

Bosnia & Herzegovina



Outlook

Domestic demand remains subdued and the credit market is not showing any signs of a clear and fast recovery. The IMF program is on course after the politically difficult reductions in war veterans' benefits were enacted. However, investment activity might be delayed until after October's general elections, which will be the main event of the year and will raise the political noise over the coming months.

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	Moody's	S&P	Fitch
Long-term foreign currency credit rating	B2 Stable	B+ Stable	-

MACROECONOMIC DATA AND FORECASTS

	2007	2008	2009	2010F	2011F
GDP (EUR bn)	11.1	12.6	12.1	12.3	12.6
Population (mn)	3.8	3.9	3.9	3.9	3.9
GDP per capita (EUR)	2,876	3,282	3,153	3,186	3,281
GDP (constant prices yoy %)	6.8	5.4	-3.5	-1.0	0.8
CPI (average, yoy %)	1.5	7.4	-0.4	2.1	2.2
Monthly wage, nominal (EUR)	458	568	616	620	633
Unemployment rate (%)	44.0	40.3	41.5	42.5	42.0
Budget balance (% of GDP)	-0.1	-4.0	-5.2	-4.5	-4.2
Current account balance (EUR bn)	-1.2	-1.9	-0.9	-0.8	-0.8
Current account balance (% of GDP)	-10.4	-15.1	-7.6	-6.3	-6.5
Net FDI (EUR bn)	1.5	0.7	0.4	0.5	0.5
FDI (% of GDP)	13.5	5.7	2.9	4.2	4.0
FX reserves (EUR bn)	3.4	3.2	3.2	3.1	3.1
(Cur.Acc-FDI)/GDP (%)	3.1	-9.4	-4.7	-2.1	-2.4
Exchange rate to USD eop	1.34	1.40	1.36	1.42	1.50
Exchange rate to EUR eop	1.96	1.96	1.96	1.96	1.96
Exchange rate to USD avg	1.43	1.33	1.40	1.41	1.47
Exchange rate to EUR avg	1.96	1.96	1.96	1.96	1.96

Source: UniCredit Research

STRENGTHS

- Significant support from International financial institutions
- Currency Board arrangement reduces policy uncertainty
- Foreign-owned banks are well capitalized

WEAKNESSES

- Election year complicates the already intricate political scene
- Domestic demand is remains weak
- Exports concentrated in commodities and steel