



European
Commission

ISSN: 1830-6392

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

2/2012



Economic and
Financial Affairs

CANDIDATE AND PRE-ACCESSION COUNTRIES' ECONOMIC QUARTERLY

2/2012

This paper is published on-line four times a year (January, April, July and September).
European Commission, Economic and Financial Affairs Directorate-General
Directorate D – International Economic and Financial Affairs
Unit D1 – Candidate and Pre-Candidate Countries

KC-AO-12-002-EN-N

© *European Union, 2012*

© *European Union, 2012. Reproduction is authorised provided the source is acknowledged. Data whose source is not the European Union as identified in tables and charts of this publication, is property of the named third party and therefore authorisation for its reproduction must be sought directly with the source.*

CANDIDATE AND PRE-ACCESSION COUNTRIES' ECONOMIC QUARTERLY

Contents

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

* 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.

OVERVIEW

Data for the first quarter of 2012 seem to point to an episode of renewed weakness in the Western Balkans. Real GDP growth further contracted in Croatia while it turned negative in the former Yugoslav Republic of Macedonia and in Serbia, following a loss of momentum in the last quarter of 2011. A similar pattern seems to emerge from available indicators in Bosnia and Herzegovina and Montenegro. In some countries, this episode might however be temporary as it reflects, in addition to the effects of a deteriorated international and EU environment, the significant impact of harsh winter conditions on production and exports. In sharp contrast, GDP growth accelerated to 4.5% year-on-year in Iceland and, although significantly decelerating, still reached 3.2% in Turkey. Along with a worsening growth outlook, labour market conditions have generally deteriorated further. While the disinflation process continued in the Western Balkans in the first quarter of 2012, inflation somewhat picked up in the following months in some countries. In contrast, inflation which had accelerated in the first quarter, slowed down in the second trimester in Iceland and Turkey.

On the road to recovery, Iceland stands as an outlier in the first quarter of 2012. It is the only pre-accession country where GDP growth accelerated, to 4.5% year on year, the highest annual growth rate since 2008. In Turkey, economic growth further decelerated but still reached 3.2%. It was fuelled by net exports while domestic demand contracted, pointing to a turnaround in the drivers of growth. In all other pre-accession countries the growth performance significantly worsened. GDP growth contracted by 1.3% year-on-year in both Croatia and Serbia and by 1.4% in the former Republic of Macedonia and is likely to have contracted also in Bosnia and Herzegovina and Montenegro, judging from available indicators. Also, economic activity is expected to have slowed down in Albania and Kosovo. However, this episode of renewed weakness might be temporary in some countries where it does not only reflect the

deteriorated situation in main economic and trade partners but also the additional impact of harsh winter conditions. Thus, available indicators for the second quarter seem to suggest some, although fragile, improvement in Serbia.

The current account deficit deteriorated in the first quarter in all the Western Balkans except in the former Yugoslav Republic of Macedonia where it continued to improve. This deterioration was mostly driven by a widening of the trade deficit. Exports of goods shrank, sometimes sharply, in Albania, Bosnia and Herzegovina, Kosovo, Montenegro and Serbia, negatively affected by both a worsened economic environment and severe winter conditions. In Croatia, exports of goods and services increased but their positive effect was more than offset by a higher increase in imports. Conversely, the large current account deficit of Turkey narrowed to about 9% of GDP, mainly as a result of buoyant exports leading to an improvement in the merchandise trade deficit. In Iceland, the current account deficit stabilised despite a narrowing surplus in trade in goods and services.

The labour market conditions deteriorated further in the first quarter of 2012 as compared with the last quarter of 2011. With the exception of Albania where it stabilised, the unemployment rate increased in all pre-accession countries while strong cross-country differences persisted. Employment growth continued to be negative in Croatia, Bosnia and Herzegovina, the former Yugoslav Republic of Macedonia and Serbia but turned positive in Iceland. In countries where it continued to be positive, its pace slowed down in tandem with the deceleration in economic activity.

The disinflation process that had started in mid-2011, in line with the easing in commodity prices and weakening economic activity, generally continued in the first quarter of 2012 in the Western Balkans. Inflation has somewhat picked up afterwards in Albania, Serbia, Croatia, and Montenegro, partly due in the latter two countries to increases in indirect taxation (respectively VAT and excises). In contrast, consumer price inflation accelerated further in the first quarter of 2012 in Turkey and also in Iceland where it led to a gradual tightening of the monetary policy. In the second quarter, inflation decelerated in both

countries. In Serbia, the weakening of foreign capital inflows together with political uncertainties and a widening budget deficit exerted downward pressures on the exchange rate. The central bank intervened heavily on the Forex market and raised its main policy rate to 10%. Some downward pressures were also noticeable during the first semester of 2012 in Iceland and Turkey.

Lending activities have generally slowed down despite the stability and sometimes even the slight improvement in credit conditions, as credit demand is limited by the deceleration of economic activity. In Turkey, credit growth continued to steadily decline, in line with the monetary policy strategy, reaching 16.5% in May. Credit growth is still negative in Montenegro but the pace of contraction is easing. The main two exceptions to this general pattern of moderation are Iceland and Serbia. After a negative growth rate in 2011, credit growth turned positive in Iceland and accelerated further to 7.3% in May. In Serbia, the strong acceleration to 23% by end-May is mostly driven by the dinar depreciation. The quality of the loan portfolio further

deteriorated. NPL ratios increased in the first five months of 2012, except in Turkey where the ratio fell slightly to very low levels (less than 3% of total loans) and Montenegro where it declined but is still elevated (14.7% in the 1st quarter). At 31% at end-March 2012, the ratio remains exceptionally high in Iceland.

Against a background of continuing fiscal consolidation, budgetary performance in the first months of 2012 (depending on data availability per country) is uneven. The 2012 budgets were revised in the former Yugoslav Republic of Macedonia and Montenegro, mostly due to lower fiscal revenues. In the former, the initial deficit target (2.5% of GDP) was maintained. In the latter, the deficit target was revised upwards, from 1.3% to 2.3% of GDP. Compared to the same period in the previous year, the deficit has been reduced in Croatia, Iceland and in Albania where, however, it is more than twice higher than planned. In Kosovo and marginally in Bosnia and Herzegovina, the budget posted a deficit as compared to a surplus a year ago. In both Turkey and Serbia, the deficits are double that of the same period last year but their respective ratios to GDP differ substantially.

Candidate and potential candidate countries: Summary table

						ECFIN Nov. Forecast							
	2007	2008	2009	2010	2011	2012	2013	Q4 11	Q1 12	Q2 12	Apr 12	May 12	Jun 12
Gross domestic product (in real terms, annual % change)													
Croatia	5.1	2.1	-6.9	-1.4	0.0	-1.2	0.8	-0.4	-1.3	:	n.a.	n.a.	n.a.
The former Yugoslav Republic of Macedonia	6.2	5.1	-1.0	2.8	3.3	1.7	2.5	0.7	-1.4	:	n.a.	n.a.	n.a.
Iceland	6.0	1.3	-6.8	-4.0	3.1	2.1	2.4	2.7	4.5	:	n.a.	n.a.	n.a.
Montenegro	10.7	6.9	-5.7	2.5	2.8f	0.4	2.0	:	:	:	n.a.	n.a.	n.a.
Serbia	5.4	3.8	-3.5	1.0	1.6	0.3	1.9	0.5	-1.3	:	n.a.	n.a.	n.a.
Turkey	4.7	0.7	-4.8	9.2	8.5	3.3	4.6	5.2	3.2	:	n.a.	n.a.	n.a.
Albania	5.9	7.5	3.3	3.9	3.1e	:	:	3.8	:	:	n.a.	n.a.	n.a.
Bosnia and Herzegovina	6.1	5.6	-2.9	0.7	1.6	:	:	:	:	:	n.a.	n.a.	n.a.
Kosovo*	6.3	6.9	2.9	4.0	:	:	:	:	:	:	n.a.	n.a.	n.a.
Unemployment (LFS, in % of workforce)													
Croatia	9.6	8.4	9.1	11.8	13.5	13.4	12.7	13.9	16.4	:	n.a.	n.a.	n.a.
The former Yugoslav Republic of Macedonia	34.9	33.8	32.2	32.0	31.4	31.0	30.5	31.8	31.6	:	n.a.	n.a.	n.a.
Iceland	2.3	3.0	7.2	7.5	7.1	6.4	6.0	6.0	7.2	:	n.a.	n.a.	n.a.
Montenegro	11.9	10.8	11.4	12.2	13.2	:	:	13.2	13.6	12.7	13.5	13.0	12.7
Serbia	18.1	13.6	16.1	19.2	23.1f	23.4	22.4	:	:	:	:	:	:
Turkey	9.9	11.0	14.1	12.0	9.8	8.4	8.2	9.1	10.4	:	:	:	:
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	:	:	43.8	44.1	:	43.9	:	:
Kosovo*	43.6	47.5	45.4	:	:	:	:	:	:	:	:	:	:
Current account balance (% of GDP)**													
Croatia	-7.2	-8.8	-4.9	-1.1	-0.9	-1.3	-2.1	-0.8	:	:	n.a.	n.a.	n.a.
The former Yugoslav Republic of Macedonia	-7.1	-12.8	-6.8	-2.2	-2.7	-3.0	-3.7	-2.7	-1.5	:	n.a.	n.a.	n.a.
Iceland	-15.7	-24.5	-11.7	-8.1	-6.8	-5.6	-4.4	-6.8	-6.9	:	n.a.	n.a.	n.a.
Montenegro	-39.5	-50.6	-29.6	-24.7	-19.4	-20.5	-20.2	-19.4	-20.1	:	n.a.	n.a.	n.a.
Serbia	-16.1	-20.6	-7.3	-7.8	-10.3	-10.8	-10.0	-9.7	-11.2	:	n.a.	n.a.	n.a.
Turkey	-5.9	-5.5	-2.2	-6.4	-10.0	-9.3	-8.7	-10.0	-9.3	:	n.a.	n.a.	n.a.
Albania	-10.5	-15.5	-15.2	-11.3	-12.2	:	:	-12.4	-12.6	:	n.a.	n.a.	n.a.
Bosnia and Herzegovina	-10.7	-14.0	-6.3	-5.7	-8.6	:	:	-8.6	-9.4	:	n.a.	n.a.	n.a.
Kosovo*	-10.4	-16.3	-10.5	-13.2	-14.5	:	:	:	:	:	n.a.	n.a.	n.a.
Inflation (Consumer price index, annual % change)													
Croatia	2.9	6.1	2.4	1.0	2.3	2.4	2.0	2.4	1.5	:	2.6	3.9	:
The former Yugoslav Republic of Macedonia	2.3	8.3	-0.8	1.6	3.9	2.0	2.5	3.2	2.6	2.3	2.2	2.0	2.1
Iceland	5.1	12.7	12.0	5.4	4.0	5.1	3.9	5.3	6.4	5.8	6.4	5.4	5.4
Montenegro	4.3	7.4	3.4	0.5	3.1	3.9	2.7	3.0	3.2	:	3.1	3.5	:
Serbia	11.0	8.6	6.6	10.3	7.0	5.0	4.8	7.0	3.2	:	2.7	3.9	:
Turkey	8.8	10.4	6.3	8.6	6.5	5.8	6.6	9.2	10.5	9.4	11.1	8.3	8.9
Albania	2.9	3.4	2.3	3.6	3.5	:	:	2.5	1.1	:	1.6	1.9	:
Bosnia and Herzegovina	1.5	7.4	-0.4	2.1	3.7	:	:	3.5	2.4	:	2.3	1.9	:
Kosovo*	4.4	9.4	-2.4	3.5	7.3	:	:	4.1	1.7	:	1.2	1.1	:
General government balance (% of GDP)													
Croatia	-2.5	-1.4	-4.1	-4.9	-5.0f	-5.1	-5.0	:	:	:	n.a.	n.a.	n.a.
The former Yugoslav Republic of Macedonia	0.6	-1.0	-2.7	-2.5	-0.2	-2.5	-2.5	:	:	:	n.a.	n.a.	n.a.
Iceland	5.4	-13.5	-10.0	-10.1	-4.4	-2.8	2.0	-7.0	-1.9	:	n.a.	n.a.	n.a.
Montenegro	6.2	-0.4	-5.7	-4.9	-4.0	-2.6	-1.8	-4.0	-1.2	:	-2.5	:	:
Serbia	-2.0	-2.6	-4.5	-4.7	-5.0	-5.3	-4.8	-4.5	-6.9	:	n.a.	n.a.	n.a.
Turkey	-1.0	-2.2	-5.7	-3.6	-1.4f	-1.6	-1.8	:	:	:	n.a.	n.a.	n.a.
Albania	-3.5	-5.5	-7.0	-3.1	-3.5	:	:	-3.5	-0.7	:	n.a.	n.a.	n.a.
Bosnia and Herzegovina	1.2	-2.2	-4.4	-2.5	-1.2	:	:	:	:	:	n.a.	n.a.	n.a.
Kosovo*	7.1	-0.1	-0.7	-2.6	-1.6	:	:	:	:	:	n.a.	n.a.	n.a.

* 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.

Forecast: ECFIN forecast Autumn 2011

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

CROATIA



Key developments

In addition to Croatia, eleven EU Member States had ratified the treaty on Croatia's accession to the EU by 4 July 2012. The treaty has to be ratified by all 27 Member States before Croatia's planned accession in mid-2013.

As part of the monitoring of Croatia's progress in preparing for accession, the Commission adopted a report in April which concluded that Croatia had reached a considerable degree of alignment with the acquis. Monitoring was continued at the meeting of the EU-Croatia Stabilisation and Association Council in Brussels in June.

Real sector

The contraction of Croatia's economic output deepened in the first quarter of 2012. The GDP growth rate was -1.3% year-on-year and -1.9% in seasonally adjusted quarter-on-quarter terms. The corresponding figures were -0.4% and -1.1% in the fourth quarter of 2011. According to recently revised GDP data, real GDP in the first quarter of 2012 was 13.0% lower than during the pre-recessionary peak in the first quarter of 2008.

Consumer spending fell by 0.3% in real year-on-year terms in the first quarter following a slight gain in 2011 as a whole (0.2%). Government consumption declined by 0.5% compared to a decline of 0.3% in 2011. Fixed investment also continued to fall, albeit at a lower rate (-2.8%) than in 2011 (-7.2%). Export volumes, which had gained 2.0% in 2011, increased by 2.4% in the first quarter. Import volumes, which had increased by 1.2% in 2011, were up by 1.1% year-on-year. In terms of growth contributions, all GDP components exerted a drag on growth except net exports which added 0.3 percentage points.

The available monthly data suggest that the economy has weakened further in the second quarter of 2012. In particular, the retail sales volume, which had been relatively strong in January and February due to the announced

VAT rate increase on 1 March, dropped by 7.3% year-on-year in April. It recovered partially in May, but was still 4.4% lower year-on-year. In foreign trade, the value of exported goods was 9.7% lower year-on-year in April-May while imported goods were down by 1.7%. Following a sharp drop at the beginning of the year, industrial production seems to have stabilised somewhat, but was nevertheless 3.8% lower year-on-year in May. The trend for construction activity was still declining with the index 7.8% lower year-on-year in April data (working-day adjusted).

Labour market

Labour market conditions worsened significantly in the first quarter of 2012 according to the labour force survey. Employment was 5.6% lower year-on-year while the unemployment rate was 2.1 percentage points higher at 16.4%. The unemployment rate would have risen even more if the labour force had not shrunk by 3.2% year-on-year. For the second quarter of 2012, the more timely data on registered unemployment suggest a further deterioration of the labour market. The registered unemployment rate stood at 19.1% in April and at 18.0% in May which is, respectively, 0.9 and 0.5 percentage point higher year-on-year. Despite the very weak labour market conditions, the average nominal gross wage was up by 1.7% year-on-year in the first four months.

External sector

Following a 2.1% downward adjustment of estimated nominal GDP for 2011 by the Croatian Bureau of Statistics in June, last year's current account deficit (in kuna) now corresponds to 0.9% of GDP compared to 1.1% of GDP in 2010. The improvement of the current account was not extended to the first quarter of 2012 when the deficit was 5.3% higher year-on-year. The renewed rise in the overall current account deficit roughly equalled the increase of the deficit in the balance of trade for goods and services. Exports were up by 3.1% year-on-year,

but this was exceeded by a 4.4% increase of imports. The difference to the figures for export and import volumes in the GDP data reflects a worsening of Croatia's terms of trade which is mainly due to significantly higher prices for imported energy. On a rolling four-quarter basis, the current account deficit edged back up to 1.1% of GDP. The capital account of the balance of payments shows that foreign direct investments inflows were negative in the first quarter.

Croatia's total gross external debt of € 45.7 billion at the end of 2011 corresponded to 103.2% of GDP following the GDP revision. Over the first quarter of 2012 this debt increased to € 45.9 billion, but remained unchanged as a share of GDP because of a lower kuna/euro rate. Gross international reserves stood at € 12.1 billion at the end of May (27.2% of GDP), up from € 11.3 billion at the end of March, following a US dollar 1.5 billion bond issue by the government in April.

Monetary developments

Pushed up by rising energy prices, the annual average of the consumer price index had increased by 2.3% in 2011. Early in 2012 headline inflation subsided towards 1%, but then started to rise again following the 2 percentage-point increase of the general VAT-rate to 25% on 1 March. The monthly year-on-year readings of the overall CPI increased to 2.6% in April and further to 3.9% in May. However, underlying inflationary pressures remain subdued.

Reflecting the weakening of the real economy, broad money (M4) declined by 0.6% over the first five months of 2012 following stagnation in the preceding quarter. Due to some expansion in the middle of 2011, broad money was nevertheless still 3.9% higher year-on-year at the end of May. Total assets of Croatian banks were 2.4% higher year-on-year at the end of May. By the same time year-on-year growth of bank lending had fallen to 1.1%. Lending to the private sector had declined, whereas lending to the government sector had grown by 13.6%.

In the foreign exchange market, the kuna trended lower against the euro in April and May, but strengthened again in June. The kuna/euro rate ended the second quarter at 7.51 which was almost unchanged from the end of the first quarter. The central bank intervened directly in the foreign exchange market on 28 May by selling € 266.4 million to support the kuna

against depreciation pressures.

In mid-April the central bank adopted a decision, taking effect in May, to reduce the reserve requirement rate for banks from 15.0% to 13.5%. The liquidity freed up has been channelled to the Croatian development bank (HBOR) as part of a new lending programme for enterprises which generate part of their income in foreign markets.

Financial sector

Domestic banking liquidity continued to be very strong in the first four months of the year and the overnight money market interest rate remained low, averaging 0.6% in April. Bank interest rates, which had trended down in 2011, remained almost unchanged in the first quarter of 2012. The average interest rate on kuna credits declined by 5 basis points in the first quarter to 9.65% in March. The average interest rate on credits indexed to foreign currency remained at 7.20%. The profits of Croatia's banking sector fell by 11.3% year-on-year in the first five months of 2012. The Croatian stock market index more than reversed the gain from the first quarter by falling 7.6% in the second quarter.

Fiscal developments

According to revised preliminary data from the Ministry of Finance, the deficit of general government increased from 5.0% in 2010 to 5.1% of GDP in 2011. This is significantly below the budgeted deficit (5.6% of GDP) mainly because realised public investment expenditure was 0.5 percentage points of GDP below budget. Total expenditures of general government were held unchanged year-on-year in nominal terms as stipulated by the Croatian parliament in August 2010. The stock of general government consolidated gross debt increased from 42.2% of GDP at the end of 2010 to 46.7% at the end of 2011 (excluding outstanding state guarantees and the debt of the Croatian development bank).

The government projects the general government deficit to decline by 1.1% of GDP in 2012. In the first five months the central government fiscal deficit shrank by an amount equal to 0.75% of GDP year-on-year. Revenues increased by 4.5%, not least thanks to the VAT-rate hike. Expenditures were down by 1.1% on lower capital spending, but there is so far no sign of the planned saving on the public wage bill being implemented.

TABLE

European Commission, ECFIN-D-1



CROATIA

		2007	2008	2009	2010	2011	ECFIN Forecast		Q4 11	Q1 12	Q2 12	Apr 12	May 12	Jun 12
							2012	2013						
1 Real sector														
Industrial outlook ^{1.1}	Balance	70.9	38.0	-33.3	3.0	-0.8	:	:	-35.0	-19.0	11.0	N.A.	N.A.	N.A.
Industrial production ^{1.2}	Ann.%ch	5.6	1.6	-9.0	-1.5	-1.3	:	:	0.3	-6.0	:	-9.3	-3.9	:
Gross domestic product ^{1.3}	Ann.%ch	5.1	2.1	-6.9	-1.4	0.0	-1.2	0.8	-0.4	-1.3	:	N.A.	N.A.	N.A.
Private consumption ^{1.4}	Ann.%ch	6.3	1.3	-7.6	-0.9	0.2	-0.6	0.4	0.1	-0.3	:	N.A.	N.A.	N.A.
Gross fixed capital formation ^{1.5}	Ann.%ch	7.1	8.7	-14.2	-15.0	-7.2	-5.0	6.5	-6.0	-2.8	:	N.A.	N.A.	N.A.
Construction index ^{1.6}	Ann.%ch	N.A.	11.8	-6.5	-15.9	-9.1	:	:	-7.5	-12.0	:	-10.0	:	:
Retail sales ^{1.7}	Ann.%ch	N.A.	N.A.	-15.3	-1.8	1.0	:	:	0.8	0.5	:	-7.3	-4.4	:
2 Labour market														
Unemployment ^{2.1}	%	9.6	8.4	9.1	11.8	13.5	13.4	12.7	13.9	16.4	:	N.A.	N.A.	N.A.
Employment ^{2.2}	Ann.%ch	1.8	1.3	-1.9	-4.0	-3.2	-1.3	0.0	-3.2	-5.6	:	N.A.	N.A.	N.A.
Wages ^{2.3}	Ann.%ch	6.2	7.1	2.2	-0.4	1.5	0.9	1.3	1.8	2.1	:	0.2	:	:
3 External sector														
Exports of goods ^{3.1}	Ann.%ch	8.7	4.8	-20.0	17.2	10.1	:	:	-0.2	:	:	-19.8	2.1	:
Imports of goods ^{3.2}	Ann.%ch	11.0	8.9	-25.6	-1.0	9.4	:	:	1.6	:	:	-1.6	-1.8	:
Trade balance* ^{3.3}	%of GDP	-21.8	-22.8	-16.6	-13.3	-14.2	-14.1	-14.7	-14.2	:	:	N.A.	N.A.	N.A.
Exports goods and services ^{3.4}	%of GDP	42.3	42.1	36.6	39.4	41.8	:	:	41.8	42.1	:	N.A.	N.A.	N.A.
Imports goods and services ^{3.5}	%of GDP	49.5	49.8	40.1	39.9	41.9	:	:	41.9	42.3	:	N.A.	N.A.	N.A.
Current account balance* ^{3.6}	%of GDP	-7.2	-8.8	-4.9	-1.1	-0.9	-1.3	-2.1	-0.8	:	:	N.A.	N.A.	N.A.
Direct investment (FDI, net)* ^{3.7}	%of GDP	7.9	6.7	3.4	0.9	2.3	:	:	2.3	:	:	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	:	:	11 194.9	11 340.1	:	12 461.9	12 106.1	:
Int. reserves / months imp ^{3.9}	Ratio	5.9	5.3	8.2	8.5	8.3	:	:	8.3	8.3	:	9.2	8.9	:
4 Monetary Developments														
CPI ^{4.1}	Ann.%ch	2.9	6.1	2.4	1.0	2.3	2.4	2.0	2.4	1.5	:	2.6	3.9	:
Producer prices ^{4.2}	Ann.%ch	:	:	-0.4	4.3	7.1	:	:	6.3	5.6	:	5.2	5.3	:
Food prices ^{4.3}	Ann.%ch	3.4	10.0	1.7	-1.5	3.5	:	:	4.1	2.2	:	3.2	2.6	:
M4 ^{4.4}	Ann.%ch	17.9	10.9	1.6	2.7	3.7	:	:	3.8	2.4	:	3.4	3.9	:
Exchange rate HRK/EUR ^{4.5}	Value	7.33	7.22	7.34	7.29	7.43	:	:	7.49	7.55	7.52	7.49	7.53	7.54
Nominal eff. exchange rate ^{4.6}	Index	98.0	96.1	97.2	98.2	100.2	:	:	101.08	102.56	:	101.71	:	:
5 Financial indicators														
Interest rate (3 months) ^{5.1}	%p.a.	5.66	7.19	8.96	2.44	3.14	:	:	5.18	5.14	2.91	3.49	2.66	2.59
Bond yield ^{5.2}	%p.a.	N.A.	5.9	6.4	5.8	5.7	:	:	6.2	6.9	6.2	6.4	6.2	6.1
Stock markets ^{5.3}	Index	4 673	3 299	1 871	1 990	2 079	:	:	1 774	1 783	1 721	1 801	1 668	1 694
Credit growth ^{5.4}	Ann.%ch	19.4	11.6	5.0	2.9	6.5	:	:	5.7	5.5	:	3.5	N.A.	:
Deposit growth ^{5.5}	Ann.%ch	27.2	7.4	-15.2	-19.8	7.3	:	:	17.3	15.2	:	14.8	12.8	:
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	-5.0f	-5.1	-5.0	:	:	:	N.A.	N.A.	N.A.
General government debt ^{6.2}	%of GDP	32.9	28.9	35.2	41.2	45.7f	51.3	57.1	:	:	:	N.A.	N.A.	N.A.

f: ECFIN forecast Spring 2012

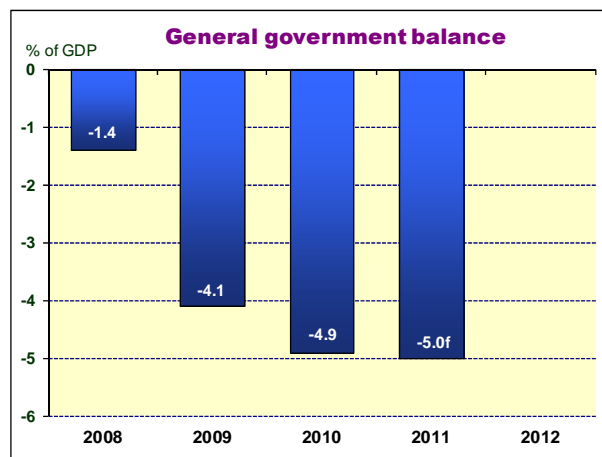
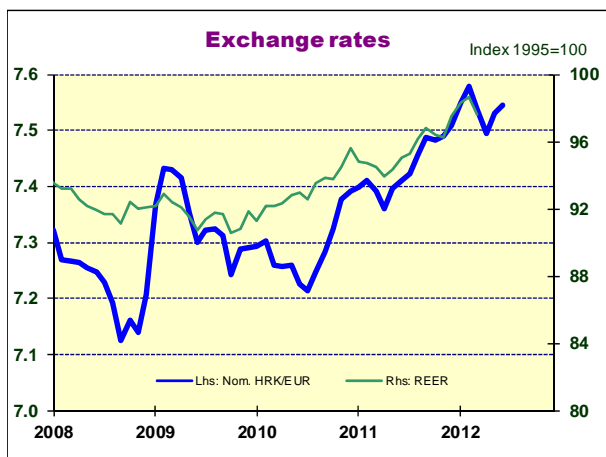
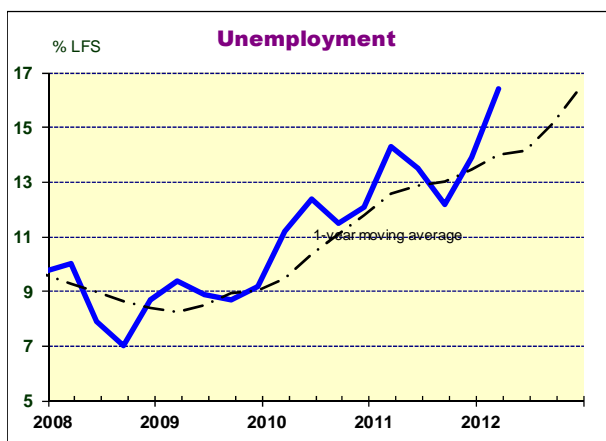
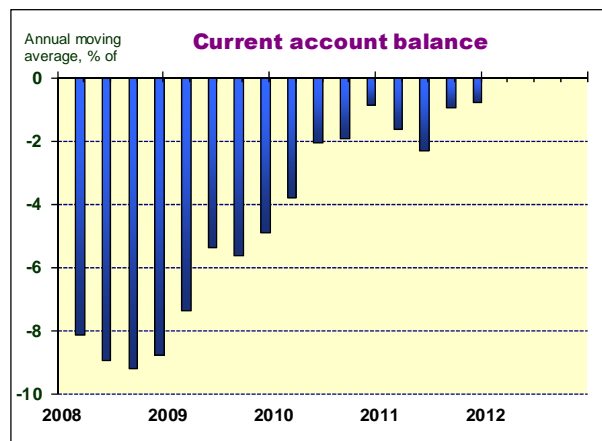
* Q figures refer to a 4 quarters moving average.

CHARTS



European Commission, ECFIN-D-1

CROATIA



THE FORMER YUGOSLAV REPUBLIC OF MACEDONIA



Key developments

On 6 June, the Parliament approved a budget revision, reducing expected revenues and spending by some 4½% compared to the initial budget for 2012. The deficit target is slightly lower in absolute terms, but remains at 2.5% in relation to GDP.

The Ministry of Finance announced it will further increase financial cooperation with the World Bank, in particular in the area of infrastructure investment. Currently the authorities prepare an additional World Bank loan, amounting to about ½% of GDP to support infrastructure investment of municipalities.

Real sector

Output growth continued to decelerate from 0.7% year-on-year in the fourth quarter of 2011 to a decline of 1.4% year-on-year in the first quarter of 2012. However, the output level the year before had been rather high. The main factor for the decline was markedly lower investment, dropping by 19% year-on-year in the first quarter. Private consumption increased by 0.7% while exports and imports shrank, by 1.6% and 2.9%, year-on-year, respectively.

Industrial production remained weak during the first 5 months of the year, being some 7½% lower than a year before. This decline is mainly due to lower output in export oriented industries, such as wearing apparel, basic metals, but also energy production.

Labour market

The labour market situation continued to deteriorate in the first quarter, with a decline in employment by 1% year-on-year, while according to LFS, the number of unemployed rose by also about 1%. This resulted in an increase in the unemployment rate to 31.6% of the labour force, compared to 31.2% in the same quarter the year before. In the industrial sector,

employment declined in the first five months of 2012 by 1.6%. Youth unemployment (age bracket 15-24 years) continued to increase, from 52.5% in the first quarter of 2011 to 55.9% in the first quarter of 2012. This age group accounts for about 10% of the labour force, but for some 18% of total unemployed.

Nominal wage growth remains below inflation. In the first quarter, nominal wages rose by 0.8%, compared to the annual average of 1.2% in 2011. This translated into a real wage decline by 1.8% in the first quarter of 2011.

External sector

In the first four months of 2012, the current account deficit continued to diminish, to about 2¼% of the projected annual GDP, compared to 3¼% the year before. For the whole year of 2011, the current account deficit was 2.8% of GDP. The main factors for the recent improvement were a slightly smaller trade deficit, reflecting low imports, and a continuously high 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% of GDP higher than a year before. In the first 4 months of 2012, FDI remained weak, accounting for some 1¼% of GDP only, compared to 7¼% of GDP in the same period the year before. In the year 2011 as whole, FDI inflows amounted to 4.1% of GDP.

By May, foreign exchange reserves largely remained at their end-2011 level of around EUR 2.3 bn, equivalent to some 30% of GDP. As a result of decelerating imports, the coverage of foreign reserves is at 5¾ months of realised imports.

Gross external debt stood at 65% of GDP by end-March 2012, compared to 60% the year before.

Monetary developments

In the first six months of 2012, inflation continued to decelerate, with consumer prices rising by 2.1% year-on-year in June. In the first half year, average inflation dropped to 2.3%, compared to 4.4% in the same period a year before. The deceleration of inflation has been largely driven by food prices, while price increases for energy and housing were still at 6% and 9%, respectively.

Year-on-year growth of M4 continues to decelerate. In the first five months, it dropped to 8%, compared to an increase by 13% in the year before.

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 continued to decline in May, albeit marginally, to 8.5%. Interest rates on deposits declined slightly faster, reaching 5.1% in May 2012. As a result, the spread between lending and borrowing rates thus has slightly increased, to 3.4 percentage points. The overall credit-to-GDP level is still relatively low at some 50% of GDP.

The ratio of non-performing loans (NPLs) to total loans increased slightly for the banking sector as a whole, from 9.4% end-March 2011 to 10.2% end-March 2012. However, in the sector of small banks, the NPL ratio deteriorated significantly, from 15.5% end-March 2011 to 21.1% end of March 2012. In the group of large banks this ratio increased from 8.6% to 10.0%, while in the sector of medium-sized banks, the share of NPLs dropped, from 10.5% end-March 2011 to 9.0% end-March 2012. Profitability of the sector as a whole deteriorated in the first quarter of 2012, with slightly negative returns-on-assets and equity. For large and medium-sized banks, the return on assets was close to zero, while small-sized companies registered losses, of about 3.8% with respect to assets and of 18% with respect to equity.

In line with international developments, the stock market registered losses in the first half of 2012. End of June, the stock market index was some 28% lower than a year before. The total market capitalisation currently amounts to some 25% of GDP.

Fiscal developments

During the first five months of the year, central government real revenues were 4% lower than the year before, while real total expenditures were 5.7% lower than in the same period the year before. The main reason for the lower revenues are markedly weaker tax revenues, while the lower spending is mainly the result of a drop in investment spending, which was some 13% lower than a year before. In January-May, the deficit is some 18% lower than a year before and so far in line with the 2.5% deficit target for 2012.

By end-April, central government debt was 27% of the projected full-year GDP. About three quarters of total central government debt is financed via external sources, in particular through lending from International Financial Institutions (IFIs).

TABLE



European Commission, ECFIN-D-1

The former Yugoslav Republic of Macedonia

		2007	2008	2009	2010	2011	ECFIN Forecast		Q4 11	Q1 12	Q2 12	Apr 12	May 12	Jun 12
							2012	2013						
1 Real sector														
Industrial confidence ^{1.1}	Balance	7.0	6.8	-13.7	-9.6	18.4	:	:	17.8	18.4	:	17.7	14.8	:
Industrial production ^{1.2}	Ann. %ch	4.3	5.6	-8.4	-4.6	4.0	:	:	-4.6	-8.4	:	-7.2	-5.4	:
Gross domestic product ^{1.3}	Ann. %ch	6.2	5.1	-1.0	2.8	3.3	1.7	2.5	0.7	-1.4	:	N.A.	N.A.	N.A.
Private consumption ^{1.4}	Ann. %ch	9.8	8.1	-4.8	2.3	7.4	2.0	3.0	3.9	2.0	:	N.A.	N.A.	N.A.
Gross fixed capital formation ^{1.5}	Ann. %ch	13.3	16.5	0.5	1.8	6.0f	8.0	11.0	:	:	:	N.A.	N.A.	N.A.
Construction ^{1.6}	Ann. %ch	18.5	-2.8	5.3	11.7	21.9	:	:	17.5	-8.4	:	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	31.0	30.5	31.8	31.6	:	N.A.	N.A.	N.A.
Employment ^{2.2}	Ann. %ch	3.5	3.2	3.4	1.3	1.1	0.6	1.5	-3.1	-0.9	:	N.A.	N.A.	N.A.
Wages ^{2.3}	Ann. %ch	4.8	8.7	14.1	1.0	1.2	3.6	5.0	0.6	0.8	:	0.9	:	:
3 External sector														
Exports of goods ^{3.1}	Ann. %ch	29.2	8.9	-28.2	29.0	27.5	:	:	16.2	-0.9	:	-21.0	:	:
Imports of goods ^{3.2}	Ann. %ch	25.3	21.9	-21.6	13.4	22.7	:	:	8.2	-4.8	:	-4.1	:	:
Trade balance* ^{3.3}	% of GDP	-19.8	-26.2	-23.3	-20.8	-22.3	-23.0	-23.4	-22.3	-21.6	:	N.A.	N.A.	N.A.
Exports goods and services ^{3.4}	% of GDP	52.4	50.9	39.0	46.6	54.4	:	:	54.4	53.8	:	N.A.	N.A.	N.A.
Imports goods and services ^{3.5}	% of GDP	70.8	76.2	60.6	65.3	73.8	:	:	73.8	72.9	:	N.A.	N.A.	N.A.
Current account balance* ^{3.6}	% of GDP	-7.1	-12.8	-6.8	-2.2	-2.7	-3.0	-3.7	-2.7	-1.5	:	N.A.	N.A.	N.A.
Direct investment (FDI, net)* ^{3.7}	% of GDP	8.5	6.1	2.0	2.2	4.0	:	:	4.0	2.2	:	N.A.	N.A.	N.A.
International reserves ^{3.8}	mio EUR	1551.2	1496.9	1598.7	1715.3	2302.3	:	:	2302.3	2365.1	:	2314.6	2289.3	:
Int. reserves / months imp ^{3.9}	Ratio	5.1	4.0	5.5	5.2	5.7	:	:	5.7	5.9	:	5.8	5.8	:
4 Monetary developments														
CPI ^{4.1}	Ann. %ch	2.3	8.3	-0.8	1.6	3.9	2.0	2.5	3.2	2.6	2.3	2.2	2.0	2.1
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	:	:	4.5	1.3	:	0.0	-0.2	:
Monetary aggregate M4 ^{4.4}	Ann. %ch	28.9	21.3	3.5	12.1	10.5	:	:	9.5	9.8	:	9.3	8.0	:
Exchange rate MKD/EUR ^{4.5}	Value	61.18	61.26	61.28	61.51	61.53	:	:	61.51	61.50	:	61.54	61.63	:
Nominal eff. exchange rate ^{4.6}	Index	99.6	100.6	106.6	106.0	106.9	:	:	107.7	:	:	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	8.7	:	8.6	8.5	:
Stock markets ^{5.3}	Index	6 971	5 149	2 497	2 472	2 407	:	:	2 064	2 026	1 950	1 981	1 951	1 917
Credit Growth ^{5.4}	Ann. %ch	35.0	40.3	14.2	5.4	8.1	:	:	8.5	8.4	:	8.5	8.0	:
Deposit growth ^{5.5}	Ann. %ch	31.4	23.5	4.6	13.0	10.9	:	:	9.4	9.4	:	9.3	8.0	:
Non-performing loans ^{5.6}	% total	7.5	6.7	8.9	9.0	9.5	:	:	9.5	9.9	:	N.A.	N.A.	N.A.
6 Fiscal developments														
General government balance ^{6.1}	% of GDP	0.6	-1.0	-2.7	-2.5	-0.2	-2.5	-2.5	:	:	:	N.A.	N.A.	N.A.
General government debt ^{6.2}	% of GDP	24.0	20.6	23.9	24.6	28.2	34.0	38.0	:	:	:	N.A.	N.A.	N.A.

f: ECFIN forecast Spring 2012

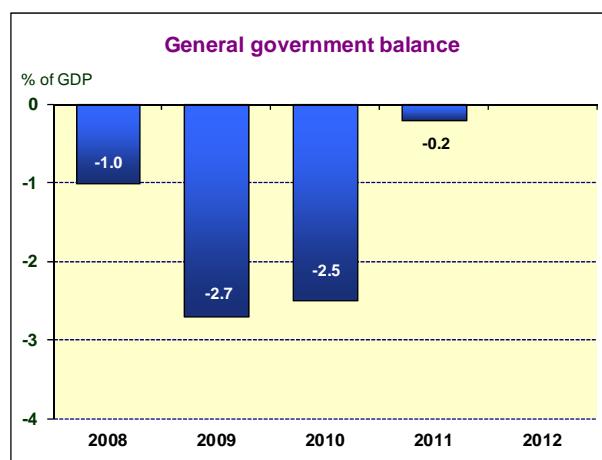
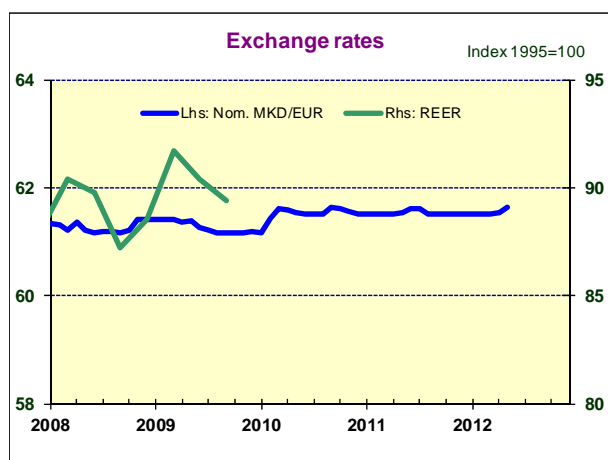
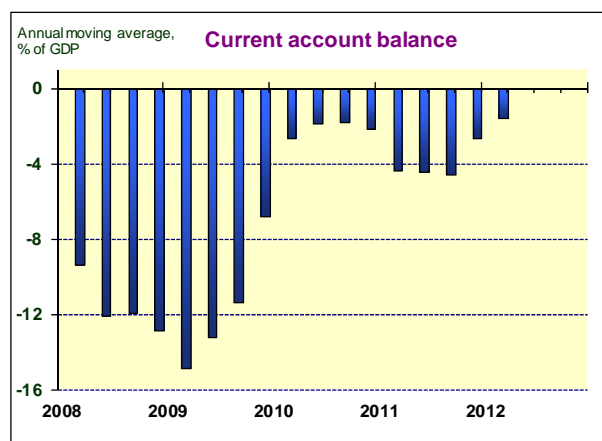
* Q figures refer to a 4 quarters moving average.

CHARTS

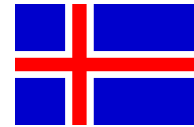


European Commission, ECFIN-D-1

The former Yugoslav Republic of Macedonia



ICELAND



Key developments

On 3rd May, Iceland issued a USD 1 billion international bond to foreign investors at a yield of 6%. This was the second time since the crisis that the country successfully tapped international markets after a first bond issue in mid-2011.

On 18 June, Iceland prepaid ISK 171 billion in loans taken from the IMF and Nordic countries, in addition to the ISK 116 billion already prepaid in March. Altogether, some 52% of the initial loans (around EUR 3.5 billion) have been reimbursed so far.

On 9 Mai and 20 June, the Central Bank of Iceland held two auctions to purchase off-shore ISK holdings (in an amount of ISK 16.6 billion) and to subsequently offer them to investor willing to buy long-term government bonds or other assets. These two auctions took place in the context of the government's capital account liberalisation strategy. Since mid-2011 when the auctions started, off-shore holdings have been reduced by a total of around ISK 65 billion, or around 10% of the estimated initial stock.

Real sector

Following stronger than expected growth of 3.1% in 2011, the economic recovery continued in the first quarter of 2012, when Iceland recorded the highest annual growth rate since 2008. Real GDP growth accelerated to 4.5% year-on-year, driven by strong domestic demand. The growth of private consumption rose to 4.2% and investments recorded a plus of 9.3%, mainly due to private sector activities while public investments contracted by 14%. Exports grew more strongly (4.2%) than imports (3%), reversing the trend observed in 2011. Compared to the last quarter of 2011, real GDP grew by a still robust 2.4% in seasonally adjusted terms, but real activity was mainly driven by stock-building whereas private and public consumption growth was weak (0.3% and 0.4%, respectively) and investment spending declined by close to 19%. High-frequency indicators for the second quarter present a mixed picture. Statistics on credit/ payment card turnover and on retail trade suggest relatively

buoyant domestic demand through May, and consumer sentiment has risen since March. Moreover, tourism performance during Spring has been exceptionally good. On the other hand, industrial production recorded a very low growth of 0.4% year-on-year in April and downbeat sentiments prevail among the business community.

Labour market

Labour market conditions have somewhat improved, but unemployment remains high for Icelandic standards. The jobless rate stood at 7.2% (LFS) in the first quarter of 2012, down from 7.8% in the same quarter of the previous year. The level of total employment rose by 0.7% year-on-year. Data on registered unemployment confirm a trend of lower unemployment. The registered rate fell to 5.6% in May, the lowest rate since December 2008, and the average unemployment rate in the first five months of the year stood at 6.7%, compared to 8.2% a year before. At the same time, the high and increasing rate of long-term unemployment (27%) remains a particular concern. Also, the youth unemployment rate as a share of total unemployment remained at an elevated level of nearly 35%.

Wage pressures continued to be strong in early 2012 since average wage growth accelerated to around 11% in the first five months, which compares to a growth rate of 4.5% during the same period of the preceding year. In real terms, average wages rose by around 5%, compared to 2% a year before.

External sector

External trade developments point to a narrowing surplus in trade with goods and services, primarily due to stronger merchandise imports. The surplus fell from around 8.2% in 2011 to 7.3% in the four quarters to March 2012. However, thanks to a significantly lower deficit of the net factor income balance, the current account deficit remained practically unchanged at 6.9% in the four quarters to March 2012. Reported current account balances remain highly influenced by accrued interest of banks in winding-up proceedings which do not reflect

any current (or future) outflow of funds. Corrected for these factors, the current account recorded a much lower deficit of 1% of GDP in 2011, which fell slightly to 0.8% in the four quarters to March 2012, according to central bank's estimates. Merchandise trade data for April and May reveal that the combined trade surplus for these two months decreased by 6.7% year-on-year. This was primarily due to weaker manufacturing exports and strong growth of imports in May mostly due to a large one-off transaction recorded in that month (import of a ship).

Financial account developments in the first quarter of 2012 were marked by pre-payments on outstanding loans granted by the IMF and Nordic countries, which led to a temporary fall in gross foreign reserves, from 64.4% of GDP at end-2011 to 56.1% at end-March. At the same time, the high stock of external debt continues to represent a key challenge to the Icelandic economy. Official debt statistics report the stock of gross foreign debt at around 840% of GDP at end-March 2012. However, corrected for foreign debt of banks (and holding companies) in winding up proceedings, the central bank estimates the external debt stock at around 220% of GDP and Iceland's net international investment position at a negative 52% of GDP. This compares favourably with a pre-crisis external debt of around 570% of GDP.

Monetary developments

A weaker exchange rate, rising oil, house and food prices and higher wages led annual inflation to rise markedly to 5.3% by end-2011, exceeding the upper band of the inflation target (2.5%+1.5ppt). Inflation accelerated further in the first four months of 2012, before price pressures eased somewhat in May and June. In reaction to rising inflation, monetary policy has been gradually tightened and the key policy rate (7 day collateralised lending rate) has been increased in successive steps to 5.75% in June. Since the outbreak of the crisis, exchange rate stabilisation remained an additional objective of monetary policy, supported by a regime of capital controls. The average exchange rate in 2011 remained practically unchanged from 2010, but the króna started to weaken in early 2012 in line with the usual seasonal patterns and driven by the decision of some large domestic firms to pay down foreign-denominated debt. In reaction to unusually strong foreign exchange outflows, the Central Bank of Iceland intervened in the foreign exchange market for the first time since 2009, selling a total of EUR 12 million in March. The króna lost some 6.5% of its value

vis-à-vis the euro in the first quarter of 2012, but fully compensated for these losses during May and June, a period usually marked by currency appreciation due to tourism related inflows.

Financial sector

There has been progress with the restructuring of the financial sector, but banks' balance sheets remain still impaired and lending has only recently started to recover. After domestic credit had recorded a negative growth rate in 2011 (-1.6%), credit growth turned positive and accelerated to 5.9% in the first quarter and further to 7.3% in May. Also bank deposits have seen a stronger growth of 7% year-on-year in the same month. Banks were able to improve their financial results and the capital adequacy ratio of the three biggest banks is reported at 21.7% at end-2011, up from 19.3% a year before, and 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 remain exceptionally high, at 31% of total loans at end-March 2012, but the level of provisioning appears solid.

Fiscal developments

The 2011 fiscal deficit was reported at 4.4% of GDP, one percentage point higher than initially targeted, but still much below the 2010 outcome of a 10% of GDP deficit. The 2012 budget framework targets a further reduction of the general government deficit to 1.4% of GDP. It includes new consolidation measures amounting to around 1.7% of GDP with most of the adjustment on the revenue side (1.2% of GDP). This includes various tax enhancing measures (ISK 11.7 billion) as well as additional revenues from asset sales and dividends (ISK 9 billion). Expenditure restraint measures in 2012 are projected at 0.5% of GDP or ISK 8.1 billion, mainly encompassing cuts in current expenditure and transfers. Fiscal performance during the first quarter of 2012 was marked by a solid 11% year-on-year rise in general government revenues, the strongest increase recorded since 2007. Buoyant revenues resulted mainly from higher intake from income taxes and – to a lesser extent – from taxes on goods and services. However, also total spending rose strongly, by around 8%, driven by higher outlays for all main components of current spending (wages, debt service, social transfers purchases of goods and services), while investment spending declined by close to 6% year-on-year. The deficit in the first quarter fell to 1.9% of quarterly GDP (or 0.5% of projected annual GDP), compared to 3.1% in the first quarter of the previous year.

TABLE



European Commission, ECFIN-D-1

ICELAND

		2007	2008	2009	2010	2011	ECFIN Forecast		Q4 11	Q1 12	Q2 12	Apr 12	May 12	Jun 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	:	:	-0.3	1.0	:	0.5	:	:
Gross domestic product ^{1.3}	Ann.%ch	6.0	1.3	-6.8	-4.0	3.1	2.1	2.4	2.7	4.5	:	N.A.	N.A.	N.A.
Private consumption ^{1.4}	Ann.%ch	5.7	-7.9	-14.9	-0.4	4.0	2.3	2.1	3.9	4.2	:	N.A.	N.A.	N.A.
Gross fixed capital formation ^{1.5}	Ann.%ch	-12.2	-20.0	-51.6	-8.1	13.4	10.8	10.1	32.6	9.3	:	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	:	:	:	:	:	:	N.A.	N.A.	N.A.
2 Labour market														
Unemployment ^{2.1}	%	2.3	3.0	7.2	7.5	7.1	6.4	6.0	6.0	7.2	:	N.A.	N.A.	N.A.
Employment ^{2.2}	Ann.%ch	4.5	0.7	-6.1	-0.3	0.0	0.5	0.5	-0.3	0.7	:	N.A.	N.A.	N.A.
Wages ^{2.3}	Ann.%ch	9.0	8.1	3.9	4.8	6.8	7.3	6.1	9.0	10.8	:	11.9	11.0	:
3 External sector														
Exports of goods ^{3.1}	Ann.%ch	25.7	52.6	7.3	12.0	10.5	:	:	9.6	8.4	:	24.6	-0.2	:
Imports of goods ^{3.2}	Ann.%ch	-1.5	20.2	-13.3	7.4	18.6	:	:	26.3	19.7	:	9.9	13.5	:
Trade balance* ^{3.3}	% of GDP	-6.7	-0.4	6.0	7.8	6.0	5.4	5.0	6.0	5.2	:	N.A.	N.A.	N.A.
Exports goods and services ^{3.4}	% of GDP	34.6	44.4	52.7	56.1	58.4	:	:	58.4	58.2	:	N.A.	N.A.	N.A.
Imports goods and services ^{3.5}	% of GDP	45.3	47.1	44.3	46.1	50.2	:	:	50.2	50.4	:	N.A.	N.A.	N.A.
Current account balance* ^{3.6}	% of GDP	-15.7	-24.5	-11.7	-8.1	-6.8	-5.6	-4.4	-6.8	-6.9	:	N.A.	N.A.	N.A.
Direct investment (FDI, net)* ^{3.7}	% of GDP	-16.5	30.4	-18.2	20.7	7.4	:	:	7.4	20.9	:	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	:	:	6 592.8	5 859.2	:	5 651.5	6 541.8	:
Int. reserves / months Imp ^{3.9}	Ratio	4.7	8.0	13.4	19.1	24.4	:	:	24.4	20.9	:	20.1	22.9	:
4 Monetary developments														
CPI ^{4.1}	Ann.%ch	5.1	12.7	12.0	5.4	4.0	5.1	3.9	5.3	6.4	5.8	6.4	5.4	5.4
Producer prices ^{4.2}	Ann.%ch	1.8	31.0	11.3	11.8	9.2	:	:	9.2	5.7	:	5.3	1.0	:
Food prices ^{4.3}	Ann.%ch	-1.1	16.0	17.5	4.2	3.8	:	:	5.7	5.8	6.9	7.6	6.6	6.5
M3 ^{4.4}	Ann.%ch	36.2	41.2	15.7	-6.6	-2.2	:	:	6.0	7.6	:	5.9	7.1	:
Exchange rate ISK/EUR ^{4.5}	Value	87.66	127.58	172.15	161.62	161.20	:	:	158.84	163.15	162.89	166.72	162.47	159.48
Nominal eff. exchange rate ^{4.6}	Index	186.4	135.2	98.1	100.0	100.0	:	:	100.9	96.9	:	94.8	96.7	:
5 Financial indicators														
Interest rate (3 months) ^{5.1}	%p.a.	14.28	15.84	11.28	6.79	4.26	:	:	4.71	4.82	5.38	5.10	5.40	5.66
Bond yield ^{5.2}	%p.a.	N.A.	11.00	8.15	5.38	5.23	:	:	4.84	5.07	5.49	5.59	5.69	5.18
Stock markets ^{5.3}	Index	7 017	3 510	465	563	602	:	:	575	620	678	671	687	676
Credith grow th ^{5.4}	Ann.%ch	27.3	-34.0	-8.5	-3.2	-1.8	:	:	0.7	5.9	:	6.4	7.3	:
Deposit grow th ^{5.5}	Ann.%ch	36.6	31.5	-1.3	-7.0	-2.7	:	:	5.7	7.5	:	5.8	7.0	:
Non-performing loans ^{5.6}	%total	N.A.	N.A.	N.A.	N.A.	N.A.	:	:	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
6 Fiscal developments														
General government balance ^{6.1}	% of GDP	5.4	-13.5	-10.0	-10.1	-4.4	-2.8	2.0	-7.0	-1.9	:	N.A.	N.A.	N.A.
General government debt ^{6.2}	% of GDP	28.6	70.4	106.8	124.5	98.8f	91.7	88.3	:	:	:	N.A.	N.A.	N.A.

f: ECFIN forecast Spring 2012

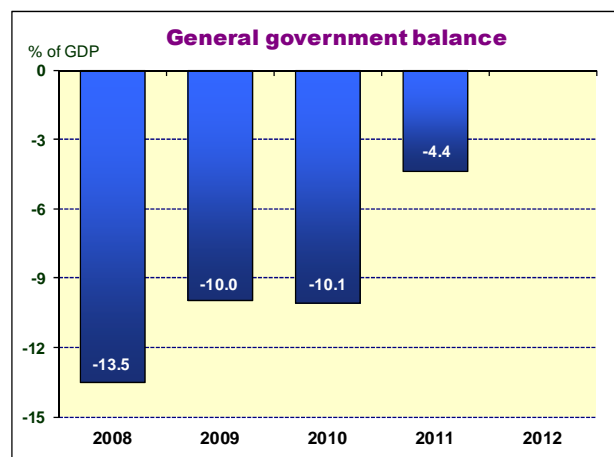
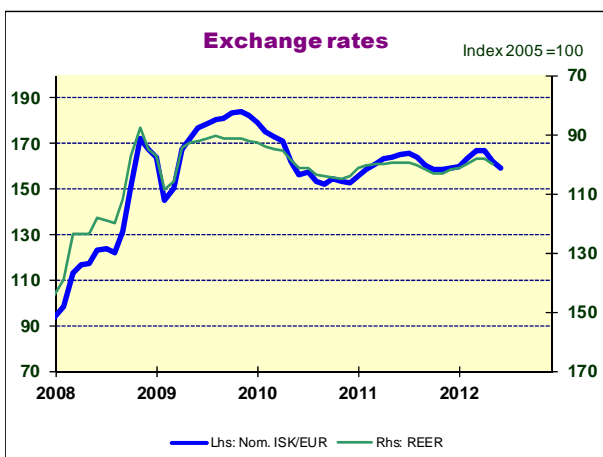
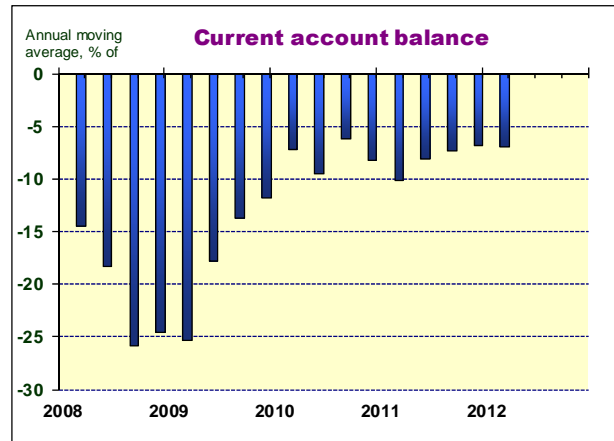
* Q figures refer to a 4 quarters moving average.

CHARTS

European Commission, ECFIN-D-1



ICELAND





Key developments

On 29 June the European Council endorsed the decision taken by the General Affairs Council to formally open accession negotiations with Montenegro.

While Moody's credit rating agency had confirmed in May 2012 Montenegro's Ba3 grade and stable long-term outlook, Standard & Poor's lowered in June the rating of the country from BB to BB-, upgrading at the same time the outlook from negative to stable. The report stresses the weakening external environment, anaemic credit growth, large private sector debt overhang and delays on supply-side reforms despite some progress on structural ones.

In June, the government announced the tender for the privatisation of the port of Bar's container and general cargo terminal.

Real sector

Following a contraction of industrial output by 4% year-on-year in the first quarter, it rebounded strongly in April, by 21%, and continued to expand by 3.6% in May, leading to an average contraction of 5.3% in the first five months of 2012. In April, industrial output was driven by a 33% surge in manufacturing and the recovery of positive growth (12%) in utilities after 15 months of continuous contraction. In May, output benefited from higher production in utilities and manufacturing, which expanded by 19.4% and 3.6% year-on-year respectively, while mining output (accounting for 4% of total industrial production) dropped by 71%. Within manufacturing, basic metals production rose by 15% year-on-year in May, and pharmaceuticals by 19.3%. However, other industrial sectors recorded declines.

The value of finalized construction works amounted to EUR 42 million, or 1.2% of annual GDP, in the first quarter of 2012, increasing by 1.6% compared to the first quarter of 2011.

Retail trade recorded a continued expansion in 2012. After, growing by nominal 14.6% year-on-year in the first quarter of 2012, retail sales sustained a fast pace in April and May, growing by 18.6% and 9.8% year-on-year respectively.

Labour market

According to the labour force survey (LFS) the unemployment rate declined to 20.8% in the first quarter of 2012, compared to 21.3% a year earlier. Moreover, the employment rate increased to 45.2%, compared to 43.7% a year before. The registered unemployment rate decreased to 12.7% in June 2012, down from 12.9% a year earlier, while the number of workers registered in the Employment Agency increased by 1.8% year-on-year in the first five months of 2012. In the first half of the year 10,270 work permits to foreign workers as well as 9,700 new work contracts were recorded.

In May 2012 the average gross wage increased by 1.8% year-on-year, a rate similar to that of the average monthly net salary (1.7%). Net wages averaged EUR 487; the real estate and mining sectors recorded the fastest increase. In the first five months of 2012, the average gross wage increase by 0.4% in nominal terms, compared to 4.6% growth a year earlier. The moderation in wage dynamics reflects the contraction of salaries in utilities, agriculture, professional and administrative activities as well as the moderation (1%) in public administration wages.

External sector

In the four quarters to March 2012 the current account deficit expanded to 20% of GDP, from 19.4% in 2011. The decline was a consequence of the sharp drop of exports, notwithstanding the surpluses recorded on the services, income and current transfers' balances. In the first five months of 2012, exports contracted by a cumulative 16.7% year-on-year, while imports grew by 5.6%. As a result, the trade deficit widened to 16% of annual GDP compared to 14% a year earlier.

In the four quarters to March 2012, net FDI inflows decreased to 9.9% of GDP, a sharp decline compared to 16.8% in 2011. Contraction was recorded on investments in companies and intercompany debt, falling by 58% and 42% year-on-year respectively. By contrast, net inflows into real estate grew by 60%. In April, the inflow of net FDI continued to fall by 45%

year-on-year, compared to 53% drop in the previous month.

Monetary developments

The consumer price index increased in May, bringing the inflation rate to 3.5% year-on-year from 3.1% a month earlier. On a monthly basis, the highest increases were recorded in transport, due to the increase of fuels and lubricants, and in food prices, due to the introduction in April of a new excise on carbonated drinks.

The level of foreign exchange reserves dropped by 25% year-on-year in May, totalling EUR 316 million, or 9% of GDP, compared to 13% a year earlier. Foreign exchange reserves represented the equivalent of two months of imports.

Financial sector

The weighted average effective interest rate on loans decreased marginally to 9.57% in May 2012, compared to 9.66% a year earlier. By contrast, the weighted average interest rate remained practically unchanged at around 3.1%.

Bank deposits increased by an annual 1.4% in May, after rising marginally by 0.5% year-on-year in the first quarter and 0.4% in April. By categories, households and non-financial institutions expanded their savings by 6.9% and 5.4% year-on-year respectively. However, foreign companies (which accounts for 2.4% of total deposits) decreased their deposits by almost 15%. Credit activity remains extremely weak, growing by mere 0.4% in the first five months of 2012. However, credit still recorded yearly negative growth rates of some 6% in March, April and May. Total loans to the economy represented 58% of GDP at the end of May, compared to 64% a year earlier.

Credit quality improved as the ratio of non-performing loans fell to 14.7% of total loans in the first quarter of 2012 compared to 23.2% a year before. Banks' capital increased marginally by 0.3% year-on-year in the first quarter of 2012. As a result, the aggregated capital adequacy ratio of the sector increased to 15.9%. The banks' return on assets as well as on equity remained negative at -0.9% and -9% respectively. Banks recorded negative financial results of EUR 6.6 million in the first quarter of 2012 compared to EUR 17.5 million loss a year earlier.

In May 2012, market capitalisation on

Montenegro stock exchange dropped by 9% and the total turnover fell by 81% year-on-year. The MONEX20 index dropped by 26% compared to the same period a year before. The most traded stocks during the month were Crnogorski Telekom, Jugopetrol and Port operator KTGT.

Fiscal developments

Revenue shortfalls in the first quarter of 2012 resulted in a budget deficit of 1.2% of GDP. In April, the call of a state guarantee on a loan to the aluminium plant, worth 1% of GDP, further deteriorated the general government deficit to 2.5% of GDP, compelling the government to adopt a budget rebalance in May. The revised budget foresees additional expenditure cuts of 0.3% of GDP and increases of several fees expected to increase revenues by 0.7% of GDP. The new budget revised the deficit target upwards to 2.3% of GDP by the end of the year, instead of the originally planned 1.3%.

Public debt surged almost 20% year-on-year to 45% of GDP in the first quarter of 2012. External debt, which accounts for 72% of total public debt, rose by 23% year-on-year, while domestic indebtedness increased by 11%. At the end of April the public debt further expanded to 48% of GDP. In June the Central Bank sold 182-day Treasury bills for a total of EUR 18.5 million. The weighted average interest rate was 4.72%, compared to 2.41% average in 2011.

TABLE

European Commission, ECFIN-D-1



MONTENEGRO

							ECFIN Forecast							
		2007	2008	2009	2010	2011	2012	2013	Q4 11	Q1 12	Q2 12	Apr 12	May 12	Jun 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	-20.3	-24.6	45.7	-37.1	:	:	-37.1	-4.1	:	20.8	3.6	:
Gross domestic product ^{1.3}	Ann. %ch	10.7	6.9	-5.7	2.5	2.8f	0.4	2.0	:	:	:	N.A.	N.A.	N.A.
Private consumption ^{1.4}	Ann. %ch	:	:	-7.7	4.2	2.6f	0.6	1.6	:	:	:	N.A.	N.A.	N.A.
Gross fixed capital formation ^{1.5}	Ann. %ch	:	:	-25.3	-21.2	-6.5f	0.2	1.7	:	:	:	N.A.	N.A.	N.A.
Construction index ^{1.6}	Ann. %ch	-3.2	45.7	-21.5	13.1	10.7	:	:	-2.6	1.6	:	N.A.	N.A.	N.A.
Retail sales ^{1.7}	Ann. %ch	N.A.	N.A.	N.A.	N.A.	N.A.	:	:	:	14.6	:	18.6	9.8	:
2 Labour market														
Unemployment ^{2.1}	%	11.9	10.8	11.4	12.2	13.2	:	:	13.2	13.6	12.7	13.5	13.0	12.7
Employment ^{2.2}	Ann. %ch	3.7	6.3	4.8	-7.1	0.8	0.2	1.5	3.2	2.3	:	2.6	1.8	:
Wages ^{2.3}	Ann. %ch	14.2	22.8	5.7	11.0	1.0	0.6	2.1	-1.9	-1.1	:	4.0	1.8	:
3 External sector														
Exports of goods ^{3.1}	Ann. %ch	4.6	-6.8	-34.2	20.3	33.6	:	:	18.8	-22.9	:	-13.7	4.0	:
Imports of goods ^{3.2}	Ann. %ch	42.0	22.1	-34.6	0.9	9.2	:	:	6.3	6.3	:	3.2	5.5	:
Trade balance* ^{3.3}	%of GDP	-57.6	-65.6	-44.3	-41.1	-39.9	-40.1	-39.0	-39.9	-41.0	:	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	-19.4	-20.5	-20.2	-19.4	-20.1	:	N.A.	N.A.	N.A.
Direct investment (FDI, net)* ^{3.7}	%of GDP	21.2	18.9	35.8	17.5	11.9	:	:	11.9	9.9	:	N.A.	N.A.	N.A.
International reserves ^{3.8}	mio EUR	468.0	313.0	397.0	416.0	303.0	:	:	303.0	289.0	:	350.0	316.0	:
Int. reserves / months Imp ^{3.9}	Ratio	3.3	1.5	2.9	3.0	2.0	:	:	2.0	1.9	:	2.3	2.0	:
4 Monetary developments														
CPI ^{4.1}	Ann. %ch	4.3	7.4	3.4	0.5	3.1	3.9	2.7	3.0	3.2	:	3.1	3.5	:
Producer prices ^{4.2}	Ann. %ch	8.5	14.0	-3.8	-0.7	3.2	:	:	2.2	-1.0	:	-0.2	-0.3	:
Food prices ^{4.3}	Ann. %ch	N.A.	9.0	3.3	0.3	2.8	:	:	0.6	1.7	:	1.8	1.8	:
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	:	:	:	:	:	:	:	:
Bond yield ^{5.2}	%p.a.	:	:	3.63	3.37	2.41	:	:	2.04	5.25	4.97	5.22	:	4.72
Stock markets ^{5.3}	Index	36117	20009	13316	14003	11889	:	:	9860	9336	9096	9426	9119	8741
Credit growth ^{5.4}	Ann. %ch	165.1	24.6	-14.3	-8.2	-11.1	:	:	-11.1	-6.1	:	-5.8	-6.5	:
Deposit growth ^{5.5}	Ann. %ch	94.4	-4.8	-8.3	-1.9	1.5	:	:	1.5	0.5	:	0.7	1.4	:
Non-performing loans ^{5.6}	%of total	3.2	7.2	13.5	21.0	15.5	:	:	15.5	14.7	:	N.A.	N.A.	N.A.
6 Fiscal developments														
General government balance ^{6.1}	%of GDP	6.2	-0.4	-5.7	-4.9	-4.0	-2.6	-1.8	-4.0	-1.2	:	-2.5	:	:
General government debt ^{6.2}	%of GDP	27.5	29.0	38.2	40.9	45.3	50.1	49.7	45.3	45.1	:	48.1	:	:

f: ECFIN forecast Spring 2012

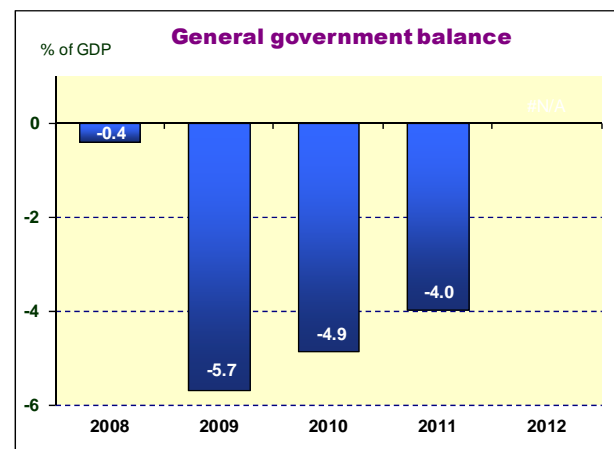
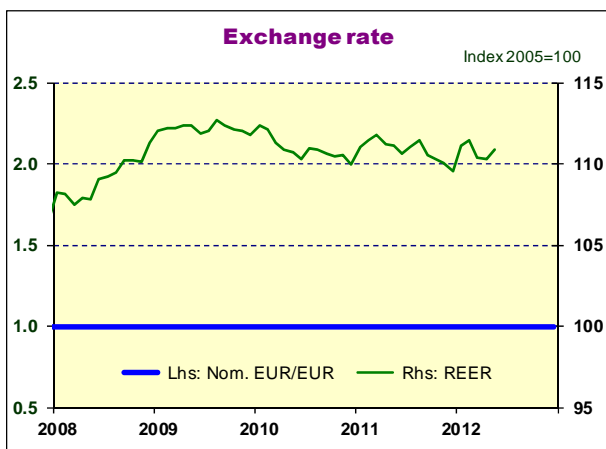
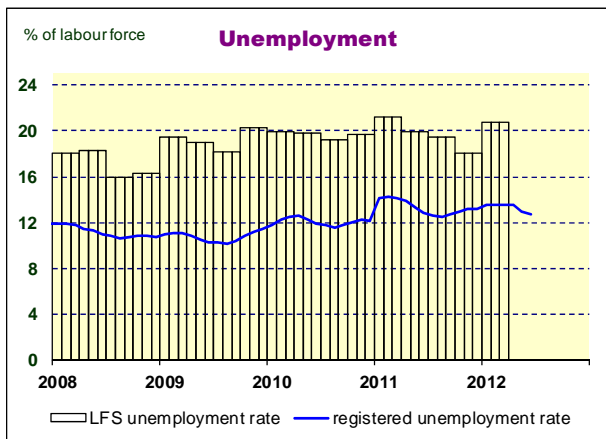
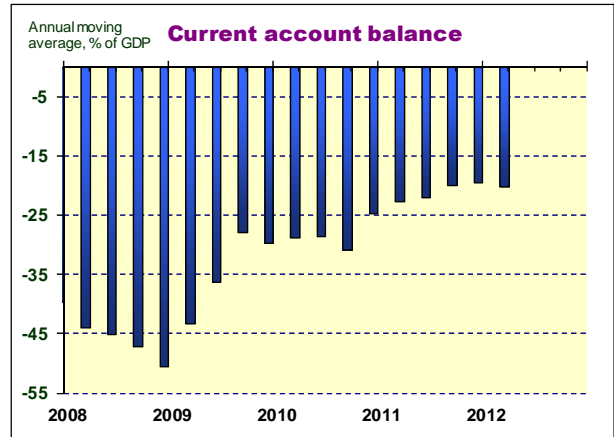
* Q figures refer to a 4 quarters moving average.

CHARTS



European Commission, ECFIN-D-1

MONTENEGRO





Key developments

Serbia held parliamentary, local and presidential elections in May. The list of the opposition Serbian Progressive Party won the parliamentary elections, becoming the first party in the 250-seat parliament with 73 seats. The lists of the two major parties of the governing coalition, the Democratic Party and the Socialist Party, came second and third winning 67 and 44 seats, respectively. In the second round of the presidential elections, the leader of the Serbian Progressive Party Tomislav Nikolić was elected president of Serbia, defeating the incumbent Boris Tadić.

On 28 June, the president nominated the socialist leader Ivica Dačić as prime minister, giving him the mandate to form a government. Negotiations on the format and programme of the new government are on-going between the Socialist Party, the Serbian Progressive Party, and the United Regions of Serbia.

Real sector

The economy contracted by 1.3% in the first quarter of 2012. Economic activity declined in more than half of the sectors. However, some sectors like construction (7.8%), information and communication (7.4%) and public administration (2.4%) continued to grow.

After a steep fall in the first quarter, high frequency indicators suggest some stabilisation in economic activity. Retail trade turnover rebounded as of March and increased by 3-4% in real terms in the last three months to May. Nevertheless, for the period January-May, it was still 0.7% below the corresponding level of the previous year. The growth of industrial production remained negative in April (-2.2%) and May (-3.1%). The fall has been driven mainly by the poor performance of the electricity, gas, steam and air conditioning supply. Despite an uneven performance across subsectors, manufacturing has edged up recently and increased by 1.4% in May. This rebound is still fragile as key sectors in the economy continue to face low demand and an unfavourable economic environment. In early July, the government announced that the production at the steel mill in Smederevo, one of

the biggest exporters in Serbia, will be temporarily halted until September. The Serbian government bought back the loss-making mill from US Steel for a symbolic USD 1 earlier this year, hoping to preserve production and some 5,500 jobs.

Labour market

The situation on the labour market continued to deteriorate in the first months of 2012. The April labour force survey registered an unemployment rate of 25.5%, a marked increase compared to 22.2% a year before. The employment rate fell by about 2 percentage points over the same period to 34.3%.

Registered employment continued to decline as well, by 1.9% in the first quarter, to an historic low of 1.73 million by the end of March. By sectors, employment fell mostly in administrative and support services, real estate, self-employed and agriculture, while public administration and other services registered relatively buoyant employment growth.

Despite the weak labour market, wage growth remained strong and in May gross wages increased on average by 14.6% in nominal, and by 10.3% in real terms (year-on-year). In the first five months of the year, gross real wages thus rose on average by 6.5% (year-on-year). Wage increases were rather uneven across activities, with particularly strong increases in agriculture, information and communication, advertising, and some of the mining and manufacturing sectors. There was a pronounced wage divergence in the mining and manufacturing sectors, where a number of activities registered even declining wages. At the same time, in real estate, health, education, accommodation and financial activities wages increased at below the average rate.

External sector

The current account deficit expanded strongly, by 47% year-on-year to EUR 1.4 billion in the first four months of the year. About half of the deterioration was due to a growing trade deficit, as exports declined by 3.2%, while imports increased by 3.6% (in euro terms). A drop in private remittances inflows (-17%) and growing outflows related to factor income from direct

investments (73%) have been the other key factors for the deterioration of the current account deficit. Exports which had fallen by close to 20% in February, hit by a particularly bad weather, have since recovered and the pace of the trade deficit expansion decelerated significantly by April. Preliminary data for May indicate that exports performance improved strongly (12.8%), bringing the monthly trade gap below its corresponding previous year level for the first time in 2012.

There were significant capital outflows in the first four months of the year. Net direct investments were negative (EUR 250 million) mainly as a result of a single transaction – in early 2012 the majority state-owned Telecom Srbija purchased back 20% of its shares from a foreign investor. Other investments have been negative as well (around EUR 300 million) and portfolio investments came far short of their level in the corresponding period of the previous year. As a result of weak net capital inflows and heavy interventions by the central bank to halt the depreciation of the dinar over this period, foreign exchange reserves fell by EUR 1.6 billion. However, by the end of May they remained relatively high at EUR 10.2 billion, sufficient to cover about 7 months of imports. At close to EUR 24 billion, Serbia's total external debt remained relatively stable.

Monetary developments

Disinflation, which had started in May last year, largely driven by the easing of food prices, continued until April 2012 when inflation hit its lowest level in years (2.7%). It accelerated to 3.9% in May as base effects had dissipated.

The exchange rate of the dinar vis-à-vis the euro has been under strong pressure since the beginning of 2012. Political uncertainties related to the general elections and the formation of a new government, weaker net foreign currency inflows and a deteriorating budget performance have led to a depreciation of the dinar. By end-June it lost about 11% of its value against the euro. In view of the high euroisation of the economy and significant pass through effect to inflation, the central bank intervened heavily, selling some EUR 1.1 billion to stem the fall of the dinar. Moreover, in June the bank increased its main policy interest rate to 10%, maintaining a rather restrictive monetary policy stance.

Financial sector

After the central bank had introduced receivership in Agrobanka at the end of 2011 it revoked its operating licence in May and granted in June an operating licence to the newly-established Nova Agrobanka, which assumed all liabilities and part of the receivables of the old bank. The Deposit Insurance Agency is the sole owner of the new bank.

The growth of bank claims to the private sector accelerated to 21% by the end of May, with both households' and companies' loans growing at similar rates. Most of this expansion has been driven by the dinar depreciation, which boosted the dinar value of the outstanding foreign currency denominated and linked loans. Credit to the government expanded much faster, by 39%, as banks financed the growing budget deficit over this period. By end-May, deposits increased by around 22%, following closely the growth in non-government credit.

Fiscal developments

Despite a contracting economy and extreme weather conditions in early 2012, revenue performance improved marginally in the first four months of 2012, increasing by a real 4.8% as direct taxes and social contributions performed well and revenue from value added tax stabilised. This trend was supported by the rapid fall in inflation, rises in real wages and the surge in government spending during this period. Total expenditure rose by a real 11.6% in the first four months. There were strong real increases in capital expenditure, subsidies, purchase of goods and services, pensions and interest payments. As a result, the budget deficit expanded to 2.3% of GDP compared to 1.4% in the same period last year. Due to the rapid deterioration of the deficit, the government adopted in March a set of consolidation measures corresponding to around 0.5% of GDP. However, in view of the rising expenditure pressures and the overall economic uncertainty, the risks of missing the 2012 deficit target have increased significantly, unless additional measures are taken.

Government debt continued to rise rapidly in the first months of 2012, driven both by the deficit increase and the depreciation of the dinar. It approached 50% of GDP by the end of April, well above the legally binding threshold of 45% of GDP, requiring the government to present a special programme to bring it back below 45% of GDP over the medium term.

TABLE

European Commission, ECFIN-D-1



SERBIA

		2007	2008	2009	2010	2011	ECFIN Forecast		Q4 11	Q1 12	Q2 12	Apr 12	May 12	Jun 12
							2012	2013						
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	:	:	0.4	-6.2	:	-2.2	-3.1	:
Gross domestic product ^{1.3}	Ann.%ch	5.4	3.8	-3.5	1.0	1.6	0.3	1.9	0.5	-1.3	:	N.A.	N.A.	N.A.
Private consumption ^{1.4}	Ann.%ch	:	:	:	:	-0.5f	-0.2	0.7	:	:	:	N.A.	N.A.	N.A.
Gross fixed capital formation ^{1.5}	Ann.%ch	:	:	:	:	9.3f	2.3	4.3	:	:	:	N.A.	N.A.	N.A.
Construction index ^{1.6}	Ann.%ch	25.4	4.9	-18.8	-6.2	29.1	:	:	26.2	23.4	:	N.A.	N.A.	N.A.
Retail sales ^{1.7}	Ann.%ch	25.7	3.4	-11.4	-0.7	-14.6	:	:	-16.4	-1.5	:	3.5	3.3	:
2 Labour market														
Unemployment ^{2.1}	%	18.1	13.6	16.1	19.2	23.1f	23.4	22.4	:	:	:	:	:	:
Employment ^{2.2}	Ann.%ch	-1.1	-0.1	-6.1	-3.6	-3.1	-1.9	0.3	-2.1	-1.9	:	-1.1	:	:
Wages ^{2.3}	Ann.%ch	15.0	4.5	1.0	7.4	11.1	:	:	11.0	10.9	:	7.2	14.6	:
3 External sector														
Exports of goods ^{3.1}	Ann.%ch	24.8	15.9	-19.6	24.0	14.0	:	:	1.2	-5.2	:	3.1	:	:
Imports of goods ^{3.2}	Ann.%ch	29.8	14.6	-26.1	9.9	14.6	:	:	16.8	4.2	:	2.7	:	:
Trade balance* ^{3.3}	%of GDP	-23.1	-25.5	-18.1	-17.6	-19.0	-17.4	-16.7	-18.0	-19.0	:	N.A.	N.A.	N.A.
Exports goods and services ^{3.4}	%of GDP	30.7	31.1	29.2	36.1	37.6	:	:	36.8	36.6	:	N.A.	N.A.	N.A.
Imports goods and services ^{3.5}	%of GDP	55.0	54.8	46.8	53.2	55.2	:	:	54.1	54.6	:	N.A.	N.A.	N.A.
Current account balance* ^{3.6}	%of GDP	-16.1	-20.6	-7.3	-7.8	-10.3	-10.8	-10.0	-9.7	-11.2	:	N.A.	N.A.	N.A.
Direct investment (FDI, net)* ^{3.7}	%of GDP	6.4	6.2	4.8	3.2	6.3	:	:	6.0	3.6	:	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	:	:	12 057.7	11 073.1	:	10 387.2	10 172.3	:
Int. reserves / months imp ^{3.9}	Ratio	8.8	6.5	11.5	9.8	10.3	:	:	10.3	9.4	:	8.8	:	:
4 Monetary developments														
CPI ^{4.1}	Ann.%ch	11.0	8.6	6.6	10.3	7.0	5.0	4.8	7.0	3.2	:	2.7	3.9	:
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	:	:	6.4	-2.5	:	-1.7	1.5	:
M3 ^{4.4}	Ann.%ch	42.5	9.8	21.5	12.9	10.3	:	:	10.3	14.0	:	19.0	22.3	:
Exchange rate RSD/EUR* ^{4.5}	Value	78.76	89.48	95.88	105.93	106.95	:	:	106.95	111.40	115.56	111.85	118.10	115.56
Nominal eff. exchange rate ^{4.6}	Index	102.1	88.6	92.8	89.5	100.3	:	:	100.3	94.6	:	94.0	89.0	:
5 Financial indicators														
Interest rate (3 months) ^{5.1}	%p.a.	6.48	5.20	13.40	10.85	:	:	:	:	:	:	:	:	:
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	:	:	1 022	1 002	942	995	947	884
Credit growth ^{5.4}	Ann.%ch	32.5	34.2	24.4	29.9	7.4	:	:	7.4	14.1	:	17.3	22.8	:
Deposit growth ^{5.5}	Ann.%ch	46.9	8.8	23.6	14.4	9.2	:	:	9.2	12.5	:	18.0	22.2	:
Non-performing loans ^{5.6}	%total	9.2	8.0	9.2	11.5	19.0	:	:	10.2	11.2	:	11.2	11.1	:
6 Fiscal developments														
General government balance ^{6.1}	%of GDP	-2.0	-2.6	-4.5	-4.7	-5.0	-5.3	-4.8	-4.5	-6.9	:	N.A.	N.A.	N.A.
General government debt ^{6.2}	%of GDP	30.9	29.2	34.7	44.5	47.7	50.4	52.1	:	:	:	N.A.	N.A.	N.A.

f: ECFIN forecast Spring 2012

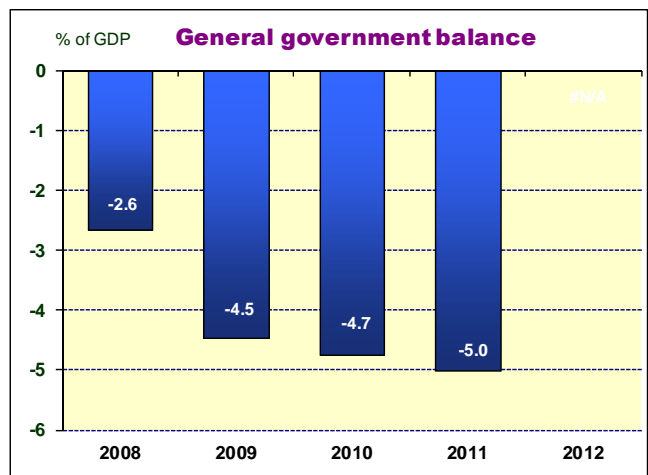
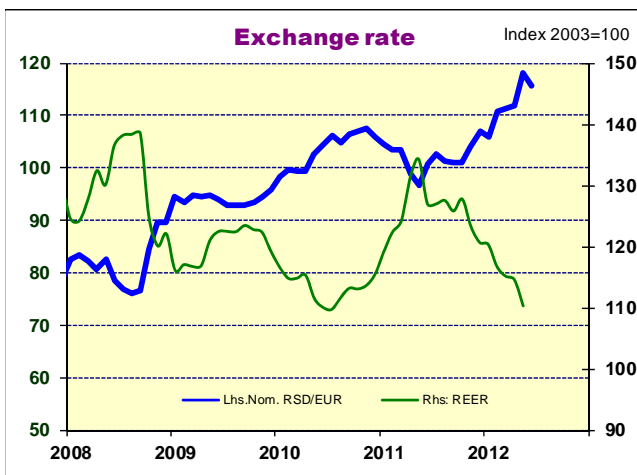
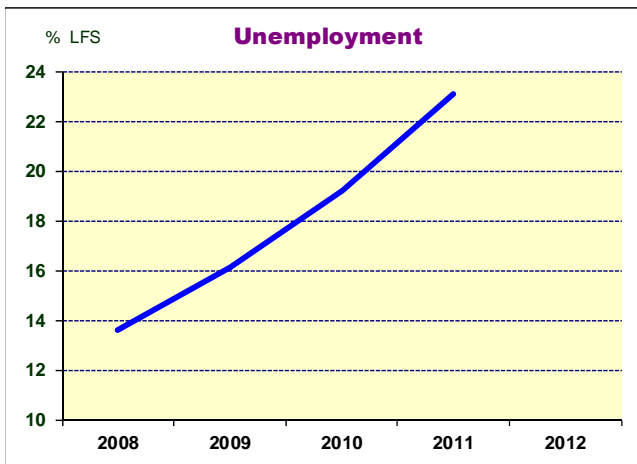
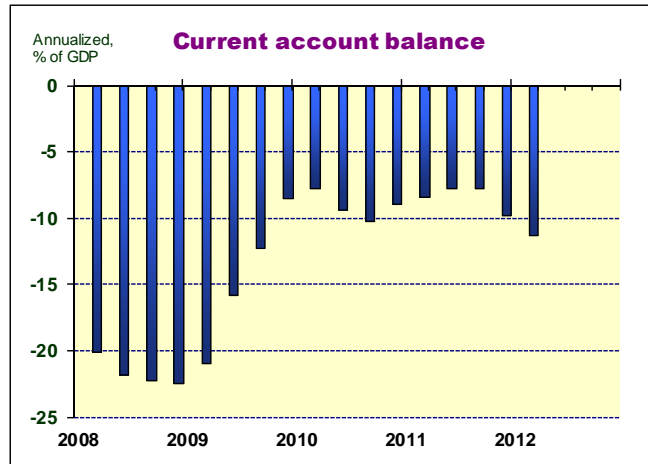
* Q figures refer to a 4 quarters moving average.

CHARTS

European Commission, ECFIN-D-1



SERBIA



TURKEY



Key developments

In mid-June 2012, Moody's Investors Service raised Turkey's government bond ratings by one notch to Ba1 from Ba2, and maintained its positive outlook. The agency cited a significant improvement in Turkey's public finances and the resulting increased shock-absorption capacity of the government's balance sheet. It also welcomed policy actions that have the potential to address the large current account deficit, which is the largest credit risk facing the country.

In May 2012, Turkey adopted a new investment stimulus package, which includes measures to encourage investments that entail the use of more advanced technology. The package divides Turkey into six regions, and each region will receive varying amounts of incentives in line with their level of development to address regional socio-economic differences.

Real Sector

Economic growth has steadily lost momentum since mid-2011, and slowed from 11.9% in the first quarter of 2011 to 5.2% in the final quarter and further to 3.2% in the first three months of 2012, primarily reflecting a deterioration in external conditions and monetary policy tightening aimed at reversing a sharp fall in the value of the lira in late 2011/early 2012.

Turkey's strong rebound from the recession in 2008-2009 was mainly driven by domestic demand growth, fuelled by strong capital inflows and a resulting surge in bank credit, which exacerbated the country's external imbalances. Recently, however, this trend has been reversed. In the first quarter of 2012, total domestic demand contracted by 1.3% year-on-year, partly reflecting a negative contribution to overall GDP growth of 2.3 percentage points as a result of changes in stocks. The foreign balance added 4.5 percentage points to growth, as imports of goods and services declined sharply and export growth accelerated. Private consumption, which accounts for over 70% of

GDP, was flat year-on-year in the first quarter, while fixed investment was up by just 1.6%, compared with 18.3% in 2011. The only domestic demand component that posted above-average growth was government consumption, which increased by 5.5%, after posting a year-on-year drop in the final quarter of 2011.

Short-term indicators suggest that economic activity slowed further down in the second quarter of 2012 as consumers continued to curtail their spending and appetite for business investment stagnated. At the same time, manufacturers started to report a fall-off in export orders, which had previously been resilient.

Labour market

The major improvements in the labour markets registered in previous years appear to have stopped in tandem with a slowdown in economy activity. The unemployment rate amounted to 9.9% in March 2012, comparing favourably against 10.8% a year ago, albeit slightly higher than the 9.8% registered in December 2011. The seasonally-adjusted unemployment rate stood at 9.1%, unchanged from February. The youth unemployment rate is also decreasing from very high levels, and stood at 17.4% in March. Substantial gender disparities in labour markets persist and the female employment rate remains particularly low, at just one third (about 20%) of the male employment rates (60%). Non-farm unemployment fell to 12.1% from 13.4% the year before.

The participation rate stood at 48.6% in March 2012, slightly up from the 48.5% observed at the end of 2011. Private employment agencies gradually increase their share in the market. Over the last five years, they have secured jobs for a total of almost 250,000 people. Almost half were in the 25-29 age group, and three quarters had a university degree.

External sector

Turkey continues to run a large current-account deficit, which leaves the Turkish currency vulnerable to a sudden loss of investor confidence. However, the deficit has been narrowing in recent months, mainly as a result of an improvement in the merchandise trade deficit owing to weaker domestic demand. According to the preliminary figures released by Turkish Assembly of Exporters, Turkey's exports in the first half year of 2012 rose by 11.3%. Official data give a broadly similar picture for exports, as they increased by 12.7% in the first five months of the year, while imports fell by 1.4% in the same period. An increased surplus on services, especially transport services, and a reduced deficit on the income balance, which reflects the repatriation of profits and interest earnings by foreign investors, also contributed to the decline in the current-account deficit in the first quarter of 2012, to about 9% of GDP from 10% in 2011. Given the slowing economy and falling energy prices, the current-account deficit is expected to fall further in the months ahead, although external economic conditions may make the increase in exports difficult to sustain.

Monetary developments

After some appreciation in the first months of 2012 in part due to aggressive central bank interventions, the lira weakened again vis-à-vis major currencies, owing to Turkey's large current-account deficit and policy of low interest rates. In the second quarter of 2012, the Turkish lira depreciated by about 6% vis-à-vis the euro. Bond and equity markets weakened in tandem, reflecting mainly the perception that the situation in the euro zone is not sufficiently stabilised.

In recent months, the Monetary Policy Committee has kept the policy rates and interest rate corridor unchanged. It just changed commercial banks' reserves requirements for foreign exchange and gold slightly so as to increase the central bank's reserves and provide 5.6 billion lira liquidity to the market. The committee mentioned that recent economic data indicate the rebalancing between domestic and foreign demand is in line with their strategy. Furthermore, it stresses that demand conditions support the decrease in inflation. In June, the CPI dropped by 0.9% month-on-month, on the back of a sharp fall in food and energy prices. Due to a weak base effect, however, annual CPI inflation went up from 8.3% in May to 8.9% in

June. More importantly, core annual inflation excluding food, tobacco and energy prices, declined from 7.7% in May 2012 to 7.4% in June 2012. This compares with an official target of 5% for the end of 2012 with a tolerance band of ± 2 percentage points. Producer price inflation decelerated markedly to 6.4% in June, from 8% May. A further easing of inflationary pressures appears more and more likely, and the consensus inflation end-year forecast has moved towards 6.5%.

Financial sector

After some appreciation in the first months of 2012 in part due to aggressive central bank interventions, the lira weakened again vis-à-vis major currencies, owing to Turkey's large current-account deficit and policy of low interest rates. In the second quarter of 2012, the Turkish lira depreciated by about 6% vis-à-vis the euro. Bond and equity markets weakened in tandem, reflecting mainly the perception that the situation in the euro zone is not sufficiently stabilised.

Credit growth continued to lose momentum. Year-on-year credit growth in June amounted to 16% down from almost 40% a year ago. Non-performing loans fell to 2.6% at the end of June 2012 from 3% a year earlier. Deposits in lira grew by just 0.4% in the year to July 2012, while deposits in foreign exchange, which make up about 20% of all bank deposits, increased by 12.9% year-on-year.

Following a prolonged slide in 2011, the main Istanbul Stock Exchange (ISE) index rose, albeit at a decelerating pace, to 63,500 in early July from a low point of 49,837 points in January.

Fiscal developments

For the January-May 2012 period, budget revenues rose by 15.1%, while budget expenditures rose by a similar 15.2%. Subsequently, the central government budget posted a deficit of TRL 0.4 billion (EUR 0.2 bn), double of the previous year's TL 0.2 billion deficit. The 2012 budget targets a deficit of 0.8% of GDP.

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 39% 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		Q4 11	Q1 12	Q2 12	Apr 12	May 12	Jun 12
							2012	2013						
1 Real sector														
Industrial confidence ^{1.1}	Balance	111.5	90.1	87.3	110.3	110.5	:	:	100.5	107.3	112.6	116.0	113.8	108.1
Industrial production ^{1.2}	Ann.%ch	7.1	-0.5	-10.0	13.1	8.9	:	:	6.5	2.8	:	1.8	:	:
Gross domestic product ^{1.3}	Ann.%ch	4.7	0.7	-4.8	9.2	8.5	3.3	4.6	5.2	3.2	:	N.A.	N.A.	N.A.
Private consumption ^{1.4}	Ann.%ch	5.5	-0.3	-2.3	6.7	7.7	3.2	3.3	3.4	0.0	:	N.A.	N.A.	N.A.
Gross fixed capital formation ^{1.5}	Ann.%ch	3.1	-6.2	-19.0	30.5	18.3	6.3	5.0	2.4	1.6	:	N.A.	N.A.	N.A.
Construction index ^{1.6}	Ann.%ch	9.8	-4.4	-7.9	77.4	-16.2	:	:	-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	8.4	8.2	9.1	10.4	:	:	:	:
Employment ^{2.2}	Ann.%ch	-3.6	1.3	0.4	6.2	6.7	1.1	1.7	6.2	2.4	:	:	:	:
Wages ^{2.3}	Ann.%ch	9.5	11.6	9.9	11.8	10.1	5.7	5.8	10.3	12.2	:	:	:	:
3 External sector														
Exports of goods ^{3.1}	Ann.%ch	14.9	14.8	-18.2	17.5	12.7	:	:	11.1	17.3	:	17.1	34.8	:
Imports of goods ^{3.2}	Ann.%ch	11.6	10.4	-26.3	39.2	23.3	:	:	8.4	3.7	:	1.1	15.5	:
Trade balance* ^{3.3}	% of GDP	-7.2	-7.1	-4.0	-7.7	-11.6	-11.1	-10.3	-11.6	-11.0	:	N.A.	N.A.	N.A.
Exports goods and services ^{3.4}	% of GDP	22.3	23.9	23.3	21.2	23.8	:	:	23.8	24.3	:	N.A.	N.A.	N.A.
Imports goods and services ^{3.5}	% of GDP	27.5	28.3	24.4	26.8	32.7	:	:	32.7	32.6	:	N.A.	N.A.	N.A.
Current account balance* ^{3.6}	% of GDP	-5.9	-5.5	-2.2	-6.4	-10.0	-9.3	-8.7	-10.0	-9.3	:	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	1.6	:	N.A.	N.A.	N.A.
International reserves ^{3.8}	bio EUR	76.3	86.5	77.1	83.2	84.1	:	:	84.1	83.9	:	85.6	:	:
Int. reserves / months imp ^{3.9}	Ratio	7.4	7.6	9.2	7.1	5.8	:	:	5.8	5.8	:	5.9	:	:
4 Monetary developments														
CPI ^{4.1}	Ann.%ch	8.8	10.4	6.3	8.6	6.5	5.8	6.6	9.2	10.5	9.4	11.1	8.3	8.9
Producer prices ^{4.2}	Ann.%ch	6.3	12.7	1.2	8.5	11.1	:	:	13.2	9.5	7.4	7.7	8.1	6.4
Food prices ^{4.3}	Ann.%ch	12.4	12.8	8.0	10.6	6.2	:	:	6.9	11.4	7.6	11.7	4.1	7.4
M4 ^{4.4}	Ann.%ch	17.8	23.7	17.4	21.2	21.5	:	:	16.1	7.1	:	4.5	:	:
Exchange rate TRY/EUR ^{4.5}	Value	1.78	1.91	2.16	2.00	2.33	:	:	2.47	2.35	2.32	2.35	2.31	2.28
Nominal eff. exchange rate ^{4.6}	Index	26.73	25.77	23.24	24.33	20.94	:	:	19.63	:	:	:	:	:
5 Financial indicators														
Interest rate (3 months) ^{5.1}	% p.a.	18.85	18.04	10.68	7.95	9.09	:	:	11.15	12.01	11.50	11.51	11.51	11.48
Bond yield ^{5.2}	% p.a.	18.13	19.30	11.66	8.47	8.83	:	:	9.87	9.81	9.31	9.41	9.50	9.02
Stock markets ^{5.3}	Index	48 270	37 582	37 510	59 484	60 751	:	:	54 768	58 258	58 867	60 843	57 176	58 582
Credit growth ^{5.4}	Ann.%ch	33.2	22.4	4.4	33.5	23.8	:	:	23.8	21.2	:	18.2	16.5	:
Deposit growth ^{5.5}	Ann.%ch	:	:	:	:	:	:	:	:	:	:	:	:	:
Non-performing loans ^{5.6}	% total	4.8	4.2	6.5	5.8	3.6	:	:	3.2	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	-1.6	-1.8	:	:	:	N.A.	N.A.	N.A.
General government debt ^{6.2}	% of GDP	39.4	39.5	45.5	41.6	38.4f	37.1	35.5	:	:	:	N.A.	N.A.	N.A.

f: ECFIN forecast Spring 2012

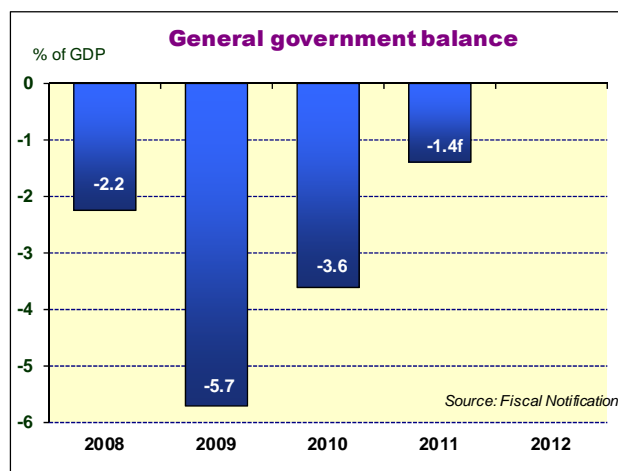
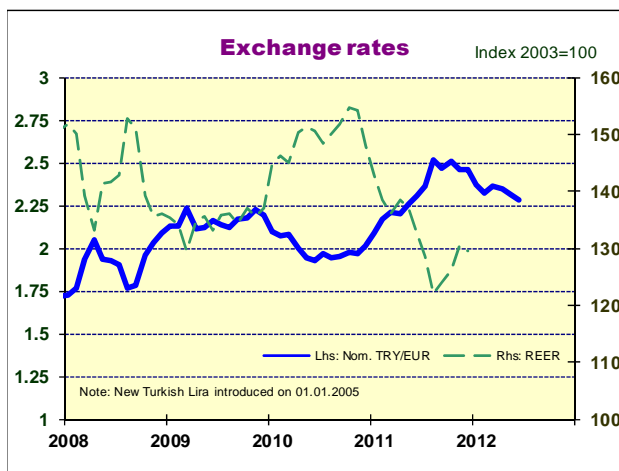
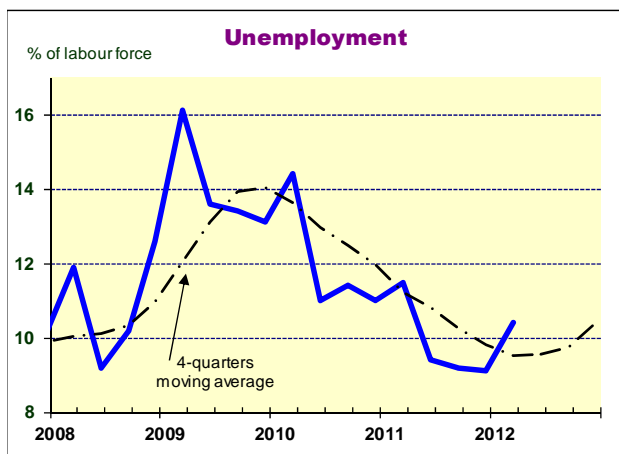
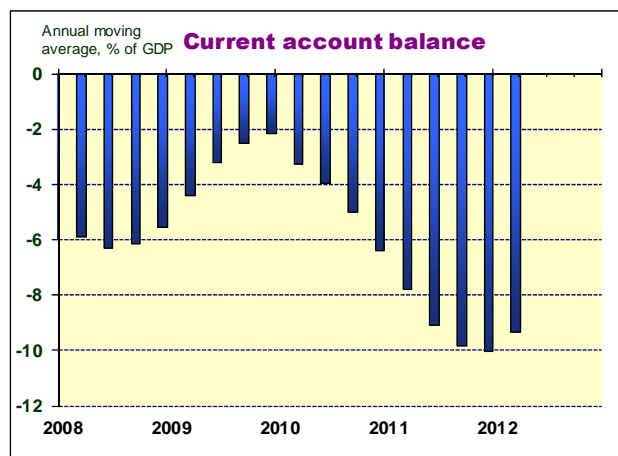
* Q figures refer to a 4 quarters moving average.

CHARTS



European Commission, ECFIN-D-1

TURKEY





Key developments

In April, the fiscal amnesty scheme introduced by the government in 2011 was extended until the end of August 2012. The amnesty aims at legalising undeclared assets and income. Data from the Ministry of Finance show that EUR 11.5 million have been collected from the scheme so far.

In June, in order to step up the banks' resolution framework, the Bank of Albania (BoA) approved a new regulation aimed at making a so-called future bridge bank operational. In case a bank encounters difficulties, healthy assets are transferred to the bridge bank administered by the BoA, while problematic assets are liquidated thereby enabling the bank to continue its activity pending a final resolution.

In June, the credit rating agency Standard and Poor's kept Albania's sovereign rating unchanged at 'B+/stable/B'. The agency indicated that its stable outlook depends on sound fiscal policies, anchored by Albania's efforts towards EU integration.

Real sector

National accounts data continue to be published with a delay. The latest available data for GDP refer to the last quarter of 2011 and show that economic activity continued to pick up after bottoming-out in the second trimester. Real GDP grew by 3.8% year on year in the fourth quarter 2011 up from an upward-revised 2.8% in the second quarter. The services sector was the main driver of the higher output growth, led primarily by trade, hotels and restaurants and post and communications. Construction posted a positive growth after shrinking for two years, while industry registered a significant deterioration, swinging from a growth of almost 9% in the third quarter to a contraction of some 8% in the last three months of 2011.

Survey results published by the Bank of Albania (BoA) show a further worsening in economic sentiment in the first quarter of 2012. Lower confidence was recorded in industry, construction as well as among consumers. The services sector posted an improved sentiment amid a better assessment of overall conditions, employment and the financial situation.

Labour market

Data for the first quarter of 2012 show largely unchanged labour market conditions from the previous trimester. Total employment grew by 1.4% year on year, on the back of strong private non-agriculture jobs which increased by 5.5%. Employment with the public sector continued to shrink by 0.5%. The rate of unemployment remained unchanged at 13.3%. In the first quarter of 2012, salaries in the public administration rose by 7.3% year on year, continuing the uptrend which began in the second trimester of 2011.

External sector

In the first quarter of 2012, the current account deficit increased by slightly more than 17% year on year, mostly due to a widening of the merchandise trade gap. The current account deficit for the four quarters to Q1 2012 deteriorated to 12.6% of estimated GDP from 11% in the corresponding period a year earlier.

Foreign sales of goods fell by some 12% in the first quarter in the wake of lower exports of electricity, manufactures and raw material and minerals. Unfavourable weather conditions impaired Albania's hydropower generation capacity, which resulted in a switch from exports to imports of electricity to ensure sufficient domestic supply. The growth in imports of goods decelerated to 2% year on year in the first quarter 2012, significantly lower than the previous three-month period. Fuel and lubricants - the largest import category - posted the highest increase of 50% followed by beverages and tobacco (48%). The growth of imports of machinery and equipment decelerated sharply to 1.5%, suggesting lower investment activity. In April and May, exports recovered significantly thanks primarily to a resumption of electricity exports as water reserves used by the hydropower plants started recovering. Imports contracted by 13% in April and 4.2% in May, led mainly by lower imports of manufactures and machinery and equipment.

The services account posted a small surplus in the first quarter of 2012, representing a turnaround from the deficit in the same period of the previous year. This was due to notably higher earnings from incoming tourism, which increased by around 6% as well as a sharp drop in spending by Albanians abroad. The current transfers' surplus contracted by 3%, as higher remittances which rose by some 3% year on year fell short of the sharp decline in the

other transfers category.

FDI inflows more than doubled in the first three months of 2012. This outcome was influenced by favourable base effects caused by the depressed levels of inward investment in the first quarter of the previous year which coincided with a tense political climate which led to the repatriation of capital.

The balance of payments in the first quarter of 2012 posted a marginal surplus which led to a corresponding increase in reserves of some EUR 1 million. The stock of foreign reserves in the first trimester of 2012 provided 4.3 months of import cover. Gross external debt stood at EUR 4.6 billion or 56.9% of GDP in the first quarter of 2012, representing a significant increase of slightly more than 15% year on year. Around 45% of gross external debt consists of government long-term borrowing.

Monetary developments

The growth in the monetary aggregate M2 decelerated to 6.4% during the first quarter of 2012 from 7% in the previous trimester. In April, M2 growth slowed further to 5.7% before rising slightly to 6% in May.

The disinflationary trend which started in the second half of 2011 continued in the first quarter of 2012. Inflation fell to a low of 0.6% in February driven mainly by a drop in the food index - which accounts for a substantial weight in the CPI. This partly reflects lower imported food prices from Greece – a major source of food imports in Albania – as Greek producers by-passed the middlemen to sell directly to consumers at lower prices. Inflation averaged 1.1% in the first quarter, significantly below the lower bound of the Bank of Albania's (BoA) target range of 2-4%. In April and May, inflation picked up somewhat to 1.6% and 1.9%, respectively.

Following four equal cuts for a total of 100 basis points between September 2011 and March 2012, the Supervisory Council of the BoA decided to keep the key repo rate on hold at a multi-year low of 4.25%. In the second quarter of 2012, the exchange rate of the Albanian currency remained practically unchanged vis-à-vis the euro but depreciated by 3.5% against the US dollar compared to the previous quarter.

Financial sector

Interest rates on short-term deposits continued to decline in the first five months of 2012. Compared to December 2011, the most pronounced decline was for the 1-month interest rate which fell by 90 basis points to 3.6% by May. Interest rates on deposit over a year increased, with the 60-month rate posting the largest rise of 66 basis points. The

gradual rising trend in the average yield of the 12-month Treasury bills since January continued, reaching 7.37% in June.

Deposits grew by some 10.6% year on year in the first quarter – continuing the downward trend which started in the first quarter of 2011. Deposit growth stabilised in April and May at around this level. Credit growth eased in the first three months of 2012 to 11.2% but a further slowdown in lending growth was registered in April and May to 9.9% and 9.4%, respectively. This reflected both a slower pace of growth in private sector credit as well as a contraction, since December 2011, in household lending which accelerated in April and May. The loan-to-deposit ratio stood at 60.4% in May 2012 with higher levels for foreign currency denominations (81.7%). The ratio for loans and deposits denominated in lek remained below 40%. External borrowing by the banking sector stabilised at 7% of total liabilities.

The share of non-performing loans (NPLs) as a percentage of total loans continued to increase, reaching 20.1% in the first quarter of 2012, compared to 18.9% in the last trimester of 2011. The capital adequacy ratio rose to 15.9%, above the BoA's minimum requirement of 12%.

Fiscal developments

According to government finance cash data published by the Ministry of Finance, total revenue in the period January-May 2012 rose by 2%, year on year. Tax receipts increased by 1.8% but were 5.5% below the target. The intake from VAT, the largest tax category, was up 2.2% but slightly more than 6.5% below projections, reflecting weak domestic demand. Social contributions increased by 4.7%. A sharp drop of slightly more than 23% was recorded in profit tax, possibly reflecting lower earnings by the power operator due to the weather-related lower electricity output.

Total expenditure rose by 0.8% year on year and was 3.2% more than projected in the period January-May 2012. Current spending increased by 2.6%, mainly on account of higher expenditure in interest payments (8%), operations and maintenance (5%) and social insurance (4.3%). Capital outlays fell by slightly less than 14% but were higher than the target, partly due to 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 19.1 million in January-May 2012 from Lek 20.4 million in the same five-month period of the previous year. However, the deficit was almost two and a half times higher than planned. Almost three fifths of the deficit was financed from domestic sources. Total public debt continued to rise in the first quarter of 2012, but declined in terms of estimated GDP to slightly less than 57% from 58.8% in the last trimester of 2011.

TABLE

European Commission, ECFIN-D-1



ALBANIA

		2007	2008	2009	2010	2011	Q4 11	Q1 12	Q2 12	Apr 12	May 12	Jun 12
1 Real sector												
Industrial confidence ^{1.1}	Percent	0.9	0.4	-13.4	-5.9	-3.8	-4.5	-8.0	:	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	3.9	3.1e	3.8	:	:	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	0.7	:	:	N.A.	N.A.	N.A.
Retail sales ^{1.7}	Ann.%ch	10.9	23.7	-1.7	5.4	-3.7	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	1.7	1.4	:	:	:	:
Wages ^{2.3}	Ann.%ch	17.1	8.3	11.9	6.7	7.0	6.7	7.3	:	:	:	:
3 External sector												
Exports of goods ^{3.1}	Ann.%ch	25.0	15.7	-11.8	62.5	22.2	18.9	-12.2	:	26.4	19.7	:
Imports of goods ^{3.2}	Ann.%ch	26.5	16.4	-1.9	11.3	14.6	15.7	2.0	:	-13.1	-4.2	:
Trade balance* ^{3.3}	%of GDP	-26.8	-27.3	-26.4	-23.0	-23.8	-24.2	-24.4	:	N.A.	N.A.	N.A.
Exports goods and services ^{3.4}	%of GDP	28.1	29.2	28.9	32.2	33.5	34.0	32.9	:	N.A.	N.A.	N.A.
Imports goods and services ^{3.5}	%of GDP	54.6	55.7	53.2	52.7	55.9	56.7	55.6	:	N.A.	N.A.	N.A.
Current account balance* ^{3.6}	%of GDP	-10.5	-15.5	-15.2	-11.3	-12.2	-12.4	-12.6	:	N.A.	N.A.	N.A.
Direct investment (FDI, net)* ^{3.7}	%of GDP	6.1	7.5	8.2	8.8	7.9	8.0	9.0	:	N.A.	N.A.	N.A.
International reserves ^{3.8}	mio EUR	1418.7	1638.9	1567.4	1825.3	1852.4	1852.4	1830.0	:	1845.0	1873.8	:
Int. reserves / months Imp ^{3.9}	Ratio	5.9	5.9	6.2	6.7	6.1	6.1	6.0	:	:	:	:
4 Monetary developments												
CPI ^{4.1}	Ann.%ch	2.9	3.4	2.3	3.6	3.5	2.5	1.1	:	1.6	1.9	:
Producer prices ^{4.2}	Ann.%ch	3.5	6.5	-1.7	0.3	2.6	2.1	:	:	:	:	:
Food prices ^{4.3}	Ann.%ch	3.0	5.2	4.9	4.8	4.8	2.9	0.1	:	1.1	1.9	:
M2 ^{4.4}	Ann.%ch	9.6	7.4	8.7	4.5	6.6	7.0	6.4	:	5.7	6.0	:
Exchange rate LEK/EUR ^{4.5}	Value	123.31	122.39	131.82	137.48	140.07	139.73	139.02	139.08	139.78	139.19	138.26
Nominal eff. exchange rate ^{4.6}	Index	:	:	:	:	:	-1.66	:	:	:	:	:
5 Financial indicators												
Interest rate (3 months) ^{5.1}	%p.a.	5.92	6.24	N.A.	N.A.	:	:	5.22	:	5.31	5.28	:
Bond yield ^{5.2}	%p.a.	8.22	8.43	9.24	8.55	8.04	8.38	8.48	8.40	8.40	8.40	8.40
Stock markets ^{5.3}	Index	:	:	:	:	:	:	:	:	:	:	:
Credit growth ^{5.4}	Ann.%ch	53.9	43.8	20.5	8.6	11.7	13.0	11.2	:	9.9	9.4	:
Deposit growth ^{5.5}	Ann.%ch	N.A.	14.8	-0.1	15.5	14.5	12.7	10.6	:	10.5	10.9	:
Non performing loans ^{5.6}	%total	3.2	4.7	9.1	12.6	17.0	18.9	20.1	:	N.A.	N.A.	N.A.
6 Fiscal developments												
General government balance ^{6.1}	%of GDP	-3.5	-5.5	-7.0	-3.1	-3.5	-3.5	-0.7	:	N.A.	N.A.	N.A.
General government debt ^{6.2}	%of GDP	54.8	54.8	59.3	57.6	58.8	58.8	56.9	:	N.A.	N.A.	N.A.

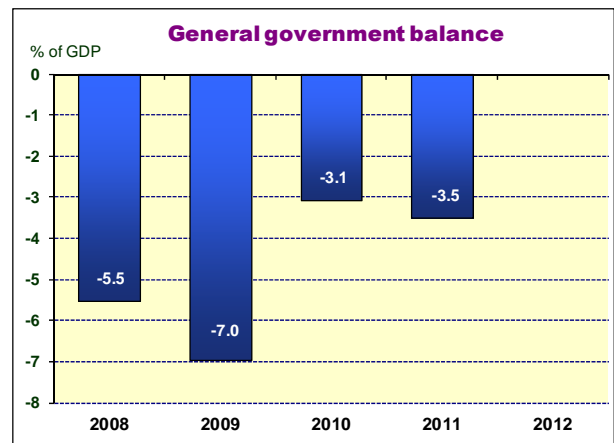
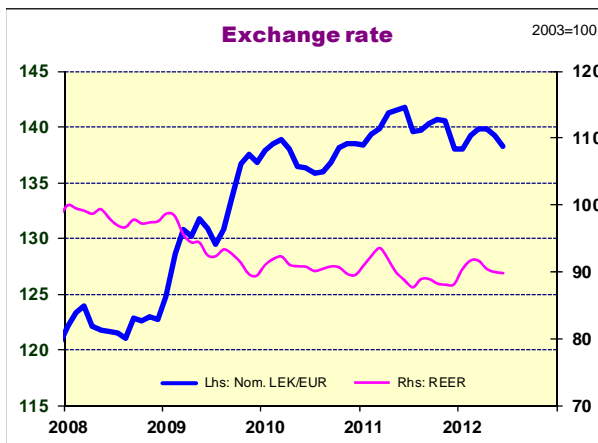
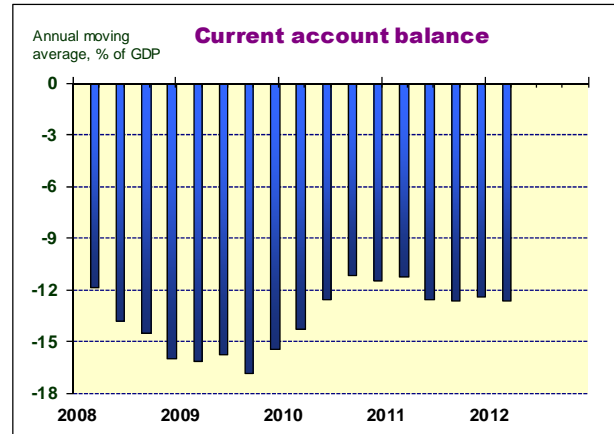
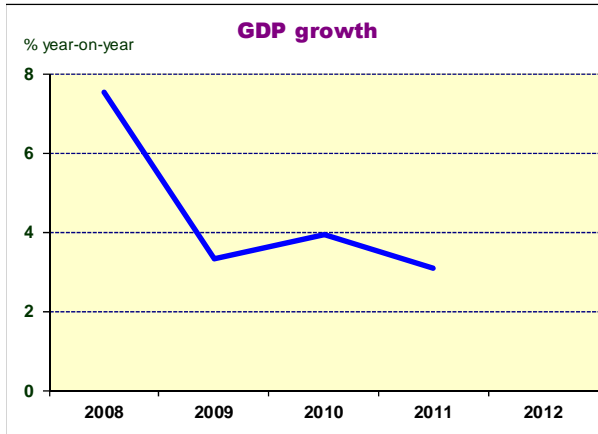
* Q figures refer to a 4 quarters moving average.

CHARTS



European Commission, ECFIN-D-1

ALBANIA





Key developments

In May, the IMF held an Article IV consultation with the authorities, while some preliminary discussions on a new disbursing programme have taken place as well. It was agreed that the authorities would elaborate a common economic strategy, which would be used as a basis for negotiations on a possible new arrangement.

Following the refusal of one of the main Bosniak parties, SDA, to support the 2012 state-level budget, a new government crisis emerged. Steps have been taken for the replacement of SDA representatives at all government levels. The state parliament is to discuss the proposed state government changes at sessions scheduled for Jul 5 and Jul 19. In the Federation, a new parliamentary majority was established, but faced the resistance of the FBiH president to allow for entity government reshuffle.

In April, the rating agency Moody's downgraded Bosnia's sovereign rating by one notch to B3 justifying its motion by the emergence of large structural deficits at the entity level, limited access to external financing and poor growth prospects.

Real sector

After a sharp contraction in the first two months of 2012, country-wide industrial production continued to fall, but the output decline moderated somewhat. The contraction rate reached 1.1% year-on-year in May and 7% since the start of the year. Manufacturing industry experienced 8% year-on-year output decline in the first five months of the year, followed by the utility sector (-6.2%) and the mining industry (-2.5%).

Judging from available indicators, domestic demand remains on a downward trend. After a strong increase of 12.5% in 2011, annual retail sales growth moderated in the course of 2012 and even turned negative at -0.9% in April, while only partially recovering in May (+1.6%).

In the Republika Srpska, the economy contracted by 0.9% year-on-year in the first quarter of 2012, after a stagnation in October-December. Manufacturing, agriculture and

construction industries witnessed accelerating output decline, while trade, transport, health and education registered growth deceleration. On the other hand, some slight improvements were recorded in the utility industry and the financial intermediation.

Labour market

Labour market conditions remained difficult. The level of registered unemployment reached 43.9% in April after peaking at 44.2% in February. Despite this slight improvement – largely due to seasonal factors – the unemployment rate was higher by 0.6 percentage point year-on-year. The sector most affected by rising unemployment in 2012 was construction, followed by hotels and restaurants. The number of employees in the public administration fell slightly by 0.5%. Employment in the formal sector fell by 0.8% year-on-year in the first quarter of 2012, and the decline slightly moderated to -0.6% in April.

Wage growth slowed further down in the first four months of 2012. The average nominal gross wage increased by 2.8% year-on-year in January-March, against 4.3% in the previous quarter, and moderated further to 1.6% in April. Adjusted for inflation, the average gross wage fell by 0.7% in April, following a marginal 0.2% rise in the first quarter of 2012.

External sector

According to preliminary figures from the Central Bank, the current account deficit expanded by 64.6% year-on-year in the first quarter of 2012 after it had recorded a 60.1% deterioration in the last quarter of 2011. The trade deficit widened by 14.4%, compared to an 11.1% increase in October-December, thus being the main factor for the higher current account deficit. Export growth turned negative at 9.6% from a 10% rise in the previous quarter, influenced by the economic downturn in the country's main trading partners, as well as by the extremely harsh winter with heavy snowfalls. At the same time, imports continued to rise, albeit import growth decelerated sharply to only 0.2%. The surpluses in the services and income balances fell by 0.2% and 8.1%, respectively, thus also contributing to the higher current account deficit. On the other hand, the

surplus in current transfers grew marginally by 0.2%. As a result, the current account deficit increased to 9.4% of GDP in the four quarters to end-March, compared to 8.6% in 2011.

After rising more than twofold in 2011, net FDI shrank by 73.8% year-on-year in the first quarter of 2012. In the four quarters to March, FDI accounted for 1.8% of GDP, and was thus significantly lower than the current account deficit. Official foreign exchange reserves fell by 0.5% year-on-year, covering less than five months of imports by end-March.

Monetary developments

The annual growth of the monetary aggregate M2 accelerated further from 4.9% in January to 5.1% in May.

Annual inflation fell to 1.9% in May, down from 2.4% in February, bringing the 12-month moving average inflation rate to 3.1%. The recent disinflationary trend was mainly driven by the moderation of transport prices, reflecting crude oil price decline on international markets. Price decreases were recorded in clothing and footwear (-6.5%) and education (-0.5%). On the other hand, the new hike of excises on tobacco, effective from the beginning of 2012, resulted in a 13.4% rise in tobacco prices.

Financial sector

Market short-term interest rates for loans to the corporate sector remained broadly unchanged reaching 7.1% in May, while the interest rates for households fell marginally from 10.1% in January to 10% in May. On the other hand, interest rates for the corporate sector deposits have decreased from 2.8% to 2.6%, while interest rates for household sector deposits remained broadly unchanged over the last 4 months, reaching 3% in May.

Annual credit growth moderated further and reached 5% in May. Credits to both corporate sector and households contributed to this evolution. Credits to the private enterprises rose only marginally by 0.5% year-on-year in May, as compared to 1.8% in January, while credits to households moderated to 6% year-on-year in May, from 6.9% in January. In the meantime, deposit growth also slowed down, reaching 2.9% year-on-year in May. Deposits from the corporate sector rose by 0.2%, compared to 0.9% in January. The decline in deposits from the government sector accelerated to 13.9%, while households increased their savings by 9.5%. The loans-to-deposit ratio increased further reaching 121% in May.

The quality of the loan portfolio deteriorated again, after a slight temporary improvement in the end of 2011. The share of non-performing loans to total loans rose to 12.1% in the first quarter of 2012 from 11.8% in October-December. Banking profitability indicators also worsened, as the return on average equity fell sharply from 5.9% to 1.8%. The return on average assets dropped from 0.7% to 0.2%. Liquidity indicators remained on a downward trend with the rate of liquid to total assets decreasing from 27.3% to 24.8%. At the same time, the capital adequacy ratio of the whole banking system stood at a comfortable 17.5% in the first quarter of 2012, up from 17.2% in the previous quarter.

In the second 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 12.2% and the main index of the Banja Luka Stock Exchange fell further by 3.1%.

Fiscal developments

On 31 May, the state parliament endorsed the 2012 state budget law, while previously temporary financing arrangements had been in place for six quarters in a row. The financing of the state institutions is foreseen at the level of the previously agreed medium-term expenditure ceiling, which remains constant in 2012-2014. Along with the budget, the assembly adopted a decision on a 4.5% salary cut for the state-level civil servants.

According to a release of the Indirect Tax Authority, the general government budget posted a marginal deficit of 0.1% of GDP in the first quarter of 2012, compared with a 0.1% surplus a year ago. Consolidated revenues increased by 2.9%. Indirect taxes, accounting for 41.3% of total revenues, fell by -1.1%, suggesting a contraction of the tax base. Contributions increased by 1.9%. At the same time, consolidated expenditures grew by 4.2%, with almost all expenditure items having increased year-on-year. Capital expenses soared by 52.1%, although from a very low base following the contractions in the recent years. Expenditures for subsidies and transfers (mainly social benefits) grew by 3.9%, while the wage bill expanded at a slightly slower pace of 1.7%.

In the first quarter of 2012, public foreign debt rose by 1.8% year-on-year after a 2.7% increase in October-December. Thus, it has reached 26.1% of GDP, compared to 25.4% a year earlier.

TABLE

European Commission, ECFIN-D-1



BOSNIA AND HERZEGOVINA

		2007	2008	2009	2010	2011	Q4 11	Q1 12	Q2 12	Apr 12	May 12	Jun 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	2.1	-9.5	:	-5.8	-1.1	:
Gross domestic product ^{1.3}	Ann. %ch	6.1	5.6	-2.9	0.7	1.6	:	:	:	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	-58.2	-46.4	:	N.A.	N.A.	N.A.
Retail sales ^{1.7}	Ann. %ch	N.A.	N.A.	N.A.	7.8	12.5	10.9	6.6	:	-0.9	1.6	:
2 Labour market												
Unemployment ^{2.1}	%	42.9	40.6	42.7	42.7	43.8	43.8	44.1	:	43.9	:	:
Employment ^{2.2}	Ann. %ch	4.4	2.7	-2.8	1.9	-1.6	-1.6	-0.8	:	-0.6	:	:
Wages ^{2.3}	Ann. %ch	9.8	16.6	8.2	1.1	4.4	4.3	2.8	:	1.6	:	:
3 External sector												
Exports of goods ^{3.1}	Ann. %ch	15.0	13.9	-17.1	28.8	15.6	10.0	-9.6	:	:	:	:
Imports of goods ^{3.2}	Ann. %ch	18.7	15.4	-24.1	10.5	14.0	10.5	0.2	:	:	:	:
Trade balance* ^{3.3}	%of GDP	-37.1	-38.1	-27.7	-25.7	-27.4	-27.7	-28.1	:	N.A.	N.A.	N.A.
Exports goods and services ^{3.4}	%of GDP	37.2	36.8	32.1	37.7	39.7	39.7	:	:	N.A.	N.A.	N.A.
Imports goods and services ^{3.5}	%of GDP	-68.6	-69.6	-55.2	-58.9	-63.0	-63.0	:	:	N.A.	N.A.	N.A.
Current account balance* ^{3.6}	%of GDP	-10.7	-14.0	-6.3	-5.7	-8.6	-8.6	-9.4	:	N.A.	N.A.	N.A.
Direct investment (FDI, net)* ^{3.7}	%of GDP	13.4	5.3	1.4	1.1	2.3	2.3	1.8	:	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	3 333.3	3 163.3	:	3 073.5	2 976.2	:
Int. reserves / months Imp ^{3.9}	Ratio	5.7	4.6	6.0	5.6	5.0	5.0	4.7	:	:	:	:
4 Monetary developments												
CPI ^{4.1}	Ann. %ch	1.5	7.4	-0.4	2.1	3.7	3.5	2.4	:	2.3	1.9	:
Producer prices ^{4.2}	Ann. %ch	N.A.	8.6	-3.2	0.9	3.8	1.9	1.1	:	2.7	3.2	:
Food prices ^{4.3}	Ann. %ch	2.9	12.1	-0.9	-0.7	6.0	4.8	1.9	:	0.7	0.8	:
M2 ^{4.4}	Ann. %ch	23.5	13.5	-1.6	7.8	5.6	5.2	5.0	:	5.0	5.1	:
Exchange rate BAMEUR ^{4.5}	Value	1.94	1.94	1.94	1.93	1.93	1.93	1.93	1.93	1.93	1.92	1.93
Nominal eff. exchange rate ^{4.6}	Index	100.3	100.07	96.27	96.51	95.71	95.01	:	:	:	:	:
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	844	792	729	756	744	687
Credit growth ^{5.4}	Ann. %ch	27.4	28.4	5.4	-0.9	5.6	6.3	5.2	:	5.1	5.0	:
Deposit growth ^{5.5}	Ann. %ch	36.6	15.4	-4.0	4.7	2.6	2.7	2.5	:	2.7	2.9	:
Non performing loans ^{5.6}	%total	3.4	3.0	4.5	9.1	12.0	11.8	12.1	:	N.A.	N.A.	N.A.
6 Fiscal developments												
General government balance ^{6.1}	%of GDP	1.2	-2.2	-4.4	-2.5	-1.2	:	:	:	N.A.	N.A.	N.A.
General government debt ^{6.2}	%of GDP	18.1	17.1	21.8	25.6	25.7	26.0	26.1	:	N.A.	N.A.	N.A.

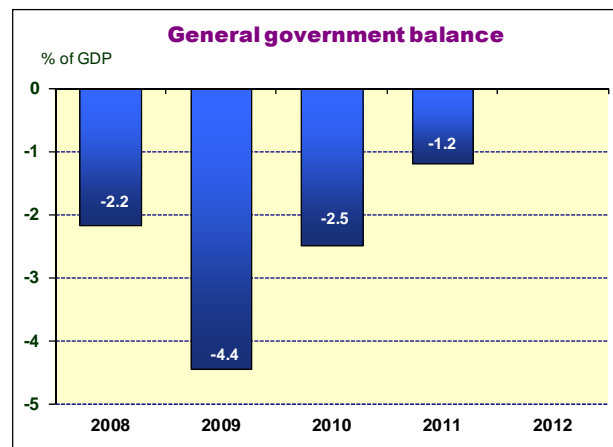
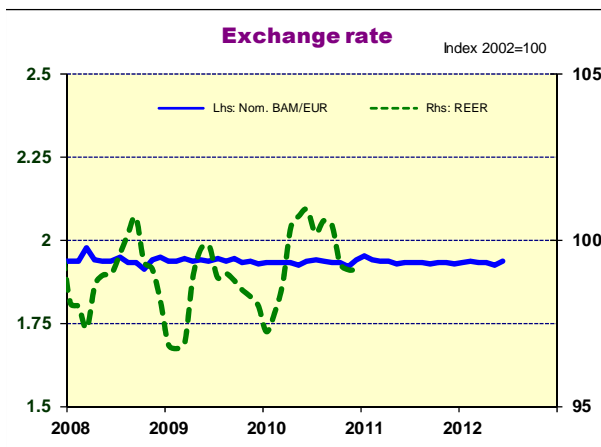
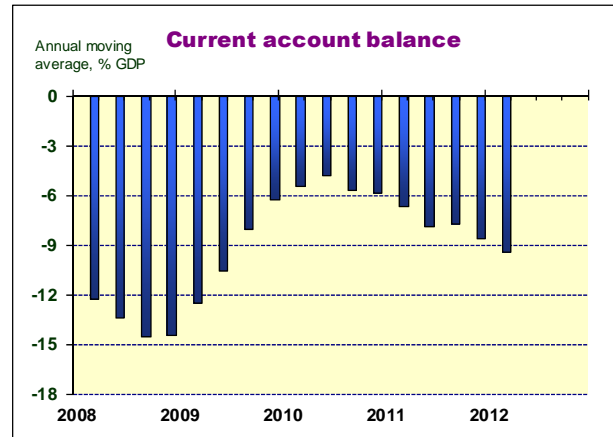
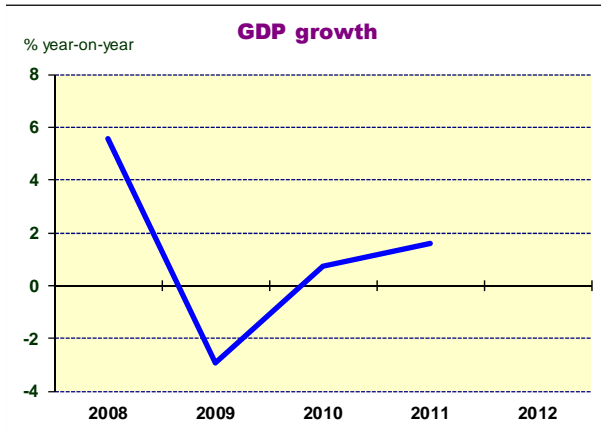
* Q figures refer to a 4 quarters moving average.

CHARTS



European Commission, ECFIN-D-1

BOSNIA AND HERZEGOVINA



KOSOVO*

* 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.

Key developments

In July, the International Steering Group (ISG) has determined that the Comprehensive Settlement Proposal is substantially implemented and authorised the final steps to end the supervised independence of Kosovo and close the International Civilian Office. It invited the Kosovo institutions to adopt the necessary constitutional and legislative amendments with a view to ending the supervised independence after the next meeting of the ISG scheduled for September 2012.

In April, the IMF approved a 20-month, SDR 91 million (around EUR 107 million) Stand-By Arrangement enabling the immediate disbursement of about EUR 5 million. In June, the authorities and the IMF reached a staff-level agreement on the first review of the programme. The agreement clears the way for the disbursement of another SDR 39.1 million (about EUR 46 million), which would be deposited in a Special Reserves Fund in the central bank.

In June, the ministry of trade and industry introduced a temporary (initially for 90 days) 35% tariff on the import of cement from all countries.

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 Kosovan diaspora.

According to the Household Budget Survey, household consumption decreased by a nominal 0.5% in 2011, following a slight 1.4% growth a year earlier. The structure of household consumption remained broadly unchanged, with the exception of spending on food and non-alcoholic beverages, whose share increased from 35% to 38% at the expense of housing (from 33% to 31%) and clothing and footwear (from 6% to 5%). On the income side, public sector wages and salaries continue to be the most

important source of revenues even though their share decreased slightly from 26% in 2010 to 25% in 2011. The share of private sector wages and salaries reaches 22% (up by 1 percentage point), and that of income from other household businesses 12%.

In June, the government announced the selected bidder for the privatisation of the Electricity Distribution and Supply Company. The consortium Limak Yatirim Enerji & Çalik Enerji Sanayi offered EUR 26.3 million for the company. The process of privatisation of 75% of the public telecom company PTK is ongoing and an invitation for prequalification of the interested investors was published in end-June.

Labour market

In the first four months of 2012, the average number of registered unemployed plummeted by 20.9% year-on-year after a slight decline throughout 2011. However, this sharp reduction was mainly a result of the digitalization process of the unemployment registry within the Public Employment Service which has been launched in early-2012.

The increasing trend of unemployed with university education continued and their share reached 1.7% of the total registered job-seekers in April, up from 1.1% a year earlier, thus suggesting structural weaknesses in the functioning of and the links between the labour market and the education system.

The number of registered job vacancies continued to fell sharply with the contraction reaching 32% year-on-year in April. About 80% of vacancies were for unskilled and low-skilled jobs.

External sector

The trade deficit widened further by 5.3% year-on-year in the first four months of the year, following a 17.1% expansion in 2011. Total exports of goods shrank by 24% year-on-year in January to April, negatively affected by the worsened economic environment, as well as by the severe winter. Import growth decelerated

sharply to 0.7% in the same period, after a 15.6% rise in 2011.

Balance of Payments data for the first quarter of 2012 have not been released yet by the time of preparation of this report.

Monetary developments

The growth in broad money stood at 9.7% year-on-year by the end of May, as compared to 10.2% at end-February and 21.3% a year ago. Net foreign assets fell by 5.1%, while the pace of accumulation of net domestic assets remained high at 99.8%, although starting from a very low base.

Consumer inflation moderated further, reaching 1.1% year-on-year in May, down from 1.7% in February. Falling food prices and decelerating transport prices were the main factors for lower inflation. At the same time, some price growth acceleration has been witnessed in housing and recreation and culture. About 73% of the goods and services in the CPI basket exhibited increasing prices. Core inflation reached 1.3% in May, having accelerated by 0.6 percentage points over the last three months.

Financial sector

The interest rate spread between loans and deposits declined marginally over the last three months and reached 9.9 percentage points in May. The effective interest rates on deposits increased slightly, to about 3.5%, while effective interest rates on loans remained broadly unchanged at 13.4%.

Growth in commercial banks deposits moderated from 10.7% year-on-year in February to 7.6% in May. The pace of demand deposits growth has slowed down to 4.6% and time and savings deposits posted a 9% annual increase. Households remained the main depositors in the banking system and even increased further their share in total deposits to 72.6% at end-May, up from 71.4% at end-February and 68.9% a year earlier. Other non-financial corporations' deposits grew by 9.1% but this increase was almost entirely driven by sight deposits, while deposits with longer maturities have only marginally increased by 0.7%.

Lending activity has remained quite robust, even though annual credit growth decelerated to 9.7% in May, compared to 14% in February. This deceleration was mainly due to the slowdown in the growth of corporate loans from 8.7% in

February to 5.1% in May. Short-term corporate loans (up to one year) grew by a modest 2.9%, while longer-term financing expanded at a faster pace of 6%. The sector of services, and especially wholesale and retail trade, continued to absorb most of the corporate loans. In the meantime, lending to households remained strong, only marginally moderating to 14.8% year-on-year at end-May.

The banking system remained profitable registering a 9.1% year-on-year rise of net earnings by the end of May. Banks interest income increased by 9%, while fees and commissions rose by 12%. Provisions for loan and other assets losses increased by 5.1%, and spending on interest grew by 11.6%, triggering a 9.2% rise of total expenditures.

Fiscal developments

By the end of May the budget posted a EUR 17.1 million deficit (-0.3% of GDP), as compared to a surplus of EUR 79 million (+1.7% of GDP) a year ago. The deterioration was mainly caused by surging expenditures, but also by falling revenue.

Total expenditures soared by 21.2% year-on-year in January to May, reaching EUR 484.5 million. This development can only partly be explained by the rapidly rising capital outlays (41.8% year-on-year by end-May), caused by the construction of the route 7 motorway. Current spending has accelerated since the start of the year, thus also triggering a faster rise of overall budget expenditures. Government's purchases of goods and services soared by 50.1% year-on-year after fiscal restrictions had been implemented in 2010 (-17.6%) and 2011 (-3.7%).

Total revenue fell by 2.5% year-on-year to a total of EUR 467.5 million during January to May. This drop mainly results from lower dividends receipts which stood at EUR 15 million, as compared to EUR 45 million a year ago. Customs revenue, accounting for about 60% of total budget receipts, increased only marginally by 0.7% year-on-year, while the collection of domestic revenue remained relatively strong at about 10%.

In June, the Board of Directors of the Privatisation Agency of Kosovo transferred about EUR 30 million remaining after the liquidation process, from its trust funds to the budget. The Board has decided as well to initiate talks with the ministry of finance and the central bank with regard to possible investments of some of its funds in government securities.

TABLE

European Commission, ECFIN-D-1

KOSOVO*

		2007	2008	2009	2010	2011	Q4 11	Q1 12	Q2 12	Apr 12	May 12	Jun 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	4.0	:	:	:	:	:	:	:
Private consumption ^{1.4}	Ann. %ch	10.0	8.6	1.5	3.2	:	:	:	:	:	:	:
Investment ^{1.5}	Ann. %ch	4.1	15.3	10.7	14.6	:	:	:	:	:	:	:
Construction index ^{1.6}	Ann. %ch	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Retail sales ^{1.7}	Ann. %ch	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
2 Labour market												
Unemployment ^{2.1}	%	43.6	47.5	45.4	:	:	:	:	:	:	:	:
Employment ^{2.2}	Ann. %ch	8.1	-12.9	8.7	:	:	:	:	:	:	:	:
Wages ^{2.3}	Ann. %ch	:	:	:	:	:	:	:	:	:	:	:
3 External sector												
Exports of goods ^{3.1}	Ann. %ch	49.1	20.2	-16.7	79.0	5.8	-11.2	-22.5	:	-29.2	:	:
Imports of goods ^{3.2}	Ann. %ch	20.7	22.3	0.4	11.5	14.9	21.1	-3.1	:	9.9	:	:
Trade balance** ^{3.3}	%of GDP	-40.3	-43.3	-42.2	-41.6	-44.4	:	:	:	N.A.	N.A.	N.A.
Exports goods and services ^{3.4}	%of GDP	14.7	14.3	16.8	19.8	20.7	:	:	:	N.A.	N.A.	N.A.
Imports goods and services ^{3.5}	%of GDP	54.6	57.1	54.0	58.0	59.0	:	:	:	N.A.	N.A.	N.A.
Current account balance ^{3.6}	%of GDP	-10.4	-16.3	-10.5	-13.2	-14.5	:	:	:	N.A.	N.A.	N.A.
Direct investment (FDI, net) ^{3.7}	%of GDP	12.7	8.9	7.2	7.9	8.2	:	:	:	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	1 234.6	1 254.0	:	1 250.9	1 239.2	:
Int. reserves / months Imp ^{3.9}	Ratio	8.1	6.9	7.4	6.9	6.0	6.0	6.1	:	6.0	:	:
4 Monetary developments												
CPI ^{4.1}	Ann. %ch	4.4	9.4	-2.4	3.5	7.3	4.1	1.7	:	1.2	1.1	:
Producer prices ^{4.2}	Ann. %ch	N.A.	N.A.	3.8	4.7	5.7	1.1	-1.6	:	N.A.	N.A.	N.A.
Food prices ^{4.3}	Ann. %ch	9.1	16.7	-4.4	4.8	12.4	5.4	-0.3	:	-2.4	-3.0	:
Broad money liabilities ^{4.4}	Ann. %ch	23.4	23.6	11.2	12.9	8.8	8.8	8.9	:	7.4	9.7	:
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	16.07	17.48	:	:	:	:
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	16.7	14.2	:	13.0	9.7	:
Deposit growth EUR/EUR ^{5.5}	Ann. %ch	19.3	25.6	20.3	14.8	12.0	13.1	10.2	:	8.8	7.6	:
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	-1.6	:	:	:	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.

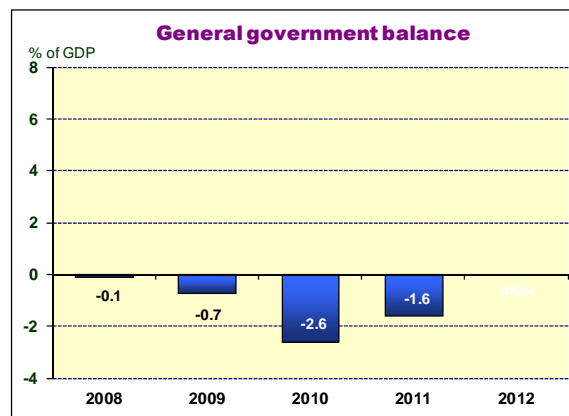
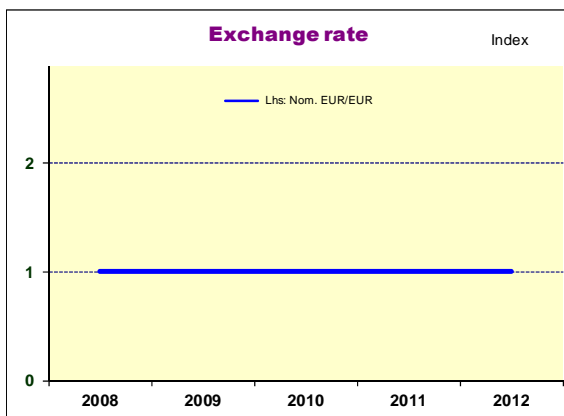
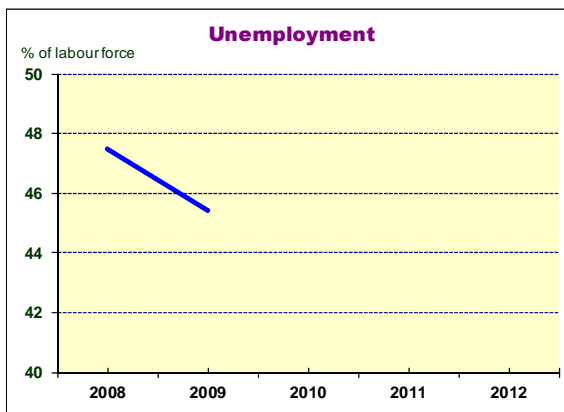
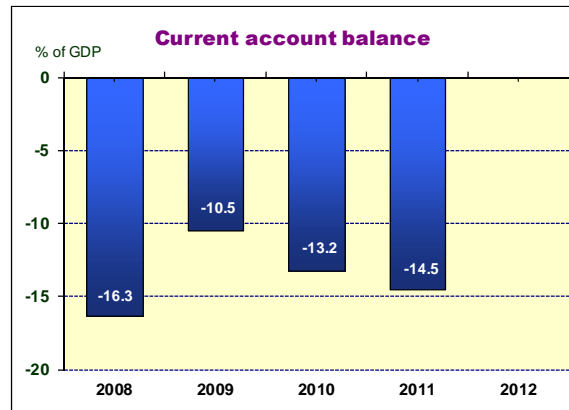
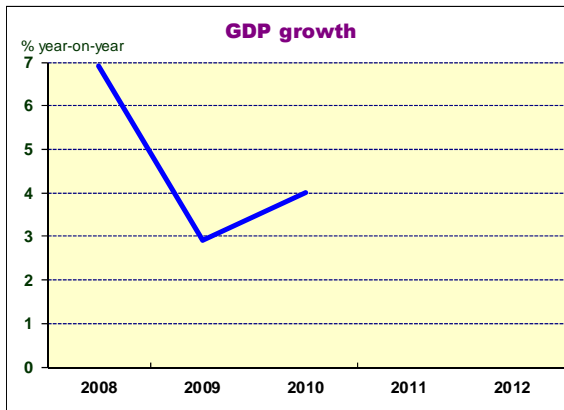
* This designation is without prejudice to positions on status, and is in line with UNSC 1244 and the ICJ Opinion on the Kosovo Declaration of Independence.

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

CHARTS

European Commission, ECFIN-D-1

KOSOVO*



* 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.
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	Ecwin/Reuters
6.2.	General government debt	In percent of GDP, external public debt	Ecwin/Reuters

KOSOVO*

* 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.

Explanatory notes

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	Ecwin/Reuters

5.5.	Deposit growth	lease financing.	Ecwin/Reuters
5.6.	Non-performing loans	Annual percentage change, ODC deposits. 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