

Monthly Report | 11/13

Contents

- **No Take-off in Central, East and Southeast Europe so far**
- **Recent Economic Developments in Albania, Bosnia and Herzegovina, Kazakhstan, Kosovo, Macedonia, Montenegro, Russia, Serbia and Ukraine**
- **Monthly Statistics**



Contents

No take-off in Central, East and Southeast Europe so far 1

Albania: the remedy is worse than the disease? 4

Bosnia and Herzegovina: still making up its mind 7

Kazakhstan: low oil prices create devaluation pressure 9

Kosovo: constant voting wears away the backwardness 12

Macedonia: recovery on track 14

Montenegro: facing challenges 16

Russian Federation: firm in stagnation, with dim way out 18

Serbia: risking recession 22

Ukraine: on the path towards EU association? 24

Statistical Annex

Selected monthly data on the economic situation in Central, East and Southeast Europe 28

No take-off in Central, East and Southeast Europe so far

BY VASILY ASTROV

The slight upturn in the euro area starting from the second quarter 2013 onwards has had only a limited impact on the Central, East and Southeast European (CESEE) countries, at least so far. Wherever there has been a recent improvement in the export dynamics, this has been in many cases on account of exports to markets outside the euro area. At the same time, in the new EU Member States (NMS) – with the notable exception of the Baltic States – and several West Balkan countries domestic demand remains generally depressed, and in Poland it has actually weakened relative to the previous years. Their GDP growth is generally too low to bring down unemployment and induce a meaningful increase in wages and incomes. As a result, economic dynamics in these countries continues to be driven almost exclusively by net exports, and is accompanied by a further improvement in external balances (see Table 1).

Out of four NMS which were in recession last year, only Hungary has so far returned to (marginally) positive growth, whereas in the Czech Republic, Croatia and most notably Slovenia the economy continues to decline. On average, the economies of the NMS should expand in 2013 by about the same rate as last year (+0.7%). However, due to the recession in the 'old' EU being shallower this year, the speed of their real convergence has further declined. At less than 1 percentage point growth differential between the NMS and the 'old' EU, it currently adds little to EU economic and social cohesion.

A more balanced growth path is pursued by the Baltic States and also Albania and Macedonia where domestic demand is generally more buoyant than in most NMS. Finally, the economies of Russia, Kazakhstan and Ukraine are driven primarily by private consumption (fuelled in part by rapid credit expansion), while the contribution of net ex-

ports is negative. However, in Russia economic growth has slowed down markedly (to below 2% in 2013) on account of stagnating domestic investment. The deceleration in Russia has also had an impact on neighbouring Ukraine, although other factors such as depressed steel markets and politically motivated Russian trade sanctions have played a role as well.

Weak domestic demand and the recent cuts in administered prices in a number of CESEE countries have mitigated inflationary pressures, prompting monetary easing in those countries which retain at least some degree of monetary policy autonomy, i.e. do not use the euro and are not on currency boards. Thus, in Poland, Hungary, Romania, Serbia, Russia and Ukraine, policy interest rates have been cut recently in response to the falling inflation. However, in Serbia and Ukraine the scope of interest rate cuts has been constrained by concerns over the exchange rate stability. In other cases (except Russia), the effectiveness of monetary loosening is questionable given that – similarly to the 'old' EU – the monetary transmission mechanism in many CESEE countries remains largely impaired, as tight Basel-3 capital adequacy requirements and overall risk aversion limit the commercial banks' willingness to lend. Besides, even falling interest rates may not necessarily induce additional credit demand in the face of still prevailing uncertainties – as has been the case for years in the Czech Republic with its ultra-loose monetary policy.

In Russia, monetary relaxation may not be an adequate policy to address the current growth slowdown either, albeit for different reasons. With a record-low 5% unemployment and an ongoing consumer credit boom, the Russian economy is arguably already running at close to full capacity – in contrast to most other CESEE countries. Its investment weakness reflects primarily institutional bottlenecks (such as the poor protection of property rights, high corruption and overall political risks) rather than poor access to funds. Addressing these structural weaknesses will most likely require eco-

conomic diversification and political modernisation – both of which are currently not in sight.

Unlike monetary policy, the fiscal stance in the CESEE region remains by and large fairly restrictive, although in Poland, Bulgaria and Romania (where the bulk of the IMF- and EU-imposed fiscal adjustment is already behind) the austerity course has been softened somewhat. Also in the Czech Republic, where the public debt is rather low and particularly cheap to finance, the newly elected government will probably abstain from the previous ill-conceived austerity policies. On the other hand, fiscal consolidation features prominently on the government agenda in Serbia and Albania (in both cases motivated by the high public debt stocks approaching 70% of GDP), as well as in crisis-torn Slovenia. Also Russia continues to stick to its policy of balanced budgets by way of restraining social spending – despite the country's negligible public debt and available fiscal buffers in the form of sovereign wealth funds.

The differences in fiscal policies pursued will be an important determinant of the CESEE countries' near-term economic prospects. Thus, budget austerity is likely to dampen economic growth in Albania and Russia and may trigger outright recession in Serbia, while a welcome fiscal relaxation should be to varying degrees growth-conducive in the Czech Republic, Bulgaria, Romania and Kosovo. Otherwise, the outlook for the CESEE countries – most of which are small and open economies – is crucially dependent on the economic dynamics in the euro area and particularly Germany. Should the currently still fragile economic upturn in the euro area gain momentum, this will benefit the entire CESEE region.¹

All in all, wiiw projects that economic growth in the NMS will pick up on average to 2% next year and around 3% in 2015. Slovenia should be the only NMS still in recession in 2014, but by 2015 is expected to return to positive growth as well. Economic dynamics should also accelerate in several West Balkan countries – though not in Serbia – and remain strong in Latvia, Lithuania and Kazakhstan, but will be generally unimpressive in Russia and Ukraine.

The main risks to the near-term forecasts stem from the timing and speed of the forthcoming unwinding of the quantitative easing (QE3) programme in the United States. So far, the *expectations* of such unwinding have had a relatively modest impact on the CESEE region: although a number of countries were confronted with portfolio outflows and somewhat depreciating currencies during summer 2013, the impact on the real economy has been largely negligible.² At the same time, sharp monetary tightening in the United States could result in a burst of the stock market 'bubble' which has been arguably growing over the past few years (not least on account of quantitative easing in the US), as soaring stock prices have not been backed by corresponding developments in the real economy. Should this scenario materialise, any economic recovery in the euro area will almost certainly stall, with negative repercussions on the CESEE region as well.

¹ The most recent European Commission forecast released in November 2013 projects economic growth in the euro area at 1.1% in 2014 and 1.7% in 2015.

² See e.g. IMF, 'Central, Eastern, and Southeastern Europe: Regional economic issues', October 2013.

Table 1

Overview 2011-2012 and outlook 2013-2015

	GDP					Consumer prices					Unemployment, based on LFS					Current account				
	real change in % against previous year					change in % against previous year					rate in %, annual average					in % of GDP				
	2011	2012	2013	2014	2015	2011	2012	2013	2014	2015	2011	2012	2013	2014	2015	2011	2012	2013	2014	2015
			Forecast	Forecast				Forecast	Forecast				Forecast	Forecast				Forecast	Forecast	
NMS-11																				
Bulgaria	1.8	0.8	0.3	1.1	2.3	3.4	2.4	1.0	1.5	2.0	11.2	12.3	13.0	12.5	12.0	0.1	-1.3	1.0	0.0	-1.2
Croatia	0.0	-2.0	-1.0	0.8	1.5	2.3	3.4	3.5	2.5	2.0	13.5	15.9	17.5	17.0	17.5	-0.9	0.1	0.9	0.1	-0.6
Czech Republic	1.8	-1.0	-1.2	1.4	2.4	2.2	3.5	1.5	1.7	1.8	6.7	7.0	7.6	7.7	7.3	-2.7	-2.4	-1.2	-1.4	-1.6
Estonia	9.6	3.9	1.5	3.7	4.1	5.1	4.2	3.4	4.0	4.2	12.5	10.2	9.0	8.5	8.0	1.8	-1.8	-2.5	-3.0	-3.3
Hungary	1.6	-1.7	0.5	1.2	2.3	3.9	5.7	2.1	2.9	3.0	10.9	10.9	11.0	10.8	10.6	0.5	1.0	1.5	1.3	0.4
Latvia	5.3	5.0	3.6	3.9	4.1	4.2	2.3	0.4	2.0	2.5	15.4	15.0	12.0	11.0	10.0	-2.1	-2.5	-1.7	-2.5	-2.3
Lithuania	6.0	3.7	3.6	3.8	4.2	4.1	3.2	1.5	2.5	3.6	15.4	13.3	12.0	11.0	10.0	-3.7	-0.2	-0.3	-1.9	-3.0
Poland	4.5	1.9	1.0	2.3	3.5	3.9	3.7	0.7	1.9	2.0	9.7	10.1	11.0	10.8	10.5	-5.0	-3.7	-2.1	-3.0	-3.3
Romania	2.2	0.7	1.9	2.2	2.5	5.8	3.4	4.2	3.5	3.5	7.4	7.0	7.5	7.5	7.0	-4.5	-4.4	-2.8	-3.6	-3.6
Slovakia	3.0	1.8	1.0	2.4	3.0	4.1	3.7	1.6	2.1	3.0	13.5	14.0	14.5	14.0	13.0	-3.8	2.2	2.7	2.5	1.6
Slovenia	0.7	-2.5	-2.9	-1.0	0.5	2.1	2.8	2.5	2.0	2.0	8.2	8.9	11.0	11.5	11.0	0.4	3.3	3.4	1.7	0.5
<i>NMS-11</i> ¹⁾	3.1	0.8	0.7	2.0	2.9	3.9	3.7	1.8	2.3	2.5	9.8	9.9	10.5	10.3	9.9	-3.2	-2.1	-0.9	-1.6	-2.0
<i>EA-17</i> ²⁾	1.6	-0.7	-0.4	1.1	1.7	2.7	2.5	1.5	1.5	1.4	10.1	11.4	12.2	12.2	11.8	0.4	1.8	2.7	2.9	3.0
<i>EU-28</i> ¹⁾²⁾	1.7	-0.5	0.0	1.4	1.9	3.1	2.6	1.7	1.6	1.6	9.7	10.5	11.1	11.0	10.7	0.4	0.9	1.6	1.7	1.8
Candidate countries																				
Macedonia	2.8	-0.4	2.0	3.0	3.0	3.9	3.3	3.0	3.0	3.0	31.4	31.0	29.0	29.0	28.0	-2.5	-3.0	-4.0	-6.0	-6.0
Montenegro	3.2	-2.5	2.0	2.1	2.9	3.1	4.1	3.0	3.0	3.0	19.7	19.7	20.0	19.0	19.0	-17.7	-18.6	-15.5	-15.4	-15.4
Serbia	1.6	-1.7	1.4	-0.6	1.0	11.0	7.8	6.0	5.0	5.0	23.0	23.9	25.0	25.0	25.0	-9.1	-10.5	-7.0	-7.0	-8.2
Potential candidate countries																				
Albania	3.1	1.5	2.3	1.7	1.5	3.4	2.0	2.0	1.0	1.0	14.0	13.4	14.0	15.0	15.0	-13.0	-10.6	-9.0	-8.9	-7.7
Bosnia and Herzegovina	1.0	-1.7	0.8	1.9	3.0	3.7	2.1	1.0	2.0	2.0	27.6	28.0	28.0	27.0	27.0	-9.9	-9.6	-9.0	-9.0	-10.0
Kosovo	4.4	2.5	3.0	5.0	4.0	7.3	2.5	3.0	4.0	4.0	44.8	30.9	31.0	29.0	30.0	-13.8	-7.7	-10.6	-12.3	-12.9
Kazakhstan	7.5	5.0	5.0	6.0	6.5	8.3	5.2	7.0	6.5	6.0	5.4	5.3	5.0	5.0	5.0	5.4	0.3	1.1	1.9	2.0
Russia	4.3	3.4	1.7	2.1	2.9	8.5	5.1	7.0	5.5	5.0	6.5	5.5	5.5	5.5	5.5	5.1	3.6	2.9	2.5	2.2
Ukraine	5.2	0.2	-0.5	1.5	2.0	8.0	0.6	-0.3	3.0	4.0	7.9	7.5	7.5	7.5	7.5	-6.3	-8.1	-7.6	-8.1	-8.2

Note: LFS: Labour Force Survey. NMS: the New EU Member States. EA: euro area 17 countries.

1) wiiw estimate. - 2) Current account data include transactions within the region (sum over individual countries).

Source: wiiw (November 2013), Eurostat. Forecasts by wiiw and European Commission for EU and euro area (Autumn Report, November 2013).

ALBANIA

Table AL

Albania: Selected Economic Indicators

	2008	2009	2010	2011	2012 ¹⁾	2012 January-June	2013	2013 Forecast	2014 Forecast	2015
Population, th pers., average ²⁾	2912.6	2884.3	2856.7	2829.3	2801.7	.	.	2840	2850	2860
Gross domestic product, ALL bn, nom. ³⁾	1089.3	1148.1	1222.5	1282.3	1340.0	.	.	1400	1440	1480
annual change in % (real) ³⁾	7.5	3.3	3.8	3.1	1.5	0.7	1.5	2.3	1.7	1.5
GDP/capita (EUR at exchange rate)	3000	3000	3100	3200	3400	.	.	.	.	.
GDP/capita (EUR at PPP)	7000	7200	7400	7600	8000	.	.	.	.	.
Consumption of households, ALL bn, nom. ³⁾	861.9	910	970	1030	1060	.	.	.	.	.
annual change in % (real) ³⁾	6.7	3.0	2.5	3.0	1.0	.	.	1.5	2.0	0.5
Gross fixed capital form., ALL bn, nom. ³⁾	415.1	430	400	420	380	.	.	.	.	.
annual change in % (real) ³⁾	9.5	5.0	-7.0	4.8	-12.0	.	.	0.0	0.0	1.5
Gross industrial production ⁴⁾										
annual change in % (real)	29.9	-1.2	19.9	-10.1	16.5	-8.2	7.8	8.0	5.0	6.0
Gross agricultural production ⁵⁾										
annual change in % (real)	4.6	4.4	5.9	3.7	5.3	6.7	2.8	3.0	4.0	5.0
Construction output total ⁴⁾										
annual change in % (real)	56.5	43.7	-13.3	-1.1	-11.2	-19.5	4.9	0.0	-1.0	1.0
Employed persons, LFS, th ⁶⁾	1123.3	1160.5	1167.4	1160.5	1117.1	.	.	1100	1200	1250
annual change in %	-6.2	3.3	0.6	.	-3.7	.	.	-1.5	9.1	4.2
Employment reg. total, th pers., end of period ⁷⁾	974.1	899.3	895.7	948.0	966.3	950.9	964.2	960	950	950
annual change in %	3.7	-7.7	-1.6	5.8	1.9	5.2	1.2	-0.7	-1.0	0.0
Unemployed persons, LFS, th ⁶⁾	168.6	185.0	190.7	188.5	173.4	.	.	190	200	210
annual change in % (real) ⁶⁾	13.1	13.7	14.0	14.0	13.4	13.7	.	14.0	15.0	15.0
Unemployment rate, reg., in %, end of period	12.7	13.8	13.8	13.1	12.8	13.1	12.8	13.0	14.0	14.0
Average monthly gross wages, ALL ⁹⁾	34277	36075	34767	36482	39284	48800	51700	.	.	.
annual change in % (real, gross) ⁹⁾	21.3	2.9	-7.0	3.1	3.9	5.7	3.5	4.0	1.0	1.0
Consumer prices, % p.a.	3.4	2.3	3.6	3.4	2.0	1.5	2.4	2.0	1.0	1.0
Producer prices in industry, % p.a.	6.5	-1.6	0.3	2.6	1.5	2.0	-0.8	-1.0	0.0	0.0
General governm.budget, nat.def., % of GDP										
Revenues	26.7	26.1	26.6	25.8	24.7	.	.	24.0	25.0	26.0
Expenditures	32.3	33.1	29.7	29.4	28.1	.	.	30.0	28.0	27.0
Deficit (-) / surplus (+)	-5.5	-7.0	-3.1	-3.6	-3.4	.	.	-6.0	-3.0	-1.0
Public debt, nat.def., % of GDP ¹⁰⁾	55.1	59.3	57.8	58.6	60.9	.	.	70.0	71.1	70.1
Central bank policy rate, % p.a., end of period ¹¹⁾	6.25	5.25	5.00	4.75	4.00	4.30	3.80	3.50	3.25	3.00
Current account, EUR mn	-1381.3	-1329.8	-1018.5	-1185.4	-1021.3	-542.2	-519.4	-900	-900	-800
Current account, % of GDP	-15.6	-15.3	-11.5	-13.0	-10.6	.	.	-9.0	-8.9	-7.7
Exports of goods, BOP, EUR mn	917.5	750.7	1171.5	1405.5	1525.6	720.0	840.3	1750	1800	1900
annual change in %	16.7	-18.2	56.1	20.0	8.5	2.7	16.7	14.7	2.9	5.6
Imports of goods, BOP, EUR mn	3348.9	3054.4	3254.2	3647.1	3524.8	1661	1570	3400	3500	3550
annual change in %	15.9	-8.8	6.5	12.1	-3.4	-1.8	-5.5	-3.5	2.9	1.4
Exports of services, BOP, EUR mn	1687.8	1771.4	1750.7	1747.4	1655.1	674.9	630.4	1600	1750	1850
annual change in %	18.8	5.0	-1.2	-0.2	-5.3	-2.1	-6.6	-3.3	9.4	5.7
Imports of services, BOP, EUR mn	1618.4	1597.5	1518.8	1612.4	1459.9	640.3	711.6	1500	1500	1550
annual change in %	15.4	-1.3	-4.9	6.2	-9.5	-10.1	11.1	2.7	0.0	3.3
FDI inflow, EUR mn	665.2	716.9	793.3	745.4	744.9	396.6	446.4	800	700	700
FDI outflow, EUR mn	55.4	28.2	4.8	29.9	17.7	3.0	15.8	30.0	40.0	50.0
Gross reserves of NB excl. gold, EUR mn	1626.1	1607.8	1842.1	1853.1	1907.6	1880.2	1963.6	.	.	.
Gross external debt, EUR mn	3334.7	3591.4	4097.0	4795.8	5284.0	5047.7	5392.7	.	.	.
Gross external debt, % of GDP	37.6	41.3	46.2	52.5	54.8	52.5	54.0	.	.	.
Exchange rate ALL/EUR, average	122.80	132.06	137.79	140.33	139.04	139.27	140.19	140	142	143
Purchasing power parity ALL/EUR	53.48	55.55	57.86	59.66	59.83	.	.	.	.	.

1) Preliminary. - 2) According to census October 2011. - 3) According to ESA/95 (including non-observed economy, real growth rates based on previous year prices). From 2009 estimated by wiiw. - 4) Quarterly data refer to gross value added. - 5) Gross value added. - 6) Until 2011 survey once a year. From 2011 according to census October 2011. - 7) From 2010 according to census October 2011, census April 2001 before. - 8) Quarterly data for unemployment rate refer to 15-64. - 9) Quarterly data refer to public sector. - 10) Based on IMF data. - 11) One-week repo rate.

Source: wiiw Databases incorporating national statistics and IMF. Forecasts by wiiw.

Albania: the remedy is worse than the disease?

BY MARIO HOLZNER

The parliamentary elections held in June 2013 resulted in a victory for the Alliance for a European Albania led by the Socialist Party and its leader, Edi Rama. Subsequently, in September Rama replaced the incumbent Prime Minister Sali Berisha of the Democratic Party-led Alliance for Employment, Prosperity and Integration. Given that the parliamentary elections were conducted in an overall smooth and orderly manner the European Commission has recommended in October that Albania be granted EU candidate status 'on the understanding that Albania continues to take action in the fight against organised crime and corruption'.

In this spirit the new government has started with a reformist furore. All top police officials have been replaced in a self-proclaimed act of 'fundamental, structural and functional reform'. Similarly, new appointments were made in some key state-owned companies as well as in the tax and customs directorates. Also, a new director of the country's state Institute of Statistics (INSTAT) has been appointed in order to 'turn the politically controlled INSTAT into an independent statistical institute'. Moreover, it was announced to change fiscal policy in a radical way.

Underperforming revenues, high pre-electoral spending and accumulated unpaid bills by the previous government have torn a substantial hole in the state budget. In 2013 the budget deficit is expected to increase to above 6% of GDP. Due to unpaid government bills and arrears to the private sector, public debt is expected to rise to more than 70% of GDP by the end of 2013. The new government has introduced an emergency budget cut. For the last months of 2013 government spending is announced to be cut by some EUR 110 million. It remains to be hoped that austerity will not choke off GDP growth for the whole year 2013 below a rate of 2% as expected by the government and the IMF.

Certainly austerity will have a strongly dampening effect on GDP growth over the years to come, as the new government has committed itself to 'a drastic reform of the economy and finances'. For GDP growth in 2014 and 2015 this 'remedy' sounds like a major threat. This is all the more so given that private investment is in a bad shape. The value of building permits issued in early 2013 for new buildings was strongly declining. New loans to businesses were falling by as much as 19% over the first eight months of 2013 as compared to the same period a year earlier (total new loans to businesses and households fell by 15%).

However, less new loans to the business sector might not only be due to lower demand for investment credits but also due to continued tight lending standards, as the share of non-performing loans (NPLs) to the private sector is still on the rise. In the second quarter of 2013 the share of NPLs in total loans reached a level of 24.4%. This is an increase of more than three percentage points as compared to a year earlier. It is however reassuring that the growth rate of NPLs is declining. If recent trends continue, a maximum of 28% will be reached by early 2017. This might be a realistic horizon for deleveraging (especially in the business sector) to finally come to an end. Here it is worth mentioning that, in the context of subdued inflation expectations, the Bank of Albania (BoA) lowered the base interest rate by 25 bps to a new historic low of 3.5% at the end of July. Further reductions in the central bank's policy rate can be expected for the years to come, as capacity utilisation is not satisfying and output is far from potential. Not to mention that consumer price inflation is below the 3% target and producer prices in industry were even falling in the first half of 2013.

By and large private consumption and exports remain the main sources of growth in the short run. However, these stand on shaky ground. In the first half of 2013 the inflow of remittances of expatriates decreased by more than a third as compared to the same period a year earlier and reached with some EUR 230 million the lowest mid-year level in over a decade. It seems that only now, with a long-

lasting lag, the Greek depression has had its major influence on local Albanian migrants forcing them to return home in large numbers. Nevertheless private consumption develops rather buoyantly.

Latest retail data from the second quarter show that on a year-on-year basis overall retail trade has increased by more than 6%. In particular, sales of durable household equipment (17%) and sales, maintenance and repair of motor vehicles (11%) have been increasing above average. Also, after more than a year of subdued consumer confidence, its indicator started to rise above the long-term average in the second and third quarters of 2013. Consequently, new loans to households increased in the first eight months of 2013 by almost 16% as compared to the same period a year earlier. This is probably due to the positive effects of the pre-electoral fiscal expansion on private consumption, which will hopefully continue to function in 2014 as well, despite the announced fiscal austerity. Maybe some of the increased consumption is also due to one-off spending out of savings of returnee migrants from Greece.

An important GDP growth stimulus comes from net exports. Foreign trade data for the first three quarters of 2013 show that imports fell by some 6% (year on year), with especially strong drops in im-

ports of electricity and machinery. At the same time exports increased by 16%. Electricity exports in particular soared heavily, but also all the other commodity groups registered double-digit export growth rates (the sole exception being exports of construction materials and metals which in fact declined). Hence, once again rich precipitation in the first half of 2013 saved the year, as Albania's hydro power stations were enabled to work to capacity, substitute electricity imports and massively increase electricity exports. Thus it seems that in 2013 the current account deficit will be pushed below 10% of GDP for the first time since the year 2006.

However, as indicated above the reduction in the current account deficit is not only due to a robust export performance but also due to falling imports. Especially the reduction in the imports of machinery is worrisome as this is a further indicator of the lack of private investment. This is also one of the reasons why we have to correct our GDP growth forecast for 2013 downwards, from 3.5% to 2.3%. Also, due to the prolonged deleveraging process in the Albanian business sector and announced austerity by the new Albanian government, we are compelled to reduce our GDP growth forecasts for 2014 and 2015 downwards, to 1.7% and 1.5% (from 2.5% and 3%, respectively) as compared to our last forecast report in July.

Bosnia and Herzegovina: still making up its mind

BY VLADIMIR GLIGOROV

This year has not seen much of an improvement. GDP growth will be at most 1% and mostly because of growing exports. As economic policy is not being helpful, though this is hardly a new state of affairs, and as domestic demand is at most stagnating, any possible improvement is almost entirely dependent on growing industrial production that gets exported. The country is struggling to put its public finances in order and not so much because of the problems of sustainability but more from the point of view of efficiency and fairness. External balances, by comparison, are more easily maintained due to the currency board regime and the relatively healthy banking sector. In addition, there is a steady stream of remittances as well as some remaining official transfers and grants.

There was a strong expression of social dissatisfaction this year, which however failed to have an immediate effect. The next chance are the upcoming general elections in 2014. Those may lead to political changes that will bring about representatives that are more responsive to the needs of the population. The political system is biased against these changes, so they may not happen even though current politics and policies cannot claim any real support.

Bosnia and Herzegovina is a laggard in European integration. There is in fact no effective commitment to join the EU because that would require a change in the constitutional set-up and there is no agreement on even the minimal necessary changes. That minimum is an agreement to the changes required by the decision of the Court for Human Rights, which should at least formally remove the ethnic requirement for political representation. Compliance would make it possible for the Office of the High Representative to be closed as the first step to the start of the process of EU integration. This is probably not going to be possible without some political changes that could come about if the current political leaders are voted down.

This year a census was taken and the preliminary results indicate a significant decline in the population compared to the previous census in 1991. In addition, there is a large percentage of people that are temporarily living abroad, which means that total population is even smaller. Detailed data will be released next year and that will allow a better understand of the fundamental changes that took place in the last couple of decades.

In the short run, there should be some acceleration of growth with an additional impetus from increasing industrial production and growth of exports. A more decisive recovery will hardly be possible without institutional changes.

BOSNIA AND HERZEGOVINA

Table BA

Bosnia and Herzegovina: Selected Economic Indicators

	2009	2010	2011	2012 ¹⁾	2012 January-June	2013	2013	2014 Forecast	2015
Population, th pers., mid-year	3843.0	3843.1	3839.7	3837.5	3837.5	3833.4	3842	3842	3842
Gross domestic product, BAM mn, nom. ²⁾	24202	24773	25666	25804	12202	.	26300	27300	28700
annual change in % (real) ²⁾	-2.8	0.7	1.0	-1.7	-2.4	.	0.8	1.9	3.0
GDP/capita (EUR at exchange rate)	3200	3300	3400	3400	.	.	3500	3600	3800
GDP/capita (EUR at PPP)	6400	6600	6900	7000	.	.	.	.	.
GDP by expend. approach, BAM mn, nom. ²⁾	25809	25929	26777	27199	.	.	.	.	.
annual change in % (real) ²⁾	-3.9	-0.2	1.8	-0.9	.	.	.	.	.
Consumption of households, BAM mn, nom. ²⁾	20927	21338	21927	22329	.	.	.	.	.
annual change in % (real) ²⁾	-4.6	0.1	-0.3	-0.8	.	.	0.4	1.0	2.0
Gross fixed capital form., BAM mn, nom. ²⁾	4810	4299	4800	4803	.	.	.	.	.
annual change in % (real) ²⁾	-19.5	-11.1	7.3	1.5	.	.	3.0	5.0	5.0
Gross industrial production									
annual change in % (real) ³⁾	-6.5	4.4	3.5	-4.4	-4.3	6.8	4.0	5.0	6.0
Gross agricultural production									
annual change in % (real)	4.2	-5.3	1.8	5.0	.	.	.	.	.
Construction output total									
annual change in % (real) ⁴⁾	-7.2	-12.4	-5.1	-3.0	.	.	.	.	.
Employed persons, LFS, th, April	859.2	842.8	816.0	813.7	813.7	821.6	822	823	831
annual change in %	-3.5	-1.9	-3.2	-0.3	-0.3	1.0	1.0	0.2	1.0
Employees total, reg., th, average ⁵⁾	697.6	695.7	691.0	688.4	689.5	685.0	650	655	660
annual change in % ⁵⁾	-1.1	-0.3	-0.7	-0.4	-0.4	-0.7	-0.2	0.8	0.8
Unemployed persons, LFS, th, April	272.3	315.1	310.9	316.6	316.6	311.5	313	312	311
Unemployment rate, LFS, in %, April	24.1	27.2	27.6	28.0	28.0	27.5	28.0	27.0	27.0
Unemployment rate, reg., in %, end of period	42.4	42.8	43.9	44.5	43.8	44.4	45.0	45.0	45.0
Average monthly gross wages, BAM	1204	1217	1273	1290	1288	1285	1310	1350	1390
annual change in % (real, net)	5.6	-1.1	-1.4	-0.9	-0.7	-0.9	0.0	1.0	1.0
Consumer prices, % p.a.	-0.4	2.1	3.7	2.1	2.2	0.7	1.0	2.0	2.0
Producer prices in industry, % p.a. ⁶⁾	-3.2	0.9	3.7	1.5	0.9	-1.2	0.0	2.0	2.0
General governm.budget, nat.def., % of GDP									
Revenues	43.0	43.8	44.2	43.5	.	.	43.5	44.0	44.0
Expenditures	47.5	46.3	45.5	46.5	.	.	46.0	46.5	46.0
Deficit (-) / surplus (+)	-4.4	-2.5	-1.3	-3.0	.	.	-2.5	-2.5	-2.0
Public debt, nat.def., % of GDP ⁷⁾	36.2	39.3	40.5	43.9	.	.	43.0	44.0	45.0
Central bank policy rate, % p.a., end of period ⁸⁾
Current account, EUR mn ⁹⁾	-812.6	-781.7	-1295.2	-1272.9	-614.9	-383.5	-1210	-1260	-1470
Current account, % of GDP	-6.6	-6.2	-9.9	-9.6	.	.	-9.0	-9.0	-10.0
Exports of goods, BOP, EUR mn ⁹⁾	1643.0	2189.1	2625.2	2574.8	1250.0	1381.8	2800	2900	3200
annual change in %	-5.4	33.2	19.9	-1.9	-2.8	10.5	10.0	5.0	10.0
Imports of goods, BOP, EUR mn ⁹⁾	5624.1	6089.8	6892.5	6892.7	3282.4	3210.7	6900	7100	7500
annual change in %	-21.8	8.3	13.2	0.0	1.5	-2.2	0.0	3.0	5.0
Exports of services, BOP, EUR mn ⁹⁾	1428.0	1511.4	1485.8	1486.2	685.4	695.7	1550	1610	1670
annual change in %	-11.6	5.8	-1.7	0.0	2.2	1.5	4.0	4.0	4.0
Imports of services, BOP, EUR mn ⁹⁾	456.2	407.9	414.4	399.9	163.2	172.5	410	430	450
annual change in %	15.1	-10.6	1.6	-3.5	1.6	5.7	3.0	5.0	5.0
FDI inflow, EUR mn ⁹⁾	107.5	331.0	338.3	272.9	147.5	247.7	500	500	800
FDI outflow, EUR mn ⁹⁾	-68.5	58.8	-4.0	-0.3	32.9	3.9	0	0	0
Gross reserves of NB excl. gold, EUR mn	3143.8	3267.6	3207.0	3246.4	2928.6	3213.7	3200	3200	3300
Gross external public debt, EUR mn	2676.2	3215.4	3405.7	3658.5	3551.1	3711.4	4000	4000	4100
Gross external debt, % of GDP	21.6	25.4	26.0	27.7	26.9	27.6	29.8	28.7	28.0
Exchange rate BAM/EUR, average	1.9558	1.9558	1.9558	1.9558	1.9558	1.9558	1.96	1.96	1.96
Purchasing power parity BAM/EUR ¹⁰⁾	0.9871	0.9830	0.9722	0.9645	.	.	.	.	.

1) Preliminary. - 2) According to ESA95 (including non-observed economy, real growth rates based on previous year prices). - 3) According to NACE Rev.2. - 4) According to gross value added. - 5) Quarterly data and forecast according to new methodology. - 6) Domestic output prices. Quarterly data refer to total output prices and according to NACE Rev.2. - 7) Based on IMF data. - 8) Bosnia and Herzegovina has a currency board. There is no policy rate and even no money market rate available. - 9) BOP 6th edition. Converted from national currency with the average exchange rate. - 10) iwiw estimates based on the 2005 International Comparison Project benchmark and Eurostat.

Source: iwiw Databases incorporating national statistics and IMF. Forecasts by iwiw.

Kazakhstan: low oil prices create devaluation pressure

BY OLGA PINDYUK

In the first half of 2013, Kazakhstan's real GDP increased by 5.1% year on year primarily on the back of booming consumer demand: real household consumption increased during that period by 16.1% year on year. Strong consumption growth was offset by a negative contribution of net exports: real exports decreased by 9.3% year on year due to lower global demand for the main export commodity of Kazakhstan – oil, while real imports grew by 8.4% year on year thanks to buoyant private consumption.

It is striking that the fast consumption growth was not backed by similar developments in household income – the latter increased only by about 3.5% in real terms year on year during the first half of 2013. Growth of real wages during that period was even more sluggish, at 0.5% year on year. It appears that consumption received the strongest boost from the rapid increase in newly issued loans: during the first half of 2013, newly issued loans for consumption purposes increased by about 64% year on year and accounted for more than 80% of all newly issued loans to households during that period. Newly issued loans to firms, in contrast, grew only moderately, by 6% year on year. The consumer loans boom is driven, on the one hand, by still high perceived risks of mortgage loans and loans to many non-energy sectors. On the other hand, growing reliance of banks on mostly short-term deposits as a source of financing makes them invest into comparatively short-term assets. The relatively small size of consumption loans and the fight for market shares makes banks less strict in checking clients' background information, thus there are already early indications of a new bubble being created – the stock of consumption loans with overdue repayment has been steadily increasing (by 25% year on year in the first half of 2013) and reached 9% of total issued loans.

We expect that so high growth of loans will not be sustainable in the medium run due to the following reasons:

- banks are limited in their ability to increase funding as deposits cannot be raised with such speed;
- new regulations, including the introduction of dynamic reserves, higher provisioning and more capital for unsecured consumer loans, as well as maximum levels for non-performing loans will restrict banks' ability to expand their assets. (The share of non-performing loans remains high in the banking sector of Kazakhstan, at 30% as of 1 July 2013.)

As a result, growth of real household consumption is forecasted to slow down to 6% in 2014 and 5% in 2015.

Gross fixed capital formation experienced noticeable growth acceleration in the second quarter of 2013, to about 10% year on year as compared with 4.1% in the first quarter of 2013. The bulk of investment continued to be financed by own resources of companies, but at the same time there has been an increase in the share of loans as sources of financing – from 9.1% in the first half of 2012 to 18.5% in the first half of 2013. Government funding and foreign financing of fixed capital investment decreased during January-June 2013 as compared with the same period of the previous year. We forecast that gross fixed capital formation will be gradually taking over consumption as an engine of growth. In particular, investment into transport infrastructure (railways and oil pipelines) and oil fields development will continue. Besides, the government has been rather adamant about supporting residential construction, which might give a boost to the construction sector. Overall, gross fixed capital formation is expected to increase by 6% in real terms in 2013. In 2014 and 2015 annual growth will speed up to 7% and 9% respectively.

KAZAKHSTAN

Table KZ

Kazakhstan: Selected Economic Indicators

	2009	2010	2011	2012 ¹⁾	2012 January-June	2013	2013	2014 Forecast	2015
Population, th pers., average ²⁾	16092.7	16321.6	16556.6	16791.4	16734.3	16970.3	16980	17100	17200
Gross domestic product, KZT bn, nom. ³⁾	17008	21816	27572	30347	12536	14153	33500	37600	42400
annual change in % (real) ³⁾	1.2	7.3	7.5	5.0	5.6	5.1	5.0	6.0	6.5
GDP/capita (EUR at exchange rate)	5100	6800	8200	9400	.	.	10100	11000	12200
GDP/capita (EUR at PPP)	9000	9700	10400	11000	.	.	.	.	.
Consumption of households, KZT bn, nom. ³⁾	7913	9721	11569	13587	5135	6460	16000	18100	20100
annual change in % (real) ³⁾	0.6	11.8	10.9	11.1	14.1	16.8	10.0	6.0	5.0
Gross fixed capital form., KZT bn, nom. ³⁾	4727	5307	5772	6298	2080	2407	6900	7800	9000
annual change in % (real) ³⁾	-0.8	3.8	3.9	3.3	3.2	7.1	6.0	7.0	9.0
Gross industrial production									
annual change in % (real)	2.7	9.6	3.8	0.7	1.6	1.8	4.0	7.0	10.0
Gross agricultural production									
annual change in % (real)	14.6	-11.7	26.8	-17.8	-5.8	1.4	5.0	5.0	5.0
Construction industry									
annual change in % (real)	-3.3	2.4	2.8	3.1	0.5	0.7	3.0	5.0	10.0
Employed persons, LFS, th, average ⁴⁾	7903.4	8114.2	8301.6	8507.1	8494.6	8568.4	8590	8680	8770
annual change in %	0.6	2.7	1.1	1.0	.	0.9	1.0	1.0	1.0
Unemployed persons, LFS, th, average ⁴⁾	554.5	496.5	473.0	474.8	475.8	471.9	.	.	.
Unemployment rate, LFS, in %, average ⁴⁾	6.6	5.8	5.4	5.3	5.4	5.3	5.0	5.0	5.0
Reg. unemployment rate, in %, end of period ⁴⁾	0.6	0.4	0.4	0.4	0.7	0.7	.	.	.
Average monthly gross wages, KZT ⁵⁾	67333	77611	90028	101263	97753	104712	.	.	.
annual change in % (real, gross)	3.2	7.6	7.1	7.0	12.0	0.5	.	.	.
Consumer prices (HICP), % p.a.	7.3	7.1	8.3	5.2	5.0	6.6	7.0	6.5	6.0
Producer prices in industry, % p.a.	-22.0	25.2	27.2	3.5	6.8	-1.4	3.5	5.0	6.0
General governm.budget, nat.def., % of GDP									
Revenues	20.6	19.7	19.5	19.2	25.7	22.2	.	.	.
Expenditures	23.5	22.1	21.5	22.1	26.4	22.7	.	.	.
Deficit (-) / surplus (+)	-2.9	-2.4	-2.1	-2.9	-0.6	-0.4	-2.5	-2.0	-1.5
Public debt, nat.def., % of GDP	12.3	14.4	11.8	12.6	11.5	11.5	14.0	15.0	16.0
Central bank policy rate, % p.a., end of period ⁶⁾	7.0	7.0	7.5	5.5	6.0	5.5	.	.	.
Current account, EUR mn ⁷⁾	-2955	1044	7332	498	3507	1272	1900	3500	4300
Current account in % of GDP	-3.6	0.9	5.4	0.3	5.4	1.8	1.1	1.9	2.0
Exports of goods, BOP, EUR mn ⁷⁾	31499	46231	61198	67628	34187	31385	70300	76600	85200
annual growth rate in %	-35.6	46.8	32.4	10.5	60.4	-8.2	4.0	9.0	11.2
Imports of goods, BOP, EUR mn ⁷⁾	20739	24769	28985	38181	16227	17770	41200	44900	51300
annual growth rate in %	-20.4	19.4	17.0	31.7	67.5	9.5	7.9	9.0	14.3
Exports of services, BOP, EUR mn ⁷⁾	2943	3102	3116	3756	1762	1709	3900	4100	4400
annual growth rate in %	0.9	5.4	0.5	20.5	30.1	-3.0	3.8	5.1	7.3
Imports of services, BOP, EUR mn ⁷⁾	7230	8561	7882	10018	4523	4212	10400	11500	12400
annual growth rate in %	-5.2	18.4	-7.9	27.1	31.3	-6.9	3.8	10.6	7.8
FDI inflow, EUR mn ⁷⁾	10238	5615	9878	10650	6246	4170	9500	10100	10500
FDI outflow, EUR mn ⁷⁾	3007	2855	3720	1516	1067	1021	1500	1500	1600
Gross reserves of NB excl. gold, EUR mn	14352	19044	19477	16674	21877	16157	.	.	.
Gross external debt, EUR mn	78674	89259	96973	103155	106669	111574	.	.	.
Gross external debt, % of GDP	95.1	80.1	71.8	65.2	67.5	66.0	.	.	.
Average exchange rate KZT/EUR	205.68	195.67	204.11	191.67	192.17	198.21	196.1	199.1	202.0
Purchasing power parity KZT/EUR ⁸⁾	117.88	137.68	159.95	163.85	.	.	.	.	.

Note: Gross industrial production and producer prices refer to NACE Rev. 2 (including E - Water supply, sewerage, waste management and remediation activities).

1) Preliminary. - 2) According to census March 2009. - 3) Until 2010 SNA'93 (including non-observed economy, real growth rates based on previous year prices), from 2011 SNA'08 and FISIM reallocated to industries. - 4) From 2012 according to census March 2009. - 5) Excluding small enterprises, engaged in entrepreneurial activity. - 6) Refinancing rate of NB. - 7) According to BOP 6th Edition. Converted from USD with the average exchange rate. - 8) wiiw estimates based on the 2005 International Comparison Project benchmark.

Source: wiiw Databases incorporating national statistics. Forecasts by wiiw.

The resulting GDP growth in 2013 will remain at the 2012 level of 5%. In 2014-2015, we forecast gradual acceleration of growth to 6% and 6.5% respectively – predominantly owing to expanding oil exports and investment into infrastructure.

The poor export performance led to a significant decline in the share of the current account balance in GDP – to 1.8% of GDP in the first half of 2013, 3.6 percentage points less than in the first half of 2012. The slump in exports was caused also by falling global oil prices; according to IEA data, in June 2013, the Brent crude oil spot price dropped by 14% year on year to 103.9 USD/barrel; in the first half of 2013 the average decline of the price was 5.2% year on year. We forecast that by the end of 2013, the share of the current account balance in GDP will further decline to about 1%. In 2014-2015, oil production is expected to grow due to the operation of the recently launched Kashagan oil field, and oil prices are forecasted to experience moderate growth. These trends will cause a revival in export dynamics and a subsequent improvement of the current account balance – to about 2% of GDP.

The worsening of the current account balance created depreciation pressures on the national currency, the Kazakh tenge (KZT). Fears of devaluation caused an increased demand for foreign currency, leading to a rapid rise in the share of forex deposits; in September 2013, this indicator increased to 44%, which is 5 percentage points higher than at the beginning of 2013.

At the end of August 2013, the National Bank announced to switch from the US dollar as the single reference currency in its forex policy to a basket with 20% weight of the euro and 10% weight of the rouble, with the rest remaining US dollar. This will give the National Bank more room for manoeuvre in its forex policy, as the peg will be less strict than in the past. The market interpreted this step as signalling the Bank's intention to intervene less in support of the tenge and let the currency weaken if depreciation pressures are strong. In October, the average monthly KZT/USD rate reached 153.99, 3.3 points higher than in January 2013. We forecast that by the end of 2013, the KZT/USD rate can still weaken by about 1 point, but in 2014-2015, with an improvement in the current account balance and larger influx of foreign currency to the country, depreciation pressures will subside and the tenge may weaken only slightly.

Table XK

Kosovo: Selected Economic Indicators

	2009	2010	2011	2012 ¹⁾	2012 January-June	2013	2013	2014 Forecast	2015
Population, th pers., average	1748	1775	1802	1816	.	.	1829	1842	1856
Gross domestic product, EUR mn, nom.	4008	4291	4776	4916	.	.	5200	5700	6200
annual change in % (real)	3.5	3.2	4.4	2.5	.	.	3.0	5.0	4.0
GDP/capita (EUR at exchange rate)	2300	2400	2700	2700	.	.	.	.	.
GDP/capita (EUR at PPP)	5000	5300	5600	5800	.	.	.	.	.
Consumption of households, EUR mn, nom.	3605	3822	4220	4448	.	.	.	.	.
annual change in % (real)	8.9	-0.2	5.9	2.9	.	.	3.0	4.0	3.0
Gross fixed capital form., EUR mn, nom.	1027	1193	1387	1239	.	.	.	.	.
annual change in % (real)	20.4	8.6	9.0	-13.2	.	.	2.0	10.0	9.0
Gross industrial production ²⁾									
annual change in % (real)	-1.5	-5.6	19.2	-10.0	.	.	4.0	7.0	10.0
Gross agricultural production ²⁾									
annual change in % (real)	19.3	0.5	26.3	0.0	.	.	3.0	4.0	3.0
Construction output ²⁾									
annual change in % (real)	32.8	-27.7	11.2	3.0	.	.	3.0	6.0	4.0
Unemployment rate, LFS, in %, average ³⁾	45.4	45.1	44.8	30.9	.	.	31.0	29.0	30.0
Reg. unemployed persons, th, end of period	339	335	325	260	259	266	.	.	.
Average monthly net wages, EUR	246	286	348	353	349	371	.	.	.
annual change in % (real, net)	22.8	12.7	14.4	-1.1	.	.	2.5	10.0	3.0
Consumer prices, % p.a.	-2.4	3.5	7.3	2.5	1.5	2.7	3.0	4.0	4.0
Producer prices in industry, % p.a.	3.8	4.7	5.7	1.7	-0.1	6.6	.	.	.
General governm.budget, nat.def., % of GDP ⁴⁾									
Revenues	36.7	33.8	35.3	36.3	.	.	35.0	36.0	38.0
Expenditures	32.6	35.1	35.5	36.7	.	.	36.0	38.0	38.0
Deficit (-) / surplus (+)	4.1	-1.3	-0.2	-0.5	.	.	-1.0	-2.0	0.0
Public debt, nat.def., % of GDP ⁴⁾	6.2	6.1	5.3	5.6	.	.	6.3	7.8	7.2
Central bank policy rate, % p.a., end of period ⁵⁾	14.1	14.3	13.9	12.9	13.5	12.0	.	.	.
Current account, EUR mn	-374.2	-515.7	-658.4	-380.2	-141.8	-147.6	-550	-700	-800
Current account, % of GDP	-9.3	-12.0	-13.8	-7.7	.	.	-10.6	-12.3	-12.9
Exports of goods, BOP, EUR mn	160.6	288.2	304.1	269.6	132	143	300	350	360
annual change in %	-16.9	79.5	5.5	-11.3	-17.4	8.6	11.3	16.7	2.9
Imports of goods, BOP, EUR mn	1811.8	2033.2	2354.8	2319.3	1044	1058	2400	2700	2700
annual change in %	2.5	12.2	15.8	-1.5	-0.8	1.4	3.5	12.5	0.0
Exports of services, BOP, EUR mn	517.6	573.0	618.5	635.1	254	252	640	650	660
annual change in %	31.9	10.7	7.9	2.7	-10.3	-0.6	0.8	1.6	1.5
Imports of services, BOP, EUR mn	285.3	386.1	352.8	288.8	125	114	250	350	320
annual change in %	18.5	35.3	-8.6	-18.1	-11.6	-8.3	-13.4	40.0	-8.6
FDI inflow, EUR mn	287.4	365.8	393.9	229.1	87	143	400	500	600
FDI outflow, EUR mn	10.5	34.7	15.7	15.8	8	6	20	30	40
Gross reserves of NB excl. gold, EUR mn	576	634	575	840	601	846	.	.	.
Gross external debt, EUR mn	1146	1348	1427	1518	1385	1514	.	.	.
Gross external debt, % of GDP	28.6	31.4	29.9	30.9	28.2	29.1	.	.	.
Purchasing power parity EUR/EUR	0.455	0.457	0.471	0.468	.	.	.	.	.

1) Preliminary. - 2) According to gross value added data. - 3) New improved sample survey based on census 2011, not comparable with previous years. -

4) National definition based on ESA95. - 5) Average weighted lending interest rate (Kosovo uses the euro as national currency)

Source: National statistics and IMF. Forecasts by wiw.

Kosovo: constant voting wears away the backwardness

BY MARIO HOLZNER

The 3 November 2013 local elections were the first in which citizens in all of Kosovo were asked to vote for municipal assemblies and mayors since Kosovo seceded from Serbia. According to preliminary results, overall turnout stood at about 48%. However, only some 22% of voters in the northern, Serbian-controlled, municipalities have cast ballots. One reason for the low turnout in the north was the intimidation of voters by Serbian nationalists. Also, masked attackers stormed three polling stations in the north, releasing tear gas, smashing ballot boxes and stealing the votes. Kosovo authorities plan to rerun the vote at these three polling stations. In Serbian enclaves in the south of the country turnout was above 50%. Despite the violence in northern Kosovo, EU election observers described the vote as a 'positive step forward for democracy'. Both, Kosovo and Serbia, need a positive final evaluation of the 2013 Kosovo local elections as one of the milestones of a larger agreement in order to continue their EU integration processes.

In recent years there has been hardly any fiscal stimulus stemming from the general government budget of Kosovo. In 2011 and 2012 the fiscal deficit was close to zero. However, in 2013 and 2014 election cycles will most likely support GDP growth to a certain extent. In the wake of the local elections we can expect for 2013 a budget deficit of 1% or even more. The parliamentary elections scheduled for spring 2014 might cause additional pre-election public spending and raise the deficit for 2014 to 2% or above.

Private investment has been rather cautious, recently. In the first eight months of 2013 total new loans to the private sector have decreased by more than 3% as compared to the same period a year earlier. Non-financial corporations' new investment

loans even fell by almost 10%. However, foreign direct investment increased by as much as 66% in the first six months of 2013 as compared to the first half of 2012. Also, households' new mortgage loans increased by almost 6%.

Households' new consumer loans have even increased by 14%. A large part of the increase in private consumption is fuelled by Kosovo migrants' remittances. In the first half of 2013 the inflow of remittances rose by more than 4% on the year. About 57% of the remittances inflows stem from Kosovo migrants residing in Germany and Switzerland.

The development in the export sector is of smaller importance for GDP growth in Kosovo. In the first half of 2013 goods exports stood only at EUR 143 million, the same amount as the FDI inflows or half of the remittances inflows. Nevertheless, goods exports have increased by almost 9% on the year. Imports have virtually stagnated. It is interesting to note that the real effective exchange rate has hardly changed during the first eight months of 2013 as compared to the same period a year earlier. It might be expected that imports will pick up a bit by the end of the year.

Overall, the external conditions appear to be rather favourable. 2014 GDP growth forecasts for the main host countries of Kosovo migrants are substantially higher than for 2013. In its autumn forecast, the European Commission expects a 1.7% increase in Germany's real GDP for 2014. The most recent forecasts from the Swiss Federal Government's Expert Group for GDP growth of Switzerland foresee an increase of 2.3% for 2014.

Therefore our forecast for Kosovo is a robust 3% GDP growth for 2013 and a reinforced growth of 5% in 2014. This is due to pre-election public spending as well as improved external conditions. For 2015 and the medium term, growth prospects are expected to hover around a trend growth rate of about 4%.

MACEDONIA

Table MK

Macedonia: Selected Economic Indicators

	2009	2010	2011	2012 ¹⁾	2012 January-June	2013	2013	2014 Forecast	2015
Population, th pers., mid-year	2050.7	2055.0	2058.5	2061.0	.	.	2070	2075	2080
Gross domestic product, MKD mn, nom. ²⁾	410734	434112	459789	458621	216762	229539	481800	511100	542200
annual change in % (real) ²⁾	-0.9	2.9	2.8	-0.4	-0.8	3.4	2.0	3.0	3.0
GDP/capita (EUR at exchange rate)	3300	3400	3600	3600	.	.	.	.	.
GDP/capita (EUR at PPP)	8500	8700	8900	9000	.	.	.	.	.
Consumption of households, MKD mn, nom. ²⁾³⁾	314376	324096	345262	342809	172238	177149	.	.	.
annual change in % (real) ²⁾³⁾	-4.7	2.1	2.9	-1.2	-0.1	0.3	1.0	1.0	1.5
Gross fixed capital form., MKD mn, nom. ²⁾	81872	82968	94698	105443	.	.	.	.	.
annual change in % (real) ²⁾	-4.3	-2.7	3.2	7.0	.	.	2.0	4.0	4.0
Gross industrial production ⁴⁾									
annual change in % (real)	-8.7	-4.8	6.9	-2.7	-3.4	4.7	4.0	5.0	5.0
Gross agricultural production									
annual change in % (real)	-2.3	8.2	-0.5	0.0	.	.	5.0	3.0	3.0
Construction output, hours worked									
annual change in % (real)	-2.1	5.8	14.2	-11.6	-10.9	33.8	20.0	5.0	5.0
Employed persons, LFS, th, average	629.9	637.9	645.1	650.6	645.9	673.7	670	680	690
annual change in %	3.4	1.3	1.1	0.8	0.0	4.3	3.0	1.5	1.5
Unemployed persons, LFS, th, average	298.9	300.4	295.0	292.5	295.8	279.4	.	.	.
Unemployment rate, LFS, in %, average	32.2	32.0	31.4	31.0	31.5	29.4	29.0	29.0	28.0
Unemployment rate, reg., in %, end of period	.	.	.	.	.	.	.	.	.
Average monthly gross wages, MKD	29922	30225	30602	30669	30551	30987	.	.	.
annual change in % (real, net)	25.0	1.4	-2.4	-2.9	-2.0	-2.0	.	.	.
Consumer prices, % p.a.	-0.8	1.6	3.9	3.3	2.3	3.6	3.0	3.0	3.0
Producer prices in industry, % p.a. ⁵⁾	-7.2	8.7	11.9	1.4	1.4	-0.6	.	.	.
General governm. budget, nat.def., % of GDP ⁶⁾									
Revenues	31.3	30.4	29.8	30.0	30.9	28.8	.	.	.
Expenditures	33.9	32.9	32.3	33.8	34.6	34.8	.	.	.
Deficit (-) / surplus (+)	-2.7	-2.4	-2.5	-3.9	-3.7	-6.0	-3.5	-2.0	-1.0
Public debt, nat.def., % of GDP ⁷⁾	31.7	34.8	35.0	36.0	.	.	36.0	36.0	36.0
Central bank policy rate, %, p.a., end of period ⁸⁾	8.50	4.11	4.00	3.73	3.73	3.21	3.5	3.5	3.5
Current account, EUR mn	-457.1	-143.6	-189.1	-225.7	-175.2	-213.8	-310	-500	-530
Current account, % of GDP	-6.8	-2.0	-2.5	-3.0	-5.0	-5.7	-4.0	-6.0	-6.0
Exports of goods, BOP, EUR mn	1932.6	2530.1	3210.9	3106.9	1507.4	1523.0	3200	3360	3600
annual change in %	-28.2	30.9	26.9	-3.2	-2.0	1.0	3.0	5.0	7.0
Imports of goods, BOP, EUR mn	3492.2	3977.9	4859.2	4863.5	2364.4	2334.9	4860	5010	5260
annual change in %	-21.6	13.9	22.2	0.1	-0.1	-1.2	0.0	3.0	5.0
Exports of services, BOP, EUR mn	617.6	681.4	797.2	818.9	364.7	378.4	852	903	975
annual change in %	-10.8	10.3	17.0	2.7	-1.7	3.8	4.0	6.0	8.0
Imports of services, BOP, EUR mn	601.1	644.6	700.5	772.8	350.4	372.6	811	835	877
annual change in %	-12.0	7.2	8.7	10.3	6.9	6.3	5.0	3.0	5.0
FDI inflow, EUR mn	145.0	160.0	336.8	72.1	70.4	101.4	200	300	300
FDI outflow, EUR mn	8.1	1.4	0.0	-6.0	4.0	0.1	0	0	0
Gross reserves of NB, excl. gold, EUR mn	1429.4	1482.7	1801.9	1917.8	1746.5	1838.4	.	.	.
Gross external debt, EUR mn	3780.4	4105.7	4846.6	5171.7	4941.6	5584.1	.	.	.
Gross external debt, % of GDP	56.4	58.2	64.9	69.4	66.3	71.4	.	.	.
Exchange rate MKD/EUR, average	61.27	61.52	61.53	61.53	61.55	61.62	61.5	61.5	61.5
Purchasing power parity MKD/EUR	23.65	24.15	25.18	24.70	.	.	.	.	.

Note: Gross industrial production and producer prices refer to NACE Rev. 2. Gross agricultural production refers to Economic Accounts for Agriculture (EAA).

1) Preliminary. - 2) According to ESA/95 (FISIM reallocated to industries, including non-observed economy, real growth rates based on previous year prices). - 3) Including NPISHs. - 4) Enterprises with 10 and more employees. - 5) Until 2010 domestic output prices. - 6) Refers to central government budget and extra-budgetary funds. - 7) In 2011 and 2012 wiw estimates. - 8) Central Bank bills (28-days).

Source: wiw Databases incorporating national statistics. Forecasts by wiw.

Macedonia: recovery on track

BY VLADIMIR GLIGOROV

In the first half of the year, growth of GDP surprised on the up side. This was the consequence of a continued increase in public investment and somewhat better than expected performance of exports. Also, and most importantly, growing employment supported an increase in private consumption. On the supply side, the positive factors were a recovery of agriculture and improvement in industrial production. For the year as a whole, GDP may be higher than the rather bad previous year by around 2%, with official expectations being even more optimistic.

Unemployment continues to decline, but it is still very high at around 28%. Other macroeconomic balances are broadly sustainable. The current account deficit will be around 4% of GDP this year and should widen somewhat in the coming years due to more imports that will follow as recovery strengthens. The fiscal deficit is not large and public debt is lower than in most other countries in the region, except for Bulgaria. Finally, private debt is generally low and there is scope for credit expansion, which is taking place to a limited extent.

The risks going forward are on the down side because of the lack of recovery in the neighbourhood. Macedonia is a land-locked country that depends on the regional markets more than most other Balkan economies. With Serbia struggling not to enter into a new recession and other regional markets

remaining mostly depressed or slowly improving, further growth of exports may prove problematic. In addition, there have been some problems in the implementation of free trade with Serbia and Kosovo and protectionist pressures may strengthen in the near future. Most important, however, is the winding down of public investment and the uncertainty about the speed with which private investment can take over.

Monetary policy is broadly accommodative due to persistent price stability and low risk to the exchange rate peg that has been in place for almost twenty years now. Slow growth of incomes and a financial system that is not given to excesses have supported the stability of prices and the exchange rate. The expectations seem to be well anchored so the risks to macroeconomic stability are low.

Politically, stability is less of a problem due in part to continuous cooperation of the parties representing the ethnic constituencies. European integration, by contrast, is going nowhere, as there is no agreement with Greece in sight. The European Commission continues to recommend the opening of negotiations, but that is conditional on an agreement over the name issue, which is hard to envisage.

In the medium term, growth should accelerate to about 3% with further growth in industrial production and exports and with private investment taking over from the public one. The country is in dire need of development policies so investment in infrastructure and other development projects should continue.

MONTENEGRO

Table ME

Montenegro: Selected Economic Indicators

	2009	2010	2011	2012 ¹⁾	2012 January-June	2013	2013 Forecast	2014 Forecast	2015
Population, th pers., mid-year ²⁾	618.3	619.4	620.6	622.0	.	.	622	623	625
Gross domestic product, EUR mn, nom. ³⁾	2981.0	3103.9	3234.1	3148.9	1345	1419	3300	3500	3700
annual change in % (real) ³⁾	-5.7	2.5	3.2	-2.5	-2.6	2.3	2.0	2.1	2.9
GDP/capita (EUR at exchange rate)	4800	5000	5200	5100	.	.	.	.	.
GDP/capita (EUR at PPP)	9900	10200	10500	10100	.	.	.	.	.
Consumption of households, EUR mn, nom. ³⁾	2503.7	2550.7	2667.4	2632.0	.	.	.	.	.
annual change in % (real) ³⁾	-12.9	2.0	1.9	-3.2	.	.	0.0	1.0	2.0
Gross fixed capital form., EUR mn, nom. ³⁾	797.6	655.1	596.5	583.8	.	.	.	.	.
annual change in % (real) ³⁾	-30.1	-18.5	-10.3	-3.3	.	.	3.0	4.0	5.0
Gross industrial production ⁴⁾									
annual change in % (real)	-32.2	17.5	-10.3	-7.1	-7.4	10.4	5.0	5.0	5.0
Net agricultural production									
annual change in % (real)	2.6	-1.7	9.5	-12.7	.	.	.	.	.
Construction output ⁵⁾									
annual change in % (real) ³⁾	-19.2	-7.4	15.8	-11.9	.	.	5.0	5.0	5.0
Employed persons, LFS, th, average ⁶⁾	212.9	208.2	195.4	200	194.9	200	210	215	220
annual change in % ⁶⁾	-2.7	-2.2	.	2.4	1.3	2.6	4.0	2.5	1.0
Unemployed persons, LFS, th, average	50.9	50.9	47.9	49.0	49.7	51.2	.	.	.
Unemployment rate, LFS, in %, average	19.3	19.6	19.7	19.7	20.6	20.4	20.0	19.0	19.0
Unemployment rate, reg., %, average	14.0	16.5	15.9	15.3	15.3	14.4	15.0	15.0	15.0
Average monthly gross wages, EUR	643	715	722	727	734	729	.	.	.
annual change in % (real, net)	7.6	2.9	-2.0	-3.3	-2.8	-3.8	.	.	.
Consumer prices, % p.a.	3.4	0.5	3.1	4.1	3.6	3.2	3.0	3.0	3.0
Producer prices in industry, % p.a. ⁷⁾	-3.9	-0.9	3.2	1.9	-0.3	3.8	.	.	.
General governm.budget, nat.def., % of GDP									
Revenues	45.8	40.9	39.7	41.2	35.2	35.7	.	.	.
Expenditures	49.4	43.9	45.2	45.4	44.5	42.0	.	.	.
Deficit (-) / surplus (+)	-3.6	-3.0	-5.4	-4.2	-9.3	-6.3	-4.0	-3.0	-2.0
Public debt, nat.def., % of GDP	38.2	40.9	45.9	54.0	.	.	55.0	55.0	55.0
Central bank policy rate, % p.a., end of period ⁸⁾	8.85	8.98	9.06	8.83	8.9	8.8	9	8	8
Current account, EUR mn	-830.3	-710.2	-573.4	-587.2	-489.6	-420.3	-510	-540	-570
Current account, % of GDP	-27.9	-22.9	-17.7	-18.6	-36.4	-29.6	-15.5	-15.4	-15.4
Exports of goods, BOP, EUR mn	296.3	356.6	476.5	391.9	193.7	209.1	420	450	490
annual change in %	-34.2	20.4	33.6	-17.8	-14.1	8.0	6.0	8.0	8.0
Imports of goods, BOP, EUR mn	1617.9	1623.8	1782.8	1780.7	866.3	827.3	1780	1830	1920
annual change in %	-34.6	0.4	9.8	-0.1	5.1	-4.5	0.0	3.0	5.0
Exports of services, BOP, EUR mn	731.5	801.0	906.1	997.6	271.1	285.7	1100	1270	1460
annual change in %	-5.7	9.5	13.1	10.1	20.6	5.4	10.0	15.0	15.0
Imports of services, BOP, EUR mn	331.0	336.8	316.8	385.3	168.8	184.0	410	430	450
annual change in %	-18.3	1.8	-5.9	21.6	21.2	9.0	7.0	5.0	5.0
FDI inflow, EUR mn	1099.4	574.2	401.4	474.4	184.9	155.4	400	700	800
FDI outflow, EUR mn	32.9	22.1	12.3	20.8	31.6	4.5	0	20	20
Gross reserves of NB, excl. gold, EUR mn ⁹⁾	172.8	164.6	170.8	187.1	173.0	187.1	.	.	.
Gross external public debt, EUR mn	699.9	912.4	1063.7	1295.0	1205.5	1318.2	.	.	.
Gross external public debt, % of GDP	23.5	29.4	32.9	41.1	38.3	39.9	.	.	.
Purchasing power parity EUR/EUR	0.4877	0.4917	0.4957	0.5026	.	.	.	.	.

1) Preliminary. - 2) From 2010 according to census April 2011. - 3) According to ESA'95 (FISIM reallocated to industries, including non-observed economy, real growth rates based on previous year prices). - 4) Excluding small enterprises in private sector and arms industry. - 5) Gross value added (until 2010 NACE Rev. 1, NACE Rev. 2 thereafter). - 6) From 2011 based on census April 2011. - 7) Domestic output prices. - 8) Average weighted lending interest rate of commercial banks (Montenegro uses the euro as national currency). - 9) Data refer to reserve requirements of Central Bank.

Source: wiw Databases incorporating national statistics. Forecasts by wiw.

Montenegro: facing challenges

BY VLADIMIR GLIGOROV

This year looks better than the previous one as GDP will grow by about 2% on the back of somewhat improved investment and private consumption. In addition, tourism continues to contribute positively to economic activity. The financial sector has stabilised though it is yet to start contributing to the growth of credits and thus to investment. The current account deficit is also shrinking and public finances are improving. Still, a robust and speedy recovery is some years away.

This perhaps temporary improvement provides an opportunity to deal with some major structural challenges. The most important one is the aluminium production. For years, the aluminium plant KAP has been a major problem in the country's industrial policy. It is an important exporter, but it is also a major user of state subsidies, in particular through cheap prices for the electricity it uses in the production process. It tried a number of foreign partners and owners with little success. The government was willing to extend guarantees and subsidies, as this is a politically and socially sensitive issue. Finally, the aluminium plant declared bankruptcy and the government accepted to pay over USD 100 million in guaranteed credits. Chances are this is the beginning of the end for this company.

Political stability was challenged earlier in the year in the aftermath of the early elections, but it was maintained. However, the ruling party, which has been in power for over 20 years, not counting the Communist period, is having more problems in attracting support. This is a small country with limited supply of political entrepreneurs and parties and is mainly divided along ethnic lines. The ruling party has been able to win elections, both regular and early ones, while the opposition is yet to mount a credible challenge. Still, these frequent elections have proved politically stabilising.

Negotiations with the EU started last year and are proceeding albeit slowly. There is little doubt that Montenegro will be the next country to join the European Union, though not soon. It is also the next country to join NATO. Both integrations are seen as essential to its stability and security. They are also viewed as important to maintaining the flow of foreign investments, which is crucial for the development of its services sector.

In the medium term, recovery should take hold especially if there is also recovery in the EU and especially the euro area. The economic policy faces few challenges beyond the maintenance of the external balances. With some of the remaining restructurings under way, there will be more room for additional investment in infrastructure, which is important in order to keep the services sector growing. As in most other countries in the region, GDP growth may speed up to about 3%, but faster growth is not in the cards as of yet.

Table RU

Russia: Selected Economic Indicators

	2009	2010	2011	2012 ¹⁾	2012 January-June	2013	2013 Forecast	2014 Forecast	2015
Population, th pers., average ²⁾	142797	142861	142961	143202	143300	143400	143000	142500	142000
Gross domestic product, RUB bn, nom. ³⁾	38807	46309	55800	62599	28815	31098	66000	69400	73000
annual change in % (real) ³⁾	-7.8	4.5	4.3	3.4	4.5	1.4	1.7	2.1	2.9
GDP/capita (EUR at exchange rate)	6200	8000	9600	10900	.	.	.	.	.
GDP/capita (EUR at PPP)	11800	12600	13300	14000	.	.	.	.	.
Consumption of households, RUB bn, nom. ³⁾	20986	23618	27164	30543	14112	15990	.	.	.
annual change in % (real) ³⁾	-5.1	5.5	6.4	6.8	8.0	6.3	3.5	4.0	4.5
Gross fixed capital form., RUB bn, nom. ³⁾	8536	10014	12076	13768	5037	5311	.	.	.
annual change in % (real) ³⁾	-14.5	5.9	10.2	6.0	.	.	-1.0	2.0	4.0
Gross industrial production ⁴⁾									
annual change in % (real)	-9.3	8.2	4.7	2.6	3.1	0.1	0.0	3.0	4.0
Gross agricultural production									
annual change in % (real)	1.4	-11.3	23.0	-4.7	4.2	2.0	.	.	.
Construction output									
annual change in % (real)	-13.2	3.5	5.1	2.5	4.7	-1.9	-2.0	2.0	4.0
Employed persons, LFS, th, average ²⁾	69410.5	69933.7	70856.6	71545.4	71008.5	71149.7	71500	71000	71000
annual change in % ²⁾	-2.2	0.8	1.3	1.0	1.2	0.2	-0.1	-0.7	0.0
Unemployed persons, LFS, th, average ²⁾	6284.0	5544.0	4922.0	4131.0	4381.2	4206.7	4200	4200	4200
Unemployment rate, LFS, in %, average ²⁾	8.3	7.3	6.5	5.5	5.8	5.6	5.5	5.5	5.5
Unemployment rate, reg., in %, end of period	2.9	2.1	1.7	1.4	1.5	1.3	.	.	.
Average monthly gross wages, RUB	18637.5	20952.2	23369.2	26629.0	25491.3	28814.7	.	.	.
annual change in % (real, gross)	-3.5	5.2	2.8	8.4	10.3	5.5	.	.	.
Consumer prices, % p.a.	11.8	6.9	8.5	5.1	3.9	7.2	7.0	5.5	5.0
Producer prices in industry, % p.a. ⁵⁾	-7.2	12.2	19.0	6.8	6.2	3.4	4.0	4.0	4.0
General governm.budget, nat.def., % of GDP									
Revenues	35.0	34.6	37.4	36.9	38.5	36.6	.	.	.
Expenditures	41.4	38.0	35.8	36.5	34.6	34.8	.	.	.
Deficit (-) / surplus (+)	-6.3	-3.4	1.5	0.4	4.0	1.7	0.0	0.0	.
Public debt, nat.def., % of GDP ⁶⁾	8.3	8.4	9.0	9.6	8.9	9.9	7.0	6.0	.
Central bank policy rate, % p.a., end of period ⁷⁾	8.75	7.75	8.00	8.25	8.00	8.30	5.5	.	.
Current account, EUR mn ⁸⁾	36169	50853	69855	56022	42896	21642	45000	40000	35000
Current account, % of GDP ⁸⁾	4.1	4.4	5.1	3.6	5.9	2.8	2.9	2.5	2.2
Exports of goods, BOP, EUR mn ⁸⁾	213321	296041	370131	410744	202280	192260	405000	420000	440000
annual change in %	-32.9	38.8	25.0	11.0	15.8	-5.0	-1.4	3.7	4.8
Imports of goods, BOP, EUR mn ⁸⁾	132035	185221	228764	261154	118770	123180	275000	290000	310000
annual change in %	-32.9	40.3	23.5	14.2	13.3	3.7	5.3	5.5	6.9
Exports of services, BOP, EUR mn ⁸⁾	32876	37062	41680	48495	22244	25065	53000	56000	60000
annual change in %	-15.6	12.7	12.5	16.4	17.3	12.7	9.3	5.7	7.1
Imports of services, BOP, EUR mn ⁸⁾	45511	56753	65706	84658	36495	43342	95000	105000	120000
annual change in %	-13.9	24.7	15.8	28.8	28.9	18.8	12.2	10.5	14.3
FDI inflow, EUR mn ⁸⁾	26262	32545	39557	39353	13346	42592	45000	50000	60000
FDI outflow, EUR mn ⁸⁾	31070	39668	48008	37980	18026	54707	60000	50000	60000
Gross reserves of CB, excl. gold, EUR mn	290380	335251	350786	367323	371721	363872	.	.	.
Gross external debt, EUR mn ⁹⁾	325639	369524	416406	480451	453255	540685	.	.	.
Gross external debt, % of GDP	37.0	32.1	30.5	30.7	28.9	34.4	.	.	.
Exchange rate RUB/EUR, average	44.1	40.3	40.9	39.9	39.7	40.8	42	44	45
Purchasing power parity RUB/EUR ¹⁰⁾	23.1	25.8	29.4	31.1	.	.	.	.	.

1) Preliminary. - 2) According to census October 2010. - 3) According to SNA'93 (FISIM reallocated to industries, real growth rates based on previous year prices etc). - 4) Excluding small enterprises. - 5) Domestic output prices. - 6) wiw estimate. - 7) Refinancing rate of Central Bank. From September 2013 one-week repo rate. - 8) Converted from USD with the average exchange rate. BOP 6th edition. - 9) From 2011 according to BOP 6th edition. - 10) wiw estimates based on the 2005 International Comparison Project benchmark.

Source: wiw Databases incorporating national statistics. Forecasts by wiw.

Russian Federation: firm in stagnation, with dim way out

BY PETER HAVLIK

Russian economic growth is coming to a standstill in 2013. GDP growth has been slowing down already during the past six consecutive quarters; the preliminary figure reported for the third quarter 2013 is just 1.2%. Industrial production, construction output, goods transport and investment have been de facto stagnant or even falling. GDP growth is fuelled only by rising household consumption as real incomes and wages, as well as consumer expenditures and retail trade turnover, are growing by a still respectable 4-5%. The collapse of investment growth that has been the main factor behind the recent GDP growth slowdown is particularly worrying; the more so since the growth contribution of real net exports continues to be negative. It is not surprising that the search for a 'new growth model' has intensified – in particular given declining export revenues and falling current account surpluses (with prospects for worse). The broadly acknowledged obstacle to investments – the poor investment climate – underlines the urgency to markedly improve the institutional, administrative and infrastructure prerequisites for investment (see below).¹

Worse than previously expected has been also the performance of key sectors of the Russian economy (declining industry, construction and goods transport, only modest growth of agriculture and some market services in the course of most of the year 2013). This requires another downward revision of the GDP growth forecast. The expected GDP growth will fall below 2% in 2013 and stay close to 3% in both 2014 and 2015 according to the latest wiiw assessment.² Consumer spending is the main engine of GDP growth for the time being,

albeit with diminishing power as the recent 'conventional' growth components (such as rising wages and consumer credit) are about to weaken. Furthermore, the contribution of net exports to GDP growth will continue to be negative (as has been the case already for nearly a decade with the exception of the crisis year 2009). Not only that import volumes have been growing faster than exports, but during 2013 export revenues have even fallen in nominal euro terms. Though there are still sizeable trade and current account surpluses (though the latter is estimated to fall below 3% of GDP in 2013), given the projected paths of export and import revenues even the Central Bank of Russia is now expecting that the current account will turn into a deficit in a couple of years.

Weakened economic growth notwithstanding, the labour market remains tight with employment nearly flat and unemployment declining (the LFS rate of unemployment was 5.2% in September 2013). Sectoral and regional labour market shortages persist (e.g. in retail trade and construction), especially in big cities such as Moscow and St. Petersburg. The shadow side of the tight labour market – growing employment of migrant (both legal and illegal) workers and the related social, political, nationalist tensions and even racist sentiments – is posing new challenges to the authorities (according to some estimates there are more than 10 million migrant workers in Russia, the majority of them from the former Soviet republics).

In this macroeconomic framework, the authorities plan that the main growth stimulus should come from a revival of investment. Indeed, the share of investment in GDP is intended to increase by 5 percentage points from the current rate of about 22% by the year 2018 in one of the government economic programmes. With this target in mind, a substantial improvement in the investment climate will be required – not only to attract foreign investors, but to stimulate domestic investors as well – not least to realise the newly announced privatisation plans. It is illustrative in this context that in the latest World Bank index of Ease of Doing Business 2014, Russia – despite some improvements with

¹ Apart from President Vladimir Putin earlier, complaints about the investment climate were made also by the newly appointed (since June 2013) head of the Russian Central Bank (CBR) Elvira Nabiullina in October 2013.

² Downward revisions of GDP growth forecasts were made recently also by Russian official sources and the IMF.

respect to starting business, registering property and getting electricity – is still ranking rather poorly (92nd place among 189 countries in 2013, an improvement by 19 places compared to 2013)³ and capital outflows from Russia remain considerable (an estimated USD 70 billion in 2013).⁴ Most foreign direct investment to Russia comes from Cyprus (USD 150 billion of accumulated FDI stocks as of the beginning of 2013), the Netherlands (USD 60 billion), the British Virgin Island (USD 49 billion), Bermuda (USD 31 billion) and the Bahamas (USD 29 billion) – all mostly offshore tax havens for round-tripping Russian flight or grey capital. Together, investors from these five destinations account for more than 60% of the accumulated FDI stock in Russia. Unfortunately (as mentioned repeatedly before in our previous assessments), the recent years have not been used for launching economic restructuring and institutional reforms which would bring about the badly needed improvements in the business and investment climate; the expected positive effects of institutional reforms related to WTO accession in August 2012 are yet to materialise.

Under the new leadership, CBR monetary policy continues to focus on inflation targeting with the switchover completed in the course of 2014. CPI inflation is planned to drop to 5% in 2014, 4.5% in 2015 and 4% in 2016 (within a corridor of +/-1.5 pp). Inflation should also be curbed by tariff caps on natural monopolies (gas, electricity, railways). The upgraded (in September 2013) base interest rate which regulates the liquidity of the banking sector (currently 5.5% p.a.) should gradually (until 2016) replace the refinancing rate (currently 8.25% p.a.) as the key policy rate. A reduction of the policy interest rate should contribute to reducing the prohibitively high costs of commercial credit (more than 10% p.a. for credits to enterprises and 20% for credits to households). The ultimate aim is to stimulate investment, especially by small and medium-size enterprises. However, high inter-

est rates do not seem to prevent bank lending since credits to both households (including housing mortgages) and enterprises have been growing sharply. Nevertheless, the share of non-performing loans dropped below 4% of the total as of August 2013. The exchange rate will continue to float with CBR interventions only in order to smooth fluctuations and credit growth will slow down.

Lacking progress of diversification and modernisation remains to be the main obstacle to faster economic growth and there has been hardly any change in this respect, despite frequent official rhetoric. More assertive domestic and external policies represent another bottleneck. The latest sore point in external relations with potentially adverse economic consequences is Russia's bullying of Ukraine (as well as of Armenia and Moldova) related to the expected signature of an Association Agreement/Deep and Comprehensive Free Trade Agreement (AA/DCFTA) with the EU at the forthcoming Eastern Partnership Summit in Vilnius at the end of November 2013. Several crude Russian attempts to prevent Ukraine from signing the AA/DCFTA with the EU prior to the Vilnius Summit, together with efforts to 'lure' Ukraine into joining the Russian-dominated Customs Union (CU) with Belarus and Kazakhstan instead,⁵ have led to a veritable tug-of-war with the EU. The latter, while claiming that 'this is not a choice between Moscow and Brussels' and presenting the AA/DCFTA as 'a contribution to creating the area of free trade between Lisbon and Vladivostok', is promising a speedier DCFTA implementation.⁶ Ukraine, for its part, is

³ See <http://www.doingbusiness.org/data/exploreeconomies/russia>

⁴ After more than USD 85 billion in 2011 and USD 63 billion in 2012.

⁵ Threatening Ukraine even with the introduction of trade sanctions (by one of Putin's economic advisors, Sergey Glazyev) and lecturing Ukraine on allegedly adverse consequences of AA/DCFTA signature (by Russian Ambassador to the EU Vladimir Chizhov) are among the prominent examples (see <http://www.euractiv.com/europes-east/top-envoy-russia-offer-ukraine-e-news-530890>). The warning was reiterated, albeit in a more polite form, by First Deputy Prime Minister Igor Shuvalov, who is in charge of Euroasian economic relations (see <http://www.euractiv.com/europes-east/russia-reiterates-warnings-ukrai-news-530671>).

⁶ See the speech of European Commissioner for Enlargement and Neighbourhood Policy Štefan Füle in Yalta, Ukraine, on 20 September 2013. Mr Füle also declared that the European Commission is 'working on overcoming the issues of

manoeuvring to maintain good businesslike relations with both Russia and the EU. Nevertheless, the current polarisation of both Russian and EU standpoints is not only endangering future Russian-EU relations, but is also counter-productive in relations with Ukraine which will be ultimately adversely affected the most.⁷

In the current baseline scenario, wiiw has once more revised the GDP growth forecast downwards (below 2% in 2013, in line with most other forecasters) and continues to expect an unspectacular recovery thereafter. In the medium term, falling export revenues owing to the expected 'shale gas price shock' cast a dark shadow on Russia's growth outlook (without revenues from energy exports the deficit of the federal budget would account for more than 10% of GDP). Without new institutional and other reforms which would stimulate investment (including FDI) even a relatively optimistic scenario reckons with an unspectacular GDP growth of close to 3% per year during 2014-2015.

legal compatibility between the AA and CU' in order to 'prevent new walls in Europe' (ibid.).

⁷ A milder version of Russian pressure is felt by Armenia (which has recently agreed to join the Customs Union) as well as by Moldova and Georgia which also negotiate free trade deals with the EU (for a more detailed analysis regarding the implications of the Vilnius Eastern Partnership Summit see the forthcoming *wiiw Policy Note*).

Table RS

Serbia: Selected Economic Indicators

	2009	2010	2011	2012 ¹⁾	2012 January-June	2013	2013 Forecast	2014 Forecast	2015
Population, th. pers., mid-year ²⁾	7320.8	7291.4	7160.0	7130.0	.	.	7100	7070	7040
Gross domestic product, RSD bn, nom. ³⁾	2720.1	2881.9	3208.6	3386.2	1572.5	1719.6	3600	3800	4000
annual change in % (real) ³⁾	-3.5	1.0	1.6	-1.7	-1.4	1.5	1.4	-0.6	1.0
GDP/capita (EUR at exchange rate)	4000	3800	4400	4200	.	.	.	.	.
GDP/capita (EUR at PPP)	8400	8500	8800	9100	.	.	.	.	.
Consumption of households, RSD bn, nom. ³⁾	2143.2	2282.8	2438.2	2552.5	1224	1317	.	.	.
annual change in % (real) ³⁾	-2.7	-1.0	-1.2	-2.0	-2.8	-1.2	-1.0	-2.0	0.0
Gross fixed capital form., RSD bn, nom. ³⁾	510.2	512.3	592.8	604.3	271	255	.	.	.
annual change in % (real) ³⁾	-22.1	-5.5	8.4	-3.4	3.4	-18.5	3.0	2.0	4.0
Gross industrial production ⁴⁾									
annual change in % (real)	-12.6	2.5	2.1	-2.9	-4.6	4.0	3.0	4.0	5.0
Gross agricultural production									
annual change in % (real)	1.3	1.0	0.8	-18.0	.	.	10.0	5.0	10.0
Construction output ⁵⁾									
annual change in % (real)	-19.7	-7.1	10.4	-7.5	.	.	3.0	3.0	5.0
Employed persons, LFS, th, average ⁶⁾	2616.4	2396.2	2253.2	2228.3	2157.6	2200.0	2200	2200	2200
annual change in % ⁶⁾	-7.3	-8.4	-6.0	-1.1	-5.4	2.0	-1.0	0.0	1.0
Unemployed persons, LFS, th, average ⁶⁾	503.0	568.7	671.1	701.1	740.0	700.0	.	.	.
Unemployment rate, LFS, in %, average ⁶⁾	16.1	19.2	23.0	23.9	25.5	24.1	25.0	25.0	25.0
Unemployment rate, reg., in %, end of period	25.9	26.7	27.6	28.2	27.9	28.6	30.0	30.0	28.0
Average monthly gross wages, RSD ⁷⁾	44147	47450	52733	57430	55974	59307	.	.	.
annual change in % (real, net) ⁷⁾	0.2	0.7	0.2	1.8	5.5	-4.6	.	.	.
Consumer prices, % p.a.	8.6	6.8	11.0	7.8	4.3	11.3	6.0	5.0	5.0
Producer prices in industry, % p.a. ⁸⁾	5.6	12.7	14.2	5.6	4.7	5.6	.	.	.
General governm.budget, nat.def., % of GDP									
Revenues	42.1	42.5	41.0	41.3	.	.	.	.	.
Expenditures	46.6	47.2	46.0	47.7	.	.	.	.	.
Deficit (-) / surplus (+)	-4.5	-4.7	-5.0	-6.4	.	.	-7.0	-5.0	-3.0
Public debt, nat.def., % of GDP	34.7	44.5	48.5	59.2	.	.	65.0	70.0	72.0
Central bank policy rate, % p.a., end of period ⁹⁾	9.50	11.50	9.75	11.25	10.0	11.0	10.0	8.0	8.0
Current account, EUR mn	-1909.9	-1887.5	-2870.0	-3155.1	-1915.0	-908.1	-2200	-2300	-2770
Current account, % of GDP	-6.6	-6.7	-9.1	-10.5	-13.5	-5.9	-7.0	-7.0	-8.2
Exports of goods, BOP, EUR mn	5977.8	7402.5	8439.6	8822.3	4136.1	4970.2	9500	10500	11600
annual change in %	-19.4	23.8	14.0	4.5	0.5	20.2	8.0	10.0	10.0
Imports of goods, BOP, EUR mn	10924.2	11983.6	13758.0	14272.1	6979.9	7117.7	14600	15300	16100
annual change in %	-31.4	9.7	14.8	3.7	6.0	2.0	2.0	5.0	5.0
Exports of services, BOP, EUR mn	2500.1	2667.1	3032.2	3091.1	1414.2	1524.0	3300	3500	3700
annual change in %	-8.8	6.7	13.7	1.9	4.6	7.8	7.0	7.0	5.0
Imports of services, BOP, EUR mn	2479.4	2659.4	2869.0	2938.8	1384.8	1411.5	3100	3300	3500
annual change in %	-15.3	7.3	7.9	2.4	5.6	1.9	5.0	5.0	5.0
FDI inflow, EUR mn	1410.1	1003.1	1948.9	274.1	-112.5	311.7	700	1000	1000
FDI outflow, EUR mn	37.6	143.0	122.0	42.3	15.6	17.3	100	100	100
Gross reserves of NB, excl. gold, EUR mn	10278	9555	11497	10295	9557	10206	.	.	.
Gross external debt, EUR mn	22487	23786	24125	25721	24086	26072	.	.	.
Gross external debt, % of GDP	77.7	84.9	76.7	85.8	80.4	82.6	.	.	.
Exchange rate RSD/EUR, average	93.94	102.90	101.96	112.98	110.8	111.9	114	116	118
Purchasing power parity RSD/EUR	44.27	46.56	50.66	51.98	.	.	.	.	.

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

1) Preliminary. - 2) From 2011 according to census October 2011, census March 2002 before. 3) According to ESA'95 (non-observed economy partially included, real growth rates based on previous year prices). - 4) Excluding arms industry. - 5) According to gross value added. - 6) Extended survey as of April and October. - 7) Including wages of employees working for sole proprietors. - 8) Domestic output prices. - 9) Two-week repo rate.

Source: wiw Databases incorporating national statistics. Forecasts by wiw.

Serbia: risking recession

BY VLADIMIR GLIGOROV

This year's GDP will increase by more than 1%, which was wiiw's previous forecast, and by as much as 2% according to official and IMF projections. This is mostly due to growth of exports and lack of recovery of imports while all other components of aggregate demand are recording negative growth rates, with investment continuing to decline rather strongly (over 8% in real terms in the second quarter). On the supply side, industrial production is recovering, but only in few branches, e.g. the auto industry, gas and energy, and pharmaceutical products. Construction continues to decline very strongly and most everything else, though not as much. Finally, agricultural production has rebounded after the dismal 2012 performance.

Next year will be worse by choice. The government has targeted fiscal consolidation as its main goal not just in the short run but in the medium run too. In addition, much of the remaining transition agenda, which is public sector consolidation and then privatisation, is also scheduled for 2014. Therefore, the official forecast is 1% growth of GDP next year, then 1.8% and 2% in 2015 and 2016 respectively. This meagre recovery depends on a continuous increase of exports and on the recovery of private investment. If the latter disappoints, as is probable, the economy will experience a third dip into recession, albeit a shallow one. Consequentially, there will be an even less pronounced recovery in the medium term.

The reason for this choice of policy is continuous growth of public debt, which is projected to reach 70% of GDP by the end of 2014 and stay there over the medium term. However, with possible recession and sluggish recovery, planned cuts in public expenditures and increases in taxes will not suffice to bring down the fiscal deficits significantly.

In fact, if indeed even that slow recovery does not materialise, the public debt to GDP ratio will continue to grow and the policy of fiscal consolidation will prove unsustainable. That will lead to debt restructuring. The government hopes to secure cheap loans from the Emirates in order to exchange them for the more expensive ones it raised in the past couple of years. It is also planning to privatise some of the remaining publicly owned enterprises or assets and is looking for other sources of financing, mainly the sovereign and multilateral ones. These will hardly make a decisive difference in part because the increased expenditures on the growing number of unemployed or dependent persons in general.

Inflation is decelerating due to falling consumption and investment and the defence of the fixed exchange rate this year. Because of that, the exchange rate risk is probably the main threat to fiscal policy as an increasing share of public debt is in foreign currency or is sensitive to the movements of the exchange rate. This risk is constraining the central bank to cut the policy rate more aggressively; it fears the destabilisation of the exchange rate, which would worsen the fiscal outlook considerably. Therefore, monetary policy is in all probability too restrictive and is likely to remain so in the near future.

Within this policy framework, next year's GDP should decline albeit modestly and inflation will continue to moderate. Employment will also decline, as will real wages and social security payments. In the medium term, the recovery will be rather anaemic, which may increase the risks to social and political instability. On the positive side, negotiations on accession to the EU will start at the beginning of next year and that should prove stabilising. Early elections in spring of next year should also add to political stability. However, prolonged recession or stagnation will prove challenging to fiscal consolidation and the programme of reforms.

Table UA

Ukraine: Selected Economic Indicators

	2009	2010	2011	2012 ¹⁾	2012 January-June	2013	2013 Forecast	2014 Forecast	2015
Population, th pers., average	46053	45871	45706	45593	45598	45511	45500	45420	45350
Gross domestic product, UAH bn, nom. ²⁾	913.3	1082.6	1302.1	1408.9	642.7	653.5	1400	1460	1550
annual change in % (real) ²⁾	-14.8	4.1	5.2	0.2	2.6	-1.2	-0.5	1.5	2.0
GDP/capita (EUR at exchange rate)	1800	2200	2600	3000	.	.	.	.	.
GDP/capita (EUR at PPP)	5000	5400	5700	5900	.	.	.	.	.
Consumption of households, UAH bn, nom. ²⁾	581.7	686.1	865.9	986.5	449.5	486.4	.	.	.
annual change in % (real) ²⁾	-14.9	7.1	15.7	11.7	13.5	6.0	4.5	3.0	4.0
Gross fixed capital form., UAH bn, nom. ²⁾	167.6	195.9	241.8	265.3	112.9	105.0	.	.	.
annual change in % (real) ²⁾	-50.5	3.9	7.1	0.9	14.6	-9.6	-4.0	4.0	6.0
Gross industrial production									
annual change in % (real) ³⁾	-21.9	11.2	8.0	-0.5	1.7	-5.3	-4.0	4.0	5.0
Gross agricultural production									
annual change in % (real)	-1.8	-1.5	19.9	-4.5	14.8	-4.2	.	.	.
Construction output									
annual change in % (real) ⁴⁾	-48.2	-5.4	18.6	-8.3	6.0	-17.8	.	.	.
Employed persons, LFS, th, average	20192	20266	20324	20354	20291	20380	20350	20350	20400
annual change in %	-3.7	0.4	0.3	0.1	0.2	0.4	0.0	0.0	0.2
Unemployed persons, LFS, th, average	1959	1786	1733	1657	1710	1643	.	.	.
Unemployment rate, LFS, in %, average	8.8	8.1	7.9	7.5	7.8	7.5	7.5	7.5	7.5
Unemployment rate, reg., in %, end of period ⁵⁾	1.9	2.0	1.8	1.8	1.6	1.7	.	.	.
Average monthly gross wages, UAH ⁶⁾	1905.9	2239.2	2633.0	3026.0	2918.3	3187.0	.	.	.
annual change in % (real, gross)	-9.0	9.7	8.9	14.3	15.5	9.7	.	.	.
Consumer prices, % p.a.	15.9	9.4	8.0	0.6	1.2	-0.5	-0.3	3.0	4.0
Producer prices in industry, % p.a. ⁷⁾	6.5	20.9	19.0	3.7	6.8	0.0	0.0	5.0	5.0
General governm.budget, nat.def., % of GDP									
Revenues	29.9	29.1	30.6	31.6	32.5	32.3	.	.	.
Expenditures	34.0	35.0	32.4	35.2	34.0	36.6	.	.	.
Deficit (-) / surplus (+) ⁸⁾	-4.1	-6.0	-1.8	-3.6	-1.5	-4.3	-4.2	-4.0	-3.5
Public debt, nat.def., % of GDP	34.8	39.9	36.3	36.6	34.1	38.9	38.0	40.0	39.0
Central bank policy rate, % p.a., end of period ⁹⁾	10.25	7.75	7.75	7.50	7.50	7.00	.	.	.
Current account, EUR mn ¹⁰⁾	-1242	-2274	-7359	-11138	-4329	-3938	-10000	-10800	-11500
Current account, % of GDP	-1.5	-2.2	-6.3	-8.1	-7.0	-6.3	-7.6	-8.1	-8.2
Exports of goods, BOP, EUR mn ¹⁰⁾	28958	39321	49865	54646	26492	23995	50800	53300	56500
annual change in %	-37.4	35.8	26.8	9.6	11.6	-9.4	-7.0	5.0	6.0
Imports of goods, BOP, EUR mn ¹⁰⁾	32046	45641	61540	69801	33387	29191	64900	68100	73500
annual change in %	-44.0	42.4	34.8	13.4	17.8	-12.6	-7.0	5.0	8.0
Exports of services, BOP, EUR mn ¹⁰⁾	9936	12856	13954	15404	7130	6882	15400	16200	17000
annual change in %	-18.8	29.4	8.5	10.4	11.8	-3.5	0.0	5.0	5.0
Imports of services, BOP, EUR mn ¹⁰⁾	8248	9538	9576	11396	5288	5643	12000	12600	13200
annual change in %	-25.3	15.6	0.4	19.0	20.2	6.7	5.0	5.0	5.0
FDI inflow, EUR mn ¹⁰⁾	3453	4893	5177	6094	2979	1077	4000	5000	5500
FDI outflow, EUR mn ¹⁰⁾	116	555	138	938	856	96	500	500	300
Gross reserves of NB excl. gold, EUR mn	17825	25096	23593	17186	22162	16671	.	.	.
Gross external debt, EUR mn	72113	88363	97940	102454	103371	103169	.	.	.
Gross external debt, % of GDP	85.8	86.0	83.4	74.7	76.0	77.3	.	.	.
Exchange rate UAH/EUR, average	10.868	10.533	11.092	10.271	10.361	10.495	10.7	11.0	11.0
Purchasing power parity UAH/EUR ¹¹⁾	3.958	4.398	4.958	5.229	.	.	.	.	.

1) Preliminary. - 2) According to SNA'93 (including non-observed economy, real growth rates based on previous year prices). - 3) From 2011 according to NACE Rev. 2 including E (water supply, sewerage, waste management, remediation). - 4) From 2011 according to NACE Rev.2. - 5) In % of working age population. - 6) Excluding small enterprises, from 2010 enterprises with 10 and more employees. - 7) Domestic output prices. From 2013 according to NACE Rev. 2. - 8) Without transfers to Naftohaz. - 9) Discount rate of NB. - 10) Converted from USD with the average exchange rate. - 11) wiiw estimates based on the 2005 International Comparison Project benchmark.

Source: wiiw Databases incorporating national statistics. Forecasts by wiiw.

Ukraine: on the path towards EU association?

BY VASILY ASTROV

After years of stalemate and protracted delays, Ukraine's European integration drive has recently gained momentum, with the formal signature of the Ukraine-EU Association Agreement, including a Deep and Comprehensive Free Trade Agreement (DCFTA), scheduled for 28-29 November 2013 at the Eastern Partnership Summit in Vilnius. The country's European integration prospects improved in early summer with the emerging signs of a possible compromise between Ukraine and the EU regarding the infamous 'Tymoshenko case'. However, it was the subsequent clumsy – and definitively counter-productive – Russian threats aimed at trying to prevent Ukraine's looming rapprochement with the EU which ironically provided a further boost to the latter.¹ In the course of summer 2013, Russia abolished the tariff-free quota for Ukrainian steel, banned the imports of Ukrainian confectionary (officially for safety reasons), and ultimately imposed thorough checks on all Ukrainian goods crossing the Russian border – despite the formal free trade agreement between the two countries. Furthermore, Russia has repeatedly announced that it would be forced to revoke its free trade regime with Ukraine (particularly for agricultural products) if the latter signs a DCFTA with the EU – officially in order to prevent the Russian market from being 'flooded' with cheap European products entering via Ukraine.²

The rising tensions with Russia, which absorbs more than a quarter of Ukraine's exports (particularly machinery and transport equipment), and the increasingly fragile balance-of-payments situation

prompted Moody's to downgrade the country's sovereign rating on 20 September 2013 from B3 to Caa1, with a negative outlook. In response, Ukraine's Eurobond yields and CDS spreads soared by up to 200-300 basis points to levels in excess of 10%, forcing the National Bank to intervene in order to defend the exchange rate peg to the US dollar. Although in the meantime the financial turmoil has largely subsided and the bond yields have receded to former levels, Ukraine's external position continues to be extremely fragile. After a sharp drop at the beginning of 2013, gas imports from Russia have picked up in the recent months, as Ukraine has been taking advantage of the somewhat lower gas prices to replenish its gas inventories.³ At the same time, exports have continued to disappoint, particularly those of machinery (-19% in January-September 2013), not least because of the above-mentioned trade tensions with Russia. Overall, both exports and imports have plunged markedly this year, but the sizeable trade deficit has stayed largely intact, while the current account deficit is again approaching 8% of GDP.

Persistently high external imbalances suggest an over-valuation of the Ukrainian hryvnia – by up to 20% according to some estimates. Meanwhile, conventional measures of external competitiveness, such as the real effective exchange rate (REER), may not necessarily provide evidence for that. According to the National Bank's calculations, the REER appreciated in January-September 2013 by a mere 1.3% after having depreciated by 5% last year.⁴ However, the stagnant producer prices underlying this seemingly quite positive REER dynamics should not be interpreted as a sign of contained cost pressures, but rather as one of depressed global prices for some of Ukraine's key export products such as metals and chemicals.

¹ At the time of finalising this report (13 November), the prospects of the agreement were however still highly unclear, as the Ukrainian authorities had failed to release the imprisoned former prime minister and current opposition leader Yuliya Tymoshenko, possibly suggesting a U-turn in their European integration course.

² In reality, this should be prevented by the application of 'rules of origin'.

³ This involved inter alia a new murky deal between Gazprom and Ostchem of Dmytro Firtash, who is also the main shareholder of the infamous RosUkrEnerg.

⁴ 'В Нацбанке считают, что текущий курс гривны не вредит конкурентоспособности экспорта', Zerkalo Nedeli, 6 October 2013, http://zn.ua/ECONOMICS/v-nacbanke-schitayut-cto-tekuschiy-kurs-grivny-ne-vredit-konkurentosposobnosti-eksporta-130446_.html.

The expectations of gradual QE3 tapering by the US Fed which prevailed over the summer months hardly had any visible impact on portfolio flows into Ukraine – unlike into some other emerging markets. However, the net inflows of FDI in January–September 2013 nearly halved, reflecting both the hesitant attitude of European investors in the face of own problems and the deterioration in Ukraine’s investment climate. All in all, capital inflows have been insufficient to finance the deficit on the current account and the external debt servicing (including that to the IMF), and foreign exchange reserves have contracted by USD 3.9 billion since the beginning of the year, reaching USD 20.6 billion by 1 November 2013 – much less than three months of imports.

With the current trends, currency devaluation appears to be only a question of time. Still, in the short run this is rather unlikely, partly because QE3 will remain in place for a while and also because the recent tightening of the surrender requirement by the National Bank is likely to alleviate any pressures.⁵ In the medium term, a renewed deal with the IMF – another option on the government agenda – could provide a necessary ‘buffer’ to the country’s external liquidity in order to cushion the negative impact of a potential QE3 tapering on Ukraine. However, the lasting IMF insistence on household gas tariff hikes as a precondition for a new loan is politically unrealistic – especially taking into account the potential repercussions on the social stability, as demonstrated by the recent events in Bulgaria. Also, a new IMF package might prevent the long-overdue exchange rate adjustment and thus do little to help the real economy. If the currency devaluation revives economic growth and narrows external deficits, Ukraine should be able to continue borrowing from private markets and on better terms.

Meanwhile, the performance of the real economy continues to be disappointing: in the second quar-

ter of 2013, it was in recession for the fourth quarter in a row (-1.3% GDP decline on annual basis), and also declined on a quarterly basis (-0.5% in seasonally adjusted terms). The slight upturn in the euro area in the second quarter 2013 of did not benefit Ukraine, largely because it did not translate into higher prices for Ukraine’s main export products, at least so far. In addition, the slight improvement in Europe has been more than offset by the recent marked growth slowdown and the newly erected trade barriers in Russia. Domestically, the sharp drop in fixed capital formation (by 20% year-on-year, albeit starting from a high basis) and de-stocking of inventories were also a major drag on GDP growth, while private consumption on the contrary gained momentum.

According to preliminary estimates, recession continued also into the third quarter of 2013: GDP declined by 1.5% year-on-year and by 0.4% on a quarterly basis, not least because agriculture – an important sector in Ukraine – was hit by protracted rains in September. Even if in the fourth quarter 2013, the expected restocking of inventories and a pick-up in fixed investment (starting from a low basis) may bring GDP growth back into positive territory, for the year as a whole recession can be hardly avoided. We have also revised downwards our growth forecast for 2014–2015, not least because the recovery in the euro area remains shaky and a significant acceleration of economic growth in Russia appears rather unlikely. A marked increase of FDI into Ukraine following the signing of the DCFTA with the EU and the newly concluded deals on shale gas exploration with Shell and Chevron, as well as the positive effects of DCFTA-related reforms, are likely to materialise only in the medium and long run, whereas possible Russian trade sanctions – if really implemented – would hit immediately.

⁵ Since 12 October 2013, all legal entities and physical persons are obliged to convert 50% of their foreign exchange proceeds into hryvnia (before, this regulation applied only to exporters).

STATISTICAL ANNEX

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

NEW: As of September 2013, new trade data on EU-28 included (time series on EU-27 are still updated in the database until December 2013).

NEW: As of June 2013, time series for Kazakhstan are included in the wiiw Monthly Database.

Conventional signs and abbreviations used

.	data not available
%	per cent
PP	change in % against previous period
CPPY	change in % against corresponding period of previous year
CCPPY	change in % against cumulated corresponding period of previous year
3MMA	3-month moving average, change in % against previous year
NACE Rev. 2	Statistical classification of economic activities in the European Community, Rev. 2 (2008)
NACE Rev. 1	Statistical classification of economic activities in the European Community, Rev. 1 (1990) / Rev. 1.1 (2002)
LFS	Labour Force Survey
CPI	Consumer Price Index
HICP	Harmonized Index of Consumer Prices (for new EU member states)
PPI	Producer Price Index
EDP	Excessive Deficit Procedure
M1	Currency outside banks + demand deposits / narrow money (ECB definition)
M2	M1 + quasi-money / intermediate money (ECB definition)
M3	Broad money
p.a.	per annum
mn	million (10 ⁶)
bn	billion (10 ⁹)
avg	average
eop	end of period
NCU	National Currency Unit (including 'euro-fixed' series for euro-area countries)

The following national currencies are used:

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

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

USD US dollar

Sources of statistical data: Eurostat, National Statistical Offices, Central Banks and Public Employment Services; wiiw estimates.

Access: [New online database access!](#) (see overleaf)

New online database access**wiiw Annual Database****wiiw Monthly Database****wiiw FDI Database**

The wiiw databases are now accessible via a simple web interface, with only one password needed to access all databases (and all wiiw publications). We have also relaunched our website with a number of improvements, making our services more easily available to you.

You may access the databases here: <http://data.wiiw.ac.at>.

If you have not yet registered, you can do so here: <http://wiiw.ac.at/register.html>.

Free trial until end of 2013

Subscribers to the wiiw service package have free access to the Monthly Database. (The Annual and FDI Databases have been available at a discount.) We are now offering a special trial period, allowing wiiw Members to access all databases for free until the end of 2013.

New service package available

Starting in January 2014, we will offer an additional service package that allows you to access all databases – a Premium Membership, at a price of €2,300 (instead of € 2,000 as for the Basic Membership). Your usual package will, of course, remain available as well.

For more information on database access for Members and on Membership conditions, please contact Ms. Gabriele Stanek (stanek@wiiw.ac.at), phone: (+43-1) 533 66 10-10.

ALBANIA: Selected monthly data on the economic situation 2012 to 2013

(updated end of Oct 2013)

		2012						2013								
		Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
PRODUCTION																
Industry, total	real, CPPY	.	.	15.2	.	.	9.0	.	.	69.4	.	.	58.1	.	.	.
Industry, total	real, CCPY	.	.	19.0	.	.	16.6	.	.	69.4	.	.	63.0	.	.	.
Construction, total	real, CPPY	.	.	-15.7	.	.	-12.3	.	.	-18.3	.	.	24.6	.	.	.
Construction, total	real, CCPY	.	.	-10.9	.	.	-11.3	.	.	-18.3	.	.	3.6	.	.	.
LABOUR																
Unemployment rate, LFS ¹⁾²⁾	%	.	.	14.0	.	.	14.4	.	.	14.5	.	.	.	.	.	.
Employment total, registered ¹⁾	th. pers., quart. avg	.	.	965.7	.	.	966.3	.	.	963.8	.	.	964.6	.	.	.
Employment total, registered ¹⁾	CPPY	.	.	2.1	.	.	1.9	.	.	1.3	.	.	1.5	.	.	.
Unemployment, registered ¹⁾	th. pers., quart. avg	.	.	141.8	.	.	141.8	.	.	141.9	.	.	141.9	.	.	.
Unemployment rate, registered ¹⁾	%	.	.	12.8	.	.	12.8	.	.	12.8	.	.	12.8	.	.	.
WAGES																
Total economy, gross ³⁾	ALL	.	.	51270	.	.	51500	.	.	51700	.	.	51700	.	.	.
Total economy, gross ³⁾	real, CPPY	.	.	4.7	.	.	4.7	.	.	3.3	.	.	3.6	.	.	.
Total economy, gross ³⁾	EUR	.	.	371.8	.	.	368.6	.	.	370.1	.	.	367.4	.	.	.
PRICES																
Consumer	PP	-0.2	0.4	0.2	0.2	0.2	0.9	1.0	1.1	0.3	-0.1	-1.0	-0.6	-0.8	-0.1	.
Consumer	CPPY	2.7	2.8	2.6	2.4	2.5	2.4	2.7	2.5	2.4	2.3	2.1	2.3	1.6	1.1	.
Consumer	CCPPY	1.7	1.8	1.9	1.9	2.0	2.0	2.7	2.6	2.5	2.5	2.4	2.4	2.3	2.1	.
Producer, in industry	PP	-1.1	0.0	0.2	0.2	0.0	0.0	0.3	-0.2	0.2	0.3	-0.2	-0.1	.	.	.
Producer, in industry	CPPY	0.5	0.4	0.6	0.1	0.0	0.1	-0.8	-1.3	-1.4	-0.4	-0.5	-0.5	.	.	.
Producer, in industry	CCPPY	1.8	1.6	1.5	1.4	1.2	1.1	-0.8	-1.0	-1.2	-1.0	-0.9	-0.8	.	.	.
FOREIGN TRADE, customs statistics																
Exports total (fob), cumulated	EUR mn	864	990	1128	1265	1404	1532	130	243	382	528	693	840	1013	1143	.
Imports total (cif), cumulated	EUR mn	2137	2470	2805	3138	3466	3801	245	484	757	1053	1373	1667	2012	2314	.
Trade balance, cumulated	EUR mn	-1274	-1480	-1676	-1874	-2062	-2269	-115	-240	-375	-524	-680	-827	-999	-1171	.
Exports to EU-28 (fob), cumulated	EUR mn	663	753	853	958	1061	1159	107	198	309	415	536	646	781	880	.
Imports from EU-28 (cif), cumulated	EUR mn	1356	1562	1764	1981	2189	2403	163	330	514	708	911	1105	1330	1511	.
Trade balance with EU-28, cumulated	EUR mn	-693	-810	-910	-1024	-1128	-1244	-56	-131	-205	-294	-375	-459	-549	-631	.
FOREIGN FINANCE																
Current account, cumulated	EUR mn	-597	-684	-785	-861	-954	-1021	-100	-165	-225	-313	-427	-519	.	.	.
EXCHANGE RATE																
ALL/EUR, monthly average	nominal	137.46	137.35	138.89	139.72	139.71	139.72	139.49	139.75	139.78	140.28	140.89	140.96	140.31	140.01	.
ALL/USD, monthly average	nominal	111.77	110.79	108.10	107.78	109.01	106.57	104.96	104.61	107.81	107.86	108.56	106.89	107.27	105.20	.
EUR/ALL, calculated with CPI ⁴⁾	real, Jan09=100	91.4	91.5	90.1	89.5	89.8	90.3	92.0	92.5	91.9	91.5	90.1	89.4	89.4	89.4	.
EUR/ALL, calculated with PPI ⁴⁾	real, Jan09=100	85.8	85.2	84.3	84.0	84.2	84.4	84.6	84.0	84.2	84.7	84.4	84.3	.	.	.
USD/ALL, calculated with CPI ⁴⁾	real, Jan09=100	85.1	85.7	87.6	88.1	87.7	90.7	92.8	93.3	90.5	90.5	88.8	89.5	88.4	89.9	.
USD/ALL, calculated with PPI ⁴⁾	real, Jan09=100	75.1	74.7	76.1	76.8	76.6	78.5	79.5	78.9	76.8	77.2	76.3	77.2	.	.	.
DOMESTIC FINANCE																
Currency outside banks	ALL bn, eop	188.3	188.9	187.7	185.5	186.0	192.7	184.7	184.7	185.1	186.8	190.0	196.2	202.2	201.3	.
M1	ALL bn, eop	270.6	272.3	272.6	268.6	267.4	281.2	267.8	267.8	270.7	274.8	280.5	291.2	298.7	294.8	.
M2	ALL bn, eop	1101.2	1118.9	1118.1	1118.4	1116.2	1123.4	1113.3	1113.3	1118.3	1119.4	1133.5	1137.0	1141.7	1136.2	.
M2	CPPY, eop	8.4	8.1	6.8	6.2	5.6	5.0	4.9	4.3	4.5	3.9	4.5	4.1	3.7	1.5	.
Central bank policy rate (p.a.) ⁵⁾	%, eop	4.00	4.00	4.00	4.00	4.00	4.00	3.75	3.75	3.75	3.75	3.75	3.75	3.50	3.50	.
Central bank policy rate (p.a.) ⁵⁾⁶⁾	real, %, eop	3.5	3.6	3.4	3.9	4.0	3.9	4.6	5.1	5.2	4.2	4.3	4.3	.	.	.
BUDGET																
General gov.budget balance, cum.	ALL bn	-20893	-23719	-26024	-25726	-35274	-45857	-215	-9467	-14644	-23384	.	.	.	.	.

1) According to census October 2011.

2) Unemployment rate refers to population 15-64 years.

3) Excluding private sector.

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

5) One-week repo rate.

6) Deflated with annual PPI.

Source: wiw Monthly Database incorporating national statistics.

BOSNIA and HERZEGOVINA: Selected monthly data on the economic situation 2012 to 2013

(updated end of Oct 2013)

		2012						2013								
		Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
PRODUCTION																
Industry, NACE Rev. 2	real, CPPY	-6.9	-4.1	-5.2	-6.3	-3.5	-0.7	2.0	11.1	6.8	11.4	6.1	3.7	6.9	.	.
Industry, NACE Rev. 2	real, CCPY	-4.8	-4.7	-4.7	-4.9	-4.8	-4.4	2.0	6.3	6.5	7.8	7.4	6.8	6.8	.	.
Industry, NACE Rev. 2	real, 3MMA	-5.4	-5.4	-5.2	-5.0	-3.5	-0.8	3.7	6.5	9.7	8.1	7.0	5.5	.	.	.
LABOUR																
Employees total, registered	th. persons, avg	689.0	687.0	688.3	687.2	686.7	685.1	684.7	684.4	684.8	684.7	685.3	686.3	685.8	.	.
Employees total, registered	CPPY	-0.6	-0.4	-0.4	-0.4	-0.1	-0.1	-0.6	-0.4	-0.6	-0.8	-0.9	-0.6	-0.5	.	.
Unemployment, registered	th. persons, eop	539.4	545.9	545.5	546.0	547.8	550.3	554.7	554.5	553.6	549.6	547.4	548.3	553.0	.	.
Unemployment rate, registered	%, eop	43.9	44.3	44.2	44.3	44.4	44.5	44.8	44.8	44.7	44.5	44.4	44.4	44.6	.	.
WAGES																
Total economy, gross	BAM	1292	1298	1268	1299	1300	1299	1294	1272	1278	1287	1298	1283	1295	1293	.
Total economy, gross	real, CPPY	0.5	-0.6	-2.6	0.2	-0.8	-1.4	-0.7	-1.4	-1.2	-0.2	-0.9	-0.8	-0.6	-0.1	.
Total economy, gross	EUR	661	664	648	664	665	664	662	650	653	658	664	656	662	661	.
PRICES																
Consumer	PP	-0.5	0.3	0.8	0.6	-0.1	0.0	0.3	0.0	0.1	-0.5	-0.1	0.0	-0.9	-0.3	.
Consumer	CPPY	1.4	1.8	2.3	2.3	1.9	1.8	1.3	1.0	0.6	0.3	0.3	0.8	0.8	-0.2	.
Consumer	CCPPY	2.1	2.0	2.1	2.1	2.1	2.0	1.3	1.1	0.9	0.8	0.7	0.7	0.7	0.6	.
Producer, in industry, NACE Rev. 2	PP	0.1	-0.2	-0.7	0.7	0.2	-0.5	0.1	0.6	-2.0	-0.1	-0.4	-0.3	0.0	0.0	.
Producer, in industry, NACE Rev. 2	CPPY	-0.2	0.0	-1.1	-0.3	0.3	0.1	0.2	0.8	-1.6	-1.6	-2.3	-2.5	-2.6	-2.4	.
Producer, in industry, NACE Rev. 2	CCPPY	0.7	0.6	0.4	0.3	0.3	0.3	0.2	0.5	-0.2	-0.5	-0.9	-1.2	-1.4	-1.5	.
FOREIGN TRADE, customs statistics																
Exports total (fob), cumulated	EUR mn	2334	2657	3008	3361	3715	4018	310	641	990	1392	1771	2149	2531	2853	3217
Imports total (cif), cumulated	EUR mn	4447	5139	5834	6592	7211	7799	522	1098	1753	2405	3072	3701	4381	5033	5699
Trade balance, cumulated	EUR mn	-2114	-2481	-2826	-3230	-3496	-3781	-212	-458	-763	-1013	-1301	-1552	-1850	-2180	-2482
Exports to EU-28 (fob), cumulated	EUR mn	1720	1947	2224	2478	2736	2945	239	487	739	1038	1320	1610	1890	2120	2391
Imports from EU-28 (cif), cumulated	EUR mn	2714	3138	3556	4005	4392	4785	309	645	1034	1434	1842	2252	2674	3059	3459
Trade balance with EU-28, cumulated	EUR mn	-993	-1191	-1332	-1526	-1656	-1840	-70	-158	-295	-397	-522	-642	-784	-939	-1068
FOREIGN FINANCE																
Current account, cumulated ¹⁾	EUR mn	.	.	-993	.	.	-1273	.	.	-219	.	.	-383	.	.	.
EXCHANGE RATE																
BAM/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
BAM/USD, monthly average	nominal	1.590	1.581	1.523	1.508	1.526	1.493	1.474	1.462	1.507	1.503	1.507	1.484	1.496	1.469	1.466
EUR/BAM, calculated with CPI ²⁾	real, Jan09=100	97.8	97.8	98.0	98.3	98.3	98.0	99.1	98.7	97.9	97.4	97.2	97.1	96.6	96.2	.
EUR/BAM, calculated with PPI ²⁾	real, Jan09=100	93.1	92.2	91.4	92.2	92.6	92.4	92.2	92.4	90.7	91.2	91.1	90.9	90.6	90.6	.
USD/BAM, calculated with CPI ²⁾	real, Jan09=100	90.5	90.8	94.6	96.2	95.4	97.7	99.0	99.0	95.9	95.7	95.2	96.4	94.8	96.1	.
USD/BAM, calculated with PPI ²⁾	real, Jan09=100	80.9	80.2	82.0	83.7	83.6	85.2	85.9	86.4	82.2	82.6	81.8	82.5	81.9	83.5	.
DOMESTIC FINANCE																
Currency outside banks	BAM mn, eop	2417	2429	2421	2406	2364	2414	2337	2358	2403	2424	2408	2441	2502	2551	.
M1	BAM mn, eop	6301	6350	6209	6195	6046	6143	6073	6080	6242	6261	6272	6259	6453	6682	.
M2	BAM mn, eop	14659	14768	14741	14850	14748	14911	14860	14863	15127	15162	15231	15235	15371	15685	.
M2	CPPY, eop	4.3	4.1	4.3	5.0	4.4	3.4	3.8	3.6	5.7	5.2	5.3	5.1	4.9	6.2	.

1) BOP 6th edition.

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

Source: wiw Monthly Database incorporating national statistics.

MACEDONIA: Selected monthly data on the economic situation 2012 to 2013

(updated end of Oct 2013)

		2012						2013								
		Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
PRODUCTION																
Industry, NACE Rev. 2 ¹⁾	real, CPPY	-1.1	0.2	-9.0	-0.1	1.1	-3.9	4.3	6.5	6.6	7.5	-0.7	4.5	4.6	-2.0	.
Industry, NACE Rev. 2 ¹⁾	real, CCPPY	-3.0	-2.6	-3.4	-3.0	-2.6	-2.8	4.3	5.4	5.9	6.3	4.8	4.7	4.7	3.8	.
Industry, NACE Rev. 2 ¹⁾	real, 3MMA	-0.8	-3.4	-3.0	-2.6	-1.0	0.1	1.6	5.9	6.9	4.4	3.8	2.8	2.4	.	.
Productivity in industry, NACE Rev. 2 ¹⁾	CCPPY	-1.6	-0.9	-1.4	-0.8	-0.5	-0.7	4.5	4.9	5.0	5.6	4.1	4.1	4.1	3.1	.
Unit labour costs, exch.r. adj. (EUR) ¹⁾	CCPPY	2.2	1.4	1.8	1.4	1.1	1.4	-1.4	-2.0	-1.8	-2.2	-0.5	-0.4	-0.6	.	.
Construction, total, effect. work. time	real, CPPY	-4.5	-9.8	-16.2	-14.4	-15.8	-12.1	24.7	52.7	20.3	31.4	54.5	22.1	16.5	.	.
Construction, total, effect. work. time	real, CCPPY	-10.0	-9.9	-10.7	-11.1	-11.6	-11.6	24.7	37.4	30.8	31.0	36.4	33.8	31.1	.	.
LABOUR																
Employed persons, LFS	th. pers., quart. avg	.	.	652.5	.	.	657.8	.	.	668.9	.	.	678.4	.	.	.
Employed persons, LFS	CPPY	.	.	0.6	.	.	2.9	.	.	3.9	.	.	4.7	.	.	.
Unemployed persons, LFS	th. pers., quart. avg	.	.	288.2	.	.	290.3	.	.	284.8	.	.	273.9	.	.	.
Unemployment rate, LFS	% avg	.	.	30.7	.	.	30.6	.	.	29.9	.	.	28.8	.	.	.
WAGES																
Total economy, gross	MKD	30469	30777	30556	30875	30595	31466	31090	30644	31185	30799	31247	30957	30851	.	.
Total economy, gross	real, CPPY	-2.2	-3.4	-4.3	-4.3	-4.3	-4.1	-2.6	-2.1	-2.0	-2.1	-1.4	-2.0	-2.6	.	.
Total economy, gross	EUR	495	500	497	502	497	512	505	497	506	500	507	502	500	.	.
Industry, gross, NACE Rev. 2	EUR	416	422	414	424	413	423	425	406	418	420	434	424	425	.	.
PRICES																
Consumer	PP	-0.9	1.5	1.4	0.2	0.0	0.0	0.3	0.2	0.1	1.3	-0.2	0.3	-1.1	0.3	0.2
Consumer	CPPY	2.3	3.7	5.3	5.3	4.6	4.7	3.8	3.5	3.1	3.3	3.4	4.2	4.0	2.8	1.6
Consumer	CCPPY	2.3	2.5	2.8	3.1	3.2	3.3	3.8	3.7	3.5	3.4	3.4	3.6	3.6	3.5	3.3
Producer, in industry, NACE Rev. 2	PP	-2.5	1.2	2.5	-2.1	1.0	-0.2	-1.1	0.5	-0.5	-0.2	-1.4	1.5	-1.6	0.3	.
Producer, in industry, NACE Rev. 2	CPPY	2.0	0.3	1.5	0.0	2.8	1.4	1.6	0.1	-1.6	0.3	-2.4	-1.3	-0.4	-1.3	.
Producer, in industry, NACE Rev. 2	CCPPY	1.5	1.4	1.4	1.2	1.4	1.4	1.6	0.9	0.0	0.1	-0.4	-0.6	-0.5	-0.6	.
FOREIGN TRADE, customs statistics																
Exports total (fob), cumulated	EUR mn	1787	2035	2305	2579	2852	3114	230	461	720	998	1252	1524	1836	2077	.
Imports total (cif), cumulated	EUR mn	2885	3292	3695	4156	4613	5063	375	739	1138	1598	2030	2428	2879	3239	.
Trade balance, cumulated	EUR mn	-1098	-1257	-1389	-1577	-1762	-1948	-144	-278	-417	-600	-778	-904	-1043	-1163	.
Exports to EU-28 (fob), cumulated	EUR mn	1168	1325	1500	1677	1855	2032	168	341	540	733	916	1118	1345	1515	.
Imports from EU-28 (cif), cumulated	EUR mn	1739	2003	2252	2543	2805	3053	199	415	658	940	1217	1479	1778	2009	.
Trade balance with EU-28, cumulated	EUR mn	-571	-678	-752	-867	-950	-1021	-31	-73	-119	-207	-301	-361	-432	-495	.
FOREIGN FINANCE																
Current account, cumulated	EUR mn	-115	-108	-105	-150	-186	-226	-47	-73	-108	-164	-207	-214	-167	.	.
EXCHANGE RATE																
MKD/EUR, monthly average	nominal	61.57	61.50	61.50	61.50	61.50	61.50	61.50	61.60	61.66	61.65	61.65	61.67	61.65	61.50	61.50
MKD/USD, monthly average	nominal	50.05	49.71	47.88	47.40	47.97	46.94	46.36	46.04	47.51	47.39	47.46	46.79	47.16	46.20	46.12
EUR/MKD, calculated with CPI ²⁾	real, Jan09=100	97.5	98.7	99.4	99.4	99.5	99.2	100.3	100.0	99.0	100.4	100.1	100.3	99.5	100.0	99.8
EUR/MKD, calculated with PPI ²⁾	real, Jan09=100	112.7	113.4	116.1	113.8	115.2	115.2	113.6	113.6	113.1	113.7	112.3	114.1	112.0	112.6	.
USD/MKD, calculated with CPI ²⁾	real, Jan09=100	90.2	91.6	96.0	97.3	96.5	98.9	100.2	100.3	97.0	98.6	98.1	99.5	97.6	99.8	100.2
USD/MKD, calculated with PPI ²⁾	real, Jan09=100	97.9	98.5	104.0	103.4	104.0	106.2	105.8	106.1	102.5	102.8	100.9	103.6	101.2	103.8	.
DOMESTIC FINANCE																
Currency outside banks	MKD bn, eop	20.4	19.6	19.2	18.8	18.3	20.1	18.9	18.8	20.7	20.6	20.0	20.1	21.0	20.6	20.0
M1	MKD bn, eop	63.3	62.4	63.2	63.8	62.2	65.9	62.6	64.1	66.2	63.9	64.4	65.3	65.9	67.4	66.5
Broad money	MKD bn, eop	263.2	261.7	260.5	262.3	263.0	266.3	265.0	268.7	270.5	262.4	263.8	266.3	268.5	273.6	273.8
Broad money	CCPPY, eop	7.3	6.0	6.3	6.1	5.7	4.4	3.8	4.9	5.0	2.4	2.6	3.0	2.0	4.5	5.1
Central bank policy rate (p.a.) ³⁾	% eop	3.73	3.73	3.73	3.73	3.73	3.73	3.49	3.48	3.42	3.38	3.37	3.21	3.25	3.25	3.25
Central bank policy rate (p.a.) ³⁾⁴⁾	real, % eop	1.7	3.4	2.2	3.7	0.9	2.3	1.8	3.3	5.1	3.1	5.9	4.6	3.7	4.6	.
BUDGET																
General gov.budget balance, cum. ⁵⁾	MKD mn	-9903	-10119	-11993	-13189	-14574	-17725	-2871	-6590	-11447	-11275	-12437	-13817	-14351	-14804	.

1) Enterprises with 10 and more persons employed.

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

3) Central bank bills (28-days).

4) Deflated with annual PPI.

5) Central government budget plus extra-budgetary funds.

MONTENEGRO: Selected monthly data on the economic situation 2012 to 2013

(updated end of Oct 2013)

		2012						2013								
		Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
PRODUCTION																
Industry, NACE Rev. 2	real, CPPY	-1.7	-5.5	-15.8	-24.4	-6.0	17.0	1.6	-3.1	10.4	14.2	22.3	19.2	5.0	9.0	3.6
Industry, NACE Rev. 2	real, CCPPY	-6.6	-6.5	-7.6	-9.4	-9.1	-7.0	1.6	-0.8	3.3	6.3	9.1	10.4	9.6	9.5	8.9
Industry, NACE Rev. 2	real, 3MMA	-8.7	-7.9	-15.5	-15.6	-5.4	4.0	5.2	3.3	7.7	15.1	18.1	14.8	10.4	5.9	.
Productivity in industry, NACE Rev. 2	CCPPY	2.0	2.5	0.4	-2.4	-2.8	-1.1	-1.0	-3.0	1.2	4.2	7.1	8.1	7.8	7.2	.
Unit labour costs, exch.r. adj.(EUR)	CCPPY	4.7	4.0	6.1	8.5	8.5	6.5	-2.5	0.9	-5.3	-8.5	-10.7	-11.9	-12.2	-12.2	.
LABOUR																
Employed persons, LFS ¹⁾	th. pers., quart. avg	.	.	211.6	.	.	197.4	.	.	195.2	.	.	204.8	.	.	.
Employed persons, LFS ¹⁾	CPPY	.	.	4.6	.	.	1.4	.	.	1.1	.	.	4.1	.	.	.
Unemployed persons, LFS ¹⁾	th. pers., quart. avg	.	.	48.9	.	.	51.3	.	.	53.6	.	.	48.7	.	.	.
Unemployment rate, LFS ¹⁾	%	.	.	18.8	.	.	20.6	.	.	21.5	.	.	19.2	.	.	.
Employees total, registered	th. persons, avg	173.1	173.0	169.9	168.7	168.6	167.5	167.4	167.4	167.7	170.3	174.4	179.9	178.8	176.6	.
Unemployment, registered	th. persons, eop	28.7	28.5	28.3	29.5	30.7	31.2	31.9	32.6	33.0	32.6	31.4	30.3	30.1	30.9	.
Unemployment rate, registered	% eop	14.2	14.6	14.3	14.9	15.4	15.7	16.0	16.3	16.4	16.1	15.2	14.4	14.4	14.9	.
WAGES																
Total economy, gross	EUR	716	716	721	717	713	741	734	734	723	724	728	730	712	721	721
Total economy, gross	real, CPPY	-3.4	-2.9	-3.0	-4.1	-6.0	-2.3	-6.6	-3.8	-4.1	-4.3	-2.8	-1.0	-3.2	-1.4	-1.8
Industry, gross, NACE Rev. 2	EUR	842	873	883	868	911	907	873	912	828	852	849	876	765	789	.
PRICES																
Consumer	PP	0.2	0.4	0.4	1.1	-0.1	-0.3	-0.1	0.1	0.4	0.3	0.2	-0.6	0.7	-0.1	0.1
Consumer	CPPY	4.4	4.0	4.4	5.2	5.2	5.1	4.2	3.3	3.3	3.2	3.0	2.2	2.7	2.1	1.8
Consumer	CCPPY	3.7	3.6	3.8	3.9	4.1	4.1	4.2	3.7	3.6	3.5	3.4	3.2	3.1	3.0	2.9
Producer, in industry ²⁾	PP	0.0	4.2	-1.5	0.4	-0.1	-0.4	-0.1	0.2	-0.1	-0.1	-0.1	0.0	-0.1	-0.4	0.2
Producer, in industry ²⁾	CPPY	0.9	5.1	3.5	4.3	2.8	5.7	4.6	3.9	4.2	4.0	4.1	2.3	2.2	-2.0	-0.4
Producer, in industry ²⁾	CCPPY	-0.1	0.6	0.9	1.2	3.4	1.9	4.6	4.3	4.2	4.2	4.2	3.8	3.6	2.9	2.5
FOREIGN TRADE, customs statistics																
Exports total (fob), cumulated	EUR mn	214	246	276	302	334	367	28	59	89	126	166	196	228	256	.
Imports total (cif), cumulated	EUR mn	1065	1238	1386	1545	1681	1821	110	224	363	525	677	848	1020	1185	.
Trade balance, cumulated	EUR mn	-851	-993	-1111	-1243	-1347	-1454	-82	-165	-274	-399	-512	-652	-792	-929	.
Exports to EU-28 (fob), cumulated	EUR mn	123	138	153	165	177	189	13	29	42	56	72	82	95	108	.
Imports from EU-28 (cif), cumulated	EUR mn	472	551	612	684	744	810	41	93	156	228	295	372	448	519	.
Trade balance with EU-28, cumulated	EUR mn	-350	-413	-460	-519	-568	-621	-29	-64	-114	-172	-223	-290	-353	-411	.
FOREIGN FINANCE																
Current account, cumulated	EUR mn	.	.	-327	.	.	-588	.	.	-194	.	.	-420	.	.	.
EXCHANGE RATE																
EUR/USD, monthly average	nominal	0.814	0.806	0.778	0.771	0.780	0.762	0.753	0.749	0.771	0.768	0.770	0.758	0.765	0.751	0.749
EUR/EUR, calculated with CPI ³⁾	real, Jan09=100	99.9	100.0	99.8	100.7	100.7	100.0	100.8	100.5	100.0	100.3	100.4	99.8	100.9	100.6	100.3
EUR/EUR, calculated with PPI ³⁾	real, Jan09=100	92.9	96.1	94.5	95.0	95.1	95.0	94.6	94.5	94.5	95.0	95.2	95.2	94.9	94.5	94.7
USD/EUR, calculated with CPI ³⁾	real, Jan09=100	107.9	106.7	102.9	103.2	104.8	102.4	100.7	99.5	102.7	102.6	103.0	100.5	102.0	100.0	99.8
USD/EUR, calculated with PPI ³⁾	real, Jan09=100	94.2	96.0	90.4	90.4	92.1	89.9	88.2	87.1	89.8	89.5	89.4	87.8	88.5	86.7	86.7
DOMESTIC FINANCE																
Central bank policy rate (p.a.) ⁴⁾	% eop	8.87	8.87	8.86	8.82	8.83	8.83	8.80	8.81	8.81	8.80	8.81	8.80	8.76	8.72	8.69
Central bank policy rate (p.a.) ⁴⁾⁵⁾	real, % eop	7.9	3.6	5.2	4.3	5.9	3.0	4.0	4.7	4.4	4.6	4.5	6.4	6.4	10.9	9.1
BUDGET																
General gov.budget balance, cum.	EUR mn	.	.	-90	.	.	-133	.	.	-61	.	.	-90	.	.	.

1) According to census April 2011.

2) Domestic output prices.

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

4) Average weighted lending interest rate of commercial banks (Montenegro uses the euro as national currency).

5) Deflated with annual PPI.

Source: wiw Monthly Database incorporating national statistics.

S E R B I A: Selected monthly data on the economic situation 2012 to 2013

(updated end of Oct 2013)

		2012						2013								
		Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
PRODUCTION																
Industry, NACE Rev. 2	real, CPPY	-4.0	-0.8	-6.8	1.6	-3.3	0.8	2.5	13.2	0.8	5.7	-0.5	3.7	12.5	5.7	.
Industry, NACE Rev. 2	real, CCPPY	-4.5	-4.1	-4.4	-3.8	-3.7	-3.3	2.5	7.7	5.1	5.2	4.0	4.0	5.2	5.2	.
Industry, NACE Rev. 2	real, 3MMA	-3.0	-4.0	-2.1	-2.9	-0.3	-0.2	5.0	5.1	6.1	1.9	2.9	5.1	7.2	.	.
Productivity in industry, NACE Rev. 2	CCPPY	-0.5	-0.4	-1.1	-0.7	-0.8	-0.6	3.4	8.5	5.5	5.5	4.1	1.1	2.7	.	.
Unit labour costs, exch.r. adj.(EUR)	CCPPY	0.9	0.3	-0.2	-0.8	-0.2	-0.6	-6.4	-6.5	-5.0	-3.0	-0.7	2.7	1.7	.	.
LABOUR																
Employed persons, LFS	th. pers., quart. avg	.	.	.	.	.	2299.1	.	.	.	.	.	2200.0	.	.	.
Employed persons, LFS	CPPY	.	.	.	.	.	3.4	.	.	.	.	.	2.0	.	.	.
Unemployed persons, LFS	th. pers., quart. avg	.	.	.	.	.	665.5	.	.	.	.	.	700.0	.	.	.
Unemployment rate, LFS	%	.	.	.	.	.	22.4	.	.	.	.	.	24.1	.	.	.
Employees total, registered	th. persons, avg	1345.0	1343.0	1343.0	1344.0	1345.0	1344.0	1343.0	1343.0	1347.0	1347.0	1347.0	1345.0	1345.0	.	.
Unemployment, registered	th. persons, eop	752.6	751.6	751.5	752.7	755.4	761.5	778.6	790.3	792.3	792.9	783.9	776.4	771.8	.	.
Unemployment rate, registered	%, eop	27.8	27.8	27.9	27.9	28.0	28.2	28.6	28.9	29.0	29.0	28.7	28.6	28.5	.	.
WAGES																
Total economy, gross	RSD	57240	58503	55903	57733	58914	65165	54447	60199	57628	62429	57921	61399	60896	.	.
Total economy, gross	real, CPPY	-0.4	1.8	-5.7	-3.3	-1.0	-4.9	-4.9	-3.4	-7.6	-1.3	-6.1	-4.6	-2.0	.	.
Total economy, gross	EUR	491	496	480	507	524	574	486	540	516	576	522	538	535	.	.
Industry, gross, NACE Rev. 2	EUR	482	493	459	496	512	548	471	528	487	558	506	535	521	.	.
PRICES																
Consumer	PP	0.1	1.6	2.3	2.8	0.0	-0.4	0.6	0.5	0.0	0.8	0.0	1.0	-0.9	0.4	0.0
Consumer	CPPY	6.1	7.9	10.3	12.9	11.9	12.2	12.8	12.4	11.2	11.4	9.9	9.8	8.6	7.3	4.9
Consumer	CCPPY	4.5	5.0	5.6	6.3	6.8	7.8	12.8	12.6	12.1	12.0	11.5	11.3	10.9	10.4	9.8
Producer, in industry, NACE Rev. 2 ¹⁾	PP	0.5	2.1	1.1	0.7	-0.7	-0.1	0.4	0.2	0.0	-0.1	0.0	0.0	-0.2	1.6	-0.4
Producer, in industry, NACE Rev. 2 ¹⁾	CPPY	3.8	6.2	7.0	8.1	7.0	6.4	7.4	6.7	5.4	4.9	5.1	4.3	3.5	2.8	1.6
Producer, in industry, NACE Rev. 2 ¹⁾	CCPPY	4.6	4.8	5.1	6.6	5.5	5.6	7.4	7.1	6.5	6.1	5.9	5.6	5.3	5.0	4.6
FOREIGN TRADE, customs statistics																
Exports total (fob), cumulated	EUR mn	4896	5620	6397	7245	8085	8841	665	1408	2264	3216	4052	4989	6088	7027	.
Imports total (cif), cumulated	EUR mn	8492	9641	10794	12133	13408	14802	1062	2195	3529	4902	6127	7347	8707	9911	.
Trade balance, cumulated	EUR mn	-3596	-4021	-4398	-4888	-5323	-5960	-397	-787	-1265	-1686	-2075	-2358	-2618	-2884	.
Exports to EU-28 (fob), cumulated	EUR mn	3194	3626	3909	4438	4988	5445	464	968	1521	2119	2630	3210	4069	4640	.
Imports from EU-28 (cif), cumulated	EUR mn	5322	6077	6565	7435	8239	9022	614	1345	2179	3055	3826	4604	5693	6449	.
Trade balance with EU-28, cumulated	EUR mn	-2129	-2450	-2656	-2997	-3251	-3577	-150	-377	-658	-936	-1196	-1394	-1624	-1809	.
FOREIGN FINANCE																
Current account, cumulated	EUR mn	-2035	-1891	-2173	-2397	-2462	-2867	-181	-296	-627	-770	-776	-908	-921	-954	.
EXCHANGE RATE																
RSD/EUR, monthly average	nominal	116.46	117.86	116.40	113.94	112.42	113.59	111.96	111.39	111.72	111.50	110.92	114.02	113.90	114.07	114.64
RSD/USD, monthly average	nominal	94.67	95.14	90.52	87.86	87.91	56.58	84.17	83.35	86.18	85.68	85.63	86.40	87.04	85.67	85.88
EUR/RSD, calculated with CPI ²⁾	real, Jan09=100	95.4	95.5	98.3	102.9	104.5	102.6	105.6	106.2	105.0	106.0	106.5	104.5	104.1	104.3	103.3
EUR/RSD, calculated with PPI ²⁾	real, Jan09=100	104.6	104.7	107.0	110.2	111.2	110.2	111.9	112.4	112.2	113.0	113.9	110.9	110.5	112.1	111.1
USD/RSD, calculated with CPI ²⁾	real, Jan09=100	88.8	89.3	95.6	101.3	101.7	157.7	106.4	107.1	103.3	104.8	104.7	104.5	102.8	104.7	104.5
USD/RSD, calculated with PPI ²⁾	real, Jan09=100	91.4	91.7	96.6	100.7	100.8	156.6	105.2	105.5	102.2	102.9	102.7	101.4	100.6	104.0	103.3
DOMESTIC FINANCE																
Currency outside banks	RSD bn, eop	109.8	110.2	111.0	101.6	100.7	110.5	95.9	99.3	102.1	107.0	101.4	109.0	109.3	114.7	112.7
M1	RSD bn, eop	275.2	277.1	290.2	273.3	277.7	308.7	278.9	300.0	311.6	311.8	318.7	328.0	329.8	352.2	358.5
Broad money	RSD bn, eop	1607.5	1616.9	1607.6	1580.2	1612.5	1641.8	1580.2	1612.9	1622.7	1604.8	1643.8	1659.8	1661.5	1702.3	1705.8
Broad money	CPPY, eop	15.5	15.0	13.8	11.9	10.6	9.4	6.6	5.9	8.2	4.8	4.4	4.5	3.4	5.3	6.1
Central bank policy rate (p.a.) ³⁾	%, eop	10.25	10.50	10.50	10.75	10.95	11.25	11.50	11.75	11.75	11.75	11.25	11.00	11.00	11.00	11.00
Central bank policy rate (p.a.) ³⁾⁴⁾	real, %, eop	6.2	4.0	3.3	2.5	3.7	4.6	3.8	4.7	6.0	6.5	5.9	6.4	7.2	8.0	9.3
BUDGET																
Central gov.budget balance, cum.	RSD bn	-111.2	-123.1	-145.2	-147.9	-161.4	-192.0	-7.0	-35.3	-49.8	-75.9	-93.6	-97.9	-100.7	-130.7	-150.6

1) Domestic output prices.

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

3) Two-week repo rate.

4) Deflated with annual PPI.

Source: wiw Monthly Database incorporating national statistics.

KAZAKHSTAN: Selected monthly data on the economic situation 2012 to 2013

(updated end of Oct 2013)

		2012						2013								
		Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
PRODUCTION																
Industry, NACE Rev. 2 ¹⁾	real, CPPY	-0.5	-3.7	-0.7	-0.8	0.9	2.0	0.7	1.1	3.8	1.8	1.2	2.0	2.2	2.5	2.9
Industry, NACE Rev. 2 ¹⁾	real, CCPY	1.3	0.7	0.5	0.4	0.4	0.5	0.7	0.9	1.9	1.9	1.8	1.8	1.9	2.0	2.1
Industry, NACE Rev. 2 ¹⁾	real, 3MMA	-1.9	-1.7	-1.7	-0.2	0.7	0.9	0.6	0.9	1.2	1.2	0.6	0.7	1.1	1.4	.
Productivity in industry, NACE Rev. 2 ¹⁾	CCPPY	0.7	0.1	-0.1	-0.2	-0.2	-0.1	1.0	1.2	1.9	1.8	1.5	1.4	1.5	1.6	1.7
Unit labour costs, excl.r. adj.(EUR) ¹⁾	CCPPY	23.7	25.6	25.5	25.2	25.0	23.3	8.1	8.9	8.9	10.0	9.8	8.2	7.0	5.6	4.9
Construction, NACE Rev. 2	real, CCPY	0.7	1.9	2.3	1.2	2.5	3.1	-6.9	-5.6	-4.9	-2.7	-1.0	0.7	1.8	2.1	2.5
LABOUR																
Employed persons, LFS ²⁾	th. pers., quart. avg	.	.	8540.3	.	.	8499.9	.	.	8546.1	.	.	8590.7	.	.	.
Employed persons, LFS ²⁾	CCPPY	.	.	.	.	.	.	.	.	1.0	.	.	0.9	.	.	.
Unemployed persons, LFS ²⁾	th. pers., quart. avg	.	.	472.8	.	.	474.8	.	.	474.5	.	.	469.3	.	.	.
Unemployment rate, LFS ²⁾	% avg	.	.	5.2	.	.	5.3	.	.	5.3	.	.	5.2	.	.	.
Unemployment, registered	th. persons, eop	62.9	61.5	54.7	53.9	49.3	34.6	49.1	44.8	56.1	65.7	66.9	58.9	58.2	58.8	51.7
Unemployment rate, registered	% eop	0.7	0.7	0.6	0.6	0.5	0.4	0.5	0.5	0.6	0.7	0.7	0.7	0.6	0.6	0.6
WAGES																
Total economy, gross ³⁾	KZT	106620	104546	99804	98861	100866	127402	99152	98736	108836	105289	106286	109970	112792	110020	105905
Total economy, gross ³⁾	real, CPPY	9.4	7.1	3.3	2.9	3.9	0.8	0.8	-0.2	1.1	1.2	1.3	-1.2	-0.2	-0.6	0.7
Total economy, gross ³⁾	EUR	578	565	519	507	522	646	495	490	556	537	542	551	565	540	518
Industry, gross, NACE Rev. 2 ¹⁾	EUR	694	705	651	624	650	831	608	604	714	693	689	664	704	698	667
PRICES																
Consumer	PP	0.3	0.3	0.6	0.7	0.7	0.6	0.9	0.8	0.2	0.3	0.2	0.3	0.2	0.2	0.2
Consumer	CCPY	4.8	4.8	5.1	5.6	5.7	6.1	6.7	7.1	7.0	6.6	6.1	6.1	6.0	5.8	5.4
Consumer	CCPPY	5.0	5.0	5.0	5.1	5.1	5.2	6.7	6.9	6.9	6.9	6.7	6.6	6.5	6.4	6.3
Producer, in industry, NACE Rev. 2 ¹⁾	PP	-4.6	3.0	3.4	1.7	-0.5	-0.5	-0.3	1.8	0.0	-2.3	-4.3	-0.6	1.8	3.1	2.3
Producer, in industry, NACE Rev. 2 ¹⁾	CCPY	-4.2	-3.9	1.3	3.6	2.8	2.3	3.0	4.7	0.8	-5.1	-7.7	-3.5	3.0	3.1	2.0
Producer, in industry, NACE Rev. 2 ¹⁾	CCPPY	5.2	4.0	3.7	3.7	3.6	3.5	3.0	3.9	2.8	0.7	-1.0	-1.4	-0.8	-0.3	-0.1
FOREIGN TRADE, customs statistics																
Exports total (fob), cumulated	EUR mn	39605	45481	50875	56678	61982	67315	4780	9690	15289	20938	26126	31077	36496	42005	.
Imports total (cif), cumulated	EUR mn	19352	22768	26093	29301	32735	36076	2225	4564	7304	10532	13656	16972	20451	23384	.
Trade balance, cumulated	EUR mn	20253	22713	24782	27377	29247	31239	2555	5126	7985	10406	12469	14106	16045	18621	.
FOREIGN FINANCE																
Current account, cumulated ⁴⁾	EUR mn	.	.	2764	.	.	498	.	.	1434	.	.	1272	.	.	.
EXCHANGE RATE																
KZT/EUR, monthly average	nominal	184.31	185.16	192.23	195.02	193.11	197.19	200.28	201.49	195.62	196.19	195.95	199.75	199.60	203.67	204.40
KZT/USD, monthly average	nominal	149.74	149.54	149.77	150.39	150.52	150.42	150.73	150.51	150.73	150.96	151.00	151.43	152.58	152.93	153.24
EUR/KZT, calculated with CPI ⁵⁾	real, Jan09=100	101.6	101.0	97.3	96.3	98.1	96.3	96.4	96.2	98.4	98.5	98.7	97.0	97.7	95.8	95.3
EUR/KZT, calculated with PPI ⁵⁾	real, Jan09=100	154.7	157.5	156.6	157.1	158.2	154.6	151.3	152.6	157.4	154.3	148.3	144.7	147.0	148.5	151.3
USD/KZT, calculated with CPI ⁵⁾	real, Jan09=100	94.4	94.2	94.2	94.6	95.6	96.4	96.8	96.9	96.8	97.0	97.0	96.7	96.2	96.0	96.0
USD/KZT, calculated with PPI ⁵⁾	real, Jan09=100	135.0	137.4	140.7	143.2	143.5	143.2	141.8	143.2	143.2	140.0	133.5	132.0	133.4	137.5	140.3
DOMESTIC FINANCE																
Currency outside banks	KZT bn, eop	1398.8	1405.2	1421.8	1407.6	1379.9	1528.0	1422.4	1409.5	1428.4	1438.9	1460.2	1523.5	1475.9	1467.7	.
M1	KZT bn, eop	3888.5	3733.0	3811.8	3759.9	3579.7	3880.4	3719.6	3759.4	3844.1	3884.1	3811.1	3974.0	3748.7	3505.7	.
Broad money	KZT bn, eop	10582.9	10328.2	10514.8	10686.2	10465.5	10522.5	10495.9	10536.2	11078.2	11051.5	11318.4	11578.9	11681.7	11350.6	.
Broad money	CCPY, eop	8.6	8.6	7.1	8.8	8.9	7.9	9.1	6.3	7.6	6.3	9.5	11.3	10.4	9.9	.
Central bank policy rate (p.a.) ⁶⁾	% eop	6.00	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50
Central bank policy rate (p.a.) ⁶⁾⁷⁾	real, % eop	10.6	9.8	4.1	1.9	2.6	3.1	2.4	0.8	4.7	11.1	14.3	9.3	2.5	2.4	3.5
BUDGET																
General gov.budget balance, cum.	KZT bn	-264.5	-286.3	-341.8	-508.2	-533.1	-890.3	96.1	230.1	85.1	123.6	82.6	-60.1	-51.0	-97.7	.

1) Including E (water supply, sewerage, waste management, remediation).

2) According to census March 2009.

3) Excluding small enterprises engaged in entrepreneurial activity.

4) BOP 6th edition.

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

6) Refinancing rate of NB.

7) Deflated with annual PPI.

Source: wiw Monthly Database incorporating national statistics.

R U S S I A: Selected monthly data on the economic situation 2012 to 2013

(updated end of Oct 2013)

		2012						2013								
		Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
PRODUCTION																
Industry, total	real, CPPY	3.4	2.1	1.9	1.8	1.8	1.4	-0.9	-2.3	2.4	2.1	-1.6	-0.2	-0.8	-0.1	0.3
Industry, total	real, CCPPY	3.1	3.0	2.9	2.8	2.7	2.6	-0.9	-1.6	-0.2	0.4	0.0	0.0	-0.2	-0.2	-0.1
Industry, total	real, 3MMA	2.5	2.5	1.9	1.8	1.6	0.8	-0.5	-0.2	0.8	1.0	0.1	-0.9	-0.4	-0.2	.
Construction, total	real, CPPY	1.0	1.2	-5.2	6.6	0.6	1.6	1.4	0.3	0.2	-3.7	1.7	-7.9	6.1	-3.1	-2.9
Construction, total	real, CCPPY	4.0	3.6	2.3	2.8	2.6	2.4	1.4	0.8	0.6	-0.7	-0.1	-1.9	-0.3	-0.8	-1.1
LABOUR																
Employed persons, LFS ¹⁾	th. pers., avg	72476	72757	72385	71697	71639	71540	70730	71001	70967	71121	71652	71427	71816	72399	.
Employed persons, LFS ¹⁾	CPPY	1.0	0.9	0.4	0.9	0.7	0.7	0.9	1.3	1.4	0.1	-1.0	-1.4	-0.9	-0.5	.
Unemployed persons, LFS ¹⁾	th. pers., avg	3964	3812	3844	3888	3949	3825	4477	4337	4252	4181	3904	4089	4013	3961	3991
Unemployment rate, LFS ¹⁾	% avg	5.2	5.0	5.0	5.1	5.2	5.1	6.0	5.8	5.7	5.6	5.2	5.4	5.3	5.2	5.3
Unemployment, registered	th. persons, eop	1086.0	1068.0	1022.0	987.0	1017.0	1065.0	1073.0	1099.0	1083.0	1061.0	1010.0	970.0	945.0	925.0	879.0
Unemployment rate, registered	% eop	1.4	1.4	1.3	1.3	1.4	1.4	1.4	1.5	1.4	1.4	1.3	1.3	1.3	1.2	1.2
WAGES																
Total economy, gross	RUB	26684	25718	25996	26803	27448	36450	26840	26620	28693	30026	29723	30986	30229	29226	29811
Total economy, gross	real, CPPY	7.0	5.3	3.9	6.5	6.1	4.2	5.5	3.2	5.2	8.5	4.9	5.4	6.4	6.7	8.1
Total economy, gross	EUR	667	650	643	665	681	905	667	659	718	737	733	728	706	665	685
Industry, gross ²⁾	EUR	627	625	602	623	616	521	613	605	651	674	646	631	664	618	.
PRICES																
Consumer	PP	1.2	0.1	0.6	0.5	0.3	0.5	1.0	0.6	0.3	0.5	0.7	0.4	0.8	0.1	0.2
Consumer	CPPY	5.6	6.0	6.6	6.6	6.5	6.6	7.1	7.3	7.0	7.2	7.4	6.9	6.5	6.5	6.1
Consumer	CCPPY	4.1	4.4	4.6	4.8	5.0	5.1	7.1	7.2	7.2	7.2	7.2	7.2	7.1	7.0	6.9
Producer, in industry ³⁾	PP	-1.1	5.1	4.8	-1.6	-1.2	-1.1	-0.4	0.8	0.5	-1.2	-1.0	0.4	2.0	2.8	1.4
Producer, in industry ³⁾	CPPY	5.1	7.0	11.6	8.8	6.5	5.2	5.0	4.7	3.1	1.1	2.6	3.9	7.1	4.8	1.3
Producer, in industry ³⁾	CCPPY	6.1	6.2	6.8	7.0	6.9	6.8	5.0	4.9	4.3	3.5	3.3	3.4	3.9	4.0	3.7
FOREIGN TRADE, customs statistics																
Exports total (fob), cumulated	EUR mn	234437	267453	300898	336554	371582	407789	29302	61211	95850	130153	161936	193939	227437	259055	.
Imports total (cif), cumulated	EUR mn	135368	158057	177990	201609	224119	246707	15117	33888	54919	76891	95907	115774	137129	156174	.
Trade balance, cumulated	EUR mn	99069	109396	122908	134945	147462	161081	14185	27323	40931	53262	66029	78165	90309	102881	.
FOREIGN FINANCE																
Current account, cumulated ⁴⁾	EUR mn	.	.	47983	.	.	56034	.	.	18929	.	.	21642	.	.	22418
EXCHANGE RATE																
RUB/EUR, monthly average	nominal	40.03	39.56	40.45	40.32	40.31	40.29	40.26	40.39	39.95	40.75	40.57	42.58	42.82	43.96	43.52
RUB/USD, monthly average	nominal	32.50	31.97	31.52	31.09	31.41	30.74	30.26	30.16	30.80	31.33	31.24	32.28	32.74	33.02	32.63
EUR/RUB, calculated with CPI ⁵⁾	real, Jan09=100	124.6	125.8	123.0	123.7	124.2	124.5	126.8	126.7	127.3	125.4	126.7	121.2	121.9	118.7	119.7
EUR/RUB, calculated with PPI ⁵⁾	real, Jan09=100	147.0	155.2	158.8	156.9	155.5	154.3	153.3	153.6	156.2	152.3	151.9	145.4	147.0	147.2	150.8
USD/RUB, calculated with CPI ⁵⁾	real, Jan09=100	114.3	115.6	117.4	119.8	119.4	122.9	125.8	125.9	123.3	121.9	122.9	119.2	118.4	117.3	119.0
USD/RUB, calculated with PPI ⁵⁾	real, Jan09=100	126.6	133.5	140.8	141.0	139.2	140.9	141.9	142.2	140.1	136.4	135.0	130.8	131.6	134.4	137.9
DOMESTIC FINANCE																
Currency outside banks	RUB bn, eop	5976.3	5980.0	5969.2	5931.3	5975.4	6430.1	6078.9	6140.9	6181.4	6353.5	6348.8	6470.3	6480.1	6509.8	.
M1	RUB bn, eop	12470.9	12293.8	12375.0	12305.2	12459.4	13753.6	13172.8	13249.9	13408.2	13408.1	13549.9	14001.8	14017.0	13857.7	.
M2	RUB bn, eop	29267.5	29410.0	29512.1	29807.3	30046.9	32226.4	31653.3	32190.9	32626.6	33167.0	33414.2	34132.6	34375.6	34561.2	.
M2	CPPY, eop	19.2	18.0	15.0	16.7	14.3	12.1	13.1	14.6	15.1	16.4	15.0	16.3	17.5	17.5	.
Central bank policy rate (p.a.) ⁶⁾	% eop	8.00	8.00	8.00	8.25	8.25	8.25	8.25	8.25	8.25	8.25	8.25	8.25	8.25	8.25	5.50
Central bank policy rate (p.a.) ⁶⁾⁷⁾	real, % eop	2.8	1.0	-3.2	-0.5	1.6	2.9	3.1	3.3	5.0	7.0	5.5	4.2	1.0	3.3	4.1
BUDGET																
Central gov. budget balance, cum.	RUB bn	285.1	532.4	671.2	723.8	793.7	-37.0	-15.6	-169.0	-62.2	-6.4	191.3	367.9	287.2	.	.

1) According to census October 2010.
 2) Manufacturing industry only (D according to NACE Rev. 1).
 3) Domestic output prices.
 4) BOP 6th edition.
 5) Adjusted for domestic and foreign (US resp. EU) inflation. Values more than 100 mean real appreciation.
 6) One-week repo rate from September 2013, refinancing rate before.
 7) Deflated with annual PPI.

Source: wiw Monthly Database incorporating national statistics.

U K R A I N E: Selected monthly data on the economic situation 2012 to 2013

(updated end of Oct 2013)

		2012						2013								
		Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
PRODUCTION																
Industry, NACE Rev. 2 ¹⁾	real, CPPY	1.6	-2.0	-3.9	-2.5	-2.2	-5.6	-3.6	-5.8	-5.1	-2.2	-9.2	-5.7	-4.7	-5.2	-5.7
Industry, NACE Rev. 2 ¹⁾	real, CCPPY	1.6	1.2	0.6	0.2	0.0	-0.5	-3.6	-4.7	-4.8	-4.1	-5.2	-5.3	-5.2	-5.2	-5.2
Industry, NACE Rev. 2 ¹⁾	real, 3MMA	-0.1	-1.5	-2.8	-2.9	-3.4	-3.8	-5.0	-4.8	-4.3	-5.5	-5.7	-6.5	-5.2	-5.2	.
Productivity in industry ²⁾	CCPPY	1.6	1.1	0.4	0.3	0.2	-0.3	.	.	.	.	.	.	.	.	.
Unit labour costs, exch.r. adj.(EUR) ²⁾	CCPPY	22.0	23.3	23.1	22.6	22.3	21.5	.	.	.	.	.	.	.	.	.
Construction, NACE Rev. 2	real, CCPPY	2.0	-0.8	-2.1	-3.8	-6.4	-8.3	-7.6	-8.4	-13.8	-13.8	-17.3	-17.8	-15.7	-14.7	-16.2
LABOUR																
Employed persons, LFS	th. pers., quart. avg	.	.	20856	.	.	19980	.	.	20085	.	.	20675	.	.	.
Employed persons, LFS	CPPY	.	.	0.4	.	.	-0.2	.	.	0.2	.	.	0.7	.	.	.
Unemployed persons, LFS	th. pers., quart. avg	.	.	1469	.	.	1739	.	.	1756	.	.	1530	.	.	.
Unemployment rate, LFS	%	.	.	6.6	.	.	8.0	.	.	8.0	.	.	6.9	.	.	.
Employees total, registered ²⁾	th. persons, avg	10592	10554	10536	10527	10469	10359	10195	10210	10208	10204	10169	10164	10149	10125	10098
Unemployment, registered	th. persons, eop	438	427	416	400	441	507	565	589	572	535	501	465	452	435	422
Unemployment rate, registered ³⁾	% eop	1.6	1.5	1.5	1.4	1.6	1.8	2.0	2.1	2.0	1.9	1.8	1.7	1.6	1.6	1.5
WAGES²⁾																
Total economy, gross	UAH	3151	3073	3064	3110	3098	3377	3000	3044	3212	3233	3253	3380	3429	3304	3261
Total economy, gross	real, CPPY	14.7	14.1	12.0	14.0	13.8	10.8	10.4	9.3	10.8	10.8	8.3	8.8	8.8	8.0	7.0
Total economy, gross	EUR	321	311	299	300	302	322	283	284	310	311	313	321	328	311	306
Industry, gross ⁴⁾	EUR	366	367	346	351	349	364	334	338	357	359	358	355	373	359	355
PRICES																
Consumer	PP	-0.2	-0.3	0.1	0.0	-0.1	0.2	0.2	-0.1	0.0	0.0	0.1	0.0	-0.1	-0.7	0.0
Consumer	CPPY	-0.1	0.0	0.0	0.0	-0.2	-0.2	-0.2	-0.5	-0.8	-0.8	-0.4	-0.1	0.0	-0.4	-0.5
Consumer	CCPPY	1.0	0.9	0.8	0.7	0.6	0.6	-0.2	-0.4	-0.5	-0.6	-0.5	-0.4	-0.4	-0.4	
Producer, in industry ⁵⁾	PP	-2.9	0.5	0.2	-1.5	0.0	-1.5	0.3	-1.6	2.2	2.5	3.1	-2.7	-2.9	1.2	0.2
Producer, in industry ⁵⁾	CPPY	1.3	1.3	0.3	0.6	0.0	0.4	1.5	-0.9	0.2	-1.0	1.9	-1.6	-1.6	-0.9	-0.9
Producer, in industry ⁵⁾	CCPPY	6.0	5.4	4.8	4.3	3.9	3.6	1.5	0.3	0.3	0.0	0.4	0.0	-0.2	-0.3	-0.4
FOREIGN TRADE, customs statistics																
Exports total (fob), cumulated	EUR mn	30628	35324	39810	44627	49266	53523	3858	7864	12051	16700	20721	23406	27369	31276	.
Imports total (cif), cumulated	EUR mn	37363	43215	48604	54525	59888	65851	3846	8542	13555	18679	22574	26619	31797	36901	.
Trade balance, cumulated	EUR mn	-6735	-7891	-8794	-9898	-10622	-12328	12	-678	-1505	-1980	-1854	-3213	-4428	-5625	.
Exports to EU-28 (fob), cumulated	EUR mn	7490	8551	9640	10837	12114	13307	1157	2271	3376	4617	5541	6368	7320	8187	.
Imports from EU-28 (cif), cumulated	EUR mn	11418	13100	14746	16634	18409	20360	1135	2694	4303	6208	7681	9339	11270	13008	.
Trade balance with EU-28, cumulated	EUR mn	-3929	-4549	-5106	-5797	-6295	-7053	22	-422	-927	-1591	-2141	-2971	-3951	-4822	.
FOREIGN FINANCE																
Current account, cumulated	EUR mn	.	.	-7454	.	.	-11138	.	.	-2210	.	.	-3938	.	.	.
EXCHANGE RATE																
UAH/EUR, monthly average	nominal	9.829	9.890	10.248	10.373	10.256	10.486	10.597	10.700	10.365	10.396	10.384	10.528	10.449	10.636	10.667
UAH/USD, monthly average	nominal	7.993	7.993	7.993	7.993	7.993	7.993	7.993	7.993	7.993	7.993	7.993	7.993	7.993	7.993	7.993
EUR/UAH, calculated with CPI ⁶⁾	real, Jan09=100	119.5	117.9	113.2	111.6	112.9	110.2	110.2	108.6	111.1	110.7	110.9	109.3	110.5	107.6	106.9
EUR/UAH, calculated with PPI ⁶⁾	real, Jan09=100	151.4	150.0	144.8	141.1	143.0	138.2	136.7	132.8	140.3	144.3	149.4	143.4	139.9	139.1	139.0
USD/UAH, calculated with CPI ⁶⁾	real, Jan09=100	110.1	109.2	108.8	108.9	109.2	109.7	109.7	108.6	108.4	108.5	108.4	108.1	108.0	107.1	107.1
USD/UAH, calculated with PPI ⁶⁾	real, Jan09=100	131.1	130.0	129.2	127.8	128.9	127.2	127.0	123.8	126.7	130.2	133.8	129.8	126.1	127.8	128.1
DOMESTIC FINANCE																
Currency outside banks	UAH bn, eop	201.5	200.8	199.8	195.0	190.9	203.2	198.0	201.4	206.1	214.5	213.9	219.9	224.4	225.2	224.3
M1	UAH bn, eop	323.6	318.6	321.0	312.8	302.1	323.2	326.5	329.8	337.5	349.4	352.3	359.5	367.8	370.2	372.2
Broad money	UAH bn, eop	721.0	725.1	731.7	729.7	729.0	773.2	780.1	788.1	800.9	818.0	821.7	836.5	850.8	856.7	871.5
Broad money	CCPPY, eop	9.7	9.1	10.5	9.5	11.6	12.8	15.5	16.0	15.9	16.2	17.2	17.8	18.0	18.2	19.1
Central bank policy rate (p.a.) ⁷⁾	% eop	7.50	7.50	7.50	7.50	7.50	7.50	7.50	7.50	7.50	7.50	7.50	7.00	7.00	6.50	6.50
Central bank policy rate (p.a.) ⁷⁾⁸⁾	real, % eop	6.1	6.1	7.1	6.8	7.5	7.1	5.9	8.5	7.3	8.6	5.5	8.7	8.7	7.5	7.5
BUDGET																
General gov.budget balance, cum.	UAH mn	-18868	-14833	-21262	-29184	-33915	-50786	-615	-1283	-5683	-18883	-21712	-28039	-34228	-34626	.

1) Including E (water supply, sewerage, waste management, remediation).

2) Enterprises with 10 and more employees.

3) Ratio of unemployed to average working age population.

4) From 2013 according to NACE Rev. 2. Including E (water supply, sewerage, waste management, remediation).

5) Domestic output prices. From 2013 NACE Rev. 2.

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

7) Discount rate.

8) Deflated with annual PPI.

Source: wiiw Monthly Database incorporating national statistics.

Index of subjects – November 2012 to November 2013

Albania	economic situation	2013/11	2012/11
Bosnia and Herzegovina	economic situation	2013/11	2012/11
Bulgaria	economic situation	2013/10	
	political situation	2013/3	
Croatia	economic situation	2013/10	2012/11
	EU accession and state aid for shipyards	2013/4	
Czech Republic	economic situation	2013/10	
Estonia	economic situation	2013/10	
Hungary	economic situation	2013/10	
Kazakhstan	economic situation	2013/11	2012/11
	Oil Fund	2012/12	
Latvia	economic situation	2013/10	
Lithuania	economic situation	2013/10	
Macedonia	economic situation	2013/11	2012/11
Montenegro	economic situation	2013/11	2012/11
Poland	economic situation	2013/10	
	FDI location	2013/5	
Romania	economic situation	2013/10	
	migration	2013/8-9	
Russia	economic situation	2013/11	2012/11
	industrial policy	2013/3	
Serbia	economic situation	2013/11	2012/11
Slovakia	economic situation	2013/10	
Slovenia	economic situation	2013/10	
Ukraine	economic situation	2013/11	2012/11
	politics and the economy	2013/7	
Regional	CESEE economic situation	2013/11	2012/11
(EU, Eastern Europe, CIS)	CEEC growth determinants	2013/4	
multi-country articles	debt and financial stability	2013/8-9	
and statistical overviews	ECB debt purchases	2012/12	
	effects of German domestic demand expansion	2013/1	
	EMU financialisation tax	2013/5	
	EU budget	2013/7	2013/2
	EU convergence	2013/6	2013/1
	euro area, Japan, US compared	2013/4	
	euro area, banking fragmentation	2013/5	
	financing innovation	2013/6	
	global output growth, wage-led	2013/6	
	global values	2013/2	
	income polarisation	2013/3	
	labour costs	2013/2	
	MENA values	2013/8-9	
	NMS automotive industry	2013/8-9	
	trade and global growth	2012/12	
	unit labour costs in the EU	2013/7	

The monthly publication *wiiw Monthly Report* summarises wiiw's major research topics and provides current statistics and analyses exclusively to subscribers to the wiiw Service Package. This information is for the subscribers' internal use only and may not be quoted except with the respective author's permission and express authorization. Unless otherwise indicated, all authors are members of the Vienna Institute's research staff or research associates of wiiw.

Economics editor: Leon Podkaminer

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