Sebastian Leitner

Baltic States:
Everything for the euro?

As expected, in the Baltic States the economic hardship has not only been the deepest, but it is also lasting longer than in other countries of the CEE region, with GDP still declining in the first quarter of 2010 year-on-year. The aim to maintain the currencies pegged to the euro and to join the eurozone as soon as possible required drastic austerity measures. These triggered massive output losses and provoked a deflationary period. As households and enterprises have to reduce their debt positions built up in the boom period, domestic demand will fall further this and at least in the first half of next year. Thus the Baltics are clinging to the hope of a sustained revival of external demand of their trading partners.

Estonia

In the midst of the severe economic crisis, Estonia managed to head into the eurozone by performing drastic procyclical fiscal policies that safeguarded a public deficit of only 1.7% in 2009, while GDP slumped by 14%. On 8 June 2010 the ECOFIN meeting decided to support the introduction of the euro in Estonia following the country's positive assessment in the convergence report of the European Commission and the ECB. The only pondering remark in the report was the assumption that inflationary pressures are likely to rise again when GDP growth picks up, pointing to the danger of a renewed boom-bust cycle in the Estonian economy. The formal approval of the euro introduction, to take place on 1 January 2011, will be arranged at the ECOFIN meeting on 13 July.

Although the trough of the depression has been passed, GDP still fell by 2% year-on-year in the first quarter of 2010. Domestic demand will continue to decline in the rest of the year. Private consumption is depressed by the sharp rise in unemployment and the cuts in real wages alike. However, looking at wage developments at the sectoral level, one can observe that salaries declined mostly in the public sector and even more so in the finance and real estate sectors, but remained stable in industry. This implies that, although we see a dampening of internal demand, the expected wage-induced improvement of external competitiveness in the tradable goods sector has so far not materialized. Thus the observed fall in unit labour costs is only due to the strong shedding of labour in the past two years. In the first quarter of 2010 the unemployment rate jumped to 19.8%, in the case of persons aged 15-24 even to 40%. As usual the labour market situation of the Russian-speaking population is more dramatic than that of the autochthon citizens, the former facing an unemployment rate of 28% in the first quarter of the year. Employment dropped by almost 10% within one year, driven predominantly by layoffs in manufacturing (-15%) and construction (-30%) but also in domestic trade (-11%) and education (-17%). As the share of long-term unemployed in total unemployment is rising, the share of those receiving benefits is going to decline. At the end of May only about one third of registered unemployed persons actually received benefits. Despite the expected revival of output growth in the second half of the year and thereafter, unemployment rates will remain double-digit for several years. Since FDI and credit flows into the country will remain lower than in the boom period, the growth path of Estonia and its Baltic neighbours will depend on the economic restructuring towards the production of tradable goods, a task which, if feasible, will take some time.

As is the case with household consumption, gross fixed investments will also still be depressed during 2010. However, overall investment will be on the rise as enterprises are again accumulating inventories after the massive destocking that took place in 2009. At the same time public demand is damped by the Estonian government’s eagerness to keep the budget deficit within the Maastricht limits. However, further expenditure cuts and tax increases – which were announced along with the plan to reduce the deficit in 2011 – will be difficult to enforce: the opposition has already signalled its resistance to the plans of the minority government of Prime Minister Andrus Ansip. With the aim of euro accession already attained, that resistance may become even stronger from now on.

With domestic demand on the decline, exports are to become an important growth driver in Estonia in 2010. As did most other countries of the region also Estonia has recently experienced a swift revival of goods exports, amounting to more than 20% year-on-year in the first four months of 2010. However, exports of services, accounting for one third of total exports, stagnated, reflecting the region-wide economic slump. Furthermore, external demand on the part of the main export destinations Finland and Sweden grew only slightly, while trade with Germany fell even further in the first months of the year. Although we expect a continuation of the export upswing, the impact on Estonian exports of the fiscal consolidation measures announced in Western Europe are uncertain and should not be left out of consideration. Nevertheless, since domestic demand will remain sluggish even throughout 2011, the current account surplus – amounting to 5.5% in the first quarter of

2010 – is expected to remain positive throughout 2011 and will turn negative only after domestic demand has become stronger.

All in all GDP is expected to rise slightly in the second half of 2010 resulting in a growth rate of 0.5% for the year as a whole. The announcement concerning the introduction of the euro, which was followed by an upgrading by rating agencies, may lead to a stabilization of investment activities and FDI inflows. The prospects for Estonia with 2.5% GDP growth for 2011 and 3.5% for 2012 thus look somewhat brighter than for its Baltic neighbours.

Latvia

After the economic disaster in 2009, when GDP shrank by 18%, Latvia's output fell by another 6% year-on-year in the first quarter of 2010. In total, GDP is expected to decline by another 3.5% in 2010. The recession is mainly caused by the decline in household demand due to shrinking employment and falling income levels. The burst of the Latvian real estate and credit-driven consumption bubble resulted in an unemployment rate exceeding 20%. Within the two years of depression employment fell by almost 20%, with reductions of more than 50% in construction and 22% in industrial sectors, but also 23% in public administration and healthcare. The enormous economic slump has been pushing the Latvian economy into a deflationary phase. In the first quarter of 2010 net salaries fell by nearly 13% nominally year-on-year, reflecting not only the massive wage cuts in the public sector but also a decline of salaries in the private service and tradable goods sectors. As a result producer prices declined and also consumer prices fell substantially, by 3.9% year-on-year in the first quarter of 2010. The rise in unemployment and the fall in wage levels has also led to a further worsening of banks' loan portfolios. By the end of May the rate of loans overdue more than 90 days had risen to 19%.

As is the case for households, non-performing credits of enterprises are also still on the rise and firms are in the process of deleveraging. Hence, in the first quarter of 2010, gross fixed capital formation slumped by as much as 45% year-on-year. A further reduction of investments will occur throughout the year, with the only counterbalancing aggregate being some restocking of inventories in the second half of the year.

Goods exports rose by close to 20% in euro terms in the first four months of the year. Looking at the detailed figures, the rise is quite unevenly distributed across sectors, with wood – Latvia's main export commodity – accounting for 45% of the trade revival. With falling unit labour costs the gain in external competitiveness may allow the export growth to be sustained, while the depression of domestic demand will keep the current account in surplus for a longer period.

In early June 2010, after visiting Latvia, the joint mission of the EU and IMF gave their approval for the disbursement of the next tranche of their rescue package. In total about EUR 400 million in additional financing will become available by the end of July from the IMF, the EU and the World Bank. However, IMF mission chief Mark Griffiths stated that Latvia's government will have to find as much as LVL 440 million (equivalent to 3.5% of GDP) in cost cuts in next year's budget in order to meet the terms of the bailout loan, i.e. to reduce the budget deficit to 6% of GDP in 2011. The Latvian government has announced that it is prepared to meet the requirements, aiming at tax increases while trying to prevent further cuts in public wages. However, an agreement on definitive measures is most unlikely before the parliamentary elections on 2 October. In mid-March the conservative People's Party resigned from the ruling coalition leaving the remaining minority government of Prime Minister Valdis Dombrovskis with a support of only 44 of 100 seats in parliament.

In the polls the left-wing party 'Harmony Centre', which is supported by the Russian speaking minority in particular, is in the lead. 'Harmony Centre', ruling the capital Riga since last year, advocates a move from the flat tax income system to progressive income taxation and has strongly criticized the austerity measures of the government. On the liberal and conservative side of the political spectrum two new electoral alliances were formed in the run-up to the elections. The 'Unity' alliance, running second in the polls, includes Valdis Dombrovskis' 'New Era' and two other conservative parties. The People's Party, currently the strongest party in parliament but having lost the confidence of the electorate in the past two years has formed the economic liberal alliance 'For a good Latvia' with 'Latvia's First Party/Latvian Way' (LPP/LC). Although a victory of 'Harmony Centre' may bring about a change in the prevailing Latvian politics, it is most likely that right-wing alliances and parties will again form a coalition after the elections and continue on the path of liberal conservatism that has dominated Latvia's economic policy course since independence.

In general, Latvia's recovery from the depression will be rather sluggish in the coming three years. The consolidation path of public households and the necessary deleveraging of households and enterprises will keep domestic demand crippled, so that GDP will grow by only 0.7% in 2011 and 2% in 2012.

Lithuania

Lithuanian economic activity shows a similar pattern as in the two Baltic neighbours, with GDP declining once more in the first quarter of the year, by 2.8% annually. Also here domestic demand is still depressed. Throughout 2010 household consumption is expected to fall by 7%, triggered by an unemployment rate rising to 18% and cuts in real and nominal wages by more than 6%.

Gross fixed capital investment fell even more strongly, by 30% in the first quarter of 2010, and will only pick up in the second half of the year. While consumer prices were slightly falling year-on-year in the first quarter of 2010, producer prices in industry rose by more than 6% mainly because of the revival of oil prices. Since no further hikes of indirect taxes are scheduled for the second half of the year, consumer prices are expected to remain stable throughout 2010.

The budget deficit of 8.9% in 2009 raised concerns that Lithuania might run into difficulties refinancing its rising public debt. In order to prevent the deficit from widening even further, in December last year an additional austerity package of 4% of GDP was enacted which should help to keep the deficit below 8% in 2010. In June, Prime Minister Andrius Kubilius announced plans to reduce government expenditures in the 2011 budget by a further 3%. The savings should come inter alia from extended cuts in public employee wages, a reduction of paternity leave benefits and a rise of the retirement age.

Officially, both Lithuania and Latvia still target to introduce the euro in 2014. However, the consolidation of their budgets without eradicating the plantlets of growth revival in the coming three years will be a difficult task. Hence, the allegedly ‘safe haven’ of the eurozone is likely to be reached at a later date.

With domestic demand declining in all sectors of the economy, also in Lithuania all hopes are directed to a rise of external demand. In the first four months of 2010 goods exports increased by 17% in euro terms. The revival of oil prices obviously had a positive impact on exports of oil and chemical products, the most important branch in Lithuania. However, other industries show a marked upswing as well. More than in Estonia and Latvia, an increase in exports could also be driven by picking up external demand from its eastern neighbours Russia and Ukraine.

In total, GDP is expected to decline by another 1.5% in 2010. Also in the following years growth will remain sluggish with only 1.5% expected in 2011 and 2.5% in 2012.

Can the Baltic citizens endure more austerity than others?

In the past two years all three Baltic States have experienced the most extensive bust of all European countries, with social hardships now developing that have not been seen since the phasing-out of the transitional crisis in the first half of the 1990s. From the breakout of the crisis in 2008 to the end of 2010 GDP per capita at PPP will have dropped between 15% in Estonia and 22% in Latvia, while unemployment rates have already jumped close to 20% in all countries.

One astonishing fact is that the citizens in the Baltic countries apparently sustained, without significant opposition, the harsh austerity measures implemented throughout 2009 and set to continue in the course of budget consolidation in the coming years, whereas governments in other Eastern and Southern European countries (Greece, Romania) with substantially lower cuts in public expenditures encountered much stronger resistance. Only in early 2009, when public wage cuts were announced, protesters gathered in the streets of Riga and Vilnius. One reason for this may be that, throughout the Baltics, unions play only a minor role with density rates at or below 10%, thus their ability to organize employee protests is limited. Furthermore, since the countries gained independence from the Soviet Union, left-wing parties have generally been in a marginalized position, particularly so in Estonia and Latvia. (This may change in Latvia in October, when 'Harmony Centre' may become the strongest party in the new parliament.) That also explains why not only in the course of the crisis but also in the 15 years before, no substantial alternatives to the liberal economic and social regime evolving in the Baltic countries was formulated in the political scene.

Moreover, the strong increases in salaries in the boom period (real wages rose by 50-70% in the three Baltic countries in the five years prior to the crisis) may have appeared as windfall profits for the middle- and upper-income classes, which now makes it easier for them to cope with the experienced shortfall. However, particularly for the low- and medium-educated, the young and a large share of the Russian-speaking minority (especially in Estonia and Latvia) the liberal experiment of the Baltic States with low state intervention and currency pegs has led to social hardship and disillusionment that will last for years to come.

Table EE

Estonia: Selected Economic Indicators

	2006	2007	2008	2009 [1]	2009	2010	2010	2011	2012
					1st quarter			Forecast	
Population, th pers., average	1343.5	1341.7	1340.7	1340.3	.	.	1336	1336	1335
Gross domestic product, EEK mn, nom.	206996	244504	251493	214828	52373	50541	219100	231300	249000
annual change, % (real)	10.0	7.2	-3.6	-14.1	-15	-2.3	0.5	2.5	3.5
GDP/capita (EUR at exchange rate)	9800	11600	12000	10200	.	.	.	.	.
GDP/capita (EUR at PPP)	15400	17100	16900	14300	.	.	.	.	.
Consumption of households, EEK mn, nom.	112950	132335	137499	110614	28209	26022	107200	111000	117200
annual change in % (real)	13.0	9.1	-4.8	-18.9	-17.7	-7.8	-4.5	0.5	1.5
Gross fixed capital form., EEK mn, nom.	72325	84385	73729	46967	13235	9811	45300	48100	52500
annual change in % (real)	18.6	9.0	-12.1	-34.4	-27.3	-22.8	-5	3	5
Gross industrial production									
annual change in % (real)	9.9	6.4	-5.2	-26.0	-28.5	6.2	4	7	8
Gross agricultural production									
annual change in % (real)	-2.1	12.5	-1.0	-1.7	.	.	.	.	.
Construction industry									
annual change in % (real)	27.1	16.5	-15.4	-28.4	-31.3	-34.2	.	.	.
Employed persons - LFS, th, average	646.3	655.3	656.5	595.8	612.1	553.6	570	580	590
annual change in %	6.4	1.4	0.2	-9.2	-6.8	-9.6	-4	2	2
Unemployed persons - LFS, th, average	40.5	32.0	38.4	95.1	79.0	136.9	.	.	
Unemployment rate - LFS, in %, average	5.9	4.7	5.5	13.8	11.4	19.8	18.0	16.0	15.0
Reg. unemployment rate, in %, end of period	1.9	2.2	4.6	13.3	8.4	14.6	.	.	.
Average gross monthly wages, EEK	9407	11336	12912	12223	12147	11865	.	.	.
annual change in % (real, gross)	11.6	13.0	3.2	-5.2	-4.5	-2.6	.	.	.
Consumer prices (HICP), % p.a.	4.5	6.7	10.6	0.2	3.7	0.0	1.5	3.0	4.0
Producer prices in industry, % p.a.	4.2	8.1	8.0	0.7	4.5	-0.1	.	.	.
General governm. budget, EU-def., % GDP									
Revenues	36.5	37.4	37.1	43.6	34.6	.	.	.	.
Expenditures	34.0	34.8	39.9	45.4	46.3	.	.	.	.
Net lending (+) / net borrowing (-)	2.5	2.6	-2.8	-1.7	-11.7	.	-2.5	-2.5	-2.5
Public debt, EU-def., in % of GDP	4.5	3.8	4.6	7.2	.	.	10	13	14
Money market rate, % p.a., end of period [2]	3.8	7.0	7.0	2.8	6.4	1.6	.	.	.
Current account, EUR mn	-2237.0	-2783.0	-1504.0	631.0	-12.1	177.2	400	200	0
Current account in % of GDP	-16.9	-17.8	-9.4	4.6	-0.4	5.5	2.9	1.4	0
Exports of goods, BOP, EUR mn	7761.0	8087.0	8536.0	6503.0	1497.3	1763.5	7500	8500	9600
annual growth rate in %	22.3	4.2	5.6	-23.8	-26.4	17.8	15	13	13
Imports of goods, BOP, EUR mn	10149.0	10873.0	10413.0	7008.0	1674.9	1870.5	7900	9000	10000
annual growth rate in %	28.5	7.1	-4.2	-32.7	-33.8	11.7	13	14	11
Exports of services, BOP, EUR mn	2787.0	3200.0	3531.0	3160.0	680.2	674.6	3300	3500	3700
annual growth rate in %	6.7	14.8	10.3	-10.5	-10.1	-0.8	4	6	6
Imports of services, BOP, EUR mn	1996.0	2242.0	2338.0	1841.0	450.2	357.9	1650	1800	2000
annual growth rate in %	12.6	12.3	4.3	-21.3	-14.4	-20.5	-10	9	11
FDI inflow, EUR mn	1432.0	1998.0	1317.0	1204.0	183.2	144.7	1300	.	.
FDI outflow, EUR mn	880.0	1273.0	723.0	1053.0	172.4	141.2	.	.	.
Gross reserves of NB excl. gold, EUR mn	2115.3	2235.6	2814.0	2759.0	2638.7	2686.0	.	.	.
Gross external debt, EUR mn	12903.8	17339.5	19052.1	17409.3	18501.0	16969.7	.	.	.
Gross external debt in % of GDP	97.5	111.0	118.5	126.8	134.7	121.1	.	.	.
Average exchange rate EEK/EUR	15.6466	15.6466	15.6466	15.6466	15.6466	15.6466	15.65	15.65	15.65
Purchasing power parity EEK/EUR	9.9923	10.6247	11.1035	11.2102	.	.	.	.	.

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

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

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

Table LV

Latvia: Selected Economic Indicators

	2006	2007	2008	2009 1)	2009	2010	2010	2011	2012
					1st quarter			Forecast	
Population, th pers., average	2287.9	2276.1	2266.1	2255.1	.	.	2240	2230	2220
Gross domestic product, LVL mn, nom.	11171.7	14779.8	16274.5	13244.3	3308.5	2852.6	12400	12600	13100
annual change in % (real)	12.2	10.0	-4.5	-18.0	-17.8	-6.0	-3.5	0.7	2
GDP/capita (EUR at exchange rate)	7000	9300	10200	8300	.	.	.	.	.
GDP/capita (EUR at PPP)	12200	13900	14400	11700	.	.	.	.	.
Consumption of households, LVL mn, nom.	7184.2	9104.3	9935.6	7941.2	2033.8	1870.0	7000	7000	7200
annual change in % (real)	21.4	14.8	-5.5	-22.5	-22.3	-5.8	-9	-1	0.5
Gross fixed capital form., LVL mn, nom.	3644.1	4975.1	4777.3	2822.8	640.5	339.5	2300	2400	2500
annual change in % (real)	16.3	7.5	-15.6	-37.7	-34.1	-44.4	-15	2	2
Gross industrial production 2)									
annual change in % (real)	6.5	1.1	-3.9	-16.2	-23.0	6.4	7	8	7
Gross agricultural production									
annual change in % (real)	-1.9	10.8	0.1	0.4	.	.	.	.	.
Construction industry									
annual change in % (real)	13.3	13.6	-3.1	-34.9	-29.7	-43.4	.	.	.
Employed persons - LFS, th, average	1087.1	1118.0	1124.5	983.1	1046.7	916.7	900	900	920
annual change in %	5.2	2.8	0.6	-12.6	-8.0	-12.4	-8	0	2
Unemployed persons - LFS, th, average	79.5	71.3	90.5	203.2	168.8	235.4	.	.	.
Unemployment rate - LFS, in %, average	6.8	6.0	7.5	17.1	9.4	20.4	20	18	17
Reg. unemployment rate, in %, end of period	6.5	4.9	7.0	16.0	10.7	17.3	.	.	.
Average gross monthly wages, LVL	302	398	479	461	470	431	.	.	.
annual change in % (real, net)	15.6	19.9	6.2	-5.6	-2.6	-9.2	.	.	.
Consumer prices (HICP), % p.a.	6.6	10.1	15.2	3.3	9.0	-3.9	-3	1	2
Producer prices in industry, % p.a.	10.3	16.1	11.4	-4.6	4.0	-4.8	.	.	.
General government budget, EU-def., % GDP									
Revenues	37.7	35.4	34.4	34.0	33.4	.	.	.	.
Expenditures	38.1	35.7	38.6	42.9	41.1	.	.	.	.
Net lending (+) / net borrowing (-)	-0.5	-0.3	-4.1	-8.9	-7.7	.	-8	-8	-6
Public debt, EU-def., in % of GDP	10.7	9.0	19.5	36.1	.	.	50	58	62
Refinancing rate of NB, % p.a., end of period	5.0	6.0	6.0	4.0	5.0	3.5	.	.	.
Current account, EUR mn	-3603.0	-4710.0	-3014.0	1770.0	60.1	355.9	800	400	-100
Current account in % of GDP	-22.5	-22.3	-13.0	9.4	0.1	8.8	4.5	2.2	-0.5
Exports of goods, BOP, EUR mn	4929.0	6020.0	6531.0	5138.0	1168.8	1364.8	5900	6800	7600
annual growth rate in %	14.3	22.1	8.5	-21.3	-25.4	16.8	15	15	12
Imports of goods, BOP, EUR mn	9032.0	11074.0	10603.0	6363.0	1665.1	1628.7	6300	6700	7300
annual growth rate in %	33.7	22.6	-4.3	-40.0	-35.9	-2.2	-1	6	9
Exports of services, BOP, EUR mn	2121.0	2707.0	3088.0	2730.0	679.5	599.7	2500	2650	2800
annual growth rate in %	21.7	27.6	14.1	-11.6	-2.2	-11.7	-8	6	6
Imports of services, BOP, EUR mn	1586.0	1974.0	2169.0	1569.0	379.8	326.2	1400	1600	1750
annual growth rate in %	26.3	24.5	9.9	-27.7	-23.3	-14.1	-11	14	9
FDI inflow, EUR mn	1339.0	1705.0	869.0	54.0	22.5	59.7	100	.	.
FDI outflow, EUR mn	136.0	270.0	169.0	-16.0	-6.4	0.9	.	.	.
Gross reserves of NB excl. gold, EUR mn	3346.2	3859.9	3514.0	4614.2	3163.7	5364.9	.	.	.
Gross external debt, EUR mn	18127.7	26834.6	29762.8	29159.4	28970.2	29070.5	.	.	.
Gross external debt in % of GDP	113.1	126.4	129.5	156.2	155.1	164.7	.	.	.
Average exchange rate LVL/EUR	0.6962	0.7001	0.7027	0.7057	0.7083	0.7083	0.7027	0.7027	0.7027
Purchasing power parity LVL/EUR	0.3999	0.4681	0.4999	0.5039	.	.	.	.	.

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

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

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

Table LT

Lithuania: Selected Economic Indicators

	2006	2007	2008	2009 1)	2009	2010	2010	2011	2012
					1st quarter			Forecast	
Population, th pers., average	3394.1	3375.6	3358.1	3339.6	.	.	3323	3306	3289
Gross domestic product, LTL mn, nom.	82792.8	98669.1	111189.8	92353.3	20882.1	20863.1	91000	93300	97500
annual change in % (real)	7.8	9.8	2.8	-15.0	-13.3	-2.8	-1.5	1.5	2.5
GDP/capita (EUR at exchange rate)	7100	8500	9600	8000	.	.	.	.	.
GDP/capita (EUR at PPP)	13100	14800	15500	13100	.	.	.	.	.
Consumption of households, LTL mn, nom.	53268.6	63508.4	72140.6	62596.1	15476.2	14033.5	58200	59400	61800
annual change in % (real)	10.6	12.0	3.6	-17.0	-15.7	-10.0	-7	1	2
Gross fixed capital form., LTL mn, nom.	20840.8	27918.8	27984.0	15609.1	3480.0	2248.0	13600	14300	15300
annual change in % (real)	19.4	23.0	-6.5	-39.1	-38.5	-30.2	-13	4	5
Gross industrial production (sales)									
annual change in % (real)	6.5	2.4	5.5	-14.6	-13.9	-4.1	5	4	6
Gross agricultural production									
annual change in % (real)	-4.1	8.2	8.8	2.3	.	.	.	.	.
Construction industry									
annual change in % (real)	21.7	22.2	4.0	-48.5	-42.8	-42.9	.	.	.
Employed persons - LFS, th, average	1499.0	1534.2	1520.0	1415.9	1433.1	1328.4	1350	1380	1400
annual change in %	1.7	2.3	-0.9	-6.8	-5.1	-7.3	-4.7	2.2	1.4
Unemployed persons - LFS, th, average	89.4	69.0	94.3	225.1	193.9	293.4	220	.	.
Unemployment rate - LFS, in %, average	5.6	4.3	5.8	13.7	11.9	18.1	18	17	16
Reg. unemployment rate, in %, end of period 2)	3.7	3.3	4.4	12.5	8.2	14.3	.	.	.
Average gross monthly wages, LTL	1495.7	1802.4	2151.7	2052.4	2193.1	2031.2	.	.	.
annual change in % (real, net)	15.0	17.0	10.1	-7.0	-5.1	-6.6	.	.	.
Consumer prices (HICP), % p.a.	3.8	5.8	11.1	4.2	8.4	-0.4	0.0	1.0	2.0
Producer prices in industry, % p.a.	7.3	7.0	18.2	-13.5	-10.3	6.1	.	.	.
General goverm.budget, EU-def., % GDP									
Revenues	33.1	33.8	34.2	34.1	36.5	.	.	.	.
Expenditures	33.6	34.8	37.4	43.0	46.1	.	.	.	.
Net lending (+) / net borrowing (-)	-0.4	-1.0	-3.3	-8.9	-9.6	.	-8	-7	-6
Public debt, EU-def., in % of GDP	18.0	16.9	15.6	29.3	.	.	40	45	50
Money market rate, % p.a., end of period 3)	3.7	6.8	7.8	1.6	3.1	0.9	.	.	.
Current account, EUR mn	-2551.0	-4149.0	-3840.0	1022.0	-16.0	-156.0	0	-200	-600
Current account in % of GDP	-10.6	-14.5	-11.9	3.8	-0.3	-2.6	0	-0.7	-2.1
Exports of goods, BOP, EUR mn	11262.0	12509.0	16077.0	11794.0	2750.3	3039.9	13000	14500	16000
annual growth rate in %	18.7	11.1	28.5	-26.6	-24.4	10.5	10	12	10
Imports of goods, BOP, EUR mn	14600.0	16788.0	19939.0	12570.0	2921.3	3317.6	12800	13800	15500
annual growth rate in %	23.2	15.0	18.8	-37.0	-40.4	13.6	2	8	12
Exports of services, BOP, EUR mn	2879.0	2931.0	3306.0	2712.0	554.0	207.6	2200	2400	2600
annual growth rate in %	15.0	1.8	12.8	-18.0	-17.7	-62.5	-19	9	8
Imports of services, BOP, EUR mn	2018.0	2471.0	2953.0	2117.0	420.7	446.5	2250	2500	2700
annual growth rate in %	21.9	22.4	19.5	-28.3	-33.2	6.1	6	11	8
FDI inflow, EUR mn	1448.0	1473.0	1245.0	249.0	281.4	146.9	400	.	.
FDI outflow, EUR mn	232.0	437.0	229.0	157.0	113.2	20.9	.	.	.
Gross reserves of NB excl. gold, EUR mn	4307.5	5165.1	4458.4	4495.4	4173.0	4902.4	.	.	.
Gross external debt, EUR mn	14441.8	20547.2	23048.2	23051.8	22663.3	.	.	.	.
Gross external debt in % of GDP	60.2	71.9	71.6	86.2	84.7	.	.	.	.
Average exchange rate LTL/EUR	3.45	3.45	3.45	3.45	3.45	3.45	3.45	3.45	3.45
Purchasing power parity LTL/EUR	1.87	1.98	2.13	2.10	.	.	.	.	.

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

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

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