Wiener Institut für Internationale Wirtschaftsvergleiche

The Vienna Institute for International Economic Studies

Monthly Report | 2/09

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wiiw Spring Seminar on 27 March 2009 (see overleaf)

Please note: wiiw has moved to new premises!

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wiiw Spring Seminar 2009

‘Fragile Europe: the Path in and out of the Crisis – What Needs to be Done’

Friday, 27 March 2009, 9:00 a.m.

hosted by Raiffeisen Zentralbank
Am Stadtpark 9, 1030 Vienna
Raiffeisensaal

Programme

8:30	Registration and Coffee	
9:00	**Opening Remarks**	*Ferdinand Lacina, President wiiw*
9:10	**Welcome Address**	*Patrick Butler,* *Member of the Managing Board* *Raiffeisen Zentralbank Österreich AG*
9:20	**The Impact of the Crisis and Policy Recommendations**	
	New Member States	*Gábor Hunya, Michael Landesmann, wiiw*
	Southeast Europe	*Vladimir Gligorov, Josef Pöschl, wiiw*
11:00	Coffee break	
11:30	**European Recovery:** **The Role of the Enlargement Process**	*Axel Wallden,* *EC, DG Enlargement,* *Enlargement Strategy*
12:30	Buffet luncheon	
13:30	**The Impact of the Financial Crisis on Emerging Markets**	*Cevdet Akçay,* *Chief Economist,* *Yapi Kredi Bank*
14:00	**The Special Case of Russia and Ukraine**	*Vasily Astrov, Peter Havlik, wiiw*
15:00	Coffee break	
15:20	**Two Examples of Potential Medium-Term Impact on Social Cohesion: Income Distribution, Labour Markets**	*Mario Holzner, wiiw* *Hermine Vidovic, wiiw*

The Republic of Moldova: short-lived recovery

BY GÁBOR HUNYA

The Republic of Moldova achieved high rates of economic growth until September 2008, but a slowdown is looming in the wake of the European recession and the Russian slowdown. The country suffers from more lasting problems as well, such as the Transnistria conflict and structural and institutional underdevelopment. More reforms are expected from a broad political coalition which may govern after the parliamentary elections forthcoming in March 2009.

Balancing between Moscow and Brussels

The former Soviet republic of Moldova, independent since 1991, is a small country located between Romania and Ukraine. Romania was the first to acknowledge Moldova's independence and there had been attempts to reunite the two countries. But differences proved to be overwhelming and Moldova joined the CIS in 1994 which demonstrated its adherence to the Russian sphere of interest. Throughout the 1990s Romania issued passports for Moldovans who had been Romanian citizens before World War II or for their descendents, and some Moldovans established residence in Romania. With Romania entering the EU in 2007, a new visa regime was introduced which made personal and business ties more difficult for the citizens of Moldova. Almost everybody speaks at least two languages, a Latin and a Slavic one (Romanian and Russian), and about one third of native Moldovans are living and working abroad, either in the EU or in former Soviet Union countries.

Moldova is a member of the WTO since 2001 and is aspiring to EU membership. From the EU's viewpoint, Moldova is part of the European Neighbourhood Policy since 2005 which offers no perspective of accession. The strategic importance of Moldova has been upgraded by Romania's EU membership as the country has become an immediate EU neighbour. The joint EU-Moldova Action Plan lays out the strategic objectives based on commitments to shared values and effective implementation of political, economic and institutional reforms. Since 2008 the EU grants Moldova the Autonomous Trade Preferences, an asymmetric regime of duty-free access of Moldovan goods to the EU. A free trade agreement is intended as a result of negotiations to be started in 2009. Moldova (together with the West Balkan countries) has been part of the Central European Free Trade Agreement since 2007. Moldova also has a free trade agreement with the CIS countries, thus it claims to become a trade hub for all parts of Europe.

Moldova's eastern territory, the self-proclaimed Transnistria, has its own jurisdiction, tax and customs regime. Its data are not integrated into official statistics on Moldova and are therefore also excluded from the analysis in this article. It must be noted, however, that several companies from Transnistria have their subsidiaries in Moldova proper. Currently the relations between the two entities are not particularly strained, the border is open, and the circulation of people and goods is not complicated. This status allows Transnistria to be the hotbed of illegal trade, thus important interest groups support its further existence. The current Moldovan leadership is engaged in maintaining good relations with both the EU and Russia, while working towards a reintegration with Transnistria. The leaders of Transnistria are against re/unification in any form, but the future status of the region may depend mainly on the tug-of-war between the US and Russia. Moldova has also a say in so far as its population is mainly against a confederation on equal footing, the solution most welcome to Russia. Currently the Moldovan government is making 'small steps' with an optimistic view that by the elections this spring the reunification will take place. This appears unlikely in the light of the recent Russia-Georgia conflict, and the current situation is most probably frozen for quite some time.

Vulnerable economy

Moldova is one of the poorest countries in Europe. Even though in 2001-2005 the country's GDP grew at an average annual rate of 6%, per capita income measured in purchasing power parities (EUR 2140 in 2006) is still very low – the lowest in Europe and the third lowest (after Tajikistan and Kyrgyzstan) among the CIS countries. Although the recent economic recovery has brought about substantial improvements, in 2005 28% of the population still lived below the poverty line and Moldova ranked 111th among 177 countries on the 2007/2008 Human Development Index, gaining three places compared with the previous year.

The break-up of trade and production linkages within the former Soviet Union and an eager and early opening-up of the Moldovan markets for imports led to a sharp reduction of manufacturing activity, aggravated by the de facto secession of Transnistria – the most industrialized region of the republic during the Soviet era. The agricultural sector is exceptionally large, while industry is small and narrowly based on the production of low-skilled goods, mostly processed food and textiles. As a share of GDP, industry takes less than 15%, agriculture 10%, construction and all kinds of services 58% while the remaining 17% are accounted for by net indirect taxes.

After a long period of stagnation, economic development reached a high gear after 2001, and this created an atmosphere of economic dynamism. But economic growth dropped to 4.8% in 2006 and to 3% in 2007 due to a Russian embargo on wine imports from Moldova (lifted on 1 January 2008) and to Russia's Gazprom raising prices for natural gas sold to the country. Also, the poor harvest of 2007, following a severe drought a year earlier, brought about a reduction in agricultural production by 23% and even caused food shortages. The 2008 outlook is much better, with grain harvests and wine exports recovering; however, the impact of the summer floods caused some setback again. In the first three quarters of the year GDP grew by 7.6%. The outlook for 2009 is positive as seen from the current expansion of demand in Moldova, but rather bleak if seen from some of the main export destinations. The modest role of credits in the economy limits the impact of the global financial crisis on the country. But the huge size of the current account deficit is a real risk in terms of the sustainability of external finances.

Domestic demand is limited though expanding. The small population and low incomes constrain the size and sophistication of the local market. At present, the flow of workers' remittances from abroad is largely responsible for fuelling a surge in demand that is boosting growth (even if much of the demand is going to imports). In particular, there was a boom in construction materials sales for the rehabilitation and renovation of the country's ageing housing stock, or new real estate developments. In turn, low competitiveness and structural backwardness make the country highly vulnerable and dependent on imports, resulting in persistently high trade deficits.

Financial stability dependent of remittances

Of the 3.58 million inhabitants (average 2007) 1.31 million are economically active (45% of the working-age population). Of the employed persons (1.25 million) one third works in agriculture, 13% in industry, the rest in services. Economic activity is on the rise and unemployment is declining. The number of unemployed has been put at about 100,000 and the unemployment rate at over 7% by the labour force surveys in the past few years. Emigration is a major drain on the local labour market and causes severe distortions.

According to estimations, at least 600,000 people, one quarter of the labour force, works abroad, mainly in Russia, Ukraine and the EU (particularly in Italy, Spain and Romania). A survey-based study puts the number of labour migrants at 350,000 in 2006, of which almost 60% went to Russia and half of them worked in construction. In the EU, the majority of migrants are women working in households and social services. Other estimations suggest that 15% of the population holds a Romanian (EU) passport in addition to the

Moldovan and can thus easily live and do business on both sides of the EU border. An earlier survey found that 6% of the population had Romanian and 5.7% Russian citizenship.

In 2007 workers' remittances amounted to about 25% of GDP, or more than 60% of the value of merchandise exports, or almost twice the FDI inflow (balance of payments data). Remittances and related transactions are an important business for Moldovan banks. The country's financial stability depends to a large extent on the regular transfers by individuals. If their labour market position in the host countries deteriorates, remittances may decline and put Moldova under strain. Looking at the occupational and host-country structure of Moldovan migrants, the latter do not seem to be the first to lose their jobs. Still, a decline of foreign exchange inflows would weaken the currency and reverse the real estate boom.

Cautious monetary policy

Inflation fluctuated between 10% and 17% in the period mid-2003 to mid-2008. It was quite stubborn despite the National Bank of Moldova's (BNM) efforts to curtail it with high interest rates. The monetary policy rate[1] fluctuated between 11% and 14% in the period mid-2003 to August 2007, then increased in several steps to 18.5% on 30 May 2008, which was the rate valid until mid-September. Further restrictive measures of the BNM include the increase of the mandatory reserve rate from 16% to 22% in June 2008 for both domestic and foreign currencies.

In August 2008 inflation decelerated, and in September inflation was modest as well. On 17 September the BNM announced that there was no need for further monetary tightening. Consequently it reduced the base rate to 17% as of 30 September, back to the level where it had been between mid-March and late May 2008 and further down in November to 15% At the same time, it also lower the mandatory reserve rate to 17.5%. These actions left more liquidity in the economy and helped corporate lending to revive.

The development of the exchange rate reacted to low inflation and high interest rates and the subsequent capital inflows by strengthening against the euro throughout August and particularly in September, just until the BNM announced the end of its tight policy. A depreciation of 13% followed within one week, then a correction back by 5% on the day when the actual new base rate was announced. In the first weeks of October, when most Central and East European currencies lost value against the euro, the Moldovan leu (MDL) kept appreciating against most foreign currencies; in mid-November it depreciated more strongly than other currencies in the region while firming against the Russian rouble.

Commercial banks will probably follow the central bank rate cut with a delay. But all this may not have much impact on the availability and attractiveness of long-term credits. It seems, when looking at data for the 12 months until August 2008, that the pass-through mechanism to market rates improved, but this did not influence inflation. Between mid-2007 and mid-2008 inflation surged, driven by global commodity prices and the poor 2007 harvest. The higher base rate appears to have been ineffective in fighting this kind of inflation. In 2008, inflation was coming down from June onwards due to good harvests resulting in declining food prices. As of August 2008, interest rates for private non-financial businesses were at almost 23% for MDL loans and 12.4% for USD- or EUR-denominated loans (Table 1). The latter compares to 5.7% in Austria and implies a 6.6% risk margin. Since December 2007 loans to the business sector have declined in volume, particularly those provided in foreign exchange.

The monetary restrictions which increased the market interest rate may not have curbed inflation but may have slowed down investment. The recent monetary loosening has not made credits any cheaper.

[1] The BNM base rate is the interest rate applied to 2-month reverse REPO operations with state securities performed within BNM open market operations.

Table 1

Inflation, National Bank base rate, credit interest rate, claims on private non-financial corporations

	Inflation y/y	NBM base rate	Average interest rate for MDL, %	Average interest rate for forex, %	MDL claims MDL mn	Forex claims MDL mn
August 2007	13.5	13.5	19.06	10.80	6114.2	6755.2
December 2007	13.1	16.0	19.00	10.66	6395.6	8339.1
July 2008	13.4	18.5	21.45	12.27	8663.6	8426.7
August 2008	11.7	18.5	22.76	12.39	8771.4	8375.2
November 2008	8.5	15.5	22.77	13.34	8783.4	8719.3

Source: www.bnm.md.

Foreign trade deficit expands

Slowly rising exports and soaring imports have characterized Moldova in the past few years. Compared with 2005, in 2007 exports were 23% higher in nominal USD terms and amounted to USD 1342 million, while imports increased by 60%, to USD 3670 million. The trend continued in the first half of 2008 with exports rising by 23% and imports by 45%. The foreign trade deficit may have increased to USD 3 billion in 2008, from USD 2.3 billion in 2007. Both consumption and investment fuel imports which are mainly financed by private capital inflows and remittances. The appreciation of the MDL has given further stimulus to imports. The exposure to external financing makes the country vulnerable – similar to Romania, Bulgaria or the Baltic countries. The financial crisis may dry just a small part of such finances as they are not closely linked to global markets. But a lasting recession in some of the target countries may curtail exports, force migrants to return home and drain foreign incomes.

The 2006 export setback caused by the Russian wine embargo was overcome in the following year. It even had the positive effect that exporters tried to look for alternative destinations. Both the direction and the composition of exports underwent positive changes. Export volumes to CIS countries remained the same in 2007 as against 2005, while the share of the CIS in exports declined from 51% to 41%. At the same time, the share of exports to the EU-27 moved in the opposite direction to the same extent. Within the CIS, the export decline to Russia was somewhat compensated by soaring exports to Belarus and Ukraine. Sales in these countries helped to partly circumvent the wine embargo. Most of the export increase to the EU went to Romania. The main export destinations in 2007 were Russia (17%), Romania (16%), Ukraine (13%) and Italy (10%). Austria received 2.3% of the exports (USD 31 million), 2.6 times more than two years earlier.

The composition of exports has diversified in the past couple of years. The share of food products and beverages declined due to the Russian embargo and also to poor harvests. Nevertheless, agricultural products and food still represent the largest export commodity group. The share of drinks declined, but that of many non-processed products could be maintained in 2007; the decline followed only in 2008. Another important product group is textiles and textile products, with rising shares in the past few years but stagnation in 2008. Foreign affiliates and contract manufacturers have appeared, utilizing the cheap local labour force. Other product groups have relatively small export shares. The statistics show rising shares of basic metals, most probably of Transnistrian origin. Rising world market prices have supported this expansion. Machinery and electrical equipment exports, the rising star of 2008, exceeded 10% of exports in the first three quarters of the year by doubling in nominal terms compared with the same period of the previous year.

Since 2008 Moldova enjoys the preferential trade regime with the EU. This means free trade in manufactured goods and a quota system concerning most agrifood products. Moldova used up the EU-granted import quota for wine by mid-

October 2008, and also 93.1% of the sugar quota. For 2009, the EU has raised the quotas on the import of these categories of goods: the quota on wine will be 7 million litres, that on white sugar 18,000 tonnes. Over January-August 2008, Moldova's exports to the EU constituted USD 545.8 million, up 34% against the same period a year earlier. The best exporting goods to the EU are textiles and clothing, electrical equipment, food and alcoholic beverages, vegetal products, and footwear.

The transformation of the export structure is driven partly by small and medium-sized enterprises. The difficulties they face in obtaining financing for investments and working capital hamper the process of transformation and production growth. The recent assessment of competitiveness in the Moldovan economy clearly indicates the development potential. Moldovan products and services are slowly gaining market shares in European markets. But weaknesses of the private sector and the lack of long-term investment financing hinder further development.

Weak private sector

Private enterprises, many with foreign partners, have emerged in part from the restructuring and privatization of state-owned enterprises. The successors to the large-scale enterprises of the Soviet era, whether with foreign majority partners or continuing under state ownership, often occupy dominant market power positions that hamper the emergence of competition. The bottom-up new private sector is still rather weak and concentrates in services.

The ownership structure is still undergoing transition. In the production of GDP, more than 29% is represented by the public sector, 51% by the fully privately owned sector, 5% by mixed public-private economic units and close to 15% by companies with foreign participation. The share of the private sector in the wider sense (i.e. non-public ownership) is 71% - somewhat lower than in the NMS but higher than in the CIS.

In industry, the public sector accounts for somewhat more that 10% of the industrial production, the private sector in the narrower sense for 50%, partially foreign-owned firms for over 16% and foreign-owned firms for the remaining 24%. Production shifts slowly to foreign firms, in particular to those which are completely foreign-owned. Thus we are dealing here with a mainly privatized economy, but the state has important, even if minority, stakes in a significant part of industry. In several privatization waves initiated in 2008, the state was selling minority stakes through the stock exchange. Beyond that, informal channels make the business sector interwoven with the state administration and political stakeholders.

Agricultural land has been distributed among the rural population. Holdings are very small and consolidation is slow. But in recent years both lease and, to a minor extent, sale has been becoming more widespread. Leased land is mostly in the hands of agricultural companies and cooperatives: the largest and most productive farms. Foreigners are not allowed to own agricultural land. Lease is possible for 30 years, but most lease contracts are for three years.

A recurring issue mentioned by business people relates to the increasing role of Russian capital. It is claimed that Russian capital is taking over more and more local companies. One interpretation of the recent wine embargo is that it aimed at bankrupting Moldovan businesses in this most important branch of the economy to allow the Russian takeover. It is widely held but not systematically documented that in 2007 and 2008 Russian ownership expanded in Moldovan private companies.

In the manufacturing industry there are 5000 SMEs and only about 150 large enterprises. Among the SMEs only 300 are of medium size. These 450 medium-sized and large enterprises could finance a part of their investments by long-term loans. In agriculture about 76 large and 500 medium-sized companies are active. In the given circumstances, however, output growth in the past seven years has been remarkable and the current investment boom may attract further money to the best enterprises.

Table 2

Fixed capital investment by ownership and mode of financing

	2005	2007	*2007 final data*	2008 I-II
Fixed capital investment, MDL mn (100%)	7797	14936	*15180*	5516.5
USD million	619	1230		
EUR million	497	900		
Share by ownership, % of all investments				
public	32.7	27.3	*25.3*	22.8
domestic private	35.2	39.3	*41.6*	39.7
mixed, public-private (without foreign)	3.4	1.7	*2.0*	1.8
foreign	8.8	12.9	*12.5*	14.3
joint venture (mixed, domestic-foreign)	19.9	19.7	*18.6*	21.4
Source of financing fixed capital investments, % of all investments				
State and local budget	9.8	11.7	*13.2*	12.8
own funds of enterprises	57.7	51.9	*48.9*	53.4
population funds	2.2	1.4	*1.4*	n.a.
foreign investors funds	18.5	22.1	*20.2*	21.3
bank credit	n.a.	12.0	*n.a.*	n.a.
other sources	11.8	0.9	*16.3*	12.5

Source: Statistica Moldovei; 'bank credit' for 2007 from National Bank of Moldova – in other years it is included in 'other sources'.

Corporate investments financed from own sources

There has been an investment boom in Moldova for about three years now. Between 2005 and 2007 investments doubled in MDL and USD terms and grew by 81% in EUR terms. In the first half of 2008 they rose by another 30% both in MDL and USD terms. The public sector accounts for one quarter of the investment, the mixed and private sector for the rest. Most investments have been privately financed (Table 2) but recently there has been a recovery of publicly financed investments to 12% of the total. Own funds of enterprises, which grew substantially in volume, had a slightly declining share, 52%, in 2007. Foreign investors' funds provide an increasing part of investments, 22% in 2007. Data suggest that foreign investors do not rely on local sources; they finance investments from abroad or by retained profits but not through local banks.

Based on consultations with the Chamber of Commerce and a representative of the clothing industry association in July 2008, it was confirmed that foreign affiliates finance larger investments from the sources of the mother companies or own sources in the narrow sense. They also do not have the competence to decide about larger investments, even less about the way they finance it.

Conditions for doing business hardly improve

Over the past ten years Moldova's private sector producers and exporters have shown some progress in coping with a difficult business environment. The legacy of the former Soviet-type regime still has its impact in much of the country's economy, but the transition is moving forward and entrepreneurs are adapting to market conditions. They are willing to invest in learning to prosper in a competitive environment. They have found little support, and receive often confusing signals from the successive governments. Nevertheless, market support structures and services, while woefully inadequate, are evolving. Obviously, much more needs to be done in terms of legal security, quality assurance, infrastructure (transport and energy) and financial services. In the EBRD Transition Index Moldova ranks among the last quarter of the 29 countries compared.

Overregulation, excessive interference, corruption, and the failure to ensure an adequate physical and economic infrastructure impose significant costs on enterprises. The Cost of Doing Business in 2006 survey concluded that enterprise managers spend almost 18 per cent of their time striving to meet all mandatory requirements. Inspection costs averaged USD 752 across all companies in the survey. Exporting companies in the Cost of Doing Business survey spent an average of about 3.5 days and USD 223 per transaction to meet all customs requirements. The inadequate functioning of the customs and slow VAT refunding procedures were also mentioned among the most frequent problems at the CEI Economic Forum in Chisinau on 9 October 2008.

As for the 2009 Doing Business indicators, compiling hard and soft facts but not opinions, Moldova was ranking 19th out of 25 in the region and 103rd among 181 in the world. It lost 11 points compared with the previous year. The reason was the fall of ranks in positions such as international trade (from 125 to 135), crediting (from 79 to 84), building licences (from 154 to 158), enterprises registration (from 85 to 89), protection of investors (from 101 to 104), property registration (from 47 to 50), enterprises liquidation (from 85 to 88), contract execution (from 16 to 17), labour employment (from 118 to 119) and taxation (from 120 to 123). Among the positive features some improvements were registered in the judicial reform, licenses other than for building and a number of other areas.

The most problem-loaded positions for the business of Moldovan companies are the bureaucracy and tax administration. For example, in order to receive a building licence in Moldova it is necessary to pass 30 procedures and to spend 292 days on this, which puts the country on 158th place in the ranking. There are 53 various tax payments and dues for the payment of which 234 hours per year are required – as compared to countries where only 5-6 payments are required, and those are executed in electronic form.

In the course of the last year, reforms in the field of company registration and credit information were carried out in Moldova. As a result, the time for the enterprise registration application was reduced from 15 to 7 days, and the opening of the company requires now only 15 days instead of formerly 23. Laws passed by the Parliament have simplified the procedures of the creation and activity of the Bureau of credit histories. It was expected that the new laws enhancing economic liberalization, such as the reduction of the corporate income tax, would improve the investment climate. This expectation has not materialized as it was not the level of taxation but rather law enforcement which has been the main concern. Many of the laws and regulations that account for major benchmark gaps are effectively in violation of Moldova's obligations under its WTO membership. Just bringing the legal and regulatory system into compliance with WTO obligations would narrow many of these gaps.

The country's environment for investment remains rather difficult, in general the worst in Southeast Europe. A detailed survey puts Moldova behind the other eight countries which participated in the Stability Pact in terms of investment policy, investment promotion and investment facilitation. A marginally better position was achieved for human capital, regulatory reform, trade policy, tax policy and anti-corruption policy. Investors are also not very optimistic concerning future opportunities. In the 2006 FIAS survey concerning Expectations of Future Attractiveness, Moldova ranks last among nine Southeast European countries with only 40% of the respondents saying that the country's attractiveness would improve over the following three years. The low standing of Moldova is confirmed by other sources, such as the Global Competitiveness Index, the Investment Climate Survey, the Business Environment and Enterprise Performance Survey.

Reform steps – more expected to come after the elections

The authorities have developed a regulatory reform project that would reach a synergetic effect if implemented simultaneously with the reform of central public administration. However, there is a big divergence between the officially declared reform process as reflected in numerous concepts and strategies and the real political process. One of the conditions of normalization of relations of the communist government with the West in 2003 was the obligation of the government to conduct the regulatory reform and the reform of the central public administration. The content and guidelines were laid down in the Country Memorandum with the IMF. The regulatory reform was started in 2004 and led to the cancellation of more than 80 laws and normative acts which did not correspond to market rules. The regulatory reform, called 'Guillotine I', cut away unnecessary and contradictory legal provisions, most of them stemming from Soviet times. It had also been envisaged that the bureaucratic process would be simplified – but this was not really done. Synergetic effects could not be reached as the public administration reform was stopped. The process of decentralization and de-bureaucratization of the authorities progressed rather modestly. Property claims, poor proprietor rights protection, disloyal competition, weak corporate governance, etc. continue to cause criticism by both the international partners and local representatives of the business circles.

Some of the measures implemented in 2008 were well received by investors. Among them are the introduction of 0% corporate income tax on reinvested profits and the simplification of the personal income tax. The tax on distributed profits is at 15%. Investors were invited to settle into free zones and business parks where infrastructure and business facilities have been created and supported from public funds.

In March 2008, the technocratic-minded Zinaida Grecianii was appointed prime minister, and the government was reshuffled. But as elections are drawing near, local observers claim that the government implements less reforms but engages more in improving its image. The government's 2008-2011 National Development Strategy passed in Parliament at the end of March 2008, called Progress and Integration, aims at modernization and EU integration. With its medium-term approach the current Strategy compares favourably to the previous Economic Growth and Poverty Reduction Strategy developed with the support of the World Bank which was initially envisaged for two years only.

Although the Strategy appears to address at least some of the major stumbling blocks to the country's development and is medium-term in nature, any success will almost inevitably hinge on the two major issues: (1) the issue of Transnistria, and (2) the external political environment, most notably the country's EU integration prospects. The latter may improve, not least due to the likely lobbying by Romania, which is keenly interested in stability and prosperity on its eastern border. Both better EU integration prospects and a solution to the Transnistria issue could improve the business climate dramatically and facilitate the inflow of investments.

It is less obvious what practical reforms the government is still able to introduce until the end of its term. The business associations put strong pressure on the government to reduce taxes on wages and deregulate wages. Another sore point remains competition policy. The authorities intervene in a discretionary way as processes are not clearly defined. Refunding of VAT, the application of VAT on imported machinery and the customs procedures are a hotbed of corruption and illegal practices.

Conclusions

Up to recently Moldova was on a path of economic growth with a boom in investments. It has partially redirected its exports from the CIS to the EU and envisages stronger integration with Europe. At the same time, Russian influence is strong and increasing. The impact of the financial crisis has been modest, an economic slowdown can be caused mainly by withering demand on export markets and a downturn in the construction sector.

In recent years, mainly thanks to support from multinational and bilateral donors, a lot has been done to strengthen the market economy by introducing state-of-the-art legislative and administrative regulations. However, much of it remained mere paperwork with a minor impact on everyday life. As a result, for an entrepreneur the challenge is not so much to observe the rules, but to keep good relations with the authorities and main players in the public sector. Thus, there is a need for the rule of law being strengthened. There is also a need for a public administration reform, as part of the bureaucracy is redundant and showing a hostile or even parasitic attitude vis-à-vis private business. Like in most transition countries, this is the heritage from the past. Not less important for future economic success is a solution of the Transnistria problem. As it appears, the key to this lies not that much with the local players, but rather with Brussels, Moscow and Washington.

In the longer run, the country has a development potential in its traditional activities, in the wine, dry-fruit, bio-fuel and construction materials industries. Export sectors with a high share of foreign ownership such as textiles, clothing and footwear have a future only as long as wages can be kept low. They may be replaced by the newly emerging electrical engineering and software industries.

Patterns of international trade diversification in the transition economies

BY MICHAEL LANDESMANN*

Two groups of transition economies are the focus of this paper: the Central and East European economies that have joined the European Union in 2004 and 2007 (the New Member States; NMS[1]) and the follower countries of the Soviet Union excepting the Baltic states (this group is also known as the group of Newly Independent States, NIS[2]).

In many studies important differences in the development of these two groups of countries since the fall of the Iron Curtain and in the beginnings of transition were pointed out:[3]

- The NMS had from the early stages of their transition a perspective of full membership of the European Union. This perspective had an enormous impact upon their development. The NIS countries did not have such a perspective.
- The economic reforms that initiated the transition towards a market economy started earlier and were more consistently implemented in the NMS; from the mid- to late-1990s these were pushed along by the requirements of the candidacy conditions for EU entry (the Copenhagen criteria) and then the requirement to take over the Acquis Communautaire. In contrast, the economic reform processes in the NIS proceeded in fits and starts and showed distortionary features linked to political-economic structures which developed in the various countries.
- All countries of transition underwent a phase of 'deindustrialization' in the initial phase of transition, as the heavy emphasis on industry under the socialist system gave way to the development of the tertiary sector and the interlinked specialization structures of the CMEA (Council for Mutual Economic Assistance) broke apart. However, in the NIS countries the process of deindustrialization went much further and was much more prolonged (similar to the countries of Southeast Europe) while in the NMS industry recovered from the mid-1990s onwards and these countries became – in parts – popular locations for multinational investment.
- Trade structures in the NMS on the one hand and the NIS on the other differed already in the early 1990s and these structures diverged further strongly thereafter as well.

We shall deal with the latter issue in the following sections, although it is quite clear that the four issues are intricately related.[4]

Differences in economic and trading structures

Notwithstanding the heterogeneity within each group of countries, it is clear that there were already important differences in economic structure between the NMS and the NIS at the starting point of the transition in 1989, and the general assessment is that such differences have grown rather than diminished over time.

It is well known that GDP recovered earlier and industrial production was less severely affected by the 'transformational recessions' and follow-up crises in the NMS as compared to the NIS economies. Particularly the contraction of industrial production (a similar phenomenon could be observed in the Western Balkan region which went through the conflict period following the disintegration of ex-Yugoslavia) has had long-

* I want to thank Doris Hanzl for very effective research assistance and also Robert Stehrer and Johannes Poeschl for calculations with the trade statistics.

1 The group of Central and East European NMS economies consist of Bulgaria, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia, and Slovenia; we shall refer to these also as the EU-10.

2 The Newly Independent States of the former Soviet Union (NIS or CIS) comprise Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Russia, Tajikistan, Turkmenistan, Ukraine and Uzbekistan.

3 A recent authoritative review of issues listed below can be found in the volume edited by Grinberg, Havlik, Havrylyshyn (2008), see also http://indeunis.wiiw.ac.at.

4 Other issues are discussed extensively in Landesmann (2008).

lasting – and some might say 'irreversible' – effects on the longer-run structure of production and trade specialization. The impact of the turbulent phases of the disintegration of the Soviet Union together with the much more drawn-out (and less completed) process of market reform has left its mark on production and trading structures of the NIS economies even once they embarked on a phase of recovery from about 2000 onwards. We should keep the legacy of this deep process of 'deindustrialization' together with the lower levels of FDI activity in the NIS countries in mind when we examine the differences in the structures of trade specialization between the NMS and the NIS economies in the following[5]. Most of the NMS countries, on the other hand, went through a significant process of 'reindustrialization' from the mid-1990s leading to a level of industrial production and a rather diversified picture of industrial production which substantially exceeded that before transition. Some of the NMS economies are now considered important industrial production locations within the intra-European division of labour.

Market orientation

In characterizing trade specialization of NMS and NIS economies, one should start with the significant differences in market orientation. As is well known, the NMS economies are heavily oriented in their trade links (both exports and imports) towards the European Union markets. NMS (except for the Baltic states) sell between 50% and 70% of their exports to the EU-15 and another 10-25% to NMS, and only about 15-35% to the Rest of the World (including the NIS). Hence the NMS are, in their trade orientation, very strongly oriented towards the EU market which dominates their exporting activity and this affects the overall production composition which lies behind the trade activities of these highly open and small market economies. There is also a high degree of intra-industry trade which characterizes trade of the NMS with the other EU member countries. In contrast, the NIS are selling between 15% and 55% to the enlarged EU-25 and a higher percentage to other markets (10-50% to other NIS markets and 15-50% to the rest of the world; the export structure of the NIS is hence relatively balanced between these three types of markets). To conclude: the EU is a significant market for the NIS but far from being as dominant as for the NMS.

Concentration of exports

Tables 1a and 1b present some information about the concentration of goods exports, a very well known but also very striking phenomenon demonstrating clearly an important difference of trade structures between the NMS and the NIS countries.

The shares of the top 3, 10 and 15 industries (at the 3-digit NACE level) in exports to the EU-25 in 2004-2006 of both the NMS countries and the NIS countries: what we see is a striking difference in the concentration of the export structure towards very few products (defined at the NACE 3-digit industry level) of the NIS countries.

If we take the shares of the 3 top exported commodities to the EU-25 we find that these account for about 25 (Czech Republic) to 50 (Latvia) per cent of the NMS exports to the EU-25. For the NIS the percentages are respectively: 43 (Ukraine) to 90 (Turkmenistan); for Russia the number is 73. Taking the top 15 industries (out of a total of 95) these account for 60 to 75 per cent of NMS exports to the EU-25 and 80 (Ukraine) to nearly 100 per cent for the NIS. Considering NIS total exports we see somewhat lower concentration, a point we shall return to later.

Another measure of concentration is the Herfindahl-Hirschman (HH) index. The HH index is depicted in Table 1b. It shows again a significant difference between the NMS and the NIS as regards the concentration of exports to the EU-25 region.

5 Apart from the more severe impact of the disintegration of the Soviet Union on the production structures of the NIS compared to the impact of the dissolution of the CMEA on the NMS, one would have to mention a number of other historical factors which account for the different responses of the two sets of economies to the strains of the transition process, such as the much longer Communist experience in the NIS and the relative lack of experience with a market economy prior to that.

Table 1a

Export structure – shares of top 3, 10, 15 industries (%), 2004-2006

NMS: Exports to EU-25

	BG	CZ	EE	HU	LV	LT	PL	RO	SK	SI
Top 3	44.7	25.7	29.7	35.5	52.3	40.6	26.9	37.2	28.9	28.6
Top 10	65.3	49.3	57.2	59.4	69.8	63.5	49.6	61.7	56.1	55.0
Top 15	72.7	61.5	66.7	68.9	76.3	71.4	60.0	71.4	67.0	66.7

NIS: Exports to EU-25

	AM	AZ	BY	GE	KG	KZ	MD	RU	TJ	TM	UA	UZ
Top 3	75.4	82.4	66.9	68.9	42.7	80.9	58.2	70.3	88.7	90.9	43.7	79.2
Top 10	99.0	94.4	83.3	92.8	84.0	97.8	89.2	91.1	99.7	98.5	74.5	97.3
Top 15	99.4	97.0	88.5	96.3	92.5	98.9	94.0	94.0	99.9	99.6	80.4	98.7

NIS: Total exports, 2006

	AM	AZ	BY	GE	KZ	MD	RU	TJ 2000	TM 2000	UA
Top 3	48,1	86,5	43,7	24,4	71,7	29,4	60,9	78,9	79,8	28,7
Top 10	76,7	92,8	58,1	62,7	83,7	53,5	80,0	95,2	96,1	50,8
Top 15	86,2	94,7	64,7	77,5	89,3	63,6	84,8	97,8	97,9	57,6

Source: WITS Database; own calculations.

Table 1b

Herfindahl- Hirschmann Index – Measure of concentration

Exports to EU-25

	2000	2001	2002	2003	2004	2005	2006
BG	0.323	0.320	0.300	0.292	0.290	0.281	0.292
CZ	0.184	0.180	0.183	0.183	0.184	0.196	0.204
EE	0.305	0.235	0.216	0.201	0.211	0.227	0.244
HU	0.246	0.243	0.237	0.236	0.251	0.248	0.245
LV	0.350	0.320	0.313	0.319	0.355	0.394	0.355
LT	0.268	0.303	0.280	0.253	0.298	0.306	0.284
PL	0.201	0.196	0.192	0.198	0.206	0.193	0.200
RO	0.331	0.343	0.342	0.321	0.292	0.269	0.247
SK	0.211	0.210	0.246	0.269	0.246	0.208	0.214
SI	0.197	0.197	0.204	0.196	0.213	0.234	0.224

	2000	2001	2002	2003	2004	2005	2006
AM	0.695	0.532	0.629	0.680	0.484	0.538	0.535
AZ	0.860	0.807	0.844	0.660	0.693	0.625	0.639
BY	0.295	0.292	0.308	0.397	0.487	0.579	0.610
GE	0.437	0.425	0.461	0.549	0.420	0.472	0.598
KG	0.958	0.930	0.702	0.546	0.440	0.344	0.347
KZ	0.547	0.585	0.548	0.469	0.456	0.515	0.587
MD	0.415	0.432	0.401	0.379	0.439	0.375	0.372
RU	0.433	0.424	0.431	0.432	0.427	0.480	0.509
TJ	0.604	0.797	0.869	0.848	0.760	0.526	0.877
TM	0.797	0.768	0.806	0.868	0.823	0.827	0.858
UA	0.293	0.293	0.290	0.266	0.338	0.317	0.320
ZU	0.616	0.729	0.859	0.755	0.746	0.622	0.500

Note: The Herfindahl-Hirschman Index is calculated as the sum of the squares of the shares (in total exports to the EU-25 markets) of individual industries and then the square root is taken. The measure is bounded by 0.0 and 1.0.

Commodity composition of exports

Let us start with the broad commodity composition:

The export structures of the NIS and the NMS by broad commodity groups (agriculture incl. food processing, minerals and metals, fuels including petroleum products and manufacturing) are quite different. There is a distinct difference in export composition between two groups of NIS economies as well as between the NIS countries and the NMS: One group of NIS (composed of Azerbaijan, Belarus, Kazakhstan, Russia, Tajikistan and Turkmenistan) has a predominant export specialization towards fuels (incl. Petroleum products) and minerals and metals (unprocessed). This group shows a very small share of manufacturing products in its exports, although the share increases somewhat when non-EU-25 exports are considered (Belarus is an exception in that it exports a large share of manufactures to other – mostly CIS – markets while more than half of its exports to the EU-25 consists of petroleum products). The second group of NIS countries (comprising Armenia, Georgia, Kyrgyzstan, Moldova and Ukraine) shows a larger share of manufactured products (as we shall see below a substantial share of these countries are metals-related) and a significant group has a large share of agricultural or food-processing exports. Petroleum products also feature in some of these economies but not to the same extent as for the first group.

For the NMS, by contrast, manufacturing exports are by far the dominant share in total exports and the difference in this respect to both groups of CIS economies are quite striking.

Let us add now some more details on commodity composition within manufacturing:

As regards the NMS, we can see a strong orientation of the more advanced of the NMS economies (Czech Republic, Estonia, Hungary, Poland, Slovakia and Slovenia) towards machinery, electrical goods and transport equipment, while the less advanced group (Lithuania, Latvia, Bulgaria and Romania) has also a significant export share of textiles (incl. clothing and footwear) and foods (incl. drinks).

We now move towards an examination of trade structures using different types of industry classifications.

The differences in trade structures between NMS and NIS are quite striking (see Figures 1a and 1b): it is clear that the NMS have a much more balanced structure with respect to the two types of taxonomies we have been adopting to classify industrial trade by either factor content (into capital, labour, or technology-intensive groups of industries; taxonomy I) or by implicit skill-intensity (i.e. whether the production requires relatively more low-, medium-, or high-skilled workers; taxonomy II).

The difference comes out quite strikingly if one looks at RCA's (revealed comparative advantage indicators[6]). The NIS have almost uniformly strong relative surpluses in capital-intensive industries and a few countries (Armenia, Moldova, Turkmenistan) in labour-intensive industries and strong deficits in technology-intensive industries.

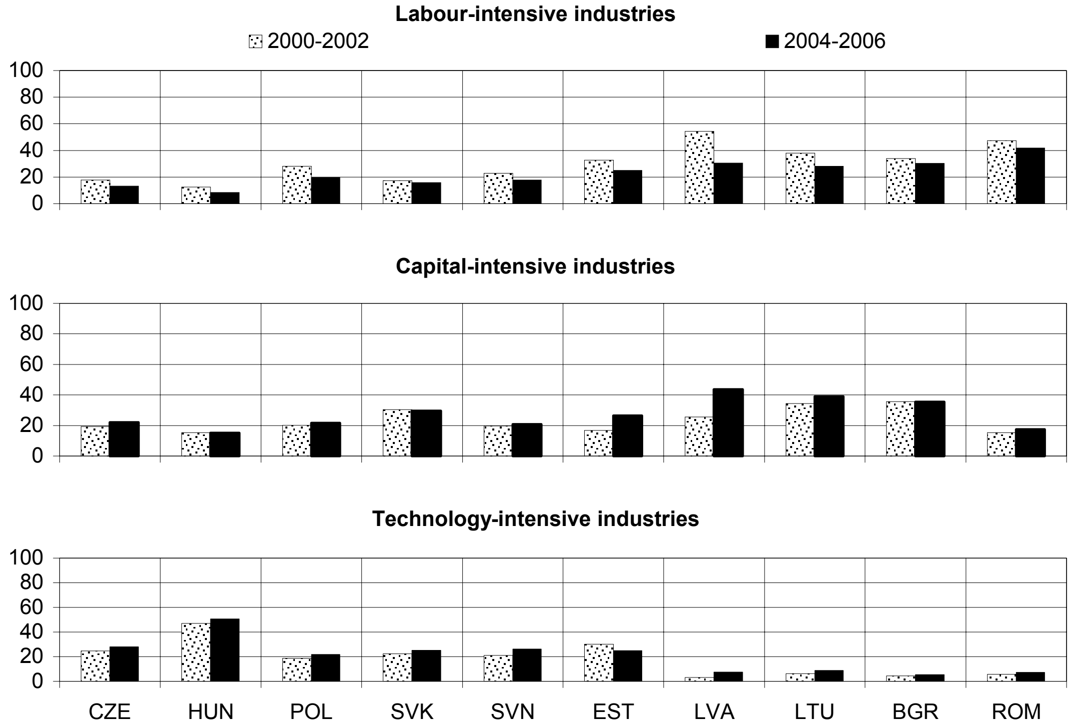
The NMS, on the other hand, reveal surpluses in labour-intensive industries and some countries (Bulgaria, Slovakia, Slovenia and the Baltics) also in capital-intensive industries, but the latter surpluses are much less pronounced than those of the NIS. They also show much milder deficits (with Hungary being the exception showing a surplus) in technology-driven industries than the NIS economies.

[6] The RCA indicator used here is the following one: $RCA_i = \ln(x_i / m_i) / \ln(x_T / m_T)$ where x_i and m_i refer exports and imports respectively of industry i and x_T and m_T refer to total (goods) exports of the country in question. These RCA's can also be calculated for trade relationships with particular groups of trading partners, such as the EU-25, or with other NIS countries in which case the x_T and m_T refer to total goods trade by that country into that region and, equivalently for exports and imports of industry i. This has also been done in order to check whether there are important differences in comparative advantage structures in relation to different groups of trading partners.

Figure 1a

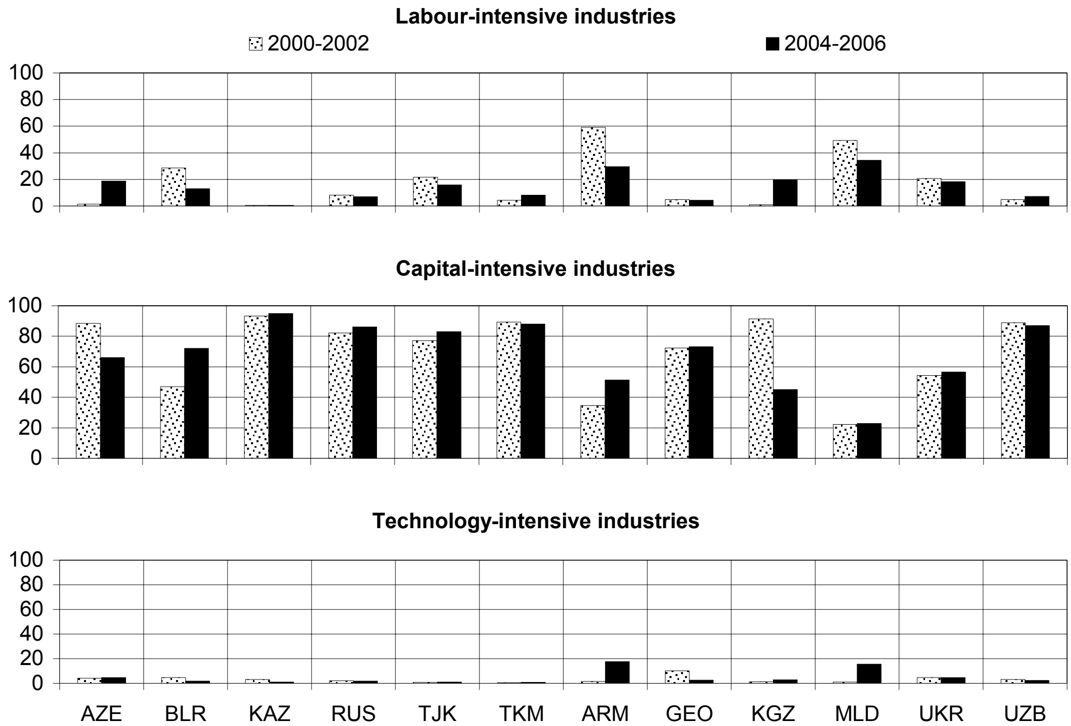
Exports of NMS to EU-25, 2000-02, 2004-06

by industry groupings, average shares



Exports of NIS to EU-25, 2000-02, 2004-06

by industry groupings, average shares

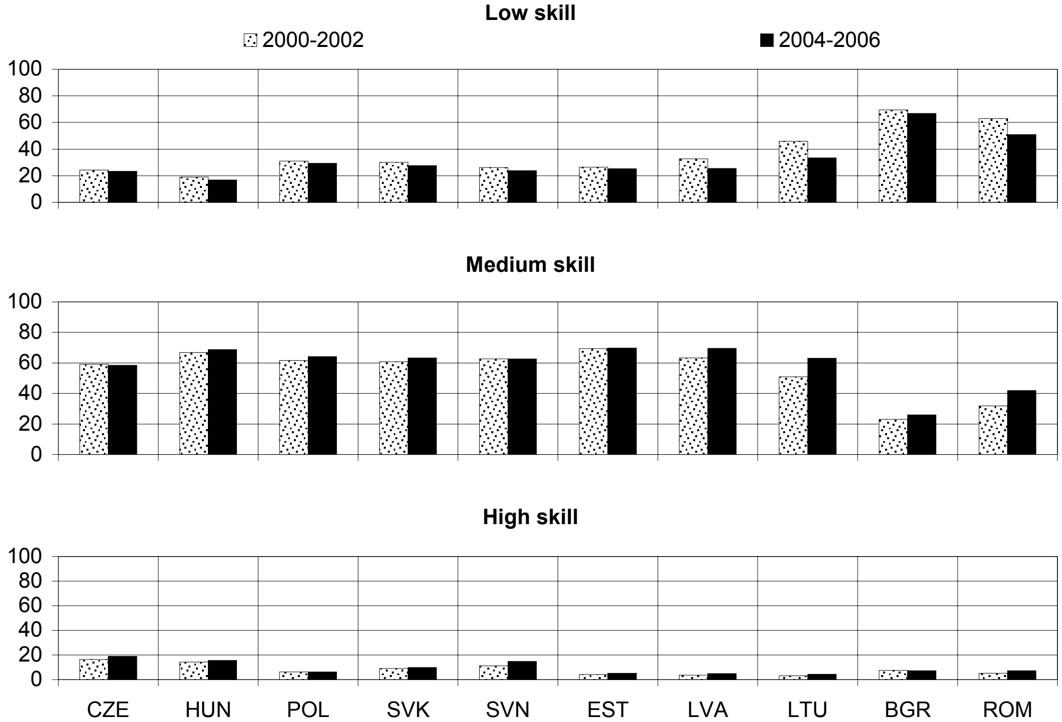


Source. COMEXT, wiiw calculations.

Figure 1b

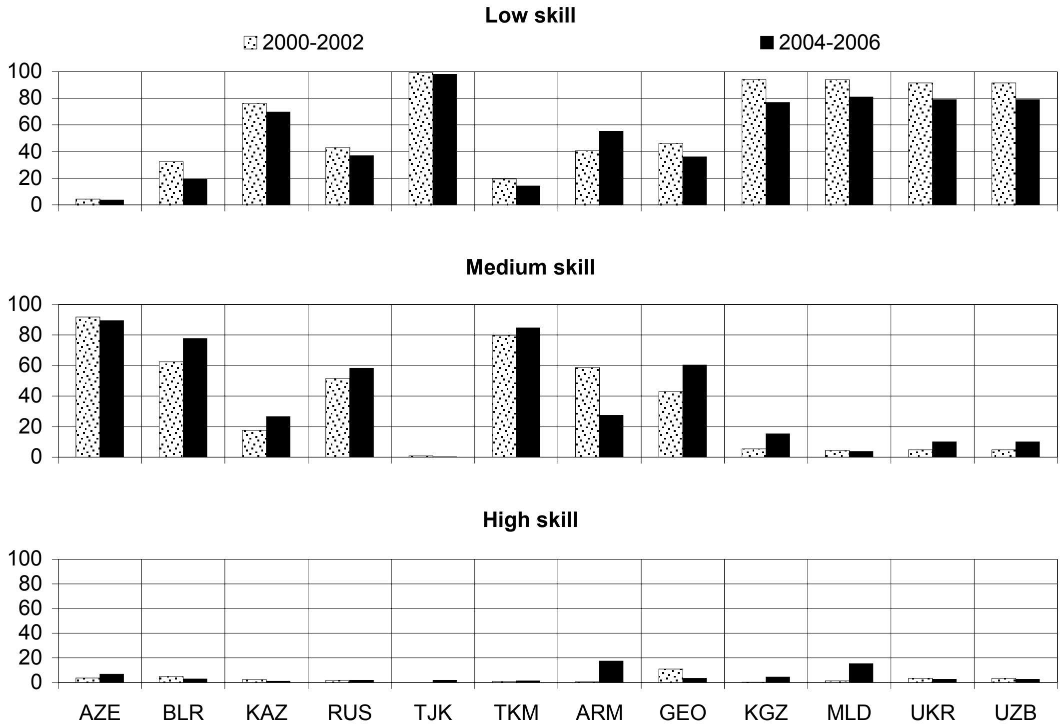
Exports of NMS to EU-25, 2000-02, 2004-06

by skill categories, average shares



Exports of NIS to EU-25, 2000-02, 2004-06

by skill categories, average shares



Source. COMEXT, wiiw calculations.

If we take the skill-based taxonomy, the basic difference between the two sets of countries is the deficit in almost all NIS countries in industries with a relatively high share of medium skill – blue collar jobs, where the NMS have a surplus (with the exception of Bulgaria and Romania; these two economies have surpluses in industries with low skill content). The deficit in industries with the highest skill content exists for both groups of countries and quite a few of the NIS economies have – like Bulgaria and Romania amongst the NMS – surpluses in low-skill intensive industries (Armenia, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Russia, Tajikistan, the Ukraine and Uzbekistan).

Let us summarize the picture of trade specialization:

- Despite a certain amount of heterogeneity within each of the two groups of countries there is a much higher degree of export specialization of the NIS than the NMS.
- At the commodity level, there are two groups of economies within NIS: those which rely heavily on fuels and fuel product exports, and another group which relies either on metals or on agricultural and textile (and textile products) exports, the latter are rather labour intensive industries. In all the NMS on the other hand, there is a very strong export specialization on manufactured goods in general and for the advanced NMS we find a strong orientation towards machinery, electrical engineering and transport equipment within manufacturing. The principal export commodities of each country (top 15 products) show the striking differences between NIS and NMS countries.
- Using two types of taxonomies (applied only to trade with the EU-25), we can see a striking difference between NIS and NMS. We saw a very strong reliance of NIS on capital-intensive industries (consistent with the specialization on fuels, fuel products and metals) and a strong deficit in technology-intensive industries; on the skill intensity side, there is a strong specialization on low-skill intensive branches and a strong deficit in high- (and even medium-) skill intensive branches. Amongst the NMS, on the other hand, there is much less evidence of pronounced inter-industry specialization with the EU-25: there is only slight evidence of trade specialization of the NMS (within the EU-25) on labour-intensive and capital-intensive industries and, for the more advanced NMS, hardly any deficit in high-technology or in high-skill industries (although for Bulgaria, Romania and some of the Baltics such deficits still exist).
- Finally, we want to refer to previous research (see Landesmann and Wörz, 2006) which found very significant upgrading of NMS producers within intra-industry trade as evidenced by both rising market shares and rising relative unit values across the spectrum of manufacturing industries, but particularly in medium-high tech industries.

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Some reflections on the reform of the international financial architecture

BY LEON PODKAMINER*

Summary

This note dwells on the reform principles as contained in the G-20 Summit Declaration. Some of the Declaration's directions seem very important and long overdue. Development of global financial accounting standards, elimination of pro-cyclicality in regulation, isolation of 'heavens' of broadly defined illicit financial activities are worth of being pursued. And all of these goals seem capable of being actually reached – provided there is strong enough political will. However, the Chapter on Reinforcing International Cooperation appears to be rather empty of actions that can be expected to contribute positively to the new global financial architecture. The Chapter on Strengthening International Financial Institutions, although correctly stressing the need for stocking up the IMF and making it more responsive to the needs of the emerging and developing countries, on the whole appears to be rather enigmatic (in some parts also problematic).

The Declaration is mute on supranational regulatory/supervisory authorities to police the global financial system. Virtually nothing can be expected to change as far as the formal regulation/supervision (and also eventual bailout) of major financial institutions active globally (i.e. in different jurisdictions) is concerned. The failure to propose the setting up of such authorities is neither surprising, nor to be deplored. The idea seems impracticable even at the EU level.

Even if the restructuring of international financial architecture does not result in revolutionary changes, the global financial system may become much more resilient – at least for a couple of years. This forecast assumes that at the *national* level there will a radical overhaul of regulation and supervision in all major countries. The re-regulation could be expected to restrict all these corrupt practices that the policy allowed in the recent past. One could expect the scope of regulation to be much increased, standards (such as relating to leverages) properly modified, improvements in accounting for the systemic risks, etc. At the same one may hope for the return of the narrow banking based on the traditional principles.

Some more fundamental issues may need to be given some consideration. For example, should the authorities continue to applaud the progressing conglomeration of various types of financial activities? Or, should one be happy about the frenzy of mergers and acquisitions in the banking sector?

Finally, one should perhaps reflect on some deeper, structural developments behind the current financial crisis. One of these is the ballooning of the financial wealth which, finding investment in the productive activities unattractive, propels all sorts of hardly productive activities – as well as speculative booms and busts.

Introduction

The financial turmoil that started in the USA more than a year ago has produced reverberating effects throughout the globe. But it is only recently (following the collapse of Lehman Brothers) that the severity of the crisis – and its global scope – have been seriously acknowledged. The reform of the international financial architecture is again[1]

* This text was written following a request from the European Parliament's Committee on Economic and Monetary Affairs (December 2008).

[1] Interest in reforming (or "strengthening") the international financial system fluctuates itself. Intense interest in the subject follows major international crises – only to abate later on. The previous major international crisis (in Asia, with its contagious repercussions in Russia and Latin America) of the late 1990s gave rise to many proposals and to some real initiatives. These were described by Professor Barry Eichengreen as follows: "*Official efforts to strengthen the international financial architecture are organized around four pillars: international standards for financial management and regulation, Chilean-style taxes on short-term foreign*

becoming a topic for discussion (if not exactly for real action). As on the past occasions, there is currently no shortage of reform proposals – both general and quite specific. In this note I shall dwell on the reform principles contained in the *Declaration of the Summit on Financial Markets and the World Economy*, which was issued following the G-20 Summit held on 15 November. Because of the weight of that Declaration - and of the Body behind it - the principles are, presumably, more likely to be eventually followed in practice than other reform proposals circulating around.

The Summit participants pledged to implementing policies consistent with five common reform directions: (1) Strengthening Transparency and Accountability; (2) Enhancing Sound Regulation; (3) Promoting Integrity in Financial Markets; (4) Reinforcing International Cooperation; (5) Reforming International Financial Institutions.

Transparency, regulation, integrity

The first three directions address the issues to be tackled primarily at the national level - which does not rule out some involvement of international bodies (e.g. playing consultative, advisory or standard-setting roles), or some international (or regional) cooperation. As signalled by the very names of these directions, the goal here is to achieve the very same things - better regulation at the national levels, better disclosure, transparency, risk management, enhanced morality etc - which all proved elusive despite heavy efforts (e.g. by the Basle Committee) of the last 20 years. Of course, one should hope that this time over significant improvements in national regulation, transparency etc will be achieved. But it must be noticed that some of the specific actions projected in these directions, and some recommendations formulated therein, sound rather hollow. One senses a good measure of wishful thinking here, that is unlikely to produce specific improvements. To get the flavour of many of these empty or banal actions/recommendations proposed, let me quote just two such *immediate*[2] actions, described as follows: "*Banks should exercise effective risk management and due diligence over structured products and securitization*", or "*Regulators should develop and implement procedures to ensure that financial firms implement policies to better manage liquidity risk, including by creating strong liquidity cushions*").

Apart from preoccupation with the national issues, the directions 1-3 also touch upon some international issues.

As far *Transparency and Accountability* direction is concerned, the medium-term action stipulates, among other actions, that the key global accounting standards bodies work on creation of single high-quality *global* (i.e. presumably to be obeyed universally) accounting standards (e.g. for valuation of e.g. securities).

The *Enhancing Regulation* direction stipulates rather intensive involvement of the IMF, Financial Stability Forum (FSF) and other regulators and bodies which should develop, by 31 March 2009, '*recommendations to mitigate pro-cyclicality, including the review of how valuation and leverage, bank capital, executive compensation, and provisioning practices may exacerbate cyclical trends*'. In plain language, the primary aim here seems to be to urgently correct the revealed fatal deficiency of the currently prevailing regulatory

borrowing as a form of prudential regulation to be imposed until countries have brought other forms of banking-sector supervision up to a world-class levels, greater exchange-rate flexibility…, and collective-action clauses to create an alternative to ever-bigger IMF bailouts. All four elements would have to be adopted to make the world a safer financial place…While constructive steps have already been taken…, the new table on which the system will rest remains rickety. It has at best three legs, not four. And without all four legs, stability will be lacking". In: 'Strengthening the International Financial Architecture: Where Do We Stand?', ASEAN Economic Bulletin, August 2000. One wonders *now*, which First-World country's banking supervision should then have been named as representing a world-class level. (US? Swiss? UK?).

[2] Actions to be taken by the relevant bodies in individual (presumably G-20) countries , and by various international bodies are either *immediate actions* (which are to produce results by 1 April 2009), or *medium-term actions* (with undefined deadlines).

models (including the ones following the Basle-II rules). '*Mitigating against pro-cyclicality in regulatory policy*' is also the first specific priority of rapid actions to be taken by the Finance Ministers. Other actions within that direction follow quite closely the common (by now) opinions (e.g. on the necessity 'to do something' about the private rating agencies which did contribute significantly to the current mess).

The *Integrity* direction hints at implementation of '*international measures that protect the global financial system from uncooperative and non-transparent jurisdictions that pose risks of illicit financial activity*'. Moreover, the direction envisages efforts to promote tax information exchange: '*lack of transparency and a failure to exchange tax information should be vigorously addressed*'.

Overall, some of the (international in scope) concerns expressed in the directions 1-3 seem to me both very important and long overdue. The specific goals enumerated above (i.e. development of global financial accounting standards, elimination of pro-cyclicality in regulation, isolation of 'heavens' of broadly defined illicit financial activities) are all worth of being vigorously pursued. And all of these goals seem capable of being actually reached – provided there is strong enough political will to succeed.

Reinforcing international cooperation

Direction 3 stipulates two immediate and two medium-term actions.

The first immediate action requires national supervisors to collaborate in establishing supervisory colleges for all major cross-border financial institutions. Then, '*major global banks should meet regularly with their supervisory college for comprehensive discussion of the firm's activities and the assessment of the risks it faces*'. In my opinion this is a vision unlikely to ever materialize. Or, if it materializes, it is unlikely to produce any good. (At best, the red tape involved could perhaps encourage some cross-border financial institutions to withdraw from some activities abroad. And that could constitute a positive contribution to the international financial stability).

The second immediate action stipulates that regulators take '*all steps necessary to strengthen cross-boarder crisis management arrangements, including on cooperation and communication with each other and with appropriate authorities, and develop comprehensive contact lists …*" etc, etc. Of course this 'action' is sufficiently ambiguous to be of any practical significance.

The first medium-term action stipulates that authorities should collect information on areas where convergence in regulatory practices '*is in need of accelerated progress, or where there may be potential for progress…*' I am not sure this 'action' properly belongs to the realm of the direction on Reinforcing International Cooperation. Moreover, I am not sure whether any national authority in charge of financial sector regulation has to be reminded – by the leaders of the G-20 – of the usefulness of collecting information in question.

The second medium-term action specifies that '*authorities should ensure that temporary measures to restore stability and confidence have minimal distortions and are unwound in a timely, well-sequenced and coordinated manner*'. I have two remarks to this. First, the implied goal of having well coordinated unwinding of the temporary measures is certainly very important. But it would be much more important to have efficient international *coordination* of such measures while they are being introduced in response to a crisis. During the current crisis the actions taken by the authorities of individual countries have shown very little, if any coordination. (The concerted cut in the major central banks' interest rates executed on 8 October appears to be an exception). Rather, one observes a kind of 'non-cooperative games' being played, with actions of some national authorities possibly worsening the situation elsewhere. In the end, the lack of proper coordination of the individual countries' emergency moves is likely to harm all. Second, given the importance of avoiding unsound international competition likely to emerge during financial crises, it would be important to work out some effective international mechanism (a binding Convention?) guaranteeing at least some minimal degree of cooperation on the matters considered. The present postulate that the authorities '*should ensure coordination*' does not seem sufficient.

Reforming international financial institutions

There are six immediate actions to be taken to reform the international financial institutions, followed by three medium-term ones.

The first three of the immediate actions are about (i) the Financial Stability Forum (which should expand its membership of emerging economies); (ii) the sharing of tasks/responsibilities between the IMF and the FSF.

Of course it may be useful to make the FSF somewhat *more* representative (without making it another general assembly of all nations). But the proposed division of tasks between the FSF and the IMF is rather sketchy and quite (perhaps purposefully) ambiguous. This would not seem to be of vital importance as the two institutions are expected to strengthen their collaboration '*in drawing lessons from the current crisis*' - while also '*enhancing efforts to better integrate regulatory and supervisory responses into macro-prudential policy framework*' (whatever that may mean). More importantly, I am not sure that the two parties have been consulted over their marriage arranged at the Summit. In any case I do not see the advantages of chaining the FSF to the IMF. Each should mind its own business – even if there seems to be some overlap of duties. Some competition between the two (e.g. on the provision of specific recommendations on, and assessments of, the financial system) should only be welcome.

The remaining three immediate actions are essentially about (1) increasing the IMF (as well as the World Bank and other multilateral development banks') resources and the revision of their lending roles in the light of the current crisis; (2) exploring ways to restore emerging countries' access to credit; (3) ensuring the provision of necessary financing from the multilateral development banks in cases where severe market disruptions have limited access to the necessary financing.

These actions go into the right direction. However, one could perhaps be more specific in recognizing the scale of the inadequacy of the IMF resources – and, importantly, about the ways of making up for that deficiency[3]. Besides, one would expect more direct and open commitment on the part of the major G-20 countries to instructing the IMF and other international financial organizations to make funds available quickly and generously[4] (in the first place to the emerging and developing countries should these suffer heavily from the collateral damage to the crisis engineered in the USA and propagated by the European banks). A mere commitment of that sort could stop, or weaken, the contagion suffered by weaker countries. One should perhaps consider rendering the IMF a sort of international lender of last resort[5]. It may be added that the actual material help to the emerging economies (should they actually need it) would eventually help to contain crisis also in the advanced countries.

The three medium-term actions are, essentially, about a comprehensive reform of the Bretton Woods institutions. Nothing new under the sun. The necessity to reform these institutions has been acknowledged for good 20 or more years. But the actual changes, though substantial in some areas, are still considered insufficient. Therefore one could remain a bit sceptical. Of course the intention to give the emerging and developing countries greater voice and representation in these institutions is to

3 Professor Eichengreen has recently suggested an agreement to top up the IMF resources by tapping reserve-rich countries on an exceptional basis as the best solution currently.

4 And without imposing any of their infamous conditionalities.

5 As discussed a decade ago (see e.g. S. Fischer: '*On the Need for an International Lender of Last Resort*', The Journal of Economic Perspectives, No. 4, 1999).

be applauded, as this may enhance these institutions' legitimacy and credibility. Similarly, one cannot object to the proposed upgrading of the IMF's competencies in e.g. providing macro-financial policy advice, supporting the implementation of new regulations etc. However, the Declaration's outline of the reform of the IFI lacks any meaningfully specific details. It is all full of buzzwords. That's a pity. The leading experts in the field have formulated many thoughtful, and reasonably specific, proposals for the reform of the IMF[6]. These proposals agree on quite many concrete issues. Virtually nothing of that has found its way into the Declaration. Thus, whether or not the medium-term actions reforming the international institutions will bring genuine and meaningful improvements remains an open question[7].

No supranational regulatory/supervisory authority in sight

The Declaration may have been a major disappointment to those who dreamt of creation of supranational regulatory/supervisory authorities effectively policing the global financial system. This is not on the agenda. Moreover, virtually not much can be expected to change as far as the formal regulation/supervision (and also eventual bailout) of major financial institutions active globally (i.e. in different jurisdictions) is concerned. The failure to propose the setting up of such authorities is neither surprising, nor to be deplored. The idea is impracticable – as shown by the fact that so far even the European Union has failed to develop such authorities for policing the integrating national financial systems of the member states[8].

Concluding observations

Even if the restructuring of international financial architecture does not result in revolutionary changes, the global financial system may none the less become much more resilient – at least for a couple of years. This pretty optimistic forecast assumes that at the *national* level there will a radical overhaul of regulation and supervision in all major – and most minor – countries. The international architecture will be strengthened because its constituent country 'bricks' will be more solid. The trend towards deregulation which set in in the 1970s most likely will be reversed. The re-regulation could be expected to restrict all these corrupt practices that the policy allowed (if not encouraged) in the recent past. One expects the scope of regulation to be much increased, standards (such as relating to leverages) properly modified, improvements in accounting for the systemic risks, etc. At the same one may hope for the return of the narrow banking based on the traditional principles. Some 'innovative' practices may need to be forbidden, application of some 'drastic' measures[9] may be (conditionally) accepted.

Some more fundamental issues may need to be given some consideration. For example, should one continue to applaud the progressing conglomeration of various types of financial activities? Or, should one be happy about the frenzy of mergers and acquisitions in the banking sector? (I don't think so, if only because the emerging financial sector mammoths are prone to blackmailing the authorities – on the 'too big to fail' principle).

Finally, one should perhaps reflect on some deeper, structural developments behind the current financial crisis. One of these is the ballooning of the financial wealth which, finding investment in the

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6 See e.g. the booklet edited by B. Eichengreen and R. Baldwin : 'What G20 leaders must do to stabilise our economy and fix the financial system', www.voxeu.org, 10 Nov.2008.

7 Reforming of the IMF may collide with the entrenched interests of countries which at present dominate it. The fact that the individual EU member states guard their separate voting rights at the IMF (and that they are not replaced by a single EU representation) illustrates the difficulties inherent in reforming international institutions.

8 It is not clear at all what role the ECB should play in the restructured international architecture. But, it is also not quite clear what role the ECB should be playing as far as the strengthening of *European* financial system(s) is concerned. Currently the ECB does not have powers and responsibilities in the field of the European (of even euro area) financial sector supervision and crisis prevention.

9 Such as temporary obstruction of cross-country flows of some sorts of capital.

productive activities unattractive, propels all sorts of hardly productive activities – as well as speculative booms and busts. The second (and related) development is the pretty universal tendency for the reduction of the labour share in the national income. This tendency is directly related to the ballooning size of directly unproductive wealth. Indirectly, the secular stagnation of the labour income contributed to the present crisis. The overall growth of the GDP (and profits) has been led (at least in the USA) not by the consumer demand out of rising personal incomes – but has depended on rising, unsustainable, debt of the working-class households.

STATISTICAL ANNEX

Selected monthly data on the economic situation in Central and Eastern Europe

Please note:

As of January 2009 the new wiiw Monthly Database is available, replacing the former one. The database

- has been enlarged by five new countries: **Albania**, **Bosnia and Herzegovina**, **Macedonia**, **Montenegro** and **Serbia**
- is presented in a new design with improved download features
- allows for a simplified query combining indicators and countries
- offers free sample data and charts for an easy overview

Registered users can login with their current password.

wiiw Members have **free online access** to the wiiw Monthly Database.
To receive your personal password, please go to http://mdb.wiiw.ac.at

B U L G A R I A: Selected monthly data on the economic situation 2007 to 2008

(updated end of Jan 2009)

		2007 Oct	Nov	Dec	2008 Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
PRODUCTION																
Industry, total[1]	real, CMPY	11.3	9.0	5.0	8.2	5.4	-1.1	8.9	6.6	4.2	4.4	-6.0	2.5	-1.9	-9.3	-8.3
Industry, total[1]	real, CCPY	9.8	9.8	9.3	8.2	6.8	3.9	5.1	5.4	5.2	5.1	3.6	3.5	2.9	1.8	.
Industry, total[1]	real, 3MMA	9.7	8.4	7.4	6.1	3.9	4.2	4.6	6.5	5.0	0.9	0.3	-1.8	-2.9	.	.
LABOUR																
Employees total	th. persons	2324	2325	2306	2430	2437	2450	2477	2487	2502	2526	2516	2495	.	.	.
Employees in industry	th. persons	695	694	689	714	713	711	718	711	711	711	708	698	.	.	.
Unemployment, end of period	th. persons	249.4	245.3	255.9	273.3	268.8	251.6	241.1	229.1	221.1	220.9	218.3	214.7	216.6	216.8	232.3
Unemployment rate[2]	%	6.7	6.6	6.9	7.4	7.3	6.8	6.5	6.2	6.0	6.0	5.9	5.8	5.8	5.8	6.3
Labour productivity, industry[1]	CCPY	9.9	9.9	9.5	6.9	5.5	2.8	3.9	4.3	4.1	3.9	2.5	2.5	.	.	.
Unit labour costs, exch.r. adj.(EUR)[1]	CCPY	8.8	9.0	9.6	16.9	18.2	21.7	20.0	19.4	19.7	19.9	21.1	20.8	.	.	.
WAGES, SALARIES																
Total economy, gross	BGN	430	448	474	479	474	500	512	503	515	517	514	538	.	.	.
Total economy, gross	real, CMPY	8.1	10.2	8.6	13.0	10.2	10.6	11.7	6.4	9.5	7.6	10.4	11.8	.	.	.
Total economy, gross	EUR	220	229	242	245	242	256	262	257	263	264	263	275	.	.	.
Industry, gross	EUR	228	232	244	244	247	265	259	265	270	267	270	278	.	.	.
PRICES																
Consumer	PM	0.6	1.6	1.1	1.4	1.1	0.8	0.8	0.5	-0.2	1.5	0.1	1.1	0.5	-0.1	-0.2
Consumer	CMPY	12.4	12.6	12.5	12.5	13.2	14.2	14.6	15.0	15.3	14.5	11.2	11.0	10.9	9.1	7.8
Consumer	CCPY	7.6	8.0	8.4	12.5	12.8	13.3	13.6	13.9	14.1	14.2	13.8	13.5	13.2	12.8	12.3
Producer, in industry	PM	1.4	1.9	-1.1	0.7	0.9	2.7	0.3	0.7	2.0	2.9	0.6	-1.0	-0.8	-3.0	.
Producer, in industry	CMPY	11.4	13.4	11.5	13.2	14.1	15.6	13.7	13.7	14.5	15.4	14.4	12.6	10.1	4.8	.
Producer, in industry	CCPY	8.0	8.5	8.8	13.2	13.6	14.3	14.1	14.1	14.1	14.3	14.3	14.1	13.7	12.9	.
FOREIGN TRADE[3)4)]																
Exports total (fob), cumulated	EUR mn	11098	12364	13474	1115	2327	3649	5021	6342	7737	9253	10561	11964	13251	14329	.
Imports total (cif), cumulated	EUR mn	17705	19870	21877	1819	3723	5722	7973	10215	12656	15099	17146	19352	21736	23655	.
Trade balance, cumulated	EUR mn	-6608	-7506	-8403	-704	-1396	-2074	-2953	-3873	-4920	-5846	-6584	-7388	-8485	-9326	.
Exports to EU-27 (fob), cumulated	EUR mn	6812	7554	8165	709	1473	2308	3106	3864	4672	5569	6317	7130	7952	8638	.
Imports from EU-27 (cif)[5], cumulated	EUR mn	10368	11629	12796	945	2051	3240	4543	5772	7098	8394	9439	10741	12121	13306	.
Trade balance with EU-27, cumulated	EUR mn	-3555	-4075	-4631	-237	-578	-933	-1438	-1908	-2426	-2825	-3122	-3611	-4169	-4668	.
FOREIGN FINANCE																
Current account, cumulated[6]	EUR mn	-4610	-5363	-6303	-770	-1405	-1913	-2669	-9352	-10161	-10632	-10943	-11507	-12610	-13448	.
EXCHANGE RATE																
BGN/USD, monthly average	nominal	1.375	1.332	1.343	1.329	1.326	1.259	1.241	1.257	1.258	1.240	1.307	1.362	1.470	1.536	1.460
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
USD/BGN, calculated with CPI[7]	real, Jan04=100	127.2	132.4	132.9	135.5	137.0	144.1	146.6	144.3	142.6	146.0	139.3	135.2	126.0	120.5	126.5
USD/BGN, calculated with PPI[7]	real, Jan04=100	124.7	128.0	125.8	126.3	126.5	133.1	133.3	128.7	128.5	130.9	128.6	123.7	113.7	105.6	.
EUR/BGN, calculated with CPI[7]	real, Jan04=100	116.6	117.8	118.6	120.5	121.3	121.3	121.8	121.6	120.9	122.8	123.0	124.1	124.7	125.1	125.0
EUR/BGN, calculated with PPI[7]	real, Jan04=100	118.8	119.8	118.2	117.9	118.1	120.5	119.6	118.7	119.5	122.1	123.7	122.7	123.4	122.0	.
DOMESTIC FINANCE																
Currency in circulation, end of period[8]	BGN mn	6812	6787	7433	6952	6992	6990	7224	7245	7364	7576	7758	7745	7699	7583	8029
M1, end of period[8]	BGN mn	19297	19320	20727	19882	19590	19848	20075	20338	20327	20832	20822	20525	19791	19245	19867
Broad money, end of period[8]	BGN mn	38768	39618	42062	41585	41684	42249	42833	43181	43965	45040	45716	45690	44603	43928	45778
Broad money, end of period	CMPY	28.5	30.5	31.2	30.9	29.8	29.0	28.3	27.3	24.4	23.8	21.0	19.5	15.0	10.9	8.8
BNB base rate (p.a.),end of period	%	4.2	4.3	4.6	4.7	4.8	4.8	4.8	4.9	5.0	5.1	5.3	5.2	5.4	5.7	5.8
BNB base rate (p.a.),end of period[9]	real, %	-6.4	-8.1	-6.2	-7.5	-8.2	-9.3	-7.8	-7.7	-8.4	-9.0	-8.0	-6.5	-4.3	0.8	.
BUDGET																
Central gov.budget balance, cum.	BGN mn	3242	3363	1129	378	673	1278	2102	2715	3256	3706	4104	4498	4586	4152	.

1) Enterprises with 10 and more persons.
2) Ratio of unemployed to the economically active.
3) Based on cumulated national currency and converted with the average exchange rate.
4) Cumulation starting January and ending December each year.
5) According to country of dispatch.
6) Based on national currency and converted with the exchange rate.
7) Adjusted for domestic and foreign (US resp. EU) inflation. Values more than 100 mean real appreciation.
8) According to ECB methodology.
9) Deflated with annual PPI.

C Z E C H REPUBLIC: Selected monthly data on the economic situation 2007 to 2008

(updated end of Jan 2009)

		2007 Oct	Nov	Dec	2008 Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
PRODUCTION																
Industry, total	real, PM	.	.	.	.	.	.	.	.	.						
Industry, total	real, CMPY	9.8	8.9	5.9	8.4	11.6	-2.1	12.1	3.1	3.4	7.7	-4.4	9.0	-7.7	-17.4	.
Industry, total	real, CCPY	9.3	9.2	9.0	8.4	10.0	5.6	7.2	6.3	5.8	6.1	4.9	5.3	3.9	1.7	.
Industry, total	real, 3MMA	7.1	8.4	7.8	8.7	5.6	6.8	4.1	6.1	4.6	2.3	4.2	-1.3	-6.1	.	.
Construction, total	real, CMPY	3.2	7.1	5.6	0.8	11.7	0.5	1.3	-3.5	-3.0	7.2	-1.8	9.3	-1.1	-5.6	.
LABOUR																
Employees in industry[1]	th. persons	1189	1193	1187	1185	1186	1189	1189	1188	1180	1187	1179	1168	1163	1151	.
Unemployment, end of period	th. persons	348.8	341.4	354.9	364.5	355.0	336.3	316.1	302.5	297.9	310.1	312.3	314.6	311.7	320.3	352.3
Unemployment rate[2]	%	5.8	5.6	6.0	6.1	5.9	5.6	5.2	5.0	5.0	5.3	5.3	5.3	5.2	5.3	6.0
Labour productivity, industry[1][3]	CCPY	8.7	8.6	8.1	5.0	6.7	3.0	4.9	4.3	3.9	4.4	3.5	4.1	3.1	1.0	.
Unit labour costs, exch.r. adj.(EUR)[1][3]	CCPY	0.7	0.9	1.4	14.3	15.2	19.0	17.2	17.4	18.5	19.1	19.7	18.8	19.2	20.1	.
WAGES, SALARIES																
Industry, gross[1]	CZK	21572	24271	22214	22394	21266	22433	22615	23256	22837	23100	21440	21860	22807	24843	.
Industry, gross[1]	real, CMPY	4.9	0.8	0.5	4.5	5.3	2.2	3.7	0.3	1.5	2.5	-2.1	2.0	-0.3	-1.9	.
Industry, gross[1]	EUR	789	908	845	860	838	889	902	927	939	982	883	892	920	986	.
PRICES																
Consumer	PM	0.6	0.9	0.5	3.0	0.3	-0.1	0.4	0.5	0.2	0.5	-0.1	-0.2	0.0	-0.5	-0.3
Consumer	CMPY	4.0	5.0	5.4	7.5	7.5	7.1	6.8	6.8	6.7	6.9	6.5	6.6	6.0	4.4	3.6
Consumer	CCPY	2.4	2.6	2.8	7.5	7.5	7.4	7.2	7.1	7.1	7.0	7.0	6.9	6.8	6.6	6.4
Producer, in industry	PM	0.4	0.7	-0.1	1.9	0.1	0.3	0.0	1.0	0.8	0.1	0.4	-0.1	-1.2	-1.9	-1.5
Producer, in industry	CMPY	4.4	5.4	5.2	6.0	5.6	5.3	4.7	5.2	5.4	5.3	5.7	5.5	3.9	1.2	-0.2
Producer, in industry	CCPY	3.8	3.9	4.0	6.0	5.8	5.7	5.4	5.4	5.4	5.4	5.4	5.4	5.3	4.9	4.5
FOREIGN TRADE[4][5]																
Exports total (fob),cumulated	EUR mn	73739	82556	89331	8169	16741	25179	34116	42443	51435	60158	67392	76434	85206	92929	.
Imports total (cif),cumulated	EUR mn	70947	79303	86163	7710	15764	23836	32500	40439	48830	57287	64380	72986	81917	89663	.
Trade balance,cumulated	EUR mn	2792	3253	3168	459	977	1344	1616	2004	2605	2871	3012	3448	3289	3266	.
Exports to EU-27 (fob), cumulated	EUR mn	62948	70459	76158	7030	14394	21676	29333	36504	44062	51491	57645	65302	72743	79303	.
Imports from EU-27 (cif)[6], cumulated	EUR mn	50478	56297	61001	5112	10742	16294	22353	27700	33497	39245	43911	49719	55434	60438	.
Trade balance with EU-27, cumulated	EUR mn	12471	14163	15157	1918	3653	5382	6980	8804	10565	12246	13734	15583	17310	18865	.
FOREIGN FINANCE																
Current account, cumulated[4]	EUR mn	-1764	-1542	-2256	474	934	1128	799	372	-1148	-1411	-1943	-2434	-3320	-3666	.
EXCHANGE RATE																
CZK/USD, monthly average	nominal	19.2	18.2	18.0	17.7	17.2	16.2	15.9	16.1	15.6	14.9	16.2	17.1	18.6	19.8	19.5
CZK/EUR, monthly average	nominal	27.3	26.7	26.3	26.1	25.4	25.2	25.1	25.1	24.3	23.5	24.3	24.5	24.8	25.2	26.1
USD/CZK, calculated with CPI[7]	real, Jan04=100	130.8	138.3	140.4	146.7	151.0	158.4	161.4	158.8	162.5	170.3	157.0	149.3	137.0	128.1	129.6
USD/CZK, calculated with PPI[7]	real, Jan04=100	124.9	129.5	130.9	134.2	136.8	141.3	142.0	137.5	140.0	143.4	136.2	131.1	118.9	109.6	109.6
EUR/CZK, calculated with CPI[7]	real, Jan04=100	119.8	123.0	125.1	130.4	133.7	133.3	134.0	133.7	137.7	143.1	138.6	136.8	135.1	132.8	127.9
EUR/CZK, calculated with PPI[7]	real, Jan04=100	118.9	121.2	122.8	125.1	127.6	127.9	127.4	126.7	130.1	133.6	130.9	129.9	128.6	126.6	122.7
DOMESTIC FINANCE																
Currency in circulation, end of period[8]	CZK bn	316.8	323.3	324.1	321.0	323.5	322.5	326.4	327.7	326.9	326.9	329.3	331.7	364.7	368.1	.
M1, end of period[8]	CZK bn	1514.6	1512.6	1526.6	1556.5	1527.7	1558.7	1540.6	1564.3	1596.5	1608.3	1598.0	1628.7	1630.6	1650.0	.
Broad money, end of period[8]	CZK bn	2293.0	2332.2	2380.0	2386.4	2408.3	2406.5	2445.9	2475.5	2456.6	2510.1	2543.8	2541.6	2583.7	2621.5	.
Broad money, end of period	CMPY	14.7	15.8	16.1	15.1	14.5	14.2	12.5	12.3	11.3	12.5	12.4	13.2	12.7	12.4	.
Discount rate (p.a.),end of period	%	2.25	2.50	2.50	2.50	2.75	2.75	2.75	2.75	2.75	2.75	2.50	2.50	2.50	1.75	1.25
Discount rate (p.a.),end of period[9]	real, %	-2.1	-2.7	-2.6	-3.3	-2.7	-2.5	-1.9	-2.3	-2.5	-2.4	-3.0	-2.9	-1.3	0.5	1.5
BUDGET																
Central gov.budget balance, cum.	CZK mn	27200	12770	-66390	9730	-4970	-13350	-28090	-38320	-5650	9280	5320	10480	10940	-6510	-19370

1) Enterprises employing 20 and more persons.

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

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

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

5) Cumulation starting January and ending December each year.

6) According to country of origin.

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

8) According to ECB methodology.

9) Deflated with annual PPI.

H U N G A R Y: Selected monthly data on the economic situation 2007 to 2008

(updated end of Jan 2009)

		2007			2008											
		Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
PRODUCTION																
Industry, total	real, CMPY	8.7	5.7	6.2	5.7	13.2	2.1	11.6	2.6	-0.5	0.5	-5.9	-0.7	-7.2	-12.0	.
Industry, total	real, CCPY	8.7	8.4	8.2	5.7	9.4	6.8	8.0	6.9	5.6	4.8	3.5	3.0	1.8	0.4	.
Industry, total	real, 3MMA	6.9	6.9	5.8	8.3	6.8	8.7	5.3	4.4	0.8	-1.9	-1.9	-4.6	-6.8	.	.
Construction, total	real, CMPY	-21.0	-25.3	-21.3	-22.8	-16.8	-13.2	1.9	-6.7	-7.7	-11.7	-5.9	2.5	-2.2	3.4	.
LABOUR																
Employees total[1]	th. persons	2749.5	2729.8	2696.9	2733.5	2742.1	2749.3	2771.8	2779.0	2761.8	2757.0	2744.8	2740.7	2727.2	2703.7	.
Employees in industry[1]	th. persons	744.3	743.5	737.7	748.3	748.7	746.2	748.3	745.9	745.1	747.3	743.0	737.8	729.0	718.1	.
Unemployment, end of period	th. persons	412.8	419.8	445.0	468.1	476.6	462.4	442.8	424.5	415.6	421.1	425.0	423.9	424.6	446.0	.
Unemployment rate	%	9.4	9.5	10.1	10.6	10.8	10.5	10.0	9.6	9.4	9.5	9.6	9.6	9.6	10.1	.
Labour productivity, industry[1]	CCPY	9.6	9.3	9.2	5.8	9.8	7.2	8.3	7.1	5.9	5.0	3.6	3.2	2.1	0.9	.
Unit labour costs, exch.r. adj.(EUR)[1]	CCPY	5.1	4.9	4.4	1.3	-3.1	-1.9	-3.1	-1.5	0.4	2.4	4.4	5.5	6.1	6.4	.
WAGES, SALARIES																
Total economy, gross[1]	HUF th	181.7	205.3	211.0	206.1	188.1	193.9	194.4	195.8	200.2	195.0	190.0	190.1	197.2	223.3	.
Total economy, gross[1]	real, CMPY	1.8	2.1	-2.5	-8.1	5.8	3.0	3.7	2.4	2.8	0.9	0.6	2.5	3.3	4.4	.
Total economy, gross[1]	EUR	725	807	833	805	718	746	766	792	825	841	805	790	765	842	.
Industry, gross[1]	EUR	707	807	786	694	674	716	749	805	779	809	777	770	731	801	.
PRICES																
Consumer	PM	0.8	0.6	0.4	1.0	1.1	0.6	0.3	1.1	0.1	0.1	-0.3	0.0	0.2	-0.2	-0.3
Consumer	CMPY	6.7	7.1	7.4	7.1	6.9	6.7	6.6	7.0	6.7	6.7	6.5	5.7	5.1	4.2	3.5
Consumer	CCPY	8.1	8.0	8.0	7.1	7.0	6.9	6.8	6.9	6.8	6.8	6.8	6.7	6.5	6.3	6.1
Producer, in industry	PM	0.3	0.7	0.4	3.0	0.7	0.2	-0.1	-1.1	-0.5	-0.7	0.7	1.2	3.4	0.1	.
Producer, in industry	CMPY	-1.4	0.4	1.6	4.3	4.9	5.7	6.5	4.9	4.6	3.7	3.2	4.7	7.8	7.1	.
Producer, in industry	CCPY	0.0	0.0	0.2	4.3	4.6	5.0	5.4	5.3	5.2	5.0	4.7	4.7	5.0	5.2	.
FOREIGN TRADE[2)3)]																
Exports total (fob), cumulated	EUR mn	57174	63718	69015	6084	12402	18750	25356	31496	37987	44143	49540	56262	62565	68409	.
Imports total (cif), cumulated	EUR mn	57288	63702	69135	6173	12322	18454	25029	31210	37645	44153	49616	56157	62505	68230	.
Trade balance, cumulated	EUR mn	-114	16	-119	-89	79	296	327	287	342	-11	-76	105	60	179	.
Exports to EU-27 (fob), cumulated	EUR mn	45589	50699	54586	4751	9637	14468	19676	24455	29527	34328	38561	43845	48852	53535	.
Imports from EU-27 (cif)[4], cumulated	EUR mn	40297	44689	48218	4072	8326	12598	17186	21379	25844	30285	34081	38575	42799	46447	.
Trade balance with EU-27, cumulated	EUR mn	5292	6011	6368	679	1311	1870	2490	3077	3683	4043	4479	5270	6053	7088	.
FOREIGN FINANCE																
Current account, cumulated	EUR mn	.	.	-6510	.	.	-1636	.	.	-3582	.	.	-6074	.	.	.
EXCHANGE RATE																
HUF/USD, monthly average	nominal	176.3	173.1	173.9	174.1	177.7	167.6	161.0	158.9	155.9	147.1	157.4	167.4	193.2	208.2	196.8
HUF/EUR, monthly average	nominal	250.8	254.6	253.1	256.0	262.0	260.1	253.8	247.4	242.6	231.9	235.9	240.6	257.9	265.2	264.1
USD/HUF, calculated with CPI[5]	real, Jan04=100	128.2	130.4	130.5	131.0	129.5	136.9	142.0	144.4	145.8	154.0	144.0	135.5	117.7	109.0	115.0
USD/HUF, calculated with PPI[5]	real, Jan04=100	106.2	106.3	106.5	108.1	105.6	109.2	111.7	108.7	107.9	111.0	107.4	103.5	92.8	86.2	.
EUR/HUF, calculated with CPI[5]	real, Jan04=100	117.5	115.8	116.4	116.6	114.6	115.2	117.9	121.5	123.6	129.5	127.0	124.2	116.0	113.1	113.3
EUR/HUF, calculated with PPI[5]	real, Jan04=100	101.2	99.3	100.0	100.9	98.6	98.9	100.2	100.2	100.3	103.4	103.1	102.6	100.3	99.6	.
DOMESTIC FINANCE																
Currency in circulation, end of period[6]	HUF bn	1924.3	2025.2	2067.9	2022.3	2038.7	2068.9	2070.1	2034.8	2018.8	2002.4	2023.8	2008.6	2150.1	2190.5	.
M1, end of period[6]	HUF bn	5934.9	6050.5	6348.3	6203.5	6254.2	6416.6	6246.6	6118.0	6046.0	6259.5	6068.9	6115.6	6236.9	6183.9	.
Broad money, end of period[6]	HUF bn	13820.7	13857.3	14196.1	14176.4	14653.8	14684.8	14681.4	14403.1	14182.8	14693.5	14558.6	14685.2	14882.9	15062.0	.
Broad money, end of period	CMPY	12.7	11.0	11.0	12.2	16.2	15.2	15.5	12.2	9.1	11.8	8.7	8.4	7.7	8.7	.
NBH base rate (p.a.),end of period	%	7.5	7.5	7.5	7.5	7.5	7.5	8.3	8.5	8.5	8.5	8.5	8.5	11.5	11.0	10.0
NBH base rate (p.a.),end of period[7]	real, %	9.0	7.1	5.8	3.1	2.5	1.7	1.6	3.4	3.7	4.6	5.1	3.6	3.4	3.6	.
BUDGET																
Central gov.budget balance,cum.	HUF bn	-1473.5	-1485.6	-1470.8	-10.5	-261.0	-547.9	-551.6	-475.4	-783.0	-677.4	-772.0	-824.3	-828.0	-973.9	-861.7

1) Economic organizations employing more than 5 persons. Including employees with second or more jobs.

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

3) Cumulation starting January and ending December each year.

4) According to country of dispatch.

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

6) According to ECB monetary standards.

7) Deflated with annual PPI.

P O L A N D: Selected monthly data on the economic situation 2007 to 2008

(updated end of Jan 2009)

		2007			2008											
		Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
PRODUCTION																
Industry[1]	real, CMPY	10.8	8.4	6.4	10.6	15.0	1.0	15.1	2.4	7.3	5.9	-3.7	6.7	-0.1	-9.2	-4.4
Industry[1]	real, CCPY	10.0	9.8	9.6	10.6	12.8	8.5	10.2	8.6	8.4	8.0	6.5	6.5	5.8	4.3	3.6
Industry[1]	real, 3MMA	8.3	8.6	8.5	10.6	8.5	10.0	6.0	8.2	5.2	3.2	3.0	1.0	-0.9	-4.5	.
Construction[1]	real, CMPY	4.3	10.9	13.0	6.7	20.6	16.2	23.0	16.6	20.8	16.9	5.8	13.2	10.5	5.5	6.1
LABOUR																
Employees[1]	th. persons	5220	5233	5241	5348	5371	5384	5389	5390	5391	5400	5399	5404	5406	5394	5360
Employees in industry[1]	th. persons	2594	2597	2595	2625	2634	2638	2639	2636	2631	2638	2624	2620	2619	2602	2576
Unemployment, end of period	th. persons	1720.9	1719.4	1746.6	1813.4	1778.5	1702.2	1605.7	1525.6	1455.3	1422.9	1404.4	1376.6	1352.3	1398.5	1473.8
Unemployment rate[2]	%	11.3	11.2	11.2	11.5	11.3	10.9	10.3	9.8	9.4	9.2	9.1	8.9	8.8	9.1	9.5
Labour productivity, industry[1]	CCPY	6.3	6.1	5.9	6.6	8.8	4.8	6.4	5.0	4.9	4.7	3.4	3.6	3.1	1.9	1.4
Unit labour costs, exch.r. adj.(EUR)[1]	CCPY	4.8	5.5	5.7	10.7	10.4	14.6	13.9	15.6	16.3	17.4	19.2	19.0	18.7	18.4	16.4
WAGES, SALARIES																
Total economy, gross[1]	PLN	2952	3092	3246	2970	3033	3144	3138	3069	3215	3229	3165	3172	3242	3321	3420
Total economy, gross[1]	real, CMPY	8.2	8.6	3.5	7.3	8.4	6.0	8.5	6.0	7.4	6.7	4.9	6.6	5.8	3.7	2.1
Total economy, gross[1]	EUR	797	846	901	823	847	889	911	901	952	990	963	941	904	893	851
Industry, gross[1]	EUR	783	871	910	823	858	892	909	896	966	993	958	939	892	918	856
PRICES																
Consumer	PM	0.6	0.7	0.3	0.7	0.4	0.4	0.4	0.8	0.2	0.0	-0.4	0.3	0.4	0.2	-0.1
Consumer	CMPY	3.0	3.6	4.0	4.0	4.2	4.1	4.0	4.4	4.6	4.8	4.8	4.5	4.2	3.7	3.3
Consumer	CCPY	2.2	2.3	2.5	4.0	4.1	4.3	4.3	4.3	4.4	4.5	4.5	4.5	4.5	4.4	4.3
Producer, in industry	PM	-0.3	-0.1	-0.7	1.2	0.6	0.2	-0.1	0.8	0.4	-0.1	0.2	0.3	-0.1	-0.3	-0.5
Producer, in industry	CMPY	2.0	2.5	2.3	2.9	3.2	2.9	2.3	2.7	2.6	2.1	2.0	2.3	2.6	2.4	2.6
Producer, in industry	CCPY	2.2	2.2	2.2	2.9	3.1	3.0	2.8	2.8	2.8	2.7	2.6	2.6	2.6	2.6	2.6
FOREIGN TRADE[3][4]																
Exports total (fob), cumulated	EUR mn	84782	94352	102164	9273	19089	28709	39492	49042	59081	69335	78416	89118	99257	107226	.
Imports total (cif), cumulated	EUR mn	99252	110674	120736	10771	22203	33962	46635	58200	70527	83099	94275	107057	119409	129476	.
Trade balance, cumulated	EUR mn	-14470	-16322	-18573	-1498	-3113	-5253	-7144	-9158	-11446	-13763	-15860	-17938	-20152	-22250	.
Exports to EU-27 (fob), cumulated	EUR mn	67219	74749	80592	7509	15196	22856	31236	38647	46444	54239	60961	69157	76939	83140	.
Imports from EU-27 (cif)[5], cumulated	EUR mn	64157	71476	77486	6742	14002	21344	29488	36848	44559	52388	58784	66565	73927	79867	.
Trade balance with EU-27, cumulated	EUR mn	3062	3273	3106	767	1194	1512	1748	1799	1885	1851	2177	2592	3012	3273	.
FOREIGN FINANCE																
Current account, cumulated	EUR mn	-11471	-12295	-14609	-1211	-2533	-4340	-5861	-7606	-9825	-10704	-12004	-13885	-15897	-17645	.
EXCHANGE RATE																
PLN/USD, monthly average	nominal	2.604	2.491	2.475	2.454	2.431	2.282	2.185	2.190	2.169	2.067	2.193	2.350	2.698	2.921	2.971
PLN/EUR, monthly average	nominal	3.705	3.656	3.604	3.608	3.582	3.537	3.444	3.407	3.376	3.260	3.288	3.371	3.586	3.721	4.018
USD/PLN, calculated with CPI[6]	real, Jan04=100	138.8	145.1	146.6	148.2	149.9	158.9	165.6	165.2	165.5	172.8	162.9	152.6	133.4	123.5	121.3
USD/PLN, calculated with PPI[6]	real, Jan04=100	128.2	130.6	130.8	131.8	132.6	137.6	141.3	138.0	137.0	140.2	136.3	129.2	112.5	103.6	101.3
EUR/PLN, calculated with CPI[6]	real, Jan04=100	127.1	129.1	130.8	131.9	132.8	133.9	137.5	139.2	140.2	145.3	143.5	140.1	132.2	128.1	118.6
EUR/PLN, calculated with PPI[6]	real, Jan04=100	122.1	122.3	122.9	123.1	123.8	124.8	126.7	127.3	127.3	130.7	130.8	128.3	122.1	119.6	112.5
DOMESTIC FINANCE																
Currency in circulation, end of period	PLN bn	75.6	75.5	77.2	75.5	76.1	77.8	80.0	80.7	81.9	82.7	83.6	82.5	90.7	90.1	90.7
M1, end of period[7]	PLN bn	302.7	313.4	335.3	330.4	328.7	338.0	327.1	343.8	353.7	352.9	353.0	355.0	345.5	344.9	349.7
Broad money, end of period[7]	PLN bn	541.9	549.0	561.7	568.6	578.0	581.8	594.3	600.1	606.6	616.1	628.6	630.5	635.7	648.3	666.3
Broad money, end of period	CMPY	13.8	13.6	13.4	12.9	13.5	13.6	15.0	15.1	16.3	16.8	16.8	17.3	17.3	18.1	18.6
Discount rate (p.a.), end of period	%	5.0	5.3	5.3	5.3	5.8	6.0	6.0	6.0	6.3	6.3	6.3	6.3	6.3	6.0	5.3
Discount rate (p.a.), end of period[8]	real, %	2.9	2.7	2.9	2.3	2.5	3.0	3.6	3.2	3.6	4.1	4.2	3.9	3.6	3.5	2.6
BUDGET																
Central gov.budget balance, cum.	PLN mn	-4404	-6025	-16922	4407	-137	1803	554	-1877	-3381	-2745	-317	-4225	-11485	-14973	-24591

1) Enterprises employing more than 9 persons.
2) Ratio of unemployed to the economically active.
3) Based on cumulated national currency and converted with the average exchange rate.
4) Cumulation starting January and ending December each year.
5) According to country of origin.
6) Adjusted for domestic and foreign (US resp. EU) inflation. Values more than 100 mean real appreciation.
7) Revised according to ECB monetary standards.
8) Deflated with annual PPI.

R O M A N I A: Selected monthly data on the economic situation 2007 to 2008

(updated end of Jan 2009)

		2007 Oct	Nov	Dec	2008 Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
PRODUCTION																
Industry, total[1]	real, CMPY	5.8	4.5	2.6	6.0	7.6	3.0	13.4	2.8	4.0	5.1	-1.6	3.8	-2.8	-11.5	.
Industry, total[1]	real, CCPY	5.8	5.6	5.4	6.0	6.8	5.5	7.4	6.4	6.0	5.8	4.9	4.8	4.0	2.5	.
Industry, total[1]	real, 3MMA	4.5	4.4	4.4	5.4	5.5	7.8	6.1	6.4	4.0	2.5	2.5	-0.2	-3.6	.	.
Construction, total	real, CCPY	34.2	33.6	33.6	29.7	31.5	32.0	32.2	32.7	32.9	32.3	31.8	31.4	29.9	26.9	.
LABOUR																
Employees total[1]	th. persons	4741.3	4734.4	4717.2	4765.2	4775.5	4803.6	4820.0	4829.2	4827.4	4833.2	4828.9	4834.6	4825.1	4791.2	.
Employees in industry[1]	th. persons	1567.8	1559.9	1547.2	1560.8	1554.1	1558.4	1552.9	1547.0	1539.4	1530.9	1517.1	1510.7	1497.3	1477.4	.
Unemployment, end of period	th. persons	367.4	372.0	367.8	384.0	379.8	374.0	352.5	338.3	337.1	340.5	345.5	352.9	364.2	377.0	.
Unemployment rate[2]	%	4.1	4.2	4.0	4.2	4.2	4.1	3.9	3.7	3.7	3.7	3.8	3.9	4.0	4.1	.
Labour productivity, industry[1]	CCPY	10.4	10.2	9.9	8.8	9.9	8.8	10.9	9.9	9.5	9.4	8.5	8.4	7.7	6.2	.
Unit labour costs, exch.r. adj. (EUR)[1]	CCPY	17.8	17.3	16.8	3.0	1.6	-0.1	-0.4	0.5	0.8	0.8	1.5	2.2	2.5	3.8	.
WAGES, SALARIES																
Total economy, gross[1]	RON	1471.0	1522.0	1730.0	1637.0	1543.0	1623.0	1751.0	1704.0	1738.0	1769.0	1728.0	1751.0	1795.0	1844.0	.
Total economy, gross[1]	real, CMPY	19.2	17.6	9.6	23.9	13.1	9.5	16.2	15.4	16.2	15.7	14.7	15.7	13.6	13.5	.
Total economy, gross[1]	EUR	439	439	490	443	422	436	481	466	475	494	490	483	479	488	.
Industry, gross[1]	EUR	410	399	440	374	381	394	449	428	436	464	456	460	437	434	.
PRICES																
Consumer	PM	1.0	0.9	0.6	0.9	0.7	0.7	0.5	0.5	0.3	0.7	-0.1	0.4	1.1	0.3	0.2
Consumer	CMPY	6.8	6.7	6.6	7.3	8.0	8.6	8.6	8.5	8.6	9.0	8.0	7.3	7.4	6.7	6.3
Consumer	CCPY	4.5	4.7	4.8	7.3	7.6	8.0	8.1	8.2	8.3	8.4	8.3	8.2	8.1	8.0	7.8
Producer, in industry	PM	1.6	1.9	1.6	2.3	1.4	1.7	1.1	1.7	2.1	0.9	1.1	-0.1	-0.1	-2.5	.
Producer, in industry	CMPY	8.2	9.2	10.5	13.0	14.7	15.6	15.5	16.8	19.4	20.3	20.1	18.6	16.7	11.7	.
Producer, in industry	CCPY	7.7	7.8	8.1	13.0	13.9	14.4	14.7	15.1	15.8	16.5	16.9	17.1	17.1	16.6	.
FOREIGN TRADE[3]																
Exports total (fob), cumulated	EUR mn	24472	27258	29549	2520	5388	8138	10906	13933	16986	20217	22861	25815	29049	31585	.
Imports total (cif), cumulated	EUR mn	41731	46813	51322	3965	8387	13202	18128	22970	28107	33270	37660	43033	48327	52543	.
Trade balance, cumulated	EUR mn	-17259	-19554	-21773	-1445	-3000	-5065	-7223	-9038	-11120	-13053	-14799	-17218	-19278	-20958	.
Exports to EU-27 (fob), cumulated	EUR mn	17660	19691	21269	1820	3866	5783	7710	9803	11903	14192	15991	18128	20422	22237	.
Imports from EU-27 (cif)[4], cumulated	EUR mn	29802	33446	36587	2749	5964	9339	12856	16131	19689	23157	25954	29549	33208	36145	.
Trade balance with EU-27, cumulated	EUR mn	-12142	-13755	-15318	-930	-2098	-3556	-5147	-6329	-7786	-8965	-9963	-11422	-12786	-13908	.
FOREIGN FINANCE																
Current account, cumulated	EUR mn	-13013	-14833	-16677	-1064	-2143	-3709	-5367	-6925	-8580	-10067	-10777	-12939	-14437	-15995	.
EXCHANGE RATE																
RON/USD, monthly average	nominal	2.357	2.365	2.425	2.512	2.477	2.397	2.310	2.352	2.351	2.269	2.357	2.524	2.813	2.963	2.903
RON/EUR, monthly average	nominal	3.352	3.471	3.529	3.693	3.653	3.722	3.643	3.659	3.656	3.579	3.527	3.625	3.745	3.775	3.915
USD/RON, calculated with CPI[5]	real, Jan04=100	158.1	157.9	155.1	150.3	153.2	157.9	163.7	160.3	159.3	165.3	159.6	149.8	135.8	129.4	132.4
USD/RON, calculated with PPI[5]	real, Jan04=100	165.5	163.9	162.8	158.7	161.7	165.2	170.5	165.3	165.4	168.9	169.0	159.8	143.3	132.7	.
EUR/RON, calculated with CPI[5]	real, Jan04=100	144.9	140.5	138.5	133.8	135.6	132.9	135.9	135.1	135.1	139.0	141.0	137.4	134.3	134.2	129.8
EUR/RON, calculated with PPI[5]	real, Jan04=100	157.6	153.5	153.0	148.2	150.9	149.6	152.9	152.5	153.9	157.4	162.6	158.4	155.3	153.2	.
DOMESTIC FINANCE																
Currency in circulation, end of period[6]	RON mn	18434	19700	21317	20732	21154	21559	22269	22852	23598	23747	23996	23611	24457	25230	.
M1, end of period[6]	RON mn	68156	72824	79789	79155	81654	82629	83775	85850	90934	90166	90980	92571	91710	92401	.
Broad money, end of period[6]	RON mn	128873	136171	147990	147531	149762	151859	157088	157605	161495	161298	162351	166092	162523	164727	.
Broad money, end of period	CMPY	28.8	34.6	33.5	38.4	36.6	34.8	38.9	39.7	38.9	34.4	30.4	31.1	26.1	21.0	.
Discount rate (p.a.), end of period[7]	%	6.9	7.0	7.5	7.5	8.0	9.0	9.0	9.5	9.8	9.8	10.0	10.3	10.3	10.3	10.3
Discount rate (p.a.), end of period[7][8]	real, %	-1.2	-2.0	-2.7	-4.9	-5.8	-5.7	-5.6	-6.3	-8.1	-8.7	-8.4	-7.0	-5.5	-1.3	.
BUDGET																
Central gov.budget balance, cum.	RON mn	-6393	-11000	-15389	-222	-2234	-4141	-2774	-5247	-7347	-5078	-6562	-8372	-8493	.	.

1) Enterprises with more than 3 employees.
2) Ratio of unemployed to economically active population as of December of previous year.
3) Cumulation starting January and ending December each year.
4) According to country of dispatch.
5) Adjusted for domestic and foreign (US resp. EU) inflation. Values more than 100 mean real appreciation.
6) According to ECB methodology.
7) Reference rate of RNB.
8) Deflated with annual PPI.

S L O V A K REPUBLIC: Selected monthly data on the economic situation 2007 to 2008

(updated end of Jan 2009)

		2007			2008											
		Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
PRODUCTION																
Industry, total	real, CMPY	14.0	13.3	5.2	8.8	13.9	-1.2	13.2	2.0	6.3	3.3	-1.1	5.8	0.1	-9.2	.
Industry, total	real, CCPY	13.7	13.7	13.0	8.8	11.3	6.8	8.4	7.0	6.9	6.4	5.5	5.6	4.9	3.5	.
Industry, total	real, 3MMA	13.4	11.1	9.2	9.4	6.8	8.2	4.4	7.0	3.9	2.9	2.8	1.7	-1.3	.	.
Construction, total	real, CMPY	0.1	-2.2	-1.2	13.8	13.0	7.6	17.9	9.2	6.5	9.1	7.1	17.2	15.9	13.2	.
LABOUR																
Employment in industry	th. persons	586.2	589.4	584.1	595.9	600.7	606.9	601.6	599.5	599.7	596.9	597.7	593.7	592.7	584.3	.
Unemployment, end of period	th. persons	238.4	235.7	239.9	242.4	237.0	229.6	223.3	222.3	222.9	224.8	222.3	228.7	228.2	235.2	248.6
Unemployment rate[1)]	%	7.9	7.8	8.0	8.1	7.8	7.6	7.4	7.4	7.4	7.5	7.4	7.5	7.5	7.8	8.4
Labour productivity, industry	CCPY	10.4	10.4	9.9	6.0	8.4	4.1	5.5	4.2	4.2	3.8	3.0	3.1	2.6	1.5	.
Unit labour costs, exch.r. adj.(EUR)	CCPY	7.4	7.0	6.7	5.4	4.1	8.4	6.9	8.6	10.1	11.2	12.2	12.8	13.2	13.5	.
WAGES, SALARIES																
Industry, gross	EUR-SKK	706	820	751	692	682	707	705	743	753	739	706	723	737	824	.
Industry, gross	real, CMPY	2.1	3.0	1.2	3.9	5.3	3.6	4.5	2.7	5.0	3.5	0.5	3.9	-0.7	-4.3	.
PRICES																
Consumer	PM	0.6	0.5	0.3	1.3	0.4	0.3	0.2	0.3	0.4	0.1	0.2	0.7	0.4	0.2	-0.2
Consumer	CMPY	3.3	3.1	3.4	3.8	4.0	4.2	4.3	4.6	4.6	4.8	5.0	5.4	5.1	4.9	4.4
Consumer	CCPY	2.7	2.7	2.8	3.8	3.9	4.0	4.1	4.2	4.2	4.3	4.4	4.5	4.6	4.6	4.6
Producer, in industry	PM	0.3	0.6	0.0	1.0	2.4	0.2	0.2	0.5	0.2	0.5	0.2	0.6	0.9	-0.2	.
Producer, in industry	CMPY	1.8	2.0	2.8	4.4	5.1	5.3	5.8	6.4	6.3	6.3	6.7	6.8	7.5	6.7	.
Producer, in industry	CCPY	2.0	2.0	2.1	4.4	4.7	4.9	5.1	5.4	5.5	5.7	5.8	5.9	6.1	6.1	.
FOREIGN TRADE[2)3)]																
Exports total (fob),cumulated	EUR mn	34639	38811	42065	3731	7710	11595	15748	19800	24088	28153	31825	36193	40818	44688	.
Imports total (fob),cumulated	EUR mn	34792	39101	42699	3696	7668	11609	15975	19926	24281	28469	32084	36447	40967	45071	.
Trade balance,cumulated	EUR mn	-153	-290	-633	36	42	-14	-227	-126	-192	-317	-259	-254	-149	-383	.
Exports to EU-27 (fob), cumulated	EUR mn	30095	33718	36458	3229	6609	9922	13457	16964	20610	24021	27092	30772	34749	.	.
Imports from EU-27 (fob)[4)], cumulated	EUR mn	24182	27089	29411	2432	5161	7796	10740	13454	16413	19287	21675	24655	27600	.	.
Trade balance with EU-27, cumulated	EUR mn	5913	6628	7047	797	1449	2126	2716	3511	4197	4734	5417	6117	7149	.	.
FOREIGN FINANCE																
Current account, cumulated[2)]	EUR mn	-2197	-2616	-2923	-33	93	-197	-675	-1009	-1955	-2479	-2491	-2940	-3015	.	.
EXCHANGE RATE																
EUR-SKK/USD, monthly average	nominal	0.7857	0.7514	0.7595	0.7567	0.7467	0.6963	0.6821	0.6723	0.6477	0.6378	0.6704	0.6986	0.7561	0.7921	0.7520
EUR-SKK/EUR, monthly average	nominal	1.1168	1.1032	1.1075	1.1133	1.1001	1.0787	1.0751	1.0467	1.0065	1.0062	1.0071	1.0051	1.0109	1.0088	1.0026
USD/EUR-SKK, calculated with CPI[5)]	real, Jan04=100	135.6	141.5	140.5	142.2	144.4	153.9	156.5	158.0	163.0	164.9	157.8	152.7	141.6	135.5	142.4
USD/EUR-SKK, calculated with PPI[5)]	real, Jan04=100	130.9	134.3	133.1	133.2	136.9	143.1	144.1	142.6	145.3	144.8	142.0	138.9	129.5	123.4	.
EUR/EUR-SKK, calculated with CPI[5)]	real, Jan04=100	124.4	125.9	125.3	126.5	128.0	129.8	130.0	133.1	138.4	138.7	138.9	139.8	139.5	140.5	141.3
EUR/EUR-SKK, calculated with PPI[5)]	real, Jan04=100	124.7	125.7	125.0	124.4	127.9	129.9	129.2	131.5	135.3	134.9	136.1	137.5	139.8	142.5	.
DOMESTIC FINANCE																
Currency in circulation, end of period[6)]	EUR-SKK mn	4567	4602	4704	4656	4592	4542	4521	4471	4386	4298	4244	4074	4122	3695	.
M1, end of period[6)]	EUR-SKK mn	18550	19359	20667	19577	19743	19602	19094	19642	19767	19277	18823	19149	19186	19102	.
Broad money, end of period[6)]	EUR-SKK mn	34510	34553	35940	35927	36283	36001	36207	36781	36335	36677	36963	36708	36285	36674	.
Broad money, end of period	CMPY	14.0	12.3	13.0	12.6	12.2	10.6	10.2	9.8	6.6	9.6	8.2	6.4	5.1	6.1	.
Discount rate (p.a.),end of period[7)]	%	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3	3.8	3.3	2.5
Discount rate (p.a.),end of period[7)8)]	real, %	2.4	2.2	1.4	-0.1	-0.8	-1.0	-1.5	-2.0	-1.9	-1.9	-2.3	-2.4	-3.5	-3.2	.
BUDGET																
Central gov.budget balance, cum.	EUR-SKK mn	229	181	-781	433	52	114	258	-103	-137	-20	169	143	262	318	-704

Note: Slovakia has introduced the Euro from 1 January 2009. For statistical purposes all time series in SKK as well as the exchange rates and PPP rates have been divided by the conversion factor 30.126 (SKK per EUR) to EUR-SKK.

1) Ratio of disposable number of registered unemployment calculated to the economically active population as of previous year.
2) Based on cumulated national currency and converted with the average exchange rate.
3) Cumulation starting January and ending December each year.
4) According to country of origin.
5) Adjusted for domestic and foreign (US resp. EU) inflation. Values more than 100 mean real appreciation.
6) According to ECB methodology.
7) Corresponding to the 2-week limit rate of NBS.
8) Deflated with annual PPI.

S L O V E N I A: Selected monthly data on the economic situation 2007 to 2008

(updated end of Jan 2009)

		2007			2008											
		Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
PRODUCTION																
Industry, total	real, CMPY	10.0	1.6	-0.7	0.2	7.6	-3.0	8.9	-1.0	2.3	-2.2	-7.1	5.5	-3.0	-14.0	.
Industry, total	real, CCPY	7.4	6.8	6.2	0.2	3.9	1.4	3.3	2.4	2.4	1.7	0.7	1.2	0.8	-0.7	.
Industry, total	real, 3MMA	4.3	3.8	0.5	2.4	1.4	4.2	1.5	3.3	-0.3	-2.1	-1.0	-1.3	-4.0	.	.
Construction, total[1]	real, CMPY	10.0	7.4	-11.8	38.7	41.3	21.2	23.1	13.6	14.0	18.6	10.4	20.8	15.7	.	.
LABOUR																
Employment total	th. persons	864.5	867.4	864.4	867.3	870.9	874.2	876.6	879.6	882.0	879.9	879.8	885.3	888.1	886.9	.
Employees in industry	th. persons	238.2	238.4	237.1	237.1	237.6	237.8	237.7	237.6	237.6	236.4	235.8	235.8	.	.	.
Unemployment, end of period	th. persons	69.5	68.4	68.4	69.2	67.0	64.3	62.4	61.2	60.7	61.5	60.7	59.3	62.6	63.4	.
Unemployment rate[2]	%	7.4	7.3	7.3	7.4	7.1	6.9	6.6	6.5	6.4	6.5	6.5	6.3	6.6	6.7	.
Labour productivity, industry	CCPY	6.5	5.9	5.4	0.0	3.7	1.2	3.1	2.3	2.3	1.7	0.7	1.3	.	.	.
Unit labour costs, exch.r. adj.(EUR)	CCPY	-0.3	0.5	1.2	6.2	4.3	7.0	5.7	6.5	6.5	7.5	8.2	7.7	.	.	.
WAGES, SALARIES																
Total economy, gross	EUR	1304	1492	1343	1326	1326	1353	1354	1360	1365	1372	1405	1400	1424	1550	.
Total economy, gross	real, CMPY	1.4	1.3	0.8	-0.3	2.6	1.1	2.8	1.2	1.7	1.7	3.6	5.4	4.1	0.8	.
Industry, gross	EUR	1184	1406	1207	1211	1181	1221	1219	1219	1231	1242	1238	1244	1284	.	.
PRICES																
Consumer	PM	0.7	0.9	0.4	0.1	0.0	1.3	0.8	1.1	0.9	0.0	-0.6	0.0	0.0	-0.7	-0.6
Consumer	CMPY	5.1	5.7	5.6	6.4	6.5	6.9	6.5	6.4	7.0	6.9	6.0	5.5	4.9	3.1	2.1
Consumer	CCPY	3.2	3.4	3.6	6.4	6.4	6.6	6.6	6.5	6.6	6.7	6.6	6.5	6.3	6.0	5.7
Producer, in industry	PM	0.6	0.4	0.1	0.8	1.3	0.5	0.7	0.4	0.5	0.4	0.0	-0.1	-0.3	-0.7	.
Producer, in industry	CMPY	6.3	6.8	6.3	6.5	5.6	5.7	6.1	6.3	6.5	6.9	7.0	5.7	4.8	3.6	.
Producer, in industry	CCPY	5.1	5.3	5.4	6.5	6.0	5.9	6.0	6.0	6.1	6.2	6.3	6.3	6.1	5.9	.
FOREIGN TRADE[3)4)]																
Exports total (fob), cumulated	EUR mn	16270	18015	19406	1599	3290	5029	6873	8569	10317	12103	13421	15291	17100	18596	.
Imports total (cif), cumulated	EUR mn	17814	19792	21508	1829	3698	5644	7700	9733	11751	13854	15510	17617	19725	21434	.
Trade balance total, cumulated	EUR mn	-1544	-1777	-2102	-231	-408	-616	-827	-1164	-1434	-1751	-2089	-2326	-2626	-2838	.
Exports to EU-27 (fob), cumulated	EUR mn	11523	12767	13707	1196	2390	3596	4873	6065	7283	8491	9354	10607	11834	12865	.
Imports from EU-27 (cif)[5], cumulated	EUR mn	14004	15613	16976	1415	2908	4442	6078	7688	9237	10838	12123	13785	15415	16718	.
Trade balance with EU-27, cumulated	EUR mn	-2481	-2846	-3269	-219	-518	-846	-1205	-1623	-1954	-2347	-2769	-3179	-3581	-3853	.
FOREIGN FINANCE																
Current account, cumulated	EUR mn	-965	-1149	-1455	-236	-418	-535	-654	-892	-1021	-1278	-1474	-1603	-1874	.	.
EXCHANGE RATE[6]																
EUR/USD, monthly average[7]	nominal	0.7029	0.6810	0.6863	0.6794	0.6781	0.6440	0.6349	0.6428	0.6425	0.6341	0.6678	0.6959	0.7506	0.7854	0.7435
EUR/EUR, monthly average	nominal	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000
USD/EUR, calculated with CPI[8]	real, Jan04=100	111.4	115.2	114.9	115.6	115.6	122.2	124.2	123.0	122.9	123.9	117.5	112.8	104.6	99.3	104.2
USD/EUR, calculated with PPI[8]	real, Jan04=100	108.4	109.6	109.1	109.6	110.2	113.4	114.0	109.8	108.1	107.4	104.9	101.9	94.2	89.4	.
EUR/EUR, calculated with CPI[8]	real, Jan04=100	102.0	102.4	102.4	102.8	102.3	102.8	103.2	103.7	104.2	104.3	103.7	103.4	103.4	103.0	102.5
EUR/EUR, calculated with PPI[8]	real, Jan04=100	103.2	102.5	102.4	102.3	102.8	102.7	102.3	101.3	100.5	100.1	100.8	101.0	102.0	103.3	.
DOMESTIC FINANCE																
Currency in circulation, end of period[9]	EUR mn	2587	2625	2698	2580	2601	2627	2648	2681	2687	2734	2737	2731	2898	2932	.
M1, end of period[9]	EUR mn	7028	6871	7149	7168	6862	7071	6944	7120	7341	7020	6986	7191	6880	6888	.
Broad money, end of period[9]	EUR mn	16686	15900	16595	16557	16426	16456	16500	16385	16589	16694	16669	17058	16836	17472	.
Broad money, end of period	CMPY	8.1	2.5	5.0	7.4	7.5	6.5	7.0	3.9	3.2	1.5	0.7	2.8	0.9	9.9	.
Discount rate (p.a.),end of period[10]	%	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.25	4.25	4.25	3.75	3.25	2.50
Discount rate (p.a.),end of period[11]	real, %	-2.2	-2.6	-2.2	-2.3	-1.5	-1.6	-2.0	-2.2	-2.3	-2.5	-2.6	-1.4	-1.0	-0.3	.
BUDGET																
General gov.budget balance, cum.	EUR mn	296	369	91	104	64	-19	215	112	194	396	443	420	470	.	.

1) Effective working hours, construction put in place of enterprises with 20 and more persons employed.
2) Ratio of unemployed to the economically active.
3) Based on cumulated national currency and converted with the average exchange rate.
4) Cumulation starting January and ending December each year.
5) According to country of dispatch.
6) Slovenia has introduced the Euro from 1 January 2007.
7) Reference rate from ECB.
8) Adjusted for domestic and foreign (US resp. EU) inflation. Values more than 100 mean real appreciation.
9) According to ECB methodology.
10) From January 2007 ECB interest rate.
11) Deflated with annual PPI.

Guide to wiiw statistical services on Central, East and Southeast Europe, Russia and Ukraine

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		on CD-ROM (PDF files)	order from wiiw	November 2008	€ 80.00
	individual chapters	via e-mail (MS Excel tables)	order from wiiw	November 2008	€ 37.00 per chapter
		Please note: No printed version of the Handbook published in 2008.			
	wiiw Annual Database	online access	via WSR http://www.wsr.ac.at	continuously	€ 2.70 per data series; for Members € 1.90
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