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Please note **change of date!**
wiiw's Spring Seminar 21013
will take place on
Thursday, 21 March 2013

The European Commission grossly underestimates the effects of German domestic demand expansion

BY LEON PODKAMINER

The European Commission's recent study 'Current Account Surpluses in the EU'[1] suggests that an expansion of domestic demand in Germany would have only negligible effects on the trade deficits of its EU partners. Rough calculations indicate that these effects may actually be larger by a factor of 5 or more.

The Commission's study suggests that a 1 per cent increase in German domestic demand would have practically no effect on the trade balances of Germany's partners. The most pronounced effect would, according to the Study, be observed in the Czech Republic whose trade balance would improve by around 0.1 per cent of Czech GDP. The trade balances in Spain, Italy and Portugal would improve by around 0.02 per cent of their respective GDP (pp. 108-109).

The Commission's conclusions follow from calculations according to which an increase in German domestic demand of 1 per cent in 2009 would have lowered (by means of increased German imports) the German trade surplus by 0.2 per cent of the German 2009 GDP. Already this ratio looks a bit suspicious. In 2009 the German import/domestic demand ratio stood at 0.438. Assuming a fixed import propensity (as in the Commission's study), a 1 per cent rise in domestic demand would have increased German imports (and lowered the trade surplus) by 0.44 per cent of GDP – double the key parameter in the Commission's study.

A more important question relates to the presumed constancy of the import/domestic demand ratio. A useful convention, starting with Houthakker and Magee (1969), has been to view the demand for imports as a constant-elasticity function of a country's income and its relative price level. According to this convention the demand for imports is not a fixed fraction of income (i.e. GDP).

According to a relatively recent IMF study (by Yi Wu, 2005)[2], the German income elasticity of imports was about 1.97 (p. 27). This estimate, based on a relatively long time series (1960-1998), was derived via Dynamic Ordinary Least Squares. Assuming that this estimate is still valid, a 1 per cent increase in German domestic demand would – approximately – generate additional imports equal to 2 per cent of GDP: ten times the Commission's estimate.

Using simple Ordinary Least Squares on more recent data (see the scatter plot below) one can establish a linear relationship between the logarithms (Log) of the volumes of German imports of goods and services and German domestic demand (as well as German exports of goods and services). For the whole period (1991-2011) one obtains:

Log (Imports) = 1.207* Log (Domestic Demand) + 0.687*Log (Exports) + constant

For the years 1995-2011 and 1999-2011 the domestic demand elasticity estimates are 1.245 and 1.247 respectively while the export elasticity estimates are 0.684 and 0.688 respectively.[3]

Of course, this formulation abstracts from the price effects. It ignores (as do the Commission's calculations) the fact that the price (and cost) levels in Germany have been declining relative to those of almost all German EU trading partners. Also, it cannot capture the effects of differential developments in the German deflators for domestic demand and imports.

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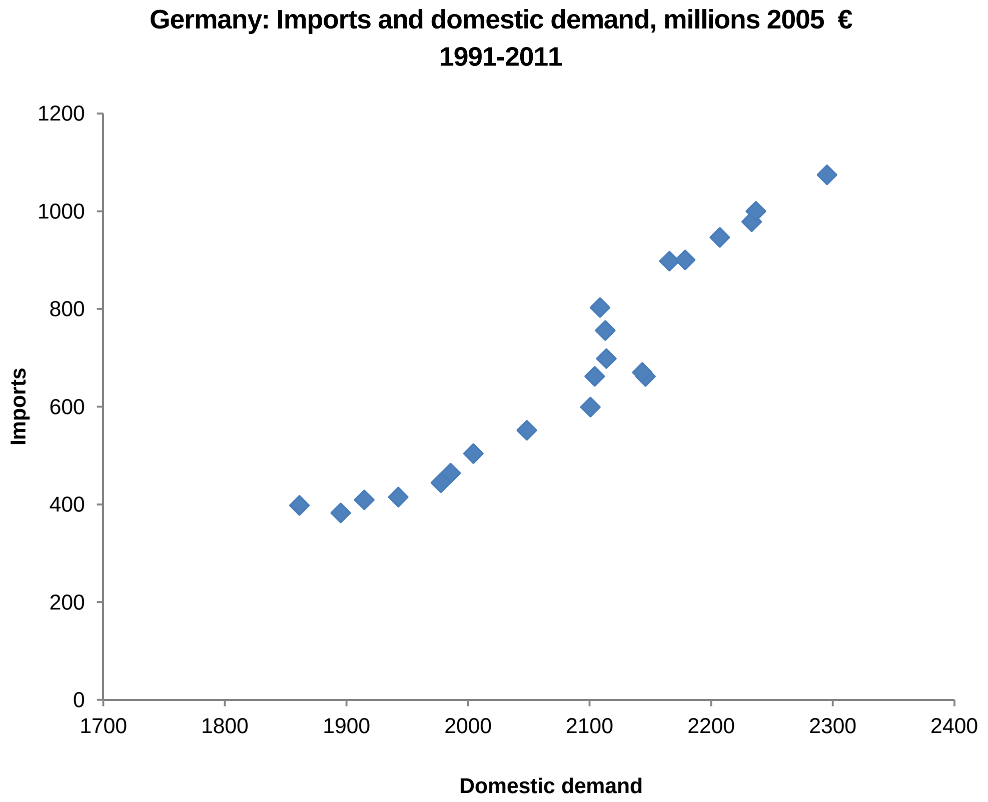
[1] http://ec.europa.eu/economy_finance/publications/european_economy/2012/pdf/ee-2012-9_en.pdf.

[2] http://www.imf.org/external/pubs/ft/wp/2005/wp0511.pdf.

[3] The regressions allow for first- and second-order serial correlation. In each case the heteroskedasticity-consistent standard errors are very small while the customary diagnostic tests are passed with flying colours. A more sophisticated estimation procedure (Vector Error Correction) delivers estimates (of the parameters of the long-run import function) virtually identical with those derived through the Ordinary Least Squares method.



The tentative conclusion is that a 1 per cent increase in German domestic demand could generate – ceteris paribus – imports well in excess of 1 per cent of German domestic demand. For 2009 the volume of additional imports generated by a 1 per cent increase in the volume of domestic demand would have been around 26-27 billion 2005 euro – way off the 4.6 billion euro implied by the Commission's study. Accordingly, the combined exports of Germany's trading partners would have risen by 26-27 billion euro rather than 4.6 billion. Their trade balances would then have improved much more significantly than suggested by the Commission. It does matter – for the EU as a whole – whether or not Germany sticks to its policy of repressing domestic demand (and wages).

References

Houthakker, H.S. and S.P. Magee (1969), 'Income and Price Elasticities in World Trade', *Review of Economics and Statistics*, Vol. 51, pp. 111-125.

Yi Wu (2005), 'Growth, Expansion of Markets, and Income Elasticities in World Trade', IMF Working Paper 05/11.

The new North-South divide in Europe – can the European convergence model be resuscitated?

BY MICHAEL LANDESMANN[*]

Introduction

Although global in character, the financial and economic crisis of 2008-2012 is on course to become a threshold event in the history of Europe's development and particularly with respect to its cross-country integration experience and policies. In this article the focus is on the implications that the crisis bears for the low- and medium-income economies of Europe comprising: the countries of Central, Eastern and Southeast Europe (CESEE), the GIPS countries (Greece, Italy, Portugal and Spain) as well as Turkey, the Ukraine, and Russia.

Over the years 2010 and 2011 it looked as if the European Union as a whole was recovering from the deep recession it had experienced in 2009. Nonetheless, the recovery was relatively muted, although Germany and a few other 'Northern' economies recorded reasonably high growth rates in both 2010 and 2011. Furthermore, data from the final quarter of 2011 onwards and for 2012 show a severe growth slowdown and even contracting output. The most recent forecasts predict negative growth (-0.3%) for the eurozone in 2012 and zero growth for the EU as a whole for the same year.[1] Very major downward revisions were made for the GIPS countries. The EC 2012 forecast is -4.7% for Greece (previously -2.8%), Spain -1.8% (previously +0.7%), Italy -1.4% (previously +0.1%) and Portugal -3.3% (previously -3.0%). Forecasts for countries in Central and Eastern Europe have also been substantially revised downwards.[2] The crisis in the eurozone can thus be seen to have taken a heavy toll on the GIPS countries and, as we shall argue in the course of this paper, will be doing so also on other countries of Europe's Emerging Economy (EME)[3] region. We shall also emphasize that the EME region is in itself far from homogenous and the adjustment processes initiated by the global financial and economic crisis proceeded along different trajectories in different groups of low- and medium-income economies in Europe.

The underlying driver of the new North-South divide in Europe is the build-up of external imbalances prior to the crisis within the EU and in the countries in Southeast Europe closely connected with the EU. The causes of this build-up will be discussed as will the inadequacy of the inherited institutional and policy framework of the EU and the eurozone in particular. In the course of policy responses to the crisis, the EU is developing a new framework in which one of the main pillars is fiscal restraint now formalized in the fiscal compact. In addition, monetary policy has been relaxed and institutions have been set up to deal with the problem of stabilization support and debt resolution; most recently an initiative has started to move towards a 'banking union'. The contours and the outcome of this policy framework are far from settled and subject to major political tensions across the EU right now.

As far as the policy framework has evolved so far it deals mainly with stability while growth is expected to be spurred by structural reforms, i.e. by supply-side policies. The risk is that these policies for stability and growth may deliver a prolonged period of stagnation with high unemployment in countries and regions that need to deleverage and build up their tradable sectors. With exchange rate rigidity and fiscal austerity, it may take considerable time for these countries to recover. That will severely test the weaker European economies, i.e. those in the GIPS group as well as the Balkan economies and in a different way also some of those in Central Europe and in the Baltics. This in turn can have severe repercussions on the EU set-up as a whole.

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[*] The paper draws on joint work, particularly with Vladimir Gligorov; thanks go also to Mario Holzner and the wiiw statisticians, particularly to Beate Muck, Galina Vasaros and Monika Schwarzhappel.

[1] See European Commission, DG EcFin, Spring and Autumn Forecasts, Brussels 2012.

[2] See the forecasts and analysis by wiiw in *wiiw Current Analyses and Forecasts*, No. 10, July 2012 for the CESEE region which also includes forecasts for the years 2013 and 2014.

[3] European EMEs defined in this paper encompass the GIPS economies as well as all the countries of Central, East and Southeast Europe (CESEE).

1 The European growth and convergence model prior to the crisis

The pre-crisis integration model in relation to Europe's Emerging Economy (EME) region was characterized by a very high degree of liberalization of external economic relations. Trade relations were strongly liberalized (although in the services and utilities sector non-tariff types of barriers persist) and there was a commitment to free international capital movements (in all their forms). In the CESEE region in particular, financial markets were fully opened up to foreign financial institutions and in most of these economies foreign banks attained a dominant market position.

As Figure 1 shows, the period from the mid-1990s onwards coincided with a process of 'convergence' in many countries of the CESEE region, as these economies embarked (after a difficult first phase of 'transition') on a growth path with rates substantially above those of their western neighbours. For a number of these economies, the 'catching-up processes' were nonetheless interrupted at times by policy mistakes (sometimes the legacies of mistaken forms of privatization programmes, and often the result of problematic steps taken in monetary and exchange rate policy, such as opting too early for a fixed exchange rate regime). The performance of the GIPS economies shows much less evidence of 'convergence' over this period, with Italy showing particularly low growth rates and both Greece and Portugal roughly maintaining their gaps in income levels relative to the EU as a whole while Spain experienced above-average growth.

Underlying the growth performance of the CESEE economies was the opportunity which any lower-income, lower-productivity economy has to benefit from 'technology' transfer (the so-called Gerschenkron effect[4]); in the particular case of former transition economies, 'technology' should be interpreted rather broadly, including the importance of product design, in organizational structures, and behavioural practices, facilitated by changes in institutions and in legal frameworks. In the case of many of these economies the speed of 'technology' transfer was reinforced by the anchoring to EU pre-accession and then accession arrangements. This anchoring added to the attraction of the region to foreign direct investments, a major conduit for the type of technology transfer alluded to above. Low relative unit labour costs combined with relatively high human capital endowment made the region attractive to foreign investors. This in turn led to access to high-income markets and the possibility of integration into cross-border production networks.

As will be shown in the next section, only in some of the economies did this lead to a substantial recovery of industrial production capacities, i.e. a process of 'reindustrialization' after the earlier period of – often massive – deindustrialization which most countries experienced at the beginning of the transition period. In many other economies, a longer period of political and economic turbulence such as in most countries of Southeast Europe and in the Baltics led to a situation in which pre-transition levels of industrial production were never attained; this in turn showed up in sustained gaps in trade balances. This had grave consequences in terms of vulnerability to external shocks to which we shall return below.

Furthermore, especially the economically weaker and vulnerable countries (in the Balkans and the Baltics) adopted various versions of fixed exchange rate regimes. The reason was often lack of trust in domestic monetary authorities and to avoid the large exchange rate fluctuations that can characterize shallow foreign exchange markets. By pegging the exchange rate, the countries also wanted to speed up financial and monetary integration with the euro area. In turn, the choice

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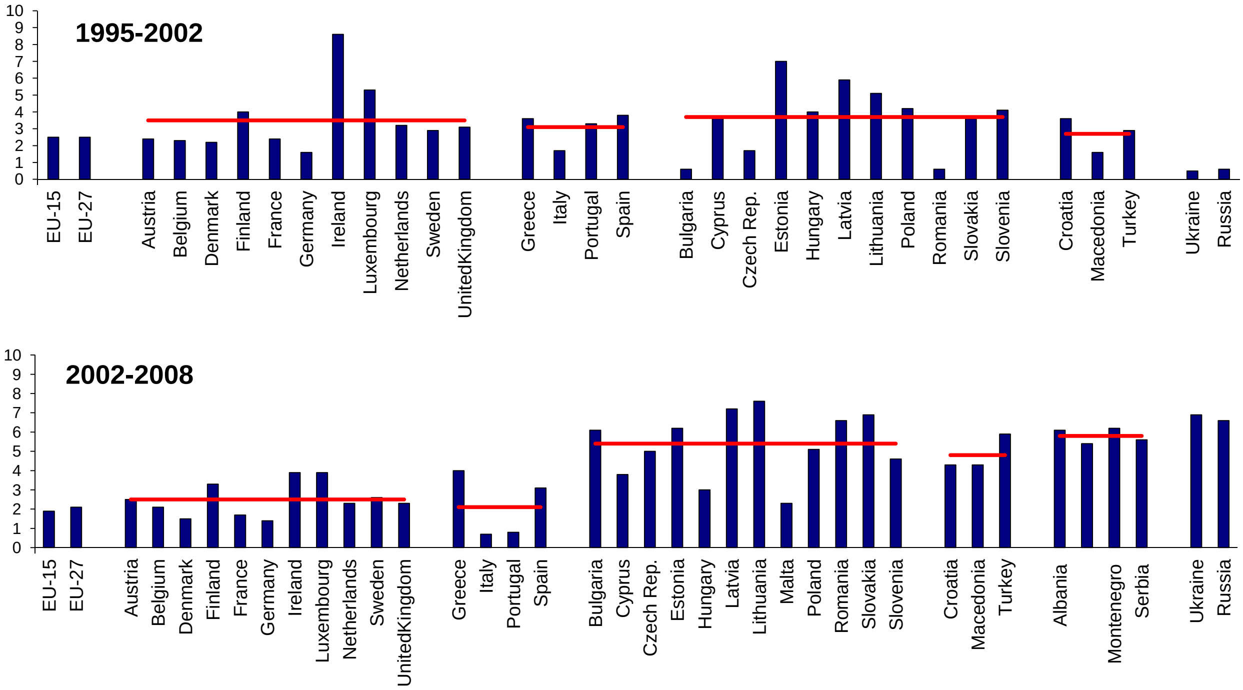
[4] Named after Alexander Gerschenkron's 'advantages of backwardness' thesis; see A. Gerschenkron A. (1962), *Economic Backwardness in Historical Perspective: A Book of Essays*, Belknap Press of Harvard University Press, Cambridge, MA, 1962.

Figure 1

Growth - GDP at constant prices. Average annual growth rates, 1995-2002 and 2002-2008, in %



Source: wiiw Annual Database incorporating national statistics, Eurostat.

of exchange rate regime contributed strongly to sustaining and accentuating the problem of deteriorating trade balances.

In the next section we follow up the problem of external imbalances.

2 External imbalances and different groups of Europe's low- and medium-income countries

As discussed above, the pre-crisis European integration framework (with its monetary and financial markets dimension) was designed to encourage large inflows of foreign investment from the more developed to the less developed countries, with external imbalances expected to be temporarily widening, then narrowing and eventually closing as income levels converged mainly on account of export growth. The outcome in Central Europe (particularly, the Czech Republic, Hungary, Slovakia, Poland) has been more or less as intended, but not in the countries of Southern Europe nor in the Baltic states or in Southeast Europe. Once the financial crisis broke, it led to a dearth of foreign financial inflows and a sharp decline in foreign trade. In that context, however, export recovery has often proved stronger in those countries with lower pre-crisis trade deficits than in many of the countries with major trade imbalances (see below).

The development of external imbalances prior to the crisis led to an accumulation of foreign debts with clearly unsustainable growth dynamics. Since the start of the crisis they started to climb at lower rates and, in some cases, the foreign debt to GDP ratios have declined: indicative of the onset of a deleveraging process.

Figure 2a shows developments in the current account and its components. Figure 2b presents the pre- and post-crisis developments in various debt segments: external debt, public and private debt and the various components of private debt (all expressed as a percentage of GDP). Looking at Figure 2a first, we can see that the Central European economies[5] with the exception of Slovenia display a relatively positive performance in terms of their current account developments, which did not

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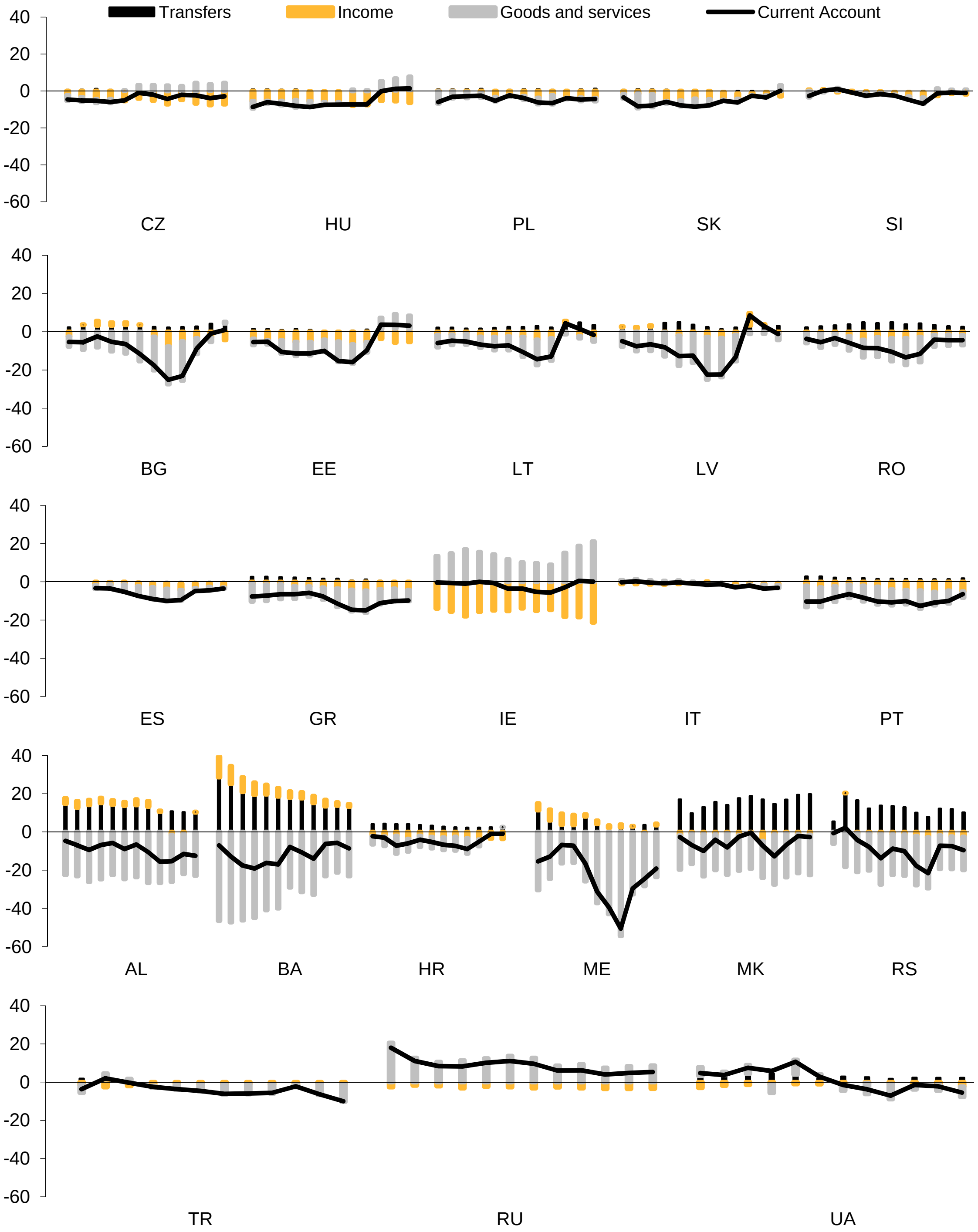
[5] CE-5: Czech Republic, Hungary, Poland, Slovakia and Slovenia.

Figure 2a

Composition of the current account of the balance of payments, 2000-2011

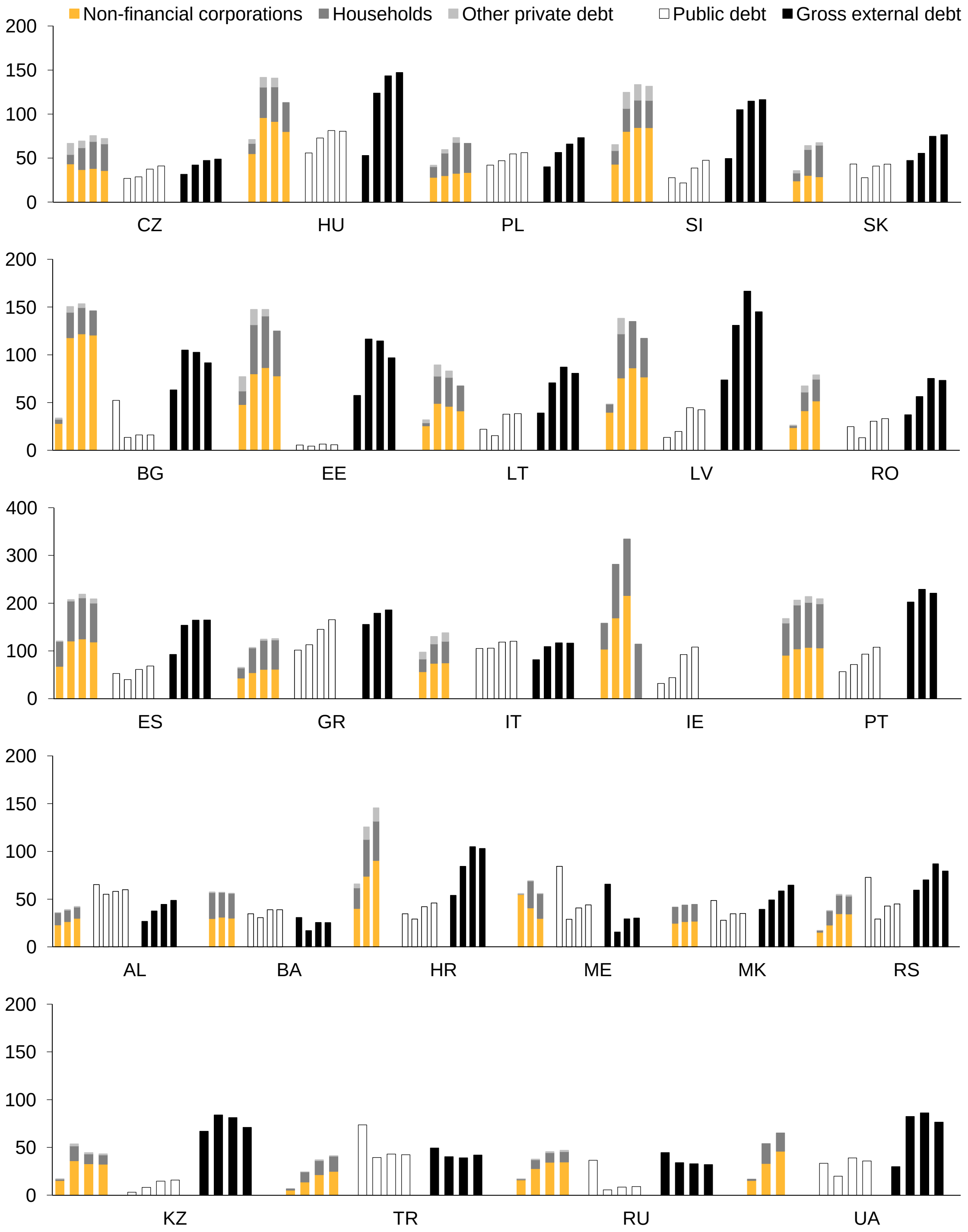
in % of GDP



Source: wiiw Database incorporating national and Eurostat statistics.

Figure 2b

Private and public debt in % of GDP, 2002, 2008, 2010 and 2011



IE: For better readability other private debt and gross external debt is not shown (e.g. gross external debt 2010 would be 1105.1% of GDP).

Source: Eurostat, IMF, wiiw own calculations.

experience any substantial deterioration before the crisis. Furthermore, the trade accounts confirm the relative strength of those economies in terms of their export as against their import performance. A number of economies have been able to attain positive trade balances (the Czech Republic and Slovakia) and others came close to balance. Given that evidence, it would thus seem that these economies encountered no competitiveness problems.[6]

Much more problematic were developments in the other groups of economies. All the Baltic economies as well as Romania and Bulgaria recorded strongly deteriorating current accounts before the crisis, which were predominantly associated with deteriorating trade balances. In part, those deteriorating trade balances reflected inordinately high growth rates in some of the economies prior to the crisis; however, there is clear evidence here of external balances ‘moving out of gear’.

If we compare the above economies with the GIIPS countries[7], we can see competitiveness problems that came particularly to the fore in two countries with persistently high current account deficits: Greece and Portugal. Competitiveness problems featured less prominently in Spain and Italy, while Ireland recorded persistently high export surpluses (the current account deficit reflecting a high level of profits earned by foreign-owned companies as evidenced by the income accounts).

The remaining countries in Southeast Europe (SE-6[8]) show very high trade deficits reflecting a very small export base upon which the economies can count. Current accounts displayed marked deterioration in the period prior to the crisis in two economies: Montenegro and Serbia. Most of the economies in the group rely on major transfers in the form of remittances from their nationals living and working abroad, thus partly offsetting the high trade deficit.

As is well known, current account imbalances have to be financed and the capital inflows funding the same accumulate in the form of debt positions in different sectors of the economy. The accumulation of domestic and foreign debt positions is shown in Figure 2b. The information presented in the graphs shows further differences between and within country groupings.

Among the CE-5, relatively moderate or no increases are to be observed in the various debt positions of the Czech Republic and Poland, a somewhat higher increase of private debt in Slovakia (whereas public debt dropped as a percentage of GDP), and marked increases in private sector debt positions in Slovenia (mostly corporate debt) and Hungary. Furthermore, Hungary increased its public debt to 73 per cent of GDP in 2008, which is rather unique among the countries of Central and Eastern Europe, followed by Poland whose public debt rose to 50 per cent of GDP in 2008.

The Baltic states as well as Bulgaria and Romania were characterized by a rapid development of private debt over the pre-crisis period, while public debt (as a percentage of GDP) was driven down, as it benefited from the high growth rates over that period and the associated tax revenue. Among the SE-6 countries, Croatia also displays a rapid rise in private sector debt, while Albania is characterized by a higher level of government debt, which, however, in common with most other economies, fell (as a percentage of GDP) in the period leading up to the crisis.

Summing up, in the CESEE region prior to the crisis, one group of Central European economies (the Czech Republic, Poland and Slovakia) encountered no evident problems related to the build-up of private and public debt. Many of the other CESEE economies experienced a major build-up of their private sector debt positions, with only Hungary (and, to a lesser extent, Poland) amongst the CESEE economies displaying a high public debt to GDP ratio.

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[6] Of course, the trade accounts per se are insufficient to reflect fully competitive strengths and weaknesses as they can, for example, become sharply positive or negative when GDP growth exceeds or falls short of that of the main trading partners.

[7] The GIIPS: Greece, Ireland, Italy, Portugal and Spain. While Ireland is not included in the range of low- or medium-income economies and therefore does not feature in other parts of our analysis (which refers to the GIPS without Ireland), it is included here and elsewhere as prior to the crisis, Ireland was also characterized by a build-up of very high external imbalances and high private sector debt growth.

[8] SE-6: Albania, Bosnia and Herzegovina, Croatia, Macedonia, Montenegro, Serbia.

The situation was not all that much different to that prevailing in the GIIPS countries before the crisis, with the important exceptions of Greece and Italy, both of which maintained public debt levels of over 100 per cent of GDP prior to 2009. The other GIIPS countries (including Greece, but not Italy) experienced extremely rapid growth in private sector debt: the (in)famous 'credit bubble' in those economies prior to the crisis.

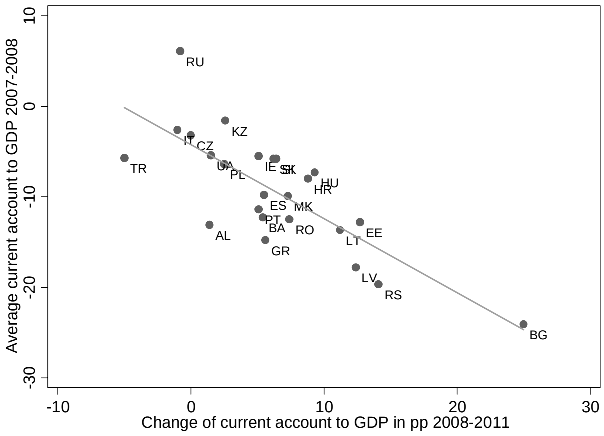
Hence prior to the impact of the financial crisis, the starting point was the major imbalances in the external accounts in a large number of low- and medium-income economies in Europe (the GIIPS group without Ireland and Italy, and a large number of CESEE economies with a sub-group of Central European economies being the exception). This went along with the build-up of debt positions, which in many economies were largely characterized by the swift build-up of private sector debt to very high levels, with only a small sub-group of economies (Hungary, Greece, Italy) showing high public debt levels prior to the crisis.

3 The impact of the crisis: external accounts adjustment

The extent of current account deficits prior to the crisis led to a major current account adjustment over the period 2008-2011 (see Figure 3). Furthermore, Figure 4 shows a similarly clear relationship between the other indicator of an extant disequilibrium prior to the crisis, the ratio of private sector debt to GDP, and the subsequent growth trajectories of the different economies. We can conclude that, first, major current account adjustments took place that were determined by the previous extent of the disequilibria and, second, the extent of the previous build-up of private sector debt or pre-crisis current account disequilibria had a palpable negative impact on medium-term growth performance following the crisis.

Figure 3

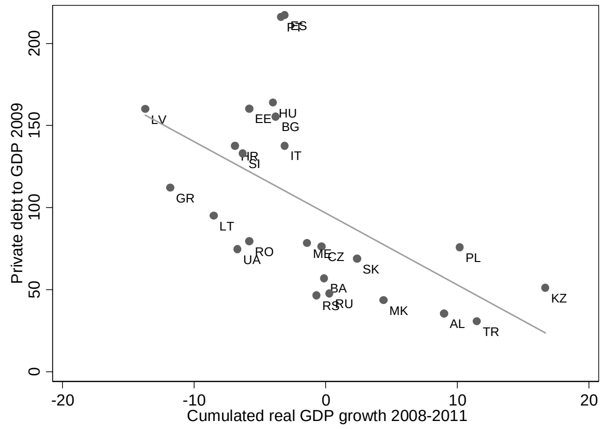
Current account adjustment 2008-2011



Source: wiiw Database incorporating national and Eurostat statistics, own calculations.

Figure 4

Private sector debt and subsequent GDP growth trajectories 2008-2011



Source: wiiw Database incorporating national and Eurostat statistics, own calculations.

To summarize, the crisis brought about a need to correct strong external imbalances and strong private sector debt build-up prior to the crisis. The extent of adjustment was directly related to the extent of the previous current account disequilibria and private sector debt build-up, and those adjustments (and their severity) entailed clear medium-term costs in terms of GDP growth. Furthermore, patterns of adjustment across economies varied greatly, with some countries relying almost exclusively (even in the medium term) on import adjustments, while others were more successful in terms of export growth.

4 Continuation of the economic crisis, and what can recovery rely on?

Recovery of industrial production?

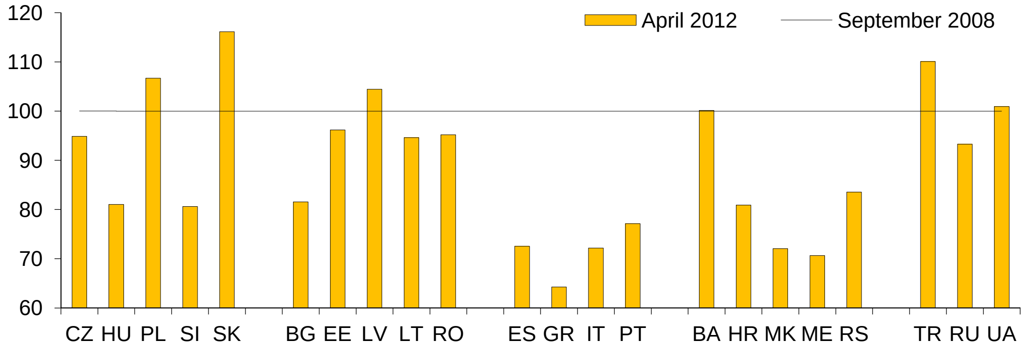
In the previous section we discussed the issue of external imbalances and the need to rebalance in the face of stoppages of capital inflows and even their reversal specifically in those economies which built up large external imbalances in the pre-crisis period. Industrial production accounts in most economies for the bulk of the tradable sector and hence we are particularly interested in its development. Figure 5 shows levels of industrial production in relation to the pre-crisis levels. The abysmal performance of industrial production in the course of the crisis comes across clearly for the GIPS economies, as well as in a rather wide range of Southeast European economies, and also in Hungary and Slovenia industrial production levels were strongly hit during the crisis.

As regards structural developments, both the GIPS countries and sub-groups of NMS economies (Baltics, Slovenia) experienced also a strong shift away from manufacturing in the period just before the outbreak of the crisis. As to the adjustment in the wake of the crisis, manufacturing was strongly negatively affected in many countries and hence a process of re-adjustment (favouring the tradable sector) has hardly started. This is particularly worrisome for those economies which entered the crisis with a very weak tradable sector, chronic current accounts problems and high external debt.

Figure 5

Development of industrial production

Sept 2008 = 100



Source: wiiw Database incorporating national and Eurostat statistics.

Private sector debt and deleveraging

The build-up of private sector debt in the period before the crisis in a wide range of Europe's low- and medium-income economies has been discussed as a major source of the imbalances which have emerged in the European economy; this build-up now exerts a very significant strain on adjustment processes in the wake of the crisis (see Figures 6a and 6b). It results from the fact that the flow problems of private sector debt build-up have now congealed in the form of substantial stock problems which require significant adjustment processes in the form of deleveraging with impacts upon banks' balance sheets, on access to and provision of credit (to households and enterprises) and upon spending levels and hence output recoveries.

The debt build-up, high interest costs and the deleveraging process have taken a heavy toll on investment while the decline in household consumption has been modest. Some exceptions are to be found in Central Europe where investments have increased (Poland and Slovakia) or have not dipped as sharply as in other countries in Southern and Southeast Europe. A similar development is to be observed in foreign investments, direct and otherwise. Foreign investments have slowed down significantly and there is significant evidence for cross-border deleveraging by the banks[9]. This, in part, reflects the fact that the corporate sector is burdened with debt that cannot be serviced, given the current state of the economy in most European countries.

In addition, the state of the banking sector in both the EU and most other countries is such that it does not support any rapid growth of credit. In fact, a few years after the onset of the crisis, credit growth still remains anaemic. To the extent that it relies on foreign credit, the prospects are not positive due to the stricter rules on capital requirements in the EU and globally. Thus, the prospect in countries with a strong presence of foreign banks is that they tend to decrease their cross-border exposure. Consequently, banks will increasingly depend on their domestic increase in deposits to finance their investments.

The question thus arises as to the consequences over the coming few years, given the prevailing policy framework in Europe. Household consumption cannot be expected to grow strongly owing to (at best) stagnant wages and the significant decrease in employment in a number of countries. This shedding of labour is part and parcel of the corporate sector's restructuring strategy, which will take a while to unfold. In the medium term, the slow, if any, recovery of investments and stagnant consumption will translate into comparatively low rates of recovery

Fiscal policy stance and the EU policy framework

Fiscal consolidation is seen as the key policy adjustment tool in both the EU and most of Europe. Depending on the policy mix adopted, almost every country has tended to introduce measures that increase revenues and lower expenditures. It is expected that this will ensue over a longer period of time, so fiscal support for growth should hardly be forthcoming in a prolonged period of fiscal consolidation. The recovery of the countries that will have to introduce more stringent fiscal austerity measures, many of them in Southern Europe, will have long-term negative effects on their growth performance, should it not be matched by a speedy recovery of their investments and exporting capacities.

The EU policy stance is certainly a very important constraint on economic development in both the EU and eurozone member states, as well as in the Balkan countries whose economies are closely integrated with that of the EU. Given the manner in which EU policies have developed, the main characteristic is increasing pressure on fiscal consolidation supported by some monetary activism on the part of the European Central Bank (ECB).

Figure 6a

Corporate debt and subsequent gross fixed capital formation growth 2008-2011

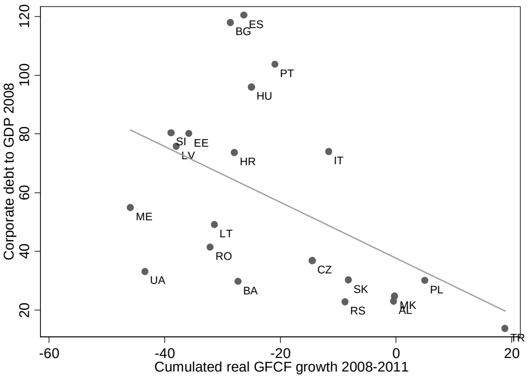
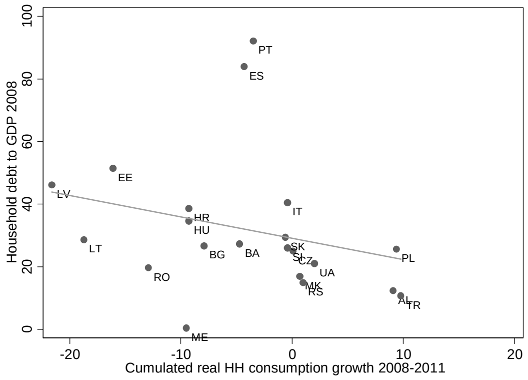


Figure 6b

Household debt and subsequent household consumption growth 2008-2011



Source: wiiw Database incorporating national and Eurostat statistics, own calculations.

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[9] see Bank for International Settlements, 82nd Annual Report, June 2012

The strategy is thus based on fiscal consolidation, with an expectation that household savings and corporate investments would be increasing, as well as a process of rebalancing of the tradable and non-tradable sectors being initiated. The risks are – and there is increasing evidence that these are materializing in quite a few of the EU economies – that the prerequisites for the strategy's success are not met in which case stability, if achieved, will be coupled with stagnant or slow growing economies.

5 Summary and conclusions

This article analysed developments in the (rather wide) spectrum of lower- and medium-income economies in Europe in relation to: (i) recent developments in the EU, particularly the Union's evolving policy framework; and (ii) the specific 'North-South' tensions which have been building up in the course of the current economic crisis.

We tried to identify differentiated groups of economies amongst the low- and medium-income economies (comprising both CESEE and GIPS economies) with regard to their developments in the current context of the European economic and policy crisis. That comprehensive comparative perspective was chosen so as to focus the analysis on the theme of the *New South-North Divide in Europe*.

This stands in sharp contrast to the perspective widely subscribed to from the mid-1990s on. From that time, the conventional wisdom was that Europe displayed clear signs of 'convergence' at the inter-country level, with low-income economies growing at a faster rate than rich economies. Broadly convincing evidence was found of narrowing inter-country income gaps.

The impact of the financial and economic crisis, not only in its narrow economic dimension but also in its broad political and social dimension, as well as in the ways in which European policy frameworks are currently evolving, has since cast serious doubt on the *European integration model of convergence*. The convergence model was based on the enormous potential that transition and integration would provide to low-income and transition economies and the benefit they would gain from technology transfer, as well as organizational, institutional and behavioural emulation. If all that were properly applied, those economies would also benefit from a net inflow of capital and enjoy funding at relatively cheap rates.

Following the impact of the crisis, the differentiating features of the pre-crisis catching-up and integration processes have been subject to more critical scrutiny. Some of those features (such as the characteristics of capital inflows and the availability of cheap finance), it has transpired, are highly problematic. Furthermore, analysis of development processes prior to and following the outbreak of the crisis leads to a closer consideration of segmentation processes with regard to the performance and prospects of different groups of 'emerging economies' in Europe. They also raise the question whether the crisis marks a watershed with regard to prospects of a continuing 'convergence' process for the integrating lower-income European economies – as a group or for sub-sets thereof – over the longer term.

In a nutshell, the analysis in this article draws the following conclusions:

- The most distinctive differentiating feature among the emerging European economies that the analysis singled out was the pre-crisis build-up of (structural) current account disequilibria, associated developments in external debt and the debt positions particularly in the private sector (households and corporations).
- A sub-group of three Central European economies (the Czech Republic, Poland and Slovakia) was found to have been scarcely affected by the debt build-up. The countries concerned showed little sign of competitiveness problems in their tradable sectors (which also includes Hungary), while the GIPS and most of the countries in Southeast Europe and the Baltic states developed unsustainable disequilibria on both those fronts.
- The previous build-up of disequilibria and debt accounts for most of the differentiated impact when the crisis hit. This held particularly true for developments over the period 2008-2012.

- As to the medium-term prospects, the situation looks rather grim for emerging Europe. With growth slowing down significantly in the advanced parts of Europe, pursuit of an ‘export-led’ strategy (as pursued over the biennium 2010-2011) will prove problematic, while the greater reliance on domestic demand factors that the situation demands will also face severe problems. The analysis assessed the likely recovery prospects of corporate investment activities and household consumption expenditures. For both items inherited debt levels and deleveraging processes, as well as income and sales prospects are seen to be major determinants (all of which, in turn, affect financing conditions). Country groups differ in those respects, just as they differ in the build-up of public debt in the course of the crisis.
- Important groups of economies, such as the GIPS countries and most of the countries of Southeast Europe, have come up against a vicious circle: high initial debt levels and dim growth prospects translate into greater doubts about sustainability and hence into higher interest rates that impose a constraint on investment and encourage corporate and household deleveraging (further compounded by the weak state of the banking system). This dampens consumption expenditures, and leads to cutbacks in employment (and wages) which, in turn, lower household incomes and domestic sales prospects. The induced lower growth prospects, in turn, raise concerns over debt sustainability and the need to keep interest rates high.
- Prospects of offsetting factors such as a potential rise in competitiveness and hence export-led recovery are dim in the current context of low growth in the European economy as a whole. One can also show that in the latter respect the countries of Southern and Southeastern Europe suffer further differentiating disadvantages as their main export markets are growing at lower rates than those of the other economies in Europe (hence differentiated inter-country trade multipliers between Europe’s ‘North’ and ‘South’).

The analysis thus points towards a sustained period in which the convergence processes which characterized the decade prior to the current financial and economic crisis will either not proceed or proceed at a much reduced pace. Deleveraging processes, difficult moves to deal with the high debt positions of the private sector, the weak banking system and the feedback effects on sovereign debt will characterize many of the lower-income economies in Europe. The driving force of foreign direct investment and the build-up of cross-border production networks will also show weaker momentum compared to before the crisis. Adjustment processes to deal with the pre-crisis neglect of building-up a viable tradable sector and sufficiently sized and modernized export capacities will have to gain priority and the use of different sets of policy instruments (particularly in the areas of training, labour market, industrial and regional policies) will have to be strengthened.

Changes in the European convergence model

BY BEÁTA FARKAS[*]

One of the fundamental goals of European integration is to provide an opportunity to less-developed member states for convergence and strengthening economic and social cohesion. Before 2008 the convergence process was impressive but the crisis is threatening its perspectives. This paper highlights some elements of the European convergence model which require more attention. It focuses on the so-called cohesion countries, the EU member states which receive support from the Cohesion Fund.[1]

Convergence record

To measure the results of the convergence, the GDP per capita is often used. It does not however express the growth in a population's welfare that is central to the meaning of convergence. Another indicator, the actual individual final consumption (including expenditures on the consumption of goods and services by households and non-profit institutions serving households and in-kind social transfers) is a more appropriate measurement for this purpose. Therefore it is worth comparing the convergence of the cohesion countries to the EU average not only in GDP (as usual) but in final consumption as well. In 1995, the contraction resulting from the economic transition came to an end in the post-socialist countries. Choosing this year as a basis for comparison, all of the cohesion countries were catching up with the EU-27 average, although to different degrees. The crisis has affected the cohesion countries' convergence towards the EU-27 average (the position of all cohesion countries worsened in 2010, with the exception of Poland and Slovakia); nevertheless, these countries were able to preserve the bulk of their convergence results. In 2011 the seven lowest-income countries were able to improve their relative position by 1-2 percentage points (Figure 1).

Threats of the global crisis

Although in 2009-2011 the growth rates in most of the new cohesion countries were again higher than the EU-15 average, they are not sufficient to provide a satisfactory pace of convergence in the future. There is a danger that the slowdown of convergence is not temporary but the beginning of a medium-term or even longer trend. The European convergence model was based on foreign capital inflows which made it possible to overcome the lack of savings in the cohesion countries. Europe is the only region where the different forms of private capital – both FDI and portfolio funds – flow from richer to poorer countries and from low-growth to high-growth countries. In the aftermath of the crisis, the external conditions of the European convergence model have been changing unfavourably. The contracting markets of the European Union do not support export-led growth in the cohesion countries, while the management of the European debt crisis and stricter financial regulation decrease the capital available. Financial markets' risk evaluations may remain higher, even for those cohesion countries that are not affected by more severe financial difficulties. Due to the indebtedness of households and governments, the diminishing external resources and markets may not substitute for domestic resources and markets even if the domestic saving rates increase.

The crisis has highlighted the vulnerability of the convergence model implying the dependence on foreign capital. Some experts made several policy suggestions to reorient the European convergence model. They argue that a reduction in the private sector savings-investment gap is unavoidable. This may lead to the repression of domestic demand. A sustained re-launch of growth requires a more efficient use of domestic savings than in the past.

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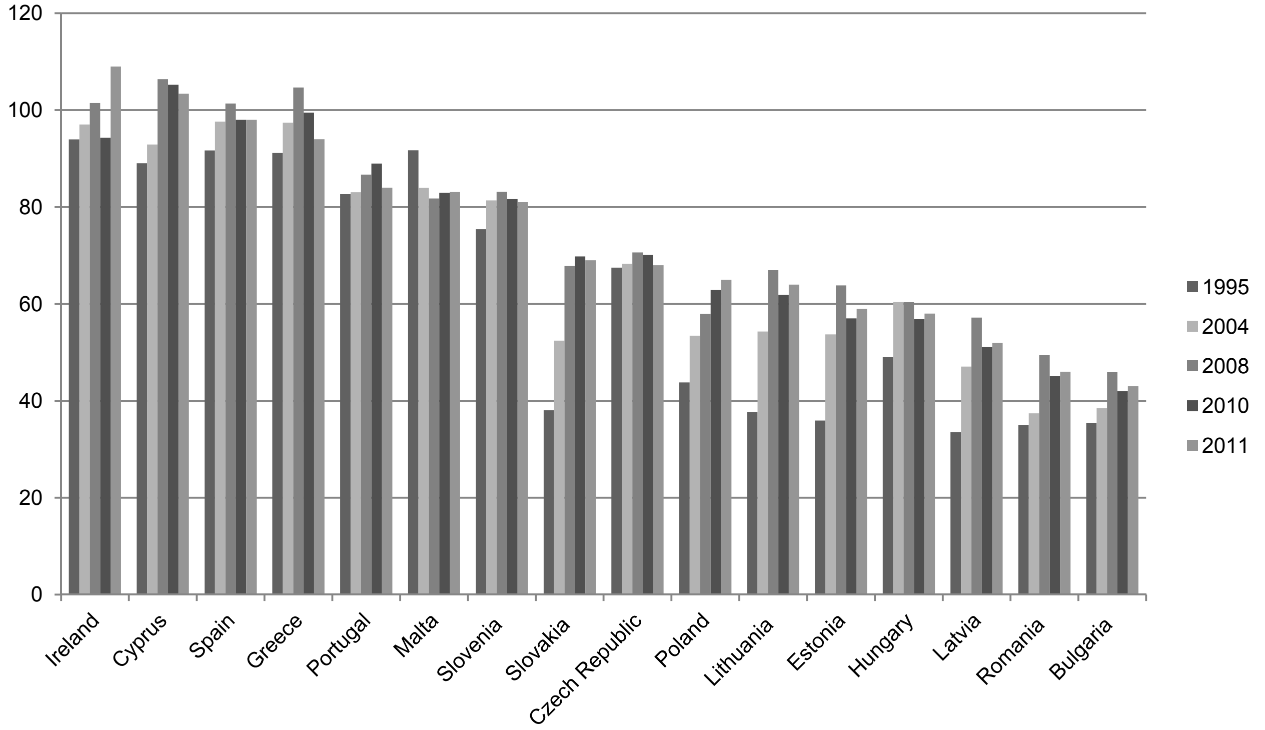
[1] The 'old' cohesion countries are Ireland, Greece, Portugal and Spain, the 'new' ones are Bulgaria, Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Romania, Slovakia and Slovenia.

Figure 1

Per capita individual final consumption at purchasing power parity in the cohesion countries (EU-27 = 100)



Source: Author's calculation based on AMECO database.

Limits of the European convergence model

There are further aspects of the European convergence model that should be taken into account. In theory, FDI can play an enhancing role in productivity growth directly (through investment) and indirectly (through spill-over effects). Both channels work in the cohesion countries but the experience of two decades suggests that the FDI-based modernization has its limits.

It may be instructive to have a look at the quite recent experience of Continental and Northern Europe. After the collapse of communism, companies located in Continental and Northern Europe successfully adapted to the new conditions. These companies located their assembly activities in Central and Eastern Europe, taking advantage of lower wages. Thus their flexibility in offshoring could strengthen the competitiveness of Central and Eastern Europe. The region could integrate not only within the EU but also within the world economy through increased investment and productivity.[2] However, does this type of FDI-based convergence model ensure long-run convergence? Although there are possibilities of upgrading along the value chain, there is no reason to assume that foreign companies will abandon their key positions in innovation, technology development and strategic decision-making.[3] It seems to be much more likely that the current labour and production division will essentially be reproduced.

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[2] In the new cohesion countries, the main form of foreign capital was FDI, while the old cohesion countries attracted portfolio and other capital inflows. According to Gill and Raiser (2012), the reason for the difficult situation in Southern Europe is that these countries did not participate in the value chain reconfiguration from the late 1990s and that they have few global companies. Moreover, the Central European countries were the primary beneficiaries of rapid technology transfer; here the FDI went into manufacturing, which is a tradable sector. In the Baltic states, Bulgaria and Romania, the FDI was biased in favour of banking, real estate and other non-tradable sectors.

[3] The European Competitiveness Report points out: "Despite high levels of internalization in the EU-12, the bulk of foreign-owned R&D and innovation activity takes place between EU-15 member states' (European Commission, 2010b).

Another possibility to increase the growth potential through FDI could be that spill-over effects help domestic companies to foster competitiveness that could accelerate the catching-up process. However, the literature on FDI spill-overs suggests unambiguously positive productivity effects in the case of vertical linkages. In these linkages the domestic firms occupy the dependent position in these relationships. The horizontal spill-over effects seem to be weak in the overwhelming majority of empirical investigations (Gorodnichenko et al., 2007; Hanousek et al., 2010).[4]

Due to the low initial GDP levels in the cohesion countries, the European convergence model provided sufficient space for the cohesion countries to develop – as long as growth in the Old EU remained relatively strong. If the crisis had not occurred, the poorer countries could have further developed within the framework of that model, even if the development would have been concentrated in the areas that had attracted foreign capital (typically the capital cities and their agglomerations).

However, it is remarkable that the Czech Republic, which had one of the highest initial GDP levels in Central and Eastern Europe and followed a very balanced fiscal and economic policy, did not converge towards the EU-27 average in final consumption between 1995 and 2011 (Figure 1). Slovenia, with its higher initial GDP level, has achieved greater convergence but it has always chosen different means, focusing on the domestic economy and had in the meantime accumulated imbalances prior to the crisis.

The Irish economic development is also instructive as regards the FDI-based modernization. A state agency, the Industrial Development Authority, was very successful at identifying emerging sectors and in attracting multinational companies in those sectors to Ireland. Since the Culliton Report in 1992 the Irish government has striven for a ‘holistic approach’ to industrial development policy, perhaps the most consciously among the cohesion countries. This meant that they tried to eliminate the serious dichotomy that existed between domestic and foreign-owned firms. The Irish economic development policy was successful; many domestic SMEs grew from the foreign-owned firms through linkages and spill-overs, mainly in the software industry (Andreosso-O’Callaghan and Lenihan, 2006; Barry and Bergin, 2012). Despite these results, labour productivity was still higher in foreign-owned enterprises in every manufacturing industry in 2006. In Ireland foreign firms are highly concentrated in large and high-tech manufacturing activities even after a twenty-year catching-up process. In Sweden, foreign firms are more evenly distributed across manufacturing and services and domestic firms control the highly export-oriented and technology-based engineering sector (Andreosso-O’Callaghan and Lenihan, 2010).

We could not find complete data on the productivity difference between foreign-owned and domestic firms across EU member states. However, the foreign-owned enterprises typically belong to large companies not only in Ireland but in the cohesion countries in general. We can use therefore the labour productivity difference between large companies and SMEs as a rough proxy to the productivity difference between foreign-owned and domestic firms. Figure 2 shows that the difference between large firms and SMEs is small in five cohesion countries: Estonia, Malta, Slovenia, Latvia and Slovakia. In the case of Estonia, Latvia and Malta, the large companies’ contribution to GDP is far below the EU average as the FDI went rather to the non-tradable service sector.[5] Slovenia and Slovakia are the only cohesion countries where the large companies and manufacturing contribute to GDP substantially and the productivity difference between the large firms and SMEs is at the level of North-Western EU member states. In the other

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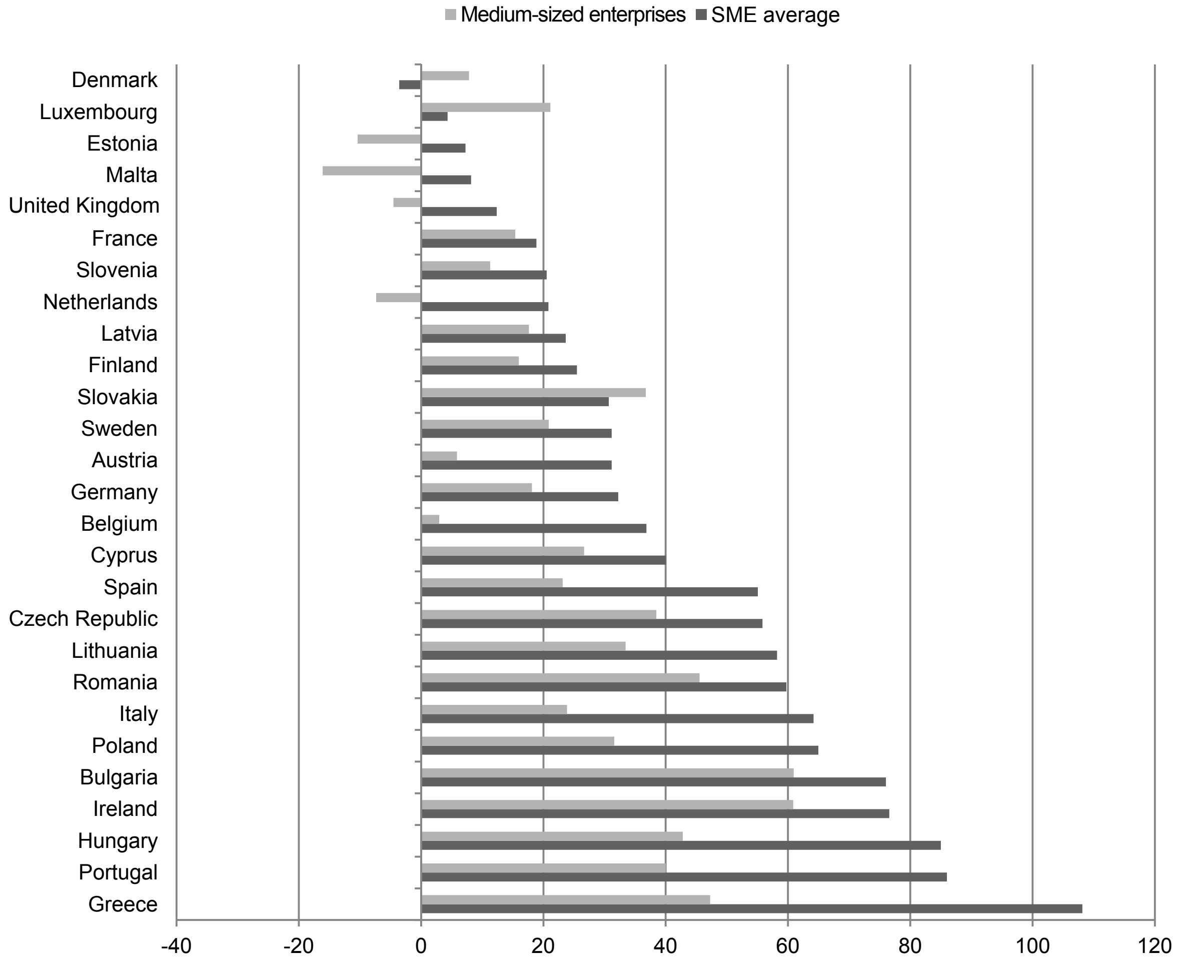
[4] Both studies provide a comprehensive overview of the literature concerning spill-over effects in emerging Europe.

[5] In Estonia and Latvia, the FDI thereby fuelled an unsustainable boom and contributed to the development of housing bubbles.

Figure 2

Labour productivity difference between large enterprises, medium-size enterprises and SMEs in per cent of labour productivity of large enterprises, 2007



Note: Labour productivity is measured by gross value added per employed person.

Source: Author's calculation based on Wymenga et al. (2011).

cohesion countries and Italy the difference is far beyond 40 percentage points. In most cases, the productivity of medium-sized enterprises shows a similar trend but the degree of difference is smaller.[6]

Conclusions

The FDI-based convergence model provided an opportunity for the cohesion countries to develop and catch up with the North-Western countries of the EU. However, this model has some limitations. The concept of a single market presumed that competition forces induce improvements of productivity throughout the economy. Nevertheless experience suggests that much larger differences between foreign-owned/large firms and domestic enterprises/SMEs persisted over decades in the majority of the cohesion countries. Abundant foreign capital inflows – in the form of FDI in Ireland and the post-socialist countries, in the form of portfolio and other investment in the Mediterranean countries – concealed this problem.

The cohesion policy supports SMEs first of all as job creators but also with their technical upgrading. However, it does not address the problems of the duality of developments observed in the cohesion countries' economies (see Council Regulation (EC) No. 1083/2006, Regulation (EC) No. 1080/2006). The Europe 2020 strategy also does not pay any attention to this issue (European Commission, 2010a).

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[6] We chose the last year before the crisis to avoid the temporary distortion effects.

If foreign capital becomes scarcer, the productivity gap between foreign and domestic firms could become even wider (and so will the productivity gap between large enterprises and SMEs). In the forthcoming years, it will be even more important to promote the positive spill-over effects through a more active economic policy. The policy measures to develop a competitive domestic economy are essentially in the hands of national governments. The EU policy framework does not make it impossible to foster the domestic economy mainly through the development of SMEs. Slovakia and Slovenia seem to be successful in this field. However, the efforts of the Irish governments over decades show how difficult it is to reach long-lasting results. The support of SMEs is always on the agenda of the Hungarian governments but the results are not impressive. A general European SME support programme cannot replace the targeted approach. The competitiveness deficits of the Mediterranean countries indicate that the obstacles to the development of SMEs (e.g. restricted access to capital, rigidity of regulation etc.) are special not only in the post-socialist countries but in all cohesion countries.

A successful SME development policy is a necessary but not sufficient condition for the reduction of the productivity gap between foreign and domestic firms. We cannot avoid drawing a further conclusion from the lessons of the crisis. The crisis revealed that only countries belonging to the EU's core had internationally competitive domestic companies. Ireland has the better chance to restore its position due to its geographic location, small size and the well-embedded market institutions. But the Mediterranean countries have diverged from the EU-27 average both in GDP and final consumption for some years and they have slipped out of the core countries. Finland was the last country to carry out a modernization which led to an economy based not only on internationally competitive foreign-owned but also domestic companies. However, the recipes of the 1970s and 1980s can no longer be applied either within or outside the EU. The question of an adequate economic development policy in the cohesion countries beyond SME support was not raised in the period of affluent foreign capital inflows. Now, we cannot avoid it anymore.

The modification of the current convergence model is a serious challenge for European integration. We cannot assume that all economies will adapt themselves successfully to the new circumstances and the convergence will return to its former speed. The coming years make some changes in the concept of integration necessary. The European Union must take efforts to maintain cohesion because a certain degree of inequality leads to disintegration. If the speed of convergence remains a measure of the success of integration, as was the case in the past decades, the EU will doom itself. It is a further question how the populations accept this new period because the perspectives of quick convergence was the most attractive element and the main legitimating basis of EU membership in the cohesion countries.

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STATISTICAL ANNEX

Selected monthly data on the economic situation in Central, East and Southeast Europe

Conventional signs and abbreviations used

.	data not available
%	per cent
PP	change in % against previous period
CPPY	change in % against corresponding period of previous year
CCPPY	change in % against cumulated corresponding period of previous year
3MMA	3-month moving average, change in % against previous year
NACE Rev. 2	Statistical classification of economic activities in the European Community, Rev. 2 (2008)
NACE Rev. 1	Statistical classification of economic activities in the European Community, Rev. 1 (1990) / Rev. 1.1 (2002)
LFS	Labour Force Survey
CPI	Consumer Price Index
HICP	Harmonized Index of Consumer Prices (for new EU member states)
PPI	Producer Price Index
EDP	Excessive Deficit Procedure
M1	Currency outside banks + demand deposits / narrow money (ECB definition)
M2	M1 + quasi-money / intermediate money (ECB definition)
M3	Broad money
p.a.	per annum
mn	million (10^6)
bn	billion (10^9)
avg	average
eop	end of period
NCU	National Currency Unit (including ‘euro-fixed’ series for euro-area countries)

The following national currencies are used:

ALL	Albanian lek	HUF	Hungarian forint	RON	Romanian leu
BAM	Bosnian convertible mark	LVL	Latvian lats	RSD	Serbian dinar
BGN	Bulgarian lev	LTL	Lithuanian litas	RUB	Russian rouble
CZK	Czech koruna	MKD	Macedonian denar	UAH	Ukrainian hryvnia
HRK	Croatian kuna	PLN	Polish zloty		

EUR	euro – national currency for Montenegro and for the euro-area countries Estonia (from January 2011, euro-fixed before), Slovakia (from January 2009, ‘euro-fixed before) and Slovenia (from January 2007, ‘euro-fixed’ before)
USD	US dollar

Sources of statistical data: Eurostat, National Statistical Offices, Central Banks and Public Employment Services; wiiw estimates.

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A L B A N I A: Selected monthly data on the economic situation 2011 to 2012

(updated end of Dec 2012)

		2011				2012										
		Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov
LABOUR																
Employment total, registered	th. pers., quart. avg	929.9	.	.	932.4	.	.	933.3	.	.	933.3	.	.	922.5	.	.
Employment total, registered	CPPY	1.5	.	.	1.7	.	.	1.4	.	.	0.4	.	.	-0.8	.	.
Unemployment, registered	th. pers., quart. avg	142.1	.	.	143.0	.	.	143.4	.	.	143.1	.	.	141.8	.	.
Unemployment rate, registered	%	13.3	.	.	13.3	.	.	13.3	.	.	13.3	.	.	13.3	.	.
WAGES																
Total economy, gross 1)	ALL	47660	.	.	48000	.	.	48800	.	.	48800	.	.	51270	.	.
Total economy, gross 1)	real, CPPY	3.3	.	.	4.0	.	.	6.1	.	.	5.3	.	.	4.7	.	.
Total economy, gross 1)	EUR	340.2	.	.	342.8	.	.	350.5	.	.	350.3	.	.	371.8	.	.
PRICES																
Consumer	PP	0.4	0.4	0.1	1.0	0.7	1.3	0.4	-0.1	-0.8	-0.8	-0.2	0.4	0.2	0.2	0.2
Consumer	CPPY	2.8	3.0	2.9	1.7	1.6	0.6	1.0	1.6	1.9	2.2	2.7	2.8	2.6	2.4	2.5
Consumer	CCPPY	3.8	3.7	3.6	3.5	1.6	1.1	1.1	1.2	1.3	1.5	1.7	1.8	1.9	1.9	2.0
Producer, in industry	PP	0.0	0.6	0.2	-0.1	1.1	0.3	0.3	-0.7	-0.1	-0.1	-1.1	0.0	0.2	.	.
Producer, in industry	CPPY	2.0	2.2	2.3	1.8	2.2	2.6	2.8	1.6	1.4	1.3	0.5	0.4	0.6	.	.
Producer, in industry	CCPPY	2.8	2.8	2.7	2.6	2.2	2.4	2.5	2.3	2.1	2.0	1.8	1.6	1.5	.	.
FOREIGN TRADE, customs statistics																
Exports total (fob), cumulated	EUR mn	1043	1165	1284	1403	97	206	326	455	593	721	864	990	1128	1264	.
Imports total (cif), cumulated	EUR mn	2802	3138	3473	3877	268	536	853	1138	1457	1790	2137	2470	2805	3138	.
Trade balance, cumulated	EUR mn	-1759	-1974	-2189	-2473	-171	-329	-527	-684	-863	-1069	-1274	-1480	-1676	-1873	.
FOREIGN FINANCE																
Current account, cumulated	EUR mn	-770	-884	-1014	-1122	-88	-172	-253	-323	-386	-473	-532	-603	-671	.	.
EXCHANGE RATE																
ALL/EUR, monthly average	nominal	140.49	140.81	140.97	138.30	138.32	139.35	140.03	139.98	139.44	138.51	137.46	137.35	138.89	139.72	139.71
ALL/USD, monthly average	nominal	102.02	102.76	103.82	105.08	107.10	105.32	105.97	106.35	108.96	110.48	111.77	110.79	108.10	107.78	109.01
EUR/ALL, calculated with CPI 2)	real, Jan09=100	89.1	89.0	88.8	91.1	92.3	92.3	91.2	90.8	90.6	90.5	91.4	91.5	90.1	89.5	89.8
EUR/ALL, calculated with PPI 2)	real, Jan09=100	84.4	84.7	84.6	86.3	86.5	85.7	85.1	84.5	85.0	86.0	85.6	85.0	84.0	.	.
USD/ALL, calculated with CPI 2)	real, Jan09=100	92.2	92.2	91.4	91.4	89.9	92.2	91.3	90.7	87.9	86.1	85.1	85.7	87.6	88.1	87.7
USD/ALL, calculated with PPI 2)	real, Jan09=100	80.5	81.4	80.6	80.2	79.2	80.4	79.2	78.6	77.2	76.7	75.1	74.8	76.1	.	.
DOMESTIC FINANCE																
Currency outside banks	ALL bn, eop	188.9	186.6	187.2	194.9	188.2	187.4	185.6	186.1	186.3	187.5	188.3	188.9	187.7	185.5	.
M1	ALL bn, eop	268.9	267.2	269.1	276.9	265.2	265.9	264.7	267.0	268.0	269.4	270.6	272.3	272.6	268.6	.
M2	ALL bn, eop	1046.9	1053.4	1057.1	1070.1	1061.2	1067.1	1070.3	1077.4	1084.9	1092.6	1101.2	1118.9	1118.1	1118.4	.
M2	CPPY, eop	10.4	10.6	10.0	9.2	8.1	9.1	8.8	8.3	8.7	8.3	8.4	8.1	6.8	6.2	.
Central bank policy rate (p.a.) 3)	%, eop	5.00	5.00	4.75	4.75	4.50	4.50	4.25	4.25	4.25	4.25	4.00	4.00	4.00	4.00	4.00
Central bank policy rate (p.a.) 3)4)	real, %, eop	3.0	2.7	2.4	2.9	2.2	1.9	1.4	2.6	2.8	2.9	3.5	3.6	3.4	.	.
BUDGET																
General gov.budget balance, cum.	ALL bn	-31630	-31718	-38274	-45877	1713	-7058	-9571	-11597	-17885	-21133	-20889	-23709	-25697	.	.

1) Excluding private sector.

2) Adjusted for domestic and foreign (US resp. EU) inflation. Values more than 100 mean real appreciation.

3) One-week repo rate.

4) Deflated with annual PPI.

Source: wiiw Monthly Database incorporating national statistics.

BOSNIA and HERZEGOVINA: Selected monthly data on the economic situation 2011 to 2012

(updated end of Dec 2012)

		2011				2012										
		Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov
PRODUCTION																
Industry, total 1)	real, CPPY	2.1	1.2	5.3	0.9	-7.0	-12.8	-8.6	-5.8	-1.1	-5.4	-5.4	-3.0	-2.0	-3.2	.
Industry, total 1)	real, CCPPY	7.7	6.9	6.8	6.2	-7.0	-9.8	-9.4	-8.5	-7.0	-6.7	-6.5	-6.1	-5.6	-5.4	.
Industry, total 1)	real, 3MMA	2.9	2.9	2.4	-0.3	-6.3	-9.5	-9.1	-5.2	-4.1	-4.0	-4.6	-3.5	-2.7		
LABOUR																
Employees total, registered	th. persons, avg	693.4	691.5	689.7	687.9	689.1	687.1	688.7	690.0	689.6	690.4	689.0	687.0	688.3	.	.
Employees total, registered	CPPY	-1.0	-1.1	-1.5	-1.3	-0.7	-0.9	-0.4	-0.2	-0.3	-0.4	-0.6	-0.4	-0.7	.	.
Unemployment, registered	th. persons, eop	530.0	530.9	532.5	536.7	541.4	543.6	542.7	540.3	537.0	538.2	539.4	545.9	545.5	.	.
Unemployment rate, registered	%, eop	43.3	43.4	43.6	43.8	44.0	44.2	44.1	43.9	43.7	43.8	43.9	44.3	44.2	.	.
WAGES																
Total economy, gross	BAM	1273	1268	1287	1294	1287	1278	1286	1286	1306	1283	1292	1298	1268	1299	.
Total economy, gross	real, CPPY	0.3	0.8	1.0	0.4	1.9	0.7	-1.2	-0.7	0.1	-1.6	0.5	-0.6	-2.6	0.2	.
Total economy, gross	EUR	651	648	658	662	658	653	658	658	668	656	661	664	648	664	.
PRICES																
Consumer	PP	0.3	0.5	0.3	0.1	0.9	0.4	0.4	-0.4	-0.1	-0.5	-0.5	0.3	0.8	0.6	.
Consumer	CPPY	4.0	3.7	3.7	3.1	2.5	2.4	2.1	2.3	1.9	1.9	1.4	1.8	2.3	2.3	.
Consumer	CCPPY	3.8	3.7	3.7	3.7	2.5	2.4	2.3	2.3	2.2	2.2	2.1	2.0	2.1	2.1	.
Producer, in industry 2)	PP	0.4	0.0	0.2	-0.4	0.4	0.4	-0.2	0.0	0.2	0.0	0.0	0.2	0.1	.	.
Producer, in industry 2)	CPPY	4.5	2.2	2.2	1.4	1.6	1.2	0.4	2.6	3.2	2.8	0.8	1.3	1.0	.	.
Producer, in industry 2)	CCPPY	4.4	4.1	3.9	3.7	1.6	1.4	1.1	1.5	1.8	2.0	1.8	1.7	1.7	.	.
FOREIGN TRADE, customs statistics																
Exports total (fob), cumulated	EUR mn	3156	3511	3871	4204	286	554	902	1237	1599	1978	2334	2658	3029	3383	.
Imports total (cif), cumulated	EUR mn	5851	6561	7223	7938	510	991	1742	2415	3087	3749	4447	5138	5833	6590	.
Trade balance, cumulated	EUR mn	-2695	-3049	-3352	-3734	-224	-437	-841	-1177	-1488	-1771	-2113	-2480	-2804	-3208	.
Exports to EU-27 (fob), cumulated	EUR mn	1800	1998	2196	2372	186	356	561	753	953	1164	1365	1541	1769	1974	.
Imports from EU-27 (cif), cumulated	EUR mn	2764	3098	3407	3719	234	473	810	1129	1441	1764	2086	2395	2717	3059	.
Trade balance with EU-27, cumulated	EUR mn	-964	-1100	-1211	-1348	-48	-117	-249	-376	-488	-600	-721	-854	-947	-1085	.
FOREIGN FINANCE																
Current account, cumulated	EUR mn	-755	.	.	-1142	.	.	-285	.	.	-584	.	.	.	.	.
EXCHANGE RATE																
BAM/EUR, monthly average	nominal	1.956	1.956	1.956	1.956	1.956	1.956	1.956	1.956	1.956	1.956	1.956	1.956	1.956	1.956	1.956
BAM/USD, monthly average	nominal	1.416	1.428	1.439	1.482	1.517	1.480	1.481	1.486	1.523	1.563	1.590	1.581	1.523	1.508	1.525
EUR/BAM, calculated with CPI 3)	real, Jan09=100	98.4	98.6	98.7	98.5	99.9	99.8	99.2	98.3	98.3	97.9	97.8	97.8	98.0	98.3	.
EUR/BAM, calculated with PPI 3)	real, Jan09=100	93.6	93.6	93.5	93.4	93.0	92.9	92.3	92.2	92.7	93.3	93.1	92.6	92.5	.	.
USD/BAM, calculated with CPI 3)	real, Jan09=100	101.5	101.4	101.0	98.4	96.6	98.9	98.5	97.6	95.1	92.4	90.5	90.8	94.6	96.2	.
USD/BAM, calculated with PPI 3)	real, Jan09=100	88.9	89.3	88.6	86.5	84.5	86.5	85.3	85.2	83.9	82.4	81.2	80.8	83.2	.	.
DOMESTIC FINANCE																
Currency outside banks	BAM mn, eop	2253	2241	2237	2366	2298	2323	2330	2363	2329	2357	2417	2429	2421	2406	.
M1	BAM mn, eop	6069	6051	5987	6186	6104	6047	6076	6130	6111	6071	6301	6350	6209	6195	.
M2	BAM mn, eop	14133	14144	14133	14418	14313	14340	14307	14416	14465	14499	14659	14768	14741	14850	.
M2	CPPY, eop	5.8	5.3	4.3	5.8	4.9	5.4	4.6	5.0	5.1	5.2	4.3	4.1	4.3	5.0	.

1) Federation of B&H and Republic Srpska weighted by wiiw.

2) Domestic output prices.

3) Adjusted for domestic and foreign (US resp. EU) inflation. Values more than 100 mean real appreciation.

Source: wiiw Monthly Database incorporating national statistics.

C R O A T I A: Selected monthly data on the economic situation 2011 to 2012

(updated end of Dec 2012)

		2011				2012										
		Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov
PRODUCTION																
Industry, NACE Rev. 2 1)	real, CPPY	-2.3	2.1	-0.3	-1.8	-3.5	-2.8	-9.3	-9.4	-3.8	-7.0	-4.1	2.1	-10.6	-4.4	.
Industry, NACE Rev. 2 1)	real, CCPPY	-1.6	-1.2	-1.1	-1.2	-3.5	-3.1	-5.4	-6.5	-5.9	-6.1	-5.8	-4.9	-5.5	-5.4	.
Industry, NACE Rev. 2 1)	real, 3MMA	-1.5	-0.2	0.0	-1.8	-2.6	-5.4	-7.3	-7.5	-6.7	-4.9	-3.2	-4.5	-4.6	.	.
Productivity in industry, NACE Rev. 2 1)	CCPPY	2.2	2.5	2.7	2.6	-1.8	0.8	-2.1	-3.3	-2.7	-2.7	-2.3	-1.2	-1.8	-1.4	.
Unit labour costs, exch.r. adj.(EUR) 1)	CCPPY	-3.4	-3.7	-3.5	-3.5	3.2	0.6	3.0	3.9	3.7	3.2	3.0	1.9	2.3	.	.
Construction, NACE Rev. 2 1)	real, CPPY	-7.5	-7.4	-6.4	-8.8	-5.7	-17.3	-12.5	-10.0	-7.9	-15.0	-7.9	-11.2	-18.4	.	.
Construction, NACE Rev. 2 1)	real, CCPPY	-9.6	-9.4	-9.1	-9.1	-5.7	-11.8	-12.0	-11.5	-10.7	-11.4	-10.9	-11.0	-11.9	.	.
LABOUR																
Employed persons, LFS	th. pers., quart. avg.	1534.4	.	.	1479.2	.	.	1394.2	.	.	1465.3	.	.	.	.	.
Employed persons, LFS	CPPY	-0.4	.	.	-3.2	.	.	-5.6	.	.	-1.0	.	.	.	.	.
Unemployed persons, LFS	th. pers., quart. avg.	213.3	.	.	237.4	.	.	273.3	.	.	248.7	.	.	237.0	.	.
Unemployment rate, LFS	%	12.3	.	.	13.9	.	.	16.5	.	.	14.6	.	.	13.6	.	.
Employment total, registered	th. persons, avg	1170.3	1161.7	1155.0	1144.6	1135.5	1129.3	1128.8	1135.2	1143.7	1151.3	1152.9	1148.2	1140.2	1130.8	.
Unemployment, registered	th. persons, eop	283.7	293.9	302.1	315.4	334.4	343.0	339.9	323.7	306.1	294.9	298.7	301.6	311.1	333.4	.
Unemployment rate, registered	%, eop	16.8	17.4	17.9	18.7	19.6	20.1	20.0	19.1	18.0	17.3	17.5	17.7	18.3	19.6	.
WAGES																
Total economy, gross	HRK	7740	7744	8131	7891	7846	7702	7958	7767	7978	7909	7794	7977	7702	.	.
Total economy, gross	real, CPPY	0.4	-1.3	0.4	-1.0	1.5	1.6	-1.2	-2.3	-1.3	-3.6	-1.9	-3.0	-5.2	.	.
Total economy, gross	EUR	1034	1035	1086	1051	1040	1016	1055	1036	1060	1048	1040	1065	1037	.	.
Industry, gross, NACE Rev. 2	EUR	931	925	1011	953	932	907	954	927	972	951	948	967	921	.	.
PRICES																
Consumer	PP	0.4	0.6	0.2	-0.4	-0.4	0.6	1.5	0.8	1.7	-0.6	-1.0	0.5	1.4	0.4	-0.2
Consumer	CPPY	2.2	2.6	2.6	2.1	1.2	1.3	2.0	2.6	3.9	3.8	3.4	4.0	5.0	4.8	4.4
Consumer	CCPPY	2.2	2.2	2.3	2.3	1.2	1.3	1.5	1.8	2.2	2.5	2.6	2.8	3.0	3.2	3.3
Producer, in industry, NACE Rev. 2 2)	PP	0.0	0.5	0.5	-0.2	0.9	2.0	0.6	0.6	1.5	-0.4	0.0	1.5	1.0	0.1	-1.1
Producer, in industry, NACE Rev. 2 2)	CPPY	6.1	6.4	7.0	5.7	5.9	6.3	6.1	6.2	7.1	7.0	6.9	7.8	8.9	8.4	6.6
Producer, in industry, NACE Rev. 2 2)	CCPPY	6.4	6.4	6.4	6.4	5.9	6.1	6.1	6.1	6.3	6.4	6.5	6.7	6.9	7.1	7.0
FOREIGN TRADE, customs statistics																
Exports total (fob), cumulated	EUR mn	7192	8001	8744	9582	667	1348	2254	2974	3791	4581	5428	6266	7053	7993	.
Imports total (cif), cumulated	EUR mn	12310	13744	15104	16283	1109	2329	3892	5236	6690	8044	9560	10906	12202	13713	.
Trade balance, cumulated	EUR mn	-5118	-5744	-6360	-6701	-443	-981	-1638	-2262	-2899	-3463	-4132	-4641	-5150	-5720	.
Exports to EU-27 (fob), cumulated	EUR mn	4310	4774	5179	5573	411	823	1288	1736	2216	2634	3139	3594	4084	4688	.
Imports from EU-27 (cif), cumulated	EUR mn	7486	8362	9154	9849	667	1461	2467	3384	4277	5127	6031	6832	7630	8525	.
Trade balance with EU-27, cumulated	EUR mn	-3176	-3588	-3974	-4277	-256	-638	-1178	-1648	-2061	-2494	-2892	-3238	-3546	-3837	.
FOREIGN FINANCE																
Current account, cumulated	EUR mn	488	.	.	-431	.	.	-1593	.	.	-1803	.	.	.	.	.
EXCHANGE RATE																
HRK/EUR, monthly average	nominal	7.487	7.483	7.488	7.507	7.547	7.579	7.540	7.494	7.529	7.547	7.494	7.487	7.427	7.500	7.536
HRK/USD, monthly average	nominal	5.421	5.468	5.513	5.689	5.847	5.733	5.709	5.691	5.871	6.027	6.089	6.042	5.788	5.784	5.876
EUR/HRK, calculated with CPI 3)	real, Jan09=100	95.5	95.8	95.8	94.8	94.5	94.1	95.1	96.0	97.2	96.5	96.6	96.8	98.4	97.5	97.0
EUR/HRK, calculated with PPI 3)	real, Jan09=100	101.7	102.3	102.5	102.2	101.7	102.7	103.4	104.6	106.1	106.0	106.5	107.5	109.2	108.3	106.6
USD/HRK, calculated with CPI 3)	real, Jan09=100	98.5	98.5	98.0	94.7	91.4	93.4	94.4	95.2	94.0	91.1	89.5	90.1	95.0	95.5	94.2
USD/HRK, calculated with PPI 3)	real, Jan09=100	96.6	97.5	97.1	94.7	92.5	95.8	95.6	96.7	95.9	93.8	93.0	94.0	98.2	98.8	97.2
DOMESTIC FINANCE																
Currency outside banks	HRK bn, eop	17.1	16.5	16.4	16.7	16.1	16.0	16.2	16.4	16.8	17.8	18.7	18.7	17.9	.	.
M1	HRK bn, eop	51.2	51.0	50.9	52.9	49.2	48.4	47.4	47.8	49.4	51.5	53.1	52.3	52.3	51.3	.
Broad money	HRK bn, eop	241.2	241.4	241.7	241.1	237.7	236.2	235.5	236.7	239.6	240.0	244.5	248.0	246.6	247.7	.
Broad money	CPPY, eop	3.7	3.8	4.0	3.5	2.5	2.0	2.7	3.4	3.9	3.2	3.2	2.7	2.2	2.6	.
Central bank policy rate (p.a.) 4)	%, eop	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	.
Central bank policy rate (p.a.) 4)5)	real, %, eop	-0.1	-0.3	-1.0	0.3	0.1	-0.3	-0.1	-0.1	-1.1	-0.9	-0.9	-1.7	-2.7	-2.2	.
BUDGET																
Central gov. budget balance, cum. 6)	HRK mn	-10297	-10133	-11982	-15394	-1256	-1647	-4047	-3866	-4895	-5824	-7193	-7256	-8641	-8233	.

1) Enterprises with 20 and more employees.

2) Domestic output prices. Including E - electricity, gas, steam, air conditioning supply etc.

3) Adjusted for domestic and foreign (US resp. EU) inflation. Values more than 100 mean real appreciation.

4) Average weighted repo rates.

5) Deflated with annual PPI.

6) Consolidated central government budget.

Source: wiiw Monthly Database incorporating national statistics.

M A C E D O N I A: Selected monthly data on the economic situation 2011 to 2012

(updated end of Dec 2012)

		2011				2012										
		Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov
PRODUCTION																
Industry, NACE Rev. 2 1)	real, CPPY	-2.4	-3.9	-5.3	-4.7	-8.0	-8.8	-8.5	-7.2	-5.4	-4.1	-6.9	-8.0	-5.6	-4.5	.
Industry, NACE Rev. 2 1)	real, CCPPY	6.3	5.2	4.1	3.3	-8.0	-8.4	-8.4	-8.1	-7.5	-6.9	-6.9	-7.1	-6.9	-6.7	.
Industry, NACE Rev. 2 1)	real, 3MMA	-1.8	-3.9	-4.7	-5.8	-7.0	-8.4	-8.1	-7.0	-5.6	-5.5	-6.4	-6.8	-6.1	.	.
Productivity in industry, NACE Rev. 2 1)	CCPPY	4.0	3.0	2.3	1.8	-6.9	-6.8	-7.2	-6.8	-6.1	-5.3	-5.2	-5.0	-4.6	-4.0	.
Unit labour costs, exch.r. adj.(EUR) 1)	CCPPY	-1.0	0.0	0.7	0.8	8.4	7.5	8.1	8.1	7.4	6.3	6.1	5.9	5.3	.	.
Construction, total, effect. work. time	real, CPPY	21.7	24.8	16.4	11.6	-0.6	-24.9	-12.7	-9.7	-7.1	-10.0	-4.5	-9.9	-16.1	.	.
Construction, total, effect. work. time	real, CCPPY	13.1	14.3	14.5	14.2	-0.6	-13.4	-13.1	-12.2	-11.1	-10.9	-9.9	-9.9	-10.7	.	.
LABOUR																
Employed persons, LFS	th. pers., quart. avg	648.6	.	.	639.3	.	.	643.6	.	.	648.2	.	.	652.5	.	.
Employed persons, LFS	CPPY	0.0	.	.	-3.1	.	.	-0.9	.	.	0.8	.	.	0.6	.	.
Unemployed persons, LFS	th. pers., quart. avg	293.8	.	.	298.0	.	.	297.3	.	.	294.2	.	.	288.2	.	.
Unemployment rate, LFS	%, avg	31.2	.	.	31.8	.	.	31.6	.	.	31.3	.	.	30.6	.	.
WAGES																
Total economy, gross	MKD	30340	30680	30591	31338	30768	30257	30876	30444	30636	30323	30469	30777	30556	.	.
Total economy, gross	real, CPPY	-3.1	-2.1	-2.8	-3.0	-3.4	-1.9	0.8	-1.2	-2.4	-4.3	-2.2	-3.4	-4.3	.	.
Total economy, gross	EUR	493	499	497	509	500	492	502	495	497	492	495	500	497	.	.
Industry, gross, NACE Rev. 2	EUR	416	415	411	417	413	395	404	405	414	407	416	422	414	.	.
PRICES																
Consumer	PP	-0.1	0.3	0.6	-0.1	1.2	0.5	0.4	1.1	-0.3	-0.5	-0.9	1.5	1.4	0.2	0.0
Consumer	CPPY	3.4	3.3	3.5	2.8	3.4	2.9	1.4	2.2	2.0	2.1	2.3	3.7	5.3	5.3	4.6
Consumer	CCPPY	4.1	4.1	4.0	3.9	3.4	3.1	2.5	2.5	2.4	2.3	2.3	2.5	2.8	3.1	3.2
Producer, in industry, NACE Rev. 2 2)	PP	-0.4	-0.2	0.1	0.4	0.1	2.4	1.8	-0.1	-0.7	-0.8	0.1	0.9	2.2	-0.8	-0.1
Producer, in industry, NACE Rev. 2 2)	CPPY	10.1	8.7	10.4	8.3	5.1	5.8	4.3	3.0	3.2	3.0	4.1	3.7	6.3	5.7	5.5
Producer, in industry, NACE Rev. 2 2)	CCPPY	11.8	11.5	11.4	11.1	5.1	5.5	5.1	4.5	4.3	4.0	4.1	4.0	4.3	4.4	4.5
FOREIGN TRADE, customs statistics																
Exports total (fob), cumulated	EUR mn	2371	2640	2911	3201	212	449	717	957	1236	1513	1787	2034	2304	2566	.
Imports total (cif), cumulated	EUR mn	3728	4108	4571	5039	369	725	1166	1624	2077	2472	2878	3285	3688	4131	.
Trade balance, cumulated	EUR mn	-1357	-1469	-1660	-1838	-158	-277	-449	-667	-840	-959	-1092	-1251	-1383	-1565	.
Exports to EU-27 (fob), cumulated	EUR mn	1440	1609	1768	1939	129	290	464	609	778	949	1123	1273	1430	1602	.
Imports from EU-27 (cif), cumulated	EUR mn	2050	2259	2494	2738	202	370	620	908	1176	1416	1680	1937	2164	2456	.
Trade balance with EU-27, cumulated	EUR mn	-610	-650	-726	-799	-73	-80	-156	-299	-398	-467	-557	-664	-734	-853	.
FOREIGN FINANCE																
Current account, cumulated	EUR mn	-254	-222	-274	-224	-44	-71	-119	-195	-228	-199	-138	-131	-108	.	.
EXCHANGE RATE																
MKD/EUR, monthly average	nominal	61.50	61.50	61.50	61.51	61.50	61.50	61.50	61.54	61.63	61.61	61.57	61.50	61.50	61.50	61.50
MKD/USD, monthly average	nominal	44.54	44.91	45.31	46.60	47.68	46.54	46.57	46.73	48.00	49.22	50.05	49.71	47.88	47.40	47.97
EUR/MKD, calculated with CPI 3)	real, Jan09=100	97.0	97.0	97.4	97.0	98.7	98.7	98.1	98.7	98.3	98.0	97.5	98.7	99.4	99.4	99.5
EUR/MKD, calculated with PPI 3)	real, Jan09=100	114.7	114.4	114.2	114.9	114.0	116.1	117.7	117.5	117.0	116.7	116.7	117.0	119.2	118.4	118.3
USD/MKD, calculated with CPI 3)	real, Jan09=100	100.0	99.7	99.5	96.8	95.4	97.8	97.4	97.9	95.1	92.5	90.2	91.6	96.0	97.3	96.6
USD/MKD, calculated with PPI 3)	real, Jan09=100	108.8	109.1	108.0	106.3	103.6	108.2	108.7	108.5	105.8	103.2	101.7	102.0	107.2	107.9	107.8
DOMESTIC FINANCE																
Currency outside banks	MKD bn, eop	17.2	17.0	16.6	19.3	18.2	18.3	17.9	18.1	18.4	18.8	20.4	19.6	19.2	18.8	.
M1	MKD bn, eop	57.5	57.5	56.1	61.3	60.2	59.8	59.3	60.9	59.8	61.2	63.3	62.4	63.2	63.8	.
Broad money	MKD bn, eop	245.1	247.3	248.9	255.0	255.3	256.2	257.6	256.3	257.1	258.5	263.2	261.7	260.5	262.3	.
Broad money	CPPY, eop	10.5	10.2	8.6	9.7	10.0	9.7	9.8	9.3	8.0	8.0	7.3	6.0	6.3	6.1	.
Central bank policy rate (p.a.) 4)	%, eop	4.00	4.00	4.00	4.00	4.00	4.00	4.00	3.97	3.71	3.73	3.73	3.73	3.73	3.73	3.73
Central bank policy rate (p.a.) 4)5)	real, %, eop	-5.5	-4.3	-5.8	-4.0	-1.0	-1.7	-0.3	0.9	0.5	0.8	-0.4	0.1	-2.4	-1.8	-1.7
BUDGET																
General gov.budget balance, cum. 6)	MKD mn	-9391	-9865	-10537	-11483	-1429	-3300	-4530	-4419	-5419	-8047	-9928	-10147	-12025	-13224	.

1) Enterprises with 10 and more persons employed.

2) Domestic output prices.

3) Adjusted for domestic and foreign (US resp. EU) inflation. Values more than 100 mean real appreciation.

4) Central bank bills (28-days).

5) Deflated with annual PPI.

6) Central government budget plus extra-budgetary funds.

Source: wiiw Monthly Database incorporating national statistics.

MONTENEGRO: Selected monthly data on the economic situation 2011 to 2012

(updated end of Dec 2012)

		2011				2012										
		Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov
PRODUCTION																
Industry, NACE Rev. 2	real, CPPY	-2.1	-4.2	-15.9	-37.1	-24.5	-14.7	-4.0	20.8	4.8	-19.5	-1.7	-5.5	-15.8	-24.4	-6.0
Industry, NACE Rev. 2	real, CCPPY	-6.1	-5.9	-6.9	-10.3	-24.5	-19.7	-14.7	-7.1	-5.2	-7.4	-6.6	-6.5	-7.6	-9.4	-9.1
Industry, NACE Rev. 2	real, 3MMA	2.7	-7.7	-20.7	-26.7	-26.5	-14.7	-0.5	6.7	1.9	-5.9	-8.7	-7.9	-15.5	-15.6	.
Productivity in industry, NACE Rev. 2	CCPPY	.	.	.	.	-17.2	-11.8	-6.2	1.7	3.7	1.2	2.0	2.5	0.4	-2.4	.
Unit labour costs, exch.r. adj.(EUR)	CCPPY	.	.	.	.	16.1	14.4	11.8	4.3	2.5	6.2	4.7	4.0	6.1	8.5	.
LABOUR																
Employed persons, LFS	th. pers., quart. avg	202.2	.	.	194.7	.	.	193.0	.	.	196.7	.	.	211.6	.	.
Employed persons, LFS	CPPY	-4.6	.	.	-7.5	.	.	3.8	.	.	-1.0	.	.	4.6	.	.
Unemployed persons, LFS	th. pers., quart. avg	49.1	.	.	42.9	.	.	50.3	.	.	49.1	.	.	48.9	.	.
Unemployment rate, LFS	%	19.5	.	.	18.1	.	.	20.7	.	.	20.0	.	.	18.8	.	.
Employment total, registered	th. persons, avg	164.4	163.4	162.7	162.5	160.9	162.0	162.6	163.7	165.8	162.6	173.1	173.0	169.9	168.7	.
Unemployment, registered	th. persons, eop	29.4	30.2	30.6	30.6	31.3	31.5	31.6	31.3	30.1	29.4	28.7	28.5	28.3	29.5	.
Unemployment rate, registered	%, eop	15.2	15.6	15.8	15.8	16.3	16.3	16.3	16.1	15.4	15.3	14.2	14.6	14.3	14.9	.
WAGES																
Total economy, gross	EUR	712	711	721	722	754	739	730	733	727	722	716	716	721	717	713
Total economy, gross	real, CPPY	-4.1	-3.4	-2.3	-8.6	-4.9	-5.9	-1.6	0.8	-1.6	-1.9	-3.4	-2.9	-3.0	-4.1	-6.0
Industry, gross, NACE Rev. 2	EUR	835	863	902	876	904	920	901	910	880	936	842	873	883	868	.
PRICES																
Consumer	PP	-0.1	0.2	-0.2	-0.2	0.8	1.0	0.4	0.5	0.4	0.2	0.2	0.4	0.4	1.1	-0.1
Consumer	CPPY	3.5	3.5	3.1	2.8	2.7	4.2	2.7	3.1	3.5	3.9	4.4	4.0	4.4	5.2	5.2
Consumer	CCPPY	3.2	3.2	3.2	3.2	2.7	4.2	3.7	3.6	3.5	3.6	3.7	3.6	3.8	3.9	4.1
Producer, in industry 1)	PP	0.1	-0.4	-0.1	-1.6	1.0	0.4	-0.3	0.1	-0.2	1.8	0.0	4.2	-1.5	0.4	-0.1
Producer, in industry 1)	CPPY	3.2	2.8	2.8	1.0	-0.6	-0.8	-1.5	-0.2	-0.3	1.8	0.9	5.1	3.5	4.3	2.8
Producer, in industry 1)	CCPPY	3.5	3.4	3.4	3.2	-0.6	-0.7	-1.0	-0.8	-0.7	-0.3	-0.1	0.6	0.9	1.2	3.4
FOREIGN TRADE, customs statistics																
Exports total (fob), cumulated	EUR mn	332	380	418	454	27	51	85	116	151	182	214	245	276	302	.
Imports total (cif), cumulated	EUR mn	1365	1516	1660	1823	100	207	398	549	717	887	1065	1238	1386	1544	.
Trade balance, cumulated	EUR mn	-1033	-1136	-1242	-1369	-72	-155	-313	-433	-566	-705	-851	-993	-1110	-1242	.
Exports to EU-27 (fob), cumulated	EUR mn	186	209	220	227	9	16	25	35	49	59	68	74	83	91	.
Imports from EU-27 (cif), cumulated	EUR mn	534	586	639	697	37	83	150	208	276	339	406	474	527	591	.
Trade balance with EU-27, cumulated	EUR mn	-348	-377	-418	-470	-29	-66	-125	-173	-227	-279	-338	-401	-444	-499	.
FOREIGN FINANCE																
Current account, cumulated	EUR mn	-312	.	.	-573	.	.	-238	.	.	-493	.	.	-331	.	.
EXCHANGE RATE																
EUR/USD, monthly average	nominal	0.726	0.730	0.738	0.759	0.775	0.756	0.758	0.760	0.782	0.798	0.814	0.806	0.778	0.771	0.780
EUR/EUR, calculated with CPI 2)	real, Jan09=100	98.5	98.4	98.0	97.5	98.9	99.3	98.7	98.7	99.2	99.5	100.1	100.2	99.9	100.8	100.8
EUR/EUR, calculated with PPI 2)	real, Jan09=100	93.2	92.8	92.5	91.2	91.3	91.1	90.4	90.5	90.6	92.8	92.7	95.8	94.2	94.6	94.5
USD/EUR, calculated with CPI 2)	real, Jan09=100	94.2	95.1	96.0	98.8	101.2	99.3	99.2	99.7	103.1	105.6	108.1	106.9	103.1	103.3	104.9
USD/EUR, calculated with PPI 2)	real, Jan09=100	82.0	83.1	83.8	85.6	87.9	85.7	84.5	85.1	88.1	92.3	94.2	96.1	90.5	90.4	92.4
DOMESTIC FINANCE																
Central bank policy rate (p.a.) 3)	%, eop	9.06	9.05	9.10	9.06	9.02	9.00	8.99	8.93	8.91	8.89	8.87	8.87	8.86	8.82	.
Central bank policy rate (p.a.) 3)4)	real, %, eop	5.7	6.1	6.1	8.0	9.7	9.9	10.6	9.1	9.2	7.0	7.9	3.6	5.2	4.3	.
BUDGET																
General gov.budget balance, cum.	EUR mn	-95	.	.	-137	.	.	-41	.	.	-125	.	.	-90	.	.

1) Domestic output prices.

2) Adjusted for domestic and foreign (US resp. EU) inflation. Values more than 100 mean real appreciation.

3) Average weighted lending interest rate of commercial banks (Montenegro uses the euro as national currency).

4) Deflated with annual PPI.

S E R B I A: Selected monthly data on the economic situation 2011 to 2012

(updated end of Dec 2012)

		2011				2012										
		Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov
PRODUCTION																
Industry, NACE Rev. 2	real, CPPY	-1.8	-1.0	2.2	0.1	-2.8	-12.9	-3.2	-2.2	-3.1	-4.0	-4.0	-0.8	-6.8	1.6	.
Industry, NACE Rev. 2	real, CCPPY	2.1	1.8	1.8	1.7	-2.8	-8.0	-6.2	-5.2	-4.8	-4.6	-4.5	-4.1	-4.4	-3.8	.
Industry, NACE Rev. 2	real, 3MMA	-1.1	-0.2	0.4	0.0	-5.0	-6.2	-5.9	-2.8	-3.1	-3.7	-3.0	-4.0	-2.1	.	.
Productivity in industry, NACE Rev. 2	CCPPY	5.3	4.7	4.6	4.3	-1.6	-6.8	-4.7	-3.7	-3.2	-3.0	-2.9	-2.5	-2.8	.	.
Unit labour costs, exch.r. adj.(EUR)	CCPPY	8.7	9.7	10.0	10.3	4.9	14.2	11.7	8.9	6.4	4.1	3.1	2.1	1.4	.	.
LABOUR																
Employed persons, LFS	th. pers., quart. avg	.	.	.	2224.5	.	.	.	.	.	2157.6	.	.	.	.	.
Employed persons, LFS	CPPY	.	.	.	-6.6	.	.	.	.	.	-5.4	.	.	.	.	.
Unemployed persons, LFS	th. pers., quart. avg	.	.	.	691.8	.	.	.	.	.	740.0	.	.	.	.	.
Unemployment rate, LFS	%	.	.	.	23.7	.	.	.	.	.	25.5	.	.	.	.	.
Employees total, registered	th. persons, avg	1337.0	1337.0	1337.0	1338.0	1338.0	1338.0	1339.0	1339.0	1338.0	1339.0	1337.0	1335.0	1334.0	.	.
Unemployment, registered	th. persons, eop	742.6	737.9	735.1	745.2	764.2	777.1	782.7	775.3	762.6	755.0	752.6	751.6	751.5	.	.
Unemployment rate, registered	%, eop	27.4	27.3	27.2	27.5	28.0	28.3	28.6	28.4	28.0	27.8	27.8	27.8	27.8	.	.
WAGES																
Total economy, gross	RSD	53838	52944	53239	61116	50829	55505	56125	58465	56206	58712	57240	58503	55903	57733	.
Total economy, gross	real, CPPY	1.6	1.1	2.3	3.8	1.4	6.9	9.2	4.1	10.1	1.9	-0.4	1.8	-5.7	-3.3	.
Total economy, gross	EUR	532	526	519	594	484	513	506	524	495	507	491	496	486	510	.
Industry, gross, NACE Rev. 2	EUR	512	512	497	565	487	498	498	513	471	495	482	492	464	.	.
PRICES																
Consumer [1]	PP	0.2	0.4	0.9	-0.7	0.1	0.8	1.1	0.6	1.4	1.1	0.1	1.6	2.3	2.8	0.0
Consumer [1]	CPPY	9.3	8.7	8.1	7.0	5.6	4.9	3.2	2.7	3.9	5.5	6.1	7.9	10.3	12.7	11.9
Consumer [1]	CCPPY	12.3	11.9	12.1	11.0	5.6	5.2	4.5	4.1	4.0	4.3	4.5	5.0	5.6	6.3	6.8
Producer, in industry, NACE Rev. 2 [2]	PP	0.4	-0.3	0.3	0.4	0.4	0.8	1.8	0.1	-0.5	0.1	0.5	2.1	1.1	-0.5	-0.7
Producer, in industry, NACE Rev. 2 [2]	CPPY	12.3	11.2	10.3	9.7	6.9	5.8	5.9	3.4	3.3	3.4	3.8	6.2	7.0	6.4	7.0
Producer, in industry, NACE Rev. 2 [2]	CCPPY	16.2	15.7	15.2	14.2	6.9	6.3	6.2	5.5	5.0	4.7	4.6	4.8	5.1	6.6	5.5
FOREIGN TRADE, customs statistics																
Exports total (fob), cumulated	EUR mn	6278	7004	7732	8437	552	1072	1856	2584	3335	4134	4893	5617	6402	7255	.
Imports total (cif), cumulated	EUR mn	10384	11588	12918	14319	1027	2113	3121	4305	5571	6763	8015	9157	10323	11669	.
Trade balance, cumulated	EUR mn	-4106	-4584	-5185	-5883	-475	-1041	-1266	-1721	-2237	-2629	-3123	-3540	-3921	-4414	.
Exports to EU-27 (fob), cumulated	EUR mn	3650	4055	4482	4867	351	666	1114	1531	1969	2436	2850	3235	3686	4189	.
Imports from EU-27 (cif), cumulated	EUR mn	5771	6499	7300	8032	538	1120	1907	2627	3360	4128	4874	5564	6280	7110	.
Trade balance with EU-27, cumulated	EUR mn	-2121	-2445	-2818	-3165	-187	-454	-793	-1097	-1392	-1692	-2024	-2329	-2593	-2922	.
FOREIGN FINANCE																
Current account, cumulated	EUR mn	-1925	-2180	-2333	-2829	-261	-648	-1177	-1390	-1624	-1916	-2035	-2179	-2459	.	.
EXCHANGE RATE																
RSD/EUR, monthly average	nominal	101.21	100.60	102.68	102.93	105.04	108.10	110.90	111.63	113.60	115.77	116.46	117.86	115.03	113.28	112.95
RSD/USD, monthly average	nominal	73.52	73.45	75.71	78.15	81.41	81.62	83.91	84.75	88.94	92.24	94.67	95.14	90.52	87.86	87.99
EUR/RSD, calculated with CPI [3]	real, Jan09=100	105.4	106.1	104.8	103.4	102.0	99.4	97.0	96.5	96.2	95.5	95.4	95.5	99.5	103.5	104.0
EUR/RSD, calculated with PPI [3]	real, Jan09=100	117.1	117.4	115.1	115.5	112.7	109.8	108.4	107.7	105.7	104.5	104.2	104.3	107.8	109.0	108.6
USD/RSD, calculated with CPI [3]	real, Jan09=100	109.0	109.8	107.6	103.7	99.2	99.3	96.9	96.3	93.1	90.9	88.8	89.3	95.6	101.3	101.6
USD/RSD, calculated with PPI [3]	real, Jan09=100	111.5	112.7	109.4	107.4	103.0	103.1	100.8	100.1	95.8	93.1	91.4	91.7	96.5	99.4	99.7
DOMESTIC FINANCE																
Currency outside banks	RSD bn, eop	94.2	87.9	92.8	114.2	107.2	111.2	106.9	109.0	102.1	105.3	109.8	110.2	111.0	101.6	.
M1	RSD bn, eop	256.4	255.5	263.8	293.7	275.2	286.3	266.4	275.6	262.2	269.0	275.2	277.1	290.2	273.3	.
Broad money [4]	RSD bn, eop	1412.2	1412.0	1457.6	1500.4	1483.0	1522.8	1499.7	1531.2	1574.7	1588.6	1607.5	1616.9	1607.6	1580.2	.
Broad money [4]	CPPY, eop	8.1	6.2	7.0	10.3	12.0	16.4	14.0	19.0	22.3	18.1	15.5	15.0	13.8	11.9	.
Central bank policy rate (p.a.) [5]	%, eop	11.25	10.75	10.00	9.75	9.50	9.50	9.50	9.50	9.50	10.00	10.25	10.50	10.50	10.75	10.95
Central bank policy rate (p.a.) [5][6]	real, %, eop	-0.9	-0.4	-0.3	0.0	2.4	3.5	3.4	5.9	6.0	6.4	6.2	4.0	3.3	4.1	3.7
BUDGET																
Central gov.budget balance, cum.	RSD mn	-97015	-108633	-119938	-132534	-10428	-41633	-52741	-82902	-89274	-111197	-111236	-123148	-145225	-147916	-161350

1) From 2011 according to COICOP classification.

2) Domestic output prices.

3) Adjusted for domestic and foreign (US resp. EU) inflation. Values more than 100 mean real appreciation.

4) Excluding frozen foreign currency savings deposits of households.

5) Two-week repo rate.

6) Deflated with annual PPI.

Source: wiiw Monthly Database incorporating national statistics.

R U S S I A: Selected monthly data on the economic situation 2011 to 2012

(updated end of Dec 2012)

		2011				2012										
		Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov
PRODUCTION																
Industry, total	real, CPPY	3.8	3.6	3.9	2.4	3.8	6.4	2.0	1.3	3.7	2.0	3.4	2.1	1.9	1.8	1.9
Industry, total	real, CCPPY	5.3	5.1	5.0	4.8	3.8	5.1	4.0	3.3	3.4	3.1	3.2	3.0	2.9	2.8	2.7
Industry, total	real, 3MMA	4.5	3.8	3.3	3.3	4.1	4.0	3.1	2.3	2.3	3.0	2.5	2.5	1.9	1.9	.
Construction, total	real, CPPY	4.8	8.2	5.9	6.7	11.7	6.8	-0.7	3.8	7.1	5.3	-3.2	0.8	-5.6	5.1	.
Construction, total	real, CCPPY	4.1	4.7	4.8	5.1	11.7	9.2	5.2	4.8	5.4	5.4	3.7	3.2	1.9	2.3	.
LABOUR																
Employed persons, LFS	th. pers., avg	71965	70828	70970	70933	69968	69917	69800	70864	72077	72229	72277	72493	72187	71501	.
Employed persons, LFS	CPPY	1.2	0.5	1.0	1.9	1.2	0.5	0.3	1.6	1.5	1.1	0.9	0.7	0.3	1.0	.
Unemployed persons, LFS	th. pers., avg	4615	4805	4766	4643	4911	4824	4874	4372	4093	4144	4124	3955	3985	4023	.
Unemployment rate, LFS	%, avg	6.0	6.4	6.3	6.1	6.6	6.5	6.5	5.8	5.4	5.4	5.4	5.2	5.2	5.2	.
Unemployment, registered	th. persons, eop	1263.0	1216.0	1223.0	1286.0	1298.0	1331.0	1313.0	1254.0	1185.0	1127.0	1086.0	1068.0	1022.0	987.0	.
Unemployment rate, registered	%, eop	1.7	1.6	1.6	1.7	1.7	1.8	1.8	1.7	1.6	1.5	1.4	1.4	1.3	1.3	.
WAGES																
Total economy, gross	RUB	23468	23602	24296	32809	23746	24036	25487	25800	26385	27494	26684	25718	25996	26256	.
Total economy, gross	real, CPPY	4.1	4.9	5.8	10.3	10.3	12.0	8.3	10.5	11.7	9.1	7.0	5.3	3.9	4.4	.
Total economy, gross	EUR	557	550	580	791	583	609	657	665	670	667	667	650	643	651	.
Industry, gross 1)	EUR	525	517	531	635	544	568	610	614	622	589	627	625	602	.	.
PRICES																
Consumer	PP	0.0	0.5	0.4	0.4	0.5	0.4	0.6	0.3	0.5	0.9	1.2	0.1	0.6	0.5	0.3
Consumer	CPPY	7.3	7.3	6.9	6.1	4.2	3.8	3.8	3.7	3.7	4.4	5.6	6.0	6.6	6.6	6.5
Consumer	CCPPY	9.1	8.9	8.7	8.5	4.2	4.0	3.9	3.8	3.8	3.9	4.1	4.4	4.6	4.8	5.0
Producer, in industry 2)	PP	-0.7	1.7	1.6	0.2	-0.2	1.1	2.1	0.6	-2.4	-0.9	-1.1	5.1	4.8	-1.6	.
Producer, in industry 2)	CPPY	19.6	19.0	15.9	14.9	12.2	9.7	10.5	9.0	5.2	6.7	6.6	7.1	13.0	9.4	.
Producer, in industry 2)	CCPPY	19.8	19.7	19.3	18.9	12.2	11.0	10.8	10.3	9.3	8.8	8.5	8.3	8.9	8.9	.
FOREIGN TRADE, customs statistics																
Exports total (fob), cumulated	EUR mn	265318	298529	333215	371709	30930	64709	100215	134095	169204	201414	234624	267587	300795	.	.
Imports total (cif), cumulated	EUR mn	156990	177343	197972	219831	13892	31709	52214	71195	91813	112059	134782	157142	176504	.	.
Trade balance, cumulated	EUR mn	108329	121186	135243	151878	17038	33000	48001	62900	77391	89355	99842	110446	124291	.	.
FOREIGN FINANCE																
Current account, cumulated	EUR mn	50132	.	.	71036	.	.	30827	.	.	47503	.	.	58245	.	.
EXCHANGE RATE																
RUB/EUR, monthly average	nominal	42.150	42.940	41.880	41.480	40.730	39.490	38.800	38.820	39.380	41.230	40.030	39.560	40.450	40.320	40.310
RUB/USD, monthly average	nominal	30.490	31.350	30.860	31.450	31.510	29.880	29.370	29.470	30.650	32.910	32.500	31.970	31.520	31.090	31.410
EUR/RUB, calculated with CPI 3)	real, Jan09=100	113.7	111.8	114.9	116.1	119.5	123.1	124.8	124.5	123.4	119.1	124.6	125.8	123.0	123.7	124.2
EUR/RUB, calculated with PPI 3)	real, Jan09=100	140.7	140.4	145.9	147.9	149.0	154.5	159.9	160.6	155.1	147.7	150.2	158.5	162.1	160.2	.
USD/RUB, calculated with CPI 3)	real, Jan09=100	116.2	113.8	116.2	114.7	114.5	120.8	122.6	122.3	118.2	111.3	114.3	115.6	117.4	119.8	119.5
USD/RUB, calculated with PPI 3)	real, Jan09=100	132.3	132.5	136.6	135.4	134.3	142.5	146.2	146.9	139.0	129.3	129.7	136.9	144.2	144.5	.
DOMESTIC FINANCE																
Currency outside banks	RUB bn, eop	5420.4	5420.1	5475.2	5938.6	5670.7	5713.0	5704.3	5831.5	5856.4	6003.9	5976.3	5980.0	5969.2	5931.3	.
M1	RUB bn, eop	11359.1	11130.9	11354.1	12857.4	12301.2	12285.6	12273.2	12230.8	12353.7	12621.3	12470.9	12293.8	12375.0	12305.2	.
M2	RUB bn, eop	25663.4	25545.1	26290.4	28754.6	27993.7	28084.4	28345.8	28504.3	29045.7	29340.8	29267.5	29410.0	29512.1	21314.9	.
M2	CPPY, eop	20.4	18.7	18.9	20.9	20.9	19.5	20.1	20.2	21.0	20.1	19.2	18.0	15.0	-16.6	.
Central bank policy rate (p.a.) 4)	%, eop	8.25	8.25	8.25	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.25	8.25
Central bank policy rate (p.a.) 4)5)	real, %, eop	-9.5	-9.1	-6.6	-6.0	-3.8	-1.6	-2.3	-0.9	2.7	1.2	1.3	0.8	-4.5	-1.0	.
BUDGET																
Central gov.budget balance, cum.	RUB bn	1130.9	1422.8	1369.5	430.8	27.2	-199.6	-70.2	-51.3	132.1	270.7	285.1	532.4	671.2	.	.

1) Manufacturing industry only (D according to NACE Rev. 1).

2) Domestic output prices.

3) Adjusted for domestic and foreign (US resp. EU) inflation. Values more than 100 mean real appreciation.

4) Refinancing rate.

5) Deflated with annual PPI.

Source: wiiw Monthly Database incorporating national statistics.

UKRAINE: Selected monthly data on the economic situation 2011 to 2012

(updated end of Dec 2012)

		2011				2012										
		Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov
PRODUCTION																
Industry, total	real, CPPY	7.3	5.2	4.4	0.2	2.4	1.7	-1.2	0.1	1.1	-1.3	-0.7	-4.7	-6.7	-4.2	.
Industry, total	real, CCPPY	9.3	8.8	8.4	7.6	2.4	2.1	0.9	0.7	0.8	0.4	0.3	-0.4	-1.1	-1.5	.
Industry, total	real, 3MMA	7.6	5.6	3.3	2.3	1.4	0.9	0.2	0.0	0.0	-0.3	-2.2	-4.0	-5.2	.	.
Productivity in industry 1)	CCPPY	10.4	10.0	9.6	8.9	2.2	2.2	1.2	1.2	1.4	1.2	1.2	0.7	0.1	-0.2	.
Unit labour costs, exch.r. adj.(EUR) 1)	CCPPY	2.9	3.9	4.5	5.4	18.1	19.4	17.8	18.8	20.1	21.3	22.5	23.8	23.5	23.1	.
Construction, total	real, CCPPY	11.6	11.9	12.7	11.0	2.5	-0.5	-2.7	-3.0	0.3	-1.9	-6.2	-8.0	-9.1	-10.2	-12.1
LABOUR																
Employed persons, LFS	th. pers., quart. avg	20783	.	.	20019	.	.	20040	.	.	20541	.	.	.	.	.
Employed persons, LFS	CPPY	0.0	.	.	0.8	.	.	-0.3	.	.	0.8	.	.	.	.	.
Unemployed persons, LFS	th. pers., quart. avg	1531	.	.	1779	.	.	1845	.	.	1576	.	.	.	.	.
Unemployment rate, LFS	%	6.9	.	.	8.2	.	.	8.4	.	.	7.1	.	.	.	.	.
Employees total, registered 1)	th. persons, avg	10537	10539	10498	10396	10598	10602	10613	10613	10579	10595	10592	10554	10536	10527	.
Unemployment, registered	th. persons, eop	405	379	413	483	521	547	531	486	465	447	438	427	416	400	.
Unemployment rate, registered 2)	%, eop	1.5	1.4	1.5	1.8	1.9	2.0	1.9	1.7	1.7	1.6	1.6	1.5	1.5	1.4	.
WAGES 1)																
Total economy, gross	UAH	2737	2729	2727	3054	2722	2799	2923	2942	3015	3109	3151	3073	3064	3110	.
Total economy, gross	real, CPPY	10.0	11.5	10.2	11.1	14.2	16.2	13.3	15.5	17.8	16.2	14.7	14.1	12.0	14.0	.
Total economy, gross	EUR	248	250	252	290	264	265	278	280	294	311	321	311	299	300	.
Industry, gross	EUR	297	300	296	337	312	312	319	322	342	346	366	367	346	351	.
PRICES																
Consumer	PP	0.1	0.0	0.1	0.2	0.2	0.2	0.3	0.0	-0.3	-0.3	-0.2	-0.3	0.1	0.0	-0.1
Consumer	CPPY	5.9	5.4	5.2	4.6	3.7	3.0	1.9	0.6	-0.5	-1.2	-0.1	0.0	0.0	0.0	-0.2
Consumer	CCPPY	9.0	8.6	8.3	8.0	3.7	3.4	2.9	2.3	1.7	1.2	1.0	0.9	0.8	0.7	0.6
Producer, in industry 3)	PP	1.2	-1.8	0.6	-1.8	-0.8	0.8	1.1	3.7	0.2	0.7	-2.9	0.5	0.2	-1.5	0.0
Producer, in industry 3)	CPPY	21.2	16.2	17.3	14.1	11.8	7.5	6.5	6.8	4.3	4.5	1.3	1.3	0.3	0.6	0.0
Producer, in industry 3)	CCPPY	20.1	19.7	19.5	19.0	11.8	9.6	8.5	8.1	7.3	6.8	6.0	5.4	4.8	4.3	3.9
FOREIGN TRADE, customs statistics																
Exports total (fob), cumulated	EUR mn	35489	39681	44281	49144	4128	7878	12333	16734	21602	25970	30636	35332	39635	44574	.
Imports total (cif), cumulated	EUR mn	42307	47793	53430	59357	4173	9296	14553	20074	25979	31535	37364	43216	48587	54525	.
Trade balance, cumulated	EUR mn	-6818	-8112	-9149	-10213	-45	-1418	-2220	-3340	-4377	-5565	-6728	-7884	-8953	-9951	.
FOREIGN FINANCE																
Current account, cumulated	EUR mn	-4191	.	.	-7359	.	.	-1385	.	.	-4101	.	.	-7370	.	.
EXCHANGE RATE																
UAH/EUR, monthly average	nominal	11.030	10.914	10.839	10.544	10.301	10.544	10.533	10.511	10.265	10.012	9.829	9.890	10.248	10.373	10.256
UAH/USD, monthly average	nominal	7.973	7.975	7.984	7.990	7.990	7.989	7.986	7.987	7.991	7.993	7.993	7.993	7.993	7.993	7.993
EUR/UAH, calculated with CPI 4)	real, Jan09=100	108.0	108.8	109.5	112.4	116.0	112.9	112.2	111.9	114.4	117.1	119.5	117.9	113.2	111.6	112.9
EUR/UAH, calculated with PPI 4)	real, Jan09=100	136.7	135.6	137.0	138.6	139.5	136.6	137.6	142.9	147.2	152.9	150.9	149.6	144.4	140.6	142.2
USD/UAH, calculated with CPI 4)	real, Jan09=100	111.2	111.5	111.6	111.9	111.7	111.4	110.9	110.6	110.3	110.2	110.1	109.2	108.8	108.9	109.3
USD/UAH, calculated with PPI 4)	real, Jan09=100	129.6	128.8	129.2	127.9	126.3	126.7	126.6	131.5	132.9	134.8	131.1	130.1	129.2	127.8	129.4
DOMESTIC FINANCE																
Currency outside banks	UAH bn, eop	189.9	188.4	184.2	192.7	184.6	186.5	187.9	194.5	194.8	200.4	201.5	200.8	199.8	195.0	.
M1	UAH bn, eop	304.6	304.3	294.8	311.0	302.7	300.0	308.6	315.8	313.6	319.0	323.6	318.6	321.0	312.8	.
Broad money	UAH bn, eop	662.3	666.4	653.5	685.5	675.5	679.7	691.3	703.7	701.1	710.4	721.0	725.1	731.7	729.7	.
Broad money	CPPY, eop	16.4	15.7	13.8	14.7	12.4	12.3	11.3	10.2	10.2	8.9	9.7	9.1	10.5	9.5	.
Central bank policy rate (p.a.) 5)	%, eop	7.75	7.75	7.75	7.75	7.75	7.75	7.50	7.50	7.50	7.50	7.50	7.50	7.50	7.50	7.50
Central bank policy rate (p.a.) 5)6)	real, %, eop	-11.1	-7.3	-8.1	-5.6	-3.6	0.2	1.0	0.7	3.1	2.9	6.1	6.1	7.1	6.8	7.5
BUDGET																
General gov.budget balance, cum.	UAH mn	-3097	-8040	-7535	-23058	2069	4759	-712	-6384	-4803	-9743	-18868	-14833	-21262	-29184	.

1) Enterprises with 10 and more employees.

2) Ratio of unemployed to average working age population.

3) Domestic output prices.

4) Adjusted for domestic and foreign (US resp. EU) inflation. Values more than 100 mean real appreciation.

5) Discount rate.

6) Deflated with annual PPI.

Source: wiiw Monthly Database incorporating national statistics.

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