ISSN: 2038-632X

PECOB'S PAPERS SERIES

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OCTOBER 2010 | #04

04

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The Western Balkans in the turmoil of global crisis

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Abstract

The Western Balkan countries are significantly exposed to the effects of global crisis because most of them are highly indebted abroad, posses insufficient hard currency reserves and experience high balance of payments deficits. Although the first wave of financial crisis (a fall in prices of new financial instruments) was not critical for them, the second wave in the form of credit crunch, collapse of exports and disruption of the inflow of remittances has significant impact. As a result, the economic activity is significantly slowing down in the region, regardless of relative satisfactory tourist season in some of countries in 2009. The negative economic developments will slow down the process of resolving conflicts in the region related to bloody dissolution of former SFR Yugoslavia. Inclusion of the elements of solidarism to their economic systems and policies could ease the catching-up of the region in the process of its reintegration to the developed Europe.

1 Introduction

Is the crisis affecting the Western Balkans more or less than other countries and regions of the world? The economic activities of the countries of the Western Balkans and the countries in transition in relation to the activities of the EU (EMU) should be compared in order to answer this question. There are two possibilities:

- a catching up (GDP growth rates are always more favourable in the Western Balkans than the rates in the EU), or
- b elasticity higher than one (faster acceleration during the growth = faster catching up, and faster deceleration during the decline = lagging behind).

While faster growth was achieved in the countries of the Western Balkans during the period of world economic boom (catching-up or elasticity above 1), the activity in the region seems to decline faster (with elasticity above 1) in a period of crisis, at least based on current forecasts. This is not good, since instead of decreasing, it increases the lagging of the region behind the EU and other developed countries' averages. Thus, the real convergence of candidates and potential candidates for EU membership has not been accomplished, bringing with it additional obstacles for the accession of the members of the region to the EU.

	MON	ALB	B&H	CRO	MAC	SERB	KOS
GDP mio €	3339	16500	12833	47370	6507	33861	3804
Debt total In % BDP	37%	60,4%	50,7%	185,8%	28%	23,1%	...
-External debt % BDP	20%	9%	24%	138%	17%	13,8%	...
-Domestic debt % BDP	17%	51,4%	34,0%	47,8%	11%	9,3%	55,9%
Forex reserves mio $, 07, 08	665 336	2162 1615	5151 3219	10852 9121	2243 1501	17490 8160	... 1111
Export of go-ods/GDP	15,9%	6.6%	26,7%	20,2%	41,3%	32,4%	33,9%
FDI stock 2007 -inflow 2008	2478 567	2264 ...	5990 ...	44630 2930	3084 422	13205 2123	1150 357
Curr. Acc.mio€	-976	-2458	-1879	-4454	-851	(12301)	-773
Trade,mio €	-1441	-2362	-4819	-	-1737	-15876	-1372
Budget/GDP08 change,08/07.	2,7% -3,1	-5,2% -1,1	-0,8% -1,7	-2,3% 0	-1.5% -0,8	-2,2% -0,2	-0,1% -0,8
Inflation, %	6,9	2,2	3,8	2,9	4,1	8,6	0,5
GDP, %	8,1	6,8	5,5	2,4	5,0	5,4	5,4
Financial 08 Risk 09	B3 B2+	B3 B3-	B3 B3-	A2 A2	B1 B1+	B2 B2+	-
Long term risk 08, 09	B3 B1	B3 B3	B3 B2	A2 A2	B1 B1	B3 B1	-
S&P, 09	BB+n	-	B+	BBBn	-	BB-n	B+
Moody's, 09	Baa1n	B1	B2	Baa3	-	-	-
FITCH, 09	-	-	-	BBB+	BBB-	BB-	-
Export loans	6	6	7	5	5	7	-
Stand-by IMF IMFcrisis loan	 No	Yes	 800	no	no	 3000	member 5/2009
Economic free-dom, 122	94.	62.	-	116.	78.	109.	-

Table 1: The Western Balkans in 2008
Legend: ... = no data available, - = phenomenon does not exist
Sources: IMF, World Bank, WIIW, Eurostat, EIPF, CB Montenegro state statistical offices, central banks data sources

According to Table 1, the Western Balkans, except Croatia, achieved a faster growth in activities in 2008 than the EU and the world averages. Apparently, the first real estate – financial wave of the crisis in 2008 incurred less damage on the region due specifically to its less developed financial sector. However, it is foreseen that the second wave (the reduction of credit activity) and the third wave (the reduction of exports due to reduced activity in the developed countries – trade partners) are causing deeper fall of activity in region than in the developed countries. In 2009, however, according to the forecasts of the IMF and WIIW from Vienna, (Table 2, Table 3) the fall in activities of the Western Balkans countries will be even larger

Real sector data	BiH	Croatia	Macedonia	Montenegro	Serbia
GDP growth,%	-2.5**	-6.3	-0.4	-3.5	-3.5*
Industry, %			-12	-23	-17
CPI, 6/6, %	-1.8	2.1	-1.7	2.8	8.3
Unemployment rate %	44.2	14.0	32.7*	19.5*	15.6*
Current account, bio E	-157*	-1820*	100	-666	-911
- export, %			-37	-43	
- import, %				-39	
Wages, gross, in E	613	1053	490	651	456
- net, in E	402	724	327	468	328
- gross wage/net wage	1.52	1.45	1.50	1.40	1.39

Table 2: Economic performance of the Western Balkans in the first half of 2009
Legend: * = first quarter only; ** = forecast for 2009

Financial sector data	BiH	Croatia	Macedonia	Montenegro	Serbia
BANKS					
Bank credit growth, 6/6 %	5.5	11.0	2.0	-3.0	.
Bank deposit growth 6/6	-6.5	7.0	14.0	-22.0	11.0
Credit/deposit, June 2009	1.24	1.02	1.03	1.50	1.30
Capital/assets,June 2009 %	14.9	14.0	17.7	8.6	22.0
Capital/credits,June 2009 %	21.2	20.4	28.8	10.3	35.0
Required reserves/deposits	23.7	11.4	11.7	10.3	15.2
Required reserves/assets	13.4	7.6	7.1	5.7	7.4
STOCK EXCHANGES					
- turnover, 6/6; %	-32	-67	-29	-73	-73

Table 3: Financial indicators for the Western Balkans in the first half of 2009
Source: country statistics, CB Montenegro

than the EU average, except for Albania. In 2010, the IMF and WIIW forecast the return of mild growth in the region as a whole but not yet in Serbia and Montenegro (Table 4). The objective of reaching the development of the EU still will not be accomplished. A growth rate in the Western Balkans countries four times higher than the EU average is required for that, and that amount indicates how much the level of development of the Western Balkans is behind the EU average.

In 2008, inflation in all members of the Western Balkans was higher than the EU average and it was at the same level as the less developed neighbors of the region. The decline in inflation in 2009 and its small increase in 2010 will still retain it at a somewhat higher level than the EU, but at a lower level than in the less developed neighboring countries of the region.

The current account deficit reached critical amounts exceeding 10% in all Western Balkans countries in 2008, except in Croatia, and it represents, a-long with unemployment, the weakest link in the macroeconomic situation in the region. It reached world records amounting to over 30% of GDP in Montenegro. It would indicate huge additional external indebtedness if it

Growth rates	DP9	DP10	INF9	INF10	TR9	TR10	N9	N10
EU27	-1,8	0,5	1,2	1,9	-1,4	-1,4	8,7	9,5
EMU	-1,9	0,4	1,0	1,8	-0,6	-0,6	9,3	10,2
Region	-3,7	0,8	4,6	4,2	-4,1	-3,5		
ALB	0,4	2,0	1,5	2,2	-11,3	-7,4	13	12
BIH	-3,0	0,5	2,1	2,3	-9,3	-9,2	27	27
MON	-2,7	-2,0	1,7	-0,2	-23,2	-16,7	15	16
CRO	-3,5	0,3	2,5	2,8	-6,5	-4,1	10	11
MAC	-2,0	1,0	1,0	3,0	-14,1	-12,6	34	33
SERB	-2,0	0,0	10,0	8,2	-12,2	-11,3	18	20
KOS	3,8	4,4	1,6	1,9	-27,8	-35,6	38	35
BUL	-2,0	-1,0	3,7	1,3	-12,3	-3,6	8	9
HUN	-3,3	-0,4	3,8	2,8	-3,9	-3,4	9	9
ROM	-4,1	0,0	5,9	3,9	-7,5	-6,5	8	9
TUR	-5,1	1,5	6,9	6,8	-1,2	-1,6	13	13
SLOV	-2,7	1,4	0,5	1,5	-2,2	-3,5	6,2	5,1

Table 4: Macro Indicators – Forecast
Legend: DP = GDP growth, INF = inflation, TR = current account /GDP, N = unemployment rate; number indicate: 9 = 2009, and 10 = 2010.
Sources: WIIW, March 2009, the IMF World Economic Outlook, April 2009; Spring Report, UMAR, Ljubljana, April 2009.

was not covered by a net inflow of foreign direct investments. In 2009 and in the following year, an improvement in the situation is expected by a decrease in relative deficit similar to trends in the world generally, determined by the decline in economic activity and income. At the same time, however, net inflows of foreign direct investments to the region will decrease.

Despite the economic boom in most of 2008, the unemployment rate in the region remained at a high level of over 10% (except Croatia). In Macedonia (34%) and Bosnia and Herzegovina (23%), it is at unsustainable level. An even higher unemployment rate is predicted in the Western Balkans countries for 2009 and 2010. The regional rate of unemployment is significantly above the EU average, as well as higher than in countries neighboring the Western Balkans.

2 The vulnerability of the Western Balkans to the crisis

The assessment of the vulnerability of any country to the crisis can be drawn from three factors: external (+domestic) indebtedness, liquidity reserves and economic growth. The depth of the crisis in the region depends on external influences and internal factors. Among former are increased interest rates, declining liquidity financing, declining demand for exports of goods and services from the region; among internal are appearance of real estate and stock exchange bubble. But, the region could suffer the crisis relatively less than other regions with developing countries or Europe as a whole, because of the following:

a The energy shortage will be less felt because of the big drop in oil prices (from 147 to below 30 USD, although it has already rebounded to 70 USD per barrel),[1]

b The reduction in the prices of food, which is also an important export product of this region, slowed down after the summer of 2008,

c The countries of this region are less open to foreign trade, with openness coefficient (the ratio of exports and imports to GDP) just 70% on average, and for services only 24%, which is below the average for all the small countries,[2]

d To a significant extent, the countries of this region are still in the process of catching up, due to their lagging behind in development and transition, caused by the military activities after the disintegration of the former SFR Yugoslavia, which means that they have a great internal potential for economic growth – because of unsatisfied demand, as well as their unused existing capacities;

e In the crisis times, in some of the countries of this region (Montenegro, Croatia), the tourism can be supporting activity,

f A less developed sector of financial services also means a smaller reduction in financial activities and much less of a burden of toxic financial instruments and derivatives in the region.

The economies of the Western Balkans were late in entering the crisis, and could also be late in getting out of it. This would mean, according to the optimistic scenario, the lowest point being hit only in early 2010, and the recovery in 2011. Because of the underdeveloped financial structure they were only hit by the second and third waves of the global crisis, the stop in foreign financing and a reduction in exports due to reduced activity in the exporting partner countries. But, due to delays in revival of activity, there will have delays in reviving the financial inflows and in the recovery of foreign direct and portfolio investment inflows (in all countries of this region

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[1] In 2005, the countries of the region imported between 29% (Serbia) and 57% (Croatia, Albania) of all energy consumed, according to the author of »The Balkan Conflict and its Solutions, Manet, Faculty of Law, Ljubljana, 2007, pg. 308

[2] Ibid, pg. 203

the credit ratings have deteriorated), a slower adjustments of exports and a slower recovery of money transfers from citizens working abroad who lost their jobs during the crisis. Three elements of vulnerability show the following situation:

According to the data in Table 1 on p. 5, the countries of the Western Balkan region have different **levels of indebtedness**. The share of foreign and total debt was the highest by far in Croatia, while in other countries it is at a bearable level. The total debt of all the other countries remains below 60% (although there is no data on external borrowing for Kosovo), and the level of public debt should be controlled in accordance with the Maastricht criteria.

In 2008, the **foreign currency reserves** countries were a minimum of 10% of GDP. In relative terms they were the highest in Macedonia and Kosovo. A relatively low export openness should indicate that there is a lower level of sensitivity to the reduced level of activities in the developed parts of Europe. But, the earlier high levels of foreign direct investments will be significantly lower, at least for a while, together with the projected reduction in the balance of payments deficit, which was covered by the proceeds from FDI. While it is not possible to project the level of FDI for 2009, an increase in the balance of payments deficit (a relative one, as a share of GDP), is expected only in Kosovo, and to a lesser extent in Macedonia, while Montenegro is set to significantly reduce its record-high deficit.

How will the countries of this region **financially cope with the crisis period** when they were highly dependant on external inflows of money in the past, either capital investments or loans, and some of them, such as Bosnia and Herzegovina and Kosovo also dependent on a high level of foreign financial aid? They need the money to cover a budgetary deficit that primarily originated from reduced revenues, due to reduced activity and secondly, due to increased expenditures of a social nature and expenditures for the strengthening of domestic demand, as a support to economic activity. First of all, Croatia and Montenegro have great hopes vested in the hard currency inflow based on the summer tourist season, others not so much. Secondly, the EU has expressed its readiness to support South East Europe with approximately EUR 25 billion, but this money has not been approved yet, not to mention being distributed. Thirdly, local financial institutions in the region are trying to obtain additional loans abroad, through their attempts to sell obligations or through direct borrowing from banks, both private and international. For example, in the case of Montenegro, these were Deutsche Bank, the EIB, and the EBRD. The low credit ratings (with the exception of Croatia, no other country in the region has an investment grade BBB that enables long-term investment borrowing) have been reduced further in recent months in all countries in the region (and in the world in general), and thus represent an additional limitation in their activities in the global financial markets. Finally, as a last element, there is the possibility to ask for IMF assistance, but it is not popular among the governments, for several reasons: it shows the financial weakness of the country and puts it under the pressure of the IMF conditionality (as the creditor of last resort). This stiff conditionality still exists, although the G20 Summit demanded their reduction. Namely, this conditionality directly affects the social stability of a country, thus raising the issue of social tensions. In mid-2009, in the region of the Western Balkans, Serbia and Bosnia and Herzegovina have already concluded their arrangements with the IMF, Albania is concluding its previous arrangement, Kosovo has only joined the IMF recently and is starting to cooperate with it, while the governments of Montenegro, Macedonia and Croatia have resisted the possibility of concluding arrangement with the IMF.

In the first half of 2008, the countries of this region continued to rapidly increase their economic activities, (Montenegro was the fastest, and Croatia the slowest), although not autonomously, but with the help of significant external borrowing. With the exception of Albania, their budgetary deficits were below 3% of GDP (Montenegro even had a surplus), and a small increase in the deficit as compared to 2007 shows that the fiscal incentives in these countries were not significant. For that reason, this deficit would increase in 2009 and 2010, naturally, if the way to finance it is found.

The low ranking based on the economic freedom index, according to the Heritage Foundation, (no country in this region belongs to the upper half of the 122 countries analyzed, and Albania occupies the highest position), actually shows that none of these countries were fully captured by liberalism, thus, they are less sensitive to the external influences of the global crisis than they could be.

In 2009, it is only Kosovo that expects a significant increase in GDP, which is an expression of its great desire to make up for the earlier long delays in improving its level of development, as well as its relatively lack of openness and its current financial underdevelopment.

3 Who is feeling the crisis most?

Any deterioration of the macroeconomic situation can be evaluated using these aggregate indicators:

a the misery index (MI): sum of inflation plus unemployment ,
b The economic situation index (ESI): calculated as GDP growth rate minus inflation minus the unemployment rate minus the balance of payment deficit.

The answer to the question on how hard citizens have to bear a crisis also depends on the starting situation and the level of the development of a country (GDP per capita). The consequences of crisis show a deterioration of the situation through changes in the values of the proposed indicators in 2009 and in 2010. In that respect, the misery index shows the burden people carry in everyday life in the country, and the economic situation index shows how much the crisis worsens the living situation in general. Any deterioration is obviously more difficult to bear if at the start a person is already on the edge of poverty.

Warning – Note: it should be borne in mind that the purpose of the aggregate indicators created in this way is more to make a qualitative illustration than exact measurement since their constituent elements are of a very different nature. Therefore, it is difficult to sum them. The issue of the regular use of weights for the aggregate sum of elementary indicators is always left open. In present case, the elements are summed by a simple calculation without the use of weights).

3.1 Calculation results

Standard - GDP per capita

The nominal GDP per capita index[3] in the first column of Table 5 on p. 14 shows the huge starting differences between individual countries. For example, the standard of living in the USA is over 18 times higher than it is in China.[4] Thus, countries expect the crisis from very different starting conditions, and therefore, the level of poverty or indeed good economic results will affect the population differently in different countries.

Yet again, the misery index is focused directly on the population, whilst

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[3] The use of nominal GDP instead of calculation of purchase power blurs the situation, increasing realistic difference in standard. Again, the calculation based on the purchase power contains arbitrary elements and still disables comparison to other elements of formula that are given only in nominal amounts.

[4] Surely, the average GDP per capita does not show inequalities in income and standard within country, which defines the general welfare situation in it.

the economic situation index takes into account the complete economic environment. People who are poor already at the start of the crisis will be affected more severely even by a small deterioration in living conditions than rich people.

The starting numbers show that the USA exceeds more than 5 times the world average standard, the EU 27 more than 4 times, whilst the Western Balkans account only for the two thirds of the world average standard being more than six times behind the EU 27 average. Any reduction in this difference indicates the amount of required real convergence of the countries of the Western Balkans on their way towards the EU. It stands out that Russia with an index of 111 is above the world average, while China is almost four times behind Russia.

The average GDP per capita of the Western Balkans countries exceeds Bulgaria, as the poorest member of the EU 27. It indicates that such a level of lagging behind should not be an argument for non-acceptance of the Western Balkans into the EU, since Bulgaria has already joined.

Within the Western Balkan region, Croatia exceeds 2 times the average of the region and Montenegro and Serbia are above the average as well, while Kosovo lags over 3 times behind them. Even Macedonia and Bosnia and Herzegovina lag behind the average two times. Albania is also below the average, but still two times ahead of Kosovo.

3.2 The misery index

A higher number in Table 5 on p. 14 indicates larger poverty. The deduction of the second column by the first indicates the level of standard in 2008: current level of GDP per capita plus the impact of inflation and unemployment on the given standard. While the average situation in the world is shown by misery index of 9.2, none of the developed economies significantly exceeds that level, and the minimum levels of poverty, according to this index, are in Japan, Austria and the UK. Russia is the only country among the developed countries with a misery above world average. However, the index is much higher in the Western Balkans countries, as it ranges from 15.1 in Croatia to 42.3 in Macedonia and 49.4 for Kosovo. The neighboring countries of the Western Balkans also exceed the world average of poverty according to this indicator, being the highest in Turkey (21.4).

When the second column is deducted from the first one, the amount obtained shows how difficult it is for people in some countries to put up with crisis-increased poverty in 2008. The standard corrected in this way will show only a small decrease in the developed countries (by less than 3%), while in China it decreases by almost one third and in Russia by one sixth. However, poverty takes on a completely new significance in the region of the Western Balkans due to the low starting point. Again, Kosovo will suffer the most, followed by Macedonia, Bosnia and Herzegovina and Albania, while this index is lower in Serbia and Montenegro and the lowest in Croatia. In the neighboring countries, Greece, Austria, Italy and Slovenia are protected by high initial standards, while Turkey and Romania already suffer from poverty more, and Bulgaria, although a member of the EU, drops below Montenegro and Serbia.

2008-2009

The key issue is to what extent the crisis additionally increases poverty in some countries at passage from 2008 to 2009. The feeling of a deterioration of the situation is different from the feeling of the already existing and "accustomed" poverty. The negative number in the third column of the Table 5 on p. 14 indicates decrease in poverty measured by the inflation sum (which decreases during a crisis) and unemployment (which is increasing). The IMF forecasted that globally poverty would decrease by 1.3 percentage points from 2008 to 2009. A slight deterioration is expected only in the USA and Japan, and the largest improvement is expected in China (-5.6 percentage points). Poverty should also decrease in this period in the Western Balkans region, mostly in Kosovo and Macedonia, while it would increase only in Serbia. The citizens of Serbia should, based on IMF data, suffer from crisis the most in the region regarding the deterioration of standards. Among the neighboring countries of the Western Balkans, Romania would experience only a slight deterioration while Bulgaria the highest deterioration of standard.

2009-2010

In relation to 2009, the misery would be at its peak in 2010, as evident in increasing unemployment and also through the appearance of higher inflation. Globally, poverty would be increased by 1.6 percentage points in 2010 in relation to 2009, thus reversing the decrease in 2009. The real sector, which is lagging in effect of crisis the financial sector, will directly suffer from the consequences of the crisis in 2010. Among the developed countries, only Russia and moderately Japan would reduce poverty in 2010. The best expectation among the Western Balkan countries is for Montenegro and Kosovo. A small improvement is also expected for Albania. Among the neighbors of the Western Balkans, Bulgaria, and Hungary and to a lesser degree, Turkey would experience a reduction in poverty in 2010.

		2008.	Change 08-09, p.p.	2009.	Change 09-10 p.p.	2010.
GDP pc %, World average = $ 8219						
WORLD	*100*	9,2	-1,3	7,9	+1,6	9,5
USA	*557*	9,6	0,2	9,8	0,2	10,0
Japan	*417*	5,4	0,2	5,6	-0,6	5,0
EU27	*414*	10,8	-0,9	9,9	1,5	11,4
EMU	*443*	10,8	-0,5	10,3	1,7	12,0
Germany	*488*	10,9	-0,1	10,8	1,3	12,1
France	*505*	11,0	-0,9	10,1	1,2	11,3
UK	*544*	9,1	-0,2	8,9	1,1	10,0
Italy	*432*	10,3	-0,7	9,6	1,5	11,1
Austria	*552*	7,0	-1,1	5,9	1,3	7,2
Greece	*391*	11,8	-1,2	10,6	2,8	13,4
Russia	*111*	20,4	-0,8	19,6	-3,1	16,5
China	*30*	10,1	-5,6	4,5	0,5	5,0
WESTERN BALKAN 66						
Albania	*40*	16,4	-1,9	14,5	-0,3	14,2
Bosnia and Herz.	*49*	30,4	-1,3	29,1	0,2	29,3
Montenegro	*72*	23,0	-1,3	21,7	-6,9	14,8
Croatia	*140*	15,1	-2,6	12,5	1,3	13,8
Macedonia	*45*	42,3	-7,3	35,0	1,0	36,0
Serbia	*69*	25,7	2,3	28,0	0,2	28,2
Kosovo	*20*	49,4	-9,8	39,6	-2,7	36,9
NEIGHBOURS						
Bulgaria	*63*	18,0	-6,3	11,7	-1,4	10,3
Hungary	*167*	14,1	-1,3	12,8	-1,0	11,8
Romania	*94*	13,8	0,1	13,9	1,0	12,9
Turkey	*108*	21,4	-1,5	19,9	-0,1	19,8
Slovenia	*274*	10,2	-3,5	6,7	0,9	7,6

Table 5: Misery Index (inflation rate plus unemployment rate)
Source: Author's calculation, based on data from previous tables

3.3 The economic situation index

In 2008, which is taken as the starting year of the analysis, the global current macro economic situation was estimated, based on Table 6 on p. 16, by a negative economic situation index ESI of -9.4. Among the developed countries, the USA and the EU 27 and/or EMU showed an even more negative economic situation (-13.2, -11.1, and -10.5 respectively), and only Japan had a less negative situation (-2.8). Within the EU, Germany was in a far more favorable position (-2.4), while among the developed members of EU 27 analyzed, Greece was in the most unfavorable position (-23.0). The Baltic countries, the recent "darlings of the West", had an even more negative macro situation (-24.5). Russia enjoyed a favorable position above the average (-8.7), and China even more so, having even a positive index of +8.9.

The countries of the Western Balkans were in an unfavorable economic situation in 2008, all of them being below the world average. However, this situation has not affected everyday life yet. Their indices of the economic situation ranged between -22.1 (Croatia) and -50.1 (Macedonia). The situation in the neighboring countries of the region was weaker than the world average, as well as than the average of the developed countries, but still better than the situation in the region of the Western Balkans. The situation was the weakest in Bulgaria (-36.4, which is better than the average of the region) and the best in Austria (-5.9). Therefore, with the already existing lag behind the EU in GDP per capita in 2008, the region of the Western Balkans additionally was in, based on the ESI index, a three times worse macro economic situation than the EU.

2008-2009

The macro economic situation in the world has been deteriorating during the crisis in 2009, based on the ESI index, on average by 3.7 points, thus by a good one-third (the negative change in the value of ESI). In Japan, which began 2008 in a more favorable position, the deterioration should be above the average (a change in ESI by -5.5 percentage points), while the situations in the USA and the EU, according to the IMF forecasts, should deteriorate slower than on the average. Among the analyzed members of the EU, the largest deterioration – a fall in the index by 10 percentage points – is predicted for Germany although it had the most favorable starting position in 2008. It is due to the great export dependence of the German economy when, according to the IMF, both the fiscal and monetary injections in the EU are insufficient. A greater deterioration in 2009 is expected for Russia (-16.4 percentage points), followed by an extremely high improvement in its economic situation index in 2010 of over 10 percentage points. It is due to the forecast of the relatively unfavorable movement of prices of energy resources and other raw materials that Russia exports in 2009.[5] A relative improvement in the situation in China is expected in 2009, and then a slight deterioration in 2010.

[5] However, at the beginning of June 2009, contrary to expectations, oil prices increased to 68 $ per barrel.

		2008.	Change 08-09, p.p.	2009.	Change 09-10, p.p.	2010.
GDP p.c. level, %						
WORLD	*100*	-9,4	-3,7	-13,1	2,6	-10,5
USA	*557*	-13,2	-2,1	-15,4	2,6	-12,8
Japan	*417*	-2,8	-5,5	-8,3	5,0	-3,3
EU27	*414*	-11,1	-2,0	-13,1	0,8	-12,3
EMU	*443*	-10,5	-0,3	-10,8	-1,4	-12,2
Germany	*488*	-2,4	-10,0	-12,4	3,4	-9,0
France	*505*	-11,9	-1,6	-13,5	1,7	-11,8
UK	*544*	-10,1	-4,9	-15,0	3,1	-11,9
Italy	*432*	-14,5	-3,5	-17,0	2,4	-14,6
Austria	*552*	-5,9	-1,7	-7,6	1,9	-5,7
Greece	*391*	-23,0	-1,3	-24,3	-2,4	-26,7
Russia	*111*	-8,7	-16,4	-25,1	10,5	-14,6
China	*30*	+8,9	3,4	+12,3	-0,5	+11,8
Baltic	*150*	-24,5	4,9	-19,6	10,9	-8,7
Central Europe		-6,9	-1,1	-8,0	2,5	-5,5
South East Europe		-16,1	-0,6	-16,7	7,8	-8,9
WESTERN BALKAN	***66***					
Albania	*40*	-23,1	-2,1	-25,2	5,6	-19,6
Bosnia and Herz.	*49*	-39,9	-1,5	-41,4	3,4	-38,0
Montenegro	*72*	-46,8	4,2	-42,6	8,7	-33,9
Croatia	*140*	-22,1	-0,4	-22,5	4,8	-17,7
Macedonia	*45*	-50,1	-1,0	-51,1	3,5	-47,6
Serbia	*69*	-37,6	-4,8	-42,4	2,9	-39,5
Kosovo	*20*	-66,1	2,5	-63,6	-4,5	-68,1
NEIGHBOURS						
Bulgaria	*63*	-36,4	9,4	-26,0	11,1	-14,9
Hungary	*167*	-21,3	1,3	-20,0	4,6	-15,6
Romania	*94*	-19,3	-6,2	-25,5	6,1	-19,4
Turkey	*108*	-26,0	-0,2	-26,2	6,3	-19,9
Slovenia	*274*	-12,1	-0,5	-12,6	3,5	-9,1

Table 6: The Economic Situation Index (Growth of GDP – inflation rate – unemployment rate – current account/GDP) Source: Author's calculation, based on data from previous tables, 2009-2010

The region of the Western Balkans should experience deterioration in the economic situation in 2009 below the average in the world, and Montenegro should even experience a relative improvement (due to significant decreases in its balance of payments deficit and inflation). Only Serbia should experience some slight negative consequences of the crisis in 2009. Among the neighbors of the region, only Romania stands out with a further significant deterioration in its situation, while Bulgaria should improve on its weak results from 2008.

Based on the figures from Table 6 above, the world macro economic performance should improve in 2010, but improvement should be smaller than the deterioration in 2009. The improvement should be above average in Japan, in the USA such an improvement would be at the world average. It will be below average in the EU and at the average in Russia. After the improvement in macro performance in 2009, deterioration is expected in China in 2010.

In 2010, large positive changes are forecasted for the countries of the Western Balkans, even twice the level of deterioration in 2009. In that respect, the adverse starting results of economic performance in the region in 2008 would be improved. The highest jump is predicted by the IMF for Montenegro and the lowest for Serbia. In the neighboring countries of the Western Balkans, the largest improvement is predicted in Bulgaria, while only Greece would further deteriorate its macro economic performance.

4 How are the Western Balkans reacting to the crisis ?

4.1 Albania

In Albania, in January 2009 the Government drafted a letter of intent asking for financial support from the IMF. It promised the maintenance of fiscal stability, set a goal of protecting the stability of the sliding exchange rate of domestic currency and laid out a plan to continue with the privatization of the electricity distribution grid.

The large deficit of the balance of payment (14.9% in 2008) and the growth of public debt to 55.3% of GDP are negative factors in the economy. Some deposits was withdrawn from banks in the last quarter of 2008, which caused liquidity problems for the banks and increased pressure for a growth in interest rates. In addition, the lending activities of the banks slowed down, which along with a reduction in the inflow of remittances from people working abroad caused a slowdown in economic activity. In response, the Bank of Albania injected additional liquidity into the system and tightened supervision over banks (in their risk assessment). Owing to these measures the banking system of Albania remained stable. An open issue remains revival of economic activity related to exports.

4.2 Bosnia and Herzegovina

At the beginning of May 2009 Bosnia and Herzegovina signed a stand-by arrangement with the IMF for the amount of € 800 million. The money from the IMF would be used for the service of foreign debts. Previous stand-by arrangements with the IMF were for smaller amounts. The IMF arrangement requires a reduction in social transfers, the cutting of budgetary expenditures, a reduction and the freezing of public administration salaries, the continuation of privatization and structural reforms in the economy, the establishment of bank supervision at the state level, the beginning of pension fund reform, keeping a uniform VAT rate without exemptions, a reduction of the tax burden on the workforce, an improvement in the business environment. The rebalance of the budget should take place in May 2009.

The situation in the economy is not rosy in 2009. The planned highway is not being in construction at the moment, all work has stopped. A great fall in bank credit activity happened in March. By the middle of April all economic indicators were falling, some are already at the level of 3-4 years ago. The growth in bank credit disbursement is at the lowest level since 2003. The B&H budget revenues are 13% lower than in 2008. Industrial production was 10.9% lower in the first quarter; the level of exports and imports is lower by over 20%; many workers are laid-off. GDP fell by 5.5% in 2008, by 1.5% in the first quarter of 2009 and is forecasted to drop by a total of 1.8% in 2009 (IMF forecast).

The Central Bank kept hard currency reserves amounting to euro 3.1 billion, to maintain monetary stability and the stability of the exchange rate of domestic currency convertible mark (KM). The criticism from the public is directed at the commercial banks which are under 95% foreign ownership. They have increased the lending interest rate by two points to 11%, despite its falling trend abroad. The Central Bank of B&H lowered the obligatory rate of bank reserves from 10% to 7%, to increase their total lending potential and obligatory reserves declined. B&H retained a credit rating of B+ (S&P). In the last several months foreign banks have withdrawn around 250 million euro to their parent banks, of which Unicredit's share was the largest. Foreign direct investments have dried up in 2009.

4.3 Croatia

The Government of Croatia adopted a package of measures in March 2009 including a budget rebalance, the lowering of fiscal charges to support the economy, the injection of liquidity through shortening the payment period by the public sector to the real economy, and an increase in government subsidies from euro 200,00 to 500,00. The Croatian Bank for Reconstruction will borrow additional funds on the international market. The Government will financially subsidize citizens for the first purchase of an apartment or a house, the control of the import of goods will increase, and new measures are planned to maintain the living standards of poor.

The economy had been in recession from the fourth quarter of 2008, which was in parallel with a fall in industrial production, employment and trade. In the first two quarters GDP fell by 6.1% and 6.3% compared to the same period 2008. In 2009 it is forecasted that GDP will fall by 3%, while in 2010 it will increase by 0.9%. The number of the unemployed will increase by 20%. The deficit in the balance of payments should decrease, as well as inflation. There remains uncertainty about the repayment or refinancing of the external debt. The overall government debt was 40% of GDP at the end of 2007, and by the middle of 2008 it had reached € 16 billion. D&B first announced and then lowered the country rating of Croatia. The Governor of the Central Bank stated in the middle of May 2009 that foreign direct investments in 2009 had fallen by 50%, imports had decreased by 10%, and a negative GDP growth is expected for 2009 by 4-5%.

There is a shortage of hard currency reserves. The stock exchange indices fell. There is illiquidity in companies, a reduction in investments and a fall in loans.

Although the Government accepted a whole range the first package of anti-recession measures in March/April 2009, only the rebalance of the budget has been carried out until June 2009. Local elections blocked any stronger intervention by the government in the first part of the year.

4.4 Kosovo

Kosovo joined the IMF which is its first membership in an international organization in June 2009 with a quota of €59 million or 0.04% of the IMF fund. The IMF mission in February 2009 found that the economy had managed to successfully cope with the impact of the global crisis having a fall in inflation, and only a small decrease in economic growth, but with an increase in the deficit of the balance of payments. In 2009 there are threats identified by the IMF with respect to the growth in the budget deficit due to planned higher salaries in the public sector. Reform is required in the electrical power sector, public administration and education, the tax administration and tax collection, together with the reform of social security legislation (the protection of the pension fund). Tightened control of the financial sector (banks and insurance companies, since the stock exchange is non-existent) is necessary, while there should not be any space for a state post bank (which they plan to establish).

In the current economic situation, unemployment is 40-45% (about 330,000 people) and the average salary is 210 euro for the public sector with 75,000 employees. To date the external debt has been repaid by Serbia and amounts to about € 700-900 million. A part of this, some € 400 million, will be covered by the USA according to the promise in donor conference held in Brussels in July 2008.

Positive growth of 3.8% is forecasted for 2009, which is probably the highest in Europe. External economic relations worsened due to the reduction in remittances from people working abroad, and a reduction in exports and the inflow of foreign investments. Prices could even decline.

4.5 Former Yugoslav Republic of Macedonia

At the beginning of 2009 FYR Macedonia was threatened by an increase in the budget deficit due to the reduction in tax inflows to the budget caused by the reduction in economic activities. The construction business is hoping for government investments. There is the threat that the crisis will destroy the pension funds. The decline in the metal-working industry leads to a reduction in overall economic activity. The deficit in the balance of payments increased enormously in 2008 and threatened hard currency reserves and the stability of the domestic currency. In June 2008 an existing IMF arrangement was terminated because the fiscal restrictions contained in it were not fulfilled.

The Central Bank of Macedonia has a problem with regard to external liquidity reserves and in supporting the stability of the exchange rate of the domestic currency. Its goal is to withdraw the money from circulation and therefore force the government to borrow abroad. The loans to citizens were not restricted and nor were loans to other non-financial sectors. Thus they grow by 15% rate, while the objective was growth of only 5%. With an interest rate of about 8% and inflation of 2% the real interest rate amounted to a rather high 6%. The discount rate of the Central Bank increased to 9%. The obligatory reserve ratio is at 10% and should increase to 20%.

Macedonia's external debt is significantly lower than in other countries of the Western Balkan and therefore country is less sensitive to the external impact of the crisis. However, under the recession total trade and the grey market with Kosovo and Albania are decreasing. There is, still, an excess net supply of foreign exchange in exchange offices. Banks have no international ratings to be able to access the world financial markets. There have been no specific measures by the government, except for the rebalance of the budget. GDP growth was positive at the start of 2009, but unemployment is high. The balance of payment is not improving under the crisis. Foreign parent banks did not withdraw their deposits from their affiliates in country.

4.6 Montenegro

In Montenegro, the special measures from November / December 2008 include: amendments to the law on banking according to which the government assumes to guarantee without limit all deposits held with banks, a group of budgetary anti-cyclical measures with a reduction in non-productive expenditures, a reduction in income tax, the acceleration of internal payments, the elimination of road tolls, the elimination of fees for the use of building land, the strengthening of investments in infrastructure and an increase in stimuli for the opening of new employment opportunities.

Montenegro accepted a range of measures against recession. Besides guarantees by the state for unlimited deposits with banks, the rebalance of the budget was adopted. The Government introduced a package of saving measures for the budget in respect of its activities, salaries and material costs. The shortening of the period for VAT refund and the deferring of customs debt payments are being considered. The total amount of anti-cyclical stimulation to economic activity exceeds € 320 million or 9.5% of GDP. The Government intervened with a loan to one bank. Tourism was supported with additional advertising campaign.

Already in autumn of 2007 the Central Bank of Montenegro had introduced measures to slowdown the growth in bank loans. After the outflow of deposits from banks in the period September 2008 - March 2009 the Central Bank lowered the rate of the obligatory reserves, to increase the lending potential and assist the banks in lending to the economy in the crisis in 2009 and allowed 25% of the governments bonds in reserves to support budget.

At the beginning of 2009 not only the stock exchange indexes but also real estate prices began to fall, and the turnover significantly decreased. The lowering of inflation that took place was in parallel with the fall in industrial production and in construction and the number of unemployed people began to rise in 2009.

4.7 Serbia

In Serbia the economic situation worsened at the beginning of 2009. There was over 10% fall in industrial production, external and internal trade. Prices are still growing faster than in other countries of the region. Serbia adopted anti-recession measures in March 2009. Important step is the signing of an arrangement with the IMF to the amount of € 3 billion for support in the crisis, a stabilization of the exchange rate of the domestic currency and the financial system. The conditions outlined in the letter of intent are, however, socially very hard.

The measures of the Government go in three directions:

- a subsidizing the economy and a fiscal stimulus; financing of highway construction, consumer loans, sale of automobiles of the domestic car factory *Zastava,* liquidity loans for enterprise sector.
- b Increase in taxes: increase in excise, tax on royalties, registration of automobiles.
- c Reduction of public expenditure: 10%-25% reduction in salaries, lay-off of 8,000 employees in public sector, 40% decrease of subsidies to state-owned companies.

In May 2009 they were already first signs of improvement of economic situation, and revitalization of the economy. GDP is expected to decline by 2%.

4.8 Conclusion

To conclude, most of the Western Balkan countries evidently lack more active antirecession measures of government policy. While the central banks are trying to keep or regain financial stability, the governments are preoccupied by current political events and are focused on resolving problems on a case-by-case basis. The delayed external impact of the crisis could be an excuse. But, as it has turned out even in developed countries, one of the important mistakes in responses to the crisis to date has been that the measures were not fully comprehensive, that is, they did not cover the financial and the real sectors simultaneously. Therefore the solutions for the financial sector were too much at the expense of enterprises. In practice it means, or at least is perceived, as financial support to the already rich bankers while at the same time the already poor workers lose their jobs and social security. This certainly raises social tensions in society.

5 The impact of the crisis on the pacification of the Balkans

The collapse of the former SFR Yugoslavia resulted in military conflicts in the first half of the nineties. After 1995, hostilities involving its former constitutive units that became independent states, started slowly to disappear with the signing of the Dayton Agreement. However, the process of normalization is long and painstaking – it has been going on for over a decade and now it is also affected by the global crisis. The question arises whether the crisis will help or harm the dynamics of resolving the conflicts in the Balkans?

In a book on the issues of creating the conditions for peace, stability and development in the Western Balkans (Štiblar F.: «The Balkan Conflict and Its Solutions«, Manet, Ljubljana Law School, November 2007) the last three chapters provide concrete proposals for quicker solutions of problems in the form of a vision, the principles for resolution and concrete proposed measures.

It would be good if the crisis, that largely spilled into the region from abroad, at least does not hinder the development of the region, even if it is not accelerating the process of normalization and harmonization with developed Europe.

The vision concerning the future development of the Western Balkans in the book contains four elements:

a fostering cooperation between countries of the region in various areas, such as the economy, culture, and sports, which should provide a better foundation for subsequent political cooperation;

b The acceleration of economic, political and social development to reduce the lag behind the more developed countries;

c enabling the accession of the Western Balkan countries to the EU (and NATO if they wish), since membership in such an organization facilitates the resolution of open issues between them;

d promotion of the principle of self-determination for each country of the region, as a priority, preceding cooperation as the second step and joining Euro-Atlantic associations as the final step in integration.

The **impact of crisis** will be significant. Economic slowdown will have overall a negative impact on the region's catching up with other developed countries.

Some countries in region even plan to raise customs barriers during the crisis. This is contrary to the new CEFTA, but the B&H argument is that they have so far had the most liberal import regime of all the countries in the region and their balance for that reason their balance of payments is in an unsustainable deficit. Reduction in activity, external economic resources in times of crisis may contribute to cooperation in other areas between neighbors in the region. Economic slowdown in the EU may serve as an excuse to postpone the accession of the Western Balkan countries.

All in all, the situation is not optimal. But, as with any analysis of the impact of the global crisis in other regions and countries, the global crisis itself could be used in solving the conflicts in the Western Balkans and as an opportunity to launch closer cooperation between the neighboring countries of the region.

6 Solidarism as proper response for the Western Balkans

After the strong lurch to the left was corrected about twenty years ago in socialist countries of the region, now it is necessary to correct the overly sharp turn to the right, the failure of which is proven by the biggest crisis since World War II that had it caused. The aim of this adjustment is the **Pax Europea** strategy which could be named solidarism. The European way of life means the unification of **continental Europe's greatest legacies**: the social welfare state of Olof Palme (the Scandinavian model of life), Bruno Kreisky`s social dialogue of the Austrian state (dialogue between unions, the government/state and the capitalists), the social market economic model of the German economic miracle of Erhard and Willy Brandt, and the tradition of the French Fifth Republic with a strong public sector in areas crucial for the state. Here are some constitutive elements of solidarism:

a A market economy with *ex post* correction of the failures of the imperfect market and predominantly private ownership with the preservation of public ownership and a public sector in areas critical for the cohesion of society.

b Minimal level of social security (healthcare, retirement, the youth, unemployment) against the misuse in terms of moral hazard) provided for everyone, as well as assured public availability of at least basic level of cultural and sport services, and maintaining the public values, in cultural, sports and other spheres of human life.

c Stable economic growth (not maximal growth), also concerned with social, ecological, ethical externalities of economic activity.

d Life and business - nurturing real true interpersonal, not virtual relationships.

e Autonomous, free and educated individuals, capable to use their own conscientious judgment when making economic and other decisions, without being manipulated by their surroundings or the media and not influenced by marketing.

f Open society with live spirit, which would enable better educated and free individuals to realize their potential and establish themselves in the society.

The middle course of a social market economy and a social state is against both the left and the right political direction. With regards to the left, the failures of orthodox socialism (communism) need not be explained any further, since this was done during the evolution of a new democratic system in the period of transition and the gaining of independence. Briefly, all forms of socialism were based on the assumption that common interests dominate over individual interests. The solutions led simultaneously to inefficiency (low standards), and to a lack of democracy.

Arguments for the rejection of neo-liberal capitalism based on economic fundamentalism are to a certain extent still needed. There are many signs indicating that in some parts of the region people have still not realized what has now been gradually grasped by the entire world – namely, that by instigating the biggest crisis in the past eighty years, fundamental liberalism failed. Assumptions regarding the absolutely competitive market were not fulfilled (the equal abilities and the equal availability of production factors, atomistic nature of markets, homogeneity of products and services, mobility of market agents and openness of goods and services market). Also, the actual (starting) position of all participants in the market is not equal either. When it is wrongly assumed that the market is perfect and it should be therefore deregulated, the more capable and socially higher positioned individuals take advantage of market failures at the expense of others. Only state (public) intervention can remove the failures of an imperfect market and thus prevent deformities that originate from there and which brought about, for example, the ongoing financial crisis with huge consequences for the public. The result of such interventions is the second best solution, which are the only obtainable optimum.

The idea of solidarism is a form of economic and therefore also social and political life in society, which is close to the people in the region of Western Balkans. Solidarism would be supported by large majority of people in this region, if asked in referendum. It is close to their identity and interests.

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Appendix

	MON	ALB	BiH	CRO	MAC	SERB	KOS	SLO
GDP milion €	3339	16500	12833	47370	6507	33861	3804	37403
Debt total in % BDP	37%	60,4%	50,7%	185,8%	28%	23,1%	...	49,8%n
-External debt % BDP	20%	9%	24%	138%	17%	13,8%	...	26.2%
-Domestic debt % BDP	17%	51,4%	34,0%	47,8%	11%	9,3%	55,9%	23,6%
Forex,milion $ 07 08	665 336	2162 1615	5151 3219	10852 9121	2243 1501	17490 8160	... 1111	1076 602
Export goods/GDP	15,9%	6.6%	26,7%	20,2%	41,3%	32,4%	33,9%	60,0%
FDI stock 2007 -inflow in 2008	2478 567	2264 ...	5990 ...	44630 2930	3084 422	13205 2123	1150 357	10,350 300
Current Acc. mil-lion €	-976	-2458	-1879	-4454	-851	(12301)	-773	-1600
Balance of trade, million €	-1441	-2362	-4819	-	-1737	-15876	-1372	-2400
Budget/GDP 08 -change, 08/07.	2,7% -3,1	-5,2% -1,1	-0,8% -1,7	-2,3% 0	-1.5% -0,8	-2,2% -0,2	-0,1% -0,8	-0,9 -1,2
Inflation, %	6,9	2,2	3,8	2,9	4,1	8,6	0,5	3,7
GDP growth, %	8,1	6,8	5,5	2,4	5,0	5,4	5,4	3,8
Financial 08 Risk 09	B3 B2+	B3 B3-	B3 B3-	A2 A2	B1 B1+	B2 B2+	-	...
-Long term 08 Risk 09	B3 B1	B3 B3	B3 B2	A2 A2	B1 B1	B3 B1	-	...
S&P, 09	BB+n	-	B+	BBBn	-	BB-n	B+	A+
Moody's, 09	Baa1n	B1	B2	Baa3	-	-	-	AA
FITCH, 09	-	-	-	BBB+	BBB-	BB-	-	...
Export loans	6	6	7	5	5	7	-	...
Stand-by with IMF, crisis	No	yes	800	no	no	3000	member 5/2009	-
Index of economic freedom, rank out of 122	94.	62.	-	116.	78.	109.	-	68.

Table 7: The Western Balkan Countries, 2008.
Legend: ... = no data available, - = does not exist
Sources: IMF, World Bank, WIIW, Eurostat, EIPF, CB Montenegro state statistical offices, central banks

AGGREGATE	MON	ALB	BiH	CRO	MAC	SERB	KOS	SLO
BANKS								
Assets/GDP, %,06	55	54	94	121	…	51	47	117
-Loans – all	2769	…	7439	33676	2810	12926	1183	26881
- enterprises	1630	…	3846	12849	1670	8016	902	19438
- households	1032	134L	3423	16757	1134	4316	281	7443
-Deposits- all	1959	…	6142	33834	2858	10019	1444	16972
- enterprises	591	…	2143	6745	1010	3698	491	3735
- households	837	…	2663	18569	1760	5152	842	13237
Loans/deposits, all	1,41	…	1,21	1,00	0,98	1,29	0,82	1,58
Loans/deposits, enterprise	2,76	…	1,79	1,90	1,65	2,17	1,84	5,20
Loans/deposits, household	1,23	…	1,28	0,90	0,64	0,84	0,33	0,56
-Interest rate, active	9,4	…	9,0	…	9,8 7,2	18,1	13,5	7,0
passive	4,2	…	…	…	6,5 3,0	7,3	4,4	3,7
Interest rate margin	5,2	…	…	…	3,3 4,2	10,8	9,1	3,3
Capital/Assets 08 *07*	8,0 9,0	… …	13,0 14,3	12,6 13,5	15,3 15,5	20,8 23,0	16,5 18,0	8,4 8,5
Capital/Loans 08 *07*	10,6 10,7	… …	21,1 20,6	20,0 20,3	28,3 26,4	43,7 40,8	… …	15,3 …
Reserves/Deposits 08	11,1	.	26,0	11,0	11,4	18,6	15	5,9
reserves/Assets 08	6,6	.	14,9	7,3	7,1	8,6	12	2,0
INSURANCE								
Premiums, milion €, 08 *07*	… 51,0	… …	… 205,6	1318 1234	… 99,5	… 565,1	56,4 50,8	2019 1894
Premiums Life 08 *07*	… 5,9	… …	27,9	347 337	2,8	62,3	0 0	643 609
Premiums Nonlife 08 *07*	45,1	… …	… 177,8	972 897	… 96,7	… 502,8	56,4 50,8	1376 1285
Claims Nonlife 08 *07*	… …	… …	… 80,2	533 478	… 44,8	… 210,6	17,6 12,8	1027 862
Claims Life 08 *07*	… …	… …	Obe	93 57	… 2,2	… 12,5	0 0	183 166
Claim/Premium, all 08 *07*	… …	… …	… 0,39	0,47 0,43	… 0,47	… 0,39	0,31 0,25	0,60 0,54
SOTCK EXCHANGES								
- Indeks 08/07	-71	.	-67	-67	-73	-76	.	-68
-market capitaliz./GDP 08	1,45	.	0,37	0,61	0,51	0,65		0,46
-market capit. 08/07 %	-50	.	-50	-55	-60	-45		-42

Table 8: **The Financial Sector in the Westeern Balkans, 2008.**
Legend: … = no data, - = nonexistent
Sources: IMF, World Bank, WIIW, Eurostat, EIPF, CB Montenegro, state statistical offices. Central banks by countries, Insurance associations (Filip Šramel)

AGREGATE	MON	ALB	BiH	CRO	MAC	SERB	KOS	SLO
Central banks								
- reserve ratio, %	19 2	...	14	14,9	10	...	...	...
-Discont rate		5,75		9,0	6,5	17,8		
- M1 growth %	-22,3	...	21,5	8,2	13,4	-3,1	...	-4,0
- M2 growth %	-14,3	...	21,6	...	0,4	1,3	...	+5,2

Table 9: **Monetary sector in the Western Balkans, 2008.**
Legend: ... = no data
Sources: IMF, World Bank, WIIW, Eurostat, EIPF, Central Bank of Montenegro, state statistical offices, central bank statistics by countries

AGREGATE	MON	ALB	BiH	CRO	MAC	SERB	KOS	SLO
Doing business, rang 09	90.	86.	119.	106.	71.	94.	-	54.
- Procedure (number)	15	6	12	8	7	11	-	5
- Time (days)	21	8	60	40	9	23	-	19
- Costs (% of income)	4,4	25,8	30,8	11,5	3,8	7,6	-	0,1
- Min. capital (% income)	0,0	32,3	36,3	16,6	0,0	6,9	-	46,8
Transition degree, EBRD	25,5	28,5	26	32	29	26,5	-	31,5
Competitiveness of tourism K	59.	92.	...	34.	...	78.	-	36.

Table 10: **The Real Sector in the Western Balkans, 2008.**
Legend: ... = no data, - = nonexistent
Sources: IMF, World Bank, WIIW, Eurostat, EIPF, CB Montenegro, state statistical offices, central banks by countries

AGREGATE	MON	ALB	BiH	CRO	MAC	SERB	KOS	SLO
Population, thousands	624	3170	3767	4432	2048	7950	2162	2053
GDP, millions €	3339	16500	12833	47370	6507	33861	3804	37403
BDP per capita, €	5350	5230	3407	10688	3177	4260	1759	18464
Wages (net, €)	443	...	408	752	283	436	210	939
GINI coefficient	30,0	31,1	26,2	29,0	39,0	30,0	-	28,4
Rich/Poor, 10%	...	7,7	5,5	7,2	12,3	...	-	5,9
% in poverty	7,0%	12,4%	19,5	11,0	21,7	6,5	37,0	12,9
Unemployment rate %	14,7	12,5	29,0	13,9	34,5	18,8	40,0	6,7

Table 11: **Population and Social Situation in the Western Balkans, 2008.**
Legend: ... = no data, - = nonexistent
Sources: IMF, World Bank, WIIW, Eurostat, EIPF, CB Montenegro, state statistical offices, central banks by countries

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