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Bulgaria: muddling through

BY ANTON MIHAILOV

The Bulgarian economy did not manage to turn the corner in the second quarter with GDP dropping by a further 1.4% year on year. The first half of the year was marked by the ongoing macroeconomic adjustment, with a reorientation towards more reliance on exports as a driver of growth. The strong recovery in exports accelerated in the second quarter: real exports of goods and services (national accounts data) in the first half of 2010 were 10.2% higher than in the same period of the previous year. At the same time, there were no signs of a possible end in the slump of domestic demand, both regarding private consumption and investment. With imports still in negative territory, this adjustment has brought about a drastic reduction in the current account deficit.

Thanks to stronger external demand, there was a notable improvement in the performance of the manufacturing sector and even a modest recovery in the second quarter. After peaking at 10.3% in February, registered unemployment gradually started to fall supported by both the recovery in manufacturing and seasonal factors in summer. In the absence of either cost-push or demand-pull factors, there has been no rebound in inflation.

One of the most striking – and paradoxical – macroeconomic outcomes since the start of the recession has been the opposite direction in the movement of real wages and private consumption: thus, while real wages in the first half of 2010 grew by close to 8% year on year (an outcome which in itself is difficult to rationalize), real consumption of households dropped by 6% year on year and the volume of retail trade declined by 14.7%. The net loss in employment in this period is by far not sufficient as a sole explanation of this paradox. Obviously the latter was an upshot of a combination of inconsistent incomes policies (in the first place in the public sector, which subsequently spilled over to the private sector) and highly subdued consumer confidence. In these circumstances, the rational choice of the household sector as a whole has been to channel the unexpected 'bonus' into precautionary savings, which is also evidenced in the statistics of the dynamics of household deposits (at end-July 2010 their stock was some 14% higher than a year earlier).

In turn, the growth in deposits has been a welcome development for commercial banks in view of the fact that the previous massive influx of funds from abroad which supported the lending boom in previous years virtually dried out when the global economic and financial crisis struck. This new source of liquidity has allowed banks to maintain a certain level of lending activity in 2010: at least, in recent months there has been no net withdrawal by banks of funds from the non-government sector.

Bulgaria's economic policy remains messy and lacking direction. The lack of vision about what the government wants to achieve in the economy and how to do that through economic policy measures has been a weak point of the centre-right GERB party even before it took office in July 2009. This lack of overall direction seems to be one of the obstacles that thwart longer-term planning by firms and households, resulting in a protracted slump in investor and consumer confidence. Notably, the government lost its window of opportunity to launch early and fast reforms at the start of its term. Its inconsistent policies thereafter contributed to the deepening and prolongation of the economic crisis in the country.

The management of public finances is in a state of disarray. In June, following a disastrous fall in revenue and failure to downsize spending during the first months of the year, the government was forced to submit a budgetary revision to the parliament. The revised 2010 budget envisages an ESA'95 deficit of 3.8% for the year as a whole which reflects mostly lower than expected revenue and some cuts in spending.

However, the government seems incapable of rationalizing its spending despite the declared attempts to launch structural reforms and reduce the growing deficit. In reality, even the most humble attempts to launch modest reforms (such as those in the health care system, in education and in the Academy of Sciences) have so far failed as the government backed off – and re-opened its coffers – after these measures were faced with public protests. Consequently, cuts in public spending de facto only take place in areas where they do not face open public resistance, in the first place in public investment. This leads to further distortions in the structure of public expenditures, reducing their efficiency in terms of the possible countercyclical effect during the crisis.

The draft 2011 budget that was made public in September also lacks clear direction and is probably too optimistic. Its macroeconomic framework envisages a GDP rebound by more than 3% year on year already in the second half of 2010, followed by an annual GDP growth of 3.6% in 2011. This rosy growth forecast is accompanied by an upbeat expectation (especially compared to the current situation) of an even faster rebound in public revenue. The draft budget foresees a deficit of 2.5% for next year, which – given its shaky foundations – may also be overly optimistic.

The timing of the end of the recession in Bulgaria is still uncertain. The balance of upside and downside risks suggests that if strong export performance continues, an overall recovery could probably materialize in the second half of the year. It is not clear yet, however, whether and to what extent the recovery in exports and in the manufacturing sector will be sustained in the months to come. Therefore it might well be that the rate of GDP growth for the year as a whole remains close to zero or even negative. As there are no grounds to expect a notable rebound in domestic demand in the short run, it is likely that GDP growth in 2011 will also remain modest. In terms of economic policy, the biggest policy challenge for the authorities has switched from the current account deficit to the fiscal balance. Considerable and targeted policy efforts will be needed to put public finances in order but so far there have been no visible practical moves in this direction.

Table BG

Bulgaria: Selected Economic Indicators

	2006	2007	2008	2009 [1]	2009	2010	2010	2011	2012
					January-June			Forecast	
Population, th pers., average	7699.0	7659.8	7623.4	7585.1	.	.	7560	7540	7520
Gross domestic product, BGN mn, nom. [2]	51783.1	60184.6	69295.0	68537.2	30282.7	30924.7	68000	72000	76500
annual change in % (real) [2]	6.5	6.4	6.2	-4.9	-4.2	-2.5	0	2.5	3
GDP/capita (EUR at exchange rate) [2]	3400	4000	4600	4600	.	.	.	.	.
GDP/capita (EUR at PPP) [2]	9000	10000	10800	10000	.	.	.	.	.
Consumption of households, BGN mn, nom. [2]	34761.9	41300.8	45765.7	44985.6	20639.7	20201.0	.	.	.
annual change in % (real) [2]	8.7	9.1	3.4	-3.5	-6.0	-6.0	-2	0	2
Gross fixed capital form., BGN mn, nom. [2]	14297.5	17263.9	23282.6	16720.1	8383.7	7199.2	.	.	.
annual change in % (real) [2]	13.1	11.8	21.9	-29.0	-15.3	-13.5	-10	4	8
Gross industrial production [3]									
annual change in % (real)	6.0	9.6	0.6	-17.4	-18.9	-2.1	3	6	10
Gross agricultural production									
annual change in % (real)	-0.1	-21.0	33.0	-0.4	.	.	.	.	.
Construction industry [4]									
annual change in % (real)	23.9	27.9	26.5	-34.7	-30.2	-22.7	.	.	.
Employed persons - LFS, th, average	3110.0	3252.6	3360.7	3253.6	3281.5	3041.7	3100	3150	3200
annual change in %	4.3	4.6	3.3	-3.2	-1.5	-7.3	-4.7	1.6	1.6
Unemployed persons - LFS, th, average	305.7	240.2	199.7	238.0	222.4	341.6	.	.	.
Unemployment rate - LFS, in %, average	9.0	6.9	5.6	6.8	6.3	10.1	9.5	9	8
Reg. unemployment rate, in %, end of period	9.1	6.9	6.3	9.1	7.3	9.3			
Average gross monthly wages, BGN	360.3	430.6	524.5	591.8	575.7	629.3	.	.	.
annual change in % (real, gross)	3.7	10.4	8.4	9.8	10.2	7.9	.	.	.
Consumer prices (HICP), % p.a.	7.4	7.6	12.0	2.5	4.1	2.4	3	3	3
Producer prices in industry, % p.a.	12.0	7.7	10.9	-6.5	-5.2	6.3	.	.	
General governm.budget, EU-def., % GDP									
Revenues	37.7	39.0	37.7	35.6	41.5	.	.	.	.
Expenditures	34.8	38.9	35.9	39.4	42.4	.	.	.	.
Net lending (+) / net borrowing (-)	2.9	0.1	1.8	-3.7	-0.9	.	-4	-4	-3
Public debt, EU-def., in % of GDP	21.6	17.1	13.5	14.3	14.9	15.3	19	22	24
Base rate of NB % p.a., end of period [5]	3.3	4.6	5.8	0.6	2.4	0.2	.	.	.
Current account, EUR mn	-4647.0	-7756.0	-8199.0	-3196.0	-2650.8	-807.7	-1300	-1500	-1600
Current account in % of GDP	-17.6	-25.2	-23.1	-9.1	-17.1	-5.1	-3.7	-4.1	-4.1
Exports of goods, BOP, EUR mn	12012.0	13512.0	15203.0	11785.0	5396.3	6842.2	14000	14700	15500
annual growth rate in %	26.9	12.5	12.5	-22.5	-18.7	26.8	18.8	5.0	5.4
Imports of goods, BOP, EUR mn	17575.0	20758.0	23800.0	15890.0	7809.3	8173.0	17000	18000	19000
annual growth rate in %	26.7	18.1	14.7	-33.2	-24.0	4.7	7.0	5.9	5.6
Exports of services, BOP, EUR mn	4187.0	4760.0	5375.0	4879.0	1969.6	1870.1	5000	5300	5600
annual growth rate in %	17.5	13.7	12.9	-9.2	4.8	-5.1	2.5	6.0	5.7
Imports of services, BOP, EUR mn	3264.0	3586.0	4045.0	3326.0	1801.5	1438.9	3200	3400	3600
annual growth rate in %	18.9	9.9	12.8	-17.8	8.6	-20.1	-3.8	6.3	5.9
FDI inflow, EUR mn	6221.0	9046.0	6696.0	3213.0	1598.7	604.6	1600	1800	2000
FDI outflow, EUR mn	141.0	207.0	484.0	-98.0	47.2	60.1	.	.	.
Gross reserves of NB excl. gold, EUR mn	8309.1	11215.9	11927.6	11942.8	11038.4	10858.5	.	.	.
Gross external debt, EUR mn	20690.9	29016.8	37100.1	37705.8	37038.3	37095.1	.	.	.
Gross external debt in % of GDP	82.0	100.4	108.7	111.3	105.7	106.7	.	.	.
Average exchange rate BGN/EUR	1.956	1.956	1.956	1.956	1.956	1.956	1.956	1.956	1.956
Purchasing power parity BGN/EUR	0.745	0.787	0.847	0.899	.	.	.	.	.

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

1) Preliminary. - 2) Revised and adjusted according to ESA'95. - 3) Enterprises with 10 and more employees. - 4) Private enterprises with 5 and more employees, all enterprises in public sector. - 5) The BNB basic interest rate is not a policy rate but a monthly reference rate computed by the BNB as the average interbank LEONIA rate of previous month (valid from 2005).

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

The Czech Republic: changing structure of growth

BY LEON PODKAMINER

GDP growth accelerated strongly in the second quarter of 2010, to 3% vs. the same period of 2009, from 1% in the first quarter of the year. The reported GDP growth rate turns out to be much higher than envisaged even by the most recent official forecasts available from the Czech National Bank or the Czech Finance Ministry. Moreover, there have been radical – and so far generally unanticipated – changes in the structure of individual expenditure items behind the GDP development. Three facts stand out. First, private consumption, uniformly expected to decline strongly during the whole year 2010, has actually increased. (Also public consumption, envisaged to fall by nearly 3% in the second quarter of 2010, in fact rose by close to 1%.) Second, foreign trade in goods and services – still believed to be the main force behind the recovery in 2010 – has, on the whole, performed rather weakly. Its contribution to the current GDP growth is about 0.4 percentage points (way off the 1.9 p.p. reported for the first quarter of 2010 and also recently envisioned by the Finance Ministry for the whole year 2010). Of course, this is not to say that exports performed poorly: in fact they have been growing at impressive speed. The problem is that imports have started to grow slightly faster than exports. Finally, while gross fixed capital formation continued to contract strongly, there was a strong rise in inventories which appears to have been the major force behind the current GDP growth. (Rising inventories' contribution to GDP growth may have been close to 3 p.p. in the second quarter of 2010.) Given the strong contraction of inventories in 2009 their current increase is a natural and welcome development, likely to operate – even if at a smaller scale – also in the second half of the year.

The developments on the GDP expenditure side are neatly mirrored by the supply-side ones. In the second quarter of the year gross value-added in manufacturing was growing strongly, by more than 6% in real terms. Gross value-added increased strongly also in some smaller service sectors – but continued to decline (by more than 3%) in the construction sector.

During the first half of the year the gross output of the construction sector was over 12% down on the same period of 2009. But more recent data suggest that the decline in construction may have come to a stop. It is yet difficult to judge whether this marks a change in trend. In July the number of new dwelling start-ups was over 40% lower than a year earlier. The prospects of a true recovery of the construction sector may be still remote. In contrast, gross industrial production, which rose impressively in the first half of 2010, can be expected to retain its momentum in the coming months. The value of new orders placed with manufacturing keeps growing at double digits, with the value of export orders rising even faster. However, it may be added that the high growth of manufacturing production volumes happens to be associated with slower growth of the sales values. This is due to the stubborn deflation in industrial producer prices which is felt particularly strongly as far as the production for the internal market is concerned. Somewhat unfavourable terms-of-trade effects (marked by the rising prices of imported raw materials) impact the profitability and the financial position of much of the manufacturing sector negatively. Firms generally respond by cuts in employment, which results in improved productivity and unit labour costs (despite continuing advances in average nominal wages). Overall the financial position of the non-financial sector remains stable. But, while deflation and effective restraints on profitability improvements do not seem likely to interfere with the current production, they certainly contribute to the revealed weakness of gross fixed capital formation.

The fact that the Czech National Bank keeps its policy rates at very low levels (in fact lower than the ECB's) cannot help much, given the tendency to deflation in producer prices. Moreover, while the policy interest rates have been followed by the rates prevailing on the Czech money market, the interest rates on new loans to non-financial corporations have remained relatively high (on average close to 4% in nominal terms, as of July 2010). Costs of new consumer loans are much higher (over 15%); the interest rates on new mortgage lending are over 5%. Given such interest rates it is not surprising that lending to the private sector (and particularly to corporations) has been stagnant. It may be worth adding that the commercial banks continue to offer purely symbolic interest rates on deposits. In general their financial standing continues to be very strong: the anaemia of lending derives primarily from the weakness of the demand for loans. This happens to be coupled with a lack of incentives to aggressively expand the supply of loans to the domestic economy. Instead, banks have recently found lending (or short-term investment) abroad increasingly attractive.

High (and still rising) unemployment has not stopped the average wage from increasing in both real and nominal terms. The economy-wide total wage bill has not fallen in real terms – contrary to widespread anticipations. This development also underlies the 'unexpected' recovery of household consumption. On the other hand, the present output recovery happens to be associated with continuing cuts in employment. In effect unit labour costs still decline, though certainly less than would be the case should the average wage and employment have been both subject to aggressive downward adjustments.

It is quite possible that under strong cuts in unit labour costs, foreign trade would have performed better than it actually has. Certainly, imports would have been lower on account of lower purchasing power of employees' households. But exports may not have been all that much higher. The differential performance of exports and imports may have been more affected by the ongoing strengthening of the Czech currency than by the unit labour costs not falling more than they have.

The strength of the Czech currency must be primarily linked to the sentiments of international financial investors currently prevailing. Of course, the fundamentals – such as the relatively low level of public (and national foreign) debt; the prospects of fiscal consolidation; the apparent soundness of the banking system; the generally high levels of competitiveness etc. – are important as they are conducive to high inflows of foreign investment, including portfolio investment that targets consecutive issues of the Czech treasury debt. That the nominal return on this debt is rather low does not seem to matter. Safety considerations may have been more important. Alternatively, one must point to the possibility of a speculative motive behind at least some of the portfolio inflows. In this interpretation the strength of the Czech currency may – to some extent – be a sign of a bubble building up. The fact that, when all is said and done, the country still runs current account deficits (with the trade surplus being surpassed by the deficit on the income account) indicates that an important part of its fundamentals may still need to strengthen.

The new centre-right, liberal coalition government enjoys a comfortable majority in the parliament. Its economic policy focuses on curtailing the fiscal deficit, mostly by cutting expenditures, including social transfers. The public sector's wage bill is to be cut by 10% in 2011. Anti-corruption actions stand high on the agenda. In focus are lucrative contracts for highway construction and the delivery of defence equipment.

In the rest of 2010 and in 2011 the tendencies that have come to the fore recently are likely to continue. Positive GDP growth will accelerate rather sluggishly if at all – primarily on account of rising household consumption that in turn may be supported by the constant (or even slightly rising) wage bill and the falling propensity to save. Restocking, which has just started, will also continue, gradually paving the way for the revival of growth of investment in fixed assets. The contribution of foreign trade to GDP growth may turn negative in 2010, especially if the Czech currency keeps strengthening unduly. Of course it must be remembered that there is a massive surplus on the trade balance. This will not disappear anytime soon (though the current account deficit may get inflated from the current, relatively low, levels). If the Czech currency weakens somewhat – at least in real terms – foreign trade may return to its role as a propeller of faster growth. But such a scenario may become reality only later on (perhaps in 2012). It goes without saying that many more factors will have a bearing on the performance in the next 2-3 years. Apart from external economic developments (e.g. in the euro area) there is also the issue of the domestic fiscal policy which the new coalition government will finally choose to conduct. So far it looks as though that policy were going to be rather (unnecessarily) restrictive. But the eventual shape of that policy may look different.

Table CZ

Czech Republic: Selected Economic Indicators

	2006	2007	2008	2009 1)	2009	2010	2010	2011	2012
					January-June			Forecast	
Population, th pers., average	10269.1	10334.2	10424.3	10487.2	10480.0	10510.0	10550	10600	10650
Gross domestic product, CZK bn, nom.	3222.4	3535.5	3689.0	3627.2	1793.9	1803.3	3740	3910	4130
annual change in % (real)	6.8	6.1	2.5	-4.2	-4.3	2.0	1.5	2.5	3.5
GDP/capita (EUR at exchange rate)	11100	12300	14200	13100	.	.	.	.	.
GDP/capita (EUR at PPP)	18200	19900	20200	18900	.	.	.	.	.
Consumption of households, CZK bn, nom.	1537.2	1658.8	1803.7	1804.4	884.3	894.7	.	.	.
annual change in % (real)	5.1	4.8	3.6	-0.3	0.3	0.6	1	2	3
Gross fixed capital form., CZK bn, nom.	796.3	890.3	883.2	822.1	399.0	373.2	.	.	.
annual change in % (real)	6.0	10.8	-1.5	-8.3	-9.3	-5.3	-4	4	6
Gross industrial production									
annual change in % (real)	8.3	10.6	-1.9	-13.6	-19.0	10.0	8	6	6
Gross agricultural production									
annual change in % (real)	-4.2	3.1	6.6	-0.3	.	.	.	.	.
Construction industry									
annual change in % (real)	6.1	7.0	-0.2	-0.8	-3.8	-12.2	.	.	.
Employed persons - LFS, th, average	4828.1	4922.0	5002.5	4934.3	4944.1	4855.1	4860	4860	4910
annual change in %	1.3	1.9	1.6	-1.4	-0.7	-1.8	-1.5	0	1
Unemployed persons - LFS, th, average	371.7	276.6	229.8	352.2	318.4	398.8	.	.	.
Unemployment rate - LFS, in %, average	7.2	5.3	4.4	6.7	6.1	7.7	8.2	8.0	7.5
Reg. unemployment rate, in %, end of period	7.7	6.0	6.0	9.2	8.0	8.5	.	.	.
Average gross monthly wages, CZK 2)	19546	20957	22593	23488	22617	23134	.	.	.
annual change in % (real, gross)	4.0	4.3	1.4	2.9	1.3	1.4	1	3	3
Consumer prices (HICP), % p.a.	2.1	2.9	6.3	0.6	1.2	0.7	1.5	2.0	2.0
Producer prices in industry, % p.a.	0.1	2.6	0.4	-1.5	0.4	-1.8	.	.	.
General governm. budget, EU-def., % GDP									
Revenues	41.1	41.8	40.2	40.3	.	.	41.4	41.5	.
Expenditures	43.7	42.5	42.9	46.1	.	.	47.0	47.4	.
Net lending (+) / net borrowing (-)	-2.6	-0.7	-2.7	-5.9	.	.	-5.6	-5.9	-5.6
Public debt, EU-def., in % of GDP	29.4	29.0	30.0	35.4	.	.	39	42	45
Discount rate of NB, % p.a., end of period	1.5	2.5	1.3	0.3	0.5	0.3	0.5	2.5	2.5
Current account, EUR mn	-2745	-4090	-962	-1465	-248	-415	-1000	-2000	-2000
Current account in % of GDP	-2.4	-3.2	-0.7	-1.1	-0.4	-0.6	-0.7	-1.3	-1.2
Exports of goods, BOP, EUR mn	75706	89379	99158	80675	38693	46856	93000	104000	116000
annual growth rate in %	20.6	18.1	10.9	-18.6	-25.0	21.1	15	12	12
Imports of goods, BOP, EUR mn	73415	85038	95031	73842	35216	42271	85000	97000	107000
annual growth rate in %	20.8	15.8	11.8	-22.3	-27.1	20.0	15	14	10
Exports of services, BOP, EUR mn	11086	12311	14849	14575	7205	8077	17000	19000	21000
annual growth rate in %	16.8	11.0	20.6	-1.8	0.2	12.1	14	10	12
Imports of services, BOP, EUR mn	9494	10526	12210	13578	6320	8546	16000	18000	20000
annual growth rate in %	15.0	10.9	16.0	11.2	11.3	35.2	18	12	12
FDI inflow, EUR mn	4363	7667	4467	1935	1308	3112	5000	.	.
FDI outflow, EUR mn	1172	1187	2964	960	788	665	500	.	.
Gross reserves of NB excl. gold, EUR mn	23684	23456	26377	28556	26930	30320	.	.	.
Gross external debt, EUR mn	43415	51642	59689	60069	58668	65600	.	.	.
Gross external debt in % of GDP	37.0	38.9	43.5	43.8	42.8	45.6	.	.	.
Average exchange rate CZK/EUR	28.34	27.77	24.95	26.44	27.15	25.73	26.0	25.5	25.0
Purchasing power parity CZK/EUR	17.23	17.17	17.55	18.30	.	.	.	.	.

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

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

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

Hungary: slow recovery based on external demand

BY SÁNDOR RICHTER

In the first half of 2010 Hungary experienced a modest upturn in economic performance. The GDP grew by 0.5% compared to the same period of the previous year. Growth was generated in the export-oriented branches of manufacturing through an expansion (in value-added) of over 8%. Agriculture and construction still suffered double-digit declines. In the services sector a marginal decline was recorded.

The main positive contribution to GDP change has come from net exports. A further substantial contribution to growth originated from the replenishment of inventories that accompanied the revival of industrial output. Finally, a minor contribution was provided by growth of public consumption. The main negative contributions to change in GDP came from households' consumption and gross fixed capital formation.

Mainly because of changes in the personal income tax brackets, average real wages increased by 3.7% in the first half of the year, a remarkable development in the light of the minuscule economic growth. Nevertheless, this increase in household incomes has not been reflected in consumption indicators. This is due to the debt service on households' foreign-exchange denominated loans whose burden has risen as the forint has been weakening. Besides, households' attitudes towards raising consumer credits have become more cautious generally. Still, decreasing employment, and unemployment being 1.8 percentage points higher in June 2010 than a year earlier, also explain the missing effect of real wage growth on consumption.

In the first six months of 2010 the current account showed a remarkable surplus (EUR 866 million)[1] which is primarily the result of the wide gap between export and import growth rates (20.6% and 18% respectively). In the second half of the year this gap will start narrowing as a consequence of the probable acceleration of import growth due to the likely modest revival of investment activities and continued re-stocking of inventories. The current account balance will deteriorate over the second half of the year but is expected to remain in surplus.

After more than 100 days in office, the new government still remains silent about its plans for a medium-run economic policy that ought to be completely different from the one implemented by the previous administration (supported by the socialist party). The absence of such a new programme is primarily the consequence of the strategy the Fidesz party followed during its eight years of opposition. This strategy stipulated extension of support to the socialist-liberal government on welfare-increasing decisions – with no regard for the country's development level and the state of public finances. In addition, Fidesz used to radically oppose any economic policy measures, whether introduced or planned, whose aim was to restore fiscal balance. Finally, Fidesz used to conduct a mercilessly populist campaign against the former government's efforts to introduce reforms that could raise the low efficiency in the public sector. This strategy proved successful as it helped Fidesz attain a two-third majority in the parliament.

However, the promises the electorate appreciated so much as long as Fidesz was in opposition, are now increasingly an obstacle to the efficient conduct of economic policy. Prime Minister Orbán's revolutionary rhetoric and his vision of the future of Hungary is in sharp contradiction to the scope for action given the current state of the public sector and the judgement by the international environment concerning the economic policy Hungary can afford. Attempts of the new government to enlarge its manoeuvring room by obtaining support (more precisely: permission) for a higher fiscal deficit than prescribed in Hungary's convergence programme (3.8% and below 3% of the GDP in 2010 and 2011, respectively) have failed.

[1] This figure excludes data on the Special Purpose Entities unlike the respective figure in Table HU.

This failure was the consequence of a series of mistakes. First, irresponsible statements of Fidesz politicians comparing Hungary's difficulties this summer to those of Greece and adding that for this reason Hungary's fiscal deficit cannot be lower this year than 7% of the GDP, triggered a shock wave and led to a substantial weakening of the forint. Then came the suspension of negotiations (in the framework of the running stand-by agreement) with the IMF with the statement that Hungary did not need money from the IMF and that it would not accept the 'dictate' of that organization concerning the extent of the fiscal deficit. The government declared, as a proof of its independence, that it would discuss the issue of the general government deficit solely with the EU. Finally, after the prime minister had been reprimanded in Brussels, there came his acknowledgement in the parliament that there was no other way for Hungary than to observe the original fiscal deficit targets set by the previous government.

The new situation forced the government to look for means to keep the fiscal deficit at the required level. The instrument applied was a newly introduced, temporary levy charged on financial institutions tailored to their balance sheets. As financial institutions are up to 80% in foreign ownership and not particularly popular, this decision met with much appreciation. But at this point the reserves for avoiding unpopular measures seem to be exhausted. The 'bottomless barrels' Hungarian Railways Company (MÀV) and Budapest Public Transport Company (BKV) wait for additional subsidies to be able merely to maintain their services, or to introduce reforms including higher prices and/or closures of underutilized lines. In the healthcare system the cancellation of reforms through an earlier Fidesz-supported referendum left this sector in an unsustainable situation, necessitating further subsidies, or immediate radical reforms. Finally, the forthcoming local elections promise another landslide victory of Fidesz, however, this may prove to be a Pyrrhic one. Many of the local governments have been deeply indebted and are close to insolvency, and once Fidesz takes over local power nearly everywhere in Hungary, calls for a bailout from the central government will become loud. As an addition, the lastingly weak forint especially vis-à-vis the Swiss franc has become a serious problem for the households indebted in foreign currency (the bulk of foreign currency credits for households are nominated in CHF, and in August 2010 the forint was about 50% weaker in CHF terms than in June 2008, before the crisis). The government's promise to help those who cannot service their debt may become a double-edged sword, as payment discipline threatens to erode also in those segments of society which are not really endangered by insolvency. Although part of the burden will certainly be delegated to the financial sector, there will be costs for the budget as well.

In the current circumstances the main driver of recovery in 2010 will be net exports, and partly in 2011 as well. This year domestic demand and particularly household consumption will still decline. The speed of the economy's expansion will to a large extent be determined by the business climate in Western Europe, first of all in Germany. Foreign demand for products of the automotive industry and the IT sector, both flagships of the Hungarian manufacturing industry, will be of utmost importance. Growth in 2011 will be the result of contradictory processes. Measures to be taken in order to observe the fiscal target will block any substantial upturn in consumption, while a booming industry and recovering construction will contribute to growth through lively investment activity and increasing employment. Consumption-related imports will expand to a moderate extent, the surpluses in foreign trade will be maintained. The result is thought to be 2.5% GDP growth in 2011 and a further, though moderate, acceleration of growth to 3% in 2012.

The HUF/EUR and HUF/CHF exchange rates remain a central issue in 2010-20011. The weak forint helps maintain the vigorous expansion of exports and protects the domestic market against competition from cheap imports. This way it will have a positive impact on growth. Nevertheless, the drawback of the weak forint is an increased debt service burden on foreign currency debt. The financial sector will have to digest the special levy and will also have to address the danger of the growing number of non-performing loans. All in all, while the economy cannot reckon with stimulus from increasing government spending, credits will not be easily available either, nor substantially cheaper. The weak forint does not allow further cuts in the policy rate of the central bank. Besides, the special levy on the banking sector is expected to raise the costs of financing. An important growth impulse may come from abroad: a revival of inward FDI. Large investment projects to be realized in Hungary have recently been announced by Audi and Opel, the two firms following Daimler Benz whose project for a new production site in Kecskemét is already in its implementation stage.

Table HU

Hungary: Selected Economic Indicators

	2006	2007	2008	2009 1)	2009	2010	2010	2011	2012
					January-June			Forecast	
Population, th pers., average	10071.4	10055.8	10038.2	10022.0	10023.2	10007.8	10011	10005	10000
Gross domestic product, HUF bn, nom.	23755.5	25408.1	26543.3	26094.8	12381.5	12695.5	27000	28200	29600
annual change in % (real)	4.0	1.0	0.6	-6.3	-7.1	0.5	0.8	2.5	3
GDP/capita (EUR at exchange rate)	8900	10100	10500	9300	.	.	.	.	.
GDP/capita (EUR at PPP)	15000	15600	16100	14900	.	.	.	.	.
Consumption of households, HUF bn, nom.	12436.5	13254.9	13919.4	13409.3	6583.1	6555.4	.	.	.
annual change in % (real)	1.9	0.3	-0.5	-7.6	-6.9	-4.8	-3	0.5	2
Gross fixed capital form., HUF bn, nom.	5161.3	5380.5	5559.1	5225.3	2184.9	2070.1	.	.	.
annual change in % (real)	-3.6	1.6	0.4	-6.5	-5.9	-4.0	3	9	10
Gross industrial production									
annual change in % (real)	9.9	7.9	-0.2	-17.5	-22.6	8.9	8	12	12
Gross agricultural production									
annual change in % (real)	-2.9	-11.6	27.6	-9.9	.	.	.	.	.
Construction industry									
annual change in % (real)	-0.7	-14.0	-5.2	-4.3	-2.0	-13.6	-5	5	10
Employed persons - LFS, th, average	3930.0	3926.2	3879.4	3781.8	3780.5	3749.1	3760	3800	3840
annual change in %	0.7	-0.1	-1.2	-2.5	-2.0	-0.8	-0.5	1	1
Unemployed persons - LFS, th, average	316.7	312.0	329.1	420.7	402.3	485.6	.	.	.
Unemployment rate - LFS, in %, average	7.5	7.4	7.8	10.0	9.7	11.5	11.5	10.5	9.3
Reg. unemployment rate, in %, end of period	9.1	10.1	10.9	13.8	12.6	12.5	.	.	.
Average gross monthly wages, HUF 2)	171351	185018	198741	199837	198290	204127	.	.	.
annual change in % (real, net)	3.6	-4.6	0.8	-2.4	-2.2	3.7	.	.	.
Consumer prices (HICP), % p.a.	4.0	7.9	6.0	4.0	3.1	5.5	4.7	3.5	3
Producer prices in industry, % p.a.	6.6	0.3	4.6	4.5	6.9	2.5	.	.	.
General governm.budget, EU-def., % GDP									
Revenues	42.6	44.8	45.4	45.8	.	.	.	.	.
Expenditures	52.0	49.8	49.2	49.8	.	.	.	.	.
Net lending (+) / net borrowing (-)	-9.4	-5.0	-3.8	-4.0	.	.	-4.0	-4.0	-3.5
Public debt, EU-def., in % of GDP	65.6	65.9	72.9	78.3	.	.	78	79	78
Base rate of NB, % p.a., end of period	8.0	7.5	10.0	6.3	9.5	5.3	.	.	.
Current account, EUR mn 3)	-6877	-6990	-7663	-525	-304	1278	300	-1700	-2400
Current account in % of GDP	-7.7	-6.9	-7.3	-0.6	-0.7	2.7	0.3	-1.7	-2.2
Exports of goods, BOP, EUR mn 3)	58372	68371	72739	58374	27722	33445	67700	74800	82300
annual growth rate in %	17.5	17.1	6.4	-19.7	-26.7	20.6	16	10.5	10
Imports of goods, BOP, EUR mn 3)	60830	68510	73304	55022	26278	31018	63000	68700	74900
annual growth rate in %	16.5	12.6	7.0	-24.9	-30.2	18.0	14.5	9	9
Exports of services, BOP, EUR mn 3)	10875	12575	13819	13290	6179	6763	14200	15300	16800
annual growth rate in %	5.1	15.6	9.9	-3.8	0	9.5	7	8	10
Imports of services, BOP, EUR mn 3)	9646	11526	12859	11924	5730	5556	11900	12900	14200
annual growth rate in %	4.6	19.5	11.6	-7.3	-0.7	-3.0	0	8	10
FDI inflow, EUR mn 3)	15709	51015	45568	2063	1852	-4177	.	.	.
FDI outflow, EUR mn 3)	14964	48709	44136	2133	2766	-3379	.	.	.
FDI inflow, excl. SPE, EUR mn	5454	2852	4897	1550	-177	-690	2500	3000	3500
FDI outflow, excl. SPE, EUR mn	3127	2643	2095	1709	887	328	700	1000	1500
Gross reserves of NB, excl. gold, EUR mn	16384	16305	23807	30648	26971	35130	.	.	.
Gross external debt, excl. SPE, EUR mn	86681	103988	123537	135802	130921	141100	.	.	.
Gross external debt, excl. SPE, in % of GDP	91.9	103.8	124.1	140.7	135.7	145.3	.	.	.
Average exchange rate HUF/EUR	264.26	251.35	251.51	280.33	289.99	271.64	278	275	270
Purchasing power parity HUF/EUR	157.74	161.97	163.81	174.56	.	.	.	.	.

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

1) Preliminary . - 2) Enterprises with 5 and more employees. - 3) From 2006 including Special Purpose Entities (SPEs), 2010-2012 data are estimated excluding SPEs.

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

Poland: waiting for the investment take-off

BY LEON PODKAMINER

GDP growth accelerated in the second quarter of 2010 to 3.5% against the same period of 2009. Growth of each of the major GDP expenditure items: consumption, exports, imports of goods and services, and gross capital formation has accelerated. Only gross fixed capital formation declined slightly while there has been a massive increase in inventories. Rising inventories account for 1.9 percentage points (p.p.) of the overall GDP growth rate in the second quarter of 2010. Foreign trade, the largest positive factor behind growth in 2009, contributed negatively to the GDP growth (by -0.3 p.p., down from +0.7 p.p. in the first quarter of the year). For the first time in the last six quarters the rate of growth of imports (18.2%) surpassed that of exports (17%), in real terms. Gross value-added in market services remained flat – but it rose by more than 13% in industry and 4% in the construction sector. Strongly increased inventories partially represent outlays on fixed investment projects whose completion has been held back by particularly bad weather plaguing much of the country throughout the first half of the year.

Strong performance of industry has continued past the second quarter of 2010. Sales of industrial production in the first eight months of the year are over 10% higher, in real terms, than a year ago. Sales of manufacturing branches supplying primarily intermediate industrial goods rose by more than 14% indicating that a further expansion of production is forthcoming. Sales by branches supplying primarily investment goods rose over 8%, by branches supplying durable consumer goods by 24.5% and by non-durable consumer goods by close to 7%. Sales by the construction sector, which declined very strongly in the first five months, have since accelerated quite spectacularly.

Non-farm employment stabilized in the first half of 2010, showing a tendency towards moderate growth since. Unemployment remains rather high (though not by the past Polish standards) in spite of temporarily falling recently. Nominally, the total gross wage bill rose by 4.2% in the second quarter of the year (up from 3.6% in the first quarter) – over 1% in real terms. But households' disposable purchasing power was strongly augmented on account of high increases in pensions, retirement pays and other mandatory social transfers. In total, pensions and other social transfers rose by about 3% in real terms.

The strong increase in output under weakly rising wage bills generated rising profits. The net post-tax profits earned by industry (corporate sector) in the first half of 2010 rose by more than 14% over the same period of 2009, reaching PLN 26.6 billion (approximately EUR 6.7 billion). Other segments of the non-financial corporate sector performed similarly well. The net profit earned by the whole non-financial corporate sector in the first half of the year was about 13% higher than a year earlier, reaching PLN 41.6 billion (about EUR 10.5 billion). The liquidity position of the bulk of non-financial firms has strengthened further. The strong financial position of the non-financial corporate sector is also shown by the most recent business climate survey of the National Bank of Poland. Only 30% of firms polled consider their liquidity too low – but as much as 13% report excess liquidity. Given the still low level of investments and high liquidity levels, firms generally reduce their reliance on external financing, including on bank lending. The fact that commercial banks are reluctant to cut the costs of lending more aggressively adds to the contraction of lending to firms.

Commercial banks' profits, strongly depressed in the winter 2008/2009, continued to gradually recover throughout 2009. Net profits made by banks in the first quarter of 2010 were already close to 17% higher than the year before – but were still substantially lower than two years earlier. The effects of large provisions (i.e. reserves mitigating eventual losses on earlier operations) have been impacting banks' profit/loss accounts. At about 1.14, the banks' loans/deposits ratio has deteriorated somewhat over the last 12 months, but is still very low by international standards. Much of the shortfall is made up by cheap credits from foreign financial institutions (primarily the mother banks). The shares of liabilities of the domestic commercial banking sector to foreign financial institutions in total liabilities continue to be quite low yet. Overall the stability position of the banking system has been improving and is generally satisfactory. The share of 'endangered' loans (8% at the end of the first quarter) may still increase during 2010 – without this becoming a major worry (back in 2002 that share exceeded 20% before gently falling back to 4% at the beginning of 2008). Nonetheless, new safety requirements (including Basel-III) will require some effort – and possibly fresh capital injections into the banking system. These are likely to end up as additions to interest rates charged on loans and – temporarily at least – some reduction in the growth rates of lending to the real economy. After a rather slow start, lending to households accelerated in 2010. Households' liabilities to banks rose by about 7.8% nominally within the first seven months of 2010. But lending to the non-financial corporate sector has not really resumed: in fact the stock of the sector's bank liabilities has contracted by 0.3%. Overall, net domestic assets have remained flat while net foreign assets have expanded strongly.

Despite low and falling inflation (actually mild inflation in industrial producer prices over the first half of the year) the monetary policy interest rates have remained relatively high: The NBP deposit rate has been 2%, the rediscount rate 3.75%. (At the NBP this passes for a relaxed monetary policy.) Given the levels of market interest rates whose ranges are determined by the monetary policy – and the generally good standing of Poland (as the only EU country that resisted recession in 2009) – one cannot be surprised by massive inflows of capital (primarily portfolio investment targeting treasury bonds, but also foreign loans, first of all to banks). The strengthening of the domestic currency has been one by-effect of these inflows (the other side-effects include the increase in foreign reserves, and in foreign debt). While the nominal (and real) appreciation of the zloty has so far been moderate, this may have already had something to do with the faster growth of imports reported in the second quarter of 2010.

The general government deficit in 2010 is likely to exceed 7% of the GDP once more. While the central government does not shun from making some cosmetic cuts in spending (and hikes in VAT rates) the local governments appear to feel little restraint as far as their investment spending (financed by rising debt) is concerned. Deficit spending seems easy as the demand, also foreign, for Poland's public debt continues to be strong. However, as soon as the current election cycle is over (local elections will be held this autumn, general elections a year later) the new government – likely to be formed again by Donald Tusk, the present Prime Minister – may be tempted to institute a sort of fiscal consolidation package. Happily, by that time overall growth will be robust so that even some fiscal restrictiveness will not do much real harm.

In the second half of 2010 one should expect a continuation of the recent tendencies. Consumption will be accelerating slowly while the build-up of inventories should gradually give way to a revival of private gross fixed investment. Provided the exchange rate does not fall victim to a speculation-driven excessive appreciation, foreign trade developments may remain neutral as far as overall GDP growth is concerned. If this scenario holds, GDP growth may exceed the 3% mark in 2010 and even approach 4% in 2011 and 2012.

Table PL

Poland: Selected Economic Indicators

	2006	2007	2008	2009 1)	2009	2010	2010	2011	2012
					January-June			Forecast	
Population, th pers., average	38141.3	38120.6	38125.8	38151.6	38153.0	38190.0	38175	38150	38150
Gross domestic product, PLN bn, nom.	1060.0	1176.7	1272.8	1341.9	640.7	672.6	1420	1510	1610
annual change in % (real)	6.2	6.8	5.0	1.7	1.0	3.4	3	3.5	4
GDP/capita (EUR at exchange rate)	7100	8200	9500	8100	.	.	.	.	.
GDP/capita (EUR at PPP)	12300	13600	14100	14200	.	.	.	.	.
Consumption of households, PLN bn, nom.	652.8	701.6	773.9	813.2	409.2	431.5	.	.	.
annual change in % (real)	5.0	4.9	5.9	2.3	2.8	2.6	3	4.5	5
Gross fixed capital form., PLN bn, nom.	208.3	253.7	280.9	282.2	110.0	100.8	.	.	.
annual change in % (real)	14.9	17.5	8.2	-0.3	-1.7	-5.9	2	4	6
Gross industrial production (sales) 2)									
annual change in % (real)	12.1	9.3	2.6	-3.7	-9.0	11.4	8	6	7
Gross agricultural production									
annual change in % (real)	-1.1	5.2	0.9	-3.3	.	.	.	.	.
Construction industry 2)									
annual change in % (real)	15.9	16.4	9.8	4.7	1.6	-5.4	.	.	.
Employed persons - LFS, th, average	14593.6	15240.5	15799.8	15868.0	15780.4	15784.0	15870	15950	16270
annual change in %	3.4	4.4	3.7	0.4	1.1	0.0	0	0.5	2.0
Unemployed persons - LFS, th, average	2344.3	1618.8	1210.7	1411.1	1384.5	1760.5	.	.	.
Unemployment rate - LFS, in %, average	13.8	9.6	7.1	8.2	8.1	10.1	10.5	10	8.5
Reg. unemployment rate, in %, end of period	14.8	11.4	9.5	11.9	10.6	11.6	11.8	10.5	9.5
Average gross monthly wages, PLN	2475.9	2672.6	2942.2	3103.0	3253.4	3360.3	3250	3460	3710
annual change in % (real, gross)	4.0	5.5	5.9	2.1	1.2	0.4	1	3	4.5
Consumer prices (HICP), % p.a.	1.3	2.6	4.2	4.0	3.9	2.9	2.5	2.5	2.5
Producer prices in industry, % p.a.	1.8	2.0	2.4	3.9	5.3	-0.1	1	2	2
General governm.budget, EU-def., % GDP									
Revenues	40.2	40.3	39.6	37.4	.	.	.	.	.
Expenditures	43.9	42.2	43.3	44.5	.	.	.	.	.
Net lending (+) / net borrowing (-)	-3.6	-1.9	-3.7	-7.1	.	.	-6.9	-5.9	-4
Public debt, EU-def., in % of GDP	47.7	45.0	47.2	51.0	.	.	53	57	56
Discount rate of NB % p.a., end of period	4.3	5.3	5.3	3.8	3.8	3.8	3.8	3.8	3.8
Current account, EUR mn 3)	-7443	-14701	-18320	-5006	-1118	-3292	-8000	-12000	-16000
Current account in % of GDP 3)	-2.7	-4.7	-5.1	-1.6	-0.8	-2.0	-2.3	-3.3	-4.1
Exports of goods, BOP, EUR mn 3)	93382	105883	120953	100172	47718	58294	116200	127800	140600
annual growth rate in %	20.4	13.4	14.2	-17.2	-23.1	22.2	16	10	10
Imports of goods, BOP, EUR mn 3)	98918	118249	138691	103354	48992	60100	121400	136000	155000
annual growth rate in %	24.0	19.5	17.3	-25.5	-30.3	22.7	17.5	12	14
Exports of services, BOP, EUR mn 3)	16349	21018	24228	20687	9562	10878	22800	25000	28000
annual growth rate in %	24.8	28.6	15.3	-14.6	-15.2	13.8	10	10	12
Imports of services, BOP, EUR mn 3)	15768	17583	20745	17231	7854	9256	19500	22000	24900
annual growth rate in %	25.9	11.5	18.0	-16.9	-20.2	17.9	13	13	13
FDI inflow, EUR mn 3)	15737	17241	10036	8251	3532	6295	13000	.	.
FDI outflow, EUR mn 3)	7122	4018	2047	2069	869	2336	4000	.	.
Gross reserves of NB excl. gold, EUR mn	35237	42675	42299	52687	45622	66594	76000	.	.
Gross external debt, EUR mn	128870	159106	172832	194449	175217	.	.	.	.
Gross external debt in % of GDP	46.6	48.6	56.4	59.5	53.6	.	.	.	.
Average exchange rate PLN/EUR	3.90	3.78	3.51	4.33	4.47	4.00	4	4.1	4.1
Purchasing power parity PLN/EUR	2.26	2.28	2.36	2.48	.	.	.	.	.

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

1) Preliminary. - 2) Enterprices with 10 and more employees. - 3) From 2006 including Special Purpose Entities (SPEs).

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

Romania: recovery postponed

BY GÁBOR HUNYA

The Romanian economic policy continues its fiscal austerity course fulfilling the conditionality of the multilateral loan agreement with the IMF and the EU. Economic recovery has been further postponed into 2011 and remains conditional on growing external demand. In view of the events of the recent past analysed in this report, the wiiw GDP forecast has been revised downwards.

Due to booming exports and the restocking of inventories, the contraction of GDP slowed down in the first and especially in the second quarter of 2010; for the first six months of the year GDP was 1.5% below the level of the previous year. The decline was due first of all to falling household demand and the continuing investment slump.

On the production side, industry was the only growing sector, riding on the robust foreign demand. The production of cars, components and household appliances rose at double-digit pace and so did the exports of these products. Agricultural production did not fall below the level of the previous year. The main contraction was suffered by construction, retail trade, transport and other service activities, all affected by vanishing purchasing power of the population.

The prospects for early economic recovery worsened after the introduction of some severe fiscal austerity measures at the beginning of July 2010. Expenditure cuts were enforced in the form of public sector wages slashed by 25%. Additional fiscal revenues were accrued by the increase of the VAT rate from 19% to 24% and broadening the scope of social security contributions. These and many other minor actions, altogether implying an adjustment of some 5% of GDP, were declared necessary to keep the consolidated fiscal deficit for the current year at 7.3% of GDP. This was agreed with the IMF and the EU to benefit from the multilateral loan package of EUR 20 billion signed last year. Still, attaining the deficit target is in danger due to the GDP decline related to the very same measures. Also inflation got a push forward (expected annual average: 6%) and uncertainty for the business sector increased. The main argument for the austerity measures was that the fiscal deficit could have reached 10% of GDP in 2010 and financing from the IMF and EU would have been withdrawn. In the first half of the year, revenues to the consolidated budget were 0.1% below the previous year, but expenditures were 4% higher. Revenues from profits tax, VAT and social contributions were much lower than expected while non-fiscal revenues, including EU transfers, were higher. On the expenditure side, social assistance outlays soared whereas capital expenditures dropped. While much of these processes are normal in a contracting economy, the structural features of public remuneration and the pension system could have made expenditures unsustainable even under better conditions. The question was, what to do? Introduce careful reforms while allowing for some growth stimulus and curtail the fall of economic activities even with a somewhat higher than expected deficit to GDP ratio? Or focus first of all on the fiscal problems, at the expense of growth, because financing the fiscal gap would be impossible or would trigger extremely high costs in the future?

To answer that question, it should be noted that public debt is less than 30% of GDP and interest payments amount to less than 1% of fiscal expenditures; national bank reserves are 26% of GDP, the current account deficit is below 6% of GDP and total external debt is 70% of GDP. None of these fundamental indicators is alarming. Still, the country suffers from bad international ratings. This is due to the impression that deficits are about to explode and the government has no credible counteractive policy.

Indeed, none of the three governments of the last one and half years has been able to come up with a fiscal programme that could be trusted and was actually implemented. The Romanian authorities have simply shifted economic policy making to the

IMF. The agreed deficit target for 2010 is higher than it was for 2009 and could have been attained with structural reforms implemented in due time. But action was delayed to the last minute in June 2010 when the release of the new instalment of the IMF loan was put into question. The country has also had little chance to find sources of financing other than from the IMF as it has not been regularly present in international markets and has no recent track record as a debtor. International bonds are rarely issued and bear expected returns similar to those of Hungary, a country with much higher but regularly refinanced debt and fiscal consolidation well on track.

Some of the current problems both in public sector remuneration and the pension system are due to discretionary bonuses and privileges introduced in the past several years. Fiscal sustainability would demand more efficient public services with lower wage costs. The pension system needs to be reformed in order to curtail the soaring deficits in the pension fund. Structural reforms in both spheres have been initiated but are progressing very slowly. The external pressure for reform currently coming from the IMF seems essential.

Soon the international markets will have to be tapped as well. Refinancing debts is coming on the agenda to an unprecedented extent for Romania. From now until the end of 2011 the country will have to sell medium-term bonds in the value of EUR 7 billion. There is increased upward pressure on yields. Since the last issue in May 2010 the finance ministry has refused to pay investors more than 7% interest, but now it will be time to accept whatever is expected by the market. Switching from the IMF programme to market financing is on the agenda. This will not change the pressure on the government to decrease fiscal deficits although it may allow more room to determine the policy mix which ensures financial stability. A new, precautionary agreement with the IMF will be necessary to support the efforts and provide regular checks of performance.

While difficulties concerning external financing seem to determine economic policy, pressure on the domestic private sector is growing as more and more SMEs go bankrupt. This is partially due to delayed payments of bills by the government. Faster implementation of EU programmes may give a new impetus to increase efficiency. The conditions to access these funds have been eased recently. Larger exporting companies are recovering from last year's slump and can again rely on credits from abroad. Imports started rising to support exports and the current account deficit is about to grow again.

The budget plan of the government for 2011 envisages a deficit of 4.4% of GDP and is based on 1.5% economic growth. A good deal of improved efficiency of the public sector and an increasing inflow of EU structural funds are taken for granted, but bear downside risks. There is a dispute in the governing coalition whether the wage reduction in the public sector should be maintained. Private consumption is the most important component of GDP with almost 72% of total domestic demand, thus its recovery is decisive. The impact of an eventually booming foreign demand on private sector wages will be modest because most of the exports are produced by a handful of foreign subsidiaries accounting for a low share of employment.

The wiiw forecast emphasizes the risks the government faces with its austerity programme. The size and conditions of external financing, the social tolerance to more austerity and the government's capacity to carry through the necessary reforms are all factors putting the growth and the fiscal target in danger. Under external pressure fiscal austerity may be carried on, but in this case domestic demand can hardly increase. In such circumstances, modest GDP growth of 1% in 2011 and 2.5% in 2012 seems realistic, provided no new external shock occurs.

Table RO

Romania: Selected Economic Indicators

	2006	2007	2008	2009 1)	2009	2010	2010	2011	2012
					January-June			Forecast	
Population, th pers., average	21588	21547	21514	21480	.	.	21460	21440	21410
Gross domestic product, RON mn, nom.	344651	416007	514654	491274	208690	211415	510300	541200	582500
annual change in % (real)	7.9	6.3	7.3	-7.1	-7.6	-1.5	-2	1	2.5
GDP/capita (EUR at exchange rate)	4500	5800	6500	5400	.	.	.	.	.
GDP/capita (EUR at PPP)	9100	10400	12000	11000	.	.	.	.	.
Consumption of households, RON mn, nom.	233135	273418	327882	301416	137514	137271	.	.	.
annual change in % (real)	12.9	12.0	9.5	-10.9	-13.6	-2.5	-3	0.5	1.5
Gross fixed capital formation, RON mn, nom.	88272	125645	164264	125826	49560	41562	.	.	.
annual change in % (real)	19.9	30.3	16.2	-25.3	-18.2	-18.2	-10	5	8
Gross industrial production 2)									
annual change in % (real)	9.3	10.3	2.6	-5.5	-10.5	5.6	4	4	5
Gross agricultural production									
annual change in % (real)	2.4	-17.7	21.2	-1.1	.	.	.	.	.
Construction industry 2)									
annual change in % (real)	15.4	33.2	26.7	-15.0	-8.4	-15.7	-16	.	.
Employed persons - LFS, th, average	9291.2	9353.3	9369.1	9243.5	9210.0	.	9120	9150	9200
annual change in %	1.9	0.7	0.2	-1.3	-1.0	.	-1	0	1
Unemployed persons - LFS, th, average	728.4	640.9	575.5	680.7	646.4	.	770	.	
Unemployment rate - LFS, in %, average	7.3	6.4	5.8	6.9	6.6	.	7.8	7.6	7
Reg. unemployment rate, in %, end of period	5.2	4.0	4.4	7.8	6.0	7.4	.	.	.
Average gross monthly wages, RON	1146	1396	1761	1845	1883	1978	1900	.	.
annual change in % (real, net)	9.0	14.7	16.5	-1.5	5.9	0	-3.5	.	.
Consumer prices (HICP), % p.a.	6.6	4.9	7.9	5.6	6.4	4.5	6	5.5	4
Producer prices in industry, % p.a.	9.5	7.5	15.3	1.8	3.5	4.8	6	.	.
General governm.budget, EU-def., % GDP									
Revenues	33.1	33.5	32.1	32.1	.	.	.	.	.
Expenditures	35.3	36.0	37.6	40.4	.	.	.	.	.
Net lending (+) / net borrowing (-)	-2.2	-2.5	-5.4	-8.3	.	.	-8	-6	-4
Public debt, EU-def., in % of GDP	12.4	12.6	13.3	23.7	.	.	27	31	33
Discount rate of NB, % p.a., end of period 3)	8.75	7.50	10.25	8.00	9.71	6.25	.	.	.
Current account, EUR mn	-10220	-16758	-16178	-5167	-2432	-3819	-7000	-8000	-9000
Current account in % of GDP	-10.5	-13.4	-11.6	-4.5	-4.9	-7.5	-5.8	-6.4	-6.6
Exports of goods, BOP, EUR mn	25953	29542	33656	29124	13642	17215	33200	36500	40900
annual growth rate in %	16.6	13.8	13.9	-13.5	-20.0	26.2	14	10	12
Imports of goods, BOP, EUR mn	37765	47365	52729	35907	16913	20263	39500	43500	48700
annual growth rate in %	25.6	25.4	11.3	-31.9	-35.8	19.8	10	10	12
Exports of services, BOP, EUR mn	5585	6885	8751	7012	3441	2977	6000	6300	6900
annual growth rate in %	36.2	23.3	27.1	-19.9	-17.2	-13.5	-14	5	10
Imports of services, BOP, EUR mn	5581	6475	8091	7367	3533	3434	6600	6900	7300
annual growth rate in %	25.4	16.0	25.0	-8.9	-6.9	-2.8	-10	5	5.8
FDI inflow, EUR mn	9060	7280	9501	4528	2588	1704	3500	.	.
FDI outflow, EUR mn	338	206	186	158	-5	82	.	.	.
Gross reserves of NB excl. gold, EUR mn	21299	25325	25977	28249	26463	31619	.	.	.
Gross external debt, EUR mn	41196	58628	72354	80304	75603	87027	.	.	.
Gross external debt in % of GDP	40.4	50.8	56.6	69.2	65.2	72.3	.	.	.
Average exchange rate RON/EUR	3.5258	3.3353	3.6826	4.2399	4.2320	4.1492	4.24	4.3	4.25
Purchasing power parity RON/EUR	1.7600	1.8621	1.9869	2.0739	.	.	.	.	.

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

1) Preliminary. - 2) Enterprises with 4 and more employees. - 3) Reference rate of NB.

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

Slovakia: robust exports prevail over weak domestic demand

BY ZDENEK LUKAS

The recovery observed already in the first quarter of 2010 has continued. The GDP expanded by 4.7% in the first half of 2010, which is the highest growth rate among the EU countries. Economic growth has been largely driven by a recovery in external demand backed by improved competitiveness due to strong productivity increases. Exports and imports of goods and services expanded by 16.6% and 12.2% respectively, in real terms. As a result, the contribution of foreign trade to GDP was highly positive. Despite slightly rising real wages and total household incomes, consumers remained hesitant to spend, leaving private consumption flat in the first half of 2010. But government consumption increased (as is to be expected in the light of the upcoming elections). The earlier contraction in aggregate demand in the wake of the global financial and economic crisis and concerns about the future had slashed inventories at the end of 2008 and in 2009. In the first half of 2010 gross capital formation was up by 9.9%, while gross fixed capital formation dropped by 1.2%. Inventories are rebuilt in expectation of the strengthening demand for the country's exports.

Gross industrial output was up by 22% in the first half of 2010, accompanied by a 10% decline in industrial employment (LFS data). As a result, labour productivity in industry increased by about 30%. While nominal wages in industry rose by an average 6%, ULCs declined by more than 20%. Driven by foreign demand, machinery and car manufacturing (first of all VW Bratislava) are enjoying the highest rates of expansion (followed by the manufacture of electronics and optical equipment).

Construction output continued to fall (by 8% year on year) in the first seven months of 2010. However, the decline was slowing down for two consecutive months. According to the results of a recent (August) opinion poll, construction firms complained most about weak demand (49%) and financial constraints (34%). As the new ambitious highway construction programmes will most probably not be started this year, the sector's outlook for the months to come may be rather bleak.

Rising competitiveness and the quick recovery of the German economy – Slovakia's most important trading partner – has been crucial for encouraging the growth of export-oriented industrial output. In addition, exports to the non-euro markets make up one-half of Slovakia's overall exports. And, as in other eurozone countries, the weakening of the euro is having a positive impact on the economy in terms of rising exports to non-euro neighbours (the Czech Republic, Poland and Hungary). These three neighbours account for 27% of total Slovak exports. In the first half of 2010 the euro depreciated by 5% year on year against the Czech koruna, by 6% against the Hungarian forint and by 11% against the Polish zloty. Total exports rose faster than imports and the foreign trade surplus amounted to EUR 669 million in the first half of 2010, as compared to a surplus of EUR 217 million in the corresponding period of 2009. At the same time, the trade surplus with the Czech Republic, Hungary and Poland expanded from EUR 867 million to EUR 2.04 billion. While total exports rose by 22%, exports to Poland and the Czech Republic expanded by 30% each and those to Hungary by 25% (in euro terms).

Increasing unemployment is the downside of rising export competitiveness. The situation in the labour market has deteriorated, with the unemployment rate (LFS) rising by 3.9 percentage points year on year to an average level of 14.8% in the first half of 2010. However, in the second quarter signs of a very slow recovery appeared with unemployment declining moderately and employment rising slightly. The increase in the number of those active in real estate, communications, information technology as well as people working abroad (mostly in Austria and the Czech Republic) has somewhat relieved the pressure on the labour market.

In the first eight months of the year budgetary revenues were up by 5%, whereas expenditures (just before the elections) rose by 25% year on year. The general government deficit is likely to reach 7% of GDP in 2010. Public debt will exceed 40% of GDP in 2010. The new cabinet intends to consolidate the budget through a mix of expenditure cuts and revenue enhancements. Budgetary revenues are to be supported by a hike in the VAT rate from 19% to 20%, and the lower VAT rate will be maintained only on books and some healthcare goods. More money should be collected also by hiking excise taxes on tobacco and beer. In addition, the cancellation of many tax exemptions (mostly for craftsmen) should bring additional revenues. On the expenditure side, the budget of the ministries and other governmental agencies is to be cut by about 10% in 2011. However, the government has so far not introduced structural measures aimed at long-term savings in budgetary expenditures. The cabinet has started the budgetary consolidation by a tax hike, instead of methodical saving. The programme (taking effect in 2011) aims at gradually cutting the general government deficit to 3% of GDP by 2013. The higher VAT level is meant to be only temporary and should be eliminated after reaching that target.

On 12 August 2010, as suggested by the government, the new Slovak parliament refused to contribute EUR 816 million to the EUR 110 billion Greek bailout fund. According to the Slovak policymakers, Slovakia, which has shown fiscal responsibility, has no reason to express solidarity with a fiscally irresponsible partners. Besides, the fact was quoted that Slovakia was the poorest country in the eurozone (with a per capita GDP of about 75% of the EU-27 average – as against the Greek 90%). While refusing the direct loan to Greece, the parliament approved Slovakia's EUR 4.4 billion contingent commitment to the EUR 440 billion European Financial Stability Facility aimed at enhancing euro stability.

Though the Economic Sentiment Indicator is 5 percentage points lower than the long-term average, the latest survey for August again shows an optimistic picture of the quite fast growing economy, benefiting from rising new orders in industry mostly driven by external demand. Year on year, the Economic Sentiment Indicator was up by 20 points in August 2010. New orders placed with industry expanded by 30% in June year on year. The GDP growth forecast for 2010 can thus be revised upwards, to 4%.

Provided a strong recovery of the economies of Slovakia's main trading partners, GDP growth may further accelerate but not until 2012. However, economic growth will not return to the high rates seen a few years ago, as the consumers' purchasing power will rise only moderately. The trade surplus and an improving income balance may diminish the current account deficit to below 3% of GDP in 2010. The main challenges for the new government relate to high unemployment and an escalating budget deficit.

Table SK

Slovakia: Selected Economic Indicators

	2006	2007	2008	2009 1)	2009	2010	2010	2011	2012
					January-June			Forecast	
Population, th pers., average	5391.4	5397.3	5406.6	5418.6	.	.	5420	5430	5440
Gross domestic product, EUR mn, nom.	55045.5	61547.1	67221.0	63331.6	30243.0	31428.0	65200	69200	74800
annual change in % (real)	8.5	10.6	6.2	-4.7	-5.6	4.7	4	4	5
GDP/capita (EUR at exchange rate)	8300	10200	12000	11700	.	.	12000	12700	13800
GDP/capita (EUR at PPP)	15000	16900	18100	17000	.	.	.	.	.
Consumption of househ., EUR mn, nom.	30815.7	33860.3	37554.9	37674.1	18547.0	18460.0	.	.	.
annual change in % (real)	5.9	7.1	6.1	-0.7	-0.2	-0.4	1	3	5
Gross fixed capital form., EUR mn, nom.	14588.8	16096.5	16715.6	14943.2	7083.0	6937.0	.	.	.
annual change in % (real)	9.3	9.1	1.8	-10.5	-11.6	-1.2	0	5	10
Gross industrial production									
annual change in % (real)	15.7	17.0	3.3	-13.8	-21.3	22.0	17	8	6
Gross agricultural production									
annual change in % (real)	-2.9	-4.5	10.6	-5.9	.	.	.	.	.
Construction industry									
annual change in % (real)	14.9	5.7	11.9	-11.2	-9.2	-9.0	.	.	.
Employed persons - LFS, th, average	2302.3	2357.7	2433.7	2366.3	2384.4	2299.2	2310	2330	2350
annual change in %	3.9	2.4	3.2	-2.8	-0.6	-3.6	-3	1	1
Unemployed persons - LFS, th, average	355.4	295.7	255.7	323.5	289.9	397.9	.	.	.
Unemployment rate - LFS, in %, average	13.4	11.1	9.5	12.0	10.9	14.8	14	13	12
Reg. unemployment rate, in %, end of period	9.4	8.0	8.4	12.7	11.8	12.3	12	12	11
Average gross monthly wages, EUR 2)	623	669	723	745	721	742	.	.	.
annual change in % (real, gross)	3.9	4.4	3.4	1.4	1.3	2.0	.	.	.
Consumer prices (HICP), % p.a.	4.3	1.9	3.9	0.9	1.7	0.3	1	3	3
Producer prices in industry, % p.a.	3.0	-1.4	2.5	-6.6	-6.3	-1.7	-1	2	2
General governm.budget, EU-def., % GDP									
Revenues	33.5	32.5	32.5	34.0	.	.	.	.	.
Expenditures	36.9	34.4	34.8	40.8	.	.	.	.	.
Net lending (+) / net borrowing (-)	-3.5	-1.9	-2.3	-6.8	.	.	-7	-6	-5
Public debt, EU-def., in % of GDP	30.5	29.3	27.7	35.7	.	.	42	45	45
Discount rate of NB, % p.a., end of period 3)	4.8	4.3	2.5	1.0	1.0	1.0	.	.	.
Current account, EUR mn	-3636	-3141	-4279	-2023	-948	-614	-1800	-3000	-3500
Current account in % of GDP	-8.2	-5.7	-6.6	-3.2	-3.1	-2.0	-2.8	-4.3	-4.7
Exports of goods, BOP, EUR mn	33349	42171	47722	39715	18483	22699	47000	49000	51000
annual growth rate in %	30.0	26.5	13.2	-16.8	-23.3	22.8	19	4	5
Imports of goods, BOP, EUR mn	35817	43009	48435	38528	18287	22030	46000	47000	49000
annual growth rate in %	29.9	20.1	12.6	-20.5	-24.6	20.5	18	3	5
Exports of services, BOP, EUR mn	4322	5140	5796	4522	2203	2046	4500	4600	4800
annual growth rate in %	22.0	18.9	12.8	-22.0	-18.2	-7.1	0	3	4
Imports of services, BOP, EUR mn	3790	4752	6269	5768	2849	2535	5400	5700	6000
annual growth rate in %	15.4	25.4	31.9	-8.0	-1.1	-11.0	-6	5	6
FDI inflow, EUR mn	3311	2108	2395	-35	-387	291	1000	1500	2000
FDI outflow, EUR mn	292	149	177	311	318	-79	300	400	500
Gross reserves of NB excl. gold, EUR mn 4)	9639	12280	12674	481	91	559	.	.	.
Gross external debt, EUR mn	24449	30156	37286	45338	44877	47908	.	.	.
Gross external debt in % of GDP	50.8	54.6	55.5	71.6	70.9	73.5	.	.	.
Average exchange rate EUR/EUR	1.236	1.121	1.038	1.000	1.00	1.00	1.00	1.00	1.00
Purchasing power parity EUR/EUR	0.681	0.677	0.687	0.689	.	.	.	.	.

Note: Slovakia has introduced the Euro from 1 January 2009. Up to and including 2008 all time series in SKK as well as the exchange rates and PPP rates have been divided for statistical purposes by the conversion factor 30.126 (SKK per EUR) to a kind of statistical EUR (euro-fixed).

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

1) Preliminary. - 2) From 2006 including wages of armed forces. - 3) 2-week limit rate of NB for REPO tenders, from 2009 official refinancing operation rates for euro area (ECB). - 4) From January 2009 (euro introduction) only foreign currency reserves denominated in non-euro currencies.

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

Slovenia: catching up slowly

BY HERMINE VIDOVIC

After six quarters of steady decline, Slovenia's GDP started growing in the second quarter of 2010. The increase was due to expanding foreign demand and rising inventories, while domestic demand – both consumption and particularly investment – continued to decline. Gross fixed capital formation fell by nearly 8% during the first half of 2010, affecting primarily construction. Household consumption did not recover during the first half of the year either, whereas government consumption reported an increase.

After a dramatic fall in 2009, industrial production rose by 5.7% (manufacturing by 6.4%) during the first seven months of the year. Roughly half of all industrial branches within manufacturing increased their output, most notably the export-oriented production of electrical equipment (plus 34%) and cars (plus 22%). The growth in car production – mostly Renault Twingo by Revoz – is, however, expected to slow down in the coming months as most European countries have been eliminating incentives to purchase new cars, but also because the Twingo moved into its second life cycle, which is usually linked with lower orders. Between the second quarter of 2009 and the second quarter of 2010 about 12,000 jobs were lost in manufacturing, most of them in industries producing for the domestic market (such as clothing); in the export-oriented industries the manufacture of 'other machinery and equipment' and the metal industry were affected most by employment cuts. In construction, where output had shrank significantly in 2009, the negative tendencies continued, with output down by 18% during the first half of 2010. The drop was most pronounced in residential building due to the huge number of unsold flats and in civil engineering as a consequence of shrinking transport and infrastructure projects.

In foreign trade, the positive tendencies prevailing in the first quarter of the year strengthened, with both commodity exports and imports up by 12% in nominal terms during the first seven months of 2010. A breakdown of exports by industrial branches shows that car exports and exports of electrical appliances contributed most to the overall increase. Though rising somewhat, the trade deficit remained low. In services trade, exports and imports grew only moderately, by 2% and 4% respectively; hence, the services trade surplus narrowed to some extent. Owing to the decreasing trade deficit and the reduced income and current transfers deficits, the current account ended up only slightly negative. As opposed to previous years when Slovenia was a net exporter of FDI, foreign investments in Slovenia exceeded Slovenian investments abroad during the first seven months of 2010.

The impact of the economic crisis is still felt on the labour market. Based on Labour Force Survey data the number of employed continued to decrease during the first half of 2010, which is also confirmed by national accounts statistics. LFS unemployment rose to 7%. Conversely, unemployment based on registration data has shown a steady increase since September 2008, putting the unemployment rate at 10.5% by the end of July. Unemployment may further increase in the coming months due to the possible closing-down of (large) enterprises (such as in the automotive supporting industries, construction or in trade). In late September public sector employees went on strike because of the governments' plans to freeze public sector wages and to postpone wage adjustments until the end of 2011. (The wage adjustments had been agreed upon before the crisis. The aim of those adjustments was to eliminate wage differences in the public sector).

In response to the demographic, economic and financial challenges the Slovenian government has recently approved a draft of a new Pension and Disability Insurance Act for discussion in the parliament. The draft envisages the maintenance of the solidarity principle, an extension of working years and raising the retirement age to 65 years for men and to 63 for women, a link between amounts paid for and received from the pension system, and better transparency of the system as a whole.

Results for the first half of the year indicate declining general government revenues (-0.6%), particularly from taxes. At the same time expenditures rose by about 3%, first of all due to rising interest payments and expenditures for pensions and transfers (unemployment benefits and social assistance); spending on wages remained almost unchanged. At the beginning of July the Slovenian government adopted a supplementary budget due to the changing economic environment and reduced tax revenues. Accordingly the flexible part of expenditures was cut, in particular for transport and related infrastructure (except railways), healthcare, defence and emergency measures. The supplementary budget envisages a general government deficit of an estimated 5.7% in 2010 and 4.2% in 2011. In order to improve financial stability, the government has recently adopted a proposal on temporary intervention measures, including inter alia spending limits for the state and municipalities' budgets. In addition, the proposal lays down the entitlement to funds for municipalities for 2011 and 2012 and lowers the portion of the state's co-financing of municipal investments.

Based on the available results for the first half of the year, the wiiw GDP growth forecast for 2010 (plus 0.5% growth) remains unchanged. More pronounced growth can be expected only in 2012, provided a recovery of investment and private consumption. Employment will continue to contract as the labour market will react with a time lag to production growth. Similarly, the unemployment rate (LFS) is expected to rise to some 8% in 2010. A recovery on the labour market, if at all, may be expected only in 2011. The general government deficit may be even higher than in 2009, reaching close to 6% of the GDP and decline only gradually in the coming years. Given fiscal consolidation, public investment will need some time to recover and will regain strength only in 2012. Key to a sustained improvement of Slovenia's economy will be the developments in the European Union as the country's main trading area, but also an improvement on the labour market as a precondition for the recovery of household consumption.

Table SI

Slovenia: Selected Economic Indicators

	2006	2007	2008	2009 1)	2009	2010	2010	2011	2012
					January-June			Forecast	
Population, th pers., average	2006.9	2018.1	2021.3	2039.7	2035.5	2047.7	2045	2045	2045
Gross domestic product, EUR mn, nom.	31050.4	34568.2	37135.4	34893.9	17455.0	17724.9	35770	37220	38910
annual change in % (real)	5.8	6.8	3.5	-7.8	-8.9	0.6	0.5	2	2.5
GDP/capita (EUR at exchange rate)	15500	17100	18400	17100	.	.	17500	18200	19000
GDP/capita (EUR at PPP)	20700	22100	22800	20500	.	.	.	.	.
Consumption of households, EUR mn, nom.	16156.1	17944.2	19296.9	18851.5	9420.3	9629.4	.	.	.
annual change in % (real)	2.9	6.7	2.1	-1.4	-1.0	-0.3	0	1.5	2
Gross fixed capital form., EUR mn, nom.	8242.1	9571.3	10742.4	8369.0	4200.5	3891.4	.	.	.
annual change in % (real)	9.9	11.7	7.7	-21.6	-23.8	-7.8	-7	4	4
Gross industrial production									
annual change in % (real)	5.7	7.1	2.4	-17.3	-21.4	5.6	5	3	3
Gross agricultural production									
annual change in % (real)	-7.4	3.9	-0.8	-1.7	.	.	.	.	.
Construction industry									
annual change in % (real)	15.7	18.5	15.5	-20.9	-19.1	-17.6	.	.	.
Employed persons - LFS, th, average	961	985	996	981	972	967	966	966	976
annual change in %	1.3	2.5	1.1	-1.5	-0.9	-0.5	-1.5	0	1
Unemployed persons - LFS, th, average	61	50	46	61	57	74	.	.	.
Unemployment rate - LFS, in %, average	6.0	4.8	4.4	5.9	5.5	7.1	8	7.5	7
Reg. unemployment rate, in %, end of period	8.6	7.3	7.0	10.5	9.1	10.5	11	11	10.5
Average gross monthly wages, EUR	1213	1285	1391	1439	1415	1471	.	.	.
annual change in % (real, net)	2.5	4.2	2.0	2.5	3.4	2.1	.	.	.
Consumer prices (HICP), % p.a.	2.5	3.8	5.5	0.9	1.1	2.1	2	2	2
Producer prices in industry, % p.a.	2.3	4.4	3.9	-1.4	-0.3	0.5	0.5	2	2
General governm.budget, EU-def., % GDP									
Revenues	43.2	42.4	42.6	44.4	.	.	.	.	.
Expenditures	44.5	42.4	44.3	49.9	.	.	.	.	.
Net lending (+) / net borrowing (-)	-1.3	0.0	-1.7	-5.5	.	.	-6	-4.5	-4.5
Public debt, EU-def., in % of GDP	26.7	23.4	22.6	35.9	.	.	40	42	43
Discount rate of NB, % p.a., end of period 2)	3.8	4.0	2.5	1.0	1.0	1.0	.	.	.
Current account, EUR mn	-772	-1646	-2286	-340	-240.1	-158.8	-400	-700	-900
Current account in % of GDP	-2.5	-4.8	-6.2	-1.0	-1.4	-0.9	-1.1	-1.9	-2.3
Exports of goods, BOP, EUR mn	17028	19799	20048	16203	7998.3	8939.3	17800	19400	21350
annual growth rate in %	16.6	16.3	1.3	-19.2	-23.3	11.8	10	9	10
Imports of goods, BOP, EUR mn	18179	21465	22699	16825	8183.2	9220.7	18500	20450	22700
annual growth rate in %	16.3	18.1	5.7	-25.9	-29.4	12.7	10	10.5	11
Exports of services, BOP, EUR mn	3573	4146	5041	4318	1967.5	1997.1	4400	4660	5030
annual growth rate in %	11.2	16.0	21.6	-14.3	-16.2	1.5	2	6	8
Imports of services, BOP, EUR mn	2580	3098	3431	3298	1417.5	1482.2	3410	3650	3980
annual growth rate in %	12.5	20.1	10.7	-3.9	-9.8	4.6	3.5	7	9
FDI inflow, EUR mn	514	1106	1313	-48	-255.7	151.5	0	.	.
FDI outflow, EUR mn	687	1316	933	624	156.2	89.1	.	.	.
Gross reserves of NB excl. gold, EUR mn 3)	5341.7	666.0	623.0	671.0	471	735	.	.	.
Gross external debt, EUR mn	24067	34783	39234	40276	37730	41943	.	.	.
Gross external debt in % of GDP	77.5	100.6	105.7	115.4	108.1	117.3	.	.	.
Average exchange rate EUR/EUR	1.000	1.000	1.000	1.000	1.000	1.000	1	1	1
Purchasing power parity EUR/EUR	0.746	0.776	0.806	0.834	.	.	.	.	.

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

1) Preliminary . - 2) Main refinancing rate, from 2007 official refinancing operation rates for euro area (ECB). - 3) From January 2007 (euro introduction) only foreign currency reserves denominated in non-euro currencies.

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

Baltic States: exports and restocking drive growth revival

BY SEBASTIAN LEITNER

The second quarter of 2010 showed first signs of a revival of GDP growth in Estonia and Lithuania, while in Latvia the rebound is expected in the second half of the year. Strong external demand and the rebuilding of inventories counterbalance the still declining fixed investment and consumption. GDP growth for 2010 has been revised upwards in the case of Estonia (to 1.5%) and Lithuania (0.5%), while the recession in Latvia will be weaker than expected (but still amounting to -2%). However, the current swift rebound of trade is expected to be temporary. Thus the forecasts for 2011 and 2012 with growth rates between 2% and 3.5% throughout the region remain more or less unchanged.

Estonia

The recovery of growth observed in Estonia is mainly caused by the restocking of inventories. This, in turn, has been triggered by the revival of external demand and the production of export-oriented industries. While services exports, accounting for about 30% of foreign trade revenues, still remained sluggish, goods exports rose by 21% in the first half of 2010 year on year (in euro terms). This was predominantly driven by external demand from the Nordic countries, Russia and the Baltic neighbours Latvia and Lithuania. In all these countries restocking took place after more than a year of diminishing inventories. Non-European demand rebounded faster and more strongly than that of EU and neighbouring states in the region. Nevertheless, given the importance of trade with Finland and Sweden, Estonia benefits at the moment most from the rebound of growth in these two countries. Exports of wood and products thereof, iron and steel and, to a somewhat lesser extent, also of electrical machinery regained momentum. In addition, an upswing in transit trade of oil products can be observed.

Rising industrial production also brought a revival of import growth. Still the sluggish growth of consumption and gross fixed investment will result in about balanced trade in 2010. In 2011 and even more so in 2012 the current account will turn negative again. The swift growth of goods exports is expected to be transitory, driven by the worldwide rebound of industrial production. Since a calming of trade activity can already be observed in some economies, lower growth rates for both exports and imports can be expected also in Estonia in 2011.

Apart from rising inventories, domestic demand has still been declining throughout 2010. Household consumption and investment fell by another 5.5% and 18% respectively in the first half of the year. Since real wages will remain stagnant this year and unemployment at a high level, the fall in household consumption will last until the end of the year, while for 2011 a slow recovery is expected. Households, having raised their debt levels swiftly in the past few years, will be eager to deleverage in the medium run, lowering their propensity to consume. The same applies to the enterprise sector. Although nominal interest rates are at low levels, the debt position – in particular of small and medium-sized enterprises – makes financing difficult. Furthermore, those companies are still working much below full capacity, suffering from the lack of domestic demand. A rebound of gross fixed capital investment is therefore not to be expected before the end of 2010. In 2011 some revival will be triggered by the necessary replacement of machinery in the industrial sectors. The introduction of the euro in January 2011 is however expected to result in some rise in FDI inflows. Already since April one could observe that foreign-owned enterprises started to re-invest their earnings in the country.

In order to meet the Maastricht criteria the government introduced massive austerity measures in the midst of the economic crisis. Although this may have further reduced tax income, the budget deficit was tiny in 2009 (1.7% of GDP). In 2010 a further reduction of the deficit to 1.5% is to be expected.

The budget plan of the finance ministry foresees a deficit of not more than 1.5% also for 2011, while a balanced budget is envisaged for 2013. In 2011 the government plans to reduce expenditures by freezing the salaries of public employees and to raise taxes on tobacco. Thus, public investment and consumption are not likely to stimulate domestic demand.

A short period of deflation in the second half of 2009 was followed by a pick-up in consumer prices starting in the second quarter of 2010. This was triggered in part by the revival of prices of imported goods as well as by hikes in taxes and administered prices for energy, etc. Although these were in part one-off increases, consumer price inflation is expected to rise along with the rebound of growth in domestic demand to 3% in 2011 and 4% in 2012.

In the coming two years Estonia will experience the most robust revival of GDP growth of the three Baltic States. However, we do not expect economic activity to expand by more than 3% in 2011 and 3.5% in 2012. The idle capacities of enterprises and only slowly rising employment rates will keep incomes of households and thus domestic demand subdued for a longer period. The pre-crisis rates of growth, having been triggered by a credit bubble, are out of reach.

Latvia

The parliamentary elections of 2 October resulted in a victory for the ruling coalition government. 'Unity', the electoral alliance of conservative parties led by Prime Minister Valdis Dombrovskis, attained 31% of the votes, while its coalition partners – the Union of Greens and Farmers and the nationalist 'For Fatherland and Freedom/All for Latvia' party – received 19% and 7% respectively. 'Harmony Centre', the social democratic party, which is in particular supported by the Russian speaking minority, could not achieve its aim of a relative majority and came in second with about 26% of the votes. Dombrovskis has already announced exploratory talks with his former coalition partners, with whom he could reap 63 of the 100 seats in the Saiema, the Latvian parliament. The strong support of the electorate for the 'Unity' alliance is somewhat surprising. Most observers expected a larger part of the electorate to show their opposition to the massive austerity packages by turning to the left. Obviously 'Harmony Centre' did not manage to cross over to the Latvian speaking community. Furthermore, Dombrovskis, who took office in March 2009, was not blamed for the policy mistakes of the preceding government, which led to the evolution of the immense real estate and consumption bubble that burst in 2008.

With presumably no change in the government coalition, economic and fiscal policies will remain on the strict austerity path demanded by the IMF and the EU Commission. There were certainly no new fiscal measures presented before the elections, but Dombrovskis is eager to introduce cuts in the 2011 budget of LVL 400 million (3% of GDP) in order to reduce the deficit to 6%. Most likely property taxes will be increased and probably also the reduced rate of the value-added tax. Furthermore the government is expected to cut back expenditures on education and the health sector. The aim to reduce the deficit to 3% in 2012 in order to join the eurozone as early as possible (in 2014) seems overambitious. Even if Dombrovskis is able to enforce the envisaged austerity measures in the coming two years, a further obstacle could emerge in the form of rising inflation, should an upswing of GDP growth happen in 2012. It should be pointed out that Estonia was able to meet the Maastricht inflation criterion just because of the massive slump in internal demand in the course of the crisis.

In the second quarter of 2010 GDP was still declining. Gross fixed capital formation fell by another 30% in the first half of the year, reflecting a further decline of 40% in construction. Although the fall in dwelling prices has come to an end, the effects of the housing bubble are still eminent. The level of investment in real estate is expected to remain low in the next two to three years.

Enterprises and private households are in the process of deleveraging which will continue, especially for the latter, throughout the coming years. With loans to the private sector of more than 90% of GDP and stagnant household incomes, the burden of euro-denominated debts (gross external debt stands at 160% of GDP) will restrict growth. The higher propensity to save keeps household consumption from rising. Moreover, since real wages are still declining and a recovery on the labour market is not in sight yet, the reduction of private consumption is expected to reach 4% in 2010. A further increase in the tax burden, in particular a possible rise in the reduced rate of value-added tax, may cause retail sales to stagnate also in the first half of 2011. Thereafter a slight rebound in household consumption can be expected, stabilizing domestic demand.

Goods' exports gained momentum in the first half of 2010. Their increase by 23% in euro terms is mainly due to an upswing in volumes and prices of wood and wood products, Latvia's most important export good. The chemical and metal sectors and to a lesser extent machinery also experienced some rebound in exports. However, already in the second quarter of 2010 export growth was outpaced again by the rise in imports. Therefore the contribution of net exports to GDP growth will remain negligible for 2010. The most important factor behind the lower than formerly expected recession of 2% this year is restocking in the enterprise sector. Its contribution to the GDP growth rate is plus 8 percentage points. As in the other Baltic States, the enormous rise in inventories will be a temporary phenomenon, driven by the export-oriented industrial sectors.

In total, after a further decrease of 2% this year, GDP is expected to increase by 2% in 2011 and 3% in 2012 – a slightly better outlook than in our last forecast. However, the foundations of the upswing are still quite shaky. A weakening of external demand could delay the revival, which might also hamper the envisaged fiscal consolidation. Although today the rates for Latvia's CDS are lower than the ones for Portugal, Greece, Ireland and Romania, and rating agencies have improved their outlooks for the country recently, risk aversion may worsen the refinancing situation of Latvia again in case of protracted stagnation.

Lithuania

The second quarter of 2010 showed some signs of economic stabilization. Trade regained momentum. Along with the upswing of external demand, goods exports rose by +24% in euro terms annually in the first half of the year. The rise in oil prices positively affected the sales of lubricants, and strong increases in the exports of machinery, rubber and plastic and chemical products could be observed as well. However, growth of total industrial production was disappointing with 3% in the first half of 2010 and is expected to remain sluggish until the end of the year, as domestic demand remains weak.

In the labour market no signs of improvement can be observed. Employment was still on the decline in the second quarter of the year in services as well as in other sectors. The unemployment rate, which reached 18.6% in the same period, is likely to fall slightly by the end of the year – but this is on account of labour emigration and unemployed workers giving up registration. In addition, gross monthly wages are still decreasing throughout the economy, also in manufacturing. Thus the negative development of household consumption comes as no surprise, falling by another 7.5% in the second quarter of 2010.

Also gross fixed capital investment declined by 8.6% in the second quarter year on year, with investments in dwellings plunging by about 45%. A rather worrying sign is also the disinvestment of foreign-owned firms; in the first half of the year FDI inflows turned negative by EUR 134 million. Although some improvement is expected by the end of the year, idle capacities and firms' high debts will bring about only a slow recovery of fixed investments throughout 2011 and 2012.

As planned, the budget deficit will reach about 8% of GDP in 2010. The mid-year figures show that revenues are generally in line with schedules. However, the use of available EU funds is much below potential. This phenomenon, also observed in the other two Baltic countries, seems to be caused by restrained investment and fiscal austerity, especially of the public sector. In 2011 the government plans to trim down the budget deficit to below 6%. Definite plans how to reduce the budget gap have however not been presented by now. Excise taxes will be raised according to the EU accession treaty and the introduction of a real estate tax is envisaged. In September, the finance minister presented a restructuring plan for government-owned enterprises. All 300 such companies should be managed by a single holding, thereby presumably raising efficiency and reducing politically induced subsidies. The plan is to raise revenues from productive state assets by about 0.7% annually. The government's aim to access the eurozone by 2014 is probably too difficult to achieve considering the necessary austerity measures that have to be enacted throughout the coming two years. Since the government of Prime Minister Kubilius has lost the support of some MPs and thus the majority in parliament recently, it has even become uncertain whether the government's budget for 2011 will be approved.

As outlined above, apart from the revival in exports and the associated process of restocking, all sources of domestic demand are still strongly deficient. We expect a rather modest upswing of GDP growth by 2.5% in 2011 and 3% in 2012 – still slightly better than in our previous assessment.

Table EE

Estonia: Selected Economic Indicators

	2006	2007	2008	2009 1)	2009	2010	2010	2011	2012
					January-June			Forecast	
Population, th pers., average	1343.5	1341.7	1340.7	1340.3	.	.	1336	1336	1335
Gross domestic product, EEK mn, nom.	206996	244504	251493	214828	106728	106763	223100	236700	254800
annual change, % (real)	10.0	7.2	-3.6	-14.1	-15.6	0.3	1.5	3	3.5
GDP/capita (EUR at exchange rate)	9800	11600	12000	10200	.	.	.	.	.
GDP/capita (EUR at PPP)	15400	17100	16900	14300	.	.	.	.	.
Consumption of households, EEK mn, nom.	112950	132335	137499	110614	55670	52939	108100	112500	118800
annual change in % (real)	13.0	9.1	-4.8	-18.9	-19.2	-5.5	-4.5	1	1.5
Gross fixed capital form., EEK mn, nom.	72325	84385	73729	46967	24306	18730	40800	43300	47300
annual change in % (real)	18.6	9.0	-12.1	-34.4	-32.7	-18.7	-15	3	5
Gross industrial production									
annual change in % (real)	9.9	6.4	-5.2	-26.0	-30.5	13.0	13.5	10	8
Gross agricultural production									
annual change in % (real)	-2.1	12.5	-1.0	-1.7	.	.	.	.	.
Construction industry									
annual change in % (real)	26.9	13.5	-13.3	-28.4	-29.7	-16.9	.	.	.
Employed persons - LFS, th, average	646.3	655.3	656.5	595.8	602.4	556.2	570	580	590
annual change in %	6.4	1.4	0.2	-9.2	-8.3	-7.7	-4	2	2
Unemployed persons - LFS, th, average	40.5	32.0	38.4	95.1	85.6	132.3	.	.	
Unemployment rate - LFS, in %, average	5.9	4.7	5.5	13.8	12.5	19.2	18.5	16	15
Reg. unemployment rate, in %, end of period	1.9	2.2	4.6	13.3	10.2	12.5	.	.	.
Average gross monthly wages, EEK	9407	11336	12912	12264	12432	12367	.	.	.
annual change in % (real, gross)	11.6	13.0	3.2	-4.9	-4.3	-2.2	.	.	.
Consumer prices (HICP), % p.a.	4.5	6.7	10.6	0.2	1.9	1.4	2.3	3	4
Producer prices in industry, % p.a.	4.2	8.1	8.0	0.7	2.7	1.7	.	.	.
General governm. budget, EU-def., % GDP									
Revenues	36.5	37.4	37.1	43.6	.	.	.	.	.
Expenditures	34.0	34.8	39.9	45.4	.	.	.	.	.
Net lending (+) / net borrowing (-)	2.5	2.6	-2.8	-1.7	.	.	-1.5	-1.5	-2
Public debt, EU-def., in % of GDP	4.5	3.8	4.6	7.2	.	.	8	9	9.5
Money market rate, % p.a., end of period 2)	3.8	7.0	7.0	2.8	5.7	1.2	.	.	.
Current account, EUR mn	-2237	-2783	-1504	631	186.4	76.4	100	-100	-300
Current account in % of GDP	-16.9	-17.8	-9.4	4.6	2.7	1.1	0.7	-0.7	-2
Exports of goods, BOP, EUR mn	7761	8087	8536	6503	3150.9	3823.2	7800	8700	9800
annual growth rate in %	22.3	4.2	5.6	-23.8	-26.2	21.3	20	12	13
Imports of goods, BOP, EUR mn	10149	10873	10413	7008	3430.3	4111.1	8300	9400	10700
annual growth rate in %	28.5	7.1	-4.2	-32.7	-36.2	19.8	18	13	14
Exports of services, BOP, EUR mn	2787	3200	3531	3160	1491.2	1481.1	3200	3300	3500
annual growth rate in %	6.7	14.8	10.3	-10.5	-9.6	-0.7	1	3	6
Imports of services, BOP, EUR mn	1996	2242	2338	1841	859.3	930.5	1950	2050	2150
annual growth rate in %	12.6	12.3	4.3	-21.3	-19.4	8.3	6	5	5
FDI inflow, EUR mn	1432	1998	1317	1204	199.1	449.9	1300	.	.
FDI outflow, EUR mn	880	1273	723	1053	412.7	220.2	.	.	.
Gross reserves of NB excl. gold, EUR mn	2115.3	2235.6	2814	2759	2682.9	2876.0	.	.	.
Gross external debt, EUR mn	12944.4	17350.5	19040.4	17389.5	17999.2	17180.3	.	.	.
Gross external debt in % of GDP	97.8	111.0	118.5	126.7	131.1	120.5	.	.	.
Average exchange rate EEK/EUR	15.6466	15.6466	15.6466	15.6466	15.6466	15.6466	15.65	15.65	15.65
Purchasing power parity EEK/EUR	9.9923	10.6247	11.1035	11.2102	.	.	.	.	.

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

1) Preliminary. - 2) TALIBOR 1 month interbank offered rate.

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

Table LV

Latvia: Selected Economic Indicators

	2006	2007	2008	2009 1)	2009	2010	2010	2011	2012
					January-June			Forecast	
Population, th pers., average	2287.9	2276.1	2266.1	2254.8	.	.	2240	2230	2220
Gross domestic product, LVL mn, nom.	11171.7	14779.8	16274.5	13244.3	6648.7	5995.4	12700	13100	13900
annual change in % (real)	12.2	10.0	-4.5	-18.0	-18.0	-3.9	-2	1.5	3
GDP/capita (EUR at exchange rate)	7000	9300	10200	8300	.	.	.	.	.
GDP/capita (EUR at PPP)	12200	13900	14400	11700	.	.	.	.	.
Consumption of households, LVL mn, nom.	7184.2	9104.3	9935.6	7941.2	4077.3	3845.6	7500	7500	7800
annual change in % (real)	21.4	14.8	-5.5	-22.5	-24.6	-3.6	-4	-1	1.5
Gross fixed capital form., LVL mn, nom.	3644.1	4975.1	4777.3	2822.8	1378.2	803.6	1900	2000	2100
annual change in % (real)	16.3	7.5	-15.6	-37.7	-35.5	-40.6	-30	3	4
Gross industrial production 2)									
annual change in % (real)	6.5	1.1	-3.9	-16.2	-19.0	12.4	12	8	9
Gross agricultural production									
annual change in % (real)	-1.9	10.8	0.1	0.4	.	.	.	.	.
Construction industry									
annual change in % (real)	13.3	13.6	-3.1	-34.9	-32.4	-35.3	.	.	.
Employed persons - LFS, th, average	1087.1	1118.0	1124.5	983.1	1023.0	926.3	900	900	920
annual change in %	5.2	2.8	0.6	-12.6	-10.3	-9.5	-8	0	2
Unemployed persons - LFS, th, average	79.5	71.3	90.5	203.2	184.3	230.6	.	.	.
Unemployment rate - LFS, in %, average	6.8	6.0	7.5	17.1	15.3	19.9	19.5	17	16
Reg. unemployment rate, in %, end of period	6.5	4.9	7.0	16.0	11.5	15.6	.	.	.
Average gross monthly wages, LVL	302	398	479	461	472	438	.	.	.
annual change in % (real, net)	15.6	19.9	6.2	-5.6	-2.6	-9.0	.	.	.
Consumer prices (HICP), % p.a.	6.6	10.1	15.2	3.3	6.7	-3.1	-2	1.5	3
Producer prices in industry, % p.a.	10.3	16.1	11.4	-4.6	-0.4	-1.1	.	.	.
General government budget, EU-def., % GDP									
Revenues	37.7	35.4	34.4	34.0	.	.	.	.	.
Expenditures	38.1	35.7	38.6	42.9	.	.	.	.	.
Net lending (+) / net borrowing (-)	-0.5	-0.3	-4.1	-8.9	.	.	-8.5	-6	-4.5
Public debt, EU-def., in % of GDP	10.7	9.0	19.5	36.1	.	.	50	55	58
Refinancing rate of NB, % p.a., end of period	5.0	6.0	6.0	4.0	.	.	.	.	.
Current account, EUR mn	-3603	-4710	-3014	1770	705.1	612.1	800	400	-300
Current account in % of GDP	-22.5	-22.3	-13.0	9.4	7.5	7.2	4.4	2.1	-1.5
Exports of goods, BOP, EUR mn	4929	6020	6531	5138	2438.9	2996.0	6100	6900	7800
annual growth rate in %	14.3	22.1	8.5	-21.3	-25.2	22.8	19	13	13
Imports of goods, BOP, EUR mn	9032	11074	10603	6363	3229.2	3516.0	7000	7700	8700
annual growth rate in %	33.7	22.6	-4.3	-40.0	-39.5	8.9	10	10	13
Exports of services, BOP, EUR mn	2121	2707	3088	2730	1357.5	1304.7	2650	2750	2900
annual growth rate in %	21.7	27.6	14.1	-11.6	-6.8	-3.9	-3	4	5
Imports of services, BOP, EUR mn	1586	1974	2169	1569	784.5	748.1	1500	1550	1700
annual growth rate in %	26.3	24.5	9.9	-27.7	-22.1	-4.6	-4	3	10
FDI inflow, EUR mn	1339	1705	869	54	-129.2	-40.9	0	.	.
FDI outflow, EUR mn	136	270	169	-16	-77.8	35.7	.	.	.
Gross reserves of NB excl. gold, EUR mn	3346.2	3859.9	3514.0	4614.2	2640.7	5289.7	.	.	.
Gross external debt, EUR mn	18127.7	26834.6	29762.8	29159.4	28226.8	29165.0	.	.	.
Gross external debt in % of GDP	113.1	126.4	129.5	156.2	151.2	161.4	.	.	.
Average exchange rate LVL/EUR	0.6962	0.7001	0.7027	0.7057	0.7027	0.7027	0.7027	0.7027	0.7027
Purchasing power parity LVL/EUR	0.3999	0.4681	0.4999	0.5039	.	.	.	.	.

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

1) Preliminary. - 2) Enterprises with 20 and more employees.

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

Table LT

Lithuania: Selected Economic Indicators

	2006	2007	2008	2009 [1]	2009	2010	2010	2011	2012
					January-June			Forecast	
Population, th pers., average	3394.1	3375.6	3358.1	3339.5	.	.	3323	3306	3289
Gross domestic product, LTL mn, nom.	82792.8	98669.1	111189.8	92353.3	44752.6	45055.2	93000	95800	100600
annual change in % (real)	7.8	9.8	2.8	-15.0	-16.5	-0.7	0.5	2	3
GDP/capita (EUR at exchange rate)	7100	8500	9600	8000	.	.	.	.	.
GDP/capita (EUR at PPP)	13100	14800	15500	13100	.	.	.	.	.
Consumption of households, LTL mn, nom.	53268.6	63508.4	72140.6	62596.1	31601.3	28973.3	59000	60200	62600
annual change in % (real)	10.6	12.0	3.6	-17.0	-16.6	-8.4	-6	1	2
Gross fixed capital form., LTL mn, nom.	20840.8	27918.8	27984.0	15609.1	7557.5	5822.7	13300	13700	14700
annual change in % (real)	19.4	23.0	-6.5	-39.1	-39.8	-18.4	-15	2	5
Gross industrial production (sales)									
annual change in % (real)	6.5	2.4	5.5	-14.6	-17.3	0.8	3	4	6
Gross agricultural production									
annual change in % (real)	-4.1	8.2	8.8	2.3	.	.	.	.	.
Construction industry									
annual change in % (real)	21.7	22.2	4.0	-48.5	-45.9	-28.4	.	.	.
Employed persons - LFS, th, average	1499.0	1534.2	1520.0	1415.9	1427.8	1328.2	1350	1380	1400
annual change in %	1.7	2.3	-0.9	-6.8	-5.9	-7.0	-4.7	2.2	1.4
Unemployed persons - LFS, th, average	89.4	69.0	94.3	225.1	208.5	295.3	220	.	.
Unemployment rate - LFS, in %, average	5.6	4.3	5.8	13.7	12.8	18.2	18	16	15
Reg. unemployment rate, in %, end of period [2]	3.7	3.3	4.4	12.5	9.3	15.0	.	.	.
Average gross monthly wages, LTL	1495.7	1802.4	2151.7	2056.0	2182.9	2043.5	.	.	.
annual change in % (real, net)	15.0	17.0	10.1	-7.2	-5.7	-6.2	.	.	.
Consumer prices (HICP), % p.a.	3.8	5.8	11.1	4.2	6.6	0.1	0.2	1	2
Producer prices in industry, % p.a.	7.3	7.0	18.2	-13.5	-12.9	8.6	.	.	.
General goverm.budget, EU-def., % GDP									
Revenues	33.1	33.8	34.2	34.1	.	.	.	.	.
Expenditures	33.6	34.8	37.4	43.0	.	.	.	.	.
Net lending (+) / net borrowing (-)	-0.4	-1.0	-3.3	-8.9	.	.	-8	-6	-4.5
Public debt, EU-def., in % of GDP	18.0	16.9	15.6	29.3	.	.	40	43	45
Money market rate, % p.a., end of period [3]	3.7	6.8	7.8	1.6	5.3	1.0	.	.	.
Current account, EUR mn	-2551	-4149	-3840	1022	46.5	145.6	100	-200	-600
Current account in % of GDP	-10.6	-14.5	-11.9	3.8	0.4	1.1	0	-0.7	-2.1
Exports of goods, BOP, EUR mn	11262	12509	16077	11794	5516.4	6862.7	14300	16000	18100
annual growth rate in %	18.7	11.1	28.5	-26.6	-30.8	24.4	21	12	13
Imports of goods, BOP, EUR mn	14600	16788	19939	12570	5928.5	7319.4	15200	17000	19400
annual growth rate in %	23.2	15.0	18.8	-37.0	-42.2	23.5	21	12	14
Exports of services, BOP, EUR mn	2879	2931	3306	2712	1254.9	1330.0	2900	3200	3500
annual growth rate in %	15.0	1.8	12.8	-18.0	-17.2	6.0	7	10	9
Imports of services, BOP, EUR mn	2018	2471	2953	2117	1038.0	1061.0	2200	2300	2500
annual growth rate in %	21.9	22.4	19.5	-28.3	-27.7	2.2	4	5	9
FDI inflow, EUR mn	1448	1473	1245	249	437.7	46.9	400	.	.
FDI outflow, EUR mn	232	437	229	157	209.8	79.8	.	.	.
Gross reserves of NB excl. gold, EUR mn	4307.5	5165.1	4458.4	4495.4	4333.9	4427.1	.	.	.
Gross external debt, EUR mn	14441.8	20547.2	23048.2	23051.8	23055.4	23562.3	.	.	.
Gross external debt in % of GDP	60.2	71.9	71.6	86.2	86.2	87.4	.	.	.
Average exchange rate LTL/EUR	3.45	3.45	3.45	3.45	3.45	3.45	3.45	3.45	3.45
Purchasing power parity LTL/EUR	1.87	1.98	2.13	2.10	.	.	.	.	.

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

1) Preliminary. - 2) In % of working age population. - 3) VILIBOR 1 month interbank offered rate.

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

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STATISTICAL ANNEX

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

PLEASE NOTE: As of March 2010, time series for the new EU member states previously taken from national sources have been replaced by Eurostat data and methodology (mostly from 2000 onwards). A detailed description of the changes is available online at http://mdb.wiiw.ac.at.
This change enables you to compare the wiiw monthly data with Eurostat data on other EU countries.

Conventional signs and abbreviations

used in the following section on monthly statistical data

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

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

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

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

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

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B U L G A R I A: Selected monthly data on the economic situation 2009 to 2010

(updated end of Sep 2010)

		2009							2010							
		Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
PRODUCTION																
Industry, NACE Rev. 2 [1]	real, CPPY	-18.2	-18.7	-15.8	-21.1	-16.5	-10.8	-12.1	-2.0	-9.8	-0.1	-1.7	-1.6	2.7	-2.2	.
Industry, NACE Rev. 2 [1]	real, CCPPY	-18.9	-18.9	-18.5	-18.8	-18.6	-17.9	-17.4	-2.0	-6.0	-3.9	-3.3	-3.0	-2.0	-2.0	.
Industry, NACE Rev. 2 [1]	real, 3MMA	-19.6	-17.7	-18.6	-17.9	-16.2	-13.2	-8.8	-8.4	-3.9	-3.8	-1.1	-0.1	-0.4	.	.
Construction, NACE Rev. 2 [2]	real, CPPY	-30.0	-34.6	-36.7	-38.4	-43.3	-40.3	-41.2	-29.2	-29.0	-20.7	-22.8	-17.2	-17.7	-19.9	.
Construction, NACE Rev. 2 [2]	real, CCPPY	-30.2	-30.9	-31.6	-32.4	-33.5	-34.1	-34.7	-29.2	-29.1	-26.1	-25.3	-23.7	-22.7	-22.3	.
LABOUR																
Employed persons, LFS	th. pers., quart. avg	3300.1	.	.	3280.0	.	.	3171.6	.	.	3011.3	.	.	3072.1	.	.
Employed persons, LFS	CCPPY	-1.5	.	.	-2.3	.	.	-3.2	.	.	-7.7	.	.	-7.3	.	.
Unemployed persons, LFS	th. pers., quart. avg	222.6	.	.	234.5	.	.	272.8	.	.	341.0	.	.	342.2	.	.
Unemployment rate, LFS	%	6.3	.	.	6.7	.	.	7.9	.	.	10.2	.	.	10.0	.	.
Productivity in industry, NACE Rev. 2	CCPPY	-11.2	.	.	-10.6	.	.	-8.5	.	.	7.4	.	.	7.5	.	.
WAGES																
Total economy, gross	BGN	587	578	576	594	594	600	625	611	610	636	643	640	636	.	.
Total economy, gross [3]	real, CPPY	11.1	10.7	10.7	10.2	10.1	9.7	8.6	7.8	8.5	7.3	5.2	6.2	5.7	.	.
Total economy, gross	EUR	300	296	295	304	304	307	320	312	312	325	329	327	325	.	.
Industry, gross, NACE Rev. 2	EUR	299	294	294	298	302	302	312	305	304	323	319	320	327	.	.
PRICES																
Consumer - HICP	PP	0.1	-0.1	0.1	-0.2	0.2	0.2	0.3	0.6	0.3	0.4	1.2	0.0	-0.4	0.5	0.2
Consumer - HICP	CPPY	2.6	1.0	1.3	0.2	0.3	0.9	1.6	1.8	1.7	2.4	3.0	3.0	2.5	3.2	3.2
Consumer - HICP	CCPPY	4.1	3.7	3.4	3.0	2.7	2.5	2.5	1.8	1.7	1.9	2.2	2.4	2.4	2.5	2.6
Producer, in industry, NACE Rev. 2 [4]	PP	0.5	-1.1	0.2	1.4	-0.9	0.5	1.2	1.8	0.0	1.3	2.2	1.7	-0.2	0.6	.
Producer, in industry, NACE Rev. 2 [4]	CPPY	-7.5	-10.8	-10.9	-8.9	-9.6	-5.9	0.9	2.9	4.0	5.2	8.1	9.1	8.4	10.2	.
Producer, in industry, NACE Rev. 2 [4]	CCPPY	-5.2	-6.0	-6.7	-6.9	-7.2	-7.1	-6.5	2.9	3.5	4.0	5.1	5.9	6.3	6.8	.
FOREIGN TRADE [5]																
Exports total (fob), cumulated	EUR mn	5419	6447	7429	8479	9693	10808	11787	920	1922	3043	4223	5432	6842	.	.
Imports total (cif), cumulated	EUR mn	8225	9644	10954	12337	13895	15312	16726	1154	2326	3831	5393	7034	8694	.	.
Trade balance, cumulated	EUR mn	-2806	-3197	-3525	-3858	-4202	-4504	-4939	-234	-405	-789	-1170	-1602	-1851	.	.
Exports to EU-27 (fob), cumulated	EUR mn	3495	4223	4831	5530	6293	6996	7585	548	1192	1843	2519	3266	4106	.	.
Imports from EU-27 (cif), cumulated	EUR mn	4938	5787	6535	7404	8345	9214	10082	646	1428	2327	3173	4114	5086	.	.
Trade balance with EU-27, cumulated	EUR mn	-1443	-1565	-1703	-1873	-2052	-2218	-2497	-98	-235	-484	-653	-848	-980	.	.
FOREIGN FINANCE																
Current account, cumulated	EUR mn	-2647	.	.	-2450	.	.	-3196	.	.	-522	.	.	.	.	.
EXCHANGE RATE																
BGN/EUR, monthly average	nominal	1.956	1.956	1.956	1.956	1.956	1.956	1.956	1.956	1.956	1.956	1.956	1.956	1.956	1.956	1.956
BGN/USD, monthly average	nominal	1.395	1.388	1.371	1.343	1.320	1.311	1.338	1.370	1.429	1.441	1.459	1.557	1.602	1.532	1.517
EUR/BGN, calculated with CPI [6]	real, Jan07=100	111.6	111.9	111.7	111.5	111.5	111.5	111.5	112.6	112.6	112.2	112.9	112.8	112.2	113.1	113.0
EUR/BGN, calculated with PPI [6]	real, Jan07=100	106.4	105.9	105.6	107.3	105.9	106.2	107.4	108.4	108.1	108.8	110.2	111.6	111.1	111.5	.
USD/BGN, calculated with CPI [6]	real, Jan07=100	120.4	121.0	122.5	124.6	126.9	127.8	125.9	123.2	118.5	117.4	117.1	109.7	106.2	111.7	112.8
USD/BGN, calculated with PPI [6]	real, Jan07=100	112.6	113.0	112.9	117.5	117.7	117.6	116.2	113.1	109.0	108.1	108.4	103.1	100.7	105.6	.
DOMESTIC FINANCE																
Currency in circulation	BGN mn, eop	7012	7100	7086	6925	6839	6779	7115	6755	6718	6663	6632	6663	6761	6963	.
M1	BGN mn, eop	17909	17684	17870	17686	17366	17739	18124	17686	18252	17395	17592	17743	18068	18535	.
Broad money	BGN mn, eop	45578	45867	46233	46464	46595	46802	47731	47493	48465	48392	48613	48879	49245	49838	.
Broad money	CPPY	3.7	1.7	1.0	1.6	4.3	6.4	4.2	5.4	7.9	7.7	7.9	8.1	8.0	8.7	.
BNB base rate (p.a.)	%, eop	2.4	2.2	1.7	1.6	1.5	0.6	0.6	0.4	0.2	0.2	0.2	0.2	0.2	0.2	0.2
BNB base rate (p.a.) [7]	real, %	10.7	14.6	14.1	11.5	12.2	7.0	-0.3	-2.5	-3.7	-4.7	-7.3	-8.2	-7.5	-9.1	.
BUDGET																
General gov.budget balance [8], cum.	BGN mn	-271	.	.	-997	.	.	-2570	.	.	-1117	.	.	.	.	.

1) Enterprises with 10 and more persons.
2) All public enterprises, private enterprises with 5 and more employees.
3) Nominal wages deflated with HICP.
4) Data refer to industry total compared to previously published domestic producer prices.
5) From 2007 intra-/extra-EU trade methodology.
6) Adjusted for domestic and foreign (US resp. EU) inflation. Values more than 100 mean real appreciation.
7) Deflated with annual PPI.
8) According to ESA'95 excessive deficit procedure.

C Z E C H REPUBLIC: Selected monthly data on the economic situation 2009 to 2010

(updated end of Sep 2010)

		2009							2010							
		Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
PRODUCTION																
Industry, NACE Rev. 2	real, CPPY	-12.8	-17.8	-9.4	-12.1	-7.4	-0.2	2.3	5.0	6.9	10.2	10.9	16.2	9.0	5.3	.
Industry, NACE Rev. 2	real, CCPPY	-19.0	-18.8	-17.8	-17.2	-16.2	-14.8	-13.6	5.0	6.0	7.5	8.4	9.9	9.7	9.1	.
Industry, NACE Rev. 2	real, 3MMA	-17.5	-13.5	-13.2	-9.7	-6.8	-2.1	2.2	4.7	7.5	9.4	12.3	11.9	10.1	.	.
Construction, NACE Rev. 2	real, CPPY	0.8	-3.7	0.4	3.7	-1.0	5.6	1.2	-25.3	-23.6	-17.0	-15.8	-2.3	-4.2	-4.5	.
Construction, NACE Rev. 2	real, CCPPY	-3.8	-3.8	-3.1	-2.2	-2.0	-1.1	-0.9	-25.3	-24.4	-21.4	-19.6	-15.2	-12.8	-11.3	.
LABOUR																
Employed persons, LFS	th. pers., quart. avg	4941.3	.	.	4921.7	.	.	4927.3	.	.	4829.2	.	.	4880.9	.	.
Employed persons, LFS	CCPPY	-0.7	.	.	-1.1	.	.	-1.4	.	.	-2.4	.	.	-1.8	.	.
Unemployed persons, LFS	th. pers., quart. avg	333.9	.	.	387.0	.	.	385.0	.	.	422.5	.	.	374.5	.	.
Unemployment rate, LFS	%	6.3	.	.	7.3	.	.	7.3	.	.	8.1	.	.	7.1	.	.
Productivity in industry, NACE Rev. 2	CCPPY	-10.3	.	.	-7.3	.	.	-3.1	.	.	16.6	.	.	16.0	.	.
WAGES																
Total economy, gross	CZK, quart. avg.	22971	.	.	23192	.	.	25565	.	.	22754	.	.	23513	.	.
Total economy, gross [1]	real, CPPY	2.2	.	.	4.7	.	.	5.1	.	.	1.8	.	.	1.4	.	.
Total economy, gross	EUR, quart. avg.	861	.	.	906	.	.	986	.	.	879	.	.	919	.	.
Industry, gross, NACE Rev. 2 [2]	EUR, quart. avg.	846	.	.	884	.	.	960	.	.	862	.	.	913	.	.
PRICES																
Consumer - HICP	PP	0.0	-0.4	-0.2	-0.4	-0.3	0.1	0.1	1.2	0.1	0.2	0.4	0.2	0.0	0.3	-0.3
Consumer - HICP	CPPY	0.8	-0.1	0.0	-0.3	-0.6	0.2	0.5	0.4	0.4	0.4	0.9	1.0	1.0	1.6	1.5
Consumer - HICP	CCPPY	1.2	1.0	0.9	0.8	0.6	0.6	0.6	0.4	0.4	0.4	0.5	0.6	0.7	0.8	0.9
Producer, in industry, NACE Rev. 2 [3]	PP	-0.2	-1.2	-0.2	-0.7	0.6	0.2	0.4	0.4	-0.2	-0.3	0.7	1.3	0.8	-0.8	.
Producer, in industry, NACE Rev. 2 [3]	CPPY	-1.5	-2.2	-3.8	-4.9	-4.0	-2.9	-2.2	-3.4	-5.3	-3.1	-1.3	0.8	1.8	2.2	.
Producer, in industry, NACE Rev. 2 [3]	CCPPY	0.4	0.0	-0.5	-1.0	-1.3	-1.4	-1.5	-3.4	-4.4	-3.9	-3.3	-2.5	-1.8	-1.2	.
FOREIGN TRADE [4]																
Exports total (fob),cumulated	EUR mn	38765	45437	51655	59421	67063	74693	81009	6685	13798	22391	30270	38267	46890	54773	.
Imports total (cif),cumulated	EUR mn	35871	42090	47951	55052	62059	69125	75340	6118	12684	20612	27933	35471	43756	51389	.
Trade balance,cumulated	EUR mn	2893	3347	3704	4369	5004	5568	5670	566	1114	1779	2337	2797	3134	3385	.
Exports to EU-27 (fob), cumulated	EUR mn	32937	38562	43788	50383	56917	63377	68643	5728	11773	18982	25636	32391	39580	46144	.
Imports from EU-27 (cif), cumulated	EUR mn	27878	32821	37381	43005	48540	54035	58789	4610	9656	15808	21328	26888	33038	38646	.
Trade balance with EU-27, cumulated	EUR mn	5059	5742	6407	7378	8377	9343	9854	1118	2117	3174	4308	5502	6542	7498	.
FOREIGN FINANCE																
Current account, cumulated	EUR mn	-248	.	.	-1175	.	.	-1465	.	.	621	.	.	.	.	.
EXCHANGE RATE																
CZK/EUR, monthly average	nominal	26.55	25.79	25.65	25.35	25.86	25.81	26.09	26.13	25.98	25.54	25.31	25.66	25.78	25.33	24.81
CZK/USD, monthly average	nominal	18.94	18.31	17.97	17.41	17.45	17.31	17.85	18.31	18.98	18.82	18.88	20.42	21.12	19.83	19.24
EUR/CZK, calculated with CPI [5]	real, Jan07=100	107.6	110.8	110.9	111.7	109.0	109.1	107.7	109.3	109.6	110.9	111.8	110.3	109.8	112.3	114.1
EUR/CZK, calculated with PPI [5]	real, Jan07=100	101.1	103.4	103.3	104.1	102.3	102.4	101.6	101.0	101.1	101.8	102.6	102.0	102.0	102.9	.
USD/CZK, calculated with CPI [5]	real, Jan07=100	116.1	119.8	121.6	124.9	124.1	125.1	121.6	119.5	115.4	116.1	116.0	107.3	103.9	110.9	113.9
USD/CZK, calculated with PPI [5]	real, Jan07=100	107.0	110.4	110.5	113.9	113.6	113.3	109.9	105.3	101.9	101.2	101.0	94.2	92.5	97.4	.
DOMESTIC FINANCE																
Currency in circulation	CZK bn, eop	354.3	352.4	351.4	351.3	353.2	354.2	353.5	353.6	354.2	351.6	353.2	354.2	356.5	354.3	.
M1	CZK bn, eop	1723.6	1702.2	1736.1	1722.2	1732.7	1781.7	1771.8	1765.0	1775.6	1803.9	1796.2	1893.1	1903.0	1927.2	.
Broad money	CZK bn, eop	2680.9	2669.7	2659.5	2623.5	2651.0	2665.2	2709.1	2671.5	2666.7	2681.7	2727.2	2764.2	2756.1	2744.7	.
Broad money	CPPY	9.1	6.4	4.5	3.2	2.6	1.7	0.3	-1.6	-2.3	-0.7	0.3	1.0	2.8	2.8	.
Discount rate (p.a.)	%, eop	0.5	0.5	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Discount rate (p.a.) [6]	real, %	2.0	2.8	4.3	5.4	4.5	3.3	2.5	3.8	5.8	3.4	1.5	-0.5	-1.5	-1.9	.
BUDGET																
General gov.budget balance [7], cum.	CZK mn	-76250	.	.	-132602	.	.	-213744	.	.	-53179	.	.	.	.	.

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

H U N G A R Y: Selected monthly data on the economic situation 2009 to 2010

(updated end of Sep 2010)

		2009 Jun	Jul	Aug	Sep	Oct	Nov	Dec	2010 Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
PRODUCTION																
Industry, NACE Rev. 2	real, CPPY	-18.8	-19.4	-19.8	-14.7	-13.0	-7.0	1.5	3.0	8.1	4.0	9.6	13.7	15.2	9.1	.
Industry, NACE Rev. 2	real, CCPPY	-22.6	-22.2	-21.9	-21.0	-20.2	-19.0	-17.6	3.0	5.5	5.0	6.1	7.6	8.9	9.0	.
Industry, NACE Rev. 2	real, 3MMA	-20.1	-19.3	-17.8	-15.6	-11.7	-6.9	-1.4	4.1	5.0	7.1	8.9	12.9	12.7	.	.
Construction, NACE Rev. 2	real, CPPY	15.0	-5.5	-6.7	-1.5	-2.9	-14.1	-6.4	-15.3	-12.5	-6.5	-15.8	-10.2	-19.6	-4.6	.
Construction, NACE Rev. 2	real, CCPPY	-2.0	-2.5	-3.2	-2.9	-2.9	-4.1	-4.4	-15.3	-13.7	-10.8	-12.3	-11.8	-13.6	-12.2	.
LABOUR																
Employed persons, LFS	th. pers., quart. avg	3797.1	.	.	3783.5	.	.	3782.8	.	.	3719.3	.	.	3778.9	.	.
Employed persons, LFS	CCPPY	-2.0	.	.	-2.5	.	.	-2.5	.	.	-1.2	.	.	-0.8	.	.
Unemployed persons, LFS	th. pers., quart. avg	401.7	.	.	436.2	.	.	442.0	.	.	497.8	.	.	473.3	.	.
Unemployment rate, LFS	%	9.6	.	.	10.3	.	.	10.5	.	.	11.8	.	.	11.1	.	.
Productivity in industry, NACE Rev. 2	CCPPY	-13.1	-12.1	-11.5	-10.3	-9.3	-8.0	-6.6	14.5	16.4	14.5	14.2	14.5	14.5	13.4	.
WAGES																
Total economy, gross 1)	HUF th	201.7	197.3	190.4	191.1	193.5	215.8	220.8	206.9	193.5	220.3	202.8	198.5	202.8	197.8	.
Total economy, gross 1)2)	real, CPPY	-2.6	-3.2	-4.2	-3.8	-5.6	-7.9	-5.1	0.3	-4.5	3.4	-4.3	-5.4	-4.2	-3.2	.
Total economy, gross 1)	EUR	719	725	705	703	721	797	808	768	714	830	764	717	720	697	.
Industry, gross, NACE Rev. 2 1)	EUR	717	723	709	719	730	821	800	723	717	803	789	745	749	722	.
PRICES																
Consumer - HICP	PP	0.0	1.4	-0.5	-0.2	-0.2	0.5	-0.2	1.5	0.2	0.6	0.9	0.7	0.2	0.0	-0.5
Consumer - HICP	CPPY	3.7	4.9	5.0	4.8	4.2	5.2	5.4	6.2	5.6	5.7	5.7	4.9	5.0	3.6	3.6
Consumer - HICP	CCPPY	3.1	3.4	3.6	3.7	3.8	3.9	4.0	6.2	5.9	5.8	5.8	5.6	5.5	5.2	5.0
Producer, in industry, NACE Rev. 2	PP	0.0	-1.5	-0.4	0.0	0.0	0.4	0.1	2.5	0.8	-0.2	1.8	3.7	1.4	0.1	.
Producer, in industry, NACE Rev. 2	CPPY	6.3	5.2	4.1	3.0	-0.3	0.3	1.2	0.9	-1.4	-2.1	1.5	7.3	8.8	10.6	.
Producer, in industry, NACE Rev. 2	CCPPY	6.9	6.7	6.4	6.0	5.3	4.9	4.6	0.9	-0.3	-0.9	-0.3	1.2	2.5	3.6	.
FOREIGN TRADE 3)																
Exports total (fob), cumulated	EUR mn	28472	33568	37873	43545	49274	55135	60036	4892	10194	16442	22110	27820	34158	.	.
Imports total (cif), cumulated	EUR mn	26730	31457	35553	40830	46104	51522	56034	4505	9390	14998	20220	25521	31296	.	.
Trade balance, cumulated	EUR mn	1742	2111	2321	2715	3170	3613	4002	387	804	1444	1890	2299	2862	.	.
Exports to EU-27 (fob), cumulated	EUR mn	22595	26570	29900	34357	38943	43610	47345	3901	8047	12879	17342	21842	26665	.	.
Imports from EU-27 (cif), cumulated	EUR mn	18488	21829	24634	28332	31975	35640	38561	3067	6379	10238	13877	17454	21419	.	.
Trade balance with EU-27, cumulated	EUR mn	4108	4741	5266	6025	6968	7969	8783	834	1668	2641	3465	4388	5246	.	.
FOREIGN FINANCE																
Current account, cumulated	EUR mn	-465	.	.	-140	.	.	248	.	.	98	.	.	.	.	.
EXCHANGE RATE																
HUF/EUR, monthly average	nominal	280.5	272.1	270.1	271.8	268.5	270.9	273.2	269.4	271.2	265.4	265.5	276.8	281.5	283.8	281.5
HUF/USD, monthly average	nominal	200.1	193.1	189.3	186.7	181.2	181.7	187.0	188.8	198.2	195.6	198.1	220.3	230.6	222.2	218.3
EUR/HUF, calculated with CPI 4)	real, Jan07=100	96.6	101.5	101.4	100.5	101.4	100.8	99.5	102.8	102.0	104.1	104.5	100.8	99.2	98.7	98.8
EUR/HUF, calculated with PPI 4)	real, Jan07=100	95.3	97.3	97.2	96.8	97.6	96.9	96.1	99.1	99.0	100.3	101.2	100.2	99.5	98.6	.
USD/HUF, calculated with CPI 4)	real, Jan07=100	104.3	109.8	111.2	112.3	115.4	115.6	112.3	112.4	107.4	109.0	108.4	98.0	93.9	97.5	98.7
USD/HUF, calculated with PPI 4)	real, Jan07=100	100.9	103.9	103.9	105.9	108.5	107.3	103.9	103.3	99.8	99.6	99.5	92.5	90.2	93.4	.
DOMESTIC FINANCE																
Currency in circulation	HUF bn, eop	2089.8	2042.7	2030.2	2002.0	1996.0	2003.7	2039.2	2013.8	2024.8	1993.1	2026.5	2083.0	2150.1	2174.4	.
M1	HUF bn, eop	5982.8	5812.2	5931.8	5920.7	5795.0	5900.7	6121.5	5853.6	5893.0	5941.9	5944.7	6147.9	6346.1	6226.8	.
Broad money	HUF bn, eop	15878.9	15736.7	15930.1	15809.8	15772.1	15792.2	15975.3	15754.1	15886.9	15955.9	16215.5	16263.7	16465.9	16333.8	.
Broad money	CPPY	11.9	7.0	9.3	7.5	5.9	4.7	3.4	0.9	1.0	0.0	1.9	2.3	3.7	3.8	.
NBH base rate (p.a.)	%, eop	9.5	8.5	8.0	7.5	7.0	6.5	6.3	6.0	5.8	5.5	5.3	5.3	5.3	5.3	5.3
NBH base rate (p.a.) 5)	real, %	3.0	3.1	3.8	4.4	7.3	6.2	5.0	5.0	7.3	7.8	3.7	-2.0	-3.3	-4.8	.
BUDGET																
General gov.budget balance 6), cum.	HUF bn	-507	.	.	-751	.	.	-1035	.	.	-259	.	.	.	.	.

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

P O L A N D: Selected monthly data on the economic situation 2009 to 2010

(updated end of Sep 2010)

		2009							2010							
		Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
PRODUCTION																
Industry, NACE Rev. 2 1)2)	real, CPPY	-4.4	-4.5	0.1	-1.2	-1.3	9.9	7.4	8.5	9.2	12.5	9.7	13.5	14.3	10.4	.
Industry, NACE Rev. 2 1)2)	real, CCPPY	-9.0	-8.3	-7.4	-6.7	-6.1	-4.7	-3.8	8.5	8.9	10.2	10.1	10.8	11.4	11.2	.
Industry, NACE Rev. 2 1)2)	real, 3MMA	-4.7	-3.0	-1.9	-0.8	2.2	5.0	8.6	8.4	10.2	10.6	11.9	12.5	12.7	.	.
Construction, NACE Rev. 2 2)	real, CPPY	0.6	10.6	11.0	5.7	2.7	9.9	3.2	-15.3	-24.7	-10.9	-6.2	2.3	9.6	0.8	.
Construction, NACE Rev. 2 2)	real, CCPPY	1.6	3.2	4.3	4.5	4.3	4.8	4.6	-15.3	-20.3	-16.7	-13.6	-9.7	-5.4	-4.2	.
LABOUR																
Employed persons, LFS	th. pers., quart. avg	15846	.	.	16026	.	.	15885	.	.	15574	.	.	15994	.	.
Employed persons, LFS	CCPPY	1.1	.	.	0.8	.	.	0.4	.	.	-0.9	.	.	0.0	.	.
Unemployed persons, LFS	th. pers., quart. avg	1355.1	.	.	1404.3	.	.	1471.3	.	.	1838.9	.	.	1682.0	.	.
Unemployment rate, LFS	%	7.9	.	.	8.1	.	.	8.5	.	.	10.6	.	.	9.5	.	.
Productivity in industry, NACE Rev. 2	CCPPY	-3.6	-2.7	-1.5	-0.6	0.1	1.5	2.5	12.7	12.7	13.7	13.1	13.4	13.6	.	.
WAGES																
Total economy, gross 2)	PLN	3288	3362	3269	3283	3312	3404	3652	3231	3288	3493	3399	3347	3404	3433	3407
Total economy, gross 2)3)	real, CPPY	-1.9	-0.4	-1.0	-0.4	-1.5	-1.3	2.9	-3.3	-0.5	1.9	0.5	2.4	1.1	0.2	2.3
Total economy, gross 2)	EUR	729	782	791	790	786	817	881	794	819	898	876	825	829	841	854
Industry, gross, NACE Rev. 2	EUR	737	779	788	789	769	836	907	787	837	908	870	835	841	850	868
PRICES																
Consumer - HICP	PP	0.2	0.3	-0.4	0.0	0.2	0.3	0.0	0.4	0.4	0.3	0.4	0.3	0.3	-0.2	-0.3
Consumer - HICP	CPPY	4.2	4.5	4.3	4.0	3.8	3.8	3.8	3.9	3.4	2.9	2.7	2.3	2.4	1.9	1.9
Consumer - HICP	CCPPY	3.9	4.0	4.0	4.0	4.0	4.0	4.0	3.9	3.7	3.4	3.2	3.0	2.9	2.8	2.7
Producer, in industry, NACE Rev. 2	PP	0.6	-1.4	-0.4	-0.2	0.4	-0.3	-0.2	0.4	0.0	-0.1	1.2	1.9	1.0	0.3	.
Producer, in industry, NACE Rev. 2	CPPY	4.5	3.3	2.7	2.1	2.5	2.3	2.4	0.3	-2.2	-2.3	-0.3	1.8	2.3	4.1	.
Producer, in industry, NACE Rev. 2	CCPPY	5.3	5.0	4.7	4.4	4.2	4.0	3.9	0.3	-1.0	-1.4	-1.1	-0.5	-0.1	0.5	.
FOREIGN TRADE 4)																
Exports total (fob), cumulated	EUR mn	46092	54227	61593	70771	80181	89014	96396	8126	17026	27174	36809	46431	56721	.	.
Imports total (cif), cumulated	EUR mn	50528	59552	67785	77289	87222	96659	105123	8784	18440	29698	40037	50613	61593	.	.
Trade balance, cumulated	EUR mn	-4436	-5325	-6192	-6518	-7042	-7645	-8727	-658	-1414	-2525	-3228	-4183	-4872	.	.
Exports to EU-27 (fob), cumulated	EUR mn	36865	43154	48943	56253	63838	70771	76428	6578	13645	21643	29261	37036	45042	.	.
Imports from EU-27 (cif), cumulated	EUR mn	36656	43086	48894	55868	63065	69902	75732	6114	12812	20900	28202	35586	43305	.	.
Trade balance with EU-27, cumulated	EUR mn	209	68	49	385	773	869	696	464	833	744	1059	1450	1737	.	.
FOREIGN FINANCE																
Current account, cumulated	EUR mn	-1114	.	.	-2276	.	.	-5041	.	.	-1064	.	.	.	.	.
EXCHANGE RATE																
PLN/EUR, monthly average	nominal	4.508	4.297	4.131	4.158	4.215	4.165	4.144	4.070	4.014	3.891	3.878	4.057	4.106	4.081	3.990
PLN/USD, monthly average	nominal	3.217	3.050	2.895	2.856	2.845	2.792	2.836	2.852	2.933	2.867	2.893	3.229	3.363	3.196	3.094
EUR/PLN, calculated with CPI 5)	real, Jan07=100	89.4	94.5	97.7	97.0	95.7	97.0	97.1	99.8	101.2	103.9	104.2	99.7	98.7	99.3	101.1
EUR/PLN, calculated with PPI 5)	real, Jan07=100	90.2	93.9	96.8	96.3	95.0	95.6	95.9	97.1	98.2	100.5	101.2	98.1	97.6	98.3	.
USD/PLN, calculated with CPI 5)	real, Jan07=100	96.6	102.2	107.1	108.4	109.0	111.2	109.7	109.1	106.5	108.8	108.0	97.0	93.4	98.1	100.9
USD/PLN, calculated with PPI 5)	real, Jan07=100	95.5	100.2	103.6	105.4	105.5	105.8	103.6	101.3	99.0	99.9	99.6	90.6	88.5	93.1	.
DOMESTIC FINANCE																
Currency in circulation	PLN bn, eop	92.3	91.5	91.0	89.7	89.4	88.2	89.8	87.9	88.0	88.6	89.5	92.1	93.0	93.2	.
M1	PLN bn, eop	370.6	363.7	371.1	372.8	378.6	381.5	388.3	381.3	383.4	389.6	388.3	409.0	415.2	414.5	.
Broad money	PLN bn, eop	693.7	689.4	685.4	691.3	711.2	699.9	720.2	711.0	715.6	721.5	721.2	737.8	742.8	743.3	.
Broad money	CPPY	14.4	11.9	9.0	9.6	11.9	8.0	8.1	6.3	5.1	5.5	6.1	7.7	7.1	7.8	.
Discount rate (p.a.)	%, eop	3.8	3.8	3.8	3.8	3.8	3.8	3.8	3.8	3.8	3.8	3.8	3.8	3.8	3.8	3.8
Discount rate (p.a.) 6)	real, %	-0.7	0.5	1.0	1.6	1.2	1.4	1.3	3.4	6.1	6.2	4.1	1.9	1.4	-0.3	.
BUDGET																
General gov.budget balance 7), cum.	PLN mn	-35661	.	.	-48397	.	.	-95728	.	.	-8492	.	.	.	.	.

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

R O M A N I A: Selected monthly data on the economic situation 2009 to 2010

(updated end of Sep 2010)

		2009 Jun	Jul	Aug	Sep	Oct	Nov	Dec	2010 Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
PRODUCTION																
Industry, NACE Rev. 2 [1]	real, CPPY	-4.5	-4.1	-5.7	-3.4	-2.7	5.3	11.6	6.1	-0.4	7.0	7.8	6.0	6.8	3.4	.
Industry, NACE Rev. 2 [1]	real, CCPPY	-10.5	-9.6	-9.2	-8.5	-7.9	-6.7	-5.5	6.1	2.7	4.3	5.2	5.3	5.6	5.3	.
Industry, NACE Rev. 2 [1]	real, 3MMA	-6.2	-4.7	-4.3	-3.8	-0.4	4.0	7.5	5.6	4.3	4.9	6.9	6.8	5.4	.	.
Construction, NACE Rev. 2	real, CPPY	-4.4	-17.1	-24.6	-22.5	-26.2	-18.4	-6.9	-10.5	-27.7	-23.3	-14.4	-17.3	-3.1	-25.4	.
Construction, NACE Rev. 2	real, CCPPY	-8.4	-10.0	-12.5	-14.1	-15.7	-16.0	-15.1	-10.5	-19.8	-21.3	-19.3	-18.9	-15.2	-17.0	.
LABOUR																
Employed persons, LFS	th. pers., quart. avg	9381.3	.	.	9527.1	.	.	9026.9	.	.	8934.3	.	.	.	.	.
Employed persons, LFS	CCPPY	-1.0	.	.	-1.0	.	.	-1.3	.	.	-1.2	.	.	.	.	.
Unemployed persons, LFS	th. pers., quart. avg	626.6	.	.	698.9	.	.	731.1	.	.	787.2	.	.	.	.	.
Unemployment rate, LFS	%	6.3	.	.	6.8	.	.	7.5	.	.	8.1	.	.	.	.	.
Productivity in industry, NACE Rev. 2	CCPPY	2.6	4.3	5.2	6.5	7.7	9.3	11.0	27.0	21.8	22.3	22.4	21.7	21.2	20.1	.
WAGES																
Total economy, gross [1]	RON	1887	1901	1845	1860	1881	1866	2023	1967	1940	2074	1973	1962	1951	1868	.
Total economy, gross [1)2)]	real, CPPY	2.6	2.3	1.7	1.2	0.5	-3.3	-4.5	1.7	-0.4	3.5	-1.9	1.3	-0.9	-8.3	.
Total economy, gross [1]	EUR	448	451	437	438	439	435	478	475	471	508	478	470	460	438	.
Industry, gross, NACE Rev. 2 [3]	EUR	414	431	419	425	419	419	469	430	431	479	452	450	449	458	.
PRICES																
Consumer - HICP	PP	0.2	-0.1	-0.2	0.4	0.4	0.7	0.3	1.7	0.2	0.2	0.3	0.1	0.2	2.6	0.2
Consumer - HICP	CPPY	5.9	5.0	4.9	4.9	4.3	4.6	4.7	5.2	4.5	4.2	4.2	4.4	4.3	7.1	7.6
Consumer - HICP	CCPPY	6.4	6.2	6.1	5.9	5.8	5.7	5.6	5.2	4.8	4.6	4.5	4.5	4.5	4.9	5.2
Producer, in industry, NACE Rev. 2	PP	0.6	-0.6	0.7	0.2	0.3	0.6	-0.2	1.0	0.2	0.9	1.3	1.3	0.3	0.1	.
Producer, in industry, NACE Rev. 2	CPPY	-0.1	-1.7	-1.2	-1.3	-0.8	2.5	4.1	3.2	2.8	4.4	5.6	6.5	6.2	6.9	.
Producer, in industry, NACE Rev. 2	CCPPY	3.5	2.7	2.2	1.8	1.5	1.6	1.8	3.2	3.0	3.5	4.0	4.5	4.8	5.1	.
FOREIGN TRADE [4]																
Exports total (fob), cumulated	EUR mn	13643	16451	18661	21270	24009	26768	29116	2342	4916	7955	10843	13848	17197	.	.
Imports total (cif), cumulated	EUR mn	18322	21682	24648	28396	32047	35648	38891	2799	6010	9946	13698	17688	21931	.	.
Trade balance, cumulated	EUR mn	-4679	-5231	-5987	-7126	-8037	-8880	-9775	-457	-1094	-1991	-2856	-3840	-4733	.	.
Exports to EU-27 (fob), cumulated	EUR mn	10181	12256	13781	15785	17924	20017	21630	1770	3701	5923	8003	10199	12641	.	.
Imports from EU-27 (cif), cumulated	EUR mn	13589	16011	18072	20838	23595	26247	28511	1976	4282	7194	9911	12778	15772	.	.
Trade balance with EU-27, cumulated	EUR mn	-3409	-3755	-4291	-5053	-5671	-6230	-6880	-206	-581	-1271	-1908	-2579	-3131	.	.
FOREIGN FINANCE																
Current account, cumulated	EUR mn	-2417	.	.	-3484	.	.	-5167	.	.	-1483	.	.	.	.	.
EXCHANGE RATE																
RON/USD, monthly average	nominal	3.006	2.994	2.956	2.913	2.894	2.876	2.893	2.900	3.010	3.012	3.081	3.324	3.476	3.337	3.288
RON/EUR, monthly average	nominal	4.213	4.218	4.218	4.242	4.287	4.290	4.228	4.138	4.120	4.087	4.131	4.177	4.243	4.261	4.240
USD/RON, calculated with CPI [5]	real, Jan07=100	94.9	95.3	96.2	97.9	98.9	100.0	99.9	101.0	97.5	97.3	95.2	88.3	84.6	90.4	91.9
USD/RON, calculated with PPI [5]	real, Jan07=100	100.3	101.0	101.5	103.7	104.1	103.9	102.7	101.4	98.4	98.0	96.5	90.3	87.2	90.7	.
EUR/RON, calculated with CPI [5]	real, Jan07=100	87.9	88.1	87.7	87.6	86.8	87.2	88.5	92.4	92.6	92.9	91.8	90.7	89.4	91.5	92.0
EUR/RON, calculated with PPI [5]	real, Jan07=100	94.7	94.6	94.8	94.8	93.7	93.9	95.0	97.2	97.6	98.6	98.1	97.7	96.2	95.8	.
DOMESTIC FINANCE																
Currency in circulation	RON mn, eop	24204	24455	24430	23865	23731	23762	23948	23800	24650	24230	24772	25515	26102	26933	.
M1	RON mn, eop	81649	81430	82871	80538	78286	78652	79291	76535	76900	76405	76372	78583	80495	79890	.
Broad money	RON mn, eop	180207	181320	184128	183732	184185	185579	189464	185794	187745	189839	190922	192650	193726	192383	.
Broad money	CPPY	11.5	12.4	13.5	10.6	13.3	12.6	8.8	5.5	6.5	8.3	8.3	8.6	7.5	6.1	.
Discount rate (p.a.) [6]	%, eop	9.7	9.5	9.0	8.5	8.5	8.0	8.0	8.0	7.5	7.3	7.0	6.5	6.3	6.3	6.3
Discount rate (p.a.) [6)7)]	real, %	9.9	11.4	10.3	9.9	9.3	5.3	3.7	4.6	4.5	2.7	1.3	0.0	0.1	-0.6	.
BUDGET																
General gov.budget balance [8], cum.	RON mn	-17591	.	.	-28423	.	.	-40791	.	.	-9027	.	.	.	.	.

1) Enterprises with 4 and more employees.
2) Nominal wages deflated with HICP.
3) Including E (electricity, gas, steam, air conditioning supply etc.).
4) From 2007 intra-/extra-EU trade methodology.
5) Adjusted for domestic and foreign (US resp. EU) inflation. Values more than 100 mean real appreciation.
6) Reference rate of RNB.
7) Deflated with annual PPI.
8) According to ESA'95 excessive deficit procedure.

S L O V A K REPUBLIC: Selected monthly data on the economic situation 2009 to 2010

(updated end of Sep 2010)

		2009							2010							
		Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
PRODUCTION																
Industry, NACE Rev. 2	real, CPPY	-18.3	-21.4	-8.1	-7.4	-7.1	2.5	12.5	19.3	20.2	19.5	20.3	28.8	23.8	15.5	.
Industry, NACE Rev. 2	real, CCPPY	-21.3	-21.4	-19.9	-18.5	-17.3	-15.6	-13.8	19.3	19.7	19.7	19.8	21.6	22.0	21.1	.
Industry, NACE Rev. 2	real, 3MMA	-21.4	-16.2	-12.4	-7.5	-4.2	1.5	10.6	17.3	19.7	20.0	22.7	24.2	22.7	.	.
Construction, NACE Rev. 2	real, CPPY	-0.3	-5.6	0.1	-16.9	-21.9	-13.3	-18.2	-8.1	-19.6	-12.9	-1.2	-8.8	-6.6	-3.3	.
Construction, NACE Rev. 2	real, CCPPY	-9.2	-8.6	-7.4	-8.7	-10.3	-10.6	-11.3	-8.1	-14.5	-13.9	-10.0	-9.7	-9.0	-8.0	.
LABOUR																
Employed persons, LFS	th. pers., quart. avg	2378.5	.	.	2366.9	.	.	2329.6	.	.	2283.1	.	.	2312.5	.	.
Employed persons, LFS	CCPPY	-0.6	.	.	-1.8	.	.	-2.8	.	.	-4.5	.	.	-3.6	.	.
Unemployed persons, LFS	th. pers., quart. avg	302.4	.	.	339.2	.	.	374.9	.	.	407.4	.	.	388.4	.	.
Unemployment rate, LFS	%	11.3	.	.	12.5	.	.	13.9	.	.	15.2	.	.	14.4	.	.
Productivity in industry, NACE Rev. 2	CCPPY	-9.3	-8.5	-6.2	-3.9	-2.0	0.3	2.5	39.9	38.5	36.0	34.0	34.0	32.6	30.3	.
WAGES																
Total economy, gross [1]	EUR, quart. avg.	733	.	.	723	.	.	813	.	.	725	.	.	758	.	.
Total economy, gross [2]	real, CPPY	1.8	.	.	2.2	.	.	2.1	.	.	2.1	.	.	2.7	.	.
Industry, gross, NACE Rev. 2 [1]	EUR, quart. avg.	775	752	728	743	761	874	839	744	736	779	770	776	827	790	.
PRICES																
Consumer - HICP	PP	0.0	-0.1	-0.2	-0.1	0.2	0.3	-0.1	0.1	0.0	0.1	0.4	0.1	0.0	0.1	-0.1
Consumer - HICP	CPPY	0.7	0.6	0.5	0.0	-0.1	0.0	0.0	-0.2	-0.2	0.3	0.7	0.7	0.7	1.0	1.1
Consumer - HICP	CCPPY	1.7	1.5	1.4	1.2	1.1	1.0	0.9	-0.2	-0.2	0.0	0.2	0.3	0.3	0.4	0.5
Producer, in industry, NACE Rev. 2 [3]	PP	0.1	-0.5	-0.1	-0.1	0.0	0.6	-0.2	-1.0	-0.7	0.7	0.9	0.8	0.4	0.6	.
Producer, in industry, NACE Rev. 2 [3]	CPPY	-7.5	-8.3	-8.2	-7.9	-8.2	-5.4	-3.7	-3.0	-4.5	-2.7	-1.1	0.5	0.8	1.9	.
Producer, in industry, NACE Rev. 2 [3]	CCPPY	-6.3	-6.6	-6.8	-6.9	-7.0	-6.9	-6.6	-3.0	-3.7	-3.4	-2.8	-2.2	-1.7	-1.2	.
FOREIGN TRADE [4]																
Exports total (fob),cumulated	EUR mn	18757	21856	25021	28763	32927	36853	40127	3119	6590	10731	14622	18637	22862	.	.
Imports total (fob),cumulated	EUR mn	18865	21991	24990	28556	32392	36243	39645	3104	6600	10645	14408	18399	22574	.	.
Trade balance,cumulated	EUR mn	-108	-135	30	208	535	611	482	15	-10	86	215	239	288	.	.
Exports to EU-27 (fob), cumulated	EUR mn	16070	18655	21344	24602	28225	31670	34441	2709	5608	9092	12377	15748	19348	.	.
Imports from EU-27 (fob), cumulated	EUR mn	14115	16448	18708	21377	24270	27172	29621	2176	4754	7739	10544	13373	16447	.	.
Trade balance with EU-27, cumulated	EUR mn	1955	2207	2636	3226	3955	4498	4820	534	854	1353	1833	2376	2901	.	.
FOREIGN FINANCE																
Current account, cumulated	EUR mn	-948	.	.	-1266	.	.	-2023	.	.	-246	.	.	.	.	.
EXCHANGE RATE [1]																
EUR/USD, monthly average	nominal	0.7135	0.7098	0.7009	0.6867	0.6749	0.6705	0.6843	0.7007	0.7307	0.7370	0.7459	0.7959	0.8191	0.7831	0.7756
EUR/EUR, calculated with CPI [5]	real, Jan07=100	114.0	114.4	113.8	113.7	113.7	113.8	113.4	114.1	113.7	113.0	112.9	112.8	112.7	113.1	112.7
EUR/EUR, calculated with PPI [5]	real, Jan07=100	106.8	106.9	106.3	106.5	106.1	106.5	106.2	104.2	103.2	103.2	103.3	103.6	103.7	104.2	.
USD/EUR, calculated with CPI [5]	real, Jan07=100	123.1	123.7	124.8	127.1	129.4	130.5	128.1	124.7	119.6	118.3	117.1	109.7	106.7	111.7	112.6
USD/EUR, calculated with PPI [5]	real, Jan07=100	113.0	114.1	113.8	116.6	117.9	117.9	114.8	108.7	104.0	102.5	101.6	95.7	94.0	98.6	.
DOMESTIC FINANCE																
Currency in circulation [1,6]	EUR mn, eop	6645	6724	6690	6665	6697	6770	6984	6798	6819	6927	6946	7002	7065	7167	.
M1 [1,6]	EUR mn, eop	23495	23326	22926	23121	22883	23570	24478	23500	23783	24052	24001	24796	24891	24635	.
Broad money [1,6]	EUR mn, eop	38668	38295	38245	37795	37558	37871	38872	38256	38874	39044	39740	40048	39348	39287	.
Broad money [1,6]	CPPY	.	.	.	.	.	.	.	-5.2	-2.6	-1.2	1.0	1.1	1.8	2.6	.
Discount rate (p.a.) [7]	%, eop	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Discount rate (p.a.) [7,8]	real, %	9.2	10.2	10.0	9.7	10.1	6.7	4.8	4.1	5.7	3.8	2.2	0.5	0.2	-0.9	.
BUDGET																
General gov.budget balance [1,9], cum.	EUR mn	-1694	.	.	-2502	.	.	-4289	.	.	-937	.	.	.	.	.

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

SLOVENIA: Selected monthly data on the economic situation 2009 to 2010

(updated end of Sep 2010)

		2009							2010							
		Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
PRODUCTION																
Industry, NACE Rev. 2	real, CPPY	-21.6	-20.8	-17.6	-16.8	-19.6	-1.8	4.7	-8.7	-1.2	8.4	9.2	14.4	10.2	6.9	.
Industry, NACE Rev. 2	real, CCPPY	-21.5	-21.4	-21.0	-20.5	-20.4	-18.8	-17.4	-8.7	-5.0	-0.2	2.0	4.4	5.4	5.7	.
Industry, NACE Rev. 2	real, 3MMA	-21.5	-20.2	-18.4	-18.0	-13.3	-7.1	-2.1	-1.9	-0.2	5.5	10.7	11.3	10.5	.	.
Construction, NACE Rev. 2 1)	real, CPPY	-15.9	-20.8	-19.5	-32.0	-28.3	-18.3	-9.5	-11.4	-24.2	-19.8	-17.8	-15.5	-17.2	-17.6	.
Construction, NACE Rev. 2 1)	real, CCPPY	-19.1	-19.4	-19.4	-21.2	-22.1	-21.8	-21.0	-11.4	-18.3	-18.9	-18.6	-17.9	-17.7	-17.7	.
LABOUR																
Employed persons, LFS	th. pers., quart. avg	980.5	.	.	998.3	.	.	982.2	.	.	964.8	.	.	968.0	.	.
Employed persons, LFS	CCPPY	-1.0	.	.	-1.4	.	.	-1.6	.	.	0.3	.	.	-0.5	.	.
Unemployed persons, LFS	th. pers., quart. avg	57.7	.	.	65.3	.	.	67.1	.	.	73.9	.	.	73.9	.	.
Unemployment rate, LFS	%	5.6	.	.	6.2	.	.	6.4	.	.	7.1	.	.	7.1	.	.
Productivity in industry, NACE Rev. 2	CCPPY	-14.6	.	.	-12.6	.	.	-8.3	.	.	9.5	.	.	13.6	.	.
WAGES																
Total economy, gross	EUR	1429	1424	1415	1434	1448	1571	1488	1448	1431	1499	1483	1475	1492	1481	.
Total economy, gross 2)	real, CPPY	4.6	4.4	0.6	2.4	1.5	-0.5	0.0	0.4	2.0	3.4	1.5	1.7	2.2	1.6	.
Industry, gross, NACE Rev. 2	EUR	1231	1236	1223	1252	1280	1430	1319	1285	1263	1395	1330	1311	1339	1330	.
PRICES																
Consumer - HICP	PP	0.5	-0.8	0.1	-0.1	0.1	0.8	-0.4	-0.6	0.3	1.0	1.1	0.4	0.2	-0.6	0.1
Consumer - HICP	CPPY	0.2	-0.6	0.1	0.0	0.2	1.8	2.1	1.8	1.6	1.8	2.7	2.4	2.1	2.3	2.4
Consumer - HICP	CCPPY	1.1	0.9	0.8	0.7	0.6	0.8	0.9	1.8	1.7	1.7	2.0	2.1	2.1	2.1	2.2
Producer, in industry, NACE Rev. 2 3)	PP	0.3	-0.2	0.1	0.3	0.0	-0.3	-0.2	0.1	0.4	0.3	0.7	1.3	0.3	0.2	0.2
Producer, in industry, NACE Rev. 2 3)	CPPY	-2.4	-3.1	-3.4	-2.9	-2.4	-2.1	-1.4	-1.7	-1.5	-0.4	0.8	2.8	2.8	3.3	3.4
Producer, in industry, NACE Rev. 2 3)	CCPPY	-0.2	-0.7	-1.0	-1.2	-1.3	-1.4	-1.4	-1.7	-1.6	-1.2	-0.7	0.0	0.5	0.9	1.2
FOREIGN TRADE 4)																
Exports total (fob), cumulated	EUR mn	9236	10845	12117	13850	15610	17312	18768	1443	3019	4985	6752	8592	10616	.	.
Imports total (cif), cumulated	EUR mn	9195	10800	12190	13908	15688	17438	19004	1454	3067	5016	6820	8752	10674	.	.
Trade balance total, cumulated	EUR mn	41	45	-73	-57	-77	-126	-237	-11	-49	-32	-68	-160	-58	.	.
Exports to EU-27 (fob), cumulated	EUR mn	6453	7538	8382	9614	10844	12036	12998	1097	2250	3651	4930	6229	7688	.	.
Imports from EU-27 (cif), cumulated	EUR mn	6426	7596	8590	9809	11093	12332	13476	987	2066	3444	4685	6015	7319	.	.
Trade balance with EU-27, cumulated	EUR mn	27	-58	-207	-195	-249	-295	-478	110	184	207	245	215	369	.	.
FOREIGN FINANCE																
Current account, cumulated	EUR mn	-240	.	.	-475	.	.	-526	.	.	-94	.	.	.	.	.
EXCHANGE RATE																
EUR/USD, monthly average 5)	nominal	0.7135	0.7098	0.7009	0.6867	0.6749	0.6705	0.6843	0.7007	0.7307	0.7370	0.7459	0.7959	0.8191	0.7831	0.7756
EUR/EUR, calculated with CPI 6)	real, Jan07=100	103.7	103.4	103.1	103.0	102.9	103.5	102.8	102.7	102.6	102.9	103.6	103.8	104.0	103.6	103.5
EUR/EUR, calculated with PPI 6)	real, Jan07=100	99.9	100.2	99.9	100.5	100.1	99.5	99.3	98.5	98.6	98.3	98.1	98.9	98.9	99.0	99.2
USD/EUR, calculated with CPI 6)	real, Jan07=100	112.0	111.8	113.0	115.1	117.2	118.7	116.1	112.3	108.0	107.8	107.4	101.0	98.4	102.4	103.4
USD/EUR, calculated with PPI 6)	real, Jan07=100	105.7	107.0	106.9	110.0	111.3	110.2	107.3	102.8	99.4	97.6	96.5	91.4	89.7	93.7	94.6
DOMESTIC FINANCE																
Currency in circulation	EUR mn, eop	3131	3166	3147	3151	3172	3182	3288	3228	3235	3276	3273	3310	3339	3393	.
M1	EUR mn, eop	7419	7135	7279	7340	7224	7330	7419	7449	7429	7617	7663	7976	8176	8099	.
Broad money	EUR mn, eop	18652	18244	18237	18241	18077	18115	18185	18250	18001	18168	18127	18359	18662	18810	.
Broad money	CPPY	12.4	9.3	9.4	6.9	7.4	3.7	0.7	0.8	0.3	-1.3	-0.2	-1.3	0.1	3.1	.
Discount rate (p.a.) 7)	%, eop	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Discount rate (p.a.) 7)8)	real, %	3.5	4.2	4.6	4.0	3.5	3.2	2.4	2.7	2.5	1.4	0.2	-1.7	-1.7	-2.2	-2.3
BUDGET																
General gov.budget balance 9), cum.	EUR mn	-1121	.	.	-1463	.	.	-1915	.	.	-786	.	.	.	.	.

1) Enterprises with 20 and more employees or turnover limits and output of some non-construction enterprises.
2) Nominal wages deflated with HICP.
3) Data refer to industry total compared to previously published domestic producer prices.
4) From 2004 intra-/extra-EU trade methodology.
5) Reference rate from ECB.
6) Adjusted for domestic and foreign (US resp. EU) inflation. Values more than 100 mean real appreciation.
7) From January 2007 ECB official refinancing operation rate.
8) Deflated with annual PPI.
9) According to ESA'95 excessive deficit procedure.

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