

# Monthly Report | 10/11

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- **Recent economic developments in Bulgaria, the Czech Republic, Hungary, Poland, Romania, Slovakia, Slovenia and the Baltics**
- **Monthly Statistics**





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## Bulgaria: recovery is losing steam

BY ANTON MIHAILOV

The hopes for a sustained recovery in Bulgaria are gradually waning. After three quarters of modest GDP growth, recent short-term indicators suggest that in the third quarter growth is slowing down or even coming to a standstill. The surge in exports, which was the key driving force of the economic recovery, is coming to an end while the upturn in private consumption that could be traced in late spring – early summer is also waning.

According to the preliminary, seasonally non-adjusted quarterly data<sup>1</sup>, GDP grew by 2.2% year on year in the second quarter, after 1.5% growth recorded in the first quarter and 3.1% in the fourth quarter of 2010. GDP growth in the second quarter was entirely due to the positive contribution of net exports, while domestic absorption made a small negative contribution. Final consumption contributed positively, while gross fixed capital formation continued to contract, contributing negatively to GDP growth. The ongoing cutback in public investment remains a key factor for the continuing decline in gross fixed capital formation.

The clearest recent sign of a looming economic weakness was the abrupt slowdown in exports that started in May-June 2011, reflecting the worsening situation in the global and European markets. While in nominal year-on-year terms export growth remained positive as of the moment of writing this report, it has been slowing down with every new month. The deteriorating conditions in external demand have already impacted negatively on manufacturing where output growth started to decelerate. There are first indications that the emerging negative sentiments are adversely affecting private domestic demand as well.

<sup>1</sup> National accounts statistics are undergoing changes hindering comparability over time. In the past, the National Statistical Institute (NSI) used to report year-on-year growth rates also for the whole period from the beginning of the year (e.g. first half or first three quarters of the year).

The picture of the labour market – as well as the assessment of its dynamics – is tainted by another methodological-*cum*-data issue. Following the population census carried out by the National Statistical Institute (NSI) in February 2011, the Employment Agency revised downwards by some 10% its baseline figure for the labour force used in calculating the rate of unemployment. As a result, the actual registered unemployment rate in the country turned out to be by some one percentage point higher than earlier reported. Thus in June, when the new figure was first introduced, this reflected in an abrupt 'jump' in the rate of unemployment: from 8.87% in May to 9.56% in June.

The weak domestic demand mirrors an ongoing capital outflow: both financial flows (mainly banks reducing their external liabilities) but also FDI (through payments to parent companies). The inflow of FDI in the first half of the year was close to zero. Other than that, however, so far there are no signs of contagion from the Greek crisis. Although a number of large Bulgarian banks are owned by Greek ones, the links to the parent banks are limited. The Bulgarian subsidiaries are well capitalized and abide by the strict regulations and have no direct exposure to Greek debt.

Credit activity is muted. There was a slight upturn in new business credit at the beginning of the year, later the trend was stopped. The stock of credit to the household sector was virtually unchanged in the first half of the year. The level of classified and substandard loans remains high, but its growth has abated.

The euro crisis has brought about an important turnaround in one key policy area – the attitude towards EMU accession. While the declared policy objective of the government in 2009 was fast-track entry to ERM-2, now accession to ERM-2 has all but been abandoned as an immediate policy goal.

During the year the cash balance of the consolidated government cash balance has gradually improved. To a great extent this was due to the recovery in imports which brought increasing VAT

payments. As of end-July, consolidated cash revenue in nominal terms was 4.5% higher year on year (revenue from VAT and excises was 13.4% higher). Nominal expenditure was roughly unchanged. Consequently the consolidated general government cash deficit was halved. The rationale for the current fiscal policy is questionable. During the past couple of years policy was not only detached from growth-related targets but was even skewed towards pro-cyclicality. The fiscal retrenchment in 2011 was largely due to the contraction in investment while there was no similar restraint on other spending items. Thus social spending in January-July 2011 was higher by some 16% nominally than that in the same period of 2009 when the economy was in recession. This is the outcome of many populist measures adopted.

Given the current budgetary situation and the low level of public debt, the government has ample room for a more pro-active, pro-growth fiscal stance, especially as regards public investment, both at the national and at the regional level (the current austerity also limits the capacity of local authorities to attract EU funding for their investment projects). A 'back-of-the-envelope' estimate suggests that for 2011 as a whole, the government could have doubled the outlays for public investment from the national budget and the consolidated balance would still have stayed within the 3% deficit limit or close to it. At the same time, such a move could possibly have added some 1.5 percentage points of GDP growth for 2011 as a whole.

With exports losing momentum, the short-term outlook has deteriorated. Recent developments seem to have shaken consumer confidence which was not robust anyway. In the present circumstances it is also difficult to expect a reversal in the continuing slide in fixed investment. The recent deceleration of economic growth suggests that the projected 3% GDP growth in 2011 is unlikely to materialize. Further weakening – rather than recovery – should be expected in the labour market. Mirroring the weakening of private consumption, pressures on consumer prices have also subsided and average inflation rates for the year as a whole could be slightly lower than those earlier expected. The 12-month rolling current account balance has been in the positive territory since March 2011 and is likely to remain there for some time, despite the slowdown in export growth.

The government has some room for manoeuvre to invigorate domestic investment activity but there are no indications of future action in this direction. In these circumstances external demand would remain the main engine of Bulgaria's economic growth in the coming years while only a moderate recovery in domestic demand can be expected. The current growth forecast for Bulgaria implies a modest upturn in external demand in 2012-2013; however, if external conditions are less favourable, the country's economic performance would be adversely affected.

Table BG

**Bulgaria: Selected Economic Indicators**

	2007	2008	2009	2010 <sup>1)</sup>	2010 January-June	2011	2011 Forecast	2012 Forecast	2013
Population, th pers., average	7659.8	7623.4	7585.1	7534.3	.	.	7540	7520	7500
Gross domestic product, BGN mn, nom.	60184.6	69295.0	68321.6	70474.3	31191.3	34706.8	74000	78000	82000
annual change in % (real)	6.4	6.2	-5.5	0.2	-1.7	1.9	1.5	2	2.5
GDP/capita (EUR at exchange rate)	4000	4600	4600	4800	.	.	.	.	.
GDP/capita (EUR at PPP)	10000	10900	10400	10600	.	.	.	.	.
Consumption of households, BGN mn, nom.	41300.8	45765.7	42942.1	42844.4	20290.9	21622.9	.	.	.
annual change in % (real)	9.1	3.4	-7.6	-1.3	-2.2	-0.1	0.3	1.5	2
Gross fixed capital form., BGN mn, nom.	17263.9	23282.6	19724.3	16546.4	7269.3	7074.6	.	.	.
annual change in % (real)	11.8	21.9	-17.6	-16.5	-21.9	-10.5	-10	6	7
Gross industrial production <sup>2)</sup>									
annual change in % (real)	9.6	0.6	-17.4	1.1	-2.3	8.2	6	6	6
Gross agricultural production									
annual change in % (real)	-21.0	33.0	-1.6	-3.3	.	.	.	.	.
Construction industry <sup>3)</sup>									
annual change in % (real)	27.9	12.6	-14.5	-17.9	-23.4	-14.6	.	.	.
Employed persons - LFS, th, average	3252.6	3360.7	3253.6	3052.8	3041.7	2912.4	2950	3000	3050
annual change in %	4.6	3.3	-3.2	-6.2	-7.3	-4.3	-3.4	1.7	1.7
Unemployed persons - LFS, th, average	240.2	199.7	238.0	348.1	341.6	382.7	.	.	.
Unemployment rate - LFS, in %, average	6.9	5.6	6.8	10.2	10.1	11.6	11.5	11	10
Reg. unemployment rate, in %, end of period <sup>4)</sup>	6.9	6.3	9.1	9.2	9.3	9.6	.	.	.
Average gross monthly wages, BGN	430.6	524.5	591.8	642.0	629.3	685.5	.	.	.
annual change in % (real, gross)	10.4	8.4	9.8	5.9	7.9	3.9	.	.	.
Consumer prices (HICP), % p.a.	7.6	12.0	2.5	3.0	2.4	4.0	3.5	3	3
Producer prices in industry, % p.a.	7.7	10.9	-6.5	8.6	6.3	11.8	.	.	.
General governm.budget, EU-def., % GDP									
Revenues	40.8	39.3	36.0	34.5	.	.	.	.	.
Expenditures	39.7	37.6	40.7	37.7	.	.	.	.	.
Net lending (+) / net borrowing (-)	1.1	1.7	-4.7	-3.2	.	.	-2	-1.5	-1.5
Public debt, EU-def., in % of GDP	17.2	13.7	14.6	16.2	15.3	14.9	16	17	18
Central bank policy rate, % p.a., end of period <sup>5)</sup>	4.6	5.8	0.6	0.2	0.2	0.2	.	.	.
Current account, EUR mn	-7755	-8183	-3116	-476	-923.4	244.1	800	500	300
Current account in % of GDP	-25.2	-23.1	-8.9	-1.3	-5.8	1.4	2.1	1.3	0.7
Exports of goods, BOP, EUR mn	13512	15204	11699	15561	6832.8	9638.6	18500	19500	20500
annual growth rate in %	12.5	12.5	-23.1	33.0	26.6	41.1	19	5	5
Imports of goods, BOP, EUR mn	20757	23802	15873	18325	8355.2	10279.8	20000	21300	22500
annual growth rate in %	18.1	14.7	-33.3	15.4	7.0	23.0	9	6	6
Exports of services, BOP, EUR mn	4760	5355	4916	5164	1882.2	2072.3	5300	5500	5750
annual growth rate in %	13.7	12.5	-8.2	5.0	-4.5	10.1	3	4	5
Imports of services, BOP, EUR mn	3587	4046	3617	3149	1452.1	1431.4	3200	3350	3550
annual growth rate in %	9.9	12.8	-10.6	-12.9	-19.4	-1.4	2	5	6
FDI inflow, EUR mn	9052	6728	2437	1779	565.2	99.7	1000	1300	1500
FDI outflow, EUR mn	206	522	-68	193	94.6	43.7	.	.	.
Gross reserves of NB excl. gold, EUR mn	11216	11928	11943	11612	10859	11004	.	.	.
Gross external debt, EUR mn	29017	37246	37816	37042	37416	36324	.	.	.
Gross external debt in % of GDP	94.3	105.1	108.3	102.8	103.8	96.0	.	.	.
Average exchange rate BGN/EUR	1.9558	1.9558	1.9558	1.9558	1.956	1.956	1.956	1.956	1.956
Purchasing power parity BGN/EUR	0.7838	0.8358	0.8686	0.8790	.	.	.	.	.

Note: Gross industrial production, construction output and producer prices refer to NACE Rev. 2.

1) Preliminary. - 2) Enterprises with 10 and more employees. - 3) Private enterprises with 5 and more employees, all enterprises in public sector. - 4) From June 2011 unemployment rate calculated on new lower labour force based on census February 2011, not comparable to previous periods. - 5) Base interest rate. This is a reference rate based on the average interbank LEONIA rate of previous month (Bulgaria has a currency board).

Source: wiiw Database incorporating Eurostat and national statistics. Forecasts by wiiw.

## The Czech Republic: untimely austerity, uncertain exports

BY LEON PODKAMINER

The GDP grew by 2.2% in the second quarter of 2011, down from 2.8% reported for the first quarter, much in line with expectations. While the fall in government consumption (by 1.4%) was much less radical than envisioned by the Finance Ministry (which programmed 2.4% decline for the whole year), private consumption fell unexpectedly (by 0.7%). Gross fixed capital formation increased quite strongly (3.6%), and so did inventories. All in all, gross capital formation rose impressively, by 5.5% (albeit from a still very low level). Exports and imports (goods and non-factor services) rose 9.4% and 7.9% respectively. The difference between these growth rates narrowed somewhat compared to the first quarter and the positive contribution of external trade to GDP growth fell from 2.3 percentage points (p.p.) in the first quarter to 1.6 p.p. in the second. Gross value added increased strongly in manufacturing (by close to 10%), moderately in construction (by 2.8%) and stayed flat in services. On account of weather conditions the agricultural GVA declined by close to 17%.

Provisional data for July suggest that the growth slowdown has been going on. Sales of industry rose nominally by 5.4% in July (domestic sales even declined). New orders placed with industry rose by a mere 1.1% (domestic orders declined by over 9%). The crisis of the construction sector has deepened: in July its output volume plummeted by another 11%. While industrial employment slightly increased in July, employment in construction continued to fall steeply. The rate of (registered) unemployment was fairly high (8.4%) in both July and August.

The consolidation of public finances – the overwhelming economic priority of the centre-right coalition government of Prime Minister Nečas<sup>1</sup> – which

<sup>1</sup> The substance and goals of the current government's fiscal consolidation programme were shortly detailed in *wiiw Current Analyses and Forecasts*, Issue 8 (July 2011).

has been depressing overall consumption, so far has not interfered with gross capital formation. Relatively low interest rates on credit to the business sector (and very low interest rates on its deposits) have proved conducive to some revival of investment (which predominantly takes on the form of purchases of machinery and equipment as well as means of transport). Because gross fixed investment has fallen some 15% cumulatively since 2007 (much more than the GDP) the potential pent-up demand for productive investment may be quite large. Of course, for this demand to become effective, it is necessary that enterprises expect reasonably firm growth in demand for consumption and export goods.

The achievement of a 2.5% GDP growth rate in 2011, forecast by the Finance Ministry in July 2011, is now becoming less likely. Even the 2.1% growth forecast by the Czech National Bank at the beginning of August may seem too optimistic. The austerity implied by the fiscal consolidation programme under implementation cuts into private consumption more than planned. Moreover, the prospects of a meaningful recovery of private consumption have worsened. This is due to the pension reform approved by the government on 29 June 2011. The reform stipulates the establishment of a second (capital-funded) pillar of the pension system. This will reduce the revenues of the general government and increase its borrowing requirements. To offset the loss of revenue the government is prepared to hike the lower of the two VAT tax rates from 10% to 14% (in 2012) and then even to 17.5% in 2013.<sup>2</sup> (Prime Minister Nečas is reported to have said that the government could raise the lower VAT rate to 19% 'if the revenue outlook darkens'.) The consumption-suppressing (as well as inequality-advancing) effects of such large hikes in the lower VAT tax rates are quite obvious. Expectations of

<sup>2</sup> Hungary and Poland had reformed their pension systems, introducing the capital-funded second pillars, over a decade ago. The public finances of both countries have suffered fairly heavy losses due to operation of their 'reformed' pension systems. In 2011 the 'second pillars' were downsized (radically in Hungary, less so in Poland). Apparently, the Polish and Hungarian lessons did not matter to the Czech reformers.



suppressed consumption may, in turn, discourage some investment in firms supplying the domestic market.

Rising exports to Germany are of crucial importance for the overall dynamics of exports – and thus for overall growth. Currently, with the signs of Germany's growth coming to a standstill, German demand for Czech exports may be weakening. The weakening of the Czech currency currently (September 2011) observed is too moderate to help much on the foreign trade front. A much slower overall GDP growth in the second half of 2011 (and beyond) could well be the outcome.

Should the euro area be hit by another severe financial and economic crisis, the Czech economy would not be spared. Despite its formidable strengths such as a highly competitive and export-oriented manufacturing base, a stable and resilient financial system, macroeconomic stability and competent monetary policy, the Czech economy would not be able to avoid the consequences of excessive reliance on external demand – combined with the untimely and exaggerated suppression of domestic consumption.

Of course, it may be too early to predict another crisis hitting the euro area. While the prospects for 2012 (and beyond) remain highly uncertain, the pessimistic scenario may still be averted. In this case Czech exports would perform rather well. In due time, this might then be expected to activate a self-supporting expansion of investment, followed by rising employment, household income and consumption. But even in this optimistic scenario, the 'structural reforms' to be implemented in 2012 and beyond are likely to make the Czech economy not only more competitive, but also more dependent on the whims of the business climate abroad. While being competitive is certainly a good thing, being excessively dependent on the moods of the external world need not prove a winning long-term strategy.

# CZECH REPUBLIC

Table CZ

## Czech Republic: Selected Economic Indicators

	2007	2008	2009	2010 <sup>1)</sup>	2010 January-June	2011	2011 Forecast	2012 Forecast	2013
Population, th pers., average	10334	10424	10487	10520	10510	10542	10540	10580	10610
Gross domestic product, CZK bn, nom.	3535.5	3689.0	3625.9	3667.4	1805.7	1838.9	3770	3930	4150
annual change in % (real)	6.1	2.5	-4.2	2.3	2.1	2.6	2.1	2.2	3.5
GDP/capita (EUR at exchange rate)	12300	14200	13100	13800	.	.	.	.	.
GDP/capita (EUR at PPP)	19900	20200	19300	19500	.	.	.	.	.
Consumption of households, CZK bn, nom.	1659.6	1804.2	1804.3	1827.9	888.0	901.4	.	.	.
annual change in % (real)	4.8	3.6	-0.3	0.0	0.2	-0.5	0.5	2.0	2.5
Gross fixed capital form., CZK bn, nom.	890.3	883.2	814.0	782.9	370.0	379.0	.	.	.
annual change in % (real)	10.8	-1.5	-7.9	-3.1	-6.2	3.4	2.5	4	6
Gross industrial production									
annual change in % (real)	10.6	-1.9	-13.6	10.3	9.2	10.8	8	7	8
Gross agricultural production									
annual change in % (real)	3.1	6.8	-3.5	-4.6	.	.	.	.	.
Construction industry									
annual change in % (real)	7.0	-0.2	-0.8	-7.1	-13.9	-4.3	.	.	.
Employed persons - LFS, th, average	4922.0	5002.5	4934.3	4885.2	4855.1	4886.4	4910	4930	4950
annual change in %	1.9	1.6	-1.4	-1.0	-1.8	0.6	0.5	0.5	0.5
Unemployed persons - LFS, th, average	276.6	229.8	352.2	383.5	398.5	365.4	.	.	.
Unemployment rate - LFS, in %, average	5.3	4.4	6.7	7.3	7.6	7.0	7.3	7.0	6.5
Reg. unemployment rate, in %, end of period	6.0	6.0	9.2	9.6	8.5	8.1	.	.	.
Average gross monthly wages, CZK <sup>2)</sup>	20957	22592	23344	23797	23044	23575	.	.	.
annual change in % (real, gross)	4.3	1.4	2.3	0.4	1.7	0.5	0.8	1.5	2
Consumer prices (HICP), % p.a.	2.9	6.3	0.6	1.2	0.7	1.9	2.0	2.0	2.0
Producer prices in industry, % p.a.	2.6	0.4	-1.5	0.1	-1.8	3.2	2.5	.	.
General governm. budget, EU-def., % GDP									
Revenues	41.8	40.2	40.1	40.5	.	.	41.2	41.2	.
Expenditures	42.5	42.9	45.9	45.2	.	.	45.8	45.2	.
Net lending (+) / net borrowing (-)	-0.7	-2.7	-5.8	-4.7	.	.	-4.6	-4.1	-3.5
Public debt, EU-def., in % of GDP	29.0	30.0	35.3	38.5	.	.	41.3	42.9	44.0
Central bank policy rate, % p.a., end of period <sup>3)</sup>	3.50	2.25	1.00	0.75	0.75	0.75	1.5	2.0	2.0
Current account, EUR mn	-5674	-3298	-3429	-4666	-539	-1171	-4500	-5000	-5200
Current account in % of GDP	-4.5	-2.2	-2.5	-3.2	-0.8	-1.6	-2.9	-3.1	-3.0
Exports of goods, BOP, EUR mn	77610	84853	70990	88094	41818	50956	102000	111000	120000
annual growth rate in %	14.0	9.3	-16.3	24.1	23.6	21.9	16	9	8
Imports of goods, BOP, EUR mn	75935	83819	67692	86002	39725	48534	99000	109000	118000
annual growth rate in %	15.0	10.4	-19.2	27.0	24.1	22.2	15	10	8
Exports of services, BOP, EUR mn	12646	14911	13927	15815	7356	7901	17000	19000	21000
annual growth rate in %	12.1	17.9	-6.6	13.6	10.5	7.4	9	12	10
Imports of services, BOP, EUR mn	10514	11950	11127	12842	5678	6498	14000	16000	18000
annual growth rate in %	10.0	13.7	-6.9	15.4	6.4	14.4	10	12	10
FDI inflow, EUR mn	7668	4467	2082	5107	2562	2605	4000	.	.
FDI outflow, EUR mn	1187	2964	685	1283	618	593	.	.	.
Gross reserves of NB excl. gold, EUR mn	23456	26386	28556	31357	30320	29490	.	.	.
Gross external debt, EUR mn	51744	60511	61940	71379	66780	73190	.	.	.
Gross external debt in % of GDP	40.6	40.9	45.2	49.2	46.0	47.6	.	.	.
Average exchange rate CZK/EUR	27.77	24.95	26.44	25.28	25.73	24.35	24.5	24	24
Purchasing power parity CZK/EUR	17.17	17.54	17.94	17.87	.	.	.	.	.

Note: Gross industrial production, construction output and producer price index refer to NACE Rev. 2.

1) Preliminary. - 2) Enterprises with 20 and more employees, including part of the Ministry of Defence and the Ministry of the Interior. From 2009 all enterprises covered. - 3) Two-week repo rate.

Source: wiw Database incorporating Eurostat and national statistics. Forecasts by wiw.

## Hungary: creditless near-stagnation

BY SÁNDOR RICHTER:

After an uninterrupted improvement since the third quarter of 2009 economic growth decelerated in the second quarter of 2011. Compared to the previous quarter the economy stagnated, year on year the expansion amounted to 1.5%.

On the production side of the GDP, industry and agriculture contributed positively to GDP change while construction and the services sector showed negative contributions. Though the expansion in industry has been decelerating, its dynamism is strong yet. In particular the export-oriented foreign-owned manufacturing firms are prospering; an exception is the segment of firms producing computers, electronic and optical devices and electronic consumer durables. Agriculture's good performance is due to good weather and the very low basis for comparison in the previous year. In construction the shrinkage experienced in the past six consecutive years carried on. Within practically stagnating services, financial intermediation decreased to a considerable extent, reflecting a cut-back in lending activities by financial institutions.

Consumption has been stagnating for the past three quarters in a row, despite the introduction of the 'flat' personal income tax (with the single rate reduced to 16% from the earlier rates of 17% and 32%) in January this year. The flat tax has been figuring as the central element of the government's 'non-orthodox' economic policy with the goal to stimulate consumption and thus growth. Gross fixed investment again declined strongly, but behind the aggregate figure there are diverging tendencies: investment in manufacturing increased as a consequence of a few large investment projects (motor vehicles, food industry and electronic engineering), at the same time construction investment declined sharply. Though inventory changes marginally increased the GDP, practically the whole expansion of the economy in the second quarter

was borne by net exports. In this period the export growth rate exceeded that of imports by 2.7 percentage points.

In the first year of the Orbán government, the employment situation improved only marginally, although this four-year legislative period should produce 300,000 new jobs, as the first stage realization of the FIDESZ election promise '1 million jobs within ten years'. A new labour code with reduced employee rights is in the pipeline: this is believed by the government to encourage investors to create new jobs. Large public works programmes are in preparation and social allowance for those who are no longer entitled to receive unemployment benefits (this starts only after three months of being out of job) is planned to be tied to the participation in one of the activities offered. The payment for public works participants is about EUR 200 for a month, one third less than the minimum wage.

As the above data show, the government's ambitious targets for higher economic growth through more consumption triggered by personal income and by corporate tax reductions, and also via more jobs, are all in delay except for the tax reduction. While part of the nationalized assets of the mandatory private pension funds secures a budget surplus this year, with the considerable deceleration of economic growth and deteriorating fiscal positions it has become clear that the observation of the general government deficit target in 2012 (2.5% relative to the GDP) requires a radical turn in economic policy.

The government's 2012 original growth target (3.6% in a dynamic and 3% in a conservative scenario) was cut within a few weeks, first from 3% to 2%, then to 1.5%. On 17 September a package of measures was announced, constituting an insuperable gap between the long-lived FIDESZ credo of pursuing an economic policy without restrictions and the new reality.

The extent of the announced package to reduce the budget deficit amounts to HUF 750 billion, equivalent to about 2.5% of the GDP. 60% should

come from an increase in revenues, 40% from expenditure cuts. The main elements are a 2 p.p. hike in the VAT rate to 27%; an increase both in employers' and employees' social security contributions; the abolishment of the tax credit; and a phasing out (in two steps in 2012 and 2013) of the super-grossing.<sup>1</sup> The abolishment of the tax credit will be a painful blow on the low-wage strata, unless employers compensate those involved. The minimum wage was set to be increased by 18%; this raises the question how Hungarian SMEs, oriented primarily to the domestic markets, can cope with their sharply increasing labour costs under conditions of stagnating domestic demand. On the expenditure side of the programme, increasing efficiency should bring considerable savings but any clear specification of concrete steps is missing yet, and long due reforms of various segments of the government sector were not mentioned either. The programme does not reckon with a hike in the policy rate, nevertheless that cannot be guaranteed with regard to the recent weakening of the forint.

Nearly simultaneously with the change of the economic policy course, the government announced a programme to help those households which have raised foreign currency (FX) mortgage loans over the past ten years and whose burdens have dramatically increased in the wake of the recent appreciation of the Swiss franc and, to a lesser extent, of the euro. Due to the wide gap between the interest rates charged on HUF- and FX-denominated credits, currently close to 300,000 households (about one million persons involved) have FX mortgage loans. In response to this situation the government announced a non-recurring opportunity for households with FX-denominated mortgage loans. They will be allowed to pay back their debt in one step at a preferential exchange rate (CHF/HUF 180 and EUR/HUF 250)<sup>2</sup>. Although the offer is principally very favourable for the in-

debted households, it is not clear how many will be able to mobilize funds or raise new, HUF-denominated credits in order to finance the deal. Most probably it will be those households with high regular earnings and either with savings at hand or with good prospects to raise a new HUF credit to refinance the transaction which will be able to participate. But exactly those households which are hit hardest by the increased debt service and are struggling to avoid insolvency and/or losing their homes will not be saved by this programme.

While the bailing-out effect of the programme is questionable, the possible impact on the economy is clearly negative. The costs of the difference between the preferential and the actual market rates will have to be covered by the crediting banks. This may cause a loss for the banks in the magnitude of 15% to 35% on individual contracts depending on the initial and the actual exchange rates. The announced conversion is a serious blow on the financial institutions, being already burdened by the levy on financial institutions. Net crediting activities had already been declining before the conversion was announced, in the new situation there is no hope that recovery in this field may soon take place. The impact, however, depends to a large extent on the number of participants. Claims for debt repayment can be submitted until the end of the year, therefore it is impossible to identify, at present, the number of participating mortgagors. According to an assessment of the central bank, the participation rate may be around 20%, involving EUR 3 to 4 billion FX debt. The central bank indicated its readiness to make the country's FX reserves available for assisting the implementation of the early repayment scheme – a step which diminishes the risk of a considerable weakening of the forint related to this action.

The CHF household debt repayment scheme is part of a more general endeavour of the government to diminish Hungary's foreign currency exposure and to reduce public debt. With the help of the nationalized assets of the pension funds a one-off breakthrough will be achieved this year and public debt relative to GDP will come down to about 73%,

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<sup>1</sup> The personal income tax rate was projected on the gross wages topped up by contributions paid by the employer (the so-called super-gross wage).

<sup>2</sup> The respective market exchange rates were, as of 4 October, CHF/HUF 245 and EUR/HUF 298.

from over 80% at the end of 2010. The government intends to continue debt reduction in the coming years as well, which – contrary to the steps made this year – would require further serious restrictions with possibly harmful consequences for economic growth. The declared aim of the debt reduction zeal is to gain in international credibility and help Hungary avoid the fate of Greece. However, to regain international credibility, forced debt reduction is only one, and certainly not the best, way. A pragmatic economic policy with predictable and professionally prepared measures, strengthened stability of law, less of the martial rhetoric against banks, foreign investors, the IMF, the EU, etc. and more consensus-seeking with stakeholders in Hungary and abroad would be a good starter to regain confidence and would allow the postponement of debt reduction to an era when economic growth has already gained momentum.

2011 and 2012 will be years of disappointment for the Hungarian population. Economic growth in both

years will be minimal, in 2012 even smaller than this year. Consumption and investment will stagnate in both years, as fiscal restrictions, increasing uncertainty and higher debt service of the non-bailed-out FX-indebted households do not foster consumption while decelerating financial transmission, repeated precedents of erratic government interference and the bleak outlook on the domestic market put a brake on investments. Foreign direct investment, despite the implementation of a handful flagship projects, is expected to lag far behind its earlier levels. The moderate growth in both years will be generated mostly by net exports and, to a smaller extent, through the replenishment of inventories.

The baseline scenario for Hungary is near-stagnation for the next year. However, should the international environment seriously deteriorate and Hungary's main West European export markets slide into recession, the expected marginal expansion of the economy may switch to contraction.

# HUNGARY

Table HU

## Hungary: Selected Economic Indicators

	2007	2008	2009	2010 <sup>1)</sup>	2010 January-June	2011	2011	2012 Forecast	2013
Population, th pers., average	10056	10038	10023	10000	10007	9974	10002	10000	9998
Gross domestic product, HUF bn, nom.	25321.5	26753.9	26054.3	27119.8	12682.7	13295.4	28300	29400	30600
annual change in % (real)	0.7	0.9	-6.7	1.2	0.5	1.9	1.5	1	2
GDP/capita (EUR at exchange rate)	10000	10600	9300	9800	.	.	.	.	.
GDP/capita (EUR at PPP)	15600	16100	15300	15700	.	.	.	.	.
Consumption of households, HUF bn, nom.	13306.0	14091.9	13487.9	13879.7	6670.4	6926.1	.	.	.
annual change in % (real)	0.2	0.5	-8.1	-2.0	-4.4	-0.2	0	0	0.5
Gross fixed capital form., HUF bn, nom.	5408.3	5727.3	5441.6	5239.3	2160.1	2096.1	.	.	.
annual change in % (real)	1.7	2.9	-8.0	-5.6	-4.6	-5.3	0	0	4
Gross industrial production									
annual change in % (real)	7.9	-0.2	-17.6	10.4	9.3	8.1	5	3	8
Gross agricultural production									
annual change in % (real)	-12.5	27.7	-10.1	-6.0	.	.	.	.	.
Construction industry									
annual change in % (real)	-14.0	-5.2	-4.4	-10.1	-13.3	-9.4	-4	0	5
Employed persons - LFS, th, average	3926.2	3879.4	3781.8	3781.2	3749.1	3770.7	3790	3790	3810
annual change in %	-0.1	-1.2	-2.5	0.0	-0.8	0.6	0.3	0	0.5
Unemployed persons - LFS, th, average	312.0	329.1	420.7	474.8	485.6	475.3	.	.	.
Unemployment rate - LFS, in %, average	7.4	7.8	10.0	11.2	11.5	11.2	10.8	11	10.5
Reg. unemployment rate, in %, end of period	10.1	10.9	13.6	13.3	12.3	12.5	.	.	.
Average gross monthly wages, HUF <sup>2)</sup>	185018	198741	199837	202525	203972	211373	.	.	.
annual change in % (real, net)	-4.6	0.8	-2.3	1.8	3.6	1.1	.	.	.
Consumer prices (HICP), % p.a.	7.9	6.0	4.0	4.7	5.5	4.1	4	4.2	3.5
Producer prices in industry, % p.a.	0.3	4.6	4.5	6.3	2.5	2.5	.	.	.
General governm.budget, EU-def., % GDP									
Revenues	45.0	45.2	46.1	44.6	.	.	.	.	.
Expenditures	50.0	48.8	50.5	48.9	.	.	.	.	.
Net lending (+) / net borrowing (-)	-5.0	-3.6	-4.5	-4.3	.	.	1 <sup>3)</sup>	-3	-3
Public debt, EU-def., in % of GDP	66.1	72.3	78.4	80.2	.	.	73	73	73
Central bank policy rate, % p.a., end of period <sup>4)</sup>	7.50	10.00	6.25	5.75	5.25	6.00	.	.	.
Current account, EUR mn	-7223	-7752	-181	1064	627	1123	2000	1900	1500
Current account in % of GDP	-7.2	-7.3	-0.2	1.1	1.3	2.3	2.0	1.8	1.3
Exports of goods, BOP, EUR mn	67820	72096	57358	68978	32604	38554	76200	83800	92200
annual growth rate in %	16.2	6.3	-20.4	20.3	19.5	18.2	11	10	10
Imports of goods, BOP, EUR mn	68510	73304	55017	65749	30826	35997	72300	78900	86400
annual growth rate in %	12.6	7.0	-24.9	19.5	17.3	16.8	10	9	10
Exports of services, BOP, EUR mn	12575	13819	13309	14648	7007	7547	16100	17700	19500
annual growth rate in %	15.6	9.9	-3.7	10.1	12.8	7.7	10	10	10
Imports of services, BOP, EUR mn	11324	12302	11323	11740	5566	5884	12000	13000	14000
annual growth rate in %	19.8	8.6	-8.0	3.7	2.1	5.7	2	8	8
FDI inflow, EUR mn	2852	4191	1143	1378	-663	-753	600	.	.
FDI outflow, EUR mn	2843	1514	1304	949	-33	199	.	.	.
Gross reserves of NB, excl. gold, EUR mn	16305	23807	30648	33667	35130	36830	.	.	.
Gross external debt, EUR mn	103988	123454	136879	137602	141879	140657	.	.	.
Gross external debt in % of GDP	103.2	116.1	147.3	139.8	144.1	142.9	.	.	.
Average exchange rate HUF/EUR	251.35	251.51	280.33	275.48	271.64	269.42	280	280	275
Purchasing power parity HUF/EUR	161.73	165.03	170.18	172.99	.	.	.	.	.

Note: Gross industrial production, construction output and producer prices refer to NACE Rev. 2.

1) Preliminary. - 2) Enterprises with 5 and more employees. - 3) Including the one-off effect of nationalisation of the private pension funds' assets. Without that effect general government budget balance is forecast to attain -5.5% of the GDP. - 4) Base rate (two-week NB bill).

Source: wiiw Database incorporating Eurostat and national statistics. Forecasts by wiiw.

## Poland: so far so good

BY LEON PODKAMINER

In the second quarter of 2011 the GDP grew by a solid 4.3%, roughly as fast as in the previous quarter. Growth continues to be driven by domestic demand. Private consumption rose 3.5% and gross fixed capital formation by 7.8%. The strong recovery of inventories has continued, adding about 1 percentage point to the GDP growth rate (similarly as in the first quarter). Public consumption has decreased though (by 1.3%) apparently signalling the government's willingness to restrict public sector spending. Both exports and imports of goods and non-factor services increased by over 6% in real terms: the contribution of foreign trade to GDP growth continued to be about zero. Gross value added went on rising strongly in construction (16%) and industry (6%), while trailing behind in market services (3.7%) and stagnating in non-market services.

The enterprise sector (non-financial firms active outside agriculture, employing over 49 persons) has performed very well: its net profits earned during the first half of 2011 reached PLN 56.2 billion (roughly equivalent to EUR 14 billion) – 34% more than the year previous. Net profits of the exporting firms rose by close to 60%. The whole enterprise sector seems to be wallowing in cash: its fixed investment outlays reportedly totalled PLN 37.5 billion in the first half of the year.

The comparatively good GDP performance in the first half of the year was also reflected in rising employment, a falling (if only slightly) unemployment rate and rising (if not much) average wages. Inflation in the first half of the year continued to be higher than targeted by the National Bank of Poland (NBP). This surely helped to inflate the tax revenue, significantly lowering the current deficit of the central government's budget. Inflation continues to be largely cost-driven, as evidenced by the industrial producer price index being (rather untypically) much higher than the consumer price index.

Also, a higher VAT rate and higher fees charged by the utility providers have added strongly to the CPI. Nonetheless the NBP responded with a series of small hikes in its policy rates. As the productivity of this strategy is questionable, especially given the likely deterioration of the business climate both at home and abroad, the NBP may refrain from further hikes, at least for the time being.

The available statistics for July and August 2011 did signal some, still insubstantial, change in the tendencies prevailing in the first half of the year. In August 2011 industrial production (sales, in nominal terms) was 8% higher than in August 2010. Sales of manufacturing output were up over 9% (sales of the motor-vehicles sector by 23%). Output of the construction sector was close to 11% higher. Employment and average real wage in the enterprise sector were also higher (if not much) than the year previous.

On the negative side one may mention some deterioration on foreign trade and some renewed increase in unemployment (primarily though on account of demography) combined with a decline in registered job vacancies. The tangible signs of somewhat less easy times ahead may be complemented with less tangible ones, namely the business climate indicators. These indicators suggest that the moods among firms' managers have become less optimistic as concerns sales and production orders (including export orders) in manufacturing and construction.<sup>1</sup>

The PLN/EUR exchange rate hovered below 4 for quite some time (actually since August 2010). In August 2011 the zloty crossed that mark, at first not much. During September the zloty fell quite precipitously, from 4.13 to as low as 4.5 (on 22 September). As on other occasions, the weakening of the zloty turned out to be synchronized with the outbreak of acute turmoil convulsing the

<sup>1</sup> See the MBP's business climate report, at [http://www.nbp.pl/publikacje/koniunktura/raport\\_3\\_kw\\_2011.pdf](http://www.nbp.pl/publikacje/koniunktura/raport_3_kw_2011.pdf).

global financial markets.<sup>2</sup> Such turmoil usually feeds fears and activates 'flight to safety'. The latter is often identified with the USD-denominated treasury bonds. No doubt the 'legitimate' safety motives were joined by purely speculative ones.

In itself the weakening of the zloty need not have done much of the harm. If anything, such a weakening could be considered a positive development, possibly helping to insulate the economy from the effects of another crisis – should that hit the euro area again. It may be worth remembering that the 'weak' zloty was an important pillar supporting Poland's resilience in 2009.<sup>3</sup> Nonetheless the Finance Ministry and the NBP engaged in an intervention stopping further decline. The size of foreign exchange used for the intervention, and its eventual effectiveness, remain to be assessed. However, as far as fiscal concerns go, the intervention may have been successful. The Finance Ministry may have made additional profits by selling some of its foreign currency reserves at elevated prices. Besides, by preventing an excessive slide of the zloty, the intervention helped to keep the public debt (part of which is in foreign currencies) below the 55% of the GDP mark (as mandated by the Constitution).

Poland's own official reserves are quite large. Besides, its authorities dispose of an IMF Flexible Credit Facility worth USD 30 billion. Of course, this does not rule out renewed 'speculative' attacks against the Polish currency, especially if tensions develop between the National Bank and the future Finance Ministry.

The outcomes of the parliamentary elections (to be held on 9 October) seem unpredictable, at the moment. But it is quite probable that the next coalition government will be formed by the incumbent Prime Minister, Donald Tusk. In any case, the tasks before the next government are not easy. The long-postponed fiscal consolidation (which the present government has been actively preaching to others, as the holder of the EU Presidency) is likely to get started in 2012. Even without such a consolidation Poland may be confronted with the effects of a crisis hitting the euro area. Should such a crisis materialize, Poland's growth could slow down again.

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<sup>2</sup> The Polish currency responds to the global 'events' much more vigorously than the currencies of other Central European currencies. This is a rather natural phenomenon. Poland's financial (and foreign exchange) market is substantially larger – and much more liquid – than those of other countries in the region.

<sup>3</sup> The average PLN/EUR rate in 2009 was 4.33, down from 3.51 in 2008.



Table PL

## Poland: Selected Economic Indicators

	2007	2008	2009	2010 <sup>1)</sup>	2010 January-June	2011	2011 Forecast	2012 Forecast	2013
Population, th pers., average	38121	38126	38152	38184	38187	38197	38180	38170	38150
Gross domestic product, PLN bn, nom.	1176.7	1275.4	1343.4	1415.4	666.9	717.9	1520	1620	1730
annual change in % (real)	6.8	5.2	1.6	3.8	3.1	4.3	3.8	3.8	4.3
GDP/capita (EUR at exchange rate)	8200	9500	8100	9300	.	.	.	.	.
GDP/capita (EUR at PPP)	13600	14100	14300	15300	.	.	.	.	.
Consumption of households, PLN bn, nom.	701.6	773.8	809.7	858.2	428.1	463.2	.	.	.
annual change in % (real)	4.9	5.7	2.1	3.2	2.6	3.7	3.7	3.7	4.5
Gross fixed capital form., PLN bn, nom.	253.7	283.9	284.6	278.5	101.8	109.5	.	.	.
annual change in % (real)	17.5	9.7	-1.3	-0.9	-5.1	7.1	5	4	7
Gross industrial production (sales) <sup>2)</sup>									
annual change in % (real)	9.3	2.6	-3.7	11.1	11.4	7.2	7	7	6
Gross agricultural production									
annual change in % (real)	5.2	1.3	4.7	-11.4	.	.	.	.	.
Construction industry <sup>2)</sup>									
annual change in % (real)	16.4	9.8	4.7	3.9	-5.4	18.8	.	.	.
Employed persons - LFS, th, average	15240.5	15799.8	15868.0	15960.5	15784.0	16019.0	15950	16270	16680
annual change in %	4.4	3.7	0.4	0.6	0.0	1.5	-0.1	2.0	2.5
Unemployed persons - LFS, th, average	1618.8	1210.7	1411.1	1699.3	1760.5	1730.5	.	.	.
Unemployment rate - LFS, in %, average	9.6	7.1	8.2	9.6	10.1	9.8	10	8.5	7.5
Reg. unemployment rate, in %, end of period	11.4	9.5	11.9	12.3	11.7	11.8	10.5	9.5	9.0
Average gross monthly wages, PLN <sup>2)</sup>	2672.6	2942.2	3101.7	3225.0	3360.3	3521.6	3460	3710	3960
annual change in % (real, gross) <sup>2)</sup>	5.5	5.9	2.0	1.5	0.7	0.6	2	3	4
Consumer prices (HICP), % p.a.	2.6	4.2	4.0	2.7	2.9	3.8	3.5	2.5	2.5
Producer prices in industry, % p.a.	2.0	2.4	3.9	2.3	-0.1	7.4	2.5	2.5	2.0
General governm.budget, EU-def., % GDP									
Revenues	40.3	39.5	37.2	37.8	.	.	40.0	40.1	.
Expenditures	42.2	43.2	44.5	45.7	.	.	45.8	43.7	.
Net lending (+) / net borrowing (-)	-1.9	-3.7	-7.3	-7.9	.	.	-5.8	-3.6	-3
Public debt, EU-def., in % of GDP	45.0	47.1	50.9	55.0	.	.	55.4	55.1	52
Central bank policy rate, % p.a., end of period <sup>3)</sup>	5.0	5.0	3.5	3.5	3.5	4.5	4.3	4.5	4.3
Current account, EUR mn <sup>4)</sup>	-19253	-23818	-12153	-15845	-5188	-5927	-14000	-16000	-18000
Current account in % of GDP <sup>4)</sup>	-6.2	-6.6	-3.9	-4.5	-3.1	-3.3	-3.7	-4.1	-4.4
Exports of goods, BOP, EUR mn <sup>4)</sup>	105883	120953	101715	122402	59260	68699	134600	148100	157000
annual growth rate in %	13.4	14.2	-15.9	20.3	21.9	15.9	10	10	6
Imports of goods, BOP, EUR mn <sup>4)</sup>	119707	141896	107140	131008	62351	73634	146700	167200	180600
annual growth rate in %	20.7	18.5	-24.5	22.3	22.5	18.1	12	14	8
Exports of services, BOP, EUR mn <sup>4)</sup>	21018	24207	20717	24528	11091	12261	27000	29700	32100
annual growth rate in %	28.6	15.2	-14.4	18.4	15.8	10.5	10	10	8
Imports of services, BOP, EUR mn <sup>4)</sup>	17583	20729	17294	21896	9726	10442	24700	27900	30700
annual growth rate in %	11.5	17.9	-16.6	26.6	22.6	7.4	13	13	10
FDI inflow, EUR mn <sup>4)</sup>	17241	10135	9339	6670	4694.0	3983	9000	.	.
FDI outflow, EUR mn <sup>4)</sup>	4018	3071	3331	4218	1377	3132	.	.	.
Gross reserves of NB excl. gold, EUR mn	42675	42299	52734	66253	66594	71826	.	.	.
Gross external debt, EUR mn	158624	173736	194396	236017	216634	252195	.	.	.
Gross external debt in % of GDP	51.0	47.8	62.6	66.6	61.1	67.5	.	.	.
Average exchange rate PLN/EUR	3.7837	3.5121	4.3276	3.9947	4.00	3.95	4.07	4.15	4.20
Purchasing power parity PLN/EUR	2.2697	2.3745	2.4700	2.4290	.	.	.	.	.

Note: Gross industrial production, construction output and producer prices refer to NACE Rev. 2.

1) Preliminary. - 2) Quarterly data refer to enterprises with 10 and more employees. - 3) Reference rate (7-day open market operation rate) - 4) Including Special Purpose Entities (SPEs).

Source: wiw Database incorporating Eurostat and national statistics. Forecasts by wiw.

## Romania: bumper harvest underpins growth expectation

BY GÁBOR HUNYA

The modest recovery of the Romanian economy in the first half of 2011 was in line with expectations. In the second quarter GDP growth was somewhat slower (1.4% year on year) than in the first quarter (1.7%) due to weaker export demand. Nevertheless, a turn occurred in private consumption and gross fixed capital formation which levelled out after two years of contraction. The positive mood in the economy strengthened during the summer months: tourism and construction recovered modestly and the number of company bankruptcies declined compared with the previous year.

Industrial output growth rebounded in July, following a slowdown in June. Good performance was registered in a number of industries including machine building, chemicals and steel production. Among the major export producers, the car industry was doing again very well in the first seven months of the year. But the mobile phone producing Nokia subsidiary has had to cut back production recently due to the global difficulties of the brand.

The wheat harvest increased by 23% compared with the previous year, to 7.1 million tonnes, based on favourable weather that also boosted grain quality. Sunflower and corn yields are expected to be high above the level of the previous year, raising the potential for exports. Good harvests usually stimulate food consumption and add 1-1.5 percentage points to GDP. This consideration has been the main reason why the wiiw forecast for economic growth in 2011 has been above its peers and why we stick to it despite unfavourable developments on external markets.

The labour market indicators hardly reacted to changes in output and wages. The employment rate was flat at 63-65% throughout 2005-2010 and the unemployment rate climbed only 1.5 percentage points to 7.3% during the past two years. Rigidities in the conditions of hiring and firing may

have been the main reason. This may change as a new labour code has been put in place but with no obvious impact yet.

The inflation rate fell to 4.25% in August, the lowest in 17 months, due to declining food prices. Also the impact of the tax hike of last June faded. The government thus has the opportunity to make some adjustments in the controlled prices. Fees of domestically produced natural gas for industrial consumers will rise by 10% in October. But prices for household energy will not be adjusted despite representing a growing burden for the government budget.

The National Bank kept the benchmark interest rate unchanged at 6.25% throughout the year, continuing what they call a 'prudent stance'. The National Bank wishes to boost economic recovery and contain medium-term inflation stemming from the expected energy price increases. The Romanian currency has kept its low volatility during September when the Polish and Hungarian currencies were shaken. This is due to the relatively low exposure to financial markets and National Bank interventions. Neither the exchange rate nor the central bank interest rate is expected to change much in the coming months.

The external sector has maintained a relatively high current account deficit, over 4% of GDP over the last couple of years, and no change in this respect is expected under standard circumstances. The decisive item in the current account balance is the balance of trade in goods and services as the net incomes outflow and the net current transfers inflow by and large balance each other. The latter was actually somewhat larger in the first half of 2011 due to a rebound of private transfers. Capital inflows in various forms outpaced the current account deficit in the first half of 2011 leading to a further accumulation of National Bank reserves up to 7 months of goods and services imports.

The government agreed on a EUR 5 billion precautionary loan from the IMF and the European Union this May which seems to reassure investors it will

maintain fiscal discipline. In June, the deficit jumped 50% from the previous month to 2.1% of GDP, putting this year's target of 4.4% (on cash basis) at risk. There was no further increase in the deficit in July. In the period January-July revenues were 9.4% higher in nominal terms than in the previous year mainly due to VAT and excise revenue hikes. Expenditures were by and large flat, in which spending on EU-financed projects and other public investments increased. Investors' trust in the Romanian economy has not improved much despite somewhat better ratings. The finance ministry withdrew bond offers above 7% yield for some time, but has recently given in and accepted the increased risk awareness of financial markets.

A fiscal programming document was agreed with the IMF and the European Commission in August which stipulates to cut the consolidated budget deficit from 5% of GDP (EU definition) in 2011 to 3% in 2012 and further in the following years. Several structural reforms have also been decided of which the health care reform has been started. But share sales in partly privatized companies have been shelved after a 10% state package of the oil company OMV Petrom failed to attract the expected price in July. The fiscal gap is thus financed only from the markets with domestic bond issues taking the lion's share.

Investments have been declared a government priority. The newly established ministry in charge of EU funds is expected to help take advantage of the EUR 20 billion available for 2007-2013. By mid-2011, barely 3.4% of these funds had been used and some 15% contracted; this should change in the future. Public motorway investments may also get a kick-start after sluggish progress for several years.

Currently the government sees the 2012 deficit target of 3% of GDP as non-negotiable. It will presumably be forced to cut the GDP target which would imply new austerity measures to keep the deficit target. As usually, economic forecasts and fiscal plans in Romania are not prepared without the helping hand of the IMF and the EU Commis-

sion. Negotiations with these institutions scheduled for October will decide about the adjustments. But whatever austerity measures are incorporated into the 2012 budget law, they may not be fully implemented in view of the forthcoming elections. Although fiscal policy is not expected to be seriously watered down until the middle of next year, some relaxation may come to the agenda as the elections expected for November are drawing near.

Earlier wiw forecasts were based on an election cycle-driven, public spending-based recovery in 2012. This expectation has to be scaled down as export demand in Europe is bound to slow down. Although some fiscal relaxation instead of more austerity is expected, this will be rather modest provided the high costs and uncertainty of financing the deficit. In addition we take into account the return to normal of the harvest that will be below this year's yields. A modest recovery of private consumption will be possible based on higher incomes and diminishing inflation. High revenues accrued in agriculture this year can be partially spent next year and the government is expected to raise public sector wages, partly making up for the cuts in mid-2010.

This forecast does not reckon with a new wave of economic crisis in Europe and relies on further albeit modest possibility to expand exports. It is also expected that the relatively low public debt (about 33% of GDP) and the low profile of the Romanian government will maintain the goodwill of investors. If these circumstances should change substantially Romania would fall into recession along with other countries in the region.

# ROMANIA

Table RO

## Romania: Selected Economic Indicators

	2007	2008	2009	2010 <sup>1)</sup>	2010 January-June	2011	2011	2012	2013
							Forecast	Forecast	
Population, th pers., average	21547	21514	21480	21438	.	.	21440	21410	21400
Gross domestic product, RON mn, nom.	416007	514700	498008	513641	214390	233718	555300	600500	651300
annual change in % (real)	6.3	7.3	-7.1	-1.3	-1.2	1.6	2	2.5	3
GDP/capita (EUR at exchange rate)	5800	6500	5500	5700	.	.	.	.	.
GDP/capita (EUR at PPP)	10400	11700	10900	11000	.	.	.	.	.
Consumption of households, RON mn, nom.	273418	327928	304699	314564	137959	145828	.	.	.
annual change in % (real)	12.0	9.0	-10.5	-1.6	-2.3	-0.7	0.5	2	2
Gross fixed capital formation, RON mn, nom.	125645	164279	130603	116793	43803	45736	.	.	.
annual change in % (real)	30.3	15.6	-25.3	-13.1	-16.9	-1.7	0	3	5
Gross industrial production <sup>2)</sup>									
annual change in % (real)	10.3	2.6	-5.5	5.5	5.6	7.5	7	5	5
Gross agricultural production									
annual change in % (real)	-17.7	21.2	-2.2	1.6	.	.	.	.	.
Construction industry <sup>2)</sup>									
annual change in % (real)	33.2	26.7	-15.0	-13.2	-15.2	-5.0	.	.	.
Employed persons - LFS, th, average	9353.3	9369.1	9243.5	9239.4	9211.2	.	9190	9240	9240
annual change in %	0.7	0.2	-1.3	0.0	0	.	-0.5	0.5	0
Unemployed persons - LFS, th, average	640.9	575.5	680.7	725.1	742.1	724.3	.	.	.
Unemployment rate - LFS, in %, average	6.4	5.8	6.9	7.3	7.5	7.4	7.5	7.5	7
Reg. unemployment rate, in %, end of period	4.0	4.4	7.8	6.9	7.5	4.8	.	.	.
Average gross monthly wages, RON <sup>3)</sup>	1396	1761	1845	1891	1978	2011	.	.	.
annual change in % (real, net) <sup>3)</sup>	14.7	16.5	-1.5	-4.1	0	-6.0	.	.	.
Consumer prices (HICP), % p.a.	4.9	7.9	5.6	6.1	4.5	7.9	6	4	4
Producer prices in industry, % p.a.	7.5	15.3	1.8	6.3	4.8	9.7	.	.	.
General governm.budget, EU-def., % GDP									
Revenues	33.7	32.6	32.1	34.3	.	.	.	.	.
Expenditures	36.3	38.3	40.6	40.8	.	.	.	.	.
Net lending (+) / net borrowing (-)	-2.6	-5.7	-8.5	-6.4	.	.	-4.5	-4	-4
Public debt, EU-def., in % of GDP	12.6	13.4	23.6	30.8	.	.	33	34	35
Central bank policy rate, % p.a., end of period <sup>4)</sup>	7.50	10.25	8.00	6.25	6.25	6.25	.	.	.
Current account, EUR mn	-16758	-16178	-4938	-4952	-3645	-2732	-5500	-6000	-6600
Current account in % of GDP	-13.4	-11.6	-4.2	-4.1	-7.1	-4.9	-4.2	-4.3	-4.4
Exports of goods, BOP, EUR mn	29542	33656	29091	37266	17169	22028	46600	50300	56300
annual growth rate in %	13.8	13.9	-13.6	28.1	26.2	28.3	25	8	12
Imports of goods, BOP, EUR mn	47365	52729	35959	43164	20356	24583	50900	54500	61000
annual growth rate in %	25.4	11.3	-31.8	20.0	20.6	20.8	18	7	12
Exports of services, BOP, EUR mn	6885	8751	7061	6474	2959	3240	7000	7500	8300
annual growth rate in %	23.3	27.1	-19.3	-8.3	-16.2	9.5	8	7	10
Imports of services, BOP, EUR mn	6475	8091	7352	7111	3463	3833	7800	8300	9100
annual growth rate in %	16.0	25.0	-9.1	-3.3	-1.3	10.7	9	7	10
FDI inflow, EUR mn	7280	9501	3490	2687	1227	1116	2000	.	.
FDI outflow, EUR mn	206	186	-61	147	78	-80	.	.	.
Gross reserves of NB excl. gold, EUR mn	25325	25977	28249	32606	31619	34325	.	.	.
Gross external debt, EUR mn	58628	72354	81163	90908	87785	97122	.	.	.
Gross external debt in % of GDP	47.0	51.8	69.1	74.6	72.0	73.5	.	.	.
Average exchange rate RON/EUR	3.3353	3.6826	4.2399	4.2122	4.1492	4.1798	4.2	4.3	4.3
Purchasing power parity RON/EUR	1.8625	2.0484	2.1354	2.1738	.	.	.	.	.

Note: Gross industrial production, construction output and producer prices refer to NACE Rev. 2.

1) Preliminary. - 2) Enterprises with 4 and more employees. - 3) Quarterly data refer to enterprises with 4 and more employees. - 4) One-week repo rate.

Source: wiiw Database incorporating Eurostat and national statistics. Forecasts by wiiw.

## Slovakia: export growth prevails, but for how long?

BY DORIS HANZL-WEISS

In the first half of 2011, Slovakia's GDP expanded by 3.4%, experiencing a slight decline in the second quarter of the year (growth rates decreasing from 3.5% to 3.3% year on year). The main growth driver has been foreign demand, with exports rising by 14.1% in the first half of 2011, mainly fostered by exports to Slovakia's main trading partners Germany and the Czech Republic. Imports increased by 10%. Export and import growth has, however, slowed down in the second quarter of the year: while exports surged by 15.8% in the first quarter, they grew by 12.4% in the second. Imports increased by 11.3% and 9% respectively. The net contribution to GDP hence declined to some extent but remained the main source of growth. Final consumption, on the other hand, declined in the first half of 2011, with that of households stagnating and public consumption falling by 3.4%. This is due to fiscal consolidation measures taking place, with the main part of the burden falling on the current year. Positive signs on the labour market have not encouraged household consumption, as real wages stagnate due to high inflation. On the positive side, gross fixed capital formation expanded by 3.7% in the first half of the year; gross capital formation, however, grew by 1.2% only. Especially in the 2<sup>nd</sup> quarter of 2011, inventories were reduced in expectation of diminishing demand for the country's exports.

In the first seven months of 2011, industrial output increased by 9%, with manufacturing growing even by 11%. The main expansions occurred in the machinery and in the transport equipment sectors (+27%, +24%) – the latter being the largest sector in Slovakia due to the important car industry – followed by growth in the coke industry (+19%). The important metals and fabricated metal products industry grew by 6% though. The only manufacturing industry experiencing a decline in the first seven months was computer, electronic and optical products with minus 10%. Except for industry, other

main sectors of the economy – agriculture, construction and services – still featured negative contributions to GDP in the first half of 2011. While year-on-year industry growth rates were very high at the beginning of 2011, they have been slowing down during the year. In July, industry grew by 5% year on year, manufacturing by 5.4%, with the machinery and basic metals sectors showing exceptionally high growth rates (+33.1%, +20.4%), while that of transport equipment was quite low (+4.2%).

Forecasts for inflation have to be revised upwards from 3% to 4%. The inflation rate in Slovakia is one of the highest rates among EU countries.

Positive signs prevail on the labour market: After the recovery of employment growth at the end of 2010, employment increased by 2% in the first half of 2011, growing steadily in both quarters. In addition, the unemployment rate (LFS) was decreasing continuously and fell to 13.5% in the second half of 2011. However, regional differences are large and the less prosperous eastern parts of Slovakia show the highest unemployment rates (Banská Bystrica, Prešov, and Košice with the highest rate of 19.1%). The amended Labour Code has been approved by the parliament in July and came into effect on 1 September. It stipulates an increase of the probation period to up to six months; fixed-term employment contracts can be extended three times and may last for three years; the flexi-account becomes a standard instrument; in case of employment termination either notice period or severance payment is provided; and severance pay has been reduced. The amended Labour Code is expected to provide more flexibility on the labour market and help create more jobs.

Other legislation approved in this year which might reduce regional disparities includes the amendment to the Act on Investment, in effect since 1 August: State assistance (in the form of tax reliefs) is aimed at regions with high unemployment. In addition, the new Programme for Construction of Highways and Dual Carriageways for 2011 and 2014 sees the completion of D1 highway between Bratislava and Košice among its priorities, improving the connec-

tion to eastern Slovakia (completion is scheduled for 2017).

Foreign direct investment (FDI) inflows into Slovakia were rather modest in the first months of 2011 and have not lived up to expectations. This is due to the large amounts booked in the category of 'other capital' comprising inter-company loans which are rather volatile and worsen the overall figure. In general, however, the investment climate has been positive; the Slovak Investment and Trade Development Agency SARIO reports an increase of investment projects in the first half of the year. One large investor, AU Optronics – a Taiwanese producer of LCD panels and television sets – opened a production facility in Trenčín in June, now being its biggest such plant in Europe. The company is expected to employ about 2300 people by next year and investment is said to reach EUR 191.3 million over the next three years.

Good news comes from the car producers, posting production increases in the first half of 2011 and announcing further expansion plans: (1) *VW Bratislava* produced 45% more cars in the first half of 2011 compared to 2010, summing up to 94,600 cars. Together with the new production of the Up! model, car production is said to expand to 400,000 cars in 2012. (2) *PSA Peugeot Citroën*, located in Trnává, plans to invest EUR 120 million in the production of a new car model. It will start a third work shift in spring 2012. (3) *KIA Motors Slovakia (Žilina)* has increased its production by 26% in the first half of 2011 and produced 134,000 cars. It has recently announced plans for a third work shift to start in early 2012.

After the rapid rise in the public debt level from 28% of GDP in 2008 to 41% in 2010, the Slovak government strives to consolidate the budget within the next three years: This year, the public deficit should amount to 4.9% of GDP; it is to fall further to 3.8% in 2012, and finally to less than 3% in 2013. However, lower than expected growth may lead to lower tax revenues and thus higher deficits. Hence, we expect the budget deficit to exceed 5% of GDP this year. Additional funds for the next years' budget will include, among other things, the banking tax and

an earlier increase of taxes on tobacco. Education and transport will get priority and can expect an increase in their budget.

The government of prime minister Iveta Radičová fell on October 11 over the vote on ratification of the European Financial Stability Facility (EFSF). The second largest coalition partner, the Freedom and Solidarity party (SaS), with its party leader Richard Sulik, refused to back the EU bailout mechanism. One often quoted argument was that Slovakia is the second poorest country in the euro-zone (with a per capita GDP of about 74% of the EU-27 average – as against the Greek with 89%). The expansion of the EFSF was approved on October 13 with the support of the opposition on condition of early elections on March 10, 2012.

The Economic Sentiment Indicator was at its height in February 2011 and has shown a declining trend since then, with only a small upward shift in May and June. In July and August it fell again. Interestingly, in August, confidence fell in all categories including construction, retail trade, services and consumer, with the only exception of industry confidence, which increased. New orders declined in June and July as well (-6.2% and -5.7% month on month).

Figures for the first half of the year have been good for the Slovakian economy: exports expanded swiftly, the labour market improved and news from car makers was promising. Only Slovak consumers have remained wary. While the most recent monthly figures for Slovakia show mixed results (decelerating production but improving industry confidence), the overall mood has turned around in August and growth forecasts for Europe have been revised downwards. As the outlook for Slovakia's main trading partners Germany and the Czech Republic have worsened too, we have revised our growth forecast for Slovakia downwards as well: from 4% to 3.2% this year and from 4% to 3.4% for the next year. However, major downside risks prevail for 2012: export growth prospects depend on growth in the trading partners, consolidation measures for the budget may need more efforts and consumers might be afflicted by bad news.

Table SK

## Slovakia: Selected Economic Indicators

	2007	2008	2009	2010 <sup>1)</sup>	2010 January-June	2011	2011 Forecast	2012 Forecast	2013
Population, th pers., average	5397.3	5406.6	5418.6	5430.1	.	.	5440	5450	5440
Gross domestic product, EUR mn, nom.	61555.0	67007.3	63050.7	65905.5	31415.6	32963.3	70700	75300	80700
annual change in % (real)	10.5	5.8	-4.8	4.0	4.4	3.4	3.2	3.4	4
GDP/capita (EUR at exchange rate)	10200	11900	11600	12100	.	.	13000	13800	14800
GDP/capita (EUR at PPP)	17000	18100	17200	18100	.	.	.	.	.
Consumption of households, EUR mn, nom.	33902.0	37604.3	37714.3	37928.0	18497.6	19188.2	.	.	.
annual change in % (real)	7.0	6.1	0.3	-0.3	-0.8	-0.1	0.2	2	3
Gross fixed capital form., EUR mn, nom.	16096.5	16575.9	12991.1	13390.4	6219.9	6468.1	.	.	.
annual change in % (real)	9.0	1.0	-19.9	3.7	-0.8	3.7	4	5	5
Gross industrial production									
annual change in % (real)	17.0	3.3	-13.8	18.8	22.1	9.9	8	8	6
Gross agricultural production									
annual change in % (real)	-4.5	10.6	-12.3	-9.9	.	.	.	.	.
Construction industry									
annual change in % (real)	5.7	11.9	-11.2	-4.6	-9.0	-3.5	.	.	.
Employed persons - LFS, th, average	2357.7	2433.7	2366.3	2317.5	2297.8	2343.8	2360	2380	2400
annual change in %	2.4	3.2	-2.8	-2.1	-3.6	2.0	2	1	1
Unemployed persons - LFS, th, average	295.7	255.7	323.5	389.2	397.9	368.1	.	.	.
Unemployment rate - LFS, in %, average	11.1	9.5	12.0	14.4	14.8	13.6	13	12	12
Reg. unemployment rate, in %, end of period	8.0	8.4	12.7	12.5	12.3	13.0	12.5	12	11
Average gross monthly wages, EUR	669	723	745	769	742	764	.	.	.
annual change in % (real, gross)	4.4	3.4	1.4	2.3	2.0	-0.6	0	.	.
Consumer prices (HICP), % p.a.	1.9	3.9	0.9	0.7	0.3	3.8	4	3	3
Producer prices in industry, % p.a.	-1.4	2.5	-6.6	0.1	-1.7	5.2	5	3	3
General governm.budget, EU-def., % GDP									
Revenues	32.5	32.9	33.6	33.1	.	.	.	.	.
Expenditures	34.3	35.0	41.5	41.0	.	.	.	.	.
Net lending (+) / net borrowing (-)	-1.8	-2.1	-8.0	-7.9	.	.	-5.4	-5.0	-4.5
Public debt, EU-def., in % of GDP	29.6	27.8	35.4	41.0	.	.	45.1	47.4	47
Central bank policy rate, % p.a., end of period <sup>2)</sup>	4.3	2.5	1.0	1.0	1.0	1.25	.	.	.
Current account, EUR mn	-2912	-4021	-2023	-2270	-614	-172	-1700	-2400	-2800
Current account in % of GDP	-5.3	-6.2	-3.2	-3.4	-2.0	-0.5	-2.4	-3.2	-3.5
Exports of goods, BOP, EUR mn	42260	49521	39715	48791	22699	27494	58000	61000	64000
annual growth rate in %	26.7	17.2	-19.8	22.9	22.2	21.1	18	6	5
Imports of goods, BOP, EUR mn	42916	50280	38528	48652	22030	26672	57000	60000	63000
annual growth rate in %	19.8	17.2	-23.4	26.3	19.7	21.1	17	6	5
Exports of services, BOP, EUR mn	5140	6001	4522	4409	2046	2234	4800	5400	6200
annual growth rate in %	18.9	16.8	-24.6	-2.5	-7.1	9.2	10	12	15
Imports of services, BOP, EUR mn	4751	6488	5768	5141	2535	2513	5400	6000	6900
annual growth rate in %	25.4	36.6	-11.1	-10.9	-11.0	-0.9	5	12	15
FDI inflow, EUR mn	2636	3323	-35	397	291	296	500	500	.
FDI outflow, EUR mn	441	376	311	247	-79	303	.	.	.
Gross reserves of NB excl. gold, EUR mn <sup>3)</sup>	12280	12674	481	541	559	582	.	.	.
Gross external debt, EUR mn	30156	37286	45338	49262	47908	52671	.	.	.
Gross external debt in % of GDP	54.9	57.7	71.9	74.7	72.7	74.5	.	.	.
Average exchange rate EUR/EUR	1.1211	1.0377	1.0000	1.0000	1.00	1.00	1	1	1
Purchasing power parity EUR/EUR	0.6720	0.6836	0.6755	0.6712	.	.	.	.	.

Note: Gross industrial production, construction output and producer prices refer to NACE Rev. 2.

1) Preliminary. - 2) From 2009 official refinancing operation rates for euro area (ECB), two-week repo rate of NB before . - 3) From January 2009 (euro introduction) foreign currency reserves denominated in non-euro currencies only.

Source: wiw Database incorporating Eurostat and national statistics. Forecasts by wiw.

## Slovenia: struggling economic recovery amid political uncertainties

BY HERMINE VIDOVIC

Slovenia's GDP continued to grow in the second quarter of 2011 (0.9%), but at a lower rate than in the first three months of the year (2.3%). Growth was backed by foreign demand and rising inventories, while consumption remained almost stagnant and investment continued to decline. Gross fixed capital formation fell by nearly 13% during the first half of 2011, affecting primarily the construction sector. Also investments in machinery and equipment, reporting four quarters of steady increase, fell again. Household consumption remained stagnant, whereas government consumption reported an increase.

Industrial production rose by 7.1% (manufacturing by 7.5%) during the first half of the year. Roughly two thirds of all industrial branches within manufacturing increased their output, most notably the manufacture of computer and optical products, leather and related products, basic metals and fabricated metal products. Machinery and equipment as well as other transport equipment (cars) reported an output increase of 14%. In the construction sector, contracting significantly in both 2009 and 2010, the negative tendencies continued particularly in residential building; during the first seven months construction output dropped by 28%, residential building by 42%. The construction sector has not yet recovered from the crisis and is still in a very critical financial situation owing to the huge number of unsold flats but also due to the poor financial situation of households. In addition a number of construction companies went bankrupt or are subject to compulsory settlement proceedings; in June the country's largest construction company SCT went bankrupt, other companies (including subcontractors) may follow.

In foreign trade, the favourable growth prevailing in the first quarter of the year slowed down: commod-

ity exports and imports were up 15% and 14% respectively in nominal terms during the first seven months of 2011 (versus 19.5% and 22% in the first quarter). The trade deficit remained almost unchanged compared with the same period in 2010. Owing to a rising surplus in services trade along with a surplus in the balance of transfers, the current account ended up positive in the first seven months of the year. At the same time the inflow of FDI had already exceeded the amount reached in the whole year of 2010.

The labour market is still far from recovery. Based on Labour Force Survey data, the number of employed fell by 3.5% during the first half of 2011, which is the strongest decline since the outbreak of the crisis. LFS unemployment rose to 8.2% and thus almost doubled compared to the pre-crisis level, but is still below the EU-27 average. Unemployment based on registration data has shown a steady increase since September 2008, putting the unemployment rate at 11.5% by the end of July. The risk of rising unemployment is not over yet due to the possible closing-down of (large) enterprises, e.g. in the construction sector.

In order to meet its deficit target of 5.5% of the GDP in 2011, the Slovenian parliament approved expenditure cuts by about EUR 500 million in mid-September. In 2012 and 2013 a further reduction of the deficit to GDP ratio is envisaged, to 3.9% and 2.9% respectively. The budget revision was announced by Prime Minister Pahor after Slovenian citizens had rejected a reform of the pension system in a referendum held in June.

On 20 September the minority government led by Borut Pahor lost a vote of confidence. The coalition government consisting of four parties had lost its majority in the parliament when the pensioners' party left the coalition over a dispute of the pension reform in May; ZARES, another coalition party, withdrew from the cabinet in June. The resignation of Mr. Pahor did, however, not automatically lead to new elections because according to the constitution the Slovenian president can call early elections only if the parliament has failed to elect a new



prime minister – who has to be nominated either by the president, a political party or 10 members of parliament within 7 days after the no-confidence vote. As no candidate was proposed, the Slovenian president Danilo Turk announced that he will dissolve the parliament on 21 October and elections will be held on 4 December. The next regular parliamentary elections were scheduled for autumn 2012. According to recent opinion polls the Slovenian Democratic Party (SDS), headed by Janez Janša, is well ahead of Mr. Pahor's Social Democrats (25% versus 14%).

Despite the political turbulence the Slovenian parliament has voted by an overwhelming majority in favour of the expansion on the European Financial Stability Facility (EFSF) from EUR 2.07 billion to EUR 3.66 billion on 27 September.

Only a few days after the confidence vote both Moody's and Fitch downgraded Slovenia's credit rating. Moody's cut the rating from Aa2 to Aa3 which was explained by the fact that medium-term economic growth was jeopardized 'due to the ongoing need for deleveraging of the highly indebted corporate sector' as well as the high vulnerabilities of the banking sector. Fitch, downgrading the long-term foreign and local currency rating from AA to AA-, has argued that this step was 'primarily driven by deterioration in the financial position of the banking sector' which may trigger further state support. However, despite this downgrade, Slovenia remains the highest rated country among the new EU member states.

Results for the first five months of the year indicate rising general government revenues (10.6%), particularly from taxes on incomes and profits. Within expenditures – rising by 3% – all categories with the exception of capital transfers went up. Interest payments and expenditures on other transfers including unemployment benefits and social assistance grew the most as a consequence of the continued deterioration on the labour market; spending on wages remained almost stagnant as compared to the first five months of 2010. Available data indi-

cate that Slovenia's net budgetary position vis-à-vis the EU budget was positive in the first seven months of 2011. In terms of receipts from and payments to the EU funds the country realized about 42% and 55% respectively of the planned volume for this year. The realization of EU funds was highest in agriculture and lowest with respect to the Cohesion Fund.

Slovenia's largest bank Nova Ljubljanska Banka NLB has announced the need for another capital injection, worth EUR 400 million by the end of 2011 or the beginning of 2012. Already in March NLB has raised EUR 250 million, which was almost entirely subscribed by the Slovenian government. The new recapitalization becomes necessary due to tougher demands of the Bank of Slovenia towards NLB to raise its Tier 1 capital to at least 9%. In 2011 NLB is expected to end with a loss for the third consecutive year; the bank is very exposed to highly indebted companies and bad loans are rising.

Based on the available results for the first half of the year, wiiw revised the GDP growth forecast for 2011 to 1.6% from 2% earlier. Assuming a slowdown of growth in the European Union, GDP growth in Slovenia may remain at moderate levels. Employment will continue to contract as the labour market will react with a time lag to production growth. Similarly, the unemployment rate (LFS) is expected to rise to some 8.5% in 2011. Given the low GDP growth, a recovery on the labour market, if at all, may be expected only in the second half of 2012 or at the beginning of 2013. The general government deficit may be even higher in 2011 than in 2010, reaching close to 6% of the GDP, and will decline only gradually in the coming years. Given fiscal consolidation – which is likely to be continued by the newly elected government – public investment will need some time to recover and will regain strength in 2012 or even only in 2013. A sustained improvement of Slovenia's economy will depend primarily on the developments in the European Union – Germany and Italy in particular – as the country's main trading area.

# SLOVENIA

Table SI

## Slovenia: Selected Economic Indicators

	2007	2008	2009	2010 <sup>1)</sup>	2010 January-June	2011	2011 Forecast	2012 Forecast	2013
Population, th pers., average	2018.1	2021.3	2039.7	2048.6	2047.7	2050.7	2050	2050	2050
Gross domestic product, EUR mn, nom.	34562.3	37279.5	35310.6	35415.8	17271.2	17616.0	36880	38480	40230
annual change in % (real)	6.9	3.6	-8.0	1.3	0.7	1.6	1.6	1.8	2
GDP/capita (EUR at exchange rate)	17100	18400	17300	17300	8400	8600	18000	18800	19600
GDP/capita (EUR at PPP)	22100	22800	20700	20900	.	.	.	.	.
Consumption of households, EUR mn, nom.	17841.5	19543.5	19434.3	19577.4	9329.7	9536.9	.	.	.
annual change in % (real)	6.0	3.9	-0.2	-0.6	-1.2	0.1	0.0	0.2	0.2
Gross fixed capital form., EUR mn, nom.	9603.6	10729.7	8267.5	7650.6	3785.7	3358.1	.	.	.
annual change in % (real)	13.3	7.8	-23.3	-8.3	-8.0	-12.7	-8	3	4
Gross industrial production									
annual change in % (real)	7.1	2.4	-17.3	6.7	5.3	7.0	6.5	6	5.5
Gross agricultural production									
annual change in % (real)	3.9	-1.3	-1.3	1.0	.	.	.	.	.
Construction industry									
annual change in % (real)	18.5	15.5	-20.9	-16.9	-17.7	-28.6	.	.	.
Employed persons - LFS, th, average	985	996	981	966	967	933	940	950	960
annual change in %	2.5	1.1	-1.5	-1.5	-0.5	-3.5	-3	1	1
Unemployed persons - LFS, th, average	50	46	61	75	74	83	.	.	.
Unemployment rate - LFS, in %, average	4.8	4.4	5.9	7.3	7.1	8.2	8	7.5	7
Reg. unemployment rate, in %, end of period	7.3	7.0	10.3	11.8	10.5	11.4	11.8	11	10
Average gross monthly wages, EUR	1285	1391	1439	1495	1471	1509	.	.	.
annual change in % (real, net)	4.2	2.0	2.5	2.1	2.1	1.1	.	.	.
Consumer prices (HICP), % p.a.	3.8	5.5	0.9	2.1	2.1	2.1	2.5	2.5	2.5
Producer prices in industry, % p.a.	4.4	3.9	-1.4	2.0	0.5	5.3	4	2.5	2
General governm.budget, EU-def., % GDP									
Revenues	42.4	42.3	43.1	43.4	.	.	43.3	43.1	43
Expenditures	42.5	44.1	49.0	49.0	.	.	49.1	48.1	47.5
Net lending (+) / net borrowing (-)	-0.1	-1.8	-6.0	-5.6	.	.	-5.8	-5.0	-4.5
Public debt, EU-def., in % of GDP	23.1	21.9	35.2	38.0	.	.	42.8	46	50
Central bank policy rate, % p.a., end of period <sup>2)</sup>	4.0	2.5	1.0	1.0	1.0	1.3	.	.	.
Current account, EUR mn	-1646	-2574	-455	-297	-122.2	13.9	-200	-400	-400
Current account in % of GDP	-4.8	-6.9	-1.3	-0.8	-0.7	0.1	-0.5	-1.0	-1.0
Exports of goods, BOP, EUR mn	19799	20032	16167	18387	8900	10363	20400	22200	24200
annual growth rate in %	16.3	1.2	-19.3	13.7	11.3	16.4	11	9	9
Imports of goods, BOP, EUR mn	21465	22681	16871	19591	9362	10889	21200	22800	24500
annual growth rate in %	18.1	5.7	-25.6	16.1	14.4	16.3	8	7.5	7.5
Exports of services, BOP, EUR mn	4146	4956	4347	4634	2110	2298	5000	5600	6200
annual growth rate in %	16.0	19.5	-12.3	6.6	4.4	8.9	7	11	10
Imports of services, BOP, EUR mn	3098	3533	3182	3325	1463	1543	3500	3700	4000
annual growth rate in %	20.1	14.0	-9.9	4.5	3.2	5.5	5	6	8
FDI inflow, EUR mn	1106	1330	-470	274	-66	296	500	.	.
FDI outflow, EUR mn	1316	983	174	-59	-8	-41	.	.	.
Gross reserves of NB excl. gold, EUR mn	666	623	671	695	735	641	.	.	.
Gross external debt, EUR mn	34783	39234	40294	40699	41842	42351	.	.	.
Gross external debt in % of GDP	100.6	105.2	114.1	114.9	118.1	114.8	.	.	.
Average exchange rate EUR/EUR	1.0000	1.0000	1.0000	1.0000	1.000	1.000	1	1	1
Purchasing power parity EUR/EUR	0.7749	0.8087	0.8356	0.8265	.	.	.	.	.

Note: Gross industrial production, construction output and producer prices refer to NACE Rev. 2.

1) Preliminary. - 2) Official refinancing operation rates for euro area (ECB).

Source: wiiw Database incorporating Eurostat and national statistics. Forecasts by wiiw.

## Baltic States: export- and investment-driven revival to abate

BY SEBASTIAN LEITNER

### Estonia

In the first half of 2011 the remarkable revival of the Estonian economy that had started in the second half of 2010 was strengthening. Thanks to strong demand from two of the most important trading partners, Sweden and Russia, but also from the USA, goods and services exports rose by more than 40% in nominal terms. Although the upswing obviously resulted also in a swift rise of imports, the contribution of real net exports to GDP growth amounted to 2.5 percentage points.

Industrial production increased by almost 30% in the first half of 2011 and manufacturing accounted for more than half of the 8.9% GDP growth year on year from January to June 2011. However, monthly trade and production statistics of the summer term suggest that the upswing of external demand is about to abate. Since goods and services exports equal nearly 90% of total value added, the Estonian economy is extremely sensitive to shifts in external demand. Strong interlinkages with Scandinavian production networks make Estonian suppliers dependent on Finish and Swedish export prospects. For both countries the second half of 2011 and the year 2012 is to bring about a decline in export growth. But also domestic demand in those countries is losing momentum as public stimulus measures are fading out.

However, in the first half of 2011 not only trade but also domestic demand was strengthening. Gross fixed capital formation rose by 18% in real terms and restocking continued alike. Companies in the manufacturing, but also in business service sectors and utilities, strongly expanded their investments. Nevertheless, the rise in expenditures for replacement and increase of capacities is also likely to abate in the coming months, with the expected slowdown of overall economic activity.

After the recent general slump of private consumption expenditure in the Baltics, Estonian households are now in a more positive mood to spend again. Consumption increased by 3.7% in real terms in the first half of the year. Retail trade figures show rising expenditures on durable goods. In particular the increase in car sales in the first half of 2011 by more than 30% year on year indicates an upswing of consumer confidence. Sustained recovery of consumer demand driven growth, however, will be restrained by sluggish increases in real incomes.

The revived domestic demand also brought about an upswing in inflation. Price increases of 5.3% in the first half of the year were driven to a large extent by rising prices of imported food and energy supplies. Nominal incomes are again on the rise, yet real net wages are still on the decline. In 2012, the influence of imported inflation will weaken, but the improvement of labour market conditions is expected to lead to somewhat higher core inflation. Therefore consumer prices are expected to rise by 4.5% in both 2012 and 2013.

At the same time the stock of loans of Estonian households is declining as is the case for the corporate sector. In general, the revival of export-driven growth allows the Estonian economy to deleverage. In mid-2009 external debt (almost exclusively held by the private sector) increased to above 130% of the GDP. Within two years, savings and economic growth have pushed the rate down to 105%. At the same time household debt fell somewhat less, from 55% of GDP in mid-2009 to 45% in mid-2011.

The economic revival also brought about some rise in employment and a decline of the unemployment rate to 13.2% in the second quarter of 2011. However, employment figures are still about 8% below the pre-crisis level, the unemployment level almost tripled compared to 2007, and the youth unemployment (persons aged 15-24) rate still amounts to 25%. Although industrial production recovered to pre-crisis levels, the loss of employment of about

20% in manufacturing seems to be permanent. The recovery of the labour market is due to rising employment in service sectors and construction. In the coming two years unemployment is likely to fall less speedily than in the recent period. We expect the unemployment rate to stand at 11.5% in 2012 and 10% in 2013 on annual average.

The low level of public debt (6.6% of GDP at the end of 2010) and the economic recovery should allow the Estonian government to abandon the path of overambitious permanent austerity pursued in the period 2008 to 2010. Nevertheless, for 2011 the budget deficit is still likely to be close to zero due to swiftly rising tax revenues. The government's budget plan for 2012 foresees a deficit of 2.1%. Expenditures for public investments and transfers to the second pillar pension fund are to rise. From January 2012 the government plans to raise the alcohol excise tax by 5 percentage points. At the same time cuts in income and real estate taxes are discussed. The adoption of the euro went on smoothly – despite turbulence in the southern periphery of the eurozone.

In a nutshell, the flattening of external demand dynamics, which has already started, will lower the so far remarkable economic growth in the second quarter of 2011 and in 2012. For this year we expect GDP to rise by 6.5% in real terms, next year by 3.5%. By 2013, we expect household demand to provide for stronger impulses again. The deleveraging process will have come to an end by that time. Consequently, the GDP growth rate may rise again to 4.5%. Although growth resumed after the economic devastation during 2008-2010, the pre-crisis level of GDP/capita is unlikely to be regained until 2014/15.

### **Latvia**

In the first half of 2011 economic activity finally regained momentum with 4.6% real growth of GDP year on year. The revival was driven mainly by vivid investment activity. Gross capital formation rose by 33% year on year in real terms. Particularly utility companies, the transport and public service sectors strongly expanded their investments. The upswing

in domestic demand was in part due to an electoral cycle; growth is expected to decelerate after the September 2011 parliamentary elections. Contrary to the public sphere, gross fixed capital formation in manufacturing and commercial service sectors evolved in a more subdued manner. Capacity utilization in the Latvian economy was still below 70% in August 2011, comparable to the situation in Ireland or Greece.

Household consumption continued to grow, by 4.2% in the first half of 2011. Although the situation on the labour market is still disappointing and far from tight, average nominal gross wages rose again in the first half of 2011 by more than 5% year on year. Although the total loan stock of households is still declining (80% of the credit stock are mortgage loans) and will continue to do so, long-term consumer credits are on the rise again, financing in particular the strong rise in the acquisition of cars. However, with consumer confidence still low and the increase in consumer prices (+4.2% in the first half of 2011) causing real incomes to stagnate, the upswing of household expenditures is not going to accelerate towards the end of 2011 and in 2012.

Contrary to neighbouring Estonia, Latvian producers could not benefit too much from the revival of demand of its trading partners. Since the product range of Latvian exports is rather narrow and not technology intensive (wood and wood products are still the most important items with about 20% of total exports) the terms of trade deteriorated. Although exports and imports both rose by about 35% in nominal terms in the first half of 2011, the negative contribution of the balance of goods and services to GDP growth was thus substantial (-3.5 percentage points).

Industrial production figures show that falling labour costs did not result in strongly rising output figures. After a vivid upswing in the second half of 2010, in the period January to June 2011 the growth of industrial production slowed to 11.5% and was further declining thereafter. The volume of orders and the expectations of entrepreneurs in the industrial sector have diminished in the past two months

in line with those in the whole EU. We therefore expect the growth of industrial production to decline in 2012.

Although the situation on the labour market has somewhat improved in the past twelve months, the unemployment rate was still at 16.4% in the first half of 2011. The expected levelling-off of economic growth is going to hinder substantial job growth especially in the construction and industrial sectors, which were hit hardest during the crisis. The precarious situation of young persons (aged 15-24), who suffer from an unemployment rate of more than 30%, brings forth rising emigration and the emergence of a 'lost generation' that lacks chances to enter the formal labour market at all. Furthermore, Latvia is the most poverty-prone country of the EU today. Average gross monthly wages are less than EUR 700; more than 20% of the population live with less than 60% of the median income.

In the parliamentary elections of 17 September the centre-left party 'Harmony centre' won 33 of the 100 seats to the Latvian Saeima. The centre-conservative 'Reform Party', founded only in July this year by ex-president Zatlers, captured 22 seats, while Prime Minister Dombrovskis' conservative 'Unity' movement lost about a third and holds now 20 seats in parliament. The nationalist party 'All for Latvia! - For Fatherland and Freedom' almost doubled their seats to 14, while the centre-conservative 'Union of Greens and Farmers', which formed the previous coalition government together with 'Unity', also lost support substantially and now holds only 13 seats in the new Saeima. If ex-president Zatlers stands by his statement not to collaborate with the Union of Greens and Farmers, which he accuses of corruption, two coalition options are possible. Dombrovskis and Zatlers anyway represent very similar political views and will work together. 'All for Latvia!' is a close ally when it comes to economic austerity policies, yet their representatives' views towards the Russian-speaking population are very negative, so that they would most probably be a permanent pain in the neck of their centre-conservative coalition partners. Coop-

eration with 'Harmony centre', a social democratic party that roots in the Russian-speaking population, would yet break an implied rule of Latvian national politics of the post-Soviet age. Nils Ušakovs, the head of the party, who became mayor of the capital Riga in 2009, does the utmost to lead 'Harmony centre' to the political mainstream. However, it is questionable whether the time is yet ripe to bridge the divide between 'Harmony' and the conservative parties that represent the autochthon part of the population.

In any case, any future coalition government will pursue the path of austerity that is laid down in the conditions of the EU-IMF financed rescue package that helped Latvia to finance its public expenditures in the times of illiquidity. However, given the lowered expectations for economic growth in 2012, the reduction of the deficit to 3% of GDP already next year seems to be overambitious and would further dampen economic activity. It is more likely that this aim – expected by the ruling parties to bring about the desired accession to the eurozone – will be achieved in 2013.

We expect GDP to grow at a somewhat lower rate due to abating investment activity in the second half of the year, and by 4% in total in 2011. Next year the dampened domestic and external demand will result in economic growth of only 3%. A slight upswing of domestic demand growth should again give a stimulus to an increase in GDP of 3.8% in 2013. Since economic growth is not likely to rise much more thereafter, the pre-crisis level of GDP will not be attained until 2016/17.

### Lithuania

The Lithuanian economy experienced a substantial growth revival (+6.6%) in the first half of 2011. After a strong contraction by 40% in 2009 and stagnation in 2010, gross fixed capital formation expanded by 30% in the first six months of this year. Not only public investments, but also those of manufacturing sectors, real estate activities and transport increased strongly. Investment and production figures of the summer term however show that in the

second half of this year the growth of capital formation will abate after the replacement of necessary equipment. Investments due to capacity increases are rare, since survey figures show that the Lithuanian economy is still working at just about 70% of the existing capacity (similar to Latvia).

External demand evolved vigorously and exports rose by 41% nominally in the first half of 2011. Nevertheless, this outcome is strongly influenced by rising prices for oil products, which are the most important export goods of the Lithuanian economy. Furthermore, in parallel to the recovery of industrial production and final domestic demand, imports grew at the same speed as exports. The contribution of net trade to GDP growth was slightly negative.

Production figures for the industrial sector also highlight that the upswing in output is far less impressive compared to Estonia. After an increase of more than 15% on average in the fourth quarter of 2010 and the first quarter of 2011, the period April to August again showed a slowdown to about 8% growth in real terms.

Apart from investment and exports, household consumption regained momentum as well, growing by about 6% in real terms in the first half of 2011. This comes somewhat surprisingly, since average real wages of employees still declined by nearly 2% in the same period, although employment started to rise slightly again.

Along with the revival of economic activity, consumer prices were on the rise again. Inflation reached 4% in the first half of 2011. However, this development is almost exclusively due to rising prices of food and energy products. Although energy prices are due to hike again in the coming months, we expect increases of consumer prices to abate somewhat in 2012 due to lower growth of overall demand, but to resurge in 2013.

After two years of falling employment, job figures had started to rise again gradually in the second half of 2010. In the first half of 2011 yet, the growth of employment was still subdued at 2.6%. A large part of the slight recovery in the labour market accrues to an increase in jobs in the transport sector, hotels and restaurants and business service activities, while a rebound in manufacturing employment is lacking.

The economic revival allows the Lithuanian government to follow its scheduled path of deficit reduction in 2011 (-5.3% of GDP) as laid down in the latest convergence plan. However, economic growth in 2012 will most likely be below the figures assumed by the finance ministry in the plan. Furthermore, elections to the parliament are to be held by autumn 2012 at the latest. The ruling centre-conservative three-party coalition is currently running low in the polls, which may lead to a pre-election rise in public expenditures. We therefore expect the budget deficit to fall below the Maastricht line of 3% not as early as next year but only in 2013.

We expect economic activity to develop less vividly in the second half of this year due to a decline in external demand growth and lowered investment activity. Still, this should result in a GDP growth rate of 5.5% in total for 2011. Weaker external demand and only sluggish household consumption will reduce GDP growth to 3.5% in 2012. In 2013 we expect a turnaround in the trade cycle and domestic demand to regain momentum, raising GDP growth to 4.5%.

Table EE

**Estonia: Selected Economic Indicators**

	2007	2008	2009	2010 <sup>1)</sup>	2010 January-June	2011	2011 Forecast	2012 Forecast	2013
Population, th pers., average	1341.7	1340.7	1340.3	1340.2	.	.	1339	1338	1338
Gross domestic product, EUR mn, nom.	16069.4	16304.2	13839.6	14305.3	6731.2	7638.2	16100	17400	19000
annual change, % (real)	7.4	-3.6	-14.3	2.3	-0.8	8.9	6.5	3.5	4.5
GDP/capita (EUR at exchange rate)	12000	12200	10300	10700	.	.	.	.	.
GDP/capita (EUR at PPP)	17500	17200	15000	15700	.	.	.	.	.
Consumption of households, EUR mn, nom.	8517.0	8656.9	7200.8	7235.1	3572.2	3902.8	.	.	.
annual change in % (real)	8.8	-6.4	-16.0	-1.8	-4.9	3.7	3.5	2	3
Gross fixed capital form., EUR mn, nom.	5710.3	4846.6	2972.8	2693.7	1179.0	1445.7	.	.	.
annual change in % (real)	9.3	-15.1	-37.9	-9.1	-17.1	17.6	13	9	10
Gross industrial production									
annual change in % (real)	6.4	-5.2	-24.0	20.9	11.9	29.3	22	16	15
Gross agricultural production									
annual change in % (real)	12.5	-1.2	2.8	-2.5	.	.	.	.	.
Construction industry									
annual change in % (real)	13.5	-13.3	-29.8	-12.4	-24.2	19.9	.	.	.
Employed persons - LFS, th, average	655.3	656.5	595.8	570.9	556.2	597.0	605	620	635
annual change in %	1.4	0.2	-9.2	-4.2	-7.7	7.3	6	2	2
Unemployed persons - LFS, th, average	32.0	38.4	95.1	115.9	132.3	95.7	.	.	.
Unemployment rate - LFS, in %, average	4.7	5.5	13.8	16.9	19.2	13.8	12.7	11.5	10
Reg. unemployment rate, in %, end of period	2.2	4.6	13.3	10.1	12.5	8.1	.	.	.
Average gross monthly wages, EUR	725	825	784	792	790	825	.	.	.
annual change in % (real, gross)	13.0	3.2	-4.9	-1.8	-2.2	-0.9	.	.	.
Consumer prices (HICP), % p.a.	6.7	10.6	0.2	2.7	1.4	5.3	5.5	4.5	4.5
Producer prices in industry, % p.a.	8.1	8.0	0.7	3.2	1.7	4.9	.	.	.
General governm. budget, EU-def., % GDP									
Revenues	36.9	37.0	43.4	40.1	.	.	39.1	38.9	38.3
Expenditures	34.4	39.9	45.2	40.0	.	.	39.9	41.1	40.0
Net lending (+) / net borrowing (-)	2.5	-2.9	-1.8	0.1	.	.	-0.8	-2.2	-1.7
Public debt, EU-def., in % of GDP	3.7	4.6	7.2	6.6	.	.	6.1	6.3	6.1
Central bank policy rate, % p.a., end of period <sup>2)</sup>	7.0	7.0	2.8	0.9	1.2	1.3	.	.	.
Current account, EUR mn	-2721	-1568	628	538	80	-19	-50	-300	-700
Current account in % of GDP	-16.9	-9.6	4.5	3.8	1.2	-0.2	-0.3	-1.7	-3.7
Exports of goods, BOP, EUR mn	8142	8539	6536	8824	3860	5927	11900	14000	16800
annual growth rate in %	4.7	4.9	-23.5	35.0	22.4	53.5	35	18	20
Imports of goods, BOP, EUR mn	10871	10664	7096	9028	4119	6087	12000	14400	17600
annual growth rate in %	7.9	-1.9	-33.5	27.2	19.7	47.8	33	20	22
Exports of services, BOP, EUR mn	3196	3513	3159	3414	1567	1777	3800	4100	4500
annual growth rate in %	11.3	9.9	-10.1	8.1	4.6	13.4	11	8	10
Imports of services, BOP, EUR mn	2245	2288	1814	2106	985	1220	2500	2750	3100
annual growth rate in %	13.4	1.9	-20.7	16.1	14.5	23.8	19	10	13
FDI inflow, EUR mn	1992	1179	1209	1173	600	859	1800	.	.
FDI outflow, EUR mn	1276	760	1110	171	95	253	.	.	.
Gross reserves of NB excl. gold, EUR mn <sup>3)</sup>	2236	2814	2758	1904	2875	147	.	.	.
Gross external debt, EUR mn	17406	19039	17256	16481	17416	16756	.	.	.
Gross external debt in % of GDP	108.3	116.8	124.7	115.2	121.7	104.1	.	.	.
Average exchange rate EUR/EUR	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1	1	1
Purchasing power parity EUR/EUR	0.6834	0.7062	0.6905	0.6808	.	.	.	.	.

Note: Estonia has introduced the Euro from 1 January 2011. Up to and including 2010 all time series in EKK as well as the exchange rates and PPP rates have been divided for statistical purposes by the conversion factor 15.6466 (EKK per EUR) to a kind of statistical EUR (euro-fixed).

Note: Gross industrial production, construction output and producer prices refer to NACE Rev. 2.

1) Preliminary. - 2) From 2011 official refinancing operation rates for euro area (ECB), TALIBOR one-month interbank offered rate (Estonia had a currency board) before. - 3) From January 2011 (Euro introduction) only the foreign currency reserves nominated in non-euro currency are included.

Source: wiiw Database incorporating Eurostat and national statistics. Forecasts by wiiw.

Table LV

**Latvia: Selected Economic Indicators**

	2007	2008	2009	2010 <sup>1)</sup>	2010 January-June	2011	2011 Forecast	2012 Forecast	2013
Population, th pers., average	2276.1	2266.1	2254.8	2239.0	.	.	2220	2210	2200
Gross domestic product, LVL mn, nom.	14720.7	16084.7	13070.4	12738.7	5992.1	6551.4	13800	14700	15900
annual change in % (real)	9.6	-3.3	-17.8	-0.3	-4.4	4.6	4	3	3.8
GDP/capita (EUR at exchange rate)	9200	10100	8200	8000	.	.	.	.	.
GDP/capita (EUR at PPP)	13900	14000	12200	12600	.	.	.	.	.
Consumption of households, LVL mn, nom.	9049.0	9903.6	7889.3	7908.0	3783.6	4135.0	.	.	.
annual change in % (real)	14.6	-5.8	-22.8	0.6	-3.7	4.2	3.8	3	3.5
Gross fixed capital form., LVL mn, nom.	5013.3	4769.6	2820.3	2294.2	815.6	1030.5	.	.	.
annual change in % (real)	7.9	-13.7	-37.4	-19.2	-39.8	24.6	18	11	12
Gross industrial production <sup>2)</sup>									
annual change in % (real)	1.1	-3.2	-18.1	14.9	9.2	11.5	10	8	9
Gross agricultural production									
annual change in % (real)	10.8	0.2	-0.7	-3.6	.	.	.	.	.
Construction industry									
annual change in % (real)	13.6	-3.1	-34.9	-23.4	-38.6	-6.2	.	.	.
Employed persons - LFS, th, average	1118.0	1124.5	983.1	940.9	926.1	955.4	970	1000	1030
annual change in %	2.8	0.6	-12.6	-4.3	-9.5	3.2	3	3	3
Unemployed persons - LFS, th, average	71.3	90.5	203.2	216.1	230.6	187.7	.	.	.
Unemployment rate - LFS, in %, average	6.0	7.5	17.1	18.7	19.9	16.4	15.7	14	12.5
Reg. unemployment rate, in %, end of period	4.9	7.0	16.0	14.3	15.6	12.6	.	.	.
Average gross monthly wages, LVL	398	479	461	445	438	460	.	.	.
annual change in % (real, net)	19.9	6.2	-5.6	-6.5	-9.1	0.1	.	.	.
Consumer prices (HICP), % p.a.	10.1	15.2	3.3	-1.2	-3.1	4.2	4.5	3.5	4
Producer prices in industry, % p.a.	16.1	11.4	-4.6	2.8	-1.1	8.0	.	.	.
General government budget, EU-def., % GDP									
Revenues	35.4	34.6	34.6	35.2	.	.	36.7	36.5	37.0
Expenditures	35.8	38.8	44.2	42.9	.	.	41.5	40.0	39.0
Net lending (+) / net borrowing (-)	-0.3	-4.2	-9.6	-7.6	.	.	-4.8	-3.5	-2.0
Public debt, EU-def., in % of GDP	9.0	19.7	36.7	44.7	.	.	48.5	49.5	49.0
Central bank policy rate, % p.a., end of period <sup>3)</sup>	6.0	6.0	4.0	3.5	3.5	3.5	.	.	.
Current account, EUR mn	-4710	-3014	1598	643	595	92	-200	-500	-1000
Current account in % of GDP	-22.4	-13.2	8.6	3.6	7.0	1.0	-1.0	-2.4	-4.5
Exports of goods, BOP, EUR mn	6020	6531	5253	6728	3005	4069	8300	9800	11800
annual growth rate in %	22.1	8.5	-19.6	28.1	23.2	35.4	23	18	20
Imports of goods, BOP, EUR mn	11074	10603	6575	7884	3559	4777	9800	11800	14400
annual growth rate in %	22.6	-4.3	-38.0	19.9	10.2	34.2	24	20	22
Exports of services, BOP, EUR mn	2707	3088	2747	2773	1302	1464	3000	3200	3600
annual growth rate in %	27.6	14.1	-11.0	0.9	-4.1	12.4	8	7	13
Imports of services, BOP, EUR mn	1974	2169	1625	1660	749	859	1850	2000	2300
annual growth rate in %	24.5	9.9	-25.1	2.2	-4.6	14.7	11	8	15
FDI inflow, EUR mn	1705	869	68	260	39	529	800	.	.
FDI outflow, EUR mn	270	169	-44	12	34	34	.	.	.
Gross reserves of NB excl. gold, EUR mn	3860	3514	4572	5472	5290	5161	.	.	.
Gross external debt, EUR mn	26835	29763	29097	29940	29293	29270	.	.	.
Gross external debt in % of GDP	127.6	130.0	157.1	166.6	163.0	150.3	.	.	.
Average exchange rate LVL/EUR	0.7001	0.7027	0.7057	0.7087	0.7082	0.7070	0.71	0.71	0.71
Purchasing power parity LVL/EUR	0.4663	0.5057	0.4764	0.4513	.	.	.	.	.

Note: Gross industrial production, construction output and producer price index refer to NACE Rev. 2.

1) Preliminary. - 2) Enterprises with 20 and more employees. - 3) Refinancing rate of National Bank.

Source: wiw Database incorporating Eurostat and national statistics. Forecasts by wiw.



Table LT

**Lithuania: Selected Economic Indicators**

	2007	2008	2009	2010 <sup>1)</sup>	2010 January-June	2011	2011 Forecast	2012	2013
Population, th pers., average	3375.6	3358.1	3339.5	3286.8	.	.	3240	3210	3180
Gross domestic product, LTL mn, nom.	98669.1	111482.6	91525.9	94641.9	44307.4	50267.3	104300	111700	121400
annual change in % (real)	9.8	2.9	-14.7	1.3	-0.4	6.6	5.5	3.5	4.5
GDP/capita (EUR at exchange rate)	8500	9600	7900	8300	.	.	.	.	.
GDP/capita (EUR at PPP)	14700	15300	12900	14200	.	.	.	.	.
Consumption of households, LTL mn, nom.	63508.4	73027.2	62814.5	60841.0	28963.6	31975.1	.	.	.
annual change in % (real)	12.0	3.7	-17.7	-4.5	-8.5	6.1	5	3	4
Gross fixed capital form., LTL mn, nom.	27918.8	28370.0	15666.9	15198.5	5822.7	7744.4	.	.	.
annual change in % (real)	23.0	-5.2	-40.0	0.0	-16.8	30.0	18	12	13
Gross industrial production (sales)									
annual change in % (real)	2.4	5.5	-14.6	6.7	0.9	12.6	9.5	7	8
Gross agricultural production									
annual change in % (real)	8.2	8.8	1.0	-6.3	.	.	.	.	.
Construction industry									
annual change in % (real)	22.2	4.0	-48.5	-7.7	-28.4	16.4	.	.	.
Employed persons - LFS, th, average	1534.2	1520.0	1415.9	1343.7	1328.2	1362.8	1380	1400	1430
annual change in %	2.3	-0.9	-6.8	-5.1	-7.0	2.6	2.7	1.4	2.1
Unemployed persons - LFS, th, average	69.0	94.3	225.1	291.1	295.3	266.6	.	.	.
Unemployment rate - LFS, in %, average	4.3	5.8	13.7	17.8	18.2	16.4	16	14	12.5
Reg. unemployment rate, in %, end of period <sup>2)</sup>	3.3	4.4	12.5	14.4	15.0	11.0	.	.	.
Average gross monthly wages, LTL	1802.4	2151.7	2056.0	1988.1	2043.5	2089.7	.	.	.
annual change in % (real, net)	17.0	10.1	-7.2	-4.3	-6.2	-1.8	.	.	.
Consumer prices (HICP), % p.a.	5.8	11.1	4.2	1.2	0.1	4.0	4.5	3.5	4
Producer prices in industry, % p.a.	7.0	18.2	-13.5	10.3	8.6	14.5	.	.	.
General govern.budget, EU-def., % GDP									
Revenues	33.8	34.1	34.5	34.2	.	.	33.7	34.0	34.6
Expenditures	34.8	37.4	44.0	41.3	.	.	39.0	38.0	37.4
Net lending (+) / net borrowing (-)	-1.0	-3.3	-9.5	-7.1	.	.	-5.3	-4.0	-2.8
Public debt, EU-def., in % of GDP	16.9	15.6	29.5	38.2	.	.	40.5	42.5	43.0
Central bank policy rate, % p.a., end of period <sup>3)</sup>	6.8	7.8	1.6	1.1	1.0	1.4	.	.	.
Current account, EUR mn	-4149	-4227	1128	506	294	-302	-600	-1000	-1500
Current account in % of GDP	-14.5	-13.1	4.3	1.8	2.3	-2.1	-2.0	-3.1	-4.3
Exports of goods, BOP, EUR mn	12509	16077	11797	15717	6838	9613	20500	24500	29600
annual growth rate in %	11.1	28.5	-26.6	33.2	24.0	40.6	30	20	21
Imports of goods, BOP, EUR mn	16788	20263	12628	16896	7404	10500	22100	26800	33000
annual growth rate in %	15.0	20.7	-37.7	33.8	24.0	41.8	31	21	23
Exports of services, BOP, EUR mn	2931	3240	2657	3115	1441	1770	3600	3900	4300
annual growth rate in %	1.8	10.5	-18.0	17.2	13.0	22.8	16	8	10
Imports of services, BOP, EUR mn	2471	2835	2140	2136	1008	1254	2550	2800	3150
annual growth rate in %	22.4	14.7	-24.5	-0.2	-5.5	24.4	19	10	13
FDI inflow, EUR mn	1473	1396	124	475	-129	616	1000	.	.
FDI outflow, EUR mn	437	229	157	96	-11	28	.	.	.
Gross reserves of NB excl. gold, EUR mn	5165	4458	4495	4968	4411	4736	.	.	.
Gross external debt, EUR mn	20547	23009	23163	24071	23961	24928	.	.	.
Gross external debt in % of GDP	71.9	71.3	87.4	87.8	87.4	82.5	.	.	.
Average exchange rate LTL/EUR	3.4528	3.4528	3.4528	3.4528	3.4528	3.4528	3.45	3.45	3.45
Purchasing power parity LTL/EUR	2	2	2	2	.	.	.	.	.

Note: Gross industrial production, construction output and producer prices refer to NACE Rev. 2.

1) Preliminary. - 2) In % of working age population. - 3) VILIBOR one-month interbank offered rate (Lithuania has a currency board).

Source: wiw Database incorporating Eurostat and national statistics. Forecasts by wiw.



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## STATISTICAL ANNEX

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

NEW: As of January 2011, time series for the three Baltic countries – **Estonia, Latvia, Lithuania** – are included in the wiiw Monthly Database.

#### Conventional signs and abbreviations used

.	data not available
%	per cent
PP	change in % against previous period
CPPY	change in % against corresponding period of previous year
CCPPY	change in % against cumulated corresponding period of previous year (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
NACE Rev. 1	statistical classification of economic activities in the European Community, Rev. 1 (1990) / Rev. 1.1 (2002)
NACE Rev. 2	statistical classification of economic activities in the European Community, Rev. 2 (2008)
LFS	Labour Force Survey
CPI	consumer price index
HICP	harmonized index of consumer prices (for new EU member states)
PPI	producer price index
p.a.	per annum
mn	million (10 <sup>6</sup> )
bn	billion (10 <sup>9</sup> )
avg	average
eop	end of period
NCU	national currency unit (including 'euro-fixed' series for euro-area countries)

The following national currencies are used:

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

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

USD US dollar

M1 currency outside banks + demand deposits / narrow money (ECB definition)

M2 M1 + quasi-money / intermediate money (ECB definition)

M3 broad money

Sources of statistical data: Eurostat, national statistical offices and central banks; wiiw estimates.

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BULGARIA: Selected monthly data on the economic situation 2010 to 2011

(updated end of Sep 2011)

		2010						2011								
		Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
<b>PRODUCTION</b>																
Industry, NACE Rev. 2 <sup>1)</sup>	real, CPPY	2.6	-1.1	3.8	6.8	3.6	5.7	6.7	10.1	15.4	7.2	8.8	9.1	1.6	4.7	.
Industry, NACE Rev. 2 <sup>1)</sup>	real, CCPY	-2.3	-2.2	-1.4	-0.5	-0.1	0.5	1.0	10.1	12.7	10.6	10.2	10.0	8.4	7.8	.
Industry, NACE Rev. 2 <sup>1)</sup>	real, 3MMA	0.0	1.7	3.1	4.7	5.4	5.4	7.4	10.4	10.6	10.2	8.3	6.3	5.0	.	.
Construction, NACE Rev. 2 <sup>2)</sup>	real, CPPY	-25.2	-19.7	-10.7	-13.9	-11.6	0.8	-14.2	-12.2	-13.1	-18.4	-22.1	-16.9	-3.7	-14.4	.
Construction, NACE Rev. 2 <sup>2)</sup>	real, CCPY	-23.4	-22.8	-21.4	-20.7	-19.8	-18.3	-18.0	-12.2	-12.7	-14.8	-16.8	-16.8	-14.6	-14.6	.
<b>LABOUR</b>																
Employed persons, LFS	th. pers., quart. avg	3072.1	.	.	3104.2	.	.	3023.7	.	.	2890.7	.	.	2934.1	.	.
Employed persons, LFS	CCPY	-7.3	.	.	-6.7	.	.	-6.2	.	.	-4.0	.	.	-4.3	.	.
Unemployed persons, LFS	th. pers., quart. avg	342.2	.	.	326.6	.	.	382.4	.	.	395.5	.	.	369.8	.	.
Unemployment rate, LFS	%	10.0	.	.	9.5	.	.	11.2	.	.	12.0	.	.	11.2	.	.
Productivity in industry, NACE Rev. 2	CCPY	7.1	.	.	7.6	.	.	8.0	.	.	15.2	.	.	12.3	.	.
<b>WAGES</b>																
Total economy, gross	BGN	636	637	630	649	650	667	691	663	663	689	710	698	690	.	.
Total economy, gross <sup>3)</sup>	real, CPPY	5.7	6.8	6.0	5.5	5.6	6.9	5.9	4.0	3.9	3.6	6.9	5.5	4.8	.	.
Total economy, gross	EUR	325	326	322	332	332	341	353	339	339	352	363	357	353	.	.
Industry, gross, NACE Rev. 2	EUR	327	324	322	330	326	330	345	328	329	351	350	347	354	.	.
<b>PRICES</b>																
Consumer - HICP	PP	-0.4	0.5	0.2	0.2	0.2	0.5	0.8	0.5	0.6	0.4	-0.1	0.1	-0.3	0.4	-0.1
Consumer - HICP	CCPY	2.5	3.2	3.2	3.6	3.6	4.0	4.4	4.3	4.6	4.6	3.3	3.4	3.5	3.4	3.1
Consumer - HICP	CCPY	2.4	2.5	2.6	2.7	2.8	2.9	3.0	4.3	4.5	4.5	4.2	4.0	4.0	3.9	3.8
Producer, in industry, NACE Rev. 2	PP	-0.2	0.6	0.9	0.1	-0.3	1.5	2.0	1.7	1.6	1.0	1.3	-1.3	-0.3	0.9	.
Producer, in industry, NACE Rev. 2	CCPY	8.4	10.2	11.0	9.6	10.3	11.3	12.2	12.2	13.9	13.6	12.6	9.3	9.1	9.5	.
Producer, in industry, NACE Rev. 2	CCPY	6.3	6.8	7.4	7.6	7.9	8.2	8.5	12.2	13.1	13.2	13.1	12.3	11.8	11.4	.
<b>FOREIGN TRADE <sup>4)</sup></b>																
Exports total (fob), cumulated	EUR mn	6865	8381	9837	11279	12729	14189	15589	1590	3080	4777	6382	8043	9639	.	.
Imports total (cif), cumulated	EUR mn	8742	10411	11939	13567	15320	17318	19162	1593	3196	5026	6929	8903	10801	.	.
Trade balance, cumulated	EUR mn	-1877	-2030	-2101	-2288	-2591	-3129	-3573	-3	-116	-249	-547	-860	-1162	.	.
Exports to EU-27 (fob), cumulated	EUR mn	4129	5112	6022	6890	7805	8703	9494	943	1872	2906	3850	4893	5930	.	.
Imports from EU-27 (cif), cumulated	EUR mn	5134	6072	6967	7949	8999	10197	11247	898	1852	2919	4007	5170	6189	.	.
Trade balance with EU-27, cumulated	EUR mn	-1005	-960	-945	-1058	-1194	-1494	-1753	45	21	-12	-157	-278	-260	.	.
<b>FOREIGN FINANCE</b>																
Current account, cumulated	EUR mn	-862	.	.	481	.	.	-356	.	.	210	.	.	.	.	.
<b>EXCHANGE RATE</b>																
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
BGN/USD, monthly average	nominal	1.602	1.532	1.517	1.497	1.407	1.432	1.479	1.464	1.433	1.397	1.354	1.363	1.359	1.371	1.364
EUR/BGN, calculated with CPI <sup>5)</sup>	real, Jan07=100	112.2	113.1	113.0	113.0	112.8	113.3	113.4	114.4	114.5	113.7	112.9	112.9	112.7	113.6	113.2
EUR/BGN, calculated with PPI <sup>5)</sup>	real, Jan07=100	111.7	112.2	113.2	113.0	112.4	113.6	114.8	115.6	116.6	116.7	117.3	115.9	115.6	116.2	.
USD/BGN, calculated with CPI <sup>5)</sup>	real, Jan07=100	106.2	111.7	112.7	114.4	121.7	120.3	117.1	118.3	121.0	123.4	126.3	125.0	125.1	124.4	124.5
USD/BGN, calculated with PPI <sup>5)</sup>	real, Jan07=100	100.8	105.7	107.3	108.9	114.3	113.4	110.8	112.2	114.5	116.6	119.8	116.6	116.7	116.4	.
<b>DOMESTIC FINANCE</b>																
Currency in circulation	BGN mn, eop	6761	6963	7119	7076	7023	6953	7356	6943	6857	6824	6859	6865	6974	7235	.
M1	BGN mn, eop	18068	18535	19051	19051	18877	19069	18386	18042	18349	18246	18388	18363	18737	19501	.
Broad money	BGN mn, eop	49245	49838	50514	50333	50395	50966	50741	50939	51414	51946	52245	52664	53112	54512	.
Broad money	CCPY	8.0	8.7	9.3	8.3	8.2	8.9	6.3	7.3	6.1	7.3	7.5	7.7	7.9	9.4	.
Central bank policy rate (p.a.) <sup>6)</sup>	%, eop	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Central bank policy rate (p.a.) <sup>6)7)</sup>	real, %	-7.5	-9.1	-9.8	-8.6	-9.2	-10.0	-10.7	-10.7	-12.1	-11.8	-11.0	-8.3	-8.1	-8.5	.
<b>BUDGET</b>																
General gov. budget balance <sup>8)</sup> , cum.	BGN mn	-656	.	.	-1254	.	.	-2269	.	.	-551	.	.	.	.	.

1) Enterprises with 10 and more persons.

2) All public enterprises, private enterprises with 5 and more employees.

3) Nominal wages deflated with HICP.

4) From 2007 intra-/extra-EU trade methodology.

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

6) Base interest rate. This is a reference rate based on the average interbank LEONIA rate of previous month (Bulgaria has a currency board).

7) Deflated with annual PPI.

8) According to ESA'95 excessive deficit procedure.

Source: wiw Monthly Database incorporating Eurostat and national statistics.

## C Z E C H REPUBLIC: Selected monthly data on the economic situation 2010 to 2011

(updated end of Sep 2011)

		2010						2011								
		Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
<b>PRODUCTION</b>																
Industry, NACE Rev. 2	real, CPPY	8.4	6.0	13.7	12.3	8.3	15.4	11.9	16.2	12.7	8.7	4.7	14.6	7.9	4.4	.
Industry, NACE Rev. 2	real, CCPPY	9.2	8.8	9.4	9.7	9.6	10.1	10.3	16.2	14.4	12.3	10.3	11.2	10.6	9.8	.
Industry, NACE Rev. 2	real, 3MMA	9.9	9.3	10.7	11.3	12.0	11.8	14.5	13.6	12.3	8.6	9.3	9.0	9.1	.	.
Construction, NACE Rev. 2	real, CPPY	-6.4	-3.0	-0.8	-4.5	1.6	1.1	-10.0	5.4	10.2	6.0	-6.6	-3.5	-4.8	-11.2	.
Construction, NACE Rev. 2	real, CCPPY	-13.9	-12.0	-10.2	-9.3	-7.9	-6.8	-7.1	5.4	7.9	7.1	2.4	0.6	-0.7	-2.7	.
<b>LABOUR</b>																
Employed persons, LFS	th. pers., quart. avg	4880.9	.	.	4912.1	.	.	4918.8	.	.	4864.4	.	.	4908.4	.	.
Employed persons, LFS	CCPPY	-1.8	.	.	-1.3	.	.	-1.0	.	.	0.7	.	.	0.6	.	.
Unemployed persons, LFS	th. pers., quart. avg	374.5	.	.	374.1	.	.	362.9	.	.	376.1	.	.	354.6	.	.
Unemployment rate, LFS	%	7.1	.	.	7.1	.	.	6.9	.	.	7.2	.	.	6.7	.	.
Productivity in industry, NACE Rev. 2	CCPPY	16.5	.	.	14.7	.	.	13.9	.	.	9.5	.	.	7.8	.	.
<b>WAGES</b>																
Total economy, gross	CZK, quart. avg.	23410	.	.	23528	.	.	25565	.	.	23160	.	.	23984	.	.
Total economy, gross <sup>1)</sup>	real, CPPY	1.7	.	.	0.3	.	.	-1.4	.	.	0.3	.	.	0.6	.	.
Total economy, gross	EUR, quart. avg.	915	.	.	944	.	.	1032	.	.	950	.	.	986	.	.
Industry, gross, NACE Rev. 2 <sup>2)</sup>	EUR, quart. avg.	905	.	.	925	.	.	1028	.	.	945	.	.	994	.	.
<b>PRICES</b>																
Consumer - HICP	PP	0.0	0.3	-0.3	-0.2	-0.3	0.2	0.5	0.8	0.0	0.2	0.2	0.6	-0.1	0.3	-0.1
Consumer - HICP	CPPY	1.0	1.6	1.5	1.8	1.8	1.9	2.3	1.9	1.9	1.9	1.6	2.0	1.9	1.9	2.1
Consumer - HICP	CCPPY	0.7	0.8	0.9	1.0	1.1	1.1	1.2	1.9	1.9	1.9	1.8	1.9	1.9	1.9	1.9
Producer, in industry, NACE Rev. 2	PP	0.8	-0.8	-0.9	0.0	-0.3	0.6	1.5	0.1	0.3	0.8	0.6	0.6	-0.2	-0.1	.
Producer, in industry, NACE Rev. 2	CPPY	1.8	2.2	1.5	2.2	1.3	1.7	2.8	2.5	3.0	4.1	4.0	3.2	2.2	2.9	.
Producer, in industry, NACE Rev. 2	CCPPY	-1.8	-1.2	-0.9	-0.6	-0.4	-0.2	0.0	2.5	2.7	3.2	3.4	3.3	3.2	3.1	.
<b>FOREIGN TRADE <sup>3)</sup></b>																
Exports total (fob), cumulated	EUR mn	47311	55211	63175	72688	82245	92063	100311	9215	18229	28822	38229	48252	58386	67374	.
Imports total (cif), cumulated	EUR mn	44081	51856	59791	68875	77874	87291	95536	8492	16922	26615	35490	44928	54315	62728	.
Trade balance, cumulated	EUR mn	3230	3355	3384	3813	4371	4772	4774	724	1308	2207	2739	3325	4070	4646	.
Exports to EU-27 (fob), cumulated	EUR mn	40011	46629	53244	61210	69291	77537	84265	7773	15387	24255	32169	40589	48999	56494	.
Imports from EU-27 (cif), cumulated	EUR mn	33309	39038	44921	51773	58483	65552	71553	6330	12709	20048	26552	33579	40512	46684	.
Trade balance with EU-27, cumulated	EUR mn	6702	7592	8323	9436	10808	11984	12712	1443	2678	4206	5616	7009	8487	9810	.
<b>FOREIGN FINANCE</b>																
Current account, cumulated	EUR mn	-1080	.	.	-4720	.	.	-5563	.	.	811	.	.	.	.	.
<b>EXCHANGE RATE</b>																
CZK/EUR, monthly average	nominal	25.78	25.33	24.81	24.65	24.53	24.63	25.17	24.45	24.28	24.39	24.30	24.38	24.29	24.34	24.27
CZK/USD, monthly average	nominal	21.12	19.83	19.24	18.87	17.65	18.03	19.04	18.30	17.79	17.42	16.83	16.99	16.88	17.06	16.92
EUR/CZK, calculated with CPI <sup>4)</sup>	real, Jan07=100	109.7	112.3	114.1	114.3	114.3	113.8	111.2	115.9	116.2	114.6	114.5	114.7	115.2	115.7	115.7
EUR/CZK, calculated with PPI <sup>4)</sup>	real, Jan07=100	102.6	103.5	104.7	105.1	105.1	104.8	103.1	105.2	105.5	104.8	105.0	105.4	105.6	104.9	.
USD/CZK, calculated with CPI <sup>4)</sup>	real, Jan07=100	103.9	110.9	113.8	115.8	123.3	120.9	114.8	119.8	122.8	124.3	128.1	127.0	127.9	126.7	127.3
USD/CZK, calculated with PPI <sup>4)</sup>	real, Jan07=100	92.6	97.5	99.3	101.2	106.9	104.6	99.5	102.0	103.6	104.7	107.2	106.0	106.6	105.0	.
<b>DOMESTIC FINANCE</b>																
Currency in circulation	CZK bn, eop	356.5	354.2	352.6	355.5	356.8	356.5	357.5	356.2	357.5	358.1	361.7	360.5	364.3	364.1	.
M1	CZK bn, eop	1913.4	1937.3	1969.5	1982.3	1977.8	2003.6	2021.7	2022.4	2034.5	2027.3	2042.0	2067.6	2044.4	2058.6	.
Broad money	CZK bn, eop	2756.2	2744.9	2732.5	2726.5	2730.1	2729.5	2760.0	2737.1	2738.3	2717.4	2755.3	2767.8	2736.2	2761.8	.
Broad money	CPPY	2.8	2.8	2.7	3.9	3.0	2.4	1.9	2.5	2.7	1.3	1.0	0.1	-0.7	0.6	.
Central bank policy rate (p.a.) <sup>5)</sup>	%, eop	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8
Central bank policy rate (p.a.) <sup>5)6)</sup>	real, %	-1.0	-1.4	-0.7	-1.4	-0.5	-0.9	-2.0	-1.7	-2.2	-3.2	-3.1	-2.4	-1.4	-2.1	.
<b>BUDGET</b>																
General gov. budget balance <sup>7)</sup> , cum.	CZK mn	-56870	.	.	-105156	.	.	-170787	.	.	-45042	.	.	.	.	.

1) Nominal wages deflated with HICP.

2) Including E (electricity, gas, steam, air conditioning supply etc.).

3) From 2004 intra-/extra-EU trade methodology.

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

5) Two-week repo rate.

6) Deflated with annual PPI.

7) According to ESA'95 excessive deficit procedure.

Source: wiw Monthly Database incorporating Eurostat and national statistics.

ESTONIA: Selected monthly data on the economic situation 2010 to 2011

(updated end of Sep 2011)

		2010							2011							
		Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
<b>PRODUCTION</b>																
Industry, NACE Rev. 2	real, CPPY	18.4	19.9	23.2	28.4	31.4	35.0	38.6	32.6	31.7	33.8	27.6	27.2	23.9	19.8	.
Industry, NACE Rev. 2	real, CCPY	11.9	13.0	14.2	15.9	17.5	19.2	20.8	32.6	32.2	32.8	31.5	30.6	29.4	28.0	.
Industry, NACE Rev. 2	real, 3MMA	19.4	20.5	24.0	27.8	31.6	34.9	35.4	34.3	32.8	31.1	29.6	26.2	23.7	.	.
Construction, NACE Rev. 2	real, CPPY	-16.9	.	.	1.1	.	.	-4.7	.	.	34.6	.	.	11.5	.	.
Construction, NACE Rev. 2	real, CCPY	-24.2	.	.	-15.0	.	.	-12.5	.	.	34.6	.	.	19.9	.	.
<b>LABOUR</b>																
Employed persons, LFS	th. pers., quart. avg	558.8	.	.	578.2	.	.	592.9	.	.	591.3	.	.	602.6	.	.
Employed persons, LFS	CCPY	-7.7	.	.	-6.2	.	.	-4.2	.	.	6.8	.	.	7.3	.	.
Unemployed persons, LFS	th. pers., quart. avg	127.7	.	.	105.9	.	.	93.2	.	.	99.3	.	.	92.1	.	.
Unemployment rate, LFS	%	18.6	.	.	15.5	.	.	13.6	.	.	14.4	.	.	13.3	.	.
Productivity in industry, NACE Rev. 2	CCPY	25.3	.	.	26.0	.	.	28.2	.	.	29.6	.	.	25.8	.	.
<b>WAGES</b>																
Total economy, gross	EUR, quart. avg.	822	.	.	759	.	.	814	.	.	792	.	.	857	.	.
Total economy, gross <sup>1)</sup>	real, CPPY	-1.6	.	.	-2.2	.	.	-1.0	.	.	-0.7	.	.	-1.0	.	.
Industry, gross, NACE Rev. 2	EUR, quart. avg.	804	.	.	772	.	.	807	.	.	797	.	.	843	.	.
<b>PRICES</b>																
Consumer - HICP	PP	0.4	0.2	0.0	0.8	0.6	0.3	0.5	0.0	0.7	0.8	0.8	0.4	-0.1	0.6	0.3
Consumer - HICP	CCPY	3.4	2.8	2.8	3.8	4.5	5.0	5.4	5.1	5.5	5.1	5.4	5.5	4.9	5.3	5.6
Consumer - HICP	CCPY	1.4	1.6	1.8	2.0	2.2	2.5	2.7	5.1	5.3	5.2	5.3	5.3	5.3	5.3	5.3
Producer, in industry, NACE Rev. 2	PP	-0.1	0.4	1.0	0.4	0.2	0.4	-0.2	0.5	0.0	0.4	0.9	0.5	0.5	0.3	-0.1
Producer, in industry, NACE Rev. 2	CCPY	4.0	3.9	4.7	4.9	4.9	5.3	5.1	5.2	4.7	4.8	4.8	4.5	5.2	5.1	3.9
Producer, in industry, NACE Rev. 2	CCPY	1.7	2.0	2.3	2.6	2.8	3.1	3.2	5.2	4.9	4.9	4.9	4.8	4.9	4.9	4.8
<b>FOREIGN TRADE <sup>2)</sup></b>																
Exports total (fob), cumulated	EUR mn	3851	4549	5262	6108	6955	7823	8753	819	1657	2737	3838	4958	5909	6842	.
Imports total (cif), cumulated	EUR mn	4200	4933	5701	6550	7404	8310	9242	895	1782	2948	4111	5253	6257	7271	.
Trade balance, cumulated	EUR mn	-349	-384	-439	-442	-449	-487	-488	-77	-125	-211	-273	-296	-348	-429	.
Exports to EU-27 (fob), cumulated	EUR mn	2672	3126	3611	4205	4812	5414	6001	581	1140	1828	2599	3281	3957	4578	.
Imports from EU-27 (cif), cumulated	EUR mn	3281	3877	4504	5215	5923	6647	7367	627	1299	2181	3022	3891	4721	5566	.
Trade balance with EU-27, cumulated	EUR mn	-609	-750	-893	-1010	-1111	-1232	-1366	-46	-158	-353	-423	-611	-763	-988	.
<b>FOREIGN FINANCE</b>																
Current account, cumulated	EUR mn	129	.	.	369	.	.	538	.	.	-63	.	.	.	.	.
<b>EXCHANGE RATE</b>																
EUR/EUR, monthly average	nominal	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
EUR/USD, monthly average	nominal	0.819	0.783	0.776	0.765	0.720	0.732	0.756	0.749	0.733	0.714	0.692	0.697	0.695	0.701	0.697
EUR/EUR, calculated with CPI <sup>3)</sup>	real, Jan07=100	108.7	109.3	109.1	109.6	109.9	110.1	109.9	110.3	110.5	110.2	110.4	110.8	110.7	111.8	111.9
EUR/EUR, calculated with PPI <sup>3)</sup>	real, Jan07=100	107.8	108.2	109.3	109.3	109.3	109.3	108.1	107.5	106.8	106.3	106.3	107.1	107.7	107.6	107.4
USD/EUR, calculated with CPI <sup>3)</sup>	real, Jan07=100	103.0	108.0	108.8	111.0	118.6	116.9	113.4	114.0	116.8	119.6	123.5	122.7	122.9	122.4	123.1
USD/EUR, calculated with PPI <sup>3)</sup>	real, Jan07=100	97.3	101.9	103.6	105.3	111.2	109.1	104.3	104.3	104.9	106.2	108.6	107.7	108.7	107.7	108.7
<b>DOMESTIC FINANCE</b>																
Currency in circulation <sup>4)</sup>	EUR mn, eop	498	496	481	471	453	413	262	2074	2050	2045	2062	2064	2081	2099	2084
M1 <sup>4)</sup>	EUR mn, eop	4606	4570	4604	4637	4672	4845	4908	4749	4707	4705	4770	4862	4876	4853	4881
Broad money <sup>4)</sup>	EUR mn, eop	8467	8295	8269	8290	8333	8390	8494	8459	8370	8383	8403	8479	8465	8533	8695
Broad money <sup>4)</sup>	CCPY	4.2	2.2	1.9	2.8	2.8	5.0	3.0	.	.	.	.	.	.	.	.
Central bank policy rate (p.a.) <sup>5)</sup>	%, eop	1.2	1.1	1.0	0.9	0.9	0.9	0.9	1.0	1.0	1.0	1.3	1.3	1.3	1.5	1.5
Central bank policy rate (p.a.) <sup>5)</sup>	real, %	-2.7	-2.7	-3.5	-3.7	-3.9	-4.1	-4.0	-4.0	-3.5	-3.6	-3.4	-3.2	-3.8	-3.4	-2.3
<b>BUDGET</b>																
General gov. budget balance <sup>7)</sup> , cum.	EUR mn	-267	.	.	-51	.	.	20	.	.	-94	.	.	.	.	.

Note: Estonia has introduced the Euro from 1 January 2011. For statistical purposes all time series in EKK as well as the exchange rates have been divided by the conversion factor 15.6466 (EKK per EUR) to a kind of statistical EUR (euro-fixed).

- 1) Nominal wages deflated with HICP.
- 2) From 2004 intra-/extra-EU trade methodology.
- 3) Adjusted for domestic and foreign (US resp. EU) inflation. Values more than 100 mean real appreciation.
- 4) From January 2011 Estonia's contributions to EMU monetary aggregates. M1 and Broad money without currency in circulation.
- 5) TALIBOR one-month interbank offered rate (Estonia has a currency board).
- 6) Deflated with annual PPI.
- 7) According to ESA'95 excessive deficit procedure.

Source: wiw Monthly Database incorporating Eurostat and national statistics.



## HUNGARY: Selected monthly data on the economic situation 2010 to 2011

(updated end of Sep 2011)

		2010							2011							
		Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
<b>PRODUCTION</b>																
Industry, NACE Rev. 2	real, CPPY	15.7	9.9	18.3	11.3	8.6	15.0	7.7	13.4	14.9	9.5	7.0	7.3	-1.4	0.3	.
Industry, NACE Rev. 2	real, CCPPY	9.3	9.4	10.4	10.5	10.3	10.8	10.5	13.4	14.1	12.4	11.1	10.3	8.1	6.9	.
Industry, NACE Rev. 2	real, 3MMA	13.4	14.5	12.9	12.3	11.6	10.5	12.1	11.9	12.4	10.4	8.0	4.1	2.0	.	.
Construction, NACE Rev. 2	real, CPPY	-17.6	-5.0	-2.2	-9.6	-13.5	-3.7	-12.7	-5.6	-4.9	-9.7	-14.3	-5.2	-13.9	-15.5	.
Construction, NACE Rev. 2	real, CCPPY	-13.3	-12.1	-10.6	-10.5	-10.8	-10.2	-10.5	-5.6	-5.2	-7.1	-9.1	-8.2	-9.4	-10.4	.
<b>LABOUR</b>																
Employed persons, LFS	th. pers., quart. avg	3778.9	.	.	3822.5	.	.	3804.3	.	.	3732.5	.	.	3808.8	.	.
Employed persons, LFS	CCPPY	-0.8	.	.	-0.2	.	.	0.0	.	.	0.4	.	.	0.6	.	.
Unemployed persons, LFS	th. pers., quart. avg	473.3	.	.	465.7	.	.	462.1	.	.	489.8	.	.	460.7	.	.
Unemployment rate, LFS	%	11.1	.	.	10.9	.	.	10.8	.	.	11.6	.	.	10.8	.	.
Productivity in industry, NACE Rev. 2	CCPPY	14.9	13.9	14.1	13.4	12.5	12.3	11.6	8.0	8.5	6.8	5.6	5.0	3.1	2.2	.
<b>WAGES</b>																
Total economy, gross <sup>1)</sup>	HUF th	202.7	197.8	194.0	195.6	195.8	213.1	210.7	210.1	202.6	216.9	214.6	211.8	212.2	210.1	.
Total economy, gross <sup>1)2)</sup>	real, CPPY	-4.3	-3.2	-1.7	-1.3	-2.9	-5.0	-8.8	-2.1	0.5	-5.8	1.4	2.7	1.2	3.0	.
Total economy, gross <sup>1)</sup>	EUR	720	697	689	693	715	774	759	763	747	801	809	793	795	785	.
Industry, gross, NACE Rev. 2 <sup>1)</sup>	EUR	749	721	720	719	734	842	802	774	757	816	834	844	827	791	.
<b>PRICES</b>																
Consumer - HICP	PP	0.2	0.0	-0.5	-0.1	0.4	0.2	0.4	0.9	0.4	1.0	0.7	0.2	-0.2	-0.3	-0.1
Consumer - HICP	CPPY	5.0	3.6	3.6	3.7	4.3	4.0	4.6	4.0	4.2	4.6	4.4	3.9	3.5	3.1	3.5
Consumer - HICP	CCPPY	5.5	5.2	5.0	4.9	4.8	4.7	4.7	4.0	4.1	4.3	4.3	4.2	4.1	4.0	3.9
Producer, in industry, NACE Rev. 2	PP	1.4	0.1	-0.1	-0.9	-0.7	1.4	0.0	-1.7	0.2	0.0	-0.2	0.2	-0.7	0.4	.
Producer, in industry, NACE Rev. 2	CPPY	8.8	10.6	11.0	9.9	9.1	10.2	10.1	5.6	4.9	5.0	3.1	-0.5	-2.5	-2.2	.
Producer, in industry, NACE Rev. 2	CCPPY	2.5	3.6	4.5	5.1	5.5	5.9	6.2	5.6	5.2	5.2	4.6	3.6	2.5	1.8	.
<b>FOREIGN TRADE <sup>3)</sup></b>																
Exports total (fob), cumulated	EUR mn	33981	39827	45573	52216	58846	66025	72024	6176	12924	20294	26739	33621	40221	.	.
Imports total (cif), cumulated	EUR mn	31158	36837	42144	48274	54516	60928	66514	5772	11683	18225	24208	30384	36375	.	.
Trade balance, cumulated	EUR mn	2823	2990	3430	3942	4330	5097	5510	404	1240	2069	2531	3237	3846	.	.
Exports to EU-27 (fob), cumulated	EUR mn	26523	30936	35191	40308	45538	51192	55589	4840	9980	15646	20577	25800	30871	.	.
Imports from EU-27 (cif), cumulated	EUR mn	21262	25158	28718	32867	37028	41312	45009	3818	7971	12588	16740	21170	25375	.	.
Trade balance with EU-27, cumulated	EUR mn	5261	5778	6474	7441	8510	9881	10581	1022	2009	3058	3838	4630	5496	.	.
<b>FOREIGN FINANCE</b>																
Current account, cumulated	EUR mn	1224	.	.	1662	.	.	2029	.	.	784	.	.	.	.	.
<b>EXCHANGE RATE</b>																
HUF/EUR, monthly average	nominal	281.5	283.8	281.5	282.1	274.0	275.5	277.6	275.3	271.2	270.9	265.3	267.0	266.9	267.7	272.4
HUF/USD, monthly average	nominal	230.6	222.2	218.3	215.9	197.2	201.7	210.0	206.1	198.7	193.5	183.7	186.0	185.5	187.7	189.9
EUR/HUF, calculated with CPI <sup>4)</sup>	real, Jan07=100	99.2	98.7	98.9	98.2	101.2	100.7	99.7	101.9	103.4	103.4	105.7	105.1	105.0	104.9	102.7
EUR/HUF, calculated with PPI <sup>4)</sup>	real, Jan07=100	100.0	99.2	99.9	98.5	100.5	100.9	99.2	97.3	98.2	97.4	98.5	98.2	97.6	97.3	.
USD/HUF, calculated with CPI <sup>4)</sup>	real, Jan07=100	93.9	97.5	98.6	99.4	109.2	107.0	103.0	105.3	109.2	112.2	118.2	116.4	116.6	114.8	113.0
USD/HUF, calculated with PPI <sup>4)</sup>	real, Jan07=100	90.3	93.5	94.7	94.9	102.2	100.7	95.8	94.4	96.5	97.4	100.6	98.8	98.5	97.4	.
<b>DOMESTIC FINANCE</b>																
Currency in circulation	HUF bn, eop	2150.1	2174.4	2176.3	2173.5	2177.3	2204.7	2218.3	2174.6	2165.5	2138.2	2144.6	2155.3	2195.7	2245.6	.
M1	HUF bn, eop	6339.5	6218.5	6329.8	6317.2	6271.9	6473.6	6634.9	6427.3	6406.9	6444.0	6360.7	6386.0	6450.8	6553.0	.
Broad money	HUF bn, eop	16422.1	16322.6	16495.6	16199.8	16280.9	16387.0	16492.7	16207.5	16238.6	16204.9	16232.9	16366.4	16292.3	16459.3	.
Broad money	CPPY	3.4	3.7	3.5	2.5	3.2	3.8	3.2	2.7	2.0	0.8	-0.1	0.1	-0.8	0.8	.
Central bank policy rate (p.a.) <sup>5)</sup>	% eop	5.3	5.3	5.3	5.3	5.3	5.5	5.8	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
Central bank policy rate (p.a.) <sup>5)6)</sup>	real, %	-3.3	-4.8	-5.2	-4.3	-3.6	-4.3	-4.0	0.4	1.1	0.9	2.9	6.5	8.7	8.4	.
<b>BUDGET</b>																
General gov. budget balance <sup>7)</sup> , cum.	HUF bn	-755	.	.	-945	.	.	-1153	.	.	2202	.	.	.	.	.

1) Enterprises with 5 and more employees.

2) Nominal wages deflated with HICP.

3) From 2004 intra-/extra-EU trade methodology.

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

5) Base rate (two-week NB bill).

6) Deflated with annual PPI.

7) According to ESA'95 excessive deficit procedure.

Source: wiw Monthly Database incorporating Eurostat and national statistics.

L A T V I A: Selected monthly data on the economic situation 2010 to 2011

(updated end of Sep 2011)

		2010						2011								
		Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
<b>PRODUCTION</b>																
Industry, NACE Rev. 2 <sup>1)</sup>	real, CPPY	13.1	19.1	24.6	21.8	20.6	16.9	19.1	9.5	10.1	12.3	9.1	14.6	13.0	6.9	.
Industry, NACE Rev. 2 <sup>1)</sup>	real, CCPY	9.2	10.6	12.3	13.4	14.2	14.4	14.8	9.5	9.8	10.7	10.3	11.1	11.5	10.8	.
Industry, NACE Rev. 2 <sup>1)</sup>	real, 3MMA	15.6	18.9	21.8	22.3	19.7	18.9	15.3	13.0	10.7	10.5	12.0	12.2	11.4	.	.
Construction, NACE Rev. 2	real, CPPY	-35.3	.	.	-13.1	.	.	-9.6	.	.	-15.1	.	.	-0.9	.	.
Construction, NACE Rev. 2	real, CCPY	-38.6	.	.	-28.6	.	.	-23.5	.	.	-15.1	.	.	-6.2	.	.
<b>LABOUR</b>																
Employed persons, LFS	th. pers., quart. avg	936.0	.	.	960.3	.	.	951.0	.	.	944.3	.	.	966.5	.	.
Employed persons, LFS	CCPY	-9.5	.	.	-6.3	.	.	-4.3	.	.	3.1	.	.	3.2	.	.
Unemployed persons, LFS	th. pers., quart. avg	225.3	.	.	210.0	.	.	193.4	.	.	188.3	.	.	187.0	.	.
Unemployment rate, LFS	%	19.4	.	.	17.9	.	.	16.9	.	.	16.6	.	.	16.2	.	.
Productivity in industry, NACE Rev. 2	CCPY	23.2	.	.	21.8	.	.	19.4	.	.	3.0	.	.	4.5	.	.
<b>WAGES</b>																
Total economy, gross	LVL	444	.	.	448	.	.	455	.	.	451	.	.	469	.	.
Total economy, gross <sup>2)</sup>	real, CPPY	-4.1	.	.	-1.5	.	.	1.7	.	.	0.6	.	.	1.0	.	.
Total economy, gross	EUR	627	.	.	632	.	.	641	.	.	640	.	.	661	.	.
Industry, gross, NACE Rev. 2	EUR	613	.	.	638	.	.	627	.	.	621	.	.	664	.	.
<b>PRICES</b>																
Consumer - HICP	PP	0.4	0.2	-0.7	0.4	0.3	0.2	0.2	1.3	0.3	0.7	1.1	0.4	0.2	-0.2	-0.4
Consumer - HICP	CCPY	-1.6	-0.7	-0.4	0.3	0.9	1.7	2.4	3.5	3.8	4.1	4.3	4.8	4.7	4.2	4.6
Consumer - HICP	CCPY	-3.1	-2.7	-2.5	-2.2	-1.9	-1.5	-1.2	3.5	3.7	3.8	3.9	4.1	4.2	4.2	4.3
Producer, in industry, NACE Rev. 2	PP	1.0	0.1	0.5	0.5	-0.2	-0.1	0.1	0.9	0.8	0.9	2.1	0.7	0.4	0.8	0.3
Producer, in industry, NACE Rev. 2	CCPY	5.4	5.8	6.4	6.7	6.3	8.0	7.7	7.7	8.3	8.5	8.7	7.6	7.0	7.7	7.5
Producer, in industry, NACE Rev. 2	CCPY	-1.1	-0.1	0.7	1.3	1.8	2.4	2.8	7.7	8.0	8.2	8.3	8.2	8.0	7.9	7.9
<b>FOREIGN TRADE <sup>3)</sup></b>																
Exports total (fob), cumulated	EUR mn	3167	3777	4420	5136	5831	6514	7190	616	1266	2044	2780	3579	4338	5092	.
Imports total (cif), cumulated	EUR mn	3788	4555	5362	6206	7032	7871	8819	709	1490	2449	3313	4232	5115	6119	.
Trade balance, cumulated	EUR mn	-621	-778	-943	-1070	-1201	-1357	-1628	-93	-224	-405	-533	-653	-777	-1028	.
Exports to EU-27 (fob), cumulated	EUR mn	2146	2551	2986	3465	3932	4387	4835	431	877	1408	1907	2466	2946	3446	.
Imports from EU-27 (cif), cumulated	EUR mn	2857	3458	4055	4704	5337	5981	6709	513	1099	1821	2479	3166	3850	4628	.
Trade balance with EU-27, cumulated	EUR mn	-711	-907	-1069	-1240	-1405	-1594	-1874	-82	-222	-413	-572	-700	-904	-1182	.
<b>FOREIGN FINANCE</b>																
Current account, cumulated	EUR mn	607	.	.	659	.	.	643	.	.	75	.	.	.	.	.
<b>EXCHANGE RATE</b>																
LVL/EUR, monthly average	nominal	0.708	0.709	0.709	0.709	0.709	0.709	0.710	0.703	0.704	0.707	0.709	0.709	0.709	0.709	0.709
LVL/USD, monthly average	nominal	0.580	0.555	0.549	0.543	0.510	0.519	0.537	0.526	0.516	0.505	0.491	0.494	0.493	0.497	0.495
EUR/LVL, calculated with CPI <sup>4)</sup>	real, Jan07=100	112.7	113.2	112.2	112.3	112.3	112.3	111.7	114.6	114.3	113.3	113.5	113.9	114.3	114.6	113.9
EUR/LVL, calculated with PPI <sup>4)</sup>	real, Jan07=100	107.3	107.2	107.8	107.9	107.4	106.9	105.9	106.8	106.8	106.3	107.3	108.3	108.8	109.3	109.6
USD/LVL, calculated with CPI <sup>4)</sup>	real, Jan07=100	105.9	111.2	111.3	112.9	120.0	118.0	113.6	117.8	120.1	122.0	126.1	125.7	126.5	125.7	125.6
USD/LVL, calculated with PPI <sup>4)</sup>	real, Jan07=100	96.9	101.0	102.2	104.0	109.3	106.7	102.2	103.6	105.0	106.2	109.6	108.9	109.8	109.4	110.9
<b>DOMESTIC FINANCE</b>																
Currency in circulation	LVL mn, eop	733	750	758	760	777	776	807	790	796	795	815	818	838	876	.
M1	LVL mn, eop	3302	3326	3364	3409	3455	3513	3771	3723	3788	3690	3724	3798	3868	3853	.
Broad money	LVL mn, eop	6149	6173	6252	6333	6215	6329	6548	6494	6543	6514	6453	6544	6481	6441	.
Broad money	CCPY	5.5	8.0	10.6	12.8	11.1	11.9	11.5	11.8	10.0	7.1	4.3	6.1	5.4	4.3	.
Central bank policy rate (p.a.) <sup>5)</sup>	%, eop	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5
Central bank policy rate (p.a.) <sup>5)6)</sup>	real, %	-1.8	-2.2	-2.7	-3.0	-2.7	-4.2	-3.9	-3.9	-4.5	-4.6	-4.7	-3.8	-3.2	-3.9	-3.7
<b>BUDGET</b>																
General gov. budget balance <sup>7)</sup> , cum.	LVL mn	-270	.	.	-466	.	.	-974	.	.	-82	.	.	.	.	.

1) Enterprises with 20 and more persons.

2) Nominal wages deflated with HICP.

3) From 2004 intra-/extra-EU trade methodology.

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

5) Refinancing rate.

6) Deflated with annual PPI.

7) According to ESA'95 excessive deficit procedure.

Source: wiw Monthly Database incorporating Eurostat and national statistics.

## LITHUANIA: Selected monthly data on the economic situation 2010 to 2011

(updated end of Sep 2011)

		2010						2011								
		Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
<b>PRODUCTION</b>																
Industry, NACE Rev. 2 <sup>1)</sup>	real, CPPY	5.1	4.3	11.0	8.2	17.5	16.9	15.6	16.9	13.1	14.1	7.7	13.6	10.8	6.9	.
Industry, NACE Rev. 2 <sup>1)</sup>	real, CCPY	0.9	1.4	2.6	3.2	4.6	5.8	6.6	16.9	15.0	14.7	12.9	13.1	12.7	11.8	.
Industry, NACE Rev. 2 <sup>1)</sup>	real, 3MMA	4.4	6.8	7.8	12.2	14.2	16.6	16.4	15.2	14.7	11.6	11.8	10.7	10.4	.	.
Construction, NACE Rev. 2	real, CPPY	-17.0	.	.	6.7	.	.	16.2	.	.	15.9	.	.	16.7	.	.
Construction, NACE Rev. 2	real, CCPY	-28.4	.	.	-15.4	.	.	-7.9	.	.	15.9	.	.	16.4	.	.
<b>LABOUR</b>																
Employed persons, LFS	th. pers., quart. avg	1328.0	.	.	1351.2	.	.	1367.1	.	.	1340.4	.	.	1385.1	.	.
Employed persons, LFS	CCPY	-7.0	.	.	-6.4	.	.	-5.1	.	.	0.9	.	.	2.6	.	.
Unemployed persons, LFS	th. pers., quart. avg	297.2	.	.	292.0	.	.	281.9	.	.	277.6	.	.	255.6	.	.
Unemployment rate, LFS	%	18.3	.	.	17.8	.	.	17.1	.	.	17.2	.	.	15.6	.	.
Productivity in industry, NACE Rev. 2	CCPY	14.0	.	.	13.9	.	.	15.3	.	.	11.9	.	.	8.6	.	.
<b>WAGES</b>																
Total economy, gross	LTL	2056	.	.	2082	.	.	2122	.	.	2072	.	.	2108	.	.
Total economy, gross <sup>2)</sup>	real, CPPY	-5.9	.	.	-4.5	.	.	-2.7	.	.	-1.2	.	.	-2.1	.	.
Total economy, gross	EUR	595	.	.	603	.	.	614	.	.	600	.	.	610	.	.
Industry, gross, NACE Rev. 2	EUR	600	.	.	619	.	.	625	.	.	614	.	.	620	.	.
<b>PRICES</b>																
Consumer - HICP	PP	0.0	0.0	-0.2	0.6	0.4	0.0	0.8	0.4	0.1	1.0	1.0	0.8	-0.1	-0.2	-0.3
Consumer - HICP	CCPY	0.9	1.7	1.8	1.8	2.6	2.5	3.6	2.8	3.0	3.7	4.4	5.0	4.8	4.6	4.4
Consumer - HICP	CCPY	0.1	0.3	0.5	0.6	0.8	1.0	1.2	2.8	2.9	3.2	3.5	3.8	4.0	4.0	4.1
Producer, in industry, NACE Rev. 2	PP	0.7	-1.0	0.0	0.2	0.9	1.9	2.9	1.1	2.5	3.2	1.2	-0.3	-1.1	1.8	-1.1
Producer, in industry, NACE Rev. 2	CCPY	9.6	10.8	9.2	11.3	12.0	12.7	16.1	15.1	15.7	15.4	14.8	14.1	12.1	15.3	14.1
Producer, in industry, NACE Rev. 2	CCPY	8.6	8.9	8.9	9.2	9.5	9.8	10.3	15.1	15.4	15.4	15.2	15.0	14.5	14.6	14.5
<b>FOREIGN TRADE <sup>3)</sup></b>																
Exports total (fob), cumulated	EUR mn	6838	8147	9573	11010	12562	14082	15651	1436	2931	4571	6107	7879	9657	.	.
Imports total (cif), cumulated	EUR mn	7720	9310	10838	12495	14158	15920	17653	1658	3332	5222	7052	9031	10952	.	.
Trade balance, cumulated	EUR mn	-882	-1163	-1264	-1485	-1596	-1837	-2002	-222	-401	-651	-945	-1152	-1295	.	.
Exports to EU-27 (fob), cumulated	EUR mn	4261	5059	5906	6765	7709	8635	9544	945	1834	2801	3702	4765	5809	.	.
Imports from EU-27 (cif), cumulated	EUR mn	4319	5178	6101	7044	8016	9029	9989	838	1751	2908	3985	5115	6163	.	.
Trade balance with EU-27, cumulated	EUR mn	-58	-120	-194	-279	-307	-394	-445	107	83	-107	-283	-349	-354	.	.
<b>FOREIGN FINANCE</b>																
Current account, cumulated	EUR mn	336	.	.	252	.	.	506	.	.	-33	.	.	.	.	.
<b>EXCHANGE RATE</b>																
LTL/EUR, monthly average	nominal	3.453	3.453	3.453	3.453	3.453	3.453	3.453	3.453	3.453	3.453	3.453	3.453	3.453	3.453	3.453
LTL/USD, monthly average	nominal	2.828	2.704	2.678	2.642	2.484	2.527	2.612	2.584	2.530	2.466	2.391	2.406	2.400	2.421	2.407
EUR/LTL, calculated with CPI <sup>4)</sup>	real, Jan07=100	111.2	111.6	111.1	111.5	111.6	111.4	111.5	112.4	112.0	111.9	112.3	113.1	113.1	113.3	112.7
EUR/LTL, calculated with PPI <sup>4)</sup>	real, Jan07=100	115.3	114.0	114.0	113.9	114.7	116.4	118.7	118.7	120.9	123.6	124.2	123.9	122.6	124.4	123.0
USD/LTL, calculated with CPI <sup>4)</sup>	real, Jan07=100	104.5	109.6	110.2	112.1	119.3	117.0	113.4	115.6	117.6	120.5	124.8	124.9	125.2	124.4	124.4
USD/LTL, calculated with PPI <sup>4)</sup>	real, Jan07=100	104.1	107.4	108.0	109.7	116.7	116.2	114.5	115.2	118.7	123.5	126.8	124.7	123.7	124.5	124.5
<b>DOMESTIC FINANCE</b>																
Currency in circulation	LTL mn, eop	7310	7468	7510	7499	7600	7627	7848	7724	7783	7758	7924	7928	8045	8283	.
M1	LTL mn, eop	24435	24964	24822	25171	25568	26307	27398	26742	27305	27174	27384	27947	28109	28537	.
Broad money	LTL mn, eop	45156	45598	45812	45532	45960	46713	48115	47307	47618	47687	47721	48111	48495	49168	.
Broad money	CCPY	8.5	9.6	10.2	11.1	9.5	9.0	8.9	9.5	8.5	8.4	6.9	7.0	7.4	7.8	.
Central bank policy rate (p.a.) <sup>5)</sup>	%, eop	1.0	1.0	1.0	0.9	1.0	1.1	1.1	1.0	1.2	1.1	1.3	1.4	1.4	1.6	1.6
Central bank policy rate (p.a.) <sup>5)6)</sup>	real, %	-7.8	-8.8	-7.5	-9.3	-9.9	-10.3	-12.9	-12.3	-12.5	-12.4	-11.8	-11.1	-9.5	-11.9	-10.9
<b>BUDGET</b>																
General gov. budget balance <sup>7)</sup> , cum.	LTL mn	-3560	.	.	-4422	.	.	-6737	.	.	-1763	.	.	.	.	.

1) Sold production.

2) Nominal wages deflated with HICP.

3) From 2004 intra-/extra-EU trade methodology.

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

5) VILBOR one-month interbank offered rate (Lithuania has a currency board).

6) Deflated with annual PPI.

7) According to ESA'95 excessive deficit procedure.

Source: wiw Monthly Database incorporating Eurostat and national statistics.

P O L A N D: Selected monthly data on the economic situation 2010 to 2011

(updated end of Sep 2011)

		2010						2011								
		Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
<b>PRODUCTION</b>																
Industry, NACE Rev. 2 <sup>1)2)</sup>	real, CPPY	14.3	10.5	13.6	11.7	8.0	10.0	11.4	10.2	10.4	6.8	6.7	7.8	1.9	1.8	8.1
Industry, NACE Rev. 2 <sup>1)2)</sup>	real, CCPPY	11.4	11.3	11.6	11.6	11.2	11.1	11.1	10.2	10.3	9.0	8.4	8.3	7.2	6.4	6.6
Industry, NACE Rev. 2 <sup>1)2)</sup>	real, 3MMA	12.8	12.8	11.9	11.0	9.9	9.8	10.6	10.7	9.0	7.9	7.1	5.4	3.8	3.9	.
Construction, NACE Rev. 2 <sup>2)</sup>	real, CPPY	9.6	0.8	8.5	13.4	9.4	14.2	12.3	10.9	18.7	24.2	15.6	23.9	17.0	16.4	.
Construction, NACE Rev. 2 <sup>2)</sup>	real, CCPPY	-5.4	-4.3	-2.2	0.0	1.3	2.6	3.8	10.9	14.9	18.7	17.7	19.4	18.8	18.3	.
<b>LABOUR</b>																
Employed persons, LFS	th. pers., quart. avg	15994	.	.	16199	.	.	16075	.	.	15875	.	.	.	.	.
Employed persons, LFS	CCPPY	0.0	.	.	0.4	.	.	0.6	.	.	1.9	.	.	.	.	.
Unemployed persons, LFS	th. pers., quart. avg	1682.0	.	.	1627.4	.	.	1649.1	.	.	1771.4	.	.	1610.3	.	.
Unemployment rate, LFS	%	9.5	.	.	9.2	.	.	9.3	.	.	10.1	.	.	9.1	.	.
Productivity in industry, NACE Rev. 2	CCPPY	13.6	13.0	13.0	12.7	12.0	11.7	11.5	7.5	7.5	6.0	5.5	5.4	4.3	.	.
<b>WAGES</b>																
Total economy, gross <sup>2)</sup>	PLN	3404	3433	3407	3404	3440	3526	3848	3392	3422	3634	3598	3484	3600	3612	3591
Total economy, gross <sup>2)3)</sup>	real, CPPY	1.1	0.2	2.3	1.2	1.2	1.0	2.4	1.4	0.7	0.0	1.7	-0.2	2.0	1.5	1.4
Total economy, gross <sup>2)</sup>	EUR	829	841	854	861	871	892	963	872	872	905	906	884	907	904	872
Industry, gross, NACE Rev. 2	EUR	841	850	868	871	864	928	1009	871	890	909	918	894	939	928	895
<b>PRICES</b>																
Consumer - HICP	PP	0.3	-0.2	-0.3	0.5	0.3	0.2	0.3	1.0	0.2	0.9	0.5	0.5	-0.3	-0.2	0.0
Consumer - HICP	CPPY	2.4	1.9	1.9	2.5	2.6	2.6	2.9	3.5	3.3	4.0	4.1	4.3	3.7	3.6	4.0
Consumer - HICP	CCPPY	2.9	2.8	2.7	2.7	2.7	2.6	2.7	3.5	3.4	3.6	3.7	3.8	3.8	3.8	3.8
Producer, in industry, NACE Rev. 2	PP	1.0	0.2	-0.2	0.2	0.1	0.3	1.3	0.3	1.2	1.5	0.8	-0.3	0.3	0.5	0.4
Producer, in industry, NACE Rev. 2	CPPY	2.3	3.9	4.1	4.5	4.2	4.9	6.4	6.3	7.6	9.3	8.9	6.5	5.8	6.1	6.7
Producer, in industry, NACE Rev. 2	CCPPY	-0.1	0.5	0.9	1.3	1.6	1.9	2.3	6.3	6.9	7.7	8.0	7.7	7.4	7.2	7.1
<b>FOREIGN TRADE <sup>4)</sup></b>																
Exports total (fob), cumulated	EUR mn	57319	67111	76457	87384	98197	108363	117486	10269	20979	32809	43818	55446	66818	.	.
Imports total (cif), cumulated	EUR mn	62853	73811	84520	96461	108333	120256	130986	11183	22996	35942	48289	61137	73767	.	.
Trade balance, cumulated	EUR mn	-5534	-6700	-8063	-9077	-10135	-11894	-13500	-915	-2017	-3132	-4471	-5690	-6949	.	.
Exports to EU-27 (fob), cumulated	EUR mn	45653	53236	60390	68946	77415	85469	92322	8282	16724	26064	34657	43566	52376	.	.
Imports from EU-27 (cif), cumulated	EUR mn	44442	52226	59493	68112	76553	84717	91822	7711	16016	25588	33951	42949	51609	.	.
Trade balance with EU-27, cumulated	EUR mn	1211	1010	898	834	862	751	500	570	708	475	707	617	767	.	.
<b>FOREIGN FINANCE</b>																
Current account, cumulated	EUR mn	-5188	.	.	-10174	.	.	-15845	.	.	-3368	.	.	.	.	.
<b>EXCHANGE RATE</b>																
PLN/EUR, monthly average	nominal	4.106	4.081	3.990	3.955	3.950	3.952	3.996	3.890	3.926	4.015	3.969	3.940	3.970	3.995	4.120
PLN/USD, monthly average	nominal	3.363	3.196	3.094	3.027	2.842	2.893	3.023	2.911	2.877	2.868	2.749	2.746	2.759	2.801	2.872
EUR/PLN, calculated with CPI <sup>5)</sup>	real, Jan07=100	98.7	99.4	101.1	102.2	102.4	102.4	100.9	105.2	103.9	101.5	102.5	103.7	102.6	102.2	98.9
EUR/PLN, calculated with PPI <sup>5)</sup>	real, Jan07=100	98.1	98.8	100.8	101.6	101.7	101.5	100.7	102.7	102.2	100.6	101.7	102.3	101.8	101.3	98.6
USD/PLN, calculated with CPI <sup>5)</sup>	real, Jan07=100	93.4	98.1	100.8	103.5	110.5	108.7	104.2	108.8	109.8	110.1	114.6	114.8	114.0	111.9	108.8
USD/PLN, calculated with PPI <sup>5)</sup>	real, Jan07=100	88.6	93.1	95.6	97.9	103.4	101.3	97.2	99.7	100.4	100.5	103.9	102.9	102.8	101.4	99.8
<b>DOMESTIC FINANCE</b>																
Currency in circulation	PLN bn, eop	93.0	93.2	92.7	91.7	92.0	91.5	92.7	90.6	91.4	92.2	93.9	93.5	95.1	96.7	.
M1	PLN bn, eop	415.2	414.5	421.0	419.2	420.2	428.8	449.2	436.4	444.2	458.9	441.1	447.2	451.2	440.5	.
Broad money	PLN bn, eop	742.8	743.3	749.6	752.9	756.6	763.4	783.6	769.1	775.0	800.2	789.2	794.5	796.3	798.1	.
Broad money	CPPY	7.1	7.8	9.4	8.9	6.4	9.1	8.8	8.2	8.3	10.9	9.4	7.7	7.2	7.4	.
Central bank policy rate (p.a.) <sup>6)</sup>	% eop	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.8	3.8	3.8	4.0	4.3	4.5	4.5	4.5
Central bank policy rate (p.a.) <sup>6)7)</sup>	real, %	1.2	-0.4	-0.6	-0.9	-0.7	-1.3	-2.7	-2.4	-3.6	-5.1	-4.5	-2.1	-1.2	-1.5	-2.0
<b>BUDGET</b>																
General gov. budget balance <sup>8)</sup> , cum.	PLN mn	-41935	.	.	-57480	.	.	-111168	.	.	-10011	.	.	.	.	.

- 1) Sold production.
- 2) Enterprises with 10 and more employees.
- 3) Nominal wages deflated with HICP.
- 4) From 2004 intra-/extra-EU trade methodology.
- 5) Adjusted for domestic and foreign (US resp. EU) inflation. Values more than 100 mean real appreciation.
- 6) Reference rate (7-day open market operation rate).
- 7) Deflated with annual PPI.
- 8) According to ESA'95 excessive deficit procedure.

Source: wiw Monthly Database incorporating Eurostat and national statistics.

ROMANIA: Selected monthly data on the economic situation 2010 to 2011

(updated end of Sep 2011)

		2010						2011								
		Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
<b>PRODUCTION</b>																
Industry, NACE Rev. 2 <sup>1)</sup>	real, CPPY	6.8	3.3	5.3	5.0	1.6	7.9	9.9	11.7	12.9	9.8	3.6	7.5	1.1	1.7	.
Industry, NACE Rev. 2 <sup>1)</sup>	real, CCPY	5.6	5.2	5.3	5.2	4.8	5.1	5.5	11.7	12.3	11.4	9.3	8.9	7.5	6.6	.
Industry, NACE Rev. 2 <sup>1)</sup>	real, 3MMA	5.3	5.1	4.5	3.9	4.8	6.3	9.7	11.5	11.4	8.7	7.0	4.0	3.4	.	.
Construction, NACE Rev. 2	real, CPPY	-3.1	-24.1	-16.9	-12.0	-3.9	-16.4	-1.0	-11.5	0.6	-2.8	-6.1	4.4	-9.9	13.6	.
Construction, NACE Rev. 2	real, CCPY	-15.2	-16.8	-16.8	-16.1	-14.7	-14.9	-13.2	-11.5	-5.6	-4.5	-5.0	-2.7	-4.6	-1.8	.
<b>LABOUR</b>																
Employed persons, LFS	th. pers., quart. avg	9488.1	.	.	9482.7	.	.	9052.5	.	.	9068.7	.	.	.	.	.
Employed persons, LFS	CCPY	0.0	.	.	-0.1	.	.	0.0	.	.	1.5	.	.	.	.	.
Unemployed persons, LFS	th. pers., quart. avg	697.0	.	.	702.7	.	.	713.7	.	.	740.6	.	.	708.0	.	.
Unemployment rate, LFS	%	6.8	.	.	6.9	.	.	7.3	.	.	7.6	.	.	7.2	.	.
Productivity in industry, NACE Rev. 2	CCPY	21.2	20.0	19.5	18.7	17.6	17.3	17.1	15.4	15.3	14.0	11.3	10.2	8.2	6.9	.
<b>WAGES</b>																
Total economy, gross <sup>1)</sup>	RON	1951	1868	1846	1846	1846	1900	2067	1963	1944	2056	2066	2008	2026	2027	.
Total economy, gross <sup>1)2)</sup>	real, CPPY	-0.9	-8.3	-7.0	-7.9	-9.0	-5.5	-5.3	-6.7	-6.9	-8.2	-3.4	-5.7	-3.8	3.4	.
Total economy, gross <sup>1)</sup>	EUR	460	438	435	433	431	442	481	461	458	494	504	488	483	478	.
Industry, gross, NACE Rev. 2 <sup>3)</sup>	EUR	449	458	456	458	448	457	508	456	452	491	512	491	487	.	.
<b>PRICES</b>																
Consumer - HICP	PP	0.2	2.6	0.2	0.6	0.6	0.5	0.5	0.8	0.8	0.6	0.7	0.2	-0.3	-0.4	-0.3
Consumer - HICP	CCPY	4.3	7.1	7.6	7.7	7.9	7.7	7.9	7.0	7.6	8.0	8.4	8.5	8.0	4.9	4.3
Consumer - HICP	CCPY	4.5	4.9	5.2	5.5	5.7	5.9	6.1	7.0	7.3	7.5	7.8	7.9	7.9	7.5	7.1
Producer, in industry, NACE Rev. 2	PP	0.3	0.2	0.4	1.4	0.2	0.9	1.2	1.6	0.8	1.1	0.0	-0.3	0.7	1.0	.
Producer, in industry, NACE Rev. 2	CCPY	6.2	7.0	6.6	7.9	7.8	8.1	9.6	10.2	10.9	11.1	9.6	8.0	8.4	9.3	.
Producer, in industry, NACE Rev. 2	CCPY	4.8	5.1	5.3	5.6	5.8	6.0	6.3	10.2	10.6	10.7	10.5	10.0	9.7	9.6	.
<b>FOREIGN TRADE <sup>4)</sup></b>																
Exports total (fob), cumulated	EUR mn	17152	20533	23324	26838	30352	33973	37264	3428	6948	11072	14464	18296	22042	.	.
Imports total (cif), cumulated	EUR mn	22030	26070	29493	33841	38115	42675	46764	3634	7582	12617	17008	22016	26651	.	.
Trade balance, cumulated	EUR mn	-4879	-5538	-6168	-7003	-7762	-8702	-9500	-206	-634	-1545	-2544	-3719	-4608	.	.
Exports to EU-27 (fob), cumulated	EUR mn	12596	15038	16931	19483	22031	24724	26910	2451	5061	7978	10423	13126	15757	.	.
Imports from EU-27 (cif), cumulated	EUR mn	15872	18875	21371	24514	27752	31133	33918	2585	5505	8959	12144	15661	18984	.	.
Trade balance with EU-27, cumulated	EUR mn	-3275	-3837	-4439	-5031	-5722	-6409	-7008	-135	-444	-980	-1721	-2535	-3226	.	.
<b>FOREIGN FINANCE</b>																
Current account, cumulated	EUR mn	-3625	.	.	-4106	.	.	-4952	.	.	-676	.	.	.	.	.
<b>EXCHANGE RATE</b>																
RON/EUR, monthly average	nominal	4.243	4.261	4.240	4.266	4.279	4.294	4.293	4.262	4.246	4.162	4.100	4.114	4.194	4.241	4.251
RON/USD, monthly average	nominal	3.476	3.337	3.288	3.264	3.079	3.143	3.247	3.190	3.111	2.973	2.839	2.867	2.915	2.973	2.963
EUR/RON, calculated with CPI <sup>5)</sup>	real, Jan07=100	89.4	91.6	92.1	91.8	91.7	91.7	91.6	93.4	94.1	95.5	97.0	96.8	94.7	93.7	93.0
EUR/RON, calculated with PPI <sup>5)</sup>	real, Jan07=100	96.7	96.4	97.2	97.7	97.4	97.4	97.7	98.9	99.4	101.6	102.3	101.8	100.6	100.2	.
USD/RON, calculated with CPI <sup>5)</sup>	real, Jan07=100	84.6	90.4	91.8	92.9	98.9	97.4	94.6	96.6	99.4	103.6	108.4	107.1	105.2	102.7	102.4
USD/RON, calculated with PPI <sup>5)</sup>	real, Jan07=100	87.3	90.8	92.2	94.1	99.0	97.2	94.3	96.0	97.7	101.5	104.5	102.4	101.6	100.3	.
<b>DOMESTIC FINANCE</b>																
Currency in circulation	RON mn, eop	26102	26933	26954	26788	26831	26244	26808	26393	27051	26250	26833	26477	26976	28501	.
M1	RON mn, eop	80491	79860	80415	81536	78543	79961	81630	80048	79277	77801	77853	78094	80109	82355	.
Broad money	RON mn, eop	195086	193768	195570	195819	194633	197399	202867	199168	197929	196430	196388	198152	200073	204518	.
Broad money	CCPY	8.3	6.9	6.2	6.6	5.7	6.4	7.1	7.2	5.4	3.5	2.9	2.9	2.6	5.5	.
Central bank policy rate (p.a.) <sup>6)</sup>	%, eop	6.3	6.3	6.3	6.3	6.3	6.3	6.3	6.3	6.3	6.3	6.3	6.3	6.3	6.3	6.3
Central bank policy rate (p.a.) <sup>6)7)</sup>	real, %	0.1	-0.7	-0.4	-1.5	-1.4	-1.7	-3.0	-3.6	-4.2	-4.3	-3.1	-1.6	-2.0	-2.8	.
<b>BUDGET</b>																
General gov. budget balance <sup>8)</sup> , cum.	RON mn	-20331	.	.	-25240	.	.	-33074	.	.	-4542	.	.	.	.	.

1) Enterprises with 4 and more employees.

2) Nominal wages deflated with HICP.

3) Including E (electricity, gas, steam, air conditioning supply etc.).

4) From 2007 intra-/extra-EU trade methodology.

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

6) One-week repo rate.

7) Deflated with annual PPI.

8) According to ESA'95 excessive deficit procedure.

Source: wiw Monthly Database incorporating Eurostat and national statistics.

SLOVAKIA: Selected monthly data on the economic situation 2010 to 2011

(updated end of Sep 2011)

		2010						2011								
		Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
<b>PRODUCTION</b>																
Industry, NACE Rev. 2	real, CPPY	24.6	15.5	17.2	13.2	12.5	17.1	20.5	19.6	10.9	7.1	7.7	11.5	4.3	4.3	.
Industry, NACE Rev. 2	real, CCPPY	22.1	21.2	20.7	19.7	18.9	18.7	18.8	19.6	15.1	12.1	11.0	11.1	9.9	9.1	.
Industry, NACE Rev. 2	real, 3MMA	23.1	19.2	15.2	14.1	14.3	16.5	19.0	16.8	12.1	8.5	8.7	7.8	6.7	.	.
Construction, NACE Rev. 2	real, CPPY	-6.6	-3.3	-1.2	-6.6	4.1	0.8	0.0	-0.8	-7.9	0.5	-7.2	-4.3	-1.2	-3.9	.
Construction, NACE Rev. 2	real, CCPPY	-9.0	-8.0	-7.0	-6.9	-5.7	-5.0	-4.6	-0.8	-4.6	-2.5	-4.1	-4.1	-3.5	-3.6	.
<b>LABOUR</b>																
Employed persons, LFS	th. pers., quart. avg	2312.5	.	.	2335.0	.	.	2339.4	.	.	2332.0	.	.	2355.6	.	.
Employed persons, LFS	CCPPY	-3.6	.	.	-2.9	.	.	-2.1	.	.	2.1	.	.	2.0	.	.
Unemployed persons, LFS	th. pers., quart. avg	388.4	.	.	383.6	.	.	377.4	.	.	376.1	.	.	356.7	.	.
Unemployment rate, LFS	%	14.4	.	.	14.1	.	.	13.9	.	.	13.9	.	.	13.2	.	.
Productivity in industry, NACE Rev. 2	CCPPY	32.8	30.4	28.7	26.5	24.5	23.4	22.8	13.5	9.1	6.3	5.3	5.5	4.5	3.9	.
<b>WAGES</b>																
Total economy, gross <sup>1)</sup>	EUR, quart. avg.	758	.	.	750	.	.	844	.	.	746	.	.	781	.	.
Total economy, gross <sup>2)</sup>	real, CPPY	2.7	.	.	2.7	.	.	2.7	.	.	-0.6	.	.	-1.0	.	.
Industry, gross, NACE Rev. 2 <sup>1)</sup>	EUR	827	787	763	782	774	926	868	765	750	809	797	840	850	816	.
<b>PRICES</b>																
Consumer - HICP	PP	0.0	0.1	-0.1	0.0	0.0	0.3	0.2	2.1	0.3	0.4	0.5	0.3	-0.1	-0.2	0.1
Consumer - HICP	CPPY	0.7	1.0	1.1	1.1	1.0	1.0	1.3	3.2	3.5	3.8	3.9	4.2	4.1	3.8	4.1
Consumer - HICP	CCPPY	0.3	0.4	0.5	0.6	0.6	0.6	0.7	3.2	3.4	3.5	3.6	3.7	3.8	3.8	3.8
Producer, in industry, NACE Rev. 2	PP	0.4	0.6	0.0	-0.2	0.2	0.0	0.2	1.4	0.5	0.8	0.7	0.3	-0.3	-0.4	.
Producer, in industry, NACE Rev. 2	CPPY	0.8	1.9	2.0	1.9	2.1	1.5	1.9	4.4	5.7	5.8	5.6	5.1	4.5	3.4	.
Producer, in industry, NACE Rev. 2	CCPPY	-1.7	-1.2	-0.8	-0.5	-0.2	-0.1	0.1	4.4	5.1	5.3	5.4	5.3	5.2	4.9	.
<b>FOREIGN TRADE <sup>3)</sup></b>																
Exports total (fob), cumulated	EUR mn	22972	26841	30712	35299	40165	45106	49204	4073	8436	13465	17989	22883	27670	.	.
Imports total (fob), cumulated	EUR mn	22530	26583	30778	35450	40352	45343	49791	3998	8313	13276	17847	22690	27365	.	.
Trade balance, cumulated	EUR mn	442	258	-66	-150	-186	-237	-587	76	122	190	143	193	305	.	.
Exports to EU-27 (fob), cumulated	EUR mn	19440	22731	26007	29880	33942	38128	41570	3565	7281	11536	15392	19540	23598	.	.
Imports from EU-27 (fob), cumulated	EUR mn	16402	19263	22156	25558	29117	32792	36043	2885	6035	9684	12918	16406	19820	.	.
Trade balance with EU-27, cumulated	EUR mn	3037	3469	3851	4322	4825	5336	5528	680	1247	1852	2474	3134	3778	.	.
<b>FOREIGN FINANCE</b>																
Current account, cumulated	EUR mn	-616	.	.	-1530	.	.	-2270	.	.	156	.	.	.	.	.
<b>EXCHANGE RATE <sup>1)</sup></b>																
EUR/USD, monthly average <sup>4)</sup>	nominal	0.8191	0.7831	0.7756	0.7653	0.7195	0.7320	0.7564	0.7485	0.7327	0.7143	0.6924	0.6969	0.6950	0.7011	0.6972
EUR/EUR, calculated with CPI <sup>5)</sup>	real, Jan07=100	112.6	113.1	112.8	112.5	112.2	112.3	111.9	114.6	114.4	113.6	113.5	113.8	113.8	114.1	114.0
EUR/EUR, calculated with PPI <sup>5)</sup>	real, Jan07=100	104.2	104.8	104.8	104.3	104.3	103.8	103.0	103.4	103.2	103.1	103.0	103.5	103.3	102.5	.
USD/EUR, calculated with CPI <sup>5)</sup>	real, Jan07=100	106.7	111.7	112.5	113.8	121.0	119.3	115.5	118.5	120.9	123.3	126.9	126.0	126.4	124.9	125.4
USD/EUR, calculated with PPI <sup>5)</sup>	real, Jan07=100	94.1	98.7	99.3	100.5	106.0	103.6	99.4	100.3	101.4	103.0	105.2	104.2	104.3	102.6	.
<b>DOMESTIC FINANCE</b>																
Currency in circulation <sup>1(6)</sup>	EUR mn, eop	7065	7167	7117	7113	7130	7142	7324	7160	7149	7186	7265	7320	7420	7500	.
M1 <sup>1(6)</sup>	EUR mn, eop	24891	24635	24937	24904	24599	25401	26443	25967	25959	25334	25448	25582	25888	25367	.
Broad money <sup>1(6)</sup>	EUR mn, eop	39348	39287	39459	39131	39160	39572	40578	40573	40397	40131	40441	40672	40871	40687	.
Broad money <sup>1(6)</sup>	CCPY	1.8	2.6	3.2	3.5	4.3	4.5	4.4	6.1	3.9	2.8	1.8	1.6	3.9	3.6	.
Central bank policy rate (p.a.) <sup>7)</sup>	%, eop	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.3	1.3	1.3	1.5	1.5
Central bank policy rate (p.a.) <sup>7(8)</sup>	real, %	0.2	-0.9	-1.0	-0.9	-1.1	-0.5	-0.9	-3.3	-4.4	-4.5	-4.2	-3.7	-3.1	-1.8	.
<b>BUDGET</b>																
General gov. budget balance <sup>1(9)</sup> , cum.	EUR mn	-2138	.	.	-3045	.	.	-5207	.	.	-629	.	.	.	.	.

1) Slovakia has introduced the Euro from 1 January 2009.

2) Nominal wages deflated with HICP.

3) From 2004 intra-/extra-EU trade methodology.

4) Reference rate from ECB.

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

6) From January 2009 Slovakia's contributions to EMU monetary aggregates.

7) Official refinancing operation rate for euro area (ECB).

8) Deflated with annual PPI.

9) According to ESA'95 excessive deficit procedure.

Source: wiw Monthly Database incorporating Eurostat and national statistics.

SLOVENIA: Selected monthly data on the economic situation 2010 to 2011

(updated end of Sep 2011)

		2010						2011								
		Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
<b>PRODUCTION</b>																
Industry, NACE Rev. 2	real, CPPY	10.0	6.6	12.9	4.5	5.4	4.7	13.1	14.7	7.6	7.7	4.2	5.9	4.7	-0.5	.
Industry, NACE Rev. 2	real, CCPY	5.1	5.3	6.1	5.9	5.9	5.8	6.3	14.7	11.0	9.8	8.4	7.8	7.3	6.1	.
Industry, NACE Rev. 2	real, 3MMA	10.2	9.7	7.6	7.2	4.9	7.5	10.4	11.7	9.8	6.6	6.0	4.9	3.4	.	.
Construction, NACE Rev. 2 <sup>1)</sup>	real, CPPY	-17.2	-17.4	-13.1	-18.7	-18.0	-17.5	-12.2	-20.9	-23.6	-29.7	-27.0	-29.4	-36.2	-26.6	.
Construction, NACE Rev. 2 <sup>1)</sup>	real, CCPY	-17.7	-17.7	-17.0	-17.2	-17.3	-17.3	-17.0	-20.9	-22.2	-25.3	-25.8	-26.7	-28.7	-28.3	.
<b>LABOUR</b>																
Employed persons, LFS	th. pers., quart. avg	968.0	.	.	968.1	.	.	963.4	.	.	928.4	.	.	.	.	.
Employed persons, LFS	CCPY	-0.5	.	.	-1.3	.	.	-1.5	.	.	-3.8	.	.	.	.	.
Unemployed persons, LFS	th. pers., quart. avg	73.9	.	.	73.0	.	.	80.7	.	.	85.9	.	.	81.8	.	.
Unemployment rate, LFS	%	7.1	.	.	7.1	.	.	7.8	.	.	8.5	.	.	8.2	.	.
Productivity in industry, NACE Rev. 2	CCPY	13.4	.	.	13.1	.	.	12.4	.	.	13.3	.	.	10.3	.	.
<b>WAGES</b>																
Total economy, gross	EUR	1492	1481	1487	1486	1488	1634	1534	1496	1494	1524	1505	1516	1521	1500	.
Total economy, gross <sup>2)</sup>	real, CPPY	2.2	1.6	2.6	1.5	0.6	2.4	0.9	1.0	2.3	-0.7	-0.6	0.3	0.4	0.3	.
Industry, gross, NACE Rev. 2	EUR	1339	1330	1353	1335	1337	1552	1408	1352	1381	1412	1357	1377	1391	1357	.
<b>PRICES</b>																
Consumer - HICP	PP	0.2	-0.6	0.1	-0.4	0.1	0.3	0.1	-0.4	0.0	1.4	0.7	0.8	-0.6	-1.1	0.3
Consumer - HICP	CCPY	2.1	2.3	2.4	2.1	2.1	1.6	2.2	2.3	2.0	2.4	2.0	2.4	1.6	1.1	1.2
Consumer - HICP	CCPY	2.1	2.1	2.2	2.1	2.1	2.1	2.1	2.3	2.2	2.2	2.2	2.2	2.1	2.0	1.9
Producer, in industry, NACE Rev. 2	PP	0.3	0.2	0.2	0.0	0.3	0.2	0.2	1.1	1.1	0.4	0.4	-0.1	0.5	-0.1	0.2
Producer, in industry, NACE Rev. 2	CCPY	2.8	3.3	3.4	3.0	3.3	3.9	4.2	5.2	6.0	6.0	5.7	4.2	4.4	4.1	4.2
Producer, in industry, NACE Rev. 2	CCPY	0.5	0.9	1.2	1.4	1.6	1.8	2.0	5.2	5.6	5.7	5.7	5.4	5.3	5.1	5.0
<b>FOREIGN TRADE<sup>3)</sup></b>																
Exports total (fob), cumulated	EUR mn	10478	12370	13939	16047	18078	20165	22026	1855	3806	6104	8155	10331	12497	.	.
Imports total (cif), cumulated	EUR mn	10705	12573	14225	16352	18501	20702	22700	1872	3872	6232	8296	10552	12639	.	.
Trade balance total, cumulated	EUR mn	-228	-203	-286	-305	-423	-538	-674	-17	-67	-128	-141	-220	-143	.	.
Exports to EU-27 (fob), cumulated	EUR mn	7550	8847	9903	11433	12893	14394	15656	1408	2815	4468	5926	7494	9004	.	.
Imports from EU-27 (cif), cumulated	EUR mn	7349	8647	9789	11221	12633	14069	15403	1219	2561	4168	5523	7094	8524	.	.
Trade balance with EU-27, cumulated	EUR mn	201	200	113	212	261	325	252	188	255	300	403	400	480	.	.
<b>FOREIGN FINANCE</b>																
Current account, cumulated	EUR mn	-122	.	.	-206	.	.	-297	.	.	-87	.	.	.	.	.
<b>EXCHANGE RATE</b>																
EUR/USD, monthly average <sup>4)</sup>	nominal	0.8191	0.7831	0.7756	0.7653	0.7195	0.7320	0.7564	0.7485	0.7327	0.7143	0.6924	0.6969	0.6950	0.7011	0.6972
EUR/EUR, calculated with CPI <sup>5)</sup>	real, Jan07=100	104.0	103.6	103.6	102.8	102.7	102.8	102.3	102.3	101.8	102.1	102.2	103.0	102.4	101.8	101.8
EUR/EUR, calculated with PPI <sup>5)</sup>	real, Jan07=100	99.4	99.5	99.7	99.5	99.5	99.3	98.5	98.5	98.9	98.4	98.0	98.0	98.5	98.1	98.3
USD/EUR, calculated with CPI <sup>5)</sup>	real, Jan07=100	98.4	102.4	103.3	104.1	110.8	109.2	105.6	105.7	107.6	110.8	114.3	114.0	113.7	111.4	112.0
USD/EUR, calculated with PPI <sup>5)</sup>	real, Jan07=100	89.8	93.8	94.5	95.8	101.2	99.1	95.1	95.6	97.2	98.3	100.1	98.6	99.4	98.2	99.5
<b>DOMESTIC FINANCE</b>																
Currency in circulation	EUR mn, eop	3339	3393	3352	3346	3369	3373	3449	3377	3369	3384	3411	3445	3475	3537	.
M1	EUR mn, eop	8272	8191	8292	8233	8231	8363	8420	8482	8492	8424	8514	8553	8507	8554	.
Broad money	EUR mn, eop	18750	18888	18868	18778	18754	18979	18984	18969	19020	18883	18914	19149	19164	19347	.
Broad money	CCPY	-0.2	2.8	2.6	1.8	2.2	3.0	2.4	1.6	3.0	1.2	1.5	1.4	2.2	2.4	.
Central bank policy rate (p.a.) <sup>6)</sup>	%, eop	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.3	1.3	1.3	1.5	1.5
Central bank policy rate (p.a.) <sup>6/7)</sup>	real, %	-1.7	-2.2	-2.3	-2.0	-2.2	-2.8	-3.1	-4.0	-4.7	-4.8	-4.2	-2.9	-3.0	-2.5	-2.6
<b>BUDGET</b>																
General gov. budget balance <sup>8)</sup> , cum.	EUR mn	-1447	.	.	-1845	.	.	-2027	.	.	-879	.	.	.	.	.

- 1) Enterprises with 20 and more employees or turnover limits and output of some non-construction enterprises.
- 2) Nominal wages deflated with HICP.
- 3) From 2004 intra-/extra-EU trade methodology.
- 4) Reference rate from ECB.
- 5) Adjusted for domestic and foreign (US resp. EU) inflation. Values more than 100 mean real appreciation.
- 6) Official refinancing operation rate for euro area (ECB).
- 7) Deflated with annual PPI.
- 8) According to ESA'95 excessive deficit procedure.

Source: wiiw Monthly Database incorporating Eurostat and national statistics.





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The Vienna Institute for International Economic Studies  
(Wiener Institut für für Internationale Wirtschaftsvergleiche – wiiw)  
Rahlgasse 3, A-1060 Vienna, Austria, Tel. (+43 1) 533 66 10, Fax (+43 1) 533 66 10-50  
Email: [wiiw@wiiw.ac.at](mailto:wiiw@wiiw.ac.at), Web: [www.wiiw.ac.at](http://www.wiiw.ac.at)