

Monthly Report 10/04

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Czech Republic: economy in full swing at last

BY JOSEF PÖSCHL

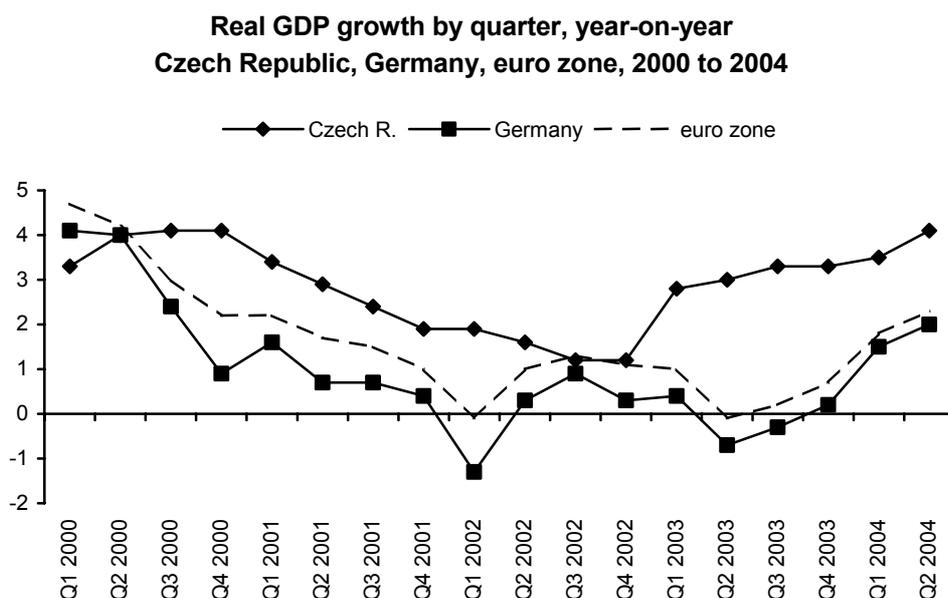
The Czech Statistical Office is busy revising national accounts data. The latest revision gives the impression that the economy overcame the crisis of May 1997 only at the end of 1998. That crisis had triggered awareness of the widespread problem of bad debt, and the consolidation was costly in terms of GDP development. From the first quarter of 1999, the GDP grew again. Growth accelerated over the year and reached more than 4% year-on-year in the second, third and fourth quarters of 2000. Then, deceleration started; in the second half of 2002, growth was down to not much

more than 1%. 2003 was a period of mild upswing, and only in the second quarter of 2004 did growth finally climb back to over 4%. Obviously, from 2000 onwards the Czech economy has followed international trends. Similarities between the growth patterns of the Czech Republic, Germany and the euro zone as a whole are evident (see Figure 1). However, Germany or the entire euro zone were far from determining the Czech business climate completely; in the Czech Republic the recovery started in the first quarter of 2003, one year prior to Germany's and that of the euro zone as a whole.

The present business upswing – or perhaps boom – is driven by investment and not by private consumption, as was still the case during most of 2003. Gross fixed investment grew by 9.6% year-

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Figure 1



Source: Czech Statistical Office; Federal Statistical Office Germany; Eurostat.

on-year in the first and by 12.8% in the second quarter of 2004. Foreign trade in goods and non-factor services exerted a negative influence on real GDP growth. This latter fact contrasts with the improved balance of trade and services at current prices. The discrepancy between these two approaches is due to an improvement in the terms of trade: Czech export prices increased more than import prices.

As concerns the Czech Republic's and other countries' accession to the EU, analysts expected an only modest impact on foreign trade results, at least in the short term. Trade with the EU-15, the accession countries' most important trading partner, had already been liberalized long before accession, so the argument. Nevertheless, at least in the Czech case we can see a difference between the first four months of this year and the period starting from 1 May 2004. In the period January to April 2004, both exports and imports of goods were up 12% year-on-year (in euro terms), whereas in the first three months of membership exports were up 30% and imports up 24% compared to the same period in 2003. Particularly strong was the expansion in the case of agrofood trade, where some trade barriers had still been in place up to 1 May 2004. True, the trade expansion

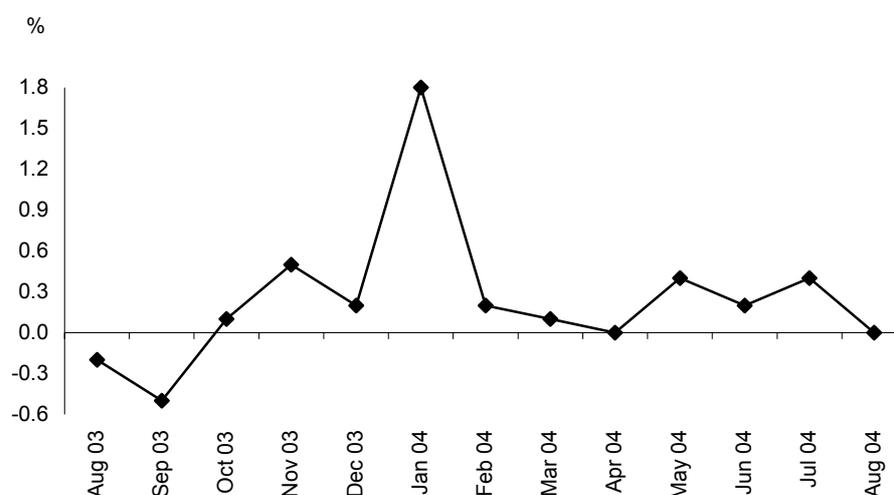
started already in March and April 2004, but nevertheless it is unlikely that this acceleration of export and import growth followed from an improved international business climate alone.

In the period January to April, export revenues covered about 98% of Czech import expenditures, whereas the coverage ratio climbed to 99% in the first three months of EU membership. The trade deficit all but disappeared. The Czech Republic's specialization on exports of machinery and transport equipment has strengthened further: in July 2004, this product group made up close to 52% of exports compared to somewhat less than 49% one year earlier. On the import side, this product group's share was less pronounced (38%) and lower than a year before (43%). This export specialization results from the high inflow of foreign direct investment in the past several years and from correspondingly strong integration into transnational networks. Seven eighths of Czech exports go to EU-25 member states and close to 40% to Germany alone.

Balance of payments data for the first half of 2004 show, as already mentioned, a merely marginal deficit in the balance of trade and a surplus in services. Nevertheless, the deficit in the current

Figure 2

Consumer price index, month-on-month changes in %, August 2003 to August 2004



Source: wiiw Monthly Database.

account amounted to EUR 1.7 billion or 4.2% of GDP. The reason was a deficit in the balance of incomes of roughly similar size, mirroring mainly profits attributable to foreign direct investments. In the second quarter of 2004, the deficit in the balance of income came close to EUR 1.2 billion. At the same time the amount of reinvested profits was somewhat below EUR 600 million, contributing to the inflow of foreign direct investment, as recorded in the balance of financial accounts.

In the first half of 2004, industrial production rose by close to 11% year-on-year, whereas at the same time industrial employment shrank by about 2%. In other words, labour productivity rose by approximately 13%. Gross monthly wages – for all employees, as industrial wage figures for this period are not yet available – rose by somewhat less than 6.5% nominally. Calculated in euro at the period's average exchange rate, gross monthly wages increased by 3.5%, from EUR 514 to 532.

These figures point to a strong decline in unit labour costs. Labour at least did not exert a cost push on inflation, rather the contrary. In 2003, there was no inflation (0.1% year-on-year). If inflation has re-emerged this year, this was hardly the work of the market forces, but rather that of the government. There was a strong one-time jump in

the consumer price index in January 2004: it resulted from adjustments of regulated prices and from a tax-increasing reshaping of indirect tax rates in the context of the forthcoming EU accession. In August 2004, month-on-month inflation was zero again.

The Czech Republic is likely to remain a low-inflation country. To ascertain this, the Czech National Bank did what national bankers think they should do in such cases: raise the interest rates (the discount rate to 1.5%, the two-week repo rate to 2.5% and the Lombard rate to 3.5%). Still, these rates have remained the lowest in the region. Their increase may have been too low to exert a stronger impact on capital flows and in this way also stronger appreciation pressure.

The Czech authorities seem to aim at a reduction of the budget deficit to GDP ratio first, and only then at entering the ERM II mechanism (i.e. not before 2006). As concerns the monetary policy, the contract with the present governor of the National Bank, Zdeněk Tuma, and with other board members will end soon, and President Václav Klaus is expected to replace them with persons of his entourage. It is not very likely that the new board will be more euro-enthusiastic than the present one.

CZECH REPUBLIC

Table CZ

Czech Republic: Selected Economic Indicators

	1999	2000	2001	2002	2003 ¹⁾	2003 January-June	2004	2004 forecast	2005
Population, th pers., mid-year ²⁾	10282.8	10272.5	10224.2	10200.8	10200.7	.	.	.	.
Gross domestic product, CZK bn, nom. ³⁾	2041.4	2150.1	2315.3	2414.7	2532.4	1243.8	1347.1	2710	2880
annual change in % (real) ³⁾	1.2	3.9	2.6	1.5	3.1	2.9	3.8	3.9	4.1
GDP/capita (EUR at exchange rate)	5383	5878	6644	7683	7796	.	.	.	.
GDP/capita (EUR at PPP - wiiw)	13630	13530	14100	14920	15410	.	.	.	.
Gross industrial production									
annual change in % (real)	-3.1	5.4	6.5	4.8	5.8	5.6	10.8	10	9
Gross agricultural production									
annual change in % (real)	0.6	-4.5	2.5	-4.4	-7.6	.	.	.	.
Construction industry									
annual change in % (real)	-6.5	5.3	9.6	2.5	8.9	2.7	16.8	.	.
Consumption of households, CZK bn, nom. ³⁾	1046.3	1108.8	1179.4	1220.6	1272.4	613.5	645.6	.	.
annual change in % (real) ³⁾	2.2	2.9	2.8	2.7	4.9	5.2	3.7	3.7	4
Gross fixed capital form., CZK bn, nom. ³⁾	550.6	594.9	638.6	643.3	676.9	322.0	363.1	.	.
annual change in % (real) ³⁾	-3.6	4.9	5.4	3.4	7.4	6.3	11.2	9.5	8
LFS - employed persons, th, avg. ⁴⁾	4764.1	4731.6	4750.2	4764.9	4733.2	4740.0	4688.3	.	.
annual change in %	-2.1	-0.7	0.4	0.8	-0.7	-0.7	-1.1	.	.
LFS - employed pers. in industry, th, avg. ⁴⁾	1468.7	1429.4	1470.6	1463.1	1424.7	1430.7	1405.6	.	.
annual change in %	-3.4	-2.7	2.9	-0.1	-2.6	-3.3	-1.8	.	.
LFS - unemployed persons, average	454.1	454.5	421.0	374.1	399.1	386.5	431.5	.	.
LFS - unemployment rate in %, average ⁴⁾	8.7	8.8	8.1	7.3	7.8	7.6	8.5	9	9
Reg. unemployment rate in %, end of period	9.4	8.8	8.9	9.8	10.3	9.5	9.9	10.5	10.5
Average gross monthly wages, CZK ⁵⁾	12797	13614	14793	15857	16917	16222	17267	.	.
annual change in % (real, gross)	6.2	2.4	3.8	5.3	6.7	7.0	3.8	.	.
Consumer prices, % p.a.	2.1	3.9	4.7	1.8	0.1	-0.2	2.5	3.1	2
Producer prices in industry, % p.a.	1.0	4.9	2.8	-0.5	-0.3	-0.7	3.4	5.5	3
General governm. budget, EU-def., % GDP ⁶⁾									
Revenues	.	38.5	39.1	40.2	41.9	.	.	.	.
Expenditures	.	42.1	45.0	46.9	54.5	.	.	.	.
Deficit (-) / surplus (+)	.	-3.7	-5.9	-6.8	-12.6	.	.	-6	-5
Public debt, EU-def., in % of GDP ⁶⁾	14.3	18.2	25.3	28.8	37.8	.	.	41	42
Discount rate, % p.a., end of period	5.0	5.0	3.8	1.8	1.0	1.3	1.3	.	.
Current account, EUR mn	-1372	-2945	-3652	-4426	-4937	-1430	-1731	-5000	-5200
Current account in % of GDP	-2.5	-4.9	-5.4	-5.6	-6.2	-3.6	-4.2	-5.9	-5.7
Current reserves of NB incl. gold, EUR mn	12771	14159	16400	22614	21341	22293	21784	.	.
Gross external debt, EUR mn	22765	23285	25368	25738	27599	24450	.	.	.
FDI inflow, EUR mn	5933	5404	6296	9012	2289	1694	1846	.	.
FDI outflow, EUR mn	84	47	185	219	206	4	54	.	.
Exports of goods, BOP, EUR mn	24640	31483	37251	40711	43079	21354	25214	51400	59500
annual growth rate in %	6.8	27.8	18.3	9.3	5.8	5.4	18.1	19	16
Imports of goods, BOP, EUR mn	26424	34876	40675	43026	45258	21909	25544	53300	61500
annual growth rate in %	4.1	32.0	16.6	5.8	5.2	4.4	16.6	18	15
Exports of services, BOP, EUR mn	6612	7436	7913	7501	6882	3247	3610	7500	8500
annual growth rate in %	-3.1	12.5	6.4	-5.2	-8.3	-14.3	11.2	9	13
Imports of services, BOP, EUR mn	5486	5904	6211	6792	6466	3008	3361	6900	7900
annual growth rate in %	7.4	7.6	5.2	9.4	-4.8	-5.6	11.7	7	14
Average exchange rate CZK/USD	34.60	38.59	38.04	32.74	28.23	28.60	26.44	.	.
Average exchange rate CZK/EUR (ECU)	36.88	35.61	34.08	30.81	31.84	31.55	32.44	32	31.5
Purchasing power parity CZK/USD, wiiw	14.26	14.55	14.79	14.62	14.64	.	.	.	.
Purchasing power parity CZK/EUR, wiiw	14.57	15.47	16.06	15.86	16.11	.	.	.	.

Notes: 1) Preliminary. - 2) From 2001 based on census March 2001. - 3) According to ESA 95. - 4) From 2002 weighted according to census 2001. - 5) Enterprises with more than 20 employees, including part of the Ministry of Defence and the Ministry of the Interior. - 6) According to ESA'95, excessive deficit procedure.

Source: wiiw Database incorporating national statistics; EUROSTAT News release, September 2004; wiiw forecasts.

Hungary: new government facing old problems

BY SÁNDOR RICHTER

Following Péter Medgyessy's resignation in August, Hungary has a new Prime Minister, Ferenc Gyurcsány, since 27 September, and a new government since early October.¹ Mr. Medgyessy, after a narrow victory of the socialist-liberal coalition in 2002, had launched ambitious public spending programmes in the first 100 days in office. Those were followed by further expensive 'mood-improving' measures. The irresponsible policy in terms of both the volume and structure of public expenditures provisionally skyrocketed Mr. Medgyessy's popularity, but also created the preconditions for his later fall. After warning signs such as foreign investors' evaporating confidence, embarrassing volatility of the exchange rate and a deteriorating fiscal balance, the corrective measures in late 2003 came delayed and were half-hearted – though they were sufficient to diminish the government's popularity. In early 2004, the process that culminated in the remarkable defeat of the Socialist Party in the June 2004 elections for the European Parliament. In the light of public opinion polls it became clear that the ruling coalition would have no chance to win the 2006 elections with Péter Medgyessy as frontrunner. In August, following a conflict with István Csillag, the liberal Minister of Economy, the Prime Minister posed an ultimatum threatening to resign unless another liberal nominee would replace Mr. Csillag. To the Prime Minister's

surprise, the Socialist Party did not back him in this fight and let him fall.

The economic situation, unaffected by the political developments, has been resolutely improving (with some flaws though). The GDP expanded by 4.1% in the first half of 2004: a remarkable acceleration compared to the 2.6% expansion in the respective period of 2003. The really good news is, however, the changing composition of final domestic demand. Gross fixed capital formation increased by 13.8% in the first half of the year, the final consumption of households by 4.4% only (but still more rapidly than the GDP produced). In the first half of 2003 the respective indicators had shown a completely different, unfavourable picture: gross fixed capital formation stagnated while household consumption increased over 7%. The expansion of domestic demand was more rapid than that of GDP in the first six months both in 2003 and 2004, but the difference was substantially smaller this year than in 2003 (1.1 versus 3.4 percentage points).

The volume of industrial production was 9.5% higher in the first seven months of 2004 compared to the same period of the previous year. Export sales grew by 19%, driven by the outstanding performance of multinational companies in the engineering sector. Exports of electrical and optical equipment increased by 30.2%, those of transport equipment by 12.8%. These two segments combined supply nearly two thirds of Hungary's manufacturing exports. Domestic sales of industry decreased slightly, indicating the highly specialized structure of post-transition Hungarian industry. A particularly positive sign is the over 25% expansion of manufacturing investment in the first half of the year. Construction output increased by 8% in January to July. Agriculture reported the best harvest in the past ten years (the grain harvest doubled compared to 2003).

Employment increased by 0.9% in January to July; in the business sector it rose by 1.5%, while in the public sector it declined by 1%. Real wages practically stagnated, but the 2002-2003 consumption fever of households still did not phase

¹ Ferenc Gyurcsány had been a functionary of the Youth Communist League before and shortly after the political changes in 1989/90; he then became a highly successful businessman specialized in privatizing, consolidating and re-selling state-owned enterprises. More recently he was Mr. Medgyessy's personal adviser, then Minister of Youth and Sports and finally, this summer, a rival of the Prime Minister. Although an outsider to the Socialist Party elite, his self-confidence, excellent communication skills and young age (43) have made him the only potentially successful socialist frontrunner against opposition leader Viktor Orbán in the 2006 general elections.

out completely, as reflected by the consumption figures in the national accounts (see above) and the 7.2% real growth of retail trade turnover in the first seven months of the year.

In the context of Hungary's accession to the European Union in May 2004, substantial methodological changes took place in the registration of foreign trade flows. This implies that foreign trade data for 2004 are more uncertain than usually and significant revisions may still occur. In real terms exports and imports increased by 18% each, while in current euro terms the growth rate of imports slightly surpassed that of exports (14.5% versus 13.9%). The trade balance deficit (EUR 2.6 billion) recorded a close to 20% deterioration compared to the first half of 2003. In the first six months of 2004 the current account deficit amounted to EUR 3.8 billion, a 13% deterioration compared to the respective period of 2003. The balance of goods and services deteriorated only marginally, by 3%; the reason for the higher current account deficit was the evaporation of the traditional surplus in 'current transfers' due to Hungary's beginning contribution to the EU budget. The net inflow of non-debt generating foreign capital was much higher than in the first half of 2003; nevertheless it could compensate only less than one third of the current account deficit.

Inflation reached its peak in May (+7.6% 12-month change) mainly related to EU accession and started to decline thereafter, but not as rapidly as expected, due to high prices of imported oil and domestic food. The exchange rate of the forint remained strong (around 250 HUF/EUR) and stable from March 2004 on, even in the days of political uncertainties in August or when unfavourable budget deficit figures were made public. Despite the strong forint the prime rate of the central bank remained high (11% at the end of September). High interest rates make life hard for (particularly smaller) domestic firms and affect the budget deficit negatively through substantial interest payments on public debt. The central bank acknowledges the improving macroeconomic

performance, but is not ready to cut the prime rate as long as it does not see appropriate measures taken by the government to reduce the budget deficit.

The fiscal stance remains Hungary's weak point. With the highest public debt and one of the highest fiscal deficits among the new EU member states, the Hungarian government made a commitment (in its convergence programme of May 2004) to a resolute but gradual reduction of the budget deficit below 3% of the GDP by 2008. Despite the austerity measures approved early this year, the general government deficit will surpass the planned rate for 2004 (4.6% of the GDP). On 15 September, the Minister of Finance acknowledged that the deficit target could not be attained and would amount to 5.1-5.3% of the GDP. The new Prime Minister announced that, despite the failure to reach this year's deficit target, his government would commit itself to implementing the convergence programme foreseeing the introduction of the euro in 2010. In order to achieve this target the general government deficit will be reduced in small steps, by about 0.6 percentage points annually.

The credibility of this announcement will depend on the concrete measures the new government plans to make. Some details are already known. Mr. Gyurcsány's government programme has a dual target: first, the consolidation of the budget and, second, strengthening social solidarity through setting new accents in the budgetary redistribution process in favour of less privileged social strata and groups. As concerns the budget consolidation, the budget of each ministry and several other public bodies will be cut. For two years a 6% tax will be charged on the margin between deposit and lending rates offered by financial institutions. The idea behind this unusual measure is that the banking sector has recently had exceptionally high profits due to the high interest rates and the subsidized household credits for housing. Tax on dividends and tax at source will be raised to 25% from 20%. Concerning the measures to strengthen social solidarity, the personal income tax brackets

will be reduced from three to two, with an 18% rate for incomes below HUF 1.5 million (about EUR 6000) annually and a rate of 38% for incomes above that level. This change will increase net incomes of below-average income earners. Increasing employment is planned to become an important focus of the new government as well. Tax allowances are to be introduced to support investments creating new jobs, for firms employing persons with less chance to find a job (young persons, women returning from maternity leave, long-term unemployed older than 50 years). A decentralization of development resources favouring local governments is envisaged, in order to enable them to absorb gradually increasing transfers from the EU.

Macroeconomic indicators support the impression that the Hungarian business sector has survived the 2001-2003 populist episode without lasting damage. Economic growth will be about 4% this year and in 2005 as well. Inflation (yearly average) will drop below 7% this year and below 5% in 2005. The fiscal balance and current account deficits remain the main concern for the rest of 2004 and in 2005.

HUNGARY

Table HU

Hungary: Selected Economic Indicators

	1999	2000	2001	2002	2003 ¹⁾	2003 January-June	2004	2004 forecast	2005
Population, th pers., end of period	10222	10200	10175	10142	10117	10119	10103	10085	10065
Gross domestic product, HUF bn, nom.	11393.5	13150.8	14849.8	16740.4	18574.0	8779.5	9640.8	20600	22500
annual change in % (real)	4.2	5.2	3.8	3.5	2.9	2.6	4.1	4	4
GDP/capita (EUR at exchange rate)	4402	4953	5679	6782	7233	.	.	.	.
GDP/capita (EUR at PPP - wiiw)	10200	11030	12020	12840	13670	.	.	.	.
Gross industrial production									
annual change in % (real)	10.4	18.1	3.6	2.7	6.4	4.1	10.4	9	10
Gross agricultural production									
annual change in % (real)	0.4	-6.5	15.8	-4.1	-4.7	.	.	.	.
Construction industry									
annual change in % (real)	9.0	7.9	7.7	17.5	0.7	-2.4	7.6	.	.
Consumption of households, HUF bn, nom.	5826.6	6689.2	7680.4	8767.2	9989.4	4761.9	5316.9	.	.
annual change in % (real)	5.4	4.4	5.7	10.3	7.6	8.2	4.4	3.5	2.5
Gross fixed capital form., HUF bn, nom.	2724.5	3179.8	3493.0	3916.9	4086.1	1475.1	1736.5	.	.
annual change in % (real)	5.9	7.7	5.0	8.0	3.0	0.5	13.5	10	13
LFS - employed persons, th, avg. ²⁾	3809.3	3856.2	3868.3	3870.6	3921.9	3891.8	3892.8	.	.
annual change in % ²⁾	0.6	1.2	0.3	0.1	1.3	1.0	0.0	.	.
Reg. employees in industry, th pers., avg. ³⁾	834.0	844.8	833.9	817.9	801.8	804.8	788.4	.	.
annual change in %	0.8	1.3	-1.3	-1.9	-2.0	-2.4	-2.5	.	.
LFS - unemployed persons, th, average	285.3	263.7	234.1	238.8	244.5	253.0	246.9	.	.
LFS - unemployment rate in %, average	7.0	6.4	5.7	5.8	5.9	6.1	6.0	5.9	5.9
Reg. unemployment rate in %, end of period ⁴⁾	9.4	8.6	8.0	8.0	8.4	7.8	8.2	8	8
Average gross monthly wages, HUF ³⁾	77187	87645	103553	122482	137187	130731	141897	.	.
annual change in % (real, net)	2.5	1.5	6.4	13.6	9.2	13.3	0.3	.	.
Consumer prices, % p.a.	10.0	9.8	9.2	5.3	4.7	4.3	7.1	6.9	4.9
Producer prices in industry, % p.a.	5.1	11.6	5.2	-1.8	2.4	0.6	4.4	.	.
General governm.budget, EU-def., % GDP ⁵⁾									
Revenues	.	44.6	44.3	43.4	43.6	.	.	.	.
Expenditures	.	47.7	48.7	52.7	49.8	.	.	.	.
Deficit (-) / surplus (+)	.	-3.0	-4.4	-9.2	-6.2	.	.	-5.2	-4.7
Public debt, EU-def., in % of GDP ⁵⁾	61.2	55.4	53.5	57.2	59.1	.	.	58.7	58
Refinancing rate, % p.a., end of period	14.5	11.0	9.8	8.5	12.5	9.5	11.5	.	.
Current account, EUR mn	-3531.4	-4380.0	-3612.5	-4973.7	-6575.5	-3373.9	-3825.2	-6900	-6700
Current account in % of GDP	-7.8	-8.7	-6.2	-7.1	-8.9	-9.5	-10.2	-8.4	-7.4
Reserves total, excl. gold, EUR mn	10845.3	12038.4	12163.7	9887.4	10108.3	10820.9	10517.0	.	.
Gross external debt, EUR mn	29230.9	32571.5	37387.0	38559.3	46504.4	40095.9	51094.9	.	.
FDI inflow, EUR mn	3106.4	2998.4	4390.7	3185.1	2018.0	709.8	934.7	.	.
FDI outflow, EUR mn	234.7	664.4	398.5	295.7	1456.5	638.7	243.1	.	.
Exports of goods, BOP, EUR mn	24058.8	31277.5	34697.1	36820.7	38376.9	18271.1	20968.6	43500	48700
annual growth rate in %	14.3	30.0	10.9	6.1	4.2	-1.7	14.8	14	12
Imports of goods, BOP, EUR mn	26102.4	34457.1	37192.8	39024.1	41274.5	19826.6	22161.9	46100	51000
annual growth rate in %	14.8	32.0	7.9	4.9	5.8	2.8	11.8	12	11
Exports of services, BOP, EUR mn	4910.2	6114.2	7434.5	7342.3	7081.9	3320.4	3483.3	.	.
annual growth rate in %	2.1	24.5	21.6	-1.2	-3.5	-4.0	4.9	.	.
Imports of services, BOP, EUR mn	4093.9	4907.4	5809.1	6799.9	7611.1	3522.3	3837.5	.	.
annual growth rate in %	9.6	19.9	18.4	17.1	11.9	7.4	8.9	.	.
Average exchange rate HUF/USD	237.31	282.27	286.54	258.00	224.44	223.83	208.60	.	.
Average exchange rate HUF/EUR (ECU)	252.80	260.04	256.68	242.97	253.51	247.25	256.22	250	250
Purchasing power parity HUF/USD, wiiw	99.96	108.71	111.51	118.18	125.30	.	.	.	.
Purchasing power parity HUF/EUR, wiiw	109.11	116.74	121.28	128.33	134.09	.	.	.	.

Notes: 1) Preliminary. - 2) From 1999 according to census 2001. - 3) Enterprises with more than 5 employees. - 4) From 2001 wiiw estimate. - 5) According to ESA'95, excessive deficit procedure.

Source: wiiw Database incorporating national statistics; EUROSTAT News release, September 2004; wiiw forecasts.

Poland: strong profits and weak investments

BY LEON PODKAMINER

Poland's GDP grew by 6.5% in the first half of 2004. Consumption and gross fixed investment increased moderately (3.4% each) while total domestic demand rose 5.4%. There was a massive increase in inventories (gross capital formation rose 17.2%) which may be a natural development given the very low increases in inventories in the past (especially in 2001-02). Foreign trade (goods and non-factor services) continued to add to the overall GDP growth. The share of the trade deficit fell from 2.9% (first half of 2003) to 2.4% of the GDP. Total gross value added increased by 6% (in industry it rose by 13.6%, in construction though it fell by 3.2%).

The expansion of industrial production, which was about 17.6% higher than in the first half of 2003, owes much to rising exports. In nominal terms total industrial production rose 24.5% while industrial exports by an estimated 37%. The share of exports in manufacturing output rose from 31.7% to 34.8%.

Profits of the non-financial corporate sector (non-farm firms employing over 50 persons) continued to improve very strongly. Gross profits increased from PLN 15 billion (first half of 2003) to 37.3 billion. (In the full year 2003, gross profits were PLN 30.2 billion.) Net profits rose even faster (also on account of lower corporate tax rates): from PLN 8.8 billion in the first half of 2003, to 9.2 billion in the second half of 2003, to 30.9 billion in the first half of 2004. Net profitability (the ratio of net profit to revenue) rose from 1.8% to 5.2%. Profits improved in all major branches and sections (including coal mining, which until recently had been a notorious loss maker). Exporting firms continued to outperform other firms in terms of profitability. Net profits of commercial banks also increased quite strongly, from PLN 2.1 billion in the first half of 2003 to 3.7 billion in the same period

this year. (Gains due to lower income taxes were about PLN 0.5 billion.)

The expansion of corporate profits happened to coincide with a very slow rise in that sector's wage bill, which increased from about PLN 128.8 billion in the first half of 2003 to 134 billion in the first half of 2004. In real terms the average wage in that sector rose 2.5% while gross output per employee rose about 20%.

The high profits earned by the corporate sector and the low levels of investment are consistent with the virtually unchanged volume of the sector's credit liabilities. On aggregate the corporate sector does not need to borrow. To the contrary, the sector's deposits with commercial banks rise very fast. In contrast, the volume of households' deposits has been stagnant while their credit liabilities are expanding strongly.

The outstanding performance in foreign trade (also with the EU) has followed from two developments: the ongoing decline in unit labour costs (strong rise in labour productivity combined with weak increases in wages) and the weak (nominal) exchange rate vs. the euro. On average the PLN/EUR exchange rate was 11% higher in the first half of 2004 than in the same period of 2003. However, the zloty – which had been weakening since the first half of 2002 (together with falling NBP interest rates and amid quite low inflows of both FDI and portfolio investment) – has been strengthening after the first quarter of 2004. The average PLN/EUR exchange rate in the third quarter of 2004 is about 7% lower than in the first quarter of 2004. The recent strengthening of the zloty can be seen as reflecting the rapid rise in inflows of portfolio capital and the expectations (correct so far) of rising interest rates. In the first seven months of 2004 there was a massive inflow (equivalent to EUR 5.4 billion) of portfolio investment targeting government debt securities. This is over 40% more than recorded in the whole year 2003.

The rising interest rates set by the National Bank of Poland (NBP) follow from concerns over inflation, which suddenly accelerated in April, May and June, bringing the 12-month CPI from 1.7% in March to 4.6% in July and August. Despite being sudden, the inflationary acceleration was not quite surprising. It reflected the higher prices of imported energy carriers and the well anticipated price hikes in the wake of accession to the EU. It is quite generally believed that the Spring inflationary acceleration is in principle transient. Indeed, this judgement may be supported by the fact that monthly inflation was *negative* in July and August. Nonetheless the NBP has tightened its policy. The more restrictive monetary policy stance is to demonstrate the NBP's determination to keep inflation under control and thus to prevent the build-up of inflationary expectations. In particular, a tighter monetary policy is believed to be useful in defusing the pressures for wage hikes, which potentially could set in motion inflationary price-wage spirals.

The effectiveness of the monetary policy used as a substitute for a nation-wide incomes policy is likely to be problematic. The wage earners (and the Trade Unions) are unlikely to respond to higher interest rates with more moderate wage claims. Given the very high (and idle) corporate profits, employees are likely to request higher wages, no matter what the NBP does. Besides, the risk of setting an inflationary wage-price spiral in motion seems fairly low – also on account of the very high and persisting unemployment. Generally, high wage hikes are unlikely, though certainly some firms, or even whole branches, may have to award higher wages to their high-skill personnel. Of course, should the NBP administer very high interest rates, it would be in a position to generate another growth slowdown (as in 2001-02). In such a case, falling profits and rising unemployment would indeed be effective in moderating the wage claims.

Higher interest rates and the strengthening zloty are likely to affect the overall performance in the third, and especially the fourth, quarter of 2004. Higher interest rates are unlikely to be conducive to higher fixed investment in the corporate sector. And they are likely to discourage investment in small and medium-size firms. Higher communal and public investment (and also investment in smaller firms) is more likely to be stimulated by the (hopefully) forthcoming EU subsidies. But the return of a strong zloty may prove harmful to the export and import-competing sectors. Of course the actual foreign trade performance need not deteriorate immediately. It will take time to adapt to the new realities, with the zloty much stronger than generally expected not long ago.¹ Nonetheless, even if the volumes of exports continue to rise, profits earned on them, expressed in domestic currency, may be contracting. In addition, one does not know when the strong build-up of inventories will come to an end. All in all, growth in the third, and especially the fourth, quarter of 2004 may be much less impressive than in the first half of the year.

¹ According to a poll conducted among a large number of firms in June 2004, it was generally expected that the PLN/EUR rate would be about 4.62 at the end of September. Currently that rate is about 4.35. This is still higher than the rate at which, according to the firms then polled, exports would generally cease to be profitable (4.2 PLN/EUR). See the National Bank of Poland's web page: www.nbp/publikacje/koniunktura.

Table PL

Poland: Selected Economic Indicators

	1999	2000	2001	2002	2003 ¹⁾	2003 January-June	2004	2004 forecast	2005
Population, th pers., end of period ²⁾	38654	38644	38633	38219	38191	38195	38180	.	.
Gross domestic product, PLN mn, nom.	652517	723886	760595	781112	814698	387335	419929	888700	961100
annual change in % (real)	4.1	4.0	1.0	1.4	3.8	3.0	6.5	5.5	5
GDP/capita (EUR at exchange rate)	3994	4670	5366	5299	4850	.	.	.	.
GDP/capita (EUR at PPP - WIIW)	8920	9460	9670	10030	10380	.	.	.	.
Gross industrial production (sales)									
annual change in % (real)	3.6	6.7	0.6	1.1	8.4	6.7 ⁴⁾	17.6 ⁴⁾	12	8
Gross agricultural production									
annual change in % (real)	-5.2	-5.6	5.8	-1.9	-0.8	.	.	.	.
Construction output total									
annual change in % (real)	6.2	1.0	-6.4	-0.3	-4.4	-12.7	-3.2	.	.
Consumption of households, PLN mn, nom.	406517	455405	486504	510817	529872	263931	280885	.	.
annual change in % (real)	5.2	2.8	2.1	3.3	3.1	2.5	3.9	3.5	3.5
Gross fixed capital form., PLN mn, nom.	156690	170430	157209	148338	148962	56513	59167	.	.
annual change in % (real)	6.8	2.7	-8.8	-5.8	-0.9	-2.6	3.4	4	6
LFS - employed persons, th, avg. ³⁾	14757.0	14526.0	14207.0	13782.0	13616.8	13502.5	13573.5	.	.
annual change in %	-3.9	-1.6	-2.2	-3.0	.	.	0.5	.	.
Reg. employees in industry, th pers., avg.	3138.4	2955.0	2820.6	2670.5	2656.9	2417.0 ⁴⁾	2410.0 ⁴⁾	.	.
annual change in %	-7.1	-5.8	-4.5	-5.3	-0.5	-3.2 ⁴⁾	-0.3 ⁴⁾	.	.
LFS - unemployed persons, average ³⁾	2391.0	2785.0	3170.0	3431.0	3328.5	3400.5	3367.0	.	.
LFS - unemployment rate in %, average ³⁾	13.9	16.1	18.2	19.9	19.6	20.0	19.9	20	19
Reg. unemployment rate in %, end of period ³⁾	13.1	15.1	17.5	20.0	20.0	19.7	19.5	19	18
Average gross monthly wages, PLN ⁵⁾	1697.1	1893.7	2045.1	2097.8	2201.5	2184.8	2281.3	.	.
annual change in % (real, gross)	4.7	1.0	2.5	0.7	4.1	3.1	1.9	.	.
Consumer prices, % p.a.	7.3	10.1	5.5	1.9	0.8	0.5	2.5	3.4	3
Producer prices in industry, % p.a.	5.7	7.8	1.6	1.0	2.6	2.6	6.6	4.5	4
General governm.budget, EU-def., % GDP ⁶⁾									
Revenues	.	42.5	43.8	43.9	43.7	.	.	.	.
Expenditures	.	44.9	47.6	48.9	47.6	.	.	.	.
Deficit (-) / surplus (+)	.	-0.7	-3.8	-3.6	-3.9	.	.	-6.0	-4.5
Public debt, EU-def., % of GDP ⁶⁾	40.3	36.6	36.7	41.1	45.4	.	.	49.1	50.3
Discount rate of NB % p.a., end of period	19.0	21.5	14.0	7.5	5.8	5.8	5.8	6	.
Current account, EUR mn	-11719	-10789	-6004	-5402	-4109	-2829	-1890	-3000	-4000
Current account in % of GDP	-7.6	-6.0	-2.9	-2.7	-2.2	-3.1	-2.1	-1.6	-2.0
Gross reserves of NB excl. gold, EUR mn	26224	28555	29031	27367	26000	27049	28871	.	.
Gross external debt, EUR mn	65121	74671	81461	81045	83939	81495	92209	.	.
FDI inflow, EUR mn	6824	10334	6372	4371	3660	1982	1866	.	.
FDI outflow, EUR mn	29	18	-97	228	173	65	22	.	.
Exports of goods, BOP, EUR mn	28215	39022	46537	49338	53836	25215	31397	59200	63900
annual growth rate in %	-2.5	38.3	19.3	6.0	9.1	6.8	24.5	10	8
Imports of goods, BOP, EUR mn	42361	52349	55094	57039	58913	27836	33729	63000	68700
annual growth rate in %	4.9	23.6	5.2	3.5	3.3	0.1	21.2	7	9
Exports of services, BOP, EUR mn	7850	11320	10914	10545	9850	4338	4625	10700	11100
annual growth rate in %	-18.8	44.2	-3.6	-3.4	-6.6	-7.5	6.6	9	3
Imports of services, BOP, EUR mn	6553	9773	10021	9690	9408	4414	4245	9400	9500
annual growth rate in %	10.9	49.1	2.5	-3.3	-2.9	-2.3	-3.8	0	1
Average exchange rate PLN/USD	3.97	4.35	4.09	4.08	3.89	3.87	3.86	.	.
Average exchange rate PLN/EUR (ECU)	4.23	4.01	3.67	3.86	4.40	4.27	4.74	4.6	4.8
Purchasing power parity PLN/USD, WIIW	1.75	1.84	1.87	1.88	1.86	.	.	.	.
Purchasing power parity PLN/EUR, WIIW	1.89	1.98	2.04	2.04	2.06	.	.	.	.

Notes: 1) Preliminary. - 2) From 2002 according to census May 2002. - 3) From 2003 according to census May 2002. - 4) Enterprises with more than 9 employees. - 5) Including mandatory premium for social security. - 6) According to ESA'95, excessive deficit procedure.

Source: wiiw Database incorporating national statistics; EUROSTAT News release, September 2004; wiiw forecasts.

Slovakia: robust economic growth amidst increasing regional disparities

BY ZDENEK LUKAS

The Slovak coalition government has already forced through the bulk of its comprehensive economic programme, primarily targeted at reducing the budget deficit and attracting foreign investment. At the beginning of 2004 the government adopted a 19% tax rate on corporate profits and all types of personal income.

As for stabilization and the reduction of the budget deficit, the government has initiated a radical reform of the welfare state. The healthcare system is to be made more effective and transparent, based on two types of insurance: obligatory and voluntary. The reform is also to include laws on the provision and extent of healthcare covered by the obligatory insurance, and to define medical treatment paid by patients. It remains to be seen whether the law will be pushed through in parliament in the coming months. The World Bank has recently rated Slovakia as the most pro-reform state, in terms of economic policy, among the 145 countries evaluated. While the government welcomed the news, most Slovaks do not conceal their disillusionment due to the social hardship created by the reform package. The strongest uproar against the rigid social reforms occurred in February in the eastern part of the country where some 300,000 Roma live in slum quarters. Most Roma are trapped in a vicious circle of low education and extremely low job opportunities.

Despite the tensions and social problems, Slovakia's export-oriented economy has been growing strongly over the past three years, in 2004 even at accelerated pace. Exports, increasing at double-digit rates, have in fact been the main driving force behind the economic expansion in the past two years. The GDP grew by 5.4% in the first half of 2004 as compared to 3.9% one year earlier. Exports (goods and services) rose by 16.1%. After

stagnation in 2003, total domestic demand (dominated by private consumption) increased by 2.3% in the first half of 2004. Thanks to higher real household incomes (by about 2%), private consumption even expanded by 2.9%. Following declines in 2002 and 2003, gross fixed capital formation increased by 2.4% in the first half of 2004.

On the supply side, GDP growth was mainly driven by rising value added in financial intermediation (by about 20%), in industry (about 7%), and in construction (about 6%). Gross industrial production in the first seven months of 2004 increased by 5.1%. Labour productivity rose by nearly 6% and real wages increased by 1.1%, resulting in falling unit labour costs in terms of the domestic currency. However, on the most important EU markets the productivity gains were eroded because of the concurrent appreciation of the Slovak koruna by some 3% against the euro in nominal terms, and by even more in real terms. The major contributors to industrial growth were the foreign-owned automotive sector (VW Bratislava) and the electrical and optical equipment industry, both expanding by over 13%.

Despite the growing economy, employment dropped slightly in the first half of 2004 according to Labour Force Survey (LFS) data, following an upward trend over a period of more than three years. As a result, the unemployment rate (LFS) has somewhat increased, amounting to 18.9% at the end of June 2004. However, according to another methodology that is based on the revised Labour Act, with rigorous registration rules, the registered unemployment rate has declined slightly. As much as 70% of Slovakia's long-term unemployed are Roma – an ethnic group accounting for only 10% of the total population. Although the expected rise in foreign greenfield investment will create more new jobs over time, they will be allocated outside the regions where Roma live.

The National Bank of Slovakia (NBS) has loosened its monetary policy, in particular to halt the

appreciation of the Slovak koruna which reached a new high of SKK 39.70/EUR on 9 July and has since remained at about that level. Interest rates on new loans were falling, thus the volume of loans to enterprises and households was up by more than 14% in June 2004 against one year earlier. The ongoing price deregulation and higher indirect taxation since the beginning of 2004 have kept the inflation rate (consumer prices) relatively high, at 8.1% in the first eight months of the year. According to the national methodology, which is gradually being harmonized with EU rules, the central government's budget deficit amounted to 2.2% of GDP in the first eight months of 2004 as compared to 4.3% one year earlier. That reduction was made possible by the strong increase in budget revenues, particularly from VAT, on the one hand and by the decrease in expenditures on the other.

After reaching a record level of EUR 4.4 billion in 2002, FDI inflows dropped to EUR 0.5 billion in 2003. Higher FDI, however, is expected both this and in future years, on account of several large-scale projects and other greenfield investment plans attracted by the low corporate tax rate. With the privatization of a 66% stake in the power utility Slovenské elektrárne, the first big project is going to be accomplished this year. The bid has been won by the Italian company Enel for over EUR 800 million. The details of the deal (to be completed in autumn) will have to arrange also two controversial issues: shutting down the Jaslovske Bohunice nuclear power station, and completing the third and fourth blocks of the Mochovce nuclear power plant.

While foreign investors are focusing on the country's richer western regions, with a well-developed infrastructure, they disregard the poorer regions where unemployment is high. The French carmaker PSA Peugeot-Citroen and Korea's KIA-Hyunday have started constructing, from scratch, new factories in Trnava and Zilina (both in western Slovakia) respectively. If the two projects are fully realized as agreed in the deals with the Slovak government, they would invest nearly

EUR 1.5 billion, create almost 10 thousand new jobs and produce more than 500,000 cars by 2006. Likewise, several other foreign automotive suppliers consider investing in Slovakia, but again in the western part or the middle of the country, not in the poor eastern regions. Altogether they plan to invest above EUR 300 million and would eventually provide jobs for over 3 thousands persons. Further FDI is expected to go into the glass, electronics, wood and IT sectors. The current account deficit is starting to increase on account of repatriated profits of FDI corporations and of Slovak transfers to the EU budget. In the first half of 2004 the current account deficit accounted for 2.5% of GDP, as compared to 1.3% in the same period a year earlier.

Supported by the good export performance and the recovery of domestic demand, GDP growth will most probably accelerate in the second half of 2004 (growth of 5.5% can be expected for the full year 2004). In 2005 GDP growth may accelerate to 6%, additionally fostered by pre-election demand stimulation. Price and tax adjustments will keep the inflation rate high, at 8% this year and 5% in 2005. Because of the concentration of investment in the rich western part of the country, the already high regional disparities may increase even further. Thus the overall unemployment rate will probably remain at the current high level. Following a historical low in 2003, the current account deficit will rise in the years to come, in particular due to increasing repatriation of profits of FDI companies. Besides, the expected real appreciation of the Slovak koruna and recovering domestic demand will boost imports.

Table SK

Slovak Republic: Selected Economic Indicators

	1999	2000	2001	2002	2003 ¹⁾	2003 January-June	2004	2004 forecast	2005
Population, th pers., mid-year	5395.3	5400.7	5379.8	5378.6	5378.8	.	.	.	.
Gross domestic product, SKK bn, nom.	844.1	934.1	1009.8	1096.4	1195.8	571.6	636.6	1340	1510
annual change in % (real)	1.5	2.0	3.8	4.4	4.2	3.9	5.4	5.5	6
GDP/capita (EUR at exchange rate)	3546	4061	4334	4774	5358	.	.	.	.
GDP/capita (EUR at PPP - wiiw)	9160	9910	10480	11330	11730	.	.	.	.
Gross industrial production									
annual change in % (real)	-2.6	8.4	7.6	6.7	5.3	7.6	6.5	6	7
Gross agricultural production									
annual change in % (real)	-2.5	-12.3	9.9	1.5	-4.5	.	.	.	.
Construction industry									
annual change in % (real)	-25.8	-0.4	0.8	4.1	6.0	1.9	1.9	.	.
Consumption of households, SKK bn, nom.	473.0	519.6	577.5	623.1	667.5	323.6	356.9	.	.
annual change in % (real)	2.7	-0.9	4.9	5.3	-0.6	1.2	2.9	3.5	5
Gross fixed capital form., SKK bn, nom.	249.8	242.3	291.0	300.6	308.4	145.9	154.0	.	.
annual change in % (real)	-19.6	-7.2	13.9	-0.9	-1.2	-1.1	2.4	4	7
LFS - employed persons, th, avg.	2132.1	2101.7	2123.7	2127.0	2164.6	2150.5	2140.4	.	.
annual change in %	-3.0	-1.4	1.0	0.2	1.8	1.9	-0.5	.	.
LFS - employed pers. in industry, th, avg.	630.3	615.3	628.8	640.9	634.1	634.1	630.9	.	.
annual change in %	-4.9	-2.4	2.2	1.9	-1.1	-0.6	-0.5	.	.
LFS - unemployed persons, average	416.8	485.2	508.0	486.9	459.2	464.8	500.5	.	.
LFS - unemployment rate in %, average	16.2	18.6	19.2	18.5	17.4	17.7	18.9	18	17
Reg. unemployment rate in %, end of period	19.2	17.9	18.6	17.5	15.6	14.6	13.9	14	13
Average gross monthly wages, SKK	10728	11430	12365	13511	14365	13600	15007	.	.
annual change in % (real, gross)	-2.8	-4.5	0.8	5.8	-2.0	-1.5	2.0	.	.
Consumer prices, % p.a.	10.6	12.0	7.1	3.3	8.5	7.8	8.2	8	5
Producer prices in industry, % p.a.	4.3	10.8	6.5	2.1	8.3	8.3	2.8	4	4
General governm.budget, EU-def., % GDP ²⁾									
Revenues	49.8	47.6	45.5	45.2	35.4	.	.	42.0	43.1
Expenditures	56.9	59.9	51.5	50.9	39.2	.	.	46.1	47.0
Deficit (-) / surplus (+)	-7.1	-12.3	-6.0	-5.7	-3.7	.	.	-4.1	-3.9
Public debt in % of GDP ²⁾	43.8	49.9	48.7	43.3	42.6	.	.	45.1	46.1
Discount rate, % p.a., end of period	8.8	8.8	8.8	6.5	6.0	6.5	5.0	.	.
Current account, EUR mn	-920	-761	-1950	-2043	-248	-182	-399	-700	-1000
Current account in % of GDP	-4.8	-3.5	-8.4	-8.0	-0.9	-1.3	-2.5	-2.1	-2.6
Gross reserves of NB incl. gold, EUR mn ³⁾	3410	4391	4748	8824	9717	9174	10165	.	.
Gross external debt, EUR mn ⁴⁾	10470	11637	12516	12655	14654	13412	.	.	.
FDI inflow, EUR mn	366	2089	1768	4378	506	456 ^{I-V}	557 ^{I-V}	.	.
FDI outflow, EUR mn	-348	23	39	5	20	-20 ^{I-V}	23 ^{I-V}	.	.
Exports of goods, BOP, EUR mn	9603	12879	14115	15270	19355	9042	10826 ⁵⁾	22800	26200
annual growth rate in %	0.7	34.1	9.6	8.2	26.7	25.4	.	18	15
Imports of goods, BOP, EUR mn	10628	13860	16488	17517	19923	9278	11041 ⁵⁾	22900	26300
annual growth rate in %	-8.6	30.4	19.0	6.2	13.7	13.4	.	15	15
Exports of services, BOP, EUR mn	1937	2436	2779	2958	2912	1145 ^{I-V}	1182 ^{I-V}	.	.
annual growth rate in %	-10.7	25.8	14.1	6.4	-1.5	.	3.2 ^{I-V}	.	.
Imports of services, BOP, EUR mn	1732	1961	2244	2474	2703	1100 ^{I-V}	1097 ^{I-V}	.	.
annual growth rate in %	-14.5	13.2	14.5	10.3	9.2	.	-0.3 ^{I-V}	.	.
Average exchange rate SKK/USD	41.42	46.20	48.35	45.34	36.77	37.64	32.85	.	.
Average exchange rate SKK/EUR (ECU)	44.12	42.59	43.31	42.70	41.49	41.51	40.34	40	39.5
Purchasing power parity SKK/USD, wiiw	15.65	16.27	16.50	16.60	17.09	.	.	.	.
Purchasing power parity SKK/EUR, wiiw	17.08	17.45	17.91	17.99	18.95	.	.	.	.

Notes: 1) Preliminary. - 2) According to ESA'95, excessive deficit procedure. - 3) From January 2002 new valuation of gold. - 4) Up to 2002 wiiw calculated from USD, in 2003 original data in EUR. - 5) In 2004 new methodology.

Source: wiiw Database incorporating national statistics; EUROSTAT News release, September 2004; wiiw forecasts.

Slovenia: running smoothly

BY HERMINE VIDOVIC

Following a historical low in 2003, GDP growth gained momentum during 2004. Backed by domestic demand, GDP rose by 4.2% in the first half of the year. Gross fixed capital formation expanded by 7.4% and private consumption by 3.5%; the latter was boosted by increasing credits to private households. Both the growth of investment and consumption were higher than a year earlier. Industrial production showed dynamic growth as well, up 5.4% in the first seven months of the year, the highest increase since 2000.

Data obtained from the labour force survey (LFS) indicate the highest employment growth since the introduction of the survey in 1993: the number of employed was by 4.9% higher in the first half of 2004 than in the corresponding 2003 period. At the same time LFS unemployment fell slightly, to 6.5%.

Based on balance of payments data, foreign trade developed dynamically during the first seven months of 2004, with overall exports and imports expanding by 9.3% and 10.2% respectively. As in the recent past, exports to non-EU-member countries, particularly to the other successors of Yugoslavia and to Russia, showed an above-average increase (13.4%), while deliveries to the EU-25 grew by 7.3%. A breakdown by commodity groups shows that exports of machinery and transport equipment expanded most, up one third against the same period a year earlier. Exports of services grew by 9.7% and imports by 9.3%, whereof transport and other business services were the most dynamic trade components in both directions. Thanks to an increased surplus in services trade the current account closed almost balanced in the first seven months of the year.

Since the participation of the Slovenian tolar in the ERM II as of end of June this year, the exchange rate remained close to the central band. Though there was no immediate danger for the currency,

the Bank of Slovenia had intervened on the foreign exchange market by the end of July. Inflation, still higher than required by the Maastricht criterion, fell to 3.7% on average in the first nine months of the year; between September 2004 and September 2003 consumer prices were up 3.3%.

As in the past year, Slovenian outward FDI exceeded inward FDI by far in the first seven months of 2004. Outward FDI was mainly directed towards the other successor states of Yugoslavia. By mid-July the Slovenian parliament adopted the Act on Attracting FDI and Facilitation of Company Internationalization. The Act provides an internationally comparable framework for stimulating FDI. From an institutional point of view, the new law envisages the establishment of a public agency and of representative offices abroad focused on attracting FDI, particularly greenfield investment in capital-intensive sectors. In addition, the Act puts in place a legal base for state aid to FDI. Accordingly the government can contribute 10% of the total value of an investment. In a first attempt, the Slovenian government has granted EUR 40 million to Renault for the production of a new car model.

Foreign indebtedness totalled EUR 14 billion and was about EUR 1 billion higher than by the end of 2003. Almost half of the total debt is owed by the corporate sector, followed by banks (28%), the government (16%) and affiliates (9%).

The parliamentary elections held on 3 October 2004 have brought about a major change in Slovenia's political landscape. While opinion polls had predicted a neck-and-neck race between the main ruling party LDS (Liberal Democrats) headed by Prime Minister Anton Rop and the biggest opposition party, the Slovene Democratic Party (SDS), the final result was a clear victory of the latter. Regarding the future government, Janez Janša, head of SDS, will try to form a coalition with the smaller right-wing parties. A grand coalition with the LDS seems rather unlikely.

In July the Slovenian government submitted the (draft) 'Strategy of Slovenia's development' for public debate. Accordingly the country's main objective is to surpass the average development level of the EU-25 within ten years. Starting with about 80% of that level in 2004, achieving this goal would require an annual GDP growth of over 5%. In order to meet this ambitious target, the strategy foresees a combination of investment activities in three main areas: (i) human capital, (ii) R&D, and (iii) in the improvement of the institutional framework.

This year GDP will grow by close to 4%, which is more than initially expected by wiiw. Supported by increasing exports and a continued strengthening of domestic demand, a similar rate of economic growth will be feasible in 2005. Inflation, still higher than anticipated by Slovenian officials, may drop to about 3% in 2005. wiiw expects the current account to turn slightly negative in both 2004 and 2005.

Table SI

Slovenia: Selected Economic Indicators

	1999	2000	2001	2002	2003 ¹⁾	2003 January-June	2004	2004 forecast	2005
Population, th pers., mid-year	1985.6	1990.3	1992.0	1995.7	1996.8	1996.8	.	.	.
Gross domestic product, SIT bn, nom.	3874.7	4252.3	4761.8	5314.5	5747.2	2788.9	3006.2	6160	6600
annual change in % (real)	5.6	3.9	2.7	3.3	2.5	2.2	4.2	3.8	3.9
GDP/capita (EUR at exchange rate)	10078	10421	11006	11771	12316	6017	.	.	.
GDP/capita (EUR at PPP - wiiw)	14330	15150	15920	16720	17560	.	.	.	.
Gross industrial production									
annual change in % (real)	-0.5	6.2	2.9	2.4	1.4	0.2	5.8	5	3
Gross agricultural production									
annual change in % (real)	-1.3	2.4	.	.	.	.	.	.	.
Construction output, in effect. working time									
annual change in % (real)	10.2	-1.2	-2.1	-3.4	-1.7	-3.3	0.1 ²⁾	.	.
Consumption of households, SIT bn, nom.	2185.1	2373.6	2621.8	2830.4	3053.9	1469.4	1573.6	.	.
annual change in % (real)	5.9	0.3	2.3	0.2	2.8	2.5	3.5	3	3.5
Gross fixed capital form., SIT bn, nom.	1019.5	1066.8	1164.4	1239.2	1373.3	660.5	728.3	.	.
annual change in % (real)	21.0	0.6	4.1	3.1	6.3	5.6	7.4	6	6
LFS - employed persons, th, avg.	886	901	916	910	897	891	934	.	.
annual change in %	-1.7	1.7	1.7	-0.7	-1.4	-3.3	4.9	.	.
Reg. employees in industry, th pers., avg.	242.8	241.6	243.5	246.1	242.2	242.9	.	.	.
annual change in %	-1.4	-0.5	0.8	1.1	-1.6	-1.6	.	.	.
LFS - unemployed persons, average	73.0	68.0	63.0	62.0	64.8	65.0	64.5	.	.
LFS - unemployment rate in %, average	7.6	7.0	6.4	6.4	6.7	6.8	6.5	6.5	6.2
Reg. unemployment rate in %, end of period	13.0	12.0	11.8	11.3	11.0	10.8	10.2	10.5	10
Average gross monthly wages, SIT	173245	191669	214561	235436	253200	246122	259473	.	.
annual change in % (real, net)	3.0	1.4	3.1	2.1	1.8	2.0	1.6	.	.
Consumer prices, % p.a.	6.1	8.9	8.4	7.5	5.6	6.0	3.7	4	3.5
Producer prices in industry, % p.a.	2.1	7.6	8.9	5.1	2.5	2.8	3.7	3.5	3
General governm.budget, EU-def., % GDP ³⁾									
Revenues	.	44.7	45.1	45.7	46.3	.	.	.	.
Expenditures	.	48.2	47.9	48.1	48.4	.	.	.	.
Deficit (-) / surplus (+), % GDP	.	-3.5	-2.8	-2.4	-2.0	.	.	-1.9	-1.8
Public debt in % of GDP ³⁾	25.1	27.4	28.1	29.5	29.5	.	.	29.1	29.5
Discount rate % p.a., end of period ⁴⁾	8.0	10.0	7.8	7.3	5.0	5.5	3.5	.	.
Current account, EUR mn	-664.2	-583.0	38.0	329.7	16.7	-56.0	-38.3	-100	-150
Current account in % of GDP	-3.3	-2.8	0.2	1.4	0.1	-0.5	-0.3	-0.4	-0.6
Gross reserves of NB excl. gold, EUR mn	3159.2	3435.8	4907.5	6701.5	6798.1	6890.2	6476.0	.	.
Gross external debt, EUR mn	8012	9490	10403	11482	12995	12594	14011	.	.
FDI inflow, EUR mn	99.2	149.1	412.4	1706.9	160.4	81.4	84.3	.	.
FDI outflow, EUR mn	44.7	71.7	161.2	98.7	269.4	133.7	133.1	.	.
Exports of goods, BOP, EUR mn	8103.2	9574.2	10454.3	11081.2	11426.5	5644.9	6178.5	12300	12900
annual growth rate in %	0.2	18.2	9.2	6.0	3.1	2.6	9.5	8	5
Imports of goods, BOP, EUR mn	9267.3	10801.2	11138.7	11346.6	11970.8	5926.1	6548.5	13000	14000
annual growth rate in %	5.4	16.6	3.1	1.9	5.5	5.1	10.5	9	7
Exports of services, BOP, EUR mn	1763.5	2051.5	2177.6	2449.2	2464.6	1132.6	1242.4	.	.
annual growth rate in %	-2.3	16.3	6.1	12.5	0.6	0.9	9.7	.	.
Imports of services, BOP, EUR mn	1434.0	1562.3	1642.1	1822.4	1923.6	826.9	908.2	.	.
annual growth rate in %	5.7	8.9	5.1	11.0	5.6	5.5	9.8	.	.
Average exchange rate SIT/USD	181.77	222.68	242.75	240.24	207.11	210.47	193.88	.	.
Average exchange rate SIT/EUR (ECU)	193.63	205.03	217.19	226.22	233.70	232.12	237.94	239	242
Purchasing power parity SIT/USD, wiiw	124.62	130.79	138.68	148.50	150.24	.	.	.	.
Purchasing power parity SIT/EUR, wiiw	136.17	141.02	150.19	159.28	163.87	.	.	.	.

Notes: 1) Preliminary. - 2) From 2004 construction put in place; units with at least 20 employees. - 3) According to ESA'95, excessive deficit procedure. - 4) From 2001 main refinancing rate.

Source: wiiw Database incorporating national statistics; EUROSTAT News release, September 2004; wiiw forecasts.

Estonia: fast growth, on track to the euro

BY SEBASTIAN LEITNER*

Estonia's GDP increased by 6.3% in the first half of 2004; domestic demand continued to be a driving force of growth in a boom period lasting already for five years. Household consumption as well as gross fixed investment rose by more than 6%. While real wage growth slowed down to 5.4%, the annual increase in loan and leasing financing has remained high (+27.9%) with a rising share of households' real estate loans and consumer credits in banks' portfolios. Therefore construction output (+22.3%) as well as retail sales (+15%) developed briskly in the first half of 2004 year-on-year. Commodity imports also expanded strongly (+18.2% in the first half of 2004 year-on-year). One explanation for this is the stockpiling of goods from third countries prior to Estonia's accession to the EU, provoked by fears of price rises (in particular for basic foods), which caused an exceptional jump in the trade deficit in April.

In the first half of the year commodity export figures (+15.7%) showed an upswing of external demand. The export of machinery and equipment (especially mobile phones) had been a growth stimulus throughout the 1990s, but their drop in 2001 and 2002 was also responsible for the stagnation of total exports in those years. Along with the recovery of the telecommunications industry exports have regained momentum.

Growth in incomes from tourism from a widening range of countries has resulted in an increase of the services balance surplus. However, caused by booming imports, the current account deficit is on the rise again, attaining 16.5% of the GDP in the first half of 2004.

The level of the current account deficit is somewhat misleading. The high stock of foreign direct

investment in Estonia has caused a continuous increase in FDI-related profit flows, entered in the balance-of-payments income balance, which is showing a rising deficit (-7.2% of GDP in the first half of 2004). However, three quarters of these net FDI income flows are not repatriated profits but reinvested earnings and undistributed branch profits, i.e. remain in the country. The abolition of taxation of reinvested and undistributed profits in 2000 has led multinational companies operating in the region to use Estonia as a tax haven for the booking of their corporate profits.

Consumer prices rose by 3.2% in the second quarter of 2004, reflecting the rise in average effective tariffs due to accession to the European Union as well as an adjustment of excise duties. The falling inflation figures in the past three months show that these incidents are of a one-time nature.

Estonia's labour market figures illustrate that there is an ongoing rise in employment demand from the year 2000 on. Job creation has been strong in industry as well as in construction in the first half of 2004 year-on-year. The annual average unemployment rate of the full year 2004 is likely to fall below the 10% mark.

On 27 June Estonia entered the Exchange Rate Mechanism II with a central parity of 1 EUR = 15.6466 EEK (Estonian kroon). As the currency board system (introduced in 1992) will remain in place until the adoption of the euro, Estonia will not make use of the standard fluctuation band of +/-15%.

For a country with a currency board, exchange rate management as well as a central bank refinancing rate are absent as monetary policy tools. Fiscal policy is therefore one of the few remaining instruments to influence the ongoing business cycle. The intention to curb domestic demand in phases of rising trade deficits induced the Estonian government to generate budget surpluses in the past two years. Preliminary figures of the Ministry of Finance show that 2004 is likely to close with a surplus of 2% of GDP again. The plans for the

* The author is grateful for valuable comments by Sándor Richter, wiiw.

2005 budget, announced in parliament by Prime Minister Juhan Parts on 26 September, include a reduction of the flat income tax rate from 26% to 24% as well as raising the tax-free minimum income by 20%.

Estonia's GDP is expected to grow by 6.5% in the year 2004 and by 6% in 2005. Assuming a levelling-off of the import boom, the current account deficit is likely to decline in 2005, to 11% of GDP.

Table EE

Estonia: Selected Economic Indicators

	1999	2000	2001	2002	2003 ¹⁾	2003 January-June	2004	2004 forecast	2005
Population, th pers., mid-year	1375.7	1369.5	1364.1	1358.6	1353.8	.	.	.	.
Gross domestic product, EEK mn, nom.	81639.7	92717.1	104337.7	116869.0	125832.1	62186.7	67276.4	138700	151400
annual change in % (real)	-0.1	7.8	6.4	7.2	5.1	4.6	6.3	6.5	6
GDP/capita (EUR at exchange rate)	3793	4327	4888	5498	5940	.	.	.	.
GDP/capita (EUR at PPP - wiiw)	8040	9010	9610	10450	10860	.	.	.	.
Gross industrial production ²⁾									
annual change in % (real)	-3.4	14.6	8.9	8.2	9.8	10.0	7.4	8.5	8
Construction industry ²⁾									
annual change in % (real)	-13.4	18.7	5.5	21.8	5.0	3.4	22.3	.	.
Consumption of households, EEK mn, nom.	45832.9	51036.5	57351.9	65135.3	69201.7	33437.1	36341.0	.	.
annual change in % (real)	-2.7	8.5	5.9	9.9	5.4	5.4	6.1	6	5.5
Gross fixed capital form., EEK mn, nom.	20238.6	23769.4	28134.3	33554.7	35749.7	16589.0	18229.0	.	.
annual change in % (real)	-15.6	14.3	13.0	17.2	5.4	10.9	6.1	6	8
LFS - employed persons, th, avg. ³⁾	579.3	572.5	577.7	585.5	594.3	583.0	592.3	.	.
annual change in % ³⁾	-4.5	-1.2	0.9	1.4	1.5	0.8	1.6	.	.
LFS - employed pers. in industry, th, avg. ³⁾	147.2	151.1	151.3	144.4	150.0	148.8	159.4	.	.
annual change in % ³⁾	-5.9	2.6	0.1	-4.6	3.9	1.2	7.1	.	.
LFS - unemployed persons, average ³⁾	80.5	89.9	83.1	67.2	66.2	69.7	66.3	.	.
LFS - unemployment rate in %, average ³⁾	12.2	13.6	12.6	10.3	10.0	10.7	10.1	9.5	9
Reg. unemployment rate in %, end of period	5.2	5.9	6.1	5.4	4.9	5.2	4.5	4.2	4
Average gross monthly wages, EEK	4440	4907	5510	6144	6723	6624	7083	.	.
annual change in % (real, gross)	6.9	6.3	6.1	7.6	8.0	7.4	5.4	.	.
Consumer prices, % p.a. ⁴⁾	3.3	4.0	5.8	3.6	1.3	1.5	1.8	3.5	3
Producer prices in industry, % p.a.	-1.2	4.9	4.4	0.4	0.2	0.3	1.8	4	3
General governm. budget, EU-def., % GDP ⁵⁾									
Revenues	.	37.7	37.2	38.0	38.9	.	.	.	.
Expenditures	.	38.2	36.9	36.6	35.8	.	.	.	.
Deficit (-) / surplus (+)	.	-0.6	0.3	1.4	3.1	.	.	2.0	1.5
Public debt in % of GDP ⁵⁾	.	4.7	4.4	5.3	5.3	.	.	5.5	5.5
Money market rate, % p.a., end of period ⁶⁾	4.4	5.8	3.7	3.4	2.6	3.1	2.5	.	.
Current account, EUR mn	-231	-326	-376	-759	-1059	-511.1	-709.1	-1240	-1060
Current account in % of GDP	-4.4	-5.5	-5.6	-10.2	-13.2	-12.9	-16.5	-14	-11
Total reserves minus gold, EUR mn	850	990	927	964	1089	973	1108	.	.
Gross external debt, EUR mn	2864	3233	3707	4490	5658	5000	6705	.	.
FDI inflow, EUR mn	284	425	603	307	797	448	398	.	.
FDI outflow, EUR mn	79	67	226	140	130	32	118	.	.
Exports of goods, BOP, EUR mn	2364.4	3600.9	3749.4	3728.2	4060.5	1944.5	2249.1	4670	5230
annual growth rate in %	.	52.3	4.1	-0.6	8.9	9.0	15.7	15	12
Imports of goods, BOP, EUR mn	3137.7	4441.1	4630.1	4878.3	5457.1	2616.0	3092.1	6360	6810
annual growth rate in %	.	41.5	4.3	5.4	11.9	11.7	18.2	16.5	7
Exports of services, BOP, EUR mn	1403.0	1628.7	1845.1	1807.3	1969.4	892.8	1071.3	.	.
annual growth rate in %	.	16.1	13.3	-2.0	9.0	2.3	20.0	.	.
Imports of services, BOP, EUR mn	869.9	1017.3	1195.4	1189.0	1218.4	550.0	659.0	.	.
annual growth rate in %	.	16.9	17.5	-0.5	2.5	-4.8	19.8	.	.
Average exchange rate EEK/USD	14.69	16.98	17.48	16.61	13.86	14.19	12.75	.	.
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	6.76	6.97	7.35	7.67	7.85	.	.	.	.
Purchasing power parity EEK/EUR, wiiw	7.38	7.51	7.96	8.23	8.56	.	.	.	.

Notes: 1) Preliminary. - 2) Enterprises with 20 employees and more. - 3) Persons aged 15-74. - 4) From 2003 Harmonised Index of Consumer Prices (HICP). - 5) According to ESA 95, excessive deficit procedure. - 6) TALIBOR 1 month interbank rate.

Source: wiiw Database incorporating national statistics; EUROSTAT News release, September 2004; wiiw forecasts.

Latvia: highest EU-wide growth, deteriorating current account balance

BY SEBASTIAN LEITNER*

With GDP growth of 8.2% in the first half of 2004 Latvia ranked first in this year's Baltic growth tournament. Industrial production (+7.7%) as well as construction output (+12.5%) continued to increase strongly. Furthermore, value added grew above average in all market services sectors. The reports on non-financial investment in the first half of 2004 (+26% year-on-year, in nominal terms) show that the upswing in capital spending is driven not only by private actors but even more by the public sector.

The decline in real effective exchange rates against Latvia's eastern and western trading partners in the past two years as well as rising Russian import demand have pushed exports (+14.3% in the first half of 2004 year-on-year). However, labour-intensive products still dominate the country's export structure, with textiles, wood and products thereof accounting for a share of almost 50%. Expectations of rising prices after Latvia's accession to the EU resulted in a boost of commodity imports by 21.8% (in euro terms) in the first half of 2004 year-on-year.

At the same time exports of services were barely increasing, pointing to one of Latvia's idle potentials. Ventspils Nafta, the largest crude oil terminal in the Baltic sea, reportedly operates at less than 20% of its capacity, after the Russian pipeline monopolist Transneft ceased oil deliveries in 2002. The only way to awaken the sleeping beauty is most probably to yield to the pressure and sell a controlling stake of the terminal to Transneft.

The doubling of FDI-related earnings reinvested resulted in a deterioration of the income balance, aggravating the problem of the current account deficit (16.7% of GDP in the first half of the year). Although FDI continues to flow into the country at a satisfactory level, the debt-creating financing of the high GDP growth leads to a mounting stock of gross external debt – not only in Latvia but throughout the Baltics. However, credit ratings for Latvia improved taking into account high GDP growth as well as the potential euro-membership of the country.¹

Consumer and producer prices grew by 5% and 6.4% respectively during the first half of 2004, fuelled by rising excise taxes and customs duties for inputs. Moreover, the lats depreciated by more than 5% nominally against the euro as compared to the first half of 2003. Import unit value indices for the second quarter of 2004 show prices for base metals and mineral products rising by more than 20% year-on-year.

Still, the Bank of Latvia keeps the refinancing rate unchanged at 3.5%, qualifying the current inflation as a temporary occurrence. However, falling lending rates have made high growth in loans to domestic enterprises and private persons an ongoing phenomenon in the Latvian economy throughout the past four years (in the first half of 2004 the loan stock increased by 41.4%).

Despite the high economic growth, the situation for people in search of a job is improving only slowly. While the country-wide registered unemployment rate stands at 8.7% as of 1 September 2004 (10.7% according to the Labour Force Survey methodology in the first half of 2004), in Latgale, the most eastern region of the country, which is suffering from persistent structural shortcomings, it exceeds 20%.

* The author is grateful for valuable comments by Vasily Astrov and Hermine Vidovic, both wiiv.

¹ Standard & Poor's upgraded their long-term credit rating in August 2004 from BBB to BBB+, Fitch in July from BBB+ to A-.

The Ministry of Finance together with the Bank of Latvia announced the schedule for joining the euro. Starting from 1 January 2005, the lats is planned to be pegged to the euro within the framework of ERM II. The adoption of the euro is scheduled for January 2008. Thus, meeting the Maastricht criteria will be a prior goal of economic policy in the coming years.

The central budget figures for January to July 2004 show that the tax revenues are rising above expectations, so the envisaged 2% fiscal deficit is likely to end up in an almost balanced budget.

Supported by rising exports and domestic demand respectively, the Latvian economy is expected to grow by 7% in the year 2004. Since private consumption will probably continue its fast increase, a significant decline of the current account deficit could be delayed. To counteract signs of overheating, the Latvian government is likely to strengthen its fiscal policy in 2005. The Bank of Latvia is expected to raise the refinancing rate. Moreover, a change of the peg from the current IMF Special Drawing Rights to the euro could ease the task of curbing inflation from 2005 onwards.

Table LV

Latvia: Selected Economic Indicators

	1999	2000	2001	2002	2003 ¹⁾	2003 January-June	2004	2004 forecast	2005
Population, th pers., mid-year	2390.5	2373.0	2355.0	2338.6	2325.3	.	.	.	.
Gross domestic product, LVL mn, nom.	4224.2	4685.7	5168.3	5691.1	6322.5	2958.5	3372.2	7300.0	7993.9
annual change in % (real)	3.3	6.9	8.0	6.4	7.5	7.5	8.2	7.2	6.5
GDP/capita (EUR at exchange rate)	2833	3526	3900	4177	4216	.	.	.	.
GDP/capita (EUR at PPP - wiiw)	6990	7690	8370	9180	9970	.	.	.	.
Gross industrial production ²⁾									
annual change in % (real)	-5.4	4.7	9.2	5.8	6.5	7.2	7.7	7.0	6.5
Construction industry ²⁾									
annual change in % (real)	7.8	8.0	6.0	10.8	13.7	13.8	12.5	.	.
Consumption of households, LVL mn, nom.	2683.8	2953.5	3251.4	3566.7	3985.5	1859.4	.	.	.
annual change in % (real)	4.3	6.3	7.3	7.4	8.6	7.7	.	9	7
Gross fixed capital form., LVL mn, nom.	980.0	1151.5	1297.4	1370.6	1527.8	634.7	.	.	.
annual change in % (real)	-6.8	10.2	11.4	13.0	7.4	7.6	.	12	10
LFS - employed persons, th, avg. ³⁾	968.5	941.1	962.1	989.0	1006.9	998.7	1011.8	.	.
annual change in %	-1.8	-2.8	2.2	2.8	1.8	2.9	1.3	.	.
LFS - employed pers. in industry, th, avg. ³⁾	193.1	193.0	186.3	193.1	197.6	.	.	.	.
annual change in %	-7.3	-0.1	-3.5	3.7	2.3	.	.	.	.
LFS - unemployed persons, average ³⁾	161.0	159.0	145.0	134.5	119.2	119.5	121.5	.	.
LFS - unemployment rate in %, average ³⁾	14.2	14.5	13.1	12.0	10.6	10.7	10.7	10.5	10
Reg. unemployment rate in %, end of period	9.1	7.8	7.7	8.5	8.6	8.6	8.7	.	.
Average gross monthly wages, LVL	141	150	159	173	192	184	203	.	.
annual change in % (real, net)	2.9	3.0	3.5	6.0	7.8	7.9	3.6	.	.
Consumer prices, % p.a. ⁴⁾	2.4	2.6	2.5	1.9	2.9	2.4	5.0	7	4
Producer prices in industry, % p.a.	-4.0	0.6	1.7	1.0	3.2	2.8	6.4	8	3
General government budget, EU-def., % GDP ⁵⁾									
Revenues	.	35.1	34.4	33.1	34.5	.	.	.	.
Expenditures	.	37.9	36.5	35.8	36.0	.	.	.	.
Deficit (-) / surplus (+)	.	-2.8	-2.1	-2.7	-1.5	.	.	-0.5	1
Public debt in % of GDP ⁵⁾	.	12.9	14.9	14.1	14.4	.	.	.	.
Discount rate, % p.a., end of period	4.0	3.5	3.5	3.0	3.0	3.0	3.5	.	.
Current account, EUR mn	-609	-388	-700	-653	-807	-360	-843	-1310	-1070
Current account in % of GDP	-9.0	-4.6	-7.6	-6.7	-8.2	-7.8	-16.7	-12	-9
Total reserves minus gold, EUR mn	832	915	1307	1209	1150	1122	1310	.	.
Gross external debt, EUR mn	3791	5056	6335	6782	7337	6770	8712	.	.
FDI inflow, EUR mn	326	447	147	269	266	184	269	.	.
FDI outflow, EUR mn	16	13	21	4	32	10	56	.	.
Exports of goods, BOP, EUR mn	1771.6	2251.8	2502.3	2699.7	2809.4	1363.6	1558.0	3150	3430
annual growth rate in %	-1.3	27.1	11.1	7.9	4.1	2.8	14.3	12	9
Imports of goods, BOP, EUR mn	2734.7	3382.1	3992.2	4268.6	4584.5	2137.9	2603.9	5360	5790
annual growth rate in %	-2.3	23.7	18.0	6.9	7.4	6.5	21.8	17	8
Exports of services, BOP, EUR mn	960.7	1269.8	1318.3	1319.3	1341.9	661.0	663.6	.	.
annual growth rate in %	-2.9	32.2	3.8	0.1	1.7	-3.7	0.4	.	.
Imports of services, BOP, EUR mn	645.7	753.7	750.2	749.4	831.1	378.9	417.8	.	.
annual growth rate in %	-10.1	16.7	-0.5	-0.1	10.9	8.2	10.3	.	.
Average exchange rate LVL/USD	0.58	0.61	0.63	0.62	0.57	0.58	0.54	.	.
Average exchange rate LVL/EUR (ECU)	0.62	0.56	0.56	0.58	0.64	0.64	0.67	0.67	0.67
Purchasing power parity LVL/USD, wiiw	0.23	0.24	0.24	0.25	0.25	.	.	.	.
Purchasing power parity LVL/EUR, wiiw	0.25	0.26	0.26	0.27	0.27	.	.	.	.

Notes: 1) Preliminary. - 2) Enterprises with 50 employees and more. - 3) From 2002 persons aged 15-74, up to 2002 persons aged 15 and over. - 4) From 2003 Harmonised Index of Consumer Prices (HICP). - 5) According to ESA 95, excessive deficit procedure.

Source: wiiw Database incorporating national statistics; EUROSTAT News release, September 2004; wiiw forecasts.

Lithuania: loans fuel boom without inflation

BY SEBASTIAN LEITNER*

GDP growth in the first half of 2004 (+7.2%) showed a modest slowdown compared to last year, when the boom of the Lithuanian business cycle reached a peak of +9.7% according to revised GDP figures. Gross fixed capital formation rose by 15.9% in real terms in the first half of 2004, with outstanding investment growth in the sectors of transport and storage.

Figures for the second quarter of 2004 encourage expectations that the construction boom of the previous two years is cooling down (+4.3%) but growth is likely to proceed at a high level.

As interest payments on loans for housing acquisition have been deductible from income tax bills from 2003 onwards and interest rates reached an all-time low, outstanding loans to private residents doubled from the end of 2003 until the end of August 2004, after a rise of 97% already in the year 2003.

Although real wage growth slowed down (+3.4%) consumption of households continued to rise fast (+11.1%) in the first half of the year, driven by retail sales in particular of furniture and household equipment (+35.3% in January to July 2004). Thus imports of consumer durables rose sharply (+51%) in the first half of 2004, as did imports of food products and alcoholic beverages (+32%) in the wake of the abolition of customs duties on these items imported from the EU.

The growth of industrial production (+13.5% in the first half of the year) has been the second highest among EU member states. It was supported by a pick-up in foreign demand: according to customs statistics total exports rose by 15.5% in the first half of 2004. Mineral fuel exports expanded by more

than 40% and became the most important item with a share of 24% in Lithuania's export structure. The modernization of Mazeiku Nafta, the only refinery in the Baltics, in September 2003 as well as the surge in oil prices effected rising export incomes.

However, the trade deficit was rising, induced also by higher import prices for industrial inputs; the services surplus declined due to increasing travel and freight expenses. As a consequence, the current account deficit became double-digit (10% of GDP) for the first time in five years.

The deficit is expected to fall in the second half of the year and will be financed to a growing extent by FDI inflows initiated in part by ongoing privatizations.

Although household demand rose at a fast pace, consumer prices (-0.3%) remained almost unchanged mainly due to falling import prices for food in the first half of the year. The increase in costs for imported inputs induced a jump in producer prices from April to June (+2.7% in the first half of 2004) levelling off in the following months.

The unemployment rate has been falling throughout the year; it stood at 12.1% in the second quarter of 2004. However, while employment in market as well as public services was rising year-on-year, investments in the manufacturing sector induced high productivity growth accompanied by job losses.

This year's public deficit will rise to 2.5% of the GDP, according to 2004 budget plans. Lithuania's convergence programme aims at a gradual reduction of fiscal deficits over the next years towards 1.5% in 2007. The country, a member of the ERM II since 27 June, should not encounter any difficulties in fulfilling the Maastricht criteria. The adoption of the euro is planned for January 2007.

The parliament elections to be held on 10 October are most likely to bring about a change in

* The author is grateful for valuable comments by Sándor Richter, wiiw.

Lithuania's political scenery. The Labour Party, formed last autumn by the businessman Viktoras Uspaskich, is leading in the polls far ahead of the ruling Social Democrats and Social Liberals. In the European Parliament elections held in June, the start-up party came out as a winner with 30.3% of the votes; it was mainly supported by low- and middle-income groups as well as Russian-speaking Lithuanians who have so far not been blessed with the fruits of the ongoing economic growth.

Lithuania's GDP is expected to rise by 7.1% in the year 2004. As rising transfers from Brussels will be fuelling public investment and exports are likely to develop favourably, GDP will probably grow by 6.5% in the next year. As a result of lower increases in household consumption, import growth as well as the current account deficit are likely to decline in the year 2005.

Table LT

Lithuania: Selected Economic Indicators

	1999	2000	2001	2002	2003 ¹⁾	2003 January-June	2004	2004 forecast	2005
Population, th pers., mid-year	3524.2	3499.5	3481.3	3469.1	3454.0	.	.	.	.
Gross domestic product, LTL mn, nom.	43359.4	45525.9	48378.7	51643.0	56179.0	26332	28597	61013	65629
annual change in % (real)	-1.7	3.9	6.4	6.8	9.7	8.9	7.2	7.0	6.5
GDP/capita (EUR at exchange rate)	2881	3517	3876	4302	4599	.	.	.	.
GDP/capita (EUR at PPP - wiiw)	7440	8110	8850	9580	10690	.	.	.	.
Gross industrial production ²⁾									
annual change in % (real)	-9.9	2.2	16.0	3.1	16.1	12.3	13.5	12.5	10.0
Construction industry ³⁾									
annual change in % (real)	-8.5	-17.8	7.5	21.8	26.8	26.0	11.3	.	.
Consumption of households, LTL mn, nom.	28315.5	29530.6	31352.6	33096.0	36283.0	17053.0	18912	.	.
annual change in % (real)	3.2	6.4	4.0	5.8	12.5	9.9	11.1	10	8
Gross fixed capital form., LTL bn, nom.	9614.2	8565.3	9784.6	10549.2	11569.4	4831.9	5847.6	.	.
annual change in % (real)	-6.1	-9.0	13.5	8.7	11.4	8.8	15.9	15	12
LFS - employed persons, th, avg. ⁴⁾	1598.4	1397.8	1351.8	1405.9	1438.0	1433.3	1426.1	.	.
annual change in %	0.1	-12.6	-3.3	4.0	2.3	3.1	-0.5	.	.
LFS - employed pers. in industry, th, avg. ⁴⁾	330.3	290.8	281.1	293.3	297.5	297.2	282.4	.	.
annual change in %	-2.7	-12.0	-3.3	4.3	1.4	4.6	-5.0	.	.
LFS - unemployed persons, average ⁴⁾	263.3	273.7	284.0	224.4	203.9	218.7	197.1	.	.
LFS - unemployment rate in %, average ⁴⁾	14.1	16.4	17.4	13.8	12.4	13.2	12.1	11.5	11
Reg. unemployment rate in %, end of period	10.0	12.6	12.9	10.9	7.7	7.4	6.7	6.5	6.0
Average gross monthly wages, LTL	987	971	982	1014	1056	1145	1184	.	.
annual change in % (real, net)	4.8	-5.1	-0.3	3.8	7.8	7.9	3.4	.	.
Consumer prices, % p.a. ⁵⁾	0.8	1.0	1.3	0.3	-1.0	-1.1	-0.3	1.5	1.0
Producer prices in industry, % p.a.	1.7	16.0	-3.0	-2.8	-0.5	0.1	2.7	5.0	3
General govern.budget, EU-def., % GDP ⁶⁾									
Revenues	.	35.8	33.0	32.8	32.5	.	.	.	.
Expenditures	.	38.4	35.0	34.3	34.4	.	.	.	.
Deficit (-) / surplus (+)	.	-2.5	-2.0	-1.5	-1.9	.	.	-2.6	-2
Public debt in % of GDP ⁶⁾	.	23.8	22.9	22.4	21.6	.	.	21	20
Money market rate, % p.a., end of period ⁷⁾	15.9	7.5	4.5	3.3	2.4	2.5	2.3	.	.
Current account, EUR mn	-1118	-730	-639	-772	-1116	-473	-823	-1590.4	-1520.6
Current account in % of GDP	-11.0	-5.9	-4.7	-5.2	-6.9	-6.2	-9.9	-9.0	-8.0
Total reserves minus gold, EUR mn	1187	1410	1835	2253	2697	81.8	91.1	.	.
Gross external debt, EUR mn	4499	5221	5974	5945	6905	6235	7543	.	.
FDI inflow, EUR mn	457	412	499	772	160	274	382	650	600
FDI outflow, EUR mn	8	4	8	18	34	9	35	60	60
Exports of goods, BOP, EUR mn	2951.2	4395.0	5460.8	6363.0	6772.8	3227.0	3470.9	7310	8040
annual growth rate in %	-16.3	48.9	24.3	16.5	6.4	6.7	7.6	8	10
Imports of goods, BOP, EUR mn	4275.4	5603.3	6696.9	7770.2	8261.7	3840.8	4320.0	9010	9730
annual growth rate in %	-12.4	31.1	19.5	16.0	6.3	4.5	12.5	9	8
Exports of services, BOP, EUR mn	1025.7	1149.2	1293.0	1560.5	1661.2	792.3	886.8	.	.
annual growth rate in %	3.9	12.0	12.5	20.7	6.5	7.6	11.9	.	.
Imports of services, BOP, EUR mn	739.0	735.0	783.0	986.0	1114.4	496.7	623.2	.	.
annual growth rate in %	-4.4	-0.5	6.5	25.9	13.0	8.0	25.5	.	.
Average exchange rate LTL/USD	4.00	4.00	4.00	3.67	3.06	3.13	2.81	.	.
Average exchange rate LTL/EUR (ECU)	4.27	3.70	3.58	3.46	3.45	3.45	3.45	3.45	3.45
Purchasing power parity LTL/USD, wiiw	1.51	1.49	1.45	1.45	1.40	.	.	.	.
Purchasing power parity LTL/EUR, wiiw	1.65	1.60	1.57	1.55	1.52	.	.	.	.

Notes: 1) Preliminary. - 2) Sales of industrial production. - 3) Enterprises with more than 20 employees. - 4) From 2002 persons aged 15-74, up to 2002 persons aged 15 and over. - 5) From 2003 Harmonised Index of Consumer Prices (HICP). - 6) According to ESA 95, excessive deficit procedure. - 7) VILIBOR 1 month interbank rate.

Source: wiiw Database incorporating national statistics; EUROSTAT News release, September 2004; wiiw forecasts.

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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
ROL	Romanian leu
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.

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B U L G A R I A: Selected monthly data on the economic situation 2003 to 2004

(updated end of Sept 2004)

		2003								2004							
		May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
PRODUCTION																	
Industry, total ¹⁾	real, CMPY	9.3	14.9	12.7	10.1	15.6	17.6	11.0	23.0	10.2	20.6	17.8	14.2	21.3	21.5	15.6	.
Industry, total ¹⁾	real, CCPY	15.6	15.5	15.1	14.4	14.6	14.9	14.5	15.3	10.2	15.3	15.9	15.5	16.6	17.5	17.2	.
Industry, total	real, 3MMA	12.0	12.3	12.6	12.8	14.5	14.6	17.2	14.8	18.0	15.9	17.2	17.4	19.0	19.4	.	.
LABOUR																	
Employees total	th. persons	2055	2069	2076	2067	2063	2050	2034	2005	2078	2098	2118	2148	2165	2181	.	.
Employees in industry	th. persons	673	676	675	671	669	664	661	652	672	675	675	682	681	680	.	.
Unemployment, end of period	th. persons	528.7	506.4	489.3	480.9	472.6	476.3	489.6	500.7	537.1	527.3	507.5	487.8	466.7	452.4	446.8	442.2
Unemployment rate ²⁾	%	14.3	13.7	13.2	13.0	12.8	12.9	13.2	13.5	14.5	14.2	13.7	13.2	12.6	12.2	12.1	11.9
Labour productivity, industry ¹⁾	CCPY	11.7	11.5	11.1	10.5	10.9	11.3	11.1	12.0	9.5	14.7	15.5	14.9	15.9	16.8	.	.
Unit labour costs, exch.r. adj.(EUR) ¹⁾	CCPY	-7.2	-6.9	-6.6	-6.2	-6.3	-6.6	-6.1	-6.7	-4.3	-7.8	-8.3	-7.7	-8.3	-9.0	.	.
WAGES, SALARIES																	
Total economy, gross	BGN	280.0	274.0	276.0	273.0	286.0	276.0	286.0	302.0	279.0	278.0	292.0	289.0	296.0	290.0	.	.
Total economy, gross	real, CMPY	2.3	2.1	1.3	-0.5	1.4	-1.5	0.1	1.4	-0.7	0.7	0.4	0.1	-1.0	-1.3	.	.
Total economy, gross	USD	166	163	160	155	164	165	171	190	180	180	183	177	181	180	.	.
Total economy, gross	EUR	143	140	141	140	146	141	146	154	143	142	149	148	151	148	.	.
Industry, gross	EUR	142	147	143	142	149	144	149	154	144	144	155	149	152	156	.	.
PRICES																	
Consumer	PM	-0.6	-2.2	0.9	0.8	0.9	0.7	1.8	1.8	1.4	0.3	-0.1	0.3	0.0	-1.8	1.2	-0.4
Consumer	CMPY	1.7	1.2	2.0	3.5	3.6	3.3	5.1	5.6	6.4	6.6	6.2	6.1	6.8	7.3	7.6	6.3
Consumer	CCPY	0.8	0.8	1.0	1.3	1.6	1.7	2.0	2.3	6.4	6.5	6.4	6.3	6.4	6.6	6.7	6.7
Producer, in industry ¹⁾	PM	-1.1	1.1	0.4	0.7	0.7	0.9	0.3	0.8	0.7	-0.8	1.4	0.9	1.1	-0.5	1.6	0.2
Producer, in industry ¹⁾	CMPY	2.6	4.2	4.2	4.3	3.7	4.1	4.9	4.2	3.1	1.0	1.4	6.1	8.5	6.8	8.1	7.5
Producer, in industry ¹⁾	CCPY	5.9	5.6	5.4	5.2	5.1	5.0	5.0	4.9	3.1	2.0	1.8	2.9	4.0	4.4	5.0	5.3
RETAIL TRADE																	
Turnover	real, CCPY	.	3.0	.	.	3.8	.	.	.	.	.	.	.	.	.	.	.
FOREIGN TRADE^{3,4)}																	
Exports total (fob), cumulated	EUR mn	2688	3252	3874	4417	5004	5607	6149	6668	500	1083	1718	2316	2917	3613	4400	.
Imports total (cif), cumulated	EUR mn	3780	4541	5412	6152	6933	7830	8716	9611	709	1497	2412	3350	4337	5327	6322	.
Trade balance, cumulated	EUR mn	-1092	-1289	-1538	-1735	-1929	-2223	-2567	-2942	-208	-414	-694	-1034	-1419	-1714	-1922	.
FOREIGN FINANCE																	
Current account, cumulated ⁵⁾	EUR mn	-953	-922	-888	-752	-741	-949	-1220	-1505	-227	-353	-489	-711	-917	-946	.	.
EXCHANGE RATE																	
BGN/USD, monthly average	nominal	1.684	1.677	1.720	1.756	1.745	1.673	1.672	1.593	1.550	1.547	1.594	1.634	1.632	1.611	1.595	1.606
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 ⁶⁾	real, Jan00=100	79.7	81.2	82.7	84.1	83.1	79.0	77.3	72.3	69.7	69.8	72.4	74.2	74.5	75.2	73.4	74.3
BGN/USD, calculated with PPI ⁶⁾	real, Jan00=100	81.1	80.7	82.2	83.6	82.8	79.1	78.6	74.6	73.1	73.9	75.7	77.6	77.8	77.5	75.8	76.2
BGN/EUR, calculated with CPI ⁶⁾	real, Jan00=100	91.0	93.0	92.2	91.7	91.1	90.6	89.0	87.7	86.5	86.4	86.9	87.0	87.3	88.9	87.8	88.2
BGN/EUR, calculated with PPI ⁶⁾	real, Jan00=100	90.8	89.7	89.4	88.9	88.3	87.5	87.4	86.6	86.2	87.1	86.4	86.1	85.6	86.0	84.8	84.6
DOMESTIC FINANCE																	
M0, end of period ⁷⁾	BGN mn	3248	3356	3483	3616	3624	3569	3559	3874	3718	3718	3723	3785	3830	3961	4131	4275
M1, end of period ⁷⁾	BGN mn	6560	6834	7110	7314	7416	7422	7377	8030	7788	7853	7835	7987	8036	8422	8736	9048
Broad money, end of period ⁷⁾	BGN mn	13926	14328	14788	15246	15243	15878	15733	16566	16519	16739	16806	17190	17401	18161	18365	18345
Broad money, end of period	CMPY	14.6	18.4	18.8	19.7	18.9	22.6	19.7	19.6	21.4	21.4	23.0	23.7	25.0	26.8	24.2	20.3
BNB base rate (p.a.) ^{end of period}	%	3.0	2.5	2.5	2.6	2.6	2.6	2.6	2.9	2.5	2.4	2.6	2.6	3.9	2.5	2.5	2.4
BNB base rate (p.a.) ^{end of period} ⁸⁾	real, %	0.4	-1.6	-1.6	-1.6	-1.1	-1.4	-2.1	-1.3	-0.6	1.5	1.2	-3.3	-4.3	-4.1	-5.2	-4.7
BUDGET																	
Central gov. budget balance ^{sum.}	BGN mn	609.7	577.7	612.4	656.7	758.5	851.1	732.2	-110.6	-65.1	-162.8	120.9	405.3	601.2	782.4	778.0	.

1) According to new calculation for industrial output and prices, 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 less than 100 mean real appreciation.

7) According to ECB methodology.

8) Deflated with annual PPI.

C R O A T I A: Selected monthly data on the economic situation 2003 to 2004

(updated end of Sept 2004)

		2003								2004								
		May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	
PRODUCTION																		
Industry, total ¹⁾	real, CMPY	6.2	7.0	4.4	3.1	2.9	2.2	-0.4	2.2	-1.5	7.2	10.4	3.0	1.0	2.8	1.2	4.9	
Industry, total ¹⁾	real, CCPY	5.7	5.9	5.7	5.3	5.0	4.7	4.2	4.0	-1.5	3.0	5.6	4.9	4.1	3.9	3.5	3.6	
Industry, total ¹⁾	real, 3MMA	7.1	5.8	4.8	3.5	2.7	1.6	1.3	0.1	2.7	5.6	6.8	4.7	2.2	1.7	2.9	.	
Construction, total, effect. work. time ¹⁾	real, CMPY	30.9	29.3	24.3	17.6	26.9	20.3	17.5	23.9	16.0	12.5	7.6	6.6	4.8	7.4	-2.4	.	
LABOUR																		
Employment total	th. persons	1393.0	1405.7	1415.1	1415.5	1407.0	1399.3	1392.9	1382.0	1377.8	1374.5	1377.3	1384.1	1394.2	1404.1	1413.6	.	.
Employees in industry	th. persons	283.6	284.0	284.0	283.8	283.6	283.5	282.6	280.5	268.4	277.3	276.9	277.3	278.0	277.8	278.2	.	.
Unemployment, end of period	th. persons	330.9	319.7	314.2	306.6	307.4	312.3	317.0	318.7	325.0	326.0	325.2	317.0	305.2	295.6	293.3	293.8	.
Unemployment rate ²⁾	%	19.6	18.9	18.5	18.2	18.3	18.6	18.9	19.1	19.1	19.2	19.1	18.6	18.0	17.4	17.2	17.2	.
Labour productivity, industry ¹⁾	CCPY	9.7	9.8	9.5	9.1	8.8	8.5	8.0	7.8	2.0	6.0	8.7	7.9	6.8	6.4	5.9	.	.
Unit labour costs, excl. r. adj. (EUR) ¹⁾	CCPY	-5.0	-5.2	-5.0	-4.9	-4.4	-4.2	-4.4	-4.3	-1.8	-3.9	-3.3	-2.2	-1.2	-0.5	.	.	.
WAGES, SALARIES																		
Total economy, gross	HRK	5671	5705	5694	5587	5558	5711	5807	5793	5815	5714	5962	5927	5994	6084	.	.	.
Total economy, gross	real, CMPY	1.6	4.5	2.7	1.3	3.0	3.0	0.3	3.6	3.0	4.4	7.4	5.0	3.2	4.0	.	.	.
Total economy, gross	USD	866	885	864	829	829	880	893	926	954	943	975	950	969	1000	.	.	.
Total economy, gross	EUR	752	757	759	743	741	752	763	755	756	747	795	790	807	825	.	.	.
Industry, gross	EUR	698	702	712	677	691	695	687	701	681	670	730	719	738	757	.	.	.
PRICES																		
Consumer	PM	0.3	-0.4	0.1	0.1	0.2	0.0	0.2	0.3	1.0	-0.1	0.1	0.2	0.7	-0.3	-0.4	0.1	.
Consumer	CMPY	1.4	1.6	2.0	2.2	2.0	1.8	1.8	1.7	2.1	1.8	1.4	1.9	2.4	2.5	1.9	2.0	.
Consumer	CCPY	1.6	1.6	1.7	1.7	1.8	1.8	1.8	1.8	2.1	2.0	1.8	1.8	1.9	2.0	2.0	2.0	.
Producer, in industry	PM	-0.8	0.2	0.2	0.5	-0.4	0.2	0.3	0.0	0.3	-0.3	0.2	0.9	2.3	-0.3	0.9	1.0	.
Producer, in industry	CMPY	1.8	1.7	1.4	2.0	1.2	0.0	0.9	1.0	0.8	0.1	-0.5	1.3	4.4	3.9	4.6	5.1	.
Producer, in industry	CCPY	3.0	2.8	2.5	2.5	2.4	2.1	2.0	1.9	0.8	0.5	0.2	0.4	1.2	1.7	2.1	2.4	.
RETAIL TRADE³⁾																		
Turnover	real, CMPY	6.5	5.2	0.7	-1.7	1.1	0.2	-1.0	3.8	2.5	2.1	3.8	0.0	0.0	2.3	6.6	.	.
Turnover	real, CCPY	7.3	7.0	6.1	5.2	4.7	4.2	3.8	3.7	2.5	2.4	2.8	2.0	1.6	1.8	2.5	.	.
FOREIGN TRADE⁴⁾																		
Exports total (fob), cumulated	EUR mn	2215	2696	3183	3565	4002	4592	5032	5468	411	891	1453	2000	2539	3041	3646	.	.
Imports total (cif), cumulated	EUR mn	4993	5982	7203	8076	9176	10316	11425	12546	798	1733	2919	4020	5224	6481	7662	.	.
Trade balance, cumulated	EUR mn	-2779	-3286	-4020	-4511	-5174	-5724	-6392	-7079	-387	-842	-1466	-2020	-2686	-3440	-4016	.	.
Exports to EU-15 (fob) ⁵⁾ , cumulated	EUR mn	1237	1501	1787	2006	2249	2530	2779	2979	291	581	947	1321	1711	2003	2400	.	.
Imports from EU-15 (cif) ⁵⁾ , cumulated	EUR mn	2847	3413	4145	4592	5192	5823	6395	7091	525	1188	2059	2867	3738	4624	5447	.	.
Trade balance with EU-15 ⁵⁾ , cumulated	EUR mn	-1610	-1912	-2358	-2586	-2943	-3293	-3616	-4112	-234	-607	-1111	-1546	-2027	-2622	-3047	.	.
FOREIGN FINANCE																		
Current account, cumulated ⁷⁾	EUR mn	.	-2314	.	.	-518	.	.	-1860	.	.	-1171	.	.	.	.	.	.
EXCHANGE RATE																		
HRK/USD, monthly average	nominal	6.549	6.443	6.591	6.737	6.701	6.487	6.503	6.253	6.094	6.060	6.114	6.241	6.186	6.081	6.012	6.055	.
HRD/EUR, monthly average	nominal	7.542	7.536	7.498	7.515	7.498	7.592	7.610	7.670	7.690	7.650	7.501	7.506	7.427	7.378	7.372	7.369	.
HRK/USD, calculated with CP ⁶⁾	real, Jan00=100	83.3	82.3	84.2	86.3	86.0	83.1	82.9	79.4	77.0	77.1	78.2	80.0	79.1	78.3	77.6	78.1	.
HRK/USD, calculated with PP ⁶⁾	real, Jan00=100	85.0	84.3	85.8	87.5	87.7	85.2	84.9	82.0	80.7	81.0	82.1	83.9	82.5	81.6	80.3	80.1	.
HRD/EUR, calculated with CP ⁶⁾	real, Jan00=100	94.1	94.4	93.8	94.1	94.0	95.3	95.4	96.2	95.4	95.3	93.8	94.0	92.8	92.4	92.7	92.6	.
HRD/EUR, calculated with PP ⁶⁾	real, Jan00=100	94.2	93.8	93.2	93.1	93.3	94.2	94.3	94.9	95.2	95.1	93.7	93.4	90.7	90.4	89.7	88.8	.
DOMESTIC FINANCE																		
M0, end of period	HRK mn	10078	10637	11294	11321	10506	10262	10400	10573	10219	10217	10040	10455	10541	10977	11843	.	.
M1, end of period	HRK mn	32002	32828	34382	34044	32589	32806	33295	33889	32323	31284	31623	32891	33194	34265	34622	.	.
Broad money, end of period	HRK mn	119105	120022	125023	126980	126911	127072	128718	128893	128918	127877	125767	127868	127461	129559	133013	.	.
Broad money, end of period	CMPY	11.9	12.6	13.9	12.3	12.0	10.7	12.7	11.0	10.5	9.1	5.9	8.5	7.0	7.9	6.4	.	.
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	4.5
Discount rate (p.a.), end of period ⁹⁾	real, %	2.7	2.8	3.1	2.5	3.3	4.5	3.6	3.5	3.7	4.4	5.0	3.2	0.1	0.6	-0.1	-0.6	.
BUDGET																		
Central gov. budget balance, cum. ¹⁰⁾	HRK mn	-4007.7	-4021.9	-4432.4	-4012.6	-4114.6	-4496.5	-2066.3	-2186.6	1.0	-1356.9	-2499.7	-3886.2	-4524.2	.	.	.	.

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

2) Ratio of unemployed to the economically active population.

3) Since January 2004 new sample of reporting units.

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

5) Cumulation starting January and ending December each year.

6) From January 2004 EU-25.

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

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

9) Deflated with annual PPI.

10) Pension payments and social security funds are included.

C Z E C H REPUBLIC: Selected monthly data on the economic situation 2003 to 2004

(updated end of Sept 2004)

		2003								2004							
		May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
PRODUCTION																	
Industry, total	real, CMPY	3.2	6.2	4.8	8.0	5.2	5.2	4.8	8.9	3.8	7.1	15.3	10.1	12.7	15.1	11.0	.
Industry, total	real, CCPY	5.5	5.6	5.5	5.8	5.7	5.7	5.6	5.8	3.8	5.5	9.0	9.3	10.0	10.8	10.8	.
Industry, total	real, 3MMA	5.0	4.7	6.3	6.0	6.0	5.1	6.2	5.7	6.6	9.0	11.0	12.7	12.6	13.0	.	.
Construction, total	real, CMPY	-0.9	12.1	15.9	18.7	14.5	12.0	13.9	8.6	15.0	9.7	21.4	62.4	-3.7	-3.7	0.3	.
LABOUR																	
Employees in industry ¹⁾	th. persons	1128	1125	1125	1119	1120	1123	1143	1137	1124	1129	1134	1134	1133	1135	1138	.
Unemployment, end of period	th. persons	496.8	501.0	520.4	525.0	529.4	522.4	521.0	542.4	569.5	570.8	559.8	535.1	520.4	517.5	532.1	536.0
Unemployment rate ²⁾	%	9.4	9.5	9.9	10.0	10.1	9.9	9.9	10.3	10.8	10.9	10.6	10.2	9.9	9.9	9.2	9.3
Labour productivity, industry ¹³⁾	CCPY	8.6	8.7	8.4	9.0	9.3	9.3	8.6	9.0	4.2	7.1	10.3	10.4	11.7	12.2	11.2	.
Unit labour costs, exch.r. adj.(EUR) ¹³⁾	CCPY	-4.2	-4.4	-4.8	-5.8	-6.3	-6.3	-5.7	-6.0	-2.0	-3.3	-5.2	-5.4	-6.7	-6.9	-5.6	.
WAGES, SALARIES																	
Industry, gross ¹⁾	CZK	16755	16414	16580	15570	16010	16668	18803	18067	16443	15665	16890	16913	17595	17587	17655	.
Industry, gross ¹⁾	real, CMPY	5.1	6.5	5.8	3.9	8.5	5.6	5.3	6.1	3.7	6.7	7.9	4.4	2.4	4.1	3.3	.
Industry, gross ¹⁾	USD	618	609	591	537	555	609	688	686	634	603	628	624	661	675	687	.
Industry, gross ¹⁾	EUR	534	523	520	482	495	521	588	559	502	477	512	520	550	556	560	.
PRICES																	
Consumer	PM	0.0	0.0	0.1	-0.2	-0.5	0.1	0.5	0.2	1.8	0.2	0.1	0.0	0.4	0.2	0.4	0.0
Consumer	CMPY	0.0	0.3	-0.1	-0.1	0.0	0.4	1.0	1.0	2.3	2.3	2.5	2.3	2.7	2.9	3.2	3.4
Consumer	CCPY	-0.2	-0.2	-0.1	-0.1	-0.1	-0.1	0.0	0.1	2.3	2.3	2.3	2.3	2.4	2.5	2.6	2.7
Producer, in industry	PM	-0.3	-0.2	-0.2	0.1	0.4	0.6	0.4	0.2	0.8	0.3	0.8	0.8	0.8	1.1	0.8	0.9
Producer, in industry	CMPY	-0.8	-0.9	-0.6	-0.5	0.0	-0.1	0.4	0.9	1.6	1.6	2.1	3.7	4.9	6.3	7.3	8.1
Producer, in industry	CCPY	-0.7	-0.7	-0.7	-0.7	-0.6	-0.5	-0.5	-0.3	1.6	1.6	1.8	2.3	2.8	3.4	3.9	4.4
RETAIL TRADE																	
Turnover	real, CMPY	2.4	7.8	7.2	6.1	9.6	3.6	0.6	6.2	-1.5	2.1	2.9	2.9	0.9	3.7	0.3	.
Turnover	real, CCPY	3.7	4.4	4.8	5.0	5.5	5.3	4.9	5.0	-1.5	0.4	1.3	1.7	1.5	1.9	1.6	.
FOREIGN TRADE⁴⁾⁵⁾																	
Exports total (fob), cumulated	EUR mn	17818	21353	24812	27850	31684	35843	39594	43066	3299	7122	11444	15960	20592	25213	29652	.
Imports total (fob), cumulated	EUR mn	18262	21905	25735	28991	32807	37135	41151	45245	3297	6996	11425	16317	20966	25543	30134	.
Trade balance, cumulated	EUR mn	-445	-553	-924	-1141	-1123	-1292	-1557	-2179	2	127	19	-356	-374	-330	-482	.
Exports to EU-15 (fob) ⁶⁾ , cumulated	EUR mn	12301	14753	17137	19199	21842	24763	27397	29762	2881	6208	9970	13847	17863	21793	25694	.
Imports from EU-15 (fob) ⁶⁾ , cumulated	EUR mn	10814	13025	15401	17271	19548	22125	24454	26805	2236	4890	8070	11458	14960	18325	21820	.
Trade balance with EU-15 ⁶⁾ , cumulated	EUR mn	1487	1728	1736	1928	2294	2639	2943	2957	644	1318	1900	2389	2903	3467	3874	.
FOREIGN FINANCE																	
Current account, cumulated ⁴⁾	EUR mn	-1139	-1430	-2181	-2664	-2925	-3529	-4108	-4937	-162	-223	-463	-1132	-1408	-1731	-2732	.
EXCHANGE RATE																	
CZK/USD, monthly average	nominal	27.1	26.9	28.0	29.0	28.8	27.4	27.3	26.3	25.9	26.0	26.9	27.1	26.6	26.0	25.7	26.0
CZK/EUR, monthly average	nominal	31.4	31.4	31.9	32.3	32.4	32.0	32.0	32.3	32.7	32.9	33.0	32.5	32.0	31.6	31.5	31.6
CZK/USD, calculated with CPI ⁷⁾	real, Jan00=100	77.0	76.6	79.7	83.0	83.2	78.7	78.1	74.9	72.9	73.3	76.3	77.2	75.9	74.4	73.0	73.8
CZK/USD, calculated with PPI ⁷⁾	real, Jan00=100	78.6	79.1	82.2	85.2	84.7	80.4	79.8	77.0	76.3	76.6	79.2	80.0	79.1	76.8	75.5	75.6
CZK/EUR, calculated with CPI ⁷⁾	real, Jan00=100	87.4	87.5	88.7	90.2	91.1	90.1	89.7	90.7	90.2	90.6	91.3	90.4	88.9	87.7	87.1	87.4
CZK/EUR, calculated with PPI ⁷⁾	real, Jan00=100	87.5	87.7	89.1	90.4	90.2	88.6	88.3	89.0	89.8	90.0	90.2	88.6	86.9	85.0	84.2	83.8
DOMESTIC FINANCE																	
M0, end of period	CZK bn	211.4	215.2	216.2	218.2	219.4	221.3	224.7	221.4	222.0	223.8	224.1	227.4	229.0	235.1	233.3	.
M1, end of period ⁸⁾	CZK bn	802.1	821.9	838.9	839.0	864.6	865.5	887.7	902.8	885.0	888.5	893.0	901.5	939.3	945.3	933.2	.
M2, end of period ⁸⁾	CZK bn	1660.9	1648.6	1686.0	1707.7	1695.7	1707.3	1726.0	1766.1	1752.2	1758.9	1749.4	1796.5	1812.9	1816.7	1820.2	.
M2, end of period ⁸⁾	CMPY	2.0	4.0	5.5	5.0	5.4	4.2	4.6	6.9	6.5	6.8	7.7	8.3	9.2	10.2	8.0	.
Discount rate (p.a.), end of period	%	1.50	1.25	1.25	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.25	1.25	1.50
Discount rate (p.a.), end of period ⁹⁾	real, %	2.3	2.1	1.9	1.5	1.0	1.1	0.6	0.1	-0.6	-0.6	-1.1	-2.6	-3.7	-4.7	-5.6	-6.1
BUDGET																	
Central gov. budget balance, cum.	CZK mn	-74586	-53399	-62113	-71886	-80268	-82942	-92209	-109053	7307	-2852	-7819	-38070	-45423	-49702	-48799	-50687

1) Enterprises employing 20 and more persons.

2) Ratio of job applicants to the economically active (including women on maternity leave), from July 2004 calculated with disposable number of registered unemployment.

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

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

5) Cumulation starting January and ending December each year.

6) From January 2004 EU-25.

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

8) Recalculated from January 2002 according to ECB monetary standards.

9) Deflated with annual PPI.

H U N G A R Y: Selected monthly data on the economic situation 2003 to 2004

(updated end of Sept 2004)

		2003								2004							
		May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
PRODUCTION																	
Industry, total	real, CMPY	4.6	5.2	4.7	6.0	8.8	10.5	6.8	13.5	7.5	11.8	11.6	9.3	7.1	14.4	4.9	.
Industry, total	real, CCPY	3.9	4.1	4.2	4.4	5.0	5.6	5.7	6.4	7.5	9.6	10.3	10.1	9.5	10.3	9.5	.
Industry, total	real, 3MMA	4.2	4.8	5.2	6.5	8.6	8.7	10.1	9.2	11.0	10.3	10.9	9.4	10.3	8.8	.	.
Construction, total	real, CMPY	7.7	15.8	2.0	4.6	2.7	7.5	5.0	8.6	18.5	16.2	12.7	7.2	-2.0	5.1	10.0	.
LABOUR																	
Employees in industry ¹⁾	th. persons	802.0	801.2	802.6	798.6	799.7	799.6	797.9	794.0	789.2	787.4	791.0	788.7	785.7	788.4	789.1	.
Unemployment ²⁾	th. persons	250.8	241.2	238.7	238.8	240.3	236.8	232.9	231.9	243.4	247.9	252.2	248.4	241.5	241.6	244.8	246.6
Unemployment rate ²⁾	%	6.0	5.8	5.7	5.7	5.7	5.6	5.5	5.5	5.8	6.0	6.1	6.0	5.8	5.8	5.9	5.9
Labour productivity, industry ¹⁾	CCPY	6.6	6.8	6.9	7.1	7.5	8.1	8.2	8.8	11.0	13.2	13.6	13.2	12.6	13.4	12.5	.
Unit labour costs, exch.r. adj.(EUR) ¹⁾	CCPY	2.1	0.7	-0.2	-1.0	-1.4	-2.1	-2.6	-3.8	-11.5	-10.8	-7.8	-6.4	-6.2	-5.5	-3.8	.
WAGES, SALARIES																	
Total economy, gross ¹⁾	HUF	132798	134971	132829	129620	130968	136647	156077	175751	146061	134215	141937	140827	141895	146554	144415	.
Total economy, gross ¹⁾	real, CMPY	8.5	8.8	8.9	9.2	3.7	2.8	3.7	2.2	1.3	1.6	4.6	1.1	-0.7	0.9	1.4	.
Total economy, gross ¹⁾	USD	626	603	572	557	575	626	704	814	696	645	687	675	674	705	709	.
Total economy, gross ¹⁾	EUR	540	517	503	499	513	535	602	664	552	510	560	563	561	579	578	.
Industry, gross ¹⁾	EUR	534	484	483	479	494	502	572	558	482	487	559	553	557	558	553	.
PRICES																	
Consumer	PM	0.3	0.2	0.3	-0.3	0.6	0.8	0.6	0.2	2.1	1.2	0.5	0.3	0.9	0.1	0.0	-0.3
Consumer	CMPY	3.6	4.3	4.7	4.7	4.7	4.9	5.6	5.7	6.6	7.1	6.7	6.9	7.6	7.5	7.2	7.2
Consumer	CCPY	4.3	4.3	4.4	4.4	4.4	4.5	4.6	4.7	6.6	6.9	6.8	6.8	7.0	7.1	7.1	7.1
Producer, in industry	PM	-0.6	2.5	0.7	1.0	-0.5	0.2	1.1	-0.1	0.9	-0.2	-0.8	0.6	0.3	0.4	0.1	1.0
Producer, in industry	CMPY	-0.5	2.3	2.7	3.7	3.2	3.5	5.8	6.2	5.4	4.5	3.2	4.4	5.4	3.3	2.7	2.6
Producer, in industry	CCPY	0.3	0.6	0.9	1.3	1.5	1.7	2.1	2.4	5.4	4.9	4.3	4.4	4.6	4.4	4.1	3.9
RETAIL TRADE																	
Turnover ³⁾	real, CMPY	5.2	6.4	10.0	7.1	9.6	8.9	8.6	12.6	6.1	6.6	5.8	8.0	5.8	10.6	6.0	.
Turnover ³⁾	real, CCPY	8.9	8.4	8.7	8.5	8.6	8.6	8.6	9.0	6.1	6.4	6.2	6.7	6.5	7.2	7.0	.
FOREIGN TRADE⁴⁾⁵⁾																	
Exports total (fob), cumulated	EUR mn	15035	18061	21197	23924	27534	31173	34802	38037	3097	6387	10178	13602	17024	20665	24320	.
Imports total (cif), cumulated	EUR mn	16891	20221	23822	26937	30740	34723	38577	42185	3179	6756	10900	15289	18960	23052	27068	.
Trade balance, cumulated	EUR mn	-1856	-2160	-2625	-3013	-3207	-3550	-3774	-4148	-82	-370	-722	-1687	-1936	-2387	-2748	.
Exports to EU-15 (fob) ⁶⁾ , cumulated	EUR mn	11250	13457	15745	17654	20307	23015	25690	28005	2591	5310	8388	11159	13895	16725	.	.
Imports from EU-15 (cif) ⁶⁾ , cumulated	EUR mn	9556	11447	13515	15534	17570	19733	21778	23599	2396	5081	8187	11465	14487	17518	.	.
Trade balance with EU-15 ⁶⁾ , cumulated	EUR mn	1694	2010	2230	2120	2737	3283	3912	4406	195	229	201	-306	-592	-793	.	.
FOREIGN FINANCE																	
Current account, cumulated ⁷⁾	EUR mn	-2804	-3374	-3897	-4445	-4793	-5394	-5861	-6576	-427	-1033	-1705	-2789	.	3825	.	.
EXCHANGE RATE																	
HUF/USD, monthly average	nominal	212.2	223.7	232.1	232.8	227.8	218.5	221.7	215.8	209.8	207.9	206.6	208.6	210.7	208.0	203.6	204.5
HUF/EUR, monthly average	nominal	245.9	261.1	264.0	259.6	255.5	255.5	259.4	264.8	264.6	263.0	253.4	250.3	252.9	253.2	249.9	248.9
HUF/USD, calculated with CPP ⁸⁾	real, Jan00=100	73.1	77.0	79.8	80.6	78.6	74.7	75.1	72.9	69.8	68.8	68.4	69.1	69.5	68.8	67.3	67.8
HUF/USD, calculated with PPP ⁸⁾	real, Jan00=100	81.6	84.8	87.1	86.8	85.6	82.5	82.5	80.7	78.8	78.7	79.4	80.5	82.3	81.1	79.7	79.2
HUF/EUR, calculated with CPP ⁸⁾	real, Jan00=100	83.2	88.2	88.9	87.8	86.2	85.6	86.5	88.4	86.4	85.1	82.0	81.1	81.5	81.5	80.4	80.4
HUF/EUR, calculated with PPP ⁸⁾	real, Jan00=100	91.0	94.2	94.6	92.3	91.3	91.1	91.6	93.5	92.8	92.6	90.5	89.3	90.4	90.2	89.1	87.9
DOMESTIC FINANCE																	
M0, end of period ⁹⁾	HUF bn	1249.2	1287.0	1296.6	1319.9	1305.9	1317.3	1399.7	1346.8	1307.1	1278.1	1255.8	1278.6	1329.1	1329.1	1322.6	1329.9
M1, end of period ⁹⁾	HUF bn	3594.4	3709.9	3716.4	3718.9	3746.4	3775.6	3950.0	4027.7	3799.5	3688.6	3699.5	3771.7	3805.8	3874.4	3876.0	3935.5
Broad money, end of period ⁹⁾	HUF bn	7975.0	8113.6	8147.0	8176.0	8287.0	8441.7	8575.9	8790.8	8798.5	8761.3	8720.5	8825.5	8864.7	8963.3	9032.6	9199.9
Broad money, end of period ⁹⁾	CMPY	14.6	16.8	16.3	13.5	16.0	15.1	14.2	11.9	13.0	11.9	12.0	11.8	11.2	10.5	10.9	12.5
NBH base rate (p.a.), end of period	%	6.5	9.5	9.5	9.5	9.5	9.5	12.5	12.5	12.5	12.5	12.3	12.0	11.5	11.5	11.5	11.0
NBH base rate (p.a.), end of period ¹⁰⁾	real, %	7.0	7.0	6.6	5.6	6.1	5.8	6.3	5.9	6.7	7.7	8.8	7.3	5.8	7.9	8.6	8.2
BUDGET																	
Central gov. budget balance, cum.	HUF bn	-252.9	-458.6	-424.8	-481.4	-588.7	-609.3	-701.3	-733.6	-173.9	-246.7	-365.0	-426.9	-508.8	-855.8	-863.1	-926.8

1) Economic organizations employing more than 5 persons.

2) According to ILO methodology, from 2002 3-month averages comprising also the two previous months.

3) Revised according to NACE 50+52, from January 2003 NACE 52.

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

5) Cumulation starting January and ending December each year.

6) From January 2004 EU-25.

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

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

9) According to ECB monetary standards.

10) Deflated with annual PPI.

P O L A N D: Selected monthly data on the economic situation 2003 to 2004

(updated end of Sept 2004)

		2003								2004							
		May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
PRODUCTION																	
Industry ¹⁾	real, CMPY	11.7	7.8	10.3	5.8	10.9	12.1	9.2	14.0	14.4	18.2	23.6	21.8	12.2	15.8	6.0	13.6
Industry ¹⁾	real, CCPY	6.7	6.9	7.4	7.2	7.7	8.2	8.3	8.8	14.4	16.3	18.9	19.7	18.1	17.7	15.9	15.6
Industry ¹⁾	real, 3MMA	9.3	9.9	8.0	9.1	9.8	10.8	11.8	12.5	15.5	18.9	21.3	19.2	16.6	11.3	11.7	.
Construction ¹⁾	real, CMPY	-6.9	-1.1	1.6	-3.0	-3.8	-4.9	-5.0	-0.7	-16.7	-6.3	6.2	25.8	-13.4	-14.4	-14.2	2.6
LABOUR																	
Employees ¹⁾	th. persons	4723	4722	4722	4718	4711	4715	4701	4671	4669	4672	4667	4675	4681	4688	4688	4681
Employees in industry ¹⁾	th. persons	2405	2405	2407	2406	2405	2415	2410	2391	2396	2399	2398	2397	2396	2399	2400	2397
Unemployment, end of period	th. persons	3159.6	3134.6	3123.0	3099.1	3073.3	3058.2	3096.9	3175.7	3293.2	3294.5	3265.8	3173.8	3092.5	3071.2	3042.4	3005.7
Unemployment rate ²⁾	%	19.8	19.7	19.6	19.5	19.4	19.3	19.5	20.0	20.6	20.6	20.5	20.0	19.6	19.5	19.3	19.1
Labour productivity, industry ¹⁾	CCPY	9.9	10.0	10.4	10.1	10.5	11.0	11.0	11.5	15.4	17.3	19.8	20.5	18.8	18.4	16.5	16.2
Unit labour costs, exch.r. adj.(EUR) ¹⁾	CCPY	-20.1	-19.9	-19.4	-18.4	-18.3	-18.5	-18.7	-19.0	-22.4	-22.5	-22.1	-22.1	-20.9	-19.5	-17.3	-16.3
WAGES, SALARIES																	
Total economy, gross ¹⁾	PLN	2254	2301	2343	2295	2353	2331	2440	2662	2326	2377	2427	2427	2354	2405	2428	2413
Total economy, gross ¹⁾	real, CMPY	-0.8	2.0	1.3	1.0	1.2	1.8	2.5	3.4	2.0	4.8	5.5	2.5	1.2	0.4	-0.8	0.7
Total economy, gross ¹⁾	USD	601	606	600	586	591	594	618	703	623	618	624	613	598	635	667	662
Total economy, gross ¹⁾	EUR	521	519	527	526	527	508	527	572	494	490	509	510	498	524	543	544
Industry, gross ¹⁾	EUR	520	523	531	528	520	511	537	595	498	499	514	517	493	531	551	549
PRICES																	
Consumer	PM	0.0	-0.1	-0.4	-0.4	0.5	0.6	0.3	0.2	0.4	0.1	0.3	0.8	1.0	0.9	-0.1	-0.4
Consumer	CMPY	0.4	0.8	0.8	0.7	0.9	1.3	1.6	1.7	1.6	1.6	1.7	2.2	3.4	4.4	4.6	4.6
Consumer	CCPY	0.3	0.3	0.4	0.4	0.5	0.5	0.6	0.7	1.7	1.7	1.7	1.9	2.2	2.5	2.8	3.1
Producer, in industry	PM	-0.6	0.3	0.7	0.3	0.5	0.7	0.4	0.1	0.8	0.7	1.5	2.1	1.3	-0.2	0.2	0.4
Producer, in industry	CMPY	2.0	2.0	1.9	1.8	2.1	2.7	3.7	3.7	4.1	4.2	4.9	7.6	9.6	9.1	8.6	8.7
Producer, in industry	CCPY	2.8	2.7	2.6	2.5	2.4	2.5	2.6	2.7	4.2	4.2	4.4	5.3	6.2	6.7	7.0	7.2
RETAIL TRADE																	
Turnover ¹⁾	real, CMPY	9.9	7.7	5.5	5.1	9.4	9.2	10.0	17.1	6.3	10.6	18.8	27.7	0.9	4.2	5.9	4.4
Turnover ¹⁾	real, CCPY	6.2	6.0	6.1	5.5	6.6	6.2	6.8	7.9	6.3	8.5	13.6	18.4	14.0	12.4	11.4	10.1
FOREIGN TRADE^{3,4)}																	
Exports total (fob), cumulated	EUR mn	18636	22392	26419	29998	34545	39271	43519	47525	3833	8011	13094	17893	22609	28082	33040	.
Imports total (cif), cumulated	EUR mn	23864	28469	33855	38427	44018	49740	54979	60305	4680	9360	15697	22540	28315	34626	40432	.
Trade balance, cumulated	EUR mn	-5228	-6077	-7436	-8430	-9473	-10469	-11461	-12780	-847	-1349	-2603	-4647	-5705	-6543	-7392	.
Exports to EU-15 (fob) ⁵⁾ , cumulated	EUR mn	13057	15644	18400	20745	23711	26990	29961	32681	3183	6688	10928	14822	18549	22714	26457	.
Imports from EU-15 (fob) ⁵⁾ , cumulated	EUR mn	14618	17493	20926	23644	26904	30433	33625	36873	3203	6424	10929	15652	19642	24009	27961	.
Trade balance with EU-15 ⁵⁾ , cumulated	EUR mn	-1561	-1849	-2525	-2899	-3194	-3442	-3664	-4192	-21	263	-1	-829	-1093	-1296	-1504	.
FOREIGN FINANCE																	
Current account, cumulated	EUR mn	-2617	-2829	-3227	-3374	-3392	-3045	-3340	-4110	-130	-144	-591	-1078	-1621	-1890	-2044	.
EXCHANGE RATE																	
PLN/USD, monthly average	nominal	3.748	3.797	3.906	3.918	3.981	3.922	3.949	3.788	3.735	3.846	3.890	3.959	3.936	3.787	3.643	3.643
PLN/EUR, monthly average	nominal	4.326	4.436	4.443	4.367	4.467	4.589	4.625	4.655	4.712	4.854	4.768	4.758	4.729	4.593	4.469	4.436
PLN/USD, calculated with CPI ⁶⁾	real, Jan00=100	88.5	89.8	92.9	93.9	95.2	93.1	93.2	89.2	88.0	91.1	92.4	93.6	92.6	88.7	85.2	85.6
PLN/USD, calculated with PPI ⁶⁾	real, Jan00=100	90.1	91.9	93.7	93.9	95.4	93.8	93.8	90.3	89.4	92.0	92.3	93.0	92.6	89.5	86.3	86.0
PLN/EUR, calculated with CPI ⁶⁾	real, Jan00=100	100.3	103.0	103.6	102.4	104.5	106.9	107.5	108.3	109.1	112.6	110.8	110.1	108.8	104.7	102.0	101.7
PLN/EUR, calculated with PPI ⁶⁾	real, Jan00=100	100.2	102.4	101.8	100.0	101.8	103.8	104.3	104.8	105.5	108.2	105.3	103.4	102.0	99.3	96.6	95.5
DOMESTIC FINANCE																	
M0, end of period	PLN bn	46.1	47.4	47.6	48.7	48.6	49.2	49.8	49.4	48.5	49.6	49.9	51.5	50.2	50.5	51.0	50.9
M1, end of period ⁷⁾	PLN bn	138.0	146.4	146.9	148.4	151.8	151.3	156.2	158.1	152.5	156.1	161.2	160.2	164.9	168.8	163.5	168.8
M2, end of period ⁷⁾	PLN bn	320.2	322.9	323.0	324.8	326.9	332.4	334.3	337.8	331.7	335.0	336.9	345.6	341.5	345.1	344.1	347.9
M2, end of period	CMPY	-0.6	0.3	-0.4	0.6	1.9	3.5	5.3	5.5	5.2	5.2	6.0	8.9	6.6	6.9	6.5	7.1
Discount rate (p.a.)end of period	%	6.0	5.8	5.8	5.8	5.8	5.8	5.8	5.8	5.8	5.8	5.8	5.8	5.8	5.8	6.5	6.5
Discount rate (p.a.)end of period ⁸⁾	real, %	3.9	3.7	3.8	3.9	3.6	3.0	2.0	2.0	1.6	1.5	0.8	-1.7	-3.5	-3.1	-1.9	-2.0
BUDGET																	
Central gov.budget balance, cum.	PLN mn	-23218	-23818	-27637	-29562	-33086	-34828	-35482	-37043	-4138	-9346	-11804	-10781	-15186	-19730	-23067	-25872

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) From January 2004 EU-25.

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

7) Revised according to ECB monetary standards.

8) Deflated with annual PPI.

R O M A N I A: Selected monthly data on the economic situation 2003 to 2004

(updated end of Sept 2004)

		2003								2004							
		May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
PRODUCTION																	
Industry, total ⁽¹⁾	real, CMPY	7.1	7.7	6.4	-0.7	1.9	1.5	-1.4	2.6	0.8	6.9	9.5	0.5	5.2	3.2	1.9	.
Industry, total ⁽¹⁾	real, CCPY	4.0	4.6	4.9	4.2	3.9	3.6	3.1	3.1	0.8	3.9	5.9	4.5	4.6	4.4	4.0	.
Industry, total	real, 3MMA	5.6	7.0	4.5	2.6	0.9	0.7	0.8	0.5	3.4	5.9	5.6	5.1	3.0	3.4	.	.
LABOUR																	
Employees total	th. persons	4411.4	4420.5	4412.1	4416.8	4402.8	4390.0	4374.0	4333.8	4359.3	4375.8	4404.7	4405.8	4423.1	4453.6	4456.9	.
Employees in industry	th. persons	1786.0	1784.6	1776.1	1775.6	1771.1	1765.9	1758.3	1738.3	1754.8	1752.6	1754.4	1738.5	1736.6	1755.6	1757.6	.
Unemployment, end of period	th. persons	693.1	663.6	650.4	619.2	608.8	634.7	655.4	658.9	693.4	702.4	697.4	661.9	617.8	590.3	562.6	.
Unemployment rate ⁽²⁾	%	7.6	7.3	7.2	6.8	6.7	7.0	7.2	7.2	7.6	7.7	7.7	7.3	6.8	6.5	6.2	.
Labour productivity, industry	CCPY	11.3	12.1	12.5	11.9	11.8	11.6	11.2	11.2	8.7	11.6	13.3	11.7	11.9	11.5	10.9	.
Unit labour costs, exch.r. adj.(EUR)	CCPY	-13.3	-13.7	-13.2	-12.3	-11.5	-11.1	-10.6	-10.6	-4.8	-5.1	-3.9	-2.6	-1.7	-0.4	0.0	.
WAGES, SALARIES																	
Total economy, gross	th. ROL	6521.4	6476.2	6721.9	6647.9	6763.9	6873.7	7021.2	8068.9	8006.3	7484.0	8065.8	8292.8	8008.2	8035.9	8125.7	8101.0
Total economy, gross	real, CMPY	7.0	6.6	6.5	6.5	8.0	6.6	7.5	8.4	7.8	8.7	12.5	7.0	9.3	10.8	7.8	8.4
Total economy, gross	USD	201	199	206	199	200	207	206	244	246	233	247	244	237	239	243	241
Total economy, gross	EUR	173	170	181	179	178	177	176	199	195	184	201	204	197	197	198	198
Industry, gross	EUR	168	165	180	177	178	172	167	184	171	177	195	199	193	192	198	198
PRICES																	
Consumer	PM	0.5	0.9	1.2	0.3	2.1	1.5	1.4	1.2	1.1	0.6	0.5	0.6	0.3	0.6	1.3	0.5
Consumer	CMPY	14.4	14.0	14.8	14.2	15.9	15.8	14.5	14.1	13.9	13.7	13.1	12.5	12.3	12.0	12.1	12.4
Consumer	CCPY	16.1	15.7	15.6	15.4	15.4	15.5	15.4	15.3	13.9	13.8	13.6	13.3	13.1	12.9	12.8	12.7
Producer, in industry	PM	0.6	0.1	1.0	1.0	3.1	1.6	1.7	1.1	2.4	0.9	0.9	2.8	1.3	1.1	1.5	.
Producer, in industry	CMPY	19.8	18.4	16.9	16.6	18.5	18.7	19.6	19.4	19.3	17.6	17.0	18.5	19.3	20.4	21.2	.
Producer, in industry	CCPY	21.4	20.9	20.3	19.8	19.6	19.5	19.5	19.5	19.3	18.4	17.9	18.1	18.3	18.7	19.0	.
RETAIL TRADE																	
Turnover	real, CMPY	6.6	7.2	3.8	4.4	6.3	7.3	6.7	11.9	21.3	13.0	16.5	11.7	11.8	13.2	.	.
Turnover	real, CCPY	3.5	4.1	4.0	4.1	4.3	4.6	4.8	5.7	21.3	17.2	16.9	15.6	14.9	14.1	.	.
FOREIGN TRADE^(3/4)																	
Exports total (fob), cumulated	EUR mn	6232	7501	8995	10227	11574	13003	14374	15614	1217	2711	4332	5816	7379	9014	10844	.
Imports total (cif), cumulated	EUR mn	8065	9814	11736	13266	15129	17309	19288	21201	1565	3376	5474	7465	9707	11974	14342	.
Trade balance, cumulated	EUR mn	-1833	-2313	-2741	-3039	-3555	-4306	-4914	-5588	-348	-665	-1142	-1649	-2328	-2960	-3499	.
Exports to EU-15 (fob) ⁽⁵⁾ , cumulated	EUR mn	4251	5119	6132	6951	7873	8848	9788	10571	944	2059	3212	4275	5412	6644	7996	.
Imports from EU-15 (cif) ⁽⁵⁾ , cumulated	EUR mn	4626	5707	6900	7735	8795	10014	11149	12223	940	2033	3360	4777	6264	7794	9361	.
Trade balance with EU-15 ⁽⁵⁾ , cumulated	EUR mn	-375	-588	-768	-784	-922	-1166	-1361	-1652	4	27	-148	-502	-852	-1150	-1365	.
FOREIGN FINANCE																	
Current account, cumulated	EUR mn	-971	-1290	-1419	-1395	-1647	-2108	-2499	-2877	-108	-131	-269	-650	-1130	-1617	-1754	.
EXCHANGE RATE																	
ROL/USD, monthly average	nominal	32502	32616	32677	33359	33799	33157	34109	33013	32572	32073	32646	33923	33758	33570	33395	33613
ROL/EUR, monthly average	nominal	37617	38063	37166	37183	37924	38807	39913	40577	41094	40572	40055	40695	40559	40754	40967	40947
ROL/USD, calculated with CPI ⁽⁶⁾	real, Jan00=100	88.8	88.4	87.6	89.6	89.1	86.1	87.1	83.2	81.6	80.3	81.8	84.9	84.6	84.0	82.3	82.4
ROL/USD, calculated with PPI ⁽⁶⁾	real, Jan00=100	76.6	77.6	76.8	77.8	76.8	74.6	75.2	72.3	70.6	69.3	70.4	71.8	71.6	70.7	69.5	.
ROL/EUR, calculated with CPI ⁽⁶⁾	real, Jan00=100	100.9	101.1	97.6	97.5	97.7	98.6	100.1	100.9	101.0	99.4	98.1	99.5	99.3	99.1	98.4	97.8
ROL/EUR, calculated with PPI ⁽⁶⁾	real, Jan00=100	85.3	86.2	83.3	82.7	81.8	82.4	83.4	83.8	83.1	81.5	80.2	79.7	78.8	78.3	77.7	.
DOMESTIC FINANCE																	
M0, end of period	ROL bn	50214	52535	54460	58503	58143	58009	57262	57978	55969	58313	57773	63788	65158	68904	73312	.
M1, end of period	ROL bn	85019	92145	93725	99970	101514	100231	99413	113260	102240	104107	107175	113651	118864	125928	131880	.
M2, end of period	ROL bn	379098	388499	390876	407396	414468	423766	425654	460741	452217	458468	481461	480254	490510	506603	525105	.
M2, end of period	CMPY	30.4	29.1	28.8	29.4	30.6	30.4	27.2	23.3	27.1	24.8	30.3	26.9	29.4	30.4	34.3	.
Discount rate (p.a.),end of period ⁽⁷⁾	%	17.9	18.2	18.2	18.2	19.1	19.3	20.2	20.4	21.3	21.3	21.3	21.3	21.3	21.3	20.8	20.3
Discount rate (p.a.),end of period ^(7/8)	real, %	-1.6	-0.2	1.1	1.4	0.5	0.5	0.5	0.8	1.6	3.1	3.6	2.3	1.6	0.7	-0.4	.
BUDGET																	
Central gov.budget balance, cum.	ROL bn	-10330	-16524	-12186	-10979	-11346	-11129	-17655	-29003	3835	-2634	-5930	90	-6529	-14333	-7068	.

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 2002 as of December 2001.

3) January 1994 to December 2002 calculated from USD by wiiw.

4) Cumulation starting January and ending December each year.

5) From January 2004 EU-25.

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

7) Reference rate of RNB.

8) Deflated with annual PPI.

R U S S I A: Selected monthly data on the economic situation 2003 to 2004

(updated end of Sept 2004)

		2003								2004							
		May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
PRODUCTION																	
Industry, total	real, CMPY	8.5	7.0	7.1	5.5	8.0	7.2	7.1	7.9	7.5	8.7	6.6	6.7	5.5	9.2	4.4	6.8
Industry, total	real, CCPY	7.1	6.8	6.8	6.6	6.8	6.8	6.8	7.0	7.5	8.1	7.6	7.4	7.0	7.4	7.0	6.9
Construction, total	real, CMPY	15.5	14.3	15.0	14.3	14.7	14.6	11.6	16.6	13.3	13.8	14.2	15.8	14.9	13.3	7.5	.
LABOUR																	
Employment total ¹⁾	th. persons	65500	66000	66400	66700	66600	66500	66500	66400	65400	64900	65700	66500	67300	67400	67700	.
Unemployment, end of period ²⁾	th. persons	5821	5744	5747	5680	5690	5750	5716	5951	6280	6562	6121	5680	5239	5169	5170	.
Unemployment rate ²⁾	%	8.2	8.0	8.0	7.8	7.9	8.0	7.9	8.2	8.8	9.2	8.5	7.9	7.2	7.1	7.1	.
WAGES, SALARIES																	
Total economy, gross	RUB	5221.0	5550.0	5615.0	5491.0	5556.0	5864.0	5990.0	7344.0	5932.0	6141.0	6428.0	6448.0	6524.0	7003.0	7143.0	.
Total economy, gross	real, CMPY	9.8	9.3	7.2	7.4	8.6	11.6	13.5	14.3	13.5	18.0	16.8	14.6	13.4	14.5	15.2	.
Total economy, gross	USD	169	182	185	181	182	194	211	250	206	215	225	225	225	241	246	.
Total economy, gross	EUR	146	156	162	162	162	166	180	203	163	170	184	187	187	198	200	.
Industry, gross	EUR	175	183	198	206	200	198	219	230	190	200	215	222	220	229	.	.
PRICES																	
Consumer	PM	0.8	0.8	0.7	-0.4	0.3	1.0	1.0	1.1	1.8	1.0	0.8	1.0	0.7	0.8	0.9	0.4
Consumer	CMPY	13.6	13.9	13.9	13.3	13.2	13.1	12.4	12.0	11.3	10.7	10.3	10.3	10.2	10.2	10.5	11.3
Consumer	CCPY	14.4	14.3	14.3	14.1	14.0	13.9	13.8	13.6	11.3	11.0	10.8	10.7	10.6	10.5	10.5	10.6
Producer, in industry	PM	-0.2	0.7	2.2	1.4	1.4	1.2	0.5	0.6	4.2	3.4	1.7	2.7	2.1	2.5	1.2	.
Producer, in industry	CMPY	17.1	14.3	13.9	13.5	13.8	12.8	12.1	13.0	17.3	19.6	20.1	21.6	24.4	26.6	25.4	.
Producer, in industry	CCPY	19.1	18.2	17.6	17.0	16.6	16.2	15.8	15.6	17.3	18.4	19.0	19.7	20.6	21.6	22.2	.
RETAIL TRADE																	
Turnover ³⁾	real, CMPY	10.0	8.7	7.8	6.1	7.0	7.1	7.1	8.1	16.3	4.4	7.5	14.4	12.2	14.5	9.6	.
Turnover ³⁾	real, CCPY	8.7	8.7	8.5	8.2	8.1	8.0	7.9	7.9	16.3	10.4	9.4	10.7	11.0	11.6	11.3	.
FOREIGN TRADE⁴⁾⁵⁾⁶⁾																	
Exports total, cumulated	EUR mn	47318	56861	66902	77668	87970	98836	108697	120193	9336	18795	29815	41596	52713	64057	75913	.
Imports total, cumulated	EUR mn	25524	30712	36589	42258	47991	54028	59782	66703	4170	9200	15347	21793	27975	34475	41201	.
Trade balance, cumulated	EUR mn	21794	26149	30313	35410	39979	44807	48915	53490	5167	9595	14467	19803	24739	29582	34712	.
FOREIGN FINANCE																	
Current account, cumulated ⁷⁾	EUR mn	.	17863	.	.	24410	.	.	31719	.	.	10392	.	.	18394	.	.
EXCHANGE RATE																	
RUB/USD, monthly average	nominal	30.907	30.469	30.360	30.349	30.599	30.165	28.389	29.434	28.839	28.515	28.529	28.686	28.989	29.030	29.082	29.219
RUB/EUR, monthly average	nominal	35.738	35.594	34.560	33.876	34.300	35.296	33.261	36.134	36.377	36.092	35.018	34.446	34.817	35.298	35.673	35.628
RUB/USD, calculated with CPI ⁸⁾	real, Jan00=100	69.3	67.8	67.2	67.7	68.3	66.6	61.8	63.4	61.3	60.3	60.3	60.2	60.7	60.6	60.0	60.1
RUB/USD, calculated with PPI ⁸⁾	real, Jan00=100	67.9	67.1	65.2	64.5	64.4	63.1	58.9	61.0	58.1	55.9	55.4	54.7	55.0	53.9	53.6	.
RUB/EUR, calculated with CPI ⁸⁾	real, Jan00=100	78.5	77.6	74.8	73.8	74.7	76.2	71.2	76.7	75.8	74.7	72.2	70.6	71.2	71.6	71.7	71.3
RUB/EUR, calculated with PPI ⁸⁾	real, Jan00=100	75.5	74.6	70.8	68.6	68.5	69.7	65.4	70.5	68.4	65.7	63.1	60.7	60.4	59.8	59.8	.
DOMESTIC FINANCE																	
M0, end of period	RUB bn	855.5	917.0	940.9	966.3	957.1	975.8	1002.1	1147.0	1130.6	1164.1	1165.5	1230.1	1220.5	1276.1	1315.0	.
M1, end of period	RUB bn	1679.8	1821.8	1808.5	1844.3	1871.2	1850.2	1899.0	2181.9	2126.9	2197.1	2244.6	2255.8	2286.3	2425.3	2375.9	.
M2, end of period	RUB bn	3162.9	3339.7	3400.4	3448.9	3573.0	3543.1	3617.7	3962.1	3946.1	4093.0	4190.3	4333.7	4365.7	4543.2	4547.9	.
M2, end of period	CMPY	38.2	41.7	41.5	41.1	43.2	39.6	39.0	39.4	42.1	40.4	40.2	42.0	38.0	36.0	33.7	.
Refinancing rate (p.a.) ^{end of period}	%	18.0	16.0	16.0	16.0	16.0	16.0	16.0	16.0	14.0	14.0	14.0	14.0	14.0	13.0	13.0	13.0
Refinancing rate (p.a.) ^{end of period} ⁹⁾	real, %	0.8	1.5	1.9	2.2	2.0	2.9	3.5	2.7	-2.8	-4.7	-5.0	-6.2	-8.4	-10.8	-9.9	.
BUDGET																	
Central gov. budget balance, cum.	RUB bn	173.8	184.3	213.6	223.8	238.9	287.7	316.1	227.7	102.5	115.5	134.7	169.8	255.4	354.1	.	.

1) Based on labour force survey.

2) According to ILO methodology.

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

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, incl. estimates of non-registered imports.

6) Based on balance of payments statistics.

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

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

9) Deflated with annual PPI.

S L O V A K REPUBLIC: Selected monthly data on the economic situation 2003 to 2004

(updated end of Sept 2004)

		2003								2004							
		May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
PRODUCTION																	
Industry, total	real, CMPY	2.4	9.5	2.2	1.2	3.3	5.1	3.2	4.3	0.4	8.1	11.1	5.0	8.5	3.5	-0.7	.
Industry, total	real, CCPY	7.2	7.6	6.8	6.1	5.8	5.7	5.4	5.3	0.4	4.2	6.6	6.2	6.7	6.1	5.1	.
Industry, total	real, 3MMA	4.7	4.7	4.4	2.3	3.3	3.9	4.2	2.7	4.2	6.6	8.1	8.3	5.6	3.8	.	.
Construction, total	real, CMPY	0.3	3.3	5.8	9.4	14.3	8.3	6.7	11.5	0.5	3.3	3.4	2.4	0.9	2.4	0.1	.
LABOUR																	
Employment in industry	th. persons	561.1	563.8	562.4	561.7	565.1	566.2	561.2	549.1	544.3	544.8	548.2	555.9	559.2	564.0	565.9	.
Unemployment, end of period	th. persons	433.1	427.6	422.8	415.6	407.6	407.1	420.2	452.2	469.2	466.4	452.6	431.7	410.8	399.5	392.1	381.4
Unemployment rate ¹⁾	%	14.8	14.6	14.5	14.3	13.9	13.8	14.2	15.6	16.6	16.5	16.0	15.3	14.5	13.9	13.7	13.2
Labour productivity, industry	CCPY	6.5	7.0	6.1	5.5	5.1	5.0	4.8	4.8	1.0	5.1	7.5	7.0	7.4	6.7	5.6	.
Unit labour costs, exch.r. adj.(EUR)	CCPY	1.6	2.5	3.7	4.3	5.0	5.3	5.5	5.4	10.9	7.5	6.1	6.1	4.9	5.6	7.0	.
WAGES, SALARIES																	
Industry, gross	SKK	15379	16140	15289	14688	15085	16069	17995	17259	15707	14806	16050	16204	16392	17597	16713	.
Industry, gross	real, CMPY	-0.2	1.6	-3.4	-4.3	-0.4	1.2	-1.0	-1.9	1.2	1.4	4.3	1.2	-1.6	0.8	0.7	.
Industry, gross	USD	432	455	416	392	406	456	511	514	486	461	487	485	489	535	514	.
Industry, gross	EUR	374	389	366	350	363	389	437	420	385	365	397	404	408	441	419	.
PRICES																	
Consumer	PM	0.1	0.4	0.0	1.0	0.5	0.1	0.2	0.2	4.4	0.8	0.1	0.0	0.4	0.2	0.3	-0.1
Consumer	CMPY	7.6	8.4	8.7	9.2	9.5	9.6	9.8	9.3	8.3	8.5	8.2	8.0	8.3	8.1	8.5	7.2
Consumer	CCPY	7.6	7.8	7.9	8.1	8.2	8.4	8.5	8.6	8.3	8.4	8.3	8.2	8.3	8.2	8.3	8.2
Producer, in industry	PM	-0.6	0.0	0.2	-0.2	0.1	-0.1	0.3	0.0	1.3	1.0	0.2	-0.1	0.2	0.2	0.1	0.5
Producer, in industry	CMPY	7.8	8.2	8.2	8.0	8.0	8.0	8.7	8.6	4.4	2.3	2.1	2.2	3.0	3.2	3.1	3.7
Producer, in industry	CCPY	8.3	8.3	8.3	8.3	8.2	8.2	8.3	8.3	4.4	3.3	2.9	2.7	2.8	2.8	2.9	3.0
RETAIL TRADE²⁾																	
Turnover	real, CMPY	-6.3	-9.3	-7.6	-5.7	-5.8	-5.0	-3.3	-0.7	0.5	4.0	7.1	7.4	7.8	10.5	11.9	.
Turnover	real, CCPY	-5.4	-6.1	-6.3	-6.2	-6.2	-6.1	-5.8	-5.2	0.5	2.3	3.9	4.8	5.4	6.2	7.0	.
FOREIGN TRADE^{3,4)}																	
Exports total (fob) ⁵⁾ , cumulated	EUR mn	7382	9042	10706	12261	13985	15821	17641	19361	1500	3144	5005	7020	8974	10828	12496	.
Imports total (fob) ⁵⁾ , cumulated	EUR mn	7611	9278	11053	12594	14340	16234	18084	19926	1476	3104	5022	7071	9019	11060	12886	.
Trade balance ⁵⁾ , cumulated	EUR mn	-229	-236	-348	-333	-355	-413	-443	-565	25	40	-17	-52	-46	-232	-390	.
Exports to EU-15 (fob) ⁶⁾ , cumulated	EUR mn	4616	5603	6573	7476	8473	9614	10733	11742	1262	2651	4192	5908	7563	9110	.	.
Imports from EU-15 (fob) ⁶⁾ , cumulated	EUR mn	3839	4711	5661	6461	7357	8336	9286	10236	1055	2258	3695	5225	6642	8068	.	.
Trade balance with EU-15 ⁶⁾ , cumulated	EUR mn	776	892	912	1015	1117	1278	1447	1505	207	394	497	683	921	1042	.	.
FOREIGN FINANCE																	
Current account, cumulated ³⁾	EUR mn	-133	-182	-205	-154	-176	-176	-172	-248	55	103	131	98	-205	-415	-564	.
EXCHANGE RATE																	
SKK/USD, monthly average	nominal	35.6	35.5	36.7	37.5	37.1	35.3	35.2	33.6	32.3	32.1	32.9	33.4	33.5	32.9	32.5	32.9
SKK/EUR, monthly average	nominal	41.1	41.5	41.8	41.9	41.5	41.3	41.1	41.1	40.7	40.6	40.4	40.1	40.2	39.9	39.9	40.1
SKK/USD, calculated with CPI ⁷⁾	real, Jan00=100	75.1	74.7	77.4	78.5	77.6	73.6	73.1	69.5	64.3	63.8	65.8	67.1	67.3	66.2	65.1	66.0
SKK/USD, calculated with PPI ⁷⁾	real, Jan00=100	73.7	74.3	76.5	78.5	77.9	74.5	74.0	70.9	68.1	67.4	69.5	71.4	72.4	71.2	70.6	71.2
SKK/EUR, calculated with CPI ⁷⁾	real, Jan00=100	85.1	85.6	86.2	85.8	84.8	84.3	83.9	84.0	79.7	78.9	78.9	78.7	78.8	78.1	77.8	78.3
SKK/EUR, calculated with PPI ⁷⁾	real, Jan00=100	81.9	82.7	83.1	83.7	82.8	82.4	81.9	81.8	80.2	79.3	79.3	79.2	79.6	78.9	78.9	79.0
DOMESTIC FINANCE																	
M0, end of period	SKK bn	87.0	86.6	87.7	90.8	89.1	90.2	91.7	91.8	91.7	91.7	90.8	90.9	91.9	93.2	93.8	95.4
M1, end of period	SKK bn	244.8	248.7	251.9	256.2	256.9	258.7	264.4	276.9	261.2	265.5	258.9	260.8	268.0	279.2	279.7	282.8
M2, end of period	SKK bn	718.7	702.0	722.3	729.6	725.7	732.2	740.5	750.7	739.0	744.1	724.0	731.9	723.2	744.7	749.7	755.3
M2, end of period	CMPY	7.5	3.4	4.3	4.8	5.2	5.4	5.4	5.2	5.2	4.3	1.9	2.8	0.6	6.1	3.8	3.5
Discount rate (p.a.) ⁸⁾ , end of period ⁸⁾	%	6.50	6.50	6.50	6.50	6.25	6.25	6.25	6.00	6.00	6.00	5.50	5.00	5.00	4.50	4.50	4.50
Discount rate (p.a.) ^{8,9)} , end of period ^{8,9)}	real, %	-1.2	-1.6	-1.6	-1.4	-1.6	-1.6	-2.3	-2.4	1.6	3.7	3.3	2.8	2.0	1.8	1.4	0.7
BUDGET																	
Central gov. budget balance, cum.	SKK mn	-30580	-27619	-31190	-33104	-37675	-40396	-42779	-55997	-2658	-4424	1175	5723	-2270	-12455	-18551	-24786

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) From January 2004 new methodology effective from the 1st May 2004.

6) From January 2004 EU-25.

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

8) From January 2002 corresponding to the 2-week limit rate of NBS.

9) Deflated with annual PPI.

SLOVENIA: Selected monthly data on the economic situation 2003 to 2004

(updated end of Sept 2004)

		2003								2004								
		May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	
PRODUCTION																		
Industry, total	real, CMPY	-0.8	2.5	-0.8	-2.6	3.4	3.8	4.9	6.1	3.3	0.9	7.8	-0.9	12.0	11.0	3.0	.	
Industry, total	real, CCPY	-0.2	0.2	0.1	-0.2	0.2	0.6	1.0	1.4	3.3	2.1	4.2	2.9	4.7	5.8	5.4	.	
Industry, total	real, 3MMA	-0.3	0.2	-0.2	0.2	1.9	4.0	4.9	4.8	3.4	4.1	2.7	6.3	7.4	8.7	.	.	
Construction, total ¹⁾	real, CMPY	-1.1	4.1	3.6	0.9	1.7	-3.8	-6.2	2.7	10.6	14.6	3.1	-0.4	-10.2	-5.8	8.1	.	
LABOUR																		
Employment total	th. persons	779.3	780.4	774.8	774.0	776.5	778.5	779.1	774.7	773.8	775.6	777.7	779.8	781.4	783.7	782.7	.	.
Employees in industry	th. persons	242.4	242.5	241.4	241.0	241.3	242.0	242.3	240.4	239.4	239.5	240.1	240.0	240.1	.	.	.	.
Unemployment, end of period	th. persons	95.3	94.4	96.9	98.2	98.2	98.9	96.2	96.0	99.0	98.1	96.7	93.9	91.5	89.2	90.3	.	.
Unemployment rate ²⁾	%	10.9	10.8	11.1	11.3	11.2	11.3	11.0	11.0	11.3	11.2	11.1	10.7	10.5	10.2	10.3	.	.
Labour productivity, industry	CCPY	2.2	2.6	2.5	2.2	2.6	3.0	3.3	3.7	5.0	3.7	5.7	4.3	6.0	7.0	.	.	.
Unit labour costs, exch.r. adj.(EUR)	CCPY	1.7	1.5	1.6	1.8	1.5	1.2	0.9	0.4	-2.1	0.0	-0.5	0.5	-1.5	.	.	.	.
WAGES, SALARIES																		
Total economy, gross	th. SIT	249.3	248.2	250.9	251.5	253.8	257.2	270.3	277.6	258.2	254.8	261.4	260.2	259.5	262.7	264.3	.	.
Total economy, gross	real, CMPY	2.3	2.1	2.1	1.0	2.4	2.3	1.7	1.3	0.5	1.8	3.6	1.9	0.3	1.9	1.5	.	.
Total economy, gross	USD	1236	1242	1219	1194	1208	1278	1340	1438	1375	1356	1349	1314	1306	1334	1352	.	.
Total economy, gross	EUR	1070	1063	1072	1071	1080	1092	1145	1174	1090	1073	1099	1093	1088	1100	1103	.	.
Industry, gross	EUR	915	900	919	918	932	951	1006	1020	940	920	965	942	937	.	.	.	.
PRICES																		
Consumer	PM	0.5	0.3	0.5	-0.4	0.3	0.3	0.3	0.1	0.4	0.1	0.6	0.5	0.9	0.3	0.4	-0.5	.
Consumer	CMPY	5.5	6.0	6.0	5.5	5.0	4.8	5.1	4.6	4.0	3.6	3.5	3.5	3.8	3.9	3.8	3.7	.
Consumer	CCPY	5.9	6.0	6.0	5.9	5.8	5.7	5.6	5.5	4.0	3.8	3.7	3.6	3.7	3.7	3.7	3.7	.
Producer, in industry	PM	0.5	0.1	0.0	0.0	0.2	0.2	0.2	0.6	0.4	1.0	0.3	0.6	0.7	0.1	0.3	0.2	.
Producer, in industry	CMPY	2.8	2.7	2.5	2.3	2.5	2.3	2.1	2.1	2.3	3.5	3.8	4.0	4.2	4.2	4.6	4.7	.
Producer, in industry	CCPY	2.8	2.8	2.8	2.7	2.7	2.6	2.6	2.5	2.3	2.9	3.2	3.4	3.6	3.7	3.8	3.9	.
RETAIL TRADE³⁾																		
Turnover	real, CMPY	6.5	6.2	4.1	0.8	7.4	5.1	-0.5	5.3	4.4	1.6	8.7	6.0	3.4	7.5	.	.	.
Turnover	real, CCPY	5.5	5.6	5.4	4.8	5.1	5.1	4.6	4.7	4.4	3.0	5.0	5.3	4.9	5.4	.	.	.
FOREIGN TRADE⁴⁾																		
Exports total (fob), cumulated	EUR mn	4648	5592	6598	7299	8363	9453	10430	11288	862	1828	2971	4028	5041	6117	7210	.	.
Imports total (cif), cumulated	EUR mn	5088	6078	7132	7920	9006	10125	11194	12242	883	1918	3171	4424	5586	6736	7873	.	.
Trade balance total, cumulated	EUR mn	-440	-486	-534	-621	-643	-673	-765	-954	-22	-90	-200	-396	-545	-619	-662	.	.
Exports to EU-15 (fob) ⁵⁾ , cumulated	EUR mn	2838	3384	3951	4310	4924	5548	6112	6579	613	1276	2062	2738	3424	4129	4826	.	.
Imports from EU-15 (cif) ⁵⁾ , cumulated	EUR mn	3415	4093	4827	5331	6050	6809	7530	8229	662	1440	2385	3269	4238	5194	6137	.	.
Trade balance with EU-15 ⁵⁾ , cumulated	EUR mn	-577	-710	-876	-1021	-1126	-1261	-1418	-1650	-49	-165	-323	-531	-815	-1065	-1311	.	.
FOREIGN FINANCE																		
Current account, cumulated	EUR mn	-80	-56	-34	-34	61	139	129	17	81	108	46	-25	-172	-38	.	.	.
EXCHANGE RATE																		
SIT/USD, monthly average	nominal	201.7	199.8	205.8	210.7	210.1	201.2	201.7	193.0	187.8	187.9	193.8	198.1	198.7	196.9	195.5	197.0	.
SIT/EUR, monthly average	nominal	233.0	233.5	234.1	234.7	235.0	235.5	236.0	236.5	237.0	237.4	237.8	238.2	238.5	238.8	239.7	239.8	.
SIT/USD, calculated with CPI ⁷⁾	real, Jan00=100	87.7	86.7	88.9	91.7	91.5	87.3	87.0	83.0	80.9	81.3	83.9	85.7	85.6	84.9	83.8	84.9	.
SIT/USD, calculated with PPI ⁷⁾	real, Jan00=100	90.0	89.9	92.4	94.8	94.8	91.1	90.9	86.8	85.2	84.9	87.9	90.3	91.2	90.6	90.0	90.5	.
SIT/EUR, calculated with CPI ⁷⁾	real, Jan00=100	99.4	99.3	99.1	99.9	100.1	100.1	100.1	100.5	100.2	100.6	100.7	100.7	100.4	100.2	100.1	100.7	.
SIT/EUR, calculated with PPI ⁷⁾	real, Jan00=100	100.1	100.1	100.4	100.8	100.7	100.8	100.9	100.4	100.5	99.9	100.3	100.4	100.3	100.4	100.6	100.5	.
DOMESTIC FINANCE																		
M0, end of period	SIT bn	150.2	153.3	147.3	152.7	151.2	154.6	155.4	156.0	152.9	153.3	152.6	156.9	162.5	163.3	.	.	.
M1, end of period ⁸⁾	SIT bn	719.7	774.6	755.3	753.6	769.0	759.4	768.8	797.2	782.3	787.4	795.8	817.1	852.9	883.9	890.8	894.1	.
Broad money, end of period ⁸⁾	SIT bn	3623.2	3679.2	3717.4	3716.0	3720.7	3762.3	3777.7	3778.0	3784.6	3792.6	3791.9	3827.1	3826.9	3855.3	3882.1	3873.8	.
Broad money, end of period ⁹⁾	CMPY	13.1	15.5	15.0	14.3	9.8	10.8	6.0	4.9	6.2	5.9	6.0	6.3	5.6	4.8	4.4	4.2	.
Discount rate (p.a.), end of period ⁹⁾	%	6.50	5.50	5.50	5.50	5.50	5.25	5.00	5.00	4.75	4.50	4.50	4.25	4.00	3.50	3.00	3.00	.
Discount rate (p.a.), end of period ¹⁰⁾	real, %	3.6	2.7	2.9	3.1	2.9	2.9	2.8	2.8	2.4	1.0	0.7	0.2	-0.2	-0.7	-1.5	-1.6	.
BUDGET																		
General gov. budget balance, cum.	SIT bn	-27.6	-56.3	-51.6	-64.5	-49.3	-46.4	-72.7	-78.5	4.8	-9.8	-2.5	9.8	-11.9	-45.7	.	.	.

1) Effective working hours, from 2004 construction put in place of enterprises with 20 (up to this time 10) and more persons employed.

2) Ratio of unemployed to the economically active.

3) According to NACE (52 - retail trade, 50 - repair of motor vehicles), excluding turnover tax.

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

5) Cumulation starting January and ending December each year.

6) From January 2004 EU-25.

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

8) According to ECB monetary standards.

9) Main refinancing rate.

10) Deflated with annual PPI.

U K R A I N E: Selected monthly data on the economic situation 2003 to 2004

(updated end of Sept 2004)

		2003								2004							
		May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
PRODUCTION																	
Industry, total ¹⁾	real, CMPY	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.
Industry, total	real, CCPY	11.9	12.6	14.0	14.7	15.3	15.7	15.6	15.8	16.1	18.2	18.8	17.7	16.9	15.9	14.7	14.4
Industry, total ¹⁾	real, 3MMA	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.
LABOUR																	
Unemployment, end of period	th. persons	1057.8	1012.7	996.1	982.8	961.8	938.6	949.9	988.9	1003.6	1045.4	1061.2	1044.6	1005.8	962.5	945.0	925.6
Unemployment rate ²⁾	%	3.9	3.7	3.6	3.6	3.5	3.4	3.5	3.6	3.7	3.8	3.9	3.8	3.7	3.5	3.4	3.4
WAGES, SALARIES ¹⁾																	
Total economy, gross	UAH	439.3	476.2	489.5	479.2	498.3	498.3	489.5	550.9	499.7	510.1	545.1	547.9	555.0	601.5	608.0	604.2
Total economy, gross	real, CMPY	17.8	19.1	14.5	16.1	19.9	17.3	14.4	14.9	15.3	21.4	23.0	21.6	17.6	16.9	14.9	14.7
Total economy, gross	USD	82	89	92	90	93	93	92	103	94	96	102	103	104	113	114	114
Total economy, gross	EUR	72	76	81	81	83	80	78	84	74	76	84	86	87	93	93	93
Industry, gross	EUR	94	.	.	.	.	.	.	.	97	97	108	110	111	114	.	.
PRICES																	
Consumer	PM	0.0	0.1	-0.1	-1.7	0.6	1.3	1.9	1.5	1.4	0.4	0.4	0.7	0.7	0.7	0.0	-0.1
Consumer	CMPY	3.9	5.9	7.4	5.8	6.2	6.9	8.1	8.2	8.1	7.4	6.6	6.6	7.4	8.0	8.1	9.9
Consumer	CCPY	2.8	3.3	3.9	4.1	4.4	4.6	4.9	5.2	8.1	7.8	7.4	7.2	7.2	7.4	7.5	7.8
Producer, in industry	PM	0.3	0.0	1.0	1.0	0.9	0.7	1.5	1.7	1.6	2.9	2.2	3.3	2.1	1.5	0.1	1.6
Producer, in industry	CMPY	7.6	5.3	5.3	6.8	7.4	8.0	9.4	11.2	12.4	14.9	15.0	18.4	20.6	22.4	21.3	22.0
Producer, in industry	CCPY	8.0	7.5	7.2	7.1	7.2	7.3	7.5	7.8	12.4	13.7	14.1	15.2	16.3	17.3	17.9	18.4
RETAIL TRADE																	
Turnover ³⁾	real, CCPY	13.9	15.3	16.9	17.2	18.2	18.8	18.9	21.0	19.1	21.5	24.3	22.9	22.3	21.4	21.0	20.5
FOREIGN TRADE⁴⁾⁵⁾																	
Exports total (fob), cumulated	EUR mn	7809	9330	11143	12877	14692	16585	18430	20408	1686	3543	5736	8209	10438	12660	14902	.
Imports total (cif), cumulated	EUR mn	7392	8928	10732	12513	14354	16311	18131	20356	1374	3059	5051	6961	8702	10695	12814	.
Trade balance, cumulated	EUR mn	417	402	411	364	338	274	299	52	312	484	685	1248	1736	1964	2088	.
FOREIGN FINANCE																	
Current account, cumulated ⁶⁾	EUR mn	.	1642	.	.	2237	.	.	2559	.	.	1335	.	.	.	.	.
EXCHANGE RATE																	
UAH/USD, monthly average	nominal	5.333	5.333	5.332	5.332	5.332	5.332	5.332	5.332	5.331	5.331	5.330	5.329	5.327	5.322	5.318	5.314
UAH/EUR, monthly average	nominal	6.125	6.225	6.066	5.951	5.968	6.238	6.239	6.541	6.725	6.735	6.526	6.405	6.383	6.456	6.524	6.469
UAH/USD, calculated with CPI ⁷⁾	real, Jan00=100	81.4	81.4	81.6	83.3	83.1	81.9	80.2	78.9	78.2	78.3	78.5	78.2	78.0	77.7	77.5	77.5
UAH/USD, calculated with PPI ⁷⁾	real, Jan00=100	81.3	82.2	81.1	80.5	80.1	80.0	78.6	77.6	77.4	75.6	74.5	72.8	72.4	71.5	71.6	70.4
UAH/EUR, calculated with CPI ⁷⁾	real, Jan00=100	92.0	93.4	91.1	91.1	91.1	94.1	92.4	95.7	97.0	97.0	94.1	92.1	91.5	91.9	92.9	92.2
UAH/EUR, calculated with PPI ⁷⁾	real, Jan00=100	90.1	91.4	88.2	85.9	85.3	88.6	87.4	90.0	91.3	89.1	85.0	81.1	79.6	79.3	80.2	78.3
DOMESTIC FINANCE																	
M0, end of period	UAH mn	27879	29375	30080	31072	30862	31549	31318	33119	31501	32672	33580	35836	35810	36890	39244	40563
M1, end of period	UAH mn	43447	46815	47276	48315	50293	49341	49467	53129	49792	51387	54970	56750	57873	60814	62488	64884
Broad money, end of period	UAH mn	73977	79034	80786	83048	86495	86856	88295	95043	92643	96050	101151	105104	109435	113961	117130	121476
Broad money, end of period	CMPY	51.6	54.4	49.8	47.5	49.8	48.0	48.2	47.3	47.4	47.9	45.1	45.0	47.9	44.2	45.0	46.3
Refinancing rate (p.a.) ^{end of period}	%	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.5	7.5	7.5
Refinancing rate (p.a.) ^{end of period⁸⁾}	real, %	-0.6	1.6	1.6	0.2	-0.4	-0.9	-2.2	-3.8	-4.8	-6.9	-7.0	-9.7	-11.3	-12.2	-11.4	-11.9
BUDGET																	
General gov. budget balance, cum.	UAH mn	3375.2	2500.9	2889.3	4028.2	3991.5	3636.2	4111.6	-489.9	1614.7	1814.9	1203.7	660.5	1488.6	600.7	819.9	.

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 less than 100 mean real appreciation.

8) Deflated with annual PPI.

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