Summary for non-specialists
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2014 Pre-Accession Economic Programmes of the former Yugoslav Republic of Macedonia, Montenegro, Serbia and Turkey

The Commission's overview and country assessments

The document contains the Commission's assessments of the 2014 Pre-Accession Economic Programmes of the following candidate countries: the former Yugoslav Republic of Macedonia, Montenegro, Serbia and Turkey. The annual submission and assessment of PEPs is part of the economic and fiscal surveillance procedure for countries seeking to join the EU. It aims to prepare candidate countries for participation in the EU's multilateral surveillance and economic policy coordination procedures and plays a valuable role in helping candidate countries to develop their institutional and analytical capacities. The PEPs present a medium-term policy framework, including public finance objectives and structural reform priorities.

Following the economic slump in 2012, net exports drove the resurgence of growth across the Western Balkan countries, but domestic demand remained weak. In Turkey, the substantial slowdown in 2012 also proved short-lived, as policy measures helped revive domestic demand and growth.

With the exception of Serbia, the candidate countries expect growth to gain momentum between 2014 and 2016 driven mainly by more vigorous domestic demand, but downside risks are present on several fronts, including weaknesses in the business environment which could hamper the expected strong pick-up in investments, as well as sluggish growth of the main trade partners and weak lending. The recent turmoil in Turkey's financial and foreign exchange markets is likely to lead to lower growth than forecast by the authorities due to weaker domestic demand.

Candidate countries continue to be affected, to different degrees, by current account and fiscal imbalances. External vulnerabilities will need to be addressed by laying the foundations for more economic diversification and export growth, and creating favourable conditions for attracting foreign direct investments. Fiscal adjustment in the Western Balkan countries is necessary to rein in budget deficits, arrest the upward trend in public debt, and rebuild fiscal buffers; at the same time, growth-friendly capital spending should be preserved from cuts. Turkey needs to calibrate fiscal policy with a view to raising national saving and lowering its vulnerability linked to its strong reliance on short-term capital flows to meet external financing needs.

Numerous structural obstacles to growth remain to be tackled in all of these countries, including high unemployment, deficiencies in infrastructure and education, weaknesses in the business environment and a lack of competition on product markets.