

## **BOSNIA AND HERZEGOVINA ECONOMY REPORT**

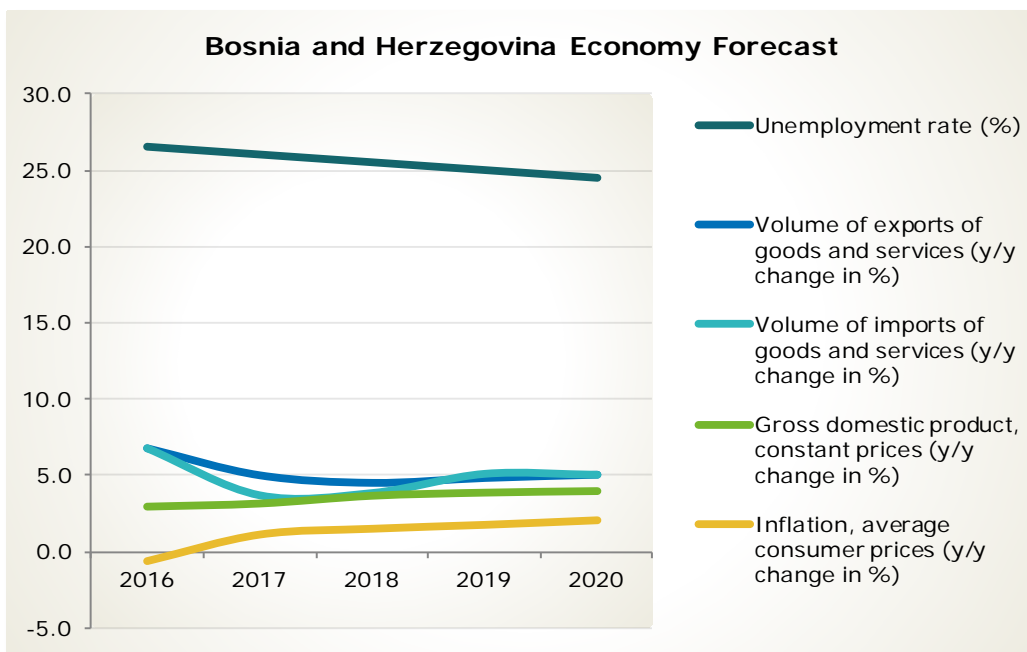
Q1 2016

## CONTENTS

1. MACROECONOMIC SNAPSHOT AND FORECAST .....	3
2. REAL SECTOR .....	4
2.1. GROSS DOMESTIC PRODUCT (GDP) .....	4
2.2. INDUSTRIAL OUTPUT .....	4
2.3. WHOLESALE/RETAIL .....	5
2.4. INFLATION.....	6
3. LABOUR MARKET.....	8
4. CONSTRUCTION AND REAL ESTATE .....	9
5. MONEY SUPPLY AND BANKING SYSTEM.....	9
5.1. BAM EXCHANGE RATE.....	9
5.2. MONETARY AGGREGATES .....	10
5.3. BANKING AND INSURANCE.....	11
6. CAPITAL MARKETS .....	12
7. EXTERNAL SECTOR .....	13
7.1. FOREIGN DEBT .....	13
7.2. BALANCE OF PAYMENTS .....	14
7.3. FDI.....	15
7.4. FOREIGN TRADE .....	16
7.5. TOURISM .....	17

## 1. MACROECONOMIC SNAPSHOT AND FORECAST

BOSNIA AND HERZEGOVINA – MACROECONOMIC SNAPSHOT AS OF Q1 2016	
GDP Growth	2.1% y/y
Industrial output	4.6% y/y
Wholesales	-2.8% y/y
Retail sales	1.9% y/y
Average annual inflation	-1.2%
Unemployment rate	42.7%
Number of building permits	43.1% y/y
Money supply growth	8.5% y/y
Household loans	4.2% y/y
BIRS blue-chip index	-9.0% y/y
SASX-10 blue-chip index	-3.6% y/y
Government external debt	BAM 8.654 bln
Current account gap	BAM 359.6 mln
Net FDI inflow	BAM 23.3 mln
Foreign trade deficit	BAM 1.398 bln
Number of foreign tourist overnights	13.0% y/y



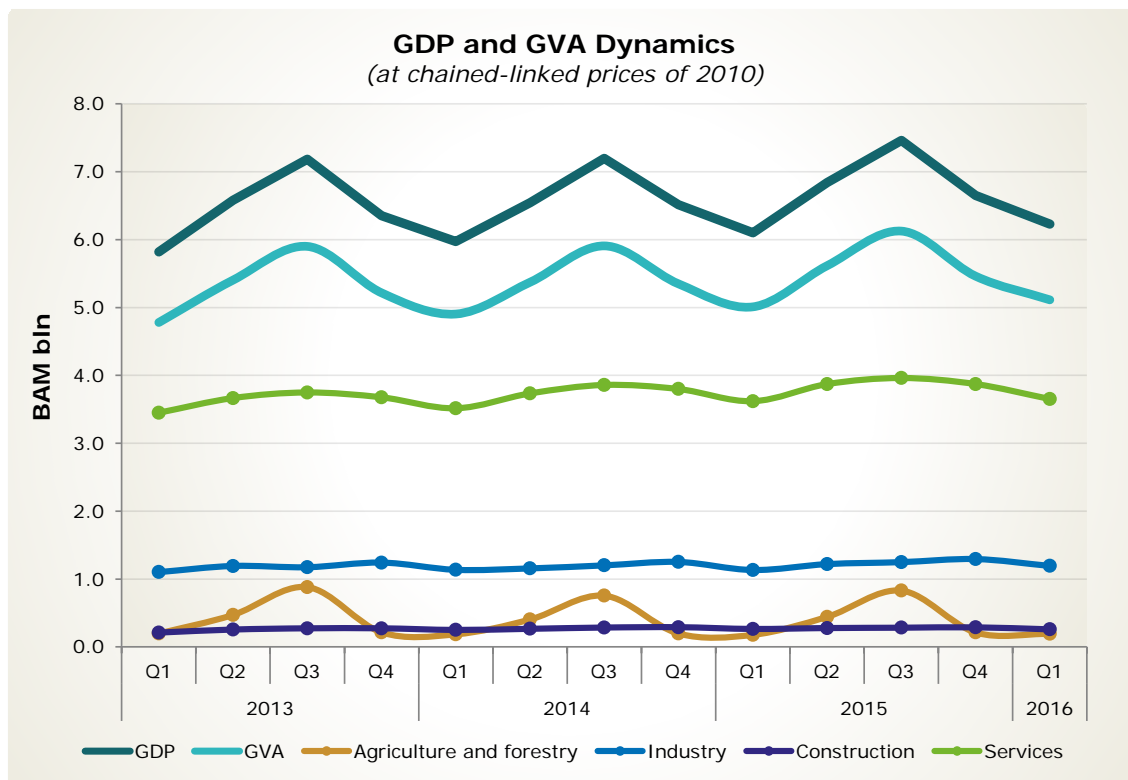
Source: International Monetary Fund (IMF) World Economic Outlook Database – April 2016

## 2. REAL SECTOR

### 2.1. GROSS DOMESTIC PRODUCT (GDP)

*GDP went down by a real 2.1% y/y in Q1 2016, compared to a 2.2% y/y growth in Q1 2015*

The country's real GDP growth was 2.1%, totalling BAM 6.227 bln in Q1 2016, according to estimate data of the Bosnia and Herzegovina's Agency of Statistics (BHAS).



Source: BHAS

The gross value added (GVA) generated by the national economy increased in value terms by 2.1% y/y in Q1 2016 and totalled BAM 5.113 bln. The industrial sector grew by 5.3% and its share in the GVA structure is 23.3%. The services sector recorded a 0.9% increase, slicing a 71.4% share in the GVA, compared to 72.3% in Q1 2015. The agricultural sector registered a rise of 8.4%, thus increasing its share in the GVA to 3.8%, from 3.5%. The construction sector went down by 2.3% and its GVA share fell to 5.1% from 5.3%.

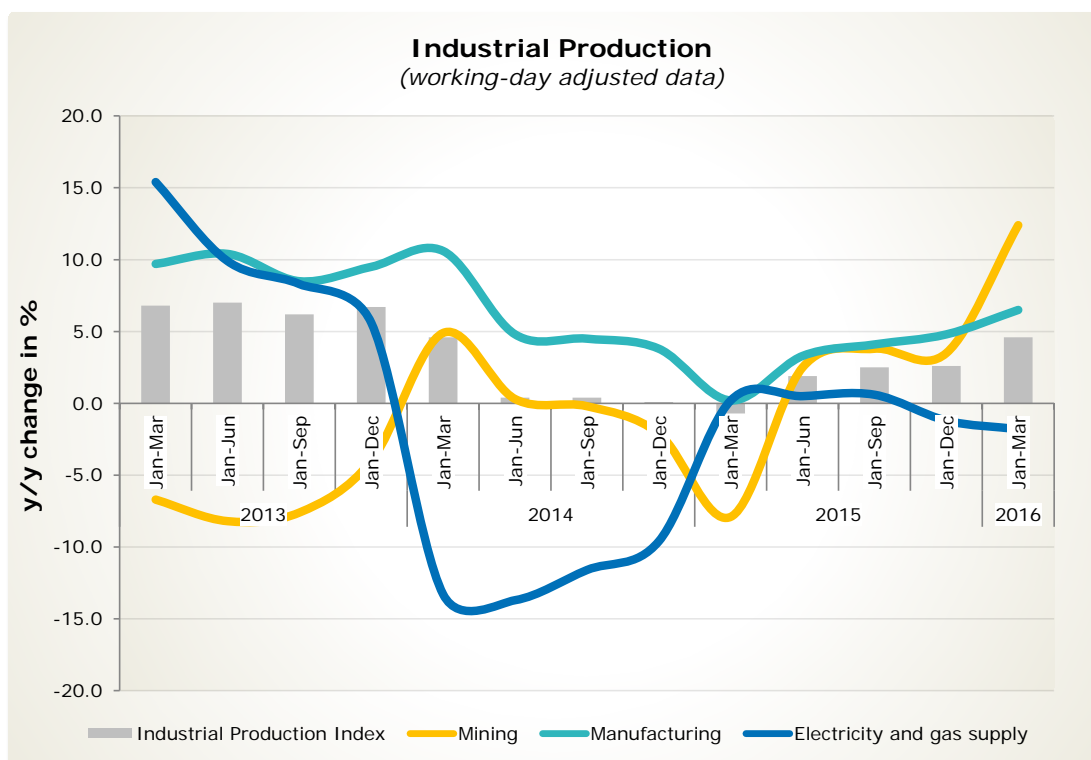
### 2.2. INDUSTRIAL OUTPUT

*Industrial output up 4.6% y/y in Q1 2016*

Industrial output went up by 4.6% in Q1 2016, according to BHAS data. The output of the mining industry rose by 12.4%, followed by manufacturing with 6.5%, while the output of the electricity and gas supply declined by 1.8%.

Manufacture of furniture was the segment to report the highest annual production growth, of 73.9%, followed by manufacture of other non-metallic mineral products, with 26.6%, and manufacture of wood and of products of wood, cork, articles of straw and plaiting materials, with a production growth of 23.7%.

The segments which registered the sharpest drop in Q1 2016 were manufacture of other transport equipment, and mining of metal ores with a 58.7% and 23.2% drop, and manufacture of computer, electronic and optical products with a 21.5% fall.



Source: BHAS

## 2.3. WHOLESALE/RETAIL

### Retail grew y/y in Q1 2016, while wholesale recorded a slight decrease

Retail sales, except of motor vehicles and motorcycles, went up, by 1.9% y/y in the first quarter of 2016, while wholesale trade inched down by 2.8%, according to BHAS data.

Wholesale on a fee or contract basis marked the highest increase, of 14.3% y/y, while the non-specialised wholesale trade experienced the sharpest annual drop, of 8.7%.



Source: BHAS  
Data for Q1 and Q2 2013 is not available

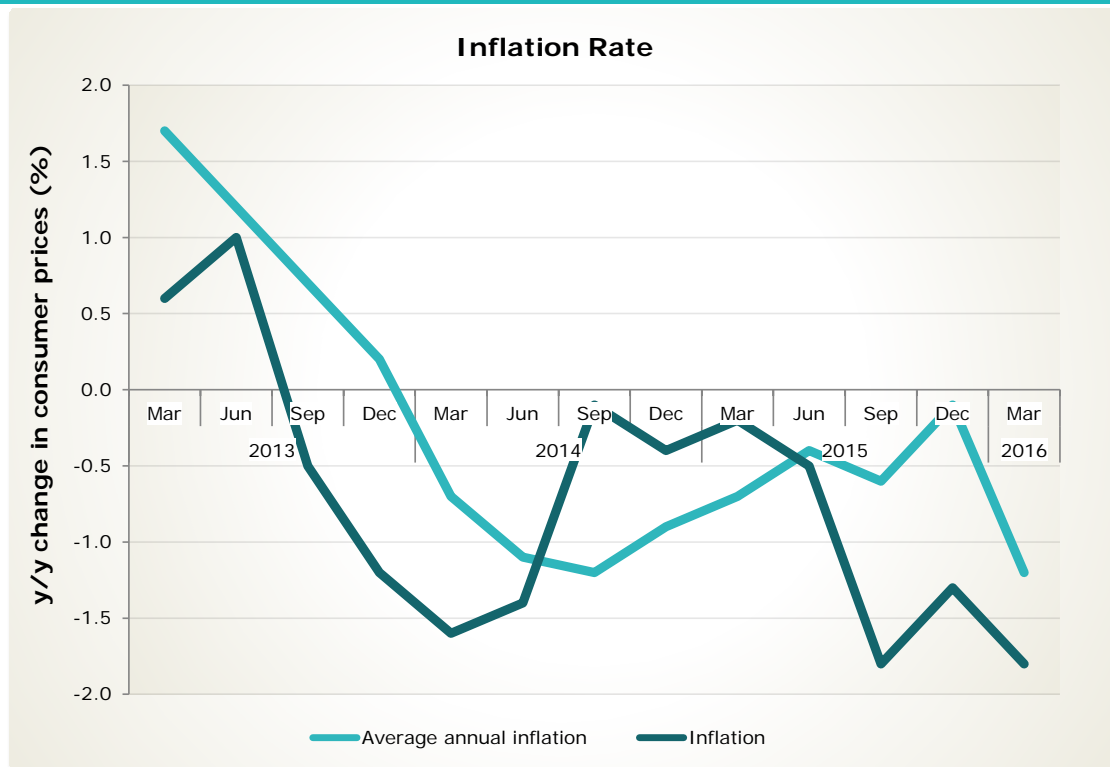
## 2.4. INFLATION

### Average deflation of 1.2% in Q1 2016

Bosnia and Herzegovina registered average deflation of 1.2% in Q1 2016, according to BHAS.

In Q1 2016, the highest decrease in consumer prices was registered in operation of personal transport equipment, of 9.1%, followed by clothing, and footwear, which got cheaper by 8.9% and 6.5%, respectively.

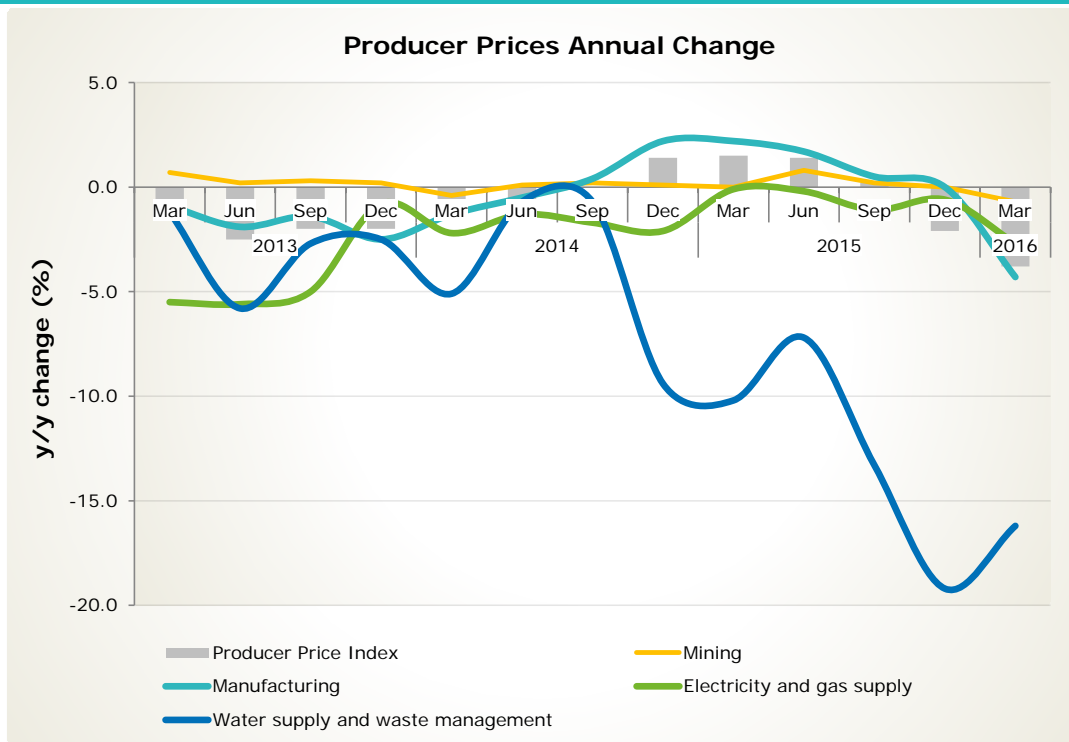
The consumer groups that recorded inflation were led by tobacco with 10.2%, package holidays with 7.6%, and education not definable by level with 6.5%.



Source: BHAS

Producer prices went down by 3.8% y/y in Q1 2016 due to the 16.2% fall of water supply prices. Manufacturing, electricity and gas supply and mining prices decrease by 4.3%, 2.7% and 0.7%.

Segment wise, producer prices dropped the sharpest, by 29.3%, in the manufacture of coke and refined petroleum products, while the biggest increase, of 10.0%, was registered by manufacture of tobacco products.



Source: BHAS

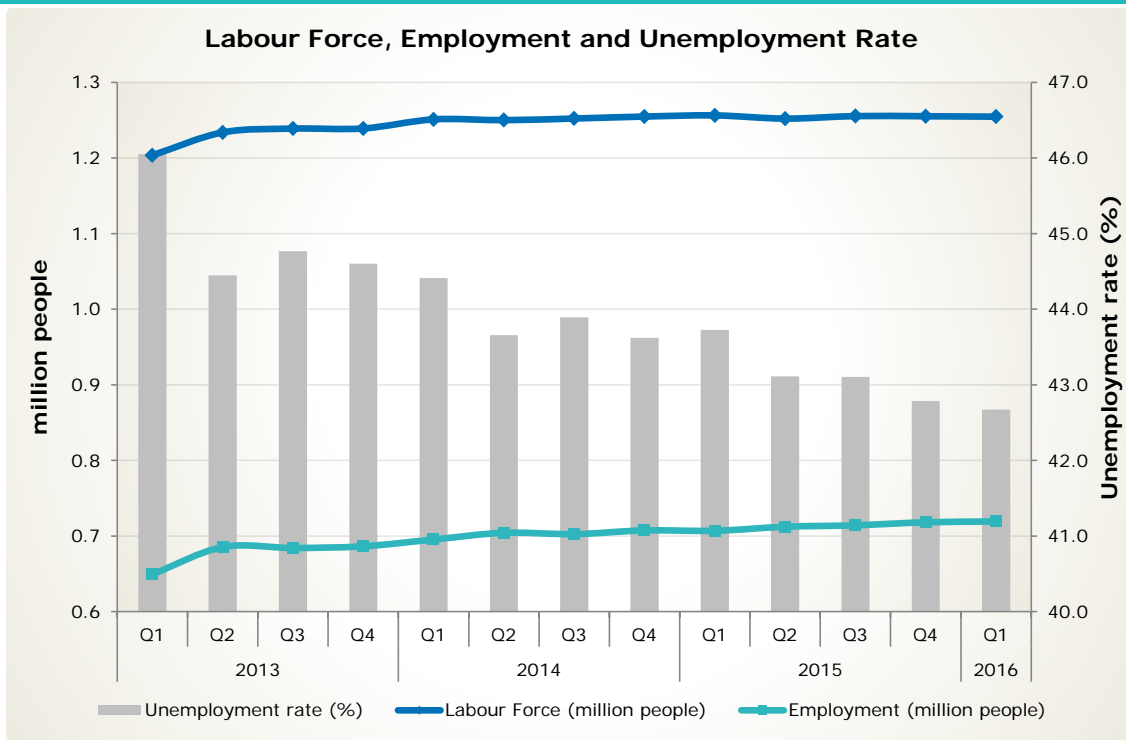
### 3. LABOUR MARKET

#### *Unemployment rate went down to 42.7%, wages inch up y/y in Q1 2016*

Unemployment in Bosnia and Herzegovina decreased to 42.7% of the total labour force in Q1 2016 from 43.7% in the previous year, according to data of BHAS.

The employed population aged 15 years and older was 719,281 in Q1 2016, up by 1.7% y/y.





Source: BHAS

The average monthly net salary for the first three months of 2016 inched up to BAM 834 in comparison to the BAM 827 a year earlier.

## 4. CONSTRUCTION AND REAL ESTATE

### *The number of building permits increased by 43.1% y/y in Q1 2016*

The number of building permits, excluding such for civil engineering works, issued in Bosnia and Herzegovina in Q1 2016 increased by 43.1% y/y, totalling 704, according to BHAS data.

The total built-up area of the housing buildings, covered by the permits, shrank to 23,337 sq m from 78,107 sq m in Q1 2015.

## 5. MONEY SUPPLY AND BANKING SYSTEM

### 5.1. BAM EXCHANGE RATE

The average annual exchange rate of the BAM against the USD increased to BAM 1.76336 in Q1 2016 from BAM 1.73433 in Q1 2015, according to the Central Bank of Bosnia and Herzegovina (CBBH).

Average Quarterly BAM Exchange Rate			
Foreign Currency	Q1 2016	Q4 2015	Q1 2015
USD	1.77509	1.78556	1.73434
GBP	2.54372	2.70940	2.62975
CHF	1.78556	1.80312	1.82455
EUR*	1.95583	1.95583	1.95583

\*The Bosnian convertible marka (BAM) is pegged at a fixed exchange rate of BAM 1.95583 per EUR under a currency board system.

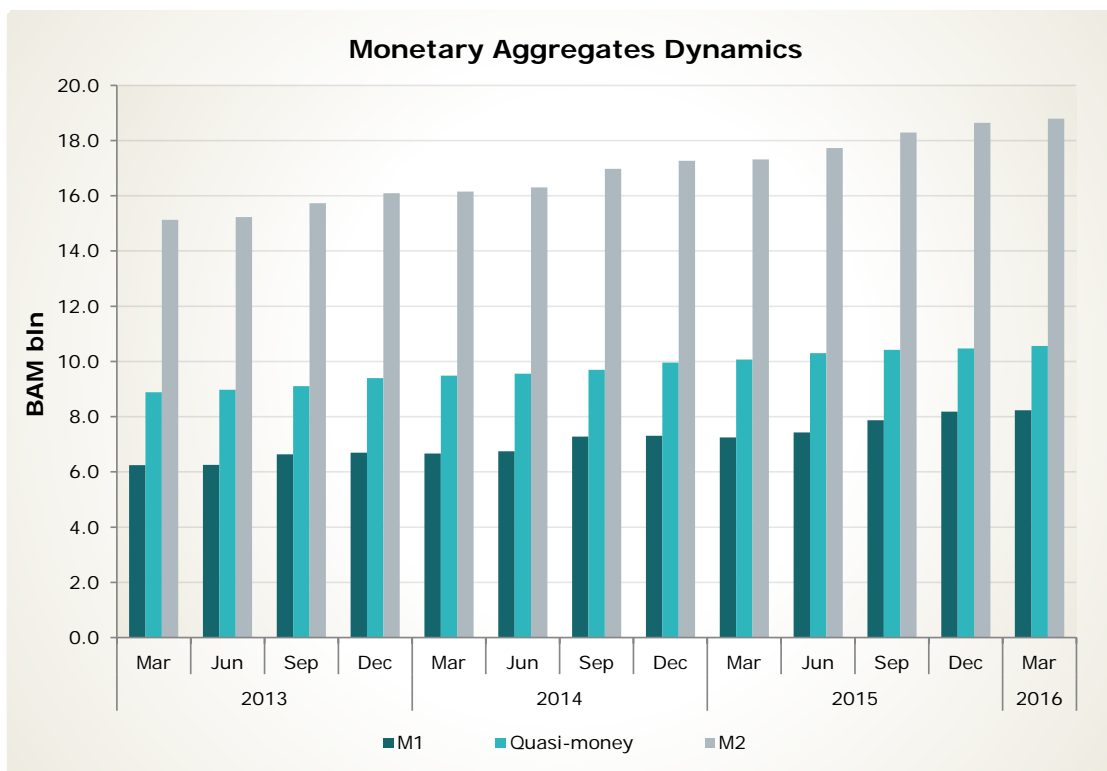
## 5.2. MONETARY AGGREGATES

*Money supply growth was 8.5% y/y as of March 2016*

Broad money, money aggregate M2, in Bosnia and Herzegovina increased by 8.5% y/y and reached BAM 18.790 bln in March 2016, according to data provided by CBBH.

Quasi-money, which includes other deposits in domestic and foreign currency, as well as transferrable deposits in foreign currency, increased by 4.9% to BAM 10.562 bln.

Money aggregate M1, or narrow money, jumped by 13.5% to BAM 8.228 bln.



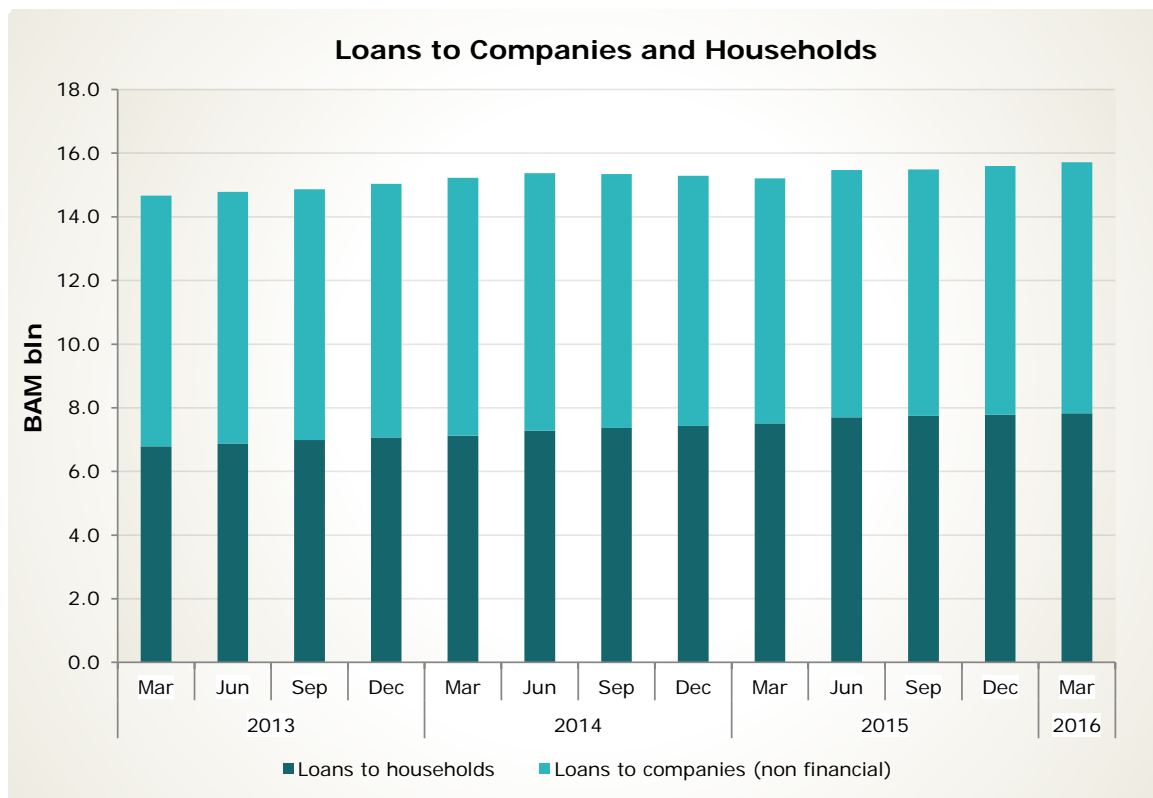
Source: CBBH

## 5.3. BANKING AND INSURANCE

### *Household loans increased by 4.2% y/y in March 2016*

Loans to the non-government sector totalled BAM 15.715 bln as of March 2016, up by 3.3% y/y, according to CBBH.

Loans to non-financial corporations inched down by 2.4% to BAM 7.887 bln, while household loans rose by 4.2% y/y to BAM 7.829 bln. House purchasing loans went up by 5.0% to BAM 1.516 bln. Consumer loans grew by 5.0% to BAM 5.721 bln.



Source: CBBH

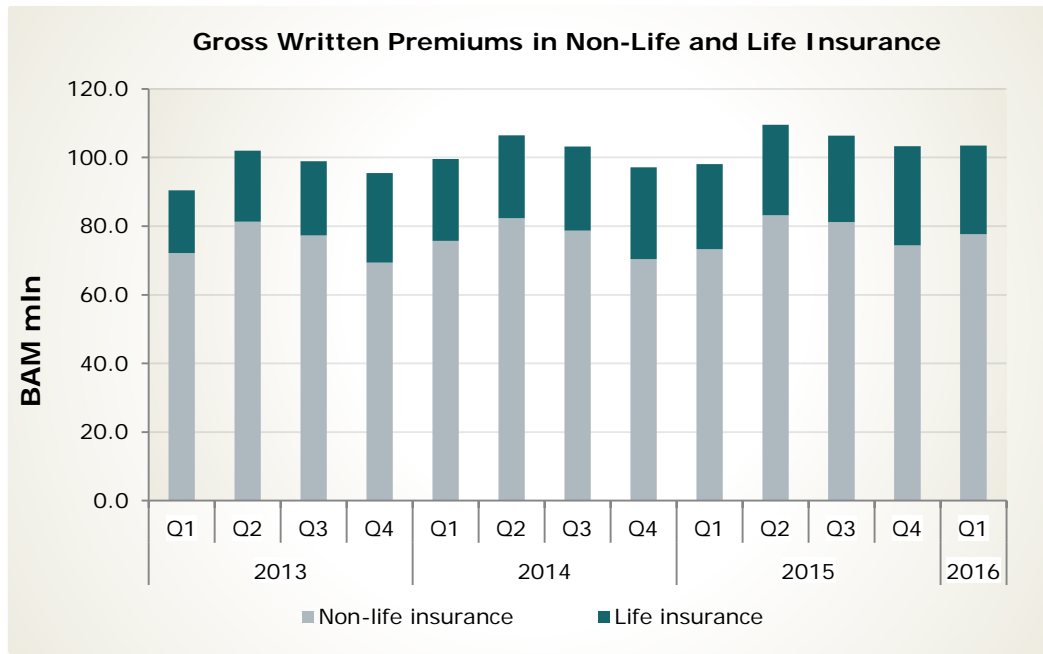
### *Insurance premium income up 5.6% y/y in Q1 2016*

The total gross written premiums (GWP) of the non-life and life insurance companies in Bosnia and Herzegovina stood at BAM 103.5 mln, up by 5.6% y/y in Q1 2016, according to the Insurance Supervisory Agency of Federation of Bosnia and Herzegovina (NADOS).

The growth was fuelled by the 4.2% rise, to BAM 25.817 mln, of the life insurance segment and the 6.0% rise, to BAM 77.694 mln, of non-life insurance.

In the non-life insurance sector the highest rise of gross written premiums was registered in the credit insurance, where premiums jumped ten times to BAM 1.183 mln. Aircraft insurance was on the other end with BAM 31,124 in Q1 2016.

The standard life insurance policies, which accounted for 92.7% of the total GWP of the life insurance segment in Q1 2016, reached BAM 23.934 mln versus BAM 22.901 mln in Q1 2015.



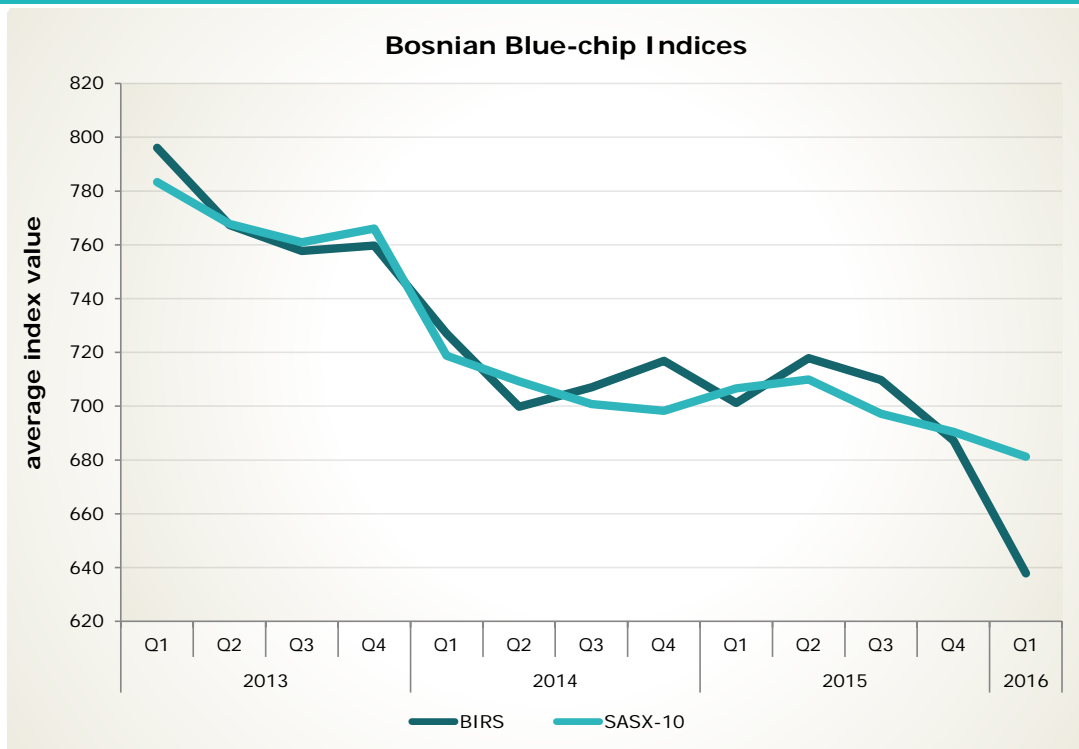
Source: NADOS

## 6. CAPITAL MARKETS

### *Blue-chip BIRS down 9.0%, SASX10 down 3.6% y/y in Q1 2016*

The average annual value of BIRS, the blue-chip index of the Banja Luka Stock Exchange (BLBerza), decreased by 9.0% in Q1 2016 compared to the same period of the previous year, according to BLBerza data.

SASX10, the blue-chip index of the Sarajevo Stock Exchange (SASE), also registered a decline, of 3.6%.



Source: BLBerza, SASE

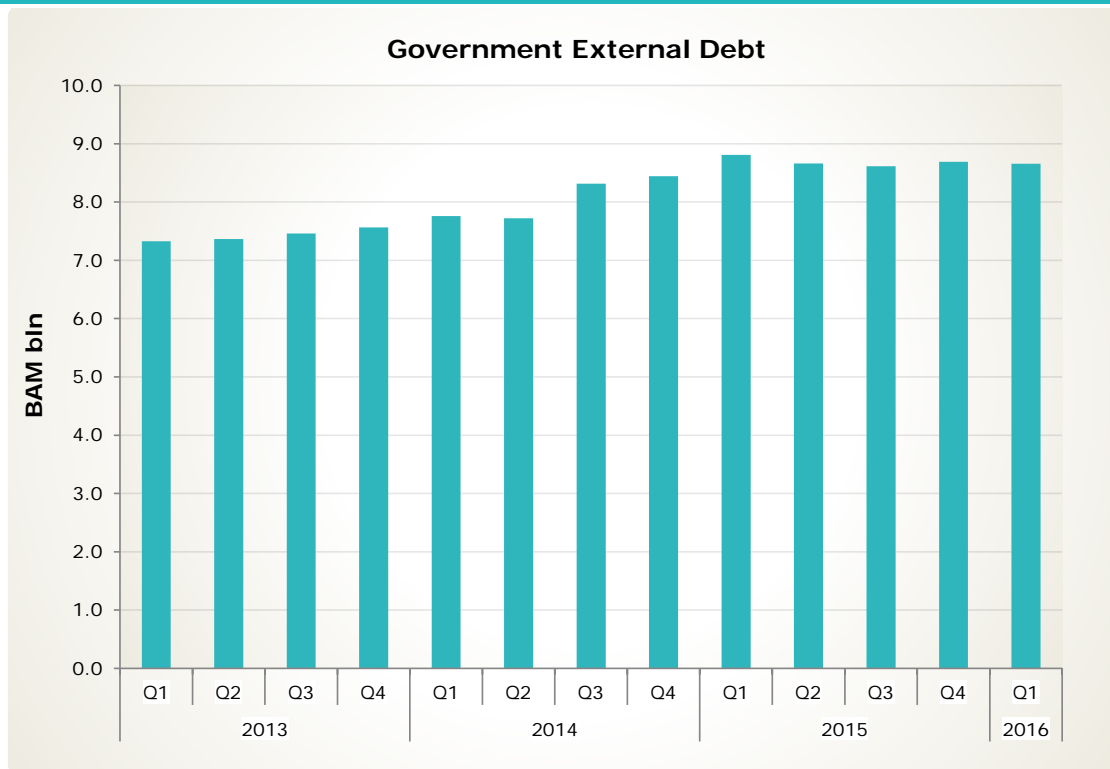
## 7. EXTERNAL SECTOR

### 7.1. FOREIGN DEBT

#### *Government external debt went down y/y to BAM 8.654 bln in Q1 2016*

The total external government debt amounted to BAM 8.654 bln in Q1 2016, down by 1.8% on the year, according to CBBH data. In comparison to Q1 2015, the government external debt decreased by BAM 0.155 bln.

Bosnia and Herzegovina's main foreign creditors as of Q1 2016 were World Bank's International Development Association (IDA), the European Investment Bank, and IMF.



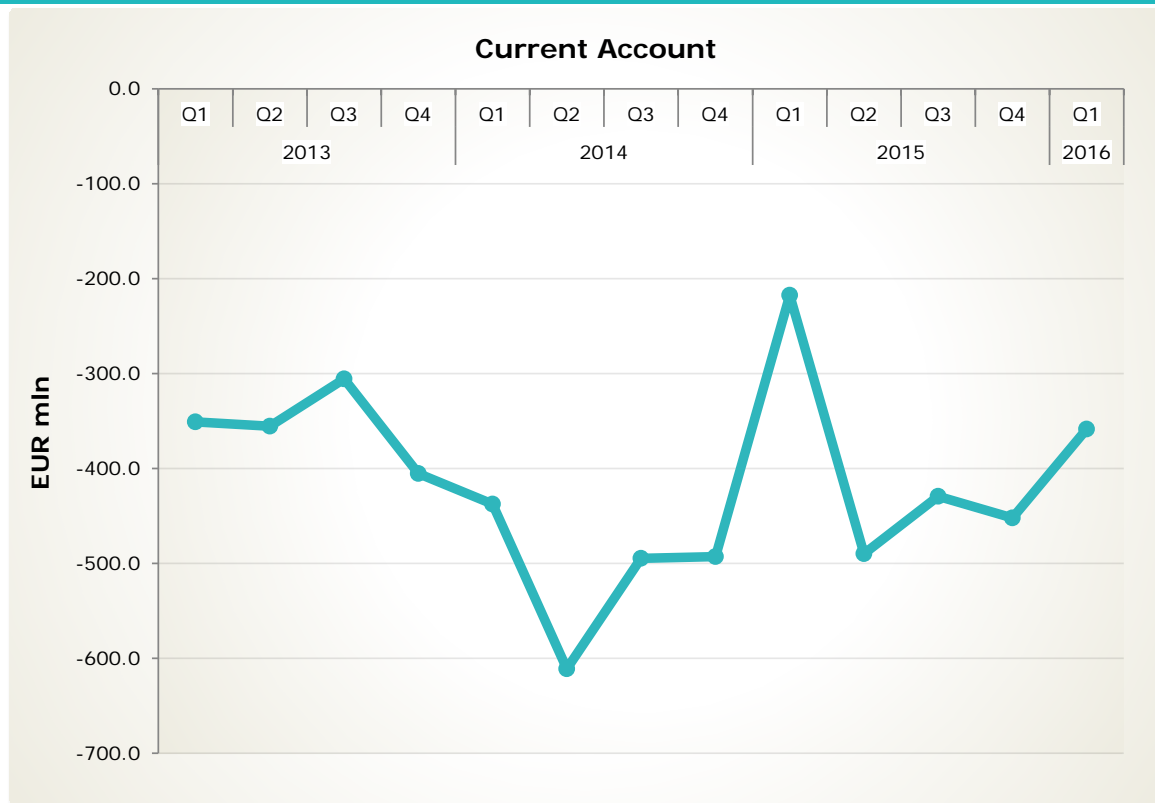
Source: CBBH

## 7.2. BALANCE OF PAYMENTS

### *Current account gap at BAM 358.6 mln in Q1 2016*

The current account gap narrowed to BAM 358.6 mln in Q1 2016 from BAM 217.4 mln in Q1 2015, according to central bank statistics data.

The net secondary income declined to BAM 760.0 mln from BAM 866.6 mln.



Source: CBBH

### 7.3. FDI

#### Net FDI inflow at BAM 253.3 mln in Q4 2015

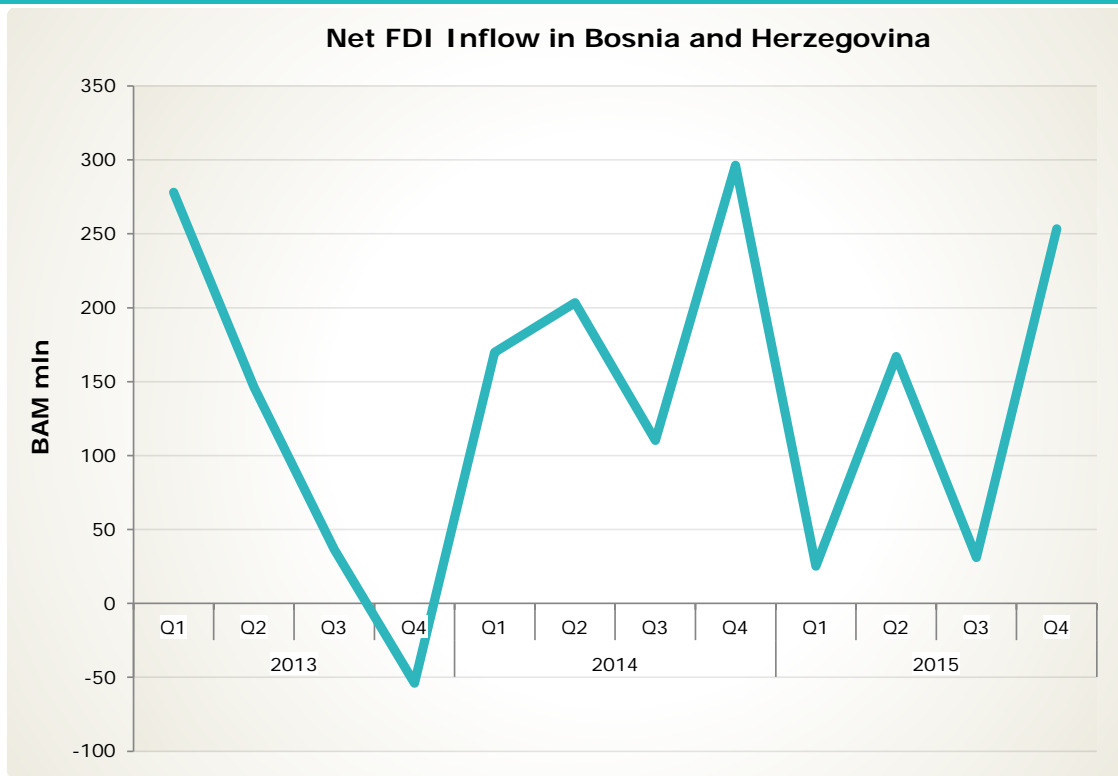
*\*Data for Q1 2016 was not available as of the date of the preparation of this report.*

Net Foreign Direct Investments (FDI) inflow in Bosnia and Herzegovina totalled BAM 253.3 mln in the fourth quarter of 2015, according to CBBH data.

The FDI slumped by 14.5% compared to the corresponding period of the previous year and their share in the country's GDP fell to 3.8%.

In Q4 2015, Croatia was the biggest foreign investor in the country with direct investments of BAM 151.7 mln, Netherlands came second with BAM 61.8 mln and Italy came third with BAM 33.7 mln.

Financial service activities, except insurance and pension funding was the most attractive sector for foreign investors with FDI of BAM 119.4 mln, well ahead of and manufacture of chemicals and chemical products with BAM 32.2 mln and retail trade , except of motor vehicles and motorcycles with BAM 25.1 mln.



Source: CBBH

## 7.4. FOREIGN TRADE

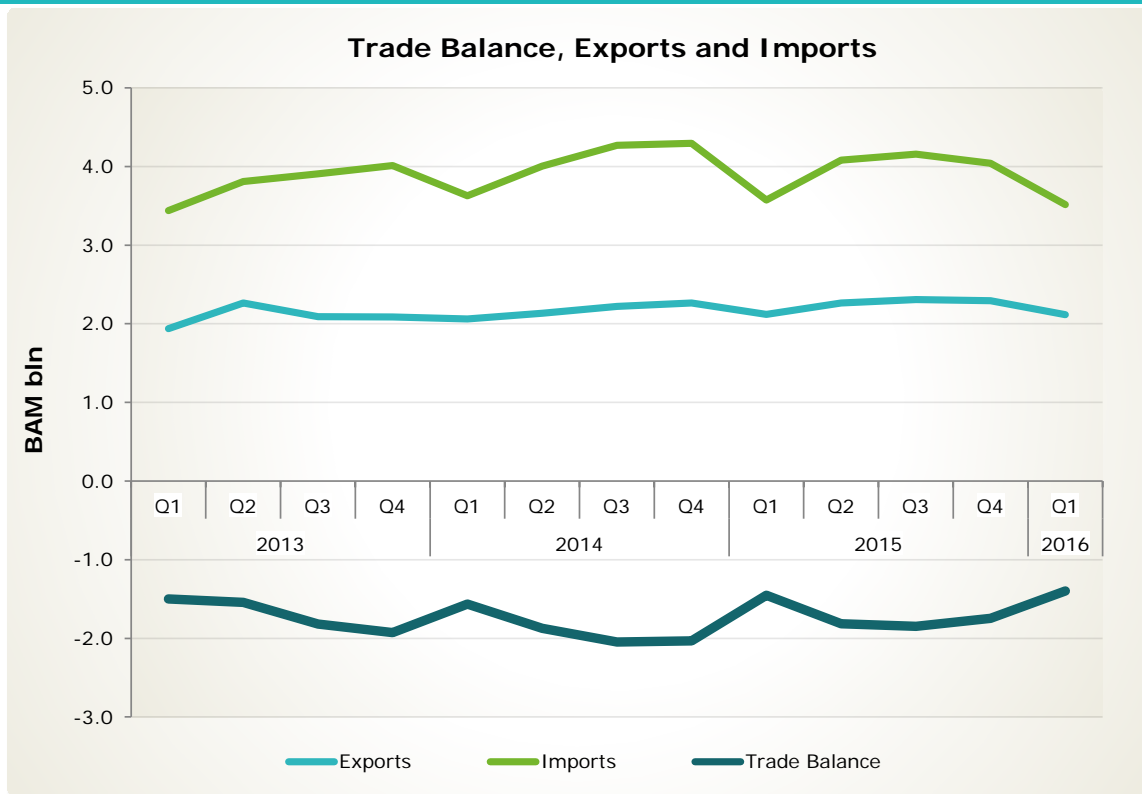
### Foreign trade deficit at BAM 1.398 bln in Q1 2016

The trade deficit gap shrank to BAM 1.398 bln in Q1 2016 from BAM 1.451 bln in Q1 2015, according to BHAS.

In Q1 2016, the leading sector in terms of export value was manufacture of furniture, accounting for 11.6% of the total, followed by manufacture of basic metals, with a 9.7% share, and manufacture of leather and related products with a 8.6% share.

In terms of imports, the main goods were manufacture of food products, which made up 11.2% of the total, followed by manufacture of chemicals and chemical products, slicing a 8.7% share, and manufacture of motor vehicles, trailers and semi-trailers, which had a 7.2% share.





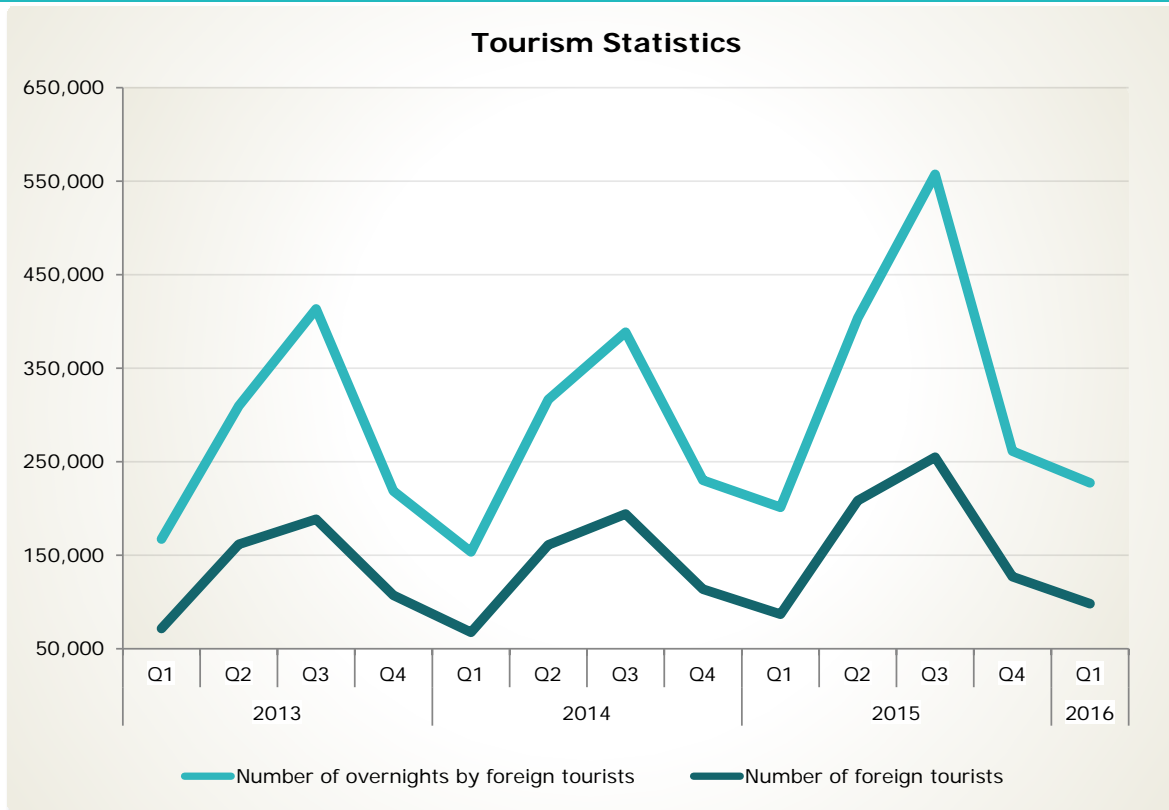
Source: BHAS

## 7.5. TOURISM

### *Number of foreign tourist overnights soared by 13.0% y/y in Q1 2016*

Tourist overnights of foreigners in Bosnia and Herzegovina jumped by 13.0% to 227,226 in Q1 2016, according to BHAS. The share of foreign tourists in the total overnights in the country accounted for 62.1% in Q1 2016, versus 59.1% in Q1 2015.

Following the rise in foreign tourist overnights, the number of foreign citizens who visited the country also grew, by 13.1% y/y to 98,206.



Source: BHAS

FOR MORE MACROECONOMIC, INDUSTRY AND ON DEMAND RESEARCH AND ANALYSES, AS WELL AS COMPANY DATA VISIT [SEENEWS.COM](http://SEENEWS.COM)

---

**DISCLAIMER:**

Whilst the information contained in this Profile has been given in good faith and every effort has been made to ensure its accuracy, SeeNews cannot guarantee the accuracy of this information and hereby expressly disclaims any responsibility for error, misinterpretation and any and all loss, disappointment, negligence or damage caused by reliance on the information contained in the Profile or any failure or alleged failure in the delivery of the Service referred to herein, or in the event of bankruptcy, liquidation or cessation of trade in any company, individual or firm referred to herein. Confirmation of the information accuracy should be sought from the establishments concerned. Unless otherwise stated, the copyrights and any other rights in all material on this site are owned by SeeNews. Use of this Profile is provided by SeeNews

subject to the following Terms and Conditions:

1. Use of this Profile constitutes your acceptance of these Terms and Conditions which take effect when you first use this Profile. SeeNews reserves the right to change these terms and conditions at any time by posting changes on line. You are responsible for reviewing regularly information posted on line to obtain timely notice of such changes. Your continued use of the Profile after changes are posted constitutes your acceptance of this agreement.
2. Neither SeeNews nor other related parties, whilst endeavouring to provide 24/7 availability, will be held liable if for any reason the Profile is unavailable at any time.
3. Access to this Profile may be suspended temporarily or permanently and without notice.
4. Whilst SeeNews endeavours to ensure that the information on this site is correct and up-to-date, no warranty, express or implied, is given as to its accuracy and SeeNews does not accept any liability for error or omission.
5. Part of this Profile contains materials submitted to SeeNews by third parties. Third parties are responsible for ensuring that materials submitted for inclusion on this Profile complies with national and relevant international law. SeeNews cannot guarantee the accuracy of this material and hereby expressly disclaims any responsibility for error, omission or inaccuracy in the material, misinterpretation and any all loss, disappointment, negligence or damage caused by reliance on the information contained in the Profile or any failure or alleged failure in the delivery of the services referred to herein, or in the event of bankruptcy, liquidation or cessation of trade of any company, individual or firm referred to herein. Confirmation of the information accuracy should be sought from the establishments concerned or from SeeNews upon explicit request.
6. SeeNews shall not be liable for any damages (including, without limitation, damages for loss of business or loss of profits) arising in contract, tort or otherwise from the use of or inability to use this Profile, or any data contained in it, or from any action or decision taken as a result of using this Profile or any such information.
7. SeeNews accepts no responsibility for the content of any site to which a hypertext link from this Profile exists. Such links are provided for your convenience on an "as is" and "as available" basis with no warranty, express or implied, for the information provided within them.
8. If any of these terms should be determined to be illegal, invalid or otherwise unenforceable by reason of the laws of any state or country in which these terms are intended to be effective, then to the extent and within the jurisdiction in which that term is illegal, invalid or enforceable, it shall be severed and deleted from the clause concerned and the remaining terms and conditions shall remain in full force and effect and continue to be binding and enforceable.
9. By accessing and reading any part of this Profile, you should have accepted these Terms in full.

**Copyright**

All rights reserved. Downloads and print extracts of SeeNews content are allowed for personal and non-commercial use only. Re-publication or re-distribution of content, including by framing, is strictly prohibited without the prior written consent of SeeNews.