Bosnia and Herzegovina Country Report - Issue 2, 2016

Description:
This report covers the main macroeconomic releases from February 6 until March 5, 2016 as well as the financial and political events that took place in Bosnia during this period.

Bosnia & Herzegovina formally applied on February 15 to join the European Union after several months of delay. The country hopes to get a European Union candidate status in 2017, according to Mladen Ivanic, member of the country's tripartite presidency.

The president of Bosnia & Herzegovina's smaller entity, Republika Srpska, has put on hold plans for a controversial referendum on the authority of the state-level judicial institutions. The move was seen by local analysts and politicians as a climbdown by president Milorad Dodik following heavy international pressure.

The Council of Europe's Group of States against corruption (GRECO) criticised Bosnia for the delays in its anti-corruption reform agenda, which were a consequence of the lack of political will and of the fragmented and uncoordinated institutional framework.

Bosnia is expected to launch tenders for the construction of two stretches along the international transport Corridor Vc, worth €105mn. Turkish private company Capital Group plans to invest €300mn in the construction of photovoltaic power stations in Bosnia.

The European Broadcasting Union (EBU) said it has called for joint actions with the European Union to prevent the financial collapse of Bosnia's public broadcaster, BHRT.

Key points:
- CPI deflation softened to 0.8% y/y in January
- The retail sales, measured at constant prices, increased by 7.7% y/y in January
- The foreign trade gap narrowed 15.3% y/y to BAM282.8mn (€144.5mn) in January

Contents:
1. Executive Summary
2. Real Sector
   2.1. Inflation
   - Bosnia's CPI deflation narrows to 0.8% y/y in January
   - Bosnian Federation CPI deflation eases further in January
   - Bosnian Federation industrial PPI declines by 1.5% y/y in January
   - Bosnia's Republika Srpska CPI deflation eases in January
   - Bosnia's Republika Srpska industrial PPI inches down 0.2% y/y in January
2.2. Industry and Trade
   - Bosnia's retail sales growth slows to 7.7% y/y in January
   - Bosnian Federation's retail sales growth slows to 0.6% y/y rise in January
   - Bosnian Federation's industrial production turns to decrease in January
   - Bosnia's Republika Srpska retail sales rise 12.4% y/y in January
   - Bosnia's Republika Srpska Jan industrial production deepens annual decline
2.3. Tourism
   - Foreign tourist arrivals to Bosnia rise 26.5% y/y in 2015
   - Foreign tourist arrivals to Bosnian Federation rise 3.4% y/y in January
   - Bosnia's Republika Srpska reports 17.2% y/y increase in foreign tourist arrivals in January
2.4. Labour Market
   - Bosnia's average net wage ticks down 0.1% y/y in December
   - Decline of Bosnia's number of unemployed slows to 1.7% y/y in December – stats office
   - Bosnia's registered unemployment rate rises to 42.9% in December
   - Bosnian Federation real net wage rises 0.9% y/y in December
   - Bosnia's Republika Srpska real wage growth holds at 1.4% y/y in January
3. Fiscal Sector, Monetary Policy
- Bosnia raises excise duties on fuels, beer and cigarettes
- Bosnia's indirect tax revenue rises 2.1% y/y to €496.5mn through February
- Bosnian Federation to borrow €454.5mn from international sources in 2016
- Bosnia's Republika Srpska raises €11.3mn from 3-year T-bonds
- Bosnia's Republika Srpska sells one-month T-bills worth €14.6mn
- Bosnia's Republika Srpska sells out €10.2mn 7-year T-bonds
- Bosnia's Republika Srpska 2-mo public revenues fall 5.0% y/y

4. Financial Intermediation
- Bosnia's FX reserves growth slows to 10% y/y at end-December
- Bosnia's M1 money supply growth boosts to 11.9% y/y at end-December
- Bosnia's bank deposits grow 7.5% y/y at end-December
- Bosnia's bank assets rise 3.7% y/y in December

5. External Sector
- Bosnia's January foreign trade deficit narrows 15.3% y/y
- Bosnian Federation's January foreign trade gap narrows 12% y/y to €109.6mn
- Bosnia's Republika Srpska foreign trade deficit sinks 31% y/y in January

6. Structural Reforms, Corporate Plans
- Bosnia to launch tenders for Vc motorway stretches in H1 – EBRD
- Turkey's Capital Group wants to invest €300mn in Bosnian renewable energy projects
- Bosnia's public broadcaster faces financial collapse
- IMF reportedly seeks bankruptcy for Bosnia's Banka Srpske as condition for new deal
- Bosnia, IMF in final talks on new deal

7. Politics
- Bosnia hopes to get EU candidate status in 2017
- President of Bosnia's Republika Srpska puts referendum on hold
- Spat erupts as Bosnia prepares to apply for EU membership
- Bosnia's Republika Srpska urges central govt to abandon key document ahead of EU membership application
- Bosnia formally applies for EU membership
- Bosnian court replaces detention of top politician Radonic with house arrest
- President of Bosnia's Republika Srpska hit by loan scandal
- Bosnia's prosecution claims top politician Radonic violates house arrest
- GRECO urges Bosnia to speed up anti-corruption reform
- Bosnian court returns top politician Radonic to detention

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