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Getting back to business in emerging Europe[*]

BY SUSAN SCHADLER[**]

It is a pleasure to be here to address you today and to have the chance to catch up on the wide range of timely and provocative research under way at the Vienna Institute. Particularly now, as some of the most challenging questions about the transition experience arise in the wake of the crisis, the wealth of expertise at the Vienna Institute is an invaluable asset. This morning the two very thoughtful analyses of near-term macroeconomic prospects for emerging Europe establish the context for my remarks.[1]

I am going to step back a little further than the speakers before me to focus on the broad contours of the convergence process in emerging Europe. I will be speaking mainly about the experiences of the ten new members of the EU and seven southeastern European countries. Looking back at the past 10-15 years, the region has followed a rather unique convergence model, the signature feature being its dependence on political, trade, financial and, increasingly, labour market integration with the rich countries of Western Europe. I am going to ask whether the severity of the crisis in emerging Europe should be interpreted as sign of fundamental flaws in that model or whether the model can be picked up, cleaned up and put back on its feet. But first let me zoom out even a little further to put the broad process of income convergence – regardless of the region or approach – in perspective.

What is convergence?

I find that the clearest way to look at convergence is as a movement from a seriously distorted disequilibrium to an eventual equilibrium.

Now that sounds rather abstract and academic, so let me be more concrete. All emerging markets are emerging because, after being held back by bad policies, dictatorships, misguided central planning or whatever for years, a change occurred. For emerging Europe it was the collapse of communism. This change created the possibility of moving from a substandard income level to, potentially, the income level of advanced countries. To get there, countries need three things: a lot more capital for every worker, know-how, and fuller employment of the working-age population.

We know that all of this does not happen overnight. It takes time. And *while* the transformation is occurring, no one knows how fast it can happen, even if policies are perfect. And of course policies are not perfect so there is the added uncertainty of when policy setbacks will occur. That means we guess, and invariably we get it wrong – usually on the upside when recent news has been good: we tend to assume that the first spurt of growth after the initial systemic change will continue or even accelerate. More and more investors want to get a piece of the action. Investment proceeds too fast, wages get out in front of productivity, asset bubbles occur.

In other words, the very root of progress in emerging markets is ripe for the age-old pattern Charles Kindleberger so colourfully described 50 years ago: displacement, speculation, mania, panic and crash. This will not be the only crash we see in emerging Europe (or in emerging markets in other parts of the world) because the very nature of income convergence – a process of adapting to massive innovations – is subject to miscalculations and is therefore bumpy.

This means that lesson number one from the crisis is that we cannot pan the European convergence model just because it produced a crisis.

However, that does not mean that the European convergence model *is* sustainable. Coming to that conclusion requires examining its strengths and weaknesses. The crisis gives us some good observations to work with. I am going to make a number of qualitative observations on what the crisis might have told us, but in the interest of succinctness not go through the data that lead me to these conclusions. Much of it can be found on my website[2].

What does the crisis tell us about convergence in emerging Europe?

Should we see the output contractions in most countries during 2008-2009 as a bump stemming from regional overheating that turned into a lurch as it collided with an historically large global downturn? Or was it more of a self-inflicted lurch of a magnitude that implicates the convergence model?

The experience is mixed. I look at 15 emerging European countries for which reasonably up-to-date data are available and ask this question.

Was the depth of the crisis mainly a neighbourhood effect (Western Europe having been hit worse than the US or Japan) or were vulnerabilities in the emerging European countries a dominant factor?

I think it is reasonable to argue about half-half. Half the countries had drops in GDP in 2009 that were less than or very close to the euro area average. The other half had far worse output drops than the average of the euro area and indeed than the average of most emerging markets in other parts of the world. It would seem reasonable to conclude that those that fared worse had excessive vulnerabilities at the outset of the crisis that made them crisis-prone.

So, it is fair to ask whether emerging Europe should take a page or two from convergence models in other parts of the world.

Convergence models of emerging Europe and other emerging countries

Now I am going to strip complex convergence models down into very simple dimensions: macro characteristics that virtually all dynamic emerging markets have in common and ones that differ rather significantly.

Let us look at the common ones first.

Regardless of where you look (Asia, Latin America, Europe, even Africa) successful emerging markets

- integrated themselves into global supply chains for goods and/or services, and
- focused structural policies on upgrading technology and efficiency.

True, some only embraced openness and trade in the 1990s, but import substitution industrialization of the 1960-70s is effectively history.

What makes emerging Europe different is its embrace of what I will call super-integration – integration that goes well-beyond trade and technology transfer in three critical macroeconomic dimensions.

- The first is financial integration. What do I mean by this? The EBRD in its recent excellent and quite provocative transition report comes quite close to equating financial integration with the role of foreign banks in domestic financial intermediation. This is significant, but in my view the more important aspect of financial integration is the extent of the use of foreign savings to support private consumption and investment in excess of income. In 2007, current account deficits financed by a combination of FDI and debt-creating private inflows ranged from 3% of GDP in the Czech Republic to 30% of GDP in Montenegro. The norm in other emerging markets was a current account surplus – in many instances quite large.

- The second is labour mobility, which, particularly for some new EU members has been significant – outward during the boom years in western Europe and more recently often inwards as workers return. Labour mobility is, of course, part of the optimum currency area picture for these future euro area members. But two issues are a concern. In some countries, the exodus of labour can be so great that economic viability of developing local industries is threatened both because of shortages of trained labour and because of upward pressure on wages. By contrast, the Asian model of more constrained labour mobility has permitted a controlled absorption of legions of un- and underemployed workers into the industrial sector while a low labour share of value added has been an important influence behind high domestic savings.

- The third key difference – eventual euro adoption – is the elephant in the room. This is more murky integration for most of emerging Europe because it is apparently on the horizon, but the horizon may be very far away. I want to highlight two parts of the issue that are important for how the European convergence model plays out.
  - The EU halo effect. During 2003-2008 interest rate spreads over the relevant advanced country reference rate were well below predictions based on an econometric model that explains spreads in many other emerging markets reasonably well. That unexplained bonus, which presumably came from prospects for euro adoption and persisted during 2003-2008, has now largely – but not completely – closed.
  - Convergence plays and currency exposures. These are constantly a consideration, especially when assets or liabilities have long maturities. Foreign currency exposures are a temptation in any emerging market, but that temptation is magnified in emerging Europe.

Vulnerabilities and the crisis in emerging Europe

It is uncontroversial that for countries highly integrated in global goods and services markets, the seizing-up of export markets was a major source of output losses. The EBRD in a regression analysis finds export growth to explain a substantially larger part of the GDP contraction in emerging Europe than any other factor – greater openness, larger contraction. Not surprising, and highly relevant to emerging markets everywhere.

The interesting question for emerging Europe, however, is whether 'super-integration' significantly added to the pain and, if so, which parts of it hurt most. Needless to say, it is not easy to distinguish the effects of different aspects of super-integration, in part because they are quite interlaced and in part because the integration was mainly with western Europe which among advanced countries suffered the most during the crisis. Nevertheless, let us consider the parts of super-integration in turn.

First, financial integration. Several approaches to measuring the negative effects lead to the same conclusion: more financial integration, larger contractions of GDP. We see it in simple correlations between the contraction in GDP in 2009 and the size of pre-crisis debt-creating capital inflows; as well as correlations between the contraction and pre-crisis overheating (a proxy for credit booms). The EBRD's panel data regression analysis of factors underlying the drop in GDP point clearly to negative effects of the slowdown in cross-border lending.

What is less clear is what was the s*pecific* nature of the vulnerability from financial integration:

– **Presence of foreign banks**? The EBRD results suggest if anything that this made countries safer than if domestic banks had dominated.

– **Adverse effects on market confidence from high levels of external debt**? EBRD results

find a relationship between output contractions and gross external debt, though I wonder if it would stand up to better definitions of debt – such as net debt or net foreign positions (i.e. including FDI).

– **Foreign exchange exposures**? Again, EBRD results suggest a relationship, though not a strong one. The measure is obviously flawed by the absence of information on which forex exposures had implicit hedges.

– **Role in fuelling credit booms which in turn caused asset bubbles**? Personally, I find this influence most clearly backed by the data. Again, defining a credit boom is not straightforward, but whether you consider private non-FDI inflows, private credit growth or, as a proxy, gaps between actual and potential GDP, a strong relationship with the size of contractions is apparent.

Next let us consider the messy process of euro adoption. With an erratic, but ongoing stream of new information on when and in what circumstances new members will adopt the euro, euro adoption expectations are a source of uncertainty. If a country indeed adopts the euro in a medium-term horizon – say five to seven years – it was perfectly rational and in fact stabilizing for emerging Europe residents to take on foreign currency exposures, for markets to set interest rate spreads below those in non-European emerging markets, and for central banks to hold official reserves at low levels by comparison with other emerging markets. But if euro adoption is unlikely until the distant future, all these behaviours entail costly risks. These risks were exposed by the crisis and inevitably worsened volatility as markets reappraised prospects for euro adoption.

Labour market integration is a less understood, but potentially critical issue for the emerging Europe convergence model. It is most gratifying to hear that the Vienna Institute has in train a project examining the implications of labour mobility for emerging European economies. It seems unlikely that labour flows contributed positively or negatively to drop in GDP in 2009. However, they could have an influence on the success of the EUR convergence model going forward. Why?

First, to the extent that capital flows from west to east are inhibited by poor institutions (an important consideration particularly in some southeastern countries) labour flows west. Though resulting remittances are a positive, employing labour at home is essential for the vibrancy of the domestic economy. Drops in the size of the labour force during 2003-08 in about half of the 17 countries under review are worrying in this regard.

Second, the integration of eastern and western labour markets may be putting upward pressure on wages in the east, hurting competitiveness.

Third, while unit labour costs in the east appear still to be quite competitive with those in the Western Europe, it is less clear that they are strong enough relative to non-European emerging markets. Ultimately, this goes beyond competitiveness and may help explain the difference between domestic saving rates in other emerging markets and European emerging markets.

Let me explain. It is a regularity in the analysis of private savings behaviour that savings rates are inversely related to labour's share of value added. This is because wage-earners tend to save a smaller proportion of their income than do profit makers. Thus, low domestic savings rates in emerging Europe may be the result not just of financial integration, but domestic influences on private saving. In other words, to the extent that labour market integration places some upward pressure on wages through labour mobility, it may also be contributing to the relatively low level of domestic savings.

Strengths of the EUR convergence model and the crisis

I do not want to leave the impression that there are only doubts about the viability of the EUR convergence model. It also has shown some impressive safety valves during the crisis.

First, a legacy of reasonably low public deficits in most countries meant that pre-crisis government debt tended to be small, providing often-significant room for manoeuvre. True, most countries have seen sizable increases in their debt during the crisis, but having started from moderate levels, the burden of clawing these back will not be nearly as onerous as it could be.

Second, about half of the countries have sufficient exchange rate flexibility that they have been able to gain competitiveness when they needed it. And many of the fixed exchange rate countries have shown again that wage levels indeed can adjust downwards.

Third, the EU halo – that unexplained compression of spreads after accounting for the impact of domestic and global conditions – has diminished, but has not vanished. Lower spreads than can be explained by conventional determinants mean that emerging Europe retains some ¼ percentage point advantage in financing costs relative to emerging markets in other parts of the world with similar fundamentals.

Are yesterday's vulnerabilities tomorrow's vulnerabilities?

The integration of the new and prospective members with the advanced countries has gone too far to consider any rolling back. A model of super-integration will remain a fact of life. But rethinking the safety valves makes sense. Uncertainties about the global environment loom large, and how these turn out will have large implications for how fast and aggressive policy changes will have to be.

Let me point to a few:

– **How quickly and strongly will demand in Western Europe pick up**? Signs a few months ago were better than they are now, though the depreciation of the euro might turn this around.

– **How quickly will financing inflows resume**. I am torn between early signs that appetite for emerging market debt is resuming and the experience after the Asian crisis when foreign bank exposures fell for five years after the onset of the crisis.

– Even if inflows resume, **will the appetite for public debt meet the much higher supply over the next few years**. It is hard to see investors flocking to emerging market public debt if they start to get cold feet about the triple A rated public debt of advanced countries. This could mean that fiscal adjustment will have to be far faster than would be ideal.

– **Have gains in competitiveness in many countries been strong enough**? In the fixers the question will be whether wages need to fall further, while in the floaters questions about competitiveness would constrain interest rate increases.

– **Will outward labour mobility kick up**? At the moment emerging Europe is helped by weak labour markets in the west, but if this were to pick up, outflows could impede the wage adjustment that should occur.

– **Whither euro expansion**? Two concerns here. Will the Greek crisis and talk of an EMF kill any willingness to go ahead with euro area expansion? And will aspiring member countries lose interest? In other words, will progress toward euro adoption require simply steadfast efforts to meet the Maastricht Criteria, or will it require also pep rallies?

Revamping the European Convergence Model

Views on each of these questions must inform any revamp of the European convergence model. Barring disasters on any of these issues, the model will remain broadly as before, but some changes

would help. Let us go through the ones I would prioritize in reverse order – i.e. building up to the most important.

1. The crisis has certainly highlighted the problems of **export concentration** and its potential to derail growth in even countries with the strongest fundamentals like Slovakia and Czech Republic. To the extent possible, broadening the export base in terms of products and markets would protect countries from future turmoil abroad.

2. **Gains in competitiveness during the crisis need to be preserved** and possibly, if Western European demand is slow to revive, even extended. Now is the time to lay the base through structural reform for faster productivity growth that will ultimately keep workers at home when labour markets pick up in the west.

3. Most emerging European countries will not have anything close to Greek-style public debt burdens at the end of the crisis. But they will have **deficits and rising debt that are unsustainable**. Ideally they would be able to hold the line on spending and grow out of these difficulties, but much damage could be done before that process sets in. Moreover, should global interest rates rise, achieving debt-stabilizing growth could be delayed. Getting serious about fiscal adjustment is best done by having a public debate on a viable fiscal rule and then sticking to it.

4. More tricky will be **how to manage capital inflows when they resume**. The horizon for this development is fraught with uncertainty, but planning *now* is essential. The IMF recently floated tentative support for various ways of putting sand in the wheels. Whether these would be permissible given EU commitments needs to be resolved now. But more than that needs to be discussed.

The record on such sand-in-the-wheels policies is mixed at best – possibly they change the size and composition of inflows but probably for short periods. I believe, however, that the problem facing emerging Europe with its super-integration needs a stronger and more permanent instrument.

If emerging Europe is to continue to depend on large inflows from richer western EUR countries, those inflows must be channelled into productive activity that does not feed bubbles in prices of non-traded goods. Now most emerging European countries are so open that about the only truly non-traded activity is real estate and construction. Inflows into consumer credit could also be a threat to stability. If the channels for funds flowing into these activities can be narrowed directly – not through raising taxes on inflows, but rather by taxing underlying transactions (such as taking out second mortgages or having credit card balances above a prescribed limit) it should be possible to keep speculative activity below thresholds where it turns into manias and panics. It is possible to design taxes to address these problems but it takes time and careful thought. This is a task to be started decisively and soon.

5. Lastly euro adoption. This is a critical piece of the European convergence model. For either existing or aspiring members to lose the drive to see this project through would leave a large and destabilizing hole in the model itself. While sooner would be safer than later, the even more important dimension is the depth of commitment to get the job done. Muddying the signals on the determination of the existing members to embrace well-prepared applicants or half-hearted efforts of applicants to transparently and convincingly meet especially the fiscal criteria will simply make the existing confusion in the market about the future of euro expansion worse. Falling back on the hope that a convergence model based on super- integration can be sustained indefinitely without euro expansion is placing a great deal of faith in a low-probability outcome.

Now in the hope (or fear) that I have rattled some sensitivities I will stop there.

The crisis of the euro area and the need for a structural reform[*]

BY KLAUS BUSCH[**]

The uniqueness of the European Economic and Monetary Union

Unlike any federal state, the European Economic and Monetary Union (EMU) does not have:

- a single government in charge of the economy, capable of conducting fiscal policy at the federal level;
- a mechanism for reducing, through compensating transfers, the imbalances between strong/weak member states;
- a common social security system (with the implied financial transfers across the member states);
- a mechanism for coordination of wage (and wage-costs) policies throughout the Union

The Maastricht Treaty created the EMU without establishing a true Political Union, without stipulating genuine solidarity among the member states. Twenty years ago, when the design of EMU was debated, critical voices abounded about the grave risks inherent in a EMU not backed by a measure of political unity. Current developments show that those critical views were entirely right.

Shortcomings of the (uncoordinated) fiscal policies

While the monetary policy is conducted centrally in EMU, fiscal policies have remained the responsibility of individual national member states. This asymmetry (supranational monetary policy vs. national fiscal policies) came about as part of the paradigm change of the 1980s, with Keynesian economic policy ideas being then supplanted with

various liberal doctrines such monetarism, supply-side economics, 'new classical economics' and the 'neo-Keynesian economics'. In the liberal doctrines there has been little (or no) place for active fiscal policy measures as tools of stabilization of business cycles. Instead, these doctrines have tended to praise the virtues of a balanced budget policy, and also of running down the shares of public spending in the GDP.

In the absence of coordination of national fiscal policies, the fiscal/monetary policy asymmetry results in the inability to conduct a proper combination of fiscal and monetary policy ('policy mix') at the EMU level.

The weaknesses of the EMU economic policy framework became apparent shortly after the switch-over to the euro (in 2001/02 after the 'New Economy' bubble burst). Of course these weaknesses have become even more obvious after the breakout of the 2008/2009 crisis – and, currently, as the Greek debt crisis unfolds.

In contrast to the USA, the European Central Bank (ECB) and the national governments of the EMU member states did not conduct active anti-cyclical policies when the economy stagnated in 2001 through 2005. That was one of the reasons why the euro area's growth trailed definitely behind that of the US and other EU countries (United Kingdom, Denmark and Sweden). At the same time uneven developments in the euro area (booms in Ireland and Spain, and stagnation in Germany and Italy) proved that the ECB and national governments did not follow any proper combination of monetary and fiscal policies. Indeed, for the strong-growth countries (Ireland, Spain) the ECB's interest rate policy was too expansionary while for the stagnant countries (Germany, Italy) that same policy was too restrictive. Properly anti-cyclical fiscal policies (which would have had to be more restrictive in Ireland and Spain and less restrictive in Germany and Italy) did not materialize.

Conducting a proper policy mix in the euro area is not quite possible because under the EU Treaty

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and the provisions of the Growth and Stability Pact the national governments are obliged to 'consolidate' public finances – but also because there is no European institution that could prescribe the desirable changes in the direction of national fiscal policies.

The recent global crisis makes the flaws inherent in the current system of uncoordinated fiscal policies particularly visible. The individual EU countries' fiscal responses to both the financial and economic crisis were, at least initially, not only non-uniform, but actually quite often conflicting with one another. The contrast between the policies of Germany and France was particularly stark. The German government dragged its feet and responded, reluctantly, to the crisis after a long delay – as its attitude became the subject of much international criticism.

In view of the one-sided price-stability orientation of EMU monetary policy and the multitude of entrenched national fiscal policy institutions, the conduct of an overall consistent policy turns out to be nearly impossible. A crisis striking all EU member states simultaneously will not – as the recent events demonstrate – be resisted through concerted actions and with a sufficient force. The ensuing recession will thus be made stronger and longer than would be the case under properly concerted responses.

Greece crisis has drastically exposed yet another weakness of the EU fiscal policy framework: missing supervision of fiscal policies of the member states. Today we know that under a decentralized conduct of national fiscal policies, the observance of the Maastricht fiscal criteria (on the levels of public sector deficit and debt) is extremely difficult to oversee. 'Brussels' has been consistently misled over the size of the public sector deficit: it took at face value the report of the deficit/GDP ratio for 2009 of 6-7% whereas the actual ratio stands at about 13%.

Wage policy and foreign trade developments

In a monetary union the adjustments among the member states no longer involve movements in their mutual exchange rates. As long as national wage rates move, on average, in line with productivity, the unit labour costs are roughly constant. Consequently, such cost-neutral wage developments would not affect the mutual competitive positions of the member states. However, due to the weakening strength of Trade Unions and the intensified intra-European competition for investment, no old EU country has – for the past 25 years – managed to conduct such a cost-neutral wage policy. Indeed, one observes the tendency for income redistribution: from wages to profits. This process (running not quite uniformly over time and space) characterizes also the euro area. Changing unit labour costs alter the competitive positions of individual members of the euro area. Germany has been the leader in reducing unit wage costs (ULC). By 2008 the German real ULC fell by 6% vs. the year 2000 while the average rate of decline for the 16 countries of the euro area was 3% respectively. In nominal terms the German ULC rose by 3% – but by as much as 16% in the euro area. Nominal ULC weighted with export prices fell by 2% in Germany – and rose by 24% for the euro area (see Table 1).

Table1

Indices of ULC, 2008 (2000 = 100)

	Nominal ULC	Nominal ULC weighted with export prices
Germany	103	98
France	119	114
Greece	129	117
Italy	126	123
Portugal	123	114
Spain	127	119
Euro area	119	124

Source: Statistical Annex to the Spring Issue of the EU Commission's 'European Economy' (2009), pp. 100-102.

Because the EU countries' foreign trade is predominantly intra-EU in character, the improving ULC are reflected in Germany's growing current

account surpluses vs. its European partners. According to IMF statistics, Germany's surplus reached 7.5% of its GDP in 2007. The surplus has been rising constantly since 2000 (when it was about zero). Germany's rising surplus has been paralleled by growing deficits in a number of countries (see Table 2). Other countries similarly improving their competitive positions include Austria and the Netherlands.

Table 2

Current account/GDP ratios, 2000 and 2007, per cent

	2000	2007
Germany	-0.5	7.5
France	1.9	-1.0
Greece	-7.2	-14.1
Italy	-0.1	-2.4
Portugal	-9.9	-9.5
Spain	-3.9	-10.2

Source: IMF.

Of course, factors other than wage costs influence the current account developments (e.g. the differences in GDP growth rates). But the fact cannot be disputed that the ULC tendencies have strengthened the competitive position of Germany, at the expense of the positions of its partners. In other words, Germany exports unemployment to its partners while the latter export their employment to Germany.

In the long run the euro area will not manage to live with the permanent imbalances between the winners and losers of integration: the accumulation of employment gains in Germany and accumulation of employment losses in the South will erode the very economic basis of the latter.

Coping with the structural flaws: towards a European Economic Government

The EU budget is tiny: it accounts for a mere 1% of its GDP. This is insufficient for running a common fiscal policy. The transfer of fiscal competencies to the Community may therefore mean that the EU is

given the right to control the key issues pertaining to the member states' public budgets. That was precisely a point contained in the first concept of the EMU, the so-called Werner Plan put up during the early 1970s. According to that Plan the dynamics of national budgets, their balances, sources of the deficit financing etc. were to be decided at the Community level. Of course, that would mean nothing else but the installation of a European economic government.

If the Union had such controlling fiscal powers, it could deal with the flaws inherent in the current fiscal arrangements. In cooperation with the ECB, the Community could run a flexible fiscal-cum-monetary policy mix, allowing for specificity of individual countries' business cycles. At the Union level it could run an anti-cyclical policy. Last, but not least, it could responsibly control public debt levels both at the Community's level and in individual member states. No individual state would be in a position to indebt itself excessively. Finally, the Community would gain more say in the implementation of the 'Europe 2020' Strategy (which is replacing the already failed 'Lisbon Strategy').

The Community does not yet possess a democratically elected government. Where then should the Community's fiscal powers be located? Given the current institutional arrangements, one could entrust the EU Commission with the preparation of the preliminary outlines of the economic policy – in particular with the specification of key assumptions of national public finances of individual countries. These outlines would then have to be approved by the European Council (represented by the Council of Economy and Finance Ministers) and then finally stand the vote in the European Parliament.

Of course, neither the EU Commission nor the European Parliament is a paragon of democratic legitimacy. But even now the democratically elected governments of sovereign states are subjected to some interventions by the EU authorities: this is the case of eventual

sanctions for breaching the Maastricht convergence criteria.

Coordinating the wage policies

The neoliberal fathers of the EMU wanted to create a system of freely competing national states that would enforce a downsizing of national wage costs, national taxation levels and national social security systems. By and large these goals are being realized: social spending, wages, and the taxation of profits have all been falling (in relation to the GDP or labour productivity, as the case may be). It was overlooked though that the downsizing would run at different speeds in various countries, generating cross-country imbalances. To defuse the cumulating tensions, one would need to coordinate the national wage policies.

Since 1998 the European Trade Unions have attempted to stop the 'wage dumping' in the EU. The Trade Union associations from the Benelux countries and Germany agreed on a cross-county coordination of their wage policies, with the postulated rate of wage hikes equal at least to the sum of the inflation and labour productivity growth rate. A similar decision was taken by the European Metalworkers' Federation in 1998, followed by all important European Trade Unions active in various branches (and finally, in 2004, by the European Trade Union Confederation).

Due to the strength of the employers' associations – and the weakness of Trade Unions – the initiatives to harmonize the wage policies throughout the EU have so far failed. Now, the task of putting in place a mechanism capable of coordinating the wage policies should be taken over by the EU itself. The admittance into the EU of countries from Central and Eastern Europe makes the coordination of wage policies urgently needed. Besides, all 27 EU member states should introduce minimum wage laws, stipulating minimum wages of at least 60% of the respective national average wages.

Two other important variables: social spending and corporate income taxation, need to be considered in the context of European coordination rules that could limit the scale of the 'race-to-the-bottom' competition between countries. Countries conducting socially responsible welfare-state policies may not be penalized for those policies, and the tendency for an escalating tax dumping must be arrested.

The Greek crisis

Without denying the Greeks' own responsibility for the sad state of their public finances, it is only fair to notice that the wage policies conducted in Germany must have had a destructive impact on the size of the Greek current account deficits (and thus on the overall strength of the Greek economy).

The Greek government's consolidation plan envisages the reduction of the budget deficit by 4 GDP percentage points in 2010 alone. By 2012 the deficit ratio is to fall from the recent 13% to 3%. This is a truly Herculean task. From the macroeconomic viewpoint the proposed austerity policy makes no sense because it will only deepen and prolong the country's recession and thus make fiscal consolidation even more difficult to attain. This is the painful lesson of Portugal, which has been attempting – with no success – just such a fiscal consolidation over many years now. Ironically, many EU countries (including Germany, which urges austerity in Greece) have themselves followed quite moderate consolidation strategies. Their governments argued that the first priority was to overcome recession and only thereafter one would be able to save on public expenditure.

The preferred alternative to the 'austerity' solution to the Greek crisis may involve financial support from the EU. This should be linked to a medium-term fiscal consolidation package combined with far-reaching economic and social reforms. Such an agreed package is likely to calm down the international financial markets and weaken the political tensions between the EU and Greece.

Outlook

The Greek crisis should encourage the reform of the structural defects of the entire EU Maastricht framework. Of course, it is correct that some destabilizing financial market speculation should be banned or restricted, and that a European Monetary Fund could help cope with the debt crises in the individual member states, once these occur. However, it would be far more desirable to effectively prevent such crisis situations from arising. An effective prevention could be achieved provided the idea of a European Economic Government materializes. Crisis prevention would certainly be only one of the tasks of this government. With that government, the EU would finally get hold of an instrument for a consistent conduct of anti-cyclical fiscal policy for 'normal times'. Further, that government would be in a position to defuse the destructive tendencies inherent in the runaway competition between the national wage, tax, and social policies.

Are the national states ready to accept the wholesale reforms of the Maastricht framework? Possibly not. But it should be acknowledged that because of its flaws the Maastricht framework has generated tendencies that may tear the whole EU apart. The preservation of EMU may be impossible without decisive steps towards a Political Union. Without an Economic Government, without a mechanism safeguarding financial transfers from stronger to weaker countries, without a cross-country coordination of wage, tax and social policies, EMU will not survive anyway. That was clear to the authors of the Werner Plan of the early 1970s. The Delors Plan, on which the Maastricht EMU was based, assumed such considerations away. The painful lesson of the euro area crisis is that this was a mistake.

Real convergence and price levels in the enlarged European Union[*]

BY LEON PODKAMINER

(1) The relationship linking relative price and GDP levels is statistically highly significant and stable. A higher relative GDP level tends to be associated with a higher price level. However, the supposition that in any individual country one may expect a short-term trade-off between a slow pace of increase in the price level and fast real convergence is not quite warranted. Such a trade-off could perhaps be expected in a country moving exactly along the regression line linking the relative price level to the relative GDP level. But there is no reason why the actual dynamics should be restricted to just such movements.

(2) Apparently, the actual trajectories show *some* tendency to gravitate towards the regression line linking relative the price level to the relative GDP level. But the gravitation is neither very fast, nor monotonic. In particular, real convergence can be sustained over longer periods of time also at a low pace of rise in the price level (the Czech case). Inflation higher than in the EU is not a necessary, or desirable, phenomenon accompanying fast growth. Conversely, the overvaluation resulting from high inflation does not seem to be conducive to fast convergence. It can be a source of stagnation, or even real divergence. If sustained over a longer period of time it can eventually precipitate the outbreak of a crisis pushing the GDP level strongly back (as currently observed in the Baltic countries).

(3) Replacing the national currency with the euro carries a risk to real convergence – not only when the initial conversion rates make the initial

price level too high (as in Portugal or Slovakia). Even if the initial price level is undervalued (as in Italy) the inability of the national currency to weaken (or be weakened through policy actions) may lead to a fast erosion of external competitiveness and produce a secular stagnation (and eventually real divergence).

(4) Maintaining the national currency is not riskless either, even under low domestic inflation. Fast and strong nominal appreciation of the exchange rate can push the domestic price level far above the regression line. This is likely to precipitate stagnation or even recession (as in Poland in 1999-2002). However, a more or less spontaneous correction – in the form of nominal devaluation – is not precluded here. It goes without saying that a disciplined fiscal policy may help to reduce the risk of undue overvaluation. But, even the best fiscal policy alone could be powerless in overcoming the effects of too strong *foreign* competitive pressures. Attempts at a radical acceleration of 'structural reforms' (e.g. labour market deregulation, advancing labour market flexibility, lower progressivity of taxes, lowering of non-wage costs and benefits etc.) need not help much. Worse still, such reforms may not only prove counterproductive domestically (as in Germany). Also, such reforms may strengthen the classical 'beggar-thy-neighbour' attitudes, provoke retaliatory policies in the 'neighbours' – and thus contribute to a general growth slowdown throughout the whole Union.

(5) The satisfaction of the Maastricht convergence criteria (and particularly the exchange rate criterion) cannot make the participation in the ERM any less risky or potentially painful. The Baltic countries had long perfectly satisfied that criterion (and were denied admission into the ERM failing, quite narrowly, the inflation criterion). But it is quite clear *now* that they would not have been spared the current precipitous recession even had they switched to the euro sometime ago. The ERM is a purgatory (to use Professor Buiter's, 2005, terminology) – but the EMU is not paradise either. The former

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[*] This is the concluding section of the author's article 'Real Convergence and Price Levels: Long-Term Tendencies vs. Short-Term Performance in the Enlarged European Union', forthcoming in *Metroeconomica*.

does not rule out speculative runs on the currency – the latter practically does. Otherwise, neither arrangement rules out persistent misalignments that can be too difficult, or practically impossible, to correct for any single euro-area country – except Germany.

(6) Participation in the common currency area has proved troublesome – at least to some countries. This seems to indicate that the whole project may be suffering from some deficiencies – or, perhaps, is simply premature. As reiterated by Professor De Grauwe (most recently in 2009), the eurozone does not possess many attributes ascribed to optimal currency areas. As far as the deficit of (wage and price) flexibilities is concerned, this deficiency is not to be deplored very much. No amount of such flexibilities is capable of productively substituting a properly anti-cyclical fiscal policy at the whole Union level. One problem is that such a policy does not yet exist, the second is that even nationally the fiscal policy is constrained by arbitrary rules (GSP). This induces some individual member countries to compete with national flexibility reforms that are deflationary in nature and boil down to beggar-thy-neighbour tactics. The effect is that the eurozone is not only exposed to asymmetric *external* shocks. Much worse still, the eurozone endogenously generates *internal* shocks which have strong, asymmetric, and stagnationary impacts throughout the whole Union. Given this background, one must fear an activation of centrifugal forces. The failure of the whole project – e.g. the re-introduction of national currencies in some euro-area member states – would probably have disastrous consequences for the *whole* EU. It is in the interest of all member countries – and especially of the new member states – to contribute constructively to a fast deepening of pan-European integration, particularly on fiscal, tax and wage policy matters. Such an integration could help overcome stagnation in the euro-area countries which have been condemned – not always because of their own faults – to strongly overvalued price levels. Of course, achieving deeper integration on fiscal and wage matters does not seem realistic without much deeper political integration. This is one of the overriding themes of the long-lasting research on the 'monetary and political union' which the academic community owes to Professor De Grauwe. The most recent set of postulates (De Grauwe, 2009) also addresses the *deeper integration* imperative – and the concrete steps to be taken to approach it. Time will tell whether such an integration eventually happens.

References

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Hungary after the elections

BY SÁNDOR RICHTER

The right-wing Fidesz party and its leader Viktor Orbán achieved a landslide victory in the April legislative elections. Fidesz will be able to form the next government alone, without any coalition partner. With its two-thirds majority of parliamentary seats, it will be in a position to change any law, including the constitution. What will be the consequences for the Hungarian economy?

The 2010 election campaign had an interesting feature: given the incontestable lead in opinion polls, Fidesz campaigned without announcing a detailed economic programme. Apparently this creates nearly unlimited scope for the new government to do anything without being later confronted with pre-election promises. However, the memory of the electorate might be not as short as assumed by the winning party. Over the past eight years in opposition, Fidesz was a fervent opponent of all government-initiated reforms that aimed at attaining a sustainable fiscal stance in the medium and long run. It viciously attacked both the Gyurcsány government's short-run fiscal stabilization measures starting from mid-2006 and the crisis management since the autumn of 2008. It does not acknowledge the Bajnai government's success in saving Hungary from financial disaster either. All in all, Fidesz's current popularity, manifested in the party's landslide election victory, is to a considerable extent based on illusionary expectations of the party's supporters concerning a painless way out of Hungary's current situation.

The first and foremost concern of the new government will be the budget for the current year. The outgoing government's budget law reckons with a 3.8% deficit relative to GDP, a target approved by the IMF. This target, however, cannot be reached without further ad hoc expenditure cuts since the ailing state railways and the Budapest public transport company as well as some hospitals and local governments will need a bailout. A decision of the Constitutional Court abolished the

recently introduced tax on real estate, leaving a gap in the projected revenues. All that means that the new government should start its tenure either with expenditure cuts in order to observe the official deficit target or with the decision to drop the previous government's deficit target. Most probably the new government will choose the second option. A somewhat higher deficit target (about 5% relative to the GDP) than originally projected may possibly be agreed upon with the IMF and the European Commission. This would match the prevailing general pattern of budget deficits in Central Europe.

But will this limited increase in room for manoeuvre be sufficient to open a new chapter in Hungary's history as Fidesz promises? The pillars of Fidesz's ideas on the economy – facilitating economic growth through radical tax cuts on the one hand without touching fiscal expenditures (known plans for diminishing government outlays focus predominantly on reducing bureaucracy) on the other – seem to be an equation without any known formula for solution if the budget deficit is to remain under control. In the current international environment and Hungarian circumstances, however, the most likely scenario for post-election economic policy in Hungary is one that foresees a willy-nilly continuation of fiscal stability-oriented policies in accordance with the existing IMF stand-by agreement (possibly renegotiated in some details). Continuing the stability-oriented economic policy may be persuasive for external observers but less so for the voters of Fidesz (52.5% of the electorate) waiting for rapid improvements in the country's economic performance and the population's standard of living. With prudent economic policy the current winner Fidesz may easily fall hostage to its own past rhetoric, exposing itself to the demagogy of the extreme right-wing 'Jobbik' party (along the track beaten by Fidesz in the past eight years). Prudent economic policy thus bears the risk of defeat in the next elections, the absence of it would, however, mean a prolongation of the country's current economic and social crisis.

Table 1

Hungary: Selected Economic Indicators

	2006	2007	2008	2009 [1]	2010	2011	2012
					Forecast		
GDP, annual real change in %	4.0	1.0	0.6	-6.3	0.3	3	3.5
Consumption of households, annual real change in %	1.9	0.3	-0.5	-7.6	-1.0	1	2
Investment, annual real change in %	-3.6	1.6	0.4	-6.5	1.5	9	10
Industrial production, annual real change in %	9.9	7.9	-0.2	-17.5	4	10	10
Unemployment rate in %, average	7.5	7.4	7.8	10.0	10.5	10	9.3
Consumer price, annual change in %	4.0	7.9	6.0	4.0	3.8	3.5	3.3
General government budget balance in % GDP	-9.4	-5.0	-3.7	-4.0	-5.0	-4.0	-3.5
Public debt in % of GDP	65.6	65.9	72.9	79.0	81	82	80
Current account in % of GDP	-7.2	-6.6	-7.0	0.2	-1.2	-2.2	-2.3

1) Preliminary.

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

STATISTICAL ANNEX

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

NEW: As of March 2010, time series for the new EU member states previously taken from national sources have been replaced by Eurostat data and methodology (mostly from 2000 onwards). A detailed description of the changes is available online at http://mdb.wiiw.ac.at.

This change enables you to compare the wiiw monthly data with Eurostat data on other EU countries.

Conventional signs and abbreviations

used in the following section on monthly statistical data

.	data not available
%	per cent
PP	change in % against previous period
CPPY	change in % against corresponding period of previous year
CCPPY	change in % against cumulated corresponding period of previous year
	(e.g., under the heading 'March': January-March of the current year against January-March of the preceding year)
3MMA	3-month moving average, change in % against previous year
LFS	Labour Force Survey
CPI	consumer price index
HICP	harmonized index of consumer prices (for new EU member states)
PPI	producer price index
p.a.	per annum
mn	million (10^6)
bn	billion (10^9)

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

EUR	euro (also the national currency for Montenegro, Slovakia and Slovenia)
USD	US dollar

M1	currency outside banks + demand deposits / narrow money (ECB definition)
M2	M1 + quasi-money / intermediate money (ECB definition)
M3	broad money

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

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 2008 to 2010

(updated end of March 2010)

		2008 Dec	2009 Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	2010 Jan	Feb
PRODUCTION																
Industry, NACE Rev. 2 [1]	real, CPPY	-8.5	-18.4	-17.7	-16.9	-20.2	-22.0	-18.2	-18.7	-15.8	-21.1	-16.5	-10.8	-12.1	-1.7	.
Industry, NACE Rev. 2 [1]	real, CCPPY	0.7	-18.4	-18.1	-17.6	-18.3	-19.1	-18.9	-18.9	-18.5	-18.8	-18.6	-17.9	-17.4	-1.7	.
Industry, NACE Rev. 2 [1]	real, 3MMA	-11.7	-14.6	-17.6	-18.3	-19.7	-20.1	-19.6	-17.7	-18.6	-17.9	-16.2	-13.2	-8.8	.	.
Construction, NACE Rev. 2 [2]	real, CPPY	-7.2	-5.4	-9.7	-4.1	-8.7	-14.9	-8.4	-14.4	-17.1	-19.4	-25.7	-21.9	-23.0	-30.7	.
Construction, NACE Rev. 2 [2]	real, CCPPY	-3.3	-5.4	-7.6	-6.4	-7.0	-8.6	-8.6	-9.5	-10.5	-11.5	-13.0	-13.8	-14.5	-30.7	.
LABOUR																
Employed persons, LFS	th. pers., quart. avg.	3363.5	.	.	3262.8	.	.	3300.1	.	.	3280.0	.	.	3171.6	.	.
Employed persons, LFS	CCPPY	3.3	.	.	-0.8	.	.	-1.5	.	.	-2.3	.	.	-3.2	.	.
Unemployed persons, LFS	th. pers., quart. avg.	177.7	.	.	222.2	.	.	222.6	.	.	234.5	.	.	272.8	.	.
Unemployment rate, LFS	%	5.0	.	.	6.4	.	.	6.3	.	.	6.7	.	.	7.9	.	.
Productivity in industry, NACE Rev. 2	CCPPY	2.7	.	.	-11.4	.	.	-11.2	.	.	-10.6	.	.	-8.5	.	.
WAGES, SALARIES																
Total economy, gross [3]	BGN	566	557	553	579	593	585	587	578	576	594	594	600	625	.	.
Total economy, gross [3]	real, CPPY	10.0	9.7	10.7	11.3	11.5	13.0	11.1	10.7	10.7	10.2	10.1	9.7	8.6	.	.
Total economy, gross [3]	EUR	289	285	283	296	303	299	300	296	295	304	304	307	320	.	.
Industry, gross, NACE Rev. 2	EUR	280	277	276	294	290	296	299	294	294	298	302	302	312	.	.
PRICES																
Consumer - HICP	PP	-0.4	0.4	0.4	-0.3	0.5	0.0	0.1	-0.1	0.1	-0.2	0.2	0.2	0.3	0.6	0.3
Consumer - HICP	CPPY	7.2	6.0	5.4	4.0	3.8	3.0	2.6	1.0	1.3	0.2	0.3	0.9	1.6	1.8	1.7
Consumer - HICP	CCPPY	12.0	6.0	5.7	5.1	4.8	4.4	4.1	3.7	3.4	3.0	2.7	2.5	2.5	1.8	1.7
Producer, in industry, NACE Rev. 2 [4]	PP	-5.6	-0.3	-1.0	0.2	-0.6	0.8	0.5	-1.1	0.2	1.4	-0.9	0.5	1.2	1.8	.
Producer, in industry, NACE Rev. 2 [4]	CPPY	0.1	-1.3	-3.2	-5.7	-6.3	-6.9	-7.5	-10.8	-10.9	-8.9	-9.6	-5.9	-6.5	2.9	.
Producer, in industry, NACE Rev. 2 [4]	CCPPY	10.9	-1.3	-2.3	-3.4	-4.2	-4.7	-5.2	-6.0	-6.7	-6.9	-7.2	-7.1	-6.5	2.9	.
FOREIGN TRADE [5]																
Exports total (fob), cumulated	EUR mn	15204	813	1714	2681	3513	4419	5419	6447	7429	8479	9693	10808	11787	.	.
Imports total (cif), cumulated	EUR mn	25094	1221	2539	4026	5398	6809	8225	9644	10954	12337	13895	15312	16726	.	.
Trade balance, cumulated	EUR mn	-9890	-408	-824	-1345	-1884	-2390	-2806	-3197	-3525	-3858	-4202	-4504	-4939	.	.
Exports to EU-27 (fob), cumulated	EUR mn	9118	568	1192	1792	2303	2879	3495	4223	4831	5530	6293	6996	7585	.	.
Imports from EU-27 (cif), cumulated	EUR mn	14228	728	1510	2413	3215	4056	4938	5787	6535	7404	8345	9214	10082	.	.
Trade balance with EU-27, cumulated	EUR mn	-5110	-160	-318	-621	-912	-1177	-1443	-1565	-1703	-1873	-2052	-2218	-2497	.	.
FOREIGN FINANCE																
Current account, cumulated		-8653	.	.	-1409	.	.	-2565	.	.	-2212	.	.	.	.	.
EXCHANGE RATE																
BGN/USD, monthly average	nominal	1.454	1.477	1.530	1.499	1.483	1.433	1.395	1.388	1.371	1.343	1.320	1.311	1.338	1.370	1.429
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 [6]	real, Jan07=100	117.4	115.6	111.4	113.1	114.6	118.3	120.6	121.2	122.7	124.9	127.1	128.1	126.2	123.6	118.8
USD/BGN, calculated with PPI [6]	real, Jan07=100	110.6	108.3	104.7	107.8	107.7	111.2	112.6	113.0	112.9	117.5	117.6	117.5	116.2	114.0	.
EUR/BGN, calculated with CPI [6]	real, Jan07=100	111.4	112.6	112.4	111.6	111.9	111.7	111.6	111.9	111.7	111.5	111.5	111.5	111.5	112.6	112.7
EUR/BGN, calculated with PPI [6]	real, Jan07=100	105.0	105.2	104.3	105.0	105.3	106.1	106.4	105.9	105.6	107.4	106.0	106.2	107.5	108.5	.
DOMESTIC FINANCE																
Currency in circulation, end of period	BGN mn	8029	7432	7283	7023	7064	6961	7012	7100	7086	6925	6839	6779	7115	6755	.
M1 - Narrow money, end of period	BGN mn	19867	18645	17939	17749	17512	17555	17909	17684	17870	17686	17366	17739	18126	17686	.
Broad money, end of period	BGN mn	45820	45069	44913	44936	45067	45204	45578	45867	46233	46464	46595	46802	47798	47553	.
Broad money, end of period	CPPY	8.9	8.4	7.7	6.4	5.2	4.7	3.7	1.7	1.0	1.6	4.3	6.4	4.3	5.5	.
BNB base rate (p.a.), end of period	%	5.8	5.2	3.9	3.5	3.5	2.3	2.4	2.2	1.7	1.6	1.5	0.6	0.6	0.4	0.2
BNB base rate (p.a.), end of period [7]	real, %	5.7	6.6	7.4	9.7	10.4	9.8	10.7	14.6	14.1	11.5	12.2	7.0	-0.3	-2.5	.
BUDGET																
General gov. budget balance [8], cum.	BGN mn	1224	.	.	140	.	.	-330	.	.	-1103	.	.	.	.	.

1) Enterprises with 10 and more persons.
2) All public enterprises, private enterprises with 5 and more employees.
3) From 2009 according to NACE Rev. 2.
4) Data refer to industry total compared to previously published domestic producer prices.
5) From 2004 intra-/extra-EU trade methodology.
6) Adjusted for domestic and foreign (US resp. EU) inflation. Values more than 100 mean real appreciation.
7) Deflated with annual PPI.
8) According to ESA'95 excessive deficit procedure.

C Z E C H REPUBLIC: Selected monthly data on the economic situation 2008 to 2010

		2008 Dec	2009 Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	2010 Jan	Feb
PRODUCTION																
Industry, NACE Rev. 2	real, CPPY	-11.8	-22.0	-23.0	-12.4	-21.6	-21.6	-12.2	-17.8	-8.8	-11.5	-7.7	-0.2	1.8	5.3	.
Industry, NACE Rev. 2	real, CCPPY	-1.8	-22.0	-22.5	-19.1	-19.7	-20.1	-18.8	-18.6	-17.6	-16.9	-16.0	-14.6	-13.5	5.3	.
Industry, NACE Rev. 2	real, 3MMA	-17.3	-19.1	-19.1	-19.0	-18.6	-18.5	-17.1	-13.0	-12.8	-9.4	-6.7	-2.3	2.2	.	.
Construction, NACE Rev. 2	real, CPPY	-5.9	-11.3	-14.3	-9.1	2.1	0.3	0.7	-3.7	0.1	3.5	-1.2	5.9	3.5	-25.4	.
Construction, NACE Rev. 2	real, CCPPY	0.0	-11.3	-12.9	-11.4	-7.3	-5.5	-4.2	-4.1	-3.5	-2.5	-2.3	-1.4	-0.9	-25.4	.
LABOUR																
Employed persons, LFS	th. pers., quart. avg.	5033.5	.	.	4946.8	.	.	4941.3	.	.	4921.7	.	.	4927.3	.	.
Employed persons, LFS	CCPPY	1.6	.	.	-0.2	.	.	-0.7	.	.	-1.1	.	.	-1.4	.	.
Unemployed persons, LFS	th. pers., quart. avg.	230.7	.	.	302.8	.	.	333.9	.	.	387.0	.	.	385.0	.	.
Unemployment rate, LFS	%	4.4	.	.	5.8	.	.	6.3	.	.	7.3	.	.	7.2	.	.
Productivity in industry, NACE Rev. 2	CCPPY	-2.8	.	.	-12.1	.	.	-9.8	.	.	-6.6	.	.	-2.4	.	.
WAGES, SALARIES																
Total economy, gross [1]	CZK, quart. avg.	24484	.	.	22321	.	.	23067	.	.	23319	.	.	25752	.	.
Total economy, gross [1]	real, CPPY	3.6	.	.	1.6	.	.	2.1	.	.	4.8	.	.	5.1	.	.
Total economy, gross [1]	EUR, quart. avg.	965	.	.	808	.	.	864	.	.	911	.	.	993	.	.
Industry, gross, NACE Rev. 2 [2]	EUR, quart. avg.	914	.	.	775	.	.	841	.	.	881	.	.	958	.	.
PRICES																
Consumer - HICP	PP	-0.3	1.4	0.1	0.2	-0.1	0.1	0.0	-0.4	-0.2	-0.4	-0.3	0.1	0.1	1.2	0.1
Consumer - HICP	CPPY	3.3	1.4	1.3	1.7	1.3	0.9	0.8	-0.1	0.0	-0.3	-0.6	0.2	0.5	0.4	0.4
Consumer - HICP	CCPPY	6.3	1.4	1.3	1.5	1.4	1.3	1.2	1.0	0.9	0.8	0.6	0.6	0.6	0.4	0.4
Producer, in industry, NACE Rev. 2 [3]	PP	-0.3	1.7	1.7	-2.5	-1.2	-0.8	-0.2	-1.2	-0.2	-0.7	0.6	0.2	0.4	0.4	.
Producer, in industry, NACE Rev. 2 [3]	CPPY	0.8	1.4	3.5	0.8	-0.3	-1.6	-1.5	-2.2	-3.8	-4.9	-4.0	-2.9	-2.2	-3.4	.
Producer, in industry, NACE Rev. 2 [3]	CCPPY	0.4	1.4	2.4	1.9	1.3	0.7	0.4	0.0	-0.5	-1.0	-1.3	-1.4	-1.5	-3.4	.
FOREIGN TRADE [4]																
Exports total (fob),cumulated	EUR mn	99809	5938	11865	19055	25704	31899	38906	45690	52032	59723	67295	74897	81213	.	.
Imports total (cif),cumulated	EUR mn	96572	5769	11364	17749	23844	29634	35916	42159	48076	55113	62068	69061	75267	.	.
Trade balance,cumulated	EUR mn	3237	168	501	1307	1860	2265	2990	3531	3955	4610	5227	5836	5946	.	.
Exports to EU-27 (fob), cumulated	EUR mn	84768	5124	10109	16217	21830	27103	32972	38708	44058	50577	57040	63472	68738	.	.
Imports from EU-27 (cif), cumulated	EUR mn	74260	4273	8534	13489	18240	22871	27845	32812	37429	42989	48460	53890	58645	.	.
Trade balance with EU-27, cumulated	EUR mn	10508	850	1574	2728	3589	4231	5127	5896	6629	7588	8580	9582	10092	.	.
FOREIGN FINANCE																
Current account, cumulated		-4610	.	.	839	.	.	-214	.	.	-993	.	.	.	.	.
EXCHANGE RATE																
CZK/USD, monthly average	nominal	19.42	20.52	22.26	20.87	20.30	19.58	18.94	18.31	17.97	17.41	17.46	17.31	17.85	18.31	18.98
CZK/EUR, monthly average	nominal	26.12	27.17	28.46	27.23	26.77	26.73	26.55	25.79	25.65	25.35	25.86	25.81	26.09	26.13	25.98
USD/CZK, calculated with CPI [5]	real, Jan07=100	114.5	109.3	100.3	107.0	109.6	113.4	116.3	120.0	121.8	125.1	124.3	125.4	121.9	119.8	115.7
USD/CZK, calculated with PPI [5]	real, Jan07=100	107.8	103.5	98.1	102.7	103.8	105.7	107.0	110.4	110.5	113.9	113.5	113.2	109.9	106.2	.
EUR/CZK, calculated with CPI [5]	real, Jan07=100	108.6	106.5	101.2	105.6	107.0	107.0	107.6	110.8	110.9	111.7	109.0	109.1	107.7	109.3	109.7
EUR/CZK, calculated with PPI [5]	real, Jan07=100	102.3	100.5	97.8	100.1	101.5	100.9	101.1	103.4	103.4	104.1	102.3	102.4	101.7	101.0	.
DOMESTIC FINANCE																
Currency in circulation, end of period	CZK bn	365.6	362.8	363.7	359.2	360.3	358.8	354.3	352.4	351.4	351.3	353.2	354.2	353.6	353.6	.
M1 - Narrow money, end of period	CZK bn	1674.8	1665.6	1686.5	1692.2	1686.3	1691.5	1723.6	1702.2	1736.1	1722.2	1732.7	1781.7	1771.8	1765.0	.
Broad money, end of period	CZK bn	2702.2	2714.0	2728.8	2701.1	2719.3	2737.9	2680.9	2669.7	2659.5	2623.5	2651.0	2665.2	2709.1	2671.5	.
Broad money, end of period	CPPY	13.5	13.7	13.3	12.2	11.2	10.6	9.1	6.4	4.5	3.2	2.6	1.7	0.3	-1.6	.
Discount rate (p.a.),end of period	%	1.3	1.3	0.8	0.8	0.8	0.5	0.5	0.5	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Discount rate (p.a.),end of period [6]	real, %	0.5	-0.1	-2.7	0.0	1.0	2.2	2.0	2.8	4.3	5.4	4.5	3.3	2.5	3.8	.
BUDGET																
General gov.budget balance [7], cum.	CZK mn	-75589	.	.	-65508	.	.	-92782	.	.	-163423	.	.	.	.	.

1) According to NACE Rev. 2.
2) Including E (electricity, gas, steam, air conditioning supply etc.).
3) Data refer to industry total compared to previously published domestic producer prices.
4) From 2004 intra-/extra-EU trade methodology.
5) Adjusted for domestic and foreign (US resp. EU) inflation. Values more than 100 mean real appreciation.
6) Deflated with annual PPI.
7) According to ESA'95 excessive deficit procedure.

H U N G A R Y: Selected monthly data on the economic situation 2008 to 2010

(updated end of March 2010)

		2008 Dec	2009 Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	2010 Jan	Feb
PRODUCTION																
Industry, NACE Rev. 2	real, CPPY	-19.2	-22.4	-28.9	-15.6	-27.1	-22.0	-18.7	-19.4	-19.6	-14.8	-12.9	-6.8	0.9	3.4	.
Industry, NACE Rev. 2	real, CCPPY	-0.1	-22.4	-25.8	-22.3	-23.5	-23.2	-22.5	-22.0	-21.8	-20.9	-20.1	-18.9	-17.6	3.4	.
Industry, NACE Rev. 2	real, 3MMA	-17.1	-23.6	-22.3	-23.9	-21.6	-22.6	-20.0	-19.2	-17.8	-15.6	-11.6	-6.9	-1.4	.	.
Construction, NACE Rev. 2	real, CPPY	3.9	-13.7	-4.5	1.0	-7.2	-9.9	15.5	-3.7	-7.1	-1.5	-2.4	-14.2	-6.2	-13.5	.
Construction, NACE Rev. 2	real, CCPPY	-5.2	-13.7	-8.7	-5.0	-5.6	-6.7	-2.4	-2.6	-3.2	-3.0	-2.9	-4.1	-4.4	-13.5	.
LABOUR																
Employed persons, LFS	th. pers., quart. avg.	3880.7	.	.	3763.9	.	.	3797.1	.	.	3783.5	.	.	3782.8	.	.
Employed persons, LFS	CCPPY	-1.2	.	.	-2.1	.	.	-2.0	.	.	-2.5	.	.	-2.5	.	.
Unemployed persons, LFS	th. pers., quart. avg.	337.1	.	.	402.8	.	.	401.7	.	.	436.2	.	.	442.0	.	.
Unemployment rate, LFS	%	8.0	.	.	9.7	.	.	9.6	.	.	10.3	.	.	10.5	.	.
Productivity in industry, NACE Rev. 2	CCPPY	0.2	-16.9	-19.6	-14.9	-15.4	-14.4	-13.0	-12.0	-11.3	-10.2	-9.1	-7.9	-6.5	14.9	.
WAGES, SALARIES																
Total economy, gross [1)2)]	HUF th	220.7	194.3	191.9	201.3	200.4	200.0	201.6	197.2	190.3	190.9	193.4	215.8	220.5	206.9	.
Total economy, gross [1)2)]	real, CPPY	1.2	-7.5	-0.6	1.2	0.2	-1.3	-2.7	-3.3	-4.3	-3.9	-5.6	-7.9	-5.2	0.3	.
Total economy, gross [1)2)]	EUR	833	694	643	662	679	709	719	725	705	702	721	796	807	768	.
Industry, gross, NACE Rev. 2 [1)]	EUR	784	651	606	641	670	697	716	722	708	717	730	821	796	723	.
PRICES																
Consumer - HICP	PP	-0.4	0.7	0.8	0.5	0.9	1.5	0.0	1.4	-0.5	-0.2	-0.2	0.5	-0.2	1.5	0.2
Consumer - HICP	CPPY	3.4	2.4	2.9	2.8	3.2	3.8	3.7	4.9	5.0	4.8	4.2	5.2	5.4	6.2	5.6
Consumer - HICP	CCPPY	6.0	2.4	2.7	2.7	2.8	3.0	3.1	3.4	3.6	3.7	3.8	3.9	4.0	6.2	5.9
Producer, in industry, NACE Rev. 2	PP	-0.9	2.8	3.2	0.6	-1.9	-1.9	0.0	-1.5	-0.4	0.0	0.0	0.4	0.1	2.5	.
Producer, in industry, NACE Rev. 2	CPPY	5.0	5.6	8.3	8.8	6.8	5.9	6.3	5.2	4.1	3.0	-0.3	0.3	1.2	0.9	.
Producer, in industry, NACE Rev. 2	CCPPY	4.6	5.6	7.0	7.6	7.4	7.1	6.9	6.7	6.4	6.0	5.3	4.9	4.6	0.9	.
FOREIGN TRADE [3)]																
Exports total (fob), cumulated	EUR mn	73772	4175	8648	13925	18633	23343	28472	33568	37873	43545	49274	55135	60036	.	.
Imports total (cif), cumulated	EUR mn	74069	4347	8524	13318	17637	21933	26730	31457	35553	40830	46104	51522	56034	.	.
Trade balance, cumulated	EUR mn	-297	-172	124	607	996	1410	1742	2111	2321	2715	3170	3613	4002	.	.
Exports to EU-27 (fob), cumulated	EUR mn	57672	3487	7019	11151	14873	18555	22595	26570	29900	34357	38943	43610	47345	.	.
Imports from EU-27 (cif), cumulated	EUR mn	50521	2879	5760	9080	12069	15141	18488	21829	24634	28332	31975	35640	38561	.	.
Trade balance with EU-27, cumulated	EUR mn	7151	608	1259	2071	2805	3414	4108	4741	5266	6025	6968	7969	8783	.	.
FOREIGN FINANCE																
Current account, cumulated		-7519	.	.	-325	.	.	262	.	.	1051	.	.	.	.	.
EXCHANGE RATE																
HUF/USD, monthly average	nominal	197.1	211.4	233.3	233.1	223.9	206.5	200.1	193.1	189.3	186.7	181.2	181.7	187.0	188.8	198.2
HUF/EUR, monthly average	nominal	265.0	279.9	298.3	304.1	295.3	281.9	280.5	272.1	270.1	271.8	268.5	270.9	273.2	269.4	271.2
USD/HUF, calculated with CPI [7)]	real, Jan07=100	104.1	97.3	88.4	88.8	93.0	102.0	104.5	109.9	111.4	112.5	115.6	115.9	112.5	112.8	107.7
USD/HUF, calculated with PPI [7)]	real, Jan07=100	101.6	97.2	91.9	93.2	94.6	99.6	100.9	103.9	103.9	105.9	108.4	107.2	103.9	104.1	.
EUR/HUF, calculated with CPI [7)]	real, Jan07=100	98.8	94.8	89.2	87.6	90.7	96.3	96.6	101.5	101.4	100.5	101.4	100.8	99.5	102.8	102.1
EUR/HUF, calculated with PPI [7)]	real, Jan07=100	96.5	94.4	91.6	90.8	92.6	95.1	95.3	97.3	97.2	96.8	97.6	96.9	96.1	99.1	.
DOMESTIC FINANCE																
Currency in circulation, end of period	HUF bn	2137.1	2115.1	2124.0	2204.7	2170.1	2125.1	2089.8	2042.7	2030.2	2002.0	1996.0	2003.7	2039.2	2013.8	.
M1 - Narrow money, end of period	HUF bn	6162.1	5962.2	6051.3	6240.3	6035.1	5923.9	5982.8	5812.2	5931.8	5921.5	5795.0	5900.7	6121.5	5853.6	.
Broad money, end of period	HUF bn	15447.3	15606.9	15727.9	15962.2	15918.3	15895.1	15878.9	15736.7	15930.1	15809.8	15772.1	15791.1	15976.7	17325.9	.
Broad money, end of period	CPPY	8.7	10.0	7.2	8.6	8.3	10.3	11.9	7.0	9.3	7.5	5.9	4.7	3.4	11.0	.
NBH base rate (p.a.), end of period	%	10.0	9.5	9.5	9.5	9.5	9.5	9.5	8.5	8.0	7.5	7.0	6.5	6.3	6.0	5.8
NBH base rate (p.a.), end of period [5)]	real, %	4.8	3.7	1.1	0.7	2.5	3.4	3.0	3.1	3.8	4.4	7.3	6.2	5.0	5.0	.
BUDGET																
General gov.budget balance [6)], cum.	HUF bn	-992	.	.	-313	.	.	-468	.	.	-711	.	.	.	.	.

1) Enterprises with 5 and more employees.
2) From 2009 according to NACE Rev. 2.
3) From 2004 intra-/extra-EU trade methodology.
4) Adjusted for domestic and foreign (US resp. EU) inflation. Values more than 100 mean real appreciation.
5) Deflated with annual PPI.
6) According to ESA'95 excessive deficit procedure.

P O L A N D: Selected monthly data on the economic situation 2008 to 2010

(updated end of March 2010)

		2008 Dec	2009 Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	2010 Jan	Feb
PRODUCTION																
Industry, NACE Rev. 2 [1][2]	real, CPPY	-5.6	-15.3	-14.6	-1.9	-12.2	-5.2	-4.4	-4.5	0.1	-1.2	-1.3	9.9	7.4	8.5	.
Industry, NACE Rev. 2 [1][2]	real, CCPPY	2.7	-15.3	-14.9	-10.6	-11.0	-9.9	-9.0	-8.3	-7.4	-6.7	-6.1	-4.7	-3.8	8.5	.
Industry, NACE Rev. 2 [1][2]	real, 3MMA	-10.6	-11.9	-10.6	-9.6	-6.5	-7.4	-4.7	-3.0	-1.9	-0.8	2.2	5.0	8.6	.	.
Construction, NACE Rev. 2 [2]	real, CPPY	2.0	7.5	1.9	1.2	0.5	0.3	0.6	10.6	11.0	5.7	2.7	9.9	3.2	-15.3	.
Construction, NACE Rev. 2 [2]	real, CCPPY	10.0	7.5	4.4	3.1	2.4	1.8	1.6	3.2	4.3	4.5	4.3	4.8	4.6	-15.3	.
LABOUR																
Employed persons, LFS	th. pers., quart. avg.	16005	.	.	15714	.	.	15846	.	.	16026	.	.	15885	.	.
Employed persons, LFS	CCPPY	3.7	.	.	1.3	.	.	1.1	.	.	0.8	.	.	0.4	.	.
Unemployed persons, LFS	th. pers., quart. avg.	1153.6	.	.	1413.8	.	.	1355.1	.	.	1404.3	.	.	1471.0	.	.
Unemployment rate, LFS	%	6.7	.	.	8.3	.	.	7.9	.	.	8.1	.	.	8.5	.	.
Productivity in industry, NACE Rev. 2	CCPPY	0.4	-12.0	-11.1	-6.1	-6.2	-4.8	-3.6	-2.7	-1.5	-0.6	0.1	1.5	2.5	12.7	.
WAGES, SALARIES																
Total economy, gross [2][3]	PLN	3420	3216	3196	3333	3295	3194	3288	3362	3269	3283	3312	3404	3652	3231	3288
Total economy, gross [2][3]	real, CPPY	2.0	4.9	1.8	1.9	0.7	-0.2	-1.9	-0.4	-1.0	-0.4	-1.5	-1.3	2.9	-3.3	-0.5
Total economy, gross [2][3]	EUR	854	760	688	721	743	724	729	782	791	790	786	817	881	794	819
Industry, gross, NACE Rev. 2	EUR	853	747	688	717	736	720	737	779	788	789	769	836	907	787	837
PRICES																
Consumer - HICP	PP	0.0	0.4	0.8	0.8	0.6	0.6	0.2	0.3	-0.4	0.0	0.2	0.3	0.0	0.4	0.4
Consumer - HICP	CPPY	3.3	3.2	3.6	4.0	4.3	4.2	4.2	4.5	4.3	4.0	3.8	3.8	3.8	3.9	3.4
Consumer - HICP	CCPPY	4.3	2.8	3.1	3.6	3.8	3.8	3.8	3.9	3.9	3.9	3.8	3.8	3.8	.	.
Producer, in industry, NACE Rev. 2	PP	-0.3	2.5	2.6	0.0	-0.8	-0.3	0.6	-1.4	-0.4	-0.2	0.0	-0.3	-0.2	0.4	.
Producer, in industry, NACE Rev. 2	CPPY	3.2	4.5	6.5	6.3	5.6	4.3	4.5	3.3	2.7	2.1	2.5	2.3	2.4	0.3	.
Producer, in industry, NACE Rev. 2	CCPPY	2.4	4.5	5.5	5.8	5.7	5.4	5.3	5.0	4.7	4.4	4.2	4.0	3.9	0.3	.
FOREIGN TRADE [4]																
Exports total (fob), cumulated	EUR mn	115895	7050	14437	22759	30458	38068	46092	54227	61593	70771	80181	89014	96396	.	.
Imports total (cif), cumulated	EUR mn	141966	8060	15953	25029	33534	41732	50528	59552	67785	77289	87222	96659	105123	.	.
Trade balance, cumulated	EUR mn	-26072	-1010	-1516	-2270	-3076	-3664	-4436	-5325	-6192	-6518	-7042	-7645	-8727	.	.
Exports to EU-27 (fob), cumulated	EUR mn	90178	5862	11874	18456	24533	30567	36865	43154	48943	56253	63838	70771	76428	.	.
Imports from EU-27 (cif), cumulated	EUR mn	102006	5688	11419	17959	24297	30321	36656	43086	48894	55868	63065	69902	75732	.	.
Trade balance with EU-27, cumulated	EUR mn	-11828	174	455	497	236	246	209	68	49	385	773	869	696	.	.
FOREIGN FINANCE																
Current account, cumulated		-18320	.	.	-29	.	.	-1114	.	.	-2380	.	.	.	.	.
EXCHANGE RATE																
PLN/USD, monthly average	nominal	2.978	3.195	3.635	3.541	3.361	3.231	3.217	3.050	2.895	2.856	2.845	2.792	2.836	2.852	2.933
PLN/EUR, monthly average	nominal	4.004	4.230	4.647	4.621	4.433	4.410	4.508	4.297	4.131	4.158	4.215	4.165	4.144	4.070	4.014
USD/PLN, calculated with CPI [5]	real, Jan07=100	103.6	96.5	85.0	87.8	92.9	96.9	96.7	102.4	107.3	108.7	109.2	111.4	109.9	109.4	106.8
USD/PLN, calculated with PPI [5]	real, Jan07=100	100.5	95.8	87.4	90.3	93.8	96.3	95.5	100.2	103.6	105.4	105.4	105.7	103.6	102.1	.
EUR/PLN, calculated with CPI [5]	real, Jan07=100	98.3	94.0	85.8	86.7	90.6	91.5	89.4	94.5	97.7	97.0	95.7	97.0	97.1	99.8	101.2
EUR/PLN, calculated with PPI [5]	real, Jan07=100	95.4	93.1	87.1	88.0	91.8	91.9	90.2	93.9	96.9	96.3	95.0	95.6	95.9	97.2	.
DOMESTIC FINANCE																
Currency in circulation, end of period	PLN bn	90.8	88.6	90.8	91.1	92.3	92.1	92.3	91.5	91.0	89.7	89.4	88.2	89.8	87.9	.
M1 - Narrow money, end of period	PLN bn	349.9	341.3	347.6	356.9	352.0	359.9	370.6	363.7	371.1	372.8	378.6	381.5	388.8	381.3	.
Broad money, end of period	PLN bn	666.2	668.8	680.9	683.7	680.0	685.4	693.7	689.4	685.4	691.3	711.2	699.9	720.3	711.0	.
Broad money, end of period	CPPY	18.6	17.6	17.8	17.5	14.4	14.2	14.4	11.9	9.0	9.6	11.9	8.0	8.1	6.3	.
Discount rate (p.a.), end of period	%	5.3	4.5	4.3	4.0	4.0	4.0	3.8	3.8	3.8	3.8	3.8	3.8	3.8	3.8	3.8
Discount rate (p.a.), end of period [6]	real, %	2.0	0.0	-2.1	-2.2	-1.5	-0.3	-0.7	0.5	1.0	1.6	1.2	1.4	1.3	3.4	.
BUDGET																
General gov.budget balance [7], cum.	PLN mn	-46482	.	.	-10648	.	.	-33227	.	.	-45599	.	.	.	.	.

1) Sold production.
2) Enterprises with 10 and more employees.
3) From 2009 according to NACE Rev. 2.
4) From 2004 intra-/extra-EU trade methodology.
5) Adjusted for domestic and foreign (US resp. EU) inflation. Values more than 100 mean real appreciation.
6) Deflated with annual PPI.
7) According to ESA'95 excessive deficit procedure.

R O M A N I A: Selected monthly data on the economic situation 2008 to 2010

(updated end of March 2010)

		2008 Dec	2009 Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	2010 Jan	Feb
PRODUCTION																
Industry, NACE Rev. 2 [1]	real, CPPY	-12.5	-16.4	-14.5	-8.5	-10.0	-10.1	-4.5	-4.1	-5.7	-3.4	-2.7	5.3	11.6	6.8	.
Industry, NACE Rev. 2 [1]	real, CCPPY	2.7	-16.4	-15.4	-13.0	-12.3	-11.8	-10.5	-9.6	-9.2	-8.5	-7.9	-6.7	-5.5	6.8	.
Industry, NACE Rev. 2 [1]	real, 3MMA	-12.7	-14.5	-13.0	-11.0	-9.5	-8.2	-6.2	-4.7	-4.3	-3.8	-0.4	4.0	7.7	.	.
Construction, NACE Rev. 2	real, CPPY	17.0	14.0	6.4	-6.1	-16.0	-24.9	-4.4	-17.1	-24.6	-22.5	-26.2	-18.4	-6.9	-12.4	.
Construction, NACE Rev. 2	real, CCPPY	26.9	14.0	9.7	2.7	-3.4	-9.5	-8.4	-10.0	-12.5	-14.1	-15.7	-16.0	-15.1	-12.4	.
LABOUR																
Employed persons, LFS	th. pers., quart. avg.	9237.5	.	.	9038.6	.	.	9381.3	.	.	9527.1	.	.	9026.9	.	.
Employed persons, LFS	CCPPY	0.2	.	.	-0.9	.	.	-1.0	.	.	-1.0	.	.	-1.3	.	.
Unemployed persons, LFS	th. pers., quart. avg.	568.2	.	.	666.1	.	.	626.6	.	.	698.9	.	.	731.1	.	.
Unemployment rate, LFS	%	5.8	.	.	6.9	.	.	6.3	.	.	6.8	.	.	7.5	.	.
Productivity in industry, NACE Rev. 2	CCPPY	6.8	-8.3	-6.5	-2.7	-0.9	0.5	2.6	4.3	5.2	6.5	7.7	9.3	11.0	27.9	.
WAGES, SALARIES																
Total economy, gross [1][2]	RON	2023	1839	1836	1922	1930	1855	1887	1901	1845	1860	1881	1866	2023	1967	.
Total economy, gross [1][2]	real, CPPY	9.9	5.2	11.3	11.0	3.5	2.8	2.6	2.3	1.7	1.2	0.5	-3.3	-4.5	1.7	.
Total economy, gross [1][2]	EUR	516	434	428	449	459	445	448	451	437	438	439	435	478	475	.
Industry, gross, NACE Rev. 2 [3]	EUR	468	381	374	394	422	409	414	431	419	425	419	419	469	430	.
PRICES																
Consumer - HICP	PP	0.2	1.2	0.8	0.5	0.3	0.0	0.2	-0.1	-0.2	0.4	0.4	0.7	0.3	1.7	0.2
Consumer - HICP	CPPY	6.4	6.8	6.9	6.7	6.5	5.9	5.9	5.0	4.9	4.9	4.3	4.6	4.7	5.2	4.5
Consumer - HICP	CCPPY	7.9	6.8	6.9	6.8	6.7	6.6	6.4	6.2	6.1	5.9	5.8	5.7	5.6	5.2	4.8
Producer, in industry, NACE Rev. 2	PP	-1.7	1.9	0.6	-0.6	0.2	0.4	0.6	-0.6	0.7	0.2	0.3	0.6	-0.2	1.0	.
Producer, in industry, NACE Rev. 2	CPPY	7.3	7.0	6.2	3.8	2.9	1.3	-0.1	-1.7	-1.2	-1.3	-0.8	2.5	4.1	3.2	.
Producer, in industry, NACE Rev. 2	CCPPY	15.3	7.0	6.6	5.7	5.0	4.2	3.5	2.7	2.2	1.8	1.5	1.6	1.8	3.2	.
FOREIGN TRADE [4]																
Exports total (fob), cumulated	EUR mn	33679	1912	3999	6592	8765	11085	13643	16451	18661	21270	24009	26768	29116	.	.
Imports total (cif), cumulated	EUR mn	57148	2593	5544	8794	11888	14992	18303	21662	24627	28359	32003	35582	36561	.	.
Trade balance, cumulated	EUR mn	-23469	-681	-1545	-2202	-3124	-3907	-4660	-5211	-5966	-7089	-7993	-8814	-7445	.	.
Exports to EU-27 (fob), cumulated	EUR mn	23758	1491	3088	4970	6550	8289	10181	12256	13781	15785	17924	20017	21630	.	.
Imports from EU-27 (cif), cumulated	EUR mn	39827	1944	4122	6569	8806	11087	13589	16011	18072	20838	23595	26247	28511	.	.
Trade balance with EU-27, cumulated	EUR mn	-16069	-454	-1033	-1599	-2256	-2798	-3409	-3755	-4291	-5053	-5671	-6230	-6880	.	.
FOREIGN FINANCE																
Current account, cumulated		-16178	.	.	-942	.	.	-2430	.	.	-3271	.	.	.	.	.
EXCHANGE RATE																
RON/USD, monthly average	nominal	2.903	3.200	3.348	3.285	3.178	3.055	3.004	2.994	2.958	2.911	2.890	2.874	2.895	2.900	3.007
RON/EUR, monthly average	nominal	3.923	4.235	4.286	4.283	4.204	4.170	4.213	4.218	4.218	4.242	4.287	4.290	4.228	4.138	4.120
USD/RON, calculated with CPI [5]	real, Jan07=100	98.1	89.7	86.0	87.9	90.9	94.2	95.3	95.6	96.4	98.3	99.3	100.4	100.2	101.4	98.0
USD/RON, calculated with PPI [5]	real, Jan07=100	102.7	94.8	92.1	94.0	96.8	100.1	100.5	101.1	101.6	103.9	104.2	104.1	102.8	102.3	.
EUR/RON, calculated with CPI [5]	real, Jan07=100	92.5	87.3	86.5	86.7	88.3	88.8	87.9	88.1	87.7	87.6	86.8	87.2	88.5	92.4	92.7
EUR/RON, calculated with PPI [5]	real, Jan07=100	96.9	91.9	91.5	91.5	94.3	95.4	94.8	94.6	94.9	94.8	93.7	93.9	95.1	97.2	.
DOMESTIC FINANCE																
Currency in circulation, end of period	RON mn	25302	24936	24838	23935	24385	24171	24204	24455	24430	23865	23731	23762	23952	23800	.
M1 - Narrow money, end of period	RON mn	92606	87899	84884	81426	80462	79911	81649	81430	82871	80538	78286	78652	79299	76535	.
Broad money, end of period	RON mn	174138	176061	176308	175228	176332	177409	180207	181320	184128	183732	184185	185579	189469	185794	.
Broad money, end of period	CPPY	17.6	19.4	17.6	15.5	12.3	12.7	11.5	12.4	13.5	10.6	13.3	12.6	8.8	5.5	.
Discount rate (p.a.), end of period [6]	%	10.3	10.3	10.3	10.1	10.1	10.0	9.7	9.5	9.0	8.5	8.5	8.0	8.0	8.0	7.5
Discount rate (p.a.), end of period [6][7]	real, %	2.8	3.0	3.8	6.1	7.0	8.6	9.9	11.4	10.3	9.9	9.3	5.3	3.7	4.6	.
BUDGET																
General gov.budget balance [8], cum.	RON mn	-27941	.	.	-8183	.	.	-17591	.	.	-28423	.	.	.	.	.

1) Enterprises with 4 and more employees.
2) From 2009 according to NACE Rev. 2.
3) Including E (electricity, gas, steam, air conditioning supply etc.).
4) From 2004 intra-/extra-EU trade methodology.
5) Adjusted for domestic and foreign (US resp. EU) inflation. Values more than 100 mean real appreciation.
6) Reference rate of RNB.
7) Deflated with annual PPI.
8) According to ESA'95 excessive deficit procedure.

S L O V A K REPUBLIC: Selected monthly data on the economic situation 2008 to 2010

(updated end of March 2010)

		2008 Dec	2009 Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	2010 Jan	Feb
PRODUCTION																
Industry, NACE Rev. 2	real, CPPY	-20.3	-29.3	-25.2	-13.0	-21.6	-25.3	-19.0	-23.2	-8.5	-8.2	-7.2	2.2	12.7	18.5	.
Industry, NACE Rev. 2	real, CCPPY	2.4	-29.3	-27.2	-22.5	-22.3	-22.9	-22.2	-22.4	-20.9	-19.4	-18.1	-16.4	-14.6	18.5	.
Industry, NACE Rev. 2	real, 3MMA	-21.6	-25.1	-22.5	-20.0	-20.0	-22.0	-22.5	-17.3	-13.5	-7.9	-4.6	1.3	10.3	.	.
Construction, NACE Rev. 2	real, CPPY	12.5	-25.6	-11.0	-5.7	-13.9	-3.9	-0.3	-5.6	0.1	-16.9	-21.9	-13.3	-18.2	-8.1	.
Construction, NACE Rev. 2	real, CCPPY	12.0	-25.6	-18.1	-13.6	-13.7	-11.4	-9.2	-8.6	-7.4	-8.7	-10.3	-10.6	-11.3	-8.1	.
LABOUR																
Employed persons, LFS	th. pers., quart. avg.	2466.0	.	.	2390.3	.	.	2378.5	.	.	2366.9	.	.	2329.6	.	.
Employed persons, LFS	CCPPY	3.2	.	.	0.0	.	.	-0.6	.	.	-1.8	.	.	-2.8	.	.
Unemployed persons, LFS	th. pers., quart. avg.	233.2	.	.	277.3	.	.	302.4	.	.	339.2	.	.	374.9	.	.
Unemployment rate, LFS	%	8.6	.	.	10.4	.	.	11.3	.	.	12.5	.	.	13.9	.	.
Productivity in industry, NACE Rev. 2	CCPPY	1.7	-24.5	-20.8	-13.9	-12.5	-12.1	-10.4	-9.8	-7.4	-5.1	-3.1	-0.7	1.6	39.7	.
WAGES, SALARIES																
Industry, gross, NACE Rev. 2 [1]	EUR-SKK	788	717	694	725	723	739	775	752	728	743	761	874	839	757	.
Industry, gross, NACE Rev. 2	real, CPPY	1.8	1.3	-0.2	1.1	1.1	-1.8	2.2	0.3	1.7	1.7	2.5	4.9	6.4	5.8	.
PRICES																
Consumer - HICP	PP	-0.1	0.3	0.0	-0.3	-0.1	0.1	0.0	-0.1	-0.2	-0.1	0.2	0.3	-0.1	0.1	0.0
Consumer - HICP	CPPY	3.5	2.7	2.4	1.8	1.4	1.1	0.7	0.6	0.5	0.0	-0.1	0.0	0.0	-0.2	-0.2
Consumer - HICP	CCPPY	3.9	2.7	2.5	2.3	2.1	1.9	1.7	1.5	1.4	1.2	1.1	1.0	0.9	-0.2	-0.2
Producer, in industry, NACE Rev. 2 [2]	PP	-2.0	-1.7	0.8	-1.1	-0.7	-0.9	0.1	-0.5	-0.1	-0.1	0.0	0.6	-0.2	-1.0	.
Producer, in industry, NACE Rev. 2 [2]	CPPY	-2.5	-4.5	-4.8	-5.9	-6.5	-8.3	-7.5	-8.3	-8.2	-7.9	-8.2	-5.4	-3.7	-3.0	.
Producer, in industry, NACE Rev. 2 [2]	CCPPY	2.5	-4.5	-4.7	-5.1	-5.4	-6.0	-6.3	-6.6	-6.8	-6.9	-7.0	-6.9	-6.6	-3.0	.
FOREIGN TRADE [3]																
Exports total (fob),cumulated	EUR mn	48370	2772	5722	9085	12445	15497	18807	21904	25066	28808	32942	36840	40115	.	.
Imports total (fob),cumulated	EUR mn	50253	3076	6058	9468	12558	15517	18871	21995	24987	28548	32353	36167	39569	.	.
Trade balance,cumulated	EUR mn	-1883	-304	-336	-383	-113	-20	-65	-91	79	260	589	673	546	.	.
Exports to EU-27 (fob), cumulated	EUR mn	41285	2463	5010	7965	10729	13313	16119	18703	21390	24646	28238	31654	34425	.	.
Imports from EU-27 (fob), cumulated	EUR mn	36724	2323	4587	7085	9358	11599	14121	16452	18705	21369	24230	27093	29541	.	.
Trade balance with EU-27, cumulated	EUR mn	4561	140	423	880	1371	1713	1998	2251	2685	3277	4008	4561	4884	.	.
FOREIGN FINANCE																
Current account, cumulated		-4279	.	.	-602	.	.	-948	.	.	-1266	.	.	.	.	.
EXCHANGE RATE [3]																
EUR-SKK/USD, monthly average	nominal	0.7450	0.7550	0.7820	0.7660	0.7580	0.7330	0.7130	0.7100	0.7010	0.6870	0.6750	0.6710	0.6840	0.7010	0.7310
EUR-SKK/EUR, monthly average	nominal	1.0026	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-SKK, calculated with CPI [4]	real, Jan07=100	121.1	119.3	114.5	116.4	117.2	120.9	123.3	123.8	124.9	127.3	129.6	130.7	128.3	125.0	119.9
USD/EUR-SKK, calculated with PPI [4]	real, Jan07=100	114.1	110.5	108.8	110.5	110.3	111.9	113.1	114.0	113.7	116.5	117.7	117.6	114.8	109.4	.
EUR/EUR-SKK, calculated with CPI [4]	real, Jan07=100	114.7	116.1	115.5	114.8	114.3	114.1	113.9	114.3	113.7	113.6	113.6	113.7	113.3	114.0	113.7
EUR/EUR-SKK, calculated with PPI [4]	real, Jan07=100	108.2	107.2	108.3	107.6	107.8	106.9	106.7	106.9	106.3	106.5	106.0	106.4	106.1	104.1	.
DOMESTIC FINANCE																
Currency in circulation, end of period [3)5)]	EUR-SKK mn	1600	6250	6303	6485	6586	6635	6645	6724	6690	6665	6697	6770	6984	6798	6819
M1 - Narrow money, end of period [3)5)]	EUR-SKK mn	19116	22625	22432	22677	22617	23304	23495	23326	22926	23121	22883	23570	24478	23500	23783
Broad money, end of period [3)5)]	EUR-SKK mn	37684	40343	39911	39522	39338	39631	38668	38295	38245	37795	37558	37871	38872	38256	38874
Broad money, end of period [3)5)]	CPPY	4.9	.	.	.	.	.	.	.	.	.	.	.	.	-5.2	-2.6
Discount rate (p.a.),end of period [6]	%	2.5	2.0	2.0	1.5	1.3	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Discount rate (p.a.),end of period [6)7)]	real, %	5.1	6.8	7.2	7.9	8.3	10.2	9.2	10.2	10.0	9.7	10.1	6.7	4.8	4.1	.
BUDGET																
General gov.budget balance [3)8)], cum.	EUR-SKK mn	-1549	.	.	-443	.	.	-1488	.	.	-2173	.	.	.	.	.

1) Slovakia has introduced the Euro from 1 January 2009.
2) Data refer to industry total compared to previously published domestic producer prices.
3) From 2004 intra-/extra-EU trade methodology.
4) Adjusted for domestic and foreign (US resp. EU) inflation. Values more than 100 mean real appreciation.
5) From January 2009 Slovakia's contributions to EMU monetary aggregates.
6) Corresponding to the 2-week limit rate of NBS. From January 2009 ECB official refinancing operation rate.
7) Deflated with annual PPI.
8) According to ESA'95 excessive deficit procedure.

S L O V E N I A: Selected monthly data on the economic situation 2008 to 2010

(updated end of March 2010)

		2008 Dec	2009 Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	2010 Jan	Feb
PRODUCTION																
Industry, NACE Rev. 2	real, CPPY	-13.2	-16.9	-21.2	-15.7	-29.4	-21.8	-21.1	-20.4	-17.2	-16.4	-19.1	-1.4	6.6	-7.9	.
Industry, NACE Rev. 2	real, CCPPY	2.5	-16.9	-19.1	-17.9	-21.0	-21.1	-21.1	-21.0	-20.6	-20.1	-20.0	-18.5	-16.9	-7.9	.
Industry, NACE Rev. 2	real, 3MMA	-13.9	-17.3	-17.9	-22.2	-22.4	-24.2	-21.1	-19.7	-18.0	-17.6	-12.9	-6.3	-1.1	.	.
Construction, NACE Rev. 2 [1]	real, CPPY	-3.6	-27.0	-22.7	-9.7	-20.5	-20.8	-15.9	-20.8	-19.5	-32.0	-28.3	-18.3	-9.5	-6.4	.
Construction, NACE Rev. 2 [1]	real, CCPPY	15.7	-27.0	-24.7	-19.2	-19.5	-19.9	-19.1	-19.4	-19.4	-21.2	-22.1	-21.8	-21.0	-6.4	.
LABOUR																
Employed persons, LFS	th. pers., quart. avg.	1000.9	.	.	961.6	.	.	980.5	.	.	998.3	.	.	982.2	.	.
Employed persons, LFS	CCPPY	1.1	.	.	-0.9	.	.	-1.0	.	.	-1.4	.	.	-1.6	.	.
Unemployed persons, LFS	th. pers., quart. avg.	44.5	.	.	53.8	.	.	57.7	.	.	65.3	.	.	67.1	.	.
Unemployment rate, LFS	%	4.3	.	.	5.3	.	.	5.6	.	.	6.1	.	.	6.4	.	.
Productivity in industry, NACE Rev. 2	CCPPY	3.1	.	.	-12.3	.	.	-14.2	.	.	-12.2	.	.	-7.8	.	.
WAGES, SALARIES																
Total economy, gross [2]	EUR	1458	1416	1382	1425	1423	1415	1429	1424	1415	1434	1448	1571	1488	1448	.
Total economy, gross [2]	real, CPPY	6.7	5.4	2.1	3.7	4.0	3.5	4.6	4.4	0.6	2.4	1.5	-0.5	0.0	0.4	.
Industry, gross, NACE Rev. 2	EUR	1256	1205	1165	1218	1207	1195	1231	1236	1223	1252	1280	1430	1319	1285	.
PRICES																
Consumer - HICP	PP	-0.7	-0.3	0.6	0.8	0.2	0.6	0.5	-0.8	0.1	-0.1	0.1	0.8	-0.4	-0.6	0.3
Consumer - HICP	CPPY	1.8	1.4	2.1	1.6	1.1	0.5	0.2	-0.6	0.1	0.0	0.2	1.8	2.1	1.8	1.6
Consumer - HICP	CCPPY	5.5	1.4	1.7	1.7	1.5	1.3	1.1	0.9	0.8	0.7	0.6	0.8	0.9	1.8	1.7
Producer, in industry, NACE Rev. 2 [3]	PP	-0.9	0.4	0.2	-0.7	-0.6	-0.6	0.3	-0.2	0.1	0.3	0.0	-0.3	-0.2	0.1	0.4
Producer, in industry, NACE Rev. 2 [3]	CPPY	2.2	1.9	1.0	0.3	-0.5	-1.7	-2.4	-3.1	-3.4	-2.9	-2.4	-2.1	-1.4	-1.7	-1.5
Producer, in industry, NACE Rev. 2 [3]	CCPPY	3.9	1.9	1.5	1.1	0.7	0.2	-0.2	-0.7	-1.0	-1.2	-1.3	-1.4	-1.4	-1.7	-1.6
FOREIGN TRADE [4]																
Exports total (fob), cumulated	EUR mn	23204	1400	2906	4583	6123	7635	9251	10862	12137	13875	15639	17346	18804	.	.
Imports total (cif), cumulated	EUR mn	25180	1433	2934	4627	6175	7660	9189	10791	12177	13889	15664	17407	18956	.	.
Trade balance total, cumulated	EUR mn	-1976	-33	-28	-44	-52	-25	62	71	-40	-15	-25	-62	-152	.	.
Exports to EU-27 (fob), cumulated	EUR mn	15799	1032	2085	3243	4284	5334	6467	7555	8402	9638	10873	12069	13032	.	.
Imports from EU-27 (cif), cumulated	EUR mn	17942	982	2014	3185	4251	5308	6419	7587	8576	9790	11069	12301	13427	.	.
Trade balance with EU-27, cumulated	EUR mn	-2143	50	71	59	32	26	47	-33	-175	-153	-197	-232	-395	.	.
FOREIGN FINANCE																
Current account, cumulated		-2286	.	.	-206	.	.	-20	.	.	12	.	.	.	.	.
EXCHANGE RATE																
EUR/USD, monthly average [5]	nominal	0.7435	0.7553	0.7822	0.7663	0.7582	0.7326	0.7135	0.7098	0.7009	0.6867	0.6749	0.6705	0.6843	0.7007	0.7307
USD/EUR, calculated with CPI [6]	real, Jan07=100	107.7	105.3	101.7	104.4	105.5	109.6	112.2	112.0	113.2	115.4	117.4	119.0	116.3	112.6	108.3
USD/EUR, calculated with PPI [6]	real, Jan07=100	104.5	103.0	100.8	102.9	102.8	104.7	105.7	107.0	106.9	110.0	111.2	110.1	107.3	103.6	100.2
EUR/EUR, calculated with CPI [6]	real, Jan07=100	102.2	102.5	102.6	103.1	102.9	103.4	103.8	103.4	103.1	103.0	102.9	103.5	102.8	102.7	102.7
EUR/EUR, calculated with PPI [6]	real, Jan07=100	99.2	100.1	100.4	100.2	100.6	99.9	99.9	100.3	99.9	100.6	100.1	99.5	99.3	98.6	98.7
DOMESTIC FINANCE																
Currency in circulation, end of period	EUR mn	2995	3043	3061	3075	3102	3136	3131	3166	3147	3151	3172	3182	3288	3228	3235
M 1, end of period	EUR mn	6886	6716	6712	6838	6839	7184	7419	7135	7279	7340	7224	7330	7419	7449	7429
Broad money, end of period	EUR mn	18065	18103	17949	18401	18161	18606	18652	18244	18237	18241	18077	18115	18185	18250	18001
Broad money, end of period	CPPY	8.9	9.3	9.3	11.8	10.1	13.6	12.4	9.3	9.4	6.9	7.4	3.7	0.7	0.8	0.3
Discount rate (p.a.),end of period [7]	%	2.5	2.0	2.0	1.5	1.3	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Discount rate (p.a.),end of period [7)8]	real, %	0.3	0.1	0.9	1.2	1.8	2.7	3.5	4.2	4.6	4.0	3.5	3.2	2.4	2.7	2.5
BUDGET																
General gov.budget balance [9], cum.	EUR mn	-667	.	.	-547	.	.	-1153	.	.	-1490	.	.	.	.	.

1) Enterprises with 20 and more employees or turnover limits and output of some non-construction enterprises.
2) From 2009 according to NACE Rev. 2.
3) Data refer to industry total compared to previously published domestic producer prices.
4) Intra-/extra-EU trade methodology.
5) Reference rate from ECB.
6) Adjusted for domestic and foreign (US resp. EU) inflation. Values more than 100 mean real appreciation.
7) From January 2007 ECB official refinancing operation rate.
8) Deflated with annual PPI.
9) According to ESA'95 excessive deficit procedure.

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

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