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Bulgaria: from campaign rhetoric to post-election *realpolitik*

BY ANTON MIHAILOV

The economic downturn in Bulgaria continued and the recession deepened in the second quarter of 2009, with quarterly GDP dipping by almost 5% year-on-year (from 3.5% in the first quarter). There are tentative indications that the dip continued in the third quarter as well but the decline is probably losing some momentum. In any case, there are no signs that the recession could be over by the end of the year.

The downturn has been accompanied by a major macroeconomic adjustment away from the previous pattern of domestically driven economic growth. The clearest evidence of this adjustment has been the dramatic reduction in the trade and current account deficits which dropped in nominal terms by 42% and 48% year-on-year, respectively, in the first six months of 2009. Reflecting the plunging deficits, net exports continued to make a positive contribution to GDP growth for the second consecutive quarter which increased from 8.3% in the first quarter to 12.2% in the second quarter. However, net experts were about the only demand-side macro aggregate that contributed positively to GDP growth: apart from this, it was only collective consumption that made a small positive growth contribution in the first half of the year, reflecting the massive countercyclical measures implemented by the outgoing government in this period. At the same time, both private consumption and private investment continued to report hefty negative growth.

While the situation in the labor market kept deteriorating through the year, the increase in unemployment has been lagging significantly behind the drop in output, especially when measured by the Labour Force Survey (LFS). Part of the explanation could probably be attributed to the anti-crisis programme in support of the labour market adopted in late 2008/early 2009. However, another part of the story could also be associated with an increasing shift – instigated by both employers and workers – towards the informal labour market. The increasing discrepancy between officially registered unemployment and LFS measures in 2009 (this discrepancy had all but vanished in previous years) seems to support this conjecture.

While the recession has not subsided, public attention in the summer period was largely diverted towards the general elections held in July and the subsequent change in government. The relative political newcomer Boyko Borisov (former mayor of Sofia) and his newly formed centre-right party GERB won a landslide victory at these elections, albeit a little short of an absolute majority in parliament. GERB then went on to take the risk of forming a minority government, enjoying – at least for the time being – a comfortable margin of support from other parties on the right and centre-right. The former ruling triple coalition led by the Socialist Party suffered a humiliating defeat (one of the three parties did not even make it to the new parliament), which is mostly attributed to the wave of public frustration with the failure – and perceived unwillingness – of the previous government to fight corruption.

Now GERB is facing the much more challenging task of delivering on their pre-election pledges. Having won largely on an anti-corruption ticket and the charisma of their leader, the new government concentrated a great share of their first efforts on uncovering wrong-doings by the previous government and raising the transparency of public policy-making. Several high-profile judicial enquiries have already been initiated to this effect. Largely thanks to these steps, GERB still enjoys overwhelming public support.

On the economic front, GERB did not come up with a coherent policy vision in the pre-election phase. The campaign rhetoric included some dispersed radical ideas for immediate action such as a precautionary agreement with the IMF, slashing the social security payroll taxes by 5 percentage points, on-line linking of the customs information system with that of the treasury to eliminate the possibility of fraud, etc. However, after taking over, GERB has not yet applied any of these measures. The idea of an IMF agreement has been put on hold as something to be possibly considered some time in the future; the linking of information systems apparently is associated with serious technical problems which will take time to fix; and the slashing of payroll taxes has been watered down to a proposal (due to be considered in the context of the 2010 budget) for a possible reduction by 2 percentage points in 2010, which is conditional on the actual fiscal situation.

At the same time, the new government engaged in an effort to cut down public expenditure as the consolidated government balance had turned into the red by July, reflecting lavish countercyclical spending – and probably some pre-election excesses – by the former triple coalition. The spending cuts affected a number of public investment projects initiated by the previous government, with the declared objective to end 2009 with a balanced budget and to make the public administration more efficient (the latter involves the planned 15% reduction in the number of public servants, due to enter into effect in 2010).

In mid-September, GERB came up with its own short-term anti-crisis programme for the period until April 2010. The programme is an eclectic mix of policies that are already in place, some measures that have already been initiated (including those mentioned above) and steps that are envisaged in the short run, most of which are so far formulated only as ideas. To a large extent, it is a continuation of the anti-crisis programme of the previous triple coalition – however, with less ambitious public investment objectives. Some of the envisaged new steps will probably be worked out in more detail in the process of drafting the 2010 budget. The government also announced that Bulgaria would seek to join ERM-2 by the end of the year, which will probably be subject to difficult negotiations with the European Central Bank.

The policy of slashing public investment for the sake of balancing the budget is however of questionable merit as the large-scale public investment programme was one of the policy instruments that helped mitigate to some extent the negative effects of the crisis in the first half of the year. Moreover, one important rationale for the accumulation of a fiscal reserve in previous years was exactly to be in a position to use part of this reserve for countercyclical measures during a downturn as the current one. So it remains to be seen whether the future outcomes will justify this policy change.

The short-term outlook for the Bulgarian economy remains bleak and it is increasingly likely that the recession could extend into next year. Much will of course depend on when and how Europe as a whole will turn the corner. Given the lags in labour adjustment, unemployment can be expected to rise further in 2010. On the other hand, inflationary pressures have largely subsided and actually deflation is more likely in the short run, especially as regards producer prices. The current account deficit should also remain much below the highs seen in the last couple of years.

Table BG

Bulgaria: Selected Economic Indicators

	2005	2006	2007	2008 1)	2008 January-June	2009 January-June	2009 Forecast	2010 Forecast	2011 Forecast
Population, th pers., average	7739.9	7699.0	7659.8	7623.4	.	.	.	.	.
Gross domestic product, BGN mn, nom. 2)	42797.4	49361.0	56519.8	66728.1	29427.8	30282.7	65300	66000	70000
annual change in % (real) 2)	6.2	6.3	6.2	6.0	7.1	-4.2	-4	-1	3
GDP/capita (EUR at exchange rate)	2800	3300	3800	4500			.	.	.
GDP/capita (EUR at PPP)	7800	8600	9300	10100			.	.	.
Consumption of households, BGN mn, nom. 2)	29841.5	34554.3	38826.5	45200.7	21085.1	20639.7	.	.	.
annual change in % (real) 2)	6.1	9.5	5.3	4.9	6.0	-6.0	-4	0	3
Gross fixed capital form., BGN mn, nom. 2)	10346.5	12805.2	16832.5	22253.9	9647.9	8383.8	.	.	.
annual change in % (real) 2)	23.3	14.7	21.7	20.4	22.7	-15.3	-15	-5	6
Gross industrial production 3)4)									
annual change in % (real)	6.7	5.9	9.2	0.8	4.6	-19.0	-16	0	6
Gross agricultural production									
annual change in % (real)	-6.0	-0.1	-21.0	32.4	.	.	.	.	.
Construction industry (build.& civil engin.) 4)5)									
annual change in % (real)	31.8	13.5	20.0	11.9	-1.6	-8.6	.	.	.
Employed persons - LFS, th, average	2981.9	3110.0	3252.6	3360.7	3331.0	3281.5	3240	.	.
annual change in %	2.0	4.3	4.6	3.3	4.3	-1.5	-3.6	.	.
Unemployed persons - LFS, th, average	334.4	305.7	240.2	199.7	218.0	222.4	250	.	.
Unemployment rate - LFS, in %, average	10.1	9.0	6.9	5.6	6.1	6.3	7.2	8.5	8
Reg. unemployment rate, in %, end of period	10.7	9.1	6.9	6.3	6.0	7.3			
Average gross monthly wages, BGN	323.7	360.3	431.2	524.5	497.1	575.4	.	.	.
annual change in % (real, gross)	5.4	3.7	10.4	8.3	10.2	10.2	.	.	.
Consumer prices (HICP), % p.a.	6.0	7.4	7.6	12.0	13.2	4.1	2	2	3
Producer prices in industry, % p.a. 4)	7.9	12.1	8.4	10.6	13.4	-5.0	-6	.	.
General governm.budget, EU-def., % GDP 6)									
Revenues	41.2	39.5	41.5	39.0	.	.	.	.	.
Expenditures	39.3	36.5	41.5	37.4	.	.	.	.	.
Net lending (+) / net borrowing (-)	1.9	3.0	0.1	1.5	.	.	-2.0	-1.0	-1.0
Public debt, EU-def., in % of GDP 6)	29.2	22.7	18.2	14.1	15.6	14.9	.	.	.
Base rate of NB % p.a., end of period 7)	2.1	3.3	4.6	5.8	5.0	2.4	.	.	.
Current account, EUR mn	-2705.7	-4647.8	-7274.0	-8653.1	-4401.2	-2552.3	-4400	-4400	-4300
Current account in % of GDP	-12.4	-18.4	-25.2	-25.4	-24.2	-16.5	-13	-13	-12
Exports of goods, BOP, EUR mn	9466.3	12011.9	13511.9	15203.8	7747.5	5409.0	11000	11000	12000
annual growth rate in %	18.6	26.9	12.5	12.5	24.1	-30.2	-28	0	9
Imports of goods, BOP, EUR mn	13876.1	17574.1	20757.2	23801.1	11994.7	7803.6	16000	16000	17000
annual growth rate in %	26.9	26.7	18.1	14.7	27.6	-34.9	-33	0	6
Exports of services, BOP, EUR mn	3564.1	4186.8	4744.6	5369.0	2239.0	2091.2	4300	4300	4600
annual growth rate in %	9.3	17.5	13.3	13.2	15.0	-6.6	-20	0	7
Imports of services, BOP, EUR mn	2745.2	3263.8	3989.3	4597.8	2259.8	1936.1	3900	3900	4100
annual growth rate in %	5.3	18.9	22.2	15.3	23.6	-14.3	-15	0	5
FDI inflow, EUR mn	3152.1	6221.6	8595.8	6549.0	3229.9	1534.7	3200	3200	3200
FDI outflow, EUR mn	249.1	140.9	206.2	485.3	475.7	46.1	.	.	.
Gross reserves of NB excl. gold, EUR mn	6813.9	8309.1	11215.9	11927.6	12484.1	11038.3	.	.	.
Gross external debt, EUR mn	15506.9	20690.9	28988.8	36973.8	33569.5	36657.0	.	.	.
Gross external debt in % of GDP	70.9	82.0	100.3	108.4	98.4	109.8	.	.	.
Average exchange rate BGN/EUR	1.956	1.956	1.956	1.956	1.956	1.956	1.956	1.956	1.956
Purchasing power parity BGN/EUR	0.715	0.743	0.791	0.865	.	.	.	.	.

1) Preliminary . - 2) According to ESA'95 (FISIM adjusted and real change based on previous year prices). - 3) Enterprises with more than 10 employees. - 4) Quarterly data and forecasts according to NACE Rev. 2. - 5) Enterprises with more than 5 employees. - 6) According to ESA'95, excessive deficit procedure. - 7) The BNB basic interest rate is not a policy rate but a monthly reference rate computed by the BNB as the average interbank LEONIA rate of previous month (valid from 2005).

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

The Czech Republic: bottoming out likely

BY LEON PODKAMINER

The GDP decline in the first quarter of 2009 turned out to be much stronger than earlier reported (4.5% year-on-year, instead of 3.3%). The estimate for the second quarter (5.5% decline) is also provisional and likely to be subject to corrections. Taking the currently announced GDP growth rates at face value, one is led to conclude that the recession is deepening. However, this conclusion must be qualified because more detailed data and information about the current state of the economy give substance to some (admittedly muted) optimism.

The decline in GDP has not given rise to a decline in consumption. Household final consumption continues to rise (in real terms by 1.8% in the first quarter of 2009, followed by 1.4% in the second). The resilience of household consumption in the face of the rather anaemic growth in wages and other incomes and the growing (albeit slowly) number of unemployed is indicative of falling saving propensity. The propensity to save out of the aggregate disposable income of the household sector fell by some 5-7% in the first half of the year. This still leaves the Czech household sector with an average saving propensity that is very high in comparison to most other EU countries. Household consumption has been further strengthened by the ongoing fast and rather unforeseen disinflation (inflation is now expected to hover slightly above zero during the second half of 2009). The relatively low level of household debt is yet another factor behind the rather encouraging private consumption outlook. That outlook is confirmed by the consumer confidence indicator, on the rise since March 2009. Positive attitudes to consumption may have been also strengthened by the government spending policy aimed at limiting the damage wrought by declining exports and gross capital formation. In the first quarter of 2009 government consumption rose as much as 4.4% in real terms, followed by a further 2.6% in the second quarter (probably related to the EU presidency). Even in purely arithmetic terms government consumption contributed 0.7 percentage points (p.p.) to the growth rate recorded in the first quarter, followed by some 0.5 p.p. in the second. The contributions of household consumption have not been much bigger (0.9 p.p. and 0.8 p.p. respectively).

Unlike elsewhere in most of the new EU member states, exports of goods and non-factor services have not fallen more strongly in real terms than their imports, at least so far. This is not unusual because the Czech Republic has been unique in showing a consistently positive balance of trade (i.e. exports by far greater than imports). Under recession in the main trading partners, the trade-surplus countries are likely to suffer more than the endemic trade-deficit countries. On the same principle, the export-led economies benefited more from fast growth in their trading partners than the import-fed countries. The Czech Republic is no exception in this respect. Its exports to the main ailing partners (primarily in the euro area) have been hit hard. In real terms exports of goods and non-factor services contracted by over 19% in the first quarter of 2009, followed by another fall of close to 18% in the second quarter. Imports fell by slightly over 18% and close to 18% respectively. Overall, the external trade contributed negatively to the GDP growth in the first and second quarters of 2009. But the scale of these contributions has been declining rapidly: from minus 1.9 p.p. in the first quarter to minus 0.9 in the second. Unfortunately, further improvements in trade (resulting in trade eventually making positive contributions to GDP growth) do not seem very likely. Exports and manufacturing production (the movements in both items are highly correlated) have been rather stagnant for a couple of months now. Unless recession eases in the main export destination countries, the situation on the export (and industrial production) fronts will not improve radically. Of course, the year-on-year indicators for manufacturing production, sales and exports are expected to improve somewhat in the second half of 2009. But this will be a purely arithmetic effect reflecting the fact that all these items started to decline strongly only in the second half of 2008.

On the import side one cannot count with radical improvements (i.e. much faster cuts) either. Such cuts in imports would perhaps follow if the Czech koruna stopped appreciating in nominal terms. The current appreciation trend which started in May 2009[1] does not show any sign of bending towards depreciation. Rather, it is likely to continue. Given the already very low levels of interest rates administered by the Czech National Bank (and very low levels of interest rates at which the Czech commercial banks finance themselves domestically) the policy is unable to weaken the appreciation trend to any perceptible degree (even if the policy makers desired that eventuality). All in all, even if the external trade continues to make healthy surpluses, and thereby helps to keep current account deficits low, it may not be expected to have much of a direct impact on GDP growth itself.

The national account data show quite substantial rates of decline in gross fixed capital formation. However, these rates of decline (7.5% in the first quarter, followed by 7.2% in the second) are not particularly frightening, given the circumstances. Quite possibly, the fall in corporate sector investment in fixed assets has been more pronounced – while government investment in infrastructure (partly financed out of EU transfers) is correspondingly high. The impact of falling fixed investment on GDP growth was of course negative, yet not excessive (at about minus 1.7 p.p. each in the first and the second quarters of 2009).

The main recessionary impact which determined the final scale of the GDP decline has come from the item that is exceptionally difficult to predict, namely, the change in inventories.[2] The decline in inventories had been in the cards well before the outbreak of the crisis. No doubt the crisis has made the downsizing of inventories even more urgently necessary. The adjustments made in the first quarter of 2009 lowered the recorded GDP growth rate by 2.4 p.p. This was followed by a massive negative contribution of 4.2 p.p. in the second quarter. Without the downsizing of the inventories, the Czech recession would have been quite moderate, with GDP declining by about 2.1% in the first quarter and by a mere 1.3% in the second quarter of 2009.

The levels of risks facing the Czech banking system continue to remain very low – generally much lower than elsewhere, and not yet any worse than reported a year earlier (this is being forcefully claimed by the CNB). A gradual rise in the default rates on bank loans is expected, but the domestic financial system should be capable of withstanding eventual shocks even if things go worse than is reasonable to expect. This is not to say that there are no problems. The role of banks in financing the economy is reduced, also due to the tightening lending standards and interest rates on their loans which do not really follow the cuts in the rates administered by the CNB. (Also, the money market rates as well as the yields on Czech treasury bonds are radically lower than the rates charged on banks' non-financial customers.) But it would be inappropriate to put the blame for the stagnation of lending exclusively on the banks' policies. The business sector's demand for loans continues to be fairly low – as is only natural given the slack in demand for 'real' goods and services.

The rate of GDP decline in 2009 is likely to range between 3% and 4%. This forecast assumes a continuation of the trends revealed in the first half of 2009 with respect to private and government

1 As most other floating NMS currencies, the Czech koruna went through a period of weakness that culminated in February 2009. That weakness followed the peak strength attained by the CZK (and other regional currencies) in July 2008. Both instances (excessive strength and then excessive weakness) are attributed to the rapidly changing sentiments of international investors seeking – variously – high returns and high safety. The current CZK/EUR exchange rate is still far off the levels of July 2008.

2 Gross capital formation, the sum of gross fixed investment and the change in inventories, declined by 16.5% in the first quarter of 2009, followed by another 22% in the second quarter. Needless to say, change in inventories are especially vulnerable to subsequent revisions.

consumption, gross fixed capital formation and foreign trade. However, the negative contribution of falling inventories is expected to be much reduced: it is assumed that the bulk of necessary adjustments in inventories have already been made.

The overall, if still muted, recovery generally expected for the euro area in 2010 should help to stop the decline in the Czech Republic as well. Until recently it has been quite reasonable to estimate the Czech GDP growth rate at up to 1% in 2010. Right now that estimate may look overly optimistic. The reason for such a change in the outlook for 2010 is that the lower chamber of the Parliament has just (September) passed the budget for 2010. The budget, worked out by the caretaker government of Mr. Fischer, puts an end to the policy of fiscal relaxation followed under the previous cabinet of Mr. Topolanek. The budget for 2010 stipulates the freezing of pensions, lower unemployment benefits, cuts in salaries of public sector employees, and VAT rates rising by 1 percentage point. The government promises to end the year 2010 with a public sector deficit accounting for 5.2% of GDP. The purposefulness of the intended fiscal austerity is not clear at all.[3] Unless there is a miraculous change from the current bust to a boom, the real economy will still need more, not less fiscal stimulation in 2010. And the Czech state is uniquely well equipped to afford extending such stimulation. Inflation is low – deflation is a bigger threat. There are no problems with floatation of relatively low-yield Czech treasury paper on the market. The public debt (currently at less than 35% of GDP) is very low and the costs of its servicing are certainly not excessive. All in all, the fiscal policy for 2010, if really implemented, is likely to lower the otherwise achievable GDP growth rate by an estimated 0.5 percentage points.

[3] However, without it, the deficit would be 7% of GDP – very high according to Czech standards.

Table CZ

Czech Republic: Selected Economic Indicators

	2005	2006	2007	2008 1)	2008	2009	2009	2010	2011
					January-June			Forecast	
Population, th pers., average	10235.8	10269.1	10334.2	10424.3	.	.	10500	10550	10600
Gross domestic product, CZK bn, nom. 2)	2983.9	3222.4	3535.5	3689.0	1815.6	1787.4	3600	3690	3900
annual change in % (real) 2)	6.3	6.8	6.1	2.5	3.5	-5.1	-3.5	0.5	3
GDP/capita (EUR at exchange rate)	9800	11100	12300	14200	.	.	.	.	.
GDP/capita (EUR at PPP)	17100	18300	20000	20100	.	.	.	.	.
Consumption of households, CZK bn, nom. 2)	1442.7	1537.2	1658.8	1812.3	875.5	898.2	.	.	
annual change in % (real) 2)	2.5	5.1	4.8	3.6	3.5	1.6	1.5	2.5	3
Gross fixed capital form., CZK bn, nom. 2)	741.9	796.3	890.3	888.3	427.5	409.1	.	.	.
annual change in % (real) 2)	1.8	6.0	10.8	-1.5	-0.1	-7.4	-8	0	4
Gross industrial production 3)4)									
annual change in % (real)	6.7	11.1	9.0	0.4	5.8	-18.9	-12	1	4
Gross agricultural production									
annual change in % (real)	-2.0	-4.2	3.1	6.9	.	.	.	.	.
Construction industry (build.& civil engin.) 3)4)									
annual change in % (real)	2.4	6.6	5.8	0.1	0.6	-4.8	.	.	.
Employed persons - LFS, th, average	4764.0	4828.1	4922.0	5002.5	4980.9	4944.1	.	.	.
annual change in %	1.2	1.3	1.9	1.6	1.9	-0.7	-1	-1	0.5
Unemployed persons - LFS, th, average	410.2	371.7	276.6	229.8	232.3	318.4	.	.	.
Unemployment rate - LFS, in %, average	7.9	7.1	5.3	4.4	4.5	6.1	7	8	8
Reg. unemployment rate, in %, end of period	8.9	7.7	6.0	6.0	5.0	8.0	.	.	.
Average gross monthly wages, CZK 5)	18992	20219	21694	23542	22009	22605	.	.	.
annual change in % (real, gross) 4)	3.3	3.9	4.4	2.1	1.7	0.9	1	2	3
Consumer prices (HICP), % p.a.	1.6	2.1	2.9	6.3	7.1	1.2	1.0	2.0	2.5
Producer prices in industry, % p.a. 4)	1.4	0.1	2.6	0.0	0.5	0.4	.	.	.
General governm. budget, EU-def., % GDP 6)									
Revenues	41.4	41.2	42.0	40.9	.	.	37.5	36.5	.
Expenditures	45.0	43.8	42.6	42.4	.	.	42.5	42.5	.
Net lending (+) / net borrowing (-)	-3.6	-2.6	-0.6	-1.4	.	.	-5.0	-6.0	-5.0
Public debt, EU-def., in % of GDP 6)	29.8	29.6	28.9	29.8	.	.	35.0	40.0	.
Discount rate of NB, % p.a., end of period	1.0	1.5	2.5	1.25	2.75	0.5	0.5	1	2.5
Current account, EUR mn	-1346	-2924	-4024	-4610	-1066	-247	-1500	-2000	-3000
Current account in % of GDP	-1.3	-2.6	-3.2	-3.1	-1.5	-0.4	-1.1	-1.4	-2.0
Exports of goods, BOP, EUR mn	62781	75706	89379	98824	51462	38692	84000	90000	97000
annual growth rate in %	16.1	20.6	18.1	10.6	19.1	-24.8	-15	7	8
Imports of goods, BOP, EUR mn	60797	73415	85038	94677	48187	35314	78000	83000	88000
annual growth rate in %	11.5	20.8	15.8	11.3	18.6	-26.7	-18	7	6
Exports of services, BOP, EUR mn	9491	11086	12493	15133	7358	7061	14500	.	.
annual growth rate in %	22.3	16.8	12.7	21.1	29.3	-4.0	-4	.	.
Imports of services, BOP, EUR mn	8254	9449	10459	11847	5595	5932	12700	.	.
annual growth rate in %	13.9	14.5	10.7	13.3	17.7	6.0	7	.	.
FDI inflow, EUR mn	9354	4363	7667	7356	3527	1709	.	.	.
FDI outflow, EUR mn	-12	1172	1187	1299	544	1291	.	.	.
Gross reserves of NB excl. gold, EUR mn	24868	23684	23456	26377	23910	26921	27000	.	.
Gross external debt, EUR mn	39379	43415	51642	57778	62134	56655	56000	.	.
Gross external debt in % of GDP	38.3	37.0	38.9	42.1	45.1	41.6	43	42	42
Average exchange rate CZK/EUR	29.78	28.34	27.77	24.95	25.19	27.15	26.5	26.0	25.5
Purchasing power parity CZK/EUR	17.09	17.12	17.13	17.61	.	.	.	.	.

1) Preliminary. - 2) According to ESA'95 (FISIM adjusted and real change based on previous year prices). - 3) Enterprises with more than 20 employees. - 4) Quarterly data and forecasts according to NACE Rev. 2. - 5) Enterprises with more than 20 employees, including part of the Ministry of Defence and the Ministry of the Interior. Quarterly data refer to full-time equivalent and improved survey. - 6) According to ESA'95, excessive deficit procedure.

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

Hungary: external financing secured, economy in deep recession

BY SÁNDOR RICHTER

In autumn 2009 Hungary's economy is in substantially better shape than it was at the beginning of the year. International financial investors' confidence has recovered, the national currency is much stronger than in early 2009, external financing needs have been remarkably reduced. In the real economy, however, there are hardly any good news as yet; the recession deepened in the second quarter.

Coupled with the easing tensions in the global financial system, Hungary's five-year CDS spread/premium fell to 220 basis points by mid-September, against 650 basis points in spring this year and 600 in October 2008. After a cautious introductory phase the Hungarian government successfully returned to the bond market. With regard to the lively demand for HUF-denominated Hungarian securities, yields have been falling rapidly. By mid-September yields dropped, for all maturities, below 8% (in October 2008 and March 2009 they had been in the range of 12-13%). With these changes the dependence on the IMF stand-by credit has substantially diminished. The agreement itself has been prolonged from March to October 2010.

This improvement reflects not only the changing international environment but also a few important positive changes in fundamental data of the Hungarian economy. The record export surplus and a smaller than usual deficit in the income balance resulted in a nearly balanced current account in the first half of the year.[1] In the second quarter the external financing capacity of the Hungarian economy (current account plus capital account) became positive. This remarkable change is rooted in the deep recession: diminished domestic consumption and investment and less demand for imported inputs for the production of goods for foreign destinations.

Since the end of July the exchange rate has been oscillating around 270 HUF/EUR. That level is comfortable for the exporters and makes the life of households and businesses indebted in foreign exchange easier as compared to the period when the exchange rate weakened to below 300 HUF/EUR in March this year.

The banking sector remained sound. In June the share of non performing loans amounted to 4.8%, and the capital adequacy ratio equalled 12.3%, well above the 8% required minimum. The banks remained profitable, their ROE and ROA indicators hardly deteriorated as against the pre-crisis era. Nevertheless, the situation was much less rosy in terms of credit supply. Credits remained expensive and rare.

Contrary to the encouraging signs of consolidation in external financing, the real economy is in really bad shape. In the first half of 2009 the GDP declined by 7.5% year-on-year. The bulk of the contraction fell on industry, where the decline reached 18.5%, in manufacturing even 20.9%. Gross value added in agriculture fell by 17%, but here the very high basis (the exceptionally good harvest in 2008) played an important role. Construction fared relatively better, with a mere 1.2% decline, mainly due to EU co-financed infrastructure projects and the low statistical basis as well. Value added produced in the services sector declined to a substantially smaller extent (3.2%) than in the primary and secondary sectors (16.7%).

On the distribution side of the GDP, households' consumption expenditures fell by 6.9%, social transfers in kind and government consumption increased marginally. Altogether actual consumption declined by 4.6%, much less than total GDP. The same is true for gross fixed capital

1 The country table displays a surplus. This follows the Eurostat methodology and includes the special purpose enterprises. This text refers to the generally used figure which excludes special purpose enterprises.

formation, where the contraction rate was 4.8%. A major component of the GDP decline on the distribution side was the change in inventories. Inventories fell by an equivalent of nearly 4% of GDP. This is a concomitant one-off feature of the economic crisis. Foreign trade has acted as an important brake on the GDP decline: net exports amounted to 6.6% of the GDP, compared to 1.6% in the first half of the previous year.

The increase in inflation following the raising of the VAT rate from 20% to 25% as of 1 July turned out to be less severe than expected: in August consumer prices rose by 5.0% year-on-year. This reflects the weak domestic demand and the increased competition. As a consequence the Monetary Council has more leeway to carry on with cutting the prime rate. The policy rate was 7.5% as of 29 September, still much higher than respective policy rates in the region. The high policy rate has remained an obstacle to extending HUF-denominated credits to enterprises and households.

In June 2009 employment was 2% lower than a year earlier and the unemployment rate had increased by close to 2 percentage points. In order to improve the bleak employment situation, the government initiated a major public work programme with the intention to re-integrate long-term unemployed. Other measures attempt to raise Hungary's competitiveness through diminishing the costs of labour. By 2010 employers' social security contributions will be cut by 5 percentage points. Along with this and other minor changes, the tax wedge, which was close to 55% in 2008, will drop to about 45%, thus approaching the level characterizing other Central European NMS. Wage costs will fall considerably both in 2009 and 2010.

The government will most probably achieve its deficit target (3.9% of GDP) this year. Prime Minister Gordon Bajnai pushed through a series of painful expenditure cuts.[2] This had a dual effect: first, the new, pro-cyclical fiscal policy, just as the monetary policy, has aggravated the recession; second, it has restored Hungary's lost credibility in the international markets. Both the IMF/EU/World Bank rescue package and the rollover of Hungary's foreign debt based on the re-vitalized bond market have been due to the turn in fiscal policy.

The draft budget of the government for 2010 is also restrictive, envisaging a 3.8% deficit target. However, the general elections in spring 2010 will most probably result in a change in government, bringing to power the right-wing FIDESZ party. Leading FIDESZ politicians have been sharply criticizing the budget draft in general and the policy of restrictions in particular. Further, after its likely landslide victory, FIDESZ simply cannot afford – after years of bashing government restrictions – to carry on with the same policy.

In view of the above, the wiiw forecast assumes a general government deficit in 2010 that will be markedly higher than currently planned, amounting to some 5% of GDP. The new government will probably try to renegotiate the deficit target with the IMF and the EU; this has proved viable in the case of other governments in the region (which, however, have lower public debt). The 5% deficit target fits the general picture in Central Europe. The big question is how the capital markets will evaluate that shift: while it may be tolerated in a generally good investment climate, this is questionable under less favourable conditions.

After 6-7% recession in 2009, the 2010 baseline scenario for Hungary – conditional on successful negotiations on a higher deficit target and continuing external financing of the public debt – is a stagnating economy. While household consumption will still decline just as gross fixed capital investment, net exports and replenished inventories will counterbalance this effect. The current account position will reflect, just as in 2009, the new global conditions where huge imbalances are no longer sustainable. Inflation, despite the higher VAT rate, will not break loose thanks to weak domestic demand and the deflationary international environment.

[2] For details see *wiiw Monthly Report*, No. 6/2009, pp. 4-6.

Table HU

Hungary: Selected Economic Indicators

	2005	2006	2007	2008 1)	2008	2009	2009	2010	2011
					Jan-June			Forecast	
Population, th pers., average	10087.1	10071.4	10055.8	10038.3	10036	10020	.	.	.
Gross domestic product, HUF bn, nom. 2)	21988.6	23755.5	25408.1	26543.3	12865.5	12159.6	26000	27100	28800
annual change in % (real) 2)	3.5	4.0	1.0	0.6	2.0	-7.2	-6.5	0	3
GDP/capita (EUR at exchange rate)	8800	8900	10100	10500	.	.	.	.	.
GDP/capita (EUR at PPP)	14200	15000	15600	15700	.	.	.	.	.
Consumption of households, HUF bn, nom. 2)	11813.9	12436.5	13254.9	13919.4	6822.4	6593.6	.	.	.
annual change in % (real) 2)	3.2	1.9	0.3	-0.5	1.1	-6.9	-7	-1.5	1
Gross fixed capital form., HUF bn, nom. 2)	5065.9	5161.3	5380.5	5559.1	2139.2	2106.0	.	.	
annual change in % (real) 2)	5.7	-3.6	1.6	0.4	-3.3	-4.8	-5	-1	9
Gross industrial production 3)									
annual change in % (real)	6.9	10.0	8.2	-1.1	6.8	-22.5	-14	0	10
Gross agricultural production									
annual change in % (real)	-7.1	-2.9	-11.3	27.3	.	.	.	.	.
Construction industry (build.& civil engin.) 3)									
annual change in % (real)	16.1	-1.5	-14.7	-5.2	-9.8	-2.1	-2	4	10
Employed persons - LFS, th, average	3901.5	3930.0	3926.2	3879.4	3856.4	3780.6	.	.	.
annual change in %	0.0	0.7	-0.1	-1.2	-1.7	-2.0	.	.	.
Unemployed persons - LFS, th, average	302.2	316.7	312.0	329.1	325.9	402.3	.	.	.
Unemployment rate - LFS, in %, average	7.2	7.5	7.4	7.8	7.8	9.6	10.5	10.5	10
Reg. unemployment rate, in %, end of period	9.3	9.1	10.1	10.8	9.4	12.5	.	.	.
Average gross monthly wages, HUF 4)	158343	171351	185017	198942	195618	198268	.	.	.
annual change in % (real, net)	6.3	3.5	-4.8	0.7	0.2	-2.2	.	.	.
Consumer prices (HICP), % p.a.	3.5	4.0	7.9	6.0	6.8	3.1	4.5	4.3	3
Producer prices in industry, % p.a. 3)	4.7	6.5	1.9	5.6	4.6	6.9	.	.	.
General governm.budget, EU-def., % GDP 5)									
Revenues	42.3	42.7	44.8	46.5	.	.	.	.	.
Expenditures	50.1	51.9	49.7	49.8	.	.	.	.	.
Net lending (+) / net borrowing (-)	-7.8	-9.3	-4.9	-3.4	.	.	-3.9	-5	-3.5
Public debt, EU-def., in % of GDP 5)	61.7	65.6	65.8	73.0	.	.	.	.	.
Base rate of NB, % p.a., end of period	6.0	8.0	7.5	10.0	8.5	9.5	.	.	.
Current account, EUR mn 6)	-6380.1	-6857.0	-6511.0	-9208.0	-2782.9	265.9	-1800	-2000	-2500
Current account in % of GDP	-7.2	-7.6	-6.4	-8.7	-5.5	0.6	-1.9	-2.0	-2.3
Exports of goods, BOP, EUR mn 6)	49672.3	58381.0	68371.0	72259.0	37835.7	28063.1	61400	64800	71300
annual growth rate in %	11.6	17.5	17.1	5.7	15.0	-25.8	-15	5.5	10
Imports of goods, BOP, EUR mn 6)	51882.4	60433.0	68051.0	72159.0	37390.3	25948.0	59500	61900	68200
annual growth rate in %	9.5	16.5	12.6	6.0	13.7	-30.6	-17.5	4	10
Exports of services, BOP, EUR mn 6)	10351.2	10626.0	12443.0	13667.0	6113.8	6025.6	13000	13700	14800
annual growth rate in %	19.4	2.7	17.1	9.8	7.9	-1.4	-5	5	8
Imports of services, BOP, EUR mn 6)	9218.7	9376.0	11392.0	12755.0	5761.7	5483.1	11500	12100	13100
annual growth rate in %	12.6	1.7	21.5	12.0	11.3	-4.8	-10	5	8
FDI inflow, EUR mn 6)	6172.1	15991.0	52712.0	32931.0	10478.5	-701.6	.	.	.
FDI outflow, EUR mn 6)	1755.5	15031.0	49248.0	30103.0	10317.4	267.7	.	.	.
FDI inflow, excl. SPE, EUR mn	6172.1	6024.0	4429.2	4363.6	742.3	-204.4	1000	2500	4500
FDI outflow, excl. SPE, EUR mn	1755.5	3126.3	2728.8	1162.8	-500	635.7	700	500	1000
Gross reserves of NB, excl. gold, EUR mn	15669.7	16383.5	16305.2	23806.5	17231.5	26883.8	.	.	.
Gross external debt, EUR mn 7)	67070.6	81897.6	99468.2	121768.5	112898.7	127561.6	.	.	.
Gross external debt in % of GDP 7)	77.1	86.8	99.3	122.3	113.1	136.8	.	.	.
Average exchange rate HUF/EUR	248.05	264.26	251.35	251.51	253.65	290.05	280	275	270
Purchasing power parity HUF/EUR	153.53	157.23	162.20	167.97	.	.	.	.	.

1) Preliminary. - 2) According to ESA'95 (FISIM adjusted and real change based on previous year prices). - 3) Quarterly data and forecasts according to NACE Rev. 2. - 4) Enterprises with more than 5 employees. - 5) According to ESA'95, excessive deficit procedure. - 6) From 2006 including Special Purpose Entities (SPE). - 7) Excluding SPE.

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

Poland: recession resisted

BY LEON PODKAMINER

Economic performance in the second quarter of 2009 once again proved much stronger than widely anticipated. The GDP growth rate, though of unimpressive magnitude (+1.1%), turned out to be even larger than in the first quarter. This outcome, consistent with the earlier wiiw forecasts, is dispelling the remaining recession fears.

The contracting gross capital formation continues to be the major drag on overall GDP growth. Gross *fixed* capital formation, which still grew (minimally) in the first quarter of the year, fell in the second by close to 3% (all growth rates are against the same period of 2008, unless otherwise stated). The fall in gross fixed capital formation is of course fairly mild if compared with the double-digit recessions of investment observed in other countries. Moreover, the steep decline in inventories recorded in the first quarter of 2009 has moderated in the second. Overall, the contribution of gross capital formation[1] to the GDP growth rate has become less negative in the second quarter as compared with the first quarter of 2009 – minus 3.3 percentage points (p.p.) vs. minus 4.6 p.p. respectively.

Although growth of consumption (both private and public) has weakened considerably in the second quarter, it has still contributed a positive 1.3 p.p. to the overall GDP growth rate.

At 14.6%, the scale of decline in the volume of exports of goods and non-factor services has been unchanged in both the first and second quarter of the year. It looks as if the slump in exports has thus been arrested. But the volume of imports of goods and non-factor services dropped even more in the second quarter than in the first (20.3% vs. 17.6%). Foreign trade has thus become the major force behind the economy's resilience. Foreign trade contributed +3.1 p.p. to overall GDP growth in the second quarter of 2009 (up from +1.9 p.p. in the first).

Industrial sales, which fell by some 10% in the first quarter of 2009, showed some signs of mild recovery in the second quarter (sales were lower than a year before by 'only' 6.7%). In the first eight months of 2009 the sales by industrial branches producing primarily intermediate and investment goods was about 11% lower than a year earlier. But the same indices for sales of nondurable and durable consumer goods were positive (3.6% and 7.5% respectively). Anyway, compared with the production figures for the first quarter, the sales indices for all three groups goods indicate a clear upward trend. Average employment in industrial enterprises fell by some 5% in the first eight months of 2009. In the first quarter of 2009 industry suffered losses in terms of labour productivity and unit labour costs. These losses are now gradually reduced.

Net post-tax profit earned in industry in the second quarter rose by 7.5% over the same period of 2008. However, the extraordinary losses recorded in the first quarter (due mainly to earlier reckless engagement in the purely speculative currency options business[2]) have not yet been retrieved. Net profit earned in industry in the first half of 2009 is still close to 19% lower than in the first half of 2008. Other segments of the non-financial corporate sector performed similarly. The net profit earned by the whole non-financial corporate sector in the first half of 2009 is 16.5% lower than a year ago. But the sector's profits are posed to recover: in the second quarter profits were already 15% higher than a year before. Importantly, the recovery of profits will help to strengthen the liquidity position of non-financial firms. (According to the July business climate survey of the National Bank of Poland, close to 67% of firms do not report liquidity problems, and over 88% of firms service their bank

1 For practical purposes, gross capital formation can be defined as the sum of gross fixed capital formation (or gross investment in fixed assets) and the change in inventories.

2 Throughout the first half of 2008 the continuing steep appreciation of the zloty attracted very many managers and entrepreneurs to the currency (call) option business. As the zloty depreciated steeply in the closing months of 2008 and in January/February 2009, the option business left them with huge losses.

debts regularly. These indicators have deteriorated, albeit marginally, since April 2009.)

Banks' profits have so far remained depressed at roughly half the values earned in the exceptionally good first half of 2008. This is due primarily to large provisions (i.e. reserves mitigating eventual losses) made by the banks. These provisions have risen to PLN 5.7 billion (from 1.5 billion at the end of June 2008). Larger provisions are to counter higher risks following the deterioration of banks' balance sheets. The balance sheets' deterioration has something to do with the depreciation of the zloty which augmented the weight of banks' fairly large foreign liabilities. Also, banks' current activities are less lucrative than in 2008 when interest costs were much lower. Moreover, the share of problematic loans has been on the rise. But the scale of that rise is still moderate: at the end of March 2009 the share of such loans stood at 5.3%, up from 4.4% at the end of 2008. At about 1:10, the banks' loans/deposits ratio has remained unchanged at a level that is very low by international standards. Other available indicators suggest that the banking sector meets the stability requirements with flying colours. No doubt this may have much to do with the relative under-development of Poland's banking (and financial) system.

Within the first seven months of 2009, the stock of bank loans to households and non-financial corporations rose by 3.5% nominally. Part of that expansion represents the effects of depreciation of the zloty versus foreign currencies, notably the Swiss franc – and not new lending. (Loans denominated in or indexed to these currencies have been quite popular in the past.) Credit expansion is still clearly subdued, especially as far as the non-financial corporate sector is concerned. The stock of loans to that sector has fallen nominally by close to 1%. This development is quite understandable given the corporate sector's fairly good financial standing coupled with its currently low propensity to invest in new production capacities. Relatively low interest rates on new loans to the corporate sector and the banks' somewhat less restrictive lending standards appear unable to induce higher demand for corporate loans. It may be added that the nominal stock of loans to households has been rising more meaningfully, by 6.2% (since the year's beginning). The bulk of new credit to households serves the satisfaction of their housing needs.

The dramatic changes in the foreign trade balances reported in 2009 have helped to radically reduce the current account deficits. As elsewhere in the region, this was supportive in restoring the confidence of foreign investors.[3] The massive capital outflows observed in the closing months of 2008 are now replaced with pretty high inflows. Consequently, the zloty/euro exchange rate has strengthened, fortunately not excessively yet.

Poland may truly need confident foreign investors – especially in 2010. The budget proposal for 2010 (not yet debated in the Parliament) envisages a general government deficit of 5.9% of GDP – up from about 4% likely in 2009. The deficit expands primarily because of much higher public spending, and not due to cuts in public revenues. According to the budget proposal, the transport infrastructure is to experience a fast increase in public funding (for both new investment as well as for proper maintenance). Also, the Armed Forces are to finally enjoy their promised share of the GDP (1.95%).

The tendencies prevailing so far with respect to exchange rates, foreign trade, consumption and gross capital formation are likely to continue and thus result in the 2009 GDP rising by about 0.8%. Growth in 2010 could accelerate further if external demand strengthens. There are however some unknowns as concerns the performance in 2010. First of all, the course of the future exchange rate is hard to predict at this moment. Should the zloty strengthen radically, the trade engine generating much of Poland's recent growth may come to a halt.

3 The confidence in and standing of the Polish economy has also been strengthened by IMF decision (May 2009) to grant the access to a low-cost Flexible Credit Line of USD 20.6 billion. The credit represents an additional reserve that the Polish authorities could use in extraordinary circumstances (e.g. to counter a major speculative attack).

Table PL

Poland: Selected Economic Indicators

	2005	2006	2007	2008 1)	2008 Jan-June	2009 Jan-June	2009 Forecast	2010 Forecast	2011 Forecast
Population, th pers., average	38165.4	38141.3	38120.6	38125.8	38116	38155	.	.	.
Gross domestic product, PLN bn, nom. 2)	983.3	1060.0	1176.7	1272.8	608.5	641.2	1330	1390	1470
annual change in % (real) 2)	3.6	6.2	6.8	5.0	6.1	1.1	0.8	1.5	3
GDP/capita (EUR at exchange rate)	6400	7100	8100	9500			.	.	.
GDP/capita (EUR at PPP)	11500	12400	13400	14400			.	.	.
Consumption of households, PLN bn, nom. 2)	614.3	652.8	701.6	773.9	386.0	406.0	.	.	.
annual change in % (real) 2)	2.1	5.0	4.9	5.9	5.5	3.1	2.5	3	5
Gross fixed capital form., PLN bn, nom. 2)	179.2	208.3	253.7	280.9	108.3	109.8	.	.	
annual change in % (real) 2)	6.5	14.9	17.5	8.1	14.8	-0.7	-3	4	8
Gross industrial production (sales) 3)4)									
annual change in % (real)	4.1	12.0	9.6	3.6	7.8	-8.3	-5	4	6
Gross agricultural production									
annual change in % (real)	-0.7	-1.1	5.2	-4.2	.	.	.	.	.
Construction industry (build.& civil engin.) 3)4)									
annual change in % (real)	9.1	15.0	16.1	12.7	17.5	1.6	.	.	.
Employed persons - LFS, th, average	14115.6	14593.6	15240.5	15799.6	15602.0	.	.	.	.
annual change in %	2.3	3.4	4.4	3.7	4.0	.	-1	-0.5	1
Unemployed persons - LFS, th, average	3045.4	2344.3	1618.8	1210.7	1278.5	.	.	.	.
Unemployment rate - LFS, in %, average	17.7	13.8	9.6	7.1	7.6	.	9	10	9
Reg. unemployment rate, in %, end of period	17.6	14.8	11.4	9.5	9.4	10.7	12	12.5	.
Average gross monthly wages, PLN	2360.6	2475.9	2672.6	2944.0	2967.9	3134.7 3)	.	.	.
annual change in % (real, gross)	1.8	4.0	5.5	6.0	7.7	1.6 3)	1.5	2.5	4
Consumer prices (HICP), % p.a.	2.1	1.3	2.6	4.2	4.4	3.9	3.5	2.6	2.5
Producer prices in industry, % p.a. 4)	0.7	2.2	2.3	2.6	2.3	4.6	.	.	.
General governm.budget, EU-def., % GDP 5)									
Revenues	39.1	39.9	40.2	40.4	.	.	41.2	41.4	41
Expenditures	43.4	43.8	42.1	42.0	.	.	45.5	47.5	45
Net lending (+) / net borrowing (-)	-4.3	-3.9	-1.9	-3.9	.	.	-4.3	-6.1	-4
Public debt, EU-def., in % of GDP 5)	47.1	47.7	44.9	44.8	.	.	47.3	52.0	52.0
Discount rate of NB % p.a., end of period	4.8	4.3	5.3	5.3	6.3	3.8	3.5	3.5	4
Current account, EUR mn 6)	-3016	-7443	-14587	-19670	-9461	-954	-4000	-7000	-10000
Current account in % of GDP	-1.2	-2.7	-4.7	-5.4	-5.4	-0.7	-1.3	-2.2	-2.9
Exports of goods, BOP, EUR mn 6)	77562	93382	105883	120146	62062	47405	93700	114000	122600
annual growth rate in %	17.8	20.4	13.4	13.5	22.4	-23.6	-22	22	7.5
Imports of goods, BOP, EUR mn 6)	79804	98918	118249	136798	70309	48529	98500	118700	127000
annual growth rate in %	13.4	24.0	19.5	15.7	25.2	-31.0	-28	20.5	7
Exports of services, BOP, EUR mn 6)	13105	16349	20930	24126	11279	9593	20500	.	.
annual growth rate in %	21.2	24.8	28.0	15.3	21.0	-14.9	-15	.	.
Imports of services, BOP, EUR mn 6)	12520	15768	17523	20551	9837	7833	16400	.	.
annual growth rate in %	16.1	25.9	11.1	17.3	23.4	-20.4	-20	.	.
FDI inflow, EUR mn 6)	8330	15737	16672	11391	6455	3693	.	.	.
FDI outflow, EUR mn 6)	2767	7122	3500	2478	1320	780	.	.	.
Gross reserves of NB excl. gold, EUR mn	34535	35237	42675	42299	50207	45442	.	.	.
Gross external debt, EUR mn	112316	128870	159106	172832	183047	176563	.	.	.
Gross external debt in % of GDP	44.1	46.6	48.6	56.4	59.8	57.1	.	.	.
Average exchange rate PLN/EUR	4.02	3.90	3.78	3.51	3.49	4.47	4.3	4.3	4.2
Purchasing power parity PLN/EUR	2.23	2.25	2.31	2.31	.	.	.	.	.

1) Preliminary. - 2) According to ESA'95 (FISIM adjusted and real change based on previous year prices). - 3) Enterprices with more than 10 employees. - 4) Quarterly data and forecasts according to NACE Rev. 2. - 5) According to ESA'95 excessive deficit procedure; forecast wiiw estimate. - 6) 2005-2007 including Special Purpose Entities (SPE).

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

Romania: export demand may ease recession

BY GÁBOR HUNYA

The 8.7% GDP slump in the second quarter of 2009 against the same period last year was much deeper than in the two previous crisis quarters. The collapse of investments (gross fixed capital formation -25.6%) and a severe setback in household consumption (-13.2%) had the largest share in this development. It could only marginally be corrected by public consumption (+1.2%) and higher net exports. Both components of external demand contracted, but imports much more than exports. In September the government's National Commission for Prognosis revised the expected rate of GDP change for 2009 to -7.7% (from -4%) which is still above the IMF forecast of -8%. The wiiw forecast assumes less contraction, 7%, due to slowly recovering external demand and the base-year effect. While last year the third quarter was still characterized by expansion, a severe slowdown occurred in the fourth quarter which will moderate this year's slump.

On the supply side, the decline was most severe in construction and retail trade, worse in the second quarter of 2009 than in the first. Lower household incomes, credit crunch and reduced transfers from abroad contributed to the drop in retail sales and housing construction. The decline of industrial value added, on the other hand, was less severe in the second than in the first quarter. The industrial output slump slowed further in July to an annual 6.9% from 8.9% in June, which may give some reason for optimism. The situation in the corporate sector as a whole is still becoming worse although the business sentiment for the rest of year has improved. The number of bankrupt companies in the first half of 2009 was nearly 40% higher than a year before; the retail, wholesale and construction sectors accounted for over 50% of all bankruptcies. In addition, more than 100,000 businesses suspended their activity in the period January-August 2009 compared to only 8000 a year earlier. Part of this was the result of the economic crisis, but the newly introduced lump-sum tax on turnover affecting companies with no profits played a role as well.

The general consolidated budget posed a deficit of 4.5% of GDP after the first eight months of the year – much ahead of the target due to a 6.6% revenue decline and expenses soaring by 8.3%. The latter was first of all the result of wage surges in the public sector as a carry-through effect of last year and interest payments on public debt. In view of both budget revenues and GDP turning out lower than expected, the budget for the current year was rectified following the IMF assessment of the stand-by loan agreement. The budgetary deficit target for 2009 was increased to 7.3% against the previous projection of 4.6%. In September, the IMF approved the second tranche of the loan for Romania, half of which will cover the public deficit, but also the Romanian government must make efforts to cut expenditures in the range of 0.8% of GDP. The revised programme focuses on measures that would secure permanent reductions in current spending, while preserving investment and social safety net spending. There is a government programme in place to curtail salaries in the public sector and shift expenditures to investments. An unpaid leave of 10 days for civil servants was decided to save expenditures and could take place in November. The IMF also approved a waiver of non-observance of the end-June 2009 performance criterion pertaining to general government domestic arrears. The latter continued to rise during the first half of the year and reached EUR 350 million although the IMF agreement had established that they may not rise this year. Poor public payment morale added to the anyway severe financial blockages of the private sector. In view of the weak current fiscal performance we forecast an 8% deficit for 2009. This may turn out to be even higher if the transitory government in office since 1 October 2009 is unable to cut expenditures.

For 2010 the government and the IMF agreed to cut the budget deficit below 6% of GDP. The draft budget of the government announced a deficit of around 5.9% of GDP based on a 1% GDP recovery. Public investments are assumed to amount to 6-7% of GDP which is an important upward shift compared to the 4% achieved in the first eight months of 2009. Also the private sector should invest more with public help and accessing EU funds. As an incentive, tax exemptions came into force on 1 October 2009 on profits invested in the production and/or acquisition of new technological equipment used for taxable operations. Other changes to the fiscal code are to take effect as of 1 January 2010, mainly relating to the further harmonization of the Romanian tax regime with the European Directives.

Declining demand helped to subdue inflation while currency depreciation supported inflation in the first half of the year. In the third quarter inflation continued its downward trend and the exchange rate stabilized. There is low probability of an exchange rate crisis even under the current political crisis due to a more optimistic international environment and the IMF loans in the reserves. Domestic interest rates have come down somewhat and so did the risk premium on international markets for Romania in September. As of 30 September 2009 the National Bank of Romania lowered the monetary policy rate to 8.0% per annum (from 8.5%).It also used repo transactions repeatedly to pump liquidity into the financial system.

The registered unemployment rate climbed to 6% in June 2009, from 3.7% a year earlier, and is expected to rise further by the end of the year. Return migration is marginal but remittances have decreased severely, with a serious negative impact on the financial situation of many, especially rural, households. Layoffs plague first of all the SMEs producing for the domestic market and large producers of primary goods.

As a drastically enforced adjustment triggered by the shortage of foreign financing, the current account deficit diminished to 5.1% of GDP in the first half of 2009, from 15.8% a year before. In the first seven months the balance of goods and services improved by 68% compared with the same period in the previous year. The incomes balance improved by 49% mainly due to the slump of foreign investors' income and mitigated by higher interest payments. Current transfers declined much less than other items, but the 33% drop in remittances showed that Romanians abroad are seriously affected by job and income losses. Only two items on the financial account balanced the current account deficit: FDI, which halved compared with the previous year, and long-term loans related to the IMF package. Portfolio investments, other short-term credits and foreign deposits all contracted.

There are signs of the crisis easing in the exports of goods which is in line with the trend in manufacturing output. In July exports fell by 14.5% year-on-year, after declining by 17.5% in June, and 19% in the first six months of the year. At the same time the contraction of imports hardly changed. A modest recovery of demand in Western Europe may pull Romanian production and exports while the overall economy may still remain depressed by low domestic demand.

Economic policy action is severely hindered by the political crisis which broke out when the Social Democratic Party (PSD) left the coalition with the Liberal Democrats (PD-L). This grand coalition, formed in December 2008, gave just a theoretical possibility for a broadly based governance. The clientele of the two parties was too large to be satisfied from the very beginning, and the PSD did not support the necessary anti-crisis measures. Meanwhile the president of PSD, Mircea Geoana, is running for presidency against incumbent Traian Basescu, former leader of PD-L. The latter not only strives for re-election on 22 November, but wants, if re-elected, to concentrate more constitutional power in the president's office – which may find popular support if the electorate buys the argument that governments are too unstable anyway.

A transitory government was set up on 1 October in which the PD-L ministers have taken over the formerly PSD-run ministries in addition to their own portfolios. This minority government cannot be expected to do much until a new coalition is set up, which must be done within 45 days, i.e. one week prior to the presidential elections. In turn, setting up a stable government cannot be expected before the new president takes his office, thus the present transitory government may be followed by a caretaker government with limited prerogatives. Early elections cannot be ruled out for early next year. Economic policy may not suffer much if the transitory government sticks to the agreement with the IMF, but expenditure cuts will be difficult to carry through. Currency depreciation and falling stock prices have been the first reactions of the markets to the political crisis, but these were not excessive as markets are very narrow and the National Bank keeps intervening to stabilize the currency. A protracted political crisis may further weaken the local currency and make external financing more expensive.

As of September 2009 the Romanian economy had not reached the bottom of contraction yet, but its external stability had improved as a result of current account adjustments. This lasted only until 13 October when the opposition ousted the government by no-confidence voting. Romania will most probably have a government of experts similar to the Czech Republic and Hungary until political forces agree on a new coalition or early elections.

In these circumstances, the fiscal deficit is bound to increase, but the IMF protects the country in case of a sudden stop imposed by market sentiment. The future recovery of the economy is mainly dependent on the demand in its main export markets and on financial flows to the country which may revive consumption. We expect that even if recovery takes place in the main foreign markets spurring manufacturing output and exports, the inflow of financing may remain restricted compared with earlier years. Under such conditions, we expect an economic performance close to stagnation in 2010 and a moderate upswing in the following years.

Table RO

Romania: Selected Economic Indicators

	2005	2006	2007	2008 [1)]	2008	2009	2009	2010	2011
					Jan-June			Forecast	
Population, th pers., average	21634	21588	21547	21514	.	.	.	.	.
Gross domestic product, RON mn, nom. [2)]	288955	344651	416007	503959	206205	206452	503800	531500	563800
annual change in % (real) [2)]	4.2	7.9	6.3	6.2	8.8	-7.6	-7	0	2
GDP/capita (EUR at exchange rate)	3700	4500	5800	6400	.	.	.	.	.
GDP/capita (EUR at PPP)	7900	9100	10600	11500	.	.	.	.	.
Consumption of households, RON mn, nom. [2)]	197069	233135	273418	325041	147304	135364	.	.	.
annual change in % (real) [2)]	10.1	12.9	12.0	9.1	14.5	-13.8	-10	-1	2
Gross fixed capital formation, RON mn, nom. [2)]	68527	88272	125645	167942	58882	51864	.	.	
annual change in % (real) [2)]	15.3	19.9	30.3	19.3	31.1	-16.7	-12	3	10
Gross industrial production [3)4)]									
annual change in % (real)	2.0	7.1	5.4	0.9	6.5	-10.5	-9	3	5
Gross agricultural production									
annual change in % (real)	-13.1	2.4	-17.7	21.2	.	.	.	.	.
Construction industry (build.& civil engin.) [3)4)]									
annual change in % (real)	8.6	20.5	34.0	26.0	38.7	-8.3	.	.	.
Employed persons - LFS, th, avgerage	9114.6	9291.2	9353.3	9369.1	9305.9	9210.0	.	.	.
annual change in %	-0.5	1.9	0.7	0.2	0.3	-1.0	.	.	.
Unemployed persons - LFS, th, average	704.5	728.4	640.9	575.5	591.5	646.5	.	.	.
Unemployment rate - LFS, in %, average	7.2	7.3	6.4	5.8	6.0	6.6	9	9	8
Reg. unemployment rate, in %, end of period	5.9	5.2	4.0	4.4	3.7	6.0	.	.	.
Average gross monthly wages, RON	968.0	1146.0	1396.0	1742.2	1666.0	1878.2	.	.	.
annual change in % (real, net)	14.3	9.0	14.7	14.1	14.1	5.9	.	.	.
Consumer prices (HICP), % p.a.	9.1	6.6	4.9	7.9	8.3	6.4	5.5	4	3
Producer prices in industry, % p.a. [4)]	10.5	11.6	8.1	15.8	15.5	3.5	.	.	.
General governm.budget, EU-def., % GDP [5)]									
Revenues	32.3	33.1	34.0	33.1	.	.	.	.	.
Expenditures	33.5	35.3	36.6	38.5	.	.	.	.	.
Net lending (+) / net borrowing (-)	-1.2	-2.2	-2.5	-5.4	.	.	-8	-8	-4
Public debt, EU-def., in % of GDP [5)]	15.8	12.4	12.7	13.6	.	.	.	.	.
Discount rate of NB, % p.a., end of period [6)]	7.50	8.75	7.50	10.25	9.75	9.71	.	.	.
Current account, EUR mn	-6888	-10220	-16715	-16744	-8883	-2494	-6000	-7000	-9000
Current account in % of GDP	-8.6	-10.5	-13.4	-12.2	-15.8	-5.1	-5.1	-5.6	-6.5
Exports of goods, BOP, EUR mn	22255	25953	29542	33560	17027	13565	26800	27600	29500
annual growth rate in %	17.5	16.6	13.8	13.6	19.7	-20.3	-20	3	7
Imports of goods, BOP, EUR mn	30061	37765	47365	51895	26053	16566	36300	36700	38900
annual growth rate in %	23.9	25.6	25.4	9.6	17.9	-36.4	-30	1	6
Exports of services, BOP, EUR mn	4102	5585	6931	8766	4061	3443	7900	8700	9600
annual growth rate in %	41.3	36.2	24.1	26.5	20.8	-15.2	-10	10	10
Imports of services, BOP, EUR mn	4451	5581	6450	7921	3684	3570	7500	8300	9100
annual growth rate in %	42.8	25.4	15.6	22.8	27.3	-3.1	-5	10	10
FDI inflow, EUR mn	5213	9060	7271	8593	5076	2993	4000	.	.
FDI outflow, EUR mn	-24	338	206	-188	-149	-5	0	.	.
Gross reserves of NB excl. gold, EUR mn	16785	21299	25325	25978	24915	26466	.	.	.
Gross external debt, EUR mn	30914	41196	58537	73422	66636	75475	.	.	.
Gross external debt in % of GDP	39.4	40.4	50.8	58.6	53.2	60.2	.	.	.
Average exchange rate RON/EUR	3.6209	3.5258	3.3328	3.6776	3.6709	4.2293	4.28	4.25	4.10
Purchasing power parity RON/EUR	1.6990	1.7618	1.8273	2.0392	.	.	.	.	.

1) Preliminary. - 2) According to ESA'95 (FISIM adjusted and real change based on previous year prices). - 3) Enterprises with more than 3 employees. - 4) Quarterly data and forecasts according to NACE Rev. 2. - 5) According to ESA'95, excessive deficit procedure. - 6) Reference rate of NB.

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

Slovakia: hitting bottom in the second quarter

BY ZDENEK LUKAS

As exports amount to 84% of Slovakia's GDP, the sharp contraction in foreign demand in the wake of the global financial and economic crisis hit the economy very hard. On the supply side, industry and the car industry in particular have reported sharp falls in production. The country's three foreign-owned car makers account for more than one-fourth of total Slovak exports. With nearly 600 thousands vehicles produced in 2008, the car production per capita (above 100) is among the highest in the world. However, 97% of these must be exported. This is a challenge that has so far not been mastered; the demand for cars manufactured in Slovakia plunged by nearly half and hence also the car output in the first half of 2009 – and that despite the car-scrapping subsidies introduced in several EU countries (including Slovakia). European demand has recovered only in the categories of compact and lower middle-class cars which are hardly produced by local enterprises. This year the car production in Slovakia will drop by about one fifth to less than half a million vehicles.

In addition, the Slovak currency had been set at an unrealistically strong exchange rate (SKK/EUR) at the end of May 2008, just a few weeks before the ECB accepted that rate as the conversion rate in the process of Slovakia adopting the euro as of 1 January 2009. This has undermined Slovakia's price competitiveness in particular against the neighbouring non-euro countries Hungary, Poland and the Czech Republic.

Given the steep fall in car manufacturing, it is not surprising that gross industrial production declined by 21.7% in the first seven months of 2009, accompanied by a 13.5% decline in industrial employment; real wages fell by 0.8%. Labour productivity in industry was down by about 8%. Fuelled by the appreciating currency, unit labour costs rose at double-digit rates. The second most important manufacturing sub-sector hit hard by the demand crisis has been metallurgy, represented by the steelmaker US Steel Košice (producing semi-finished products used in car manufacturing). Above-average output declines also occurred in the production of plastics and rubber used as inputs in the car industry as well.

GDP contracted by 5.5% in the first half of 2009. Foreign trade (in goods and services) contributed negatively to GDP growth: exports fell by 22.9% in real terms, slightly faster than imports (-22.6%). Gross capital formation declined by 20.8%, gross fixed capital formation was down by 11.7%. The difference is due to sharply falling inventories. Only modestly rising real wages (+1%) and consumers' caution resulted in a stagnation in private consumption in the first half of 2009. While real wages decreased in the private sector, they increased significantly in the public administration. Looking at the second quarter of 2009, private consumption – supported by the car scrapping subsidies – was slightly higher (by 0.7%) than in the corresponding period of 2008. The deficit spending policy resulted in government consumption rising by 3.7% in the first half of 2009.

The labour market situation has been worsening. The unemployment rate (LFS) rose by 0.6 percentage points to 10.9% in the first half of 2009; the number of employed persons dropped by 0.6%. Thus, the deterioration looks moderate so far. Companies have resorted to layoffs of part-time workers and to early retirement schemes. However, the labour market will be increasingly under pressure by the return home of migrants from abroad as unemployment is rising in the host countries. According to the official figures, there are still 125 thousand Slovak migrant workers abroad. This accounted for some 5% of the total domestic employment in the second quarter of 2009. The economically weak eastern and south-eastern districts of the country, where FDI companies are rare, are struggling with high unemployment. After a period of strong growth, the inflow of foreign direct investment has been declining sharply. In the first half of 2009 the Slovak National Bank even reported a small net FDI outflow. For the full year

2009 an FDI inflow of some EUR 0.5 billion may be expected, as against EUR 2.4 billion in 2008.

The consumer price index (HICP) has been falling continuously, to 0.6% in August year-on-year. At 1.4%, the annual inflation recorded in August is the lowest in history. The main reasons behind are low energy prices, falling prices of manufacturing products and buildings materials and a sharp drop in seasonal food prices.

GDP will contract by 5% this year, mostly on account of falling foreign demand. However, due to rising confidence in the future, there may be the need to start replenishing the depleted inventories. Also overall gross fixed investment can be expected to recover, with government investments in infrastructure projects, in particular highway construction, playing a key role. Despite the likely stabilization in the second half of 2009, the situation on the labour market will not improve soon as it tends to react with some delay to changes in output. Employment will continue to decline and unemployment will go on rising even if the output decline comes to a halt.

As a result of the deep fall in budgetary revenues and sharply rising expenditures (partly in the framework of the pro-growth and stabilization measures) the general government deficit will exceed 6% of GDP in 2009. Public and external debt will also be on the rise.

The trade balance will slightly improve, as imports will drop more strongly than exports. In addition, shrinking profits of foreign investors will improve the balance of income and in this way contribute to reducing the current account deficit. Should the global economic rebound projected for 2010 really materialize, the Slovak economy may stagnate in 2010 and slightly expand in 2011. Nevertheless, the excessively strong currency is likely to dampen the speed of an eventual recovery in the years to come.

The aggregate economic sentiment indicator in Slovakia, though standing at minus 21.3 percentage points year-on-year in September 2009, has continued to rise backed by a significant increase in confidence in services and consumer confidence for the third month in a row. Comparing main economic indicators in the second quarter of 2009 to the first quarter of 2009 it seems that the economic crisis hit bottom just in the second quarter. This assumption could be supported by the first signs of recovery in Germany and the Czech Republic, whose markets are of key importance for Slovak exports.

Table SK

Slovak Republic: Selected Economic Indicators

	2005	2006	2007	2008 1)	2008	2009	2009	2010	2011
					January-June			Forecast	
Population, th pers., average	5387.0	5391.4	5397.3	5406.6	.	.	.	.	.
Gross domestic product, EUR-SKK mn, nom. 2)	49315.2	55081.9	61501.1	67331.0	32324.0	30287.1	64200	64500	65700
annual change in % (real) 2)	6.5	8.5	10.4	6.4	8.6	-5.5	-5	0	1
GDP/capita (EUR at exchange rate)	7100	8300	10200	12000	.	.	.	.	.
GDP/capita (EUR at PPP)	13500	15000	16700	18000	.	.	.	.	.
Consumption of househ., EUR-SKK mn, nom. 2)	27691.8	30753.1	33795.3	37436.5	18155.0	18559.3	.	.	.
annual change in % (real) 2)	6.6	5.9	7.1	6.1	7.0	-0.2	0	2	2
Gross fixed capital form., EUR-SKK mn, nom. 2)	13089.5	14588.8	16048.5	17465.3	8088.0	7165.1			
annual change in % (real) 2)	17.6	9.3	8.7	6.8	9.9	-11.7	-12	1	3
Gross industrial production 3)4)									
annual change in % (real)	3.6	9.8	13.2	1.3	10.3	-22.0	-18	0	2
Gross agricultural production									
annual change in % (real)	-8.7	-2.9	-4.5	6.9	.	.	.	.	.
Construction industry (build.& civil engin.) 3)4)									
annual change in % (real)	14.7	14.9	5.7	11.9	11	-9.2	.	.	.
Employed persons - LFS, th, average	2215.2	2302.3	2357.7	2433.7	2398.1	2383.4	.	.	.
annual change in %	2.1	3.9	2.4	3.2	2.9	-0.6	.	.	.
Unemployed persons - LFS, th, average	430.0	355.4	295.7	255.7	275.7	291.6	.	.	.
Unemployment rate - LFS, in %, average	16.3	13.4	11.1	9.5	10.3	10.9	12	13	13
Reg. unemployment rate, in %, end of period	11.4	9.4	8.0	8.4	7.4	11.8	12	12	12
Average gross monthly wages, EUR-SKK 5)	573	623	669	723	695	721	.	.	.
annual change in % (real, gross)	6.3	3.3	4.3	3.3	5.3	1.0	.	.	.
Consumer prices (HICP), % p.a.	2.8	4.3	1.9	3.9	3.7	1.7	1.6	2	3
Producer prices in industry, % p.a. 4)	5.4	5.7	-1.2	2.8	3.1	-6.3	-6	0	2
General governm.budget, EU-def., % GDP 6)									
Revenues	35.4	33.5	32.5	32.7	.	.	.	.	.
Expenditures	38.2	36.9	34.4	34.9	.	.	.	.	.
Net lending (+) / net borrowing (-)	-2.8	-3.5	-1.9	-2.2	.	.	-6.0	-5.0	-3.0
Public debt, EU-def., in % of GDP 6)	34.2	30.4	29.4	27.6	.	.			.
Discount rate of NB, % p.a., end of period	3.0	4.8	4.3	2.5	4.3	1	.	.	.
Current account, EUR mn	-3268	-3636	-3141	-4279	-1996	-948	-2500	-3000	-3500
Current account in % of GDP	-8.5	-8.2	-5.7	-6.6	-6.6	-3.1	-3.9	-4.7	-5.3
Exports of goods, BOP, EUR mn	25654	33349	42171	47722	24097	18483	37000	37000	38000
annual growth rate in %	15.3	30.0	26.5	13.2	.	-23.3	-23	1	3
Imports of goods, BOP, EUR mn	27571	35817	43009	48435	24236	18287	37000	38000	40000
annual growth rate in %	17.4	29.9	20.1	12.6	.	-24.5	-24	2	5
Exports of services, BOP, EUR mn	3542	4322	5140	5796	2693	2203	4900	5000	5200
annual growth rate in %	18.1	22.0	18.9	12.8	.	-18.2	-15	2	3
Imports of services, BOP, EUR mn	3285	3790	4752	6269	2880	2849	6300	6500	6700
annual growth rate in %	18.0	15.4	25.4	31.9	.	-1.1	0	3	3
FDI inflow, EUR mn	1952	3311	2108	2395	397	-387	.	.	.
FDI outflow, EUR mn	120	292	149	177	35	318	.	.	.
Gross reserves of NB excl. gold, EUR mn	12567	9639	12280	12674	11974	91	.	.	.
Gross external debt, EUR mn	22705	24449	30156	37286	35615	44876	.	.	.
Gross external debt in % of GDP	57.9	50.7	54.7	55.4	52.9	69.9	.	.	.
Average exchange rate EUR-SKK/EUR	1.281	1.236	1.121	1.038	1.070	1.00	1.00	1.00	1.00
Purchasing power parity EUR-SKK/EUR	0.676	0.681	0.683	0.691	.	.	.	.	.

Note: Slovakia has introduced the Euro from 1 January 2009. For statistical purposes all time series in SKK as well as the exchange rates and PPP rates have been divided by the conversion factor 30.126 (SKK per EUR) to EUR-SKK.

1) Preliminary. - 2) According to ESA'95 (FISIM adjusted and real change based on previous year prices). - 3) Enterprises with more than 20 employees. - 4) Quarterly data and forecasts according to NACE Rev. 2. - 5) From 2006 including wages of armed forces. - 6) According to ESA'95, excessive deficit procedure.

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

Slovenia: best performer in deep trouble

BY HERMINE VIDOVIC

Slovenia's economic downturn deepened in the second quarter of 2009. Owing to a dramatic drop in investment, GDP fell by another 9.3%, after having declined 8.6% in the first quarter of the year. Gross fixed capital formation fell by 27% during the first half of 2009, affecting all types of investment. The contraction was mainly resulting from the sharp decline in export orders, the tightening financial conditions and a running-down of stocks built up in the past couple of years.

Household consumption fell for the first time in nine years; by contrast, government consumption reported an increase in the first half of the year. Though shrinking significantly, the contribution of foreign trade to GDP growth was still positive as exports dropped less than imports. Industrial production, after months of declining, grew slightly in July as against June, but dropped by 22% (manufacturing nearly by one quarter) during the first seven months of the year. Output of manufacturing fell in all branches, most notably in the production of textiles (minus 55%) and the manufacture of basic metals and of furniture (minus 37% each). In the car industry, Slovenia's major exporter, production fell by 21%. Out of all manufacturing branches the output decline was lowest in the food and beverages industries. In construction, one of the drivers of GDP growth in the past couple of years, output fell by 19%, of which most notably in residential building.

The negative tendencies in foreign trade prevailing in the first quarter of the year continued, with goods exports down by 23% and imports declining even more strongly, by 30%, during the first seven months of 2009. Thus, the trade deficit disappeared almost completely. In services trade exports fell faster than imports, resulting in a reduction of the services trade surplus. Owing to the (almost) elimination of the trade deficit, the current account turned positive starting from June. Similar to previous years. Slovenia has remained a FDI net exporter in 2009.

Having issued two Eurobonds in January and March 2009 totalling EUR 2.5 billion, Slovenia raised a third Eurobond worth EUR 1.5 billion at the beginning of September in order to strengthen the financial system. The most recent Eurobond issue has a maturity of 15 years; part of it will be used to finance the 2010 budget. The government also implemented a EUR 1.2 billion state guarantee plan that should support the country's biggest companies such as the car producer Renault and the appliance maker Gorenje. In addition, Nova Ljubljanska Banka and Abanka sold state guaranteed bonds in July and September, worth EUR 1.5 billion and EUR 500 million respectively. According to Matej Lahovnik, the Minister of Economy, the privatizations of Slovenia's largest bank, Nova Ljubljanska Banka, and the country's Telekom company will be postponed, (at least partly) because of uncertainties on the global financial markets. According to the governor of the Bank of Slovenia, in terms of liquidity and funds capitalization Slovenian banks are at about the same level as before the crisis: While the deterioration of the credit portfolio is not seen as a matter of serious concern, the repayment of loans provided to financial holdings for management buyouts might become problematic. Though strengthening somewhat in July, lending activities remained suppressed: during the first seven months; lending to households and the corporate sector accounted for only about 30% and 10% respectively of the amount recorded during the same period in 2008.

The impact of the drop in GDP is still not felt in full on the labour market. Based on Labour Force Survey data the number of employed decreased by a mere 0.9% during the first half of 2009, which is also confirmed by national account statistics. Apparently the implementation of short-time work has helped keep people in employment. Manufacturing is hit hardest by employment losses, while most other sectors even recorded some job growth. The strong output decline in construction has not yet translated into falling employment. Although increasing, LFS unemployment remained moderate, at 5.5%. Conversely, unemployment based on registration data shows a steady increase since September 2008, putting the unemployment rate at 9.4% by the end of July. In order to mitigate the impact of the economic downturn on the labour market the government approved amendments to the Plan of the Active Employment Policy Programme for 2008 and 2009 by providing additional funds to implement active labour market policy measures.

Results for the first half of the year point to a significant deterioration of the general government deficit owing to a strong decline in tax revenues coupled with rising expenditures first of all for transfers (to the unemployed) and public sector wages. At the same time Slovenia reported growing inflows from the EU budget, the cohesion fund in particular. In mid-July the government passed a second budget revision which envisages the general government deficit to reach 5.5% of GDP in 2009. The deficit for 2010 is planned to drop to 5% of GDP. Discussions on a draft budget memorandum for the period 2010-2013 started in late July, assuming a gradual fall of the deficit below 3% by 2013. In late September the Slovenian government adopted a law on the taxation of salaries of top managers and members of supervisory boards of state-controlled enterprises during the crisis. The law imposes an additional 49% tax on salaries that exceed EUR 12,500 per month. As this law covers only a limited number of persons, it may be considered to represent a symbolic move by the government.

Based on the available results for the first half of the year, wiiw revises its GDP forecast down to minus 7-8% in 2009. Even if GDP growth turns positive in 2010, employment will continue to contract since the labour market will react only with a time lag to production growth. Similarly the unemployment rate is expected to rise this year and next, reaching some 7% in 2010. These developments may also trigger a slowdown in household consumption. The general government deficit might be even higher than in 2009. Following the much faster contraction of imports than exports, the trade balance and current account should be close to balance in 2009. Key to a potential recovery in 2010 will be the developments in Slovenia's main trading partners, Germany and Italy in particular.

Table SI

Slovenia: Selected Economic Indicators

	2005	2006	2007	2008 1)	2008	2009	2009	2010	2011
					January-June			Forecast	
Population, th pers., average	2000.5	2006.9	2018.1	2021.3	.	.	.	.	.
Gross domestic product, EUR mn, nom. 2)	28749.6	31050.4	34568.2	37135.4	18361.9	17265.5	34870	35920	37740
annual change in % (real) 2)	4.5	5.8	6.8	3.5	5.6	-8.8	-7.5	1	3
GDP/capita (EUR at exchange rate)	14400	15500	17100	18400	.	.	.	.	.
GDP/capita (EUR at PPP)	19700	20700	22300	22700	.	.	.	.	.
Consumption of households, EUR mn, nom. 2)	15331.2	16156.1	17944.2	19296.9	9453.6	9291.2	.	.	.
annual change in % (real) 2)	2.8	2.9	6.7	2.1	3.6	-1.3	-2	1	3
Gross fixed capital form., EUR mn, nom. 2)	7321.3	8242.1	9571.3	10742.4	5191.3	3933.4	.	.	.
annual change in % (real) 2)	3.7	9.9	11.7	7.7	13.4	-25.0	-20	1	4
Gross industrial production 3)									
annual change in % (real)	3.3	6.1	6.2	-1.5	7.4	-22.7	-19	2	3
Gross agricultural production									
annual change in % (real)	-1.2	-7.4	2.6	-4.5	.	.	.	.	.
Construction industry (build.& civil engin.) 3)4)									
annual change in % (real)	3.0	15.3	18.4	15.1	23.2	-19.1	.	.	.
Employed persons - LFS, th, average	949	961	985	996	981	972	.	.	.
annual change in %	0.7	1.3	2.5	1.1	0.5	-0.9	.	.	.
Unemployed persons - LFS, th, average	66	61	50	46	48	57	.	.	.
Unemployment rate - LFS, in %, average	6.5	6.0	4.8	4.4	4.7	5.5	6.5	7	7
Reg. unemployment rate, in %, end of period	10.2	8.6	7.3	7.0	6.4	9.1	10.5	9	8
Average gross monthly wages, EUR 5)	1157	1213	1285	1391	1347	1415	.	.	.
annual change in % (real, net) 5)	3.5	2.5	4.2	2.0	1.1	3.4	.	.	.
Consumer prices (HICP), % p.a.	2.5	2.5	3.8	5.5	6.4	1.1	1.5	2	2
Producer prices in industry, % p.a. 3)	1.9	2.3	4.1	3.9	3.5	-0.2	-1	2	2
General governm.budget, EU-def., % GDP 6)									
Revenues	43.8	43.2	42.8	42.6	.	.	.	.	.
Expenditures	45.2	44.5	42.3	43.6	.	.	.	.	.
Net lending (+) / net borrowing (-)	-1.4	-1.3	0.5	-0.9	.	.	-5.5	-6	-4.5
Public debt, EU-def., in % of GDP 6)	27.0	26.7	23.4	22.8	.	.	.	.	.
Discount rate of NB, % p.a., end of period 7)	3.8	3.8	4.0	2.5	4.0	1.0	.	.	.
Current account, EUR mn	-497.6	-771.1	-1646.0	-2286.5	-911.0	55.6	-100	-300	-500
Current account in % of GDP	-1.7	-2.5	-4.8	-6.2	-5.0	0.3	-0.3	-0.8	-1.3
Exports of goods, BOP, EUR mn	14599.2	17028.4	19798.4	20048.2	10433.0	8004.2	16000	16700	18000
annual growth rate in %	12.9	16.6	16.3	1.3	6.4	-23.3	-20	4	8
Imports of goods, BOP, EUR mn	15625.0	18179.4	21464.3	22698.2	11589.8	8089.6	16500	17300	18700
annual growth rate in %	12.1	16.3	18.1	5.7	11.3	-30.2	-27	5	8
Exports of services, BOP, EUR mn	3213.5	3572.3	4145.1	5040.3	2351.3	2004.9	4450	4550	4830
annual growth rate in %	15.5	11.2	16.0	21.6	25.9	-14.7	-12	2	6
Imports of services, BOP, EUR mn	2293.5	2579.6	3097.9	3431.2	1543.1	1373.9	3100	3100	3320
annual growth rate in %	9.5	12.5	20.1	10.8	19.3	-11.0	-10	0	7
FDI inflow, EUR mn	472.6	513.4	1106.5	1313.4	547.1	44.6	.	.	.
FDI outflow, EUR mn	515.6	686.9	1316.7	932.4	574.9	432.5	.	.	.
Gross reserves of NB excl. gold, EUR mn 8)	6822.2	5341.7	666.0	623.0	627	471	.	.	.
Gross external debt, EUR mn	20496	24067	34783	39238	39417	37643	.	.	.
Gross external debt in % of GDP	71.4	77.6	100.8	105.3	106.1	108.0	.	.	.
Average exchange rate EUR/EUR	1.000	1.000	.	.	.	.	.	.	.
Purchasing power parity EUR/EUR	0.730	0.745	0.768	0.807	.	.	.	.	.

1) Preliminary. - 2) According to ESA'95 (FISIM adjusted and real change based on previous year prices). - 3) Quarterly data and forecasts according to NACE Rev. 2. - 4) Enterprises with at least 20 employees . - 5) From January 2005 including legal persons with 1 or 2 employees in private sector. - 6) According to ESA'95, excessive deficit procedure. - 7) Main refinancing rate, from 2007 for euro area. - 8) From January 2007 (euro introduction) only foreign currency reserves denominated in non-euro currencies.

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

Baltic States: in the midst of depression

BY SEBASTIAN LEITNER

The Baltic States have been heading deeper into depression in the course of the year 2009. Unlike in Western Europe and in some Central and Eastern European new EU member states, no convincing signs of economic stabilization have emerged and no recovery is to be expected before the end of 2010. Moreover, there is still the probability of devaluation of the Latvian lats and subsequent pressure on the Estonian and Lithuanian currencies to follow suit.

Latvia

At the end of August 2009 the IMF finally completed its first review of the stand-by agreement with Latvia, allowing for the disbursement of the second credit tranche to the government. As expected, the rescue programme had to be adjusted due to the deep economic contraction. The budget deficit ceiling for 2009, 5% in the original programme from December 2008, had to be raised to 13% (about 10% according to EU methodology). In order to convince the IMF and also the EU of its eagerness to follow the path of budget consolidation in the medium term, the Latvian government signed a letter of intent, committing itself to cut public expenditures in the 2010 budget by 4% of GDP. However, the parliament refused to agree fully on those cuts and also envisaged tax increases at the end of September, on the grounds that the fiscal adjustments demanded by international donors hit the limits of what is politically feasible in Latvia.

This again put into question the country's ability to stick to the euro-peg of the lats. In addition Prime Minister Dombrovskis made an interesting proposition for a new law limiting mortgage borrowers' liabilities to the value of the underlying properties, whose prices have slumped after the burst of the real estate bubble, rather than the full amount of the loan. This was of course followed by an outcry of Scandinavian bankers and politicians.

So far the credit line of the rescue package has allowed the Latvian government to cover the budget deficit and to maintain the foreign exchange reserves of the Latvian National Bank, although the country had to face large financial outflows. Due to the dramatic collapse of domestic demand the current account, running double-digit deficits in per cent of GDP in the past five years, moved into surplus of not less than 7.4% in the first half of 2009, easing the pressure of external financing constraints. However, since the IMF, the EU and Scandinavian governments, being also donors within the framework of the rescue package, are increasing their pressure on the Latvian government to implement further public spending cuts for 2010, the likelihood of devaluation is on the rise again.

Latvia's aim, as those of the other two Baltic countries, to fight the overvaluation of their pegged currencies by enforcing 'internal devaluation' via wage cuts and deflation is hard to be accomplished. Although the rise in prices diminished in the first half of 2009, the CPI is still rising in Latvia, among other things as a result of the rise in the VAT rate at the beginning of the year, a measure that failed its actual aim of raising tax revenues. However, it also points to the fact that the stickiness of prices results in output declines instead of nominal adjustments if the instrument of exchange rate devaluation is not applied. Hence a phenomenon such as 'internal devaluation' via deflation exists in reality at best in the medium run only and is preceded by enormous output losses. In the case of the Baltic States, due to devaluation of trade partners' currencies in the first half of the year, the real exchange rates even rose substantially.

While in the public sector the austerity packages implemented led to wage cuts, in the private sector the contraction of output resulted in a dramatic rise in the unemployment rate to as much as 18.7% at the end of August, while real wages fell by only 4%

in the first half of the year. As we will see another year of recession in 2010, the unemployment rate will continue to rise to approximately 21% next year and is likely to diminish in 2011 only due to declining labour supply via labour emigration and the shift from unemployment into inactivity.

The most recent monthly figures for industrial production show that the fall in output has slowed down but export figures reflect that external demand for Latvian products is still on a downward trend. Investment, slumping by 36% in the first half of the year, will continue to fall until the second half of 2010 due to idle capacities in all branches of the economy. The trade balance was in equilibrium in the second quarter of this year and is expected to turn into a surplus in 2010, which will help to give a first impulse to the stabilization of demand. However, Latvia lacks an export-intensive industrial base. The share of manufacturing in total gross value added is the lowest among the Central and Eastern European NMS and the rate of goods exports to GDP the second lowest, behind the much larger country of Romania. Concerning the outlook for a recovery of public consumption and household demand respectively, the latter is expected to stabilize only in late 2011 when the rise in unemployment will come to an end; as for the former, the hands of the Latvian government are bound in the face of rising public debt levels. Moreover, the deflationary period to come will presuppose further cuts in budget expenditures due to falling public revenues.

Therefore, after a slump of GDP of not less than 19% in 2009, the expectations for output development in 2010 are meagre as well and a slight pick-up of growth is likely to appear only at the end of that year. However, we have to point to the fact that the forecast for Latvia (as well as for Estonia and Lithuania) is based upon the assumption that the euro-peg is maintained. As discussed above this is far from certain. A devaluation of the lats would in the medium to longer run help to gain external competitiveness in markets for tradable goods and services, which could shorten the recession period. Nonetheless, in the short run demand may be hampered further, *inter alia* via disturbances in the credit channel due to external financing constraints.

Estonia

In the midst of the economic depression the Estonian government is aiming at early euro adoption. It is trying the utmost to achieve a budget deficit not larger than 3% of GDP in 2009 in order to enter the eurozone in 2011. Since tax revenues slumped in the midst of the economic crisis, further expenditure cuts and tax increases are planned in order to accomplish the aim. However, we expect the deficit criterion to be missed in 2009, so that the euro introduction will have to be postponed by another year to 2012. The cost of the enforced deficit cap is that the depression of economic activity is likely to deepen this year and in 2010.

The depth of the recession and the timing of recovery will also depend heavily upon the development of Estonia’s main trading partners Sweden and Finland. However, both countries’ economic activity, being strongly based on industrial exports, contracted in the first half of 2009 by 7% and 8.5% respectively. Economic developments in Estonia are coupled with Western European demand developments via inter-industrial linkages with Scandinavian countries.

As in its Baltic neighbours the rise of interest rates in Estonia further depresses household demand and investment activity. This phenomenon is driven by fears of a possible devaluation especially of the Latvian lats, which in turn would also have contagion effects on the Estonian and Lithuanian financial markets.

Overall, the Estonian economy will not only face a depression of 16% in 2009 but GDP is expected to fall also in 2010 by another 8% due to the likely slow recovery of external demand – which is however the straws everyone is clutching at in predicting a rebound of economic growth. Internal demand though will be hampered for a longer period by falling real incomes of households, declining investments due to idle capacities and overextended enterprises and the government's eagerness to keep the budget deficit in line with the Maastricht criterion. In general, the deleveraging process of the Estonian economy, which has accumulated a (mostly private) gross external debt of 135% of GDP as of end of June 2009, will keep the growth rates down not only in the medium but also in the foreseeable longer term.

Lithuania

Although the Lithuanian government already implemented an austerity package of as much as 7.5% of GDP in the first half of 2009, the public deficit is announced to rise to 9% of GDP. In order to stabilize budget revenues the VAT rate was raised from 19% to 21% at the beginning of September; this move, however (as in Estonia and Latvia) is more likely to depress household demand even further. GDP figures for the second quarter of 2009 show a free fall of the economy of more than 20% driven by a decline of household consumption of the same magnitude and a slump of gross fixed capital investments of 40%. Unlike in its Baltic neighbours, in Lithuania the recession started only in the last quarter of 2008, and the level effect of the GDP slump will be carried on until the end of 2009. The only supporting element in this respect, also in the rest of 2009, is the subsequent decline of imports turning the growth contribution of foreign trade into positive. Investments, driven by the booming housing sector in recent years, are expected to decline not only in the second half of this year but also during 2010, since real estate prices will fall even further due to decreasing real incomes and the present oversupply in the market.

Altogether, the outlook for Lithuania's economic development in the coming 18 months is gloomy. The GDP contraction in 2009 will be not less than 19% and 2010 is expected to bring about a slump of another 9%. In the coming year unemployment will rise to close to 20%, a fact that raises expectations of a further wave of emigration to Western European countries, a phenomenon that has already been observed in the course of EU accession.

From the end of 2010 onwards, when the nuclear power plant of Ignalina is to be shut down, Lithuania will have to import most of its energy supplies; this will not only push the trade balance into deficit again, but will also bring forth a cost push for producers in the country. As a result the recession in Lithuania may be prolonged and a rebound of growth may take place only in the second half of 2011.

Table LV

Latvia: Selected Economic Indicators

	2005	2006	2007	2008 1)	2008	2009	2009	2010	2011
					January-June			Forecast	
Population, th pers., average	2300.5	2287.9	2276.1	2266.1	.	.	.	.	.
Gross domestic product, LVL mn, nom. 2)	9059.1	11171.7	14779.8	16274.5	7889.0	6651.6	13500	11700	11200
annual change in % (real) 2)	10.6	12.2	10.0	-4.5	-0.7	-18.4	-19	-9	-1
GDP/capita (EUR at exchange rate)	5700	7000	9300	10200	.	.	.	.	.
GDP/capita (EUR at PPP)	10900	12400	14400	14000	.	.	.	.	.
Consumption of households, LVL mn, nom. 2)	5578.2	7184.2	9104.3	9935.6	4738.4	4052.0	8000	6700	6400
annual change in % (real) 2)	11.3	21.4	14.8	-5.5	-4.8	-20.5	-21	-12	-2
Gross fixed capital form., LVL mn, nom. 2)	2773.8	3644.1	4975.1	4777.3	2266.4	1414.2	3300	2900	2800
annual change in % (real) 2)	23.6	16.3	7.5	-15.6	-9.8	-36.3	-33	-7	-1
Gross industrial production 3)4)									
annual change in % (real)	5.9	5.3	0.7	-6.7	-0.3	-21.5	-18	-2	2
Gross agricultural production									
annual change in % (real)	11.8	-1.9	10.8	0.1	.	.	.	.	.
Construction industry 4)									
annual change in % (real)	15.4	13.3	13.6	-3.1	7.7	-31.3	.	.	.
Employed persons - LFS, th, average	1033.7	1087.1	1118.0	1124.5	1140.0	1023.0	.	.	.
annual change in %	1.6	5.2	2.8	0.6	4.0	-10.3	.	.	.
Unemployed persons - LFS, th, average	101.0	79.5	71.3	90.5	78.1	184.0	.	.	.
Unemployment rate - LFS, in %, average	8.9	6.8	6.0	7.5	6.4	15.3	17.5	21	19
Reg. unemployment rate, in %, end of period	7.4	6.5	4.9	7.0	4.9	11.5	.	.	.
Average gross monthly wages, LVL	246	302	398	479	465	471	.	.	.
annual change in % (real, net)	9.7	15.6	19.9	6.1	9.2	-2.7	.	.	.
Consumer prices (HICP), % p.a.	6.9	6.6	10.1	15.2	16.9	6.7	3.5	-4	-2
Producer prices in industry, % p.a. 4)	7.8	10.3	16.1	11.5	11.6	0.2	.	.	.
General government budget, EU-def., % GDP 5)									
Revenues	35.2	37.7	35.5	35.5	.	.	.	.	.
Expenditures	35.6	38.2	35.9	39.5	.	.	.	.	.
Net lending (+) / net borrowing (-)	-0.4	-0.5	-0.4	-4.0	.	.	-11	-8	-6
Public debt, EU-def., in % of GDP 5)	12.4	10.7	9.0	19.5	.	.	.	.	.
Refinancing rate of NB, % p.a., end of period	4.0	5.0	6.0	6.0	6.0	5.5	.	.	.
Current account, EUR mn	-1610.1	-3603.0	-4754.0	-2925.0	-1728.0	738.9	900	600	-100
Current account in % of GDP	-12.4	-22.5	-22.5	-12.6	-15.4	7.8	4.7	3.6	-0.6
Exports of goods, BOP, EUR mn	4313.1	4929.0	6020.0	6476.0	3259.2	2371.4	4800	4900	5100
annual growth rate in %	27.1	14.3	22.1	7.6	12.8	-27.2	-26	2	4
Imports of goods, BOP, EUR mn	6753.4	9032.0	11074.0	10400.0	5233.4	3163.0	6700	6500	6800
annual growth rate in %	19.8	33.7	22.6	-6.1	-1.2	-39.6	-36	-3	5
Exports of services, BOP, EUR mn	1743.0	2121.0	2682.0	3100.0	1433.2	1332.6	2900	2900	3100
annual growth rate in %	21.7	21.7	26.4	15.6	18.2	-7.0	-6	0	7
Imports of services, BOP, EUR mn	1255.6	1586.0	1974.0	2174.0	1017.8	747.7	1600	1600	1700
annual growth rate in %	32.5	26.3	24.5	10.1	15.0	-26.5	-26	0	6
FDI inflow, EUR mn	567.9	1339.0	1656.0	921.0	768.2	-84.1	-50	.	.
FDI outflow, EUR mn	103.0	136.0	237.0	144.0	121.8	-14.3	-10	.	.
Gross reserves of NB excl. gold, EUR mn	1901.8	3346.2	3859.9	3514.0	4008.7	4330.4	.	.	.
Gross external debt, EUR mn	12807.7	18127.7	26834.6	29762.8	28679.5	28226.8	.	.	.
Gross external debt in % of GDP	98.4	113.1	126.4	129.5	125.1	146.9	.	.	.
Average exchange rate LVL/EUR	0.6962	0.6962	0.7001	0.7027	0.7027	0.7027	0.7027	0.7027	0.7027
Purchasing power parity LVL/EUR	0.3605	0.3932	0.4506	0.5132	.	.	.	.	.

1) Preliminary. - 2) According to ESA'95 (FISIM adjusted). - 3) Enterprises with more than 20 employees. - 4) Quarterly data and forecasts according to NACE Rev. 2. - 5) According to ESA'95, excessive deficit procedure.

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

Table EE

Estonia: Selected Economic Indicators

	2005	2006	2007	2008 [1]	2008	2009	2009	2010	2011
					January-June			Forecast	
Population, th pers., average	1346.1	1343.5	1341.7	1340.7	.	.	.	.	.
Gross domestic product, EEK mn, nom. [2]	174956	206996	244504	251493	125808	106314	207700	183400	179700
annual change, % (real) [2]	9.4	10.0	7.2	-3.6	-0.8	-15.6	-17	-8	0
GDP/capita (EUR at exchange rate)	8300	9800	11600	12000	.	.	.	.	.
GDP/capita (EUR at PPP)	13900	15600	17300	17100	.	.	.	.	.
Consumption of households, EEK mn, nom. [2]	94976	112950	132335	137499	69355	56313	112200	98000	95100
annual change in % (real) [2]	9.9	13.0	9.1	-4.8	-1.1	-19.3	-18	-9	-1
Gross fixed capital form., EEK mn, nom [2]	56115	72325	84385	73729	37407	24660	51400	45400	45800
annual change in % (real) [2]	15.3	18.6	9.0	-12.1	-6.3	-33.1	-30	-8	3
Gross industrial production [3]									
annual change in % (real)	11.0	9.9	6.6	-6.5	-2.1	-30.6	-28	1	5
Gross agricultural production									
annual change in % (real)	6.6	-2.1	12.3	-3.3	.	.	.	.	.
Construction industry [3]									
annual change in % (real)	23.0	27.8	13.6	-12.0	-7.5	-29.6	.	.	.
Employed persons - LFS, th, average	607.4	646.3	655.3	656.5	656.6	602.4	.	.	.
annual change in %	2.0	6.4	1.4	0.2	0.6	-8.3	.	.	.
Unemployed persons - LFS, th, average	52.2	40.5	32.0	38.4	28.0	85.6	.	.	.
Unemployment rate - LFS, in %, average	7.9	5.9	4.7	5.5	4.1	12.5	14.5	17	17
Reg. unemployment rate, in %, end of period	2.7	1.4	2.2	4.7	2.6	10.2	.	.	.
Average gross monthly wages, EEK	8073	9407	11336	12912	12821	12432	.	.	.
annual change in % (real, gross)	6.4	11.6	13.0	3.2	5.2	-4.8	.	.	.
Consumer prices (HICP), % p.a.	4.1	4.5	6.7	10.6	11.4	1.9	0.5	-3	-1
Producer prices in industry, % p.a. [3]	2.1	4.5	8.3	7.2	7.7	0.6	.	.	.
General governm. budget, EU-def., % GDP [4]									
Revenues	35.2	36.8	37.3	37.4	.	.	.	.	.
Expenditures	33.8	33.9	34.7	40.3	.	.	.	.	.
Net lending (+) / net borrowing (-)	1.5	2.9	2.6	-2.9	.	.	-5	-3	-3
Public debt, EU-def., in % of GDP [4]	4.5	4.3	3.5	4.8	.	.	.	.	.
Money market rate, % p.a., end of period [5]	2.5	3.8	7.0	7.0	5.9	5.6	.	.	.
Current account, EUR mn	-1116.0	-2193.0	-2758.0	-1445.0	-1022.5	155.6	350	300	-100
Current account in % of GDP	-10.0	-16.6	-17.6	-9.0	-12.7	2.3	2.6	2.6	-0.9
Exports of goods, BOP, EUR mn	6347.9	7761.0	8076.0	8535.0	4272.9	3116.0	6300	6300	6400
annual growth rate in %	33.2	22.3	4.1	5.7	5.7	-27.1	-26	0	2
Imports of goods, BOP, EUR mn	7898.0	10159.0	10761.0	10421.0	5252.0	3366.4	7300	7100	7300
annual growth rate in %	24.7	28.6	5.9	-3.2	-3.5	-35.9	-30	-3	3
Exports of services, BOP, EUR mn	2612.0	2787.0	3199.0	3537.0	1646.5	1485.8	3200	3100	3200
annual growth rate in %	13.9	6.7	14.8	10.6	10.1	-9.8	-10	-3	3
Imports of services, BOP, EUR mn	1772.7	1938.0	2237.0	2332.0	1087.6	903.3	1950	1950	2000
annual growth rate in %	26.4	9.3	15.4	4.2	4.1	-16.9	-16	0	3
FDI inflow, EUR mn	2307.3	1432.0	1963.0	1392.0	787.4	188.4	400	.	.
FDI outflow, EUR mn	556.0	883.0	1152.0	697.0	423.0	380.4	500	.	.
Gross reserves of NB excl. gold, EUR mn	1643.6	2115.0	2233.8	2818.2	2580.4	2682.9	.	.	.
Gross external debt, EUR mn	9671.9	12903.8	17339.5	19052.1	18432.0	17970.4	.	.	.
Gross external debt in % of GDP	86.5	97.5	111.0	118.5	114.7	135.4	.	.	.
Average exchange rate EEK/EUR	15.6466	15.6466	15.6466	15.6466	15.65	15.65	15.65	15.65	15.65
Purchasing power parity EEK/EUR	9.3775	9.8833	10.5251	10.9672	.	.	.	.	.

1) Preliminary. - 2) According to ESA'95 (FISIM adjusted and real change based on previous year prices). - 3) Quarterly data and forecasts according to NACE Rev. 2. - 4) According to ESA'95, excessive deficit procedure. - 5) TALIBOR 1 month interbank offered rate.

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

Table LT

Lithuania: Selected Economic Indicators

	2005	2006	2007	2008 1)	2008	2009	2009	2010	2011
					January-June			Forecast	
Population, th pers., average	3414.3	3394.1	3375.6	3358.1	.	.	.	.	.
Gross domestic product, LTL mn, nom. 2)	72060.4	82792.8	98669.1	111189.8	53065.2	44880.7	93500	81700	78500
annual change in % (real) 2)	7.8	7.8	9.8	2.8	6.1	-17	-18	-9	-2
GDP/capita (EUR at exchange rate)	6100	7100	8500	9600	.	.	.	.	.
GDP/capita (EUR at PPP)	11900	13100	14900	15300	.	.	.	.	.
Consumption of households, LTL mn, nom. 2)	46312.0	53268.6	63508.4	72140.6	35549.0	31333.0	60600	51200	48700
annual change in % (real) 2)	12.3	10.6	12.0	3.6	9.1	-17.6	-18	-12	-3
Gross fixed capital form., LTL mn, nom. 2)	16405.0	20840.8	27918.8	27984.0	13080.7	7557.5	18400	16100	15900
annual change in % (real) 2)	11.2	19.4	23.0	-6.5	-0.6	-38.8	-36	-9	1
Gross industrial production (sales) 3)									
annual change in % (real)	7.1	7.3	4.0	2.7	5.9	-15.3	-17	-8	3
Gross agricultural production									
annual change in % (real)	10.5	-4.1	8.2	0.7	.	.	.	.	.
Construction industry 3)									
annual change in % (real)	11.5	21.2	21.6	1.4	13.7	-45.8	.	.	.
Employed persons - LFS, th, average	1473.9	1499.0	1534.2	1520.0	1517.7	1427.7	.	.	.
annual change in %	2.6	1.7	2.3	-0.9	-0.5	-5.9	.	.	.
Unemployed persons - LFS, th, average	133.0	89.4	69.0	94.3	75.0	208.5	.	.	.
Unemployment rate - LFS, in %, average	8.3	5.6	4.3	5.8	4.7	12.8	15.5	19	19
Reg. unemployment rate, in %, end of period	4.1	3.7	4.3	5.7	4.7	9.3	.	.	.
Average gross monthly wages, LTL	1276.2	1495.7	1802.4	2174.0	2194.1	2182.9	.	.	.
annual change in % (real, net)	6.8	15.0	17.0	11.2	12.8	-5.5	.	.	.
Consumer prices (HICP), % p.a.	2.7	3.8	5.8	11.1	11.5	6.6	3.5	-3	-1
Producer prices in industry, % p.a.	11.5	7.4	6.9	18.2	22.0	-12.6	.	.	.
General goverm.budget, EU-def., % GDP 4)									
Revenues	32.8	33.1	33.9	34.0	.	.	.	.	.
Expenditures	33.3	33.6	34.9	37.2	.	.	.	.	.
Net lending (+) / net borrowing (-)	-0.5	-0.4	-1.0	-3.2	.	.	-9	-7	-6
Public debt, EU-def., in % of GDP 4)	18.4	18.0	17.0	15.6	.	.	.	.	.
Money market rate, % p.a., end of period 5)	2.5	3.7	6.8	7.8	4.3	2.4	.	.	.
Current account, EUR mn	-1481.3	-2551.0	-4149.0	-3737.0	-2584.4	163.3	400	200	-200
Current account in % of GDP	-7.1	-10.6	-14.5	-11.6	-16.8	1.3	1.5	0.8	-0.9
Exports of goods, BOP, EUR mn	9490.0	11262.0	12509.0	16068.0	7955.4	5512.0	11700	11700	12100
annual growth rate in %	26.9	18.7	11.1	28.5	33.4	-30.7	-27	0	3
Imports of goods, BOP, EUR mn	11849.0	14600.0	16788.0	19817.0	10203.3	5791.9	12300	12300	12800
annual growth rate in %	26.1	23.2	15.0	18.0	26.4	-43.2	-38	0	4
Exports of services, BOP, EUR mn	2502.8	2879.0	2931.0	3302.0	1513.6	1149.9	2400	2400	2500
annual growth rate in %	27.1	15.0	1.8	12.7	13.3	-24.0	-27	0	4
Imports of services, BOP, EUR mn	1655.3	2018.0	2471.0	2959.0	1437.6	1028.4	2100	2100	2200
annual growth rate in %	26.0	21.9	22.4	19.7	23.2	-28.5	-29	0	5
FDI inflow, EUR mn	826.0	1448.0	1473.0	1223.0	484.9	446.7	600	.	.
FDI outflow, EUR mn	277.7	232.0	437.0	229.0	153.4	50.9	80	.	.
Gross reserves of NB excl. gold, EUR mn	3135.7	4307.5	5165.1	4457.0	4603.6	4333.9	.	.	.
Gross external debt, EUR mn	10586.5	14441.8	20547.2	23048.2	22546.2	23026.6	.	.	.
Gross external debt in % of GDP	50.7	60.2	71.9	71.6	69.8	84.8	.	.	.
Average exchange rate LTL/EUR	3.45	3.45	3.45	3.45	3.45	3.45	3.45	3.45	3.45
Purchasing power parity LTL/EUR	1.77	1.86	1.96	2.16	.	.	.	.	.

1) Preliminary. - 2) According to ESA'95 (FISIM adjusted and real change based on previous year prices). - 3) Quarterly data and forecasts according to NACE Rev. 2. - 4) According to ESA'95, excessive deficit procedure. - 5) VILIBOR 1 month interbank offered rate.

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

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STATISTICAL ANNEX

Selected monthly data on the economic situation in Central and Eastern Europe

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
CZK	Czech koruna
EUR	euro, from 1 January 1999
EUR-SIT	Slovenia has introduced the euro from 1 January 2007
HRK	Croatian kuna
HUF	Hungarian forint
PLN	Polish zloty
RON	Romanian leu
RUB	Russian rouble
SKK	Slovak koruna
UAH	Ukrainian hryvnia
USD	US dollar
M0	currency outside banks / currency in circulation (ECB definition)
M1	M0 + demand deposits / narrow money (ECB definition)
M2	M1 + quasi-money / intermediate money (ECB definition)
M3	broad 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 2008 to 2009

(updated end of Sep 2009)

		2008 Jun	Jul	Aug	Sep	Oct	Nov	Dec	2009 Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
PRODUCTION																
Industry, total[1)2)]	real, CMPY	5.0	4.2	-5.4	3.3	-5.1	-11.7	-11.2	-18.4	-17.7	-16.9	-20.2	-22.0	-18.2	-18.9	.
Industry, total[1)2)]	real, CCPY	6.9	6.5	4.9	4.7	3.7	2.2	1.0	-18.4	-18.1	-17.6	-18.3	-19.1	-18.9	-18.9	.
Industry, total[1)2)]	real, 3MMA	4.4	1.3	0.7	-2.5	-4.6	-9.3	.	.	-17.7	-18.3	-19.7	-20.1	-19.7	.	.
LABOUR																
Employees total	th. persons	2502	2526	2516	2495	2481	2466	2436	2438	2428	2413	2405	2403	2402	.	.
Employees in industry[2)]	th. persons	711	711	708	698	699	692	681	653	645	634	625	618	613	.	.
Unemployment, end of period	th. persons	221.1	220.9	218.3	214.7	216.6	216.8	232.3	240.8	247.8	254.9	260.7	262.1	270.1	282.2	291.9
Unemployment rate[3)]	%	6.0	6.0	5.9	5.8	5.8	5.8	6.3	6.5	6.7	6.9	7.0	7.1	7.3	7.6	7.9
Labour productivity, industry[1)2)]	CCPY	5.8	5.4	3.8	3.7	2.7	1.4	0.4	-14.3	-13.5	-12.5	-12.4	-12.7	-12.1	.	.
Unit labour costs, exch.r. adj.(EUR)[1)2)]	CCPY	17.8	18.2	19.6	19.4	20.0	21.2	21.8	33.2	30.9	28.8	28.7	29.0	27.8	.	.
WAGES, SALARIES																
Total economy, gross	BGN	515	517	514	538	538	542	566	557	553	579	593	585	587	.	.
Total economy, gross	real, CMPY	9.5	7.6	10.4	11.8	12.8	10.9	10.8	8.6	10.1	10.4	10.6	11.9	9.9	.	.
Total economy, gross	EUR	263	264	263	275	275	277	289	285	283	296	303	299	300	.	.
Industry, gross[2)]	EUR	270	267	270	278	271	276	283	277	276	294	290	295	299	.	.
PRICES																
Consumer	PM	-0.2	1.5	0.1	1.1	0.5	-0.1	-0.2	0.8	0.1	-0.2	0.7	-0.3	-0.4	-0.6	-0.2
Consumer	CMPY	15.3	14.5	11.2	11.0	10.9	9.1	7.8	7.1	6.0	4.9	4.8	3.9	3.7	1.6	1.3
Consumer	CCPY	14.1	14.2	13.8	13.5	13.2	12.8	12.3	7.1	6.5	6.0	5.7	5.3	5.1	4.5	4.1
Producer, in industry[2)]	PM	1.4	2.3	-0.1	-0.5	-0.8	-3.2	-5.7	-1.3	-0.9	1.1	-0.8	0.3	0.2	-0.9	.
Producer, in industry[2)]	CMPY	12.7	13.2	11.8	11.2	8.9	2.9	-1.0	2.2	0.6	-1.1	-2.3	-3.2	-5.1	-9.0	.
Producer, in industry[2)]	CCPY	13.7	13.6	13.3	13.1	12.7	11.7	10.6	2.2	1.4	0.6	-0.2	-0.8	-1.5	-2.7	.
FOREIGN TRADE[4)5)]																
Exports total (fob), cumulated	EUR mn	7737	9253	10561	11964	13251	14327	15278	810	1710	2676	3507	4411	5409	6437	.
Imports total (cif), cumulated	EUR mn	12656	15099	17146	19352	21736	23659	25334	1220	2537	4025	5396	6804	8215	9745	.
Trade balance, cumulated	EUR mn	-4920	-5846	-6584	-7388	-8485	-9331	-10056	-410	-827	-1349	-1889	-2393	-2806	-3308	.
Exports to EU-27 (fob), cumulated	EUR mn	4672	5569	6317	7130	7952	8637	9190	566	1188	1787	2297	2871	3485	4212	.
Imports from EU-27 (cif)[6)], cumulated	EUR mn	7098	8394	9439	10741	12121	13309	14330	727	1509	2411	3213	4052	4929	5889	.
Trade balance with EU-27, cumulated	EUR mn	-2426	-2825	-3122	-3611	-4169	-4673	-5140	-161	-321	-624	-916	-1180	-1443	-1676	.
FOREIGN FINANCE																
Current account, cumulated	EUR mn	-4401	-4840	-5052	-5659	-6827	-7688	-8653	-547	-858	-1413	-1964	-2318	-2552	-2450	.
EXCHANGE RATE																
BGN/USD, monthly average	nominal	1.258	1.240	1.307	1.362	1.470	1.536	1.460	1.479	1.530	1.496	1.481	1.426	1.395	1.388	1.371
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
USD/BGN, calculated with CPI[7)]	real, Jan04=100	142.4	145.8	139.2	135.2	127.3	124.1	131.7	130.4	125.4	127.8	129.6	133.7	135.1	135.2	136.5
USD/BGN, calculated with PPI[7)]	real, Jan04=100	124.5	126.0	123.4	119.0	115.6	112.9	115.8	112.7	109.1	113.6	113.4	117.2	117.3	117.8	.
EUR/BGN, calculated with CPI[7)]	real, Jan04=100	120.9	122.8	123.0	124.1	124.7	125.1	125.1	126.8	126.2	125.6	126.0	125.4	124.7	124.5	123.9
EUR/BGN, calculated with PPI[7)]	real, Jan04=100	117.0	118.4	118.8	118.3	118.3	116.6	111.8	110.8	110.1	111.8	111.9	112.2	112.2	111.8	.
DOMESTIC FINANCE																
Currency in circulation, end of period[8)]	BGN mn	7364	7576	7758	7745	7699	7583	8029	7433	7284	7023	7064	6961	7012	7099	7086
M1, end of period[8)]	BGN mn	20327	20832	20822	20525	19791	19245	19867	18645	17938	17750	17512	17554	17910	17684	17869
Broad money, end of period[8)]	BGN mn	43965	45040	45716	45690	44603	43928	45778	45020	44865	44892	45023	45162	45536	45822	46189
Broad money, end of period	CMPY	24.4	23.8	21.0	19.5	15.0	10.9	8.8	8.3	7.6	6.3	5.1	4.6	3.6	1.7	1.0
BNB base rate (p.a.),end of period	%	5.0	5.1	5.3	5.2	5.4	5.7	5.8	5.2	3.9	3.5	3.9	2.3	2.3	2.2	1.7
BNB base rate (p.a.),end of period[9)]	real, %	-6.9	-7.2	-5.9	-5.4	-3.2	2.7	6.8	2.9	3.3	4.6	6.4	5.6	7.9	12.4	.
BUDGET																
Central gov.budget balance,cum.	BGN mn	3256	3706	4104	4498	4586	4152	1423	631	300	322	352	211	-30	-512	.

1) Enterprises with 10 and more persons.
2) From January 2009 according to NACE rev. 2.
3) Ratio of unemployed to the economically active.
4) Based on cumulated national currency and converted with the average exchange rate.
5) Cumulation starting January and ending December each year.
6) According to country of dispatch.
7) Adjusted for domestic and foreign (US resp. EU) inflation. Values more than 100 mean real appreciation.
8) According to ECB methodology.
9) Deflated with annual PPI.

C Z E C H REPUBLIC: Selected monthly data on the economic situation 2008 to 2009

(updated end of Sep 2009)

		2008							2009							
		Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
PRODUCTION																
Industry, total[1)]	real, CMPY	3.4	7.7	-4.4	9.0	-7.7	-17.4	-14.6	-22.0	-23.0	-12.2	-21.2	-21.3	-11.8	-18.2	.
Industry, total[1)]	real, CCPY	5.8	6.1	4.9	5.3	3.9	1.7	0.4	-22.0	-22.5	-19.0	-19.6	-19.9	-18.5	-18.5	.
Industry, total[1)]	real, 3MMA	4.6	2.3	4.2	-1.3	-6.1	-13.2	.	.	-19.1	-18.8	-18.2	-18.1	-17.1	.	.
Construction, total[1)]	real, CMPY	-3.0	7.2	-1.8	9.3	-1.2	-6.1	-2.6	-11.3	-14.3	-9.1	2.1	0.3	0.7	-4.4	.
LABOUR																
Employees in industry[1)2)]	th. persons	1181	1187	1178	1168	1163	1151	1131	962	946	927	906	900	889	882	.
Unemployment, end of period	th. persons	297.9	310.1	312.3	314.6	311.7	320.3	352.3	398.1	428.8	448.9	456.7	457.6	463.6	485.3	493.8
Unemployment rate[3)]	%	5.0	5.3	5.3	5.3	5.2	5.3	6.0	6.8	7.4	7.7	7.9	7.9	8.0	8.4	8.5
Labour productivity, industry[2)4)]	CCPY	3.9	4.4	3.5	4.1	3.1	1.0	0.2	.	.	.	.	.	.	.	.
Unit labour costs, exch.r. adj.(EUR)[2)4)]	CCPY	18.5	19.1	19.7	18.8	19.2	20.1	20.1	.	.	.	.	.	.	.	.
WAGES, SALARIES																
Industry, gross[1)2)]	CZK	22911	23220	21438	21850	22807	24843	24394	23020	21600	23299	23604	23612	23621	24300	.
Industry, gross[1)2)]	real, CMPY	1.5	2.5	-2.1	2.0	-0.3	-1.9	6.0	-0.2	-1.6	0.2	0.5	0.6	1.2	2.1	.
Industry, gross[1)2)]	EUR	942	987	883	892	920	986	934	847	759	856	882	883	890	942	.
PRICES																
Consumer	PM	0.2	0.5	-0.1	-0.2	0.0	-0.5	-0.3	1.5	0.1	0.2	-0.1	0.0	0.0	-0.4	-0.2
Consumer	CMPY	6.7	6.9	6.5	6.6	6.0	4.4	3.6	2.2	2.0	2.3	1.8	1.3	1.2	0.3	0.2
Consumer	CCPY	7.1	7.0	7.0	6.9	6.8	6.6	6.4	2.2	2.1	2.1	2.0	1.9	1.8	1.5	1.4
Producer, in industry[1)]	PM	0.8	0.1	0.4	-0.1	-1.2	-1.9	-1.5	1.1	0.3	-1.1	-0.5	-0.4	0.0	-0.4	0.2
Producer, in industry[1)]	CMPY	5.4	5.3	5.7	5.5	3.9	1.2	-0.2	-0.8	-0.6	-2.0	-2.5	-3.8	-4.4	-4.9	-5.1
Producer, in industry[1)]	CCPY	5.4	5.4	5.4	5.4	5.3	4.9	4.5	-0.8	-0.7	-1.2	-1.5	-2.0	-2.4	-2.8	-3.1
FOREIGN TRADE[5)6)]																
Exports total (fob),cumulated	EUR mn	51597	60363	67549	76652	85470	93199	99110	5902	11768	18918	25530	31698	38661	45230	.
Imports total (cif),cumulated	EUR mn	49054	57531	64647	73323	82351	90129	96415	5753	11318	17710	23801	29584	35820	41914	.
Trade balance,cumulated	EUR mn	2543	2831	2902	3328	3118	3070	2694	149	451	1208	1729	2114	2841	3316	.
Exports to EU-27 (fob), cumulated	EUR mn	44243	51716	57825	65546	73034	79606	84453	5103	10066	16166	21774	27044	32909	38591	.
Imports from EU-27 (cif)[7)], cumulated	EUR mn	33642	39399	44048	49890	55641	60679	64558	3455	7084	11348	15430	19398	23717	28001	.
Trade balance with EU-27, cumulated	EUR mn	10601	12317	13777	15656	17393	18927	19895	1647	2982	4818	6344	7645	9192	10590	.
FOREIGN FINANCE																
Current account, cumulated[5)]	EUR mn	-1016	-1240	-1792	-2243	-3146	-3806	-4562	37	730	839	1046	476	-214	-329	.
EXCHANGE RATE																
CZK/USD, monthly average	nominal	15.6	14.9	16.2	17.1	18.6	19.8	19.5	20.5	22.3	20.9	20.3	19.6	18.9	18.3	18.0
CZK/EUR, monthly average	nominal	24.3	23.5	24.3	24.5	24.8	25.2	26.1	27.2	28.5	27.2	26.8	26.7	26.5	25.8	25.6
USD/CZK, calculated with CPI[8)]	real, Jan04=100	162.3	170.1	156.9	149.3	138.4	131.9	135.0	129.3	118.7	126.5	129.7	134.0	137.4	142.0	143.9
USD/CZK, calculated with PPI[8)]	real, Jan04=100	140.1	143.4	136.7	131.3	125.9	122.4	126.5	121.1	113.3	120.3	122.7	125.7	127.0	132.0	132.8
EUR/CZK, calculated with CPI[8)]	real, Jan04=100	137.7	143.1	138.6	136.8	135.1	132.8	128.0	125.6	119.4	124.6	126.2	126.1	126.7	130.5	130.6
EUR/CZK, calculated with PPI[8)]	real, Jan04=100	131.5	134.6	131.6	130.4	128.4	126.2	121.9	119.0	114.2	118.6	121.1	120.7	121.3	125.1	.
DOMESTIC FINANCE																
Currency in circulation, end of period[9)]	CZK bn	326.9	326.9	329.3	331.7	364.7	368.1	365.5	362.8	363.7	359.3	360.3	358.8	354.3	352.4	351.3
M1, end of period[9)]	CZK bn	1596.5	1608.3	1598.0	1629.7	1630.6	1650.1	1675.0	1665.6	1686.5	1692.9	1686.3	1691.5	1723.6	1702.1	1736.0
Broad money, end of period[9)]	CZK bn	2456.6	2510.1	2543.8	2541.6	2583.7	2621.9	2703.4	2714.8	2729.7	2702.8	2720.3	2737.9	2680.9	2670.1	2658.5
Broad money, end of period	CMPY	11.3	12.5	12.4	13.2	12.7	12.4	13.6	13.8	13.3	12.3	11.2	10.6	9.1	6.4	4.5
Discount rate (p.a.),end of period	%	2.75	2.75	2.50	2.50	2.50	1.75	1.25	1.25	0.75	0.75	0.75	0.50	0.50	0.50	0.25
Discount rate (p.a.),end of period[10)]	real, %	-2.5	-2.4	-3.0	-2.9	-1.3	0.5	1.5	2.1	1.4	2.8	3.3	4.5	5.1	5.7	5.6
BUDGET																
Central gov.budget balance,cum.	CZK mn	-5650	9280	5320	10480	10940	-6510	-20003	482	5390	-2340	-55660	-71410	-68260	-76160	-89580

1) From January 2009 according to NACE rev. 2.

2) Enterprises employing 20 and more, from January 2009 50 and more persons.

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

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

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

6) Cumulation starting January and ending December each year.

7) According to country of origin.

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

9) According to ECB methodology.

10) Deflated with annual PPI.

H U N G A R Y: Selected monthly data on the economic situation 2008 to 2009

(updated end of Sep 2009)

		2008							2009							
		Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
PRODUCTION																
Industry, total[1)]	real, CMPY	-0.5	0.3	-5.8	0.1	-7.0	-11.9	-19.6	-22.5	-28.9	-15.5	-27.0	-22.1	-18.7	-19.4	.
Industry, total[1)]	real, CCPY	5.7	4.9	3.6	3.2	2.0	0.6	-1.1	-22.5	-25.8	-22.3	-23.5	-23.2	-22.5	-22.0	.
Industry, total	real, 3MMA	0.9	-1.9	-1.7	-4.3	-6.4	-12.5	.	.	-22.3	-23.8	-21.5	-22.6	-20.1	.	.
Construction, total[1)]	real, CMPY	-7.5	-11.4	-6.1	3.2	-2.7	2.7	5.5	-13.5	-3.8	1.6	-7.9	-9.5	15.9	-5.0	.
LABOUR																
Employees total[1)2)]	th. persons	2783.6	2779.0	2767.0	2762.1	2751.6	2725.5	2682.1	2694.9	2677.0	2645.2	2651.5	2667.3	2665.5	2657.9	.
Employees in industry[1)2)]	th. persons	752.5	755.1	751.5	746.4	737.9	728.3	713.7	680.5	668.4	652.3	639.9	631.9	625.7	625.2	.
Unemployment, end of period	th. persons	415.6	421.1	425.0	423.9	424.6	446.0	477.4	509.1	543.1	563.9	568.9	563.8	549.4	557.9	.
Unemployment rate	%	9.4	9.6	9.7	9.6	9.7	10.1	10.8	11.6	12.3	12.8	12.9	12.8	12.5	12.7	.
Labour productivity, industry[1)2)]	CCPY	4.8	3.9	2.5	2.1	1.3	0.2	-1.5	-17.6	-20.2	-15.4	-15.9	-14.8	-13.4	-12.3	.
Unit labour costs, exch.r. adj.(EUR)[1)2)]	CCPY	1.1	3.1	5.2	6.3	6.5	6.8	8.1	14.6	15.6	8.3	8.4	6.1	4.8	3.3	.
WAGES, SALARIES																
Total economy, gross[1)2)]	HUF th	199.7	194.4	189.5	189.7	196.7	222.7	220.7	194.3	191.9	201.3	200.5	199.9	201.7	197.0	.
Total economy, gross[1)2)]	real, CMPY	2.6	0.6	0.3	2.3	3.0	4.1	1.1	-8.1	-1.0	1.4	0.1	-0.9	-2.5	-3.5	.
Total economy, gross[1)2)]	EUR	823	838	803	788	763	840	835	694	643	662	679	709	719	724	.
Industry, gross[1)2)]	EUR	777	806	774	767	729	797	799	651	605	641	671	697	716	719	.
PRICES																
Consumer	PM	0.1	0.1	-0.3	0.0	0.2	-0.2	-0.3	0.6	1.0	0.5	0.8	1.5	0.1	1.3	-0.3
Consumer	CMPY	6.7	6.7	6.5	5.7	5.1	4.2	3.5	3.1	3.0	2.9	3.4	3.8	3.7	5.1	5.0
Consumer	CCPY	6.8	6.8	6.8	6.7	6.5	6.3	6.1	3.1	3.1	3.0	3.1	3.2	3.3	3.6	3.8
Producer, in industry[1)]	PM	-0.5	-0.7	0.7	1.2	3.4	0.1	-0.9	3.0	3.2	0.7	-1.9	-2.0	-0.1	-1.5	.
Producer, in industry[1)]	CMPY	4.6	3.7	3.2	4.7	7.8	7.1	5.8	5.7	8.4	9.1	7.2	6.2	6.6	6.0	.
Producer, in industry[1)]	CCPY	5.2	5.0	4.7	4.7	5.0	5.2	5.3	5.7	7.1	7.7	7.5	7.2	7.1	7.0	.
FOREIGN TRADE[3)4)]																
Exports total (fob), cumulated	EUR mn	38138	44363	49754	56526	62957	68904	73331	4191	8667	13940	18618	23311	28420	33503	.
Imports total (cif), cumulated	EUR mn	37854	44528	50037	56708	63245	69094	73622	4347	8488	13200	17462	21681	26333	30906	.
Trade balance, cumulated	EUR mn	284	-165	-283	-182	-288	-191	-291	-156	180	739	1157	1630	2088	2597	.
Exports to EU-27 (fob), cumulated	EUR mn	29688	34565	38798	44141	49283	54093	57452	3514	7054	11202	14917	18609	22650	26634	.
Imports from EU-27 (cif)[5)], cumulated	EUR mn	26051	30620	34473	39097	43509	47271	50241	2894	5765	9017	11962	14967	18188	21391	.
Trade balance with EU-27, cumulated	EUR mn	3637	3945	4324	5044	5774	6822	7211	621	1288	2186	2955	3642	4462	5243	.
FOREIGN FINANCE																
Current account, cumulated[6)]	EUR mn	-3085	.	.	-5324	.	.	-7591	.	.	-562	.	.	-86	.	.
EXCHANGE RATE																
HUF/USD, monthly average	nominal	155.9	147.1	157.4	167.4	193.2	208.2	196.8	211.7	233.3	233.5	223.7	206.6	200.3	193.3	189.1
HUF/EUR, monthly average	nominal	242.6	231.9	235.9	240.6	257.9	265.2	264.1	279.8	298.5	304.4	295.1	281.9	280.6	272.1	269.7
USD/HUF, calculated with CPI[7)]	real, Jan04=100	145.7	153.8	143.8	135.5	118.8	112.2	119.7	111.4	101.4	101.7	106.7	116.9	119.7	125.9	128.1
USD/HUF, calculated with PPI[7)]	real, Jan04=100	108.0	111.0	107.8	103.7	98.2	96.2	104.3	99.7	94.4	95.6	97.5	102.7	103.4	106.4	.
EUR/HUF, calculated with CPI[7)]	real, Jan04=100	123.6	129.5	127.0	124.2	116.0	113.1	113.3	108.3	102.0	100.2	103.8	110.1	110.5	115.9	116.3
EUR/HUF, calculated with PPI[7)]	real, Jan04=100	101.4	104.2	103.7	102.9	100.1	99.3	100.4	98.1	95.1	94.3	96.3	98.8	98.9	101.0	.
DOMESTIC FINANCE																
Currency in circulation, end of period[8)]	HUF bn	2018.8	2002.4	2023.8	2008.6	2150.1	2190.6	2137.2	2115.0	2123.8	2204.7	2170.1	2125.1	2089.9	2042.7	.
M1, end of period[8)]	HUF bn	6045.5	6259.5	6068.9	6115.6	6236.9	6183.3	6160.4	5962.1	6051.1	6240.5	6035.1	5923.5	5982.5	5811.8	.
Broad money, end of period[8)]	HUF bn	14183.2	14694.7	14553.7	14693.8	14892.0	15065.1	15434.8	15595.1	15716.4	15953.1	15906.6	15877.6	15867.5	15723.5	.
Broad money, end of period	CMPY	9.1	11.8	8.7	8.5	7.8	8.7	8.7	10.0	7.2	8.6	8.3	10.2	11.9	7.0	.
NBH base rate (p.a.),end of period	%	8.5	8.5	8.5	8.5	11.5	11.0	10.0	9.5	9.5	9.5	9.5	9.5	9.5	8.5	8.0
NBH base rate (p.a.),end of period[9)]	real, %	3.7	4.6	5.1	3.6	3.4	3.6	4.0	3.6	1.0	0.4	2.1	3.1	2.7	2.4	.
BUDGET																
Central gov.budget balance,cum.	HUF bn	-783.0	-677.4	-772.0	-824.3	-828.0	-973.9	-861.7	11.6	-262.0	-555.5	-534.6	-497.4	-713.9	-703.2	-758.0

1) From January 2009 according to NACE rev. 2.

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

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

4) Cumulation starting January and ending December each year.

5) According to country of dispatch.

6) Excluding SPE (Special Purpose Entities).

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

8) According to ECB methodology.

9) Deflated with annual PPI.

POLAND: Selected monthly data on the economic situation 2008 to 2009

(updated end of Sep 2009)

		2008 Jun	Jul	Aug	Sep	Oct	Nov	Dec	2009 Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
PRODUCTION																
Industry, total[1)2)]	real, CMPY	7.3	5.9	-3.7	6.7	-0.1	-9.2	-4.4	-15.3	-14.6	-1.9	-12.2	-5.2	-4.4	-4.5	-0.2
Industry, total[1)2)]	real, CCPY	8.4	8.0	6.5	6.5	5.8	4.3	3.6	-15.3	-14.9	-10.6	-11.0	-9.9	-9.0	-8.3	-7.4
Industry, total[1)]	real, 3MMA	5.2	3.2	3.0	1.0	-0.9	-4.5	.	.	-10.6	-9.6	-6.4	-7.3	-4.7	-3.0	.
Construction[1)2)]	real, CMPY	20.8	16.9	5.8	13.2	10.5	5.5	6.1	7.4	1.9	1.2	0.5	0.3	0.6	10.6	10.9
LABOUR																
Employees total[1)2)]	th. persons	5391	5400	5399	5404	5406	5394	5360	5374	5352	5325	5309	5292	5280	5273	5270
Employees in industry[1)2)]	th. persons	2631	2628	2624	2620	2619	2602	2576	2509	2489	2476	2457	2440	2431	2421	2415
Unemployment, end of period	th. persons	1455.3	1422.9	1404.4	1376.6	1352.3	1398.5	1473.8	1634.4	1718.8	1758.8	1719.9	1683.4	1658.7	1676.1	1689.0
Unemployment rate[3)]	%	9.4	9.2	9.1	8.9	8.8	9.1	9.5	10.5	10.9	11.2	11.0	10.8	10.7	10.8	10.8
Labour productivity, industry[1)2)]	CCPY	4.9	4.7	3.5	3.7	3.1	1.9	1.5	-12.5	-11.7	-6.7	-6.8	-5.3	-4.1	-3.2	.
Unit labour costs, exch.r. adj.(EUR)[1)2)]	CCPY	16.3	17.4	19.1	19.0	18.7	18.4	16.3	4.8	-2.6	-9.7	-10.3	-12.9	-15.1	-16.3	.
WAGES, SALARIES																
Total economy, gross[1)2)]	PLN	3215	3229	3165	3172	3242	3321	3420	3216	3196	3333	3295	3194	3288	3362	3269
Total economy, gross[1)2)]	real, CMPY	7.1	6.5	4.7	6.2	5.4	3.6	2.0	5.1	1.7	2.0	0.8	0.2	-1.2	0.5	-0.4
Total economy, gross[1)2)]	EUR	952	990	963	941	904	893	851	762	688	721	746	724	729	781	791
Industry, gross[1)2)]	EUR	966	993	958	939	892	918	856	750	688	716	738	720	737	777	788
PRICES																
Consumer	PM	0.2	0.0	-0.4	0.3	0.4	0.2	-0.1	0.5	0.9	0.7	0.7	0.5	0.2	0.1	-0.4
Consumer	CMPY	4.6	4.8	4.8	4.5	4.2	3.7	3.3	2.8	3.3	3.6	4.0	3.6	3.5	3.6	3.7
Consumer	CCPY	4.4	4.5	4.5	4.5	4.5	4.4	4.3	2.8	3.1	3.6	3.8	3.8	3.8	3.9	3.9
Producer, in industry[2)]	PM	0.4	-0.1	0.2	0.3	-0.1	-0.3	-0.5	2.3	2.6	0.0	-0.9	-0.3	0.8	-1.5	-0.2
Producer, in industry[2)]	CMPY	2.6	2.1	2.0	2.3	2.6	2.4	2.6	3.6	5.7	5.5	4.8	3.7	4.1	2.8	2.5
Producer, in industry[2)]	CCPY	2.8	2.7	2.6	2.6	2.6	2.6	2.6	3.0	4.8	5.0	5.0	4.7	4.6	4.3	4.0
FOREIGN TRADE[4)5)]																
Exports total (fob), cumulated	EUR mn	59147	69420	78528	89281	99563	107846	113564	7014	14310	22505	30046	37515	45405	53040	.
Imports total (cif), cumulated	EUR mn	70713	83311	94542	107363	119836	130292	138156	7982	15793	24680	32894	40864	49393	58011	.
Trade balance, cumulated	EUR mn	-11566	-13891	-16014	-18083	-20273	-22447	-24592	-968	-1483	-2175	-2848	-3349	-3988	-4971	.
Exports to EU-27 (fob), cumulated	EUR mn	46517	54333	61083	69330	77258	83776	87967	5820	11731	18172	24087	29978	36137	41946	.
Imports from EU-27 (cif)[6)], cumulated	EUR mn	44685	52530	58971	66788	74303	80510	84897	4628	9467	14897	19946	24937	30255	35404	.
Trade balance with EU-27, cumulated	EUR mn	1832	1803	2113	2542	2955	3266	3070	1192	2264	3275	4141	5042	5882	6541	.
FOREIGN FINANCE																
Current account, cumulated	EUR mn	-10269	-11241	-12519	-14607	-16340	-18029	-19732	-749	161	263	410	694	1153	588	.
EXCHANGE RATE																
PLN/USD, monthly average	nominal	2.169	2.067	2.193	2.350	2.698	2.921	2.971	3.172	3.631	3.541	3.348	3.234	3.215	3.060	2.896
PLN/EUR, monthly average	nominal	3.376	3.260	3.288	3.371	3.586	3.721	4.018	4.218	4.644	4.624	4.419	4.411	4.508	4.305	4.131
USD/PLN, calculated with CPI[7)]	real, Jan04=100	165.3	172.6	162.7	152.6	134.8	127.2	126.3	118.3	103.6	106.8	113.4	117.7	117.6	124.0	130.2
USD/PLN, calculated with PPI[7)]	real, Jan04=100	137.1	140.2	136.9	129.4	119.0	115.6	116.9	111.8	101.3	104.6	109.3	111.9	110.9	115.7	120.4
EUR/PLN, calculated with CPI[7)]	real, Jan04=100	140.2	145.3	143.5	140.1	132.2	128.1	118.7	114.3	104.2	105.1	110.3	110.9	108.5	114.2	118.2
EUR/PLN, calculated with PPI[7)]	real, Jan04=100	128.7	131.7	131.5	128.7	121.9	119.2	111.7	109.4	102.1	103.1	107.8	107.7	105.9	109.9	.
DOMESTIC FINANCE																
Currency in circulation, end of period	PLN bn	81.9	82.7	83.6	82.5	90.7	90.1	90.8	88.6	90.8	91.1	92.3	92.1	92.3	91.5	91.0
M1, end of period[8)]	PLN bn	353.7	352.9	353.0	355.0	345.5	344.9	349.9	341.3	347.6	356.9	352.0	359.9	370.6	363.7	371.1
Broad money, end of period[8)]	PLN bn	606.6	616.1	628.6	630.5	635.7	648.3	666.2	668.9	680.9	683.7	680.0	685.4	693.7	689.4	685.4
Broad money, end of period	CMPY	16.3	16.8	16.8	17.3	17.3	18.1	18.6	17.6	17.8	17.5	14.4	14.2	14.4	11.9	9.0
Discount rate (p.a.), end of period	%	6.3	6.3	6.3	6.3	6.3	6.0	5.3	4.5	4.0	4.0	4.0	4.0	3.8	3.8	3.8
Discount rate (p.a.), end of period[9)]	real, %	3.6	4.1	4.2	3.9	3.6	3.5	2.6	0.9	-1.6	-1.4	-0.8	0.3	-0.3	0.9	1.2
BUDGET																
Central gov.budget balance, cum.	PLN mn	-3381	-2745	-317	-4225	-11485	-14973	-24591	2918	-5251	-11220	-15306	-16357	-16629	-15037	-15644

1) Enterprises employing more than 9 persons.
2) From January 2009 according to NACE rev. 2.
3) Ratio of unemployed to the economically active.
4) Based on cumulated national currency and converted with the average exchange rate.
5) Cumulation starting January and ending December each year.
6) According to country of origin.
7) Adjusted for domestic and foreign (US resp. EU) inflation. Values more than 100 mean real appreciation.
8) According to ECB methodology.
9) Deflated with annual PPI.

R O M A N I A: Selected monthly data on the economic situation 2008 to 2009

(updated end of Sep 2009)

		2008							2009							
		Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
PRODUCTION																
Industry, total[1)2)]	real, CMPY	4.0	5.1	-1.6	3.8	-2.8	-11.5	-18.0	-16.4	-14.5	-8.4	-10.0	-10.0	-4.4	-4.2	.
Industry, total[1)2)]	real, CCPY	6.0	5.8	4.9	4.8	4.0	2.5	0.9	-16.4	-15.4	-13.0	-12.3	-11.8	-10.5	-9.6	.
Industry, total[1)]	real, 3MMA	4.0	2.5	2.5	-0.2	-3.6	-10.4	.	.	-13.1	-11.0	-9.5	-8.1	-6.2	.	.
Construction, total[2)]	real, CCPY	32.9	32.3	31.8	31.4	29.9	26.9	26.0	14.0	9.7	2.7	-3.4	-9.5	-8.3	-10.0	.
LABOUR																
Employees total[1)2)]	th. persons	4827.4	4833.2	4828.9	4834.6	4825.1	4791.2	4738.6	4736.7	4692.3	4654.4	4623.9	4589.7	4556.7	4519.5	.
Employees in industry[1)2)]	th. persons	1539.4	1530.9	1517.1	1510.7	1497.3	1477.4	1449.2	1379.6	1353.6	1331.3	1307.0	1285.6	1270.6	1265.6	.
Unemployment, end of period	th. persons	337.1	340.5	345.5	352.9	364.2	377.0	403.4	444.9	477.9	513.6	517.7	526.8	548.9	572.6	.
Unemployment rate[3)]	%	3.7	3.7	3.8	3.9	4.0	4.1	4.4	4.9	5.3	5.6	5.7	5.8	6.0	6.3	.
Labour productivity, industry[1)2)]	CCPY	9.5	9.4	8.5	8.4	7.7	6.4	4.8	-7.1	-5.2	-1.4	0.4	1.8	4.0	5.7	.
Unit labour costs, exch.r. adj.(EUR)[1)2)]	CCPY	0.8	0.8	1.5	2.2	2.5	3.6	4.9	10.0	6.0	2.0	-1.5	-3.4	-5.9	-8.0	.
WAGES, SALARIES																
Total economy, gross[1)2)]	RON	1738.0	1769.0	1728.0	1751.0	1795.0	1844.0	2023.0	1839.0	1836.0	1922.0	1930.0	1855.0	1887.0	1901.0	.
Total economy, gross[1)2)]	real, CMPY	16.2	15.7	14.7	15.7	13.6	13.5	10.0	5.3	11.3	11.0	3.5	2.8	2.6	2.3	.
Total economy, gross[1)2)]	EUR	475	494	490	483	479	488	517	434	429	449	460	445	448	451	.
Industry, gross[1)2)]	EUR	436	464	456	460	437	434	472	382	374	394	423	409	414	432	.
PRICES																
Consumer	PM	0.3	0.7	-0.1	0.4	1.1	0.3	0.2	1.2	0.9	0.5	0.3	0.0	0.2	-0.1	-0.2
Consumer	CMPY	8.6	9.0	8.0	7.3	7.4	6.7	6.3	6.7	6.9	6.7	6.4	5.9	5.9	5.1	5.0
Consumer	CCPY	8.3	8.4	8.3	8.2	8.1	8.0	7.8	6.7	6.8	6.8	6.7	6.5	6.4	6.2	6.1
Producer, in industry[2)]	PM	2.1	0.9	1.1	-0.1	-0.1	-2.5	-1.9	1.9	0.6	-0.6	0.2	0.4	0.6	-0.3	.
Producer, in industry[2)]	CMPY	19.4	20.3	20.1	18.6	16.7	11.7	7.9	7.0	6.2	3.9	2.9	1.3	-0.1	-1.4	.
Producer, in industry[2)]	CCPY	15.8	16.5	16.9	17.1	17.1	16.6	15.8	7.0	6.6	5.7	5.0	4.2	3.5	2.8	.
FOREIGN TRADE[4)]																
Exports total (fob), cumulated	EUR mn	17027	20279	22932	25896	29141	31694	33628	1919	4011	6594	8742	11024	13566	16345	.
Imports total (cif), cumulated	EUR mn	28226	33442	37865	43287	48635	52899	56337	2573	5476	8673	11689	14720	17947	21214	.
Trade balance, cumulated	EUR mn	-11199	-13163	-14933	-17391	-19494	-21206	-22709	-654	-1464	-2079	-2947	-3697	-4382	-4869	.
Exports to EU-27 (fob), cumulated	EUR mn	11943	14249	16064	18210	20517	22346	23671	1487	3082	4955	6522	8233	10105	12155	.
Imports from EU-27 (cif)[5)], cumulated	EUR mn	19805	23325	26155	29799	33512	36497	38937	1902	4033	6418	8595	10816	13224	15561	.
Trade balance with EU-27, cumulated	EUR mn	-7863	-9075	-10091	-11588	-12995	-14151	-15266	-415	-951	-1463	-2073	-2583	-3119	-3407	.
FOREIGN FINANCE																
Current account, cumulated	EUR mn	-8883	-10371	-10981	-13160	-14528	-15939	-16896	-485	-514	-980	-1547	-2066	-2494	-2717	.
EXCHANGE RATE																
RON/USD, monthly average	nominal	2.351	2.269	2.357	2.524	2.813	2.963	2.903	3.200	3.348	3.285	3.178	3.055	3.003	2.994	2.958
RON/EUR, monthly average	nominal	3.656	3.579	3.527	3.625	3.745	3.775	3.915	4.233	4.284	4.282	4.195	4.169	4.213	4.217	4.219
USD/RON, calculated with CPI[6)]	real, Jan04=100	159.1	165.2	159.5	149.8	137.2	133.2	137.8	125.9	120.7	123.4	127.5	132.2	133.7	134.3	135.4
USD/RON, calculated with PPI[6)]	real, Jan04=100	165.6	168.9	169.7	160.0	151.6	148.1	153.4	141.5	137.5	140.4	144.9	150.1	150.1	151.3	.
EUR/RON, calculated with CPI[6)]	real, Jan04=100	135.1	139.0	141.0	137.4	134.3	134.2	129.9	122.4	121.4	121.6	124.0	124.6	123.3	123.7	123.0
EUR/RON, calculated with PPI[6)]	real, Jan04=100	155.5	158.6	163.4	159.0	155.1	152.8	147.0	139.1	138.6	138.5	143.0	144.4	143.4	143.6	.
DOMESTIC FINANCE																
Currency in circulation, end of period[7)]	RON mn	23598	23747	23996	23611	24457	25230	25287	24943	24822	23944	24389	24154	24221	24465	24408
M1, end of period[7)]	RON mn	90934	90166	90979	92571	91710	92401	92549	87919	84835	81456	80477	79861	81705	81459	82798
Broad money, end of period[7)]	RON mn	161495	161298	162351	166092	162523	164727	174028	176104	176205	175288	176366	177305	180326	181384	183963
Broad money, end of period	CMPY	38.9	34.4	30.4	31.1	26.1	21.0	17.5	19.4	17.7	15.4	12.3	12.5	11.7	12.5	13.3
Discount rate (p.a.),end of period[8)]	%	9.8	9.8	10.0	10.3	10.3	10.3	10.3	10.3	10.3	10.1	10.1	10.0	9.5	9.0	8.5
Discount rate (p.a.),end of period[8)9)]	real, %	-8.1	-8.7	-8.4	-7.0	-5.5	-1.3	2.2	3.1	3.8	6.0	6.9	8.6	9.6	10.5	.
BUDGET																
Central gov.budget balance, cum.	RON mn	-7347	-5078	-6562	-8372	-8493	-13742	-19860	338	-4577	-10036	-10559	-12424	-15455	.	.

1) Enterprises with more than 3 employees.
2) From January 2009 according to NACE rev. 2.
3) Ratio of unemployed to economically active population as of December of previous year.
4) Cumulation starting January and ending December each year.
5) According to country of dispatch.
6) Adjusted for domestic and foreign (US resp. EU) inflation. Values more than 100 mean real appreciation.
7) According to ECB methodology.
8) Reference rate of RNB.
9) Deflated with annual PPI.

SLOVAK REPUBLIC: Selected monthly data on the economic situation 2008 to 2009

(updated end of Sep 2009)

		2008							2009							
		Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
PRODUCTION																
Industry, total[1)]	real, CMPY	6.3	3.3	-1.1	5.8	0.0	-9.2	-15.1	-26.3	-25.2	-14.7	-24.1	-23.9	-17.6	-21.4	.
Industry, total[1)]	real, CCPY	6.9	6.4	5.5	5.6	4.9	3.5	2.1	-26.3	-25.8	-22.1	-22.6	-22.9	-22.0	-21.9	.
Industry, total	real, 3MMA	3.9	2.9	2.8	1.6	-1.3	-7.7	.	.	-22.1	-21.3	-20.9	-21.9	-21.0	.	.
Construction, total[1)]	real, CMPY	6.5	9.1	7.1	17.2	16.5	14.2	12.7	-25.6	-11.0	-5.7	-13.9	-3.9	-0.3	-5.7	.
LABOUR																
Employment in industry[1)]	th. persons	599.7	596.9	597.7	593.7	592.7	584.3	571.6	552.5	536.2	520.0	507.1	495.8	488.4	484.0	.
Unemployment, end of period	th. persons	222.9	224.8	222.3	228.7	228.2	235.2	248.6	269.5	289.6	311.8	325.6	336.9	348.6	355.9	.
Unemployment rate[2)]	%	7.4	7.5	7.4	7.5	7.5	7.8	8.4	9.0	9.7	10.3	10.9	11.4	11.8	12.1	.
Labour productivity, industry[1)]	CCPY	4.2	3.8	3.0	3.1	2.6	1.5	0.5	-21.4	-19.3	-13.7	-13.1	-12.5	-10.6	-9.7	.
Unit labour costs, exch.r. adj.(EUR)[1)]	CCPY	10.1	11.2	12.2	12.8	13.2	13.6	14.7	47.5	41.5	31.0	29.2	26.3	22.1	19.7	.
WAGES, SALARIES																
Industry, gross[1)]	EUR-SKK	753	739	706	723	737	824	780	717	694	725	723	739	775	752	.
Industry, gross[1)]	real, CMPY	5.0	3.5	0.5	3.9	-0.7	-4.3	-0.5	0.7	-0.9	0.4	0.4	-2.6	1.1	-0.8	.
PRICES																
Consumer	PM	0.4	0.1	0.2	0.7	0.4	0.2	-0.2	0.4	0.0	-0.2	-0.1	0.1	0.2	0.0	-0.1
Consumer	CMPY	4.6	4.8	5.0	5.4	5.1	4.9	4.4	3.4	3.0	2.5	2.1	1.9	1.8	1.7	1.3
Consumer	CCPY	4.2	4.3	4.4	4.5	4.6	4.6	4.6	3.4	3.2	3.0	2.8	2.6	2.5	2.4	2.2
Producer, in industry[1)]	PM	0.2	0.5	0.2	0.6	0.9	-0.2	-0.6	-1.7	0.9	-1.2	-0.6	-0.7	0.0	-0.4	0.0
Producer, in industry[1)]	CMPY	6.3	6.3	6.7	6.8	7.5	6.7	6.0	-4.5	-4.8	-6.0	-6.5	-8.2	-7.6	-8.2	-7.9
Producer, in industry[1)]	CCPY	5.5	5.7	5.8	5.9	6.1	6.1	6.1	-4.5	-4.7	-5.1	-5.4	-6.0	-6.3	-6.6	-6.7
FOREIGN TRADE[3)4)]																
Exports total (fob),cumulated	EUR mn	24107	28178	31863	36252	40889	44764	47710	2734	5637	8966	12275	15269	18483	21508	.
Imports total (fob),cumulated	EUR mn	24292	28486	32106	36490	41062	45121	48398	2999	5870	9186	12181	15038	18286	21263	.
Trade balance,cumulated	EUR mn	-185	-308	-243	-238	-173	-357	-687	-266	-233	-220	94	231	196	246	.
Exports to EU-27 (fob), cumulated	EUR mn	20629	24048	27131	30833	34822	38181	40643	2419	4920	7842	10557	13085	15792	.	.
Imports from EU-27 (fob)[5)], cumulated	EUR mn	16424	19304	21694	24694	27689	30347	32468	2020	4011	6177	8172	10115	12313	.	.
Trade balance with EU-27, cumulated	EUR mn	4205	4743	5437	6139	7133	7834	8175	399	908	1665	2385	2970	3479	.	.
FOREIGN FINANCE																
Current account, cumulated[3)]	EUR mn	-1955	-2479	-2491	-2940	-3262	-3564	-4227	-339	-477	-662	-592	-701	-948	.	.
EXCHANGE RATE																
EUR-SKK/USD, monthly average	nominal	0.6477	0.6378	0.6704	0.6986	0.7561	0.7921	0.7520	0.7553	0.7822	0.7663	0.7581	0.7326	0.7135	0.7098	0.7009
EUR-SKK/EUR, monthly average	nominal	1.0065	1.0062	1.0071	1.0051	1.0109	1.0088	1.0026	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000
USD/EUR-SKK, calculated with CPI[6)]	real, Jan04=100	162.9	164.7	157.7	152.7	143.1	139.5	148.2	147.5	141.5	143.9	144.9	149.6	152.7	153.8	155.3
USD/EUR-SKK, calculated with PPI[6)]	real, Jan04=100	145.4	144.8	142.6	139.0	137.0	137.7	149.1	145.6	143.5	145.7	145.8	148.6	149.2	150.6	150.5
EUR/EUR-SKK, calculated with CPI[6)]	real, Jan04=100	138.4	138.7	138.9	139.8	139.5	140.5	141.4	143.2	142.4	141.7	141.0	140.9	140.9	141.6	141.0
EUR/EUR-SKK, calculated with PPI[6)]	real, Jan04=100	136.7	136.0	136.8	138.0	139.6	142.1	144.5	143.1	144.7	143.6	144.0	143.0	142.6	142.9	.
DOMESTIC FINANCE																
Currency in circulation, end of period[7)]	EUR-SKK mn	4386	4298	4244	4074	4122	3695	1600	6250	6303	6485	6586	6635	6645	6724	6690
M1, end of period[7)]	EUR-SKK mn	19767	19277	18823	19149	19186	19102	19116	22625	22432	22677	22617	23304	23495	23326	22926
Broad money, end of period[7)]	EUR-SKK mn	36335	36677	36963	36708	36285	36674	37684	40343	39911	39522	39338	39631	38668	38295	38245
Broad money, end of period	CMPY	6.6	9.6	8.2	6.4	5.1	6.1	4.9	12.3	10.0	9.8	8.6	7.7	6.4	4.4	3.5
Discount rate (p.a.),end of period[8)]	%	4.3	4.3	4.3	4.3	3.8	3.3	2.5	2.0	2.0	1.5	1.3	1.0	1.0	1.0	1.0
Discount rate (p.a.),end of period[8)9)]	real, %	-1.9	-1.9	-2.3	-2.4	-3.5	-3.2	-3.3	6.8	7.1	8.0	8.3	10.0	9.3	10.0	9.7
BUDGET																
Central gov.budget balance, cum.	EUR-SKK mn	-137	-20	169	143	262	318	-704	100	-185	-205	-347	-832	-1108	-914	-1206

Note: Slovakia has introduced the Euro from 1 January 2009. For statistical purposes all time series in SKK as well as the exchange rates have been divided by the conversion factor 30.126 (SKK per EUR) to EUR-SKK.

1) From January 2009 according to NACE rev. 2. Employment and wages data including water supply.

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

3) Based on cumulated national currency and converted with the average exchange rate. From 2009 original data in EUR.

4) Cumulation starting January and ending December each year.

5) According to country of origin.

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

7) According to ECB methodology. Data from January 2009 refer to Slovakia's contributions to EMU monetary aggregates.

8) Corresponding to the 2-week limit rate of NBS. From January 2009 ECB official refinancing operation rate.

9) Deflated with annual PPI.

S L O V E N I A: Selected monthly data on the economic situation 2008 to 2009

(updated end of Sep 2009)

		2008 Jun	Jul	Aug	Sep	Oct	Nov	Dec	2009 Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
PRODUCTION																
Industry, total[1]	real, CMPY	2.4	-2.0	-6.9	5.5	-2.8	-13.9	-14.3	-21.7	-22.0	-18.0	-30.1	-22.2	-22.0	-20.1	.
Industry, total[1]	real, CCPY	2.5	1.9	0.9	1.4	0.9	-0.5	-1.5	-21.7	-21.8	-20.5	-23.1	-22.9	-22.7	-22.4	.
Industry, total	real, 3MMA	-0.1	-2.0	-0.9	-1.2	-3.9	-10.0	.	.	-20.6	-23.4	-23.4	-24.8	-21.4	.	.
Construction, total[1)2)]	real, CMPY	14.0	18.6	10.4	20.8	10.7	-3.6	-4.1	-26.9	-22.7	-9.7	-20.4	-20.8	-15.9	-20.6	.
LABOUR																
Employment total	th. persons	882.0	879.9	879.8	885.3	888.1	886.9	880.3	872.2	868.7	866.0	863.2	860.8	859.1	855.6	.
Employees in industry[1]	th. persons	237.6	236.4	235.8	235.8	235.0	233.5	229.9	215.6	213.5	210.9	207.6	205.2	203.2	201.5	.
Unemployment, end of period	th. persons	60.7	61.5	60.7	59.3	62.6	63.4	66.2	73.9	77.2	79.7	82.8	84.5	86.5	88.5	.
Unemployment rate[3]	%	6.4	6.5	6.5	6.3	6.6	6.7	7.0	7.8	8.2	8.4	8.8	8.9	9.1	9.4	.
Labour productivity, industry[1]	CCPY	2.4	1.8	0.9	1.5	1.1	-0.1	-0.9	-17.3	-17.0	-15.1	-17.3	-16.6	-15.8	-15.1	.
Unit labour costs, exch.r. adj.(EUR)[1]	CCPY	6.4	7.3	8.0	7.5	7.8	8.1	8.8	22.1	21.1	18.6	21.6	20.2	19.4	.	.
WAGES, SALARIES																
Total economy, gross	EUR	1365	1372	1405	1400	1424	1550	1458	1416	1382	1425	1423	1415	1429	.	.
Total economy, gross	real, CMPY	1.7	1.7	3.6	5.4	4.1	0.8	6.3	5.1	2.1	3.5	3.9	3.3	4.4	.	.
Industry, gross[1]	EUR	1231	1242	1238	1244	1284	1394	1276	1205	1165	1218	1207	1195	1231	.	.
PRICES																
Consumer	PM	0.9	0.0	-0.6	0.0	0.0	-0.7	-0.6	-0.4	0.5	1.0	0.1	0.6	0.5	-0.9	0.0
Consumer	CMPY	7.0	6.9	6.0	5.5	4.9	3.1	2.1	1.6	2.1	1.8	1.1	0.7	0.3	-0.6	0.0
Consumer	CCPY	6.6	6.7	6.6	6.5	6.3	6.0	5.7	1.6	1.8	1.8	1.6	1.5	1.3	1.0	0.9
Producer, in industry[1]	PM	0.5	0.4	0.0	-0.1	-0.3	-0.7	-0.4	-0.4	0.2	0.0	0.0	-0.7	0.3	-0.2	-0.1
Producer, in industry[1]	CMPY	6.5	6.9	7.0	5.7	4.8	3.6	3.1	2.3	1.2	0.8	0.2	-0.7	-0.7	-1.3	-1.7
Producer, in industry[1]	CCPY	6.1	6.2	6.3	6.3	6.1	5.9	5.6	2.3	1.8	1.4	1.1	0.8	0.5	0.3	0.0
FOREIGN TRADE[4)5)]																
Exports total (fob), cumulated	EUR mn	10314	12100	13419	15289	17109	18620	19808	1202	2486	3902	5199	6523	7937	9323	.
Imports total (cif), cumulated	EUR mn	11764	13869	15528	17644	19785	21522	23046	1270	2621	4139	5504	6847	8228	9653	.
Trade balance total, cumulated	EUR mn	-1450	-1769	-2109	-2355	-2677	-2902	-3238	-67	-135	-238	-305	-324	-291	-330	.
Exports to EU-27 (fob), cumulated	EUR mn	7281	8489	9354	10607	11845	12891	13675	886	1793	2780	3663	4595	5589	6544	.
Imports from EU-27 (cif)[6], cumulated	EUR mn	9251	10853	12142	13813	15478	16809	17941	969	1999	3167	4209	5247	6347	7480	.
Trade balance with EU-27, cumulated	EUR mn	-1970	-2364	-2788	-3206	-3632	-3918	-4266	-83	-206	-387	-545	-652	-758	-936	.
FOREIGN FINANCE																
Current account, cumulated	EUR mn	-911	-1258	-1415	-1553	-1789	-1953	-2287	-39	-151	-208	-163	-88	17	59	.
EXCHANGE RATE[7]																
EUR/USD, monthly average[8]	nominal	0.6425	0.6341	0.6678	0.6959	0.7506	0.7854	0.7435	0.7553	0.7822	0.7663	0.7582	0.7326	0.7135	0.7098	0.7009
USD/EUR, calculated with CPI[9]	real, Jan04=100	122.8	123.8	117.3	112.8	105.7	102.2	108.5	105.9	102.1	105.1	106.0	110.0	112.6	112.4	113.6
USD/EUR, calculated with PPI[9]	real, Jan04=100	108.2	107.4	105.3	102.0	99.7	99.8	108.6	106.2	103.9	106.8	107.5	109.6	110.4	111.6	111.5
EUR/EUR, calculated with CPI[9]	real, Jan04=100	104.2	104.3	103.7	103.4	103.4	103.0	102.6	102.8	102.8	103.4	103.2	103.6	103.9	103.5	103.2
EUR/EUR, calculated with PPI[9]	real, Jan04=100	101.5	100.9	101.4	101.3	101.9	103.0	104.3	104.4	104.8	105.3	106.2	105.5	105.5	105.9	.
DOMESTIC FINANCE																
Currency in circulation, end of period[10]	EUR mn	2687	2734	2737	2731	2898	2932	2995	3043	3061	3075	3102	3136	3131	3166	.
M1, end of period[10]	EUR mn	7341	7020	6986	7191	6880	6888	6886	6716	6712	6838	6839	7184	7419	7135	.
Broad money, end of period[10]	EUR mn	16589	16694	16669	17058	16836	17472	18065	18103	17949	18401	18161	18606	18652	18244	.
Broad money, end of period	CMPY	3.2	1.5	0.7	2.8	0.9	9.9	8.9	9.3	9.3	11.8	10.1	13.6	12.4	9.3	.
Discount rate (p.a.), end of period[11]	%	4.0	4.3	4.3	4.3	3.8	3.3	2.5	2.0	2.0	1.5	1.3	1.0	1.0	1.0	1.0
Discount rate (p.a.), end of period[12]	real, %	-2.3	-2.5	-2.6	-1.4	-1.0	-0.3	-0.6	-0.3	0.8	0.7	1.0	1.7	1.7	2.3	2.7
BUDGET																
General gov.budget balance, cum.	EUR mn	194	396	443	422	473	325	-103	3	-337	-595	-650	-1026	-1116	.	.

1) From January 2009 according to NACE rev. 2.
2) Effective working hours, construction put in place of enterprises with 20 and more persons employed.
3) Ratio of unemployed to the economically active.
4) Based on cumulated national currency and converted with the average exchange rate.
5) Cumulation starting January and ending December each year.
6) According to country of dispatch.
7) Slovenia has introduced the Euro from 1 January 2007.
8) Reference rate from ECB.
9) Adjusted for domestic and foreign (US resp. EU) inflation. Values more than 100 mean real appreciation.
10) According to ECB methodology.
11) From January 2007 ECB official refinancing operation rate.
12) Deflated with annual PPI.

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