

# Strategy

## Bosnia & Herzegovina

February 2004

### Key facts

Official name:	Bosnia and Herzegovina (BiH)
Population (in 1000):	3828.4
Area (sq km):	51209.2
Border countries:	Croatia, Serbia & Montenegro
Administrative distribution:	two entities (Federation of Bosnia and Herzegovina (FB&H) and Republika Srpska (RS)) and district Brcko
Capital city:	Sarajevo
Official languages:	Bosnian, Croatian, Serbian
Ethnic groups:	Bosniak (Muslim) (48 %), Croat (14.3 %), Serb (37.1 %)
Presidency:	Dragan Covic (chairman), Sulejman Tihic, Borislav Paravac
Prime minister:	Adnan Terzic
High Representative:	Paddy Ashdown
Currency:	Konvertible mark (KM)
Currency code:	BAM
	1 BAM = 0.511292 EUR
	1 EUR = 1.95583 BAM

Source: The World Factbook (by the CIA), Agency for Statistics BiH, RZB-Group Research

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## Highlights

- Bosnia and Herzegovina (BiH), a state today consisting of two entities (Federation of Bosnia and Herzegovina and Republika Srpska), is represented by Dragan Covic, the current chairman of the presidency that consists of the three ethnic groups (one Croat, one Bosniak and one Serb). At the beginning of March the Bosniak, Sulejman Tihic is taking over presidency.
- Bosnia and Herzegovina is aiming to start negotiations for a Stabilisation and Association Agreement (SAA) in mid 2004 and will try to tackle the most important areas identified by the EU as priorities for action. The most important task is to build a self-sustaining state able to integrate into EU structures.
- BiH is expected to become a fully-fledged member of the World Trade Organisation (WTO) in the first half of 2004 (it applied for membership in May 1999). In the context of the Stability Pact for South East Europe, BiH signed Free Trade Agreements with all the Western Balkan countries, as well as with Bulgaria and Romania. So far, only 3 of these are fully applied (with Croatia, Macedonia and Serbia & Montenegro).
- The international credit rating agency Moody's will probably publish the first sovereign credit rating for BiH, which is one of the very few countries in Europe without a credit rating. Since unofficial ratings are negative and underestimate the country's potential, a rating is very important for BiH. The governor of the Central Bank hopes for a B rating.
- In the recent past BiH has experienced low inflation, positive GDP growth, improved fiscal discipline and rising industrial output in the Federation of BiH. However, the economy remains fragile, with an unemployment rate of above 40%.

### Key economic figures and forecasts

	2000	2001	2002	2003e	2004f	2005f
Nominal GDP (EUR bn)	4.9	5.4	6.0	6.2	6.6	6.7
Real GDP (% yoy)	5.4	4.5	3.8	3.5	5.0	5.8
Industrial output (% yoy)	9.4	2.8	7.6	3.8	5.0	6.0
Unemployment rate (avg, %)	39.7	40.3	40.9	42.0	42.0	41.0
Nominal wages, whole economy (% yoy)	9.0	18.4	0.7	3.5	4.0	4.5
Producer prices (avg, % yoy)	-0.2	2.4	0.6	0.8	1.5	2.0
Consumer prices (avg, % yoy)	4.8	3.1	0.4	0.6	0.9	1.5
Consumer prices (eop, % yoy)	7.5	0.9	0.2	1.3	2.0	1.9
General budget balance (% of GDP)	-5.9	-4.9	-4.5	-2.4	-2.0	-1.7
Current account balance (% of GDP)	-13.7	-16.9	-18.4	-17.6	-13.9	-11.3
Official FX-Reserves (EUR bn)	0.52	1.38	1.26	1.36	1.43	1.53
BAM/EUR, avg	1.956	1.956	1.956	1.956	1.956	1.956
BAM/USD, avg	2.116	2.184	2.069	1.728	1.504	1.471

Source: WIIW, RZB-Group Research

## Bosnia Content

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### Abbreviations

#### Currencies and Countries

ALL	Albanian Lek
BAM	Bosnian Marka
BGN	Bulgarian Lev
HRK	Croatian Kuna
MKD	Macedonian Denar
ROL	Romanian Lei
YUM	Serbian Dinar

#### Economic abbreviations

LCY	Local Currency	avg	average
GDP	Gross Domestic Product	yoy	year on year
C/A	Current Account	%chg	percentage change
T/B	Trade Balance		(not in percentage points)
FDI	Foreign Direct Investments	eop	end of period
CPI	Consumer Price Index	ex. rate	exchange rate
PPI	Producer Price Index	e	estimate
FX	Foreign Exchange	f	forecast
VAT	Value Added Tax		
BM	Benchmark		

CEEC-4	Central and East European Countries - 4 Czech Republic, Hungary, Poland, Slovakia
CEEC-5	CEEC-4 + Slovenia
CEEC-8	CEEC-5 + Estonia, Latvia, Lithuania
SEEC-5	South East European Countries - 5 Bosnia and Herzegovina, Bulgaria, Croatia, Romania, Serbia and Montenegro
SEEC-7	SEEC-5 + Albania, Macedonia

EU-12, CEEC-4, CEEC-5, CEEC-8, SEEC-5, SEEC-7 .... weighted average

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# Intricate political structure

## Still strong influence of OHR

Bosnia and Herzegovina (BiH) is a complex state consisting of two entities - the Federation of Bosnia and Herzegovina (FBiH) and the Republika Srpska (RS). The Dayton Agreement (initialed in Dayton on 21 November 1995 and signed in Paris on 14 December 1995) retained Bosnia and Herzegovina's international boundaries and created a joint multi-ethnic and democratic government. This national government was charged with conducting foreign, economic and fiscal policy. Next to this, a second tier of government was acknowledged comprising of two entities roughly equal in size: the Bosniak/Croat Federation of BiH and the Bosnian Serb-led Republika Srpska which are charged with overseeing internal functions. Moreover, the Dayton Peace Agreement installed the Office of the High Representative (OHR) as the chief civilian peace implementation agency in BiH and is designated to oversee the implementation of the civilian aspects of the Peace Agreement on behalf of the international community and to coordinate the activities of the civilian organisations and agencies operating in BiH. The High Representative - since 2002 Paddy Ashdown holds this office - has to answer to the Peace Implementation Council (PIC), a group of 55 countries and international organisations that sponsor and direct the peace implementation process. In December 1997, the authority of the OHR was enlarged substantially at the PIC Conference in Bonn, it is now amongst other things entitled to dismiss local officials who in their eyes might violate the peace implementation process. Both, the enlargement of authority of the OHR and especially the authoritarian style of leadership of the current High Representative Paddy Ashdown are criticised heavily today by think tanks like ESI (European Stability Initiative) and ICG (International Crisis Group) for being counterproductive, and for hindering the development of efficient institutions and democracy. A recent success of the High Representative is, however, the unification of Mostar that has remained divided in its administration since the war. The EU has set the unification as one of the pre-conditions Bosnia must fulfil to start negotiations this year on an association agreement, which is seen as the first step towards full membership of the bloc. Overall national movements have regained strength in the past two years as can be seen in the victory of the three nationalistic parties HDZ, SDS, and SDA at the last election in October 2002. Next elections will be held in autumn 2006.

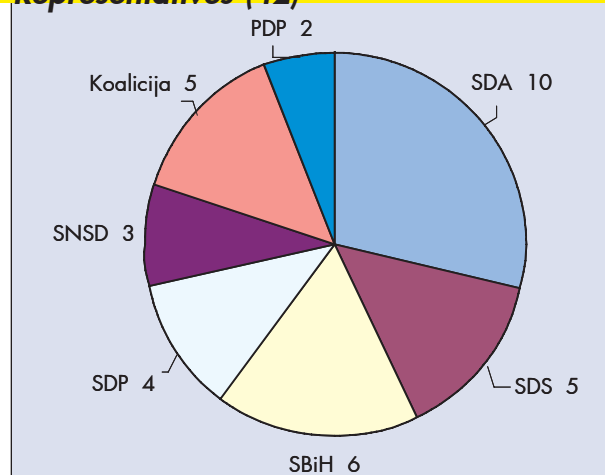
### Main political figures

<b>Bosnia and Herzegovina</b>	
Presidency	Dragan Covic (Chairman) Borislav Paravac Sulejman Tihic
Prime Minister	Adnan Terzic
High Representative	Paddy Ashdown
<b>Federation of Bosnia and Herzegovina</b>	
President	Niko Lozancic
First Vice-president	Sahbaz Djikanovic
Second Vice-president	Desnica Radivojevic
Prime Minister	Ahmet Hadzipasica
<b>Republika Srpska</b>	
President	Dragan Cavic
First Vice-president	Adil Osmanovic
Second Vice-president	Ivan Tomljenovic
Prime Minister	Dragan Mikerevic

### Most important parties

Party of Democratic Action (SDA)	Bosniak-nationalist
Serb Democratic Party (SDS)	Serb-nationalist
Party for BiH (SBiH)	moderate Bosniak-nationalist
Social Democratic Party BiH (SDP)	social democratic
Party of Independent Social Democrats (SNSD)	social democratic
Coalition (Koalicija)	
Croatian Democratic Union (HDZ)	Croatian-nationalist
Christian-Democrats	Christian Democrat
Party for Democratic Progress RS (PDP)	

### Seats in the National House of Representatives (42)



Source: www.izbori.ba, RZB-Group Research

## Approaching the EU Ambitious reforms planned

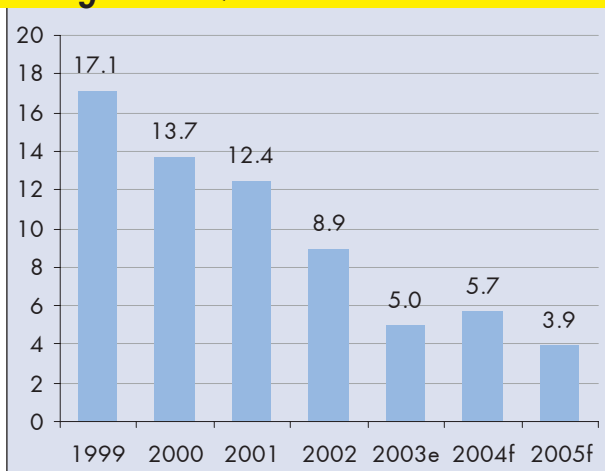
### Next elections to be held (four-year terms)

<b>Bosnia and Herzegovina</b>	
National House of Representatives (42 seats)	Autumn 2006
Presidency	Autumn 2006
<b>Federation of Bosnia and Herzegovina</b>	
House of Representatives (98 seats)	October 2006
<b>Republika Srpska</b>	
National Assembly (83 seats)	Autumn 2006

### Milestones in the relations between Bosnia and Herzegovina and the EU

- **1995:** Dayton/Paris Peace Agreement
- **1997:** Regional Approach. The EU Council of Ministers establishes political and economic conditionality for the development of bilateral relations. BiH benefits from autonomous trade preferences and from 1996, assistance under the Phare and Obnova programmes.
- **1998:** EU Declaration. Establishment of the EU/BiH Consultative Task Force (CTF), a joint vehicle for technical and expert advice in the field of administration.
- **1999:** Stabilisation and Association Process (SAP).
- **2000:** Publication of the EU Road Map. This document set out 18 essential steps to be undertaken by BiH before work on a Feasibility Study for the opening of negotiations on a SA Agreement could be begun.
- **2000:** Feira European Council stated that all the countries covered by the SAP are potential candidates for EU membership. Extension of duty-free access to EU market for products from Bosnia and Herzegovina.
- **2001:** First year of the CARDS assistance programme specifically designed for the SAP countries. This replaced the Phare and Obnova programmes for the countries of the SAP. Adoption of the Country Strategy Paper for 2002 to 2006.
- **2003:** Following substantial completion of the Road Map, work is underway on a Feasibility Study for the opening of negotiations on a SAA.

### Foreign aid in % of GDP



Source: Central Bank of BiH, IMF, RZB-Group Research

Reportedly Bosnia and Herzegovina has launched an ambitious programme to meet the demanding European terms by the middle of 2004, since the Commission stated that it hopes to be able to recommend the opening of negotiations for a Stabilization and Association Agreement (SAA) in 2004. The conditions for this are that BiH makes significant progress in a number of areas identified as priorities for action, such as implementing the recently adopted Law on Indirect Tax Authority (combining customs), and the Law on Statistics, improving budget management, establishing a coherent and comprehensive trade policy and developing the Single Economic Entity. The Feasibility Study - the latest stage of the EU's Stabilization and Association Process (SAP), designed to integrate BiH gradually into EU structures - finds that BiH has made important progress since the dark days of the 1990's (wartime 1992-1995), but still suffers from significant weaknesses - the core challenge remains that of building a self-sustaining state able to integrate into EU structures. In 2001 the European Commission adopted a Country Strategy for BiH which covers the period 2002-2006 and provides a framework for EU assistance. Since 2001 assistance of more than EUR 240 mn has been committed under the CARDS (Community Assistance for Reconstruction, Development and Stabilization) Programme, supporting BiH's participation in the Stabilization and Association Process. Overall European Community funds have come up with almost EUR 2.5 bn since 1991 and EU member states contributed over EUR 1.8 bn in assistance between 1996 and 2001. In December 2003 the EU, the IMF, the UN Development Programme (UNDP) and the World Bank missions in BiH welcomed the finalisation of the first medium term Development Strategy of BiH (Poverty Reduction Strategy Paper - PRSP). The final adoption of the PRSP document by the Coordination Board for Economic Development and European Integration as well as its presentation at the Economic session of the Peace Implementation Council in Brussels in December 2003 represents a victory for Bosnia and Herzegovina and its people. The PRSP has been supported by the International Community, but was ultimately produced by the government of BiH. However, the hard work will only begin now, since the real success of any strategy lies in its implementation.

# Stable growth

## Recovery under way

Obtaining a clear picture of the economic situation in Bosnia and Herzegovina (BiH) in recent years has been difficult due to the scarcity and inaccuracy of official statistics; but over time, the situation has improved. The difference between the annual figures reported by the Central Bank of Bosnia and Herzegovina (CBBH) and the IMF for merchandise trade, services, and current transfers varied by up to 20% during the period 1998-2002. Towards the end of 2003, on the other hand, CBBH and IMF figures, both historical and recent, were virtually identical, which is important as reliable data is crucial for sceptical investors in assessing the macroeconomic risks in order to do business in BiH.

The economy recovered in 1996-1998 with a spurt of rapid growth, which can be attributed to a low economic base and significant inflows of foreign aid. In 1999, however, growth slowed considerably. On whole, GDP has roughly trebled since 1995, with merchandise exports increasing nine fold. International reserves amounted to USD 1.7 bn at the end of Q3 last year. Macroeconomic stability has been preserved and annual inflation is low. Average inflation has been below 5% over the last few years and fell below 1% in 2002. Inflation remained near that level in 2003. There is, however, the possibility of slightly higher inflation in 2004 and 2005. The overall fiscal balance has improved from a deficit of 10% of GDP in 2000 to much lower figures in the following years, and this trend is expected to continue in 2004. Progress in public finances has mostly been the result of higher public revenues, which increased due to a strengthening of the tax administration. Stabilization of inflation and the fiscal balance was backed by the currency board, which is stipulated in the CBBH Law and in the Dayton Peace Agreement. Under the agreement establishing the CBBH, a currency board was put in place for at least six years, and at the beginning of 2003 the authorities decided to maintain it.

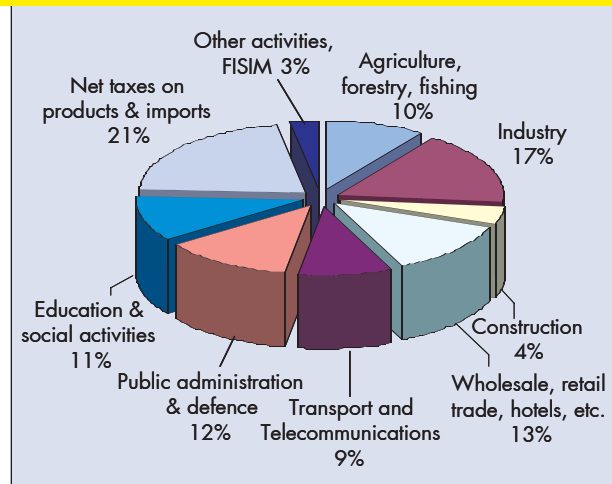
Despite low inflation, positive GDP growth, improved fiscal discipline, rising industrial output (predominantly in the Federation of Bosnia and Herzegovina, while in Republika Srpska industrial production is still languishing), the BiH's economy is still fragile. Unemployment remains high (above 40%), which is the highest in the SEE region, and there is no visible downward pressure on unemployment, as refugees and displaced persons continue to return to their former residences.

### Real GDP growth (% yoy)



Source: Thomson Financial Datastream, WIIW, RZB-Group Research

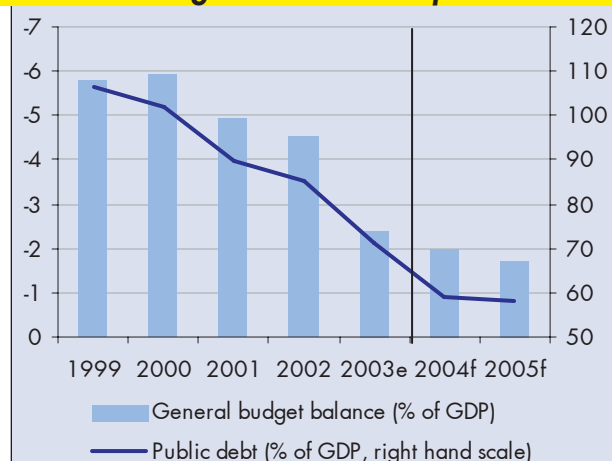
### Sectoral contribution to GDP



Note: 2002 figures

Source: Agency for Statistics of BiH, RZB-Group Research

### General budget balance and public debt



Source: Thomson Financial Datastream, WIIW, RZB-Group Research

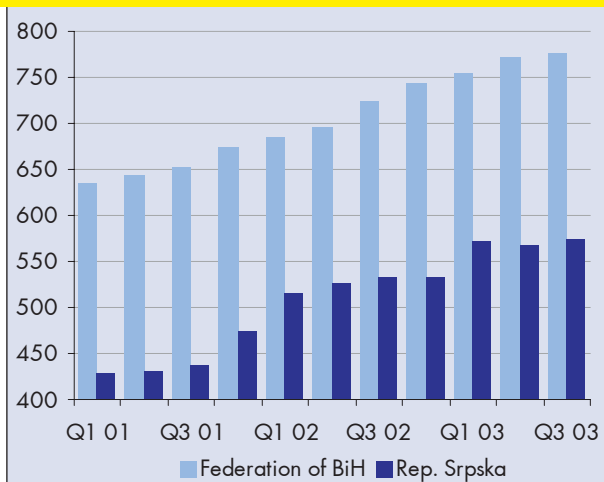
## Credit rating in process

### Intolerable high unemployment rate



Source: Agency for Statistics of BiH, RZB-Group Research

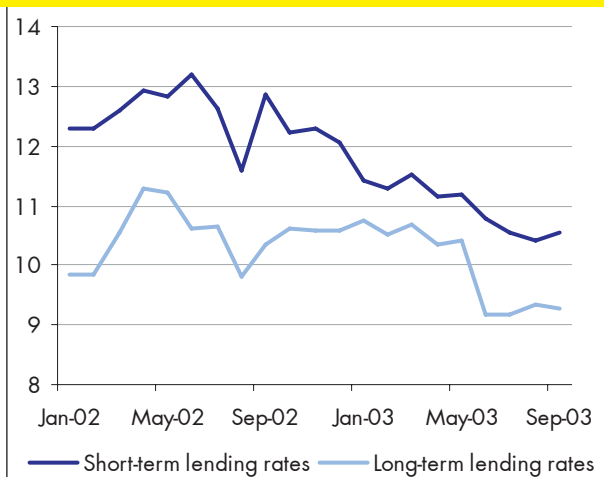
### Different income levels



Note: Average monthly gross wages, in BAM

Source: Central Bank of BiH, RZB-Group Research

### Commercial Banks' interest rates



Note: IMF methodology; average monthly interest rates of commercial banks on short-term and long-term credits extended to private enterprises and cooperatives in % on annual basis

Source: Central bank of BiH, RZB-Group Research

The strongest increase in merchandise exports during the last three years was recorded with countries which have a free trade agreement with BiH. BiH is granted duty free exports to nearly all SEE countries under free trade agreements, but the lack of export-oriented government policy has restricted Bosnia's export prospects to neighbouring markets. The low level of quality standards in domestic production is the main factor limiting Bosnian exports. In the first nine months of 2003, BiH imports came mainly from Croatia, Slovenia, Serbia and Montenegro, among the countries trading under free trade agreements with Bosnia. At end-December the Bosnian government decided to postpone the final phase of free trade agreements with neighbouring Croatia and Serbia and Montenegro in order to protect local agriculture. The full free trade regime was therefore postponed for three months. BiH still has a huge trade deficit, with imports roughly three times higher than exports. Around one-quarter of imported goods are food.

In addition to unemployment, poverty is also widespread. The Living Standard Measurement Survey, carried out in 2002, determined that 19.5% of BiH's population can be classified as poor. The poverty level is visibly higher in Republika Srpska than in the Federation of Bosnia and Herzegovina, due to the different income levels. To address these problems, the authorities of BiH, in close cooperation with the international community, have been preparing a comprehensive Poverty Reduction Strategy. The mid-term Poverty Reduction Strategy Paper in BiH sets a goal of reducing poverty (by one-third by 2007) through improved economic growth and more effective targeting of public spending.

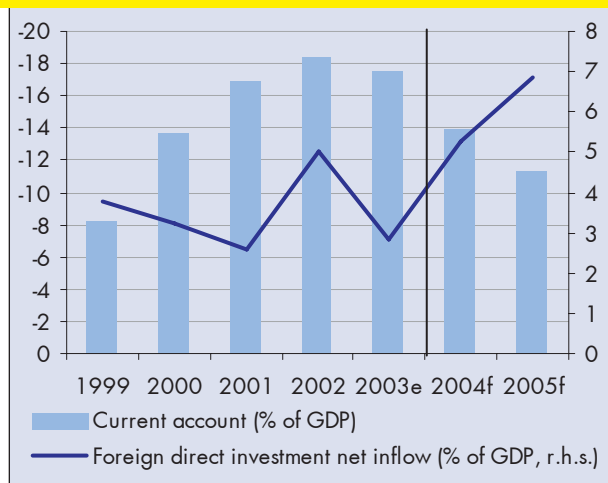
As a member of the Peace Implementation Council (whose aim is to mobilise international support for the peace agreement), the IMF continues with its presence in BiH. The Stand-By Arrangement, which was approved in August 2002, totals SDR 67.6 million (about USD 100 mn). The arrangement, that was actually scheduled to expire on November 1, 2003, was extended in early October to December 31, 2003. At end-December 2003, the Executive Board of the IMF approved another extension of the Stand-By Arrangement by two months to February 29, 2004.

As BiH's current account deficit has risen to high levels, the need to draw in more FDI has become more and more pressing. The continuing depen-

dence of BiH on foreign aid and administrative barriers have a negative impact on investor confidence. Regional investors (SEEC) are still dominant (FDI stock of 21.1% in 2002), with Croatia leading the list for the period 1994-2002. In 2002 FDI stock of Germany and Austria accounted for 10.2% and 10.1%, respectively. Small scale privatisation has made some progress in both entities, but large-scale privatisation is lagging behind, hindered by local interests and corruption. Loss-making and wage arrears remain widespread in the corporate sector, particularly amongst large state-owned companies. This is symptomatic of a culture of non-payment of wages, of debts to suppliers, and of taxes, and the lack of an appropriate return on capital. While obstacles to investment still remain, measures (laws and regulations) launched by the OHR should positively influence investment and the business environment. Another positive influence should come from the gradual improvement of infrastructure and centralisation. Economic integration of BiH's two entities continues, but more efforts are needed to create a single economic area. A further step in that direction was made by establishing the Indirect Tax Administration (ITA) in preparation for the introduction of VAT. After months of negotiations and political obstructionism, in late December the Bosnian state parliament passed a key law merging the country's three separate customs administrations and creating a single, state-wide value-added tax. The IMF recommended that VAT introduction be targeted for no later than mid-2005, but it could be prolonged to early 2006.

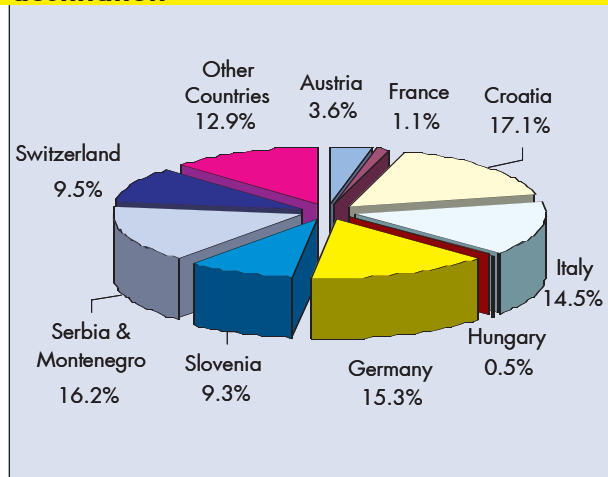
The international credit rating agency Moody's Investors Service is expected to publish the first sovereign credit rating for Bosnia and Herzegovina in April 2004. Currently, BiH is among just a handful of countries in Europe without a credit rating. Bosnia's Council of Ministers ruled on the preparation of a credit rating in early 2003, and the central bank was to implement the ruling. Bosnia needs an official credit rating, because the existing unofficial ratings (e.g. by international financial magazines) are negative and underestimate Bosnia's potential. Bosnia held negotiations with three renowned credit rating agencies and finally settled on Moody's, which has already made a visit to BiH and started preparations for obtaining a broader picture of Bosnia's business environment. The governor of CCBH previously expressed his hopes that the country would receive a B rating, regardless of what subcategory, as a C rating would further aggravate the lack of foreign investment.

## Current account and FDI inflows



Source: Thomson Financial Datastream, WIIW, RZB-Group Research

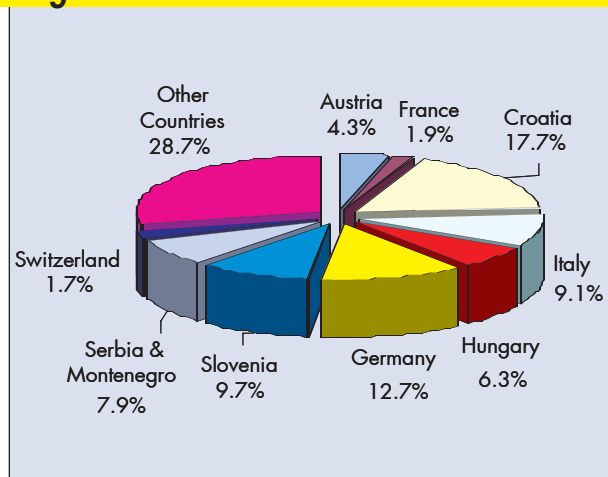
## BiH's structure of exports by country of destination



Note: First three quarters of 2003

Source: Central Bank of BiH, RZB-Group Research

## BiH's structure of imports by country of origin



Note: First three quarters of 2003

Source: Central Bank of BiH, RZB-Group Research

## Real GDP (% yoy)

Countries	2002	2003e	2004f	2005f
Poland	1.4	3.7	4.5	5.0
Hungary	3.5	2.8	3.0	3.5
Czech Rep.	2.0	2.7	3.1	3.6
Slovakia	4.4	4.0	4.7	4.9
Slovenia	2.9	2.5	3.5	4.0
Estonia	6.0	5.5	5.0	5.5
Latvia	6.1	6.5	6.1	6.0
Lithuania	6.7	6.1	5.0	6.0
<b>CEEC-8</b>	<b>2.5</b>	<b>3.5</b>	<b>4.0</b>	<b>4.5</b>
Croatia	5.2	4.6	3.0	3.3
Bulgaria	4.8	4.5	5.0	5.0
Romania	4.9	4.5	5.0	6.0
Serbia a. M.	4.0	1.7	3.0	4.5
Bosnia a. H.	3.8	3.5	5.0	5.8
<b>SEEC-5</b>	<b>4.8</b>	<b>4.1</b>	<b>4.3</b>	<b>5.0</b>
Albania	4.7	5.5	5.3	5.0
Macedonia FYR	0.1	2.8	3.8	4.0
<b>SEEC-7</b>	<b>4.6</b>	<b>4.1</b>	<b>4.3</b>	<b>5.0</b>
Russia	4.3	6.5	5.0	4.5
Turkey	7.8	7.0	5.0	5.0
<b>EU-12</b>	<b>0.9</b>	<b>0.5</b>	<b>1.7</b>	<b>2.2</b>
USA	2.4	3.1	4.3	2.8

Source: WIIW, IIF (Baltic states), RZB-Group Research

## General budget balance (% of GDP)

Countries	2002	2003e	2004f	2005f
Poland	-6.5	-6.0	-6.2	-5.2
Hungary	-9.8	-5.6	-4.8	-3.7
Czech Rep.	-6.0	-5.8	-5.4	-5.0
Slovakia	-7.5	-4.9	-3.9	-3.0
Slovenia	-3.0	-1.6	-1.8	-1.6
Estonia	1.1	3.5	2.0	0.0
Latvia	-3.0	-2.9	-2.4	-2.2
Lithuania	-1.2	-2.5	-3.0	-1.2
<b>CEEC-8</b>	<b>-6.4</b>	<b>-5.2</b>	<b>-5.1</b>	<b>-4.3</b>
Croatia	-6.0	-5.0	-4.5	-4.0
Bulgaria	-0.7	-0.7	-0.7	-0.8
Romania	-2.5	-2.7	-3.0	-3.0
Serbia a. M.	-5.5	-5.0	-5.0	-4.8
Bosnia a. H.	-4.5	-2.4	-2.0	-1.7
<b>SEEC-5</b>	<b>-3.5</b>	<b>-3.2</b>	<b>-3.2</b>	<b>-3.1</b>
Albania	-8.0	-7.2	-6.8	-6.5
Macedonia FYR	-5.5	-5.3	-5.0	-4.5
<b>SEEC-7</b>	<b>-3.8</b>	<b>-3.5</b>	<b>-3.4</b>	<b>-3.3</b>
Russia	1.4	1.2	0.5	0.5
Turkey	-14.0	-10.7	-10.9	-11.3
<b>EU-12</b>	<b>-2.3</b>	<b>-3.0</b>	<b>-3.0</b>	<b>-2.4</b>
USA	-2.2	-4.0	-5.0	-4.5

Source: WIIW, IIF (Baltic states), RZB-Group Research

## Exchange rate LCY/EUR (avg)

Countries	2002	2003e	2004f	2005f
Poland	3.85	4.40	4.69	4.77
Hungary	242.9	253.0	266.0	264.0
Czech Rep.	30.8	31.8	31.3	30.2
Slovakia	42.7	41.5	40.5	39.0
Slovenia	227.0	234.0	239.0	240.0
Estonia	15.6	15.6	15.6	15.6
Latvia	0.58	0.64	0.68	0.7
Lithuania	3.59	3.45	3.45	3.5
Croatia	7.41	7.56	7.66	7.8
Bulgaria	1.96	1.96	1.96	1.96
Romania	31254	37576	43906	47229
Serbia a. M.	60.7	64.5	67.5	69.5
Bosnia a. H.	1.96	1.96	1.96	1.96
Albania	132.4	145.6	158.9	171.3
Macedonia FYR	61.0	58.2	59.5	60.0
Russia	29.7	34.7	37.6	40.5
Turkey	1432343	1694912	1772982	2008249
USA	0.95	1.13	1.30	1.33

Source: WIIW, IIF (Baltic states), RZB-Group Research

## Consumer prices (avg, % yoy)

Countries	2002	2003e	2004f	2005f
Poland	1.9	0.8	2.2	3.2
Hungary	5.3	4.7	7.4	4.2
Czech Rep.	1.8	0.1	2.9	3.4
Slovakia	3.3	8.4	7.5	4.0
Slovenia	7.5	5.6	4.7	4.3
Estonia	3.6	1.3	4.0	2.8
Latvia	1.9	2.9	3.3	3.0
Lithuania	-0.7	-1.2	1.9	2.2
<b>CEEC-8</b>	<b>2.8</b>	<b>2.1</b>	<b>3.7</b>	<b>3.5</b>
Croatia	2.2	1.7	2.1	2.3
Bulgaria	5.8	2.3	4.0	3.0
Romania	22.5	15.3	12.5	11.1
Serbia a. M.	15.3	8.0	6.5	5.5
Bosnia a. H.	0.4	0.6	0.9	1.5
<b>SEEC-5</b>	<b>13.4</b>	<b>8.6</b>	<b>7.5</b>	<b>6.7</b>
Albania	5.3	3.5	6.0	6.2
Macedonia FYR	2.4	3.0	3.0	3.3
<b>SEEC-7</b>	<b>12.7</b>	<b>8.2</b>	<b>7.3</b>	<b>6.6</b>
Russia	15.8	13.9	12.2	11.2
Turkey	45.0	25.6	17.5	14.5
<b>EU-12</b>	<b>2.3</b>	<b>2.1</b>	<b>1.8</b>	<b>2.0</b>
USA	1.6	2.3	1.9	2.5

Source: WIIW, IIF (Baltic states), RZB-Group Research

## Current account balance (% of GDP)

Countries	2002	2003e	2004f	2005f
Poland	-3.5	-1.9	-2.3	-3.0
Hungary*	-6.1	-8.8	-7.6	-6.9
Czech Rep.	-6.4	-5.5	-7.4	-6.9
Slovakia	-8.0	-0.9	-2.5	-3.5
Slovenia	1.4	0.9	0.0	0.0
Estonia	-12.2	-8.4	-7.2	-6.4
Latvia	-7.8	-8.5	-8.5	-8.0
Lithuania	-5.5	-5.1	-4.9	-5.0
<b>CEEC-8</b>	<b>-4.8</b>	<b>-3.8</b>	<b>-4.3</b>	<b>-4.4</b>
Croatia	-7.0	-5.5	-4.3	-4.1
Bulgaria	-4.3	-6.0	-4.8	-4.4
Romania	-3.4	-6.0	-6.0	-5.7
Serbia a. M.	-12.8	-10.8	-9.4	-7.5
Bosnia a. H.	-18.4	-17.6	-13.9	-11.3
<b>SEEC-5</b>	<b>-6.5</b>	<b>-7.2</b>	<b>-6.4</b>	<b>-5.7</b>
Albania	-8.7	-7.8	-8.3	-7.8
Macedonia FYR	-10.8	-8.8	-7.5	-7.1
<b>SEEC-7</b>	<b>-6.8</b>	<b>-7.3</b>	<b>-6.5</b>	<b>-5.9</b>
Russia	9.5	9.0	7.2	4.9
Turkey	-0.8	-2.3	-1.5	-1.3
<b>EU-12</b>	<b>0.9</b>	<b>0.5</b>	<b>0.2</b>	<b>0.0</b>
USA	-4.7	-5.3	-6.0	-5.0

\*Note: according to new methodology, estimates

Source: WIIW, IIF (Baltic states), RZB-Group Research

## Exchange rate LCY/USD (avg)

Countries	2002	2003e	2004f	2005f
Poland	4.08	3.89	3.61	3.58
Hungary	255.7	223.5	204.6	198.5
Czech Rep.	32.4	28.1	24.1	22.7
Slovakia	45.3	36.7	31.2	29.3
Slovenia	241.5	207.1	183.8	180.5
Estonia	16.5	13.8	12.0	11.8
Latvia	0.61	0.57	0.52	0.5
Lithuania	3.80	3.05	2.65	2.6
Croatia	7.83	6.68	5.90	5.8
Bulgaria	2.1	1.7	1.5	1.5
Romania	33055	33201	33774	35510
Serbia a. M.	64.2	57.0	51.9	52.3
Bosnia a. H.	2.1	1.7	1.5	1.5
Albania	139.5	130.0	133.5	137.0
Macedonia FYR	64.7	52.0	50.0	48.0
Russia	31.4	30.7	28.9	30.5
Turkey	1514978	1507415	1388848	1491496
EU-12	1.05	0.88	0.77	0.75

Source: WIIW, IIF (Baltic states), RZB-Group Research

# RZB Group in CEE

## Bosnia & Herzegovina



Source: The World Factbook (by the CIA), RZB Vienna

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