



ISSN 1830-6292

# CCEQ

## EU Candidate & Potential Candidate Countries' Economic Quarterly

1|2014



*Economic and  
Financial Affairs*

**This document** is written by the staff of the Directorate-General for Economic and Financial Affairs, Directorate D – International Economic and Financial Relations and Global Governance, Unit D1 – Candidate and Pre-Candidate Countries.

Comments and enquiries should be addressed to:

European Commission  
Directorate-General for Economic and Financial Affairs  
Unit D1  
B-1049 Brussels  
Belgium  
E-mail: [ecfin-info@ec.europa.eu](mailto:ecfin-info@ec.europa.eu)

## LEGAL NOTICE

Neither the European Commission nor any person acting on its behalf may be held responsible for the use which may be made of the information contained in this publication, or for any errors which, despite careful preparation and checking, may appear.

This document exists in English only and can be downloaded from [http://ec.europa.eu/economy\\_finance/db\\_indicators/cpaceq/index\\_en.htm](http://ec.europa.eu/economy_finance/db_indicators/cpaceq/index_en.htm) four times a year (early January, April, July and September) or from [http://ec.europa.eu/economy\\_finance/publications/](http://ec.europa.eu/economy_finance/publications/).

More information on the European Union is available on <http://europa.eu>.

KC-AO-14-001-EN-N

© European Union, 2014

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

European Commission

Directorate-General for Economic and Financial Affairs

# **Candidate and Pre-accession Countries' Economic Quarterly**



## Contents

<b>OVERVIEW</b> .....	<b>6</b>
<b>THE FORMER YUGOSLAV REPUBLIC OF MACEDONIA</b> .....	<b>9</b>
<b>ICELAND</b> .....	<b>13</b>
<b>MONTENEGRO</b> .....	<b>17</b>
<b>SERBIA</b> .....	<b>21</b>
<b>TURKEY</b> .....	<b>25</b>
<b>ALBANIA</b> .....	<b>29</b>
<b>BOSNIA AND HERZEGOVINA</b> .....	<b>33</b>
<b>KOSOVO*</b> .....	<b>37</b>

\* 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

*In 2013 as a whole, GDP growth was stronger than expected in all pre-accession countries, except in Albania. It accelerated in year-on-year terms in the fourth quarter in three out of the five countries where data are available, namely the former Yugoslav Republic of Macedonia, Montenegro and Turkey while it decelerated somewhat in Serbia and Iceland. GDP growth is also expected to have increased in Bosnia and Herzegovina and stabilised in Kosovo. Albania is thus the sole country where the growth rate declined in 2013. In spite of sharply differentiated evolutions across countries in the fourth quarter, higher growth rapidly translated into an improvement in labour market conditions in 2013 except in Montenegro and Turkey where unemployment increased. In Albania, the deterioration of the labour market reflected weak economic activity. The gradual adjustment of macro-economic imbalances continued in most countries. Data for the fourth quarter confirm the pursuit of a disinflationary trend over 2013 and in most cases in January-February 2014, even leading to deflation in Montenegro and in Bosnia and Herzegovina. In Turkey, inflationary pressures have increased again since mid-2013. Except in Turkey and Albania, current account deficits further narrowed, particularly in Iceland where the deficit turned into surplus and in Serbia where it halved. On the other hand, fiscal positions are uneven and public debts continue their upward trajectories in the Western Balkans.*

The recovery gained ground in 2013 in the four Western Balkan countries that had experienced recession in 2012, supported by an acceleration of growth in the fourth quarter in Montenegro (4.7% year-on-year) and the former Yugoslav Republic of Macedonia (3.2%). Growth rates for 2013 range from 2.5% in Serbia (year-on-year) to 3.5% in Montenegro. A positive but lower performance (around 1.5%) is expected in Bosnia and Herzegovina. In three out of these four Western Balkan countries, growth seems to become less dependent on external demand and slightly more broad-based with private consumption slowly picking up. Even in Serbia where growth was exclusively driven by strong exports in 2013, consumption increased in the fourth quarter.

Some easing in labour market conditions, increases in real disposable incomes thanks to markedly lower inflation, higher confidence mirroring the strengthening of GDP and a decline in global uncertainty might have played a role in this recent and modest strengthening of private consumption, even though lending activity remains weak. The pace of growth almost doubled in 2013 in Turkey (4%) thanks to private consumption supported by fast-rising borrowing and even more in Iceland (3.3%) where exports of services – especially tourism – were the main drivers. It is expected to stabilise (at around 2.5%) in Kosovo. Only in Albania did growth decelerate (to 0.4%), after the economy contracted by 2.5% in the third quarter and recovered only modestly (+1.1%) in the fourth one.

In the fourth quarter, economic growth translated rapidly into an improvement in labour market conditions in two out of the four Western Balkan countries that were in recession in 2012. In contrast, despite robust growth in 2013, unemployment increased significantly in Montenegro, possibly reflecting, among other factors, a more lagged response of employment to the cycle. The deterioration was even more important in Albania, consistent with a continuous decline in economic growth over the past two years. In Serbia, labour data remained contradicting with LFS showing a sharp decline in unemployment, while registered unemployment continued to increase. Registered unemployment also increased in Kosovo in 2013. Overall, unemployment rates remain very high in the Western Balkans with high youth and long-term unemployment impairing the future employability of a significant part of the labour force. In Iceland, the unemployment rate further declined to 5.4% in 2013 while it increased to 9.7% in Turkey.

Except in Turkey and Albania where the current account deficits widened to respectively 7.9% and 10.6% of GDP, a further significant adjustment of external imbalances was pursued over 2013, owing to improved export performance but also still subdued domestic demand and imports. Particularly impressive are the adjustments in Iceland where the current account deficit (5.3% of GDP in 2012) turned into a surplus of 3.9%, thanks to significant improvements in the income and service balances (notably due to a very strong performance in tourism) and in Serbia, where the deficit was more than halved to 4.9% of GDP mainly due to a very strong exports performance. Significant improvements (around 4pp of GDP) were also

achieved in Bosnia and Herzegovina and Montenegro although in the latter country, the deficit still reaches a very high 14.6% of GDP. In some of these countries, however, external imbalances have tended to deteriorate in the fourth quarter, questioning the sustainability of the current adjustment.

A broad-based further significant deceleration of consumer price inflation led to a marked decrease of average annual inflation everywhere in 2013. This trend continued in January-February 2014 in most countries and even turned into deflation in Montenegro, while in Bosnia and Herzegovina the deflationary trend accelerated. In Serbia, due to hikes in indirect taxation, inflation somewhat accelerated in early 2014, after it had declined over the course of 2013. In this country, end-of-period inflation was drastically reduced from 12.2% in 2012 to 2.2%. Although annual inflation was lower in Turkey in 2013, underlying inflation increased since the middle of the year, not least due to a pronounced depreciation of the currency. Year-end inflation increased from 6.2% in 2012 to 7.4% in 2013, significantly above the central bank medium term target of 5%. Over the first quarter of 2014, headline inflation has increased by another percentage point.

Except for Turkey and Montenegro, GDP growth in 2013 has co-existed with a continued deceleration and sometimes contraction of bank credit. Credit growth significantly declined in Bosnia and Herzegovina and Kosovo and contracted in Albania and Serbia. In the latter two

countries, lending activity continued to shrink in the fourth quarter and also in January-February 2014, in contrast to the other Western Balkan economies where signs of credit growth acceleration emerged. Bank lending weakness is influenced by cyclical factors on both the demand and the supply side and may also be partly explained by companies' recourse to internal funding to finance investment. Its prolongation would limit the growth of much needed investment. Recent signals of somewhat declining NPL ratios could have a slight positive influence on the supply side but their generally very high levels leave little room for a significant short-term improvement. In contrast, lending activity continued to expand faster than 30% year-on-year in Turkey in the fourth quarter of 2013. In the first quarter of 2014, credit growth in Turkey has declined on a sequential basis in the context of tightening financial conditions. In Montenegro, credit growth was positive in 2013, after four years of contraction. However, it shrank again in January-February 2014 while NPLs further increased, reaching 18.5% of total loans by end February 2014.

Public finance consolidation, while featuring high in medium term fiscal strategies, has been uneven in 2013. In Iceland, Montenegro and Serbia the budget deficit was reduced as compared to 2012 and a similar pattern is expected in Bosnia and Herzegovina. However, the deficit increased in Albania, the former Yugoslav Republic of Macedonia, Turkey (albeit slightly) and is also likely to have deteriorated in Kosovo. Except in Iceland and Turkey, public debts continued their upward trajectories everywhere.

## Candidate and potential candidate countries: Summary table

						ECFIN May Forecast							
	2009	2010	2011	2012	2013	2014	2015	Q3 13	Q4 13	Q1 14	Jan 14	Feb 14	Mar 14
<b>Gross domestic product</b> (in real terms, annual % change)													
The former Yugoslav Republic of Macedonia	-1.0	2.8	3.0	-0.4	3.1	2.5	2.6	3.0	3.2	:	N.A.	N.A.	N.A.
Iceland	-6.6	-4.1	2.7	1.5	3.3	2.7	3.0	4.5	3.8	:	N.A.	N.A.	N.A.
Montenegro	-5.7	2.5	3.2	-2.5	3.5	2.7	3.0	4.0	4.7	:	N.A.	N.A.	N.A.
Serbia	-3.5	1.0	1.6	-1.5	2.5	1.3	2.2	3.8	2.7	:	N.A.	N.A.	N.A.
Turkey	-4.8	9.2	8.8	2.1	4.0	2.5	3.0	4.3	4.4	:	N.A.	N.A.	N.A.
Albania	3.3	3.8	3.1	1.3e	0.4e	:	:	-2.5	1.1	:	N.A.	N.A.	N.A.
Bosnia and Herzegovina	-2.7	0.8	1.0	-1.2	1.5e	:	:	1.7	:	:	N.A.	N.A.	N.A.
Kosovo*	3.5	3.2	4.4	2.5	:	:	:	:	:	:	:	:	:
<b>Unemployment</b>													
The former Yugoslav Republic of Macedonia	32.2	32.1	31.4	31.0	29.0	27.8	26.9	28.7	28.6	:	N.A.	N.A.	N.A.
Iceland	7.2	7.5	7.1	6.0	5.4	4.6	4.1	4.4	4.5	:	N.A.	N.A.	N.A.
Montenegro	11.4	12.1	11.5	13.5	15.0	:	:	13.3	15.0	15.0	14.9	14.9	15.0
Serbia	16.1	19.2	23.0	23.9	22.1	22.3	21.4	:	20.1	:	N.A.	N.A.	N.A.
Turkey	14.0	11.9	9.8	9.2	9.7	10.5	10.4	9.7	9.9	:	:	:	:
Albania	13.6	13.7	13.4	13.9	16.0	:	:	16.9	17.0	:	N.A.	N.A.	N.A.
Bosnia and Herzegovina	42.7	42.7	43.8	45.9	44.5	:	:	44.8	44.5	:	44.6	:	:
Kosovo*	45.4	:	44.8	30.9	:	:	:	:	:	:	:	:	:
<b>Current account balance</b> (% of GDP)**													
The former Yugoslav Republic of Macedonia	-6.8	-2.0	-2.5	-3.0	-1.9	-2.6	-3.0	-2.8	-1.9	:	N.A.	N.A.	N.A.
Iceland	-11.5	-8.0	-6.3	-5.3	3.9	-4.6	-5.2	2.2	3.9	:	N.A.	N.A.	N.A.
Montenegro	-27.9	-23.0	-17.7	-18.7	-14.6	-15.3	-15.8	-15.0	-14.6	:	N.A.	N.A.	N.A.
Serbia	-6.6	-6.9	-9.2	-10.8	-4.9	-4.7	-4.8	-5.5	-4.9	:	N.A.	N.A.	N.A.
Turkey	-2.0	-6.2	-9.7	-6.1	-7.9	-6.5	-4.4	-7.2	-7.9	:	N.A.	N.A.	N.A.
Albania	-15.3	-11.5	-13.4	-10.1	-10.6	:	:	-9.9	-10.6	:	N.A.	N.A.	N.A.
Bosnia and Herzegovina	-6.5	-6.1	-9.7	-9.3	-5.5	:	:	-5.9	:	:	N.A.	N.A.	N.A.
Kosovo*	-9.3	-12.0	-13.8	-7.7	:	:	:	:	:	:	N.A.	N.A.	N.A.
<b>Inflation</b> (Consumer price index, annual % change)													
The former Yugoslav Republic of Macedonia	-0.8	1.6	3.9	3.3	2.8	3.3	3.0	2.8	1.3	:	0.9	0.6	:
Iceland	12.0	5.4	4.0	5.2	3.9	3.0	3.3	4.0	3.8	2.5	3.1	2.1	2.2
Montenegro	3.4	0.5	3.1	4.1	2.2	2.3	2.6	2.2	0.3	:	-0.4	-0.6	:
Serbia***	6.6	10.2	7.0	12.2	2.2	4.3	5.0	4.9	2.2	:	3.1	2.6	:
Turkey	6.3	8.6	6.5	8.9	7.5	8.7	7.4	8.3	7.5	8.0	7.8	7.9	8.4
Albania	2.3	3.6	3.5	2.0	1.9	:	:	1.5	1.5	:	1.7	1.9	:
Bosnia and Herzegovina	-0.4	2.1	3.7	2.0	-0.1	:	:	-0.3	-1.3	:	-1.8	-1.6	:
Kosovo*	-2.4	3.5	7.3	2.5	1.8	:	:	1.2	0.5	:	0.2	0.1	:
<b>General government balance</b> (% of GDP)													
The former Yugoslav Republic of Macedonia**	-2.7	-2.4	-2.5	-3.9	-4.1	-3.8	-3.6	-1.6	-2.7	:	N.A.	N.A.	N.A.
Iceland	-9.9	-10.1	-5.6	-3.8	-2.1	-1.5	-0.2	-0.1	-5.0	:	N.A.	N.A.	N.A.
Montenegro	-5.7	-4.9	-5.4	-6.1	-2.6	-2.5	-1.1	-5.5	-2.6	:	:	:	:
Serbia**	-4.5	-4.7	-4.9	-6.5	-5.0	-5.9	-5.2	-5.9	-5.0	:	N.A.	N.A.	N.A.
Turkey	-6.5	-2.9	-0.8	-1.5	-1.6	-2.9	-2.5	-0.6	-1.3	:	N.A.	N.A.	N.A.
Albania**	-7.0	-3.1	-3.6	-3.4	-4.7	:	:	-4.3	-4.7	:	:	:	:
Bosnia and Herzegovina	-4.4	-2.5	-1.3	-2.0	:	:	:	0.3	:	:	N.A.	N.A.	N.A.
Kosovo*	-0.7	-2.6	-1.7	-2.6	:	:	:	:	:	:	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.

Forecast: ECFIN forecast Winter 2014

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

\*\*\* End of period, Forecast = average



# THE FORMER YUGOSLAV REPUBLIC OF MACEDONIA



## Key developments

On 31 January 2014, the government submitted its 2014 Pre-Accession Economic Programme covering the period 2014-2016. It is based on an optimistic macroeconomic scenario, with annual real GDP increases averaging 4%, and growth carried by domestic demand. The authorities' fiscal strategy foresees gradual consolidation of public finances, while at the same time planning ambitious infrastructure spending.

The government launched a new programme to stimulate youth employment, by waiving employers' obligations to pay social security contributions for the first 12 months of employment, provided they keep the new workers on their payroll for at least 2 years. The measure became effective on 13 March.

In mid-March, the World Bank's Board of Directors approved a second competitiveness development policy loan totalling 36.4 mn EUR. The programme focuses on private sector development by supporting investment and technology, in particular in the industrial zones, and on the restructuring of the agribusiness sector. The agreement is expected to be signed after the upcoming elections in the country.

## Real sector

In the fourth quarter of 2013, real GDP growth accelerated to 3.2% y-o-y, in spite of a further drop in investment, according to data published by the State Statistical Office. Total annual growth for the full year 2013 amounted to 3.1% on average. The total average decline of gross fixed capital formation for the year amounted to 11.5%, and net exports and private consumption took over from investment as the main growth drivers. Household consumption rose by 4.2% in 2013, with increases in the second half of the year averaging 1.5% y-o-y, and thus about 5.5 pp below the average of the first two quarters. On the production side, the biggest contribution to GDP growth came from construction, which increased its output by 33% y-o-y.

Industrial production gained track in the fourth quarter, with output growth accelerating to 6.5% y-o-y, after a temporary slowdown to 1.7% in the third quarter. The increase for the full year 2013 amounted to 3.2%, after a decline of 2.8% in 2012. Activity remained strong in the first two months of 2014, at 5.2% growth on average.

The pick-up in industrial production was mainly accounted for by the continued recovery of the manufacturing sector, which accounts for about three quarters of the industry structure. Manufacturing output grew by 9.2% y-o-y in the fourth quarter, after 2.9% in the third quarter, and a decline in the first half of the year. On average, in 2013, it increased by 2.8%, reversing its 2012 contraction. The dynamic development continued in the first two months of 2014, even though relenting somewhat.

## Labour market

The number of unemployed declined by 5% in the fourth quarter, compared to the same period a year earlier, according to the Labour Force Survey, while the labour force increased by 1.3%. This resulted in a decrease in the overall unemployment rate to 28.6%, from 30.6% a year earlier. The rate for young workers declined from 53% to 50.3%. The rate for women was some 2pp below the level of a year earlier, while their participation rate increased somewhat. The total employment rate remained largely unchanged, at some 39%, while it increased somewhat for women. Reflecting last year's strong performance of construction and the recovery of manufacturing activity, employment in these sectors increased by 8.6%, and 9%, respectively, in the fourth quarter y-o-y. Employment increases in manufacturing remained strong in the first two months of 2014, at 8% on average.

With nominal wage growth remaining below inflation, real net wages continued to decline in the fourth quarter and beyond. On average, they dropped by 1.6% in 2013 compared to a year earlier. In January, in spite of a significant

decline in the CPI, real wages continued to drop, as nominal wage growth almost stagnated.

### External sector

In the fourth quarter, the current account returned into deficit, on account of a renewed widening of the merchandise trade deficit. At 1.9% of GDP for the full year 2013, the current account deficit ratio narrowed by 1.1pp compared to the previous year, on account of a lower trade gap and in spite of a 6% drop in current transfers. In January, the trade deficit narrowed somewhat further.

FDI inflows relented in the last three months of 2013 compared to the previous quarter, but, due to a high amount of reinvested earnings by established foreign firms, they were still some 40% higher than in the same period a year earlier. Overall, in 2013, FDI accounted for 3.3% of GDP, after 1.2% in 2012, with the majority of inflows directed to motor vehicle components and trailers.

The international reserve position weakened somewhat further towards the end of the year, mainly in response to valuation effects. At end-February, reserves amounted to about 23.3% of projected GDP, down from 29% of GDP a year earlier. Reserves cover about 4.5 months of prospective imports of goods and services.

Gross external debt, excluding debt of the monetary authorities, stood at some 68% of GDP at the end of the year, which was only marginally lower than at the end of the third quarter, and 4% above its level of a year earlier. Debt liabilities related to intercompany lending were the only category to register an increase in the fourth quarter. Almost the entirety of government external debt is long-term.

### Monetary developments

Annual consumer price inflation decelerated to 0.6% yoy in February, from 0.9% in January. This was mainly due to a further slowdown in price increases in food, which has the biggest weight in the consumer basket, and in clothing and footwear, as well as a decline in housing and electricity cost. In 2013, inflation amounted to 2.8% on average, down by 0.5 pp compared to 2012. After a series of easing measures earlier in the year, the central bank kept its key policy rate, the rate on central bank commercial bills, at 3.25% in the fourth quarter. M4 money supply

growth accelerated to 6% y-o-y at end-February, compared to 5.7% a month earlier. The decline in loan rates remains slow – at the end of February, average weighted nominal lending rates for loans in national currency stood at 7.6%, down by only 0.1pp since the end of the year. Rates on deposits declined faster in the same period, by 0.3pp, to 3.8%, leading to widening spreads.

### Financial sector

Private sector credit growth accelerated further in the fourth quarter and thereafter. February marked the seventh consecutive month of growth acceleration in total private sector loans, at 6.9%, from 6.6% in January, and an average of 5% in the fourth quarter. The bulk of the increase stemmed, still, from household loans, but loans to non-financial corporations also registered a significant boost. The share of non-performing to total loans decreased for the second quarter in a row, but remains high, at 10.9%, yet is, however, more than adequately provisioned for by the banks.

### Fiscal developments

In 2013, fiscal discipline deteriorated, as revenue shortfalls, spending pressures and arrears clearance required the adoption of a supplementary budget and an increase in the deficit target for the general government from 3.6% to 3.9% of GDP. While allocations for capital expenditure were increased in the revision, actual execution of investment spending amounted only to some 80% of budgeted amounts.

As a result of heavily frontloaded, pre-election transfer spending, in particular agricultural subsidies, the central government budget deficit in the first two months of 2014 reached 1.4% of projected GDP, or 41 % of the full-year deficit target, which is set at 3.5% of GDP.

At the end of February, the consolidated central government debt amounted to 35.2% of GDP, up from 34.1% at the end of 2012, on account of new domestic issuance of securities. The share of external debt in total central government debt declined by 6.1pp in the same period, to 57.2%.

TABLE



European Commission, ECFIN-D-1

The former Yugoslav Republic of Macedonia

		2009	2010	2011	2012	2013	ECFIN Forecast		Q3 13	Q4 13	Q1 14	Jan 14	Feb 14	Mar 14
							2014	2015						
<b>1 Real sector</b>														
Industrial confidence <sup>1.1</sup>	Balance	-13.8	-9.6	18.4	14.7	12.3	:	:	12.0	13.0	:	12.4	10.3	:
Industrial production <sup>1.2</sup>	Ann. % ch	-8.4	-4.6	4.0	-6.6	3.2	:	:	2.6	6.5	:	6.4	4.1	:
Gross domestic product <sup>1.3</sup>	Ann. % ch	-1.0	2.8	3.0	-0.4	3.1	2.5	2.6	3.0	3.2	:	N.A.	N.A.	N.A.
Private consumption <sup>1.4</sup>	Ann. % ch	-4.9	1.5	2.9	-3.0	4.2	2.5	2.7	1.6	1.4	:	N.A.	N.A.	N.A.
Gross capital formation <sup>1.5</sup>	Ann. % ch	-0.9	-4.3	15.7	20.0	-11.5	7.3	7.7	-17.8	-3.6	:	N.A.	N.A.	N.A.
Construction <sup>1.6</sup>	Ann. % ch	5.3	11.7	25.3	4.2	32.7	:	:	30.5	32.1	:	N.A.	N.A.	N.A.
Retail sales <sup>1.7</sup>	Ann. % ch	-3.8	4.2	:	:	:	:	:	:	:	:	N.A.	N.A.	N.A.
<b>2 Labour market</b>														
Unemployment <sup>2.1</sup>	%	32.2	32.1	31.4	31.0	29.0	27.8	26.9	28.7	28.6	:	N.A.	N.A.	N.A.
Employment <sup>2.2</sup>	Ann. % ch	3.4	1.3	1.1	0.8	2.7	2.0	1.5	4.6	4.2	:	N.A.	N.A.	N.A.
Wages <sup>2.3</sup>	Ann. % ch	14.1	0.9	1.3	0.2	1.2	4.8	3.3	1.0	0.7	:	0.5	:	:
<b>3 External sector</b>														
Exports of goods <sup>3.1</sup>	Ann. % ch	-28.2	30.9	26.9	-3.2	3.2	:	:	4.1	6.4	:	1.7	:	:
Imports of goods <sup>3.2</sup>	Ann. % ch	-21.6	13.9	22.2	0.1	-1.5	:	:	-1.7	-1.7	:	-0.6	:	:
Trade balance* <sup>3.3</sup>	% of GDP	-23.3	-20.5	-22.1	-23.6	-20.6	-20.9	-21.3	-21.8	-20.6	:	N.A.	N.A.	N.A.
Exports goods and services <sup>3.4</sup>	% of GDP	39.0	46.6	54.9	53.6	53.8	:	:	53.7	53.8	:	N.A.	N.A.	N.A.
Imports goods and services <sup>3.5</sup>	% of GDP	60.6	65.3	74.5	76.3	72.6	:	:	74.0	72.6	:	N.A.	N.A.	N.A.
Current account balance* <sup>3.6</sup>	% of GDP	-6.8	-2.0	-2.5	-3.0	-1.9	-2.6	-3.0	-2.8	-1.9	:	N.A.	N.A.	N.A.
Direct investment (FDI, net)* <sup>3.7</sup>	% of GDP	2.0	2.2	4.5	1.0	3.3	:	:	3.0	3.3	:	N.A.	N.A.	N.A.
International reserves <sup>3.8</sup>	mio EUR	1 598.7	1 715.3	2 302.2	2 330.4	1 990.8	:	:	2 349.6	1 990.8	:	2 288.9	2 293.6	:
Int. reserves / months imp <sup>3.9</sup>	Ratio	5.5	5.2	5.7	5.7	4.5	:	:	5.9	5.0	:	5.7	:	:
<b>4 Monetary developments</b>														
CPI <sup>4.1</sup>	Ann. % ch	-0.8	1.6	3.9	3.3	2.8	3.3	3.0	2.8	1.3	:	0.9	0.6	:
Producer prices <sup>4.2</sup>	Ann. % ch	-6.4	8.3	11.1	4.5	0.4	:	:	0.1	-2.2	:	-2.3	-2.6	:
Food prices <sup>4.3</sup>	Ann. % ch	-1.4	0.3	6.2	2.3	3.4	:	:	4.0	1.2	:	1.0	0.7	:
Monetary aggregate M4 <sup>4.4</sup>	Ann. % ch	3.5	12.1	10.5	7.5	4.0	:	:	3.9	5.0	:	5.7	6.0	:
Exchange rate MKD/EUR <sup>4.5</sup>	Value	61.28	61.51	61.53	61.53	61.58	:	:	61.55	61.54	61.65	61.58	61.68	61.69
Nominal eff. exchange rate <sup>4.6</sup>	Index	103.9	102.2	103.7	102.5	103.9	:	:	104.4	105.1	:	105.7	:	:
<b>5 Financial indicators</b>														
Interest rate (3 months) <sup>5.1</sup>	% p.a.	:	:	:	:	:	:	:	:	:	:	:	:	:
Bond yield <sup>5.2</sup>	% p.a.	10.07	9.48	8.87	8.50	8.04	:	:	8.00	7.81	:	7.66	:	:
Stock markets <sup>5.3</sup>	Index	2 497	2 472	2 407	1 890	1 726	:	:	1 658	1 604	1 731	1 711	1 727	1 754
Credit Growth <sup>5.4</sup>	Ann. % ch	14.2	5.4	8.1	7.3	4.3	:	:	3.6	5.2	:	6.6	6.9	:
Deposit growth <sup>5.5</sup>	Ann. % ch	4.6	13.0	10.9	7.2	4.8	:	:	5.1	6.1	:	6.3	6.1	:
Non-performing loans <sup>5.6</sup>	% total	8.9	9.0	9.5	10.1	11.8	:	:	11.2	10.9	:	N.A.	N.A.	N.A.
<b>6 Fiscal developments</b>														
Central government balance <sup>6.1</sup>	% of GDP	-2.7	-2.4	-2.5	-3.9	-4.1	-3.8	-3.6	-1.6	-2.7	:	N.A.	N.A.	N.A.
Central government debt <sup>6.2</sup>	% of GDP	23.8	24.2	28.0	34.1	35.8	37.4	38.9	:	:	:	N.A.	N.A.	N.A.

f: ECFIN forecast Winter 2014

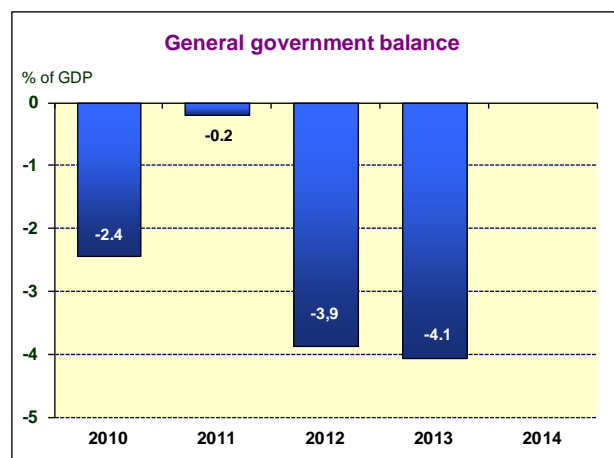
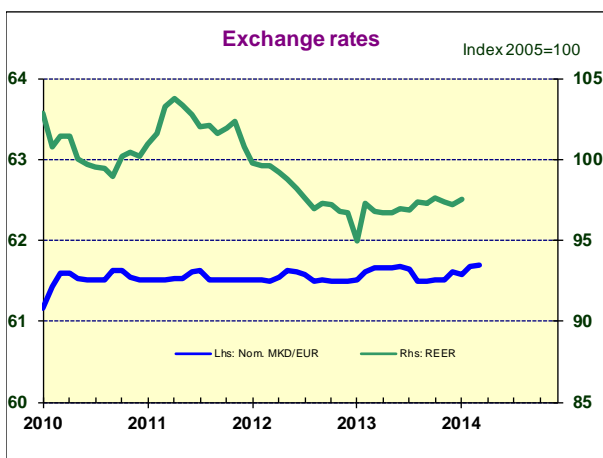
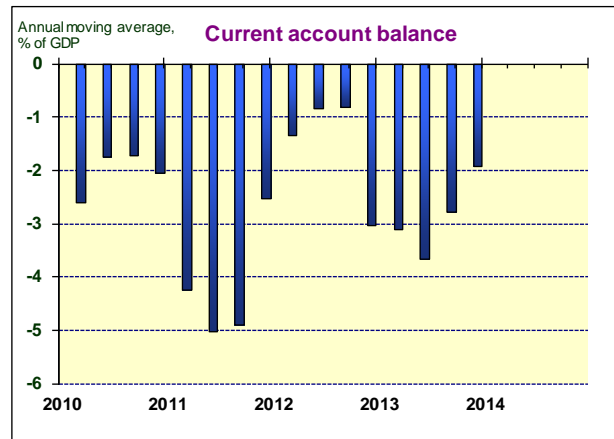
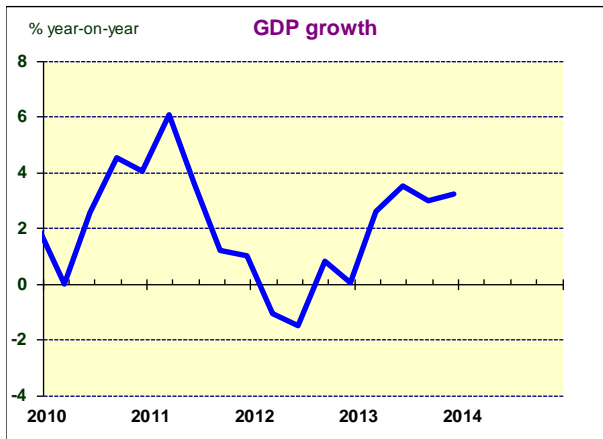
\* Q figures refer to a 4 quarters moving average.

# CHARTS



European Commission, ECFIN-D-1

## The former Yugoslav Republic of Macedonia



## ICELAND



### Key developments

The government has presented to parliament legal amendments for implementing a household debt relief programme, a key election promise of one of the coalition parties. This programme is set to reduce household debt by some 8% of GDP over the coming 4 years. Half of this relief is planned to be financed via increased taxation of banking sector liabilities, while the other half is supposed to be financed via the redirection of voluntary third-pillar savings towards debt redemption. The first effects of the debt relief programme should materialise in mid-year and could trigger so far delayed household consumption spending. However, there's also a risk that stronger domestic demand could push up inflation, eroding income gains from the relief programme.

### Real sector

Output growth continued to be strong in the fourth quarter, with a y-o-y GDP increase by 3.8%, after 4.5% and 4% in the preceding two quarters. The export of services, in particular tourism but also IT and engineering services, increased by nearly 19% y-o-y and contributed about two thirds of output growth in the fourth quarter. Domestic demand, such as private consumption, but also investment remained rather weak. When looking at the full year, real output was 3.3% higher in 2013 than a year before. Service exports, in particular tourism, contributed nearly half of overall growth. Exports of goods rose in real terms by 0.7% only, reflecting mainly weaker demand for aluminium. Real investment was 0.4% lower than a year before. However, these relatively low investment figures are to some extent due to base effects, reflecting exceptionally high spending for the purchase of ships and airplanes the year before. Without those one-off effects, underlying investment growth was around 5%.

High frequency indicators from February, such as credit card turnover, point to rather strong consumption during the first months of the year. However, a bigger than usual share of those purchases was used for online purchases abroad, which would dampen output growth.

### Labour market

Labour market conditions continued to improve. According to LFS, employment rose in the fourth quarter by 4.5% y-o-y, compared to 1.8% a year before. The number of unemployed remained at 8 400 persons, largely unchanged from the same period of the previous year. However, due to seasonal factors, it increased slightly compared to the third quarter, when the LFS estimated some 8 300 persons being unemployed. As a result of higher employment, the unemployment rate dropped slightly to 4.5% in the fourth quarter, from 4.7% in the same period of 2012. In the third quarter, the unemployment rate had been at 4.4%, compared to 5.0% the year before. For the year 2013 as a whole, employment rose by 3.3%, mainly in the area of less qualified jobs. This probably reflects employment creation in tourism and construction, the Iceland's currently most dynamic sectors. The share of long-term unemployed in total unemployed dropped from 29.3% in the fourth quarter of 2012 to 23.65% in the fourth quarter of 2013, representing about 1% of the labour force. However, this level is still higher than prior to the crisis. Unemployment among young (age group 16-24) remained at 7.7% in the fourth quarter, compared to 10.7% the year before. These positive trends continued in the first months of 2014, with unemployment falling to 4.2% in February, compared to 4.7% the year before. Average weekly hours of full-time work continued to increase slightly, from 43.4 hours in the fourth quarter of 2012 to 45.4 hours in the fourth quarter of 2013.

Nominal wages in the fourth quarter were some 6% higher than a year before. In line with declining inflation, nominal wage increases decelerated to 4.7% in February. This is some 2½ percentage points above inflation.

### External sector

The external sector continued to benefit from the strong performance in tourism and subdued imports. In the fourth quarter, export revenues were some 3.6 percentage points of GDP lower

than the year before, while imports as a share of GDP were some 2.3 percentage points lower. As a result, the fourth quarter trade surplus declined, from 6.5% of the quarter's GDP in 2012 to 5.2% of GDP. The service balance improved by some 1.7 percentage points of GDP, while the deficit in the income balance was some 6.8 percentage points lower than a year before, mainly reflecting lower payments for debt service and higher reinvested equity earnings. Thus, compared to a year before, the current account deficit improved by 7.2 percentage points of GDP, turning the fourth quarter deficit in 2012 of 4.8% of GDP into a surplus of 2.4% of GDP. When looking at 2013 as a whole, the main features are a significant improvement in the income and the service balance, while the trade balance deteriorated. The main driving factors for the improvement in the income balance were lower payments for foreign debt and higher reinvested equity earnings, while the improvement in the service balance was largely compensating the deterioration in the trade balance. Preliminary data for the first 3 months of 2014 points to continued strength of tourism revenues, while spending for commodity imports appears to have reached a similar level as exports.

Gross official foreign exchange reserves were some 2.4% higher at the end of the fourth quarter than in the quarter before. In the first two months of 2014, foreign reserves strengthened further and were 5% higher year-on-year in February. As a share of GDP, reserves account for some 27% of GDP.

Iceland's international investment position was at the end of the fourth quarter at a gross deficit of some 420% of the 2013 GDP. However, this includes debt of the old banks, which probably will be written-off to a large extent. When corrected for this factor, the underlying IIP records an estimated deficit of some 65% of GDP, which is close to the level registered at the end of 2004.

### Monetary developments

Policy rates have remained unchanged since November 2012, e.g. at 6% for loans with collaterals. The Central Bank indicated that it expects the inflationary effect of the government's debt relief package to be higher than the government's estimate of 0.1 percentage point.

Consumer price inflation declined markedly in recent months. In February and March, 12-month inflation dropped to slightly above 2%,

which is significantly below the Central Bank's inflation target of 2.5%. Key factors for this decline are the strength of the exchange rate, but also moderate wage agreements, reducing domestic cost pressures, as well as lower import prices. Average annual inflation was 3.9% in 2013, compared to 5.2% the year before.

During 2013, the exchange rate of the króna vis-à-vis the euro regained some ground, trading at 156.0 ISK against the EUR in March 2014, compared to 166.8 a year before. On average, the króna's exchange rate against the EUR was in 2013 some 9% weaker than in 2012, but on a similar level as in 2010.

### Financial sector

Financial intermediation has remained weak. Credit growth accelerated slightly in the fourth quarter, increasing by 1.3%, compared to 0.7% the quarter before. The level of deposits has started to increase again, at a rate of some 3.7% y-o-y in the fourth quarter. The growth of deposits further accelerated in January and February, to 8.4% and 6.5%, respectively.

The total capital adequacy ratio of the three largest banks remained at some 25% by June 2013, well above the minimum requirement of 16%. All banks remained profitable, but banks are still faced with uncertainties regarding asset quality and low profitability. The share of non-performing loans has declined since its peak in 2010, reaching some 5% of total loans by June (or 13%, when using the stricter cross-default method).

### Fiscal developments

In the fourth quarter, the general government registered a deficit of -5% of the quarter's GDP, compared to -8.3% the year before. The deficit reduction is a result of revenue increases by 6.3% and somewhat lower spending (-0.3%). This brought the annual deficit to -2.1% of GDP, compared to a deficit of -3.8% in 2012. Both, higher revenues and lower spending contributed to the deficit reduction.

General government debt was at 81.3% of GDP in December 2013, compared to 88.8% the year before.

TABLE



European Commission, ECFIN-D-1

ICELAND

		2009	2010	2011	2012	2013	ECFIN Forecast		Q3 13	Q4 13	Q1 14	Jan 14	Feb 14	Mar 14
							2014	2015						
<b>1 Real sector</b>														
Industrial outlook <sup>1.1</sup>	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 <sup>1.2</sup>	Ann. % ch	10.3	-0.6	0.1	-1.6	4.4	:	:	6.1	7.7	:	1.4	:	:
Gross domestic product <sup>1.3</sup>	Ann. % ch	-6.6	-4.1	2.7	1.5	3.3	2.7	3.0	4.5	3.8	:	N.A.	N.A.	N.A.
Private consumption <sup>1.4</sup>	Ann. % ch	-15.0	0.1	2.6	2.4	1.2	3.5	3.8	1.7	1.4	:	N.A.	N.A.	N.A.
Gross fixed capital formation <sup>1.5</sup>	Ann. % ch	-51.4	-9.4	14.1	5.5	-3.4	5.0	8.0	6.8	6.6	:	N.A.	N.A.	N.A.
Construction, completed <sup>1.6</sup>	Ann. % ch	-70.0	28.6	-50.8	91.5	:	:	:	:	:	:	:	:	:
Retail sales <sup>1.7</sup>	Ann. % ch	-22.8	-3.1	1.9	4.3	:	:	:	2.4	:	:	N.A.	N.A.	N.A.
<b>2 Labour market</b>														
Unemployment <sup>2.1</sup>	%	7.2	7.5	7.1	6.0	5.4	4.6	4.1	4.4	4.5	:	N.A.	N.A.	N.A.
Employment <sup>2.2</sup>	Ann. % ch	-6.2	-0.3	0.0	1.1	3.4	2.4	2.7	4.3	4.6	:	N.A.	N.A.	N.A.
Wages <sup>2.3</sup>	Ann. % ch	3.9	4.8	6.8	7.8	5.7	3.0	3.4	5.7	6.0	:	6.7	4.7	:
<b>3 External sector</b>														
Exports of goods <sup>3.1</sup>	Ann. % ch	7.3	12.0	10.5	2.1	-3.5	:	:	1.8	-4.5	:	-14.7	-17.1	:
Imports of goods <sup>3.2</sup>	Ann. % ch	-13.3	7.4	18.6	6.3	-2.6	:	:	4.1	-2.2	:	-9.4	-14.6	:
Trade balance* <sup>3.3</sup>	% of GDP	6.0	7.8	6.0	4.6	3.9	4.3	3.7	4.2	3.9	:	N.A.	N.A.	N.A.
Exports goods and services <sup>3.4</sup>	% of GDP	52.9	56.4	59.1	59.4	57.5	:	:	57.9	57.5	:	N.A.	N.A.	N.A.
Imports goods and services <sup>3.5</sup>	% of GDP	44.2	46.3	50.7	53.3	50.1	:	:	50.6	50.1	:	N.A.	N.A.	N.A.
Current account balance* <sup>3.6</sup>	% of GDP	-11.5	-8.0	-6.3	-5.3	3.9	-4.6	-5.2	2.2	3.9	:	N.A.	N.A.	N.A.
Direct investment (FDI, net)* <sup>3.7</sup>	% of GDP	-18.2	20.7	7.7	31.1	-0.3	:	:	12.3	-0.3	:	N.A.	N.A.	N.A.
International reserves <sup>3.8</sup>	mio EUR	2 651.1	4 356.5	6 581.5	3 257.1	3 028.8	:	:	2 957.2	3 028.8	:	3 187.7	3 179.2	:
Int. reserves / months Imp <sup>3.9</sup>	Ratio	13.4	19.1	24.4	11.3	10.9	:	:	10.6	10.9	:	11.5	11.5	:
<b>4 Monetary developments</b>														
CPI <sup>4.1</sup>	Ann. % ch	12.0	5.4	4.0	5.2	3.9	3.0	3.3	4.0	3.8	2.5	3.1	2.1	2.2
Producer prices <sup>4.2</sup>	Ann. % ch	11.3	11.7	9.2	1.1	-4.4	:	:	-2.6	-6.5	:	-12.3	-9.9	:
Food prices <sup>4.3</sup>	Ann. % ch	17.5	4.2	3.8	6.1	5.1	:	:	4.7	4.3	2.4	3.6	2.1	1.4
M3 <sup>4.4</sup>	Ann. % ch	15.7	-6.6	-2.1	2.8	2.0	:	:	4.6	3.7	:	8.3	6.5	:
Exchange rate ISK/EUR <sup>4.5</sup>	Value	172.51	162.16	161.45	160.93	162.30	:	:	160.40	163.21	156.55	157.76	155.87	156.04
Nominal eff. exchange rate <sup>4.6</sup>	Index	98.1	100.0	100.0	97.6	98.9	:	:	100.4	99.6	:	103.5	104.7	:
<b>5 Financial indicators</b>														
Interest rate (3 months) <sup>5.1</sup>	% p.a.	12.32	6.96	4.26	5.51	6.19	:	:	6.20	6.20	6.19	6.20	6.20	6.17
Bond yield <sup>5.2</sup>	% p.a.	8.26	6.09	5.98	6.19	5.79	:	:	5.89	6.13	:	6.33	6.58	:
Stock markets <sup>5.3</sup>	Index	465	562	602	649	774	:	:	760	820	865	881	874	840
Credit growth <sup>5.4</sup>	Ann. % ch	-8.5	-3.2	-1.7	6.3	0.1	:	:	0.7	1.3	:	0.8	1.3	:
Deposit growth <sup>5.5</sup>	Ann. % ch	-1.3	-7.0	-2.6	4.8	-0.2	:	:	2.3	3.7	:	8.4	6.5	:
Non-performing loans <sup>5.6</sup>	% total	14.0	18.0	12.0	8.0	:	:	:	:	:	:	N.A.	N.A.	N.A.
<b>6 Fiscal developments</b>														
General government balance <sup>6.1</sup>	% of GDP	-9.9	-10.1	-5.6	-3.8	-2.1	-1.5	-0.2	-0.1	-5.0	:	N.A.	N.A.	N.A.
General government debt <sup>6.2</sup>	% of GDP	87.7	84.2	91.9	88.8	81.3	91.3	86.4	82.0	81.3	:	N.A.	N.A.	N.A.

f: ECFIN forecast Winter 2014

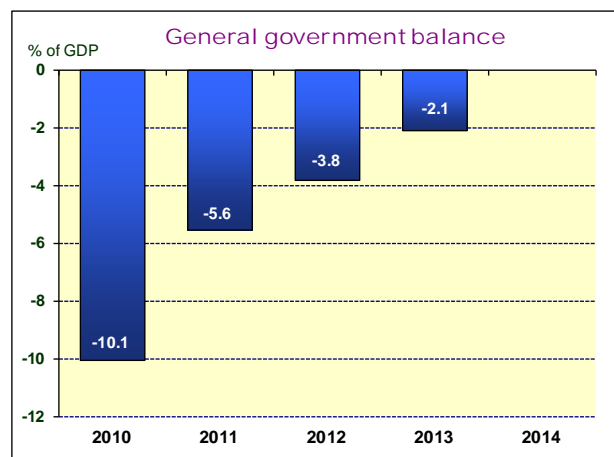
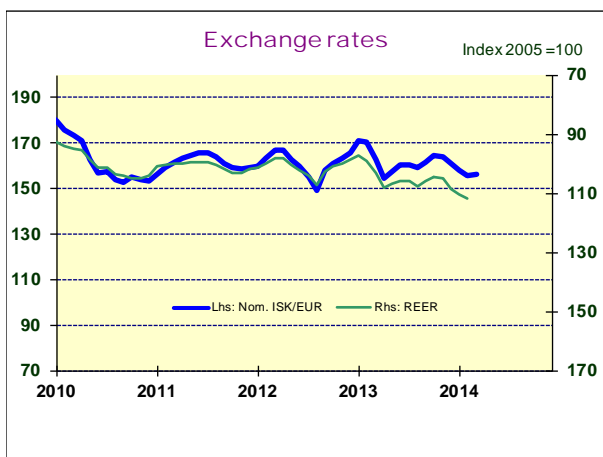
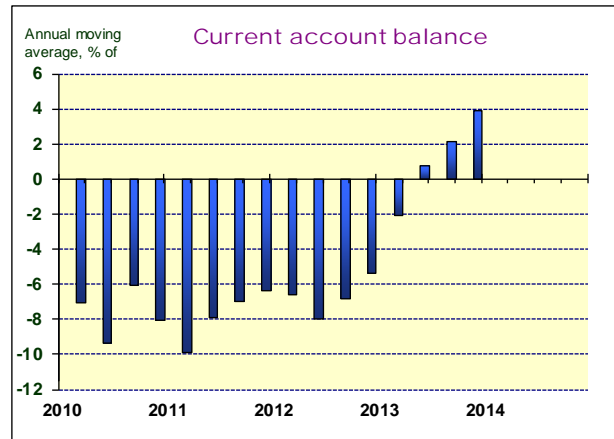
\* Q figures refer to a 4 quarters moving average.

# CHARTS



European Commission, ECFIN-D-1

## ICELAND







## Key developments

On 30 January 2014, Montenegro submitted its third Pre-Accession Economic Programme, covering the period 2014-2016. The key objective of the programme remains the consolidation of public finances, reaching a budget close to balance in 2015, and the creation of conditions for rapid economic development, targeting a 3.8% acceleration of growth by 2016, through the improvement of the business environment.

On 26 February 2014, Montenegro's government and Chinese firm CRBC signed a contract for the construction of the first section of the Bar-Boljare highway that will link the Adriatic coast with the Serbian border. The 44 km project will cost EUR 810 million (or 23% of GDP), of which 15% will be financed from the budget and 85% by a 20-year loan with a five-year grace period and a 2% fixed interest rate.

On 24 March, the power grid operator (CGES) called a tender for the construction of the 155 km transmission line and one substation (worth EUR 105 million) as part of the 415 km long interconnection line with Italy.

On 25 May, 12 municipalities, including the capital city Podgorica, will hold local elections based mostly on the new EU-backed electoral legislation.

The bankrupt aluminium firm KAP was divided into lots and offered for sale by the bankruptcy administrator. Final decisions are pending on a resolution by the Constitutional Court.

## Real sector

The strong growth acceleration in the last quarter of 2013 (by 4.7% y-o-y) confirmed a broader based recovery. Thus, the growth driving factors of the first three quarters of the year, namely the one-off effects from hydropower and agriculture production, the revival of construction as well as a resilient tourism sector, were strengthened by the contributions from transport services as well as some small industries, like in the pharmaceutical or furniture processing sectors. As a result, GDP expanded by 3.5% in 2013, or one percentage point above government projections. The

statistical office did not provide details on the expenditure components, but early indicators such as trade or retail sales, suggest the expansion of the economy was largely driven by stronger external demand, and to a lesser extent by private consumption and gross fixed capital formation, while public consumption recorded a marginal contraction in real terms.

In the first months of 2014, industrial production seems to consolidate despite the subdued metal manufacturing output and some statistical base effects resulting from the sharp increase of utilities a year ago. In February, industrial output decelerated to 5.7% y-o-y, down from 7.4% a month earlier. In the first two months of 2014, the annual decline in electricity and basic metals production was compensated by strong growth from mining and manufacturing, the latter driven by pharmaceuticals, food, beverages and mineral products. Despite some credit growth to households and higher tourist visits in January, retail sales contracted by 2% y-o-y, reflecting weak wage and employment dynamics.

## Labour market

The strong seasonal trend characteristic of the Montenegrin labour market was disrupted since 2013 summer. According to the Employment Agency, the unemployment rate reached 13% in the third quarter of 2013, presenting no gains compared to the average rate for the whole 2012 despite a good tourism season. The rate further increased to 15% in the last quarter of 2013 and in the first quarter of 2014. Since September 2013, employment has stagnated or recorded some marginal contraction, with only a few sectors, like real estate, construction and utilities recording some employment gains.

Weak labour conditions are having a downward pressure on wages. In 2013, nominal wages presented for a third year in a row frail growth rates below 1% y-o-y. Moreover, both January and February 2014 saw nominal wage drops by 0.7% y-o-y respectively.

## External sector

Despite some adjustment, external imbalances still remain large. In the last quarter of 2014, the trade deficit shrank to 40% of GDP, down from

44% a year before. Although, the services and income balances recorded improvement over the year, totalling surpluses of 18.4% and 2% of GDP respectively, the surplus from transfers shrank to 4% of GDP. Thanks to the decline of imports and the growth of exports, particularly from energy and tourism, the current account deficit narrowed to 14.6% of GDP in 2013, down from 18.7% a year earlier. In 2013, the current account deficit was largely financed by net FDI inflows (9.7% of GDP). Although portfolio investments and other investments net outflows totalled 2.4% of GDP, these were offset by positive transfers recorded under net errors and omissions (7.3% of GDP).

In the first two months of 2014, merchandise exports contracted sharply, replicating strong base effects from electricity production (-30% y-o-y), as well as a noticeable decline -by half- of basic metals sales due to the reconditioning of the steel mill and the unresolved situation of the aluminium conglomerate. The deterioration of the trade balance was cushioned during the same period by the decline of imports.

### Monetary developments

Consumer price inflation continued to decline to 0.3% in December 2013. This led to a fall in average inflation to 2.2% in 2013, down from 4.1% a year before. The strength of the euro, together with lower international prices and favourable weather conditions, has reduced imported inflation from energy and food. This trend has continued in the first two months of 2014 too, with prices declining in January and February by 0.4% and 0.6% y-o-y respectively.

### Financial sector

Deposit growth has strengthened since 2010, but it has not yet translated into a marked improvement of bank lending. Commercial banks deposits grew by 5.9% y-o-y in 2013, and maintained a similar pace of growth in the first two months of 2014 too, primarily driven by retail and corporates savings. Despite improved access to local funding by domestic banks and a recovery of lending in 2013 (recording average credit growth of 5.5% y-o-y), in February 2014 bank lending contracted (by 3.7% y-o-y) for a second month in a row. By sectors, credit to domestic private companies drove the decline despite positive lending growth rates for households, foreign and public companies.

Lending interest rates remain stubbornly high, reflecting high risk premia. In January 2014, the weighted average effective lending interest rate on loans up to one year eased to 9.55%, down by 12 basis points compared to December 2013. By contrast, rates on loans with a maturity above one year increased by 113 basis points to 10.32%.

Lending -in particular for corporates- remains constrained by the high level of non-performing loans (NPL) and risk aversion in the banking sector. At the end of February 2014, NPLs broadened to 18.5% of total loans, up from 17.7% a month earlier and 18.4% in December 2013. In the first two months of 2014, bank's capital grew by 6% y-o-y to EUR 417 million (or 12% of GDP).

The stock market presented mixed signs in February 2014. The bourse turnover recorded three-fold expansion y-o-y to EUR 3.8 million. By contrast, market capitalisation recorded 6% annual contraction, although improving from a 45% decline a year before. The MONEX20 index ended February 8.5% higher than a year earlier. In mid-march the companies Marina Bar and Railway Infrastructure (ZICG) replaced the aluminium firm KAP and Barska Plovidba in the MONEX20 index.

### Fiscal developments

As a result of budget consolidation efforts, the 2013 budget performance improved compared to a year before, despite the unplanned payment of substantial state guarantees, amounting to around 3% of GDP. Revenue measures included an increase in the personal income tax rate and in the standard VAT rate, while the stock of tax arrears was reduced by some 0.8% of GDP; leading to an increase in budget revenue by 9.3% y-o-y. On the expenditure side, a freeze of pension and public sector wages, as well as cuts in capital expenditure and transfers helped to bring the general government deficit in line with the target of 2.7% of GDP, compared to a deficit of 6% a year before, avoiding a budget revision during the year.

In 2013, the growth of public debt decelerated thanks to the lower budget deficit. However, the debt to GDP ratio increased by 2.5 ppt to 56.5%. Stock-flow adjustments from the activation of state guarantees contributed to the increase of both domestic and external indebtedness.

## TABLE

European Commission, ECFIN-D-1



## MONTENEGRO

							ECFIN Forecast							
		2009	2010	2011	2012	2013	2014	2015	Q3 13	Q4 13	Q1 14	Jan 14	Feb 14	Mar 14
<b>1 Real sector</b>														
Industrial confidence <sup>1.1</sup>	Balance	N.A.	N.A.	N.A.	N.A.	8.7	:	:	7.0	8.6	9.2	8.2	8.6	10.9
Industrial production <sup>1.2</sup>	Ann. % ch	-32.2	17.5	-10.3	-7.1	10.7	:	:	5.7	15.5	:	7.4	5.7	:
Gross domestic product <sup>1.3</sup>	Ann. % ch	-5.7	2.5	3.2	-2.5	3.5	2.7	3.0	4.0	4.7	:	N.A.	N.A.	N.A.
Private consumption <sup>1.4</sup>	Ann. % ch	-12.9	2.0	4.2	-3.2	:	2.0	2.5	:	:	:	N.A.	N.A.	N.A.
Gross fixed capital formation <sup>1.5</sup>	Ann. % ch	-30.1	-18.5	-10.3	-3.3	:	6.7	9.3	:	:	:	N.A.	N.A.	N.A.
Construction index <sup>1.6</sup>	Ann. % ch	-21.5	13.1	10.7	-13.2	9.7	:	:	3.8	28.0	:	N.A.	N.A.	N.A.
Retail sales <sup>1.7</sup>	Ann. % ch	-9.0	1.6	12.6	6.7	11.3	:	:	12.5	14.4	:	-1.9	:	:
<b>2 Labour market</b>														
Unemployment <sup>2.1</sup>	%	11.4	12.1	11.5	13.5	15.0	:	:	13.3	15.0	15.0	14.9	14.9	15.0
Employment <sup>2.2</sup>	Ann. % ch	4.8	-7.1	0.8	2.1	3.0	2.3	2.7	2.1	-0.2	:	0.1	0.9	:
Wages <sup>2.3</sup>	Ann. % ch	5.7	11.0	1.0	0.8	-0.2	1.4	1.8	0.0	0.7	:	-0.7	-0.7	:
<b>3 External sector</b>														
Exports of goods <sup>3.1</sup>	Ann. % ch	-34.2	20.3	33.6	-17.8	2.8	:	:	-4.0	-0.6	:	-19.4	-28.9	:
Imports of goods <sup>3.2</sup>	Ann. % ch	-34.6	0.9	9.2	-0.1	-2.7	:	:	-3.3	1.4	:	-24.7	-1.2	:
Trade balance* <sup>3.3</sup>	% of GDP	-44.3	-41.1	-40.4	-44.1	-39.9	-40.9	-41.9	-40.3	-39.9	:	N.A.	N.A.	N.A.
Exports goods and services <sup>3.4</sup>	% of GDP	32.1	34.7	42.8	44.1	43.8	:	:	43.6	43.8	:	N.A.	N.A.	N.A.
Imports goods and services <sup>3.5</sup>	% of GDP	65.4	63.1	64.9	68.8	64.3	:	:	64.4	64.3	:	N.A.	N.A.	N.A.
Current account balance* <sup>3.6</sup>	% of GDP	-27.9	-23.0	-17.7	-18.7	-14.6	-15.3	-15.8	-15.0	-14.6	:	N.A.	N.A.	N.A.
Direct investment (FDI, net)* <sup>3.7</sup>	% of GDP	35.8	17.5	12.0	14.7	9.7	:	:	12.6	9.7	:	N.A.	N.A.	N.A.
International reserves <sup>3.8</sup>	mio EUR	397.5	416.4	303.5	347.9	423.7	:	:	367.9	423.7	:	417.0	428.5	:
Int. reserves / months imp <sup>3.9</sup>	Ratio	2.9	3.0	2.0	2.3	2.9	:	:	2.5	2.9	:	2.9	2.9	:
<b>4 Monetary developments</b>														
CPI <sup>4.1</sup>	Ann. % ch	3.4	0.5	3.1	4.1	2.2	2.3	2.6	2.2	0.3	:	-0.4	-0.6	:
Producer prices <sup>4.2</sup>	Ann. % ch	-3.8	-0.7	3.2	1.9	1.7	:	:	-0.1	-0.9	:	-1.3	-1.2	:
Food prices <sup>4.3</sup>	Ann. % ch	3.3	0.3	2.8	4.2	4.0	:	:	5.0	-0.4	:	-0.9	-0.9	:
M21 <sup>4.4</sup>	Ann. % ch	:	:	:	:	:	:	:	:	:	:	:	:	:
Exchange rate EUR/EUR <sup>4.5</sup>	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 <sup>4.6</sup>	Index	N.A.	N.A.	N.A.	N.A.	N.A.	:	:	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
<b>5 Financial indicators</b>														
Interest rate (3 months) <sup>5.1</sup>	% p.a.	:	:	2.27	5.32	3.39	:	:	3.44	:	1.33	:	:	1.33
Bond yield <sup>5.2</sup>	% p.a.	3.63	3.37	2.45	4.75	3.19	:	:	3.51	2.24	1.72	1.82	1.85	1.49
Stock markets <sup>5.3</sup>	Index	13303	13993	11896	9091	9532	:	:	9364	9197	10295	10021	10390	10475
Credit growth <sup>5.4</sup>	Ann. % ch	-5.5	-4.8	-6.3	-0.7	3.1	:	:	4.6	3.1	:	-3.0	-3.7	:
Deposit growth <sup>5.5</sup>	Ann. % ch	-8.3	-1.9	1.5	9.0	5.9	:	:	8.6	5.9	:	6.4	5.6	:
Non-performing loans <sup>5.6</sup>	% of total	13.5	21.0	15.5	17.6	18.4	:	:	18.4	18.4	:	17.7	18.5	:
<b>6 Fiscal developments</b>														
General government balance <sup>6.1</sup>	% of GDP	-5.7	-4.9	-5.4	-6.1	-2.6	-2.5	-1.1	-5.5	-2.6	:	:	:	:
General government debt <sup>6.2</sup>	% of GDP	38.2	40.9	45.9	54.0	56.2	57.9	59.0	55.4	56.2	:	:	:	:

f: ECFIN forecast Winter 2014

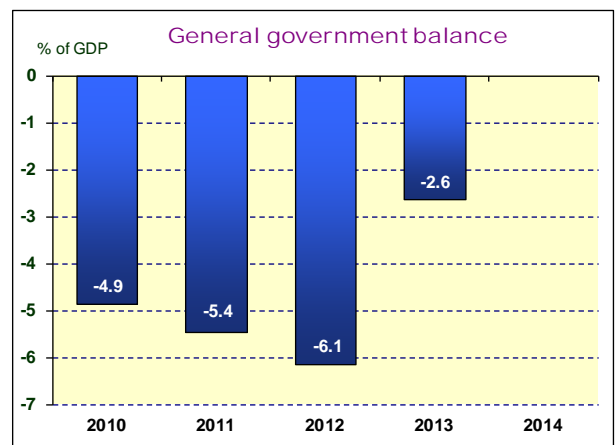
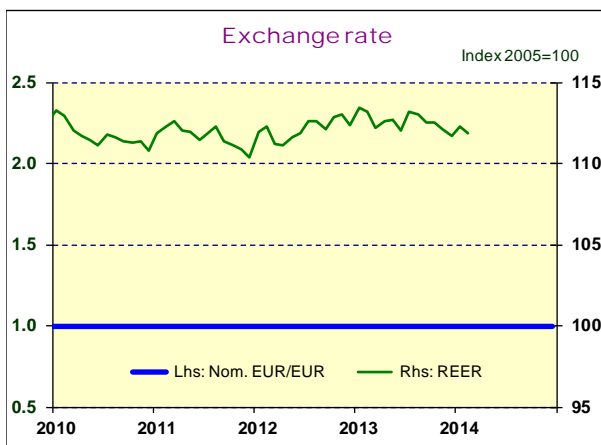
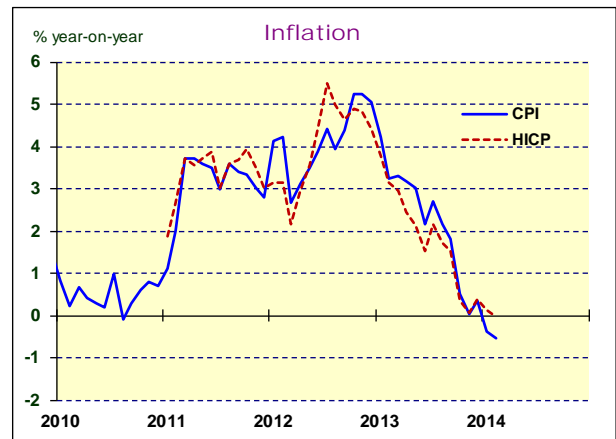
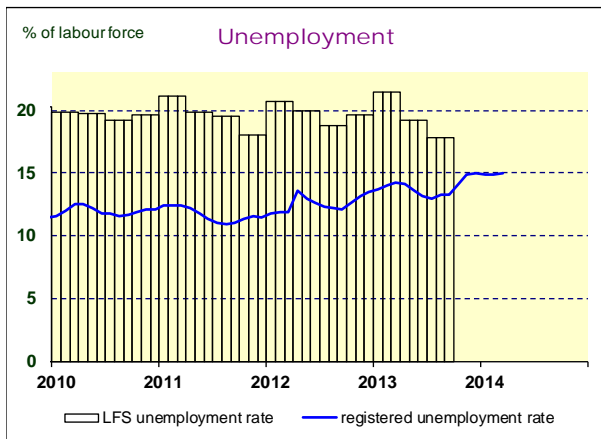
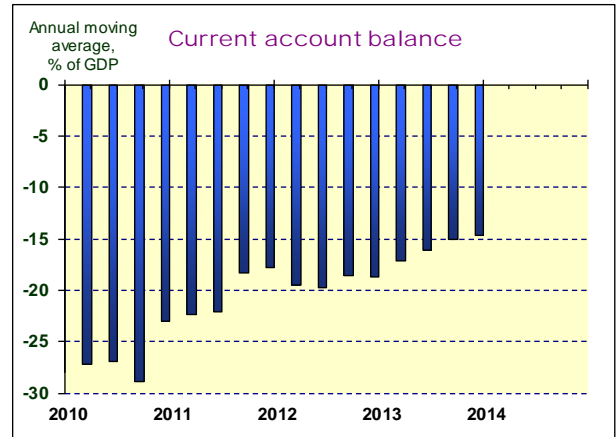
\* Q figures refer to a 4 quarters moving average.

# CHARTS

European Commission, ECFIN-D-1



## MONTENEGRO



## SERBIA



### Key developments

On 21 January, the EU held its first intergovernmental conference with Serbia, formally opening Serbia's accession negotiations.

On 24<sup>th</sup> January, the Serbian authorities submitted their Pre-Accession Economic Programme for 2014 – 2016 to the Commission. Its macroeconomic scenario is plausible, with real GDP growth averaging 1.6% per year over the period. The headline budget deficit is foreseen to be reduced strongly by 3.3 percentage points, to 2.3% of GDP by 2016.

The Serbian Progressive Party list won an absolute majority in the early parliamentary elections held on 16 March. It received 48.4% of all votes, gaining 158 seats in the 250-seat parliament. The socialist-led coalition came second with 13.5% and 44 mandates, followed by the Democratic party (19 mandates) and the New Democratic party (18 mandates). The early elections have delayed the adoption of key amendments to the laws dealing with bankruptcy, privatisation, labour market and construction permits.

### Real sector

GDP growth remained robust at 2.7% y-o-y in the fourth quarter. It continued to be driven predominantly by strong exports which grew by 16.7%. Unexpectedly, public and household consumption increased as well. Despite fiscal consolidation efforts and a nominal decline in spending on wages and salaries, government consumption grew by 1.0% y-o-y, boosted by higher expenditure on goods and services. In an overall gloomy employment situation, household consumption growth turned marginally positive at 0.2%, supported by a short-lived upswing in real wages. Thus, investments were the only contracting demand component, although their fall decelerated to -4.9% y-o-y.

The GDP growth of 2.5% in 2013 stood out above most expectations. It was driven exclusively by exports, which grew by 16.6% y-o-y. Despite the positive fourth quarter data, public and household consumption growth were negative for the year as whole at -1.7% and

-1.5%, respectively. Following a strong growth in 2012, gross capital formation marked a decline by -7.7% as government investment spending was cut by a third, bank lending contracted and foreign direct investments remained far below their potential. On the supply side, growth in 2013 was supported by a very strong performance of agriculture, rising by 20.2% y-o-y, while, in line with the fall in investments, construction dropped by 25.7%.

Judging by high-frequency indicators in the first two months of 2014, the uptick in domestic consumption in the last quarter of the previous year may have been only temporary. Following a spike in the autumn, the growth of retail trade turnover decelerated to 0.2% y-o-y in February. Industrial production growth has also trended downwards, reaching 1.1% y-o-y in February. Manufacturing, growing by 1.9% in the first two months of the year, continued to be supported by a good performance of the automotive industry, albeit far below its growth in the previous year.

### Labour market

According to the Labour Force Survey (LFS), the annual average unemployment decreased from 23.9% in 2012 to 22.1% in 2013, while the activity rate increased from 46.7% to 48.4%. LFS data contrast with those from the National employment service, which show a much lower and continuously falling number of employed. This difference could be partly explained by the high share of informal employment which, according to the LFS, increased from 17.5% in 2012 to 19.3% of total employment in 2013.

The annual average formal employment fell by 0.7% y-o-y in 2013, with the biggest contractions registered in other service activities and construction. Employment continued its steady decline in early 2014, while the number of registered unemployed increased by 0.4% y-o-y, reaching almost 794 thousand in February. Following a few months of real growth in the autumn, gross wages fell by 6.6% y-o-y in January and by 1.5% in February. The first two months saw pronounced decreases in real wages in administrative and support service activities, transportation, real estate, and wholesale and retail trade, while they increased significantly in the information and communication sector.

## External sector

Exports of goods increased by 25.6% in euro terms in 2013, supported mainly by the rapidly expanding automotive industry, and continued their robust performance in the first two months of 2014. In January-February, exports grew by 15.7% y-o-y, with strong and broad-based contributions from agriculture and manufacturing. Over the same period, imports remained subdued, growing by 1.3% y-o-y as low domestic demand suppressed the imports of consumer goods. Consequently, the trade deficit fell by almost a quarter y-o-y to EUR 596 million.

Favourable trade developments in 2013 have led to a 50% reduction in the current account deficit to EUR 1.6 billion or 4.9% of GDP. Surpluses in current transfers and services increased as well, fully compensating a higher deficit on the income account. Net foreign direct investments increased to around EUR 770 million, covering around half of the current account deficit. Other investment outflows intensified, as the central bank, commercial banks and corporates reduced their external liabilities. However, increased government external borrowing, due to the placement of two Eurobonds, boosted the reserves of the central bank by close to EUR 700 million for the year as whole.

## Monetary developments

After staying below the central bank tolerance band ( $4\pm 1.5\%$ ) in the last quarter of 2013, inflation accelerated only marginally and stood at 2.6% y-o-y in February. The increase of indirect taxation (the reduced VAT rate was raised from 8% to 10%, along with some excise hikes) in the beginning of 2014 had only a minor impact on headline inflation. Food prices, due to a very good agricultural season last year, a broadly stable exchange rate and weak domestic demand remained the main factors for the reduced inflationary pressure.

Quoting heightened volatility in the international financial markets, geopolitical turmoil and the Federal Reserve tapering of quantitative easing, the central bank has kept its key policy rate unchanged since the beginning of the year. Over the same period, in order to smoothen excessive daily volatility, the bank has intervened heavily on the foreign exchange market, selling some EUR 800 million. Nevertheless, its foreign reserves remained at a comfortable EUR 10.8 billion by the end of February, covering more

than seven months of imports of goods and services.

## Financial sector

Credit activity continued stagnating and lending to non-government sectors declined by a nominal 4.9% y-o-y by the end of February. The fall was mainly driven by shrinking company loans which fell by 10.4%, while lending to households gained some pace and increased by 5.1% y-o-y. Claims on government expanded as well, by 36.1%, and represented 19% of total domestic credit. Deposits growth stood positive at 2.5%, supporting further reorientation towards domestic financing, as commercial banks continued reducing their foreign liabilities. Due to the delicensing of one bank and the assignment of receivables to non-financial entities, the gross non-performing loans ratio decreased slightly to 20.7% in December.

In the end of January, the central bank decided to revoke the operating license of Univerzal banka and to appoint the Deposit Insurance Agency as its administrator. The bank held 1% of the total banking system assets and was the fourth in the last year and a half that saw its license revoked for failing to align its capital and performance ratios with the Law on banks.

## Fiscal developments

The budget deficit reached 5.0% of GDP in 2013, lower compared to the supplemental budget target of 5.3% of GDP and the 2012 deficit of 6.5% of GDP. Budget execution was marked by significant revenue underperformance and total revenue as a share to GDP fell by 1.4 percentage points to 40.6% of GDP. A revenue-poor structure of growth, based exclusively on exports, and lower-than-foreseen private consumption deflator were the main factors explaining this underperformance. The deficit was contained only by across-the-board cuts to current expenditure and investments, contributing almost equally to a 3.0 percentage point reduction in the total expenditure-to-GDP ratio to 45.6% of GDP.

By the end of February, general government revenue and expenditure grew at the same pace of 5.4% y-o-y. The budget deficit stood at RSD 23.3 billion or about 11% of the estimated annual target. Since the beginning of the year, government debt increased by EUR 257 million and reached EUR 20.9 billion or 64.2% of the estimated 2014 GDP.

## TABLE

European Commission, ECFIN-D-1



## SERBIA

		2009	2010	2011	2012	2013	ECFIN Forecast		Q3 13	Q4 13	Q1 14	Jan 14	Feb 14	Mar 14
							2014	2015						
<b>1 Real sector</b>														
Industrial confidence <sup>1.1</sup>	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 <sup>1.2</sup>	Ann. % ch	-12.4	3.1	2.0	-3.4	5.6	:	:	10.5	3.3	:	3.8	1.1	:
Gross domestic product <sup>1.3</sup>	Ann. % ch	-3.5	1.0	1.6	-1.5	2.5	1.3	2.2	-3.8	2.7	:	N.A.	N.A.	N.A.
Private consumption <sup>1.4</sup>	Ann. % ch	-2.7	-1.0	-1.2	-1.9	-1.5	-0.7	0.1	-2.5	0.2	:	N.A.	N.A.	N.A.
Gross fixed capital formation <sup>1.5</sup>	Ann. % ch	-22.1	-5.5	8.4	14.4	-7.7	6.7	11.2	-9.4	-4.9	:	N.A.	N.A.	N.A.
Construction index <sup>1.6</sup>	Ann. % ch	:	13.6	28.6	-14.6	-23.8	:	:	-19.3	20.3	:	N.A.	N.A.	N.A.
Retail sales <sup>1.7</sup>	Ann. % ch	-11.4	-0.7	-14.6	-3.9	-5.3	:	:	-5.7	1.3	:	0.6	0.2	:
<b>2 Labour market</b>														
Unemployment <sup>2.1</sup>	%	16.1	19.2	23.0	23.9	22.1	22.3	21.4	:	20.1	:	N.A.	N.A.	N.A.
Employment <sup>2.2</sup>	Ann. % ch	-6.1	-3.6	-3.1	-1.1	-1.0	0.0	0.8	-1.2	-1.2	:	-1.4	:	:
Wages <sup>2.3</sup>	Ann. % ch	1.0	7.4	11.1	9.0	5.7	:	:	5.9	5.0	:	-3.7	1.1	:
<b>3 External sector</b>														
Exports of goods <sup>3.1</sup>	Ann. % ch	-19.4	24.0	14.0	3.2	25.7	:	:	39.2	21.9	:	:	:	:
Imports of goods <sup>3.2</sup>	Ann. % ch	-31.4	9.8	14.8	3.0	5.1	:	:	10.6	6.3	:	:	:	:
Trade balance* <sup>3.3</sup>	% of GDP	-17.1	-16.4	-16.9	-18.5	-12.4	-11.9	-11.8	-13.5	-12.4	:	N.A.	N.A.	N.A.
Exports goods and services <sup>3.4</sup>	% of GDP	29.3	36.2	36.5	40.0	45.0	:	:	43.6	45.0	:	N.A.	N.A.	N.A.
Imports goods and services <sup>3.5</sup>	% of GDP	46.3	52.5	52.9	57.9	56.4	:	:	56.2	56.4	:	N.A.	N.A.	N.A.
Current account balance* <sup>3.6</sup>	% of GDP	-6.6	-6.9	-9.2	-10.8	-4.9	-4.7	-4.8	-5.5	-4.9	:	N.A.	N.A.	N.A.
Direct investment (FDI, net)* <sup>3.7</sup>	% of GDP	4.7	3.1	5.8	0.8	2.4	:	:	2.5	2.4	:	N.A.	N.A.	N.A.
International reserves <sup>3.8</sup>	mio EUR	10 601.9	10 001.6	12 058.2	10 914.7	11 188.8	:	:	10 444.4	11 188.8	:	11 126.3	10 831.9	:
Int. reserves / months imp <sup>3.9</sup>	Ratio	11.6	10.0	10.5	9.2	9.0	:	:	8.5	9.0	:	:	:	:
<b>4 Monetary developments</b>														
CPI <sup>4.1</sup>	Ann. % ch	6.6	10.2	7.0	12.2	2.2	4.3	5.0	4.9	2.2	:	3.1	2.6	:
Producer prices <sup>4.2</sup>	Ann. % ch	7.4	16.2	9.7	6.4	0.8	:	:	1.6	0.8	:	-0.2	-0.2	:
Food prices <sup>4.3</sup>	Ann. % ch	0.8	10.6	6.4	15.4	-2.5	:	:	0.4	-2.5	:	-1.6	-1.6	:
M3 <sup>4.4</sup>	Ann. % ch	21.5	12.9	10.3	9.4	4.6	:	:	6.1	4.6	:	6.3	4.0	:
Exchange rate RSD/EUR <sup>4.5</sup>	Value	93.94	102.90	101.96	113.01	113.09	:	:	114.19	114.32	115.75	115.50	115.90	115.84
Nominal eff. exchange rate <sup>4.6</sup>	Index	89.6	79.3	81.8	74.1	74.0	:	:	73.7	74.0	73.4	73.4	73.2	73.4
<b>5 Financial indicators</b>														
Interest rate (3 months) <sup>5.1</sup>	% p.a.	13.40	10.85	12.56	12.50	9.49	:	:	9.31	:	:	7.91	7.50	:
Bond yield (12 months) <sup>5.2</sup>	% p.a.	11.86	10.60	12.90	13.04	10.67	:	:	:	:	:	8.98	:	:
Stock markets <sup>5.3</sup>	Index	1 197	1 283	1 371	932	1 035	:	:	997	1 059	1 124	1 120	1 126	1 125
Credit growth <sup>5.4</sup>	Ann. % ch	21.4	32.3	5.5	12.9	-6.5	:	:	-6.8	:	:	-6.2	0.1	:
Deposit growth <sup>5.5</sup>	Ann. % ch	23.6	14.4	9.2	10.4	3.3	:	:	5.9	3.3	:	4.8	2.5	:
Non-performing loans <sup>5.6</sup>	% total	15.7	16.9	19.0	18.6	:	:	:	21.1	:	:	N.A.	N.A.	N.A.
<b>6 Fiscal developments</b>														
General government balance* <sup>6.1</sup>	% of GDP	-4.5	-4.7	-4.9	-6.5	-5.0	-5.9	-5.2	-5.9	-5.0	:	N.A.	N.A.	N.A.
General government debt <sup>6.2</sup>	% of GDP	34.0	43.4	46.0	59.6	62.8	70.0	72.8	60.5	62.8	:	N.A.	N.A.	N.A.

f: ECFIN forecast Winter 2014

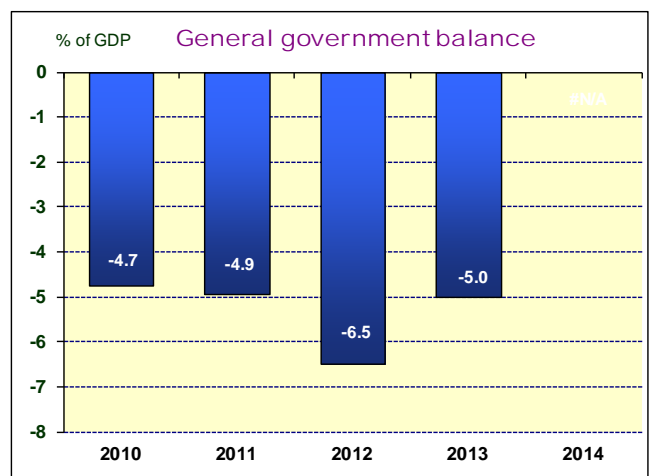
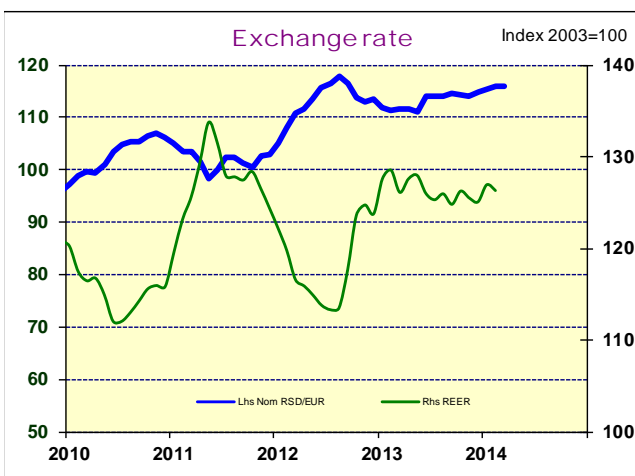
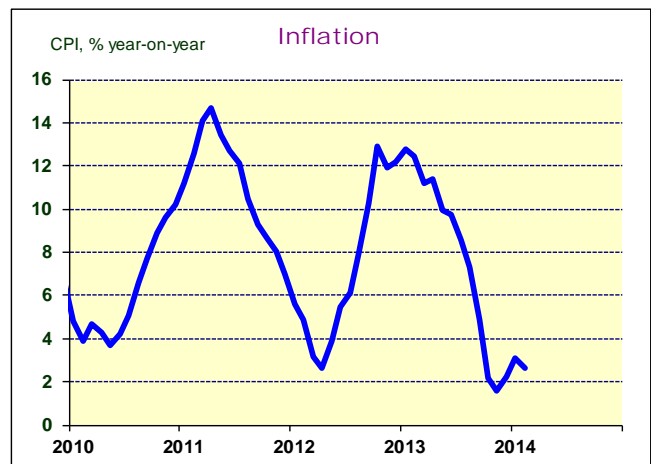
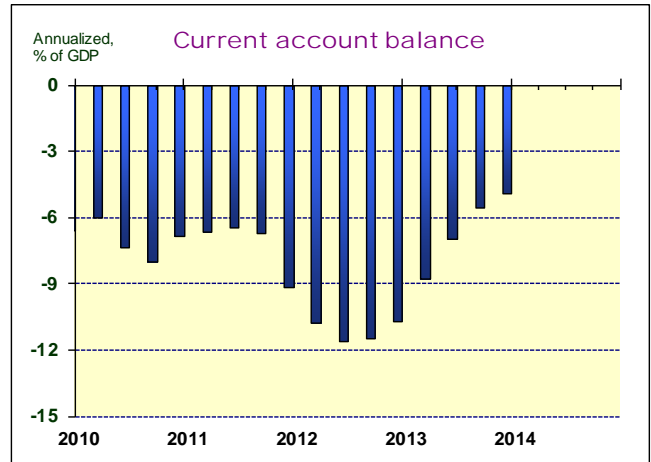
\* Q figures refer to a 4 quarters moving average.

# CHARTS

European Commission, ECFIN-D-1



## SERBIA







### Key developments

The Turkish government submitted its 13th Pre-Accession Economic Programme (PEP) covering the years 2014-2016 to the European Commission on 27 February. The programme projects real GDP growth of 4% in 2014 and 5% in both 2015 and 2016. Inflation and unemployment are projected to fall gradually to, respectively, 5% and 9%. The current account deficit and the fiscal deficit of general government are projected to narrow moderately.

Turkey's financial markets and the lira were facing a sharp sell-off in the first weeks of the year which prompted the central bank to tighten monetary policy significantly on 28 January. Financial markets have subsequently stabilised and the lira has regained ground in the foreign exchange market.

### Real Sector

Real GDP in the fourth quarter of 2013 was 4.4% higher year-on-year, i.e. an almost unchanged rate from the two preceding quarters. In seasonally adjusted quarter-on-quarter terms, however, GDP growth declined from 2.0% in the second quarter to 0.8% in third and 0.5% in the fourth. Due to the strong expansion in the first half of 2013, annual GDP growth registered 4.0%, up from 2.1% in 2012.

Considering the components of fourth quarter GDP growth in year-on-year terms, it is particularly noteworthy that consumer spending remained strong with 5.3% growth and that private investment accelerated to 4.9% growth. Final domestic demand was the driving force behind the 4.4% overall growth rate with a 6 percentage point (pp) contribution. Consumer spending alone stood for 3.5 pp, while public consumption and overall fixed investment contributed with 0.9 and 1.6 pp, respectively. Net exports continued to subtract heavily from growth (-3 pp), as import and export growth rates remained distorted by the huge volume of and the swings in non-monetary gold trade.

Stock adjustments, which are also influenced by the gold trade with Iran, added 1.4 pp to growth.

The available data for the first quarter provide a mixed picture about the strength of economic activity. Industrial production showed a remarkable increase in January, even when taking into account a base effect. On the other hand, more recent data on capacity utilisation in manufacturing industry show a gradual decline during the quarter to the lowest level in a year. Consumer confidence was clearly below the 2013-level in the quarter and the sales of appliances and automobiles have been falling. The manufacturing PMI fell from 53.5 in December to 51.7 in March, the lowest level since last August, but still in expansionary territory. Business sentiment improved in February and March to a quite optimistic level of 108.6 following four consecutive monthly declines.

The foreign trade data for January and February indicate a recovery for goods export. The level of nominal goods exports in January and February was 6.5% above the fourth quarter (in seasonally and calendar adjusted terms). On a year-on-year basis, the value of goods exports was up by 7.2%. Exports to the EU were 10.4% higher and their share in total exports increased by 1.2 percentage points year-on-year to 42.8%. The level of nominal goods imports in January and February was 2.7% below the fourth quarter. On a year-on-year basis, the value of goods imports fell by 1.7% which is fully accounted for by declining gold imports.

### Labour market

Following stagnation in the third quarter in seasonally adjusted terms, employment picked up in the fourth quarter and was 2.0% higher year-on-year in December. Since the labour force increased by almost as much (1.9%) over the same period, the unemployment rate (national definition) declined by only 0.1 percentage point to 10.0% in December 2013. The labour force participation rate (50.1%) remained practically unchanged year-on-year.

The hourly labour cost index increased by 14.1% year-on-year in the fourth quarter which is the highest growth rate in the past four years.

### External sector

The current account deficit widened to USD 65.0 billion in 2013 (7.9% of GDP) from USD 48.5 billion in 2012 (6.1% of GDP). The worsening deficit is due to a turnaround in Turkey's external trade in non-monetary gold from a USD 5.7 billion surplus in 2012 to a USD 11.5 billion deficit in 2013.

A relatively small share of the current account deficit was financed with net inflows of foreign direct investments (14.7%). Net portfolio investments covered twice as much (28.3%) of the deficit and most of the remainder (47.0%) was met by banks' foreign borrowing. Gross external debt increased by USD 50 billion in the course of 2013 to USD 388 billion which corresponds to 53% of GDP at the year-end exchange rate.

### Monetary developments

Headline inflation increased from 7.4% in December to 8.4% in March and core inflation indicators also continued their uptrend. Unprocessed food prices and the pass-through from currency weakness have been the strongest inflationary forces in recent months. Inflation expectations for a 12-month horizon increased by 0.6 percentage points in the first quarter.

The depreciation pressure on the Turkish lira, which had re-started after the the launch of a wide-ranging corruption investigation by judiciary and police on 17 December, intensified in early 2014. The currency lost 7.2% of its value against the euro between the end of December and 24 January when the euro shortly reached the historical high value of 3.19 lira. In addition to its frequent foreign currency selling auctions, the central bank intervened directly in the exchange market on 23 January, selling USD 3.1 billion, its first such intervention in two years. At an extraordinary meeting of its Monetary Policy Committee on 28 January, the central bank took more aggressive action against market developments with significant interest rate hikes. Most notably, the overnight lending rate was raised from 7.75% to 12% and the one-week repo rate was raised from 4.5% to 10%. Effectively, the short-term funding cost for banks was raised by about 2.25 percentage

points with these measures. The central bank signalled that it would maintain a tight monetary policy stance until the inflation outlook had improved significantly. Subsequently, the lira, as well as stock and bond prices, first stabilised and then strengthened. For the quarter as a whole, the lira only lost 0.3% of its value against the euro. On a year-on-year basis, the lira was 21.8% lower against the euro on 31 March.

Although year-on-year credit growth has remained above 30% in the first quarter, it has slowed considerably on a sequential (week-to-week) basis in response to monetary policy tightening and recent macroprudential measures. The slowdown can be attributed to consumer loans whereas commercial loans continued to expand at a robust pace.

### Financial sector

The main stock index of the Borsa Istanbul Stock fell by 8.8% in January. Subsequently, the stock market was relatively calm until the index surged in the last week of March. Over the quarter as a whole, the index mustered a 2.9% gain. The yield on the benchmark 2-year government note increased from 10.1% to 10.8% over the quarter, after having been in the 11-12% range for much of the time.

The banking sector's net profits increased by 5.1% in 2013, but showed a 44% year-on-year drop in January. The portfolio of non-performing loans remained stable at 2.7-2.8% of total loans into March 2014. The capital adequacy ratio of banks has continued to trend downwards, standing at 15.1% at the end of January compared to 17.8% one year earlier.

### Fiscal developments

The central government's budget deficit was lower than originally planned in 2013. The original budget operated with an unambitious deficit target of 2.2% of GDP, but this was revised to 1.2% last October which was also realised according to current data. Expenditures increased by 12.7% year-on-year, clearly above nominal GDP growth (10.2%) and with some significant budgetary overruns, not least on capital spending. Revenues increased by a stronger-than-planned 17.1%.

In January 2014, budget performance has weakened. Expenditures were 16.4% higher year-on-year driven by salaries and transfer payments. Revenues increased by only 2.8% due to much lower privatisation receipts.

## TABLE



## TURKEY

European Commission, ECFIN-D-1

		2009	2010	2011	2012	2013	ECFIN Forecast		Q3 13	Q4 13	Q1 14	Jan 14	Feb 14	Mar 14
							2014	2015						
<b>1 Real sector</b>														
Industrial confidence <sup>1.1</sup>	Balance	87.3	110.3	110.5	106.3	108.1	:	:	108.2	104.7	104.9	101.4	104.6	108.6
Industrial production <sup>1.2</sup>	Ann. % ch	-9.9	12.8	10.1	2.5	3.0	:	:	3.9	3.8	:	7.2	:	:
Gross domestic product <sup>1.3</sup>	Ann. % ch	-4.8	9.2	8.8	2.1	4.0	2.5	3.0	4.3	4.4	:	N.A.	N.A.	N.A.
Private consumption <sup>1.4</sup>	Ann. % ch	-2.3	6.7	7.7	-0.5	4.6	0.0	1.2	4.7	5.3	:	N.A.	N.A.	N.A.
Gross fixed capital formation <sup>1.5</sup>	Ann. % ch	-19.0	30.5	18.0	-2.7	4.3	1.3	3.0	6.0	6.4	:	N.A.	N.A.	N.A.
Construction index <sup>1.6</sup>	Ann. % ch	-7.9	77.4	-16.2	29.0	16.4	:	:	24.7	19.4	:	N.A.	N.A.	N.A.
Retail sales <sup>1.7</sup>	Ann. % ch	N.A.	N.A.	N.A.	N.A.	N.A.	:	:	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
<b>2 Labour market</b>														
Unemployment <sup>2.1</sup>	%	14.0	11.9	9.8	9.2	9.7	10.5	10.4	9.7	9.9	:	:	:	:
Employment <sup>2.2</sup>	Ann. % ch	0.5	6.2	6.5	3.2	2.8	2.0	2.7	2.0	1.0	:	:	:	:
Wages <sup>2.3</sup>	Ann. % ch	9.9	11.8	9.7	11.5	12.4	7.8	8.1	12.7	14.6	:	:	:	:
<b>3 External sector</b>														
Exports of goods <sup>3.1</sup>	Ann. % ch	-22.6	11.5	18.5	13.0	-0.4	:	:	-3.6	-0.3	:	8.4	6.2	:
Imports of goods <sup>3.2</sup>	Ann. % ch	-30.2	31.7	29.8	-1.8	6.4	:	:	3.7	7.5	:	2.6	-5.9	:
Trade balance* <sup>3.3</sup>	% of GDP	-4.0	-7.7	-11.5	-8.3	-9.7	-8.8	-6.8	-9.1	-9.7	:	N.A.	N.A.	N.A.
Exports goods and services <sup>3.4</sup>	% of GDP	23.3	21.2	24.0	26.3	25.7	:	:	25.6	25.7	:	N.A.	N.A.	N.A.
Imports goods and services <sup>3.5</sup>	% of GDP	24.4	26.8	32.6	31.5	32.3	:	:	31.6	32.3	:	N.A.	N.A.	N.A.
Current account balance* <sup>3.6</sup>	% of GDP	-2.0	-6.2	-9.7	-6.1	-7.9	-6.5	-4.4	-7.2	-7.9	:	N.A.	N.A.	N.A.
Direct investment (FDI, net)* <sup>3.7</sup>	% of GDP	1.2	1.0	1.8	1.2	1.2	:	:	1.0	1.2	:	N.A.	N.A.	N.A.
International reserves <sup>3.8</sup>	bio EUR	76.8	83.2	83.9	104.8	107.9	:	:	109.6	107.9	:	104.1	:	:
Int. reserves / months Imp <sup>3.9</sup>	Ratio	9.1	7.1	5.8	6.8	6.8	:	:	7.0	6.8	:	6.6	:	:
<b>4 Monetary developments</b>														
CPI <sup>4.1</sup>	Ann. % ch	6.3	8.6	6.5	8.9	7.5	8.7	7.4	8.3	7.5	8.0	7.8	7.9	8.4
Producer prices <sup>4.2</sup>	Ann. % ch	1.2	8.5	11.1	6.1	4.5	:	:	6.4	6.5	:	10.7	12.4	:
Food prices <sup>4.3</sup>	Ann. % ch	8.0	10.6	6.2	8.4	9.1	:	:	10.5	10.2	:	10.9	10.1	:
M4 <sup>4.4</sup>	Ann. % ch	17.6	15.2	19.6	8.6	18.9	:	:	21.1	21.3	:	20.7	21.7	:
Exchange rate TRY/EUR <sup>4.5</sup>	Value	2.16	1.99	2.33	2.31	2.53	:	:	2.61	2.76	3.04	3.02	3.02	3.07
Nominal eff. exchange rate <sup>4.6</sup>	Index	82.77	86.24	74.13	72.43	:	:	:	:	:	:	:	:	:
<b>5 Financial indicators</b>														
Interest rate (3 months) <sup>5.1</sup>	% p.a.	9.06	7.18	8.34	8.44	6.60	:	:	7.57	7.65	10.66	9.14	11.09	11.74
Interest rate, long term <sup>5.2</sup>	% p.a.	17.20	14.99	14.19	16.03	15.31	:	:	15.16	14.54	:	15.70	16.14	:
Stock markets <sup>5.3</sup>	Index	137 518	59 484	60 751	63 731	77 977	:	:	72 934	74 272	64 722	166 002	63 516	64 647
Credit growth <sup>5.4</sup>	Ann. % ch	9.7	40.8	35.2	18.6	33.4	:	:	32.2	33.4	:	35.9	35.0	:
Deposit growth <sup>5.5</sup>	Ann. % ch	18.3	16.6	20.3	10.8	20.4	:	:	22.2	24.2	24.2	24.1	24.6	24.0
Non-performing loans <sup>5.6</sup>	% total	6.0	5.4	3.4	3.0	3.0	:	:	2.9	2.9	2.9	2.9	2.9	2.9
<b>6 Fiscal developments</b>														
General government balance <sup>6.1</sup>	% of GDP	-6.5	-2.9	-0.8	-1.5	-1.6	-2.9	-2.5	-0.6	-1.3	:	N.A.	N.A.	N.A.
General government debt <sup>6.2</sup>	% of GDP	46.0	42.3	39.1	36.2	36.3	36.7	36.2	:	:	:	N.A.	N.A.	N.A.

f: ECFIN forecast Winter 2014

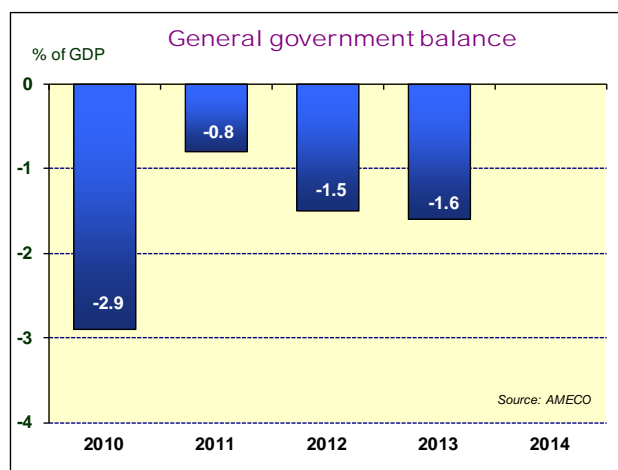
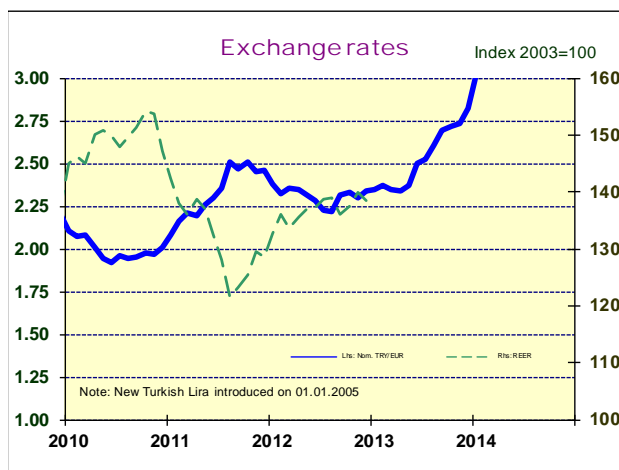
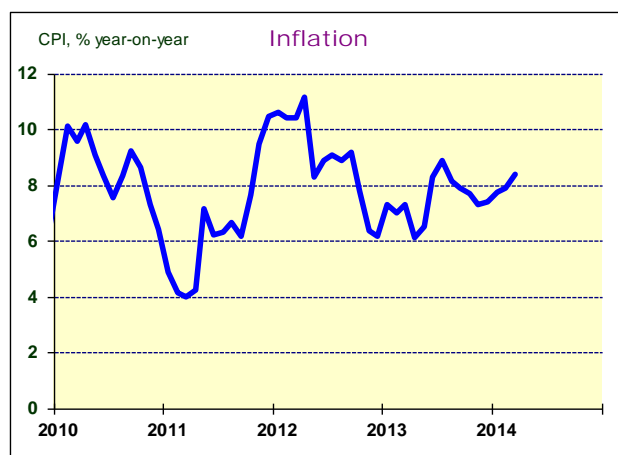
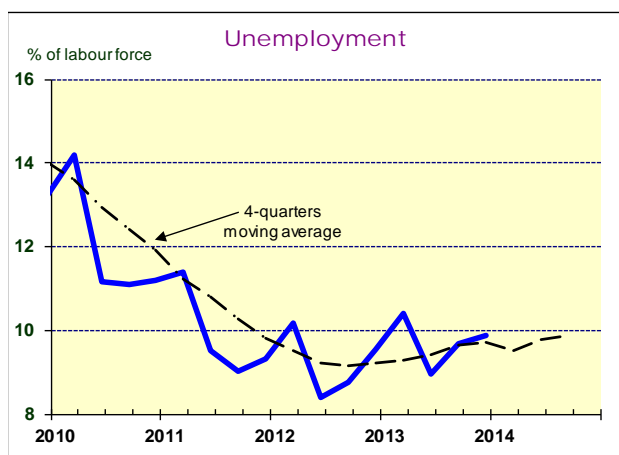
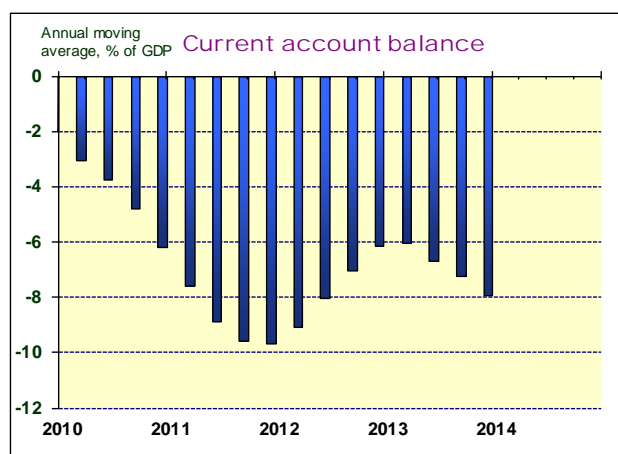
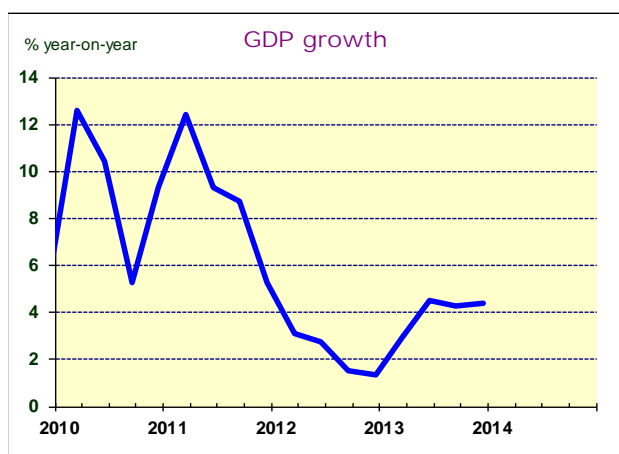
\* Q figures refer to a 4 quarters moving average.

## CHARTS



European Commission, ECFIN-D-1

### TURKEY





## Key developments

On 31 January, Albania submitted to the Commission its annual Economic and Fiscal Programme (EFP) for the period 2014-2016. The EFP projects economic growth to accelerate from 2.1% in 2014 to 4.2% in 2016 on the back of strengthening consumption and private investment that should receive support from the clearance of large accumulated government arrears, worth 5.3% of GDP. The budget deficit is forecast to shrink from 6.5% of GDP in 2014 to 3.4% in 2016 as economic growth picks up and the budgetary impact of the arrears clearance recedes. The EFP expects public debt to peak at 72.1% of GDP in 2014.

On 28 February, the Executive Board of the IMF approved a 36-month EUR 330.9 million arrangement under the Extended-Fund Facility (EFF) for Albania in support of the authorities' reform programme. The IMF underlined that high public indebtedness calls for fiscal consolidation that aims to lower the public debt ratio to below 60% of GDP in the medium term.

The assessment of the stability of Albania's financial system, conducted jointly by the IMF and the World Bank, concluded that although capital buffers are sizeable, vulnerabilities stem from banks holding large amounts of government bonds, a rapid increase of nonperforming loans (NPLs) as well as high financial euroization.

## Real sector

In the fourth quarter, economic growth recovered somewhat to 1.1% year-on-year from the 2.5% decline recorded in the previous three months. Agriculture grew by a modest 1.2%, but industry bounced back (+7.2%) on the back of a revival in manufacturing activity (+7.8%), whereas construction also experienced positive annual growth (+3.7%) for only the second time in the last two years. Services contracted for the third consecutive quarter (-1.2%) on account of a staggering fall in transport (-27.9%) which outweighed growth in trade, hotels and restaurants (+3.1%) as well as in post and communication (+8.4%). For the year as a whole, economic growth is estimated at a meagre 0.4%.

## Labour market

Unemployment figures based on labour force surveys are now published quarterly. The latest data from the fourth quarter of 2013 show, in contrast with administrative data but in line with the prevailing economic conditions, an increase in the unemployment rate to 17% from 14.4% a year earlier.

Following a series of slight increase in the preceding quarters, the number of employed persons declined by 4.5% year-on-year in the fourth quarter on account of a 15% drop in estimated agricultural employment, whose impact outweighed the 12% rise in declared private non-agricultural jobs. Agriculture however remains the biggest employer in the economy.

## External sector

In the last three months of 2013 the current account deficit widened by 37% year-on-year. The merchandise trade deficit, which had been improving for six consecutive quarters worsened by 7% on an annual basis as growth in exports of goods decelerated to single-digit level (+9.6% year-on-year) while imports of goods picked up (+8.5%) following contraction in the previous four quarters. The merchandise trade balance deterioration outweighed the improvement in the services account, which posted a surplus. Another major factor behind the larger external gap is the decrease in current transfer surplus due to the continuing trend toward lower remittances from migrant workers (-19%).

In 2013 as a whole, the current account deficit increased by 5% to EUR 1,026 million or 10.6% of GDP, up from 10.3% of GDP in 2012. Although the still substantial trade deficit narrowed by some 14% on the back of a 13% growth in exports of goods and a 2% fall in merchandise imports, the traditional surplus on the services account practically disappeared as tourism outflows surpassed shrinking inflows. The current transfer surplus also declined substantially (-20%) thanks to a large drop in remittances (-26%) whose level was 47% below their peak in 2007.

FDI inflows were strong in 2013 at EUR 923 million, posting an annual increase of 39%. The

overall balance of payments was positive; as a result, official reserves increased and at year-end covered 4.6 months of imports.

Following a 3.2% annual increase, the stock of gross external debt stood at EUR 5.69 billion in the fourth quarter, or 59% of projected full-year GDP. Around 40% of it consists of government long-term borrowing.

### Monetary developments

Weak aggregate demand, low imported inflation and subdued inflation expectations continued to dampen price rises. The rate of annual consumer price inflation remained unchanged at 1.5% in the fourth quarter, undershooting the lower limit of the central bank target range of 2%-4%. Unprocessed food continued to account for the bulk of inflation, while housing also had a slight positive contribution, overturning the four quarter-long trend of negative rates. Other items had negligible impact on the inflation rate. Inflation continued to hover below 2% in January and February.

In the context of low inflation and a weak economy, the Bank of Albania (BoA) continued its accommodative path and cut in February the policy rate by 25 bps down to a historic low of 2.75%.

Despite repeated cuts in the policy rate, the Albanian lek (ALL) remained stable in the first three months on a quarterly basis and depreciated only slightly (by 0.5%) in annual terms against the euro.

### Financial sector

The transmission of the monetary policy easing to the economy continued to be constrained by high risk premia applied by banks and low levels of crediting.

The average interest rate on new ALL loans decreased to 9.14% in February, down by 0.15 percentage points from the fourth quarter's average. The downtrend remained more pronounced in the 12-month ALL deposit rate which fell from 2.68% in the fourth quarter to 2.46% in February.

In the fourth quarter, the level of non-performing loans (NPLs) declined by more than a percentage point from the previous three months, which signals that the peak might have been reached. However, NPLs remain very high at 23.2% of total loans, constituting one of the main factors behind continuing tight lending standards which became even more stringent for

businesses. On the other hand, lending standards eased somewhat for households.

Reflecting both supply and demand factors, the stock of outstanding loans shrank by 2.0% year-on-year in the fourth quarter, accelerating from a 1.2% drop in the previous three months. The decline continued in January (-1.2%) and February (-2.0%). The shift towards local currency lending continued as the stock of ALL-denominated credits increased whereas foreign currency loans, which still make up 59.9% of the total, shrank.

The capital adequacy ratio of the banking sector as a whole increased further to 18% in the fourth quarter from 17.8% in the previous three months.

### Fiscal developments

Due to a surge in VAT and excise revenues at the end of the year, which might have been related to the anticipation of tax changes taking effect in 2014, and thanks to the curbing of capital expenditure, the eventual budget deficit in 2013 was 4.8% of GDP. It was thus somewhat better than the revised target of 6.2% from October, but exceeded the initial target of 3.5%. Total revenues fell 0.5% year-on-year and were 8.9% lower than initially planned, continuing their decline as a share of GDP from 26.6% in 2010 to 24.2% in 2013. Revenue from VAT, the largest item on the revenue side, dropped by 3.1% compared with 2012 and was 12% less than anticipated in the initial budget. In terms of expenditure, efforts to contain the budget shortfall focused again on cutting capital spending, which, after a substantial tightening in the second half of the year, ended up 7.8% lower than initially planned, although it did increase marginally as a share of GDP (to 4.8%). Total expenditure-to-GDP increased from 28.6% in 2012 to 29% in 2013.

In the first two months of 2014, total revenues increased by 4.9% year-on-year, driven by a 17.5% surge in VAT receipts which partly resulted from efforts aimed at broadening the tax base. Total expenditures declined by an annualised 9% in the same period as a result of a 71.9% cut in capital spending. The budget deficit in the first two months thus improved by 82.3% compared with the same period a year earlier. However, the payment of arrears, which will substantially boost spending, did not start during this period.

Public debt continued to rise in the last quarter of 2013, reaching an estimated 65.2% of GDP (without the accumulated arrears).

## TABLE

European Commission, ECFIN-D-1



## ALBANIA

		2009	2010	2011	2012	2013	Q3 13	Q4 13	Q1 14	Jan 14	Feb 14	Mar 14
<b>1 Real sector</b>												
Industrial confidence <sup>1.1</sup>	Percent	-12.1	-5.4	-3.1	-10.6	-9.5	-9.8	-8.2	:	N.A.	N.A.	N.A.
Industrial production <sup>1.2</sup>	Ann. % ch	-1.2	19.9	-10.2	16.6	-13.1	-20.3	-12.5	:	N.A.	N.A.	N.A.
Gross domestic product <sup>1.3</sup>	Ann. % ch	3.3	3.8	3.1	1.3e	0.4e	-2.5	1.1	:	N.A.	N.A.	N.A.
Private consumption <sup>1.4</sup>	Ann. % ch	6.2	5.7	7.2	8.0	3.1	:	:	:	N.A.	N.A.	N.A.
Gross fixed capital formation <sup>1.5</sup>	Ann. % ch	-2.3	-1.3	4.2	-4.7	3.7	:	:	:	N.A.	N.A.	N.A.
Construction index <sup>1.6</sup>	Ann. % ch	0.0	0.3	0.5	0.6	1.0	0.5	1.2	:	N.A.	N.A.	N.A.
Retail sales <sup>1.7</sup>	Ann. % ch	1.4	-1.2	-4.0	-0.7	5.3	2.9	0.5	:	:	:	:
<b>2 Labour market</b>												
Unemployment <sup>2.1</sup>	%	13.6	13.7	13.4	13.9	16.0	16.9	17.0	:	N.A.	N.A.	N.A.
Employment <sup>2.2</sup>	Ann. % ch	-5.9	-0.1	2.3	3.6	-0.3	0.5	-4.5	:	N.A.	N.A.	N.A.
Wages <sup>2.3</sup>	Ann. % ch	11.9	6.7	7.0	7.3	4.1	2.6	2.1	:	N.A.	N.A.	N.A.
<b>3 External sector</b>												
Exports of goods <sup>3.1</sup>	Ann. % ch	-11.8	62.5	22.2	7.6	14.5	14.9	9.6	:	:	:	:
Imports of goods <sup>3.2</sup>	Ann. % ch	-1.8	10.9	14.2	-4.3	-0.9	-3.6	8.5	:	:	:	:
Trade balance* <sup>3.3</sup>	% of GDP	-26.5	-23.5	-24.5	-20.6	-17.9	-17.7	-18.0	:	N.A.	N.A.	N.A.
Exports goods and services <sup>3.4</sup>	% of GDP	29.1	32.9	34.5	33.0	35.1	33.9	35.0	:	N.A.	N.A.	N.A.
Imports goods and services <sup>3.5</sup>	% of GDP	53.6	53.7	57.6	51.5	52.9	51.4	52.8	:	N.A.	N.A.	N.A.
Current account balance* <sup>3.6</sup>	% of GDP	-15.3	-11.5	-13.4	-10.1	-10.6	-9.9	-10.6	:	N.A.	N.A.	N.A.
Direct investment (FDI, net)* <sup>3.7</sup>	% of GDP	7.7	9.4	6.7	6.7	9.2	9.2	9.2	:	N.A.	N.A.	N.A.
International reserves <sup>3.8</sup>	mio EUR	1563.5	1821.4	1848.6	1907.7	1955.7	1983.8	1955.7	:	1959.4	1928.8	:
Int. reserves / months Imp <sup>3.9</sup>	Ratio	6.1	6.7	6.1	6.5	6.8	7.0	6.8	:	:	:	:
<b>4 Monetary developments</b>												
CPI <sup>4.1</sup>	Ann. % ch	2.3	3.6	3.5	2.0	1.9	1.5	1.5	:	1.7	1.9	:
Producer prices <sup>4.2</sup>	Ann. % ch	-1.7	0.3	2.6	1.1	-0.4	0.0	0.1	:	:	:	:
Food prices <sup>4.3</sup>	Ann. % ch	4.9	4.8	4.8	2.4	4.2	3.6	3.1	:	2.7	2.9	:
M2 <sup>4.4</sup>	Ann. % ch	8.0	5.5	6.7	4.7	5.7	7.2	6.5	:	6.1	5.2	:
Exchange rate LEK/EUR <sup>4.5</sup>	Value	132.06	137.79	140.33	139.04	140.26	140.28	140.39	140.39	140.54	140.32	140.29
Nominal eff. exchange rate <sup>4.6</sup>	Index	:	:	:	:	:	:	:	:	:	:	:
<b>5 Financial indicators</b>												
Interest rate (3 months) <sup>5.1</sup>	% p.a.	6.23	5.76	5.46	5.16	4.23	3.71	3.41	:	3.36	3.24	:
Bond yield <sup>5.2</sup>	% p.a.	7.82	7.25	6.53	6.77	6.03	5.90	4.77	:	4.37	4.44	:
Stock markets <sup>5.3</sup>	Index	:	:	:	:	:	:	:	:	:	:	:
Credit growth <sup>5.4</sup>	Ann. % ch	20.5	8.6	11.7	7.4	-0.2	-1.3	-2.0	:	-1.2	-2.0	:
Deposit growth <sup>5.5</sup>	Ann. % ch	-0.1	15.5	14.5	9.4	3.7	2.4	2.0	:	2.1	1.4	:
Non performing loans <sup>5.6</sup>	% total	9.1	12.6	17.0	21.7	24.0	24.3	23.2	:	N.A.	N.A.	N.A.
<b>6 Fiscal developments</b>												
General government balance* <sup>6.1</sup>	% of GDP	-7.0	-3.1	-3.6	-3.4	-4.7	-4.3	-4.7	:	:	:	:
General government debt* <sup>6.2</sup>	% of GDP	59.5	58.5	60.3	61.5	65.3	64.2	65.2	:	N.A.	N.A.	N.A.

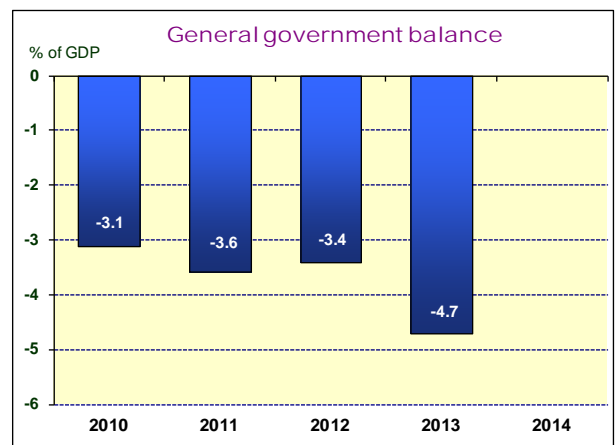
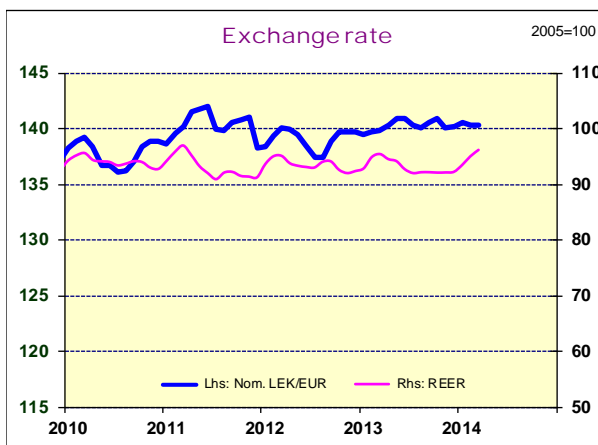
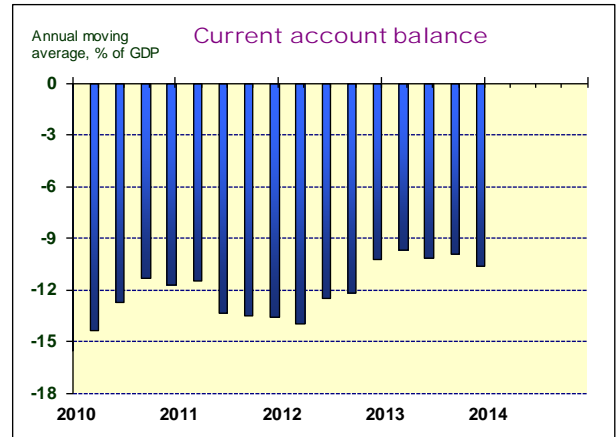
\* Q figures refer to a 4 quarters moving average.

# CHARTS

European Commission, ECFIN-D-1



## ALBANIA







## Key developments

On 31 January, Bosnia and Herzegovina submitted to the European Commission its annual Economic and Fiscal Programme (EFP) for the period 2014-2016. The EFP projects economic growth to accelerate from 2.3% in 2014 to 3.5% in 2016. The authorities intend to embark on an ambitious fiscal strategy over the programme period based on expenditure consolidation of 5.8 percentage points of GDP over 2014-16 aiming to bring the consolidated budget deficit to close to a balance in 2016, down from 1.6% in 2014.

A nine-month extension of the Stand-By Arrangement with the IMF, totalling EUR 153.6 million was granted in January 2014 to meet additional financing needs towards the end of 2014. However, the disbursement of a tranche following the sixth review in February 2014 has been postponed until May 2014 due to the failure of the timely adoption of agreed measures to improve the collection of taxes and social contributions.

## Real sector

According to recently released quarterly GDP data for 2013, the rebound of economic activity continued also in the third quarter, however, on decelerating pace and came to 1.7%, down from 2% in the first half of the year. In line with this, country-wide industrial production steadily increased throughout the year edging up by 6.6% in 2013 after a decline of 5.3% a year earlier. The manufacturing sector, followed by the utility sector, registered the largest output increase (9.7% and 5.7%, respectively), while the construction sector posted the first positive growth since 2009. Among the sectors registering a decline, the mining sector most notably shrunk y-o-y by 4% in the same period. However, the trend of positive growth of industrial production reversed in January 2014, partly due to base effects, and the growth of the industrial production entered negative territory in January 2014 (-2.2% y-o-y), reversing the trend since December 2012.

Judging from high-frequency indicators released for the whole economy, domestic demand, and in particular private consumption continued its

steady recovery. . In particular, retail sales increased by 5.4% y-o-y in the fourth quarter in 2013 resulting in an annual growth of 5.1% following the tepid growth of 1.6% in 2012.

## Labour market

The recovery of the real economy showed a minor effect on the overall situation on the labour market. The already high level of registered unemployed remained broadly unchanged from the previous quarter and stood at 44.5% in the fourth quarter, however decreasing by 1.4 percentage point y-o-y. Furthermore, reversing the trend since 2011, the change of the level of total employment growth turned positive in the fourth quarter in 2013 rising by 0.6% y-o-y. However, this was mainly due to some rise of employment in the public sector, while employment in the manufacturing sector remained broadly unchanged.

Nominal wage growth decelerated slightly in the fourth quarter of 2013 before recording some acceleration again in early-2014. Thus, the average nominal gross wage increased by 0.2% y-o-y in October-December against 0.5% in the previous quarter, bringing annual average wage growth in 2013 down to 0.1% from 1.5% in 2012. It stepped up again by 1.1% in January.

## External sector

External imbalances continued to decline in the fourth quarter, however, at a slower pace. In particular, the current account deficit in the fourth quarter narrowed by 22.3% as compared to a reduction by 47.8% in July- September. Exports of goods continued to expand in the fourth quarter (7.8% y-o-y) bringing annual export growth to 8.7%. At the same time, imports posted a positive growth (2.6% y-o-y) for the first time in 2013 (albeit declining by 1.5% for the year as a whole). Accordingly, the trade deficit widened by 2.6% y-o-y in the fourth quarter (compared to a 10.9% contraction in the first three quarters of 2013). At the same time, somewhat higher current transfers (4%) and surplus of the balance of services (4.8%) have also contributed to the improvement in the current account deficit. Thus, despite the slower pace of reduction in the fourth quarter in 2013, current account deficit narrowed substantially in

2013 to 5.5% of the estimated GDP from 9.3% of GDP in 2012.

Net FDI inflows continued their downward trend edging down to meagre KM 24.7 million in the fourth quarter in 2013. For the year as a whole, net FDI covered only 35.3% of the current account deficit. On a positive note, due to an increase in other net capital inflows, foreign exchange reserves continued their upward trend and rose by 8.6% y-o-y in the fourth quarter and by some 10% in January-February 2014, thus covering nearly 6 months of imports.

### Monetary developments

On the back of the steady growth of deposits, the annual growth of the monetary aggregate M2 surged from 5.9% in the third quarter to 7.9% in the fourth quarter, while accelerating further in January-February 2014 to 8.5% y-o-y.

The deflationary trend which started in August 2013 accelerated its pace on the back of falling prices in the food and clothing industries which could only partly be balanced off by the increase in prices of alcohol and tobacco. Thus, annual CPI in 2013 turned negative (-0.1%) compared to a rate of 2% in 2012, while even a steeper deflation continued in January-February, bringing the 12-month moving average inflation rate to -0.4%.

### Financial sector

Total credit growth nearly halved in 2013 as compared to 2012 mainly on the back of a considerable slowdown of household lending and amounted to 2.8%, down from 4.9%. However, the downward trend of the credit activity in the household sector reversed in the latter months in 2013 and accelerated further in the first two months of 2014. By end-February, commercial banks claims to non-financial companies increased nominally by 1.8% (y-o-y) and to households by 4.6%. Since the beginning of the year, banks have increased their exposure to the public sector with the growth of these claims remaining above average at 7.8% (y-o-y).

At the same time, total deposit growth accelerated to 8.3% in January-February 2014, up from 6.7% in the fourth quarter and banks have used the extra liquidity to reduce their foreign liabilities. In particular, households increased their savings by 9%, while the rise in deposits from the non-financial corporate sector stood at 11.8%. As a consequence, the downward adjustment of the loans-to-deposit ratio continued sinking to 114.3%.

While short-term interest rates for loans in the corporate sector stood on average at 7.9% in the fourth quarter moderating slightly to 7.8% in January-February, the decrease of the interest rates in the household sector came to a halt and stood at 8% in February edging up from 7.6% in the fourth quarter. On the deposit side, interest rates in the corporate sector in the fourth quarter remained broadly on the same level of 2.3% as in October-December, while a more pronounced decline to 2% was registered in February. In contrast to this, interest rates on deposits in the household sector remained unchanged and hovered around 2% in the fourth quarter before declining to 1.9% in February.

The quality of the loan portfolio continued to deteriorate in the fourth quarter, although at a slower pace, as the share of non-performing loans to total loans increased – albeit only marginally – to 15.1%. On a more negative note, banking profitability indicators slipped into negative territory for the first time since 2010 with the return on average equity markedly edging down to -1.3% from 5% a year earlier, respectively. Liquidity indicators however improved slightly with the rate of liquid to total assets increasing to 26.4%. The capital adequacy ratio of the whole banking system stood at a comfortable level of 17.8% in the fourth quarter, increasing somewhat from 17% in July-September.

In the fourth quarter of 2013, the downward correction on the Banja Luka Stock Exchange continued although at a slower pace and its main index lost on average 0.4% compared with the previous quarter. In contrast, the main index of the Sarajevo Stock Exchange edged up slightly by 0.2% q-o-q, while the trade turnover posted the largest increase amounting to some 30% of the annual turnover mainly due to the trade of war claim bonds with due date in mid-2019.

### Fiscal developments

According to preliminary official estimates the fiscal deficit amounted to 1% of GDP which is slightly above the target from December 2012 (-0.8% of GDP). In particular, the positive impact on revenues by the modest revival of economic activity was only partly offset by a decrease of social contributions and the elevated VAT refunds, while consolidation measures (e.g. the freeze of public sector wages) kept public spending broadly flat.

By end-2013, the pace of increase of the official foreign debt almost halved to 3.5% y-o-y on year after expanding by 6.1% in July-September. Thus, foreign public debt reached some 28.9% of GDP, compared to 27.1% in 2012.

TABLE

European Commission, ECFIN-D-1



## BOSNIA AND HERZEGOVINA

		2009	2010	2011	2012	2013	Q3 13	Q4 13	Q1 14	Jan 14	Feb 14	Mar 14
<b>1 Real sector</b>												
Industrial confidence <sup>1.1</sup>	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 <sup>1.2</sup>	Ann. % ch	N.A.	1.6	5.9	-5.3	6.6	4.9	7.9	:	-2.0	:	:
Gross domestic product <sup>1.3</sup>	Ann. % ch	-2.7	0.8	1.0	-1.2	1.5e	1.7	:	:	N.A.	N.A.	N.A.
Private consumption <sup>1.4</sup>	Ann. % ch	1.8	0.9	1.6	2.2	0.4e	:	:	:	N.A.	N.A.	N.A.
Gross fixed capital formation <sup>1.5</sup>	Ann. % ch	-16.8	-12.2	7.9	5.2	2.3e	:	:	:	N.A.	N.A.	N.A.
Construction index <sup>1.6</sup>	Ann. % ch	12.5	29.4	-24.4	1.3	-25.8	16.4	-25.8	:	N.A.	N.A.	N.A.
Retail sales <sup>1.7</sup>	Ann. % ch	N.A.	8.2	11.2	1.6	5.5	5.1	5.4	:	-0.8	:	:
<b>2 Labour market</b>												
Unemployment <sup>2.1</sup>	%	42.7	42.7	43.8	45.9	44.5	44.8	44.5	:	44.6	:	:
Employment <sup>2.2</sup>	Ann. % ch	-2.8	1.9	-1.6	-0.4	0.6	-0.7	0.6	:	:	:	:
Wages <sup>2.3</sup>	Ann. % ch	8.2	1.1	4.4	1.5	0.1	0.5	0.2	:	1.1	:	:
<b>3 External sector</b>												
Exports of goods <sup>3.1</sup>	Ann. % ch	-5.1	33.5	20.2	-1.8	8.8	6.2	7.9	:	6.3	3.9	:
Imports of goods <sup>3.2</sup>	Ann. % ch	-21.8	8.3	13.2	0.0	-1.5	-6.2	4.6	:	-2.6	12.4	:
Trade balance* <sup>3.3</sup>	% of GDP	-32.6	-31.4	-33.2	-33.6	-30.5	-30.6	:	:	N.A.	N.A.	N.A.
Exports goods and services <sup>3.4</sup>	% of GDP	24.1	28.3	30.3	30.1	31.2	31.1	:	:	N.A.	N.A.	N.A.
Imports goods and services <sup>3.5</sup>	% of GDP	48.9	51.1	55.3	55.2	53.1	53.1	:	:	N.A.	N.A.	N.A.
Current account balance* <sup>3.6</sup>	% of GDP	-6.5	-6.1	-9.7	-9.3	-5.5	-5.9	:	:	N.A.	N.A.	N.A.
Direct investment (FDI, net)* <sup>3.7</sup>	% of GDP	1.4	2.1	2.6	2.1	1.9	2.5	:	:	N.A.	N.A.	N.A.
International reserves <sup>3.8</sup>	mio EUR	3 176.2	3 301.8	3 284.3	3 327.8	3 614.0	3 527.3	3 614.0	:	3 590.9	3 551.8	:
Int. reserves / months Imp <sup>3.9</sup>	Ratio	6.0	5.7	5.0	5.1	5.6	6.3	6.4	:	5.6	5.5	:
<b>4 Monetary developments</b>												
CPI <sup>4.1</sup>	Ann. % ch	-0.4	2.1	3.7	2.0	-0.1	-0.3	-1.3	:	-1.8	-1.6	:
Producer prices <sup>4.2</sup>	Ann. % ch	-3.2	0.9	3.8	1.3	-2.2	-3.3	-3.1	:	-1.4	:	:
Food prices <sup>4.3</sup>	Ann. % ch	-0.9	-0.7	6.0	1.8	0.0	-0.1	-3.3	:	-4.6	-4.2	:
M2 <sup>4.4</sup>	Ann. % ch	-1.6	7.8	5.6	4.6	5.7	5.9	7.2	:	8.0	8.9	:
Exchange rate BAM/EUR <sup>4.5</sup>	Value	1.96	1.96	1.96	1.96	1.96	1.96	1.96	:	1.96	1.96	:
Nominal eff. exchange rate <sup>4.6</sup>	Index	104.2	103.73	104.60	105.63	:	107.05	:	:	:	:	:
<b>5 Financial indicators</b>												
Interest rate (3 months) <sup>5.1</sup>	% p.a.	N.A.	N.A.	N.A.	N.A.	N.A.	:	:	:	:	:	:
Bond yield <sup>5.2</sup>	% p.a.	N.A.	N.A.	N.A.	N.A.	N.A.	:	:	:	:	:	:
Stock markets <sup>5.3</sup>	Index	1 038	931	979	737	770	761	767	719	739	712	706
Credit growth <sup>5.4</sup>	Ann. % ch	5.4	-0.9	5.6	5.2	2.5	1.9	2.3	:	3.3	3.8	:
Deposit growth <sup>5.5</sup>	Ann. % ch	-4.0	4.7	2.6	2.6	5.1	5.5	6.7	:	7.8	8.8	:
Non performing loans <sup>5.6</sup>	% total	4.5	9.1	12.0	12.7	14.5	14.9	15.1	:	N.A.	N.A.	N.A.
<b>6 Fiscal developments</b>												
General government balance <sup>6.1</sup>	% of GDP	-4.4	-2.5	-1.3	-2.0	:	0.3	:	:	N.A.	N.A.	N.A.
General government debt <sup>6.2</sup>	% of GDP	N.A.	39.3	40.5	45.1	28.2**	28.2**	:	:	N.A.	N.A.	N.A.

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

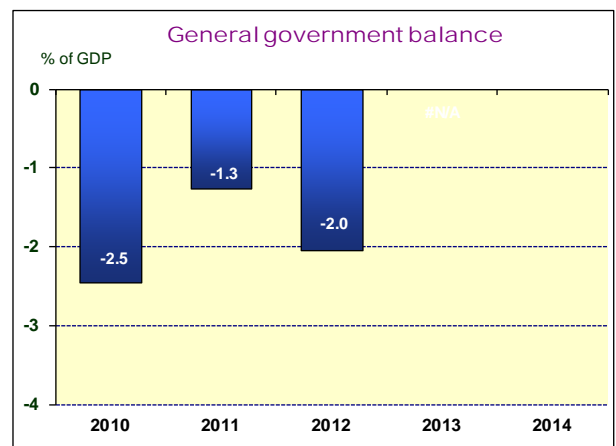
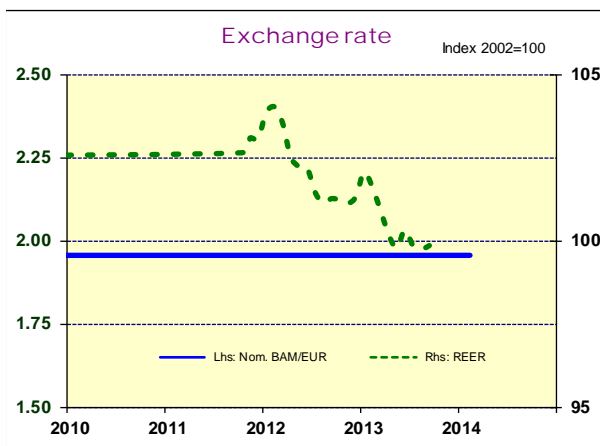
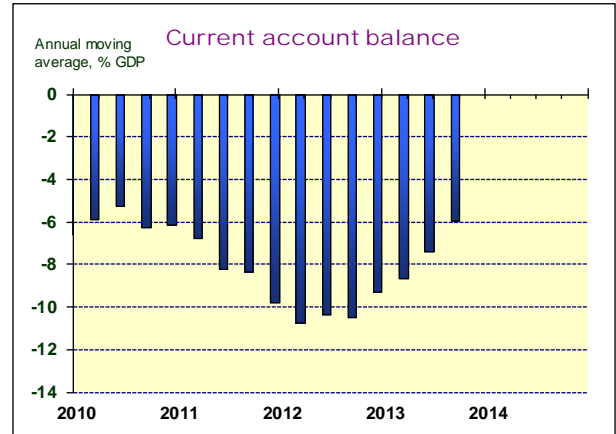
\*\* Refers only to foreign public debt.

# 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

Negotiations on the Stabilisation and Association Agreement between the EU and Kosovo, which were launched in October 2013, continued swiftly and a draft agreement is expected to be initialled in summer.

Kosovo committed to submit to the Commission its first Economic and Fiscal Programme by January 2015 which will allow integrating Kosovo into the standard economic and fiscal surveillance with other potential candidates.

After the expiration of the 20-month Stand-By Arrangement in December, an IMF delegation visited Pristina at the end of March to discuss future cooperation and explore the possibility of a successor programme.

## Real sector

The economy is expected to have continued growing in 2013 but the growth dynamics are rather unclear. Subdued imports, weak customs revenues and a slowdown in credit growth hint at curtailed demand; while the good performance of domestic tax collection rather points to a robust performance. Moreover, higher exports and increased public spending has supported economic activity. The GDP growth rate is expected to have stayed around the same level as in 2012 (2.5%).

For 2014, growth is expected to accelerate, largely based on better prospects in the main Diaspora host countries Germany and Switzerland. However, at late March, IMF cut its 2014 forecast for Kosovo's growth to 3-3.5 percent from 3.9 percent.

## Labour market

Real sector activity has not yet led to an easing of the labour market situation. The total number of registered job seekers increased by 3.4% to 268,104 in 2013. As it was in the previous year, more than half of the increase came from the segment of unskilled workers which represented 57.3% of total unemployed. The number of

unemployed with a university degree, representing 2.2%, has increased by 0.3 percentage points.

In 2013, number of employed in the public sector expanded by 2% and stood at 80,816.

## External sector

According to the recently published revised data by the Central Bank, the current account deficit declined to its lowest level since 2009 to 6.6% of GDP (EUR 339 million) in 2013, down from 7.7% (EUR 380 million) in 2012. Higher current transfers, higher exports and lower imports of goods helped reduce external imbalances. The trade deficit declined to its lowest level since 2004, although it remained significantly high (32.7% of GDP).

The surplus on the capital and financial account (excluding changes in reserve assets) stood at 6.2% of GDP in 2013. There was only limited improvement in net foreign direct investments which reached 4.7% of GDP compared to 4.3% in 2012 (lowest since 2005). About half of all incoming foreign direct investment went to the real estate and construction sectors and 11% to financial services. The share of FDI channelled to manufacturing declined to 7% (from 14% in 2012) whereas the share of Transport & Telecommunication increased to 14% (from 8% in 2012).

The deficit in portfolio investments shrank to 2.6% of GDP. As other investments plummeted (especially in the last quarter) to 0.1% of GDP (from 7.5% of GDP in 2012) reserve assets declined by 0.4 percentage points. There was a remarkable improvement in net errors and omissions which stayed below 4% of GDP for the first time, however, still covering more than half of the current account deficit.

At the end of 2013, gross external public debt stood at 6.3% of GDP, half a percentage point lower compared to end of 2012.

## Monetary developments

The disinflation trend since the beginning of 2013 brought y-o-y CPI to 0.6% in December. It

fell further to 0.1% in February. The moderation was mainly driven by lower food (bread, cereals, oils, vegetables) and energy prices. Indeed, similar to the pattern within the previous five months, the y-o-y deflationary impact of the food prices was -0.6% whereas the impact of the energy goods was -0.3%. The decline was offset mainly by the increases in the services sector (0.5%) and tobacco (0.3%). Core inflation stood at 0.8% in February.

The growth in broad money continued to accelerate and stood at 15.7% (y-o-y) by the end of February. The growth of net foreign assets accelerated to 16.7%, while net domestic assets increased by 12.3%, mainly due to higher net claims on the central government.

### Financial sector

The banking system remained highly liquid and the ratio of cash balances to total assets stood at 13.0% in February. Commercial banks decreased their holdings in the central bank by EUR 40 million while increasing the amount held in other banks by EUR 50 million in comparison to the end of 2013. The loans to deposits ratio stood high at 73.7%.

In 2013, commercial banks increased their profits by EUR 7 million to EUR 26 million. The sector's annual income remained almost unchanged as the lower interest income compensated by higher non-interest income. Thanks to lower loan provisions and lower administrative expenses, banks managed to end up with an increase in net profits by 35.4%.

There was a significant jump (109bp) in the interest rate spread between the loans and deposits in February compared to the end of 2013. The effective interest rate on deposits decreased by 35bp and stood at 2.04%, while the effective interest rate on loans increased by 74bp and stood at 11.81%.

Total deposits in commercial banks continued to increase steadily and reached EUR 2.4 billion in February, up by 6.8% y-o-y. The share of households' demand deposits in total deposits increased by 0.8 percentage points y-o-y.

Lending activity continued to lose momentum and the growth in gross loans and lease financing decelerated to 1.6% y-o-y in February.

In 2013, commercial banks have extended EUR

762 million in new loans, EUR 17.6 million more than 2012. New investment loans to nonfinancial corporations in the 1 to 5 years segment increased by EUR 13.7 million, followed by the increase in the loans longer than 5 years segment (EUR 10.5 million). On the other hand, nonfinancial corporations' non-investment loans in the 1 to 5 years segment contracted by 15.7 million. The most notable change regarding the household loans was the EUR 12.4 million expansion in consumer loans.

The composition of the outstanding loans remained broadly unchanged by the end of 2013. More than half of total loans (52.9%) belonged to wholesale and retail trade. The share of loans to manufacturing and construction stood at 10.7% and 10.2% respectively.

### Fiscal developments

Preliminary data points out to a budget deficit of EUR 165.7 million (3.2% of GDP) in 2013. Albeit the deficit is 0.3 percentage points lower than projected for 2013, it is 0.6 percentage points higher than the previous year. Compared to 2012, total revenues declined by 0.7% mainly due to the underperformance of the border tax revenues and the own source revenues. Total expenditures increased by 1.6%. Spending cuts at the expense of non-highway capital investments offset the effect of rising current expenditures. As a result, non-highway capital expenditures stayed almost 30% below its projected level for 2013.

On 10 March 2014, the Government of Kosovo adopted a decision to increase salaries and pensions for all categories of public employees by 25% (and for retired Trepça miners by 50%). The effect of the public salary increase is expected to amount to EUR 99 million for the period April-December 2014 and its full impact as of 2015 will reach EUR 132 million (or 1.8% and 2.4% of 2014 GDP respectively). This would be a significantly higher wage hike compared to the one agreed earlier with the IMF in December 2013.

The domestic debt stock more than doubled in 2013 (from EUR 73.3 million in 2012 to EUR 152.5 million). However, it still remained low at 3.0% of GDP. A government bond with a 2-year maturity has been issued for the first time at the end of March. The Treasury sold EUR 10 million with a 2.44% weighted average yield.

## TABLE

European Commission, ECFIN-D-1

## KOSOVO\*

		2009	2010	2011	2012	2013	Q3 13	Q4 13	Q1 14	Jan 14	Feb 14	Mar 14
<b>1 Real sector</b>												
Industrial confidence <sup>1.1</sup>	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 <sup>1.2</sup>	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 <sup>1.3</sup>	Ann. % ch	3.5	3.2	4.4	2.5	:	:	:	:	:	:	:
Private consumption <sup>1.4</sup>	Ann. % ch	2.1	3.1	3.0	2.8	:	:	:	:	:	:	:
Investment <sup>1.5</sup>	Ann. % ch	10.7	12.3	11.3	-10.9	:	:	:	:	:	:	:
Construction index <sup>1.6</sup>	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 <sup>1.7</sup>	Ann. % ch	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
<b>2 Labour market</b>												
Unemployment <sup>2.1</sup>	%	45.4	:	44.8	30.9	:	:	:	:	:	:	:
Employment <sup>2.2</sup>	Ann. % ch	8.7	:	:	44.7	:	:	:	:	:	:	:
Wages <sup>2.3</sup>	Ann. % ch	-13.6	-13.1	-1.3	-3.0	:	:	:	:	:	:	:
<b>3 External sector</b>												
Exports of goods <sup>3.1</sup>	Ann. % ch	-16.7	79.0	7.8	-13.5	6.5	8.5	-2.0	:	-4.6	:	:
Imports of goods <sup>3.2</sup>	Ann. % ch	0.4	11.5	10.4	5.3	-2.3	-8.7	-0.1	:	-7.0	:	:
Trade balance** <sup>3.3</sup>	% of GDP	-41.2	-40.8	-43.1	-42.2	:	:	:	:	N.A.	N.A.	N.A.
Exports goods and services** <sup>3.4</sup>	% of GDP	16.4	19.5	20.1	18.8	:	:	:	:	N.A.	N.A.	N.A.
Imports goods and services** <sup>3.5</sup>	% of GDP	52.8	56.9	57.3	53.9	:	:	:	:	N.A.	N.A.	N.A.
Current account balance** <sup>3.6</sup>	% of GDP	-9.3	-12.0	-13.8	-7.7	:	:	:	:	N.A.	N.A.	N.A.
Direct investment (FDI, net)** <sup>3.7</sup>	% of GDP	7.3	8.5	8.3	4.7	:	:	:	:	N.A.	N.A.	N.A.
International reserves <sup>3.8</sup>	mio EUR	1 198.5	1 246.9	1 234.6	1 469.1	1 610.0	1 548.0	1 610.0	:	1 673.3	1 643.6	:
Int. reserves / months Imp <sup>3.9</sup>	Ratio	7.4	6.9	6.2	7.0	7.9	7.6	7.9	:	8.2	:	:
<b>4 Monetary developments</b>												
CPI <sup>4.1</sup>	Ann. % ch	-2.4	3.5	7.3	2.5	1.8	1.2	0.5	:	0.2	0.1	:
Producer prices <sup>4.2</sup>	Ann. % ch	3.8	4.7	5.7	1.7	2.5	-0.1	0.2	:	N.A.	N.A.	N.A.
Food prices <sup>4.3</sup>	Ann. % ch	-4.4	4.8	12.4	1.0	2.1	1.6	-1.3	:	-1.7	-1.7	:
Broad money liabilities <sup>4.4</sup>	Ann. % ch	11.2	12.9	8.8	7.1	17.3	5.7	17.3	:	18.1	16.3	:
Exchange rate EUR/EUR <sup>4.5</sup>	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) <sup>4.6</sup>	Index	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
<b>5 Financial indicators</b>												
Interest rate (3-12 months) <sup>5.1</sup>	% p.a.	14.11	18.24	18.13	16.30	14.52	14.01	12.86	:	11.94	11.82	:
Bond yield <sup>5.2</sup>	% p.a.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	1.72	N.A.	N.A.	N.A.	N.A.
Stock markets <sup>5.3</sup>	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 <sup>5.4</sup>	Ann. % ch	17.4	10.1	15.4	8.9	3.0	2.4	2.6	:	2.3	1.6	:
Deposit growth <sup>5.5</sup>	Ann. % ch	20.3	14.8	12.2	8.0	6.6	5.9	6.4	:	7.9	6.8	:
Non-performing loans <sup>5.6</sup>	% total	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
<b>6 Fiscal developments</b>												
General government balance** <sup>6.1</sup>	% of GDP	-0.7	-2.6	-1.7	-2.6	:	:	:	:	N.A.	N.A.	N.A.
General government debt <sup>6.2</sup>	% of GDP	7.7	7.6	6.7	8.3	:	8.9	:	:	N.A.	N.A.	N.A.

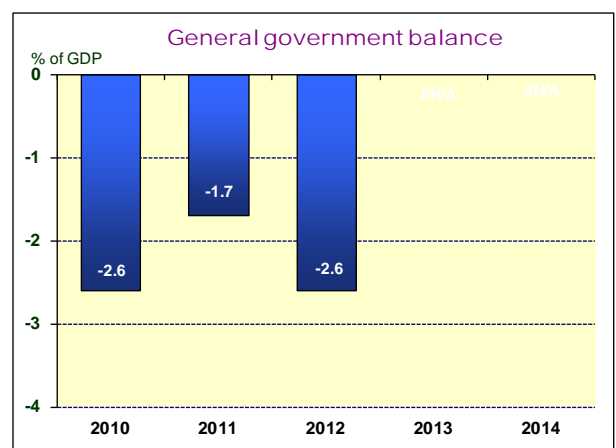
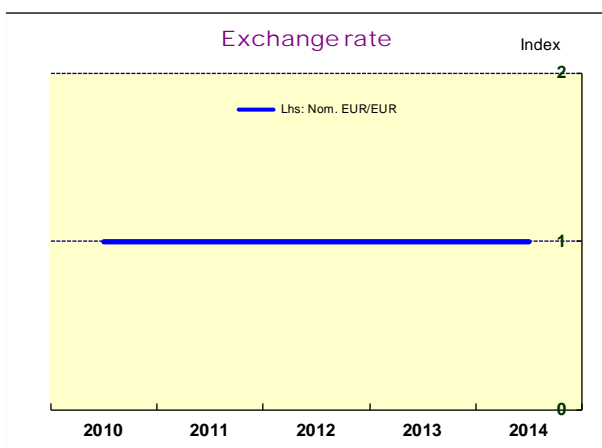
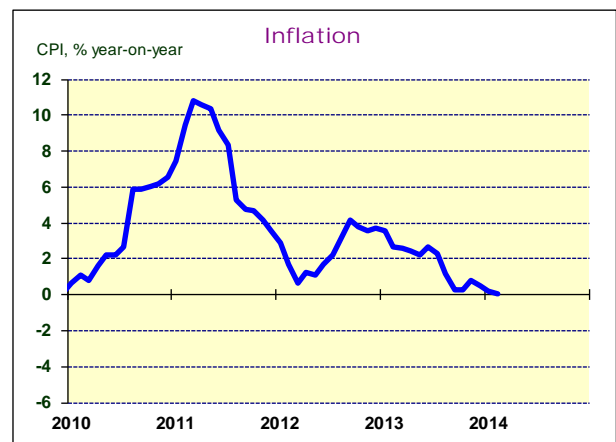
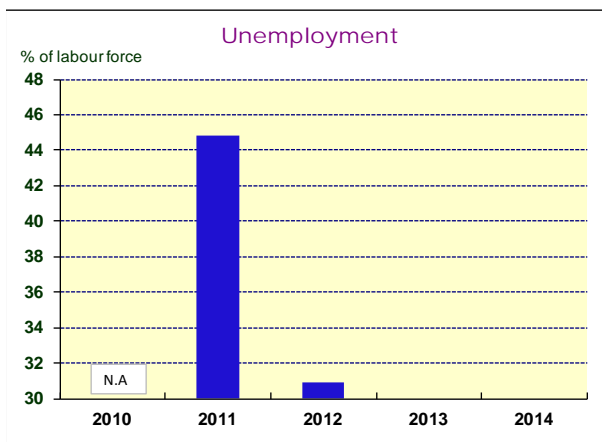
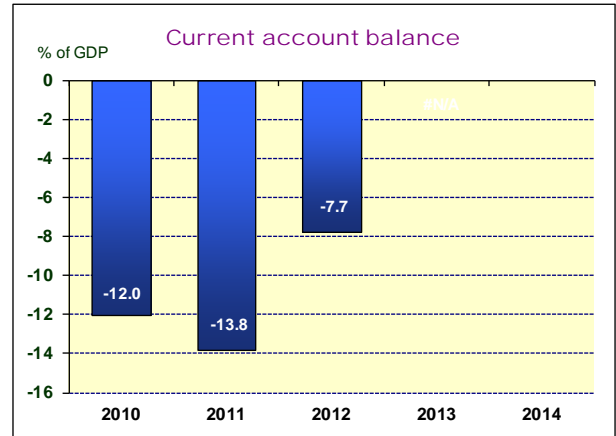
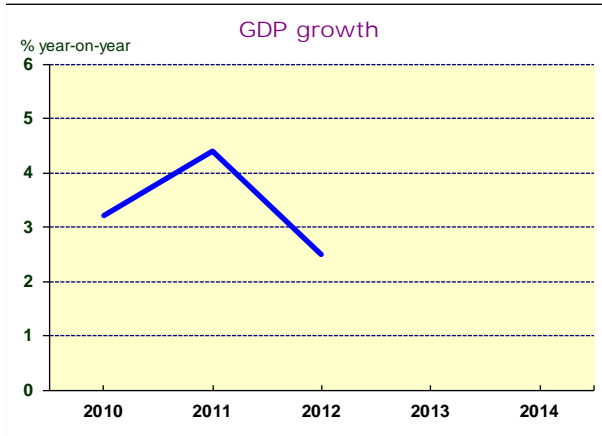
\* This designation is without prejudice to positions on status, and is in line with UNSCR 1244 and the ICJ Opinion on the Kosovo Declaration of Independence.

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

# CHARTS

European Commission, ECFIN-D-1

## KOSOVO\*



\* 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.  
Source of data: IMF, national sources





No.	Indicator	Note	Source
<b>1. Real sector</b>			
1.1.	Industrial confidence indicator	Current Situation, Assessment, Enterprises, total, MKD	IHS/DataInsight
1.2.	Industrial production	Annual percentage change, volume, excluding construction	IHS/DataInsight
1.3.	Gross domestic product	Real Gross Domestic Product, Total, Growth Rate (2005), NSA.	IHS/DataInsight
1.4.	Private consumption	Real Final Consumption, Households including NPISH's, Growth Rate (2005), NSA.	IHS/DataInsight
1.5.	Gross fixed capital formation	Real Gross Capital Formation, Growth Rate (2005), NSA.	IHS/DataInsight
1.6.	Construction	Value Added, Economic Activity, Current Prices, MKD	IHS/DataInsight
1.7.	Retail sales	Annual percentage change, Retail trade, turnover, total. Starting 2012 Retail Sale of Non-Food Products except Fuel (2010), NSA.	IHS/DataInsight
<b>2. Labour market</b>			
2.1.	Unemployment	In percent of total labour force, Labour Force Survey definition for annual data, registered otherwise	IHS/DataInsight
2.2.	Employment	Annual percentage change, Labour Force Survey definition for annual data, registered otherwise	IHS/DataInsight
2.3.	Wages	Annual percentage change; average gross wages (nominal amount in Denar)	IHS/DataInsight
<b>3. External sector</b>			
3.1.	Exports of goods	Annual percentage change, fob	IHS/DataInsight
3.2.	Imports of goods	Annual percentage change, cif	IHS/DataInsight
3.3.	Trade balance	In percent of GDP, fob-cif	IHS/DataInsight
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	IHS/DataInsight
3.7.	Direct investment ( <i>FDI, net</i> )	In percent of GDP, annualised data	IHS/DataInsight
3.8.	Reserves, International reserves of the National Bank	Foreign assets, mio EUR.	IHS/DataInsight
3.9.	Reserves / months Imp	Ratio of 12 months imports of goods moving average.	IHS/DataInsight
<b>4. Monetary developments</b>			
4.1.	CPI	Annual average percentage change, HICP not yet available for FYRoM	IHS/DataInsight
4.2.	Producer prices	Annual percentage change, industrial products	IHS/DataInsight
4.3.	Food prices	Annual percentage change, food and non alcoholic beverages	IHS/DataInsight
4.4.	M4	Annual percentage change, M4 (Broadest money)	IHS/DataInsight
4.5.	Exchange rate MKD/EUR	Averages, spot close	IHS/DataInsight
4.6.	Nominal eff. exchange rate	Nominal Effective Exchange Rate, MKD, Index 2005=100	IHS/DataInsight
<b>5. Financial indicators</b>			
5.1.	Interest rate	Interest rate Denar deposits	IHS/DataInsight
5.2.	Bond yield	Not available	
5.3.	Stock markets	MSE Index (MBI-10)	IHS/DataInsight
5.4.	Credit growth	Annual percentage change, domestic credit, DMB, total, overall, with Saving houses, MKD	IHS/DataInsight
5.5.	Deposit growth	Annual percentage change, with Saving houses, total, MKD	IHS/DataInsight
5.6.	Non-performing loans	In percent of total	IHS/DataInsight
<b>6. Fiscal developments</b>			
6.1.	Central government balance	In percent of GDP	MoF
6.2.	Central government debt	In percent of GDP	MoF



No.	Indicator	Note	Source
<b>1.</b>	<b>Real sector</b>		
1.1.	Industrial outlook	Not available	
1.2.	Industrial production	Annual percentage change, aluminium, total, ton	IHS/DataInsight
1.3.	Gross domestic product	Annual percentage change, total (2000 prices)	IHS/DataInsight
1.4.	Private consumption	Annual percentage change, volume (2000 prices)	IHS/DataInsight
1.5.	Gross fixed capital formation	Annual percentage change, volume (2000 prices)	IHS/DataInsight
1.6.	Construction	Annual percentage change, Housing and Construction, Residential Buildings, Completed, number	IHS/DataInsight
1.7.	Retail sales	Annual percentage change, total, constant prices, ISK, 2000=100	IHS/DataInsight
<b>2.</b>	<b>Labour market</b>		
2.1.	Unemployment	LFS, In percent of total labour force, Total	IHS/DataInsight
2.2.	Employment	LFS, Annual percentage change, Total, over all	IHS/DataInsight
2.3.	Wages&Salaries	Annual percentage change, Total, Index, ISK 1998M12=100	IHS/DataInsight
<b>3.</b>	<b>External sector</b>		
3.1.	Exports of goods	Annual percentage change, mio ISK, fob. Statistics Iceland reports used for monthly data. Central Bank's otherwise.	IHS/DataInsight
3.2.	Imports of goods	Annual percentage change, mio. ISK, cif Statistics Iceland reports used for monthly data. Central Bank's otherwise.	IHS/DataInsight
3.3.	Trade balance	In percent of GDP, fob-cif	IHS/DataInsight
3.4.	Exports goods and services	In percent of GDP, volume	IHS/DataInsight
3.5.	Imports goods and services	In percent of GDP, volume	IHS/DataInsight
3.6.	Current account balance	In percent of GDP, rolling four quarter for quarterly data	IHS/DataInsight
3.7.	Direct investment ( <i>FDI, net</i> )	In percent of GDP, annualised data	IHS/DataInsight
3.8.	Reserves, International reserves of the National Bank	Gross foreign currency reserves, total, mio EUR.	IHS/DataInsight
3.9.	Reserves / months Imp	Ratio of 12 months imports of goods moving average.	IHS/DataInsight
<b>4.</b>	<b>Monetary developments</b>		
4.1.	CPI	Annual average percentage change, All items, Index, ISK, 1988M5=100	IHS/DataInsight
4.2.	Producer prices	Annual percentage change, total, index, 2005Q4=100	IHS/DataInsight
4.3.	Food prices	Annual percentage change, food and non-alcoholic beverages, ISK, 1997=100	IHS/DataInsight
4.4.	M3	Annual percentage change, M3 (Money supply)	IHS/DataInsight
4.5.	Exchange rate ISK/EUR	Period averages, midpoint exchange rates	IHS/DataInsight
4.6.	Nominal eff. exchange rate	Index 2005, period averages	IHS/DataInsight
<b>5.</b>	<b>Financial indicators</b>		
5.1.	Interest rate	REIBOR, 3 month, fixing, ISK	IHS/DataInsight
5.2.	Bond yield	Yield 5-year non-indexed government bonds / Quantum (non-additive or stock figures)	IHS/DataInsight
5.3.	Stock markets	OMX, Main Index (All-Share), price return, close	IHS/DataInsight
5.4.	Credit growth	Annual percentage change, domestic credit, ISK	IHS/DataInsight
5.5.	Deposit growth	Annual percentage change, demand, sight and time deposits, ISK	IHS/DataInsight
5.6.	Non-performing loans	Loans in default over 90 days, %	IHS/DataInsight
<b>6.</b>	<b>Fiscal developments</b>		
6.1.	General government balance	In percent of GDP	IHS/DataInsight
6.2.	General government debt	In percent of GDP	IHS/DataInsight



No.	Indicator	Note	Source
<b>1.</b>	<b>Real sector</b>		
1.1.	Industrial confidence indicator	Surveys, EC Industry Survey, Industrial Confidence Indicator, NSA	IHS/DataInsight
1.2.	Industrial production	Annual percentage change	IHS/DataInsight
1.3.	Gross domestic product	Annual percentage change, annual data, chain index	IHS/DataInsight
1.4.	Private consumption	Annual percentage change, annual data, chain index	IHS/DataInsight
1.5.	Gross fixed capital formation	Annual percentage change, annual data, chain index	IHS/DataInsight
1.6.	Construction index	Annual percentage change, value of performed work, current prices	IHS/DataInsight
1.7.	Retail sales	Annual percentage change, turnover, total	IHS/DataInsight
<b>2.</b>	<b>Labour market</b>		
2.1.	Unemployment	In percent of active population, e.o.p.	IHS/DataInsight
2.2.	Employment	Annual percentage change of registered employment, avrg.	IHS/DataInsight
2.3.	Wages	Annual percentage change, average gross wages (nominal, in EUR)	IHS/DataInsight
<b>3.</b>	<b>External sector</b>		
3.1.	Exports of goods	Annual percentage change, thou. EUR	IHS/DataInsight
3.2.	Imports of goods	Annual percentage change, thou. EUR	IHS/DataInsight
3.3.	Trade balance	In percent of GDP, annualised data	IHS/DataInsight
3.4.	Exports goods and services	Annual data	IHS/DataInsight
3.5.	Imports goods and services	Annual data	IHS/DataInsight
3.6.	Current account balance	In percent of GDP, annualised data	IHS/DataInsight
3.7.	Direct investment ( <i>FDI, net</i> )	In percent of GDP, annualised data	IHS/DataInsight
3.8.	Reserves, International reserves of the National Bank	Claim on nonresidents, total, mio EUR.	IHS/DataInsight
3.9.	Reserves / months Imp	Ratio of 12 months imports of goods moving average.	IHS/DataInsight
<b>4.</b>	<b>Monetary developments</b>		
4.1.	CPI	Consumer price index (from Jan. 2008, cost-of-living index before), annual average percentage change, moving base year	IHS/DataInsight
4.2.	Producer prices	Annual percentage change	IHS/DataInsight
4.3.	Food prices	Annual percentage change, food and non-alcoholic beverages, total, CPPY=100	IHS/DataInsight
4.4.	M21	Annual percentage change, M21 (Broadest money)	Discontinued
4.5.	Exchange rate EUR/EUR	Use of the Euro since March 2002	
4.6.	Nominal exchange rate	Not available	
<b>5.</b>	<b>Financial indicators</b>		
5.1.	Interest rate	Treasury Bills, 3 Month, auction, yield, average	IHS/DataInsight
5.2.	Bond yield	Treasury Bills, 6 Month, auction, yield, average	IHS/DataInsight
5.3.	Stock markets	MOSTE Index, Close	IHS/DataInsight
5.4.	Credit growth	Annual percentage change, commercial banks, assets, loans	IHS/DataInsight
5.5.	Deposit growth	Annual percentage change, commercial banks, liabilities, deposits	IHS/DataInsight
5.6.	Non-performing loans	% of total	Central Bank ME
<b>6.</b>	<b>Fiscal developments</b>		
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
<b>1.</b>	<b>Real sector</b>		
1.1.	Industrial confidence indicator	Not available	
1.2.	Industrial production	Total, Index, CPPY=100	IHS/DataInsight
1.3.	Gross domestic product	Annual pc change at constant (average) prices 2002 Production approach	IHS/DataInsight
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	IHS/DataInsight
1.7.	Retail sales	Annual pc change, retail trade turnover, constant prices, CPPY=100	IHS/DataInsight
<b>2.</b>	<b>Labour market</b>		
2.1.	Unemployment	In percent of total labour force, Labour Force Survey definition for annual data. Semi-annual data.	IHS/DataInsight
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.	IHS/DataInsight
2.3.	Wages	Gross wages annual percentage change; average growth rate, nominal	IHS/DataInsight
<b>3.</b>	<b>External sector</b>		
3.1.	Exports of goods	Annual percentage change, mio. EUR, fob	IHS/DataInsight
3.2.	Imports of goods	Annual percentage change, mio. EUR, cif	IHS/DataInsight
3.3.	Trade balance	In percent of GDP, fob-cif, annualised data	IHS/DataInsight
3.4.	Exports goods and services	In percent of GDP	IHS/DataInsight
3.5.	Imports goods and services	In percent of GDP	IHS/DataInsight
3.6.	Current account balance	In percent of GDP, annualised data	IHS/DataInsight
3.7.	Direct investment ( <i>FDI, net</i> )	In percent of GDP, annualised data	IHS/DataInsight
3.8.	International reserves NBS	Total, mio EUR.	IHS/DataInsight
3.9.	Reserves / months Imp	Ratio of 12 months imports of goods moving average.	IHS/DataInsight
<b>4.</b>	<b>Monetary developments</b>		
4.1.	CPI	Consumer Prices, Total, CPPY, end of period. Forecast = average.	IHS/DataInsight
4.2.	Producer prices	Annual average percentage change, domestic market	IHS/DataInsight
4.3.	Food prices	Annual pc, food and non-alcoholic beverages, CPPY=100	IHS/DataInsight
4.4.	M3	Annual percentage change, M3 (broad money), RSD	IHS/DataInsight
4.5.	Exchange rate RSD/EUR	Spot Rates, close, period average	IHS/DataInsight
4.6.	Nominal eff. exchange rate	Period average, moving base year, RSD	IHS/DataInsight
<b>5.</b>	<b>Financial indicators</b>		
5.1.	Interest rate	Treasury Bills, 3 month, yield, average, RSD	IHS/DataInsight
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	IHS/DataInsight
5.4.	Credit growth	Annual percentage change, monetary survey, domestic credit, total, RSD	IHS/DataInsight
5.5.	Deposit growth	Annual percentage change, deposits, nonmonetary sector, total, RSD	IHS/DataInsight
5.6.	Non-performing loans	Provisioning against losses	IHS/DataInsight
<b>6.</b>	<b>Fiscal developments</b>		
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
<b>1. Real sector</b>			
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	IHS/DataInsight
1.3.	Gross domestic product	Annual percentage change, volume (1987 prices)	IHS/DataInsight
1.4.	Private consumption	Annual percentage change, volume (1998 prices)	IHS/DataInsight
1.5.	Gross fixed capital formation	Annual percentage change,	IHS/DataInsight
1.6.	Construction index	Annual percentage change, construction permits, buildings, total, TRY	IHS/DataInsight
1.7.	Retail sales	Annual percentage change, volume, 2010=100	
<b>2. Labour market</b>			
2.1.	Unemployment	In percent of total labour force, Labour Force Survey data	IHS/DataInsight
2.2.	Employment	Annual percentage change, Labour Force Survey data	IHS/DataInsight
2.3.	Wages	Annual percentage change; index of real earning per production worker in manufacturing industry	Nat. sources
<b>3. External sector</b>			
3.1.	Exports of goods	Annual percentage change, mio. EUR, fob	IHS/DataInsight
3.2.	Imports of goods	Annual percentage change, mio. EUR, cif	IHS/DataInsight
3.3.	Trade balance	In percent of GDP, annualised moving average	IHS/DataInsight
3.4.	Exports goods and services	In percent of GDP	IHS/DataInsight
3.5.	Imports goods and services	In percent of GDP	IHS/DataInsight
3.6.	Current account balance	In percent of GDP, annualised moving average	IHS/DataInsight
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	IHS/DataInsight
3.8.	Reserves, International reserves of the National Bank	Gross international reserves, mio EUR.	IHS/DataInsight
3.9.	Reserves / months Imp	Ratio of 12 months imports of goods moving average.	IHS/DataInsight
<b>4. Monetary developments</b>			
4.1.	CPI	Annual percentage change, index 1994, Interim HICP is not available	IHS/DataInsight
4.2.	Producer prices	Annual percentage change, wholesale prices index (1994)	IHS/DataInsight
4.3.	Food prices	Annual pc, Food and Non-alcoholic Beverages, Total, TRY, 2003=100	IHS/DataInsight
4.4.	M3	Money supply M3, total, TRY	IHS/DataInsight
4.5.	Exchange rate YTL/EUR	Period averages	IHS/DataInsight
4.6.	Nominal eff. exchange rate	Index 1999, period averages	IHS/DataInsight
<b>5. Financial indicators</b>			
5.1.	Interest rate	Deposit rates, 3 month, close	IHS/DataInsight
5.2.	Bond yield	T-bond ISMA bid, 2 year, yield, close	IHS/DataInsight
5.3.	Stock markets	ISE index, trading volume (business), January 1986 = 1 Turkish Lira	IHS/DataInsight
5.4.	Credit growth	Annual percentage change, banking system, total loans, TRY	IHS/DataInsight
5.5.	Deposit growth	Annual percentage change, banking system, total deposits, TRY	IHS/DataInsight
5.6.	Non-performing loans	In percent of total lons	IHS/DataInsight
<b>6. Fiscal developments</b>			
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
<b>1. Real sector</b>			
1.1.	Industrial confidence indicator	Business Surveys, industry sector, industrial confidence Indicator, SA	IHS/DataInsight
1.2.	Industrial production	Annual percentage change, total, constant prices	IHS/DataInsight
1.3.	Gross domestic product	Annual percentage change, volume. Annual data	IHS/DataInsight
1.4.	Private consumption	Annual percentage change, constant prices, ALL, average prices of previous year	IHS/DataInsight
1.5.	Gross fixed capital formation	Annual percentage change, constant prices, ALL, average prices of previous year	IHS/DataInsight
1.6.	Construction index	Annual percentage change, construction costs, total, 1999Q4=100	IHS/DataInsight
1.7.	Retail sales	Annual percentage change, total, 2005=100	IHS/DataInsight
<b>2. Labour market</b>			
2.1.	Unemployment	In percent of total labour force	IHS/DataInsight
2.2.	Employment	Annual percentage change	IHS/DataInsight
2.3.	Wages	Average monthly wages in State sector	IHS/DataInsight
<b>3. External sector</b>			
3.1.	Exports of goods	Annual percentage change, mio. EUR	IHS/DataInsight
3.2.	Imports of goods	Annual percentage change, mio. EUR	IHS/DataInsight
3.3.	Trade balance	In percent of GDP	IHS/DataInsight
3.4.	Exports goods and services	In percent of GDP. Annual data	IHS/DataInsight
3.5.	Imports goods and services	In percent of GDP. Annual data	IHS/DataInsight
3.6.	Current account balance	In percent of GDP, including official transfers	IHS/DataInsight
3.7.	Direct investment (FDI, net)	In percent of GDP	IHS/DataInsight
3.8.	Reserves, International reserves of the National Bank	Net foreign assets, total, mio EUR.	IHS/DataInsight
3.9.	Reserves / months Imp	Ratio of 12 months imports of goods moving average.	IHS/DataInsight
<b>4. Monetary developments</b>			
4.1.	Interim CPI	Consumer Prices, All items, Total. Annual percentage change Up to 2007 Dec2001 = 100, 2007 onwards Dec2007 = 100.	IHS/DataInsight
4.2.	Producer prices	Annual percentage change, Total, index (1998)	IHS/DataInsight
4.3.	Food prices	Annual percentage change, Food and Non-alcoholic Beverages, Total, December 2007=100	IHS/DataInsight
4.4.	M2	Annual percentage change	IHS/DataInsight
4.5.	Exchange rate LEK/EUR	Period averages	IHS/DataInsight
4.6.	Change real eff. exchange rate	Not available	
<b>5. Financial indicators</b>			
5.1.	Interest rate	Treasury Bills, 3 Month Auction, Yield	IHS/DataInsight
5.2.	Bond yield	Government Benchmarks, 2 Year Bond, Yield	IHS/DataInsight
5.3.	Stock markets	Not available	
5.4.	Credit growth	Annual percentage change, total	IHS/DataInsight
5.5.	Deposit growth	Annual percentage change, total	IHS/DataInsight
5.6.	Non-performing loans	Credit Portfolio Quality, NPLs %	IHS/DataInsight
<b>6. Fiscal developments</b>			
6.1.	General government balance	In percent of GDP	IMF
6.2.	General government debt	In percent of GDP	IMF



No.	Indicator	Note	Source
<b>1. Real sector</b>			
1.1.	Industrial confidence indicator	Not available	
1.2.	Industrial production	Production, total, CPPY=100	IHS/DataInsight
1.3.	Gross domestic product	Annual percentage change	IHS/DataInsight
1.4.	Private consumption	Annual percentage change, Households, Total, Chain index	IHS/DataInsight
1.5.	Gross fixed capital formation	Annual percentage change	IHS/DataInsight
1.6.	Construction index	Annual percentage change, residential construction, completed dwellings m2, CPPY=100	IHS/DataInsight
1.7.	Retail sales	Total sale, index CPPY=100, weighted average Federation of Bosnia and Herzegovina 65% Serb Republic 35%	IHS/DataInsight
<b>2. Labour market</b>			
2.1.	Unemployment	Registered, in percent of total labour force	IHS/DataInsight, NSO
2.2.	Employment	Registered, annual percentage change. New methodology as per Dec 2012 – data not fully comparable.	IHS/DataInsight
2.3.	Wages	Annual percentage change, average gross wages, BAM	IHS/DataInsight
<b>3. External sector</b>			
3.1.	Exports of goods	Annual percentage change, mio. BAM, General merchandise, FOB	IHS/DataInsight
3.2.	Imports of goods	Annual percentage change, mio. BAM, General merchandise, FOB	IHS/DataInsight
3.3.	Trade balance	In percent of GDP, annualised data	IHS/DataInsight
3.4.	Exports goods and services	In percent of GDP, estimated from Balance of Payments data	IHS/DataInsight
3.5.	Imports goods and services	In percent of GDP, estimated from Balance of Payments data	IHS/DataInsight
3.6.	Current account balance	In percent of GDP, annualised data	IHS/DataInsight
3.7.	Direct investment ( <i>FDI, net</i> )	In percent of GDP, annualised data	IHS/DataInsight
3.8.	Reserves, International reserves of the National Bank	Gross foreign reserves, total, mio EUR	IHS/DataInsight
3.9.	Reserves / months Imp	Ratio of 12 months imports of goods moving average.	IHS/DataInsight
<b>4. Monetary developments</b>			
4.1.	CPI	All Items, with temporary reductions of prices, index CPPY=100	IHS/DataInsight
4.2.	Producer prices	Domestic, total, index CPPY=100	IHS/DataInsight
4.3.	Food prices	Annual pc change, food and non-alcoholic beverages, 2005=100,	IHS/DataInsight
4.4.	M2	Annual percentage change, M2 (broadest money)	IHS/DataInsight
4.5.	Exchange rate BAM/EUR	Period averages, spot rates, close	IHS/DataInsight
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)	IHS/DataInsight
<b>5. Financial indicators</b>			
5.1.	Interest rate	Not available	
5.2.	Bond yield	Not available	
5.3.	Stock markets	SASX-10 Index, close	IHS/DataInsight
5.4.	Credit growth	Annual percentage change, loans, total, BAM, End of period	IHS/DataInsight
5.5.	Deposit growth	Annual percentage change, deposits, total, BAM, End of period	IHS/DataInsight
5.6.	Non-performing loans	NPLs to total loans, BAM, End of period	IHS/DataInsight
<b>6. Fiscal developments</b>			
6.1.	General government balance	In percent of GDP, consolidated budget, net lending	IHS/DataInsight
6.2.	General government debt	In percent of GDP, external public debt	IHS/DataInsight

No.	Indicator	Note	Source
<b>1.</b>	<b>Real sector</b>		
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.	
<b>2</b>	<b>Labour market</b>		
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
<b>3.</b>	<b>External sector</b>		
3.1.	Exports of goods	Annual percentage change.	IHS/DataInsight
3.2.	Imports of goods	Annual percentage change.	IHS/DataInsight
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.	IHS/DataInsight
3.9.	Reserves / months Imp	Ratio of 12 months imports of goods moving average.	IHS/DataInsight
<b>4.</b>	<b>Monetary developments</b>		
4.1.	Interim CPI	Annual average percentage change, index (May 2002 = 100)	IHS/DataInsight
4.2.	Producer prices	Annual percentage change, total, 2007=100	IHS/DataInsight
4.3.	Food prices	Annual percentage change, food and non-alcoholic beverages, CPPY=100	IHS/DataInsight
4.4.	M2	Annual percentage change, M2 (deposits included in broad money)	IHS/DataInsight
4.5.	Exchange rate EUR/EUR	Not applicable.	
4.6.	Real eff. exchange rate	Price change % CPI.	CB Kosovo
<b>5.</b>	<b>Financial indicators</b>		
5.1.	Interest rate	Interest rates, short-term (3-12 months loans to non-financial corporations)	IHS/DataInsight
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.	IHS/DataInsight
5.5.	Deposit growth	Annual percentage change, ODC deposits.	IHS/DataInsight
5.6.	Non-performing loans	Not available.	CB Kosovo
<b>6.</b>	<b>Fiscal developments</b>		
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.







## HOW TO OBTAIN EU PUBLICATIONS

### Free publications:

- one copy:  
via EU Bookshop (<http://bookshop.europa.eu>);
- more than one copy or posters/maps:  
from the European Union's representations ([http://ec.europa.eu/represent\\_en.htm](http://ec.europa.eu/represent_en.htm));  
from the delegations in non-EU countries ([http://eeas.europa.eu/delegations/index\\_en.htm](http://eeas.europa.eu/delegations/index_en.htm));  
by contacting the Europe Direct service ([http://europa.eu/europedirect/index\\_en.htm](http://europa.eu/europedirect/index_en.htm)) or  
calling 00 800 6 7 8 9 10 11 (freephone number from anywhere in the EU) (\*).

(\*) The information given is free, as are most calls (though some operators, phone boxes or hotels may charge you).

### Priced publications:

- via EU Bookshop (<http://bookshop.europa.eu>).

### Priced subscriptions:

- via one of the sales agents of the Publications Office of the European Union ([http://publications.europa.eu/others/agents/index\\_en.htm](http://publications.europa.eu/others/agents/index_en.htm)).

