BOSNIA AND HERZEGOVINA | CROATIA | MONTENEGRO | NORTH MACEDONIA | SERBIA | SLOVENIA

SEE-6

Economic Outlook

SEEA is an international organization with the aim to: promote economic research in Southeastern Europe; foster networking and regional cooperation among the member institutes; develop joint research programs; organize joint scientific conferences, round tables and meetings on a national level.

CONTENT

2 BOSNIA AND HERZEGOVINA — After recovering from the COVID-19 pandemic, the B&H economy is facing new challenges

10 CROATIA — Economic growth is expected to decelerate by the end of 2022 due to the impact of high inflation and energy prices

18 MONTENERGRO — Growing challenges for the Montenegrin economy in a time of health and geopolitical crisis

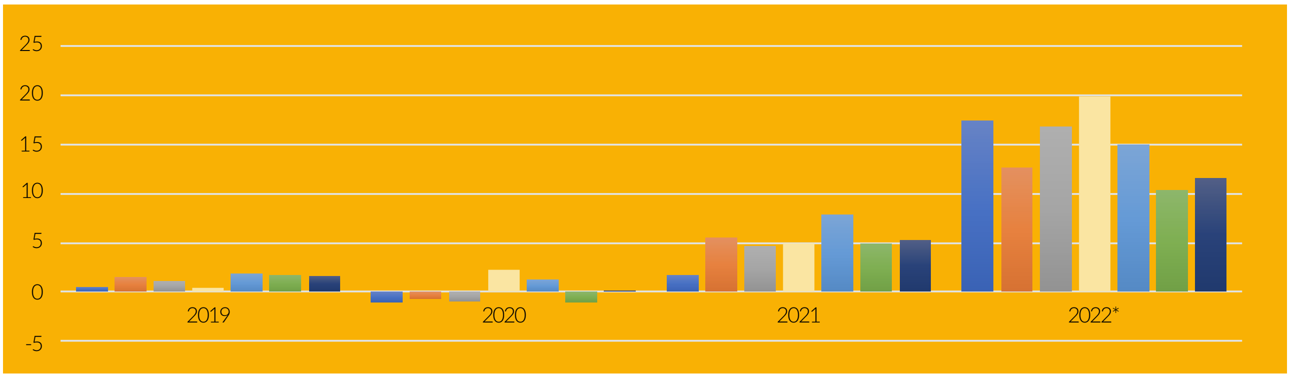
28 NORTH MACEDONIA — The economy in the face of rising price pressures and prolonged supply chain disruptions

36 SERBIA — Post-pandemic recovery challenged by the high inflation, issues in the energy sector, and a rising trade deficit

48 SLOVENIA — Russia's invasion of Ukraine sets back post-COVID economic recovery

56 ANALYSIS — FDI flows in SEE countries in times of crises

INFLATION RATE, AVERAGE CONSUMER PRICES (ANNUAL PERCENTAGE CHANGE)



Data: IMF, 2022
*Only for October 2022
Source: Agency for Statistics of B&H, Statistical Office of Montenegro, State Statistical Office of the Republic of North Macedonia, Statistical Office of the Republic of Serbia, Eurostat

seea | Vol. **8** | No. **2** | December 2022 | e-ISSN **1849-8884** | ISSN **1849-8817**

BOSNIA AND HERZEGOVINA

After recovering from the COVID-19 pandemic, the B&H economy is facing new challenges

Growth in real economic activity, despit rising prices

Bosnia and Herzegovina's economy has recovered from the COVID-19 pandemic. Growth of 7.1% was recorded in 2021, fueled by strong external demand, pent-up domestic spending, and a rebound in tourism. Strong economic activity also reflected the authorities' COVID-19 related measures and their decision not to impose lockdowns during the Delta and Omicron variants despite a surge in cases amid vaccine hesitancy.

After record growth in 2021, industrial production growth in 2022 was moderate. The total growth of industrial production in the first semester of 2022 was 4.0% on a year-on-year basis. Compared to the first half of 2019, a growth of 6.1% was recorded. While analyzing industrial areas, the highest growth in the second quarter was recorded in manufacturing. Moderate growth was recorded in electricity production, while mining activities remained unchanged. Industrial production growth was a major contributor to the strong growth of exports of goods and services.

Prospects of economic activity are affected by domestic tensions and a lack of consensus on reforms to enhance the integration of the economy internally and with international markets. Structural reforms are critical to improving the business environment, stimulating private-sector employment, and tackling corruption. Work on these reforms needs to resume as soon as possible.

Positive trends in the labour market continued

Labour market data for the first two quarters indicate the extension of positive trends from the previous year. In the second quarter of 2022, a record-low number of unemployed persons was reported. Although employment numbers are growing, the pre-pandemic level was exceeded only at the end of 2021. The sharper decline in the number of unemployed compared to employment growth can be explained by negative demographic trends, new waves of population, and workforce migration, which are especially prevalent among the younger population.

Compared to the pre-pandemic period, the number of employees decreased in the real estate business, mining, hotels, and catering. The largest increase in employment was recorded in information and communication and administrative and supporting service activities.

The average net salary at the end of the second quarter, compared to the same month in 2021, was nominally higher by 12.9%. However, due to the record increase in consumer prices, real net wages were reduced, resulting in a falling standard of living.

Strong inflationary pressure in the first half of 2022

Record growth in average consumer prices was recorded in the second quarter of 2021. This is mostly a consequence of the strong increase in energy, food, and production materials prices in international markets. Partly due to the lower base in previous years, the growth of consumer prices was significantly faster compared to Eurozone. For the first half of 2022, an increase in consumer prices of 11.4% on a year-on-year basis was recorded. By the end of 2022, inflation is expected to grow further but at a lower intensity.

Food prices were drawing the inflation surge - almost half of the total inflation was related to food and non-alcoholic beverages. Hence, the population's perception of inflation is even higher than the official numbers.

As a result of growing trade union pressure, there are signs of a spiral between nominal wages and inflation in the first semester of 2022. However, the average nominal salary did not fully follow the growth of inflation, resulting in negative real salary growth.

The growth of producer prices in the first semester of 2022 was 18.5% on a year-on-year basis. Analyzing industrial areas, the highest price growth was recorded in manufacturing - 26.4% on an annual basis.

The trend of high growth rates of foreign trade continued

The trend of high growth rates in foreign trade continued in the first semester of 2022. This can be associated with low base values from the previous period, but only in the first few months. The largest part of the increase in trade value is related to the increase in prices of the most important groups of products, primarily mineral fuels, electricity, and base metals. The value of exports in the first six months of the current year amounted to 4.16 billion EUR, which represents an annual growth of 39.9%. The value of imports in the same period amounted to 7 billion EUR, representing an annual growth of 42.5%. The trade deficit in the first six months amounted to 2.35 billion EUR, and on an annual basis, it was higher by 1.49 billion BAM.

Although some positive trends were recorded in the services sector, the growing goods account deficit led to a worsening balance of payments position of the country. The current account deficit (nominally and as a percentage of GDP) has grown significantly - on an annual basis, it increased by 3.18 percentage points to a level of 4.34%. The trade deficit continued to deepen in the second quarter as well, with exceptionally high annual growth rates of both exports and imports.

Incomes from the wages of employees working abroad, despite growing, are still below the pre-pandemic level. Workers' remittances recorded an annual growth of 14.1% in the first quarter. Pensions from abroad, a category that has been a stable source of income for years, recorded an annual decline for the fourth quarter in a row.

The current account deficit is mostly financed by private-sector borrowing as well as direct foreign investments. Net foreign borrowing in the first quarter was significantly below the current account deficit, resulting in decreased reserve assets.

Positive credit growth rates

In the first two quarters of 2022, positive credit growth rates were recorded in the most important segments of the credit market. Acceleration of credit growth occurs in conditions of extremely high bank liquidity and a double-digit inflation rate. At the quarterly level, there was a noticeable growth in loans to households and moderate credit growth in loans to non-financial companies. On the opposite, banks continue to reduce their credit exposure to public non-financial companies. In most other credit market segments, compared to the first quarter, there was no credit expansion.

Fiscal indicators have further improved in the first half of 2022

Fiscal indicators have further improved in the first half of 2022, but strong inflationary pressures are still a challenge to all levels of government in Bosnia and Herzegovina. Continuous inflationary pressures led to higher nominal allocations for pensions and salaries in the public sector.

At the end of the first quarter, the primary fiscal balance of the general government recorded a significant surplus (246.9 million EUR) which is the result of strong revenue growth, especially from indirect taxes. An increase in domestic consumption and import is primarily a reflection of price growth.

The total public debt at the end of the first quarter of 2022, according to the Maastricht criteria, amounted to 6.69 billion EUR. External indebtedness was raised by EUR 38 million in the second quarter. Domestic government debt raised by EUR 61.4 million. The exposure of the banking sector to the general government sector (loans and securities) at the end of June was 8.5% of the total assets of the banking sector. Total government debt is still below 35%.

Table BH1 Main economic indicators

	2021				Total 2021 year	2022	
	Q1	Q2	Q3	Q4		Q1	Q2
ECONOMIC ACTIVITY							
Real GDP (% change, yoy)	-8.1	15.7	11.2	12.0	**7.7**	5.8	5.9
Real private consumption (% change, yoy)	4.3	9.4	0.5	4.6	**4.7**	3.6	3.4
Real government consumption (% change, yoy)	2.7	4.6	4	1.2	**3.1**	2.9	0.3
Real investment (% change, yoy)	-46.7	58.6	31.6	49.0	**23.1**	24.8	23.8
Industrial output (% change, yoy)	2.8	6.8	6.6	13.1	**7.3**	3.2	4.4
Unemployment rate (LFS, % pa)	19.1	18.1	16.4	16.1	**17.4**	16.7	15.7
Nominal GDP (EUR million)	4,360	5,333	5,530	5,189	**20,411**	4,789	6,099
GDP per capita (EUR)	1,263	1,545	1,601	1,503	**5,911**	1,387	1,766
PRICES, WAGES AND EXCHANGE RATES							
Implicit GDP deflator (% change, yoy)	2.9	3.6	5.3	6.8	**4.7**	2.0	6.9
Consumer prices (% change, yoy, pa)	0.7	1.1	1.5	5.1	**2.1**	8.4	11.4
Producer prices (% change, yoy, pa)	2.5	5.4	7.6	10.3	**9.1**	16	18.5
Average gross wage (% change, yoy, pa)	3.4	4.3	4.5	5.2	**4.3**	8.9	11.9
Exchange rate (BAM/EUR, pa)	1.95	1.95	1.95	1.95	**1.95**	1.95	1.95
Exchange rate (BAM/USD, pa)	1.62	1.62	1.66	1.71	**1.65**	1.74	1.83
FOREIGN TRADE AND CAPITAL FLOWS							
Exports of goods (EUR million)	1,573	1,757	1,843	2,146	**7,320**	2,195	2,452
Exports of goods (EUR, % change, yoy)	16.8	47.5	36.7	42.2	**35.8**	39.92	39.96
Imports of goods (EUR million)	2,258	2,672	2,921	3,233	**11,084**	3,221	3,784
Imports of goods (EUR, % change, yoy)	2.7	39.6	32.5	37.7	**28.1**	43.05	42.01
Current account balance (EUR million)	-51	-173	-63	-124	**-411**	-417	N/A
Current account balance (% of GDP)	-1.1	-3.6	-1.3	-2.5	**-2.1**	-4.3	N/A
Foreign Direct Investment net inflows (EUR million)	182	277	148	-97	**510**	103	148
Foreign exchange reserves (EUR million, eop)	7,091.1	697.4	725.0	7,882.1	**7,882.1**	8,359.1	8,158.7
Foreign debt (EUR million, eop)	6,843.1	6,940.3	7,026.2	7,077.3	**7,077.3**	7,313.0	7,241.9
GOVERNMENT FINANCE							
Revenues (BAM million)	1,631.8	1,733.7	1,906.2	1,790.2	**7,062.0**	1,815.1	N/A
Expense (BAM million)	1,490.8	1,642.1	1,638.2	1,999.9	**6,771.0**	1,568.3	N/A
Net = Gross operating balance	141.0	91.6	268.1	-209.6	**291.0**	246.9	N/A
Net acquisition of non-financial assets (BAM million)	30.7	47.7	40.3	147.6	**266.3**	11.2	N/A
Net lending/borrowing (BAM_million)	110.3	43.9	227.7	-357.2	**24.6**	235.6	N/A
Domestic government debt (EUR million, eop)	1,068.7	1,004.3	967.0	882.7	**883**	898.4	959.9
Foreign government debt (EUR million, eop)	4,525	4,663	4,665	4,824	**4,824**	4,775	4,813
Total government debt (eop. % of GDP)	37.3	38.6	38.4	38.8	**34.4**	34.1	34.3
MONETARY INDICATORS							
Narrow money, M1 (% change, yoy, eop)	14.5	17.2	18.9	19.1	**19.1**	10.4	7.7
Broad money, M4 (% change, yoy, eop)	8.6	11.1	11.9	11.6	**11.6**	4.4	2.8
Total domestic credit (% change, yoy, eop)	-1.3	2	2.9	3.6	**3.6**	3.8	4.4
DMBs credit to households (% change, yoy, eop)	0.7	3.6	4.3	5.5	**5.5**	5.6	5.6
DMBs credit to enterprises (% change, yoy, eop)	-2.1	-5.8	1.4	2.2	**2.2**	2.8	3.9
Money market interest rate (%, pa)	3.2	3.1	3.3	3	**3.2**	N/A	N/A
DMBs credit rate for enterprises short-term (%, pa)	3.7	3.7	3.7	3.7	**3.7**	3.4	3.6
DMBs credit rate for households short-term (%, pa)	5.6	5.4	5.1	5.4	**5.4**	5.1	5.8

Conventional abbreviations: pa - period average, eop – end of the period, yoy – year on year, BAM – Bosnia and Herzegovina convertible mark, EUR- euro, USD – U.S. dollar, DMB – deposit money bank.
Source: Agency for Statistics of BiH, The World Bank in BiH, The Central Bank of Bosnia and Herzegovina

Policy assumptions and projections summary

Continued economic growth under the assumption of a short-lived crisis

A key basis for assessing economic trends in Bosnia and Herzegovina in the 2022-2024 period will represent trends in economic activity in the external environment and the development of the situation related to the war in Ukraine. In addition to these external dynamics, an important determinant in generating economic growth in Bosnia and Herzegovina during this period will be internal dynamics through the implementation of structural reforms in the country.

Considering the above factors, and according to the projections for the 2022-2024 period, real output growth is expected to decelerate to 4 percent in 2022 as private consumption slows due to the erosion of disposable income because of high inflation and a deterioration in net exports significantly softening the rise in aggregate demand. By 2024, real output growth is projected to reach 3.2 %, driven largely by a pickup in private consumption supported by remittances and a tightening labour market. Investment in energy and infrastructure (such as windmills and Corridor Vc4) will add to the growth stimulus over the medium term, although not to the same extent as in 2021 and 2022.

Strong exports are likely to be offset by higher imports in part for infrastructure projects, keeping the trade balance to around 25 percent of GDP over the next two years. This, in turn, is likely to widen the current account deficit to over 5.3 percent of GDP in 2023 and just below 4.5 percent of GDP in 2024, despite a shift to fiscal surpluses over the medium term. As general elections are completed, fiscal policy is expected to result in a balanced budget in 2023 and a fiscal surplus of close to 1 percent in 2024. Public debt is, nevertheless, expected to hover around 35 percent of GDP due to the rollover of amortization payments coming due. Following the elections, the attention of policymakers could turn to the structural reform agenda for EU accession.

Considering energy market disruptions from the war in Ukraine, inflationary pressures are now assumed to last longer than initially expected. Hence, inflation is projected at 11 percent in 2022, stabilizing in 2023–24 at rates seen before the pandemic, at around 2 percent and lower. Phased-out pre-election spending and one-off expenditures in response to the price shock will partially be offset by higher interest payments. However, a return to fiscal surpluses is expected by 2024.

Table BH2 Summary of projections

	2022	2023	2024
Real GDP (% change)	**4.0**	**2.8**	**3.2**
Real final consumption (% change)	2	1.7	1.7
Real investment (% change)	4.3	0.9	0.5
Exports of goods and services (constant prices, % change)	3.5	2.7	2.8
Imports of goods and services (constant prices, % change)	5.8	2.7	1.9
Current account balance (% of GDP)	-3.1	-5.3	-4.4
Consumer prices (% change, pa)	11	2	0.5
Exchange rate, national currency/EUR (pa)	1.95	1.95	1.95
Unemployment rate (LFS, %, pa)	17	16.5	N/A
General government balance (ESA 2010 definition, % of GDP)	-0.9	0.1	0.8
Total domestic credit (% change, eop)	4.5	6	N/A
Total domestic credit (% change, eop)	4.5	6.0	N/A

Source: Agency for Statistics of BiH, The World Bank in BiH, The Central Bank of Bosnia and Herzegovina

CROATIA

Economic growth is expected to decelerate by the end of 2022 due to the impact of high inflation and energy prices

Growth in the first half of 2022 continued to be strong

In the first half of 2022, the Croatian economy continued to have strong growth performance in both Q1 and Q2, with an increase in real GDP of 7.0% and 7.7%, respectively, according to the Croatian Bureau of Statistics. That came out better than expected as the previous forecasts have foreseen much lower growth rates due to possible negative impacts of the war in Ukraine, especially on the tourist sector. Notwithstanding negative risks, Croatia continued to be among the highest growth performers in the EU in the first two quarters of 2022.

Based on the good growth results for the first two quarters and the continuance of very good results of tourist season surpassing in some periods its pre-pandemic levels of income, the Croatian Government in October 2022 revised its earlier 2022 forecasts upwards from 3% to 5.7%. Croatian National Bank also revised its forecasts for 2022, but to a more cautious 5.5%, considering mounting negative global macroeconomic implications of high inflation and energy prices. Most of the latest domestic projections of independent analysts also expect

a significant slowing down of the economy by the end of the year. The latest economic forecasts of international organizations also reflect such concerns but are currently a bit more optimistic. For instance, in the recent European Economic Forecast Autumn 2022 (November 2022), the European Commission foresees that Croatia will achieve a GDP growth rate of 6%. The World Bank for Croatia expects a growth rate of 6.4% (Europe and Central Asia Economic Update Fall 2022), while the IMF, in its World Economic Outlook (October 2022), projects that the Croatian economy will grow 5.9% in 2022.

Major factors contributing to economic growth in 2022

Despite the negative growth risks, further increases in foreign and especially domestic demand have continued to exert a strong positive contribution to overall economic growth in Croatia in the first half of 2022. This contribution relates in particular to further strong growth of exports of goods and further expansion of export of services. It is interesting to note that exports of goods have continued to increase their shares in the world markets despite the deterioration of the global market conditions due to the conflict in Ukraine.

As for the other dominant positive growth factor, further increases in personal consumption have continued to drive the rise of domestic demand and consequent strong economic growth. The growth rates of personal consumption have remained strong despite uncertainties and concerns brought by war, inflation, and rising energy costs (6.3% in Q1 and 7.7% in Q2). The factors behind increased personal consumption are high household savings during the pandemic, a further increase in net wages in 2022, and a rise in employment levels due to a general increase of demand for labour in all sectors of the economy, especially in the tourism and construction sectors. All of these factors contributed to an additional increase of private consumption. However, it is important to mention that inflation started to eat out and deteriorate purchasing power of both the population and business sector. Namely, despite an increase in wages and disposable income, mounting inflation pressures resulted in an erosion of the real value of both savings and earnings, bringing a marked decline in consumer confidence and optimism. Such a trend is expected to intensify further in the second half of 2022.

However, government consumption moderated compared to 2021 and, after an increase of 5.9% in the first quarter of 2022, experienced a negative growth rate of -2.2 % in the second quarter. The main reason is that most pandemic measures, which were very much present in Q1 due to the expansion of the new wave of the Omicron virus, were reduced significantly or even completely lifted up in Q2. Naturally, these actions immediately impacted a contraction of government spending.

Growth of total real investments has moderated in the first half of 2022, especially in the second quarter (from 7.9% in Q1 to 5.0%), but remained rather strong despite the new global uncertainties, thanks mainly to large public infrastructure projects financed by EU structural and investment funds. One of the largest projects was the Pelješac Bridge, which was completed and opened for traffic in July 2022. The post-pandemic revival of private investments also continued in the first half of 2022, although with less intensity due to risks and uncertainties brought by the war in Ukraine. Nevertheless, total investments had a substantial positive contribution to the level of growth achieved in the first half of 2022 and are expected to continue to play this role in the future.

The strong growth of both exports and imports continued

The exports of goods and services continued their expansion in Q1 and Q2 of 2022 at very strong yearly rates, following the global demand recovery and, in particular, in Croatia's main trading partners. Exporting goods was particularly strong in Q1, with an expansion rate of 29.4%. However, this expansion lost its steam in Q2 to 26.5%, reflecting the immediate impact of the war in Ukraine on foreign demand and disruptions in global value chains through rising prices of energy and raw materials.

At the same time, mirroring the new geo-political situation and rising prices, the imports of goods have expanded at much stronger rates than exports in Q2 (30.7%), thus negatively affecting a current account balance which melted a significant surplus achieved in 2021 from 3.2% of GDP to just 0.2% at the end of Q2. The profound worsening of trade terms on goods markets was offset almost entirely by the good results achieved in net exports of service sectors in the same period, thus stabilizing the overall account balance.

The services exports continue to expand significantly in the first half of 2022, despite the conflict in Ukraine. According to Croatian National Bank, this relates primarily to the tourist sector, which in Q2 generated income from foreign visitors matching a record pre-pandemic 2019, i.e., around 1.5 billion EUR.

Growth of industrial output moderated in 2022

In the first half of 2022, industrial output growth considerably moderated, from a relatively strong growth rate of 3.6% in Q1 to 2.7% in Q2. Such development is a result of higher producer expenditures mostly related to increased energy and raw material prices as well as intermediate industrial products at world markets due to disruptions in global supply chains caused by a conflict in Ukraine. An additional factor contributing to the contraction of industrial output in the domestic market was the occasional shortages of the workforce, especially in the construction industry. These uncertainties led to a moderated increase in industrial output in the first half of 2022.

The largest share of industrial output growth relates to exporting industries such as transport equipment, pharmaceuticals and chemical industries, electrical equipment and appliances, durable consumer goods, and processing industries. Electricity production has also been rising as an immediate reaction to the higher energy prices in the world market. Foreign demand for products of Croatian exporting industries in the first half of 2022 was still relatively strong in both EU and global markets, while it started to deteriorate noticeably in the months afterward.

Due to an increase in demand, shortages of labour continue

Labour market developments in the first half of 2022 continue to reflect the problems of rising demand for labour, which are limiting faster economic growth, especially in some economic sectors. Namely, the rising demand for workers was especially strong in the tourist sector, which continued to expand at fast rates, but also in construction, agriculture, and partly in the processing industry. The general shortages in the labour force were mitigated partly by lifting the quotas for foreign workers. However, although over 90,000 foreign workers poured into the labour market, it was still not enough to offset occasional shortages.

Strong economic growth positively influenced a further increase in employment levels and a decline in unemployment. The total cumulative rise in employment in the first six months of 2022 was 44,051 newly employed persons, while the total number of unemployed persons went down at the end of June 2022 to just about 105,000, which is a record low, according to data from Croatian Employment Service. At the same time, the data of the Labour Survey Force (LSF) indicate a slight seasonal rise of unemployment levels in both Q1 and Q2 by rates of 7.1% and 7.3%, respectively. Nevertheless, these levels were still much lower than the LSF average unemployment rate of 7.6% for the whole of 2021.

Budget deficit and government debt further shrink

The continuance of the strong growth had a very beneficial influence on the further consolidation of public finances. Thanks to the increase in Budget revenues, the level of the real Budget deficit has continued to shrink significantly in both quarters of 2022, even above the planned levels. It might be worth mentioning that high levels of inflation and increased tourist consumption also greatly contributed to the very dynamic rise of Budget revenues. As for the Budget expenditures side, a significant portion of expenses related to coping with the pandemic, including job-support subsidies, substantially declined. The total debt servicing costs also declined thanks to prudent debt management measures based on low-interest rates in earlier periods. All these developments enabled the Government to cope with rising costs for mitigating expanding energy and food prices resulting from the impact of war in Ukraine on citizens and the business sector. Related mitigating measures were mostly implemented through introduced price caps and reduction of indirect taxes and excises, but also through a wide spectrum of other measures directed to both population and business sectors.

Significant improvements in Budget deficit, despite the energy crises and high inflation effects, was one of the Maastricht reference criteria on the grounds of which the EU made a decision in July 2022 to accept Croatia as the new member of the Eurozone as of January 2023. Croatia complied with that indicator already in 2021 with a Budget deficit rate of 2.6% of

GDP. The most recent data presented by the Government in the final Proposal for Budget Revision (November 2022) indicate that Government expects a fiscal deficit of -1.4% of GDP, which is significantly below the required Maastricht reference level of 3%.

Rising inflation is eroding growth performance and living standard

In the first half of 2022, the CPI rates further expanded significantly on the wings of disruptions in the world oil and gas markets and the consequent rise of energy prices after the Ukraine conflict started. CPI reached the rate of 5.8% in Q1, while in Q2, it was already close to 10% (9.8%), with further acceleration in the summer months, reaching the highest levels of inflation in three decades.

The inflationary pressures on producer prices in the same period continued to be much more profound, and in Q1, they increased by 22.2%, while in Q2, they reached a record 30.1% rate making it very hard for the enterprise sector, especially SMEs to cope with such a rise of producer costs.

The Government in 2022 already intervened twice with substantial inflation-mitigating measures in effect from April and October 2022, aimed to restrain the spiral rise of prices to unbearable levels for both the population and business sectors. According to the Ministry of Finance, the estimated value of the measures in effect from October 2022 is close to 21 billion HRK, while both inflation-mitigating packages of measures are worth 25.8 billion HRK (3.43 billion EUR) or 6.3% of GDP. The Government introduced price caps for the most important energy sources, such as electricity, gas, and petrol, but also for basic food products, by lowering the VAT and excises. In addition, the Government introduced further income tax reductions and increases in the minimum wage, child allowances, pensions and stipends for students, etc. The wide spectrum of intervention measures also included energy vouchers and direct money transfers to pensioners and other socially vulnerable citizens such as the unemployed and poor. At the same time, to curb inflation, since September 2022, following European Central Bank recommendations, the banking sector has gradually introduced a mild increase in credit interest rates to restrain new demand for loans by households and the corporate sector (by 26 and 27 base points, respectively). Due to the high liquidity of the banking sector in 2022, these increases were much lower than in other EU countries. Further deterioration of financing conditions and larger increases in interest rates is more likely in 2023, with potentially greater negative effects on households with long-term mortgage loans.

The Government's mitigating measures have partly subdued inflationary pressures, which resulted in moderation of price increases that would otherwise explode. The Ministry of Finance anticipates that 2022 will end up with an average CPI rate of 10.4%, followed by a significant decline in the inflation rate to 5.7% in 2023. However, the Croatian Central Bank and some independent analysts reckon it might be higher as the October 2022 inflation rate reached a new record of 13.2%.

Table HR1 Main economic indicators

	2021 Q1	2021 Q2	2021 Q3	2021 Q4	Total 2021 year	2022 Q1	2022 Q2
ECONOMIC ACTIVITY							
Real GDP (% change, yoy)	-0.6	16.4	15.1	9.7	**10.2**	7.0	7.7
Real private consumption (% change, yoy)	-0.2	18.2	16.0	7.7	**10.1**	6.3	7.7
Real government consumption (% change, yoy)	-5.8	8.5	-4.5	14.4	**3.1**	5.9	-2.2
Real investment (% change, yoy)	5.0	18.1	7.6	0.8	**7.6**	7.9	5.0
Industrial output (% change, yoy)	3.1	12.4	3.5	5.4	**6.0**	3.6	2.7
Unemployment rate (LFS, % pa)	9.9	8.0	6.2	6.4	**7.6**	7.1	7.3
Nominal GDP (EUR million)	12,404	13,981	16,528	14,455	**57,342**	14,395	16,851
GDP per capita (EUR)	3,073	3,464	4,249	3,716	**14,747**	3,720	4,343
PRICES, WAGES AND EXCHANGE RATES							
Implicit GDP deflator (% change, yoy)	-2.0	3.4	4.4	-2,2	**3.2**	6.0	7.0
Consumer prices (% change, yoy, pa)	0.4	2.2	3.1	4.6	**2.6**	5.8	9.8
Producer prices (% change, yoy, pa)	6.8	10.9	19.7	9.5	**6.8**	22.2	30.1
Average gross wage (% change, yoy, pa)	4.4	4.0	4.9	4.3	**4.4**	7.0	8.4
Exchange rate (BAM/EUR, pa)	7.53	7.49	7.51	7.52	**7.53**	7.53	7.54
Exchange rate (BAM/USD, pa)	6.25	6.35	6.57	6.36	**6.25**	6.77	7.06
FOREIGN TRADE AND CAPITAL FLOWS							
Exports of goods (EUR million)	4,020	4,725	4,598	5,677	**19,021**	5,290	6,194
Exports of goods (EUR, % change, yoy)	7.4	36.0	13.1	24.7	**20.0**	29.4	26.5
Imports of goods (EUR million)	6,364	7,086	7,282	7,826	**28,559**	9,234	10,497
Imports of goods (EUR, % change, yoy)	2.6	31.9	12.4	15.0	**14.8**	25.2	30.7
Current account balance (EUR million)	-1,285	-838	4,373	-443	**1,807**	-2,782	-1,003
Current account balance (% of GDP)	0.3	0,6	3.7	-0.3	**3.2**	1.3	0.2
Foreign Direct Investment net inflows (EUR million)	742.5	1,042.4	1,495.1	650.0	**3,930.1**	865.8	850.1
Foreign exchange reserves (EUR million, eop)	21,084	21,586	24,366	24,373	**25,022**	24,198	25,274
Foreign debt (EUR million, eop)	43,687	44,417	44,551	44,802	**44,802**	45,595	46,728
GOVERNMENT FINANCE							
Revenues (HRK million)	45,797	47,983	54,894	52,859	**201,533**	48,850	55,257
Expense (HRK million)	49,805	52,973	51,137	58,961	**212,876**	49,017	53,073
Net = Gross operating balance	-3,173	-3,923	2,766	-3,233	**-11,086**	-930	418
Net acquisition of non-financial assets (HRK million)	-835	-1.066	-991	-3,869	**257**	-763	-1,766
Net lending/borrowing (HRK million)	-4,008	-4,989	3,757	-6,102	**-11,343**	-167	2,184
Domestic government debt (EUR million, eop)	28,962	29,438	30,498	30,194	**30,194**	29,757	30,614
Foreign government debt (EUR million, eop)	16,258	16,075	15,856	15,864	**15,864**	15,728	15,006
Total government debt (eop. % of GDP)	87.2	87.0	82.7	79.8	**79.8**	76.7	75.8
MONETARY INDICATORS							
Narrow money, M1 (% change, yoy, eop)	18.4	16.8	20.7	18.0	**18.0**	13.6	13.0
Broad money, M4 (% change, yoy, eop)	7.4	8.1	11.4	10.4	**10.7**	8.6	10.7
Total domestic credit (% change, yoy, eop)	2.5	3.9	4.1	3.6	**3.9**	4.2	7.6
DMBs credit to households (% change, yoy, eop)	2.2	4.4	4.8	4.5	**4.5**	4.1	5.4
DMBs credit to enterprises (% change, yoy, eop)	1.2	1.5	1.0	1.0	**1.0**	5.7	12.1
Money market interest rate (%, pa)	N/A	N/A	N/A	N/A	**N/A**	N/A	N/A
DMBs credit rate for enterprises short-term (%, pa)	2.8	2.7	2.7	2.6	**2.7**	2.9	2.8
DMBs credit rate for households short-term (%, pa)	6.4	6.3	6.2	6.0	**6.2**	5.7	6.3

Conventional abbreviations: pa - period average, eop – end of the period, yoy – year on year, HRK – Croatian kuna, EUR- euro, USD – U.S. dollar, DMB – deposit money bank.
Source: Croatian Bureau of Statistics, Croatian National Bank, and Ministry of Finance.

Policy assumptions and projections summary

Growth forecasts for the medium term anticipate a significant slowdown of economic activities but not a recession

The Croatian economy in 2022 has demonstrated solid resilience to the mounting negative impacts of the war in Ukraine, which caused many disruptions in world energy and food markets as well as in the global supply chains resulting in a huge rise in prices and inflation levels. As elaborated in the earlier chapters, the macroeconomic prospects for the Croatian GDP growth look much better now; therefore, most of the latest domestic and international 2022 projections are revised upwards. The final Government proposal for the Budget revision (November 2022) is based on the 5.7% GDP growth in 2022. Most domestic analysts now expect the 2022 growth rate to be in the range of 5.5-6.0%, several percentages points up from spring forecasts.

The same is with most of the international autumn forecasts for 2022, which are almost twice higher as the spring ones. In its recent European Economic Forecast Autumn 2022 (November 2022), the European Commission anticipates that Croatia will achieve a GDP growth rate of 6%. The World Bank for Croatia expects a growth rate of 6.4% (Europe and Central Asia Economic Update Fall 2022), while the IMF, in its World Economic Outlook (October 2022), projects that the Croatian economy will grow 5.9% in 2022. In its Regional Economic Prospects (September 2022), the EBRD projects a growth rate of 6.5% for 2022.

The medium-term outlook looks a bit gloomier, especially when it comes to growth forecasts in 2023 when most of the important Croatian trade partners from the EU are expected to plunge into recession or would experience a significant fall in economic activity (such as Germany, Italy and Austria). The Government expects that despite all the negative risks Croatia in 2023 would achieve a growth rate of 0.7%, while the growth would restore more profoundly again in 2024 with a GDP growth rate of 2.7% followed by a rate of 2.6% in 2025. The Government expects that Croatia will avoid falling into recession the next year due to the anticipated prevailing contribution of positive factors on economic growth prospects. Namely, the Government expects that positive effects on the economy would be achieved by joining both Eurozone and Schengen area in January 2023, primarily through lowering the transaction costs and the potential increase of investments. The largest positive contribution would be achieved by the planned substantial increase of absorption of EU funds (by 32.8%), especially related to infrastructure projects as well as post-earthquake reconstruction. Additional positive contributions, although smaller than in the last two years, would come from traditional drivers of Croatian economic growth, such as tourism and private consumption, while exports of goods and services are likely to deteriorate due to an economic slowdown in main EU export markets in 2023, with more favorable recovery prospects in 2024-25. As for negative risks, two of them are dominant among the threats to growth prospects: persistent high inflation primarily due to energy, food, and raw material prices and a slowdown of global economic growth, in particular in the EU markets on which the Croatian economy greatly depends upon.

Nevertheless, the Government rather optimistically expects that inflationary pressures will substantially ease in 2023, with a decline of the CPI rate from 10.4% in 2022 to 5.7% in 2023, followed by rates of 2.5% in 2024 and 2.3% in 2025. These expectations are grounded on further diversification of energy production and supply channels that would guarantee avoidance of any domestic disruptions and shortages. In addition, the Government is likely to continue intervening with inflation-mitigating measures for citizens and part of the business sector.

Indeed, exposure to major external energy shocks and the consequent rise of prices depend highly on the Ukraine-Russia conflict's final resolution. It might be important to mention that the adoption of the Euro in Croatia as of 1st January 2023 would marginally contribute to the rise of prices in 2023 onwards, according to both expectations of independent analysts and the Croatian National Bank.

Recent Croatia's credit rating of BBB+ with a stable medium-term outlook given by credit agency Fitch in October 2022 reaffirmed the Government's position. Namely, Fitch expects a 6.1% of growth rate in 2022, while for 2023, it predicts 1.1% due to the negative impact of inflation on the domestic market and deterioration of export of goods and services on foreign markets, especially in the Eurozone. As for 2024, Fitch projects that the growth will recover to 3%, restoring a more normal development path. Fitch considers that the Croatian economy will remain rather resilient to external shocks in the medium term due to limited energy price risks, as it is less dependent on Russian gas and oil than most of its EU partners. Also, because of improved public finances and foreign trade positions. Fitch's stable outlook also reflects their opinion that continued recovery of the economy above the pre-pandemic levels in 2022 would provide a solid base for gaining additional benefits from joining Euro and Schengen area in 2023 and onwards in sectors such as tourism and foreign trade.

Most of the international organizations also corrected their recent medium-term economic growth projections for Croatia, reflecting the new domestic economic developments and global influences. In its newest economic forecast for Croatia, the European Commission in November 2022 anticipates a GDP growth rate of 1% in 2023, followed by 1.7% in 2024. The World Bank, in its Europe and Central Asia Economic Update from October 2022 for Croatia, projects a slightly more optimistic growth rate of 1.8% in 2023 and 2.6% in 2024. The IMF World Economic Outlook (October 2022) projections anticipate a growth rate of 3.5% in 2023, while the five years growth rate is projected at 2.5%. It is worthwhile noting that while all international organizations envisage a significant slowing down of growth, none of them, at this point, envisages plunging into a recession in the medium term. In these economic outlooks, assessments of positive contributions to growth are still prevailing. Nevertheless, all of these prognoses acknowledge the existence of important negative risks and threats, such as the persistence of high inflation and a potential recession in the Eurozone, which might greatly affect further economic developments as Croatia joins the Eurozone in 2023.

Table HR2 Summary of projections

	2022	2023	2024	2025
Real GDP (% change)	**5.7**	**0.7**	**2.7**	**2.6**
Real private consumption (% change)	4.5	0.4	2.6	2.3
Real government consumption (% change)	2.3	2.1	2.0	1.9
Real investment (% change)	4.5	1.7	4.5	3.2
Exports of goods and services (constant prices, % change)	17.3	-0.2	3.8	4.2
Imports of goods and services (constant prices, % change)	20.2	0.4	3.6	3.3
Current account balance (% of GDP)	0.2	-0.6	-0.8	N/A
Consumer prices (% change, pa)	10.4	5.7	2.5	2.3
Exchange rate, national currency/EUR (pa)	7.53	7.53*	7.53*	7.53*
Unemployment rate (LFS, %, pa)	6.3	6.3	5.5	5.0
General government balance (ESA 2010 definition, % of GDP)	-1.4	-2.3	-1.7	-1.2
Total domestic credit (% change, you)	3.3	3.4	3.4	3.5

Source: Ministry of Finance of Republic of Croatia and Croatian National Bank.
*Conversion rate to Euro, as Croatia joins Eurozone and adopts Euro on 1 January 2023

MONTENEGRO

Growing challenges for the Montenegrin economy in a time of health and geopolitical crisis

After poor economic results achieved by Montenegro in 2020 due to the health crisis caused by the Covid19 pandemic, 2021 brought a high economic growth rate of 13%. The improvement of macroeconomic indicators, lower public debt measured as a percentage of the newly created value, better results in the tourism sector, and the launch of the »Europe Now« (program on January 1, 2022, went in the direction of improving the standard of living of citizens. The essence of the »Europe Now« program is tax reform – the tax burden on the minimum wage is reduced from 39% to 20.4%. The contributions to health insurance are replaced with other state revenues. There was a significant increase in wages, a slightly better situation in the labour market compared to the comparative data of the previous year, as well as in the part of the inflow of foreign direct investments, and it is worth mentioning the improvement of tax discipline. The health situation improved in the year's first half, which impeded economic activities.

Despite these positive results, the first half of the current year brought great turmoil on the geopolitical level, war events in Eastern Europe, and the consequent growth of inflationary pressures in the Montenegrin economy. To that should be added the complexity of political relations and the dysfunctionality of many institutions, all of which represent an additional challenge in creating a stimulating business environment.

In summary, the new crisis is gaining momentum. Is Montenegro ready for new challenges?

Continuity of political instability

After the change of ruling parties in the 2020 elections, the 42nd Government of Montenegro was formed in December 2020. The elected government, which was technocratic in its structure, has received support from ideologically different parties in the Montenegrin parliament. The entire period of the government's work was accompanied by rather harsh rhetoric and strained relations between the legislative and executive authorities. Tensions reached a peak at the beginning of 2022 when the 42nd Government of Montenegro lost support in the parliament on February 4. A few months of negotiations on the formation of a minority government followed, which resulted in the election of a new prime minister and a change in the balance of power in such a way that the new government was supported by representatives of the former opposition and part of the ruling parties. All of this was accompanied by the organization of protests, and in the geopolitical sense, it had several implications. The process of Montenegro's EU accession has slowed down, and in the first months after the start of the war in Ukraine, Montenegro did not clearly and unequivocally decide on the introduction of sanctions against Russia, that is, fully align its foreign policy with the policy of the Union. The new government was elected on April 28, defining as the main priorities of its work the acceleration of the process of accession to the EU and the unblocking of institutions. It is also important to note that at the end of the second quarter, the local elections planned for May were postponed for the fall of the current year, leading to additional political relations complications. The lack of trust between political actors has almost made it impossible to reach a political consensus on important political issues and appointments in the judiciary and prosecutor's office, which requires a qualified majority in the Assembly.

Multifactor price growth

There was a significant price increase in the first two quarters of the current year. At the end of the second quarter, i.e., June, the annual inflation rate measured by the Consumer Price Index was 12.2%. Price growth was recorded in almost all observed categories.

In June of the current year, consumer prices recorded an increase of 1.8% compared to the previous month. The category restaurants and hotels recorded the highest price increase of 7.6%. In particular, it should be emphasized that accommodation price services contributed the most to this growth, with a percentage change of 16.7%. Price growth was also recorded in the categories of water, electricity, gas, and other fuels in the amount of 4.4%.

The prices of industrial products at the end of the second quarter were higher by 11.1% compared to the comparative data of the previous year. The largest contribution to this growth comes from the processing industry sector, with 19.6%, or the ore and stone extraction sector from 6.9%. It should be emphasized that, unlike most European countries, there were no price changes in the electricity, gas, and steam supply sector.

The causes of the significant price increase should be sought in two factors - external and internal. Namely, Montenegro is a highly import-dependent economy. Due to a shock on the supply side, inflation is also largely imported due to the global rise in energy and food product prices. On the other hand, the launch of the »Evropa sad« program stimulated aggregate demand growth at the national level, which also partly contributed to price growth.

Significant growth in wages

The labour market continued its recovery in the first two quarters of the current year after the consequences caused by the health crisis. According to the Administration for Statistics of Montenegro data, at the end of the second quarter, 230,765 people were employed, representing a growth of 3.53% compared to the previous month, i.e., 24.51% compared to the same period in 2021. The structure of employees by activity follows the structure of the Montenegrin economy and has not experienced major changes in the observed period. Almost 1/5 of employees work in the wholesale and retail trade sector, i.e., repair of motor vehicles and motorcycles (19.56%), followed by accommodation and catering services (11.76%), state administration, and mandatory social insurance (9.96%).

Average wages have grown by approximately 17% since the beginning of the current year, while the minimum wage has increased from 250 EUR to 450 EUR. This is the result of the »Evropa sad« program, i.e., the tax reform, which abolished mandatory contributions for health insurance as a form of a burden on wages. This resulted in aggregate demand growth in Montenegro, which was previously discussed. In terms of the sectoral salary structure, financial activities and insurance activities lead the list of the highest average salaries with incomes that amounted to EUR 1147 at the end of June, followed by the electricity, gas, and steam supply sector with EUR 1135. The lowest earnings are recorded in the administrative and auxiliary service sectors (EUR 573), and wholesale and retail trade, i.e., the sale of motor vehicles and motorcycles (EUR 593).

The structure of foreign trade exchange remains unfavorable

The total foreign trade exchange of Montenegro for the first 6 months of 2022 amounted to 1,991.9 million EUR. Comparing that amount with the comparative data of the previous year, we conclude that a significant growth of 54.4% is noticeable. Of the total amount of foreign trade, exports had a value of 382.7 million EUR and imports 1,609.2 million EUR. This implies that export was higher by 89% and import by 48%.

As for the coverage of imports by exports, the indicators of Montenegro are still at a significantly lower level than desired. Namely, the coverage of imports by exports is 23.8%. This is a significant growth of 5.2% points compared to the previous year. However, it is still a rather unfavorable indicator regarding the generally observed stability and independence of the Montenegrin economy.

According to the data of the Administration for Statistics of Montenegro, in the structure of exports according to the Standard International Trade Classification, the most represented are mineral fuels (sector) 3 in the amount of 128.6 million EUR. Regarding the imports, according to the Standard International Trade Classification, sector 7, i.e., machines and transport devices, is the most represented in the amount of 329.8 million EUR, which consists of road vehicles - 100.1 million EUR, electrical machines, apparatus, and devices - 58.9 million EUR etc.

The largest foreign trade partners in terms of exports were Switzerland (90 million EUR), Serbia (65.9 million EUR), and Bosnia and Herzegovina (54 million EUR). The largest foreign trade partners in imports were

Serbia (268.1 million EUR), China (145.8 million EUR), and Greece (132.9 million EUR). Foreign trade was the largest with the signatories of the CEFTA Agreement and the European Union.

According to the preliminary data of the Central Bank of Montenegro, the first two quarters of the current year brought Montenegro a net inflow of foreign direct investments in the amount of 355.87 million EUR. This is an increase of 73.05% compared to the comparative data of the previous year. The total inflow of foreign direct investments amounted to 508.03 million EUR due to the growth of equity investments. In the equity investments structure, investments in companies and banks amounted to 94.47 million EUR, while investments in real estate amounted to 201.55 million EUR. The inflow of FDI in the form of intercompany debt amounted to 164.55 million EUR.

Monetary indicators at a stable level

The balance sheet total of banks at the end of June 2020 was 5,599.5 million EUR. Compared to the previous comparative period, a growth of 16.29% was recorded. The structure of banks' assets is dominated by total loans. Their participation is 63.18%. They are followed by cash and deposit accounts with central banks, i.e., securities with 22.94% and 13.16%, respectively. Total approved loans also recorded a growth in the previous period, namely 6.83%, compared with comparative data at the annual level. Based on loans, the banks' claims were the largest towards the non-financial sector and the households (79.55%).

Deposits in banks at the end of June amounted to 4,463.84 million EUR. This is a significant annual growth of 21.42%. The structure is such that demand deposits dominate with 3/4 of the participation, while term deposits make up 20.09% of total deposits. The content of fixed-term deposits is dominated by shorter-term deposits of three months to one year (46.05%) and one to three years (33.59%). Household sectors have a share of 33.80%, followed by deposits of the non-financial sector with 32.74%.

Banks' liquid assets amounted to 1,489.16 million EUR and were 29.91% higher than in the same period of the previous year. Liquidity coefficients for the entire banking system were above the prescribed minimums. The total allocated mandatory reserve of banks at the Central Bank amounted to 228.36 million EUR and recorded a performance of 20.74% on the annual level. Of the total required reserves, 63.51% was transferred to the country's required reserves, while 36.49% was allocated to the account of the Central Bank abroad. The effective reserve requirement rate was 5.12% at the end of June, while in June 2021, it was 5.14%.

The average weighted nominal interest rate of banks (WANIR) on total approved loans at the end of June was 5.06%, which is 0.22% lower than in June 2021, and the average weighted effective interest rate (WAEIR) was 5.57%. The average weighted effective interest rate on newly granted loans was 5.49% in June 2022 and is higher by 0.11% compared to June 2021. Considering monetary movements and mechanisms at the global level in the fight against inflation, interest rates are expected to rise. The average weighted effective interest rate on deposits was 0.30% and was 0.07% lower than in June 2021. The difference between active and passive interest rates in June 2022 was 5.27%.

In the capital market, transactions in Montenegro take place through the Montenegro Stock Exchange. The value of the MONEX stock index at the end of June 2022 was 11,098.25 index points. This is a growth of 0.38% compared to the same month of the previous year. The asset turnover ratio on the Montenegro Stock Exchange in June of the current year was 0.000997 and is higher than the same period of the previous year when it was 0.000363.

A slight reduction of the public debt

The original budget revenues of the budget of Montenegro and state funds, according to the assessment of the Ministry of Finance, amounted to 169.06 million EUR in June of the current year and were 6.35% higher compared to comparative data. It is important to note that unlike the previous year, in which Montenegro spent a significant part of the system of temporary financing, this year, after the budget adoption in December 2021, its regular implementation began. The structure of source revenues at the end of the second quarter was such that the largest share (68.35%) was tax revenues, followed by 22.36% contributions, i.e., 2.70% receipts from loan repayments and funds transferred from the previous year.

Tax revenues in June were 6.16% higher than planned, which is the result not only of the increased value-added tax revenues as the outcome of the effective application of electronic fiscalization but also of significant imports and increased prices of items.

Consolidated budget expenditures, i.e., total expenditures minus debt repayments, in June 2022 amounted to 167.72 million EUR and were almost 5% less than the plan and 7.55% more than in 2021. The largest execution of expenditures was recorded in the position of expenditures for gross wages and pensions.

According to data from the Ministry of Finance, the total state debt (without deposits) at the end of the second quarter of 2022 was 4,014.64 million EUR or 75.66% of GDP. Including deposits, public debt amounted to 3,662.73 million EUR or 69.02% of GDP.

During the second quarter, there was a decrease in the national debt compared to the first quarter, primarily due to the regular settlement of credit obligations, while there were no new credit obligations. Observed in absolute terms, at the end of the previous year, the debt amounted to 4,090.2 million EUR, and at the end of the first quarter, 4,064.40 million EUR. This implies that the debt was reduced by 76 million EUR in the year's first half.

The debt interest structure is favourable in terms that 76.20% is repaid at fixed interest rates, and almost the entire amount of the debt is in EUR (95.28%).

Table MN1 Main economic indicators

	2021				Total 2021 year	2022	
	Q1	Q2	Q3	Q4		Q1	Q2
ECONOMIC ACTIVITY*							
Real GDP (% change, yoy)	-6.2	19.6	26.6	9.0	**13.0**	7.1	12.7
Real private consumption (% change, yoy)**	-7.4	17.1	4.3	3.1	**4.0**	12.9	12.3
Real government consumption (% change, yoy)**	1.6	0.9	1.5	-1.8	**0.5**	0.4	-1.3
Real investment (% change, yoy)**	-21.7	1.2	-11.6	-16.7	**-12.3**	2.3	-1.5
Industrial output (% change, yoy)	11.8	8.7	0.4	0.0	**4.9**	-15.2	17.2
Unemployment rate (LFS, % pa)	19.4	17.1	14.8	15.4	**16.6**	16.8	14.6
Nominal GDP (EUR million)	879.9	1,137.7	1,598.9	1,338.6	**4,955.1**	1,032.0	1,395.8
GDP per capita (EUR)**	1,421	1,837	2,582	2,162	**8,002**	1,671	2,260
PRICES, WAGES AND EXCHANGE RATES							
Implicit GDP deflator (% change, yoy)**	2.3	5.6	4.3	6.1	**4.7**	9.5	8.9
Consumer prices (% change, yoy, pa)	0.0	2.3	3.1	4.3	**2.4**	7.4	12.2
Producer prices (% change, yoy, pa)	0.8	1.8	0.1	2.6	**1.3**	6.0	11.5
Average gross wage (% change, yoy, pa)	0.3	1.5	1.7	1.9	**1.3**	11.3	10.4
Exchange rate (______/EUR, pa)	N/A	N/A	N/A	N/A	**N/A**	N/A	N/A
Exchange rate (______/USD, pa)	N/A	N/A	N/A	N/A	**N/A**	N/A	N/A
FOREIGN TRADE AND CAPITAL FLOWS							
Exports of goods (EUR million)	108.1	133.5	129.5	154.7	**525.8**	216.1	196.8
Exports of goods (EUR, % change, yoy)	13.1	53.6	32.9	19.9	**28.6**	99.9	47.4
Imports of goods (EUR million)	430.2	632.2	721.1	657.4	**2,441.0**	629.7	934.1
Imports of goods (EUR, % change, yoy)	-17.4	28.8	41.0	24.6	**19.0**	46.4	47.7
Current account balance (EUR million)	-162.7	-249.7	161.7	-204.3	**-454.9**	-183.6	-356.1
Current account balance (% of GDP)	-18.5	-21.9	10.1	-15.3	**-9.2**	-17.8	-25.5
Foreign Direct Investment net inflows (EUR million)	83.7	122.0	146.6	228.7	**580.9**	162.9	192.9
Foreign exchange reserves (EUR million, eop)	191.8	192.5	179.3	189.8	**189.8**	174.3	254.7
Foreign debt (EUR million, eop)	N/A	N/A	N/A	N/A	**N/A**	N/A	N/A
MONETARY INDICATORS							
Narrow money, M1 (% change, yoy, eop)	N/A	N/A	N/A	N/A	**N/A**	N/A	N/A
Broad money, M4 (% change, yoy, eop)	N/A	N/A	N/A	N/A	**N/A**	N/A	N/A
Total domestic credit (% change, yoy, eop)	3.31	6.79	8.98	6.37	**6.37**	5.43	6.83
DMBs credit to households (% change, yoy, eop)	1.52	1.79	2.04	2.68	**2.68**	5.35	6.79
DMBs credit to enterprises (% change, yoy, eop)	1.90	2.99	0.71	4.35	**4.35**	8.30	11.93
Money market interest rate (%, pa)	N/A	N/A	N/A	N/A	**N/A**	N/A	N/A
DMBs credit rate for enterprises short-term (%, pa)	4.53	4.65	4.45	4.69	**4.69**	4.34	4.52
DMBs credit rate for households short-term (%, pa)	6.01	6.34	6.86	6.54	**6.54**	5.66	5.52

MONETARY INDICATORS							
Narrow money, M1 (% change, yoy, eop)	N/A	N/A	N/A	N/A	**N/A**	N/A	N/A
Broad money, M4 (% change, yoy, eop)	N/A	N/A	N/A	N/A	**N/A**	N/A	N/A
Total domestic credit (% change, yoy, eop)	3.31	6.79	8.98	6.37	**6.37**	5.43	6.83
DMBs credit to households (% change, yoy, eop)	1.52	1.79	2.04	2.68	**2.68**	5.35	6.79
DMBs credit to enterprises (% change, yoy, eop)	1.90	2.99	0.71	4.35	**4.35**	8.30	11.93
Money market interest rate (%, pa)	N/A	N/A	N/A	N/A	**N/A**	N/A	N/A
DMBs credit rate for enterprises short-term (%, pa)	4.53	4.65	4.45	4.69	**4.69**	4.34	4.52
DMBs credit rate for households short-term (%, pa)	6.01	6.34	6.86	6.54	**6.54**	5.66	5.52

Conventional abbreviations: pa - period average, eop – end of the period, yoy – year on year, EUR- euro, USD – U.S. dollar, DMB – deposit money bank.
Source: Monstat, final data for 2021, September 2022.
** Authors'calculations based on Monstat data.

Policy assumptions and projections summary

Projections of Montenegrin authorities say that a GDP growth of 4.6% will be achieved in the current year. The actual scope will be more realistically known after looking at the wider picture and the achieved results in the tourism sector. The growth of inflationary expectations, geopolitical instability, and internal, primarily political challenges make it difficult to predict the economic reality of Montenegro in the coming years. Economic authorities must strengthen internal cohesion, economic independence, further capital investments, and investments in the tourism and agriculture sector. On the other hand, it is also necessary to maintain the stability of public finances in a time of growing challenges. Challenges in terms of price growth also bring additional pressure on increasing social benefits and growth in the public sector. Finding the right balance is the key to the success of the Montenegrin economy in the time ahead. An overview of the projections is given in the following table.

Table MN2 Summary of projections

	2022*	2023*	2024*
Real GDP (% change)	**4.6**	**5.1**	**4.5**
Real private consumption (% change)	3.8	4.4	3.7
Real government consumption (% change)	2	1	1.5
Real investment (% change)	1	7.9	8.5
Exports of goods and services (constant prices, % change)	15.9	7.2	6.4
Imports of goods and services (constant prices, % change)	5.5	5.7	5.6
Current account balance (% of GDP)	-9	N/A	N/A
Consumer prices (% change, pa) (average)	12.5*	7.5*	N/A
Exchange rate, national currency/EUR (pa)	N/A	N/A	N/A
Unemployment rate (LFS, %, pa)	15.5	14.6	13.6
General government balance (ESA 2010 definition, % of GDP)	N/A	N/A	N/A
Total domestic credit (% change, eop)	N/A	N/A	N/A

*CBCG forecasts
**Ministry of finance forecasts

NORTH MACEDONIA

The economy in the face of rising price pressures and prolonged supply chain disruptions

Economic recovery in light of military and energy crisis

The day-to-day rapid changes and developments in the Ukrainian military conflict and energy crisis are mainly reflected in changes in the price level of goods and services. The inability to predict changes in terms of rising prices creates instability and great uncertainty in daily functioning.

Economic activity, seen through the growth rate, shows signs of recovery. In the first quarter of 2021, a negative value (-1.8%) was evident. Data for the second quarter of 2021 is especially encouraging for the economy, with an economic growth rate of 13.4 %. Positive changes are also visible in the third and fourth quarters of the same year, confirming the optimistic prospects for a recovery in economic activity.

In Q1 2021, the share of the two types of consumption, public and private, was negative at -0.3%. During the second and third quarters of 2021, private consumption stabilizes and is the engine of the economic growth rate (Q2/2021 is 12.4%, and Q3/2021 is 2.4%). The share of public consumption is also positive and stands at 5.2% in Q2, 4.9% in Q3, and 6.5% in Q4 2021.

Therefore, 2021 end up with a positive growth rate of 4%. This growth rate was a solid base for the positive expectation and the beginning of 2022. The first and second half of 2022 show positive growth rates (Q1/2022 at 2.4 and Q2/2022 at 2.8). The main drivers of the growth were private consumption (Q1/2022 is 4.9% and Q2/2022 is 4.0%) and investment (Q1/2022 is 38.6% and Q2/2022 is 46.5%). Analyzed according to the GDP by production method, economic growth was exclusively a result of the positive performance in the services sector and the industry.

Differences in lfs data before and after the census 2021

Labour force survey (LFS) data show that in 2021, minor changes were noticed in North Macedonia's labour market compared to the previous year. The working-age population in 2021 amounts to 1.682.800 persons. Although with some oscillations, this number decreased in all quarters, except in Q1. The labour force's average number in 2021 was 943.004 persons, but it changes by quarters, corresponding with the increased economic activity of the population in Q2 and Q3. This is also due to the enlarged activity in the agricultural sector. The activity rate in 2021 was 56.0%, slightly lower than in 2020. This indicator was highest and the same in Q3 and Q4 (56.2%). The trend of an increase in employment and a decrease in unemployment continued in 2021. The number of employed noticed an insignificant increase, reaching 795.087 persons (the highest employment is seen in Q3 - 796.681 persons). With minor changes by quarters, the employment rate remained almost the same (about 47%). There was a more emphasized decline in the number of unemployed, from 155.949 (2020) to 147.917 persons (2021). Quarterly, the unemployment decrease was continuous, reaching the lowest value in Q4 (142.206 persons). The unemployment rate decreased from 16.4% (2020) to 15.7% (2021), manifesting the same trend of quarterly decline.

The Census of population, households, and dwellings in the Republic of North Macedonia from 2021 show that the total number of the resident population amounts to 1,836,713 persons, which is significantly lower than the population estimations used in LFS (for example, 2.072.531 persons in 2020). The LFS data for Q1 and Q2 of 2022, in which the Census data was used, illustrates a different and more realistic picture related to the absolute numbers of the main labour market categories. Thus, compared to 2021, the working-age population is lower by about 215.000 persons, the labour force by 130.000, employed by 100.000, and unemployed by 30.000 persons. Therefore, they are not comparable to the previous LFS data.

In the first half of 2022, the total working-age population was 1.467.349 persons. The labour force increased by 0.1% and in Q2 amounted to 812.056 persons, while the activity rate remained the same in both quarters (55.3%). A small increase is noticed for the number of employed (0.4%), that in Q2 reached 694.376 persons, while the employment rate amounted about 47%. The number of unemployed decreased and in the second quarter reached 117.680 persons, followed by an unemployment rate of 14.5%.

The fiscal situation is deteriorating

According to the Budget for 2021, compared to 2020, total revenues have increased by 6.15%, and total expenditures have decreased by 3%. The budget deficit has also decreased from 2 percent of GDP. Due to the pandemic, two amendments to the Budget for 2021 were proposed to alleviate the pandemic's consequences. This led to an increase in all major fiscal indicators.

By the end of 2021, public revenues were realized by 97,97%. Thereby, there is an overrun in taxes and contributions. So, taxes revenues are realized by 101,98% (VAT with 107,33% and import duties 131,11%) and contribution by 102,07%. There is a shortfall in non-tax revenues (78, 94%), capital revenues (60, 50%), and foreign donations (67,74%).

The total expenditures are realized at 95,59%. There is an overrun only at interest rates (102, 61%) and an overrun at all other types of expenditures (goods and services with 89,23% and capital expenditures with 78, 36%). The planned budget deficit was realized at 84.11%. Public debt increased by 648 million EUR and, at the end of 2021, was 7.135 million EUR.

With the Budget for 2022, total planned revenues are higher by 9,33%, and with the supplementary Budget by 12,47%, compared to the last year. Total budget expenditures are higher by 5,88 % and with the supplementary Budget by 12,13%, compared to the last year. The budget deficit with the Budget is lower by 13,55%, with the supplementary Budget is higher by 10,2% compared to the last year.

From January to June 2022, total budget revenues reached an amount of MKD 116,426 million, i.e., 14.5% of GDP, showing a higher performance of 14.8% in relation to the same period in 2021. This is the seventeenth month in a row recording an annual increase in revenues, increasing significantly by 17.9% in June, upon recoding the previous annual growth of 12.9% and 7.4%, respectively, in

April and May. Growth is also partially a result of the lower revenues throughout the previous year's second quarter.

Total budget expenditures amounted to MKD 126,770 million from January to June 2022, i.e., they accounted for 15.8% of GDP, which is higher by 8.3% compared to the same period last year. During the analyzed period, funds for capital expenditures were executed in the amount of MKD 8,532 million, participating with 6.7% in the total expenditures, thereby significantly increasing by 30.0% compared to the first six months of 2021.

From January to June 2022, the budget deficit reached the amount of MKD 10,344 million, accounting for 1.3% of GDP, while the central budget deficit amounted to MKD 9,491 million or 1.2% of GDP. The budget deficit in the first six months of 2022 accounted for 24.2% of the total budget deficit projected throughout 2022.The public debt increased by 92 million EUR and in Q2 amounted to 7.135 million EUR. However, in Q3 new and larger public loans were realized so that the public debt will exceed 60% of the GDP.

Monetary and banking sector - solid base for coping with inflation expectations and energy crises

Facing the conditions of prolonged global crises, rising inflation, and energy crises, monetary policy is strongly focused on dealing with inflation and inflation expectations, trying to limit the adverse effects on financial stability. As inflation took longer and broader scope, the Central bank continued tightening the monetary policy and implementing restrictive monetary policy. Hence, the interest rate on CB bills in June 2022 was again increased by 0.25 percentage points to the level of 2%. Foreign reserves remain in the safe zone, while the foreign exchange market pressures from the energy crisis are still significant.

The data from the banking sector indicate that the banks' capital positions are stable, the loan portfolio quality is currently good, and the banks' profitability is at a solid level. Such position will be enhanced by introducing a rate of the countercyclical capital buffer of banks in the amount of 0.5%, which will be applied from 1 August 2023. It will provide sufficient room for the bank's adjustment for the gradual formation of the capital buffer.

According to the data, the banking sector provides solid economic credit support. Credits demonstrate an increase in the year 2021 and in the first two quarters of the year 2022, with a major driver in the growth of corporate loans and a smooth increase of household loans. Citizens are increasingly using digital channels to make payments hence E-banking and its utilization is continuing to grow in the observed period.

North Macedonia is facing increasing inflation

One of the most urgent issues facing the global economy today is inflation. Due to the pandemic and working conditions with disrupted supply chains and limited movement of products and services, economies had to deal with inflation and the problems it causes. In addition, the military conflict between Ukraine and Russia and the problems with the energy crisis caused pronounced changes in wholesale and retail prices and intensified inflation. So, North Macedonia is facing increasing inflation, eroding purchasing power, and business confidence.

The first increases in the inflation rate are observed in the third and fourth quarters of 2020, primarily due to the increased prices of food products. This trend is evident in the following quarters of 2021. Above all, it is the result of the increase in the prices of alcoholic beverages and cigarettes in the second half of 2021, as well as the increased prices of restaurant and hotel services, the costs of housing, water supply, electricity, gas, and other fuels. During this period, an increase in food prices is observed, especially for fruits and vegetables, as well as for cooking oil and cereals. The prices of health products and services also had a large share and impact on the inflation rate growth in the past period.

Higher energy and food prices have pushed inflation to levels unseen for many years, which brought annual inflation to 3.2% in 2021.

If we take into account that this growth trend continues in the first half of 2022 (the consumer price index in Q1 is 7.7 and 12.3 in Q2, and also the producer price index is 19.6% in Q1 and 21.7% in Q2), we are talking about inflation caused by the lack and volatility of world prices of key products, raw materials, and fuel. Inflation has a huge impact on the standard of living and the quality of life.

Import growth was rather strong

In 2021, the current account deficit remained moderate despite further problems in global supply chains and prolonged uncertainty caused by the spread of new strains of Covid-19. Conversely, in the first two quarters of 2022, there was a more significant deepening of it, mainly due to the increased trade deficit and less due to the reduced positive balance in the exchange of services and the lower surplus in the secondary income.

The deepening of the trade deficit is a reflection of the import component, primarily due to higher import prices and the increase in the imported quantities of certain products (such as energy, iron, and steel). Thereby, the trade deficit is particularly pronounced in the energy balance, and certain expansion is also observed in the non-energy balance, but with a slighter contribution. This is quite expected in conditions of high uncertainty due to disturbances in the global environment, geopolitical tensions, the escalation of the Russian-Ukrainian military conflict, and the energy crisis.

Against a widening surplus in trade in services, especially in computer services, travel, and business services in 2021, in Q1 and Q2 of 2022, there is a decrease in the positive balance in services on an annual basis mainly due to a lower surplus in services for finishing goods and the trips. The secondary income surplus decreases primarily due to reduced net inflows based on official transfers. As of 2021, private transfers continue to achieve positive movements, significantly easing restrictive measures.

The financial account in the first two quarters of 2022 recorded inflows on a net basis, mainly as a result of realized net inflows in direct investments (in all components and mostly from reinvested profit) and less in net inflows in trade credits.

The foreign exchange reserves recorded a decrease, primarily as a result of the interventions of the National Bank in the foreign exchange market and transactions for the account of the state, but they are still in the safe zone.

Table NM1 Main economic indicators

	2021					2022	
	Q1	Q2	Q3	Q4	Total 2021 year	Q1	Q2
ECONOMIC ACTIVITY							
Real GDP (% change, yoy)	-1.8	13.4	3.0	2.3	**4.0**	2.4	2.8
Real private consumption (% change, yoy)	-0.3	12.4	2.4	5.7	**5.0**	4.9	4.0
Real government consumption (% change, yoy)	-0.1	5.2	4.9	6.5	**4.1**	0.5	-7.2
Real investment (% change, yoy)	-15.3	40.7	0.4	21.2	**9.2**	38.6	46.5
Industrial output (% change, yoy)	-6.1	24.0	-3.3	-2.2	**1.4**	3.5	1.9
Unemployment rate (LFS, % pa)	16.0	15.9	15.7	15.2	**15.7**	14.8	14.5
Nominal GDP (EUR million)	2,603.3	2,797.2	2,967.0	3,367.9	**11,736**	2,930.9	3,290.4
GDP per capita (EUR)	1,256	1,350	1,432	1,625	**5,693**	1,596	1,792
PRICES, WAGES AND EXCHANGE RATES							
Implicit GDP deflator (% change, yoy)	2.8	7.3	4.5	9.4	**6.1**	10	14.5
Consumer prices (% change, yoy, pa)	2.0	2.8	3.5	4.6	**3.2**	7.7	12.3
Producer prices (% change, yoy, pa)	3.3	6.2	10.1	14.3	**8.5**	19.6	21.7
Average gross wage (% change, yoy, pa)	2.0	5.7	1.2	0.7	**2.4**	0.0	-1.6
Exchange rate (MKD/EUR, pa)	61.66	61.61	61.55	61.69	**61.63**	61.70	61.66
Exchange rate (MKD/USD, pa)	51.13	51.15	52.19	53.93	**52.11**	54.98	57.80
FOREIGN TRADE AND CAPITAL FLOWS							
Exports of goods (EUR million)	1,402.73	1,523.50	1,519.83	1,554.37	**6,000.43**	1,667.14	1,886.87
Exports of goods (EUR, % change, yoy)	23.6	73.0	12.3	7.2	**24.5**	18.9	23.9
Imports of goods (EUR million)	1,907.06	2,087.59	2,024.44	2,351.68	**8,370.76**	2,516.03	2,785.14
Imports of goods (EUR, % change, yoy)	13.6	69.4	15.3	20.2	**26.4**	31.9	33.4
Current account balance (EUR million)	-41.5	-102.9	110.6	-332.6	**-366.4**	-393.3	-235.2
Current account balance (% of GDP)	-0.3	-0.9	0.9	-2.8	**-3.0**	-13.5	-7.2
Foreign Direct Investment net inflows (EUR million)	-21.8	206.4	13.8	189.1	**387.5**	107.5	138.8
Foreign exchange reserves (EUR million, eop)	3,939.2	4,031.1	3,690.7	3,643.3	**3,643.3**	3,272.5	3,116.1
Foreign debt (EUR million, eop)	9,797.2	10,164.5	9,863.2	9,576.6	**9,576.6**	9,994.0	10,379.0
GOVERNMENT FINANCE							
Revenues (MKD million)	48,918	52,491	56,719	60,377	**218,505**	57,168	59,259
Expense (MKD million)	55,815	61,273	65,612	74,588	**257,288**	63,837	62,936
Net = Gross operating balance	-6,897	-8,782	-8,893	-14,211	**-38,783**	-6,669	-3,677
Net acquisition of non-financial assets (MKD million)	-3,787	-2,343	-5,551	-9,799	**-21,480**	-4,636	-3,120
Net lending/borrowing (MKD million)	-3,110	-6,439	-3,342	-4,412	**-17,303**	-2,033	-557
Domestic government debt (EUR million, eop)	2,120.9	2,257.3	2,320.3	2,413.4	**2,431.4**	2,466	2,465.5
Foreign government debt (EUR million, eop)	4,086.8	4,153.9	3,666.7	3,684.9	**3,684.9**	3,647.4	3,631.3
Total government debt (eop. % of GDP)	52.9	54.6	51.0	51.8	**51.8**	46.8	46.7
MONETARY INDICATORS							
Narrow money, M1 (% change, yoy, eop)	17.8	14.3	13.1	8.7	**8.7**	0.3	-0.4
Broad money, M4 (% change, yoy, eop)	7.1	6.7	8.2	7.0	**7.0**	2.8	1.4
Total domestic credit (% change, yoy, eop)	5.2	5.1	6.3	8.3	**8.3**	9.8	10.0
DMBs credit to households (% change, yoy, eop)	8.1	8.7	7.5	7.8	**7.8**	7.9	7.7
DMBs credit to enterprises (% change, yoy, eop)	2.1	1.2	4.7	8.7	**8.7**	11.9	12.4
Money market interest rate (%, pa)	N/A	N/A	N/A	N/A	**N/A**	N/A	N/A
DMBs credit rate for enterprises short-term (%, pa)	3.3	3.3	3.3	3.1	**3.2**	3.1	4.0
DMBs credit rate for households short-term (%, pa)	4.6	n.a.	3.6	3.4	**4.2**	3.3	3.3

Conventional abbreviations: pa - period average, eop – end of the period, yoy – year on year, MKD-Macedonian denar, EUR- euro, USD – U.S. dollar, DMB – deposit money bank.

Source: Ministry of Finance of the Republic of North Macedonia, National Bank of the Republic of North Macedonia, State Statistical Office of the Republic of North Macedonia and https://www.ceicdata.com/en/indicator/macedonia/gdp-deflator-growth

Policy assumptions and projections summary

The emphasized global energy crisis and problems with the supply chains have had a vast impact on the Macedonian economy. Macroeconomic stability is the main objective, considering the problem of inflation, the increase in public debt, and political instability. Economic growth has changed positively, but its sustainability and impact on the quality of life in North Macedonia are important objectives to reach. The growth momentum is now beginning to slow, and the predictions are that in 2023 it will reach 2.7% and in 2024, stand at 2.9%

The main driver will be private consumption and investment. Household spending is expected to grow by some 3% in 2022 and 2023, benefitting from a recovery in remittances and from government support to employment and wages at least throughout 2022.

The investment projections are slightly above the level of one year earlier but remain the drivers of the growth dynamics.

Slowing the economic recovery amid the increased uncertainty leads us to the predictions of still high annual inflation of 6.1% in 2023. The optimistic scenario is that inflation will be reduced to 3% in 2024.

In these circumstances, positive changes in the labour market could not be expected in the following period. One of the main challenges will be to retain jobs in the real sector, which is faced with serious problems. At the same time, the reduced available human resources, labour supply, demand mismatch, and lack of skilled workers will remain.

Following the principle of an open market economy and supporting the competitive and market-oriented financial system, it is expected that the National Bank of the Republic of North Macedonia will continue with daily adjustments in the monetary policy instruments to maintain the country's price and financial stability. The banking sector will continue to be stable and support economic activities.

The deterioration of the external environment and the continued disruption of supply chains in 2022 and 2023 will negatively affect exports; a slowdown in export growth is expected. Due to less private consumption and investments, the growth of imports will also remain more moderate, narrowing the deficit in trade in goods.

The prolonged inflation and increased cost of energy and food would inevitably be one of the next challenges for the future period.

Table NM2 Summary of projections

	2022	2023	2024
Real GDP (% change)	**2.7**	**2.9**	**N/A**
Real private consumption (% change)	2.9	2.8	N/A
Real government consumption (% change)	0.3	0.2	N/A
Real investment (% change)	8	8	N/A
Exports of goods and services (constant prices, % change)	7.2	6.1	N/A
Imports of goods and services (constant prices, % change)	7	6	N/A
Current account balance (% of GDP)	-5	-3	N/A
Consumer prices (% change, pa)	6.1	3	N/A
Exchange rate, national currency/EUR (pa)	N/A	N/A	N/A
Unemployment rate (LFS, %, pa)	15.1	14.6	N/A
General government balance (ESA 2010 definition, % of GDP)	-4.1	-3.6	N/A
Total domestic credit (% change, eop)	N/A	N/A	N/A

Sources: European Commission, Directorate-General for Economic and Financial Affairs, European Economic Forecast, Spring 2022, EUROPEAN ECONOMY, Institutional Paper 173, May 2022 and https://thedocs.worldbank.org/en/doc/d5f32ef28464d01f195827b7e020a3e8-0500022021/related/mpo-mkd.pdf

S E R B I A

Post-pandemic recovery challenged by the high inflation, issues in the energy sector, and a rising trade deficit

In the first half of 2022, Serbia's economy was affected by pandemic/ war-related disruptions, but to a lesser extent than other European economies

In 2022, the COVID-19 pandemic's lingering waves continued to disrupt economic activity, while shortly after erupting in February, the Russia-Ukraine conflict took over the role of the most powerful destabilizer of the global economy. As National Bank of Serbia representatives argue, the aforementioned pandemic's remnants and growing geopolitical tensions reflected on the Serbian economy to a significantly lesser extent than is the case with other European economies. The leading country's financial institution finds the reason behind the unfolding of the situation in Serbia's previously achieved stability and growth momentum.

Serbia achieved growth in economic activity during the first two trimesters of 2022

The latest statistical data on Serbia's economic activity support the National Bank of Serbia's standpoint mentioned above since relatively preserved macroeconomic and financial stability led to Serbia's real GDP growth of 4.3% and 3.9% in the first and the second trimester of 2022, respectively. Additionally, observing the nominal values, Serbia's GDP reached EUR 13,055 million in the first and EUR 14,838 million in the second quarter of 2022, which is an increase of 12.4% and 13.9% compared to the same interval of the preceding year. Finally, regarding the country's GDP per capita values, it is noticeable that economic output per person rose too, recording an increase of 13.6% at the end of the first quarter of 2022 and 15.3% at the end of 2022 first six-month interval.

Serbia achieved growth in economic activity during the first two trimesters of 2022

As representatives of the Ministry of Finance of the Republic of Serbia argue (observed by aggregates of use), GDP growth in the first half of 2022 was entirely driven by domestic demand. Viewed from the production side, almost all production sectors recorded year-on-year real growth at the end of 2022 first six-month interval. The biggest growth drivers were wholesale and retail trade, transportation and storage, accommodation, and the food services sector (contributing 1.5 percentage points each). The industry sector followed (contributing 0.9 percentage points), as well as the public administration, defense, education, human health, and social work activities sectors (contributing 0.5 percentage points each). On the other side, the construction and agriculture sectors recorded a year-on-year decline of 7.6% and 5.4%, respectively (with a negative contribution of 0.4 percentage points each).

GDP growth in the first half of 2022 was entirely driven by domestic demand

In the context of industrial production, the biggest drop was recorded in the area of basic metals production

According to the National Bank of Serbia's data, real investment year-on-year percentage change at the end of the first trimester of 2022 was 1.7%, while industrial output change of this kind noted a value of 1.8%. As representatives of the Chamber of Commerce and Industry of Serbia argue, the volume of industrial production at the end of the first half of 2022 increased in 14 and declined in 15 areas compared to 2021, with the most significant decline recorded in the area of basic metals production, the chemical industry, and the wood processing.

The unemployment rate in Serbia decreased in 2022

As for the labour market's dynamics in 2022, insight into the Labour Force Survey's data revealed a decrease in the unemployment rate. The rate value went from 12.8% in the first quarter of 2021 to 10.6% in the first quarter of 2022, i.e., from 11.1% in the second quarter of 2021 to 8.9% in the second quarter of 2022. This improvement was expected due to the fact that the pandemic and resulting economic crisis led to a large wave of layoffs, labour market pressures, and instability throughout 2020 and 2021, thereby reflecting on the unemployment rate volume. Additionally, the survey data showed that the employment rate in the first half of 2022 increased by 2.6 percentage points compared to the preceding year, reaching a record high of 50.9%. In this context, according to the Serbian National Employment Service's data, at the end of the second quarter of 2022, the number of persons employed amounted to 2,953,500, while the number of unemployed persons actively seeking employment totaled 438,000 (which is 13.4% decrease compared to the same quarter of 2021).

Finally, the average gross wage calculated for the January-June 2022 interval amounted to EUR 852, while the average net wage recorded a value of EUR 618.

Prices, wages, and exchange rates

Observed from the beginning of the year to the end of June 2022, inflationary pressures in Serbia continued to move upward. In June, inflation amounted to 11.9% year-on-year, of which about 70% contributed to the growth of import prices of food, energy, and raw materials. Due to high-cost pressures, the National Bank of Serbia continued to increase the average weighted interest rate at repo auctions, and in April, the key interest rate was increased for the first time in nine years. The increase in the key interest rate continued in the following period. By the end of June, the NBS increased the key interest rate three times, and at the end of the second quarter, it was 2.5%. High import inflation also affected the growth of core inflation (6.7% at the end of June), but it is still lower compared to overall inflation. As the import costs of production inputs increased, producer prices recorded a 19.7% year-on-year increase at the end of the second quarter.

Due to the tightening of monetary policy, appreciation pressures are present in the foreign exchange market, especially in the year's second quarter. Since the beginning of the year, the RSD has nominally strengthened against the euro by 0.3%, while compared to the dollar, it has nominally weakened by 6.0%, primarily due to the euro's weakening against the dollar on the international market. In the first six months of 2022, an annual nominal growth of gross earnings of 13.5% was recorded, while the real increase was 3.5%. Higher nominal growth of wages than the growth of total inflation is an indicator of preserving the growth of the population's real income. The average gross wages at the end of the second quarter was 102,523 RSD.

The current account deficit significantly widened during the period January-June 2022, mainly due to the deepening trade deficit

According to the National Bank of the Republic of Serbia, as of the first half of 2022, Serbia's current account deficit reached up to EUR 2,617 million, or 9.4% of GDP, which is nearly four times higher compared to the same period in 2021. The sharp rise in the current account deficit occurred mainly due to the deterioration in the goods trade balance but also in the balance of primary incomes, which was, to some extent, offset by the improvement of the balance of secondary incomes and the trade in services balance. In contrast to the previous year, the FDI inflow amounting to EUR 1,507 million was insufficient to cover the current account deficit. The bulk of FDI inflows, which in the first half of 2020 decreased by 14% year-on-year, originated from China and Hong Kong (EUR 448.4 million) and the EU member states, led by investments from Germany (EUR 179.5 million), Slovenia (EUR 116.8 million) and Austria (EUR 111.4 million). The main investors outside the EU were Switzerland (EUR 167.2 million) and Great Britain (EUR 142 million).

The deterioration in the goods trade balance was primarily a consequence of the energy imports prices increase

Regarding foreign trade performance, the growth trend from the previous year continued from January to June 2022. Total trade increased by almost 38% year-on-year and amounted to EUR 30,313 million, while the volume of both exports and imports also grew by 32.6% and 42.6%, respectively. The surge in imports that overwhelmed the export growth resulted in the deepening of the trade deficit, which climbed to EUR 4,764 million (84% year-on-year increase).

The mining sector recorded a sharp rise (almost five times) in exports, with metal ore exports increasing above 400%. However, the increase in exports was mainly due to the positive contribution of the manufacturing industry exports, especially in the metal (41.9% year-on-year growth), chemical (41.6%), food (29.6%) and rubber (20.5%) industries. It should be mentioned that export growth was driven by a rise in exported goods prices rather than in volume.

On the import side, the growth was recorded in all 23 areas of the manufacturing industry but also in the mining industry and was primarily determined by higher imports of raw materials (which was a result of increased economic activity), but also by higher energy prices.

China became the leading import partner of Serbia

Regarding trade partners, the highest share in Serbian exports in the first half of 2022 had Germany (13.2% of total exports), Italy (7.9%), Bosnia and Herzegovina (7.5%), Hungary (5.0%) and China (5.0%); while the major importers were China (12.0% of total imports), Germany (11.5%), the Russian Federation (7.5%), Hungary (7.3%) and Italy (6.8%).

It could be noticed that China appeared as the main importer and fifth major exporter, consolidating its position as one of the leading trade partners of Serbia. Despite the deepening trade cooperation, the key challenge in the first six months of 2022 remains the growing trade deficit of EUR 1,612 million (36.2% year-on-year increase). Furthermore, the poorly diversified Serbian export made up of products with low added value (such as copper ore and lumber) is also one of the main obstacles in terms of trade cooperation development between Serbia and China.

As the new phase of the bilateral trade relations with China, the Serbian Government announced the signing of the free trade agreement by the end of 2022, declaring that this is an incredible opportunity to gain favorable access to one of the world's largest markets. However, it should be kept in mind that the effects of this agreement will largely depend on how it will be formulated, which terms and obligations it will contain, and how it will be implemented.

Fiscal risks are on the rise due to the worsening of the macroeconomic outlook

The initial budget for 2022 was prepared in 2021, before the outbreak of war in Ukraine, and with the assumption that the average inflation in 2022 will be only 3.7%. Subsequently, significant changes in the macroeconomic framework over 2022 imposed substantial changes in government revenues and expenditures. The strong acceleration of inflation directly affected the increase in VAT up to around 800 million EUR more than was initially planned, while a total increase in public revenues (primarily driven by accelerating inflation) is estimated at 1.6 billion EUR. On the expenditure side, the single largest change is financing the huge losses of public companies from the energy sector (Srbijagas and Elektorprivreda Srbije), estimated at 1.5 billion EUR. Eventually, despite a surge in public revenues, budget rebalances adopted at the end of 2022 envisaged an increase in the budget deficit from 3 to almost 3.8% of GDP, and the main reason for this is the enormous losses of the state-owned enterprises in the energy sector.

The mid-term fiscal framework seems to be credibly planned, with a fiscal deficit reduction from 3.8% of GDP in 2022 to 1.4% in 2025. The success in the implementation of planned reduction partially depends on global economic developments, especially prices of energy and interest rates on financial markets, but also on solving the problems of state-owned companies from the energy sector. Apart from the issues in management and organization, state-owned companies from the energy sector also generate losses due to underrated selling prices of energy, which are de facto determined by the Government and subsidized by public money. Therefore, the potential increase in energy prices imposes a significant risk for the budget deficit. Also, in 2023 considerable amount of public debt principal falls due (around 4 billion EUR), and it must be refinanced at substantially higher interest rates.

To sustain the credibility of macroeconomic and fiscal policy (and subsequently more favorable interest rate on new borrowing), the Government has negotiated a 24-month Stand-By Arrangement with the International Monetary Fund.

Regarding reforms in public finance management, a major improvement in 2022 is a revision of the outdated fiscal rules within the organic law on the fiscal system in favor of more credible and realistic public debt ceiling and budget deficit restrictions, as well as stipulation of stricter responsibility of the Government to the National Assembly for fiscal rules violating. More specifically, the public debt ceiling has been increased to the Maastricht threshold of 60%, while the budget deficit may vary from 0% to 3% of GDP, depending on the value of public debt. On the other hand, lack of transparency in budget planning and execution (current budget reserves, subsidies to state-owned enterprises, selection of public investment projects, fines to the private sector) and a lack of willingness to substantially reform state-owned enterprises in the energy sector, have remained major sources of institutional fiscal risks and drawbacks in further advance toward sound management of the fiscal system.

Geopolitical tensions followed by the outbreak of the Ukrainian conflict have increased uncertainty and worsened existing global disturbances. The ongoing crisis made short-term inflationary pressures permanent, with a high probability of their long-term presence in the global economy. Consequently, the continuation of global cost pressures and further increased imported inflation caused a higher degree of restrictiveness of monetary policy in Serbia. Since the beginning of 2022, NBS gradually increased its key policy rate while reducing the level of monetary expansion (at the end of 2022Q2, monetary aggregate M1 increased by 1.23%, which is considerably lower compared to the end of 2021when this rise accounted for 14.84%).

In the first half of 2022, the stance of monetary policy in Serbia was restrictive due to the raised geopolitical tensions

Despite the ongoing disturbances, NBS has enabled credit activity to continue to be a significant source of financing for investment and consumption in the first half of 2022, as evidenced by the year-on-year total domestic credit increase (7.32%). A larger contribution to the total credit activity at the end of 2022Q2 came from DMBs credit to households (9.56%) than DMBs credit to enterprises (8.98%). Nevertheless, the average increase of total domestic credit (year-on-year) in the first half of 2022 is lower compared to 2021.

The average increase of total domestic credit (year-on-year) in the first half of 2022 is lower compared to 2021

In response to the challenges from the international environment, NBS took steps to tighten its monetary policy stance gradually. This resulted in the rise of the money market interest rate to 1.27% in 2022Q2, as well as the short-term DMBs credit rate for enterprises (2.55%) and short-term DMBs credit rate for households (6.87%).

The tightening of the monetary policy stance affected the growth of interest rates on the money and credit market

Table SRB1 Main economic indicators

	2021				Total 2021 year	2022	
	Q1	Q2	Q3	Q4		Q1	Q2
ECONOMIC ACTIVITY							
Real GDP (% change, yoy)	1.6	13.8	7.6	7.0	**7.5**	4.3	3.9
Real private consumption (% change, yoy)	-1.9	17.1	8.1	7.2	**7.6**	6.9	4.0
Real government consumption (% change, yoy)	0.2	-2.9	7.8	5.8	**2.7**	2.5	4.5
Real investment (% change, yoy)	8.0	21.4	12.2	9.8	**12.8**	1.1	1.7
Industrial output (% change, yoy)	1.9	9.3	-3.6	-2.5	**1.3**	3.3	1.8
Unemployment rate (LFS, % pa)	12.8	11.1	10.5	9.8	**11.1**	10.6	8.9
Nominal GDP (EUR million)	11,610	13,029	13,819	14,859	**53,317**	13,055	14,838
GDP per capita (EUR)	1,690	1,900	2,020	2,180	**7,790**	1,920	2,190
PRICES, WAGES AND EXCHANGE RATES							
Implicit GDP deflator (% change, yoy)	0.0	5.5	6.9	11.0	**6.1**	1.7	9.0
Consumer prices (% change, yoy, pa)	1.4	3.2	4.4	7.3	**7.9**	9.1	11.9
Producer prices (% change, yoy, pa)	0.8	8.8	11.3	15.5	**14.7**	17.0	19.7
Average gross wage (% change, yoy, pa)	7.1	9.6	9.0	11.8	**9.4**	13.4	13.7
Exchange rate (RSD/EUR, pa)	117.58	117.57	117.57	117.58	**117.58**	117.75	117.41
Exchange rate (RSD/USD, pa)	97.60	97.59	99.71	102.83	**103.93**	112.26	112.26
FOREIGN TRADE AND CAPITAL FLOWS							
Exports of goods (EUR million)	4,620	5,013	5,360	5,791	**20,783**	6,055	6,720
Exports of goods (EUR, % change, yoy)	16.8	48.1	28.8	26.5	**29.3**	31.1	34.1
Imports of goods (EUR million)	5,582	6,635	6,821	7,669	**26,707**	8,298	9,241
Imports of goods (EUR, % change, yoy)	0.9	51.1	26.7	28.4	**25.5**	48.7	39.3
Current account balance (EUR million)	83	-656	-766	-1,001	**-2,340**	-1,350	-1,270
Current account balance (% of GDP)	0.7	-5.0	-5.5	-6.7	**-4.4**	-10.3	-8.6
Foreign Direct Investment net inflows (EUR million)	941	815	1,080	821	**3,657**	561	946
Foreign exchange reserves (EUR million, eop)	17,018	17,014	19,726	19,350	**19,350**	17,101	17,269
Foreign debt (EUR million, eop)	32,303	32,272	35,258	36,488	**36,488**	36,986	38,287
GOVERNMENT FINANCE							
Revenues (RSD million)	594	691	684	743	**2,712**	679	803
Expense (RSD million)	545	647	579	732	**2,502**	670	628
Net = Gross operating balance	50	45	105	11	**210**	8	175
Net acquisition of non-financial assets (RSD million)	63	71	132	202	**468**	76	122
Net lending/borrowing (RSD million)	-13	-26	-27	-191	**-257**	-68	53
Domestic government debt (EUR million, eop)	11,595	11,722	11,670	11,607	**11,607**	11,191	11,359
Foreign government debt (EUR million, eop)	16,549	16,540	17,925	18,527	**18,527**	19,406	19,956
Total government debt (eop. % of GDP)	60.4	58.0	58.5	57.1	**57.1**	56.5	55.9
MONETARY INDICATORS							
Narrow money, M1 (% change, yoy, eop)	27.24	12.38	17.49	14.84	**14.84**	8.05	1.23
Broad money, M4 (% change, yoy, eop)	N/A	N/A	N/A	N/A	**N/A**	N/A	N/A
Total domestic credit (% change, yoy, eop)	12.08	8.05	5.68	8.29	**8.29**	7.54	7.32
DMBs credit to households (% change, yoy, eop)	11.91	10.60	8.91	10.55	**10.55**	10.53	9.56
DMBs credit to enterprises (% change, yoy, eop)	4.77	3.32	3.68	7.06	**7.06**	8.02	8.98
Money market interest rate (%, pa)	0.11	0.11	0.11	0.31	**0.16**	0.75	1.27
DMBs credit rate for enterprises short-term (%, pa)	2.29	2.58	2.30	2.41	**2.40**	2.38	2.55
DMBs credit rate for households short-term (%, pa)	6.85	6.77	6.27	6.40	**6.57**	6.58	6.87

Conventional abbreviations: pa - period average, eop – end of the period, yoy – year on year, RSD - Serbian dinar, EUR- euro, USD – U.S. dollar, DMB – deposit money bank.
Source: National Bank of Serbia, Statistical Office of the Republic of Serbia, Eurostat, Ministry of Finance

Policy assumptions and projections summary

The initial Fiscal Strategy, adopted in the mid of 2022, envisaged a slowing down of Serbian economic growth in 2022 (at a rate of 3.5%), as well as a solid mid-run growth rate of around 4%-4.5%. The Strategy foresaw that mid-term growth would be boosted by a strong contribution of domestic absorption, in the particular contribution of private consumption and investment growth to GDP growth, with a minor contribution of government consumption and net export. In addition, baseline forecasts were grounded on underestimated inflation, so annual average inflation rates in 2022 and 2023 were projected at 9.2% and 5.3%, respectively. Following the assumption of underrated inflation, the current account deficit in 2022 was also underestimated at 6.7%. The Strategy envisaged that mid-term improvement of macroeconomic conditions and moderate government spending will contribute to the gradual decline of fiscal deficit, from -3.0% in 2022 to only -0.5% in 2025. While the beginning of the year was indeed promising despite the escalation of the war in Ukraine, already at the time of adoption, it was clear that forecasts in the Strategy were outdated due to over-optimistic assumptions.

The persistently high inflation and other economic turbulences at global markets related to the war in Ukraine and the pandemic, as well as internal economic issues, have gradually diminished the Serbian growth outlook and imposed revision of Fiscal Strategy and budget rebalance in the second half of 2022. In 2022, the National Bank increased the key policy rate from 1% to 4.5%, but inflation didn't slow down – projections of annual average inflation rates in both 2022 and 2023 are revised upward, and restrictive monetary policy is further expected to relax inflationary pressures. Since Serbia is a net importer, persistent inflation in main importing markets subsequently translated into a deepening of trade balance – in 2022, the current account deficit is revised to roughly 9%, and it is expected to stay high in 2023, too.

Despite the worsening of the economic outlook and pressures stemming from the rising trade and current account deficits, the exchange rate is expected to remain stable due to the high foreign exchange reserves of the National Bank and the solid inflow of foreign direct investments. On the fiscal policy side, the government didn't plan to substantially cut the expenditures; therefore, the initial mid-term deficit and debt targets set by the Fiscal Strategy were downgraded, following the anticipation of lower tax base growth.

The major global risks that may severely impact the Serbian economy are a shortage of gas in Europe over winter 2022/2023, further escalation of inflation, and tightening of the monetary policy by the ECB. The issues with sufficient energy supply are amplified by the underperformance of the electric power company "Elektroprivreda Srbije", caused by the long-term incompetent management and postponement of the reforms in this state-owned enterprise. In case of materializing risks related to the shortage of energy supply and increase in energy prices, the mid-term impact will largely depend on the Serbian government's political decisions and fiscal policy measures. Shortage of gas supply may be mitigated by the high import of gas from Russia, assuming that the Serbian Government will not introduce sanctions on Russia or join the EU initiative to decrease dependency on Russian gas. In case of a substantial increase in energy prices, a severe impact on the households and businesses sector is likely to be mitigated by the existing practice of partial subsidizing of energy prices by the Government at a price higher public debt at a deficit in the mid-run.

Table SRB2 Summary of projections

	2023	2024	2025
Real GDP (% change)	**2.7**	**2.8**	**4.0**
Real private consumption (% change)	3.0	2.8	2.8
Real government consumption (% change)	0.2	0.3	0.3
Real investment (% change)	0.9	0.9	1.4
Exports of goods and services (constant prices, % change)	3.6	4.0	7.0
Imports of goods and services (constant prices, % change)	5.0	5.2	7.5
Current account balance (% of GDP)	-9.4	-7.9	-6.8
Consumer prices (% change, pa)	9.2	3.7	3.0
Exchange rate, national currency/EUR (pa)	117.6	117.6	117.6
Unemployment rate (LFS, %, pa)	9.1	8.7	8.2
General government balance (ESA 2010 definition, % of GDP)	3.2	1.8	1.2
Total domestic credit (% change, eop)	N/A	N/A	N/A

Source: Revised fiscal strategy for 2023, World Bank economic report on Western Balkan, authors' estimates

SLOVENIA

Russia's invasion of Ukraine sets back post-COVID economic recovery

Good start to the year, but a slowdown is on the horizon

Following a solid and broad-based economic recovery in 2021, the domestic economic growth remained favourable in the first half of 2022 but with signs of cooling down. Year-on-year gross domestic product growth stood at 9.6% in the first quarter and 8.2% in the second quarter of 2022. Both domestic and foreign demand had a positive impact on economic growth. Domestic demand played a more significant role in the first quarter amid high year-on-year growth in private consumption and gross fixe d capital formation. Foreign demand took over a more prominent role in the second quarter by driving the exports of services, most notably travel services.

However, the outlook for economic growth in the second part of the year is aggravated by the implications of Russia's invasion of Ukraine. The rising inflation has started to decrease households' purchasing power, and the severe energy crisis in Europe is expected to hamper economic activity further. Exports and, in turn, manufacturing production growth is expected to decline in the second half of the year due to a slowdown in economic

growth in Slovenia's main trading partners, difficult access to energy and a reduction in its consumption, and the tightening of monetary conditions.

Private consumption contributed most to gross domestic product growth

The dominant positive contribution to still robust economic growth in the year's first half is mainly attributed to the strong increase in private consumption. Real private consumption growth was as high as 19.5% year-on-year in the first quarter. The high rate of private consumption expansion resulted from several favourable factors. It was spurred by the lifting of COVID-19 restrictions and the redemption of tourism vouchers. It was further supported by high employment levels and rising private sector wages amid solid economic activity, as well as by government measures to control inflation (incl. reduced excise duties and administered prices of most motor fuels). Also, a very low last year's base contributed to a high year-on-year growth rate. In the second quarter, private consumption growth moderated to 12% year-on-year amid a rising inflation rate that started to undermine households' purchasing power and a decline in consumer confidence. Moreover, the comparative base in 2021 was relatively high. In the first half of the year, consumption growth was recorded in the segment of other goods and services, while the spending on durable goods was down year-on-year due to the very high base in the first half of 2021.

Government consumption continued to increase year-on-year in the first quarter of 2022 (4.5%) but slowed considerably in the second quarter (0.7%). The decrease in growth is mainly attributed to the decline in expenditure on COVID-19 mitigation measures, including a decrease in wage bills amid lower employment growth in the general government sector and a decline in financial transfers and subsidies to individuals and households.

Construction of buildings drives gross fixed capital formation growth

Year-on-year growth in gross fixed capital formation stood at 8.6% in the first quarter of 2022. It slowed to 6.5% in the second quarter of 2022 amid the uncertainty related to the energy crisis, higher prices of capital goods and construction materials, and rising interest rates. The decline was more pronounced in investment in machinery and equipment than in investment in buildings and structures due to high year-on-year growth rates (13%) observed in the construction of residential buildings throughout the first half of the year. In addition to growth in gross fixed capital formation, changes in inventories also contributed to an increase in real investment in the first half of 2022.

A slowdown in industrial production growth

In the first half of 2022, production value was higher year-on-year in manufacturing and mining and quarrying (by 4.7% and 15.6%, respectively), while it decreased in electricity, gas, steam and air conditioning supply (by 17.8%). According to the quarterly data, the year-on-year growth rate declined from 5.0% in the first quarter to 1.8% in the second quarter. The decline resulted from a decline in the year-on-year growth in mining and quarrying and a stronger year-on-year decrease in electricity, gas, steam and air conditioning supply. On the other hand, year-on-year growth remained strong in manufacturing production.

With respect to manufacturing, the most robust year-on-year growth in the period from January to June was observed in high-technology industries. Most other industries were also at or above the levels of 2021, while the manufacture of motor vehicles, trailers and semi-trailers, in particular, was lower due to supply chain disruptions and restructuring towards electric vehicles.

The current account balance turned negative

The value of trade in goods continued to increase in the first half of 2022. The year-on-year growth in the exports of goods stood at 3.9% and 1.9% in the first and second quarters of 2022, respectively. Starting in the second half of 2021, the year-on-year growth in the imports of goods continued to be strong and surpassed that of exports. It stood at 14.0% in the first quarter and moderated to 7.1% in the second quarter of 2022. Due to faster real growth of imports than exports, the trade balance in goods was negative and surged in the first half of 2022. On the other hand, the services trade balance continued to be positive in the first half of 2022, with a strong acceleration in services exports in the second quarter of 2022, mostly due to trade in transportation services and travel.

After being in surplus for ten years, the current account balance turned negative in 2022, mainly due to the negative balance in the goods trade. Still, the primary income deficit was also higher due to higher payments of dividends and profits to foreign investors. Foreign direct investment inflow amounted to EUR 1.4 billion in the first six months of 2022 and was 15% higher than in the same period of 2021.

After recovering rapidly last year, labour market conditions improved further in the first half of 2022. According to the Labour Force Survey, the year-on-year increase in the number of employed was more pronounced in the first (5.6%) than in the second (0.8%) quarter. Regarding the sector of activity, year-on-year growth was the highest in accommodation and food service activities largely due to the very low last year's base. Strong year-on-year growth was also observed in administrative and support service activities; arts, entertainment and recreation; and water supply, sewerage and waste management. The employment of foreign workers has increasingly contributed to employment growth due to the domestic labour shortage.

Labour market conditions improved further

According to the Labour Force Survey, the unemployment rate stood at 4.3% and 4.2% in the first and second quarters of 2022, respectively. It decreased by 1.3 and 0.1 percentage points, respectively, compared to the same period in 2021. It was higher for women than men (4.6% and 3.9%, respectively, in the second quarter). There were around 44,000 unemployed persons in the second quarter of 2022, of which 40% were long-term unemployed.

Year-on-year growth in the average gross wage was negative in the first quarter of 2022 and only slightly positive in the second quarter amid a decline in the average public sector gross wage (-9.2% and -8.1% in nominal terms in the first and second quarters, respectively). The decline in public sector gross wage resulted from ceasing the COVID-19 bonuses, which were particularly high in the first half of 2021. On the other hand, growth in the average gross wage in the private sector remained positive in the first two quarters of 2022 amid ongoing labour shortages, good business results and the increase in the minimum wage. However, the average gross wage decreased in real terms in the private sector due to rising inflation. In the second quarter of 2022, the average net wage amounted to EUR 1.483 in the public sector and EUR 1.223 in the private sector.

Average gross wage decreased in real terms

The inflation rate accelerated in 2022; inflation is becoming broad-based. Compared to the same quarter of 2021, consumer prices went up by 6.0% and 8.5% in the first and second quarters of this year, respectively. In the first six months of 2022, the most significant year-on-year increase was observed in energy prices, followed by a rise in food and transport services prices. The increase in the prices of these products and services, coupled with strong demand, supply chain problems and wage growth, also affected the price growth in non-energy industrial goods and services. The inflation rate in July and August hit 11%, with the most significant impact coming from higher prices of fuels and energy, and declined to 10% in September, mainly due to the government temporarily reducing the value-added tax rate on certain types of energy products.

Consumer price growth accelerated

Producer prices continued to exhibit even more prominent growth in the year's first half. Average year-on-year growth stood at 15.6% and 21.7% in the first and second quarters, respectively. Growth was driven mainly by the rise in energy prices and intermediate goods, but the prices of capital goods and consumer goods also increased.

Strong growth in loans to non-financial corporations and households

The year-on-year growth in the volume of bank loans to non-financial corporations and households was accelerating in the first half of 2022. Year-on-year growth in loans to non-financial corporations strengthened from 7.7% at the end of the first quarter to 12.4% at the end of the second quarter and was driven by an increase in loans to corporations in the electricity, gas, steam and air conditioning supply. Growth in household lending was slightly lower but still solid and accelerating. It was driven entirely by growth in housing loans, which stood at 10.9% and 12.0% at the end of the first and second quarters, respectively. On the other hand, a year-on-year contraction in consumer loans continued in the first half of 2022, but the year-on-year decline has been gradually slowing since March 2021. The decline resulted from repayments of loans from previous years when consumer lending was well above average.

General government deficit down

The general government balance remained in deficit in the first half of 2022, but the deficit was down year-on-year. It amounted to EUR -0.9 billion in the first six months of 2022 and was almost a half lower than in the same period of 2021 (EUR 1.7 billion).

Improved general government balance resulted from higher growth in revenues than expenditures. Compared to the first half of 2021, total general government revenue was 7.9% higher in 2022, mainly because of higher tax revenues, particularly taxes on production and imports amid a favourable economic situation. General government expenditure increased only slightly year-on-year in the first half of 2022 (0.9%), reflecting lower spending on subsidies to the corporate sector and civil servants' wages due to a significantly smaller volume of epidemic-related bonuses.

At the end of the second quarter of this year, consolidated general government gross debt stood at 73.5% of gross domestic product and was 6.5 percentage points lower compared to the end of the second quarter of 2021.

Table SL1 Main economic indicators

	2021				Total 2021 year	2022	
	Q1	Q2	Q3	Q4		Q1	Q2
ECONOMIC ACTIVITY							
Real GDP (% change, yoy)	1.6	16.2	5.1	10.5	**8.2**	9.6	8.2
Real private consumption (% change, yoy)	-3.1	14.2	5.7	21.2	**9.4**	19.5	12.5
Real government consumption (% change, yoy)	3.4	6.0	5.4	8.3	**5.8**	4.5	0.7
Real investment (% change, yoy)	4.7	35.5	24.2	1.1	**15.1**	21.7	12.2
Gross fixed capital formation (% change)	8.7	21.5	11.8	13.2	**13.7**	8.6	6.5
Industrial output (% change, yoy)	3.3	25.5	6.2	7.9	**10.2**	5.0	1.8
Unemployment rate (LFS, % pa)	5.6	4.3	4.5	4.5	**4.7**	4.3	4.2
Nominal GDP (EUR million)	11,606	13,110	13,483	14,009	**52,208**	13,290	15,044
GDP per capita (EUR)	5,503	6,222	6,399	6,643	**24,770**	6,307	7,143
PRICES, WAGES AND EXCHANGE RATES							
Implicit GDP deflator (% change, yoy)	-1.2	3.5	4.3	3.5	**2.6**	0.6	6.9
Consumer prices (% change, yoy, pa)	-0.5	1.9	2.2	4.2	**1.9**	6.0	8.5
Producer prices (% change, yoy, pa)	1.2	3.6	7.5	9.9	**5.5**	15.6	21.7
Average gross wage (% change, yoy, pa)	10.6	5.7	5.4	2.9	**6.1**	-1.2	0.8
Exchange rate (______/EUR, pa)	NA	NA	NA	NA	**NA**	NA	NA
Exchange rate (EUR/USD, pa)	1.20	1.21	1.18	1.14	**1.18**	1.12	1.06
FOREIGN TRADE AND CAPITAL FLOWS							
Exports of goods (EUR million)	8,268	8,815	8,473	9,699	**35,255**	10,030	10,897
Exports of goods (EUR, % change, yoy)	5.8	33.0	7.3	10.6	**13.4**	3.9	1.9
Imports of goods (EUR million)	7,627	8,476	8,410	9,860	**34,373**	10,496	11,495
Imports of goods (EUR, % change, yoy)	3.2	37.2	16.0	16.2	**17.2**	14.0	7.1
Current account balance (EUR million)	944	384	560	98	**1,986**	-148	-45
Current account balance (% of GDP)	8.1	2.9	4.1	0.7	**3.3**	-1.1	-0.3
Foreign Direct Investment net inflows (EUR million)	360	890	520	25	**1,795**	832	606
Foreign exchange reserves (EUR million, eop)	542	557	600	646	**646**	709	742
Foreign debt (EUR million, eop)	50,389	50,156	52,073	50,818	**50,818**	51,947	51,903
GOVERNMENT FINANCE							
Revenues (EUR million)	5,319	5,906	5,845	6,227	**23,296**	5,772	6,334
Expense (EUR million)	6,199	6,715	6,080	6,741	**25,735**	6,153	6,881
Net = Gross operating balance	NA	NA	NA	NA	**NA**	NA	NA
Net acquisition of non-financial assets (EUR million)	NA	NA	NA	NA	**NA**	NA	NA
Net lending/borrowing (EUR million)	-881	-809	-235	-515	**-2,440**	-381	-546
Domestic government debt (EUR million, eop)	34,154	33,537	34,269	32,921	**32,921**	35,228	35,283
Foreign government debt (EUR million, eop)	2,973	2,964	2,963	2,954	**2,954**	2,526	2,517
Total government debt (eop. % of GDP)	85.0	80.0	79.5	74.5	**74.5**	74.7	73.5
MONETARY INDICATORS							
Narrow money, M1 (% change, yoy, eop)	NA	NA	NA	NA	**NA**	NA	NA
Broad money, M4 (% change, yoy, eop)	NA	NA	NA	NA	**NA**	NA	NA
Total domestic credit (% change, yoy, eop)	10.3	10.8	11.1	12.2	**12.2**	9.7	2.3
DMBs credit to households (% change, yoy, eop)	0.7	2.9	3.6	5.1	**5.1**	6.8	8.1
DMBs credit to enterprises (% change, yoy, eop)	-4.3	-1.7	0.2	5.2	**5.2**	7.7	12.4
Money market interest rate (%, pa)	-0.56	-0.56	-0.57	-0.57	**-0.57**	-0.58	-0.58
DMBs credit rate for enterprises short-term (%, pa)	1.5	1.8	1.7	1.7	**1.7**	1.9	1.4
DMBs credit rate for households short-term (%, pa)	2.9	2.7	2.9	3.0	**2.9**	3.1	3.1

Conventional abbreviations: pa - period average, eop – end of the period, yoy – year on year, EUR- euro, USD – U.S. dollar, DMB – deposit money bank.
Sources: Statistical Office of the Republic of Slovenia, Bank of Slovenia, Ministry of Finance, Institute for Macroeconomic Analysis and Development and calculations by the Institute for Economic Research.

Policy assumptions and projections summary

Economic growth projected to slow down markedly in the mid-term

The downside risks to the realisation of the spring forecasts related to the course of the war in Ukraine and the associated evolution in energy prices have materialised. Given the EU's high dependence on Russian gas imports, the war has led to a severe energy crisis in Europe. Moreover, food commodity prices and production costs have started rising and have set global inflationary pressures. Persistent and broadening inflation pressures have, in turn, triggered the faster tightening of monetary conditions than previously anticipated. Consequently, economic growth is expected to slow down markedly in the EU countries, including Slovenia, in the second part of this year. Downside risks to the realisation of the autumn forecasts remain elevated and are heavily dependent on the evolution of the war and its implications for gas supply to Europe.

Both the international and national institutions have revised their forecasts of gross domestic product growth in Slovenia. For 2022, the forecasts have been revised upwards mainly due to more robust private consumption growth in the first half of the year than previously anticipated but also due to a recovery in tourism-related services. For the mid-term, the outlook has been revised downwards, reflecting the unfolding of the war in Ukraine and its impact on inflation, which is to remain elevated for longer than previously expected, and the tightening of financial conditions that have evolved faster than previously assumed. In its October 2022 forecast, the IMF estimates that gross domestic product growth in Slovenia will stand at 5.7% this year and moderate to 1.7% in 2023. It represents an upward revision of 2.0 percentage points for 2022 and a downward correction of 1.3 percentage points for 2023 compared to its spring 2022 forecast. The European Commission is slightly less optimistic in its summer 2022 forecast and estimates that gross domestic product growth in Slovenia will stand at 5.4% in 2022 and slow down to 1.0% in 2023. The National Institute for Macroeconomic Analysis and Development (IMAD) projects that the gross domestic product growth will stand at 5.0% this year, which represents a 0.8 percentage points upward revision compared to the spring forecast, and slump to 1.4% in 2023 (a downward correction of 1.6 p.p.).

Private consumption growth is expected to slow down in the second part of the year and remain low in the mid-term due to high inflation that started eroding household purchasing power and consumer confidence. Also, tourism vouchers have no longer been available since June this year. Corporate investment activity is also expected to slow down in the second part of the year and stay subdued in 2023 due to rising prices of capital goods and raw materials, a decline in foreign demand, and tightening financial conditions amid rising interest rates. On the other hand, government investment is expected to pick up in the mid-term, stimulated by the end of the 2014–2020 financial perspective and the EU funds from the Recovery and Resilience Plan and React-EU.

Employment growth and the decline in unemployment are expected to slow in the second half of this year and even more so in 2023 amid the slowdown of economic activity. According to the IMF, the unemployment rate will drop to 4.3% in 2022 and remain unchanged in the next two years. IMAD, on the other hand, projects a somewhat stronger decline; it estimates that unemployment will stand at 4.2% in 2022 and further decrease to 4.1% and 3.9% in 2023 and 2024, respectively. Amid historically low unemployment levels and population ageing, managing shortages in the labour market accompanied by wage pressures and challenges in filling vacancies will become an increasing challenge over the projection horizon.

Being responsible for the bulk of the rise in headline inflation in the EU and Slovenia, war-induced energy and food price increases have passed through into broader price pressures. They are responsible for a significant upward revision of inflation projections compared to the spring forecasts. Year-on-year consumer price growth peaked at 10.7% in the third quarter in Slovenia. For the last quarter of the year, a decline in consumer price growth is expected due to government measures to mitigate the impact of high energy prices and subdued economic activity, including a decline in household spending. IMF and IMAD forecast that the inflation rate will stand at 8.9% this year in Slovenia (an upward correction of more than 2 p.p.), while the European Commission projects it at 7.6%. In the mid-term, the inflation rate is projected to moderate to 5%-6% in 2023 (4.9%, 5.1% and 6.0% according to EC, IMF and IMAD, respectively) and further to 3% in 2024 under the assumption that inflation will decline as central banks tighten policies and energy prices fall.

Table SL2 Summary of projections

	2023	2024	2025
Real GDP (% change)	**1.4**	**2.6**	**NA**
Real private consumption (% change)	0.3	1.9	NA
Real government consumption (% change)	1.7	1.9	NA
Real investment (% change)	NA	NA	NA
Gross fixed capital formation (% change)	2.5	2.0	NA
Exports of goods and services (constant prices, % change)	2.5	4.7	NA
Imports of goods and services (constant prices, % change)	2.2	3.8	NA
Current account balance (% of GDP)	-0.5	0.1	NA
Consumer prices (% change, pa)	6.0	2.9	NA
Exchange rate, EUR/USD (pa)	1.02	1.02	NA
Unemployment rate (LFS, %, pa)	4.1	3.9	NA
General government balance (ESA 2010 definition, % of GDP)	-2.8	-2.3	NA
Total domestic credit (% change, eop)	NA	NA	NA

Source: IMAD - Autumn Forecast of Economic Trends 2022, IMF – World Economic Outlook, October 2022.

ANALYSIS

FDI flows in SEE countries in times of crises

This issue of the SEE-6 Economic Outlook focuses on analyzing the FDI trends in analyzed SEE countries. The selected SEE countries had volatile trends in FDI flows over the last three years. After being severely impacted by the COVID-19 pandemic and falling to $5.4 billion in 2020, they returned to pre-pandemic levels swiftly, reaching almost $9 billion in 2021. The beginning of the Ukraine-Russia conflict will change the upward trend of FDIs starting in 2022, but it won't have an equal impact on all nations.

FDI flows have grown slowly in recent years, with spikes attributed to specific high-value M&A transactions. The FDI growth patterns in all selected SEE countries were weak even before the COVID-19 epidemic, except in 2018.

The generally positive trends in FDI in 2018–2019 abruptly flipped reverse with the COVID-19 pandemic outbreak. Except for Bosnia and Herzegovina and Montenegro, almost all SEE nations under study saw a fall in FDI inflows. In 2020 Slovenia was severely hit by the downturn, followed by Croatia and North Macedonia. Following a significant decrease in FDI in 2020, there was a quick recovery in 2021, and virtually all SEE economies witnessed strong FDI recovery, reverting to pre-crisis levels. Slovenia, followed by Croatia and North Macedonia, saw the most significant growth in FDI inflows in 2021, as was to be predicted. FDIs in Bosnia and Herzegovina and Montenegro continued to rise, along with Serbia, which had double-digit growth in 2021 after experiencing a contraction in 2020 and reaching a record level of FDIs per year. Serbia is the top FDI recipient among chosen SEE countries, attracting more investments than all other countries.

A nation is seen to have succeeded if it consistently attracts FDI exceeding 5–6% of GDP yearly. For some SEE economies, FDI has historically been crucial and

has contributed significantly to GDP. Inflows of FDIs increased Montenegro's GDP by 11.71 percent in 2021. FDI inflows account for 7 percent of the GDP of Serbia. These percentages are substantially lower in other countries under observation, ranging from 4.31 in Macedonia to 0.87 percent in Croatia in 2021.

Serbia ranked first in 2021, as its FDI stock increased from $42 billion in 2017 to almost $53 billion in 2021, reflecting the impact of Serbian policies promoting inward FDIs. Serbia is followed by Croatia and Slovenia, which accumulated $39 billion and $20 billion in 2021. As for other observed SEE countries, their stocks of FDIs in 2021 are below $10 billion each.

Inward flow (in million $)

	2017	2018	2019	2020	2021
Bosnia and Herzegovina	492	581	342	395	519
Croatia	539	1,203	397	136	569
Montenegro	559	490	416	529	664
North Macedonia	205	725	446	230	606
Serbia	3,167	4,412	4,555	3,863	5,060
Slovenia	898	1,384	1,463	206	1,517

Inward % of GDP

	2017	2018	2019	2020	2021
Bosnia and Herzegovina	2.72	2.88	1.69	1.99	2.38
Croatia	0.96	1.93	0.64	0.24	0.87
Montenegro	11.50	8.89	7.51	11.04	11.71
North Macedonia	1.82	5.72	3.56	1.88	4.31
Serbia	6.17	7.54	7.67	6.33	7.02
Slovenia	1.85	2.56	2.70	0.38	2.53

Inward Stock (in million $)

	2017	2018	2019	2020	2021
Bosnia and Herzegovina	8,553	8,635	8,604	9,470	9,474
Croatia	33,657	32,919	35,961	38,454	38,898
Montenegro	5,388	5,355	5,411	5,697	6,361
North Macedonia	5,634	6,077	6,408	7,181	7,248
Serbia	42,009	44,522	48,285	57,410	52,775
Slovenia	16,738	17466	18,175	20,329	20,043

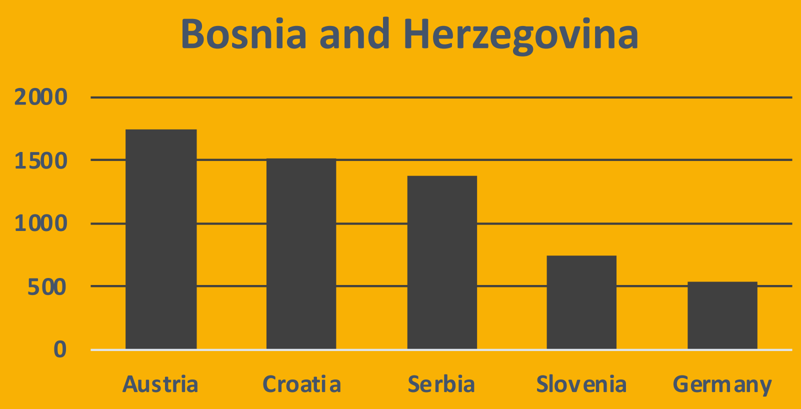
Table 1. FDI, in SEE region, 2017–2021 (US dollars at current prices in millions and %)
Source: UNCTAD, FDI/MNE database

The outbreak of the crisis in Ukraine exacerbated global uncertainty and increased risk aversion, slowing down global FDIs flows. According to the UNCTAD Global Investment Trends Monitor, No. 42, "the global FDI flows in the second quarter of 2022 reached an estimated $357 billion, down 31 percent from the first quarter and 7 percent less than the quarterly average of 2021, reflecting a shift in investor sentiment due to the multiple crises, rising inflation and interest rates, and fears of a coming recession ".

The developed European economies Austria, Germany, and the Netherlands account for most foreign direct investment (FDI) in the SEE region, whereas Russia's contribution to FDI is minor. As a result, we anticipate that the Ukrainian crisis will not significantly affect regional FDI flows. Rising uncertainty and geopolitical risks, together with broken supply and value chains and ongoing food, fuel and finance crises around the world, change investor sentiment, making them more concerned. Nevertheless, few economies from the SEE are still exposed to the Russian-Ukraine crisis. The largest FDI investor in Montenegro is Russia, and the fifth largest investor in Serbia.

The majority of FDI flow to Bosnia and Herzegovina came from Austria, Germany, and neighboring countries, Croatia, Serbia, and Slovenia, in 2020. During the last three years, the structure of the top five Bosnia and Herzegovina investors has been the same, where Germany and the Netherlands are taking turns as the fifth investor. Exposure to Russia's FDIs is minor.

Figure 1: Top five investors in B&H in 2020



Source: IMF Coordinated Investment Survey (CDIS)

Croatia's top investor is Austria, followed by the Netherlands, Luxemburg, Hungary, and Italy in 2020. The Netherlands and Germany are taking turns in Croatia's top five investors in the last three years. The Netherlands and Luxembourg, as low-tax jurisdictions, are present among the top direct investors. Exposure to Russia's FDIs is negligible.

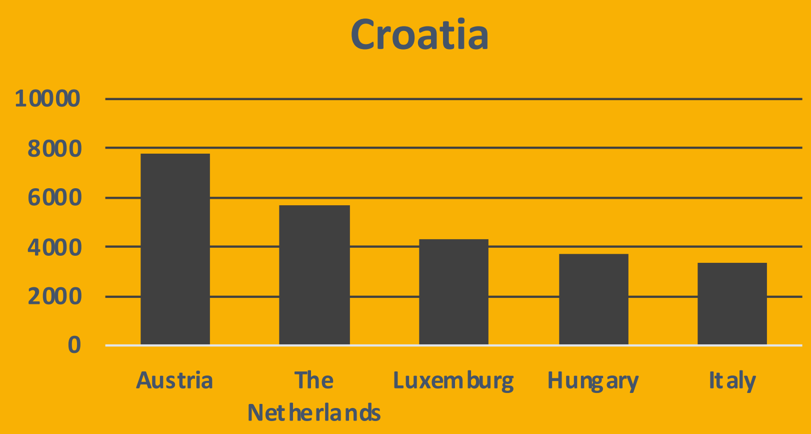


Figure 2: Top five investors in Croatia in 2020

Source: IMF Coordinated Investment Survey (CDIS)

Russia has been Montenegro's most significant foreign direct investor for extended periods (the last ten years). In 2020, Azerbaijan, Italy, Serbia, and Cyprus were the largest investors in Montenegro. Azerbaijan invested only a significant amount of FDI in 2020, while the traditionally five largest investors include Russia, Italy, Serbia, Cyprus, and UAE.

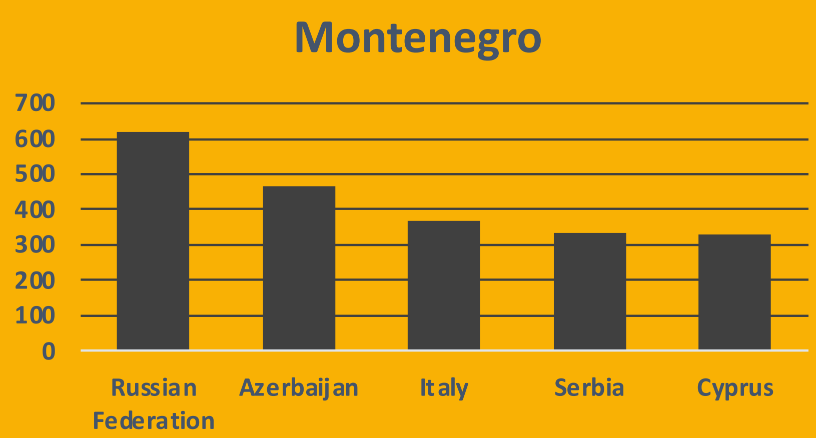
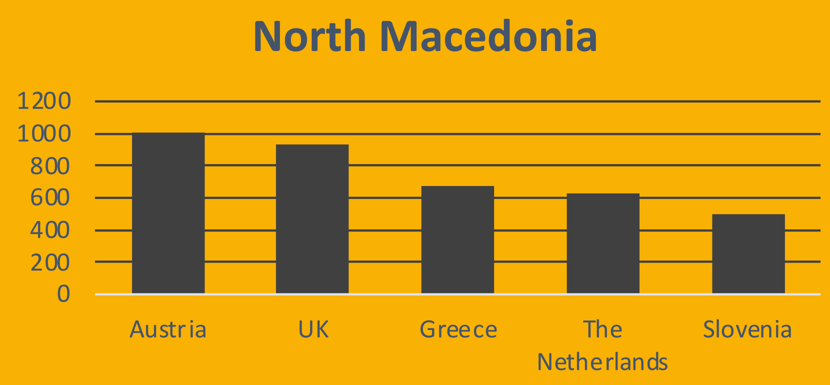


Figure 3: Top five investors in Montenegro in 2020

Source: IMF Coordinated Investment Survey (CDIS)

For a long time, Macedonia has consistently had the five largest investors firmly in their positions. Those are Austria, the UK, Greece, the Netherlands, and Slovenia. Exposure to Russia's FDIs is minor.

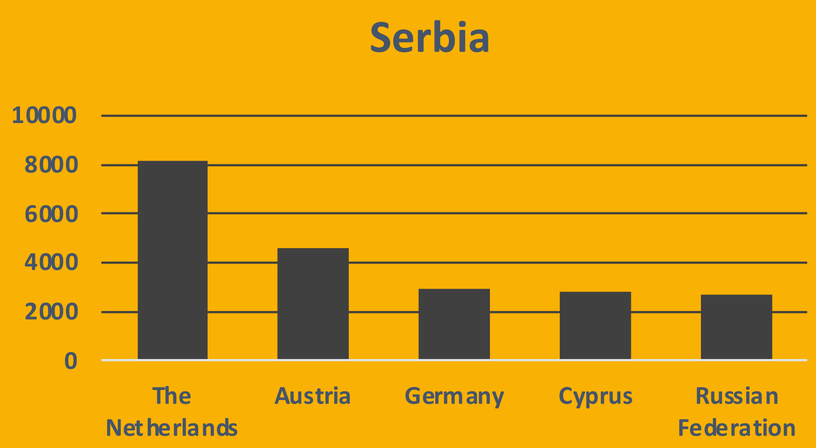
Figure 4: Top five investors in North Macedonia in 2020



Source: IMF Coordinated Investment Survey (CDIS)

Russia was Serbia's fifth-largest investor in 2019, but its investments were concentrated in the country's energy sector, which is currently the most delicate (oil processing, gas). We may anticipate a reduction in investments in 2022 because most of Russia's FDIs to Serbia are concentrated in the industry that is currently the most volatile; energy. The Netherlands, Austria, Germany, Cyprus, France, and Slovenia alternated as Serbia's top five investors throughout the previous three years.

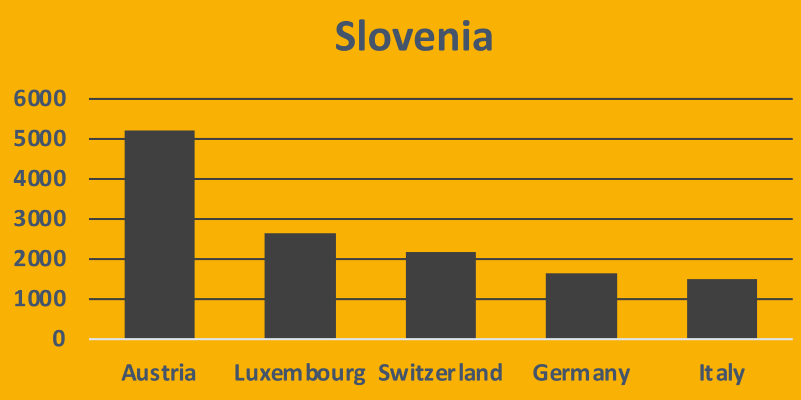
Figure 5: Top five investors in Serbia in 2020



Source: IMF Coordinated Investment Survey (CDIS)

As in the case of Macedonia, Slovenia has consistently had the five largest investors firmly in their positions, including Austria, Luxembourg, Switzerland, Germany, and Italy. Exposure to Russia's FDIs is negligible

Figure 6: Top five investors in Slovenia in 2020



Source: IMF Coordinated Investment Survey (CDIS)

The observed countries within this analysis have different patterns of FDI inflows. The figures above demonstrate that Russia is not a substantial investor in the chosen SEE countries except for Montenegro and Serbia. Even though Russia does not significantly contribute to global FDI destinations, SEE economies may be impacted by Russian linkages to their FDI profile. Although these changes significantly impact the SEE market, they have less of an impact on global FDI due to their small and local nature.

However, certain patterns persist. Austria is the biggest investor in the region, followed by the Netherlands. It is also symptomatic that investors frequently come from neighboring countries or low-tax jurisdictions in almost all countries.

PUBLISHER INFORMATION

This publication has been prepared by:

Editor: Aida Hanić,
Institute of Economic Sciences, Belgrade

Bosnia and Herzegovina: Muamer Halilbašić, Armin Avdić, The Institute of Economics Sarajevo

Croatia: Nevenka Čučković,
The Institute for Development and International Relations, Zagreb

Montenegro: Nikola Milović, Nikola Martinović, The University of Montenegro, Faculty of Economics Podgorica

North Macedonia: Zoran Janevski (team leader), Iskra Stancheva–Gigov (coordinator), Biljana Angelova, Verica Janeska, Snezana Kostadinoska-Miloseska, Klimentina Poposka, Elizabeta Dzambaska, Aleksandra Lozanoska, Vladimir Petkovski, The Institute of Economics – Skopje, University “SS. Cyril and Methodius”

Serbia: Aleksandar Zdravković, Elena Jovičić, Nevena Jolović, Duško Bodroža, Milena Lazić, Institute of Economic Sciences, Belgrade

Slovenia: Sonja Uršič, Institute for Economic Research, Ljubljana

Analysis: Isidora Ljumović, Isidora Beraha, Institute of Economic Sciences, Belgrade

Publishers:

Institute of Economic Sciences, Belgrade
Zmaj Jovina 12, 11000 Belgrade, Serbia

The Institute of Economics Sarajevo
Branilaca Sarajeva 47,
71000 Sarajevo, Bosnia and Herzegovina

The Institute for Development and International Relations, Zagreb
Ljudevita Farkaša Vukotinovića 2,
10000 Zagreb, Croatia

The University of Montenegro, Faculty of Economics Podgorica
Jovana Tomaševića 37,
81000 Podgorica, Montenegro

The Institute of Economics – Skopje, University “SS. Cyril and Methodius”
Prolet 1, 1000 Skopje, Republic of North Macedonia

Institute for Economic Research, Ljubljana
Kardeljeva ploščad 17,
1000 Ljubljana, Slovenia

For the publishers:
Jovan Zubović
Muamer Halilbašić
Sanja Tišma
Nikola Milović
Zoran Janevski
Boris Majcen

E-mail: SEE-6@ien.bg.ac.rs

Technical editor: Duška&Friends

Print: Donat graf d.o.o, Belgrade

SEE-6 Economic Outlook is published twice a year (Spring and Autumn edition).

CIP - Каталогизација у публикацији
Народна библиотека Србије, Београд

33

SEE-6 economic outlook / editor Darko Marjanović. - Vol. 1, no. 1 (2015)- . - Belgrade : Institute of Economic Sciences ; Sarajevo : The Institute of Economics ; Zagreb : The Institute for Development and International Relations ; Podgorica : The University of Montenegro, Faculty of Economics ; Skopje : The Institute of Economics, University “S. S. Cyril and Methodius” ; Ljubljana : Institute for Economic Research, 2015- (Beograd : Donat graf). - 25 cm

Polugodišnje. - Drugo izdanje na drugom medijumu: SEE-6 economic outlook (Online) = ISSN 1849-8884
ISSN 1849-8817 = SEE-6 economic outlook

COBISS.SR-ID 28100873