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Baltic States:
sharp slowdown in Estonia and Latvia, while Lithuania remains on high growth track

At the beginning of 2008 a long lasting boom, driven by household demand for consumer goods and investment in the real estate sector and facilitated by an enormous inflow of credit, has finally come to an end in two of the three Baltic States. With a growth rate of only 0.1% of GDP year-on-year in the first quarter of 2008, Estonia appears to be in a hard landing situation. In Latvia the slowdown of growth, to 3.3% in the first quarter, has so far been less pronounced, while Lithuania could maintain its good pace with a growth rate of 6.9%. The sudden slump in Estonia and Latvia has been mostly triggered by the simultaneous decline of investments in the real estate sector and the reduction of consumer spending.

In both Estonia and Latvia, by 2006 already all indicators – be it the widening current account deficit, rising inflation or the enormous growth of real wages – highlighted the symptoms of overheating, so that a downturn was due to take place. The only open questions were when it would exactly happen and whether the scenario of a soft or a hard landing was more likely.

Real estate 'bubble' bursting in Estonia and Latvia

From mid-2007 onwards housing prices, which had tripled in the preceding three-year period, started to fall in Estonia. This development was accompanied by a reduction in the growth rate of mortgage loans, which had reached a peak of 60% year-on-year throughout 2006, but came down to 25% at the beginning of 2008. A similar trend could be observed in Latvia, where debt levels of households have risen as enormously as in Estonia in the past five years and surpassed 80% of annual disposable income on average. The fast rise of mortgage loans which had been induced by real wage hikes and low interest rates came to an end in the second half of 2007, when housing prices in Riga approached the levels of West European capitals.

The sudden decline in the growth rate of GDP reflects that not only investments but also the growth in consumer spending came to an abrupt halt. Retail sales in the 1st quarter of 2008 decreased in Estonia as well as in Latvia. Although real wages still rise significantly in both countries, the eagerness of consumers to spend has faded away in the light of consumer inflation escalating to double-digit levels and increasing pessimism about future economic developments.

Inflationary pressures and labour shortages harm competitiveness

Although the dynamics of internal demand was reduced by large, prices are still on the rise in all of the Baltic States. In April year-on-year inflation reached a peak of 17.5% in Latvia and surpassed

11% in Estonia and Lithuania. Obviously the sharp increase in food and fuel prices has pushed up price levels, but above all the constraints on the supply side of the labour market have put pressure on employers to raise wages far beyond the growth of labour productivity, which resulted in the emergence of a wage-price spiral. A distinctive slowdown of consumer inflation is not likely to happen before 2009 in Estonia and Latvia. Administered prices for electricity are due to be raised further in the current year and food and fuel price growth will still exert an upward pressure. Only when demand for labour is reduced and unemployment rates start rising, the wage-price spiral will come to a halt.

With their national currencies pegged to the euro, the inflation-induced real appreciation generated a current account deficit of 22.9% of GDP in 2007 in Latvia and of 17.4% in Estonia, which declined only slightly in the first quarter of 2008. The loss of external competitiveness is to be observed in the decline of export dynamics and the slowdown of growth rates of industrial production. In particular manufacturers of labour-intensive products, which still make up a large part of the Baltic export structure, such as wood products and textiles, but also food products suffer from the rise in labour costs in Estonia and Latvia. The future prospects for the manufacturing sectors in those two countries are not rosy. The overvaluation of the currencies forces manufacturers to restructure production towards higher value added products. In the current situation of falling profits and rising credit cost, however, the eagerness to take the risk of new investments is low. Though the situation of overvaluation is a burden on manufacturers, the peg of the currencies to the euro is hardly debated. This is a logical consequence of the already high euro-denominated household indebtedness, which locks in the countries in their once chosen currency board (Estonia and Lithuania) and hard-peg (Latvia) options. A devaluation of the currencies would result in an excessive debt burden of a large part of the population.

Up to now the sharp decline in demand has not spilled over to the labour market. Labour force survey figures for the first quarter of 2008 still show a reduction of unemployment rates to 4.2% in Estonia and stagnant jobless figures in Latvia. Nevertheless, vacancies almost halved year-on-year and the rate of registered unemployment shows that the downward trend in unemployment has reversed. In Estonia most recently several manufacturing companies have announced to lay off employees or introduce part-time working in the near future in response to falling orders and sharply rising labour costs. Already in 2008, but even more so in 2009 and 2010 we expect employment to shrink in Estonia and Latvia, particularly in the construction sector, which more than doubled its employment from 2000 onwards. The manufacturing and the retail sectors will be affected alike by the reduction of domestic demand.

Fiscal policy response: restrictive in Estonia, less so in Latvia

The strong collection of revenues throughout the last two years allowed the Estonian government not only to increase current expenditures but at the same time to achieve fiscal surpluses of about 3% of GDP in both 2006 and 2007. However, the severe decline in the growth of tax revenues at the beginning of 2008 induced the Estonian government to approve a supplementary budget in May, reducing their expenditure plan for 2008. The fiscal authorities are obviously not willing to make full use of the automatic stabilizers, but will try to stick to their policy of targeting a balanced budget. Nevertheless we expect that a further reduction of tax income will lead to a small fiscal deficit of 1% in 2008, while a balance will be aimed at by 2010.

Similarly, the plan of the Latvian government announced at the end of 2007 to achieve a fiscal surplus of 1% of GDP in 2008 is due to fail. Already in 2007, when GDP growth was still double-digit, the aim to reach a surplus of a meagre 0.5% was not met and the fiscal year ended in a balanced budget. Figures for the first quarter of 2008 already show that tax collection is far below target. At the same time the instability of the rather fragile four-party coalition makes a reduction of expenditures in the current year highly unlikely. We therefore expect a deficit of more than 1% for this year: The envisaged surpluses in the general government budget are unlikely to be achieved before 2011, when growth rates will probably pick up again.

Estonia in particular but also Latvia are threatened by the danger of recession. The risk of adverse consumption and investment responses caused by the shock of the sudden economic downturn is manifest. However, we expect household expenditures to pick up slightly in the course of the year. Estonia will reach the bottom of its slump already in 2008, while Latvia is likely to experience an even rockier phase in 2009. A recovery is expected to come about in 2010, when the countries have gradually digested the meltdown of the real estate markets. Domestic demand should pick up when the sentiments of unconfident consumers and investors turn from negative to stable. Nevertheless, in both Baltic States the enormous growth rates of investment and household consumption that could be observed until recently will by far not be reached in the forthcoming years. Therefore the medium-term forecast for GDP growth for Estonia and Latvia is in the range of 4-5%.

Lithuania remains on a high growth track, but ‘soft landing’ is in sight

Unlike in its northern Baltic neighbourhood, in Lithuania the economy continues to perform well. Domestic demand still grows at double-digit rates in terms of gross fixed capital formation as well as consumption of households. The same is true for construction, which – in line with credits granted to households – is still increasing by more than 40% year-on-year. A decline in housing investments is going to happen also in Lithuania but with some delay. The growth of real estate prices has slowed down, but since the previous hikes were not that high, a sharp fall similar to Estonia and Latvia is not likely to take place. Moreover, in Lithuania, household debt levels (at 40% of disposable income) are still substantially lower than in Estonia and Latvia, which makes a milder decline in housing demand most likely. In addition, there have been no signs so far of a reduction in households’ propensity to spend. Nevertheless, rising inflation rates will induce households to revise their expenditure plans in Lithuania alike and thereby curb the dynamics of domestic demand in both 2009 and 2010.

At the same time, exports and thus industrial production are regaining momentum in 2008. On the one hand, the loss of competitiveness was less pronounced for Lithuanian manufacturers compared to its Baltic neighbours. But the main drivers of the surge in exports are fuel products and chemicals, as the refinery of Mazeiku Nafta has been able to work again at full capacity since the beginning of this year. Because of this one-time hike we expect to see lower growth rates of exports in the years to come. Besides, the growth in industrial production in Lithuania may be threatened, from 2010 onwards, by electricity shortages. The Lithuanian government has committed itself in the accession treaty to shut down its Soviet-type atomic power plant in Ignalina by the end of 2009. Thereafter, imports of electricity will have to rise dramatically, since the planned construction of a substitute (together with Estonia, Poland and Latvia) will not be implemented before 2018 at the earliest. In general, Lithuania has benefited most from the recent surge in demand in the CIS countries, which increased their share in Lithuania's exports.

The forthcoming parliamentary elections in October 2008 make it plausible that the ruling parties of the Social Democrats, Farmers' Union/New Democracy and Social Liberals, which have entered the previous minority coalition government as recently as January, aim at pleasing the electorate by expanding public expenditures. A further reduction of the already moderate public deficit is envisaged in the medium term.

At present there are no conclusive signs that a sharp downturn comparable to Estonia and Latvia is likely to happen in Lithuania in 2008 or 2009. Nevertheless we expect the Lithuanian economy to slow down gradually next year and in 2010, provided that domestic demand is cooling down.

Table EE

Estonia: Selected Economic Indicators

	2004	2005	2006	2007 1)	2007	2008	2008	2009	2010
					1st quarter			Forecast	
Population, th pers., mid-year	1349.3	1346.1	1343.5	1341.7	.	.	.		
Gross domestic product, EEK mn, nom.	149923	175392	207061	243252	54966	59476	268900	293500	323600
annual change, %	8.3	10.2	11.2	7.1	10.1	0.1	0.5	2	4
GDP/capita (EUR at exchange rate)	7101	8327	9850	11589	.	.	.	.	.
GDP/capita (EUR at PPP - wiiw)	12310	14110	16100	17770	.	.	.	.	.
Gross industrial production									
annual change in % (real)	10.5	11.0	9.9	6.7	8.0	-1.4	0.5	2	4
Gross agricultural production									
annual change in % (real)	0.2	6.8	-6.6	16.8	.	.	.	.	.
Construction industry									
annual change in % (real)	11.0	19.8	30.0	8.9	23.3	-5.2	.	.	.
Consumption of households, EEK mn, nom.	80460	91387	109203	125842	29605	32572	.	.	.
annual change in % (real)	6.7	10.6	15.1	8.9	16.7	-0.4	2	3	5
Gross fixed capital form., EEK mn, nom	47091	53743	70569	77518	16921	17952.2	.	.	.
annual change in % (real)	4.4	9.9	22.4	7.8	15.0	5.2	3	4	6
LFS - employed persons, th, avg.	595.5	607.4	646.3	655.3	647.0	656.5	.	.	.
annual change in %	0.2	2.0	6.4	1.4	1.9	1.5	.	.	.
LFS - employed pers. in industry, th, avg.	160.9	157.9	154.0	149.8	161.6	157.8	.	.	.
annual change in %	7.3	-1.9	-2.5	-2.7	2.4	-2.4	.	.	.
LFS - unemployed, th pers., average	63.6	52.2	40.5	32.0	36.3	28.7	.	.	.
LFS - unemployment rate in %, average	9.6	7.9	5.9	4.7	5.3	4.2	5.5	6.5	8
Reg. unemployment rate in %, end of period	3.5	2.7	1.4	2.2	1.7	2.7	.	.	.
Average gross monthly wages, EEK	7287	8073	9407	1136	10322	12337	.	.	.
annual change in % (real, gross)	5.2	6.4	11.6	13.0	14.2	7.6	.	.	.
Consumer prices, % p.a.	3.0	4.1	4.4	6.6	5.2	11.1	11	8	7
Producer prices in industry, % p.a.	2.9	2.1	4.5	8.3	7.0	8.2	.	.	.
General governm. budget, EU-def., % GDP 2)									
Revenues	35.9	35.4	36.6	36.9	.	.	.	.	.
Expenditures	34.1	33.5	33.0	33.7	.	.	.	.	.
Net lending (+) / net borrowing (-)	1.7	1.8	3.6	3.2	.	.	-1.0	-0.5	0.5
Public debt in % of GDP 2)	5.1	4.5	4.2	3.4	.	.	.	.	.
Money market rate, % p.a., end of period 3)	2.4	2.5	3.8	7.0	4.0	5.8	.	.	.
Current account, EUR mn	-1176.7	-1117.5	-2051.4	-2697.6	-823.4	-698.2	-1700	-1850	-2100
Current account in % of GDP	-12.3	-10.0	-15.5	-17.4	-23.4	-18.4	-9.9	-9.9	-10.2
Gross reserves of NB excl. gold, EUR mn	1311.0	1641.9	2113.7	2223.6	2097	2335	.	.	.
Gross external debt, EUR mn	7343.7	9560.7	12761.5	17151.3	13734	.	.	.	.
Gross external debt in % of GDP	76.6	85.3	96.4	110.3	.	.	.	.	.
FDI inflow, EUR mn	775.1	2254.5	1341.0	1815.3	549	545.2	1600	.	.
FDI outflow, EUR mn	216.6	507.4	876.0	1123.1	225.9	190.0	800	.	.
Exports of goods, BOP, EUR mn	4806.1	6261.5	7680.0	8082.6	1918.3	2000.5	8500	8800	9200
annual growth rate in %	18.5	30.3	22.7	5.2	5.3	4.3	5	4	5
Imports of goods, BOP, EUR mn	6435.8	7798.3	10027.1	10720.8	2567.0	2459.7	10500	10900	11600
annual growth rate in %	18.5	21.2	28.6	6.9	12.8	-4.2	-2	4	6
Exports of services, BOP, EUR mn	2281.9	2569.3	2773.2	3187.2	650.8	722.2	3500	3700	4000
annual growth rate in %	16.4	12.6	7.9	14.9	22.8	11.0	10	6	8
Imports of services, BOP, EUR mn	1415.1	1740.5	1961.7	2224.7	503.9	551.7	2500	2700	3000
annual growth rate in %	15.3	23.0	12.7	13.4	23.9	9.5	12	8	11
Average exchange rate EEK/USD	12.59	12.59	12.47	11.44	11.94	10.50	.	.	.
Average exchange rate EEK/EUR (ECU)	15.65	15.65	15.65	15.65	15.65	15.65	15.65	15.65	15.65
Purchasing power parity EEK/USD, wiiw	7.59	7.81	8.05	8.60	.	.	.	.	.
Purchasing power parity EEK/EUR, wiiw	9.02	9.24	9.57	10.20	.	.	.	.	.

Note: The term 'industry' refers to NACE classification C+D+E.

1) Preliminary. - 2) According to ESA'95, excessive deficit procedure. - 3) TALIBOR 1 month interbank rate.

Source: wiiw Database incorporating national statistics; Eurostat; wiiw forecasts.

Table LV

Latvia: Selected Economic Indicators

	2004	2005	2006	2007 1)	2007	2008	2008	2009	2010
					1st quarter			Forecast	
Population, th pers., mid-year	2312.8	2300.5	2287.9	2276.1	.	.	.	.	.
Gross domestic product, LVL mn, nom.	7434.5	9059.1	11171.7	13957.4	2877.2	3433.4	16600	18900	21400
annual change in % (real)	8.7	10.6	12.2	10.3	11.3	3.3	2.5	1	4
GDP/capita (EUR at exchange rate)	4790	5603	6948	8727	.	.	.	.	.
GDP/capita (EUR at PPP - wiiw)	9880	11180	12630	14420	.	.	.	.	.
Gross industrial production									
annual change in % (real)	6.0	5.6	4.8	0.5	0.8	-2.7	-2	0	2
Gross agricultural production									
annual change in % (real)	3.7	8.9	-2.8	11.2	.	.	.	.	.
Construction industry									
annual change in % (real)	14.8	15.8	13.3	.	.	.	.	.	.
Consumption of households, LVL mn, nom.	4605.9	5578.2	7184.2	8936.3	1965.7	2305	.	.	.
annual change in % (real)	9.1	11.3	21.4	14.0	30.1	2.4	2.0	1.5	5
Gross fixed capital form., LVL mn, nom.	2041.8	2773.8	3644.1	4542.1	869.6	992.2	.	.	.
annual change in % (real)	23.8	23.6	16.3	8.4	16.4	5.1	4	2	4
LFS - employed persons, th, avg.	1017.7	1035.9	1087.6	1119.0	1084.4	1137.8	.	.	.
annual change in %	1.1	1.8	5.0	2.9	2.6	4.9	.	.	.
LFS - employed pers. in industry, th, avg.	191.2	179.2	195.7	192.1	183.2	202.5	.	.	.
annual change in %	-3.2	-6.3	9.2	-1.8	0.9	10.5	.	.	.
LFS - unemployed, th pers., average	118.6	99.1	79.9	72.1	79.8	79.7	.	.	.
LFS - unemployment rate in %, average	10.4	8.7	6.8	6.1	6.9	6.5	6.5	7	8
Reg. unemployment rate in %, end of period	8.5	7.4	6.5	4.9	6.3	4.9	.	.	.
Average gross monthly wages, LVL	211	246	302	398	354	453	.	.	.
annual change in % (real, net)	2.4	9.7	15.6	19.9	22.8	11.4	.	.	.
Consumer prices, % p.a.	6.2	6.7	6.5	10.1	7.6	16.4	17	14	10
Producer prices in industry, % p.a.	8.6	7.8	10.3	16.1	15.9	11.0	.	.	.
General government budget, EU-def., % GDP 2)									
Revenues	34.7	35.2	37.7	38.0	.	.	.	.	.
Expenditures	35.8	35.6	37.9	38.0	.	.	.	.	.
Net lending (+) / net borrowing (-)	-1	-0.4	-0.2	0.0	.	.	-1.5	-2	-0.5
Public debt in % of GDP 2)	14.9	12.4	10.7	9.7	.	.	.	.	.
Discount rate, % p.a., end of period	4.0	4.0	5.0	6.0	5.5	6.0	.	.	.
Current account, EUR mn 3)	-1422.9	-1610.1	-3571.4	-4554.2	-1089.2	-940.4	-4000	-3900	-4450
Current account in % of GDP	-12.8	-12.5	-22.5	-22.9	-26.6	-19.2	-16.9	-14.5	-14.6
Gross reserves of NB excl. gold, EUR mn	1403.4	1883.4	3320.2	3824.5	3365.0	3988.9	.	.	.
Gross external debt, EUR mn	9871.2	12807.7	18127.8	26644.6	20604.3	26805.1	.	.	.
Gross external debt in % of GDP	89.1	99.4	114.0	134.2	.	.	.	.	.
FDI inflow, EUR mn 3)	512.4	567.9	1326.3	1589.1	351.5	397	1600	.	.
FDI outflow, EUR mn 3)	88.3	103.0	136.0	166.1	12.9	-22.5	60	.	.
Exports of goods, BOP, EUR mn 3)	3394.6	4313.1	4883.0	5936.3	1396.5	1566.4	6500	7000	7450
annual growth rate in %	21.1	27.1	13.2	21.6	29.3	12.2	9.5	7.7	6.4
Imports of goods, BOP, EUR mn 3)	5634.2	6753.5	8947.3	10811.6	2516.7	2564.0	11300	12000	12800
annual growth rate in %	23.2	19.9	32.5	20.8	37.3	1.9	4.5	6.2	6.7
Exports of services, BOP, EUR mn 3)	1431.5	1743.0	2101.1	2688.2	538.1	656.2	3200	3700	4300
annual growth rate in %	7.4	21.8	20.5	27.9	17.1	21.9	19.0	15.6	16.2
Imports of services, BOP, EUR mn 3)	947.5	1255.6	1571.3	1956.8	413.4	506.7	2250	2500	2700
annual growth rate in %	15.3	32.5	25.1	24.5	34.6	22.6	15.0	11.1	8.0
Average exchange rate LVL/USD	0.5401	0.5651	0.5605	0.4818	0.5361	0.4697	.	.	.
Average exchange rate LVL/EUR (ECU)	0.6711	0.7028	0.7028	0.7028	0.7028	0.7028	0.7028	0.7028	0.7028
Purchasing power parity LVL/USD, wiiw	0.2736	0.2980	0.3249	0.3585	.	.	.	.	.
Purchasing power parity LVL/EUR, wiiw	0.3252	0.3522	0.3865	0.4254	.	.	.	.	.

Note: The term 'industry' refers to NACE classification C+D+E.

1) Preliminary. - 2) According to ESA'95, excessive deficit procedure. - 3) Calculated from LVL.

Source: wiiw Database incorporating national statistics; Eurostat; wiiw forecasts.

Table LT

Lithuania: Selected Economic Indicators

	2004	2005	2006	2007 1)	2007	2008	2008	2009	2010
					1st quarter			Forecast	
Population, th pers., mid-year	3435.6	3414.3	3394.1	3375.6	.	.	.	.	.
Gross domestic product, LTL mn, nom.	62586.7	71380.4	81905.2	96739.7	19788.2	23979.2	112800	128500	147100
annual change in % (real)	7.3	7.9	7.7	8.8	8.1	6.9	6	5.5	5
GDP/capita (EUR at exchange rate)	5276	6055	6989	8300	.	.	.	.	.
GDP/capita (EUR at PPP - wiiw)	10910	11910	13220	14880	.	.	.	.	.
Gross industrial production									
annual change in % (real)	10.8	7.1	7.3	4.0	-1.1	7.2	6	5	5
Gross agricultural production									
annual change in % (real)	2.1	1.1	-13.0	.	.	.	.	.	.
Construction industry									
annual change in % (real)	7.2	11.1	21.1	21.9	.	13.5	.	.	.
Consumption of households, LTL mn, nom.	40649.1	46308.8	53309.8	63252.0	13671.9	17135.3	.	.	.
annual change in % (real)	12.2	12.1	11.8	11.5	18.0	12.2	8	7	7
Gross fixed capital form., LTL mn, nom.	13968.2	16302.2	20290.8	25712.3	4642.3	5777.8	.	.	.
annual change in % (real)	15.5	10.9	17.4	15.8	24.4	10.7	9	8	8
LFS - employed persons, th, avg.	1436.3	1473.9	1499.0	1534.2	1507.7	1510.3	.	.	.
annual change in %	-0.1	2.6	1.7	2.3	1.6	0.2	.	.	.
LFS - employed pers. in industry, th, avg.	288.7	296.2	296.0	299.4	283.9	.	.	.	.
annual change in %	-3.0	2.6	-0.1	1.1	-0.9	.	.	.	.
LFS - unemployed, th pers., average	184.4	132.9	89.3	69.0	79.5	77.5	.	.	.
LFS - unemployment rate in %, average	11.4	8.3	5.6	4.3	5.0	4.9	4.5	4.5	5
Reg. unemployment rate in %, end of period	6.5	4.1	3.7	4.3	3.7	4.7	.	.	.
Average gross monthly wages, LTL	1149.3	1276.2	1495.7	1813.0	1737.8	2151.3	.	.	.
annual change in % (real, net)	5.0	6.8	15.0	17.6	22.9	14.2	.	.	.
Consumer prices, % p.a.	1.2	2.7	3.7	5.7	4.3	10.6	11	9	10
Producer prices in industry, % p.a.	6.0	11.5	7.4	7.0	1.1	21.7	.	.	.
General goverm.budget, EU-def., % GDP 2)									
Revenues	31.8	33.1	33.4	34.3	.	.	.	.	.
Expenditures	33.4	33.6	33.9	35.6	.	.	.	.	.
Net lending (+) / net borrowing (-)	-1.5	-0.5	-0.5	-1.2	.	.	-1	-1	-0.5
Public debt in % of GDP 2)	19.4	18.6	18.2	17.3	.	.	.	.	.
Money market rate, % p.a., end of period 3)	2.3	2.5	3.7	5.8	4.1	4.5	.	.	.
Current account, EUR mn	-1393.6	-1481.3	-2551.2	-3836.7	-800.4	-1030.9	-4600	-4800	-6300
Current account in % of GDP	-7.7	-7.2	-10.8	-13.7	-14.0	-14.8	-14.1	-12.9	-14.8
Gross reserves of NB excl. gold, EUR mn	2578.4	3135.6	4307.6	5165.0	4145.1	5165.1	.	.	.
Gross external debt, EUR mn	7686.6	10586.5	14441.8	20537.3	15500	.	.	.	.
Gross external debt in % of GDP	42.4	51.2	60.9	73.3	.	.	.	.	.
FDI inflow, EUR mn	623.1	826.0	1448.2	1412.0	360.8	207.5	1600	.	.
FDI outflow, EUR mn	211.6	277.7	232.2	430.7	84.6	29.2	250	.	.
Exports of goods, BOP, EUR mn	7477.7	9490.0	11262.8	12521.5	2793.9	3677.9	15500	17500	20000
annual growth rate in %	10.4	26.9	18.7	11.2	6.3	31.6	23.8	12.9	14.3
Imports of goods, BOP, EUR mn	9398.2	11849.0	14599.9	16619.9	3708.8	4834.1	20500	23000	27000
annual growth rate in %	13.8	26.1	23.2	13.8	13.8	30.3	23.3	12.2	17.4
Exports of services, BOP, EUR mn	1968.7	2502.8	2878.9	2958.8	584.9	649.7	3350	3650	3900
annual growth rate in %	18.5	27.1	15.0	2.8	-13.3	11.1	13.2	9.0	6.8
Imports of services, BOP, EUR mn	1313.4	1655.3	2018.3	2356.4	463.9	488.9	2700	3000	3300
annual growth rate in %	17.9	26.0	21.9	16.7	5.9	5.4	14.6	11	10.0
Average exchange rate LTL/USD	2.78	2.77	2.75	2.52	2.63	2.31	.	.	.
Average exchange rate LTL/EUR (ECU)	3.45	3.45	3.45	3.45	3.45	3.45	3.45	3.45	3.45
Purchasing power parity LTL/USD, wiiw	1.41	1.48	1.54	1.62	.	.	.	.	.
Purchasing power parity LTL/EUR, wiiw	1.67	1.75	1.83	1.93	.	.	.	.	.

Note: The term 'industry' refers to NACE classification C+D+E.

1) Preliminary. - 2) According to ESA'95, excessive deficit procedure. - 3) VILIBOR 1 month interbank rate.

Source: wiiw Database incorporating national statistics; Eurostat; wiiw forecasts.