unemployment suggest a slight improvement in the labour market in the

fourth quarter. The registered unemployment rate stood at 17.4% in October and at 17.9% in November which for both months is 0.4 percentage point lower year-on-year.

Wage developments remained stable in recent months. In year-on-year terms, the average nominal gross wage was up by 1.2% in October and by 1.4% for the first ten months of 2011. Adjusted for inflation, the average gross wage was down by 1.3% in October and by 0.8% in the first ten months.

External sector

The current account improved sharply in the third quarter with the long-standing deficit turning into surplus on a rolling four-quarter basis. In the twelve-month period to end-September, the current account showed a surplus equivalent to 0.4% of GDP (based on values in kuna) compared to a deficit of 1.3% of GDP in the year to the end of June. Exports of goods and services increased 8.2% year-on-year in the third quarter (mainly due to surging receipts from tourism). Imports of goods and services, on the other hand, fell 3.0%.

Net foreign direct investment has stabilised in recent quarters and amounted to 1.5% of GDP in the twelve-month period to end-September up from only 0.8% in 2010. Net FDI remains, however, far below the pre-crisis level of around 7% of GDP.

In the course of the third quarter Croatia's total gross external debt decreased by € 0.8 billion to € 46.6 billion which corresponds to 102.5% of GDP. Gross international reserves amounted to € 11.4 billion (25.1% of GDP) at the end of November, up from € 11.3 billion at the end of the third quarter and from € 10.7 billion at the end of 2010.

Monetary developments

Headline inflation (consumer price inflation in year-on-year terms) has increased from the most recent low of 1.9% in July to 2.6% in November as month-on-month increases averaged 0.4% since August. This uptick in inflation is solely based on higher prices for goods (particularly clothing, footwear, food and beverages) while service prices have actually declined.

Broad money (M4) increased from May to August, but stagnated subsequently. M4 was 4% higher year-on-year at the end of November while the aggregate volume of Croatian bank assets was 5.5% higher.

The mild downward pressure on the kuna against the euro continued in the fourth quarter. The kuna/euro rate stood at 7.54 at the end of December compared to 7.50 at the end of September and 7.38 at the end of 2010. This means that the kuna has depreciated by 2.1% against the euro in the course of 2011. Unlike in the third quarter, the central bank did not intervene in the foreign exchange market to support the domestic currency in the fourth quarter. However, such an intervention was made on 4 January 2012 with a sale of € 197 million.

A central bank decision to increase the bank reserve requirement from 13% to 14% became effective on 12 October. The measure was intended to ease the depreciation pressure on the kuna by withdrawing liquidity from the banking system.

Financial sector

As a consequence of the worsening sovereign debt crisis in the euro area, Croatia's external financing conditions deteriorated in the second half of 2011 according to the Croatian National Bank. Risk perception regarding Croatia, as reflected in CDS spreads, increased in line with trends for other countries in the region. In conjunction with higher financing costs for the foreign parent banks of the largest domestic banks, it reduced the access of domestic sectors to foreign capital. Nevertheless, liquidity in the domestic financial system remained favourable (notwithstanding the increase of the bank reserve requirement) and bank interest rates were relatively stable. The Croatian stock market index continued to trend downwards in the fourth quarter and lost 17.2% over the year.

Fiscal developments

Net borrowing of general government was planned to be 5.4% of GDP in 2011. According to the Ministry of Finance, the actual deficit may turn out to be somewhat smaller. Budget revenues amounted to 91.6% of plan in the first eleven months of the year, while expenses totalled 89.9% of plan.

The outgoing government did not present a state budget for 2012 to parliament prior to the elections in December 2011. Pending adoption of a new budget, government expenditures are being financed on a temporary basis in the first quarter of the year in accordance with the provisions in Croatia's Budget Law.

TABLE



European Commission, ECFIN-D-1

CROATIA

		2007	2008	2009	2010	2011	ECFIN Forecast		Q2 11	Q3 11	Q4 11	Oct 11	Nov 11	Dec 11
							2012	2013						
1 Real sector														
Industrial outlook ^{1.1}	Balance	70.9	38.0	-33.3	3.0	-0.8	:	:	-8.0	25.0	-35.0	N.A.	N.A.	N.A.
Industrial production ^{1.2}	Ann. % ch	5.6	1.6	-9.0	-1.5	:	:	:	1.3	-2.0	:	0.6	-0.3	:
Gross domestic product ^{1.3}	Ann. % ch	5.1	2.2	-6.0	-1.2	0.6f	0.8	1.2	0.8	0.7	:	N.A.	N.A.	N.A.
Private consumption ^{1.4}	Ann. % ch	6.3	0.8	-8.5	-0.9	0.5f	0.3	1.0	0.6	0.1	:	N.A.	N.A.	N.A.
Gross fixed capital formation ^{1.5}	Ann. % ch	7.1	8.2	-11.8	-11.3	-6.0f	-1.0	4.0	-7.3	-8.4	:	N.A.	N.A.	N.A.
Construction index ^{1.6}	Ann. % ch	N.A.	11.8	-6.5	-15.9	:	:	:	-10.6	-9.6	:	-7.4	:	:
Retail sales ^{1.7}	Ann. % ch	N.A.	N.A.	-15.3	-1.8	:	:	:	1.8	1.4	:	1.8	1.0	:
2 Labour market														
Unemployment ^{2.1}	%	9.6	8.4	9.1	11.8	13.6f	13.2	12.4	13.5	12.2	:	N.A.	N.A.	N.A.
Employment ^{2.2}	Ann. % ch	1.8	1.3	-1.9	-4.0	-4.0f	-0.1	0.6	-3.5	-0.4	:	N.A.	N.A.	N.A.
Wages ^{2.3}	Ann. % ch	6.2	7.1	2.2	-0.4	1.1f	0.4	0.8	1.8	2.1	:	1.2	:	:
3 External sector														
Exports of goods ^{3.1}	Ann. % ch	8.8	5.1	-20.2	17.3	:	:	:	5.7	7.0	:	-18.3	-14.8	:
Imports of goods ^{3.2}	Ann. % ch	11.0	8.9	-25.6	-1.0	:	:	:	0.5	-1.7	:	4.2	-11.7	:
Trade balance* ^{3.3}	% of GDP	-21.7	-22.6	-16.2	-13.0	-12.8f	-12.4	-13.1	-12.8	:	:	N.A.	N.A.	N.A.
Exports goods and services ^{3.4}	% of GDP	42.1	41.7	35.4	38.3	:	:	:	38.4	38.9	:	N.A.	N.A.	N.A.
Imports goods and services ^{3.5}	% of GDP	49.8	49.9	39.4	38.8	:	:	:	38.4	37.7	:	N.A.	N.A.	N.A.
Current account balance* ^{3.6}	% of GDP	-7.3	-8.9	-5.3	-1.2	-1.2f	-0.6	-1.4	-1.3	0.4	:	N.A.	N.A.	N.A.
Direct investment (FDI, net)* ^{3.7}	% of GDP	8.0	6.7	2.6	0.7	:	:	:	0.8	1.5	:	N.A.	N.A.	N.A.
International reserves ^{3.8}	mio EUR	9 307.4	9 120.9	10 375.8	10 660.3	:	:	:	11 422.3	11 323.8	:	11 220.5	11 420.4	:
Int. reserves / months Imp ^{3.9}	Ratio	5.9	5.3	8.2	8.5	:	:	:	9.0	9.0	:	8.9	:	:
4 Monetary Developments														
CPI ^{4.1}	Ann. % ch	2.9	6.1	2.4	1.0	2.1f	1.5	1.7	2.3	2.1	:	2.7	2.6	:
Producer prices ^{4.2}	Ann. % ch	:	:	-0.4	4.3	:	:	:	7.4	7.3	:	6.8	6.8	:
Food prices ^{4.3}	Ann. % ch	3.4	10.0	1.7	-1.5	:	:	:	3.6	3.0	:	4.0	4.5	:
M4 ^{4.4}	Ann. % ch	17.9	10.9	1.6	2.7	:	:	:	3.4	4.1	:	3.8	4.0	:
Exchange rate HRK/EUR ^{4.5}	Value	7.33	7.22	7.34	7.29	7.43	:	:	7.39	7.46	7.49	7.48	7.49	7.51
Nominal eff. exchange rate ^{4.6}	Index	98.0	96.1	97.2	98.2	:	:	:	99.30	100.52	:	100.91	:	:
5 Financial indicators														
Interest rate (3 months) ^{5.1}	% p.a.	5.66	7.19	8.96	2.44	3.14	:	:	1.66	3.10	5.18	5.34	5.19	5.03
Bond yield ^{5.2}	% p.a.	N.A.	5.9	6.4	5.8	5.7	:	:	5.3	5.4	6.2	5.9	6.4	6.4
Stock markets ^{5.3}	Index	4 673	3 299	1 871	1 990	2 079	:	:	2 248	2 021	1 774	1 843	1 739	1 740
Credit growth ^{5.4}	Ann. % ch	19.4	11.6	5.0	2.9	:	:	:	6.9	7.1	:	6.6	5.1	:
Deposit growth ^{5.5}	Ann. % ch	27.2	7.4	-15.2	-19.8	:	:	:	4.4	9.3	:	16.3	18.2	:
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	-2.5	-1.4	-4.1	-4.9	-5.5f	-5.4	-5.2	:	:	:	N.A.	N.A.	N.A.
General government debt ^{6.2}	% of GDP	32.9	28.9	35.2	41.2	45.8f	50.0	53.8	:	:	:	N.A.	N.A.	N.A.

f: ECFIN forecast Autumn 2011

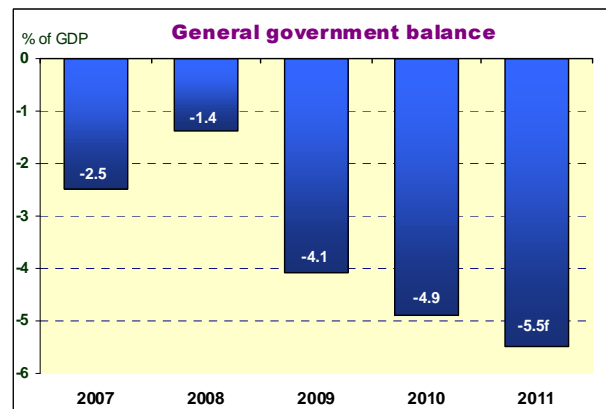
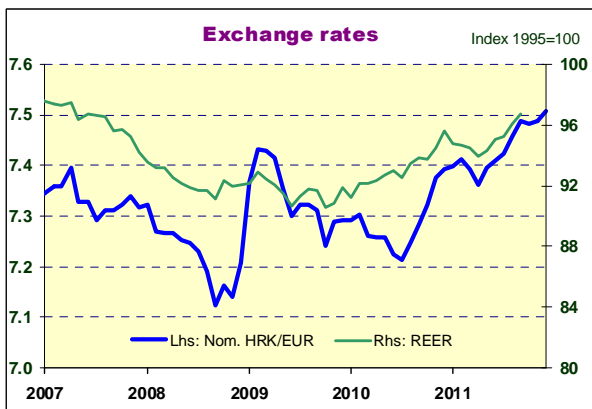
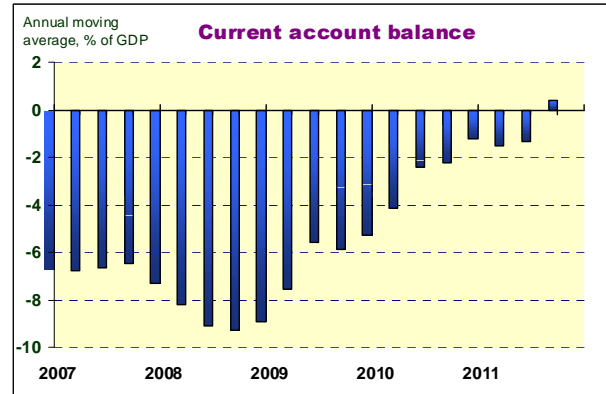
* Q figures refer to a 4 quarters moving average.

CHARTS



European Commission, ECFIN-D-1

CROATIA



THE FORMER YUGOSLAV REPUBLIC OF MACEDONIA



Key developments

The International Credit Rating Agency “Fitch” maintained the country's credit rating at BB+, with a stable outlook as regards both foreign and local currency.

On 13 December, the IMF concluded its Art. IV consultation mission, welcoming the maintenance of sound economic policies but also pointing to the risks of weaker global growth and increased financial uncertainty.

On 3 January, parliament adopted the budget for 2012, envisaging a central government deficit of 2.5% of GDP. The budget is based on projected real GDP growth of 4.5% and an inflation rate of 2.5%. The law envisages an increase in capital spending by 29%.

Real sector

Output growth decelerated in the third quarter to 2.3% year-on-year, compared to 5.3% and 5.0% in the first and second quarter, respectively. In the first three quarters, GDP growth was 3.7%, compared to 0.9% the year before. Increased gross fixed capital formation appears to have been the main driver of growth, following weak investment in 2009 and 2010. Private consumption appears to have been another important source of growth. As a result of strong domestic demand, imports rose markedly, leading to a negative growth contribution of net-exports. To some extent, the strong growth in the first half of 2011 reflects a weak base in the previous year, but probably also increased public spending ahead of general elections in June.

The growth of industrial production slowed down markedly during 2011, from 5.6% in the second to 1.4% in the third quarter. In October-November, industrial output started to drop year-on-year and was nearly 5% lower than a year before, in particular due to output declines in export oriented industries, such as textiles and base metals. However, thanks to a strong performance in the first half of the year, the

overall output level during the first eleven months is still some 4% higher than a year before.

Labour market

The overall labour market situation remained largely unchanged in the third quarter. The number of employed persons remained at the same level as a year before. The number of unemployed persons declined by 2.2%. However, this reduction appears not to have resulted from more employment but a decline in the labour supply. As a result, the unemployment rate fell slightly to 31.2% from 31.7% in the third quarter of 2010. There were no major changes in the sectoral employment structure. Youth unemployment (age bracket 15-24 years), rose markedly to 56%, up from 52.0% in the same period a year before. This age group accounts for about 11% of the labour force, but for 18% of the unemployed.

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

External sector

In the third quarter of 2011, the annualised trade deficit (moving annual average) rose to 23.5%, compared to 21.5% during the same period a year before. This is mainly due to a slowdown in exports, while imports rose more rapidly. Average current transfers remained at some 20% of GDP. As a result, the annualised current account deficit increased to 4.9%, compared to 2.2% a year before. The current account deficit is still covered by capital inflows, however, mainly in the form of loans.

Foreign exchange reserves rose slightly to at around EUR 2.2 billion by end November, which is some 29% of the expected full-year GDP. However, due to the high level of imports,

the import coverage of foreign reserves declined to around 5 months of realised imports.

Gross external debt was at 61% of the expected full-year GDP by end-September. This is largely the same level as in the second quarter. However, a year before, external indebtedness was markedly lower, at 57% of the projected full-year GDP.

Monetary developments

Inflation continued to decelerate. In December, consumer prices rose by 2.8% year-on-year, after having reached a peak of around 5% in the period March to May. Average inflation in 2011 increased markedly to 3.9%, compared to 1.6% in 2010. The main inflationary pressures came from price increases of food and renting costs, rising by 6.2% and 5.0% respectively. Prices for food and beverages account for about 40% of the consumer basket.

Year-on-year growth of M4 rose to 12% in the third quarter, compared to 8.7% in the second quarter. However, in November the increase in this monetary aggregate slowed down again to 8.6% year-on-year.

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

Financial sector

Monetary conditions have remained largely unchanged. Weighted nominal lending rates which had started to decline slightly since early 2010, remained stable during September-November at 8.8%. However, interest rates on deposits continued to decline, from 5.8% in August to 5.6% by November.2011. The spread between lending and borrowing rates thus has slightly increased, to 3.2 percentage points. The overall credit-to-GDP level is still relatively low at some 45% of GDP.

The ratio of non-performing loans (NPLs) to total loans has slightly increased in the third quarter, from 9.3% in June to 9.8% end-September. The main reason was an increase in the NPL ratio of large banks from 8.3% end-June to 9.1% end-September. NPL ratios for medium-sized and small-sized banks have remained stable, although they were at a higher level, namely at 11.7% and 15.1%, respectively. Profitability of the banking sector has remained weak. At end-September, the whole sector's

return-on-assets ratio was at 0.1%, compared to 0.5% a year before. The sector's return-on-equity has declined further to 1% end-September 2011, compared to 4% 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 third and fourth quarter of 2011. The market capitalisation currently amounts to some 30 % of GDP.

Fiscal developments

By November 2011, the central government deficit stood at 2¼% of the expected full-year GDP. In this period, revenues had remained largely unchanged in real terms, while expenditure had increased by 1.1% year-on-year. Both, revenues and expenditure were about 9% lower than anticipated in the 2011 budget. The deficit target for 2011 is 2.5% of GDP, compared to a reported deficit of 2¾% of GDP in 2010.

By end-November 2011, central government debt had increased to some 26¼% of the projected full-year GDP, compared to 24½% end of 2010. The share of external public debt is some 75% of the total central government debt.

TABLE



European Commission, ECFIN-D-1

The former Yugoslav Republic of Macedonia

		2007	2008	2009	2010	2011	ECFIN Forecast		Q2 11	Q3 11	Q4 11	Oct 11	Nov 11	Dec 11
							2012	2013						
1 Real sector														
Industrial confidence ^{1.1}	Balance	7.0	6.8	-13.8	-9.6	:	:	:	19.0	26.4	:	20.4	15.6	:
Industrial production ^{1.2}	Ann. % ch	4.3	5.6	-8.4	-4.6	:	:	:	5.6	1.4	:	-3.8	-5.3	:
Gross domestic product ^{1.3}	Ann. % ch	6.2	5.1	-1.0	1.7	3.0f	2.5	3.5	5.0	2.3	:	N.A.	N.A.	N.A.
Private consumption ^{1.4}	Ann. % ch	9.8	8.1	-4.8	1.8	2.5f	1.5	3.0	12.5	4.8	:	N.A.	N.A.	N.A.
Gross fixed capital formation ^{1.5}	Ann. % ch	13.3	16.5	0.5	1.8	6.0f	9.0	12.0	:	:	:	N.A.	N.A.	N.A.
Construction ^{1.6}	Ann. % ch	18.5	-2.8	5.3	9.7	:	:	:	31.3	18.9	:	N.A.	N.A.	N.A.
Retail sales ^{1.7}	Ann. % ch	17.1	11.6	-3.8	4.2	:	:	:	:	:	:	N.A.	N.A.	N.A.
2 Labour market														
Unemployment ^{2.1}	%	34.9	33.8	32.2	32.0	30.5f	30.0	28.5	31.3	31.2	:	N.A.	N.A.	N.A.
Employment ^{2.2}	Ann. % ch	3.5	3.2	3.4	1.3	2.5f	2.0	3.0	2.5	0.0	:	N.A.	N.A.	N.A.
Wages ^{2.3}	Ann. % ch	4.8	8.7	14.1	1.0	2.0f	1.9	3.0	1.3	1.4	:	1.3	:	:
3 External sector														
Exports of goods ^{3.1}	Ann. % ch	29.2	8.9	-28.7	29.8	:	:	:	32.6	20.3	:	:	:	:
Imports of goods ^{3.2}	Ann. % ch	25.3	21.9	-22.1	14.1	:	:	:	18.3	22.4	:	:	:	:
Trade balance* ^{3.3}	% of GDP	-19.8	-26.2	-23.1	-21.3	-23.0f	-22.5	-23.0	-22.5	-23.5	:	N.A.	N.A.	N.A.
Exports goods and services ^{3.4}	% of GDP	52.4	50.9	39.0	47.6	:	:	:	53.1	54.9	:	N.A.	N.A.	N.A.
Imports goods and services ^{3.5}	% of GDP	70.8	76.2	60.6	66.5	:	:	:	72.7	75.1	:	N.A.	N.A.	N.A.
Current account balance* ^{3.6}	% of GDP	-7.1	-12.8	-6.7	-2.8	-5.5f	-5.5	-6.5	-4.5	-4.9	:	N.A.	N.A.	N.A.
Direct investment (FDI, net)* ^{3.7}	% of GDP	8.5	6.1	2.0	3.2	:	:	:	3.3	3.7	:	N.A.	N.A.	N.A.
International reserves ^{3.8}	mio EUR	1551.2	1496.9	1598.7	1715.3	:	:	:	1951.6	1937.2	:	2130.5	2154.4	:
Int. reserves / months Imp ^{3.9}	Ratio	5.1	4.0	5.5	5.2	:	:	:	5.2	4.9	:	:	:	:
4 Monetary developments														
CPI ^{4.1}	Ann. % ch	2.3	8.3	-0.8	1.6	3.9	2.5	3.3	4.7	3.6	3.2	3.3	3.5	2.8
Producer prices ^{4.2}	Ann. % ch	1.6	10.4	-6.4	8.3	:	:	:	:	:	:	:	:	:
Food prices ^{4.3}	Ann. % ch	3.7	14.4	-1.4	0.3	:	:	:	8.1	5.2	:	4.2	5.1	:
Monetary aggregate M4 ^{4.4}	Ann. % ch	28.9	21.3	3.5	12.1	:	:	:	8.7	12.1	:	10.2	8.6	:
Exchange rate MKD/EUR ^{4.5}	Value	61.18	61.26	61.28	61.51	:	:	:	61.55	61.54	:	61.50	61.50	:
Nominal eff. exchange rate ^{4.6}	Index	99.6	100.6	106.6	106.0	:	:	:	106.2	:	:	N.A.	N.A.	N.A.
5 Financial indicators														
Interest rate (3 months) ^{5.1}	% p.a.	5.60	5.30	:	:	:	:	:	:	:	:	:	:	:
Bond yield ^{5.2}	% p.a.	10.2	9.7	10.1	9.5	:	:	:	8.9	8.8	:	8.8	:	:
Stock markets ^{5.3}	Index	6 971	5 149	2 497	2 472	2 407	:	:	2 579	2 384	2 064	2 132	2 062	1 996
Credit Growth ^{5.4}	Ann. % ch	35.0	40.3	14.2	5.4	:	:	:	8.3	8.2	:	8.3	8.6	:
Deposit growth ^{5.5}	Ann. % ch	31.4	23.5	4.6	13.0	:	:	:	9.2	12.3	:	10.4	8.6	:
Non-performing loans ^{5.6}	% total	7.5	6.7	8.9	9.0	:	:	:	9.3	9.8	:	N.A.	N.A.	N.A.
6 Fiscal developments														
General government balance ^{6.1}	% of GDP	0.6	-1.0	-2.7	-2.5	-2.5f	-2.2	-2.0	:	:	:	N.A.	N.A.	N.A.
General government debt ^{6.2}	% of GDP	27.3	28.8	32.1	35.1	29.0f	31.0	32.5	:	:	:	N.A.	N.A.	N.A.

f: ECFIN forecast Autumn 2011

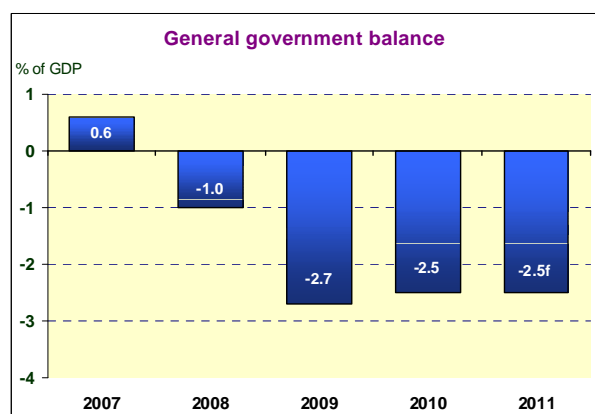
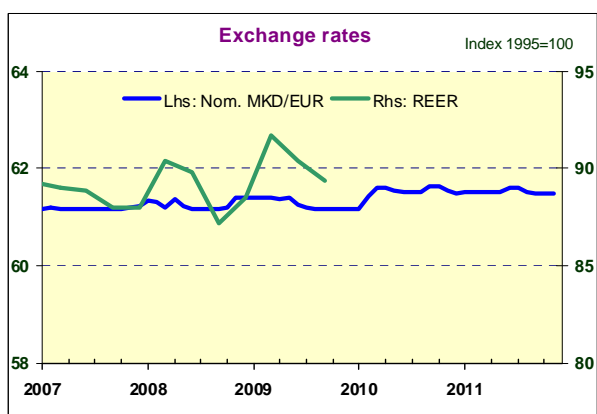
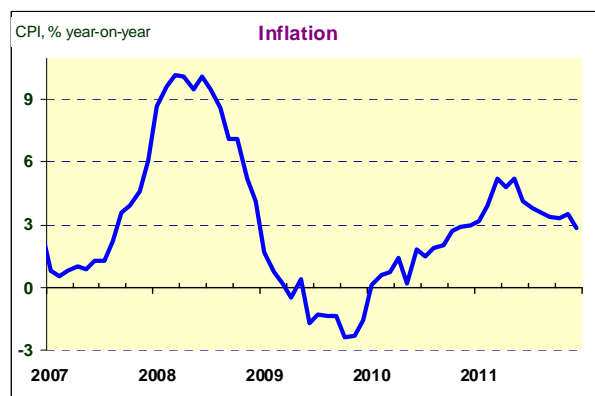
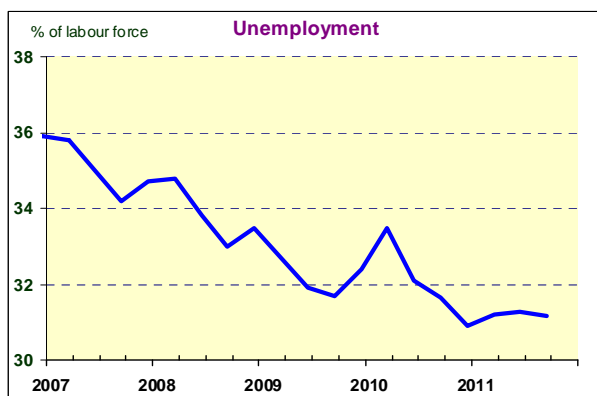
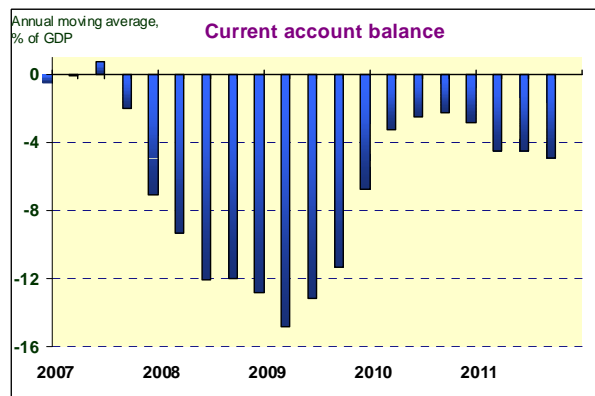
* Q figures refer to a 4 quarters moving average.

CHARTS



European Commission, ECFIN-D-1

The former Yugoslav Republic of Macedonia



ICELAND



Key developments

On 7 December, the Parliament adopted the government's proposal for the 2012 central budget with some modifications, which led to a moderation of initially planned cuts in social spending. The revised deficit target amounts to 1.2% of GDP, compared to the original government's plan of a 1% deficit.

On 14 December, the EFTA court ruled that Iceland's capital controls are in conformity with the European Economic Area (EEA) agreement.

Also on 14 December, the EFTA Surveillance Agency (ESA) filed a complaint to the EFTA Court against the government, arguing that Iceland did not comply with obligations resulting from the EU Deposit Insurance Directive, following the collapse of Landsbanki's online branch Icesave. A week earlier, the winding up committee of bankrupt Landsbanki had made a first partial payment of ISK 432 billion (€2.71 bn) to priority creditors, including UK and Dutch authorities. The amount was reportedly close to one-third of the recognised priority claims.

In a government reshuffle enacted on the last day of 2011, the previous Minister of Finance, Steingrímur J. Sigfússon, took over the portfolios of both Economic Affairs and Fisheries and Agriculture. The Chairwoman of the parliamentary group of the Social Democratic Alliance, Ms Oddný G. Hardardóttir, was appointed as Minister of Finance.

Real sector

In the third quarter of 2011, economic performance surprised on the upside. Real growth accelerated markedly to 4.8% year-on-year (from 2.4% in the second quarter), which was the highest growth rate recorded since the first quarter of 2008. Growth dynamics were primarily driven by a 5.1% increase in private consumption, fuelled by higher wages and social benefits as well as debt relief measures provided to indebted households. Total investments were up by 1.4%, resulting exclusively from private sector activities, including a 14% increase in

business investment, whereas public investments continued to drop sharply (by over 28%). The contribution of net exports to growth was positive for the first time since the second quarter of 2010. Total exports of goods and services rose stronger (5.4%) than imports (2%), also due to seasonal factors, including a strong tourism season. As a result of strong growth during the third quarter and an upward revision for the first half of the year, real GDP increased by 3.7% year-on-year in the first three quarters of 2011. This compares to a real GDP drop of 5.3% during the same period in 2010. More recent high-frequency indicators present a mixed picture. Industrial production dropped 3.6% in October and statistics on payment card turnover suggest some moderation of spending growth in October and November. At the same time, confidence indicators improved in November and December.

Labour market

The situation on the labour market started to improve in mid-2011, partly due to seasonal effects. The unemployment rate dropped to 5.9% in the third quarter, down from 8.7% in the second quarter and also below the rate recorded in the same quarter a year before (6.4%). Total employment rose by 0.9% year-on-year, compared to an increase of 0.3% in the second quarter and a 0.8% year-on-year decline in the same period of 2010. However, the unemployment rate is still far above pre-crisis levels. The high rate of long-term unemployment is a particular concern; it increased to close to 30% in the third quarter, up from 23% in the same quarter a year before. Also, the unemployment rate among the younger population (aged 16-24) remained elevated at 9.5%, although somewhat lower than a year before when it was still at 11.1%.

Pay rises agreed among social partners in May have since then led to a marked increase in gross wages. Average wage increases accelerated to 8.1% year-on-year in the third quarter, up from around 5% in the first half of 2011. Wages accelerated further during the fourth quarter, to 9% in November. As a result of these wage dynamics, average wage growth in the first

eleven months of 2011 reached 6.5%, compared to around 4.8% in the same period of 2010. This translates into a rise in real wages of around 2.6% in the same period, compared to a negative real wage growth of 1% during the same period a year before.

External sector

The surplus in the trade with goods and services improved to 9.6% of GDP in the four quarters to end-September, compared to 9.2% in the four quarters to end-June. This together with a lower deficit in the income balance led to a narrowing of the current account deficit to 6.9% of GDP in the same period, down from a deficit of 7.8% in the four quarters to end-June. Excluding accrued interest of banks in winding-up proceedings, the current account recorded a much smaller annualised deficit of 0.5% of GDP, according to estimates of the central bank.

Merchandise trade data for October and November point to a slowing export growth, whereas the growth of imports remained rather strong in October and moderated somewhat in November. Cumulative export growth in the first eleven months of 2011 has been much weaker than the growth of imports, reversing the trend seen in 2010 when exports growth outpaced the growth of imports, thus contributing to the narrowing of external deficits. The trade surplus in the period January to November 2011 stood at 6.1% of GDP, compared to a surplus of close to 7% in the same period a year before. Preliminary trade figures for December suggest stronger export growth, which may however be due to one-off items, such as exports of ships and/or aircrafts.

Total net capital inflows in the third 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 5% of GDP, reaching 60% of GDP by end-September. The stock of reserves increased further to 74% of GDP by end-November. The central bank estimates the external debt stock, corrected for banks in winding-up procedures at around 200% of GDP, compared to a pre-crisis level of around 570% of GDP (at end-2007).

Monetary developments

In November 2011, the Central Bank raised policy rates for the second time (since March 2009), by 0.25 percentage points to 4.75%, in line with expectations of a stronger than earlier projected recovery and in view of annual inflation being far above the Central Bank's

official 2.5% inflation target. Mainly as a result of rising oil, house and food prices as well as stronger wage pressures, annual inflation had accelerated to 5.3% in the third quarter (from 3.5% in the second quarter) and stayed at this level in the fourth quarter. Following a 4.5% appreciation during the third quarter, also driven by a strong tourism season, the exchange rate of the króna remained rather stable during the fourth quarter. The end-year exchange rate stood at ISK/€ 158.36, compared to ISK/€ 158.02 at the end of the third quarter.

Financial sector

Credit growth continued to be negative through October (-1.4% year-on-year). Domestic private credit is estimated at 90% of GDP at end-2011, only a fraction of the pre-crisis level. Domestic banks enjoy a rather high capital adequacy ratio (24% of risk-weighted assets at end-September) and leverage ratios are relatively low. However, banks are still faced with significant risks arising from weak asset quality, currency mismatches and inflation indexation clauses. Private households and businesses continue to suffer from high indebtedness, default is widespread, and non-performing loan ratios remain exceptionally high (at 25% of total loans by September). The annual growth of bank deposits continued to be negative in the first eight months of 2011, but started to grow since September.

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 started to recover modestly since mid-October and gained 0.7% through the fourth quarter, which was still 0.5% below the previous year level.

Fiscal developments

The first three quarters showed strong revenue performance and spending in line with the government's projections. Total general government revenues increased by 5.7% and total spending by 2.8% year-on-year. Current spending rose 3.5% with a particularly strong increase of social spending (12.7%), resulting from an earlier government's decision to increase benefits and wages as a complementary part of the social partners' wage deal of May 2011. Public investments continued to drop, by close to 20% year-on-year in the first three quarters. During the same time, the general government balance recorded a deficit of 4.6% of the period's GDP, compared to a deficit of close to 6% in the same period of 2010. Central government debt dropped to an estimated 83% of GDP by end-2011, from 84% in 2010.

TABLE



European Commission, ECFIN-D-1

ICELAND

		2007	2008	2009	2010	2011	ECFIN Forecast		Q2 11	Q3 11	Q4 11	Oct 11	Nov 11	Dec 11
							2012	2013						
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	28.5	76.9	10.3	-0.6	:	:	:	-0.3	2.5	:	-3.6	:	:
Gross domestic product ^{1.3}	Ann. % ch	6.0	1.3	-6.7	-4.0	2.1f	1.5	2.7	2.4	4.8	:	N.A.	N.A.	N.A.
Private consumption ^{1.4}	Ann. % ch	5.7	-7.9	-14.9	-0.4	3.8f	1.5	2.0	6.3	5.1	:	N.A.	N.A.	N.A.
Gross fixed capital formation ^{1.5}	Ann. % ch	-12.2	-20.0	-51.1	-8.0	6.8f	8.9	13.4	3.3	1.4	:	N.A.	N.A.	N.A.
Construction index ^{1.6}	Ann. % ch	12.1	-21.2	-23.4	N.A.	:	:	:	:	:	:	:	:	:
Retail sales ^{1.7}	Ann. % ch	7.9	-8.7	-23.2	-4.2	:	:	:	2.7	:	:	N.A.	N.A.	N.A.
2 Labour market														
Unemployment ^{2.1}	%	2.3	3.0	7.2	7.5	7.6f	7.3	6.7	8.5	5.9	:	N.A.	N.A.	N.A.
Employment ^{2.2}	Ann. % ch	4.5	0.7	-6.1	-0.3	0.2f	0.2	0.5	0.3	0.9	:	N.A.	N.A.	N.A.
Wages ^{2.3}	Ann. % ch	9.0	8.1	3.9	4.8	5.1f	4.7	4.7	5.6	8.1	:	8.9	9.0	:
3 External sector														
Exports of goods ^{3.1}	Ann. % ch	25.7	52.6	7.3	12.0	11.6	:	:	2.7	23.9	13.7	12.0	10.8	18.2
Imports of goods ^{3.2}	Ann. % ch	-1.5	20.2	-13.3	7.4	16.5	:	:	19.5	18.3	19.4	24.5	10.1	23.5
Trade balance* ^{3.3}	% of GDP	-6.7	-0.4	6.0	7.8	5.8f	5.0	4.5	6.5	7.0	:	N.A.	N.A.	N.A.
Exports goods and services ^{3.4}	% of GDP	34.6	44.4	52.6	56.0	:	:	:	56.3	57.7	:	N.A.	N.A.	N.A.
Imports goods and services ^{3.5}	% of GDP	45.3	47.1	44.2	46.0	:	:	:	47.1	48.1	:	N.A.	N.A.	N.A.
Current account balance* ^{3.6}	% of GDP	-15.7	-24.5	-11.7	-8.0	-10.4f	-9.6	-9.5	-7.8	-6.9	:	N.A.	N.A.	N.A.
Direct investment (FDI, net)* ^{3.7}	% of GDP	-16.5	30.4	-18.2	20.7	:	:	:	20.4	18.7	:	N.A.	N.A.	N.A.
International reserves ^{3.8}	mio EUR	1 793.5	2 565.3	2 661.7	4 369.0	:	:	:	5 007.1	5 684.5	:	6 194.1	6 996.1	:
Int. reserves / months Imp ^{3.9}	Ratio	4.7	8.0	13.4	19.1	:	:	:	20.1	22.2	:	23.8	26.7	:
4 Monetary developments														
CPI ^{4.1}	Ann. % ch	5.1	12.7	12.0	5.4	4.0	3.6	2.8	3.5	5.3	5.3	5.3	5.2	5.3
Producer prices ^{4.2}	Ann. % ch	1.8	31.0	11.3	11.8	:	:	:	8.4	16.0	:	12.8	8.4	:
Food prices ^{4.3}	Ann. % ch	-1.1	16.0	17.5	4.2	3.8	:	:	2.2	5.7	5.7	5.3	5.2	6.7
M3 ^{4.4}	Ann. % ch	36.2	41.2	15.7	-6.6	:	:	:	-6.6	1.1	:	5.1	5.8	:
Exchange rate ISK/EUR ^{4.5}	Value	87.66	127.58	172.15	161.62	161.20	:	:	164.14	163.24	158.84	158.67	158.70	159.15
Nominal eff. exchange rate ^{4.6}	Index	186.4	135.2	98.1	100.0	:	:	:	99.1	98.9	:	101.5	101.2	:
5 Financial indicators														
Interest rate (3 months) ^{5.1}	% p.a.	14.28	15.84	11.28	6.79	4.26	:	:	4.00	4.28	4.71	4.60	4.73	4.80
Bond yield ^{5.2}	% p.a.	N.A.	11.00	8.15	5.38	5.23	:	:	5.76	5.29	4.84	4.88	4.83	4.82
Stock markets ^{5.3}	Index	7 017	3 510	465	563	602	:	:	620	602	575	568	575	582
Credith growth ^{5.4}	Ann. % ch	27.3	-34.0	-8.5	-3.2	:	:	:	-2.7	-1.3	:	-1.4	-1.2	:
Deposit growth ^{5.5}	Ann. % ch	36.6	31.5	-1.3	-7.0	:	:	:	-7.2	0.7	:	4.8	5.5	:
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	5.4	-13.5	-9.9	-10.1	-5.7f	-4.4	-3.1	-5.3	-4.4	:	N.A.	N.A.	N.A.
General government debt ^{6.2}	% of GDP	28.6	70.4	106.6	124.3	92.4f	90.2	88.3	:	:	:	N.A.	N.A.	N.A.

f: ECFIN forecast Autumn 2011

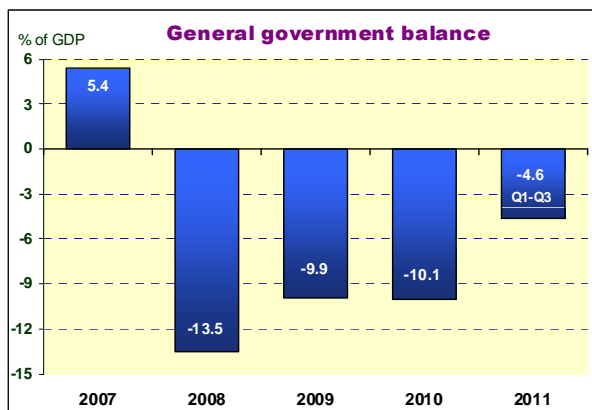
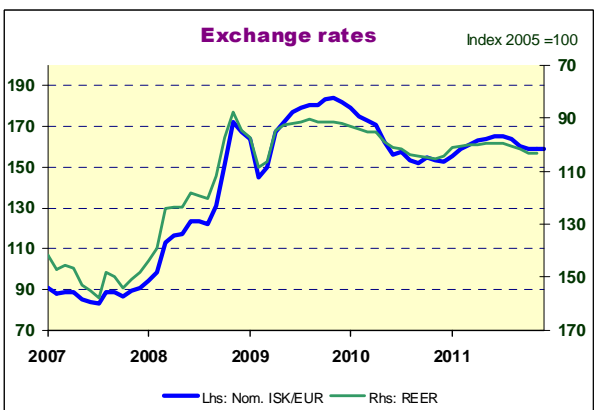
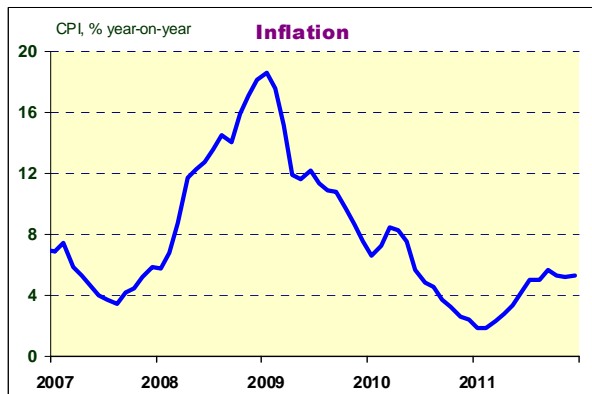
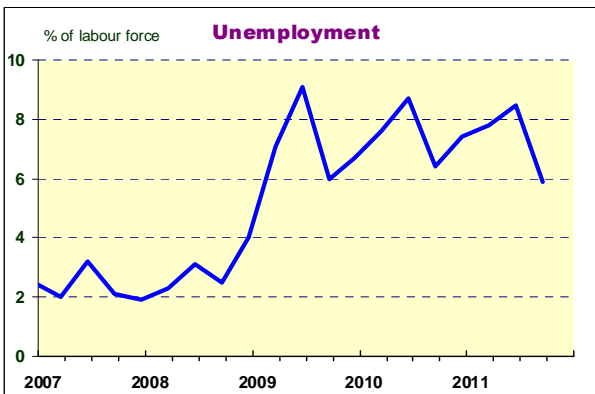
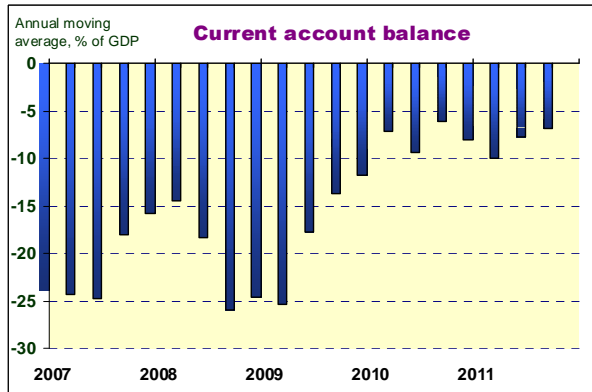
* Q figures refer to a 4 quarters moving average.

CHARTS

European Commission, ECFIN-D-1



ICELAND





Key developments

On 9 December, the European Council invited the Council to examine, on the basis of a Commission report, Montenegro's progress in the implementation of reforms with a view to opening accession negotiations in June 2012.

On 17 December the World Trade Organisation Ministerial Conference admitted Montenegro to the WTO.

Also in December, Standard & Poor's affirmed the sovereign credit rating of Montenegro ('BB' long-term and 'B' short-term). The agency maintains a negative outlook, emphasising a weak external position and refinancing risks in its report.

Following the rejection of the reorganisation plan proposed by its former owners, the sole steel producer company in the country -Zeljezara Nikšić- which had gone bankrupt in early 2011, has been offered for sale in January 2012.

Real sector

In the first three quarters of 2011 the economy expanded by 3.5% year-on-year, according to estimates by the Central Bank of Montenegro, compared to a 2.5% growth for the whole 2010.

The performance of industrial production continued to be rather volatile. Following an increase of 5.4% in the third quarter, it fell by 4.2% and 15.9% in October and November, respectively. In the first eleven months of 2011, industrial production contracted on average by 6.9% year-on-year. While manufacturing and mining expanded by 8% and 7%, respectively, these improvements could not compensate for the contraction in utilities (28%). In the second and third quarters of 2011 the number of tourist arrivals increased by 9.5% and 8.5% year-on-year respectively. The post-season recorded good results also, with visits increasing on average by 15% in October and November. Overall, total revenues from tourism (direct and indirect) in the first eleven months of 2011, are estimated at some 20% of GDP, or 5% higher than in the previous year.

The growth of retail trade accelerated to around 25% in the third quarter and kept its pace through November. In real terms, retail sales were up by 16% in the first eleven months of 2011.

Labour market

The situation on the labour market was characterised by an acceleration of employment growth and a gradual lowering of the unemployment rate since the second quarter of 2011. For the full year 2011, the Employment Agency registered 21,610 new jobs, 18.2% more than in the previous year. At the end of December, the unemployment rate reached 11.5% compared to 12.2% a year earlier.

The average net salary increased in November by 1.7% year-on-year, reaching EUR 483. Annual increases were also registered in public administration, retail trade and hotels and restaurants. Wage growth moderation started in the second quarter and continued since then. Following a fall of average gross wages by 1.6% in the third quarter, and stagnation in October, gross wages increased by 0.7% year-on-year in November. So far, wages have increased by 1.8% on average in the first eleven months of 2011, translating into a real wage loss of 1.3%.

On 21 December, the government and the trade unions signed an agreement on wage policy and rationalisation of the public administration. The accord, valid until 2015, foresees the negotiation of salary rises when inflation exceeds 2%, or GDP grows above 3.5%. By contrast, should the economy shrink by more than 2%, the parties commit to engage on salary cuts.

External sector

The current account deficit continued narrowing in the third quarter of 2011, reaching 20% of GDP in annualised terms, down from 22% in the second quarter, and compared to 31% a year earlier. The improvement was driven by the strong growth of the balance of services (30% year-on-year). Furthermore, the income balance shifted from a deficit to a surplus, and current transfers improved by 10% year-on-year, while the trade deficit contracted by almost 2% in the

same period. However, over the first eleven months of 2011, while merchandise exports remained strong, accelerating by 39% year-on-year, imports increased by 10% from a much higher basis, resulting in a 3% expansion of the trade deficit to 41.5% of GDP.

Net FDI contracted by 31% year-on-year in the first ten months of 2011, totalling EUR 310 million or 9.5% of GDP. Investments into domestic companies and real estate represented 37% and 34% of total inflows, respectively, while intercompany debt accounted for an additional 24%. Total FDI outflows totalled EUR 89 million.

Monetary developments

In order to facilitate the clearing of real estate stocks in the balance sheets of domestic banks, the Central Bank Council decided in November to extend by one extra year the deadline for deducting acquired property when calculating bank's own funds.

In November, the consumer price index decelerated to 3% compared to 3.3% in October. The main drivers of inflation were alcohol and tobacco, transport, as well as health care prices. In the first eleven months of 2011 the average inflation was marginally higher (3.1% year-on-year). In January 2012 the energy regulator increased the average electricity price by 6%.

The level of foreign exchange reserves stabilised at 11% of GDP in the third quarter as well as in October 2011, after having contracted by 22% year-on-year in the second quarter.

Financial sector

The weighted average effective interest rate on loans rose to 9.73% in October 2011, compared to 9.63% at the end of 2010, while the weighted average interest rate for deposits decreased to 3.09% from 3.26% in the same period.

The deleveraging in the banking sector continued. Bank lending contracted by 14% year-on-year in October. Credit to the private sector represented 57% of GDP in October, compared to 71% a year earlier. By contrast, bank deposits increased by 4.6% year-on-year in October. Their growth was driven by the increase of households' savings (11% year-on-year) while deposits from private as well as public institutions, with the exception of municipalities, recorded negative growth rates.

Banks' capital contracted by 6.4% year-on-year in the first nine months of 2011, bringing the capital adequacy ratio down to 15.1% in September 2011 compared to 15.9% at the end of 2010. The aggregate return on assets as well as on equity remained negative at -1% and -10% respectively. Banks recorded an aggregated loss of EUR 22 million by the end of September after clearing EUR 75 million of loan losses from their balance sheets. Thus, the ratio of non-performing loans was 19.7% of total loans at the end of September compared to 25.3% in June.

Market capitalisation of the Montenegro stock exchange decreased by 2% year-on-year in October. The MONEX20 index as well as the bourse's turnover contracted during the same period, by 23% and 20% respectively. In the first nine months of 2011 the insurance market expanded by 4.5% year-on-year. By contrast, the value of leasing contracts contracted marginally by -0.4% in the same period.

Fiscal developments

In the first nine months of 2011, budget revenue was 1.6% below projections, or EUR 10 million lower than in the same period of the previous year. As a result, the budget recorded a consolidated cash deficit of EUR 59 million, or 1.8% of full-year projected GDP. The strong performance of the corporate income tax, excise duties and VAT proceeds, did not suffice to fully offset the shortcomings from other budget revenue lines. Furthermore, the fiscal position further deteriorated with the surge in spending resulting from the increase over the year of public wages, pensions, and interest servicing by an almost additional EUR 120 million, and notwithstanding important cuts in the capital budget and transfers of around EUR 80 million. The deficit further deteriorated in November and reached EUR 82 million, or 2.5% of GDP, in the first eleven months of 2011.

In November 2011 the stock of public debt reached 44.5% of GDP, up from 44.2% a month earlier. Public external debt represented 73.4% of the total debt. In November, state guarantees amounted to 11.3% of GDP or 16% more than at the end of 2010.

TABLE



European Commission, ECFIN-D-1

MONTENEGRO

							ECFIN Forecast							
		2007	2008	2009	2010	2011	2012	2013	Q2 11	Q3 11	Q4 11	Oct 11	Nov 11	Dec 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	0.1	-2.0	-32.3	23.3	:	:	:	-21.2	5.4	:	-4.2	-15.9	:
Gross domestic product ^{1.3}	Ann. % ch	10.7	6.9	-5.7	2.5	2.7f	2.2	3.2	2.5	3.5	:	N.A.	N.A.	N.A.
Private consumption ^{1.4}	Ann. % ch	:	:	-7.7	4.2	1.0f	1.6	2.5	:	:	:	N.A.	N.A.	N.A.
Gross fixed capital formation ^{1.5}	Ann. % ch	:	:	-25.3	-21.2	-11.5f	4.5	10.0	:	:	:	N.A.	N.A.	N.A.
Construction index ^{1.6}	Ann. % ch	-3.2	45.7	-21.5	13.1	:	:	:	35.7	2.1	:	N.A.	N.A.	N.A.
Retail sales ^{1.7}	Ann. % ch	40.8	22.3	-9.0	1.6	:	:	:	14.1	25.2	:	23.2	22.3	:
2 Labour market														
Unemployment ^{2.1}	%	11.9	10.7	11.4	12.2	11.5	:	:	11.3	11.1	11.5	11.4	11.6	11.5
Employment ^{2.2}	Ann. % ch	3.7	6.3	4.8	-7.1	0.9f	0.9	1.7	3.1	5.6	:	3.5	:	:
Wages ^{2.3}	Ann. % ch	14.2	22.8	5.7	11.0	4.4f	3.7	5.3	0.0	-1.6	:	0.0	0.7	:
3 External sector														
Exports of goods ^{3.1}	Ann. % ch	-20.4	-12.7	-34.2	20.3	:	:	:	15.9	30.8	:	69.2	-12.1	:
Imports of goods ^{3.2}	Ann. % ch	39.6	22.1	-34.6	-2.1	:	:	:	10.0	10.4	:	8.3	-0.1	:
Trade balance* ^{3.3}	% of GDP	-58.7	-68.1	-46.0	-41.1	-40.0f	-39.2	-40.0	-40.2	-40.2	:	N.A.	N.A.	N.A.
Exports goods and services ^{3.4}	% of GDP	44.4	39.5	32.1	34.7	:	:	:	37.7	40.0	:	N.A.	N.A.	N.A.
Imports goods and services ^{3.5}	% of GDP	86.7	94.0	65.4	63.1	:	:	:	63.4	64.0	:	N.A.	N.A.	N.A.
Current account balance* ^{3.6}	% of GDP	-39.6	-51.3	-30.1	-24.7	-21.5f	-20.4	-21.3	-22.1	-20.1	:	N.A.	N.A.	N.A.
Direct investment (FDI, net)* ^{3.7}	% of GDP	20.8	18.9	35.8	17.5	:	:	:	12.8	12.6	:	N.A.	N.A.	N.A.
International reserves ^{3.8}	mio EUR	467.9	313.0	397.5	416.4	:	:	:	409.9	369.1	:	367.5	:	:
Int. reserves / months Imp ^{3.9}	Ratio	3.3	1.5	2.9	3.0	:	:	:	2.8	2.5	:	2.4	:	:
4 Monetary developments														
CPI ^{4.1}	Ann. % ch	4.3	7.4	3.4	0.5	3.1f	2.6	3.2	3.6	3.3	:	3.3	3.0	:
Producer prices ^{4.2}	Ann. % ch	8.5	14.0	-3.8	-0.7	:	:	:	2.9	3.3	:	2.8	2.8	:
Food prices ^{4.3}	Ann. % ch	N.A.	9.0	3.3	0.3	:	:	:	5.3	2.0	:	1.0	0.3	:
M21 ^{4.4}	Ann. % ch	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.	:	:	:	:	2.27	:	:	:	2.27	:	:	:	:
Bond yield (6 months) ^{5.2}	% p.a.	0.90	:	3.63	3.37	2.41	:	:	2.72	2.58	2.04	2.27	:	1.80
Stock markets ^{5.3}	Index	36159	19947	13303	13993	11896	:	:	12317	11109	9860	10865	9807	8908
Credit growth ^{5.4}	Ann. % ch	165.1	24.6	-14.3	-8.2	:	:	:	-12.4	-13.5	:	-13.9	:	:
Deposit growth ^{5.5}	Ann. % ch	94.4	-4.8	-8.3	-1.9	:	:	:	1.6	5.3	:	4.6	:	:
Non-performing loans ^{5.6}	% of total	3.7	7.2	13.5	21.0	:	:	:	25.3	19.7	:	18.5	:	:
6 Fiscal developments														
General government balance ^{6.1}	% of GDP	6.6	0.5	-4.4	-4.9	-3.2e	-2.6	-1.3	-1.5	-1.8	:	N.A.	N.A.	N.A.
General government debt ^{6.2}	% of GDP	27.5	29.0	38.2	40.9	44.0f	44.4	42.8	43.8	44.6	:	44.2	44.5	:

f: ECFIN forecast Autumn 2011

e: estimated, cash basis

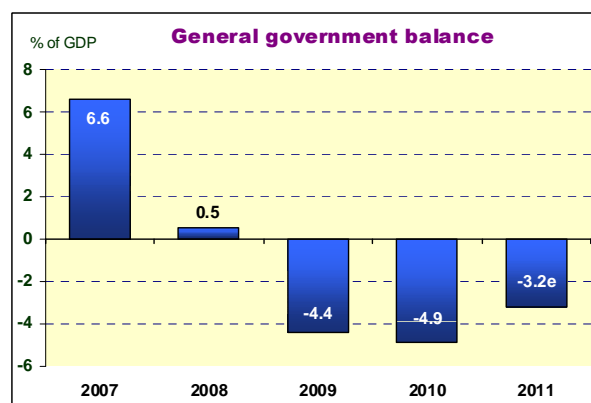
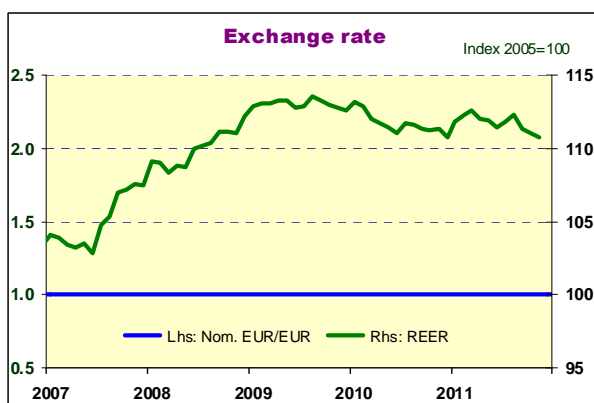
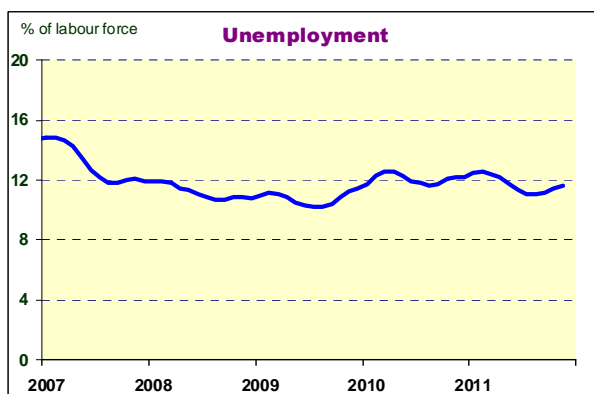
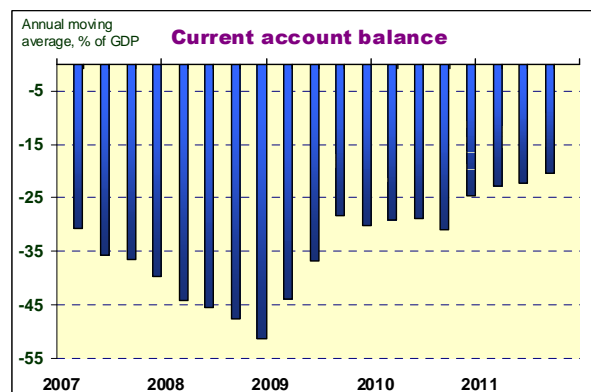
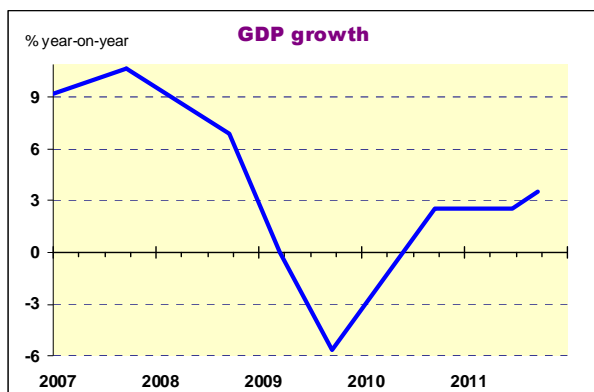
* Q figures refer to a 4 quarters moving average.

CHARTS

European Commission, ECFIN-D-1



MONTENEGRO



TURKEY



Key developments

In late December 2011, the central bank unveiled the details of its policy framework for 2012. Monetary and exchange rate policy for 2012 is said to become more flexible and more predictable, in part by an improved communication policy. Consumer price inflation is expected to fall as from the second quarter of 2012 from the current levels of 10% to about 5%, which was maintained as the end-year target. The bank foresees that loan growth will continue to fall in tandem with domestic demand.

Real Sector

The strong economic recovery continued in the third quarter of 2011, supported by strong credit growth and higher employment. Based on unadjusted national accounts data, the pace of GDP growth slowed slightly to 8.2% year-on-year, from 8.8% in the second quarter and 12% in the first (revised up from 11.6%). However, according to seasonally and calendar-adjusted data, quarter-on-quarter GDP growth was stronger than in the second quarter, at 1.7%. The robust overall growth reflected more buoyant private and public consumption than expected, up 7.0% and 13.7% year-on-year respectively, and less of a drag from destocking than in previous quarters. However, gross fixed capital formation growth slowed significantly, down to 15% from 29% in the second quarter of the year.

Primarily due to a weaker Turkish lira, export competitiveness has improved and exports of goods and services outpaced imports for the first time in seven quarters.

Most sectors of the economy recorded strong growth in the third quarter. Gross value added in manufacturing, accounting for 16% of GDP, grew by 9% year on year, compared with 8% during the second quarter.

Moreover, with industrial output rising by 8.4% in November and manufacturing capacity utilisation increasing in November, helped by the significant improvement in competitiveness

brought about by the weakening of the exchange rate over the last year, GDP is likely to have continued to grow at a reasonable pace in the fourth quarter of 2011.

Labour market

In tandem with the robust economic expansion, unemployment fell by 1.5 percentage points on an annual basis, and stood at 9.2% as of August 2011. 2.5 million people were unemployed, up by 12,000 compared with July 2011 primarily due to the high number of new entrants on the labour market as population in active age increases by about 1.5% annually.

The labour force participation and employment rates are the highest since 2002. Nevertheless, youth unemployment remains at high levels, at about 18%. 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 deficit has been ballooning, in tandem with a large and widening merchandise trade deficit, driven in particular by the impact of strong domestic demand and high oil prices. Turkey's current-account deficit practically doubled in one year and reached €45bn - about 10% of GDP - in the first ten months of 2011. The current-account deficit would have been even wider but for the growth of the surplus on the services account, which mainly reflects stronger tourism earnings.

After surging in September, the current-account deficit resumed the moderately improving trend observed during July-August. The monthly current-account deficit worked out at only €3.1bn.

In November and December, deficits may have been higher than in October, because imports usually rise and tourism revenue usually declines at the end of the year.

Monetary developments

A weaker lira, base effects from unprocessed food prices and indirect tax increases are putting strong upward pressure on consumer price inflation, which went up from about 6% in mid-2011 to 10.4% in the year to December 2011. This compares with an official target of 5.5% for the end of 2011, with a tolerance band of ± 2 percentage points. The official inflation objective for end-2012 remains 5% (± 2 percentage points). In the first quarter of 2012, however, the annual inflation figure is expected to rise further, as the consumer gas and electricity prices may be increased again with a view to cost recovery.

Concerns about Turkey's growing inflationary pressures (double digit CPI growth -10.4% in December), and high credit growth (about 25% annually) fuelling domestic demand, imports, and culminating in a growing current-account deficit continued to make the central bank of Turkey's task of setting monetary policy highly challenging. In spite of the rising inflation, the central bank kept its main policy rate unchanged at 5.75% citing the risk of recession owing to the problems of the world economy. At the same time, the bank left the overnight borrowing and lending rates at 5% and 12.5%, thereby maintaining the wide corridor established in October. In early January 2012, the exchange rate TRY/EUR stood at 2.38, about 5% up since December 2011, but down by over 20% since 2010. To stem the lira's fall, the central bank has opted for hefty foreign exchange interventions and the success of these interventions is deemed dubious at best by market participants. As a result, the bank disclosed a monthly drop in December 2011 of 3.2bn in total gold and foreign exchange reserves to €67bn, the lowest level since early 2011, but still significantly higher than the €55bn early 2010.

Financial sector

The Turkish bond, equity and currency markets all remained quite volatile in the period between November 2011 and early January 2012. The yield on the benchmark government bond, maturing in July 2013, exceeded 11.5% by 10 January, continuing its recent sharp rise from below 8% in mid-September amid concerns about domestic inflation and monetary policy and unfavourable international financial

conditions. An additional factor was the decision taken by the ratings agency Fitch in late November to change the outlook on its BB+ sovereign credit rating for Turkey from positive to stable, in view of the country's large current-account deficit. Remarks by the central bank governor, suggesting that monetary policy would not be tightened further despite rising inflation, and the promise of co-ordinated action by major central banks to supply liquidity to the global financial system has not been sufficient to calm down the markets.

In spite a small rebound in December 2011, share prices on the Istanbul Stock Exchange (ISE) followed a similar pattern: the main ISE 100 index fell by almost 30% in the May 2011-January 2012 period to 50,000. In 2011, non-Turkish residents sold € 2.0bn worth of equities on the ISE throughout the year, of which half were banking sector stocks. Foreign ownership in the ISE declined by 410bps year-on-year to 62.08% at the end of December 2011.

Credit growth came down significantly in the last quarter of 2011, and according to central bank's figures, total loan growth was 23% in 2011 in currency adjusted terms and remained below the 25% cap. The NPL ratio in the banking sector stayed flat at a 2.65% level.

Fiscal developments

Thanks primarily to cyclical factors, Turkey reports strong fiscal results, with the overall budget balance improving. On a year-to-date basis, through October 2011, Turkey's central government budget recorded a TRY 1.7 billion (€0.7bn) deficit, or about 2% of GDP. When excluding interest expenditures, the primary surplus came in at TRY 35.8 billion (4.8% of estimated GDP). Central government revenues are up almost 11.4% year-on-year, while expenditures are up only 0.9%. Non-interest expenditures have grown slightly faster (4.3% year-on-year) than total expenditure. The budget deficit target for 2011 of 2.8% of GDP appears realistic, as the government is said to have used part of the higher than projected revenues to spur growth in November and December. Since 2009, public debt fell significantly and currently amounts to less than 40% of GDP.

TABLE



TURKEY

European Commission, ECFIN-D-1

		2007	2008	2009	2010	2011	ECFIN Forecast		Q2 11	Q3 11	Q4 11	Oct 11	Nov 11	Dec 11
							2012	2013						
1 Real sector														
Industrial confidence ^{1.1}	Balance	111.5	90.1	87.3	110.3	110.5	:	:	116.2	112.1	100.5	101.9	102.3	97.2
Industrial production ^{1.2}	Ann. % ch	7.1	-0.5	-10.0	13.1	:	:	:	7.9	7.5	:	7.3	8.4	:
Gross domestic product ^{1.3}	Ann. % ch	4.7	0.7	-4.8	9.0	7.5f	3.0	4.1	8.8	8.2	:	N.A.	N.A.	N.A.
Private consumption ^{1.4}	Ann. % ch	5.5	-0.3	-2.3	6.7	8.7f	0.2	1.9	8.8	7.0	:	N.A.	N.A.	N.A.
Gross fixed capital formation ^{1.5}	Ann. % ch	3.1	-6.2	-19.0	29.9	22.8f	3.3	2.7	29.0	15.2	:	N.A.	N.A.	N.A.
Construction index ^{1.6}	Ann. % ch	9.8	-4.4	-7.9	77.4	:	:	:	1.5	10.0	:	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	11.0	14.1	12.0	10.2f	10.3	10.4	9.4	9.2	:	:	:	:
Employment ^{2.2}	Ann. % ch	-3.6	1.3	0.4	6.2	1.6f	1.0	1.4	6.0	7.3	:	:	:	:
Wages ^{2.3}	Ann. % ch	9.8	11.7	9.9	10.8	-15.4f	11.8	7.1	8.8	:	:	:	:	:
3 External sector														
Exports of goods ^{3.1}	Ann. % ch	14.9	14.8	-18.2	17.5	:	:	:	4.8	14.8	:	10.2	19.2	:
Imports of goods ^{3.2}	Ann. % ch	11.6	10.4	-26.3	39.2	:	:	:	25.1	20.3	:	16.7	9.5	:
Trade balance* ^{3.3}	% of GDP	-7.2	-7.1	-4.0	-7.7	-10.8f	-9.9	-9.6	-10.4	-11.2	:	N.A.	N.A.	N.A.
Exports goods and services ^{3.4}	% of GDP	22.3	23.9	23.3	21.1	:	:	:	21.4	22.7	:	N.A.	N.A.	N.A.
Imports goods and services ^{3.5}	% of GDP	27.5	28.3	24.4	26.6	:	:	:	29.6	31.3	:	N.A.	N.A.	N.A.
Current account balance* ^{3.6}	% of GDP	-5.9	-5.6	-2.3	-6.4	-9.8f	-8.8	-8.6	-9.1	-9.8	:	N.A.	N.A.	N.A.
Direct investment (FDI, net)* ^{3.7}	% of GDP	3.1	2.3	1.1	1.0	:	:	:	1.3	1.6	:	N.A.	N.A.	N.A.
International reserves ^{3.8}	bio EUR	74.4	84.8	75.0	80.3	:	:	:	80.6	80.9	:	80.7	:	:
Int. reserves / months Imp ^{3.9}	Ratio	7.2	7.4	8.9	6.9	:	:	:	6.0	5.7	:	5.6	:	:
4 Monetary developments														
CPI ^{4.1}	Ann. % ch	8.8	10.4	6.3	8.6	6.5	7.2	7.2	5.9	6.4	9.2	7.7	9.5	10.4
Producer prices ^{4.2}	Ann. % ch	6.3	12.7	1.2	8.5	11.1	:	:	9.3	11.2	13.2	12.6	13.7	13.3
Food prices ^{4.3}	Ann. % ch	12.4	12.8	8.0	10.6	6.2	:	:	7.8	5.2	6.9	1.8	7.1	12.2
M4 ^{4.4}	Ann. % ch	17.8	23.7	17.4	21.2	:	:	:	23.8	21.7	:	20.0	16.2	:
Exchange rate TRY/EUR ^{4.5}	Value	1.78	1.91	2.16	2.00	2.33	:	:	2.25	2.45	2.47	2.51	2.46	2.46
Nominal eff. exchange rate ^{4.6}	Index	26.73	25.77	23.24	24.33	:	:	:	21.73	:	:	:	:	:
5 Financial indicators														
Interest rate (3 months) ^{5.1}	% p.a.	18.85	18.04	10.68	7.95	9.09	:	:	8.50	8.71	11.15	9.64	11.45	12.35
Bond yield ^{5.2}	% p.a.	18.13	19.30	11.66	8.47	8.83	:	:	8.79	8.42	9.87	8.93	10.41	10.26
Stock markets ^{5.3}	Index	48 270	37 582	37 510	59 484	60 751	:	:	65 453	58 108	54 768	57 534	54 091	52 678
Credit growth ^{5.4}	Ann. % ch	:	:	:	:	:	:	:	:	:	:	:	:	:
Deposit growth ^{5.5}	Ann. % ch	17.7	21.8	18.0	18.0	:	:	:	19.4	19.6	:	20.1	17.5	:
Non-performing loans ^{5.6}	% total	4.8	4.2	6.5	5.8	:	:	:	3.7	3.4	:	3.2	3.2	:
6 Fiscal developments														
General government balance ^{6.1}	% of GDP	-1.0	-2.2	-5.7	-3.6	-2.4f	-2.4	-2.5	:	:	:	N.A.	N.A.	N.A.
General government debt ^{6.2}	% of GDP	39.4	39.5	45.5	41.6	39.7f	38.7	37.8	:	:	:	N.A.	N.A.	N.A.

f: ECFIN forecast Autumn 2011

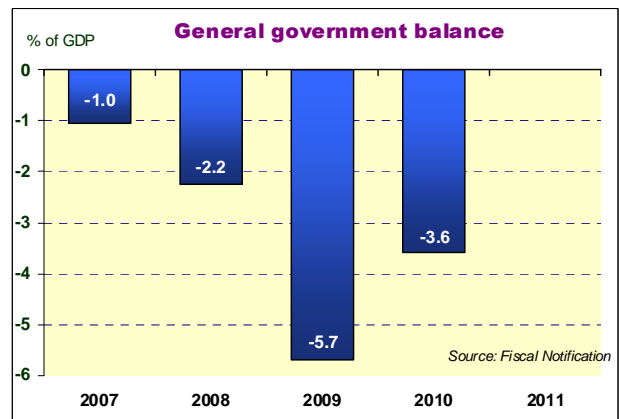
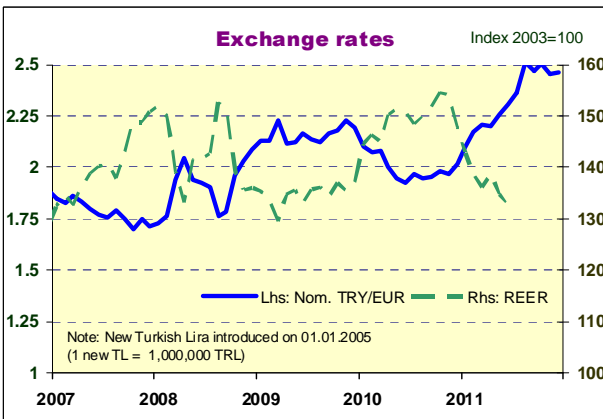
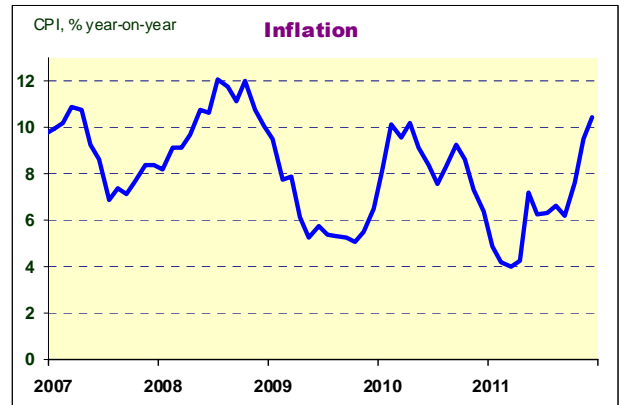
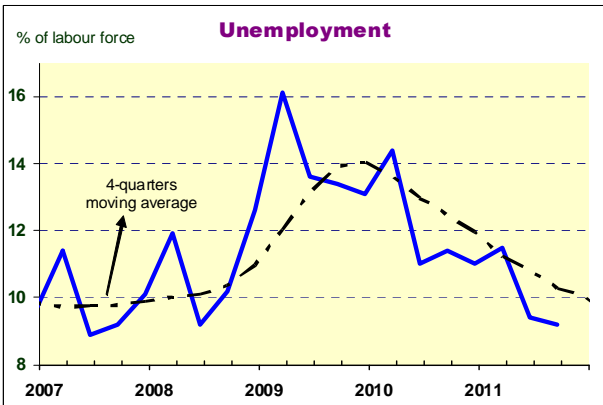
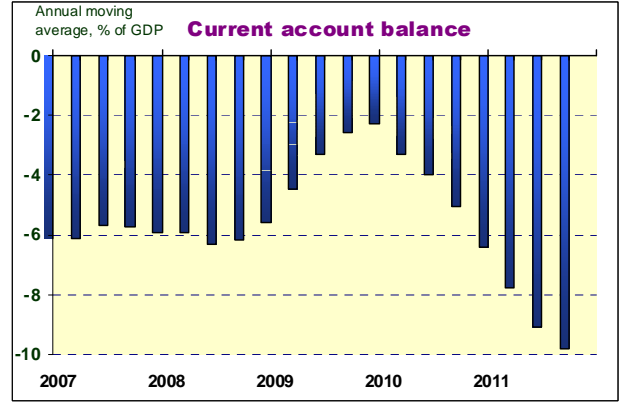
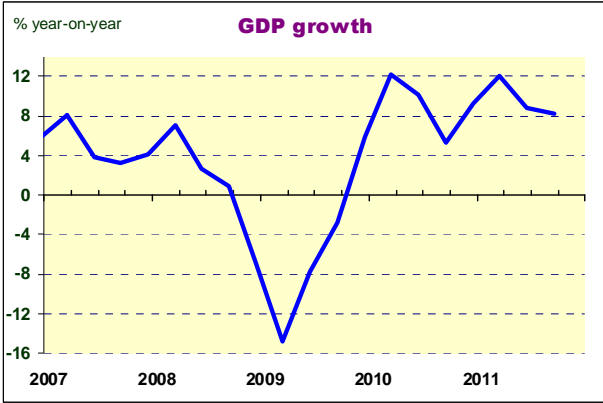
* Q figures refer to a 4 quarters moving average.

CHARTS

European Commission, ECFIN-D-1



TURKEY





Key developments

On 5 December, the Albanian parliament approved the budget for 2012. In line with the medium-term macroeconomic framework, the government deficit is set to decline to 3% of GDP from the targeted deficit of 3.5% in 2011. Revenue and expenditure are projected to fall to 25.5% of GDP and 28.4%, respectively.

On 17 November, the Albanian parliament approved an amendment to the Banking law that gives new powers to the Bank of Albania (BoA) to ask branches of foreign-owned banks operating in Albania to convert into subsidiaries. The law attempts to enable the BoA to mitigate any weaknesses in parent banks from spilling over to the Albanian banking system. The law also provides for the establishment of a so-called bridge bank that would facilitate a resolution in the event that a bank faces difficulties.

Real sector

Survey results published by the Bank of Albania (BoA) show an improvement in the economic sentiment in the third quarter of 2011. This outcome is mostly due to strengthened confidence in the services sector. Industry, construction and consumer sentiment also recorded an improvement after having registered a fall in the previous quarter.

National accounts data continue to be published with a delay. The latest available data for GDP refer to the second quarter of 2011 and show a deceleration in economic activity. Real GDP rose by 0.5% year on year in the period April-June 2011 down from 3.8% in the first quarter. Transport and agriculture were the main drivers of output growth, while industry and construction posted negative contributions to GDP growth.

Labour market

The labour market improvement observed in the second quarter of 2011, when unemployment declined to 13.3%, cannot be confirmed as official labour market data for the third quarter are not available yet.

External sector

The current account deficit deteriorated significantly in the first nine months of 2011, increasing by slightly more than 23% year on year. Almost all the components of the current account registered a worsening performance during the period January-September. In the four quarters to September 2011, the current account deficit rose to 13.1% of projected GDP, from 11.3% in the same period of 2010.

Foreign sales of goods accelerated by a strong 31% in the third quarter following a weaker performance in the previous three months on the back of higher exports of textiles and footwear, minerals, fuel and electricity and construction materials. Exports of goods continued to increase in October and November by around 18%. The deceleration in the growth of imports, which started in the second quarter, continued in the third trimester driven mainly by lower imports of machinery and equipment and food. The growth of imports accelerated again to some 15% and 18% in October and November, respectively. In the period January-September 2011, merchandise exports increased by slightly less than 21% year on year, while imports of goods increased by around 11.5%.

The surplus on the services account declined significantly in the first nine months of 2011 mainly reflecting a deterioration in the tourism account, despite higher tourist arrivals. Meanwhile, in the first nine months of 2011, tourism outflows rose by almost 11%, year on year. Current transfers fell amid a continued downward trend in workers' remittances which dropped by some 8.6% compared to the same period a year earlier.

Following an increase in the second quarter, net FDI declined in the third trimester partly due to the recapitalisation of a foreign-owned bank. This, together with a sharp fall in net FDI in the first quarter reflecting a base effect and the repatriation of a significant amount of foreign capital, translated in a decline of some 23% year on year in the first nine months of 2011.

The overall balance of payments in the third quarter turned positive which partially offset the deficit recorded in the first half of 2011. As a result, reserves fell by some EUR 22.5 million in

the period January-September. Foreign reserves in the third quarter of 2011 provided 4.2 months of import (goods and services) cover. Gross external debt stood at EUR 4.2 billion in the third quarter of 2011, representing a significant increase of 16.2%, year on year. Almost half of gross external debt is composed of government long-term borrowing.

Monetary developments

The annual growth of the monetary aggregate M2 decelerated during the third quarter of 2011 to 6.6% from 7.1% in the second trimester. Thereafter, the pace of M2 growth increased to 6.7% and 7.4% in October and November, respectively.

Inflation decelerated significantly in the third quarter of 2011, averaging 3.2% - around the mid-point of the Bank of Albania's (BoA) target range of 2-4%. The appearance of seasonal lower-priced domestic agriculture products translated into a decline in the food index, which accounts for a substantial share of the Albanian CPI. Similarly, more stable global prices helped to ease inflationary pressures. Inflation decelerated further in the last quarter and stood at 1.7% year on year in December.

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 4.75% in November. In the last quarter of 2011, the exchange rate of the Albanian currency remained practically unchanged vis-à-vis the euro but depreciated by almost 2.3% against the US dollar compared to the previous quarter.

Financial sector

Interest rates on deposits generally continued to decline in the last quarter of 2011. Compared to December 2010, the decline has been more pronounced for the 36-month interest rate which fell by 40 basis points to 6.5% by November. The decline in the average yield of the 12-month Treasury bills which started in August 2011, proceeded in the subsequent months, reaching 6.8% in December.

Deposits grew by some 14% year on year in the third quarter, slightly lower from the previous three-month period mainly reflecting a decline in foreign-currency deposits. In October and November, the pace of deposit growth slowed to 13.9% and 12.7%, respectively. Credit growth accelerated in the third trimester to 13.3% up from 11% in the second quarter. Lending rose in October but decelerated to 12% in November.

Credit growth to the private sector decelerated from 21.9% year on year in September 2011 to 19% in November. Growth in household lending fell from 5.1% in September to 4.5% in November, year on year.

The loan-to-deposit ratio stood at 60.5% in November with relatively higher levels for foreign currency denominations (82.6%). 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 eight months of 2011 continued in the subsequent months and stood at 6.7% in November.

The share of non-performing loans (NPLs) as a percentage of total loans reached 18% during the third quarter of 2011, compared to 16.6% in the second quarter. Provisioning against rising NPLs dented return on equity, which fell to 0.2% in the period July-September 2011. The capital adequacy ratio rose to 15.1%, above the BoA minimum requirement of 12%.

Fiscal developments

According to cash-based government finance data, the fiscal deficit in the period January-November 2011 reached Lek 38 billion (2.8% of projected 2011 GDP) from Lek 23.2 billion (2% of GDP) in the same period of 2010. Almost 60% of the deficit was financed from domestic sources.

Total revenue rose by 0.8%, year on year in the first eleven months of 2011 but was around 4.3% less than planned. Almost all items of tax receipts increased with the highest registered by the corporate profit tax which rose by 13.3% year on year reflecting strong profits generated by the power provider. The intake from VAT – the largest tax item – rose by 3.3% year on year, while receipts from customs duties declined by 3.7%. Social contributions increased by 7.6%. Non-tax revenue contracted by almost 30%. Total expenditure increased by 5.4% year on year in the period January-November 2011, but was 4.5% less than planned, primarily due to lower capital outlays and interest payments. Current expenditure rose by 3.2% year on year, mainly as a result of higher social security payments (7.2%) and public service wages (3.3%). Spending on operations and maintenance and subsidies contracted. Capital outlays increased by 7%.

The public debt continued to rise in the third quarter of 2011, reaching an estimated 58% of GDP from 56.7% in the second trimester.

TABLE

European Commission, ECFIN-D-1



ALBANIA

		2007	2008	2009	2010	2011	Q2 11	Q3 11	Q4 11	Oct 11	Nov 11	Dec 11
1 Real sector												
Industrial confidence ^{1.1}	Percent	1.0	0.3	-13.3	-5.9	:	-5.4	-4.2	:	N.A.	N.A.	N.A.
Industrial production ^{1.2}	Ann. % ch	-9.7	8.7	7.2	:	:	:	:	:	:	:	:
Gross domestic product ^{1.3}	Ann. % ch	5.9	7.5	3.3	4.1	:	0.5	:	:	N.A.	N.A.	N.A.
Private consumption ^{1.4}	Ann. % ch	13.4	9.8	7.7	2.2	:	:	:	:	N.A.	N.A.	N.A.
Gross fixed capital formation ^{1.5}	Ann. % ch	6.5	12.9	2.4	-5.2	:	:	:	:	N.A.	N.A.	N.A.
Construction index ^{1.6}	Ann. % ch	:	:	0.0	0.3	:	0.1	0.4	:	N.A.	N.A.	N.A.
Retail sales ^{1.7}	Ann. % ch	10.9	23.7	-1.7	5.4	:	-6.9	:	:	N.A.	N.A.	N.A.
2 Labour market												
Unemployment ^{2.1}	%	13.4	12.8	13.0	13.7	:	13.3	:	:	:	:	:
Employment ^{2.2}	Ann. % ch	0.2	2.9	-0.8	-4.7	:	2.7	:	:	:	:	:
Wages ^{2.3}	Ann. % ch	17.1	8.3	11.9	6.7	:	6.3	:	:	:	:	:
3 External sector												
Exports of goods ^{3.1}	Ann. % ch	25.0	15.7	-11.8	62.5	:	0.5	30.6	:	18.6	18.0	:
Imports of goods ^{3.2}	Ann. % ch	26.5	16.4	-1.9	11.3	:	14.9	11.5	:	15.4	18.0	:
Trade balance* ^{3.3}	% of GDP	-26.8	-27.3	-26.4	-23.4	:	-24.1	-23.7	:	N.A.	N.A.	N.A.
Exports goods and services ^{3.4}	% of GDP	28.1	29.2	28.9	32.2	:	33.5	33.4	:	N.A.	N.A.	N.A.
Imports goods and services ^{3.5}	% of GDP	54.6	55.7	53.2	53.6	:	56.1	56.2	:	N.A.	N.A.	N.A.
Current account balance* ^{3.6}	% of GDP	-10.5	-15.5	-15.1	-11.7	:	-13.0	-13.1	:	N.A.	N.A.	N.A.
Direct investment (FDI, net)* ^{3.7}	% of GDP	5.9	6.9	7.7	9.3	:	8.9	:	:	N.A.	N.A.	N.A.
International reserves ^{3.8}	mio EUR	1418.7	1638.9	1567.4	1825.3	:	1695.0	1824.0	:	1812.9	1802.3	:
Int. reserves / months Imp ^{3.9}	Ratio	5.9	5.9	6.2	6.7	:	5.9	6.2	:	:	:	:
4 Monetary developments												
CPI ^{4.1}	Ann. % ch	2.9	3.4	2.3	3.6	3.5	4.1	3.2	2.5	3.0	2.9	1.7
Producer prices ^{4.2}	Ann. % ch	3.5	6.5	-1.7	0.3	:	3.3	2.2	:	:	:	:
Food prices ^{4.3}	Ann. % ch	3.0	5.2	4.9	4.8	:	6.1	4.3	:	3.9	3.5	:
M2 ^{4.4}	Ann. % ch	9.6	7.4	8.7	4.5	:	7.1	6.6	:	6.7	7.4	:
Exchange rate LEK/EUR ^{4.5}	Value	123.31	122.39	131.82	137.48	140.07	141.52	139.84	139.73	140.65	140.53	138.02
Nominal eff. exchange rate ^{4.6}	Index	:	:	:	:	:	:	:	:	:	:	:
5 Financial indicators												
Interest rate (3 months) ^{5.1}	% p.a.	5.92	6.24	N.A.	:	:	:	:	:	:	5.49	:
Bond yield ^{5.2}	% p.a.	8.22	8.43	9.24	8.55	8.04	7.92	8.38	8.38	8.60	8.35	8.20
Stock markets ^{5.3}	Index	:	:	:	:	:	:	:	:	:	:	:
Credit growth ^{5.4}	Ann. % ch	53.9	43.8	20.5	8.6	:	11.0	13.3	:	14.8	12.0	:
Deposit growth ^{5.5}	Ann. % ch	N.A.	14.8	-0.1	15.5	:	15.7	14.1	:	13.9	12.7	:
Non performing loans ^{5.6}	% total	3.2	4.7	9.1	12.6	:	16.6	18.0	:	N.A.	N.A.	N.A.
6 Fiscal developments												
General government balance ^{6.1}	% of GDP	-3.5	-5.5	-7.0	-3.1	:	-2.1	-2.4	:	N.A.	N.A.	N.A.
General government debt ^{6.2}	% of GDP	54.8	54.8	59.3	58.5	:	56.7	58.0	:	N.A.	N.A.	N.A.

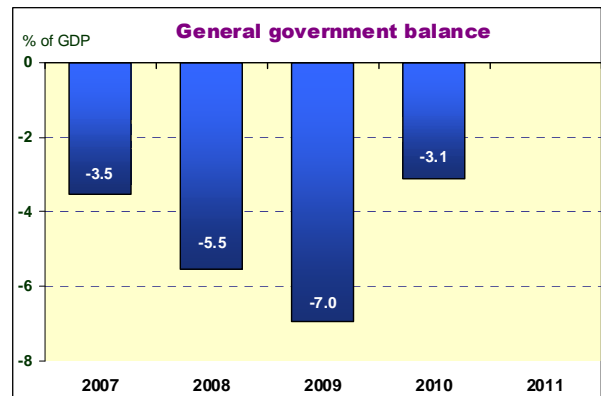
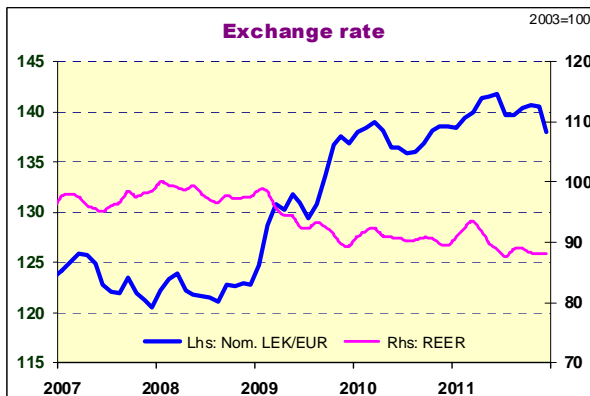
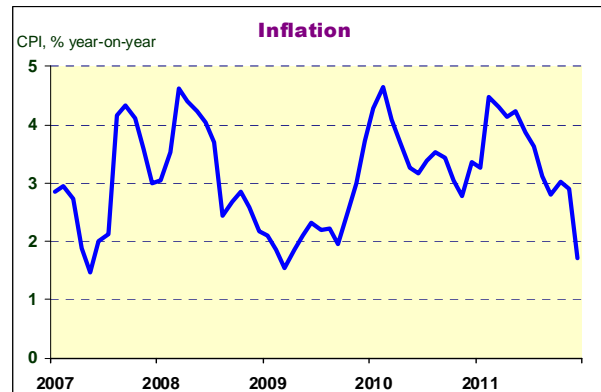
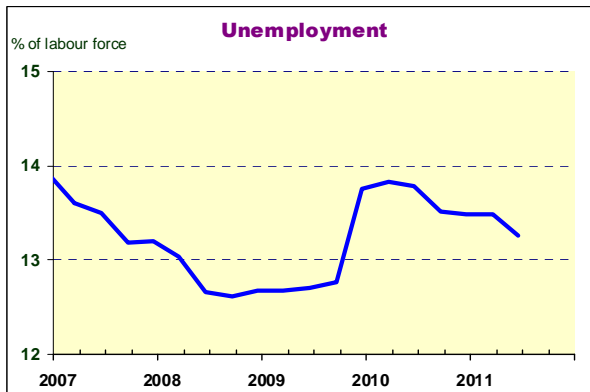
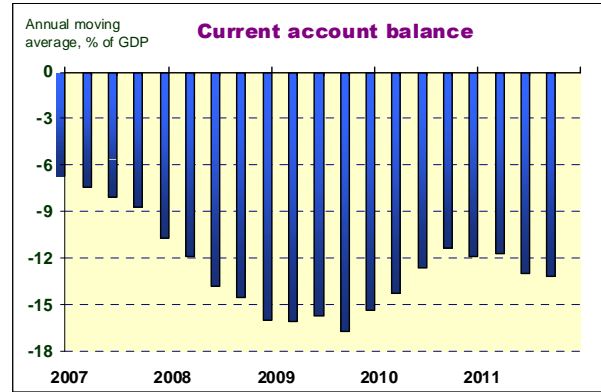
* Q figures refer to a 4 quarters moving average.

CHARTS



European Commission, ECFIN-D-1

ALBANIA





Key developments

The leaders of the main political parties in the country agreed the formation of the new state government almost 15 months after the general elections, which took place on 10 October, 2010. Former Federation finance minister Vjekoslav Bevanda was nominated as PM-designate. The State Parliament will discuss Bevanda's nomination on January 12, while after the expected confirmation he will have a month to propose a cabinet. The political leaders have already agreed the distribution of posts in the cabinet. Thus, the new State government is likely to be elected in early-February, finally resolving the long lasting political stalemate.

The agreement reached among the political leaders foresaw also the adoption of the State budget for 2011 at the level of the actual execution. The two chambers of the State Parliament adopted (on December 30 and December 31, respectively) the 2011 State budget at KM 1.008 billion. This allowed for the central government to pass a decision for temporary financing for the first quarter of 2012 (in the amount of KM 252 million or $\frac{1}{4}$ of the 2011 budget).

International rating agency Standard & Poor's lowered its B+ long-term sovereign credit rating to B in November. The agency justified its motion with the weakening policy flexibility and deteriorating political environment in the country.

Real sector

Annual growth of country-wide industrial production slowed down in the second half of 2011. After marginally positive year-on-year rates in September and October, it recovered slightly in November (5.4%). From January to November it grew by a 6.1% in volume, driven by mining and quarrying (16.7%) and manufacturing (4.9%), while the volume of production in electricity, gas and water supply rose by 4.2% year-on-year.

Judging from available indicators, domestic demand still grew in the fourth quarter of 2011, though at a slower pace. Retail sales grew by

9.2% year-on-year in November, down from 13.5% in August.

In the Republika Srpska, according to figures released by the Entity's Institute of Statistics, the economy expanded by 0.6% year-on-year in the third quarter, as compared to the 1.5% real growth reported in April-June, and 1.1% in the same period of 2010. Almost all industries contributed for the growth moderation except for the mining and utility branches. Manufacturing industry underperformed in the third quarter and recorded output decline after the solid expansion in the previous period, while the construction sector accelerated further its decline.

Labour market

The labour market remained stagnant. The high level of registered unemployment persisted during 2011, reaching 43.3% in October, slightly above the second quarter figures. This was partly due to the rising labour force, as well as to continuing unfavourable developments in some sectors (construction among others). The sector most affected by rising unemployment in 2011 (January-October) was hotels and restaurants, followed by construction. The level of employment continued to grow, but average employment growth moderated to 1.9% year-on-year in the third quarter, down from 2.7% in the previous quarter, and came further down to 1.2% in October.

Following the acceleration in the first half of 2011, wage growth moderated slightly in the third quarter of the year. The average nominal gross wage increased by 4.6% year-on-year in July-September and slowed further down to 4.5% in October. Adjusted for inflation, the average gross wage rose by 0.8% in October and by 0.7% in the first ten months.

External sector

The current account deficit widened by 12.2% year-on-year in the third quarter of 2011. The main contributor for the further expansion of the current account deficit was the trade deficit, which rose by 6.3% year-on-year in July-September, despite an acceleration of exports growth to 15.2% year-on-year, while the growth of imports moderated to 10.9%. In the

meantime, positive developments have been recorded in the surplus of services (surging by 21.7%) and current transfers (up by 2.3%) balances. The surplus in the income balance fell by 22.6%. As a result, the current account deficit rose slightly to 8.7% of GDP in the four quarters to end-September, as compared to 8.6% in the four quarters to end-June.

FDI inflows soared by 24.2% year-on-year in the third quarter of 2011. Still, in the four quarters to end-September FDI accounted for 2.2% of GDP, thus being insufficient to cover the current account deficit. Official foreign exchange reserves fell marginally by 0.2% year-on-year, covering around five months of imports by end-September.

Monetary developments

The annual growth of the monetary aggregate M2 continued to slow down from 5.0% in August to 4.5% in November.

After the slight acceleration in the first half of 2011, the annual inflation remained rather stable in the second half of the year. It reached 3.8% in November, bringing the 12-month moving average inflation rate up to 3.7%, compared to 2.1% in 2010. The hike of excises on tobacco from the beginning of 2011 is reflected in the prices of this good which grew by 11.1%. Other price drivers were transport (8.4%), communication (5.4%), food and non-alcoholic beverages (5.3%). Clothing and footwear registered the largest price decreases (-6.7%).

Financial sector

Market short-term interest rates for loans to the corporate sector decreased slightly from 7.4% in August to 7.3% in November, while the interest rates for households rose marginally to 9.9% (non-indexed loans in local currency). On the other hand, interest rates for the corporate sector deposits have increased from 1.9% to 2.0% (time and savings deposits in local currency), while interest rates for household sector deposits grew a bit faster by 0.3 percentage points over the last 3 months, reaching 2.9% in November.

Annual credit growth accelerated further and reached 6.7% in November. Credits to households accelerated to 3.5% year-on-year in November, from 3.3% in August. The upward trend in credits to corporate sector continued as well. In the meantime, deposits growth sped up to 2.4% year-on-year in November, as compared

to 1.2% in August. Households increased their savings by 9.9% retaining their statute of net depositors. The decline in deposits from both corporate and the government sectors moderated to 6.1% and 11.7%, respectively. The loans-to-deposit ratio remained rather stable reaching 117.7% in November.

In the fourth quarter of 2011 the downward correction on the two stock exchanges in Bosnia and Herzegovina continued. The main index of the Sarajevo Stock Exchange lost another 15.1% and the main index of the Banja Luka Stock Exchange fell further by 6.4%.

The quality of the loan portfolio deteriorated further. The share of non-performing loans to total loans soared from 11.8% in the second quarter to 12.6% in the third quarter, the highest level since 2001. Banking profitability indicators have also worsened. The return on average equity fell further from 3.5% to 3.4%, while the return on average assets fell marginally to 0.4%. In the meantime, liquidity indicators improved with the rate of liquid to total assets increasing from 26.2% in the second quarter to 27.2% in the third quarter, and liquid assets to short-term financial liabilities growing from 46.2% to 47.5%.

Fiscal developments

The consolidated budget posted a surplus in the first three quarters of 2011 against the deficit a year earlier. Consolidated revenues increased by 4.8% year-on-year on the higher collection of tax revenues (4.6%) and social contributions (5.7%). Consolidated expenditures fell marginally by 0.1%, while their structure changed significantly. Capital expenditure plummeted by 53.1% and accounted for only 1.1% of the overall expenditures, as compared to 3.2% in 2010. Subsidies and purchases of goods and services shrank by 22.4% and 25.4%, respectively, while the social benefits and the wage bill soared by 17.4% and 6.6%.

The RS Parliament adopted in December the 2012 entity budget at KM 1.825 billion, up by 4% in comparison to the revised 2011 budget. The Federation Parliament launched discussions on the 2012 entity budget on January 10. Total spending in the draft budget is higher by 11% in comparison to the revised 2011 entity budget.

In the third quarter of 2011, official foreign debt rose by 4.6% after the marginal decline in April-June.

TABLE

European Commission, ECFIN-D-1



BOSNIA AND HERZEGOVINA

		2007	2008	2009	2010	2011	Q2 11	Q3 11	Q4 11	Oct 11	Nov 11	Dec 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	:	5.3	5.5	:	0.6	5.4	:
Gross domestic product ^{1.3}	Ann. % ch	6.2	5.7	-2.9	0.7	:	:	:	:	N.A.	N.A.	N.A.
Private consumption ^{1.4}	Ann. % ch	10.9	10.3	2.3	-0.9	:	:	:	:	N.A.	N.A.	N.A.
Gross fixed capital formation ^{1.5}	Ann. % ch	34.3	22.8	-17.7	-9.9	:	:	:	:	N.A.	N.A.	N.A.
Construction index ^{1.6}	Ann. % ch	N.A.	11.7	8.8	33.9	:	7.0	-313.7	:	N.A.	N.A.	N.A.
Retail sales ^{1.7}	Ann. % ch	N.A.	N.A.	N.A.	7.8	:	15.5	11.2	:	12.5	9.2	:
2 Labour market												
Unemployment ^{2.1}	%	42.9	40.6	42.7	42.7	:	43.1	43.3	:	43.3	:	:
Employment ^{2.2}	Ann. % ch	4.4	2.7	-2.8	1.9	:	2.7	1.9	:	1.2	:	:
Wages ^{2.3}	Ann. % ch	9.8	16.6	8.2	1.1	:	5.0	4.6	:	4.5	:	:
3 External sector												
Exports of goods ^{3.1}	Ann. % ch	15.0	13.9	-17.1	27.7	:	14.5	15.2	:	:	:	:
Imports of goods ^{3.2}	Ann. % ch	18.7	15.4	-24.1	10.2	:	15.2	10.9	:	:	:	:
Trade balance* ^{3.3}	% of GDP	-37.2	-38.2	-27.8	-25.9	:	-27.6	-27.6	:	N.A.	N.A.	N.A.
Exports goods and services ^{3.4}	% of GDP	37.3	36.8	32.2	37.6	:	39.0	39.5	:	N.A.	N.A.	N.A.
Imports goods and services ^{3.5}	% of GDP	-68.8	-69.7	-55.3	-59.3	:	-62.2	-62.7	:	N.A.	N.A.	N.A.
Current account balance* ^{3.6}	% of GDP	-10.7	-14.0	-6.3	-6.1	:	-8.6	-8.7	:	N.A.	N.A.	N.A.
Direct investment (FDI, net)* ^{3.7}	% of GDP	13.5	5.3	1.4	1.1	:	2.1	2.2	:	N.A.	N.A.	N.A.
International reserves ^{3.8}	mio EUR	3 458.5	3 230.1	3 219.7	3 330.5	:	3 151.0	3 238.2	:	3 210.3	3 225.5	:
Int. reserves / months Imp ^{3.9}	Ratio	5.7	4.6	6.0	5.7	:	4.9	4.9	:	:	:	:
4 Monetary developments												
CPI ^{4.1}	Ann. % ch	1.5	7.4	-0.4	2.1	:	4.0	4.0	:	3.7	3.8	:
Producer prices ^{4.2}	Ann. % ch	N.A.	8.6	-3.2	0.9	:	3.7	5.1	:	2.2	2.2	:
Food prices ^{4.3}	Ann. % ch	2.9	12.1	-0.9	-0.7	:	7.7	5.5	:	5.4	5.3	:
M2 ^{4.4}	Ann. % ch	23.5	13.5	-1.6	7.8	:	5.1	5.6	:	5.3	4.5	:
Exchange rate BAM/EUR ^{4.5}	Value	1.94	1.94	1.94	1.93	1.93	1.93	1.93	1.93	1.93	1.93	1.93
Nominal eff. exchange rate ^{4.6}	Index	100.3	100.07	96.27	96.51	:	96.28	95.58	:	:	:	:
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	4 330	2 251	1 038	954	979	1 034	962	844	911	850	769
Credit growth ^{5.4}	Ann. % ch	27.4	28.4	5.4	-0.9	:	5.3	6.3	:	6.8	6.7	:
Deposit growth ^{5.5}	Ann. % ch	36.6	15.4	-4.0	4.7	:	1.2	2.3	:	2.2	2.4	:
Non performing loans ^{5.6}	% total	3.4	3.0	4.5	9.1	:	11.8	12.6	:	N.A.	N.A.	N.A.
6 Fiscal developments												
General government balance ^{6.1}	% of GDP	1.2	-2.2	-4.5	-2.5	:	:	:	:	N.A.	N.A.	N.A.
General government debt ^{6.2}	% of GDP	18.2	17.2	21.8	25.7	:	25.0	25.8	:	N.A.	N.A.	N.A.

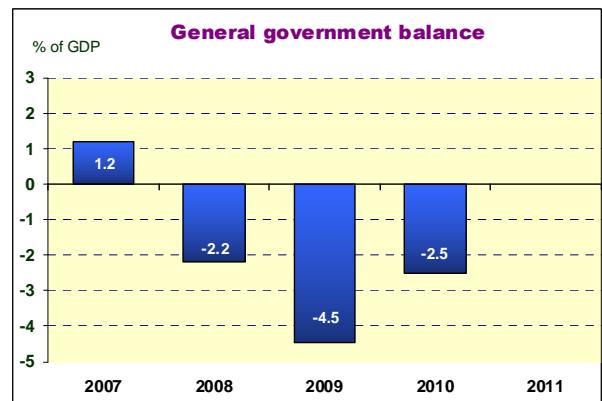
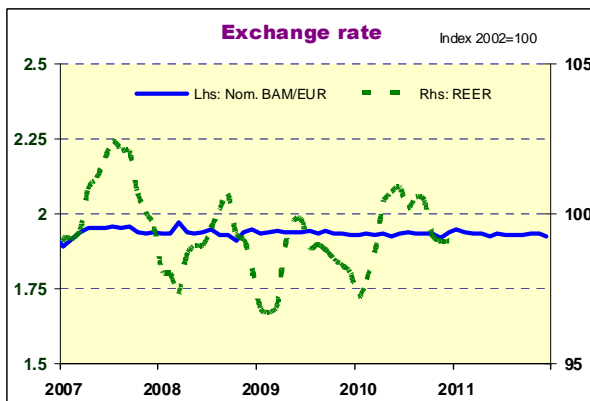
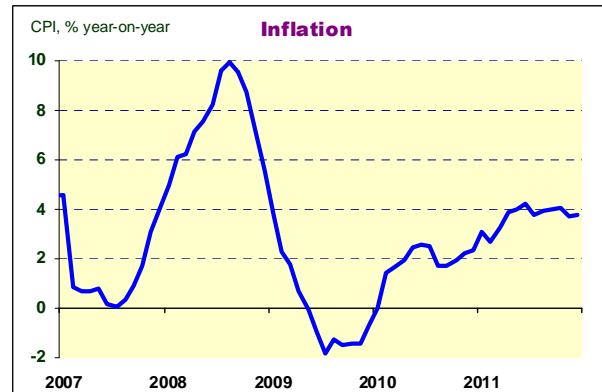
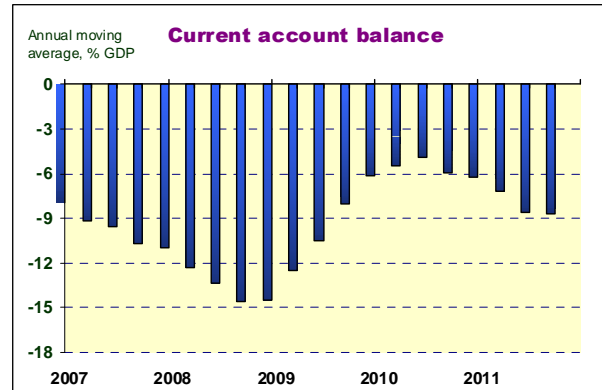
* Q figures refer to a 4 quarters moving average.

CHARTS

European Commission, ECFIN-D-1



BOSNIA AND HERZEGOVINA



SERBIA



Key developments

During the IMF mission to Serbia in November, a staff level agreement was reached on the first review of the 18-month precautionary Stand-by Arrangement (SBA). The approval by the IMF Board is conditioned on the adoption of the revised 2012 budget bill in line with the underlying SBA programme. The authorities confirmed they would not draw down the available financial assistance in the amount of EUR 190 million (out of total EUR 1.1 billion), as the level of foreign exchange reserves remains stable and as macro-financial stability seems so far to have withstood the growing global uncertainties.

On 9 December, the European Council followed up the opinion by the European Commission on Serbia's application for EU membership of 12 October. Acknowledging that Serbia had made considerable progress towards meeting the requirements for the status of candidate country and also reengaged in the Belgrade-Pristina dialogue, the Council will take the decision on granting Serbia candidate status in February 2012, to be confirmed by the March European Council.

Real sector

In the third quarter, GDP growth decelerated to 0.5% year-on-year (2.5% in the second quarter), while in seasonally-adjusted terms output stagnated compared to the preceding quarter. The pace of economic activity seems to have been sustained in the last quarter. According to the flash estimate of economic trends in 2011 by the national statistical office, GDP increased by 1.9% for the year as a whole (1% in 2010).

In 2011, economic growth continued to be fuelled by exports, which remained robust despite the appreciation of the dinar earlier in the year and the looming downturn in Serbia's main trading partners. The stimulus from domestic demand was limited as investment picked up only slowly while private consumption stayed weak.

Given the eroded disposable income due to a jobless recovery and high inflation, activity in

the retail trade continued to shrink throughout 2011. In the period from January to November, retail trade turnover (measured in constant prices) was almost 17% lower in comparison with the same period the year before.

Industrial production, which was relatively strong in the first half of 2011, dwindled in the third quarter in the light of the deteriorating economic outlook. Activity in mining and the utilities decelerated sharply to 1.5% year-on-year (against increases of 17.5% and 13%, respectively, in the second quarter) while output in manufacturing was 1.6% lower year-on-year. Production, in the manufacturing sectors in particular, remained modest towards the end of the year. Activity seems to have slowed further in December, given the preliminary estimate for the entire year, with industrial output up 1.8% compared to a year earlier (2.5% in 2010). On the other hand, economic growth was supported by a vigorous rebound in construction activity from the second quarter of the year, the first time since 2009.

Labour market

According to the flash estimate by the national statistical office, the situation on the labour market deteriorated further in 2011. Compared to 2010, the number of employed persons dropped by almost 3%, to a historic low of 1.76 million. For the working age population (age 15-64), the employment rate fell below 46% and the unemployment rate increased to almost 23%.

Following a two-year nominal freeze, indexation of public sector salaries (and pensions) was re-introduced as from 2011, and three adjustments were carried out. Nevertheless, overall wage growth was contained in 2011. Compared to 2010, the average net wage increased by 0.3% in real terms (11.2% nominally).

External sector

In the period between January and October, the current account deficit was 16% higher than the year before, owing mainly to a widening trade deficit (9% year-on-year) as well as a larger deficit on the income account (8.5% year-on-year). Higher surpluses on the current transfers

account (1% year-on-year) and the services account were insufficient to cover the gap. The external position worsened substantially in the autumn as exports faltered due to the more subdued external demand. Annual export growth for the ten months was 17.5% (down from almost 25% for the first half of the year). Imports also slowed down initially given the deteriorated prospects for the domestic industry, but import growth rebounded again towards the end of the year. Over the ten months, imports grew by 14% year-on-year.

In 2011, foreign currency inflows picked up and the quality of external financing improved. In the period from January to October, the financial account was 4% higher than the year before. FDI was more than twofold, reaching almost EUR 1.6 billion. Portfolio investment in the same amount was also considerably higher compared to the same period a year ago, but was almost entirely related to inflows into debt securities. Private sector's external liabilities halved as companies and banks continued to deleverage during the year. By the end of the year, foreign exchange reserves with the NBS increased to EUR 12 billion, sufficient to cover more than 10 months of imports. At close to EUR 24 billion, Serbia's total external debt remained relatively stable, accounting for around $\frac{3}{4}$ of GDP.

Monetary developments

According to preliminary estimates by the national statistical office, CPI inflation stood at 7% at the end of 2011 (down from 10.3% in 2010), i.e. well above the upper boundary of the 3-6% target band for the end of the year set by the National Bank of Serbia (NBS). A disinflationary trend has been sustained since April (when the annual CPI inflation rate peaked at close to 15%) thanks to the fading base effect, easing of commodity and food prices and contained domestic pressures given the subdued private consumption and limited impact of hikes in administered prices. Efforts towards price and market liberalisation, including the full liberalisation of the fixed telephony market as of 1 January 2012, will help in entrenching inflation expectations.

In the light of the steadily decelerating inflation, the NBS stepped up monetary easing in the autumn. By the end of the year, the reference interest rate had been slashed from the April peak of 12.5% to 9.75% in six consecutive cuts.

The NBS's foreign exchange operations on the interbank market were less frequent during 2011 given that the exchange rate stayed relatively stable even amid the mounting economic and fiscal pressures. While the dinar was on a depreciating trend in the second half of 2011, the RSD/EUR exchange rate still strengthened by about 1.5% over the year, also resulting from higher capital inflows. Following a rebound in the monetary aggregate M2 in August, the annual growth rate was sustained at around 5% throughout the second half of the year mainly as a result of higher deposits.

Financial sector

In 2011, the banking sector activity was relatively modest in the face of the bleak economic outlook. Deposits, which are the main source of bank lending, began to slowly strengthen in the second half of the year. Credit growth to non-government sector was decelerating in the autumn, but spiked in November. The share of non-performing loans rose above 19% of total loans. With a view to facilitating lending, particularly to companies, the NBS amended the loan classification system in December. The reclassifying of some loan categories is expected to lower costs for lenders, while cutting the reserve requirements has been ruled out as a way of boosting liquidity.

Fiscal developments

During the SBA review mission in November, the budgetary plans for 2011 and 2012 were revised to take into account the economic slowdown ahead. The 2011 supplementary budget, which passed the parliament in mid-October, allowed for an increase in the deficit by 0.3 pp, to 4.5% of GDP. In agreement with the IMF, the target has been retained but additional measures were identified for it to be achieved. At end-November, the (unconsolidated) budgetary gap was on track to reach the yearly plan. The revisions to the 2012 budget included measures amounting to 0.75% of GDP, mostly on the revenue side, but also in expenditure cuts. Adopted by the parliament on 30 December, the new budget bill assumes a 0.3 pp wider deficit; at 4.25% of GDP, it is to remain within the margins set by the fiscal rules. However, public debt of almost EUR 14.5 billion at end-November is likely to have already exceeded the ceiling of 45% of GDP, while the government continued to issue debt securities.

TABLE

European Commission, ECFIN-D-1



SERBIA

		2007	2008	2009	2010	2011	Q2 11	Q3 11	Q4 11	Oct 11	Nov 11	Dec 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	3.3	1.3	-12.4	3.1	1.8	3.6	-1.8	:	-1.0	2.2	:
Gross domestic product ^{1.3}	Ann. % ch	5.4	3.8	-3.5	1.0	1.9	2.5	0.5	:	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	25.4	1.0	-20.8	0.1	:	26.0	30.6	:	N.A.	N.A.	N.A.
Retail sales ^{1.7}	Ann. % ch	25.7	3.4	-11.4	-0.7	:	-15.4	-18.7	:	-16.2	-16.4	:
2 Labour market												
Unemployment ^{2.1}	%	18.1	13.6	16.1	20.0	22.2	:	:	:	:	:	:
Employment ^{2.2}	Ann. % ch	-1.1	-0.1	-6.1	-3.6	:	-3.2	-2.3	:	-1.1	:	:
Wages ^{2.3}	Ann. % ch	15.0	4.5	1.0	7.4	0.3	11.0	12.3	:	10.7	11.2	:
3 External sector												
Exports of goods ^{3.1}	Ann. % ch	24.8	15.9	-19.6	24.0	:	15.4	12.9	:	4.9	:	:
Imports of goods ^{3.2}	Ann. % ch	29.8	14.6	-26.1	9.9	:	11.3	9.0	:	18.0	:	:
Trade balance* ^{3.3}	% of GDP	-23.1	-25.5	-18.1	-17.0	:	-18.8	-18.2	:	N.A.	N.A.	N.A.
Exports goods and services ^{3.4}	% of GDP	30.7	31.1	29.3	34.8	:	41.5	41.5	:	N.A.	N.A.	N.A.
Imports goods and services ^{3.5}	% of GDP	55.0	54.8	47.0	51.3	:	60.0	59.5	:	N.A.	N.A.	N.A.
Current account balance* ^{3.6}	% of GDP	-16.1	-20.6	-7.4	-7.5	:	-7.9	-8.2	:	N.A.	N.A.	N.A.
Direct investment (FDI, net)* ^{3.7}	% of GDP	6.4	6.2	4.8	3.1	:	3.8	5.4	:	N.A.	N.A.	N.A.
International reserves ^{3.8}	mio EUR	9 633.6	8 161.8	10 601.9	10 001.6	:	9 966.8	11 358.2	:	11 272.3	11 398.2	:
Int. reserves / months Imp ^{3.9}	Ratio	8.8	6.5	11.5	9.8	:	9.1	10.2	:	9.9	:	:
4 Monetary developments												
CPI ^{4.1}	Ann. % ch	11.0	8.6	6.6	10.3	7.0	12.7	9.3	:	8.7	8.1	:
Producer prices ^{4.2}	Ann. % ch	9.8	9.0	7.4	16.2	:	:	:	:	:	:	:
Food prices ^{4.3}	Ann. % ch	18.4	13.8	0.8	10.7	:	17.8	10.6	:	9.9	8.8	:
M3 ^{4.4}	Ann. % ch	42.5	9.8	21.5	12.9	:	3.7	8.1	:	6.2	7.0	:
Exchange rate RSD/EUR ^{4.5}	Value	78.76	89.48	95.88	105.93	106.95	100.67	100.98	106.95	100.90	103.98	106.95
Nominal eff. exchange rate ^{4.6}	Index	102.1	88.6	92.8	89.5	:	104.8	104.7	:	106.1	101.5	:
5 Financial indicators												
Interest rate (3 months) ^{5.1}	% p.a.	6.48	5.20	13.40	10.85	:	12.71	11.93	:	11.60	:	:
Bond yield (12 months) ^{5.2}	% p.a.	N.A.	N.A.	N.A.	11.45	:	:	:	:	:	:	:
Stock markets ^{5.3}	Index	4 096	2 604	1 197	1 283	1 270	1 420	1 238	1 022	1 064	1 027	976
Credit growth ^{5.4}	Ann. % ch	32.5	34.2	24.4	29.9	:	12.6	9.8	:	8.1	8.9	:
Deposit growth ^{5.5}	Ann. % ch	46.9	8.8	23.6	14.4	:	4.8	8.3	:	7.1	6.8	:
Non-performing loans ^{5.6}	% total	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	-2.0	-2.6	-4.5	-4.9	:	-4.3	-4.5	:	N.A.	N.A.	N.A.
General government debt ^{6.2}	% of GDP	29.4	25.6	31.3	37.0	:	:	:	:	N.A.	N.A.	N.A.

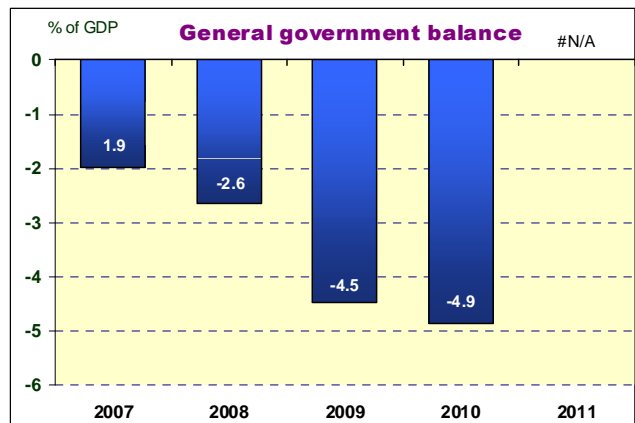
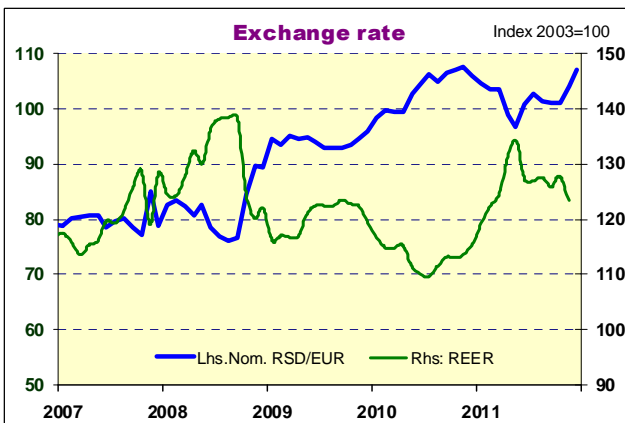
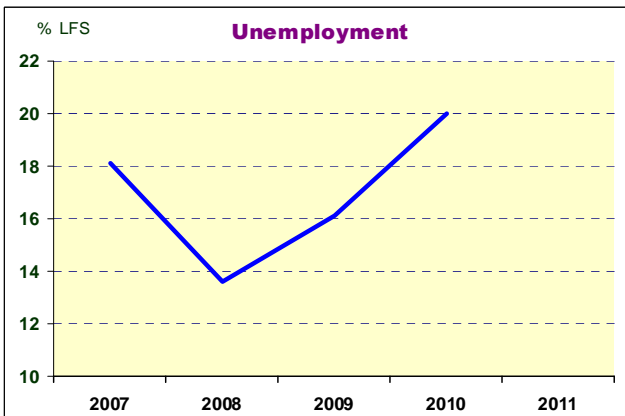
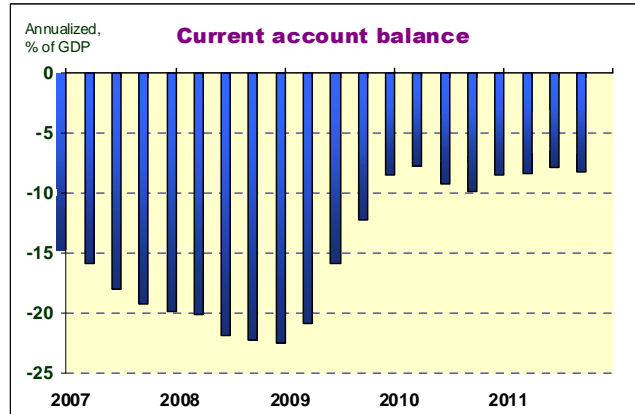
* Q figures refer to a 4 quarters moving average.

CHARTS

European Commission, ECFIN-D-1



SERBIA



KOSOVO*

*as defined by UNSCR 1244

Key developments

In end-December, the parliament adopted the 2012 budget which foresees a deficit of EUR 172 million (3.4% of GDP). The budget relies on EUR 300 million one-off receipts from the privatisation of the Post and Telecom of Kosovo (PTK) and EUR 60 million have been set aside in unallocated appropriations until the realisation of these receipts.

In December, the IMF made a positive assessment of Kosovo's Staff-monitored programme. It allowed in end-December a disbursement by the World Bank of EUR 24.3 million in budget support.

The autonomous trade measures (ATMs), giving Kosovo a duty-free access to the EU market, have been renewed as of 30 December. The Regulation adopted by the European Parliament and the Council extends the ATMs until the end of 2015. It would also have a retroactive effect as of 1 January 2011 when the previous ATMs expired.

The EU-facilitated dialogue with Serbia continued with two more meetings in November and December. Some progress was made on the implementation of previous agreements, in particular, on certification of university diplomas, civil registry and freedom of movement. The parties also reached an agreement to gradually implement a concept of integrated management for crossing points as soon as practically possible.

Real sector

In November 2011, the Statistical office published its estimates of the 2010 GDP. The economy expanded by a real 3.9% on the basis of robust private consumption (3.1%) and surprisingly strong investment (14.6%). Government consumption also increased by 2.9%, while donor's sector consumption accelerated its decline (-16.1%), falling to about 5% of GDP. Net exports contribution to growth remained negative at 2.5 percentage points despite a relatively good performance of exports (13.8%), although from a very low base. Strong domestic demand fuelled another year of

expanding imports of goods and services (8.4%), which stood at almost 60% of GDP. The IMF has foreseen an acceleration of real GDP growth to 5% in 2011.

The PTK privatisation has been further delayed after one of the two companies who had qualified for the last stage of the process withdrew its application, citing corporate governance concerns. This led to the cancellation of the auction as only one bidder remained. The completion of the PTK privatisation by the end of 2011 was a structural benchmark under the IMF Staff-Monitored Programme. To compensate for the loss of privatisation receipts, the government implemented spending cuts of EUR 60 million in 2011. In late December, PTK was split into two enterprises, separating postal service from telecom operations. The telecom privatisation is now scheduled for 2012.

Labour market

In the third quarter 2011, the average number of registered unemployed remained almost unchanged over the corresponding period of the previous year, standing at around 336 thousand. In October and November the number of unemployed decreased marginally mainly, mainly among those with some skills and secondary education.

External sector

Trade relations with Serbia have normalised after the imports ban had been removed in September. Total imports of goods increased by around 15% (year-on-year) in the first eleven months of the year. Imports continued to be dominated by intermediate and consumption goods with a share of 85%. The geographical structure of imports has changed in favour of Albania (imports growing by 36% in the first eleven months), China (29% increase) and Turkey (23% increase) who have gained market share at the expense of Serbia (5% increase). Exports of goods performance was less impressive, with four consecutive months of decelerating growth between August and November to reach 8% (year-on-year) in the first

eleven months. The trade deficit expanded to a new high of EUR 1,940 million or 16% higher than a year before.

The current account deficit decreased in the third quarter to EUR 259 million (EUR 281 million in Q3 2010). The improvement was driven mainly by higher current transfers. Despite these positive developments, the current account deficit for the first three quarters is still higher than in the same period last year.

The capital and financial account registered a surplus of EUR 200 million in the third quarter. Net FDI stood almost unchanged over last year's levels at EUR 127 million. Reserve assets increased marginally by EUR 7 million and net errors and omissions (EUR 59 million) stood at much lower level in comparison to last year.

Monetary developments

The growth in broad money stood at 12.6% (year-on-year) by end-November. Net foreign assets' growth moderated to 2% (year-on-year) as both the central bank and the commercial banks have reduced their net claims to non residents since September. The pace of accumulation of net domestic assets decelerated as well but remains high at 130% by end-November.

After eight consecutive months of disinflation, consumer inflation still remained relatively high at 4.2% (year-on-year) in November. About 90% of all goods in the consumer basket continued to exhibit increasing prices (year-on-year). Food prices were the main contributor to inflation with 2.4 percentage points. Non-food, non-energy prices remained elevated as well, contributing another 1.1 percentage points.

Financial sector

The interest rate spread between loans and deposits declined to 9.9 percentage points in November. The effective interest rates on deposits increased to 3.8%, above their 12-month average of 3.5%. The effective interest rates on loans went down to 13.6%, below a 12-month average of 14.2%.

Growth in commercial banks deposits stayed robust at 13.0% (year-on-year) in November, with both sight and other (time and savings) deposits growing at double-digits. Households deposits grew by 15.3%, increasing their share in total to 69.4%. Other non-financial corporations' deposits grew by 3.8% but this

increase was entirely driven by sight deposits, while deposits with longer maturities declined by 17.3%.

Lending activity remained strong – gross loans and lease financing increased by 16.1% (year-on-year) by end-November. About two-thirds of the new lending since the beginning of the year went to non-financial corporations, of which close to a half were investment loans (most of them with maturity between 1 and 5 years). Households loans made up the rest, with most of the new loans financing consumption. Increasingly, both households and non-financial corporations resorted to loans with favourable conditions (loans backed by deposits) – almost a quarter for households and about 13% of all new loans for corporations.

Since August, the outstanding overdrafts have surged and by end-November they increased by 37% (year-on-year) for non-financial corporations and by 21% for households. The outstanding overdrafts amounted to, respectively, about half of non-financial corporations' sight deposits and 2% of households sight deposits.

Banks' interest income from loans increased by 9.6% (year-on-year) and fees and commissions income by another 11.3% by end-November. Growth of total expenditure surpassed those of revenue and stood at 13.8%. Interest spending on deposits increased slightly by 1.6%. Notably, provisions for loan and other assets losses rose by 49.0% and general and administrative expenditures by 10.4%. Nevertheless, the banking system remained profitable (EUR 32.1 million), although the net profit declined by 4.2% (year-on-year).

Fiscal developments

Budgetary execution remained on track. By end-November the overall budget deficit stood at EUR 10 million (0.2% of GDP). Total revenue increased by 9.3% (year-on-year) to EUR 1,162 million. Domestic tax revenue performed strongly, increasing by about 18% (year-on-year). Border tax revenue rose by 18% as well, following closely imports of goods dynamics. Total expenditures reached EUR 1,172 million (11.5% increase year-on-year). Current spending increased by 7.7% and capital outlays – by 26.7%. The underlying expenditure growth is likely to turn out higher, as November wages and salaries have been paid out only in December.

TABLE

European Commission, ECFIN-D-1

KOSOVO*

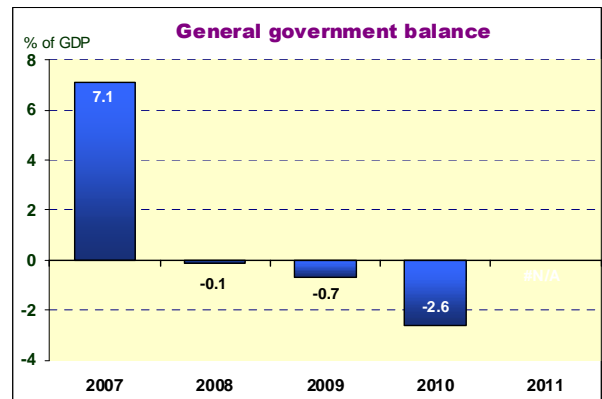
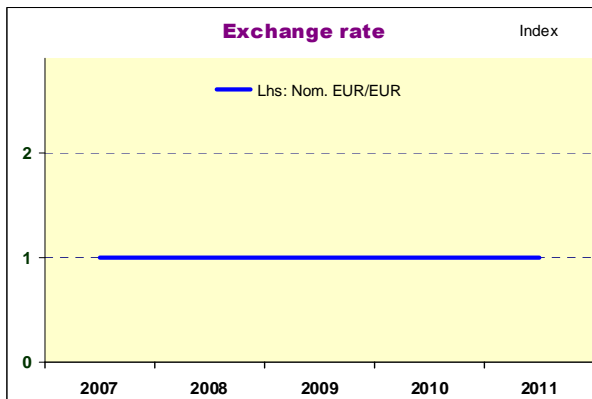
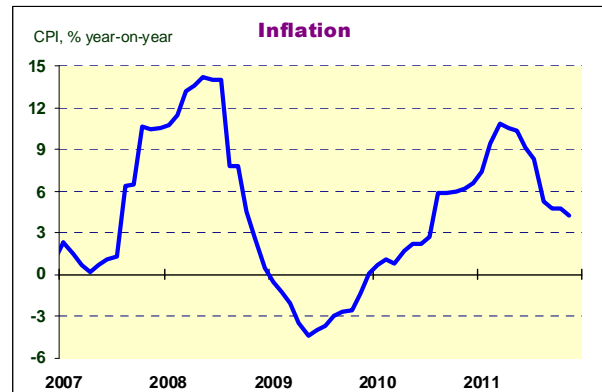
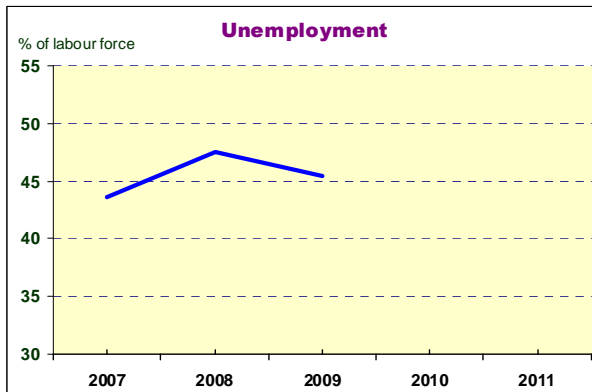
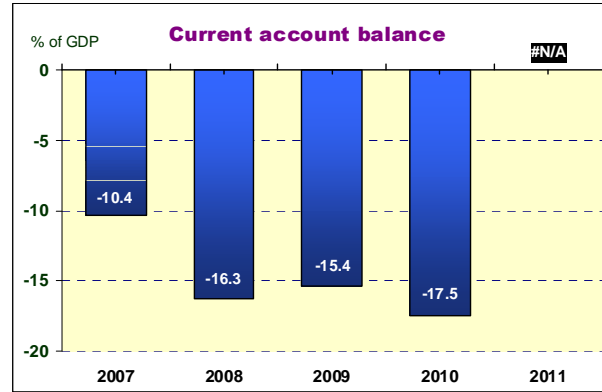
		2007	2008	2009	2010	2011	Q2 11	Q3 11	Q4 11	Oct 11	Nov 11	Dec 11
1 Real sector												
Industrial confidence ^{1.1}	Balance	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Industrial production ^{1.2}	Ann. % ch	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Gross domestic product ^{1.3}	Ann. % ch	6.3	6.9	2.9	3.9	:	:	:	:	:	:	:
Private consumption ^{1.4}	Ann. % ch	10.0	8.6	1.6	3.1	:	:	:	:	:	:	:
Investment ^{1.5}	Ann. % ch	4.1	15.3	10.7	14.6	:	:	:	:	:	:	:
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}	%	43.6	47.5	45.4	:	:	:	:	:	:	:	:
Employment ^{2.2}	Ann. % ch	8.1	-12.9	8.7	:	:	:	:	:	:	:	:
Wages ^{2.3}	Ann. % ch	:	:	:	:	:	:	:	:	:	:	:
3 External sector												
Exports of goods ^{3.1}	Ann. % ch	49.1	20.2	-16.7	79.0	:	-0.1	4.9	:	-3.4	-15.3	:
Imports of goods ^{3.2}	Ann. % ch	20.7	22.3	0.4	11.5	:	10.1	9.1	:	25.3	19.9	:
Trade balance ^{3.3}	% of GDP	-40.3	-43.3	-42.8	-42.4	:	-43.5	-43.2	:	N.A.	N.A.	N.A.
Exports goods and services ^{3.4}	% of GDP	14.7	14.3	15.5	18.6	:	19.2	19.3	:	N.A.	N.A.	N.A.
Imports goods and services ^{3.5}	% of GDP	54.6	57.1	55.2	59.4	:	60.2	59.7	:	N.A.	N.A.	N.A.
Current account balance ^{3.6}	% of GDP	-10.4	-16.3	-15.4	-17.5	:	-18.1	-17.0	:	N.A.	N.A.	N.A.
Direct investment (FDI, net) ^{3.7}	% of GDP	12.7	8.9	7.2	8.5	:	9.5	9.1	:	N.A.	N.A.	N.A.
International reserves ^{3.8}	mio EUR	1 057.6	1 110.7	1 198.5	1 246.9	:	1 300.1	1 308.0	:	1 294.9	1 280.6	:
Int. reserves / months Imp ^{3.9}	Ratio	8.1	6.9	7.4	6.9	:	6.8	6.7	:	6.5	:	:
4 Monetary developments												
CPI ^{4.1}	Ann. % ch	4.4	9.4	-2.4	3.5	:	10.0	6.1	:	4.7	4.2	:
Producer prices ^{4.2}	Ann. % ch	N.A.	N.A.	3.8	4.7	:	7.4	4.1	:	N.A.	N.A.	N.A.
Food prices ^{4.3}	Ann. % ch	9.1	16.7	-4.4	4.8	:	18.0	10.3	:	6.9	5.5	:
Broad money liabilities ^{4.4}	Ann. % ch	23.4	23.6	11.2	12.9	:	19.9	16.9	:	16.4	12.6	:
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	-0.1	:	:	:	:	:	:	:	:	:	:
5 Financial indicators												
Interest rate (3-12 months) ^{5.1}	% p.a.	15.25	16.61	14.11	18.24	:	18.13	19.07	:	16.76	:	:
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	29.7	38.7	17.4	10.1	:	15.0	16.0	:	17.6	16.1	:
Deposit growth EUR/EUR ^{5.5}	Ann. % ch	19.3	25.6	20.3	14.8	:	10.9	15.9	:	18.0	13.0	:
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	7.1	-0.1	-0.7	-2.6	:	-3.2	-4.1	:	N.A.	N.A.	N.A.
General government debt ^{6.2}	% of GDP	N.A.	N.A.	6.5	:	:	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.

* as defined by UNSCR 1244

CHARTS

European Commission, ECFIN-D-1

KOSOVO*



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



No.	Indicator	Note	Source
1.	Real sector		
1.1.	Industrial confidence indicator	Business Surveys, Economic Outlook, Industry	Ecwin/Reuters
1.2.	Industrial production	Annual percentage change, volume, excluding construction. 2009 onwards base year 2005 and new methodology, SA.	Ecwin/Reuters
1.3.	Gross domestic product	Annual percentage change, volume (reference year 2000)	Ecwin/Reuters
1.4.	Private consumption	Annual percentage change, volume (reference year 2000)	Ecwin/Reuters
1.5.	Gross fixed capital formation	Annual percentage change, volume (reference year 2000)	Ecwin/Reuters
1.6.	Construction index	Annual percentage change, total, 2005=100, volume,	Ecwin/Reuters
1.7.	Retail sales	Annual percentage change, Retail Trade Turnover, real, total, 2005=100	Ecwin/Reuters
2.	Labour market		
2.1.	Unemployment	In percent of total labour force. Labour Force Survey	Ecwin/Reuters
2.2.	Employment	Annual percentage change. Labour Force Survey	Ecwin/Reuters
2.3.	Wages	Annual percentage change. Average nominal gross wages	Ecwin/Reuters
3.	External sector		
3.1.	Exports of goods	Annual percentage change. Balance of payments statistics for annual and quarterly data, customs reports for monthly data.	Ecwin/Reuters
3.2.	Imports of goods	Annual percentage change. Balance of payments statistics for annual and quarterly data, customs reports for monthly data.	Ecwin/Reuters
3.3.	Trade balance	In percent of GDP. Goods only. Balance of payments statistics.	Ecwin/Reuters
3.4.	Exports goods and services	In percent of GDP. National Accounts.	Ecwin/Reuters
3.5.	Imports goods and services	In percent of GDP. National Accounts.	Ecwin/Reuters
3.6.	Current account balance	In percent of GDP. Rolling four-quarter basis for quarterly data. Balance of payments statistics.	Ecwin/Reuters
3.7.	Direct investment (<i>FDI, net</i>)	In percent of GDP. Rolling four-quarter basis for quarterly data. Balance of payments statistics.	Ecwin/Reuters
3.8.	Reserves, International reserves of the National Bank	Mio EUR.	Ecwin/Reuters
3.9.	Reserves / months Imp	Ratio of 12 months imports of goods moving average.	Ecwin/Reuters
4.	Monetary developments		
4.1.	Interim CPI	Annual average percentage change.	Ecwin/Reuters
4.2.	Producer prices	Annual percentage change, without construction, index 2001	Ecwin/Reuters
4.3.	Food prices	Annual percentage change, food and non-alcoholic beverages	
4.4.	M4	Annual percentage change, M4 (broadest money aggregate)	Ecwin/Reuters
4.5.	Exchange rate HRK/EUR	Period averages, midpoint exchange rates	Ecwin/Reuters
4.6.	Nominal eff. exchange rate	Index 2001, period averages	Ecwin/Reuters
5.	Financial indicators		
5.1.	Interest rate	Zagreb Interbank 3 month - middle rate	Ecwin/Reuters
5.2.	Bond yield	Government Benchmarks, Bid, 5 Year, Yield, Close	Ecwin/Reuters
5.3.	Stock markets	CROBEX index	Ecwin/Reuters
5.4.	Credit growth	Annual percentage change, domestic credit, HRK	Ecwin/Reuters
5.5.	Deposit growth	Annual percentage change, savings and time deposits, HRK	Ecwin/Reuters
5.6.	Non-performing loans	N.A	

6. Fiscal developments

6.1.	General government balance	In percent of GDP	Nat. sources
6.2.	General government debt	In percent of GDP	Nat. sources



No.	Indicator	Note	Source
1.	Real sector		
1.1.	Industrial confidence indicator	Current Situation, Assessment, Enterprises, total, MKD	Ecwin/Reuters
1.2.	Industrial production	Annual percentage change, volume, excluding construction	Ecwin/Reuters
1.3.	Gross domestic product	Annual percentage change, volume (previous year prices)	Ecwin/Reuters
1.4.	Private consumption	Annual percentage change, volume (previous year prices)	Ecwin/Reuters
1.5.	Gross fixed capital formation	Annual percentage change, volume (previous year prices)	SSO
1.6.	Construction	Value Added, Economic Activity, Current Prices, MKD	Ecwin/Reuters
1.7.	Retail sales	Annual percentage change, Retail trade, turnover, total,	Ecwin/Reuters
2.	Labour market		
2.1.	Unemployment	In percent of total labour force, Labour Force Survey definition for annual data, registered otherwise	SSO
2.2.	Employment	Annual percentage change, Labour Force Survey definition for annual data, registered otherwise	SSO
2.3.	Wages	Annual percentage change; average gross wages (nominal amount in Denar)	SSO
3.	External sector		
3.1.	Exports of goods	Annual percentage change, fob	Ecwin/Reuters
3.2.	Imports of goods	Annual percentage change, cif	Ecwin/Reuters
3.3.	Trade balance	In percent of GDP, fob-cif	Ecwin/Reuters
3.4.	Exports goods and services	In percent of GDP, volume	SSO
3.5.	Imports goods and services	In percent of GDP, volume	SSO
3.6.	Current account balance	In percent of GDP, rolling four quarter for quarterly data	Ecwin/Reuters
3.7.	Direct investment (<i>FDI, net</i>)	In percent of GDP, annualised data	Ecwin/Reuters
3.8.	Reserves, International reserves of the National Bank	Foreign assets, mio EUR.	Ecwin/Reuters
3.9.	Reserves / months Imp	Ratio of 12 months imports of goods moving average.	Ecwin/Reuters
4.	Monetary developments		
4.1.	CPI	Annual average percentage change, HICP not yet available for fYRoM	Ecwin/Reuters
4.2.	Producer prices	Annual percentage change, industrial products	Ecwin/Reuters
4.3.	Food prices	Annual percentage change, food and non alcoholic beverages	Ecwin/Reuters
4.4.	M4	Annual percentage change, M4 (Broadest money)	Ecwin/Reuters
4.5.	Exchange rate MKD/EUR	Averages, spot close	Ecwin/Reuters
4.6.	Nominal eff. exchange rate	Nominal Effective Exchange Rate, MKD, Index 2003=100	Ecwin/Reuters
5.	Financial indicators		
5.1.	Interest rate	Interest rate Denar deposits	Ecwin/Reuters
5.2.	Bond yield	Not available	
5.3.	Stock markets	MSE Index (MBI-10)	Ecwin/Reuters
5.4.	Credit growth	Annual percentage change, domestic credit, DMB, total, overall, with Saving houses, MKD	Ecwin/Reuters
5.5.	Deposit growth	Annual percentage change, with Saving houses, total, MKD	Ecwin/Reuters
5.6.	Non-performing loans	In percent of total	Ecwin/Reuters

6. Fiscal developments

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



No.	Indicator	Note	Source
1.	Real sector		
1.1.	Industrial outlook	Not available	
1.2.	Industrial production	Annual percentage change, aluminium, total, ton	Ecwin/Reuters
1.3.	Gross domestic product	Annual percentage change, total (2000 prices)	Ecwin/Reuters
1.4.	Private consumption	Annual percentage change, volume (2000 prices)	Ecwin/Reuters
1.5.	Gross fixed capital formation	Annual percentage change, volume (2000 prices)	Ecwin/Reuters
1.6.	Construction index	Annual percentage change, turnover/sales, SA, ISK	Ecwin/Reuters
1.7.	Retail sales	Annual percentage change, total, constant prices, ISK, 2000=100	Ecwin/Reuters
2.	Labour market		
2.1.	Unemployment	LFS, In percent of total labour force, Total	Ecwin/Reuters
2.2.	Employment	LFS, Annual percentage change, Total, over all	Ecwin/Reuters
2.3.	Wages&Salaries	Annual percentage change, Total, Index, ISK 1998M12=100	Ecwin/Reuters
3.	External sector		
3.1.	Exports of goods	Annual percentage change, mio ISK, fob. Statistics Iceland reports used for monthly data. Central Bank's otherwise.	Ecwin/Reuters
3.2.	Imports of goods	Annual percentage change, mio. ISK, cif Statistics Iceland reports used for monthly data. Central Bank's otherwise.	Ecwin/Reuters
3.3.	Trade balance	In percent of GDP, fob-cif	Ecwin/Reuters
3.4.	Exports goods and services	In percent of GDP, volume	Ecwin/Reuters
3.5.	Imports goods and services	In percent of GDP, volume	Ecwin/Reuters
3.6.	Current account balance	In percent of GDP, rolling four quarter for quarterly data	Ecwin/Reuters
3.7.	Direct investment (<i>FDI, net</i>)	In percent of GDP, annualised data	Ecwin/Reuters
3.8.	Reserves, International reserves of the National Bank	Gross foreign currency reserves, total, mio EUR.	Ecwin/Reuters
3.9.	Reserves / months Imp	Ratio of 12 months imports of goods moving average.	Ecwin/Reuters
4.	Monetary developments		
4.1.	CPI	Annual average percentage change, All items, Index, ISK, 1988M5=100	Ecwin/Reuters
4.2.	Producer prices	Annual percentage change, total, index, 2005Q4=100	Ecwin/Reuters
4.3.	Food prices	Annual percentage change, food and non-alcoholic beverages, ISK, 1997=100	Ecwin/Reuters
4.4.	M3	Annual percentage change, M3 (Money supply)	Ecwin/Reuters
4.5.	Exchange rate ISK/EUR	Period averages, midpoint exchange rates	Ecwin/Reuters
4.6.	Nominal eff. exchange rate	Index 2005, period averages	Ecwin/Reuters
5.	Financial indicators		
5.1.	Interest rate	REIBOR, 3 month, fixing, ISK	Ecwin/Reuters
5.2.	Bond yield	Government Benchmarks, bid, 5 year, yield, close	Ecwin/Reuters
5.3.	Stock markets	OMX, Main Index (All-Share), price return, close	Ecwin/Reuters
5.4.	Credit growth	Annual percentage change, domestic credit, ISK	Ecwin/Reuters
5.5.	Deposit growth	Annual percentage change, demand, sight and time deposits, ISK	Ecwin/Reuters
5.6.	Non-performing loans	Not available	
6.	Fiscal developments		
6.1.	General government balance	In percent of GDP	Ecwin/Reuters



No.	Indicator	Note	Source
1.	Real sector		
1.1.	Industrial confidence indicator	Not available	
1.2.	Industrial production	Annual percentage change	Ecwin/Reuters
1.3.	Gross domestic product	Annual percentage change, annual data, chain index	Ecwin/Reuters
1.4.	Private consumption	Not available	
1.5.	Gross fixed capital formation	Not available	
1.6.	Construction index	Annual percentage change, value of performed work, current prices	Ecwin/Reuters
1.7.	Retail sales	Annual percentage change, turnover, total	Ecwin/Reuters
2.	Labour market		
2.1.	Unemployment	In percent of active population, e.o.p.	Ecwin/Reuters
2.2.	Employment	Annual percentage change of registered employment, avrg.	Ecwin/Reuters
2.3.	Wages	Annual percentage change, average gross wages (nominal, in EUR)	Ecwin/Reuters
3.	External sector		
3.1.	Exports of goods	Annual percentage change, thou. EUR	Ecwin/Reuters
3.2.	Imports of goods	Annual percentage change, thou. EUR	Ecwin/Reuters
3.3.	Trade balance	In percent of GDP, annualised data	Ecwin/Reuters
3.4.	Exports goods and services	Annual data	MONSTAT
3.5.	Imports goods and services	Annual data	MONSTAT
3.6.	Current account balance	In percent of GDP, annualised data	Ecwin/Reuters
3.7.	Direct investment (<i>FDI, net</i>)	In percent of GDP, annualised data	Ecwin/Reuters
3.8.	Reserves, International reserves of the National Bank	Claim on nonresidents, total, mio EUR.	Ecwin/Reuters
3.9.	Reserves / months Imp	Ratio of 12 months imports of goods moving average.	Ecwin/Reuters
4.	Monetary developments		
4.1.	CPI	Consumer price index (from Jan. 2008, cost-of-living index before), annual average percentage change, moving base year	Ecwin/Reuters
4.2.	Producer prices	Annual percentage change	Ecwin/Reuters
4.3.	Food prices	Annual percentage change, food and non-alcoholic beverages, total, CPPY=100	Ecwin/Reuters
4.4.	M21	Annual percentage change, M21 (Broadest money)	Ecwin/Reuters
4.5.	Exchange rate EUR/EUR	Use of the Euro since March 2002	
4.6.	Nominal exchange rate	Not available	
5.	Financial indicators		
5.1.	Interest rate	Treasury Bills, 3 Month, auction, yield, average	Ecwin/Reuters
5.2.	Bond yield	Treasury Bills, 6 Month, auction, yield, average	Ecwin/Reuters
5.3.	Stock markets	MOSTE Index, Close	Ecwin/Reuters
5.4.	Credit growth	Annual percentage change, commercial banks, assets, loans	Ecwin/Reuters
5.5.	Deposit growth	Annual percentage change, commercial banks, liabilities, deposits	Ecwin/Reuters
5.6.	Non-performing loans	% of total	Min. of Finance
6.	Fiscal developments		
6.1.	General government balance	In percent of GDP	Min. of Finance

6.2. General government debt In percent of GDP

Min. of Finance



No.	Indicator	Note	Source
1.	Real sector		
1.1.	Industrial confidence indicator	Industry survey, confidence index real sector	Nat. sources
1.2.	Industrial production	Annual percentage change, volume (index 1997), excluding construction	Ecwin/Reuters
1.3.	Gross domestic product	Annual percentage change, volume (1987 prices)	Ecwin/Reuters
1.4.	Private consumption	Annual percentage change, volume (1998 prices)	Ecwin/Reuters
1.5.	Gross fixed capital formation	Annual percentage change,	Ecwin/Reuters
1.6.	Construction index	Annual percentage change, construction permits, buildings, total, TRY	Ecwin/Reuters
1.7.	Retail sales	Not available	
2.	Labour market		
2.1.	Unemployment	In percent of total labour force, Labour Force Survey data	Ecwin/Reuters
2.2.	Employment	Annual percentage change, Labour Force Survey data	Ecwin/Reuters
2.3.	Wages	Annual percentage change; index of real earning per production worker in manufacturing industry	Nat. sources
3.	External sector		
3.1.	Exports of goods	Annual percentage change, mio. EUR, fob	Ecwin/Reuters
3.2.	Imports of goods	Annual percentage change, mio. EUR, cif	Ecwin/Reuters
3.3.	Trade balance	In percent of GDP, annualised moving average	Ecwin/Reuters
3.4.	Exports goods and services	In percent of GDP	Ecwin/Reuters
3.5.	Imports goods and services	In percent of GDP	Ecwin/Reuters
3.6.	Current account balance	In percent of GDP, annualised moving average	Ecwin/Reuters
3.7.	Direct investment (<i>FDI, net</i>)	In percent of GDP, annualised moving average of direct investment in reporting economy minus direct investment abroad	Ecwin/Reuters
3.8.	Reserves, International reserves of the National Bank	Gross international reserves, mio EUR.	Ecwin/Reuters
3.9.	Reserves / months Imp	Ratio of 12 months imports of goods moving average.	Ecwin/Reuters
4.	Monetary developments		
4.1.	CPI	Annual percentage change, index 1994, Interim HICP is not available	Ecwin/Reuters
4.2.	Producer prices	Annual percentage change, wholesale prices index (1994)	Ecwin/Reuters
4.3.	Food prices	Annual percentage change, Food and Non-alcoholic Beverages, Total, TRY, 2003=100	Ecwin/Reuters
4.4.	M3	Annual percentage change	Ecwin/Reuters
4.5.	Exchange rate YTL/EUR	Period averages	Ecwin/Reuters
4.6.	Nominal eff. exchange rate	Index 1999, period averages	Ecwin/Reuters
5.	Financial indicators		
5.1.	Interest rate	Deposit rates, 3 month, close	Ecwin/Reuters
5.2.	Bond yield	T-bond ISMA bid, 2 year, yield, close	Ecwin/Reuters
5.3.	Stock markets	ISE index, trading volume (business), January 1986 = 1 Turkish Lira	Ecwin/Reuters
5.4.	Credit growth	Annual percentage change, banking system, total loans, TRY	Ecwin/Reuters
5.5.	Deposit growth	Annual percentage change, banking system, total deposits, TRY	Ecwin/Reuters
5.6.	Non-performing loans	In percent of total lons	Ecwin/Reuters
6.	Fiscal developments		
6.1.	General government balance	In percent of GDP	Nat. sources



No.	Indicator	Note	Source
1. Real sector			
1.1.	Industrial confidence indicator	Business Surveys, industry sector, industrial confidence Indicator, SA	Ecwin/Reuters
1.2.	Industrial production	Annual percentage change, total, constant prices	Ecwin/Reuters
1.3.	Gross domestic product	Annual percentage change, volume. Annual data	Ecwin/Reuters
1.4.	Private consumption	Annual percentage change, constant prices, ALL, average prices of previous year	Ecwin/Reuters
1.5.	Gross fixed capital formation	Annual percentage change, constant prices, ALL, average prices of previous year	Ecwin/Reuters
1.6.	Construction index	Annual percentage change, construction costs, total, 1999Q4=100	Ecwin/Reuters
1.7.	Retail sales	Annual percentage change, total, 2005=100	Ecwin/Reuters
2. Labour market			
2.1.	Unemployment	In percent of total labour force	Ecwin/Reuters
2.2.	Employment	Annual percentage change	Ecwin/Reuters
2.3.	Wages	Average monthly wages in State sector	Ecwin/Reuters
3. External sector			
3.1.	Exports of goods	Annual percentage change, mio. EUR	Ecwin/Reuters
3.2.	Imports of goods	Annual percentage change, mio. EUR	Ecwin/Reuters
3.3.	Trade balance	In percent of GDP	Ecwin/Reuters
3.4.	Exports goods and services	In percent of GDP. Annual data	Ecwin/Reuters
3.5.	Imports goods and services	In percent of GDP. Annual data	Ecwin/Reuters
3.6.	Current account balance	In percent of GDP, including official transfers	Ecwin/Reuters
3.7.	Direct investment (FDI, net)	In percent of GDP	Ecwin/Reuters
3.8.	Reserves, International reserves of the National Bank	Net foreign assets, total, mio EUR.	Ecwin/Reuters
3.9.	Reserves / months Imp	Ratio of 12 months imports of goods moving average.	Ecwin/Reuters
4. Monetary developments			
4.1.	Interim CPI	Consumer Prices, All items, Total. Annual percentage change Up to 2007 Dec2001 = 100, 2007 onwards Dec2007 = 100.	Ecwin/Reuters
4.2.	Producer prices	Annual percentage change, Total, index (1998)	Ecwin/Reuters
4.3.	Food prices	Annual percentage change, Food and Non-alcoholic Beverages, Total, December 2007=100	Ecwin/Reuters
4.4.	M2	Annual percentage change	Ecwin/Reuters
4.5.	Exchange rate LEK/EUR	Period averages	Ecwin/Reuters
4.6.	Change in real eff. exchange rate	Not available	
5. Financial indicators			
5.1.	Interest rate	Treasury Bills, 3 Month Auction, Yield	Ecwin/Reuters
5.2.	Bond yield	Government Benchmarks, 2 Year Bond, Yield	Ecwin/Reuters
5.3.	Stock markets	Not available	
5.4.	Credit growth	Annual percentage change, total	Ecwin/Reuters
5.5.	Deposit growth	Annual percentage change, total	Ecwin/Reuters
5.6.	Non-performing loans	Credit Portfolio Quality, NPLs %	Ecwin/Reuters

6. Fiscal developments

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



No.	Indicator	Note	Source
1. Real sector			
1.1.	Industrial confidence indicator	Not available	
1.2.	Industrial production	Production, total, CPPY=100	Ecwin/Reuters
1.3.	Gross domestic product	Annual percentage change	Ecwin/Reuters
1.4.	Private consumption	Annual percentage change, Households, Total, 2004=100	Ecwin/Reuters
1.5.	Gross fixed capital formation	Annual percentage change	Ecwin/Reuters
1.6.	Construction index	Annual percentage change, residential construction, completed dwellings m2, CPPY=100	Ecwin/Reuters
1.7.	Retail sales	Not available	
2. Labour market			
2.1.	Unemployment	Registered, in percent of total labour force	Ecwin/Reuters
2.2.	Employment	Registered, annual percentage change	Ecwin/Reuters
2.3.	Wages	Annual percentage change, average gross wages, BAM	Ecwin/Reuters
3. External sector			
3.1.	Exports of goods	Annual percentage change, mio. BAM, General merchandise, FOB	Ecwin/Reuters
3.2.	Imports of goods	Annual percentage change, mio. BAM, General merchandise, FOB	Ecwin/Reuters
3.3.	Trade balance	In percent of GDP, annualised data	Ecwin/Reuters
3.4.	Exports goods and services	In percent of GDP, estimated from Balance of Payments data	Ecwin/Reuters
3.5.	Imports goods and services	In percent of GDP, estimated from Balance of Payments data	Ecwin/Reuters
3.6.	Current account balance	In percent of GDP, annualised data	Ecwin/Reuters
3.7.	Direct investment (<i>FDI, net</i>)	In percent of GDP, annualised data	Ecwin/Reuters
3.8.	Reserves, International reserves of the National Bank	Gross foreign reserves, total, mio EUR	Ecwin/Reuters
3.9.	Reserves / months Imp	Ratio of 12 months imports of goods moving average.	Ecwin/Reuters
4. Monetary developments			
4.1.	CPI	Consumer price index from 2006; Retail price index otherwise.	CBBH/ Ecwin/Reuters
4.2.	Producer prices	Domestic, Total, Index CPPY=100	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.	Statistical Office of Kosovo (SOK)
1.4.	Private consumption	Annual percentage change.	Statistical Office of Kosovo (SOK)
1.5.	Gross capital formation	Annual percentage change.	Statistical Office of Kosovo (SOK)
1.6.	Construction index	Not available.	
1.7.	Retail sales	Not available.	
2 Labour market			
2.1.	Unemployment	In percent of total labour force.	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.	Central Bank of Kosovo
3.5.	Imports goods and services	In percent of GDP.	Central Bank of Kosovo
3.6.	Current account balance	In percent of GDP, Annual data.	IMF, Central Bank of Kosovo
3.7.	Direct investment (<i>FDI, net</i>)	In percent of GDP, Annual data.	Central Bank of Kosovo
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.	Central Bank of Kosovo
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.	Central Bank of Kosovo
6.	Fiscal developments		
6.1.	General government balance	In percent of GDP.	IMF, Ministry of Finance
6.2.	General government debt	In percent of GDP.	Ministry of Finance