



Monthly Report

The Vienna Institute for International Economic Studies (WIIW)

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WIIW Spring Seminar 2002

'EU Enlargement and Europe's Periphery'

Friday, 22 March 2002, 9:00 a.m.

Venue: Bank Austria, 1010 Vienna, Rengasse 2

PROGRAMME (PRELIMINARY)

EU enlargement and Europe's periphery – introductory remarks	<i>M. Landesmann (WIIW)</i>
Economic developments in the CEE region	<i>J. Pöschl (WIIW)</i>
Current state and stumbling blocks in the EU enlargement process	<i>S. Richter (WIIW)</i>
Prospects for the Stability Pact and Southeast Europe	<i>E. Busek, Co-ordinator, Stability Pact</i>
Economic policy challenges for the FR Yugoslavia	<i>B. Djelic, Belgrade</i>
Russia: Impact of EU enlargement	<i>P. Havlik (WIIW)</i>
Ukraine at the crossroads between EU and Russia	<i>H. Boss Heslop (WIIW)</i>
Turkey, Southeast Europe and the EU	<i>K. Boratav, Ankara</i>

Panel: **Prospects for Europe's periphery**

*L. Tsoukalis, Athens (chair); K. Boratav, Ankara; B. Djelic, Belgrade; R. Dobrinsky, UN/ECE;
V. Gligorov, WIIW; G. Hunya, WIIW; M. Ivanic, Banja Luka; I. Krastev, Sofia; B. Vujcic, Zagreb*

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Exchange rate and bond price reactions to changing fundamentals: the case of Poland

BY ANDRZEJ SŁAWINSKI*

The evolution of the exchange rate regime

In 1990 Poland introduced the fixed exchange rate to provide a nominal anchor for the initial period of disinflation. Due to the high rate of inflation the fixing of the zloty produced a large real appreciation. To stabilize the real exchange rate, a pre-announced crawling peg regime was introduced in 1991. The large portfolio capital inflows starting in the mid-1990s resulted in large costs of sterilized interventions. To lower the frequency and the scale of interventions, the crawling peg system was transformed into the crawling band in May 1995. The width of the band was 7% around the parity.

The decisive change of the exchange rate regime took place at the beginning of 1998, when the National Bank of Poland (NBP) withdrew from intervening in the market and the zloty was allowed to fluctuate freely within a wider 10% trading band. The move was made under the pressure of large speculative short-term capital inflows. Nonetheless, the main reason behind the decision was the adoption of inflation targeting. In 1999, the NBP withdrew from the so-called *transactional fixing*, which was a passive form of central bank interventions in the foreign exchange market. Simultaneously, the trading band was widened to 15%. It was in 1999 when the zloty was practically floated, as the exchange rate could fluctuate freely within the wide band. The official floating of the zloty took place in April 2000, when the band was entirely dismantled.

Relative stability of the zloty in 1999-2000

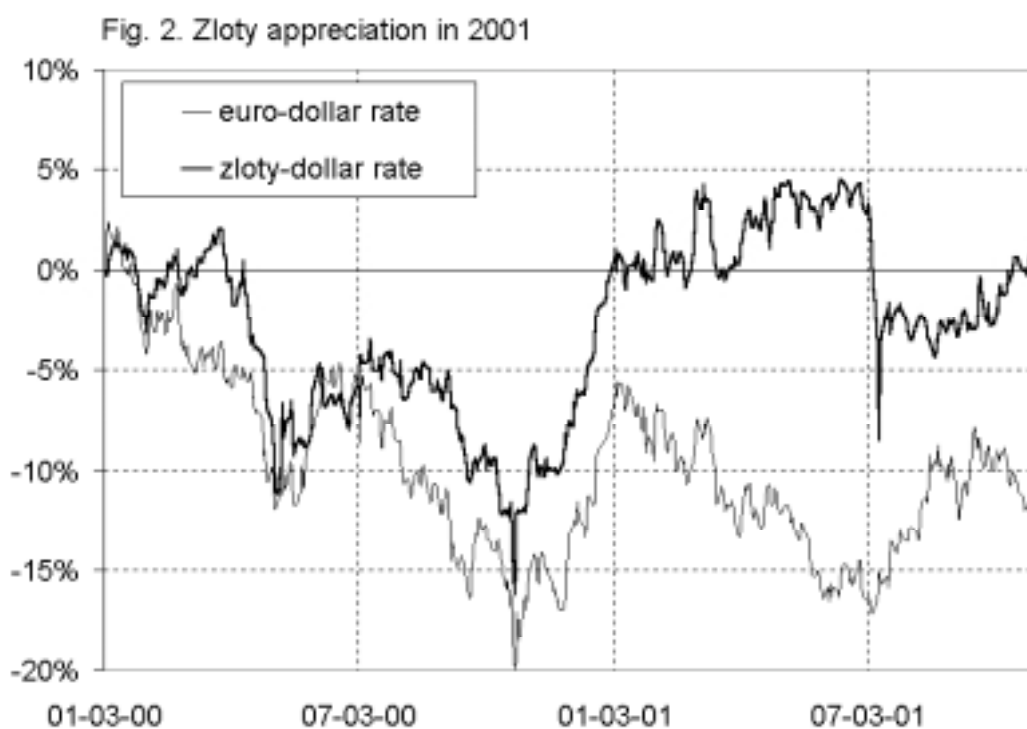
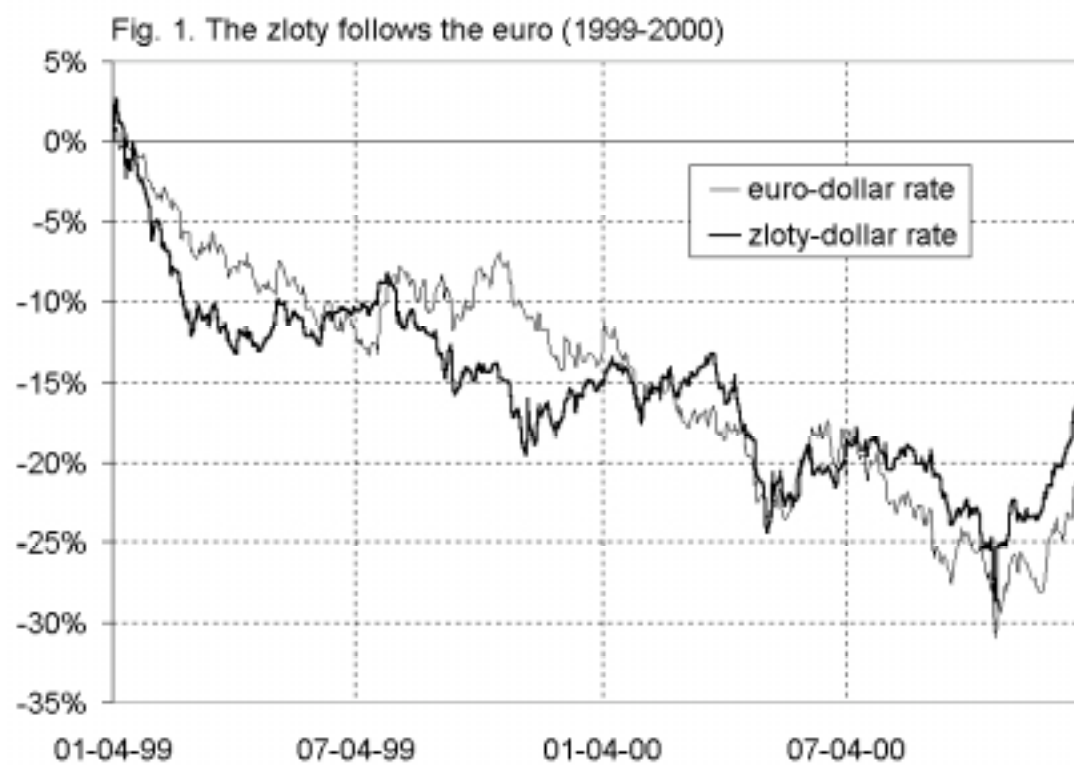
In 1999-2000, the zloty-dollar rate was following the euro-dollar rate (Figure 1). This situation meant that the zloty was in fact relatively stable. What was changing was the price of the dollar, in terms of which the zloty was priced due to the dominant role of the US currency in the domestic foreign exchange market.

The relative stability of the zloty was reflecting investors' neutral stance towards Poland. Inflation was increasing and the current account deteriorating, but investors assumed that Poland would be able to cope with both problems. They did not see any need to change their valuation of the zloty. The relative stability of the zloty, despite deteriorating fundamentals, was a kind of credibility dividend earned by the Polish monetary authorities during the 1990s.

There were several episodes when the zloty-dollar rate was departing from the path determined by the movements of the euro-dollar rate. At the beginning of 1999, the scale of the zloty depreciation against the dollar was larger than the depreciation of the euro. The reasons were the large cut in NBP interest rates and portfolio capital outflows related to the contagion effect of the Brazilian crisis. In summer 1999 the expectations of large capital inflows related to the privatization of several large state-owned firms produced a sharp zloty appreciation. The appreciation was stopped by the announcement that the government's foreign exchange revenues from privatization would be deposited on a special account at the NBP. This announcement meant that the privatization flows would not go through the shallow domestic foreign exchange market and would not produce a strong upward pressure on the zloty.

The cabinet crisis in November 1999 and the publication of unexpectedly poor trade figures in May 2000 produced short-lived episodes of zloty depreciation – which however did not derail the zloty-dollar rate from the path determined by the movements of the euro-dollar rate. Moreover, these

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episodes of zloty depreciation were not accompanied by any sharp rises in short-term interest rates, which would have signalled enlarged capital outflows. This proved that the periods of short-lived zloty depreciation resulted exclusively from speculation in the relatively shallow foreign exchange market. The confidence in the zloty was not eroded. If this had been the case, there would have been larger capital outflows producing sharp rises in short-term interest rates, because domestic banks would have used their liquid reserves to buy foreign exchange for the withdrawing investors.¹

The speculative bubble of 2001

In autumn and winter 2000, the Polish economy was slowing down, inflation was receding and the current account started improving. All this produced strong expectations of cuts in interest rates. Bond prices were rising sharply. This rise in bond prices was halted in January 2001 when the expected cut in interest rate did not materialize. The cuts in February and April were smaller than previously discounted in bond prices. Thus, the bond prices fell despite the cuts in interest rates.

The fall in the longer-term bond prices did not trigger an outflow of portfolio capital from Poland. Instead, investors changed the structure of their portfolios. They decreased the share of longer-term bonds and increased that of shorter-term bonds and foreign exchange swaps. Accordingly, bond prices were falling, but the zloty was appreciating. The most spectacular symptom of the zloty appreciation was that it appreciated against the dollar despite the weakening euro.

Foreign exchange swaps were used for speculation on the appreciation of the zloty. Investors were borrowing dollars to buy zlotys and sell them in the spot *leg* of a foreign exchange swap. The *net* result was a purchase of zlotys in the forward transaction

(Figure 3).² The increased demand in the forward market was pushing up the forward rate of the zloty. The covered arbitrage made the spot rate appreciate in a parallel manner.

The whole situation was a rational bubble. Investors were assuming that the zloty would depreciate sooner or later, but they were speculating on its appreciation, as they assumed that the probability of a continuation of the appreciation trend was higher than the probability of a sudden fall of the zloty.

There were two additional factors contributing to the forming of the bubble. The first was the large interest rate differential, which made against-the-trend speculation very expensive. Foreign exchange dealers could afford only very short-term intra-day speculation to test the appreciation trend. The second factor, which was weakening a stabilizing speculation, was the uncertainty on the scale and the timing of foreign exchange inflows related to privatization.

As mentioned above, the government's foreign exchange revenues from privatization are deposited on a special account at the NBP. Nonetheless, foreign investors are obliged to pay partially in zlotys. The result is that investors have to buy Polish currency. Thus, in fact, part of the privatization flows goes through the market. Banks are not informed about the amount and the timing. What they know is that such flows can push up the zloty in the shallow market. Under the circumstances, foreign exchange dealers are constantly exposed to rumours that a large privatization flow is 'hanging in foreign exchange swaps'³ and will go through the shallow domestic foreign exchange market. This makes against-the-trend speculation even more risky. The resulting weakness of the stabilizing speculation adds to the upward pressure on the zloty.

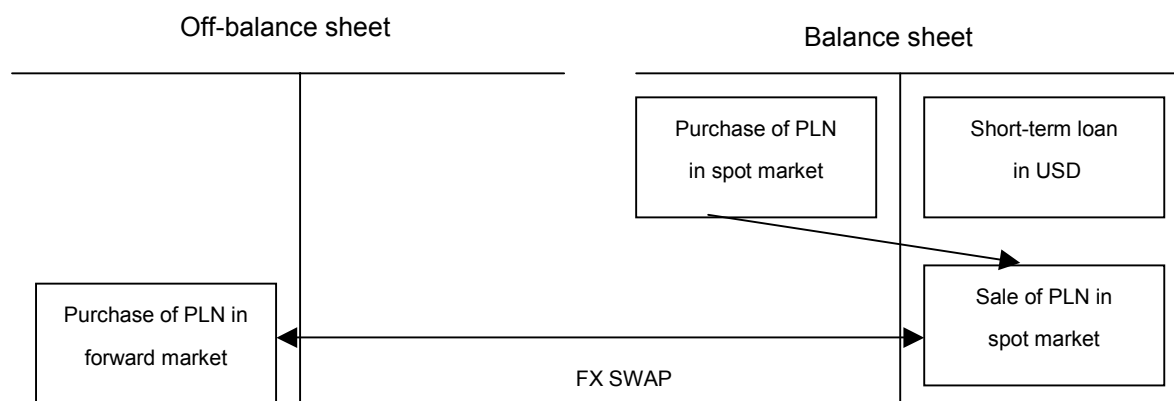
¹ There is overliquidity in the domestic banking system. However, the excess of liquidity is invested in 28-day NBP bills which do not have a call option. Thus, if there had been a large capital outflow, it would have produced a liquidity squeeze and a sharp rise in short-term interest rates.

² Such a combination of spot and FX SWAP transactions is commonly used in foreign exchange markets.

³ Investors are using the foreign exchange market to swap the loans taken in US dollars or euro into synthetic loans in zlotys (see supplement).

Fig. 3

Speculation with a combination of spot and FX SWAP



The sharp fall of the zloty between the 6th and 11th of July 2001 resulted from simultaneous turbulence in the financial markets of Argentina, Turkey and South Africa. After a few days the zloty stabilized. Nonetheless, the exchange rate of the Polish currency was *derailed*. Since 2001, it has not been following the euro.

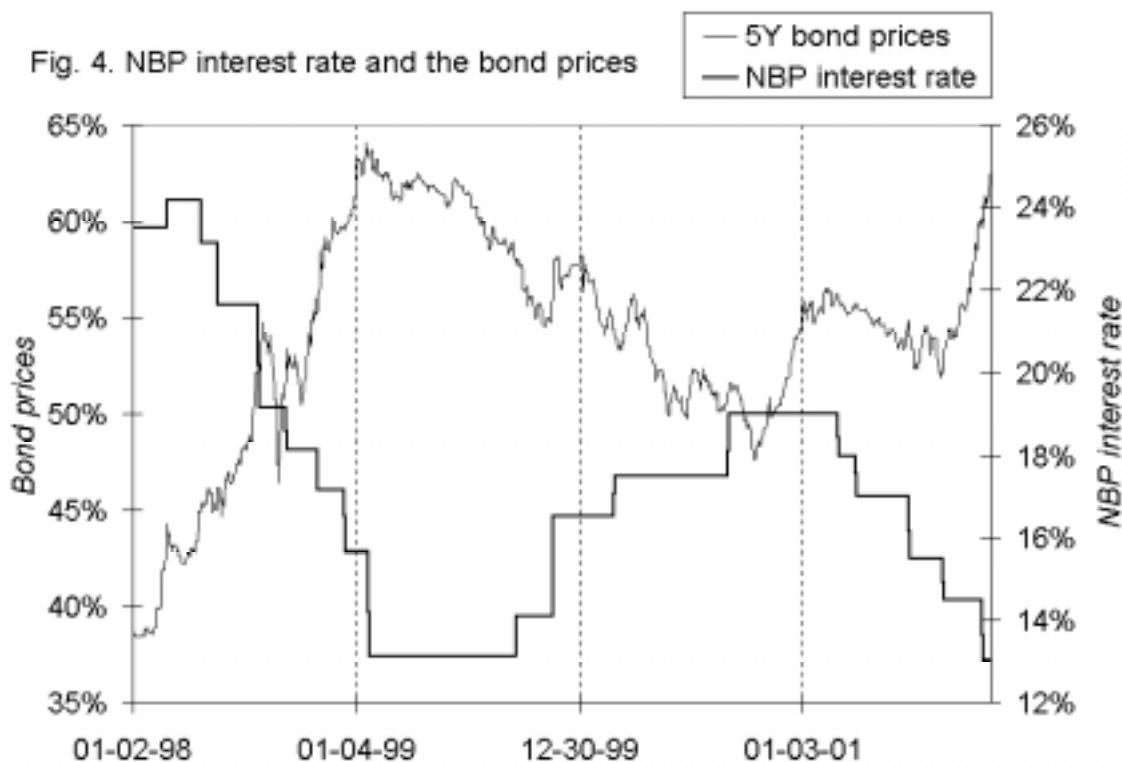
Developments of bond prices in 1998-2000

In 1997 Poland was not hit by a currency crisis despite the credit boom of 1996 and 1997. The tightening of monetary and fiscal policies in summer 1997 allowed avoiding a *boom bust* cycle. The data released at the beginning of 1998 showed that the current account and the budget deficits were smaller than previously expected. With strong economic growth and falling inflation, Poland became a *darling* of investors.

Their positive sentiment towards Poland was enhanced by a series of interest rate cuts. Markets regarded the cuts credible due to the falling inflation and the improvement on the current account. Investors' optimism produced a sharp rise in bond prices with a short break for the Russian crisis.

At the beginning of 1999, the fall of inflation below 6% and the continuing strength of the zloty pushed the NBP into a 250bp cut in the interest rate. This coincided with the Brazilian crisis. The bond prices fell with the zloty. Later that year the investors' previous optimism faded due to the slowdown in the economy after the Russian crisis, the rise in inflation produced by the rise in oil prices, and the exceptionally bad harvests in Poland. Additionally, the nominal illusion of the large interest rate cuts produced a decrease in domestic savings, which led to a worsening on the current account despite the slowdown in the economy.

In 1999-2000, bond prices in Poland were falling. However, they were relatively stable in the sense that they were following the depreciation of the euro against the dollar. This situation of bond prices in Poland following the euro-dollar rate meant that the prices of Polish bonds were in fact relatively stable as they were reflecting mainly the changing value of the dollar in which the zloty is priced. This reflected investors' neutral sentiment towards Poland resulting from their assumption that the Polish monetary authorities would be able to cope with the deteriorating fundamentals.



Recent price developments in the bond market

As mentioned above, in the first half of 2001 bond prices ceased to follow the movements of the zloty. The reason was the speculative appreciation of the zloty and the fall in longer-term bonds resulting from smaller than expected cuts in interest rates. The fall in bond prices was stopped in July 2001 because the sharp depreciation of the zloty reduced the exchange rate risk. Since July 2001 the movements of the exchange rate and the bond prices have again been correlated.

Bond prices started rising sharply despite information about an unexpectedly large deterioration in the budget. The rising bond prices resulted from strong expectations of interest cuts. The factors producing these expectations were the slowdown in the economy, the fall in inflation below the lower edge of the central bank inflation target, and the improvement on the current account.

The interesting phenomenon was that in September 2001 bond prices were rising sharply

despite the portfolio capital outflow in the period before the date of the general elections. Bond prices were pushed up by the falling yields in the London interest rate swap market. The price arbitrage, working through the asset swap market, transmitted the fall in yields from the interest rate swap market to the bond market.⁴ Thus, there was a rise in bond prices despite the outflow of portfolio capital.

Concluding remarks

The movements in exchange rates may not reflect market expectations about fundamentals because foreign exchange markets are dominated by short-term speculation. The stabilizing longer-term speculation, which takes into account the expected changes in fundamentals, is usually weak. In the case of Poland there are two factors producing a tendency for zloty appreciation which may not be

⁴ Entering an interest asset swap transaction in which one is receiving fixed interest payments and paying floating interest rates is a synthetic purchase of a bond. Thus the market for interest rate swaps is in fact the market for synthetic bonds.

related to the situation in the economy and the balance of payments.

The first is the large interest rate differential, creating a situation in which shortening of the zloty is very expensive as this means receiving low interest on the dollar or the euro and paying high interest on the zloty. The other factor which tends to strengthen the zloty despite a deterioration in the fundamentals, is the uncertainty about the volume and the timing of privatization flows. This makes the stabilizing speculation very risky because it may bring large losses if coinciding with capital inflows.

The behaviour of bond prices does reflect market expectations concerning fundamentals, as yields on bonds react to market expectations about the future course of events in the economy and the related central bank actions. Nonetheless, due to the large and volatile risk premium and the relative shallowness of the market the prices of bonds are very volatile. This makes it difficult to derive from the yield curve information on the expected interest rates.

Supplement: Internationalization of the domestic financial market

The economic reforms of the 1990s started the development of financial markets in Poland. After a relatively short period several segments of the domestic financial market became liquid. They could be used for financial management purposes.

The first to develop was the interbank money market. Banks could use interbank deposits for managing their liquidity. After a while the development of the Treasury bill market made possible liquidity management in the non-financial sector. The development of the bond market facilitated the diversification of asset portfolios in banks and investment funds. Hedging became possible due to the development of forward and derivative markets.

An important factor contributing to the development of the domestic financial markets was the activity of foreign investors. The success of economic reforms and the large interest rate differential attracted capital inflows. The activity of foreign investors brought additional liquidity to the market.

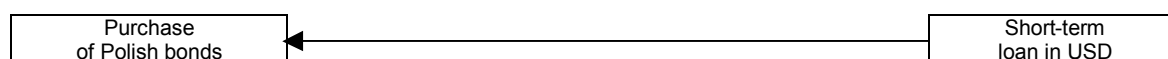
The role of foreign investors in bringing liquidity to the domestic financial market is illustrated by the spectacular example of the development of the foreign exchange swap market. The latter is effectively a part of the domestic money market, because foreign exchange swaps are in fact synthetic loans and deposits. The way in which foreign investors are using foreign exchange swaps to engineer synthetic loans in zlotys is illustrated by Figure 5.

The establishment of the foreign exchange swap market contributed to the development of the domestic money market, which improved liquidity management within the banking system. The traditional market for inter-bank deposits is still

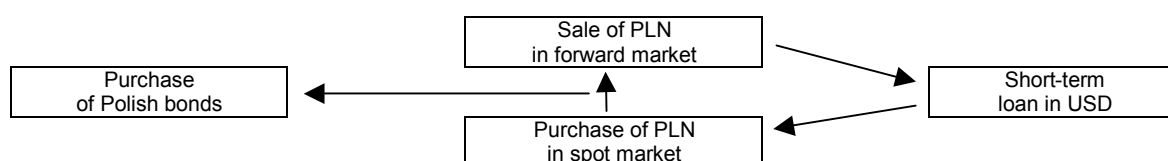
Fig. 5

Alternative ways of funding foreign investments in Polish bond market

A. Investor takes both price risk in bond market and exchange rate risk to earn on interest rate differential (*carry trade*)



B. Investor takes only price risk in bond market to be hedged against exchange rate risk



liquid only for maturities up to one month while the foreign exchange swap market is liquid for maturities up to one year.

The internationalisation of the domestic financial market contributed to the development of the derivatives markets. One of the examples are interest rate swaps by which hedging against the price risk in the bond market is made possible. However, the derivatives facilitate not only hedging. The development of derivatives market contributes also to the liquidity of the spot market, which was the case in the Polish bond market.

In 1997 the rising interest rates forced domestic banks to withdraw from the market in order not to realize the balance sheet losses produced by the fall in bond prices. At that time the domestic bond market lost much of its liquidity. In 2000, in a similar situation the bond market stayed liquid despite rising interest rates and falling bond prices.

Instead of selling bonds, banks were selling asset swaps, i.e. bonds with the hedge in the form of interest rate swaps. Once payments from interest

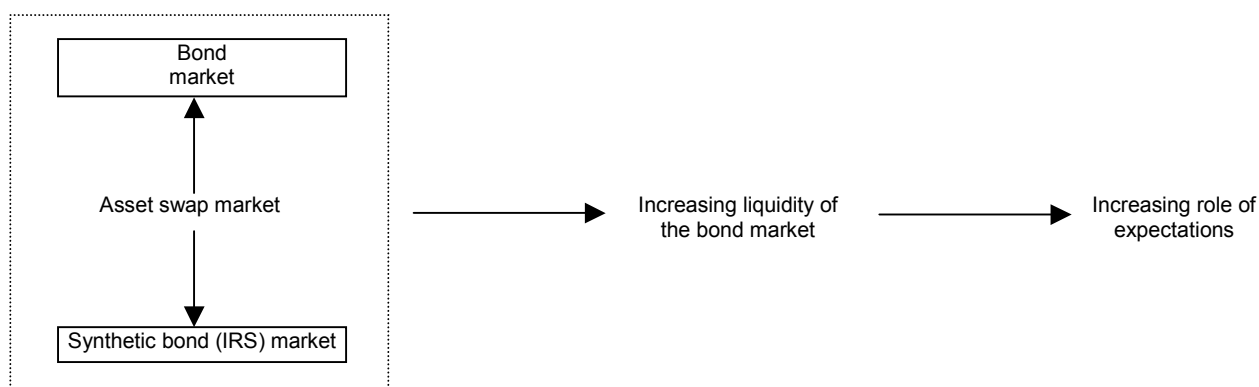
rate swaps were larger than the losses on the sale of bonds, the sale of an asset swap yielded a net profit despite falling bond prices. Thus the spread speculation enhanced the liquidity of the bond market even during periods of rising interest rates.

The development of the asset swap market in which both bond and interest rate swaps are traded contributed to the growth of the overall market for fixed income instruments. This increased the role of expectations in fixed income instrument pricing, including bond prices (Figure 6). The situation described in the previous section represents a symptom of the phenomenon.

The internationalization of the financial markets in Poland contributed to the development and the increasing liquidity of these markets. However, the internationalization of the financial markets leads also to the markets' migration abroad. Trade will be more and more concentrated in foreign OTC markets and exchanges abroad. The first symptom of the process is the gradual 'emigration' of *risk desks* from treasuries located in Warsaw to the treasuries of banks' headquarters located abroad.

Fig. 6

The role of derivatives in deepening spot markets



Agriculture in transition countries: strong growth in grain output in 2001

BY ZDENEK LUKAS

Following the drought-related production plunge in 2000, the CEEC(6) reported strong, 30%, growth in grain output in 2001.¹ Given the still depressed livestock production, the CEECs are now facing

huge surpluses of grain. The region has become a large grain exporter last year – also because harvests in the EU were lower. However, there has been a stiff competition on the international market because also Russia and Ukraine recorded very good harvests last year as well. For the first time in over fifty years Russia has become a net grain exporter.

Altogether, total agricultural production in the CEEC(6) was up by some 7% in the year 2001, after a drop of 10% in 2000. Despite considerable grain surpluses, the agro-food deficit in the CEEC(6) deepened by some USD 0.4 billion to over USD 1 billion in 2001. This is due to weak prices of grain on the international markets and the real appreciation of CEECs' currencies which is conducive to rising imports. Russia remains one of the world's largest agro-food importer, primarily of sugar and meat. Ukraine keeps its position as a net exporter of agro-food items.

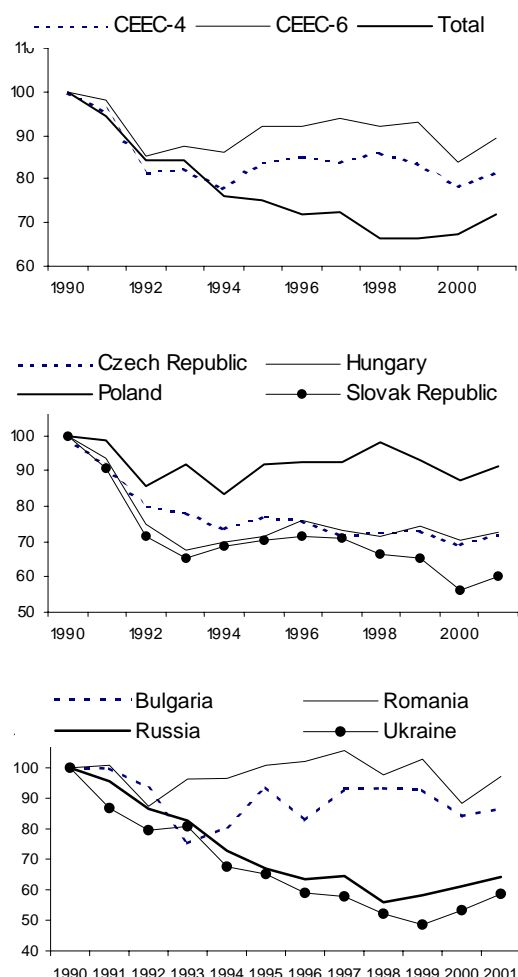
Czech Republic

Following a drop of 7% in 2000, the grain harvest was up by 15% to 7.4 million tonnes in 2001, the highest result in the past decade. Since domestic grain consumption is about 6.4 million t, there is a huge grain surplus. While output of potatoes dropped by more than 20%, that of sugar beet and rapeseed rose by 25% and 17% respectively, both due to enlarged sown area. Total 2001 plant production increased by nearly 10%. The changes in livestock inventories were modest last year: stocks of cattle rose slightly, whereas those of pigs and poultry contracted somewhat. Near-stagnation in milk output was accompanied by rising cow productivity: the annual milk yield probably exceeded 5500 litres per cow. Output of eggs was on the rise, while that of meat was near stagnant (only the production of poultry meat expanded). Altogether, modest growth is assumed in animal production, and total agricultural production may have increased by some 4% in 2001.

Figure 1

Development of gross agricultural production

1990 = 100



¹ See Table 2.

AGRICULTURE

Table 1

Selected indicators in agriculture

(average annual rate of change in %)

	Agricultural land in 1000 ha	Gross agricultural production								
		1999	1986-90 (p.a.)	1991-95 (p.a.)	1996-00 (p.a.)	1996	1997	1998	1999	2000	2001^{1)}
Czech Republic	4282	0.4	-5.0	-2.2	-1.4	-5.1	0.7	0.6	-5.6	4
Hungary	6186	-0.4	-6.5	-0.3	6.3	-3.8	-2.1	4.0	-5.3	3
Poland	18435	0.6	-1.6	-1.0	0.7	-0.2	5.9	-5.2	-5.7	4
Slovak Republic	2442	0.3	-6.8	-4.4	2.0	-1.0	-5.9	-2.5	-13.9	7
CEEC(4)	31345	0.4	-3.5	-1.4	1.6	-1.6	2.5	-2.4	-6.5	4
Bulgaria	6203	0.1	-1.3	-2.1	-11.5	12.4	0.2	-0.6	-9.2	3
Romania	14731	-3.5	0.2	-2.6	1.3	3.4	-7.5	5.2	-14.1	10
CEEC(6)	52279	-1.3	-1.7	-2.0	0.2	1.9	-1.9	1.0	-9.9	7
Russia	197600	1.3	-7.7	-1.8	-5.1	1.5	-13.2	4.1	5.0	7
Ukraine	41830	0.8	-8.2	-3.9	-9.5	-1.9	-9.8	-6.9	9.9	10
Total	291709	0.2	-5.7	-2.4	-4.3	0.8	-8.2	0.1	0.8	8

Note: 1) WIIW estimate.

Source: WIIW Database incorporating national statistics, press reports.

Table 2

Grain production

(million tonnes)

	1986-90 annual average	1991-95	1996-00	1995	1996	1997	1998	1999	2000	2001 ¹⁾	2001/00 change in %
Czech Republic	7.8	6.9	6.7	6.6	6.6	7.0	6.7	6.9	6.5	7.4	15
Hungary	14.3	11.5	11.9	11.3	11.3	14.1	13.0	11.4	9.9	12	20
Poland	26.1	23.8	25.2	25.9	25.3	25.4	27.2	25.8	22.3	27.2	22
Slovak Republic	4.0	3.6	3.1	3.5	3.3	3.7	3.5	2.8	2.2	3.5	60
CEEC(4)	52.2	45.7	47.0	47.3	46.6	50.2	50.3	46.9	40.9	50.1	22
Bulgaria	8.4	6.9	4.9	6.6	3.4	6.2	5.4	5.2	4.4	4.9	11
Romania	18.3	17.0	15.9	19.9	14.2	22.1	15.5	17.0	10.5	18	70
CEEC(6)	78.9	69.6	67.8	73.7	64.2	78.5	71.2	69.1	55.8	73.0	31
Russia	104.3	87.9	65.2	63.4	69.3	88.6	47.9	54.7	65.4	84	28
Ukraine	47.4	38.5	27.1	33.9	24.6	35.5	26.5	24.6	24.5	40	64

Note: 1) Preliminary or WIIW estimate.

Source: WIIW Database incorporating national statistics.

As a result of output expansion and further labour shedding, labour productivity is on the rise. Also the economic situation in farming has improved. Large-scale farms (more than 99 workers), accounting for over 40% of total agricultural output, reported a pre-tax profit of CZK 0.8 billion in the first half of 2001, compared to CZK 0.3 billion in the same period of 2000. However, the main problem of large-scale farms is the high debt burden incurred after 1990. Part of it represents obligations for rent on agricultural property, another part is constituted by unsettled obligations of new agricultural co-operatives to former owners of their assets.

In reaction to the spread of mad cow disease (bovine spongiform encephalopathy, BSE) in the EU, the Czech Republic gradually banned imports of beef and related products from most EU countries. However, later the Czech Republic itself reported two cases of the disease – to which many countries responded by banning Czech beef imports. Thus, in the first weeks after the incident, Czech beef exports plunged to almost zero. Following the introduction of BSE tests on the one hand and higher export subsidies on the other, beef exports, mostly to Russia and Southeast Asia, recovered somewhat from August. Altogether, the Czech cabinet spent USD 16 million on subsidies for agro-food exports in January-June 2001, compared to USD 11 million during the same period in 2000.

Czech agro-food imports exceeded exports by USD 410 million in January-September 2001, while in the same period of 2000 the gap had been USD 325 million. For the whole year 2001 we assume a further increase in the agro-food deficit, largely due to strong nominal and real appreciation of the Czech koruna, in particular since September 2001. The 2001 deficit is likely to exceed the pre-year level of USD 545 million.

Hungary

After declining in 2000, gross agricultural production was up by some 3% in 2001. Growth was driven by plant production, with the area under

cultivation enlarged by nearly 6%. The grain harvest rose by 20%, to 12 million t. Hungary has a grain surplus of around 4 million t.

Although livestock inventories (excluding poultry) were falling slightly, total animal output expanded by close to 3% due to rising animal productivity. The shift in consumers' choice from beef and pork to poultry made poultry breeding the winner of the meat sector: poultry population and procurement prices rose by over 20% and 10% respectively.

After a strong rise in 2000, the growth in farm output prices slowed down. Nevertheless, overall the price index for farm products rose by 13% in the first eight months of 2001: prices of plant products increased by 5.6% and those of animal products by 23.7%. Prices of pork rose by 51%. Farmers' incomes improved (as in 2000) thanks to expanding agricultural output and rising prices. In November 2001 the government finalized an agricultural support package for 2002 totalling HUF 200 billion (USD 712 million, somewhat more than in 2001).

Until the end of the 1980s the Former Soviet Union (FSU) used to be the most important outlet for Hungarian agro-food exports. In the 1990s the Hungarian agro-food exports shifted to the EU, which now accounts for half of its exports. However, recently rising EU non-tariff barriers are negatively affecting Hungarian exports. As a result Hungary is again paying more attention to the Russian markets. Following a meeting of Hungarian and Russian policy-makers in autumn 2001, Russia may decide to buy up to one million tonnes of Hungarian maize. Hungary's trade in agriculture has registered an average annual surplus of over USD 1 billion for many years. Despite the considerable output surplus in grain in 2001, the agro-food trade surplus probably stagnated at USD 1.1 billion.

Poland

After two years of decline, total agricultural production was up by an estimated 4% in 2001.

Grain output expanded by 22% to 27.2 million t as a result of higher yields per hectare. The harvest of rapeseed (mainly destined for export) rose by 12% to 1.1 million t and that of fruits by over 40%. Output of potatoes registered a drop by 16%, that of sugar beet by around 10% and of vegetables by 5%. Altogether, plant production expanded by an estimated 10% in 2001.

Livestock inventories (primarily poultry and pigs) started to recover. This development was stimulated by strongly rising pig prices, expanding by 17% in the first ten months of 2001. Despite some recovery in the animal sector, total animal output is assumed to have stagnated in 2001.

In autumn 2001 Poland and Hungary agreed on preferential CEFTA duties on Polish wheat imports from Hungary. According to the agreement Poland permits the import of 200,000 tonnes of Hungarian wheat with a 15% duty, while Hungary has lifted the duty restrictions imposed on several Polish goods. Although no case of swine fever has been registered in Poland since 1994, in November 2001 the EU decided to continue its ban on Polish exports of pork. Apart from the fact that the negotiations on the liberalization of the land market could not be finalized, there are a number of other obstacles on Poland's way into the EU. Thus the EU has rejected Poland's request for a five-year transition period for the adoption of EU sanitary standards; only in the field of dairy and slaughterhouses transition periods of up to four years have been accepted. Likewise, Poland's request for an eventual restoration of Polish customs duties in the case of rapid expansion of food imports from the EU has been rejected.

Poland's agro-food deficit diminished slightly (by USD 32 million) to USD 397 million in the first half of 2001, as the expansion of exports was more pronounced than that of imports. However, the permanent agro-food deficit with the EU deteriorated by USD 70 million to USD 320 million. At present the EU accounts for 54% of Poland's total agro-food imports and for 46% of exports. With a 13% share in exports, the

importance of the CEFTA has remained at its pre-year level. With Polish agro-food exports slightly shifting towards Western non-EU countries, the share of exports going to the FSU declined by 3 percentage points to 23% and the agro-food trade surplus with the FSU stagnated at USD 250 million. For the whole year 2001 we do not expect an improvement in Poland's agro-food trade deficit, assuming higher imports and lower exports than the year before due to the strongly appreciating Polish currency.

Slovakia

Following deep declines in the two preceding years, the grain harvest soared by nearly 60% to 3.5 million t in 2001. This will cause difficulties for Slovakia in finding outlets for the grain surplus. Sugar beet output was up one third over its year 2000 result. The harvest of rapeseed remained on the pre-year level, as did that of sunflower seeds. The production of potatoes contracted slightly. Altogether, growth in plant production may exceed the mark of 20% in 2001.

Inventories of pigs dropped slightly, while those of poultry and sheep expanded. Cattle stocks have hardly changed. By mid-December 2001 Slovakia had registered four cases of BSE. Despite the near-stagnating number of cows, milk output rose by more than 4% in 2001, indicating rising cow productivity: in 2001 the milk yield probably exceeded 4600 litres per cow. The production of eggs rose by about 5%. In line with expanding stocks, output of pork and poultry increased. Nevertheless, total meat output declined due to the deep fall in beef production. Total animal production was down by some 7%. The overall agricultural output rose by an estimated 7% in 2001.

Agricultural output prices were higher by 6.7% year-on-year in September 2001; prices of plant and animal goods registered similar growth rates. Although prices of grain probably dropped somewhat in the last months of the year, farmers' revenues were rising, driven mainly by higher receipts for plant production. Thus, in 2001, Slovak

farmers reported a pre-tax profit of about SKK 0.2 billion, as compared to losses in the years before (2000: SKK 1.8 billion).

Because of BSE, Romania and Hungary banned imports of live cattle and beef from Slovakia. In response to rising domestic demand for pork, the cabinet allowed the duty-free import of pork. The agro-food trade deficit, after near stagnation at about USD 350 million in 1999 and 2000, increased to an estimated USD 500 million in 2001. Despite some recovery in domestic farming last year, agro-food imports expanded faster than exports also due to the real appreciation of the Slovak koruna against the euro. The EU is the most important trading partner, followed by the Czech Republic. The Slovak government intends to close the pre-accession negotiations with the EU on the agriculture chapter in the course of the second half of 2002. Meeting this target by September would benefit the current government before the parliamentary elections scheduled for the beginning of October 2002.

Bulgaria

Bulgaria's agriculture stabilized somewhat in 2001, following two years of deep decline. The grain harvest rose by 11% to 4.9 million t. The output of sunflower seeds dropped by 14%, mainly reflecting a drop in area under cultivation. Other important crops registered an output expansion: tobacco and potatoes by 36%, sugar beet by 24%, wine and table grapes by 2%. There is a massive surplus, for the second subsequent year, of Bulgarian wine. Altogether, crops production in the year 2001 is estimated to have risen by over 10%. Nevertheless, all important crop yields (excepting grapes) are still below the 1999 levels.

Livestock inventories contracted again in the first half of 2001. The sharpest (20%) drop occurred in the stock of pigs. The situation probably improved somewhat in the second half of the year, particularly in pig and poultry breeding, because feed grain prices dropped after the high 2001 grain harvest. Nevertheless, total animal output is

assumed to have fallen by some 4% in 2001; the decline in milk and eggs production was less pronounced than that in meat production. Total agricultural production was up by an estimated 3% in 2001 – the first growth since 1997.

Grain supplies are vastly exceeding the annual domestic consumption, by over 1 million t – an amount that will be hard to sell, owing to huge surpluses everywhere in the CEE region and the lack of export subsidies. Although Bulgaria has again exported wheat to traditional markets (such as Iran), the quality/price ratio is still much more attractive in Ukraine (main competitor) than in Bulgaria. Consequently, up to November Bulgaria exported only around 150,000 tonnes out of an exportable surplus of some 700,000 for the full marketing year (July 2001 / June 2002). Bulgarian barley surpluses have found easier outlets: by November barley exports exceeded the mark of 250,000 tonnes. Maize import needs are estimated at 75,000 tonnes until the next harvest. Agro-food exports have been dominated by grain and tobacco. Bulgaria's net agro-food surplus probably rose to USD 200 million in 2001, after a surplus of USD 121 million in 2000 (the historical low in the last decade).

Romania

Agricultural employment in Romania accounts for about 40% of total employment – the highest share among the transition countries. Labour productivity in agriculture is very low, but the employment overhang in farming alleviates unemployment in the non-agricultural sectors. After two years of deep crisis, Romanian agriculture recovered in 2001. Output is assumed to have risen by over 10%, with a grain harvest of 18 million t (up 70% against 2000). Output of sunflower seeds dropped by 6%, production of potatoes stagnated. Production of sugar beet continued to fall for the fourth subsequent year. For overall 2001 crops output, growth of over 20% is estimated.

Livestock inventories continued to decrease in the first half of 2001. However, driven by increasing

demand for meat and by improved feed supply, the animal stocks, mostly pigs, have been recovering somewhat since August. Nevertheless, total animal production probably diminished by around 5%. In order to revive the animal sector, the government intends to increase the support for animal breeding in 2002. The bulk of that assistance is to go into cattle breeding, in particular for the purchase of heifers from the US, financed by a US credit. Furthermore the government will write off the debts of the remaining state-run agricultural companies before slating them for privatization.

Until end-October 2001 Romania exported around 400,000 tonnes of its large wheat surplus (nearly 2 million t) to the Middle East. As domestic demand again exceeded domestic output, poultry imports rose by over 10% to about 40,000 tonnes in 2001, mainly from Hungary (followed by the US). After a drop of 22% in 2000, agro-food exports rose by 21% to USD 304 million t in the first nine months of 2001, largely due to expanding exports of vegetables and grain. Imports rose by 29% to USD 885 million, in particular because of higher imports of live animals, meat and cereals. The latter took place before 2001 harvest. As a result, the agro-food trade deficit expanded to USD 581 million in the first three quarters of 2001, compared to USD 437 million in the same pre-year period. In the full year 2001 the deficit may exceed USD 750 million.

Russia

Supported by the general recovery in the Russian economy as well as by the bumper grain harvest of the year 2001, the situation in agriculture has improved, resulting among others in a growing number of farms making profit. Russia harvested some 84 million t of grain in 2001 (2000: 65.4 million t), the second highest result since 1991. At 14 million t the sugar beet harvest was at its pre-year level. Overall sunflower output dropped to about 3 million t (2000: 3.9 million t), mostly due to reduced area under cultivation. Altogether, crops production in the year 2001 rose by an estimated 10%. With near stagnating output of meat and milk and modestly rising eggs production, total animal

output was up just marginally. Overall agricultural production expanded by 6.7% in 2001.

In 2001 about 6 million t of white sugar were consumed in Russia – nearly 10% more than in the past. However, the 70 factories operating in the country refined only about 1.5 million t of sugar from domestic sugar beets. The bulk was refined from imported raw cane sugar. To protect domestic sugar beet producers, Russia set a quota of 3.65 million t for 2001 and 2002. All imports of raw sugar above the quota are subject to tariffs of at least 30%. Nevertheless sugar imports increased, totalling some 5 million t in 2001, of which Brazil supplied one third. The poor sunflower harvest resulted in rising prices for sunflower oil in Russia, which in turn induced growing imports of unrefined sunflower oil. The government responded by raising import duties on sunflower oil. Among the main suppliers are Ukraine and Argentina.

Despite some recovery in farming, Russia remains one of the world's largest importers especially of raw sugar, poultry meat and dairy products as currently demand for food is rising and exceeding domestic supply. Nevertheless, Russia may export up to 6 million t of grain in the marketing year 2001/2002, mostly wheat and fodder barley. The main importers of Russian grain are the CIS countries, the Near East countries and also Europe (notably Greece). Exports are, however, hindered in particular by the underdeveloped handling capacity at Russia's ports. Russia's total agro-food deficit in 2001 may be below the level of the year 2000 (USD 4.8 billion).

As for the future, the government is preparing a programme for the development of the livestock breeding sector through 2010. If realized, Russia would nearly double its output of meat, milk and eggs in the next ten years, and that by rising animal productivity rather than by increasing the number of cattle². Poultry and pig breeding are to contribute most to the increase in meat production. Certainly

² In the early 1990s, the number of cattle was twice as high as it is today.

that development would at the same time increase the consumption of fodder grain, from some 35 million t per year today to an expected 67 million t by 2010. Furthermore, the administration intends to improve the quality of the fodder by doubling the output of pulse crops, maize and barley.

Ukraine

After a decade of decline, Ukrainian agriculture has been recovering since the year 2000. Following 10% growth in 2000, total gross agricultural production rose by another 10% in 2001. At the same time, the food-processing industry expanded even more strongly, with output of dairy products rising by more than 40%. Due to enlarged grain-sown area (by 17%) grain output rose by 15 million t to about 40 million t. Because of lower yields and diminished sown area, output of sunflower seeds dropped by 30%. Nevertheless, Ukraine remains one of Europe's leading producers of sunflower seeds.

Harvests of potatoes were down by over 10%. Production of sugar beet grew by nearly 20% as the area under cultivation was expanded, after having been strongly reduced in the second half of the 1990s. Sugar production from harvested sugar beets is expected to reach 1.6-1.8 million tons, thus annual domestic consumption will be covered nearly completely. For the first time in over ten years, the number of livestock is on the rise. In the first three quarters of 2001 the poultry population registered the strongest expansion (14.5%). In animal output, milk and eggs recorded the highest growth rates.

Domestic prices of sunflower seeds more than doubled in the course of 2001 because of the lower harvest. Meanwhile, exporters have to pay a 17% export duty, which makes export unprofitable. In the current season sunflower seed exports will hardly exceed 0.3 million t, after 1 million t in the marketing year 2000/2001.

Grain exports may rise to 8 million t in the current season compared to about 2 million t in the

previous one. However, exports are limited by the low capacity of the country's ports and railways. While Russia was an important buyer of Ukrainian grain in the past, it has now big surpluses itself. This led Ukraine to redirect its grain exports, mostly to the Middle and Far East. Substantial amounts will also be delivered to South Korea. Furthermore, some portion of the export will go to the EU as well (in particular to France, Italy and Spain) in the wake of the EU's recently established import quota for Ukrainian grain (500,000 t). Ukraine has temporarily banned imports of duty-free white sugar from Russia and Belarus recently. In autumn 2001 the Ukrainian authorities also imposed a temporary ban on the import of US poultry, officially because of transgenic and antibiotic additives used in poultry fodder. Another reason may be the wish to protect the domestic animal sector that is just starting to revive. Assuming near stagnating imports, the agro-food trade surplus will exceed the level of the year 2000 (USD 463 million).

EU enlargement process

According to the latest assessment of the European Commission (EC) in November 2001, ten countries (eight CEECs plus Cyprus and Malta) are on their way to meeting the conditions required to join the EU within the next three years.³ Despite this very ambitious announcement, several difficulties, including negotiation on agriculture, have yet to be mastered. In this context the EU stresses in particular the case of Poland, the largest applicant country, which has to reform its labour-intensive and very small-scale farming. Negotiations related to the chapter on agriculture have started at the beginning of 2002. As yet, the existing differences in opinion have not diminished, especially as concerns the setting of production-controlling mechanisms (production quotas and set-aside⁴ programmes) as well as the fixing of direct payments for the new EU countries.

³ See also S. Richter, "Big bang" enlargement of the EU in 2004? A comment on the EU Commission's 2001 Regular Reports', *The Vienna Institute Monthly Report*, No. 2001/12, December 2001, pp. 25-30.

⁴ Uncultivated farmland.

According to a first proposal of the European Commission, announced on 30 January, farmers in the new EU countries would have to wait for ten years before receiving full direct payments under the then valid common agricultural policy (CAP) system.⁵ They would however benefit from market support measures as well as from higher rural development funds. Several CEECs (Czech Republic, Hungary, Poland) have expressed their disappointment with this proposal. The EC announced to submit the final position paper on that issue in spring 2002. The envisaged deadline for terminating the negotiations with the candidate countries is end of 2002.

The definite system of direct payments is most likely to be discussed only at the end of the accession process, as important changes are expected in the EU's CAP, probably after 2006. These would lead to subsidy cuts for 'old' as well as 'new' EU farmers. However, the problems arising now may change the relevance of direct payments out of CAP funds in the future. Lessons from the recent crisis in the EU animal sector have indicated some movement towards a re-nationalization of agricultural policy. Provided a further strengthening of such trends, CAP funds will shrink, resulting in a decline in farmers' support from Brussels. In that case the CEE candidate states would have to give up their hopes for generous financial transfers from the CAP after EU accession.

Negotiations on the liberalization of the land market (chapter on freedom of capital movement) have made some progress. In 2001 the EU agreed with the Czech Republic, Hungary and Slovakia on a seven-year moratorium on the sale of agricultural land to foreigners from the EU-15 after those countries' joining the EU. Poland has finally decided to abandon its claim for an 18-year moratorium on the sale of farmland to the EU parties. However, the 12-year moratorium recently agreed upon with the EU still does not suit large segments of Polish society.

WTO negotiations

Following the debacle of the 1999 Seattle meeting and the time-consuming negotiations in Doha, Qatar, the 142 members of the WTO finally agreed, on 14 November 2001, to launch a trade liberalization round on agricultural and manufactured products and services. Tariffs in agro-food trade, on average 40% worldwide, are several times higher than on other goods. While the US and other leading overseas exporters of food and farm products call for a radical reduction of tariffs and trade distorting payments for farmers quite soon, the EU (led by France, one of the main beneficiaries of the EU's CAP) pleads for a very slow and gradual reduction of agricultural support. As a basic pattern for the next negotiation round, the WTO members have agreed on a phasing-out of agricultural subsidies, but without setting an exact deadline. Although the US is ready to negotiate on the export credits provided to farmers by the US administration, as yet the EU has refused to negotiate on the abolition of agro-food export subsidies. Besides, the EU insists that the common targets agreed on in Doha should not prejudice the outcome of actual negotiations in the future. Thus, despite the readiness to talk about liberalization, the real changes may be far ahead. (The last negotiation round on global trade took more than seven years to complete.)

More liberal patterns in agro-food trade (lower tariffs and export subsidies) would certainly also open the door for additional CEE agricultural exports and imports. Incidentally, the Baltic states, the Czech Republic and Slovakia have more liberal trade regimes than the main players on the international agricultural markets. Upon the completion of the next, probably very long, WTO negotiation round, several CEECs will very likely be EU members. Consequently, these new EU members will operate within the framework of the EU's CAP. The importance of enlarged access to agro-food outlets in third countries will then be diminishing for these countries. However, given the WTO commitment to reduce export subsidies, EU internal policy may also change. With a more liberal CAP, the gains from EU membership are likely to be smaller than expected by some CEECs (Poland in particular).

⁵ See <http://europa.eu.int/rapid/start/>

Managing capital flows in Estonia, Latvia and Lithuania

BY PEKKA SUTELA*

The three Baltic countries have been able to combine, Estonia since 1992 and Latvia and Lithuania since 1994, (1) a fixed exchange rate, (2) liberalization of the capital account before having a well-functioning and supervised financial system, and (3) very large current account deficits. At the same time they have gone through deep structural and institutional change, which has been even faster than in several other transition economies. Generally, such a combination of characteristics is regarded as inherently unstable, being a source of destabilizing capital flows. Argentina's debacle is the most recent example of the problems likely to emerge in countries sticking to 'hard' pegs, liberalized capital flows – and high current account deficits. This text attempts to explain the reasons for the generally satisfactory (so far) performance of the Baltic countries.

Some common features of the Baltic countries

Though each with its own identity, historical background and endowments, the three Baltic countries are exceptionally similar among the transition countries. They are of somewhat similar size, they became newly independent at the same time as the USRR collapsed, they all opted for

radical reforms and fast integration with European institutions. All strive to join the European Union in the course of the next few years, and they are among the more successful accession countries.

These countries have important similarities in other respects as well.

First, they all opted – Estonia in June 1992, Latvia and Lithuania in early 1994 – for fixed exchange rates. (Estonia and Lithuania have been on currency board regimes, Latvia on a fixed peg which in the Latvian practice does not differ much from the currency board arrangements.) They also all decided to liberalize their capital accounts, even before they had a fully developed and supervised financial system. And, they have all been running very large current account deficits. In this respect, however, they resemble all remaining transition countries (except Russia and Ukraine). But the size and persistence of current account deficits in the Baltic countries definitely distinguishes them from other transition countries.

Second, they are very small, even miniscule, with population ranging from less than 1.5 million in Estonia to more than 3.5 million in Lithuania. In terms of GDP, the minimal size of these countries is as evident. In 2000, the GDP of Estonia, Latvia and Lithuania was USD 5.0, 7.2 and 11.2 billion respectively. That is less than, or in the case of Lithuania at most, 0.5% of the German

Table 1

Current account balances in the Baltics, 1994-2001 (per cent of GDP).

	1994	1995	1996	1997	1998	1999	2000	2001	2001:1-6
Estonia	-7.2	-4.4	-9.2	-12.2	-9.2	-4.7	-6.4	-6.5	-3.5
Latvia	-0.2	-3.6	-4.2	-6.1	-10.6	-9.6	-6.9	-6.3	6.3
Lithuania	-2.1	-10.2	-9.1	10.2	-12.1	-11.2	-6.0	-6.7	-4.6

Source: Bank of Finland Institute for Economies in Transition (BOFIT). 2001 is an IMF projection.

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GDP. Put otherwise, the combined nominal GDPs of the Baltic countries amount to the size of the Luxembourg economy. Even on purchasing power parities, the ratios to Germany remain as low as 0.6%, 0.9% and 1.2%.

Third, these are very open economies. All three countries run some of the most open trade and investment regimes in the world. The trade-to-GDP ratios are very high, ranging from 186.0% in Estonia through 120.6% in Latvia to 89.9% in Lithuania. These countries also opted for privatization primarily by sales to outside strategic investors. Their banking industries are also predominantly foreign-owned.

Fourth, the Baltic countries emerged re-independent from the USSR just ten years ago. They had few institutional and natural resources at independence. But given that Russia adopted the foreign assets and liabilities of the USSR, the Baltics also emerged independent without any foreign or domestic debts. They were able to regain some pre-Soviet foreign assets, such as the eleven tonnes of pre-war Republic of Estonia gold first used to back up the Estonian currency board in 1992. The original zero debt level has facilitated running quite sizeable foreign deficits without significant loss of credibility. Relative to GDP, Baltic foreign debts have risen since, but the debt burden relative to export or public sector revenue remains very modest. Foreign direct investment (FDI) has often been more than enough to finance the current account deficit.

Low supply of government debt

All Baltic countries try to follow relatively restrictive fiscal policies (which of course is a consequence of their exchange rate regimes)¹. In Estonia the

¹ In a currency board arrangement, the monetary authority stands ready to exchange local currency for another (anchor) currency at a fixed exchange rate without quantitative limits. Thus, a given monetary aggregate has to be fully covered by foreign exchange; the credibility of the arrangements must be ensured legally; and the monetary authority cannot create money for the purpose of smoothing liquidity or support domestic financial institutions, unless it has sufficient excess reserves.

central government cannot, by law, propose a budget with a deficit to the parliament, which has obviously helped to keep also actual deficits small. Even general government deficits have been quite well under control in Estonia and Latvia, though less so in Lithuania. The present value of public debt is less than 50% of fiscal revenue in all the Baltic countries. In Estonia, general government external debt (excluding assets held abroad) peaked in 1996 at 5.2% of GDP. By end-2000, this was down to 3.1%. Most of the debt is development bank co-financing for large infrastructure projects, and thus not market-forming. In Latvia public debt peaked in 1995 at 16.1% of GDP, came then down to 10%, and was increased to 13% as a reaction to the Russian crisis in 1999. It was 13.2% at end-2000. 61% of that was external debt.

As the Baltic countries started without any foreign debt the role of public foreign debt still remains very minor. Estonia's and Latvia's public foreign debt as a share of GDP is in single digits, and even Lithuania's is no more than 17%. These are very low figures. Within private foreign liabilities, foreign direct investment dominates. The local debt and equity markets are still quite undeveloped. The share of portfolio investment is highest in Lithuania, where the stock of foreign portfolio investment is 17% of all foreign liabilities. The share of FDI in all foreign liabilities at the end of 2000 was 35% in Lithuania, 49% in Estonia and 34% in Latvia. These countries are thus not very exposed to short-term capital flows. The small existing debt markets are strongly dominated by treasury bills. At end-2000, foreigners owned just 3% of Latvian and 1.1% of Lithuanian treasury bills.

Table 2

General government budget balances in the Baltics, 1994-2001 (per cent of GDP).

	1994	1995	1996	1997	1998	1999	2000	2001
Estonia	1.3	-1.3	-1.9	2.2	-0.3	-4.7	-0.7	0.0
Latvia	-4.0	-3.9	-1.7	0.1	-0.8	-4.0	-2.8	-1.8
Lithuania	-5.5	-4.5	-4.5	-1.8	-5.8	-8.2	-3.3	-1.4

Source: BOFIT. 2001 figures are IMF indicative criteria. According to partial data for 2001:1-6 Estonia is running a slight surplus, Latvia is within the criteria but Lithuania has somewhat surpassed it.

Size and structure of financial flows into the Baltics

Figures 1-4 give the comparative view of Baltic foreign financial flows. In USD terms, financial flows to Baltic countries peaked in 1997 (Figure 1). This was a rare year of an equity market boom in the Baltics. After that, aggregate financial flows have remained on the 1996 level and almost stable in Estonia. In Latvia as well, they declined after 1997, but have since recovered and reached in 2000 again the 1997 level. That year, no single large project dominated. There a number of minor ones underway. In Lithuania, they increased until 1998, when the peak was caused by telecommunications privatization. Since then, financial flows have remained higher than in Estonia, though on a declining trend in the absence of further large-scale privatization. In no case was the flow even nearly negative.

As Figure 2 shows, on a quarterly level there is much more variation. This is partly due to the small size of the economies. Relative to the GDP, financial flows are often very high, and even a single investment or credit can move the curve quite violently. Thus, the Estonian peaks in 1998

and 1999 are both due to money injected by major Swedish banks into Estonian banks the control of which they had just acquired.

Figure 3 shows that most of the variability in quarterly financial flows is not due to speculative portfolio investment. In fact, portfolio investment is quite modest in size, usually less than 10% of GDP. There may be more variability in FDI, as one would probably expect in case of very small countries.

Overall, the structure of gross capital inflows into the Baltics is different from the structures observed in other transition countries (see Table 3).

The structure of capital flows into Latvia (and Lithuania) is more like that into Estonia than that into the peer group, the second-round accession candidates. The share of other investments (bank loans and trade credit) is particularly in Latvia even greater than in Estonia. That at least partly reflects the traditional role of Latvian banks in channelling Russian and other CIS monies into international financial markets. The high share of other investments into Lithuania is more difficult to explain, but may well reflect foreign bank finance in the absence of domestic supply.

Figure 1

Annual financial flows to Baltic countries

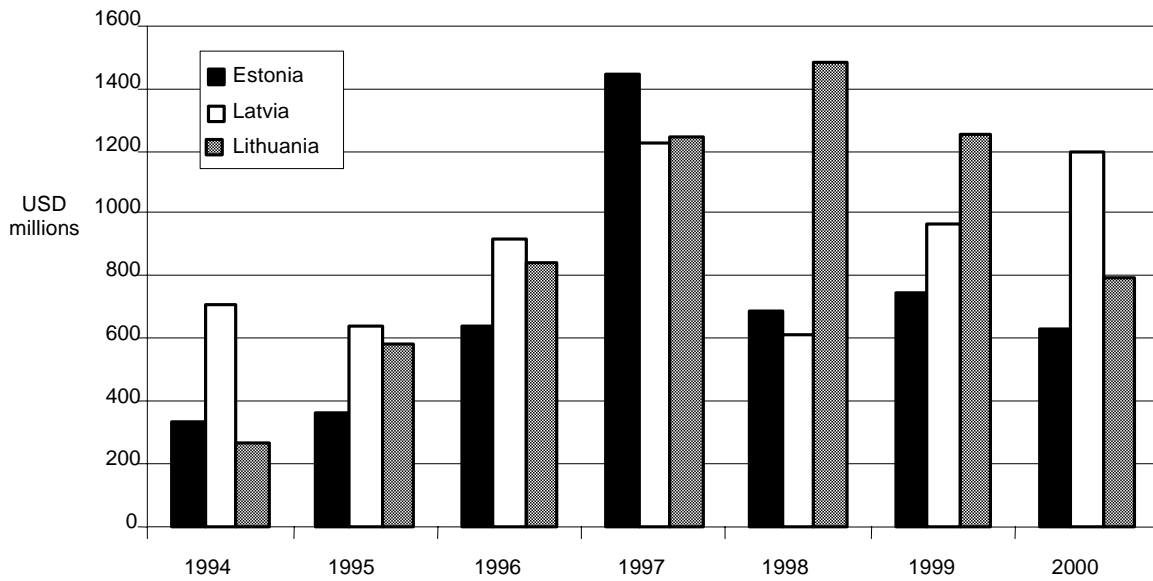


Figure 2

Quarterly financial flows to Baltic countries, per cent of GDP

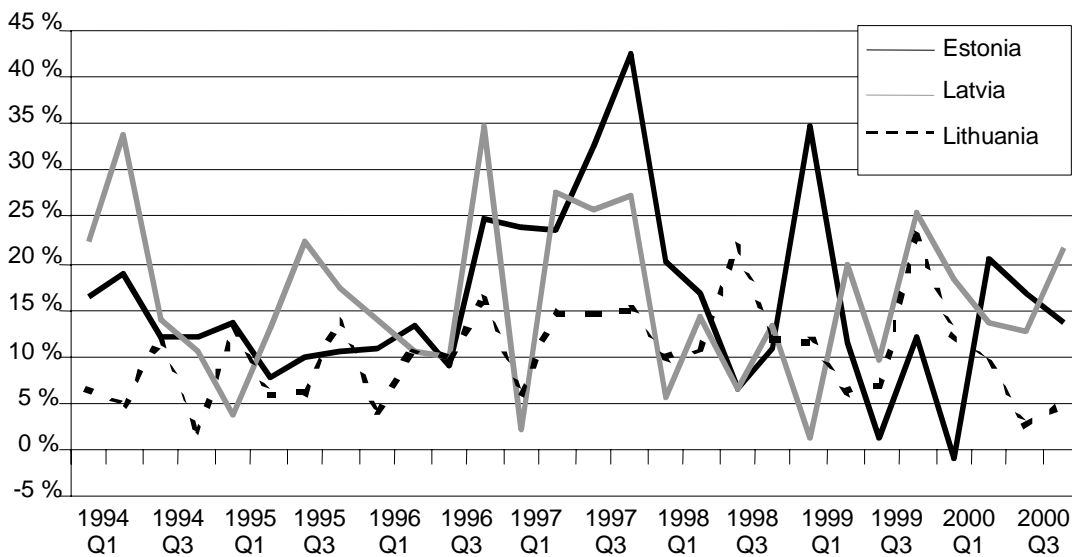


Figure 3

Portfolio investment as per cent of GDP in the Baltic countries

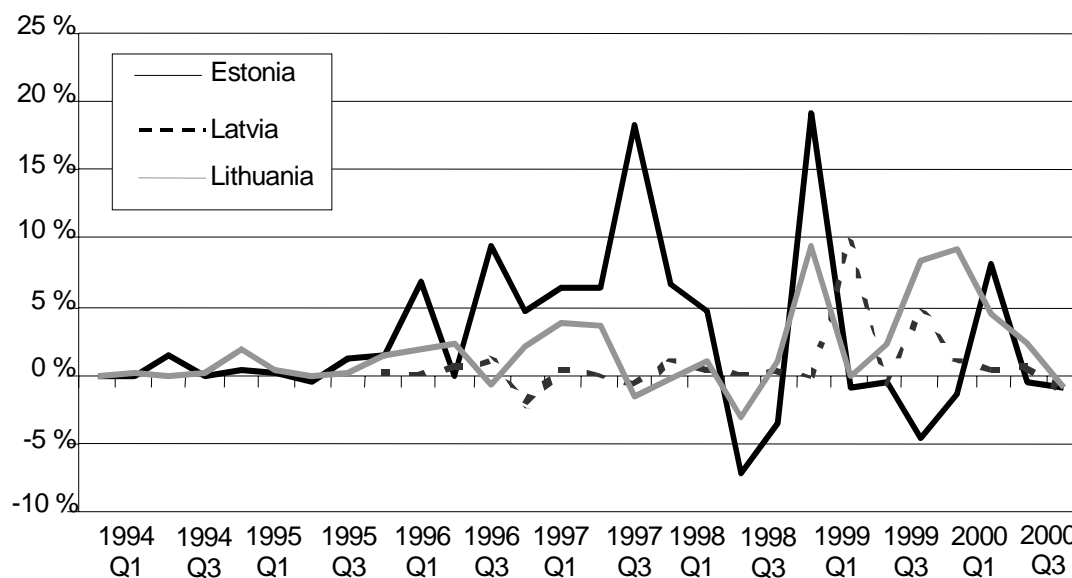


Figure 4

Quarterly foreign direct investments into the Baltic countries, per cent of GDP

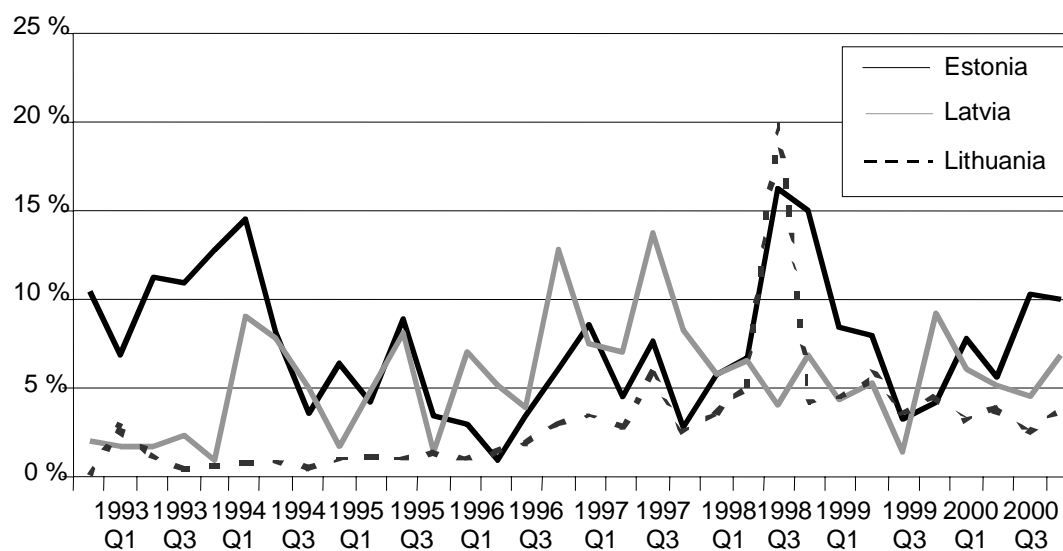


Table 3

Structure of gross capital inflows into selected transition economies, 1990-1999

	FDI	Portfolio investment	Other investment
Estonia	41.8	17.1	41.2
Latvia	37.7	4.5	57.8
Lithuania	34.9	13.1	52.0
Mean First Round			
Accession Candidates	57.2	22.4	20.4
Mean Second Round			
Accession Countries	4.7	8.3	87.0

Source: International Financial Statistics in Buch and Heinrich, 2001.

The banking sector: safely foreign-owned

By 1992 the Baltics had a total of 122 separate banks, including branches of foreign banks. The number of banks has since declined through bankruptcies and particularly through consolidation to 42 at end-2000, when the two biggest banks accounted for 83.5% of Estonian and three biggest for 51% of Latvian bank assets. All banks have been privatized in Estonia. In Latvia, only two relatively small banks are still state-owned, while in Lithuania, when the privatization of the savings bank finally succeeded in 2001, the remaining state-owned is the agrarian bank, the third largest of all.

Not all banks service a large clientele. It is informally estimated in Latvia that ten of the existing 22 banks are very narrow based institutions, which basically accept liabilities from the area of the former Soviet Union and place them into third countries. This is not regarded a systemic risk, as these banks are usually very small. FATF, the OECD-affiliated Money Laundering Task Force argue in their recent annual report that while much has been done by Latvia to prevent money laundering through its banking system, much also still remains to be done to make the controls fully operational.

At the same time, the share of foreign ownership in the banking sector has ballooned. By early 2001, measured by capital, the share of foreign owned

banks was in Estonia about 90%, almost 70% in Latvia and 58% in Lithuania. Two Swedish banks, Swedbank and SEB, control five of the biggest banks in the Baltics. They have a combined market share of 51% of bank assets and 60% of all bank loans. When Swedbank and SEB announced their intention to merge in early 2001, monopoly fears arose, especially in Estonia and Lithuania (Jones, 2001). The Lithuanian dominant savings bank was sold to Swedbank-dominated Estonian Hansabank, but with the provision that in case of the Swedish merger being implemented, Hansabank should sell the savings bank. SEB already owns the largest Lithuanian commercial bank. In the end, these precautions proved unnecessary as EU competition authorities blocked the planned Swedish fusion. Banking consolidation was greatly facilitated (1998-99) by the effects of the Russian crisis.

The ratios of total credit to GDP in the Baltic countries are still 2-3 times lower than what should be expected. Contrary to most transition economies, in the Baltics the non-private sector has borrowed relatively even less than the private sector.

Domestic saving ratios have been relatively low and even declining in all the Baltic countries during the late 1990's. Latvia started highest at about 28% in 1993, but also declined fastest to about 8% in 1998. Estonia's saving rate was 26% in 1993 but just 18% in 1999, while Lithuania started at 16%

and slid to 12% in 1999. This decline in all countries has many reasons, among them the loss of bank credibility after recurrent banking crises in mid-1990s, low income levels and the hugely improved post-socialist supply of consumer goods, whose prices tend to be relatively high. High prices – together, from the point of view of the credit institution, with the lack of suitable collateral - have also contributed to the popularity of leasing as a form of non-banking (but often bank-owned) financial institution. But low saving ratios are also a consequence of underdeveloped financial markets. Not only foreign investors, but also domestic savers have very few assets to choose from.

In 2000 Baltic banking grew fast. Bank credits increased by 28% both in Estonia and Latvia. Authorities see this as a long-expected catching-up process, not as the creation of a potential bad loans problem. Indeed, the share of bad loans is low by international standards in all three countries (around 5%). Fast growth has continued into 2001.

Under the Baltic monetary arrangements, central banks have accumulated excess reserves backing the monetary base at well over 100%: the currency board rule has only determined the upper limit of money supply. In addition, the central banks are able to change the reserve requirements of banks, thus affecting both money supply and bank solvency. Although in the past the central banks frequently provided liquidity to support problem banks during banking crises, generally they follow the tough line of liquidating the most insolvent (domestically-owned) banks. As far as the foreign-owned banks are concerned, these rely on their mother companies abroad. Rather high shares of "other investment" in the overall gross capital inflows into the Baltic countries represents loans from the overseas mother companies to their Baltic daughters. This applies to banking in particular. Now that most Baltic banks have been sold to solid foreign owners, their credibility has been much improved. At the same time interest have come down to the degree that the remaining interest difference against the euro region is hardly enough to attract major deposits into Baltic banks.

Dormant capital markets

Because of very small absolute sizes of their economies, the Baltic countries' financial markets are also quite tiny. With an equity market capitalization of around 35% (Estonia), 10% (Lithuania) or just 5% of GDP (Latvia) in 1999-2000, there is very little scope for more major short-term financial inflows. Due to the fixed costs involved in entering any market, there will be only a few possible market counterparts in dealing with Baltic assets. More importantly, given the small equity markets and the total or near-absence of government bonds or bills, there are simply very few assets available. The amounts of certificates of deposit are also very minor. The ratios of domestic to German equity market capitalization were in end-2000 0.14% for Tallinn, just 0.04% for Riga and 0.13% for Vilnius. Sweden, on the other hand, reached 25.8% and even Poland 2.2% of the German capitalization.

Lithuania was the first Baltic country to establish equity markets. The Vilnius stock exchange was opened in 1993 with a large listing of privatized and new companies. However, there was practically no trade in the vast majority of these companies until much later. The stock exchange took off in 1996 and the Litin index peaked in early 1997. After that, the index has declined steeply in 1998 and later stagnated so that in 2001 it just reaches the starting level of January 1996. The market has remained highly illiquid with a very low turnover. Market capitalization has fluctuated between 10% and 20% of GDP and the annual trading value has been just a couple of per cent of GDP. Most trade has been in treasury bills issued to finance the budget deficits.

The picture is very similar in Latvia. The Riga stock exchange was established in March 1995, and it also experienced a boom in 1996-97. After a drop in 1998, the Riga index has also stagnated at a low level. At just over 5% of GDP, the Riga market capitalization is even lower than in Vilnius, and trading value has been similarly low. In 2000, the Riga index rose by 60%. The market capitalization

Figure 5

The Lithuanian Litin-G stock exchange index, 1996-2001

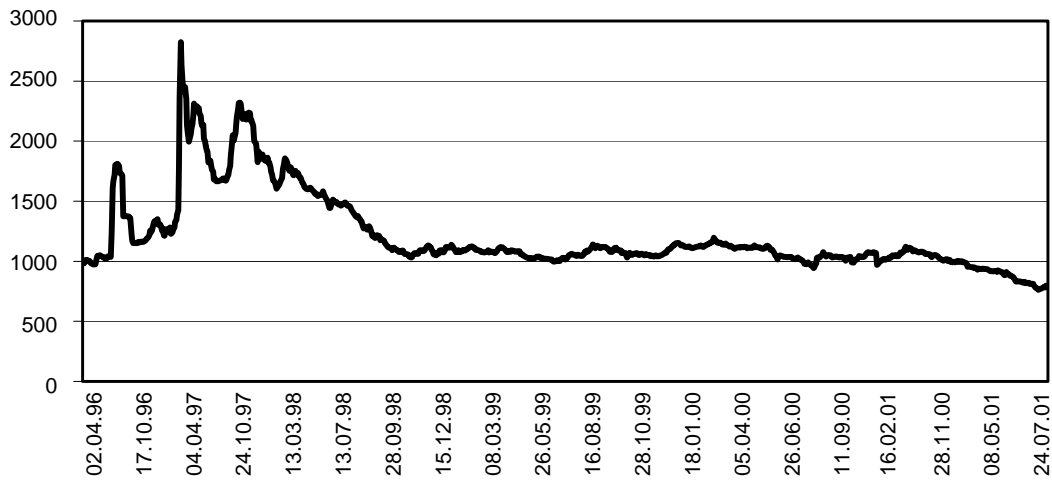


Figure 6

The Latvian Dow Jones Riga Stock Exchange Index LVL 1996-2001

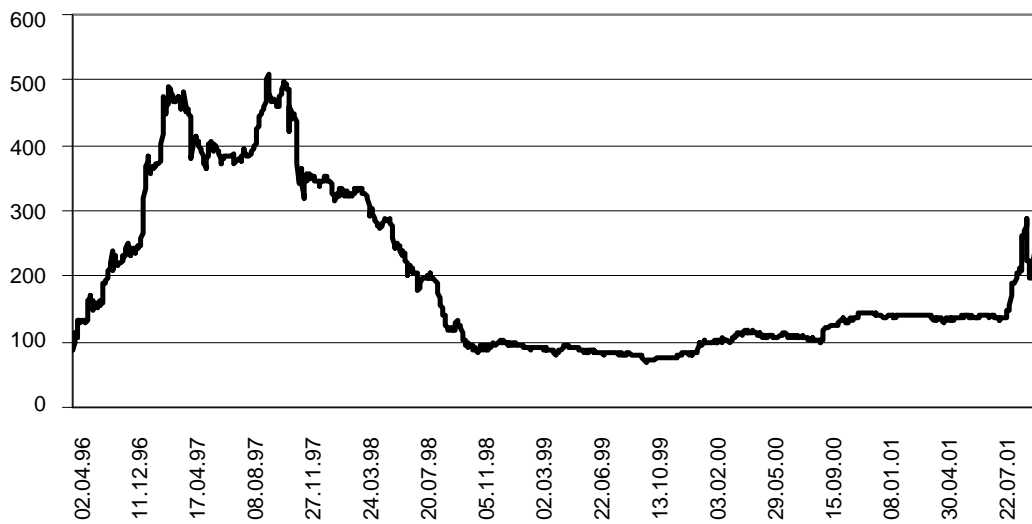
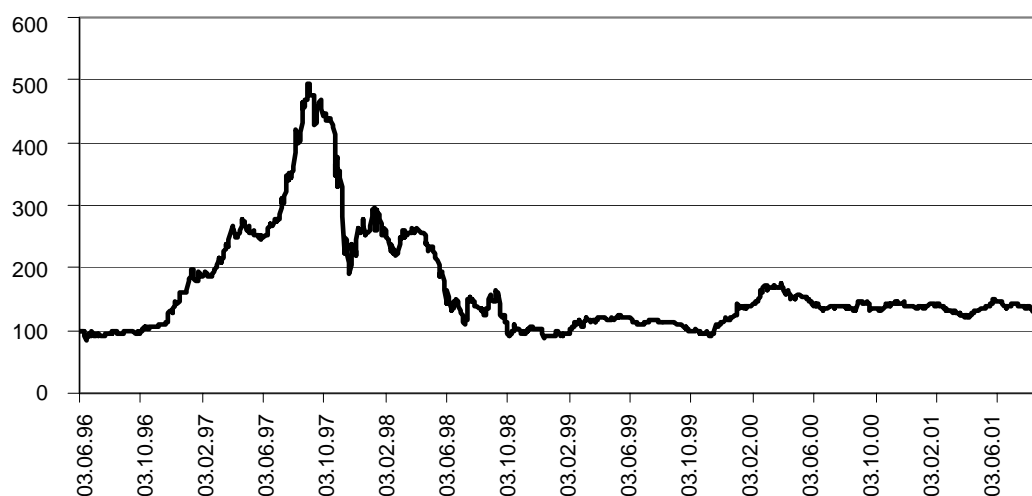


Figure 7

The Estonian TALSE Stock Exchange Index 1996-2001



of (almost exclusively government) bills is lower than that of equities. Still, in Riga as well as in Vilnius most trade is in treasury bills, which are primarily owned by Latvian banks and the central banks. At end-2000 foreigners owned just 3% of treasury bills.

The Tallinn stock exchange was only established in May 1996. The stock exchange went through a boom in 1997, followed by a bust in end-1997. As elsewhere in the Baltics, the Tallinn index has stagnated since 1998. Market capitalization is at 35% of GDP however much higher than in Riga or Vilnius, but the trading value has recently dropped to around 5% of GDP. The explanation is simple: as Estonian banks have been sold to foreigners, the availability of assets has declined. Bank shares dominate all three Baltic equity markets. As the Estonian central government's deficits have been almost non-existent, no treasury bills are available. The Bank of Estonia issued until 2000 modest amounts of 28-day bills for liquidity management purposes, but their auctions attracted only little interest. Recently, Tallinn stock exchange signed an agreement of close co-operation with the Helsinki stock exchange. It is hoped that this would attract more trade to Tallinn. (The Riga stock exchange is expected to follow the example, and the Vilnius one is in negotiations with the Warsaw

stock exchange.) In the end of 2000, foreigners owned 76% of the market capitalization of listed companies. While Estonian banking supervision is nowadays regarded strong, supervision of equities markets is weak and lacks credibility.

Privatization creates the basis for equity markets in economies in transition. All three Baltic countries have implemented small-scale and most banking and industrial privatization. In Estonia, the privatization agency will be closed in 2001, after railway privatization is completed. In Latvia privatization has been slower and complicated. Even now, the privatization of shipping, gas and telecoms is still under way. In Lithuania industrial privatization is still under way, and infrastructure privatization has hardly been started.

All in all, dominance of foreign ownership is not conducive to a further expansion of the domestic equity markets. Foreign-owned firms operating in the Baltics are in no need to tap local markets for funds. Nor do they need to hold foreign assets themselves. Assets management may be conducted at lower cost by their mother companies abroad.

The impact of the Russian crisis in 1998

The Russian crisis had an immediate impact on the Baltic countries via foreign trade, as Russia has historically been an important trading partner for these countries. The Russian share in exports before the crisis was 24% for Lithuania, 21% for Latvia and 15% for Estonia. It was also a major source of imports, and handling the transit of Russian trade goods was a major business for all the Baltics. All the three countries slid into a recession, which however proved a short one. Estonia resumed growth in early 1999, Latvia in mid-1999 and Lithuania in end-1999.

The impact via the current account, direct investment, the banking sector and securities markets was however much less than could have been expected. The Baltics had largely escaped from the shadow of Russia. Estonia's liberal economic policies and prospect of relatively fast EU membership had made it a favoured destination of foreign direct investment. The Russian crisis had no impact on either FDI or the banking sector, which was receiving major investment from Sweden. Only 0.1% of Estonian banks' assets were in Russia. There was a short shock in the Tallinn stock exchange, and the one-month Talibor interest rate almost doubled from about 10 in August to over 18 in end-1998. These were short-term impacts, which disappeared in 1999.

In Latvia, the banking sector was hit much worse, as Latvian banks had some 8% of their assets invested in Russia, about 40% of that in short-term government bonds, GKO's. Three banks were closed or suspended by the central bank, and many others suffered heavy losses. The stock exchange was heavily hit. There was some pressure against the lat both in late 1998 and again in the second half of 1999, but the turbulence was short-lived. It was ended by the government's announcement of expenditure cuts in 1999. Like in Tallinn, the one-month Rigibor doubled after the crisis, from 5-6% to 11%.

The Russian crisis had no serious impact upon Lithuanian banks. Total banking sector exposure to

Russia in the beginning of September 1998 was just 1.4% of total assets. However, there was a major indirect exposure through Lithuanian export companies, as Lithuania was more dependent on Russian trade than its northern neighbours. This led to quite large losses for some banks. As in the other Baltic countries, money market rates about doubled.

In retrospect one can argue that the Russian crisis was a blessing in disguise for the Baltics. The previous year, had seen the first boom and bust pattern develop in Baltic financial markets. Borrowing by banks from abroad surged and credit grew fast. The door to a path of very high growth, instability and destabilizing short-term capital flows was open. The Asian crisis of late 1997 gave an important warning signal of the dangers involved. The sharp decline in exports into the former Soviet Union further forced a scaling down of growth expectations. The ensuing bank crisis left selling financial institutions to foreigners as the remaining logical alternative. The Baltic countries were firmly logged into the development pattern of lagging markets again.

Handling of excessive expansions

Autumn 1997 gives the most prominent example of the functioning of the Estonian system in a crisis. As already pointed out, 1997 was an exceptional demand driven boom year in Estonia. GDP grew by 10.4%. This was the highest growth in Europe that year. The current account deficit was record high at 12.2%, while current government recorded an exceptional surplus of 2.2% of GDP. Inflation, though on a downward trend, was still 12.5%. Bank credit increased from January to October by 70% and the production of financial services by 30%. Industrial output surged in the second quarter by 17%. Financial flows to Estonia were at an all-time high. Meanwhile, turbulence increased in international markets starting with turmoil in Asia. Long-term flows had financed about 70% of the Estonian deficit, and creditors started wondering whether much of the flow had been consumed, not invested.

In the end the boom met with liquidity constraints. Interest rates started to increase in October, while the stock market index, which had risen by some 400% since June 1996, declined, to collapse by 19.4% on 10 November. Banks started calling back credit issued with securities as collateral. In late October the central bank took decisions to constrain credit expansion, primarily by increasing liquidity requirements. On 7 November the government and the central bank announced an economic policy programme for 1997-1998. Citing generally sound fundamentals but pointing out the current account deficit and fast credit expansion as problems, the authorities argued that interest rate growth and stock exchange depression were an adequate correction, not a crisis of confidence. They assured that the existing principle of policies, including the currency board would be maintained while the stability of the financial sector would be strengthened by, for instance, further increasing capital adequacy requirements, which had already been raised in October. The general government would maintain a surplus in 1998 as well. (This failed to materialize, as 1998 was a year of banking and Russian crisis.)

On 7 November Estonia also requested and soon signed a stand-by arrangement with the IMF. The decline in stock prices stopped by the end of the year, and lending rates declined, though remained higher than before the Autumn. The combination of reasserting liberal principles, financial restraint, monetary stringency and continued structural reform had turned the mini-crisis back. No restrictions had been imposed on capital flows, and the central bank had fully used the policy possibilities that the currency board arrangement provided for. There had reportedly been some short-selling of the kroon in early November, and the press spread devaluation expectations, but the actual extent of speculation remains unclear. The speculative pressure, anyway, was very short-lived.

Concluding remarks

How have the Baltic countries managed to combine fixed exchange rates, liberal capital movements

regime and large current account deficits without inviting destabilizing capital flows? The answer suggested by this paper is not that there has been a particularly clever management or control of financial market. Rather, the Baltic countries have lacked several such markets that might be sources of instability.

The Baltic countries have actually been protected by their very smallness. There is simply very little place for speculation. The vehicles needed are almost absent: domestic and foreign debt is small and markets thin and illiquid. Stability has been supported by generally responsible fiscal policy. Labour markets are flexible to the degree that while Finland is a country with centralized wage settlements, no Finnish-owned company in Estonia has even an enterprise-wide collective agreement.

After the boomlet of 1997, the Baltic stock exchanges have generally hibernated. The banking sector, right now dominated by foreign owners, has not had the time to develop a potential for a major crisis. There are very few assets which the speculative capital flows can target.

The success of the Baltic countries in maintaining the fixed exchange rates, free capital movements and high current account deficits to some extent reflects also 'sound fundamentals' – primarily the policy of fiscal restraint. Besides, it is an outcome of policy decisions which, under specific circumstances, have proved quite fortunate. One cannot expect the Baltic countries' experience to be easily repeated elsewhere in the transition countries. And, there is no guarantee the 'Baltic model' will remain successful indefinitely.

Maintaining visible trade deficits of 15-20% of GDP is only feasible as long as rich transit and tourism revenues are forthcoming. Maintaining current account deficits of 6% of GDP is only sustainable as long as foreign direct investment flows continue. The continued viability of the 'Baltic model' will depend on the size and purposes of the FDI inflows. FDI has, so far, contributed greatly to external viability. Most current account deficit has

been financed by FDI. In the short run FDI may increase the current account deficit by increasing the demand for imported capital goods, but over a longer time increased export potential should compensate for that. Only in a few cases is FDI based on access to the small Baltic markets, and even then it is typically import-substituting. Generally in transition economies, foreign-owned companies are more export-oriented than domestically owned companies. Given the small size of the domestic market, this is even more so in the Baltics. The share of foreign-owned companies in exports is higher – and increasingly so – than in total sales.

But, for a small country, this may also pose risks. A single company – a Finnish-owned electronics subcontractor – has recently accounted for a major share, according to some information for as much as 28.5% of total Estonian exports. The downturn of their main customers – the Nordic mobile phone majors – led to freezing of further expansion plans and loss of jobs.

Obviously, this is not a model that most other countries could or even wished to follow. But the probability is that the three Baltic countries will be able to maintain their very specific model until the not too distant day when the Economic and Monetary Union will irreversibly abolish any residual worries of external instability there might be.

Literature

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CONVENTIONAL SIGNS AND ABBREVIATIONS

used in the following section on monthly statistical data

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

Sources of statistical data:

National statistical offices and central banks; WIIW estimates.

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B U L G A R I A: Selected monthly data on the economic situation 2000 to 2001

(updated end of January 2002)

		2000				2001											
		Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
PRODUCTION																	
Industry, total	real, CMPY	10.4	4.9	6.6	1.6	-6.5	28.0	2.1	1.6	4.0	0.2	6.8	10.3	2.7	-0.7	1.3	.
Industry, total	real, CCPY	3.3	3.6	3.6	2.3	-6.5	11.9	2.5	3.0	2.4	1.7	2.0	2.6	2.2	1.5	2.4	.
LABOUR																	
Employees total	th. persons	1733	1721	1718	1700	1693	1695	1705	1703	1717	1725	1719	1708	1713	.	.	.
Employees in industry	th. persons	611	607	601	596	600	598	600	600	598	598	592	588	585	.	.	.
Unemployment, end of period	th. persons	679.7	679.9	677.5	682.8	708.7	713.8	704.7	707.8	678.5	654.0	643.5	637.8	629.9	637.3	657.0	662.3
Unemployment rate ¹⁾	%	17.8	17.8	17.7	17.9	18.5	18.7	18.4	18.5	17.8	17.1	16.8	16.7	16.5	16.7	17.2	17.3
Labour productivity, industry	CCPY	18.3	18.2	17.7	15.8	-1.8	17.5	7.3	7.5	6.7	5.9	6.2	6.8	6.4	.	.	.
Unit labour costs, exchr. adj. (USD)	CCPY	-18.1	-18.8	-18.9	-17.3	3.9	-13.8	-6.1	-6.4	-5.2	-5.2	-5.9	-5.6	-4.3	.	.	.
WAGES, SALARIES																	
Total economy, gross	BGN	241.0	230.0	240.0	253.0	236.0	233.0	245.0	253.0	261.0	261.0	256.0	256.0	264.0	.	.	.
Total economy, gross	real, CMPY	2.1	1.7	4.1	7.5	5.8	3.2	1.3	2.8	2.9	4.2	3.5	6.7	4.7	.	.	.
Total economy, gross	USD	107	101	105	116	113	110	114	115	117	114	113	118	123	.	.	.
Total economy, gross	EUR	123	118	123	129	121	119	125	129	133	133	131	131	135	.	.	.
Industry, gross	USD	119	110	114	124	122	118	124	120	118	120	117	125	131	.	.	.
PRICES																	
Consumer ²⁾	PM	2.3	1.2	0.8	0.4	0.6	0.3	0.1	-0.2	0.1	-0.1	-0.2	0.3	1.3	1.7	0.2	0.6
Consumer ²⁾	CMPY	11.8	11.9	12.3	11.3	9.3	8.5	8.9	9.8	9.7	9.4	8.5	5.7	4.7	5.2	4.6	4.8
Consumer ²⁾	CCPY	9.8	10.0	10.2	10.3	9.3	8.9	8.9	9.1	9.2	9.3	9.2	8.7	8.2	7.9	7.6	7.4
Producer, in industry	PM	3.0	2.3	0.1	0.0	-0.1	0.2	0.5	0.3	0.6	-0.3	-0.6	0.0	0.4	0.2	0.1	.
Producer, in industry	CMPY	17.4	19.5	17.1	14.9	13.4	11.8	10.5	12.1	9.7	9.5	7.7	6.0	3.3	1.2	1.2	.
Producer, in industry	CCPY	17.0	17.3	17.2	17.0	13.4	12.6	11.9	11.9	11.5	11.1	10.6	10.1	9.3	8.4	7.7	.
RETAIL TRADE																	
Turnover	real, CMPY	0.9	0.1	-0.5	0.2	.	.	.	.	.	.	.	.	.	.	.	.
Turnover	real, CCPY	3.4	3.0	2.7	0.7	.	.	.	.	.	.	.	.	.	.	.	.
FOREIGN TRADE^{3,4)}																	
Exports total (fob), cumulated	EUR mn	3758	4248	4780	5221	423	888	1388	1850	2298	2799	3323	3820	4285	4785	5249	.
Imports total (cif), cumulated	EUR mn	4963	5694	6385	7042	551	1109	1768	2412	3097	3850	4673	5335	5936	6692	7420	.
Trade balance, cumulated	EUR mn	-1205	-1446	-1605	-1821	-128	-220	-380	-561	-799	-1052	-1351	-1515	-1651	-1907	-2171	.
FOREIGN FINANCE																	
Current account, cumulated	USD mn	-364	-499	-565	-702	-141	-183	-237	-318	-411	-422	-503	-427	-477	-593	-771	.
EXCHANGE RATE																	
BGN/USD, monthly average	nominal	2.247	2.288	2.284	2.181	2.085	2.122	2.151	2.192	2.234	2.293	2.273	2.173	2.141	2.159	2.202	2.192
BGN/EUR, monthly average	nominal	1.956	1.956	1.956	1.956	1.956	1.956	1.956	1.956	1.956	1.956	1.956	1.956	1.956	1.956	1.956	1.956
BGN/USD, calculated with CPI ⁵⁾	real, Jan98=100	115.3	116.3	115.3	109.5	104.7	106.6	108.2	110.9	113.4	116.7	115.6	110.2	107.7	106.4	108.3	107.2
BGN/USD, calculated with PPI ⁶⁾	real, Jan98=100	104.1	104.2	103.6	99.8	98.1	97.8	97.6	99.5	101.2	103.2	101.6	96.9	95.0	93.4	95.2	.
BGN/EUR, calculated with CPI ⁵⁾	real, Jan98=100	90.6	89.6	89.1	88.8	88.3	88.4	88.6	89.2	89.6	89.8	89.7	89.6	88.6	87.1	86.8	86.3
BGN/EUR, calculated with PPI ⁶⁾	real, Jan98=100	81.9	80.4	80.5	80.1	80.1	80.1	79.8	79.7	79.4	79.7	79.8	79.7	79.5	79.0	78.6	.
DOMESTIC FINANCE																	
M0, end of period	BGN mn	2110.3	2066.9	2075.2	2373.6	2203.8	2214.7	2225.2	2307.0	2343.7	2427.2	2521.6	2542.0	2601.3	2570.1	2641.5	3079.8
M1, end of period	BGN mn	3272.7	3253.8	3258.2	3632.2	3522.3	3556.6	3555.0	3645.7	3746.3	3834.0	3932.1	3966.2	4029.9	3988.1	4103.8	4664.8
Broad money, end of period	BGN mn	8383.0	9128.3	9047.3	9290.7	9324.8	9430.0	9481.7	9143.1	9431.2	9678.7	9995.4	10105.9	10302.6	10352.1	10624.9	11593.9
Broad money, end of period	CMPY	25.7	36.8	29.8	26.4	26.8	26.5	25.8	18.8	24.1	27.7	24.5	22.2	22.9	13.4	17.4	24.8
BNB base rate (p.a.), end of period	%	4.1	4.5	4.8	4.7	4.4	4.3	4.2	4.4	4.6	4.6	4.6	4.8	4.8	4.7	4.9	4.7
BNB base rate (p.a.), end of period ⁶⁾	real, %	-11.4	-12.6	-10.5	-8.8	-8.0	-6.7	-5.7	-6.8	-4.7	-4.6	-2.9	-1.1	3.5	3.6	.	.
BUDGET																	
Government budget balance, cum. ⁷⁾	BGN mn	281.2	395.7	367.7	-183.8	-370.0	-422.1	-223.5	-98.1	-18.5	-175.7	-447.8	-468.9	-559.1	-433.0	.	.

1) Ratio of unemployed to total employment.

2) According to EU methodology.

3) Based on cumulated USD and converted with the average exchange rate USD/EUR.

4) Cumulation starting January and ending December each year.

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

6) Deflated with annual PPI.

7) Including some extrabudgetary accounts and funds.

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(updated end of January 2002)

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		Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
PRODUCTION																	
Industry, total ¹⁾	real, CPMY	-0.9	-1.1	-0.5	-2.2	14.0	-0.8	4.6	9.8	8.2	1.1	3.9	8.5	5.8	8.3	4.6	5.2
Industry, total ¹⁾	real, CCPY	2.7	2.3	2.1	1.7	14.0	6.2	5.5	6.6	7.0	5.9	5.6	5.8	5.9	6.1	6.0	6.0
Industry, total ¹⁾	real, 3MMA	1.6	-0.8	-1.3	3.1	3.1	5.6	4.5	7.5	6.2	4.3	4.4	6.0	7.6	6.3	6.1	.
Construction, total, effect.work.time ²⁾	real, CPMY	-7.5	-4.0	-2.9	-1.8	9.0	-4.6	-2.7	0.5	2.6	1.9	8.0	5.2	.	.	.	.
LABOUR																	
Employment total	th. persons	1341.3	1333.7	1327.6	1321.5	1313.5	1310.5	1310.8	1319.0	1327.4	1335.6	1344.9	1346.4	1337.7	1333.3	1329.0	.
Employees in industry ²⁾	th. persons	291.0	289.5	288.6	286.6	284.7	283.4	282.9	283.2	283.7	284.1	284.0	283.5	282.7	283.8	282.5	.
Unemployment, end of period	th. persons	359.9	369.5	376.6	378.5	386.2	388.9	388.7	382.8	373.4	364.9	367.9	369.2	376.6	383.5	385.3	395.1
Unemployment rate ³⁾	%	21.2	21.7	22.1	22.3	22.7	22.9	22.9	22.5	22.0	21.5	21.5	21.5	22.0	22.3	22.5	23.1
Labour productivity, industry ¹⁾	CCPY	5.1	4.7	4.6	4.3	17.7	9.9	9.3	10.6	11.0	9.9	9.4	9.7	9.7	9.8	.	.
Unit labour costs, exch.r. adj.(USD) ¹⁾	CCPY	-13.4	-13.2	-13.1	-12.6	-12.2	-7.7	-6.1	-6.0	-5.0	-4.7	-4.0	-3.8	-3.4	-2.7	.	.
WAGES, SALARIES																	
Total economy, gross	HRK	4817	4921	5115	5016	5072	4836	5052	5002	5202	4999	5066	5090	4885	5051	.	.
Total economy, gross	real, CPMY	-0.6	1.3	-2.1	-5.0	-0.7	-5.1	-1.6	0.4	-1.7	-2.0	2.4	-1.3	-2.3	-0.5	.	.
Total economy, gross	USD	558	561	579	593	627	579	598	587	619	585	604	620	592	612	.	.
Total economy, gross	EUR	640	654	677	661	667	628	657	657	706	685	704	690	650	676	.	.
Industry, gross	USD	490	495	515	522	559	518	541	526	573	534	553	562	536	565	.	.
PRICES																	
Retail ⁴⁾	PM	1.2	0.6	0.2	0.0	0.1	0.5	0.1	1.4	0.6	-0.3	-0.6	1.0	0.3	-0.1	-0.2	-0.2
Retail ⁴⁾	CPMY	7.1	7.3	7.7	7.4	6.6	6.8	6.0	6.8	7.2	4.9	3.8	4.9	3.8	3.2	2.8	2.6
Retail ⁴⁾	CCPY	5.7	5.9	6.0	6.2	6.6	6.7	6.5	6.6	6.8	6.4	6.0	5.9	5.7	5.3	5.1	4.9
Producer, in industry	PM	0.9	1.1	3.4	0.2	-0.7	0.9	-1.6	0.0	0.0	0.1	-0.7	-0.5	0.6	0.2	-0.5	-1.0
Producer, in industry	CPMY	8.9	9.7	11.3	11.2	8.2	8.3	5.5	5.1	5.2	4.5	4.0	3.4	3.0	2.1	-2.0	-3.1
Producer, in industry	CCPY	9.2	9.4	9.4	9.7	8.2	8.2	7.3	6.7	6.4	6.1	5.8	5.5	5.2	4.8	4.2	3.6
RETAIL TRADE																	
Turnover	real, CPMY	9.2	8.5	10.5	5.2	15.5	5.3	12.3	13.2	12.0	11.2	9.2	8.1	6.8	8.5	.	.
Turnover	real, CCPY	10.9	.	.	10.0	.	.	10.9	11.5	11.6	11.7	11.3	10.9	10.5	10.4	.	.
FOREIGN TRADE⁵⁾																	
Exports total (fob), cumulated	EUR mn	3543	3991	4467	4818	342	748	1185	1570	2011	2488	2922	3395	3829	4379	4758	.
Imports total (cif), cumulated	EUR mn	6077	6899	7730	8588	572	1265	2163	2995	4075	5059	6008	6777	7593	8523	9352	.
Trade balance, cumulated	EUR mn	-2534	-2908	-3263	-3770	-230	-517	-978	-1425	-2064	-2572	-3086	-3383	-3764	-4144	-4594	.
Exports to EU (fob), cumulated	EUR mn	1971	2232	2446	2631	192	400	630	857	1083	1358	1577	1848	2100	2450	2657	.
Imports from EU (cif), cumulated	EUR mn	3357	3812	4222	4706	310	697	1165	1639	2232	2805	3321	3727	4167	4699	5208	.
Trade balance with EU, cumulated	EUR mn	-1386	-1580	-1776	-2075	-118	-297	-535	-782	-1149	-1447	-1744	-1879	-2067	-2250	-2551	.
FOREIGN FINANCE																	
Current account, cumulated	USD mn	141	.	.	-399	.	.	-600	.	.	-1431	.	.	-213	.	.	.
EXCHANGE RATE																	
HRK/USD, monthly average	nominal	8.636	8.778	8.828	8.459	8.089	8.352	8.444	8.528	8.409	8.545	8.384	8.208	8.248	8.254	8.333	8.286
HRD/EUR, monthly average	nominal	7.531	7.522	7.553	7.586	7.606	7.697	7.695	7.615	7.369	7.298	7.199	7.377	7.516	7.475	7.408	7.391
HRK/USD, calculated with CPI ⁷⁾	real, Jan98=100	127.0	128.6	129.2	123.6	118.8	122.6	124.0	124.0	122.1	124.7	122.7	118.9	119.6	119.5	120.8	120.4
HRK/USD, calculated with PPI ⁷⁾	real, Jan98=100	131.1	132.6	128.6	124.1	122.7	123.2	125.2	126.9	125.6	126.3	123.3	120.9	120.7	117.7	119.5	120.0
HRD/EUR, calculated with CPI ⁷⁾	real, Jan98=100	99.8	99.2	99.6	100.2	100.3	101.4	101.6	99.7	96.4	95.8	94.9	96.4	98.1	97.7	96.8	96.7
HRD/EUR, calculated with PPI ⁷⁾	real, Jan98=100	103.2	102.5	99.6	99.5	100.2	100.7	102.4	101.7	98.6	97.5	96.4	99.2	100.6	99.4	98.6	99.4
DOMESTIC FINANCE																	
M0, end of period	HRK mn	6341	6025	5777	6637	5908	6113	6412	6551	6790	7266	7734	7539	7475	7182	7423	.
M1, end of period	HRK mn	17244	16702	16385	18030	16717	16971	17395	18253	18845	19065	20531	19838	20285	20065	20976	.
Broad money, end of period	HRK mn	68959	69810	70484	73061	74063	75524	77505	77651	77828	79690	81993	87748	88344	90102	95006	.
Broad money, end of period	CPMY	24.6	25.0	27.1	28.9	32.0	31.7	33.8	31.7	29.7	28.5	24.9	28.6	28.1	29.1	34.8	.
Discount rate (p.a.), end of period	%	5.9	5.9	5.9	5.9	5.9	5.9	5.9	5.9	5.9	5.9	5.9	5.9	5.9	5.9	5.9	5.9
Discount rate (p.a.), end of period ⁸⁾	real, %	-2.8	-3.5	-4.9	-4.8	-2.1	-2.2	0.4	0.8	0.7	1.3	1.8	2.4	2.8	3.7	8.1	9.3
BUDGET																	
Central gov. budget balance, cum.	HRK mn	-3665.5	-4928.2	-5004.6	-6127.9	-619.8	-1548.0	-3250.8	-3609.1	-4044.8	-4380.0	-4549.6	-4629.3	-5435.0	-2175.5	-2232.1	.

1) In business entities with more than 19 persons employed.

2) In business entities with more than 10 persons employed.

3) Ratio of unemployed to the economically active population.

4) From August 2001 adjustment lowering telecom prices.

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

6) Cumulation starting January and ending December each year.

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

8) Deflated with annual PPI.

C Z E C H REPUBLIC: Selected monthly data on the economic situation 2000 to 2001

(updated end of January 2002)

		2000				2001											
		Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
PRODUCTION																	
Industry, total	real, CMPY	3.7	9.0	4.3	1.4	13.8	6.5	9.8	11.3	6.9	3.7	9.3	3.0	1.1	4.1	6.6	.
Industry, total	real, CCPY	5.5	5.9	5.8	5.4	13.8	10.0	10.0	10.3	9.6	8.6	8.7	7.9	7.1	6.8	6.8	.
Industry, total	real, 3MMA	7.9	5.7	5.0	6.3	7.1	10.0	9.2	9.3	7.2	6.5	5.1	4.2	2.7	4.0	.	.
Construction, total	real, CMPY	7.5	15.0	11.7	2.3	12.5	16.0	15.8	16.1	15.1	12.2	21.4	9.2	3.6	7.0	2.5	.
LABOUR																	
Employees in industry ¹⁾	th. persons	1164	1183	1188	1181	1166	1177	1187	1185	1182	1186	1193	1190	1183	1185	1190	.
Unemployment, end of period	th. persons	458.3	445.2	442.2	457.4	474.1	466.1	451.5	433.3	420.6	420.3	439.8	443.6	440.5	437.3	439.2	461.9
Unemployment rate ²⁾	%	8.8	8.5	8.5	8.8	9.1	9.0	8.7	8.3	8.1	8.1	8.5	8.5	8.5	8.4	8.5	8.9
Labour productivity, industry ¹³⁾	CCPY	9.0	9.2	8.8	8.3	17.1	11.0	9.1	8.7	7.8	7.1	6.9	6.7	5.9	5.7	5.7	.
Unit labour costs, exchr. adj.(USD) ¹³⁾	CCPY	-11.9	-12.9	-12.6	-12.2	-9.0	-6.4	-5.5	-4.4	-2.4	-2.4	-2.4	-1.7	-0.1	1.2	1.7	.
WAGES, SALARIES																	
Industry, gross ¹⁾	CZK	13147	13802	16183	14805	13573	12736	13618	13689	15038	14700	14534	14262	13796	14763	16906	.
Industry, gross ¹⁾	real, CMPY	1.2	2.0	3.9	0.5	7.9	1.0	0.1	3.1	2.2	0.5	1.6	0.6	0.0	2.2	0.1	.
Industry, gross ¹⁾	USD	323	336	400	380	363	339	359	353	383	370	369	377	367	399	451	.
Industry, gross ¹⁾	EUR	371	391	467	425	386	368	394	396	437	433	429	419	404	440	507	.
PRICES																	
Consumer	PM	0.0	0.3	0.1	0.2	1.9	0.0	0.1	0.4	0.6	1.0	1.0	-0.2	-0.7	0.0	-0.1	0.1
Consumer	CMPY	4.1	4.4	4.3	4.0	4.2	4.0	4.1	4.6	5.0	5.5	5.9	5.5	4.7	4.4	4.2	4.1
Consumer	CCPY	3.8	3.9	3.9	3.9	4.1	4.0	4.0	4.2	4.4	4.5	4.7	4.8	4.8	4.8	4.7	4.7
Producer, in industry	PM	0.6	1.1	0.1	-0.2	0.4	0.9	0.1	-0.6	0.2	0.2	-0.1	-0.3	0.0	0.7	-0.4	-0.3
Producer, in industry	CMPY	5.4	5.8	5.8	4.9	4.2	4.7	4.1	4.1	3.8	3.4	3.0	2.4	1.8	1.4	0.9	0.8
Producer, in industry	CCPY	4.7	4.8	4.9	4.9	4.2	4.4	4.3	4.3	4.2	4.0	3.9	3.7	3.5	3.3	3.1	2.9
RETAIL TRADE																	
Turnover	real, CMPY	1.0	4.9	0.4	4.5	7.6	0.3	3.2	6.0	4.2	2.1	5.7	3.3	4.1	7.2	6.6	.
Turnover	real, CCPY	4.6	4.7	4.2	4.0	7.6	3.9	3.7	4.2	4.2	3.9	4.2	4.0	4.1	4.4	4.6	.
FOREIGN TRADE¹⁵⁾																	
Exports total (fob), cumulated	EUR mn	22569	25638	28879	31483	2861	5835	9165	12134	15400	18599	21407	24261	27364	30923	34468	37233
Imports total (fob), cumulated	EUR mn	24613	28134	31678	34876	3077	6266	9921	13222	16741	20081	23428	26678	29695	33579	37307	40725
Trade balance, cumulated	EUR mn	-2044	-2495	-2799	-3393	-216	-431	-756	-1088	-1341	-1481	-2021	-2417	-2332	-2656	-2839	-3492
Exports to EU (fob), cumulated	EUR mn	15606	17685	19855	21588	2031	4156	6507	8586	10844	13048	14961	16865	18969	21382	23784	25655
Imports from EU (fob), cumulated	EUR mn	15377	17508	19699	21637	1880	3916	6290	8356	10547	12654	14771	16778	18593	20988	23219	25174
Trade balance with EU, cumulated	EUR mn	229	177	156	-49	151	240	217	230	297	394	190	88	376	394	565	481
FOREIGN FINANCE																	
Current account, cumulated	USD mn	-1061	.	.	-2273	.	.	-573	.	.	-1093	.	.	-1485	.	.	.
EXCHANGE RATE																	
CZK/USD, monthly average	nominal	40.7	41.1	40.5	38.9	37.4	37.6	38.0	38.7	39.3	39.8	39.3	37.9	37.6	37.0	37.5	36.5
CZK/EUR, monthly average	nominal	35.4	35.3	34.6	34.8	35.1	34.6	34.6	34.5	34.4	34.0	33.9	34.0	34.2	33.6	33.3	32.6
CZK/USD, calculated with CPI ⁶⁾	real, Jan98=100	113.9	115.1	113.3	108.6	103.1	103.8	105.1	107.2	108.5	109.0	106.4	102.7	102.9	101.1	102.5	99.7
CZK/USD, calculated with PPI ⁶⁾	real, Jan98=100	114.3	115.1	112.8	109.7	107.9	105.2	105.1	108.3	110.0	110.1	107.7	103.7	102.7	98.2	99.9	97.5
CZK/EUR, calculated with CPI ⁶⁾	real, Jan98=100	89.5	89.0	87.4	87.8	87.0	86.1	86.1	86.1	85.6	83.8	82.5	83.2	84.4	82.8	82.1	80.3
CZK/EUR, calculated with PPI ⁶⁾	real, Jan98=100	90.0	89.1	87.4	87.7	88.0	86.2	86.1	86.7	86.3	85.1	84.5	85.1	85.6	83.1	82.5	80.9
DOMESTIC FINANCE																	
M0, end of period	CZK bn	173.3	171.1	173.0	171.8	168.2	170.6	171.5	172.6	172.6	173.9	170.6	172.6	177.1	175.9	181.8	.
M1, end of period	CZK bn	538.1	536.1	548.5	542.5	543.3	549.2	551.1	566.0	583.4	592.6	598.5	600.6	604.8	602.2	615.1	.
M2, end of period	CZK bn	1431.3	1439.9	1454.5	1479.5	1487.3	1498.4	1498.1	1530.4	1578.6	1582.5	1602.7	1618.5	1603.7	1609.9	1635.3	.
M2, end of period	CMPY	7.1	6.9	7.7	6.5	9.0	7.8	7.8	9.2	11.4	13.1	13.3	12.8	12.0	11.8	12.4	.
Discount rate (p.a.), end of period	%	5.0	5.0	5.0	5.0	5.0	4.0	4.0	4.0	4.0	4.0	4.25	4.25	4.25	4.25	3.75	3.75
Discount rate (p.a.), end of period ⁷⁾	real, %	-0.4	-0.8	-0.8	0.0	0.8	-0.6	-0.1	-0.1	0.2	0.6	1.2	1.8	2.4	2.8	2.8	2.9
BUDGET																	
Central gov. budget balance, cum.	CZK mn	-17306	-11254	-19097	-46060	18748	3248	2677	-16809	-28713	-29652	-23519	-25566	-22644	-35432	.	.

1) Enterprises employing 20 and more persons.

2) Ratio of job applicants to the sum of economically active, women on maternity leave and job applicants.

3) From January 2001 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) Adjusted for domestic and foreign (US resp. EU) inflation. Values less than 100 mean real appreciation.

7) Deflated with annual PPI.

H U N G A R Y: Selected monthly data on the economic situation 2000 to 2001

(updated end of January 2002)

		2000				2001											
		Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
PRODUCTION																	
Industry, total	real, CMPY	16.9	16.2	15.7	11.9	19.8	9.8	2.9	11.7	8.8	0.4	3.1	2.9	-5.8	2.2	-1.0	.
Industry, total	real, CCPY	20.4	19.9	19.4	18.7	19.8	14.6	10.6	10.8	10.4	8.5	7.7	7.1	5.5	5.1	4.5	.
Industry, total	real, 3MMA	18.5	16.2	14.6	15.8	13.7	10.6	7.9	7.5	6.4	3.9	2.0	-0.2	-0.3	-1.5	.	.
Construction, total	real, CMPY	6.8	16.4	12.5	0.3	6.4	5.2	4.8	6.8	17.3	9.1	12.0	22.5	10.3	7.4	7.0	.
LABOUR																	
Employees in industry ¹⁾	th. persons	848.2	848.2	849.2	843.8	841.4	848.7	857.5	859.7	858.8	846.6	843.7	839.1	843.3	712.3	822.4	.
Unemployment ²⁾	th. persons	238.6	257.3	249.8	238.0	246.9	258.8	230.8	233.6	232.2	223.8	233.9	237.0	218.3	227.5	235.2	.
Unemployment rate ²⁾	%	5.7	6.2	6.0	5.7	6.0	6.3	5.6	5.8	5.7	5.4	5.7	5.8	5.3	5.6	5.8	.
Labour productivity, industry ¹⁾	CCPY	18.7	18.2	17.9	17.1	19.1	14.0	9.9	9.9	9.3	7.8	7.1	6.7	5.0	7.0	6.6	.
Unit labour costs, exchr. adj.(USD) ¹⁾	CCPY	-17.6	-18.0	-18.2	-17.5	-10.3	-7.7	-4.8	-4.6	-3.5	-1.8	-0.9	0.9	3.8	3.8	5.3	.
WAGES, SALARIES																	
Total economy, gross ¹⁾	HUF	83500	87360	100927	115805	94414	91350	95117	98928	98248	101478	98991	97509	99232	106153	123885	.
Total economy, gross ¹⁾	real, CMPY	1.5	1.6	3.6	5.8	5.4	6.3	5.2	8.2	3.8	6.7	4.1	7.8	10.0	12.9	14.6	.
Total economy, gross ¹⁾	USD	277	284	327	392	335	317	325	331	333	351	342	349	353	377	438	.
Total economy, gross ¹⁾	EUR	318	332	382	437	356	344	357	371	380	411	398	388	388	416	493	.
Industry, gross ¹⁾	USD	294	299	353	367	334	323	340	324	358	356	350	371	353	375	438	.
PRICES																	
Consumer	PM	1.2	0.7	0.5	0.3	1.5	1.4	1.0	0.7	0.9	0.3	0.1	-0.2	0.5	0.3	0.1	0.1
Consumer	CMPY	10.3	10.4	10.6	10.1	10.1	10.4	10.5	10.3	10.8	10.5	9.4	8.7	8.0	7.6	7.1	6.8
Consumer	CCPY	9.6	9.7	9.8	9.8	10.1	10.3	10.3	10.3	10.4	10.4	10.3	10.1	9.9	9.6	9.4	9.2
Producer, in industry	PM	1.2	0.8	1.5	-0.2	0.7	0.7	0.7	0.2	-0.7	-1.3	0.1	0.1	0.7	-0.2	0.4	.
Producer, in industry	CMPY	12.8	12.8	13.4	12.4	10.1	9.8	9.2	8.9	7.0	5.3	4.4	3.3	2.9	1.9	0.0	.
Producer, in industry	CCPY	11.3	11.5	11.7	11.7	10.1	9.9	9.6	9.4	8.7	8.0	7.4	6.8	6.4	5.9	5.3	.
RETAIL TRADE																	
Turnover ³⁾	real, CMPY	-3.0	2.9	0.9	0.2	8.9	5.6	5.8	5.8	4.3	4.0	5.1	4.2	2.6	6.4	.	.
Turnover ³⁾	real, CCPY	2.2	2.3	2.1	1.9	8.9	7.2	6.7	6.4	5.9	5.6	5.5	5.3	5.0	5.1	.	.
FOREIGN TRADE⁽⁴⁾																	
Exports total (fob), cumulated	EUR mn	21508	24451	27607	30542	2428	5147	8103	10850	13832	16746	19421	22017	24891	27914	31208	.
Imports total (cif), cumulated	EUR mn	24418	27881	31457	34854	2841	5839	9077	12185	15509	18687	21815	24614	27593	30944	34448	.
Trade balance, cumulated	EUR mn	-2910	-3429	-3850	-4311	-412	-692	-974	-1336	-1677	-1941	-2394	-2596	-2702	-3029	-3240	.
Exports to EU (fob), cumulated	EUR mn	16255	18428	20772	22938	1883	3970	6215	8244	10443	12637	14669	16569	18813	21070	23374	.
Imports from EU (cif), cumulated	EUR mn	14470	16411	18481	20352	1672	3430	5303	7064	8980	10876	12707	14332	16141	18047	20001	.
Trade balance with EU, cumulated	EUR mn	1786	2017	2292	2586	211	539	912	1180	1463	1761	1962	2237	2671	3023	3374	.
FOREIGN FINANCE																	
Current account, cumulated	USD mn	-936	-983	-973	-1496	-222	-272	-316	-318	-435	-726	-561	-316	-280	-265	-308	.
EXCHANGE RATE																	
HUF/USD, monthly average	nominal	301.0	307.1	308.3	295.4	282.2	288.0	292.6	299.0	295.4	289.3	289.5	279.1	280.9	281.5	283.1	277.0
HUF/EUR, monthly average	nominal	262.3	263.0	264.1	265.0	265.0	265.6	266.5	267.0	258.3	247.1	249.0	251.2	255.9	255.5	251.1	247.6
HUF/USD, calculated with CPI ⁽⁶⁾	real, Jan98=100	121.4	123.3	123.3	117.7	111.4	112.6	113.5	115.6	113.6	111.2	110.8	107.0	107.6	107.2	107.7	105.3
HUF/USD, calculated with PPI ⁽⁶⁾	real, Jan98=100	126.9	129.2	127.4	123.5	120.3	119.6	119.3	122.2	122.0	119.9	118.4	113.7	113.5	111.4	111.6	.
HUF/EUR, calculated with CPI ⁽⁶⁾	real, Jan98=100	95.6	95.3	95.4	95.5	94.1	93.4	93.0	93.0	89.7	85.6	86.0	87.0	88.4	88.0	86.2	84.9
HUF/EUR, calculated with PPI ⁽⁶⁾	real, Jan98=100	100.0	100.0	99.0	99.2	98.3	98.0	97.7	98.0	95.7	92.8	92.9	93.5	94.7	94.4	92.0	.
DOMESTIC FINANCE																	
M0, end of period	HUF bn	853.9	853.8	888.2	883.9	825.1	826.2	838.5	849.8	872.8	903.4	907.8	932.2	957.4	965.6	1006.8	1044.6
M1, end of period	HUF bn	2191.6	2195.0	2285.4	2381.8	2222.9	2192.9	2241.0	2239.9	2292.1	2328.9	2319.5	2438.1	2457.9	2478.7	2537.4	2755.8
Broad money, end of period	HUF bn	5680.0	5753.8	5895.1	6051.3	5971.4	5977.5	6012.6	6058.1	6153.8	6163.9	6241.7	6516.2	6545.0	6637.5	6715.3	7038.9
Broad money, end of period	CMPY	14.0	14.8	15.3	12.7	13.0	11.0	10.7	11.5	13.5	12.7	13.3	15.9	15.2	15.4	13.9	16.3
NBH base rate (p.a.), end of period	%	11.0	11.0	11.0	11.0	11.0	11.0	11.0	11.0	11.0	11.0	11.3	11.3	11.0	10.8	10.3	9.8
NBH base rate (p.a.), end of period ⁽⁷⁾	real, %	-1.6	-1.6	-2.1	-1.2	0.8	1.1	1.6	1.9	3.7	5.4	6.6	7.7	7.9	8.7	10.3	.
BUDGET																	
Central gov. budget balance, cum.	HUF bn	-173.9	-106.8	-126.9	-369.4	10.3	-34.3	-35.2	-56.4	-66.8	-84.2	-102.7	-135.8	-170.6	-194.9	-178.5	-413.2

1) Economic organizations employing more than 5 persons.

2) According to ILO methodology.

3) Excluding catering.

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

5) Cumulation starting January and ending December each year.

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

7) Deflated with annual PPI.

P O L A N D: Selected monthly data on the economic situation 2000 to 2001

(updated end of January 2002)

		2000				2001											
		Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
PRODUCTION																	
Industry ¹⁾	real, CMPY	5.0	7.1	4.8	-2.2	10.1	0.1	2.9	3.6	-0.9	-4.7	0.9	0.4	-3.8	1.6	-0.7	-4.8
Industry ¹⁾	real, CCPY	9.2	8.9	8.5	7.5	10.1	4.9	4.2	4.0	3.0	1.6	1.5	1.4	0.7	0.8	0.7	-0.2
Industry ¹⁾	real, 3MMA	7.0	5.6	3.1	3.8	2.3	4.2	2.2	1.8	-0.8	-1.7	-1.2	-0.9	-0.6	-0.9	-1.2	.
Construction ¹⁾	real, CMPY	-3.7	-1.7	-1.1	-6.2	-9.7	-9.1	-8.2	-10.8	-11.7	-10.0	-10.3	-13.9	-10.9	-9.7	-9.5	-10.6
LABOUR																	
Employees ¹⁾	th. persons	5270	5274	5247	5199	5184	5189	5170	5156	5135	5121	5097	5074	5060	5044	5020	4952
Employees in industry ¹⁾	th. persons	2733	2741	2724	2691	2668	2673	2663	2651	2634	2624	2608	2594	2584	2589	2576	2528
Unemployment, end of period	th. persons	2528.8	2547.7	2613.1	2702.6	2835.6	2876.9	2898.7	2878.0	2841.1	2849.2	2871.5	2892.6	2920.4	2944.3	3022.4	3115.1
Unemployment rate ²⁾	%	14.0	14.1	14.5	15.1	15.7	15.9	16.1	16.0	15.9	15.9	16.0	16.2	16.3	16.4	16.8	17.4
Labour productivity, industry ¹⁾	CCPY	16.5	16.0	15.6	14.7	15.8	10.1	9.3	9.2	8.1	6.7	6.7	6.6	6.0	6.1	6.0	5.6
Unit labour costs, exchr. adj.(USD) ¹⁾	CCPY	-13.1	-13.2	-13.0	-12.2	-4.9	-1.1	-0.4	0.4	3.7	5.5	5.5	5.2	5.8	6.4	7.2	.
WAGES, SALARIES																	
Total economy, gross ¹⁾	PLN	2088	2089	2160	2350	2069	2075	2149	2176	2163	2148	2199	2192	2218	2252	2302	2471
Total economy, gross ¹⁾	real, CMPY	0.4	0.5	0.8	-1.9	2.4	1.1	1.7	-1.2	1.8	-1.1	3.0	1.8	1.8	3.9	3.0	1.8
Total economy, gross ¹⁾	USD	465	450	474	545	503	507	529	542	543	541	525	516	526	545	562	616
Total economy, gross ¹⁾	EUR	533	526	553	606	535	551	582	606	621	634	611	574	577	602	633	690
Industry, gross ¹⁾	USD	457	441	481	566	507	510	535	534	542	537	526	516	512	532	579	.
PRICES																	
Consumer	PM	1.0	0.8	0.4	0.2	0.8	0.1	0.5	0.8	1.1	-0.1	-0.3	-0.3	0.3	0.4	0.1	0.2
Consumer	CMPY	10.3	9.9	9.3	8.5	7.4	6.6	6.2	6.6	6.9	6.2	5.2	5.1	4.3	4.0	3.6	3.6
Consumer	CCPY	10.4	10.4	10.3	10.1	7.5	7.1	6.8	6.8	6.9	6.7	6.5	6.3	6.1	5.9	5.7	5.5
Producer, in industry	PM	0.8	0.6	0.0	-0.9	-0.3	-0.1	0.2	0.2	0.0	-0.4	0.3	0.8	0.5	-0.6	-0.6	-0.2
Producer, in industry	CMPY	8.3	8.0	7.2	5.6	4.7	4.1	3.8	3.4	2.3	0.9	0.6	1.0	0.7	-0.5	-1.0	-0.3
Producer, in industry	CCPY	8.1	8.0	8.0	7.8	4.8	4.5	4.3	4.1	3.8	3.3	2.9	2.7	2.5	2.2	1.9	1.6
RETAIL TRADE																	
Turnover ¹⁾	real, CMPY	0.6	-1.7	-2.3	-3.9	3.2	-5.5	-3.8	-2.5	0.2	-1.8	-0.1	1.1	0.2	5.1	2.1	.
Turnover ¹⁾	real, CCPY	3.6	2.8	2.3	1.5	3.2	-0.8	-3.1	-2.6	-1.2	-1.4	-0.8	-0.4	-0.4	0.1	0.4	.
FOREIGN TRADE^{3,4)}																	
Exports total (fob), cumulated	EUR mn	24535	27951	31295	34380	3141	6347	9923	13156	16495	19832	23038	26282	29924	33835	36784	.
Imports total (cif), cumulated	EUR mn	38290	43459	48344	53118	4279	8484	13445	18080	22908	27666	32493	36897	41521	46847	51442	.
Trade balance, cumulated	EUR mn	-13755	-15508	-17049	-18738	-1138	-2137	-3521	-4925	-6413	-7834	-9455	-10615	-11597	-13012	-14657	.
Exports to EU (fob), cumulated	EUR mn	17340	19690	21934	24036	2308	4594	7151	9387	11745	14072	16272	18393	20738	23383	25485	.
Imports from EU (cif), cumulated	EUR mn	23744	26851	29794	32492	2574	5170	8238	11076	14038	16941	19963	22603	25481	28776	31591	.
Trade balance with EU, cumulated	EUR mn	-6404	-7161	-7861	-8457	-266	-577	-1088	-1689	-2293	-2869	-3691	-4210	-4742	-5393	-6107	.
FOREIGN FINANCE																	
Current account, cumulated	USD mn	-7863	-8703	-9148	-9946	-956	-1419	-2170	-2690	-3427	-4375	-4662	-5016	-5324	-6162	-6379	.
EXCHANGE RATE																	
PLN/USD, monthly average	nominal	4.490	4.637	4.561	4.313	4.111	4.093	4.060	4.017	3.981	3.970	4.186	4.246	4.219	4.133	4.094	4.014
PLN/EUR, monthly average	nominal	3.915	3.970	3.904	3.880	3.865	3.768	3.695	3.590	3.485	3.389	3.600	3.822	3.845	3.743	3.639	3.583
PLN/USD, calculated with CPI ⁵⁾	real, Jan98=100	110.8	113.7	111.5	105.1	100.0	99.9	98.8	97.3	95.8	95.8	101.0	102.8	102.2	99.4	98.4	96.3
PLN/USD, calculated with PPI ⁶⁾	real, Jan98=100	115.1	118.9	116.6	112.3	110.2	107.8	105.5	104.6	104.1	103.2	107.2	107.5	106.2	102.3	101.9	100.1
PLN/EUR, calculated with CPI ⁵⁾	real, Jan98=100	87.2	87.8	86.1	85.5	84.5	82.7	80.9	78.4	75.6	73.7	78.3	83.5	83.9	81.4	78.9	77.5
PLN/EUR, calculated with PPI ⁶⁾	real, Jan98=100	90.7	91.9	90.5	90.4	90.1	88.1	86.3	84.0	81.7	79.8	84.0	88.4	88.6	86.4	84.2	83.1
DOMESTIC FINANCE																	
M0, end of period	PLN bn	34.7	34.1	33.5	34.1	32.0	32.5	33.5	34.5	33.8	35.0	35.3	35.5	36.6	36.6	36.6	38.2
M1, end of period	PLN bn	92.0	91.9	91.9	93.8	89.4	89.5	89.8	90.7	91.5	92.3	95.5	94.7	97.3	96.2	93.9	.
M2, end of period	PLN bn	280.6	287.4	291.2	294.4	292.6	295.5	301.0	303.0	305.0	307.5	314.6	318.5	320.7	324.7	326.3	334.5
M2, end of period	CMPY	14.1	14.6	14.4	11.7	14.6	14.6	14.9	14.0	13.5	8.0	13.5	14.6	14.3	13.0	12.1	13.6
Discount rate (p.a.), end of period	%	21.5	21.5	21.5	21.5	21.5	21.5	19.5	19.5	19.5	18.0	18.0	17.0	17.0	15.5	14.0	14.0
Discount rate (p.a.), end of period ⁶⁾	real, %	12.2	12.5	13.3	15.1	16.0	16.7	15.1	15.6	16.8	16.9	17.3	15.8	16.2	16.1	15.2	14.3
BUDGET																	
Central gov. budget balance, cum.	PLN mn	-14042	-15521	-14897	-15391	-5092	-11979	-14993	-18282	-20384	-18806	-19377	-20964	-21813	-24635	-27684	-32600

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

6) Deflated with annual PPI.

R O M A N I A: Selected monthly data on the economic situation 2000 to 2001

(updated end of January 2002)

		2000				2001											
		Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
PRODUCTION																	
Industry, total ¹⁾	real, CMPY	7.5	9.0	7.1	2.3	16.3	9.8	7.4	12.6	13.0	5.0	5.7	4.6	2.5	9.3	8.3	.
Industry, total ¹⁾	real, CCPY	6.7	6.9	6.9	6.6	16.3	12.9	10.8	11.3	11.6	10.5	9.7	9.1	8.3	8.4	8.4	.
Industry, total	real, 3MMA	8.9	7.9	6.2	8.3	9.3	10.8	9.9	10.9	10.1	7.9	5.1	4.3	5.5	6.7	.	.
LABOUR																	
Employees total	th. persons	4474.6	4466.3	4434.2	4374.1	4413.5	4447.5	4467.1	4485.2	4521.5	4529.7	4542.3	4546.4	4551.7	4544.8	4507.3	.
Employees in industry	th. persons	1886.7	1881.0	1862.6	1839.6	1813.2	1825.1	1825.4	1828.2	1833.5	1833.2	1836.7	1845.0	1843.6	1843.5	1840.0	.
Unemployment, end of period	th. persons	977.7	969.3	984.7	1007.1	1032.9	1032.3	992.8	948.4	890.8	840.3	798.3	771.8	747.1	742.4	774.0	.
Unemployment rate ²⁾	%	10.2	10.2	10.3	10.5	10.7	10.7	10.3	9.8	9.2	8.7	8.3	8.0	7.8	7.7	8.0	.
Labour productivity, industry	CCPY	14.2	14.0	13.6	13.0	22.6	18.3	15.9	16.4	16.4	15.1	14.0	13.1	12.1	12.1	11.8	.
Unit labour costs, exchr. adj.(USD)	CCPY	-11.6	-11.8	-12.0	-11.3	-14.3	-12.8	-9.9	-8.7	-6.9	-5.1	-3.0	-1.6	0.1	0.7	1.1	.
WAGES, SALARIES																	
Total economy, gross	th. ROL	2989.8	3115.1	3349.6	3975.9	3621.7	3412.0	3717.3	4321.7	4174.7	4280.6	4436.3	4449.5	4424.0	4534.1	4719.7	.
Total economy, gross	real, CMPY	1.1	4.8	6.6	10.4	14.4	7.1	6.5	10.8	13.6	13.1	18.1	15.6	12.8	11.3	7.8	.
Total economy, gross	USD	127	127	133	155	138	127	136	155	147	148	151	149	146	147	151	.
Total economy, gross	EUR	145	148	156	173	147	138	150	174	168	173	176	166	161	163	170	.
Industry, gross	USD	126	128	133	153	134	129	142	159	154	149	161	158	150	151	153	.
PRICES																	
Consumer	PM	2.8	2.8	2.8	2.5	3.7	2.3	2.0	2.7	1.7	1.6	1.3	2.2	1.9	2.4	2.7	2.2
Consumer	CMPY	44.9	42.9	41.3	40.7	39.9	40.0	40.3	37.5	37.4	35.7	31.8	32.3	31.2	30.8	30.6	30.3
Consumer	CCPY	47.3	46.8	46.2	45.7	39.9	39.9	40.1	39.4	39.0	38.4	37.3	36.7	36.0	35.4	34.9	34.5
Producer, in industry	PM	4.0	4.2	3.2	2.4	3.4	3.6	2.1	1.5	2.3	1.6	3.0	2.1	2.0	2.0	.	.
Producer, in industry	CMPY	52.5	53.0	53.4	50.3	50.2	51.1	50.5	48.5	48.5	43.9	40.2	39.2	36.5	33.5	.	.
Producer, in industry	CCPY	53.9	53.8	53.8	53.4	50.2	50.7	50.6	50.1	49.7	48.7	47.3	46.2	44.9	43.6	.	.
RETAIL TRADE																	
Turnover	real, CMPY	-1.0	1.0	1.4	1.8	3.7	-3.1	-1.2	-2.0	-1.9	-7.0	2.5	1.1	0.9	4.8	.	.
Turnover	real, CCPY	-6.6	-5.8	-5.2	-4.5	3.7	0.2	-0.3	-0.8	-1.0	-2.1	-1.4	-1.1	-0.8	-0.2	.	.
FOREIGN TRADE^{3,4)}																	
Exports total (fob), cumulated	EUR mn	8079	9125	10265	11219	964	1963	3113	4040	5159	6343	7528	8607	9675	10696	11799	.
Imports total (cif), cumulated	EUR mn	9804	11172	12701	14128	1241	2602	4004	5427	7092	8622	10125	11423	12648	14233	15787	.
Trade balance, cumulated	EUR mn	-1724	-2048	-2435	-2909	-276	-639	-891	-1387	-1934	-2279	-2597	-2816	-2972	-3536	-3989	.
Exports to EU (fob), cumulated	EUR mn	5153	5799	6552	7162	681	1384	2153	2773	3522	4321	5093	5802	6535	7254	8012	.
Imports from EU (cif), cumulated	EUR mn	5595	6359	7198	7995	682	1411	2214	3005	3930	4831	5775	6491	7190	8160	9097	.
Trade balance with EU, cumulated	EUR mn	-442	-560	-646	-833	-1	-27	-61	-233	-408	-510	-682	-688	-655	-906	-1085	.
FOREIGN FINANCE																	
Current account, cumulated	USD mn	-798	-956	-1067	-1359	-107	-363	-455	-791	-1197	-1337	-1382	-1387	-1378	-1626	-1903	.
EXCHANGE RATE																	
ROL/USD, monthly average	nominal	23602	24538	25103	25604	26243	26815	27299	27878	28493	28952	29364	29809	30236	30786	31299	31556
ROL/EUR, monthly average	nominal	20565	21001	21493	23012	24646	24729	24849	24880	24910	24732	25266	26853	27549	27899	27806	28205
ROL/USD, calculated with CPI ⁵⁾	real, Jan98=100	113.6	115.2	114.7	114.0	113.4	113.7	113.7	113.5	114.6	114.8	114.6	113.8	113.8	112.8	111.6	110.1
ROL/USD, calculated with PPI ⁶⁾	real, Jan98=100	117.9	118.3	117.0	117.6	119.7	115.8	114.2	115.3	115.7	114.6	111.4	110.5	109.8	107.0	.	.
ROL/EUR, calculated with CPI ⁵⁾	real, Jan98=100	89.5	89.0	88.7	92.8	95.8	94.4	93.2	91.4	90.4	88.4	89.0	92.6	93.4	92.4	89.5	88.8
ROL/EUR, calculated with PPI ⁶⁾	real, Jan98=100	92.9	91.5	90.9	94.6	97.8	94.9	93.5	92.5	90.7	88.7	87.5	91.0	91.6	90.6	.	.
DOMESTIC FINANCE																	
M0, end of period	ROL bn	22765	22509	22808	25742	23151	23752	23774	25811	25457	29645	29328	29830	32645	30835	31080	.
M1, end of period	ROL bn	35686	35643	37024	46331	38911	39512	39108	42070	41751	46001	46945	48172	51073	50032	50331	.
M2, end of period	ROL bn	163270	164063	164560	185060	185609	186210	191551	198613	199829	208498	216377	226557	235145	236890	244841	.
M2, end of period	CMPY	43.0	41.0	37.4	38.0	43.4	41.5	40.7	42.4	39.7	40.4	41.5	43.3	44.0	44.4	48.8	.
Discount rate (p.a.), end of period	%	35.0	35.0	35.0	35.0	35.0	35.0	35.0	35.0	35.0	35.0	35.0	35.0	35.0	35.0	.	.
Discount rate (p.a.), end of period ⁶⁾	real, %	-11.5	-11.8	-12.0	-10.2	-10.1	-10.7	-10.3	-9.1	-9.1	-6.2	-3.7	-3.0	-1.1	1.1	.	.
BUDGET																	
Central gov. budget balance, cum.	ROL bn	-22327	-22970	-22333	-28827	-3061	-6012	-8652	-10875	-14045	-22689	-26092	-27530	-30417	-31250	-32016	.

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

2) Ratio of unemployed to economically active population as of December of previous year, from 2000 as of December 1999.

3) Based on cumulated USD and converted with the average exchange rate USD/EUR.

4) Cumulation starting January and ending December each year.

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

6) Deflated with annual PPI.

R U S S I A: Selected monthly data on the economic situation 2000 to 2001

(updated end of January 2002)

		2000				2001											
		Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
PRODUCTION																	
Industry, total	real, CMPY	10.7	13.9	11.6	3.9	7.8	3.1	4.7	7.0	7.0	3.7	4.5	5.1	3.8	5.1	4.7	2.6
Industry, total	real, CCPY	12.7	12.8	12.7	11.9	7.8	5.4	5.2	5.7	5.9	5.5	5.4	5.3	5.2	5.2	5.1	4.9
Industry, total ¹⁾	real, 3MMA	12.1	12.1	10.3	7.7	6.3	6.0	6.3	6.2	5.9	5.0	4.4	4.5	4.7	4.6	.	.
Construction, total	real, CMPY	9.6	9.8	11.1	12.2	8.3	7.3	5.7	6.4	6.1	5.8	7.7	12.2	11.8	11.7	13.0	.
LABOUR																	
Employment total	th. persons	64900	65000	65000	65000	64900	64800	64800	64800	64900	65100	65100	65200	65200	65100	65000	.
Unemployment, end of period ²⁾	th. persons	7061	7030	6999	7039	7079	7119	6769	6419	6068	6095	6122	6149	6176	6200	6300	6400
Unemployment rate ²⁾	%	9.8	9.8	9.7	9.9	9.8	9.9	9.4	9.0	8.5	8.6	8.6	8.7	8.7	8.7	8.8	9.0
WAGES, SALARIES																	
Total economy, gross	RUB	2367.0	2425.0	2508.0	3025.0	2733.0	2655.0	2964.0	2923.0	3054.0	3284.0	3364.0	3376.0	3405.0	3515.0	3578.0	4294.0
Total economy, gross	real, CMPY	18.5	18.3	17.0	10.3	23.7	18.1	18.6	14.7	16.3	15.7	19.6	21.9	19.8	21.9	20.1	19.5
Total economy, gross	USD	85	87	90	108	96	93	103	101	105	113	115	115	116	119	120	143
Total economy, gross	EUR	98	102	106	120	103	101	114	113	120	132	134	128	127	131	135	160
PRICES																	
Consumer	PM	1.3	2.1	1.5	1.6	2.8	2.3	1.9	1.8	1.8	1.6	0.5	0.0	0.6	1.1	1.4	1.6
Consumer	CMPY	18.6	19.4	19.8	20.1	20.7	22.3	23.8	25.0	25.0	23.7	22.2	20.9	20.1	18.9	18.8	18.8
Consumer	CCPY	21.2	21.0	20.9	20.8	20.7	21.5	22.3	23.0	23.4	23.4	23.2	22.9	22.6	22.2	21.9	21.6
Producer, in industry	PM	1.9	2.7	1.2	1.0	1.8	1.7	1.1	0.9	0.9	2.0	0.9	0.0	-0.1	0.4	0.3	0.2
Producer, in industry	CMPY	40.5	36.7	33.3	31.6	28.8	26.3	24.5	23.8	22.7	22.4	19.4	17.4	15.1	12.5	11.5	10.6
Producer, in industry	CCPY	52.0	50.2	48.3	46.6	28.8	27.6	26.5	25.8	25.2	24.7	23.9	23.0	22.0	21.0	20.0	19.2
RETAIL TRADE																	
Turnover ³⁾	real, CMPY	8.6	8.5	9.1	8.6	6.4	7.4	8.0	10.3	12.3	11.7	11.0	11.7	11.1	12.5	12.1	.
Turnover ³⁾	real, CCPY	8.6	8.6	8.7	8.7	6.4	6.9	7.3	8.0	8.9	9.4	9.6	9.9	10.0	10.3	10.5	.
FOREIGN TRADE⁽⁵⁾																	
Exports total, cumulated	EUR mn	80772	91211	102906	114244	8903	17799	27601	37375	47377	58234	67865	78059	87355	96437	105906	.
Imports total, cumulated	EUR mn	33420	38158	43144	48550	3435	7365	12001	16827	22046	27513	32613	37716	42274	47635	53335	.
Trade balance, cumulated	EUR mn	47353	53054	59763	65694	5468	10434	15600	20548	25331	30721	35252	40343	45082	48802	52571	.
FOREIGN FINANCE																	
Current account, cumulated	USD mn	33381	.	.	46291	.	.	11530	.	.	20980	.	.	28557	.	.	.
EXCHANGE RATE																	
RUB/USD, monthly average	nominal	27.799	27.870	27.807	27.979	28.367	28.594	28.678	28.851	29.028	29.115	29.223	29.343	29.430	29.538	29.797	30.100
RUB/EUR, monthly average	nominal	24.241	23.855	23.758	25.110	26.626	26.372	26.096	25.769	25.415	24.871	25.111	26.370	26.821	26.784	26.478	26.852
RUB/USD, calculated with CPI ⁶⁾	real, Jan98=100	176.5	173.6	170.8	169.0	167.7	165.9	163.6	162.3	161.1	159.3	158.7	159.3	159.5	157.8	157.0	156.1
RUB/USD, calculated with PPI ⁶⁾	real, Jan98=100	194.1	190.6	187.4	188.4	192.7	187.3	183.8	184.0	184.2	179.3	176.2	176.4	177.0	172.8	173.8	175.2
RUB/EUR, calculated with CPI ⁶⁾	real, Jan98=100	138.9	134.0	131.7	137.2	141.5	137.5	133.9	130.6	127.1	122.6	122.9	129.2	130.9	129.3	125.8	125.6
RUB/EUR, calculated with PPI ⁶⁾	real, Jan98=100	153.0	147.3	145.1	151.2	157.2	153.4	150.3	147.5	144.5	138.6	138.0	144.8	147.6	146.2	143.5	143.3
DOMESTIC FINANCE																	
M0, end of period	RUB bn	351.0	349.7	358.4	419.3	380.1	388.0	399.4	435.3	438.3	474.7	490.6	507.1	531.0	531.5	527.3	.
M1, end of period	RUR bn	747.4	750.7	777.1	879.3	810.5	829.2	858.4	918.2	938.5	987.9	1015.1	1040.8	1074.9	1084.4	1058.1	.
M2, end of period	RUB bn	1388.4	1415.9	1457.3	1559.9	1530.8	1615.8	1632.3	1683.4	1730.0	1798.7	1842.3	1870.4	1925.5	1974.7	1984.9	.
M2, end of period	CMPY	68.6	63.1	60.2	58.4	53.0	51.7	49.7	49.9	47.8	44.7	41.5	40.9	38.7	39.5	36.2	.
Refinancing rate (p.a.), end of period	%	28.0	28.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0
Refinancing rate (p.a.), end of period ⁷⁾	real, %	-8.9	-6.3	-6.2	-5.0	-3.0	-1.1	0.4	1.0	1.9	2.1	4.7	6.5	8.6	11.1	12.2	13.0
BUDGET																	
Central gov. budget balance, cum.	RUB bn	160.9	177.1	191.2	162.5	56.1	56.9	82.3	122.7	148.8	161.3	200.0	201.2	199.9	228.3	.	.

1) Seasonally adjusted.

2) According to ILO methodology.

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

4) Based on cumulated USD and converted with the average exchange rate USD/EUR.

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

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

7) Deflated with annual PPI.

S L O V A K REPUBLIC: Selected monthly data on the economic situation 2000 to 2001

(updated end of January 2002)

		2000				2001											
		Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
PRODUCTION																	
Industry, total	real, CMPY	9.6	15.4	10.7	8.3	11.0	2.9	2.5	4.4	6.4	6.5	7.9	2.9	4.7	4.2	2.5	.
Industry, total	real, CCPY	8.5	9.2	9.4	9.3	11.0	6.8	5.2	5.0	5.3	5.5	5.8	5.5	5.4	5.2	5.0	.
Industry, total	real, 3MMA	11.7	11.9	11.5	10.0	7.3	5.2	3.2	4.4	5.8	6.9	5.8	5.1	4.0	3.8	.	.
Construction, total	real, CMPY	11.6	11.7	9.6	11.0	11.2	10.8	10.6	8.2	1.0	3.3	1.2	-0.8	-6.7	-1.2	-4.2	.
LABOUR																	
Employment in industry	th. persons	550.8	552.4	550.9	548.2	554.0	553.8	554.6	554.4	554.0	555.8	557.2	555.7	556.0	554.8	554.4	.
Unemployment, end of period ¹⁾	th. persons	472.5	461.5	477.8	506.5	561.0	558.1	545.3	519.0	498.7	505.2	510.7	506.1	497.6	499.3	513.1	533.7
Unemployment rate ¹⁾	%	16.6	16.1	16.7	17.9	19.8	19.7	19.2	18.3	17.5	17.8	18.0	17.8	17.4	17.3	17.7	18.6
Labour productivity, industry	CCPY	12.6	13.2	13.2	12.8	9.8	5.6	4.0	3.8	4.1	4.3	4.5	4.2	4.1	4.1	3.8	.
Unit labour costs, exchr. adj.(USD)	CCPY	-10.4	-12.1	-13.0	-13.3	-7.4	-5.1	-4.6	-4.4	-3.5	-4.0	-4.2	-3.2	-2.1	-0.8	0.3	.
WAGES, SALARIES																	
Industry, gross	SKK	11833	12490	14255	13413	12386	11601	12563	12708	13459	13809	13322	13125	12667	13478	15603	.
Industry, gross	real, CMPY	-2.4	1.8	-1.7	-2.9	5.4	2.2	0.8	2.7	2.2	2.5	1.3	1.0	-0.4	0.7	2.8	.
Industry, gross	USD	240	245	284	276	266	245	262	261	273	275	269	274	265	280	321	.
Industry, gross	EUR	275	286	332	308	283	265	287	292	312	322	313	305	291	309	362	.
PRICES																	
Consumer	PM	0.6	0.4	0.4	0.2	1.9	2.3	0.8	0.4	0.3	0.3	0.0	-0.1	0.2	0.1	-0.1	0.2
Consumer	CMPY	8.7	8.5	8.6	8.4	7.7	6.7	7.1	7.6	7.7	8.0	8.0	7.8	7.4	7.1	6.5	6.5
Consumer	CCPY	13.3	12.8	12.4	12.1	7.7	7.2	7.2	7.3	7.3	7.4	7.5	7.5	7.5	7.5	7.4	7.3
Producer, in industry	PM	0.3	1.0	0.9	0.2	0.3	2.0	1.0	0.2	0.1	0.2	-0.1	-0.1	-0.1	0.1	-0.2	0.1
Producer, in industry	CMPY	9.1	8.7	8.8	9.1	7.9	9.0	9.4	8.8	7.9	7.6	6.6	6.1	5.7	4.7	3.5	3.4
Producer, in industry	CCPY	10.2	10.0	9.9	9.8	7.9	8.5	8.8	8.8	8.6	8.4	8.2	7.9	7.7	7.4	7.0	6.7
RETAIL TRADE																	
Turnover	real, CMPY	5.3	6.6	7.2	10.1	10.8	4.8	-2.9	2.8	3.9	0.4	5.1	5.4	6.1	5.0	4.8	.
Turnover	real, CCPY	0.3	1.0	1.6	2.3	10.8	7.7	3.7	3.4	3.5	3.0	3.3	3.6	3.9	4.0	4.1	.
FOREIGN TRADE²⁾³⁾																	
Exports total (fob), cumulated	EUR mn	9327	10584	11837	12879	1106	2210	3411	4572	5839	7084	8284	9365	10575	11856	13088	14102
Imports total (fob), cumulated	EUR mn	9726	11119	12568	13859	1216	2443	3841	5158	6604	8040	9436	10704	12073	13567	15101	16485
Trade balance, cumulated	EUR mn	-398	-535	-731	-980	-109	-234	-431	-585	-764	-956	-1152	-1338	-1498	-1712	-2013	-2383
Exports to EU (fob), cumulated	EUR mn	5516	6252	7007	7602	658	1363	2096	2805	3586	4350	5067	5647	6370	7121	7865	8441
Imports from EU (fob), cumulated	EUR mn	4804	5484	6185	6775	573	1174	1875	2544	3292	4038	4778	5376	6055	6801	7557	8207
Trade balance with EU, cumulated	EUR mn	713	768	822	827	85	189	222	261	294	313	289	270	316	320	308	235
FOREIGN FINANCE																	
Current account, cumulated	USD mn	-169	-297	-453	-713	-99	-128	-315	-372	-586	-784	-856	-956	-1131	.	.	.
EXCHANGE RATE																	
SKK/USD, monthly average	nominal	49.4	51.0	50.1	48.6	46.5	47.4	48.0	48.7	49.3	50.2	49.6	48.0	47.8	48.1	48.5	48.2
SKK/EUR, monthly average	nominal	43.0	43.7	42.9	43.5	43.7	43.7	43.7	43.5	43.2	42.8	42.6	43.1	43.5	43.6	43.1	43.1
SKK/USD, calculated with CPI ⁴⁾	real, Jan98=100	119.4	123.0	120.7	116.7	110.2	110.1	110.8	112.5	114.1	115.9	114.1	110.7	110.4	110.7	111.8	110.9
SKK/USD, calculated with PPI ⁴⁾	real, Jan98=100	130.1	133.7	130.0	127.1	124.5	121.9	120.8	123.0	124.9	125.5	122.6	118.5	118.0	115.9	117.3	116.5
SKK/EUR, calculated with CPI ⁴⁾	real, Jan98=100	93.8	95.0	93.1	94.3	92.9	91.2	90.8	90.3	90.0	89.0	88.4	89.6	90.5	90.5	89.5	89.3
SKK/EUR, calculated with PPI ⁴⁾	real, Jan98=100	102.4	103.4	100.7	101.6	101.6	99.8	98.9	98.4	97.9	96.9	96.0	97.1	98.3	98.0	96.7	96.7
DOMESTIC FINANCE																	
M0, end of period	SKK bn	62.5	63.2	64.5	67.0	65.6	65.5	64.9	65.6	67.3	69.3	70.0	70.7	72.7	74.9	79.1	.
M1, end of period	SKK bn	167.6	170.3	174.0	187.2	177.8	179.3	177.7	182.0	186.3	189.8	195.8	198.4	207.4	207.0	214.7	.
M2, end of period	SKK bn	586.1	581.2	581.5	601.5	606.3	608.4	612.0	619.8	619.3	625.3	633.9	644.0	641.8	635.3	651.1	.
M2, end of period	CMPY	18.5	15.1	15.2	14.9	15.7	13.6	13.3	14.0	13.5	14.5	13.6	10.3	9.5	9.3	12.0	.
Discount rate (p.a.), end of period	%	8.8	8.8	8.8	8.8	8.8	8.8	8.8	8.8	8.8	8.8	8.8	8.8	8.8	8.8	8.8	8.8
Discount rate (p.a.), end of period ⁵⁾	real, %	-0.3	0.1	0.0	-0.3	0.8	-0.2	-0.5	0.0	0.8	1.1	2.0	2.6	3.0	3.9	5.1	5.2
BUDGET																	
Central gov. budget balance, cum.	SKK mn	-7821	-11924	-12597	-27648	4972	-5061	-5647	-14916	-14649	-13462	-22339	-22415	-22878	-27560	-29797	-44371

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

5) Deflated with annual PPI.

S L O V E N I A: Selected monthly data on the economic situation 2000 to 2001

(updated end of January 2002)

		2000				2001											
		Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
PRODUCTION																	
Industry, total	real, CMPY	3.7	3.1	5.7	-2.5	8.9	2.8	2.9	9.4	1.2	-3.9	6.4	2.9	-1.1	7.2	0.1	.
Industry, total	real, CCPY	7.7	7.2	7.0	6.2	8.9	5.8	4.7	5.8	4.8	3.2	3.7	3.6	3.0	3.5	3.2	.
Industry, total	real, 3MMA	4.4	4.2	2.3	4.1	3.0	4.7	4.9	4.2	1.8	1.0	1.6	2.7	3.0	2.0	.	.
Construction, total ¹⁾	real, CMPY	-5.2	-4.2	-2.3	-5.0	8.7	-2.7	-5.7	0.7	-2.7	-5.5	0.5	-2.2	-3.8	1.7	4.2	.
LABOUR																	
Employment total	th. persons	772.9	772.4	771.4	763.4	766.1	767.4	772.0	776.3	779.8	781.9	782.3	782.1	786.2	786.6	785.6	.
Employees in industry ²⁾	th. persons	220.5	221.5	221.1	220.2	220.7	221.5	222.5	223.0	223.5	223.4	222.9	221.9	221.8	.	.	.
Unemployment, end of period	th. persons	102.2	104.8	104.3	104.6	106.2	104.9	103.6	102.7	100.1	97.8	99.2	98.1	99.8	102.2	103.2	.
Unemployment rate ³⁾	%	11.7	11.9	11.9	12.0	12.2	12.0	11.8	11.7	11.4	11.1	11.3	11.1	11.3	11.5	11.6	.
Labour productivity, industry	CCPY	10.4	9.8	9.4	8.4	8.6	5.4	4.4	5.6	4.6	3.0	3.5	3.5	3.1	3.8	3.6	.
Unit labour costs, exch.r.adj.(USD)	CCPY	-16.5	-16.7	-16.4	-15.8	-7.5	-5.3	-5.0	-5.9	-4.7	-4.3	-5.3	-4.5	-3.2	-2.7	.	.
WAGES, SALARIES																	
Total economy, gross	th. SIT	192.6	196.8	212.9	213.0	207.3	204.5	206.7	206.9	210.5	209.3	210.1	216.4	214.1	219.2	234.8	.
Total economy, gross	real, CMPY	1.4	3.2	6.1	0.1	7.0	4.7	3.5	4.1	2.0	1.7	1.3	3.0	3.0	3.3	3.0	.
Total economy, gross	USD	806	807	868	904	918	883	877	855	852	823	829	889	890	903	946	.
Total economy, gross	EUR	925	942	1015	1010	977	958	963	960	974	965	965	989	976	997	1066	.
Industry, gross	USD	708	700	756	774	793	760	756	731	732	700	709	770	757	779	.	.
PRICES																	
Consumer	PM	1.4	0.6	1.1	0.1	0.4	1.1	1.1	0.7	1.1	0.4	0.2	0.0	0.9	0.5	0.4	0.1
Consumer	CMPY	8.9	9.0	9.7	8.9	8.5	8.7	8.9	9.0	9.7	9.5	8.8	8.5	7.9	7.8	7.0	7.0
Consumer	CCPY	8.8	8.8	8.9	8.9	8.5	8.6	8.7	8.8	9.0	9.1	9.0	9.0	8.8	8.7	8.6	8.4
Producer, in industry	PM	0.6	1.7	0.6	0.6	1.9	1.0	-0.5	0.9	0.1	0.3	0.4	0.3	0.4	1.0	0.5	1.0
Producer, in industry	CMPY	9.3	9.1	9.3	9.2	10.6	10.4	9.6	10.0	9.9	9.8	9.2	8.2	8.0	7.2	7.1	7.5
Producer, in industry	CCPY	7.1	7.3	7.5	7.6	10.6	10.5	10.2	10.1	10.1	10.0	9.9	9.7	9.5	9.3	9.1	8.9
RETAIL TRADE																	
Turnover	real, CMPY	7.1	5.5	12.3	12.3	15.8	4.3	4.9	10.7	5.4	3.1	12.2	9.6	6.2	9.7	.	.
Turnover	real, CCPY	6.4	6.3	6.9	7.3	15.8	9.8	8.0	8.7	7.9	7.1	7.8	8.0	7.8	8.0	.	.
FOREIGN TRADE⁴⁾																	
Exports total (fob), cumulated	EUR mn	6939	7843	8736	9505	812	1640	2612	3438	4348	5264	6195	6900	7782	8709	9587	.
Imports total (cif), cumulated	EUR mn	8047	9067	10093	10996	872	1778	2815	3758	4803	5783	6775	7548	8466	9479	10461	.
Trade balance total, cumulated	EUR mn	-1107	-1224	-1356	-1491	-60	-138	-203	-320	-455	-519	-579	-648	-684	-770	-874	.
Exports to EU (fob), cumulated	EUR mn	4470	5037	5596	6060	553	1093	1708	2223	2780	3343	3930	4343	4882	5465	.	.
Imports from EU (cif), cumulated	EUR mn	5444	6139	6843	7454	594	1206	1918	2547	3264	3929	4606	5105	5720	6409	.	.
Trade balance with EU, cumulated	EUR mn	-974	-1101	-1248	-1394	-41	-113	-210	-324	-484	-586	-676	-763	-838	-944	.	.
FOREIGN FINANCE																	
Current account, cumulated	USD mn	-424	-447	-475	-612	.	.	.	.	.	.	.	.	.	.	99	.
EXCHANGE RATE																	
SIT/USD, monthly average	nominal	238.8	244.0	245.2	235.6	225.9	231.6	235.7	241.9	247.1	254.4	253.5	243.5	240.7	242.7	248.2	247.8
SIT/EUR, monthly average	nominal	208.3	209.0	209.8	210.9	212.2	213.5	214.6	215.6	216.3	217.0	217.8	218.7	219.4	219.9	220.4	221.1
SIT/USD, calculated with CPI ⁵⁾	real, Jan98=100	123.2	125.4	124.8	119.7	115.0	117.1	118.0	120.8	122.6	125.9	124.8	119.9	117.9	118.0	120.2	119.9
SIT/USD, calculated with PPI ⁶⁾	real, Jan98=100	132.9	134.3	133.8	128.9	124.6	124.1	125.5	128.1	131.3	133.4	130.8	124.9	122.8	119.9	121.9	120.5
SIT/EUR, calculated with CPI ⁵⁾	real, Jan98=100	97.0	96.8	96.4	96.9	97.1	97.0	96.7	97.0	96.7	96.7	96.7	97.2	96.8	96.6	96.2	96.4
SIT/EUR, calculated with PPI ⁶⁾	real, Jan98=100	104.7	103.9	103.8	103.3	101.7	101.5	102.7	102.5	103.0	103.0	102.5	102.5	102.5	101.3	100.6	100.0
DOMESTIC FINANCE																	
M0, end of period	SIT bn	113.2	113.7	110.2	119.8	106.9	108.5	113.3	114.9	113.2	124.3	115.9	116.3	122.6	124.7	.	.
M1, end of period	SIT bn	399.0	405.3	395.7	424.0	396.6	391.1	402.7	417.1	408.1	437.8	419.6	418.1	438.1	440.3	455.3	.
Broad money, end of period	SIT bn	2125.7	2148.4	2193.5	2206.4	2240.8	2269.3	2329.9	2353.0	2410.3	2445.9	2477.1	2514.8	2555.2	2617.3	2705.7	.
Broad money, end of period	CMPY	14.5	15.8	16.2	15.3	17.2	17.1	18.7	18.6	20.2	19.8	19.3	19.9	20.2	21.8	23.4	.
Discount rate (p.a.), end of period	%	9	9	9	10	10	10	10	11	11	11	11	11	11	11	11	.
Discount rate (p.a.), end of period ⁷⁾	real, %	-0.3	-0.1	-0.3	0.7	-0.5	-0.4	0.4	0.9	1.0	1.1	1.6	2.6	2.8	3.5	3.6	.

1) Effective working hours.

2) Enterprises with 3 or more employed, excluding employees of self-employed persons.

3) Ratio of unemployed to the economically active.

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

5) Cumulation starting January and ending December each year.

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

7) Deflated with annual PPI.

U K R A I N E: Selected monthly data on the economic situation 2000 to 2001

(updated end of January 2002)

		2000				2001											
		Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
PRODUCTION																	
Industry, total ¹⁾	real, CMPY	5.5	10.8	14.4	13.2	14.8	7.2	12.7	16.3	16.2	13.1	.	.	.	.	.	.
Industry, total	real, CCPY	11.6	11.9	12.5	12.9	19.5	16.7	17.4	18.4	18.8	18.5	17.9	16.9	16.6	16.1	15.4	14.2
Industry, total ¹⁾	real, 3MMA	9.1	10.2	12.7	14.1	11.7	11.5	12.1	15.0	15.2	.	.	.	.	.	.	.
LABOUR																	
Unemployment, end of period	th. persons	1184.5	1174.7	1184.8	1188.0	1188.7	1194.4	1182.8	1165.2	1118.4	1071.3	1046.1	1029.3	1017.2	1002.8	1018.6	1028.8
Unemployment rate ²⁾	%	4.2	4.2	4.2	4.2	4.2	4.2	4.2	4.1	4.0	3.8	3.7	3.7	3.6	3.5	3.6	3.7
WAGES, SALARIES¹⁾																	
Total economy, gross	UAH	249.0	254.1	257.6	296.3	253.4	263.7	281.0	288.9	303.0	317.8	327.3	329.3	326.3	335.8	334.4	378.5
Total economy, gross	real, CMPY	1.4	2.9	4.9	7.6	14.7	16.3	13.8	20.2	23.5	24.4	24.9	21.4	22.1	24.6	22.3	20.4
Total economy, gross	USD	46	47	47	55	47	49	52	53	56	59	61	62	61	63	63	71
Total economy, gross	EUR	52	55	55	61	50	53	57	60	64	69	71	69	67	70	71	80
Industry, gross	USD	60	63	64	71	64	65	71	70	74	77	81	82	81	84	83	.
PRICES																	
Consumer	PM	2.6	1.4	0.4	1.6	1.5	0.6	0.6	1.5	0.4	0.6	-1.7	-0.2	0.4	0.2	0.5	1.6
Consumer	CMPY	31.7	32.1	28.9	25.8	22.1	18.9	17.3	17.0	15.1	11.6	9.9	9.6	7.3	6.0	6.1	6.1
Consumer	CCPY	28.0	28.4	28.4	28.2	22.1	20.5	19.4	18.8	18.0	16.9	15.8	15.0	14.1	13.2	12.5	12.0
Producer, in industry	PM	1.2	1.3	1.0	2.1	0.8	0.6	-0.5	0.2	0.0	0.2	0.1	-0.1	0.1	-0.7	0.7	-0.5
Producer, in industry	CMPY	19.9	20.6	20.1	20.6	17.8	16.4	12.8	10.8	10.1	9.4	7.9	7.1	5.9	3.8	3.5	0.9
Producer, in industry	CCPY	21.0	21.0	20.9	20.9	17.8	17.1	15.6	14.4	13.5	12.8	12.1	11.4	10.8	10.0	9.4	8.6
RETAIL TRADE																	
Turnover ³⁾	real, CCPY	8.7	7.7	7.3	6.9	11.3	7.7	8.0	8.7	10.3	10.4	11.4	11.4	11.5	11.8	12.3	.
FOREIGN TRADE³⁾																	
Exports total (fob), cumulated	EUR mn	10943	12511	14156	15771	1233	2546	4116	5656	7174	8918	10497	11973	13389	15054	16684	.
Imports total (cif), cumulated	EUR mn	10525	11946	13463	15103	1150	2395	3856	5227	6710	8257	9682	11273	12683	14242	15946	.
Trade balance, cumulated	EUR mn	419	565	.	667	83	151	259	430	464	661	815	700	706	812	738	.
FOREIGN FINANCE																	
Current account, cumulated	USD mn	1193	.	.	1481	.	.	278	.	.	845	.	.	1237	.	.	.
EXCHANGE RATE																	
UAH/USD, monthly average	nominal	5.439	5.439	5.437	5.436	5.433	5.430	5.421	5.418	5.414	5.401	5.371	5.347	5.339	5.310	5.287	5.294
UAH/EUR, monthly average	nominal	4.756	4.657	4.656	4.886	5.104	5.003	4.939	4.832	4.753	4.609	4.617	4.807	4.869	4.809	4.703	4.718
UAH/USD, calculated with CPI ⁴⁾	real, Jan98=100	178.8	176.6	176.0	173.1	171.4	171.0	170.1	168.1	168.0	166.9	168.3	167.9	167.7	165.9	164.4	162.0
UAH/USD, calculated with PPI ⁴⁾	real, Jan98=100	170.4	169.2	166.9	164.9	168.0	163.7	162.5	162.7	163.2	160.9	157.9	156.9	156.3	153.0	151.3	152.2
UAH/EUR, calculated with CPI ⁴⁾	real, Jan98=100	140.8	136.1	135.8	140.4	144.5	141.4	139.1	134.8	132.7	128.0	130.2	136.0	137.5	135.5	131.6	129.9
UAH/EUR, calculated with PPI ⁴⁾	real, Jan98=100	134.4	130.5	129.3	132.4	136.9	133.7	132.8	130.1	128.2	124.0	123.5	128.6	130.2	129.0	124.8	125.9
DOMESTIC FINANCE																	
M0, end of period	UAH mn	11541	11088	11158	12799	11851	12199	12736	13610	13452	14487	14797	15527	16208	16685	17325	.
M1, end of period	UAH mn	17953	17711	18205	20732	19492	19961	21159	21796	22554	23820	24164	24768	25884	26406	26782	.
Broad money, end of period	UAH mn	28975	28866	29395	32084	30816	31638	33026	34092	35157	36953	37373	38275	39643	40750	41508	.
Broad money, end of period	CMPY	41.6	38.1	39.7	45.4	39.8	37.7	36.4	35.8	35.1	36.4	32.9	29.8	36.8	41.2	41.2	.
Refinancing rate (p.a.), end of period	%	27.0	27.0	27.0	27.0	27.0	27.0	25.0	21.0	21.0	19.0	19.0	17.0	15.0	15.0	15.0	.
Refinancing rate (p.a.), end of period ⁷⁾	real, %	5.9	5.3	5.7	5.3	7.8	9.1	10.8	9.2	9.9	8.8	10.2	9.3	8.6	10.8	11.1	.
BUDGET																	
General gov. budget balance, cum. ⁸⁾	UAH mn	1747.1	2698.2	3062.7	1986.5	1384.8	1804.2	1479.2	1684.9	1910.6	1868.5	2383.5	2304.2	2295.6	2647.3	.	.

1) Excluding small firms.

2) Ratio of unemployed to the economically active.

3) Official registered enterprises.

4) Based on cumulated USD and converted with the average exchange rate USD/EUR.

5) Cumulation starting January and ending December each year.

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

7) Deflated with annual PPI.

8) Including pension fund.

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