



European
Commission

ISSN: 1830-6392

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

4/2012



Economic and
Financial Affairs

CANDIDATE AND PRE-ACCESSION COUNTRIES' ECONOMIC QUARTERLY

4/2012

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-12-004-EN-N

© *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	5
CROATIA	8
THE FORMER YUGOSLAV REPUBLIC OF MACEDONIA .	13
ICELAND	18
MONTENEGRO	23
SERBIA	28
TURKEY	33
ALBANIA	38
BOSNIA AND HERZEGOVINA	43
KOSOVO*	48

* 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

In most pre-accession economies, annual GDP growth slowed down in the third quarter of 2012. It only accelerated in Albania and turned positive, compared to the previous quarter, in Iceland and the former Yugoslav Republic of Macedonia. Overall, economic growth in 2012 will still be positive but lower than in 2011 in Iceland, Turkey, Albania and Kosovo. It will be clearly negative in Croatia and Serbia. In the other countries GDP levels are likely to oscillate around stagnation. Despite the easing of financial market tensions since July, all economies have been negatively affected over the year by a weak external demand - in particular in the euro-area where economic activity contracted - and by domestic factors both on the supply (severe winter and summer weather conditions in some of the Western Balkans) and on the demand side as credit growth further moderated and labour market conditions remained difficult. The latter have, however, slightly improved or stabilised in several countries, partly reflecting with the usual lag growth performances in 2011. Unemployment rates have thus declined, compared to 2011, in Iceland, Turkey, the former Yugoslav Republic of Macedonia while they have stabilised in Albania and Serbia. Some progress was also achieved in the adjustment of macroeconomic imbalances in most countries where current account deficits decreased while fiscal consolidation advanced.

Despite some heterogeneity in country-specific performances, growth generally slowed down in the third quarter of 2012. In Turkey, the deceleration (1.6%) was higher than generally expected and the contribution of net exports to growth negligible after a strong boost in the second quarter. Economic activity slowed in Kosovo while it stagnated in Montenegro, leading to a decline of GDP (0.5%) in the first three quarters of 2012 as compared to the same period in 2011. Industrial production continued to fall, although at a decelerating pace, in Bosnia and Herzegovina. Growth remained in negative territory in Croatia in year-on-year terms. The same applies to Serbia where the pace of contraction accelerated in the third quarter. Exceptions to this pattern are Albania, where GDP growth accelerated to 2.7% year-on-year, and Iceland and the former Yugoslav Republic of

Macedonia where it turned from slightly negative in the second quarter to positive (respectively 2.1 and 0.2%). However, the growth performance of Iceland in the first three quarters of 2012 (2%) was lower than in the same period of 2011 while the decline in GDP was limited to 0.5% in the former Yugoslav Republic of Macedonia.

The adjustment of external imbalances has moved ahead in almost all economies over the four quarters to end September/October (depending on data availability per country), as evidenced by the narrowing of current account deficits. Exceptions to this general pattern of adjustment are Bosnia and Herzegovina where the current account deficit to GDP ratio widened to 10.7%, and Serbia where it reached 12.9%. In Kosovo, it stabilised at around 14%. However, the adjustment was mainly underpinned by a reduction in domestic demand rather than increased external competitiveness which may cast doubts on its sustainability. In addition, there are strong cross-country differences in both the pace of adjustment and the magnitude of the deficits. Over the period of reference, the current account deficit amounted to 0.6% of GDP in Croatia where a further narrowing is expected in the fourth quarter, down from 0.8% in 2011. In Turkey, the deficit to GDP ratio declined by over 2 percentage points to less than 8% , as compared to 10% at the end of 2011. On the other hand, despite a similar 2 percentage point decline, the deficit still reached 18% of GDP in Montenegro.

Labour market conditions have somewhat eased in several countries. In Iceland, Turkey, Montenegro and the former Yugoslav Republic of Macedonia, employment growth was positive, although decelerating in some cases, and unemployment rates declined, compared to 2011. However, such improvements may be fragile, as suggested by a worsened performance in Turkey and Montenegro in, respectively, the third and fourth quarters. Employment growth remained negative in Croatia, Bosnia and Herzegovina, Serbia and turned negative in the third quarter in Albania. However, the unemployment rate tended to stabilise, compared to 2011, in the latter two countries. There is however, no room for complacency as unemployment reaches very high levels in the Western Balkans, in particular in Bosnia and Herzegovina, Kosovo, the former Yugoslav Republic of Macedonia and Serbia.

Consumer price inflation has risen in the course of 2012, except in Bosnia and Herzegovina. It however

decelerated over the third and fourth quarters to 6.2% in Turkey in December and 4.2% in Iceland. In Serbia, inflation accelerated sharply since April 2012 and reached double digit levels in the autumn, peaking at 12.9% in October and slowing down to 11.9% in November. While factors behind inflationary pressures are country-specific, some of them are shared by several Western Balkan economies. This is the case for rising food prices resulting from higher world prices but also from difficult domestic weather conditions such as a severe summer drought in the region as well as for increases in indirect taxation (VAT in Croatia and Serbia; excises in Montenegro) or in administered prices (e.g. in Croatia and Montenegro).

Lending activities have further decelerated in most countries in the third quarter and beyond, and even declined in Croatia, in line with the slow-down or contraction of economic activity. Credit growth still remained negative in Montenegro. In contrast, it strongly accelerated in Serbia to 18.9% in the third quarter, even though it somewhat decelerated in October-November, mainly due to the depreciation of the dinar and the government's decision to extend its subsidised loans programme. The quality of the loan portfolio further deteriorated in the third quarter and beyond in almost all economies. Only in

Turkey was there a slight decline in the low ratio of NPLs to total loans and in Bosnia and Herzegovina some reversal in the continuous credit deterioration.

Progress was achieved in fiscal consolidation in many countries where budget deficits will be reduced in 2012 compared to 2011, despite the deterioration of the economic situation and its impact on fiscal resources. This will notably be the case in Croatia, Iceland, Montenegro and Albania while a slight deterioration is expected in Turkey. Only Serbia will experience a strong deterioration of the deficit from 4.9% of GDP in 2011 to a ratio which is nevertheless likely to be below the target of 6.7% of GDP. While significant further consolidation is foreseen in the Serbian budget with a 2013 target of 3.6% of GDP, the policy stance this year is more mixed in the other countries and sometimes underpinned by relatively optimistic growth assumptions. Further consolidation is on the agenda of Iceland and Montenegro. With a deficit target of 3.5 % of GDP, some relaxation is noticeable in the former Yugoslav Republic of Macedonia. The deficit target in Albania (3.4%) does not reflect much consolidation effort while the target for Croatia is slightly higher than in 2012.

Candidate and potential candidate countries: Summary table

						ECFIN Nov. Forecast							
	2008	2009	2010	2011	2012	2013	2014	Q2 12	Q3 12	Q4 12	Oct 12	Nov 12	Dec 12
Gross domestic product (in real terms, annual % change)													
Croatia	2.1	-6.9	-1.4	0.0	-1.9f	0.0	1.4	-2.2	-1.9	:	N.A.	N.A.	N.A.
The former Yugoslav Republic of Macedonia	5.1	-1.0	2.8	3.0	0.8f	1.7	2.2	-0.7	0.2	:	N.A.	N.A.	N.A.
Iceland	1.2	-6.6	-4.0	2.6	2.7f	2.3	2.9	-0.5	2.1	:	N.A.	N.A.	N.A.
Montenegro	6.9	-5.7	2.5	3.2	0.2f	2.4	3.0	0.3	0.0	:	N.A.	N.A.	N.A.
Serbia	3.8	-3.5	1.0	1.6	-1.9e	1.5	2.0	-0.6	-2.5	:	N.A.	N.A.	N.A.
Turkey	0.7	-4.8	9.2	8.5	3.0f	2.9	3.7	3.0	1.6	:	N.A.	N.A.	N.A.
Albania	7.5	3.3	3.8	3.1e	:	:	:	2.1	2.7	:	N.A.	N.A.	N.A.
Bosnia and Herzegovina	5.6	-2.9	0.7	1.3	:	:	:	:	:	:	N.A.	N.A.	N.A.
Kosovo*	7.2	3.5	3.2	4.5	:	:	:	:	:	:	:	:	:
Unemployment (LFS, in % of workforce)													
Croatia	8.3	9.0	11.7	13.5	14.2f	13.9	12.9	14.5	14.5	:	N.A.	N.A.	N.A.
The former Yugoslav Republic of Macedonia	33.8	32.2	32.0	31.4	30.8f	30.5	30.0	31.2	30.6	:	N.A.	N.A.	N.A.
Iceland	3.0	7.2	7.5	7.1	6.4f	5.7	5.4	7.2	5.0	:	N.A.	N.A.	N.A.
Montenegro	10.8	11.4	12.2	13.2	13.5	:	:	12.7	12.2	13.5	12.7	13.2	13.5
Serbia	13.6	16.1	19.2	22.2	26.4f	26.5	25.7	:	22.4	:	:	:	:
Turkey	11.0	14.1	12.0	9.8	7.5f	7.0	5.9	8.2	8.8	:	:	:	:
Albania	12.8	13.0	13.7	13.3	:	:	:	13.3	13.3	:	:	:	:
Bosnia and Herzegovina	40.6	42.7	42.7	43.8	:	:	:	43.8	44.2	:	44.3	:	:
Kosovo*	47.5	45.4	N.A.	44.8	:	:	:	:	:	:	:	:	:
Current account balance (% of GDP)**													
Croatia	-9.0	-5.2	-1.1	-0.9	-1.2f	-1.5	-2.2	-0.8	-0.6	:	N.A.	N.A.	N.A.
The former Yugoslav Republic of Macedonia	-12.8	-6.8	-2.0	-3.0	-3.6f	-5.5	-6.5	-1.5	-1.3	:	N.A.	N.A.	N.A.
Iceland	-24.6	-11.6	-8.0	-6.5	-7.3f	-7.5	-7.8	-7.8	-6.7	:	N.A.	N.A.	N.A.
Montenegro	-49.8	-27.9	-23.0	-17.7	-20.1f	-20.8	-20.8	-19.5	-17.9	:	N.A.	N.A.	N.A.
Serbia	-18.8	-7.2	-7.6	-8.9	-12.4f	-10.3	-11.5	-13.2	-12.9	:	N.A.	N.A.	N.A.
Turkey	-5.5	-2.2	-6.4	-9.9	-8.0f	-6.8	-7.2	-8.3	-7.2	:	N.A.	N.A.	N.A.
Albania	-15.5	-15.3	-11.5	-12.0	:	:	:	-11.2	-10.5	:	N.A.	N.A.	N.A.
Bosnia and Herzegovina	-14.2	-6.6	-5.6	-9.6	:	:	:	-10.3	-10.7	:	N.A.	N.A.	N.A.
Kosovo*	-16.0	-10.3	-13.0	-14.1	:	:	:	-14.2	-14.0	:	N.A.	N.A.	N.A.
Inflation (Consumer price index, annual % change)													
Croatia	6.1	2.4	1.0	2.3	3.4f	3.2	2.1	3.5	4.1	:	4.8	4.4	:
The former Yugoslav Republic of Macedonia	8.3	-0.8	1.6	3.9	3.3	2.0	2.3	2.1	3.8	4.9	5.3	4.6	4.7
Iceland	12.7	12.0	5.4	4.0	5.2	4.4	4.4	5.8	4.3	4.3	4.2	4.5	4.2
Montenegro	7.4	3.4	0.5	3.1	3.9f	2.7	2.5	3.5	4.4	:	5.2	5.2	:
Serbia***	8.6	6.6	10.3	7.0	7.3f	10.5	5.2	5.5	10.3	:	12.9	11.9	:
Turkey	10.4	6.3	8.6	6.5	8.9	7.8	5.8	9.4	9.0	6.8	7.8	6.4	6.2
Albania	3.4	2.3	3.6	3.5	:	:	:	1.9	2.7	:	2.4	2.5	:
Bosnia and Herzegovina	7.4	-0.4	2.1	3.7	:	:	:	2.0	1.8	:	2.3	1.9	:
Kosovo*	9.4	-2.4	3.5	7.3	:	:	:	1.3	3.2	:	3.8	3.5	:
General government balance (% of GDP)													
Croatia	-1.4	-4.1	-4.9	-5.1	-4.4f	-4.2	-3.9	:	:	:	N.A.	N.A.	N.A.
The former Yugoslav Republic of Macedonia**	-1.0	-2.7	-2.5	-2.5	-3.5f	-3.5	-2.8	-2.3	-1.6	:	N.A.	N.A.	N.A.
Iceland	-13.5	-9.9	-10.1	-5.4	-3.4f	-2.4	-1.2	-2.8	-1.9	:	N.A.	N.A.	N.A.
Montenegro	-0.4	-5.7	-4.9	-5.4	-4.0f	-3.2	-2.0	-3.8	-2.4	:	N.A.	N.A.	N.A.
Serbia**	-2.6	-4.5	-4.7	-4.9	-6.7f	-4.2	-3.6	-6.4	-6.5	:	N.A.	N.A.	N.A.
Turkey	-2.2	-5.7	-3.6	-2.0f	-2.4f	-3.2	-3.8	:	:	:	N.A.	N.A.	N.A.
Albania**	-5.5	-7.0	-3.1	-3.5	:	:	:	-1.5	-1.9	:	-1.9	:	:
Bosnia and Herzegovina	-2.2	-4.4	-2.5	-1.3	:	:	:	:	:	:	N.A.	N.A.	N.A.
Kosovo*	-0.1	-0.7	-2.6	-1.7	:	:	:	-3.1	-2.3	:	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 2012

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

*** End of period, Forecast = average

CROATIA



Key developments

The treaty on Croatia's accession to the EU had been ratified by 20 EU Member States at the end of 2012. Seven Member States have still to ratify the treaty before the accession in mid-2013.

The Croatian parliament adopted the government's proposal for the 2013 state budget on 4 December. The budget foresees a slightly higher deficit compared to the 2012 target in contrast to the government's own "Economic and Fiscal Policy Guidelines" from August which projected a slightly lower deficit. The 2013 budget contributed to Standard & Poor's lowering of Croatia's sovereign credit rating from investment grade to the highest speculative grade (BB+/B) on 14 December.

Real sector

Economic activity continued to stagnate in the third quarter of 2012. In quarter-on-quarter terms and adjusted for seasonal variations, real GDP was essentially flat just as in the preceding quarter. In year-on-year terms, real GDP was 1.9% lower following a decline of 2.2% in the second quarter.

The various GDP components indicate that the year-on-year contraction continues to be broad-based. Consumer spending was 3.5% lower in real terms in the third quarter, almost unchanged from the second quarter. Government consumption declined by 0.4% compared to -0.2% in the preceding quarter. Fixed investment contracted slightly less (-4.3% compared to -5.9%). Export volumes (goods and services combined), which had lost 1.8% in the second quarter, shrank by only 0.1% in the third quarter. Import volumes continued to fall at the same rate (-3.3%) as in the second quarter. In terms of growth contributions (also in year-on-year terms), private consumption, fixed investment and destocking exerted the main drags whereas net exports contributed positively to GDP growth.

The available data for the fourth quarter suggest, on balance, that the overall level of economic

activity changed little. On the negative side, the volume of retail sales was 5.7% lower year-on-year in both October and November. Industrial production was relatively flat throughout the autumn and its level was down by 4.3% year-on-year in November. Although the downward trend for construction activity seems to be slowing according to the most recent data, the index was still 7.5% lower year-on-year in October (working-day adjusted data). On the positive side, the value of exported goods was up by an impressive 18.6% year-on-year in October-November. About half of this was due to the (volatile) export of ships, while the rest was broadly spread across manufacturing. A good part of the rise in exports in these two months seems to have come from existing stocks. The value of imported goods was 2.2% higher year-on-year in October-November. The most recent tourism data point to a robust 5% year-on-year increase in foreign tourism for the whole of 2012.

Labour market

The labour market has continued to deteriorate. According to the labour force survey, employment was 0.8% lower year-on-year in the third quarter while the unemployment rate rose 2.0 percentage points year-on-year to 14.5% partly due to a growing labour force. The more timely data on registered unemployment suggest a further worsening in the fourth quarter. The registered unemployment rate stood at 19.6% in October and at 20.4% in November which is, respectively, 2.2 and 2.5 percentage points higher year-on-year. Despite the elevated level of unemployment, the average nominal gross wage was 1.9% higher year-on-year in October and up by 1.3% year-on-year in the first ten months of 2012 on average.

External sector

Croatia's customary third-quarter current account surplus was 4.2% higher than in the preceding year mainly because tourism-related services exports increased by 3.4%. Goods exports increased by 0.4% while goods imports

fell by 1.0%. Rising services imports and a worsening of the balance for income and transfer payments pulled in the opposite direction. Over the four quarters to end-September, the current account deficit amounted to 0.6% of GDP (based on values in kuna), down from 0.8% in 2011 (revised). The above-mentioned trade data for October and November suggest a further narrowing of the current account deficit in the fourth quarter.

The capital account of the balance of payments shows that foreign direct investments inflows fell by 37.7% year-on-year in the third quarter. Inward FDI has fallen from 2.4% of GDP in 2011 to 1.4% in the four quarters to end-September 2012.

Croatia's total gross external debt amounted to € 45.6 billion (102% of GDP) at the end of the third quarter of 2012, down from € 46.6 billion at the end of the second quarter (105% of GDP). Gross international reserves stood at € 11.3 billion at the end of November (25.5% of GDP), down by € 0.1 billion since the end of the third quarter.

Monetary developments

Consumer price inflation has risen markedly in the course of 2012. The monthly year-on-year reading of the overall CPI increased from 1.2% in January to 5.0% in September before falling back to 4.4% in November. Most of the higher inflation rate is due to the VAT hike in March, increases in administered prices and rising energy and food prices generated by higher world prices and by the extreme summer drought in the region. Core inflation, as measured by the central bank, has increased from 1.6% in March to 2.3% in October.

Broad money (M4) has continued to increase at a slow rate in recent months and was 3.0% higher year-on-year at the end of November. In the foreign exchange market, the kuna moved from 7.45 kuna per euro at the beginning of the fourth quarter to 7.56 at the end which corresponds to a kuna depreciation of 1.5% against the euro. The central bank did not intervene in the currency market during the fourth quarter.

Financial sector

Total assets of Croatian banks remained virtually flat over the four months to the end of October 2012 reflecting the suppressed

economy. In this period, the year-on-year change in total bank assets declined from +1.8% to +0.8%. The on-going deleveraging of the household sector was reflected in a 0.5% decline in bank lending to households in the July-October period. Deleveraging by the corporate sector has also become noticeable in 2012 and is reflected in a 2.0% decline in bank lending to corporate customers in the July-October period. The decline in lending to domestic sectors was offset by an increase in the foreign position of banks. The combined capital adequacy ratio of the banking sector climbed from 20.2% at the end of June to 20.5% at the end of September. The share of non-performing loans in total loans increased from 13.3% at the end of June to 14.1% at the end of September.

Domestic interest rates did not change significantly in recent months. The average annual interest rate on kuna credits fell only by 6 basis points to 9.18% between July and October. For kuna credits indexed to foreign currency the average interest rate fell by 26 basis points to 6.76%. The Croatian stock market index gained 1.5% over the fourth quarter to finish the year at the same level where it had started.

Fiscal developments

The Croatian parliament approved a revision of the 2012 state budget on 27 November. The revision raised both revenues and expenditures by 1.3% thereby increasing the budgeted deficit only marginally (0.03% of GDP) to 3.0% of estimated GDP. According to the Ministry of Finance's most recent budget data, the revenues of the state government increased 2.5% year-on-year in the first eleven months of 2012 while expenditures fell by 0.9%. The accumulated state deficit for this 11-month period corresponds to 2.2% of estimated full-year GDP. This suggests that the targeted deficit for the revised 2012-budget will most likely not be exceeded. The general government debt rose to 63.2% of GDP at the end of July, including government guarantees.

On 4 December the parliament adopted the state budget for 2013. It is based on the (optimistic) assumption that real GDP will increase by 1.8% and on an inflation rate of 3.5%. The budget plans to increase revenues and expenditures by 3.0% and 3.5% year-on-year, respectively. The deficit is projected to correspond to 3.1% of GDP, i.e. higher than in 2012 and also higher than the 2.7% of GDP projected for 2013 by the government last August.

TABLE



European Commission, ECFIN-D-1

CROATIA

		2008	2009	2010	2011	2012	ECFIN Forecast		Q2 12	Q3 12	Q4 12	Oct 12	Nov 12	Dec 12
							2013	2014						
1 Real sector														
Industrial outlook ^{1.1}	Balance	38.0	-33.3	3.0	-0.8	-9.8	:	:	11.0	-15.0	-16.0	N.A.	N.A.	N.A.
Industrial production ^{1.2}	Ann.%ch	1.6	-9.0	-1.5	-1.3	:	:	:	-6.2	-4.4	:	-5.8	-4.3	:
Gross domestic product ^{1.3}	Ann.%ch	2.1	-6.9	-1.4	0.0	-1.9f	0.0	1.4	-2.2	-1.9	:	N.A.	N.A.	N.A.
Private consumption ^{1.4}	Ann.%ch	1.3	-7.6	-0.9	0.2	-1.7f	-1.2	0.7	-3.4	-3.5	:	N.A.	N.A.	N.A.
Gross fixed capital formation ^{1.5}	Ann.%ch	8.7	-14.2	-15.0	-7.2	-5.7f	5.3	7.0	-5.9	-4.3	:	N.A.	N.A.	N.A.
Construction index ^{1.6}	Ann.%ch	11.8	-6.5	-15.9	-9.1	:	:	:	-10.9	-12.6	:	-4.9	:	:
Retail sales ^{1.7}	Ann.%ch	N.A.	-15.3	-1.8	1.0	:	:	:	-5.6	-4.7	:	-5.7	:	:
2 Labour market														
Unemployment ^{2.1}	%	8.3	9.0	11.7	13.5	14.2f	13.9	12.9	14.5	14.5	:	N.A.	N.A.	N.A.
Employment ^{2.2}	Ann.%ch	1.4	-1.7	-4.2	-3.2	-1.8f	-0.5	0.6	-1.0	-0.8	:	N.A.	N.A.	N.A.
Wages ^{2.3}	Ann.%ch	7.1	2.2	-0.4	1.5	1.4f	1.3	1.4	0.9	0.6	:	1.9	:	:
3 External sector														
Exports of goods ^{3.1}	Ann.%ch	4.8	-20.0	17.2	10.0	:	:	:	-5.8	:	:	20.0	17.1	:
Imports of goods ^{3.2}	Ann.%ch	8.9	-25.6	-1.0	9.4	:	:	:	-0.9	:	:	5.6	-1.3	:
Trade balance* ^{3.3}	%of GDP	-22.8	-16.6	-13.3	-14.2	-14.6f	-14.8	-15.2	-14.6	:	:	N.A.	N.A.	N.A.
Exports goods and services ^{3.4}	%of GDP	42.1	36.6	39.4	41.8	:	:	:	42.2	42.6	:	N.A.	N.A.	N.A.
Imports goods and services ^{3.5}	%of GDP	49.8	40.1	39.9	41.9	:	:	:	42.5	42.4	:	N.A.	N.A.	N.A.
Current account balance* ^{3.6}	%of GDP	-9.0	-5.2	-1.1	-0.9	-1.2f	-1.5	-2.2	-0.8	-0.6	:	N.A.	N.A.	N.A.
Direct investment (FDI, net)* ^{3.7}	%of GDP	6.7	3.4	0.9	2.3	:	:	:	2.8	1.9	:	N.A.	N.A.	N.A.
International reserves ^{3.8}	mio EUR	9 120.9	10 375.8	10 660.3	11 194.9	:	:	:	11 635.3	11 383.9	:	11 371.5	11 301.6	:
Int. reserves / months Imp ^{3.9}	Ratio	5.3	8.2	8.5	8.3	:	:	:	8.6	8.5	:	8.4	8.4	:
4 Monetary Developments														
CPI ^{4.1}	Ann.%ch	6.1	2.4	1.0	2.3	3.4f	3.2	2.1	3.5	4.1	:	4.8	4.4	:
Producer prices ^{4.2}	Ann.%ch	:	-0.4	4.3	7.1	:	:	:	5.2	5.6	:	6.0	6.6	:
Food prices ^{4.3}	Ann.%ch	10.0	1.7	-1.5	3.5	:	:	:	3.0	4.7	:	4.9	4.3	:
M4 ^{4.4}	Ann.%ch	10.9	1.6	2.7	3.7	:	:	:	3.5	2.7	:	2.6	3.0	:
Exchange rate HRK/EUR ^{4.5}	Value	7.22	7.34	7.29	7.43	7.52	:	:	7.52	7.47	7.52	7.50	7.54	7.53
Nominal eff. exchange rate ^{4.6}	Index	96.1	97.2	98.2	100.2	:	:	:	102.4	102.5	:	102.4	:	:
5 Financial indicators														
Interest rate (3 months) ^{5.1}	%p.a.	7.19	8.96	2.44	3.14	3.41	:	:	2.91	3.40	2.18	2.60	2.25	1.68
Bond yield ^{5.2}	%p.a.	5.9	6.4	5.8	5.7	5.9	:	:	6.2	5.9	4.6	4.7	4.5	4.7
Stock markets ^{5.3}	Index	3 299	1 871	1 990	2 079	1 738	:	:	1 721	1 698	1 752	1 755	1 760	1 740
Credit growth ^{5.4}	Ann.%ch	11.6	5.0	2.9	6.5	:	:	:	1.3	-2.2	:	-2.6	-3.5	:
Deposit growth ^{5.5}	Ann.%ch	7.4	-15.2	-19.8	7.3	:	:	:	12.6	7.6	:	4.5	-4.5	:
Non performing loans ^{5.6}	%of total	N.A.	N.A.	N.A.	N.A.	N.A.	:	:	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
6 Fiscal developments														
General government balance ^{6.1}	%of GDP	-1.4	-4.1	-4.9	-5.1	-4.4f	-4.2	-3.9	:	:	:	N.A.	N.A.	N.A.
General government debt ^{6.2}	%of GDP	29.3	35.8	42.2	46.7	53.8f	56.6	60.6	:	:	:	N.A.	N.A.	N.A.

f: ECFIN forecast Autumn 2012

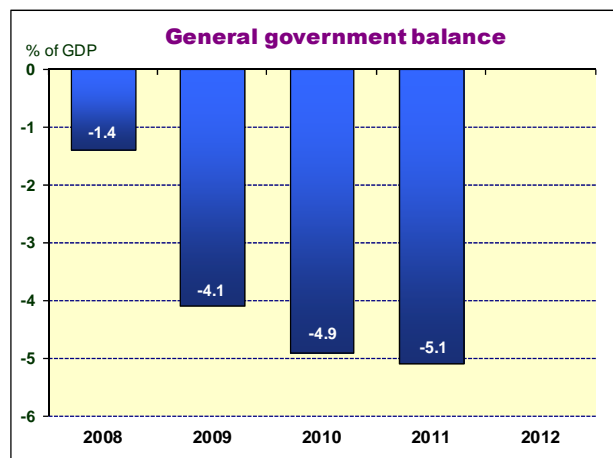
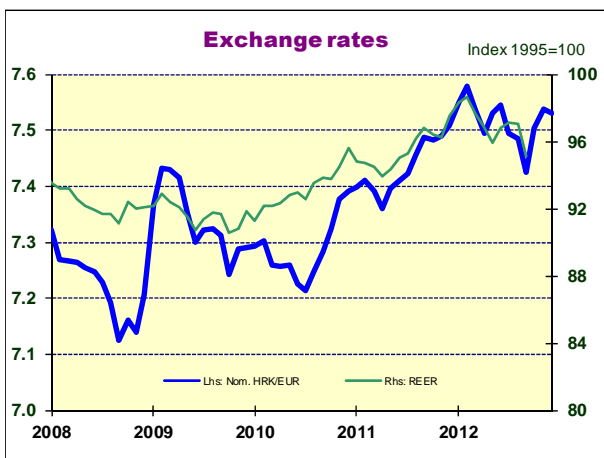
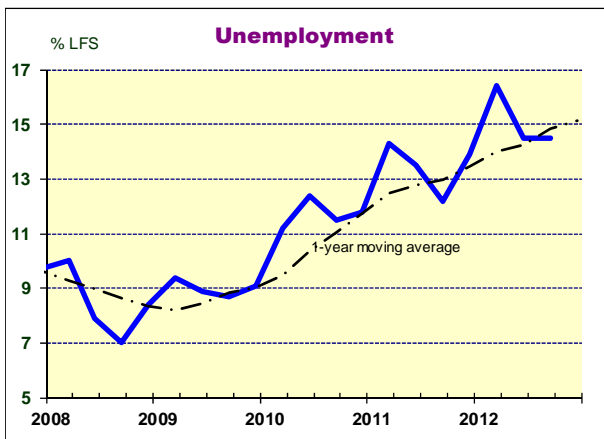
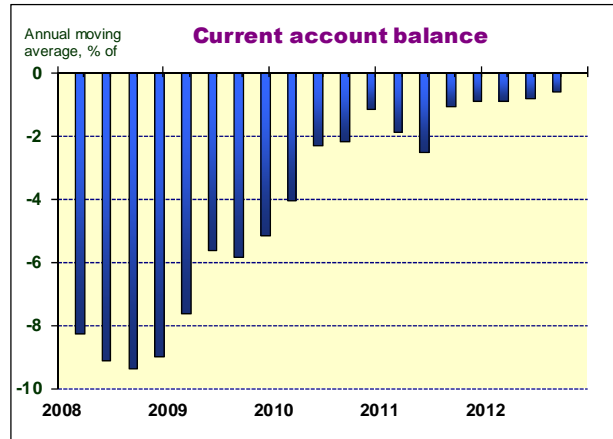
* Q figures refer to a 4 quarters moving average.

CHARTS

European Commission, ECFIN-D-1



CROATIA



THE FORMER YUGOSLAV REPUBLIC OF MACEDONIA



Key developments

On 17 December, the IMF concluded its regular staff visit. It welcomed the improved transparency of public sector accounting and underlined its positive effect on the credibility of the country's fiscal framework. The Fund's staff also pointed to still looming risks of an intensification of the euro area crisis. The IMF expects a largely unchanged output level for 2012 and GDP growth of up to 2% in 2013.

On 24 December, the Parliament adopted the central government budget for 2013. The fiscal framework envisages a deficit of 3.5% of GDP, based on expected real GDP growth of 2% and inflation of 3¼%. Revenues are expected to be about 1% lower than in the revised 2012 budget, while spending is planned to be some 2½% higher, mainly driven by higher spending for transfers. Capital expenditure will be reduced by nearly 13%. The deficit will be mainly financed through international sources.

On 8 January, the Central Bank lowered its key policy rate by a ¼ percentage point to 3.5% and its rate for standing 7-day deposits from 2% to 1.75%.

Real sector

In the third quarter of 2012, output was about 0.2% higher than a year ago. This reduced the GDP decline to 0.5% in the first 3 quarters of the year, compared to -0.8% during the first half. On the demand side, the main weak components in the third quarter were private consumption, declining by 2.4% and exports, being some 2.9% lower than a year before. Gross investment, including stocks, seems to have remained high, increasing by some 14.6%. On the supply side, data points to strong growth in the construction sector, by some 16.5% year-on-year.

Industrial production continued to decline in November, with an overall production level being some 4½% lower than a year before.

During the first eleven months of 2012, industrial production was year-on-year some 6½% lower. The decline is mainly due to lower production of electricity, petroleum, base metals and foodstuff, probably reflecting weak international and domestic demand. The production of textile and garment, two other important manufacturing sectors, remained rather stable.

Labour market

The level of employment rose slightly year-on-year in the third quarter, while the number of unemployed declined by 1.9%. As a result, the unemployment rate dropped by ½ percentage point to 30.6%, compared to 31.2% the year before. The main sectors with employment gains were trade, education and health, while employment declined in agriculture and financial services. Youth unemployment (age bracket 15-24 years) remained extremely high, although it declined to 52.1% in the third quarter, compared to 54.2% the year before. This age group accounts for about 11% of the labour force, but for some 18% of total unemployed.

After having declined earlier in the year, nominal wages rose marginally in the third quarter, bringing the average wage growth in the first 3 quarters to 0.2%, compared to annual growth of 1.2% in 2011. Yet, nominal wage increases remained starkly below inflation, implying a steep decline, by 3.6%, in real terms during the third quarter and by 2.4% since the beginning of 2012.

External sector

External balances showed a slightly better performance in the third quarter, resulting mainly from lower imports but also a higher inflow of private transfers. As a result, the current account was in surplus by some 3.7% of the quarter's GDP, compared to a surplus of 2.9% the year before. When looking at the

performance during the last 4 quarters, the current account deficit continued to narrow to about -1.3% of the 4-quarter moving GDP, compared to a deficit of -5.2% a year before. A key factor for the improvement in the external balances continued to be a strong inflow of current transfers, which in this period was at nearly 18% of the estimated full-year GDP, compared to 15% of GDP the year before.

There was a net outflow of foreign direct investment in the third quarter, adding to the already weak performance of FDI during most of the year. Overall, during the last 4 quarters, FDI inflows reached only 1.9% of GDP, compared to 3.9% the year before. In 2011, FDI inflows amounted about 4% of GDP.

By November, foreign exchange reserves had increased to EUR 2.6 bn, equivalent to some 37% of GDP compared to 2.2 bn at the same time in the previous year. As a result of decelerating imports, the coverage of foreign reserves has been increasing slightly since the summer. In November, it stood at about 6 months of realised imports.

Gross external debt¹ continued to rise somewhat further during the third quarter of 2012, to about 65% of GDP by end September, compared to 60% the year before. Without repo purchases, external debt was at 62% of GDP end of September 2012, compared to 59% the year before.

Monetary developments

Inflation picked up markedly in the third and fourth quarter, with the CPI accelerating by 3.8%, and 4.9% respectively, year on year. Yet, for the year 2012, consumer prices rose by 3.3% and hence less than in the previous year (3.9%) The main factors for the recent price increases were higher costs for housing, in particular fuel and lighting, and for textiles.

Year-on-year growth of M4 continues to decelerate. In November, it dropped to 5.7%, compared to a rise by 8.6% 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. In October, weighted nominal lending rates stayed at around 8.4%, while interest rates on deposits declined marginally to 4.8%. As a result, the spread between lending and borrowing rates thus has slightly increased, to 3.6 percentage points. The overall credit-to-GDP level is still relatively low at 50% of GDP. However, in early January the Central bank lowered key policy rates by ¼ percentage points.

Year-on-year deposit growth slowed down to 5.1% in November, compared to 8.6% the year before. Credit rose by 5.6% in November, compared to 8.6% the year before. The overall quality of loan portfolios deteriorated slightly in the third quarter: non-performing loans (NPLs) accounted for 10.6% of total loans, which is one percentage higher than in the previous quarter. There was a further increase in the NPL ratio for large banks, to 10.7%, compared to 9.3% the quarter before. In the case of small-sized banks, the NPL ratio declined to 20.5%, compared to 22.4% the quarter before. Profitability of the sector as a whole remained weak, registering a return-on-assets of 0.3% only. The return-on-equity deteriorated again in the third quarter, dropping to 2.3%, compared to 3.2% the quarter before.

The stock market continued its sluggish performance also in the third quarter. In early January, the stock market index was some 10% lower than a year before. The total market capitalisation currently amounts to around 24% of GDP.

Fiscal developments

In the third quarter, public revenues remained weak, which was only partly compensated by reduced spending. This trend continued in October and November, bringing by November the deficit to around 3¼% of the estimated full-year GDP.

By end-September, central government debt was close to 30% 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).

¹ Including repo purchases of the monetary authorities

TABLE



European Commission, ECFIN-D-1

The former Yugoslav Republic of Macedonia

		2008	2009	2010	2011	2012	ECFIN Forecast		Q2 12	Q3 12	Q4 12	Oct 12	Nov 12	Dec 12
							2013	2014						
1 Real sector														
Industrial confidence ^{1.1}	Balance	6.8	-13.7	-9.6	18.4	:	:	:	15.5	13.2	:	11.2	11.8	:
Industrial production ^{1.2}	Ann. %ch	5.6	-8.4	-4.6	4.0	:	:	:	-5.6	-6.9	:	-4.6	-4.4	:
Gross domestic product ^{1.3}	Ann. %ch	5.1	-1.0	2.8	3.0	0.8f	1.7	2.2	-0.7	0.2	:	N.A.	N.A.	N.A.
Private consumption ^{1.4}	Ann. %ch	8.1	-4.8	2.3	3.9	0.8f	1.1	1.5	0.8	-2.4	:	N.A.	N.A.	N.A.
Gross fixed capital formation ^{1.5}	Ann. %ch	16.5	0.5	1.8	17.3f	6.0f	10.0	12.0	:	:	:	N.A.	N.A.	N.A.
Construction ^{1.6}	Ann. %ch	-2.8	5.3	11.7	14.6	:	:	:	-8.5	16.0	:	N.A.	N.A.	N.A.
Retail sales ^{1.7}	Ann. %ch	11.6	-3.8	4.2	:	:	:	:	:	:	:	N.A.	N.A.	N.A.
2 Labour market														
Unemployment ^{2.1}	%	33.8	32.2	32.0	31.4	30.8f	30.5	30.0	31.2	30.6	:	N.A.	N.A.	N.A.
Employment ^{2.2}	Ann. %ch	3.2	3.4	1.3	1.1	0.7f	1.3	1.7	0.8	0.6	:	N.A.	N.A.	N.A.
Wages ^{2.3}	Ann. %ch	8.7	14.1	1.0	1.2	-0.1f	1.8	2.6	-0.5	0.2	:	0.6	:	:
3 External sector														
Exports of goods ^{3.1}	Ann. %ch	8.9	-28.2	30.9	25.6	:	:	:	-3.5	-4.1	:	-7.1	:	:
Imports of goods ^{3.2}	Ann. %ch	21.9	-21.6	13.9	22.2	:	:	:	5.3	-3.5	:	12.3	:	:
Trade balance* ^{3.3}	% of GDP	-26.2	-23.3	-20.5	-22.4	-23.6f	-24.7	-26.0	-23.1	-22.9	:	N.A.	N.A.	N.A.
Exports goods and services ^{3.4}	% of GDP	50.9	39.0	46.6	54.6	:	:	:	54.4	53.2	:	N.A.	N.A.	N.A.
Imports goods and services ^{3.5}	% of GDP	76.2	60.6	65.3	74.2	:	:	:	75.3	74.3	:	N.A.	N.A.	N.A.
Current account balance* ^{3.6}	% of GDP	-12.8	-6.8	-2.0	-3.0	-3.6f	-5.5	-6.5	-1.5	-1.3	:	N.A.	N.A.	N.A.
Direct investment (FDI, net)* ^{3.7}	% of GDP	6.1	2.0	2.2	4.5	:	:	:	3.1	1.9	:	N.A.	N.A.	N.A.
International reserves ^{3.8}	mio EUR	1496.9	1598.7	1715.3	2302.3	:	:	:	2261.3	2371.3	:	2433.3	2572.1	:
Int. reserves / months imp ^{3.9}	Ratio	4.0	5.5	5.2	5.7	:	:	:	5.6	5.9	:	6.0	:	:
4 Monetary developments														
CPI ^{4.1}	Ann. %ch	8.3	-0.8	1.6	3.9	3.3	2.0	2.3	2.1	3.8	4.9	5.3	4.6	4.7
Producer prices ^{4.2}	Ann. %ch	10.4	-6.4	8.3	:	:	:	:	:	:	:	:	:	:
Food prices ^{4.3}	Ann. %ch	14.4	-1.4	0.3	6.2	:	:	:	0.2	3.2	:	5.7	4.0	:
Monetary aggregate M4 ^{4.4}	Ann. %ch	21.3	3.5	12.1	10.5	:	:	:	8.4	6.5	:	6.1	5.7	:
Exchange rate MKD/EUR ^{4.5}	Value	61.26	61.28	61.51	61.53	:	:	:	61.59	61.53	:	61.50	61.50	:
Nominal eff. exchange rate ^{4.6}	Index	100.6	106.6	106.0	106.9	:	:	:	107.9	:	:	N.A.	N.A.	N.A.
5 Financial indicators														
Interest rate (3 months) ^{5.1}	% p.a.	5.30	:	:	:	:	:	:	:	:	:	:	:	:
Bond yield ^{5.2}	% p.a.	9.69	10.07	9.48	8.87	:	:	:	8.54	8.41	:	8.38	8.34	:
Stock markets ^{5.3}	Index	5 149	2 497	2 472	2 407	1 890	:	:	1 950	1 836	1 748	1 784	1 742	1 718
Credit Growth ^{5.4}	Ann. %ch	40.3	14.2	5.4	8.1	:	:	:	8.0	7.1	:	5.9	5.6	:
Deposit growth ^{5.5}	Ann. %ch	23.5	4.6	13.0	10.9	:	:	:	8.3	5.9	:	5.5	5.1	:
Non-performing loans ^{5.6}	% total	6.7	8.9	9.0	9.5	:	:	:	9.7	10.6	:	N.A.	N.A.	N.A.
6 Fiscal developments														
General government balance ^{6.1}	% of GDP	-1.0	-2.7	-2.5	-2.5	-3.5f	-3.5	-2.8	-2.3	-1.6	:	N.A.	N.A.	N.A.
General government debt ^{6.2}	% of GDP	20.6	23.9	24.6	28.2	31.0f	33.5	35.0	:	:	:	N.A.	N.A.	N.A.

f: ECFIN forecast Autumn 2012

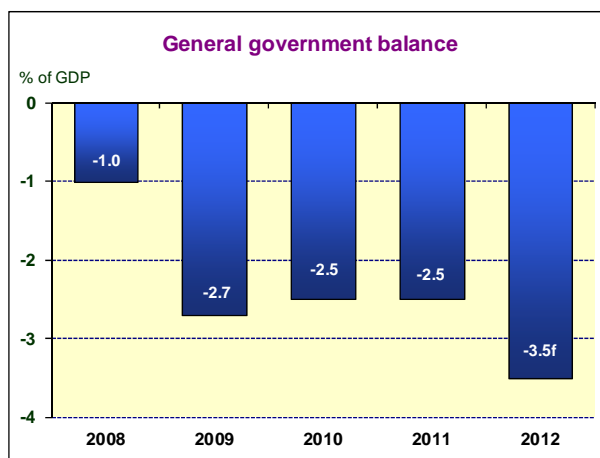
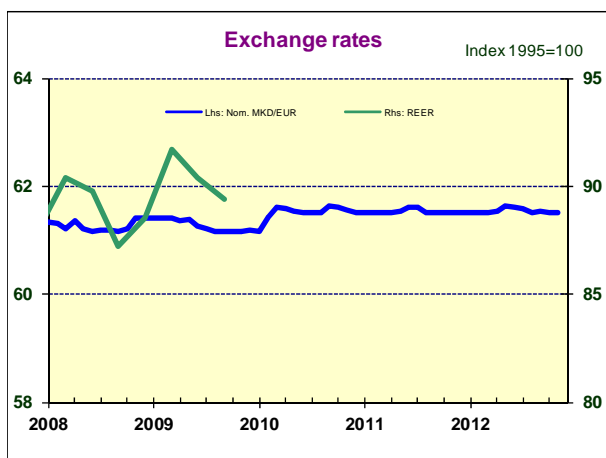
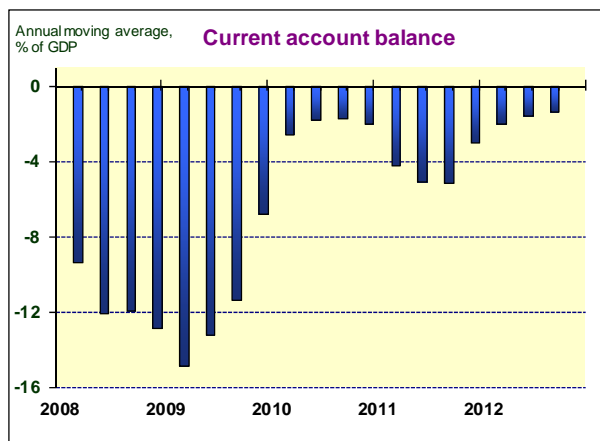
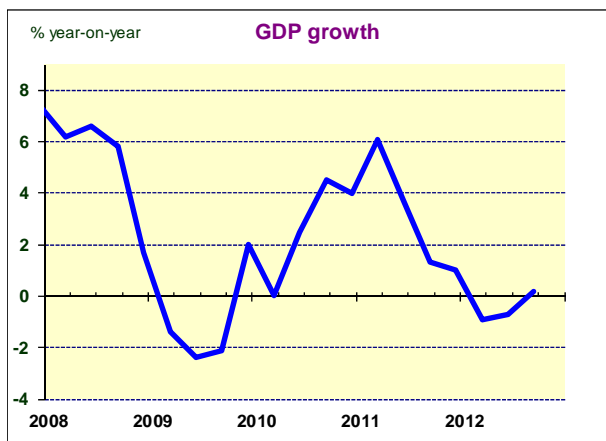
* Q figures refer to a 4 quarters moving average.

CHARTS



European Commission, ECFIN-D-1

The former Yugoslav Republic of Macedonia



ICELAND



Key developments

On 23 November, Moody's affirmed the credit rating of the government of Iceland (Baa3/P-3) for short- and long-term borrowing, acknowledging prudent fiscal policies and an improved debt trajectory, while hinting at risks related to the lifting of capital controls.

On 18 December, the intergovernmental conference on EU accession opened six negotiation chapters and closed one chapter provisionally. Altogether, 27 out of 33 chapters have been opened so far, and 11 chapters have been provisionally closed.

On 20 December, the Parliament adopted the 2013 central government budget, targeting a deficit of 0.2% of GDP.

Real sector

In the third quarter, the Icelandic economy grew by 2.1% year-on-year, up from a slight contraction of 0.5% in the previous quarter. Average growth in the first three quarters is recorded at 2% year-on-year, which marks a significant slowdown compared to the 2.6% growth rate in 2011 and is below expectations by most observers. Statistics Iceland revised downwards the growth figure for the first half of the year, from 2.4% to 1.9%. Economic activity in the third quarter was still driven by private consumption growth, which however decelerated to 2% year-on-year, down from 3.7% in the first half of the year. This indicates that the impact of the government's one-off income boosting measures (e.g. private pension pay-outs, interest rebates) is gradually fading. Government consumption continued to fall, by around 1.4% year-on-year, reflecting – inter alia - continued government efforts to curb current spending in line with the fiscal consolidation strategy. Total investment spending recorded a contraction of more than 5%, following relatively strong growth rates in the two preceding quarters, signalling that investment patterns remain rather volatile. Interestingly, total exports of goods and services virtually stagnated (-0.4% year-on-year), despite the strongest tourism season ever recorded in

Iceland. At the same time, total imports did practically not change between the years either (-0.2%). For the first three quarters, however, imports grew more strongly (6.6%) than exports (3%), leading to a stronger negative contribution of trade to growth compared to the previous year.

High-frequency indicators confirm a slowdown in economic activity. Payment card turnover – a reliable indicator for private consumption – increased by only 0.6% year-on-year in real terms in November. This compares to a growth of above 3% in the first half of 2012. Also, consumer confidence indicators dropped markedly in October and November.

Labour market

Labour market conditions continued to improve. According to the Labour Force Survey, the unemployment rate dropped to 5% in the third quarter, down from 7.2% in the second quarter, almost one percentage point lower compared to the same period a year ago. The level of total employment increased by 0.5% year-on-year, which is a milder increase compared to the 1% growth in the same period a year before. Data on registered unemployment confirm positive trends. The registered rate fell to 4.5% in October, the second lowest rate ever recorded since the crisis. The average unemployment rate in the first ten months was 6.3%, compared to 7.4% a year before. At the same time, the high and increasing rate of long-term unemployment (close to 36% of total unemployed in the third quarter) remains a particular concern.

Wage pressures have eased considerably. The annual average growth of gross wages decelerated sharply to 5.9% in the period July to November, down from above 10% in the first half of the year. Also average real wages dropped markedly from above 4% to 1% during the same period.

External sector

External trade developments point to a further narrowing of the surplus in trade with goods and services, primarily due to stronger merchandise

imports. The surplus fell from 8.5% in 2011 to 5.9% in the four quarters to September 2012. The current account deficit widened from 6.5% of GDP in 2011 to 6.7% in the same period. 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 "underlying" current account recorded a very small deficit of around 0.2% of GDP, according to the Central Bank estimates.

Merchandise trade data for October and November reveal a strong recovery of exports which grew by close to 13% on average, following a strong year-on-year drop of exports during the third quarter. Merchandise imports increased to a much lesser extent, by 2% year-on-year. However, monthly trade figures are highly "distorted" by large one-off transactions. Cumulative export growth in the first eleven months of 2012 has been much weaker (3%) than the growth of imports (7.7%), leading to a further erosion of the trade surplus, which stood at 4.8% of GDP during this period, compared to 6% of GDP in the same period a year before.

In the third quarter, gross official foreign exchange reserves held at the central bank decreased by an equivalent of 17% of GDP to around 32% of GDP by end-September, mainly due to capital outflows related to external debt re-payments. Official debt statistics report the stock of gross foreign debt at around 770% of GDP at end-September 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 200% of GDP. This compares favourably with a pre-crisis external debt of around 570% of GDP.

Monetary developments

In November, the Central Bank of Iceland decided to raise policy rates for the sixth time since August 2011, by 0.25 percentage point, arguing that inflation expectations were still above the Bank's inflation target. Since then, interest rates have been left unchanged. The Bank publicly announced that further interest rate decision would largely depend, among other things, on wage settlement agreements in early 2013. Annual inflation has gradually come down from the 2012 peak of 6.5% in April to 4.2% in December.

Following the appreciation during the summer months, the exchange rate of the króna vis-à-vis

the euro lost some 14% between mid-August and end-December. In reaction to strong depreciation pressures towards the end of the year, the central bank intervened – for the first time since March 2012 - by selling €12 million on the interbank market. At end-2012, the krona was traded at ISK/EUR 168.65, or 6.5% below the level a year before (ISK/EUR 158.36).

Financial sector

A more stable banking system, improved positions of households and enterprises, and an on-going economic recovery have eventually led to some resumption of bank lending. Annual credit growth stood at 5.9% in the third quarter (slightly down from 7% in the second quarter), and moderated to 5% in October. The level of bank deposits declined by 1.7% year-on-year in the third quarter, and by 3.8% in October.

The total capital adequacy ratio of the three largest banks increased to 23% by mid-2012, well above the minimum requirement of 16%. All banks remained profitable with returns on equity at 11.5%, down from 16% a year before, but banks are still faced with uncertain asset quality. Moreover, they carry relatively high cost-to-income and cost-to-asset ratios. Non-performing loans (measured at cross-default rates) remain exceptionally high, at 20% of total loans at mid-2012.

Fiscal developments

Fiscal performance in the third quarter has generally been supportive to the government's consolidation strategy. Despite a slowdown in the growth of total revenues to 5% year-on-year (from around 10% in the first half of 2012), the third quarter recorded one of the lowest budget deficits since the crisis, reflecting continued spending adjustments. Public sector wage growth decelerated further, to 4% year-on-year from around 9% in the first half, and spending on goods and services as well as on social benefits actually declined by 0.2% and 3.3% year-on-year, respectively. As a result, the growth of total spending decelerated sharply to 1.6% year-on-year, from around 6% in the first half of the year. In the first three quarters of 2012, the fiscal deficit fell to 2.3% of GDP (or 1.7% of projected annual GDP), compared to 3.8% in the corresponding period of the previous year. This compares to a 2012 budget target of 1.4% of GDP. Public debt remains high at around 100% of GDP.

TABLE



European Commission, ECFIN-D-1

ICELAND

		2008	2009	2010	2011	2012	ECFIN Forecast		Q2 12	Q3 12	Q4 12	Oct 12	Nov 12	Dec 12
							2013	2014						
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	76.9	10.3	-0.6	0.1	:	:	:	-2.4	-9.8	:	-7.5	:	:
Gross domestic product ^{1.3}	Ann.%ch	1.2	-6.6	-4.0	2.6	2.7f	2.3	2.9	-0.5	2.1	:	N.A.	N.A.	N.A.
Private consumption ^{1.4}	Ann.%ch	-7.8	-15.0	0.0	2.7	3.6f	2.7	3.2	3.9	2.0	:	N.A.	N.A.	N.A.
Gross fixed capital formation ^{1.5}	Ann.%ch	-20.4	-51.4	-8.6	12.8	9.3f	8.9	12.3	17.0	-5.3	:	N.A.	N.A.	N.A.
Construction index ^{1.6}	Ann.%ch	-21.2	-23.4	:	:	:	:	:	:	:	:	:	:	:
Retail sales ^{1.7}	Ann.%ch	-9.2	-22.8	-4.2	3.5	:	:	:	4.4	:	:	N.A.	N.A.	N.A.
2 Labour market														
Unemployment ^{2.1}	%	3.0	7.2	7.5	7.1	6.4f	5.7	5.4	7.2	5.0	:	N.A.	N.A.	N.A.
Employment ^{2.2}	Ann.%ch	0.8	-6.1	-0.3	0.0	0.9f	1.0	1.2	1.3	0.5	:	N.A.	N.A.	N.A.
Wages ^{2.3}	Ann.%ch	8.1	3.9	4.8	6.8	7.6f	6.2	6.2	9.9	5.8	:	5.1	5.0	:
3 External sector														
Exports of goods ^{3.1}	Ann.%ch	52.6	7.3	12.0	10.5	:	:	:	6.8	-12.4	:	20.1	5.4	:
Imports of goods ^{3.2}	Ann.%ch	20.2	-13.3	7.4	18.6	:	:	:	15.0	-5.8	:	7.6	-3.5	:
Trade balance* ^{3.3}	%of GDP	-0.5	6.0	7.8	6.0	5.6f	4.9	4.7	4.7	3.8	:	N.A.	N.A.	N.A.
Exports goods and services ^{3.4}	%of GDP	44.4	52.8	56.3	59.3	:	:	:	59.9	58.7	:	N.A.	N.A.	N.A.
Imports goods and services ^{3.5}	%of GDP	47.2	44.2	46.2	50.8	:	:	:	53.6	52.9	:	N.A.	N.A.	N.A.
Current account balance* ^{3.6}	%of GDP	-24.6	-11.6	-8.0	-6.5	-7.3f	-7.5	-7.8	-7.8	-6.7	:	N.A.	N.A.	N.A.
Direct investment (FDI, net)* ^{3.7}	%of GDP	30.5	-18.2	20.7	8.2	:	:	:	20.2	19.8	:	N.A.	N.A.	N.A.
International reserves ^{3.8}	mio EUR	2 565.3	2 661.7	4 369.0	6 580.6	:	:	:	5 339.8	3 371.9	:	3 404.6	3 234.5	:
Int. reserves / months Imp ^{3.9}	Ratio	8.0	13.4	19.1	24.3	:	:	:	18.4	11.6	:	11.6	11.1	:
4 Monetary developments														
CPI ^{4.1}	Ann.%ch	12.7	12.0	5.4	4.0	5.2	4.4	4.4	5.8	4.3	4.3	4.2	4.5	4.2
Producer prices ^{4.2}	Ann.%ch	31.0	11.3	11.8	9.2	:	:	:	1.9	-4.6	:	1.0	:	:
Food prices ^{4.3}	Ann.%ch	16.0	17.5	4.2	3.8	6.1	:	:	6.9	5.7	6.0	5.6	6.9	5.4
M3 ^{4.4}	Ann.%ch	41.2	15.7	-6.6	-1.9	:	:	:	5.9	-1.4	:	-0.4	-1.7	:
Exchange rate ISK/EUR ^{4.5}	Value	127.58	172.15	161.62	161.20	160.75	:	:	162.89	153.70	163.28	160.90	162.98	165.97
Nominal eff. exchange rate ^{4.6}	Index	135.2	98.1	100.0	100.0	:	:	:	96.4	100.9	:	97.3	95.8	:
5 Financial indicators														
Interest rate (3 months) ^{5.1}	%p.a.	15.84	11.28	6.79	4.26	5.51	:	:	5.38	5.75	6.09	6.04	6.10	6.14
Bond yield ^{5.2}	%p.a.	11.00	8.15	5.38	5.23	4.98	:	:	5.49	4.80	4.57	4.65	4.56	4.49
Stock markets ^{5.3}	Index	3 510	465	563	602	649	:	:	678	653	643	641	635	654
Credith grow th ^{5.4}	Ann.%ch	-34.0	-8.5	-3.2	-1.7	:	:	:	7.0	6.1	:	6.0	5.2	:
Deposit grow th ^{5.5}	Ann.%ch	31.5	-1.3	-7.0	-2.4	:	:	:	5.8	-1.7	:	-0.5	-1.9	:
Non-performing loans ^{5.6}	%total	N.A.	N.A.	N.A.	N.A.	N.A.	:	:	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
6 Fiscal developments														
General government balance ^{6.1}	%of GDP	-13.5	-9.9	-10.1	-5.4	-3.4f	-2.4	-1.2	-2.8	-1.9	:	N.A.	N.A.	N.A.
General government debt ^{6.2}	%of GDP	70.5	106.6	124.3	101.0f	96.8f	93.2	88.0	:	:	:	N.A.	N.A.	N.A.

f: ECFIN forecast Autumn 2012

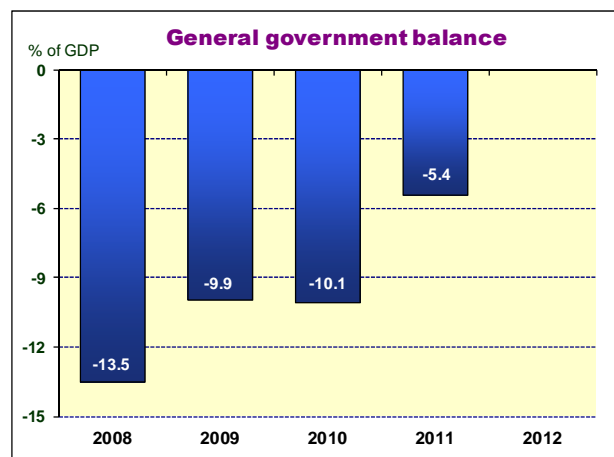
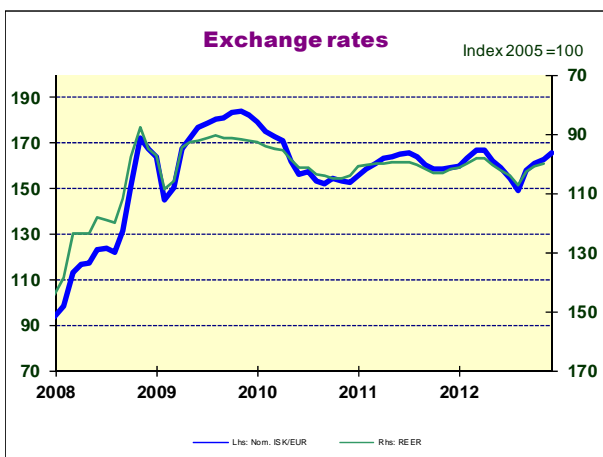
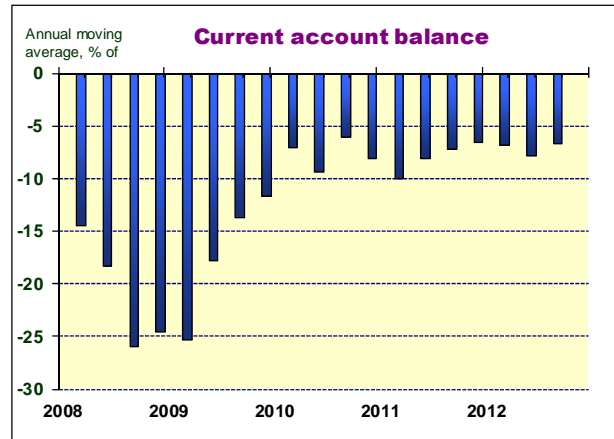
* Q figures refer to a 4 quarters moving average.

CHARTS



European Commission, ECFIN-D-1

ICELAND



MONTENEGRO



Key developments

On 4 December, the Montenegrin Assembly voted into office the new government headed by Milo Djukanovic, after his centre-left coalition won the general elections on 14 October.

After the EU General Affairs Council had welcomed the start of accession negotiations with Montenegro in June 2012, a first negotiating chapter (on science and research) was opened and provisionally closed on 18 December.

In October, the government sold the dairy plant Zora from Berane while the state-owned agriculture company Montepranzo-Bokaprodukt signed a lease with a foreign company to invest EUR 180 million in a golf project in Tivat.

On 28 December, Standard & Poor's confirmed the country's sovereign credit rating at BB- and stable outlook, mentioning the large external imbalances as key risk.

Real sector

In the third quarter of 2012 the economy stagnated, following a mild growth of 0.3% in the second quarter. In the first three quarters of 2012, GDP contracted by 0.5% year-on-year as domestic demand remained constrained by the continued contraction of credit. Private consumption appears to have been the main source of growth, as evidenced by a relatively strong growth of real retail sales which grew by 4% year-on-year, supported by a rising number of tourists. On the supply side, the fall of industrial production decelerated in November to 6% year-on-year, from 24% in October. In the first eleven months of 2012, industrial output fell by 9% year-on-year driven by the contraction of basic metals, food products and electricity, while positive growth was recorded in tobacco, pharmaceuticals and machinery.

Labour market

According to the labour force survey (LFS) the unemployment rate declined to 18.8% in the third quarter of 2012, from 20% in the previous quarter, and 19.5% in the same period the year before. Employment grew by 4.6% year-on-

year. However, the improvement in the third quarter was largely due to seasonal effects. More recent data on the registered rate of unemployment confirms this trend; the unemployment rate continuously increased to 13.5% until December, up from 12.2% in the third quarter.

In the first three quarters of 2012 wages have increased marginally by 0.6% year-on-year, substantially below inflation rates for the same period (3.8%). The same trend continued in the following months. In November, the net as well as the gross average wages declined by 1% year-on-year in nominal terms, translating into an annual contraction of 3% in real terms. At sector level, several services, including public administration, as well as agriculture and construction recorded net wage reduction. By contrast, salary increases were noted in utilities, technical activities, communication and manufacturing.

External sector

In the third quarter, the current account balance recorded a surplus of EUR 160 million (or 4.8% of annual GDP) due to tourism revenues. The services balances presented a surplus of EUR 508 million compared to a merchandise trade deficit of EUR 388 million.

In the four quarters to September 2012 the current account deficit reached 18% of GDP, compared to 20% in the same period a year earlier. The improvement was driven by higher surpluses in the balances of services, income and current transfers offsetting a higher trade deficit.

Net FDI inflows surged by 84% year-on-year to 4.9% of annual GDP in Q3. Overall, net FDI have been accelerating during the first nine months of the year to reach almost 13% of GDP in the first three quarters of 2012. More recent merchandise data for October shows that exports further deteriorated (by 45% year-on-year) driven by contractions of iron and steel, aluminium and mineral fuels exports, while imports increased by 4.6%. Overall, in the first ten months of 2012, the trade deficit increased by 10% year-on-year to 37% of annual GDP, compared to 35% a year before.

Monetary developments

Inflation has been accelerating markedly since early 2012 fuelled by the increases of administrative price for electricity and water as well as by higher or new excises on tobacco, alcohol, carbonated drinks and coffee. Inflation rose to 4.4% in the third quarter of 2012 and further to 5.2% each in October and November, compared to 2.7% in January 2012. In November, only a few sectors had a downward pressure on the overall index, like transport, recreation and culture along with restaurants and hotels, all of them recorded monthly deceleration.

The foreign exchange reserves stock increased by 9.8% year-on-year in November, totalling EUR 393 million, or 12% of GDP, or one percentage point of GDP higher than a year earlier. Foreign exchange reserves represented the equivalent of 2.6 months of imports.

Financial sector

In November, the Central Bank of Montenegro adopted a decision to cap interest rates on loans in an attempt to restrain the level of non-performing loans while facilitating access to liquidity. The upper limits were set at 15% for new loans to households and 14% to corporates.

Credit activity remained constrained. The retrenchment of bank loans accelerated in October and November to 4.2% and 3.7% year-on-year respectively, from 3.3% recorded at the end of Q3. In November, loans represented 53% of annual GDP. By sectors, the annual contraction of corporate loans was slightly faster (4.7% year-on-year) than households' (2.7%).

Growth of bank deposits accelerated to 8.3% year-on-year in November, covering 106% of total loans (compared to 94% a year earlier). Deposits of both households and non-financial institutions grew by more than 10% year-on-year, while those of the public sector increased by 2.4%. In January 2013, the Deposit Protection Fund increased to EUR 50,000 the amount guaranteed per depositor from EUR 35,000 last year.

The ratio of non-performing loans (NPL) improved marginally from 18.5% in the third quarter to 17.6% by the end of November. In the first three quarters of 2012 the aggregate capital of the banks contracted by 11.5%. The capital adequacy ratio declined to 13.5% in the third

quarter of 2012 from 14.5% in the previous one. The banks' return on assets as well as on equity registered -2.3% and -21.7% respectively in the third quarter, compared to -1.3% and -11.9% registered in turn at the end of June. Banks recorded an aggregate loss of EUR 48 million in the first three quarters of the year, further deteriorating to EUR 67 million until November.

In November, market capitalisation on Montenegro stock exchange increased by 8.2% year-on-year, and the MONEX20 index by 5.3%. However, the total turnover plunged by 62% year-on-year to EUR 2.6 million.

Fiscal developments

On 28 December the parliament adopted the budget law for 2013. The bill foresees, based on a projection of real growth of 2.5%, a general government deficit of 2.7% of GDP after further reduction of current expenditures to EUR 1.26 billion or 35% of GDP (compared to 37% a year earlier). In addition, the level of capital expenditures is planned to remain at the same nominal level as in 2012 (around 3% of GDP). The budget foresees an increase in the personal income tax rate from current 9% to 12%.

After recording a consolidated deficit of 3.7% of GDP in the first half of 2012, the budget deficit fell to 2.4% of annual GDP in the third quarter. Tax revenue decreased by 1.3% year-on-year due to weaker than planned VAT, duties and fees income, partly compensated for by stronger revenues from social security contributions. Expenditures remained slightly lower (by 0.3%) than a year before, reflecting the impact of some cuts on subsidies as well as lower spending on wages.

In September 2012 the public debt had increased by 17% year-on-year, reaching 51% of GDP. The external debt represents 39% of GDP. The stock of state guarantees accounts for additional 10% of GDP. The average maturity for external as well as for domestic debt stands above 5 years.

TABLE

European Commission, ECFIN-D-1



MONTENEGRO

		2008	2009	2010	2011	2012	ECFIN Forecast		Q2 12	Q3 12	Q4 12	Oct 12	Nov 12	Dec 12
							2013	2014						
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	-20.3	-24.6	45.7	-37.1	:	:	:	-19.6	-16.1	:	-24.4	-6.0	:
Gross domestic product ^{1.3}	Ann. %ch	6.9	-5.7	2.5	3.2	0.2f	2.4	3.0	0.3	0.0	:	N.A.	N.A.	N.A.
Private consumption ^{1.4}	Ann. %ch	:	-7.7	4.2	0.0	3.5f	3.6	3.9	:	:	:	N.A.	N.A.	N.A.
Gross fixed capital formation ^{1.5}	Ann. %ch	:	-25.3	-21.2	-0.1	-2.3f	2.7	3.7	:	:	:	N.A.	N.A.	N.A.
Construction index ^{1.6}	Ann. %ch	45.7	-21.5	13.1	10.7	:	:	:	-23.7	12.0	:	N.A.	N.A.	N.A.
Retail sales ^{1.7}	Ann. %ch	N.A.	-0.4	-2.3	25.1	:	:	:	10.0	2.5	:	3.5	2.1	:
2 Labour market														
Unemployment ^{2.1}	%	10.8	11.4	12.2	13.2	13.5	:	:	12.7	12.2	13.5	12.7	13.2	13.5
Employment ^{2.2}	Ann. %ch	6.3	4.8	-7.1	0.8	:	1.0	1.4	0.3	2.6	:	3.2	3.6	:
Wages ^{2.3}	Ann. %ch	22.8	5.7	11.0	1.0	:	1.1	4.1	2.6	1.0	:	0.8	-1.1	:
3 External sector														
Exports of goods ^{3.1}	Ann. %ch	-6.8	-34.2	20.3	33.6	:	:	:	-5.0	-18.5	:	-45.0	:	:
Imports of goods ^{3.2}	Ann. %ch	22.1	-34.6	0.9	9.2	:	:	:	-0.2	-4.2	:	4.6	:	:
Trade balance* ^{3.3}	% of GDP	-65.6	-44.3	-41.1	-40.4	-44.7f	-45.0	-45.1	-42.4	-41.7	:	N.A.	N.A.	N.A.
Exports goods and services ^{3.4}	% of GDP	39.5	32.1	34.7	40.2	:	:	:	:	:	:	N.A.	N.A.	N.A.
Imports goods and services ^{3.5}	% of GDP	94.0	65.4	63.1	66.2	:	:	:	:	:	:	N.A.	N.A.	N.A.
Current account balance* ^{3.6}	% of GDP	-49.8	-27.9	-23.0	-17.7	-20.1f	-20.8	-20.8	-19.5	-17.9	:	N.A.	N.A.	N.A.
Direct investment (FDI, net)* ^{3.7}	% of GDP	18.9	35.8	17.5	12.0	:	:	:	10.6	12.7	:	N.A.	N.A.	N.A.
International reserves ^{3.8}	mio EUR	313.0	397.0	416.0	303.0	:	:	:	288.0	397.0	:	403.0	393.0	:
Int. reserves / months Imp ^{3.9}	Ratio	1.5	2.9	3.0	2.0	:	:	:	1.9	2.6	:	2.6	2.6	:
4 Monetary developments														
CPI ^{4.1}	Ann. %ch	7.4	3.4	0.5	3.1	3.9f	2.7	2.5	3.5	4.4	:	5.2	5.2	:
Producer prices ^{4.2}	Ann. %ch	14.0	-3.8	-0.7	3.2	:	:	:	0.4	3.2	:	4.3	4.5	:
Food prices ^{4.3}	Ann. %ch	9.0	3.3	0.3	2.8	:	:	:	2.8	4.4	:	6.9	6.9	:
M21 ^{4.4}	Ann. %ch	-14.3	N.A.	:	:	:	:	:	:	:	:	:	:	:
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	5.32	:	:	:	5.32	:	:	:	:
Bond yield ^{5.2}	% p.a.	:	3.63	3.37	2.41	4.77	:	:	4.97	4.73	4.04	4.54	:	3.54
Stock markets ^{5.3}	Index	20009	13316	14003	11889	9099	:	:	9096	8504	9459	9309	9502	9565
Credit growth ^{5.4}	Ann. %ch	24.6	-14.3	-8.2	-11.1	:	:	:	-4.3	-3.3	:	-4.2	-3.7	:
Deposit growth ^{5.5}	Ann. %ch	-4.8	-8.3	-1.9	1.5	:	:	:	0.3	6.6	:	5.2	8.3	:
Non-performing loans ^{5.6}	% of total	7.2	13.5	21.0	15.5	:	:	:	17.1	18.5	:	17.8	17.7	:
6 Fiscal developments														
General government balance ^{6.1}	% of GDP	-0.4	-5.7	-4.9	-5.4	-4.0f	-3.2	-2.0	-3.8	-2.4	:	N.A.	N.A.	N.A.
General government debt ^{6.2}	% of GDP	29.0	38.2	40.9	45.9	52.0f	53.5	53.1	49.0	51.4	:	:	:	:

f: ECFIN forecast Autumn 2012

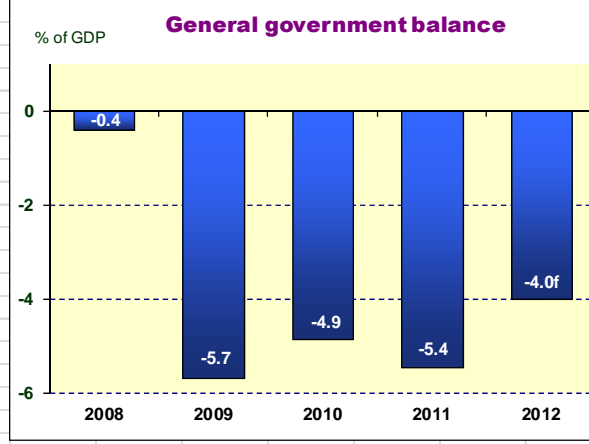
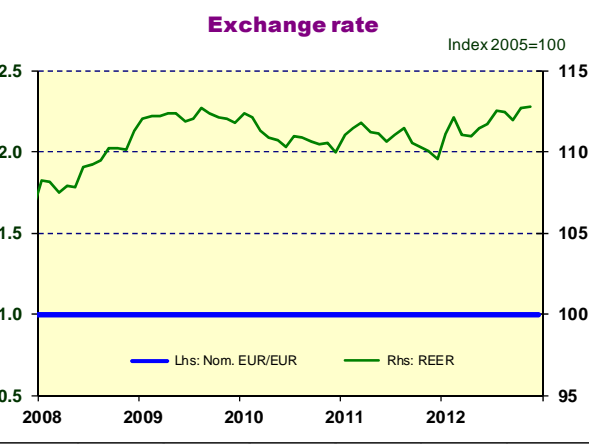
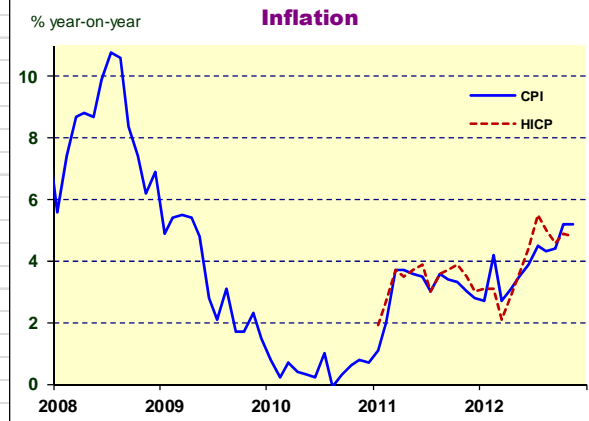
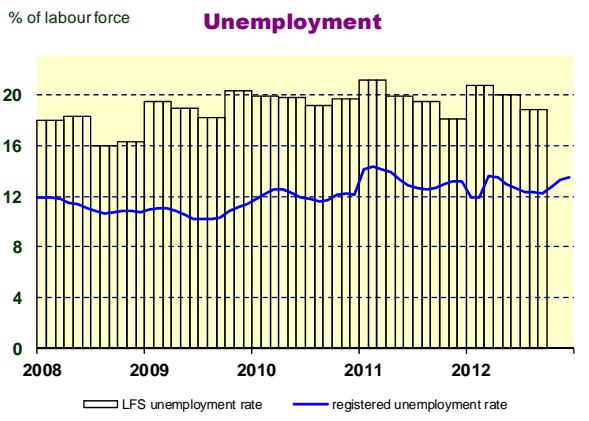
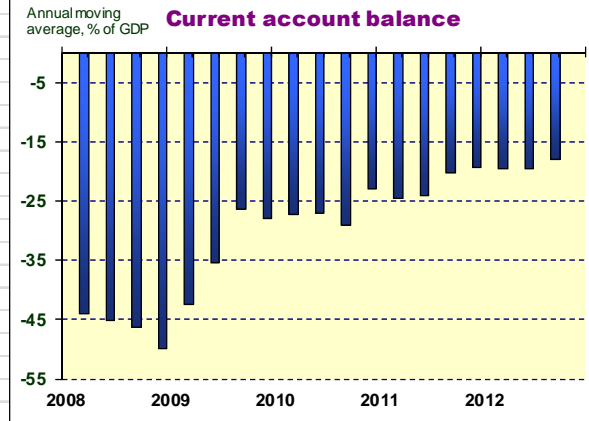
* Q figures refer to a 4 quarters moving average.

CHARTS

European Commission, ECFIN-D-1



MONTENEGRO



SERBIA



Key developments

With a view to a possible opening of EU accession negotiations with Serbia, the Council recalled in December that the European Commission is invited to present a report as soon as it will have assessed that Serbia has achieved the necessary degree of compliance with the membership criteria. A report on Serbia's progress in meeting these criteria is expected in Spring 2013.

The EU-facilitated dialogue between Belgrade and Pristina resumed in October, with Prime Minister Dačić and Prime Minister Thaçi representing the two sides. Meetings were also held in November and December and an agreement reached on the implementation of the IBM and the appointment of respective liaison officers to be hosted by the EU Delegation in Belgrade and the EU Office in Pristina.

In early December, the parliament adopted the 2013 budget, which envisages a 3.6% of GDP consolidated deficit. The medium-term fiscal strategy targets further reduction of the deficit to 1.9% of GDP in 2014 and 1.0% in 2015.

In November, an IMF staff mission started discussions, which are expected to resume in the months ahead, on the policies that could lead to an-IMF supported programme.

Real sector

The Statistical Office estimates that the economy has shrunk by 1.9% in 2012. In the third quarter alone, the fall in real GDP accelerated to 2.5% year-on-year (from 1.5% in the first half of the year) and preliminary estimates point to a further drop of around 2% in the fourth quarter.

Agriculture continued to be the worst-performing sector for a third consecutive quarter, falling by a real 17.1% (year-on-year) in the third quarter. After more than a year of strong growth, construction plummeted, contracting by 9.9%. Electricity, gas and steam supply (-4.3%) and accommodation and food service (-3.3%) also marked strong declines. Despite the overall bleak economic performance, still, almost half of the sectors (contributing also about half of the total value

added) posted some growth. Financial and insurance activities grew by 5.6% and growth in information and telecommunications continued, although decelerating strongly from double-digit levels to 3.7%.

High frequency indicators indicate further weakening of economic activity in the fourth quarter. Following increases in indirect taxation in early October, retail trade turnover fell sharply, from an already low level, by 10.5% (year-on-year) in October and 10.6% in November. Overall, industrial activity remained subdued, despite a better than expected performance in October and the launch of FIAT production and exports. In November, industrial production fell by 3.4% year-on-year, close to the rate of decline (-3.3%) for the period since the beginning of the year.

Labour market

The deterioration in the labour market seems to have halted. The October labour force survey even registered improvements across all major indicators. The unemployment rate fell from 25.5% in April to 22.4% and the activity rate increased from 46.1% to 47.3%. The economy gained more than 140 thousand jobs in this period, with about half of them in agriculture and construction – two of the worst performing, in terms of growth, sectors.

In contrast, the data on registered employment do not confirm any major improvements on the labour market. The number of registered employed remained almost unchanged in August-October (around 1.73 million) and remained still below its levels in the corresponding period of last year. The number of registered unemployed has also barely changed and remains at 753 thousand people, far above the 662 thousand according to the labour force survey.

Wage growth turned negative in the autumn. In November, real gross wages declined by 1.1% year-on-year, following drops of 5.9% in September and 3.5% in October. Still, due to gains earlier in the year, the average real wages and salaries increased by 2.2% on average in the eleven months until November.

External sector

The September and October current account deficits turned out marginally smaller than a year ago, mainly due a marked acceleration in exports of goods. Nevertheless, by end-October the accumulated deficit increased by 24.3% (year-on-year) to EUR 2.7 billion. Following the start of FIAT production, exports of goods increased by double-digit rate in October (17.5%). However, in January-October, exports growth averaged only 3.1%, still below the 5.1% growth in imports.

After having been negative for most of the year, in September and October net capital inflows (excluding reserve assets) turned positive, bringing the accumulated inflows from the beginning of the year to EUR 390 million. By the end of October, net foreign direct investment remained marginal at EUR 81 million. Portfolio investments increased significantly due to the USD 1 billion Eurobond issue in September and reached EUR 942 million. The net outflow of other investments, though, continued, reaching EUR 633 million in the period January-October. However, the trend of decreasing reserve assets has been reversed in October, when they grew by EUR 394 million. The foreign exchange reserves of the central bank increased further in November, reaching 10.6 EUR billion. Foreign debt increased as well, adding EUR 1.3 billion since August, to EUR 25.5 billion (86.7% of GDP) by end-October.

Monetary developments

Inflation accelerated sharply since April and reached double-digit levels in the autumn, mainly as a result of rising food prices and depreciation of the dinar. It peaked at 12.9% in October, influenced by the increased indirect taxation (VAT hike from 18 to 20%) before decelerating slightly to 11.9% in November. Food prices remained the main factor behind inflation dynamic.

Since early August, when it reached its low for the year, the dinar has stabilised and even regained some of the lost ground against the euro. By early January it stood at around 112-113 dinars per euro, appreciating by more than 5% since its low in August last year. In view of the elevated inflation, the central bank raised its policy rate in three steps, from 10.5% in August to 11.25% in December.

Financial sector

In October, the Assembly passed a law allowing the transfer of assets and liabilities from problematic state-owned banks to viable banks. A few days later, the central bank revoked the licence of Nova Agrobanka, after the bank had failed to align its capital and performance ratios with those required by law, and the Postal Savings Bank assumed all assets and liabilities of the failed bank. In December, the state and the government of the Vojvodina province agreed to use the same scheme in an attempt to save another troubled bank (Razvojna Banka Vojvodine). The state has also invited bidders for the recapitalisation, merger or sale of its shares (64.79%) in Privredna Banka Beograd – another loss-making entity.

In the autumn, credit activity received a boost from the government decision to enlarge its subsidised loans (for liquidity, fixed assets and exports) programme, under which more than EUR 1 billion in subsidised loans have been extended. By end-November, credit growth to non-financial institutions (12.2%) continued to outpace the growth in their deposits (10.7%). In the first three quarters, total banks' pre-tax profit fell by 52.3% (year-on-year). The level of non-performing loans increased slightly, from 19.5% in the second to 19.9% in the third quarter. In end-December, with the aim to free commercial banks' funds allocated to loan loss provisions and spur new lending, the central bank relaxed its rules on the treatment of NPLs.

Fiscal developments

By end-October 2012, the consolidated budget deficit stood at RSD 150.5 billion (4.5% of GDP), still far below the end-of-the-year target of RSD 222 billion. Following the tax increases in October, revenue performance improved across all major categories and total revenue growth accelerated to 10.2%, but still remained below expenditure growth (11.5%). Since September, total expenditure regained speed, influenced by government decisions to increase spending on subsidies and on wages and pensions, following their indexation by 2% in October.

In November, the government placed successfully another Eurobond (USD 750 million, 5-year maturity, 5.45% yield). As a consequence, central government debt increased strongly and reached EUR 17.6 billion (close to 60% of GDP).

TABLE

European Commission, ECFIN-D-1



SERBIA

							ECFIN Forecast							
		2008	2009	2010	2011	2012	2013	2014	Q2 12	Q3 12	Q4 12	Oct 12	Nov 12	Dec 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	1.3	-12.4	3.1	2.0	:	:	:	-3.1	-3.9	:	1.6	-3.4	:
Gross domestic product ^{1.3}	Ann.%ch	3.8	-3.5	1.0	1.6	-1.9e	1.5	2.0	-0.6	-2.5	:	N.A.	N.A.	N.A.
Private consumption ^{1.4}	Ann.%ch	:	:	:	:	:	-1.6	1.4	:	:	:	N.A.	N.A.	N.A.
Gross fixed capital formation ^{1.5}	Ann.%ch	:	:	:	:	:	3.0	5.6	:	:	:	N.A.	N.A.	N.A.
Construction index ^{1.6}	Ann.%ch	4.9	-18.8	-6.2	29.1	:	:	:	9.5	-10.2	:	N.A.	N.A.	N.A.
Retail sales ^{1.7}	Ann.%ch	3.4	-11.4	-0.7	-14.6	:	:	:	2.2	-5.1	:	-10.5	-10.6	:
2 Labour market														
Unemployment ^{2.1}	%	13.6	16.1	19.2	22.2	26.4f	26.5	25.7	:	22.4	:	:	:	:
Employment ^{2.2}	Ann.%ch	-0.1	-6.1	-3.6	-3.1	-2.8f	-0.2	1.2	-1.2	-0.9	:	-0.8	:	:
Wages ^{2.3}	Ann.%ch	4.5	1.0	7.4	11.1	:	:	:	9.8	7.2	:	9.0	10.7	:
3 External sector														
Exports of goods ^{3.1}	Ann.%ch	16.2	-19.4	23.8	14.0	:	:	:	5.6	3.4	:	17.5	:	:
Imports of goods ^{3.2}	Ann.%ch	18.3	-30.3	9.7	13.0	:	:	:	6.5	1.5	:	10.8	:	:
Trade balance* ^{3.3}	% of GDP	-26.2	-17.7	-17.1	-16.9	-19.9f	-17.5	-18.3	-21.9	-22.0	:	N.A.	N.A.	N.A.
Exports goods and services ^{3.4}	% of GDP	31.0	29.2	36.1	36.4	:	:	:	44.0	45.2	:	N.A.	N.A.	N.A.
Imports goods and services ^{3.5}	% of GDP	57.5	46.8	53.1	52.8	:	:	:	65.1	66.3	:	N.A.	N.A.	N.A.
Current account balance* ^{3.6}	% of GDP	-18.8	-7.2	-7.6	-8.9	-12.4f	-10.3	-11.5	-13.2	-12.9	:	N.A.	N.A.	N.A.
Direct investment (FDI, net)* ^{3.7}	% of GDP	5.7	4.7	3.1	5.9	:	:	:	4.2	2.2	:	N.A.	N.A.	N.A.
International reserves ^{3.8}	mio EUR	8 161.8	10 601.9	10 001.6	12 057.7	:	:	:	10 160.8	9 833.1	:	10 159.0	10 649.4	:
Int. reserves / months Imp ^{3.9}	Ratio	6.5	11.5	9.8	10.5	:	:	:	8.6	8.3	:	8.5	:	:
4 Monetary developments														
CPI ^{4.1}	Ann.%ch	8.6	6.6	10.3	7.0	7.3f	10.5	5.2	5.5	10.3	:	12.9	11.9	:
Producer prices ^{4.2}	Ann.%ch	9.0	7.4	16.2	:	:	:	:	:	:	:	:	:	:
Food prices ^{4.3}	Ann.%ch	13.8	0.8	10.7	6.4	:	:	:	4.5	14.2	:	17.0	14.9	:
M3 ^{4.4}	Ann.%ch	9.8	21.5	12.9	10.3	:	:	:	18.1	13.8	:	11.9	10.6	:
Exchange rate RSD/EUR ^{4.5}	Value	89.48	95.88	105.93	106.95	112.30	:	:	115.56	114.70	112.30	113.42	113.12	112.30
Nominal eff. exchange rate ^{4.6}	Index	88.6	92.8	89.5	100.3	:	:	:	89.8	91.0	:	92.4	93.0	:
5 Financial indicators														
Interest rate (3 months) ^{5.1}	%p.a.	5.20	13.40	10.85	12.56	:	:	:	:	12.89	:	12.50	11.95	:
Bond yield (12 months) ^{5.2}	%p.a.	N.A.	11.70	11.45	14.55	:	:	:	:	:	:	:	:	:
Stock markets ^{5.3}	Index	2 604	1 197	1 283	1 270	932	:	:	942	875	911	872	899	962
Credit growth ^{5.4}	Ann.%ch	34.2	24.4	29.9	7.4	:	:	:	16.2	18.9	:	16.3	14.6	:
Deposit growth ^{5.5}	Ann.%ch	8.8	23.6	14.4	9.2	:	:	:	17.5	13.2	:	11.3	10.7	:
Non-performing loans ^{5.6}	%total	11.3	15.7	16.9	19.0	:	:	:	19.5	19.9	:	N.A.	N.A.	N.A.
6 Fiscal developments														
General government balance* ^{6.1}	% of GDP	-2.6	-4.5	-4.7	-4.9	-6.7f	-4.2	-3.6	-6.4	-6.5	:	N.A.	N.A.	N.A.
General government debt ^{6.2}	% of GDP	29.2	34.7	44.5	47.7	58.1f	61.2	65.3	53.2	54.6	:	57.5	61.0	:

f: ECFIN forecast Autumn 2012

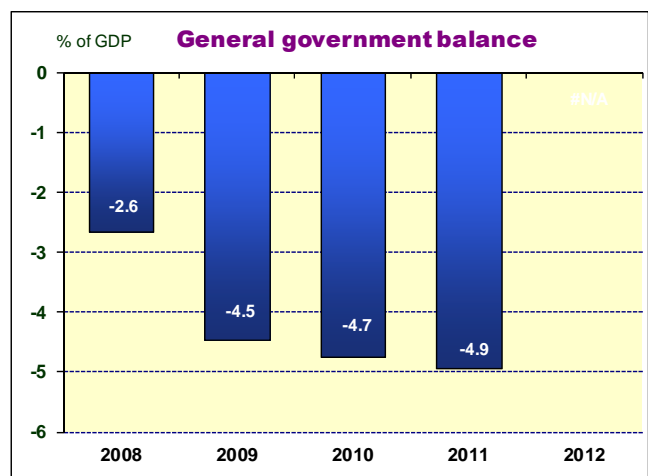
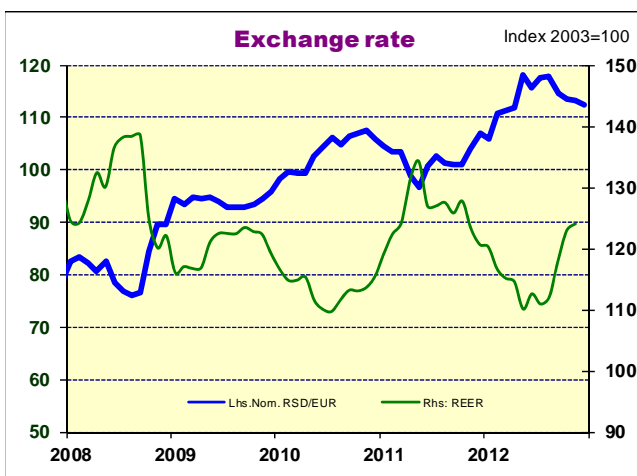
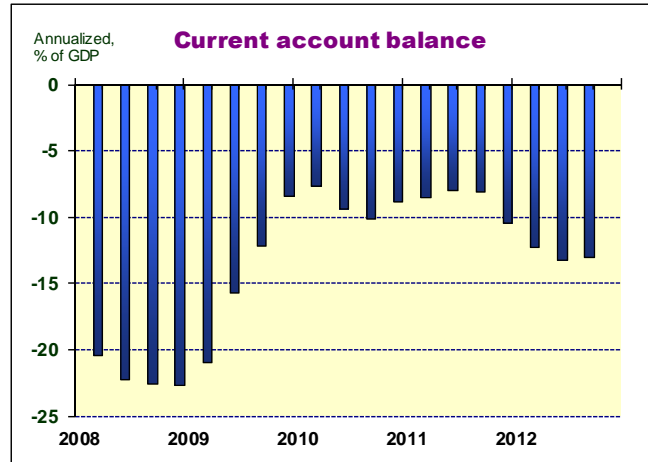
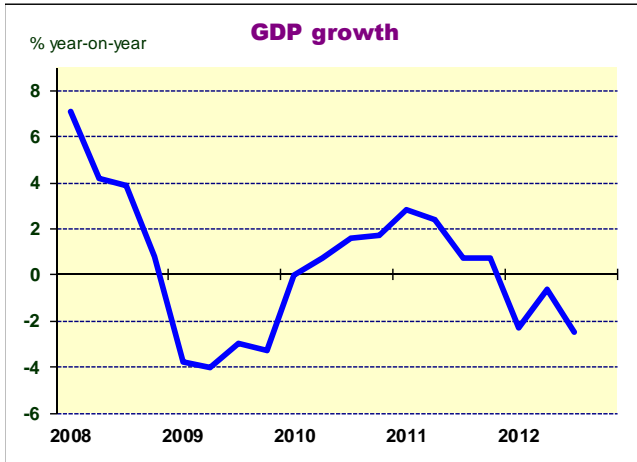
* Q figures refer to a 4 quarters moving average.

CHARTS

European Commission, ECFIN-D-1



SERBIA



TURKEY



Key developments

In mid-October 2012, the government published its Medium Term Programme (2013-2015), including a Medium-Term Fiscal Framework. Compared to last year's programme, GDP growth was revised downwards to 3.2% in 2012, 4% in 2013 and 5% in 2014-2015. Inflation is expected to fall gradually from 7.4% at the end of 2013 to 5% by late 2015. In spite of the projected growth acceleration, the current account deficit would continue to fall, from 7.3% in 2012 to 6.5% by 2015.

In early November 2012, Fitch upgraded Turkey's foreign currency debt to investment grade, thereby arguing that near-term macro-financial risks have fallen as the economy heads for a soft landing and underlying credit strengths including a moderate and declining government debt burden, a sound banking system, favourable medium-term growth prospects and a relatively wealthy and diverse economy.

A new Capital Markets law was adopted by the Turkish Parliament on 6 December 2012 and has entered into force as of 30 December 2012.

Real Sector

The Turkish economy grew by 0.2% in the third quarter of 2013 (seasonally adjusted quarter on quarter), which brought annual growth to 1.6%. This was a more marked deceleration than generally expected, and followed a surge of about 3% in the first half year. Investment spending fell by 4.1% on the quarter (despite surging government capital spending) after a 6.5% drop in the second quarter of the year. Stronger government consumption provided some offset, while consumer spending performed broadly in line with expectations, rising on the quarter (by 1.1%) in seasonally adjusted terms for the first time in a year. The contribution from net trade was negligible after a strong boost (5.7 percentage points) in the second quarter, while the levels of export and import volumes were lower than expected.

High frequency indicators (including credit growth and household surveys) indicate a further rise in consumer spending in the final quarter of 2013 and a levelling out in investment, and point at an annual GDP growth between 2.5% and 3% in 2012.)

Labour market

In tandem with the growth slowdown, the jobless rate has been increasing since June when the unemployment rate hit the yearly lowest level of 8%. It increased further to 8.8% in August 2012 and to 9.1% in September (2.5 million people).

Besides, positive seasonal factors, the tourism and agriculture sectors' contribution to job creation in summer months, traditionally end in September. The labour participation rate increased slightly – albeit from low levels – to 51% in September. In one-year, the Turkish economy created 723,000 new jobs.

The central bank's business tendency survey showed that businesses' assessments regarding the total employment continued to deteriorate in October. Conversely, in its new Medium-Term Programme, released in November 2012, the government forecasts an unemployment rate of 9% for 2012 and 8.9% for 2013.

External sector

The trade and current-account deficits narrowed substantially in 2012, in large part due to weaker domestic demand. The bulk of the trade deficit stems from intermediate goods (mainly energy). The deficit on capital goods remains rather small (less than one fifth of the total deficit), while there is a small trade surplus on consumption goods.

The current account deficit to GDP ratio, which reached 10% at the end of 2011, declined by over 2 percentage points to less than 8% as of October 2012 (about €30 billion). The improvement in the non-energy deficit was even more substantial, as the energy deficit increased by about € 5 billion in the first ten months of

2012. In the January-November 2012 period, total exports rose by 12% while imports decreased by 5%. Gold exports (energy payments to Iran) somewhat distort the picture on the trade front, as they amounted to about € 4 billion or 0.6% of GDP.

Monetary developments

In December 2012, the central bank's monetary policy committee cut the policy rate (one-week repo rate) by 25bps to 5.50%. This is the first rate cut in 16 months. It argued that the easing was appropriate as demand conditions support disinflation while the current account deficit continues to decline gradually. Recently, the yield curve has been shifting further down in the long end with the expectation that the effective funding rate will remain at low levels. The Central Bank continues to pursue its flexible policy mix, by also utilizing the wide interest rate corridor (between the overnight borrowing rate of 5% and the overnight lending rate of 9%) as the main policy tool to manage liquidity and regulate TRY against the EUR/USD basket.

Annual inflation continued to fall during the fourth quarter. Aided by base effects and exceptionally low food prices, annual CPI inflation eased in December 2012 by 0.2% compared with November to 6.2%. Core inflation amounted to 5.8% in December compared with 5.7% in November and levels above 7% last summer. PPI inflation fell by 1.2% to 2.5% year-on-year. This compares favourably with the official year-end target of 5% with a tolerance band of ± 2 percentage points.

In early 2013, cigarette prices increased by 15% following a special consumption tax on tobacco. This is likely to push January inflation above 7%, with significant upside risks (mainly food prices) going forward.

Financial sector

The lira continued to weaken vis-à-vis major currencies, owing to Turkey's large – albeit falling – current-account deficit and policy of low interest rates. In the fourth quarter of 2012, the Turkish lira depreciated by about 3.1% vis-à-vis the euro.

Credit growth accelerated slightly, to 16.5% in November, but remains broadly in line with the central bank's 15% end-2012 target. Non-performing loans amounted to 3.5% at the end of November 2012, compared with 3.6% in 2011.

Deposits grew by 10.5% in the year to November 2012. The banking sector's profit levels were up by 17.5% year-on-year in November 2012, with a return on equity of 14.8%, compared with 14.3% a year earlier.

Following a prolonged slide in 2011, the main Istanbul Stock Exchange (ISE) index continued to rise throughout 2012, to 76,920 in December from a low point of 49,837 points in January. The international investment inflow in the ISE amounted to €2.4 billion in 2012 (3% of GDP), compared with an outflow of €1.7 billion in 2011.

Fiscal developments

Based on the January-November 2012 central government budget data and adjusted for the December seasonal rise in the Turkish budget deficit, it appears that the 2012 budget deficit will amount to about 2.5% of GDP, compared with a 2% of GDP deficit in 2011. January-November 2012 total budget revenues increased by 2% year-on-year, significantly lower than the 7% increase in total expenditures. Current expenditures, chiefly personnel and social security related expenditure increased rapidly, at over 10%. At the other end, corporate taxes and VAT revenues decreased by respectively 27% and 12%.

In spite of a deterioration in the budget deficit performance, the public debt to GDP ratio continued to fall, albeit at a slower pace, and broadly in line with economic growth and in part due to falling interest rates. Public debt currently amounts to 36.5% of GDP compared with 39.2% of GDP in 2011.

The Medium-Term Fiscal Framework projects the budget deficit and the public debt stock to fall gradually from respectively 2.3% of GDP in 2012 to 1.8% in 2015 for the deficit, and from 37% of GDP to 31% for the debt stock. The central government budget target for 2013 was therefore set at a 2.2% deficit, for a 0.8% primary surplus.

TABLE



European Commission, ECFIN-D-1

TURKEY

		2008	2009	2010	2011	2012	ECFIN Forecast		Q2 12	Q3 12	Q4 12	Oct 12	Nov 12	Dec 12
							2013	2014						
1 Real sector														
Industrial confidence ^{1.1}	Balance	90.1	87.3	110.3	110.5	106.3	:	:	112.6	105.0	100.4	102.4	101.0	97.9
Industrial production ^{1.2}	Ann.%ch	-0.5	-10.0	13.1	8.9	:	:	:	3.5	2.7	:	-5.7	:	:
Gross domestic product ^{1.3}	Ann.%ch	0.7	-4.8	9.2	8.5	3.0f	2.9	3.7	3.0	1.6	:	N.A.	N.A.	N.A.
Private consumption ^{1.4}	Ann.%ch	-0.3	-2.3	6.7	7.8	0.4f	2.0	3.5	-1.0	-0.5	:	N.A.	N.A.	N.A.
Gross fixed capital formation ^{1.5}	Ann.%ch	-6.2	-19.0	30.5	18.5	0.6f	2.4	5.3	-7.2	-7.6	:	N.A.	N.A.	N.A.
Construction index ^{1.6}	Ann.%ch	-4.4	-7.9	77.4	-16.2	:	:	:	43.0	12.5	:	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}	%	11.0	14.1	12.0	9.8	7.5f	7.0	5.9	8.2	8.8	:	:	:	:
Employment ^{2.2}	Ann.%ch	1.3	0.4	6.2	6.7	2.3f	1.2	1.8	3.4	1.9	:	:	:	:
Wages ^{2.3}	Ann.%ch	11.6	9.9	11.8	10.1	8.0f	6.6	7.1	12.9	12.1	:	:	:	:
3 External sector														
Exports of goods ^{3.1}	Ann.%ch	14.8	-18.2	17.5	12.7	:	:	:	28.2	28.8	:	17.4	31.8	:
Imports of goods ^{3.2}	Ann.%ch	10.4	-26.3	39.2	23.3	:	:	:	8.4	8.5	:	-0.2	18.8	:
Trade balance* ^{3.3}	% of GDP	-7.1	-4.0	-7.7	-11.5	-9.5f	-9.3	-9.5	-10.1	-9.1	:	N.A.	N.A.	N.A.
Exports goods and services ^{3.4}	% of GDP	23.9	23.3	21.2	23.7	:	:	:	25.3	25.7	:	N.A.	N.A.	N.A.
Imports goods and services ^{3.5}	% of GDP	28.3	24.4	26.8	32.6	:	:	:	32.6	32.0	:	N.A.	N.A.	N.A.
Current account balance* ^{3.6}	% of GDP	-5.5	-2.2	-6.4	-9.9	-8.0f	-6.8	-7.2	-8.3	-7.2	:	N.A.	N.A.	N.A.
Direct investment (FDI, net)* ^{3.7}	% of GDP	2.3	1.1	1.0	1.8	:	:	:	1.8	1.4	:	N.A.	N.A.	N.A.
International reserves ^{3.8}	bio EUR	86.5	77.1	83.2	84.1	:	:	:	90.3	99.7	:	101.6	:	:
Int. reserves / months Imp ^{3.9}	Ratio	7.6	9.2	7.1	5.8	:	:	:	6.1	6.6	:	6.7	:	:
4 Monetary developments														
CPI ^{4.1}	Ann.%ch	10.4	6.3	8.6	6.5	8.9	7.8	5.8	9.4	9.0	6.8	7.8	6.4	6.2
Producer prices ^{4.2}	Ann.%ch	12.7	1.2	8.5	11.1	6.1	:	:	7.4	4.9	2.9	2.6	3.6	2.5
Food prices ^{4.3}	Ann.%ch	12.8	8.0	10.6	6.2	8.4	:	:	7.6	9.5	5.3	7.9	4.3	3.9
M4 ^{4.4}	Ann.%ch	23.7	17.4	21.2	21.5	:	:	:	:	:	:	:	:	:
Exchange rate TRY/EUR ^{4.5}	Value	1.91	2.16	2.00	2.33	2.31	:	:	2.32	2.26	2.33	2.34	2.30	2.34
Nominal eff. exchange rate ^{4.6}	Index	91.73	82.77	86.25	74.14	:	:	:	72.46	:	:	:	:	:
5 Financial indicators														
Interest rate (3 months) ^{5.1}	% p.a.	18.04	10.68	7.95	9.09	10.31	:	:	11.50	10.28	7.45	8.49	7.58	6.27
Bond yield ^{5.2}	% p.a.	19.30	11.66	8.47	8.83	8.31	:	:	9.31	7.65	6.49	7.31	6.33	5.82
Stock markets ^{5.3}	Index	37 582	37 510	59 484	60 751	63 731	:	:	58 867	65 160	72 639	69 365	71 632	76 920
Credit growth ^{5.4}	Ann.%ch	22.4	4.4	33.5	23.8	:	:	:	16.7	14.6	:	13.5	16.5	:
Deposit growth ^{5.5}	Ann.%ch	21.8	18.0	18.0	19.2	:	:	:	12.4	10.0	:	9.2	10.5	:
Non-performing loans ^{5.6}	% total	4.2	6.5	5.8	3.6	:	:	:	3.2	3.2	:	3.4	3.5	:
6 Fiscal developments														
General government balance ^{6.1}	% of GDP	-2.2	-5.7	-3.6	-2.0f	-2.4f	-3.2	-3.8	:	:	:	N.A.	N.A.	N.A.
General government debt ^{6.2}	% of GDP	39.5	45.5	41.6	39.2f	36.8f	36.5	35.8	:	:	:	N.A.	N.A.	N.A.

f: ECFIN forecast Autumn 2012

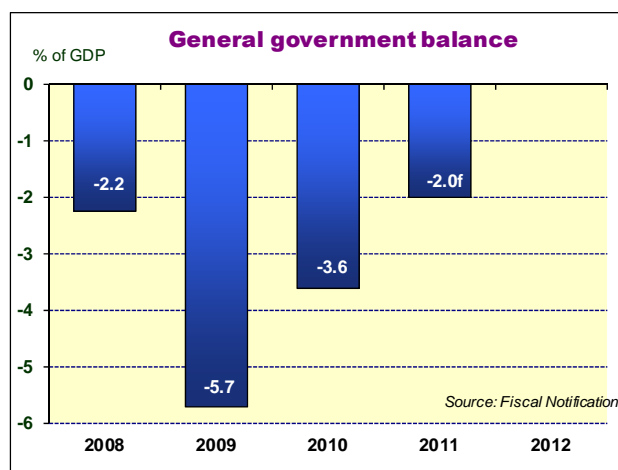
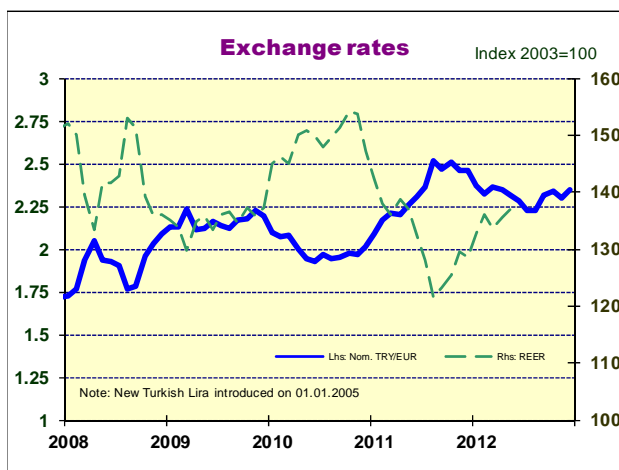
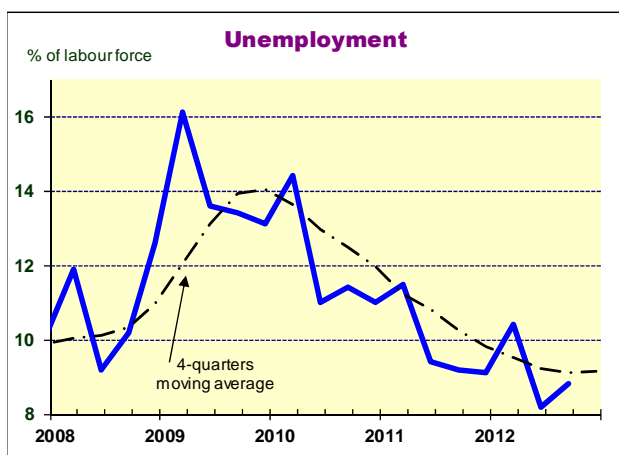
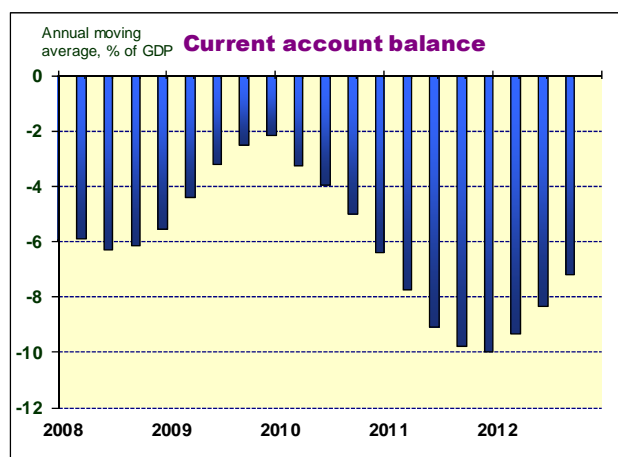
* Q figures refer to a 4 quarters moving average.

CHARTS



European Commission, ECFIN-D-1

TURKEY





Key developments

According to the last census, the Albanian population shrank by 8% in the past 10 years to 2,821,297 until October 2011.

In December 2012, ratings agencies confirmed their note for Albania (Moody's B1 and Standard & Poor's B+ for long- and B for short-term foreign and local currency sovereign). Both agencies noted that the high level of debt and its short-term bias as well as uncertainties with respect to medium term tax policies remain key risks.

In December, the Albanian president issued a decree setting 23 June 2013 as the date for the next general elections.

On 17 December the parliament approved the budget for 2013, which foresees based on the assumption of 4% GDP growth and 3% inflation, a budget deficit of 3.4% of GDP and a public debt level of 62.6% of GDP by end-2013.

Real sector

The Albanian economy continued to grow at a relatively robust pace. In the third quarter of 2012 the economy expanded by 2.7% year-on-year, accelerating from a revised 2.1% GDP increase in the second quarter. Retail sales recorded a modest growth of 0.2%, after having dropped by close to 5% on average in the first half of the year, signalling a slight recovery of domestic demand. All economic sectors recorded annual output growth in the third quarter with the exception of construction and transport sectors, which contracted significantly, by 16.5% and 11.5% year-on-year, respectively. The strongest output growth was recorded in industry (11.4% year-on-year), while output in agriculture and services grew more moderately, by 5.6% and 4.5% respectively.

Labour market

The labour market performance worsened slightly in the third quarter of 2012. Employment declined by 1.2% year-on-year, compared to a 1.5% growth in the same quarter of the previous year. Yet, the private non-agriculture sector level of employment increased

by 4% year-on-year and remained the main driver of jobs. The public sector continued shedding jobs, although marginally (by 0.1% over the year). Overall, the unemployment rate remained unchanged in the third quarter of 2012 at 13.3%. Public administration wages rose by 7.6% year-on-year in the third quarter, while the minimum wage increased by 5% year-on-year.

External sector

In the third quarter of 2012 the current account deficit narrowed to EUR 198 million compared to EUR 244 million a year before. In the four quarters to September 2012, the aggregated current account deficit stood at 10.5% of GDP, compared to 12% in 2011. The improvement was driven by the contraction of the trade deficit which reflects continuous growth of exports and contraction of imports since April. In addition, the higher surplus in the services account reflects lower outflows related to travel (down by 14% year-on-year) whereby revenues contracted by 0.9% year-on-year in the first three quarters of 2012. In the same period, the balance of current transfers registered a 7% annual decline hampered by the contraction of remittances (-4% year-on-year). More recent merchandise trade data confirm further narrowing of the trade deficit by 7.4% year-on-year until November reaching 21% of annual GDP, compared to 23.6% a year earlier.

Net FDI increased by 21% year-on-year to EUR 541 million in the first three quarters of 2012. The inflows of equity capital and reinvested earning increased by 4.5% year-on-year, while Albanian investment outflows decreased by 9%.

The external debt grew 14% year-on-year in the third quarter of 2012, reflecting a strong 44% annual expansion in liabilities of banks –mainly due to the increase in the foreign deposits in Albanian banks– as well as the 10% increase in the general government sector's external debt.

Monetary developments

The growth in the monetary aggregate M2 decelerated to 4.5% during the third quarter of 2012 from 5.6% in the previous trimester. In October and November, M2 slowed further to 3.4% and 2.9% year-on-year, respectively.

After annual inflation had accelerated significantly to 2.8% in August 2012, it moderated somewhat since then. The month of November saw again a marginal increase in consumer price inflation to 2.5% (from 2.4% in the previous month). The main factors behind the slight increase could be attributed to the costs of goods and different services, which rose by 10.6% year-on-year compared to 7.7% a month before. By contrast, food prices remained flat while clothing, footwear and communications declined.

On 20 December the BoA decided to keep the base interest rate unchanged at 4% for a fifth consecutive month after cutting it by 25 bps in July. In the last quarter of 2012, the exchange rate of the Albanian lek depreciated by 1.3% quarter on quarter vis-à-vis the euro. It gained marginal 0.2% compared to the same quarter in 2011.

Financial sector

Interest rates on short-term deposits (up to 6 months) continued to generally decline in September-October 2012, while interest rates on 12 and 24 months deposits increased marginally during the same period. Compared to December 2011, the most pronounced decline was for the 1-month interest rate which fell by 96 basis points to 3.43% by October. The yield on the 12-month Treasury bills increased to 6.32% in mid-December from 6.22% at the previous auction in November.

The growth of total deposits decelerated somewhat to 9.7% year-on-year in the third quarter, down from 10.6% in the previous trimester. In October and November, deposits further contracted by 7.6% and 6.9% year-on-year, respectively.

Bank lending continued slowing down for a tenth consecutive month. In November the aggregated credit portfolio rose 4% year-on-year, compared to 14.8% growth rate a year before and 6.4% in the third quarter of 2012. Latest data available for October shows that the ratio for loans and deposits denominated in Albanian lek represented 39% of total loans and 50% of total deposits respectively.

The credit-to-GDP ratio stood at 40% and the loan-to-deposit ratio at 59.6% in November 2012.

The share of non-performing loans (NPLs) as a percentage of total loans marginally increased to 22.8% in October and further 22.95% in November, up from 22.7% in the third trimester. The capital adequacy ratio rose to 15.85% in the third quarter from 15.66% in the previous trimester.

In the first nine months of 2012 the net assets of domestic voluntary pension funds increased by 60% to EUR 1.8 million, and the number of the funds customers by 12% to 7,065.

Insurance companies saw their combined gross written premium increase in the first ten months of 2012 by 4.4% to EUR 53 million. By segments, general insurance income, which accounts for 90% of the overall insurance market) expanded by 7.8% year-on-year, while life-insurance contracted by 19%.

Fiscal developments

In the third quarter of 2012 the general government deficit increased by EUR 35 million or 0.4% of projected annual GDP, raising the consolidated deficit for the first three quarters of 2012 to 1.9% of GDP, compared to 2.4% a year earlier. The budget deficit stabilised in October at the same level as in September. In the ten months to October, total revenues increased by 2% year-on-year. The main two sources of revenue, VAT and social security contributions grew by 1.7% and 2.6% year-on-year respectively. However, receipts from corporate and personal income tax, as well as from excises and custom duties, declined. Total expenditures slightly contracted by 0.2% year-on-year, as the increase of current spending was offset by the sharper retrenchment of capital expenditures, which only executed 64% of the full-year plan.

In the third quarter of 2012, the stock of public debt increased by 1.6% quarter-on-quarter to 58.8% of full-year GDP, compared to 58.5% in the third trimester a year earlier. The external debt accounts for 44% of total public indebtedness, and increased faster (2.7% quarter-on-quarter) than domestic debt which rose by 0.8% in quarterly terms.

TABLE

European Commission, ECFIN-D-1



ALBANIA

		2008	2009	2010	2011	2012	Q2 12	Q3 12	Q4 12	Oct 12	Nov 12	Dec 12
1 Real sector												
Industrial confidence ^{1.1}	Percent	0.4	-13.4	-5.9	-3.8	:	-10.5	-11.9	:	N.A.	N.A.	N.A.
Industrial production ^{1.2}	Ann.%ch	8.7	10.6	18.6	:	:	:	:	:	:	:	:
Gross domestic product ^{1.3}	Ann.%ch	7.5	3.3	3.8	3.1e	:	2.1	2.7	:	N.A.	N.A.	N.A.
Private consumption ^{1.4}	Ann.%ch	9.8	7.7	2.2	2.6e	:	:	:	:	N.A.	N.A.	N.A.
Gross fixed capital formation ^{1.5}	Ann.%ch	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	:	0.9	0.9	:	N.A.	N.A.	N.A.
Retail sales ^{1.7}	Ann.%ch	23.7	-1.7	5.4	-3.7	:	-1.2	0.2	:	N.A.	N.A.	N.A.
2 Labour market												
Unemployment ^{2.1}	%	12.8	13.0	13.7	13.3	:	13.3	13.3	:	:	:	:
Employment ^{2.2}	Ann.%ch	2.9	-0.8	-4.7	2.0	:	0.4	-0.8	:	:	:	:
Wages ^{2.3}	Ann.%ch	8.3	11.9	6.7	7.0	:	7.3	7.6	:	:	:	:
3 External sector												
Exports of goods ^{3.1}	Ann.%ch	15.7	-11.8	62.5	22.2	:	17.1	15.3	:	11.0	15.9	:
Imports of goods ^{3.2}	Ann.%ch	16.4	-1.9	11.3	14.6	:	-6.1	-0.8	:	-3.2	-8.4	:
Trade balance* ^{3.3}	%of GDP	-27.3	-26.4	-23.4	-23.8	:	-22.9	-22.0	:	N.A.	N.A.	N.A.
Exports goods and services ^{3.4}	%of GDP	29.2	28.9	32.8	33.5	:	33.0	32.5	:	N.A.	N.A.	N.A.
Imports goods and services ^{3.5}	%of GDP	55.7	53.4	53.6	55.9	:	53.9	52.3	:	N.A.	N.A.	N.A.
Current account balance* ^{3.6}	%of GDP	-15.5	-15.3	-11.5	-12.0	:	-11.2	-10.5	:	N.A.	N.A.	N.A.
Direct investment (FDI, net)* ^{3.7}	%of GDP	7.5	8.2	8.9	8.0	:	8.7	8.7	:	N.A.	N.A.	N.A.
International reserves ^{3.8}	mio EUR	1638.9	1567.4	1825.3	1852.4	:	1872.3	1981.9	:	1947.0	1920.1	:
Int. reserves / months Imp ^{3.9}	Ratio	5.9	6.2	6.7	6.1	:	6.2	6.6	:	6.0	6.0	:
4 Monetary developments												
CPI ^{4.1}	Ann.%ch	3.4	2.3	3.6	3.5	:	1.9	2.7	:	2.4	2.5	:
Producer prices ^{4.2}	Ann.%ch	6.5	-1.7	0.3	2.6	:	1.5	0.5	:	:	:	:
Food prices ^{4.3}	Ann.%ch	5.2	4.9	4.8	4.8	:	1.9	4.1	:	3.4	3.4	:
M2 ^{4.4}	Ann.%ch	7.4	8.7	4.5	6.6	:	5.6	4.5	:	3.4	2.9	:
Exchange rate LEK/EUR ^{4.5}	Value	122.39	131.82	137.48	140.07	138.83	139.08	137.71	139.52	139.50	139.55	139.50
Nominal eff. exchange rate ^{4.6}	Index	:	:	:	:	:	:	:	:	:	:	:
5 Financial indicators												
Interest rate (3 months) ^{5.1}	%p.a.	6.24	:	:	:	:	5.28	5.13	:	5.05	5.00	:
Bond yield ^{5.2}	%p.a.	8.43	9.24	8.55	8.04	8.23	8.40	8.30	7.75	7.85	7.80	7.60
Stock markets ^{5.3}	Index	:	:	:	:	:	:	:	:	:	:	:
Credit growth ^{5.4}	Ann.%ch	43.8	20.5	8.6	11.7	:	9.2	6.4	:	4.0	4.0	:
Deposit growth ^{5.5}	Ann.%ch	14.8	-0.1	15.5	14.5	:	10.6	9.7	:	7.6	6.9	:
Non performing loans ^{5.6}	%total	4.7	9.1	12.6	17.0	:	21.2	22.7	:	22.8	23.0	:
6 Fiscal developments												
General government balance* ^{6.1}	%of GDP	-5.5	-7.0	-3.1	-3.5	:	-1.5	-1.9	:	-1.9	:	:
General government debt* ^{6.2}	%of GDP	54.8	59.5	58.5	58.8	:	57.8	58.8	:	N.A.	N.A.	N.A.

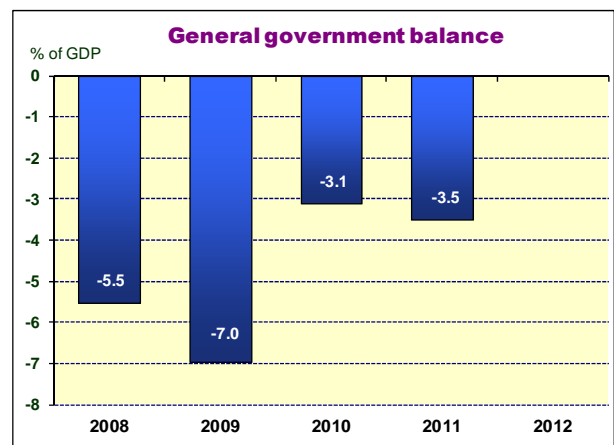
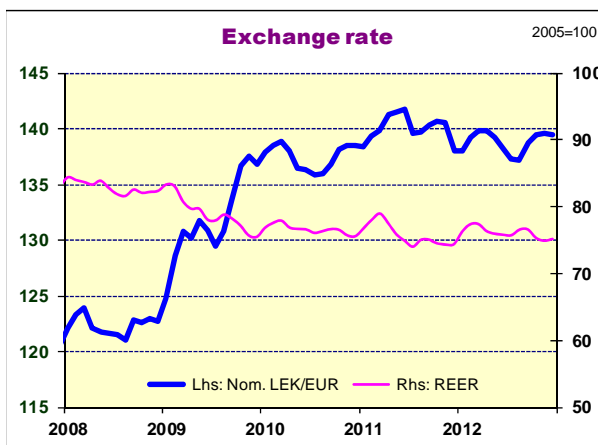
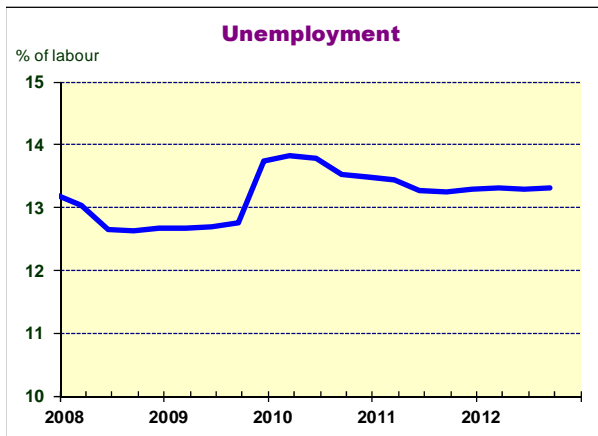
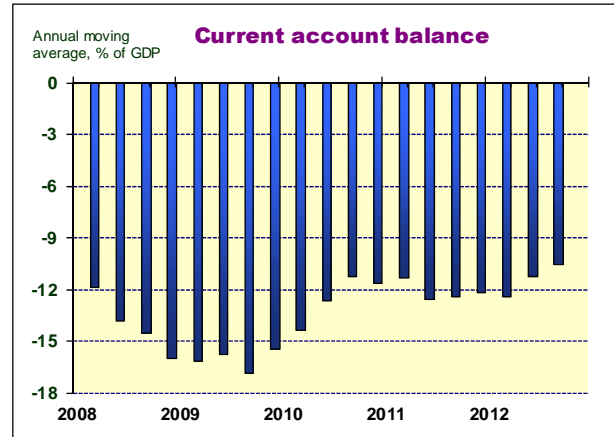
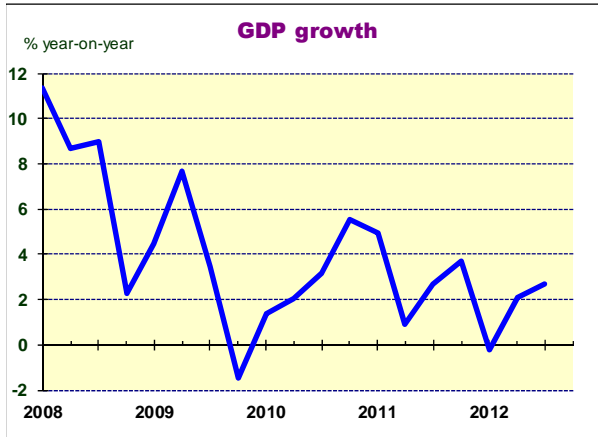
* Q figures refer to a 4 quarters moving average.

CHARTS

European Commission, ECFIN-D-1



ALBANIA



BOSNIA AND HERZEGOVINA



Key developments

The state government has been finally reshuffled in October and government members from the Bosniak party SDA have been replaced by representatives of the Union for a Better Future (SBB). However, the government crisis in the Federation continues. The entity president refused in December to dismiss government members from SDA, HSP and NSRzB, even though they are not part of the new parliamentary majority, formed in the summer.

On 19 December, the IMF Board approved the first review of the Stand-By Arrangement with Bosnia and Herzegovina which resulted in the release of the second tranche in the amount of approximately EUR 59 million.

Real sector

Country-wide industrial production continued to fall, although at a decelerating pace, by around 3.5% year-on-year in the third quarter, compared to 4.1% in the second quarter. The contraction accelerated to 4.6% in November mainly due to the underperformance of metal and chemical branches. In the first eleven months of the year, industrial production fell by 5.3%, as compared to a 6.1% rise a year ago. The utility sector registered 8% output drop, followed by manufacturing (4.7%) and mining (4.5%).

Judging from available indicators, domestic demand remained in negative territory. Retail sales contracted by 0.7% in July-September, compared to a marginal growth in the second quarter. After a slight recovery in October, they fell once again in November (-0.3%).

In the Republika Srpska, according to figures released by the Entity's Institute of Statistics, the economy contracted by 0.9% year-on-year in the third trimester, as compared to a 0.6% real decline reported in April-June, and a 0.8% growth in the same period of 2011. Almost all industries contributed to the deterioration except for manufacturing and financial intermediation. The utility industry underperformed in the third quarter and recorded output decline partially due to unfavourable weather conditions, while the

construction sector accelerated further its decline.

Labour market

The overall labour market situation continued to deteriorate in the third trimester. The registered unemployment rate reached 44.2%, compared to 43.8% in April-June and 43.3% a year earlier. It expanded further in October. This was partly due to the rising labour force, as well as to continuing unfavourable developments in some sectors (construction and agriculture among others). The level of total employment continued to decline with the negative growth rate stabilising at -0.7% in the second and third quarters.

Wage growth slowed further down in the third quarter of 2012. Average nominal gross wages increased by 0.9% year-on-year, against 1.3% in the second trimester, before they slightly accelerated to 2.4% in October. Adjusted for inflation, the average gross wage fell by 0.4% in the first ten months of the year, compared to a 0.7% rise in the same period a year before.

External sector

The current account deficit widened by 18.8% year-on-year in the third quarter of 2012, as compared to an 8.5% contraction in April-June. The main contributor for the deterioration was the trade deficit, which rose by 6.1% year-on-year in July-September, as export growth turned negative, while the growth of imports accelerated to 3.5%. Moreover, negative developments have been recorded in the income balance whose surplus plummeted by 23.8% while the surplus in current transfers fell by 2.8%. The surplus in the services balance rose by 14.1%, thus partially offsetting the deterioration in the good, income and current transfers balances. As a result, the current account deficit rose slightly to 10.7% of GDP in the four quarters to end-September, as compared to 10.3% in the four quarters to end-June.

FDI inflows fell by 16% year-on-year in the third trimester of 2012, following a solid expansion in the previous 5 consecutive quarters. In the four quarters to end-September

FDI accounted for 3.8% of GDP, thus being insufficient to cover the current account deficit. Official foreign exchange reserves rose slightly by 0.8% year-on-year, covering around five months of imports by end-September.

Monetary developments

The annual growth of the monetary aggregate M2 moderated further to 4.3% in the third trimester from 5% in April-June before it accelerated slightly to 4.4% in November.

Consumer inflation has been rather volatile in recent months. After registering a 30-month low rate of 1.4% in July, it rebounded to reach 2.3% in September-October, triggered by rising food prices. However, the moderating transport and housing prices exerted some downward pressure on the overall price level in the country and annual inflation decelerated to 1.9% in November, bringing the 12-month moving average inflation rate up to 2.2%, compared to 3.7% in 2011.

Financial sector

Market short-term interest rates for loans to the corporate sector moderated to 6.8% in the third trimester and went further down to 6.6% in November, while the interest rates for households increased to 10.2% and 10.4%, respectively. On the other hand, interest rates for deposits for the corporate sector have increased from 2.5% to 2.7% in the third quarter, while interest rates for the household sector deposits fell marginally reaching 3%.

Annual credit growth slowed down slightly, reaching 4.6% in November from 4.9% in the third quarter. This was to a large extent due to a moderating lending to households, while the growth of credits to the private corporate sector accelerated marginally. Annual growth of government borrowing decelerated slightly, but remained extremely high at 55.7% year-on-year. In the meantime, deposit growth moderated to 1.7% in November, down from 2.5% in the third quarter. Households increased their savings by 8.7%, while the decline in deposits from the government sector accelerated to 21.4%. The loans-to-deposit ratio rose slightly to 121%.

The trend of continuous deterioration in the quality of the loan portfolio was reversed in the third quarter as the share of non-performing loans to total loans decreased – albeit only marginally – to 12.7%. Moreover, banking profitability indicators improved. The return on

average equity rose from 4.2% in the second trimester to 6.4% in July-September, while the return on average assets increased from 0.5% to 0.8%. Liquidity indicators also improved slightly with the rate of liquid to total assets marginally increasing to 24.8% in the third quarter.

Following the reversal of the downward correction on the two stock markets in Bosnia and Herzegovina, which took place in the third trimester, the main index of the Sarajevo Stock Exchange gained another 3.9% in October-December. However, the main index of the Banja Luka Stock Exchange fell by 2.6%.

Fiscal developments

The consolidated budget posted a marginal surplus of 0.3% of GDP in the third quarter against a slightly higher surplus a year earlier. Consolidated revenue increased by 1.8% year-on-year in January-September mainly due to higher grants (up by 15%), while collection of tax revenue and social contributions rose only marginally. Consolidated expenditures expanded at a lower rate of 1.6%, thus allowing for an improved fiscal position. The wage bill of the government and subsidies fell by 0.7% and 6.4%, respectively, while social spending rose only marginally due to the continued fiscal restriction. Capital spending soared by 27.6%, but from a very low basis.

In the third quarter, official foreign debt fell by 0.5% after the slight increase in April-June. Thus, it has reached 26.8% of GDP, compared to 26.1% at the end of the previous year.

The 2013 state and entity budgets have been endorsed by the respective parliaments in early-December as their adoption was a prior condition for the release of the second tranche under the SBA with the IMF. The state budget is planned at KM 1.738 billion, representing almost 25% year-on-year increase, which however is entirely due to the higher external debt service, while expenditure of state-level institutions is planned at last year's level. The 2013 RS budget foresees a 7.5% rise of total spending mainly due to an almost 50% hike of expenditure for debt repayments, while current expenses are planned to decrease as public sector wages are cut by 10% as of January. The 2013 Federation budget was adopted with a 10.8% rise of expenditure envelope (as compared to the revised 2012 budget) to KM 2.214 billion, which once again is almost entirely caused by surging debt repayment spending.

TABLE

European Commission, ECFIN-D-1



BOSNIA AND HERZEGOVINA

		2008	2009	2010	2011	2012	Q2 12	Q3 12	Q4 12	Oct 12	Nov 12	Dec 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.	1.6	5.9	:	-4.1	-3.5	:	-3.2	-4.6	:
Gross domestic product ^{1.3}	Ann. %ch	5.6	-2.9	0.7	1.3	:	:	:	:	N.A.	N.A.	N.A.
Private consumption ^{1.4}	Ann. %ch	10.3	2.3	-0.9	3.0e	:	:	:	:	N.A.	N.A.	N.A.
Gross fixed capital formation ^{1.5}	Ann. %ch	22.8	-17.7	-9.9	9.7e	:	:	:	:	N.A.	N.A.	N.A.
Construction index ^{1.6}	Ann. %ch	11.7	8.8	33.9	-24.4	:	18.4	-68.2	:	N.A.	N.A.	N.A.
Retail sales ^{1.7}	Ann. %ch	N.A.	N.A.	7.8	12.5	:	0.2	-0.7	:	1.5	-0.3	:
2 Labour market												
Unemployment ^{2.1}	%	40.6	42.7	42.7	43.8	:	43.8	44.2	:	44.3	:	:
Employment ^{2.2}	Ann. %ch	2.7	-2.8	1.9	-1.6	:	-0.7	-0.7	:	-0.7	:	:
Wages ^{2.3}	Ann. %ch	16.6	8.2	1.1	4.4	:	1.3	0.9	:	2.4	:	:
3 External sector												
Exports of goods ^{3.1}	Ann. %ch	21.2	-5.4	33.2	19.9	:	3.9	-1.0	:	:	:	:
Imports of goods ^{3.2}	Ann. %ch	19.8	-21.8	8.3	13.2	:	0.5	3.5	:	:	:	:
Trade balance* ^{3.3}	%of GDP	-43.1	-32.4	-31.0	-32.8	:	-33.1	-33.5	:	N.A.	N.A.	N.A.
Exports goods and services ^{3.4}	%of GDP	26.5	25.0	29.4	31.5	:	31.1	31.2	:	N.A.	N.A.	N.A.
Imports goods and services ^{3.5}	%of GDP	59.9	49.4	51.7	56.1	:	56.1	56.3	:	N.A.	N.A.	N.A.
Current account balance* ^{3.6}	%of GDP	-14.2	-6.6	-5.6	-9.6	:	-10.3	-10.7	:	N.A.	N.A.	N.A.
Direct investment (FDI, net)* ^{3.7}	%of GDP	5.3	1.4	1.5	2.1	:	3.6	3.5	:	N.A.	N.A.	N.A.
International reserves ^{3.8}	mio EUR	3 230.1	3 219.7	3 330.5	3 333.3	:	3 044.4	3 259.2	:	3 248.0	3 207.8	:
Int. reserves / months Imp ^{3.9}	Ratio	5.3	6.8	6.5	5.7	:	5.2	5.5	:	:	:	:
4 Monetary developments												
CPI ^{4.1}	Ann. %ch	7.4	-0.4	2.1	3.7	:	2.0	1.8	:	2.3	1.9	:
Producer prices ^{4.2}	Ann. %ch	8.6	-3.2	0.9	3.8	:	2.9	1.0	:	1.1	0.8	:
Food prices ^{4.3}	Ann. %ch	12.1	-0.9	-0.7	6.0	:	0.9	1.7	:	2.7	2.4	:
M2 ^{4.4}	Ann. %ch	13.5	-1.6	7.8	5.6	:	5.1	4.3	:	5.0	4.4	:
Exchange rate BAMEUR ^{4.5}	Value	1.94	1.94	1.93	1.93	1.93	1.93	1.93	1.94	1.94	1.94	1.94
Nominal eff. exchange rate ^{4.6}	Index	100.1	96.27	96.51	95.70	:	94.62	:	:	:	:	:
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	2 251	1 038	N.A.	979	737	729	688	740	737	734	749
Credit growth ^{5.4}	Ann. %ch	28.4	5.4	-0.9	5.6	:	4.9	4.9	:	5.0	4.6	:
Deposit growth ^{5.5}	Ann. %ch	15.4	-4.0	4.7	2.6	:	3.0	2.5	:	2.9	1.7	:
Non performing loans ^{5.6}	%total	3.0	4.5	9.1	12.0	:	12.7	12.7	:	N.A.	N.A.	N.A.
6 Fiscal developments												
General government balance ^{6.1}	%of GDP	-2.2	-4.4	-2.5	-1.3	:	:	:	:	N.A.	N.A.	N.A.
General government debt ^{6.2}	%of GDP	17.1	21.8	25.6	26.1	:	27.1	26.8	:	N.A.	N.A.	N.A.

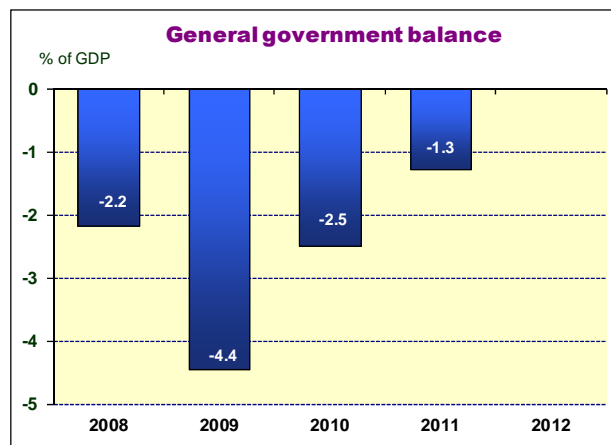
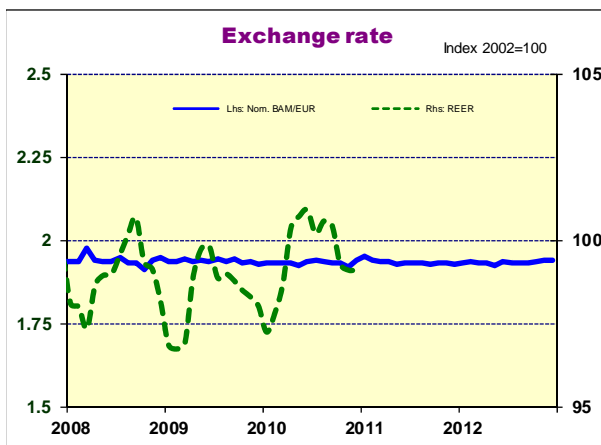
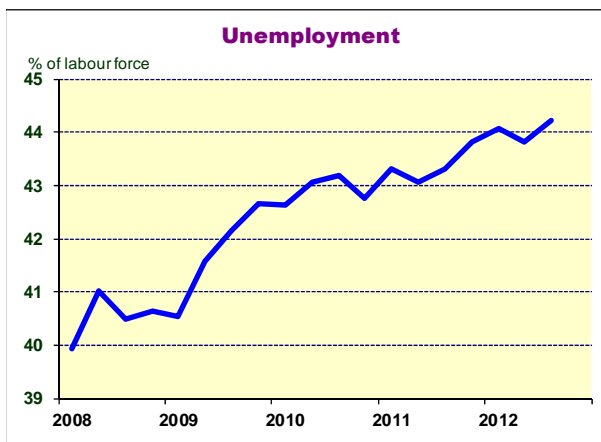
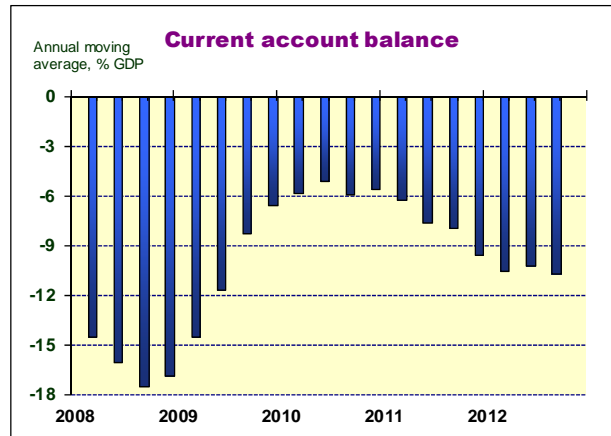
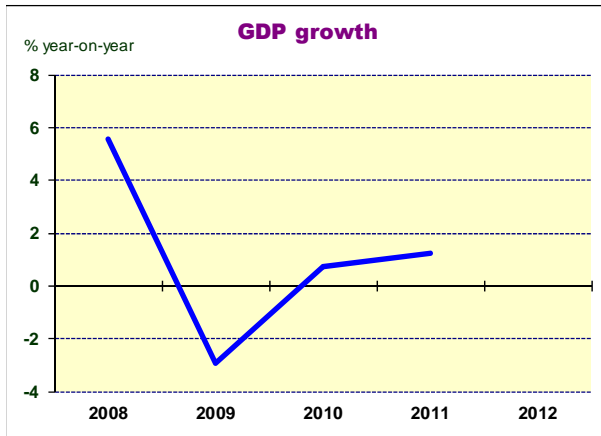
* Q figures refer to a 4 quarters moving average.

CHARTS

European Commission, ECFIN-D-1



BOSNIA AND HERZEGOVINA



KOSOVO*

*as defined by UNSCR 1244

Key developments

In October, the European Commission presented its Feasibility Study for a Stabilisation and Association Agreement (SAA) between the EU and Kosovo. The Study concluded that Kosovo is largely ready to start the negotiations for a SAA after it makes progress on several short-term priorities in the fields of rule of law, public administration, protection of minorities and trade capacities. In December the General Affairs Council took note of the Feasibility Study and announced it will examine Kosovo's progress in spring 2013.

The EU-facilitated dialogue between Belgrade and Pristina resumed in October, with Prime Minister Dačić and Prime Minister Thaçi representing the two sides. Meetings were also held in November and December and an agreement reached on the implementation of the IBM and the appointment of respective liaison officers to be hosted by the EU Delegation in Belgrade and the EU Office in Pristina.

On 17 December, Kosovo became the 66th member of the European Bank for Reconstruction and Development.

On 20 December, the IMF Board approved the second review of the Stand-By-Arrangement (SBA), allowing the disbursement of SDR 34.857 million. The adoption of the 2013 budget by the Assembly, in line with the SBA, was a prior action for completion of the review. The Kosovar authorities declared their intention to treat the SBA as precautionary from 2013.

Real sector

Some short-term indicators, such as exports, remittances, credit growth and budget revenues point at a slowing economy in the second half of 2012. The latest IMF forecast projects weaker growth of around 3% in both 2012 and 2013, while downside risks remain.

The deadline for submission of bids in the tender for the privatisation of 75% of the Post and Telecommunications of Kosovo was extended until the end of January 2013.

In October the contract for the privatisation of

the power distribution network was signed with the consortium Çalik & Limak. The consortium offered to pay EUR 26.3 million and announced EUR 300 million investments in the next fifteen years.

Labour market

The average number of registered unemployed continued to decline to 256,546 people in September (a 23.5% drop year-on-year). The sharp reduction is mainly a result of the digitalization process of the unemployment registry within the Public Employment Service which has been launched in early-2012.

Unemployment continues to be identified as the main problem by the population – 42% of the respondents in a Public Pulse survey conducted by the UNDP in October identified it as the major issue. The unemployment rate has remained very high over the last few years, despite economic growth. The final census results published in September show that the unemployment rate stood at 44.8% (by April 2011) and that only 22.4% of the population aged 15 years and over is in employment (mostly men).

External sector

According to preliminary figures from the Central Bank, in the third quarter, the current account deficit decreased by 3.1% (year-on-year) to EUR 207 million. The slight improvement was driven by better balance on the services account (due to lower outflows) and by positive net current transfers, which increased strongly by 11.5% on the back of rising remittances and other transfers. Over this period, the deficit in trade in goods widened by close to 10%, pushed by sluggish exports performance (falling by 11.3%) and accelerating imports (growing 7.1% year-on-year).

After having dropped by 76% in the second quarter, net FDI recovered in the third quarter, but still remained below its level in the corresponding period last year. In the first nine months net FDI was about 40% lower year-on-year.

Typically for the third quarter, net errors and omissions stood very high at EUR 234 million, more than covering the quarterly current account deficit.

Monetary developments

After peaking at 4.1% in September, consumer inflation decelerated slightly to 3.5% in November. Food price have been the main factor for the elevated inflation since the summer months, although food inflation levelled off at 5.1% in October and November, contributing 2 percentage points to the headline inflation. Inflation has become also more broad-based as the share of the goods and services in the consumer basket exhibiting rising prices increased from close to 70% in August to 87% in November.

The growth in broad money stood at 8.5% year-on-year by the end of November, as compared to 12.6% a year ago. Net foreign assets rose by 3.5%, while the pace of accumulation of net domestic assets accelerated to 33.1%, as net claims on the central government increased.

Financial sector

The interest rate spread between loans and deposits stood at just below 9 percentage points in November. The annual average effective interest rates on deposits has been stable at around 3.5-3.6%, while the annual average effective interest rate on loans has been in decline for more than a year, reaching 13.5% in November.

Growth in commercial banks deposits picked-up again in November to 8.6%, mainly as a result of increasing demand deposits. Households demand deposits, in particular, received a temporary boost by the transfer in November of two salaries in the government sector (for October and November). Growth in time and savings deposits remained robust at 9.8%, amplifying the already good liquidity position of the banking system.

Lending activity continued to moderate and the growth in gross loans and lease finance fell to 4.3% in November. Since the beginning of 2012, commercial banks have extended EUR 55 million loans less than in the corresponding period of the previous year. This decline in new credit activity concerns both non-financial corporates and the households sector.

Commercial banks' net profit shrank by 35.6% year-on-year by the end of November, as total expenditure growth outpaced income growth. Banks' income growth decelerated further to 3.8%, following a steady deterioration in the growth of interest income – the main source of revenue. Total expenditures increased by 11.0%, triggered by almost all expenditure categories – spending on interest increased by 7.8%, general and administrative expenditure by 5.7%, and non-interest expenditure by 26.4%. The slowdown in the economy and in new lending triggered a deterioration in the loan portfolio, with NPLs reaching above 7%, and provisions for loan and other assets losses increasing by 33.1%. The competition in the sector is expected to increase after the entrance of the Turkish bank Is Bankasi.

Fiscal developments

The consolidated budget posted a EUR 42 million deficit (about 0.9% of GDP) by the end of November, as compared to a deficit of EUR 9 million (-0.2% of GDP) a year ago. Total expenditure reached EUR 1,262 million, posting a 7.7% increase year-on-year. Expenditure growth was driven mainly by current expenditure, rising by 14.2%, while capital outlays increased by 2.3%.

Total revenue stood at EUR 1,220 million but their growth has decelerated to 4.9% year-on-year. Non-tax and own source revenue continued to underperform and have been even below their corresponding levels of the previous year. Domestic tax revenue remained robust, supported by increased revenues from corporate income tax and taxation of individual businesses. Customs revenue has been sluggish throughout the year and, after a short-lived revival in the summer, their growth decelerated again to 1.2% by end-November. Border VAT collection registered only a 1.4% increase, while revenues from customs duties fell by 1.5% year-on-year.

In December the Assembly adopted the 2013 budget, envisaging a EUR 181 million (3.5% of GDP) consolidated deficit. The budget maintains the spending commitments presented in the spring unchanged. It also includes several buffers, providing some flexibility in case of future underperformance. However, the revenue structure could worsen, as the government's intention is to raise additional non-tax revenue from royalties, licences and concessional fees.

TABLE

European Commission, ECFIN-D-1

KOSOVO*

		2008	2009	2010	2011	2012	Q2 12	Q3 12	Q4 12	Oct 12	Nov 12	Dec 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	7.2	3.5	3.2	4.5	:	:	:	:	:	:	:
Private consumption ^{1.4}	Ann.%ch	8.6	2.1	3.1	3.0	:	:	:	:	:	:	:
Investment ^{1.5}	Ann.%ch	15.3	10.7	12.3	11.3	:	:	:	:	:	:	:
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}	%	47.5	45.4	N.A.	44.8	:	:	:	:	:	:	:
Employment ^{2.2}	Ann.%ch	-12.9	8.7	:	:	:	:	:	:	:	:	:
Wages ^{2.3}	Ann.%ch	:	:	:	:	:	:	:	:	:	:	:
3 External sector												
Exports of goods ^{3.1}	Ann.%ch	22.2	-18.2	72.1	6.5	:	-14.8	-11.3	:	:	:	:
Imports of goods ^{3.2}	Ann.%ch	22.0	-2.0	12.5	15.9	:	4.4	7.1	:	:	:	:
Trade balance** ^{3.3}	%of GDP	-42.3	-41.2	-40.8	-43.1	:	-43.5	-44.4	:	N.A.	N.A.	N.A.
Exports goods and services** ^{3.4}	%of GDP	14.0	16.4	19.5	20.1	:	18.3	17.8	:	N.A.	N.A.	N.A.
Imports goods and services** ^{3.5}	%of GDP	55.8	52.8	56.9	57.3	:	56.7	56.5	:	N.A.	N.A.	N.A.
Current account balance** ^{3.6}	%of GDP	-16.0	-10.3	-13.0	-14.1	:	-14.2	-14.0	:	N.A.	N.A.	N.A.
Direct investment (FDI, net)** ^{3.7}	%of GDP	8.7	7.0	7.7	7.9	:	5.8	5.4	:	N.A.	N.A.	N.A.
International reserves ^{3.8}	mio EUR	1 110.7	1 198.5	1 246.9	1 234.6	:	1 262.1	1 458.5	:	1 427.3	1 424.6	:
Int. reserves / months Imp ^{3.9}	Ratio	6.9	7.4	6.9	5.9	:	6.0	6.8	:	:	:	:
4 Monetary developments												
CPI ^{4.1}	Ann.%ch	9.4	-2.4	3.5	7.3	:	1.3	3.2	:	3.8	3.5	:
Producer prices ^{4.2}	Ann.%ch	N.A.	3.8	4.7	5.7	:	1.4	:	:	N.A.	N.A.	N.A.
Food prices ^{4.3}	Ann.%ch	16.7	-4.4	4.8	12.4	:	-2.3	1.6	:	4.8	4.8	:
Broad money liabilities ^{4.4}	Ann.%ch	23.6	11.2	12.9	8.8	:	8.2	7.0	:	5.8	8.5	:
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	:	:	:	:	:	:	:	:	:	:	:
5 Financial indicators												
Interest rate (3-12 months) ^{5.1}	%p.a.	16.61	14.11	18.24	18.13	:	17.90	15.13	:	14.75	14.05	:
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	38.7	17.4	10.1	15.4	:	10.6	7.4	:	4.1	4.3	:
Deposit growth EUR/EUR ^{5.5}	Ann.%ch	25.6	20.3	14.8	12.0	:	8.0	6.7	:	5.8	8.6	:
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	-0.1	-0.7	-2.6	-1.7	:	-3.1	-2.3	:	N.A.	N.A.	N.A.
General government debt ^{6.2}	%of GDP	N.A.	7.7	7.6	6.7	:	6.9	:	:	N.A.	N.A.	N.A.

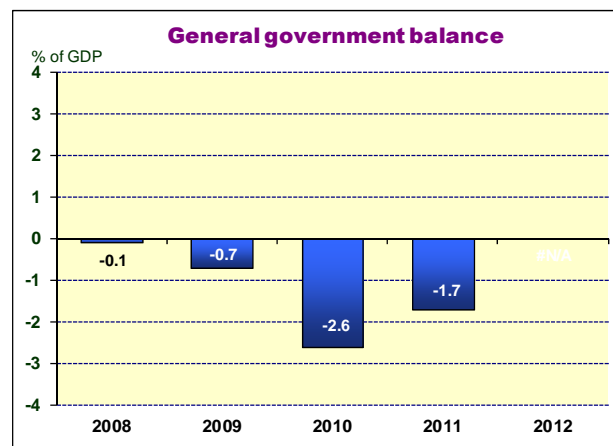
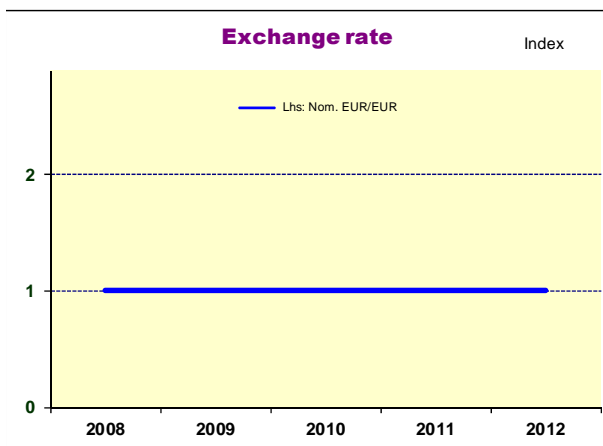
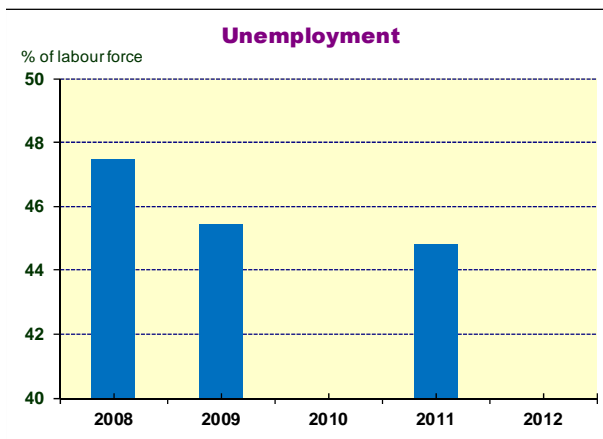
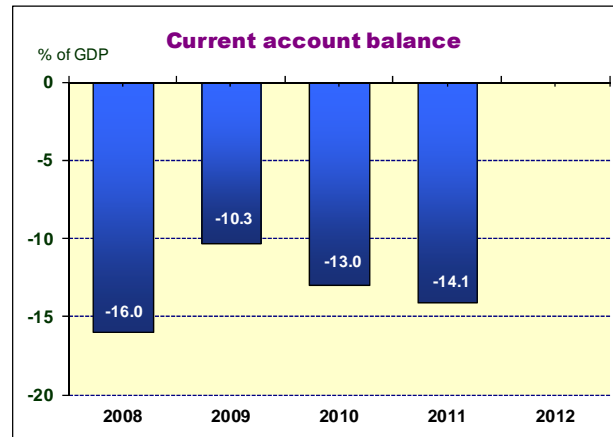
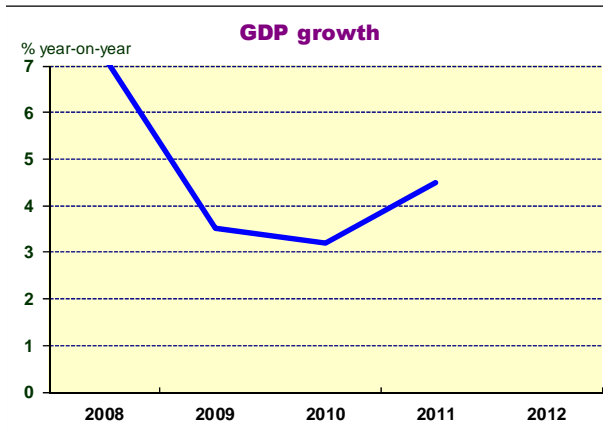
* This designation is without prejudice to positions on status, and is in line with UNSC 1244 and the ICJ Opinion on the Kosovo Declaration of Independence.

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

CHARTS

European Commission, ECFIN-D-1

KOSOVO*



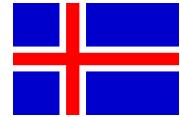
* This designation is without prejudice to positions on status, and is in line with UNSC 1244 and the ICJ Opinion on the Kosovo Declaration of Independence.
Source of data: IMF, national sources



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	Ecwin/Reuters
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	Ecwin/Reuters
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
6.2.	General government debt	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. 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, 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, end of period. Forecast = average.	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
6.2.	General government debt	In percent of GDP, ESA 95 methodology	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



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

Ecowin/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 lease financing.	Ecwin/Reuters
5.5.	Deposit growth	Annual percentage change, ODC deposits.	Ecwin/Reuters
5.6.	Non-performing loans	Not available.	Central Bank of

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