



**ICEG EC**



**ICEG EC - CORVINUS**

# **SEE Monitor**



**No. 07.**

**2006.**

---

## TABLE OF CONTENTS

<b>ICEG EC QUARTERLY FORECAST ON THE SOUTHEAST EUROPEAN COUNTRIES 2006 SECOND QUARTER.....</b>	<b>3</b>
<b>EXCHANGE RATE DEVELOPMENT IN ROMANIA.....</b>	<b>6</b>
<b>MACROECONOMIC DEVELOPMENT IN CROATIA.....</b>	<b>9</b>
<b>CURRENT ACCOUNT TRENDS IN THE SOUTHEAST EUROPEAN COUNTRIES.....</b>	<b>12</b>

## ICEG EC QUARTERLY FORECAST ON THE SOUTHEAST EUROPEAN COUNTRIES 2006 SECOND QUARTER

ICEG European Center published its latest Quarterly Forecast on the Southeast European countries. Regarding economic growth in the Southeast European region, ICEG European Center expects that in these economies the GDP growth rates will be higher in 2006 than in the last year. In most economies the economic growth rate will be higher or the last year's excellent performance will be continued. The economic growth is expected to drop back significantly only in the Former Yugoslav Republic of Macedonia.

This expectation is based on the observed tendencies of the first quarter/first half of the year and on the preliminary GDP figures of Q1 2006 in several SEE countries where it was already published. In all cases where the Q1 figure was already published (Bulgaria, Croatia and Romania) it was higher than those in the last quarters.

As it is always stated in relation to the economic growth of the Southeast European region, the main engine of the region is the domestic demand in these countries. Basically in all Southeast European countries consumption and investments fuel mostly the economy. And it is important to emphasise that the growth is not based only on the consumption but also on the investments which play an important role in the growth of the GDP in these economies (mainly in the acceding and candidate countries).

As a result of the strong domestic demand the net export contributes negatively to GDP growth in these economies via the balance of goods and services. Since the strong domestic demand boosts the import of consumer and capital goods, the trade deficit increased significantly in the last years.

According to ICEG EC's expectations, the highest growth will be achieved by Bosnia-Herzegovina (6.0%), Bulgaria and Romania (both 5.8%) in 2006. It is worth mentioning ICEG European Center expects that in all SEE countries the GDP growth will exceed (or reach) 5% except for the Former Yugoslav Republic of Macedonia, where real GDP growth rate is expected to be 3.3% in this year.

**TABLE 1. SUMMARY INDICATORS OF THE ANALYSED 7 SOUTHEAST EUROPEAN COUNTRIES**

SEE7 Average	2003	2004	2005*	2006**
GDP growth (%)	4.0	5.7	4.9	5.2
Inflation (%)	4.7	4.8	5.4	5.5
General	-2.2	-1.4	-0.7	-0.9
Current	-9.3	-9.9	-9.8	-10.3
Unemployment (%)	21.9	21.4	21.3	20.9

\* Preliminary data; \*\* Forecasts

Regarding consumer prices, the consumer price indices in the region will be about the same as in the last year. However, there are a few countries in the region where the inflation rate started to grow, such as in Bulgaria, Croatia and the Former Yugoslav Republic of Macedonia. The higher inflation rates in these economies are basically due to the hiking international oil prices and the adjustment of the administrative prices and increasing excises.

On the other hand, in those two economies (namely in Romania and Serbia and Montenegro) where the inflation rates were the highest in 2005, the consumer price indices decreased further in the first half of the year.

Due to inflationary pressure, in several SEE countries the central bank increased its interest rate to halt the further increase of inflation (and the rapid credit expansion as well). Thus, in many countries, such as in Bulgaria or Romania, the National Bank's base rate is significantly higher than it was at the beginning of the year.

As a result of the aforementioned process, in Romania, where the exchange rate is not fixed, as it is in several SEE countries, the Romanian currency started to appreciate significantly against the euro. This could have had a serious negative impact on the competitiveness of the Romanian export goods if this tendency had continued. However, the postponement of the final decision on the exact date of EU entry in mid-May had a negative impact on the Romanian currency and after that the Leu started to depreciate nominally against the euro. This process reflects well the complexity of the proper monetary policy and the vulnerability of these SEE economies.

In 2006 the budget balances of the Southeast European countries will not change significantly in comparison with the balances of 2005. In most SEE countries the budget balance will be between -1% and 2% of GDP or these budgets will be basically in balance. Higher budget deficit will characterise only two countries in the region, namely Albania and Croatia.

These two countries were the exceptions in last year as well. In Albania the revenue generation and collection is improving but still vulnerable, while, in Croatia the budget deficit is decreased gradually but relatively slowly. It is an interesting fact that despite the introduction of flat tax at the beginning of 2005, general government balance improved in Romania, while the corporate tax rate cut in Bulgaria (in 2005) had no significant negative impact on the balance too.

The current account deficit is one of the main problems in the region. In most countries the current account balance will be deteriorating in course of the year according to ICEG EC's estimations. The deterioration will be the largest in Bulgaria and Romania, where C/A deficit will go up to or even exceed 10% of GDP. The significant growth of the current account deficit is mainly due to the worsening trade balances. As it was mentioned before, domestic demand boosts imports via which trade balances (and the current account balances) worsen.

It is an interesting fact that in case of the other economies the trade deficits are even higher than in case of Bulgaria or Romania, however, the large surplus of the balance of current transfers (Albania, BH, FYROM) or that of the services balance (Croatia) is able to counterbalance a large part of the trade deficit.

On the other hand, in case of the acceding countries, the large current account deficit does not cause a huge problem because the amount of foreign direct investment inflows is also significant in these two countries. Net FDI financed and is expected to finance large part of the C/A deficit this year.

Unemployment is another key issue in the Southeast European countries; the official unemployment rate exceeds 20% on average. Until 2006, there was only one country where unemployment rate was a single digit figure: Romania. Now it seems Bulgaria joined the 'club' where unemployment rate decreased significantly in course of 2005.

Besides these countries, in 2006 slight improvement of the unemployment rates is expected in all other SEE countries except for Bosnia-Herzegovina, where the official unemployment rate exceeds 40%. The unemployment rate is higher than 20% in the Former Yugoslav Republic of

Macedonia and in Serbia and Montenegro as well. On the other hand, according to estimations, the real unemployment rate is significantly lower in these economies; it can be around 20%. However, this rate is still really high.

## EXCHANGE RATE DEVELOPMENT IN ROMANIA

In August 2005, the National Bank of Romania has changed the previous monetary regime and shifted to inflation targeting. The functioning of this monetary policy regime relies largely on anchoring inflation expectations to the inflation target announced by the central bank and implicitly on the good communication with the general public. In Romania the inflation targeting system based on CPI and the target sets as a midpoint, announced by the government and the national bank, within a band of  $\pm 1$  percentage point.

As the inflation and the exchange rate have a very close relationship with each other, changes in any of them will have a strong effect on the other indicator. For example, when the exchange rate (expressed as domestic currency per unit of foreign currency) is depreciating, the domestic firms and consumers must pay more for the imported goods. On the other hand, in the case, the inflation is increased by an unpredictable event - like the oil price increase -, the domestic goods and services will be more expensive, so the prices of the country's export goods will be higher, the demand for the domestic goods and services decrease and it is followed by exchange rate depreciation.

This article will highlight what happened on the currency market after this historical step by the National Bank of Romania. On the next chart one can observe the main processes in the last two and a half year.

**CHART 1. EVOLUTION OF THE ROMANIAN CURRENCY'S EXCHANGE RATE AGAINST THE EURO**



Source: Hungarian National Bank, Own calculations

An appreciating RON tendency can be seen in this chart from 2004 to 2006. The adjustment, when the national bank announced the new monetary policy, the brand-new situation got the market to react it. By this means the Romanian currency suddenly strengthened considerably.

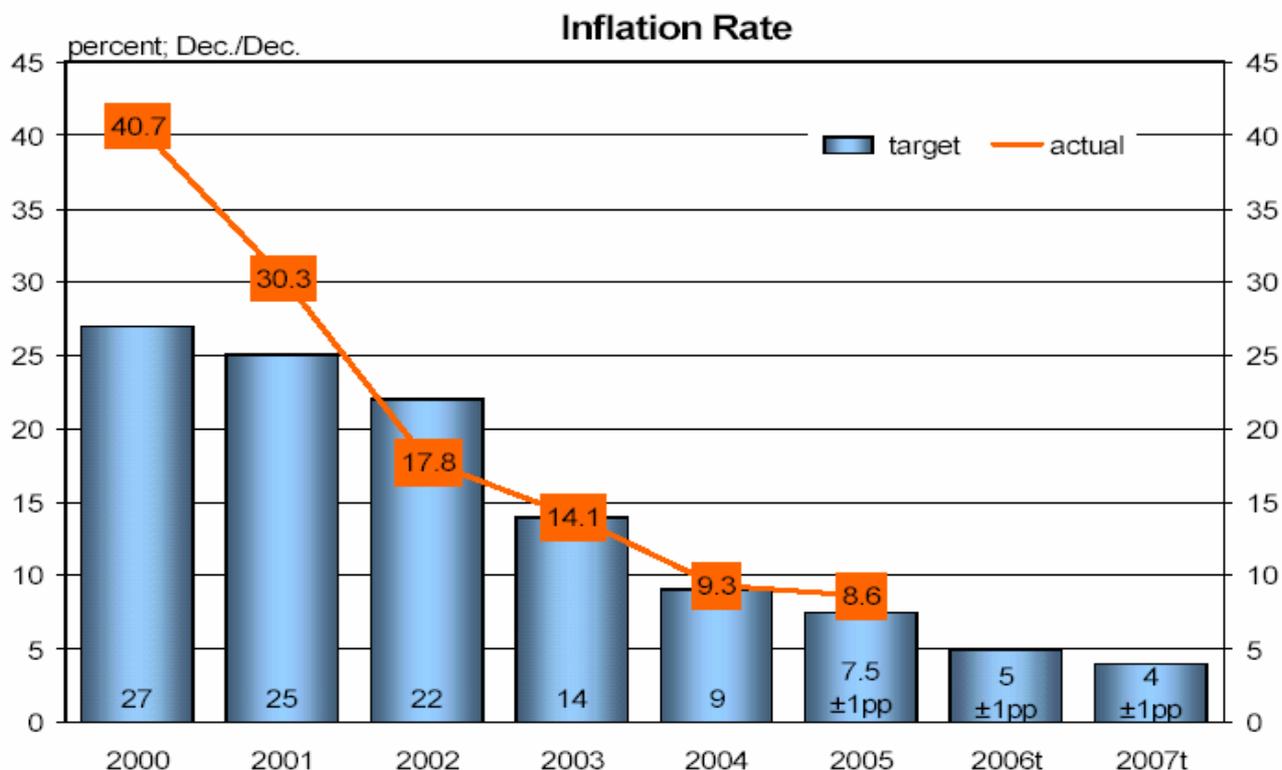
When the markets got used to the current conditions, the RON returned to its trend and the appreciating process continued, which is lasting these days. But the Romanian currency's real appreciation trend coexists with short-term high exchange rate fluctuations. Although the managed floating regime is maintained in Romania, there was no NBR-intervention in the market over 9 month.

But another adjustment was made by the national bank to reduce this volatility: they have been limiting the size of volatile capital inflows. This is another instrument by the intervention, with the national bank can regulate the exchange rate measure.

As in the inflation targeting system the national bank can influence the expectations the most - in case the steps of this monetary authority is calculable -, and the expectations are the basis of the exchange rate movements, in this circumstances the main responsibility belongs to the national bank to direct the exchange rate movements by the good communication with the markets. Sum up, this system makes the markets pay attention to the national bank's announcements, statements and steps, and on the basis of this observation develop the further expectations and the currency-market equilibrium.

The good communication of the National Bank of Romania is one of the reasons why the Romanian currency, the RON could have been appreciating for a long time. In the next chart the predictable inflation measure can be seen.

**GRAPH. 1.**



April 2006: 6.92% (yoy)

Source: National Institute of Statistics, National Bank of Romania

---

If the National Bank of Romania enters into an obligation to keep the inflation targeting, it has to do its best for the good exchange rate circumstances. As it was mentioned above, the two indicators have a very strong relationship with each other. A large-sized depreciation of the RON would endanger the inflation target of the national bank by increasing import prices.

Accordingly, the national bank has to take care of the balanced exchange rate movements and the expectations. And for the successful monetary policy the above-mentioned good communication with markets is indispensable. This communication is promoted by the adopted inflation targeting regime through reducing time-inconsistency, more flexibility and transparency.

As we can see, the exchange rate and its measure is very complicated to comprehend simply, though in this investigation only one little fragment was highlighted, the inflation and its connection with the exchange rate.

Consequently the exchange rate is mainly depend on the actual inflation measure and, in the case, the National Bank of Romania will be able to keep its inflation target, the RON would continue its appreciating by the continuously reducing Romanian inflation level.

## MACROECONOMIC DEVELOPMENT IN CROATIA

Croatia is one of the most developed EU candidates in the region, and has started negotiations with the EU on 3 October 2005. The main economic indicators show a healthy economy and the government prepared the Pre-accession Economic Programme (PEP) to plan the future route of the accession. The base of the country's development is the stable growth of domestic production, as it was constantly positive in the last decade, and reached 6% in the first quarter of 2006 (compared to the same period of 2005). Tourism played an important role in the significant increase of GDP.

### BACKGROUND OF ECONOMY

Tourism sector boosts the economy, accordingly many motorways, roads and airports were built in Croatia, and investments into infrastructure of tourism sector grew rapidly.

**TABLE 2 . MACROECONOMIC INDICATORS OF CROATIA**

	2001	2002	2003	2004	2005
Real GDP growth (%)	4.4	5.6	5.3	3.8	4.3
CPI (%)	3.8	1.7%	1.8	2.1	3.3
Unemployment rate (%)	15.8	14.8	14.3	13.8	12.7
General government debt (% of GDP)	48	48.8%	49.9	50.7	51.3
General government balance (% of GDP)	-5,1	-5,6%	-6,0	-3,9	-3,1
Current account balance (% of GDP)	-3,7	-8,6%	-7,1	-4,9	-6,3

*Source: National Bank of Croatia, OECD*

Critical fundamentals such as inflation and public debt are beyond the Maastricht criteria. Wages increased in a moderate pace and the growth of net wages was higher than that of prices, which led to higher consumption that fuelled the economy, on the demand side.

**TABLE 3 . INFLATION AND NET WAGES IN CROATIA**

	2003	2004	2005
Inflation (%)	1.8	2.1	3.3
Net Wages (Kuna)	3940	4173	4376
Growth of Net Wages (%)	-	6	5

*Source: Central Bureau of Statistics Croatia, Own Calculations*

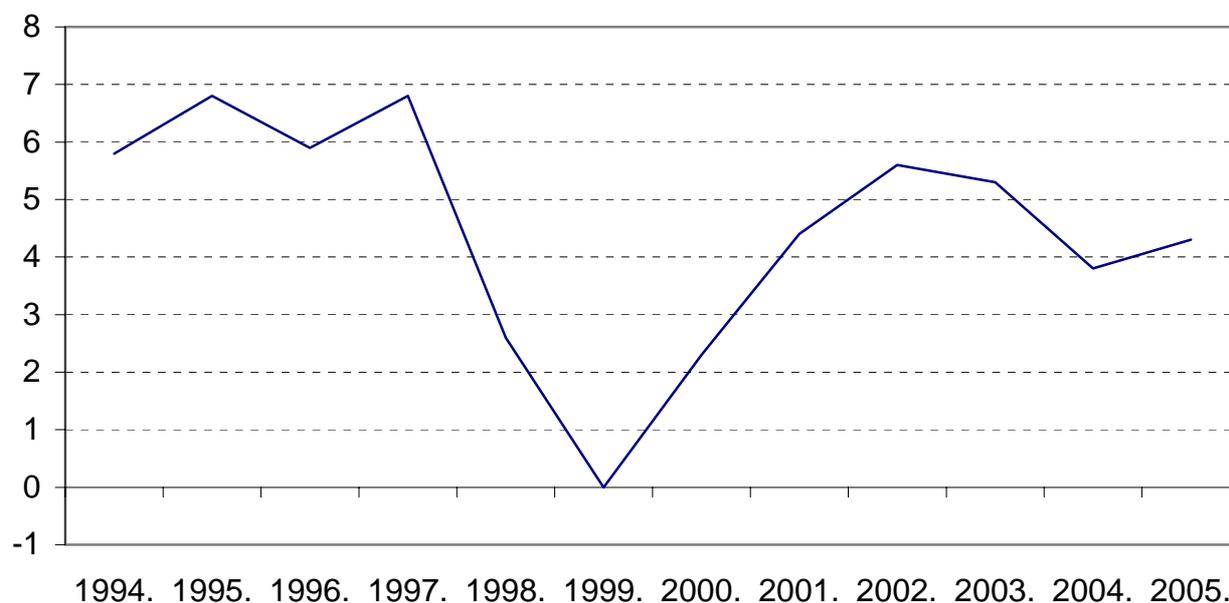
Although, the economy grew continuously and consumption jumped to a higher level, neither the current account deficit nor the budget deficit flew away. That means fiscal policy is strict and strong enough to keep a tight hold on the economy.

The only problematic indicator is unemployment, which is over 10% – still close to European average – but the trend shows a continuous improvement. The number of employed persons increased over the years slightly, but the rate of activity is about 50%, which is low and employment should be increased in the future. The government has an Action Plan to achieve that goal in the framework of PEP.

## STRUCTURE OF GROSS DOMESTIC PRODUCT

GDP per capita (on purchasing power parity standard – PPS) was EUR 11 450 in 2005 which is above the (Southeast European) regional average. Except for a short recession period at the end of the last decade, the growth of the Croatian economy was continuous.

**CHART 2. EVOLUTION OF GDP IN CROATIA, 1994-2005 (%)**



*Source: Central Bureau of Statistics Croatia*

Industrial production also increased continuously in the last five years, and it grew by 5.1% in 2005. The performances of the mining and electricity sectors dropped somewhat compared to 2004, but the manufacturing sector grew over 6%. After a slight drop in the number of employees in industry, it started increase again, but more importantly, labour productivity grew convincingly from 2002.

**TABLE 4. LABOUR PRODUCTIVITY (2004 = 100)**

	2002	2003	2004	2005
Labour Productivity	87.8	94.6	100	103.6

*Source: Central Bureau of Statistics Croatia*

One of the key sectors of Croatian economy is tourism not so surprisingly. Infrastructure of the sector developed spectacularly meanwhile more and more foreign tourists chose Croatia as their holiday destination. The biggest increase in the number of tourists was observed in case of tourists from France and Hungary in last year, and almost 8.5 million foreign tourists spent 45 987 thousand nights in Croatia.

On of the main reasons for the significant improvement of the indicators and the steady increase of tourism industry is the role of the government. The government realised that Croatia has great potential in tourism and started to develop infrastructure. Motorways and roads were built in the country to attract more tourists, and now there is more than 800 kilometres of motorways in Croatia.

**TABLE 5. LENGTH OF MOTORWAYS IN CROATIA**

	1970-1990	1997	2003	2004	2005
Length of motorways (km)	250	326	554	742	792
Growth per year	n.a.	3.86	9.24	33.90	6.74

*Source: Central Bureau of Statistics Croatia, Own Calculations*

## EXPECTATIONS FOR THE FUTURE

Croatia's near future prospect is to conduct negotiations with the EU successfully and to become an EU member as soon as possible. Negotiations are already on their way, but the economy should maintain the stable economic growth. To help the EU accession, the government makes a programme in each year to plan the near future, and have action plans to reach their goals as well. The most acute problem is unemployment, albeit the fact that, there were improvements in labour market. Youth unemployment is still high, and long-term unemployment accounts for more than half of total.

**TABLE 6. FUTURE EXPECTATIONS IN CROATIA**

	2006	2007	2008
Real GDP growth (%)	4	4.1	4.3
CPI (%)	3.2	2.8	2.6
Unemployment rate (%)	16	n.a.	n.a.
General government debt (% of GDP)	49	48.4	47.7
General government balance (% of GDP)	-2.4	-2.2	-1.9
Current account balance (% of GDP)	-5.3	-4.5	3.8

*Source: Pre-accession Economic Programme*

## CURRENT ACCOUNT TRENDS IN THE SOUTHEAST EUROPEAN COUNTRIES

In the Southeast European region not only the gross domestic product has grown significantly but also the elements of the balance of payments in the past few years. These countries must watch over their current account balances not to reach too large deficits. In this article Now the trend of current account balances of these countries will be overviewed.

**TABLE 7. DEVELOPMENT OF THE CURRENT ACCOUNT BALANCE IN THE SEE COUNTRIES, 2000-2005 (% OF GDP)**

	2000	2001	2002	2003	2004	2005	Q1 2005	Q1 2006
Albania	-4.42	-5.25	-9.06	-7.13	-4.87	-8.78	-1.38	-2.24
Bosnia-Herzegovina	-8.21	-14.49	-20.73	-22.59	-20.79	-22.68	-2.90	-1.52
Bulgaria	n.a.	-5.63	-2.43	-5.50	-5.78	-11.80	-2.57	-4.60
Croatia	-2.40	-3.70	-8.60	-7.10	-4.90	-6.30	-4.96	-6.00
FYR of Macedonia	-2.02	-7.09	-9.49	-3.25	-8.60	-1.62	-0.42	-0.34
Romania	n.a.	-5.55	-3.35	-5.82	-8.39	-8.70	-1.99	-3.05
Serbia and Montenegro	n.a.	-5.39	-11.15	-9.31	-12.00	-7.96	-1.59	-3.11

*Sources: national statistics*

All of the analysed countries have negative current account balances, but the trend is not the same in all cases. First, looking at the annual data up to the present the trend of the current account balance have gone down, excluding that of the Former Yugoslav Republic of Macedonia. The FYR of Macedonia had a great drop in its balance in 2001, and since then its balance has been improving a bit with fluctuation. Second, regarding the first quarterly data of 2005 and 2006 the trend seems to be changed only in Bosnia-Herzegovina, deficit decreased significantly only in Bosnia-Herzegovina during the first quarter year compared to the same period of the previous year.

In Albania a negative fluctuating trend is observable. The negativity is caused by the great deficit of the trade balance, which reached more than 21% of GDP in each year during the analysed period. Mostly the moving of the trade balance and of the net services causes the fluctuation. The net income and the current transfers per GDP figures did not change mainly in Albania and remained positive, but in the last year the main cause of the 4%-points increase of C/A deficit was that the balance of current transfers deteriorated significantly in last year. In the last 3 years the Albanian trade balance improved slightly but the true problem is that the net services became negative and that factor plays an increasingly negative role in current account balance. We expect that the trend of this process and the deterioration of the trade balance in the first quarter in 2006 will lead to a more negative current account balance in Albania.

Bosnia-Herzegovina has the highest current account deficit per GDP figure in the Southeast European region. In the first two years of the third millennium its current account deficit increased and since then the deficit is over 20% of GDP. The main reason for the negative current account balance is the high deficit of the trade balance, which reached more than 50% of GDP. Till now the annual data show that the negative trade balance has some positive trend, meanwhile the positive net income and mainly the positive net current transfer have negative trend. In the first quarter of 2006 the balance of current account improved compared

to that of 2005. We expect that this situation will not change significantly in Bosnia-Herzegovina in course of this year.

Bulgaria was one of those Southeast European countries that had low current account deficit in the past years but in the last few years this trend changed. Our view on the evolution of Bulgaria's current account balance is that the C/A deficit is growing rapider than the gross domestic product, thus current account deficit per GDP figure increased significantly in recent years. The current account balance deteriorated mainly due to the worsening trade balance of the country. In the first quarter of this year this tendency is likely to continue since current account deficit will increase further this year.

In Croatia the two main parts of the current account are the trade balance and the balance of services. The absolute value of them has been moving nearly parallel. The current account deficit of Croatia was not too high owing to the massive surplus of the services balance, while the trade balance was in red traditionally. The data in the first quarter of this year shows some deterioration for 2006. The exports in the first quarter increased more than the imports. We consider that the deficit of current account deficit will increase further slightly, according to the first quarterly data of 2006.

The Former Yugoslav Republic of Macedonia is the only SEE country that had positive trend in case of the current account balance, according to the last few years' data, but it was characterized with large fluctuation. The decreasing trade deficit and the increasing net current transfers resulted in the slightly improving trend. The export in the first quarter decreased more than the import. Nevertheless we think that the fluctuation will be smaller in 2006 and the deficit will not be less than that in 2005.

Romania has a negative trend regarding the current account. The main reason is the worsening trade balance and till 2004 it was caused by the fall of net income, too. The net income improved in the last year while the current transfers did not increase further. It caused that the decline of current account deficit become slower. The current transfers decreased meanwhile even the net income did not increase in the first quarter of 2006 as it was observable in the entire last year. Though the trade deficit increased significantly. We expect that this tendency will continue in the whole year and the deficit of the current account balance of Romania will be greater than that in 2005.

In Serbia and Montenegro as in the other SEE countries the current account balance was basically determined by the evolution of the trade balance. As in the FYR of Macedonia the two main parts of the current account balance are the trade balance and the net current transfers. Serbia needs to be cautious with its trade balance because the data show not only a slightly negative trend but also a bigger and bigger fluctuation. In the last year the trade balance improved because of the expansion of the export and the reduction of the import, but that trend did not continue in the first quarter of 2006. We consider that in Serbia and Montenegro the current account balance will deteriorate in some degree.

The negative current account balances raise a problem in the Southeast European region. The countries in this region have a great negative trade balance, which will remain a huge problem in the region. The highest deficit mainly since 2002 was reached in Bosnia-Herzegovina. In 2006 in Macedonia the deficit of the current account will not be less than that in 2005 but will less than that in 2004. In Albania, Bulgaria, Croatia, Romania, Serbia and Montenegro the positions will deteriorate. The largest deterioration is expected to be in Bulgaria according to our expectations but it cannot be known whether the deficit of the current account of Bulgaria will reach that of Bosnia-Herzegovina.

**FORMER ISSUE'S TABLE OF CONTENTS:****Number 2006/6.**

- First chapter closed in the accession negotiations between Croatia and the EU
- FDI inflows in the Southeast European Countries
- Poverty reduction in Albania
- Decreasing public debt in Bulgaria

**Number 2006/5.**

- High economic growth in the SEE region in the last five years
- Accession of Bulgaria and Romania on 1 January 2007 - Realistic?
- Increasing inflation in Bulgaria
- Significant drop in economic growth in Romania

**Number 2006/4.**

- Iceg Ec quarterly Forecast on Southeast European Countries 2006 first quarter
- Kosovo in the way to final status
- Slowly decreasing unemployment rate in Croatia
- Foreign trade gap widens in Bulgaria

**Number 2006/3.**

- Heading to "Europe"? Stabilisation and Association Agreement in Serbia and Montenegro
- Real estate market of Bulgaria
- Albania signed The Stabilisation and Association Agreement
- Tourism sector in Bulgaria

**Number 2006/2.**

- Bulldozer Initiative – '50 economic reforms in 150 days'
- The Former Yugoslav Republic of Macedonia and the European Integration
- Bulgaria and Romania: One Year to Accession
- Bulgaria faces a lasting demographic crisis

**Number 2006/1.**

- ICEG EC Quarterly forecast on the Southeast European Countries- Winter 2005
- Balanced budget 2006 is planned in Bulgaria
- VAT introduction in Bosnia and Herzegovina
- Foreign Direct Investment in Serbia

**Number 2005/20.**

- Business Climate in Southeast European (SEE) countries in comparison with the New Member States
- Romania - Development of the inflation rate
- Tightening of credit expansion in Bulgaria

**Number 2005/19.**

- Foreign Direct Investments in the Southeast European (SEE) Countries in comparison with the 8 New Member States (NMS8)
- Croatia - on the way on accession
- The role of World Bank credits in the Fyr of Macedonia

**Number 2005/18.**

- Bulgaria: Inflation rate is the critical issue with regard to joining EMU after EU accession
- Strong sector with strong performance: Tourism in Croatia
- Inflation in Serbia and Montenegro in 2005-2006
- The EU-Albania relations - The present engagement of the SAA

**Number 2005/17.**

- Intra-regional Trade in Southeast Europe
- Inflation in Bulgaria in 2005 and 2006
- Still High Foreign Direct Investments Inflow in the Romanian Economy
- Deep Overview of FDI Movements in Croatia

**Number 2005/16.**

- ICEG EUROPEAN CENTER Quarterly Forecast on the Southeast European Countries (Q3 2005) - Outlook for 2005 and 2006
- (Un)employment in the Southeast European Countries I. & II.
- GDP Growth Rate of Bulgaria in the first half of 2005

**Number 2005/15.**

- Bulgaria and Romania en route to the European Union
- Agricultural Sector in South Eastern European Countries II.
- Romania: Slower Economic Growth in the first half of 2005

**Number 2005/13-14.**

- The Powerful Nature - The Romanian Floods
- Current Account Development in Bulgaria: Big Problem at First Glance
- VAT Increase in Romania- A Makeshift
- The Start of the Improvement in the Albanian Electricity Sector

**Number 2005/12.**

- The British EU-Presidency and the Prospect of the Future Enlargement of the EU
- Credit Boom and Increasing External Vulnerability in Bulgaria and Romania
- High ISPA Subsidy for Romania
- A Further Step Towards Europe - Introducing VAT In Bosnia and Herzegovina

**Number 2005/11.**

- Agricultural Sector in South Eastern European Countries I. - Albania, Bulgaria and Romania
- Balance of Payments in Bosnia and Herzegovina
- New Leu and the Future in Romania
- Croatia's Accession Negotiation with EU - Developments in European Integration

**Number 2005/10.**

- Tax Regimes in Bulgaria, Croatia and Romania
- The Impacts of General Election on the Economic Policy of Bulgaria
- Worsening Current Account Balance in Romania
- The Attractive Bulgaria - Prominent FDI Inflow in 2004

**Number 2005/9.**

- EU Begin Talks with Serbia and Montenegro
- Tax Regimes in the FYR of Macedonia and Serbia and Montenegro
- Tax Regimes in Albania and Bosnia-Herzegovina

- Interest Rate Policy in Romania: 10 Percent Off in 5 Months

**Number 2005/8.**

- More EU Assistance for the Western Balkans
- One Step Closer to EU Membership
- Bulgaria Reached Record GDP Growth in 2004
- The Development of Public and External Debt in Croatia

**Number 2005/7.**

- South Eastern Europe after EU Enlargement and before Accession
- Bulgaria: Fixed Exchange Rate of Currency Board and the Competitiveness
- Bulgarian Tourism Industry
- Plans on the Albanian Privatisation Process

**Number 2005/6.**

- Development of Inflation in Southeast European Countries
- IMF versus the Romanian Government
- 8.3% GDP Growth in 2004 in Romania – Positive Signals for Investors
- Higher Inflation and Trade Deficit in Serbia

**Number 2005/5.**

- Tax Reduction Suggested in Bulgaria
- Croatia: Delays in Starting Accession Negotiations?
- Tourism in Croatia
- Montenegro Wants to Lead its Fortune under its own Hand

**Number 2005/4.**

- Bulgaria: Record Foreign Trade Deficit in 2004
- Macroeconomic Targets in Romania for 2005
- Montenegro: Budget in 2005
- Albania – EU Accession in 2014?

**Number 2005/3.**

- World Bank Strategy for 2005-2008 – Assistance for Croatia

- 
- Record Budget Revenues in Bulgaria in 2004 – An Estimated Surplus of the Budget Again
  - Montenegro: Economic Policy Focuses on Privatisation
  - Macedonia – Status of European Integration One Year after Application

**Number 2005/2.**

- Origin and Structure of FDI Inflows into Bulgaria and Romania
- Croatia: Stabilisation and Association Agreement will Come into Force on 1 February 2005
- Bank Privatisation in Serbia
- Growing External Imbalances in Romania

**Number 2005/1.**

- Hungarian Foreign Direct Investment Outflows to the Southeast European Countries
- Western Balkan Countries: Outlook for 2005
- Candidate Countries Performed Well Last Year – Outlook for 2005  
Radical Tax Reform in Romania: 16% Flat Tax Rate from 2005