



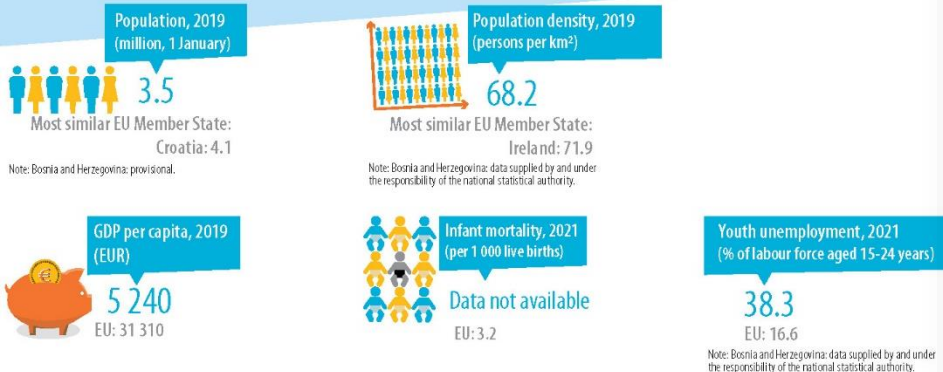
Western Balkans Economic Outlook

Aleksandar Vlahovic

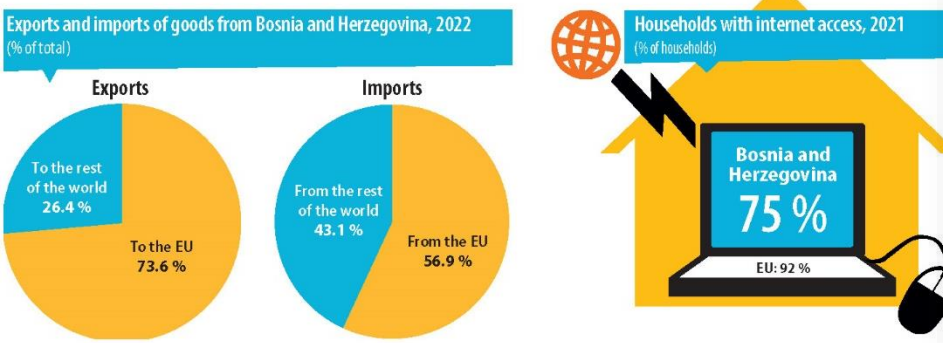
President of the Serbian Association of Economists



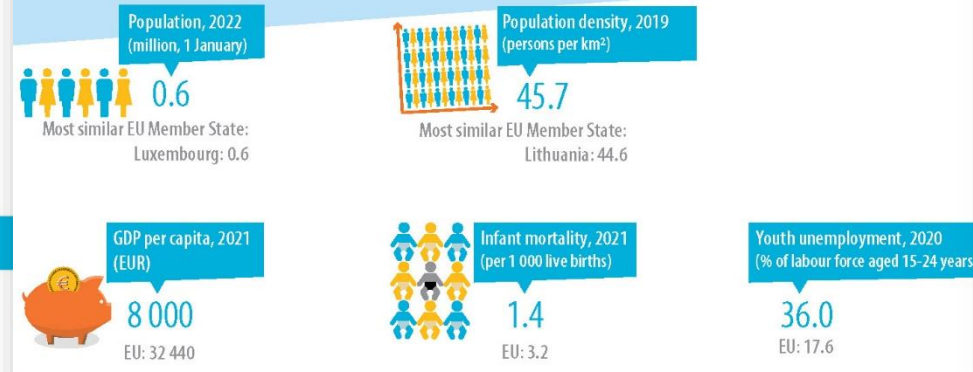
Bosnia and Herzegovina



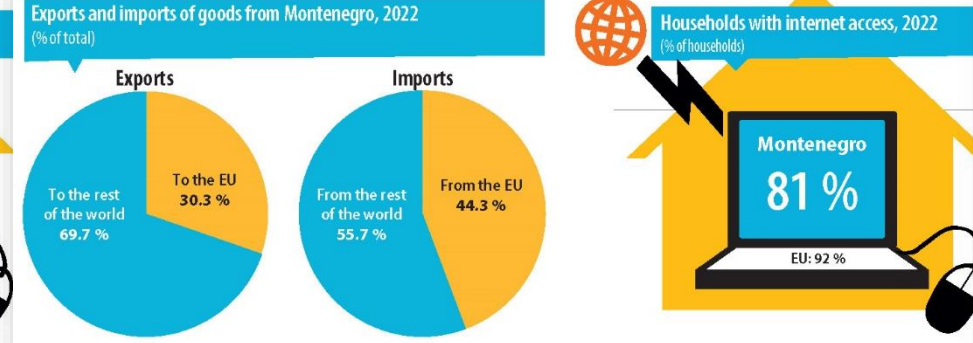
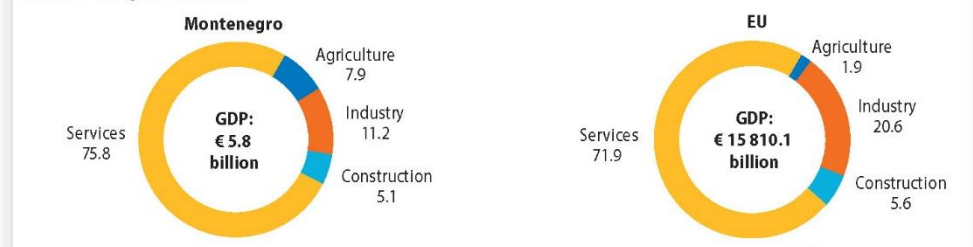
Distribution of the economy by sector, Bosnia and Herzegovina and EU, 2022 (% share of total gross value added)



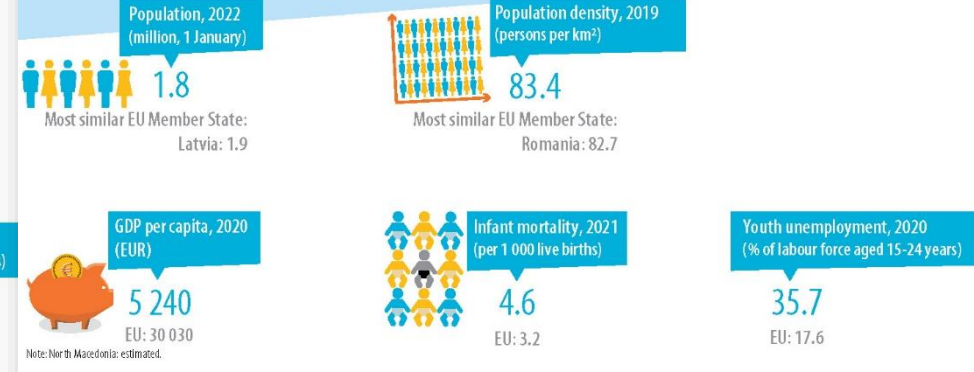
Montenegro



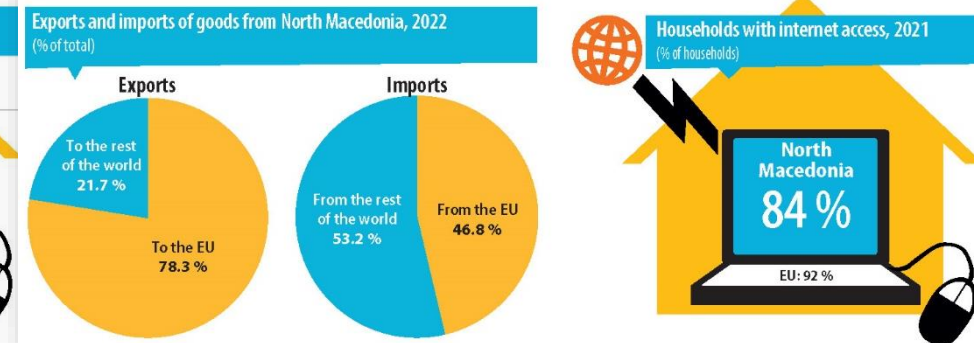
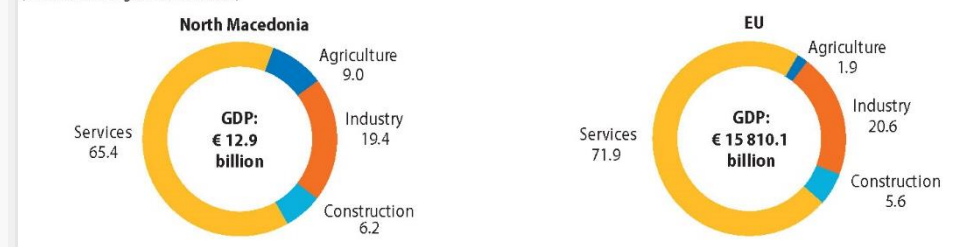
Distribution of the economy by sector, Montenegro and EU, 2022 (% share of total gross value added)



North Macedonia



Distribution of the economy by sector, North Macedonia and EU, 2022 (% share of total gross value added)



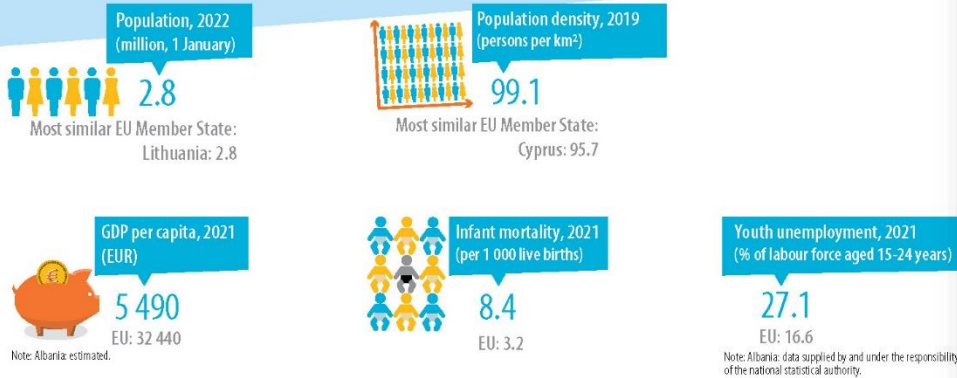
SPOTLIGHT ON THE

Western Balkans

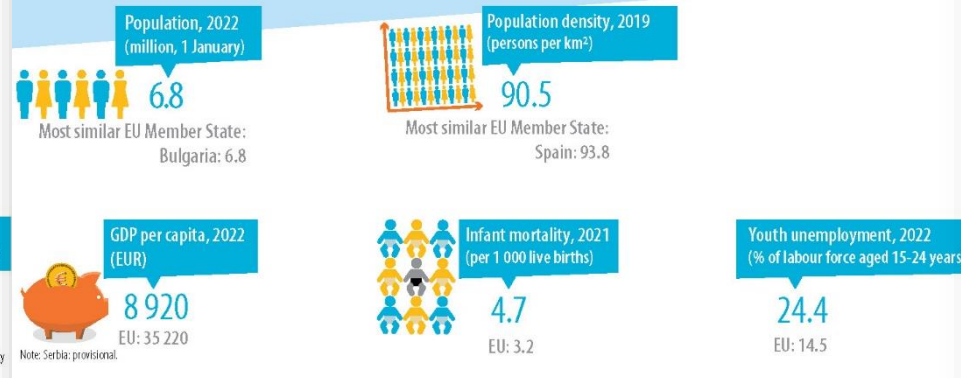


Source: Eurostat - Basic figures on the candidate countries and potential candidates – factsheets 2023

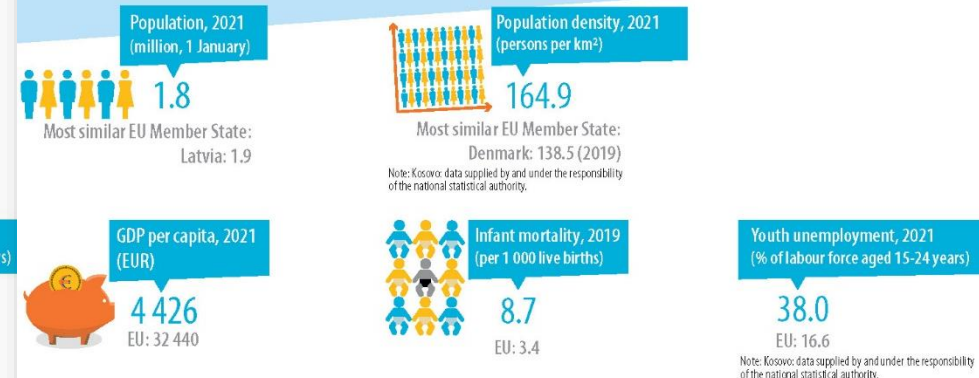
Albania



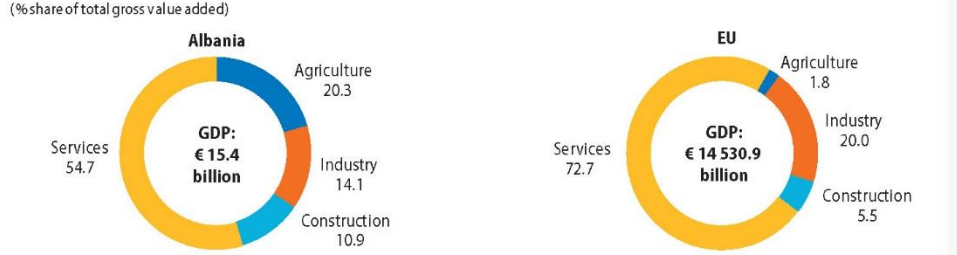
Serbia



Kosovo*



Distribution of the economy by sector, Albania and EU, 2021
(% share of total gross value added)



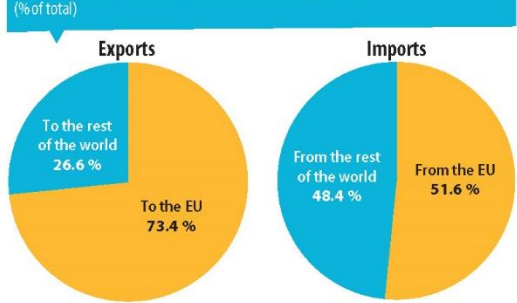
Distribution of the economy by sector, Serbia and EU, 2022
(% share of total gross value added)



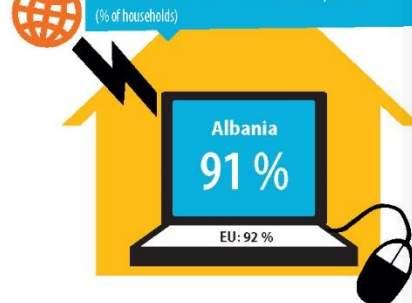
Distribution of the economy by sector, Kosovo and EU, 2022
(% share of total gross value added)



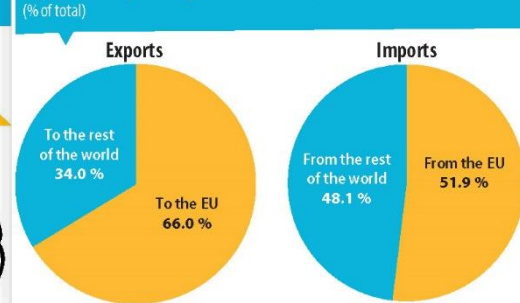
Exports and imports of goods from Albania, 2022
(% of total)



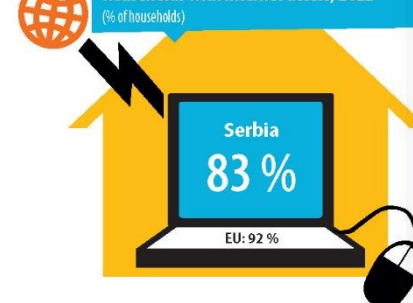
Households with internet access, 2021
(% of households)



Exports and imports of goods from Serbia, 2022
(% of total)



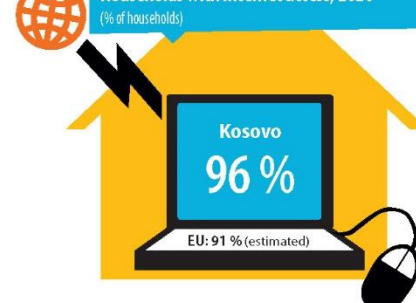
Households with internet access, 2022
(% of households)



Exports and imports of goods from Kosovo, 2020
(% of total)



Households with internet access, 2020
(% of households)

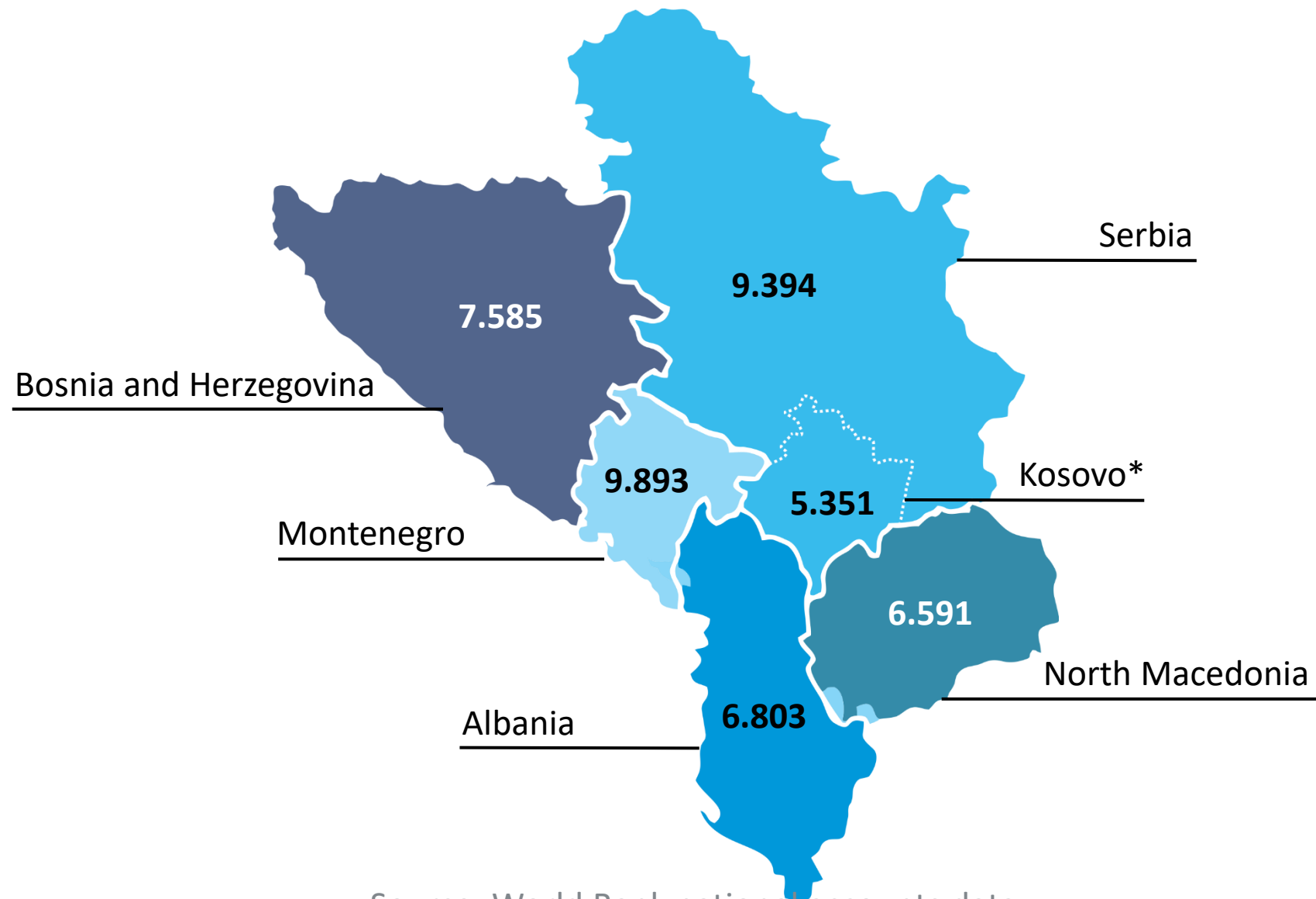


SPOTLIGHT ON THE



Source: Eurostat - Basic figures on the candidate countries and potential candidates – factsheets 2023

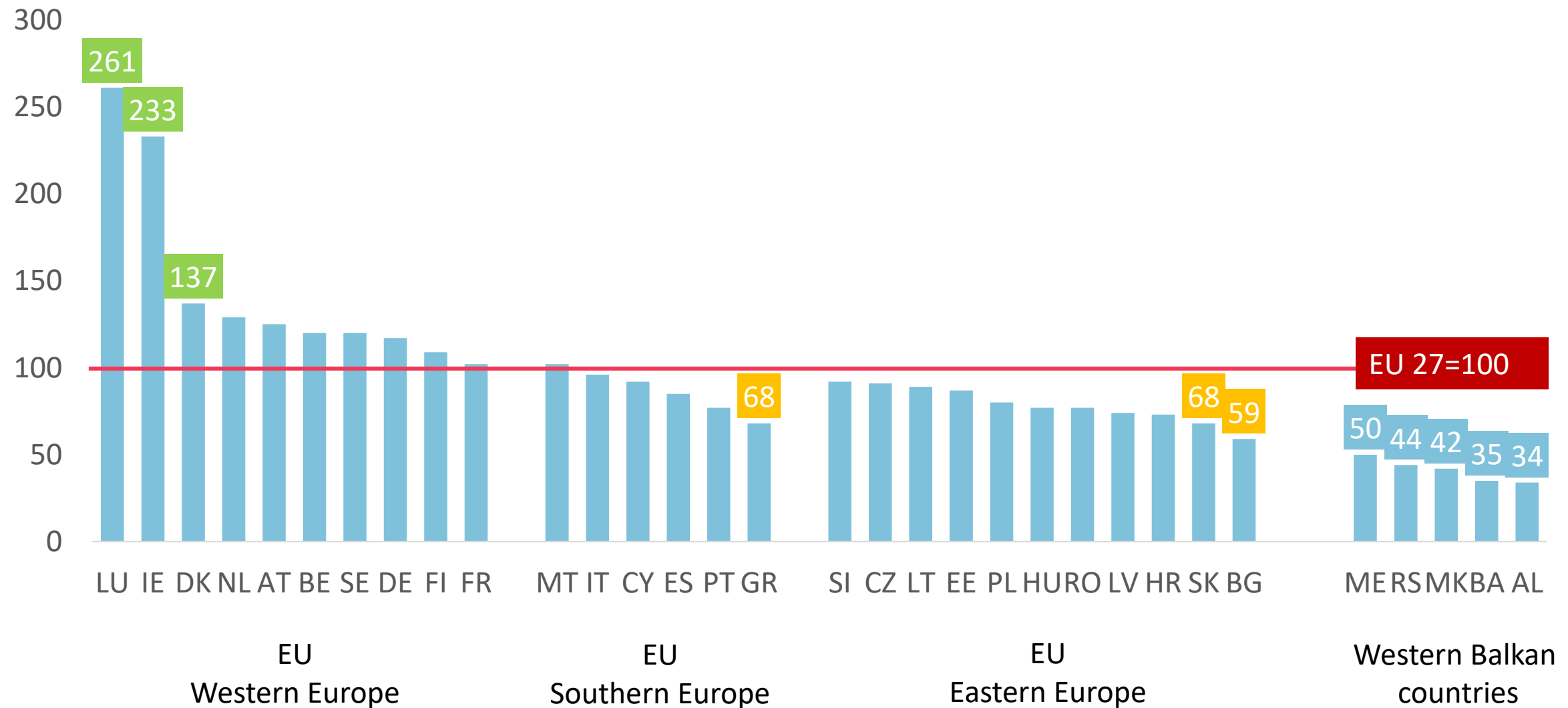
GDP per capita (current US\$), 2022



Source: World Bank national accounts data

GDP per capita in PPS, 2022

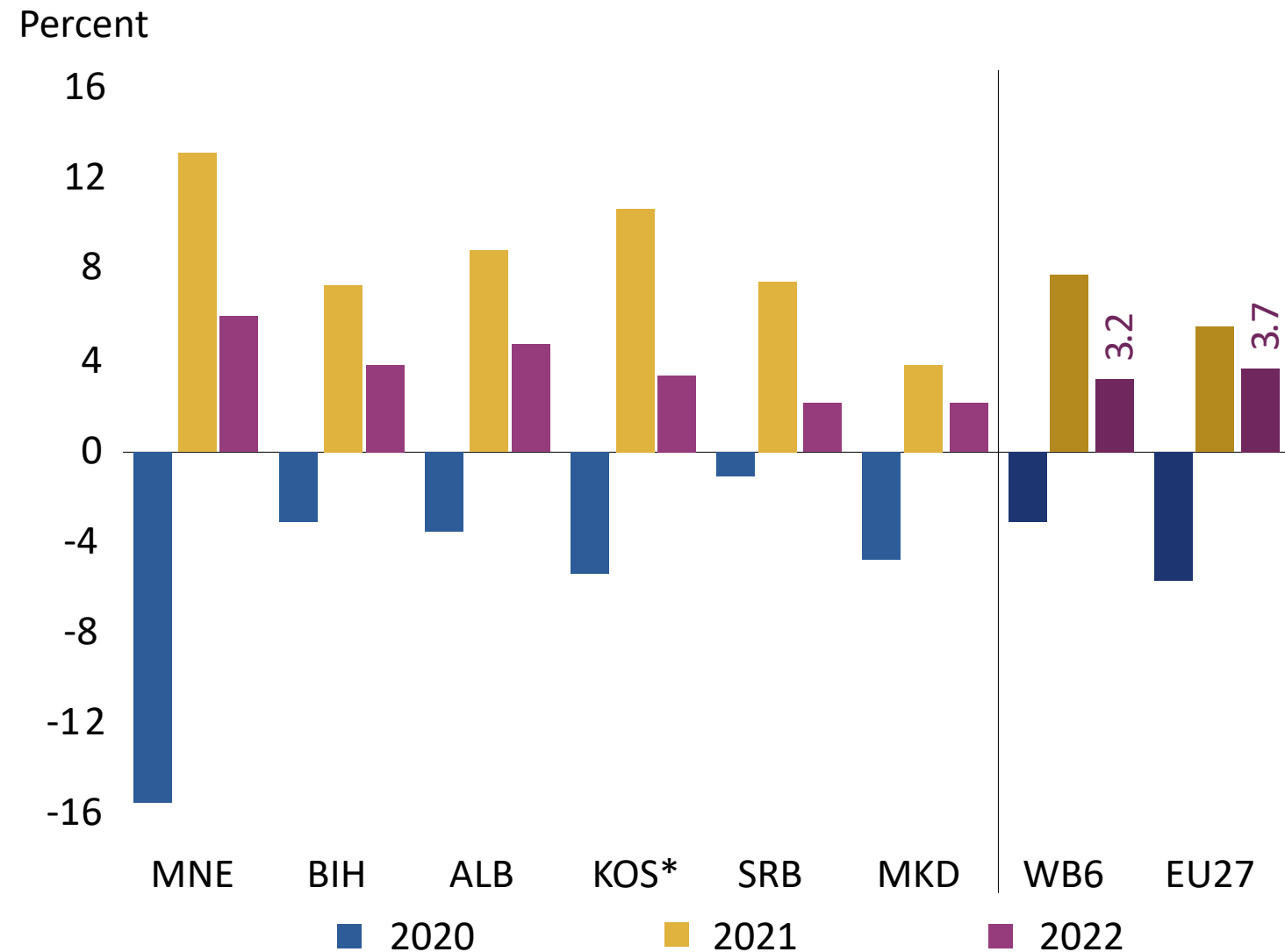
The data show substantial differences between the EU members and the Western Balkan countries



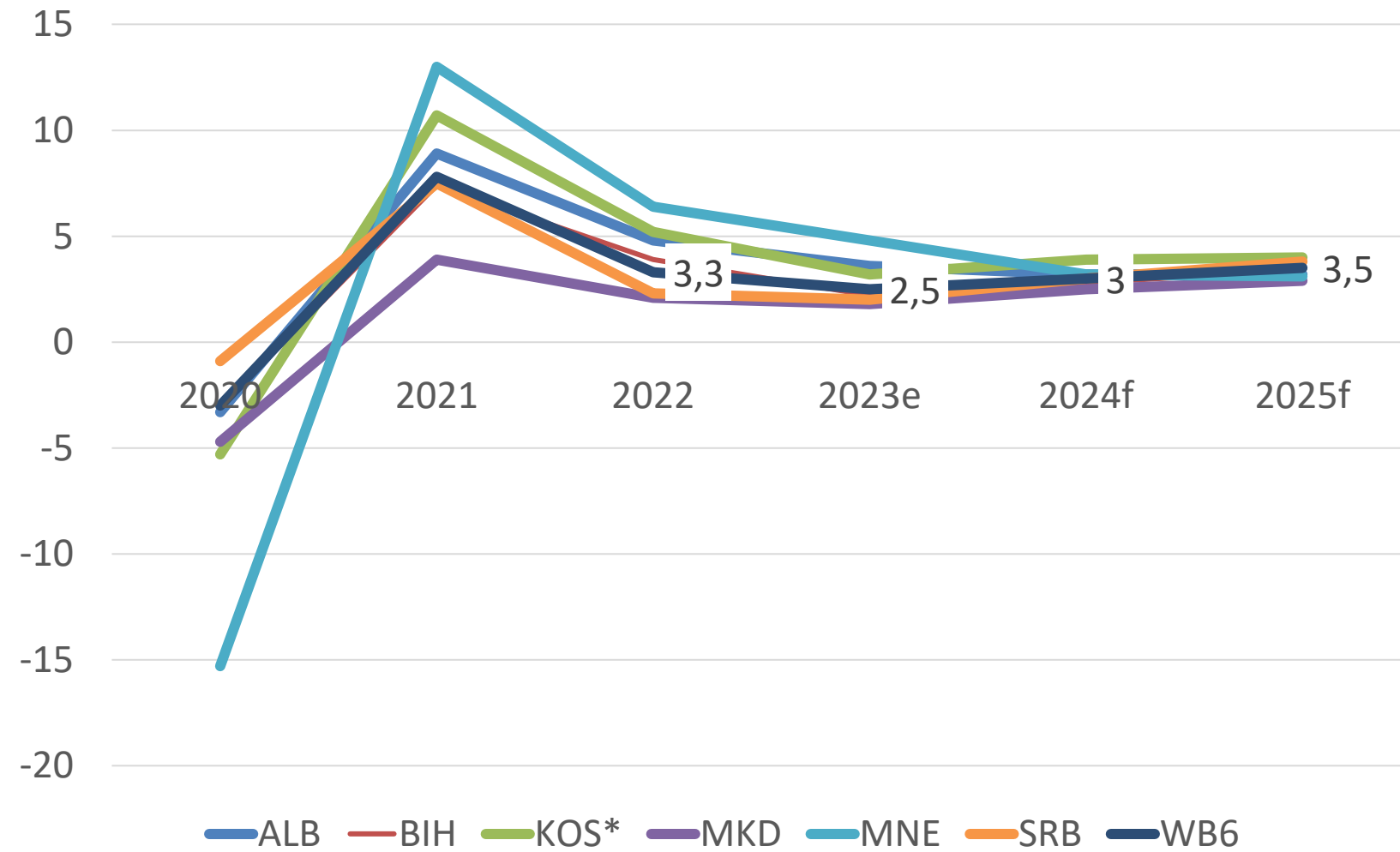
Source: Eurostat database

Growth in the Western Balkan economies started strong in early 2022

...before moderating toward year-end, but the impact of major shocks has been less severe than expected.

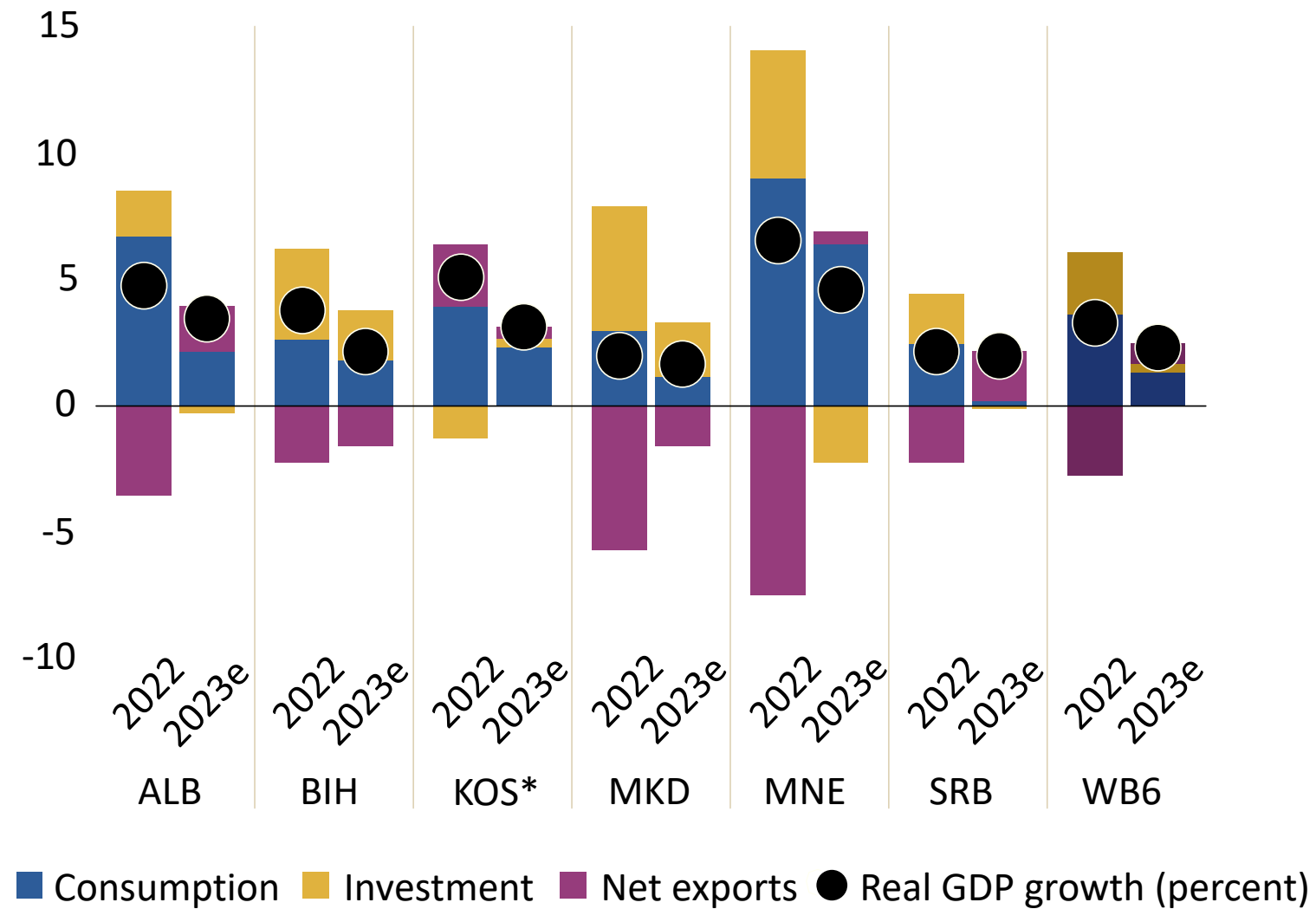


In 2023 and years to come expected moderate growth (higher than EU 27)



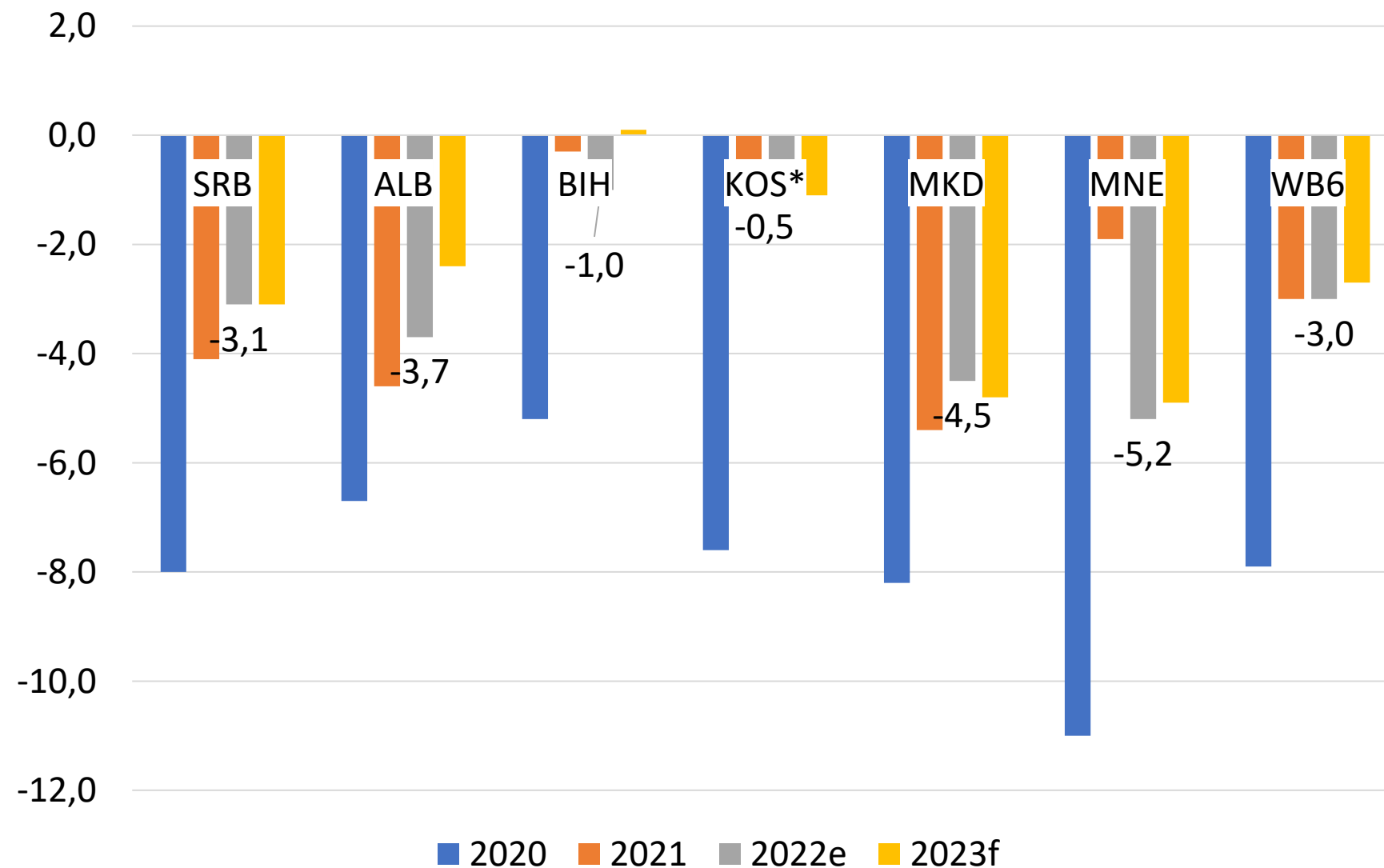
Consumption was key growth driver in 2022

Contributions to growth, percent



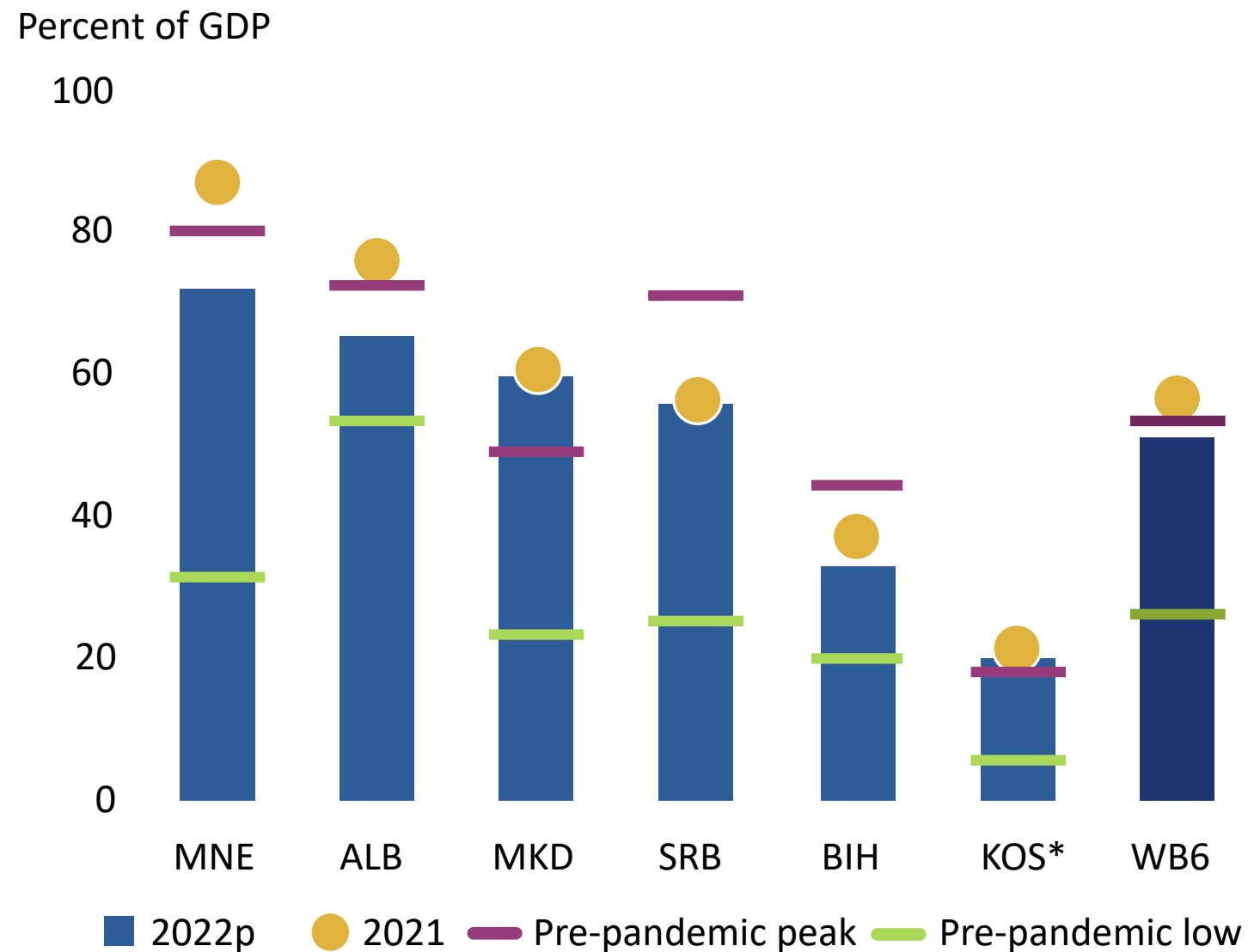
Fiscal deficits narrowed in most Western Balkan countries

... but widened in Montenegro and Bosnia and Herzegovina.



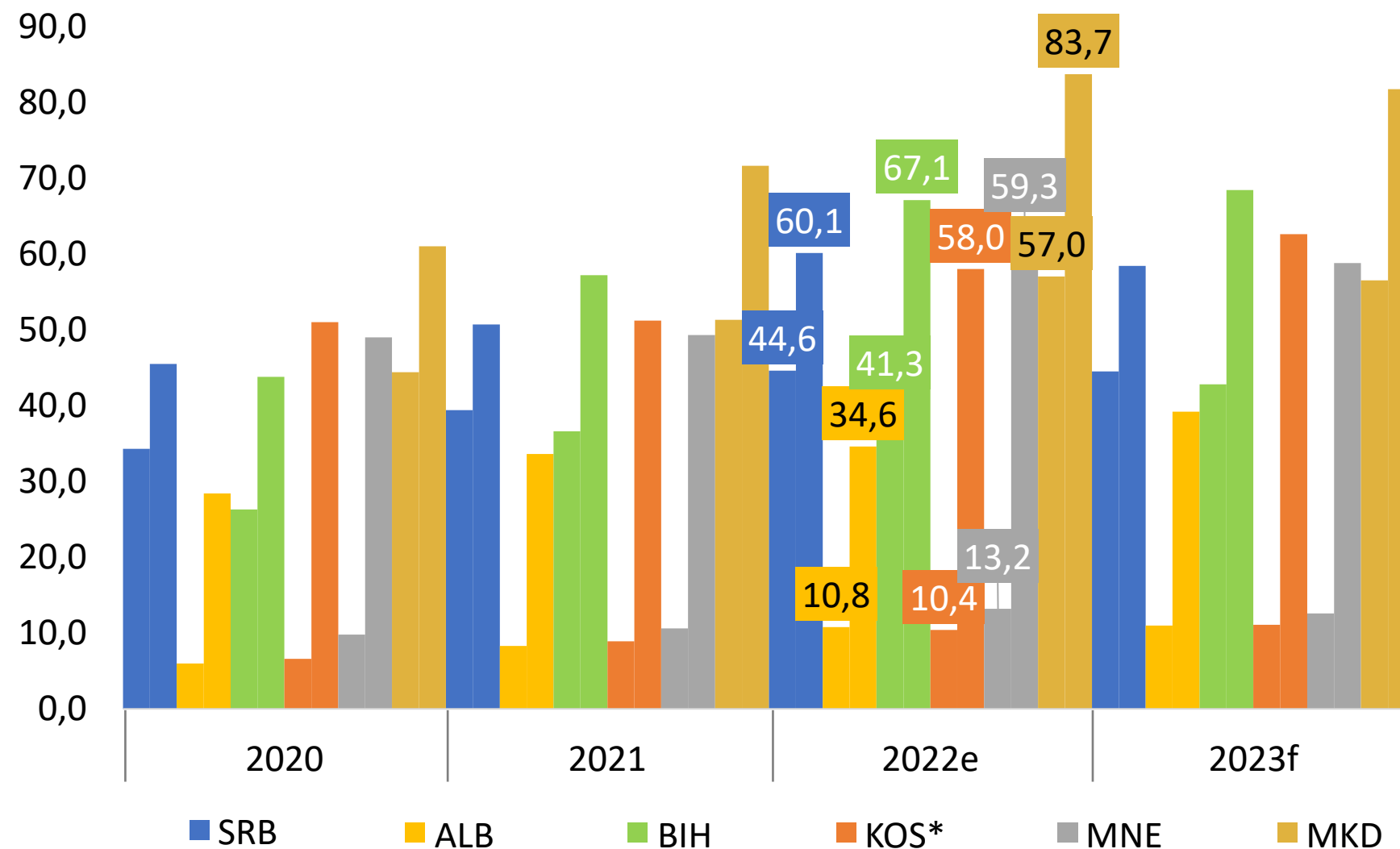
Public and publicly guaranteed debt declined in all countries

The average PPG debt to GDP declined to 51 percent of GDP from 56.6 percent in 2021.



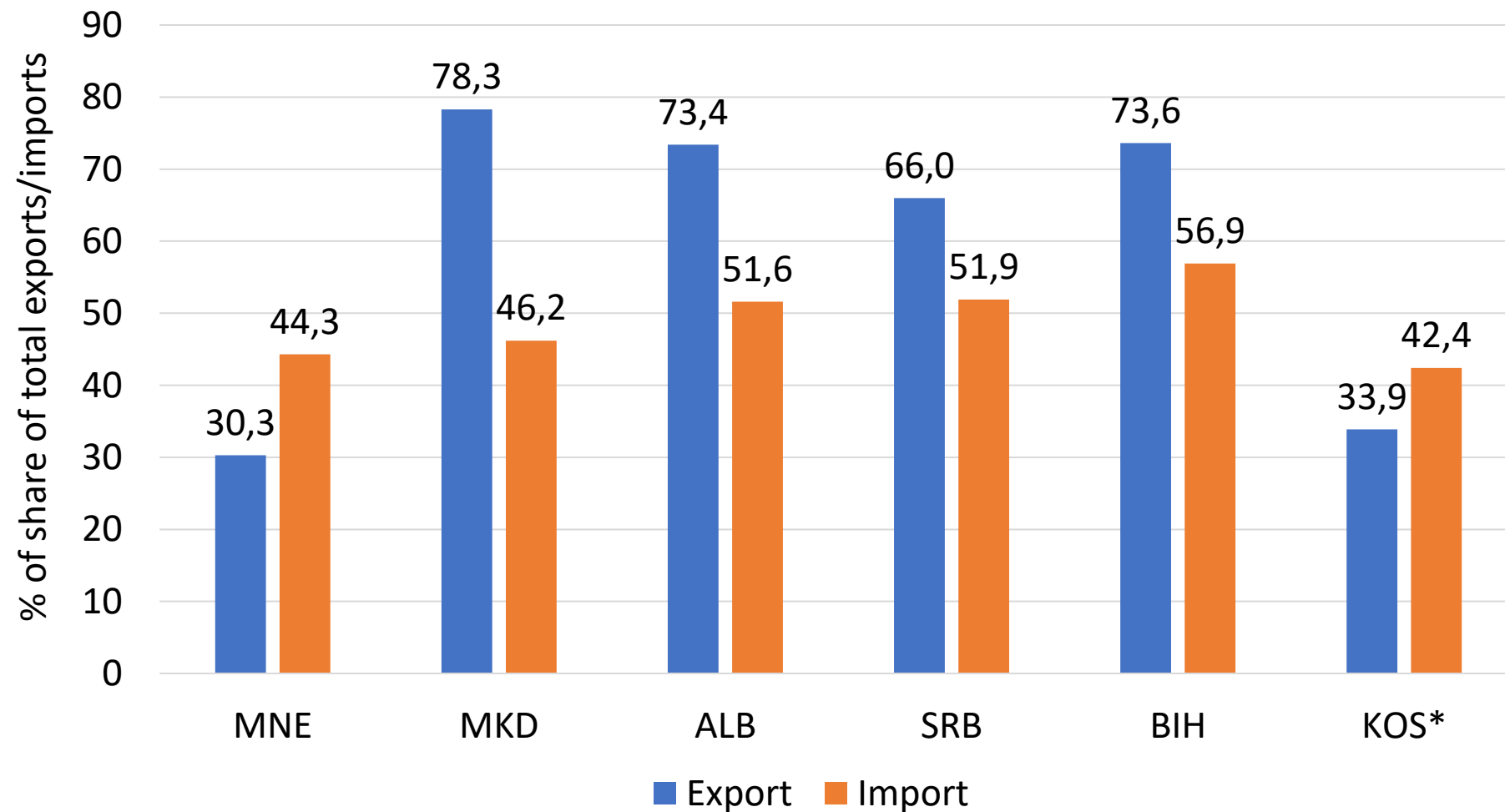
Goods exports/imports (percent of GDP)

The extremely high trade deficit is mostly a result of low competitiveness of the Western Balkan economies.



Trade in goods with the EU, 2022

The EU remains the Western Balkans' main trade partner, accounting for two-thirds of the region's total trade.



Intra-regional trade

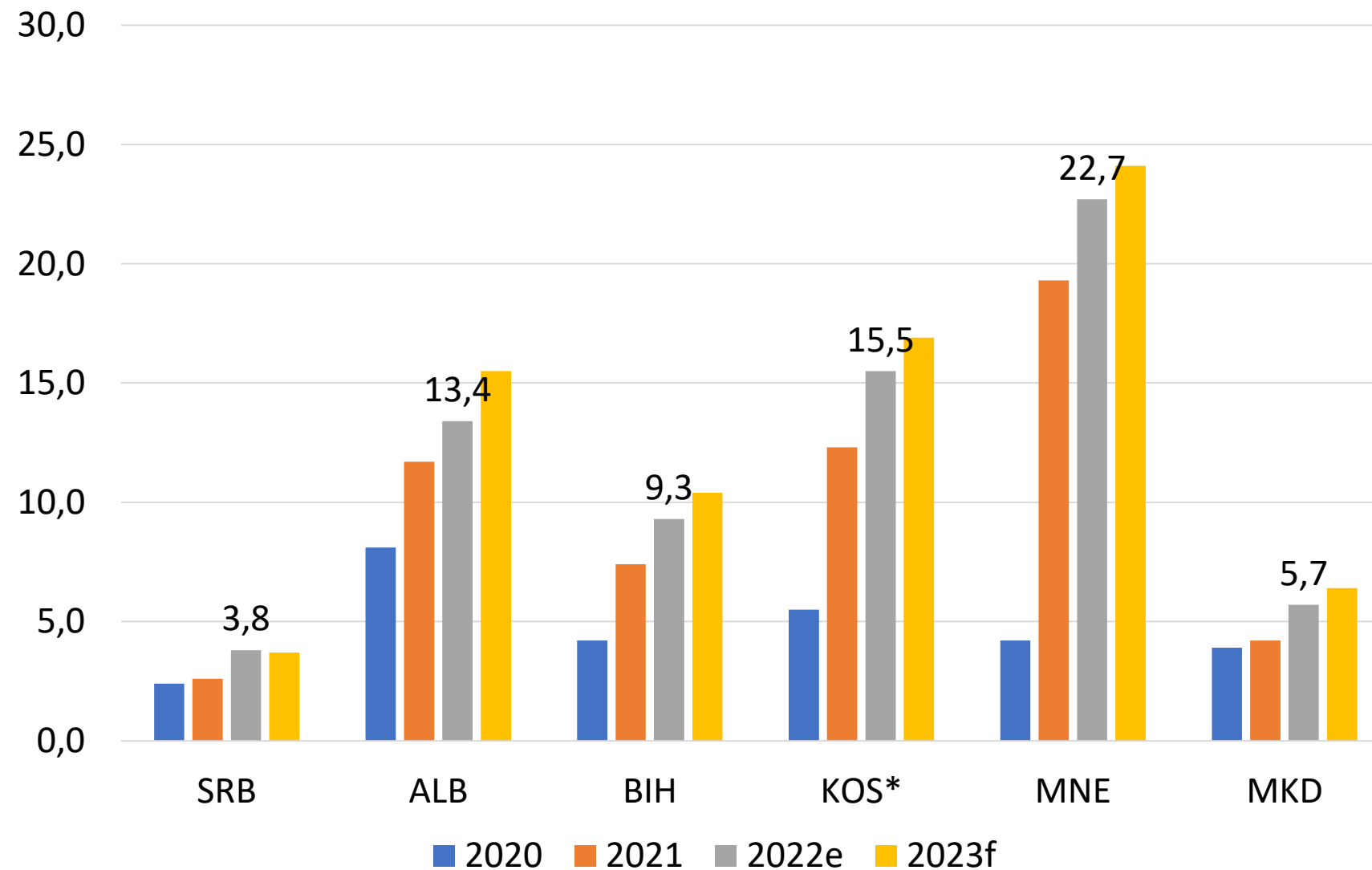
... between the six Western Balkans economies, based on 2022 exports

(million EUR)

	Partner Countries					
Reporting country	Bosnia and Herzegovina	Montenegro	North Macedonia	Albania	Serbia	Kosovo*
Bosnia and Herzegovina	-	295	93	23	1.208	64
Montenegro	91	-	7	20	149	25
North Macedonia	99	37	-	102	386	379
Albania	28	64	163	-	113	317
Serbia	1.805	944	851	172	-	-
Kosovo*	11	38	119	102	63	-

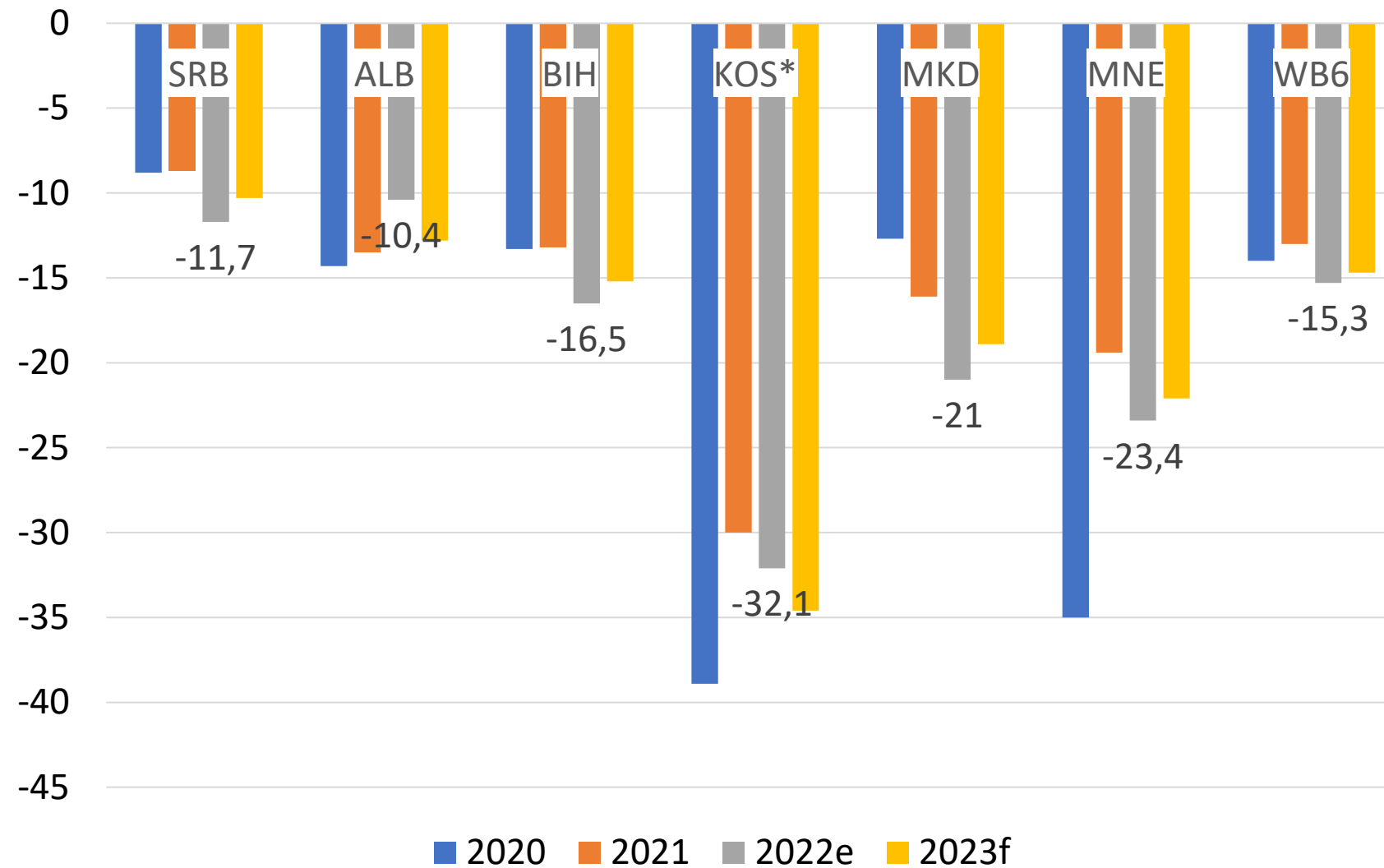
Net service exports picked up in 2022

Net services in part offset the structurally high merchandise trade deficits in the region, by 2.2 percent of regional GDP.



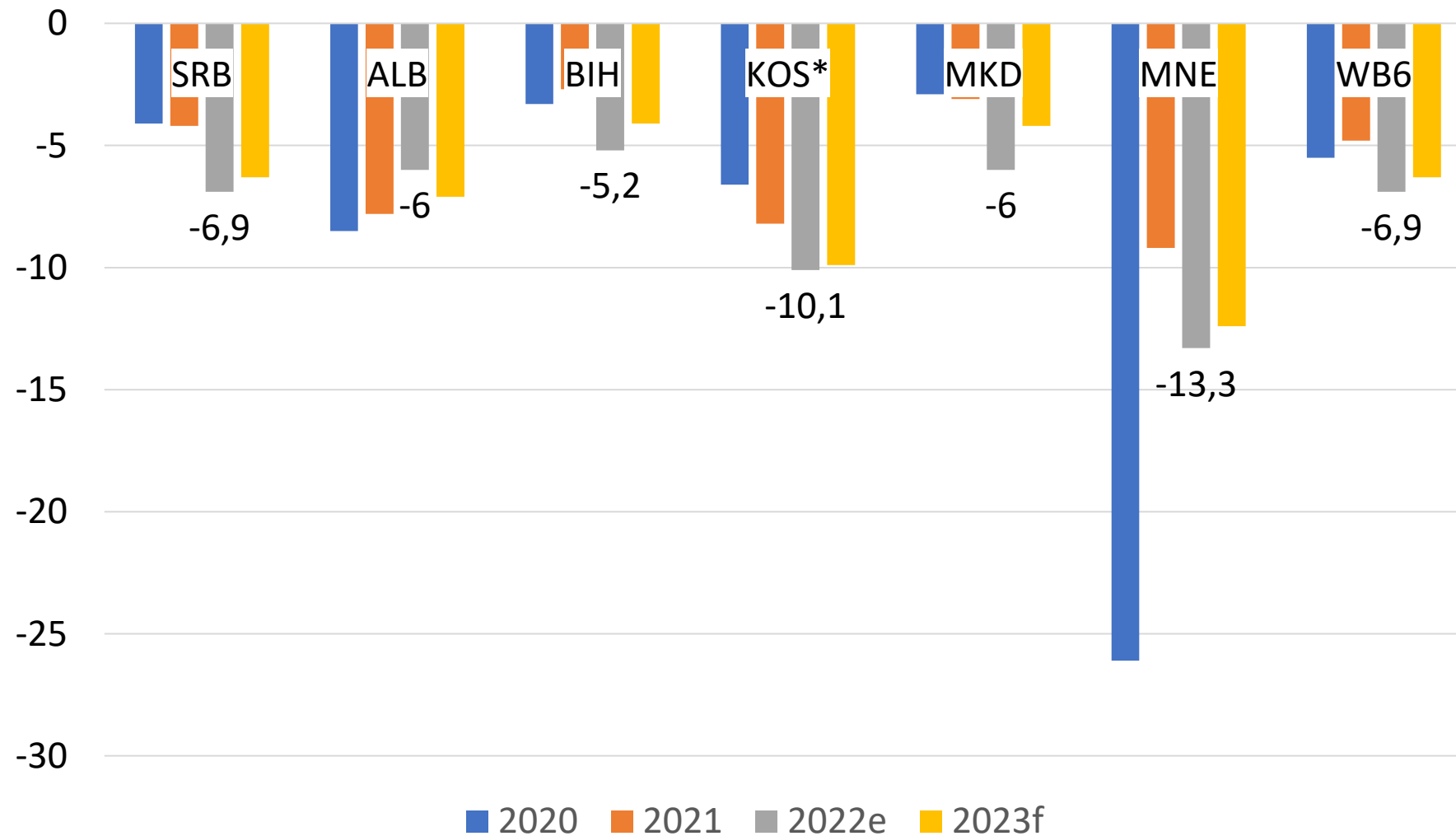
Trade balance (percent of GDP)

In most countries, trade balances worsened further (with the exception of Albania).



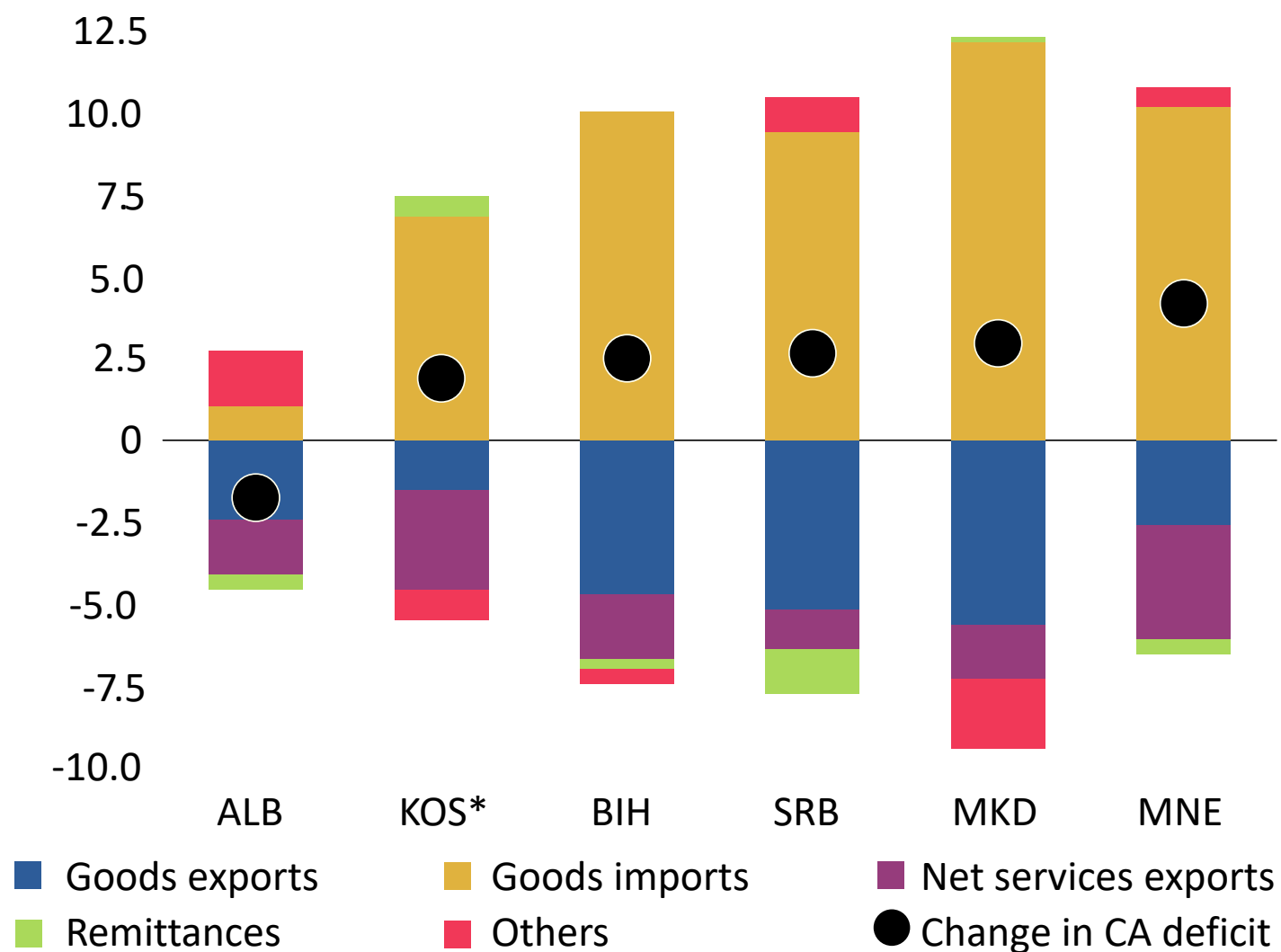
Current account deficits widened in 2022 in most countries in the region

In 2022, the regional current account deficit exhibited the highest level in the last decade, with the exception of the pandemic 2020 year.

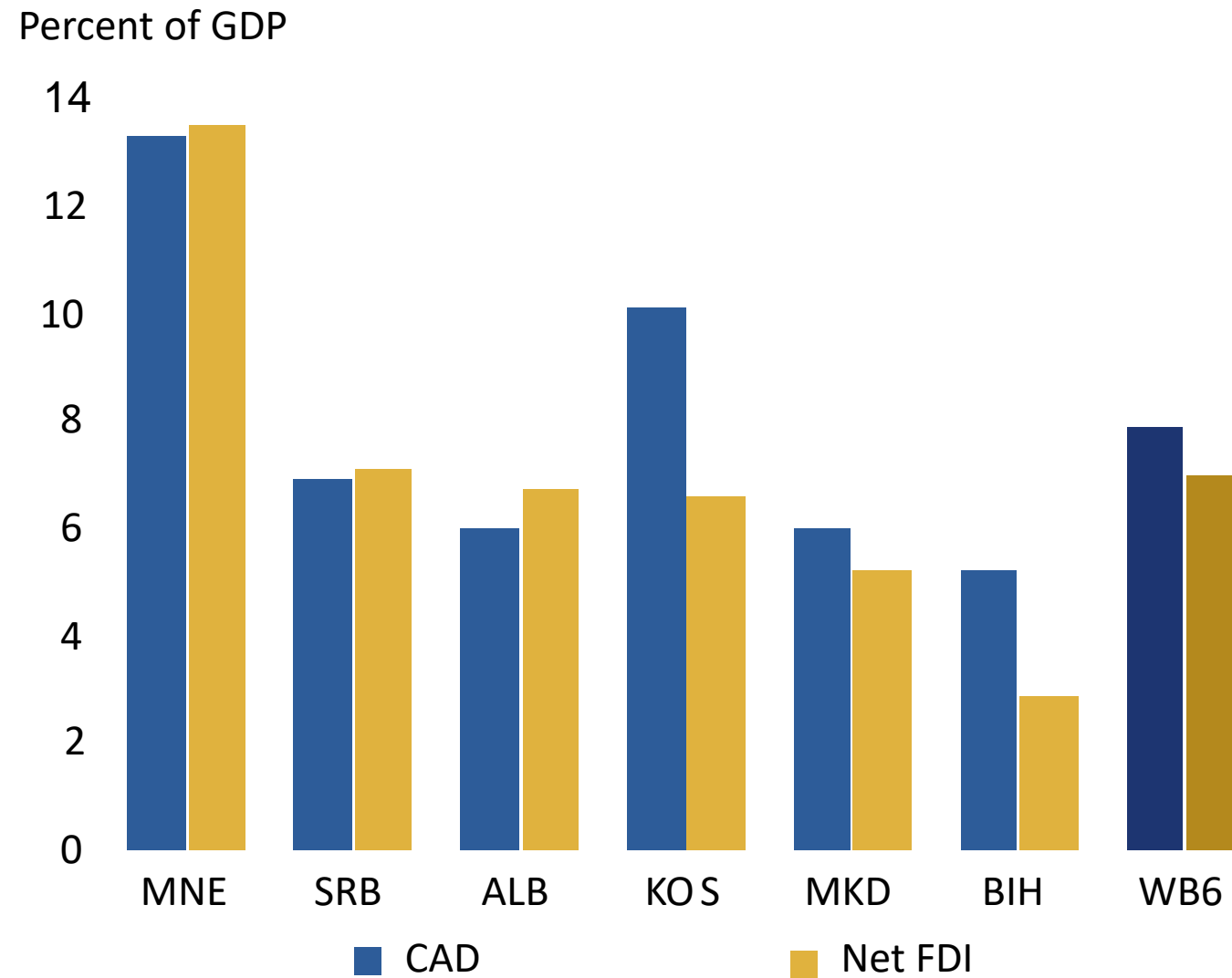


The deterioration was mainly driven by further worsening of the merchandise trade deficit (commodities)

Contributions, 2022 preliminary, percent of GDP

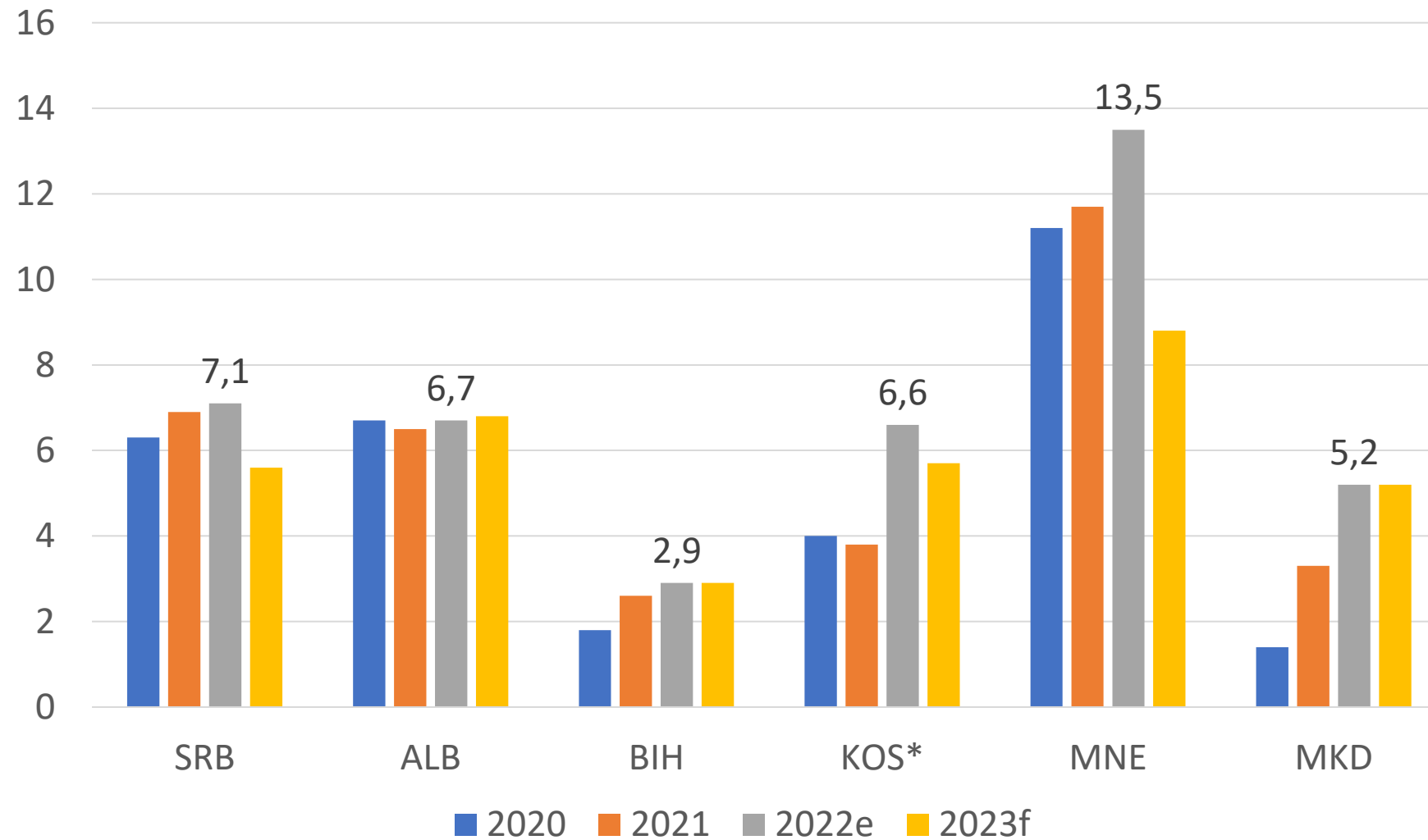


Regional external imbalances were largely funded by net inflows of FDI

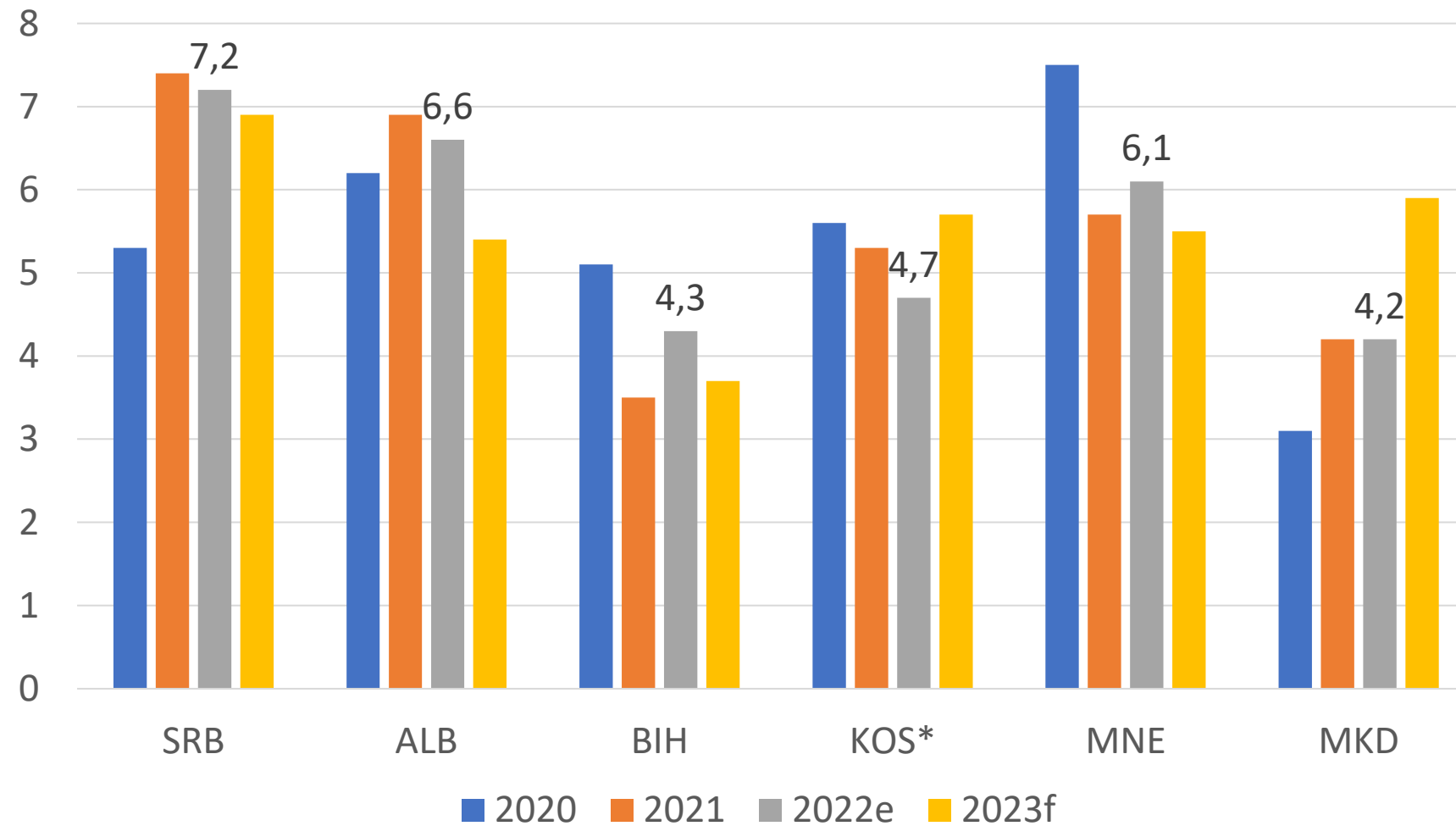


Net FDI inflows - WB countries (percent of GDP)

The EU is still the main source of FDI.



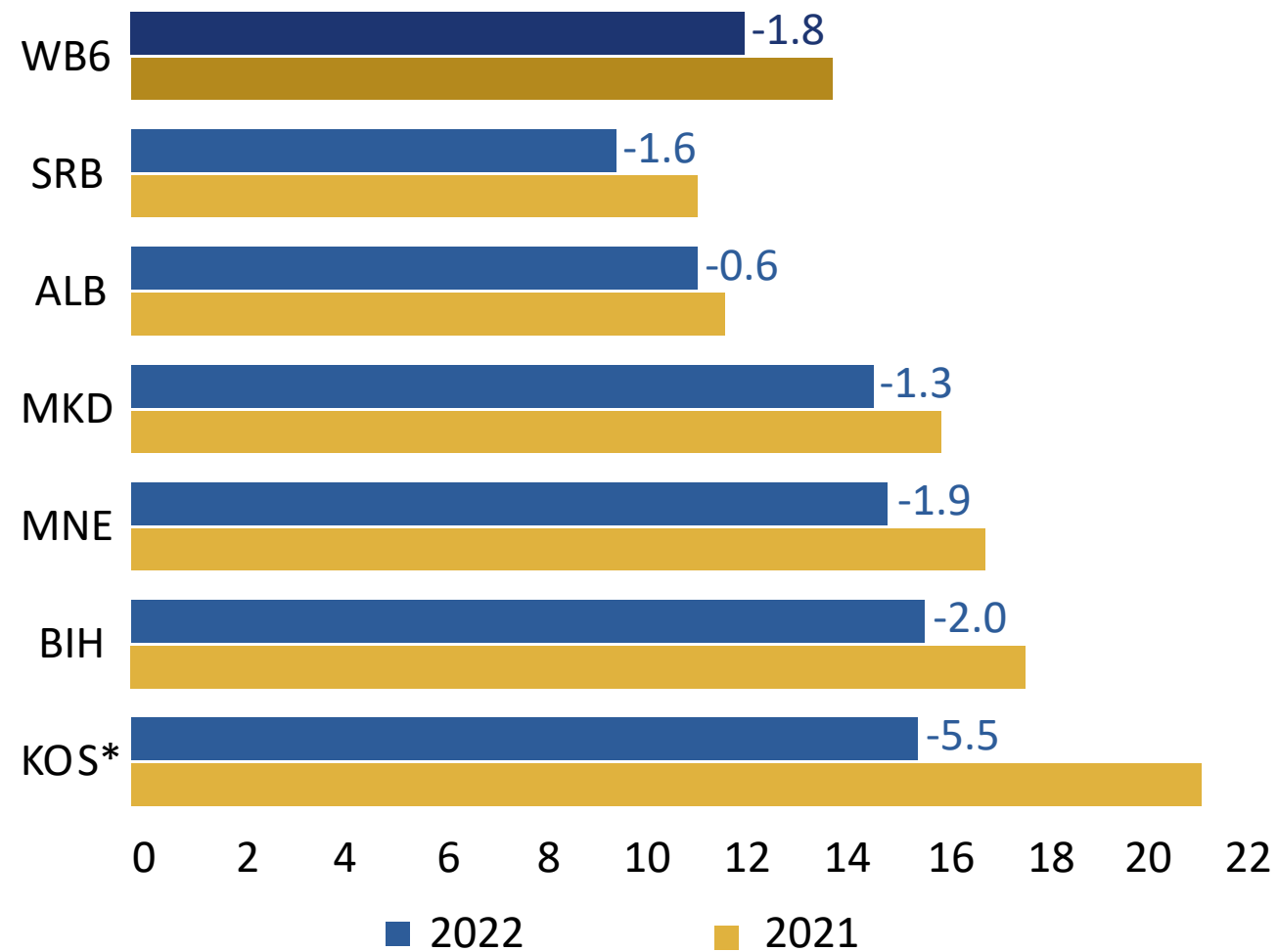
Capital expenditures (percent of GDP)



Unemployment declined in all Western Balkans countries in 2022

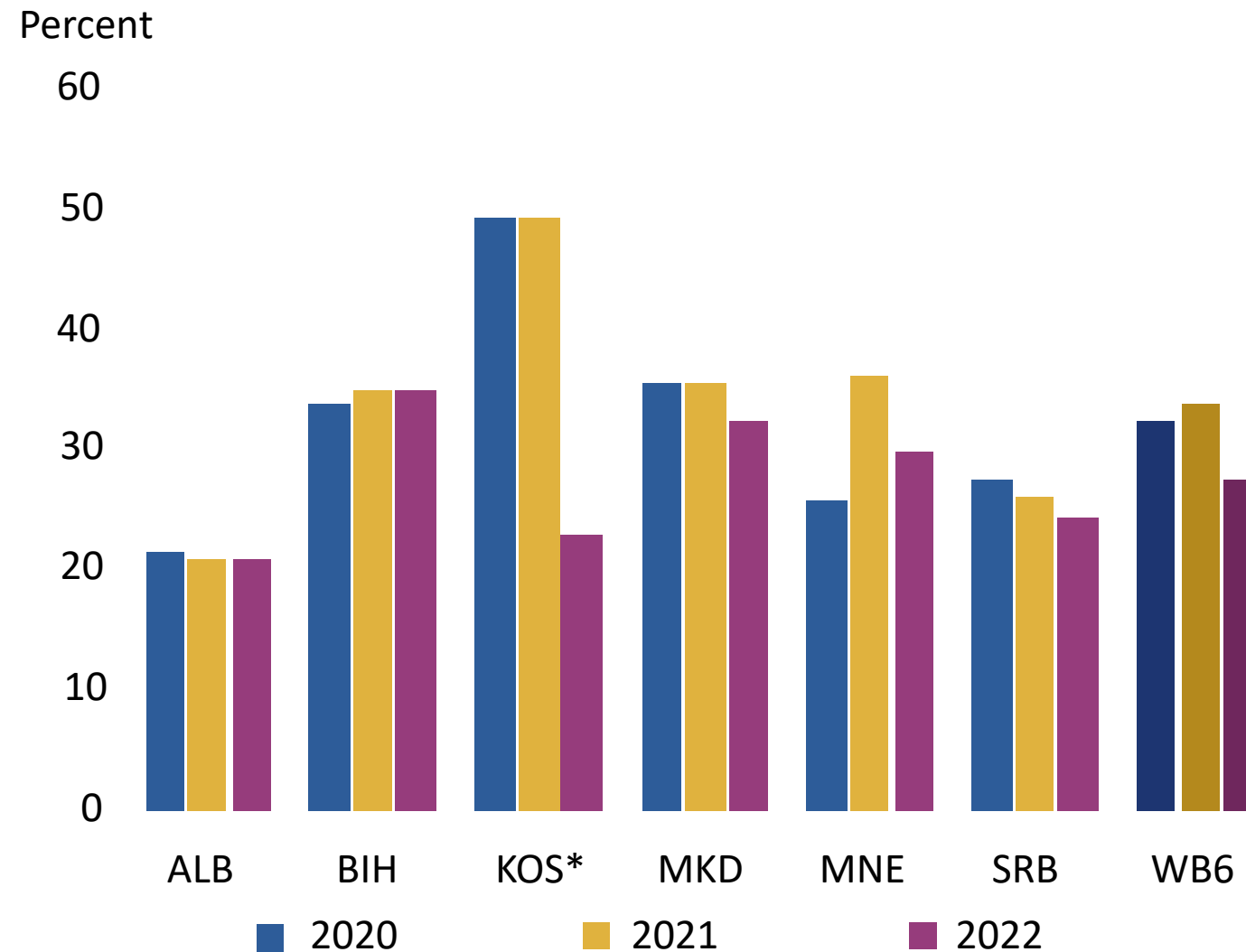
... and reached 13.2 percent at end-2022.

Unemployment rate, 15+ years, percent, and 2022–21 change, pp



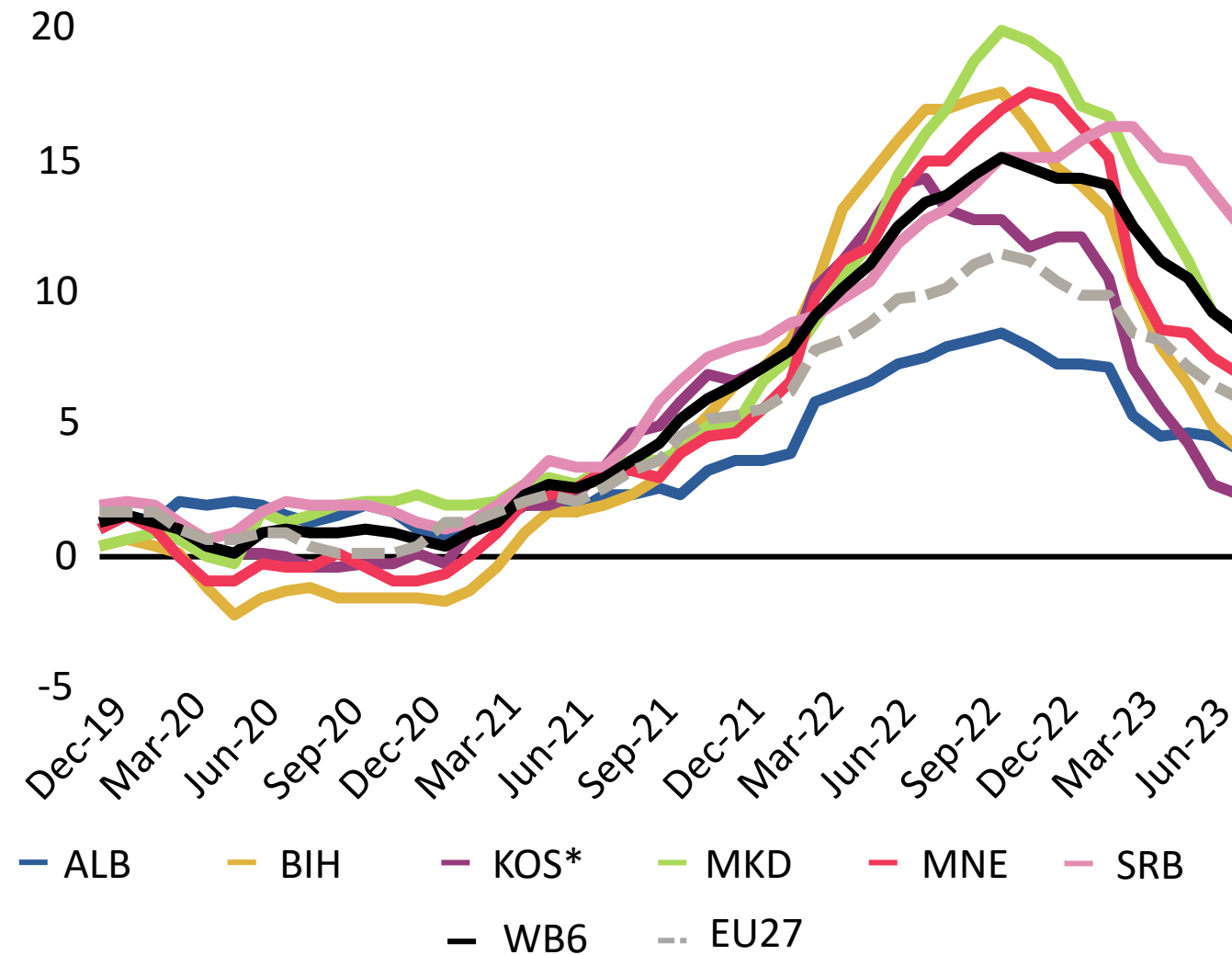
The youth unemployment is still high and double the overall unemployment rate

...although it declined to 27 percent—4.8 percentage points below the December 2021 rate.



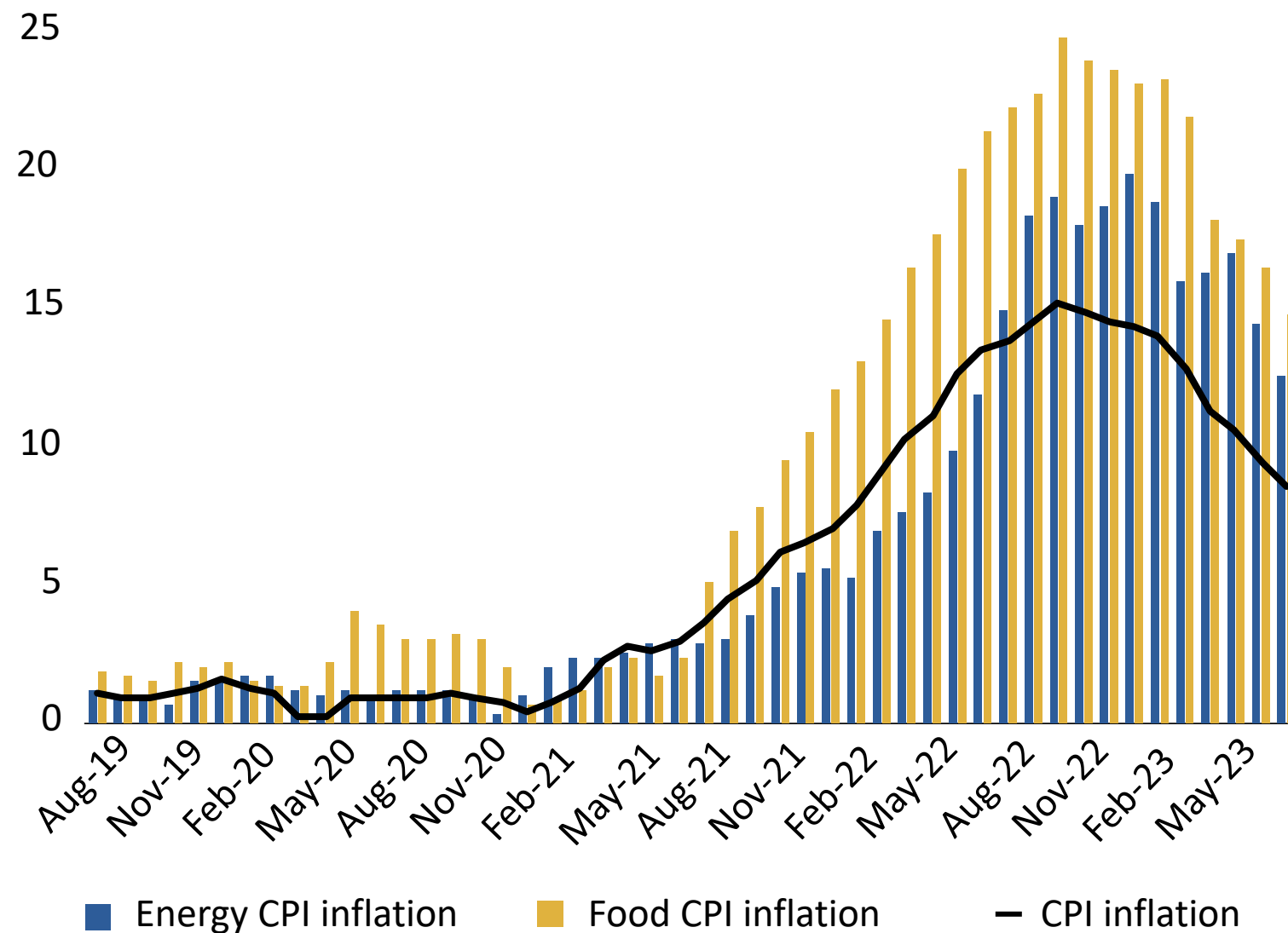
After peaking in 2022, inflation in the WB6 has been on a downward trend

... reaching 8.4 percent in July 2023.

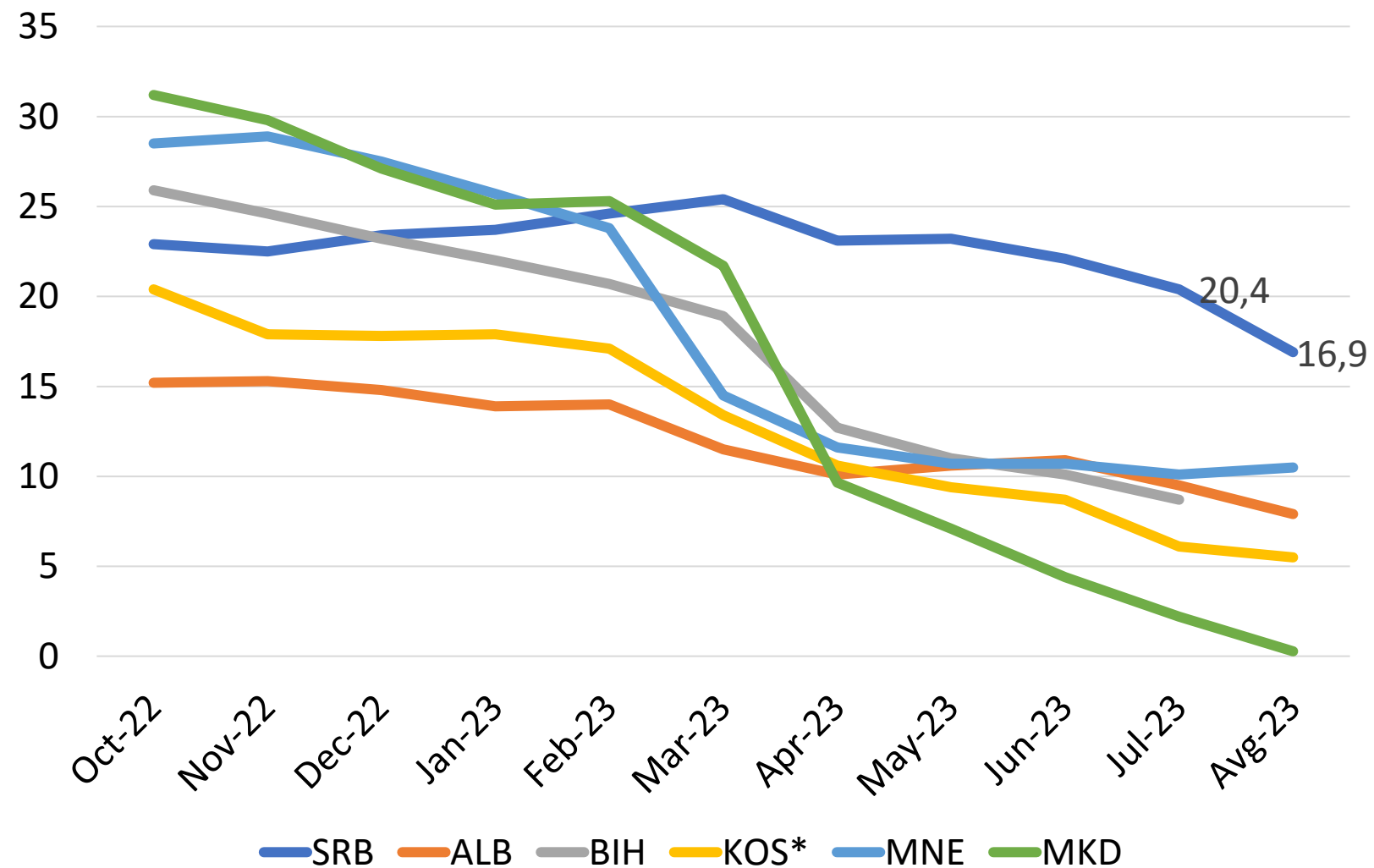


Food prices are a key determinant of inflation in the WB6

By July of 2023, food inflation remained high in the region at 14.6 percent.



Food price inflation by WB countries 2022/2023



Source: Trading Economics

WB Countries - Comparative indicators



	Economic Freedom		GCI 4.0		CPI	
	2022 (177)	2023 (176)	2018 (140)	2019 (140)	2021 (180)	2022 (180)
Serbia	59	58	65	72	96	101
Albania	50	49	76	81	110	101
Bosnia and Herzegovina	68	63	91	92	110	110
Kosovo*	86	78	-	-	87	84
North Macedonia	53	56	84	82	87	85
Montenegro	103	77	71	73	64	65

Source: Heritage Foundation, World Economic Forum, Transparency international

WB Countries - Comparative indicators



	Global Freedom Status vs. Democracy Score		Index on Censorship		World Press Freedom Index	
	2022 (100)	2023 (100)	2023 Overall rank	2023 Media rank	2022 (180)	2023 (180)
Serbia	62 (48)	60 (46)	6 N	7 PR	79	91
Albania	67 (46)	67 (46)	5 SN	5 SN	103	96
Bosnia and Herzegovina	53 (39)	52 (38)	6 N	6 N	67	64
Kosovo*	56 (36)	60 (38)	-	-	61	56
North Macedonia	67 (47)	68 (47)	6 N	6 N	57	38
Montenegro	67 (47)	67 (47)	4 N	4 PN	63	39

Source: Freedom House, Index on censorship, Reporters without borders

WB Countries - Credit ratings

	STANDARD & POOR'S	FitchRatings	MOODY'S
Serbia	BB+ / stable	BB+ / stable	Ba2 /stable
Albania	B+ / stable	-	B1 /stable
Bosnia and Herzegovina	B+ / stable	-	B3 / stable
Kosovo*	-	-	-
North Macedonia	BB- / stable	BB+ / stable	-
Montenegro	B / stable	-	B1 / stable

The accession of WB Countries to the EU

Bosnia and Herzegovina - Candidate country

Commission Opinion on EU membership application in May 2019, EU Council conclusions endorsing the 14 key priorities in December 2019. Dec 2022 officially granted candidate country status.

Montenegro - Candidate country

Opened chapters - 33
Provisionally closed chapters - 3

Albania - Candidate country

March 2020: EU decides to open accession negotiations
July 2020: draft negotiating framework presented to the Member States. July 2022 start of negotiations

Serbia - Candidate country

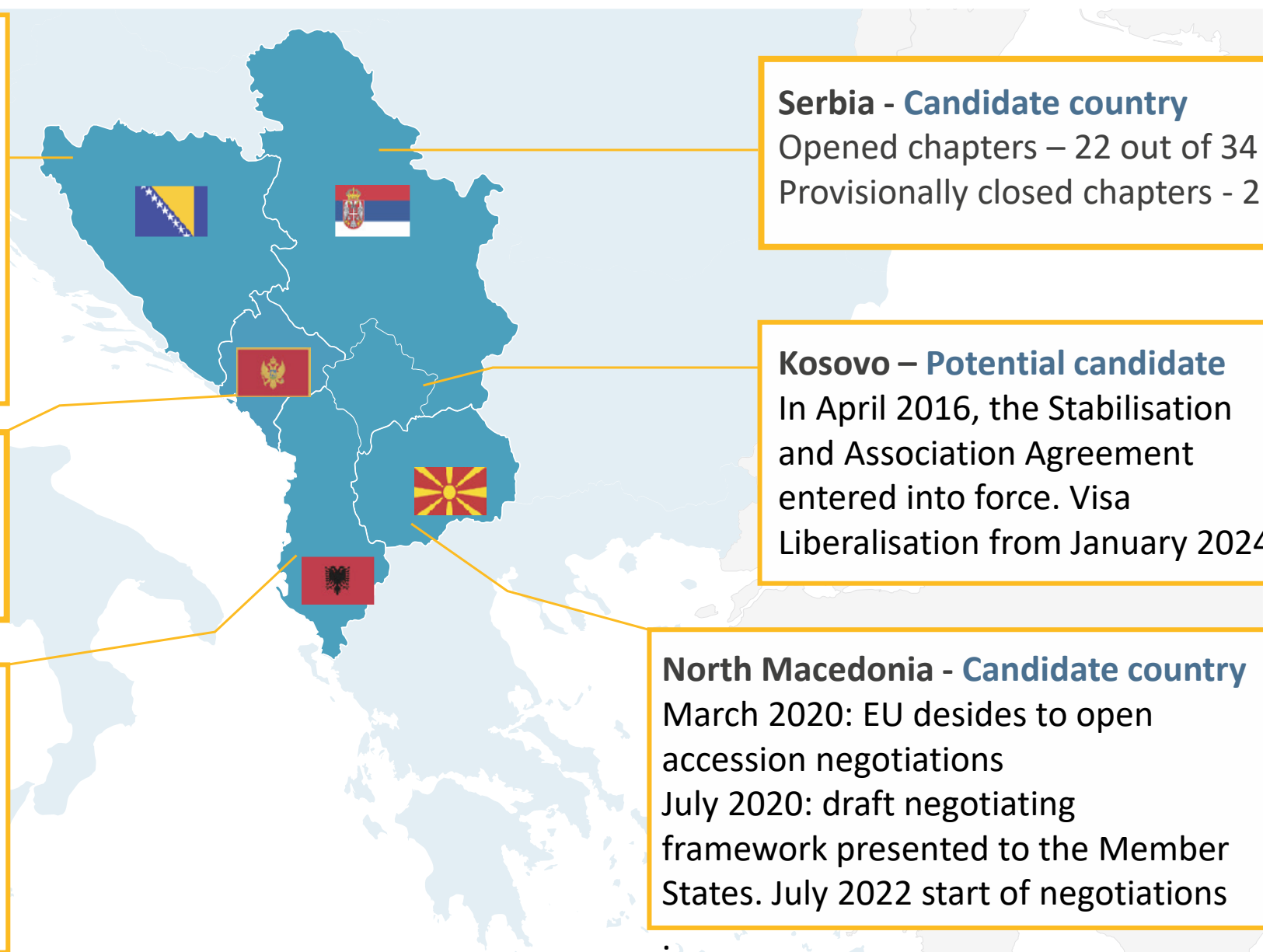
Opened chapters – 22 out of 34
Provisionally closed chapters - 2

Kosovo – Potential candidate

In April 2016, the Stabilisation and Association Agreement entered into force. Visa Liberalisation from January 2024

North Macedonia - Candidate country

March 2020: EU decides to open accession negotiations
July 2020: draft negotiating framework presented to the Member States. July 2022 start of negotiations



THANK YOU
FOR YOUR ATTENTION