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

Bosnia & Herzegovina has pledged to undertake a number of reforms aiming to improve fiscal and banking stability in order to strike a new deal with the International Monetary Fund (IMF), according to the country's letter of intent that is yet to be signed by two of three authorities.

Meanwhile, Bosnia & Herzegovina failed to send a properly signed letter of intent to the International Monetary Fund (IMF) by the deadline that expired on July 21, losing the chance to sign a new agreement with the fund. Ten days later, on July 31, Bosnia sent a properly signed letter of intent to the IMF on July 31, clearing its way to sign a new agreement with the fund.

The use of €50mn in funding wired to Investment and Development Bank (IRB) - the state development bank of Bosnia & Herzegovina's smaller entity, Republika Srpska - from the European Investment Bank (EIB) is being investigated.

The government of Bosnia & Herzegovina's smaller entity – Republika Srpska – has adopted a special law on analysing and announcing its own version of the 2013 census results. The entity refused to acknowledge the results announced by the state-level statistics office on June 30, claiming that the methodology used for processing of the data was wrong.

While thousands of Bosnians gathered to commemorate the victims of the Srebrenica massacre on July 11, many Bosnian Serbs including top politicians still deny that this was the bloodiest massacre since the Holocaust. The genocide was not marked by officials in Republika Srpska – the Serb-dominated smaller entity that makes up Bosnia & Herzegovina together with the Muslim-Croat Federation.

Key points:
- CPI deflation held at .5% y/y in June
- The retail sales, measured at constant prices, increased by 3.5% y/y in May
- The foreign trade gap narrowed 2.1% y/y to BAM3.2bn (€1.6bn) in the first half of 2016

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1. Executive Summary
2. Real Sector
2.1 GDP
   - Bosnia's GDP growth holds at 2.1% y/y in Q1
   - GDP growth in Bosnia's Republika Srpska cools to 2.2% y/y in Q1
2.2 Inflation
   - Bosnia's CPI deflation stays at 1.5% y/y in June
   - Bosnia's industrial producer prices flatten in June
   - Bosnian Federation's industrial PPI declines by 2% y/y in June
   - Bosnian Federation's CPI deflation eases to 1.5% y/y in June
   - Deflation in Bosnia's Republika Srpska holds at 1.6% y/y in June
   - Industrial producer prices in Bosnia's Republika Srpska rise 3.3% y/y in June
2.3. Industry and Trade
   - Bosnia's retail sales growth slows to 3.5% y/y in May
   - Bosnian Federation's industrial production rises 8.5% y/y in June
   - Bosnian Federation's retail sales ease annual fall in June
   - Industrial production growth in Bosnia's Republika Srpska slows in June
   - Retail sales growth in Bosnia's Republika Srpska improves in June
2.4 Tourism
   - Foreign tourist arrivals in Bosnia rise 13.7% y/y through May
   - Bosnia's Republika Srpska reports 16.3% y/y increase in foreign tourist arrivals in H1
   - Foreign tourist arrivals to Bosnian Federation fall 7.9% y/y in June
2.5. Labour Market
- Bosnia's average net wage turns to growth in May
- Unemployment rate in Bosnia to fall to 25.4% in 2016, labour force survey shows
- Number of unemployed in Bosnia falls 3.4% y/y in May, statistics office says
- Bosnian Federation's real net wage rises 2.6% y/y in May
- Bosnia's registered unemployment rate falls to 41.7% in May
- Unemployment rate in Bosnia's Republika Srpska to reach 24.8% in 2016, survey shows
- Real wage grows 1.8% y/y in June in Bosnia's Republika Srpska

3. Fiscal Sector, Monetary Policy
- Bosnia's indirect tax revenue rises 1.75% y/y to €1.87bn
- Bosnian Federation's H1 public revenues rise 11.2% y/y
- Bosnian Federation's H1 budget revenue at 38% of end-year target
- Bosnia's Republika Srpska sells out €20.5mn 5-year T-bond issue
- Bosnia's Republika Srpska 7-mo public revenues fall 1% y/y

4. Financial Intermediation
- Bosnia's M1 money supply grows 11.5% y/y at end-May
- Bosnia's FX reserves grow 7.3% y/y at end-May
- Bosnia's bank assets slow annual growth in May to 3.7%
- Bosnian bank deposits grow 7.7% y/y at end-May

5. External Sector
- Bosnia's foreign trade deficit narrows 2.1% y/y in H1
- Bosnian Federation's H1 foreign trade gap expands 4%
- Bosnian Federation's public debt stays at €3.2bn in H1
- Foreign trade deficit in Bosnia's Republika Srpska narrows 17% y/y in H1

6. Structural Reforms, Corporate Plans
- Bosnia pledges to cut public sector, strengthen banking system to get IMF deal
- Bosnian Federation likely to further lower price for state's stake in Sarajevo Osiguranje
- IMF urges Bosnia to send letter of intent within days to get new loan deal
- EBRD lends Bosnia €65mn for road upgrades
- Serbia’s Delta Holding to build €60mn shopping centre in Bosnia
- Agram Group reportedly offers €10.2mn for Bosnian insurer Sarajevo Osiguranje
- Suspected misuse of EIB funds probed in Bosnia's Republika Srpska
- Bosnian parliament rejects legislation to save public broadcaster BHRT
- Bosnian Federation to offer stake in drug producer Bosnalijek on Sarajevo bourse
- Bosnian utility EPNBiH to launch project for new unit at Tuzla TPP by year-end
- Bosnia to lose out on new IMF deal after failing to send letter of intent
- Attempt to sell state's stake in Bosnian drug producer Bosnalijek fails on lack of bidders
- Bosnia clears way to much needed loan deal with IMF
- World Bank lends Bosnian Federation €58mn for road sector modernisation
- Russia bans imports from Bosnia on lack of production security
- Bosnian Federation offers state stake in tobacco maker Fabrika Duhana Sarajevo for sale

7. Politics
- Bosnian court says Republika Srpska's banking regulator illegally withholds data on Banka Srpske
- IMF delays new €550mn deal with Bosnia
- Bosnia's Republika Srpska reportedly to call referendum on banned Republic Day holiday
- Bosnia's Republika Srpska to announce own version of 2013 census results
- Srebrenica massacre commemoration reveals rift between Bosnian entities
- Bosnian's Republika Srpska could sign SAA adjustment, RS President Dodik says
- President of Bosnia's Republika Srpska sets referendum date for Sept 25
- Bosnia allows EU members to import duty-free agricultural products
- Constitutional court of Bosnia's Republika Srpska to rule on referendum, census results
- Bosnian Croats seek amendments before supporting coordination mechanism in parliament
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