

# Monthly Report

3/07

## Contents

Net outward investment position of the new member states .....	1
Sources of growth in the CIS .....	10
The troubling economics and politics of the US trade deficit.....	19
<b>Monthly statistics</b>	
Selected monthly data on the economic situation in ten transition countries, 2005-2007 .....	23
<b>Guide</b> to wiiw statistical services on Central, East and Southeast Europe, Russia and Ukraine.....	34

## Net outward investment position of the new member states

BY JULIA WÖRZ\*

Inward FDI stocks in the new EU member states<sup>1</sup> have grown enormously over the past decade, ranging from a mere quadrupling in Slovenia to an increase by more than 50 times above the 1994 value in Croatia (see Table 1). Outward FDI stocks have also increased, with cumulative growth rates between 104% in Romania and 2400% in Hungary.

Leaving aside Bulgaria, Romania and Croatia, Lithuania shows the highest increase in inward FDI stocks with slightly more than 3000% and Slovakia exhibits the lowest cumulative growth rate of outward FDI with still about 280% between 1994 and 2004. There is a marked difference between the countries that joined the EU in 2004 and the remaining three countries. Inward FDI stocks increased relatively more in the latter three, whereas outward FDI rose more strongly in the 'older' new member states.

In absolute terms, the largest recipients are the Czech Republic, Hungary and Poland; in particular Poland has gained importance as a destination for FDI. Together these three countries accounted for roughly 80% of total inward FDI into the new member states in 1994; their share dropped to about 70% in 2004. These three countries are also the largest outward investors, however, Slovenia and recently also Croatia are well comparable in absolute size.

\* Thanks are due to the World Bank for financial support of this research.

<sup>1</sup> Our sample contains the ten new EU member states (NMS) – Czech Republic, Hungary, Poland, Slovak Republic, Slovenia, Estonia, Latvia, Lithuania, Bulgaria and Romania – as well as Croatia. FDI data are taken from the wiiw Database on Foreign Direct Investment (Hunya and Schwarzhappel, 2006) and covers FDI inward and outward stocks over the period 1994 to 2005. We further use GDP data from the wiiw Annual Database.

*The Vienna Institute Monthly Report* is exclusively available to subscribers to the wiiw Service Package

Table 1

		<b>Inward and outward FDI stocks, 1994-2005</b>						
		<b>1994</b>	<b>1998</b>	<b>2000</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>1994-2005</b>
		EUR million at current prices						cum. growth in %
<b>Czech Republic</b>	in	3732.3	12254.6	23323.2	35852.0	42035.0	50404.4	1250.5
	out	246.6	685.4	795.1	1807.8	2760.1	3593.7	1357.3
<b>Estonia</b>	in	403.6	1560.5	2843.0	5553.2	7378.5	10748.3	2563.1
	out	.	169.9	278.5	815.6	1040.2	1669.3	.
<b>Hungary</b>	in	5785.1	17759.5	24578.2	38328.7	45881.1	51815.3	795.7
	out	239.0	671.8	1375.5	2782.3	4412.1	6178.7	2485.2
<b>Latvia</b>	in	252.4	1324.7	2241.0	2630.2	3315.4	4213.4	1569.3
	out	.	239.0	25.3	91.6	172.6	239.4	.
<b>Lithuania</b>	in	215.7	1384.1	2509.2	3967.6	4689.7	6921.0	3108.6
	out	.	14.0	31.5	95.7	310.4	607.8	.
<b>Poland</b>	in	3106.0	19231.0	36792.0	45896.0	63318.0	75778.0	2339.7
	out	378.0	997.0	1095.0	1701.9	2364	5440	1339.2
<b>Slovak Republic</b>	in	736.7	2464.1	5112.2	9504.2	11280.9	13333.2	1709.9
	out	136.7	344.8	401.7	502.5	428.5	521.0	281.1
<b>Slovenia</b>	in	1080.8	2369.5	3109.8	5131.0	5579.6	5980.1	453.3
	out	288.6	542.8	825.2	1901.5	2224.0	2969.9	929.1
<b>Bulgaria</b>	in	202.8	1362.5	2425.8	4946.2	6768.7	9674.3	4670.4
	out	.	63.6	93.5	81.2	-86.7	153.7	.
<b>Croatia</b>	in	203.1	1649.7	3775.7	6790.3	9074.6	12242.1	5927.6
	out	.	855.2	885.9	1625.8	1561.7	1725.1	.
<b>Romania</b>	in	333.2	3783.3	6965.7	9661.5	15039.9	21885.0	6468.1
	out	88.4	104.9	146.4	165.0	200.0	180.7	104.4

Source: wiiw Database on FDI.

Table 2 shows the stocks of FDI as percentages of GDP. Inward FDI stocks are on average in the range of 30% to 50% of GDP; the highest ratio is observed in Estonia with 97% in 2005, while the lowest ratio is found in Slovenia with only 22%. Outward FDI stocks are considerably less significant, particularly so for the most recent EU members. Outward stocks range between 0.2% in Romania (2.2% in Poland) and 15% in Estonia. Due to its domestic privatization strategy, Slovenia never showed high inward stocks while an active outward investment strategy has always been

pursued (10.8% of GDP in 2005). A similar pattern is observed for Croatia, where outward stocks, at 5.6%, are also quite substantial.

#### **Net outward investment position of NMS**

In this article we identify the position of the new EU member states along the investment development path as described by Dunning (1981, modified in Dunning, 1993). The investment development path (IDP) relates the stages of economic development of a country to its net

Table 2

## Inward and outward FDI stocks in per cent of GDP, 1994-2005

		1994	1998	2000	2003	2004	2005
<b>Czech Republic</b>	in	10.7	22.2	37.9	44.3	48.2	50.5
	out	0.7	1.2	1.3	2.2	3.2	3.6
<b>Estonia</b>	in	19.8	31.6	47.9	65.4	78.7	97.2
	out	.	3.4	4.7	9.6	11.1	15.1
<b>Hungary</b>	in	16.5	42.4	48.6	51.3	55.8	58.4
	out	0.7	1.6	2.7	3.7	5.4	7.0
<b>Latvia</b>	in	7.4	22.4	26.8	26.5	30.0	33.1
	out	.	4.1	0.3	0.9	1.6	1.9
<b>Lithuania</b>	in	6.0	14.0	20.4	24.1	25.9	33.6
	out	0.0	0.1	0.3	0.6	1.7	3.0
<b>Poland</b>	in	4.0	12.6	19.8	24.0	31.1	31.1
	out	0.5	0.7	0.6	0.9	1.2	2.2
<b>Slovak Republic</b>	in	5.6	12.4	23.1	32.5	33.3	35.0
	out	1.0	1.7	1.8	1.7	1.3	1.4
<b>Slovenia</b>	in	8.9	12.6	14.8	20.6	21.2	21.6
	out	2.4	2.9	3.9	7.6	8.5	10.8
<b>Bulgaria</b>	in	2.5	12.0	17.7	28.0	34.6	45.1
	out	.	0.6	0.7	0.5	-0.4	0.7
<b>Croatia</b>	in	1.6	8.6	18.9	25.9	32.0	39.6
	out	.	4.4	4.4	6.2	5.5	5.6
<b>Romania</b>	in	1.3	10.2	17.3	18.4	24.7	27.6
	out	0.3	0.3	0.4	0.3	0.3	0.2

Source: wiiw Database on FDI.

outward direct investment position. A country's propensity to be a net outward or inward direct investor depends on a mix of three factors (the OLI paradigm): firm-specific ownership advantages (O), country-specific location-bound advantages (L), and internalization advantages (I). During the first four stages of the IDP, a country's position changes continuously from being a net receiver to becoming a net donor of foreign capital, where the turnaround occurs at the beginning of stage 3. The motives for FDI change accordingly from import substitution to market seeking, then efficiency seeking and later asset seeking, implying a

corresponding shift in the sectoral and industrial composition of FDI. Along the IDP, a country first specializes in low-technology and labour-intensive production and then upgrades its production structures in terms of skill and technology intensity through stages 3 and 4. In the 5th stage (Dunning, 1993), countries display a fluctuating net investment path where both inward and outward FDI are growing at high rates. Bellak (2001) differentiates between individual sectors of an economy as well as between individual partner countries. He disaggregates the economy-wide IDP by industries or sectors, which he calls the

‘structural investment development path’. The structural IDP covers only one sector of the economy. It is ownership-advantage driven because it reflects an industry’s competitive position in the world. As such the structural IDP can be seen in contrast to the bilateral IDP, which reflects a country’s net outward investment position versus a single partner country. This latter concept covers all sectors of an economy and is location-advantage driven. We will illustrate all three concepts: the macroeconomic IDP vis-à-vis the whole world as well as the bilateral and structural IDP for the ten new EU member states including Croatia.

In line with earlier empirical literature (Kottaridi et al., 2004; Rojec and Jaklic, 2002; Altomonte and Guagliano, 2001; Bevan and Estrin, 2000) we see that most NMS are still in stage 2 of the IDP (see Figure 1).<sup>2</sup> Evidence for stage 2 is present if we can see a negative relationship between the net outward position of a country and its GDP. In addition, a significant positive relationship between inward stocks and GDP has to be observed, because one characteristic feature of stage 2 is the strong expansion of the country’s attractiveness for FDI. Evidence for stage 3 is found when a U-shaped relationship can be detected and inward stocks begin to increase less than outward stocks. Casual inspection of the data shows that FDI inward stocks are increasingly exceeding FDI outward stocks in all countries, i.e. all countries are becoming increasingly attractive as a destination for direct investment.

Following again Dunning, we interpret the IDP within the OLI framework. This would imply that the NMS as a group show strong locational advantages while firms in the region show weak ownership advantages as well as weak incentives to internalize business activities in order to lower transaction costs. These assertions are in accordance with the high number of relatively small firms in the region. The growth of inward FDI is particularly pronounced in Estonia, the Czech

Republic and Hungary. These three countries also exhibit growing FDI outward stocks, however at levels still considerably lower than inward FDI. Slovenia shows a more stable net outward position due to its strongly increasing outward stocks and only moderately rising inward stocks. Outward FDI from Croatia is also above the average and rising. These observations can be interpreted to reflect certain firm-specific ownership advantages in these countries. We will look into the structural features of such advantages below. For all other countries, outward FDI stocks are still small and growing slowly. In absolute terms, Poland not only has the highest inward stocks in the region and growth therein, but it also shows the fastest growing deficit in net outward FDI stocks. However, in per capita terms, Poland’s position is well around the average for the eleven countries (NMS plus Croatia).

We also test for the stage in the IDP employing the following quadratic specification to the data:

$$NOI_{ikt} = \alpha_k + \beta_{1k} GDP_{it} + \beta_{2k} GDP_{it}^2 + \gamma_i + \varepsilon_{ikt}$$

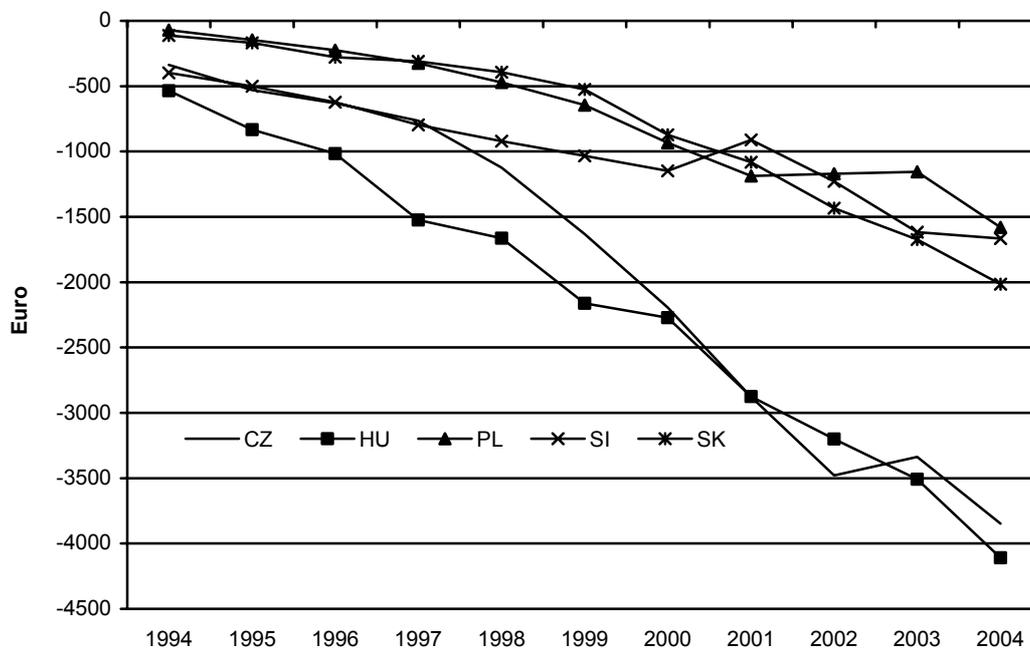
where  $NOI_{ikt}$  is the per capita net outward investment stock of country  $i$  in sector  $k$  and time  $t$  and  $GDP_{it}$  is per capita GDP, both variables being measured in millions of euro. Our conclusions are based on the panel of all eleven countries over the time period 1994 to 2005. The panel is unbalanced, since especially outward stocks are often reported for a shorter period only. We apply the same model to inward and outward FDI stocks in order to evaluate both trajectories independently. The results are presented in the first column of Table 3. The regression results for the total economy modify the impression gained from Figure 1 to some extent. While inward FDI stocks are increasing at a linear rate, outward FDI stocks are growing exponentially. These two developments lead to a flattening of the growing net inward position, which can be read from the first column of Table 3. Thus, the region has reached the turning point at the end of the 2nd stage of the IDP and is currently entering stage 3, which is characterized by a rise in

<sup>2</sup> Following Bellak (2001) we investigate the investment development path in per capita terms, using FDI stock data.

Figure 1

Economy-wide investment development path (per capita)

Net outward stock per capita - NMS-5



Net outward stock per capita - Baltics and new accessions

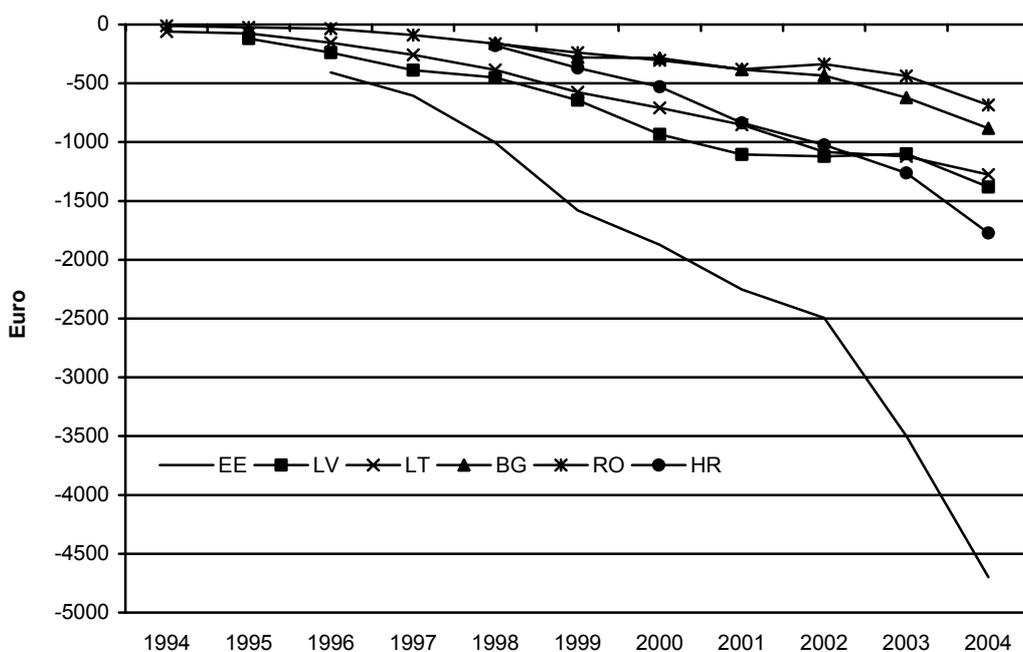


Table 3

**Investment development path per capita, net outward stocks**

	Total	Goods	Construction	Transport / Comm.	Finance / Insurance	Real Estate / Business
<b>GDP</b>	-0.71 **	-0.15 **	-1.19E-02 **	-0.07 **	-0.16 **	-0.11 **
	-6.69	-5.75	-5.64	-5.36	-3.19	-4.68
<b>GDP<sup>2</sup></b>	0.02 **	1.01E-03	4.85E-04 **	3.60E-03 **	2.51E-03	3.38E-03 **
	2.6	0.5	3.61	4.98	0.93	2.3
<b>constant</b>	1.76 **	0.29 **	2.79E-02 **	0.11 **	0.51 **	0.34 **
	4.8	3.58	3.99	2.1	2.53	4.2
<b>F-Value</b>	35.18	59.75	22.63	15.00	6.23	16.35
<b>R<sup>2</sup> within</b>	0.71	0.71	0.39	0.25	0.37	0.48
<b>R<sup>2</sup> between</b>	0.22	0.25	0.04	0.07	0.10	0.16
<b>R<sup>2</sup> overall</b>	0.30	0.34	0.09	0.07	0.14	0.22
<b>observations</b>	92	92	92	92	92	92

Note: Fixed effects panel regression with robust standard errors, dependent variable is net outward FDI stocks p.c.

**Investment development path per capita, inward stocks**

	Total	Goods	Construction	Transport / Comm.	Finance / Insurance	Real Estate / Business
<b>GDP</b>	0.68 **	0.10 **	1.41E-02 **	0.08 **	0.18 **	0.11 **
	5.78	4.32	5.59	5.48	3.02	3.95
<b>GDP<sup>2</sup></b>	-0.01	4.75E-03 **	-5.80E-04 **	-3.45E-03 **	-2.32E-03	-1.64E-03
	-1.15	2.37	-3.53	-4.6	-0.72	-1.03
<b>constant</b>	-1.75 **	-0.21 **	-3.42E-02 **	-0.11 **	-0.57 **	-0.35 **
	-4.24	-2.76	-4.02	-2.2	-2.41	-3.7
<b>F-Value</b>	32.81	83.35	20.77	14.99	5.95	15.98
<b>R<sup>2</sup> within</b>	0.72	0.80	0.43	0.29	0.36	0.49
<b>R<sup>2</sup> between</b>	0.28	0.39	0.06	0.09	0.11	0.19
<b>R<sup>2</sup> overall</b>	0.36	0.50	0.12	0.09	0.15	0.24
<b>observations</b>	92	92	92	92	92	92

Note: Fixed effects panel regression with robust standard errors, dependent variable is inward FDI stocks p.c.

**Investment development path per capita, outward stocks**

	Total	Goods	Construction	Transport / Comm.	Finance / Insurance	Real Estate / Business
<b>GDP</b>	-0.02	-0.06 **	3.94E-03 **	0.01 *	0.04 **	-1.20E-03
	-0.51	-7.35	2.61	1.7	2.33	-0.13
<b>GDP<sup>2</sup></b>	0.01 **	0.01 **	-2.01E-04 **	-1.13E-04	-1.10E-03	1.49E-03 **
	4.4	12.38	-3.07	-0.51	-1.39	2.91
<b>constant</b>	-0.04	0.14 **	-1.28E-02 **	-0.02	-0.14 **	-0.02
	-0.34	5.07	-2.13	-1.15	-2.05	-0.67
<b>F-Value</b>	40.98	117.52	5.14	14.88	5.60	24.39
<b>R<sup>2</sup> within</b>	0.73	0.83	0.19	0.24	0.36	0.50
<b>R<sup>2</sup> between</b>	0.44	0.71	0.02	0.02	0.04	0.18
<b>R<sup>2</sup> overall</b>	0.56	0.81	0.11	0.07	0.12	0.30
<b>observations</b>	75	75	75	75	75	75

Note: Fixed effects panel regression with robust standard errors, dependent variable is outward FDI stocks p.c.

outward investments and an improvement in the net outward position, still accompanied by growing inward stocks.

### Structural investment development path

We next turn to the structural decomposition of the IDP. The so-called 'structural IDP' (Bellak, 2001) covers only one sector and reflects a country's net outward investment position in this sector vis-à-vis all partners in the world. This gives interesting insights, since the exact position of the NMS on the idealized IDP differs among the individual sectors of the economy. Aggregate FDI and service trade flows are broken down by NACE, revision 1, 1-digit sectors, from which we use sectors A to K. We aggregate sectors A-D into goods as opposed to services, which are contained in sectors F-K.<sup>3</sup> Utilities, government services and personal, cultural and recreational services are not considered here.

From the remaining columns of Table 3 we can see that the flattening of the downward trend in aggregate net outward stocks stems entirely from service sectors such as construction, transport and business services, but also utilities, trade and repair and hotel and restaurants (not shown here). Thus, while NMS still show all characteristics of a stage 2 position in the manufacturing sector, they have already entered a more advanced net investment position in many service sectors. This is also reflected by the fact that inward FDI stocks in the manufacturing sector are still growing at an exponential rate along with increasing per capita GDP, while in all service sectors – with the exception of financial services and business services – the growth of inward FDI is slowing down. In financial services, NMS emerge as interesting destinations for foreign investment with still underdeveloped ownership or internalization advantages. Thus, they show a clear stage 2 position in this sector with a strong locational advantage arising from their growing market potential. One of the main characteristics of the successful economic transition in these countries is

<sup>3</sup> These are: construction (F), trade and repair (G), hotels and restaurants (H), transport and communications (I), finance and insurance (J) and real estate, renting and business activities (K).

the important role played by the well-functioning and mostly foreign-owned banking sector in providing funds and allocating them efficiently to the most productive firms. Even though inward stocks are still rising linearly in business services, the steeper increase of outward stocks points towards the fact that NMS are also moving into stage 3 in this service category. It is interesting to note that the move into stage 3 of the IDP takes place in the service sector in all countries except Slovenia. Slovenia is the only country to show an impressive rise in outward FDI in the manufacturing sector, leading to a mature net investment position in this sector. All other countries are attractive as locations for manufacturing production but do not yet show any ownership or internalization advantages in manufacturing.

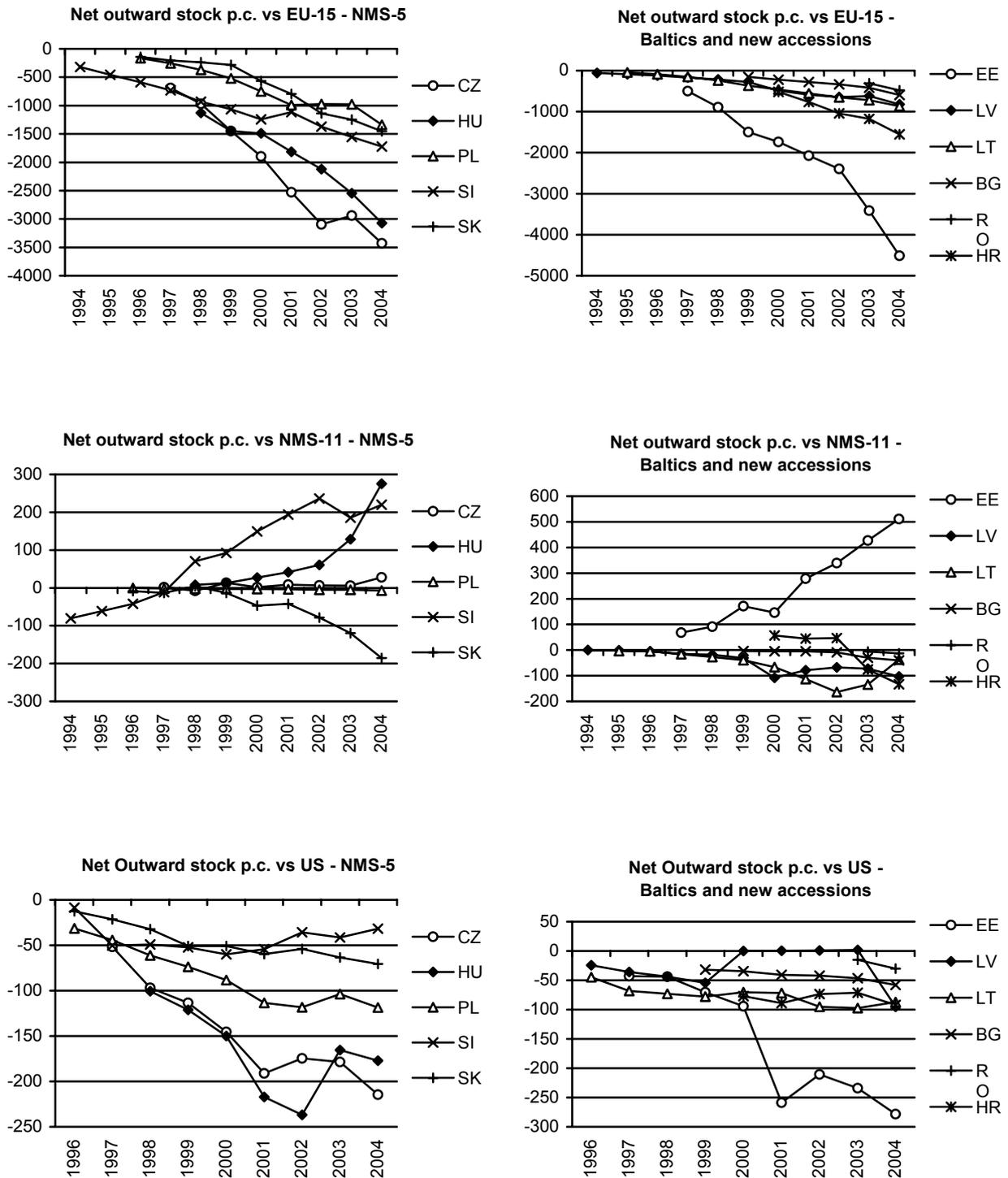
### Bilateral investment development path

In this section, we turn to the bilateral decomposition of the IDP. Figure 2 shows that new EU member states are net receivers of FDI from the old member states, the most important source of foreign direct investment for the region. 60% to 80% of all inward FDI in the NMS originates in the EU-15. However, within the region we can identify a few countries that show a very mature position of being a net donor of capital, albeit without ever having gone through the first 3 stages of the IDP. Estonia, Slovenia, Hungary and recently also the Czech Republic are net investors in the new member states. With the exception of Slovenia, they have never been net recipients of FDI from the region. Versus the US, again most countries show net FDI inflows, implying a rather early stage on the IDP. This pattern is strikingly stable compared to the increasing net inward investments from partners in the old EU members.

Since the bilateral IDP can be interpreted as reflecting locational advantages of a country, it can be concluded that the new member states indeed show such locational advantages which make them attractive as destinations for foreign capital from the old EU members. However, the rather low level of outward investment suggests that firm-specific or ownership advantages are quite low in the NMS.

Figure 2

Bilateral breakdown of net outward position (per capita)



Within the region, however, the four most developed countries mentioned above do exhibit clear firm-specific advantages, which is reflected in their constantly positive net FDI position.

### Summary

While on the macroeconomic level, we find that NMS on aggregate are still in stage 2 of the IDP, there is evidence of a more advanced stage on the IDP (stage 3) in some service sectors such as construction services, transport and communication services and real estate and business services. Thus, the turnaround from being a net receiver of foreign capital to becoming also a sender of foreign capital has taken place in services before such a mature stage was reached in the goods sector. We relate this finding to the motives for FDI and conclude that supply factors – such as qualified and also comparatively cheap labour – matter more strongly in goods production whereas demand factors – such as market size and growth in market size – play a more important role in services. The relative position on the Investment Development Path depends also on the respective partner country. Within the region, Estonia, Hungary, the Czech Republic and Slovenia have become net outward investors, i.e. they have developed firm specific ownership advantages compared to the remaining new member states. Versus the old member states, all countries are net recipients of capital, reflecting their attractiveness as locations for FDI.

Hence, a differentiated view is in order when evaluating a country's propensity to be a net inward or outward investor. Central and Eastern European countries find themselves simultaneously at different stages of development, with the attractiveness for receiving and the ability to send FDI varying from sector to sector and between different partner countries. The interesting finding for the NMS in particular is that they have reached a more advanced stage of the IDP in the service sector before attaining a similar level in the goods sector. While supply-side factors and partly import substitution still matter importantly in the goods sector, demand factors and hence market-seeking motives play an important role for investment in

many services sectors. NMS have not yet reached a stage where efficiency- and asset-seeking motives seem to play a role for investment. The different stages reached on the IDP is also reflected in the skill structure within these sectors as well as the NMS' comparative advantages as revealed by trade flows.

### References

- Altomonte, C. and C. Guagliano (2004), 'Competing locations? Market potential and FDI in Central and Eastern Europe vs. the Mediterranean', *LICOS Discussion Paper* No. 108, Centre for Transition Economies, Catholic University Leuven.
- Altzinger, W. (2004), 'Outward Foreign Direct Investment from (former) Transition Countries – Some Vital Mean for Improving Competitiveness?', Paper presented at the Conference 'New Europe 2020: Strategies and Visions for Wider Europe', Turku, 27-28 August 2004.
- Bellak, C. (2001), 'The Investment Development Path of Austria', *Transnational Corporations*, Vol. 10, No. 2 (August), pp. 107-134.
- Bevan, A. A., S. Estrin and H. Grabbe (2000), 'The Determinants of Foreign Direct Investment in Transition Economies', *CEPR Discussion Paper* No. 2638, London.
- Dunning, John (1981), 'Explaining the international direct investment position of countries: towards a dynamic or developmental approach', *Weltwirtschaftliches Archiv*, Vol. 119, pp. 30-64.
- Dunning, John (1993), 'Multinational Enterprises and the Global Economy', Wokingham, England, and Redding, MA: Addison-Wesley.
- Dunning, John H. and R. Narula (1996), 'The investment development path revisited, some emerging issues', in: J. H. Dunning and R. Narula (eds.), *FDI and Governments*, London.
- Hunya, G. and M. Schwarzappel (2006), *wiiw Database on Foreign Direct Investment in Central, East and Southeast Europe: Increasing Significance of Repatriated and Reinvested Earnings*, The Vienna Institute for International Economic Studies (wiiw).
- Kottaridi, C., F. Filippaios and M. Papanastassiou (2004), 'The investment development path and the product cycle – an integrated approach: empirical evidence for the new EU member states of CEE', University of Reading Discussion Paper 003-04.
- Rojec, M. and A. Jaklic (2002), 'Integration of Slovenia into EU and global industrial networks: review of existing evidence', Centre for the Study of Economic and Social Change in Europe, School of Slavonic & East European Studies, University College London.

## Sources of growth in the CIS

BY GARBIS IRADIAN\*

*The paper analyses the sources of recent rapid growth in the Commonwealth of Independent States (CIS)<sup>1</sup> and the prospects for its continuation. The central conclusion of the paper is that the rapid growth was dominated by remarkable increases in total factor productivity (TFP). TFP growth of the CIS in 2001-2005 was almost double that in the Central and Southeast European economies. Looking ahead, the critical question is whether such rapid TFP growth can be sustained. The challenge will be to improve the investment climate.*

From 2000 to 2005, the average unweighted GDP growth rate in the CIS was 8% per year. The contraction in output during the first half of the 1990s, however, was so deep that as of end-2005 real GDP figures for Moldova, Georgia, Ukraine, Tajikistan, the Kyrgyz Republic, and Russia were still below their 1990 levels (Table 1). The size of the output decline in the early 1990s varied significantly across countries depending, in part, on the extent of the pre-transition position within the Soviet Union and regional conflicts.

The experience of most fast-growing economies shows that to sustain economic growth of at least 6% a year for a long period (15 to 20 years) the investment-to-GDP ratio should exceed 25% (examples include China, South Korea, Malaysia, Thailand and Vietnam). But investment outlays for the CIS, excluding Azerbaijan, averaged about 22% of GDP in 2001-2005, and total employment for the region as a whole at end-2005 was about 10% below its 1989 level. Total factor productivity

(TFP), including greater capacity utilization, appears to have contributed more to growth than factor inputs.<sup>2</sup>

In the following we attempt to quantify the factors that have been responsible for the CIS performance in recent years. In this way, insight can be gained into answering the question of whether comparable growth rates can be sustained in the future. Growth accounting helps to explain growth rates by decomposing them into the contributions of capital, labour, and a residual measure of gains in the efficiency with which capital and labour are used. This residual is an estimate of the changes in total factor productivity (TFP) that reflect, in addition to biases due to methodological assumptions and measurement errors, a wide range of factors affecting the inputs' efficiency.

### Data and methodology

The data set for transition economies includes 25 countries (comprising 11 CIS, 3 Baltic, 5 CEE, and 6 SEE countries) and generally covers the period 1991-2005. For comparison we also calculated the growth accounting for several fast-growing economies including Chile, China, Ireland, and South Korea. The data come primarily from the IMF World Economic Outlook (WEO), the International Labour Organization (ILO), and the Vienna Institute for International Economic Studies (wiiw). The data set on the CIS, in particular, suffers from various serious weaknesses due to underreporting by private enterprises, particularly in the early years of transition, to avoid taxes and regulations. The decline in output during the first half of the 1990s could be overstated because the statistical system was designed to collect information only on publicly owned enterprises. Beyond the mid-1990s, the information on the emerging private sector gradually became available and incorporated in the statistical system.

\* This text is a part of the forthcoming *wiiw Research Report*, 'Rapid Growth in the CIS: Is It Sustainable?'. Garbis Iradian was a guest researcher at the wiiw during the preparation of this study. He is now senior economist at the International Monetary Fund (IMF). The views expressed are those of the author and should not be interpreted as those of the wiiw or the IMF.

<sup>1</sup> The CIS region includes Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyz Republic, Moldova, Russia, Tajikistan, Turkmenistan, Ukraine, and Uzbekistan.

<sup>2</sup> TFP is a measure of elements such as managerial capabilities and organizational competence, research and development, intersectoral transfers of resources, increasing returns to scale, embodied technical progress, and diffusion of technology.

Table 1

**Output performance in the FSU, 1990–2005**

	<b>Cumulative output decline to lowest level (1990=100)</b>	<b>Year in which output was lowest</b>	<b>Average growth since lowest level</b>	<b>Real GDP in 2005 (1990=100)</b>
Georgia	68	1994	6.5	62
Moldova	66	1999	3.5	49
Ukraine	59	1998	7.3	63
Azerbaijan	58	1995	9.0	98
Armenia	53	1993	8.2	120
Tajikistan	51	1996	7.4	73
Kyrgyz Rep.	49	1995	4.5	80
Latvia	47	1995	7.1	103
Russia	42	1998	6.7	91
Kazakhstan	39	1995	6.6	113
Belarus	37	1995	6.8	121
Lithuania	34	1994	6.1	105
Estonia	30	1994	6.6	137
Uzbekistan	18	1995	4.4	126

Sources: IMF (WEO database) incorporating national statistics.

Measuring capital is fraught with difficulties as none of the CIS countries have official estimates of capital stock. In this article, the capital stock is estimated indirectly from investment. This can be done by using the inventory method, which relies on the process of the accumulation of capital. The value of capital stock in a given year is equal to the value of the capital stock of the previous year, plus the real gross investment during the year, minus the depreciation of the initial capital during the year. (The depreciation rate assumed is 7%.) Estimates of the capital stock are in general considered unreliable due to the lack of information about the initial capital stock and the rate of depreciation of capital. However, given the availability of time series on investment for 16 years from the IMF database, the importance of the assumption about the initial capital stock is reduced. The capital stock in 1990 is assumed at 1.7 times the real GDP.

Another concern about the measurement of the capital stock for a transition economy is that during the initial contraction a significant portion of the communist capital stock may not only be temporarily idled, but may actually be permanently scrapped. In order to address this concern, the

capital stock for the CIS countries is reduced by the same rate as output between 1990 and 1994, so that the (capital/output) ratio is not allowed to rise during the course of the contraction. For labour input, ILO data on the economically active labour force are used. But the measure of the labour force treats all workers as if they were identical over time and across countries. In reality, there are major differences in the quality of labour. Some previous growth accounting studies, which used period averages of 5 to 10 years, made adjustments to labour quality by including education, age and gender. Such information is available only for selected years and a limited number of countries. More importantly, the educational level, as measured by secondary school attainment, for the 25 transition economies is relatively high as compared with other developing and emerging economies, and there is little variation across CIS countries and over time. Thus, the correlation between the educational level and growth is expected to be weak in this case. In the absence of adequate indicators that reflect changes in the quality of labour over time and across countries, the growth in total factor productivity will be overestimated.

The organizing principle of growth accounting is the Cobb-Douglas aggregate production function:

$$Y = e^{\theta} \hat{K}^{\alpha} \hat{L}^{\beta} \quad (1)$$

where  $Y$  is GDP in real terms,  $\theta$  is the rate of productivity growth,  $\alpha$  represents the share of capital,  $\beta$  represents the share of labour,  $\hat{K} = u_k K$  is the capacity utilization-adjusted measure of capital stock, and  $\hat{L} = u_L L$  is the employment-adjusted measure of labour utilization. Failure to adjust for capacity utilization of capital and labour, and failure to account for improvement in capital and labour quality tend to overestimate  $\theta$  (growth rate of the total factor productivity, TFP). Among the CIS, capacity utilization estimates are only available for Russia based on surveys in industry. These surveys suggest a 'U-shaped' pattern of capital utilization, falling until 1996 and rising from 1999 onwards. High capacity utilization in recent years may also have been spurred by structural reform. These surveys also show that labour utilization increased from around 70% during 1994-1998 to around 85% during 2000-2004. In the following, the results of the capacity utilization for Russia are used as proxy for capital stock and labour utilization in other CIS countries. Output growth is then divided into components attributable to changes in the factors of production. Rewriting equation (1) in growth rates:

$$y = \theta + \alpha \hat{k} + \beta \hat{l} \quad (2)$$

where  $y$  is the per capita growth rate in output,  $\theta$  is the growth rate of TFP,  $\hat{k}$  is the growth rate of the capacity utilization-augmented capital stock, and  $\hat{l}$  is the growth rate of skill-augmented labour. Also, we assume a degree of competition sufficient to ensure that earnings of the factors are proportional to their productivities. The shares of income paid to the factors can then be used to estimate their relative importance in the production process ( $\alpha$  is the share of capital and  $\beta$  is the share of labour, with constant return to scale  $\alpha + \beta = 1$ ). This implies that the growth in total factor productivity ( $\theta$ ) can be calculated as the growth rate of output ( $y$ ) less the share-weighted growth of factor inputs ( $\alpha \hat{k}$  and  $\beta \hat{l}$ ). Another approach would be to estimate the coefficients of the production function by

regressing the growth rate of output on the growth rate of inputs, growth in capital and labour rates (Table 2). The intercept then measures the growth in TFP, and the coefficients on the factor growth rates measure the shares of capital and labour, respectively. The main advantage of this approach is that it dispenses with the assumption that factor marginal products coincide with the observable factor shares. (Also, it does not impose constant returns to scale.)

### *Results of growth accounting*

The disadvantage of the regression approach is that the growth of capital and labour cannot usually be regarded as exogenous with respect to variations in TFP – in particular, the factor growth rates would receive credit for correlated variations in unobservable technological change. Also the regression framework has to be extended from its usual form to allow for time and cross-section variations in factor shares and in the TFP growth rate. Existing literature on industrial countries shows a range for the capital share of 0.30 to 0.45. For the developing countries the reported capital shares by several studies are well above those of the industrial countries. Table 3 shows the estimated TFP growth under two scenarios. Scenario B uses the same capital share as in Scenario A, but the growth in factor inputs (capital and labour) is adjusted for capacity utilization using the survey results of industry in Russia as a proxy for capacity utilization in other CIS countries.<sup>3</sup> The estimated share of capital is 0.40 using annual data for the period 1996-2005. This is close to the reported share of capital in the literature for industrial countries.

Interestingly, ordinary least squares (OLS) estimates for period averages, of five years each, also indicate a share of capital close to 0.40, but the estimated share of labour is significantly higher (about 0.70). The general fit reported in Table 3 is good with an R-squared value of 0.71 in regression

<sup>3</sup> Based on details of national accounts by income source, labour income can be estimated as the category "average earnings of employees" and capital income as the category "gross profits and gross mixed income." These estimates imply that the share of capital during the period 1995-2004 was about 50% for Russia.

Table 2

## Production function estimates for transition countries

Regression	Period	Method of estimation	Intercept TFP growth	Share of capital	Share of labour	R Squared	Observations
1	1996–2005 (Annual data)	GLS with Fixed Effects	2.20 (2.1)	0.61 (3.3)	0.60 (6.3)	0.53	216
2	1996–2005 (Annual data)	GLS with Random Effects	1.43 (2.1)	0.77 (6.3)	0.54 (6.6)	0.47	216
3	1996–2005 (Annual data)	GLS with weights	3.28 (6.4)	0.41 (3.9)	0.60 (7.3)	0.71	216
4	1991–1995 (Annual data)	GLS with weights	-1.84 (4.4)	0.81 (22.6)	0.35 (3.9)	0.87	120
5	1991–2005 (Annual data)	GLS with weights	0.24 (1.5)	0.88 (30.8)	0.48 (7.1)	0.83	336
6	1996–2005 (Period averages) <sup>1)</sup>	OLS	2.42 (2.8)	0.41 (3.6)	0.70 (5.4)	0.85	50
7	1991–1995 (Period averages) <sup>2)</sup>	OLS	-3.3 (3.1)	0.82 (10.7)	0.35 (1.8)	0.81	25

Notes: A Hausman test favours the Generalized Least Squares (GLS) estimate of panel data with fixed effects. Values in parentheses are T-statistics.

1) Period averages of 5 years each. Each country represented in two observations. – 2) Period average of 5 years. Each country represented with one observation.

Source: Authors' own calculations, as explained in text, based on the WEO, wiiw, and ILO databases.

number 3. The growth in per capita output, divided into the contributions of increases in capital, labour and total factor productivity under two scenarios, is presented in Table 3 for 11 CIS countries over three sub-periods of 1991–2005. For comparative purposes, the unweighted averages for the Baltic, CEE and SEE countries are also presented. Scenario A shows that, without adjusting for capacity utilization, on average 63% of the output growth in the CIS in 2001–2005 is explained by the growth in TFP. Scenario B shows that, when adjustment for capacity utilization is made, the contribution of TFP drops to about 50%. This implies that the increase in capacity utilization has been an important factor behind GDP growth since 1996.

TFP growth was sharply negative in the early years of the transition but turned very significantly positive after the mid-1990s, indicating that part of the initial sharp productivity decline was temporary,

with production factors being less than fully utilized. During the sharp contraction of 1991–1995, TFP fell dramatically, accounting for slightly more than half of the contraction in output. Factor contribution was also negative in the CIS and the Baltics during the first half of the 1990s, reflecting the reduction in employment and investment.<sup>4</sup> With the exception of Uzbekistan, total labour employment fell in all the other CIS countries (for Russia an annual average fall of 3%). To test for the robustness of the TFP growth estimates, based on the choice of the depreciation rate of capital and the initial capital output ratio, several scenarios are conducted with depreciation rates ranging from 3% to 10%, and the initial capital output ratios ranging from 1% to 2.5%. The essence of the results does not change much. All scenarios show similar patterns and magnitude of the changes in TFP.

<sup>4</sup> The investment collapse had additional negative repercussions, as it accelerated the aging of the capital stock.

Table 3

## Growth accounting results, 1991-2005

Country	Period	Real GDP growth rate	Investment to GDP ratio	Labour productivity growth	Contribution in percentage points of GDP					
					Scenario A			Scenario B <sup>1)</sup>		
					Capital	Labour	TFP	Capital	Labour	TFP
Armenia	1991–1995	-10.0	17.8	-8.4	-4.4	-1.2	-4.5	-5.6	-1.1	-3.3
	1996–2000	5.1	17.0	8.2	1.7	-1.7	5.1	2.1	-1.2	4.2
	2001–2005	12.1	23.0	13.2	4.1	-0.6	8.6	5.2	-0.4	7.3
Azerbaijan	1991–1995	-15.6	16.0	-14.6	-3.3	-0.7	-11.5	-3.7	-0.6	-11.3
	1996–2000	7.1	30.4	6.6	2.3	0.3	4.5	2.7	0.4	4.0
	2001–2005	13.7	40.6	12.8	5.2	0.5	8.0	6.0	0.7	7.0
Belarus	1991–1995	-8.3	26.8	-6.0	-0.7	-1.5	-6.1	-0.5	-1.4	-6.4
	1996–2000	6.4	25.0	6.2	1.9	0.1	4.4	2.7	0.2	3.5
	2001–2005	7.5	24.8	8.1	2.2	-0.3	5.6	2.9	-0.2	4.8
Georgia	1991–1995	-19.9	8.6	-13.2	-8.4	-5.2	-6.3	-9.2	-4.0	-6.7
	1996–2000	5.9	19.5	5.5	2.5	0.3	3.0	3.0	0.5	2.4
	2001–2005	7.3	24.3	8.5	3.4	-0.6	4.6	4.3	-0.4	3.4
Kyrgyzstan	1991–1995	-12.6	15.7	-11.4	-4.2	-0.7	-7.6	-4.7	-0.6	-7.3
	1996–2000	5.6	16.5	4.1	1.2	0.9	3.6	1.5	1.2	2.9
	2001–2005	3.8	17.9	1.9	1.7	1.1	1.0	2.1	1.3	0.4
Moldova	1991–1995	-15.7	16.8	-15.7	-6.0	-2.6	-7.1	-6.7	-2.4	-6.6
	1996–2000	-2.4	18.7	-2.4	0.8	-1.3	-2.0	1.1	-0.9	-2.6
	2001–2005	7.0	19.4	7.0	1.4	-0.5	6.1	1.9	-0.3	5.4
Kazakhstan	1991–1995	-9.2	28.9	-7.2	-2.6	-1.3	-5.3	-2.9	-1.2	-5.1
	1996–2000	2.5	17.0	3.6	0.7	-0.6	2.5	1.5	-0.4	1.4
	2001–2005	10.3	25.9	6.9	3.5	1.9	4.9	4.4	2.3	3.6
Russia	1991–1995	-9.0	22.4	-6.1	-2.9	-1.9	-4.3	-3.2	-1.7	-4.1
	1996–2000	1.6	17.2	1.5	0.7	0.1	0.8	1.5	0.2	-0.1
	2001–2005	6.1	20.5	5.2	1.9	0.6	3.6	2.8	0.7	2.6
Ukraine	1991–1995	-12.2	25.3	-11.0	-3.5	-0.8	-7.9	-3.9	-0.7	-7.6
	1996–2000	-1.8	19.9	0.2	0.5	-1.2	-1.2	1.3	-1.7	-1.4
	2001–2005	7.3	20.3	6.6	1.2	0.5	5.7	2.1	0.5	4.7
CIS-11	1991–1995	-12.1	20.0	-10.4	-3.9	-1.4	-6.8	-4.3	-1.5	-6.3
	1996–2000	3.0	19.7	3.3	1.3	-0.2	2.0	1.6	0.0	1.4
	2001–2005	8.1	23.3	7.3	2.5	0.4	5.1	3.2	0.7	4.2
Baltics <sup>2)</sup>	1991–1995	-9.0	18.2	-4.7	-2.3	-2.6	-4.0	...	...	...
	1996–2000	5.1	23.5	6.4	2.1	-0.7	3.7	...	...	...
	2001–2005	7.7	27.4	6.3	3.0	0.8	3.9	...	...	...
Central Europe <sup>2)</sup>	1991–1995	-0.7	22.7	2.5	1.2	-1.9	0.1	...	...	...
	1996–2000	3.7	26.0	3.8	1.8	0.0	1.6	...	...	...
	2001–2005	3.7	23.8	3.4	1.3	0.1	2.3	...	...	...
Southeast Europe <sup>4)</sup>	1991–1995	-6.0	17.3	0.1	-2.5	-3.8	0.2	...	...	...
	1996–2000	5.4	22.5	3.4	2.8	1.2	1.3	...	...	...
	2001–2005	4.5	23.5	4.9	2.3	-0.2	2.3	...	...	...

Notes: 1) Adjusted for capacity utilization based on the results of surveys of Russian industry. – 2) Includes Estonia, Latvia and Lithuania. – 3) Includes Czech Republic, Hungary, Poland, Slovak Republic and Slovenia. – 4) Includes Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Macedonia and Romania.

Sources: Author's own calculations, as explained in text, based on the databases of the IMF, wiw, and ILO.

## Sources of growth

The results show that growth differences across countries and over time were driven mainly by labour productivity. Growth in labour productivity can be decomposed into capital deepening (i.e., increases in physical capital) and growing TFP, which in this study includes improvement in labour quality. The results indicate that during 2001-2005, the CIS enjoyed faster TFP growth than the CEE and SEE countries. TFP growth was highest in Armenia, Belarus, Tajikistan, and Ukraine. Growth in Azerbaijan has been driven more by capital investment (primarily in the oil sector) adding to an already high capital stock. Moldova and Ukraine have experienced a delayed economic rebound, more so than the other CIS countries. In particular, TFP in these two countries only started to recover in 2000. During 1996-2005, when the unweighted average annual real GDP grew by 5.6% in the CIS countries, the average annual growth of TFP was 3.2 percentage points (with no adjustment for capacity utilization), whereas the contribution of factor inputs (i.e., the combined contributions of capital growth and labour force growth) was a mere 2.4 percentage points.

Overall the estimated TFP growth for the CIS countries are quite high compared with the results found in the literature on growth accounting for other countries. A natural question is then, what were the factors that led to this high TFP growth?

- Increases in TFP could come from reallocating human and physical capital to the more productive processes and reductions in distortions in the economy. For example, lowered tariff barriers and phased out selective interventions that target certain sectors have led to a reallocation of resources to more productive activities.
- Higher TFP growth could also be explained by the scale of some of the CIS economies, which are small and poor economies with very low endowment of technology. Hence, for a given technological innovation, the smaller the initial endowment the higher the growth of TFP. When capital is scarce, its marginal productivity is considerable. Therefore, for similar investment

rates, the contribution of capital deepening should be larger in economies with less capital.

- More importantly, increases in capacity utilization could also raise TFP growth. Most CIS countries experienced significant increases in capacity utilization from their low levels reached in the mid-1990s.

The estimated TFP growth rates in Table 3, using the growth accounting framework, consist of both technological progress and technical efficiency change. Here it is assumed that technological change (the movement of best practice) is constant and does not vary across countries.<sup>5</sup> Under this assumption all of the variance in rates of TFP change derives from variance in the rate of technical efficiency change.

It should be noted that the estimate of TFP that is derived in this section should be interpreted with caution, since the methodology used here does not adjust factor inputs for quality changes. The implication is that the incremental effect on growth of embodied technological advancement is not attributed to capital but rather is measured as a higher level of TFP. The same measurement problem can also arise in the case of labour. As education and on-the-job training act to improve the quality of labour, measured TFP will be enhanced. This 'mis-measurement' of TFP may well be significant in the case of the CIS, following the move from central planning to market economies in the past 15 years. It is unclear whether the recent rapid growth, driven mostly by improvements in TFP, will be sustained over the medium to long term. A large part of productivity growth in the CIS reflects improvements in the allocation of resources, the better use of investment, increases in capacity utilization, elimination of inefficiency and higher intensity of work.

<sup>5</sup> Industrial sector estimates of TFP change in developed economies generally yield a compact distribution of rates with a mean value close to 1.5% a year, both within and across economies. This may therefore be a good first approximation of the rate of technological change.

*CIS and other regions compared*

Examining differences in the sources of the recent fast growth in the CIS and East Asia, and of the rapid growth in Europe during the 'Golden Age' (1950-1970), is instructive. Growth-accounting estimations suggest that periods of sustained, rapid growth typically result from high investment combined with strong TFP. During the 'Golden Age' in Western Europe and Japan, there were strong contributions to growth from TFP gains. The average contribution of TFP to output growth was 2.7 percentage points for the seven major industrial countries – close to the estimated TFP growth for the CIS, and accounting for about half of the growth in output. Catching up, scale effects, and improvements in resource allocation made strong contributions to TFP during 1950-1960 (Maddison, 1996).<sup>6</sup> These improvements stemmed from adjusting to trade liberalization, exploiting opportunities for mass production as larger and better integrated markets emerged, and from moving resources out of relatively low-productivity agriculture. As catch-up growth weakened, the magnitude of TFP growth fell markedly after 1973. The same argument may be made for the catching-up process of the CIS after the sharp fall in output during the early years of transition.

The East Asian growth has relied much more heavily on factor inputs, both labour and capital, and less on TFP growth than that of 'Golden Age' Europe and the current CIS rapid growth. Gains in the TFP of the 'four tigers' (Korea, Taiwan, Hong Kong and Singapore) accounted for only one fourth of the growth in output over the past three decades. According to Young's (1995) estimates, physical capital accumulation boosted growth in the 'four tigers' by 4 percentage points during 1966-1990, much more than observed in other regions. TFP contributed only 1.7 percentage points to growth and labour 3.3 percentage points. The average investment to GDP ratio in these four countries was at least 30% during that period, and

government policies may have played a key role in sustaining the high growth. The estimates in this paper show that factor inputs in South Korea over the past three decades (1975-2005) accounted for 70% of the growth, the same as in China over the past 15 years (1991-2005).

There are very few countries around the world that were able to sustain rapid growth for more than 15 years with relatively low shares of investment in GDP. These include Chile, Ireland and India.

- In Chile, factor accumulation was the primary determinant of GDP growth. From 1976 to 1990, GDP growth averaged 5.1%, with factor accumulation accounting for over 80% of total growth (equally divided between capital and labour). From 1991 to 2005, economic growth strengthened further to an annual average of 5.8%, reflecting higher investment and improvements in capital and labour efficiency. As a result TFP grew rapidly and contributed some 29% of GDP growth, still significantly below the TFP growth of the CIS. The main policies underpinning the sustained rapid growth included the following: (a) strong fiscal discipline; (b) strengthened financial system; and (3) improved institutional arrangements that created a more stable macroeconomic environment.
- Ireland's impressive economic performance over the past two decades was also driven largely by factor inputs. Although productivity growth was strong, what set Ireland apart was the large increase in labour utilization in the past two decades. Although not the only factor, the social partners have contributed significantly to the increase in the employment rate since the early 1990s, which has averaged about 4% per year. Consequently, unemployment declined from double-digit levels in the 1980s to 4% in 2005.
- India has also witnessed rapid growth over the past decade, averaging about 6% a year, although the investment-to-GDP ratio remained relatively low (22%). Growth has been driven largely by increased labour utilization and efficiency gains. Until the mid-1990s, export growth was in single digits and narrowly based. Since 2000, the volume of exports has grown three times faster than in the latter half of the

<sup>6</sup> The United States of America saw per capita income growth averaging 2.4% a year between 1950 and 1973; over the same period in Germany per capita income grew on average by 5% a year; and in Japan by slightly more than 8%.

1990s. This acceleration has been led by services exports – particularly software and Information Technology (IT).

A key driver in the above trade dynamics has been FDI by multinational corporations. Not only has East Asia received more FDI flows than Latin America, but the flows to East Asia have been mostly channelled into manufacturing, which fed exports. In contrast, more than half of the FDI in Latin America was related to mergers and acquisitions in connection with the privatization of state-owned utilities and domestic banks. Much of the rest has been directed to the exploitation of natural resources, particularly mining and oil. This is similar to the current situation in the CIS countries where most of the FDI is related to privatization or directed to the exploitation of natural resources.

### Concluding remarks

Given the experiences of the fast growing economies over the past four decades, one may conclude that the current rapid economic growth in some of the CIS may not be sustainable in the medium and long run. As post-transition reallocation gradually tapers off, the CIS economies must raise their investment further, particularly in the non-commodity sectors, in order to sustain high rates of GDP growth. The downside risk also arises from a high concentration of exports in commodities such as gold in the Kyrgyz Republic, aluminium in Tajikistan, gold and cotton fibre in Uzbekistan, and oil and gas in Azerbaijan, Kazakhstan and Russia (Table 4).

Much of the new investment in the CIS has been in the extractive industries, while relatively little has gone to other sectors of the economy. The commodity price boom may have complicated efforts to diversify production and exports away from primary materials to goods with a higher value-added component. Recent investments – both domestic and foreign-financed – have often focused on extraction industries (Azerbaijan, Turkmenistan) or on commodity transport infrastructure (oil and gas pipeline projects in Azerbaijan, Georgia, Kazakhstan). While Armenia, Belarus, Moldova and Georgia are relatively less

dependent on commodities, they are more closely dependent on Russian investment and import demand (machinery and equipment in case of Belarus, agricultural and beverage products in case of Georgia and Moldova).

Long-term rapid growth, therefore, will be increasingly dependent on the ability of the region to diversify, and raise investment in the non-commodity sectors. This would require a deepening and acceleration of the reform process including improvement in the quality of institutions to create a better business environment. The unfavourable demographic trends of fertility rates and continued emigration of the young will make it difficult for Armenia, Belarus, Georgia, Moldova, Russia and Ukraine to attain and maintain savings rates as high as those recorded by most rapidly growing economies. The demographic situation appears to be more favourable in Azerbaijan, Kazakhstan, the Kyrgyz Republic, Tajikistan and Uzbekistan due to the relatively higher fertility rates (which is synonymous with the rate of population growth).

### References

- Christensen, L., and D. Jorgenson, 1980, "Economic Growth, 1947–1973: An International Comparison," In J.W. Kendrick and B. Vaccara (eds.), *New Developments in Productivity Measurement and Analysis, Studies in Income and Wealth*, Vol. 41 (Chicago: University of Chicago Press).
- Dougherty, Christopher, 1991, *A Comparison of Productivity and Economic Growth in the G-7 Countries*, Ph.D. dissertation, Harvard University.
- Maddison, A., 1996, "Macroeconomic Accounts for European Countries," in B. van Ark and N.F.R. Crafts (eds.), *Quantitative Aspects of Postwar European Economic Growth* (Cambridge: Cambridge University Press), pp. 27–83.
- Oomes, Nienke, and Oksana Dynnikova, 2006, "The Utilization-Adjusted Output Gap: Is the Russian Economy Overheating?" *IMF Working Paper*, No. 06/68; (Washington, D.C.: International Monetary Fund).
- Young, A., 1995, "The Tyranny of Numbers: Confronting the Statistical Realities of the East Asian Growth Experience," *Quarterly Journal of Economics*, August, pp. 641–680.

Table 4

### Comparison of growth accounting by countries and regions

(in per cent, annual averages)

	Share of capital in output	Real GDP growth	Investment as % of GDP	Contribution to growth (percentage points)			Share of TFP in output (in %)	Growth in productivity of labour (in %)
				Capital	Labour	TFP		
CIS (1996-05) <sup>1)</sup>	40%	5.6	22	2.4	0.3	2.9	50	5.5
Armenia	40%	8.6	20	3.6	-0.9	5.9	69	10.9
Azerbaijan	40%	10.5	36	4.7	0.6	5.2	50	8.8
Belarus	40%	6.9	25	2.6	0.0	4.3	62	7.2
Georgia	40%	6.6	22	3.7	-0.1	3.0	45	7.0
Kyrgyz Republic	40%	4.7	17	1.8	1.2	1.7	36	3.0
Kazakhstan	40%	6.4	21	2.6	0.8	3.0	47	5.3
Moldova	40%	2.3	19	1.5	-0.6	1.4	61	2.3
Russia	40%	3.9	19	1.6	0.4	2.0	50	3.4
Tajikistan	40%	4.9	15	0.8	0.7	3.4	69	4.3
Ukraine	40%	2.8	20	1.1	0.0	1.7	61	6.0
Uzbekistan	40%	3.6	20	2.3	1.2	0.1	3	2.0
Baltics (1996-05) <sup>1)</sup>	40%	6.4	25	2.6	0.0	3.8	59	6.4
Central Europe (1996-05) <sup>1)</sup>	40%	3.7	25	1.5	0.0	2.2	46	3.6
Southeast Europe (1996-05) <sup>1)</sup>	40%	4.9	23	2.6	0.5	1.8	37	4.2
Chile <sup>1)</sup>								
1976-90	40%	5.1	18	2.3	2.1	0.7	14	1.6
1991-05	40%	5.8	23	2.9	1.2	1.7	29	3.6
Ireland <sup>1)</sup>								
1986-95	40%	4.8	17	1.8	1.1	1.9	40	3.0
1996-05	40%	7.4	23	3.7	2.4	1.3	18	3.2
Korea <sup>1)</sup>								
1976-90	40%	8.2	30	4.0	1.7	2.5	30	5.1
1991-05	40%	5.6	33	2.9	1.0	1.7	30	3.9
China <sup>1)</sup>								
1991-05	40%	9.7	37	6.1	0.8	2.8	29	8.3
G-7 (1950-60) <sup>2)</sup>	40%	5.6	...	1.4	1.5	2.7	48	...
Canada	44%	5.2	...	2.4	1.1	1.7	33	...
France	40%	4.9	...	1.7	0.3	2.9	59	...
Germany	39%	8.2	...	1.9	1.6	4.7	57	...
Italy	39%	6.0	...	0.6	1.6	3.8	63	...
Japan	39%	8.1	...	0.4	4.8	2.9	36	...
UK	38%	3.3	...	1.6	0.2	1.5	45	...
USA	40%	3.7	...	1.3	1.0	1.4	38	...
G-7 (1960-95) <sup>3)</sup>	39%	3.6	...	1.6	0.3	1.3	35	...
East Asia (1966-90) <sup>4)</sup>	36%	8.9	32	4.0	3.3	1.7	19	...

Notes: 1) Author's own calculations. – 2) Christenson and others (1980); simple average for Canada, France, Germany, Italy, Japan, UK, and USA. – 3) Dougherty (1991); simple average for Canada, France, Germany, Italy, Japan, UK, and USA. – 4) Young (1995); simple average for Hong Kong, Singapore, Korea, and Taiwan.

## The troubling economics and politics of the US trade deficit\*

BY THOMAS I. PALLEY\*\*

### Why the trade deficit matters

Over the last four years the US trade deficit has persistently set new records, hitting USD 716.7 billion in 2005, equal to 5.7% of GDP. The trade deficit has both real and financial effects. Real effects refer to impacts on employment, incomes, and manufacturing capacity. Financial effects refer to the impact of accumulated indebtedness resulting from borrowing to finance the deficit.

One important real effect has been the deficit's contribution to making the current economic recovery the weakest since World War II. The Commerce Department estimates that the trade deficit directly reduced GDP growth by over 25% between 2001 and 2003 by channelling spending to foreign rather than domestically produced goods. Moreover, this estimate excludes additional indirect losses stemming from the fact that lower spending on domestic production meant fewer jobs, in turn causing the US economy to forfeit the spending and growth that those jobs would have generated. Furthermore, this adverse growth impact has continued in 2004 and 2005.

All economists acknowledge that economic growth is hard to come by, yet US policymakers have casually ignored the trade deficit's negative growth effects. Over the period 2001–2005 the trade deficit directly reduced US growth by an annual average of 0.47% percentage points, and that excludes the additional growth that would have come from spending and investment induced by faster job and output growth.

---

\* This article was originally published in the *National Strategy Forum Review*, 'The Long Emergency: National Strategic Trends and Future Consequences', 15 (4), Fall 2006, pp. 20-23.

\*\* Economics for Democratic & Open Societies.

Robert Scott of the Economic Policy Institute in Washington DC estimates that each billion dollars of imported goods embodies approximately 9500 jobs. Stripping out the OPEC oil deficit of USD 92.7 billion, the goods trade deficit in 2005 was USD 695 billion. Using Scott's estimate, this implies the trade deficit embedded 6.6 million job opportunities.

Not only does the trade deficit negatively impact employment and output, it also has lasting adverse impacts on US manufacturing capacity. Behind the trade deficit is a problem of lack of competitiveness that is significantly attributable to undervalued exchange rates in the rest of the world. Such under-valuation makes foreign goods cheaper relative to US produced goods. Given this competitive disadvantage, many US manufacturing companies have closed plants, which has reduced manufacturing capacity. Some companies have gone out of business, while others have re-located or sub-contracted production – particularly to China. Companies have also cut back on investment or re-directed investment elsewhere rather than building new modern capacity in the United States.

American University economist Robert Blecker has examined the impact of the over-valued dollar on US manufacturing investment spending. He estimates that the appreciation of the dollar from 1995 to 2004 lowered US manufacturing investment by 61%. It also lowered the manufacturing capital stock by 17% relative to what it would have been in 2004 had the dollar remained at its 1995 level. This has structurally weakened the US industrial base. It also makes the future task of trade deficit adjustment more difficult as the US may now lack the capacity needed to produce many of the manufactured goods it currently imports.

These developments have implications for future US living standards. Manufacturing is key to long-run prosperity, being a major source of the innovations and productivity growth that drive increased income. A reduced manufacturing base

means a smaller base from which to draw such benefits. Additionally, when manufacturing moves offshore, associated research and development activities can move too, thereby diminishing future innovation.

The trade deficit also carries significant adverse financial implications. In particular, growing foreign indebtedness that results from borrowing to finance the deficit makes US financial markets vulnerable to a loss of confidence in the dollar. If financial investors – foreign or domestic – decide they no longer wish to accumulate dollar-denominated assets, the dollar stands to fall and interest rates will rise as investors exit the US economy. Higher interest rates would then have severe adverse effects given the high indebtedness of American households. Additionally, a dramatic weakening of the dollar would likely accelerate inflation because of heavy reliance on imported goods and limited domestic manufacturing capacity to replace those goods.

Lastly, the trade deficit also has national security implications. The heavy reliance on imports and the erosion of manufacturing capacity could potentially expose the US to global economic disruptions. These economic security concerns are amplified by the special role of China, which now accounts for almost 30% of the deficit.

There is still considerable uncertainty whether China will evolve into a democracy that shares US values, or whether it will remain an authoritarian state and become an outright hostile geo-political rival. China is now the world's second largest holder of US treasury debt, it has the largest trade surplus with the US, and many US companies are investing heavily in production facilities in China and transferring state-of-the-art manufacturing technology. These developments give China both real and financial leverage over the US economy. Given the uncertainty surrounding the US–China relationship, this leverage is a major national security risk.

### **What is the US responsibility for the trade deficit?**

What are the causes of the trade deficit, and what is the US responsibility for the deficit? It turns out that these are hard questions to answer because getting the correct answer requires clearing the decks of a host of economic misunderstandings. The US has a deep responsibility for its trade deficit. That responsibility is one of profound policy failure whereby the US has voluntarily entered into international economic arrangements that have fostered trade imbalances and lack procedures for dealing with them.

One mistaken argument is the 'twin deficits' hypothesis that claims the US trade deficit is the result of the US budget deficit. This argument first appeared in the 1980s and it implicitly blames government for the trade deficit. The twin deficit hypothesis is both empirically and theoretically weak. At the empirical level, the budget was in record surplus in the late 1990s, yet simultaneously the trade deficit widened and set new records. Other countries also provide compelling empirical evidence against the hypothesis, with both Germany and Japan running persistent large budget deficits and persistent large trade surpluses.

At the theoretical level, the budget and trade deficits are significantly independent of each other. The budget deficit is principally determined by spending policies; by tax policies that determine tax revenues; and by the state of the economy that also influences tax revenues. The trade deficit is principally determined by trade policies; the exchange rate that influences the price of imports and exports; and by the state of the economy relative to the rest of the world. When the US economy is booming, it tends to suck in imports; and when the rest of the world is booming it buys more, which raises exports.

That said, there is an indirect linkage between the two, and that linkage is used to muddy public

understanding and push twin deficit politics. The linkage is the state of the economy, which affects both the trade and budget deficits. Thus, tax cuts worsen the budget deficit, but they also increase spending on both domestic output and (to a far lesser degree) imports.

A second mistaken argument is the saving shortage hypothesis, which asserts that the trade deficit is due to inadequate household saving and excessive consumption. However, suppose Americans were to reduce spending and increase saving. That would immediately cause a recession. The trade deficit would show some improvement because about one-sixth of each dollar of spending goes to imports, but the overall reduction would be marginal and achieved at brutal economic cost. Put bluntly, increasing saving by reducing the number of meals consumed at McDonald's will do little to improve the trade deficit.

This shows that the primary problem is the composition of spending. Too much of US spending is on imports rather than domestically produced goods, which points to exchange rates as the principal cause. Lowering the international value of the dollar will raise the price of imports compared to domestically produced goods, thereby shifting spending toward the latter. Changing prices is how market economies shift spending and production. The US is a market economy and the exchange rate a critical price, making exchange rate adjustment key.

This brings us to the real contribution of the US to the trade deficit, which is international economic policy. Over the last twenty-five years successive Republican and Democratic administrations have assiduously created a global economy in which goods, capital, finance, and corporations are free to move. This new system has boosted profits by allowing companies to establish export-production platforms in low-wage countries and batter America's unions into submission. Big box retailers, such as Wal-Mart, have also supported the new arrangements since they benefit from global

sourcing. The purpose of the new system has always been access to cheap low-wage production. It has never been expanded balanced trade.

The Federal Reserve and big finance (Wall Street) have supported the new system. Former Federal Reserve Chairman Alan Greenspan is a self-admitted proponent of *laissez-faire* globalization. However, beyond this personal intellectual inclination, Greenspan also threw the Fed's support behind the globalization project because low-cost imports and fear of outsourcing help hold down inflation – which is the Federal Reserve's primary policy goal in the new order. This anti-inflation effect also explains the Fed's support for an over-valued dollar despite its adverse impact on the trade deficit and jobs.

Wall Street has also benefited as shown by its enormously increased profitability. Wall Street benefits from trade deficits because deficits need to be financed, and Wall Street makes money borrowing low and lending high. The strong dollar supports this business model by creating trade deficits. It also makes foreign assets cheap so that Wall Street and multinational companies have been able to buy foreign assets even as the US has been falling deeper into debt.

The bottom line is that US policymakers, working in bi-partisan fashion, have created an international architecture that inevitably produces trade deficits. This architecture suits the economic interests of the most powerful players – multinational corporations, big retail, Wall Street, and the Federal Reserve. The problem is that it harms the interests of America's working families.

The growing US trade deficit has been entirely predictable, with each trade agreement being followed by a worsening deficit. Today's exchange rate problem with China was also predictable. In 1994, immediately after the inauguration of NAFTA, the Mexican peso collapsed in value relative to the dollar, contributing to an exodus of US manufacturing to Mexico. Yet despite this

history, attempts to include provisions protecting against under-valued exchange rates in trade agreements have been persistently rejected.

### **Needed policies**

Today's international economic system is flawed and subject to de-stabilizing trade imbalances – as well as other problems such as the erosion of wages. That it is an American creation is no excuse. The system needs change.

The immediate need is for a new international agreement on exchange rates modelled after the Plaza Accord of 1985. Such an agreement can deliver a global re-alignment of exchange rates, thereby beginning a process of smoothly unwinding today's global financial imbalances.

As the largest contributor to the US trade deficit, China must significantly revalue upward its exchange rate. Chinese cooperation is key because other East Asian countries that also have surpluses with the US will not revalue unless China does too. These countries legitimately fear that if they revalue and China does not, they will lose competitive advantage and the US trade deficit will remain unchanged since Chinese exports will simply replace theirs.

This realignment must be credible and markets must believe it will hold. Absent that, business will not relocate production and investment to the US out of fear the dollar will revert to uncompetitive levels. Additionally, permanent exchange rate coordination is needed to void incentives for countries to devalue their exchange rates to gain competitive advantage. Exchange rates matter even more in the era of globalization, which calls for international cooperation to avoid destructive exchange rate competition such as occurred in the 1930s.

Finally, there is need to change thinking about global economic development. In particular, policy should promote domestic demand-led growth in developing countries in place of the current export-led growth paradigm. This can raise global growth, stimulating US exports and reducing the US trade deficit. It will also establish more balanced global growth in which all countries' exports and imports grow together.

### **The difficult politics of trade deficit reduction**

The trade deficit is a major economic problem that is the predictable outcome of the current model of globalization. Republicans and elite Democrats have both supported the current system. Though some – including former Federal Reserve Chairman Alan Greenspan – now acknowledge that the deficit is a problem, they continue to view it as a financial concern and deny its adverse wage, employment, and manufacturing effects. They also persist in maintaining that it is a saving shortage/twin deficit problem, which obstructs real solutions. The bottom line is that the economics of the trade deficit are misunderstood and the politics contested. That makes it difficult to resolve and increases the likelihood that change will only come through economic crisis.

## Conventional signs and abbreviations

used in the following section on monthly statistical data

.	data not available
%	per cent
CMPY	change in % against corresponding month of previous year
CCPY	change in % against cumulated corresponding period of previous year (e.g., under the heading 'March': January-March of the current year against January-March of the preceding year)
3MMA	3-month moving average, change in % against previous year.
CPI	consumer price index
PM	change in % against previous month
PPI	producer price index
p.a.	per annum
mn	million
bn	billion
BGN	Bulgarian lev (1 BGN = 1000 BGL)
CZK	Czech koruna
EUR	Euro, from 1 January 1999
HRK	Croatian kuna
HUF	Hungarian forint
PLN	Polish zloty
RON	Romanian leu (1RON = 10000 ROL)
RUB	Russian rouble (1 RUB = 1000 RUR)
SIT	Slovenian tolar
SKK	Slovak koruna
UAH	Ukrainian hryvnia
USD	US dollar
M0	currency outside banks
M1	M0 + demand deposits
M2	M1 + quasi-money

Sources of statistical data:

National statistical offices and central banks; wiiw estimates.

*Please note:* wiiw Members have **free online access** to the wiiw Monthly Database Eastern Europe.

To receive your personal password, please go to <http://mdb.wiiw.ac.at>

## C Z E C H REPUBLIC: Selected monthly data on the economic situation 2005 to 2007

(updated end of February 2007)

		2005			2006												2007
		Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan
<b>PRODUCTION</b>																	
Industry, total <sup>1)</sup>	real, CMPY	8.0	10.0	7.3	15.6	11.6	17.1	3.5	12.0	10.4	12.0	7.4	5.5	12.6	7.6	3.0	.
Industry, total <sup>1)</sup>	real, CCPY	6.2	6.6	6.7	15.6	13.6	14.9	11.9	11.9	11.6	11.7	11.2	10.5	10.7	10.4	9.8	.
Industry, total <sup>1)</sup>	real, 3MMA	8.9	8.5	10.9	11.4	14.9	10.7	10.9	8.7	11.4	9.9	8.1	8.5	8.5	7.8	.	.
Construction, total	real, CMPY	13.8	6.6	8.6	-1.2	-8.2	8.7	-3.0	10.5	10.0	12.2	6.4	4.2	7.2	7.7	15.4	.
<b>LABOUR</b>																	
Employees in industry <sup>2)</sup>	th. persons	1141	1147	1141	1132	1137	1141	1140	1141	1142	1145	1148	1142	1146	1147	1143	.
Unemployment, end of period	th. persons	491.9	490.8	510.4	531.2	528.2	514.8	486.2	463.0	451.1	458.3	458.7	454.2	439.8	432.6	448.5	465.5
Unemployment rate <sup>3)</sup>	%	8.5	8.4	8.9	9.2	9.1	8.8	8.3	7.9	7.7	7.9	7.9	7.8	7.4	7.3	7.7	7.9
Labour productivity, industry <sup>2,4)</sup>	CCPY	7.7	8.0	8.2	14.6	12.2	13.6	10.6	10.7	10.3	10.4	9.9	9.4	9.7	9.6	9.2	.
Unit labour costs, exch.r. adj.(EUR) <sup>2,4)</sup>	CCPY	4.1	3.9	3.5	-2.1	-0.2	-1.7	0.8	1.4	1.8	1.7	2.0	2.0	1.9	1.9	2.0	.
<b>WAGES, SALARIES</b>																	
Industry, gross <sup>2)</sup>	CZK	18184	21464	19629	18024	17308	18830	18564	20065	19712	19268	19061	19995	19605	22754	20699	.
Industry, gross <sup>2)</sup>	real, CMPY	1.5	2.7	1.5	3.3	3.1	3.7	2.4	4.7	3.2	2.6	2.4	1.9	6.2	4.2	3.2	.
Industry, gross <sup>2)</sup>	USD	736	865	803	759	727	790	798	906	878	859	866	897	874	1046	985	.
Industry, gross <sup>2)</sup>	EUR	613	734	677	628	609	657	651	710	694	677	676	705	693	812	745	.
<b>PRICES</b>																	
Consumer	PM	0.9	-0.3	-0.1	1.4	0.1	-0.1	0.1	0.5	0.3	0.4	0.2	-0.7	-0.5	-0.1	0.2	.
Consumer	CMPY	2.6	2.4	2.2	2.9	2.8	2.8	2.8	3.1	2.8	2.9	3.1	2.7	1.3	1.5	1.7	.
Consumer	CCPY	1.8	1.9	1.9	2.9	2.8	2.8	2.8	2.9	2.9	2.9	2.9	2.9	2.7	2.6	2.5	.
Producer, in industry	PM	0.4	-0.3	-0.6	1.0	0.2	0.1	0.3	0.3	0.2	0.7	0.3	-0.2	0.0	-0.2	0.0	.
Producer, in industry	CMPY	0.3	0.0	-0.4	0.3	0.3	0.3	0.5	1.6	1.9	2.4	2.7	2.3	1.9	2.0	2.6	.
Producer, in industry	CCPY	3.7	3.3	3.0	0.3	0.3	0.3	0.4	0.6	0.8	1.1	1.3	1.4	1.4	1.5	1.6	.
<b>RETAIL TRADE</b>																	
Turnover	real, CMPY	3.4	3.3	2.1	7.0	7.4	6.5	5.1	7.1	6.2	6.3	7.3	4.9	8.9	6.5	4.4	.
Turnover	real, CCPY	4.3	4.2	4.0	7.0	7.2	7.0	6.5	6.6	6.6	6.5	6.6	6.4	6.7	6.6	6.4	.
<b>FOREIGN TRADE<sup>5,6)</sup></b>																	
Exports total (fob), cumulated	EUR mn	51350	57543	62734	5732	11360	17949	23627	30071	36556	42205	48080	54727	61943	69461	75555	.
Imports total (fob), cumulated	EUR mn	50007	56115	61437	5281	10699	17008	22715	29108	35341	41040	46964	53331	60392	67682	73887	.
Trade balance, cumulated	EUR mn	1343	1429	1297	450	661	942	913	963	1215	1165	1116	1397	1551	1779	1668	.
Exports to EU-25 (fob), cumulated	EUR mn	43295	48514	52734	4833	9548	15021	19801	25228	30682	35430	40335	45932	51971	58339	63394	.
Imports from EU-25 (fob) <sup>7)</sup> , cumulated	EUR mn	35704	39910	43601	3635	7434	11926	15910	20446	24860	28883	32933	37390	42323	47407	51730	.
Trade balance with EU-25, cumulated	EUR mn	7591	8604	9133	1198	2114	3095	3891	4782	5821	6546	7403	8542	9648	10931	11663	.
<b>FOREIGN FINANCE</b>																	
Current account, cumulated <sup>5)</sup>	EUR mn	-1286	-1687	-2070	119	73	83	-437	-718	-1722	-2513	-2971	-3428	-4353	-4751	-5333	.
<b>EXCHANGE RATE</b>																	
CZK/USD, monthly average	nominal	24.7	24.8	24.4	23.7	23.8	23.8	23.3	22.1	22.4	22.4	22.0	22.3	22.4	21.8	21.0	21.4
CZK/EUR, monthly average	nominal	29.7	29.3	29.0	28.7	28.4	28.6	28.5	28.3	28.4	28.4	28.2	28.4	28.3	28.0	27.8	27.8
CZK/USD, calculated with CPI <sup>8)</sup>	real, Jan03=100	116.1	116.2	118.3	122.6	122.1	121.2	123.3	129.5	127.8	128.0	130.5	128.5	127.8	131.9	136.5	.
CZK/USD, calculated with PPP <sup>8)</sup>	real, Jan03=100	106.4	107.3	108.7	112.2	113.8	113.5	115.2	120.3	118.6	118.9	120.9	120.9	122.6	123.8	127.4	.
CZK/EUR, calculated with CPI <sup>8)</sup>	real, Jan03=100	105.5	106.9	107.5	110.4	111.4	109.8	109.8	110.9	110.6	111.0	112.0	110.4	110.1	110.9	111.7	.
CZK/EUR, calculated with PPP <sup>8)</sup>	real, Jan03=100	106.7	107.5	107.5	108.6	109.8	108.5	108.7	109.9	109.5	109.0	110.3	110.3	110.5	111.7	112.7	.
<b>DOMESTIC FINANCE</b>																	
M0, end of period	CZK bn	258.5	262.7	263.8	261.8	264.8	267.3	272.7	273.3	279.9	279.1	282.4	287.5	287.1	292.0	295.3	.
M1, end of period	CZK bn	1048.5	1078.2	1087.3	1099.9	1103.5	1086.0	1111.0	1160.7	1141.3	1177.8	1193.0	1180.5	1220.3	1241.9	1239.9	.
M2, end of period	CZK bn	1933.9	1965.6	1992.1	1989.6	2002.2	2011.2	2051.9	2061.5	2073.2	2073.2	2099.7	2094.9	2124.4	2142.4	2188.4	.
M2, end of period	CMPY	5.0	6.8	8.0	8.9	8.6	9.0	9.0	7.8	8.4	8.6	9.3	9.2	9.9	9.0	9.9	.
Discount rate (p.a.) <sub>end of period</sub>	%	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.25	1.25	1.50	1.50	1.50	1.50	1.50
Discount rate (p.a.) <sub>end of period</sub> <sup>9)</sup>	real, %	0.7	1.0	1.4	0.7	0.7	0.7	0.5	-0.5	-0.9	-1.2	-1.5	-0.8	-0.4	-0.5	-1.1	.
<b>BUDGET</b>																	
Central gov. budget balance <sub>cum.</sub>	CZK mn	15181	201	-56338	3427	-557	15754	-19955	-12202	7642	-445	-6440	1490	-12670	-30920	-97310	5030

1) According to new calculation.

2) Enterprises employing 20 and more persons.

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

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

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

6) Cumulation starting January and ending December each year.

7) According to country of origin.

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

9) Deflated with annual PPI.

## H U N G A R Y: Selected monthly data on the economic situation 2005 to 2007

(updated end of February 2007)

		2005			2006												2007
		Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan
<b>PRODUCTION</b>																	
Industry, total	real, CPMY	9.6	7.8	5.7	13.2	11.2	15.3	1.9	10.5	8.7	12.1	9.3	9.3	10.6	10.7	8.7	.
Industry, total	real, CCPY	6.9	7.0	6.9	13.2	12.2	13.3	10.3	10.4	10.1	10.4	10.2	10.1	10.2	10.2	10.1	.
Industry, total	real, 3MMA	8.7	7.8	8.8	9.9	13.3	9.5	9.3	7.1	10.4	10.0	10.2	9.8	10.2	10.1	.	.
Construction, total	real, CPMY	11.0	18.7	14.6	12.2	-3.2	15.5	-7.6	-8.1	-8.0	1.1	-3.5	-4.8	7.5	-5.0	-2.1	.
<b>LABOUR</b>																	
Employees in industry <sup>1)</sup>	th. persons	760.1	757.0	753.3	751.6	752.5	751.7	749.2	750.5	753.4	754.0	752.9	752.4	754.7	753.3	749.8	.
Unemployment <sup>2)</sup>	th. persons	308.3	305.4	309.9	317.6	326.5	323.6	318.5	309.4	305.7	311.1	314.5	318.3	317.3	321.0	319.6	.
Unemployment rate <sup>2)</sup>	%	7.3	7.2	7.3	7.5	7.8	7.7	7.5	7.3	7.2	7.3	7.4	7.5	7.4	7.5	7.5	.
Labour productivity, industry <sup>1)</sup>	CCPY	10.5	10.6	10.7	17.1	15.6	16.4	13.4	13.2	12.7	12.9	12.6	12.3	12.3	12.2	11.9	.
Unit labour costs, exch.r. adj.(EUR) <sup>1)</sup>	CCPY	-0.7	-1.1	-1.7	-9.6	-9.1	-10.4	-9.1	-8.7	-9.0	-10.1	-10.2	-10.5	-10.1	-9.9	-9.0	.
<b>WAGES, SALARIES</b>																	
Total economy, gross <sup>1)</sup>	HUF th	152.9	175.9	179.9	195.6	157.3	162.5	162.1	166.2	165.9	164.4	164.4	161.0	167.2	187.6	201.3	.
Total economy, gross <sup>1)</sup>	real, CPMY	3.4	3.8	2.1	3.4	5.9	5.2	5.6	3.7	3.7	5.4	7.0	1.1	2.9	0.3	5.1	.
Total economy, gross <sup>1)</sup>	USD	730	825	845	944	747	749	750	809	772	751	768	746	789	934	1047	.
Total economy, gross <sup>1)</sup>	EUR	607	700	712	780	625	623	611	633	610	592	600	586	625	725	792	.
Industry, gross <sup>1)</sup>	EUR	585	714	664	592	588	622	590	650	604	567	598	575	611	734	734	.
<b>PRICES</b>																	
Consumer	PM	0.0	0.2	0.0	0.1	0.2	0.6	0.7	1.0	0.3	0.2	0.0	2.5	0.5	0.2	0.1	1.2
Consumer	CPMY	3.2	3.3	3.3	2.7	2.5	2.3	2.3	2.8	2.8	3.0	3.5	5.9	6.3	6.4	6.5	7.8
Consumer	CCPY	3.6	3.6	3.6	2.7	2.6	2.5	2.5	2.5	2.6	2.6	2.7	3.1	3.4	3.7	3.9	7.8
Producer, in industry	PM	0.8	0.4	0.0	0.6	0.1	1.8	1.1	0.1	2.4	1.2	0.3	0.1	-1.0	-1.1	-0.9	.
Producer, in industry	CPMY	4.1	4.1	4.5	4.3	4.4	5.4	5.8	5.3	7.9	9.5	9.7	9.0	7.0	5.5	4.5	.
Producer, in industry	CCPY	4.3	4.3	4.3	4.3	4.3	4.7	5.0	5.0	5.5	6.1	6.5	6.8	6.8	6.7	6.5	.
<b>RETAIL TRADE</b>																	
Turnover	real, CPMY	6.8	7.0	3.5	7.5	6.0	2.9	5.7	5.5	4.0	4.0	5.7	3.6	2.3	2.2	1.8	.
Turnover	real, CCPY	5.6	5.7	5.5	7.5	6.7	5.3	5.4	5.4	5.2	5.0	5.0	4.9	4.6	4.3	4.1	.
<b>FOREIGN TRADE<sup>4)5)</sup></b>																	
Exports total (fob), cumulated	EUR mn	40896	45851	50090	4178	8389	13493	17891	22914	27854	32282	36714	41987	47416	53230	58018	.
Imports total (cif), cumulated	EUR mn	43418	48625	52993	4344	8805	14143	18745	23919	28910	33672	38369	43719	49349	55294	60169	.
Trade balance, cumulated	EUR mn	-2523	-2774	-2903	-165	-415	-650	-853	-1005	-1056	-1389	-1655	-1732	-1933	-2064	-2151	.
Exports to EU-25 (fob), cumulated	EUR mn	31401	35207	38283	3220	6443	10255	13540	17285	20967	24311	27501	31365	35409	39665	43025	.
Imports from EU-25 (cif) <sup>5)</sup> , cumulated	EUR mn	29831	33295	36126	2885	5906	9586	12593	16171	19636	22856	25898	29546	33280	37216	40483	.
Trade balance with EU-25, cumulated	EUR mn	1570	1912	2158	334	537	670	946	1114	1331	1455	1604	1818	2128	2449	2542	.
<b>FOREIGN FINANCE</b>																	
Current account, cumulated	EUR mn	.	.	-6002	.	.	-1451	.	.	-2932	.	.	-4062	.	.	.	.
<b>EXCHANGE RATE</b>																	
HUF/USD, monthly average	nominal	209.4	213.0	213.0	207.1	210.6	216.9	216.3	205.5	214.9	218.8	214.0	215.7	211.8	200.8	192.3	195.2
HUF/EUR, monthly average	nominal	251.7	251.1	252.7	250.9	251.6	260.8	265.3	262.5	271.9	277.6	274.3	274.7	267.3	258.9	254.1	253.8
HUF/USD, calculated with CPI <sup>6)</sup>	real, Jan03=100	112.5	111.6	112.1	114.5	112.6	109.5	109.5	115.9	110.9	108.8	111.0	113.5	116.7	123.6	129.0	128.5
HUF/USD, calculated with PPI <sup>6)</sup>	real, Jan03=100	97.6	97.7	98.2	100.7	100.7	99.3	99.4	103.8	101.4	100.3	102.3	103.1	106.1	108.6	111.7	.
HUF/EUR, calculated with CPI <sup>6)</sup>	real, Jan03=100	102.1	102.8	101.8	103.1	102.7	99.2	97.5	99.2	96.0	94.3	95.3	97.4	100.6	103.9	105.6	107.5
HUF/EUR, calculated with PPI <sup>6)</sup>	real, Jan03=100	97.7	98.1	97.1	97.5	97.1	95.0	93.7	94.9	93.7	91.9	93.3	94.1	95.6	98.0	98.9	.
<b>DOMESTIC FINANCE</b>																	
M0, end of period <sup>7)</sup>	HUF bn	1532.7	1570.7	1600.3	1551.4	1555.5	1622.7	1663.9	1661.5	1724.9	1730.3	1762.8	1788.6	1754.7	1820.7	1838.1	.
M1, end of period <sup>7)</sup>	HUF bn	4692.1	4960.0	5188.8	4863.8	4959.2	5318.2	5323.4	5358.3	5573.2	5610.9	5506.9	5525.5	5403.2	5593.2	5743.5	.
Broad money, end of period <sup>7)</sup>	HUF bn	10673.6	10915.6	11230.7	11224.6	11354.6	11925.4	11779.2	11770.6	12157.6	12215.2	12237.1	12298.7	12247.0	12470.2	12755.1	.
Broad money, end of period <sup>7)</sup>	CPMY	14.1	14.4	14.5	16.2	16.3	19.7	15.9	14.6	18.6	17.8	16.9	15.8	14.7	14.2	13.6	.
NBH base rate (p.a.), end of period	%	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.3	6.8	7.3	7.8	8.0	8.0	8.0	8.0
NBH base rate (p.a.), end of period <sup>8)</sup>	real, %	1.8	1.8	1.4	1.6	1.5	0.6	0.2	0.7	-1.5	-2.5	-2.2	-1.1	0.9	2.4	3.3	.
<b>BUDGET</b>																	
Central gov. budget balance, cum.	HUF bn	-738.7	-744.7	-545.0	-144.4	-440.6	-682.7	-794.2	-859.7	-1158.4	-1141.3	-1266.7	-1323.0	-1384.7	-1465.9	-1959.2	-247.8

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

2) According to ILO methodology, 3-month averages comprising the two previous months as well.

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

4) Cumulation starting January and ending December each year.

5) According to country of dispatch.

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

7) According to ECB monetary standards.

8) Deflated with annual PPI.

## P O L A N D: Selected monthly data on the economic situation 2005 to 2007

(updated end of February 2007)

		2005			2006												2007
		Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan
<b>PRODUCTION</b>																	
Industry <sup>1)</sup>	real, CMPY	7.6	8.5	9.5	9.7	10.2	16.5	5.7	19.1	12.2	14.3	12.6	11.5	14.8	12.0	5.9	15.6
Industry <sup>1)</sup>	real, CCPY	3.1	3.6	4.1	9.7	10.0	12.3	10.6	12.3	12.2	12.5	12.5	12.4	12.7	12.6	12.0	15.6
Industry <sup>1)</sup>	real, 3MMA	7.3	8.5	9.2	9.8	12.3	10.8	13.7	12.2	15.1	13.0	12.7	13.0	12.8	10.9	11.0	.
Construction <sup>1)</sup>	real, CMPY	6.8	5.8	8.2	-7.9	-3.4	15.7	4.1	13.3	15.7	4.9	15.4	21.1	28.7	23.4	17.9	61.0
<b>LABOUR</b>																	
Employees <sup>1)</sup>	th. persons	4798	4804	4799	4862	4861	4870	4889	4901	4918	4928	4943	4957	4971	4986	4995	5048
Employees in industry <sup>1)</sup>	th. persons	2434	2436	2430	2457	2458	2464	2468	2471	2478	2484	2490	2495	2502	2507	2507	2530
Unemployment, end of period	th. persons	2712.1	2722.8	2773.0	2866.7	2865.9	2822.0	2703.6	2583.0	2487.6	2443.4	2411.6	2363.6	2301.8	2287.3	2309.4	2365.8
Unemployment rate <sup>2)</sup>	%	17.3	17.3	17.6	18.0	18.0	17.8	17.2	16.5	16.0	15.7	15.5	15.2	14.9	14.8	14.9	15.1
Labour productivity, industry <sup>1)</sup>	CCPY	2.0	2.5	3.0	8.0	8.3	10.5	8.8	10.4	10.3	10.4	10.3	10.1	10.3	10.2	9.5	12.3
Unit labour costs, exch.r. adj.(EUR) <sup>1)</sup>	CCPY	14.9	14.4	13.0	1.9	1.7	-0.7	1.1	0.3	-0.4	-0.5	-0.5	-0.9	-1.4	-1.5	-0.7	-4.2
<b>WAGES, SALARIES</b>																	
Total economy, gross <sup>1)</sup>	PLN	2539	2678	2789	2471	2526	2614	2570	2550	2625	2648	2612	2611	2658	2760	3027	2664
Total economy, gross <sup>1)</sup>	real, CMPY	5.1	6.2	1.2	3.2	4.3	5.1	3.4	4.4	3.7	4.5	3.7	3.9	3.8	1.8	7.2	6.1
Total economy, gross <sup>1)</sup>	USD	779	795	858	782	796	811	804	836	828	841	858	838	860	928	1048	893
Total economy, gross <sup>1)</sup>	EUR	647	674	723	646	666	675	656	655	654	662	669	658	681	721	794	687
Industry, gross <sup>1)</sup>	EUR	639	697	738	648	678	681	661	661	664	679	676	662	674	738	816	697
<b>PRICES</b>																	
Consumer	PM	0.4	-0.2	-0.2	0.2	0.0	-0.1	0.7	0.5	-0.3	0.0	0.3	0.2	0.1	0.0	-0.2	0.5
Consumer	CMPY	1.6	1.0	0.7	0.6	0.7	0.4	0.7	0.9	0.8	1.1	1.6	1.6	1.2	1.4	1.4	1.7
Consumer	CCPY	2.5	2.3	2.2	0.6	0.6	0.8	0.8	0.9	1.0	1.0	1.1	1.1	1.1	1.2	1.2	1.7
Producer, in industry	PM	-0.1	0.1	-0.7	0.2	-0.1	0.7	1.5	0.4	0.9	0.7	-0.1	0.0	-0.5	-0.7	-0.5	0.5
Producer, in industry	CMPY	-0.9	-0.4	0.2	0.3	0.7	0.9	1.7	2.3	3.0	3.5	3.3	3.6	3.2	2.5	2.6	2.9
Producer, in industry	CCPY	0.9	0.8	0.7	0.3	0.5	0.6	0.9	1.2	1.5	1.8	1.9	2.1	2.2	2.2	2.2	2.8
<b>RETAIL TRADE</b>																	
Turnover <sup>1)</sup>	real, CMPY	5.7	6.4	6.2	8.6	9.9	10.1	13.3	13.4	10.5	10.8	10.9	14.4	13.9	14.1	13.7	16.2
Turnover <sup>1)</sup>	real, CCPY	0.6	1.2	1.5	8.6	9.6	9.0	10.1	10.6	10.5	10.8	11.1	11.6	11.9	11.8	11.9	16.2
<b>FOREIGN TRADE<sup>4)5)</sup></b>																	
Exports total (fob), cumulated	EUR mn	58693	65505	71744	6414	12915	20336	27098	34455	41886	48809	55807	63820	72458	80689	.	.
Imports total (cif), cumulated	EUR mn	66441	74245	81536	7011	14371	22735	30126	38667	46832	54858	62889	71810	81484	90611	.	.
Trade balance, cumulated	EUR mn	-7748	-8740	-9791	-597	-1456	-2399	-3028	-4212	-4946	-6049	-7081	-7990	-9026	-9921	.	.
Exports to EU-25 (fob), cumulated	EUR mn	45009	50474	55136	5200	10157	16049	21293	27027	32761	38057	43172	49468	56015	62256	.	.
Imports from EU-25 (cif) <sup>5)</sup> , cumulated	EUR mn	43580	48725	53200	4339	8908	14409	19059	24493	29721	34832	39519	45095	51071	56646	.	.
Trade balance with EU-25, cumulated	EUR mn	1428	1748	1936	862	1249	1639	2234	2533	3040	3225	3653	4373	4944	5610	.	.
<b>FOREIGN FINANCE</b>																	
Current account, cumulated	EUR mn	-3093	-3595	-4125	-211	-1050	-1406	-2003	-2377	-2677	-3064	-3732	-3589	-4176	-4707	-5622	.
<b>EXCHANGE RATE</b>																	
PLN/USD, monthly average	nominal	3.260	3.367	3.252	3.160	3.174	3.223	3.198	3.049	3.171	3.149	3.045	3.115	3.092	2.974	2.887	2.984
PLN/EUR, monthly average	nominal	3.926	3.972	3.856	3.825	3.794	3.875	3.919	3.894	4.016	3.997	3.901	3.970	3.903	3.830	3.813	3.879
PLN/USD, calculated with CPI <sup>6)</sup>	real, Jan03=100	114.7	111.7	115.9	118.5	117.8	115.3	116.0	121.6	116.4	116.8	120.9	119.0	120.7	125.7	129.0	125.4
PLN/USD, calculated with PPI <sup>6)</sup>	real, Jan03=100	104.8	103.1	106.4	108.8	109.9	108.8	109.8	114.6	111.0	112.0	115.0	114.1	116.8	118.3	120.5	117.2
PLN/EUR, calculated with CPI <sup>6)</sup>	real, Jan03=100	103.7	102.5	105.1	106.6	107.2	104.3	103.2	104.0	100.4	101.0	103.6	102.0	103.8	105.6	105.5	104.7
PLN/EUR, calculated with PPI <sup>6)</sup>	real, Jan03=100	104.6	103.1	105.1	105.2	105.8	103.8	103.5	104.6	102.2	102.4	104.8	103.9	105.0	106.6	106.5	105.1
<b>DOMESTIC FINANCE</b>																	
M0, end of period	PLN bn	55.8	55.9	57.2	55.3	56.3	58.4	61.3	61.2	64.2	64.9	64.9	66.2	66.3	66.0	68.8	.
M1, end of period <sup>7)</sup>	PLN bn	195.9	202.5	208.0	204.5	211.5	209.7	209.7	223.8	226.2	233.1	235.5	239.4	240.3	249.4	260.6	.
Broad money, end of period <sup>7)</sup>	PLN bn	408.4	407.1	412.5	406.6	416.1	417.6	423.2	433.1	437.9	440.3	447.2	453.1	458.6	465.6	477.0	.
Broad money, end of period <sup>7)</sup>	CMPY	8.7	12.6	10.5	10.4	11.7	9.8	9.6	10.1	11.9	13.0	12.9	13.0	12.3	14.4	15.6	.
Discount rate (p.a.) <sup>end of period</sup>	%	4.8	4.8	4.8	4.8	4.5	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3
Discount rate (p.a.) <sup>end of period<sup>8)</sup></sup>	real, %	5.7	5.2	4.5	4.4	3.8	3.3	2.5	1.9	1.2	0.7	0.9	0.6	1.0	1.7	1.6	1.3
<b>BUDGET</b>																	
Central gov.budget balance, cum.	PLN mn	-20649	-22272	-27495	772	-6716	-9275	-10070	-14718	-17694	-15543	-14483	-14610	-16637	-18581	-25084	3093

1) Enterprises employing more than 9 persons.

2) Ratio of unemployed to the economically active.

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

4) Cumulation starting January and ending December each year.

5) According to country of origin.

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

7) Revised according to ECB monetary standards.

8) Deflated with annual PPI.

# S L O V A K REPUBLIC: Selected monthly data on the economic situation 2005 to 2007

(updated end of February 2007)

		2005			2006									2007			
		Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan
<b>PRODUCTION</b>																	
Industry, total	real, CMPY	4.1	5.8	8.7	7.3	4.8	16.0	3.5	10.9	12.1	9.9	14.4	8.6	12.1	10.0	7.2	.
Industry, total	real, CCPY	2.9	3.2	3.6	7.3	6.1	9.5	8.0	8.6	9.2	9.3	9.9	9.8	10.0	10.0	9.8	.
Industry, total	real, 3MMA	5.1	6.1	7.2	6.9	9.5	8.2	10.2	8.9	11.0	12.1	10.9	11.6	10.3	9.8	.	.
Construction, total	real, CMPY	9.4	15.8	0.5	4.6	19.9	18.0	11.6	20.2	16.3	17.2	21.1	11.4	9.1	11.7	17.6	.
<b>LABOUR</b>																	
Employment in industry	th. persons	585.8	587.5	579.6	556.3	557.7	559.4	564.3	568.5	571.6	572.9	574.6	577.1	578.2	579.2	577.6	.
Unemployment, end of period	th. persons	322.2	322.6	333.8	342.4	337.3	329.3	315.6	302.6	296.5	291.3	282.0	279.9	271.0	268.8	273.4	279.0
Unemployment rate <sup>1)</sup>	%	10.9	10.9	11.4	11.8	11.7	11.4	11.0	10.6	10.4	10.2	9.9	9.8	9.3	9.1	9.4	9.5
Labour productivity, industry	CCPY	-0.3	0.1	0.6	8.5	7.1	10.8	9.4	10.1	10.8	11.0	11.7	11.4	11.7	11.7	11.3	.
Unit labour costs, exch.r. adj.(EUR)	CCPY	12.2	11.5	10.6	-0.6	-3.3	-5.5	-2.5	-1.8	-2.4	-2.3	-2.7	-2.4	-2.4	-2.1	-1.5	.
<b>WAGES, SALARIES</b>																	
Industry, gross	SKK	18471	21515	19949	17781	17311	18401	18124	19433	19857	19167	18981	18918	19428	22522	20876	.
Industry, gross	real, CMPY	3.6	3.2	3.1	0.6	-6.5	0.5	2.8	5.2	2.2	3.6	1.9	2.3	1.5	0.5	0.6	.
Industry, gross	USD	571	656	625	573	553	590	594	660	661	633	645	642	665	807	788	.
Industry, gross	EUR	475	556	527	474	463	491	485	517	522	499	504	504	527	627	596	.
<b>PRICES</b>																	
Consumer	PM	1.1	0.0	0.1	2.1	0.6	0.0	0.3	0.4	0.1	0.2	0.0	-0.3	0.2	0.6	0.0	1.0
Consumer	CMPY	3.3	3.4	3.7	4.1	4.4	4.5	4.5	4.8	4.6	5.0	5.1	4.6	3.7	4.3	4.2	3.0
Consumer	CCPY	2.5	2.6	2.7	4.1	4.3	4.3	4.4	4.5	4.5	4.6	4.6	4.6	4.5	4.5	4.5	3.0
Producer, in industry	PM	0.5	1.8	-0.6	1.4	1.4	0.7	0.7	0.8	0.2	0.6	0.6	-0.7	0.1	0.4	-0.8	.
Producer, in industry	CMPY	5.7	7.4	7.0	8.7	9.9	9.9	9.8	9.9	9.1	9.0	8.8	7.5	7.1	5.6	5.4	.
Producer, in industry	CCPY	4.2	4.5	4.7	8.7	9.3	9.5	9.6	9.7	9.6	9.5	9.4	9.2	9.0	8.7	8.4	.
<b>RETAIL TRADE<sup>2)</sup></b>																	
Turnover	real, CMPY	14.4	12.3	6.3	6.6	6.5	10.0	8.6	9.3	10.7	8.5	8.0	10.6	7.6	7.4	5.8	.
Turnover	real, CCPY	9.9	10.1	9.7	6.6	6.6	7.7	7.9	8.2	8.6	8.6	8.5	8.7	8.6	8.5	8.3	.
<b>FOREIGN TRADE<sup>3)4)5)</sup></b>																	
Exports total (fob), cumulated	EUR mn	20975	23583	25773	2164	4434	7143	9523	12289	15081	17643	20524	23594	27035	30381	33174	.
Imports total (fob), cumulated	EUR mn	22165	24878	27751	2380	4921	7754	10382	13354	16341	19034	21998	25325	28905	32508	35648	.
Trade balance, cumulated	EUR mn	-1190	-1295	-1978	-216	-488	-612	-859	-1066	-1260	-1391	-1474	-1731	-1870	-2128	-2474	.
Exports to EU-25 (fob), cumulated	EUR mn	17958	20184	22015	1914	3886	6235	8261	10643	13004	15121	17559	20131	22981	25819	.	.
Imports from EU-25 (fob) <sup>6)</sup> , cumulated	EUR mn	15963	17894	19778	1490	3151	5121	6879	8920	10995	12913	14850	17122	19593	22096	.	.
Trade balance with EU-25, cumulated	EUR mn	1996	2290	2237	424	736	1114	1382	1723	2010	2208	2710	3009	3388	3723	.	.
<b>FOREIGN FINANCE</b>																	
Current account, cumulated <sup>3)</sup>	EUR mn	-1949	-2146	-3288	-244	-427	-622	-981	-1451	-1647	-2276	-2308	-2804	-3030	-3241	.	.
<b>EXCHANGE RATE</b>																	
SKK/USD, monthly average	nominal	32.4	32.8	31.9	31.0	31.3	31.2	30.5	29.5	30.1	30.3	29.4	29.4	29.2	27.9	26.5	26.7
SKK/EUR, monthly average	nominal	38.9	38.7	37.9	37.5	37.4	37.5	37.4	37.6	38.0	38.4	37.7	37.5	36.9	35.9	35.0	34.7
SKK/USD, calculated with CPI <sup>7)</sup>	real, Jan03=100	125.6	124.9	129.0	134.4	133.8	133.6	135.7	140.5	137.6	136.4	140.1	140.3	142.3	150.2	157.9	158.3
SKK/USD, calculated with PPI <sup>7)</sup>	real, Jan03=100	111.8	114.0	117.0	121.1	123.6	124.7	126.6	131.0	128.5	127.6	131.3	132.3	136.2	140.5	145.9	.
SKK/EUR, calculated with CPI <sup>7)</sup>	real, Jan03=100	113.9	114.6	117.0	121.1	121.8	121.1	120.9	120.4	118.9	118.1	120.1	120.3	122.6	126.4	129.1	132.2
SKK/EUR, calculated with PPI <sup>7)</sup>	real, Jan03=100	111.9	114.1	115.5	117.3	119.0	119.2	119.4	119.8	118.4	116.9	119.8	120.6	122.7	126.8	129.0	.
<b>DOMESTIC FINANCE</b>																	
M0, end of period <sup>8)</sup>	SKK bn	113.6	114.9	119.8	118.8	119.4	120.1	121.3	121.9	124.5	124.4	125.8	126.4	126.1	127.3	131.2	.
M1, end of period <sup>8)</sup>	SKK bn	445.8	464.4	486.0	477.7	493.5	486.0	485.5	512.9	521.7	528.1	512.8	513.0	511.8	532.6	546.1	.
Broad money, end of period <sup>8)</sup>	SKK bn	800.4	798.4	831.4	824.9	833.9	840.7	850.2	851.2	861.2	871.8	892.4	894.3	911.7	926.7	958.6	.
Broad money, end of period <sup>8)</sup>	CMPY	7.6	6.3	7.8	8.6	9.1	10.3	9.4	10.5	11.2	11.8	13.6	12.9	13.9	16.1	15.3	.
Discount rate (p.a.), end of period <sup>9)</sup>	%	3.0	3.0	3.0	3.0	3.0	3.5	3.5	4.0	4.0	4.5	4.5	4.8	4.8	4.8	4.8	4.8
Discount rate (p.a.), end of period <sup>9)10)</sup>	real, %	-2.5	-4.1	-3.7	-5.2	-6.3	-5.8	-5.8	-5.4	-4.7	-4.2	-4.0	-2.6	-2.2	-0.8	-0.6	.
<b>BUDGET</b>																	
Central gov. budget balance, cum.	SKK mn	-5115	-7553	-33886	12083	6347	157	180	-11700	-10246	-5244	-5716	-5134	-1080	-6983	-31678	2929

1) Ratio of disposable number of registered unemployment calculated to the economically active population as of previous year.

2) According to NACE (52 - retail trade), excluding VAT.

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

4) Cumulation starting January and ending December each year.

5) Excluding value of goods for repair and after repair.

6) According to country of origin.

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

8) According to ECB methodology.

9) Corresponding to the 2-week limit rate of NBS.

10) Deflated with annual PPI.

## S L O V E N I A: Selected monthly data on the economic situation 2005 to 2007

(updated end of February 2007)

		2005			2006												2007
		Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan
<b>PRODUCTION</b>																	
Industry, total	real, CMPY	3.1	7.5	6.0	7.2	8.1	7.1	0.6	9.3	4.2	6.8	10.7	7.3	10.3	8.6	4.2	.
Industry, total	real, CCPY	2.6	3.1	3.3	7.2	7.6	7.4	5.7	6.5	6.0	6.2	6.7	6.7	7.1	7.3	7.0	.
Industry, total	real, 3MMA	6.1	7.1	7.5	7.5	7.4	5.2	5.8	4.8	6.7	7.0	8.1	9.3	8.7	7.8	.	.
Construction, total <sup>1)</sup>	real, CMPY	-8.2	8.6	13.2	-3.9	7.7	1.0	-3.2	-2.8	11.8	15.8	2.9	38.1	41.2	23.2	30.2	.
<b>LABOUR</b>																	
Employment total	th. persons	817.5	818.3	813.6	812.5	814.1	817.3	819.9	823.6	827.4	825.2	825.2	829.5	833.7	836.7	833.0	.
Employees in industry	th. persons	238.3	238.1	235.8	235.1	234.9	234.8	234.6	235.1	235.8	235.1	234.9	235.5	236.8	237.6	.	.
Unemployment, end of period	th. persons	94.2	93.9	92.6	95.2	94.1	91.4	90.0	87.1	84.9	85.6	83.1	80.2	81.3	78.8	78.3	.
Unemployment rate <sup>2)</sup>	%	10.3	10.3	10.2	10.5	10.4	10.1	9.9	9.6	9.3	9.4	9.1	8.8	8.9	8.6	8.6	.
Labour productivity, industry	CCPY	4.4	4.9	5.2	9.9	10.3	10.1	8.3	9.1	8.6	8.7	9.1	9.0	9.3	9.3	.	.
Unit labour costs, exch.r. adj.(EUR)	CCPY	1.3	1.4	0.5	-2.3	-3.1	-3.3	-2.1	-2.9	-2.3	-2.4	-3.0	-3.2	-3.4	-3.4	.	.
<b>WAGES, SALARIES</b>																	
Total economy, gross	EUR-SIT	1166	1310	1212	1175	1158	1192	1168	1195	1192	1181	1211	1200	1223	1393	1261	.
Total economy, gross	real, CMPY	1.6	6.9	-1.5	2.8	3.2	3.2	1.2	2.1	2.2	2.3	0.8	1.1	3.3	3.9	1.2	.
Total economy, gross	USD	1403	1545	1437	1423	1384	1432	1429	1526	1510	1498	1551	1529	1542	1792	1666	.
Total economy, gross	EUR	1167	1310	1213	1175	1158	1192	1168	1195	1192	1181	1211	1200	1223	1393	1261	.
Industry, gross	EUR	1036	1221	1060	1061	1021	1079	1027	1065	1070	1044	1089	1060	1096	1287	.	.
<b>PRICES</b>																	
Consumer	PM	0.2	-0.5	0.0	-0.5	0.4	0.8	0.8	0.9	-0.3	-0.2	0.6	0.4	-0.8	0.3	0.4	-0.7
Consumer	CMPY	3.1	2.1	2.3	2.4	2.2	1.9	2.7	3.2	2.9	1.9	3.2	2.5	1.5	2.3	2.8	2.7
Consumer	CCPY	2.5	2.5	2.5	2.4	2.3	2.2	2.3	2.5	2.6	2.5	2.6	2.5	2.4	2.4	2.5	2.7
Producer, in industry	PM	0.2	0.1	0.4	-0.1	0.6	0.4	0.3	0.1	0.3	0.1	-0.2	0.6	0.1	0.0	0.6	.
Producer, in industry	CMPY	1.8	1.8	1.8	1.3	1.6	2.0	2.0	2.4	2.7	2.9	2.4	2.7	2.7	2.6	2.8	.
Producer, in industry	CCPY	2.9	2.8	2.7	1.3	1.4	1.6	1.7	1.9	2.0	2.1	2.2	2.2	2.3	2.3	2.3	.
<b>RETAIL TRADE</b>																	
Turnover	real, CMPY	8.0	18.9	14.3	8.1	9.7	9.1	7.9	9.3	4.8	8.1	2.7	4.9	10.6	2.9	-2.2	.
Turnover	real, CCPY	8.2	9.2	9.7	8.1	8.9	9.0	8.7	8.8	8.1	8.1	7.4	7.1	7.5	7.0	6.1	.
<b>FOREIGN TRADE<sup>3)4)</sup></b>																	
Exports total (fob), cumulated	EUR mn	11868	13229	14397	1233	2492	3983	5292	6735	8200	9626	10769	12278	13833	15406	16721	.
Imports total (cif), cumulated	EUR mn	12745	14313	15804	1256	2635	4280	5609	7163	8725	10265	11559	13176	14866	16680	18260	.
Trade balance total, cumulated	EUR mn	-877	-1084	-1408	-23	-143	-296	-317	-428	-525	-639	-790	-898	-1033	-1274	-1539	.
Exports to EU-25 (fob), cumulated	EUR mn	8073	9003	9770	897	1790	2824	3716	4700	5697	6653	7394	8429	9508	10583	11441	.
Imports from EU-25 (cif) <sup>5)</sup> , cumulated	EUR mn	10370	11595	12788	978	2042	3367	4428	5672	6930	8185	9218	10525	11888	13368	14644	.
Trade balance with EU-25, cumulated	EUR mn	-2297	-2592	-3018	-80	-252	-543	-712	-971	-1233	-1532	-1824	-2096	-2380	-2785	-3202	.
<b>FOREIGN FINANCE</b>																	
Current account, cumulated	EUR mn	-147	-260	-548	40	-68	-165	-128	-158	-112	-208	-278	-322	-348	-706	-773	.
<b>EXCHANGE RATE</b>																	
EUR-SIT/USD, monthly average	nominal	0.8315	0.8481	0.8436	0.8260	0.8364	0.8325	0.8176	0.7830	0.7895	0.7882	0.7807	0.7847	0.7930	0.7771	0.7569	.
EUR-SIT/EUR, monthly average	nominal	0.9998	0.9998	0.9998	0.9998	0.9997	0.9998	0.9998	0.9999	0.9999	0.9999	0.9999	0.9998	0.9998	0.9999	0.9999	.
EUR-SIT/USD, calculated with CP <sup>6)</sup>	real, Jan03=100	109.6	107.8	108.8	109.7	108.5	109.4	111.2	116.6	115.1	114.7	116.3	116.7	115.1	118.1	121.5	.
EUR-SIT/USD, calculated with PP <sup>6)</sup>	real, Jan03=100	96.2	95.8	97.1	98.3	99.1	99.8	100.6	104.2	103.5	103.2	103.4	105.1	106.2	106.3	109.2	.
EUR-SIT/EUR, calculated with CP <sup>6)</sup>	real, Jan03=100	99.3	99.0	98.7	98.6	98.7	99.0	99.2	99.7	99.3	99.2	99.7	100.0	99.1	99.3	99.3	.
EUR-SIT/EUR, calculated with PP <sup>6)</sup>	real, Jan03=100	96.2	95.9	96.0	95.0	95.4	95.4	95.0	95.1	95.3	94.5	94.3	95.6	95.6	96.0	96.5	.
<b>DOMESTIC FINANCE</b>																	
M0, end of period <sup>7)</sup>	EUR-SIT mn	776	739	781	859	863	866	922	904	921	885	877	889	893	825	.	.
M1, end of period <sup>7)</sup>	EUR-SIT mn	4503	4479	4805	7040	7069	7213	7364	7492	7615	7568	7565	7619	7562	7580	7734	.
Broad money, end of period <sup>7)</sup>	EUR-SIT mn	17378	17730	17769	10694	14966	15157	15058	15255	15398	15430	15371	15651	15545	15675	15887	.
Broad money, end of period <sup>7)</sup>	CMPY	7.5	8.0	5.5	-37.0	-11.7	-11.3	-12.8	-10.2	-8.5	-8.7	-9.9	-9.7	-10.5	-11.6	-10.6	.
Refinancing rate (p.a.), end of period	%	3.50	3.50	3.75	3.75	3.50	3.25	3.25	3.25	3.50	3.50	3.75	3.75	3.75	3.75	3.75	.
Refinancing rate (p.a.), end of period <sup>8)</sup>	real, %	1.7	1.7	1.9	2.4	1.9	1.2	1.2	0.8	0.8	0.6	1.3	1.0	1.0	1.1	0.9	.
<b>BUDGET</b>																	
General gov. budget balance, cum.	EUR-SIT mn	-208.3	-154.0	-299.6	68.1	-74.2	-130.4	-64.8	-89.1	-69.1	-22.1	72.7	-33.6	11.8	22.6	.	.

Note: Slovenia has introduced the Euro from 1, Jan 2007. For statistical purposes all time series in SIT and the exchange rates have been divided by the conversion factor 239.64 (SIT per EUR) to EUR-SIT.

- 1) Effective working hours, construction put in place of enterprises with 20 and more persons employed.
- 2) Ratio of unemployed to the economically active.
- 3) Based on cumulated national currency and converted with the average exchange rate.
- 4) Cumulation starting January and ending December each year.
- 5) According to country of dispatch.
- 6) Adjusted for domestic and foreign (US resp. EU) inflation. Values more than 100 mean real appreciation.
- 7) From 2006 harmonized ECB methodology.
- 8) Deflated with annual PPI.

## B U L G A R I A: Selected monthly data on the economic situation 2005 to 2007

(updated end of February 2007)

		2005			2006									2007			
		Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan
<b>PRODUCTION</b>																	
Industry, total <sup>1)</sup>	real, CMPY	9.2	7.8	6.3	7.6	8.9	5.7	2.7	10.3	5.7	3.0	10.6	6.8	5.0	4.2	1.7	.
Industry, total <sup>1)</sup>	real, CCPY	6.6	6.7	6.7	7.6	8.3	7.3	6.1	7.0	6.7	6.2	6.7	6.7	6.6	6.3	5.9	.
Industry, total	real, 3MMA	6.3	7.7	7.2	7.5	7.3	5.7	6.2	6.2	6.2	6.4	6.7	7.4	5.3	3.6	.	.
<b>LABOUR</b>																	
Employees total	th. persons	2260	2261	2234	2201	2213	2237	2250	2265	2276	2305	2300	2293	2276	2271	2247	.
Employees in industry	th. persons	714	713	708	699	701	702	705	705	704	705	704	702	703	703	697	.
Unemployment, end of period	th. persons	386.5	383.9	397.3	432.3	426.2	401.5	378.9	355.3	340.1	331.8	323.8	312.8	310.4	321.9	337.8	358.1
Unemployment rate <sup>2)</sup>	%	10.4	10.4	10.7	11.7	11.5	10.8	10.2	9.6	9.2	9.0	8.7	8.4	8.4	8.7	9.1	9.7
Labour productivity, industry <sup>1)</sup>	CCPY	3.0	3.3	3.4	10.6	11.1	10.1	8.8	9.6	9.3	8.7	9.2	9.2	8.9	8.6	8.1	.
Unit labour costs, exch.r. adj.(EUR) <sup>1)</sup>	CCPY	5.0	4.6	4.6	-1.3	-1.5	-0.6	0.9	0.0	0.2	1.0	0.8	1.0	1.2	1.9	2.6	.
<b>WAGES, SALARIES</b>																	
Total economy, gross	BGN	317	321	340	324	322	340	343	346	345	350	349	363	354	361	388	.
Total economy, gross	real, CMPY	1.6	0.1	0.4	3.4	1.0	0.9	2.4	-0.1	1.5	2.6	5.4	6.1	5.7	5.9	7.2	.
Total economy, gross	USD	195	193	206	201	197	209	215	226	223	227	229	236	228	238	262	.
Total economy, gross	EUR	162	164	174	166	165	174	175	177	176	179	178	186	181	185	198	.
Industry, gross	EUR	168	166	175	167	168	179	178	176	182	182	182	190	185	190	199	.
<b>PRICES</b>																	
Consumer	PM	1.2	1.0	0.8	0.8	3.0	0.3	0.4	0.0	-1.6	-0.5	-0.2	0.3	1.3	1.4	1.2	1.5
Consumer	CMPY	6.5	6.9	6.5	6.6	8.7	8.7	8.1	8.5	8.2	7.6	6.8	5.6	5.7	6.1	6.5	7.2
Consumer	CCPY	4.7	4.9	5.0	6.6	7.6	8.0	8.0	8.1	8.1	8.1	7.9	7.7	7.5	7.3	7.3	7.2
Producer, in industry <sup>1)</sup>	PM	0.8	0.5	0.7	-0.5	1.5	-0.2	1.8	3.1	0.3	0.9	0.3	0.7	-0.7	0.1	0.6	-0.8
Producer, in industry <sup>1)</sup>	CMPY	6.3	7.7	9.8	8.8	9.6	6.8	7.5	11.5	11.1	10.9	11.0	10.3	8.7	8.2	8.1	7.8
Producer, in industry <sup>1)</sup>	CCPY	6.6	6.7	7.0	8.8	9.2	8.4	8.1	8.8	9.2	9.5	9.6	9.7	9.6	9.5	9.4	7.8
<b>FOREIGN TRADE<sup>3)4)</sup></b>																	
Exports total (fob), cumulated	EUR mn	7716	8606	9466	819	1696	2672	3668	4652	5711	6783	7850	8900	9960	11009	11983	.
Imports total (cif), cumulated	EUR mn	11814	13273	14668	1233	2457	3936	5347	6870	8364	9960	11621	13149	14858	16558	18375	.
Trade balance, cumulated	EUR mn	-4098	-4667	-5201	-414	-761	-1264	-1679	-2218	-2653	-3177	-3771	-4248	-4898	-5549	-6392	.
<b>FOREIGN FINANCE</b>																	
Current account, cumulated <sup>5)</sup>	EUR mn	-1576	-2012	-2427	-431	-675	-1113	-1471	-1737	-1834	-1847	-1930	-2138	-2658	-3110	-3879	.
<b>EXCHANGE RATE</b>																	
BGN/USD, monthly average	nominal	1.628	1.660	1.650	1.614	1.638	1.627	1.597	1.532	1.546	1.542	1.527	1.538	1.551	1.519	1.480	1.506
BGN/EUR, monthly average	nominal	1.956	1.956	1.956	1.956	1.956	1.956	1.956	1.956	1.956	1.956	1.956	1.956	1.956	1.956	1.956	1.956
BGN/USD, calculated with CPI <sup>6)</sup>	real, Jan03=100	117.8	117.6	119.8	122.5	124.0	124.6	126.3	131.0	127.5	126.9	127.6	127.7	128.9	133.7	138.5	138.1
BGN/USD, calculated with PPI <sup>6)</sup>	real, Jan03=100	107.2	107.3	109.1	110.1	111.8	112.1	114.8	122.3	121.3	122.1	122.9	124.8	125.4	125.8	129.0	125.8
BGN/EUR, calculated with CPI <sup>6)</sup>	real, Jan03=100	106.9	108.2	108.8	110.1	113.1	112.9	112.6	112.2	110.3	109.9	109.5	109.8	111.0	112.5	113.4	115.6
BGN/EUR, calculated with PPI <sup>6)</sup>	real, Jan03=100	107.4	107.6	107.9	106.5	107.9	107.2	108.4	111.8	112.0	111.9	112.2	113.9	113.0	113.5	114.2	113.1
<b>DOMESTIC FINANCE</b>																	
M0, end of period <sup>7)</sup>	BGN mn	5134	5096	5396	5092	5080	5113	5190	5284	5503	5687	5829	5917	5881	5825	6231	.
M1, end of period <sup>7)</sup>	BGN mn	11792	11729	12443	11840	12058	12371	12430	13085	13444	14182	14505	14751	15022	15193	16078	.
Broad money, end of period <sup>7)</sup>	BGN mn	23939	24010	25260	24633	25125	25558	25771	26568	27535	28183	28986	29611	30166	30361	32061	.
Broad money, end of period	CMPY	27.0	27.3	23.9	20.0	21.1	10.1	17.1	18.4	20.9	21.4	22.5	24.7	26.0	26.5	26.9	.
BNB base rate (p.a.) <sup>end of period</sup>	%	2.1	2.1	2.1	2.2	2.3	2.3	2.5	2.6	2.6	2.7	2.8	3.0	3.0	3.2	3.3	3.5
BNB base rate (p.a.) <sup>end of period<sup>8)</sup></sup>	real, %	-4.0	-5.2	-7.0	-6.0	-6.7	-4.2	-4.7	-8.0	-7.6	-7.3	-7.3	-6.7	-5.2	-4.6	-4.5	-4.0
<b>BUDGET</b>																	
Central gov.budget balance <sub>sum.</sub>	BGN mn	1488.3	1611.8	1333.9	137.0	457.7	619.9	978.8	1237.7	1454.9	1606.3	1941.0	2042.4	2229.0	2413.8	1812.9	.

1) According to new calculation for industrial output and prices. Output data based on survey for enterprises with 10 and more persons.

2) Ratio of unemployed to the economically active.

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

4) Cumulation starting January and ending December each year.

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

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

7) According to ECB methodology.

8) Deflated with annual PPI.

## R O M A N I A: Selected monthly data on the economic situation 2005 to 2007

(updated end of February 2007)

		2005			2006												2007
		Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan
<b>PRODUCTION</b>																	
Industry, total <sup>1)</sup>	real, CMPY	1.7	1.6	2.2	5.4	4.3	4.3	0.6	16.0	10.7	10.0	6.8	6.2	10.2	7.3	3.9	.
Industry, total <sup>1)</sup>	real, CCPY	2.0	2.0	2.0	5.4	4.9	4.7	3.6	6.1	6.9	7.3	7.2	7.1	7.4	7.4	7.1	.
Industry, total	real, 3MMA	2.0	1.8	3.0	3.9	4.7	3.1	6.8	9.0	12.2	9.2	7.6	7.8	7.9	7.2	.	.
Construction, total	real, CCPY	6.3	7.3	8.2	20.5	20.0	20.9	18.3	17.2	17.5	17.3	17.7	18.0	18.2	18.6	19.3	.
<b>LABOUR</b>																	
Employees total	th. persons	4538.0	4537.6	4501.2	4556.2	4565.6	4582.0	4589.7	4604.0	4612.2	4617.4	4615.3	4608.5	4601.7	4603.4	4575.0	.
Employees in industry	th. persons	1680.6	1670.7	1652.3	1684.0	1680.8	1678.5	1666.7	1663.9	1653.1	1645.3	1640.4	1628.3	1623.0	1616.1	1602.5	.
Unemployment, end of period	th. persons	499.7	504.8	523.0	548.0	554.6	545.9	512.3	481.2	465.9	446.8	446.5	440.2	453.5	456.0	460.5	.
Unemployment rate <sup>2)</sup>	%	5.7	5.7	5.9	6.1	6.2	6.1	5.8	5.4	5.2	5.0	5.0	4.9	5.1	5.1	5.2	.
Labour productivity, industry	CCPY	5.0	5.2	5.4	9.2	8.8	8.6	7.6	10.1	10.9	11.3	11.1	11.0	11.2	11.1	10.6	.
Unit labour costs, excl.r. adj.(EUR)	CCPY	25.1	24.6	24.0	9.5	10.0	11.8	12.0	9.0	7.7	6.8	6.5	6.2	6.2	6.6	7.5	.
<b>WAGES, SALARIES</b>																	
Total economy, gross	RON	974.0	1017.0	1121.0	1100.0	1017.0	1101.0	1120.0	1109.0	1112.0	1122.0	1122.0	1148.0	1155.0	1213.0	1481.0	.
Total economy, gross	real, CMPY	7.4	7.8	6.0	6.2	7.1	10.4	7.7	9.8	10.0	10.4	9.9	12.8	13.2	13.9	26.0	.
Total economy, gross	USD	325	328	364	366	343	377	393	404	397	398	407	415	414	447	573	.
Total economy, gross	EUR	271	278	306	302	287	314	321	316	313	314	318	325	328	347	434	.
Industry, gross	EUR	262	268	296	262	268	302	301	299	300	305	313	316	315	327	369	.
<b>PRICES</b>																	
Consumer	PM	0.9	1.2	0.5	1.0	0.2	0.2	0.4	0.6	0.2	0.1	-0.1	0.1	0.2	1.1	0.7	0.2
Consumer	CMPY	8.1	8.7	8.6	8.9	8.5	8.4	6.9	7.3	7.1	6.2	6.0	5.5	4.8	4.7	4.9	4.0
Consumer	CCPY	9.1	9.0	9.0	8.9	8.7	8.6	8.2	8.0	7.8	7.6	7.4	7.2	6.9	6.7	6.6	4.0
Producer, in industry	PM	1.7	0.7	-0.1	1.4	1.1	0.4	1.8	1.5	1.1	0.8	1.2	-0.2	0.4	0.9	0.4	.
Producer, in industry	CMPY	8.2	8.8	9.6	9.8	11.7	11.3	10.6	11.7	12.7	12.9	13.0	12.0	10.7	10.9	11.6	.
Producer, in industry	CCPY	10.8	10.6	10.5	9.8	10.7	10.9	10.8	11.0	11.3	11.5	11.7	11.7	11.6	11.6	11.6	.
<b>RETAIL TRADE</b>																	
Turnover	real, CMPY	9.2	12.4	30.3	25.4	26.7	24.0	16.3	32.1	28.4	28.5	21.5	26.1	22.8	20.2	19.9	.
Turnover	real, CCPY	16.5	16.0	17.6	25.4	26.1	25.3	22.8	24.7	25.3	25.8	25.2	25.3	25.0	24.6	24.0	.
<b>FOREIGN TRADE<sup>4)5)</sup></b>																	
Exports total (fob), cumulated	EUR mn	18407	20436	22255	1775	3879	6218	8091	10398	12678	14901	16963	19171	21429	23893	25851	.
Imports total (cif), cumulated	EUR mn	26144	29462	32569	2413	5280	8569	11514	15045	18527	21979	25342	28725	32610	36684	40746	.
Trade balance, cumulated	EUR mn	-7737	-9025	-10313	-638	-1400	-2351	-3423	-4647	-5849	-7079	-8379	-9554	-11180	-12791	-14895	.
Exports to EU-25 (fob), cumulated	EUR mn	12477	13935	15043	1237	2681	4256	5473	6950	8486	10016	11340	12906	14483	16232	17500	.
Imports from EU-25 (cif), cumulated	EUR mn	16340	18417	20251	1456	3142	5160	6947	9212	11467	13690	15730	17865	20355	22940	25487	.
Trade balance with EU-25, cumulated	EUR mn	-3863	-4482	-5208	-219	-462	-904	-1474	-2262	-2980	-3674	-4390	-4959	-5872	-6708	-7987	.
<b>FOREIGN FINANCE</b>																	
Current account, cumulated	EUR mn	-5223	-6114	-6888	-292	-770	-1358	-2060	-2912	-3744	-4522	-5466	-6301	-7399	-8560	-9973	.
<b>EXCHANGE RATE</b>																	
RON/USD, monthly average	nominal	2.993	3.097	3.084	3.006	2.963	2.918	2.849	2.745	2.801	2.817	2.753	2.769	2.789	2.714	2.583	2.613
RON/EUR, monthly average	nominal	3.598	3.653	3.659	3.645	3.540	3.507	3.491	3.507	3.548	3.572	3.528	3.527	3.519	3.495	3.414	3.394
RON/USD, calculated with CPI <sup>6)</sup>	real, Jan03=100	134.2	132.3	134.1	137.8	139.9	141.7	144.4	150.0	146.9	145.8	148.8	148.7	148.7	154.9	163.5	162.0
RON/USD, calculated with PPI <sup>6)</sup>	real, Jan03=100	134.2	132.6	133.6	137.9	143.5	146.1	150.3	157.0	155.2	154.9	159.4	160.6	163.5	166.4	174.5	.
RON/EUR, calculated with CPI <sup>6)</sup>	real, Jan03=100	122.0	121.9	121.9	124.2	127.8	128.6	128.9	128.7	127.2	126.6	127.9	127.9	128.4	130.6	134.1	135.9
RON/EUR, calculated with PPI <sup>6)</sup>	real, Jan03=100	134.6	133.1	132.3	133.5	138.7	139.9	142.2	143.7	143.4	142.2	145.8	146.8	147.6	150.5	154.7	.
<b>DOMESTIC FINANCE</b>																	
M0, end of period	RON mn	10258	10348	11386	10977	11165	11480	12471	12595	13557	13926	13959	14423	13955	13937	15130	.
M1, end of period	RON mn	21289	21133	24551	23560	23508	23843	24593	26080	27781	28930	29771	30406	30574	30606	35372	.
M2, end of period	RON mn	81098	81402	86332	85727	85677	87528	88034	91747	95054	95888	98302	99346	100619	101940	111711	.
M2, end of period	CMPY	41.3	43.1	33.9	35.8	31.4	28.8	27.4	27.5	28.1	29.4	28.1	23.9	24.1	25.2	29.4	.
Discount rate (p.a.) <sup>5)</sup> end of period	%	7.7	7.5	7.5	7.5	7.5	8.5	8.5	8.5	8.5	8.5	8.8	8.8	8.8	8.8	8.8	8.8
Discount rate (p.a.) <sup>5)6)</sup> end of period	real, %	-0.4	-1.2	-1.9	-2.1	-3.8	-2.5	-1.9	-2.8	-3.7	-3.9	-3.7	-2.9	-1.7	-2.0	-2.5	.
<b>BUDGET</b>																	
Central gov.budget balance, cum.	RON mn	1363.8	653.2	-2182.9	850.9	851.4	472.6	674.3	830.9	-444.7	555.7	-8.1	-550.4	440.7	-1284.4	-10537.5	.

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

2) Ratio of unemployed to economically active population as of December of previous year, from 2004 as of December 2003.

3) Cumulation starting January and ending December each year.

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

5) Reference rate of RNB.

6) Deflated with annual PPI.

## C R O A T I A: Selected monthly data on the economic situation 2005 to 2007

(updated end of February 2007)

		2005			2006												2007
		Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan
<b>PRODUCTION</b>																	
Industry, total <sup>1)</sup>	real, CMPY	7.2	6.4	3.1	5.9	7.3	6.0	-3.2	4.1	-1.1	5.2	9.8	3.0	8.5	6.8	3.0	.
Industry, total <sup>1)</sup>	real, CCPY	5.2	5.3	5.1	5.9	6.6	6.4	3.7	3.8	2.9	3.3	4.1	3.9	4.4	4.6	4.5	.
Industry, total <sup>1)</sup>	real, 3MMA	6.5	5.5	5.0	5.3	6.4	3.1	2.3	-0.1	2.7	4.4	5.9	7.0	6.1	6.1	.	.
Construction, total, effect. work. time <sup>1)</sup>	real, CMPY	8.8	8.0	4.4	13.3	17.1	16.9	3.8	13.7	7.5	8.3	9.7	4.7	9.9	7.3	.	.
<b>LABOUR</b>																	
Employment total	th. persons	1429.7	1425.4	1417.2	1406.6	1403.8	1406.7	1416.3	1429.6	1444.1	1455.5	1456.2	1446.9	1438.5	1434.3	1426.6	.
Employees in industry	th. persons	279.4	279.1	277.4	273.1	274.6	274.8	275.5	276.3	276.8	276.8	277.0	276.8	276.9	277.6	276.7	.
Unemployment, end of period	th. persons	300.6	305.5	307.9	314.2	313.6	311.3	302.4	287.3	274.5	270.8	271.1	279.0	289.9	292.3	293.2	299.1
Unemployment rate <sup>2)</sup>	%	17.4	17.7	17.8	18.3	18.3	18.1	17.6	16.7	16.0	15.7	15.7	16.2	16.8	16.9	17.0	17.5
Labour productivity, industry <sup>1)</sup>	CCPY	3.6	3.7	3.5	5.2	6.8	7.0	4.7	4.9	4.1	4.5	5.3	5.2	5.6	5.8	5.6	.
Unit labour costs, exch. r. adj. (EUR) <sup>1)</sup>	CCPY	2.8	2.9	3.1	4.3	2.6	2.5	4.0	3.7	4.6	4.0	3.1	3.0	2.6	2.8	.	.
<b>WAGES, SALARIES</b>																	
Total economy, gross	HRK	6184	6588	6409	6386	6326	6650	6459	6780	6684	6550	6672	6530	6593	7097	.	.
Total economy, gross	real, CMPY	0.4	1.1	0.8	2.2	2.4	2.8	2.1	2.5	1.2	2.2	2.3	2.4	4.4	5.1	.	.
Total economy, gross	USD	1008	1054	1028	1046	1032	1090	1081	1190	1167	1147	1174	1127	1125	1243	.	.
Total economy, gross	EUR	837	893	867	866	863	908	883	932	921	904	917	884	892	966	.	.
Industry, gross	EUR	768	833	796	795	797	850	807	867	871	839	858	829	836	931	.	.
<b>PRICES</b>																	
Consumer	PM	0.7	0.2	0.5	0.6	0.8	0.1	0.2	0.5	-0.1	-0.8	0.1	0.0	0.0	0.6	0.0	0.3
Consumer	CMPY	4.1	3.8	3.6	3.9	3.6	3.0	3.5	4.0	4.0	3.4	3.4	2.8	2.1	2.5	2.0	1.8
Consumer	CCPY	3.3	3.4	3.3	3.9	3.8	3.5	3.5	3.6	3.7	3.6	3.6	3.5	3.4	3.3	3.2	1.8
Producer, in industry	PM	0.5	0.0	-0.3	0.5	0.7	0.3	0.1	0.4	-0.2	0.1	0.2	-0.3	0.0	0.1	0.0	0.8
Producer, in industry	CMPY	1.8	2.3	2.7	3.2	3.6	3.6	3.4	3.7	3.7	3.0	3.1	2.0	1.5	1.6	1.9	2.2
Producer, in industry	CCPY	3.1	3.0	3.0	3.2	3.4	3.5	3.4	3.5	3.5	3.5	3.4	3.3	3.1	2.9	2.9	2.2
<b>RETAIL TRADE</b>																	
Turnover	real, CMPY	1.7	2.0	2.9	3.6	5.3	0.3	1.5	0.2	-0.5	1.6	1.9	2.8	4.6	3.4	4.0	.
Turnover	real, CCPY	3.1	3.1	3.2	3.6	4.4	1.7	2.3	1.8	1.4	1.5	1.5	1.7	1.9	2.0	2.1	.
<b>FOREIGN TRADE<sup>4)5)</sup></b>																	
Exports total (fob), cumulated	EUR mn	5688	6357	7064	605	1192	1971	2555	3258	3903	4610	5231	5930	6735	7435	8253	.
Imports total (cif), cumulated	EUR mn	12350	13659	14933	1134	2424	3955	5323	6829	8362	9822	11217	12634	14238	15697	17094	.
Trade balance, cumulated	EUR mn	-6661	-7303	-7869	-529	-1233	-1984	-2768	-3571	-4459	-5211	-5986	-6704	-7503	-8262	-8841	.
Exports to EU-25 (fob), cumulated	EUR mn	3580	3996	4375	392	794	1291	1690	2155	2602	3029	3408	3811	4352	4778	5229	.
Imports from EU-25 (cif), cumulated	EUR mn	8060	8964	9788	643	1474	2449	3399	4448	5459	6458	7297	8193	9209	10173	11112	.
Trade balance with EU-25, cumulated	EUR mn	-4481	-4968	-5412	-251	-680	-1158	-1709	-2293	-2856	-3429	-3889	-4382	-4857	-5395	-5883	.
<b>FOREIGN FINANCE</b>																	
Current account, cumulated <sup>6)</sup>	EUR mn	.	.	-1995	.	.	-2054	.	.	-3354	.	.	-1177	.	.	.	.
<b>EXCHANGE RATE</b>																	
HRK/USD, monthly average	nominal	6.136	6.252	6.234	6.102	6.129	6.098	5.974	5.698	5.726	5.711	5.683	5.794	5.862	5.710	5.566	5.663
HRK/EUR, monthly average	nominal	7.386	7.375	7.389	7.378	7.327	7.325	7.313	7.273	7.256	7.246	7.276	7.385	7.393	7.344	7.355	7.367
HRK/USD, calculated with CPI <sup>6)</sup>	real, Jan03=100	112.8	111.8	113.1	115.4	115.5	115.7	117.3	122.9	122.0	120.9	121.4	119.7	118.9	123.0	126.0	124.2
HRK/USD, calculated with PPI <sup>6)</sup>	real, Jan03=100	101.7	101.4	101.8	103.6	105.5	106.1	107.1	111.7	110.7	110.5	110.6	109.9	110.8	111.7	114.0	112.9
HRK/EUR, calculated with CPI <sup>6)</sup>	real, Jan03=100	101.9	102.5	102.5	103.7	105.0	104.6	104.3	105.0	105.1	104.5	104.0	102.4	102.2	103.4	102.9	103.5
HRK/EUR, calculated with PPI <sup>6)</sup>	real, Jan03=100	101.4	101.3	100.4	100.2	101.4	101.3	100.9	101.8	101.7	101.0	100.8	99.8	99.6	100.7	100.5	101.0
<b>DOMESTIC FINANCE</b>																	
M0, end of period	HRK bn	11.9	11.7	12.2	11.7	11.8	12.1	12.7	13.0	14.0	14.9	14.6	14.3	13.9	13.5	14.6	.
M1, end of period	HRK bn	37.1	37.2	38.8	37.2	37.2	38.2	39.2	40.8	42.2	45.0	45.0	44.0	45.5	46.3	48.5	.
Broad money, end of period	HRK bn	152.5	154.7	154.6	152.0	151.7	153.6	155.1	158.1	163.1	170.3	174.2	176.8	180.6	179.6	182.5	.
Broad money, end of period	CMPY	10.2	10.8	10.5	9.4	9.3	11.3	12.5	12.4	14.4	17.0	15.3	16.6	18.4	16.1	18.0	.
Discount rate (p.a.), end of period	%	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5
Discount rate (p.a.), end of period <sup>7)</sup>	real, %	2.7	2.2	1.8	1.3	0.9	0.9	1.1	0.8	0.8	1.5	1.4	2.5	3.0	2.9	2.6	2.3
<b>BUDGET</b>																	
Central gov. budget balance, cum. <sup>8)</sup>	HRK mn	-6994	-6936	-6874	-883	-1742	-2803	-3097	-3381	-3475	-3426	-2641	-2635	-2696	-2777	.	.

1) In business entities with more than 20 persons employed.

2) Ratio of unemployed to the economically active population.

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

4) Cumulation starting January and ending December each year.

5) Calculated from USD to NCU to EUR using the official average exchange rate.

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

7) Deflated with annual PPI.

8) Consolidated central government budget. Including extra-budgetary funds.

## R U S S I A: Selected monthly data on the economic situation 2005 to 2007

(updated end of February 2007)

		2005			2006									2007			
		Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan
<b>PRODUCTION</b>																	
Industry, total <sup>1)</sup>	real, CMPY	3.6	6.0	4.8	4.3	0.9	4.1	4.9	11.2	2.9	3.6	6.3	5.6	6.5	4.2	2.5	8.4
Industry, total <sup>1)</sup>	real, CCPY	3.6	3.8	3.9	4.3	2.6	3.1	3.6	5.0	4.7	4.5	4.7	4.8	5.0	4.9	4.7	8.4
Industry, total <sup>1)</sup>	real, 3MMA	4.8	4.8	5.0	3.4	3.1	3.3	6.6	6.2	5.8	4.3	5.2	6.1	5.4	4.3	4.8	.
Construction, total	real, CMPY	13.6	16.2	15.6	-7.5	-3.5	10.7	12.1	10.9	14.5	14.5	12.4	18.3	24.3	21.4	25.7	29.8
<b>LABOUR<sup>2)</sup></b>																	
Employment total	th. persons	68900	68700	68300	67624	67607	67920	68226	68529	68962	69496	70026	69798	69676	69538	69100	68723
Unemployment, end of period	th. persons	5491	5543	5660	5776	5893	5780	5674	5571	5338	5104	4874	4902	4924	4962	5112	5277
Unemployment rate	%	7.4	7.5	7.7	7.9	8.0	7.8	7.7	7.5	7.2	6.8	6.5	6.6	6.6	6.7	6.9	7.1
<b>WAGES, SALARIES</b>																	
Total economy, gross	RUB	8701	8931	11319	9016	9255	9914	9833	10257	11106	10883	10853	11127	11046	11303	14263	11410
Total economy, gross	real, CMPY	12.8	14.0	16.0	10.9	11.5	10.7	11.9	15.8	17.8	15.1	14.9	14.2	16.4	16.1	15.6	16.9
Total economy, gross	USD	305	311	393	319	328	356	357	379	412	404	406	416	411	425	505	430
Total economy, gross	EUR	253	263	331	263	274	296	291	297	325	319	317	326	326	330	416	332
Industry, gross <sup>3)</sup>	EUR	255	266	300	257	263	285	286	287	299	308	312	312	320	317	366	.
<b>PRICES</b>																	
Consumer	PM	0.6	0.7	0.8	2.4	1.7	0.8	0.3	0.5	0.3	0.7	0.2	0.1	0.3	0.6	0.8	1.7
Consumer	CMPY	11.7	11.2	10.9	10.7	11.2	10.7	9.9	9.5	9.2	9.3	9.7	9.4	9.1	9.0	9.0	8.2
Consumer	CCPY	12.8	12.7	12.5	10.7	11.0	10.9	10.6	10.4	10.2	10.1	10.0	9.9	9.8	9.8	9.7	8.2
Producer, in industry	PM	0.9	-0.9	-2.1	0.5	3.3	2.1	0.6	1.8	0.8	1.7	2.2	1.4	-2.8	-2.5	1.0	1.7
Producer, in industry	CMPY	19.4	16.0	13.4	13.4	15.7	15.2	13.1	12.1	12.9	14.2	14.4	12.9	8.8	7.0	10.4	11.7
Producer, in industry	CCPY	22.1	21.4	20.7	13.4	14.6	14.8	14.3	13.9	13.7	13.8	13.9	13.7	13.2	12.6	12.4	11.7
<b>RETAIL TRADE</b>																	
Turnover <sup>4)</sup>	real, CMPY	12.9	12.2	14.8	10.8	10.1	10.8	11.1	11.9	14.0	14.2	14.2	14.1	14.6	13.9	9.5	13.5
Turnover <sup>4)</sup>	real, CCPY	12.6	12.6	12.8	10.8	10.5	10.6	10.7	11.0	11.5	11.9	12.2	12.4	12.7	12.8	12.5	13.5
<b>FOREIGN TRADE<sup>5)(6)</sup></b>																	
Exports total, cumulated	EUR mn	156521	175258	195676	17300	35691	56042	75672	97012	117136	137582	159730	180004	199758	219654	242517	.
Imports total, cumulated	EUR mn	78796	89135	100663	7089	15756	26290	35389	45364	56765	67619	78990	90492	102974	115586	130502	.
Trade balance, cumulated	EUR mn	77725	86124	95012	10211	19935	29751	40282	51647	60372	69963	80740	89512	96785	104068	112015	.
<b>FOREIGN FINANCE</b>																	
Current account, cumulated <sup>8)</sup>	EUR mn	.	.	66971	.	.	24497	.	.	44242	.	.	62669	.	.	76687	.
<b>EXCHANGE RATE</b>																	
RUB/USD, monthly average	nominal	28.563	28.763	28.805	28.228	28.195	27.874	27.564	27.065	26.983	26.916	26.762	26.746	26.867	26.617	28.228	26.529
RUB/EUR, monthly average	nominal	34.338	33.951	34.162	34.293	33.733	33.492	33.767	34.524	34.209	34.155	34.274	34.087	33.889	34.235	34.293	34.389
RUB/USD, calculated with CPI <sup>9)</sup>	real, Jan03=100	135.6	136.7	138.1	143.2	145.5	147.6	148.5	151.2	151.8	152.7	153.6	154.6	155.1	157.8	149.7	162.0
RUB/USD, calculated with PPI <sup>9)</sup>	real, Jan03=100	153.4	153.2	150.4	153.0	160.6	165.6	166.3	170.9	172.4	174.9	178.7	184.1	181.7	175.5	166.2	179.8
RUB/EUR, calculated with CPI <sup>9)</sup>	real, Jan03=100	123.1	125.6	125.5	128.6	132.5	133.9	132.4	129.7	131.1	132.3	131.9	132.7	133.7	133.1	133.4	135.9
RUB/EUR, calculated with PPI <sup>9)</sup>	real, Jan03=100	153.6	153.5	148.8	147.6	154.8	158.4	157.1	156.4	158.9	160.3	163.2	167.8	163.9	158.7	160.0	162.0
<b>DOMESTIC FINANCE</b>																	
M0, end of period	RUB bn	1752.0	1765.8	2009.2	1875.6	1890.1	1928.8	2027.8	2096.9	2233.4	2290.3	2351.6	2400.8	2402.2	2450.7	2785.2	.
M1, end of period	RUB bn	3340.1	3413.2	3858.5	3662.0	3686.7	3855.9	3957.7	4205.2	4479.3	4504.9	4652.1	4856.1	4765.0	4900.1	5598.4	.
M2, end of period	RUB bn	6482.7	6604.8	7221.1	7035.6	7155.7	7392.9	7534.2	7877.6	8304.8	8407.9	8570.4	8897.2	8968.8	9233.6	10146.7	.
M2, end of period	CMPY	37.0	35.7	36.3	35.7	33.9	34.4	34.7	37.2	38.0	38.1	36.3	37.8	38.3	39.8	40.5	.
Refinancing rate (p.a.) <sup>end of period</sup>	%	13.0	13.0	12.0	12.0	12.0	12.0	12.0	12.0	11.5	11.5	11.5	11.5	11.5	11.0	11.0	10.5
Refinancing rate (p.a.) <sup>end of period</sup> <sup>10)</sup>	real, %	-5.3	-2.6	-1.3	-1.3	-3.2	-2.8	-1.0	-0.1	-1.2	-2.4	-2.6	-1.2	2.5	3.7	0.6	-1.1
<b>BUDGET</b>																	
Central gov. budget balance, cum.	RUB bn	1429.6	1636.7	1612.9	221.7	390.8	575.9	692.0	894.7	1083.4	1270.0	1489.4	1694.5	1905.9	1992.6	.	.

1) According to NACE C+D+E.

2) Based on labour force survey.

3) Manufacturing industry only.

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

5) Based on cumulated USD and converted using the ECB EUR/USD average foreign exchange reference rate.

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

7) Based on balance of payments statistics.

8) Calculated from USD to NCU to EUR using the official average exchange rate.

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

10) Deflated with annual PPI.

## U K R A I N E: Selected monthly data on the economic situation 2005 to 2007

(updated end of February 2007)

		2005			2006												2007
		Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan
<b>PRODUCTION</b>																	
Industry, total	real, CMPY	2.4	2.0	5.3	-2.9	1.5	1.3	0.5	10.0	9.6	11.4	9.1	6.2	3.8	8.3	12.0	15.8
Industry, total	real, CCPY	3.1	2.9	3.1	-2.9	-0.6	0.2	0.4	2.4	3.6	4.8	5.4	5.5	5.3	5.6	6.2	15.8
Industry, total	real, 3MMA	1.8	3.2	1.5	1.3	0.0	1.1	3.9	6.7	10.3	10.0	8.9	6.4	6.1	8.0	12.0	
<b>LABOUR</b>																	
Employees <sup>1)</sup>	th. persons	11357	11306	11220	11245	11296	11352	11378	11381	11412	11440	11430	11413	11403	11356	11273	11284
Employees in industry <sup>1)</sup>	th. persons	3407	3394	3368	3374	3380	3380	3367	3355	3354	3351	3342	3334	3336	3329	3303	3298
Unemployment, end of period	th. persons	762.9	809.7	881.5	899.9	923.8	913.7	868.7	805.8	749.1	715.3	694.7	676.1	653.3	693.1	693.1	790.2
Unemployment rate <sup>2)</sup>	%	2.7	2.9	3.1	3.2	3.3	3.2	3.1	2.9	2.7	2.5	2.5	2.4	2.3	2.5	2.5	2.8
Labour productivity, industry <sup>1)</sup>	CCPY	2.8	2.7	3.0	-2.1	0.3	1.3	1.6	3.7	5.0	6.3	7.0	7.2	7.0	7.3	8.0	18.5
Unit labour costs, exch.r. adj.(EUR) <sup>1)</sup>	CCPY	27.2	29.1	30.6	50.8	47.2	46.3	42.2	34.3	29.4	25.3	22.6	20.9	20.0	18.3	16.7	-1.7
<b>WAGES, SALARIES<sup>1)</sup></b>																	
Total economy, gross	UAH	882	897	1020	865	905	987	984	1003	1064	1079	1073	1087	1088	1104	1277	1112
Total economy, gross	real, CMPY	23.3	24.3	31.3	22.9	22.6	25.8	24.9	22.3	21.0	19.9	20.2	16.3	11.2	10.3	12.2	16.0
Total economy, gross	USD	175	178	202	171	179	195	195	199	211	214	212	215	215	219	253	220
Total economy, gross	EUR	145	150	170	142	150	163	159	156	166	169	166	169	171	170	192	169
Industry, gross	EUR	171	177	188	173	177	194	182	174	187	193	194	196	202	200	216	202
<b>PRICES</b>																	
Consumer	PM	0.9	1.2	0.9	1.2	1.8	-0.3	-0.4	0.5	0.1	0.9	0.0	2.0	2.6	1.8	0.9	0.5
Consumer	CMPY	12.4	12.0	10.3	9.8	10.7	8.6	7.4	7.3	6.8	7.4	7.4	9.1	11.0	11.6	11.6	10.9
Consumer	CCPY	14.0	13.8	13.5	9.8	10.2	9.7	9.1	8.7	8.4	8.3	8.2	8.3	8.5	8.8	9.1	10.9
Producer, in industry	PM	0.0	-0.1	0.3	1.2	0.3	0.4	1.4	1.0	0.7	1.2	2.1	1.7	2.2	0.7	0.5	2.3
Producer, in industry	CMPY	12.9	10.4	9.6	10.7	8.1	6.5	5.4	4.7	6.3	9.4	10.9	10.7	13.1	14.0	14.2	15.5
Producer, in industry	CCPY	18.3	17.5	16.8	10.7	9.4	8.4	7.6	7.0	6.9	7.3	7.7	8.1	8.6	9.1	9.5	15.5
<b>RETAIL TRADE</b>																	
Turnover <sup>3)</sup>	real, CCPY	22.4	22.4	23.0	31.3	28.4	26.5	27.4	27.2	27.0	26.1	25.6	25.0	25.0	25.1	25.3	25.5
<b>FOREIGN TRADE<sup>4)5)</sup></b>																	
Exports total (fob), cumulated	EUR mn	22415	24908	27498	1933	4041	6645	9055	11494	14126	16770	19522	22421	25150	27748	30556	.
Imports total (cif), cumulated	EUR mn	23349	26084	29030	2241	4895	8116	10792	13643	16501	19412	22416	25685	28878	31928	35865	.
Trade balance, cumulated	EUR mn	-934	-1176	-1533	-309	-854	-1472	-1737	-2150	-2375	-2641	-2894	-3264	-3728	-4179	-5309	.
<b>FOREIGN FINANCE</b>																	
Current account, cumulated <sup>6)</sup>	EUR mn	.	.	2030	.	.	-618	.	.	-637	.	.	-258	.	.	.	.
<b>EXCHANGE RATE</b>																	
UAH/USD, monthly average	nominal	5.050	5.050	5.050	5.050	5.050	5.050	5.050	5.050	5.050	5.050	5.050	5.050	5.050	5.050	5.050	5.050
UAH/EUR, monthly average	nominal	6.070	5.961	5.983	6.101	6.037	6.064	6.180	6.428	6.396	6.402	6.469	6.435	6.370	6.490	6.651	6.574
UAH/USD, calculated with CPI <sup>7)</sup>	real, Jan03=100	124.7	127.2	128.9	129.4	131.5	130.4	128.7	128.7	128.6	129.4	129.1	132.4	136.5	139.2	140.2	140.9
UAH/USD, calculated with PPI <sup>7)</sup>	real, Jan03=100	129.0	130.8	131.8	132.3	134.7	135.0	135.1	135.2	135.9	136.9	138.9	143.4	149.6	147.8	147.6	151.0
UAH/EUR, calculated with CPI <sup>7)</sup>	real, Jan03=100	112.8	116.5	116.8	116.3	119.4	117.9	114.5	110.2	110.8	111.8	110.4	113.2	117.2	117.0	114.8	117.3
UAH/EUR, calculated with PPI <sup>7)</sup>	real, Jan03=100	128.8	130.6	130.0	127.9	129.4	128.7	127.3	123.6	124.9	125.1	126.4	130.3	134.4	133.3	130.6	135.0
<b>DOMESTIC FINANCE</b>																	
M0, end of period	UAH bn	54.9	55.1	60.2	56.8	57.0	58.6	61.0	61.1	64.3	66.2	67.4	68.6	68.4	68.8	75.0	.
M1, end of period	UAH bn	88.7	92.7	98.6	92.1	93.6	96.2	97.5	99.8	104.7	108.6	109.1	113.0	113.1	115.2	123.3	.
Broad money, end of period	UAH bn	174.8	180.1	194.1	188.8	191.3	195.3	201.2	207.4	214.1	221.5	226.4	234.8	238.5	244.1	261.1	.
Broad money, end of period	CMPY	38.5	43.8	54.3	50.1	46.1	39.4	37.4	40.2	37.0	39.2	37.4	37.3	36.4	35.6	34.5	.
Refinancing rate (p.a.) <sup>end of period</sup>	%	9.5	9.5	9.5	9.5	9.5	9.5	9.5	9.5	8.5	8.5	8.5	8.5	8.5	8.5	8.5	8.5
Refinancing rate (p.a.) <sup>end of period</sup> <sup>8)</sup>	real, %	-3.0	-0.8	-0.1	-1.1	1.3	2.8	3.9	4.5	2.0	-0.8	-2.1	-2.0	-4.1	-4.8	-5.0	-6.0
<b>BUDGET</b>																	
General gov. budget balance, cum.	UAH mn	5309	3216	-7735	2508	2497	380	-856	1183	-996	-971	2524	2613	1452	4497	-3713	.

1) Excluding small firms.

2) Ratio of unemployed to the economically active.

3) Official registered enterprises.

4) Based on cumulated USD and converted using the ECB EUR/USD average foreign exchange reference rate.

5) Cumulation starting January and ending December each year.

6) Calculated from USD to NCU to EUR using the official average exchange rate.

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

8) Deflated with annual PPI.

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

	Source	Type of availability	How to get it	Time of publication	Price
<b>Annual data</b>	<i>Handbook of Statistics 2006</i>	printed	order from wiiw	November 2006	€ 92.00; for Members free of charge
		on CD-ROM (PDF files)	order from wiiw	October 2006	€ 92.00; for Members € 64.40
	<i>individual chapters</i>	on CD-ROM (MS Excel tables + PDF files), plus book	order from wiiw	October 2006	€ 230.00; for Members € 161.00
		via e-mail (MS Excel tables)	order from wiiw	October 2006	€ 37.00 per chapter;
computerized wiiw Database	online access	via WSR <a href="http://www.wsr.ac.at">http://www.wsr.ac.at</a>	continuously	€ 2.70 per data series; for Members € 1.90	
<b>Quarterly data</b> (with selected annual data)	<i>Research Report, Special issue</i>	printed	order from wiiw	February and July	€ 70.00; for Members free of charge
		PDF (online or via e-mail)	order from wiiw	February and July	€ 65.00; for Members free of charge
	<i>Monthly Report</i> (2nd quarter)	printed, PDF (online or via e-mail)	for wiiw Members only	<i>Monthly Report</i> nos. 10, 11, 12	only available under the wiiw Service Package for € 2000.00
<b>Monthly data</b>	<i>Monthly Report</i> (approx. 40 time series per country)  Internet	printed	for wiiw Members only	monthly (11 times a year)	
		online access	see <a href="http://mdb.wiiw.ac.at">http://mdb.wiiw.ac.at</a>	continuously	for Members free of charge
<b>Industrial Database</b>		on CD-ROM (MS Excel files)	order from wiiw	June	€ 295.00; for Members € 206.50
<b>Database on FDI</b>	<i>wiiw Database on FDI in Central, East and Southeast Europe, May 2005</i>	printed	order from wiiw	May	€ 70.00; for Members € 49.00
		PDF (online or via e-mail)	order from wiiw	May	€ 65.00; for Members € 45.50
		on CD-ROM (tables in HTML, CSV and MS Excel + PDF files), plus hardcopy	order from wiiw	May	€ 145.00 for Members € 101.50

Orders from wiiw: via wiiw's website at [www.wiiw.ac.at](http://www.wiiw.ac.at), by fax to (+43 1) 533 66 10-50 (attention Ms. Ursula Köhrl)  
or by e-mail to [koehrl@wiiw.ac.at](mailto:koehrl@wiiw.ac.at).

## Index of subjects – March 2006 to March 2007

<b>Albania</b>	<i>economic situation</i> .....	2006/12
<b>Bosnia and Herzegovina</b>	<i>economic situation</i> .....	2006/12
<b>Bulgaria</b>	<i>economic situation</i> .....	2006/10
<b>China</b>	banking .....	2006/6
	growth trajectory, comparison with India .....	2007/1
<b>Croatia</b>	<i>economic situation</i> .....	2006/11
<b>Czech Republic</b>	<i>economic situation</i> .....	2006/10
<b>Estonia</b>	<i>economic situation</i> .....	2006/4
<b>Hungary</b>	<i>economic situation</i> .....	2006/10
	elections .....	2006/5
<b>India</b>	growth trajectory, comparison with China .....	2007/1
<b>Kosovo</b>	<i>economic situation</i> .....	2006/12
<b>Latvia</b>	<i>economic situation</i> .....	2006/4
<b>Lithuania</b>	<i>economic situation</i> .....	2006/4
<b>Macedonia</b>	<i>economic situation</i> .....	2006/11
<b>Montenegro</b>	<i>economic situation</i> .....	2006/12 2006/6
<b>Poland</b>	<i>economic situation</i> .....	2006/10 2006/4
	competitiveness .....	2007/2 2006/8-9
<b>Romania</b>	<i>economic situation</i> .....	2006/10
	competitiveness .....	2007/2
<b>Russia</b>	<i>economic situation</i> .....	2006/11
	ownership .....	2006/8-9
<b>Serbia</b>	<i>economic situation</i> .....	2006/11
<b>Slovakia</b>	<i>economic situation</i> .....	2006/10
<b>Slovenia</b>	<i>economic situation</i> .....	2006/10
<b>Turkey</b>	<i>economic situation</i> .....	2006/12
<b>Ukraine</b>	<i>economic situation</i> .....	2006/11
<b>Region Eastern Europe and CIS</b>	capital account convertibility .....	2007/2
multi-country articles	CIS .....	2007/3
and statistical overviews	convergence and inflation .....	2006/5
	economic forecast .....	2006/12
	electricity consumption .....	2006/6
	euro .....	2006/3
	exchange rates .....	2006/7
	export quality .....	2006/3
	external balance .....	2006/7
	FDI .....	2007/3 2006/3
	Lisbon process .....	2006/7
	migration .....	2006/8-9
	regional convergence .....	2007/2
	trade .....	2007/3 2006/5
	welfare state .....	2006/4

The monthly publication *The Vienna Institute Monthly Report* summarizes 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