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CANDIDATE AND PRE-ACCESSION COUNTRIES' ECONOMIC QUARTERLY

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*as defined by UNSCR 1244

OVERVIEW

The pattern of growth in the pre-accession countries in the fourth quarter of 2011 generally mirrored the worsening global (and EU) environment. Growth rates moderated, sometimes significantly, and were too sluggish to make a major contribution to the reduction of very high unemployment. Effects on GDP growth for the whole year ranged from a slight slowdown in Turkey (8.5% as compared with 9.2% in 2010) to zero growth in Croatia, following two years of recession. In most other countries, growth continued to be positive and stronger than in 2010. However, judging from available indicators, a further weakening in the first quarter 2012 is to be expected in some countries such as Croatia and Serbia. The disinflation process, partly reflecting the decline of commodity prices in response to weaker global demand, continued in the 4th quarter and further in the 1st quarter 2012 despite the increase in oil prices since mid-December 2011.

While decelerating markedly, GDP growth still reached 5.2% (year-on-year) in Turkey in Q4, driven by both domestic demand and net exports as export competitiveness improved, primarily due to a weaker lira. In 2011, growth at 8.5% was only slightly down from 9.2% in 2010. In Iceland, real growth still primarily driven by private consumption, was also lower (2.8%) in Q4, bringing the growth rate for 2011 to 3.1%, a marked improvement compared to the 4% output drop in 2010. In the Western Balkans, growth also moderated in the fourth quarter although the magnitude of the slowdown differed across countries. Croatia, which had started to recover modestly in the previous two quarters, was hardest hit as GDP decreased by 0.4%. Despite a further deceleration in the 4th quarter in Serbia (to 0.4%) and in the former Yugoslav Republic of Macedonia (to 0.2%), output growth for the year as a whole accelerated to respectively 1.6% and 3%, thanks to strong performance in the first half of the year.

Recent trade data suggest a decline of the current account deficit which had been ballooning in Turkey in 2011 (10% of GDP) as a result of strong domestic demand. In Iceland, despite

lower surpluses in the trade with goods and services over the last two quarters its current account deficit narrowed in 2011 (7.1%). In the Western Balkans, the picture is mixed. The current account deficit, although still elevated, declined to 19% of GDP in 2011 in Montenegro. It hardly improved in Croatia (1% of GDP). In all other countries the deficit deteriorated, either significantly (Albania, Bosnia and Herzegovina, Serbia) or to a limited extent (the former Yugoslav Republic of Macedonia and Kosovo). In Serbia, the underlying deterioration of the trade balance which continued in the first two months of 2012 is mainly due to the deterioration of exports and thus may reflect to some extent trade spillovers effects from the worsening situation of its main partners. In the other countries the picture is more nuanced and the effects of trade spillovers less discernible.

The labour market conditions generally deteriorated in the fourth quarter in tandem with the deceleration in economic activity and contributed to higher unemployment rates for the whole year as compared with 2010 in Bosnia and Herzegovina, Croatia and Serbia. Unemployment declined, nevertheless, in 2011 in Turkey, Iceland, the former Yugoslav Republic of Macedonia and Albania.

While average inflation increased in many countries in 2011, the disinflation process that started in mid 2011, in line with the downward correction of commodity prices, generally continued in the fourth quarter and in early 2012. A main exception is Iceland where the central bank subsequently raised for the third time its policy rate in March. In Turkey, where consumer price inflation still amounted to 10.4% in March, inflationary pressures appear to be diminishing. Monetary policy was eased in February. In line with decelerating inflation, key policy rates were also cut in Serbia in four consecutive steps from October to January and in Albania in January and March.

Lending activities have somewhat expanded, suggesting that adverse financial spillovers may have been limited. Credit growth further increased in 2011 in Albania, Kosovo, the former Yugoslav Republic of Macedonia and turned positive in Bosnia and Herzegovina. Adjusted for exchange rate effects, credit growth stagnated at a low level in Croatia. Although domestic credit still recorded a negative growth rate in 2011, it also turned positive in Iceland in the fourth quarter and further accelerated. It also reaccelerated in Serbia in early

2012, after a significant slowdown. In Turkey, credit growth slowed to 21% in February, i.e. significantly below the central bank cap of 25% but may have reaccelerated in March. Montenegro is the only country where credit growth remained still negative. The quality of the loan portfolio, however, continued to deteriorate and NPLs further increased in the 4th quarter in Albania, Croatia and Serbia. NPLs remain exceptionally high in Iceland (25% of total loans) but also in Serbia (19.2%), Albania (18.9%), Montenegro (15.5%) despite their recent reduction and in Bosnia and Herzegovina (11.8%).

Fiscal consolidation continued in 2011 in most of the pre-accession countries which recorded a lower deficit than in 2010. In Kosovo the deficit was 1.8% of GDP or about 0.8 percentage point lower than expected. The general government balance recorded a deficit of 4.4% of GDP in Iceland, much lower than 10% a year before. Turkey also reported strong fiscal results with a deficit amounting to 1.5% of GDP, down from 3.6% in 2010. The former Republic of Macedonia maintained its deficit at 2.5% of GDP. However, fiscal deficits increased in Albania and Croatia and slightly in Serbia.

Candidate and potential candidate countries: Summary table

	2007 2008 2009 2010 2011					ECFIN Nov. Forecast		Q3 11 Q4 11 Q1 12			Jan 12 Feb 12 Mar 12		
	2012	2013											
Gross domestic product (in real terms, annual % change)													
Croatia	5.1	2.2	-6.0	-1.2	0.0	0.8	1.2	0.7	-0.4	:	n.a.	n.a.	n.a.
The former Yugoslav Republic of Macedonia	6.2	5.1	-1.0	1.7	3.2	2.5	3.5	2.3	0.2	:	n.a.	n.a.	n.a.
Iceland	6.0	1.3	-6.8	-4.0	3.1	1.5	2.7	3.8	2.7	:	n.a.	n.a.	n.a.
Montenegro	10.7	6.9	-5.7	2.5	2.7f	2.2	3.2	3.5	:	:	n.a.	n.a.	n.a.
Serbia	5.4	3.8	-3.5	1.0	1.6	:	:	0.7	0.4	:	n.a.	n.a.	n.a.
Turkey	4.7	0.7	-4.8	9.2	8.5	3.0	4.1	8.4	5.2	:	n.a.	n.a.	n.a.
Albania	5.9	7.5	3.3	4.1	3.0e	:	:	2.6	:	:	n.a.	n.a.	n.a.
Bosnia and Herzegovina	6.1	5.6	-2.9	0.7	2.4e	:	:	:	:	:	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	13.5	13.2	12.4	12.2	13.9	:	n.a.	n.a.	n.a.
The former Yugoslav Republic of Macedonia	34.9	33.8	32.2	32.0	31.4	30.0	28.5	31.2	31.8	:	n.a.	n.a.	n.a.
Iceland	2.3	3.0	7.2	7.5	7.1	7.3	6.7	5.9	6.0	:	n.a.	n.a.	n.a.
Montenegro	11.9	10.7	11.4	12.2	11.6	:	:	11.1	11.6	:	11.9	11.9	:
Serbia	18.1	13.6	16.1	20.0	22.2	:	:	23.7	:	:	:	:	:
Turkey	9.9	11.0	14.1	12.0	9.8	10.3	10.4	9.2	9.1	:	:	:	:
Albania	13.4	12.8	13.0	13.7	13.3	:	:	13.3	13.3	:	:	:	:
Bosnia and Herzegovina	42.9	40.6	42.7	42.7	43.8	:	:	43.3	43.8	:	44.0	:	:
Kosovo*	43.6	47.5	45.4	:	:	:	:	:	:	:	:	:	:
Current account balance (% of GDP)**													
Croatia	-7.2	-8.8	-5.0	-1.0	-1.2f	-0.6	-1.4	0.4	:	:	n.a.	n.a.	n.a.
The former Yugoslav Republic of Macedonia	-7.1	-12.8	-6.7	-2.2	-2.8	-5.5	-6.5	-4.8	-2.8	:	n.a.	n.a.	n.a.
Iceland	-15.7	-24.5	-11.7	-8.0	-7.1	-9.6	-9.5	-7.4	-7.1	:	n.a.	n.a.	n.a.
Montenegro	-39.5	-50.6	-29.6	-24.7	-19.9	-20.4	-21.3	-20.4	-19.9	:	n.a.	n.a.	n.a.
Serbia	-16.1	-20.6	-7.4	-7.5	-9.5	:	:	-7.7	-9.9	:	n.a.	n.a.	n.a.
Turkey	-5.9	-5.5	-2.2	-6.4	-10.0	-8.8	-8.6	-9.8	-10.0	:	n.a.	n.a.	n.a.
Albania	-10.5	-15.5	-15.2	-11.3	-12.2	:	:	-12.6	-12.4	:	n.a.	n.a.	n.a.
Bosnia and Herzegovina	-10.7	-14.0	-6.3	-5.7	-8.7	:	:	-7.7	-8.8	:	n.a.	n.a.	n.a.
Kosovo*	-10.4	-16.3	-15.4	-17.4	:	:	:	-17.0	:	:	n.a.	n.a.	n.a.
Inflation (Consumer price index, annual % change)													
Croatia	2.9	6.1	2.4	1.0	2.3	1.5	1.7	2.1	2.4	:	1.2	1.3	:
The former Yugoslav Republic of Macedonia	2.3	8.3	-0.8	1.6	3.9	2.5	3.3	3.6	3.2	2.6	3.4	2.9	1.4
Iceland	5.1	12.7	12.0	5.4	4.0	3.6	2.8	5.3	5.3	6.4	6.5	6.3	6.4
Montenegro	4.3	7.4	3.4	0.5	3.1	2.6	3.2	3.3	3.1	:	2.7	4.2	:
Serbia	11.0	8.6	6.6	10.3	7.0	:	:	9.3	7.0	:	5.6	4.9	:
Turkey	8.8	10.4	6.3	8.6	6.5	7.2	7.2	6.4	9.2	10.5	10.6	10.4	10.4
Albania	2.9	3.4	2.3	3.6	3.5	:	:	3.2	2.5	:	1.6	0.6	:
Bosnia and Herzegovina	1.5	7.4	-0.4	2.1	3.7	:	:	4.0	3.5	:	2.6	2.5	:
Kosovo*	4.4	9.4	-2.4	3.5	7.4	:	:	6.1	4.1	:	2.9	1.7	:
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	-10.0	-10.1	-4.4	-4.4	-3.1	-3.1	-7.0	:	n.a.	n.a.	n.a.
Montenegro	6.2	-0.4	-5.7	-4.9	-4.0	-2.6	-1.3	-1.8	-4.0	:	n.a.	n.a.	n.a.
Serbia	-2.0	-2.6	-4.5	-4.6	-4.7	:	:	-3.7	-4.2	:	n.a.	n.a.	n.a.
Turkey	-1.0	-2.2	-5.7	-3.6	-1.4f	-2.4	-2.5	:	:	:	n.a.	n.a.	n.a.
Albania	-3.5	-5.5	-7.0	-3.1	-3.5e	:	:	-2.5	-3.5	:	n.a.	n.a.	n.a.
Bosnia and Herzegovina	1.2	-2.2	-4.4	-2.5	-1.3e	:	:	:	:	:	n.a.	n.a.	n.a.
Kosovo*	7.1	-0.1	-0.7	-2.6	-1.8	:	:	-4.1	-1.8	:	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 Croatian Parliament unanimously ratified the treaty on EU accession on 9 March following a referendum on 22 January in which two thirds of voters had approved the treaty.

Due to the parliamentary elections and the change of government last December, the 2012 state budget was adopted after the beginning of the fiscal year, viz. on 24 February. It incorporates an increase of the VAT rate and other changes to the tax regime which were also adopted in February.

The government submitted Croatia's eight Pre-Accession Economic Programme (PEP) to the European Commission on 1 March. It projects gradually accelerating real GDP and a declining fiscal deficit in the programme period (2012-2014).

Real sector

Real GDP stagnated (-0.0%) in 2011 following two years with declining output. The quarterly sequence suggests that Croatia may be returning to recession. GDP had started to recover modestly in the second and third quarters with year-on-year growth rates of 0.4 and 0.7%, respectively. In the fourth quarter, however, GDP fell by 0.4% year-on-year. In seasonally adjusted quarter-on-quarter terms, GDP decreased by 1.3% in the fourth quarter following an increase of the same magnitude in the third quarter.

Private consumption increased by only 0.1% in real year-on-year terms in the fourth quarter, the same rate as in the preceding quarter.

Government consumption fell by 1.3% following a 0.4% decline. Fixed investment continued to drop at a significant rate (-6.1% following -8.4%). Export volumes mirrored the development of overall GDP with renewed contraction in the fourth quarter (-3.5%) following gains in the previous two quarters (+7.1% in Q3). According to revised estimates, import volumes actually expanded in the first three quarters of 2011, although only slightly in the third quarter (+0.1%), before starting to

decline in the fourth quarter (-3.0%).

In terms of growth contributions, fixed investment continued to exert a strong negative drag in the fourth quarter. Much of this was offset by a switch from substantial destocking in the third quarter to a modest build-up of inventories in the fourth quarter. Private consumption was close to neutral while public consumption contributed negatively to GDP growth. Net exports provided a small positive contribution. Overall, the GDP data for the fourth quarter are consistent with a situation of declining economic activity.

Monthly data suggest that the economy has weakened further in the first quarter of 2012. Most importantly, industrial production has continued its downward trend and was 5.0% down year-on-year in January-February. The three-year-old trend decline of construction persisted in January when output in this sector fell 1.1% month-on-month in seasonally adjusted terms and was 5.7% lower year-on-year. Retail sales data were relatively strong in January and February, but they are likely to have been distorted by the announcement of a VAT rate hike. In foreign trade, the value of exported goods fell by 6.0% year-on-year in January-February extending a fall from the previous quarter. It suggests that declining economic activity in some of Croatia's major export markets continues to depress the domestic economy. Goods import increased by 4.5% year-on-year in value terms in January-February which seems mainly to be due to higher energy prices and a lower exchange rate.

Labour market

Labour market conditions worsened in the fourth quarter of 2011 at a faster rate than in the preceding quarter. According to the labour force survey, employment was 3.2% lower year-on-year while the unemployment rate was 1.8 percentage points higher at 13.9%. For the first quarter of 2012, the more timely data on registered unemployment suggest a further deterioration of the labour market. The registered unemployment rate stood at 19.8% in

January and at 20.1% in February which is, respectively, 0.2 and 0.5 percentage point higher year-on-year. The average nominal gross wage was up by 1.8% year-on-year in the fourth quarter and by 2.7% in January.

External sector

A significant revision of foreign trade data show that the current account hardly improved in 2011. The deficit only edged lower to 1.0% of GDP from 1.1% of GDP in 2010. The merchandise trade balance actually deteriorated from a deficit corresponding to 13.0% of GDP in 2010 to 14.0% in 2011. This was, however, more than offset by an improving services balance where the surplus increased from 12.8% to 14.1% of GDP thanks to a good tourist season. The balance trade in goods and services together showed a surplus equal to 0.1% of GDP in 2011 compared to a deficit of 0.2% in 2010. The deficit on the income balance increased from 3.3% of GDP to 3.5% while the surplus on transfers increased from 2.4% to 2.5% of GDP.

Net foreign direct investment increased from 0.8% of GDP in 2010 to 2.2% in 2011. Much of this increase was, however, the result of non-residents' debt-to-equity swaps while the inflow of real investments remained very weak.

In the course of the fourth quarter Croatia's total gross external debt decreased by € 0.8 billion to € 45.7 billion which corresponds to 100.5% of GDP. Gross international reserves amounted to € 11.4 billion (25.1% of GDP) at the end of February, up by € 0.2 billion since end-2011.

Monetary developments

While average annual inflation increased from 1.1% in 2010 to 2.3% in 2011, headline inflation has declined in the winter months. It fell from 2.6% last November to 1.3% in February. There continues to be a dichotomy between deflation for services (-1.4%) and inflation for goods (+2.0%) which indicates that the only upward pressure on prices has come from the import side over the past year. The core inflation rate was as low as 0.4% year-on-year in February.

Reflecting the renewed weakening of the real economy, broad money (M4) stagnated in the last quarter of 2011. In January and February, M4 even fell by 2.0% and was only 2.0% higher on a year-on-year basis. Total assets of Croatian banks were 4.4% higher year-on-year at the end of February.

Last year's downward pressure on the kuna against the euro continued in January and February. The kuna/euro rate rose from 7.54 at the end of December to 7.59 in mid-February which corresponds to a kuna depreciation of 0.7%. The central bank intervened in the foreign exchange market to support the domestic currency on three occasions in January and February selling a total of €458 million. Subsequently the kuna appreciated by 1.0% to 7.51 against the euro at the end of the quarter.

As an additional supporting measure for the kuna, the central bank withdrew kuna liquidity from the banking system by raising the reserve requirement ratio from 14% to 15% at the end of January.

Financial sector

The domestic financial system remained highly liquid into January. Bank interest rates trended downward in 2011 as a whole, but remained at a relatively high level. The average annual interest rate on kuna credits fell by 0.6 percentage points year-on-year to 9.7% in January. The average interest rate on credits indexed to foreign currency fell by 0.3 percentage points to 7.2%. The quality of bank loans, as indicated by the ratio of non-performing loans to total loans, continued to deteriorate and reached 12.4% at the end of 2011. In a partial reversal of last year's downward trend, the Croatian stock market index gained 5.4% over the first quarter.

Fiscal developments

According to preliminary data from the Ministry of Finance, the deficit of general government amounted to 5.5% of GDP in 2011 compared to 4.9% in 2010. Due to the parliamentary elections last December, the adoption of the 2012 state budget was delayed until 24 February while government expenditures were financed on a temporary basis. Based on the assumption of 0.8% real GDP growth, the new budget implies a general government deficit of 3.8% of GDP in 2012. The deficit reduction is projected to be achieved through higher revenues (+1.8%) and lower expenditures (-2.6%) compared to the previous year.

The revenue projection in the 2012 state budget is, inter alia, based on February's changes in the tax system. Most importantly, the general VAT rate has been increased by 2 percentage points to 25% as of 1 March and employers' contribution to the compulsory health insurance has been reduced from 15% to 13% as of 1 May 2012.

TABLE

European Commission, ECFIN-D-1



CROATIA

		2007	2008	2009	2010	2011	ECFIN Forecast		Q3 11	Q4 11	Q1 12	Jan 12	Feb 12	Mar 12
							2012	2013						
1 Real sector														
Industrial outlook ^{1.1}	Balance	70.9	38.0	-33.3	3.0	-0.8	:	:	25.0	-35.0	-19.0	N.A.	N.A.	N.A.
Industrial production ^{1.2}	Ann.%ch	5.6	1.6	-9.0	-1.5	-1.3	:	:	-2.0	0.4	:	-4.8	-5.1	:
Gross domestic product ^{1.3}	Ann.%ch	5.1	2.2	-6.0	-1.2	0.0	0.8	1.2	0.7	-0.4	:	N.A.	N.A.	N.A.
Private consumption ^{1.4}	Ann.%ch	6.3	0.8	-8.5	-0.9	0.2	0.3	1.0	0.1	0.1	:	N.A.	N.A.	N.A.
Gross fixed capital formation ^{1.5}	Ann.%ch	7.1	8.2	-11.8	-11.3	-7.2	-1.0	4.0	-8.4	-6.1	:	N.A.	N.A.	N.A.
Construction index ^{1.6}	Ann.%ch	N.A.	11.8	-6.5	-15.9	-9.1	:	:	-9.6	-7.5	:	-5.7	:	:
Retail sales ^{1.7}	Ann.%ch	N.A.	N.A.	-15.3	-1.8	1.0	:	:	1.4	0.8	:	1.9	3.4	:
2 Labour market														
Unemployment ^{2.1}	%	9.6	8.4	9.1	11.8	13.5	13.2	12.4	12.2	13.9	:	N.A.	N.A.	N.A.
Employment ^{2.2}	Ann.%ch	1.8	1.3	-1.9	-4.0	-3.2	-0.1	0.6	-0.4	-3.2	:	N.A.	N.A.	N.A.
Wages ^{2.3}	Ann.%ch	6.2	7.1	2.2	-0.4	1.5	0.4	0.8	2.1	1.8	:	2.7	:	:
3 External sector														
Exports of goods ^{3.1}	Ann.%ch	8.8	5.1	-20.2	17.3	:	:	:	5.9	:	:	3.8	-14.3	:
Imports of goods ^{3.2}	Ann.%ch	11.0	8.9	-25.6	-1.0	:	:	:	-2.9	:	:	11.5	-1.0	:
Trade balance* ^{3.3}	%of GDP	-21.7	-22.6	-16.2	-13.0	-12.8f	-12.4	-13.1	-12.3	:	:	N.A.	N.A.	N.A.
Exports goods and services ^{3.4}	%of GDP	42.1	41.7	35.4	38.3	40.8	:	:	40.7	40.8	:	N.A.	N.A.	N.A.
Imports goods and services ^{3.5}	%of GDP	49.8	49.9	39.4	38.8	40.8	:	:	40.6	40.8	:	N.A.	N.A.	N.A.
Current account balance* ^{3.6}	%of GDP	-7.2	-8.8	-5.0	-1.0	-1.2f	-0.6	-1.4	0.4	:	:	N.A.	N.A.	N.A.
Direct investment (FDI, net)* ^{3.7}	%of GDP	7.9	6.7	3.4	0.9	:	:	:	1.2	:	:	N.A.	N.A.	N.A.
International reserves ^{3.8}	mio EUR	9 307.4	9 120.9	10 375.8	10 660.3	11 194.9	:	:	11 323.8	11 194.9	:	10 916.7	11 410.8	:
Int. reserves / months imp ^{3.9}	Ratio	5.9	5.3	8.2	8.5	8.3	:	:	8.4	8.3	:	8.0	8.4	:
4 Monetary Developments														
CPI ^{4.1}	Ann.%ch	2.9	6.1	2.4	1.0	2.3	1.5	1.7	2.1	2.4	:	1.2	1.3	:
Producer prices ^{4.2}	Ann.%ch	:	:	-0.4	4.3	7.1	:	:	7.3	6.3	:	5.5	5.8	:
Food prices ^{4.3}	Ann.%ch	3.4	10.0	1.7	-1.5	3.5	:	:	3.0	4.1	:	2.2	2.3	:
M4 ^{4.4}	Ann.%ch	17.9	10.9	1.6	2.7	3.7	:	:	4.1	3.8	:	2.5	2.0	:
Exchange rate HRK/EUR ^{4.5}	Value	7.33	7.22	7.34	7.29	7.43	:	:	7.46	7.49	7.55	7.55	7.58	7.54
Nominal eff. exchange rate ^{4.6}	Index	98.0	96.1	97.2	98.2	100.2	:	:	100.52	101.08	:	102.50	102.92	:
5 Financial indicators														
Interest rate (3 months) ^{5.1}	%p.a.	5.66	7.19	8.96	2.44	3.14	:	:	3.10	5.18	5.14	4.96	5.67	4.78
Bond yield ^{5.2}	%p.a.	N.A.	5.9	6.4	5.8	5.7	:	:	5.4	6.2	6.9	6.7	7.1	6.8
Stock markets ^{5.3}	Index	4 673	3 299	1 871	1 990	2 079	:	:	2 021	1 774	1 783	1 727	1 787	1 834
Credit growth ^{5.4}	Ann.%ch	19.4	11.6	5.0	2.9	6.5	:	:	7.1	5.7	:	5.8	5.7	:
Deposit growth ^{5.5}	Ann.%ch	27.2	7.4	-15.2	-19.8	7.3	:	:	9.3	17.3	:	15.2	14.7	:
Non performing loans ^{5.6}	%of total	N.A.	N.A.	N.A.	N.A.	N.A.	:	:	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
6 Fiscal developments														
General government balance ^{6.1}	%of GDP	-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

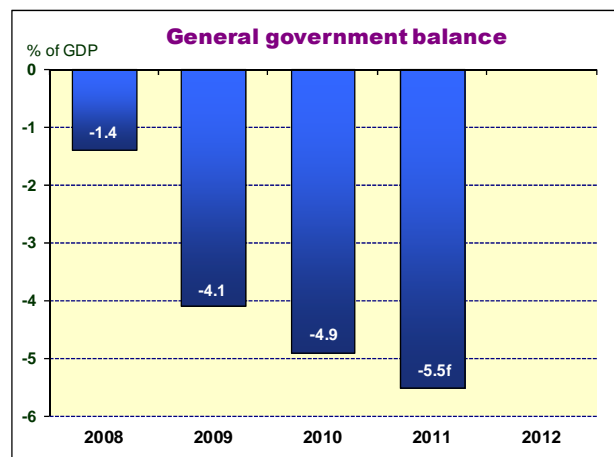
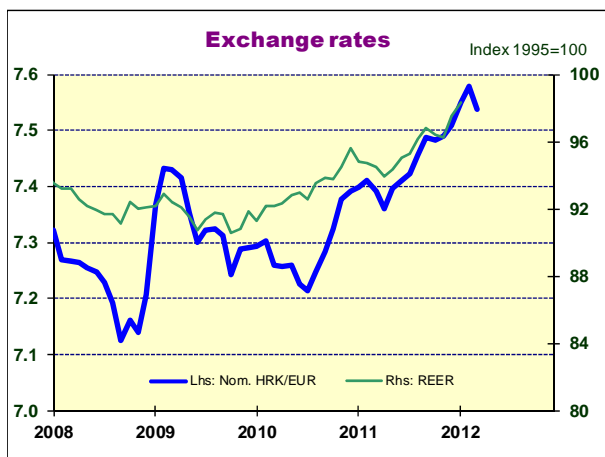
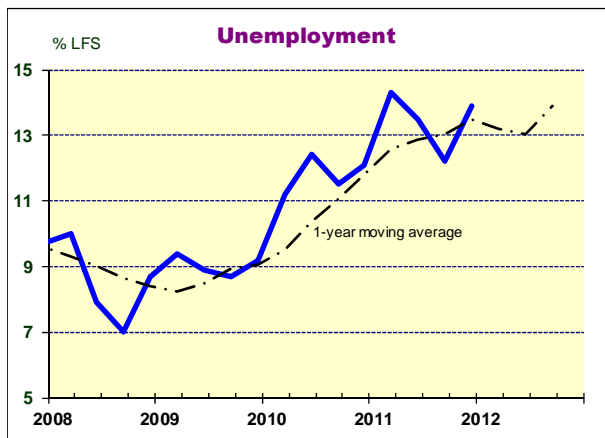
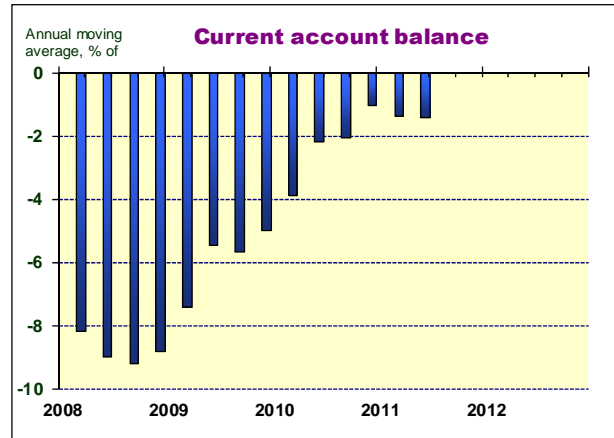
* Q figures refer to a 4 quarters moving average.

CHARTS



European Commission, ECFIN-D-1

CROATIA



THE FORMER YUGOSLAV REPUBLIC OF MACEDONIA



Key developments

On 31 January, the government submitted its 6th Pre-Accession Economic Programme (PEP) to the European Commission. Its macroeconomic scenario projects real growth between 3-4% in 2012, 3.5%-4.2% in 2013 and 4.0%-4.7% in 2014. The fiscal strategy aims at an annual deficit of up to 2.5% of GDP during this period.

The IMF and the Central Bank have revised downward their growth projections for 2012, from 2.5% to 2% and from 3.0% to 2.4% respectively. The main reasons for the weaker growth are related to the weaker international environment.

Real sector

Output growth continued to decelerate from 2.3% year-on-year in the third quarter to 0.2% in the fourth quarter. However, thanks to 5% growth in the first half of the year, annual GDP growth still reached 3.0% in 2011, compared to 1.8% the year before. 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. Increased gross fixed capital formation appears to have been one of the main drivers of growth in 2011, after weak investment in 2010. Private consumption provided another important support for growth, despite an actual drop in real wages. As a result of strong domestic demand, imports rose markedly, leading to a negative growth contribution of net-exports.

The growth of industrial production slowed down markedly in the second half of 2011 and in early 2012, from 5.6% in the second quarter to 1.4% in the third quarter and -4.7% in the fourth quarter of 2011. However, thanks to a strong performance in the first half of the year, the overall output level was still some 3¼% higher than in 2010. In the first two months of 2012, the decline of industrial production

accelerated further, reaching -8.8% in February. This was mainly due to output declines in export oriented industries, such as basic metals and metal products.

Labour market

The labour market situation deteriorated in the fourth quarter, with a decline in employment by 3% year-on-year, while the number of unemployed rose by about 1%. This resulted in an increase in the unemployment rate to 31.8%, compared to 30.9% in the same quarter the year before. However, the deterioration in the fourth quarter was to a large extent due to base effects, as the fourth quarter in 2010 had been rather strong, with employment growth of 3.6% and the number of unemployed down by 1.2%. For the year as a whole, thanks to a rather favourable performance in the first three quarters, employment increased by 1.1% point and the number of unemployed declined by 1.8%. Youth unemployment (age bracket 15-24 years) rose markedly from 50.5% in the fourth quarter of 2010 to 59.4% in the fourth quarter of 2011. This age group accounts for about 11% of the labour force, but their share in unemployment rose from 18% in the fourth quarter of 2010 to 21% in the fourth quarter of 2011.

Nominal wage growth remains below inflation. In the fourth quarter, nominal wages rose by 0.6%, bringing the annual average increase to 1.2%. This translates into a real wage decline by 2.6% in the fourth quarter, and 2.7% for 2011.

External sector

In the fourth quarter of 2011, the current account continued to register another slight surplus, due to a slightly smaller trade deficit, and a markedly higher inflow of current transfers. The improvement in the trade deficit was a result of a strong deceleration of import growth, reflecting weakening domestic demand, while the slowdown in export growth was less pronounced. Current transfers were nearly 1½

percent of GDP higher than a year before. This favourable development in the fourth quarter partly compensated higher trade and current account deficits in the first half of the year. As a result, the full year trade deficit rose to a smaller extent than anticipated, namely from 21.3% in 2010 to 23% in 2011, while current transfers increased from 19.8% of GDP to 20.4%. This helped to contain the increase in the current account deficit from 2.2% of GDP to 2.8%. Net foreign direct investment rose from 3.2% of GDP in 2010 to 4.1% in 2011.

Since net capital inflows exceeded the funds necessary to finance the current account deficit, foreign exchange reserves rose slightly to around EUR 2.3 billion by end February, which is some 30% of GDP. Due to decelerating imports, the coverage of foreign reserves has improved to above 5 months of realised imports.

Gross external debt was at 66.7% of GDP by end-December 2011, compared to 59.9% the year before.

Monetary developments

In the first three months of 2012 inflation continued to decelerate, with consumer prices rising by 3.4%, 2.9% and 1.4% respectively. In 2011, average inflation had increased markedly to 3.9%, compared to 1.6% in 2010. Inflationary pressures have been largely driven by higher energy prices, but also rising food prices and renting costs. Prices for food and beverages account for about 40% of the consumer basket.

Year-on-year growth of M4 is decelerating too. In the fourth quarter, it rose by 9.5%, compared to 12.1% in the third quarter. In January and February, M4 was 10% higher than a year ago.

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, declined only marginally to 8.7% in February. However, interest rates on deposits continued to drop, from 5.8% in August 2011 to 5.3% in February 2012. The spread between lending and borrowing rates thus has slightly increased, to 3.3 percentage points. The overall

credit-to-GDP level is still relatively low at some 49% of GDP.

The ratio of non-performing loans (NPLs) to total loans remained largely unchanged for the banking sector as a whole, at some 9.9% year-on-year in the fourth quarter 2011. However, in the sector of small banks, the NPL ratio deteriorated significantly, from 15.1% end-September to 21.4% end of December 2011. The ratio also increased but moderately, from 9.1% to 9.6%, in the group of large banks while in the sector of medium-sized banks, the share of NPLs dropped, from 11.7% end-September to 8.8% end December. Profitability has remained weak. At end-December, the whole sector's return-on-assets ratio was at 0.4%, compared to 0.8% a year before. However, for large banks, the return on assets was 1.2%, while medium-sized and small-sized companies registered losses, by about 1%. With respect to return on equity, the picture is similar. The sector realised returns of 3.4% at the end of the year. However, larger banks registered profits of some 12% 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. However, in the first months of the year, the situation appears to have stabilised. The market capitalisation currently amounts to some 30% of GDP.

Fiscal developments

In 2011, the central government achieved its 2.5% deficit target, despite a weaker than expected revenue performance. Both, revenues and expenditure were about 9% lower than anticipated in the 2011 budget.

The deficit target for 2012 remains at 2.5% of GDP. In the first two months of the year, revenues were again lower than expected, dropping by 1.2% in real terms, while spending rose by 2.5%, respectively. As a result, the deficit in this period is about 0.8% of GDP.

By end-February, central government debt was 26% of the projected full-year GDP, compared to 28% end of 2011. The share of external public debt represents 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		Q3 11	Q4 11	Q1 12	Jan 12	Feb 12	Mar 12
							2012	2013						
1 Real sector														
Industrial confidence ^{1.1}	Balance	7.0	6.8	-13.7	-9.6	18.4	:	:	26.4	17.8	:	18.8	17.0	:
Industrial production ^{1.2}	Ann. %ch	4.3	5.6	-8.4	-4.6	4.0	:	:	1.4	-4.6	:	-8.0	-8.8	:
Gross domestic product ^{1.3}	Ann. %ch	6.2	5.1	-1.0	1.7	3.2	2.5	3.5	2.3	0.2	:	N.A.	N.A.	N.A.
Private consumption ^{1.4}	Ann. %ch	9.8	8.1	-4.8	1.8	7.1	1.5	3.0	4.8	4.0	:	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	22.2	:	:	18.9	17.3	:	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	31.4	30.0	28.5	31.2	31.8	:	N.A.	N.A.	N.A.
Employment ^{2.2}	Ann. %ch	3.5	3.2	3.4	1.3	1.1	2.0	3.0	0.0	-3.1	:	N.A.	N.A.	N.A.
Wages ^{2.3}	Ann. %ch	4.8	8.7	14.1	1.0	1.2	1.9	3.0	1.4	0.6	:	-0.4	:	:
3 External sector														
Exports of goods ^{3.1}	Ann. %ch	29.2	8.9	-28.7	29.8	27.5	:	:	20.4	16.2	:	:	:	:
Imports of goods ^{3.2}	Ann. %ch	25.3	21.9	-22.1	14.1	22.7	:	:	22.4	8.2	:	:	:	:
Trade balance* ^{3.3}	% of GDP	-19.8	-26.2	-23.1	-21.3	-23.0	-22.5	-23.0	-23.5	-23.0	:	N.A.	N.A.	N.A.
Exports goods and services ^{3.4}	% of GDP	52.4	50.9	39.0	47.6	56.0	:	:	54.7	56.0	:	N.A.	N.A.	N.A.
Imports goods and services ^{3.5}	% of GDP	70.8	76.2	60.6	66.7	76.1	:	:	75.3	76.1	:	N.A.	N.A.	N.A.
Current account balance* ^{3.6}	% of GDP	-7.1	-12.8	-6.7	-2.2	-2.8	-5.5	-6.5	-4.8	-2.8	:	N.A.	N.A.	N.A.
Direct investment (FDI, net)* ^{3.7}	% of GDP	8.5	6.1	2.0	3.2	4.1	:	:	3.6	4.1	:	N.A.	N.A.	N.A.
International reserves ^{3.8}	mio EUR	1551.2	1496.9	1598.7	1715.3	2302.3	:	:	1937.2	2302.3	:	2384.1	2313.8	:
Int. reserves / months imp ^{3.9}	Ratio	5.1	4.0	5.5	5.2	5.7	:	:	4.9	5.7	:	:	:	:
4 Monetary developments														
CPI ^{4.1}	Ann. %ch	2.3	8.3	-0.8	1.6	3.9	2.5	3.3	3.6	3.2	2.6	3.4	2.9	1.4
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	6.2	:	:	5.2	4.5	:	3.3	1.7	:
Monetary aggregate M4 ^{4.4}	Ann. %ch	28.9	21.3	3.5	12.1	10.5	:	:	12.1	9.5	:	10.0	9.7	:
Exchange rate MKD/EUR ^{4.5}	Value	61.18	61.26	61.28	61.51	61.53	:	:	61.54	61.51	:	61.50	61.50	:
Nominal eff. exchange rate ^{4.6}	Index	99.6	100.6	106.6	106.0	:	:	:	107.2	:	:	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	:	8.7	:	:
Stock markets ^{5.3}	Index	6 971	5 149	2 497	2 472	2 407	:	:	2 384	2 064	2 026	1 951	2 038	2 089
Credit Growth ^{5.4}	Ann. %ch	35.0	40.3	14.2	5.4	8.1	:	:	8.2	8.5	:	9.0	8.3	:
Deposit growth ^{5.5}	Ann. %ch	31.4	23.5	4.6	13.0	10.9	:	:	12.3	9.4	:	9.6	9.2	:
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

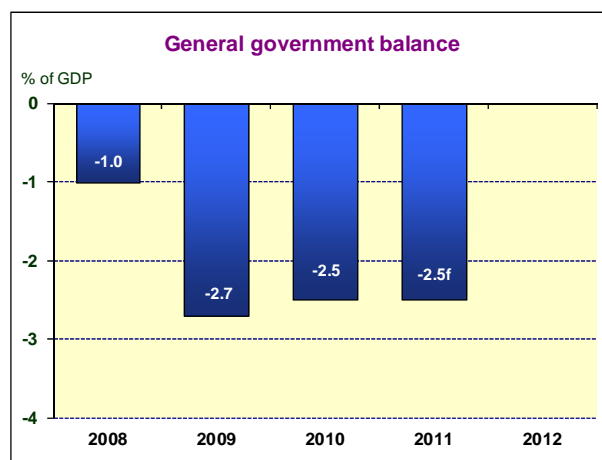
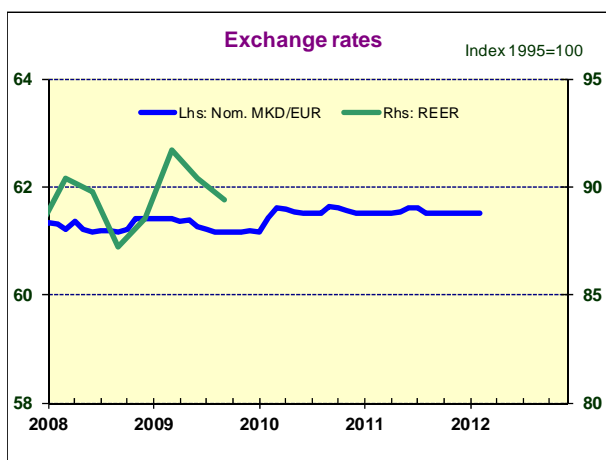
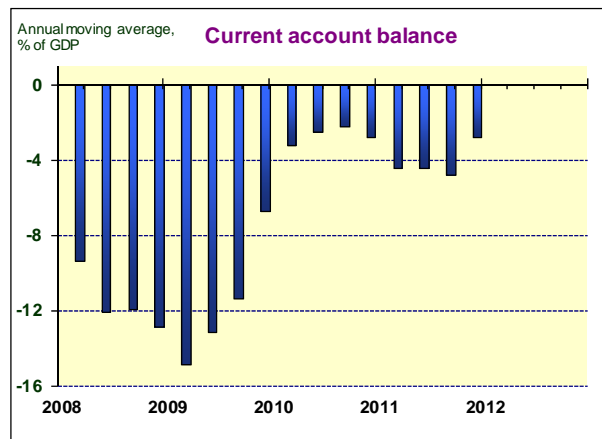
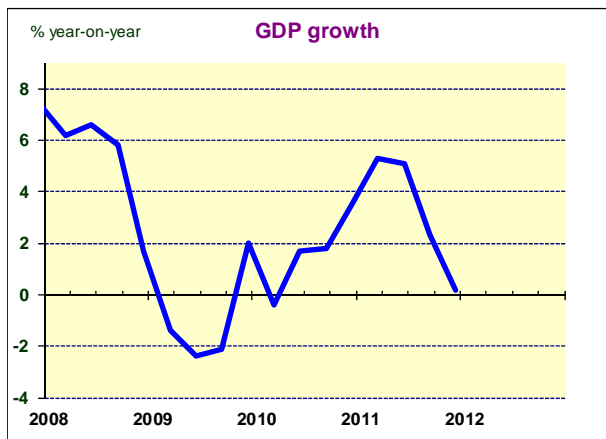
* Q figures refer to a 4 quarters moving average.

CHARTS

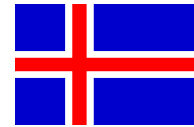


European Commission, ECFIN-D-1

The former Yugoslav Republic of Macedonia



ICELAND



Key developments

On 31 January, the Icelandic government submitted its 2nd Pre-Accession Economic Programme (PEP) to the European Commission. Its macroeconomic scenario projects real growth to average at 2.7% over the medium-term. The fiscal strategy aims at an improvement of the general government balance by 5 percentage points to achieve a budget surplus by 2014.

On 13 March, the government tightened the regime of capital controls by closing several loopholes through legislative changes. This included revoking the general exemption from the capital controls granted for the estates of the three large banks that collapsed in the crisis.

On 15 March, the Central Bank of Iceland announced to prepay around one fifth of the outstanding loans (around EUR 3.4 billion) provided by the IMF and the Nordic countries. The key objective is to smoothen the repayment profile over 2012 to 2016 and to reduce net interest costs associated with holding of borrowed foreign exchange reserves.

On 30 March, Statistics Iceland revised its growth projection for 2012 slightly upwards, by 0.2 percentage points to 2.6%. Growth is projected to be mainly driven by stronger private consumption and investment.

Real sector

In the fourth quarter of 2011, the Icelandic economy continued to expand relatively strongly. In seasonally adjusted terms, GDP went up by 1.9% quarter-on-quarter, a stronger growth rate than in most other European economies. Compared with the last quarter of the preceding year, real GDP rose by 2.8%, bringing the growth rate for the year 2011 as a whole to 3.1%. This was stronger than projected by Statistics Iceland (2.4%), and a marked improvement compared to the 4% output drop in 2010. GDP growth in 2011 was mainly driven by private consumption, which rose by 4%, following three consecutive years of contraction. Public consumption and public investment continued to be a drag on growth; they fell by 0.6% and 17.6%, respectively. Total investment, however, rose for the first time since the crisis, by 13.4%, thanks to buoyant private investment, mainly in the energy and heavy industry sectors as

well as in ships and aircrafts. Nonetheless, as a share of GDP, investments remain historically low at around 14%. Since total imports grew faster (6.4%) than total exports (3.2%), the contribution of net exports to growth remained negative (around 1 percentage point), though to a lesser extent than a year before. More recent high-frequency indicators present a mixed picture. While industrial production stagnated on year-on-year basis in January, statistics on credit/ payment card turnover and on retail trade suggest the continuation of relatively strong domestic demand through February. Consumer sentiment has risen in February for the fourth months in a row, but dropped considerably in March.

Labour market

Although declining, unemployment remained high for Icelandic standards. The jobless rate stood at 6% in the last quarter of 2011, compared to 7.4% in the same quarter of the previous year. The average jobless rate in 2011 fell to 7.1% (from 7.6% in 2010), and remains still far above pre-crisis levels of around 3%. The registered drop was mainly due to exits from the labour force, rather than to the creation of new jobs. The level of average total employment virtually stagnated in 2011. The high rate of long-term unemployment which increased to 26.5% in 2011 (from 20.3% in 2010) remains a particular concern. Also, the unemployment rate among the younger population (aged 16-24) remained elevated at 10.4%, although somewhat lower than a year before (11.2%).

Pay rises agreed among social partners in May 2011 have since then led to a marked increase in gross wages. Average wage increases accelerated further to 9% year-in-year in the last quarter (from 8.1% in the third quarter), bringing average annual wage growth in 2011 to 6.8%, compared to 4.8% a year before. This translates into a rise in real wages of around 2.8%, compared to a real wage decline of 0.6% in 2010. Wage pressures continued in early 2012, with double digit wage rises (11.3%) in February.

External sector

The last quarter of 2011 recorded the lowest surplus in the trade in goods and services since the third quarter of 2008, equivalent to 2.5% of quarterly GDP, down from 8.2% a year before. This resulted from a drop in the merchandise trade

surplus by around 50% year-on-year in combination with a switch of the services balance from a small surplus (in the last quarter of 2010) to a deficit. For the year 2011 as a whole, the surplus in trade in goods and services fell to 8.2%, from 10.1% in 2010. This surplus was more than compensated for by a large negative income balance (around 15% of GDP), which led the current account to remain in deficit at 7.1% of GDP in 2011, somewhat lower though compared to the 8.0% gap in 2010. The "underlying" current account balance as calculated by the central bank (i.e. excluding accrued interest of banks in winding up proceedings) slightly improved and recorded a small deficit of 0.6% of GDP, compared to a deficit of 2.0% in 2010.

According to merchandise trade data, the growth of exports accelerated markedly in the first two months of 2012 (to 19% year-on-year), and exceeded the growth of imports (14%). As a result, the cumulative trade surplus in January and February increased by 40% year-on-year, to 1.4% of the annual GDP estimate, compared to 1% in the same period of 2011. However, preliminary data for March point to a significant reduction in the trade surplus year-on-year.

Total net capital inflows in the fourth 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 8.5% of GDP during the quarter, reaching 64.4% of GDP by end-2011. The stock of reserves rose further to 67.2% of GDP by end-February. Gross external debt (excluding banks in winding-up proceedings) rose to an estimated 220% of GDP by end-2011, slightly up from 215% at end-2010, but is expected to decline in 2012 following the government's announcements in March to partly prepay external debt obligation.

Monetary developments

In March 2012, the Central Bank raised its policy rate for the third time by 0.25 percentage points to 5% (following earlier hikes in August and November 2011), referring to a deterioration of the short and medium-term inflation outlook. The central bank also announced that, given the rather accommodative monetary policy stance, further increases in interest rates might be warranted in the near term should the inflation outlook not improve. Rising oil, house and food prices as well as stronger wage pressures led annual inflation to accelerate to 5.3% at end-2011, from 2.5% a year before, and far above the Central Bank's official 2.5% inflation target. Price pressures continued in early 2012 and inflation rose to 6.4% in March. The exchange rate of the króna vis-à-vis the Euro remained rather stable during the fourth quarter, but it came under pressure during the first quarter

of 2012, when it depreciated by around 6.6%. Although a depreciation of krona is in line with the usual seasonal pattern observed at this time of the year, the end-March exchange rate (at close to ISK/€ 169) has never been as low since early May 2010.

In February and March, the central bank continued with auctions, organised in the framework of its capital liberalisation strategy, with a view to reduce the overhang of non-resident holding of krona. While the February auction was largely successful due to the strong participation of domestic pension funds, the second auction absorbed only less than a quarter of the initially announced amounts.

Financial sector

There has been progress with the restructuring of the financial sector, although its balance sheets are still impaired and new lending is anaemic. Domestic credit still recorded a negative growth rate in 2011 (-1.6%). Only since the last quarter of 2011, its growth turned positive (1.4% year-on-year) with a further acceleration in January and February 2012. Also bank deposits have seen a stronger growth since the last quarter of 2011. Banks were able to improve their financial results and the capital adequacy ratio of the three biggest banks is reported at 24%, well above the regulatory minimum of 16%. However, banks are still faced with risks arising from weak asset quality and currency mismatches. Non-performing loan ratios remain exceptionally high (at 25% of total loans), but the level of provisioning appears solid.

Fiscal developments

The process of fiscal consolidation that started in 2009, continued through 2011, however amid some relaxation of fiscal discipline compared to initial plans. New government's commitments in the context of the May 2011 collective wage agreements compromised some of the initially envisaged savings on the expenditure side. Therefore, current spending in 2011 rose more strongly than planned, by 3.2% year-on-year, driven by particularly strong increases in transfers to households. Total expenditures, however, fell by 5.2%, as capital spending continued to register high negative growth rate (-18.5%). Despite an underperformance of VAT, total revenues increased by 6.6% year-on-year, broadly in line with the budget. The general government balance recorded a deficit of 4.4% of GDP in 2011, significantly lower than the deficit of 10% a year before, but about one percentage point higher than initially planned. The 2012 budget targets a further reduction of the general government deficit to 1.4% of GDP, based on a set of new consolidation measures aimed to raise revenues and slash predominantly current spending.

TABLE



European Commission, ECFIN-D-1

ICELAND

		2007	2008	2009	2010	2011	ECFIN Forecast		Q3 11	Q4 11	Q1 12	Jan 12	Feb 12	Mar 12
							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	0.1	:	:	2.5	-0.3	:	-0.1	:	:
Gross domestic product ^{1.3}	Ann.%ch	6.0	1.3	-6.8	-4.0	3.1	1.5	2.7	3.8	2.7	:	N.A.	N.A.	N.A.
Private consumption ^{1.4}	Ann.%ch	5.7	-7.9	-14.9	-0.4	4.0	1.5	2.0	4.0	3.9	:	N.A.	N.A.	N.A.
Gross fixed capital formation ^{1.5}	Ann.%ch	-12.2	-20.0	-51.6	-8.1	13.4	8.9	13.4	9.6	32.6	:	N.A.	N.A.	N.A.
Construction index ^{1.6}	Ann.%ch	12.1	-21.2	-23.4	:	:	:	:	:	:	:	:	:	:
Retail sales ^{1.7}	Ann.%ch	7.9	-9.2	-22.8	-4.2	:	:	:	5.8	:	:	N.A.	N.A.	N.A.
2 Labour market														
Unemployment ^{2.1}	%	2.3	3.0	7.2	7.5	7.1	7.3	6.7	5.9	6.0	:	N.A.	N.A.	N.A.
Employment ^{2.2}	Ann.%ch	4.5	0.7	-6.1	-0.3	0.0	0.2	0.5	0.9	-0.3	:	N.A.	N.A.	N.A.
Wages ^{2.3}	Ann.%ch	9.0	8.1	3.9	4.8	6.8	4.7	4.7	8.1	9.0	:	9.1	11.3	:
3 External sector														
Exports of goods ^{3.1}	Ann.%ch	25.7	52.6	7.3	12.0	10.3	:	:	23.9	9.1	:	11.7	26.3	-7.5
Imports of goods ^{3.2}	Ann.%ch	-1.5	20.2	-13.3	7.4	18.4	:	:	18.3	26.3	:	7.6	21.1	9.6
Trade balance* ^{3.3}	%of GDP	-6.7	-0.4	6.0	7.8	5.9	5.0	4.5	7.1	5.9	:	N.A.	N.A.	N.A.
Exports goods and services ^{3.4}	%of GDP	34.6	44.4	52.7	56.1	58.4	:	:	58.0	58.4	:	N.A.	N.A.	N.A.
Imports goods and services ^{3.5}	%of GDP	45.3	47.1	44.3	46.1	50.2	:	:	48.4	50.2	:	N.A.	N.A.	N.A.
Current account balance* ^{3.6}	%of GDP	-15.7	-24.5	-11.7	-8.0	-7.1	-9.6	-9.5	-7.4	-7.1	:	N.A.	N.A.	N.A.
Direct investment (FDI, net)* ^{3.7}	%of GDP	-16.5	30.4	-18.2	20.7	8.1	:	:	19.2	8.1	:	N.A.	N.A.	N.A.
International reserves ^{3.8}	mio EUR	1 793.5	2 565.3	2 661.7	4 369.0	6 592.8	:	:	5 684.5	6 592.8	:	6 776.2	6 710.6	:
Int. reserves / months Imp ^{3.9}	Ratio	4.7	8.0	13.4	19.1	24.4	:	:	22.2	24.4	:	25.0	24.5	:
4 Monetary developments														
CPI ^{4.1}	Ann.%ch	5.1	12.7	12.0	5.4	4.0	3.6	2.8	5.3	5.3	6.4	6.5	6.3	6.4
Producer prices ^{4.2}	Ann.%ch	1.8	31.0	11.3	11.8	9.2	:	:	16.0	9.2	:	5.7	4.9	:
Food prices ^{4.3}	Ann.%ch	-1.1	16.0	17.5	4.2	3.8	:	:	5.7	5.7	5.8	6.2	5.4	5.9
M3 ^{4.4}	Ann.%ch	36.2	41.2	15.7	-6.6	-2.2	:	:	1.1	6.0	:	9.5	8.9	:
Exchange rate ISK/EUR ^{4.5}	Value	87.66	127.58	172.15	161.62	161.20	:	:	163.24	158.84	163.15	159.55	163.18	166.71
Nominal eff. exchange rate ^{4.6}	Index	186.4	135.2	98.1	100.0	100.0	:	:	98.9	100.9	:	98.8	97.0	:
5 Financial indicators														
Interest rate (3 months) ^{5.1}	%p.a.	14.28	15.84	11.28	6.79	4.26	:	:	4.28	4.71	4.82	4.80	4.80	4.87
Bond yield ^{5.2}	%p.a.	N.A.	11.00	8.15	5.38	5.23	:	:	5.29	4.84	5.07	4.76	4.97	5.47
Stock markets ^{5.3}	Index	7 017	3 510	465	563	602	:	:	602	575	620	603	613	644
Credith grow th ^{5.4}	Ann.%ch	27.3	-34.0	-8.5	-3.2	-1.8	:	:	-1.3	1.0	:	5.9	6.3	:
Deposit grow th ^{5.5}	Ann.%ch	36.6	31.5	-1.3	-7.0	-2.7	:	:	0.7	5.8	:	9.4	8.8	:
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	-10.0	-10.1	-4.4	-4.4	-3.1	-3.1	-7.0	:	N.A.	N.A.	N.A.
General government debt ^{6.2}	%of GDP	28.6	70.4	106.8	124.5	92.4f	90.2	88.3	:	:	:	N.A.	N.A.	N.A.

f: ECFIN forecast Autumn 2011

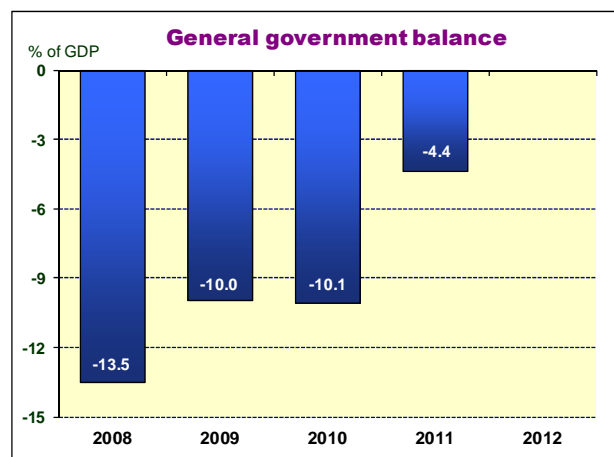
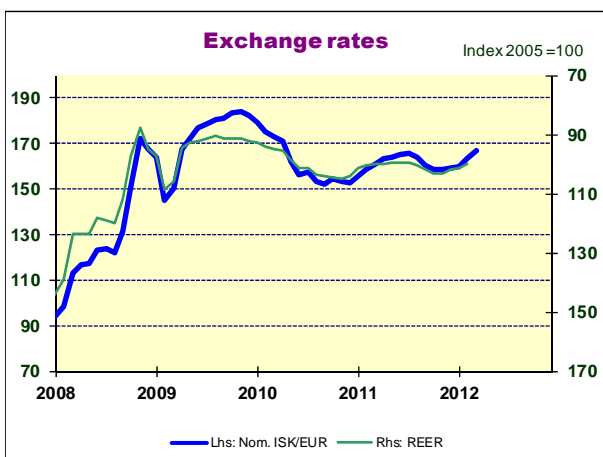
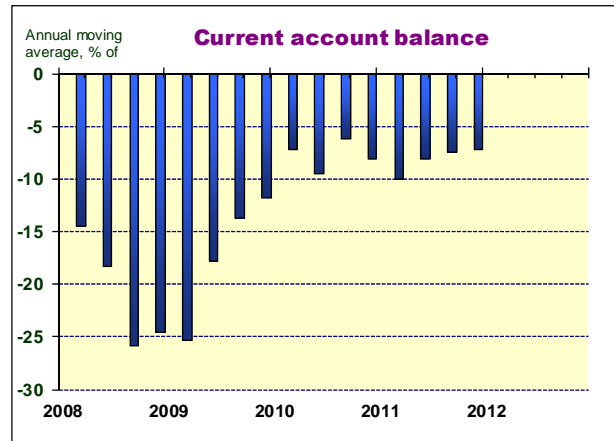
* Q figures refer to a 4 quarters moving average.

CHARTS

European Commission, ECFIN-D-1



ICELAND





Key developments

On 30 January, the government submitted its first Pre-Accession Economic Programme to the European Commission. The macro-economic and fiscal projections in the baseline scenario foresee a slowdown of the economic growth to 2% in 2012, and a general government deficit of 1% of GDP.

The Parliament adopted on 29 February a decision ending the privatisation process and allowing the government to take over the aluminium plant after the company failed to service its loans, forcing the government to assume the guaranteed debts.

The steel plant Zeljezara Niksic was offered for sale for the third time. The auction will take place on 30 April at the starting price of EUR 15 million, or half the amount of the first auction in January.

Real sector

With growth rates remaining negative for most of the year, industrial production contracted by 10.3% in 2011. The drop mainly reflects the sharp contraction (3.3% year-on-year) from a high basis of electricity production, which weights 43% in total industrial output. Both manufacturing and mining recorded a 6% annual growth in 2011. The fall in industrial output accelerated to 19% year-on-year in the first two months of 2012. The harsh winter conditions in February affected hydroelectric production but also manufacturing, since energy saving measures were requested, especially from major industrial energy consumers. Mining recorded positive growth, notably driven by an increase in the extraction of coal for the thermal power plant.

The value of finalized construction works increased by almost 11% year-on-year in 2011, totalling EUR 280 million, similar to the pre-crisis level in 2008.

In 2011, after two years of weak performance, retail trade expanded by close to 21% year-on-year. In the first two months of 2012 the turnover in retail trade remained solid, averaging 20% expansion over the year.

Labour market

The level of employment continued to increase in the first two months of 2012, by 2.2% year-on-year, a slight moderation from the 3.2% recorded for the fourth quarter of 2011. The registered unemployment rate reached 11.9% in February 2012, up from 11.6% in the last quarter of 2011. The unemployment rate increased in March due to revised estimates of the working age population.

Average wages continued to decline in the fourth quarter of 2011, by 1.9% year-on-year, bringing average wage growth for the whole year down to 1%, which is a significant deceleration from the 11% average wage growth in 2010. The first two months of 2012 witnessed nominal wage contraction of 2.2% year-on-year for net and gross salaries alike.

External sector

The current account balance recorded a EUR 262 million deficit in the last quarter of 2011, following a surplus of EUR 69 million in the third quarter. Overall, the current account deficit contracted to 19% of GDP in the whole 2011, compared to 25% a year earlier. The improvement was driven by the strong growth of the balance of services (29% year-on-year). The income balance shifted from a deficit to a surplus, while current transfers improved marginally by 1% year-on-year. However, the trade deficit deteriorated by 3% over the year, reaching 40% of GDP. In February 2012 the trade deficit further deteriorated due to a sharp contraction of exports (-26% year-on-year), with electricity and aluminium accounting for 80% of this decline.

The share of exports to the main trade partners (Serbia, Italy, Greece, Hungary and Albania) plunged to 30% of total exports in the first two months of 2012, compared to 72% a year earlier, while the volume of imports from these same countries increased. In the meantime, the share of exports to Croatia surged to 31% of total exports, compared to 0.5% a year earlier.

Net FDI contracted by 29% year-on-year in 2011, totalling 12% of GDP, or 6 percentage points lower than a year before. Investments into real estate (39% of total inflows) remained broadly stable over the year, while investment in local companies and intercompany debt drove the annual contraction. FDI outflows totalled EUR 105 million, or 5% higher than in 2010.

Monetary developments

In 2011, average consumer prices accelerated to 3.1%, from 0.5% a year before, driven by food, transport as well as alcoholic beverages and tobacco. In the first two months of 2012 inflation accelerated to 4.2%, reflecting a rise in tobacco excises, and to a lesser extent, health, transport and housing price dynamics.

The level of foreign exchange reserves declined by 27% year-on-year and stood at EUR 303 million at the end of 2011, or 9.3% of GDP, compared to 13% a year earlier. Fx reserves remained at EUR 302 million at the end of February 2012, equivalent to two months of imports.

Financial sector

The weighted average effective interest rate on loans reached 9.69% at the end of 2011, compared to 9.51% a year earlier. Weighted average interest rate for deposits decreased further to 3.02% (just below average annual inflation), from 3.26% a year before.

Bank lending contracted by 9.7% year-on-year in February 2012. Yet, in monthly terms, total gross loans seem to have stabilised since October 2011 at EUR 1.94 billion. In February 2012 credit to the private sector represented 53% of GDP, compared to 64% a year earlier. Bank deposits contracted by 1% year-on-year in February, driven by a drop of non-financial institutions savings. Still, corporate sector as well as households deposits increased in February by 1% month-on-month.

Banks' capital contracted by 1.8% year-on-year in 2011. However, their capital adequacy ratio increased thanks to the writing off of risk assets, reaching 16.5% in December 2011, compared to 15.9% a year earlier. The banks' return on assets as well as on equity still remained negative at -0.1% and -1% respectively. Banks recorded an aggregated loss of EUR 3 million in 2011. The ratio of non-performing loans fell to 15.5% of total loans at the end of December compared to

21% a year before.

In 2011, the main Montenegrin bourse index (MONEX20) contracted by 36% year-on-year. The index further lost 38% of its value in January 2012 over the year, amid low trade volumes.

Fiscal developments

Amendments to the Excise Duty Law came into effect on 1st January, rising excise duties for cigarettes by 2 cents and decreasing those for diesel by two cents per litre. The introduction of excise duties for coffee (20% of its value), and carbonated drinks with sugar (10 cents per litre) was postponed until April.

Although general government expenditures were reduced from 47% of GDP in 2010 to 43% in 2011, the consolidated budget deficit is estimated at 3.96% of GDP in 2011, almost twice as high as compared to the original plan. Consolidated revenues totalled 39% of GDP in 2011. Tax income remained broadly stable over the year at some 24% of GDP. However, social security contributions deteriorated, driven by lower health and pension contributions. On the expenditure side, current expenditures were cut by some 2.5% of GDP. However, gross salaries increased as a result of an accounting reclassification of health sector workers wages. Pensions increased by 8% due to the adjustment of military pensions, but also due to a higher than expected increase of the number of beneficiaries from restructured industries. Capital spending also registered cuts for additional 1% of GDP.

The general government budget further deteriorated in the first two months of 2012, totalling a deficit of EUR 55 million (or 1.6% of annual GDP), triggering the preparation of a budget rebalance to be adopted by the Parliament in mid-April.

Public debt reached 45.3% of GDP in 2011, with both domestic and external public debt increasing at similar pace (14% year-on-year). The public external debt decreased by EUR 10 million in January 2012, easing the total debt ratio down to 43.3% of GDP.

TABLE

European Commission, ECFIN-D-1



MONTENEGRO

							ECFIN Forecast							
		2007	2008	2009	2010	2011	2012	2013	Q3 11	Q4 11	Q1 12	Jan 12	Feb 12	Mar 12
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	-32.2	17.5	-10.3	:	:	-6.2	-10.3	:	-24.5	-19.7	:
Gross domestic product ^{1.3}	Ann. %ch	10.7	6.9	-5.7	2.5	2.7f	2.2	3.2	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	10.7	:	:	2.1	-2.6	:	N.A.	N.A.	N.A.
Retail sales ^{1.7}	Ann. %ch	40.8	22.3	-9.0	1.6	20.5	:	:	25.2	22.9	:	21.4	18.5	:
2 Labour market														
Unemployment ^{2.1}	%	11.9	10.7	11.4	12.2	11.6	:	:	11.1	11.6	:	11.9	11.9	:
Employment ^{2.2}	Ann. %ch	3.7	6.3	4.8	-7.1	0.8	0.9	1.7	5.6	3.2	:	1.9	2.5	:
Wages ^{2.3}	Ann. %ch	14.2	22.8	5.7	11.0	1.0	3.7	5.3	-1.6	-1.9	:	-2.3	-2.0	:
3 External sector														
Exports of goods ^{3.1}	Ann. %ch	4.6	-6.8	-34.2	20.3	33.6	:	:	31.2	18.8	:	-27.1	-24.8	:
Imports of goods ^{3.2}	Ann. %ch	42.0	22.1	-34.6	0.9	9.2	:	:	10.5	6.3	:	16.0	-9.2	:
Trade balance* ^{3.3}	% of GDP	-57.6	-65.6	-44.3	-41.1	-40.9	-39.2	-40.0	-41.0	-40.9	:	N.A.	N.A.	N.A.
Exports goods and services ^{3.4}	% of GDP	44.4	39.5	32.1	34.7	:	:	:	:	:	:	N.A.	N.A.	N.A.
Imports goods and services ^{3.5}	% of GDP	86.7	94.0	65.4	63.1	:	:	:	:	:	:	N.A.	N.A.	N.A.
Current account balance* ^{3.6}	% of GDP	-39.5	-50.6	-29.6	-24.7	-19.9	-20.4	-21.3	-20.4	-19.9	:	N.A.	N.A.	N.A.
Direct investment (FDI, net)* ^{3.7}	% of GDP	21.2	18.9	35.8	17.5	12.2	:	:	13.0	12.2	:	N.A.	N.A.	N.A.
International reserves ^{3.8}	mio EUR	467.9	313.0	397.5	416.4	303.5	:	:	369.1	303.5	:	277.9	302.4	:
Int. reserves / months imp ^{3.9}	Ratio	3.3	1.5	2.9	3.0	2.0	:	:	2.5	2.0	:	1.8	2.0	:
4 Monetary developments														
CPI ^{4.1}	Ann. %ch	4.3	7.4	3.4	0.5	3.1	2.6	3.2	3.3	3.1	:	2.7	4.2	:
Producer prices ^{4.2}	Ann. %ch	8.5	14.0	-3.8	-0.7	3.2	:	:	3.3	2.2	:	-0.6	-0.8	:
Food prices ^{4.3}	Ann. %ch	N.A.	9.0	3.3	0.3	2.8	:	:	2.0	0.6	:	0.3	3.3	:
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 ^{5.2}	% p.a.	0.90	:	3.63	3.37	2.57	:	:	2.58	2.04	:	5.29	4.57	:
Stock markets ^{5.3}	Index	36159	19947	13303	13993	11896	:	:	11109	9860	9305	8911	9507	9497
Credit growth ^{5.4}	Ann. %ch	165.1	24.6	-14.3	-8.2	-11.1	:	:	-13.5	-11.1	:	-9.4	-9.7	:
Deposit growth ^{5.5}	Ann. %ch	94.4	-4.8	-8.3	-1.9	1.5	:	:	5.3	1.5	:	-1.4	-1.2	:
Non-performing loans ^{5.6}	% of total	3.7	7.2	13.5	20.9	15.5	:	:	19.7	15.5	:	:	:	:
6 Fiscal developments														
General government balance ^{6.1}	% of GDP	6.2	-0.4	-5.7	-4.9	-4.0	-2.6	-1.3	-1.8	-4.0	:	N.A.	N.A.	N.A.
General government debt ^{6.2}	% of GDP	27.5	29.0	38.2	40.9	45.3	44.4	42.8	44.6	45.3	:	43.3	:	:

f: ECFIN forecast Autumn 2011

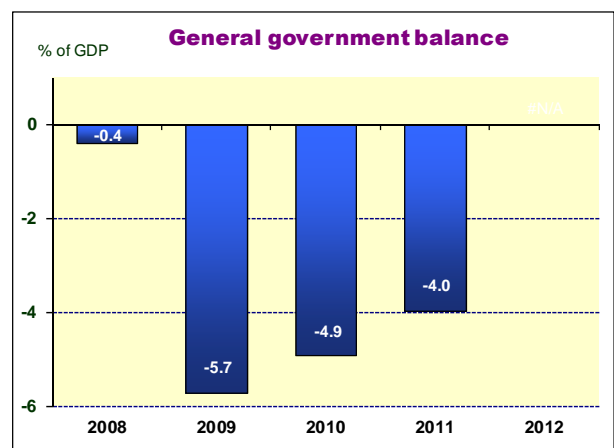
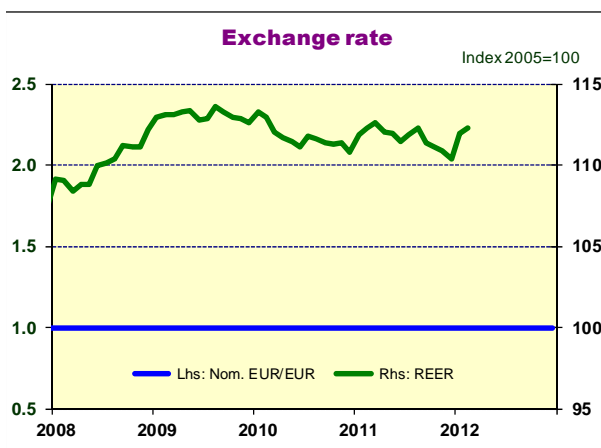
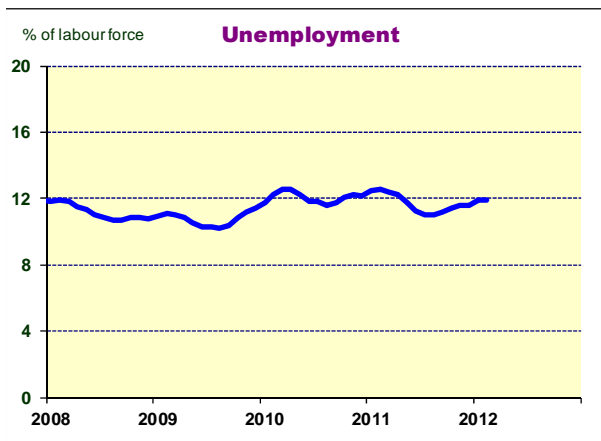
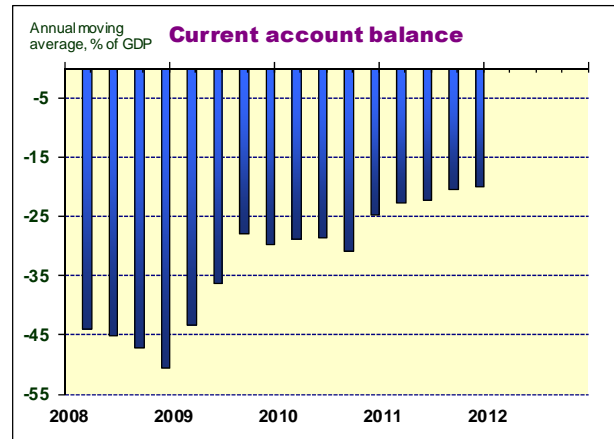
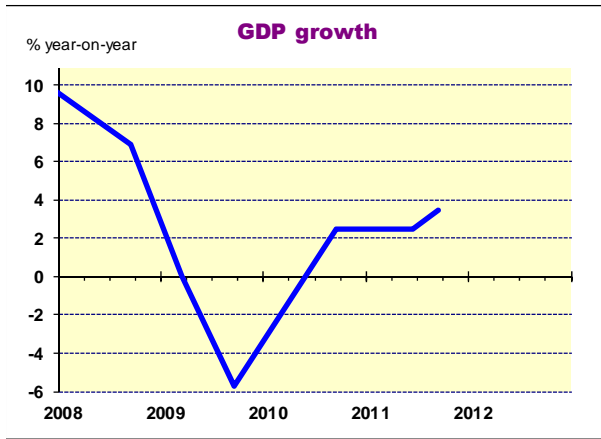
* Q figures refer to a 4 quarters moving average.

CHARTS

European Commission, ECFIN-D-1



MONTENEGRO





Key developments

On 31st January, the Serbian authorities submitted their Economic and Fiscal Programme for 2012 – 2014 to the Commission. It projects a rather optimistic macroeconomic scenario with real GDP growth averaging at 2.8% per year over the period. The fiscal deficit is foreseen to be moderately reduced by 1.7 percentage points, to 2.9% of GDP by 2014.

On 9th February, the completion of the first review under the precautionary IMF programme (adopted in September 2011) was postponed as the 2012 budget deviated from the agreed fiscal programme. Discussions are likely to resume in mid-2012, after the general elections scheduled for 6 May 2012.

On 1st March, Serbia was granted the status of a candidate country for EU accession by the European Council.

Real sector

Despite the growth slowdown since mid-2011, output growth for the year as a whole accelerated to 1.6%, up from 1.0% in 2010. In the fourth quarter of 2011, real GDP growth decelerated to 0.4% year-on-year (down from 0.7% in the third quarter), as the export-driven recovery began to lose momentum. Growth in the fourth quarter was mainly driven by stronger private investment activity, mainly in the construction sector, while the growth of private and public consumption remained subdued. The contribution of net exports to growth turned negative, as imports grew stronger than exports, partly related to purchases of intermediate and capital goods from abroad in support of stronger investments.

Recent high frequency indicators suggest a weak economic performance in early 2012. Activity in retail trade continued to decline, by around 4% in the first two months of 2012, which is however a milder contraction than the 15% fall observed in the previous year. The growth of industrial production turned negative in January (-2.7%) and the downturn accelerated sharply in February (-12.8%), largely due to unfavourable weather conditions, difficult electricity supply and a considerable drop in manufacturing

output.

Labour market

The most recent labour force survey recorded an unemployment rate of 23.7% in November 2011, up from 19.2% a year before. Data on registered employment point to a further reduction in the level of total employment of 2.2% year-on-year in the last quarter of 2011 to a historic low of 1.74 million, followed by a further 2.4% drop in January.

The growth of average gross wages accelerated markedly to 11% year-on-year in the last quarter of 2011, from 8.3% in the same quarter of the previous year. For the year 2011 as a whole, annual average wage growth increased to around 11.1%, up from 7.4% in 2010, partly resulting from a re-introduction of wage indexation in the public sector, following a two-year wage freeze. Wage pressures continued to be strong in early 2012. In January/February, wages went up by close to 10% on average in nominal, and by 4.4% in real terms, feeding into a further increase in real unit labour costs, which may not be conducive to raising employment levels under the current economic situation.

External sector

The current account widened markedly in the fourth quarter of 2011 on the back of strong growth of merchandise imports of 16.8% year-on-year, while export growth decelerated sharply to 1.2% due to more subdued external demand. Partly as a result of the disappointing performance in the last quarter, the current account recorded a significantly higher deficit of 9.5% of GDP in 2011, compared to 7.5% a year before. In the period January and February 2012, the merchandise trade balance continued to deteriorate. According to the Statistical Office of the Republic of Serbia, the deficit increased by around 25% year-on-year, as exports declined by close to 10% year-on-year while imports recorded a 4.5% growth (in euro terms).

Net capital inflows in the fourth quarter of 2011 were more than sufficient to finance the current account deficit, and came mostly in the form of net FDI in the retail, financial, and construction industries (close to EUR 600 million). Moreover, banks, firms and the government

increased their net borrowing, thus contributing to net inflows (around EUR 200 million). On the other hand, portfolio investments recorded a net outflow. For the year 2011 as a whole, the surplus in the financial account soared by close to 40% year-on-year and net FDI inflows more than doubled, reaching around EUR 1.8 billion, equivalent to close to 6% of GDP, compared to 3.1% a year before. 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. The level of reserves somewhat dropped in early 2012, largely due to seasonal developments and foreign exchange interventions by the NBS, but were still 11% higher year-on-year in February. At close to EUR 24 billion, Serbia's total external debt remained relatively stable, accounting for around 75% of GDP.

Monetary developments

After annual CPI inflation had peaked at close to 15% in April 2011, a process of continued disinflation started, supported by easing of commodity and food prices, subdued private consumption and limited impact of hikes in administered prices. This brought annual inflation down to 7.0% in December (from 10.3% a year before) and further to 4.9% in February, within the Central Bank's target tolerance band for that month. Average inflation in 2011 was still almost twice as high (11.2%) compared to 2010 (6.1%).

In the light of lowering inflation, the NBS continued the process of monetary easing during the fourth quarter of 2011 and in early 2012. The benchmark rate was cut in four consecutive steps in October 2011 to January 2012 (from 11.25% to 9.5%). In February and March, the NBS left the policy rate unchanged, referring to risks related to rising import prices and domestic fiscal policies.

Following a significant weakening of the dinar in the fourth quarter of 2011 when the RSD/EUR exchange rate lost some 6.2%, pressures on the Serbian currency continued through January and February, mostly related to higher energy imports (owing to the harsh winter), and led to a further 5% depreciation over the first two months of 2012 vis-à-vis the euro. To ease excessive daily volatility of the exchange rate, the NBS started intervening in the foreign exchange market in the course of February and sold a total of around EUR 420 million until end-March.

Financial sector

In the last quarter of 2011, lending activity to the private sector expanded further, though at a somewhat slower pace compared to the previous quarter. Total credit growth decelerated from close to 10% year-on-year to 7.4%, but picked up again in early 2012. The growth of deposits, which are the main source of bank lending, accelerated somewhat in the fourth quarter and more markedly in the first two months of 2012. The share of non-performing loans rose to 19.2% of total loans, an increase of 0.4 percentage points compared to the third quarter. Meanwhile, banks remained well capitalised (with a CAR of close to 20%) and loan loss provisioning stays at comfortable levels (120%).

Fiscal developments

Budget performance in 2011 was marked by a slowdown in revenue growth which accelerated in the fourth quarter when total central budget revenues declined by 2.7% year-on-year, due to dwindling inflows from the VAT and the corporate income tax. Payroll taxes have been boosted by the unfreezing of wages in the public sector, but still remained subdued given the weak labour market. The situation remained tense also on the expenditure side, as a result of the un-freezing of public sector wages and an increase in transfers and subsidies to alleviate poor economic and social conditions. However, in the last quarter the authorities were able to implement spending cuts of RSD 15-20 billion in line with the revised budget adopted in mid-October, and managed to contain the increase in total spending at 0.4%. For the year as a whole, the general government deficit stood at 4.7% of GDP, slightly higher than targeted in the revised budget.

The 2012 budget adopted in December sets a deficit target of 4.3% of GDP. It deviates from the initial agreement with the IMF, as higher outlays for investment, interest payment as well as subsidies were not compensated for by savings in consumption and transfers, implying an increase in total expenditure by 0.5 percentage points of GDP compared to initial plans. Faced with a rising budget deficit primarily due to substantially lower than expected revenues in February, the Serbian government adopted on 29 March austerity measures, amounting to RSD 15.7 billion, to support the envisaged reduction of the fiscal deficit. Public debt rose by EUR 2.4 billion to EUR 14.5 billion at end-2011.

TABLE

European Commission, ECFIN-D-1



SERBIA

		2007	2008	2009	2010	2011	Q3 11	Q4 11	Q1 12	Jan 12	Feb 12	Mar 12
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	2.0	-1.8	0.4	:	-2.7	-12.8	:
Gross domestic product ^{1.3}	Ann. %ch	5.4	3.8	-3.5	1.0	1.6	0.7	0.4	:	N.A.	N.A.	N.A.
Private consumption ^{1.4}	Ann. %ch	:	:	:	:	:	:	:	:	N.A.	N.A.	N.A.
Gross fixed capital formation ^{1.5}	Ann. %ch	:	:	:	:	:	:	:	:	N.A.	N.A.	N.A.
Construction index ^{1.6}	Ann. %ch	25.4	1.0	-20.8	0.1	21.1	30.6	16.5	:	N.A.	N.A.	N.A.
Retail sales ^{1.7}	Ann. %ch	25.7	3.4	-11.4	-0.7	-14.6	-18.7	-16.4	:	-3.2	-5.8	:
2 Labour market												
Unemployment ^{2.1}	%	18.1	13.6	16.1	20.0	22.2	23.7	:	:	:	:	:
Employment ^{2.2}	Ann. %ch	-1.1	-0.1	-6.1	-3.6	-3.1	-3.0	-2.2	:	-2.4	:	:
Wages ^{2.3}	Ann. %ch	15.0	4.5	1.0	7.4	11.1	12.3	11.0	:	7.3	12.4	:
3 External sector												
Exports of goods ^{3.1}	Ann. %ch	24.8	15.9	-19.6	24.0	14.0	12.9	1.2	:	1.1	:	:
Imports of goods ^{3.2}	Ann. %ch	29.8	14.6	-26.1	9.9	14.6	9.0	16.8	:	5.4	:	:
Trade balance* ^{3.3}	% of GDP	-23.1	-25.5	-18.1	-17.0	-17.6	-17.1	-18.4	:	N.A.	N.A.	N.A.
Exports goods and services ^{3.4}	% of GDP	30.7	31.1	29.3	34.8	34.8	39.0	37.6	:	N.A.	N.A.	N.A.
Imports goods and services ^{3.5}	% of GDP	55.0	54.8	47.0	51.3	51.1	56.0	55.2	:	N.A.	N.A.	N.A.
Current account balance* ^{3.6}	% of GDP	-16.1	-20.6	-7.4	-7.5	-9.5	-7.7	-9.9	:	N.A.	N.A.	N.A.
Direct investment (FDI, net)* ^{3.7}	% of GDP	6.4	6.2	4.8	3.1	5.9	5.1	6.1	:	N.A.	N.A.	N.A.
International reserves ^{3.8}	mio EUR	9 633.6	8 161.8	10 601.9	10 001.6	12 057.7	11 358.2	12 057.7	:	11 603.7	11 174.6	:
Int. reserves / months Imp ^{3.9}	Ratio	8.8	6.5	11.5	9.8	10.3	10.2	10.3	:	9.9	:	:
4 Monetary developments												
CPI ^{4.1}	Ann. %ch	11.0	8.6	6.6	10.3	7.0	9.3	7.0	:	5.6	4.9	:
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	6.4	10.6	6.4	:	3.4	1.5	:
M3 ^{4.4}	Ann. %ch	42.5	9.8	21.5	12.9	10.3	8.1	10.3	:	12.0	16.4	:
Exchange rate RSD/EUR ^{4.5}	Value	78.76	89.48	95.88	105.93	106.95	100.98	106.95	111.40	105.81	110.65	111.40
Nominal eff. exchange rate ^{4.6}	Index	102.1	88.6	92.8	89.5	100.3	104.7	100.3	:	99.0	95.7	:
5 Financial indicators												
Interest rate (3 months) ^{5.1}	% p.a.	6.48	5.20	13.40	10.85	:	11.93	:	:	:	:	:
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	1 238	1 022	1 002	953	1 020	1 032
Credit growth ^{5.4}	Ann. %ch	32.5	34.2	24.4	29.9	7.4	9.8	7.4	:	10.8	13.7	:
Deposit growth ^{5.5}	Ann. %ch	46.9	8.8	23.6	14.4	9.2	8.3	9.2	:	10.3	14.6	:
Non-performing loans ^{5.6}	% total	9.2	8.0	9.2	11.5	19.0	9.3	10.2	:	11.1	11.1	:
6 Fiscal developments												
General government balance ^{6.1}	% of GDP	-2.0	-2.6	-4.5	-4.6	-4.7	-3.7	-4.2	:	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.

f: ECFIN forecast Autumn 2011

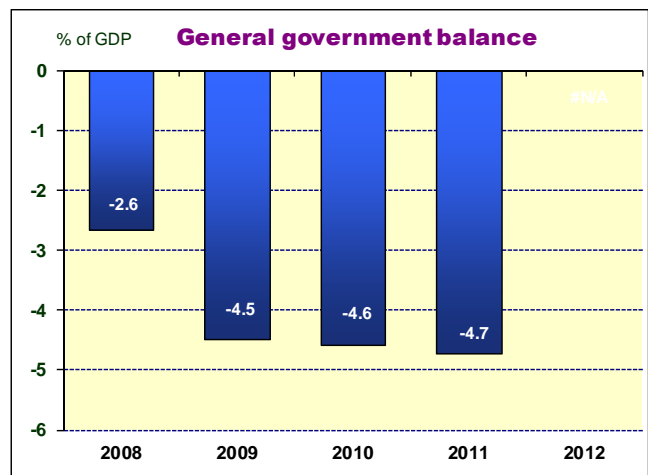
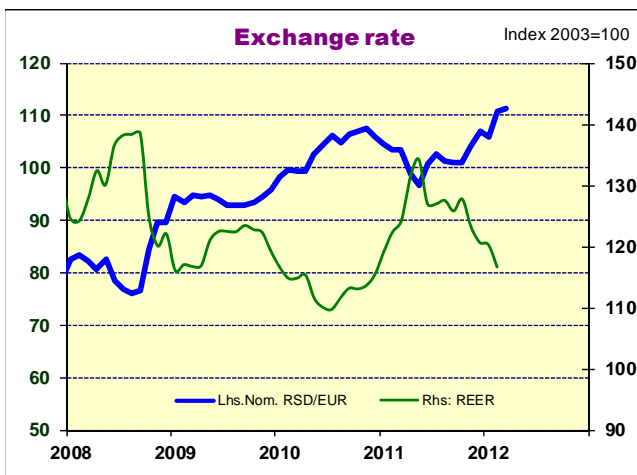
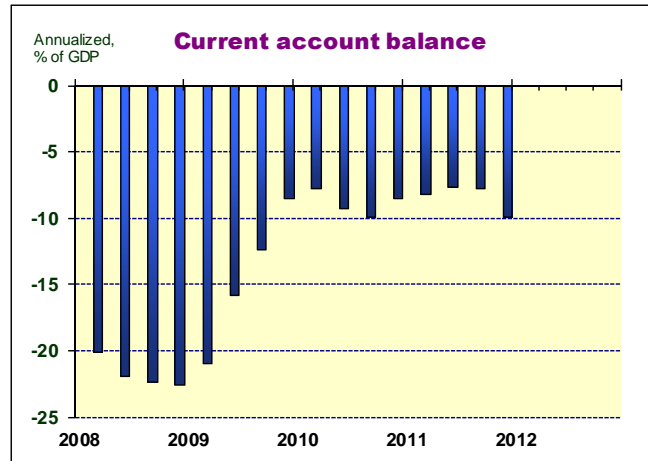
* Q figures refer to a 4 quarters moving average.

CHARTS

European Commission, ECFIN-D-1



SERBIA



TURKEY



Key developments

On 25 January, the Turkish government submitted its 11th Pre-Accession Economic Programme (PEP) to the European Commission. Its macroeconomic scenario projects real GDP growth to average at 4.5% over the medium-term and the current account deficit to narrow from 9.4% in 2011 to 7% of GDP by 2014. It envisages a relatively tight fiscal policy and a significant reduction of the public debt to 32% of GDP by 2014.

Real Sector

In 2011, the Turkish economy grew by 8.5%, only slightly down from a revised 9.2% in 2010. Growth was largely driven by the private sector, with consumer spending up 7.7% on the year and private sector investment up 22.8%. The strength of domestic demand led to import volumes increasing 10.6% on the year, while the level of export volumes was 6.5% higher than in 2010, partly as a result of a cheaper Turkish lira (depreciated by 20% vis-à-vis the euro in 2011).

Year-on-year GDP grew by 5.2% in the fourth quarter of 2011, a marked deceleration from the 10% growth registered in the first three quarters of 2011. A major share of the overall growth registered in the final quarter of 2011 – a 3.2pps contribution – came from net exports. Primarily due to a weaker Turkish lira, export competitiveness has improved and exports of goods and services outpaced imports for the second quarter in a row. The seasonally adjusted GDP increased by 4.7% year-on-year in the fourth quarter and by only 0.6% on a quarter-on-quarter base, which is the weakest performance since the first quarter of 2009.

Growth became increasingly broad-based in the fourth quarter as the agricultural, industrial and service sector all expanded by rates in between 5% and 6% year-on-year.

Labour market

The major improvements in the labour markets registered in the first nine months of 2011 appear to have stopped in late 2011, in tandem with a slowdown in economy activity. The unemployment rate amounted to 9.8% in December 2011, comparing favourably against 11.4% a year ago, albeit worse than the 9.1% registered in November. The seasonally-adjusted unemployment rate stood at 9.3%, unchanged from November, and significantly down compared with the 10.9% of December 2010. The youth unemployment rate remains at high levels, at about 18%. Substantial gender disparities in labour markets persist and the female employment rate remains particularly low, at about 20%, compared with over 60% for men.

The participation rate stood at 48.5% at the end of 2011, slightly down from the 48.4% observed a year earlier. Non-farm unemployment fell to 12.0% from 14.2% the year before.

External sector

In the first two months of 2012, as a result of a weak Turkish lira and slowing growth, domestic demand for foreign goods decreased and consumption goods imports contracted significantly. On the other hand, the sluggish demand for capital goods imports may indicate that economic growth continued to decelerate in the first quarter of 2012. On the exports front, there is a noteworthy market diversification. The rate of exports to the EU declined to 41.9% in the first two months of 2012 from 48.9% in the same period of 2011. Recent trade data suggest that the current account deficit is likely to come down from the 10% of GDP registered in 2011.

In 2011, the current account deficit had 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.

Monetary developments

On 21st February, the central bank altered interest rates for the first time in four months, cutting its overnight lending rate from 12.5% to 11.5%. In March, key policy rates were kept unchanged. In part as a result of the February hike, the average cost of Central Bank lending to the banking sector increased significantly from 7.6% to 9.5% (upper limit for the cost of lending to primary dealer banks is increased to 11%). By easing policy, the Bank may be seeking to slow the appreciation of the lira. The appreciation has reduced risks of inflation rising owing to higher import prices, but at the same time it makes

Turkey's exports less competitive and encourages increased levels of imports, which in turn are a key factor in Turkey's uncomfortably wide current-account deficit. In the first three months of 2012, consumer price inflation remained practically unchanged and amounted to 10.4% in March. This compares with an official target of 5% for the end of 2012 with a tolerance band of ± 2 percentage points. Core inflation, excluding food, tobacco and energy prices, declined to 7.9% in March 2012 from 8.4% in January 2012. Producer price inflation decelerated markedly to 9.5% in the first quarter of 2012, from 13.2% in the last quarter of 2011, notably supported by the recent appreciation of the Turkish lira. A further easing of inflationary pressures appears more and more likely, in particular in the May data due to significant base year effects.

Financial sector

The lira depreciated substantially, by about 20%, against major currencies in 2011 owing to Turkey's large current-account deficit and policy of low interest rates. In the first two months of 2012, the Turkish lira appreciated by about 8% vis-à-vis the euro and bond and equity markets recovered strongly. This turnaround reflected both domestic and global factors, the central bank's aggressive intervention in support of the lira was successful, while global risk appetite was buoyed by an easing of liquidity concerns and the perception that the euro zone crisis is stabilising.

A similar pattern was evident in yields on the benchmark government bond, maturing in July 2013. The yield peaked at 11.9% on early January before subsequently easing sharply; it stood at 9.2% on mid-February, with renewed confidence in the lira easing inflationary expectations. In March 2012, financial markets appear to have stabilised at the levels reached in February.

Following a prolonged slide in 2011, the main Istanbul Stock Exchange (ISE) index reached a low point of 49,837 points in early January. It then recorded sharp gains in subsequent weeks to reach 61,449 in late February, almost 20% higher than the end of 2011, before edging back by about 10% to levels around 55,000 in early April 2012.

Credit growth continued to decelerate. While year-on-year credit growth in February amounted to 21% down from almost 40% a year ago, consumer loans displayed an increase of a mere 0.5% in the first two months of 2012, and corporate loans have even shrunk by 1.6% in the same period. However, preliminary March data suggest that credit growth accelerated again.

Fiscal developments

In 2011, and primarily due to cyclical factors, Turkey reported strong fiscal results. The budget deficit amounted to 1.5% of GDP, down from 3.6% of GDP in 2010, and compared with a budget target of 1.0% of GDP in the Medium-term Economic Programme. The 2012 budget targets a deficit of 0.8% of GDP. Current trends point at a deterioration of fiscal balances in the first two months of 2012. While tax revenues were up by 13% (in part by a restructuring of public receivables) compared with the same period in 2011, expenditures increased markedly by 22%.

In particular the rise in interest rate expenditures of over 40% year-on-year appears to call for some caution. Privatization revenues incorporated in the 2012 budget amount to almost 1% of GDP, and are therefore seen as a critical factor underlying the overall budget performance. Public debt currently amounts to less than 40% of GDP. About three quarters is denominated in domestic currency and the remainder in foreign currencies.

TABLE



European Commission, ECFIN-D-1

TURKEY

		2007	2008	2009	2010	2011	ECFIN Forecast		Q3 11	Q4 11	Q1 12	Jan 12	Feb 12	Mar 12
							2012	2013						
1 Real sector														
Industrial confidence ^{1.1}	Balance	111.5	90.1	87.3	110.3	110.5	:	:	112.1	100.5	107.3	101.8	107.3	112.9
Industrial production ^{1.2}	Ann. %ch	7.1	-0.5	-10.0	13.1	8.9	:	:	7.6	6.5	:	1.5	:	:
Gross domestic product ^{1.3}	Ann. %ch	4.7	0.7	-4.8	9.2	8.5	3.0	4.1	8.4	5.2	:	N.A.	N.A.	N.A.
Private consumption ^{1.4}	Ann. %ch	5.5	-0.3	-2.3	6.7	7.7	0.2	1.9	7.8	3.4	:	N.A.	N.A.	N.A.
Gross fixed capital formation ^{1.5}	Ann. %ch	3.1	-6.2	-19.0	30.5	18.3	3.3	2.7	14.6	2.4	:	N.A.	N.A.	N.A.
Construction index ^{1.6}	Ann. %ch	9.8	-4.4	-7.9	77.4	-16.2	:	:	13.3	-40.0	:	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	9.8	10.3	10.4	9.2	9.1	:	:	:	:
Employment ^{2.2}	Ann. %ch	-3.6	1.3	0.4	6.2	6.7	1.0	1.4	7.3	6.2	:	:	:	:
Wages ^{2.3}	Ann. %ch	9.5	11.6	9.9	11.8	10.1	11.8	7.1	11.2	10.3	:	:	:	:
3 External sector														
Exports of goods ^{3.1}	Ann. %ch	14.9	14.8	-18.2	17.5	12.7	:	:	14.7	11.3	:	12.3	20.8	:
Imports of goods ^{3.2}	Ann. %ch	11.6	10.4	-26.3	39.2	23.3	:	:	20.3	8.4	:	6.4	4.3	:
Trade balance* ^{3.3}	% of GDP	-7.2	-7.1	-4.0	-7.7	-11.6	-9.9	-9.6	-11.2	-11.6	:	N.A.	N.A.	N.A.
Exports goods and services ^{3.4}	% of GDP	22.3	23.9	23.3	21.2	23.8	:	:	22.7	23.8	:	N.A.	N.A.	N.A.
Imports goods and services ^{3.5}	% of GDP	27.5	28.3	24.4	26.8	32.7	:	:	31.4	32.7	:	N.A.	N.A.	N.A.
Current account balance* ^{3.6}	% of GDP	-5.9	-5.5	-2.2	-6.4	-10.0	-8.8	-8.6	-9.8	-10.0	:	N.A.	N.A.	N.A.
Direct investment (FDI, net)* ^{3.7}	% of GDP	3.1	2.3	1.1	1.0	1.7	:	:	1.7	1.7	:	N.A.	N.A.	N.A.
International reserves ^{3.8}	bio EUR	76.3	86.5	77.1	83.2	84.0	:	:	83.8	84.0	:	86.3	:	:
Int. reserves / months imp ^{3.9}	Ratio	7.4	7.6	9.2	7.1	5.8	:	:	5.9	5.8	:	6.0	:	:
4 Monetary developments														
CPI ^{4.1}	Ann. %ch	8.8	10.4	6.3	8.6	6.5	7.2	7.2	6.4	9.2	10.5	10.6	10.4	10.4
Producer prices ^{4.2}	Ann. %ch	6.3	12.7	1.2	8.5	11.1	:	:	11.2	13.2	9.5	11.1	9.1	8.2
Food prices ^{4.3}	Ann. %ch	12.4	12.8	8.0	10.6	6.2	:	:	5.2	6.9	11.4	11.7	11.2	11.3
M4 ^{4.4}	Ann. %ch	17.8	23.7	17.4	21.2	21.5	:	:	21.7	16.1	:	9.1	6.7	:
Exchange rate TRY/EUR ^{4.5}	Value	1.78	1.91	2.16	2.00	2.33	:	:	2.45	2.47	2.35	2.37	2.32	2.36
Nominal eff. exchange rate ^{4.6}	Index	26.73	25.77	23.24	24.33	:	:	:	19.93	:	:	:	:	:
5 Financial indicators														
Interest rate (3 months) ^{5.1}	% p.a.	18.85	18.04	10.68	7.95	9.09	:	:	8.71	11.15	12.01	12.56	12.09	11.36
Bond yield ^{5.2}	% p.a.	18.13	19.30	11.66	8.47	8.83	:	:	8.42	9.87	9.81	10.76	9.27	9.41
Stock markets ^{5.3}	Index	48 270	37 582	37 510	59 484	60 751	:	:	58 108	54 768	58 258	53 512	60 238	61 025
Credit growth ^{5.4}	Ann. %ch	33.2	22.4	4.4	33.5	23.8	:	:	33.5	23.8	:	23.6	21.3	:
Deposit growth ^{5.5}	Ann. %ch	17.7	21.8	18.0	18.0	19.2	:	:	19.6	17.7	:	13.2	11.3	:
Non-performing loans ^{5.6}	% total	4.8	4.2	6.5	5.8	3.6	:	:	3.4	3.2	:	3.2	3.2	:
6 Fiscal developments														
General government balance ^{6.1}	% of GDP	-1.0	-2.2	-5.7	-3.6	-1.4f	-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

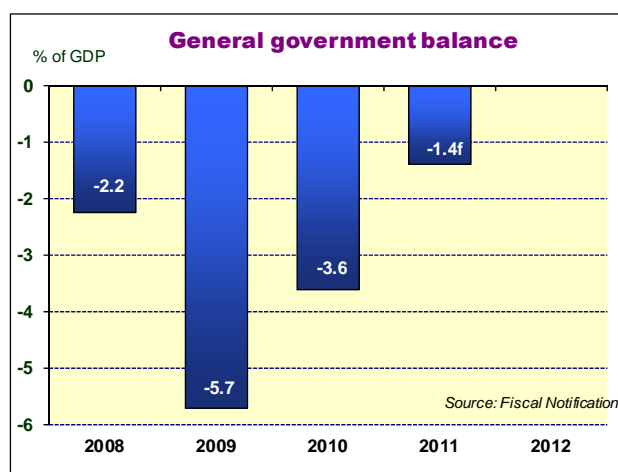
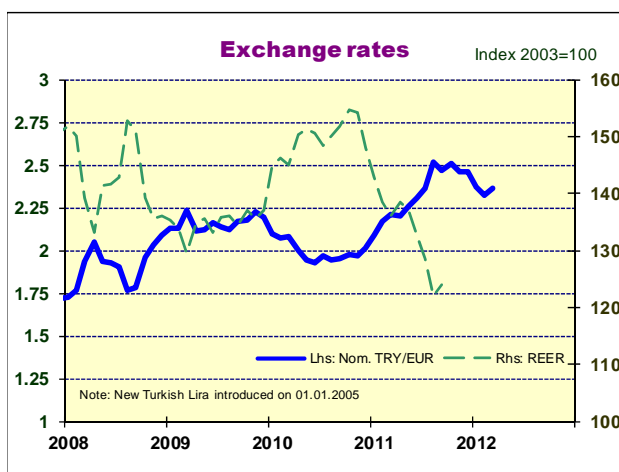
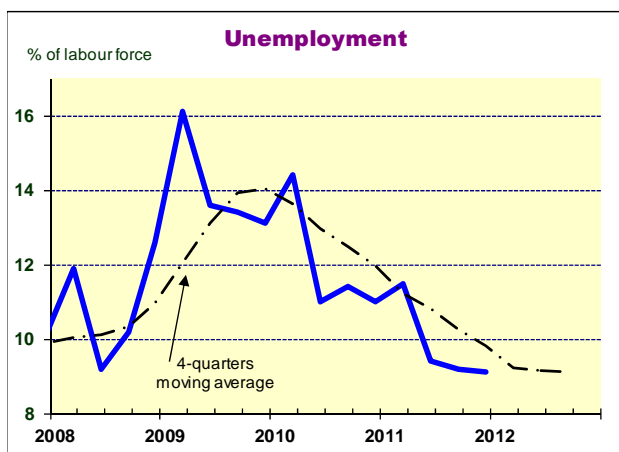
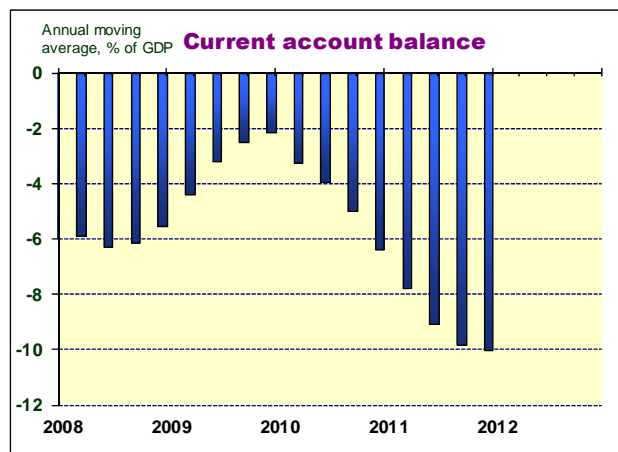
* Q figures refer to a 4 quarters moving average.

CHARTS

European Commission, ECFIN-D-1



TURKEY





Key developments

On 3 February, Albania submitted its sixth Economic and Fiscal Programme to the European Commission. The programme's macroeconomic scenario projects an average real GDP growth of 4.7% over the medium-term. The fiscal strategy foresees a reduction in the budgetary deficit from 3% of GDP in 2012 to 2.5% by 2014.

In March, the credit rating agency Moody's kept Albania's sovereign rating stable at 'B1'. The agency indicated that an upgrade of Albania's ratings is dependent on addressing structural weaknesses, including institutional reforms. The agency underlined the importance of limiting the budget deficit below 3% of GDP as well as reducing the government debt-to-GDP ratio in the medium-term.

Real sector

National accounts data continue to be published with a delay. The latest available data for GDP refer to the third quarter of 2011 and show a pick-up in economic activity following a weak performance in the previous quarter. Real GDP rose by 2.6% year on year in the third trimester 2011 up from a revised 0.9% in the second quarter. The improvement was broad-based, across almost all sectors of the economy with industry, trading and hotels and construction posting the strongest turnaround compared to the previous quarter. Transport continued to register strong growth thanks mainly to higher inbound and outbound travel.

Survey results published by the Bank of Albania (BoA) show a worsening in economic sentiment in the last quarter of 2011 following improvements in the previous two quarters. Lower confidence in construction and services offset the improved sentiment in industry and among consumers, the latter continued to rise for the third consecutive quarter. This appears to be in line with the turnaround in retail sales which grew by 0.2% in the last quarter following a contraction of 6% in the previous three months.

Labour market

Data for the fourth quarter of 2011 show unchanged labour market conditions. Employment growth stabilised at 1.7% year on year, following a deceleration in the previous quarter. Private non-agriculture jobs increased by 6.7%, year on year.

Employment with the public sector continued its downward trend shrinking by 0.6%. On average, the level of total employment increased by 2% in 2011. The rate of unemployment remained unchanged at 13.3% from the second to the fourth quarter. In the last quarter of 2011, public administration salaries increased by 6.7% year on year, slightly higher from 6.5% registered in the third trimester.

External sector

In the last quarter of 2011, the current account imbalance improved slightly by 2.2% year on year, thanks mainly to a significant rebound in tourism earnings and workers' remittances.

Exports of goods increased by almost 19% in the fourth quarter - a weaker performance compared to the previous three months. Higher foreign sales of food and machinery and equipment were not sufficient to counter lower exports of beverages and tobacco, construction materials, fuel and lubricants and manufactures. Imports of goods rose at a faster pace to 15.7% year on year in the last quarter 2011, following a deceleration in the previous two trimesters. Except manufactures, all major import categories rose with fuel and lubricants posting the highest increase of 53%. This was due to higher electricity imports as the country's hydropower generating capacity was impaired by unfavourable weather conditions. Exports of goods shrank in January and February by 8.8% and close to 30%, respectively, led mainly by a drop in construction materials and footwear. Imports decelerated sharply to 4.5% in January and contracted by 0.9% in February. Imports of electricity continued to increase, but was more than offset by a sharp fall in construction materials imports.

The surplus on the services account increased significantly in the last quarter of 2011 in the wake of higher tourism earnings which is characterised by higher migrant workers returning home for the year-end holiday season. Current transfers rose by 5.5% buoyed by workers' remittances which rose by some 14% compared to the same period a year earlier. Despite the improved performance in the fourth quarter, the current account deficit deteriorated significantly in 2011 as a whole, increasing to 12.2% of GDP from 11.3% in 2010.

Following a fall in the third quarter, FDI inflows increased by slightly more than 16.5% in the last three months of 2011. There are indications that the bulk of the inward investment went into the

hydropower and oil sectors. The balance of payments in the fourth quarter of 2011 was in deficit which led to a corresponding fall in reserves of some EUR 6.2 million. The stock of foreign reserves in the last quarter of 2011 provided 4.4 months of import cover. Gross external debt stood at EUR 4.5 billion in the fourth quarter of 2011, representing a significant increase of some 16% year on year. Almost half of gross external debt is composed of government long-term borrowing.

Monetary developments

The monetary aggregate M2 increased at a faster pace during the last quarter of 2011 to 7% from 6.6% in the previous trimester. Thereafter, M2 growth decelerated to 6.7% and 6.6% in January and February 2012, respectively. The deceleration in inflation that started in the third quarter of 2011 continued at a faster pace in the last quarter, when inflation averaged 2.5% - below the mid-point of the Bank of Albania's (BoA) target range of 2-4%. Food prices, which carry a substantial weight in the CPI, eased sharply on account of lower global prices and reflects weak domestic demand. Inflation decelerated further in early 2012, receding to 1.6% and 0.6% year on year in January and February, respectively.

On the back of easing inflationary pressures, the Supervisory Council of the BoA decided to cut the key repo rate by 25 basis points in January and March to a multi-year low of 4.25%. In the first quarter of 2012, the exchange rate of the Albanian currency remained practically unchanged vis-à-vis the euro but appreciated by almost 1.5% against the US dollar compared to the previous quarter.

Financial sector

Interest rates on deposits generally continued to decline in the first two months of 2012. Compared to December 2011, the most pronounced decline was for the 1-month interest rate which fell by 70 basis points to 3.8% by February. The downtrend in the average yield of the 12-month Treasury bills reversed starting from January 2012, reaching 7.3% in March.

Deposits grew by some 12.7% year on year in the fourth quarter, a slower pace than in the previous three-month period. In early 2012, deposit growth eased to 9.8% in January and 11.1% in February. Credit growth relented somewhat in the last three months of 2011 to 13%. A further deceleration in lending was registered in January and February to 11.7% and 11%, respectively. This reflected both a slower pace of growth in private sector credit as well as a contraction since December 2011 in household lending. The loan-to-deposit ratio stood at 61.3% in February 2012 with relatively higher levels for foreign currency denominations (83.6%).

The ratio for loans and deposits denominated in lek remained below 40%. External borrowing by the banking sector stabilised in the early months of 2012 at 6.8%.

The share of non-performing loans (NPLs) as a percentage of total loans reached 18.9% during the last quarter of 2011, compared to 18% in the second quarter. Higher provisioning against rising NPLs reduced the return on equity to 0.8% in the period October-December 2011. The capital adequacy ratio rose to 15.6%, above the BoA minimum requirement of 12%.

Fiscal developments

The government deficit is estimated to have reached 3.5% of GDP in 2011 up from 3.1% in 2010. The initial assumption of strong economic growth underlying the 2011 budget has proven overly optimistic with weak revenue performance missing the targets. Total revenue growth decelerated to 1.8%, reflecting a lower tax yield, especially for direct and indirect taxes, amid weak consumption expenditure, changes in customs and excise duties as well as a sharp fall in non-tax receipts. Total expenditure increased by 3.7% in 2011 following a contraction in the previous year. The rise in spending was primarily due to a 3.1% rise in capital outlays and 6.4% in social transfers. The planned fiscal deficit of 3.5% of GDP was reached only after mid-year re-balancing of the 2011 budget.

Cash-based government finance data show that total revenue in January and February 2012 rose by a mere 0.3%, year on year. The intake from VAT was flat, while social contributions increased by 1.4%. A sharp drop of slightly more than 14% was recorded in corporate profits, possibly due to the weather-related lower activity and profits of the electricity operator. Total expenditure dropped by 3% year-on-year in January and February 2012. However, current spending rose by 8.6%, primarily due to significant increases in expenditure in operations and maintenance and subsidies. Capital outlays fell by more than half, mainly on account of favourable base effects following the higher public investment in the corresponding months of 2011. As a result of these developments, the budget deficit fell to Lek 7 million in January-February 2012 from Lek 8.9 million in the same two-month period of the previous year. Nevertheless, the deficit was 50% higher than planned, primarily as a result of revenue underperformance. Almost three quarters of the deficit was financed from domestic sources.

The public debt continued to rise in the last quarter of 2011, reaching an estimated 58.8% of GDP from 58.5% in the third trimester.

TABLE

European Commission, ECFIN-D-1



ALBANIA

		2007	2008	2009	2010	2011	Q3 11	Q4 11	Q1 12	Jan 12	Feb 12	Mar 12
1 Real sector												
Industrial confidence ^{1.1}	Percent	0.9	0.4	-13.4	-5.9	-3.8	-5.1	-4.3	:	N.A.	N.A.	N.A.
Industrial production ^{1.2}	Ann.%ch	-9.7	8.7	7.2	18.0	:	:	:	:	:	:	:
Gross domestic product ^{1.3}	Ann.%ch	5.9	7.5	3.3	4.1	3.0e	2.6	:	:	N.A.	N.A.	N.A.
Private consumption ^{1.4}	Ann.%ch	13.4	9.8	7.7	2.2	2.6e	:	:	:	N.A.	N.A.	N.A.
Gross fixed capital formation ^{1.5}	Ann.%ch	6.5	12.9	2.4	-5.2	3.6e	:	:	:	N.A.	N.A.	N.A.
Construction index ^{1.6}	Ann.%ch	:	:	0.0	0.3	0.5	0.5	0.7	:	N.A.	N.A.	N.A.
Retail sales ^{1.7}	Ann.%ch	10.9	23.7	-1.7	5.4	-3.7	-6.0	0.2	:	N.A.	N.A.	N.A.
2 Labour market												
Unemployment ^{2.1}	%	13.4	12.8	13.0	13.7	13.3	13.3	13.3	:	:	:	:
Employment ^{2.2}	Ann.%ch	0.2	2.9	-0.8	-4.7	2.0	1.5	1.7	:	:	:	:
Wages ^{2.3}	Ann.%ch	17.1	8.3	11.9	6.7	7.0	6.6	6.7	:	:	:	:
3 External sector												
Exports of goods ^{3.1}	Ann.%ch	25.0	15.7	-11.8	62.5	22.2	30.6	18.9	:	-8.8	-29.4	:
Imports of goods ^{3.2}	Ann.%ch	26.5	16.4	-1.9	11.3	14.6	11.5	15.7	:	4.3	-0.9	:
Trade balance* ^{3.3}	%of GDP	-26.8	-27.3	-26.4	-23.1	-23.8	-23.7	-24.2	:	N.A.	N.A.	N.A.
Exports goods and services ^{3.4}	%of GDP	28.1	29.2	28.9	32.4	33.5	33.9	34.0	:	N.A.	N.A.	N.A.
Imports goods and services ^{3.5}	%of GDP	54.6	55.7	53.2	52.9	55.9	56.3	56.8	:	N.A.	N.A.	N.A.
Current account balance* ^{3.6}	%of GDP	-10.5	-15.5	-15.2	-11.3	-12.2	-12.6	-12.4	:	N.A.	N.A.	N.A.
Direct investment (FDI, net)* ^{3.7}	%of GDP	6.1	7.5	8.2	8.8	7.9	7.5	8.0	:	N.A.	N.A.	N.A.
International reserves ^{3.8}	mio EUR	1418.7	1638.9	1567.4	1825.3	1852.4	1824.0	1852.4	:	1849.9	1839.8	:
Int. reserves / months Imp ^{3.9}	Ratio	5.9	5.9	6.2	6.7	6.1	6.2	6.1	:	:	:	:
4 Monetary developments												
CPI ^{4.1}	Ann.%ch	2.9	3.4	2.3	3.6	3.5	3.2	2.5	:	1.6	0.6	:
Producer prices ^{4.2}	Ann.%ch	3.5	6.5	-1.7	0.3	2.6	2.2	2.1	:	:	:	:
Food prices ^{4.3}	Ann.%ch	3.0	5.2	4.9	4.8	4.8	4.3	2.9	:	1.4	-1.2	:
M2 ^{4.4}	Ann.%ch	9.6	7.4	8.7	4.5	6.6	6.6	7.0	:	6.7	6.6	:
Exchange rate LEK/EUR ^{4.5}	Value	123.31	122.39	131.82	137.48	140.07	139.84	139.73	139.02	138.06	139.18	139.80
Nominal eff. exchange rate ^{4.6}	Index	:	:	:	:	:	:	:	:	:	:	:
5 Financial indicators												
Interest rate (3 months) ^{5.1}	%p.a.	5.92	6.24	N.A.	N.A.	:	:	:	:	5.08	5.27	:
Bond yield ^{5.2}	%p.a.	8.22	8.43	9.24	8.55	8.04	8.38	8.38	8.48	8.60	8.40	8.45
Stock markets ^{5.3}	Index	:	:	:	:	:	:	:	:	:	:	:
Credit growth ^{5.4}	Ann.%ch	53.9	43.8	20.5	8.6	11.7	13.3	13.0	:	11.7	:	:
Deposit growth ^{5.5}	Ann.%ch	N.A.	14.8	-0.1	15.5	14.5	14.1	12.7	:	9.8	:	:
Non performing loans ^{5.6}	%total	3.2	4.7	9.1	12.6	17.0	18.0	18.9	:	N.A.	N.A.	N.A.
6 Fiscal developments												
General government balance ^{6.1}	%of GDP	-3.5	-5.5	-7.0	-3.1	-3.5e	-2.5	-3.5	:	N.A.	N.A.	N.A.
General government debt ^{6.2}	%of GDP	54.8	54.8	59.3	57.8	58.8	58.5	58.8	:	N.A.	N.A.	N.A.

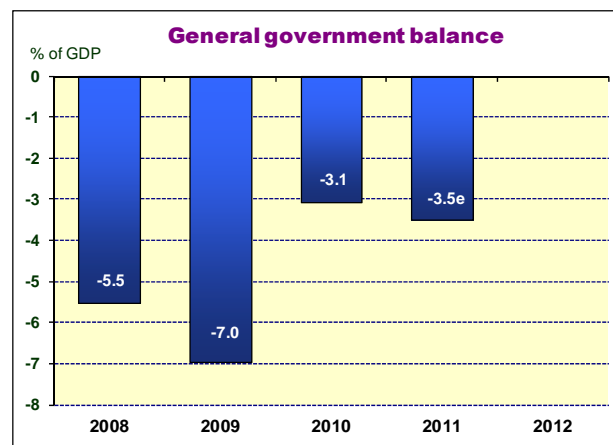
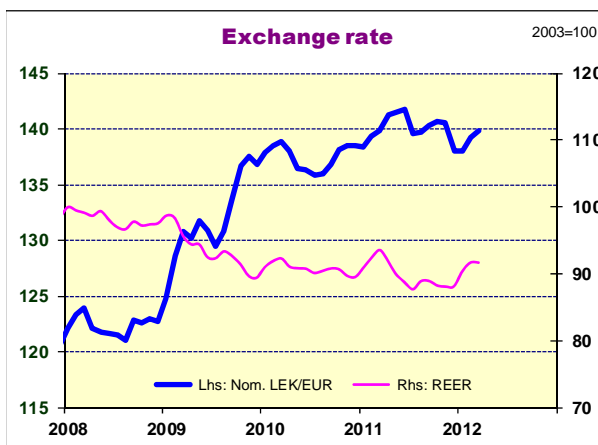
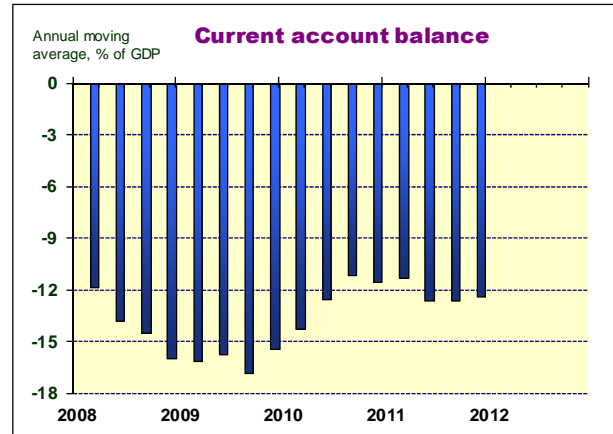
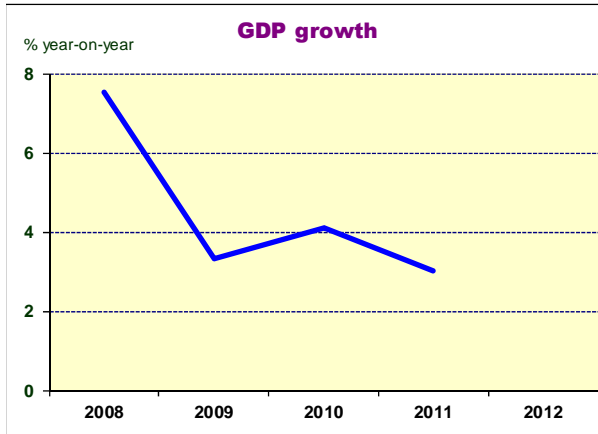
* Q figures refer to a 4 quarters moving average.

CHARTS



European Commission, ECFIN-D-1

ALBANIA





Key developments

On 10 February, more than sixteen months after the general elections, the new state government headed by the former Federation Finance Minister Vjekoslav Bevanda was formed.

On 21 March, the Council of Ministers endorsed the 2012 Economic and Fiscal Programme covering the period 2012-2014 which was submitted – with significant delay – to the European Commission. It foresees average real growth to reach 2.3% over the medium-term, while aiming at 2.4 percentage points of GDP fiscal consolidation by 2014.

The authorities announced that they would launch discussions with the IMF on a new funding agreement, as the current Stand-By Arrangement is non-functional since November 2010 when the last programme review was made.

International rating agency Standard & Poor's revised in March its outlook on Bosnia's sovereign ratings from negative to stable on the long-awaited formation of central government.

Real sector

According to estimates of the Central Bank, real GDP grew by 1.8% in 2011, slightly accelerating from 0.7% a year earlier.

After moderate growth in the second half of 2011, country-wide industrial production dropped sharply in early 2012. The contraction rate reached 12.8% year-on-year in February, up from 7.0% in the previous month. The sharpest decline has been witnessed in the export-oriented branches, reflecting the worsened external demand. The manufacturing industry experienced 12.3% year-on-year output decline in the first two months of the year, followed by the utility sector (-7.4%) and mining industry (-1.7%).

Judging from available indicators, domestic demand is on a downward trend. After an annual increase of 10.9% in the fourth quarter of 2011, retail sales growth moderated to 9.6% in January and decelerated sharply to only 0.8% in February.

In the Republika Srpska, according to figures released by the Entity's Institute of Statistics, the economy expanded by 0.2% year-on-year in the fourth quarter of 2011, as compared to 0.7% in July-September and 1.5% in the first half of the year. The major contributors to the further growth moderation were a significant growth deceleration of the mining sector and a negative output growth recorded for the utility industries following their excellent performance in the third quarter. On the other hand, some slight improvements were registered in the manufacturing industry and the construction sector, which lowered their output decline compared to the third quarter.

Labour market

The level of registered unemployment surged to 43.8% in the fourth quarter of 2011 after having been broadly stable at about 43.1-43.3% in the first nine months of the year. The sector most affected by rising unemployment in 2011 was hotels and restaurants, followed by construction. Employment growth, which has been on a downward trend since July, turned negative at -1.6% year-on-year in December and -1% in January.

Wage growth slowed further down in the fourth quarter of 2011. The average nominal gross wage increased by 4.3% year-on-year in October-December against 4.6% in the previous quarter, bringing annual average wage growth in 2011 to 4.4% from 1.1% in 2010. Adjusted for inflation, the average gross wage rose marginally by 0.7% in 2011, as compared to a 1% decline a year earlier.

External sector

According to preliminary figures from the Central Bank, the current account balance expanded by 60.1% year-on-year in the fourth quarter of 2011 after it had recorded a slight 2.6% year-on-year improvement in July-September. This was due to lower export growth and a slight acceleration of imports. The current account deficit soared by 58.8% in 2011 to 8.7% of GDP, up from 5.7% of GDP a year earlier, mainly due to the expansion of the trade gap by 12.3%. Exports grew by 15.6%, thereby slightly exceeding imports expansion (14%), though from a much lower base. The surpluses in the

services and income balances fell by 4.1% and 20.2%, respectively, thus also contributing to the higher current account deficit. On the other hand, the surplus in current transfers grew by 2.5%.

Net foreign direct investments were twice as high compared to 2010, but still are well below the pre-crisis levels, accounting for 2.3% of GDP and thus insufficient to cover the current account deficit. Still, total net capital inflows slightly exceeded the current account deficit, thus allowing for a marginal growth of official foreign exchange reserves.

Monetary developments

The annual growth of the monetary aggregate M2 accelerated from 4.3% in November to 4.9% in January.

Annual inflation fell to 2.4% in February, down from 3.8% in November, bringing the 12-month moving average inflation rate to 3.6%. The recent disinflationary trend was mainly driven by price moderation in food and non-alcoholic beverages, reflecting international price developments. Price decreases were recorded in clothing and footwear (-6.5%) and health (-0.4%). On the other hand, the new hike of excises on tobacco, effective from the beginning of 2012, resulted in a 12.2% rise in tobacco prices.

Financial sector

Market short-term interest rates for loans to the corporate sector decreased slightly from 7.3% in November to 7.1% in January, while the interest rates for households rose further to 10.2% (non-indexed loans in local currency). On the other hand, interest rates for the corporate sector deposits have soared from 2.0% to 2.8% (time and savings deposits in local currency), while interest rates for household sector deposits remained broadly unchanged over the last 2 months, reaching 2.9% in January.

Annual credit growth slightly moderated and reached 5.6% in January. The slow down was entirely due to the corporate sector, as credits to the private enterprises rose only slightly by 1.8% year-on-year in January, as compared to 8.7% in November. Conversely, credits to households surged by 6.9% year-on-year in January, from 3.5% in November. In the meantime, deposits growth sped up to 3.2%. Deposits from the corporate sector grew by 1% year-on-year in January after a long period of falling rates. The decline in deposits from the government sector moderated to 10.1%, while households increased

their savings by 9.9%. The loans-to-deposit ratio increased slightly reaching 118.9% in January.

The quality of the loan portfolio registered a slight improvement for the first time in the last three years. The share of non-performing loans to total loans fell from 12.6% in the third quarter of 2011 to 11.8% in October-December. Banking profitability indicators also improved, as the return on average equity rose further from 3.4% to 7.2%. The return on average assets grew from 0.4% to 0.8%. Liquidity indicators remained relatively stable with the rate of liquid to total assets increasing from 27.2% to 27.3%. The capital adequacy ratio of the whole banking system stood at a comfortable 16.4% in the fourth quarter of 2011, up from 15.3% in July-September.

In the first quarter of 2012, the downward correction on the two stock exchanges in Bosnia and Herzegovina continued. The main index of the Sarajevo Stock Exchange lost another 3.6% and the main index of the Banja Luka Stock Exchange fell further by 4.7%.

Fiscal developments

On 14 February, the presidency endorsed the 2011 state budget law. The 2012 state budget is still not adopted. As the interim financing arrangement for the first quarter expired on 31 March, a temporary financing decision for the second time this year was adopted on 30 March. The Fiscal Council reached an agreement in March on the mid-term expenditure ceiling for the state-level budget.

According to data from the Indirect Tax Authority, consolidated revenues increased by 2.5% in 2011. Indirect taxes, rose by 2.9%, positively influenced by the economic recovery and increased excise duties on tobacco, while negatively affected by the further reduction of tariffs, as foreseen by the Interim Agreement on trade with the EU. Collected contributions increased by 4.1%, partly because of the increased contribution rates in the Republika Srpska. Consolidated expenditures fell by -1.6%, mainly due to the contraction of capital expenses (-31.4%) and purchases of goods and services (-20.2%). At the same time, the wage bill and expenditures for subsidies and transfers (mainly social benefits) expanded by 5% and 14%, accounting for 29% and 44.4% of the overall expenditures, respectively. The 2011 budget deficit narrowed to 0.4% of GDP, compared to 2.5% of GDP a year earlier.

In 2011, official foreign debt rose by 5.7%, after surging by 20.2% in 2010.

TABLE



European Commission, ECFIN-D-1

BOSNIA AND HERZEGOVINA

		2007	2008	2009	2010	2011	Q3 11	Q4 11	Q1 12	Jan 12	Feb 12	Mar 12
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	5.9	5.5	2.1	:	-7.0	-12.8	:
Gross domestic product ^{1.3}	Ann. %ch	6.1	5.6	-2.9	0.7	2.4e	:	:	:	N.A.	N.A.	N.A.
Private consumption ^{1.4}	Ann. %ch	10.9	10.3	2.3	-0.9	3.0e	:	:	:	N.A.	N.A.	N.A.
Gross fixed capital formation ^{1.5}	Ann. %ch	34.3	22.8	-17.7	-9.9	9.7e	:	:	:	N.A.	N.A.	N.A.
Construction index ^{1.6}	Ann. %ch	N.A.	11.7	8.8	33.9	-24.4	-313.7	-58.2	:	N.A.	N.A.	N.A.
Retail sales ^{1.7}	Ann. %ch	N.A.	N.A.	N.A.	7.8	12.5	11.2	10.9	:	9.6	0.8	:
2 Labour market												
Unemployment ^{2.1}	%	42.9	40.6	42.7	42.7	43.8	43.3	43.8	:	44.0	:	:
Employment ^{2.2}	Ann. %ch	4.4	2.7	-2.8	1.9	-1.6	1.9	-1.6	:	-1.0	:	:
Wages ^{2.3}	Ann. %ch	9.8	16.6	8.2	1.1	4.4	4.6	4.3	:	4.5	:	:
3 External sector												
Exports of goods ^{3.1}	Ann. %ch	15.0	13.9	-17.1	28.8	15.6	15.2	10.0	:	:	:	:
Imports of goods ^{3.2}	Ann. %ch	18.7	15.4	-24.1	10.5	14.0	10.2	10.5	:	:	:	:
Trade balance* ^{3.3}	%of GDP	-37.1	-38.1	-27.7	-25.7	-27.5	-27.4	-27.9	:	N.A.	N.A.	N.A.
Exports goods and services ^{3.4}	%of GDP	37.2	36.8	32.1	37.7	40.0	40.0	40.0	:	N.A.	N.A.	N.A.
Imports goods and services ^{3.5}	%of GDP	-68.6	-69.6	-55.2	-58.9	-63.4	-62.7	-63.4	:	N.A.	N.A.	N.A.
Current account balance* ^{3.6}	%of GDP	-10.7	-14.0	-6.3	-5.7	-8.7	-7.7	-8.8	:	N.A.	N.A.	N.A.
Direct investment (FDI, net)* ^{3.7}	%of GDP	13.4	5.3	1.4	1.1	2.3	2.0	2.3	:	N.A.	N.A.	N.A.
International reserves ^{3.8}	mio EUR	3 458.5	3 230.1	3 219.7	3 330.5	3 333.3	3 238.2	3 333.3	:	3 262.2	:	:
Int. reserves / months Imp ^{3.9}	Ratio	5.7	4.6	6.0	5.6	5.0	4.9	5.0	:	:	:	:
4 Monetary developments												
CPI ^{4.1}	Ann. %ch	1.5	7.4	-0.4	2.1	3.7	4.0	3.5	:	2.6	2.5	:
Producer prices ^{4.2}	Ann. %ch	N.A.	8.6	-3.2	0.9	3.8	5.1	1.9	:	1.6	1.2	:
Food prices ^{4.3}	Ann. %ch	2.9	12.1	-0.9	-0.7	6.0	5.5	4.8	:	2.5	2.3	:
M2 ^{4.4}	Ann. %ch	23.5	13.5	-1.6	7.8	5.6	5.6	5.2	:	4.9	:	:
Exchange rate BAMEUR ^{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	:	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	962	844	792	813	800	764
Credit growth ^{5.4}	Ann. %ch	27.4	28.4	5.4	-0.9	5.6	6.3	6.3	:	5.6	:	:
Deposit growth ^{5.5}	Ann. %ch	36.6	15.4	-4.0	4.7	2.6	2.3	2.7	:	3.2	:	:
Non performing loans ^{5.6}	%total	3.4	3.0	4.5	9.1	12.0	12.6	11.8	:	N.A.	N.A.	N.A.
6 Fiscal developments												
General government balance ^{6.1}	%of GDP	1.2	-2.2	-4.4	-2.5	-1.3e	:	:	:	N.A.	N.A.	N.A.
General government debt ^{6.2}	%of GDP	18.1	17.1	21.8	25.6	25.8	25.7	26.1	:	N.A.	N.A.	N.A.

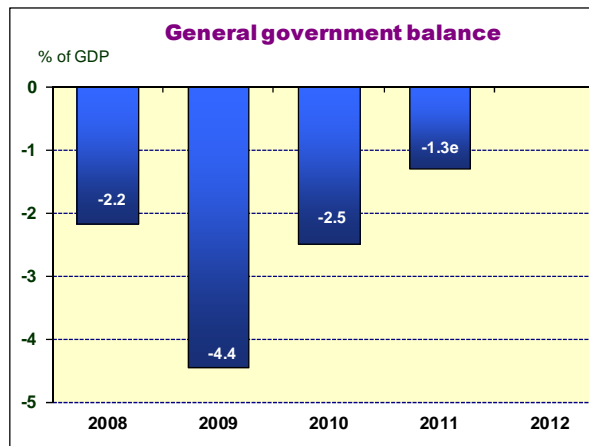
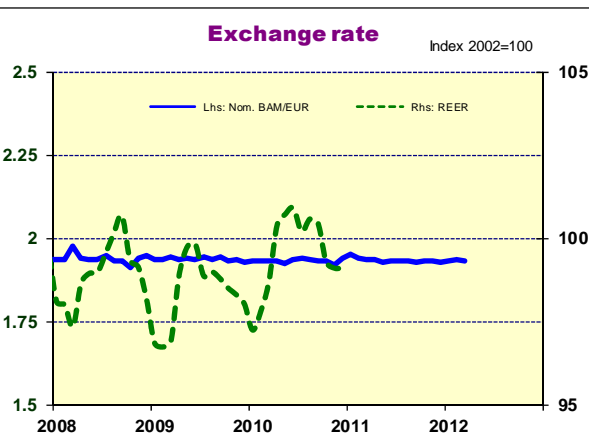
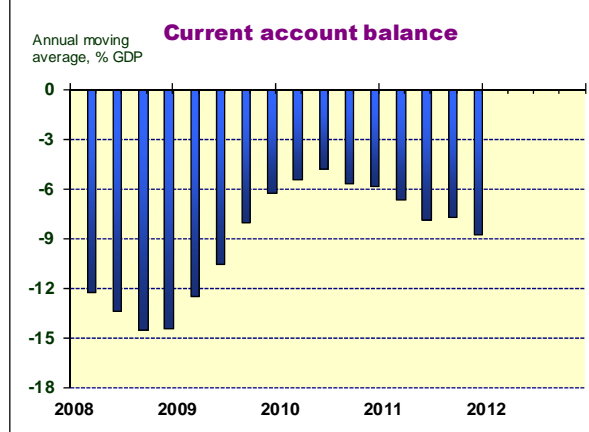
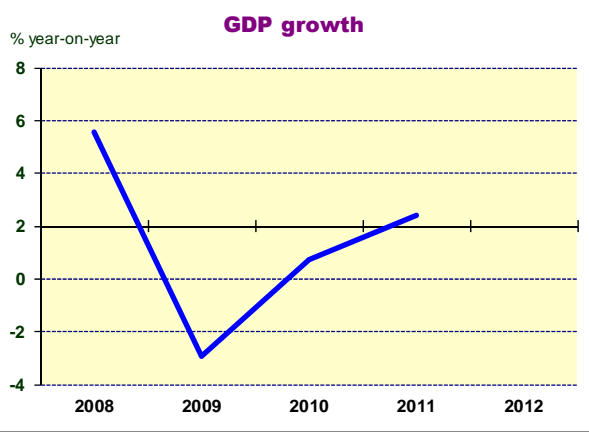
* Q figures refer to a 4 quarters moving average.

CHARTS

European Commission, ECFIN-D-1



BOSNIA AND HERZEGOVINA



KOSOVO*

*as defined by UNSCR 1244

Key developments

In January, the European Commission started a dialogue on visa free travel with Kosovo. It will also launch in 2012 a feasibility study with a view to a possible Stabilisation and Association Agreement with Kosovo.

In February, in the ninth meeting of the EU facilitated dialogue with Serbia, the two parties reached an agreement on regional representation and cooperation. Kosovo* will be the only denomination to be used in all regional meetings and agreements. The footnote to the asterisk should read "This designation is without prejudice to positions on status, and is in line with UNSC 1244 and the ICJ Opinion on the Kosovo Declaration of Independence". The two sides have also concluded a technical protocol on the integrated management for crossing points. The agreement on regional representation is facing obstacles as both sides have different interpretations on how it should be implemented.

The implementation of the six-month Staff-monitored programme with the IMF, which expired in end-2011, has been broadly satisfactory. Kosovo reached a staff-level agreement on a 20-month disbursing SBA that is expected to be adopted by the IMF Board in the second half of April.

Real sector

The latest IMF forecast foresees a deceleration of real GDP growth from 5% in 2011 to 3.8% in 2012, citing concerns about FDI and remittances inflows as a result of deteriorating labour market conditions in some European countries with significant Kosovar diaspora.

In early March 2012, the government gave a green light to a new lignite power plant project. Bids from the four shortlisted investors are expected by 30 September 2012. The preferred bidder would be selected by the end of 2012, with the financial closing of the deal in the third quarter of 2013.

On request from the bidders, the government committee on the privatisation of the distribution and supply functions of the Kosovo energy

corporation has extended the deadline for submission of bids until 20 April.

Labour market

In the first two months of 2012 the number of registered unemployed decreased sharply, by around 25,000 people each month to reach 276,655 in end-February. The decrease has been almost entirely driven by the digitalization process of the unemployment registry within the Public Employment Service. In the previous paper-based system, once registered the unemployed would remain in the system irrespective of any future change in their status. The new digital registry would be able to provide much more reliable information on the situation of the labour market.

External sector

In the fourth quarter of 2011, exports of goods declined by 10.9% (year-on-year), ending a period of almost two years of growth. The reversal was driven mainly by a reduction in the exports of base metals. On the other hand, fourth quarter imports of goods accelerated their pace to 21.5% (year-on-year).

For the year as a whole, imports of goods increased by 16% (year-on-year). They 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 39%), China (26% increase) and Turkey (23% increase) who have gained market shares at the expense of Serbia (only 4% increase). The performance of exports of goods was less impressive (6% annual growth), with five consecutive months of decelerating growth since August. The trade deficit expanded to a new high of EUR 2,167 million or 17% higher than a year before and reached 46.6% of GDP. Preliminary data for January 2012 show that both exports and imports have declined by 14% and 1%, respectively. The central bank has published the 2011 balance of payments and revised substantially historical data (going back to 2009) of several major categories, including a significant downward revision of the current

account deficit.

Monetary developments

The growth in broad money stood at 10.2% (year-on-year) by the end of February 2012. Net foreign assets' growth was slightly negative at -1.7% (year-on-year) as commercial banks have reduced their net claims to non-residents. The pace of accumulation of net domestic assets remains high at 104% by end-February, although starting from a very low base.

In 2011, inflation was relatively high – the annual average reached 7.4% and the end-of-the-year inflation stood at 3.6%. Since the beginning of 2012, consumer inflation decelerated further to 1.7% (year-on-year) in February. However, about 70% of all goods in the consumer basket continued to exhibit increasing prices (year-on-year). Fuels and electricity were the main contributors to inflation with 1.4 percentage points, while food prices had a deflationary contribution of 0.3 percentage points. As of 2012, there has been a significant change in the weights of the different products and services comprising the CPI basket. Overall, this could lead to a less volatile inflation, as groups with high price volatility, such as 'food and non-alcoholic beverages' saw major decreases in their weights.

Financial sector

In 2011, the financial system performance remained robust. The banking system turned a profit of EUR 37 million. Banks' interest income increased by 10.9% (year-on-year) and non-interest income by another 8.7%. Growth of total expenditure almost equalled the one of revenue and stood at 10.3%. Interest spending increased by 5.7%, while provisions for loan and other assets losses rose by 20.8% and general and administrative expenditures by another 9.9%.

Growth in commercial banks deposits stayed high at 10.7% (year-on-year) in February, driven both by increases in sight and other (time and savings) deposits. Households deposits grew by 15.2%, increasing their share in total to 71.4%. Other non-financial corporations' deposits declined by 1.6% mainly because deposits with longer maturities shrunk by 12.4%. Lending activity remained strong – gross loans and lease financing increased by 14.0% (year-on-year) by end-February.

Fiscal developments

In 2011 the budget deficit was 1.8% of GDP or about 0.8 percentage point lower than expected. The underlying deficit (excluding dividends and budget support grants) improved as well from 5.3% of GDP in 2010 to 3.5% of GDP in 2011. The consolidation was mainly revenue driven as total revenue increased by 0.5 percentage points to 27.9% of GDP, while the primary spending ratio declined by 0.3 percentage points to 29.6% of GDP.

Following a number of tax increasing measures and as a result of buoyant private consumption and imports, tax revenue (mainly indirect taxes) increased strongly by 1.6 percentage points to 22.8% of GDP. Non-tax revenue declined by 0.8 percentage points to 4.8% of GDP on the back of lower dividend receipts. The expenditure structure has changed as well. After the significant hikes in the spring, spending on wages and salaries increased substantially (by 0.9 percentage points) to reach 8.3% of GDP. In order to limit the overall rise in expenditures, the government implemented a number of expenditure cuts. Although capital expenditure and net lending remained broadly unchanged, there was a significant shift towards spending on the Route 7 highway (increasing from 2.9% to 5.6% of GDP) at the expense of other capital projects (dropping from 7.5% to 5.5% of GDP).

Preliminary data on budgetary execution in 2012 reveal that revenue performance is falling short of expectations by a big margin. By the end of February, total revenue stood at EUR 155.6 million (0.7% growth year-on-year), with significant declines in border excises on cigarettes (-86.5%), customs duties (-8.9%), border VAT (-10.2%), and corporate tax (-17.5%). The unusually harsh winter weather and some one-off factors (changes in the way excises on cigarettes and tobacco products are collected) could partly explain the disappointing revenue performance. However, it remains to be seen to what extent this decline could also be of a more structural nature, reflecting the end of the fiscal expansion of past years, which had artificially boosted revenues until recently. By end-February, total expenditure reached EUR 178.3 million and the budget was in a deficit of EUR 22.8 million.

The government has started issuing treasury bills. Over January-March, it successfully placed three issues of three-month bills of EUR 10 million each, at annual yields between 3.5-4.0%.

TABLE

European Commission, ECFIN-D-1

KOSOVO*

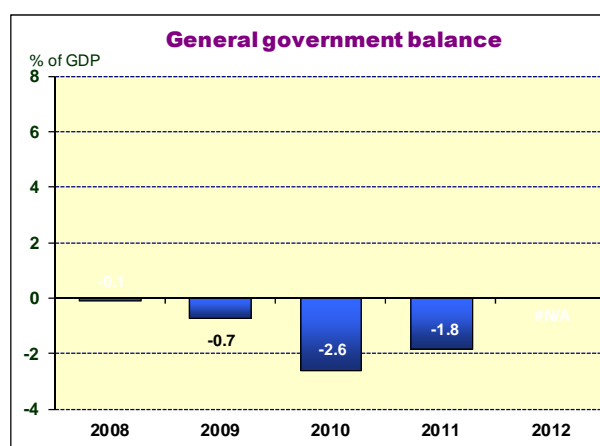
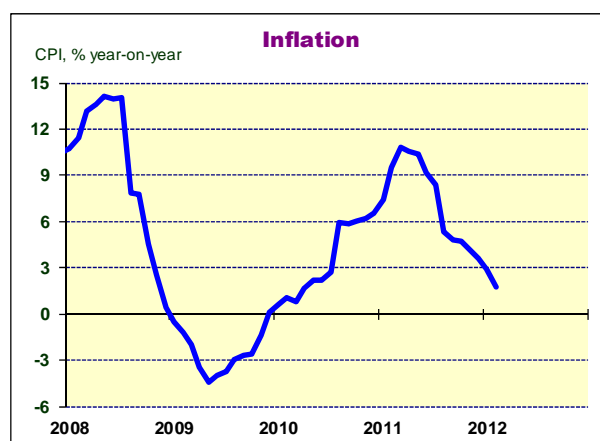
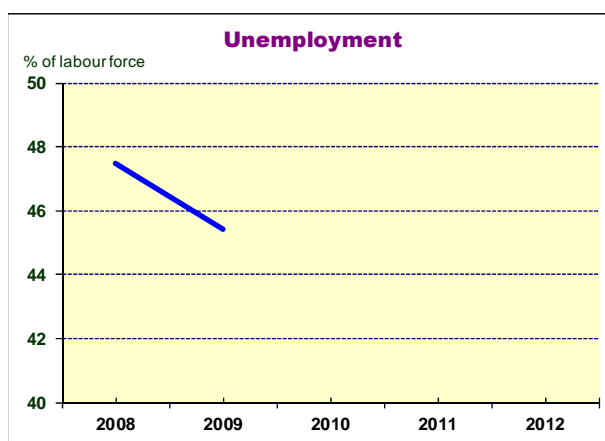
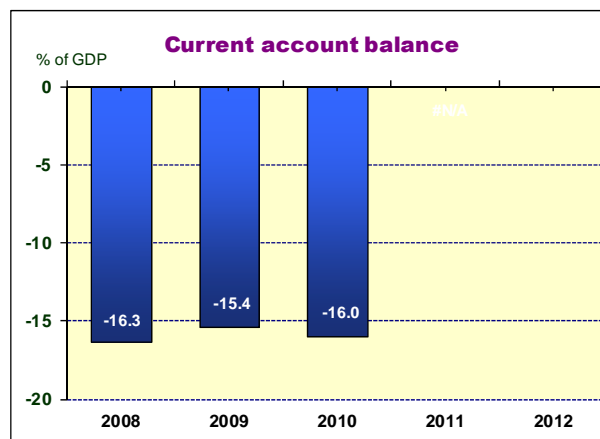
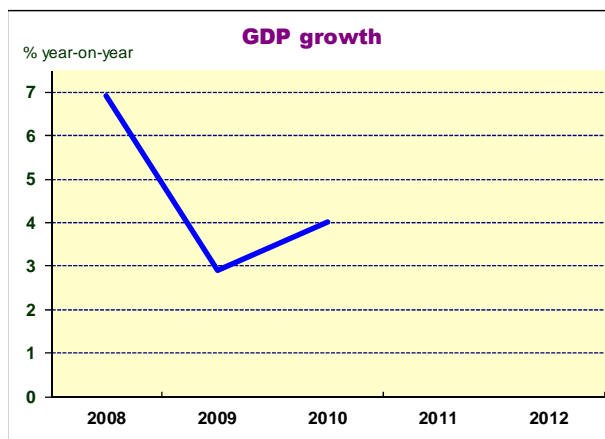
		2007	2008	2009	2010	2011	Q3 11	Q4 11	Q1 12	Jan 12	Feb 12	Mar 12
1 Real sector												
Industrial confidence ^{1.1}	Balance	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Industrial production ^{1.2}	Ann. %ch	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Gross domestic product ^{1.3}	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	77.8	6.3	6.6	-10.9	:	-14.5	:	:
Imports of goods ^{3.2}	Ann. %ch	20.7	22.3	0.4	10.8	15.6	8.6	21.5	:	-0.9	:	:
Trade balance* ^{3.3}	%of GDP	-40.3	-43.3	-42.8	-42.1	:	-43.3	:	:	N.A.	N.A.	N.A.
Exports goods and services ^{3.4}	%of GDP	14.7	14.3	15.5	18.5	:	19.3	:	:	N.A.	N.A.	N.A.
Imports goods and services ^{3.5}	%of GDP	54.6	57.1	55.2	59.1	:	59.8	:	:	N.A.	N.A.	N.A.
Current account balance ^{3.6}	%of GDP	-10.4	-16.3	-15.4	-17.4	:	-17.0	:	:	N.A.	N.A.	N.A.
Direct investment (FDI, net) ^{3.7}	%of GDP	12.7	8.9	7.2	8.5	:	9.1	:	:	N.A.	N.A.	N.A.
International reserves ^{3.8}	mio EUR	1 057.6	1 110.7	1 198.5	1 246.9	1 234.6	1 308.0	1 234.6	:	1 314.4	1 268.8	:
Int. reserves / months Imp ^{3.9}	Ratio	8.1	6.9	7.4	6.9	6.0	6.7	6.0	:	6.4	:	:
4 Monetary developments												
CPI ^{4.1}	Ann. %ch	4.4	9.4	-2.4	3.5	7.4	6.1	4.1	:	2.9	1.7	:
Producer prices ^{4.2}	Ann. %ch	N.A.	N.A.	3.8	4.7	:	4.1	:	:	N.A.	N.A.	N.A.
Food prices ^{4.3}	Ann. %ch	9.1	16.7	-4.4	4.8	12.4	10.3	5.4	:	2.2	-0.8	:
Broad money liabilities ^{4.4}	Ann. %ch	23.4	23.6	11.2	12.9	8.7	16.9	8.7	:	7.7	10.2	:
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	16.07	:	17.96	:	:
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	15.4	16.0	16.7	:	15.3	14.0	:
Deposit growth EUR/EUR ^{5.5}	Ann. %ch	19.3	25.6	20.3	14.8	12.0	15.9	13.0	:	11.1	10.7	:
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	-1.8	-4.1	-1.8	:	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

* Q figures refer to a 4 quarters moving average.

CHARTS

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	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	Provisioning against losses	Ecwin/Reuters
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	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	Total sale, index CPPY=100, weighted average Federation of Bosnia and Herzegovina 65% Serb Republic 35%	Ecwin/Reuters
2. Labour market			
2.1.	Unemployment	Registered, in percent of total labour force	Ecwin/Reuters, NSO
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	All Items, with temporary reductions of prices, index CPPY=100	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	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