

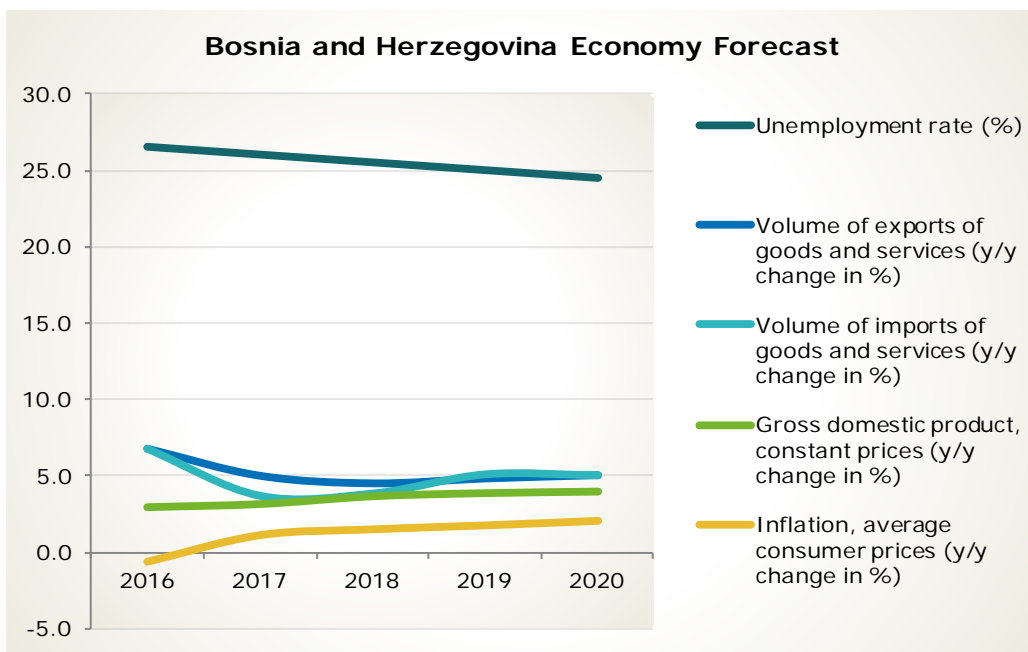
BOSNIA AND HERZEGOVINA ECONOMY REPORT
2015

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1. MACROECONOMIC SNAPSHOT AND FORECAST

BOSNIA AND HERZEGOVINA – MACROECONOMIC SNAPSHOT AS OF END-2015	
GDP Growth	3.2% y/y
Industrial output	2.6% y/y
Wholesales	-0.2% y/y
Retail sales	6.7% y/y
Average annual inflation	-0.1%
Unemployment rate	43.2%
Number of building permits	6.9% y/y
Money supply growth	8.0% y/y
Household loans	4.8% y/y
BIRS blue-chip index	-4.1% y/y
SASX-10 blue-chip index	-1.1% y/y
Government external debt	BAM 8.691 bln
Current account gap	BAM 1.589 bln
Net FDI inflow	BAM 218.9 mln (Jan-Sep 2015)
Foreign trade deficit	BAM 6.864 bln
Number of foreign tourist overnights	31.0% y/y



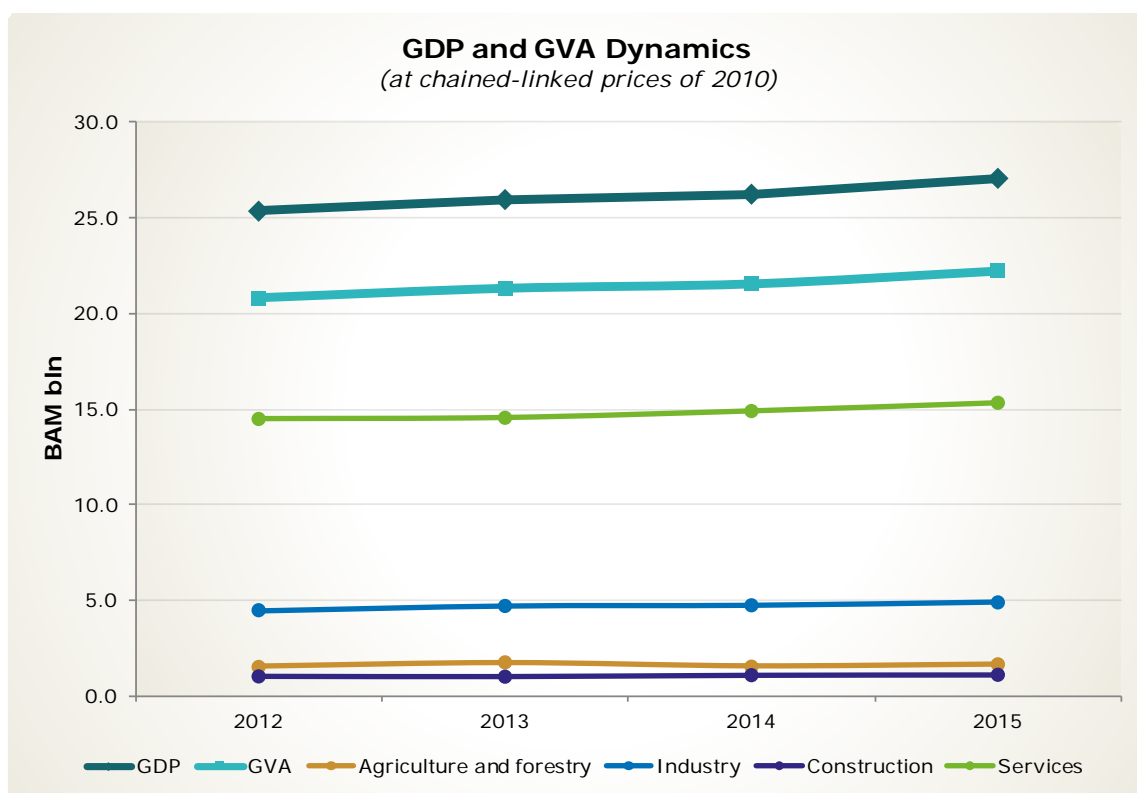
Source: International Monetary Fund (IMF) World Economic Outlook Database – April 2016

2. REAL SECTOR

2.1. GROSS DOMESTIC PRODUCT (GDP)

GDP went up by a real 3.2% y/y in 2015, compared to a 1.1% y/y growth a year ago

The country's real annual GDP growth was 3.2%, totalling BAM 27.053 bln in 2015, 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 3.2% y/y in 2015 and totalled BAM 22.214 bln. The industrial sector grew by 3.2% but its share in the GVA structure remained at 22.0%. The services sector recorded a 2.9% annual increase, slicing a 69.0% share in the GVA, compared to 69.2% a year ago. The agricultural sector registered an annual rise of 7.9%, thus increasing its share in the GVA to 7.5%, from 7.2%. The construction sector grew by 1.9% but its GVA share fell to 5.0% from 5.1%.

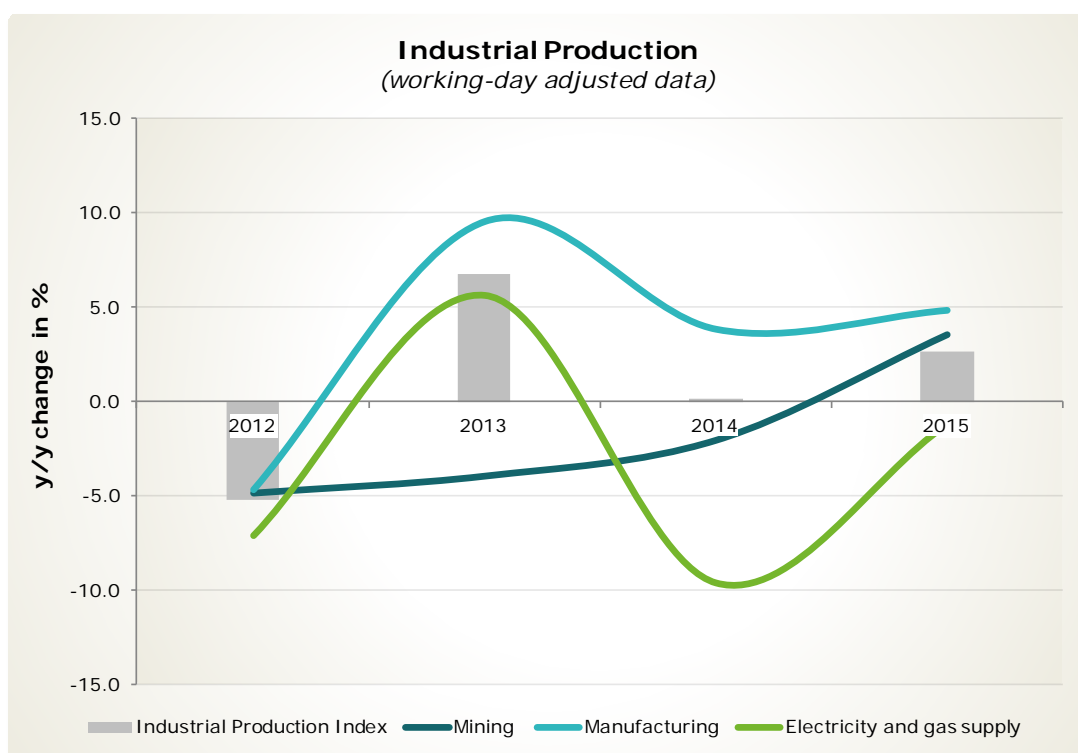
2.2. INDUSTRIAL OUTPUT

Industrial output up 2.6% y/y in 2015

Industrial output went up by 2.6% on the year in 2015, according to BHAS data. The output of the manufacturing industry rose by 4.8%, followed by mining with 3.5%, while the output of the electricity and gas supply declined by 1.2%.

Manufacture of furniture was the segment to report the highest annual production growth, of 27.0%, followed by manufacture of paper and paper products, with 23.5%, and manufacture of wearing apparel, with an annual production growth of 14.2%.

The segments which registered the sharpest annual drop in 2015 were manufacture of other transport equipment, and manufacture of computer, electronic and optical products, each with a 19.3% drop, and manufacture of tobacco products with a 12.6% fall.



Source: BHAS

2.3. WHOLESALE/RETAIL

Retail grew y/y in Q4 2015, while wholesale recorded a slight decrease

Retail sales, except of motor vehicles and motorcycles, went up, by 6.7% y/y in the fourth quarter of 2015, while wholesale trade inched down by 0.2%, according to BHAS data.

Wholesale of information and communication equipment marked the highest annual increase, of 41.8% y/y, while wholesale on a fee or contract basis experienced the sharpest annual drop, of 14.4%.



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

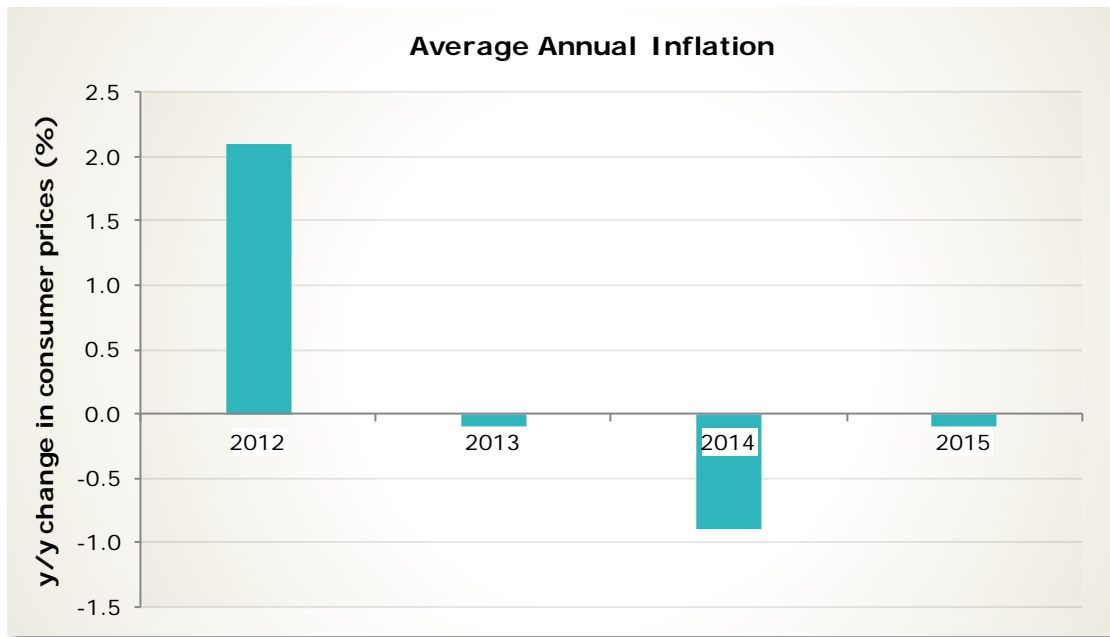
2.4. INFLATION

Average annual deflation of 0.1% in 2015

Bosnia and Herzegovina registered average annual deflation of 0.1% in 2015, according to BHAS.

In 2015, the highest annual decrease in consumer prices was registered in operation of personal transport equipment, of 9.5%, followed by clothing, and footwear, which got cheaper by 8.3% and 5.3%, respectively.

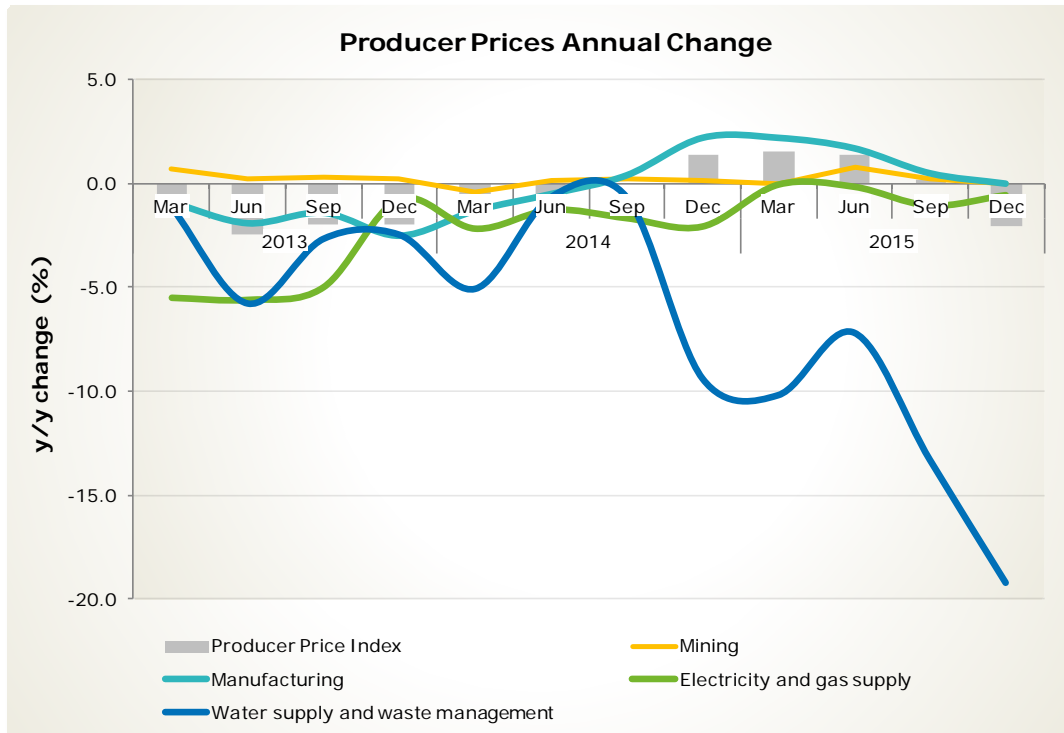
The consumer groups that recorded inflation were led by tobacco with 9.2%, education not definable by level with 6.1%, and package holidays with 5.8%.



Source: BHAS

Producer prices went down by 2.1% y/y in 2015 due to the 19.2% drop of water supply prices. Electricity and gas supply prices also narrowed, by 0.6%, while producer prices in mining and manufacturing remained unchanged.

Segment wise, producer prices dropped the sharpest, by 19.2%, in the waste management and recycling sector, while the biggest increase, of 8.7%, was registered by manufacture of food products.



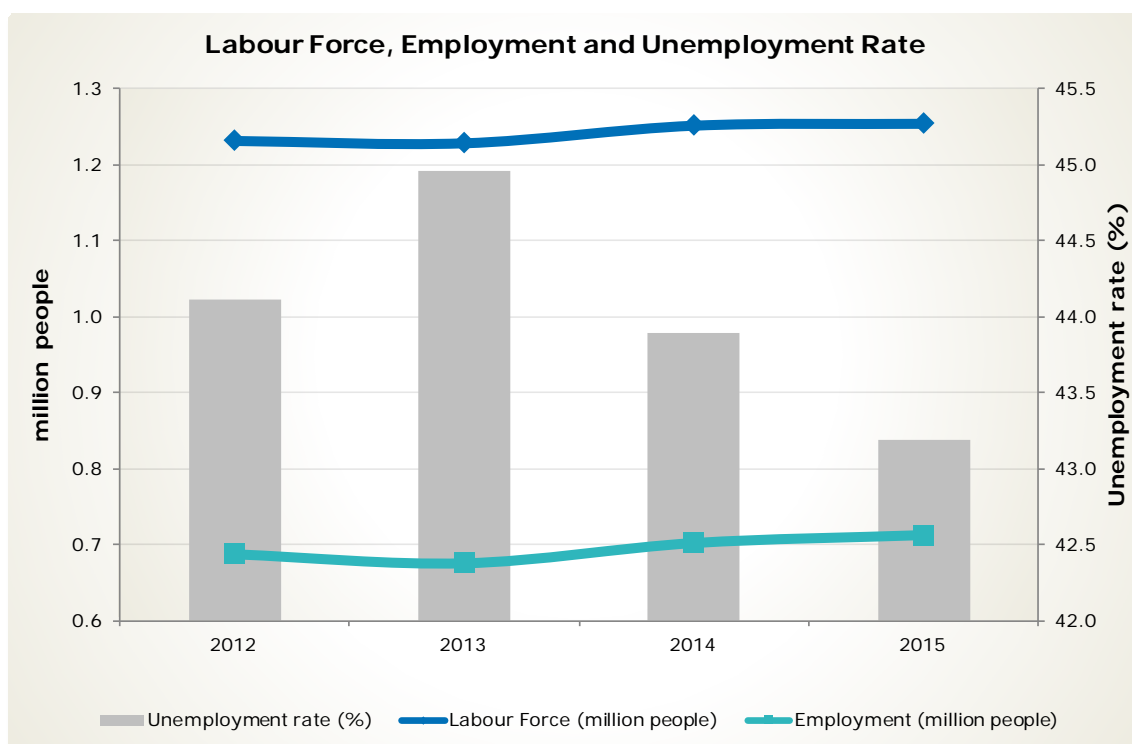
Source: BHAS

3. LABOUR MARKET

Unemployment rate went down to 43.2%, wages inch up y/y in 2015

Unemployment in Bosnia and Herzegovina narrowed to 43.2% of the total labour force in 2015 from 43.9% in the previous year, according to data of BHAS.

The employed population aged 15 years and older was 712,714 in 2015, up by 1.5% y/y.



Source: BHAS

The average monthly net salary in 2015 inched up to BAM 831 in comparison to the BAM 830 in 2014.

4. CONSTRUCTION AND REAL ESTATE

The number of building permits increased by 6.9% y/y in 2015

The number of building permits, excluding such for civil engineering works, issued in Bosnia and Herzegovina in 2015 increased by 6.9% y/y, totalling 2,736, according to BHAS data.

The total built-up area of the housing buildings, covered by the permits, jumped to 400,199 sq m from 320,858 sq m.

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 1.76260 in 2015 from BAM 1.47401 in 2014, according to the Central Bank of Bosnia and Herzegovina (CBBH).

Average Annual BAM Exchange Rate				
Foreign Currency	2015	2014	2013	2012
USD	1.76260	1.47401	1.47355	1.52266
GBP	2.69447	2.42632	2.30443	2.41227
CHF	1.83291	1.61033	1.58932	1.62269
EUR*	1.95583	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.

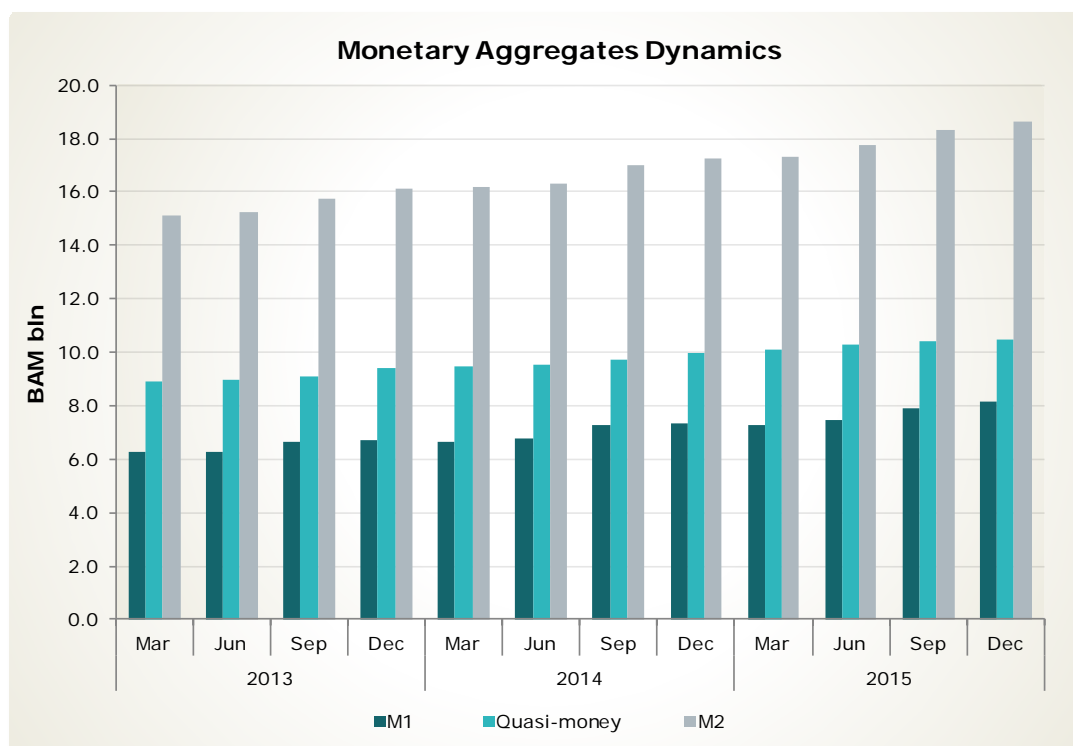
5.2. MONETARY AGGREGATES

Money supply growth was 8.0% y/y as of December 2015

Broad money, money aggregate M2, in Bosnia and Herzegovina increased by 8.0% y/y and reached BAM 18.647 bln in December 2015, 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 5.1% to BAM 10.466 bln.

Money aggregate M1, or narrow money, jumped by 11.9% to BAM 8.181 bln.



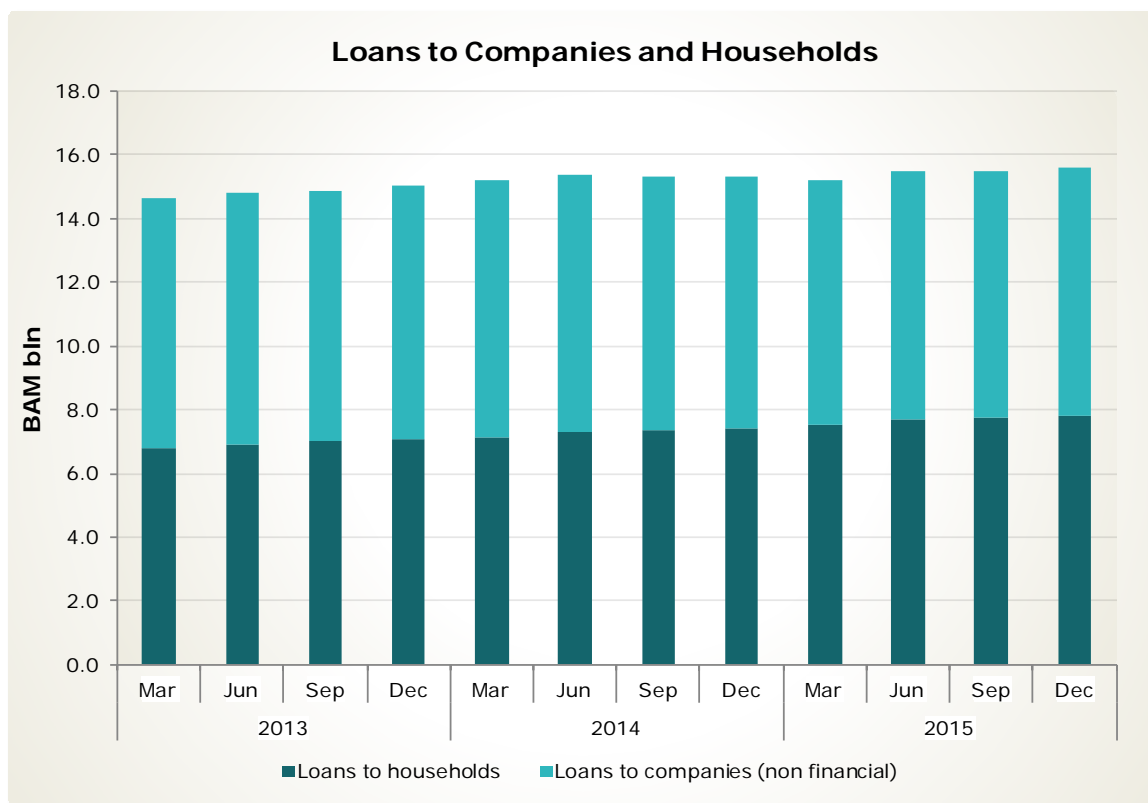
Source: CBBH

5.3. BANKING AND INSURANCE

Household loans increased by 4.7% y/y in September 2015

Loans to the non-government and financial sector totalled BAM 15.247 bln as of December 2015, up by 2.4% y/y, according to CBBH.

Loans to non-financial corporations inched down by 0.6% to BAM 7.815 bln, while household loans rose by 4.8% y/y to BAM 7.784 bln. House purchasing loans went up by 24.4% to BAM 1.518 bln. Consumer loans jumped by 28.5% to BAM 5.664 bln.



Source: CBBH

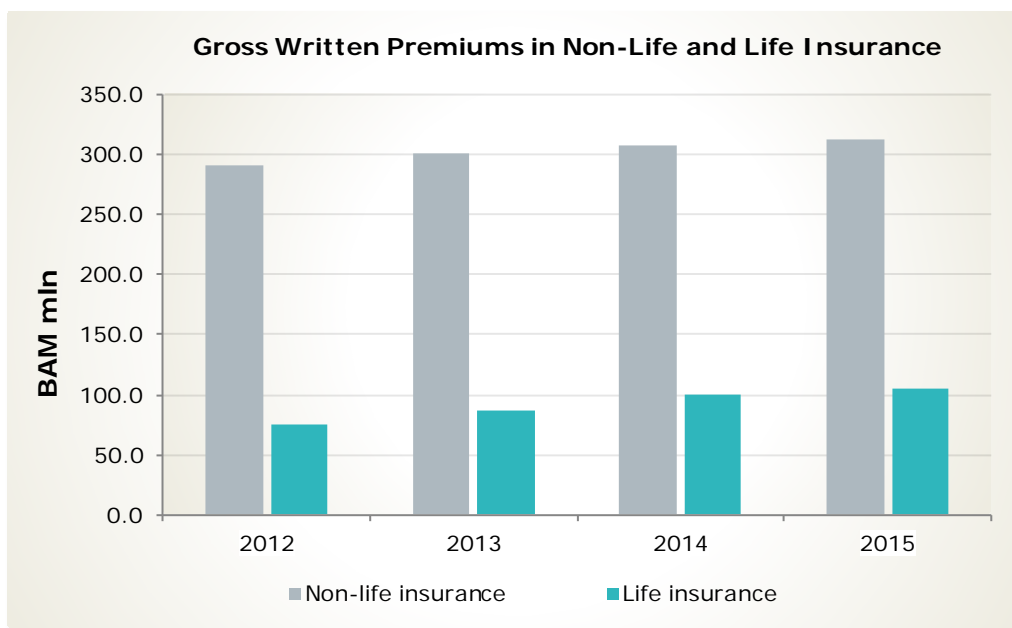
Insurance premium income up 2.7% y/y in 2015

The total gross written premiums (GWP) of the non-life and life insurance companies in Bosnia and Herzegovina stood at BAM 417.3 mln, up by 2.7% y/y in 2015, according to the Insurance Supervisory Agency of Federation of Bosnia and Herzegovina (NADOS).

The growth was fuelled by the 6.0% growth, to BAM 105.2 mln, of the life insurance segment and the 1.6% rise, to BAM 312.1mln, of non-life insurance.

In the non-life insurance sector the highest annual rise of gross written premiums was registered in the warranty insurance, where premiums jumped by 62.5% to BAM 131,831. Insurance of railway rolling stock was on the other end with no registered premium income in 2015, compared to BAM 36,504 in 2014.

The standard life insurance policies, which accounted for 92.4% of the total GWP of the life insurance segment in 2015, reached BAM 97.270 mln versus BAM 90.665 mln in the previous year.



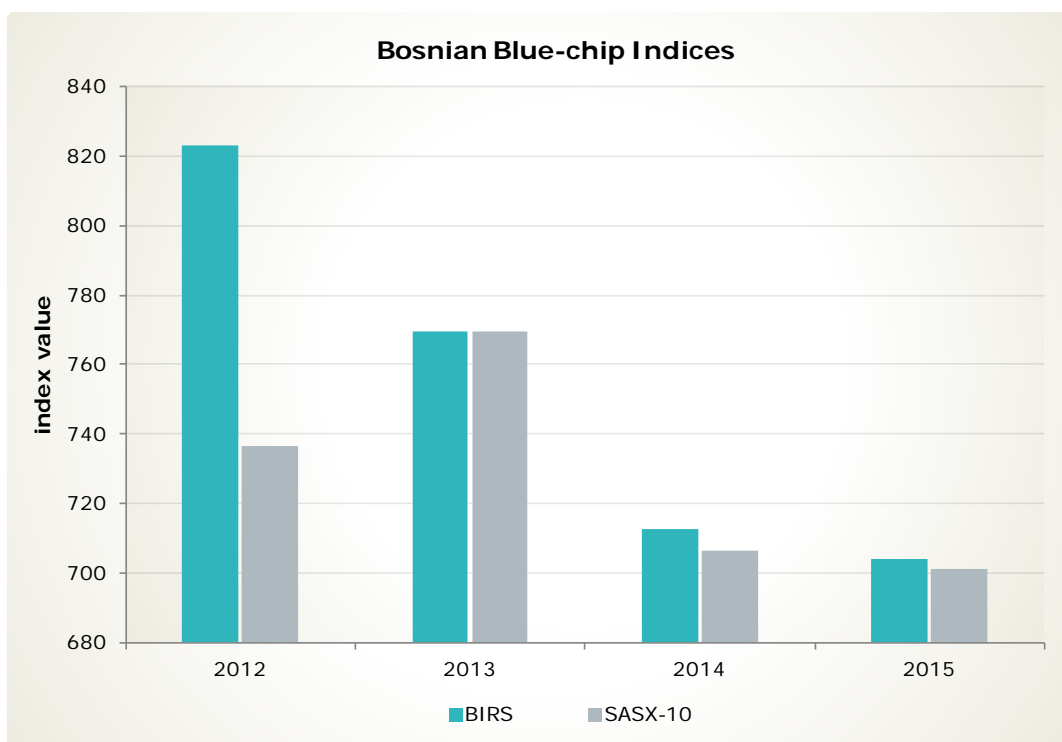
Source: NADOS

6. CAPITAL MARKETS

Blue-chip BIRS down 1.2%, SASX10 down 0.8% y/y in 2015

The average annual value of BIRS, the blue-chip index of the Banja Luka Stock Exchange (BLBerza), decreased by 1.2% in 2015 compared to the previous year, according to BLBerza data.

SASX10, the blue-chip index of the Sarajevo Stock Exchange (SASE), also registered an annual decline, of 0.8%.



Source: BLBerza, SASE

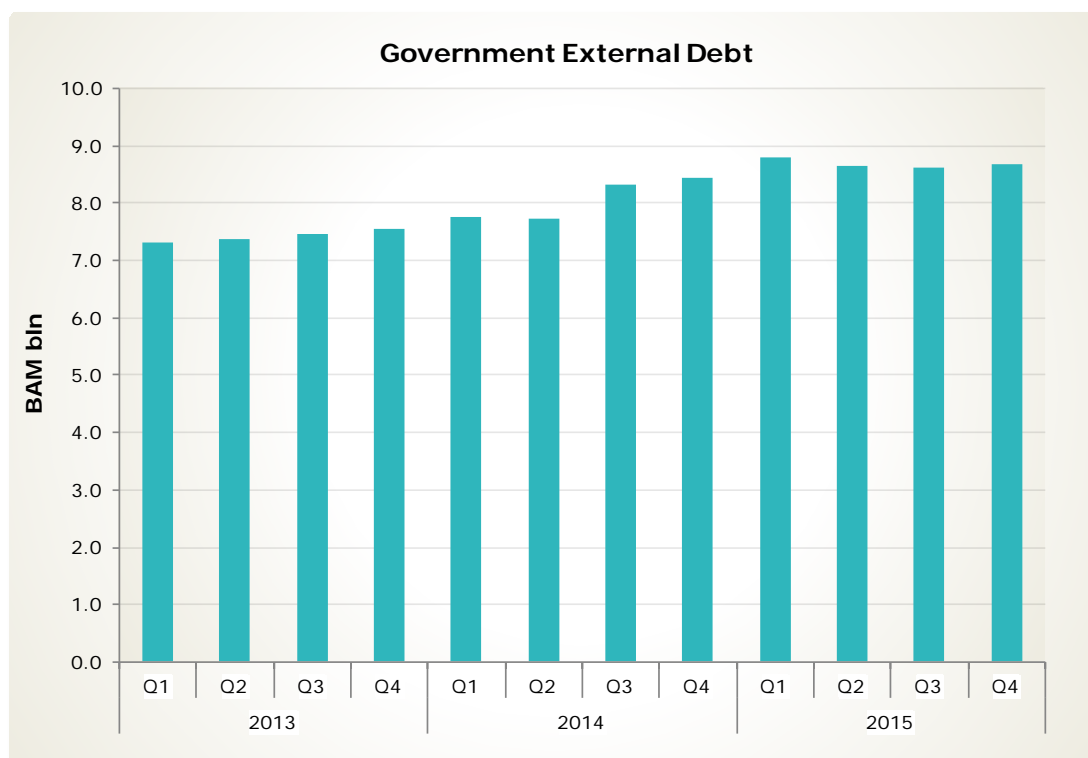
7. EXTERNAL SECTOR

7.1. FOREIGN DEBT

Government external debt grew y/y to BAM 8.691 bln in 2015

The total external government debt amounted to BAM 8.691 bln in Q4 2015, up by 2.9% on the year, according to CBBH data. In comparison to Q3 2015, the government external debt grew by BAM 77.9 mln.

Bosnia and Herzegovina's main foreign creditors as of Q4 2015 were World Bank's International Development Association (IDA), the European Investment Bank, and IMF, which accounted for 52.0% of the total government external debt.



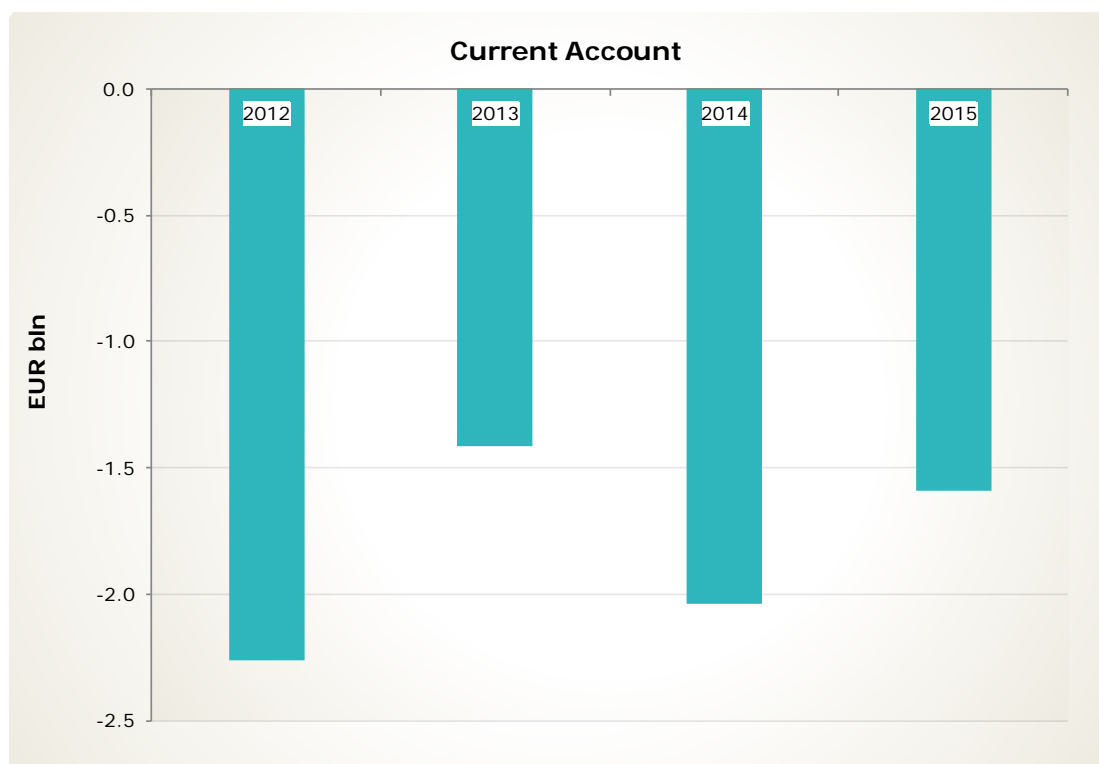
Source: CBBH

7.2. BALANCE OF PAYMENTS

Current account gap at BAM 1.589 bln in 2015

The current account gap narrowed to BAM 1.589 bln in 2015 from BAM 2.036 bln in the previous year, according to central bank statistics data.

The net secondary income declined to BAM 3.557 bln from BAM 3.971 bln.



Source: CBBH

7.3. FDI

Net FDI inflow at BAM 218.9 mln in Jan-Sep 2015*

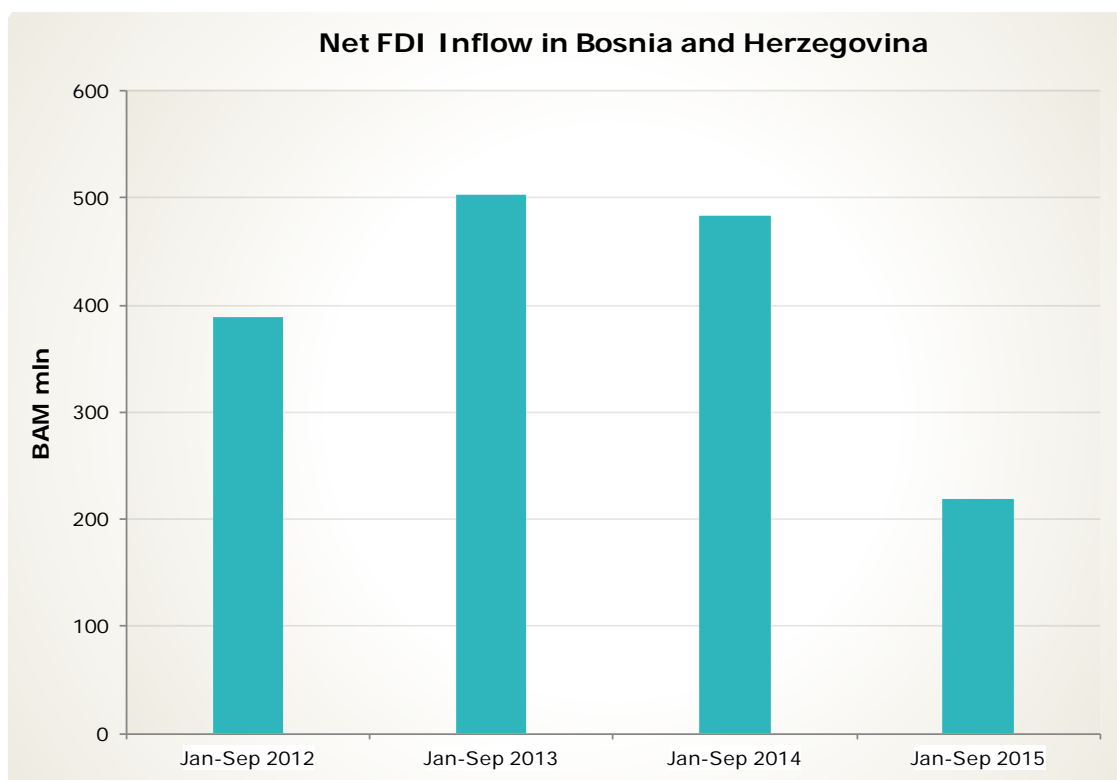
**Data for 2015 was not available as of the date of the preparation of this report.*

Net Foreign Direct Investments (FDI) inflow in Bosnia and Herzegovina totalled BAM 218.9 mln in the first nine months of 2015, according to CBBH data.

The FDI slumped by 54.8% compared to the corresponding period of the previous year and their share in the country's GDP fell to 2.9% from 6.7%.

In Jan-Sep 2015, Austria was the biggest foreign investor in the country with direct investments of BAM 65.8 mln, Luxembourg came second with BAM 65.3 mln and Turkey came third with BAM 48.8 mln.

Telecommunications was the most attractive sector for foreign investors with FDI of BAM 66.2 mln, well ahead of management consultancy activities with BAM 46.8 mln and financial service activities, except insurance and pension funding with BAM 42.0 mln.



Source: CBBH

7.4. FOREIGN TRADE

Foreign trade deficit at BAM 6.864 bln in 2015

The trade deficit gap shrank to BAM 6.864 bln in 2015 from BAM 7.517 bln in 2014, according to BHAS.

In 2015, the leading sector in terms of export value was manufacture of basic metals, accounting for 18.4% of the total, followed by machinery and electrical equipment with an 11.3% share, and manufacturing of miscellaneous goods with an 11.2% share.

In terms of imports, the main goods were mineral products, which made up 14.2% of the total, followed by machinery and electrical equipment, slicing a 13.9% share, and chemical products, which had a 9.9% share.



Source: BHAS

7.5. TOURISM

Number of foreign tourist overnights soared by 31.0% y/y in 2015

Tourist overnights of foreigners in Bosnia and Herzegovina jumped by an annual 31.0% to 1,425,761 in 2015, according to BHAS. The share of foreign tourists in the total overnights in the country accounted for 66.5% in 2015, versus 63.6% in 2014.

Following the rise in foreign tourist overnights, the number of foreign citizens who visited the country also grew, by 26.5% y/y to 678,271.



Source: BHAS

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