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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 UNSCR 1244 and the ICJ Opinion on the Kosovo Declaration of Independence.

OVERVIEW

Economic activity generally picked up in the first quarter of 2013 and growth is expected to remain positive in April-May, after the slowdown in 2012 and even a recession in four Western Balkan economies. In the latter, the recovery partly reflects base effects and may thus still be fragile. GDP growth, which had slowed down markedly in 2012, also accelerated in Turkey albeit it may somewhat soften in the second quarter due to a potentially negative impact of net exports and political unrest. The main exception to this general growth pattern is Iceland where output growth weakened in the first quarter and turned out to be lower than expected. Given the usually lagged response of employment to GDP, labour market conditions remain very difficult in the Western Balkans and continue to exert a substantial drag on private consumption. In some cases (e.g. in Bosnia and Herzegovina, Montenegro, Kosovo as well as in Iceland), the deceleration of inflationary pressures might to some extent positively impact real disposable incomes. In others, inflation has been rising (the former Yugoslav Republic of Macedonia; Turkey since May) and it remains high in Serbia. Further and often very substantial progress was achieved in external adjustment. In all pre-accession economies but Turkey, the current account deficit narrowed thanks to weak domestic absorption which limited import growth while exports may have benefited from a gradual pick-up in external demand. The adjustment is far less impressive as regards budgetary imbalances. Revenue shortfalls in Serbia and Bosnia and Herzegovina but also, in addition, significant increases in expenditures in Albania and in the former Yugoslav Republic of Macedonia have led to higher than planned deficits in the first months of 2013.

GDP growth turned positive in the first quarter of 2013 in all the Western Balkan economies which had experienced negative growth in 2012, namely Serbia, Bosnia and Herzegovina, Montenegro and the former Yugoslav Republic of Macedonia. Growth differentials are, however, not negligible, ranging from 2.1% year on year in Serbia to 4.3% in Montenegro. In those economies which had positive albeit slowing growth in 2012, the situation is more mixed. GDP growth accelerated in Turkey (3% year-on-year) driven by domestic

demand, mainly strongly increasing public spending. In contrast, growth weakened in Iceland to 0.8% year-on-year due to a slowdown in private consumption and a significant fall in investment. It also slightly decelerated in Albania and is likely to have remained subdued in Kosovo.

The recent growth pick-up in most of the Western Balkan economies has not yet translated into a noticeable improvement in labour market conditions. The unemployment rate climbed to 44.5% in Bosnia and Herzegovina in April. It decreased only marginally in Albania, Montenegro, the former Yugoslav Republic of Macedonia and Serbia, remaining very high in the latter two countries at respectively 29.9% and 24.1%. Even in Turkey, the unemployment rate increased to 10.1% in March due to a stronger rise in the labour force (5.1%) than in employment (4.9%). In contrast, labour market conditions continued to significantly improve in Iceland where the unemployment rate was down to 4.3% in May.

The adjustment of external imbalances experienced in 2012 in most economies made further and strong progress. Not only did its geographical scope widen to all countries except Turkey but its scale also increased, sometimes very substantially. Up to the first three-four months of 2013, the current account deficit thus narrowed to 1.9% of GDP in Iceland, to 8.5% in Serbia and Bosnia and Herzegovina, to 15.2% in Montenegro, to 9.6% in Albania and more marginally to 3.6% in the former Yugoslav Republic of Macedonia. Only in Turkey does it seem to be widening again after it had significantly narrowed in 2012 while it stabilised in Kosovo which had also experienced a strong improvement in the previous year. The downward adjustments were in most cases driven by narrowing trade deficits (e.g. in Bosnia and Herzegovina, Montenegro, the former Yugoslav Republic of Macedonia, Serbia). Weak domestic demand acted as a drag on import growth while exports benefited from a more supportive external environment and in some cases improved domestic supply-side conditions. The sustainability of these adjustments may be fragile due their high reliance on subdued domestic demand even though some gains in competitiveness cannot be ruled out, including in price competitiveness as wage moderation usually prevailed.

Inflationary pressures have eased in most economies in the first quarter of 2013 and in April-May. Still subdued domestic demand, bleak labour markets,

significant output gaps and the decline in international prices for energy and some commodities have held them in check. Nevertheless, consumer price inflation remained high since the beginning of the year in Serbia where it averaged 11.5% and only decelerated to a single-digit in May. Inflation also rose by 3.6% on average in the first half of the year in the former Yugoslav Republic of Macedonia and, after a fall in May, to 8.3% in June in Turkey, its highest rate in nine months.

Growth in lending activities has continued to further decelerate in all countries, except Turkey and Montenegro, in the first quarter of 2013 and sometimes also in April-May. The deceleration was particularly strong in Iceland, Serbia and Albania. In Iceland, credit growth decelerated to -0.1% year-on-year in the 1st quarter before returning to modest positive rates in April and May. In Serbia, domestic lending growth became negative in real terms in May while it virtually came to a halt in Albania. In contrast, after four consecutive years of negative growth, lending turned positive and accelerated in Montenegro in the first four months (6%), further increasing in May. In Turkey, credit growth increased from 18% year-on-year in the 1st quarter of 2013 to 22.5% in May. Only in Turkey is the ratio of NPLs to total loans stable and low (3.4%). In the other countries, NPLs have tended to further increase and the ratios are particularly high in Albania (24%), Serbia (19.9%), Montenegro

(19.8%), Bosnia and Herzegovina (13.8%) and Iceland (14%).

In most countries fiscal consolidation is not on track and the budget deficit is higher -sometimes much higher- than planned. In the former Yugoslav Republic of Macedonia, the central government deficit for the first five months increased sharply to over 70% of the full year target. In Serbia, the deficit reached 59% of the planned target which led the government to submit to the assembly at the end of June a budget revision lifting the target to 5.2% of GDP. In Albania and Iceland the deficit is also higher than planned (almost 50% higher for the former). In Bosnia and Herzegovina where data are only available for the first quarter, the deficit was higher than the planned one. Conversely, budget performance was broadly on track in Kosovo, Turkey and Montenegro. In the latter country, a budget revision was submitted to the assembly in June to cover the state guarantees and take over the electricity bills of KAP and the VAT rate was subsequently increased from 17 to 19% in July. While revenue shortfalls often explain slippages in budget execution, increased expenditures have also played a significant role in some countries. Thus, in the run-up to the general elections, expenditures increased by 13.3% in Albania while revenues dropped by 0.2%. Similarly, current expenditures increased by 7.9% in the former Yugoslav Republic of Macedonia while revenues were 1.3% lower than in the same period of 2012.

Candidate and potential candidate countries: Summary table

	2008	2009	2010	2011	2012	ECFIN May Forecast		Q4 12	Q1 13	Q2 13	Apr 13	May 13	Jun 13
						2013	2014						
Gross domestic product (in real terms, annual % change)													
The former Yugoslav Republic of Macedonia	5.1	-1.0	2.9	2.8	-0.2	1.5	2.0	0.1	2.9	:	N.A.	N.A.	N.A.
Iceland	1.2	-6.6	-4.1	2.9	1.6	1.8	3.0	1.4	0.8	:	N.A.	N.A.	N.A.
Montenegro	6.9	-5.7	2.5	3.2	-0.5	1.8	2.6	-0.3	4.3	:	N.A.	N.A.	N.A.
Serbia	3.8	-3.5	1.0	1.6	-1.7	1.7	1.9	-2.1	2.1	:	N.A.	N.A.	N.A.
Turkey	0.7	-4.8	9.2	8.8	2.2	3.2	4.0	1.4	3.0	:	N.A.	N.A.	N.A.
Albania	7.5	3.3	3.8	3.1	1.6e	:	:	1.7	:	:	N.A.	N.A.	N.A.
Bosnia and Herzegovina	5.6	-2.8	0.7	1.0	-1.7	:	:	-1.6	:	:	N.A.	N.A.	N.A.
Kosovo*	7.2	3.5	3.2	4.5	:	:	:	:	:	:	:	:	:
Unemployment (LFS, in % of workforce)													
The former Yugoslav Republic of Macedonia	33.8	32.2	32.0	31.4	31.0	30.5	30.0	30.6	29.9	:	N.A.	N.A.	N.A.
Iceland	3.0	7.2	7.5	7.1	6.0	5.2	4.7	4.7	5.8	:	N.A.	N.A.	N.A.
Montenegro	10.8	11.4	12.2	13.2	13.5	:	:	13.5	14.2	:	14.1	13.5	:
Serbia	13.6	16.1	19.2	23.0	23.9	24.0	23.2	22.4	24.1	:	:	:	:
Turkey	11.0	14.1	12.0	9.8	9.2	8.6	8.8	9.4	10.5	:	:	:	:
Albania	12.8	13.6	13.7	13.4	13.0	:	:	12.8	12.8	:	:	:	:
Bosnia and Herzegovina	40.6	42.7	42.7	43.8	45.9	:	:	45.9	44.7	:	44.5	:	:
Kosovo*	47.5	45.4	N.A.	44.8	35.1	:	:	:	:	:	:	:	:
Current account balance (% of GDP)**													
The former Yugoslav Republic of Macedonia	-12.8	-6.8	-2.0	-3.0	-3.9	-5.0	-5.2	-3.9	-3.6	:	N.A.	N.A.	N.A.
Iceland	-24.6	-11.5	-8.0	-6.2	-4.9	-4.2	-4.7	-4.9	-1.9	:	N.A.	N.A.	N.A.
Montenegro	-49.8	-27.9	-23.0	-17.7	-17.7	-17.4	-16.8	-17.7	-15.2	:	N.A.	N.A.	N.A.
Serbia	-18.8	-7.2	-7.6	-9.2	-10.6	-8.0	-8.2	-10.6	-8.5	:	N.A.	N.A.	N.A.
Turkey	-5.4	-2.0	-6.2	-9.7	-6.0	-6.8	-7.2	-6.0	-5.9	:	N.A.	N.A.	N.A.
Albania	-15.5	-15.3	-11.5	-13.0	-10.5	:	:	-10.5	-9.6	:	N.A.	N.A.	N.A.
Bosnia and Herzegovina	-14.2	-6.6	-5.5	-9.5	-9.5	:	:	-9.5	-8.7	:	N.A.	N.A.	N.A.
Kosovo*	-11.7	-9.3	-12.0	-13.8	-7.8	:	:	-7.8	-7.7	:	N.A.	N.A.	N.A.
Inflation (Consumer price index, annual % change)													
The former Yugoslav Republic of Macedonia	8.3	-0.8	1.6	3.9	3.3	3.2	2.8	4.9	3.5	3.6	3.3	3.4	4.2
Iceland	12.7	12.0	5.4	4.0	5.2	4.0	3.2	4.3	4.3	3.3	3.3	3.3	3.3
Montenegro	7.4	3.4	0.5	3.1	4.1	2.7	2.5	5.2	3.6	:	3.2	3.0	:
Serbia***	8.6	6.6	10.3	7.0	12.2	8.4	5.7	12.2	11.2	:	11.4	9.9	:
Turkey	10.4	6.3	8.6	6.5	8.9	6.6	5.6	6.8	7.2	7.0	6.1	6.5	8.3
Albania	3.4	2.3	3.6	3.5	2.0	:	:	2.4	2.5	:	2.3	2.1	:
Bosnia and Herzegovina	7.4	-0.4	2.1	3.7	2.1	:	:	2.0	1.0	:	0.3	:	:
Kosovo*	9.4	-2.4	3.5	7.3	2.5	:	:	3.7	2.9	:	2.4	2.2	:
General government balance (% of GDP)													
The former Yugoslav Republic of Macedonia**	-1.0	-2.7	-2.5	-2.5	-3.8	-3.6	-3.3	-2.5	-4.6	:	N.A.	N.A.	N.A.
Iceland	-13.5	-9.9	-10.1	-5.6	-3.4	-1.7	0.0	-7.7	-1.9	:	N.A.	N.A.	N.A.
Montenegro	-0.4	-5.7	-4.9	-5.4	-5.3	-3.2	-2.2	-5.3	-1.1	:	:	:	:
Serbia**	-2.6	-4.5	-4.7	-4.9	-6.4	-4.5	-4.1	-6.4	-5.4	:	N.A.	N.A.	N.A.
Turkey	-2.2	-7.0	-2.6	-2.2	-2.3	-2.1	-2.4	-5.6	0.9	:	N.A.	N.A.	N.A.
Albania**	-5.5	-7.0	-3.1	-3.6	-3.4	:	:	-3.4	-1.0	:	-1.6	-2.7	:
Bosnia and Herzegovina	-2.2	-4.4	-2.5	-1.3	-2.0	:	:	:	:	:	N.A.	N.A.	N.A.
Kosovo*	-0.1	-0.7	-2.6	-1.7	-2.7	:	:	-2.7	-2.4	:	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

THE FORMER YUGOSLAV REPUBLIC OF MACEDONIA



Key developments

The IMF concluded the 2013 Article IV Consultation and the first post-programme monitoring mission in June, following the termination of the country's two-year arrangement under the IMF's Precautionary and Liquidity Line in January. The IMF Executive Board advised the authorities to make fiscal policy more supportive of growth by anchoring it in a medium-term strategy and multi-annual budgeting, and upheld its growth forecast of 2% for 2013.

The rating agency Standard & Poor's lowered the country's long-term sovereign credit rating to BB-. It justified its move on grounds of less predictable growth and fiscal policy outcomes.

Real sector

The economy gained some traction in the first quarter of 2013, with annual real GDP growth at 2.9%, accelerating markedly from 0.1% in the preceding quarter, pointing to resilient investment growth, a relenting drag from the external balance, and from household consumption. While annual investment growth slowed down, compared to each of the previous three quarters, it still showed proof of continued strength, at 9.4%. Household consumption remained almost at the level of the same period in 2012 after having declined on annual basis in the previous three quarters. Exports decreased by 0.3%, and hence by markedly less than imports, which dropped by 3.7%. While there were moderate gains in all sectors of the economy, output growth in the construction sector accelerated significantly, to 36.8% yoy, from 10.2% in the preceding quarter.

Revised figures for 2012 show that the annual decline in output amounted to 0.2% instead of 0.3%, as previously estimated. This is mainly due to an upward revision of investment, which increased by 16% yoy in real terms.

The recent recovery of industrial output, signalled by four consecutive months of strong gains since the beginning of the year, appears fragile in the light of disappointing data for May, when it decreased by 2.8%. In the first five months, real output increased by 1.7% yoy.

The growth in industrial output was carried by a 10.3% increase yoy in mining and quarrying between January and May. The weakness of the manufacturing sector, which contracted by 2.2% in 2012, continued. Manufacturing output declined by 1.3% in the first five months.

Labour market

There was further modest improvement in the reported labour market data for the first quarter. The unemployment rate dropped to 29.9%, from 31.6% in the first quarter of 2012. The employment rate increased somewhat, to 40% from 38.6%. Although there was some improvement in the labour market figures for the young population compared to the same period in 2012, unemployment remains persistently high, at 53.5% for the age group 15-24. The share of the total population that is participating in the labour force also remained low, at 57%, although up by 0.6pp yoy. Real net wages dropped by 2.3% on average in the first quarter, after a steep decline of 2.9% in 2012.

Employment in industrial sectors grew by 0.6% yoy in the first four months. Broadly in line with output developments, this was driven by an 8.4% increase in mining and quarrying, with employment in the manufacturing sectors dropping by 0.2%, in spite of a 23% increase in the textiles industry.

External sector

A strong drop in the merchandise trade deficit was the main driver for the marked improvement in the current account balance in the first four months of the year, compared to the same period in 2012. Strong export growth and a decline in

imports brought the merchandise trade deficit down by 11.5%. This momentum was complemented by a return to positive territory in the services balance. On the other hand, net current transfer declined by 8.4% and net factor income recorded larger outflows by 10%. As a result, the current account deficit narrowed by almost 20% by the end of April, and accounted for about 2.1% of projected GDP.

Foreign direct investment picked up markedly in the first four months, increasing by 82.3% yoy. This was driven by loans and reinvested earnings, while equity investments made only a small contribution to the increase. Gross external debt¹ rose further in the first quarter, to 5.2 bn EUR, or to about 66% of projected GDP, mainly due to external government borrowing and an increase in intercompany lending.

Monetary developments

The CPI rose by 3.6% yoy on average in the first half of the year, hence above its average increase of 3.3% in 2012. Pressures arose mainly from food, housing, clothing and footwear cost, which are the items accounting for the biggest shares in the index. The accumulated rise was due to a renewed pick-up in inflation in April and May, and a particularly strong hike in June, after price pressures had relented in March. Some mitigation in overall price pressures is expected to arise from reductions in the regulated retail prices of gasoline and fuel oil, and in electricity rates, that came into force on 1 July.

Financial sector

After further declines in the overall annual growth rate of credit to the private sector in the first four months of the year, there were encouraging signs in May for a renewed strengthening of credit extension. Loans to households and private non-financial companies accelerated to 3.7% yoy in May, up from 3.3% at end-April, which had marked the 12th consecutive month of growth deceleration. Borrowing by households became the strong pillar for lenders' activities in the previous months: the annual growth of loans to households accelerated to 6.9% in April and further to 7.3% in May. Loan growth to companies continued to decelerate, yoy, in April, but sped up, for the first time in 12

months, in May, to 1.3%. Deposit growth of non-financial entities had increased by 4.6% yoy at end-March, down from 4.8% at the end of 2012, but decelerated to 3.3% in May. The share of non-performing loans in total loans to the private and public sector increased further in the first quarter. At end-March, NPLs accounted for 11.9% of total loans, up by 1.7pp yoy.

Supported by central bank action, which lowered two key interest rates in January, monetary conditions have eased somewhat since the beginning of the year. Lending and deposit rates for both, national and foreign currency denominated loans, declined by 0.2pp each between end-2012 and May 2013. Accordingly, spreads remained unchanged. This brought average weighted nominal lending rates for denar loans down to 8.1%, while interest rates on deposits declined to 4.6%. The growth of money supply accelerated in the same period. M4, as the broadest monetary aggregate, had increased by 2.6% yoy at the end of May, after an annual increase of 2.4% at end-April.

Fiscal developments

Revenue shortfalls, mainly due to the government settling VAT return and payment arrears to the private sector, have led to a sharp rise in the central government budget deficit in the first five months. At the end of May, the deficit amounted to over two thirds of the government's full-year target.

Total budget revenues were 1.3% lower than in the same period a year earlier, and total expenditures rose by 6.9% yoy. As a result, the deficit reached over two thirds of its full year target. Capital spending was 1.6% below previous year's level, while current expenditures were 7.9% higher.

Government debt had increased to 34.2% of projected GDP at end-May, up from 33.8% at end-2012. The foreign-financed part of the debt stock rose by 3.2% compared to end-2012, on account of a 250 mn commercial loan of the government. Yet, its share in total government debt decreased to 60.9%, down from 63.4% at end-December, overcompensated by the increase in domestic issuance in the first five months.

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		Q4 12	Q1 13	Q2 13	Apr 13	May 13	Jun 13
							2013	2014						
1 Real sector														
Industrial confidence ^{1.1}	Balance	6.8	-13.7	-9.6	18.4	14.7	:	:	11.7	12.1	:	11.9	12.2	:
Industrial production ^{1.2}	Ann.%ch	5.6	-8.4	-4.6	4.0	-7.4	:	:	-6.0	2.7	:	4.0	-2.8	:
Gross domestic product ^{1.3}	Ann.%ch	5.1	-1.0	2.9	2.8	-0.2	1.5	2.0	0.1	2.9	:	N.A.	N.A.	N.A.
Private consumption ^{1.4}	Ann.%ch	8.1	-4.8	2.3	2.9	-1.2	-0.3	1.0	-2.0	-0.1	:	N.A.	N.A.	N.A.
Gross fixed capital formation ^{1.5}	Ann.%ch	16.5	0.5	1.8	9.6	16.0	8.0	7.0	13.1	9.4	:	N.A.	N.A.	N.A.
Construction ^{1.6}	Ann.%ch	-2.8	5.3	11.7	10.7	3.9	:	:	10.2	36.8	:	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	30.5	30.0	30.6	29.9	:	N.A.	N.A.	N.A.
Employment ^{2.2}	Ann.%ch	3.2	3.4	1.3	1.1	0.8	1.0	1.3	2.9	3.9	:	N.A.	N.A.	N.A.
Wages ^{2.3}	Ann.%ch	8.7	14.1	1.0	1.2	0.2	4.2	3.8	0.4	1.1	:	1.2	:	:
3 External sector														
Exports of goods ^{3.1}	Ann.%ch	8.9	-28.2	30.9	25.6	-2.7	:	:	-2.5	1.5	:	14.4	:	:
Imports of goods ^{3.2}	Ann.%ch	21.9	-21.6	13.9	22.2	0.3	:	:	4.1	-2.1	:	-0.4	:	:
Trade balance* ^{3.3}	% of GDP	-26.2	-23.3	-20.5	-22.5	-23.8	-23.3	-23.2	-23.8	-23.3	:	N.A.	N.A.	N.A.
Exports goods and services ^{3.4}	% of GDP	50.9	39.0	46.6	54.9	53.4	:	:	53.4	53.1	:	N.A.	N.A.	N.A.
Imports goods and services ^{3.5}	% of GDP	76.2	60.6	65.3	74.5	75.9	:	:	75.9	75.0	:	N.A.	N.A.	N.A.
Current account balance* ^{3.6}	% of GDP	-12.8	-6.8	-2.0	-3.0	-3.9	-5.0	-5.2	-3.9	-3.6	:	N.A.	N.A.	N.A.
Direct investment (FDI, net)* ^{3.7}	% of GDP	6.1	2.0	2.2	4.5	1.5	:	:	1.5	1.4	:	N.A.	N.A.	N.A.
International reserves ^{3.8}	mio EUR	1496.9	1598.7	1715.3	2302.3	2330.4	:	:	2330.4	2533.9	:	2519.0	2488.1	:
Int. reserves / months Imp ^{3.9}	Ratio	4.0	5.5	5.2	5.7	5.7	:	:	5.7	6.3	:	6.2	:	:
4 Monetary developments														
CPI ^{4.1}	Ann.%ch	8.3	-0.8	1.6	3.9	3.3	3.2	2.8	4.9	3.5	3.6	3.3	3.4	4.2
Producer prices ^{4.2}	Ann.%ch	10.4	-6.4	8.3	11.1	4.6	:	:	5.5	2.9	:	1.2	0.7	:
Food prices ^{4.3}	Ann.%ch	14.4	-1.4	0.3	6.2	2.3	:	:	4.6	3.4	:	4.8	4.9	:
Monetary aggregate M4 ^{4.4}	Ann.%ch	21.3	3.5	12.1	10.5	7.5	:	:	5.4	4.6	:	2.4	2.6	:
Exchange rate MKD/EUR ^{4.5}	Value	61.26	61.28	61.51	61.53	61.53	:	:	61.50	61.59	:	61.65	61.65	:
Nominal eff. exchange rate ^{4.6}	Index	100.6	106.6	106.0	106.9	108.3	:	:	108.7	:	:	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	:	:	8.35	8.25	:	8.19	8.10	:
Stock markets ^{5.3}	Index	5,149	2,497	2,472	2,407	1,890	:	:	1,748	1,860	1,784	1,830	1,789	1,733
Credit Growth ^{5.4}	Ann.%ch	40.3	14.2	5.4	8.1	7.3	:	:	5.6	4.7	:	3.3	3.7	:
Deposit growth ^{5.5}	Ann.%ch	23.5	4.6	13.0	10.9	7.2	:	:	5.2	4.8	:	2.6	3.3	:
Non-performing loans ^{5.6}	% total	6.7	8.9	9.0	9.5	10.1	:	:	10.1	11.4	:	N.A.	N.A.	N.A.
6 Fiscal developments														
General government balance ^{6.1}	% of GDP	-1.0	-2.7	-2.5	-2.5	-3.8	-3.6	-3.3	-2.5	-4.6	:	N.A.	N.A.	N.A.
General government debt ^{6.2}	% of GDP	20.6	23.9	24.6	28.2	32.1	34.3	36.1	:	:	:	N.A.	N.A.	N.A.

f: ECFIN forecast Spring 2013

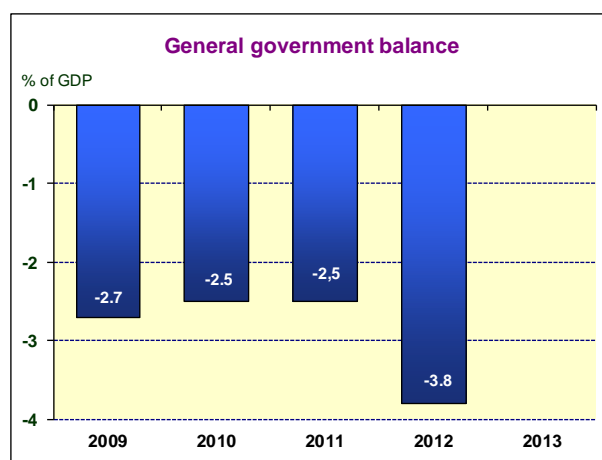
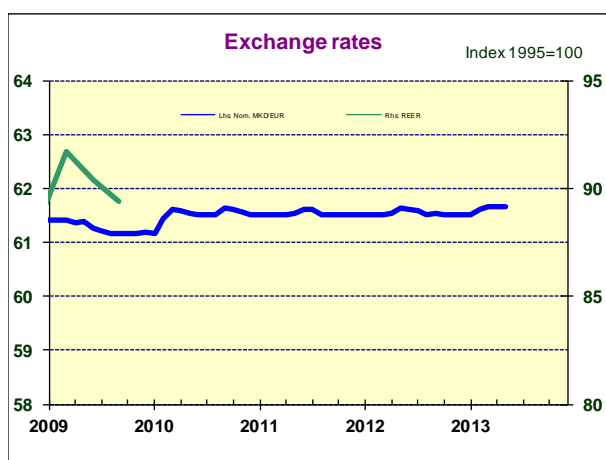
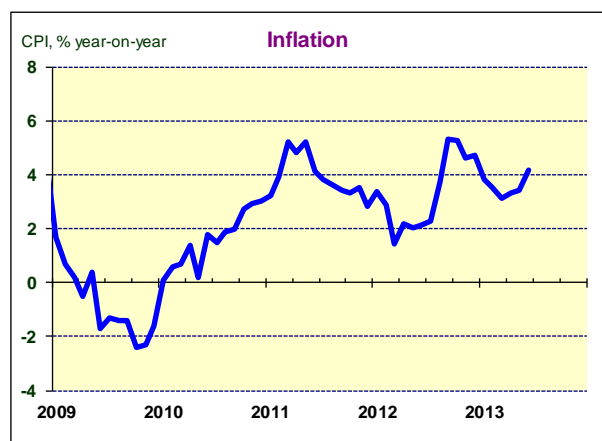
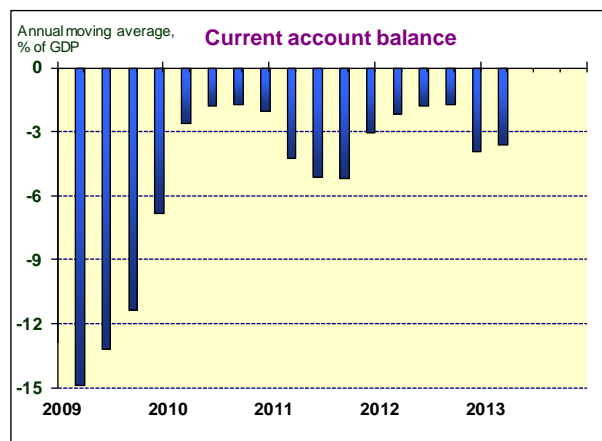
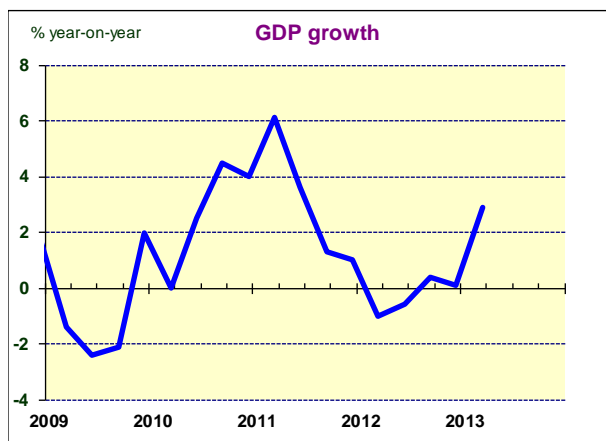
* Q figures refer to a 4 quarters moving average.

CHARTS



European Commission, ECFIN-D-1

The former Yugoslav Republic of Macedonia



ICELAND



Key developments

Parliamentary elections from 27 April resulted in a coalition government, consisting of two, centre-right parties, with largely equal shares of votes. Together, the two parties combine 51% of the votes and some 60% of the parliamentary mandates. The government's main priorities are providing debt relief for households, reducing the tax burden, and lifting capital controls.

On 13 June, the new Foreign Minister, Mr. Bragi Sveinsson, presented to Commissioner Füle Iceland's new approach towards EU accession, explaining that the government puts the current negotiation process on hold and awaits the outcome of a report, assessing the status of Iceland's negotiation process and developments within the EU.

On 28 June, the Statistic Office lowered its forecast for GDP growth in 2013 from 1.9% to 1.7%, expecting weaker private consumption and investment. For 2014, GDP growth of 2.7% is projected.

Real sector

Output growth slowed in the first quarter of 2013 to 0.8% year-on-year, after 1.4% in the last quarter of 2012. The main reason for this weaker than expected performance was a marked decline in inventories. The performance of exports of goods and services was weaker than a year before, increasing by 2.3%, compared to 5.9% in the first quarter of 2012. Imports of goods and services were significantly weaker in the first quarter, dropping by 6.3% year-on-year, compared to an increase by 10.6% the year before. This decline is probably strongly affected by investment activities, which were very strong in the first quarter of 2012, increasing by 37% and rather weak in the first quarter of 2013.

High frequency indicators present a mixed picture, while forward looking indicators point to improved optimism among households. Industrial production remained largely unchanged year-on-year in the first quarter of 2013, but was 7% higher in April than a year before. Payment card turnover –a reliable

indicator for private consumption– has been higher in the first 5 months of 2013 than in the same period the year before. Consumer confidence indicators have improved during 2013 so far.

Labour market

Labour market conditions continued to improve. According to LFS, employment rose in the first quarter of 2013 by 2.5% year-on-year, compared to 1.0% 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 5.8%, compared to 7.2% the year before. However, long-term unemployed declined to a lesser extent, by some 7% in the first quarter of 2013. As a result, the share of long-term unemployed among the total unemployed increased to 25% in the first quarter of 2013, compared to 21.2% a year before. Unemployment among young (age group 16-24) declined to 10.4% in the first quarter, compared to 17.7% the year before. This positive trend continued with registered unemployment dropping to 4.3% in May. This is the lowest unemployment rate since the outbreak of the financial crisis. Average weekly working hours remained unchanged year-on-year at 41 hours.

Nominal wages rose by some 5.5% year-on-year in the first quarter, and maintained a similar increase in April and May, of 5.8% and 5.5% respectively. As a result of declining inflation, real wages improved, increasing by some 2% in April and May. This increase is comparable to the average real wage increase by 2.5% in 2012.

External sector

The surplus in trade with goods declined during the first half of 2013, largely due to lower prices for exported commodities, in particular manufacturing but also marine products. Export revenues were by 4.5% lower during this period. Spending for imports was 3.7% lower than a year before. However, the year before, import spending had been boosted by purchases of ships and airplanes. Thus the lower import spending this year not necessarily indicates a weakening

domestic economy. Imports of capital goods even increased by 16% year-on-year.

Trade in services continued to develop favourably, largely thanks to further strong increases in earnings from tourism, increasing by 10.5% in the first quarter of 2013, compared to 9.5% the year before. The 4-quarter moving average current account deficit dropped in the first quarter of 2013 to -1.9% of GDP, compared to -6.9% in the year before. On a quarterly base, the current account registered a surplus of 1.3% of the first quarter's GDP. 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 registered a surplus of around 3.4% of GDP in the first quarter, compared to a deficit of -3.7% the year before.

Gross official foreign exchange reserves recovered in May, reaching a similar level as at the beginning of the year. As a share of GDP, reserves account for some 30% of GDP.

The stock of gross foreign debt declined further in the first quarter, to around 680% of the estimated 2013 GDP, compared to 685% of GDP at end-2012. The year before, gross foreign debt had still been around 730%. However, corrected for foreign debt of banks and holding companies in winding up procedure, 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 2012, e.g. at 6% for loans with collaterals. The Central Bank publicly announced that further interest rate decision would largely depend, among other things, on wage settlement agreements during 2013.

12-months inflation has remained stable at 3.3% in June. A year before, inflation still had been significantly higher, at 5.4% in June and 6.4% in April 2012. This brought average inflation down to 3.3% in the second quarter, compared to 4.3% in the first quarter of 2013. One important supporting factor for the lower price pressure is a stronger exchange rate, which helped to lower import prices. However, in June, key contributors for the moderate increase were lower price increases for travel and transport, but also housing.

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 June by some 5% compared to end-January, when the króna had reached a local low against the euro. At the end of June, the ISK/EUR rate stood at 160.45.

Financial sector

During the last months, financial intermediation has remained weak, with credit growth decelerating from 3.7% year-on-year in the fourth quarter of 2012 to some -0.1% in the first quarter of 2013. In April and May, credit growth was on a similar level as the year before. Lending to companies was significantly weaker than lending to households. The decline in deposits has slowed down, after the marked the drop at the beginning of the year. In the first quarter of 2013, deposits declined by 2.8% year-on-year, while in April and May, banks registered a slight increase in deposits, by 0.5% and 2.2%, respectively. Parts of those liquidised deposits probably were used for consumption smoothing, although recently, the majority of funds probably was transferred to other asset classes, such as stocks and bonds.

The total capital adequacy ratio of the three largest banks was further increased to some 25% by end-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. The share of non-performing loans has declined since its peak in 2010, but still remains rather high, at some 14% of total loans (February 2013).

Fiscal developments

The cash-based annualised deficit stood at around 2% of GDP in the first five months, compared to a deficit of 3.4% in 2012. However, this is significantly above the initial target of a balanced budget for 2013. Revenues rose by 3.5%, mainly thanks to stronger growth of personal and capital income taxes (+5.3%), while VAT revenues remained weak, increasing by 1.4% only. Total spending rose by 5.2%, mainly as a result of higher spending for health (+9.1%), but also higher costs of debt service (+6.2%). 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		Q4 12	Q1 13	Q2 13	Apr 13	May 13	Jun 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	:	:	-1.6	0.0	:	7.0	:	:
Gross domestic product ^{1.3}	Ann.%ch	1.2	-6.6	-4.1	2.9	1.6	1.8	3.0	1.4	0.8	:	N.A.	N.A.	N.A.
Private consumption ^{1.4}	Ann.%ch	-7.8	-14.9	0.0	2.6	2.7	2.3	2.8	2.7	0.8	:	N.A.	N.A.	N.A.
Gross fixed capital formation ^{1.5}	Ann.%ch	-20.4	-51.4	-9.4	14.3	4.4	1.0	14.0	-23.0	-19.9	:	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	-3.1	1.9	4.3	:	:	1.4	:	:	N.A.	N.A.	N.A.
2 Labour market														
Unemployment ^{2.1}	%	3.0	7.2	7.5	7.1	6.0	5.2	4.7	4.7	5.8	:	N.A.	N.A.	N.A.
Employment ^{2.2}	Ann.%ch	0.9	-6.2	-0.3	0.0	1.1	1.0	1.4	1.8	2.5	:	N.A.	N.A.	N.A.
Wages ^{2.3}	Ann.%ch	8.1	3.9	4.8	6.8	7.8	5.3	5.6	4.9	5.2	:	5.8	5.5	:
3 External sector														
Exports of goods ^{3.1}	Ann.%ch	52.6	7.3	12.0	10.5	1.9	:	:	1.9	-0.4	:	4.3	-21.5	:
Imports of goods ^{3.2}	Ann.%ch	20.2	-13.3	7.4	18.6	6.3	:	:	-6.1	-5.8	:	16.1	-12.5	:
Trade balance* ^{3.3}	% of GDP	-0.5	6.0	7.8	6.0	4.4	4.2	3.8	4.4	4.8	:	N.A.	N.A.	N.A.
Exports goods and services ^{3.4}	% of GDP	44.4	52.8	56.4	59.1	59.2	:	:	59.2	59.1	:	N.A.	N.A.	N.A.
Imports goods and services ^{3.5}	% of GDP	47.2	44.2	46.3	50.6	52.9	:	:	52.9	52.1	:	N.A.	N.A.	N.A.
Current account balance* ^{3.6}	% of GDP	-24.6	-11.5	-8.0	-6.2	-4.9	-4.2	-4.7	-4.9	-1.9	:	N.A.	N.A.	N.A.
Direct investment (FDI, net)* ^{3.7}	% of GDP	30.5	-18.2	20.7	7.7	28.7	:	:	28.7	13.7	:	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	:	:	3,251.8	3,120.1	:	3,107.4	3,124.2	:
Int. reserves / months Imp ^{3.9}	Ratio	8.0	13.4	19.1	24.3	11.3	:	:	11.3	11.1	:	10.8	11.0	:
4 Monetary developments														
CPI ^{4.1}	Ann.%ch	12.7	12.0	5.4	4.0	5.2	4.0	3.2	4.3	4.3	3.3	3.3	3.3	3.3
Producer prices ^{4.2}	Ann.%ch	31.0	11.3	11.8	9.2	1.1	:	:	1.6	-0.2	:	-10.5	-7.6	:
Food prices ^{4.3}	Ann.%ch	16.0	17.5	4.2	3.8	6.1	:	:	6.0	5.9	5.5	5.8	5.7	5.0
M3 ^{4.4}	Ann.%ch	41.2	15.7	-6.6	-2.1	2.5	:	:	-1.6	-2.6	:	0.6	2.2	:
Exchange rate ISK/EUR ^{4.5}	Value	127.58	172.15	161.62	161.20	160.75	:	:	163.28	167.62	157.28	154.44	156.94	160.45
Nominal eff. exchange rate ^{4.6}	Index	135.2	98.1	100.0	100.0	97.6	:	:	96.0	94.7	:	102.4	101.3	:
5 Financial indicators														
Interest rate (3 months) ^{5.1}	% p.a.	15.84	11.28	6.79	4.26	5.51	:	:	6.09	6.15	6.20	6.20	6.20	6.20
Bond yield ^{5.2}	% p.a.	11.00	8.15	5.38	5.23	4.98	:	:	4.57	4.41	5.47	5.55	5.38	5.47
Stock markets ^{5.3}	Index	3,510	465	563	602	649	:	:	643	763	752	767	755	734
Credit growth ^{5.4}	Ann.%ch	-34.0	-8.5	-3.2	-1.7	5.6	:	:	3.7	-0.1	:	0.3	0.2	:
Deposit growth ^{5.5}	Ann.%ch	31.5	-1.3	-7.0	-2.6	2.3	:	:	-1.7	-2.8	:	0.5	2.2	:
Non-performing loans ^{5.6}	% total	N.A.	14.0	18.0	12.0	8.6	:	:	6.4	:	:	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	-1.7	0.0	-7.7	-1.9	:	N.A.	N.A.	N.A.
General government debt ^{6.2}	% of GDP	70.5	87.9	93.0	100.7	99.0	95.7	90.5	:	:	:	N.A.	N.A.	N.A.

f: ECFIN forecast Spring 2013

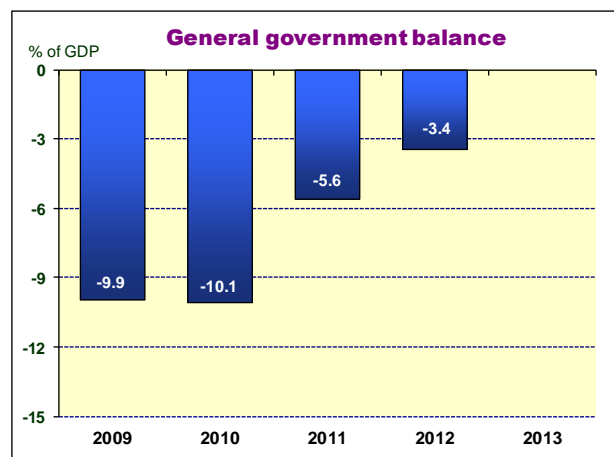
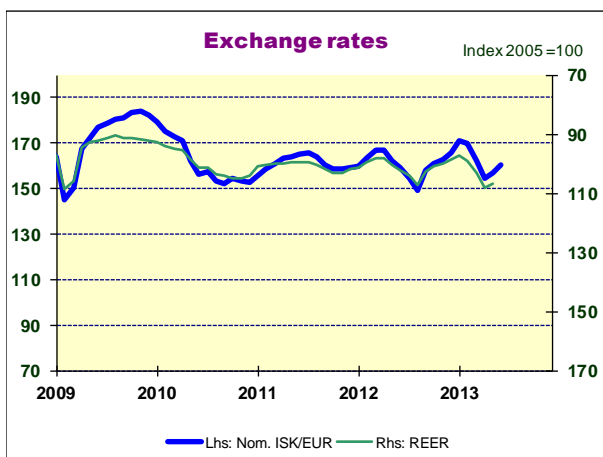
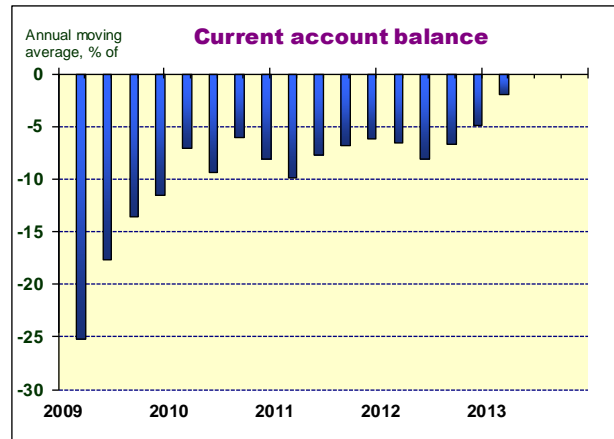
* Q figures refer to a 4 quarters moving average.

CHARTS



European Commission, ECFIN-D-1

ICELAND





Key developments

In June 2013 the Minister of Finance filed a motion for bankruptcy at the aluminium factory (KAP). The government will take over the company's electricity debt as well as the state guarantees through a revision of the 2013 budget including a 50% increase of the budget borrowing limit. Preliminary estimates indicate an increase of the budget deficit by (at least) 1.7 percentage points of GDP and the public debt by additional 2.9 points. To cope with these effects, the upper VAT rate was increased from 17% to 19% as of 1st July.

The government completed in June the privatization of the tobacco factory (NDKP) that will be supplied with raw materials from domestic producers. Also in June, the government agreed on the acquisition of the bankrupt Savin Kuk ski centre by the Investment and Development Fund in view of its revalorization through a long-term lease.

In July 2013 the railway line Podgorica-Nikšić, linking the two largest cities as well as the steel factory and bauxite mines to the port of Bar, was reopened after several years closed for upgrading. Meanwhile, the tender for the construction of the second block at the thermal power plant Pljevlja resulted in nine offers, five of which from Chinese companies. The new unit will double the installed capacity from 210 MW to 430 MW.

Real sector

After two consecutive quarters of contraction the economy came out of recession in 2013, expanding by real 4.3% year-on-year in the first quarter. Growth, partly reflecting base effects, was driven by the strong performance of utilities, and to a lesser extent, by manufacturing of tobacco, furniture, paper, chemical products as well as repair of machinery. In addition, construction grew by 5.7% year-on-year, while forestry production reached 3.5 thousand m³ compared to 3.8 hundred a year earlier. Retail trade activity increased by almost 10% year-on-year pointing to a reprisal of domestic demand.

Growth continued in April and May, despite the contraction of basic metals production which

accelerated in May and shrunk by 45% year-on-year. Thus, in May 2013, industrial output expanded further by 22% year-on-year, driven by the same sectors as in the first quarter.

Labour market

The labour market does not reflect yet the effects from the recent recovery, as growth has mostly led to an adjustment of the average hours worked rather than to an increase in headcount employment. According to the labour force survey, in the first quarter of 2013, employment grew by 1% year-on-year while the unemployment rate reached 21.5%, up from 20.7% a year ago. Unemployment dynamics reflect a sharp increase of the number of first-time job seekers, surging by 26% year-on-year. By gender, the unemployment rate of women decreased to 19.2% (down from 20.6% a year before), and was significantly lower than men's, which increased to 23.4% (up from 20.8% a year before). The registered unemployment rate hardly decreased in the first six months of 2013, recording 13.2% at the end of June, compared to 13.5% at the beginning of the year.

Labour market dynamics have also been reflected in the moderation of wages. In the first quarter of 2013 the average gross wages contracted by nominal 1.5%, translating into a 5% year-on-year decline in real terms. In May 2013, gross wages recorded a marginal growth of 0.1% year-on-year following a contraction of 1.2% a month before and the average net wage stood at EUR 480 compared to 487 a year before. In contrast, the minimum wage (after tax and mandatory social contributions) was set at EUR 193 as of April, a 30% rise from the previous level of EUR 147 and slightly above the poverty line, estimated at EUR 184.

External sector

In the four quarters to 2013, the current account deficit narrowed to 15.2% of GDP, down from 17.7% at the end of 2012. The trade deficit contracted as a result of the improvement of the energy balance following the sharp decline of electricity imports driven by the reduction in aluminium production, together with favourable weather conditions boosting hydropower output

and electricity exports. In addition, the aggregated balances of services, current transfers and income contributed with a surplus of some 2% of annual GDP. In the first quarter of 2013, net FDI accounted for some 2% of annual GDP, a similar level as in the same period a year ago. Portfolio investments' negative net balance widened to EUR 8.3mn from EUR 2.7mn a year earlier due to falling equity and debt securities investments of non-residents.

In the first five months of 2013, merchandise exports increased by 10% year-on-year to EUR 165 million led by sales of electricity and aluminium (accounting for 35% and 24% of total exports respectively). Imports declined by 3% year-on-year driven by lower energy purchases of some EUR 50 million. As a result, the trade deficit narrowed to around 35% of GDP down from 42% at the end of 2012. The coverage of imports by exports increased to 24.5%, compared to 21% a year earlier.

Monetary developments

Inflationary pressures eased in 2013. In the first quarter, consumer price inflation declined to 3.6% year-on-year, down from 5.1% at the end of 2012. Inflation further decelerated in April and May 2013, slowing to 3.2% and 3% year-on-year respectively. Overall, declining price levels of transport, household equipment as well as restaurants and hotels helped offset price increases in food, alcohol and tobacco. Food prices also recorded some increase driven by higher fruit and vegetables prices, while those of clothing and footwear moderated due to seasonal factors.

The Central Bank decided not to renew in May 2013 the administrative ceilings on households and corporate loans, considering the attained levels (just below two digits) sufficient for the stability of the financial sector

Financial sector

After four consecutive years of negative growth, bank lending started recovering in 2013. Following the 6% year-on-year expansion in the first quarter as well as in April, credit activity accelerated further to 6.4% in May. Credit to

privately owned companies (38% of the total) increased in the five months to May by 5.6% year-on-year, a similar growth rate as for households. By contrast, lending to general government declined by 7.5%.

The withdrawal of foreign parent banks funding from Montenegrin banks deposits abated towards the end of 2012 thanks to calmer financial markets. Bank deposits growth moderated to 8.6% year-on-year in May, down from 11.5% in the first quarter. Households, which account for 59% of total deposits, increased their savings by 12% year-on-year on average from December 2012 until May 2013. However, non-financial institutions (28% of total deposits) halved the pace of their savings during the same period.

In the first quarter of 2013, the share of non-performing loans (NPL) increased further to 19.8% of total loans compared to 17.6% at the end of 2012. In order to cope with losses; banks increased their capital by EUR 6.6 million in the first three months of 2013, totalling some 11.3% of GDP. The capital adequacy ratio improved slightly to 13.7%, up from 13.6% in January. Overall, banks reported an aggregated profit of EUR 9.8 million in the first quarter.

In May 2013, the turnover of the Montenegro stock exchange fell by 7.2% year-on-year to EUR 1.1 million. Yet, market capitalisation inched up 0.8% year-on-year to some 78% of annual GDP, and the MONEX20 index ended the month up 3.25% year-on-year.

Fiscal developments

In the first five months of 2013, budget revenue increased by 10% year-on-year, supported by strengthening private consumption and economic activity, while total expenditures contracted by 5%, due to significantly lower than planned spending on capital and current maintenance. As a result, in the period January to May, the general government deficit reached 2.2% of annual GDP, compared to 4.3% in the same period a year before and 1% in the first quarter of 2013.

In the first quarter of 2013 the public debt moderated slightly to 50.3% of GDP, down from 51% at the end of 2012.

TABLE



European Commission, ECFIN-D-1

MONTENEGRO

		2008	2009	2010	2011	2012	ECFIN Forecast							
							2013	2014	Q4 12	Q1 13	Q2 13	Apr 13	May 13	Jun 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	-16.2	-32.2	17.5	-10.3	-7.1	:	:	-4.5	3.0	:	14.2	22.4	:
Gross domestic product ^{1.3}	Ann.%ch	6.9	-5.7	2.5	3.2	-0.5	1.8	2.6	-0.3	4.3	:	N.A.	N.A.	N.A.
Private consumption ^{1.4}	Ann.%ch	:	-7.7	4.2	0.0	:	2.4	2.6	:	:	:	N.A.	N.A.	N.A.
Gross fixed capital formation ^{1.5}	Ann.%ch	:	-25.3	-21.2	-0.1	:	2.7	4.7	:	:	:	N.A.	N.A.	N.A.
Construction index ^{1.6}	Ann.%ch	45.7	-21.5	13.1	10.7	-13.2	:	:	-28.3	5.7	:	N.A.	N.A.	N.A.
Retail sales ^{1.7}	Ann.%ch	N.A.	-0.4	-2.3	25.1	6.7	:	:	2.6	8.9	:	7.8	:	:
2 Labour market														
Unemployment ^{2.1}	%	10.8	11.4	12.2	13.2	13.5	:	:	13.5	14.2	:	14.1	13.5	:
Employment ^{2.2}	Ann.%ch	6.3	4.8	-7.1	0.8	2.1	0.9	1.3	3.3	3.5	:	4.0	5.2	:
Wages ^{2.3}	Ann.%ch	22.8	5.7	11.0	1.0	0.8	0.1	2.4	0.8	-1.6	:	-1.2	0.1	:
3 External sector														
Exports of goods ^{3.1}	Ann.%ch	-6.8	-34.2	20.3	33.6	-17.8	:	:	-23.6	6.3	:	17.7	14.6	:
Imports of goods ^{3.2}	Ann.%ch	22.1	-34.6	0.9	9.2	-0.1	:	:	-5.1	-9.0	:	7.2	-8.9	:
Trade balance* ^{3.3}	% of GDP	-65.6	-44.3	-41.1	-40.4	-41.8	-44.0	-43.5	-41.8	-37.8	:	N.A.	N.A.	N.A.
Exports goods and services ^{3.4}	% of GDP	39.5	32.1	34.7	40.2	:	:	:	:	:	:	N.A.	N.A.	N.A.
Imports goods and services ^{3.5}	% of GDP	94.0	65.4	63.1	66.2	:	:	:	:	:	:	N.A.	N.A.	N.A.
Current account balance* ^{3.6}	% of GDP	-49.8	-27.9	-23.0	-17.7	-17.7	-17.4	-16.8	-17.7	-15.2	:	N.A.	N.A.	N.A.
Direct investment (FDI, net)* ^{3.7}	% of GDP	18.9	35.8	17.5	12.0	13.9	:	:	13.9	12.9	:	N.A.	N.A.	N.A.
International reserves ^{3.8}	mio EUR	313.0	397.0	416.0	303.0	348.0	:	:	348.0	331.0	:	296.0	307.0	:
Int. reserves / months Imp ^{3.9}	Ratio	1.5	2.9	3.0	2.0	2.3	:	:	2.3	2.2	:	2.0	2.0	:
4 Monetary developments														
CPI ^{4.1}	Ann.%ch	7.4	3.4	0.5	3.1	4.1	2.7	2.5	5.2	3.6	:	3.2	3.0	:
Producer prices ^{4.2}	Ann.%ch	14.0	-3.8	-0.7	3.2	1.9	:	:	4.8	4.2	:	4.0	4.1	:
Food prices ^{4.3}	Ann.%ch	9.0	3.3	0.3	2.8	3.9	:	:	6.9	5.8	:	5.4	6.3	:
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	:	:	:	3.23	3.45	:	3.55	3.34
Bond yield ^{5.2}	% p.a.	:	3.63	3.37	2.41	4.75	:	:	4.04	3.55	3.54	3.45	:	3.63
Stock markets ^{5.3}	Index	20 009	13 316	14 003	11 889	9 099	:	:	9 459	9 962	:	9 647	9 593	:
Credit growth ^{5.4**}	Ann.%ch	:	:	-4.8	-6.3	-0.7	:	:	-0.7	6.0	:	6.0	6.4	:
Deposit growth ^{5.5}	Ann.%ch	-4.8	-8.3	-1.9	1.5	9.0	:	:	9.0	11.5	:	7.9	8.6	:
Non-performing loans ^{5.6**}	% of total	:	:	:	:	17.6**	:	:	17.6	:	:	:	:	:
6 Fiscal developments														
General government balance ^{6.1}	% of GDP	-0.4	-5.7	-4.9	-5.4	-5.3	-3.2	-2.2	-5.3	-1.1	:	:	:	:
General government debt ^{6.2}	% of GDP	29.0	38.2	40.9	45.9	51.1	52.7	54.0	51.1	50.3	:	:	:	:

f: ECFIN forecast Spring 2013

* Q figures refer to a 4 quarters moving average.

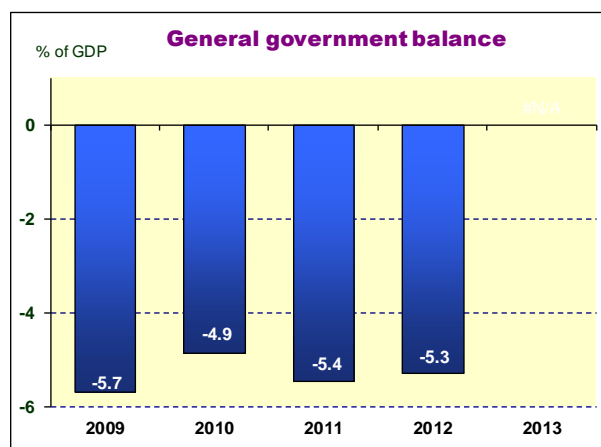
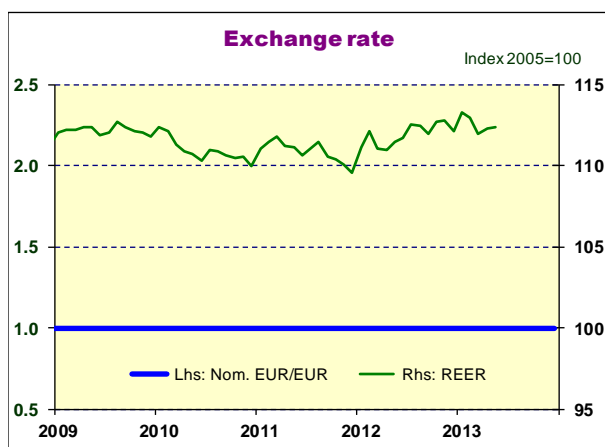
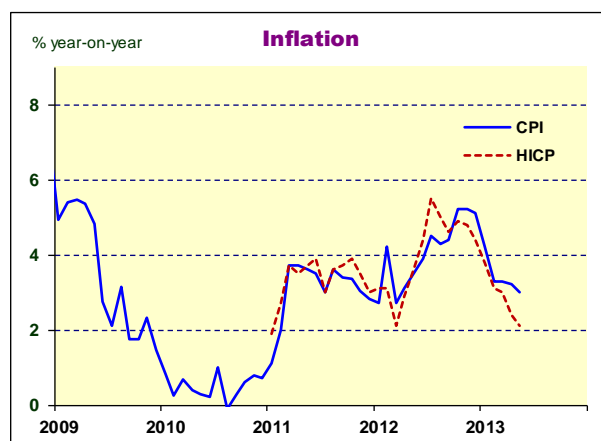
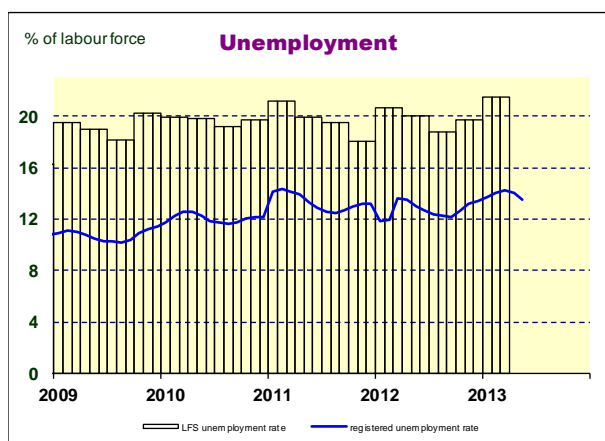
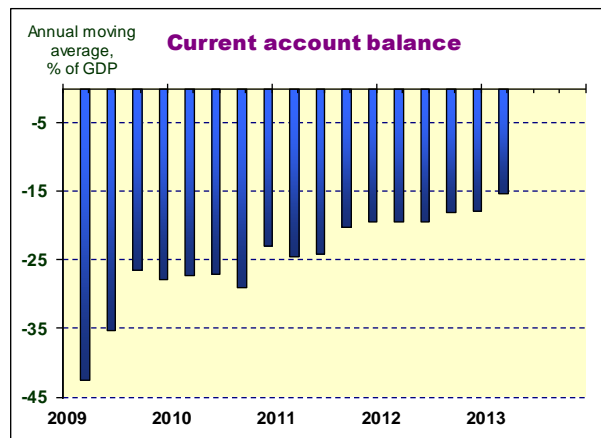
** Banking loans and NPL statistics revised follow ing introduction of International Accounting Standards.

CHARTS

European Commission, ECFIN-D-1



MONTENEGRO



SERBIA



Key developments

In June, the European Council decided to open accession negotiations with Serbia and to hold the first intergovernmental conference in January 2014 at the very latest. Prior to this, the negotiating framework will have to be adopted by the Council and confirmed by the European Council.

The decision on opening negotiations came after Belgrade and Pristina reached an agreement on normalising their relations in the framework of the EU-facilitated dialogue in April. The agreement envisages the establishment of an Association/Community of Serb majority municipalities in Kosovo.

In end June, the government adopted a budget revision, increasing the 2013 general government deficit target from 3.6% to 5.2% of GDP, mainly because of revenue underperformance in the first months of the year. The government also adopted a public sector reform programme, including an action plan on completing enterprise restructuring by mid-2014.

Real sector

Following a 1.7% drop in output in 2012, Serbia went out of recession in the first quarter of 2013, with real GDP increasing by 2.1% year-on-year. Exports were the only driver of growth and increased by 13.5%, partly due to base effects. Exports' performance was strongly supported by the operation of a FIAT factory, which opened in the second half of 2012.

Domestic demand remained very weak. Private consumption fell by 1.1% year-on-year, as labour market performance did not improve and real incomes continued to decline. Fiscal consolidation efforts and base effects (in anticipation of parliamentary elections, government expenditure were very high in the first half of 2012) have led to a 3.2% decline in government consumption. After a big drop in the last quarter of 2012, investment activity continued to decrease and gross fixed capital formation fell by 3.9%. In view of the weak and narrow-based recovery, imports growth remained subdued at 1.2% year-on-year.

A number of sectors turned to growth in the first quarter. This was most visible in agriculture (up by 16.7%), which had suffered from bad weather conditions in 2012. However, key sectors like retail trade (-4.0%) and, in particular, construction (-24.7%) contracted further.

Judging by high frequency indicators, domestic demand continued to fall in the second quarter. Retail trade turnover fell by 8.2% year-on-year in the first five months, although the decline decelerated to 3.8% in May. Industrial activity performed unevenly since the beginning of the year and, after several months of growth, declined by 0.5% year-on-year in May. Although manufacturing registered an increase of 5.0% in the first five months, more than half of its subsectors have been contracting, pointing at the fragility of the on-going recovery.

In April, after unsuccessful attempts to re-privatise the company, the government restarted production at the loss-making steel mill in Smederevo.

Labour market

The narrow-based economic recovery has not been conducive yet to an improved labour market performance. The unemployment rate remained very high at 24.1%, according to the April Labour force survey (LFS), lower than the 25.5% observed in April 2012 but above the 22.4% registered in October 2012. The highest rate of unemployment was registered in the age group 15-24 years (around 50%) and among those with medium educational level (26.2%). The number of employed increased by 3.2% in comparison to April last year and fell by 3.1% since the October 2012 LFS. Notably, over the last year, some businesses have moved to the grey economy, as according to the LFS, the share in total employment of people working in unregistered private businesses has steadily increased from 11.0% in April 2012 to 12.3% in April 2013.

According to data on registered employment, since the beginning of the year, there was almost no change in the number of employed, which stood at around 1,716 thousand in April, or about 1% below its level a year ago. After a peak of almost 793 thousand persons in April,

registered unemployment declined seasonally to 784 thousand in May.

In line with the bleak employment situation, real wages continued to decline strongly. The average real gross wage fell by 6.2% in May year-on-year, bringing the accumulated decline in the first five months of the year to 4.8%.

External sector

In the period January-April, the current account deficit has almost halved –it fell in euro terms by 46% year-on-year to EUR 758 million. The improvement was driven mainly by a strong increase in the export of goods (23.8%) and private remittances (19.2%), while due to low domestic demand imports growth remained subdued (3.7%). In terms of GDP, the current account deficit narrowed to 8.5% in the four quarters to March, from 10.6% in 2012.

The good exports performance in the first four months came mainly from two sectors -machinery, apparatus and transport equipment (up by 98%) and chemical products (up by 40%). Following completion of a major modernisation of the Pančevo refinery, exports of mineral fuels and lubricants have also gone up substantially (50%). However, exports of manufactured goods stagnated and traditionally strong exports of food declined by 20%.

Monetary developments

Inflation has remained high since the beginning of the year, averaging 11.5% year-on-year in the period until end of May. It decelerated to a single-digit level only in May (9.9%), driven mainly by a year-on-year fall in vegetable and meat prices. However, food prices continued to contribute the most (4 percentage points) to the headline inflation.

Anticipating a rapid inflation deceleration, the central bank lowered its key interest rate from 11.75% to 11.25% in May and down to 11.00% in June. Since late May, budget slippages and increased investors risk aversion towards emerging markets has put pressure on the dinar, which by early July lost 2.8% of its value against the euro, despite central bank interventions to smoothen excessive volatility.

Financial sector

Bank consolidation continued in April when Telenor Serbia, a major telecom operator,

reached an agreement with the local KBC bank to take over its banking licence, part of the personnel, the IT system and its competencies, while Société Générale Bank assumed KBC's clients and portfolio.

Credit activity decelerated further and domestic lending growth stood negative in real terms in May. Corporate loans declined even in nominal terms by 7% year-on-year, especially after subsidised lending was suspended due to exhaustion of funds, while households lending stagnated nominally and fell in real terms. A weak labour market and falling incomes undermined the growth of non-monetary sector deposits, which decelerated to 4.5% in dinar terms, implying a real decline as well. The quality of the loan portfolio worsened, mainly in its corporate sector segment, and the gross non-performing loans ratio reached 19.9% in March. However, capital adequacy indicators improved and the regulatory capital to risk-weighted assets of the system reached 20.4% in March.

Fiscal developments

By the end of May, the general government deficit reached already 59% of the plan for the year. Total revenue continued underperforming and in the period January-May dropped by a real 6.3% year-on-year. Total expenditure fell as well by 8.7% in real terms, across almost all categories with the exception of unemployment benefits and interest payments. The decrease was particularly pronounced in capital expenditure, which almost halved in comparison to the same period last year.

The higher than expected deficit prompted the government to bring forward additional consolidation measures in April and to propose a full budget revision in end-June. The April measures were mainly on the revenue side and included a reduction of the personal income tax from 12% to 10%, an increase in employees' social security contribution by 2 percentage points and an increase in the property tax base. The June proposal raised the annual deficit target from 3.6% to 5.2% of GDP. It envisages cuts in ministries' expenditure allocations, fixed indexation of wages and salaries by 0.5% in October 2013 and increasing some outlays.

In April, the government prepaid part (EUR 329.9 million) of its obligations to the London Club. As a result, in end-May government debt declined to around EUR 19 billion and stood at 60.9% of the estimated GDP.

TABLE

European Commission, ECFIN-D-1



SERBIA

		2008	2009	2010	2011	2012	ECFIN Forecast		Q4 12	Q1 13	Q2 13	Apr 13	May 13	Jun 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	:	:	-0.4	5.4	:	5.7	-0.5	:
Gross domestic product ^{1.3}	Ann. %ch	3.8	-3.5	1.0	1.6	-1.7	1.7	1.9	-2.1	2.1	:	N.A.	N.A.	N.A.
Private consumption ^{1.4}	Ann. %ch	6.8	-2.7	-1.0	-1.2	-2.0	-1.7	0.9	-1.9	-1.1	:	N.A.	N.A.	N.A.
Gross fixed capital formation ^{1.5}	Ann. %ch	8.5	-22.1	-5.5	8.4	-3.4	2.3	7.3	-14.5	-3.9	:	N.A.	N.A.	N.A.
Construction index ^{1.6}	Ann. %ch	4.9	-18.8	0.1	26.2	-1.0	:	:	-19.2	-18.8	:	N.A.	N.A.	N.A.
Retail sales ^{1.7}	Ann. %ch	3.4	-11.4	-0.7	-14.6	-3.9	:	:	-11.0	-11.4	:	-5.7	-3.8	:
2 Labour market														
Unemployment ^{2.1}	%	13.6	16.1	19.2	23.0	23.9	24.0	23.2	22.4	24.1	:	:	:	:
Employment ^{2.2}	Ann. %ch	-0.1	-6.1	-3.6	-3.1	-1.1	0.1	1.1	-0.8	-1.2	:	-1.0	:	:
Wages ^{2.3}	Ann. %ch	4.5	1.0	7.4	11.1	9.0	:	:	8.8	6.1	:	9.9	3.1	:
3 External sector														
Exports of goods ^{3.1}	Ann. %ch	16.2	-19.4	23.8	14.0	4.5	:	:	13.5	21.9	:	28.6	:	:
Imports of goods ^{3.2}	Ann. %ch	18.3	-30.3	9.7	13.0	3.7	:	:	1.8	0.3	:	13.8	:	:
Trade balance* ^{3.3}	% of GDP	-26.2	-17.7	-17.1	-16.9	-18.3	-14.8	-14.9	-18.3	-16.6	:	N.A.	N.A.	N.A.
Exports goods and services ^{3.4}	% of GDP	31.0	29.2	36.1	36.4	39.8	:	:	39.8	40.5	:	N.A.	N.A.	N.A.
Imports goods and services ^{3.5}	% of GDP	57.5	46.8	53.1	52.8	57.4	:	:	57.4	56.5	:	N.A.	N.A.	N.A.
Current account balance* ^{3.6}	% of GDP	-18.8	-7.2	-7.6	-9.2	-10.6	-8.0	-8.2	-10.6	-8.5	:	N.A.	N.A.	N.A.
Direct investment (FDI, net)* ^{3.7}	% of GDP	5.7	4.7	3.1	5.9	0.8	:	:	0.8	2.5	:	N.A.	N.A.	N.A.
International reserves ^{3.8}	mio EUR	8 161.8	10 601.9	10 001.6	12 058.2	10 914.7	:	:	10 914.7	11 844.4	:	11 148.1	10 955.3	:
Int. reserves / months Imp ^{3.9}	Ratio	6.5	11.5	9.8	10.5	9.2	:	:	9.2	9.9	:	9.3	:	:
4 Monetary developments														
CPI ^{4.1}	Ann. %ch	8.6	6.6	10.3	7.0	12.2	8.4	5.7	12.2	11.2	:	11.4	9.9	:
Producer prices ^{4.2}	Ann. %ch	9.0	7.4	16.2	9.7	6.4	:	:	6.4	6.5	:	4.9	5.1	:
Food prices ^{4.3}	Ann. %ch	13.8	0.8	10.7	6.4	15.4	:	:	15.4	14.8	:	16.2	12.7	:
M3 ^{4.4}	Ann. %ch	9.8	21.5	12.9	10.3	9.4	:	:	9.4	8.2	:	4.8	4.4	:
Exchange rate RSD/EUR ^{4.5}	Value	81.94	94.08	103.48	102.01	113.52	:	:	112.95	111.31	112.31	110.62	112.74	113.56
Nominal eff. exchange rate ^{4.6}	Index	96.9	89.6	79.3	81.8	74.1	:	:	74.1	75.1	:	75.3	75.7	73.9
5 Financial indicators														
Interest rate (3 months) ^{5.1}	% p.a.	5.20	13.40	10.85	12.56	12.50	:	:	11.90	9.99	:	:	9.17	:
Bond yield (12 months) ^{5.2}	% p.a.	:	11.86	10.60	12.90	13.04	:	:	12.78	:	:	:	:	:
Stock markets ^{5.3}	Index	2 604	1 197	1 283	1 270	932	:	:	911	1 051	1 032	1 082	1 040	972
Credit growth ^{5.4}	Ann. %ch	34.2	24.4	29.9	7.4	13.2	:	:	13.2	4.7	:	1.7	-2.4	:
Deposit growth ^{5.5}	Ann. %ch	8.8	23.6	14.4	9.2	10.4	:	:	10.4	9.3	:	5.3	4.5	:
Non-performing loans ^{5.6}	% total	11.3	15.7	16.9	19.0	18.6	:	:	18.6	19.9	:	N.A.	N.A.	N.A.
6 Fiscal developments														
General government balance* ^{6.1}	% of GDP	-2.6	-4.5	-4.7	-4.9	-6.4	-4.5	-4.1	-6.4	-5.4	:	N.A.	N.A.	N.A.
General government debt ^{6.2}	% of GDP	29.2	34.7	44.5	48.2	59.3	62.1	65.5	59.3	63.9	:	:	:	:

f: ECFIN forecast Spring 2013

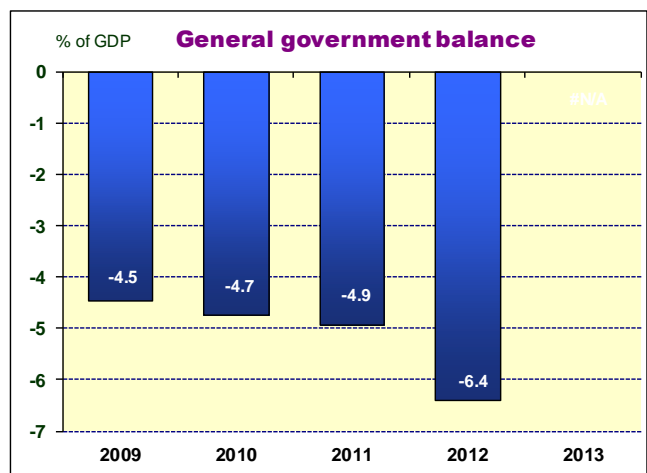
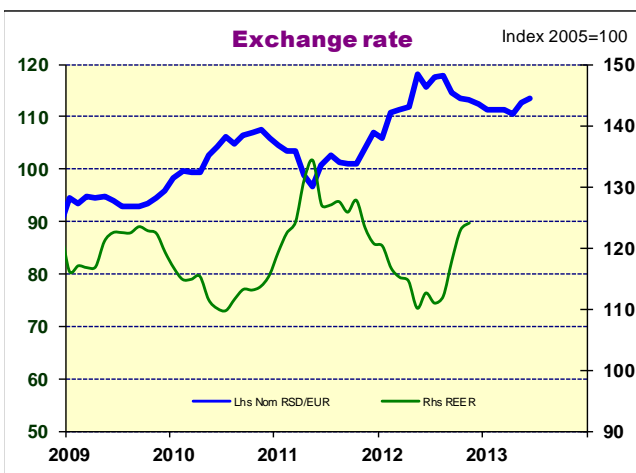
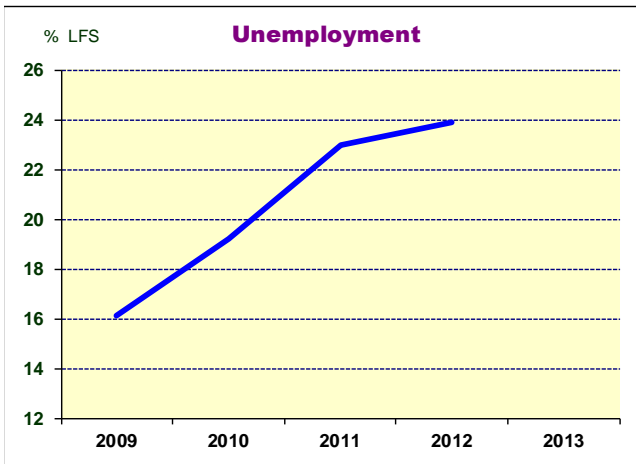
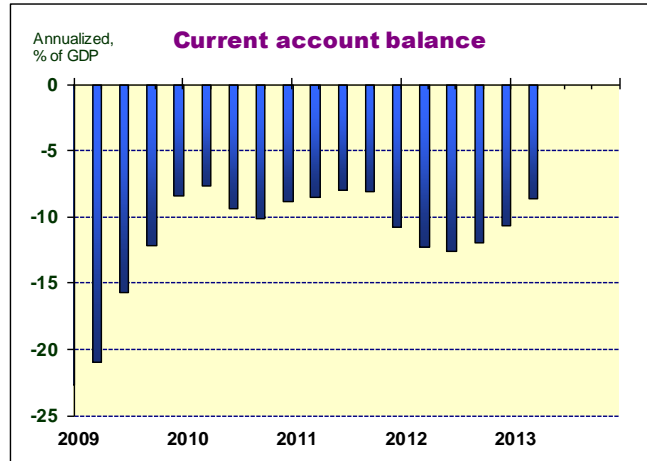
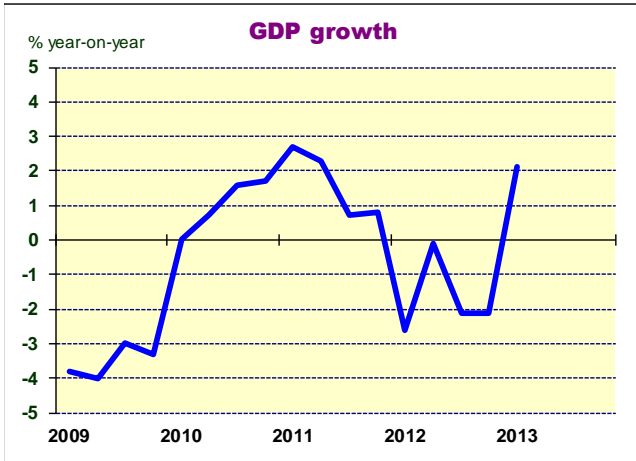
* Q figures refer to a 4 quarters moving average.

CHARTS

European Commission, ECFIN-D-1



SERBIA



TURKEY



Key developments

Moody's Investors Service raised Turkey's long-term sovereign credit rating to "Baa3" with a positive outlook on 16 May. After a similar upgrade by Fitch last November, Moody's is the second of the three major rating agencies to award investment grade, albeit the lowest, to Turkish government debt.

Starting in the second half of May, the Turkish lira, equities, and government notes and bonds have been under significant downward pressure. This happened in the context of mounting expectations about an impending end to the US Federal Reserve's policy of "quantitative easing", leading to a general decline in global investor appetite for emerging market assets. It was compounded by the anti-government protests which erupted in Istanbul in late May and continued in June.

Real Sector

Overall domestic demand started to recover in the first quarter of 2013 due to strongly increasing public spending. Public investment was up by 81.9% year-on-year and public consumption by 7.2%. Consumer spending returned to a moderate growth path (3.0%), presumably helped by easier financial conditions. Private investment, however, continued to contract (-9.1%). Export growth fell back to 3.4% year-on-year growth as gold exports declined sharply from the levels of the preceding year. Import growth of 3.2% was in line with the recovery of overall domestic demand. The overall result was 3.0% year-on-year GDP growth in the first quarter (1.6% in seasonally adjusted quarter-on-quarter terms). Overall public spending alone contributed 2.9 percentage points to this growth rate. The contribution from external trade was zero.

The available data for the second quarter suggest a continued increase in domestic demand. However, the data only partly include the month of June when economic activity is likely to have suffered to some extent from the political unrest.

In April, the seasonal and calendar adjusted industrial production index increased by 1.3% month-on-month while the gross index was up by 4.6% year-on-year compared to an average gain of 1.3% in the first quarter. The capacity utilisation rate in the manufacturing industry improved gradually on a year-on-year basis and was 0.7 percentage points higher in June. Business confidence in the industrial sector, which had increased strongly in the first quarter, remained stable in April and May compared to March before subsiding somewhat in June. The manufacturing PMI retreated by 1 percentage point from the March-level to just above 51 in April to June. Consumer confidence continued to improve in April and May before declining by 1.6% month-on-month in June, probably related to the political unrest and financial market developments. Similarly, auto sales increased by 14% year-on-year in the first five months of 2013, but fell back in June. Net exports may have subtracted significantly from GDP growth in the second quarter. In the context of relatively weak economic activity in key export markets, exports of goods (in nominal terms) decreased by 0.9% year-on-year in April and increased by only 1.4% in May according to the foreign trade statistics. The corresponding figures for import growth were 18.4% and 6.7%.

Labour market

Employment continued to expand in the first quarter and was 4.9% higher year-on-year in March according to the household labour force survey. Due to an even stronger rise in the labour force (5.1%), the unemployment rate has increased from 9.9% in March 2012 to 10.1% in March 2013. Two thirds of the rise in the labour force can be attributed to a 1.6 percentage point year-on-year increase of the participation rate to 50.2% in March 2013.

The hourly labour cost index increased by 13.7% year-on-year in the first quarter of 2013. This is the highest year-on-year growth rate since 2008 and compares to a 10.5% annual increase in 2012.

External sector

In conjunction with the economic slowdown the current account had narrowed significantly in 2012. The balance of payments data for the first four months of 2013 suggest that the current account deficit is now widening again. Goods exports have increased relatively little (4.4% year-on-year) while goods imports have recovered strongly (8.2%). The 12-month cumulative current account deficit has risen back up to 6.3% of GDP from 6.0% in December 2012. However, Turkey's foreign trade data have been distorted by strong fluctuations in exports and imports of non-monetary gold in recent years. Net exports of gold in 2012, corresponding to 0.7% of GDP, have been succeeded by large net imports in the first four months of 2013.

The bulk of the current account deficit continued to be financed by portfolio investments in the first four months of 2013. Net inflows of foreign direct investments covered only 9.1% of the deficit. Since capital inflows exceeded the current account deficit, the Central Bank's foreign exchange reserves increased from €78 billion at the end of 2012 to €86 billion at the end of April 2013 (14% of GDP).

Monetary developments

In June, headline inflation rose to the highest rate in nine months. The year-on-year change in the consumer price index first fell to 6.1% in April, clearly below the level of 7.2% in the first quarter. Subsequently, it rose to 6.5% in May and further to 8.3% in June. The latest increase was mainly driven by prices for food and non-alcoholic beverages (+1.8% month-on-month) and transportation (+1.5%). Expectations of end-year inflation stood at 6.5% in June which contrasts with the central bank's forecast of 5.3%. The latter is based on the assumption of a 15% increase in bank loans and a relatively stable real effective exchange rate.

Against the background of still strong capital inflows, the central bank lowered its policy rate (the one-week repo rate) in two 50 basis-points steps in April and May to 4.5%. Simultaneously, the central bank lowered the interest rate corridor between its overnight borrowing and lending rates in two steps from 4.5% - 7.5% to 3.5% - 6.5%. At the same time, the central bank delivered "a measured tightening" via reserve requirements and reserve options coefficients as

credit growth was clearly exceeding the reference rate of 15% and broad money (M3) had also accelerated. In mid-June, when capital inflows had slowed down and financial markets were facing heavy selling pressures, the central bank did not cut interest rates any further and announced that "*short term additional monetary tightening ... may be implemented when deemed necessary*".

The Turkish lira depreciated by 7.9% against the euro over the second quarter, most of which occurred after the onset of anti-government protests in late May. Starting on 11 June, the central bank has intervened in the foreign exchange market to support the lira.

Financial sector

Following Moody's upgrading of Turkish government debt, the yield on the two-year benchmark note fell to an all-time low of 4.67% on 17 May. Subsequently, the yield has soared and stood at 7.93% at the end of June. The average bond yield has increased by close to 200 basis points between May and June.

Credit growth increased from 18.1% year-on-year in the first quarter of 2012 to 22.5% in May. The share of non-performing loans in total loans remained stable at 3.4% over the same period. Deposits increased by 14.8% year-on-year in May, up from an increase of 13.7% in the first quarter.

The stock market continued to trend higher until the second half of May, but fell significantly in the wake of the unrest and in the context of a general re-pricing of emerging market stocks. By the end of June, the main Istanbul Stock Exchange (ISE) index had retreated to its level from last December, losing 11.2% net over the second quarter.

Fiscal developments

In the first five months of the year, total revenues of central government increased by 16.1% year-on-year. In the same period, non-interest expenditures rose by 17.7%, but lower interest payments kept the increase in total expenditures at 12.7%. The twelve-month rolling budget deficit of central government amounted to 1.7% of GDP at the end of May which compares favourably with the rather unambitious budgetary target of 2.2% of GDP for the whole of 2013.

TABLE



European Commission, ECFIN-D-1

TURKEY

		2008	2009	2010	2011	2012	ECFIN Forecast		Q4 12	Q1 13	Q2 13	Apr 13	May 13	Jun 13
							2013	2014						
1 Real sector														
Industrial confidence ^{1.1}	Balance	90.1	87.3	110.3	110.5	106.3	:	:	100.4	107.2	112.1	112.0	112.5	111.8
Industrial production ^{1.2}	Ann.%ch	-0.6	-9.9	12.8	10.1	2.5	:	:	0.9	1.3	:	4.6	:	:
Gross domestic product ^{1.3}	Ann.%ch	0.7	-4.8	9.2	8.8	2.2	3.2	4.0	1.4	3.0	:	N.A.	N.A.	N.A.
Private consumption ^{1.4}	Ann.%ch	-0.3	-2.3	6.7	7.7	-0.7	2.2	3.0	-0.8	3.0	:	N.A.	N.A.	N.A.
Gross fixed capital formation ^{1.5}	Ann.%ch	-6.2	-19.0	30.5	18.0	-2.5	7.1	8.6	-3.8	0.2	:	N.A.	N.A.	N.A.
Construction index ^{1.6}	Ann.%ch	-4.4	-7.9	77.4	-16.2	29.0	:	:	8.9	1.8	:	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	8.6	8.8	9.4	10.5	:	:	:	:
Employment ^{2.2}	Ann.%ch	1.3	0.4	6.2	6.7	3.0	1.4	2.0	4.2	5.2	:	:	:	:
Wages ^{2.3}	Ann.%ch	11.6	9.9	11.8	10.1	11.7	6.6	7.1	10.1	:	:	:	:	:
3 External sector														
Exports of goods ^{3.1}	Ann.%ch	23.1	-22.6	11.5	18.5	13.0	:	:	11.5	4.9	:	-1.1	1.4	:
Imports of goods ^{3.2}	Ann.%ch	18.8	-30.2	31.7	29.8	-1.8	:	:	0.7	5.0	:	18.4	6.7	:
Trade balance* ^{3.3}	% of GDP	-7.1	-4.0	-7.7	-11.5	-8.3	-8.7	-8.7	-8.3	-8.2	:	N.A.	N.A.	N.A.
Exports goods and services ^{3.4}	% of GDP	23.9	23.3	21.2	24.0	26.4	:	:	26.4	26.2	:	N.A.	N.A.	N.A.
Imports goods and services ^{3.5}	% of GDP	28.3	24.4	26.8	32.6	31.6	:	:	31.6	31.2	:	N.A.	N.A.	N.A.
Current account balance* ^{3.6}	% of GDP	-5.4	-2.0	-6.2	-9.7	-6.0	-6.8	-7.2	-6.0	-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	:	:	1.1	1.0	:	N.A.	N.A.	N.A.
International reserves ^{3.8}	bio EUR	86.5	77.1	83.2	84.1	104.8	:	:	104.8	109.5	:	114.3	:	:
Int. reserves / months Imp ^{3.9}	Ratio	7.6	9.2	7.1	5.8	6.8	:	:	6.8	7.1	:	7.3	:	:
4 Monetary developments														
CPI ^{4.1}	Ann.%ch	10.4	6.3	8.6	6.5	8.9	6.6	5.6	6.8	7.2	7.0	6.1	6.5	8.3
Producer prices ^{4.2}	Ann.%ch	12.7	1.2	8.5	11.1	6.1	:	:	2.9	2.0	:	1.7	2.2	:
Food prices ^{4.3}	Ann.%ch	12.8	8.0	10.6	6.2	8.4	:	:	5.3	6.8	:	6.8	7.1	:
M3 ^{4.4}	Ann.%ch	18.9	17.6	15.0	19.9	8.8	:	:	9.3	12.2	:	12.9	13.8	:
Exchange rate TRY/EUR ^{4.5}	Value	1.91	2.16	2.00	2.33	2.31	:	:	2.33	2.35	2.40	2.34	2.37	2.51
Nominal eff. exchange rate ^{4.6}	Index	91.73	82.77	86.24	74.13	72.43	:	:	72.16	:	:	:	:	:
5 Financial indicators														
Interest rate (3 months) ^{5.1}	% p.a.	18.04	10.68	7.95	9.09	10.31	:	:	7.45	5.30	6.17	6.28	6.19	6.03
Bond yield ^{5.2}	% p.a.	19.30	11.66	8.47	8.83	8.31	:	:	6.49	5.83	5.94	5.67	5.12	7.02
Stock markets ^{5.3}	Index	37 582	37 510	59 484	60 751	63 731	:	:	72 639	81 137	83 565	84 291	90 092	76 312
Credit growth ^{5.4}	Ann.%ch	22.4	4.4	33.5	23.8	17.4	:	:	17.4	18.1	:	18.6	22.5	:
Deposit growth ^{5.5}	Ann.%ch	21.8	18.0	18.0	19.2	11.3	:	:	10.5	13.7	:	13.5	14.8	:
Non-performing loans ^{5.6}	% total	4.2	6.5	5.8	3.6	3.2	:	:	3.4	3.4	:	3.4	3.4	:
6 Fiscal developments														
General government balance ^{6.1}	% of GDP	-2.2	-7.0	-2.6	-2.2	-2.3	-2.1	-2.4	-5.6	0.9	:	N.A.	N.A.	N.A.
General government debt ^{6.2}	% of GDP	39.5	45.5	42.4	39.8	37.9	36.7	36.0	:	:	:	N.A.	N.A.	N.A.

f: ECFIN forecast Spring 2013

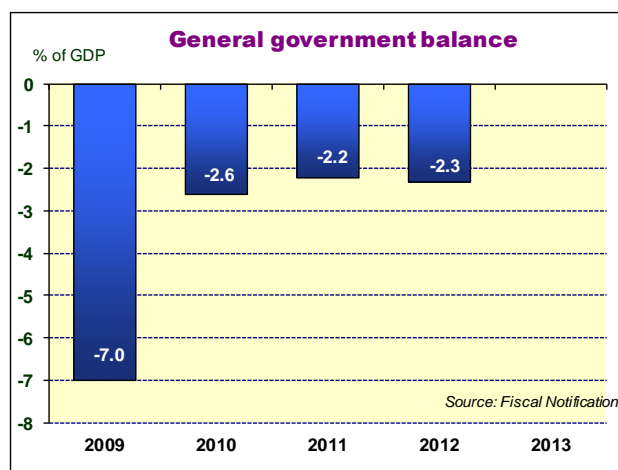
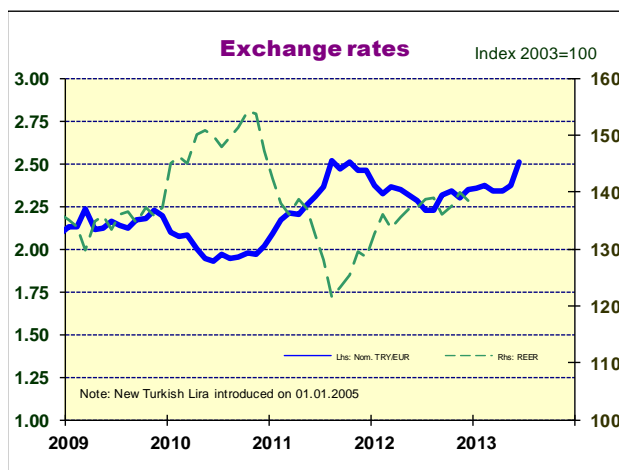
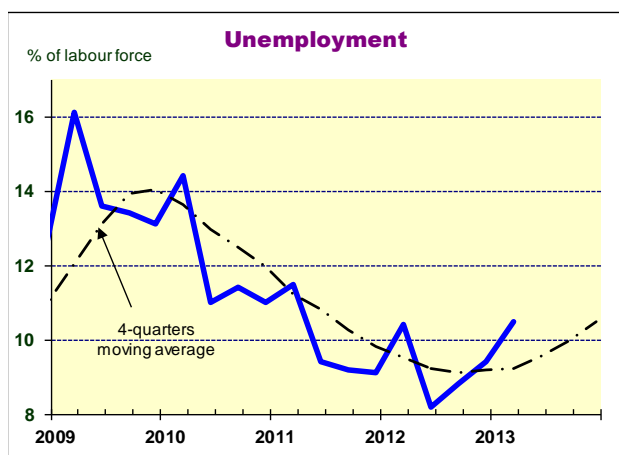
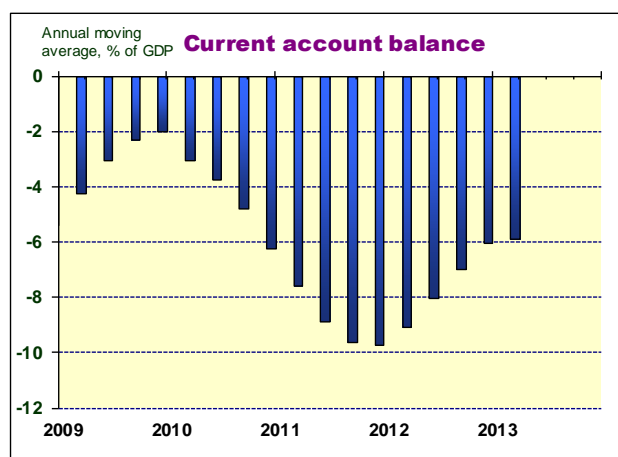
* Q figures refer to a 4 quarters moving average.

CHARTS



European Commission, ECFIN-D-1

TURKEY



ALBANIA



Key developments

Parliamentary elections were held in Albania on 23 June 2013, resulting in a victory for the "Alliance for a European Albania" led by the Socialist Party. Its chairman, Edi Rama, is expected to form a new government in September. The new coalition received 84 mandates in the 140-seat parliament. Sali Berisha, the former prime minister, resigned as leader of the Democratic Party which he chaired for the last 22 years.

In May, the Albanian Parliament adopted three pieces of legislation identified by the European Commission in October 2012 as a pre-condition for granting Albania the candidate country status. It concerns amendments to the Laws on the High Court and the Civil Service as well as revised rules of procedures for Parliament, which all were adopted with a qualified majority.

The Shah Deniz consortium, which develops the largest natural gas field in Azerbaijan, has selected the Trans Adriatic Pipeline (TAP) to deliver gas to the European market. TAP, which is expected to be built by 2018, will pass through Albanian territory, with exit points envisaged along the pipeline route.

Real sector

In the first quarter, annual GDP growth decelerated slightly to 1.7% from 1.8% recorded in the previous three months. Industry registered a strong performance, expanding by 14.8% year-on-year, on the back of a continuously robust growth of the extracting industry (up by 35.2%, year-on-year) as well as a 10% increase of manufacturing output. Contrary to this, construction output contracted for the fifth consecutive quarter, though at a slower rate (-4.8% against -17.6% in 2012 as a whole). Services only grew by a mild 0.9%, as the strong expansion of post and communication (+15.4%) was partly offset by a decline in retail trade and transport, which contracted for the fifth consecutive quarters. Agricultural output increased by 2.1%, year-on-year.

Available information suggests that the factors behind the slowdown of growth in the fourth quarter of 2012 continued to exert their influence. Domestic private demand remained

weak, reflecting consumers' and businesses' reluctance to spend, low growth of disposable income (also due to a fall in remittances) as well as continuing tight credit conditions. On the other hand, foreign demand contributed positively to growth, as suggested by the further narrowing of the trade deficit.

According to Bank of Albania (BoA) data, the improvement in the economic sentiment indicators, which had started at the end of 2012 following a fall in four consecutive quarters, persisted in the first three months, albeit the index remains markedly below its long-term average.

Labour market

Labour market conditions in the first three months remained largely unchanged from the previous quarter but improved slightly year-on-year. According to estimates by the statistical office, the unemployment rate was 12.8%, down from 13.1% a year ago. Although the labour force increased by 1.5% annually, this was more than offset by a rise in total employment (1.9%), driven mainly by the continuing upward trend in non-agricultural private sector jobs (up by 7.2%). However, agriculture is still the biggest employer accounting for an estimated 54% of total employment.

External sector

In the first three months, the current account deficit continued to improve for the fifth consecutive quarter, narrowing by 26% year-on-year to EUR 215 million. In the four quarters to March, the current account deficit narrowed to 9.6% of GDP from 13.6% in the corresponding period a year earlier. A shrinking merchandise trade deficit contributed most to this outcome, as the surge in exports continued (up by 17% year-on-year), driven mainly by the enduring strong performance of minerals, fuels and electricity, the single largest category in terms of exports. This group registered an annual export growth of 47% in the first quarter and 38% in the first five months as good hydro reserves boosted electricity exports whereas foreign sales of oil, also recorded strong growth. Imports declined by 11%, reflecting a still feeble domestic demand. The drop in the merchandise trade

deficit more than offset the deterioration of the services account, which turned negative mainly on account of the worsening tourism balance, as well as the 30% annual drop in remittances which weighed on the current transfer surplus.

FDI inflows recorded a slight year-on-year decrease of 3.9% in the first quarter, but they covered some 90% of the current account deficit compared to 70% in the same period last year. By end-March, gross external debt stood at EUR 5.3 billion or some 53% of projected GDP. Its annual growth in the first quarter decelerated to 9.2% from 17.5% a year earlier. Around 42% of the gross external debt stock was composed of government long-term borrowing.

Monetary developments

The growth in the monetary aggregate M2 remained at 3.3% in the first quarter, similar to the previous three months.

In the first quarter, annual consumer price inflation picked up slightly to 2.5% but remained at the lower limit of the central bank target range. Higher food prices continued to account for the bulk of inflation, whereas non-food items made a low contribution to the headline rate, partly reflecting lower international oil prices. Housing's contribution continued to be negative. Inflation decelerated to 2.3% in April and 2.1% in May, year-on-year.

In the context of weak demand-side pressures and in absence of supply-side shocks, monetary policy continued to be accommodative with the Bank of Albania (BoA) keeping the base interest rate at the historic low of 3.75%.

At the beginning of 2013, the exchange rate of the Albanian lek (ALL) fluctuated slightly against the euro, strengthening first due to lower imports before depreciating somewhat in the second quarter.

Financial sector

According to BoA's bank lending survey results, credit standards applied to businesses continued to tighten during the first quarter, albeit at a slower pace, as demands for collateral increased, margins on riskier loans widened and maximum loan maturity shortened. Lending standards applied to household loans eased slightly, resulting in lower commissions and declining average loan margins. In addition to supply side constraints, loan demand was also assessed downward, both for businesses and households.

The monetary policy easing has partly been transmitted to ALL deposit rates but not yet to

lending rates. The average interest rate on loans denominated in ALL was 11.05% in May against 10.79% in December 2012 and 11.28% in May 2012.

Reflecting tight credit conditions as well as subdued demand, bank lending continued to slow down for the 17th consecutive month and virtually came to a halt in May, when it rose by only 0.3% annually, compared to 9.4% a year earlier. In the first quarter as a whole, bank lending expanded by 1.6% year-on-year, against 11.2% in the same period last year. In May loans denominated in ALL made up 39% of the total loan stock, up from 36% a year earlier.

In the first quarter, the growth of total deposits decelerated to 6% year-on-year, down from a rate of 10.6% a year earlier. In May, deposit growth slowed further to 4.7% year-on-year.

The share of non-performing loans (NPLs) as a percentage of total loans continued to climb in the first three months and reached 24%, up from 22.8% in the previous quarter. The capital adequacy ratio rose to 16.8% in the first quarter from 16.2% in the previous three months, staying comfortably above the BoA's minimum requirement of 12%.

Fiscal developments

In the run-up to the election, the budget continued to underperform considerably. In the first five months of 2013, total revenues fell by 0.2% year-on-year as tax revenues declined by 2.7%. The combined revenue from indirect taxes fell by 5.2% year-on-year as VAT, customs duties and excise tax all recorded significant shortfalls, reflecting fragile domestic demand, lower imports and the effect of recent VAT exemptions on some machineries and raw materials. This could not be compensated by higher revenues from personal income tax (up by 8.7% year-on-year) and a 1.4% increase in social security contributions.

Total expenditure in January-May surged by 13.3% on the year, exceeding budget plans by 6.1%. Current expenditure increased by 7.1% year-on-year, whereas capital spending shot up by 41.4% and surpassed the budgeted amount by some 23%. As a result, the budget deficit in the first five months exceeded last year's comparable figure by some 114% and was almost 50% higher than planned. The deficit already amounts to some 2.7% of estimated annual GDP, whereas the government targets a budget gap of 3.5% of GDP for the year as a whole.

TABLE

European Commission, ECFIN-D-1



ALBANIA

		2008	2009	2010	2011	2012	Q4 12	Q1 13	Q2 13	Apr 13	May 13	Jun 13
1 Real sector												
Industrial confidence ^{1.1}	Percent	0.4	-13.4	-5.8	-3.8	-10.2	-9.8	-6.6	:	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	1.8	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	0.5	1.1	:	N.A.	N.A.	N.A.
Retail sales ^{1.7}	Ann. %ch	23.7	-1.7	5.4	-3.7	-0.7	5.5	:	:	N.A.	N.A.	N.A.
2 Labour market												
Unemployment ^{2.1}	%	12.8	13.6	13.7	13.4	13.0	12.8	12.8	:	:	:	:
Employment ^{2.2}	Ann. %ch	2.9	-5.9	-0.1	2.3	3.3	1.7	1.9	:	:	:	:
Wages ^{2.3}	Ann. %ch	8.3	11.9	6.7	7.0	7.3	7.3	5.9	:	:	:	:
3 External sector												
Exports of goods ^{3.1}	Ann. %ch	15.7	-11.8	62.5	22.2	7.6	11.8	:	:	:	:	:
Imports of goods ^{3.2}	Ann. %ch	16.4	-1.9	11.3	14.6	-4.0	-9.6	:	:	:	:	:
Trade balance* ^{3.3}	% of GDP	-27.3	-26.4	-23.4	-24.4	-20.6	-20.6	-18.9	:	N.A.	N.A.	N.A.
Exports goods and services ^{3.4}	% of GDP	29.2	28.9	32.8	34.4	32.7	32.7	32.8	:	N.A.	N.A.	N.A.
Imports goods and services ^{3.5}	% of GDP	55.7	53.4	53.6	57.4	51.3	51.3	50.2	:	N.A.	N.A.	N.A.
Current account balance* ^{3.6}	% of GDP	-15.5	-15.3	-11.5	-13.0	-10.5	-10.5	-9.6	:	N.A.	N.A.	N.A.
Direct investment (FDI, net)* ^{3.7}	% of GDP	7.5	8.2	8.9	8.1	7.7	7.7	7.5	:	N.A.	N.A.	N.A.
International reserves ^{3.8}	mio EUR	1638.9	1567.4	1825.3	1852.4	1910.7	1910.7	1900.3	:	1862.8	1970.4	:
Int. reserves / months Imp ^{3.9}	Ratio	5.5	5.8	6.3	5.7	6.1	6.1	:	:	:	:	:
4 Monetary developments												
CPI ^{4.1}	Ann. %ch	3.4	2.3	3.6	3.5	2.0	2.4	2.5	:	2.3	2.1	:
Producer prices ^{4.2}	Ann. %ch	6.5	-1.7	0.3	2.6	1.1	0.1	-1.2	:	:	:	:
Food prices ^{4.3}	Ann. %ch	5.2	4.9	4.8	4.8	2.4	3.5	5.0	:	5.7	4.9	:
M2 ^{4.4}	Ann. %ch	7.4	8.7	4.5	6.6	4.9	3.3	3.3	:	4.2	:	:
Exchange rate LEK/EUR ^{4.5}	Value	122.39	131.82	137.48	140.07	138.83	139.52	139.50	140.53	140.14	140.63	140.81
Nominal eff. exchange rate ^{4.6}	Index	:	:	:	:	:	:	:	:	:	:	:
5 Financial indicators												
Interest rate (3 months) ^{5.1}	% p.a.	6.24	:	:	:	5.16	5.02	5.06	:	4.97	4.64	:
Bond yield ^{5.2}	% p.a.	8.43	9.24	8.55	8.04	8.23	7.75	7.43	6.87	7.10	6.90	6.60
Stock markets ^{5.3}	Index	:	:	:	:	:	:	:	:	:	:	:
Credit growth ^{5.4}	Ann. %ch	43.8	20.5	8.6	11.7	7.4	3.5	1.6	:	0.9	0.3	:
Deposit growth ^{5.5}	Ann. %ch	14.8	-0.1	15.5	14.5	9.4	7.0	6.0	:	5.9	4.7	:
Non performing loans ^{5.6}	% total	4.7	9.1	12.6	17.0	21.7	22.8	24.0	:	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	-3.4	-1.0	:	-1.6	-2.7	:
General government debt* ^{6.2}	% of GDP	54.8	59.5	58.5	60.3	61.5	61.5	61.1	:	N.A.	N.A.	N.A.

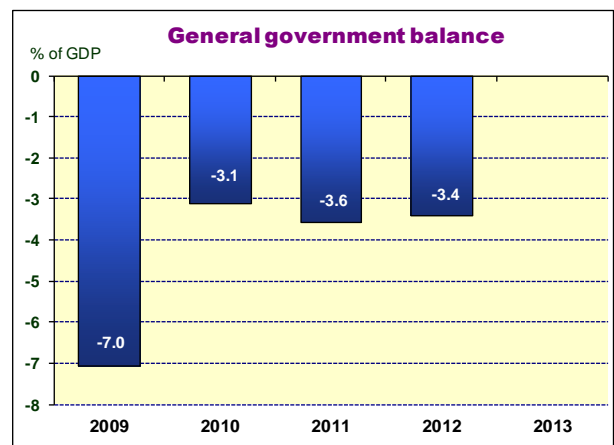
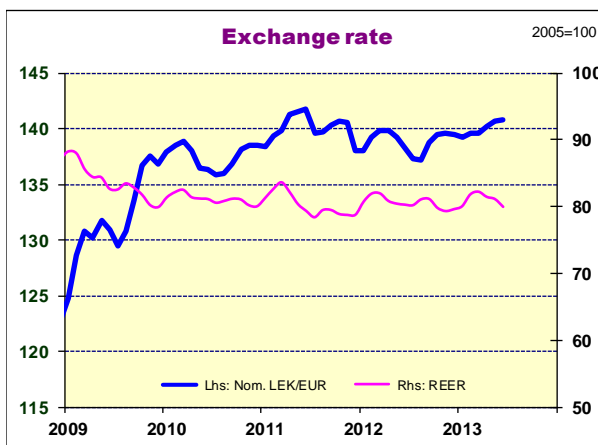
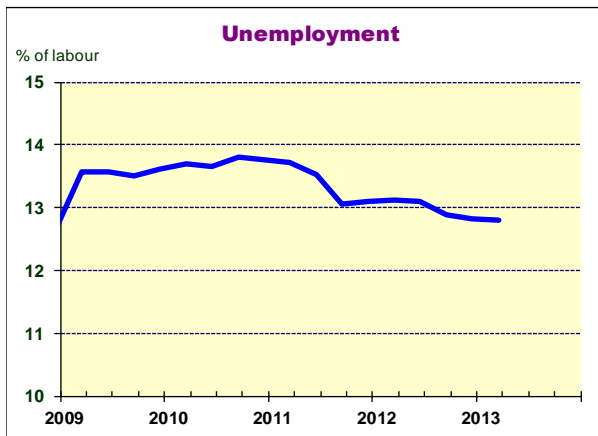
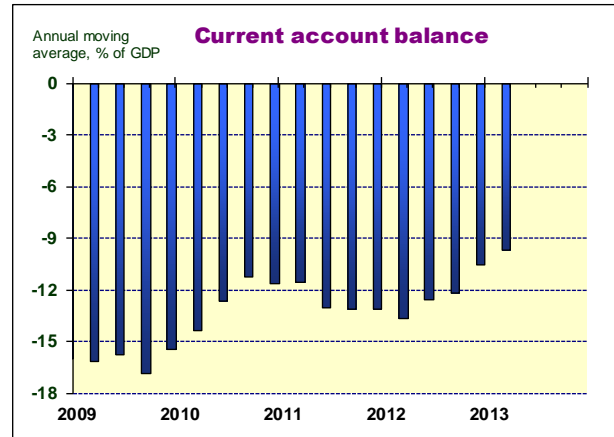
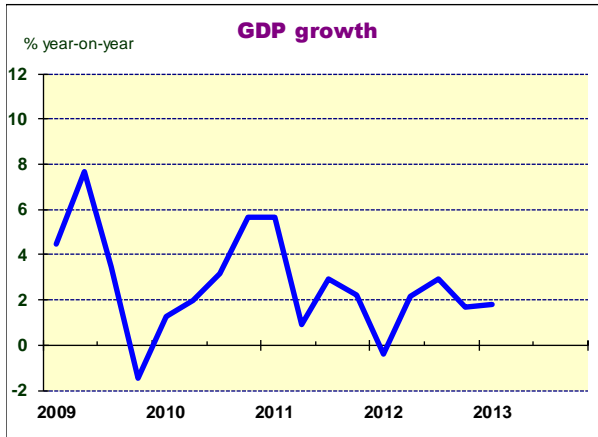
* Q figures refer to a 4 quarters moving average.

CHARTS



European Commission, ECFIN-D-1

ALBANIA





Key developments

In April, a new law on privileged pensions for war veterans was adopted by the Parliament of the Federation of Bosnia and Herzegovina with a view to contain fiscal costs and safeguard the long-term sustainability of the old-age pension system. At the same time, the Federation approved a pension reform strategy, developed with the support of the World Bank, which targets raising the effective retirement age.

On 13 June, the government of the Federation of Bosnia and Herzegovina adopted a new organic budget law which introduces a fiscal rule, requiring a balanced current budget for all levels of government, and aims to improve fiscal coordination between them.

On 28 June, the third review under the IMF-supported Stand-By Arrangement adopted in September 2012 was successfully completed, reflecting progress with fiscal consolidation and the implementation of structural reforms. The review triggered the disbursement of the fourth tranche under the programme amounting to SDR 33.8 million.

Real sector

Following a real contraction of GDP by an estimated 1.7% year-on-year in 2012, the economic outlook has slightly improved since early 2013. The mild economic recovery that started in the first quarter on the back of stronger production and exports, continued in the second quarter.

Country-wide industrial production in April expanded strongly by 11.4% year-on-year, and by a lower but still solid rate of 6.1% in May. However, stronger growth rates to a large extent also reflect base effects. Industrial output growth in the first five months averaged 7.5%, compared to a 7% decline in the same period in 2012. Output of the manufacturing industry and the utility sector grew by 11.8% and 7.6% year-on-year, respectively, while the mining industry continued to underperform with an output contraction of 5.4% year-on-year in January to May.

Labour market

Despite tentative signs of recovery, labour market conditions remained extremely difficult. Total employment levels further contracted by around 0.7% year on year in the first four months of the year. Some employment gains in services and in the public sector could not compensate for continued labour shedding in large parts of the private sector, in particular in construction, mining and agriculture. The officially registered unemployment rate climbed up to 44.5% in April 2013, compared with 43.9% a year before.

Not surprisingly, the precarious situation on the labour market continued to constrain wage dynamics. Following significant wage moderation observed through 2012, average nominal wages virtually stagnated in the first four months of the year, compared to a 2.5% growth in the same period a year before. Real wages (adjusted for consumer price inflation) declined by around ¾% in the same period.

External sector

Merchandise exports rebounded markedly by 10.8% year on year in January-May, reflecting stronger economic activity and a low base in 2012. Together with a mild fall in merchandise imports by 0.4% year-on-year, this led to a narrowing of the trade deficit by 14% year-on-year.

Rather favourable trade developments supported a further narrowing of the current account balance. According to preliminary figures from the Central Bank, the current account deficit fell by around one third in the first quarter, compared to the same period of the previous year. In terms of GDP, the current account deficit improved markedly to 8.7% in the four quarters to March, down from 9.5% in 2012.

The strong inflow of foreign direct investments already observed in the last quarter of 2012 continued in the first three months of 2013, when net FDI almost tripled compared to the same period a year before. As a share of GDP, net FDI increased to 4.2% in the four quarters to March, from 3.5% in 2012, but remained well below pre-crisis levels (2007: 11.5%; 2008: 5.3%). Despite a narrowing current account deficit and strong FDI inflows, the overall balance of payments recorded a small deficit,

leading to a mild drop in reserve assets. However, international reserves still remained at a rather comfortable level, representing 5.6 months of imports at end-March, down from 5.8 at end-2012.

Monetary developments

In the context of low inflation, liquidity conditions have remained rather accommodative. The annual growth of the monetary aggregate M2 accelerated slightly to 4.4% in the first quarter and further to 5.2% in April. Annual inflation further receded in the beginning of the second quarter. It decelerated to 0.3% in April, compared to 1% in the first quarter, mainly driven by lower prices for food, housing, transport, health as well as clothing and footwear.

Financial sector

Since the beginning of the year, the banking sector has been characterised by slowing credit growth, which continued to moderate to around 3.6% year-on-year in the first four months, mainly due to a slowdown in lending to private households. At the same time, the growth rate of loans extended to private firms which had gained pace since end-2012 stabilised at above 3% year on year through April. Annual growth of government borrowing which accounts for roughly 5% of the total outstanding loan portfolio of the banking sector also decelerated, but remained elevated at 24% in April.

The growth of total deposits accelerated to around 4% year-on-year in the first four months of the year, driven by a robust 8-9% year-on-year increase in households' and firms' deposits. Contrary to this, government deposits fell by around 10% during the same period. The loans-to-deposit ratio decreased slightly reaching 120%.

Short-term interest rates on consumer and corporate loans have remained virtually flat through April. Interest rates on deposits have been equally stable.

As a matter of concern, the quality of the loan portfolio deteriorated further with the share of non-performing loans in total loans soaring by 1.1 percentage points year on year to a worryingly high 13.8% in the first quarter of

2013. Provisioning stands unchanged at 65% of non-performing assets. Banking profitability indicators also point to a less benign performance. The return on average equity in the first quarter fell to 2%, while the return on average assets dropped to 0.3. At the same time, the capital adequacy ratio further increased to 17.2%, comfortably above the legal minimum of 12%, while liquidity indicators showed a slight deterioration.

The downward correction on the two stock markets in Bosnia and Herzegovina continued. The main index of the Sarajevo Stock Exchange lost 0.8% year on year in the first five months of 2013, while that of the Banja Luka Stock Exchange fell by 6.2%. However, the combined turnover of stock markets soared over twofold year-on-year. The combined market capitalisation inched up to approximately 33% of GDP from around 30% a year ago.

Fiscal developments

Fiscal imbalances have grown again in 2012, in parallel with the worsened external environment and the downturn in economic activity. The consolidated budget deficit increased to 2% of GDP -from 1.3% in 2011- due to higher expenditure growth (3.1%) which outstripped the rise of total revenue (1.6%). The share of general government in GDP remained relatively high, with government expenditure at approximately 44.1% of GDP.

Fiscal performance in the first quarter of 2013 has been marked by lower than budgeted revenues from indirect taxes, largely due to unexpectedly high VAT refunds. These revenue shortfalls were partly compensated for by lower current spending (eg on wages) and by delays in the implementation of some public investment projects. On the other hand, the highway and road funds of both entities accelerated capital spending beyond initially foreseen plans. This also contributed to a higher than planned consolidated deficit in the first three months.

Total public debt, although still at relatively moderated levels, is estimated to have increased to around 44% of GDP by March 2013, from around 40% of GDP a year before. The increase was accompanied by a rising share of external debt.

TABLE



European Commission, ECFIN-D-1

BOSNIA AND HERZEGOVINA

		2008	2009	2010	2011	2012	Q4 12	Q1 13	Q2 13	Apr 13	May 13	Jun 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	-4.2	6.6	:	11.4	6.1	:
Gross domestic product ^{1.3}	Ann. %ch	5.6	-2.8	0.7	1.0	-1.7	-1.6	:	:	N.A.	N.A.	N.A.
Private consumption ^{1.4}	Ann. %ch	5.5	-4.6	0.1	1.6	7.6	:	:	:	N.A.	N.A.	N.A.
Gross fixed capital formation ^{1.5}	Ann. %ch	15.9	-15.7	-12.8	7.8	11.2	:	:	:	N.A.	N.A.	N.A.
Construction index ^{1.6}	Ann. %ch	11.7	8.8	33.9	-24.4	1.3	39.5	77.1	:	N.A.	N.A.	N.A.
Retail sales ^{1.7}	Ann. %ch	N.A.	N.A.	7.8	12.5	1.5	-0.3	:	:	:	:	:
2 Labour market												
Unemployment ^{2.1}	%	40.6	42.7	42.7	43.8	45.9	45.9	44.7	:	44.5	:	:
Employment ^{2.2}	Ann. %ch	2.7	-2.8	1.9	-1.6	0.1	0.1	-0.6	:	-0.8	:	:
Wages ^{2.3}	Ann. %ch	16.6	8.2	1.1	4.4	1.5	1.3	-0.2	:	0.1	:	:
3 External sector												
Exports of goods ^{3.1}	Ann. %ch	21.2	-5.4	33.2	19.9	-1.9	-1.0	12.6	:	20.0	4.9	:
Imports of goods ^{3.2}	Ann. %ch	19.8	-21.8	8.3	13.2	0.0	-6.0	-0.5	:	-3.0	-0.8	:
Trade balance* ^{3.3}	%of GDP	-43.1	-32.4	-30.8	-32.5	-32.6	-32.6	-31.8	:	N.A.	N.A.	N.A.
Exports goods and services ^{3.4}	%of GDP	26.5	25.0	29.2	31.3	30.4	30.4	30.8	:	N.A.	N.A.	N.A.
Imports goods and services ^{3.5}	%of GDP	59.9	49.4	51.3	55.7	55.1	55.1	54.6	:	N.A.	N.A.	N.A.
Current account balance* ^{3.6}	%of GDP	-14.2	-6.6	-5.5	-9.5	-9.5	-9.5	-8.7	:	N.A.	N.A.	N.A.
Direct investment (FDI, net)* ^{3.7}	%of GDP	5.3	1.4	1.5	2.1	3.5	3.5	4.2	:	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	3 353.2	3 268.0	:	3 302.3	:	:
Int. reserves / months Imp ^{3.9}	Ratio	5.3	6.8	6.5	5.7	5.8	5.8	5.6	:	:	:	:
4 Monetary developments												
CPI ^{4.1}	Ann. %ch	7.4	-0.4	2.1	3.7	2.1	2.0	1.0	:	0.3	:	:
Producer prices ^{4.2}	Ann. %ch	8.6	-3.2	0.9	3.8	1.5	1.0	-0.1	:	-2.0	-2.5	:
Food prices ^{4.3}	Ann. %ch	12.1	-0.9	-0.7	6.0	1.8	2.6	1.9	:	1.4	1.3	:
M2 ^{4.4}	Ann. %ch	13.5	-1.6	7.8	5.6	4.6	4.2	4.4	:	5.2	:	:
Exchange rate BAMEUR ^{4.5}	Value	1.94	1.94	1.93	1.93	1.93	1.94	1.94	1.93	1.93	1.93	1.93
Nominal eff. exchange rate ^{4.6}	Index	100.0	104.15	103.73	104.60	105.63	105.72	:	:	:	:	:
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	740	784	767	784	764	755
Credit growth ^{5.4}	Ann. %ch	28.4	5.4	-0.9	5.6	4.9	4.6	3.5	:	3.6	:	:
Deposit growth ^{5.5}	Ann. %ch	15.4	-4.0	4.7	2.6	2.6	2.4	3.8	:	4.7	:	:
Non performing loans ^{5.6}	%total	3.0	4.5	9.1	12.0	12.7	13.5	13.8	:	N.A.	N.A.	N.A.
6 Fiscal developments												
General government balance ^{6.1}	%of GDP	-2.2	-4.4	-2.5	-1.3	-2.0	:	:	:	N.A.	N.A.	N.A.
General government debt ^{6.2}	%of GDP	N.A.	N.A.	39.3	40.5	44.0	44.0	44.0	:	N.A.	N.A.	N.A.

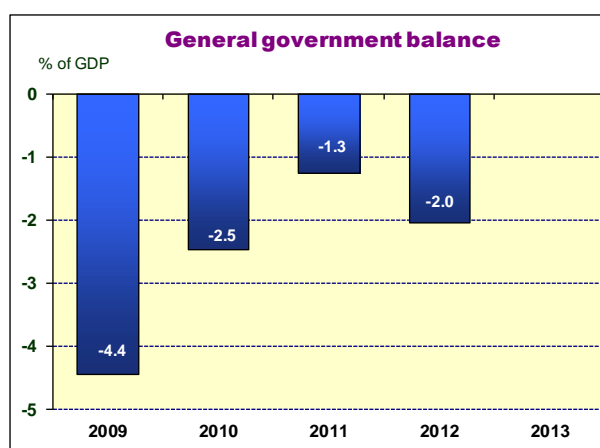
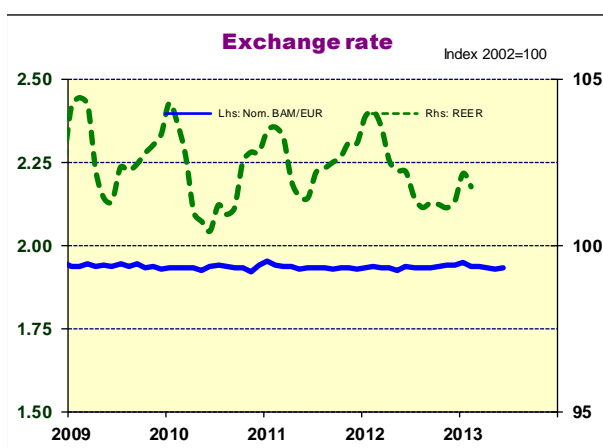
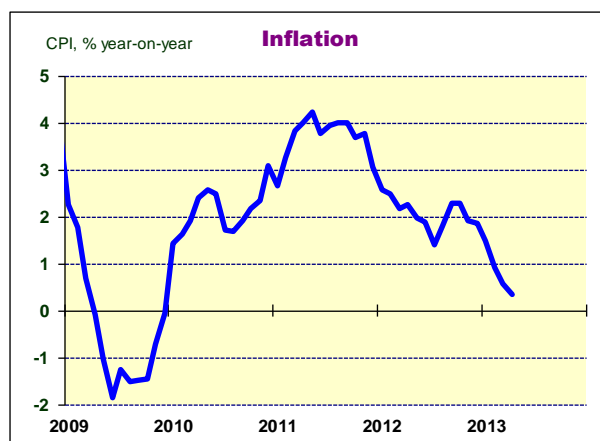
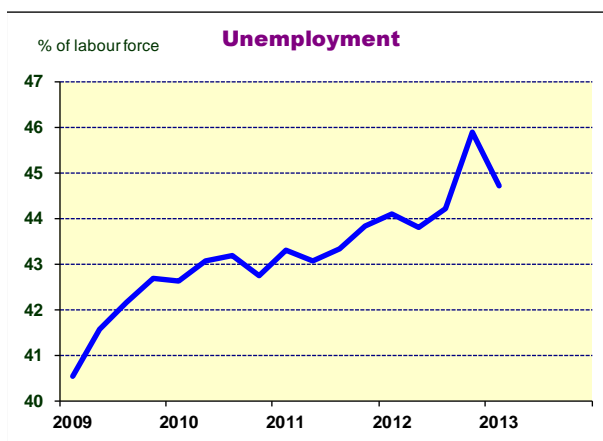
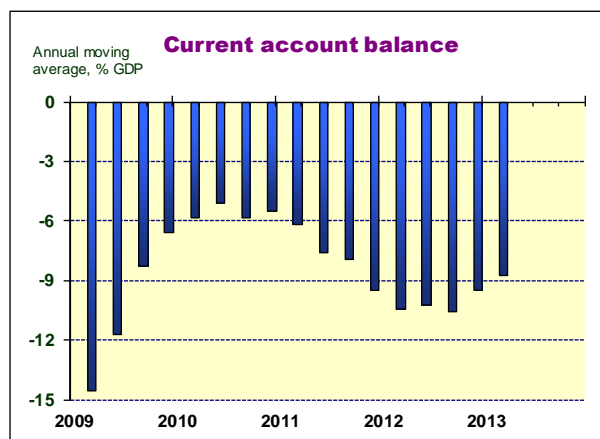
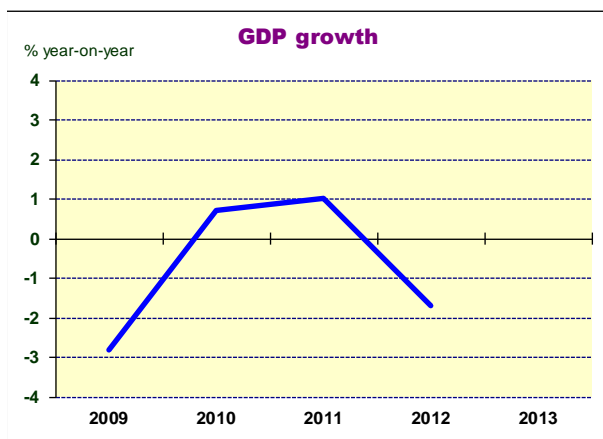
* Q figures refer to a 4 quarters moving average.

CHARTS

European Commission, ECFIN-D-1



BOSNIA AND HERZEGOVINA



KOSOVO*

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

Key developments

In June, the European Council adopted a decision authorising the opening of negotiations on a Stabilisation and Association Agreement between the European Union and Kosovo, following an agreement reached in April between Pristina and Belgrade on normalising their relations.

The April agreement envisages the establishment of an Association/Community of Serb majority municipalities in Kosovo with powers in the areas of economic development, education, health, urban and rural planning. It also foresees the integration of Serbian security structures and judicial authorities present in Kosovo within the Kosovo legal framework. According to the agreement, municipal elections shall be organised in the northern municipalities in 2013. The two sides have also intensified their discussions in the fields of energy and telecommunications.

In early June, the IMF reached a staff-level agreement with the authorities on policies aiming to complete the fourth review of the Stand-By Arrangement that would allow the disbursement of SDR 4.251 million. However, the authorities have continued treating the arrangement as precautionary.

In June, Kosovo signed a framework agreement with the European Investment Bank that would govern future activities of the bank in Kosovo. Kosovo also signed a Framework Agreement with the Islamic Development Bank (IDB) earlier in May. An agreement was reached as well on an IDB USD 20 million road construction loan.

Real sector

GDP growth has come down from 4.5% in 2011 to an estimated 2.1% in 2012 and is likely to have remained in this order of magnitude during the first half of 2013. The latest IMF forecast projects growth of around 2.5-3% in 2013, while downside risks remain.

In April, the ACP Axos Capital GmbH and Najafi Companies LLC won the bid for the

privatisation of 75% of the state-owned telecom Post and Telecommunications of Kosovo. It offered EUR 277 million, under the condition that the PTK will have EUR 35 million in cash at its disposal on the date of transfer of the ownership.

The government also completed the transfer of all shares of the Kosovo Electricity and Distribution and Supply to Kosovo Çalik Limak Energy (KEDS), effectively finalising the privatisation of KEDS.

At a donors' conference in May, the Prime minister reconfirmed Kosovo's commitment to work towards the decommissioning of the Kosovo A power plant. The European Commission declared that it is prepared to fund the entire cost of EUR 60 million for the closing and decommissioning of Kosovo A and has invited the authorities to identify elements of the decommissioning process which could begin even before the plant's closure.

In April, the Project Steering Committee on the Kosovo new power plant approved the tender documents for its construction. The project is envisaged to be implemented with a private-public partnership and submission of bids by the three pre-qualified companies is expected in November 2013.

Labour market

According to a Labour Force Survey conducted in 2012, which, due to methodological changes, does not allow comparisons with previous years, unemployment was very high at 35.1%. Labour market data remained scarce and are published with significant delays. There are no publicly available data on registered unemployment for 2013.

External sector

After a strong improvement in 2012, the current account deficit remained broadly unchanged in the first quarter of 2013 (EUR 13 million), compared to the same quarter of the previous year, bringing the four-quarter moving average of the deficit to 7.7% of GDP. Trade imbalances, although significant (EUR -330 million), were

almost fully covered by surpluses in the income account (EUR 42 million) and by current transfers (EUR 274 million). The steady growth in remittances continued and they increased by 7.3% year-on-year, despite the slowdown in major European economies with significant Kosovo diaspora. Financial account flows nearly balanced each other and reserve assets fell by EUR 6.3 million.

The slowdown of domestic economic activity impacted imports, which declined in euro terms by 2.5% in March and by 4.3% in April year-on-year. However, since the beginning of the year, imports increased by 2.6% year-on-year mainly due to base effects, as trade had suffered from bad weather conditions last year. Over the same period, exports increased strongly by 20.2% year-on-year, driven again by base effects and by a recovery in external demand for metals and metal products, Kosovo's main commodities. Still, in the period January-April, exports covered just 13.8% of the import of goods.

Monetary developments

Inflation decelerated further, reaching 2.2% year-on-year in May. A major disinflationary effect came from lower fuel prices. However, driven by a strong increase in fruit prices and still elevated vegetable prices, food inflation reversed its downward trend since the beginning of the year and accelerated to 3.8%.

The growth in broad money decelerated to 6.7% year-on-year in May. Net foreign assets continued to increase (9.1%), while net domestic assets turned to negative growth (-0.3%) due to base effects and falling net claims on the central government.

Financial sector

Since February, there has been a marked change in the average effective interest rates on commercial bank loans, which fell by 1.2 percentage points to 12.3% in May. Effective interest rates on deposits declined as well, but to a lesser extent, and stood at 3.5%. As a result, the interest rate spread decreased to 8.7%, its lowest level in four years.

Growth in bank deposits remained robust at 7.2% year-on-year in May. Households' deposits grew by close to 10%, although their time and savings deposits declined in nominal terms due to seasonal factors. Banking system liquidity remained very high and banks holdings of cash

and balances with the central bank stood at 13.4% of all their assets by the end of May.

Gross loans and lease financing decelerated further to 3.1% in May. Since the beginning of the year commercial banks have extended EUR 303.8 million in new loans, 1.5% less than in comparison to the corresponding period in 2012. In the period until May, new investment loans to non-financial corporations fell by 12.9% year-on-year, while non-investment loans decreased by 8.2%. The decline was particularly pronounced in loans with maturity above one year. Consumer and mortgage loans, on the other hand, continued to increase strongly – by 18.1% and 7.1%, respectively. However, growth in new mortgage loans decelerated strongly in the second quarter and even turned negative in May (-2.8% year-on-year).

In a difficult economic environment, banks' income declined by a cumulative 1.1% year-on-year by the end of May, while total expenditure remained broadly unchanged. However, interest expenditure increased by 5.6%, propped by the rising deposit base. As a result, banks' accumulated net profit since the beginning of the year fell by 4.6% year-on-year by the end of May.

Fiscal developments

In the first five months of 2013, budget performance remained broadly on track. The consolidated deficit was EUR 34.7 million, almost at the same level as in the corresponding period last year. Total revenue increased by 9.2% year-on-year. However, they were boosted by dividend receipts from the PTK, while revenues from major taxes, like border VAT and customs duties decelerated in May. By end-May, total expenditure grew by 8.3% year-on-year, with notable increases in subsidies and transfers (35.4%). Spending on subsidies to publicly-owned enterprises, in particular, have nearly tripled and have already reached their annual limits on subsidies for energy and import of electricity.

Treasury bills' yields continued to decline. The yield on the 91-day bills issued in June was 0.5% and on the 182-day bills issued in May – 0.94%. In April, the government issued a one-year bond for the first time with a yield of 2.26%. Since the end of 2012, government debt remained broadly unchanged and by the end of the first quarter stood at EUR 406.7 million (7.9% of the estimated GDP).

TABLE

European Commission, ECFIN-D-1

KOSOVO*

		2008	2009	2010	2011	2012	Q4 12	Q1 13	Q2 13	Apr 13	May 13	Jun 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	35.1	:	:	:	:	:	:
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	-7.2	15.3	:	34.1	:	:
Imports of goods ^{3.2}	Ann. % ch	22.3	0.4	11.5	15.5	-0.1	-11.1	5.9	:	-4.3	:	:
Trade balance** ^{3.3}	% of GDP	-42.3	-41.2	-40.8	-43.1	-42.7	-42.7	-42.6	:	N.A.	N.A.	N.A.
Exports goods and services** ^{3.4}	% of GDP	14.0	16.4	19.5	20.1	19.0	19.0	19.0	:	N.A.	N.A.	N.A.
Imports goods and services** ^{3.5}	% of GDP	53.5	52.8	56.9	57.3	54.5	54.5	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	-7.8	-7.7	:	N.A.	N.A.	N.A.
Direct investment (FDI, net)** ^{3.7}	% of GDP	8.7	7.0	7.7	7.9	4.4	4.4	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	1 469.1	1 480.5	:	1 469.2	1 476.0	:
Int. reserves / months Imp ^{3.9}	Ratio	6.9	7.4	6.9	5.9	7.1	7.1	7.1	:	7.0	:	:
4 Monetary developments												
CPI ^{4.1}	Ann. % ch	9.4	-2.4	3.5	7.3	2.5	3.7	2.9	:	2.4	2.2	:
Producer prices ^{4.2}	Ann. % ch	N.A.	3.8	4.7	5.7	1.7	4.5	8.3	:	N.A.	N.A.	N.A.
Food prices ^{4.3}	Ann. % ch	16.7	-4.4	4.8	12.4	1.0	4.9	4.2	:	3.0	3.7	:
Broad money liabilities ^{4.4}	Ann. % ch	23.6	11.2	12.9	8.8	7.1	7.1	9.9	:	7.5	6.7	:
Exchange rate EUR/EUR ^{4.5}	Value	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Real eff. exchange rate (CPI) ^{4.6}	Index	:	:	:	:	:	:	:	:	:	:	:
5 Financial indicators												
Interest rate (3-12 months) ^{5.1}	% p.a.	16.61	14.11	18.24	18.13	16.30	14.70	16.06	:	16.10	15.16	:
Bond yield ^{5.2}	% p.a.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	2.26	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	4.1	4.1	:	3.5	3.1	:
Deposit growth EUR/EUR ^{5.5}	Ann. % ch	25.6	20.3	14.8	12.0	8.1	7.6	7.7	:	7.4	7.2	:
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	-2.7	-2.4	:	N.A.	N.A.	N.A.
General government debt ^{6.2}	% of GDP	N.A.	7.7	7.6	6.7	8.4	8.4	7.9	:	N.A.	N.A.	N.A.

* This designation is without prejudice to positions on status, and is in line with UNSCR 1244 and the ICJ Opinion on the Kosovo

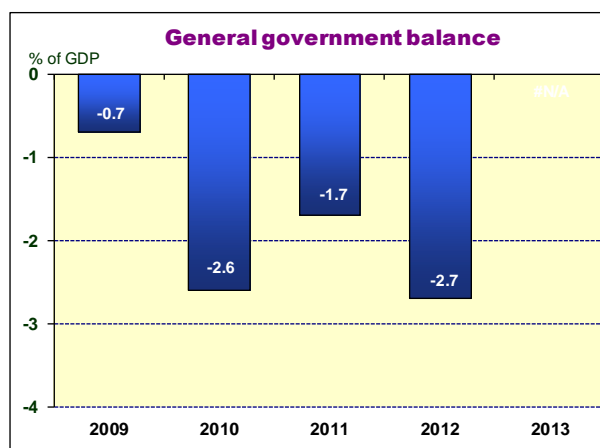
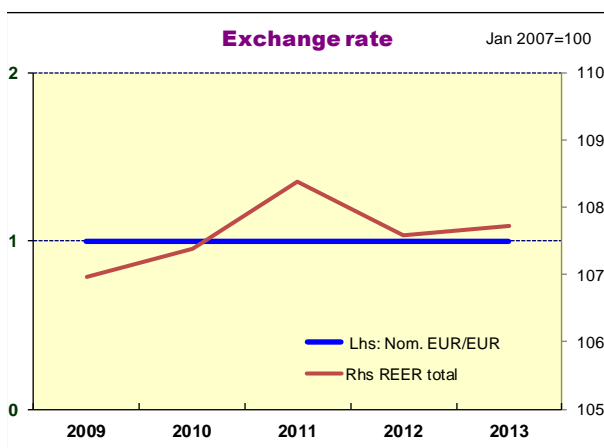
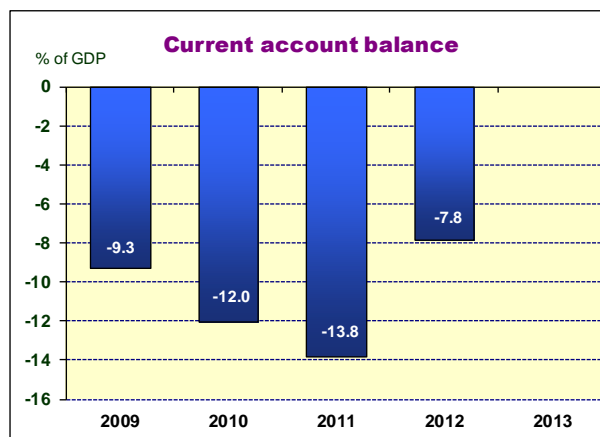
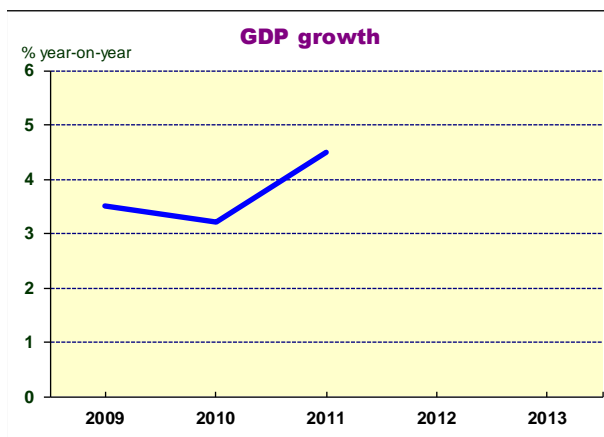
Declaration of Independence.

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

CHARTS

European Commission, ECFIN-D-1

KOSOVO*



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Source of data: IMF, national 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 pc 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 pc change, value of construction work done, total, 2008=100	Ecwin/Reuters
1.7.	Retail sales	Annual pc change, retail trade turnover, 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.	International reserves NBS	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 pc, 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 RS 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 pc, Food and Non-alcoholic Beverages, Total, TRY, 2003=100	Ecwin/Reuters
4.4.	M3	Money supply M3, total, TRY	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 real eff. exchange rate	Not available	
5. Financial indicators			
5.1.	Interest rate	Treasury Bills, 3 Month Auction, Yield	Ecwin/Reuters
5.2.	Bond yield	Government Benchmarks, 2 Year Bond, Yield	Ecwin/Reuters
5.3.	Stock markets	Not available	
5.4.	Credit growth	Annual percentage change, total	Ecwin/Reuters
5.5.	Deposit growth	Annual percentage change, total	Ecwin/Reuters
5.6.	Non-performing loans	Credit Portfolio Quality, NPLs %	Ecwin/Reuters
6. Fiscal developments			
6.1.	General government balance	In percent of GDP	IMF
6.2.	General government debt	In percent of GDP	IMF



No.	Indicator	Note	Source
1. Real sector			
1.1.	Industrial confidence indicator	Not available	
1.2.	Industrial production	Production, total, CPPY=100	Ecwin/Reuters
1.3.	Gross domestic product	Annual percentage change	Ecwin/Reuters
1.4.	Private consumption	Annual percentage change, Households, Total, 2004=100	Ecwin/Reuters
1.5.	Gross fixed capital formation	Annual percentage change	Ecwin/Reuters
1.6.	Construction index	Annual percentage change, residential construction, completed dwellings m2, CPPY=100	Ecwin/Reuters
1.7.	Retail sales	Total sale, index CPPY=100, weighted average Federation of Bosnia and Herzegovina 65% Serb Republic 35%	Ecwin/Reuters
2. Labour market			
2.1.	Unemployment	Registered, in percent of total labour force	Ecwin/Reuters, NSO
2.2.	Employment	Registered, annual percentage change. New methodology as per Dec 2012 – data not fully comparable.	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 pc 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 (AT, FR, DE, HU, IT, SLO, HR, RS, CH)	Ecwin/Reuters
5. Financial indicators			
5.1.	Interest rate	Not available	
5.2.	Bond yield	Not available	
5.3.	Stock markets	SASX-10 Index, close	Ecwin/Reuters
5.4.	Credit growth	Annual percentage change, loans, total, BAM	Ecwin/Reuters
5.5.	Deposit growth	Annual percentage change, deposits, total, BAM	Ecwin/Reuters
5.6.	Non-performing loans	NPLs to total loans, BAM	Ecwin/Reuters
6. Fiscal developments			
6.1.	General government balance	In percent of GDP, consolidated budget, net lending	Ecwin/Reuters
6.2.	General government debt	In percent of GDP, external public debt	Ecwin/Reuters

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.	SOK
1.5.	Gross capital formation	Annual percentage change.	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.	SOK
2.2.	Employment	Annual pc change of number of employees (Tax Register).	SOK
2.3.	Wages	Annual pc change, average monthly wages (Tax Register).	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.	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.	CB Kosovo
3.6.	Current account balance	In percent of GDP, Annual data.	IMF, CB Kosovo
3.7.	Direct investment (<i>FDI, net</i>)	In percent of GDP, Annual data.	CB 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.	CB 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	Government bonds, 1 year, auction, yield.	Central Bank of Kosovo
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.	CB Kosovo
6.	Fiscal developments		
6.1.	General government balance	In percent of GDP.	IMF, Ministry of Finance
6.2.	General government debt	In percent of GDP.	Ministry of Finance

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