



European
Commission

ISSN 2443-8049 (online)

EU Candidate Countries' & Potential Candidates' Economic Quarterly (CCEQ)

Western Balkans & Türkiye

4th Quarter 2022

TECHNICAL PAPER 062 | JANUARY 2023

EUROPEAN ECONOMY

*Economic and
Financial Affairs*



European Economy Technical Papers are reports and data compiled by the staff of the European Commission's Directorate-General for Economic and Financial Affairs.

Authorised for publication by Uwe Stamm, Head of Unit D1, Candidate and Pre-Candidate Countries.

The Report is released every quarter of the year.

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This paper exists in English only and can be downloaded from https://economy-finance.ec.europa.eu/ecfin-publications_en.

Luxembourg: Publications Office of the European Union, 2023

PDF ISBN 978-92-76-61677-1 ISSN 2443-8049 [doi:10.2765/XXXXX](https://doi.org/10.2765/XXXXX) KC-BF-23-002-EN-N

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4th Quarter 2022

Western Balkans and Türkiye

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* This designation is without prejudice to positions on status, and is in line with UNSCR 1244/1999 and the ICJ Opinion on the Kosovo declaration of independence.

OVERVIEW – FLASH NOTES

The economic rebound in the Western Balkans moderated further in the third quarter of 2022, with the region's GDP growing by 2.1% y-o-y, compared to 4.3% in the previous three months. The deceleration was largely driven by a slowdown in Serbia and Bosnia & Herzegovina.

Private consumption and exports remained the key growth drivers across the region while investment showed a mixed performance, with year-on-year declines recorded in some of the countries. Public consumption contracted in some countries, partly reflecting the gradual withdrawal of pandemic-related support measures.

Job growth turned marginally negative on a year-on-year basis in the Western Balkans in the third quarter of 2022. Despite this, unemployment rates fell or remained unchanged while labour force participation decreased in some countries. Still, unemployment rates in the region remained high, ranging from 8.9% in Serbia to around 21% in Kosovo (the latter reflects the latest available data for 2021 as a whole).

The region's current account deficit stood at 6.8% of GDP in the four quarters to September, the second highest level since the third quarter of 2020. This was mainly due to the energy-balance-driven increase in merchandise trade deficits which outweighed the strong rebound in services exports and higher remittances inflows.

Russia's invasion of Ukraine is having a negative impact on the Western Balkan economies indirectly through various transmission channels. In particular, strong increases in energy, food and transport prices fuelled a significant acceleration of annual consumer price inflation which averaged 11.5% in 2022, ranging from 6.7% in Albania to 14.1% in North Macedonia. The region's central banks with monetary autonomy reacted by raising their key policy rate which stood at 2.75% in Albania, 4.75% in North Macedonia, and 5.25% in Serbia in January 2023. Helped by decelerating food and energy prices, inflation moderated somewhat in most countries in the last months of 2022.

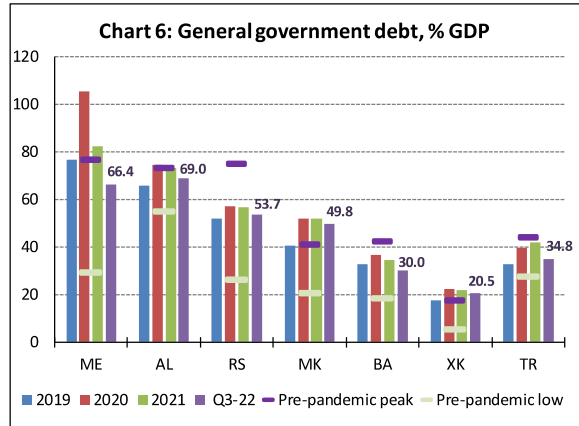
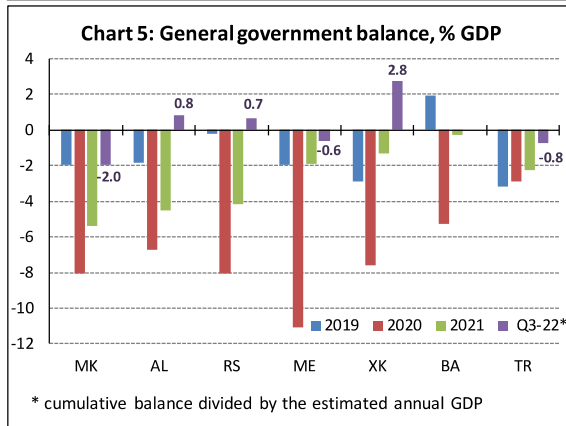
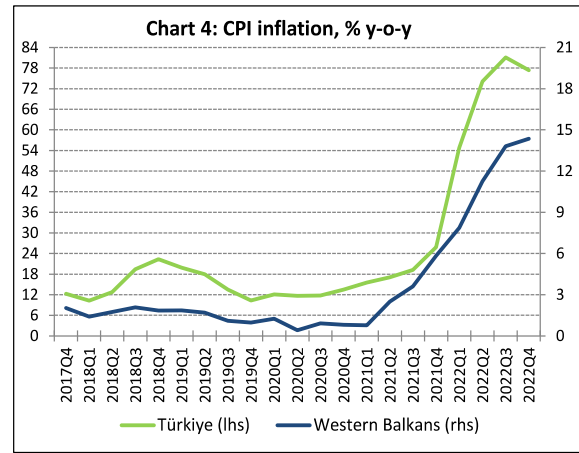
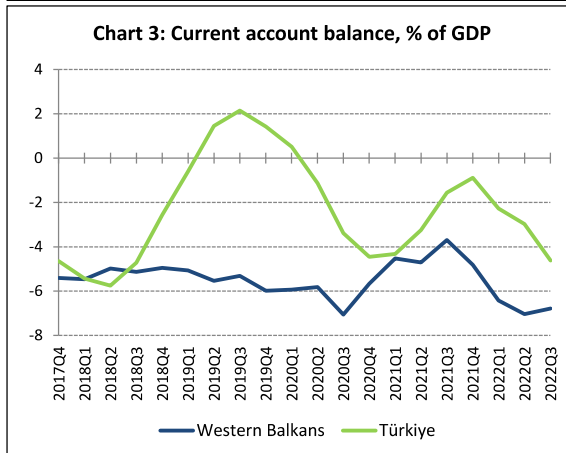
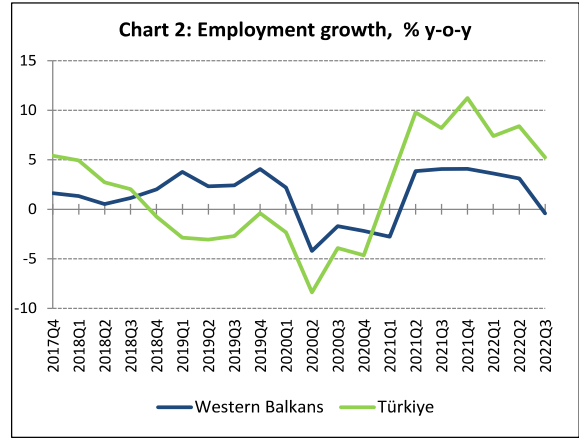
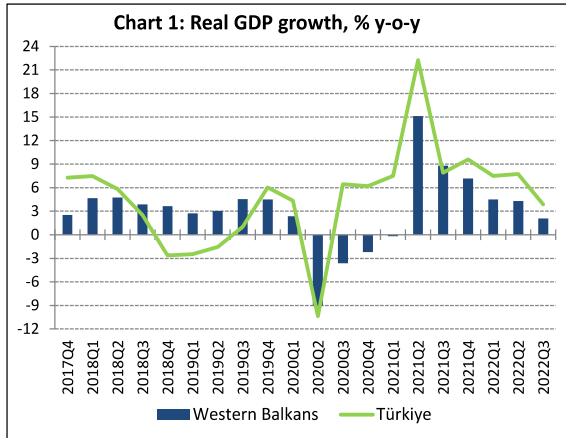
The continued economic recovery and high inflation supported the growth of budget revenues and fiscal balances improved further across the Western Balkans in the first eleven months of 2022, while the public debt-to-GDP ratio decreased in all countries compared to end-2021, partly reflecting the rise in nominal GDP. The public debt ratio remained the highest in Montenegro and Albania at 70.2% and 69.0% of GDP, respectively.

In Türkiye, the economic rebound lost some steam in the third quarter of 2022 with real GDP growth decelerating to 3.9% y-o-y from 7.7% in the preceding three months. Growth was driven by still buoyant household consumption and exports, but it was accompanied by widening imbalances. The 4-quarter rolling average current account deficit increased to 5.4% of GDP in November compared to 0.9% in 2021.

Consumer price inflation slowed to 64.3% y-o-y in December, largely driven by base effects. Despite very high inflation and inflation expectations, the central bank further reduced its key policy rate to 9% with two successive cuts of 150 bps. each in October and November.

Supported by the substantial year-on-year increase in tax revenue, the cumulative central budget deficit stood at TRY 20.4 billion (0.2% of the estimated annual GDP) in the first nine months of 2022. Government debt decreased to 34.8% of GDP in the third quarter of 2022 compared to 41.8% at end-2021.

Candidate and potential candidate countries: Overview graphs



Candidate and potential candidate countries: Summary table

	2018	2019	2020	2021	2022	ECFIN 2022 Autumn forecast		Q2 22	Q3 22	Q4 22	Oct 22	Nov 22	Dec 22
						2023	2024						
Gross domestic product (in real terms, annual % change)													
Albania	4.0	2.1	-3.5	8.3	:	2.6	3.4	2.6	4.0	:	N.A.	N.A.	N.A.
North Macedonia	2.8	3.9	-4.7	3.9	:	2.5	2.8	4.0	2.0	:	N.A.	N.A.	N.A.
Montenegro	5.1	4.1	-15.3	13.0	:	2.9	3.2	12.7	3.2	:	N.A.	N.A.	N.A.
Serbia	4.5	4.3	-0.9	7.5	:	2.4	3.0	3.8	1.0	:	N.A.	N.A.	N.A.
Türkiye	3.0	0.9	1.8	11.4	:	3.5	3.0	7.7	3.9	:	N.A.	N.A.	N.A.
Bosnia and Herzegovina	4.6	2.9	-3.3	7.1	:	:	:	5.5	2.6	:	N.A.	N.A.	N.A.
Kosovo	3.4	4.8	-5.3	10.7	:	:	:	2.1	3.3	:	N.A.	N.A.	N.A.
Unemployment													
Albania	12.8	12.0	12.2	12.1	:	10.9	10.5	11.5	10.8	:	N.A.	N.A.	N.A.
North Macedonia	21.0	17.5	16.6	15.8	:	14.7	14.6	14.6	14.4	:	N.A.	N.A.	N.A.
Montenegro	15.5	15.4	18.4	16.9	:	17.4	15.9	14.9	13.4	:	N.A.	N.A.	N.A.
Serbia	13.7	11.2	9.7	11.0	:	9.5	9.2	8.9	8.9	:	N.A.	N.A.	N.A.
Türkiye	10.9	13.7	13.1	12.0	:	10.5	10.5	10.1	10.1	:	9.9	9.9	:
Bosnia and Herzegovina	18.4	15.7	15.9	17.4	:	:	:	15.7	14.9	:	N.A.	N.A.	N.A.
Kosovo	29.6	25.7	25.9	20.7	:	:	:	:	:	:	N.A.	N.A.	N.A.
Current account balance* (% of GDP)													
Albania	-6.8	-7.9	-8.7	-7.6	:	-7.9	-7.4	-6.6	-6.6	:	N.A.	N.A.	N.A.
North Macedonia	0.2	-3.0	-2.9	-3.1	:	-4.8	-3.6	-7.2	-7.3	:	N.A.	N.A.	N.A.
Montenegro	-17.0	-14.3	-26.1	-9.2	:	-9.3	-10.1	-11.0	-12.2	:	N.A.	N.A.	N.A.
Serbia	-4.8	-6.9	-4.1	-4.4	:	-7.8	-6.5	-7.6	-6.5	:	N.A.	N.A.	N.A.
Türkiye	-2.6	1.4	-4.5	-0.9	:	-3.3	-2.6	-3.0	-4.6	:	N.A.	N.A.	N.A.
Bosnia and Herzegovina	-3.3	-2.6	-3.3	-2.4	:	:	:	-3.8	-4.5	:	N.A.	N.A.	N.A.
Kosovo	-7.6	-5.7	-7.0	-8.7	:	:	:	-10.3	-10.1	:	N.A.	N.A.	N.A.
Inflation (Consumer price index, annual % change)													
Albania	2.0	1.4	1.6	2.0	6.7	4.3	3.4	6.7	7.9	7.9	8.3	7.9	7.4
North Macedonia	1.5	0.8	1.2	3.2	14.1	7.9	4.0	12.3	17.2	19.4	19.8	19.5	18.7
Montenegro (HICP)	2.9	0.5	-0.8	2.5	11.9	6.1	3.0	10.9	14.1	15.7	15.5	15.8	15.7
Serbia	2.0	1.8	1.6	4.1	11.9	10.6	5.6	10.6	13.3	15.1	15.0	15.1	15.1
Türkiye	16.3	15.2	12.3	19.6	72.3	54.1	40.4	74.1	81.1	77.4	85.5	84.4	64.3
Bosnia and Herzegovina	1.4	0.6	-1.1	2.0	:	:	:	14.4	16.9	:	17.4	16.3	:
Kosovo	1.1	2.7	0.2	3.3	11.6	:	:	12.6	13.3	12.1	12.7	11.6	12.1
General government balance** (% of GDP)													
Albania	-1.6	-1.9	-6.7	-4.5	:	-3.0	-1.9	0.8	0.8	:	0.5	0.5	:
North Macedonia	-1.8	-2.0	-8.0	-5.4	:	-4.4	-3.3	-1.3	-2.0	:	-2.0	-2.9	:
Montenegro	-3.9	-2.0	-11.1	-1.9	:	-4.3	-3.2	-0.8	-0.6	:	-1.0	-1.7	:
Serbia	0.6	-0.2	-8.0	-4.1	:	-3.4	-2.8	-0.2	0.7	:	0.9	-0.3	:
Türkiye	-2.8	-3.2	-2.9	-2.3	:	-4.0	-3.5	1.0	-0.8	:	N.A.	N.A.	N.A.
Bosnia and Herzegovina	2.2	1.9	-5.3	-0.3	:	:	:	:	:	:	N.A.	N.A.	N.A.
Kosovo	-2.9	-2.9	-7.6	-1.3	:	:	:	1.8	2.8	:	2.8	1.4	:
General government debt*** (% of GDP)													
Albania	67.7	65.8	74.5	73.2	:	67.5	66.4	69.2	69.0	:	N.A.	N.A.	N.A.
North Macedonia	40.4	40.5	51.9	51.8	:	51.6	52.5	46.7	49.8	:	N.A.	N.A.	N.A.
Montenegro	70.1	76.5	105.3	82.5	:	73.1	71.5	70.4	70.2	:	N.A.	N.A.	N.A.
Serbia	53.7	52.0	57.0	56.5	:	52.4	51.3	53.2	53.7	:	53.7	53.5	:
Türkiye	30.1	32.6	39.7	41.8	:	38.3	37.2	39.3	34.8	:	N.A.	N.A.	N.A.
Bosnia and Herzegovina	34.1	32.7	36.6	34.4	:	:	:	29.4	30.0	:	N.A.	N.A.	N.A.
Kosovo	17.0	17.6	22.4	21.9	:	:	:	20.8	20.5	:	N.A.	N.A.	N.A.

Forecast: ECFIN forecast Autumn 2022 published November 2022.

* Q figures refer to a 4 quarters moving average.

** M and Q figures refer to the cumulative balance divided by the estimated annual GDP.

*** Q figures in percent of estimated annual GDP.



Key developments

For the first time the EU-Western Balkan Summit took place in Tirana on 6 December 2022, where the EU i. a. announced financial support for the Western Balkans to deal with the energy crisis. Under this package Albania is set to receive EUR 80 million directly as budget support.

The rating agency S&P confirmed Albania's B+ rating with an unchanged stable outlook on 9 December 2022. The assessment reflects the decreasing fiscal deficit, the limited impact of Russia's invasion of Ukraine on Albania and its high foreign reserves.

Real sector

Following a slowing of real GDP growth to 2.7% y-o-y in Q2-2022, partly reflecting base effects from the very strong recovery in Q2-2021, economic growth picked up to 4% in Q3-2022. Private consumption (+8% y-o-y) remained the strongest growth driver. In addition, investment, which had contracted by 5.2% y-o-y in Q2 (1.5 pps less than estimated previously), returned to 7% growth and goods exports growth accelerated to 15% y-o-y. Despite a sharp increase in foreign arrivals, services exports contracted by 2.7% due to strong base effects and pulled total exports growth down to 0.9% y-o-y (from 8% in Q2-2022 and 63.9% in Q3-2021). Increased growth of goods imports (+15.9% y-o-y) and decelerating but still strong services imports (+19% y-o-y) supported the 16.3% y-o-y rise in overall imports. Government consumption continued to contract, by 3.5% y-o-y, albeit at a slower pace than the 8.2% fall recorded in Q2-2022.

On the production side, transport, trade and hospitality services continued to be the largest contributor (1.9 pps.) to GDP growth, followed by construction (1 pp.) and real estate activities (0.8 pps). A downturn in manufacturing explains the 0.2 pps negative contribution of industry to GDP growth.

In November 2022, the economic sentiment indicator recovered slightly on account of higher confidence in construction, trade, services and for consumers, though still held back by the continuing confidence loss in industry, which

remained just above its historical average.

Labour market

Employment continued to grow, by 1.6% q-o-q in Q3-2022 (3.8% y-o-y) for the age group 15-64 and by 0.9% q-o-q (1.6% y-o-y) for the youth (aged 15-29). The unemployment rate (15-64) fell for the first time below 11% (10.8%), but the youth unemployment rate hardly moved so far in 2022 and remained also in Q3 slightly above 20%. Given the decreasing population of working age (below 60 years), the rise in labour supply partly reflects the mobilisation of the inactive population, which shrunk by 2% q-o-q in Q3 (12.2% y-o-y). The labour force participation rate continued to climb to a new peak of 73.4%, 3.3 pps above Q3-2021, driven by a 4.6 pps. quarterly increase of the female participation rate (double the increase of male participation), which narrowed the gender gap by 1.3 pps to 12.4 pps in Q3-2022.

In contrast to Q2, industrial employment decreased by 2.3% q-o-q (0.2% y-o-y) whereas employment in services and agriculture continued to record high sectoral growth of 4% q-o-q (4.7% y-o-y) and 3.9% q-o-q (6.5% y-o-y) respectively. The average monthly nominal wage increased by 9.2% y-o-y in Q3-2022 (2.4% q-o-q), with agriculture, the sector with the lowest wages, registering the strongest increase of 15.7% y-o-y. Private sector wages rose by 12.5% y-o-y.

External sector

The four-quarter moving current account deficit remained unchanged at 6.6% of GDP in Q3 compared to Q2 and to a year before (6.5% in Q3-2021). In line with the trend observed since 2021, the services balance surplus increased by 1.7 pps. y-o-y to 12.4% of GDP, while the goods trade deficit rose by 0.8 pps. y-o-y to 24.1 % of GDP. The shares of total exports and imports in GDP increased by 6.6 pps. to 35.9% and by 5.7 pps. to 47.1% respectively. The primary income deficit slightly increased to 1.5% of GDP while the secondary income surplus continued its gradual decrease on account of a 0.2 pps. y-o-y fall in remittances to 4.6% of GDP.

The still strong but decelerating annual growth in the value of both merchandise and service

exports slowed overall export growth to 36.7% y-o-y (9 pps less than in Q2-2022). Import growth also slowed from Q2-2022, by 2 pps. to 31% y-o-y driven by the strong deceleration of services imports.

Net FDI inflows grew by 20.2% y-o-y in Q3-2022 and amounted to 6.5% of GDP in the 4 quarters to Q3-2022, up from 6.2% one year earlier. In the same period, net FDI inflows financed close to 100% of the current account deficit. Foreign reserves, which had exceeded EUR 5 billion in Q3, fell slightly to EUR 4.9 billion in November 2022, while their coverage of imports decreased to 7.3 months on account of the strongly increased import value.

Monetary developments

The inflation rate peaked at 8.3% in October before falling to 7.4% in December as increases in food, energy and transport prices decelerated over the last two months of the year, resulting in an average annual inflation rate of 6.9% for 2022. The 2.5% average appreciation of the lek against the euro, which was due to significant external inflows from tourism and FDI, and the unchanged regulated electricity price for Albanian households and SMEs absorbed some of the foreign price pressures.

Growth of monetary aggregate M3 decelerated further from 6.7% in August to 6.4% in November 2022. Since the beginning of the normalisation of its monetary policy in March, the Bank of Albania raised its key policy rate by 2.25 pps. to 2.75% (unchanged since November) to counter the above-target inflation and continued injecting liquidity of ALL 49 billion in Q3 (ALL 48 billion in Q2-2022). In the context of the overall increased uncertainties, the European Central Bank and the Bank of Albania have agreed to extend until January 2024 Albania's liquidity line in the amount of EUR 400 million which has been in place since 2020 without being used.

Financial sector

Credit to the economy has continued to grow across all categories by 12.4% in Q3-2022. Bank lending to the private sector accelerated to 13.9% y-o-y in Q3-2022, driven by the 19% growth in foreign currency lending for increased liquidity needs of enterprises. Overall, the growth of credit to enterprises accelerated to 12.8% in Q3-2022, while that of household loans decelerated to 15.8% from 17% y-o-y Q2-2022. Deposit growth remained strong at 10% y-o-y in Q3-2022, still driven by foreign currency deposits (+16.5%), whereas the growth

of lek deposits continued to decelerate to 3.2% y-o-y (3.8% in Q2). Reflecting the pass-through of the increased policy rate, average interest rates increased for new lek loans between August and November both for enterprises (from 6.3% to 7.3%) and households (from 7.3% to 7.9%).

Banks tightened lending standards for all types of loans in Q3, reflecting concerns about interest rate developments and the energy price impact on business performance. However, demand from enterprises remained high to cover higher costs and energy-saving investments, whereas loan demand from households, affected by increasing real estate prices and interest rates, contracted for the first time after 1.5 years.

The banking sector's capital adequacy ratio slightly increased to 18.1% in Q3 (from 16.9% at end-2021) whereas the liquidity ratio remained broadly about 4 pps. below its end-2021 level at around 29% throughout the second half of 2022 until November. The ratio of non-performing loans to total loans continued to gradually decrease, from 5.3% in Q2 to 5% in Q3. Following a strong drop at the beginning of the year, bank profitability indicators gradually recovered: return on assets rose from 0.8% in July to 1.1% in November 2022 (1.3% in November 2021) while return on equity increased to 9.9% in November 2022 from 7.1% in July but was still 2.6 pps. below its end-2021 level.

OTP Bank Albania received a preliminary approval to buy the Greek-owned Alpha Bank Albania, which is expected to increase OTP's market share in Albania to about 11%.

Fiscal developments

The third amendment of the 2022 state budget, passed on 22 December, increased both revenue and expenditure by ALL 5 billion (EUR 43.5 million), leaving the deficit and debt plans of the second amendment from July unchanged at 4.2% and 68.8% of GDP respectively. However, in the first 11 months of 2022, the treasury recorded a cash surplus of 0.5% of estimated GDP on account of 1% higher than expected tax revenue (+16% y-o-y) coupled with an underspending of the capital budget (54% implementation rate). The public debt ratio continued to decrease as planned to 69% in Q3, from 73.2% at end-2021.

Parliament approved the 2023 budget on 24 Nov 2022, including subsidies for the regulated electricity price, with a deficit of 2.6% of GDP and public debt of 67.5% of GDP

TABLE



European Commission, ECFIN-D-1

ALBANIA

		2018	2019	2020	2021	2022	ECFIN 2022 Autumn forecast		Q2 22	Q3 22	Q4 22	Oct 22	Nov 22	Dec 22
							2023	2024						
1 Real sector														
Industrial confidence ^{1.1}	Balance	8.3	6.1	-0.8	6.4	7.2	:	:	5.9	10.3	7.7	6.8	7.2	9.1
Industrial production ^{1.2}	Ann. % ch	9.7	5.6	-10.1	23.6	:	:	:	5.0	6.8	:	N.A.	N.A.	N.A.
Gross domestic product ^{1.3}	Ann. % ch	4.0	2.1	-3.5	8.3	:	2.6	3.4	2.6	4.0	:	N.A.	N.A.	N.A.
Private consumption ^{1.4}	Ann. % ch	3.1	3.3	-3.5	4.4	:	2.6	3.2	8.6	8.1	:	N.A.	N.A.	N.A.
Gross fixed capital formation ^{1.5}	Ann. % ch	2.3	-3.6	-1.1	20.3	:	1.6	2.7	-5.2	7.1	:	N.A.	N.A.	N.A.
Construction index ^{1.6}	Ann. % ch	5.6	-2.5	9.5	18.0	:	:	:	-5.1	14.0	:	N.A.	N.A.	N.A.
Retail sales ^{1.7}	Ann. % ch	1.8	4.2	1.0	5.3	:	:	:	7.5	4.7	:	:	:	:
2 Labour market														
Unemployment ^{2.1}	%	12.8	12.0	12.2	12.1	:	10.9	10.5	11.5	10.8	:	N.A.	N.A.	N.A.
Employment ^{2.2}	Ann. % ch	2.1	2.4	-1.9	-0.4	:	0.9	0.9	4.3	3.8	:	N.A.	N.A.	N.A.
Wages ^{2.3}	Ann. % ch	3.1	3.8	2.7	6.3	:	:	:	7.0	9.2	:	N.A.	N.A.	N.A.
3 External sector														
Exports of goods ^{3.1}	Ann. % ch	13.7	-3.8	-9.0	35.6	32.0	:	:	38.0	27.2	16.8	12.5	12.9	26.1
Imports of goods ^{3.2}	Ann. % ch	2.4	1.2	-6.8	32.3	18.7	:	:	24.3	23.7	4.1	8.6	-3.9	7.7
Trade in goods balance* ^{3.3}	% of GDP	-22.4	-22.9	-22.5	-24.8	:	-26.5	-26.1	-24.1	-24.1	:	N.A.	N.A.	N.A.
Exports goods and services* ^{3.4}	% of GDP	31.6	31.3	22.7	30.8	:	:	:	34.5	35.9	:	N.A.	N.A.	N.A.
Imports goods and services* ^{3.5}	% of GDP	45.4	45.0	37.3	44.0	:	:	:	46.2	47.1	:	N.A.	N.A.	N.A.
Current account balance* ^{3.6}	% of GDP	-6.8	-7.9	-8.7	-7.6	:	-7.9	-7.4	-6.6	-6.6	:	N.A.	N.A.	N.A.
Direct investment (FDI, net)* ^{3.7}	% of GDP	8.0	7.5	6.7	6.4	:	:	:	6.6	6.5	:	N.A.	N.A.	N.A.
International reserves ^{3.8}	mn EUR	3,399	3,360	3,942	4,972	:	:	:	4,910	5,060	:	4,959	4,956	:
Int. reserves / months Imp ^{3.9}	Ratio	7.0	6.5	9.6	8.8	:	:	:	7.6	7.3	:	N.A.	N.A.	N.A.
4 Monetary developments														
CPI ^{4.1}	Ann. % ch	2.0	1.4	1.6	2.0	6.7	4.3	3.4	6.7	7.9	7.9	8.3	7.9	7.4
Producer prices ^{4.2}	Ann. % ch	1.6	-0.8	-3.4	2.7	:	:	:	20.4	:	:	:	:	:
Food prices ^{4.3}	Ann. % ch	2.7	2.9	3.6	3.9	11.8	:	:	11.3	13.7	14.5	14.6	14.7	14.2
M3 ^{4.4}	Ann. % ch	-0.2	4.3	10.5	8.6	:	:	:	7.3	6.1	:	6.8	6.4	:
Exchange rate ALL/EUR ^{4.5}	Value	127.58	123.00	123.74	122.45	118.98	:	:	120.42	117.17	116.43	117.25	117.09	114.95
Real effective exchange rate ^{4.6}	Index	104.3	107.9	109.9	111.9	:	:	:	111.5	113.5	:	111.8	:	:
5 Financial indicators														
Interest rate (3 months-TRIBOR) ^{5.1}	% p.a.	1.83	1.45	1.46	1.39	2.21	:	:	1.67	2.30	3.51	3.12	3.69	3.72
Bond yield ^{5.2}	% p.a.	2.20	1.76	1.63	1.63	:	:	:	1.72	1.99	:	2.15	2.25	:
Stock markets ^{5.3}	Index	N.A.	N.A.	N.A.	N.A.	N.A.	:	:	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Credit growth ^{5.4}	Ann. % ch	-1.7	3.0	6.1	6.9	:	:	:	12.3	12.4	:	11.0	9.5	:
Deposit growth ^{5.5}	Ann. % ch	-1.2	2.5	5.8	8.5	:	:	:	8.4	7.2	:	7.3	7.0	:
Non performing loans ^{5.6}	% total	11.1	8.4	8.1	5.7	:	:	:	5.3	5.1	:	5.0	5.1	:
6 Fiscal developments														
General government revenue** ^{6.1}	% of GDP	27.5	27.2	25.9	27.0	:	:	:	13.9	21.2	:	N.A.	N.A.	N.A.
General government expenditure** ^{6.1}	% of GDP	29.1	29.1	32.6	31.6	:	:	:	13.1	20.4	:	N.A.	N.A.	N.A.
General government balance** ^{6.1}	% of GDP	-1.6	-1.9	-6.7	-4.5	:	-3.0	-1.9	0.8	0.8	:	0.5	0.5	:
General government debt*** ^{6.2}	% of GDP	67.7	65.8	74.5	73.2	:	67.5	66.4	69.2	69.0	:	N.A.	N.A.	N.A.

f. ECFIN forecast Autumn 2022 published November 2022

* Q figures refer to a 4 quarters moving average.

** M and Q figures refer to the cumulative balance divided by the estimated annual GDP.

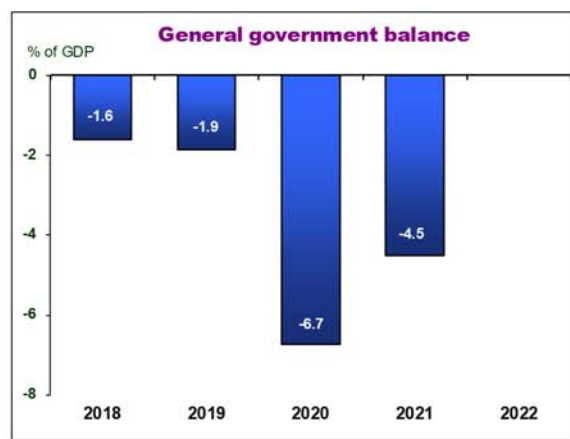
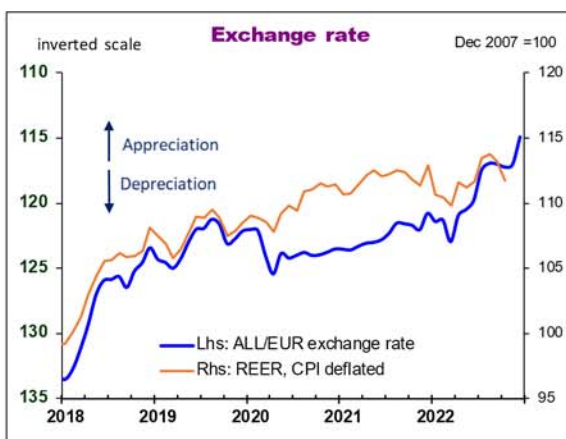
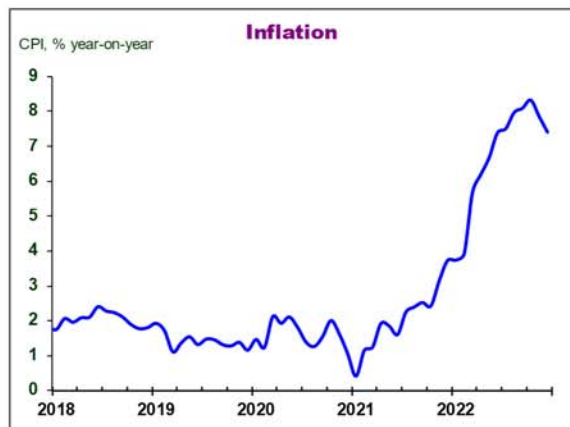
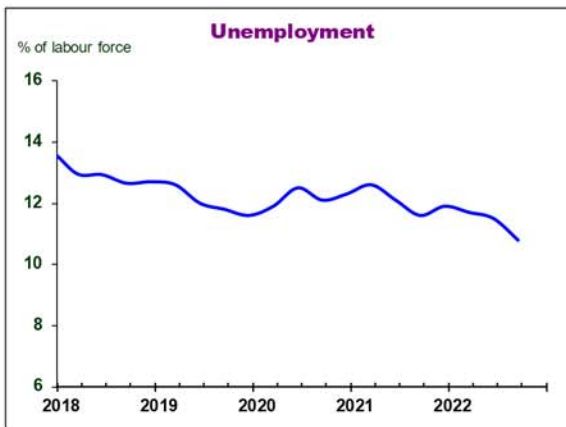
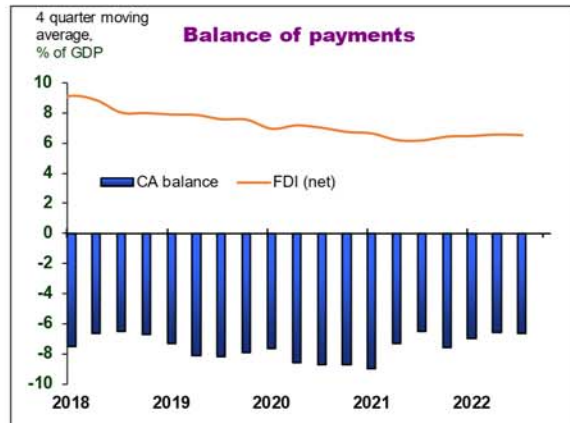
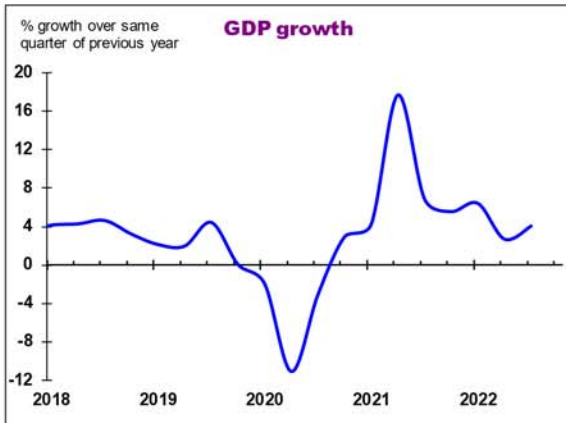
*** Q figures in percent of estimated annual GDP.

CHARTS

European Commission, ECFIN-D-1



ALBANIA



MONTENEGRO



Key developments

At end-December, the Parliament of Montenegro adopted the 2023 budget law, which foresees a deficit of 5.9% of projected GDP. Public revenue growth is set at 15%, supported by high inflation, economic growth and better tax compliance. Public spending is projected to increase by 6% due to higher public wages and additional funds for social welfare, healthcare, defence and public infrastructure projects. The adopted budget underwent a number of amendments related to the capital budget, which was reduced by 20% as compared to the initial proposal.

The Parliament also adopted the borrowing ceiling of EUR 600 million for 2023. Public financing needs amount to EUR 705 million in 2023, including the obligation to repay EUR 338 million worth of maturing debts.

The political crisis continued as the current coalition, which has a thin majority in Parliament, failed to form a new government, leading to demands for early elections. A selection of judges for the Constitutional Court is ongoing, while the failure to agree on the candidates would leave Montenegro without a legal mechanism to resolve disputes. Presidential elections were announced for March 19 2023.

In mid-December the government announced a payment of one-off financial support to pensioners, which amounts to EUR 17 million in total.

On 26 October 2022, the European Commission announced EUR 30 million in direct budget support grants to be made available to Montenegro in early 2023 as part of a EUR 1 billion energy support package to the Western Balkans.

Real sector

In Q3-2022, the economy decelerated amid headwinds from the external environment. GDP growth slowed markedly to 3.2% y-o-y, down from 12.7% y-o-y in Q2. Growth of exports moderated to 3.2% y-o-y from double digits in the previous quarters of 2022. Investment activity continued to deteriorate, with capital

investment declining by 8.1% y-o-y in Q3, after contracting by 1.5% y-o-y in the previous quarter. The main driver of growth was private consumption, which expanded by 9.8% y-o-y. This surge was supported by higher wages and a large number of foreign tourists arriving in Montenegro, but also resulted in a 13% y-o-y increase in imports, leading to an overall negative contribution of net exports to GDP growth of 5.5 pps. Government consumption recovered to a 2.6% y-o-y growth in Q3, from a fall of 1.3% y-o-y in the previous quarter. Stocks continued to increase, by 84% y-o-y.

In Q3, industrial production declined by 4.1% y-o-y, as a robust growth in mining (nearly 10% y-o-y) was offset by contractions in energy and manufacturing production, by 8% and 9% y-o-y, respectively. This trend continued in October, with overall industrial output declining by 13.8% y-o-y. In November industrial production witnessed a slight increase (1.7% y-o-y) due to good performance of mining and recovery in energy output.

In Q3, tourism arrivals increased by 25% y-o-y, mainly driven by large numbers of foreign nationals. The growth in tourism arrivals accelerated to 100% and 61% y-o-y in October and November, respectively. Retail sales grew by 7.3% y-o-y in Q3 and nearly 13% y-o-y in October-November.

Labour market

A strong performance of the tourism sector and a sharp increase in the net minimum wage (up by 80%), along with the abolition of mandatory health insurance fees, continued to support the labour market performance. According to Labour Force Statistics, the labour force (aged 15-64) totalled 292 100 in Q3 (compared to 267 700 in the same quarter of 2021), of which 252 900 were employed. The participation rate improved substantially to 68.8% in Q3, compared to 63.3% a year before. The number of employed increased by 11.1% y-o-y in Q3 and the employment rate stood at 63.5%. The unemployment rate declined to 13.4%, down from 14.9% in the previous quarter and 15.0% a year earlier.

The average net wage increased by 34.8% y-o-y and amounted to EUR 721 in November, while

the gross average wage grew by 11.6% y-o-y, to EUR 892.

External sector

Montenegro's current account deficit widened to 12.2% of GDP in the four quarters to September 2022, compared to a 10% deficit a year before. The key driver were rapidly growing imports of goods which, fuelled by high food and energy prices, increased to 57.6% of GDP in Q3 (four-quarter moving average) as compared to 48.4% one year earlier. Exports of goods rose only moderately from 10.5% to 12.9% of GDP in the same period. The balance of services increased by 3 pps y-o-y to nearly 22% of GDP in Q3 (which is above the 2019 level) but was insufficient to offset the merchandise trade deficit. The primary and secondary accounts recorded surpluses, thanks in particular to healthy inflows of remittances from abroad. In the four quarters to September, net FDI inflows surged by 74% y-o-y, totalling 14.7% of GDP, fully covering the current account deficit.

Monetary developments

High food and energy prices continued to generate strong inflationary pressures. Consequently, the rate of consumer price inflation rose further to 15.7% y-o-y in Q4, up from 14.1% in Q3. For the year 2022, annual inflation averaged to 11.9%. To mitigate the impact of high prices, the Montenegrin government extended interim measures limiting price increases of some basic products, mostly food. To address high energy prices in early 2023, the government decided to lower excise taxes on petrol and gas oil from early January until end-February.

Financial sector

In line with decelerating GDP growth, credit growth eased to 4.8% in Q3, but recovered in October and November to 5.6% and 6.0% y-o-y, respectively. Overall, in the first eleven months of 2022, the growth of credit to domestic households and corporates increased by over 8% y-o-y each. By contrast, credit to public and financial institutions contracted by 18% and 14% y-o-y, respectively. Non-residents' credit rose by 4% y-o-y, while this category represents

17.4% of total loans. The non-performing loan ratio increased slightly to 5.9% at the end of September, compared to 5.6% a year before. Liquid assets to short term liabilities stood at 43.6% in Q3. Returns on assets and equity increased to 1.7% and 14.3% from 1.3% and 9.6% in Q3-2021, respectively.

Commercial banks' deposits kept growing at a fast pace, increasing by 21.3% y-o-y in November, after rising 24% y-o-y in Q3. The increase was led by corporate and household deposits, which surged by 42% and 19% y-o-y, respectively in November. Growth of non-residents' deposits moderated to 12.5% from 25.5% y-o-y over the same period.

Fiscal developments

Growing tax revenue partly compensated for increased public spending and helped to contain the budget deficit. In January-November, the central government deficit totalled 1.7% of the estimated annual GDP, which is 72.1% below the plan for 2022, but 28.9% higher than the deficit recorded in the same period in 2021. This fiscal outcome was driven by a faster increase in public spending (8.5% y-o-y) than in public revenue (7.6% y-o-y). The latter was supported by a surge in VAT revenues by 33.1% y-o-y, mainly due to the accelerating CPI inflation and rising private demand, while the abolishment of mandatory health insurance fees led to a contraction of the related contribution by 84.3% y-o-y. Corporate tax proceeds rose by 19.8% y-o-y due to the improving financial results of local companies. The increase in budget spending was mainly driven by higher spending on social security transfers (15.4% y-o-y) and growing capital spending (26.8% y-o-y). Compared to the 2022 plan, current and capital spending fell short by 7.7% and 22%, respectively. Spending on interest payments and reserves declined by 21.2% and 47.6% y-o-y, as compared to the same period in 2021,

The stock of gross central government debt decreased to 70.2% of GDP in Q3 compared to 71.3% in Q1 and 83.3% of GDP at end-2021. The decline was supported by regular repayment of credit obligations and the absence of new borrowing in Q3. Government deposits as a share of GDP declined to 5.38% from 6.18% in Q2.

TABLE



European Commission, ECFIN-D-1

MONTENEGRO

		2018	2019	2020	2021	2022	ECFIN 2022 Autumn forecast		Q2 22	Q3 22	Q4 22	Oct 22	Nov 22	Dec 22
							2023	2024						
1 Real sector														
Industrial confidence ^{1.1}	Balance	5.6	3.6	-18.4	-4.0	6.6	:	:	4.8	6.3	5.6	5.0	1.9	9.8
Industrial production ^{1.2}	Ann. % ch	23.6	-6.1	-0.9	5.8	:	:	:	1.2	-4.1	:	-13.8	1.7	:
Gross domestic product ^{1.3}	Ann. % ch	5.1	4.1	-15.3	13.0	:	2.9	3.2	12.7	3.2	:	N.A.	N.A.	N.A.
Private consumption ^{1.4}	Ann. % ch	4.6	3.1	-4.6	4.0	:	1.4	3.6	12.3	9.8	:	N.A.	N.A.	N.A.
Gross fixed capital formation ^{1.5}	Ann. % ch	14.7	-1.7	-12.0	-12.3	:	2.0	3.5	-1.5	-8.1	:	N.A.	N.A.	N.A.
Construction index ^{1.6}	Ann. % ch	24.9	10.7	-5.6	-4.8	:	:	:	1.5	-5.4	:	N.A.	N.A.	N.A.
Retail sales ^{1.7}	Ann. % ch	3.5	5.2	-12.0	16.6	:	:	:	18.8	7.3	:	12.7	13.6	:
2 Labour market														
Unemployment ^{2.1}	%	15.5	15.4	18.4	16.9	:	17.4	15.9	14.9	13.4	:	N.A.	N.A.	N.A.
Employment ^{2.2}	Ann. % ch	3.2	2.6	-10.1	-2.4	:	1.1	1.6	28.6	11.1	:	N.A.	N.A.	N.A.
Wages ^{2.3}	Ann. % ch	0.1	0.8	1.3	1.4	:	:	:	10.4	11.4	:	11.7	11.6	:
3 External sector														
Exports of goods ^{3.1}	Ann. % ch	14.7	6.8	-12.2	28.6	:	:	:	47.4	20.5	:	51.1	19.6	:
Imports of goods ^{3.2}	Ann. % ch	10.9	1.8	-19.0	19.0	:	:	:	47.8	38.5	:	43.3	31.3	:
Trade in goods balance* ^{3.3}	% of GDP	-43.9	-41.7	-39.2	-38.7	:	-40.3	-41.0	-41.9	-44.7	:	N.A.	N.A.	N.A.
Exports goods and services* ^{3.4}	% of GDP	42.9	43.8	26.0	42.8	:	:	:	48.5	50.5	:	N.A.	N.A.	N.A.
Imports goods and services* ^{3.5}	% of GDP	66.7	65.0	61.0	62.2	:	:	:	70.1	73.3	:	N.A.	N.A.	N.A.
Current account balance* ^{3.6}	% of GDP	-17.0	-14.3	-26.1	-9.2	:	-9.3	-10.1	-11.0	-12.2	:	N.A.	N.A.	N.A.
Direct investment (FDI, net) ^{3.7}	% of GDP	6.9	6.2	11.2	11.7	:	:	:	13.7	14.8	:	N.A.	N.A.	N.A.
International reserves ^{3.8}	mn EUR	1,050	1,367	1,739	1,749	:	:	:	1,657	1,923	:	1,956	1,920	:
Int. reserves / months Imp ^{3.9}	Ratio	4.0	5.1	8.2	6.8	:	:	:	5.3	5.6	:	5.7	5.6	:
4 Monetary developments														
HICP ^{4.1}	Ann. % ch	2.9	0.5	-0.8	2.5	11.9	6.1	3.0	10.9	14.1	15.7	15.5	15.8	15.7
Producer prices ^{4.2}	Ann. % ch	1.7	2.4	0.0	1.3	:	:	:	11.5	14.3	:	:	:	:
Food prices ^{4.3}	Ann. % ch	0.6	3.4	1.3	3.4	22.0	:	:	20.6	25.3	28.3	28.5	28.9	27.5
M2 ^{4.4}	Ann. % ch	5.0	-3.8	-3.5	16.5	:	:	:	23.8	24.4	:	24.8	:	:
Exchange rate EUR/EUR ^{4.5}	Value	1.00	1.00	1.00	1.00	1.00	:	:	1.00	1.00	1.00	1.00	1.00	1.00
Real effective exchange rate ^{4.6}	Ann. % ch	2.7	-1.5	-0.6	N.A.	:	:	:	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
5 Financial indicators														
Interest rate (6 months) ^{5.1}	% p.a.	0.47	0.52	0.87	:	3.70	:	:	:	:	3.70	:	3.43	3.97
Bond yield (10 yrs) ^{5.2}	% p.a.	N.A.	2.61	3.53	3.85	:	:	:	7.05	8.53	:	8.70	7.73	:
Stock markets ^{5.3}	Index	10,374	10,980	10,225	10,910	11,077	:	:	10,452	11,249	12,691	12,116	12,644	13,312
Credit growth ^{5.4}	Ann. % ch	10.6	4.0	5.0	6.6	:	:	:	7.2	4.2	:	5.6	6.0	:
Deposit growth ^{5.5}	Ann. % ch	12.0	1.8	-2.6	12.8	:	:	:	23.0	22.1	:	23.2	21.3	:
Non-performing loans ^{5.6}	% of total	6.7	4.7	5.5	6.2	:	:	:	6.3	5.9	:	6.1	:	:
6 Fiscal developments														
General government revenue** ^{6.1}	% of GDP	42.2	43.4	44.6	44.3	:	:	:	15.3	24.2	:	N.A.	N.A.	N.A.
General government expenditure** ^{6.1}	% of GDP	46.0	45.4	55.7	46.2	:	:	:	16.0	24.8	:	N.A.	N.A.	N.A.
General government balance** ^{6.1}	% of GDP	-3.9	-2.0	-11.1	-1.9	:	-4.3	-3.2	-0.8	-0.6	:	-1.0	-1.7	:
General government debt*** ^{6.4}	% of GDP	70.1	76.5	105.3	82.5	:	73.1	71.5	70.4	70.2	:	N.A.	N.A.	N.A.

f. ECFIN forecast Autumn 2022 published November 2022

* Q figures refer to a 4 quarters moving average.

** M and Q figures refer to the cumulative balance divided by the estimated annual GDP.

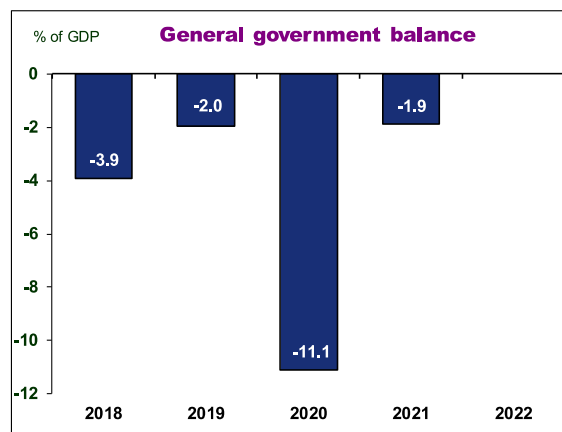
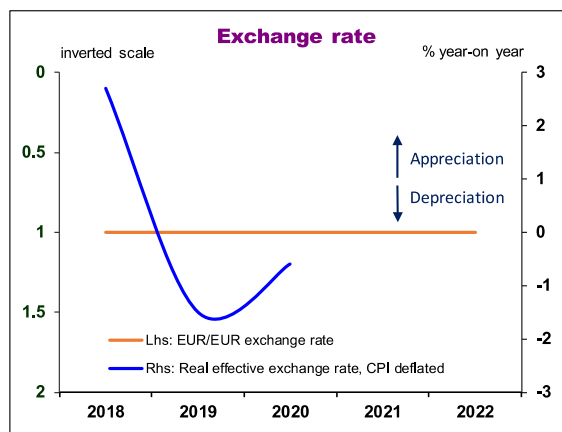
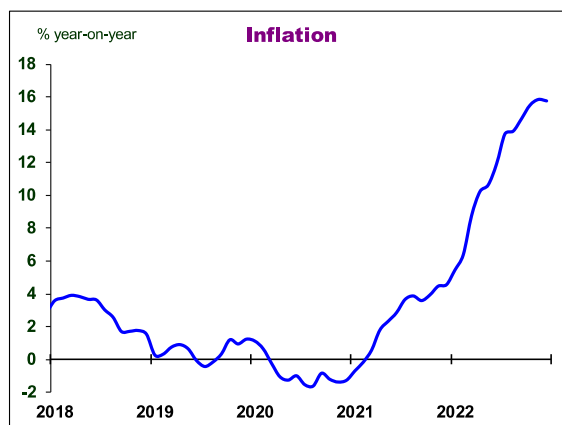
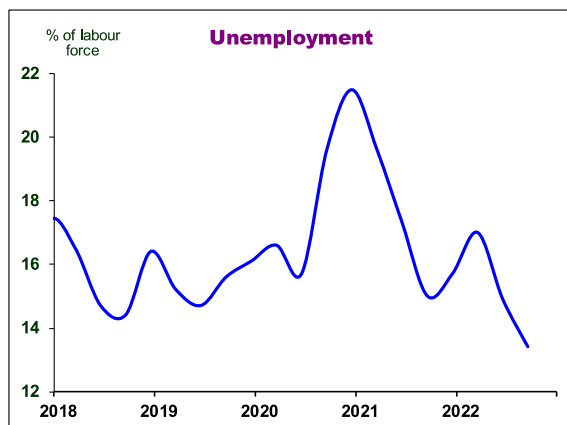
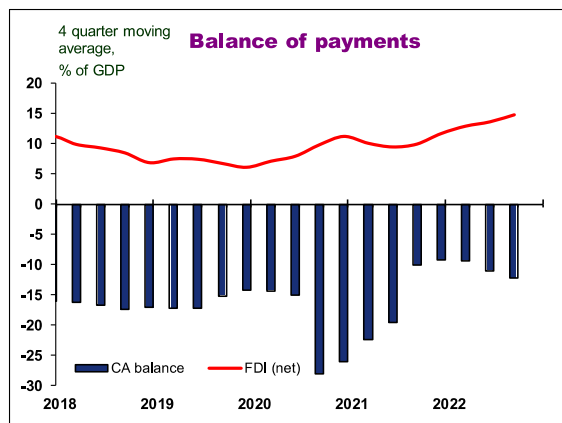
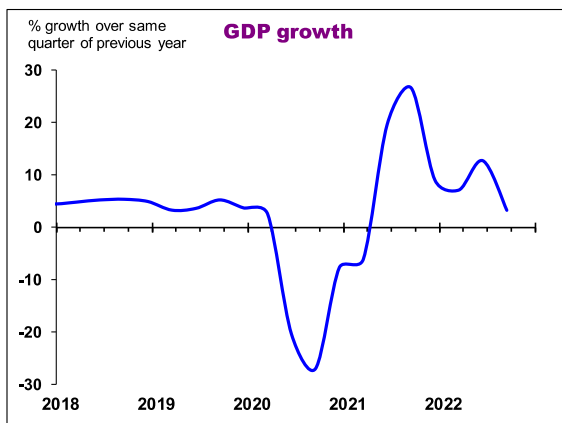
*** Q figures refer to central government debt only, in percent of estimated annual GDP.

CHARTS

European Commission, ECFIN-D-1



MONTENEGRO



NORTH MACEDONIA



Key developments

On 23 December, the Parliament adopted the 2023 central government budget. It is based on projected 2.9% real GDP growth and targets a fiscal deficit of 4.6% of GDP. Total revenue is expected to increase by 14.8% compared to the revised 2022 budget, and total expenditure by 12.6%. Capital spending would rise by 52%.

On 22 November, the IMF Board agreed to a 24-month Precautionary and Liquidity line in the amount of EUR 530 million for North Macedonia, intended to support the country in dealing with the economic fallout from the energy crisis, Russia's war of aggression on Ukraine, and the COVID-19 pandemic.

On 28 October, Fitch Ratings affirmed the country's long-term foreign-currency Issuer Default Rating (IDR) at BB+ and kept the outlook negative. Analysts underline the positive effect of EU accession talks on the economy's external sector, but point to risks from a prolonged energy crisis.

On 26 October 2022, the European Commission announced EUR 80 million in immediate direct budget support grants to be made available to North Macedonia as part of a EUR 1 billion energy support package to the Western Balkans.

Real sector

The economy lost some momentum in Q3, with GDP growth relenting to 2% y-o-y, after expanding by 4% in Q2. This came on account of a slowdown in the growth of gross capital formation (9% y-o-y, compared to 41.6% in Q2, then largely a result of strong inventory build-up and low pre-year basis). In July to September, household consumption rose by 5.4% y-o-y, supported by strong wage rises and inflows of remittances from abroad. With many fiscal support measures to mitigate the food and energy price shock running out, government consumption declined in Q3 y-o-y (-4.7%), after rising by 7.2% in Q2. Total export growth accelerated to 17.8% y-o-y, after an increase by 14.2% in Q2. Yet, as in the preceding three quarters, the external side detracted from GDP growth, as real import growth was still higher than export growth. On average, in the first three quarters of 2022, output rose by 2.7% y-o-y.

High frequency data point to a slowing economy. In October and November, industrial production declined by 5.3% and 3.7% y-o-y, respectively, partly reflecting continued supply shortages. Manufacturing output dropped by 4.8% on average in these two months. Energy production was lower by 4.5% y-o-y in October, but up by 9.2% in November. The annual decline in retail sales (except automotive fuels, real) continued in October and November (6.7% on average), after a 6.1% drop in Q3.

Labour market

With fiscal measures to support the labour market largely continuing throughout 2022, employment remained stable in Q3, but the labour force dropped, compared to the preceding three months.¹ According to the Labour Force Survey, the employment rate for the 15-64 old stood at 56.8% in Q3, the same as in Q2. The decrease in the male labour force, compared to the preceding three months, was not entirely matched by the additional number of female workers, resulting in a drop of 0.4% q-o-q in the labour force. The overall labour market participation rate remained almost unchanged in this age group, at 66.4%. The unemployment rate (14.4%) was 0.2 pps. lower than in Q2. Yet, for young workers (age 15-24) it increased (+1.8 pps. q-o-q to 32.6%), with the increase in the number of unemployed (8.9% q-o-q) largely exceeding the increase in the labour force in this age cohort. Propelled by the 18.5% increase in minimum wages beginning in March 2022, average monthly gross wages increased markedly in the first ten months of the year (10.4% y-o-y), compared to the same period one year earlier (5.7%). However, real wages declined by 2.5% y-o-y on average.

External sector

The current account deficit (4Q moving average) widened strongly in Q3, compared to the same period one year earlier (+6.3 pps. to 7.3%). This came on the back of a marked increase in the merchandise trade deficit (by 9.7 pps. to 27.8%

¹ Beginning in Q1 2022, the Labour Force Survey is based on the results of the 2021 population census, restricting comparability with pre-year data.

of GDP), mainly resulting from higher energy prices. The services surplus rose by 0.8 pps. to 5.5% of GDP. The primary income deficit remained unchanged y-o-y at 4.6% of GDP, while the surplus in the secondary income balance increased (+2.8 pps. to 19.5% of GDP), driven by a strong rise in private transfers, reflecting the end of COVID-related travel restrictions. Foreign direct investment rose to 5.2% of GDP in the four quarters to Q3, largely above its level of one year earlier (2.3%), and mostly due to a buildup in new equity and reinvested earnings. Gross external debt, excluding central bank transactions, increased by 5.3% q-o-q in Q3, mainly reflecting a private securities placement by the government in the amount of EUR 250 million in the autumn, to help finance the 2022 budget deficit. External debt stood higher by 10.7% y-o-y, largely due to a rise in both, government borrowing and private intercompany lending. Foreign exchange reserves were higher by 5.9% at the end of the year, compared to end-2021. They had dropped by over 14% in the first half of 2022, mainly due to higher energy imports and external debt repayments. At end-December, they were covering about 3.9 months of prospective imports of goods and services.

Monetary developments

Annual consumer price inflation accelerated further in Q4, to 19.3% y-o-y on average, following a 17.2% y-o-y rise in Q3. Annual increases abated somewhat after October. The rise in the CPI for the full year amounted to 14.2% on average, driven by higher prices for food (+20.9% y-o-y) and electricity and fuels (+13.3%). Broad money (M3) increased at a faster pace in Q3, in annual terms, reaching 3.7% y-o-y, after 2.3% in Q2, and accelerating further in October and November (4.8% on average), driven by an increase in demand deposits and in short-term deposits. The central bank raised the key policy rate further in September, October and November, by a total of 150 basis points to 4.75%. Since April 2022, the policy rate has been raised by 350 basis points in eight consecutive hikes, increasing the spread to the European Central Bank policy rate.

Financial sector

The financial sector remained resilient and well-funded. Bank lending to the private sector continued at about the same pace in Q3 (9.8%

y-o-y) and in October and November (9.9% on average) as in the preceding three months. Credit extension remained strong for both households and companies, with a marked acceleration in foreign currency loans to the corporate sector, and steady two-digit growth in housing loans. The ratio of foreign-currency-denominated to total loans increased in Q3 to 50.5% (+4.4 pps. y-o-y). Even though mitigation measures by the central bank have been phased out, the ratio of non-performing to total loans (financial and non-financial sector) declined in Q3, in annual comparison. It was lower by 0.3 pps y-o-y, at 3.2% at the end of September. Annual growth of deposits slowed to 2.5% y-o-y in Q3, from 2.8% in Q2, but picked up to 3.1% on average in October and November. Most of the overall increase came from households' foreign currency deposits. The funding of loans by deposits remained solid, with the loan-to-deposit ratio for non-financial clients at 87.7% at end-September, higher by 5.4 pps. compared to one year earlier. Banks' capital adequacy ratio stood at a comfortable 17.7% (+0.4 pps. y-o-y).

Fiscal developments

Largely on account of the rise in inflation, total revenue continued to rise at a robust pace also in Q3 (9.7% y-o-y, compared to 12.9% in Q2). Annual increases diminished further thereafter, in October and November (1.2%), bringing the total increase in the first eleven months of the year to 11.2% y-o-y. Tax revenue was higher by some 12% y-o-y in this period and it amounted to about 90% of the revised full-year plan. Current expenditure rose by 6.8% y-o-y in the first eleven months and reached 87% of the full-year plan. Capital expenditure, which had been cut by 63% in the July budget revision, was higher by 11.3% y-o-y, but amounted to only 61% of the revised plan. At end-November, the fiscal deficit stood at 2.9% of projected GDP, or 55.7% of the full-year target. General government debt amounted to 48.1% of government-projected full-year GDP at end-September 2022 (-3.9 pps. compared to end-2021). Public debt amounted to 56.6% of projected GDP (-4.4 pps.). This includes the guaranteed and non-guaranteed debt of state-owned enterprises, which at the end of September stood higher by 9%, in nominal terms, amounting to some 8.5% of projected 2022 GDP (-0.5 pps.), compared to end-2021.

TABLE



European Commission, ECFIN-D-1

NORTH MACEDONIA

		2018	2019	2020	2021	2022	ECFIN 2022 Autumn forecast		Q2 22	Q3 22	Q4 22	Oct 22	Nov 22	Dec 22
							2023	2024						
1 Real sector														
Industrial confidence ^{1.1}	Balance	0.6	-0.1	-16.6	-7.1	-3.8	:	:	-3.6	-3.2	-2.5	-7.2	-0.7	0.3
Industrial production ^{1.2}	Ann. % ch	5.4	4.1	-9.5	3.1	:	:	:	1.9	-5.0	:	-5.3	-3.7	:
Gross domestic product ^{1.3}	Ann. % ch	2.8	3.9	-4.7	3.9	:	2.5	2.8	4.0	2.0	:	N.A.	N.A.	N.A.
Private consumption ^{1.4}	Ann. % ch	3.7	3.7	-4.6	8.1	:	2.4	2.2	1.5	5.4	:	N.A.	N.A.	N.A.
Gross capital formation ^{1.5}	Ann. % ch	1.7	9.5	-16.1	0.9	:	8.1	6.9	41.6	9.0	:	N.A.	N.A.	N.A.
Construction ^{1.6}	Ann. % ch	-10.8	9.1	-8.0	9.1	:	:	:	21.4	15.5	:	N.A.	N.A.	N.A.
Retail sales ^{1.7}	Ann. % ch	8.1	11.3	-8.5	8.7	:	:	:	-3.6	-6.1	:	-9.5	-3.8	:
2 Labour market														
Unemployment ^{2.1}	%	21.0	17.5	16.6	15.8	:	14.7	14.6	14.6	14.4	:	N.A.	N.A.	N.A.
Employment ^{2.2}	Ann. % ch	2.0	5.4	-0.5	0.2	:	0.9	0.7	-12.9	-13.4	:	N.A.	N.A.	N.A.
Wages ^{2.3}	Ann. % ch	5.8	5.1	8.3	5.7	:	8.4	4.0	10.4	12.0	:	13.8	:	:
3 External sector														
Exports of goods ^{3.1}	Ann. % ch	19.8	9.5	-9.9	24.5	:	:	:	23.9	21.4	:	:	:	:
Imports of goods ^{3.2}	Ann. % ch	12.9	10.2	-9.2	26.4	:	:	:	33.5	34.6	:	:	:	:
Trade in goods balance* ^{3.3}	% of GDP	-16.2	-17.3	-16.6	-20.3	:	-23.1	-22.3	-25.4	-27.7	:	N.A.	N.A.	N.A.
Exports goods and services* ^{3.4}	% of GDP	60.2	61.9	57.7	66.2	:	:	:	71.6	74.0	:	N.A.	N.A.	N.A.
Imports goods and services* ^{3.5}	% of GDP	72.9	76.2	70.4	82.3	:	:	:	92.8	96.2	:	N.A.	N.A.	N.A.
Current account balance* ^{3.6}	% of GDP	0.2	-3.0	-2.9	-3.1	:	-4.8	-3.6	-7.2	-7.3	:	N.A.	N.A.	N.A.
Direct investment (FDI, net)* ^{3.7}	% of GDP	5.6	3.2	1.4	3.3	:	:	:	3.9	5.2	:	N.A.	N.A.	N.A.
International reserves ^{3.8}	mn EUR	2,867	3,263	3,360	3,643	3,863	:	:	3,116	3,754	:	3,753	3,824	3,863
Int. reserves / months Imp ^{3.9}	Ratio	4.4	4.6	5.3	4.5	:	:	:	3.4	3.8	:	:	:	:
4 Monetary developments														
CPI ^{4.1}	Ann. % ch	1.5	0.8	1.2	3.2	14.1	7.9	4.0	12.3	17.2	19.4	19.8	19.5	18.7
Producer prices ^{4.2}	Ann. % ch	-0.4	-0.6	5.9	-2.5	:	:	:	6.1	8.7	:	22.3	21.6	:
Food prices ^{4.3}	Ann. % ch	0.8	1.6	2.4	3.1	20.7	:	:	17.6	25.8	29.4	31.2	29.8	27.1
Monetary aggregate M3 ^{4.4}	Ann. % ch	10.8	8.2	8.0	8.8	:	:	:	2.3	3.7	:	4.2	5.4	:
Exchange rate MKD/EUR ^{4.5}	Value	61.51	61.51	61.67	61.63	61.62	:	:	61.66	61.51	61.62	61.53	61.70	61.63
Real effective exchange rate ^{4.6}	Index	99.8	98.3	99.5	100.3	:	:	:	102.4	105.4	:	106.8	108.6	:
5 Financial indicators														
Interest rate (3 months-SKIBOR) ^{5.1}	% p.a.	1.54	1.46	1.38	1.33	1.79	:	:	1.39	1.85	2.60	2.28	2.59	2.94
Bond yield ^{5.2}	% p.a.	6.11	5.61	5.19	4.86	:	:	:	4.58	4.66	:	4.67	4.69	:
Stock markets ^{5.3}	Index	3,154	3,939	4,377	5,382	5,888	:	:	6,061	5,782	5,581	5,543	5,578	5,621
Credit Growth ^{5.4}	Ann. % ch	6.6	7.2	6.4	5.8	:	:	:	9.9	9.8	:	10.1	9.7	:
Deposit growth ^{5.5}	Ann. % ch	8.6	9.6	7.8	8.3	:	:	:	2.8	2.5	:	4.4	5.0	:
Non-performing loans ^{5.6}	% total	5.0	4.6	3.3	3.1	:	:	:	3.1	3.2	:	N.A.	N.A.	N.A.
6 Fiscal developments														
General government revenue** ^{6.1}	% of GDP	28.5	29.4	28.4	30.3	:	:	:	14.2	21.9	:	N.A.	N.A.	N.A.
General government expenditure** ^{6.1}	% of GDP	30.3	31.4	36.4	35.7	:	:	:	15.5	23.8	:	N.A.	N.A.	N.A.
Central government balance** ^{6.1}	% of GDP	-1.8	-2.0	-8.0	-5.4	:	-4.4	-3.3	-1.3	-2.0	:	-2.0	-2.9	:
General government debt*** ^{6.2}	% of GDP	40.4	40.5	51.9	51.8	:	51.6	52.5	46.7	49.8	:	N.A.	N.A.	N.A.

f. ECFIN forecast Autumn 2022 published November 2022

* Q figures refer to a 4 quarters moving average.

** M and Q figures refer to the cumulative balance divided by the estimated annual GDP.

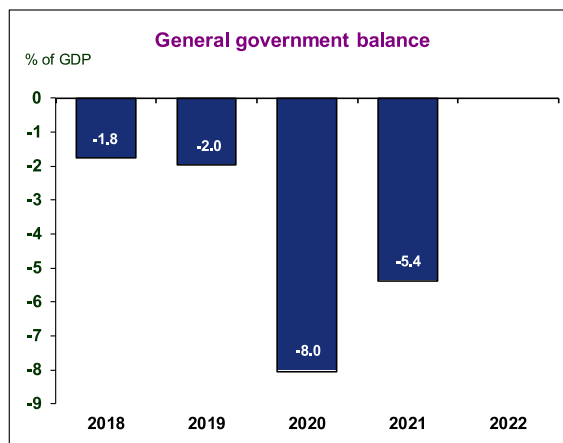
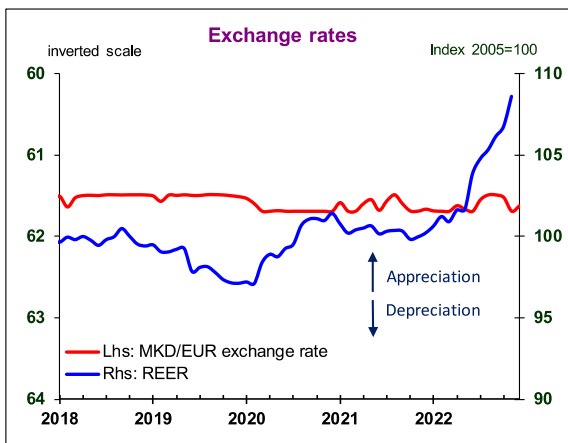
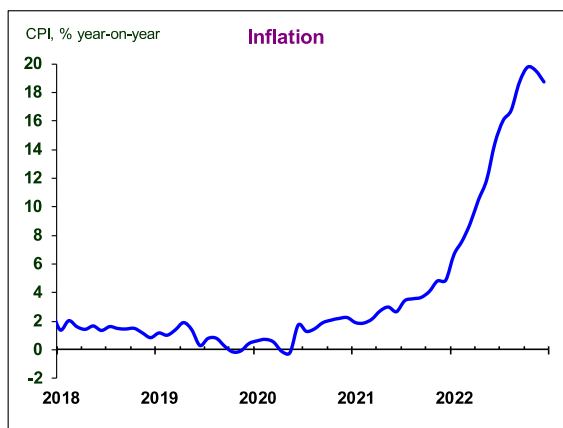
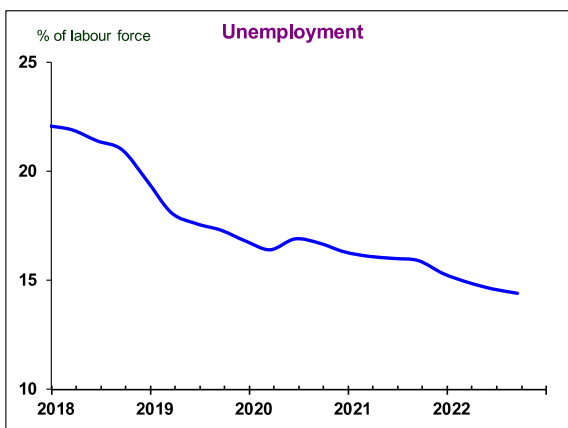
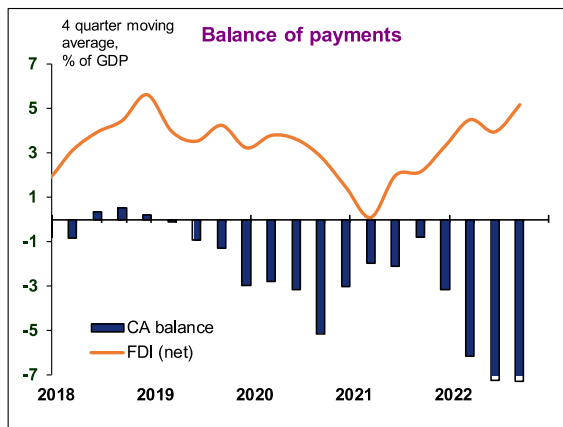
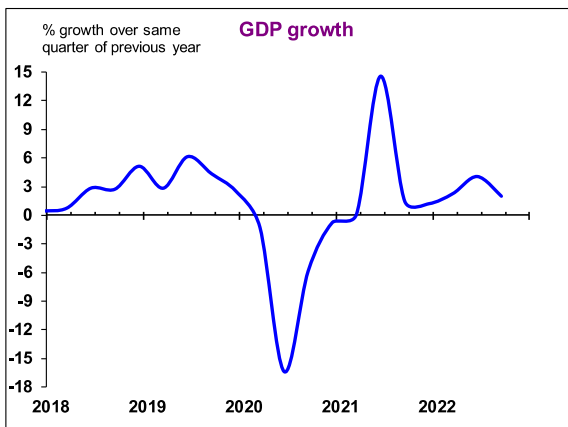
*** Q figures in percent of estimated annual GDP.

CHARTS

European Commission, ECFIN-D-1



North Macedonia



SERBIA



Key developments

On 26 October 2022, the European Commission announced EUR 165 million in immediate direct budget support grants to be made available to Serbia as part of a EUR 1 billion energy support package to the Western Balkans.

On 10 November, the Serbian Parliament adopted a 2022 amending budget, revising upwards the general government deficit projection to 3.8% of GDP, particularly due to high support to SOEs in the energy sector. On 9 December, Parliament adopted the 2023 budget targeting a general government deficit of 3.3% of GDP. Assuming real GDP growth of 2.5%, the budget projects revenue to grow by 7.8% and total expenditure by 6.0%.

On 19 December 2022, the IMF Executive Board approved a two-year Stand-By Arrangement (SBA) for Serbia amounting to approximately EUR 2.4 billion and replacing the non-disbursing Policy Coordination Instrument. The SBA should help cover the external and fiscal financing needs resulting from high energy import costs amid tightening global financing conditions. Some agreed programme policies include energy sector reforms, tight monetary and fiscal policies to control inflation, and the effective implementation of the new fiscal rules.

On 19 January 2023, Serbia issued a USD 1 billion 10-year Eurobond and a USD 750 million 5-year Eurobond at coupon rates of 6.25% and 6.5%, respectively.

Real sector

In Q3-2022, economic growth decelerated strongly to 1.0% y-o-y, down from 3.8% y-o-y in Q2. Growth in Q3 continued to be driven by private consumption (+3.1% y-o-y) but was dampened by y-o-y decreases in government consumption (-4.5%) and gross fixed capital formation (-2.7%). While the annual growth of exports very significantly exceeded the rise in imports (+14.9% and +7.8% respectively), the resulting high positive contribution of net exports to GDP growth was broadly offset by a similarly high negative contribution from lower inventories.

On the supply side, while construction, agriculture, public administration and industry

activities slowed down substantially, many service sectors still recorded robust y-o-y growth rates. Thus, wholesale and retail trade, transportation and storage, accommodation and food service activities (+5.1%), professional, scientific, technical, administrative and support activities (+8.5%), information and communication (+8.1%), arts, recreation and other services (+14.9%) accounted for the bulk of the overall annual increase in output in Q3-2022. Their resilience was however offset to a large extent by year-on-year declines in construction (-12.4%), agriculture (-7.7%), public administration, education and health (-3.6%) and mining and manufacturing (-0.3%).

Some short-term indicators suggest that economic activity decelerated somewhat further in the autumn of 2022. Industrial production broadly stagnated, decreasing by 0.3% y-o-y in September and by 0.1% y-o-y in October before returning to 0.4% y-o-y expansion in November. The year-on-year growth of real retail trade decelerated from 5.2% in September to 5.0% in October before falling to 1.3% in November.

Labour market

According to LFS data, both the unemployment rate and the employment rate of the population aged 15 years and above remained broadly unchanged q-o-q at 8.9% and 50.8% (-0.1 pp.) in Q3-2022. This was mainly the result of a decrease in employment by 0.4% q-o-q that was accompanied by a 0.3% q-o-q decrease in the active population. Employment decreased by 0.1% q-o-q in the formal sector (accounting for a sixth of the total employment loss) while informal employment fell by 2.3% q-o-q.

According to administrative data, in Q3-2022 employment increased by 0.2% q-o-q and 0.9% y-o-y. Annual employment growth remained positive in more than half of the sectors and was particularly strong in information and communication (+14.9%), professional, scientific and technical activities (+5.8%) and administrative and support service activities (+4.4%), while agriculture (-6.6%), the energy sector (-7.7%), the manufacturing sector (-0.4%) and trading activities (-0.4%) accounted for the bulk of employment losses. The number of registered unemployed decreased by 10.9% y-o-y in November 2022. Nominal net wages

rose by 14.1% y-o-y in October 2022 while real net wages fell by 0.8% y-o-y.

External sector

In the first ten months of 2022, the current account deficit widened very substantially to EUR 3.0 billion compared to EUR 1.6 billion in the same period of 2021. Over the four quarters to September 2022, the deficit stood at 6.5% of GDP as compared to 4.4% in 2021 as a whole. The higher current account deficit over January to October 2022 was due to a significantly larger merchandise trade deficit (+56.5% y-o-y, driven by higher energy imports) and a higher primary income deficit (+39.6% y-o-y, reflecting mainly a rebound in dividend payments and reinvested earnings). They were partially offset by a higher surplus in services trade (+43.7%) and in secondary income (+37.9% y-o-y), the latter reflecting chiefly a rebound in remittances. Net FDI inflows increased by 7.1% y-o-y in January-October 2022, covering 108% of the current account deficit.

Merchandise trade dynamics recorded some deceleration in the autumn with slowing y-o-y rises in the EUR value of exports (25.0% in September, 22.4% in October and 20.0% in November) and imports (26.6%, 29.9% and 16.3%, respectively). Over the first eleven months of 2022, the value of exports of goods grew 26.4% y-o-y, while imports increased by 34.1%.

Monetary developments

Annual consumer price inflation continued to increase, by 0.8 pps., 1.0 pp. and 0.1 pp. in September, October and November 2022 respectively, reaching 15.1% in November, and then remained stable in December, thus largely exceeding the upper bound of the central bank's target tolerance band of 3% +/-1.5 pps. in sixteen consecutive months. Average annual inflation in 2022 reached 11.9%. Inflation in autumn continued to be particularly driven by food (+24.3% in December) and solid fuel prices (+63.2% in December). However, core inflation (excluding energy, food, alcohol and tobacco) also picked up further from 7.9% in August to 10.1% in December. The National Bank of Serbia (NBS) continued to gradually raise its key policy rate by 50bps. in both November and December and then by 25 bps. in January 2023, thereby bringing it to 5.25%. The NBS remained an active participant on the foreign exchange market by buying a net EUR 1.9 bn in the last four months of 2022, resulting in net purchases of EUR 1.0 billion in 2022. Boosted in

December in particular by the first tranche of EUR 1 billion of the IMF SBA and a USD 1 billion loan from the United Arab Emirates, NBS foreign exchange reserves increased by 18.0% y-o-y to EUR 19.4 billion in December 2022, covering close to 5.5 months of imports of goods and services.

Financial sector

In November 2022, domestic claims of the banking sector increased by 8.1% y-o-y (up from 6.6% y-o-y in August due to a strong increase in claims on the NBS). The annual growth of credit to households recorded some further slowdown to 6.8% in November, from 8.7% in August. Annual credit growth to companies also decelerated further from 8.2% in August to 6.4% in November. The loan-to-deposit ratio stood at 85.8% at the end of October 2022. The ratio of non-performing loans decreased slightly to 3.2% in Q3-2022 (-0.1 pp. q-o-q). The capital adequacy ratio of the banking sector (regulatory capital to risk-weighted assets) remained unchanged at 19.5% in Q3-2022. As regards liquidity ratios, both the share of liquid assets to total assets (35.0%, +2.0 pps. q-o-q) and the share of liquid assets to short-term liabilities (45.4%, +2.1 pps. q-o-q) picked up somewhat in Q3-2022.

Fiscal developments

In the period January-November 2022, total general government revenue growth remained strong, reaching 13.8% y-o-y. It was particularly supported by buoyant VAT receipts (+20.0%), corporate income tax (+33.2%) and personal income tax (+17.4%) while revenue from social contributions (+10.2%) and excise duties (+3.2%) increased more moderately. Total general government expenditure growth (+9.7%) remained below the revenue increase and was particularly driven by capital transfer budget loans (+974.0%), social transfers (+8.7%) and purchases of goods and services (+8.9%), while subsidies and other current expenditure decreased by 24.9% and 2.7% respectively. As a result, in January-November, the budget recorded a deficit of 0.4% of expected annual GDP, as compared to 1.9% of GDP in the same period of 2021 and the updated general government deficit target of 3.8% included in the November 2022 amending budget. In November, central government debt stood at 53.5% of the projected 2022 full-year GDP, down from 56.5% at end-2021, mainly as a result of high expected nominal GDP growth in 2022.

TABLE



European Commission, ECFIN-D-1

SERBIA

		2018	2019	2020	2021	2022	ECFIN 2022 Autumn forecast		Q2 22	Q3 22	Q4 22	Oct 22	Nov 22	Dec 22	
							2023	2024							
1 Real sector															
Industrial confidence ^{1.1}	Balance	6.7	6.0	-1.1	3.2	0.2	:	:	-0.7	1.0	0.4	-1.1	0.7	1.6	
Industrial production ^{1.2}	Ann. % ch	1.5	0.2	0.4	6.1	:	:	:	4.8	-0.5	:	-0.1	0.4	:	
Gross domestic product ^{1.3}	Ann. % ch	4.5	4.3	-0.9	7.5	:	:	2.4	3.0	3.8	1.0	:	N.A.	N.A.	N.A.
Private consumption ^{1.4}	Ann. % ch	3.1	3.7	-1.9	7.8	:	:	2.9	3.1	3.8	3.1	:	N.A.	N.A.	N.A.
Gross fixed capital formation ^{1.5}	Ann. % ch	17.5	17.2	-1.9	15.9	:	:	1.4	2.3	1.8	-2.2	:	N.A.	N.A.	N.A.
Construction index ^{1.6}	Ann. % ch	9.6	32.3	-1.5	25.0	:	:	:	:	6.8	4.8	:	N.A.	N.A.	N.A.
Retail sales ^{1.7}	Ann. % ch	4.1	8.9	4.2	10.0	:	:	:	:	5.6	4.6	:	5.0	1.3	:
2 Labour market															
Unemployment ^{2.1}	%	13.7	11.2	9.7	11.0	:	:	9.5	9.2	8.9	8.9	:	N.A.	N.A.	N.A.
Employment ^{2.2}	Ann. % ch	1.4	2.4	-0.2	2.6	:	:	0.3	0.5	4.3	0.6	:	:	:	:
Wages ^{2.3}	Ann. % ch	4.3	10.5	9.4	9.4	:	:	:	:	13.6	14.8	:	14.2	:	:
3 External sector															
Exports of goods ^{3.1}	Ann. % ch	6.5	8.8	-3.7	26.7	:	:	:	:	32.0	23.0	:	22.8	21.2	:
Imports of goods ^{3.2}	Ann. % ch	11.2	9.9	-4.7	24.5	:	:	:	:	40.0	23.9	:	30.1	19.6	:
Trade in goods balance* ^{3.3}	% of GDP	-11.9	-12.2	-11.1	-11.1	:	:	-14.0	-13.8	-14.4	-14.2	:	N.A.	N.A.	N.A.
Exports goods and services* ^{3.4}	% of GDP	49.3	50.8	47.6	53.6	:	:	:	:	58.3	60.3	:	N.A.	N.A.	N.A.
Imports goods and services* ^{3.5}	% of GDP	58.9	60.8	56.3	62.1	:	:	:	:	70.1	71.6	:	N.A.	N.A.	N.A.
Current account balance* ^{3.6}	% of GDP	-4.8	-6.9	-4.1	-4.4	:	:	-7.8	-6.5	-7.6	-6.5	:	N.A.	N.A.	N.A.
Direct investment (FDI, net)* ^{3.7}	% of GDP	7.4	7.7	6.3	6.9	:	:	:	:	6.1	6.3	:	N.A.	N.A.	N.A.
International reserves ^{3.8}	mn EUR	11,262	13,378	13,492	16,455	:	:	:	:	14,776	16,502	:	16,871	17,267	:
Int. reserves / months Imp ^{3.9}	Ratio	5.4	5.7	6.1	6.0	:	:	:	:	4.5	4.7	:	4.7	:	:
4 Monetary developments															
CPI ^{4.1}	Ann. % ch	2.0	1.8	1.6	4.1	11.9	10.6	5.6	10.6	13.3	15.1	15.0	15.1	15.1	
Producer prices ^{4.2}	Ann. % ch	2.1	0.7	-1.8	9.1	16.4	:	:	18.6	17.9	14.8	15.8	15.3	13.3	
Food prices ^{4.3}	Ann. % ch	1.9	2.6	2.6	4.5	18.7	:	:	16.9	20.2	22.9	22.9	22.5	23.4	
M3 ^{4.4}	Ann. % ch	14.5	8.4	18.1	13.3	:	:	:	6.0	6.8	:	8.0	5.9	:	
Exchange rate RSD/EUR ^{4.5}	Value	118.27	117.86	117.58	117.57	117.46	:	:	117.57	117.36	117.31	117.31	117.31	117.31	
Real effective exchange rate ^{4.6}	Index	123.8	123.6	125.7	128.0	:	:	:	127.6	129.2	:	130.1	132.4	:	
5 Financial indicators															
Interest rate (BELIBOR) ^{5.1}	% p.a.	2.96	2.52	1.19	0.89	2.47	:	:	1.77	2.83	4.23	3.74	4.17	4.79	
Bond yield (10 year) ^{5.2}	% p.a.	5.17	:	:	2.50	:	:	:	6.70	6.80	:	6.80	:	:	
Stock markets ^{5.3}	Index	1,562	1,584	1,544	1,639	1,720	:	:	1,682	1,703	1,746	1,733	1,745	1,761	
Credit growth ^{5.4}	Ann. % ch	4.3	9.7	12.3	9.1	:	:	:	12.6	11.6	:	10.4	8.9	:	
Deposit growth ^{5.5}	Ann. % ch	7.4	12.9	15.0	14.4	:	:	:	7.3	7.2	:	8.9	6.3	:	
Non-performing loans ^{5.6}	% total	5.7	4.1	3.7	3.6	:	:	:	3.3	3.2	:	N.A.	N.A.	N.A.	
6 Fiscal developments															
General government revenue** ^{6.1}	% of GDP	41.5	42.0	41.0	43.3	:	:	:	21.0	31.9	:	N.A.	N.A.	N.A.	
General government expenditure** ^{6.1}	% of GDP	40.9	42.2	49.0	47.4	:	:	:	21.2	31.2	:	N.A.	N.A.	N.A.	
General government balance** ^{6.1}	% of GDP	0.6	-0.2	-8.0	-4.1	:	-3.4	-2.8	-0.2	0.7	:	0.9	-0.3	:	
General government debt*** ^{6.2}	% of GDP	53.7	52.0	57.0	56.5	:	52.4	51.3	53.2	53.7	:	53.7	53.5	:	

f: ECFIN forecast Autumn 2022 published November 2022

* Q figures refer to a 4 quarters moving average.

** M and Q figures refer to the cumulative balance divided by the estimated annual GDP.

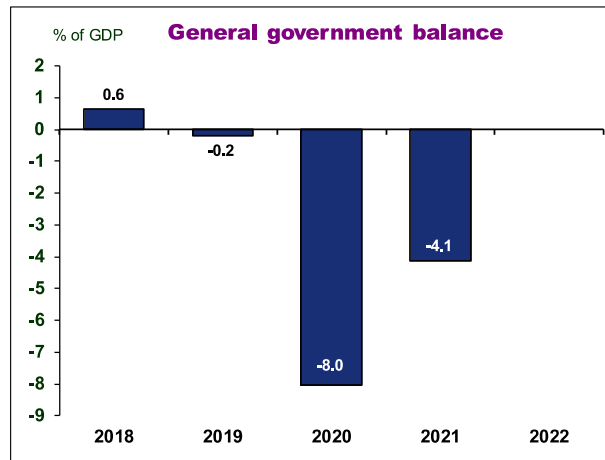
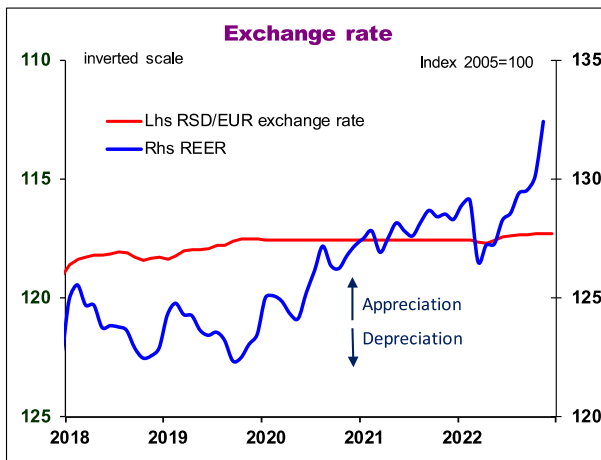
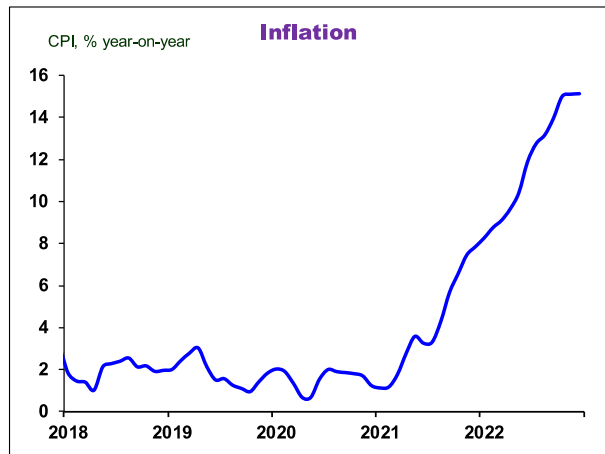
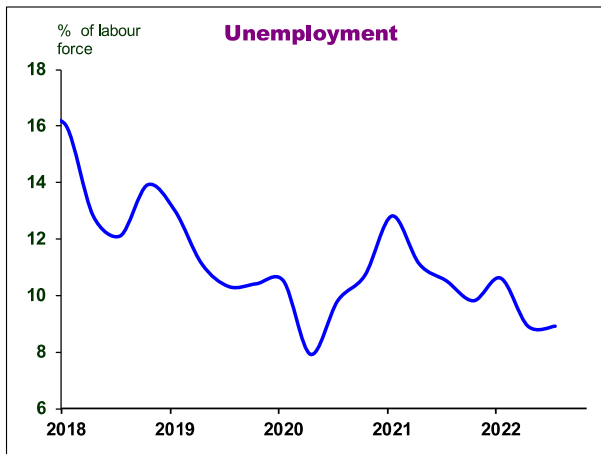
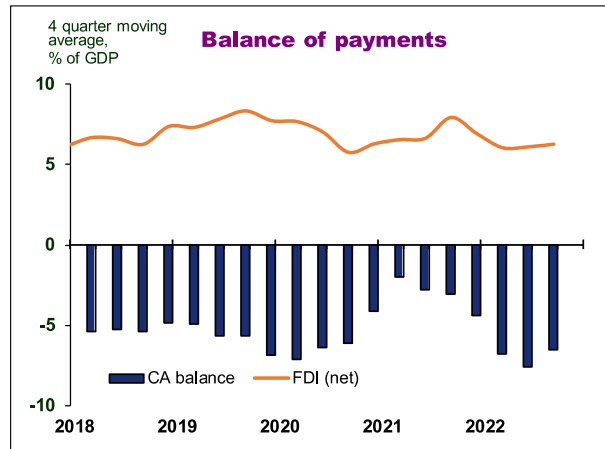
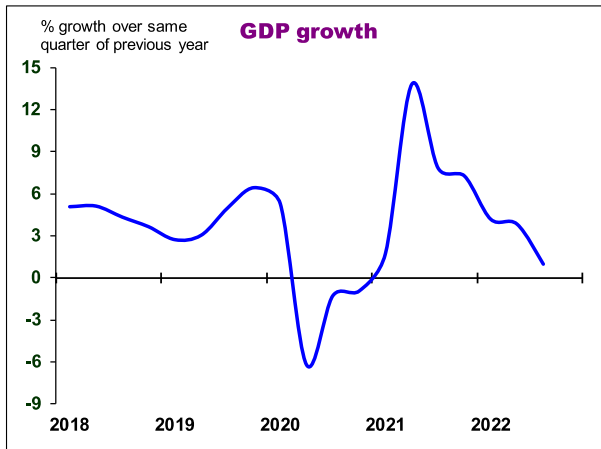
*** Q figures in percent of estimated annual GDP.

CHARTS

European Commission, ECFIN-D-1



SERBIA





Key developments

The parliament adopted the 2023 central government budget on 16 December. It is based on a 5.0% real GDP growth and 32.3% GDP deflator and targets a deficit of 3.5% of GDP. Total revenue is planned to increase by 62.5% and expenditure by 69.9% in comparison to the revised 2022 budget. On the revenue side, the 2% accommodation tax introduced two years ago started to be applied as of the beginning of the year. On the expenditure side, the budget continues underwriting measures to support the lira and to soften the effects of the high energy prices. Several stimulus measures, some of which were finalised after the budget adoption, would also affect budget expenditure. These include an increase of the net monthly minimum wage by 54.7%, a hike of civil servant salaries and pensions by 30%, a proposal to remove the age requirement for early retirement (affecting more than 2 million people), new social housing construction project, and subsidised loan programmes.

In December, the central bank presented its Monetary Policy and Liratisation Strategy for 2023. It kept its medium-term inflation target unchanged at 5% (with a band of 2 pps. in both directions), with forecasts announced via inflation reports serving as interim targets. The bank also set a 60% liratisation target for deposits in the first half of 2023, to be achieved through conditions set for commercial banks' use of central bank funding, accepted collaterals and credit channels. The central bank extended its targeted loan policies in support of activities that should increase investments and exports.

Real sector

Economic activity stagnated in Q3 (-0.1% q-o-q). In annual terms, GDP growth decelerated to 3.9% y-o-y. Household consumption remained strong, surging by 19.9% y-o-y. Government consumption increased as well (8.5%), while overall investment contracted (-1.3% y-o-y and -2.3% q-o-q) despite growing investments in machinery and equipment (14.3% y-o-y). Domestic demand (excluding stocks) remained buoyant, contributing 3.4 pps. to GDP growth. The change in stocks, however,

subtracted from output growth (-8.2 pps.) for an eight consecutive quarter. The contribution of net exports was positive, although a strong rise in imports (12.2% y-o-y, 6.0% q-o-q) curtailed it to just 0.4 pps., despite a still robust exports growth (12.6% y-o-y).

On the supply side, the loss of momentum was visible across key sectors. Economic activity fell in quarterly terms in industry (-2.2%), manufacturing (-1.8%), construction (-5.8%) and some services. On the other hand, information and communication (6.2%), public administration, education and health (3.5%), professional, administrative and support services (4.3%), and other service activities expanded.

High frequency indicators point to a marginal rebound of activity in the last months of the year. The economic confidence index improved from 94.0 in Q3 to 97.2 in Q4. Improvements were more pronounced in services, retail trade, construction, and among consumers, while in the real sector confidence remained broadly unchanged. Retail sales growth was upbeat in October (9.3% y-o-y) and November (12.1%). Industrial production, however, has entered a soft patch since July, and decreased by 1.3% y-o-y in November. Manufacturing PMI declined to 45.7 in November, before rebounding to 48.1 in December. The seasonally adjusted capacity utilisation rate in manufacturing declined from 77.3 in Q3 to 76.3 in Q4.

Labour market

The labour market situation improved further. In November, labour force participation (seasonally adjusted, 15 years and over) reached 54.1%, while the employment rate went up to 48.6% for the first time ever. The unemployment rate stood at 10.2%. The seasonally adjusted employment growth subsided somewhat in Q3 (5.7% y-o-y), with continued employment gains in industry (6.9% y-o-y), construction (2.9% y-o-y), and services (7.7% y-o-y), while employment in agriculture dropped (-1.2% y-o-y), reaching its lowest share ever (15.8% y-o-y) in total employment. Despite recent improvements, the broader measure of labour market underutilisation (including unemployment, time-

related underemployment, and the potential labour force) remained elevated at 20.8% in November. The seasonally and calendar-adjusted hourly labour cost index increased by 88.9% y-o-y in Q3 (25.4% q-o-q), 7.8 pps. above the rate of inflation.

External sector

The 12-month cumulative current account deficit reached USD 45 billion (5.4% of GDP) in November, compared to 0.9% of GDP in 2021. Its expansion was driven by the growing merchandise deficit, which reached USD 86.6 billion. The growth in the monthly value of goods exports decelerated steeply to just 0% y-o-y in November, along with imports growth, which however remained elevated (14%) due partly to large imports of non-monetary gold (representing around 10% of all imports in November). The current account deficit could have been larger if not for a steadily growing surplus on the services account. After a small deficit in September, the financial account moved again into surplus in October and November largely due to other investment inflows, bringing the cumulative 12-month surplus to USD 29.3 billion. The central bank's foreign exchange reserves (including gold) continued growing in November and December, ending the year at close to USD 129 billion, covering 3.9 months of imports.

Monetary developments

Driven mostly by base effects, consumer price inflation decelerated by 20 pps. in December to 64.3% y-o-y. The m-o-m inflation fell to its lowest level for the year (1.2%). The deceleration was supported by lower food inflation and falling energy prices. The lira's exchange rate remained nearly flat against the USD in Q4, also contributing to abating price pressures. Producer price inflation has also turned a corner: after peaking at 158% y-o-y in October, it declined to 98% in December. Inflation expectations (12-month ahead inflation), however, inched up after September and remained elevated at 38% y-o-y. Despite very high inflation and inflation expectations, the central bank continued its easing cycle and further reduced its one-week repo rate in two steps of 150 bps each, from 12% in September to 9% in December. However, a growing number of macro-prudential measures have kept credit conditions, especially for consumer loans, tight. Türkiye's 5-year sovereign risk premium

declined in Q4 and hovered slightly above 500 in early 2023.

Financial sector

Commercial banks have in general reached the 50% deposit liratisation target and, as part of its Monetary Policy and Liratisation Strategy, the central bank has set a new target of 60% for the first half of 2023 and raised the securities maintenance ratio from 5% to 10%. It also provided incentives to banks that have reached the new target and further expanded some of its macroprudential measures in support of the liratisation to include non-bank financial institutions and some financial derivatives. After declining by around 7% y-o-y in Q3, total real banking sector loans declined further in October and November, as corporate loans' contraction accelerated. The banking sector's capital adequacy ratio increased to 19.35%, remaining well above the regulatory minimum. The NPL ratio declined further to 2.16% in (1.46% in state-owned banks). After peaking in the first half of November, the FX-protected deposits declined somewhat by the end of the year, to TRY 1.4 trillion or around 16% of all deposits.

Fiscal developments

The budget performance remained strong in January-November, with the cumulative central budget deficit standing at TRY 20.4 billion (0.2% of the estimated annual GDP and just 7% of the planned annual deficit). Total revenue increased 100.2% y-o-y. Both direct (114.3% y-o-y) and indirect (96.8%) tax revenue increased strongly, as major tax bases such as household consumption and imports rose significantly faster than the average inflation of 72.7% in this period. In January-November, total expenditure increased by 94.7% y-o-y, primary expenditure 98.3%, capital expenditure 95.3%, and spending on interest 70.3%. Despite a notable surge in spending on employees in the second half of the year, by November it was up 75.8% y-o-y, still below the average spending growth. The budget cost of cushioning the effects of high energy prices pushed expenditure on lending up to nearly TRY 200 billion, more than tripling over the previous year level.

The good budget performance, high inflation, and the reduction in the holdings of public sector net financial assets helped to markedly reduce the government debt-to-GDP ratio, which fell to 34.8% in Q3, down from 41.8% of GDP at end-2021. The decline of net debt, however, was less pronounced – by 2.2 pps. to 18.3% of GDP.

TABLE



TÜRKIYE

European Commission, ECFIN-D-1

		2018	2019	2020	2021	2022	ECFIN 2022 Autumn forecast		Q2 22	Q3 22	Q4 22	Oct 22	Nov 22	Dec 22
							2023	2024						
1 Real sector														
Industrial confidence ^{1.1}	Index	-1.4	-3.8	-4.1	5.6	-0.4	:	:	0.2	-3.5	-3.3	-3.7	-3.1	-3.1
Industrial production ^{1.2}	Ann. % ch	1.1	-0.6	2.2	16.5	:	:	:	10.7	2.5	:	3.7	-1.2	:
Gross domestic product ^{1.3}	Ann. % ch	3.0	0.9	1.8	11.4	:	3.5	3.0	7.7	3.9	:	N.A.	N.A.	N.A.
Private consumption ^{1.4}	Ann. % ch	0.5	1.5	3.2	15.3	:	3.5	2.7	22.5	19.9	:	N.A.	N.A.	N.A.
Gross fixed capital formation ^{1.5}	Ann. % ch	-0.2	-12.4	7.3	7.4	:	1.7	2.0	5.0	-1.3	:	N.A.	N.A.	N.A.
Construction index ^{1.6}	Ann. % ch	22.8	-7.1	5.8	38.8	:	:	:	105.9	107.9	:	113.7	:	:
Retail sales ^{1.7}	Ann. % ch	1.9	-0.5	3.2	16.5	:	:	:	13.4	7.1	:	9.3	11.3	:
2 Labour market														
Unemployment ^{2.1}	%	10.9	13.7	13.1	12.0	:	10.5	10.5	10.1	10.1	:	9.9	9.9	:
Employment ^{2.2}	Ann. % ch	2.2	-2.3	-4.8	7.9	:	2.6	1.8	8.4	5.2	:	4.6	7.2	:
Wages ^{2.3}	Ann. % ch	18.3	26.2	18.0	19.3	:	72.9	57.6	55.6	93.0	:	:	:	:
3 External sector														
Exports of goods ^{3.1}	Ann. % ch	7.7	2.1	-6.2	32.8	:	:	:	19.4	11.5	:	2.9	2.1	:
Imports of goods ^{3.2}	Ann. % ch	-3.2	-9.0	4.4	23.6	:	:	:	39.3	39.9	:	31.4	14.0	:
Trade in goods balance* ^{3.3}	% of GDP	-5.2	-2.2	-5.3	-3.6	:	-6.6	-5.8	-6.8	-9.1	:	N.A.	N.A.	N.A.
Exports goods and services* ^{3.4}	% of GDP	30.3	32.8	28.9	35.1	:	:	:	38.9	40.1	:	N.A.	N.A.	N.A.
Imports goods and services* ^{3.5}	% of GDP	31.6	30.0	32.1	34.8	:	:	:	40.7	43.5	:	N.A.	N.A.	N.A.
Current account balance* ^{3.6}	% of GDP	-2.6	1.4	-4.5	-0.9	:	-3.3	-2.6	-3.0	-4.6	:	N.A.	N.A.	N.A.
Direct investment (FDI, net)* ^{3.7}	% of GDP	1.1	0.9	0.6	0.8	:	:	:	1.1	0.8	:	N.A.	N.A.	N.A.
International reserves ^{3.8}	bn EUR	93.0	105.7	93.6	111.2	:	:	:	98.3	107.0	:	113.5	122	:
Int. reserves / months Imp ^{3.9}	Ratio	4.5	5.6	4.9	4.7	:	:	:	3.5	3.5	:	3.6	3.9	:
4 Monetary developments														
CPI ^{4.1}	Ann. % ch	16.3	15.2	12.3	19.6	72.3	54.1	40.4	74.1	81.1	77.4	85.5	84.4	64.3
Producer prices ^{4.2}	Ann. % ch	27.0	17.6	12.2	43.9	128.5	:	:	131.0	146.7	127.7	157.7	136.0	97.7
Food prices ^{4.3}	Ann. % ch	18.0	19.5	13.8	24.3	85.6	:	:	91.6	92.6	92.3	99.0	102.5	77.9
M3 ^{4.4}	Ann. % ch	18.6	29.5	32.8	51.1	63.5	:	:	74.2	85.7	63.5	81.7	63.6	63.5
Exchange rate TRY/EUR ^{4.5}	Value	5.68	6.35	8.03	10.45	17.38	:	:	16.83	18.06	18.99	18.24	18.98	19.76
Real effective exchange rate ^{4.6}	Index	88.0	87.1	78.6	70.6	:	:	:	65.6	64.4	:	67.1	67.0	:
5 Financial indicators														
Interest rate (TLREF) ^{5.1}	% p.a.	19.85	20.53	10.85	17.88	13.16	:	:	14.12	13.64	10.69	11.84	10.73	9.51
Interest rate, long term ^{5.2}	% p.a.	16.39	16.01	12.81	17.69	17.68	:	:	22.25	15.01	9.31	9.89	11.32	6.73
Stock markets ^{5.3}	Index	1,019	993	1,133	1,510	2,979	:	:	2,469	2,907	4,505	3,735	4,553	5,227
Credit growth ^{5.4}	Ann. % ch	21.8	6.4	28.4	22.7	56.0	:	:	53.8	66.4	59.3	67.8	62.1	49.9
Deposit growth ^{5.5}	Ann. % ch	23.0	18.3	36.4	28.0	78.3	:	:	72.3	93.7	80.8	97.7	85.0	63.8
Non-performing loans ^{5.6}	% total	3.9	5.4	4.1	3.1	:	:	:	2.5	2.3	:	2.2	2.2	:
6 Fiscal developments														
General government revenue** ^{6.1}	% of GDP	29.8	29.8	29.6	28.0	:	:	:	12.4	19.6	:	N.A.	N.A.	N.A.
General government expenditure** ^{6.1}	% of GDP	32.5	32.9	32.5	30.3	:	:	:	11.4	20.3	:	N.A.	N.A.	N.A.
General government balance** ^{6.1}	% of GDP	-2.8	-3.2	-2.9	-2.3	:	-4.0	-3.5	1.0	-0.8	:	N.A.	N.A.	N.A.
General government debt*** ^{6.2}	% of GDP	30.1	32.6	39.7	41.8	:	38.3	37.2	39.3	34.8	:	N.A.	N.A.	N.A.

f. ECFIN forecast Autumn 2022 published November 2022

* Q figures refer to a 4 quarters moving average.

** Q figures refer to the cumulative balance divided by the estimated annual GDP.

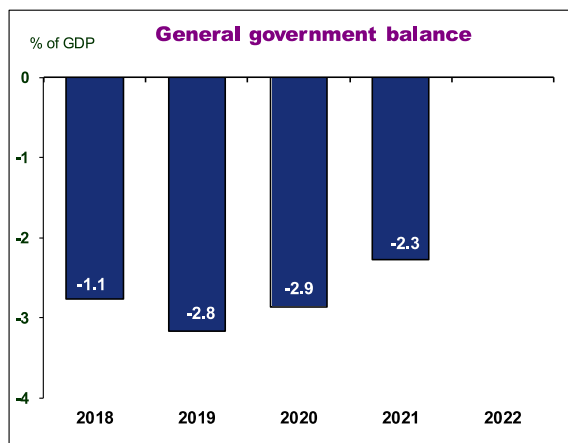
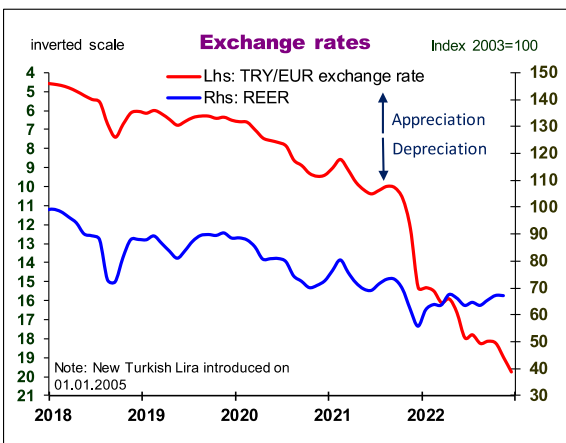
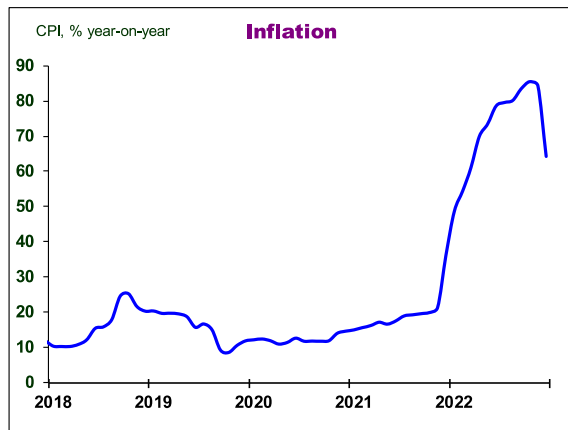
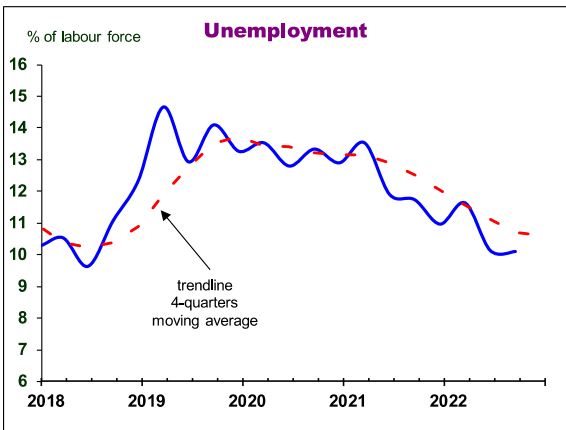
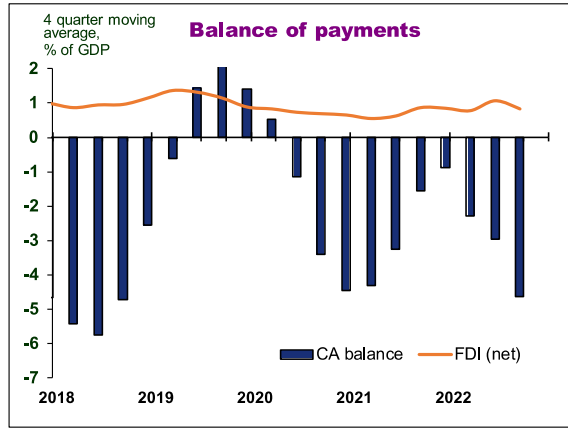
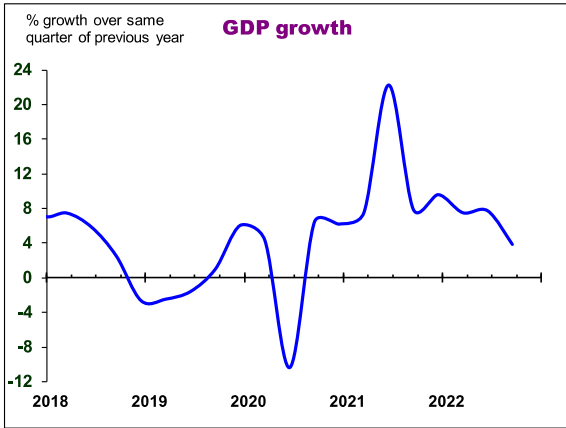
*** Q figures in percent of GDP on a four quarter moving basis.

CHARTS

European Commission, ECFIN-D-1



TÜRKİYE



BOSNIA AND HERZEGOVINA



Key developments

On 2 October, general elections were held in Bosnia and Herzegovina. BiH citizens elected their representatives at the state, entity and cantonal levels. The main three ethno-nationalist political parties emerged again as the strongest and will continue to play an important role in the coming legislative period. On country level, the Presidency has been formed and is operational, while the Council of Ministers, the country-level government, is in the final stage of formation with a new coalition of SNSD, HDZ BiH and a group of 8 FBiH based parties. The government has – for the first time – a coalition programme with a strong focus on EU integration.

On 15 December, EU member states approved the Commission's recommendation to grant candidate country status to Bosnia and Herzegovina, on the understanding that the steps specified in the Commission's recommendation are taken in order to strengthen the rule of law, the fight against corruption and organised crime, migration management and fundamental rights.

Real sector

The economic recovery slowed down in Q3-2022. According to the expenditure approach, output rose by 0.5% q-o-q in Q3, compared to 1.0% in Q2. The main drivers of growth were exports, gross investment (including inventories) and private consumption. Due to strong imports and decelerating exports, the growth contribution of net exports continued to be negative. Compared to a year before, GDP was 2.6% higher in Q3, after a y-o-y increase of 5.8% in Q2. This brings output growth for the first three quarters of 2022 to 4.2% y-o-y. On the production side, the main sources of growth in Q3 were services, in particular trade, transport and tourism, as well as IT and communication and manufacturing.

High-frequency data point to a continued marked deceleration of economic activity during the second half of 2022. While in Q2, industrial output was still 4.4% higher than a year before, it dropped by 0.7% y-o-y in Q3 and declined further by 3.7% and 1.9% in October and November, respectively. The growth of retail sales turnover decelerated in constant prices from 14.6% y-o-y in Q2 to 10.1% in Q3. After maintaining its 10% rise in October, retail sales turnover rose again by 15.2% in November.

Tourism continued to recover from the COVID-19 related decline. During the first eleven months of 2022, the number of arrivals at accommodations and of overnight stays were 53.5% and 43.2% higher than a year before, respectively. Compared to 2019, the last pre-COVID year, the number of arrivals during the first eleven months was still some 12% lower, while the number of overnight stays was some 6% below its respective 2019 level. Before COVID-19, the share of foreign tourists had been at around 70% of total arrivals. After a sharp drop in the number of foreign tourists during the pandemic, this share has started to recover, reaching 62% in November, compared to 48% a year before. Tourists from Serbia were the largest group, accounting for 14.5% of total foreign tourists, while tourists from Croatia were the second largest group, accounting for 13.5%.

Labour market

The increase in registered employment decelerated to 2.1% y-o-y in Q3, compared to 2.8% in Q2. The main job-creating sectors continued to be wholesale and retail trade as well as manufacturing. In October, the number of employees was 1.8% higher than a year before, i.e. nearly 15,100 more employees were registered.

The number of the registered unemployed in Q3 was some 27 700 (8%) lower than a year before. This brought the administrative unemployment rate down to 29.6%, compared to 31.7% the year before. In October, the number of registered unemployed persons was some 25 000 persons (6.5%) lower than a year before. This is a welcome sign of declining labour market imbalances. However, the drop in the number of unemployed tends to be significantly larger than the number of new employment, leading to an actual decline in the labour force, i.e. persons who are actively participating in the labour market. Data from the Labour Force Survey (LFS) confirm the declining trend in the unemployment rate, which reached 14.9% in Q3, compared to 16.4% a year earlier. The LFS youth unemployment rate (age group 15-24) remained largely unchanged q-o-q at 36.2% in Q3, but was still significantly lower than the 37.8%, registered a year before. The current level is comparable to youth-unemployment rates before the COVID-19 pandemic.

The growth in nominal gross wages accelerated further, from 10.7% y-o-y in Q2 to 13.4% in Q3, and to 14.6% and 14.4% y-o-y in October and November, respectively. However, real wages declined in recent months. Official wage statistics do not include micro enterprises, which represent a large share of employment.

External sector

The 4-quarter moving average current account deficit increased to 4.5% in Q3, compared to 2.3% in the same period one year earlier, largely reflecting a sharp increase in spending on imports driven by strong domestic demand and higher prices for energy imports.

Trade remained strong in nominal terms in Q3, with the value of goods exports being 22.4% higher than a year earlier, while imports increased by 28.5%. However, export growth slowed down to 24.8% y-o-y in October and to 17.8% in November. The main export destinations were Germany, Croatia and Serbia, Austria and Italy, accounting for about two thirds of total exports.

Net FDI inflows dropped slightly in the year to Q3 to 1.4% GDP, compared to 1.5% of GDP in Q2. A large part of those FDI inflows are reinvested earnings. Official foreign exchange reserves stayed high in Q3, but dropped to 7.5 months of imports of goods and services, largely reflecting higher imports.

Monetary developments

The increase in the overall level of consumer prices continued, with year-on-year inflation rising from 14.4% in Q2, to 16.9% in Q3 and further to 17.4% in October. In November, inflation dropped slightly to 16.3%, mainly due to lower price pressures in the groups of housing and energy as well as of food and beverages. This brought average inflation for the first eleven months of 2022 to 13.9%. The main drivers were higher prices for food and non-alcoholic beverages, accounting for one third of the consumer basket and contributing about half to headline inflation. Prices for transport, accounting for nearly 13% of the basket, contributed about one fifth to the CPI increase. Core inflation data is not published, but when excluding food, energy, alcohol and tobacco from headline inflation, the adjusted rate was 5.8% in Q3 and 5.4% and 5.3% in October and November.

Annual growth of the monetary aggregate M2 accelerated slightly to 6.7% in Q3, compared to 6.4% in Q2. In October and November, it increased by 5.8% and 5.7%, respectively.

Financial sector

The financial sector has remained stable. Annual credit growth continued to accelerate slightly in Q3, reaching 4.5% y-o-y, compared to 4.3% in Q2. In October and November, lending continued to increase by 4.5% and 4.3%, again mainly driven by bank loans to households and to private companies, which account for 50% and 40% of total loans, respectively. Public sector loans account for some 7% of total loans.

Bank deposit growth recovered from a sharp drop of 4.4% in Q2 and accelerated to 5.5% in Q3. This trend continued in October, when annual deposit growth reached 6%, mainly due to deposit increases by the public sector, while household deposits continued to decline. However, in November, deposit growth slowed down to 4.2%, mainly due to a reduction in entity governmental deposits. Due to the higher growth of deposits compared to loans, the loan-to-deposit ratio continued its downward trend, dropping to 76.5% in November 2022.

The share of non-performing loans in total loans continued to decline, to 4.9% at the end of Q3, compared to 5.5% one year earlier. The ratio of non-performing loans covered by loan-loss provisions stood at 79.6% in Q3, compared to 77.7% in Q2, and 80.2% a year before. Banking sector profitability continued to improve. The return-on-equity (ROE) ratio rose to 12.6% in Q3, compared to 11.8% in Q2. The return on assets (ROA) also improved marginally to 1.6%, compared to 1.5% in Q2. The banking system's overall capital-adequacy ratio remained high at 19.2% in Q3, compared to 19.3% in Q2. This continues to be well above the regulatory minimum of 12%. However, there are sizeable differences among the country's 22 banks, with pockets of vulnerability remaining.

Fiscal developments

The country does not publish high-frequency country-wide fiscal data. However, during the first nine months of 2022, revenue from country-wide collected indirect taxes registered high nominal growth (+14.8% y-o-y), reflecting the economic recovery as well as high inflation. This revenue category accounts for nearly half of total revenues. Preliminary entity-level expenditure data point to a strong increase in 2022 for raising public sector wages, pensions and social transfers. The public debt-to-GDP ratio stood at 30% at the end of September, compared to 34.4% at end-2021. An important factor for the fall in the ratio was strong nominal GDP growth, while the absolute level of public debt continued to increase slightly.

TABLE



European Commission, ECFIN-D-1

BOSNIA AND HERZEGOVINA

		2018	2019	2020	2021	2022	Q2 22	Q3 22	Q4 22	Oct 22	Nov 22	Dec 22
1 Real sector												
Industrial confidence ^{1.1}	Balance	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Industrial production ^{1.2}	Ann. % ch	1.6	-5.3	-6.3	9.7	:	4.4	-0.7	:	-3.7	-1.9	:
Gross domestic product ^{1.3}	Ann. % ch	4.6	2.9	-3.3	7.1	:	5.5	2.6	:	N.A.	N.A.	N.A.
Private consumption ^{1.4}	Ann. % ch	3.4	4.2	-1.6	4.5	:	4.7	2.9	:	N.A.	N.A.	N.A.
Gross fixed capital formation ^{1.5}	Ann. % ch	8.1	5.8	-4.2	4.8	:	:	:	:	N.A.	N.A.	N.A.
Construction index ^{1.6}	Ann. % ch	5.2	15.4	-18.6	12.0	:	-17.0	-54.6	:	N.A.	N.A.	N.A.
Retail sales ^{1.7}	Ann. % ch	8.2	5.2	-6.8	18.5	:	14.6	10.1	:	10.0	15.2	:
2 Labour market												
Unemployment ^{2.1}	%	18.4	15.7	15.9	17.4	:	15.7	14.9	:	N.A.	N.A.	N.A.
Employment ^{2.2}	Ann. % ch	6.2	2.5	-1.2	0.9	:	2.8	2.1	:	1.8	:	:
Wages ^{2.3}	Ann. % ch	3.1	4.3	4.0	4.4	:	10.7	13.4	:	14.6	14.4	:
3 External sector												
Exports of goods ^{3.1}	Ann. % ch	11.5	-2.3	-7.4	34.9	:	39.0	22.4	:	12.5	4.4	:
Imports of goods ^{3.2}	Ann. % ch	7.1	1.1	-13.5	26.7	:	40.1	28.5	:	24.8	17.8	:
Trade in goods balance* ^{3.3}	% of GDP	-22.5	-22.6	-18.3	-18.6	:	-20.2	-21.4	:	N.A.	N.A.	N.A.
Exports goods and services* ^{3.4}	% of GDP	42.6	40.6	34.7	42.7	:	45.7	46.4	:	N.A.	N.A.	N.A.
Imports goods and services* ^{3.5}	% of GDP	57.3	55.2	48.6	54.6	:	58.9	60.8	:	N.A.	N.A.	N.A.
Current account balance* ^{3.6}	% of GDP	-3.3	-2.6	-3.3	-2.4	:	-3.8	-4.5	:	N.A.	N.A.	N.A.
Direct investment (FDI, net)* ^{3.7}	% of GDP	2.9	2.1	1.8	2.3	:	1.5	1.4	:	N.A.	N.A.	N.A.
International reserves ^{3.8}	mn EUR	5,943	6,441	7,091	8,359	:	8,128	8,446	:	8,313	8,133	:
Int. reserves / months Imp ^{3.9}	Ratio	7.3	7.8	10.0	9.3	:	7.7	7.5	:	:	:	:
4 Monetary developments												
CPI ^{4.1}	Ann. % ch	1.4	0.6	-1.1	2.0	:	14.4	16.9	:	17.4	16.3	:
Producer prices ^{4.2}	Ann. % ch	3.2	0.4	-0.4	4.5	:	22.3	22.3	:	20.8	18.8	:
Food prices ^{4.3}	Ann. % ch	0.6	1.1	1.0	3.5	:	22.3	25.5	:	25.9	24.6	:
M2 ^{4.4}	Ann. % ch	9.4	8.9	7.3	11.6	:	6.4	6.7	:	5.8	5.7	:
Exchange rate BAM/EUR ^{4.5}	Value	1.96	1.96	1.96	1.96	:	1.96	1.96	:	1.96	1.96	:
Real effective exchange rate ^{4.6}	Index	96.4	95.2	94.7	94.4	:	98.0	97.6	:	98.4	:	:
5 Financial indicators												
Interest rate (3 months) ^{5.1}	% p.a.	N.A.	N.A.	N.A.	N.A.	N.A.	N.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.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Stock markets ^{5.3}	Index	621	772	769	870	1009	973	1,032	1,081	1,112	1,072	1,059
Credit growth ^{5.4}	Ann. % ch	6.6	5.7	1.1	1.7	:	4.3	4.5	:	4.5	4.3	:
Deposit growth ^{5.5}	Ann. % ch	11.3	9.3	5.6	10.1	:	4.4	5.5	:	6.0	4.2	:
Non performing loans ^{5.6}	% total	8.8	7.4	6.1	5.8	:	5.2	4.9	:	N.A.	N.A.	N.A.
6 Fiscal developments												
General government revenue** ^{6.1}	% of GDP	43.0	42.5	42.1	41.6	:	:	:	:	N.A.	N.A.	N.A.
General government expenditure** ^{6.2}	% of GDP	40.8	40.6	47.4	41.8	:	:	:	:	N.A.	N.A.	N.A.
General government balance** ^{6.1}	% of GDP	2.2	1.9	-5.3	-0.3	:	:	:	:	N.A.	N.A.	N.A.
General government debt*** ^{6.2}	% of GDP	34.1	32.7	36.6	34.4	:	29.4	30.0	:	N.A.	N.A.	N.A.

* Q figures refer to a 4 quarters moving average.

** Q figures refer to the cumulative balance divided by the estimated annual GDP.

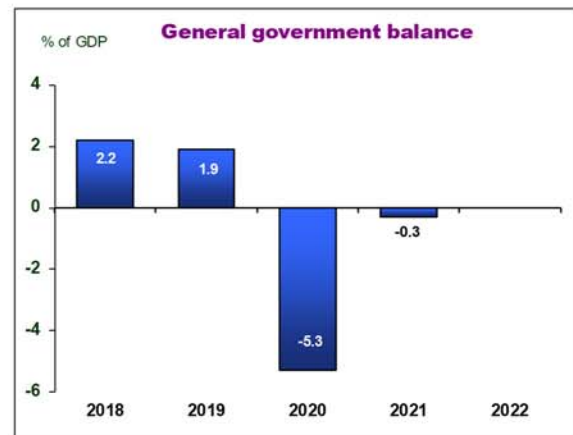
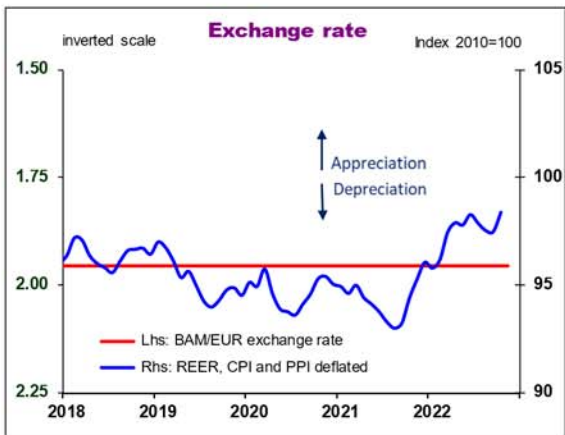
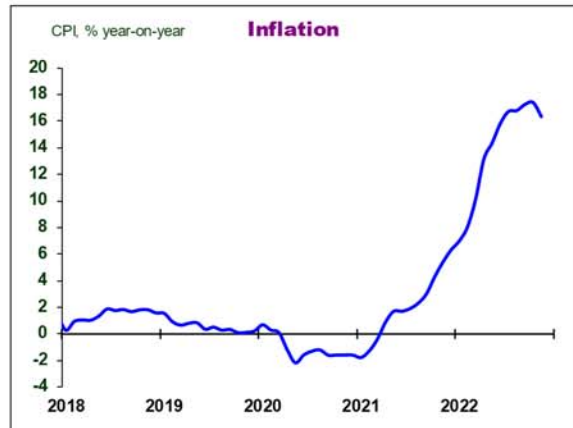
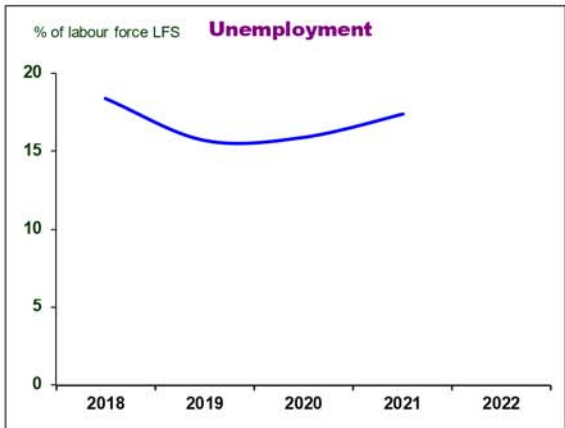
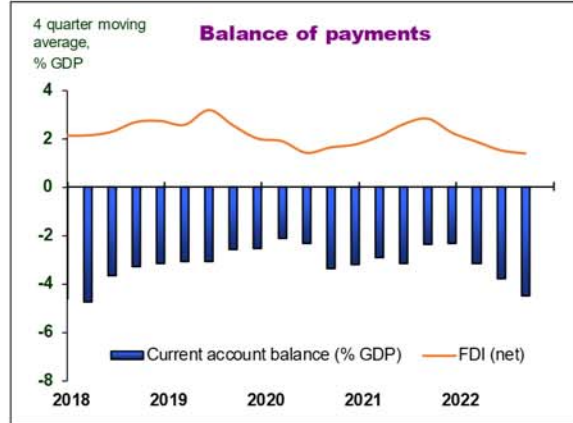
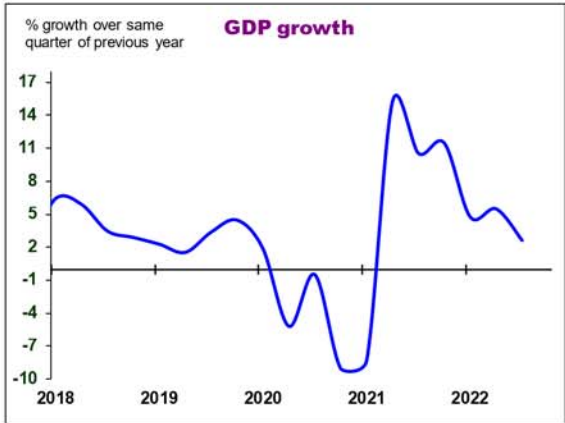
*** Q figures in percent of estimated annual GDP.

CHARTS



European Commission, ECFIN-D-1

BOSNIA AND HERZEGOVINA





Key developments

On 26 October 2022, the EU announced a EUR 75 million budget support to Kosovo to cushion energy price increases and their impact on households and businesses. Kosovo's government subsidised electricity bills in February-December in an amount of around EUR 90 million. Since September, authorities have provided additional subsidies to over 200 thousand families who have saved energy, and since October, they have subsidised the purchase of efficient equipment for heating for over 8 thousand families.

In mid-December, the Assembly of Kosovo approved in the second reading the 2023 budget. Expenditure is foreseen to increase by 10.8% compared to the revised 2022 budget. Revenue is set almost 19% higher than the 2022 forecast revenue. The headline deficit is planned at 3.3% of GDP for 2023, which would bring the deficit according to the fiscal rule's definition below the prescribed ceiling of 2% of GDP. Budgetary projections assume real GDP growing by 5.5% in 2023. The 2023 budget foresees additional EUR 65 million to finance a part of the new law on wages in the public sector, although the salary coefficients have not been published yet and the total budgetary cost is unknown.

On 15 December, Prime Minister Albin Kurti submitted Kosovo's application for EU membership to the Czech Foreign Minister Jan Lipavsky, whose country was the holder of the EU Presidency at the time.

On 22 December, the Assembly of Kosovo approved the "Law on Public Officials" and the "Law on Salaries of Public Officials". The latter law, which foresees an increase in salaries for specialist doctors, teachers and police officers, was decreed by President Osmani on 4 January 2023.

Real sector

Kosovo's real GDP growth accelerated to a revised 3.3% y-o-y in Q3-2022, up from 2.1% in the previous three months. The key driving factor was private consumption growth which despite high inflation and the resulting fall in real disposable incomes increased by 3.8% y-o-y, supported by higher remittances and bank lending. Public consumption marginally

increased by 0.5% y-o-y, compared to a fall of 2.8% in the previous three months, while the decline in capital investment continued, albeit at a much slower pace (-2.3% y-o-y). Exports grew by 6.2% y-o-y driven by basic metals and the export of services. Imports rose by 3.0% y-o-y, resulting in a positive contribution (1.3 pps.) of net exports to GDP growth.

On the production side, the largest gains in output in Q3 took place in financial and insurance activities (12.7% y-o-y), professional, scientific and technical activities (8.6%), information and communication (8.3%) as well as manufacturing (8.2%). Output in construction contracted by 7.8% y-o-y due to the rising cost of production inputs.

Some short-term indicators point to somewhat decelerating economic activity in October. Output in the manufacturing, electricity and gas as well as mining sectors virtually stagnated in y-o-y terms, while water supply and sewage production marginally increased by 0.3% y-o-y, compared to a decline of around 1% in September.

Labour market

The results of the labour force survey continue to be published with large delays. In line with the strong rebound of economic activity, the unemployment rate (15-64) declined to 20.7% in 2021 from 25.9% one year earlier while employment and labour force participation rates increased to 31.1% and 39.3% from 28.4% and 38.3%, respectively. The gap between male and female employment rates (45.9% and 16.5% respectively) persisted. The share of young people (aged 15-24) not in employment, education or training (NEET) decreased somewhat to 32.1% in 2021.

External sector

The current account deficit was stable in Q3, with its 4-quarter moving average remaining broadly the same as in Q2 at 10.1% of GDP. The key factors were the slight increase of the traditionally high merchandise trade deficit to 53.1% of GDP, compared to 52.7% in April-June, and the sustained growth of export services to the diaspora. Workers' remittances increased by 13.6% y-o-y and stood at 13.9% of GDP in the four quarters to September while the

surplus of the primary income narrowed to 1.7% of GDP. On the financing side, net inflows of FDI (4-quarter moving average) increased to 5.7% of GDP from 4.6% in the previous quarter, covering more than half of the current account deficit. Official reserve assets increased slightly and covered around 3 months of imports of goods and services in Q3.

In January-November, total merchandise exports increased by nearly 24% y-o-y, due to the good performance of basic metals, various manufactured items as well as plastic and rubber articles. In the same period, goods imports grew by 22% y-o-y driven by higher imports of mineral products, machinery, appliances and electrical equipment, prepared foodstuffs, beverages and tobacco as well as base metals. During January-November the overall merchandise trade deficit widened by 21.7% y-o-y.

Monetary developments

Consumer price inflation accelerated to 12.1% y-o-y in December, up from 11.6% in November, bringing annual average HICP inflation to 11.6% in 2022, significantly above the 3.3% rate recorded in 2021. The key inflation drivers were food, energy and transport prices.

Import prices rose by 17.5% y-o-y in Q3, mainly driven by higher prices for mineral products and articles of stone, plaster, ceramic products and glass as well as edible oil. For the same period, the construction cost index increased by 19.5% y-o-y, due to rising prices for energy, transport and building materials. Producer price inflation accelerated to 17.2% y-o-y on average in Q3 up from 10% in Q2, on the back of higher prices for supply of electricity, gas, steam and air conditioning, manufacturing of paper as well as food production while the price of metal ore extraction fell by 28.8% y-o-y.

Financial sector

Bank lending growth accelerated to an average of 17.5% in January-November from 10.7% a year earlier. Deposits at commercial banks grew by 10.5% over the same period. The loan-to-deposit ratio increased to 81.1% in November as compared to 77.6% at the beginning of the year. The NPL ratio decreased marginally to 2.0% in November partly reflecting the strong lending growth. In November, existing NPLs were fully covered by loan-loss provisions (153.3%).

The interest rate spread decreased slightly to 4.3 pps. in November from 4.7 pps. in October. Financial soundness indicators remained stable

and satisfactory. For the banking system as a whole, the ratio of liquid assets to short-term liabilities decreased to 34.1% in November from 35.7% in August, while the capital adequacy ratio declined slightly to 14.9% from 16.1% over the same period, standing well above the regulatory minimum of 12%.

Fiscal developments

In mid-December the Assembly adopted the 2023 budget, including projections for the following two years. Annual average growth of budgetary revenue and spending is projected at 5.3% and 1.7% in 2024-2025, respectively. The headline deficit is set to decline gradually to 2.2% in 2024 and 1.1% in 2025, while the deficit as per the fiscal rule definition is projected to fall to 1.1% in GDP in 2024 before turning to a marginal surplus of 0.1% in 2025. The budget projects the government's bank balance at 3% of GDP in 2023, and slightly lower at 2.6% in 2024, before increasing to 3.5% of GDP in 2025.

On the back of high inflation, budgetary revenue increased by 13% y-o-y in January-November with income from direct and indirect taxes growing by 22% and 13% y-o-y, respectively. This outcome outpaced the revised 2022 budget's assumption of 10.4% annual revenue increase. Budget expenditure increased by 12.7% y-o-y in the first eleven months. The largest increase took place in the category of transfers and subsidies (31% y-o-y), mainly driven by energy subsidies. Total capital spending increased by only 3.3% y-o-y affected by insufficient technical capacities and higher input prices, which have led to a surge in project costs. As the revised 2022 budget assumed a 68% annual increase in capital spending, total public investment amount spent by end-November represented only 43.2% of the revised budget allocation for the year as a whole.

Overall, the eleven-month budget execution resulted in a general government surplus of EUR 120 million (1.4% of projected annual GDP) as compared to a surplus of EUR 340 million in the same period in 2021.

In September, total public debt (including guarantees) decreased to 20.5% of GDP from a revised 21.5% at the end of 2021. This is well below the projection of the revised 2022 budget of 24.9% of GDP. The share of domestic debt held by the Kosovo Pension Saving Trust (KPST) increased to 50% as compared to 45% in Q3-2021, while the share of commercial bank holdings declined to 25%. The part held by the Central Bank of Kosovo decreased marginally to 19%.

TABLE

European Commission, ECFIN-D-1



KOSOVO

		2018	2019	2020	2021	2022	Q2 22	Q3 22	Q4 22	Oct 22	Nov 22	Dec 22
1 Real sector												
Industrial confidence ^{1.1}	Balance	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Industrial production ^{1.2}	Ann. % ch	-0.7	2.6	-1.2	19.3	:	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Gross domestic product ^{1.3}	Ann. % ch	3.4	4.8	-5.3	10.7	:	2.1	3.3	:	N.A.	N.A.	N.A.
Private consumption ^{1.4}	Ann. % ch	4.4	5.6	2.5	7.3	:	3.2	3.8	:	N.A.	N.A.	N.A.
Gross fixed capital formation ^{1.5}	Ann. % ch	5.4	2.9	-7.6	13.0	:	-18.6	-1.7	:	N.A.	N.A.	N.A.
Construction index ^{1.6}	Ann. % ch	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Retail sales ^{1.7}	Ann. % ch	17.4	25.6	-0.4	11.0	:	:	:	:	N.A.	N.A.	N.A.
2 Labour market												
Unemployment ^{2.1}	%	29.6	25.7	25.9	20.7	:	:	:	:	N.A.	N.A.	N.A.
Employment ^{2.2}	Ann. % ch	-3.4	5.2	-4.4	10.4	:	:	:	:	N.A.	N.A.	N.A.
Wages ^{2.3}	Ann. % ch	5.1	5.3	-2.3	3.9	:	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
3 External sector												
Exports of goods ^{3.1}	Ann. % ch	-2.8	4.4	23.8	57.8	:	20.8	21.2	:	18.9	4.6	:
Imports of goods ^{3.2}	Ann. % ch	9.8	4.5	-5.7	41.1	:	22.3	18.8	:	14.1	10.1	:
Trade in goods balance* ^{3.3}	% of GDP	-44.7	-44.1	-41.7	-49.0	:	-52.7	-53.1	:	N.A.	N.A.	N.A.
Exports goods and services* ^{3.4}	% of GDP	29.1	29.3	21.7	33.4	:	36.9	38.6	:	N.A.	N.A.	N.A.
Imports goods and services* ^{3.5}	% of GDP	57.3	56.4	53.9	65.2	:	70.1	71.5	:	N.A.	N.A.	N.A.
Current account balance* ^{3.6}	% of GDP	-7.6	-5.7	-7.0	-8.7	:	-10.3	-10.1	:	N.A.	N.A.	N.A.
Direct investment (FDI, inflow)* ^{3.7}	% of GDP	3.4	2.7	4.2	4.0	:	4.6	5.7	:	N.A.	N.A.	N.A.
International reserves ^{3.8}	mn EUR	934	937	969	1,061	1,147	1,268	1,491	1,147	1,413	1,317	1,147
Int. reserves / months Imp ^{3.9}	Ratio	2.9	2.8	3.2	2.5	:	2.6	2.9	:	2.7	:	:
4 Monetary developments												
HICP ^{4.1}	Ann. % ch	1.1	2.7	0.2	3.3	11.6	12.6	13.3	12.1	12.7	11.6	12.1
Producer prices ^{4.2}	Ann. % ch	1.4	0.9	-0.6	4.9	:	10.0	17.2	:	N.A.	N.A.	N.A.
Food prices ^{4.3}	Ann. % ch	2.8	8.3	10.1	12.7	31.2	16.6	19.5	18.7	20.4	17.9	17.8
Broad money liabilities ^{4.4}	Ann. % ch	7.9	12.0	15.3	12.1	:	9.2	13.1	:	14.1	13.7	:
Exchange rate EUR/EUR ^{4.5}	Value	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Real effective exchange rate (CPI) ^{4.6}	Index	104.7	107.1	107.3	109.8	:	115.8	116.6	:	116.2	116.7	:
5 Financial indicators												
Short-Term interest rate ^{5.1}	% p.a.	0.47	0.54	N.A.	1.58	N.A.	2.67	3.20	:	:	:	:
Bond yield ^{5.2}	% p.a.	4.28	3.39	3.59	3.48	:	3.00	N.A.	:	:	:	:
Stock markets ^{5.3}	Index	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Credit growth ^{5.4}	Ann. % ch	11.1	10.7	7.7	11.2	:	17.6	18.3	:	17.9	16.5	:
Deposit growth ^{5.5}	Ann. % ch	6.5	12.6	12.2	13.8	:	8.2	11.7	:	14.2	13.7	:
Non-performing loans ^{5.6}	% total	2.6	1.9	2.5	2.1	:	2.0	2.0	:	2.0	:	:
6 Fiscal developments												
General government revenue** ^{6.1}	% of GDP	26.3	26.8	25.4	27.7	:	13.9	22.0	:	N.A.	N.A.	N.A.
General government expenditure** ^{6.1}	% of GDP	29.2	29.7	33.0	28.9	:	12.1	19.2	:	N.A.	N.A.	N.A.
General government balance** ^{6.1}	% of GDP	-2.9	-2.9	-7.6	-1.3	:	1.8	2.8	:	2.8	1.4	:
General government debt*** ^{6.2}	% of GDP	17.0	17.6	22.4	21.9	:	20.8	20.5	:	N.A.	N.A.	N.A.

* Q figures refer to a 4 quarters moving average.

** M and Q figures refer to the cumulative balance divided by the estimated annual GDP.

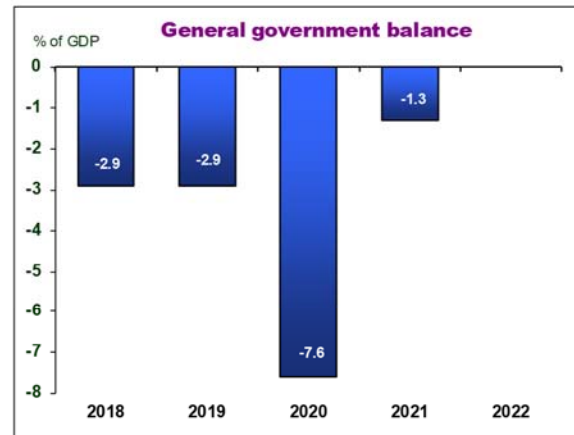
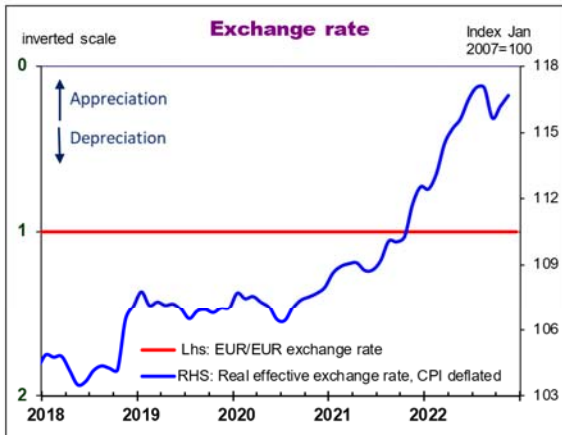
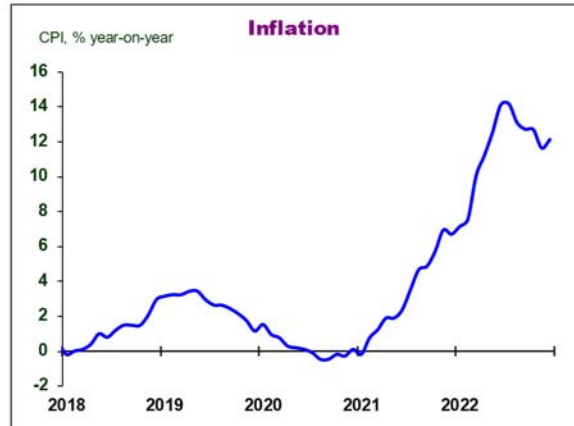
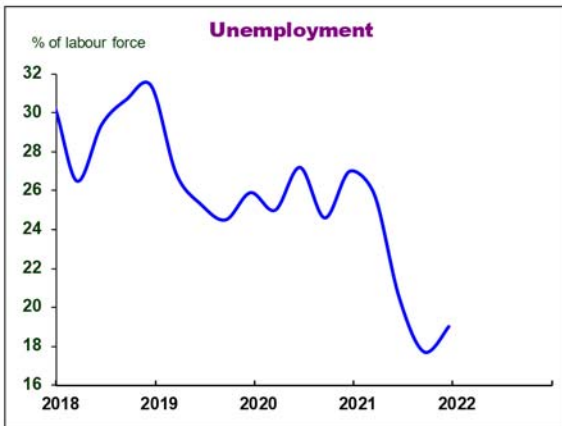
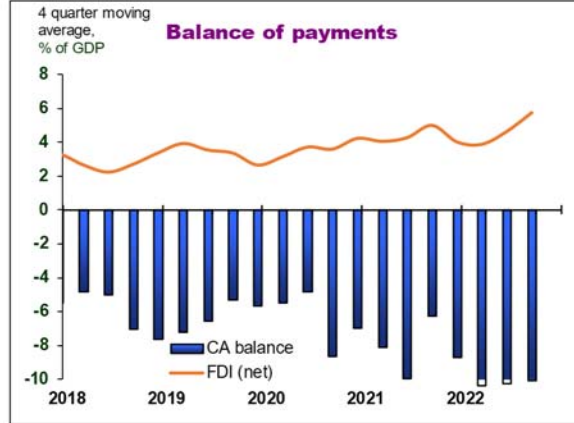
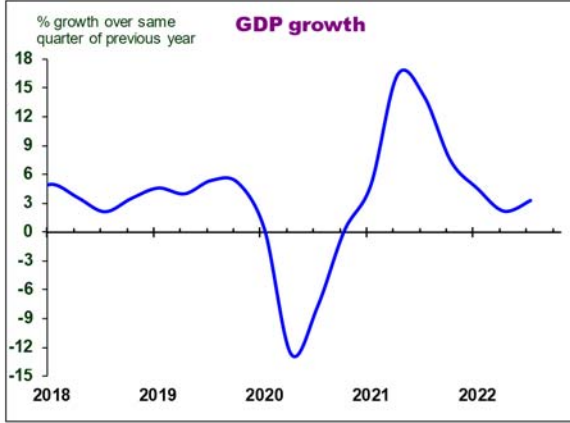
*** Q figures in percent of estimated annual GDP from the Budget Law.

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No.	Indicator	Note	Source ²
1. Real sector			
1.1.	Economic sentiment indicator	Surveys, EC Industry Survey, Industrial Confidence Indicator, SA	Eur.Commission
1.2.	Industrial production	Industrial production volume index	INSTAT
1.3.	Gross domestic product	Annual percentage change, volume	INSTAT
1.4.	Private consumption	Annual percentage change, constant prices, ALL, average prices of previous year	INSTAT
1.5.	Gross fixed capital formation	Annual percentage change, constant prices, ALL, average prices of previous year	INSTAT
1.6.	Construction index	Annual percentage change, volume index of construction	Eurostat
1.7.	Retail sales	Annual percentage change of index	Eurostat
2. Labour market			
2.1.	Unemployment	Unemployment rate of the age group between 15-64	INSTAT, LFS
2.2.	Employment	Annual percentage change of employed persons age 15-64	INSTAT, LFS
2.3.	Wages	Average monthly wages	INSTAT
3. External sector			
3.1.	Exports of goods	Annual percentage change of global exports, trade in mio. ALL	INSTAT
3.2.	Imports of goods	Annual percentage change of global imports, trade in mio. ALL	INSTAT
3.3.	Trade in goods balance	In percent of GDP, Q figures refer to a 4 quarters moving average	Bank of Albania
3.4.	Exports goods and services	In percent of GDP, Q figures refer to a 4 quarters moving average	Bank of Albania
3.5.	Imports goods and services	In percent of GDP, Q figures refer to a 4 quarters moving average	Bank of Albania
3.6.	Current account balance	In percent of GDP, Q figures refer to a 4 quarters moving average	Bank of Albania
3.7.	Direct investment (FDI, net)	In percent of GDP, Q figures refer to a 4 quarters moving average	Bank of Albania
3.8.	Reserves, International reserves of the Bank of Albania	Net foreign assets, total, mio EUR	Bank of Albania
3.9.	Reserves / months Imp	Ratio based on annual imports of goods and services	Bank of Albania
4. Monetary developments			
4.1.	CPI	Consumer Prices, all items, year-on year percentage change	INSTAT
4.2.	Producer prices	Year on Year percentage change of index	INSTAT
4.3.	Food prices	Year on Year percentage change of index "Food and Non-alcoholic Beverages"	INSTAT
4.4.	M3	Year on Year percentage change	Bank of Albania
4.5.	Exchange rate ALL/EUR	Period average	Bank of Albania
4.6.	Real effective exchange rate	Index 2007 = 100, CPI deflated, ALL	Bruegel Inst.
5. Financial indicators			
5.1.	Interest rate	Interbank Rates, TRIBOR, 3 Month, fixing	Bank of Albania
5.2.	Bond yield	Interest rate, 36 months deposits in ALL	Bank of Albania
5.3.	Stock markets	Not available	
5.4.	Credit growth	Annual percentage change of stock, loans, total	Bank of Albania
5.5.	Deposit growth	Annual percentage change of stock, total	Bank of Albania
5.6.	Non-performing loans	Of total loans in %	Bank of Albania
6. Fiscal developments			
6.1.	General gov. rev./exp./balance	Total revenue/expenditure/net lending; cash balance, in percent of GDP	Min. of Finance
6.2.	General government debt	Gross public debt in percent of annual GDP	Min. of Finance

² Data extracted via IHS Markit.



No.	Indicator	Note	Source ³
1. Real sector			
1.1.	Industrial confidence indicator	Surveys, EC Industry Survey, Industrial Confidence Indicator, SA	Eur. Commission
1.2.	Industrial production	Annual percentage change	MONSTAT
1.3.	Gross domestic product	Annual percentage change, annual data, chain index. ESA2010 from 2011 onwards, before ESA95.	MONSTAT
1.4.	Private consumption	Annual percentage change, annual data, chain index	MONSTAT
1.5.	Gross fixed capital formation	Annual percentage change, annual data, chain index	MONSTAT
1.6.	Construction index	Annual percentage change, value of performed work, current prices	Central Bank
1.7.	Retail sales	Annual percentage change, turnover, constant prices, total	MONSTAT
2. Labour market			
2.1.	Unemployment	In percent of active population, e.o.p.	MONSTAT
2.2.	Employment	Annual percentage change of registered employment, avrg.	MONSTAT
2.3.	Wages	Annual percentage change, average gross wages (nominal, in EUR)	MONSTAT
3. External sector			
3.1.	Exports of goods	Annual percentage change, thou. EUR	MONSTAT
3.2.	Imports of goods	Annual percentage change, thou. EUR	MONSTAT
3.3.	Trade in goods balance	In percent of GDP, Q figures refer to a 4 quarters moving average	MONSTAT
3.4.	Exports goods and services	In percent of GDP, Q figures refer to a 4 quarters moving average	Central Bank
3.5.	Imports goods and services	In percent of GDP, Q figures refer to a 4 quarters moving average	Central Bank
3.6.	Current account balance	In percent of GDP, Q figures refer to a 4 quarters moving average	Central Bank
3.7.	Direct investment (<i>FDI, net</i>)	In percent of GDP, Q figures refer to a 4 quarters moving average	Central Bank
3.8.	Reserves, International reserves of the National Bank	Claim on nonresidents, total, mio EUR	Central Bank
3.9.	Reserves / months Imp	Ratio of 12 months imports of goods and services moving average	Central Bank
4. Monetary developments			
4.1.	CPI	Consumer price index (from Jan. 2008, cost-of-living index before), annual average percentage change, moving base year	MONSTAT
4.2.	Producer prices	Annual percentage change	MONSTAT
4.3.	Food prices	Annual percentage change, food and non-alcoholic beverages, total, CPPY=100	MONSTAT
4.4.	M2	Annual percentage change, M2 (Intermediate money)	WiiW
4.5.	Exchange rate EUR/EUR	Use of the Euro since March 2002	
4.6.	Real effective exchange rate	Annual percentage change, CPI deflated	IMF
5. Financial indicators			
5.1.	Interest rate	Treasury Bills, 6 Month, auction, yield, average	Central Bank
5.2.	Bond yield	Long-Term Bond, 10 Year, Yield	Bloomberg
5.3.	Stock markets	MOSTE Index, Close	Mon. Stock Exch.
5.4.	Credit growth	Annual percentage change, commercial banks, assets, loans	Central Bank
5.5.	Deposit growth	Annual percentage change, commercial banks, liabilities, deposits	Central Bank
5.6.	Non-performing loans	% of total	Central Bank
6. Fiscal developments			
6.1.	General gov. rev./exp./balance	In percent of GDP	Min. of Finance
6.2.	General government debt	In percent of GDP	Min. of Finance

NORTH MACEDONIA Explanatory notes



No.	Indicator	Note	Source ³
1. Real sector			
1.1.	Industrial confidence indicator	Surveys, EC Industry Survey, Industrial Confidence Indicator, SA	Eur. Commission
1.2.	Industrial production	Annual percentage change, volume, excluding construction	State Stat. Office
1.3.	Gross domestic product	Real Gross Domestic Product, Total, Growth Rate (2005), NSA	State Stat. Office
1.4.	Private consumption	Real Final Consumption, Households including NPISH's, Growth Rate (2005), NSA	State Stat. Office
1.5.	Gross fixed capital formation	Real Gross Capital Formation, Growth Rate (2005), NSA	State Stat. Office
1.6.	Construction	Value Added, Economic Activity, Current Prices, MKD	State Stat. Office
1.7.	Retail sales	Annual percentage change, Retail trade, volume, total except fuel	State Stat. Office
2. Labour market			
2.1.	Unemployment	Unemployment rate of the age group between 15-64	State Stat. Office
2.2.	Employment	Annual percentage change of employed persons age 15-64	State Stat. Office
2.3.	Wages	Annual percentage change; average gross wages (nominal amount in Denar)	State Stat. Office
3. External sector			
3.1.	Exports of goods	Annual percentage change, fob	National Bank
3.2.	Imports of goods	Annual percentage change, cif	National Bank
3.3.	Trade in goods balance	In percent of GDP, Q figures refer to a 4 quarters moving average	National Bank
3.4.	Exports goods and services	In percent of GDP, Q figures refer to a 4 quarters moving average	National Bank
3.5.	Imports goods and services	In percent of GDP, Q figures refer to a 4 quarters moving average	National Bank
3.6.	Current account balance	In percent of GDP, Q figures refer to a 4 quarters moving average	National Bank
3.7.	Direct investment (<i>FDI, net</i>)	In percent of GDP, Q figures refer to a 4 quarters moving average	National Bank
3.8.	Reserves, International reserves of the National Bank	Foreign assets, mio EUR	National Bank
3.9.	Reserves / months Imp	Ratio of 12 months imports of goods and services moving average	National Bank
4. Monetary developments			
4.1.	CPI	Annual average percentage change, HICP not yet available for MK	State Stat. Office
4.2.	Producer prices	Annual percentage change, industrial products	State Stat. Office
4.3.	Food prices	Annual percentage change, food and non alcoholic beverages	State Stat. Office
4.4.	M3	Annual percentage change, M3 (Money supply)	National Bank
4.5.	Exchange rate MKD/EUR	Averages, spot close	National Bank
4.6.	Real effective exchange rate	Index 2005=100, CPI deflated, MKD	IMF
5. Financial indicators			
5.1.	Interest rate	Interbank Rates, SKIBOR, 3 Month, fixing	Macedonian Banking Assoc.
5.2.	Bond yield	Lending rate	IMF
5.3.	Stock markets	MSE Index (MBI-10)	Mac. Stock Exch.
5.4.	Credit growth	Annual percentage change, domestic credit, private, Banks and Saving houses, MKD	National Bank
5.5.	Deposit growth	Annual percentage change, private, Banks and Saving houses, MKD	National Bank
5.6.	Non-performing loans	In percent of total	National Bank
6. Fiscal developments			
6.1.	Central gov. rev./exp./balance	In percent of GDP	Min. of Finance
6.2.	Central government debt	In percent of GDP	Min. of Finance



No.	Indicator	Note	Source ³
1. Real sector			
1.1.	Industrial confidence indicator	Surveys, EC Industry Survey, Industrial Confidence Indicator, SA	Eur. Commission
1.2.	Industrial production	Total, Index, CPPY=100	Statistical Office
1.3.	Gross domestic product	Annual percent change at constant (average) prices 2002 Production approach	Statistical Office
1.4.	Private consumption	Annual percent change, Real Individual Consumption Expenditure, Household Sector (ESA2010) (2010), NSA	Statistical Office
1.5.	Gross fixed capital formation	Annual percent change, Real Gross Fixed Capital Formation (ESA2010) (2010), NSA	Statistical Office
1.6.	Construction index	Annual pc change, Value Index of Performed Works, Total CPPY=100, NSA	Statistical Office
1.7.	Retail sales	Annual pc change, retail trade turnover, constant prices, CPPY=100	Statistical Office
2. Labour market			
2.1.	Unemployment	In percent of total labour force, Labour Force Survey definition. Data as of 2021 according to new LFS methodology, data prior to 2021 revised according to new methodology	National Bank
2.2.	Employment	Annual percentage change, based on LFS. Data as of 2021 according to new LFS methodology, data prior to 2021 revised according to new methodology	National Bank
2.3.	Wages	Gross wages annual percentage change; average growth rate, nominal	Statistical Office
3. External sector			
3.1.	Exports of goods	Annual percentage change, mio. EUR, fob	Statistical Office
3.2.	Imports of goods	Annual percentage change, mio. EUR, cif	Statistical Office
3.3.	Trade in goods balance	In percent of GDP, Q figures refer to a 4 quarters moving average	National Bank
3.4.	Exports goods and services	In percent of GDP, Q figures refer to a 4 quarters moving average	National Bank
3.5.	Imports goods and services	In percent of GDP, Q figures refer to a 4 quarters moving average	National Bank
3.6.	Current account balance	In percent of GDP, Q figures refer to a 4 quarters moving average	National Bank
3.7.	Direct investment (<i>FDI, net</i>)	In percent of GDP, Q figures refer to a 4 quarters moving average	National Bank
3.8.	International reserves NBS	Total, mio EUR	National Bank
3.9.	Reserves / months Imp	Ratio of 12 months imports of goods and services moving average	National Bank
4. Monetary developments			
4.1.	CPI	Consumer Prices, Total, CPPY, average	Statistical Office
4.2.	Producer prices	Annual average percentage change, domestic market	Statistical Office
4.3.	Food prices	Annual pc, food and non-alcoholic beverages, CPPY=100	Statistical Office
4.4.	M3	Annual percentage change, M3 (broad money), RSD	National Bank
4.5.	Exchange rate RSD/EUR	Spot Rates, close, period average	National Bank
4.6.	Real effective exchange rate	Index 2005 = 100, period average, RSD	National Bank
5. Financial indicators			
5.1.	Interest rate	Interbank Rates, BELIBOR, 3 Month, fixing	National Bank
5.2.	Bond yield	Weighted average interest rate on 10Y RSD government bonds	National Bank
5.3.	Stock markets	Belgrade Stock Exchange, BELEXfm index, price return, close, RSD	Belgrade Stock Exchange
5.4.	Credit growth	Annual percentage change, domestic credit, private, RSD	National Bank
5.5.	Deposit growth	Annual percentage change, deposits, nonmonetary sector, total, RSD	National Bank
5.6.	Non-performing loans	Gross Non-Performing Loan Ratio	National Bank
6. Fiscal developments			
6.1.	General gov. rev./exp./balance	Consolidated GG, total revenue/expenditure/net lending; overall balance, in percent GDP	Min. of Finance
6.2.	General government debt	Central government debt. In percent of GDP	Min. of Finance



No.	Indicator	Note	Source ³
1. Real sector			
1.1.	Industrial confidence indicator	Surveys, EC Industry Survey, Industrial Confidence Indicator, SA	Eur. Commission
1.2.	Industrial production	Annual percentage change, volume (index 2015)	Turkstat
1.3.	Gross domestic product	Annual percentage change	Turkstat
1.4.	Private consumption	Annual percentage change, index (2009 prices)	Turkstat
1.5.	Gross fixed capital formation	Annual percentage change	Turkstat
1.6.	Construction index	Annual percentage change, construction turnover index, calendar adjusted	Turkstat
1.7.	Retail sales	Retail trade, annual percentage change, volume, calendar adjusted, 2015=100	Turkstat
2. Labour market			
2.1.	Unemployment	In percent of total labour force, total, Labour Force Survey data	Turkstat
2.2.	Employment	Annual percentage change, total, Labour Force Survey data	Turkstat
2.3.	Wages	Annual percentage change, total hourly earnings, Index 2015 = 100	Turkstat
3. External sector			
3.1.	Exports of goods	Annual percentage change, mio. USD, fob	Turkstat
3.2.	Imports of goods	Annual percentage change, mio. USD, cif	Turkstat
3.3.	Trade in goods balance	In percent of GDP, Q figures refer to a 4 quarters moving average	Central Bank
3.4.	Exports goods and services	In percent of GDP, Q figures refer to a 4 quarters moving average	Central Bank
3.5.	Imports goods and services	In percent of GDP, Q figures refer to a 4 quarters moving average	Central Bank
3.6.	Current account balance	In percent of GDP, Q figures refer to a 4 quarters moving average	Central Bank
3.7.	Direct investment (<i>FDI, net</i>)	In percent of GDP, Q figures refer to a 4 quarters moving average, direct investment in reporting economy minus direct investment abroad	Central Bank
3.8.	Reserves, International reserves of the National Bank	Gross international reserves, mio EUR, eop	Central Bank
3.9.	Reserves / months Imp	Ratio of 12 months imports of goods and services moving average	Central Bank
4. Monetary developments			
4.1.	CPI	Annual percentage change, index 1994, Interim HICP is not available	Turkstat
4.2.	Producer prices	Annual percentage change, wholesale prices index (1994)	Turkstat
4.3.	Food prices	Annual pc, Food and Non-alcoholic Beverages, Total, TRY, 2003=100	Turkstat
4.4.	M3	Money supply M3, total, TRY	Central Bank
4.5.	Exchange rate YTL/EUR	Period averages	ECB,IMF
4.6.	Real effective exchange rate	Index 2003 = 100, period averages	BIS
5. Financial indicators			
5.1.	Interest rate	TLREF: Turkish Lira Overnight Reference Rate. Before 2019: Interbank Rates, TRLIBOR, 3 Month, fixing	Borsa Istanbul
5.2.	Bond yield	Government Benchmarks, 10 Year Bond, Yield	Eurostat, iBoxx
5.3.	Stock markets	ISE index, trading volume (business), January 1986 = 1 Turkish Lira	Ist. Stock Exch.
5.4.	Credit growth	Annual percentage change, banking system, total loans, TRY	Central Bank
5.5.	Deposit growth	Annual percentage change, banking system, total deposits, TRY	Central Bank
5.6.	Non-performing loans	In percent of total loans	BDDK
6. Fiscal developments			
6.1.	General gov. rev./exp./balance	General government, in percent of GDP	Min. of Treasury and Finance
6.2.	General government debt	In percent of GDP (EU standards; defined by the Ministry of Treasury and Finance)	Min. of Treasury and Finance



No.	Indicator	Note	Source ³
1. Real sector			
1.1.	Industrial confidence indicator	Not available	
1.2.	Industrial production	Production, total, Index 2010=100, Annual percentage change	Agency for Stat.
1.3.	Gross domestic product	Annual percentage change	Agency for Stat.
1.4.	Private consumption	Annual percentage change, Households, Total, Chain index	Agency for Stat.
1.5.	Gross fixed capital formation	Annual percentage change	Agency for Stat.
1.6.	Construction index	Annual percentage change, residential construction, completed dwellings m2, eop annual percentage change	Agency for Stat.
1.7.	Retail sales	Retail trade, annual percentage change, volume, 2015=100	Agency for Stat.
2. Labour market			
2.1.	Unemployment	Labour Force Survey, in percent of total labour force	Agency for Stat.
2.2.	Employment	Total, annual percentage change	Agency for Stat.
2.3.	Wages	Annual percentage change, average gross wages, BAM	Agency for Stat.
3. External sector			
3.1.	Exports of goods	Annual percentage change, mio. BAM, General merchandise, FOB	Agency for Stat.
3.2.	Imports of goods	Annual percentage change, mio. BAM, General merchandise, FOB	Agency for Stat.
3.3.	Trade in goods balance	In percent of GDP, Q figures refer to a 4 quarters moving average	Central Bank
3.4.	Exports goods and services	In percent of GDP, Q figures refer to a 4 quarters moving average	Central Bank
3.5.	Imports goods and services	In percent of GDP, Q figures refer to a 4 quarters moving average	Central Bank
3.6.	Current account balance	In percent of GDP, Q figures refer to a 4 quarters moving average	Central Bank
3.7.	Direct investment (<i>FDI, net</i>)	In percent of GDP, Q figures refer to a 4 quarters moving average	Central Bank
3.8.	Reserves, International reserves of the National Bank	Gross foreign reserves, total, mio EUR	Central Bank
3.9.	Reserves / months Imp	Ratio of 12 months imports of goods and services moving average	Central Bank
4. Monetary developments			
4.1.	CPI	All Items, with temporary reductions of prices, index CPPY=100	Agency for Stat.
4.2.	Producer prices	Domestic, total, index CPPY=100	Agency for Stat.
4.3.	Food prices	Annual pc change, food and non-alcoholic beverages, 2005=100	Agency for Stat.
4.4.	M2	Annual percentage change, M2 (broadest money)	Central Bank
4.5.	Exchange rate BAM/EUR	Period averages, spot rates, close	Central Bank
4.6.	Real effective exchange rate	Index (2010=100); 9 Trade partners selected in order to set up the index (AT, FR, DE, HU, IT, SLO, HR, RS, CH)	Central Bank
5. Financial indicators			
5.1.	Interest rate	Not available	
5.2.	Bond yield	Not available	
5.3.	Stock markets	SASX-10 Index, close	Sarajevo Stock Exchange
5.4.	Credit growth	Annual percentage change, loans, total, BAM	Central Bank
5.5.	Deposit growth	Annual percentage change, deposits, total, BAM	Central Bank
5.6.	Non-performing loans	NPLs to total loans, BAM, End of period	Central Bank
6. Fiscal developments			
6.1.	General gov. rev./exp./balance	In percent of GDP, consolidated budget	Central Bank
6.2.	General government debt	In percent of GDP, external public debt	Central Bank



No.	Indicator	Note	Source ³
1. Real sector			
1.1.	Industrial confidence indicator	Not available	
1.2.	Industrial production	Annual percentage change	Central Bank
1.3.	Gross domestic product	Annual percentage change	Statistical Office of Kosovo (SOK)
1.4.	Private consumption	Annual percentage change	SOK
1.5.	Gross fixed capital formation	Annual percentage change	SOK, Eurostat
1.6.	Construction index	Not available	
1.7.	Retail sales	Wholesale Trade and Retail Sales, Retail Trade Turnover Value Index, Retail Sale in Non-Specialised Stores, 2013=100, NSA	SOK
2. Labour market			
2.1.	Unemployment	In percent of total labour force	SOK
2.2.	Employment	Annual pc change of number of employees, LFS 2012 onwards	SOK
2.3.	Wages	Annual pc change, average monthly wages (Tax Register)	SOK
3. External sector			
3.1.	Exports of goods	Annual percentage change, thou. EUR	SOK
3.2.	Imports of goods	Annual percentage change, thou. EUR	SOK
3.3.	Trade in goods balance	In percent of GDP, Q figures refer to a 4 quarters moving average	SOK
3.4.	Exports goods and services	In percent of GDP, Q figures refer to a 4 quarters moving average	Central Bank
3.5.	Imports goods and services	In percent of GDP, Q figures refer to a 4 quarters moving average	Central Bank
3.6.	Current account balance	In percent of GDP, Q figures refer to a 4 quarters moving average	Central Bank
3.7.	Direct investment (<i>FDI, net</i>)	In percent of GDP, Q figures refer to a 4 quarters moving average	Central Bank
3.8.	Reserves, International reserves of the National Bank	CBAK Survey, claims on non-residents, mio EUR	Central Bank
3.9.	Reserves / months Imp	Ratio of 12 months imports of goods and services moving average	Central Bank
4. Monetary developments			
4.1.	CPI	Annual average percentage change, index (May 2002 = 100)	Central Bank
4.2.	Producer prices	Annual percentage change, total, 2007=100	SOK
4.3.	Food prices	Annual percentage change, food and non-alcoholic beverages, CPPY=100	Central Bank
4.4.	M2	Annual percentage change, M2 (deposits included in broad money)	SOK
4.5.	Exchange rate EUR/EUR	Not applicable	
4.6.	Real effective exchange rate	Index 2007=100, CPI deflated	Central Bank
5. Financial indicators			
5.1.	Interest rate	Short-Term Treasury Bills yield	Central Bank
5.2.	Bond yield	Long-Term Bonds, over 5 Years up to 10 Years, Yield	Central Bank
5.3.	Stock markets	Not available	
5.4.	Credit growth	Annual percentage change, ODC balance sheet, assets, gross loss and lease financing	Central Bank
5.5.	Deposit growth	Annual percentage change, ODC deposits	Central Bank
5.6.	Non-performing loans	In percent of total	IMF
6. Fiscal developments			
6.1.	General gov. rev./exp./balance	In percent of GDP	Min. of Finance
6.2.	General government debt	In percent of GDP	Min. of Finance

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