



S E C R E T A R I A T

South East Europe Economic Indicators

18 September 2009

Introduction

This document gives an overview of selected economic indicators for South East Europe (SEE) for the first six months of 2009. The data sources are primarily national statistical offices and International Monetary Fund (IMF). The purpose is to provide updated comparative information on different aspects of the economies in SEE. This regional overview aims to present recent trends and/or actual forecasts of different indicators of economic development for the individual countries and the SEE region as a whole.

At present, all the economies in the region are being heavily affected by the world economic crisis. Industrial production has contracted substantially, unemployment is on the rise, and international trade has plunged. In most of the countries, inflation and fiscal balance are expected to be kept under control.

The following sections compare indicators for the countries in South East Europe in the following segments: gross domestic product, industrial production, inflation, current account balance, fiscal balance, export performance, import performance and trade balance.

Gross Domestic Product (GDP)

After several years of solid economic growth, the SEE region has entered a deep recession and negative growth rates are expected for most countries during 2009. In 2010, in line with worldwide expectations, all the countries should start recovering and some of them should resume a positive growth, albeit much lower than the figures for 2007.

	Real GDP growth			
	2007	2008	2009	2010
Albania	6.3	6.8	0.4	2
Bosnia and Herzegovina	6.8	5.5	-3	0.5
Bulgaria	6.2	6	-2	-1
Croatia	5.5	2.4	-3.5	0.3
FYROM	5.9	5	-2	1
Greece	4	2.9	-1.7	-0.4
Moldova	4	7.2	-3.4	0
Montenegro	10.7	5	-2.7	-2
Romania	6.2	7.1	-4.1	0
Serbia	6.9	5.4	-2	0
Turkey	4.7	1.1	-5.1	1.5

Source: World Economic Outlook, IMF, April 2009

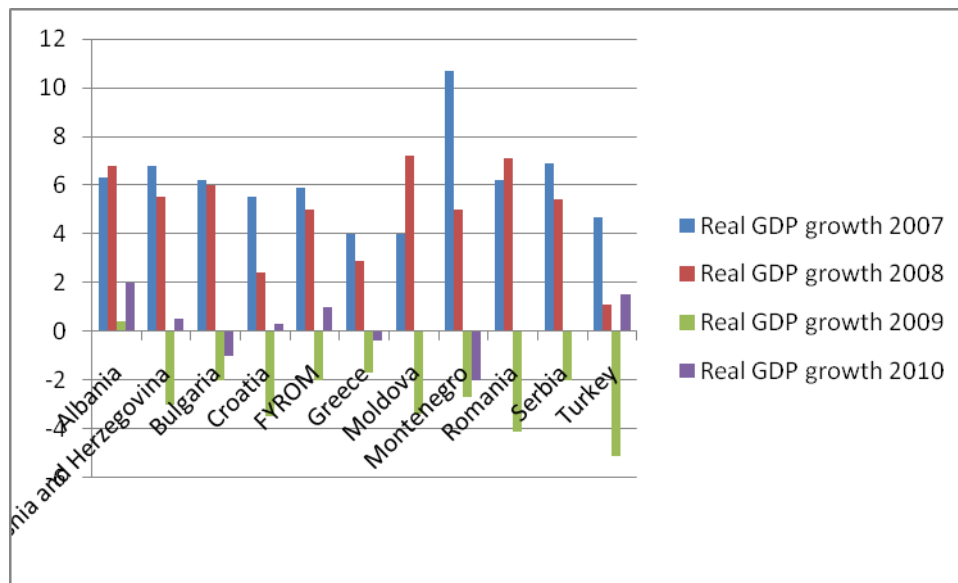


Figure 1: Actual and Forecasted GDP Growth for the Countries of SEE

Source: World Economic Outlook, IMF, April 2009

Industrial Production

Industrial production has fallen across the region during the first half of 2009, due to a decline in key export markets and lower lending by local banks. The manufacturing sector has been the hardest hit.

Industrial Production				
I-VI 2009/I-VI 2008 (in %)	Total	Mining and quarrying	Manufacturing	Electricity, Gas and Water
Romania	89.2	90.1	88.1	98.4
Croatia	89.8	90.4	87.9	105.1
Bulgaria	81	74.3	76.9	96
Moldova	75.3	63.5	72.9	94.9
Montenegro	79.8	47.5	66	128.1
Albania	100.9	105.1	100.6	100.6
BiH (fed)	89.4	101.9	82.8	101.2
FYROM	86.7	82.9	84.8	105.3
Greece	90.5	88.5	88	97.9
Serbia	82.6	91.5	77.9	98.9

Source: National Statistical Offices, Monthly Statistical Bulletin, July-August 2009

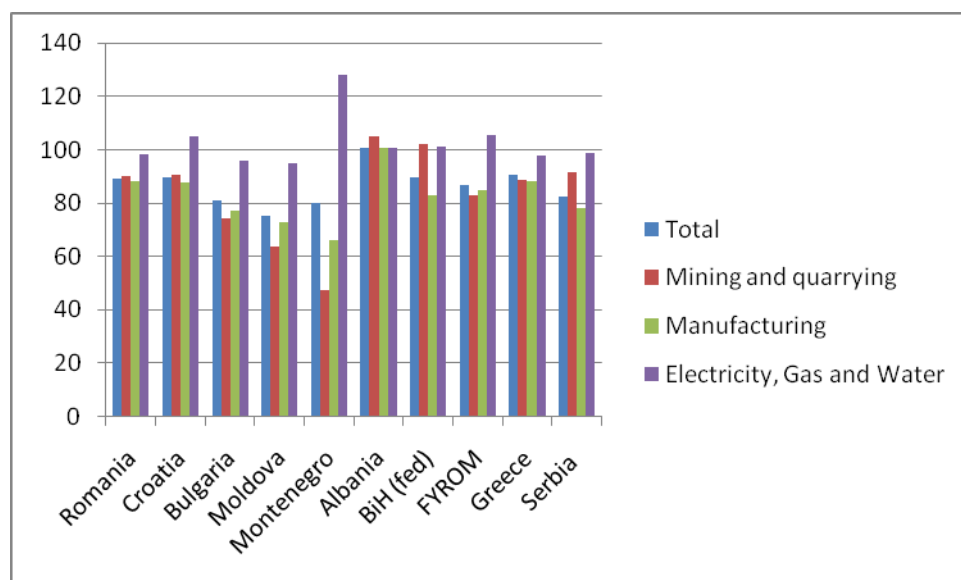


Figure 2: Sectorial Industrial Production during the first half of 2009 compared to the first half of 2008 (first half of 2008 production = 100)

Source: National Statistical Offices, Monthly Statistical Bulletin, July-August 2009

Inflation

Inflationary pressures during 2007 and 2008, due to rising oil, energy and agricultural products' prices, are expected to subside during 2009. The countries with the highest inflation rates are Serbia, Turkey and Romania. As the world economy starts expected recovery in 2010 and beyond, inflationary concerns can however again become an issue in the region.

	Inflation			
	2007	2008	2009	2010
Albania	2.9	3.4	1.5	2.2
Bosnia and Herzegovina	1.5	7.4	2.1	2.3
Bulgaria	7.6	12	3.7	1.3
Croatia	2.9	6.1	2.5	2.8
FYROM	2.3	8.3	1	3
Greece	3	4.2	1.6	2.1
Moldova	12.4	12.7	2.6	4.7
Montenegro	3.5	9	1.7	-0.2
Romania	4.8	7.8	5.9	3.9
Serbia	6.5	11.7	10	8.2
Turkey	8.8	10.4	6.9	6.8

Source: World Economic Outlook, IMF, April 2009

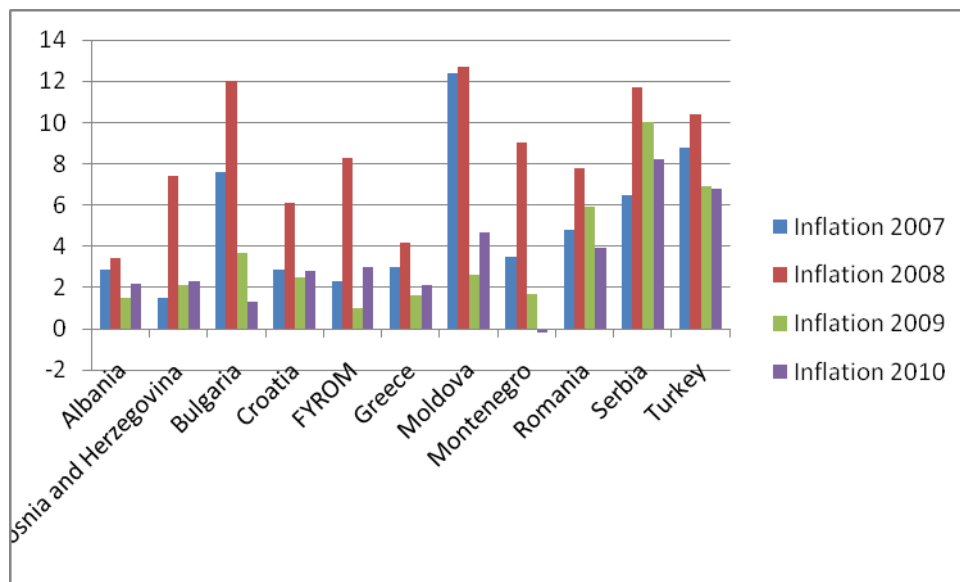


Figure 3: Actual and Forecasted Inflation Rates for the Countries of SEE

Source: World Economic Outlook, IMF, April 2009

Current Account (CA) Balance

All the countries of the region have been running CA deficits in the past years. This is seen partly as a normal process of the catching up with the more developed countries and partly as due to overheating domestic demand. However, caution should be shown because of the possibility of an external debt buildup, unless there is a strong increase of Foreign Direct Investment (FDI) in the region. Due to the economic crisis, the current account deficit is expected to decline for most countries also due to the reduced import levels and commodity prices.

	CA balance (% of GDP)			
	2007	2008	2009	2010
Albania	-9.1	-13.5	-11.3	-7.4
Bosnia and Herzegovina	-12.7	-15.0	-9.3	-9.2
Bulgaria	-25.1	-24.4	-12.3	-3.6
Croatia	-7.6	-9.4	-6.5	-4.1
FYROM	-7.2	-13.1	-14.1	-12.6
Greece	-14.1	-14.4	-10.9	-10.4
Moldova	-17.0	-19.4	-19.4	-16.6
Montenegro	-29.3	-31.3	-23.2	-16.7
Romania	-13.9	-12.6	-7.5	-6.5
Serbia	-15.3	-17.3	-12.2	-11.3
Turkey	-5.8	-5.7	-1.2	-1.6

Source: World Economic Outlook, IMF, April 2009

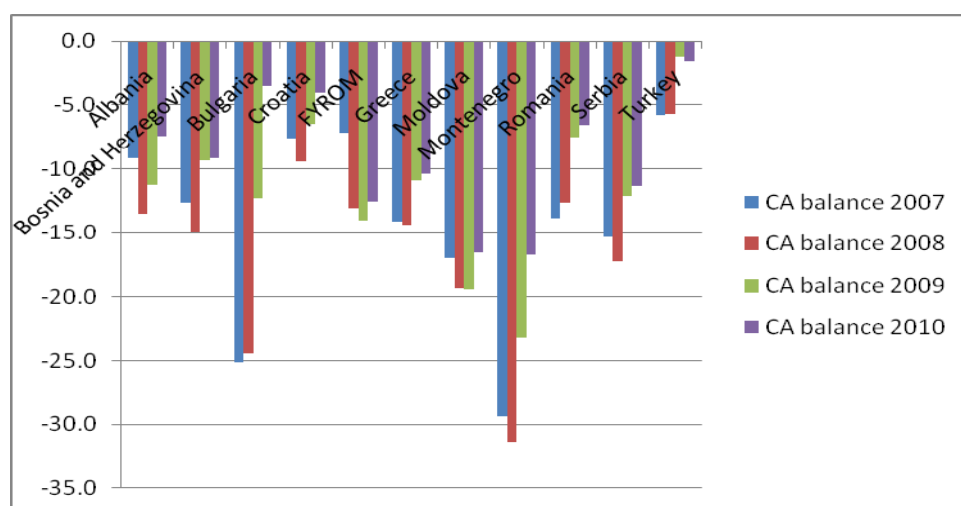


Figure 4: Actual and Forecasted Current Account Balance (as % of GDP)

Source: World Economic Outlook, IMF, April 2009

Fiscal Balance

Public finances seem to remain in reasonably good shape across South East Europe. In general, the governments of the region seem to be prudent not to widen the fiscal gap too much in light of the current crisis. In the forecasts for 2009 and 2010, Montenegro and Greece seem to be heading towards higher deficits.

	Fiscal Balance (% of GDP)			
	2007	2008	2009	2010
Albania	-3.9	-5.2	-3.9	-3.3
Bosnia and Herzegovina	-0.1	-4.0	-4.7	-4
Bulgaria	3.5	3.0	1.4	1.5
Croatia	-1.3	-0.9	-2.2	
FYROM	0.6	1.5	0.0	0.0
Greece	-3.6	-5.0	-6.2	-7.6
Moldova	-0.2	0.0	-0.5	-0.5
Montenegro	6.5	1.5	-6.2	-7.9
Romania	-3.1	-4.9	-4.5	-3.6
Serbia	-1.8	-2.5	-3.0	-2.6

Source: IMF country reports, 2008-2009

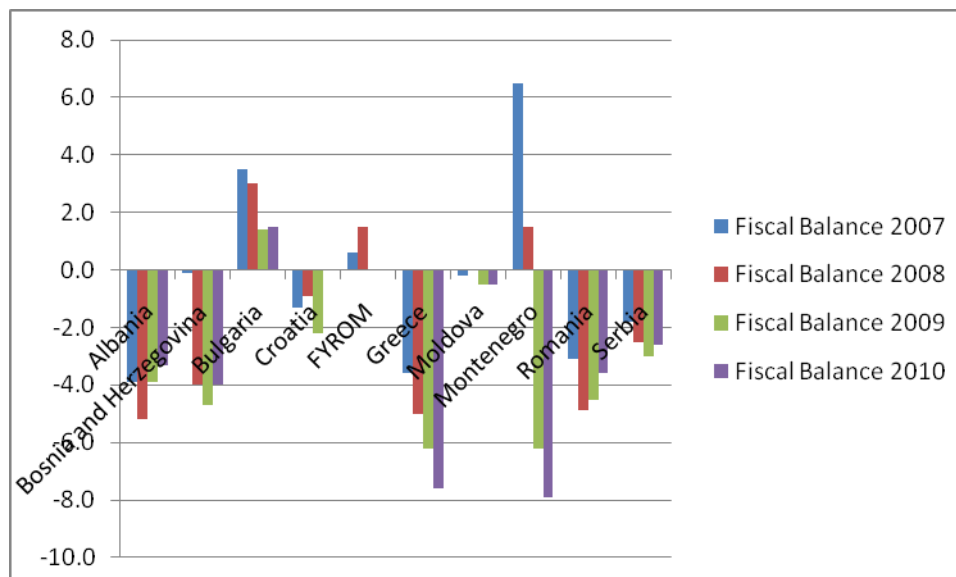


Figure 5: Actual and Forecasted Fiscal Balance for the Countries of SEE (as % of GDP)

Source: IMF country reports, 2008-2009

Export Performance

Only Romania's and Moldova's exports in the first half of 2009 are higher than in the first half of 2007. All the countries' exports are lower in the first half of 2009 compared to the first half of 2008.

January-June 2007 - 2009 (first half of 2007 = 100)

	2007	2008	2009
Albania	100	119	95
BiH	100	117	89
Bulgaria	100	124	86
Croatia	100	107	88
Moldova	100	123	102
Montenegro	100	92	52
Romania	100	128	119
Serbia	100	141	94
Turkey	100	139	96
FYROM	100	128	74

Source: National Statistical Offices, Monthly Statistical Bulletin, July-August 2009

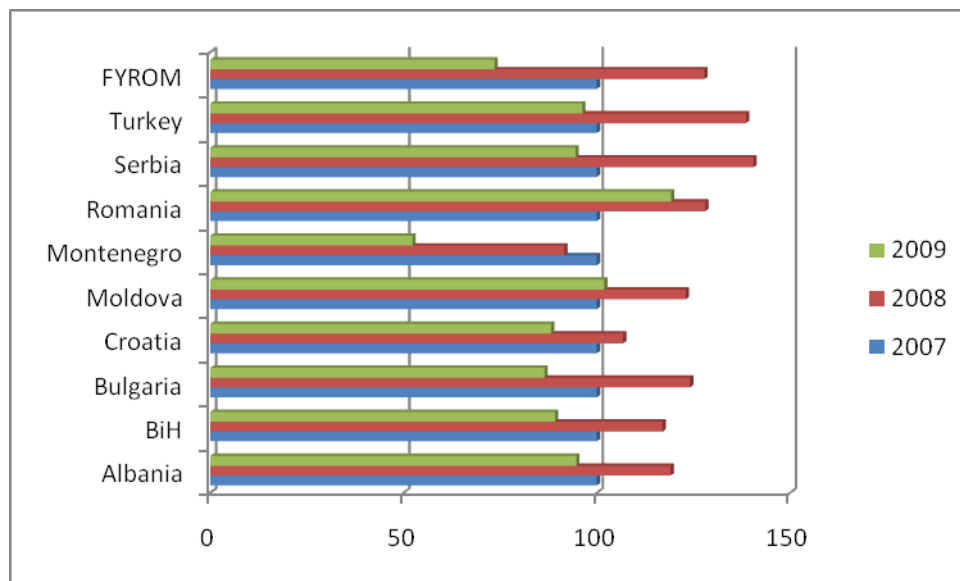


Figure 6: Export Performance during the First Half of the Year (January-June 2007 = 100)

Source: National Statistical Offices, Monthly Statistical Bulletin, July-August 2009

Import performance

As a direct result of the economic crisis, during the first half of 2009, the imports of all the countries in South East Europe are much lower than during the same period of 2008 and 2007.

January-June 2007 - 2009 (first half of 2007 = 100)

	2007	2008	2009
Albania	100	118	93
BiH	100	124	75
Serbia	100	144	61
Bulgaria	100	127	65
Moldova	100	145	74
Croatia	100	113	74
Romania	100	125	76
Montenegro	100	144	62
Turkey	100	137	59
FYROM	100	158	66

Source: National Statistical Offices, Monthly Statistical Bulletin, July-August 2009

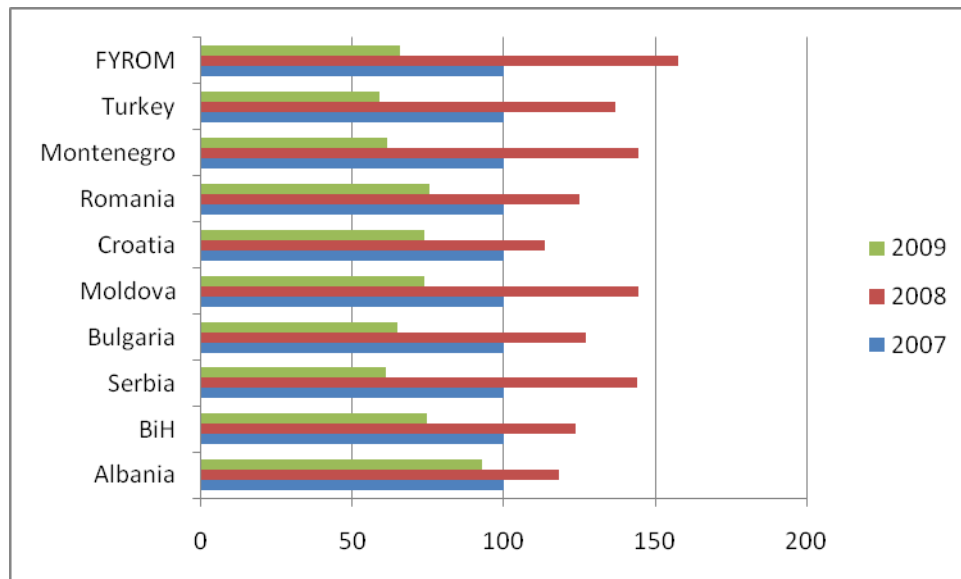


Figure 7: Import Performance during the First Half of the Year (January-June 2007 = 100)

Source: National Statistical Offices, Monthly Statistical Bulletin, July-August 2009

Trade Balance

The trade gap has narrowed during the first half of 2009 compared to the first half of 2008. This implies that while during the first half of 2008 the growth of imports has outpaced the growth of exports contributing to the widening of the trade balance gap, during the first half of 2009, imports have suffered a heavier blow than exports due to the economic crisis.

Trade Balance (Jan-June, change from previous year)

	2008	2009
Albania	17.9	-1.7
BiH	29.2	-26.4
Serbia	47.1	-44.5
Bulgaria	33.4	-44.0
Moldova	59.1	-31.2
Croatia	19.3	-33.2
Romania	21.0	-51.6
Montenegro	65.6	-37.4
Turkey	33.9	-60.7
FYROM	135.9	-22.2

Source: National Statistical Offices, Monthly Statistical Bulletin, July-August 2009

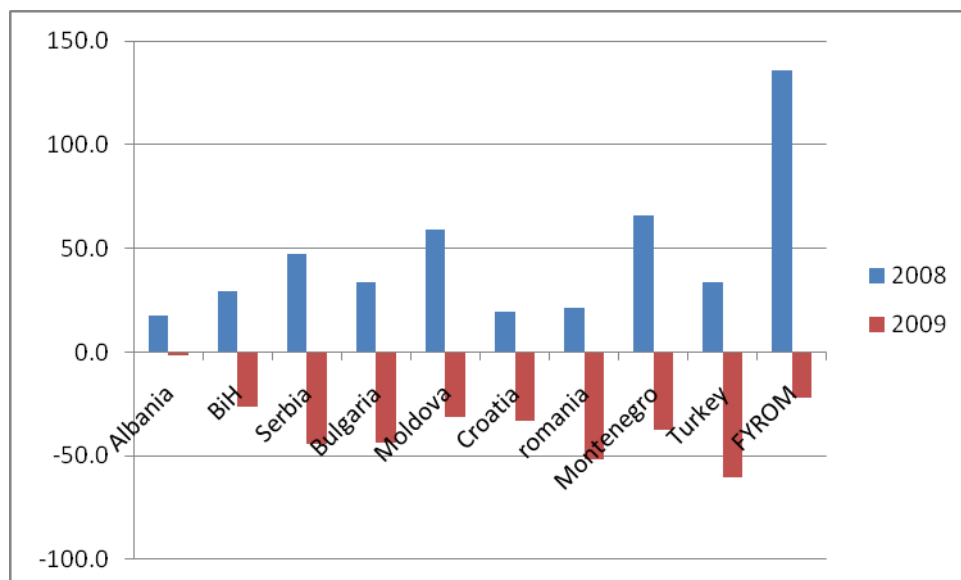


Figure 8: Trade Balance during the First Half of the Year (Change from Previous Year)

Source: National Statistical Offices, Monthly Statistical Bulletin, July-August 2009

Conclusion

In conclusion, it can be said that the current global economic crisis is taking the toll on the countries of SEE as well. It is therefore necessary for the governments of the region to attempt to mitigate to the highest extent possible the impact on the real economy, keep inflation under control, and ensure macroeconomic and financial system stability. However, the short term measures should not interfere with the pursuit of long-term reforms that are needed in order to achieve sustained growth.