



European
Commission

ISSN: 1830-6292

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

1/2013



Economic and
Financial Affairs

CANDIDATE AND PRE-ACCESSION COUNTRIES' ECONOMIC QUARTERLY

1/2013

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-13-001-EN-N

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CANDIDATE AND PRE-ACCESSION COUNTRIES' ECONOMIC QUARTERLY

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* 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

GDP growth further slowed down in the fourth quarter of 2012 and continued to be negative in Croatia, Serbia and Montenegro. Subsequently, economic activity markedly weakened in 2012 as compared to 2011 and contracted in Croatia and Serbia and -to a lesser extent- in the former Yugoslav Republic of Macedonia, Montenegro and Bosnia and Herzegovina. The economic situation in the pre-accession countries thus broadly reflected the weakening of global growth which affected both advanced and emerging market economies, the disappointing performance of the EU due to the limited transmission to the real economy of improved financial market conditions in the second half of 2012 as well as domestic factors such as difficult climatic conditions in the Western Balkans. Labour markets improved in countries which had positive growth (in particular, Iceland and Turkey) but further deteriorated in those where activity contracted. Further progress was generally achieved in the adjustment of internal and external macro-economic imbalances. In 2012, only in Serbia and the former Yugoslav Republic of Macedonia did both the current account and the budget deficits deteriorate. The picture is more mixed as regards inflation. In spite of weak growth, weak demand and a decrease in international commodity prices towards the end of 2012, the pace of consumer price inflation accelerated in many countries in the 4th quarter of 2012, often reflecting the impact of increases in indirect taxation and administrative prices. In 2012 as a whole, year- on- year average inflation will have only decelerated in four pre-accession countries.

Growth differentials are significant across pre-accession countries. While GDP growth slowed down markedly but remained positive in 2012 in Turkey, Iceland, Albania and Kosovo, it contracted in all other Western Balkans economies. In Turkey, the growth rate (year on year) declined to 1.4% in the fourth quarter of 2012 as private investment and consumption contracted but high frequency data point to an improvement in the first quarter of 2013. For 2012 as a whole, GDP growth, driven by net exports, dropped to 2.2% from 8.8% in 2011. A similar pattern can be observed in Iceland and Albania. Growth slowed down markedly in the 4th quarter to 1.4% in Iceland and to 1.7% year-on-

year in Albania. Both countries recorded lower but positive growth (1.6%) in 2012. Growth is also expected to have slowed down in Kosovo. The other Western Balkan countries experienced recession in 2012. Negative GDP growth ranged from -0.3% in the former Yugoslav Republic of Macedonia to -0.5% in Montenegro and Bosnia and Herzegovina and to respectively -1.7% and -2% in Serbia and in Croatia. In both countries, the recession worsened in the fourth quarter due to the contraction of domestic demand while net exports contributed positively to growth.

In line with a positive growth performance over the past two years, labour market conditions have improved in Iceland and Turkey where the unemployment rates in 2012 respectively fell to 6% and 9.2% and have stabilised in Albania (13.3%). Only in Kosovo does registered unemployment seem to have increased despite positive growth. Conversely, the employment situation deteriorated in countries where growth contracted. In Croatia which experienced a fourth consecutive year of GDP contraction, the unemployment rate continued to deteriorate sharply (to 15.9% in 2012). In Montenegro and Serbia which had experienced positive growth in 2011, the 2012 recession immediately translated into a deterioration of labour market conditions, indicating that unemployment may now be markedly more sensitive to GDP fluctuations. The unemployment rate reached 23.9% in Serbia. Only in the former Yugoslav Republic of Macedonia did the unemployment rate slightly decrease in spite of negative growth in 2012, although youth unemployment remained extremely high in the fourth quarter, at almost 53%.

Further progress has been achieved in 2012 in the adjustment of external imbalances in all economies, except in Serbia and -to a lesser extent- the former Yugoslav Republic of Macedonia where the current account deficits widened respectively to -10.6% and -3.9% of GDP. In Serbia, however, the deficit strongly improved in the last quarter of 2012 and the trade balance shrunk by almost 25% in the first two months of 2013 as exports of goods increased by 30.6% (year-on-year), thanks to the FIAT production and base effects. In all other countries, the current account deficit either improved or stabilised (although still at a high 17.7% of GDP in Montenegro). The improvement was very significant in Turkey (from -9.7% of GDP in 2011 to -5.9% in 2012) due to the softening of domestic demand and continued strong export growth, in Iceland (from -

6.2 to -4.9% of GDP) in Kosovo (from -13.8% to -7.8%) thanks to higher current transfers and in Albania (from -13 to -10.5%) where the balance for goods and services improved. Croatia even returned to a very modest surplus (0.03% of GDP) after 17 consecutive years of deficit. Nevertheless, in general, such adjustments seem to be the result of weak domestic demand, i.e. subdued investment and private consumption, rather than improvements in external competitiveness.

Consumer price inflation has risen in the fourth quarter of 2012 in most countries, except Turkey, and Albania where it decelerated and Iceland where it stabilised. For the whole of 2012, inflation accelerated in a majority of countries, in spite of slow growth, subdued demand, high unemployment, significant output gaps and still comparatively benign commodity markets as concerns about a renewed food-price crisis did not materialise. In some cases (such as in Croatia, Turkey, Montenegro and Serbia), increases in indirect taxation and/or administrative prices led to domestic inflationary pressures. Only in Albania, Bosnia and Herzegovina, the former Republic of Macedonia and Kosovo did consumer inflation decelerate in 2012.

Growth in lending activities has further decelerated in all countries in the fourth quarter of 2012 and in the first two months of 2013 except in Turkey where it increased to 17.4% in the 4th quarter and to 17.9% in February 2013. For 2012 as a whole, the pace of lending only increased in Serbia (to 13.2%) and Iceland (to 5.6%) while the pace of contraction decelerated to -4.8% in Montenegro. The deceleration was sharp in Croatia where there was practically no credit growth, and in Turkey, Kosovo and Albania. Weaker bank lending reflects a

combination of lower credit demand, given that uncertainty is generally associated with the postponement or reduction of private spending and investment, and tight bank conditions as the ratio of NPLs to total loans remains high in many countries, in particular in Albania, Serbia, Montenegro and Bosnia and Herzegovina.

Progress was achieved in fiscal consolidation. With the exception of the former Republic of Macedonia, Serbia, Kosovo and Bosnia and Herzegovina, budget deficits will be reduced in 2012 compared to 2011, despite the deterioration of the economic situation and its impact on fiscal resources. Lower revenues were generally compensated by savings on spending on goods and services and/or capital expenditures while indirect taxation was also increased in some cases. However, in some countries where further consolidation was achieved in 2012, the actual deficit has been higher than the target. This was notably the case in Albania, Iceland and Montenegro where the call of state guarantees led to a wide overrun. The central government deficit in Turkey is also expected to have widened compared to target. Conversely, while the consolidated budget deficit increased significantly and stood at 6.4% of GDP in Serbia, it was still below the target of 6.7% of GDP. Budget execution was also close to target in Kosovo. Judging from available data for early 2013, the current budget implementation gives a mixed picture. A slight improvement is noticeable in Serbia and Montenegro while implementation is broadly on track in Turkey and Kosovo. This does not seem to be the case in Albania, Croatia, and the former Yugoslav Republic of Macedonia, generally due to lower than expected fiscal revenues.

Candidate and potential candidate countries: Summary table

	2008	2009	2010	2011	2012	ECFIN Nov. Forecast		Q3 12 Q4 12 Q1 13			Jan 13 Feb 13 Mar 13		
						2013	2014						
Gross domestic product (in real terms, annual % change)													
Croatia	2.1	-6.9	-2.3	-0.0	-2.0	-0.4	1.0	-1.9	-2.3	:	N.A.	N.A.	N.A.
The former Yugoslav Republic of Macedonia	5.1	-1.0	2.9	2.8	-0.3	1.5	2.5	0.3	0.2	:	N.A.	N.A.	N.A.
Iceland	1.2	-6.6	-4.1	2.9	1.6	2.0	2.7	2.2	1.4	:	N.A.	N.A.	N.A.
Montenegro	6.9	-5.7	2.5	3.2	-0.5	2.2	3.0	-0.2	-0.3	:	N.A.	N.A.	N.A.
Serbia	3.8	-3.5	1.0	1.6	-1.7	1.7	2.0	-2.1	-2.0	:	N.A.	N.A.	N.A.
Turkey	0.7	-4.8	9.2	8.8	2.2	3.0	3.8	1.6	1.4	:	N.A.	N.A.	N.A.
Albania	7.5	3.3	3.8	3.1	1.6e	:	:	2.9	1.7	:	N.A.	N.A.	N.A.
Bosnia and Herzegovina	5.6	-2.9	1.4	1.0	:	:	:	:	:	:	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	15.9	15.9	14.9	14.5	18.0	:	N.A.	N.A.	N.A.
The former Yugoslav Republic of Macedonia	33.8	32.2	32.0	31.4	31.0	30.7	30.0	30.6	30.6	:	N.A.	N.A.	N.A.
Iceland	3.0	7.2	7.5	7.1	6.0	5.7	5.2	5.0	4.7	:	N.A.	N.A.	N.A.
Montenegro	10.8	11.4	12.2	13.2	13.5	:	:	12.2	13.5	14.2	13.8	14.1	14.2
Serbia	13.6	16.1	19.2	23.0	23.9	23.9	23.1	22.4	:	:	:	:	:
Turkey	11.0	14.1	12.0	9.8	9.2	7.6	7.0	8.8	9.4	:	:	:	:
Albania	12.8	13.0	13.7	13.3	13.3	:	:	13.3	13.3	:	:	:	:
Bosnia and Herzegovina	40.6	42.7	42.7	43.8	:	:	:	44.2	:	:	:	:	:
Kosovo*	47.5	45.4	N.A.	44.8	:	:	:	:	:	:	:	:	:
Current account balance (% of GDP)**													
Croatia	-9.0	-5.1	-1.1	-0.9	0.0	-0.6	-1.5	-0.6	0.0	:	N.A.	N.A.	N.A.
The former Yugoslav Republic of Macedonia	-12.8	-6.8	-2.0	-3.0	-3.9	-3.8	-4.7	-1.7	-3.9	:	N.A.	N.A.	N.A.
Iceland	-24.6	-11.5	-8.0	-6.2	-4.9	-4.8	-5.5	-6.8	-4.9	:	N.A.	N.A.	N.A.
Montenegro	-49.8	-27.9	-23.0	-17.7	-17.7	-20.6	-20.6	-17.8	-17.7	:	N.A.	N.A.	N.A.
Serbia	-18.8	-7.2	-7.6	-9.2	-10.6	-8.9	-9.6	-11.9	-10.5	:	N.A.	N.A.	N.A.
Turkey	-5.4	-2.0	-6.2	-9.7	-5.9	-6.6	-7.5	-6.9	-5.9	:	N.A.	N.A.	N.A.
Albania	-15.5	-15.3	-11.5	-13.0	-10.5	:	:	-12.2	-10.7	:	N.A.	N.A.	N.A.
Bosnia and Herzegovina	-14.2	-6.6	-5.5	-9.5	-9.4	:	:	-10.5	-9.4	:	N.A.	N.A.	N.A.
Kosovo*	-11.7	-9.3	-12.0	-13.8	-7.8	:	:	-11.3	-7.8	:	N.A.	N.A.	N.A.
Inflation (Consumer price index, annual % change)													
Croatia	6.1	2.4	1.0	2.3	3.4	3.0	2.0	4.1	4.6	:	5.2	4.9	:
The former Yugoslav Republic of Macedonia	8.3	-0.8	1.6	3.9	3.3	3.0	2.5	3.8	4.9	3.5	3.8	3.5	3.1
Iceland	12.7	12.0	5.4	4.0	5.2	3.5	2.7	4.3	4.3	4.3	4.2	4.8	3.9
Montenegro	7.4	3.4	0.5	3.1	4.1	2.7	2.5	4.4	5.2	:	4.2	3.3	:
Serbia***	8.6	6.6	10.3	7.0	12.2	10.2	5.4	10.3	12.2	:	12.8	12.4	:
Turkey	10.4	6.3	8.6	6.5	8.9	7.7	5.6	9.0	6.8	7.2	7.3	7.0	7.3
Albania	3.4	2.3	3.6	3.5	2.0	:	:	2.7	2.4	:	2.7	2.5	:
Bosnia and Herzegovina	7.4	-0.4	2.1	3.7	2.1	:	:	1.8	2.0	:	1.3	1.0	:
Kosovo*	9.4	-2.4	3.5	7.3	2.5	:	:	3.2	3.7	:	3.6	2.6	:
General government balance (% of GDP)													
Croatia	-1.4	-4.1	-4.9	-5.1	-4.6f	-5.0	-4.5	-1.3	:	:	N.A.	N.A.	N.A.
The former Yugoslav Republic of Macedonia**	-1.0	-2.7	-2.5	-2.5	-3.8	-3.5	-3.3	-1.6	-2.5	:	N.A.	N.A.	N.A.
Iceland	-13.5	-9.9	-10.1	-5.6	-3.4	-0.3	0.8	-1.8	-7.7	:	N.A.	N.A.	N.A.
Montenegro	-0.4	-5.7	-4.9	-5.4	-4.0	-3.0	-2.0	-2.4	-4.0	:	:	:	:
Serbia**	-2.6	-4.5	-4.7	-4.9	-6.4	-4.1	-3.6	-5.8	-6.4	:	N.A.	N.A.	N.A.
Turkey	-2.2	-5.7	-3.6	-2.0f	-1.9f	-2.6	-3.1	:	:	:	N.A.	N.A.	N.A.
Albania**	-5.5	-7.0	-3.1	-3.6	-3.4	:	:	-1.9	-3.4	:	0.0	-0.5	:
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	-2.7	:	:	-3.0	:	:	N.A.	N.A.	N.A.

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Forecast: ECFIN forecast Autumn 2012

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

*** End of period, Forecast = average

CROATIA



Key developments

The European Commission released a "Monitoring Report on Croatia's accession preparations" on 26 March. The report concluded that Croatia will be ready for EU membership in July 2013. As of 12 April, the Accession Treaty remained to be ratified by 3 EU Member States.

The Croatian government proposed a revision of the 2013 state budget on 21 March. Based on a reduced expectation for GDP growth, projected revenues are revised downward and spending is cut. According to the Ministry of Finance, the budget revision implies a reduction of the consolidated general government deficit by 0.5 percentage points of GDP to 3.4% compared to the original budget.

On 1 February, Moody's Investor Service lowered Croatia's sovereign credit rating from investment grade to the highest speculative grade (Ba1) citing the absence of economic recovery, insufficient fiscal consolidation and a relatively high level of external vulnerability.

Real sector

Annual GDP declined by 2.0% in real terms in 2012, the fourth consecutive year of contraction. The level of real GDP was 10.9% lower than in 2008. Economic activity had stabilised somewhat in the second and third quarters of 2012, but the fourth quarter data showed a renewed worsening with real GDP declining by 2.3% year-on-year and by an estimated 0.9% in seasonally adjusted quarter-on-quarter terms.

The various GDP components indicate that the contraction of domestic demand steepened in the fourth quarter. Consumer spending was 4.2% lower year-on-year in real terms compared to a fall of 3.5% in the third quarter. Government consumption declined by 2.0% compared to -0.4% in the preceding quarter while the decline in fixed investment worsened from 4.4% to 4.9%. Estimates of seasonally adjusted quarter-on-quarter changes in the GDP components confirm that the recession worsened from the

third to the fourth quarter.

Export volumes (goods and services combined), increased by 3.2% year-on-year in the fourth quarter up from a 0.1% increase in the preceding quarter. Import volumes declined by 1.6% compared to a 2.8% fall in the third quarter. This means that net exports contributed positively to GDP growth as they had already done in the third quarter.

The available data for the early months of 2013 suggest, on balance, that the level of economic activity may have stabilised in the first quarter. The volume of retail sales increased slightly on a seasonally adjusted month-on-month basis in January and February which has reduced the year-on-year decline from 5.1% in December to 3.3% in February. There has also been some stabilisation in the level of industrial production over the winter months lowering the year-on-year decline from 5.4% in December to 4.1% in February. The downward trend for construction activity has slowed in the course of 2012 although the level was still 5.8% lower year-on-year in January (working-day adjusted data). Following a relatively strong fourth quarter for exports, the value of exported goods in January was 8.9% lower year-on-year while the value of imported goods was 2.0% higher.

Labour market

The labour market deteriorated sharply in the fourth quarter. According to the official survey data, employment was 5.2% lower year-on-year while the unemployment rate rose 4.1 percentage points year-on-year to 18.0% despite a 0.5% decline in the labour force. The annual average unemployment rate increased from 13.5% in 2011 to 15.8% in 2012. The more timely data on registered unemployment suggest a further worsening in the first quarter of 2013. The registered unemployment rate stood at 21.9% in January and February which is 2 percentage points higher year-on-year. Despite the elevated level of unemployment, the average nominal gross wage was 1.6% higher year-on-year in January.

External sector

Croatia's current account returned to a very modest surplus in 2012 (0.03% of GDP based on the national currency) after 17 consecutive years of deficits. In the preceding years, the deficit had narrowed from 9.0% of GDP in 2008 to 0.9% in 2011. Last year's improving current account was primarily due to a continued rise in receipts from tourism, as foreign tourist arrivals increased by 4.5% year-on-year. As a consequence, the surplus on the services balance increased by 0.6 percentage points year-on-year to 14.5% of GDP in 2012. Goods exports rose by 1.2% while goods imports increased by 0.4%. Accordingly, the deficit on merchandise trade only narrowed marginally, viz. by 0.1 percentage point to 13.7% of GDP. The deficit on income and transfer payments fell by 0.2 percentage points to 0.8% of GDP.

The capital account of the balance of payments shows that foreign direct investments inflows declined from 2.4% of GDP in 2011 to 2.2% in 2012.

Croatia's total gross external debt amounted to € 44.9 billion (103% of GDP) at the end of the fourth quarter of 2012, down from €45.5 billion at the end of the third quarter. Gross international reserves stood at €11.1 billion at the end of February (25.6% of GDP), down by € 0.1 billion since the end of 2012.

Monetary developments

After the surge in headline inflation from 1.2% in January 2012 to 5.0% in September, the overall consumer price index has changed little. In February, consumer prices were 4.9% higher year-on-year – a number which is still heavily influenced by last year's VAT rise and increases in administrative prices. Domestic inflationary pressures are kept low by declining consumer spending and excess capacity in the labour market. Core inflation, as measured by the central bank, amounted to 1.9% in 2012, up by 0.1 percentage point from 2011.

Broad money (M4) continued to increase at a slow rate over the winter months and was 4.3% higher year-on-year at the end of January. In the foreign exchange market, the kuna weakened by half a percentage point against the euro from 7.56 kuna per euro at the end of the 2012 to 7.59 at the end of the first quarter. The central bank did not intervene in the currency market during the first quarter.

Financial sector

Reflecting the recession, total assets of Croatian banks fell by 1.1% over the fourth quarter of 2012 and were 1.7% lower year-on-year at the end of December. The deleveraging of the corporate sector accelerated with banks' claims on enterprises declining by 5.1% in the fourth quarter. On the other hand, lending to households increased by 0.3%, the first increase after three consecutive quarterly declines. Lending to the government increased by a more substantial 5.4% in the fourth quarter. The combined capital adequacy ratio of the banking sector saw a mild increase from 20.5% at the end of September to 20.6% at the end of December. The share of non-performing loans in total loans fell from 14.1% at the end of September to 13.8% at the end of December.

External financial markets have stabilised since the summer of 2012 which has resulted in somewhat improved financing conditions in Croatia. The average interest rate for kuna credits indexed to foreign currency fell by 22 basis points in the course of the fourth quarter to 6.54%. Following a flat performance in 2012, the Croatian stock market index has gained 15.4% over the first quarter of 2013.

Fiscal developments

Croatia's general government deficit amounted to 3.3% of GDP in 2012, down from 4.5% in 2011, according to the national accounting methodology. Revenues increased by 2.5% year-on-year, mainly due to the VAT-rate hike in March. Expenditures fell by 0.4%, mainly due to lower capital spending which more than offset sharply higher interest payments. According to the ESA95 accounting standard, the general government deficit was 3.7% of GDP in 2012 and general government debt stood at 55.2% of GDP at the end of the year.

The government proposed a revised 2013 state budget on 21 March which is based on 0.7% real GDP growth compared to 1.8% growth in the original budget from last November. Revenues are expected to be 0.2% lower than originally projected while expenditures are being cut by 0.7%. According to the Ministry of Finance, the revised state budget will lead to a general government deficit (according to the national methodology) of 3.4% of GDP which is 0.5 percentage points less than projected last November. Also according to the Ministry, tax revenues were 3-4% below the revised budget plan in the first quarter of 2013.

TABLE



European Commission, ECFIN-D-1

CROATIA

		2008	2009	2010	2011	2012	ECFIN Forecast		Q3 12	Q4 12	Q1 13	Jan 13	Feb 13	Mar 13
							2013	2014						
1 Real sector														
Industrial outlook ^{1.1}	Balance	38.0	-33.3	3.0	-0.8	-9.8	:	:	-15.0	-16.0	-42.0	N.A.	N.A.	N.A.
Industrial production ^{1.2}	Ann.%ch	1.6	-9.0	-1.5	-1.3	-5.1	:	:	-4.3	-5.2	:	3.4	-4.1	:
Gross domestic product ^{1.3}	Ann.%ch	2.1	-6.9	-2.3	-0.0	-2.0	-0.4	1.0	-1.9	-2.3	:	N.A.	N.A.	N.A.
Private consumption ^{1.4}	Ann.%ch	1.3	-7.6	-1.3	0.2	-3.0	-1.4	0.5	-3.5	-4.2	:	N.A.	N.A.	N.A.
Gross fixed capital formation ^{1.5}	Ann.%ch	8.7	-14.2	-15.0	-6.4	-4.6	3.3	5.8	-4.4	-4.9	:	N.A.	N.A.	N.A.
Construction index ^{1.6}	Ann.%ch	11.9	-6.6	-15.8	-8.5	-11.1	:	:	-11.7	-10.7	:	-2.0	:	:
Retail sales ^{1.7}	Ann.%ch	-0.7	-11.6	-2.2	0.6	-4.2	:	:	-4.7	-5.9	:	-5.3	3.4	:
2 Labour market														
Unemployment ^{2.1}	%	8.3	9.0	11.7	13.5	15.9	15.9	14.9	14.5	18.0	:	N.A.	N.A.	N.A.
Employment ^{2.2}	Ann.%ch	1.4	-1.7	-4.2	-3.2	-3.1	-0.8	0.6	-0.8	-5.2	:	N.A.	N.A.	N.A.
Wages ^{2.3}	Ann.%ch	7.1	2.2	-0.4	1.5	1.0	1.1	1.2	0.6	0.4	:	1.6	:	:
3 External sector														
Exports of goods ^{3.1}	Ann.%ch	4.8	-20.0	17.2	10.0	1.2	:	:	0.4	6.9	:	-8.9	:	:
Imports of goods ^{3.2}	Ann.%ch	7.7	-25.8	-1.2	9.7	0.4	:	:	-1.0	0.1	:	2.0	:	:
Trade balance* ^{3.3}	%of GDP	-22.4	-16.1	-12.9	-13.8	-13.7	-14.1	-14.6	-14.1	-13.7	:	N.A.	N.A.	N.A.
Exports goods and services ^{3.4}	%of GDP	42.1	36.6	39.7	42.3	43.4	:	:	43.0	43.4	:	N.A.	N.A.	N.A.
Imports goods and services ^{3.5}	%of GDP	49.8	40.1	40.2	42.3	42.7	:	:	42.7	42.7	:	N.A.	N.A.	N.A.
Current account balance* ^{3.6}	%of GDP	-9.0	-5.1	-1.1	-0.9	0.0	-0.6	-1.5	-0.6	0.0	:	N.A.	N.A.	N.A.
Direct investment (FDI, net)* ^{3.7}	%of GDP	6.7	3.4	0.9	2.4	2.4	:	:	1.9	2.4	:	N.A.	N.A.	N.A.
International reserves ^{3.8}	mio EUR	9 120.9	10 375.8	10 660.3	11 194.9	11 235.9	:	:	11 383.9	11 235.9	:	11 080.3	11 133.6	:
Int. reserves / months Imp ^{3.9}	Ratio	5.3	8.2	8.5	8.3	8.4	:	:	8.5	8.4	:	8.2	:	:
4 Monetary Developments														
CPI ^{4.1}	Ann.%ch	6.1	2.4	1.0	2.3	3.4	3.0	2.0	4.1	4.6	:	5.2	4.9	:
Producer prices ^{4.2}	Ann.%ch	:	-0.4	4.3	7.1	5.6	:	:	5.6	5.8	:	3.9	2.4	:
Food prices ^{4.3}	Ann.%ch	10.0	1.7	-1.5	3.5	3.7	:	:	4.7	4.9	:	6.2	5.2	:
M4 ^{4.4}	Ann.%ch	10.9	1.6	2.7	3.7	2.9	:	:	2.7	3.0	:	4.3	:	:
Exchange rate HRK/EUR ^{4.5}	Value	7.22	7.34	7.29	7.43	7.52	:	:	7.47	7.52	7.58	7.57	7.58	7.59
Nominal eff. exchange rate ^{4.6}	Index	96.1	97.2	98.2	100.2	102.5	:	:	102.5	102.5	:	102.0	:	:
5 Financial indicators														
Interest rate (3 months) ^{5.1}	%p.a.	7.19	8.96	2.44	3.14	3.41	:	:	3.40	2.18	1.35	1.58	1.31	1.16
Bond yield ^{5.2}	%p.a.	5.9	6.4	5.8	5.7	5.9	:	:	5.9	4.6	:	4.5	4.3	4.3
Stock markets ^{5.3}	Index	3 299	1 871	1 990	2 079	1 738	:	:	1 698	1 752	1 947	1 888	1 945	2 009
Credit growth ^{5.4}	Ann.%ch	11.6	5.0	2.9	6.5	0.0	:	:	-2.2	-4.2	:	-6.2	:	:
Deposit growth ^{5.5}	Ann.%ch	7.4	-15.2	-19.8	7.3	8.3	:	:	7.6	-0.9	:	-1.0	:	:
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	-4.6f	-5.0	-4.5	-1.3	:	:	N.A.	N.A.	N.A.
General government debt ^{6.2}	%of GDP	29.3	35.8	42.2	46.7	53.6f	57.4	60.2	:	:	:	N.A.	N.A.	N.A.

f: ECFIN forecast Winter 2013

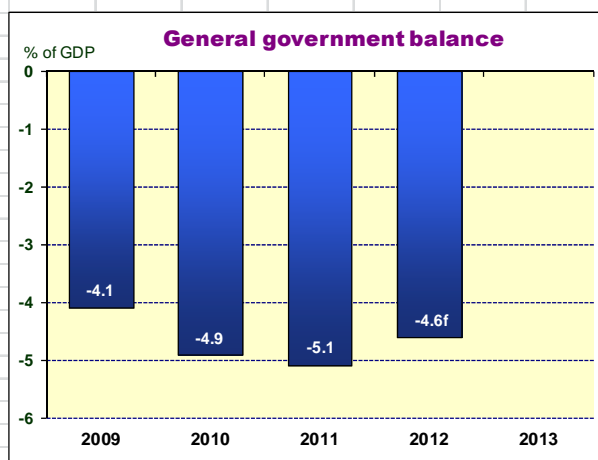
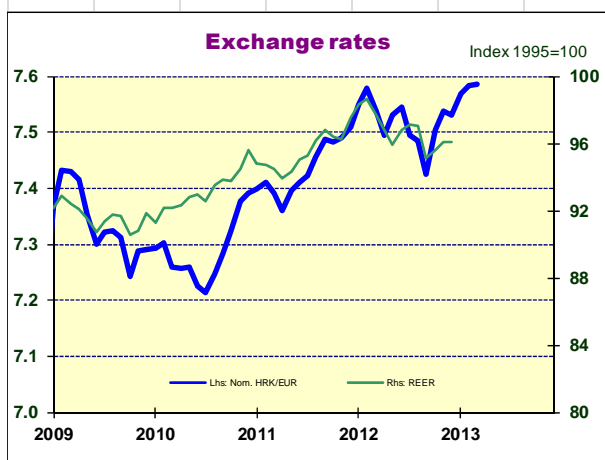
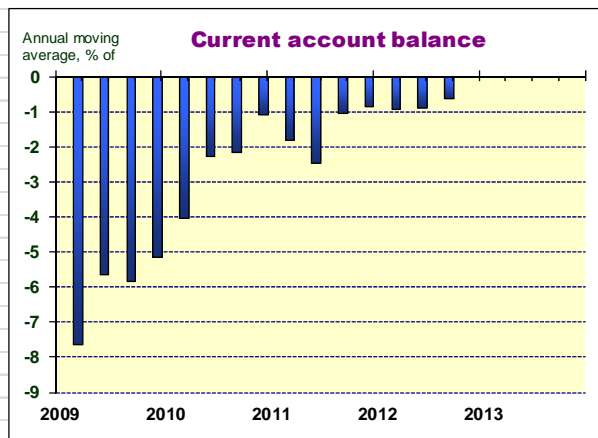
* Q figures refer to a 4 quarters moving average.

CHARTS



European Commission, ECFIN-D-1

CROATIA



THE FORMER YUGOSLAV REPUBLIC OF MACEDONIA



Key developments

At the end of December, the Macedonian Parliament agreed to a 250 mn Euro commercial loan, partially guaranteed by the World Bank, clearing the way for the government to secure the financing of its 2013 fiscal deficit.

The issue of outstanding, and unbudgeted, VAT returns and payments for contracted work to the private sector was resolved by end-February, when the government claimed to have settled its arrears in full. It also introduced compulsory recording of multi-year payment obligations for budget organisations from 2014 onwards, which should help to avoid a similar accumulation of arrears in the future.

The central bank cut two key interest rates by 0.2pp each at the beginning of the year to invigorate bank liquidity and counter the decelerating loan growth.

Real sector

Output growth remained feeble in the fourth quarter of 2012, at 0.2% on an annual basis, and even slightly below the third quarter. This was not sufficient to compensate for the weak output performance in the first half of the year, so that annual GDP in 2012 was by 0.3% lower than in 2011. Private consumption, in particular, remained weak towards the end of the year, and declined by 1.2% overall in 2012. Exports picked up marginally in the last months of the year, but declined overall by 0.4%. Investment growth, including stocks, remained constant at about 12%. Looking at sectors, construction showed solid gains, albeit somewhat weaker than in the third quarter, compensating partly for the contraction in the first half of 2012. Industrial output declined by 6% compared to the same quarter in 2011. Yet, most recent data for February raise hopes for a possible renewed pickup in industry, with an increase in production of about 4.5% year on year, after almost a year and a half of persistent declines. This was due mainly to a strong

increase in mining and quarrying. Manufacturing output rose by over 4% in February, after having declined on average by 6.3% in 2012.

Labour market

Employment picked up somewhat year-on-year in the fourth quarter, while the number of unemployed decreased. Given a solid increase in the labour force, the unemployment rate remained unchanged from the previous quarter at 30.6%, compared to 31.8% in the same quarter a year earlier.

In line with the positive developments in industrial output, employment in this sector rose somewhat, by 1.1%, in February, carried by a continued strong increase, on an annual basis, in mining and quarrying, and a small increase in manufacturing employment. Other sectors with employment gains in the fourth quarter were government, education and health, as well as agriculture. Solid gains compared to the previous year were also recorded in wholesale and retail sale, although employment in this sector dropped compared to the previous quarter.

However, the slight overall improvement in the labour market seems to have bypassed the segment most exposed: youth unemployment (age bracket 15-24 years) remained extremely high in the fourth quarter, at almost 53%. This age group accounts for about 11% of the labour force, but for some 19% of total unemployed.

Growth of net wages, in nominal terms decelerated further in the fourth quarter after rising only marginally in the third quarter. Increases remained starkly below inflation, implying a steep decline of 2.9% in average net wages in real terms in 2012. In January, real net wages continued their slide, by 2.7% compared to January 2011.

External sector

Continued sluggishness in some of Macedonia's

main trade partners' economies leaves its mark on the country's external balances. In the last quarter of 2012, the current account deficit widened significantly, mainly as exports of goods were below their pre-year level, even though they increased somewhat compared to the previous quarter. The decline in import levels was less pronounced. A negative services balance and a drop in current transfers also weighed on the current account deficit, which widened to 3.9% of GDP in 2012, from 3% in 2011. Foreign investment remained sluggish, but picked up slightly again towards the end of the year, bringing net-FDI inflows to 1.5% of GDP, compared to 4.5% in 2011. Most recent data for January points to a renewed expansion of exports of goods compared to January 2012, while current transfers continued to drop.

Foreign reserves increased further in the last quarter and were above their level from a year earlier, standing at 31% of GDP and covering about four and a half months of realised imports at end-December. Another boost came in January, as the government borrowed abroad to finance its 2013 deficit. The reserve build-up was somewhat reversed in February, when the government repaid 183 mn Euro on a Eurobond.

Gross external debt¹ rose further in the fourth quarter, to 5 bn EUR at end-2012, or about 66.5% of GDP, up by about 5 pp from a year earlier. While the biggest share of external debt consists of long maturities, recently the rise in short-term external debt has been comparatively stronger.

Monetary developments

The rise in consumer prices relented in the first three months of 2013, after having picked up markedly in the third and fourth quarter of 2012. In March, the CPI stood at 3.1% on an annual basis, compared to 3.5% in February. Price pressures remained persistent in food and in housing and utilities costs, which account for the biggest shares in the index. The cost of clothing and footwear also continued to rise markedly. On the positive side, the prices for transport and communication declined further also in March. In 2012, the CPI increased on average by 3.3%.

Financial sector

The end of the year was marked by a further slowdown in annual credit growth. At end-December, total outstanding loans were 5.6% above their previous year's level, compared to annual growth of 7.1% at the end of the third quarter. Annual deposit growth also decelerated, to 5.2%, from 5.9% at end-September. At end-February, total deposits stood at 248 bn MKD, an annual increase of 6% compared to February 2012. The overall quality of loan portfolios did not improve in the fourth quarter: the share of non-performing loans still accounts for some 10.5% of total loans.

Monetary conditions have remained stable in the fourth quarter. Deposit and lending rates both decreased somewhat, leaving the spread almost unchanged. Average weighted nominal lending rates declined marginally to 8.3%, while interest rates on deposits declined to 4.8%. In January, the central bank lowered the overnight credit rate and the rate on central bank bills by 0.2 pp each, to 4%, respectively 3.5%. Meanwhile, at end-February, lending and deposit rates had further diminished, by 0.1, respectively 0.2 pp. As a result, the spread has marginally increased to 3.6%, compared to 3.4% the year before.

Fiscal developments

A pronounced spending boom, only partly covered by an increase in revenue on the year marked the last month of 2012. Both, current and capital expenditures rose sharply in December, and total expenditures in the last quarter were about 11% higher on an annual basis. In the first two months of the new year, accumulated revenues were over 12% below their level of the previous year, probably mainly due to the government's repayment of outstanding VAT returns. Total expenditure rose only slightly, yet capital spending was 25% below the previous year's level. As a result, the central government budget deficit of the first two months reached 6.6 bn MKD, which is over a third of the targeted full-year deficit.

¹ Not 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		Q3 12	Q4 12	Q1 13	Jan 13	Feb 13	Mar 13
							2013	2014						
1 Real sector														
Industrial confidence ^{1.1}	Balance	6.8	-13.7	-9.6	18.4	14.7	:	:	13.2	11.7	:	12.5	12.6	:
Industrial production ^{1.2}	Ann. %ch	5.6	-8.4	-4.6	4.0	-7.4	:	:	-6.9	-6.0	:	:	:	:
Gross domestic product ^{1.3}	Ann. %ch	5.1	-1.0	2.9	2.8	-0.3	1.5	2.5	0.3	0.2	:	N.A.	N.A.	N.A.
Private consumption ^{1.4}	Ann. %ch	8.1	-4.8	2.3	7.4	-1.2	1.1	1.5	-2.4	-2.0	:	N.A.	N.A.	N.A.
Gross fixed capital formation ^{1.5}	Ann. %ch	16.5	0.5	1.8	17.3f	12.1	10.0	12.0	15.5	10.8	:	N.A.	N.A.	N.A.
Construction ^{1.6}	Ann. %ch	-2.8	5.3	11.7	14.6	4.6	:	:	16.7	10.6	:	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	31.0	30.7	30.0	30.6	30.6	:	N.A.	N.A.	N.A.
Employment ^{2.2}	Ann. %ch	3.2	3.4	1.3	1.1	0.8	1.0	1.5	0.6	2.9	:	N.A.	N.A.	N.A.
Wages ^{2.3}	Ann. %ch	8.7	14.1	1.0	1.2	0.2	1.8	2.6	0.2	0.4	:	1.0	:	:
3 External sector														
Exports of goods ^{3.1}	Ann. %ch	8.9	-28.2	30.9	25.6	-2.7	:	:	-4.1	-2.5	:	9.1	:	:
Imports of goods ^{3.2}	Ann. %ch	21.9	-21.6	13.9	22.2	0.3	:	:	-3.5	4.1	:	1.3	:	:
Trade balance* ^{3.3}	% of GDP	-26.2	-23.3	-20.5	-22.4	-23.7	-24.7	-26.0	-22.9	-23.7	:	N.A.	N.A.	N.A.
Exports goods and services ^{3.4}	% of GDP	50.9	39.0	46.6	54.6	52.9	:	:	53.2	52.9	:	N.A.	N.A.	N.A.
Imports goods and services ^{3.5}	% of GDP	76.2	60.6	65.3	74.2	75.1	:	:	74.2	75.1	:	N.A.	N.A.	N.A.
Current account balance* ^{3.6}	% of GDP	-12.8	-6.8	-2.0	-3.0	-3.9	-3.8	-4.7	-1.7	-3.9	:	N.A.	N.A.	N.A.
Direct investment (FDI, net)* ^{3.7}	% of GDP	6.1	2.0	2.2	4.5	1.5	:	:	2.1	1.5	:	N.A.	N.A.	N.A.
International reserves ^{3.8}	mio EUR	1496.9	1598.7	1715.3	2302.3	2330.4	:	:	2371.3	2330.4	:	2690.4	2574.7	:
Int. reserves / months imp ^{3.9}	Ratio	4.0	5.5	5.2	5.7	5.7	:	:	5.9	5.7	:	6.6	:	:
4 Monetary developments														
CPI ^{4.1}	Ann. %ch	8.3	-0.8	1.6	3.9	3.3	3.0	2.5	3.8	4.9	3.5	3.8	3.5	3.1
Producer prices ^{4.2}	Ann. %ch	10.4	-6.4	8.3	11.1	4.6	:	:	4.7	5.5	:	4.8	2.9	:
Food prices ^{4.3}	Ann. %ch	14.4	-1.4	0.3	6.2	2.3	:	:	3.2	4.6	:	3.6	3.3	:
Monetary aggregate M4 ^{4.4}	Ann. %ch	21.3	3.5	12.1	10.5	7.5	:	:	6.5	5.4	:	3.8	4.9	:
Exchange rate MKD/EUR ^{4.5}	Value	61.26	61.28	61.51	61.53	61.53	:	:	61.53	61.50	:	61.50	61.50	:
Nominal eff. exchange rate ^{4.6}	Index	100.6	106.6	106.0	106.9	:	:	:	108.9	:	:	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	8.50	:	:	8.41	8.35	:	8.29	8.23	:
Stock markets ^{5.3}	Index	5 149	2 497	2 472	2 407	1 890	:	:	1 836	1 748	1 860	1 846	1 883	1 850
Credit Growth ^{5.4}	Ann. %ch	40.3	14.2	5.4	8.1	7.3	:	:	7.1	5.6	:	5.0	4.8	:
Deposit growth ^{5.5}	Ann. %ch	23.5	4.6	13.0	10.9	7.2	:	:	5.9	5.2	:	4.3	5.6	:
Non-performing loans ^{5.6}	% total	6.7	8.9	9.0	9.5	:	:	:	10.6	:	:	N.A.	N.A.	N.A.
6 Fiscal developments														
Central government balance ^{6.1}	% of GDP	-1.0	-2.7	-2.5	-2.5	-3.8	-3.5	-3.3	-1.6	-2.5	:	N.A.	N.A.	N.A.
Central government debt ^{6.2}	% of GDP	20.6	23.9	24.6	28.2	32.1	33.3	35.0	:	:	:	N.A.	N.A.	N.A.

f: ECFIN forecast Autumn 2012 and Winter 2013

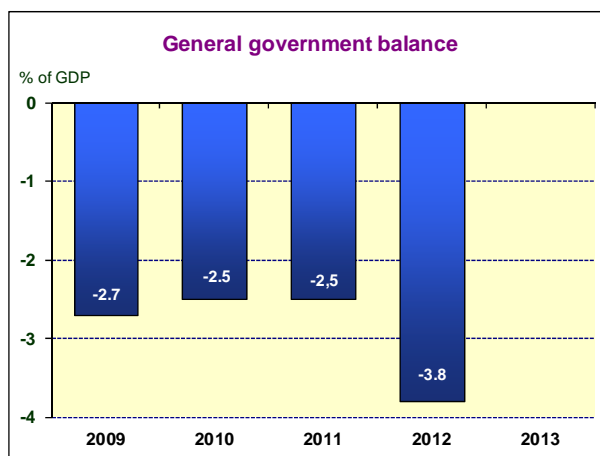
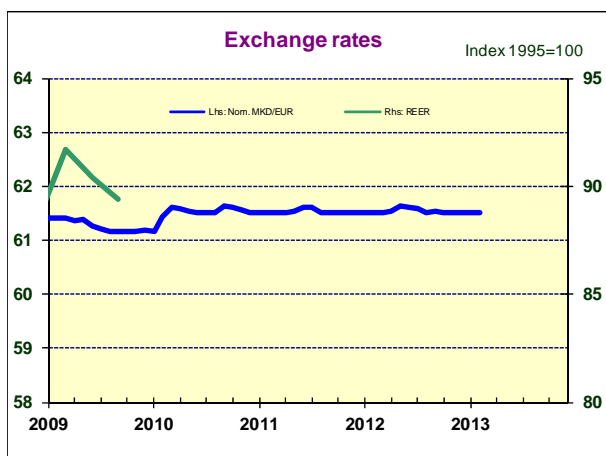
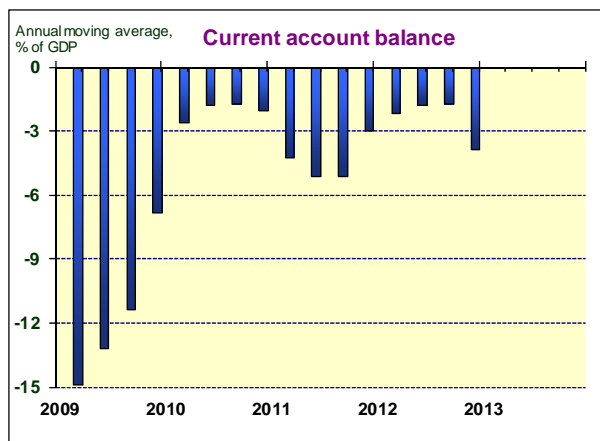
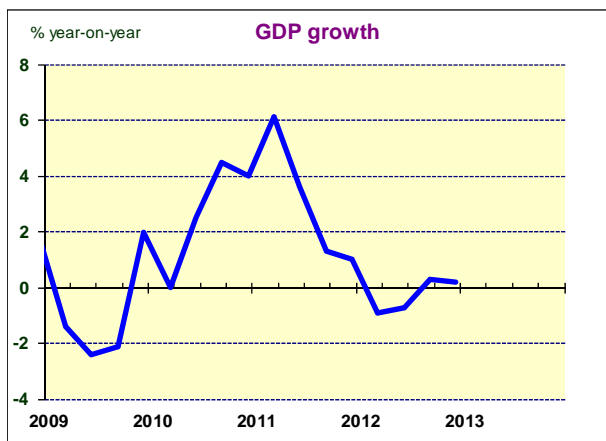
* Q figures refer to a 4 quarters moving average.

CHARTS



European Commission, ECFIN-D-1

The former Yugoslav Republic of Macedonia



ICELAND



Key developments

On 28 January, the EFTA court ruled in last instance that Iceland did not breach European Economic Area directives by not fully compensating foreign depositors for losses with online accounts ("Icesave") of one of Iceland's private banks. This ruling ends uncertainties with respect to Iceland's external and public debt position as it eliminates litigation risks related to Icesave. So far, more than 90% of the depositors' assets have been refunded.

On 31 January, Iceland submitted its Pre-accession Economic (PEP), covering the period 2013-2015. The programme expects a continued recovery, with real GDP growth accelerating from of 2.5% in 2013 to 2.7% in 2015. Inflation is seen to decline to 2.6% by 2015. The fiscal strategy envisages significant primary surpluses of up to 7% of GDP in order to bring down the debt ratio by some 5 percentage points annually.

On 7 February, Moody's Investors Service revised Iceland's sovereign credit rating from negative to stable. This upgrade reflects the EFTA court decision on Icesave as well as a more favourable fiscal outlook.

On 9 March parliament amended the Foreign Exchange Act, eliminating the expiry date (end-2013) of the capital controls. This measure is supposed to increase the incentive to unwind off-shore ISK holdings under the current regime.

Real sector

The economy slowed in the fourth quarter of 2012, when seasonally adjusted GDP growth decelerated to 1.5%, down from 1.8% in the last quarter of 2011. The main reason for this weaker than expected performance was a marked decline in inventories, which strongly contributed to a decline in gross fixed capital formation by 23%. Seasonally-adjusted private consumption increased by 2.6% year-on-year, while public consumption remained constrained with a year-on-year increase by 0.4% only. The export performance was weaker than in the first three quarters of 2012, increasing by 1.8% only, compared to 2.4% the year before. Year-on-year

import growth decelerated in the fourth quarter, from an increase by 10.1% end of 2011 to a decline by 5.7% end of 2012. This dynamics is probably strongly affected by investment activities, which were very strong in the fourth quarter of 2011, increasing by 32% and rather weak in the last quarter of 2012, falling by 23%.

For 2012 as a whole, output growth decelerated to 1.6%, from 2.9% in 2011. The weaker growth was mainly the result of slower growth of investment, which decelerated from 14.3% in 2011 to 4.4% in 2012. Private consumption remained rather strong, increasing by 2.7%, similar to the year before. Annual export growth also largely maintained its dynamics, increasing by close to 4%, although during the year a loss in momentum was observed. Import growth decelerated, from 6.8% in 2011 to 4.8% in 2012, probably also due to weaker investment.

High frequency indicators for January and February present a mixed picture. Industrial production held up well in January, with a 3.6% rise year-on-year. Payment card turnover – a reliable indicator for private consumption – remained largely unchanged in real terms compared to a year ago, while consumer confidence indicators remained weak.

Labour market

Labour market conditions continued to improve. According to LFS, employment rose in the fourth quarter by 1.8% year-on-year, compared to 0.3% a year before. At the same time, the number of unemployed declined by some 20%, i.e., at a similar rate as a year before. This brought the unemployment rate down to 4.7%, compared to 6% the year before. For the year 2012 as a whole, the unemployment rate dropped to 5%, compared to 6% in 2011. In the first two months of 2013, seasonally adjusted unemployment rates were more than 1 percentage point lower than in 2011. The number of long-term unemployed declined by some 18% year-on-year in the fourth quarter of 2012. This also brought down the share of long-term unemployed in total unemployed, from some 36% in the third quarter to 29% in the fourth

quarter. However, this high level remains a particular concern.

Wage pressures continued to ease. Average real wages dropped markedly to 0.6% in the fourth quarter, compared to 3.6% in 2011. However, due to rather high real wage increases in the first half of 2012, the annual average wage increase remained rather stable at 2½%. In the first two months of 2013, the year-on-year rise of real wages remained low at some 0.8% and 0.4% respectively.

External sector

In contrast to previous quarters, the surplus in trade with goods and services increased in the last quarter of 2012, to 4.8% of GDP compared to 2.7% in the same period in 2011. The main reason was lower import of goods, which declined by 6% year-on-year, compared to an increase by 26.3% the year before. The current account deficit dropped in the fourth quarter to 2.5% of GDP, from 10.6% in the same period in 2011. 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 Central Bank estimate of the "underlying" current account deficit was around -0.3% of GDP in the fourth quarter, compared to -4.9% the year before. On an annual base, the trade surplus dropped from 6.0% of GDP in 2011 to 4.4% in 2012. The current account deficit declined from -6.2% to -2.9%, while the underlying current account deficit turned from a deficit of -0.3% of GDP in 2011 to a slight surplus of 0.8% of GDP in 2012.

Gross official foreign exchange reserves had slightly increased towards the end of 2012, being some 1.4% higher than end September. However, the overall declining trend continued in the first two months of the year, with reserves being some 3.4% lower than 3 months before. As a share of GDP, reserves declined from 32% of GDP by end-September, to about 29% of GDP end of February.

The stock of gross foreign debt declined to around 680% of GDP end of December, compared to 690% of GDP at end-September. The year before, gross foreign debt had still been around 744%. 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

Policy rates have remained unchanged since November. The Central Bank publicly announced that further interest rate decision would largely depend, among other things, on wage settlement agreements in early 2013. Annual inflation has dropped from the 2012 peak of 6.5% in April to 3.9% in March.

Following a depreciation during the second half of 2012, the exchange rate of the króna vis-à-vis the euro regained some ground, appreciating by early April by some 11% compared to end-January, when the króna had reached a local low against the euro. At end-2012, the króna was traded at ISK/EUR 168.65, or 6.5% below the level a year before (ISK/EUR 158.36). In early April, the ISK/EUR rate stood at 156.6.

Financial sector

During the last months, financial intermediation dropped markedly, with credit growth decelerating from 6.1% in the third quarter of 2012 to 3.6% in the fourth quarter. During the first two months of 2013, the credit volume was even slightly lower than a year before. Deposits also declined slightly, by -1.8% year-on-year in the fourth quarter of 2012 and 5.5% and 3.1% in the first two months of 2013.

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 remain rather high, at some 10% of total loans at mid-2012.

Fiscal developments

The fourth quarter registered a significant increase in the quarterly general government deficit of 2% of the full-year GDP, compared to an accumulated deficit of 1.4% in the first 3 quarters. The main reason for the rise was higher spending for wages, for the purchase of goods and services and for investment, while social spending was reduced. The annual general government deficit declined from 5.6 of GDP in 2011 to 3.4% in 2012. However, the previous budget for 2012 had envisaged a general government deficit of 1.7% of GDP. Public debt dropped from 108% of GDP in 2011 to 99% in 2012.

TABLE



European Commission, ECFIN-D-1

ICELAND

		2008	2009	2010	2011	2012	ECFIN Forecast		Q3 12	Q4 12	Q1 13	Jan 13	Feb 13	Mar 13
							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	-1.6	:	:	-3.9	-1.6	:	3.6	:	:
Gross domestic product ^{1.3}	Ann.%ch	1.2	-6.6	-4.1	2.9	1.6	2.0	2.7	2.2	1.4	:	N.A.	N.A.	N.A.
Private consumption ^{1.4}	Ann.%ch	-7.8	-14.9	0.0	2.6	2.7	2.0	2.5	1.5	2.7	:	N.A.	N.A.	N.A.
Gross fixed capital formation ^{1.5}	Ann.%ch	-20.4	-51.4	-9.4	14.3	4.4	2.5	7.5	-1.3	-23.0	:	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	-4.1	3.0	:	:	:	:	:	:	N.A.	N.A.	N.A.
2 Labour market														
Unemployment ^{2.1}	%	3.0	7.2	7.5	7.1	6.0	5.7	5.2	5.0	4.7	:	N.A.	N.A.	N.A.
Employment ^{2.2}	Ann.%ch	0.9	-6.2	-0.3	0.0	1.1	0.8	1.0	0.5	1.8	:	N.A.	N.A.	N.A.
Wages ^{2.3}	Ann.%ch	8.1	3.9	4.8	6.8	7.8	4.5	4.8	5.8	4.9	:	5.0	5.2	:
3 External sector														
Exports of goods ^{3.1}	Ann.%ch	52.6	7.3	12.0	10.5	1.9	:	:	-8.3	1.9	:	17.9	-8.4	:
Imports of goods ^{3.2}	Ann.%ch	20.2	-13.3	7.4	18.6	6.3	:	:	-1.6	-6.1	:	-5.6	1.0	:
Trade balance* ^{3.3}	%of GDP	-0.5	6.0	7.8	6.0	4.4	4.9	4.7	3.8	4.4	:	N.A.	N.A.	N.A.
Exports goods and services ^{3.4}	%of GDP	44.4	52.8	56.4	59.1	59.2	:	:	59.3	59.2	:	N.A.	N.A.	N.A.
Imports goods and services ^{3.5}	%of GDP	47.2	44.2	46.3	50.6	52.9	:	:	53.5	52.9	:	N.A.	N.A.	N.A.
Current account balance* ^{3.6}	%of GDP	-24.6	-11.5	-8.0	-6.2	-4.9	-4.8	-5.5	-6.8	-4.9	:	N.A.	N.A.	N.A.
Direct investment (FDI, net)* ^{3.7}	%of GDP	30.5	-18.2	20.7	7.7	28.0	:	:	19.9	28.0	:	N.A.	N.A.	N.A.
International reserves ^{3.8}	mio EUR	2 565.3	2 661.7	4 369.0	6 580.6	3 251.8	:	:	3 371.9	3 251.8	:	3 115.1	3 026.6	:
Int. reserves / months Imp ^{3.9}	Ratio	8.0	13.4	19.1	24.3	11.3	:	:	11.4	11.3	:	10.9	10.6	:
4 Monetary developments														
CPI ^{4.1}	Ann.%ch	12.7	12.0	5.4	4.0	5.2	3.5	2.7	4.3	4.3	4.3	4.2	4.8	3.9
Producer prices ^{4.2}	Ann.%ch	31.0	11.3	11.8	9.2	1.1	:	:	-4.6	1.6	:	4.4	-0.4	:
Food prices ^{4.3}	Ann.%ch	16.0	17.5	4.2	3.8	6.1	:	:	5.7	6.0	5.9	5.3	6.1	6.4
M3 ^{4.4}	Ann.%ch	41.2	15.7	-6.6	-2.1	2.5	:	:	-1.4	-1.6	:	-5.3	-2.9	:
Exchange rate ISK/EUR ^{4.5}	Value	127.58	172.15	161.62	161.20	160.75	:	:	153.70	163.28	167.62	170.88	170.04	161.94
Nominal eff. exchange rate ^{4.6}	Index	135.2	98.1	100.0	100.0	97.6	:	:	100.9	96.0	:	92.9	93.6	:
5 Financial indicators														
Interest rate (3 months) ^{5.1}	%p.a.	15.84	11.28	6.79	4.26	5.51	:	:	5.75	6.09	6.15	6.15	6.15	6.16
Bond yield ^{5.2}	%p.a.	11.00	8.15	5.38	5.23	4.98	:	:	4.80	4.57	:	4.40	4.28	4.54
Stock markets ^{5.3}	Index	3 510	465	563	602	649	:	:	653	643	763	727	773	788
Credith grow th ^{5.4}	Ann.%ch	-34.0	-8.5	-3.2	-1.7	5.6	:	:	6.1	3.6	:	0.1	-1.0	:
Deposit grow th ^{5.5}	Ann.%ch	31.5	-1.3	-7.0	-2.6	2.3	:	:	-1.7	-1.8	:	-5.5	-3.1	:
Non-performing loans ^{5.6}	%total	N.A.	14.0	18.0	12.0	:	:	:	:	:	:	N.A.	N.A.	N.A.
6 Fiscal developments														
General government balance ^{6.1}	%of GDP	-13.5	-9.9	-10.1	-5.6	-3.4	-0.3	0.8	-1.8	-7.7	:	N.A.	N.A.	N.A.
General government debt ^{6.2}	%of GDP	70.5	106.6	124.4	101.0f	96.2f	92.0	87.0	:	:	:	N.A.	N.A.	N.A.

f: ECFIN forecast Autumn 2012 and Winter 2013

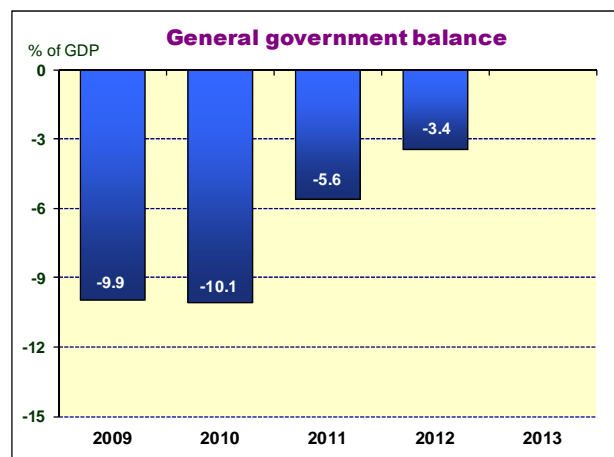
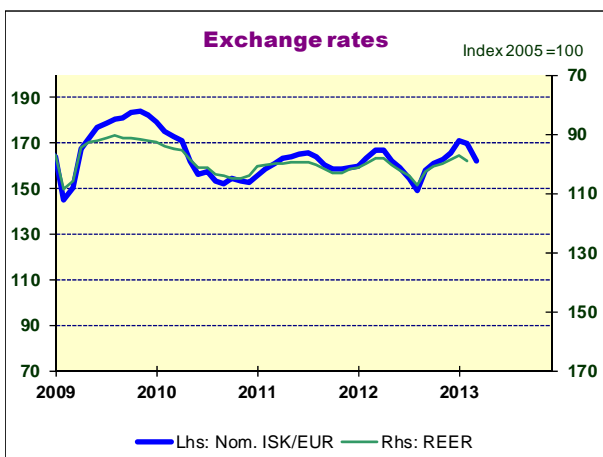
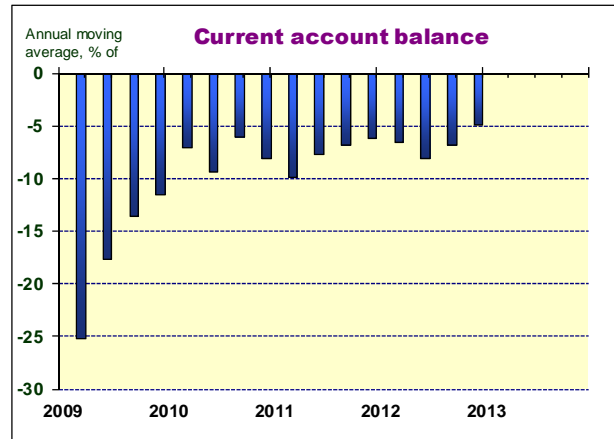
* Q figures refer to a 4 quarters moving average.

CHARTS



European Commission, ECFIN-D-1

ICELAND





Key developments

Presidential elections took place on 7 April. The electoral commission announced Montenegro's President Filip Vujanovic has won a third five-year mandate, gathering 51.2 per cent of votes.

On 30 January 2013, the government submitted its second Pre-Accession Economic Programme (PEP) to the European Commission. The macro-economic and fiscal projections in the baseline scenario foresee a partial recovery of the economic growth to 2.5% in 2013, and a general government deficit of 2.3% of GDP.

In March the Privatisation Council declared unsuccessful the sales of publishing house Pobjeda, spa centre Simo Milosevic and tobacco factory NDK as no bidder met the tender requirements. The Council also cancelled the privatisation contracts of three hotels as investors failed to meet their obligation.

The Parliament Collegium decided to delay for next week the debates originally foreseen for 10 April on the transfer of Russian CEAC parts in the aluminium factory KAP and bauxite mines to the government. Discussions should also focus on repayment of KAP substantial debt, investment needs, a new electricity supply contract, and subsidisation.

Real sector

In 2012, the economy entered into recession with a real GDP contracting by 0.5% on average. In the last two quarters of the year output fell by 0.2% and 0.3% year-on-year respectively, following a stronger decline of 2.3% in the first quarter, and a mild growth of 0.3% in the second quarter. According to preliminary data, growth was pulled downward by the poor performance of industry, construction and services (namely financial and transport, down by 7% and 3.6% year-on-year respectively). On the expenditure side, net exports had a positive impact as imports contracted marginally and tourism compensated for the poor performance of goods exports.

Industrial production presented mixed results in the first two months of 2013. The mild growth recorded in January (1.7% year-on-year), was

followed by a 3% annual contraction in February as the increase of energy production (60% year-on-year in February) did not compensate for the decline in mining and manufacturing (10% and 36% respectively)

Labour market

The recession has led to a worsening of labour market conditions. According to the labour force survey (LFS) the employment rate rose to 39.4% in the fourth quarter of 2012, up from 38.8% a year before, as the number of employed persons increased by 5.6 thousand workers, while the average number of unemployed workers increased slower (by some 900 persons), raising the unemployment rate to 20.6%, up from 18.1% a year before. According to the employment agency the registered unemployment rate rose to 14.2% in the first quarter of 2013 compared to 13.6% a year before.

In 2012 the average gross wages increased marginally by 0.8%, translating into a 3.3% year-on-year contraction in real terms. In the first two months of 2013, gross wages declined by 3% and 0.7%, respectively. In February the average net wage stood at EUR 485 compared to 495 a year before. In March the government decided to raise the minimum wage by 30% to EUR 193.

External sector

In 2012 the current account deficit remained at the same ratio as a year before (17.7% of GDP), although the gap widened marginally in 2012 by nominal 2.4% to EUR 587 million compared to EUR 573 million a year before. The deficit was largely driven by merchandise trade dynamics. In 2012, exports of goods marked a significant drop of 17.8% to EUR 392 million. Although imports were also lower than a year earlier, the decline was only marginal (0.1% to EUR 1.78 billion). As a result, the foreign trade deficit widened to 41.8% of GDP in 2012, up from 40.4% of GDP a year earlier. The trade deficit was partly offset by the increase in tourism revenues (up 3.6% to EUR 613 million) and higher surpluses in the income and current transfers (EUR 54 and 135 million respectively). The financial account surplus deteriorated to EUR 329 million in 2012 reflecting a strong

decline in portfolio investments. However net FDI climbed 16.6% year-on-year to EUR 454mn (or 13.6% of GDP) after having dropped by 29.5% a year earlier. Net FDI covered over 77% of CAD versus 67% in 2011.

In the first two months of 2013 the trade deficit expanded by 5.9%, accounting for 4.7% of annual GDP. Exports increased by 15.3% year-on-year to EUR 59 million, driven by electricity, food, beverages and tobacco as well as metal ores. Imports rose more moderately, by 8.3% year-on-year, to EUR 224 million, driven by the demand for machinery and transport equipment.

Monetary developments

Despite the recession, inflationary pressures have slightly increased in the second half of 2012. The consumer price index averaged 4.1% in 2012 compared to 3.1% a year earlier. Lower inflation in the first quarter of 2012 was followed by a steady growth in the second half of the year on the back of utilities, food and beverages price increases. At the end of 2012, headline inflation recorded 5.1% compared to 2.8% a year before. Inflationary pressures eased during the first two months of 2013. CPI slowed to 3.3% year-on-year in February, down from 4.2% in January, as a result of the deceleration of housing (including utilities), food and beverages prices.

Foreign exchange reserves increased by 15% year-on-year at the end of 2012, totalling EUR 348 million or 10.5% of GDP; the equivalent of 2.3 months of imports.

Financial sector

At the end of 2012, bank deposits increased by 9% year-on-year to EUR 1.98 billion or 59% of GDP. Household deposits, which represent 58% of total deposits, increased by 11%, while corporate ones (with a total share of 30%) expanded by 10.3%. The deposits to loan coverage reached 106% compared to 92% a year before as bank lending continued contracting in the last quarter of 2012 by 4.8% over the year.

Non-performing loans (NPL) reached 16.9% in the last quarter of 2012 compared to 15.5% a year earlier. In December 2012 the aggregate capital of commercial banks narrowed by 3.6% year-on-year to EUR 294 million. Consequently, the capital adequacy ratio declined to 14.7% in the last quarter of 2012 from 16.5% a year before. The banks' return on assets as well as on

equity was negative and registered -2.1% and -18.3% respectively in the last quarter of 2012, compared to -0.1% and -1% a year before. At the end of 2012 the financial result of the banking system presented an aggregated loss of EUR 56 million.

Insurance companies' gross premium increased 3.3% year-on-year in 2012. Non-life insurance remains dominant, with a market share of 86% compared to a 14% stake for life premiums.

In December 2012, the stock exchange turnover and capitalisation plunged 64% and 44% year-on-year respectively. The MONEX20 index increased by 5.6% year-on-year at the end of 2012, although it dropped 23% on average during the year.

Fiscal developments

In 2012 the consolidated budget deficit narrowed to 4% of GDP, down from 5.4% a year before. The worsening of economic performance and the call of state guarantees led to a wide overrun of the target (reviewed in April at 2.4% of GDP). Total revenues increased by nominal 1% year-on-year to EUR 1.3 billion. Taxes and contribution income increased marginally, although VAT proceeds remained 7% below the plan and 10% lower than a year before. Consolidated expenditures contracted by 2% year-on-year to EUR 1.4 billion or 43% of GDP. Subsidies and capital expenditures recorded an annual contraction of 42% and 11% respectively, while gross wages remained unchanged. By contrast, social security transfers grew by 6% year-on-year driven by the increase of military pension beneficiaries.

In the first quarter of 2013, budget revenue increased by 11.5% year-on-year to EUR 195 million supported by the rise of the personal income tax rate in February from 9% to 15% and by the recovery of VAT performance (up by 11.2% year-on-year). However, customs revenue posted a sharp decline (40% y/y).

In 2012 the public debt increased by 14.3% year-on-year to 51% of GDP. Domestic debt, which represents 23.8% of total debt, shrank 4.5% year-on-year. However, external debt jumped by 21.7% and reached 39% of GDP driven by loans to finance the central government budget. State guarantees totalled additional 11.5% of GDP at the end of 2012.

TABLE

European Commission, ECFIN-D-1



MONTENEGRO

		2008	2009	2010	2011	2012	ECFIN Forecast		Q3 12	Q4 12	Q1 13	Jan 13	Feb 13	Mar 13
		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	-16.2	-32.2	17.5	-10.3	-7.1	:	:	-7.8	-4.5	:	1.7	-3.0	:
Gross domestic product ^{1.3}	Ann. %ch	6.9	-5.7	2.5	3.2	-0.5	2.2	3.0	-0.2	-0.3	:	N.A.	N.A.	N.A.
Private consumption ^{1.4}	Ann. %ch	:	-7.7	4.2	0.0	:	3.6	3.9	:	:	:	N.A.	N.A.	N.A.
Gross fixed capital formation ^{1.5}	Ann. %ch	:	-25.3	-21.2	-0.1	:	2.7	3.7	:	:	:	N.A.	N.A.	N.A.
Construction index ^{1.6}	Ann. %ch	45.7	-21.5	13.1	10.7	-13.2	:	:	12.0	-28.3	:	N.A.	N.A.	N.A.
Retail sales ^{1.7}	Ann. %ch	N.A.	-0.4	-2.3	25.1	6.7	:	:	2.5	2.6	:	12.1	:	:
2 Labour market														
Unemployment ^{2.1}	%	10.8	11.4	12.2	13.2	13.5	:	:	12.2	13.5	14.2	13.8	14.1	14.2
Employment ^{2.2}	Ann. %ch	6.3	4.8	-7.1	0.8	2.1	1.0	1.4	2.6	3.3	:	4.0	3.3	:
Wages ^{2.3}	Ann. %ch	22.8	5.7	11.0	1.0	0.8	1.1	4.1	1.0	0.8	:	-3.1	-0.7	:
3 External sector														
Exports of goods ^{3.1}	Ann. %ch	-6.8	-34.2	20.3	33.6	-17.8	:	:	-18.4	-23.6	:	1.8	30.8	:
Imports of goods ^{3.2}	Ann. %ch	22.1	-34.6	0.9	9.2	-0.1	:	:	-4.1	-5.1	:	9.6	7.0	:
Trade balance* ^{3.3}	% of GDP	-65.6	-44.3	-41.1	-40.4	-41.8	-45.0	-45.1	-41.7	-41.8	:	N.A.	N.A.	N.A.
Exports goods and services ^{3.4}	% of GDP	39.5	32.1	34.7	40.2	41.4	:	:	:	:	:	N.A.	N.A.	N.A.
Imports goods and services ^{3.5}	% of GDP	94.0	65.4	63.1	66.2	64.7	:	:	:	:	:	N.A.	N.A.	N.A.
Current account balance* ^{3.6}	% of GDP	-49.8	-27.9	-23.0	-17.7	-17.7	-20.6	-20.6	-17.8	-17.7	:	N.A.	N.A.	N.A.
Direct investment (FDI, net)* ^{3.7}	% of GDP	18.9	35.8	17.5	12.0	13.6	:	:	13.3	13.6	:	N.A.	N.A.	N.A.
International reserves ^{3.8}	mio EUR	313.0	397.0	416.0	303.0	348.0	:	:	397.0	348.0	:	:	:	:
Int. reserves / months Imp ^{3.9}	Ratio	1.5	2.9	3.0	2.0	2.3	:	:	2.6	2.3	:	:	:	:
4 Monetary developments														
CPI ^{4.1}	Ann. %ch	7.4	3.4	0.5	3.1	4.1	2.7	2.5	4.4	5.2	:	4.2	3.3	:
Producer prices ^{4.2}	Ann. %ch	14.0	-3.8	-0.7	3.2	1.9	:	:	3.2	4.8	:	4.6	3.9	:
Food prices ^{4.3}	Ann. %ch	9.0	3.3	0.3	2.8	3.9	:	:	4.4	6.9	:	7.1	5.6	:
M21 ^{4.4}	Ann. %ch	-14.3	:	:	:	:	:	:	:	:	:	:	:	:
Exchange rate EUR/EUR ^{4.5}	Value	1.00	1.00	1.00	1.00	1.00	:	:	1.00	1.00	1.00	1.00	1.00	1.00
Nominal eff. exchange rate ^{4.6}	Index	N.A.	N.A.	N.A.	N.A.	N.A.	:	:	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
5 Financial indicators														
Interest rate (3 months) ^{5.1}	% p.a.	:	:	:	2.27	5.32	:	:	5.32	:	3.23	:	:	3.23
Bond yield ^{5.2}	% p.a.	:	3.63	3.37	2.41	4.75	:	:	4.73	4.04	3.81	:	3.81	3.29
Stock markets ^{5.3}	Index	20009	13316	14003	11889	9099	:	:	8504	9459	9962	10001	10014	9871
Credit growth ^{5.4}	Ann. %ch	24.6	-14.3	-8.2	-11.1	-4.8	:	:	-3.3	-4.8	:	:	:	:
Deposit growth ^{5.5}	Ann. %ch	-4.8	-8.3	-1.9	1.5	9.0	:	:	6.6	9.0	:	:	:	:
Non-performing loans ^{5.6}	% of total	7.2	13.5	21.0	15.5	16.9	:	:	18.5	16.9	:	:	:	:
6 Fiscal developments														
General government balance ^{6.1}	% of GDP	-0.4	-5.7	-4.9	-5.4	-4.0	-3.0	-2.0	-2.4	-4.0	:	:	:	:
General government debt ^{6.2}	% of GDP	29.0	38.2	40.9	45.9	51.1	53.4	53.0	51.4	51.1	:	:	:	:

f: ECFIN forecast Winter 2013

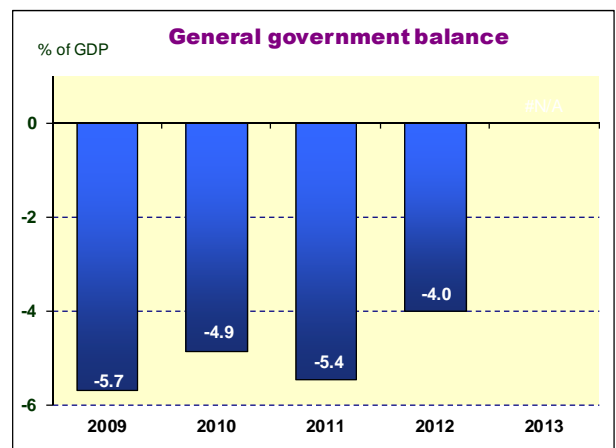
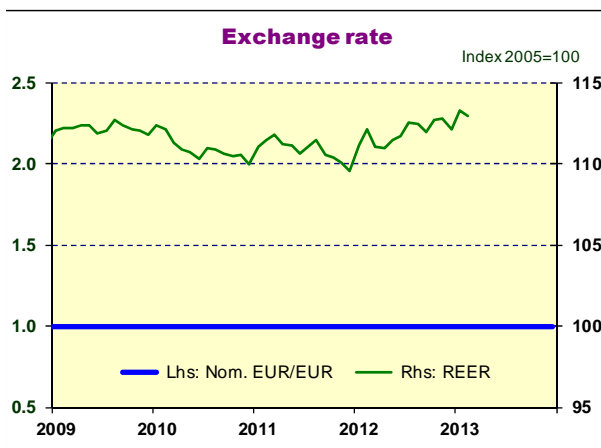
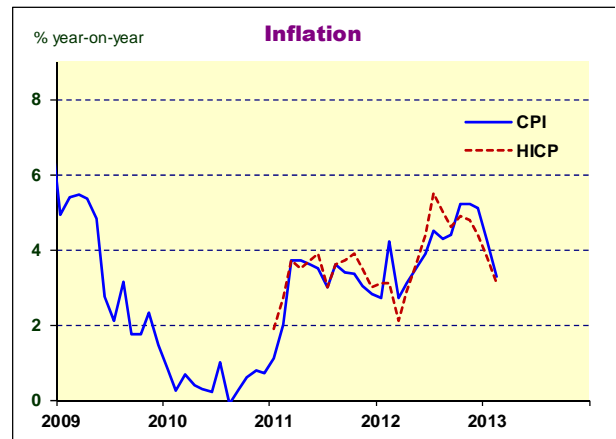
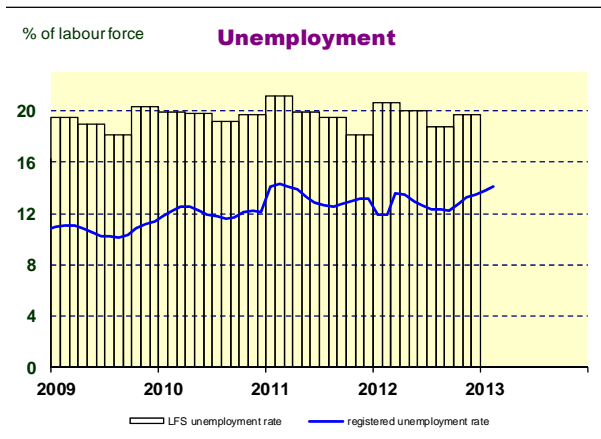
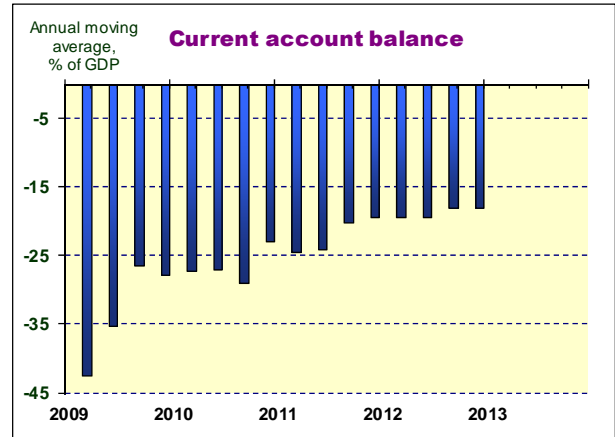
* Q figures refer to a 4 quarters moving average.

CHARTS

European Commission, ECFIN-D-1



MONTENEGRO



SERBIA



Key developments

The EU-facilitated dialogue between Belgrade and Pristina continued but no agreement could be reached in early April. The Serbian authorities demand the establishment of a community of Serbian-dominated municipalities with significant autonomy in several fields, including judiciary and police.

On 31st January, the Serbian authorities submitted their Pre-Accession Economic Programme for 2013 – 2015 to the Commission. Its macroeconomic scenario is plausible in 2013 and optimistic in the following two years, with real GDP growth averaging at 3.1% per year over the period. The fiscal deficit is foreseen to be reduced strongly by 6.1 percentage points, to 1.0% of GDP by 2015.

An IMF mission to Belgrade is expected in May. It is envisaged to combine article IV consultations and discussions on policies that could lead to an-IMF supported programme.

The Serbian finance minister announced that Russia has agreed to extend a USD 500 million 10-year budget support loan to Serbia. The loan is reported to be with a fixed annual interest rate of 3.5% and a two-year grace period.

In end-March, Serbia signed a EUR 400 million contract with Al Dahra from the United Arab Emirates for joint investment in the Serbian agriculture. Serbia has also signed a USD 400 million loan with the Abu Dhabi Development Fund to develop its irrigation systems and provide long-term investment loans to farmers.

Real sector

The Statistical Office presented for the first time GDP data series on the basis of the expenditure approach. It confirmed preliminary estimates that the economy has shrunk by 1.7% in 2012, mainly due to weak domestic demand. Households' individual consumption fell (for the fourth consecutive year), by 2%, and gross fixed capital formation declined by 3.4%. Although exports growth (4.5%) has narrowly outpaced imports (4.2%), the net external balance contributed negatively (-0.6 percentage points) to GDP growth. The loose fiscal policy in the election year boosted government expenditure,

which increased by 1.8% and contributed positively (0.4 percentage points) to growth. The recession has worsened in the last quarter of 2012 when all components of domestic demand turned negative, with a particularly pronounced drop in investments (-15.9% year-on-year).

By sectors, the biggest decline in 2012 was registered in agriculture (-17.1%), followed by construction (-7.5%) and electricity, gas and steam supply (7.1%). Despite the difficult economic environment, several sectors performed well, in particular information and communication, which continued to register impressive growth (10.3%).

High frequency indicators indicate that domestic demand has remained weak in the first two months of the year. Retail trade turnover fell by accumulative 8.3% (year-on-year). However, industrial activity was on the rise (7.5% year-on-year), though mainly driven by base effects (a very cold weather had affected negatively production in the first two months of 2012) and by the operation of a big car assembly factory, which has opened in the summer of 2012.

Labour market

In line with the deteriorating economic performance, the number of employed continued to decline, by close to 1% year-on-year in the last quarter of 2012, and reached an all-time low in January 2013, when only 1,716 thousand persons were registered as employed. In parallel, unemployment increased to new highs. By end-2012, there were 761.486 registered unemployed, and by February their number increased to more than 790 thousand, representing an estimated 26.7% of the labour force. Despite growing unemployment, the number of people receiving unemployment benefits fell by 4.9% in 2012 to an annual average of 61,633 or about 8% of all registered.

Wage growth remained negative in the beginning of 2013. The average real gross wage declined by 3.5% in February (year-on-year) and by 4.3% in the first two months of the year.

External sector

Despite a strong improvement in the last quarter,

the current account deficit increased by 9.9% in 2012 to EUR 3.2 billion (around 10.6% of the estimated GDP). Exports of goods accelerated in the autumn, following the start of FIAT production, and increased by 4.5% for the year as a whole. However, imports grew as well – by 3.7% and the trade deficit expanded marginally from EUR 5.3 billion in 2011 to EUR 5.4 billion. Lower current transfers (-3.4%) and higher net outflows on the income account (up 5.3%) have also contributed to the worsening current account deficit. Net financial inflows have dropped to only 40% of their 2011 level, as net FDI fell almost eight-fold to EUR 232 million and other investments turned negative.

In the first two months of 2013, base effects and FIAT exports pushed exports of goods strongly and they increased by 30.6% (year-on-year). Imports growth was far less impressive, at 4.4% by end-February, and as a result the trade balance shrunk by almost a quarter to EUR 789 million.

Monetary developments

Inflation remained elevated and stood at 12.4% in end-February. Food prices (mainly meat and vegetables) continued to be the main drivers of inflation, contributing 5.3 percentage points to it, followed by tobacco, which rose by 39.6% (contributing 1.6 percentage points) on the back of excise tax hikes in the autumn. Food prices have been traditionally one of the main sources of inflation volatility. However, since the beginning of 2013, their weight in the consumer index has dropped by more than 4 percentage points to 30.9%, which would limit their future impact on inflation. Electricity prices, potentially another source of inflationary pressure in 2013 (after being stable for more than two years and in view of announced increases of electricity prices), also saw their weight coming down by 2.1 percentage points to 5.1%.

Aiming to prevent the spill-over of growth in administered prices to other prices, the central bank increased its key policy rate in two steps from 11.25% in December to 11.75% in early February. Since the beginning of the year, the dinar remained stable against the euro, helping to reduce inflationary expectations.

Financial sector

In early April, the central bank revoked the operating licence of Razvojna Banka Vojvodine

and appointed the Deposit Insurance Agency as the administrator. The state-owned Postal Savings Bank has acquired the deposits of the troubled bank in a similar case to the takeover of Nova Agrobanka in the autumn last year.

Credit activity decelerated significantly and declined in real terms in the first two months of the year. By end-February, commercial banks claims to companies increased nominally by only 1.4% (year-on-year) and to households by 3.5%. Since the beginning of the year, banks have also reduced their exposure to the government by SRD 21 billion to SRD 269 billion, although the growth of these claims remained high at 28.3% (year-on-year). Total deposits growth decelerated as well to 7.2% and banks have used the extra liquidity to reduce their foreign liabilities.

Fiscal developments

Despite the measures taken in the autumn to boost revenues and reign in spending, in 2012 the consolidated budget deficit increased significantly and stood at 6.4% of GDP (SRD 217.4 billion), or 1.5% of GDP higher than in 2011. Total revenue grew by 7.9%, driven by robust income tax receipts and social security contributions (9.3%). Expenditure rose by 11.1%, with strong increases across almost all categories and staggering rises in subsidies (40%) and interest payments (52%).

Budget performance improved slightly in the first two months of the year and the consolidated deficit reached SRD 22.7 billion by end-February (in comparison to SRD 37.5 billion in the same period of 2011). Total revenue increased by 10.8% (year-on-year), although some key taxes, like the VAT and excises underperformed, partially because some of the already introduced legislative changes will take full effect in the following months. Total expenditure increased by 2.7% (year-on-year) on the back of lower capital (-41%) and subsidies (-36%) expenditure. However, interest payments have almost doubled in the first two months of the year.

By end-2012, government debt increased to EUR 17.7 billion (59.3% of GDP) and continued to rise in early 2013. Following a USD 1.5 billion Eurobond (with an annual yield of 5.15%) that has been placed successfully in February, government debt reached SRD 2,123.7 billion (57.1% of the estimated GDP).

TABLE

European Commission, ECFIN-D-1



SERBIA

		2008	2009	2010	2011	2012	ECFIN Forecast		Q3 12	Q4 12	Q1 13	Jan 13	Feb 13	Mar 13
							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	1.3	-12.4	3.1	2.0	-3.4	:	:	-3.9	-0.4	:	2.4	13.1	:
Gross domestic product ^{1.3}	Ann.%ch	3.8	-3.5	1.0	1.6	-1.7	1.7	2.0	-2.1	-2.0	:	N.A.	N.A.	N.A.
Private consumption ^{1.4}	Ann.%ch	6.8	-2.7	-1.0	-1.2	-2.0	-1.6	1.4	-1.1	-2.1	:	N.A.	N.A.	N.A.
Gross fixed capital formation ^{1.5}	Ann.%ch	8.5	-22.1	-5.5	8.4	-3.4	3.0	5.6	1.1	-15.9	:	N.A.	N.A.	N.A.
Construction index ^{1.6}	Ann.%ch	4.9	-18.8	0.1	29.1	-3.3	:	:	-3.9	-21.7	:	N.A.	N.A.	N.A.
Retail sales ^{1.7}	Ann.%ch	3.4	-11.4	-0.7	-14.6	-3.9	:	:	-5.1	-11.0	:	-9.3	-7.3	:
2 Labour market														
Unemployment ^{2.1}	%	13.6	16.1	19.2	23.0	23.9	23.9	23.1	22.4	:	:	:	:	:
Employment ^{2.2}	Ann.%ch	-0.1	-6.1	-3.6	-3.1	-1.1	0.1	1.2	-0.7	-0.8	:	-1.3	:	:
Wages ^{2.3}	Ann.%ch	4.5	1.0	7.4	11.1	9.2	:	:	7.2	8.8	:	7.1	8.5	:
3 External sector														
Exports of goods ^{3.1}	Ann.%ch	16.2	-19.4	23.8	14.0	4.5	:	:	3.4	13.5	:	19.9	42.0	:
Imports of goods ^{3.2}	Ann.%ch	18.3	-30.3	9.7	13.0	3.7	:	:	1.5	1.8	:	3.8	4.7	:
Trade balance* ^{3.3}	% of GDP	-26.2	-17.7	-17.1	-16.9	-18.3	-17.5	-18.3	-19.6	-18.2	:	N.A.	N.A.	N.A.
Exports goods and services ^{3.4}	% of GDP	31.0	29.2	36.1	36.4	39.8	:	:	40.2	39.8	:	N.A.	N.A.	N.A.
Imports goods and services ^{3.5}	% of GDP	57.5	46.8	53.1	52.8	57.4	:	:	59.1	57.4	:	N.A.	N.A.	N.A.
Current account balance* ^{3.6}	% of GDP	-18.8	-7.2	-7.6	-9.2	-10.6	-8.9	-9.6	-11.9	-10.5	:	N.A.	N.A.	N.A.
Direct investment (FDI, net)* ^{3.7}	% of GDP	5.7	4.7	3.1	5.9	0.8	:	:	2.0	0.8	:	N.A.	N.A.	N.A.
International reserves ^{3.8}	mio EUR	8 161.8	10 601.9	10 001.6	12 057.7	10 914.1	:	:	9 833.1	10 914.1	:	10 498.7	11 681.4	:
Int. reserves / months Imp ^{3.9}	Ratio	6.5	11.5	9.8	10.5	9.2	:	:	8.3	9.2	:	:	:	:
4 Monetary developments														
CPI ^{4.1}	Ann.%ch	8.6	6.6	10.3	7.0	12.2	10.2	5.4	10.3	12.2	:	12.8	12.4	:
Producer prices ^{4.2}	Ann.%ch	9.0	7.4	16.2	9.7	6.4	:	:	7.0	6.4	6.5	7.4	6.7	5.4
Food prices ^{4.3}	Ann.%ch	13.8	0.8	10.7	6.4	15.4	:	:	14.2	15.4	:	18.0	16.6	:
M3 ^{4.4}	Ann.%ch	9.8	21.5	12.9	10.3	9.4	:	:	13.8	9.4	:	6.6	5.9	:
Exchange rate RSD/EUR ^{4.5}	Value	81.94	94.08	103.48	102.01	113.52	:	:	116.68	112.95	111.31	111.25	111.24	111.44
Nominal eff. exchange rate ^{4.6}	Index	88.6	92.8	89.5	100.3	92.4	:	:	91.0	92.4	:	102.5	:	:
5 Financial indicators														
Interest rate (3 months) ^{5.1}	% p.a.	5.20	13.40	10.85	12.56	12.50	:	:	12.89	11.90	:	10.68	9.80	:
Bond yield (12 months) ^{5.2}	% p.a.	:	11.86	10.60	12.90	13.04	:	:	14.44	12.78	:	11.24	10.49	:
Stock markets ^{5.3}	Index	2 604	1 197	1 283	1 270	932	:	:	875	911	1 051	1 038	1 046	1 069
Credit growth ^{5.4}	Ann.%ch	34.2	24.4	29.9	7.4	13.2	:	:	18.9	13.2	:	7.6	5.0	:
Deposit growth ^{5.5}	Ann.%ch	8.8	23.6	14.4	9.2	10.4	:	:	13.2	10.4	:	7.7	7.2	:
Non-performing loans ^{5.6}	% total	11.3	15.7	16.9	19.0	18.6	:	:	19.9	18.6	:	N.A.	N.A.	N.A.
6 Fiscal developments														
General government balance* ^{6.1}	% of GDP	-2.6	-4.5	-4.7	-4.9	-6.4	-4.1	-3.6	-5.8	-6.4	:	N.A.	N.A.	N.A.
General government debt ^{6.2}	% of GDP	29.2	34.7	44.5	48.2	59.3	60.6	62.8	54.1	59.3	:	52.6	57.1	:

f: ECFIN forecast Autumn 2012 and Winter 2013

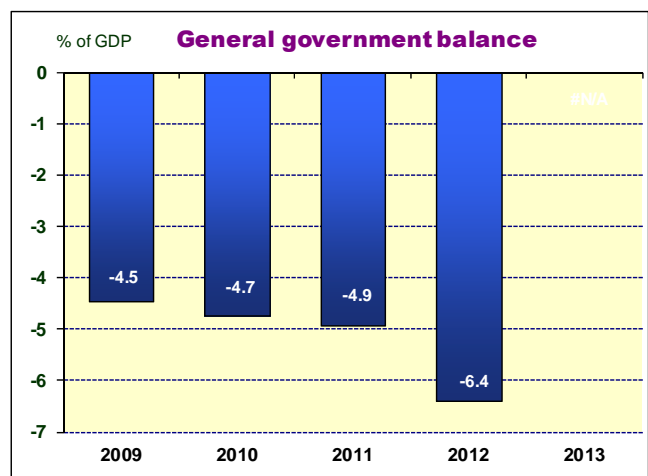
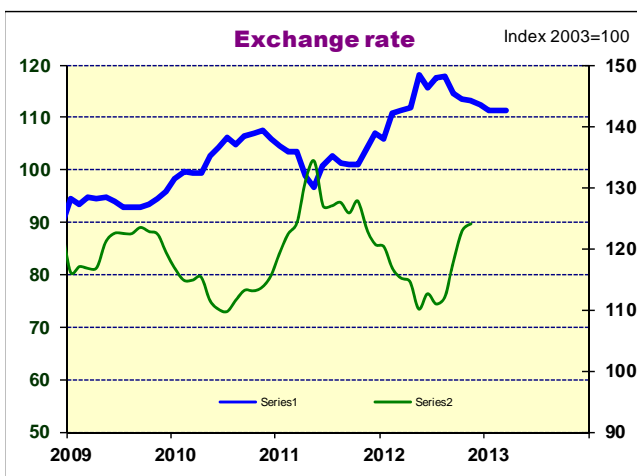
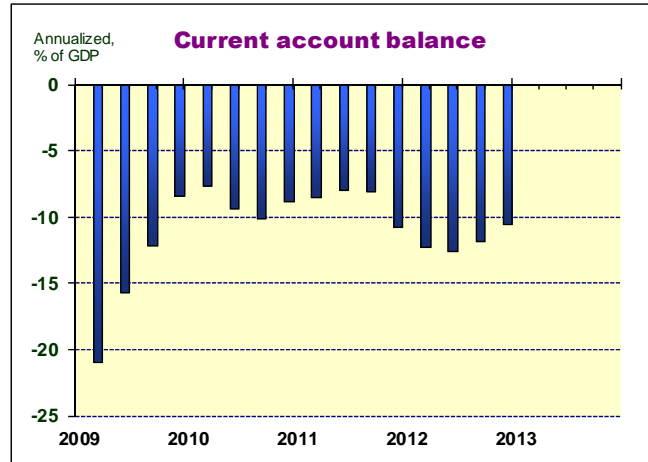
* Q figures refer to a 4 quarters moving average.

CHARTS

European Commission, ECFIN-D-1



SERBIA



TURKEY



Key developments

The Turkish government submitted its 12th Pre-Accession Economic Programme (PEP) for 2013-2015 to the European Commission on 31 January. The programme projects real GDP growth of 4% in 2013 and 5% in both 2014 and 2015. While inflation is expected to fall to 5%, unemployment is projected to remain close to the current level of 9%. Both the current account deficit and the fiscal deficit of general government are projected to narrow moderately.

On 27 March, Standard & Poor's Rating Services raised Turkey's long-term sovereign credit rating to BB+ which is just one notch below investment grade. The outlook is stable.

Real Sector

Economic activity continued to decelerate in the fourth quarter of 2012 with real GDP growth coming to a standstill in seasonally adjusted quarter-on-quarter terms (-0.0%). Year-on-year growth rates have declined steadily from 12.4% in the first quarter of 2011 to 1.4% in the fourth quarter of 2012. Annual GDP growth has dropped from 8.8% in 2011 to 2.2% in 2012.

Both consumer and capital spending showed persistent weakness in the fourth quarter in spite of the sharp easing in domestic financing conditions and some lessening of external political uncertainty. Private consumption and investment contracted respectively 0.8% and 9.2% year-on-year. Net exports, along with government spending, continued to contribute positively to GDP growth. Exports of goods and services were 15.0% higher year-on-year, while imports increased by 3.2% only.

Although the momentum of economic activity was very weak at the turn of the year, high frequency data indicate that output has returned to a growth path in the first quarter. After two strong monthly gains, industrial production was 4.4% higher year-on-year in February compared to a 2.5% annual increase in 2012. The manufacturing PMI has consolidated itself

firmly in expansionary territory with an index value of 52.3 in March. The business sentiment index has risen by 6.8 points quarter-on-quarter to 107.2. Consumer confidence has also improved on a quarterly basis, helped by the fall in bank lending rates and positive domestic political developments concerning Kurdish issues. The pace of import growth suggests a mild increase in domestic demand. Exports have remained strong as Turkish exporters continue to diversify from Europe to faster-growth regions, particularly in the Middle East and North Africa.

Labour market

In spite of the growth slowdown, employment increased by 1.1 million persons, or 4.6%, in the course of 2012, according to the household labour force survey. The employment rate (employed persons as a share of the 15 years+ population) increased by 1.1 percentage point to 44.9%. The labour force increased by 5.0% which is significantly faster than the 1.9% increase in the working age population. As a corollary, the labour force participation rate increased by 1.5 percentage point over the year to 50.0% in December.

The seasonally adjusted unemployment rate was relatively stable at around 9.0% in the first half of 2012, but trended higher in the second half. It reached 9.6% in December which is 0.4 percentage point higher year-on-year. The rising number of unemployed in the twelve-month period (214,000) reflects the difference (in number of persons) between labour force growth and employment growth.

In the first quarter of 2013, the outlook for employment growth strengthened gradually. In March, the number of businesses planning to increase their payrolls over the next three months was four times higher than the number of firms expecting to shed labour.

External sector

In conjunction with the softening of domestic demand and continued strong export growth, the

current account improved significantly in 2012. The annual deficit amounted to USD 46.9 billion, which corresponds to 6.0% of GDP at the average annual exchange rate, down from 9.7% of GDP in 2011. The value of imported goods and services declined by respectively 1.5% and 1.4% year-on-year. The value of exported goods and services increased by respectively 13.9% and 8.8%.

The bulk of the current account deficit was financed by portfolio investments in 2012. Net inflows of foreign direct investments covered 17.8% of the deficit.

The balance of payments data for the first two months of 2013 suggest that the improvement of the current account has come to an end. Whereas the deficit was still declining in year-on-year terms in January, it started to increase again in February. For the two months combined, the deficit increased by 9.6% year-on-year which has raised the 12-month cumulative deficit to 6.1% of GDP.

Turkey's gross foreign debt rose by 10.4% from the end of 2011 to the end of 2012. However, as a share of GDP the debt only edged up by 0.1 percentage point to 42.4%.

Monetary developments

Headline inflation increased in the course of the first quarter of 2013. The year-on-year change in the consumer price index registered 7.3% in March, up from 6.2% in December. Most of the increase in March was driven by unprocessed food prices. Core inflation has remained unchanged at 5.8% year-on-year over the third quarter. The central bank forecasts an inflation rate of 5.3% for end-2013 based on the assumption of a 15% increase in bank loans and a relatively stable real effective exchange rate.

The central bank did not change its policy rate (the one-week repo rate) in the first quarter after having cut it by 25 basis points to 5.5% last December. However, the corridor between the central bank's overnight borrowing and lending rates was moved downward in three steps in the course of the quarter from 5% - 9% to 4.5% - 7.5%.

Bank lending increased by 3.9% between end-2012 and late March which brought the year-on-year increase to 19.6%. The central bank sees the pick-up in loan growth as the main threat to

its inflation target and indicated in late March that it would manage liquidity more effectively to restrain loan growth. At the same time, the central bank is concerned about the strength of the Turkish lira in the foreign exchange market. The lira's real effective exchange rate was relatively stable in the first quarter, but the central bank has indicated that it might deliver a measured interest rate cut to weaken the lira, if the index moves above the mark of 120 from just below in March.

Financial sector

Credit growth increased from 17.4% in the fourth quarter of 2012 to 17.9% in February. The share of non-performing loans in total loans remained stable at 3.4% over the same period. Deposits increased by 14.2% year-on-year in February, up from an increase of 10.5% in the fourth quarter. The banking sector's profits increased by 19.2% in 2012 and were up by 37.1% year-on-year in January. Banks' assets were up by 12.7% year-on-year in January.

Following a strong gain in 2012, the main Istanbul Stock Exchange (ISE) index continued to surge in the first three weeks of January. Subsequently, the index has retreated somewhat, but it was still up by 9.8% over the quarter as a whole.

Fiscal developments

With growth slowing faster than expected in 2012, the fiscal deficit of central government is estimated to have widened to 2.0% of GDP compared to an original budget target of 1.5%. This is primarily due to a rise in personnel expenditures - an increase in both the number of permanent staff and wage indexation - and in transfers to state-owned enterprises as a result of delayed price adjustments in the energy sector. The central government's gross debt declined from 39.9% of GDP at the end of 2011 to 37.5% of GDP at the end of 2012.

The central government's 2013 budget projects a deficit of 2.2% of GDP. In the first two months of the year, total expenditures increased by 14.8% year-on-year. Non-interest expenditures rose much faster, but this was partly offset by lower interest payments. Total revenues surged by 24.8% year-on-year much helped by a one-off receipt from the privatisation of a state-owned bank (Halkbank). The government is currently confident that the 2013 deficit target can be met easily.

TABLE



TURKEY

European Commission, ECFIN-D-1

		2008	2009	2010	2011	2012	ECFIN Forecast		Q3 12	Q4 12	Q1 13	Jan 13	Feb 13	Mar 13
							2013	2014						
1 Real sector														
Industrial confidence ^{1.1}	Balance	90.1	87.3	110.3	110.5	106.3	:	:	105.0	100.4	107.2	102.1	107.5	112.1
Industrial production ^{1.2}	Ann. %ch	-0.6	-9.9	12.8	10.1	2.5	:	:	1.9	0.9	:	2.1	4.4	:
Gross domestic product ^{1.3}	Ann. %ch	0.7	-4.8	9.2	8.8	2.2	3.0	3.8	1.6	1.4	:	N.A.	N.A.	N.A.
Private consumption ^{1.4}	Ann. %ch	-0.3	-2.3	6.7	7.7	-0.7	3.8	4.8	-0.4	-0.8	:	N.A.	N.A.	N.A.
Gross fixed capital formation ^{1.5}	Ann. %ch	-6.2	-19.0	30.5	18.0	-2.5	2.4	5.3	-4.2	-3.8	:	N.A.	N.A.	N.A.
Construction index ^{1.6}	Ann. %ch	-4.4	-7.9	77.4	-16.2	29.0	:	:	16.7	8.9	:	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	9.2	7.6	7.0	8.8	9.4	:	:	:	:
Employment ^{2.2}	Ann. %ch	1.3	0.4	6.2	6.7	3.0	1.2	1.9	1.9	4.2	:	:	:	:
Wages ^{2.3}	Ann. %ch	11.6	9.9	11.8	10.1	:	6.6	7.1	12.1	:	:	:	:	:
3 External sector														
Exports of goods ^{3.1}	Ann. %ch	14.8	-18.2	17.5	12.7	22.4	:	:	28.8	15.8	:	7.8	5.1	:
Imports of goods ^{3.2}	Ann. %ch	10.4	-26.3	39.2	23.3	6.4	:	:	8.5	4.5	:	4.5	8.2	:
Trade balance* ^{3.3}	%of GDP	-7.1	-4.0	-7.7	-11.5	-8.3	-9.2	-10.4	-9.1	-8.3	:	N.A.	N.A.	N.A.
Exports goods and services ^{3.4}	%of GDP	23.9	23.3	21.2	24.0	26.4	:	:	26.1	26.4	:	N.A.	N.A.	N.A.
Imports goods and services ^{3.5}	%of GDP	28.3	24.4	26.8	32.6	31.6	:	:	32.2	31.6	:	N.A.	N.A.	N.A.
Current account balance* ^{3.6}	%of GDP	-5.4	-2.0	-6.2	-9.7	-5.9	-6.6	-7.5	-6.9	-5.9	:	N.A.	N.A.	N.A.
Direct investment (FDI, net)* ^{3.7}	%of GDP	2.3	1.2	1.0	1.8	1.1	:	:	1.4	1.1	:	N.A.	N.A.	N.A.
International reserves ^{3.8}	bio EUR	86.5	77.1	83.2	84.1	104.8	:	:	99.6	104.8	:	105.1	:	:
Int. reserves / months imp ^{3.9}	Ratio	7.6	9.2	7.1	5.8	6.8	:	:	6.6	6.8	:	6.8	:	:
4 Monetary developments														
CPI ^{4.1}	Ann. %ch	10.4	6.3	8.6	6.5	8.9	7.7	5.6	9.0	6.8	7.2	7.3	7.0	7.3
Producer prices ^{4.2}	Ann. %ch	12.7	1.2	8.5	11.1	6.1	:	:	4.9	2.9	2.0	1.9	1.8	2.3
Food prices ^{4.3}	Ann. %ch	12.8	8.0	10.6	6.2	8.4	:	:	9.5	5.3	6.8	6.8	5.6	8.1
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	:	:	2.26	2.33	2.35	2.35	2.37	2.34
Nominal eff. exchange rate ^{4.6}	Index	91.73	82.77	86.25	74.13	:	:	:	73.55	:	:	:	:	:
5 Financial indicators														
Interest rate (3 months) ^{5.1}	%p.a.	18.04	10.68	7.95	9.09	10.31	:	:	10.28	7.45	:	5.76	5.02	5.14
Bond yield ^{5.2}	%p.a.	19.30	11.66	8.47	8.83	8.31	:	:	7.65	6.49	:	5.91	5.66	5.93
Stock markets ^{5.3}	Index	37 582	37 510	59 484	60 751	63 731	:	:	65 160	72 639	81 137	82 298	78 350	82 762
Credit growth ^{5.4}	Ann. %ch	22.4	4.4	33.5	23.8	17.4	:	:	14.6	17.4	:	17.2	17.9	:
Deposit growth ^{5.5}	Ann. %ch	21.8	18.0	18.0	19.2	11.3	:	:	10.0	10.5	:	13.2	14.2	:
Non-performing loans ^{5.6}	%total	4.2	6.5	5.8	3.6	3.2	:	:	3.2	3.4	:	3.3	3.4	:
6 Fiscal developments														
General government balance ^{6.1}	%of GDP	-2.2	-5.7	-3.6	-2.0f	-1.9f	-2.6	-3.1	:	:	:	N.A.	N.A.	N.A.
General government debt ^{6.2}	%of GDP	39.5	45.5	41.6	39.1f	36.3f	35.5	34.2	:	:	:	N.A.	N.A.	N.A.

f: ECFIN forecast Autumn 2012 and Winter 2013

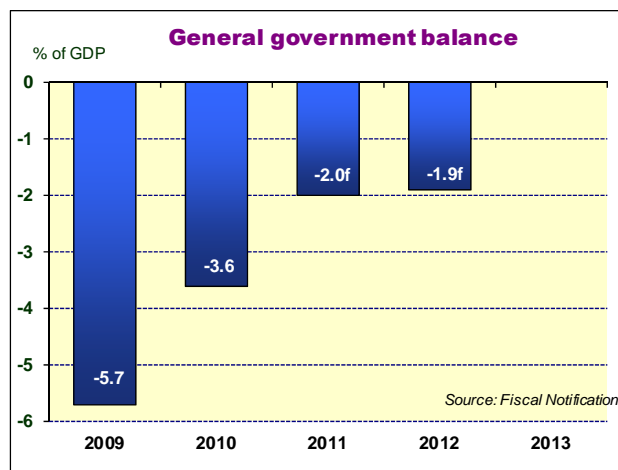
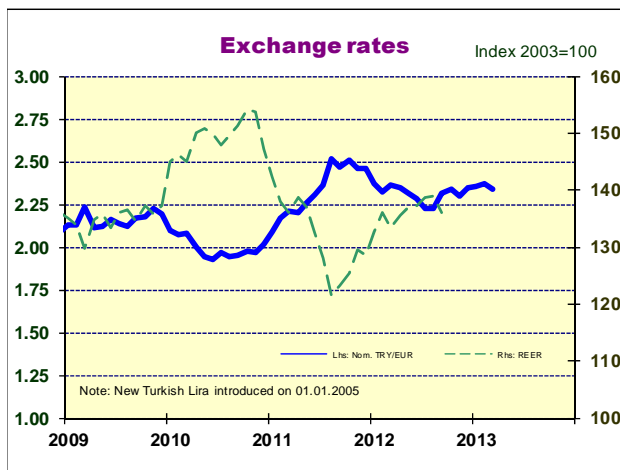
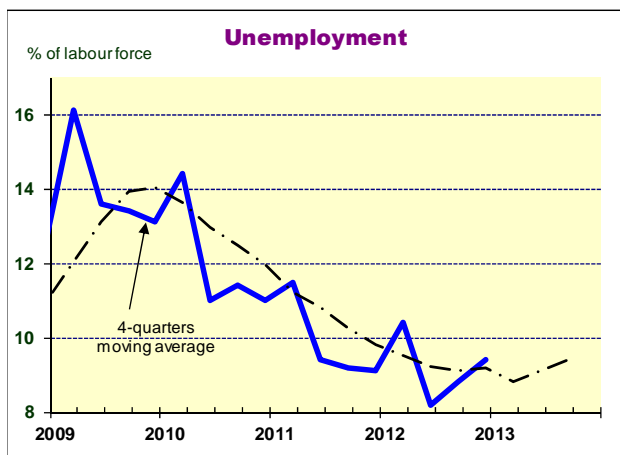
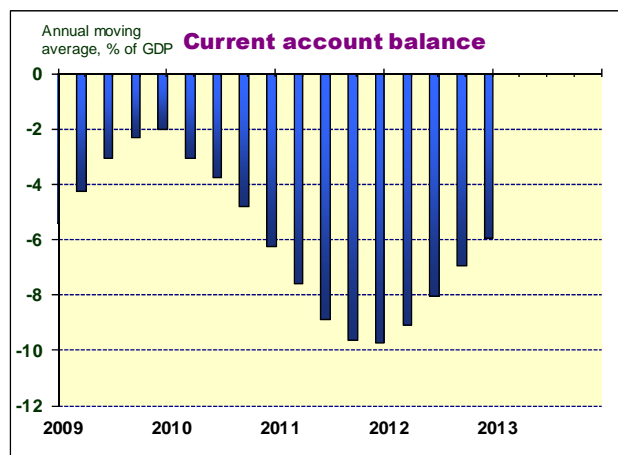
* Q figures refer to a 4 quarters moving average.

CHARTS



European Commission, ECFIN-D-1

TURKEY





Key developments

On 21 January, the energy regulator revoked the distribution licence of Czech power group CEZ and appointed an administrator, on the ground that the company failed to meet contractual obligations. CEZ announced its intention to initiate international arbitration.

On 31 January, Albania submitted its annual Economic and Fiscal Programme (EFP) for the period 2013-2015. The EFP projects economic growth to accelerate from 3.1% in 2013 to 4.1% in 2015. The budget deficit is forecast to shrink from 3.5% of GDP in 2013 to 2.2% in 2015. Public debt would increase to 63.8% of GDP in 2013 and stabilise afterwards, falling marginally in 2015.

The government cancelled the EUR 850 million sale of Albpetrol to Vetro Energy after the consortium failed to make the required down payment equal to 20% of its bid.

Preparations for the June 23 general elections are on-going. A pilot project for an electronic voting system will be implemented to verify voters' ID cards.

Real sector

In the fourth quarter of 2012, the Albanian economy expanded by 1.7% year-on-year in non-adjusted terms, slowing down from a 2.9% growth in the previous quarter. This deceleration leads to an estimated growth rate of 1.6% in 2012 as a whole, compared to 3.1% in 2011. Sectors recorded a mixed performance. Industry expanded by 7.8%, fuelled by a 27.9% annual increase of the extraction industry, while manufacturing output grew at a more modest pace of 3.4%. By contrast, construction continued to contract for the fourth consecutive quarter at an annual rate of 15.4%. Services picked up 4% year-on-year on the back of a strong performance of post and communication and other services (up by 24% and 7.8%, respectively), whereas retail trade recorded an annual contraction of 1.7% and transport decreased by 8.4%, falling for the fourth quarter in a row. Agriculture expanded by 6.1% year-on-year.

Survey results published by the Bank of Albania (BoA) point to an improvement in economic

sentiment in the fourth quarter of 2012 over the previous three months, reversing a trend of worsening indicators in the four preceding quarters. The growth could mainly be attributed to the higher confidence in the services sector and to a lesser extent, the improved sentiment in industry. On the other hand, confidence in the construction sector and among consumers deteriorated.

Labour market

Labour market conditions remained largely unchanged in the last quarter of 2012. Employment increased by 0.5% quarter-on-quarter but declined by 0.5% on an annual basis. The number of jobs in the public sector remained unchanged. Private non-agricultural jobs increased by 1.8% over the previous quarter, resulting in an annual rise of 6.5%. Employment in the agricultural private sector, the largest employer, did not change on a quarterly basis, but declined by 4.3% year-on-year. The jobless rate continues to stand at 13.3%.

External sector

In the last three months of 2012 the current account deficit improved for the fourth consecutive quarter, narrowing by 36% on the year to EUR 236 million or 10.7% of GDP. The improvement was mainly driven by a shrinking merchandise trade deficit as exports surged by 12% whereas imports, pulled down by weak domestic demand, declined by 9.6% year-on-year. The drop in trade deficit more than outweighed the decrease in the services account surplus which was affected by a 5.8% fall in tourism revenues. The current transfer surplus improved by 5.5% year-on-year, thanks to a 7.4% rise in remittances inflows.

The improved external performance was also confirmed for 2012 as a whole, with the current account deficit narrowing to 10.5% of GDP from the 13% recorded one year earlier, thanks to a simultaneous improvement of the merchandise trade deficit (shrinking by 10.8%) and the services surplus (up by 44.7%).

In the last quarter of 2012, FDI inflows decreased by 36% on the year to EUR 184

million. For the year as a whole, FDI inflows remained at EUR 745 million, practically unchanged from the previous year.

Gross external debt grew by 10.4% year-on-year in the fourth quarter of 2012, with the annual expansion of banks' liabilities decelerating to 26.7% from 34.6% recorded in the previous quarter. Around 42% of gross external debt was composed of government long-term borrowing.

Monetary developments

The growth in the monetary aggregate M2 decelerated to 3.3% during the fourth quarter of 2012 from 4.5% in the previous three months. In January and February 2013, M2 year-on-year growth was 2.9% and 3.4%, respectively.

Annual consumer price inflation decelerated in the fourth quarter to 2.4% from 2.7% in the previous three months. Fluctuating food prices accounted for about 70% of inflation, whereas other items continued to provide low contribution to the headline rate. Overall, weak domestic demand and a low impact of various supply-side shocks eased inflationary pressures in the fourth quarter of 2012. Inflation slightly picked up to 2.7% in January 2013 and to 2.5% in February 2013, year-on-year.

On the back of subdued inflationary pressures, the Bank of Albania (BoA) cut in January the base interest rate by 25 basis points to a historic low of 3.75%, in an effort to lower financing costs and boost consumer loans and investments.

In the first three months of 2013, the exchange rate of the Albanian lek (ALL) remained practically unchanged vis-à-vis the euro.

Financial sector

According to BoA's bank lending survey results, lending standards applied to business loans continued to tighten in the last quarter of 2012 as demands for collateral increased and margins widened. Credit standards for households remained unchanged.

The monetary policy ease has not yet materialised in lending interest rates. In February the average interest rate for loans denominated in ALL increased to 11.78%, up by 99 basis points since December 2012. Interest rates on deposits saw only slight fluctuations in the first two months of 2013.

Reflecting the tighter credit conditions, bank lending continued to slow down for the 14th consecutive month. In February the aggregated credit portfolio rose by 1.7% year-on-year,

compared to a rate of 11% a year earlier. In February loans denominated in ALL made up 38% of the total loan stock.

In the fourth quarter of 2012, the growth of total deposits decelerated to 7% year-on-year, down from a rate of 9.7% in the previous quarter and 12.7% a year earlier. In January and February, deposit growth slowed further to 6.4% and 6.1% year-on-year, respectively.

The rate of increase in the share of non-performing loans (NPLs) as a percentage of total loans continued to slow down as it grew by a fifth in the fourth quarter on the year before, to reach 22.8%. The capital adequacy ratio rose to 16.2% in the fourth quarter, up from 15.9% in the previous three months.

Fiscal developments

The general government deficit in 2012 turned out to be higher than planned. The fiscal deficit amounted to 3.4% of GDP which is slightly below the 3.5% deficit in 2011, but higher than the 3.0% target in the budget from December 2011. As a result of disappointing tax collection, total revenues fell by 0.2% year-on-year and by 1 percentage point as a share of GDP (to 24.5%). Total expenditures fell by 0.3% year-on-year and by 1.1 percentage point as a share of GDP (to 27.9%). The overall decline of expenditures was solely achieved by lowering capital spending.

In the first two months of 2013, total revenues increased by a marginal 0.8%, year-on-year. However, tax revenues declined by 1.7% as the largest item, VAT saw a 8.7% drop. This could not be compensated by a surge in revenues from personal income tax and profit tax (up by 9.4% and 13.9%, respectively), as well as a 4.9% increase in social security contributions. Recent decisions to remove VAT on cement and steel used for the construction of hydropower plants and to introduce a non-taxable minimum of ALL 30,000 per month for personal income might put further strain on the revenue side.

Total expenditure in January-February edged up by 1.3% on the year, as a result of a 5.4% increase in current expenditure and a more modest 2.4% growth of capital spending. Total expenditure growth would have been higher had it not been for a high 2012 base, given a loan in February 2012 of ALL 2 billion to state-owned power utility KESH for the financing of electricity imports.

Public debt continued to rise in the last quarter of 2012, reaching an estimated 61.5% of GDP from 60.5% in the third quarter.

TABLE

European Commission, ECFIN-D-1



ALBANIA

		2008	2009	2010	2011	2012	Q3 12	Q4 12	Q1 13	Jan 13	Feb 13	Mar 13
1 Real sector												
Industrial confidence ^{1.1}	Percent	0.4	-13.4	-5.9	-3.8	-10.3	-11.7	-10.4	:	N.A.	N.A.	N.A.
Industrial production ^{1.2}	Ann.%ch	8.7	10.6	18.6	-3.0	:	:	:	:	:	:	:
Gross domestic product ^{1.3}	Ann.%ch	7.5	3.3	3.8	3.1	1.6e	2.9	1.7	:	N.A.	N.A.	N.A.
Private consumption ^{1.4}	Ann.%ch	9.8	6.2	5.7	7.2	8.0	:	:	:	N.A.	N.A.	N.A.
Gross fixed capital formation ^{1.5}	Ann.%ch	12.9	-2.3	-1.3	4.2	-4.7	:	:	:	N.A.	N.A.	N.A.
Construction index ^{1.6}	Ann.%ch	1.2	0.0	0.3	0.5	0.6	0.9	0.5	:	N.A.	N.A.	N.A.
Retail sales ^{1.7}	Ann.%ch	23.7	-1.7	5.4	-3.7	-0.7	0.2	5.5	:	N.A.	N.A.	N.A.
2 Labour market												
Unemployment ^{2.1}	%	12.8	13.0	13.7	13.3	13.3	13.3	13.3	:	:	:	:
Employment ^{2.2}	Ann.%ch	2.9	-0.8	-4.7	2.0	0.1	-0.8	-0.5	:	:	:	:
Wages ^{2.3}	Ann.%ch	8.3	11.9	6.7	7.0	7.3	7.6	7.3	:	:	:	:
3 External sector												
Exports of goods ^{3.1}	Ann.%ch	15.7	-11.8	62.5	22.2	7.6	15.3	11.8	:	:	:	:
Imports of goods ^{3.2}	Ann.%ch	16.4	-1.9	11.3	14.6	-4.0	-0.8	-9.6	:	:	:	:
Trade balance* ^{3.3}	%of GDP	-27.3	-26.4	-23.4	-24.4	-20.6	-22.6	-20.8	:	N.A.	N.A.	N.A.
Exports goods and services ^{3.4}	%of GDP	29.2	28.9	32.8	34.4	32.7	33.0	32.7	:	N.A.	N.A.	N.A.
Imports goods and services ^{3.5}	%of GDP	55.7	53.4	53.6	57.4	51.3	53.1	51.3	:	N.A.	N.A.	N.A.
Current account balance* ^{3.6}	%of GDP	-15.5	-15.3	-11.5	-13.0	-10.5	-12.2	-10.7	:	N.A.	N.A.	N.A.
Direct investment (FDI, net)* ^{3.7}	%of GDP	7.5	8.2	8.9	8.1	7.7	9.0	7.8	:	N.A.	N.A.	N.A.
International reserves ^{3.8}	mio EUR	1638.9	1567.4	1825.3	1852.4	1910.7	1981.9	1910.7	:	1863.8	1877.6	:
Int. reserves / months Imp ^{3.9}	Ratio	5.5	5.8	6.3	5.7	6.1	6.1	6.1	:	:	:	:
4 Monetary developments												
CPI ^{4.1}	Ann.%ch	3.4	2.3	3.6	3.5	2.0	2.7	2.4	:	2.7	2.5	:
Producer prices ^{4.2}	Ann.%ch	6.5	-1.7	0.3	2.6	1.1	0.5	0.1	:	:	:	:
Food prices ^{4.3}	Ann.%ch	5.2	4.9	4.8	4.8	2.4	4.1	3.5	:	4.4	4.9	:
M2 ^{4.4}	Ann.%ch	7.4	8.7	4.5	6.6	4.9	4.5	3.3	:	2.9	3.4	:
Exchange rate LEK/EUR ^{4.5}	Value	122.39	131.82	137.48	140.07	138.83	137.71	139.52	139.50	139.27	139.61	139.63
Nominal eff. exchange rate ^{4.6}	Index	:	:	:	:	:	:	:	:	:	:	:
5 Financial indicators												
Interest rate (3 months) ^{5.1}	%p.a.	6.24	:	:	:	5.16	5.13	5.02	:	5.08	5.05	:
Bond yield ^{5.2}	%p.a.	8.43	9.24	8.55	8.04	8.23	8.30	7.75	:	7.60	7.45	7.25
Stock markets ^{5.3}	Index	:	:	:	:	:	:	:	:	:	:	:
Credit growth ^{5.4}	Ann.%ch	43.8	20.5	8.6	11.7	7.4	6.4	3.5	:	2.1	1.7	:
Deposit growth ^{5.5}	Ann.%ch	14.8	-0.1	15.5	14.5	9.4	9.7	7.0	:	6.4	6.1	:
Non performing loans ^{5.6}	%total	4.7	9.1	12.6	17.0	21.7	22.7	22.8	:	N.A.	N.A.	N.A.
6 Fiscal developments												
General government balance* ^{6.1}	%of GDP	-5.5	-7.0	-3.1	-3.6	-3.4	-1.9	-3.4	:	0.0	-0.5	:
General government debt* ^{6.2}	%of GDP	54.8	59.5	58.5	60.3	61.5	60.5	61.5	:	N.A.	N.A.	N.A.

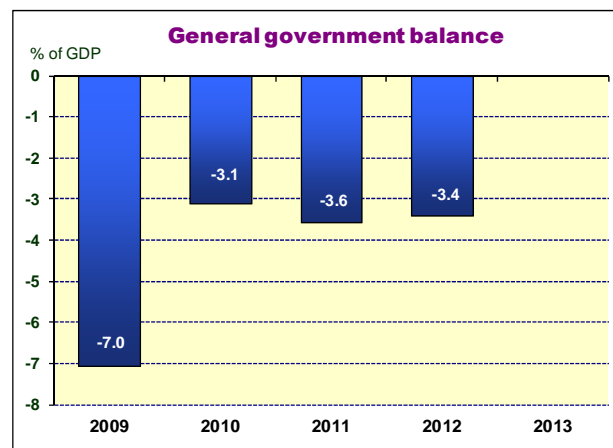
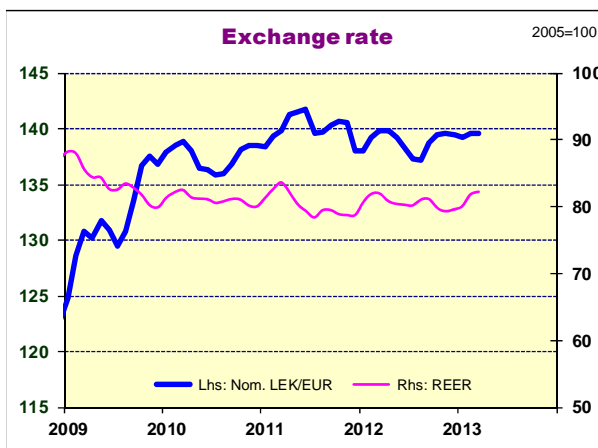
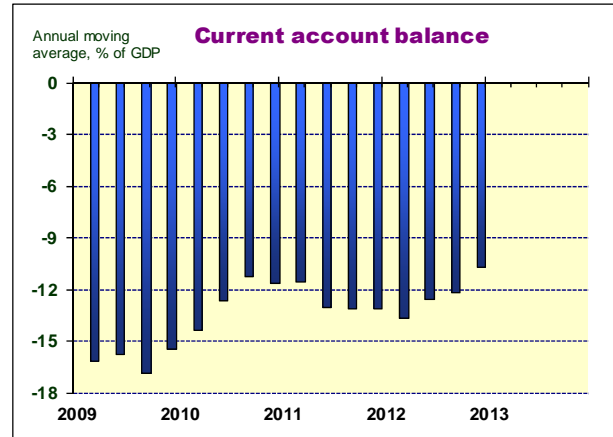
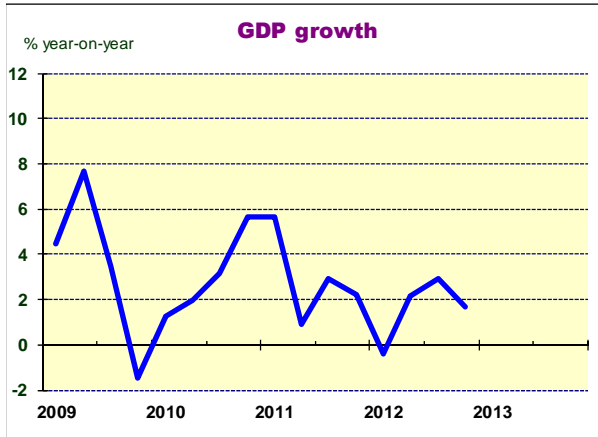
* Q figures refer to a 4 quarters moving average.

CHARTS



European Commission, ECFIN-D-1

ALBANIA





Key developments

On 28 January, the authorities submitted to the European Commission the 2013 Economic and Fiscal Programme of Bosnia and Herzegovina covering the period 2013-2015. It foresees average real growth to reach 2.9% over the medium-term, while aiming at 2.5 percentage points of GDP fiscal consolidation by 2015.

In mid-February, the Federation Parliament passed a motion of non-confidence to the entity government. However, the FBiH Constitutional Court was requested to rule whether the vital national interest (VNI) of the Bosniak people was not harmed by the motion. Given the incomplete composition of the VNI panel of the Court, the government crisis might not be solved swiftly.

On 12 March, the RS Parliament appointed the new entity government, headed by the former economy and regional co-operation minister, Zeljka Cvijanovic. Significant policy changes following the government reshuffling are unlikely, given that 10 (out of 16) ministers from the previous line-up held their posts.

The second IMF review mission for the Stand-By Arrangement took place in the second half of February and reached a staff-level agreement on the structural reforms to be implemented by the government. The review has not been concluded yet because the Federation Parliament has still not adopted the draft law on privileged pensions, which is a prior condition for the disbursement of the third tranche under the Stand-By Arrangement.

Real sector

According to estimates of the Central Bank, real GDP fell by 0.5% in 2012, compared with a slight growth of 1% a year earlier.

After a continuous decline throughout the whole 2012, country-wide industrial production showed signs of recovery in early-2013. The expansion rate reached 11.2% year-on-year in February, up from 2.0% in the previous month. The improved performance was inter alia due to the low basis, as the severe winter conditions in

the first couple of months of 2012 had led to sharp output decline in the bulk of industrial branches. The manufacturing industry experienced an 11.9% year-on-year output expansion in the first two months of 2013, followed by the utility sector (7.6%), while the mining industry is still underperforming albeit at decelerating rates (-3.3%).

In the Republika Srpska, according to figures released by the Entity's Institute of Statistics, the economy contracted by 0.6% year-on-year in the fourth quarter of 2012, as compared to 0.9% in July-September and 0% in the same period of the previous year. The utility sector recorded a slight 1% output growth in October-December, following a strong output contraction in the third trimester, thus being the major contributor to the moderation of GDP decline. On the other hand, the manufacturing industry entered into negative territory again, while the output contraction in the mining and agriculture branches accelerated further.

Labour market

The overall labour market situation continued to deteriorate in the fourth quarter of 2012 as the private sector continued shedding labour, alongside the decreasing economic activity. The average number of registered unemployed rose by 2.7% year-on-year following a slightly lower 2.6% increase in July-September and a 2.4% growth in the first half of the year.

Wage growth accelerated slightly in the fourth quarter of 2012, before moderating again in early-2013. The average nominal gross wage increased by 1.3% year-on-year in October-December against 0.9% in the previous trimester, bringing annual average wage growth in 2012 down to 1.5% from 4.4% in 2011. It slowed down again to 0.5% in January 2013. Adjusted for inflation, the average gross wage fell marginally by 0.5% in 2012, as compared with a 0.7% growth a year earlier.

External sector

According to preliminary figures from the Central Bank, the current account deficit narrowed strongly by 34.6% year-on-year in the

fourth quarter of 2012 after it had recorded a 15.5% year-on-year expansion in July-September. This was mainly due to a 6% annual contraction of import of goods, compared with a constant rise in the first three trimesters of the year. The current account deficit fell marginally to 9.4% of GDP in the full-2012, down from 9.5% of GDP a year earlier. The trade gap rose slightly by 1.2% because of falling exports (-1.9%) and stagnating imports. The surplus in services fell slightly by 1.3% in 2012. On the other hand, the surpluses in the income and current transfers balances rose by 8.1% and 2.3%, respectively, thus offsetting the negative developments in the trade and services balances.

Net foreign direct investments soared by 70.6% in 2012 but still are well below the pre-crisis levels, accounting for 3.5% of GDP, and thus insufficient to cover the current account deficit. Still, total net capital inflows slightly exceeded the current account deficit, thus allowing for a marginal growth of official foreign exchange reserves.

Monetary developments

The annual growth of the monetary aggregate M2 decelerated further to 4.2% in the last quarter of 2012 from 4.3% in July-September. The decelerating trend continued in the first months of 2013 as M2 rose by 3.8% in February.

Following a temporary hike in the autumn, consumer price inflation has been on a downward trend. Annual inflation fell to 1.8% at end-2012, down from 3.1% a year earlier, bringing the 12-month moving average inflation rate to 2.1%. The disinflationary trend continued in early-2013, with annual inflation reaching 1% in February, mainly driven by price moderation in food, housing and transport. Price decreases were recorded in clothing and footwear (-6.4%) and health (-1.4%). On the other hand, the new hike of excises on tobacco, effective from the beginning of 2013, resulted in an 8.2% rise in tobacco prices.

Financial sector

Market short-term interest rates for loans to the corporate sector decreased further to 6.6% in the fourth trimester from 6.8% in July-September, while the interest rates for households remained broadly unchanged at 10.2%. On the other hand, interest rates for the corporate sector deposits rose from 2.7% to 2.9%, while interest rates for household sector deposits grew only marginally, reaching 3% in October-December.

Annual credit growth moderated from 4.9% in the third quarter to 4.6% in October-December and went further down in early-2013, reaching 3.4% in February. The slowdown was mainly due to the household sector, as retail lending rose only slightly by 1.4% year-on-year in February, as compared with 6.6% growth a year earlier. Annual growth of government borrowing also decelerated, but remained elevated at 22%. Conversely, the growth of credits to private enterprises has been accelerating since the summer and reached 3.8% in February. In the meantime, deposits growth moderated marginally in the last quarter of 2012 but rebounded in early-2013. The decline in deposits from the government sector moderated to 11.7% in February, while households increased their savings by 9%. The loans-to-deposit ratio decreased slightly reaching 119.9%.

The quality of the loan portfolio deteriorated once again after a marginal improvement in the third trimester. The share of non-performing loans to total loans rose from 12.7% in July-September to 13.5% in the last quarter of 2012. Banking profitability indicators also deteriorated, as the return on average equity fell from 6.4% to 5%. In the meantime, liquidity indicators improved slightly with the rate of liquid to total assets increasing to 25.4%. The capital adequacy ratio of the whole banking system stood at a comfortable 17% in the fourth quarter of 2012, up from 16.7% in July-September.

In the first quarter of 2013, the downward correction on the Banja Luka Stock Exchange continued with its main index losing another 0.8%. Conversely, the main index of the Sarajevo Stock Exchange rose marginally. The combined turnover of the bourses soared over twofold year-on-year, mainly influenced by the placed T-bills issues of both entity governments.

Fiscal developments

Fiscal imbalances have grown again in 2012, in parallel with the worsened external environment and decreased economic activity, according to official sources. The narrowed tax base led to a fall in the total revenue-to-GDP ratio, which along with growing spending resulted in a rising budget deficit.

In the fourth quarter of 2012, official foreign debt rose by 3.1% after a slight decline in July-September. Thus, it has reached 27.4% of GDP, compared to 25.9% at the end of the previous year.

TABLE

European Commission, ECFIN-D-1



BOSNIA AND HERZEGOVINA

		2008	2009	2010	2011	2012	Q3 12	Q4 12	Q1 13	Jan 13	Feb 13	Mar 13
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	-5.3	-3.5	-4.2	:	2.0	11.2	:
Gross domestic product ^{1.3}	Ann. %ch	5.6	-2.9	1.4	1.0	:	:	:	:	N.A.	N.A.	N.A.
Private consumption ^{1.4}	Ann. %ch	5.5	-4.6	0.1	-0.3	:	:	:	:	N.A.	N.A.	N.A.
Gross fixed capital formation ^{1.5}	Ann. %ch	15.9	-19.4	-11.3	7.0	:	:	:	:	N.A.	N.A.	N.A.
Construction index ^{1.6}	Ann. %ch	11.7	8.8	33.9	-24.4	1.3	-68.2	39.5	:	N.A.	N.A.	N.A.
Retail sales ^{1.7}	Ann. %ch	N.A.	N.A.	7.8	12.5	1.5	-0.7	-0.3	:	:	:	:
2 Labour market												
Unemployment ^{2.1}	%	40.6	42.7	42.7	43.8	:	44.2	:	:	:	:	:
Employment ^{2.2}	Ann. %ch	2.7	-2.8	1.9	-1.6	:	-0.7	:	:	:	:	:
Wages ^{2.3}	Ann. %ch	16.6	8.2	1.1	4.4	1.5	0.9	1.3	:	0.5	:	:
3 External sector												
Exports of goods ^{3.1}	Ann. %ch	21.2	-5.4	33.2	19.9	-1.9	-1.1	-1.0	:	:	:	:
Imports of goods ^{3.2}	Ann. %ch	19.8	-21.8	8.3	13.2	0.0	3.5	-6.0	:	:	:	:
Trade balance* ^{3.3}	%of GDP	-43.1	-32.4	-30.8	-32.5	-32.4	-33.3	-32.4	:	N.A.	N.A.	N.A.
Exports goods and services ^{3.4}	%of GDP	26.5	25.0	29.2	31.3	30.2	30.7	30.2	:	N.A.	N.A.	N.A.
Imports goods and services ^{3.5}	%of GDP	59.9	49.4	51.3	55.7	54.7	55.8	54.7	:	N.A.	N.A.	N.A.
Current account balance* ^{3.6}	%of GDP	-14.2	-6.6	-5.5	-9.5	-9.4	-10.5	-9.4	:	N.A.	N.A.	N.A.
Direct investment (FDI, net)* ^{3.7}	%of GDP	5.3	1.4	1.5	2.1	3.5	3.3	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	3 353.2	3 259.2	3 353.2	:	3 252.4	3 292.7	:
Int. reserves / months Imp ^{3.9}	Ratio	5.3	6.8	6.5	5.7	5.8	5.5	5.8	:	:	:	:
4 Monetary developments												
CPI ^{4.1}	Ann. %ch	7.4	-0.4	2.1	3.7	2.1	1.8	2.0	:	1.3	1.0	:
Producer prices ^{4.2}	Ann. %ch	8.6	-3.2	0.9	3.8	1.5	1.0	0.9	:	:	:	:
Food prices ^{4.3}	Ann. %ch	12.1	-0.9	-0.7	6.0	1.8	1.7	2.6	:	2.8	1.6	:
M2 ^{4.4}	Ann. %ch	13.5	-1.6	7.8	5.6	4.6	4.3	4.2	:	3.8	3.6	:
Exchange rate BAMEUR ^{4.5}	Value	1.94	1.94	1.93	1.93	1.93	1.93	1.94	1.94	1.95	1.94	1.94
Nominal eff. exchange rate ^{4.6}	Index	100.1	96.27	96.51	95.70	:	94.76	:	:	:	:	:
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	954	979	737	688	740	784	764	800	786
Credit growth ^{5.4}	Ann. %ch	28.4	5.4	-0.9	5.6	4.9	4.9	4.6	:	3.3	3.4	:
Deposit growth ^{5.5}	Ann. %ch	15.4	-4.0	4.7	2.6	2.6	2.5	2.4	:	2.9	2.9	:
Non performing loans ^{5.6}	%total	3.0	4.5	9.1	12.0	12.7	12.7	13.5	:	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	25.4	25.9	27.4	26.6	27.4	:	N.A.	N.A.	N.A.

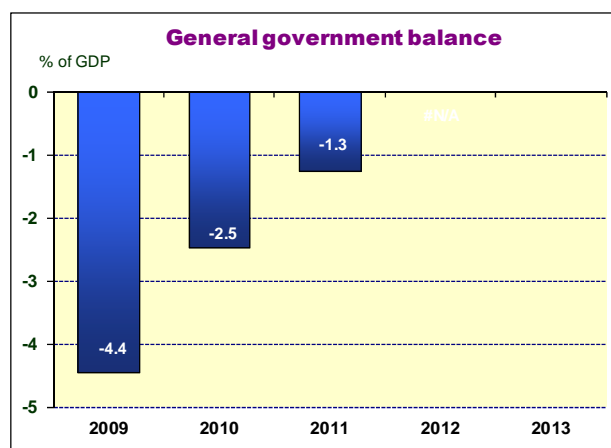
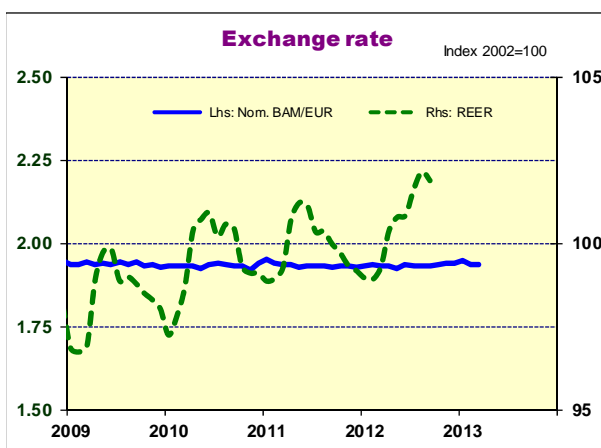
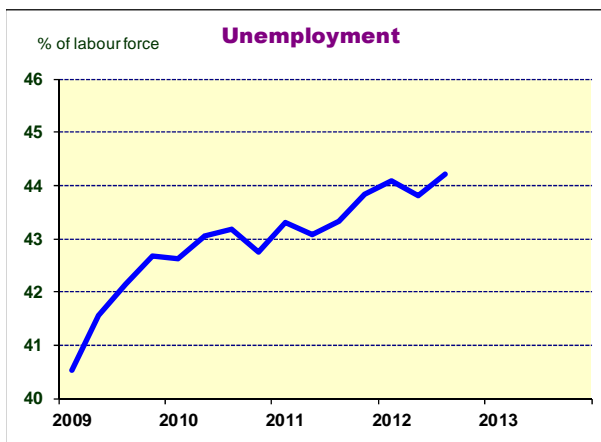
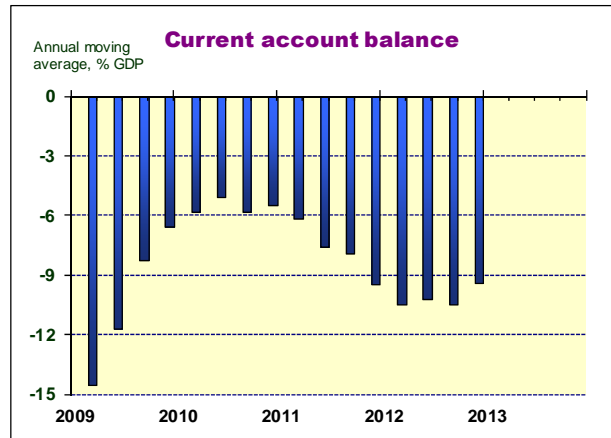
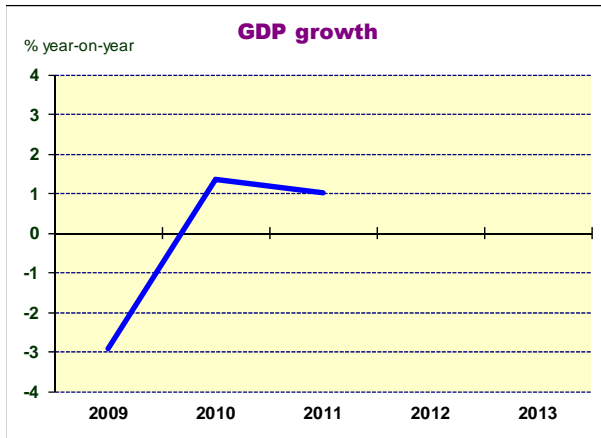
* Q figures refer to a 4 quarters moving average.

CHARTS

European Commission, ECFIN-D-1



BOSNIA AND HERZEGOVINA



KOSOVO*

*as defined by UNSCR 1244

Key developments

The EU-facilitated high-level dialogue between Belgrade and Pristina continued. By early April there has been no agreement.

In mid-March, the IMF reached a staff-level agreement with the authorities on policies aiming to complete the third review of the Stand-By Arrangement. Following the previous reviews, about 86% of the total programme assistance has already been disbursed. The third review would allow the disbursement of another SDR 4.251 million. However, the authorities confirmed their intention to treat the arrangement as precautionary in 2013.

In January, the finance minister Bedri Hamza resigned and in March he was appointed as the new central bank governor for a term of five years. By early April, the post of the finance minister has remained vacant.

Real sector

Growth has slowed down. 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 has been extended several times until 3 April. Only two bids were received out of the five consortia who had declared their interest in participating in the privatisation. The privatisation of PTK has been on-going for several years and is key for strengthening government bank balances. It is facing strong opposition from the labour unions in the company and some opposition parties.

In February, the Project Steering Committee on the Kosovo new power plant approved draft project documents and opened for comments the Request for Proposals and Project Agreements. The project has been delayed after the old Kosovo B power plant has been removed from the transaction last year.

Labour market

By the end of 2012, the average number of registered unemployed increased to 259,341, up 1.1% since September. More than half of the increase came from the segment of unskilled workers, which represented 57.3% of total unemployed. The number of unemployed with a university degree has continued to increase as well, reaching 5,050 people.

Employment in the government sector has been rising throughout the year and stood at 79,181 by the end of December. Average net wages in the sector also increased, albeit marginally by 1.6% for the year as whole, and the average monthly net wage reached EUR 353.4.

External sector

The Central bank published revised Balance of Payments data, according to which the current account deficit has registered a strong improvement in 2012. It fell from EUR 658 million (13.8% of GDP) in 2011 to EUR 380 million (7.8% of GDP). Higher current transfers, to central government and other sectors (not so much related to workers' remittances), contributed half of the improvement. The slowdown of domestic economic activity triggered a fall in imports of goods, in particular in the last quarter of 2012, contributing another 1.6% of GDP to the current account adjustment, which was partly compensated by subdued export performance (down by 0.9% of GDP). Imports of services (mainly travel and other business services) have also declined strongly to 5.9% of GDP, from 7.4% of GDP the year before.

Net foreign direct investments continued to fall in the last quarter of 2012, reaching only 4.4% of GDP for the year as whole – their lowest level since 2005. The deficit in portfolio investments widened to 3.8% of GDP, but strong inflows of other investments (7.5% of GDP), mostly currency and deposits, boosted reserve assets, which increased by 5.5% of GDP. Net errors and omissions remained very high (EUR 239 million or 4.9% of GDP), close to their level in the previous years.

Monetary developments

After being elevated for several months, the CPI dropped to 2.6% in February. The moderation of consumer inflation was mainly driven by lower food prices, which contributed 1.7 percentage points to the headline inflation. However, services and energy goods inflation have also come down markedly. Indeed, for the first time in three years energy goods have even had a deflationary impact (-0.2 percentage points), due to a drop in the price of firewood. The share of the goods and services in the consumer basket exhibiting increasing prices fell by almost 10 percentage points since the beginning of the year to 69%.

The growth in broad money remained broadly stable and stood at 9.0% year-on-year by the end of February. The growth of net foreign assets accelerated to 6.9%, while net domestic assets increased by 15.8%, mainly as a result of higher net claims on the central government.

Financial sector

There have been no major changes in interest rates. The effective interest rates on deposits declined slightly since the beginning of the year (by 10bps) to 3.64% in February. Over the same period, the effective interest rate on loans increased by 60bps to around 13.5% in what seems to be a cyclical pattern at the beginning of the year. The interest rate spread between loans and deposits has thus increased to 9.8%.

Commercial bank deposits continued to grow at a robust pace (7.3% year-on-year in February), with both transferable and time and savings deposits increasing steadily. Households' deposits grew by close to 10% and increased their share in total deposits to 73%. As a result, the already good liquidity position of the banking system has improved further and commercial banks increased their holdings at the central bank, reaching almost EUR 300 million by the end of February (up 23.3% year-on-year).

Lending activity remained subdued and the growth in gross loans and lease finance stood at 4.3% year-on-year in February. Since the beginning of the year commercial banks have extended EUR 87.4 million new loans, 4% less than in comparison to the corresponding period in 2012. The decline has been particularly pronounced in new investment loans for nonfinancial corporations, which have dropped by 29% year-on-year, while consumer and

mortgage loans increased strongly – by 45% and 17% (year-on-year), respectively.

Commercial banks ended 2012 with much lower profit – it shrank almost by half to EUR 19 million. Their annual income increased by 3%, while total expenditure grew by 13.1% on the back of significant jump in provisioning for loan and other assets losses (up 46.7%). The net interest income remained virtually unchanged over the previous year at EUR 137 million but growth in interest expenditures (8.1%) outpaced growth in interest income (2.4%). This trend continued in the first two months of 2013 when growth in interest income turned negative for the first time ever, while interest expenditure and provisions continued growing and in February banks registered a monthly loss of EUR 1 million.

Fiscal developments

According to preliminary data, the consolidated budget deficit turned out close to the target at EUR 132.8 million (2.7% of GDP) in 2012. Total revenue grew by only 1.8% as border taxes and non-tax revenue underperformed. Savings in spending on goods and services at central level and in non-highway capital expenditure, both at central and municipal level, have compensated for lower revenues. However, driven by strong growth of spending across almost all categories at central government level, total expenditure grew by 5.3% for the year.

In the first two months of 2013, budget performance remained broadly on track. The consolidated deficit was EUR 14.8 million, lower than in the corresponding period last year. Revenue growth was boosted by base effects (last year's weather has been exceptionally cold), but non-tax and own-source receipts continued to perform badly, dropping by close to 5%. By end-February, total expenditure fell by 1.7% (year-on-year), driven by lower capital spending.

Helped by the good banking system liquidity, yields on short-term treasury bills have continued to decline. In March, they reached their lowest levels ever, since the Ministry of finance started issuing them last year – the yield on the 91-day bills was 0.65% and on the 182-day bills – 1.05%. Due to new domestic and external borrowing, government debt increased in 2012 (by EUR 156 million) but still remained low at 8.4% of GDP by the end of 2012. Government bank balances have also increased (by EUR 75 million), to EUR 278.3 million.

TABLE

European Commission, ECFIN-D-1

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		2008	2009	2010	2011	2012	Q3 12	Q4 12	Q1 13	Jan 13	Feb 13	Mar 13
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	20.2	-16.7	79.0	7.8	-15.8	-13.6	-7.2	:	12.2	:	:
Imports of goods ^{3.2}	Ann. %ch	22.3	0.4	11.5	15.5	-0.1	8.5	-11.1	:	0.5	:	:
Trade balance** ^{3.3}	%of GDP	-41.9	-41.2	-40.8	-43.1	-42.4	-37.5	-42.4	:	N.A.	N.A.	N.A.
Exports goods and services** ^{3.4}	%of GDP	15.5	17.3	20.5	19.8	18.9	18.6	18.9	:	N.A.	N.A.	N.A.
Imports goods and services** ^{3.5}	%of GDP	53.5	52.8	56.9	57.3	54.2	56.2	54.2	:	N.A.	N.A.	N.A.
Current account balance** ^{3.6}	%of GDP	-11.7	-9.3	-12.0	-13.8	-7.8	-11.3	-7.8	:	N.A.	N.A.	N.A.
Direct investment (FDI, net)** ^{3.7}	%of GDP	8.7	7.0	7.7	7.9	4.4	5.4	4.4	:	N.A.	N.A.	N.A.
International reserves ^{3.8}	mio EUR	1 110.7	1 198.5	1 246.9	1 234.6	1 469.1	1 458.5	1 469.1	:	1 482.2	1 454.3	:
Int. reserves / months Imp ^{3.9}	Ratio	6.9	7.4	6.9	5.9	7.1	6.8	7.1	:	7.1	:	:
4 Monetary developments												
CPI ^{4.1}	Ann. %ch	9.4	-2.4	3.5	7.3	2.5	3.2	3.7	:	3.6	2.6	:
Producer prices ^{4.2}	Ann. %ch	N.A.	3.8	4.7	5.7	1.7	2.7	4.5	:	N.A.	N.A.	N.A.
Food prices ^{4.3}	Ann. %ch	16.7	-4.4	4.8	12.4	1.0	1.6	4.9	:	5.6	3.9	:
Broad money liabilities ^{4.4}	Ann. %ch	23.6	11.2	12.9	8.8	7.1	7.0	7.1	:	8.3	9.0	:
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	16.30	15.13	14.70	:	15.52	:	:
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	8.9	7.4	4.1	:	4.3	4.3	:
Deposit growth EUR/EUR ^{5.5}	Ann. %ch	25.6	20.3	14.8	12.0	8.1	6.7	7.6	:	7.2	7.3	:
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	-2.7	-3.0	:	:	N.A.	N.A.	N.A.
General government debt ^{6.2}	%of GDP	N.A.	6.2	6.1	5.3	8.4	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.

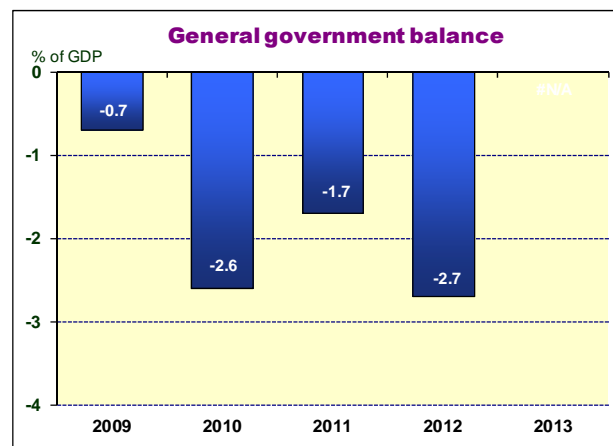
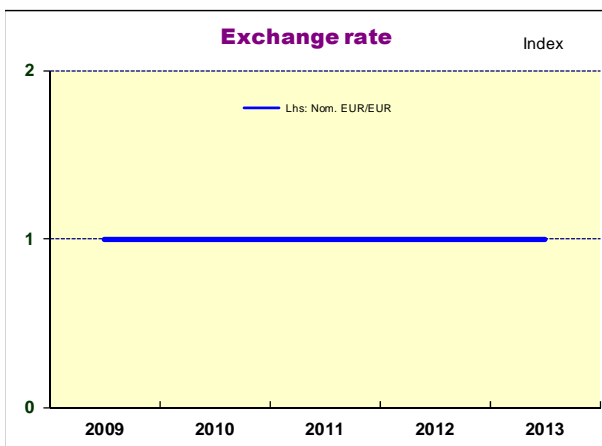
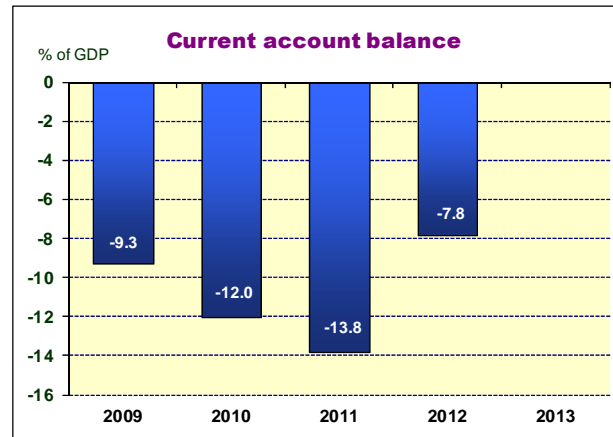
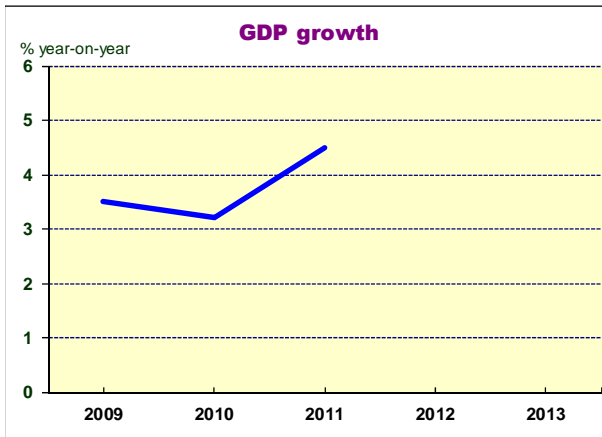
* This designation is without prejudice to positions on status, and is in line with UNSC 1244 and the ICJ Opinion on the Kosovo Declaration of Independence.

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

CHARTS

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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	Loans in default over 90 days, %	Ecwin/Reuters
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	Weighted average interest rate on the Republic of Serbia government bills.	NBS
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

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* 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