

# Monthly Report 10/05

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## Czech economy basking in glory

BY JOSEF PÖSCHL

The Czech GDP growth rate hit the five per cent mark in the second quarter of 2005. The last time that happened was back in the second quarter of 1996. On that occasion, however, the high rate of growth proved unsustainable as it was accompanied by a spiralling foreign trade deficit; an attempt one year later to defend a stable exchange rate led to a currency crisis and recession. This time round sustainability is not in doubt. An ever-improving trade balance is matched by accelerated growth. In fact, the Czech economy is strengthening its position as a trade surplus country. This only became clear in 2005, whereas surpluses in the balance of services are of longstanding tradition.

Up to the crisis in 1997, Czech conservative governments were convinced that domestic forces would suffice almost of their own accord to rebuild the economy. In the aftermath of the crisis, the social democrats came to power. Through learning by doing, they became increasingly aware of the fact that inviting foreign direct investors bore the potential of bringing about a swift fundamental transformation of the economy. Today, in most branches of industry foreign-owned companies have taken the lead; the stock of foreign direct investment amounts to over EUR 4000 per citizen: more than in the other new EU member states (except Estonia). If the Czech Republic now achieves a trade surplus, it will be mainly attributable to foreign-owned enterprises. The latter companies started out as pronounced importers; in the meantime, however, they have become even more pronounced exporters. The car industry has assumed a key position; it is one of the

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engines of growth in industrial production. Škoda Mlada Boleslav, a Volkswagen subsidiary with a vibrant development centre of its own, has played a pioneer role; over time, it has become the flagship of the Czech Republic's new entrepreneurial culture. The company is about to leave the low-price segment of the market, while in Kolín, not too far from Mlada Boleslav, a large new factory has started producing various mini-car versions which will enter the market under three different labels: Citroen, Peugeot and Toyota. Recently, Sungwoo, a Korean producer of car body frames, announced its intention to invest some EUR 85 million in a new plant near Ostrava in the north-east of the country. Hyundai, another Korean car maker, is looking for an even bigger production site in Moravia. This is clear proof that the Czech Republic has retained its competitiveness as an industrial location. In the automotive industry, capacity expansion is all the rage throughout the region. It will thus be interesting to see who in the longer run crowds out whom on Europe's markets. Whatever the outcome, it will have a major impact on the advance of the Czech economy.

The crisis in 1997 revealed that the major banks, with the government as their prime shareholder, had pumped money into large loss-making companies thus accumulating an enormous volume of non-performing assets. As a consequence, the Czech National Bank (CNB) intensified its banking supervision and the government took over non-performing credits and started selling its shares in leading banks to strategic investors. Over the subsequent years, the aggregate amount of money lent to non-financial enterprises dropped. This offers an explanation for the weak GDP growth rate over that period.

Today, all the major Czech banks are foreign-owned; they have emerged as brilliant profit makers. Their lending to households is on the rise, as many of the latter want to invest in housing or fund the purchase of durable consumer goods. That notwithstanding, compared to the developed countries in the West the Czech household sector's degree of indebtedness is low. The banks' lending to companies has remained focused on prime clients, as creditor-friendly bankruptcy legislation has yet to pass through parliament. In the past, all reform

attempts in this respect were watered down when submitted to legislative procedure.

In order to safeguard the competitiveness of the Czech business sector, the CNB responded to the danger of currency appreciation by lowering interest rates in 2002. The government's sale of shares in large Czech companies had fuelled the demand for Czech currency. The CNB and the government agreed on a joint strategy rooted in an exchange-rate neutral handling of privatization revenues. This strategy, together with low interest rates, managed to dampen expectations of further appreciation. Over the past few years, the interest rates directly controlled by the CNB have been lower than those maintained by the ECB in Frankfurt.

In the recent past appreciation tendencies have reappeared to a larger extent. This time round, the main determining factors are higher growth, an improving current account and high government revenues accruing from the sale of shares in Czech Telecom and the petrochemical giant Unipetrol. Expectations of further appreciation are on the rise. In all likelihood, the CNB will try to combat overreactions on the market, while accepting appreciation as long as it remains a smooth and gradual process. Hitherto, Czech price levels have not risen much above 50% of the EU-25 average; inflation rates have tended to remain below the weighted EU-25 average. Under such conditions, appreciation is the only route that will ultimately lead to some degree of nominal convergence in the EU-25 context. All in all, economic growth is likely to remain on track, with a growth rate close to 5% for 2005 as a whole and not much less for 2006. Inflation will remain modest; the current account deficit will diminish and the government budget deficit will stand at around 3% of GDP. Unemployment will probably not exceed 9%.

Whereas commercial banks and exporters are basking in all their glory, the political landscape is marred by a series of corruption scandals and coalition crises. Parliamentary elections should take place by June 2006 at the latest. With Prime Minister Jiří Paroubek at the helm, the social democrats have regained much of the ground they had previously lost. The outcome of the elections thus hangs in the balance.

Table CZ

## Czech Republic: Selected Economic Indicators

	2000	2001	2002	2003	2004 <sup>1)</sup>	2004 January-June	2005	2005 forecast	2006
Population, th pers., mid-year <sup>2)</sup>	10272.5	10224.2	10200.8	10201.7	10206.9	.	.	.	.
Gross domestic product, CZK bn, nom. <sup>3)</sup>	2150.1	2315.3	2414.7	2555.8	2750.3	1350.7	1427.7	2940	3150
annual change in % (real) <sup>3)</sup>	3.9	2.6	1.5	3.2	4.4	4.3	4.9	4.8	4.9
GDP/capita (EUR at exchange rate)	5878	6644	7683	7867	8446	.	.	.	.
GDP/capita (EUR at PPP - wiiw)	12760	13470	14260	14660	15650	.	.	.	.
Gross industrial production									
annual change in % (real)	1.5	10.6	4.8	5.8	9.9	10.8	4.2	6	6
Gross agricultural production									
annual change in % (real)	-4.5	2.5	-4.4	-7.6	14.9	.	.	.	.
Construction industry									
annual change in % (real)	5.3	9.6	2.5	8.9	9.7	16.5	-1.2	.	.
Consumption of households, CZK bn, nom. <sup>3)</sup>	1108.8	1179.4	1220.6	1300.5	1362.5	655.4	675.3	.	.
annual change in % (real) <sup>3)</sup>	2.9	2.8	2.7	4.6	2.0	2.4	1.9	2.5	3.3
Gross fixed capital form., CZK bn, nom. <sup>3)</sup>	594.9	638.6	643.3	685.6	749.9	361.6	372.6	.	.
annual change in % (real) <sup>3)</sup>	4.9	5.4	3.4	4.7	7.6	7.6	2.6	3	5
LFS - employed persons, th, avg. <sup>4)</sup>	4731.6	4750.2	4764.9	4733.2	4706.6	4688.3	4727.6	.	.
annual change in %	-0.7	0.4	0.3	-0.7	-0.6	-1.1	0.8	.	.
LFS - employed pers. in industry, th, avg. <sup>4)</sup>	1429.4	1470.6	1463.1	1424.7	1409.0	1405.6	1406.0	.	.
annual change in %	-2.7	2.9	-0.1	-2.6	-1.1	-1.8	0.0	.	.
LFS - unemployed, th pers., average	454.5	421.0	374.1	399.1	425.9	431.5	415.6	.	.
LFS - unemployment rate in %, average <sup>4)</sup>	8.8	8.1	7.3	7.8	8.3	8.5	8.1	8.2	8.2
Reg. unemployment rate in %, end of period	8.8	8.9	9.8	10.3	9.5	9.9	8.6	9.0	9
Average gross monthly wages, CZK <sup>5)</sup>	13614	14793	15866	16917	18035	17255	18220	.	.
annual change in % (real, gross)	2.4	3.8	5.4	6.5	3.7	3.8	3.9	.	.
Consumer prices, % p.a.	3.9	4.7	1.8	0.1	2.8	2.5	1.6	2.0	2.1
Producer prices in industry, % p.a.	4.9	2.8	-0.5	-0.4	5.7	3.4	5.5	3.2	1.7
General governm. budget, EU-def., % GDP <sup>6)</sup>									
Revenues	38.5	39.1	40.2	41.6	42.7	.	.	.	.
Expenditures	42.1	45.0	46.8	53.2	45.7	.	.	.	.
Deficit (-) / surplus (+)	-3.7	-5.9	-6.7	-11.6	-3.0	.	.	-3.0	-3.0
Public debt, EU-def., in % of GDP <sup>6)</sup>	18.2	27.2	30.7	38.3	37.4	.	.	38.0	40.0
Discount rate, % p.a., end of period	5.0	3.8	1.8	1.0	1.5	1.3	0.8	.	.
Current account, EUR mn	-2945	-3652	-4426	-5044	-4490	-1591	-410	-2000	-2200
Current account in % of GDP	-4.9	-5.4	-5.6	-6.3	-5.2	-3.8	-0.9	-2.0	-2.1
Gross reserves of NB incl. gold, EUR mn	14159	16400	22614	21340	20884	21784	24859	.	.
Gross external debt, EUR mn	23285	25368	25738	27624	33258	29326	35731	.	.
FDI inflow, EUR mn	5404	6296	9012	1863	3596	1804	5663	.	.
FDI outflow, EUR mn	47	185	219	183	440	73	62	.	.
Exports of goods, BOP, EUR mn	31483	37251	40711	43051	53714	25562	30515	64200	75000
annual growth rate in %	27.8	18.3	9.3	5.7	24.8	19.8	19.4	20	17
Imports of goods, BOP, EUR mn	34876	40675	43026	45243	54414	25823	29117	61400	69000
annual growth rate in %	32.0	16.6	5.8	5.2	20.3	17.9	12.8	13	12
Exports of services, BOP, EUR mn	7436	7913	7501	6882	7787	3610	4128	8900	10200
annual growth rate in %	12.5	6.4	-5.2	-8.3	13.2	11.2	14.3	14	15
Imports of services, BOP, EUR mn	5904	6211	6792	6466	7396	3361	3849	8500	9700
annual growth rate in %	7.6	5.2	9.4	-4.8	14.4	11.8	14.5	15	14
Average exchange rate CZK/USD	38.59	38.04	32.74	28.23	25.70	26.44	23.42	.	.
Average exchange rate CZK/EUR (ECU)	35.61	34.08	30.81	31.84	31.90	32.44	30.07	29.8	29.4
Purchasing power parity CZK/USD	14.36	14.59	14.27	14.46	14.58	.	.	.	.
Purchasing power parity CZK/EUR	16.40	16.81	16.60	17.09	17.22	.	.	.	.

Notes: 1) Preliminary. - 2) From 2001 based on census March 2001. - 3) According to ESA 95, real change based on constant prices of previous year. - 4) From 2002 weighted according to census 2001. - 5) Enterprises with more than 20 employees, including part of the Ministry of Defence and the Ministry of the Interior. - 6) According to ESA'95, excessive deficit procedure.

Source: wiiw Database incorporating national statistics; EU AMECO Database; wiiw forecasts.

## Hungary: improving trade balance, growing concern over budget deficit

BY SÁNDOR RICHTER

Hungary's economic performance in the first half of 2005 was characterized by robust performance of the business sector parallel to growing concern over public finances. GDP increased by 4.1% in the second quarter, a considerable acceleration as compared to 2.9% in the first quarter. Investment and net exports explain much of the growth acceleration. Gross fixed capital formation expanded by 6.8% in the first quarter and by 9.4% in the second. The growth rate of exports in the first quarter was 2.5 percentage points higher than that of imports; this gap increased to 7.3 percentage points in the second quarter. Household consumption grew moderately, by less than 3%.

In industry, electrical and optical equipment and transport equipment record the highest rates of expansion. External demand for industrial products is growing rapidly and, for the first time in years, there was an upturn in domestic sales as well. While output growth in big industrial firms has been relying overwhelmingly on export sales, small and medium-size firms expand in the domestic market. Domestic sales of small industrial firms increased by 20% in the first half of the year – a remarkable development as these firms are exposed to strong competition by imports cheapening on account of the strong forint.

Construction has undergone a stormy expansion: in the first seven months its performance increased by close to 15%. This is partly explained by the extension of existing highways towards the northern, eastern and southern borders. Another part of the construction boom is due to lively housing construction.

An important new phenomenon is that both industry and construction are booming in Northern Hungary, which belongs to those regions that

suffered most in terms of industrial output and employment in the years of transition.

In the first half of 2005 exports increased by 10.2% in current euro terms while imports by 4.3%. The spectacular foreign trade performance is partly explained by statistical reasons. One of them is the high basis of imports in the first half of the previous year, when prior to EU accession on 1 May import purchases suddenly rocketed. There are also problems (omissions and delays) in the registration of imports due to the shift to self-reporting by importers. Nevertheless, available figures indicate an improving trade balance. The EUR 1.2 billion deficit in the first six months is only half the respective sum a year earlier. In the first half of 2005 Hungary's exports of machinery and transport equipment to the old EU members exceeded, by 37%, the imports of the respective commodity group. Hungary records an export surplus vis-à-vis *each* old EU member in trade in machinery and transport equipment.

The balance of payments data confirm the improving tendencies reflected by the trade statistics. Due primarily to the much better balance in goods trade in the first half of this year compared to the respective 2004 period, the current account deficit dropped below 8% of GDP.

In the first half of the year CPI inflation was halved, to 3.7%. The central bank cautiously followed this development with its interest rate policy. The prime rate has been cut in several steps to 6% by mid-September (from 11% a year earlier). The reduction of the VAT rate from 25% to 20% from the beginning of 2006 will push down annual average CPI inflation to somewhat above 2%, though prices of imported fuel make this forecast uncertain.

Up to the end of September the government had made desperate efforts to find a delicate balance between constraints and opportunities. It insisted on the reduction of the general government deficit/GDP ratio to 3.6% as stipulated in the convergence programme, but also carried on the

forced pace of highway constructions and launched a number of small reforms. Simultaneously, with the help of 'creative accounting', it tried to conceal or postpone the accounting of several expenditures in the budget. This strategy collapsed spectacularly when Eurostat rejected the off-budgetary treatment of the highway construction costs, the biggest item involved. The government swiftly reacted and, apparently with a sigh of relief, gave up the convergence targets for the budget deficit. The new deficit target for 2005 is 6.1% of GDP. Latest communication from the government hints at drifting towards a revision of the 2010 target date for the introduction of the euro, with reference to a potential loss in terms of economic growth should the decrease of the deficit to 3% of GDP take place too rapidly.

Though the government has announced its draft budget for 2006, uncertainties in public finance remain considerable. There is no final decision as yet on the ways of accounting for important items (highway construction, imported Gripen fighters, potentially huge revenues from the privatization of the operation of the Budapest airport, etc.). The impact of changes in taxation cannot be exactly calculated either. The election campaign has not yet officially started, but the government already announced a couple of 'mood-improving' measures for pensioners, farmers and families with children. The draft budget for 2006 foresees a deficit/GDP ratio of 4.7%. This is quite far from the 3% required by the Maastricht criteria but the problem is not merely the 1.7 percentage points difference. The reason for concern is the lack of a political and social consensus required to face the challenge

of introducing long due reforms in health care, the welfare systems, education and local governments. The dilemma is not about highway construction versus observance of the convergence criteria, but about starting with public finance reforms versus postponing euro introduction for years. However, the pre-election period will hardly be devoted to discussing public finance reforms with the potential of all sorts of interest conflicts. Thus, any serious judgement on the likely date of the euro introduction in Hungary will be possible only in summer 2006, when the programme of the newly elected government will be announced.

In his recent speeches Viktor Orban, former and potentially also future prime minister, hinted at putting an end to further privatization and at a possible revision of privatization deals concluded by the socialist-liberal government if those deals hurt Hungarian national interests, should his party, FIDESZ, win the elections. However, similar FIDESZ announcements had been made in the 1998 election campaign but were never realized after the Orban administration had come into office. Thus, Mr. Orban's recent hints may be considered a populist message to a special audience rather than a real menace to past and future foreign investors.

2006 will in many respects be similar to the current year. A major difference will be the much lower CPI inflation in the wake of changes in taxation. A due portion of uncertainty remains for public finances and the economic policy opted for after the elections.

Table HU

## Hungary: Selected Economic Indicators

	2000	2001	2002	2003	2004 <sup>1)</sup>	2004 January-June	2005	2005 forecast	2006
Population, th pers., end of period	10200.3	10174.9	10142.4	10116.7	10097.5	10105	10085	10065	10040
Gross domestic product, HUF bn, nom.	13150.8	14849.8	16740.4	18408.8	20338.2	9716.7	10147.7	22100	23500
annual change in % (real)	5.2	3.8	3.5	2.9	4.2	4.5	3.5	3.9	4.0
GDP/capita (EUR at exchange rate)	4953	5679	6782	7169	7996	.	.	.	.
GDP/capita (EUR at PPP - wiiw)	10510	11500	12350	12770	13620	.	.	.	.
Gross industrial production									
annual change in % (real)	18.1	3.6	2.8	6.4	7.4	9.8	5.9	5	7
Gross agricultural production									
annual change in % (real)	-6.5	15.8	-4.1	-4.5	21.7	.	.	.	.
Construction industry									
annual change in % (real)	7.9	7.7	17.5	2.2	6.8	7.2	13.8	.	.
Consumption of households, HUF bn, nom.	6689.2	7671.3	8756.3	9855.8	10925.5	5250.5	5589.0	.	.
annual change in % (real)	4.4	5.8	10.4	7.8	3.1	3.4	2.8	3	3
Gross fixed capital form., HUF bn, nom.	3179.8	3493.0	3916.9	4141.3	4598.9	1755.3	1947.7	.	.
annual change in % (real)	7.7	5.9	9.3	2.5	7.9	13.1	8.3	7	12
LFS - employed persons, th, avg.	3856.2	3868.3	3870.6	3921.9	3900.4	3892.8	3881.1	.	.
annual change in %	1.2	0.3	0.1	1.3	-0.5	0	-0.3	.	.
Reg. employees in industry, th pers., avg. <sup>2)</sup>	844.8	833.9	817.9	801.8	785.2	788.6	767.0	.	.
annual change in %	1.3	-1.3	-1.9	-2.0	-2.1	-2.0	-2.7	.	.
LFS - unemployed, th pers., average	263.7	234.1	238.8	244.5	252.9	246.9	298.5	.	.
LFS - unemployment rate in %, average	6.4	5.7	5.8	5.9	6.1	6.0	7.1	7.1	7.1
Reg. unemployment rate in %, end of period	8.6	8.0	8.0	8.3	9.2	8.1	8.9	8.5	8.5
Average gross monthly wages, HUF <sup>2)3)</sup>	87645	103553	122482	137193	145675	141901	156945	.	.
annual change in % (real, net)	1.5	6.4	13.6	9.2	-1.1	0.4	7.6	.	.
Consumer prices, % p.a.	9.8	9.2	5.3	4.7	6.8	7.1	3.7	3.6	2.0
Producer prices in industry, % p.a.	11.6	5.2	-1.8	2.4	3.5	4.4	4.6	4	.
General governm.budget, EU-def., % GDP <sup>4)</sup>									
Revenues	45.3	45.0	44.1	44.5	47.5	.	.	.	.
Expenditures	47.6	48.7	52.6	50.7	52.0	.	.	.	.
Deficit (-) / surplus (+) <sup>5)</sup>	-2.3	-3.7	-8.5	-6.2	-4.5	.	.	-6.1	-5.0
Public debt, EU-def., in % of GDP <sup>4)5)</sup>	55.4	52.2	55.5	56.9	57.6	.	.	.	.
Refinancing rate, % p.a., end of period	11.0	9.8	8.5	12.5	9.5	11.5	7.0	5.8	4.8
Current account, EUR mn	-4352.4	-3576.5	-4929.2	-6381.7	-7136.1	-3573.3	-3245.6	-7000	-7100
Current account in % of GDP	-8.6	-6.2	-7.2	-8.8	-8.8	-9.4	-7.9	-7.9	-7.6
Reserves total, excl. gold, EUR mn	12038.4	12163.7	9887.4	10108.3	11670.9	10517.0	14145.0	.	.
Gross external debt, EUR mn	32571.5	37387.0	38559.3	46041.1	55061.7	50285.1	63107.0	.	.
FDI inflow, EUR mn	2998.4	4390.7	3185.1	1887.5	3707.6	1492.4	2417.9	.	.
FDI outflow, EUR mn	664.4	398.5	295.7	1463.4	856.0	582.5	1152.8	.	.
Exports of goods, BOP, EUR mn	31277.5	34697.1	36820.7	38376.9	45074.0	21595.9	23582.8	49000	53900
annual growth rate in %	30.0	10.9	6.1	4.2	17.5	18.2	9.2	10	10
Imports of goods, BOP, EUR mn	34457.1	37192.8	39024.1	41274.5	47520.0	23130.0	24036.8	50200	55200
annual growth rate in %	32.0	7.9	4.9	5.8	15.1	16.7	3.9	7	10
Exports of services, BOP, EUR mn	6429.2	7864.7	7820.0	7673.8	8294.5	3978.3	4395.6	.	.
annual growth rate in %	30.9	22.3	-0.6	-1.9	8.1	12.5	10.5	.	.
Imports of services, BOP, EUR mn	5194.8	6203.3	7233.1	8074.7	8343.2	3846.0	4437.2	.	.
annual growth rate in %	26.9	19.4	16.6	11.6	3.3	3.0	15.4	.	.
Average exchange rate HUF/USD	282.27	286.54	258.00	224.44	202.63	208.60	192.60	.	.
Average exchange rate HUF/EUR (ECU)	260.04	256.68	242.97	253.51	251.68	256.22	247.42	248	252
Purchasing power parity HUF/USD	107.34	110.06	114.72	120.43	126.19	.	.	.	.
Purchasing power parity HUF/EUR	122.57	126.74	133.44	142.34	147.73	.	.	.	.

Notes: 1) Preliminary. - 2) Enterprises with more than 5 employees. - 3) The high growth in the first half of 2005 results from the one month extra salary paid out in January instead of December. - 4) According to ESA'95, excessive deficit procedure. - 5) After corrections related to the pension reform.

Source: wiiw Database incorporating national statistics; EU AMECO Database; wiiw forecasts.

## Poland: domestic demand weakening further

BY LEON PODKAMINER

GDP growth accelerated slightly in the second quarter of 2005, to 2.8%, from 2.1% in the first quarter. Growth in the first half of 2005 (2.4%) is thus much weaker than a year ago when it stood at 6.5%. Domestic demand, which rose 1.1% in the first quarter, declined by 0.3% in the second. Growth of consumption (both private and public) has been weakening and total consumption rose only 1.6% in the first half of 2005. Growth of gross fixed investment sped up a bit (from 1% in the first quarter to 3.8% in the second). But, due to intensified liquidation of inventories, the contraction in overall gross capital formation even accelerated. In the first half of the year gross capital formation fell by close to 6%. The weakening of domestic demand was compensated by the strengthened foreign trade performance. Exports of goods and services (GDP category) increased by 7.7% in the second quarter (2.5% in the first half of 2005) in real terms. Growth in imports lagged far behind so that net exports contributed 0.9 percentage points to the GDP growth rate in the first quarter of 2005, followed by 3.1 percentage points contribution in the second quarter. Overall, net exports contributed 2 percentage points to the 2.4% growth in the first half of the year. Clearly, at present there is only one pillar supporting Poland's growth.

The average wage in the corporate sector has hardly increased in real terms during the first eight months of 2005. Also the real purchasing power of the average pension/disability pay either remained unchanged, or fell (in the case of farmers' pensions). There was a sharp decline in other social transfers (such as in unemployment benefits, whose real value fell by over 15%). Given these developments, it is not really surprising that private consumption has been stagnant.

In real terms, industrial production (in firms employing more than nine persons) rose by 1.7%

in the first eight months of 2005. This is a marked slowdown compared with the same period of 2004 (when the respective growth rate was 15.5%). Labour productivity rose further, by 0.6%, and unit labour costs fell by another 1.3%. Industry, and the corporate sector generally, continue to make huge (though lower than a year ago) profits. The accumulating profits help to improve the corporate sector's financial standing, and to increase the firms' bank deposits and other financial assets – domestic and foreign equities and governmental securities acquired. High demand for stocks is inflating the prices on the Warsaw Stock Exchange. But real investment in fixed productive assets remains depressed, although interest rates are fairly low and falling.

The outstanding foreign trade performance in the first half of the year is a sign of the high degree of external competitiveness. Manufacturing firms – in particular the ones owned by foreign concerns – increase production in their export-oriented facilities. Part of the success is due to the depressed labour costs and the relatively weak Polish zloty. Since May the zloty has been strengthening quite rapidly vs. the euro, while weakening somewhat vs. the US dollar. This tendency is not favourable to the economy as the euro area is by far the largest export market, while a large part of non-competitive imports (raw materials, including oil and gas) are invoiced in US dollar. Further appreciation of the zloty vs. the euro may worsen the foreign trade performance, thereby weakening the only running engine of Poland's growth.

The parliamentary elections (held on 25 September), ignored by 60% of the electorate, were won by the Kaczyński brothers' party called Law and Justice (PiS), which received 27% of the vote. The Civic Platform (PO), until the last moment considered the favourite, came in second (with 24%). SLD, the (nominally) Social Democratic party, which had won the 2001 elections with 41% of the vote, fared better than expected, receiving some 11%.

The declared intention of both PiS and PO is to form a coalition government. However, before this materializes, the leaders of the two parties will engage in a battle for the state presidency (in direct elections to be held in October). Should Donald Tusk, the PO leader, become the next president, the future course of economic policy will most probably not be radically different from the one conducted during the SLD rule, or more recently under Marek Belka.<sup>1</sup> As President, Mr. Tusk will be in a position to veto some more extravagant pieces of legislation that may be proposed by a PiS-dominated government. This may strengthen the position of the PO. Of course, some liberal ideas put forward by the PO (such as a flat tax) are unlikely to be accepted by PiS in any case. But the latter party's stance on, e.g., retaining (or regaining) a measure of state control over some 'strategic' firms privatized, or on a 'counterreformation' of the public health system, may be softened, or even partly neutralized under President Tusk.

Should Lech Kaczyński be elected President, the PO is likely to lose in importance – also on account of its MPs defecting to PiS in large numbers.<sup>2</sup> The

Kaczyński brothers may then be free to try to implement their own ideas. As far as economics is concerned, those ideas stipulate an expansion of social spending – combined with cuts in taxation; lower interest rates and 'stimulation' of investment; more room for private initiative – combined with closer official supervision of activities in some 'strategic' activities, scrutiny of the past privatization deals, and examination of the origins of wealth accumulated by selected individuals etc. Of course, the pre-election economic ideas of PiS may soon be shelved and a standard conventional policy adopted instead. Should, however, the next government attempt to implement those ideas, and then fail to produce satisfactory results (which is very likely given the quality of expertise on which the PiS has been relying), the Kaczyński brothers may still be very successful in other activities they consider even more important: starting a 'moral revolution', purging ex-Communists, liberals and other deviants, and unmasking foreign agents. No doubt they will also be bravely resisting any 'external plot against Poland's sovereignty', or 'legitimate Polish interests'. Poland's relationships with some major EU countries, or Russia, are therefore unlikely to improve.

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<sup>1</sup> The SLD rule formally terminated quite long ago, with Marek Belka taking over the post of Prime Minister. Mr. Belka, who never was an SLD member, has just run, unsuccessfully, for a seat in the parliament on the Democratic Party ticket. (That party, a reincarnation of the Democratic Union, later renamed Freedom Union, associated with the names of Tadeusz Mazowiecki and Leszek Balcerowicz, has failed to win any seat in the current elections.)

<sup>2</sup> The leading PO parliamentarians (and some of the PiS ones) have a rich record of changing sides, disloyalty and outright betrayal. PO was formed in 2001 by the prominent members (including Donald Tusk and Jan Rokita) defecting the Solidarity Election Action (AWS) and the Freedom Union when their joint reign was about to end in an economic disaster. The formation of PO sealed the fate of both the AWS and the Freedom Union. In the 2001 elections both were thrown out of parliament, the former disappeared from the scene.



Table PL

## Poland: Selected Economic Indicators

	2000	2001	2002	2003	2004 <sup>1)</sup>	2004 January-June	2005	2005 forecast	2006 forecast
Population, th pers., end of period <sup>2)</sup>	38644	38633	38219	38191	38174	38180	38612	.	.
Gross domestic product, PLN mn, nom.	723886	760595	781112	816081	885337	420448	444599	934700	1001300
annual change in % (real)	4.0	1.0	1.4	3.8	5.4	6.5	2.4	3	4
GDP/capita (EUR at exchange rate)	4670	5366	5299	4858	5114	.	.	.	.
GDP/capita (EUR at PPP - wiiw)	9010	9250	9620	9800	10470	.	.	.	.
Gross industrial production (sales)									
annual change in % (real)	6.7	0.6	1.1	8.3	11.7	17.6 <sup>3)</sup>	1.5 <sup>3)</sup>	7	7
Gross agricultural production									
annual change in % (real)	-5.6	5.8	-1.9	-0.8	7.3	.	.	.	.
Construction output total									
annual change in % (real)	1.0	-6.4	-0.3	0.9	-4.8	-3.2	8.5	.	.
Consumption of households, PLN mn, nom.	455405	486504	510817	530063	564067	280210	293055	.	.
annual change in % (real)	2.8	2.1	3.3	3.1	3.4	4.1	1.6	2.5	.
Gross fixed capital form., PLN mn, nom.	170430	157209	148338	150433	161686	59872	63283	.	.
annual change in % (real)	2.7	-8.8	-5.8	-0.2	5.3	3.9	2.6	3	4
LFS - employed persons, th, avg. <sup>4)</sup>	14526.0	14207.0	13782.0	13616.8	13794.8	13573.5	13857.0	.	.
annual change in %	-1.6	-2.2	-3.0	0.6	1.3	0.5	2.1	.	.
Reg. employees in industry, th pers., avg.	2955.0	2820.6	2670.5	2639.1	2655.1	2410.0 <sup>3)</sup>	2441 <sup>3)</sup>	.	.
annual change in %	-5.8	-4.5	-5.3	-1.2	0.6	-0.3 <sup>3)</sup>	1.3 <sup>3)</sup>	.	.
LFS - unemployed, th pers., average <sup>4)</sup>	2785.0	3170.0	3431.0	3328.5	3230.3	3367.0	3136.0	.	.
LFS - unemployment rate in %, average <sup>4)</sup>	16.1	18.2	19.9	19.6	19.0	19.9	18.5	19	19
Reg. unemployment rate in %, end of period <sup>4)</sup>	15.1	17.5	18.0	20.0	19.1	19.5	18.0	18	.
Average gross monthly wages, PLN	1893.7	2045.1	2097.8	2185.0	2289.6	2281.3 <sup>3)</sup>	2367.2 <sup>3)</sup>	.	.
annual change in % (real, gross)	1.0	2.5	0.7	3.4	1.5	1.9 <sup>3)</sup>	1.0 <sup>3)</sup>	.	.
Consumer prices, % p.a.	10.1	5.5	1.9	0.8	3.5	2.5	2.9	2.5	3
Producer prices in industry, % p.a.	7.8	1.6	1.0	2.6	7.0	6.6	1.7	2	3
General governm.budget, EU-def., % GDP <sup>5)</sup>									
Revenues	42.5	43.8	43.9	44.3	43.8	.	.	44.2	44.2
Expenditures	45.2	47.7	47.5	48.7	48.7	.	.	48.6	48.0
Deficit (-) / surplus (+)	-1.6	-3.9	-3.6	-4.5	-4.7	.	.	-4.4	-3.7
Public debt, EU-def., % of GDP <sup>5)</sup>	36.8	36.7	41.2	45.4	43.6	.	.	46.8	47.6
Discount rate of NB % p.a., end of period	21.5	14.0	7.5	5.8	7.0	5.8	5.5	.	.
Current account, EUR mn <sup>6)</sup>	-10788	-6006	-5399	-4108	-2958	-2173	555	-2000	-3000
Current account in % of GDP <sup>6)</sup>	-6.0	-2.9	-2.7	-2.2	-1.5	-2.4	0.5	-0.9	-1.3
Gross reserves of NB excl. gold, EUR mn	28555	29031	27367	26000	25904	28871	32957	.	.
Gross external debt, EUR mn	74672	81461	81046	84611	93432	93720	.	.	.
FDI inflow, EUR mn <sup>6)</sup>	10334	6372	4371	3660	4992	2580	1306	.	.
FDI outflow, EUR mn <sup>6)</sup>	18	-97	228	173	716	167	633	.	.
Exports of goods, BOP, EUR mn	39022	46537	49338	53836	65641	31387	36580	73500	79400
annual growth rate in %	38.3	19.3	6.0	9.1	21.9	24.5	16.5	12	8
Imports of goods, BOP, EUR mn	52349	55094	57039	58913	70151	33727	37124	77200	84900
annual growth rate in %	23.6	5.2	3.5	3.3	19.1	21.2	10.1	10	10
Exports of services, BOP, EUR mn	11320	10914	10545	9850	10751	4599	5837	11100	11400
annual growth rate in %	44.2	-3.6	-3.4	-6.6	9.1	6.0	26.9	3	3
Imports of services, BOP, EUR mn	9773	10021	9690	9408	10035	4451	4993	10100	10200
annual growth rate in %	49.1	2.5	-3.3	-2.9	6.7	0.9	12.2	1	1
Average exchange rate PLN/USD	4.35	4.09	4.08	3.89	3.65	3.86	3.17	.	.
Average exchange rate PLN/EUR (ECU)	4.01	3.67	3.86	4.40	4.53	4.74	4.08	4.0	4.2
Purchasing power parity PLN/USD	1.82	1.85	1.83	1.84	1.83	.	.	.	.
Purchasing power parity PLN/EUR	2.08	2.13	2.12	2.18	2.21	.	.	.	.

Notes: 1) Preliminary. - 2) From 2002 according to census May 2002. - 3) Enterprises with more than 9 employees. - 4) From 2003 according to census May 2002. - 5) According to ESA'95, excessive deficit procedure. - 6) According to most recent revision in 2004 current account is: - 8401 EUR mn, (-4.3 % of GDP), FDI inflow: 10070 EUR mn, FDI outflow: 631 EUR mn.

Source: wiiw Database incorporating national statistics; EU AMECO Database; wiiw forecasts.

## Slovakia: robust economic growth despite political turmoil

BY ZDENEK LUKAS

The Slovak economy continues to grow at a high rate, in spite of the case of Economy Minister Pavol Rusko paralysing government operations for several months. After Mr. Rusko had not been able to explain his dubious activities (repaying promissory notes in the value of about EUR 2.5 million and suspected transfer of some EUR 44 million from the Ministry's budget to a private firm), he was dismissed by President Ivan Gasparovič on 24 August. The resulting political crisis may lead to early parliamentary elections (originally due in September 2006). Meanwhile, Finance Minister Ivan Mikloš, the designer of Slovakia's radical economic reforms, has taken over the Economy Ministry, which promises a certain continuity in the economic policy.

Economic growth seems to have remained unaffected by the political turbulence. As in the first quarter of 2005, GDP was up by 5.1% in the second quarter. GDP growth in the first half of the year was mainly boosted by private consumption, expanding by 5.6%, and by gross fixed capital formation, rising by as much as 8.6% mostly due to industrial investment. The contribution of foreign trade to GDP growth remained negative: the strong expansion of imports of investment goods (by both domestic and foreign investors) exceeded the rise in exports. In addition, the real appreciation of the Slovak currency (by some 7% on annual average) and growing private consumption, driven by expanding wages (in particular in the energy and public sectors), have encouraged imports of consumer goods.

Gross industrial output increased by just 2.1% in the first seven months of 2005. As wage rises exceeded production growth, unit labour costs increased. The rise in industrial employment has been partly associated with new greenfield investments, which will start production later on.

Wages expanded faster than labour productivity in all important sectors, except construction.

The strong economic growth for the fifth consecutive year has in the end supported employment as demand for labour is on the rise. After a marginal increase in 2004, total employment (LFS) was up 2.2% in the first half of 2005. At the same time, the unemployment rate (LFS) dropped by 2 percentage points to 16.9%. Besides, a number of revisions of the labour code in the past, targeted at enhancing flexibility on the labour market, have yielded some positive results. In addition, at least part of the decline in unemployment went on account of rigorous inspection aimed at fighting illegal employment in the shadow economy. The so-called 'Wind' action has already resulted in some growth of registered employment. Despite this improvement on the labour market, Slovaks are actively looking for jobs abroad; for instance, about 18,000 Slovaks work in Great Britain. In sum, Slovak citizens working abroad have reduced the number of jobless persons (LFS) in Slovakia by above one quarter.<sup>1</sup>

The National Bank of Slovakia (NBS) has cut interest rate only once so far in 2005, responding to an appreciation of the Slovak koruna. Falling interest rates have also supported private consumption. The officially declared budget deficit was reduced by higher revenues and by a ruling by Eurostat related to the CSOB case.<sup>2</sup> Despite pre-election populism, it appears that the projected budget deficit of 3.8% of GDP this year will be easily met.

Three big FDI projects in a total value of some EUR 2 billion, announced in the past twenty months, are in delay. Already in March 2004 KIA, the Hyundai associate, decided to locate its first

<sup>1</sup> Based on traditional links, the most popular destination is the Czech Republic, where some 70,000 Slovaks have found work, followed by Hungary (about 20,000).

<sup>2</sup> As a result of a court decision, a few months ago the Slovak government had to pay the CSOB (Československá Obchodní Banka AS) about EUR 620 million, or some 1.9% of the Slovak GDP. This payment is to be classified as a financial operation that does not raise the fiscal deficit.

European plant in Žilina (north-western Slovakia). The investment target is some EUR 0.7 billion for a production facility employing close to 3000 workers and manufacturing at least 200,000 cars a year after 2006. Slovakia beat the main competitor Poland, because the government offered more generous investment stimuli to KIA. However, the government has so far had difficulties with the buyout of lots from several landowners who are not ready to accept the price offered by the administration.

In October 2004, the Italian company Enel won the bid for the privatization of a 66% stake in the power utility Slovenské elektrárne (SE). The deal, in a value of over EUR 800 million, has not yet been completed but is expected to take shape by the end of 2005. In this context, the Slovak government has repeated its aspiration to complete the two remaining reactors at the Mochovce nuclear power station fully financed by the new private owner. This has been criticized by Austria, which has called for a termination (so far unsuccessfully) of further construction at Mochovce.

The third case relates to the Korean tyre maker Hankook Tyre, who in May 2005 announced to build a new tyre facility in Levice (over 100 kilometres east of the capital Bratislava) with planned investments totalling EUR 510 million and creating some 1600 new jobs. At the beginning of July, however, Hankook declared that it would not accept the significant lowering of investment stimuli from 21% of the total investment<sup>3</sup> initially promised by the former economy minister. Nevertheless, the Slovak government is still negotiating with the company.

In general, the introduction of the 19% tax rate on corporate profits and all types of personal income (in effect since 1 January 2004) – targeted, among other things, at attracting foreign investments – has so far failed to yield the expected results. The business climate in Slovakia is adversely affected by several drawbacks: Companies operating here pay relatively high payroll taxes because of social insurance premiums paid by employers; law enforcement is still very weak and time-consuming; and infrastructure, in particular in the northern part of the country, is very poor. With over EUR 2000 FDI stocks per citizen, Slovakia has so far attracted less than half of FDI as compared to the Czech Republic and Hungary. After FDI inflows of EUR 0.9 billion in 2004, the total inflow may rise to some EUR 1.5 billion in 2005.

Robust private demand, additionally fostered by pre-election populism, and strong investment expansion will keep GDP growth at a high level, exceeding 5% up until the parliamentary elections. Later on gradually rising industrial output, mostly in FDI-led car manufacturing, will also contribute to GDP expansion. Backed by rising labour demand, the unemployment rate may go down further. Coupled with a low inflation rate, the budget deficit may fall below the 3% mark in 2007 at the latest. The Slovak government has confirmed its target to adopt the euro by 2009. Rising repatriation of profits by FDI companies and expanding domestic demand as well as high prices for imported fuels will widen the current account deficit in the years to come. In addition, the strong Slovak koruna will encourage imports and, for the time being, restrain exports.

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<sup>3</sup> EU regulations allow 15%.

Table SK

## Slovak Republic: Selected Economic Indicators

	2000	2001	2002	2003	2004 <sup>1)</sup>	2004 January-June	2005	2005 forecast	2006
Population, th pers., mid-year	5400.7	5379.8	5378.8	5379.0	5382.2	.	.	.	.
Gross domestic product, SKK bn, nom.	934.1	1009.8	1098.7	1201.2	1325.5	639.1	690.2	1440	1570
annual change in % (real)	2.0	3.8	4.6	4.5	5.5	5.4	5.1	5.3	6
GDP/capita (EUR at exchange rate)	4061	4334	4784	5382	6149	.	.	.	.
GDP/capita (EUR at PPP - wiiw)	9430	10010	10840	11140	11650	.	.	.	.
Gross industrial production									
annual change in % (real)	8.4	7.6	6.7	5.3	4.2	6.0	1.7	3.5	7
Gross agricultural production									
annual change in % (real)	-12.3	9.9	1.5	-2.4	1.1	.	.	.	.
Construction industry									
annual change in % (real)	-0.4	0.8	4.1	6.0	5.7	2.1	17.4	.	.
Consumption of households, SKK bn, nom.	519.6	577.5	624.5	667.5	738.7	356.9	388.0	.	.
annual change in % (real)	-0.9	4.9	5.5	-0.8	3.5	2.9	5.6	6	7
Gross fixed capital form., SKK bn, nom.	242.3	291.0	303.5	308.4	327.2	154.0	172.4	.	.
annual change in % (real)	-7.2	13.9	-0.6	-1.5	2.5	2.4	8.6	10	12
LFS - employed persons, th, avg.	2101.7	2123.7	2127.0	2164.6	2170.4	2140.4	2187.1	.	.
annual change in %	-1.4	1.0	0.2	1.8	0.3	-0.5	2.2	.	.
LFS - employed pers. in industry, th, avg.	615.3	628.8	640.9	634.1	641.3	630.9	644.9	.	.
annual change in %	-2.4	2.2	1.9	-1.1	1.1	-0.5	2.2	.	.
LFS - unemployed, th pers., average	485.2	508.0	486.9	459.2	480.7	500.5	443.6	.	.
LFS - unemployment rate in %, average	18.6	19.2	18.5	17.4	18.1	18.9	16.9	16	15
Reg. unemployment rate in %, end of period	17.9	18.6	17.5	15.6	13.1	13.9	11.1	10	9
Average gross monthly wages, SKK	11430	12365	13511	14365	15825	15007	16381	.	.
annual change in % (real, gross)	-4.5	1.0	5.8	-2.0	2.5	2.0	6.2	.	.
Consumer prices, % p.a.	12.0	7.1	3.3	8.5	7.5	8.2	2.7	2.7	2.5
Producer prices in industry, % p.a.	10.8	6.5	2.1	8.3	3.4	2.8	3.3	3	2
General governm.budget, EU-def., % GDP <sup>2)</sup>									
Revenues	47.6	45.5	45.2	35.4	35.1	.	.	.	.
Expenditures	59.8	51.5	50.8	39.2	38.5	.	.	.	.
Deficit (-) / surplus (+)	-12.3	-6.0	-5.7	-3.7	-3.2	.	.	-3.5	-3.5
Public debt in % of GDP <sup>2)</sup>	49.9	48.7	43.3	42.6	43.6	.	.	44.2	44.9
Discount rate, % p.a., end of period	8.8	8.8	6.5	6.0	4.0	5.0	3.0	.	.
Current account, EUR mn <sup>3)</sup>	-761	-1950	-2043	-244	-1149	-406	-1197	-1800	-1700
Current account in % of GDP	-3.5	-8.4	-7.9	-0.8	-3.5	-2.6	-6.7	-4.8	-4.0
Gross reserves of NB incl. gold, EUR mn <sup>4)</sup>	4391	4748	8824	9717	10954	10165	12931	.	.
Gross external debt, EUR mn	11637	12516	12655	14654	17421	15828	21141 <sup>May</sup>	.	.
FDI inflow, EUR mn	2089	1768	4397	593	904	557 <sup>I-V</sup>	326 <sup>I-V</sup>	.	.
FDI outflow, EUR mn	23	39	5	20	-125	23 <sup>I-V</sup>	16 <sup>I-V</sup>	.	.
Exports of goods, BOP, EUR mn <sup>3)</sup>	12879	14115	15270	19359	22354	9011 <sup>I-V</sup>	9700 <sup>I-V</sup>	24000	27000
annual growth rate in %	34.1	9.6	8.2	26.8	15.5	22.1	7.6	7	13
Imports of goods, BOP, EUR mn <sup>3)</sup>	13860	16488	17517	19924	23526	9083 <sup>I-V</sup>	10335 <sup>I-V</sup>	27000	30000
annual growth rate in %	30.4	19.0	6.2	13.7	18.1	19.3	13.8	15	11
Exports of services, BOP, EUR mn <sup>3)</sup>	2436	2779	2958	2912	3000	1182 <sup>I-V</sup>	1372 <sup>I-V</sup>	.	.
annual growth rate in %	25.8	14.1	6.4	-1.5	3.0	3.2	16.1	.	.
Imports of services, BOP, EUR mn <sup>3)</sup>	1961	2244	2474	2703	2785	1097 <sup>I-V</sup>	1217 <sup>I-V</sup>	.	.
annual growth rate in %	13.2	14.5	10.3	9.2	3.0	-0.3	11.0	.	.
Average exchange rate SKK/USD	46.20	48.35	45.34	36.77	32.26	32.85	30.01	.	.
Average exchange rate SKK/EUR (ECU)	42.59	43.31	42.70	41.49	40.05	40.34	38.60	38.0	37.0
Purchasing power parity SKK/USD	16.06	16.28	16.21	16.96	17.21	.	.	.	.
Purchasing power parity SKK/EUR	18.35	18.75	18.85	20.05	21.15	.	.	.	.

Notes: 1) Preliminary. - 2) According to ESA'95, excessive deficit procedure. - 3) wiiw calculated from USD. - 4) From January 2002 new valuation of gold. - 5) Quarterly data refer to trade excluding value of goods for repair.

Source: wiiw Database incorporating national statistics; EU AMECO Database; wiiw forecasts.

## Slovenia: economy on track for euro adoption

BY HERMINE VIDOVIC

Driven by rising foreign demand, Slovenia's GDP growth gained momentum in the second quarter of 2005 and reached 5.2%, based on preliminary data. In the first half of the year GDP rose by 3.9%, somewhat less than in the corresponding period of 2004 (data for which were revised downwards, to 4.2% from 4.6% reported earlier). The contribution of domestic demand to GDP growth was less dynamic due to sluggish growth, by a mere 1.8%, of gross fixed capital formation. Consumption rose both in the household and government sectors. The construction industry recovered from month to month. Whereas construction gross output fell by 3.6% in the first quarter of the year, it increased by 5.2% in real terms during the period January-July, owing to the strong rise in housing construction (15%).

Based on a new methodology, industrial output grew by 2.3% in the first seven months of the year. The strongest increase was recorded for the manufacture of transport equipment (cars), with production up by almost one third against the same period a year earlier. Above-average increases were also reported for wood and wood products, rubber and plastic products and basic metals and fabricated metal products. The food and particularly the textile industries suffered the strongest output declines. The problems in the food industry occurred mainly after the country's accession to the EU and were caused by the supply of cheaper food products from the EU and deteriorating market access conditions vis-à-vis the Yugoslav successor states, owing to the abolition of favourable bilateral trade agreements. The slowdown in labour-intensive industries, however, is of a structural nature and has been underway for years already.

Despite growing oil prices, inflation has continued its downward trend, with consumer price inflation averaging 2.4% in the first eight months of the year,

or 2.1% August on August. This favourable process was made possible through lower food prices as a consequence of increased competition on the retail market and the elimination of remaining import duties following Slovenia's EU entry. The growth of average real net and gross wages, up 5.5% and 4.1% respectively (not strictly comparable with previous years due to a change in methodology) was higher than productivity growth during the first half of the year, thus exceeding the limits set in the Convergence Programme 2004-2007 (according to which wage growth should lag behind labour productivity growth by at least one percentage point).

Employment growth lagged behind GDP growth and was up by a meagre 0.7% during the first six months of the year. According to National Account employment statistics, job destruction continued in agriculture and manufacturing, while some job creation was reported in business services, construction, health and education. Unemployment fell slightly by both measures – registration and LFS data – as compared with 2004.

Foreign trade performed dynamically, with goods exports and imports up 13% and 9% respectively (in euro terms) in the first seven months of the year. Thus, the trade deficit fell significantly as against the same 2004 period. Services exports, particularly those of travel and transport services, rose by nearly 10%, with imports growing at a slightly lower rate. As a result the current account ended up with a EUR 41 million deficit, as compared with a minus of almost EUR 300 million in the first seven months of 2004. (Only recently current account data for the period 2002 to 2004 have been revised, showing for the latter year a EUR 544 million deficit, which is more than double the value reported earlier.) As in the past two years, outward investments were considerably higher than inward FDI flows during the first seven months of 2005, resulting in a net outflow of close to EUR 200 million. Most of the outward FDI went to the successor states of the former Yugoslavia – particularly investments into the banking sector, but

also various kinds of other investments all over the region.

In order to attract more technology- and capital-intensive foreign investment, the Slovenian government adopted a Programme for the Stimulation of Foreign Direct Investment for the period 2005-2009 in July this year. The programme is aiming, among other things, at safeguarding the equal treatment of domestic and foreign companies, the reduction and elimination of administrative obstacles to employment and lowering entry costs for initial investments. The desired outcome of these measures seems to be overambitious: creation of 1000-1500 new jobs per year and an annual inflow of FDI at 1-1.5% of GDP excluding privatization and acquisitions.

Fuelled primarily by banks' borrowing abroad, Slovenia's foreign debt continued to grow and amounted to EUR 17.5 billion by the end of July, corresponding to about 63% of the expected 2005 GDP. Most of the debt is owed by enterprises (42%), followed by banks (close to 40%) and the government (12%); the remainder is made up of foreign investment (intercompany lending). Debt servicing is manageable.

For a further alignment of data with the European System of Accounts (ESA 95), figures on the general government budget for the period 2000-2004 have recently been revised. The resulting deficit to GDP ratios for the whole period were higher than reported earlier (but below the Maastricht criterion of 3%); for instance, the revised value for 2004 accounts for 2.1% instead of 1.9%.

Altogether, Slovenia meets the Maastricht criteria for long-term interest rates, the fiscal deficit and the public debt to GDP ratio. Since the entry of the Slovenian tolar into ERM II by the end of June 2004, the exchange rate of the tolar against the euro has remained close to the central band.

By the end of September the Ministry of Finance announced changes in five tax laws which are still to be discussed by the government. The package includes amendments to the income tax, the corporate income tax, the tax procedure and the value added tax acts and a new bill envisaging the elimination of the payroll tax (the latter should be reduced by 20% in 2006 and completely phased out within four years). Changes in the value added tax will allow small enterprises (with up to EUR 209,000 annual taxable revenue) to pay VAT on the basis of settled invoices, instead of at the time issuing it. The changeover to the new system would be voluntary. The amendments announced have to be viewed separately from the discussion on the introduction of a flat tax for personal income, which has been explicitly postponed until after the envisaged introduction of the euro in January 2007.

GDP growth is expected to reach some 3.6% in 2005 and close to 4% in 2006. Employment may increase slightly. Assuming that the favourable external trends will continue, the current account may close with a considerably lower deficit than in 2004. A further lowering of inflation might be jeopardized by the continued increase in oil prices. Since both the government and the National Bank continue their joint efforts, the adoption of the euro in early 2007 appears feasible.

Table SI

## Slovenia: Selected Economic Indicators

	2000	2001	2002	2003	2004 <sup>1)</sup>	2004 January-June	2005	2005 forecast	2006 forecast
Population, th pers., mid-year	1990.3	1992.0	1995.7	1996.8	1997.0	1997.0	.	.	.
Gross domestic product, SIT bn, nom. <sup>2)</sup>	4300.4	4799.6	5355.4	5813.5	6251.2	3018.7	3200.7	6650	7080
annual change in % (real) <sup>2)</sup>	4.1	2.7	3.5	2.7	4.2	4.5	3.9	3.6	3.8
GDP/capita (EUR at exchange rate) <sup>2)</sup>	10538	11094	11862	12458	13105	6353	.	.	.
GDP/capita (EUR at PPP - wiiw) <sup>2)</sup>	14570	15350	15990	16530	17580	.	.	.	.
Gross industrial production									
annual change in % (real)	6.2	2.9	2.4	1.4	4.8	5.8	-0.3	1	2
Gross agricultural production									
annual change in % (real)	1.5	1.3	25.5	-12.7	.	.	.	.	.
Construction output, in effect. working time									
annual change in % (real) <sup>3)</sup>	-1.2	-2.1	-3.4	-1.7	2.5	0.1	6.0	.	.
Consumption of households, SIT bn, nom. <sup>2)</sup>	2415.1	2657.8	2903.4	3167.4	3386.2	1571.9	1652.1	.	.
annual change in % (real) <sup>2)</sup>	0.7	2.3	1.3	3.5	3.3	3.7	3.5	3.5	3
Gross fixed capital form., SIT bn, nom. <sup>2)</sup>	1098.9	1158.7	1211.5	1353.1	1506.0	746.1	797.0	.	.
annual change in % (real) <sup>2)</sup>	1.8	0.4	0.9	7.1	5.9	7.3	1.8	2	3
LFS - employed persons, th, avg.	901	916	910	897	943	934	941	.	.
annual change in %	1.7	1.7	-0.7	-1.4	5.1 <sup>4)</sup>	4.9	0.7	.	.
Reg. employees in industry, th pers., avg. <sup>5)</sup>	241.6	243.5	246.1	242.2	239.7	239.9	240.8 <sup>1-V</sup>	.	.
annual change in %	-0.5	0.8	1.1	-1.6	-1.0	-1.2	.	.	.
LFS - unemployed, th pers., average	68.0	63.0	62.0	64.8	64.0	64.5	63.5	.	.
LFS - unemployment rate in %, average	7.0	6.4	6.4	6.7	6.3	6.5	6.4	6.5	6
Reg. unemployment rate in %, end of period	12.0	11.8	11.3	11.0	10.4	10.2	9.8	10	9.5
Average gross monthly wages, SIT	191669	214561	235436	253200	284281	259473	269618 <sup>6)</sup>	.	.
annual change in % (real, net)	1.4	3.1	2.1	1.8	2.1	1.6	5.5 <sup>6)</sup>	.	.
Consumer prices, % p.a.	8.9	8.4	7.5	5.6	3.6	3.7	2.5	2.7	2.5
Producer prices in industry, % p.a.	7.6	8.9	5.1	2.5	4.3	3.7	3.6	3	.
General governm.budget, EU-def., % GDP <sup>7)</sup>									
Revenues	44.8	45.1	45.7	45.8	45.8	.	.	.	.
Expenditures	48.5	49.0	48.4	48.5	47.9	.	.	.	.
Deficit (-) / surplus (+), % GDP	-3.8	-3.9	-2.7	-2.7	-2.1	.	.	-2.2	-2.1
Public debt in % of GDP <sup>7)</sup>	27.5	28.1	29.5	29.4	29.5	.	.	30.2	30.4
Discount rate % p.a., end of period <sup>8)</sup>	10.0	7.8	7.3	5.0	3.3	3.5	3.5	.	.
Current account, EUR mn	-583.0	38.0	343.8	-81.2	-543.7	-251.7	-47.5	-200	-200
Current account in % of GDP	-2.8	0.2	1.5	-0.3	-2.1	-2.0	-0.4	-0.7	-0.7
Gross reserves of NB excl. gold, EUR mn	3435.8	4907.5	6701.5	6798.2	6464.0	6476.0	6676.8	.	.
Gross external debt, EUR mn	9490	10403	11455	13305	15397	14349	17067	.	.
FDI inflow, EUR mn	149.1	412.4	1700.2	300.3	662.1	246.2	2.4	.	.
FDI outflow, EUR mn	71.7	161.2	162.1	418.0	441.5	210.0	180.8	.	.
Exports of goods, BOP, EUR mn	9574.2	10454.3	11081.6	11417.1	12932.8	6242.2	7080.4	14100	14950
annual growth rate in %	18.2	9.2	6.0	3.0	13.3	10.6	13.4	9	6
Imports of goods, BOP, EUR mn	10801.2	11138.7	11346.6	11959.9	13941.6	6726.8	7335.3	14920	15820
annual growth rate in %	16.6	3.1	1.9	5.4	16.6	13.5	9.0	7	6
Exports of services, BOP, EUR mn	2051.5	2177.6	2440.0	2464.8	2782.2	1242.6	1376.7	.	.
annual growth rate in %	16.3	6.1	12.0	1.0	12.9	9.7	10.8	.	.
Imports of services, BOP, EUR mn	1562.3	1642.1	1819.9	1924.0	2096.2	899.7	986.1	.	.
annual growth rate in %	8.9	5.1	10.8	5.7	9.0	9.2	9.6	.	.
Average exchange rate SIT/USD	222.68	242.75	240.24	207.11	192.38	193.88	186.45	.	.
Average exchange rate SIT/EUR (ECU)	205.03	217.19	226.22	233.70	238.86	237.94	239.70	239.5	240
Purchasing power parity SIT/USD	130.38	137.35	147.93	152.75	154.36	.	.	.	.
Purchasing power parity SIT/EUR	148.28	156.95	167.82	176.15	178.01	.	.	.	.

Notes: 1) Preliminary. - 2) Revised annual data due to FISIM reallocation and previous year price introduction; quarterly data unrevised. - 3) From 2004 construction put in place; units with at least 20 employees. - 4) Registration data show a growth of 0.6% only. - 5) From January 2005 data from Statistical Register of Employment, years before from Monthly Report on Earnings. - 6) From January 2005 legal persons with 1 or 2 employees in private sector are taken into account. - 7) According to ESA'95, excessive deficit procedure. - 8) From 2001 main refinancing

Source: wiiw Database incorporating national statistics; wiiw forecasts.

## **Bulgaria: credit restrictions fail to taper the current account deficit**

BY ANTON MIHAILOV

Aggregate output continued to grow at a fast rate in the second quarter, resulting in a year-on-year rate of GDP growth of 6.2% for the first half of 2005. This outcome reflects the continued strength of service sector activities (boosted by buoyant consumer spending) and a solid contribution to aggregate growth by the industrial sector (including construction). It should be noted though that the expansion in the manufacturing sector started to decelerate in the second quarter, mirroring a similar trend in exports. Inflation has remained moderate through August, but may be picking up in autumn as the effects of higher fuel prices start to proliferate in the economy. The modest gains in employment continued, particularly during the summer months, thanks to both seasonal factors and the resumption of some public works programmes.

The economic expansion was predominantly driven by strong domestic demand, further boosted by high public spending on the eve of the June elections. The surge in private consumer spending, underpinned by booming credit, so far shows no signs of abating: in the first half of 2005 real household consumption grew by 6.5% year on year. Fixed investment was also buoyant, partly reflecting intense public construction in the second quarter. The growth of real imports of goods and services continued to outpace that of exports (the corresponding year-on-year rates for January-June were 13.3% and 10.5%) and as a result, the overall contribution of net exports to GDP growth in the first half of the year was negative, amounting to -2%.

The downside of the present pattern of growth is a chronic current account deficit which widened further in 2005 despite policy efforts to curb its growth. The external imbalance has been worrying policy makers for quite some time and, under the pressure of the IMF, the authorities implemented a

series of restrictive policy measures in 2004 and 2005. The latest – and most severe – among them were credit ceilings for commercial banks and tighter capital adequacy regulations, introduced by the central bank in March. So far, however, these measures have done little to taper the current account deficit both due to their inefficiency and to some external factors. Thus, while the growth of bank credit proper did decelerate after May, banks used various financial innovations to evade the restrictions. The rapid expansion of financial leasing and hire purchase in this period suggests widespread switching from direct credit to other forms of financial loans. Another important factor for the continued widening of the external imbalance was the surge in world oil prices, resulting in a significant upward shift in the value of imports.

Nevertheless, the current account deficit does not seem to pose an immediate danger for the economy. Given the fact that it is to a great extent covered by FDI, it may be interpreted as a 'normal' saving-investment gap of a fast growing economy. As long as the additional external savings are channelled into productive investment, the external imbalance should not be regarded as a sign of structural weakness of the economy. Anyway, the dynamics of the corresponding flows merits continued close monitoring.

The June general elections failed to designate an outright winner. Although the Bulgarian Socialist Party (BSP) won the largest share of votes (34%), with just 82 seats in Parliament (out of 240), it fell well short of the absolute majority it was hoping for. The previous ruling party NMSII came in second with 53 seats and the National Movement for Rights and Freedoms became the third largest parliamentary party with 34 seats. Most right-wing parties fared badly, losing significantly compared to their previous showing. The biggest surprise came from the newly formed nationalist political force 'Ataka' ('Attack'), which won 21 seats, making it the fourth largest parliamentary force.



The dispersed election results were an unprecedented outcome in Bulgaria, as all previous elections after 1990 had produced a clear winner. With little experience in coalition-building, the post-election negotiations between the parties were difficult and bumpy. In the end, after two months of horse-trading, the three largest parliamentary parties agreed to form a centre-left coalition and nominated the leader of BSP as the new Prime Minister. The main binding element of the new coalition is the common aspiration of the three parties to lead the country to full EU membership in 2007. The coalition enjoys a comfortable parliamentary majority of 169, which in principle could allow it to accelerate the legislative reforms and introduce changes in the country's constitution that require a qualified majority. However, many political observers question its stability in the longer term, due to the significant differences in the political platforms of the partners.

The participation of NMSII in the new government should ensure a significant degree of continuity in the policy course. Importantly, BSP was forced to retreat from many of its populist pre-election pledges in the fiscal sphere. The nomination of a conservative non-partisan financier (Plamen Oresharski) as finance minister was a clear sign of the joint agreement on a prudent fiscal stance.

The first real test for the new government will be the annual report of the European Commission on Bulgaria's progress towards accession, due in October, which should provide clues as to the expected date of accession (whether it will be January 2007, or a year later). Despite the declared political will of the coalition partners, the pre-electoral stalemate and the long bickering after the election resulted in further delays in the passing of important regulatory and legislative reforms. In turn, the increased sensitivity within the EU regarding further enlargement may suggest an even more meticulous scrutiny on the part of the European Commission.

The deceleration of export growth and the negative impact of the hike in oil prices suggest somewhat slower expansion of aggregate output in the months ahead. Besides, a series of severe floods has caused serious economic damage. However, in view of the fast growth during the first half of the year, GDP growth for 2005 as a whole may still be close to the initially expected 5.5%. Apart from seasonal factors, the general conditions in the labour market should continue to improve in the short run. While domestic cost pressures remain subdued, if oil prices remain high, there may be some negative repercussions for domestic inflation.

# BULGARIA

Table BG

## Bulgaria: Selected Economic Indicators

	2000	2001	2002	2003	2004 <sup>1)</sup>	2004 January-June	2005	2004 forecast	2005 forecast
Population, th pers., end of period <sup>2)</sup>	8149.5	7891.1	7845.8	7801.3	7761.0	.	.	.	.
Gross domestic product, BGN mn, nom.	26752.8	29709.2	32335.1	34546.6	38008.4	16810.9	18428.0	41800	45500
annual change in % (real)	5.4	4.1	4.9	4.5	5.6	5.0	6.2	5.5	5.0
GDP/capita (EUR at exchange rate)	1674	1920	2101	2258	2497	.	.	.	.
GDP/capita (EUR at PPP - wiiw)	5310	5820	6070	6340	6680	.	.	.	.
Gross industrial production									
annual change in % (real) <sup>3)</sup>	8.3	1.5	6.5	14.1	18.3	17.1	10.2	9	7
Gross agricultural production									
annual change in % (real)	-9.1	-0.1	4.2	-1.4	.	.	.	.	.
Construction output total									
annual change in % (real)	8.0	15.0	2.7	5.6	12.9	.	.	.	.
Actual final consump. of househ., BGN mn, nom.	20687.8	23009.1	24822.9	26846.0	29136.4	13467.9	14994.5	.	.
annual change in % (real)	4.9	4.6	3.4	7.1	4.9	4.4	6.5	.	.
Gross fixed capital form., BGN mn, nom.	4206.0	5415.2	5908.5	6694.4	7957.3	3419.6	4063.7	.	.
annual change in % (real)	15.4	23.3	8.5	13.9	12.0	13.3	13.4	12	10
LFS - employed persons, th, avg.	2794.7	2698.8	2739.6	2834.8	2922.5	2876.8	2923.7	.	.
annual change in %	-2.8	-3.4	1.5	3.5	3.1	3.1	1.6	.	.
Reg. employees in industry, th pers., avg.	662.0	658.4	666.8	689.5	680.0	687.1	676.6	.	.
annual change in %	-8.4	-0.5	1.3	3.4	-1.4	0.9	-1.5	.	.
LFS - unemployed, th pers., average	566.8	663.9	592.4	448.7	399.7	417.5	347.6	350	320
LFS - unemployment rate in %, average	16.9	19.7	17.8	13.7	12.0	12.7	10.6	10.5	9.5
Reg. unemployment rate in %, end of period	17.9	17.3	16.3	13.5	12.2	12.2	11.1	11	10
Average gross monthly wages, BGN	224.5	240.0	257.6	273.3	301.5	285.6	313.1	.	.
annual change in % (real, gross)	1.3	-0.5	1.5	3.7	-1.9	-0.5	5.0	.	.
Consumer prices, % p.a.	10.3	7.4	5.8	2.3	6.1	6.6	4.4	4.5	4
Producer prices in industry, % p.a.	17.5	3.8	1.2	4.9	6.0	4.4	6.6	.	.
General governm. budget, nat. def., % GDP									
Revenues	41.4	39.8	38.7	40.7	41.7	45.2	48.0	.	.
Expenditures	42.0	40.4	39.4	40.7	40.0	40.0	41.9	.	.
Deficit (-) / surplus (+), % GDP	-0.6	-0.6	-0.7	0.0	1.7	5.2	6.1	1	-0.5
Public debt in % of GDP <sup>4)</sup>	73.6	66.2	53.2	46.2	39.1	45.3	33.5	33	28
Base rate of NB % p.a., end of period	4.7	4.7	3.4	2.9	2.4	2.5	2.1	.	.
Current account, EUR mn	-761.4	-1101.6	-925.5	-1630.2	-1400.0	-961.9	-1416.2	-2100	-2000
Current account in % of GDP	-5.6	-7.3	-5.6	-9.2	-7.2	-11.2	-15.0	-9.8	-8.6
Gross reserves of NB excl. gold, EUR mn	3390.6	3734.0	4247.1	4981.0	6443.0	5783.8	6989.5	.	.
Gross external debt, EUR mn	11882.7	11934.9	10768.9	10638.7	12245.9	12134.2	12967.9	.	.
FDI inflow, EUR mn	1103.3	903.4	980.0	1850.5	1500.0	847.7	712.4	1800	1600
FDI outflow, EUR mn	3.5	8.7	29.0	23.3	200.0	11.7	20.6	.	.
Exports of goods, BOP, EUR mn	5253.1	5714.2	6062.9	6668.2	8000.0	3618.0	4381.7	9300	10400
annual growth rate in %	40.7	8.8	6.1	10.0	20.0	11.3	21.1	16	12
Imports of goods, BOP, EUR mn	6533.0	7492.6	7754.7	8867.8	10500.0	4918.3	6074.7	13000	14500
annual growth rate in %	37.8	14.7	3.5	14.4	18.4	17.3	23.5	24	12
Exports of services, BOP, EUR mn	2366.2	2384.8	2478.9	2790.9	3350.0	1335.2	1453.9	3650	4000
annual growth rate in %	40.3	0.8	3.9	12.6	20.0	20.6	8.9	9	10
Imports of services, BOP, EUR mn	1818.6	1930.3	1992.9	2267.7	2600.0	1159.4	1368.7	3000	3300
annual growth rate in %	31.7	6.1	3.2	13.8	14.7	13.0	18.1	15	10
Average exchange rate BGN/USD	2.124	2.185	2.077	1.733	1.575	1.595	1.523	.	.
Average exchange rate BGN/EUR (ECU)	1.956	1.956	1.956	1.956	1.956	1.956	1.956	1.956	1.956
Purchasing power parity BGN/USD, wiiw	0.543	0.564	0.597	0.599	0.612	.	.	.	.
Purchasing power parity BGN/EUR, wiiw	0.617	0.645	0.677	0.696	0.731	.	.	.	.

Notes: 1) Preliminary. - 2) From 2001 according to census March 2001. - 3) Different methodology for quarterly data. - 4) According to ESA'95, excessive deficit procedure.

Source: wiiw Database incorporating national statistics; wiiw forecasts.

## Romania: decelerating economic growth, widening deficits

BY GÁBOR HUNYA

The economic slowdown continued as real GDP growth fell below 5% in the first half of 2005. Atrocious weather conditions plagued the harvest and damaged infrastructure as well as productive capacities. As a consequence, value added in agriculture fell by 7.1%. This also triggered a decline in the production of the food industry. Industrial value added increased by a mere 3%, only the services sector booked higher rates of growth. Despite the production setbacks, the expansion of consumption continued: it rose by 11.2% against the first half of 2004. Gross fixed capital formation increased as well, by a remarkable 7.6%. The domestic demand-pull worsened the trade balance: imports of goods and services rose by 17.1% while exports by only 5.9%. The external deficit is only partially financed by FDI.

The fiscal position has also slightly deteriorated. The general government deficit is expected to reach 1% of GDP in 2005. The flat tax rate of 16% on corporate and personal incomes, introduced at the beginning of the year, did not diminish tax revenues in the first eight months. But expenditures increased ahead of schedule due to emergency actions connected with natural calamities.

The fiscal strategy for 2006 stipulates cutting the deficit back to 0.7% of GDP. Plans to increase the VAT rate in order to generate more fiscal revenue to be spent on co-financing of EU projects have been abandoned, which means that the country will continue to have a low rate of fiscality with both revenues and expenditures kept at about 30% of GDP. At present, the social security contribution accounts for 49.5% of the gross wage. This will be reduced by 2 percentage points in 2006. The aim is to make employment cheaper at times of fast real wage growth and thus help sustain international competitiveness. Taxes to be raised in 2006 include those on bank deposit interest, dividends,

real estate sales, and gains from capital market operations.

Inflation runs at a slightly higher rate than envisaged by the National Bank of Romania (NBR) and is expected to reach 9% in 2005 on an annual average, following 12% in the previous year. Energy and food prices rise faster than expected, but the appreciation of the local currency had a moderating effect.<sup>1</sup> In the first eight months of the year, August against December (averages), the RON gained 9.6% against the EUR and 1.4% compared to the USD.

Despite appreciation and rising wage costs, exports of goods expanded by 15% in current euro terms in the first seven months of 2005. The highest increases were registered for metallurgical and mineral products, reflecting to a large extent the price development of these commodities on the international markets. Machinery exports rose by 10% and of vehicles by 31% while textile and clothing exports stagnated. The implied upgrading of the export structure is a favourable response to the declining competitiveness in labour-intensive low-tech industries. Merchandise imports rose by 22% in the first seven months of 2005. The highest growth rates in current euro terms were achieved by mineral and metallurgical products as well as vehicles.

The current account deficit, at 9% of GDP, exceeds the expectations by a wide margin. The inflow of foreign capital was more abundant than necessary to finance this deficit and thus led to an increase in foreign currency reserves; moreover, it represents a major economic policy concern as it appreciates the local currency even further and widens the current account deficit. This increases the country's vulnerability to external shocks.

Despite the stronger Romanian leu, the credit expansion in foreign currency continued. Interest

<sup>1</sup> As of 1 July 2005 the currency of Romania is the new Romanian leu (RON). 1 RON equals 10,000 old Romanian lei (ROL).

rates on credits denominated in foreign currency are much lower than RON-lending rates. The banks transfer the currency risk to the customer by making foreign currency borrowing more advantageous than local currency borrowing. In reaction, the NBR intervened: as of 26 September, loans in foreign currencies granted by commercial banks are limited to a maximum 300% of the banks' own funds (share capital and reserves). This new prudential norm is meant to rein in foreign currency lending. According to preliminary calculations, half the commercial banks active in Romania have to stop lending in foreign currency; among the largest five banks, only one will be able to continue. In the short run, credit expansion may slow down significantly while later on a downward adjustment of RON interest rates is expected to follow. The inflow of foreign currency may decline and the current account deficit shrink. Another NBR order put a cap on cumulated monthly instalments paid by a borrower at 40% of his/her net income.

The NBR declared to have introduced direct inflation targeting with the aim to combat inflation by any means. The yearend target for 2005 is 7% plus/minus 1%. The lower limit looks realistic. Criticism of the inflation targeting policy may be raised based on the need to intervene on the

currency market but also on the fact that while a number of prices are state-controlled, for several other goods prices are set on monopolistic markets. Repeated interventions on the currency market are against the self-imposed principle of inflation targeting. Extraordinary appreciation has repeatedly provoked NBR intervention. On 26 September the NBR interest rates were lowered with the aim to make the Romanian leu less attractive for short-term foreign capital.

In 2005 and 2006 the Romanian economy will grow by 5% p.a., less rapidly than in the previous years. The NBR will target a realistically slow speed of disinflation. The exchange rate remains the big unknown. An end to appreciation would be desirable, but this seems to depend on foreign investors' sentiments rather than on local developments.

The date of accession to the EU will not be decided in the Autumn Report of the Commission but only in May next year. While there are several improvements in the juridical system, the fight against corruption will remain a problem. Joining the EU in 2008, one year later than originally envisaged, will not cause much economic harm as the capacity to absorb funds is still very limited.

Table RO

## Romania: Selected Economic Indicators

	2000	2001	2002	2003	2004 <sup>1)</sup>	2004 January-June	2005	2005 forecast	2006 forecast
Population, th pers., mid-year <sup>2)</sup>	22435.2	22408.4	21794.8	21733.6	21673.3	.	.	.	.
Gross domestic product, RON mn, nom.	80377.3	116768.7	151475.1	190335.4	238791.4	92470.6	110263.2	275800	315600
annual change in % (real)	2.1	5.7	5.1	5.2	8.3	6.6	4.9	5	5
GDP/capita (EUR at exchange rate)	1795	2002	2224	2332	2718	.	.	.	.
GDP/capita (EUR at PPP - wiiw)	4990	5440	6040	6330	7070	.	.	.	.
Gross industrial production									
annual change in % (real)	7.1	8.3	4.3	3.1	5.3	4.4	3.0	3	5
Gross agricultural production									
annual change in % (real)	-14.8	22.7	-3.5	7.5	20 <sup>3)</sup>	.	.	.	.
Construction output total									
annual change in % (real)	2.8	9.0	10.0	9.8	8.9	8.4	3.3	.	.
Actual final consump. of househ., RON mn nom.	63459.0	91718.6	116940.4	148348.1	189693.7	76382.9	92659.5	.	.
annual change in % (real)	0.2	6.8	4.8	7.2	10.8	9.2	11.7	.	.
Gross fixed capital formation, RON mn, nom.	15194.7	24115.4	32283.6	42253.5	53254.9	18753.4	22379.8	.	.
annual change in % (real)	5.5	10.2	8.2	9.1	10.1	10.1	7.6	9	8
LFS - employed persons, th, avg. <sup>2<sup>4)</sup></sup>	10763.8	10696.9	9234.3	9222.5	9157.6	.	.	.	.
annual change in %	-0.1	-0.6	.	-0.1	-0.7	.	.	.	.
Reg. employees in industry, th pers., avg.	1873.0	1901.0	1891.0	1848.0	1818.0	.	.	.	.
annual change in %	-5.9	1.5	-0.5	-2.3	-1.6	-2.4	-0.4	.	.
LFS - unemployed, th pers., average <sup>2<sup>4)</sup></sup>	821.2	750.0	845.3	691.8	799.5	.	.	.	.
LFS - unemployment rate in %, average <sup>2<sup>4)</sup></sup>	7.1	6.6	8.4	7.0	8.0	.	.	7	7
Reg. unemployment rate in %, end of period	10.5	8.8	8.4	7.4	6.2	6.6	5.5	.	.
Average gross monthly wages, RON	284.0	422.0	532.1	663.8	826.1	798.22	934.16	.	.
annual change in % (real, net)	4.6	4.9	2.1	10.7	9.5	8.9	13.0	.	.
Consumer prices, % p.a.	45.7	34.5	22.5	15.3	11.9	12.9	9.4	9	7
Producer prices in industry, % p.a.	53.4	38.1	23.0	19.5	19.1	18.7	12.3	.	.
General governm. budget, nat. def., % GDP									
Revenues	31.2	30.1	29.5	29.8	29.6	.	.	.	.
Expenditures	35.2	33.3	32.1	32.1	30.7	.	.	.	.
Deficit (-) / surplus (+)	-4.0	-3.2	-2.5	-2.3	-1.1	.	.	-1.0	-1.0
Public debt, EU-def., % of GDP <sup>5)</sup>	23.9	23.2	23.3	21.3	18.5	.	.	.	.
Discount rate, % p.a., end of period <sup>6)</sup>	35.0	35.0	20.4	20.4	18.0	21.3	8.0	.	.
Current account, EUR mn	-1494	-2488	-1623	-3060	-4460	-1689	-2705	-7000	-7200
Current account in % of GDP	-3.7	-5.5	-3.3	-6.0	-7.6	-7.4	-9.0	-9.1	-8.0
Gross reserves of NB excl. gold, EUR mn	2654.8	4445.3	5876.8	6373.6	10848.2	7746.4	13770.9	.	.
Gross external debt, EUR mn <sup>7)</sup>	11162.6	13575.0	14969.4	15884.7	18139.0	16715.9	22063.0	.	.
FDI inflow, EUR mn	1147	1294	1212	1946	4209	1290	1482	.	.
FDI outflow, EUR mn	-14	-18	18	36	56	8	3	.	.
Exports of goods, BOP, EUR mn	11273	12722	14675	15614	18935	9032	10531	22000	24200
annual growth rate in %	41.3	12.9	15.4	6.4	21.3	20.4	16.6	16	10
Imports of goods, BOP, EUR mn	13140	16045	17427	19569	24258	11069	13605	29600	32600
annual growth rate in %	43.4	22.1	8.6	12.3	24.0	22.2	22.9	22	10
Exports of services, BOP, EUR mn	1910	2273	2468	2671	2903	1291	1725	3800	4200
annual growth rate in %	48.4	19.0	8.6	8.2	8.7	9.1	33.6	31	11
Imports of services, BOP, EUR mn	2170	2402	2463	2609	3116	1350	1981	4400	4900
annual growth rate in %	31.0	10.7	2.5	5.9	19.4	10.6	46.7	41	11
Average exchange rate RON/USD	2.1693	2.9061	3.3055	3.3200	3.2637	3.3090	2.8522	.	.
Average exchange rate RON/EUR (ECU)	1.9956	2.6027	3.1255	3.7556	4.0532	4.0622	3.6649	3.6	3.5
Purchasing power parity RON/USD	0.6316	0.8383	1.0141	1.1992	1.3511	.	.	.	.
Purchasing power parity RON/EUR	0.7184	0.9580	1.1505	1.3830	1.5582	.	.	.	.

Notes: \*) On 1st July 2005 the new Romanian leu was introduced (1 RON = 10000 ROL). Data in this table are presented in new leu (RON).

1) Preliminary. - 2) From 2002 according to census March 2002. - 3) wiiw estimate. - 4) From 2002 break in methodology. - 5) According to ESA 95, excessive deficit procedure. - 6) From February 2002 reference rate of NB. - 7) Medium- and long-term; from 2000 including medium- and long-term deposits of foreign banks with residents according to SDDS requirements.

Source: wiiw Database incorporating national statistics; EU AMECO Database; wiiw forecasts.

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## Conventional signs and abbreviations

used in the following section on monthly statistical data

.	data not available
%	per cent
CMPY	change in % against corresponding month of previous year
CCPY	change in % against cumulated corresponding period of previous year (e.g., under the heading 'March': January-March of the current year against January-March of the preceding year)
3MMA	3-month moving average, change in % against previous year.
CPI	consumer price index
PM	change in % against previous month
PPI	producer price index
p.a.	per annum
mn	million
bn	billion
BGN	Bulgarian lev (1 BGN = 1000 BGL)
CZK	Czech koruna
EUR	Euro, from 1 January 1999
HRK	Croatian kuna
HUF	Hungarian forint
PLN	Polish zloty
RON	Romanian leu (1RON = 10000 ROL)
RUB	Russian rouble (1 RUB = 1000 RUR)
SIT	Slovenian tolar
SKK	Slovak koruna
UAH	Ukrainian hryvnia
USD	US dollar
M0	currency outside banks
M1	M0 + demand deposits
M2	M1 + quasi-money

Sources of statistical data:

National statistical offices and central banks; wiiw estimates.

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## B U L G A R I A: Selected monthly data on the economic situation 2004 to 2005

(updated end of September 2005)

		2004								2005							
		May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
<b>PRODUCTION</b>																	
Industry, total <sup>1)</sup>	real, CMPY	21.7	21.7	16.2	18.2	17.1	14.1	22.6	21.5	10.9	7.9	14.2	14.6	8.0	6.0	6.9	.
Industry, total <sup>1)</sup>	real, CCPY	16.1	17.1	16.9	17.1	17.1	16.8	17.3	17.7	10.9	9.3	11.1	12.0	11.2	10.2	9.7	.
Industry, total	real, 3MMA	19.3	19.7	18.6	17.1	16.4	17.9	19.4	18.6	13.8	11.1	12.3	12.3	9.4	6.9	.	.
<b>LABOUR</b>																	
Employees total	th. persons	2162	2176	2187	2181	2170	2162	2144	2109	2117	2128	2145	2164	2174	2191	.	.
Employees in industry	th. persons	687	685	689	690	686	683	679	672	675	676	676	679	676	676	.	.
Unemployment, end of period	th. persons	466.7	452.4	446.8	442.2	434.7	437.5	440.0	450.6	486.4	485.5	471.3	449.7	427.2	411.6	405.5	399.0
Unemployment rate <sup>2)</sup>	%	12.6	12.2	12.1	11.9	11.7	11.8	11.9	12.2	13.1	13.1	12.7	12.1	11.5	11.1	10.9	10.8
Labour productivity, industry <sup>1)</sup>	CCPY	15.1	16.1	15.9	15.8	15.6	15.9	16.9	17.5	12.6	11.2	13.0	13.8	13.0	12.0	.	.
Unit labour costs, exch.r. adj.(EUR) <sup>1)</sup>	CCPY	-7.1	-7.9	-7.8	-7.7	-7.6	-7.6	-8.4	-8.8	-3.6	-2.7	-4.1	-4.8	-4.2	-3.2	.	.
<b>WAGES, SALARIES</b>																	
Total economy, gross	BGN	295.0	289.0	295.0	291.0	303.0	296.0	303.0	320.0	303.0	302.0	319.0	313.0	322.0	317.0	.	.
Total economy, gross	real, CMPY	-1.0	-1.3	0.8	1.4	0.7	2.9	3.2	3.3	5.9	5.0	5.5	3.8	4.4	4.4	.	.
Total economy, gross	USD	181	179	185	181	189	189	201	219	203	201	215	207	209	197	.	.
Total economy, gross	EUR	151	148	151	149	155	151	155	164	155	154	163	160	165	162	.	.
Industry, gross	EUR	152	156	151	152	158	153	156	163	155	155	167	162	164	170	.	.
<b>PRICES</b>																	
Consumer	PM	0.0	-1.8	1.2	-0.4	0.9	0.2	0.6	1.3	0.7	0.9	0.3	1.1	-0.5	-1.3	0.1	0.6
Consumer	CMPY	6.8	7.3	7.6	6.3	6.3	5.8	4.5	4.0	3.3	3.9	4.3	5.1	4.6	5.1	3.9	5.0
Consumer	CCPY	6.4	6.6	6.7	6.7	6.6	6.5	6.4	6.1	3.3	3.6	3.8	4.2	4.2	4.4	4.3	4.4
Producer, in industry <sup>1)</sup>	PM	1.1	-0.5	1.6	0.2	1.0	1.4	-0.8	-1.2	0.4	0.8	2.4	1.1	-0.6	0.7	1.1	.
Producer, in industry <sup>1)</sup>	CMPY	8.5	6.8	8.1	7.5	7.8	8.3	7.2	5.1	4.7	6.4	7.5	7.7	5.9	7.2	6.6	.
Producer, in industry <sup>1)</sup>	CCPY	4.0	4.4	5.0	5.3	5.6	5.8	6.0	5.9	4.7	5.6	6.2	6.6	6.5	6.6	6.6	.
<b>FOREIGN TRADE<sup>3)4)</sup></b>																	
Exports total (fob), cumulated	EUR mn	2917	3615	4400	5067	5798	6537	7269	7985	639	1285	2078	2824	3562	4382	5240	.
Imports total (cif), cumulated	EUR mn	4339	5331	6330	7244	8209	9270	10453	11620	908	1836	2959	4072	5299	6589	7861	.
Trade balance, cumulated	EUR mn	-1422	-1717	-1930	-2177	-2411	-2732	-3184	-3635	-269	-551	-881	-1248	-1737	-2207	-2620	.
<b>FOREIGN FINANCE</b>																	
Current account, cumulated <sup>5)</sup>	EUR mn	-943	-962	-748	-601	-560	-775	-1131	-1447	-277	-459	-689	-967	-1243	-1416	-1482	.
<b>EXCHANGE RATE</b>																	
BGN/USD, monthly average	nominal	1.632	1.611	1.595	1.606	1.600	1.566	1.506	1.461	1.491	1.503	1.482	1.512	1.543	1.608	1.625	1.591
BGN/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	1.956
BGN/USD, calculated with CP <sup>6)</sup>	real, Jan00=100	74.5	75.2	73.4	74.3	73.5	72.2	69.0	65.8	66.8	67.2	66.6	67.6	69.2	73.2	73.9	71.9
BGN/USD, calculated with PP <sup>6)</sup>	real, Jan00=100	77.8	77.5	75.6	76.3	75.1	73.6	72.0	70.1	71.6	71.9	70.2	71.5	73.1	75.5	75.5	.
BGN/EUR, calculated with CP <sup>6)</sup>	real, Jan00=100	87.3	89.0	87.8	88.4	87.8	87.9	87.3	86.6	85.6	85.2	85.4	84.8	85.4	86.6	86.5	86.0
BGN/EUR, calculated with PP <sup>6)</sup>	real, Jan00=100	85.9	86.3	85.2	85.4	84.7	84.1	84.7	85.4	85.4	85.0	83.5	82.8	83.2	82.8	81.9	.
<b>DOMESTIC FINANCE</b>																	
M0, end of period <sup>7)</sup>	BGN mn	3830	3961	4131	4275	4342	4284	4247	4628	4442	4414	4487	4652	4756	4848	5058	5180
M1, end of period <sup>7)</sup>	BGN mn	8036	8422	8736	9048	9239	9220	9185	10298	10045	10201	11331	10552	10790	11167	11494	11503
Broad money, end of period <sup>7)</sup>	BGN mn	17401	18161	18365	18345	18763	18847	18859	20394	20520	20739	23205	22004	22440	22778	23211	23515
Broad money, end of period	CMPY	25.0	26.8	24.2	20.3	23.1	18.7	19.9	23.1	24.2	23.9	38.1	28.0	29.0	25.4	26.4	28.2
BNB base rate (p.a.) <sup>end of period</sup>	%	3.9	2.5	2.5	2.4	2.4	2.5	2.4	2.4	2.5	1.9	1.9	2.0	2.0	2.1	2.1	2.1
BNB base rate (p.a.) <sup>end of period<sup>8)</sup></sup>	real, %	-4.3	-4.1	-5.2	-4.7	-5.0	-5.4	-4.5	-2.5	-2.2	-4.3	-5.2	-5.3	-3.6	-4.7	-4.3	.
<b>BUDGET</b>																	
Central gov.budget balance <sub>zum.</sub>	BGN mn	601.2	782.4	778.0	990.4	996.3	1185.6	1256.6	427.5	49.2	45.9	400.9	623.6	926.7	1007.7	1001.5	.

1) According to new calculation for industrial output and prices. Output data based on survey for enterprises with 10 and more persons.

2) Ratio of unemployed to the economically active.

3) Based on cumulated national currency and converted with the average exchange rate.

4) Cumulation starting January and ending December each year.

5) Based on national currency and converted with the exchange rate.

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

7) According to ECB methodology.

8) Deflated with annual PPI.



# C R O A T I A: Selected monthly data on the economic situation 2004 to 2005

(updated end of September 2005)

		2004								2005							
		May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
<b>PRODUCTION</b>																	
Industry, total <sup>1)</sup>	real, CMPY	1.0	2.8	1.2	4.9	3.0	-3.3	5.9	9.7	6.4	-1.5	-2.9	6.3	8.3	12.3	5.4	4.7
Industry, total <sup>1)</sup>	real, CCPY	4.1	3.9	3.5	3.6	3.6	2.8	3.1	3.6	6.4	2.2	0.3	1.9	3.2	4.8	4.9	4.9
Industry, total <sup>1)</sup>	real, 3MMA	2.2	1.7	2.9	3.0	1.4	1.8	3.9	7.4	4.8	0.3	0.6	3.8	9.0	8.7	7.5	.
Construction, total, effect, work, time <sup>1)</sup>	real, CMPY	4.8	7.4	-2.3	-0.5	-6.8	-11.2	-1.8	-0.6	-1.2	-11.1	-7.1	-6.7	-6.8	-3.7	-3.7	.
<b>LABOUR</b>																	
Employment total	th. persons	1412.2	1422.2	1431.9	1429.9	1421.1	1412.1	1405.7	1395.8	1387.6	1382.6	1384.2	1390.8	1403.4	1417.3	1427.5	.
Employees in industry	th. persons	282.9	282.7	283.2	282.3	282.2	282.1	281.8	279.7	273.1	276.3	276.1	276.5	277.1	276.8	277.0	.
Unemployment, end of period	th. persons	305.2	295.6	293.3	293.8	299.5	307.5	312.8	317.6	326.9	330.2	329.0	320.3	308.3	297.6	293.2	291.0
Unemployment rate <sup>2)</sup>	%	18.0	17.4	17.2	17.2	17.6	18.1	18.4	18.7	19.1	19.3	19.2	18.7	18.0	17.4	17.0	17.0
Labour productivity, industry <sup>1)</sup>	CCPY	6.8	6.4	5.9	5.9	5.8	5.0	5.2	5.6	5.0	0.7	-1.2	0.3	1.6	3.1	3.2	.
Unit labour costs, exch. r. adj. (EUR) <sup>1)</sup>	CCPY	-1.2	-0.5	0.0	0.4	0.6	1.0	1.2	0.8	1.4	6.7	8.3	6.3	5.3	3.5	.	.
<b>WAGES, SALARIES</b>																	
Total economy, gross	HRK	5994	6084	6043	5995	5925	5915	6276	6139	6013	5965	6280	6112	6358	6348	.	.
Total economy, gross	real, CMPY	3.2	4.0	4.2	5.2	4.9	1.5	5.6	3.2	0.7	1.1	1.4	-0.4	3.2	1.4	.	.
Total economy, gross	USD	969	1000	1005	990	976	978	1077	1088	1047	1032	1111	1069	1104	1057	.	.
Total economy, gross	EUR	807	825	820	814	800	784	831	814	795	794	842	826	868	868	.	.
Industry, gross	EUR	738	756	752	744	736	711	764	749	725	726	775	758	800	795	.	.
<b>PRICES</b>																	
Consumer	PM	0.7	-0.3	-0.4	0.1	-0.2	0.4	0.5	0.7	0.4	1.1	0.7	-0.2	0.0	-0.1	-0.2	0.1
Consumer	CMPY	2.4	2.5	1.9	2.0	1.6	2.0	2.3	2.7	2.7	3.3	3.9	3.5	2.8	2.9	3.1	3.1
Consumer	CCPY	1.9	2.0	2.0	2.0	2.0	2.0	2.0	2.1	2.7	3.0	3.3	3.4	3.2	3.2	3.2	3.2
Producer, in industry	PM	2.3	-0.3	0.9	1.0	0.2	0.8	-0.5	-0.7	0.0	0.3	0.3	0.3	0.1	-0.2	0.8	0.1
Producer, in industry	CMPY	4.4	3.9	4.6	5.1	5.7	6.3	5.5	4.8	4.4	5.1	5.1	4.5	2.3	2.4	2.3	1.5
Producer, in industry	CCPY	1.2	1.7	2.1	2.4	2.8	3.1	3.4	3.5	4.4	4.7	4.8	4.8	4.3	4.0	3.7	3.4
<b>RETAIL TRADE</b>																	
Turnover	real, CMPY	0.0	2.3	6.6	3.4	2.7	0.9	4.5	1.7	1.1	-3.3	3.5	2.0	6.6	7.3	2.0	.
Turnover	real, CCPY	1.6	1.8	2.5	2.7	2.7	2.5	2.7	2.6	1.1	-1.2	0.7	1.1	2.3	3.2	3.0	.
<b>FOREIGN TRADE<sup>3,4)</sup></b>																	
Exports total (fob), cumulated	EUR mn	2538	3042	3648	4090	4726	5299	5873	6452	439	962	1492	2127	2677	3333	3916	.
Imports total (cif), cumulated	EUR mn	5224	6483	7668	8652	9855	11013	12178	13342	856	1822	3093	4402	5670	7094	8370	.
Trade balance, cumulated	EUR mn	-2686	-3441	-4019	-4562	-5128	-5713	-6305	-6890	-417	-860	-1601	-2274	-2993	-3761	-4454	.
Exports to EU-25 (fob), cumulated	EUR mn	1711	2008	2401	2673	3089	3464	3829	4170	313	653	969	1347	1726	2134	2492	.
Imports from EU-25 (cif), cumulated	EUR mn	3749	4628	5449	6114	6917	7687	8493	9278	517	1180	2009	2886	3752	4682	5561	.
Trade balance with EU-25, cumulated	EUR mn	-2037	-2620	-3048	-3441	-3828	-4223	-4665	-5108	-204	-527	-1040	-1539	-2026	-2549	-3069	.
<b>FOREIGN FINANCE</b>																	
Current account, cumulated <sup>5)</sup>	EUR mn	.	-2109	.	.	-120	.	.	-1447	.	.	-1543	.	.	-2675	.	.
<b>EXCHANGE RATE</b>																	
HRK/USD, monthly average	nominal	6.186	6.081	6.012	6.055	6.070	6.050	5.825	5.644	5.741	5.780	5.653	5.717	5.759	6.007	6.062	5.975
HRK/EUR, monthly average	nominal	7.427	7.378	7.372	7.369	7.410	7.545	7.554	7.545	7.564	7.517	7.460	7.395	7.327	7.313	7.305	7.348
HRK/USD, calculated with CPI <sup>6)</sup>	real, Jan00=100	79.1	78.3	77.6	78.1	78.6	78.5	75.2	72.0	73.1	73.3	71.7	73.1	73.6	76.9	77.8	76.6
HRK/USD, calculated with PPI <sup>6)</sup>	real, Jan00=100	82.5	81.6	80.1	80.2	80.1	80.4	78.5	76.0	77.7	78.3	77.3	78.7	78.9	82.3	82.4	81.1
HRK/EUR, calculated with CPI <sup>6)</sup>	real, Jan00=100	92.8	92.5	92.7	92.8	93.7	95.3	94.9	94.5	94.0	92.8	91.9	91.6	91.0	91.0	91.1	91.5
HRK/EUR, calculated with PPI <sup>6)</sup>	real, Jan00=100	91.1	90.8	90.2	89.6	90.1	91.6	92.0	92.3	92.9	92.3	91.9	91.1	90.0	90.3	89.4	89.9
<b>DOMESTIC FINANCE</b>																	
M0, end of period	HRK mn	10541	10977	11843	11385	10947	10915	10568	10956	10789	10905	11062	11408	11536	12162	13143	.
M1, end of period	HRK mn	33194	34265	34622	35024	34492	33852	33601	34562	34909	34387	34547	34819	36035	36735	38305	.
Broad money, end of period	HRK mn	127461	129559	133013	136826	138743	138357	139633	139948	138920	138850	137975	137879	140608	142610	145578	.
Broad money, end of period	CMPY	7.0	7.9	6.4	7.8	9.3	8.9	8.5	8.6	7.8	8.6	9.7	7.8	10.3	10.1	9.4	.
Discount rate (p.a.), end of period	%	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	.
Discount rate (p.a.), end of period <sup>7)</sup>	real, %	0.1	0.6	-0.1	-0.6	-1.1	-1.7	-0.9	-0.3	0.1	-0.6	-0.6	0.0	2.2	2.1	2.2	.
<b>BUDGET</b>																	
Central gov. budget balance, cum. <sup>8)</sup>	HRK mn	-5840.5	-7088.9	-8659.1	-8553.2	-9143.1	#####	#####	-9213.4	-1691.3	-3460.0	-6134.8	-6276.3	-6731.6	-6783.5	.	.

1) In business entities with more than 20 persons employed.

2) Ratio of unemployed to the economically active population.

3) Based on cumulated national currency and converted with the average exchange rate.

4) Cumulation starting January and ending December each year.

5) Calculated from USD to NCU to EUR using the official average exchange rate.

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

7) Deflated with annual PPI.

8) Consolidated central government budget. Including extra-budgetary funds.

## C Z E C H REPUBLIC: Selected monthly data on the economic situation 2004 to 2005

(updated end of September 2005)

		2004								2005							
		May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
<b>PRODUCTION</b>																	
Industry, total	real, CMPY	12.7	15.1	11.0	8.7	6.6	8.1	10.9	8.3	7.2	5.6	0.1	5.7	4.0	3.7	11.2	.
Industry, total	real, CCPY	10.0	10.8	10.8	10.6	10.1	9.9	10.0	9.9	7.2	6.4	4.0	4.4	4.3	4.2	5.2	.
Industry, total	real, 3MMA	12.6	13.0	11.7	8.7	7.8	8.6	9.1	8.9	7.0	4.0	3.6	3.2	4.5	6.2	.	.
Construction, total	real, CMPY	-3.7	-3.7	0.3	9.6	3.5	2.9	9.8	1.3	14.2	3.8	-16.0	-29.5	26.1	19.1	6.1	.
<b>LABOUR</b>																	
Employees in industry <sup>1)</sup>	th. persons	1127	1131	1133	1135	1134	1137	1138	1131	1121	1128	1133	1132	1130	1137	1139	.
Unemployment, end of period	th. persons	520.4	517.5	532.1	536.0	530.2	517.8	517.7	541.7	561.7	555.0	540.5	512.6	494.6	489.7	500.3	505.3
Unemployment rate <sup>2)</sup>	%	9.9	9.9	9.2	9.3	9.1	8.9	8.9	9.5	9.8	9.6	9.4	8.9	8.6	8.6	8.8	8.9
Labour productivity, industry <sup>13)</sup>	CCPY	11.7	12.2	11.2	11.1	10.7	10.2	10.6	10.4	10.1	7.7	5.5	6.1	6.1	6.5	6.5	.
Unit labour costs, exch.r. adj.(EUR) <sup>13)</sup>	CCPY	-6.7	-6.9	-5.6	-4.9	-4.2	-3.8	-3.7	-3.3	1.0	4.6	7.6	6.6	6.3	5.6	5.0	.
<b>WAGES, SALARIES</b>																	
Industry, gross <sup>1)</sup>	CZK	17591	17591	17670	16874	17065	17450	20415	18870	16926	16307	17633	17571	18544	18550	18216	.
Industry, gross <sup>1)</sup>	real, CMPY	2.4	4.1	3.3	5.0	3.6	1.3	5.4	1.8	1.3	2.2	2.8	2.2	3.9	3.4	1.3	.
Industry, gross <sup>1)</sup>	USD	660	675	687	649	659	692	847	825	733	708	781	755	779	751	727	.
Industry, gross <sup>1)</sup>	EUR	550	556	561	533	540	554	653	616	558	544	592	583	614	618	603	.
<b>PRICES</b>																	
Consumer	PM	0.4	0.2	0.4	0.0	-0.8	0.5	-0.1	0.1	0.7	0.2	-0.1	0.1	0.2	0.6	0.3	0.0
Consumer	CMPY	2.7	2.9	3.2	3.4	3.0	3.5	2.9	2.8	1.7	1.7	1.5	1.6	1.3	1.8	1.7	1.7
Consumer	CCPY	2.4	2.5	2.6	2.7	2.7	2.8	2.8	2.8	1.7	1.7	1.7	1.7	1.6	1.6	1.6	1.7
Producer, in industry	PM	0.8	1.1	0.8	0.9	0.3	1.1	0.0	-0.3	0.3	0.2	0.2	0.1	-0.7	-0.2	0.1	0.0
Producer, in industry	CMPY	4.9	6.3	7.3	8.1	8.0	8.6	8.2	7.7	7.2	7.1	6.4	5.6	4.0	2.7	2.0	1.1
Producer, in industry	CCPY	2.8	3.4	3.9	4.4	4.8	5.2	5.5	5.7	7.2	7.2	6.9	6.6	6.1	5.5	5.0	4.5
<b>RETAIL TRADE</b>																	
Turnover	real, CMPY	1.9	4.0	0.5	4.7	2.1	1.0	6.0	3.2	4.4	1.1	3.9	0.8	5.4	3.0	1.9	.
Turnover	real, CCPY	2.9	3.1	2.7	3.0	2.9	2.7	3.0	3.0	4.4	2.8	3.1	2.6	3.1	3.1	3.0	.
<b>FOREIGN TRADE<sup>4)5)</sup></b>																	
Exports total (fob), cumulated	EUR mn	20865	25790	30078	34256	39243	44269	49550	53996	4637	9352	14600	19802	25017	30515	35102	.
Imports total (fob), cumulated	EUR mn	21123	26010	30524	34806	39721	44801	50076	54825	4226	8728	13706	18900	23900	29116	33667	.
Trade balance, cumulated	EUR mn	-258	-220	-446	-550	-478	-533	-526	-829	411	624	894	902	1117	1398	1436	.
Exports to EU-25 (fob), cumulated	EUR mn	18101	22314	25975	29565	33826	38151	42686	46410	4047	8084	12515	16908	21331	25918	29769	.
Imports from EU-25 (fob) <sup>6)</sup> , cumulated	EUR mn	15129	18681	21934	24968	28550	32209	35986	39375	3005	6221	9766	13423	16988	20741	23970	.
Trade balance with EU-25, cumulated	EUR mn	2971	3632	4042	4597	5276	5942	6700	7034	1042	1863	2748	3484	4344	5177	5799	.
<b>FOREIGN FINANCE</b>																	
Current account, cumulated <sup>4)</sup>	EUR mn	-1266	-1591	-2615	-3191	-3334	-3689	-3913	-4490	38	498	615	321	111	-409	-757	.
<b>EXCHANGE RATE</b>																	
CZK/USD, monthly average	nominal	26.6	26.0	25.7	26.0	25.9	25.2	24.1	22.9	23.1	23.0	22.6	23.3	23.8	24.7	25.0	24.1
CZK/EUR, monthly average	nominal	32.0	31.6	31.5	31.6	31.6	31.5	31.3	30.6	30.3	30.0	29.8	30.1	30.2	30.0	30.2	29.6
CZK/USD, calculated with CPI <sup>7)</sup>	real, Jan00=100	75.9	74.4	73.0	73.8	74.3	72.4	69.2	65.4	65.7	65.8	65.1	67.4	68.7	70.9	71.8	69.0
CZK/USD, calculated with PPI <sup>7)</sup>	real, Jan00=100	79.1	76.8	75.3	75.8	75.1	73.5	70.7	66.8	67.6	67.6	67.0	69.7	71.6	74.2	75.2	72.2
CZK/EUR, calculated with CPI <sup>7)</sup>	real, Jan00=100	88.9	87.8	87.1	87.6	88.4	87.9	87.4	85.9	84.0	83.2	83.2	84.4	84.7	83.7	83.9	82.3
CZK/EUR, calculated with PPI <sup>7)</sup>	real, Jan00=100	87.2	85.3	84.7	84.5	84.4	83.6	83.0	81.2	80.5	79.6	79.5	80.6	81.3	81.2	81.5	79.9
<b>DOMESTIC FINANCE</b>																	
M0, end of period	CZK bn	228.9	234.9	233.1	233.7	236.8	236.8	238.4	236.8	237.8	240.8	242.9	245.9	248.8	253.2	253.0	.
M1, end of period	CZK bn	936.2	945.6	933.5	965.9	965.9	953.5	975.8	962.3	965.5	963.5	972.7	965.5	1007.7	1004.0	1004.1	.
M2, end of period	CZK bn	1814.0	1817.9	1821.3	1835.5	1841.1	1841.0	1840.5	1844.1	1827.5	1844.4	1844.9	1882.2	1912.1	1913.0	1908.2	.
M2, end of period	CMPY	9.2	10.3	8.0	7.5	8.6	7.8	6.6	4.4	4.2	4.7	5.3	4.7	5.4	5.2	4.8	.
Discount rate (p.a.), end of period	%	1.00	1.25	1.25	1.50	1.50	1.50	1.50	1.50	1.25	1.25	1.25	0.75	0.75	0.75	0.75	0.75
Discount rate (p.a.), end of period <sup>8)</sup>	real, %	-3.7	-4.7	-5.6	-6.1	-6.0	-6.5	-6.2	-5.8	-5.6	-5.5	-4.9	-4.6	-3.1	-1.9	-1.2	-0.3
<b>BUDGET</b>																	
Central gov. budget balance, cum.	CZK mn	-45423	-49702	-48799	-50687	-40515	-59467	-66370	-93530	3485	-2584	8249	-22492	-27029	3763	10260	10010

1) Enterprises employing 20 and more persons.

2) Ratio of job applicants to the economically active (including women on maternity leave), from July 2004 calculated with disposable number of registered unemployment.

3) Calculation based on industrial sales index (at constant prices).

4) Based on cumulated national currency and converted with the average exchange rate.

5) Cumulation starting January and ending December each year.

6) According to country of origin.

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

8) Deflated with annual PPI.

## H U N G A R Y: Selected monthly data on the economic situation 2004 to 2005

(updated end of September 2005)

		2004								2005							
		May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
<b>PRODUCTION</b>																	
Industry, total	real, CPMY	6.7	14.0	4.1	5.5	5.4	4.5	9.3	2.0	3.6	0.9	1.8	9.5	13.4	6.5	5.8	.
Industry, total	real, CCPY	8.9	9.8	9.0	8.6	8.2	7.7	7.9	7.4	3.6	2.2	2.1	3.9	5.8	5.9	5.9	.
Industry, total	real, 3MMA	9.7	8.3	7.9	5.0	5.1	6.4	5.3	5.1	2.1	2.1	4.0	8.0	9.7	8.5	.	.
Construction, total	real, CPMY	-2.2	2.9	9.3	5.8	-1.7	2.3	8.7	5.8	9.5	22.0	1.5	14.3	8.4	24.8	18.1	.
<b>LABOUR</b>																	
Employees in industry <sup>1)</sup>	th. persons	786.8	789.0	788.8	786.4	785.0	780.5	780.1	771.3	776.6	771.7	767.9	764.3	760.8	760.5	762.5	.
Unemployment <sup>2)</sup>	th. persons	241.5	241.6	244.8	246.6	254.6	255.1	261.7	263.3	275.1	286.8	297.4	300.1	302.9	299.5	298.7	302.5
Unemployment rate <sup>2)</sup>	%	5.8	5.8	5.9	5.9	6.1	6.1	6.3	6.3	6.6	6.9	7.1	7.2	7.2	7.1	7.1	7.2
Labour productivity, industry <sup>1)</sup>	CCPY	12.6	13.4	12.5	12.1	11.7	11.4	11.6	11.2	5.4	4.2	4.4	6.6	8.8	9.1	9.1	.
Unit labour costs, exch.r.adj.(EUR) <sup>1)</sup>	CCPY	-6.2	-5.5	-3.8	-2.6	-2.0	-1.6	-1.0	-0.4	10.0	11.0	8.4	4.7	1.7	2.0	1.5	.
<b>WAGES, SALARIES</b>																	
Total economy, gross <sup>1)3)</sup>	HUF	141350	145856	140775	138864	139651	143319	163950	170607	184244	144883	150952	150013	155923	155657	151406	.
Total economy, gross <sup>1)3)</sup>	real, CPMY	-1.1	0.4	-1.3	-0.2	0.0	-1.4	-0.7	-8.5	21.2	4.7	3.0	2.9	6.5	2.8	3.8	.
Total economy, gross <sup>1)3)</sup>	USD	671	701	691	679	689	725	868	930	981	774	812	783	786	761	740	.
Total economy, gross <sup>1)3)</sup>	EUR	559	576	563	558	564	581	668	694	747	594	616	605	619	625	614	.
Industry, gross <sup>1)</sup>	EUR	557	558	553	556	555	560	674	644	559	564	605	591	625	610	595	.
<b>PRICES</b>																	
Consumer	PM	0.9	0.1	0.0	-0.3	0.1	0.5	0.1	0.0	0.7	0.4	0.7	0.8	0.6	0.3	0.0	-0.4
Consumer	CPY	7.6	7.5	7.2	7.2	6.6	6.3	5.8	5.5	4.1	3.2	3.5	3.9	3.6	3.8	3.7	3.6
Consumer	CCPY	7.0	7.1	7.1	7.1	7.0	7.0	6.9	6.8	4.1	3.6	3.6	3.7	3.6	3.7	3.7	3.7
Producer, in industry	PM	0.3	0.4	0.1	0.2	0.3	0.3	-0.2	-0.5	0.7	0.0	0.8	0.8	0.5	0.0	-0.4	.
Producer, in industry	CPY	5.4	3.3	2.7	2.6	3.3	3.5	2.1	1.6	3.8	3.1	5.0	5.3	5.2	5.0	4.2	.
Producer, in industry	CCPY	4.6	4.4	4.1	3.9	3.9	3.8	3.7	3.5	3.8	3.5	4.0	4.3	4.5	4.6	4.5	.
<b>RETAIL TRADE</b>																	
Turnover	real, CPMY	5.9	10.7	5.7	5.6	4.8	3.2	4.6	3.3	3.3	1.8	7.2	3.3	6.3	5.7	5.1	.
Turnover	real, CCPY	6.5	7.3	7.0	6.8	6.6	6.2	6.0	5.7	3.3	2.5	4.3	4.0	4.5	4.7	4.8	.
<b>FOREIGN TRADE<sup>4)5)</sup></b>																	
Exports total (fob), cumulated	EUR mn	17206	21277	25006	28259	32415	36568	40906	44606	3406	6976	11065	15087	19078	23439	27323	.
Imports total (cif), cumulated	EUR mn	19276	23610	27597	31190	35636	40099	44633	48524	3551	7413	11656	16059	20161	24646	28836	.
Trade balance, cumulated	EUR mn	-2070	-2333	-2591	-2931	-3222	-3531	-3727	-3918	-145	-437	-591	-972	-1083	-1206	-1512	.
Exports to EU-25 (fob), cumulated	EUR mn	14068	17257	20174	22684	25916	29238	32662	35453	2714	5492	8613	11706	14758	18040	.	.
Imports from EU-25 (cif <sup>6)</sup> ), cumulated	EUR mn	14485	17520	20313	22754	25862	28974	32085	34796	2456	5129	8050	10974	13810	16877	.	.
Trade balance with EU-25, cumulated	EUR mn	-417	-263	-139	-69	54	264	576	658	258	364	563	731	947	1163	.	.
<b>FOREIGN FINANCE</b>																	
Current account, cumulated	EUR mn	.	-3573	.	.	-5339	.	.	-7136	.	.	-1555	.	.	-3246	.	.
<b>EXCHANGE RATE</b>																	
HUF/USD, monthly average	nominal	210.7	208.0	203.6	204.5	202.8	197.6	188.9	183.4	187.8	187.2	185.9	191.7	198.3	204.6	204.6	198.8
HUF/EUR, monthly average	nominal	252.9	253.2	249.9	248.9	247.7	246.8	245.3	245.9	246.6	243.8	245.0	248.2	252.0	249.0	246.4	244.4
HUF/USD, calculated with CPI <sup>7)</sup>	real, Jan00=100	69.5	68.8	67.3	67.8	67.3	65.6	62.6	60.6	61.7	61.7	61.3	63.1	64.8	66.7	66.7	65.1
HUF/USD, calculated with PPI <sup>7)</sup>	real, Jan00=100	82.3	81.1	79.5	80.0	78.9	77.8	75.2	72.8	74.4	74.5	74.3	76.8	78.8	81.1	81.4	.
HUF/EUR, calculated with CPI <sup>7)</sup>	real, Jan00=100	81.5	81.6	80.4	80.5	80.2	79.8	79.2	79.7	79.1	78.2	78.4	79.1	80.0	78.9	78.1	77.8
HUF/EUR, calculated with PPI <sup>7)</sup>	real, Jan00=100	90.8	90.5	89.5	89.4	88.8	88.8	88.3	88.7	88.7	88.0	88.2	88.9	89.7	88.9	88.3	.
<b>DOMESTIC FINANCE</b>																	
M0, end of period <sup>8)</sup>	HUF bn	1329.1	1329.1	1322.6	1329.9	1328.6	1334.9	1365.5	1341.5	1324.8	1320.6	1376.0	1403.5	1426.1	1456.7	1466.8	1475.2
M1, end of period <sup>8)</sup>	HUF bn	3805.8	3874.4	3876.1	3935.6	3954.8	3891.4	4053.0	4169.3	4028.7	4029.4	4195.0	4219.1	4390.4	4417.1	4436.1	4533.7
Broad money, end of period <sup>8)</sup>	HUF bn	8863.0	8961.6	9087.7	9251.2	9278.1	9356.0	9540.7	9804.5	9660.5	9752.0	9959.7	10166.1	10275.2	10253.9	10367.2	10469.0
Broad money, end of period <sup>8)</sup>	CPY	11.1	10.5	11.6	13.2	12.0	10.8	11.2	11.6	9.8	11.3	14.2	15.2	15.9	14.4	14.1	13.2
NBH base rate (p.a.),end of period	%	11.5	11.5	11.5	11.0	11.0	10.5	10.0	9.5	9.0	8.3	7.8	7.5	7.3	7.0	6.8	6.3
NBH base rate (p.a.),end of period <sup>9)</sup>	real, %	5.8	7.9	8.6	8.2	7.5	6.8	7.7	7.8	5.0	5.0	2.6	2.1	1.9	1.9	2.4	.
<b>BUDGET</b>																	
Central gov.budget balance,cum.	HUF bn	-508.8	-855.8	-863.1	-926.8	-1035.8	-1034.6	-1023.0	-889.0	-199.1	-379.0	-373.1	-589.0	-680.5	-798.6	-741.3	-769.0

1) Economic organizations employing more than 5 persons.

2) According to ILO methodology, 3-month averages comprising the two previous months as well.

3) Increase of wages in January 2005 due to payment of one month extra salary in state sector (in January instead of December).

4) Based on cumulated national currency and converted with the average exchange rate.

5) Cumulation starting January and ending December each year.

6) According to country of dispatch.

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

8) According to ECB monetary standards.

9) Deflated with annual PPI.

## P O L A N D: Selected monthly data on the economic situation 2004 to 2005

(updated end of September 2005)

		2004								2005							
		May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
<b>PRODUCTION</b>																	
Industry <sup>1)</sup>	real, CMPY	12.2	15.8	6.0	13.8	9.4	3.4	11.4	6.9	4.7	2.4	-3.7	-1.1	0.9	6.9	2.6	4.6
Industry <sup>1)</sup>	real, CCPY	18.1	17.7	15.9	15.7	14.9	13.5	13.3	12.7	4.7	3.5	0.8	0.3	0.4	1.5	1.7	2.1
Industry <sup>1)</sup>	real, 3MMA	16.6	11.3	11.8	9.7	8.6	8.0	7.1	7.7	4.7	0.8	-1.0	-1.4	2.2	3.5	4.7	.
Construction <sup>1)</sup>	real, CMPY	-13.4	-14.4	-14.2	2.6	0.1	4.1	4.2	7.9	18.4	13.1	-3.9	-17.7	21.8	29.9	17.3	6.6
<b>LABOUR</b>																	
Employees <sup>1)</sup>	th. persons	4681	4688	4688	4681	4686	4698	4689	4679	4737	4745	4743	4754	4756	4770	4772	4776
Employees in industry <sup>1)</sup>	th. persons	2396	2399	2400	2397	2399	2409	2405	2397	2417	2422	2423	2426	2423	2427	2422	2424
Unemployment, end of period	th. persons	3092.5	3071.2	3042.4	3005.7	2970.9	2938.2	2942.6	2999.6	3094.9	3094.5	3052.6	2957.8	2867.3	2827.4	2809.0	2783.3
Unemployment rate <sup>2)</sup>	%	19.6	19.5	19.3	19.1	18.9	18.7	18.7	19.1	19.5	19.4	19.3	18.8	18.3	18.0	17.9	17.8
Labour productivity, industry <sup>1)</sup>	CCPY	18.8	18.4	16.5	16.2	15.4	14.0	13.8	13.2	3.8	2.6	-0.1	-0.7	-0.6	0.5	0.6	1.0
Unit labour costs, exch.r. adj.(EUR) <sup>1)</sup>	CCPY	-20.9	-19.5	-17.3	-16.3	-14.9	-13.1	-12.1	-10.5	14.0	17.8	21.2	20.4	19.9	18.6	17.3	16.2
<b>WAGES, SALARIES</b>																	
Total economy, gross <sup>1)</sup>	PLN	2354	2405	2428	2413	2440	2386	2505	2748	2385	2411	2481	2471	2424	2513	2507	2481
Total economy, gross <sup>1)</sup>	real, CMPY	1.2	0.4	-0.8	0.7	-0.7	-1.9	-1.7	-1.0	-1.5	-2.4	-1.4	-1.3	0.6	3.1	2.0	1.3
Total economy, gross <sup>1)</sup>	USD	598	635	667	662	681	690	763	888	769	788	813	771	737	753	737	755
Total economy, gross <sup>1)</sup>	EUR	498	524	543	544	557	552	588	663	584	605	617	595	580	619	612	613
Industry, gross <sup>1)</sup>	EUR	493	531	551	549	548	551	592	693	590	616	625	597	580	630	617	618
<b>PRICES</b>																	
Consumer	PM	1.0	0.9	-0.1	-0.4	0.3	0.6	0.3	0.1	0.1	-0.1	0.1	0.4	0.3	-0.2	-0.2	-0.1
Consumer	CMPY	3.4	4.4	4.6	4.6	4.4	4.5	4.5	4.4	3.7	3.6	3.4	3.0	2.5	1.4	1.3	1.6
Consumer	CCPY	2.2	2.5	2.8	3.1	3.2	3.3	3.5	3.5	4.1	4.0	3.9	3.7	3.5	3.1	2.8	2.7
Producer, in industry	PM	1.3	-0.2	0.2	0.3	-0.1	0.4	-0.4	-1.3	0.1	-0.5	0.5	0.7	-0.2	0.3	0.2	0.2
Producer, in industry	CMPY	9.6	9.1	8.6	8.5	7.9	7.6	6.7	5.2	4.5	3.2	2.2	0.9	-0.5	0.0	0.0	-0.1
Producer, in industry	CCPY	6.2	6.7	7.0	7.2	7.3	7.3	7.3	7.1	4.7	4.0	3.5	2.8	2.1	1.8	1.5	1.3
<b>RETAIL TRADE</b>																	
Turnover <sup>1)</sup>	real, CMPY	0.9	4.2	5.9	4.4	3.9	-0.8	-0.4	-1.8	3.2	-1.6	-3.8	-17.4	5.5	8.8	3.2	5.6
Turnover <sup>1)</sup>	real, CCPY	14.0	12.4	11.4	10.1	9.4	8.8	7.9	7.1	3.1	1.0	-0.4	-5.9	-4.1	-1.9	-1.0	-0.2
<b>FOREIGN TRADE<sup>3,4)</sup></b>																	
Exports total (fob), cumulated	EUR mn	22866	27962	32868	37639	43416	49145	54898	59996	5212	10588	16360	22307	27723	33870	39402	.
Imports total (cif), cumulated	EUR mn	28251	34365	40339	45980	52661	59168	65643	71791	5668	11636	18305	24948	31429	38262	44535	.
Trade balance, cumulated	EUR mn	-5385	-6403	-7472	-8341	-9246	-10023	-10745	-11795	-456	-1048	-1945	-2641	-3705	-4392	-5133	.
Exports to EU-25 (fob), cumulated	EUR mn	18907	22853	26597	30275	34647	39056	43446	47232	4151	8214	12816	17463	21635	26151	30472	.
Imports from EU-25 (cif) <sup>5)</sup> , cumulated	EUR mn	19716	23792	27810	31539	35890	40319	44694	48669	3781	7669	12112	16624	20929	25363	29582	.
Trade balance with EU-25, cumulated	EUR mn	-809	-939	-1213	-1263	-1243	-1263	-1248	-1437	370	545	704	839	706	789	891	.
<b>FOREIGN FINANCE</b>																	
Current account, cumulated	EUR mn	-1837	-2173	-2907	-2654	-3037	-2932	-2709	-2952	197	141	376	1023	333	555	253	.
<b>EXCHANGE RATE</b>																	
PLN/USD, monthly average	nominal	3.936	3.787	3.643	3.643	3.583	3.460	3.283	3.095	3.103	3.060	3.049	3.205	3.291	3.336	3.399	3.287
PLN/EUR, monthly average	nominal	4.729	4.593	4.469	4.436	4.376	4.324	4.262	4.144	4.082	3.984	4.021	4.151	4.183	4.060	4.097	4.045
PLN/USD, calculated with CPI <sup>6)</sup>	real, Jan00=100	92.6	88.7	85.2	85.6	84.2	81.2	76.8	72.1	72.3	71.8	72.1	75.9	77.6	78.9	80.6	78.0
PLN/USD, calculated with PPI <sup>6)</sup>	real, Jan00=100	92.6	89.5	86.1	86.2	84.7	82.7	79.5	75.3	75.8	75.5	75.8	79.9	81.9	82.6	84.0	81.0
PLN/EUR, calculated with CPI <sup>6)</sup>	real, Jan00=100	108.8	104.9	102.0	101.9	100.4	98.9	97.2	94.8	92.9	91.1	92.3	95.3	96.0	93.4	94.5	93.4
PLN/EUR, calculated with PPI <sup>6)</sup>	real, Jan00=100	102.4	99.7	97.1	96.4	95.4	94.5	93.4	91.7	90.6	89.2	90.1	92.6	93.3	90.6	91.3	89.9
<b>DOMESTIC FINANCE</b>																	
M0, end of period	PLN bn	50.2	50.5	50.9	50.9	50.1	50.5	50.0	50.7	49.7	50.5	51.4	53.2	52.9	53.8	55.3	55.2
M1, end of period <sup>7)</sup>	PLN bn	165.0	168.9	163.6	168.9	168.9	181.8	175.2	175.9	173.1	178.2	181.4	176.5	189.6	188.0	185.7	193.3
M2, end of period <sup>7)</sup>	PLN bn	344.7	348.5	347.6	351.5	350.5	369.9	356.7	366.4	360.1	364.3	371.8	376.4	382.5	379.1	379.7	386.2
M2, end of period	CMPY	7.6	7.9	7.6	8.2	7.2	11.3	6.7	7.6	7.5	7.7	9.3	7.9	11.0	8.8	9.2	9.9
Discount rate (p.a.),end of period	%	5.8	5.8	6.5	6.5	7.0	7.0	7.0	7.0	7.0	7.0	6.5	6.0	6.0	5.5	5.3	5.3
Discount rate (p.a.),end of period <sup>8)</sup>	real, %	-3.5	-3.1	-1.9	-1.8	-0.8	-0.6	0.3	1.7	2.4	3.7	4.2	5.1	6.5	5.5	5.3	5.4
<b>BUDGET</b>																	
Central gov.budget balance, cum.	PLN mn	-15186	-19730	-23067	-25793	-28841	-30642	-33820	-41505	-1403	-8884	-12726	-13651	-18134	-18248	-17331	-18490

1) Enterprises employing more than 9 persons.

2) Ratio of unemployed to the economically active.

3) Based on cumulated national currency and converted with the average exchange rate.

4) Cumulation starting January and ending December each year.

5) According to country of origin.

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

7) Revised according to ECB monetary standards.

8) Deflated with annual PPI.

## R O M A N I A: Selected monthly data on the economic situation 2004 to 2005

(updated end of September 2005)

		2004								2005							
		May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
<b>PRODUCTION</b>																	
Industry, total <sup>1)</sup>	real, CMPY	5.2	3.2	2.0	6.5	5.8	2.4	9.3	12.3	8.6	3.6	4.0	8.4	-4.4	-1.2	-7.7	.
Industry, total <sup>1)</sup>	real, CCPY	4.6	4.4	4.0	4.3	4.5	4.3	4.7	5.3	8.6	6.0	5.3	6.1	3.8	2.9	1.3	.
Industry, total	real, 3MMA	3.0	3.5	3.9	4.7	4.8	5.8	7.8	10.1	8.1	5.3	5.3	2.5	0.7	-4.5	.	.
<b>LABOUR</b>																	
Employees total	th. persons	4423.1	4453.6	4456.9	4452.0	4449.9	4439.0	4432.1	4398.3	4450.8	4500.7	4535.7	4551.0	4560.3	4577.8	4567.5	.
Employees in industry	th. persons	1736.6	1755.6	1757.6	1757.7	1749.8	1752.6	1746.5	1733.7	1745.4	1757.0	1749.4	1740.0	1731.5	1722.2	1712.6	.
Unemployment, end of period	th. persons	617.8	590.3	562.6	552.6	547.8	550.7	551.4	557.9	562.7	558.6	537.8	511.3	495.9	488.8	489.3	.
Unemployment rate <sup>2)</sup>	%	6.9	6.6	6.3	6.2	6.1	6.1	6.2	6.2	6.3	6.2	6.0	5.7	5.5	5.5	5.5	.
Labour productivity, industry	CCPY	11.2	11.0	10.5	10.7	10.8	10.5	10.9	11.5	10.8	7.9	7.1	7.7	5.6	4.9	3.3	.
Unit labour costs, exch.r. adj.(EUR)	CCPY	-1.0	0.1	0.4	0.3	0.6	1.1	1.7	2.2	15.7	18.1	17.9	17.8	21.0	22.6	25.2	.
<b>WAGES, SALARIES</b>																	
Total economy, gross	RON	800.8	803.6	812.6	810.1	821.4	839.3	867.8	973.4	951.5	874.9	920.3	973.0	941.7	943.6	957.0	.
Total economy, gross	real, CMPY	9.3	10.8	7.8	8.4	9.3	10.2	12.5	10.4	9.1	7.3	5.0	6.6	6.9	7.1	7.7	.
Total economy, gross	USD	237	239	243	241	244	255	283	337	327	310	334	347	330	318	323	.
Total economy, gross	EUR	197	197	198	198	200	204	218	251	249	238	253	268	260	261	268	.
Industry, gross	EUR	193	192	198	198	203	196	208	236	219	224	243	255	254	256	265	.
<b>PRICES</b>																	
Consumer	PM	0.3	0.6	1.3	0.5	0.9	1.2	0.6	0.6	0.8	0.6	0.3	1.8	0.3	0.3	1.0	0.1
Consumer	CMPY	12.3	12.0	12.1	12.4	11.1	10.8	9.9	9.3	8.9	8.9	8.7	10.0	10.0	9.7	9.3	8.9
Consumer	CCPY	13.1	12.9	12.8	12.8	12.6	12.4	12.1	11.9	8.9	8.9	8.8	9.1	9.3	9.4	9.4	9.3
Producer, in industry	PM	1.3	1.1	1.7	1.7	1.3	1.6	0.2	-0.9	1.2	-0.6	0.8	2.5	0.5	0.2	0.7	.
Producer, in industry	CMPY	19.3	20.4	21.3	22.1	20.0	20.0	18.2	15.9	14.6	12.8	12.6	12.3	11.4	10.4	9.3	.
Producer, in industry	CCPY	18.3	18.7	19.0	19.4	19.5	19.6	19.4	19.1	14.6	13.7	13.3	13.1	12.7	12.3	11.9	.
<b>RETAIL TRADE</b>																	
Turnover	real, CMPY	11.3	13.6	8.5	12.3	10.6	8.8	14.8	32.0	13.1	25.3	18.7	24.1	14.8	14.2	13.4	.
Turnover	real, CCPY	15.0	14.7	13.8	13.7	13.3	12.9	13.0	14.6	13.1	19.2	19.0	20.3	19.2	18.4	17.5	.
<b>FOREIGN TRADE<sup>3)</sup></b>																	
Exports total (fob), cumulated	EUR mn	7394	9033	10874	12296	13995	15735	17404	18935	1514	3162	5098	6894	8667	10529	12522	.
Imports total (cif), cumulated	EUR mn	9720	11992	14365	16391	18644	21061	23695	26281	1896	4060	6668	9222	11897	14738	17497	.
Trade balance, cumulated	EUR mn	-2326	-2959	-3491	-4094	-4649	-5325	-6291	-7346	-382	-898	-1571	-2328	-3230	-4209	-4975	.
Exports to EU-25 (fob), cumulated	EUR mn	5412	6644	7997	9033	10230	11508	12720	13807	1113	2298	3581	4799	5969	7275	8590	.
Imports from EU-25 (cif), cumulated	EUR mn	6264	7794	9361	10622	12065	13676	15426	17065	1182	2558	4140	5767	7495	9288	11025	.
Trade balance with EU-25, cumulated	EUR mn	-852	-1150	-1364	-1590	-1835	-2168	-2706	-3258	-69	-260	-558	-968	-1526	-2013	-2436	.
<b>FOREIGN FINANCE</b>																	
Current account, cumulated	EUR mn	.	-1689	-1877	.	-2556	.	.	-4460	-136	-516	-899	-1391	-2178	-2705	-2952	.
<b>EXCHANGE RATE</b>																	
RON/USD, monthly average	nominal	3.376	3.357	3.340	3.361	3.362	3.288	3.068	2.891	2.908	2.824	2.757	2.804	2.851	2.969	2.961	2.851
RON/EUR, monthly average	nominal	4.056	4.075	4.097	4.095	4.108	4.107	3.982	3.877	3.818	3.676	3.634	3.629	3.618	3.614	3.566	3.506
RON/USD, calculated with CPI <sup>4)</sup>	real, Jan00=100	84.6	84.0	82.3	82.4	82.0	79.6	73.8	68.9	68.9	66.9	65.6	66.0	66.8	69.4	68.6	65.9
RON/USD, calculated with PPI <sup>4)</sup>	real, Jan00=100	71.6	70.7	69.3	68.8	67.8	66.3	62.3	58.7	58.7	57.5	56.5	56.6	57.0	59.1	58.6	.
RON/EUR, calculated with CPI <sup>4)</sup>	real, Jan00=100	99.3	99.2	98.4	98.0	97.7	96.8	93.3	90.6	88.2	84.8	83.9	82.7	82.4	82.1	80.2	78.8
RON/EUR, calculated with PPI <sup>4)</sup>	real, Jan00=100	79.1	78.6	77.9	76.9	76.3	75.5	73.0	71.5	69.9	67.9	67.0	65.5	64.8	64.8	63.5	.
<b>DOMESTIC FINANCE</b>																	
M0, end of period	RON mn	6516	6890	7331	7528	7670	7776	7310	7465	7239	7658	7786	8750	8689	9582	9790	10053
M1, end of period	RON mn	11886	12593	13188	14049	14281	14311	14020	15288	14241	14777	15465	16376	17146	18495	19162	.
M2, end of period	RON mn	49051	50660	52510	54839	56740	57395	56874	64462	63122	65213	67957	69096	71966	74200	74080	.
M2, end of period	CMPY	29.4	30.4	34.3	34.6	36.9	35.4	33.6	39.9	39.6	42.2	41.1	43.9	46.7	46.5	41.1	.
Discount rate (p.a.),end of period <sup>5)</sup>	%	21.3	21.3	20.8	20.3	19.2	18.8	18.8	18.0	17.3	15.7	10.8	8.4	8.0	8.0	8.0	8.0
Discount rate (p.a.),end of period <sup>5)6)</sup>	real, %	1.6	0.7	-0.5	-1.5	-0.6	-1.0	0.5	1.8	2.4	2.6	-1.6	-3.4	-3.1	-2.2	-1.2	.
<b>BUDGET</b>																	
Central gov.budget balance, cum.	RON mn	-652.9	-1433.3	-706.8	-939.0	-780.5	-676.9	-1203.4	-1878.1	82.0	-521.9	-673.4	-5.5	-235.2	-725.9	.	.

Note: On 1 July 2005, the new Romania leu was introduced (1 RON = 10000 ROL). Data in this table are presented in new leu RON.

1) Enterprises with more than 50 (in food industry 20) employees.

2) Ratio of unemployed to economically active population as of December of previous year, from 2004 as of December 2003.

3) Cumulation starting January and ending December each year.

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

5) Reference rate of RNB.

6) Deflated with annual PPI.

## R U S S I A: Selected monthly data on the economic situation 2004 to 2005

(updated end of September 2005)

		2004								2005							
		May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
<b>PRODUCTION</b>																	
Industry, total <sup>1)</sup>	real, CMPY	6.9	9.3	6.9	9.7	6.1	4.6	12.5	4.6	2.1	5.1	4.0	5.0	1.4	6.9	4.9	3.4
Industry, total <sup>1)</sup>	real, CCPY	6.9	7.3	7.3	7.6	7.4	7.1	7.6	7.3	2.1	3.9	3.9	4.2	3.6	4.0	4.1	3.7
Construction, total	real, CMPY	14.9	13.3	7.5	7.1	5.9	3.4	8.8	10.6	5.9	4.6	4.7	6.1	5.3	7.4	12.9	11.6
<b>LABOUR<sup>2)</sup></b>																	
Employment total	th. persons	68000	68200	68400	68700	68200	67700	67300	67100	67000	66900	67200	67600	68000	68300	69259	.
Unemployment, end of period	th. persons	5584	5528	5465	5421	5669	5901	6140	6109	6080	6056	5830	5610	5406	5217	5031	4848
Unemployment rate	%	7.6	7.5	7.4	7.3	7.7	8.0	8.4	8.4	8.3	8.3	8.0	7.6	7.3	7.1	6.8	6.5
<b>WAGES, SALARIES</b>																	
Total economy, gross	RUB	6524.0	7003.0	6982.0	6873.0	6918.0	6908.0	7046.0	8799.0	7346.0	7465.0	8093.0	8002.0	8089.0	8637.0	8651.0	8564.0
Total economy, gross	real, CMPY	13.4	14.5	12.6	12.4	11.7	5.6	5.3	7.3	10.0	7.8	11.1	9.4	9.2	8.8	9.8	10.9
Total economy, gross	USD	225	241	240	235	237	238	246	315	262	267	293	288	289	303	301	301
Total economy, gross	EUR	187	198	196	193	194	190	190	235	200	205	222	222	228	249	250	245
Industry, gross <sup>3)</sup>	EUR	191	198	202	209	202	198	197	226	202	205	219	224	229	245	252	.
<b>PRICES</b>																	
Consumer	PM	0.7	0.8	0.9	0.4	0.4	1.1	1.1	1.1	2.6	1.2	1.3	1.1	0.8	0.6	0.5	-0.1
Consumer	CMPY	10.2	10.2	10.5	11.3	11.5	11.6	11.7	11.7	12.6	12.8	13.3	13.4	13.6	13.3	12.9	12.3
Consumer	CCPY	10.6	10.5	10.5	10.6	10.7	10.8	10.9	11.0	12.6	12.7	12.9	13.0	13.1	13.2	13.1	13.0
Producer, in industry	PM	2.1	2.8	1.2	1.8	3.1	1.8	2.0	0.1	0.5	1.3	2.5	2.5	2.7	0.1	0.5	2.0
Producer, in industry	CMPY	23.0	25.5	24.3	24.8	26.9	27.7	29.5	28.9	24.6	22.0	23.5	24.0	24.7	21.4	20.6	20.8
Producer, in industry	CCPY	19.8	20.8	21.3	21.7	22.3	22.9	23.5	24.0	24.6	23.3	23.3	23.5	23.8	23.4	22.9	22.6
<b>RETAIL TRADE</b>																	
Turnover <sup>4)</sup>	real, CMPY	12.2	14.5	9.6	12.0	12.2	11.5	13.5	14.6	9.9	10.3	8.6	12.2	13.7	12.7	12.0	.
Turnover <sup>4)</sup>	real, CCPY	11.0	11.6	11.3	11.4	11.5	11.5	11.7	12.0	9.9	10.1	9.6	10.3	11.0	11.3	11.4	.
<b>FOREIGN TRADE<sup>5)(6)(7)</sup></b>																	
Exports total, cumulated	EUR mn	53335	65562	78147	91893	105205	119048	132898	147549	11421	24184	39417	54990	70986	87114	104769	.
Imports total, cumulated	EUR mn	28075	34506	41244	47994	54691	61765	69008	77459	5114	11412	18900	26363	33869	42077	50767	.
Trade balance, cumulated	EUR mn	25261	31055	36904	43900	50513	57283	63890	70090	6307	12772	20517	28627	37116	45037	54003	.
<b>FOREIGN FINANCE</b>																	
Current account, cumulated <sup>8)</sup>	EUR mn	.	21400	.	.	33918	.	.	48208	.	.	16796	.	.	36103	.	.
<b>EXCHANGE RATE</b>																	
RUB/USD, monthly average	nominal	28.989	29.030	29.082	29.219	29.220	29.070	28.591	27.904	28.009	27.995	27.626	27.810	27.951	28.498	28.694	28.480
RUB/EUR, monthly average	nominal	34.817	35.298	35.673	35.628	35.661	36.287	37.079	37.390	36.719	36.381	36.470	35.993	35.485	34.725	34.568	35.015
RUB/USD, calculated with CPI <sup>9)</sup>	real, Jan00=100	60.7	60.6	60.0	60.1	60.0	59.4	57.7	55.5	54.4	54.1	53.1	53.2	53.0	53.8	53.9	53.5
RUB/USD, calculated with PPI <sup>9)</sup>	real, Jan00=100	55.6	54.4	53.9	53.4	51.7	51.3	49.9	48.3	48.5	48.0	46.8	46.4	45.3	46.0	46.1	44.9
RUB/EUR, calculated with CPI <sup>9)</sup>	real, Jan00=100	71.2	71.6	71.7	71.5	71.4	72.1	72.8	72.9	69.5	68.3	68.0	66.6	65.3	63.6	63.0	63.8
RUB/EUR, calculated with PPI <sup>9)</sup>	real, Jan00=100	61.4	60.5	60.6	59.7	58.1	58.4	58.5	58.7	57.6	56.5	55.6	53.7	51.4	50.4	50.0	49.6
<b>DOMESTIC FINANCE</b>																	
M0, end of period	RUB bn	1220.5	1276.1	1315.0	1290.6	1293.7	1310.3	1332.7	1534.8	1425.2	1444.1	1481.7	1565.8	1582.3	1650.7	1701.8	.
M1, end of period	RUB bn	2286.3	2425.3	2375.9	2372.0	2416.0	2441.0	2535.0	2848.3	2673.0	2757.1	2859.6	2906.3	2965.6	3144.3	3162.5	.
M2, end of period	RUB bn	4365.7	4543.2	4547.9	4568.2	4637.1	4730.4	4867.6	5298.7	5184.8	5344.4	5499.6	5594.0	5743.0	6015.9	6087.4	.
M2, end of period	CMPY	38.0	36.0	33.7	32.5	29.8	33.5	34.6	33.7	31.4	30.6	31.2	29.1	31.5	32.4	33.8	.
Refinancing rate (p.a.) <sup>end of period</sup>	%	14.0	13.0	13.0	13.0	13.0	13.0	13.0	13.0	13.0	13.0	13.0	13.0	13.0	13.0	13.0	13.0
Refinancing rate (p.a.) <sup>end of period</sup> <sup>10)</sup>	real, %	-7.3	-9.9	-9.1	-9.4	-10.9	-11.5	-12.8	-12.3	-9.3	-7.4	-8.5	-8.9	-9.4	-7.0	-6.3	-6.5
<b>BUDGET</b>																	
Central gov. budget balance, cum.	RUB bn	255.4	354.1	435.8	484.2	588.1	690.1	786.3	730.7	206.2	304.4	525.3	621.4	738.2	942.2	.	.

1) Data revised according to new methodology.

2) Based on labour force survey.

3) Manufacturing industry only.

4) Including estimated turnover of non-registered firms, including catering.

5) Based on cumulated USD and converted using the ECB EUR/USD average foreign exchange reference rate.

6) Cumulation starting January and ending December each year, incl. estimates of non-registered imports.

7) Based on balance of payments statistics.

8) Calculated from USD to NCU to EUR using the official average exchange rate.

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

10) Deflated with annual PPI.

# SLOVAK REPUBLIC: Selected monthly data on the economic situation 2004 to 2005

(updated end of September 2005)

		2004								2005							
		May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
<b>PRODUCTION</b>																	
Industry, total	real, CMPY	8.3	3.9	-0.5	7.2	4.9	-1.3	3.6	1.4	4.8	0.0	-3.1	5.6	1.8	1.7	4.7	.
Industry, total	real, CCPY	6.5	6.0	5.1	5.4	5.3	4.5	4.5	4.2	4.8	2.3	0.3	1.6	1.7	1.7	2.1	.
Industry, total	real, 3MMA	5.6	3.9	3.5	3.8	3.3	2.3	1.2	3.3	2.0	0.3	0.7	1.3	3.0	2.7	.	.
Construction, total	real, CMPY	0.9	2.4	0.5	3.4	1.7	14.0	10.3	19.4	23.8	7.7	8.1	18.1	18.8	25.2	17.4	.
<b>LABOUR</b>																	
Employment in industry	th. persons	559.2	564.0	562.7	566.1	568.2	573.6	574.2	567.1	562.4	562.1	568.4	574.7	579.3	582.2	576.6	.
Unemployment, end of period	th. persons	410.8	399.5	392.1	381.4	379.8	370.8	371.6	383.2	388.9	379.4	368.6	344.2	330.8	325.4	322.4	318.7
Unemployment rate <sup>1)</sup>	%	14.5	13.9	13.7	13.2	13.1	12.7	12.6	13.1	13.4	13.1	12.7	11.9	11.3	11.1	11.0	10.9
Labour productivity, industry	CCPY	7.2	6.6	5.6	5.7	5.5	4.6	4.3	3.8	1.4	-0.9	-2.9	-1.7	-1.7	-1.7	-1.2	.
Unit labour costs, exch.r. adj.(EUR)	CCPY	5.1	5.7	7.1	7.8	8.2	8.9	9.4	10.0	12.5	21.9	22.7	17.9	16.8	15.8	13.7	.
<b>WAGES, SALARIES</b>																	
Industry, gross	SKK	16392	17597	17015	16760	16878	17265	20157	18671	16975	17730	17527	16869	17637	18572	17375	.
Industry, gross	real, CMPY	-1.6	0.8	2.6	6.4	4.9	0.8	5.4	2.2	4.7	16.6	6.5	1.4	5.1	2.9	0.1	.
Industry, gross	USD	489	535	523	509	514	538	660	642	578	606	607	558	575	587	539	.
Industry, gross	EUR	408	441	426	418	421	432	509	480	440	466	459	431	452	482	447	.
<b>PRICES</b>																	
Consumer	PM	0.4	0.2	0.3	-0.1	0.0	0.0	-0.1	-0.2	1.7	0.3	-0.1	0.2	0.0	0.3	-0.3	-0.1
Consumer	CMPY	8.3	8.1	8.5	7.2	6.7	6.6	6.3	5.9	3.2	2.7	2.5	2.7	2.4	2.5	2.0	2.0
Consumer	CCPY	8.3	8.2	8.3	8.2	8.0	7.9	7.7	7.6	3.1	2.9	2.8	2.7	2.7	2.6	2.5	2.5
Producer, in industry	PM	0.2	0.2	0.1	0.5	0.3	0.6	0.2	-0.2	-0.2	0.3	0.7	0.8	0.6	1.0	0.6	0.8
Producer, in industry	CMPY	3.0	3.2	3.1	3.7	4.0	4.7	4.5	4.3	2.8	2.1	2.6	3.5	4.0	4.8	5.3	5.6
Producer, in industry	CCPY	2.8	2.8	2.9	3.0	3.1	3.2	3.4	3.4	2.8	2.4	2.5	2.7	3.0	3.3	3.6	3.8
<b>RETAIL TRADE<sup>2)</sup></b>																	
Turnover	real, CMPY	7.8	10.5	11.9	8.1	8.9	3.1	4.7	3.0	7.7	12.5	8.1	6.8	9.6	8.0	7.5	.
Turnover	real, CCPY	5.4	6.2	7.0	7.1	7.3	6.9	6.7	6.2	7.7	10.1	9.4	8.8	9.0	8.8	8.6	.
<b>FOREIGN TRADE<sup>3)4)5)</sup></b>																	
Exports total (fob), cumulated	EUR mn	9011	10919	12667	14411	16398	18508	20586	22352	1736	3588	5608	7640	9727	11951	13919	.
Imports total (fob), cumulated	EUR mn	9083	11194	13108	14984	17084	19295	21511	23524	1784	3743	5939	8176	10402	12705	14772	.
Trade balance, cumulated	EUR mn	-72	-274	-441	-572	-687	-787	-925	-1172	-48	-154	-332	-537	-674	-754	-854	.
Exports to EU-25 (fob), cumulated	EUR mn	7601	9203	10685	12169	13884	15718	17535	19039	1543	3194	4955	6680	8461	10280	.	.
Imports from EU-25 (fob) <sup>6)</sup> , cumulated	EUR mn	6782	8354	9778	11111	12660	14288	15917	17316	1227	2627	4185	5797	7419	9084	.	.
Trade balance with EU-25, cumulated	EUR mn	819	850	907	1058	1224	1430	1618	1722	315	566	770	883	1041	1196	.	.
<b>FOREIGN FINANCE</b>																	
Current account, cumulated <sup>3)</sup>	EUR mn	-114	-406	-525	-717	-828	-771	-864	-1149	-111	-88	-187	-336	-915	-1236	.	.
<b>EXCHANGE RATE</b>																	
SKK/USD, monthly average	nominal	33.5	32.9	32.5	32.9	32.8	32.1	30.5	29.1	29.3	29.3	28.9	30.2	30.7	31.6	32.2	31.5
SKK/EUR, monthly average	nominal	40.2	39.9	39.9	40.1	40.1	40.0	39.6	38.9	38.6	38.1	38.2	39.2	39.0	38.5	38.8	38.7
SKK/USD, calculated with CPI <sup>7)</sup>	real, Jan00=100	67.3	66.2	65.1	66.0	66.0	64.8	61.7	58.7	58.4	58.4	58.1	61.1	61.9	63.7	65.1	63.7
SKK/USD, calculated with PPI <sup>7)</sup>	real, Jan00=100	72.4	71.2	70.4	71.3	70.7	69.7	66.8	63.3	64.3	64.2	63.7	66.9	67.1	68.4	69.2	67.2
SKK/EUR, calculated with CPI <sup>7)</sup>	real, Jan00=100	78.8	78.2	77.8	78.5	78.5	78.7	77.9	77.1	74.9	73.9	74.6	76.6	76.5	75.4	76.2	76.0
SKK/EUR, calculated with PPI <sup>7)</sup>	real, Jan00=100	79.9	79.2	79.3	79.7	79.5	79.4	78.3	76.9	76.8	75.6	75.8	77.4	76.5	75.0	75.2	74.3
<b>DOMESTIC FINANCE</b>																	
M0, end of period	SKK bn	91.9	93.2	93.8	95.4	96.3	97.6	97.8	100.5	100.5	101.5	102.8	105.2	106.3	108.1	110.1	111.4
M1, end of period	SKK bn	268.0	279.2	279.7	282.8	288.7	284.8	293.4	311.3	299.4	315.7	313.1	318.6	326.8	331.0	341.1	344.4
M2, end of period	SKK bn	723.2	744.7	749.7	755.3	761.9	763.7	773.3	793.5	772.6	779.1	772.0	782.3	768.8	776.5	783.2	791.3
M2, end of period	CMPY	0.6	6.1	3.8	3.5	5.0	4.3	4.4	5.7	4.5	4.7	6.6	6.9	6.3	4.3	4.5	4.8
Discount rate (p.a.) <sup>8)</sup> , end of period	%	5.00	5.00	4.50	4.50	4.50	4.50	4.00	4.00	4.00	4.00	3.00	3.00	3.00	3.00	3.00	3.00
Discount rate (p.a.) <sup>8)9)</sup> , end of period	real, %	2.0	1.8	1.4	0.7	0.5	-0.1	-0.5	-0.3	1.2	1.9	0.4	-0.5	-0.9	-1.7	-2.2	-2.5
<b>BUDGET</b>																	
Central gov. budget balance, cum.	SKK mn	-2270	-12455	-18551	-24786	-29422	-30528	-34078	-70288	4310	-1108	2799	6388	-3858	-1149	1922	-5065

1) Ratio of disposable number of registered unemployment calculated to the economically active population as of previous year.

2) According to NACE (52 - retail trade), excluding VAT.

3) Based on cumulated national currency and converted with the average exchange rate.

4) Cumulation starting January and ending December each year.

5) From January 2005 excluding value of goods for repair and after repair.

6) According to country of origin.

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

8) Corresponding to the 2-week limit rate of NBS.

9) Deflated with annual PPI.

## SLOVENIA: Selected monthly data on the economic situation 2004 to 2005

(updated end of September 2005)

		2004								2005							
		May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
<b>PRODUCTION</b>																	
Industry, total	real, CMPY	12.0	11.0	3.0	11.6	3.9	-3.0	3.8	6.3	-0.1	-3.6	-3.8	3.7	1.3	1.0	3.5	.
Industry, total	real, CCPY	4.7	5.8	5.4	6.0	5.8	4.8	4.7	4.8	-0.1	-1.9	-2.6	-1.1	-0.6	-0.3	2.3	.
Industry, total	real, 3MMA	7.4	8.7	8.3	5.7	3.4	1.5	2.1	3.3	0.7	-2.6	-1.4	0.2	1.9	1.7	.	.
Construction, total <sup>1)</sup>	real, CMPY	-10.2	-5.8	8.1	9.4	5.0	12.3	1.6	-10.5	0.0	-13.2	2.3	9.3	16.9	13.2	1.8	.
<b>LABOUR</b>																	
Employment total	th. persons	781.4	783.7	782.7	782.4	785.6	789.1	789.7	785.0	805.6	807.4	809.5	812.2	814.8	816.1	813.5	.
Employees in industry	th. persons	240.1	240.4	239.7	239.4	239.6	239.8	239.9	238.2	241.1	240.8	240.7	240.5	240.9	.	.	.
Unemployment, end of period	th. persons	91.5	89.2	90.3	90.3	90.7	92.5	90.9	90.7	93.4	93.1	92.3	91.6	89.8	88.9	91.1	.
Unemployment rate <sup>2)</sup>	%	10.5	10.2	10.3	10.3	10.3	10.5	10.3	10.1	10.4	10.3	10.2	10.1	9.9	9.8	10.1	.
Labour productivity, industry	CCPY	6.0	7.0	6.6	7.1	6.8	5.7	5.6	5.7	1.1	-0.6	-1.2	0.4	1.0	1.3	.	.
Unit labour costs, exch.r. adj.(EUR)	CCPY	-1.5	-2.2	-1.9	-2.2	-2.0	-1.1	-0.6	-0.9	6.2	6.6	7.2	5.1	4.9	4.4	.	.
<b>WAGES, SALARIES<sup>3)</sup></b>																	
Total economy, gross	th. SIT	259.5	262.7	264.3	267.9	268.4	270.3	291.9	290.7	267.1	262.7	272.4	269.5	273.8	272.2	271.8	.
Total economy, gross	real, CMPY	0.3	1.9	1.5	2.7	2.4	1.8	4.2	1.5	4.3	3.1	3.6	3.3	6.1	4.3	3.0	.
Total economy, gross	USD	1306	1334	1352	1360	1366	1406	1580	1621	1464	1426	1500	1455	1452	1384	1366	.
Total economy, gross	EUR	1088	1100	1103	1117	1119	1127	1217	1212	1114	1096	1136	1124	1143	1136	1135	.
Industry, gross	EUR	939	953	955	975	975	980	1092	1058	1010	962	1022	983	1009	998	.	.
<b>PRICES</b>																	
Consumer	PM	0.9	0.3	0.4	-0.5	-0.1	0.3	0.6	-0.3	-0.6	0.6	1.1	0.0	0.3	0.1	0.7	-0.6
Consumer	CMPY	3.8	3.9	3.8	3.7	3.3	3.3	3.6	3.2	2.2	2.6	3.1	2.7	2.2	1.9	2.3	2.1
Consumer	CCPY	3.7	3.7	3.7	3.7	3.6	3.6	3.6	3.6	2.2	2.4	2.7	2.7	2.6	2.5	2.4	2.4
Producer, in industry	PM	0.7	0.1	0.3	0.2	0.5	0.3	0.1	0.4	0.4	0.3	0.0	0.3	-0.3	0.0	-0.2	0.3
Producer, in industry	CMPY	4.2	4.2	4.6	4.7	5.0	5.1	5.0	4.9	4.8	4.1	3.8	3.6	2.6	2.4	2.0	2.1
Producer, in industry	CCPY	3.6	3.7	3.8	3.9	4.0	4.2	4.2	4.3	4.8	4.5	4.3	4.1	3.8	3.6	3.3	3.2
<b>RETAIL TRADE<sup>4)</sup></b>																	
Turnover	real, CMPY	3.4	7.5	2.8	8.8	6.0	4.1	7.4	6.0	7.4	2.0	5.2	2.8	9.2	11.7	6.6	.
Turnover	real, CCPY	4.9	5.4	5.0	5.4	5.5	5.3	5.5	5.6	7.4	4.7	4.9	4.3	5.4	6.5	6.5	.
<b>FOREIGN TRADE<sup>5)</sup></b>																	
Exports total (fob), cumulated	EUR mn	5045	6128	7221	8056	9234	10407	11541	12539	1017	2051	3283	4468	5669	6953	8201	.
Imports total (cif), cumulated	EUR mn	5588	6746	7897	8848	10061	11306	12569	13701	1032	2151	3467	4709	5966	7302	8686	.
Trade balance total, cumulated	EUR mn	-544	-618	-676	-791	-827	-899	-1028	-1162	-15	-99	-184	-241	-297	-349	-485	.
Exports to EU-25 (fob), cumulated	EUR mn	3424	4134	4827	5343	6110	6882	7639	8270	743	1477	2312	3112	3921	4777	5623	.
Imports from EU-25 (cif) <sup>7)</sup> , cumulated	EUR mn	4603	5583	6553	7323	8323	9358	10401	11325	824	1727	2774	3799	4814	5910	7087	.
Trade balance with EU-25, cumulated	EUR mn	-1179	-1449	-1726	-1980	-2213	-2477	-2762	-3055	-82	-251	-462	-687	-893	-1133	-1464	.
<b>FOREIGN FINANCE</b>																	
Current account, cumulated	EUR mn	-247	-252	-292	-391	-340	-352	-408	-544	7	-46	-106	-134	-107	-48	-41	.
<b>EXCHANGE RATE</b>																	
SIT/USD, monthly average	nominal	198.7	196.9	195.5	197.0	196.5	192.3	184.7	179.3	182.5	184.2	181.5	185.3	188.5	196.7	198.9	194.9
SIT/EUR, monthly average	nominal	238.5	238.8	239.7	239.8	239.8	239.8	239.8	239.8	239.8	239.7	239.7	239.7	239.6	239.6	239.6	239.6
SIT/USD, calculated with CPF <sup>8)</sup>	real, Jan00=100	85.6	84.9	83.8	84.9	85.0	83.3	79.6	77.2	79.1	79.9	78.5	80.6	81.7	85.2	85.6	84.4
SIT/USD, calculated with PPP <sup>8)</sup>	real, Jan00=100	91.2	90.6	89.9	90.7	89.9	89.0	86.2	82.7	84.2	85.1	84.9	87.3	88.7	92.4	93.6	91.5
SIT/EUR, calculated with CPF <sup>8)</sup>	real, Jan00=100	100.4	100.3	100.1	100.9	101.2	101.2	100.6	101.3	101.5	101.3	100.7	101.1	100.9	100.9	100.2	100.8
SIT/EUR, calculated with PPP <sup>8)</sup>	real, Jan00=100	100.7	100.8	101.1	101.4	101.1	101.4	101.2	100.5	100.5	100.5	101.1	101.0	101.1	101.4	101.6	101.3
<b>DOMESTIC FINANCE</b>																	
M0, end of period	SIT bn	162.5	163.3	161.9	157.3	160.7	167.2	160.1	167.9	163.1	164.4	166.1	173.1	174.9	.	.	.
M1, end of period <sup>9)</sup>	SIT bn	852.9	883.8	890.7	894.0	909.1	900.3	930.0	1018.9	1003.9	1006.1	1012.3	1032.2	1054.8	1074.7	1057.4	1051.6
Broad money, end of period <sup>9)</sup>	SIT bn	3826.9	3855.2	3882.0	3873.7	3918.4	3875.7	3933.7	4036.0	4068.8	4063.3	4094.6	4140.4	4070.3	4031.2	4048.2	4088.3
Broad money, end of period <sup>9)</sup>	CMPY	5.6	4.8	4.4	4.2	5.3	3.0	4.1	6.8	7.5	7.1	8.0	8.2	6.4	4.6	4.3	5.5
Refinancing rate (p.a.), end of period	%	4.00	3.50	3.00	3.00	3.00	3.00	3.00	3.25	3.25	3.25	3.25	3.50	3.50	3.50	3.50	3.50
Refinancing rate (p.a.), end of period <sup>10)</sup>	real, %	-0.2	-0.7	-1.5	-1.6	-1.9	-2.0	-1.9	-1.6	-1.5	-0.8	-0.5	-0.1	0.9	1.1	1.5	1.4
<b>BUDGET</b>																	
General gov. budget balance, cum.	SIT bn	-18.7	-54.0	-68.8	-77.7	-78.7	-105.2	-89.8	-85.4	-2.5	-15.1	-33.4	-51.0	-68.1	-81.2	.	.

1) Effective working hours, construction put in place of enterprises with 20 (up to this time 10) and more persons employed.

2) Ratio of unemployed to the economically active.

3) Break 2004/2005 - until December 2004 (until April 2005 for industry) without small private enterprises (with 1 or 2 employees).

4) According to NACE (52 - retail trade, 50 - repair of motor vehicles), excluding turnover tax.

5) Based on cumulated national currency and converted with the average exchange rate.

6) Cumulation starting January and ending December each year.

7) According to country of dispatch.

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

9) According to ECB monetary standards.

10) Deflated with annual PPI.



## U K R A I N E: Selected monthly data on the economic situation 2004 to 2005

(updated end of September 2005)

		2004								2005							
		May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
<b>PRODUCTION</b>																	
Industry, total	real, CMPY	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.
Industry, total	real, CCPY	16.9	15.9	14.7	14.4	14.4	13.6	13.4	12.5	8.4	7.3	7.1	6.7	6.2	5.0	3.9	3.5
Industry, total	real, 3MMA	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.
<b>LABOUR</b>																	
Unemployment, end of period	th. persons	1005.8	962.5	945.0	925.6	914.0	893.6	919.7	981.8	992.2	1019.0	1018.4	986.7	918.6	858.3	825.4	800.4
Unemployment rate <sup>1)</sup>	%	3.7	3.5	3.4	3.4	3.3	3.3	3.4	3.5	3.5	3.6	3.6	3.5	3.3	3.0	2.9	2.8
<b>WAGES, SALARIES<sup>2)</sup></b>																	
Total economy, gross	UAH	555.0	601.5	608.0	604.2	630.8	636.2	644.3	703.8	640.9	666.8	722.0	733.7	764.3	823.1	837.5	831.1
Total economy, gross	real, CMPY	17.6	16.9	14.9	14.7	14.4	14.3	18.2	13.7	13.9	15.4	15.5	16.8	20.2	19.6	20.0	19.7
Total economy, gross	USD	104	113	114	114	119	120	121	133	121	126	136	141	151	163	166	165
Total economy, gross	EUR	87	93	93	93	97	96	94	99	92	97	103	109	119	134	138	134
Industry, gross	EUR	111	114	117	119	121	121	116	120	117	120	130	135	144	156	163	165
<b>PRICES</b>																	
Consumer	PM	0.7	0.7	0.0	-0.1	1.3	2.2	1.6	2.4	1.7	1.0	1.6	0.7	0.6	0.6	0.3	0.0
Consumer	CMPY	7.4	8.0	8.1	9.9	10.7	11.7	11.3	12.3	12.6	13.3	14.7	14.7	14.6	14.4	14.8	14.9
Consumer	CCPY	7.2	7.4	7.5	7.8	8.1	8.5	8.7	9.0	12.6	13.0	13.5	13.8	14.0	14.1	14.2	14.3
Producer, in industry	PM	2.1	1.5	0.1	1.6	1.9	1.6	2.2	1.0	0.2	2.7	1.9	2.5	1.6	-0.8	-1.6	0.7
Producer, in industry	CMPY	20.6	22.4	21.3	22.0	23.2	24.3	25.2	24.3	22.6	22.4	22.0	21.1	20.5	17.7	15.7	14.7
Producer, in industry	CCPY	16.3	17.3	17.9	18.4	19.0	19.5	20.1	20.4	22.6	22.5	22.3	22.0	21.7	21.0	20.2	19.5
<b>RETAIL TRADE</b>																	
Turnover <sup>3)</sup>	real, CCPY	22.3	21.4	21.0	20.5	19.9	20.8	20.8	20.0	21.2	20.3	18.6	19.2	20.4	21.1	21.8	23.0
<b>FOREIGN TRADE<sup>4)5)</sup></b>																	
Exports total (fob), cumulated	EUR mn	10438	12660	14902	17136	19444	21610	23883	26278	1896	3925	6372	8714	10909	13174	15436	.
Imports total (cif), cumulated	EUR mn	8702	10695	12814	14720	16873	18999	21119	23321	1376	3223	5716	8103	10298	12877	15343	.
Trade balance, cumulated	EUR mn	1736	1964	2088	2416	2570	2611	2764	2957	519	702	655	611	612	297	93	.
<b>FOREIGN FINANCE</b>																	
Current account, cumulated <sup>6)</sup>	EUR mn	.	3200	.	.	4585	.	.	5476	.	.	1296	.	.	.	.	.
<b>EXCHANGE RATE</b>																	
UAH/USD, monthly average	nominal	5.327	5.322	5.318	5.314	5.310	5.307	5.306	5.306	5.305	5.300	5.292	5.190	5.050	5.055	5.053	5.050
UAH/EUR, monthly average	nominal	6.383	6.456	6.524	6.469	6.480	6.621	6.885	7.103	6.990	6.894	6.983	6.714	6.422	6.151	6.090	6.208
UAH/USD, calculated with CPI <sup>7)</sup>	real, Jan00=100	78.0	77.7	77.5	77.5	76.7	75.4	74.2	72.2	71.1	70.7	70.1	68.7	66.3	66.1	65.9	65.8
UAH/USD, calculated with PPI <sup>7)</sup>	real, Jan00=100	72.4	71.5	71.5	70.6	69.1	69.0	68.1	66.9	67.1	65.5	65.0	62.8	59.9	60.3	61.3	60.8
UAH/EUR, calculated with CPI <sup>7)</sup>	real, Jan00=100	91.5	92.0	92.9	92.4	91.5	91.8	93.9	95.0	91.6	89.8	89.9	86.2	82.1	78.3	77.3	78.8
UAH/EUR, calculated with PPI <sup>7)</sup>	real, Jan00=100	79.9	79.6	80.6	79.0	77.8	78.7	80.0	81.5	80.4	77.4	77.4	72.8	68.4	66.3	66.7	67.5
<b>DOMESTIC FINANCE</b>																	
M0, end of period	UAH mn	35810	36890	39244	40563	42296	41297	40857	42345	40633	41779	43062	47631	47944	51304	53781	53820
M1, end of period	UAH mn	57873	60814	62488	64884	70345	66735	65709	67090	64934	67059	73486	76195	77600	83800	84766	85502
Broad money, end of period	UAH mn	109435	113961	117130	121476	130277	126224	125251	125801	125818	130942	140107	146495	147896	156339	159139	164780
Broad money, end of period	CMPY	47.9	44.2	45.0	46.3	50.6	45.3	41.9	32.4	35.8	36.3	38.5	39.4	35.1	37.2	35.9	35.6
Refinancing rate (p.a.) <sup>end of period</sup>	%	7.0	7.5	7.5	7.5	7.5	8.0	9.0	9.0	9.0	9.0	9.0	9.0	9.0	9.0	9.0	9.5
Refinancing rate (p.a.) <sup>end of period</sup> <sup>8)</sup>	real, %	-11.3	-12.2	-11.4	-11.9	-12.8	-13.1	-12.9	-12.3	-11.1	-10.9	-10.7	-10.0	-9.5	-7.4	-5.8	-4.5
<b>BUDGET</b>																	
General gov. budget balance, cum.	UAH mn	1489	601	820	1123	-1799	-4723	-6199	-11009	1503	2042	2931	2252	4007	1735	2959	.

1) Ratio of unemployed to the economically active.

2) Excluding small firms.

3) Official registered enterprises.

4) Based on cumulated USD and converted using the ECB EUR/USD average foreign exchange reference rate.

5) Cumulation starting January and ending December each year.

6) Calculated from USD to NCU to EUR using the official average exchange rate.

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

8) Deflated with annual PPI.

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