



ECFIN Unit D-1

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

CCEQ

CANDIDATE AND PRE-ACCESSION COUNTRIES' ECONOMIC QUARTERLY

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*as defined by UNSCR 1244

OVERVIEW

In late 2008 and early 2009 the international financial and economic crisis increasingly affected candidate and potential candidate countries via three main channels: lower trade volumes, lower FDI inflows and lower inflows of remittances.

Trade has slowed markedly, with exports around one quarter below 2008 levels and imports contracting up to 50%. Typically, due to the larger import base, lower trade reduces current account deficits (the exceptions are Albania and Kosovo, where large public infrastructure investments continue to spur imports). While 2009 data on FDI and remittances are not yet available, *reduced remittances' inflows by end-2008* in Albania and Bosnia and Herzegovina may have contributed to reduced internal demand and imports. Conversely, the declining external demand and real sector activity are curtailing the need for external financing.

In some countries, domestic actors started to adjust their plans to the substantially lower outlook on demand by reducing industrial output already in the second half of 2008. By early 2009, a sharp adjustment of output had spread throughout the entire region, with *industrial production contracting by up to 21% in January and February* compared to the previous year. Employment has started adjusting as well; in Turkey the shedding of labour is particularly sharp.

In all countries, credit and deposit growth slowed markedly, albeit from a high level. *In Bosnia and Herzegovina and Montenegro, annual deposit growth turned negative in January.*

Banks are applying stricter lending policies and increasing provisioning, partly as a reaction to *rising ratios of non-performing loans*, the cost of which is rolled over to customers, making new lending more expensive. In some countries, this is to a certain extent offset by monetary policy easing, but in most countries the budget is the main macroeconomic policy tool available.

In addition, in countries with more flexible exchange rates, *central banks intervened in the foreign exchange market* to dampen volatility and downward pressures on their local currencies. On an annual basis, the Turkish lira was 20% lower against the euro in January and, again on an annual basis, the Serbian dinar was 14% lower against the euro in February.

Most of the developments described above have one thing in common: they are either already having a negative effect on fiscal balances, or they are leading to *increased fiscal risks, mainly on the side of fiscal revenues*. Lower economic activity in general and the downward adjustment of prices are putting additional pressure on fiscal revenues, against 2009 budgets that are generally based on overly optimistic economic assumptions. *Early 2009 budget execution data already show substantial revenue gaps in Montenegro and Serbia.*

Altogether, this translates into a *need for a substantial fiscal rebalancing of budgets in 2009*. This is made more difficult by the pro-cyclical fiscal stance of recent years.

Advance Indicators																
% -change compared to the same month of previous year; latest available data																
	HR		FYROM		TR		AL		BiH		ME		SR		KO	
	Jan	Feb	Dec	Jan	Jan	Feb	Dec	Jan	Jan	Feb	Jan	Feb	Jan	Feb	Dec	Jan
Industrial production	-14.2	-12.5	-10.1	-16.7	-21.3	n.a.	n.a.	n.a.	-9.2	-6.3	-4.7	-18.8	n.a.	n.a.	n.a.	n.a.
Exports, goods	-26.1	-3.8	-19.1	n.a.	-22.3	-24.9	-4.4	-19.9	-20.3	-23.5	:	-20.0	-30.5	n.a.	-22.3	-41.1
Imports, goods	-31.7	-23.9	-14.7	n.a.	-44.4	-47.6	13.8	-16.5	-18.4	-27.7	:	-26.7	-43.1	n.a.	28.6	-4.9
Credit growth	12.0	n.a.	32.0	29.0	20.0	9.6	18.0	n.a.	20.3	17.3	20.1	11.1	33.2	32.4	32.7	31.7
Deposits	5.6	5.1	10.3	8.7	27.3	26.0	2.3	n.a.	-0.8	-0.8	-6.7	n.a.	8.1	8.6	24.4	23.0
Government revenues	n.a.	n.a.	n.a.	n.a.	0.3	4.5	n.a.	-3.2	-1.5	n.a.	-24.1	-14.7	-13.7	n.a.	4.3	1.6
Central bank fx-reserves	-7.1	n.a.	n.a.	n.a.	25.6	28.8	22.4	21.4	-7.3	-7.7	n.a.	n.a.	-29.1	-28.5	n.a.	n.a.
fx-rate vis-à-vis euro	-1.7	n.a.	0.0	0.0	-20.7	-15.7	-4.3	-5.5	0.0	0.0	n.a.	n.a.	-12.9	-13.7	n.a.	n.a.

Notes:

Montenegro: Data on exports and imports is preliminary and aggregated for the period January to February. Deposit growth is for December.

BiH: Data on January government revenues is based on indirect taxes only.

Kosovo: Data on government revenues for January and February is based on border revenues only.

FYRoM: Industrial production in December is replaced by the figure for Q4/2008. Data on credit and deposit growth are for January and February.

Albania: Government revenues show cumulative figure for January and February 2009. EUR/ALL-rates are for February and March.

Serbia: Data on deposit growth covers households and private non-financial corporations. EUR/RSD-rates are for February and March.

Turkey: EUR/TRY-rates are for February and March.

Candidate and potential candidate countries: Summary table

	2004	2005	2006	2007	2008	Q3 08	Q4 08	Q1 09	Jan 09	Feb 09	Mar 09
Gross domestic product (in real terms, annual % change)											
Croatia	4.2	4.2	4.7	5.5	2.4	1.6	0.2	:	n.a.	n.a.	n.a.
The former Yugoslav Republic of Macedonia	4.1	3.9	4.0	5.9	5.0	5.8	2.1	:	n.a.	n.a.	n.a.
Turkey	9.4	8.4	6.9	4.7	1.1	1.2	-6.2	:	n.a.	n.a.	n.a.
Albania	5.7	5.7	5.5	6.2	7.2f	:	:	:	n.a.	n.a.	n.a.
Bosnia and Herzegovina	6.3	3.9	6.7	6.8	5.5e	:	:	:	n.a.	n.a.	n.a.
Montenegro	4.4	4.2	8.6	10.7	8.1	8.0	:	:	n.a.	n.a.	n.a.
Serbia	8.3	5.6	5.2	6.9	5.4	4.9	2.8	:	n.a.	n.a.	n.a.
Kosovo*	3.4	3.8	3.9	3.9	5.4	:	:	:	n.a.	n.a.	n.a.

Unemployment (LFS, in % of workforce)											
Croatia	13.8	12.7	11.2	9.6	:	12.4	13.3	:	14.5	14.8	:
The former Yugoslav Republic of Macedonia	37.2	37.3	36.0	34.9	33.8	33.0	33.5	:	:	:	:
Turkey	10.3	10.2	9.9	9.9	10.7	9.8	12.3	:	:	:	:
Albania	14.7	14.3	13.9	13.4	:	12.6	:	:	:	:	:
Bosnia and Herzegovina 2.1	43.1	44.7	44.2	42.9	40.6	40.5	40.6	:	40.1	:	:
Montenegro	22.3	18.5	14.7	11.9	10.8	10.7	10.8	:	10.8	10.9	:
Serbia	19.5	21.8	21.6	18.8	13.6	12.5	14.1	:	14.4	14.7	:
Kosovo* 2.1	39.7	41.4	44.9	43.0	:	:	:	:	:	:	:

Current account balance (% of GDP)											
Croatia	-4.5	-5.6	-7.0	-7.6	-9.5	-9.6	-9.5	:	n.a.	n.a.	n.a.
The former Yugoslav Republic of Macedonia	-8.4	-2.6	-0.9	-7.2	-12.0	-12.9	:	:	n.a.	n.a.	n.a.
Turkey	-3.6	-4.6	-6.1	-5.9	-5.5	-6.1	-5.5	:	n.a.	n.a.	n.a.
Albania	-5.8	-8.9	-6.5	-10.1	-14.8	-13.5	-15.1	:	n.a.	n.a.	n.a.
Bosnia and Herzegovina	-16.3	-17.3	-7.8	-12.6	-14.6	:	:	:	n.a.	n.a.	n.a.
Montenegro	-7.2	-8.5	-24.7	-29.4	-29.2	-34.9	-29.2	:	n.a.	n.a.	n.a.
Serbia	-13.4	-8.3	-9.4	-14.9	:	:	:	:	n.a.	n.a.	n.a.
Kosovo*	-13.4	-13.4	-14.0	-16.0	-19.5	:	:	:	n.a.	n.a.	n.a.

Inflation (Consumer price index, annual % change)											
Croatia	2.0	3.3	3.2	2.9	6.1	7.4	4.5	:	3.4	4.2	:
The former Yugoslav Republic of Macedonia	-0.4	0.5	3.2	2.3	8.3	8.4	5.5	:	1.7	0.7	:
Turkey	8.6	8.2	9.6	8.8	10.4	11.7	10.9	:	9.5	7.7	:
Albania	2.9	2.4	2.4	2.9	3.4	2.9	2.5	:	2.1	1.9	:
Bosnia and Herzegovina	0.5	4.3	6.1	1.5	7.4	9.4	5.5	:	2.3	1.8	:
Montenegro	2.2	2.4	3.0	4.3	7.4	9.9	6.8	:	4.9	5.4	:
Serbia (RPI)	9.8	17.3	12.7	6.6	10.7	10.7	8.8	:	8.9	10.7	:
Kosovo*	-1.1	-1.4	0.6	4.4	9.4	9.8	2.5	:	-0.5	-1.2	:

General government balance (% of GDP)											
Croatia	-4.6	-4.3	-3.1	-2.6	-2.3	:	:	:	n.a.	n.a.	n.a.
The former Yugoslav Republic of Macedonia	0.0	0.2	-0.5	0.6	-1.5	2.0	-12.0	:	n.a.	n.a.	n.a.
Turkey	-4.5	-0.6	-0.1	-1.2	:	:	:	:	n.a.	n.a.	n.a.
Albania	-5.1	-3.6	-3.2	-3.5	-5.5	:	:	:	n.a.	n.a.	n.a.
Bosnia and Herzegovina	1.6	2.4	2.9	1.3	:	:	:	:	n.a.	n.a.	n.a.
Montenegro	-2.6	-2.3	2.7	6.4	1.5	3.7	1.5	:	n.a.	n.a.	n.a.
Serbia	0.9	0.9	-1.6	-2.0	-2.2	-0.2	-1.7	:	n.a.	n.a.	n.a.
Kosovo*	-4.5	-3.0	2.4	6.7	-0.9	:	:	:	n.a.	n.a.	n.a.

* as defined by UNSCR 1244

CROATIA



COMMENTS

Recent economic and political developments

The global financial crisis and economic slowdown in Croatia's main trading partners has started to affect the Croatian economy. Output decelerated markedly in late 2008 and early 2009 and growth is likely to turn negative for the whole year of 2009. A large stock of external debt and important roll-over needs of the government and corporate sector in 2009 are key challenges against the background of much tighter external financing constraints and a possible slowdown in capital inflows. Meanwhile, the financial sector remained sound and stable with the mostly foreign-owned banking sector still benefiting from earlier recapitalisations.

In January and February, the Statistical Office of Croatia released revised data on the Gross Domestic Product for the period since 1995, up to the third quarter of 2008, to better align with the European System of Accounts (ESA 1995). The revision led to an average increase of nominal GDP levels by 15.8% with the estimation of the non-observed economy having the largest impact on the level change, accounting for two thirds 2/3 of the overall GDP corrections, equivalent to slightly above 10% of GDP.

In February, the government announced an anti-recession programme consisting of 10 measures, including a planned revision of the state budget, a financial strengthening of the State Development Bank (HBOR), and support for the tourism sector, SMEs and the real estate market.

On 25 March, the government adopted a revised budget to be voted in Parliament in early April. It foresees an increase in the general government deficit to 1.6% of GDP, up from the 0.9% originally planned.

The EU intergovernmental accession conference with Croatia was postponed to 24 April, hoping that progress would be made in solving a bilateral border dispute between Croatia and

Slovenia that has been impeding progress on membership negotiations.

Output and demand

In 2008, real GDP growth slowed considerably to 2.4% year-on-year, down from 5.5% in 2007. Private consumption growth decelerated markedly to 0.8% (6.2%) and public consumption slowed to 1.9% (3.4%). At the same time, investment growth accelerated to 8.2%, up from 6.5% a year before, and posted the strongest contribution to growth (2.2 percentage points). The growth of exports declined to 1.7% (4.3%), while total imports decelerated to 3.6% (6.5%).

Recently published high frequency indicators suggest a further considerable deterioration of economic performance in early 2009. Industrial production declined by 12.4% year-on-year in February, followed by a drop of 14.1% in January. Real retail trade recorded a decline of 13.7% year-on-year in January, partly due to statistical changes. External trade data also fell sharply, confirming the slowdown.

Labour market

The officially registered unemployment rate increased to 14.8% in February, from 14.5% in January. In February 2008, it stood at 14.7%. Total employment declined by 0.3% year-on-year in January. In 2008, average employment growth was recorded at 1%. According to most recent data from the labour force survey, the unemployment rate stood at 7% in the third quarter of 2008, down from 8.7% in the same period of the previous year. Employment grew by 1.5% on average in the first three quarters of 2008.

Average gross wages increased by 7.1% in 2008, up from 6.2% in 2007. Deflated by consumer price inflation, this translates into a real wage growth of around 1%. Nominal wage growth declined to 4.8% year-on-year in January.

International transactions

Recently released balance of payments data confirm a further deterioration of external imbalances in 2008. The current account deficit increased to 9.5% of GDP, up from 7.6% in 2007, largely driven by lower net exports and a higher deficit of the income balance, also reflecting higher debt servicing costs. The current account balance was more than financed by net capital inflows, despite lower net foreign direct investments which amounted to 5.9% of GDP. The month of January witnessed a sharp fall of merchandise imports and exports, by 32% and 26% year-on-year, respectively. Official reserves of the Croatian National Bank stood at EUR 8,674 million at end-January, compared to EUR 9,332 million a year before. The 7% decline in reserves was mainly a result of forex interventions to stabilise the kuna exchange rate to the euro, when the currency came under temporary depreciation pressures in January and February. The stock reserves can still be considered comfortable, equivalent to around 5 months of imports of goods and services. The stock of external debt continued to increase, by EUR 5.8 billion, to EUR 39 billion at end-2008, or to around 95% of GDP, up from 89% at end-2007. The composition of external debt by sector reveals, that foreign liabilities of both the corporate and the banking sector increased, indicating that they were able to attract foreign financing despite the global financial crisis.

Prices

Inflation gradually increased to 4.2% year-on-year in February, from 2.8% in December 2008. However, compared to its peak of 8.6% in July, inflation has moderated and average inflation is gradually slowing. The pick-up in inflation in February was mainly due to faster growth of food and housing prices.

Monetary and financial indicators

The marked increase in short term interest rates to above 10% in February indicate that liquidity conditions have become tighter, weighing on the cost of household and corporate sector borrowing. Annual domestic credit growth accelerated to 12% in January, up from 10.5% in December. In particular, lending to the non-financial corporate sector became stronger,

while the growth of credits to private households slowed.

So far in 2009 (cut-off 30 March), the exchange rate of the domestic kuna depreciated slightly by 1.7% vis-à-vis the euro. The CNB took several steps to ease tensions and excessive fluctuations in the foreign exchange markets and to discourage speculative activities. In order to mitigate depreciation pressures on the kuna, the CNB intervened twice in the foreign exchange market, by selling EUR 328 million in January and EUR 184 million in February, respectively. In end-February, the CNB intervened again, this time by purchasing EUR 331 million in order to provide domestic currency liquidity following significant increases in inter-bank rates.

General government finance

Available preliminary data for the central government point to a underperformance of total revenues by 2 percentage points of GDP for the whole year 2008. This shortfall has been largely matched by an adjustment of current spending. However, official available data are largely cash based, and do not yet fully account for changes in general government arrears, debt assumptions and other factors that in past years have had a significant impact on the deficit as defined under ESA 95, such as so-called pensioners' debt and activities of the State Development Bank (HBOR).

The original budget framework for 2009 was voted by Parliament on 15 December and foresees a reduction of the general government deficit to 0.9% of GDP. However, the underlying macroeconomic assumptions turned out to be overly optimistic. Therefore, the government adopted a revised budget on 25 March. It foresees a reduction of current spending by around 4%, which will however only partly compensate for the projected shortfall in revenues. As a result, the foreseen 2009 general government deficit increases to 1.6% of GDP.

The stock of general government debt rose by 5.3% year-on-year to HRK 108.5 billion, or 36.2% of GDP, at end-November. Adjustments for the stock of issued state guarantees and the debt of the State Development Bank (HBOR) would raise the stock of debt by around 10 percentage points of GDP.

TABLE



European Commission, ECFIN-D-1

CROATIA

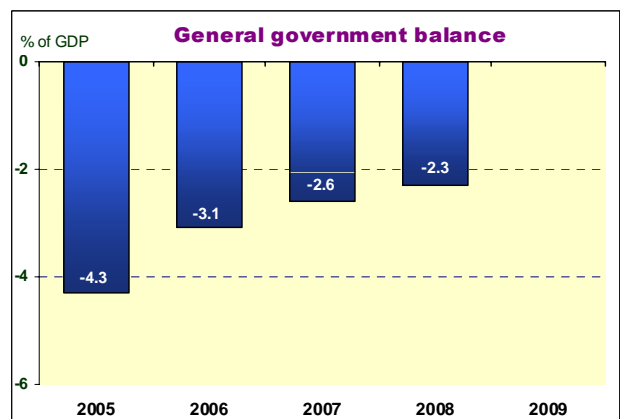
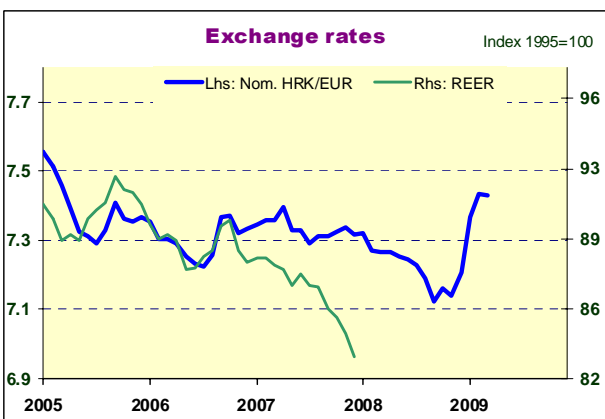
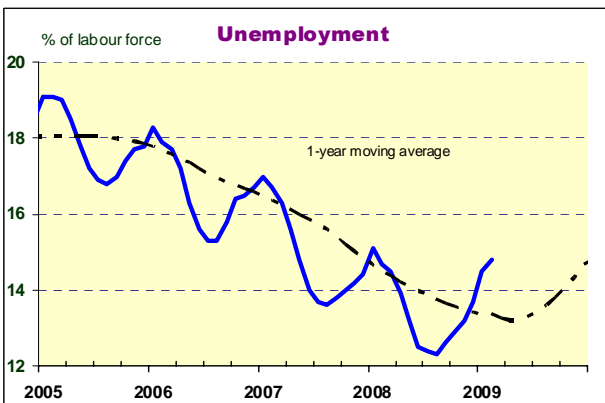
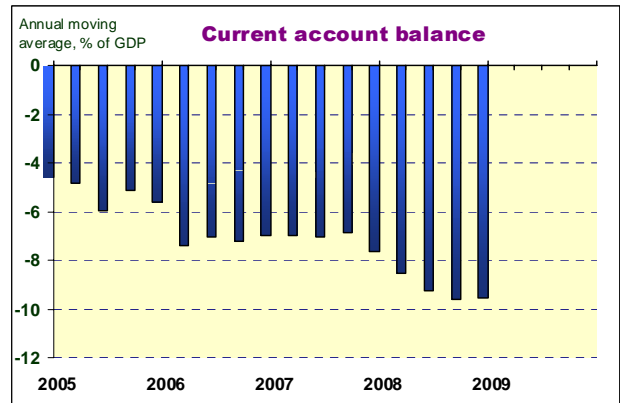
		2004	2005	2006	2007	2008	Q3 08	Q4 08	Q1 09	Jan 09	Feb 09	Mar 09
1 Output and demand												
Industrial confidence ^{1.1}	Balance	N.A.	N.A.	N.A.	N.A.	N.A.	:	:	:	:	:	:
Industrial production ^{1.2}	Ann. % ch	3.6	5.1	4.5	5.6	1.6	0.2	-1.9	:	-14.2	-12.4	:
Gross domestic product ^{1.3}	Ann. % ch	4.2	4.2	4.7	5.5	2.4	1.6	0.2	:	N.A.	N.A.	N.A.
Consumer confidence ^{1.4}	Balance	N.A.	N.A.	N.A.	N.A.	N.A.	:	:	:	:	:	:
Private consumption ^{1.5}	Ann. % ch	4.3	4.4	3.5	6.2	0.8	0.4	-3.2	:	N.A.	N.A.	N.A.
Gross fixed capital formation ^{1.6}	Ann. % ch	5.0	4.9	10.9	6.5	8.2	6.6	3.5	:	N.A.	N.A.	N.A.
Change in stocks ^{1.7}	% of GDP	1.3	1.7	2.0	2.7	3.2	3.6	3.2	:	N.A.	N.A.	N.A.
2 Labour market												
Unemployment ^{2.1}	%	13.8	12.7	11.2	9.6	:	12.4	13.3	:	14.5	14.8	:
Employment ^{2.2}	Ann. % ch	1.6	0.4	0.9	:	:	0.7	0.3	:	-0.3	:	:
Wages ^{2.3}	Ann. % ch	6.4	4.4	6.2	6.2	7.1	7.4	6.6	:	4.8	:	:
3 International transactions												
Exports of goods ^{3.1}	Ann. % ch	17.3	7.9	16.1	8.8	4.3	11.6	-7.4	:	-26.1	-3.8	:
Imports of goods ^{3.2}	Ann. % ch	5.1	9.1	12.9	11.0	8.9	13.9	-4.3	:	-31.7	-23.9	:
Trade balance ^{3.3}	% of GDP	-20.5	-21.0	-21.3	-22.0	:	-23.3	-26.4	:	N.A.	N.A.	N.A.
Exports goods and services ^{3.4}	% of GDP	43.3	42.6	43.4	42.8	41.9	42.5	41.9	:	N.A.	N.A.	N.A.
Imports goods and services ^{3.5}	% of GDP	49.6	49.1	50.4	50.4	50.3	51.3	50.3	:	N.A.	N.A.	N.A.
Current account balance ^{3.6}	% of GDP	-4.5	-5.6	-7.0	-7.6	-9.5	-9.6	-9.5	:	N.A.	N.A.	N.A.
Direct investment (FDI, net) ^{3.7}	% of GDP	1.8	3.4	6.6	8.1	5.9	6.1	5.9	:	N.A.	N.A.	N.A.
4 Prices												
CPI ^{4.1}	Ann. % ch	2.0	3.3	3.2	2.9	6.1	7.4	4.5	:	3.4	4.2	:
GDP Deflator ^{4.2}	Ann. % ch	3.8	3.3	3.4	4.0	6.4	7.7	5.3	:	:	:	:
Producer prices ^{4.3}	Ann. % ch	:	:	:	:	:	:	:	:	1.8	1.8	:
Import prices ^{4.4}	Ann. % ch	N.A.	N.A.	N.A.	N.A.	N.A.	:	:	:	:	:	:
5 Monetary and financial indicators												
Interest rate (3 months) ^{5.1}	% p.a.	7.32	6.21	4.46	5.66	7.19	6.43	8.69	10.18	9.16	10.12	11.26
Bond yield ^{5.2}	% p.a.	N.A.	N.A.	N.A.	N.A.	N.A.	:	:	:	:	:	:
Stock markets ^{5.3}	Index	1 284	1 920	2 771	4 673	3 299	3 375	1 840	1 506	1 682	1 384	1 451
M4 ^{5.4}	Ann. % ch	8.2	9.6	14.3	17.9	10.9	11.2	6.2	:	6.3	5.7	:
Exchange rate HRK/EUR ^{5.5}	Value	7.50	7.39	7.30	7.33	7.22	7.18	7.17	7.41	7.37	7.43	7.43
Nominal eff. exchange rate ^{5.6}	Index	91.7	90.4	89.3	87.3	84.3	83.24	86.12	:	88.13	:	:
6 Government balance and debt												
General government balance ^{6.1}	% of GDP	-4.6	-4.3	-3.1	-2.6	-2.3	:	:	:	N.A.	N.A.	N.A.
General government debt ^{6.2}	% of GDP	37.9	38.3	35.7	33.0	35.8	:	:	:	N.A.	N.A.	N.A.

CHARTS

European Commission, ECFIN-D-1



CROATIA



THE FORMER YUGOSLAV REPUBLIC OF MACEDONIA



COMMENTS

Recent economic and political developments

Government activities have been dominated by preparations for local and presidential elections, which took place on 22 March and 5 April.

In the last quarter of 2008, the global economic slowdown started to take its toll on the economy. Economic growth decelerated to some +2%, leading to a significant decline in tax revenues. In view of the deteriorating external environment and upcoming elections, the government boosted public spending, turning a significant fiscal surplus during most of 2008 into a deficit of 1.5% of GDP by the end of the year. Having thus depleted most of fiscal reserves, the government now is increasingly confronted with liquidity bottlenecks and financing constraints. With declining revenues and tight international and domestic credit markets, the country's fiscal space to take further anti-crisis measures is thus severely limited, at a time when the global slowdown just starts to affect the country's economy.

Standard&Poor's downgraded the country's sovereign credit rating outlook from stable to negative, reflecting worsening external liquidity indicators and falling levels of international reserves.

Output and demand

Output growth decelerated sharply in the fourth quarter of 2008, mainly as a result of weak investment, while private and public consumption remained strong. Real GDP growth slowed down to 2.1% in the last quarter, compared to 5.7% during the first three quarters. Gross fixed capital formation dropped by 34%, while private consumption rose by 11% and public consumption by 23%.

Industrial production, which accounts for some 20% of total value added, contracted sharply in January and February, shrinking by 17% year-on-year and by 11.3% respectively. This compares to a rather strong increase in the third

quarter, by some 13%. Overall, industrial production expanded by 6% in 2008, compared to 4% the year before. While in the first three quarters, metal production was one of the main drivers of growth, it has been one of the main factors for the strong decline in the last quarter.

Labour market

The labour market situation deteriorated in the fourth quarter of 2008, with an increase in the unemployment rate from 33% in the third quarter to 33.5% in the fourth quarter. The rise in unemployment was of a similar magnitude in the fourth quarter of previous year and is thus most likely reflecting a seasonal pattern and not so much the impact of the global financial crisis. In absolute terms, the number of unemployed increased by 1 000 persons compared to the third quarter, but was 10 000 persons lower than a year before. For the whole year, unemployment declined from 34.9% in 2007 to 33.7% in 2008. About 20% of the unemployed are between 15-24 years old. In this age group, unemployment remained rather stable on a particularly high level of some 54% of this age group's labour force.

Nominal wage growth accelerated in the fourth quarter to 9%, bringing annual nominal wage growth to 8%. Overall, the increase in nominal wages remained below consumer price inflation, which was 8.3% in 2008.

International transactions

The current account deficit deteriorated from 7% of GDP end of 2007 to 12% of GDP end of 2008. The main contribution for this increase came from the trade account, where the deficit increased from 20% of GDP to 26%. Private transfers declined from about 17% of GDP to some 15% of GDP, mainly as a result of a decline of cash exchanges from exchange offices, while workers remittances remained rather stable. The widening of the current account was financed by increased capital

inflows, in particular FDI which increased from about 4% of GDP to some 7%. A considerable part of these capital inflows was related to investment of foreign banks in private local banks. In the first two months of 2009, the trade deficit declined, as imports dropped faster than exports. The main reason on the export side is linked to declining demand for ferro-nickel products, while lower imports probably reflect declining domestic demand and lower energy prices.

Prices

Consumer price inflation decelerated sharply towards the end of 2008, reaching 12-months inflation of some 4% in December, compared to inflation rates of some 10% at the beginning of 2008.

In the first quarter of 2009, this trend continued, with year-on-year inflation coming down to 0.2% in March, which brought average inflation in the first quarter to 1%. This decline in inflationary pressures is mainly based on lower prices for oil derivatives, but also food, which has a significant weight in the consumer's cost-of-living.

Monetary and financial indicators

Monetary conditions tightened slightly during the last months. Average weighted nominal lending rates declined marginally during the first half of 2008, from 9.9% end 2007 to 9.6% by mid-2008 and rose again to 9.8% at the end of 2008. Interest rates on deposits maintained a slight upward trend during 2007 and 2008, starting at 4.5% in January 2007 and reaching 6.5% by end 2008 and 6.8% in January 2009. Credit growth to the private sector declined from some 33% by end-2007, to around 29% in early 2009 (year-on-year). However, the overall credit-to-GDP level is still relatively low. Year-on-year growth of M4 continued to decelerate, from 22% in the third quarter of 2008 to some 15% in the last quarter of 2008. For the whole year, this brought the M4 increase to 22%, compared to 28% in 2007.

The exchange rate of the Denar has remained largely unchanged against the euro on a level of 61.4 MKD/EUR. However, during recent months, the Central Bank had to intervene more frequently than in the past to maintain the stability of the exchange rate to the euro. The

Central Bank continues to be strongly committed to maintain the current informal peg to the euro.

Foreign exchange reserves declined by some 10% since November 2008, thus reaching EUR 1.3bn in March (some 20% of GDP). To a certain extent, the depletion of reserves at the end of the year reflected the profit transfer of a major foreign investor. However, a significant share of outflows was also related to foreign exchange purchases by households. However, in view of the strong decline in imports, the import coverage through foreign exchange reserves has started to recover from recent lows of some 3½ months of imports.

By December 2008, gross external debt amounted to about 52% of the estimated GDP, compared to some 46% of GDP a year before.

General government finance

After having been in surplus during most of the year, intensive end-year spending turned general government accounts into a deficit of 1.5% of GDP for 2009. In the first two months of 2009, revenues remained slightly below plans. VAT revenues were significantly below expectations, while strong profit tax revenues largely compensated the weak VAT performance, which is by far the most significant source of government finances. The sharp decline in indirect tax revenues most likely reflects the slowdown of economic activity due to the impact of the global financial crisis. As a result, public sector accounts registered a deficit of about ½% of GDP in the first two months of 2009. A budget rebalancing exercise is expected, once elections are over and data on the fiscal performance during the first quarter is available.

The general government debt ratio continued to decline, from 42% of GDP at the end of 2006 to some 26% at the end 2007 and some 24% in 2008. However, the definition of this aggregate is not yet in line with ESA 95. The decline in 2007 was largely a result of early debt repayments, mainly to Paris club creditors, the IMF, the World Bank and the EIB.

TABLE

European Commission, ECFIN-D-1



The former Yugoslav Republic of Macedonia

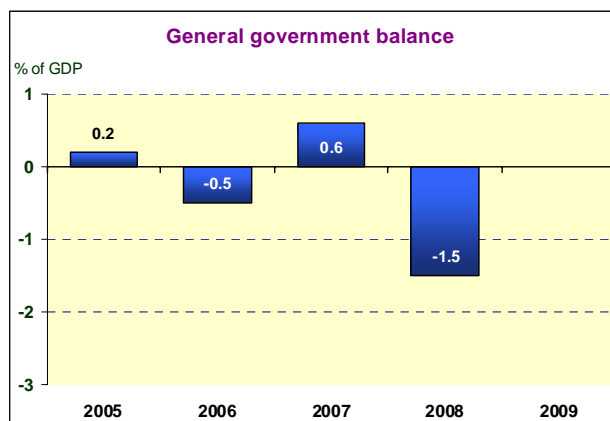
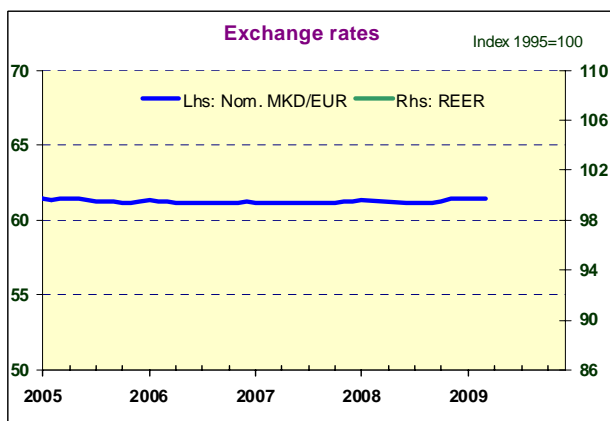
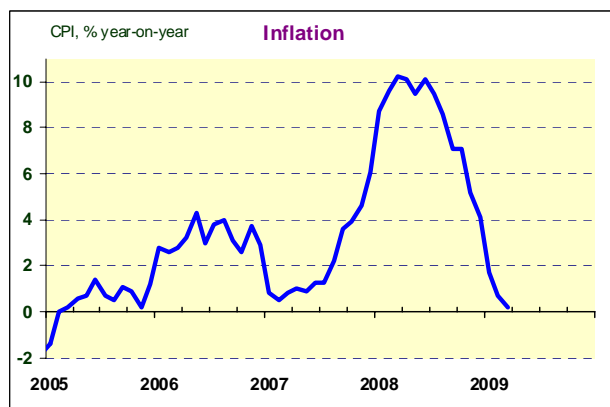
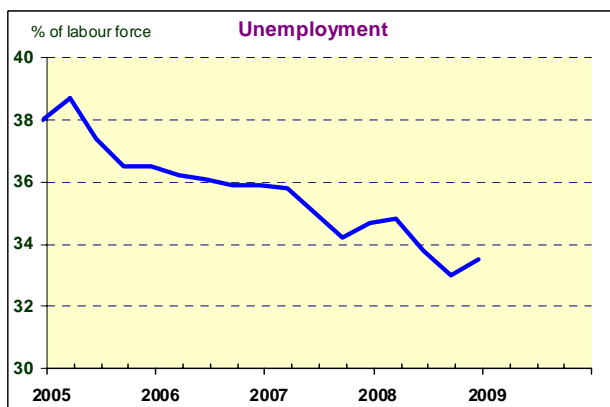
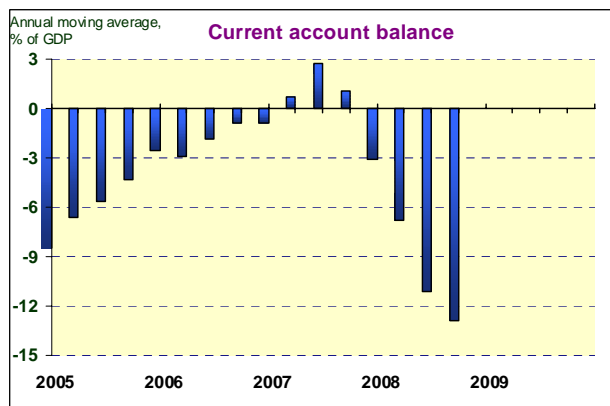
		2004	2005	2006	2007	2008	Q3 08	Q4 08	Q1 09	Jan 09	Feb 09	Mar 09
1 Output and demand												
Industrial confidence ^{1.1}	Balance	N.A.	N.A.	N.A.	N.A.	N.A.	:	:	:	:	:	:
Industrial production ^{1.2}	Ann. % ch	-12.0	7.2	2.3	4.1	5.9	13.0	-7.6	:	-16.7	-11.3	:
Gross domestic product ^{1.3}	Ann. % ch	4.1	3.9	4.0	5.9	5.0	5.8	2.1	:	N.A.	N.A.	N.A.
Consumer confidence ^{1.4}	Balance	N.A.	N.A.	N.A.	N.A.	N.A.	:	:	:	:	:	:
Private consumption ^{1.5}	Ann. % ch	6.2	5.7	6.0	9.8	7.8	7.7	11.2	:	N.A.	N.A.	N.A.
Gross fixed capital formation ^{1.6}	Ann. % ch	10.9	-5.4	11.6	13.1	18.8	4.9	-33.6	:	N.A.	N.A.	N.A.
Change in stocks ^{1.7}	% of GDP	3.5	3.7	3.6	4.0	4.0	:	:	:	N.A.	N.A.	N.A.
2 Labour market												
Unemployment ^{2.1}	%	37.2	37.3	36.0	34.9	33.8	33.0	33.5	:	:	:	:
Employment ^{2.2}	Ann. % ch	-4.1	4.3	4.6	3.5	2.4	3.6	:	:	:	:	:
Wages ^{2.3}	Ann. % ch	4.0	2.7	8.0	4.8	8.0	6.1	9.0	:	:	:	:
3 International transactions												
Exports of goods ^{3.1}	Ann. % ch	11.8	22.2	15.8	28.3	9.9	23.1	-7.0	:	:	:	:
Imports of goods ^{3.2}	Ann. % ch	15.5	10.7	16.9	23.6	22.3	28.6	-1.0	:	:	:	:
Trade balance ^{3.3}	% of GDP	-21.1	-18.4	-20.1	-20.9	-26.0	:	:	:	N.A.	N.A.	N.A.
Exports goods and services ^{3.4}	% of GDP	41.1	45.5	48.1	53.4	52.6	:	:	:	N.A.	N.A.	N.A.
Imports goods and services ^{3.5}	% of GDP	61.9	62.8	66.8	72.3	78.6	:	:	:	N.A.	N.A.	N.A.
Current account balance ^{3.6}	% of GDP	-8.4	-2.6	-0.9	-7.2	-12.0	-12.9	:	:	N.A.	N.A.	N.A.
Direct investment (FDI, net) ^{3.7}	% of GDP	6.0	1.6	6.8	8.8	6.7	8.2	:	:	N.A.	N.A.	N.A.
4 Prices												
CPI ^{4.1}	Ann. % ch	-0.4	0.5	3.2	2.3	8.3	8.4	5.5	:	1.7	0.7	0.2
GDP Deflator ^{4.2}	Ann. % ch	1.3	3.8	4.4	7.6	7.2	8.7	:	:	:	:	:
Producer prices ^{4.3}	Ann. % ch	1.2	3.2	4.5	1.6	10.4	15.2	2.2	:	-5.8	-5.1	:
Import prices ^{4.4}	Ann. % ch	:	:	:	:	:	:	:	:	:	:	:
5 Monetary and financial indicators												
Interest rate (3 months) ^{5.1}	% p.a.	8.49	9.95	6.40	5.60	6.69	7.41	7.55	:	7.49	7.77	:
Bond yield ^{5.2}	% p.a.	N.A.	N.A.	N.A.	N.A.	N.A.	:	:	:	:	:	:
Stock markets ^{5.3}	Index	911	1 930	3 219	6 971	5 149	5 101	2 848	2 005	2 166	2 090	1 759
M4 ^{5.4}	Ann. % ch	16.3	15.1	10.9	28.4	21.4	21.7	14.8	:	:	:	:
Exchange rate MKD/EUR ^{5.5}	Value	61.32	61.30	61.19	61.18	61.26	61.18	61.34	61.41	61.40	61.41	61.41
Nominal eff. exchange rate ^{5.6}	Index	N.A.	104.7	104.9	104.5	N.A.	:	:	:	:	:	:
6 Government balance and debt												
General government balance ^{6.1}	% of GDP	0.0	0.2	-0.5	0.6	-1.5	2.0	-12.0	:	N.A.	N.A.	N.A.
General government debt ^{6.2}	% of GDP	43.8	48.5	41.5	29.0	:	:	:	:	N.A.	N.A.	N.A.

CHARTS



European Commission, ECFIN-D-1

The former Yugoslav Republic of Macedonia



TURKEY



COMMENTS

Recent economic and political developments

According to the deputy prime minister, the government has so far implemented EUR 17 billion of fiscal stimulus measures since the crisis began - this figure may include support to the financial sector – including recent temporary tax cuts on cars, homes and white goods.

Local elections were held on 31 March. The ruling party lost support for the first time in its seven-year rule, but remains Turkey's largest party with around 40% of the votes, according to preliminary results.

Turkey's previous IMF Stand-By Arrangement has expired in May 2008, and a decision on a follow-up programme has not yet been taken. An IMF mission is expected to visit Turkey in the first weeks of April as the country may seek to reinforce the economy against the shock waves of the global economic crisis. Turkey's loan accord with the Fund may reportedly amount to between €10-20 billion.

Output and demand

The economic slowdown continued in the fourth quarter of 2008, as Turkey's economy shrunk by 6.2% year-on-year, the weakest performance since the 2001 crisis. Cumulative growth in 2008 amounted to 1.1% year-on-year. The impact of the global financial and economic crisis took a heavy toll on both domestic demand and export activity. Private consumption contracted by 4.6% year-on-year, down from a revised 1.3% fall in the third quarter. Gross fixed capital formation shrunk by as much as 17.5% as a significant increase in public sector investment expenditures by 15.9% could not offset the drop in private sector investment expenditures by 23.5%. The growth of exports turned negative to -8.2% from 3.6% in the third quarter, while imports contracted by 23% compared with a 2.8% fall in the third quarter. On the production side, output dropped by 10.8% in the industry, 13.4% in construction and 15.4% in the trade sectors.

Indicators of economic activity in the first quarter of 2009 give mixed signals. Industrial production dropped by 21.3% year-on-year in January and capacity utilisation remained unchanged at a bleak 64%. Consumer confidence rose slightly from 71% in the fourth quarter of 2008 to 74% in February, but remains in the pessimistic territory while the real sector confidence index rose in March for the third month but remains at 69, far below the 100 threshold, dividing optimism from pessimism. Hence, it appears that the growth fall is broad-based and is expected to continue due to the sharp contraction in external demand, weak - albeit stabilizing - consumer and business confidence and tight lending conditions.

Labour market

Labour market conditions deteriorated in tandem with the slowdown in economic activity. The unemployment rate reached a historic high of 13.6% in November-January, compared with 10.6% a year before. Unemployment rate in urban areas rose 2.8 percentage points to 15.4% and the corresponding rate in rural areas jumped to 10.7% from 8.1%. The most noteworthy increase is seen in youth unemployment, which covers people between the ages of 15 and 24. Non-agricultural unemployment rate on the other hand was 17.3%, up from 13% recorded a year ago. The government has unveiled several stimulus packages to stir up the economy however most of the measures aimed at boosting demand. Apparently, the government has to take some more serious steps to improve work conditions and create jobs.

Real wages in the manufacturing sector (per production hour worked) were flat in 2008, compared with a 1.6% growth in 2007.

International transactions

After having widened in the first part of 2008, external deficits started to decline significantly as of September. In January, the current account posted for the first time since 2004 a surplus of EUR 0.2 billion, which compares with a current account deficit of EUR 3 billion a year before.

The main surprise came from foreign trade deficit, which dropped by 98% year-on-year to around EUR 60 million both in January and February. While exports decreased by 22% year-on-year to EUR 6.6 billion due to deteriorating external demand conditions, imports contracted even more sharply by 44% year-on-year to EUR 6.6 billion due to lower energy and commodity prices along with slowing down domestic demand conditions and a depreciating currency. Net tourism revenues, which represent the main component of services, eased down only marginally by 4% year-on-year to EUR 0.5 billion in January.

For the fifth consecutive month, capital outflows were registered, amounting to a cumulative EUR 1.4 billion in January. They were largely compensated by positive net errors and omissions, while the reserve assets decreased by about EUR 200 million. Banks and corporates continued to be net payers with EUR 480 million and EUR 620 million, respectively. Regarding the long-term debt amortization, it appears that roll-over performance of the corporate sector was at around 85%. FDI inflows remained quite resilient at around EUR 0.8 billion.

Prices

Consumer price inflation surprised and the minus 0.3% February CPI inflation translated in a 7.7% annual inflation figure, down from 9.5% in January. Food prices were only 0.02% up month-on-month, and brought the annual food-inflation down to 6.2%, the lowest level since January 2006. Excluding seasonal products, monthly inflation is only marginal at 0.05%. Other core inflation indicators are declining and this trend is even more significant on an annual basis. There were virtually no signs of exchange rate pass-through and weak demand conditions seemed to be the dominating factor. The core CPI, which excludes energy, food, tobacco and gold, fell in February to an annual 7.2%.

Producer price inflation dropped significantly in December to 6.4% from 7.9% in January. The sectors of textiles, basic metals and machinery supported disinflation, reducing inflation in manufacturing dramatically.

Monetary and financial indicators

The central bank announced in its monetary policy framework for 2009 that inflation targets would be kept at 7.5% and 6.5% for 2009 and 2010, respectively, and 5.5% for 2011. Against the background of declining inflation and a

sharp slowdown in economic activity, the central bank embarked again on a course of monetary easing. Since November 2008, the bank cut the short-term policy (borrowing) rate by a total of 625bps to 10.5%. It also took several measures to increase liquidity and smoothen the volatility of the domestic FX market, including by selling FX as of March.

After having reached a peak in October/November, money market interest rates gradually declined. Government bond yields followed a similar evolution. Strongly affected by the global financial crisis together with uncertainties regarding the political environment and the relation with the IMF the lira depreciated by around 35% against a EUR/USD basket from mid-2008. The main stock exchange index (ISE-100) fell by about 7% since the beginning of 2009.

Credit growth decelerated to around 10% year-on-year in February from more than 35% in mid-2008. Weekly data show that in mid-December, retail bank credit was still growing on an annual basis, but stabilizing on a monthly basis, both in TRL and in FX.

General government finance

The government targets a consolidated government primary surplus of 3.5% of GDP and a budget deficit of about 1% of GDP for 2009. In early 2009 however cash-based central government fiscal balances worsened dramatically. Falling demand led to lower tax collection while the increase of expenditures, in particular interest expenditures increased dramatically. The primary budget surplus of January-February amounted to a meagre 7% of the end-year target, while the overall budget deficit amounted to just almost the annual target.

Meanwhile, the social security system remains the weak area of public finances. Lower premium collection due to recent economic stress and a discount of 5 points on the premium by the government (monthly cost of this cut is TRL 360 million) add up to the burden, which has no structural remedies.

The total debt stock rose by 6% since the end of 2008. Both the domestic and external debt stock increased by respectively 5% and 9%. The rise in external debt stock stems from depreciation of the lira while heavy borrowing in February led to the rise in domestic debt stock.

TABLE



TURKEY

European Commission, ECFIN-D-1

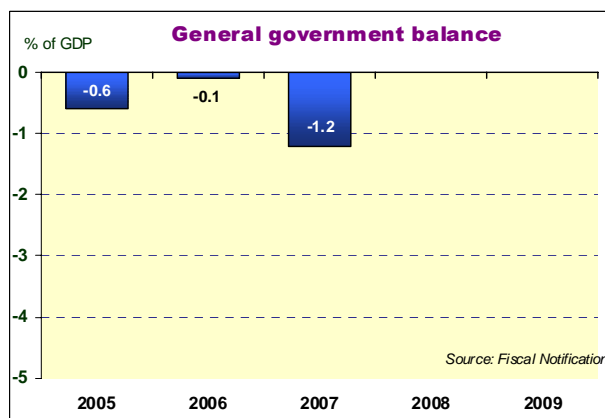
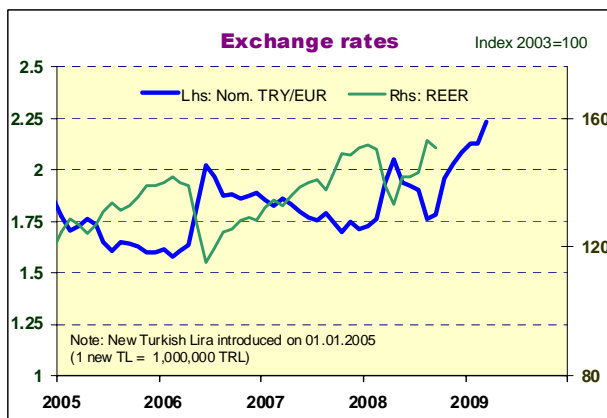
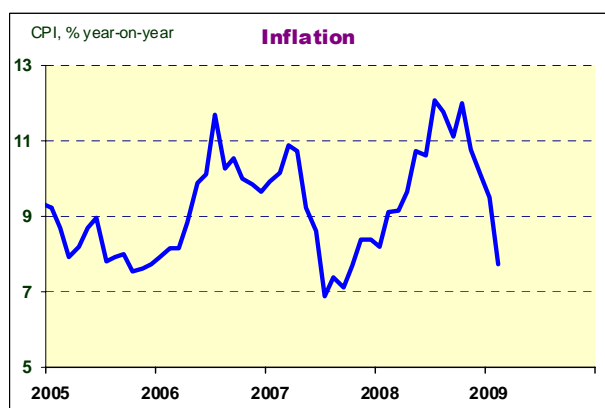
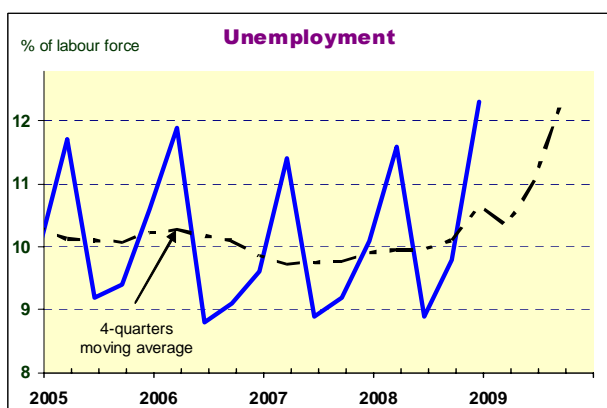
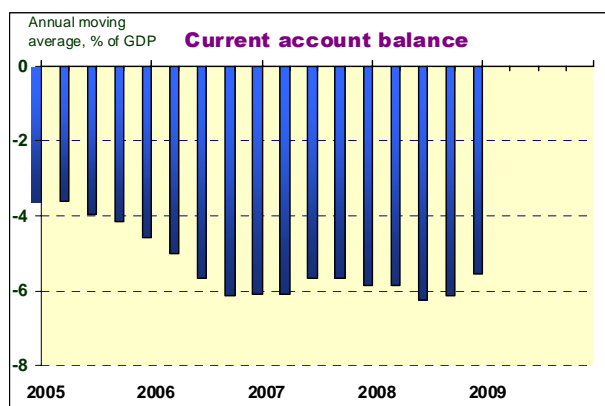
		2004	2005	2006	2007	2008	Q3 08	Q4 08	Q1 09	Jan 09	Feb 09	Mar 09
1 Output and demand												
Industrial confidence ^{1.1}	Balance	106.8	102.8	102.4	110.3	89.0	91.9	58.7	63.3	59.4	62.6	67.8
Industrial production ^{1.2}	Ann. % ch	:	:	7.8	6.9	-0.9	-1.4	-12.5	:	-21.3	:	:
Gross domestic product ^{1.3}	Ann. % ch	9.4	8.4	6.9	4.7	1.1	1.2	-6.2	:	N.A.	N.A.	N.A.
Consumer confidence ^{1.4}	Balance	106.7	100.1	95.6	94.4	78.2	79.2	71.0	:	71.6	74.0	:
Private consumption ^{1.5}	Ann. % ch	11.0	7.9	4.6	4.6	0.3	-1.3	-4.6	:	N.A.	N.A.	N.A.
Gross fixed capital formation ^{1.6}	Ann. % ch	28.4	17.4	13.3	5.4	-4.6	-6.9	-17.5	:	N.A.	N.A.	N.A.
Change in stocks ^{1.7}	% of GDP	-1.0	-1.0	-0.2	-0.4	1.8	2.5	1.8	:	N.A.	N.A.	N.A.
2 Labour market												
Unemployment ^{2.1}	%	10.3	10.2	9.9	9.9	10.7	9.8	12.3	:	:	:	:
Employment ^{2.2}	Ann. % ch	2.0	1.7	-0.4	-3.6	1.7	2.0	2.1	:	:	:	:
Wages ^{2.3}	Ann. % ch	13.4	12.2	11.5	9.5	:	9.7	:	:	:	:	:
3 International transactions												
Exports of goods ^{3.1}	Ann. % ch	21.8	16.6	14.8	14.9	14.7	25.0	-4.4	:	-17.9	-13.4	:
Imports of goods ^{3.2}	Ann. % ch	28.5	20.1	17.7	11.6	10.4	19.0	-12.6	:	-37.1	-39.6	:
Trade balance ^{3.3}	% of GDP	-5.8	-6.9	-7.8	-7.2	-7.1	-7.5	-7.1	:	N.A.	N.A.	N.A.
Exports goods and services ^{3.4}	% of GDP	23.6	21.9	22.7	22.3	23.9	23.3	23.9	:	N.A.	N.A.	N.A.
Imports goods and services ^{3.5}	% of GDP	26.2	25.4	27.6	27.5	28.5	28.8	28.5	:	N.A.	N.A.	N.A.
Current account balance ^{3.6}	% of GDP	-3.6	-4.6	-6.1	-5.9	-5.5	-6.1	-5.5	:	N.A.	N.A.	N.A.
Direct investment (FDI, net) ^{3.7}	% of GDP	0.5	1.9	3.6	3.1	2.1	2.1	2.1	:	N.A.	N.A.	N.A.
4 Prices												
CPI ^{4.1}	Ann. % ch	8.6	8.2	9.6	8.8	10.4	11.7	10.9	:	9.5	7.7	:
GDP Deflator ^{4.2}	Ann. % ch	12.4	7.1	9.3	6.2	11.5	-1.2	1.5	:	:	:	:
Producer prices ^{4.3}	Ann. % ch	14.6	5.9	9.3	6.3	12.7	15.2	11.2	6.0	7.9	6.4	:
Import prices ^{4.4}	Ann. % ch	:	:	:	:	:	:	:	:	:	:	:
5 Monetary and financial indicators												
Interest rate (3 months) ^{5.1}	% p.a.	24.29	16.74	18.07	18.85	18.04	18.28	20.01	14.28	15.75	14.19	12.90
Bond yield ^{5.2}	% p.a.	:	:	:	18.13	19.30	19.69	20.53	15.16	15.61	15.22	14.66
Stock markets ^{5.3}	Index	19 899	29 353	39 867	48 270	37 582	38 357	26 351	25 031	26 017	24 963	24 114
M4 ^{5.4}	Ann. % ch	40.9	30.9	32.5	17.7	24.2	22.3	27.0	:	24.7	26.2	:
Exchange rate TRY/EUR ^{5.5}	Value	1.77	1.67	1.80	1.78	1.91	1.82	2.03	2.16	2.13	2.13	2.23
Nominal eff. exchange rate ^{5.6}	Index	26.81	28.11	26.18	26.73	:	:	:	:	:	:	:
6 Government balance and debt												
General government balance ^{6.1}	% of GDP	-4.5	-0.6	-0.1	-1.2	:	:	:	:	N.A.	N.A.	N.A.
General government debt ^{6.2}	% of GDP	59.2	52.3	46.1	38.8	39.5	:	:	:	N.A.	N.A.	N.A.

CHARTS



European Commission, ECFIN-D-1

TURKEY



ALBANIA



COMMENTS

Recent economic and political developments

The international economic downturn is being increasingly felt in Albania through the channel of reduced flows trade and monetary transfers. Trade contracted by one fifth in January (both exports and imports).

Net inflows of remittances continued to slow and during the fourth quarter 2008 came down to levels last seen in early 2004. Lower remittances put downward pressure on final household consumption as well as on demand for the local currency, Lek. The Lek has depreciated some 6% against the euro and some 8% against the U.S. dollar in 2009. The Bank of Albania intervened successfully in February, stabilizing demand both in terms of volume and volatility.

After the ratification process was successfully completed, the Stabilisation and Association Agreement between the European Union and Albania entered into force on 1 April. On 27-28 April, the subcommittee dealing with economic and financial issues as well as statistics will meet the first time within the new framework.

Also on 1 April, Albania, together with Croatia, became a member of the North Atlantic Treaty Organization (NATO).

The completion of the sixth and final review under the three-year PRGF/EFF arrangement on 28 January was accompanied by official statements by the IMF Board in January that Albania has matured into the group of middle-income countries. PM Berisha considered on that occasion that Albania would not need any follow-up arrangement with the IMF at this point.

General elections are due to take place on 28 June.

The privatisation of large-scale enterprises advanced further. The privatisation of the oil refinery ARMO alone led to a surge in FDI inflows in December.

Output and demand

There is no official GDP data available yet for the fourth quarter of 2008.

Labour market

There is no official data available yet on labour market developments in the fourth quarter of 2008. Official unemployment stood at 12.6% in the third quarter 2008.

International transactions

External imbalances remained high throughout 2008. The current account deficit increased by more than half compared to 2007 and reached 14.8% of GDP. However, this development is driven by factors that differ strongly in terms of impact on economic activity in the country. On the one hand, FDI net inflows grew strongly (+32%), reaching 7.1% of GDP and thus financed almost half of the current account deficit. In the fourth quarter, FDI was driven by the sale of the government's stake in oil refinery ARMO to a U.S.-Swiss consortium. Other capital inflows also grew strongly, reaching 10.5% of GDP. In total, capital inflows exceeded the current account deficit, thus leading to a build-up of reserves.

Albania's external accounts could have developed even better, were it not for the continued drop in net remittances inflows. Current net transfers fell by 20% compared to 2007, amounting to 9.4% of GDP.

The merchandise trade deficit continued to increase slightly to 27.2% of GDP in 2008, after 26.5% in 2007. Both exports and imports developments display the impact of the international economic downturn on Albania. Imports annual growth started slowing in September and turned negative in November. In January, imports were 16.5% lower than a year before.

Exports annual growth slowed sharply in October and turned negative in November as well. Exports to Italy (mainly textiles, footwear) in particular went down sharply, clearly signalling the worsening demand conditions the inward processing sector is facing; they account for close to 70% of total exports. In January, exports were 20% lower than a year ago. As a

consequence however of the smaller export base, the trade deficit strongly decreased, reaching 1.8% of GDP in the same month.

Prices

Consumer price inflation continued to slow down, reaching moderate levels of 2.1% (year-on-year) in January 2009 and 1.9% in February, thus just falling below the Bank of Albania's target band for price stability (3% +/- 1 percentage point).

Monetary and financial indicators

Risks to price stability being contained, in January the Central Bank lowered its benchmark rate by 50 basis points to 5.75%.

Prudential indicators of the financial sector deteriorated in the last quarter of 2008 but overall remained sound. In the same period, the share of non-performing loans (NPLs) as a percentage of total loans increased to 6.5%, triggering higher provisioning which in turn puts pressure on profitability. Also, higher refinancing costs have started to affect profit margins. The rate of return on equity (ROE) stood at 11.4% in Q4 of 2008.

Credit growth remained sustained and showed similar dynamics in the fourth quarter as in the previous quarter growing at around 24% on an annual basis. Money supply slowed somewhat in October and November, but recovered in December. Foreign currency deposits held by residents contracted by 12.7% in the fourth quarter compared to the previous year, and deposits in lek fell by an annual 8.2% over the same period. In March, the Bank of Albania first raised deposit guarantees to 19,300 euro (seven times the previous level). Shortly thereafter the government agreed to raise guarantees on bank deposits to EUR 25,000. 80% of all bank deposits fall within that range.

The Albanian lek has depreciated since the end of 2008 by 6% against the euro and by 8% against the U.S. dollar. The Bank of Albania (BoA) intervened in February on the back of intense pressures on the lek. By that time, the turnover volume in the FX market had contracted by around two thirds, possibly reflecting lower trade and remittances. The central bank's intervention aimed primarily to

stop the one way operations on the lek exchange rate and to stimulate supply. It also aimed at decreasing the volatility of the exchange rate and smoothening the rate of the lek's depreciation. This intervention took place throughout the first half of February and had a volume of around 1-1.5% of FX reserves. Since then, the FX market has been more stable, exhibiting higher volumes and lower volatility.

General government finance

The 2008 factual data of the state budget show that the budget has been implemented broadly in line with the projections. Total revenues in 2008 reached 26.7% of GDP compared to 25.7% of GDP in 2007. 97.4% of budgeted tax revenues were collected, among which VAT was fully on target, increasing by 22% compared to 2007. Personal income tax revenues came down 14% below 2007 levels as the result of the tax reform (introduction of a flat tax). Conversely social insurance revenues increased by 13% reflecting overall positive labour market developments and/or increased administrative efficiency.

The 2008 total government expenditures reached 32.2% of GDP. Interest payments increased to 2.9% of GDP, up from 2.6%. Capital expenditures increased by 62%, attaining 8.5% of GDP. Three fifths of the final budget deficit of 5.5% of GDP were financed from external sources.

On 2 February, Albania submitted its third Economic and Fiscal Programme to the Commission. The 2009 budget and the fiscal outlook for 2010 and 2011 rely on highly optimistic revenue projections that do not yet take into account adequately the global economic slowdown. Thus, actual deficits, and financing requirements, may be substantially higher.

So far the government has succeeded in placing debt securities in the local market. In early March, the government could already secure external financing for its investments into the transport infrastructure in the form of a 250 million euro loan. The existing significant project pipeline of public (transport, energy) and private investments (privatisation) should help to support growth under the very challenging international economic environment.

TABLE

European Commission, ECFIN-D-1



ALBANIA

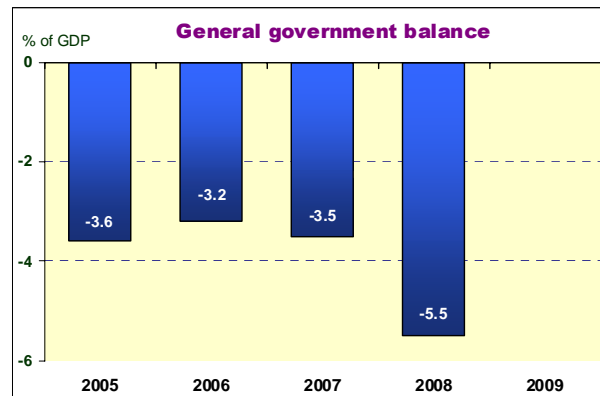
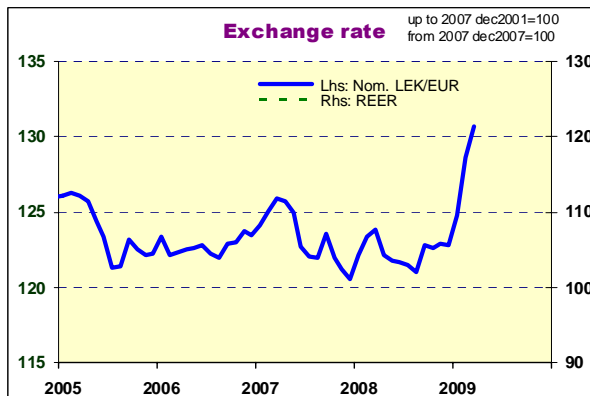
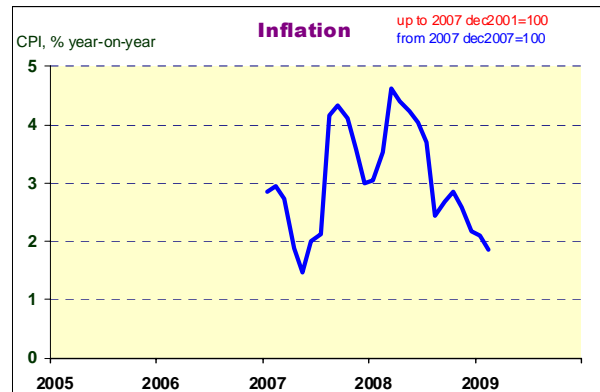
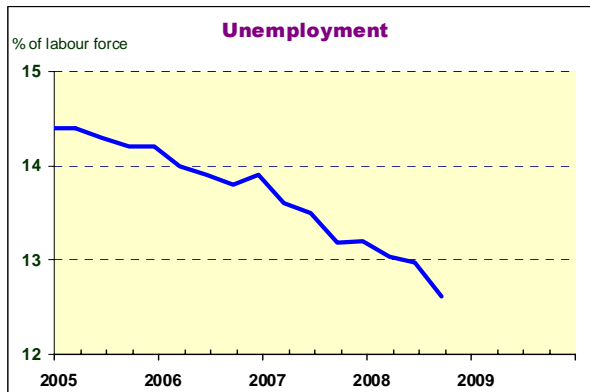
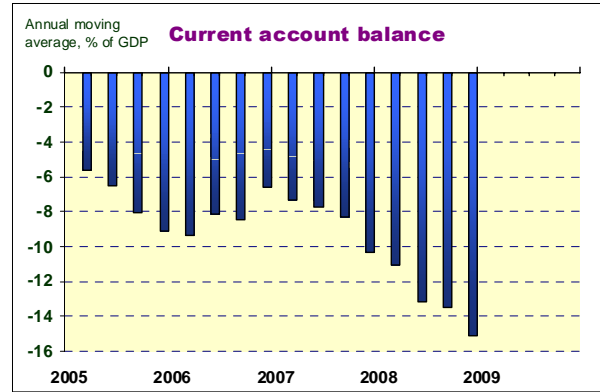
		2004	2005	2006	2007	2008	Q3 08	Q4 08	Q1 09	Jan 09	Feb 09	Mar 09
1 Output and demand												
Industrial confidence ^{1.1}	Balance	N.A.	N.A.	N.A.	N.A.	N.A.	:	:	:	:	:	:
Industrial production ^{1.2}	Ann. % ch	14.1	11.7	12.1	-16.3	N.A.	:	:	:	:	:	:
Gross domestic product ^{1.3}	Ann. % ch	5.7	5.7	5.5	6.2	7.2f	:	:	:	N.A.	N.A.	N.A.
Consumer confidence ^{1.4}	Balance	N.A.	N.A.	N.A.	N.A.	N.A.	:	:	:	:	:	:
Private consumption ^{1.5}	Ann. % ch	N.A.	N.A.	N.A.	N.A.	N.A.	:	:	:	N.A.	N.A.	N.A.
Gross fixed capital formation ^{1.6}	Ann. % ch	N.A.	N.A.	N.A.	N.A.	N.A.	:	:	:	N.A.	N.A.	N.A.
Change in stocks ^{1.7}	% of GDP	N.A.	N.A.	N.A.	N.A.	N.A.	:	:	:	N.A.	N.A.	N.A.
2 Labour market												
Unemployment ^{2.1}	%	14.7	14.3	13.9	13.4	N.A.	12.6	:	:	:	:	:
Employment ^{2.2}	Ann. % ch	-0.4	0.9	0.2	0.2	N.A.	3.6	:	:	:	:	:
Wages ^{2.3}	Ann. % ch	15.3	9.9	7.5	17.1	N.A.	1.2	:	:	:	:	:
3 International transactions												
Exports of goods ^{3.1}	Ann. % ch	22.4	9.3	19.3	22.1	19.0	22.7	6.0	:	:	:	:
Imports of goods ^{3.2}	Ann. % ch	11.5	14.2	14.4	23.7	17.7	13.9	11.6	:	:	:	:
Trade balance ^{3.3}	% of GDP	-21.5	-22.4	-22.9	-25.9	27.7	-27.7	28.2	:	N.A.	N.A.	N.A.
Exports goods and services ^{3.4}	% of GDP	8.3	8.1	8.7	9.9	10.5	10.8	10.7	:	N.A.	N.A.	N.A.
Imports goods and services ^{3.5}	% of GDP	31.4	32.2	33.6	38.3	41.0	41.0	42.0	:	N.A.	N.A.	N.A.
Current account balance ^{3.6}	% of GDP	-5.8	-8.9	-6.5	-10.1	-14.8	-13.5	-15.1	:	N.A.	N.A.	N.A.
Direct investment (FDI, net) ^{3.7}	% of GDP	4.5	3.2	3.4	5.8	7.1	5.3	7.2	:	N.A.	N.A.	N.A.
4 Prices												
CPI ^{4.1}	Ann. % ch	N.A.	N.A.	N.A.	2.9	3.4	2.9	2.5	:	2.1	1.9	:
GDP Deflator ^{4.2}	Ann. % ch	2.5	2.8	3.8	4.1	:	8.8	8.8	:	:	:	:
Producer prices ^{4.3}	Ann. % ch	N.A.	N.A.	0.8	3.5	N.A.	7.1	:	:	:	:	:
Import prices ^{4.4}	Ann. % ch	N.A.	N.A.	N.A.	N.A.	N.A.	:	:	:	:	:	:
5 Monetary and financial indicators												
Interest rate (3 months) ^{5.1}	% p.a.	6.78	5.55	5.49	5.92	6.24	6.26	6.18	:	:	5.99	6.19
Bond yield ^{5.2}	% p.a.	10.06	8.11	7.18	8.22	8.43	8.42	8.40	9.15	9.15	9.15	9.15
Stock markets ^{5.3}	Index	:	:	:	:	:	:	:	:	:	:	:
M2 ^{5.4}	Ann. % ch	8.2	11.7	7.6	9.2	7.0	8.3	9.8	:	:	:	:
Exchange rate LEK/EUR ^{5.5}	Value	127.2	123.7	122.8	123.3	122.4	121.8	122.8	128.0	124.7	128.6	130.7
Nominal eff. exchange rate ^{5.6}	Index	N.A.	N.A.	N.A.	N.A.	N.A.	:	:	:	:	:	:
6 Government balance and debt												
General government balance ^{6.1}	% of GDP	-5.1	-3.6	-3.2	-3.5	-5.5	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
General government debt ^{6.2}	% of GDP	56.6	56.7	55.7	53.8	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.

CHARTS



European Commission, ECFIN-D-1

ALBANIA



BOSNIA AND HERZEGOVINA



COMMENTS

Recent economic and political developments

On 26 March, the Austrian diplomat Valentin Inzko took up his duties as new international High Representative and EU Special Representative in Bosnia and Herzegovina.

As economic prospects have considerably worsened, the authorities decided in March to launch negotiations with the IMF on a standby arrangement. An IMF staff mission is now scheduled to take place in the second half of April to discuss the possible terms and conditions of a Fund-supported programme.

On 15 January 2009, the Bosnian authorities submitted their third annual medium-term Economic and Fiscal Programme to the European Commission.

Output and demand

According to preliminary estimates published by the Central Bank of Bosnia and Herzegovina (CBBH), real annual GDP growth slowed down to 5.5% in 2008 after 6.8% in 2007. Industrial production was still buoyant, though very volatile, and even accelerated in the last quarter of 2008, leading to an annual growth rate in 2008 of 16.8% in the Republika Srpska (RS) and 7.9% in the Federation of Bosnia and Herzegovina (FBiH). In the RS it almost doubled year-on-year in December 2008 when the Bosanski Brod oil refinery re-launched its production.

In early 2009 however, industrial production slowed down. It still increased by 7.2% in the Republika Srpska during the first two months year-on-year, mainly driven by the processing and utility industries, while the mining industry dropped by 34.7%. Meanwhile in the Federation, industrial production dropped by 13.3% in the same period, and the mining industry recorded a 4.4% rise, while the utility industry declined by 0.9% and manufacturing by 22.5%.

Labour market

The consolidated national official rate of registered unemployment remained relatively

stable during the last quarter 2008 and slightly increased in January to 40.1%. Employment dropped by 2.9% in January annually. Unemployment continues to be higher in the FBiH than in the RS.

Wages grew rapidly in 2008 but remained relatively stable in early 2009. The average monthly nominal gross wages in 2008 were 16.7% higher than in 2007 (net wages 16.6%). In January 2009, they increased further by 0.7% in monthly terms, which translates into a 19.1% rise in an annual comparison. The average yearly wage rise will fall as of February when the impact of a high wage increase in the public sector of the RS will fade away. In fact, the annual growth rate of net wages in the RS dropped down to 12.3% in February from around 30% during the 12 preceding months.

International transactions

The trade deficit (goods only) narrowed by 30.9% year-on-year in February, following already a 15.1% contraction a month earlier. In 2008, it grew average by 18.8% compared to 2007, reaching around 38% of GDP. The contraction in imports has in recent months exceeded the drop in exports. The value of imported goods shrank by 27.7% year-on-year in February, against a 18.4% annual decline booked in the previous month. This appears to reflect on the one hand international price developments, but on the other hand also a drop in domestic demand. In the meantime, exports fell by 23.5%, following a 20.3% annual drop in January, reflecting lower external demand in BiH's main export sectors such as mining and manufacturing. The cumulative trade balance from the beginning of the year registered a 24.6% annual improvement. Exports dropped by 22%, while imports fell faster by 23.4% in the first two months of the year.

The current account deficit reached 14.6% of GDP in 2008, after 12.7% in 2007. Net current transfers (mainly remittances) dropped by 6.7% in 2008 compared to 2007. In the fourth quarter 2008 they fell by 7.5% quarter-on-quarter, and by 14.3% year-on-year. Foreign direct investments accounted for 5.5% of GDP in 2008. They declined sharply by 55% compared

to 2007. However, this is to a large extent the result of a high base, due to major privatisation deals implemented in 2007. Lower FDI was partly offset by considerably higher inflows of portfolio and other investments.

Net foreign exchange reserves of the Central Bank declined in 2008 for the first time in many years by 6% (annual average). The decline continued in early 2009. In February, reserves were 7.8% lower than in February 2008 and 1.4% lower than in January 2009.

Prices

From their peak of 9.9% in July 2008, annual end-of-period inflation rates have been declining steadily to 2.3% in January and further to 1.8% in February 2009. In monthly terms, a slight deflation of 0.1% was registered in both January and February. Reflecting global tendencies, this moderation was mainly caused by the slowdown in transport and food prices. Transport prices fell by 8.3% annually in February and the growth of food prices slowed down to 3.5%. Moreover, most remaining commodity groups also reported slowing price increases. The overall trend is similar in both entities: annual consumer price inflation in February stood at 2.2% in the Federation and 1.4% in the RS.

Monetary and financial indicators

Annual credit growth slowed down to 17.3% in February 2009, down almost 12 percentage points since mid-2008, while monthly growth turned negative in December (-0.4%) and January (-0.2%) and was only marginally positive in February (0.1%). Annual deposit growth was negative in early 2009 and stood at -0.8% in February.

Available data from the Banking Agencies for the first three quarters of 2008 reveal that the main profitability indicators of the banking system (such as return on average assets, capital and equity) strongly deteriorated compared to the same period in 2007. Liquidity indicators deteriorated slightly, though still revealing a favourable position. However banks that have reported on their 2008 performance during the first quarter 2009 in general show positive and in most cases rising net profits.

Money supply measured both in M1 and M2 continued its fourth quarter 2008 decline in early 2009. At the end of February, M1 was 5.5% lower than its end-2008 level, and M2 was 1.6% lower. The Central Bank's foreign exchange reserves also further decreased, though still covering reserve money by 112%. Under the currency board regime, a minimum ratio of 100% coverage is required.

The narrow index of the Sarajevo Stock Exchange, the SASX-10, dropped by almost 30% in the first quarter 2009 as compared to its end-2008 level. The annual decrease in 2008 amounted to 67%.

General government balance

The final budget report for 2008 will be available later in April. In the country's 2009 Economic and Fiscal Programme the estimated outcome for the consolidated budget in 2008 is a deficit of 2% of GDP.

In January revenues from indirect taxes dropped by 1.5% annually, which was the first annual decline recorded since the introduction of VAT in 2006. In December, they had still increased by 8%. This drop is due to decreasing domestic demand and lower import prices, but also partly caused by the implementation of the Interim Agreement preceding the Stabilisation and Association Agreement which abandoned customs for imports from the EU. The Indirect Tax Authority estimates that these losses amount to approximately 25% of revenues from import tariffs. The annual increase of direct taxes also slowed down significantly in January compared to December: from 16% to 3% in the case of the Federation and from 17% to -1% in the RS.

The government of the Federation approved in March a budget 2009 rebalancing, increasing its volume by 19.1%. This was mainly driven by the need to cover the 2008 budget deficit of approximately EUR 130 million which is to be financed via two sources: drawings from the succession funds of former Yugoslavia's assets and a short-term syndicated loan from five domestic commercial banks.

In the RS meanwhile, revenues stood at 95% of the target in the first two months of 2009. The entity government is not considering any significant budget rebalancing for the time being.

TABLE

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BOSNIA AND HERZEGOVINA

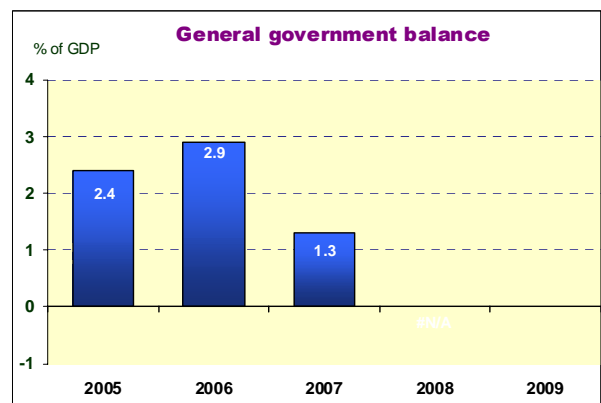
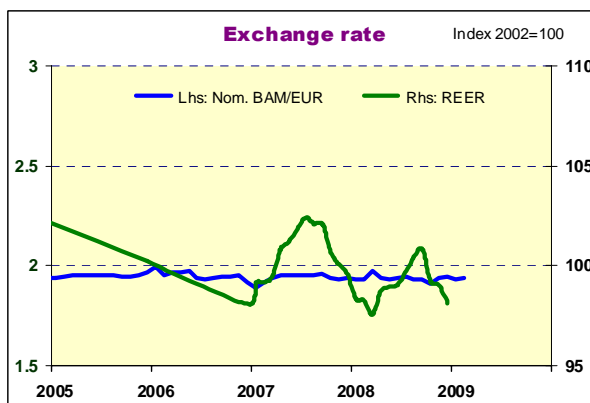
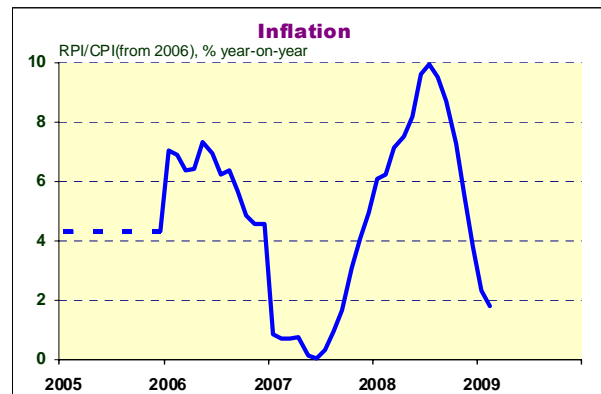
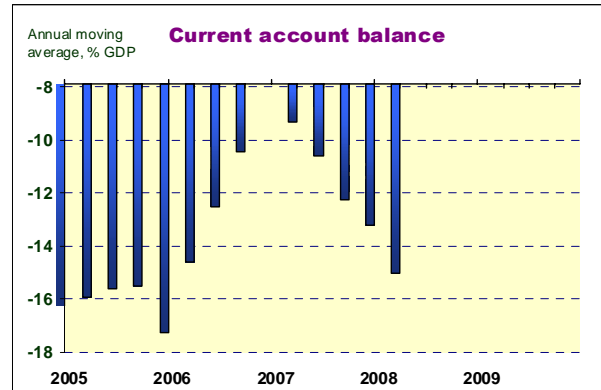
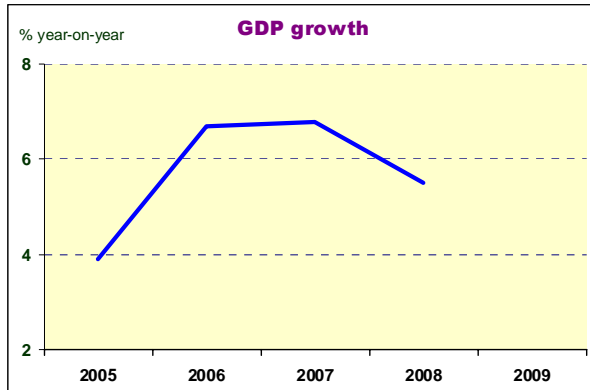
		2004	2005	2006	2007	2008	Q3 08	Q4 08	Q1 09	Jan 09	Feb 09	Mar 09
1 Output and demand												
Industrial confidence ^{1.1}	Balance	N.A.	N.A.	N.A.	N.A.	N.A.	:	:	:	:	:	:
Industrial production ^{1.2}	Ann. % ch	N.A.	10.5	11.6	6.7	10.8	9.0	22.1	:	-9.2	-6.3	:
Gross domestic product ^{1.3}	Ann. % ch	6.3	3.9	6.7	6.8	5.5e	:	:	:	N.A.	N.A.	N.A.
Consumer confidence ^{1.4}	Balance	N.A.	N.A.	N.A.	N.A.	N.A.	:	:	:	:	:	:
Private consumption ^{1.5}	Ann. % ch	N.A.	6.2	8.3	13.4	:	:	:	:	N.A.	N.A.	N.A.
Gross fixed capital formation ^{1.6}	Ann. % ch	N.A.	18.5	-7.6	37.0	:	:	:	:	N.A.	N.A.	N.A.
Change in stocks ^{1.7}	% of GDP	3.0	0.1	-1.0	1.6	:	:	:	:	N.A.	N.A.	N.A.
2 Labour market												
Unemployment ^{2.1}	%	43.1	44.7	44.2	42.9	40.6	40.5	40.6	:	40.1	:	:
Employment ^{2.2}	Ann. % ch	0.8	0.8	2.3	4.4	2.7	4.4	2.7	:	-2.9	:	:
Wages ^{2.3}	Ann. % ch	4.3	6.1	9.6	9.8	16.6	18.5	16.9	:	19.1	:	:
3 International transactions												
Exports of goods ^{3.1}	Ann. % ch	28.7	22.8	30.5	15.0	10.3	13.9	-0.1	:	-20.3	-23.5	:
Imports of goods ^{3.2}	Ann. % ch	7.6	12.5	1.2	18.7	13.9	16.9	1.5	:	-18.4	-27.7	:
Trade balance ^{3.3}	% of GDP	-45.6	-45.8	-34.8	-37.4	:	:	:	:	N.A.	N.A.	N.A.
Exports goods and services ^{3.4}	% of GDP	29.4	33.0	36.9	36.9	:	:	:	:	N.A.	N.A.	N.A.
Imports goods and services ^{3.5}	% of GDP	-70.7	-73.6	-66.3	-69.1	:	:	:	:	N.A.	N.A.	N.A.
Current account balance ^{3.6}	% of GDP	-16.3	-17.3	-7.8	-12.6	-14.6	:	:	:	N.A.	N.A.	N.A.
Direct investment (FDI, net) ^{3.7}	% of GDP	7.0	5.7	5.8	13.8	5.5	:	:	:	N.A.	N.A.	N.A.
4 Prices												
CPI ^{4.1}	Ann. % ch	0.5	4.3	6.1	1.5	7.4	9.4	5.5	:	2.3	1.8	:
GDP Deflator ^{4.2}	Ann. % ch	2.5	3.3	6.3	6.4	:	:	:	:	N.A.	N.A.	N.A.
Producer prices ^{4.3}	Ann. % ch	N.A.	N.A.	N.A.	N.A.	N.A.	:	:	:	:	:	:
Import prices ^{4.4}	Ann. % ch	N.A.	N.A.	N.A.	N.A.	N.A.	:	:	:	:	:	:
5 Monetary and financial indicators												
Interest rate (3 months) ^{5.1}	% p.a.	N.A.	N.A.	N.A.	N.A.	N.A.	:	:	:	:	:	:
Bond yield ^{5.2}	% p.a.	N.A.	N.A.	N.A.	N.A.	N.A.	:	:	:	:	:	:
Stock markets ^{5.3}	Index	N.A.	N.A.	N.A.	N.A.	2 251	1 983	1 401	1 021	1 157	1 018	889
M2 ^{5.4}	Ann. % ch	21.0	17.6	21.6	25.0	13.6	14.8	5.9	:	2.6	2.3	:
Exchange rate BAM/EUR ^{5.5}	Value	1.94	1.95	1.95	1.94	1.94	1.94	1.93	1.94	1.93	1.94	1.94
Nominal eff. exchange rate ^{5.6}	Index	93.0	100.0	99.72	100.28	100.07	101.30	99.90	:	:	:	:
6 Government balance and debt												
General government balance ^{6.1}	% of GDP	1.6	2.4	2.9	1.3	:	:	:	:	N.A.	N.A.	N.A.
General government debt ^{6.2}	% of GDP	25.5	25.6	21.3	18.5	:	:	:	:	N.A.	N.A.	N.A.

CHARTS

European Commission, ECFIN-D-1



BOSNIA AND HERZEGOVINA





COMMENTS

Recent economic and political developments

Parliamentary elections took place on 29 March. The coalition formed by the incumbent Democratic Party of Socialists (DPS) and the Social Democratic Party (SDP), together with the Croat Citizen Initiative (HGI) and the Bosnian Party (BS) won absolute majority, with 47 out of 81 parliament seats. The elections turnout was 65.2%.

In February the government announced the tender for selling a minority stake in the power utility (EPCG), combined with a capital hike and the possibility for the new partner to acquire majority control after five years. Meanwhile, the shareholders decided the unbundling of the transmission unit, which will not be included in the deal. A successful sale to a foreign investor of the main company in the country would alleviate the negative effects of the global crisis. In addition, the government announced the preparation of the next wave of privatisation projects, including a number of major transport assets and tenders for concession and development of seaside resorts.

The recent selection of a consortium of Croat enterprises to build a highway connecting the port of Bar with the Serbian border will provide further stimulus to the region in the years to come, also supporting the construction sector afflicted by the stagnation of the real estate market. The project, to be completed in 2017, is estimated around EUR 2.6 billion. The government would contribute annually with some 1.8% of GDP (net present value) during the 30-year concession.

Output and demand

Industrial production fell by 2% year-on-year in 2008. While the utility industry recovered and mining recorded a slight expansion (1.5% over the year), the manufacturing sector suffered an 11.3% annual contraction due the decline of the metal industry. In February 2009 industrial output further contracted by 18.8% year-on-year, pulled by steep declines in manufacturing and mining sectors. Overall, only a few sectors (chemicals, agro-industry and publishing) recorded positive results.

After a modest expansion in the previous three months, retail trade posted a significant recovery in January 2009, growing by 19% year-on-year in real terms.

Labour market

The labour force survey (LFS) revealed that the unemployment rate reached 16.3% in the fourth quarter of 2008, down from 19.3% a year earlier. However, the participation in the labour market still remains weak at a mere 43% of the working age population.

In the first two months of 2009 the Employment Agency recorded some further contraction of the unemployment rate over the year, which reached 10.9% by end February, although marginally increasing from the previous month. Employment expanded by 5.3% year-on-year in February. Services recorded the highest employment growth while the industrial sector further deteriorated, headed by a 6.4% year-on-year decline in manufacturing

The government decided to lower the contributions and personal income tax rates as of 2009, thus contributing to a 21.8% year-on-year increase of net wages in January, while gross earnings expanded by 16.1%.

International transactions

In 2008, the current account deficit widened in absolute terms, although stagnating short of -30% as a share of GDP. The change of trend was mainly due to the strong cutback in merchandise imports during the last quarter (-45%). The services surplus remained positive, although deteriorating as outflows rose considerable faster than inflows during the three first quarters of the year. Furthermore, the income balance became negative in 2008 for the first time in several years, reflecting the increase of foreign workers. Yet, current transfers improved by 23% on the year, marginally offsetting the negative results in trade and incomes.

The cool-down of the real estate market in 2008 resulted in a decline of FDI inflows by 17.4% year-on-year. Yet, the sizeable outflows

associated to this market also decreased. FDI inflows remained sustained at 17% of GDP.

Prices

In 2008 the statistical office of Montenegro (MonStat) started monitoring the new Consumer Price index (CPI) broadly in line with European standards (HICP).

According to this new index, the average annual CPI inflation reached 7.4% in 2008 after a slight acceleration in December following four consecutive months of deceleration. Food, communications and transport prices remained high during the first half of the year, declining after the summer. Yet, housing (i.e. electricity) recorded a major hike of 24% in December, bringing end-of-year inflation up to 6.9%.

CPI accelerated to 5.4% year-on-year in February 2009, mostly due to an increase of food prices by 6% on the year. Meanwhile prices recorded a slight moderation in almost all remaining commodity groups except tobacco and beverages.

Industrial producer prices decelerated to 4.7% year-on-year in February from 5.7% a month before. High utility prices were offset by the significant decline in the metal industry prices.

Monetary and financial indicators

Commercial banks' credits expanded by 23% year-on-year in 2008, well below the soaring levels witnessed a year before. Yet, the credit portfolio reached some 83% of GDP in 2008 compared with 80% a year earlier. The moderation was a consequence of Central Bank measures to curb the lending growth down to sustainable levels. Yet, after October 2008, the retrenchment was further accelerated by the contraction of global money markets and the subsequent tightening of lending conditions. However, extended loans in January and February 2009 increased year-on-year as parent banks keep supporting their local offices.

Meanwhile, bank deposits declined by 6.7% by end-December 2008. The process seems to have

be reversed in March 2009 as net deposits increased for the first time since October 2008. Overall, with the exception of one troubled bank, the aggregated level of troubled assets (NPL) remained manageable at 4.8% by end-February.

In 2008 the insurance market expanded by 18% after recording EUR 60 million in premiums. The sector is dominated by car insurance though life products are developing fast. Last year several new players entered the market.

The turnover of the two stock exchanges decreased significantly in February as Montenegroberza and NEX reported 66% and 74% year-on-year contractions respectively.

General government finance

In 2008 the budget execution yielded a surplus of 1.5% of GDP. The improvement was mainly due to over-performing revenues, and notably those from corporate income tax and contributions. Consolidated public expenditures also increased significantly, reaching 43.9% of GDP, boosted by rising transfers to institutions and individuals.

In reaction to the lower than expected revenues since the start of the year the government decided on 19 February to further reduce budget expenditures. The new measures include a freeze of the expansion of the public administration, but also a postponement of contracts, maintenance, purchases of vehicles and ICT, while other expenditures will be reduced to the minimum. Meanwhile, the authorities continue discussions with the IMF on a possible programme.

In 2008 the public debt remained broadly unchanged in GDP terms at 26.8%, although increasing in nominal terms by 21% year-on-year, mostly due to the expansion of domestic indebtedness (pension arrears, old foreign exchange savings, support of local banks, and liquidation of the railways debt). By contrast, the external public debt increased more moderately by 4.2% on the year.

TABLE

European Commission, ECFIN-D-1



MONTENEGRO

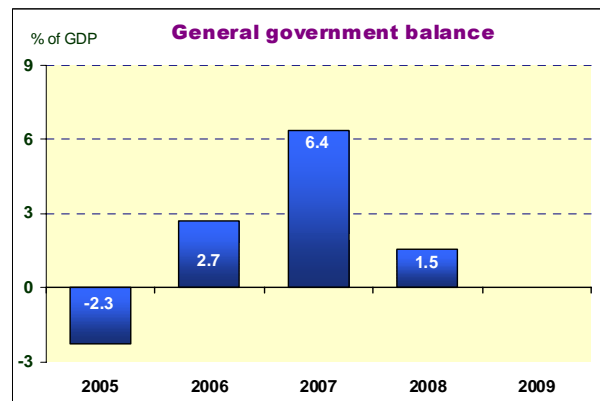
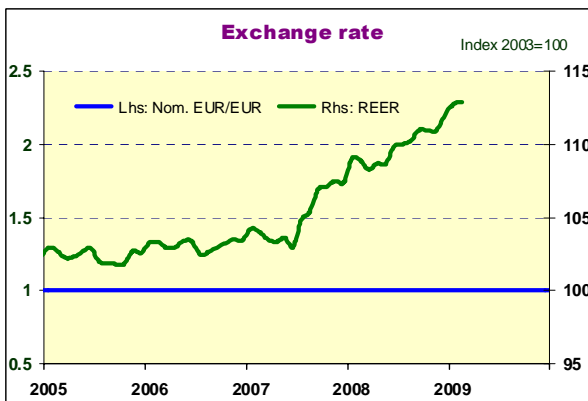
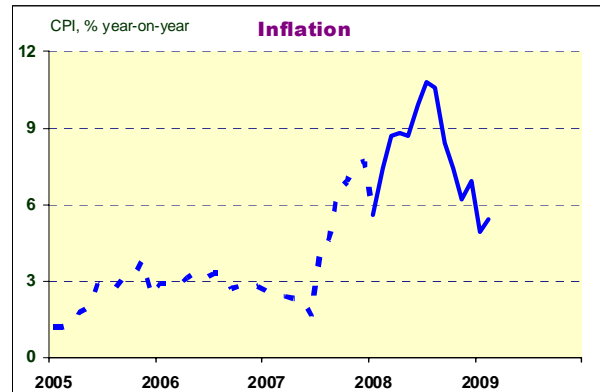
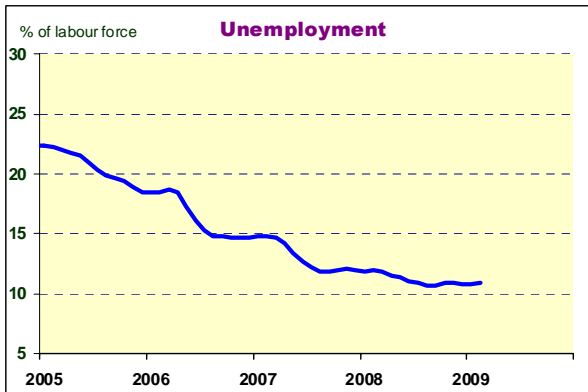
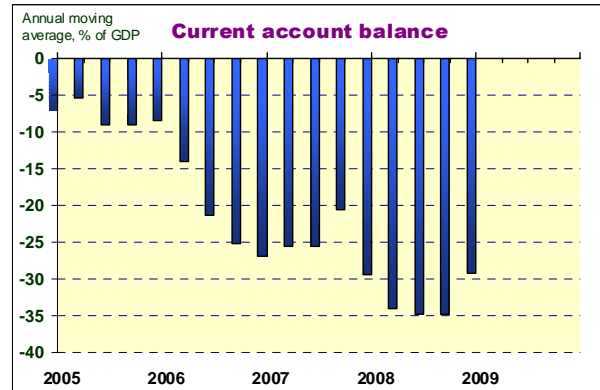
		2004	2005	2006	2007	2008	Q3 08	Q4 08	Q1 09	Jan 09	Feb 09	Mar 09
1 Output and demand												
Industrial confidence ^{1.1}	Balance	N.A.	N.A.	N.A.	N.A.	N.A.	:	:	:	:	:	:
Industrial production ^{1.2}	Ann. % ch	13.8	-1.9	1.0	0.1	-2.0	3.6	-16.2	:	-4.7	-18.8	:
Gross domestic product ^{1.3}	Ann. % ch	4.4	4.2	8.6	10.7	8.1	8.0	:	:	N.A.	N.A.	N.A.
Consumer confidence ^{1.4}	Balance	N.A.	N.A.	N.A.	N.A.	N.A.	:	:	:	:	:	:
Private consumption ^{1.5}	Ann. % ch	:	:	:	:	:	:	:	:	N.A.	N.A.	N.A.
Gross fixed capital formation ^{1.6}	Ann. % ch	:	:	:	:	:	:	:	:	N.A.	N.A.	N.A.
Change in stocks ^{1.7}	% of GDP	-0.5	-0.3	3.6	3.7	:	:	:	:	N.A.	N.A.	N.A.
2 Labour market												
Unemployment ^{2.1}	%	22.3	18.5	14.7	11.9	10.8	10.7	10.8	:	10.8	10.9	:
Employment ^{2.2}	Ann. % ch	29.9	2.0	3.8	5.6	6.2	6.0	6.2	:	5.5	5.3	:
Wages ^{2.3}	Ann. % ch	11.7	8.0	15.6	14.2	22.8	25.0	17.7	:	16.1	11.3	:
3 International transactions												
Exports of goods ^{3.1}	Ann. % ch	67.1	1.9	40.7	1.8	-19.7	-13.1	-32.8	:	:	:	:
Imports of goods ^{3.2}	Ann. % ch	37.9	12.2	53.7	33.6	-1.5	16.9	-44.8	:	:	:	:
Trade balance ^{3.3}	% of GDP	-24.9	-28.3	-39.5	-47.8	-43.2	-47.8	-43.2	:	N.A.	N.A.	N.A.
Exports goods and services ^{3.4}	% of GDP	42.0	43.5	49.4	46.5	:	:	:	:	N.A.	N.A.	N.A.
Imports goods and services ^{3.5}	% of GDP	58.1	61.1	79.1	79.0	:	:	:	:	N.A.	N.A.	N.A.
Current account balance ^{3.6}	% of GDP	-7.2	-8.5	-24.7	-29.4	-29.2	-34.9	-29.2	:	N.A.	N.A.	N.A.
Direct investment (FDI, net) ^{3.7}	% of GDP	3.0	21.0	21.7	18.7	17.0	16.7	17.0	:	N.A.	N.A.	N.A.
4 Prices												
CPI ^{4.1}	Ann. % ch	2.2	2.4	3.0	4.3	7.4	9.9	6.8	:	4.9	5.4	:
GDP Deflator ^{4.2}	Ann. % ch	6.2	4.5	9.8	20.0	10.8	45.9	:	:	N.A.	N.A.	N.A.
Producer prices ^{4.3}	Ann. % ch	5.8	2.1	3.1	8.5	14.0	17.5	11.9	:	5.7	4.7	:
Import prices ^{4.4}	Ann. % ch	N.A.	N.A.	N.A.	N.A.	N.A.	:	:	:	:	:	:
5 Monetary and financial indicators												
Interest rate (3 months) ^{5.1}	% p.a.	10.58	1.20	1.21	:	:	:	:	:	:	:	:
Bond yield ^{5.2}	% p.a.	9.98	3.09	1.17	0.90	:	:	:	4.06	:	:	4.06
Stock markets ^{5.3}	Index	1 758	5 670	14 406	36 159	19 947	17 952	10 508	9 734	9 545	10 511	9 146
M21 ^{5.4}	Ann. % ch	10.6	58.7	82.9	71.9	-14.3	18.7	-14.3	:	:	:	:
Exchange rate EUR/EUR ^{5.5}	Value	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Nominal eff. exchange rate ^{5.6}	Index	N.A.	N.A.	N.A.	N.A.	N.A.	:	:	:	:	:	:
6 Government balance and debt												
General government balance ^{6.1}	% of GDP	-2.6	-2.3	2.7	6.4	1.5	3.7	1.5	:	N.A.	N.A.	N.A.
General government debt ^{6.2}	% of GDP	44.5	38.6	32.6	26.3	26.8	27.8	26.8	:	N.A.	N.A.	N.A.

CHARTS

European Commission, ECFIN-D-1



MONTENEGRO



SERBIA



COMMENTS

Recent economic and political developments

The Serbian economy is increasingly affected by the ongoing global economic and financial crisis, in particular Serbia's public finances as fiscal revenues are rapidly declining. While Serbian banks are not directly affected by the decline in asset values of mortgages related structural products, the adverse effects of the financial crisis on global asset and credit markets are increasingly affecting Serbia, in particular since the aggravation of the crisis following the credit events of mid-September.

Following the approval by the IMF board on 16 January of a precautionary stand-by agreement with Serbia, IMF staff and the Serbian authorities agreed in March a substantial revision of this arrangement, tuning it into a disbursing programme with access to up to EUR 3 billion over a two years period. The revised macroeconomic and fiscal framework assumes for 2009 GDP to contract by 2% and foresees a widening of the general government deficit to 3% of GDP in light of the recent deterioration of public finances. To achieve this objective it is foreseen to reduce discretionary fiscal spending, to freeze public sector salaries and pensions and to raise revenues through the introduction of a special flat 6% tax on all income above a certain minimal threshold.

Following this agreed adjustment of the IMF programme, on 27 March in Vienna the 10 main EU-based parent banks of Serbian commercial banks committed to maintain their financial exposure on Serbia.

Output and demand

Economic growth continued to decelerate in the fourth quarter of 2008, with GDP growth slowing to 2.8% year-on-year, compared to 4.9% during the previous quarter. Growth for the whole of 2008 slowed to 5.4% compared to 6.9% a year earlier. Economic growth remained driven by the services sector, in particular wholesale and retail trade, transportation and telecommunication, as well as financial intermediation, while manufacturing, electricity production and construction declined.

Industrial output contracted by 19.7% year-on-year in February 2009. Looking forward, the Serbian economy is expected to continue slowing substantially in the current year. In the context of declining availability of credit and tightened lending standards, the real sector is set to generate low growth rates or even to decline. Export-oriented sectors are slowing as demand from main trading partners is declining. However, the decline in aggregate demand is already contributing to a substantial slowdown of imports and an improvement of the current account deficit (to 3% of GDP in January 2009 from 15% of GDP in Q4). Inflation has peaked mid-year (2008) and stood at 9.9% year-on-year in January 2009.

Labour market

Labour market conditions have started deteriorating and employment declined by -0.1% year-on-year during the fourth quarter of 2008. This trend accelerated in January and February 2009. The unemployment rate jumped to 14.1% during the fourth quarter and further increased in January and February. Wage growth slowed to 15.1% year-on-year during the fourth quarter, declining further to 12.5% in February. As the cost of living increase slowed less significantly, real wages growth decelerated to 6.2% year-on-year during the fourth quarter. Due to a pick up in inflation, real wage growth has slowed to 1.8% year-on-year in February.

International transactions

The slowing world economy resulted in a contraction of Serbian foreign trade during the fourth quarter of 2008. While imports declined faster than exports (by 11.3% vs. 6.7% year-on-year, respectively), the trade deficit started to improve. As a consequence, the current account deficit narrowed to 15% of GDP, compared to 17% a quarter earlier. Preliminary data for the first few months of 2009 indicate a continuing rapid external adjustment. During the fourth quarter period, capital inflows slowed, in particular in respect to enterprise cross-border borrowing. However, in February 2009, foreign direct investment was boosted by a payment

related to the sale of oil conglomerate NIS to Gazprom of Russia.

Prices

The decline in the price of petroleum and its derivatives in world markets and a good harvest contributed to a decline of retail price inflation to 8.9% year-on-year during the fourth quarter of 2008. However, headline inflation accelerated somewhat in February to 10.7% year-on-year.

Monetary and financial indicators

In January 2009, the National Bank of Serbia (NBS) reduced its key policy rate by 125 basis points to 16.50% amid somewhat subsiding inflationary pressures and a stabilising local currency. In January also, the National bank of Serbia changed its policy target from core inflation to headline CPI. The inflation target is set between 6% and 10% year-on-year for end-2009.

Rising risk premiums and the decline in available financing linked to the continuing deleveraging of the global financial system affect the Serbian economy via several channels. Refinancing lines from foreign parent banks have become more expensive as mother banks are passing on their increased cost of financing to Serbian subsidiaries. The availability of cross-border borrowing from foreign banks directly to the domestic corporate sector has declined and trade financing has become more difficult. The maturity of foreign loans has been shortened with the maximum duration now being up to one year. Domestic interest rates have been increased and several banks have tightened their lending standards. As a result, credit growth to the private and corporate sector has slowed and is expected continue to do so in the remainder of 2009.

In addition, the Serbian banking system was adversely affected by a substantial withdrawal of foreign currency deposits in the order of EUR 1 billion or 20% of all foreign currency deposits. However, Serbian banks do not face solvency problems, so far. Ratios of capital adequacy, profitability and non-performing loans are at favourable levels when compared to neighbouring countries.

The Serbian dinar lost 7.2% vis-à-vis the euro since the beginning of the year, but has stabilised in February and March as privatisation related capital inflows picked-up again. Foreign exchange reserves increased from end-2008 to 8.2 billion at end-February and grew to a comfortable 10-month worth of imports or 28% of GDP

The Belgrade Stock Exchange continued to decline during the first quarter of 2009, giving up an additional 30%.

Growth of broad monetary aggregates continued to slow during the fourth quarter of 2008 and thereafter. In February, the 12-month moving average of M3 slowed to 24% year-on-year.

Credit growth started to slow during the fourth quarter of 2008 and the first few months of 2009. The 12-month moving average of credit to the non-monetary sector expanded at a rate of 34% year-on-year in February.

General government balance

In January developments of general government finances were very negative. On the revenues side, slowing international trade contributed to a substantial drop in revenues (by 13.6% y/y) related to VAT, excises and customs compared to the same period a year ago. Only personal income posted a mild increase. In real terms, the decline in revenues was even more substantial, given that consumer price inflation stood at 8.6% year-on-year in December 2008.

In contrast, expenditures have continued to increase during the same period (by 13.4% y/y) in nominal as well as real terms. In particular, transfers to the social security fund, out of which pension payments are made, have increased by an astonishing 62% year-on-year. This is primarily related to an increase in pensions by 14% during 2008. At the same time, capital expenditures decreased by 17.1% year-on-year.

On the basis of current trends it is assumed that the general government budget would post a 6% deficit in 2009. Measures agreed in March with the IMF mission in the context of a significant adjustment to the programme aim at curbing the deficit down to 3% of GDP.

TABLE

European Commission, ECFIN-D-1



SERBIA

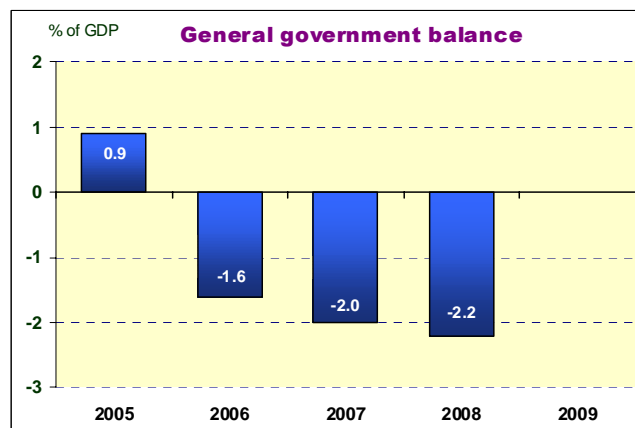
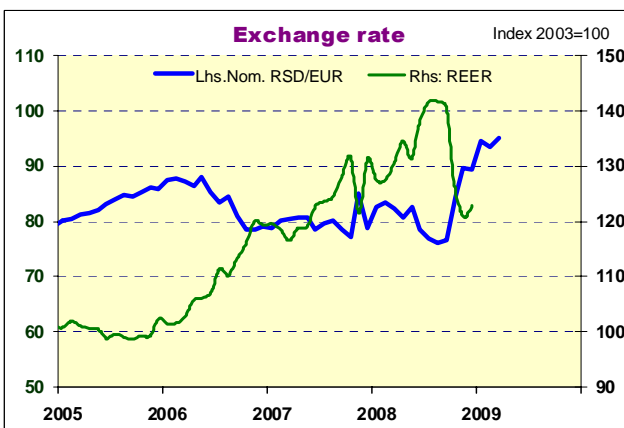
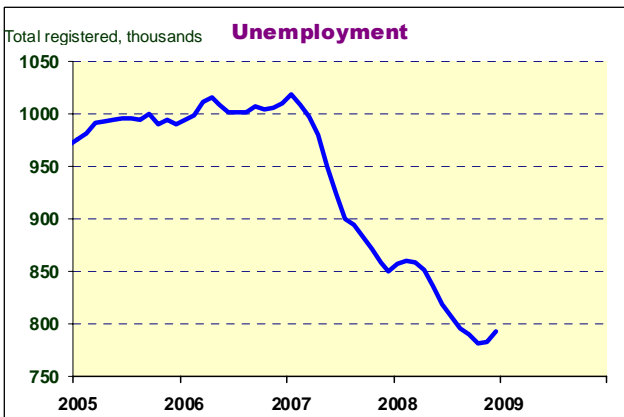
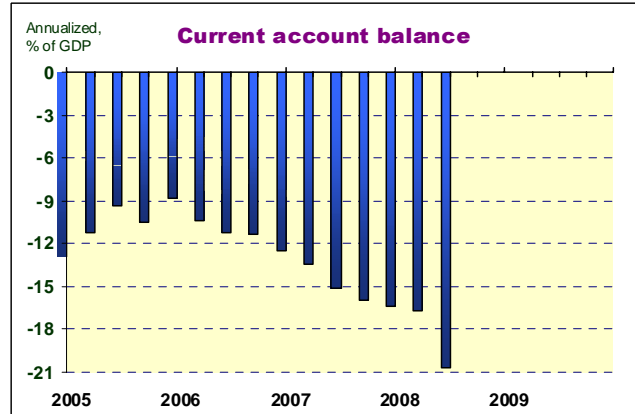
		2004	2005	2006	2007	2008	Q3 08	Q4 08	Q1 09	Jan 09	Feb 09	Mar 09
1 Output and demand												
Industrial confidence ^{1.1}	Balance	N.A.	N.A.	N.A.	N.A.	N.A.	:	:	:	:	:	:
Industrial production ^{1.2}	Ann. % ch	7.0	0.8	4.7	3.7	1.1	1.5	-5.0	:	-17.1	-19.7	:
Gross domestic product ^{1.3}	Ann. % ch	8.3	5.6	5.2	6.9	5.4	4.9	2.8	:	N.A.	N.A.	N.A.
Consumer confidence ^{1.4}	Balance	N.A.	N.A.	N.A.	N.A.	N.A.	:	:	:	:	:	:
Private consumption ^{1.5}	Ann. % ch	N.A.	N.A.	N.A.	N.A.	N.A.	:	:	:	N.A.	N.A.	N.A.
Gross fixed capital formation ^{1.6}	Ann. % ch	N.A.	N.A.	N.A.	N.A.	N.A.	:	:	:	N.A.	N.A.	N.A.
Change in stocks ^{1.7}	% of GDP	10.5	4.7	2.9	5.2	:	:	:	:	N.A.	N.A.	N.A.
2 Labour market												
Unemployment ^{2.1}	%	19.5	21.8	21.6	18.8	13.6	12.5	14.1	:	14.4	14.7	:
Employment ^{2.2}	Ann. % ch	0.4	-6.7	-3.8	1.0	6.2	0.2	-0.1	:	-0.3	-0.8	:
Wages ^{2.3}	Ann. % ch	23.7	24.1	24.4	22.1	17.9	17.9	15.1	:	14.1	12.5	:
3 International transactions												
Exports of goods ^{3.1}	Ann. % ch	27.8	27.2	43.4	37.3	24.3	29.8	-6.7	:	28.3	:	:
Imports of goods ^{3.2}	Ann. % ch	43.8	-2.7	25.9	40.9	24.0	33.3	-11.3	:	33.5	:	:
Trade balance ^{3.3}	% of GDP	-29.5	-22.8	-22.2	-21.4	-24.2	-23.7	:	:	N.A.	N.A.	N.A.
Exports goods and services ^{3.4}	% of GDP	22.7	25.1	27.7	28.0	:	:	:	:	N.A.	N.A.	N.A.
Imports goods and services ^{3.5}	% of GDP	48.4	45.2	47.6	50.2	:	:	:	:	N.A.	N.A.	N.A.
Current account balance ^{3.6}	% of GDP	-13.4	-8.3	-9.4	-14.9	:	:	:	:	N.A.	N.A.	N.A.
Direct investment (FDI, net) ^{3.7}	% of GDP	4.0	5.9	14.4	6.2	:	:	:	:	N.A.	N.A.	N.A.
4 Prices												
RPI ^{4.1}	Ann. % ch	9.8	17.3	12.7	6.6	10.7	10.7	8.8	:	8.9	10.7	:
GDP Deflator ^{4.2}	Ann. % ch	13.8	15.9	11.9	10.1	:	:	:	:	:	:	:
Producer prices ^{4.3}	Ann. % ch	9.1	14.2	13.3	5.9	12.4	14.0	10.7	:	4.2	5.6	:
Import prices ^{4.4}	Ann. % ch	21.4	5.7	4.0	12.0	17.3	23.2	-6.2	:	-22.5	:	:
5 Monetary and financial indicators												
Interest rate (3 months) ^{5.1}	% p.a.	21.31	17.22	13.46	6.48	4.98	:	:	:	:	:	:
Bond yield ^{5.2}	% p.a.	N.A.	N.A.	N.A.	N.A.	N.A.	:	:	:	:	:	:
Stock markets ^{5.3}	Index	N.A.	1 737	2 186	4 096	2 604	2 546	1 366	1 028	1 139	1 063	881
M3 ^{5.4}	Ann. % ch	31.2	39.1	37.4	41.1	29.6	24.6	15.3	:	7.4	:	:
Exchange rate RSD/EUR ^{5.5}	Value	73.10	83.25	83.91	79.90	81.94	76.54	87.88	94.32	94.58	93.49	94.90
Nominal eff. exchange rate ^{5.6}	Index	93.5	92.7	103.9	100.1	97.0	103.6	88.7	:	:	:	:
6 Government balance and debt												
General government balance ^{6.1}	% of GDP	0.9	0.9	-1.6	-2.0	-2.2	-0.2	-1.7	:	N.A.	N.A.	N.A.
General government debt ^{6.2}	% of GDP	53.3	50.3	36.2	29.4	25.3	25.2	25.3	:	N.A.	N.A.	N.A.

CHARTS

European Commission, ECFIN-D-1



SERBIA



KOSOVO*

*as defined by UNSCR 1244

COMMENTS

Recent economic and political developments

As Kosovo's integration into global markets is limited and its financial sector is rather shallow, low developed and based on a very conservative banking model, the impact of the international crisis has been limited so far. The use of the euro shelters Kosovo from currency speculation and financial sector indicators remain robust. However, first indications of dramatically falling trade dynamics can already be observed. Reduced remittances and FDI may also negatively affect Kosovo's economy.

On 17 March the first meeting between the Ministry of Finance and Economy and representatives of the European Commission took place under the framework of the fiscal surveillance mechanism, in accordance with provisions from the Comprehensive Proposal for Status Settlement. The IMF and the International Civilian Office had also been invited. The meeting served as a forum to discuss fiscal policies and was welcomed by all parties.

The IMF and World Bank membership process continues with favourable prospects of success in 2009. An IMF mission went to Kosovo in February and published an Aide Mémoire on macroeconomic and fiscal developments.

Following the declaration of independence on 17 February 2008, by the end of March 2009 56 countries had recognised Kosovo.

Output and demand

The availability of statistical data on output and demand remains scarce.

Latest IMF estimates suggest a real GDP growth rate in 2008 of just below 5½%. This would be considerably above previous years' outcomes. Main drivers of growth in 2008 were sustained donor activity, workers' remittances and a significant increase in public investment.

Labour market

In January, the number of registered unemployed persons stood at 337,017, up 0.4%

compared to January 2008. The figure has been relatively stable over recent months. Unemployment remains very high in Kosovo with significant differences between genders. Aggravating the alarming situation on the labour market is the fact that most of the unemployed are long-term unemployed, pointing to very low dynamics in the labour market, even though the significant size of the informal sector may somehow distort the actual picture.

International transactions

The coverage ratio of exported to imported goods (12-month moving average) gradually increased on a very low level from 8.5% in 2006 to 9.4% in 2007 and 11.2% in September 2008. However, as of the fourth quarter 2008 the slowdown of international economic activities has had serious repercussions on the external sector in Kosovo. Exports dropped by 17% in the fourth quarter 2008 and by 41% in January 2009 (all year-on-year). On the other hand imports were up 24% in the fourth quarter 2008, and only decreased by 5% in January 2009. The coverage, therefore, dropped to 10% in January (12-month moving average). Overall, the value of exports increased by 18.7% in 2008 compared to 2007 and the value of imports by 22.3%. The European Union and CEFTA countries remain the main trading partners of Kosovo

A strong domestic demand and a deterioration in the terms of trade widened the current account deficit (after foreign assistance) to an estimated 19½% of GDP in 2008, compared to 16% of GDP in 2007. FDI net inflows are estimated to have reached only 8.9% of GDP in 2008, down from 12.1% of GDP in 2007, partly due to a virtual standstill in the privatisation process in the first eight months of 2008. Officially recorded workers' remittances accounted for 11.9% of GDP in 2008. They have so far not shown any signs of weakening, at least until end-2008 where data are available. Inflows of remittances from migrants abroad are partly offset by outflows originated by staff of international institutions in Kosovo. Overall, net remittances slightly increased in 2008 by 4.2% annually. They are higher than foreign assistance which stood at 9.8% of GDP in 2008 (excluding capital transfers).

Prices

Average annual inflation in 2008 stood at 9.4%, after 4.4% in 2007 and 0.6% in 2006.

Inflation decelerated sharply during the final months of 2008, due mostly to falling food and energy prices, lowering twelve-month CPI inflation to 0.5% in December from its peak of 14% in May-July. Price developments turned deflationary in early 2009 with annual figures at -0.5% in January and -1.2% in February. Negative contributions come from food, transport and communication costs, while a significant slowdown in the increase of energy prices was also registered. The one percentage point increase of VAT in January has been outweighed by other factors so far.

Monetary and financial indicators

The banking system in Kosovo consists of eight banks which mainly engage in domestic deposit-taking and lending. The sector showed only little signs of distress in 2008, and financial intermediation progressed continuously. After a critical phase in October 2008 when tensions from international markets spilled over to Kosovo and triggered deposits withdrawals, both the Central Bank of Kosovo and the private banking sector were successful in restoring confidence in the financial sector by following prudent policies and a convincing communication strategy. The banking sector remains solvent and liquid.

Both loan and deposit growth has slowed down but remain at a sustained level. At the end of 2008, annual deposit growth stood at 24.4% and credit growth at 32.7%, down from 32.1% (deposits) and 37% (credits) at the end of the third quarter 2008. In January, these figures dropped to 23% and 31.7%, respectively. The corporate sector accounts for three quarters of the loan portfolio. The loans-to-deposit ratio increased to 90.9% which is higher than the rate targeted by the Central Bank. Non-performing loans account for a modest 3.5% of the overall loan portfolio. Banks are becoming more restrictive in their lending policy. The interest rate spread between deposits and loans

(weighted average among products and maturities) has remained high between 10 and 12 percentage points throughout 2008, standing at 11.4 percentage points in January 2009.

General government finance

As preliminary estimates reveal, the 2008 budget resulted in a deficit of 0.9% of GDP, substantially below the planned deficit of 7.4% of GDP. Revenues performed better than planned (+6%), whereas expenditures remained below budgeted levels (-19%). This was due on the one hand to low execution rates in the goods and services as well as capital outlays categories (even though the overall amount of capital expenditures could be significantly increased as compared to 2007), and on the other hand to a loan granted to the energy provider KEK of which only 11% had been paid out by the end of 2008. As a consequence, the actual outcome gives a distorted picture of the state of public finances in Kosovo. The revenue increase reflects to a large extent higher than expected prices for imported goods.

The structure of public expenditures improved in 2008 with the share of wages and salaries in the overall budget falling to 23% (from 30% in 2007) and the share of capital expenditures increasing to 36% (from 23%). Fungible cash reserves stood at 11.4% of GDP at the end of 2008. This is equivalent to just under five months of budgeted public expenditures, or eight months of current expenditures.

For early 2009, budget execution data show that revenues perform slightly better than in the previous year but below the current year's budget plans. Revenues collected at the border by the Customs authorities, accounting for almost two thirds of overall revenues, were about 6% below plans in the first quarter 2009, reflecting lower imports and import prices, whereas domestic revenues performed well. Overall, revenues were so far approximately 3% higher than in 2008, but this increase represents less than half the expected effect from the rise in VAT from 15% to 16% which became effective as of 1 January 2009.

TABLE

European Commission, ECFIN-D-1

KOSOVO*

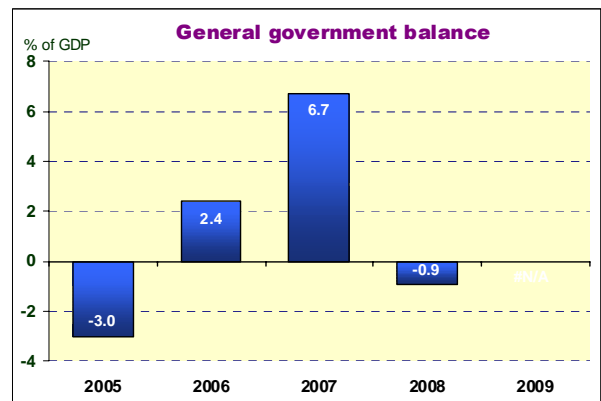
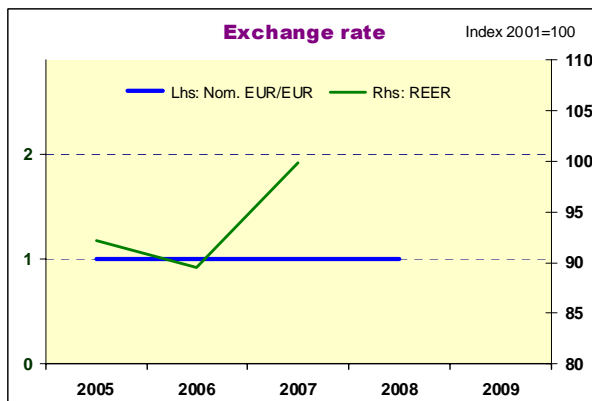
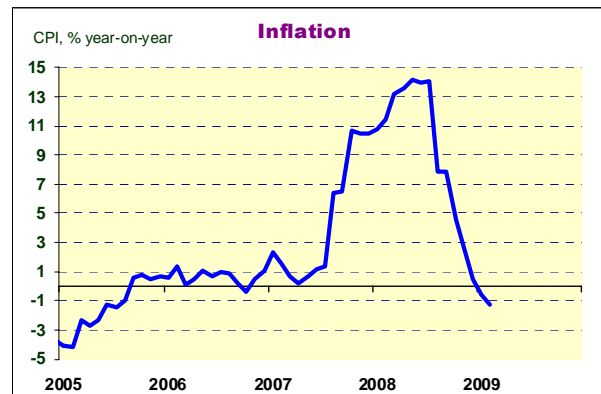
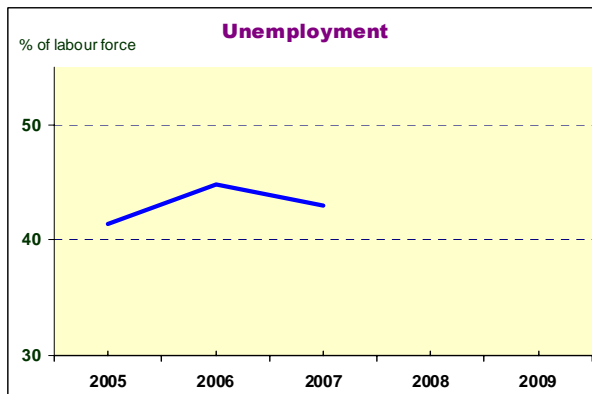
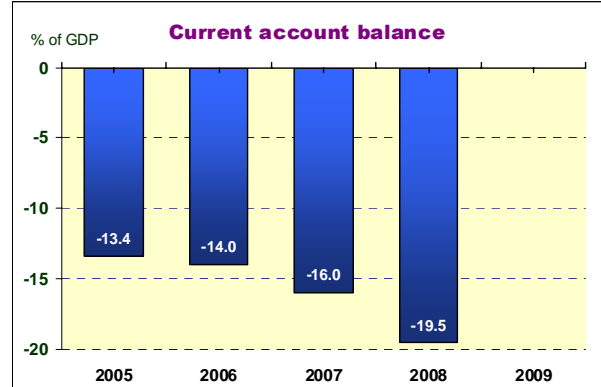
		2004	2005	2006	2007	2008	Q3 08	Q4 08	Q1 09	Jan 09	Feb 09	Mar 09
1 Output and demand												
Industrial confidence ^{1.1}	Balance	N.A.	N.A.	N.A.	N.A.	N.A.	:	:	:	:	:	:
Industrial production ^{1.2}	Ann. % ch	N.A.	N.A.	N.A.	N.A.	N.A.	:	:	:	:	:	:
Gross domestic product ^{1.3}	Ann. % ch	3.4	3.8	3.9	3.9	5.4	:	:	:	:	:	:
Consumer confidence ^{1.4}	Balance	N.A.	N.A.	N.A.	N.A.	N.A.	:	:	:	:	:	:
Private consumption ^{1.5}	Ann. % ch	3.6	8.6	4.0	6.9	5.3	:	:	:	:	:	:
Investment ^{1.6}	Ann. % ch	-3.1	4.7	10.3	12.4	17.7	:	:	:	:	:	:
Change in stocks ^{1.7}	% of GDP	3.9	4.2	4.4	N.A.	N.A.	:	:	:	:	:	:
2 Labour market												
Unemployment ^{2.1}	%	39.7	41.4	44.9	43.0	:	:	:	:	:	:	:
Employment ^{2.2}	Ann. % ch	61.2	-1.0	-10.2	10.8	:	:	:	:	:	:	:
Wages ^{2.3}	Ann. % ch	9.3	8.5	N.A.	N.A.	:	:	:	:	:	:	:
3 International transactions												
Exports of goods ^{3.1}	Ann. % ch	-7.6	-0.5	96.8	49.0	18.7	11.7	-16.9	:	-41.1	:	:
Imports of goods ^{3.2}	Ann. % ch	2.8	8.9	12.8	20.7	22.3	14.8	23.9	:	-4.9	:	:
Trade balance ^{3.3}	% of GDP	-32.3	-34.0	-35.8	-39.1	-43.1	-44.7	-46.7	:	-27.3	N.A.	N.A.
Exports goods and services ^{3.4}	% of GDP	7.1	7.0	8.9	10.0	10.6	:	:	:	N.A.	N.A.	N.A.
Imports goods and services ^{3.5}	% of GDP	40.1	42.5	45.5	50.2	57.2	:	:	:	N.A.	N.A.	N.A.
Current account balance ^{3.6}	% of GDP	-13.4	-13.4	-14.0	-16.0	-19.5	:	:	:	N.A.	N.A.	N.A.
Direct investment (FDI, net) ^{3.7}	% of GDP	0.6	2.6	7.7	12.1	8.9	:	:	:	N.A.	N.A.	N.A.
4 Prices												
CPI ^{4.1}	Ann. % ch	-1.1	-1.4	0.6	4.4	9.4	9.8	2.5	:	-0.5	-1.2	:
GDP Deflator ^{4.2}	Ann. % ch	-2.4	-1.7	0.2	3.4	5.4	:	:	:	:	:	:
Producer prices ^{4.3}	Ann. % ch	N.A.	N.A.	N.A.	N.A.	N.A.	:	:	:	:	:	:
Import prices ^{4.4}	Ann. % ch	N.A.	N.A.	N.A.	N.A.	N.A.	:	:	:	:	:	:
5 Monetary and financial indicators												
Interest rate (3-12 months) ^{5.1}	% p.a.	15.70	15.60	15.47	15.49	:	:	:	:	:	:	:
Bond yield ^{5.2}	% p.a.	N.A.	N.A.	N.A.	N.A.	N.A.	:	:	:	:	:	:
Stock markets ^{5.3}	Index	N.A.	N.A.	N.A.	N.A.	N.A.	:	:	:	:	:	:
Broad money liabilities ^{5.4}	Ann. % ch	43.6	21.0	5.5	:	:	:	:	:	:	:	:
Exchange rate EUR/EUR ^{5.5}	Value	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Real eff. exchange rate (CPI) ^{5.6}	Index	-3.0	-5.0	-2.8	-0.1	:	:	:	:	:	:	:
6 Government balance and debt												
General government balance ^{6.1}	% of GDP	-4.5	-3.0	2.4	6.7	-0.9	:	:	:	N.A.	N.A.	N.A.
General government debt ^{6.2}	% of GDP	N.A.	N.A.	N.A.	N.A.	N.A.	:	:	:	N.A.	N.A.	N.A.

* as defined by UNSCR 1244

CHARTS

European Commission, ECFIN-D-1

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* as defined by UNSCR 1244



No.	Indicator	Note	Source
1.	Output and demand		
1.1.	Industrial confidence indicator	Not available	N.A.
1.2.	Industrial production	Annual percentage change, volume, excluding construction. 2009 onwards base year 2005 and new methodology.	Ecwin/Reuters
1.3.	Gross domestic product	Annual percentage change, volume (1997 prices)	Ecwin/Reuters
1.4.	Consumer confidence indicator	Not available	N.A.
1.5.	Private consumption	Annual percentage change, volume (1997 prices)	Ecwin/Reuters
1.6.	Gross fixed capital formation	Annual percentage change, volume (1997 prices)	Ecwin/Reuters
1.7.	Change in stocks	In percent of GDP, volume (1997 prices)	Ecwin/Reuters
2.	Labour market		
2.1.	Unemployment	In percent of total labour force, Labour Force Survey definition for annual data. Monthly and quarterly data are based on official data on registered employment and unemployment	Ecwin/Reuters
2.2.	Employment	Annual percentage change, Labour Force Survey definition for annual data. Monthly and quarterly data are based on official data on registered employment and unemployment	Ecwin/Reuters
2.3.	Wages	Annual percentage change; average gross wages (nominal amount in kuna)	Ecwin/Reuters
3.	International Transactions		
3.1.	Exports of goods	Annual percentage change, mio. HRK, fob. Customs reports used for monthly data. Central Bank's otherwise.	Ecwin/Reuters
3.2.	Imports of goods	Annual percentage change, mio. HRK, cif Customs reports used for monthly data. Central Bank's otherwise.	Ecwin/Reuters
3.3.	Trade balance	In percent of GDP, fob-cif	Ecwin/Reuters
3.4.	Exports goods and services	In percent of GDP, volume (1997 prices)	Ecwin/Reuters
3.5.	Imports goods and services	In percent of GDP, volume (1997 prices)	Ecwin/Reuters
3.6.	Current account balance	In percent of GDP, rolling four quarter for quarterly data	Ecwin/Reuters
3.7.	Direct investment (<i>FDI, net</i>)	In percent of GDP, annualised data	Ecwin/Reuters
4.	Prices		
4.1.	Interim CPI	Annual average percentage change, HICP not yet available for Croatia	Ecwin/Reuters
4.2.	GDP deflator	Annual percentage change	Ecwin/Reuters
4.3.	Producer prices	Annual percentage change, without construction, index 2001	Ecwin/Reuters
4.4.	Import prices	Not available	N.A.
5.	Monetary and financial indicators		
5.1.	Interest rate	Zagreb Interbank 3 month - middle rate	Ecwin/Reuters
5.2.	Bond yield	Not available	N.A.
5.3.	Stock markets	CROBEX index	Ecwin/Reuters
5.4.	M4	Annual percentage change, M4 (Broadest money)	Ecwin/Reuters
5.5.	Exchange rate HRK/EUR	Period averages, midpoint exchange rates	Ecwin/Reuters
5.6.	Nominal eff. exchange rate	Index 2001, period averages	Ecwin/Reuters
6.	Government balance and debt		
6.1.	General government balance	In percent of GDP	Nat. sources
6.2.	General government debt	In percent of GDP	Nat. sources



No.	Indicator	Note	Source
1.	Output and demand		
1.1.	Industrial confidence indicator	Not available	
1.2.	Industrial production	Annual percentage change, volume, excluding construction	SSO
1.3.	Gross domestic product	Annual percentage change, volume (previous year prices)	SSO
1.4.	Consumer confidence indicator	Not available	
1.5.	Private consumption	Annual percentage change, volume (previous year prices)	SSO
1.6.	Gross fixed capital formation	Annual percentage change, volume (previous year prices)	SSO
1.7.	Change in stocks	In percent of GDP, volume (previous year prices)	SSO
2.	Labour market		
2.1.	Unemployment	In percent of total labour force, Labour Force Survey definition for annual data, registered otherwise	SSO
2.2.	Employment	Annual percentage change, Labour Force Survey definition for annual data, registered otherwise	SSO
2.3.	Wages	Annual percentage change; average gross wages (nominal amount in Denar)	SSO
3.	International Transactions		
3.1.	Exports of goods	Annual percentage change, fob	NBRM
3.2.	Imports of goods	Annual percentage change, cif	NBRM
3.3.	Trade balance	In percent of GDP, fob-cif	NBRM
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	NBRM
3.7.	Direct investment (<i>FDI, net</i>)	In percent of GDP, annualised data	NBRM
4.	Prices		
4.1.	CPI	Annual average percentage change, HICP not yet available for fYRoM	SSO/Ecowin/Reuters
4.2.	GDP deflator	Annual percentage change	SSO
4.3.	Producer prices	Annual percentage change, industrial products	SSO
4.4.	Import prices	Not available	SSO
5.	Monetary and financial indicators		
5.1.	Interest rate	Interest rate Denar deposits	NBRM
5.2.	Bond yield	Not available	NBRM
5.3.	Stock markets	MSE Index (MBI-10)	Macedonian SE
5.4.	M4	Annual percentage change, M4 (Broadest money)	NBRM
5.5.	Exchange rate MKD/EUR	Averages, spot close	Ecowin/Reuters
5.6.	Nominal eff. exchange rate		
6.	Government balance and debt		
6.1.	General government balance	In percent of GDP	MoF
6.2.	General government debt	In percent of GDP	MoF



No.	Indicator	Note	Source
1.	Output and demand		
1.1.	Industrial confidence indicator	Industry survey, confidence index real sector	Nat. sources
1.2.	Industrial production	Annual percentage change, volume (index 1997), excluding construction	Ecwin/Reuters
1.3.	Gross domestic product	Annual percentage change, volume (1987 prices)	Ecwin/Reuters
1.4.	Consumer confidence indicator	Consumer tendency survey	Nat. sources
1.5.	Private consumption	Annual percentage change, volume (1998 prices)	Ecwin/Reuters
1.6.	Gross fixed capital formation	Annual percentage change	Ecwin/Reuters
1.7.	Change in stocks	In percent of GDP	Ecwin/Reuters
2.	Labour market		
2.1.	Unemployment	In percent of total labour force, Labour Force Survey data	Ecwin/Reuters
2.2.	Employment	Annual percentage change, Labour Force Survey data	Ecwin/Reuters
2.3.	Wages	Annual percentage change; index of real earning per production worker in manufacturing industry	Nat. sources
3.	International Transactions		
3.1.	Exports of goods	Annual percentage change, mio. EUR, fob	Ecwin/Reuters
3.2.	Imports of goods	Annual percentage change, mio. EUR, cif	Ecwin/Reuters
3.3.	Trade balance	In percent of GDP, annualised moving average	Ecwin/Reuters
3.4.	Exports goods and services	In percent of GDP	Ecwin/Reuters
3.5.	Imports goods and services	In percent of GDP	Ecwin/Reuters
3.6.	Current account balance	In percent of GDP, annualised moving average	Ecwin/Reuters
3.7.	Direct investment (<i>FDI, net</i>)	In percent of GDP, annualised moving average of direct investment in reporting economy minus direct investment abroad	Ecwin/Reuters
4.	Prices		
4.1.	CPI	Annual percentage change, index 1994, Interim HICP is not available	Ecwin/Reuters
4.2.	GDP deflator	Annual percentage change	Ecwin/Reuters
4.3.	Producer prices	Annual percentage change, wholesale prices index (1994)	Ecwin/Reuters
4.4.	Import prices	Annual percentage change, index (1994)	Ecwin/Reuters
5.	Monetary and financial indicators		
5.1.	Interest rate	Deposit rates, 3 month, close	Ecwin/Reuters
5.2.	Bond yield	T-bond ISMA bid, 2 year, yield, close	Ecwin/Reuters
5.3.	Stock markets	ISE index, trading volume (business), January 1986 = 1 Turkish Lira	Ecwin/Reuters
5.4.	M3	Annual percentage change	Ecwin/Reuters
5.5.	Exchange rate YTL/EUR	Period averages	Eurostat
5.6.	Nominal eff. exchange rate	Index 1999, period averages	Eurostat
6.	Government balance and debt		
6.1.	General government balance	In percent of GDP	Nat. sources
6.2.	General government debt	In percent of GDP, ESA 95 methodology	Nat. sources



No.	Indicator	Note	Source
1.	Output and demand		
1.1.	Industrial confidence indicator	Not available	
1.2.	Industrial production	Not available	
1.3.	Gross domestic product	Annual percentage change, volume. Annual data	Ecwin/Reuters
1.4.	Consumer confidence indicator	Not available	
1.5.	Private consumption	Not available	
1.6.	Gross fixed capital formation	Not available	
1.7.	Change in stocks	In percent of GDP. Annual data	Ecwin/Reuters
2.	Labour market		
2.1.	Unemployment	In percent of total labour force	Ecwin/Reuters
2.2.	Employment	Annual percentage change	Ecwin/Reuters
2.3.	Wages	Average monthly wages in State sector	Ecwin/Reuters
3.	International Transactions		
3.1.	Exports of goods	Annual percentage change, mio. EUR	Ecwin/Reuters
3.2.	Imports of goods	Annual percentage change, mio. EUR	Ecwin/Reuters
3.3.	Trade balance	In percent of GDP	Ecwin/Reuters
3.4.	Exports goods and services	In percent of GDP. Annual data	Ecwin/Reuters
3.5.	Imports goods and services	In percent of GDP. Annual data	Ecwin/Reuters
3.6.	Current account balance	In percent of GDP, including official transfers	Ecwin/Reuters
3.7.	Direct investment (<i>FDI, net</i>)	In percent of GDP	Ecwin/Reuters
4.	Prices		
4.1.	Interim CPI	Consumer Prices, All items, Total. Annual percentage change Up to 2007 Dec2001 = 100, 2007 onwards Dec2007 = 100.	Ecwin/Reuters
4.2.	GDP deflator	Implicit GDP deflator. Annual percentage change	
4.3.	Producer prices	Annual percentage change, Total, index (1998)	Ecwin/Reuters
4.4.	Import prices	Not available	
5.	Monetary and financial indicators		
5.1.	Interest rate	Treasury Bills, 3 Month Auction, Yield	Ecwin/Reuters
5.2.	Bond yield	Government Benchmarks, 2 Year Bond, Yield	Ecwin/Reuters
5.3.	Stock markets	Not available	
5.4.	M2	Annual percentage change	Ecwin/Reuters
5.5.	Exchange rate LEK/EUR	Period averages	Ecwin/Reuters
5.6.	Change in real eff. exchange rate	Not available	
6.	Government balance and debt		
6.1.	General government balance	In percent of GDP	IMF
6.2.	General government debt	In percent of GDP	IMF

BOSNIA AND HERZEGOVINA Explanatory notes



No.	Indicator	Note	Source
1. Output and demand			
1.1.	Industrial confidence indicator	Not available	
1.2.	Industrial production	Entity indices weighted by shares in GDP	NSI
1.3.	Gross domestic product	Annual percentage change	Ecwin/Reuters
1.4.	Consumer confidence indicator	Not available	
1.5.	Private consumption	Annual percentage change, Households, Total, 2004=100	Ecwin/Reuters
1.6.	Gross fixed capital formation	Annual percentage change	Ecwin/Reuters
1.7.	Change in stocks	In percent of GDP	Ecwin/Reuters
2. Labour market			
2.1.	Unemployment	Registered, in percent of total labour force	Ecwin/Reuters
2.2.	Employment	Registered, annual percentage change	Ecwin/Reuters
2.3.	Wages	Annual percentage change, average gross wages, BAM	Ecwin/Reuters
3. International Transactions			
3.1.	Exports of goods	Annual percentage change, mio. BAM, General merchandise, FOB	Ecwin/Reuters
3.2.	Imports of goods	Annual percentage change, mio. BAM, General merchandise, FOB	Ecwin/Reuters
3.3.	Trade balance	In percent of GDP, annualised data	Ecwin/Reuters
3.4.	Exports goods and services	In percent of GDP, estimated from Balance of Payments data	Ecwin/Reuters
3.5.	Imports goods and services	In percent of GDP, estimated from Balance of Payments data	Ecwin/Reuters
3.6.	Current account balance	In percent of GDP, annualised data	Ecwin/Reuters
3.7.	Direct investment (<i>FDI, net</i>)	In percent of GDP, annualised data	Ecwin/Reuters
4. Prices			
4.1.	CPI	Consumer price index from 2006; Retail price index otherwise.	CBBH/ Ecwin/Reuters
4.2.	GDP deflator	Implicit GDP deflator. Annual percentage change	
4.3.	Producer prices	Not available	
4.4.	Import prices	Not available	
5. Monetary and financial indicators			
5.1.	Interest rate	Not available	
5.2.	Bond yield	Not available	
5.3.	Stock markets	SASX-10 Index, Close	Ecwin/Reuters
5.4.	M2	Annual percentage change, M2 (broadest money)	Ecwin/Reuters
5.5.	Exchange rate BAM/EUR	Period averages, spot rates, close	Ecwin/Reuters
5.6.	Nominal eff. exchange rate	Index (2002 Apr=100); 9 Trade partners selected in order to set up the index (Austria, France, Germany, Hungary, Italy, Slovenia, Croatia, Serbia and Switzerland)	Ecwin/Reuters
6. Government balance and debt			
6.1.	General government balance	In percent of GDP. Certain local level data not included	CBBH
6.2.	General government debt	External public debt only	CBBH



No.	Indicator	Note	Source
1.	Output and demand		
1.1.	Industrial confidence indicator	Not available	
1.2.	Industrial production	Annual percentage change	Ecwin/Reuters
1.3.	Gross domestic product	Annual percentage change, annual data, chain index	MONSTAT
1.4.	Consumer confidence indicator	Not available	
1.5.	Private consumption	Annual percentage change, annual data, chain index	MONSTAT
1.6.	Gross fixed capital formation	Annual percentage change, annual data, chain index	MONSTAT
1.7.	Change in stocks	Annual percentage change, annual data	MONSTAT
2.	Labour market		
2.1.	Unemployment	In percent of active population	Ecwin/Reuters
2.2.	Employment	Annual percentage change of registered employment	Ecwin/Reuters
2.3.	Wages	Annual percentage change, average gross wages (nominal, in EUR)	Ecwin/Reuters
3.	International Transactions		
3.1.	Exports of goods	Annual percentage change, thou. EUR	Ecwin/Reuters
3.2.	Imports of goods	Annual percentage change, thou. EUR	Ecwin/Reuters
3.3.	Trade balance	In percent of GDP, annualised data	Ecwin/Reuters
3.4.	Exports goods and services	Annual data	MONSTAT
3.5.	Imports goods and services	Annual data	MONSTAT
3.6.	Current account balance	In percent of GDP, annualised data	Ecwin/Reuters
3.7.	Direct investment (<i>FDI, net</i>)	In percent of GDP, annualised data	Ecwin/Reuters
4.	Prices		
4.1.	CPI	Consumer price index (from Jan. 2008, cost-of-living index before), annual average percentage change, moving base year	Ecwin/Reuters
4.2.	GDP deflator	Implicit GDP deflator. Annual percentage change	Ecwin/Reuters
4.3.	Producer prices	Annual percentage change	Ecwin/Reuters
4.4.	Import prices	Not available	
5.	Monetary and financial indicators		
5.1.	Interest rate	Treasury Bills, 3 Month, auction, yield, average	Ecwin/Reuters
5.2.	Bond yield	Treasury Bills, 6 Month, auction, yield, average	Ecwin/Reuters
5.3.	Stock markets	NEX20 Index, Close	Ecwin/Reuters
5.4.	M21	Annual percentage change, M21 (Broadest money)	Ecwin/Reuters
5.5.	Exchange rate EUR/EUR	Use of the Euro since March 2002	
5.6.	Nominal exchange rate	Not available	
6.	Government balance and debt		
6.1.	General government balance	In percent of GDP	Min. of Finance
6.2.	General government debt	In percent of GDP	Min. of Finance



No.	Indicator	Note	Source
1.	Output and demand		
1.1.	Industrial confidence indicator	Not available	
1.2.	Industrial production	Annual percentage change, total, 2005=100, SA, Index	SORS
1.3.	Gross domestic product	Annual percentage change at constant (average) prices 2002 Production approach	SORS
1.4.	Consumer confidence indicator	Not available.	
1.5.	Private consumption	Not available	
1.6.	Gross fixed capital formation	Not available	
1.7.	Change in stocks	In percent of GDP	SORS
2.	Labour market		
2.1.	Unemployment	In percent of total labour force, Labour Force Survey definition for annual data. Monthly and quarterly data are based on annual LFS and adjusted on the basis of monthly/quarterly changes of data on registered unemployment.	SORS
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.	SORS
2.3.	Wages	Gross wages annual percentage change; average growth rate, nominal	SORS
3.	International Transactions		
3.1.	Exports of goods	Annual percentage change, mio. USD, fob	SORS
3.2.	Imports of goods	Annual percentage change, mio. USD, cif	SORS
3.3.	Trade balance	In percent of GDP, fob-cif, annualised data	SORS, Ecwin
3.4.	Exports goods and services	In percent of GDP	NBS
3.5.	Imports goods and services	In percent of GDP	NBS
3.6.	Current account balance	In percent of GDP, annualised data	NBS, Ecwin
3.7.	Direct investment (<i>FDI, net</i>)	In percent of GDP, annualised data	NBS, Ecwin
4.	Prices		
4.1.	RPI	Annual average percentage change, retail prices, total, index (2005)	SORS
4.2.	GDP deflator	Implicit GDP deflator. Annual percentage change	SORS
4.3.	Producer prices	Annual percentage change, total, index (2000)	SORS
4.4.	Import prices	Annual percentage change, total	SORS
5.	Monetary and financial indicators		
5.1.	Interest rate	Treasury Bills, 3 month, yield, average, RSD	NBS
5.2.	Bond yield	Not available	
5.3.	Stock markets	Belgrade Stock Exchange, BELEXfm index, price return, close, RSD	Ecwin/Reuters
5.4.	M3	Annual percentage change, M3 (broad money), RSD	NBS
5.5.	Exchange rate RSD/EUR	Spot Rates, close, period average	Ecwin/Reuters
5.6.	Nominal eff. exchange rate	Period average, moving base year, RSD	NBS
6.	Government balance and debt		
6.1.	General government balance	Consolidated GG, Overall balance including grants. In percent of GDP	MoF
6.2.	General government debt	Public sector debt. In percent of GDP	MoF

SORS: Statistical Office of the Republic of Serbia, NBS: National Bank of Serbia, MoF: Serbian Ministry of Finance

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*as defined by UNSCR 1244

Explanatory notes

No.	Indicator	Note	Source
1.	Output and demand		
1.1.	Industrial confidence indicator	Not available.	
1.2.	Industrial production	Not available.	
1.3.	Gross domestic product	Annual percentage change.	IMF
1.4.	Consumer confidence indicator	Not available.	
1.5.	Private consumption	Annual percentage change.	IMF
1.6.	Gross fixed capital formation	Annual percentage change.	IMF
1.7.	Change in stocks	Not available.	
2	Labour market		
2.1.	Unemployment	In percent of total labour force.	Statistical Office of Kosovo (SOK)
2.2.	Employment	Annual percentage change of number of employees according to the Tax Register.	Statistical Office of Kosovo (SOK)
2.3.	Wages	Annual percentage change, average monthly wages according to the Tax Register.	Statistical Office of Kosovo (SOK)
3.	International Transactions		
3.1.	Exports of goods	Annual percentage change.	Statistical Office of Kosovo (SOK)
3.2.	Imports of goods	Annual percentage change.	Statistical Office of Kosovo (SOK)
3.3.	Trade balance	In percent of GDP.	Statistical Office of Kosovo (SOK)
3.4.	Exports goods and services	In percent of GDP.	IMF
3.5.	Imports goods and services	In percent of GDP.	IMF
3.6.	Current account balance	In percent of GDP, Annual data.	Central Banking Authority (CBAK)
3.7.	Direct investment (<i>FDI, net</i>)	In percent of GDP, Annual data.	CBAK
4.	Prices		
4.1.	Interim CPI	Annual average percentage change, index (May 2002 = 100)	Statistical Office of Kosovo (SOK)
4.2.	GDP deflator	Annual percentage change.	IMF
4.3.	Producer prices	Not available.	
4.4.	Import prices	Not available.	
5.	Monetary and financial indicators		
5.1.	Interest rate	Interest rates, short-term (3-12 months loans to non-financial corporations)	CBAK
5.2.	Bond yield	Not available.	
5.3.	Stock markets	Not available.	
5.4.	M2	Annual percentage change, M2 (Broadest money)	CBAK
5.5.	Exchange rate EUR/EUR	Not applicable.	
5.6.	Nominal eff. exchange rate	Not available.	IMF
6.	Government balance and debt		
6.1.	General government balance	In percent of GDP	IMF, Ministry of Finance and Economy
6.2.	General government debt	Not applicable.	