

Monthly Report 2/07

Contents

Regional convergence in the NMS.....	1
EU membership – support and challenge to the competitiveness of the Polish and Romanian economies	9
The flawed logic of capital account liberalization	17
Monthly statistics	
Selected monthly data on the economic situation in ten transition countries, 2005-2006	23
Guide to wiiw statistical services on Central, East and Southeast Europe, Russia and Ukraine.....	34

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Topic: ‘EU-27 and Its Neighbourhood: Growth Prospects and Integration Challenges’

Preliminary Programme:

Opening Remarks	<i>Ferdinand Lacina, President wiiw</i>
Keynote Speech	<i>Brigitte Ederer, Siemens Österreich (invited)</i>
Economic Situation and Medium-Term Outlook for the New EU Member States	<i>Leon Podkaminer / Michael Landesmann, wiiw</i>
Economic Situation in Southeast Europe and EU Accession Prospects	<i>Vladimir Gligorov / Mario Holzner, wiiw</i>

– lunch–

Keynote Speech: Perspectives of Long-Term Russian Economic Growth	<i>Andrei Klepach, Ministry of Trade and Economic Development, Russian Federation</i>
Russia, Ukraine, Belarus, Moldova and Kazakhstan: Can They Learn from the Transition and Integration Experiences of NMS?	<i>Peter Havlik, wiiw</i>
Energy Supplies and Security of Europe	<i>Vasily Astrov / Edward Christie, wiiw</i>

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Regional convergence in the NMS*

BY ROMAN RÖMISCH

With their accession to the EU in 2004 the new member states (NMS) of Central and Eastern Europe have become eligible for EU funds to promote the economic development of their regions. The NMS economies and their NUTS-2 regions have converged quickly in terms of GDP per head at PPS (purchasing power standards) with the EU-25 average. This article outlines the regional dimension of economic growth in the NMS over the past decade and then reflects on some challenges in regional economic development in the NMS.

Data issues

The analysis comprises 25 countries: the EU-27 member states as of 2007 minus Malta and Romania (this group of countries will be referred to as EU-25 in the following). Because of constraints in data availability, the period covered is limited to 1995 to 2003.

The GDP data in terms of purchasing power standards (PPS) used in this article have some shortcomings. First, regional GDP data in terms of PPS are not readily comparable over time, because of changes in the baskets of goods and services used to calculate PPS. Therefore, 1995 regional GDP in terms of PPS has been used as base-year observation and real regional GDP growth rates have been applied to construct a consistent 1995 to 2003 time series for regional GDP at PPS.

Second, there exist no regional price deflators (be it for PPS or real GDP), thus national price deflators have to be used to construct regional GDP time series at constant prices. This induces an upward

bias for urban regions' GDP levels and a downward bias for the rural regions. (The price levels in highly urbanized regions are higher, and in rural areas lower, than the country average price level.)

Third, additional upward biases to the GDP levels of highly urbanized regions (in particular capital city regions) are induced through the headquarter effect and by commuting (as GDP per head is expressed in relation to the people living in a region rather than the people working there).

This has to be kept in mind when interpreting the figures for GDP per head.

Lower-income regions grow faster

The period 1995 to 2003 was marked by a narrowing of regional disparities in GDP per head in the EU-25. This was fuelled by strong economic growth in many of the lower-income countries and regions and below-average growth in a number of high-income countries.

Table 1 shows the extent to which regional disparities have declined, by grouping the EU-25 NUTS2 regions (for all EU-25 countries as well as for the new member states, NMS – i.e. those which have joined the EU after 2004 – and the old member states, OMS, separately) into quintiles according to their level of GDP per head (hence each group represents 20% of the total number of regions). Calculating for each group the (population-weighted) average shows that, considering all EU regions, the average GDP per capita level of the regions with the lowest income levels were rising – from 43% to 48% of the EU-25 average in the case of the regions in the bottom quintile and from 76% to 79% in the second-lowest income quintile – while in the higher-income regions average GDP per head was falling (in relation to the EU-25 average GDP per head).

In the case of the regions in the NMS, the convergence of incomes towards the EU average was broadly based.

* The results presented here are part of the outcome of a project conducted for the EU Commission, DG Regio.

Table 1

**Population-weighted average GDP per head at PPS level, EU-25 regions in quintiles
(EU-25 average = 100)**

	ALL average GDP PPS per head		NMS average GDP PPS per head		OMS average GDP PPS per head	
	1995	2003	1995	2003	1995	2003
lowest 20%	42.9	47.9	28.3	31.2	71.7	74.1
medium-low	76.4	79.4	34.4	41.4	91.6	90.1
medium	98.8	98.5	39.7	44.3	103.9	104.0
medium-high	110.7	108.1	47.8	57.0	114.4	111.8
highest 20%	142.8	138.4	73.2	78.6	147.4	142.2

Source: Own calculations based on Eurostat data.

Table 2

**Number of EU-25 NUTS2 regions by level of GDP per head at PPS and GDP growth
(= g, in real terms, 1995-2003, annual average)**

	g <=1.4	1.4 < g <=2.1	2.1 < g <=2.9	g > 2.9	Total
low-income regions	5	10	19	41	75
medium-income regions	29	32	32	10	103
high-income regions	29	21	12	12	74
Total	63	63	63	63	252

of which NMS NUTS2 regions:

	g <=1.4	1.4 < g <=2.1	2.1 < g <=2.9	g > 2.9	Total
low-income regions	4	7	7	25	43
medium-income regions	0	1	0	1	2
high-income regions	0	0	0	1	1
Total	4	8	7	27	46

Table 3

Number of converging & diverging NUTS2 regions by country growth groups

	g <=1.4	1.4 < g <=2.1	2.1 < g <=2.9	g > 2.9	Total
low-growth countries	48	43	17	4	112
medium-growth countries	15	18	28	10	71
high-growth countries	0	2	18	49	69
Total	63	63	63	63	252

of which NMS NUTS2 regions:

	g <=1.4	1.4 < g <=2.1	2.1 < g <=2.9	g > 2.9	Total
low-growth countries	3	2	1	2	8
medium-growth countries	1	4	2	0	7
high-growth countries	0	2	4	25	31
Total	4	8	7	27	46

REGIONAL CONVERGENCE

Thus in each income-level quintile the average GDP per head relative to the EU average increased from 1995 to 2003, while in the EU-15 (the 'old member states, OMS) this was only the case for the regions with the lowest income levels (relative to other OMS regions).

Despite the relatively strong convergence in the NMS regions, Table 1 also shows that the gap in GDP per head levels between the NMS and the OMS regions is still sizeable. Thus, only those 20% of the NMS regions that record the highest income levels among all NMS regions surpass on average the mean income level of the lowest income regions in the OMS; thus, it will take another few decades of convergence for the income gap between the NMS and OMS regions to be closed.

The convergence process has its roots in the differences in real growth rates of GDP per head between high- and low-income regions. While the former tended to grow at a slower rate than average, the latter in most cases experienced growth above the EU average.

To examine this, the EU-25 NUTS2 regions are, first, separated into three groups according to their level of GDP per head (in PPS terms) in 1995, from the regions with the lowest income levels (i.e. GDP per head below 75% of the EU average) to those with the highest (specifically, regions with GDP per head above 110% of the EU average). Second, regions can be divided, in addition, according to their average real growth in GDP per head in the subsequent eight years – specifically into quartiles. (Table 2). The resulting matrix shows clearly why regional convergence proceeded relatively fast between 1995 and 2003.

Out of the total of 75 low-income regions, some 60 regions (or 80%), of which more than half those in the NMS, showed a growth rate in GDP per head above the EU median of 2.1% a year. Nevertheless, though the above-average growth of a large number of low-income regions led to broadly based convergence, the rapid pace of this

process was due to 41 low-income regions (55% of all low-income regions) which showed particularly strong growth over the period (over 2.9% a year) and represented the large majority (65%) of the fastest growing group.

Table 4

Coefficient of Variation of regional GDP per head at PPS in the EU-25, 1995 and 2003

country growth rate		CV95	CV03	Change
1.3	DE	24.4	23.9	-0.5
1.3	IT	26.4	24.6	-1.8
1.7	FR	17.3	16.9	-0.4
1.8	BE	38.0	37.8	-0.2
2.0	AT	22.7	20.5	-2.1
2.0	CZ	31.6	38.7	7.1
2.1	BG	19.3	24.1	4.7
2.1	NL	14.8	17.0	2.2
2.2	PT	20.6	22.0	1.4
2.4	SE	12.4	16.3	3.9
2.5	UK	26.8	30.6	3.8
2.9	ES	19.0	19.1	0.2
3.1	EL	19.4	16.7	-2.7
3.5	FI	17.9	22.0	4.1
3.8	SK	48.4	51.1	2.7
4.2	HU	25.4	35.9	10.5
4.3	PL	15.4	21.7	6.3
6.7	IE	18.3	23.5	5.2

The majority of high-income regions (with above-average levels of GDP per head in 1995) grew at a slower rate than average. Thus 50 out of the 74 regions concerned (68%) were growing by less than the EU average. In the case of medium-income regions, the proportion with below-average growth rates was smaller but still over 59% (61 out of 103).

Despite the general convergence pattern, however, 15 of the low-income regions experienced slower than average growth.

Regions share the fate of national states

The slow growth in these 15 low-income regions seems to have been depressed by the slow growth in the countries in which they are located. Among the 15 there are five Czech, four Bulgarian and three Italian regions as well as one region each in Hungary, Poland and Portugal. Thirteen of the 15 are, in consequence, located in low- and medium-growth countries (the Czech Republic and Bulgaria, both of which went through a major economic crisis in the mid- to late 1990s, Italy and Portugal). Only two are located in high-growth countries (the Dél-Alföld region in Hungary and the Opolskie region in Poland).

The apparent relationship between country growth and growth of regions is common to all groups. Accordingly, 26 of the 29 high-income regions with low growth are situated in Germany (15), Italy (10) and France (1), all countries with particularly low growth rates over this period.

Though it might be argued that it is the depressed rate of growth at the regional level which underlies a low rate of growth at the national level, it is hard to escape the fact that economic interdependencies between regions in the same country are stronger than between those on different sides of a national border. This means that regions inevitably share the fate of the rest of the country in which they happen to be located. Accordingly, although the EU single market is a reality, national borders still remain highly relevant when considering the economic performance at the regional level.

To pursue this argument in more detail, the regions divided into quartiles by real growth of GDP per head can be further divided into three groups by their respective country growth rates. The first group includes regions in countries where GDP per head grew in real terms at less than 2% per year – Austria, Belgium, the Czech Republic, Denmark, Germany, France and Italy (i.e. low-growth countries). The second group consists of regions in countries that show a growth rate of GDP per head of 2% to 2.5% a year: the Netherlands, Portugal,

Sweden, the UK and Bulgaria as well as Cyprus (i.e. medium-growth countries). The third group comprises regions located in countries with an average growth of GDP per head of 2.9% or more a year between 1995 and 2003 – specifically the 71 regions in Greece, Spain, Hungary, Ireland, Poland, Slovakia and Finland as well as the country regions of Estonia, Latvia, Lithuania, Luxembourg and Slovenia (i.e. high-growth countries).

This distinction demonstrates the relatively close association between country and regional growth. Of the 69 regions in high-growth countries, only in two did GDP per head grow at a slower rate than the EU average over the eight-year period, while 67 (about 97%) registered growth rates higher than the EU median (of 2.1% a year – see Table 3).

At the same time, 91 out of the 112 regions in low-growth countries (81%) grew at a slower rate than average, while only 21 regions grew faster, and even those only marginally so in most cases.

Likewise, in the medium-growth countries the majority of regions grew at about the average EU growth rate, as indicated by the fact that 46 of the 71 regions (65%) are located in the two middle growth rate quartiles, implying that their rate of growth in GDP per head diverged from the EU average by less than 1 percentage point up or down.

The strong relationship between economic growth at the country and the regional level raises the question of the effectiveness and justifiability of regional policy with respect to creating a more equal distribution of economic activity and GDP per head across the EU. If it is indeed the case that the economic performance of the country as a whole is such an important determinant of the performance of its regions, this suggests that there may be a case for targeting support at the national level rather than regional development as such. In this regard, it is interesting to examine regional

Table 5

Converging and diverging regions by country (in % of all regions)

country growth rate		diverging		converging		Total converging
		gr<av; GDP<av	gr>av; GDP>av	gr<av; GDP>av	gr>av; GDP<av	
1.3	DE	24.4	22.0	12.2	41.5	53.7
1.3	IT	9.5	23.8	28.6	38.1	66.7
1.7	FR	40.9	4.5	9.1	45.5	54.5
1.8	BE	36.4	0.0	18.2	45.5	63.6
2.0	AT	11.1	11.1	33.3	44.4	77.8
2.0	CZ	50.0	12.5	0.0	37.5	37.5
2.1	BG	66.7	16.7	0.0	16.7	16.7
2.1	NL	41.7	25.0	8.3	25.0	33.3
2.2	PT	14.3	28.6	0.0	57.1	57.1
2.4	SE	62.5	12.5	0.0	25.0	25.0
2.5	UK	51.4	16.2	10.8	21.6	32.4
2.9	ES	31.6	15.8	31.6	21.1	52.6
3.1	EL	23.1	7.7	23.1	46.2	69.2
3.5	FI	40.0	40.0	0.0	20.0	20.0
3.8	SK	50.0	25.0	0.0	25.0	25.0
4.2	HU	57.1	28.6	0.0	14.3	14.3
4.3	PL	56.3	6.3	25.0	12.5	37.5
6.7	IE	50.0	50.0	0.0	0.0	0.0

convergence over the past several years both from a national as well as an EU perspective.

Intra-country convergence

For convergence of economic development across the EU to become a reality, there also needs to be convergence between regions within countries, which is examined below.

In contrast to regional developments across the EU-25 as a whole, changes in disparities in GDP per head across regions in individual countries have been more heterogeneous. In some countries some convergence is evident, in other divergence can be observed.

The largest reduction in disparities over the period 1995-2003, if the coefficient of variation of regional GDP per head (in terms of PPS) is used as a measure, occurred in Greece, where this coefficient declined by 2.7 percentage points or by about 14% (see Table 4). A similar, though slightly

weaker convergence is evident in Austria and Italy; finally, in Belgium, France and Germany, there was also a reduction in disparities, even if only marginal. In four of the countries which benefited from a significant support from the Structural Funds over this period – Greece, Germany, Italy and Spain – there was either a narrowing of regional disparities or little change.

By contrast, in all other countries (or at least those which do not consist of a single NUTS2 region) regional disparities in GDP per head widened. This includes the other two countries in receipt of substantial Structural Fund support, Ireland and Portugal, though in the former there are only two regions and in the latter the widening of disparities was relatively small and less than in all those countries in which a widening occurred.

The three countries experiencing the largest increase in disparities – Poland, the Czech Republic and, above all, Hungary – are all new

member states, followed closely by Bulgaria, where the increase in disparities was the fifth largest (behind Ireland). Only in Slovakia was the increase relatively modest, though still significant.

Similar differences are evident if the number of regions is examined that show either convergence towards or divergence away from the country-average GDP per head. For this purpose converging regions are defined either as those with a 1995 GDP per head below the country average but with an above-average growth rate in GDP per head between 1995 and 2003, or as those with a GDP per head above the average in 1995 and a below-average growth rate. A diverging region is defined as one with the opposite characteristics.

There were no countries in the EU-25 featuring a simultaneous convergence of all regions over this period (see Table 5). Even in countries where the disparities in GDP per head narrowed significantly, only a proportion of regions showed a tendency to converge towards the country average, while others diverged. Nevertheless, in all countries where the coefficient of variation declined, there was convergence in the majority of regions.

The strongest tendency to converge in these terms was observed in Austria, where 7 out of 9 regions (78% of the total) showed convergence. In Greece, Italy and Belgium around two thirds of all regions converged, while in France and Germany there was only a small majority of regions where this was the case.

Moreover, in Portugal and Spain where there was an increase in disparities measured in terms of the coefficient of variation (see Table 4), more regions tended to converge rather than diverge from the country-average GDP per head. Thus, in these two countries (both receiving significant Structural Funds assistance), relatively few regions with high GDP per head grew faster than average, and although the growth rate was only slightly higher than in the rest of the country because of the weight of these regions in the national average, it was high enough for disparities to widen. At the

same time, the higher growth in regions with GDP per head below the national average was not enough to compensate for their relatively small weight in the national average.

In all other countries, in line with the increase in disparities in GDP per head, the large majority of regions diverged from the country average. This was especially the case in Hungary and Bulgaria (see Table 5).

Relevance of the regional support funds

Although countries in which support for regional development from the Structural Funds showed, in some cases (Spain and Portugal in particular, but also Germany), only a slight tendency for convergence to occur and regional disparities to diminish, this should be set against the general widening of disparities that occurred elsewhere in the Union. The effect of Structural Funds support, therefore, may not have been to narrow regional imbalances markedly, but it may arguably have prevented them from becoming even more acute.

One notable aspect of the above analysis (see Tables 4 and 5) is that, with the exception of Greece, disparities in GDP per head narrowed only in countries in which economic growth was relatively slow, while they generally widened in those where growth was faster, the only exception being the Czech Republic, where the growth rate was modest.

Low economic growth over this period, therefore, seems to have been more conducive to a reduction in regional disparities than higher growth. It suggests that where high growth occurred, it tended to benefit the economically stronger regions within countries disproportionately. This was particularly the case in the new member states: in those where growth was high, while there was convergence of most regions towards the EU average, this was accompanied by widening disparities across the country, which tended to adversely affect social cohesion. At the same time, the evidence from Greece and, to a lesser extent,

Spain also suggests that high growth rates need not necessarily lead to widening regional disparities nationally.

Nevertheless, the experience of the period since 1995 prompts the question of how far widening regional disparities are an inevitable feature of high growth rates in countries where GDP per head is relatively low and the potential for economic catching up relatively great. Another question is whether and to what extent there is a trade-off between more balanced regional growth, on the one hand, and higher growth, on the other, and whether, in consequence, policies which are aimed at achieving the former are likely to depress the latter. In lagging parts of the EU in particular, the potential for development in terms of resource endowment tends to be greater in the regions with the higher levels of GDP per head, especially the capital city regions. Support targeted at these regions might, accordingly, yield a higher rate of return in terms of economic growth than in the weaker regions. The dilemma for policy in this case is whether to direct support in this way and accept a possible widening of regional disparities across the country concerned or to direct support towards the weaker regions and accept a possibly lower rate of economic growth at the national level.

EU membership – support and challenge to the competitiveness of the Polish and Romania economies*

BY GÁBOR HUNYA

Introduction

The competitiveness issue discussed in this article refers to the international competitiveness of countries, which depends on the performance of industries and firms on the world markets. We shall not enter into the general debate on the competitiveness of countries (see Krugman, 1996) but apply the broad concepts of Trabold (1995), Porter (1990) and Fagerberg (1996) on the international competitiveness of industries. The link between firm-level and country-level competitiveness has been established by Porter (1990). He argues that industries and companies can be competitive if the national environment and government policy support companies' profit-earning and innovative efforts. Firm-level competitiveness depends on production factor costs, demand conditions, firm strategy and firm networking. The environment in which the firm operates is shaped by government policies, chances/opportunities and the international business environment. Internationalization of markets, in particular EU integration, opens up new opportunities for firms and leads to transnational alliances, among them foreign direct investment (FDI). The new environment demands from governments in the EU to set policy targets and use policy tools in an internationally competitive environment regulated by the EU agreements.

The competitiveness of countries as defined by Trabold (1995, p. 182) includes the ability to sell, the ability to attract and the ability to adjust – all these leading to the ability to earn. These components can be measured by specific

economic indicators concerning trade and FDI as well as economic growth.

- The ability to sell in terms of international competitiveness means the ability to export. The market shares on the main export markets and their development can be taken as the basic indicators of international competitiveness.
- The ability to attract refers to attracting activities and investments from abroad. Attractiveness for foreign investment is the summary effect of location factors in the country. Although other forms of international capital flows may also be important, a basic indicator of attractiveness can be the size of annual FDI inflows and FDI stocks.
- The ability to adjust can be measured by the speed of structural change. Through structural change the country changes its product and export specialization in order to increase its capacity to earn. Structural upgrading means a shift towards higher value-added, higher-technology products, which generally allow for higher earnings.
- The ability to earn is shown by the per capita level and increase of GDP. GDP growth compared to other countries expresses whether a country is catching up or falling behind. The structure of GDP growth reveals the main driving forces of growth and also the imbalances that may endanger further growth.

Based on the above considerations, in this article competitiveness is measured by the rate of GDP growth, the size of exports, the structure of exports and unit prices of exports, as well as by the amount and structure of FDI. We compare two countries: Poland, which has two and a half years experience of EU membership, and Romania, which has joined the Union in January 2007. We look for lessons from Poland that may be relevant for Romania's competitive position after its EU accession.

At the outset we argue that economic conditions in Romania at the time of EU accession are less favourable than they were in the case of Poland,

* Revised version of a paper presented at the EU Institute in Japan (EUIJ), Tokyo, 11 December 2006.

but there is also a higher dynamic of change. Romania is less developed, less competitive and is characterized by a more backward economic structure than was Poland two and a half years ago. In Romania the economic transformation to a market economy started late, market conditions have not yet consolidated, and the institutional environment and physical infrastructure is underdeveloped. We shall demonstrate these differences between the two countries in the following sections and raise specific questions related to Romania: How will the economy withstand competitive pressure? Will the external balance deteriorate and, if yes, will the stability of the currency be in danger?

Differences in competitiveness between Poland and Romania in the 2000s¹

Economic growth patterns

In the 1990s, Poland grew fast due to successful economic transformation, while Romania was falling behind due to stop-go policies and hesitant transformation. In comparison with the EU-25² average per capita GDP at purchasing power parity (PPP), Poland caught up from 32% to 47% between 1991 and 2000 while Romania fell behind from 29% to 25% (Table 1). Thus the current development gap between the two countries is virtually of recent origin.

In the past six years, however, Romania performed much better than did Poland: in 2005 Romanian per capita GDP advanced to 35% of the EU-25 average at PPP, while Poland's GDP level hardly changed by moving to 50%. Nevertheless, Romania is still a more backward country and has a long way to go to catch up.

To illustrate the difficult way ahead, a simple growth projection can be made based on the assumption that in the next decade the EU-25 will grow by 2%, Poland by 4% and Romania by 6% –

thus the trend of the past few years continues (Table 1). The results show that by 2015 Poland will be at 60% of the EU-25 average, at the same level as Hungary in 2005, and Romania will climb to the current Polish level of 50%. As economic history has shown, there is little room for miracles; catching-up processes take a long time and can be rather cumbersome.

As a possible impact of EU accession, Poland has grown more rapidly in the past two to three years than it did in the three years before it joined the EU (Table 2). Polish GDP growth was particularly high in the accession year, slowed down one year later and recovered again in 2006. Romania recorded similar fluctuation during the same period, but its growth rates were higher than those of Poland. The slow economic growth in both countries in 2005 had to do with poor harvests. As of now, optimism prevails that the estimated 2006 growth rates can be sustainable over the coming years.

Judging from the recent growth performance of the two countries, it may be concluded that they are able to grow faster than their competitors in the old member states (EU-15). In general, the new EU member states (NMS) and accession countries improve their competitive position in the wider European context. But Poland and Romania's growth rates are not particularly high as compared to the other NMS, which tend to be competitors of both countries on the EU market.

Demand structure of the current economic growth

The individual items of expenditure have played differing roles in generating growth in aggregate demand (and GDP) in the two countries (Table 2). In 2004, the year of its accession to the EU, Poland just emerged from a recession characterized by declining investment. Stagnating domestic consumption in the early 2000s had helped the foreign trade balance to improve, but the deficit expanded again along with the resumption of economic growth. But, in fact, the deterioration of the foreign trade balance in connection with EU accession lasted only for a few months, and in the past three years exports have grown faster

¹ Research regarding Poland was done by wiiw economist Leon Podkaminer (Podkaminer, 2006a and 2006b).

² EU-25: EU member states as of December 2006.

Table 1

GDP per capita at current PPPs (EUR terms), EU-25 average = 100

	1991	1995	2000	2005	2010 projection	2015 projection
Poland	32	40	47	50	55	60
Romania	29	30	25	35	42	50

Projections: EU-25: 2%, Poland: 4%, Romania: 6% annual GDP growth; zero population growth. (EU-25: EU members as of December 2006.)

Source: wiiw Database.

Table 2

Percentage contributions of domestic demand, consumption, gross fixed capital formation and foreign trade to yearly GDP growth, 2000-2005

Poland	2000	2001	2002	2003	2004	2005	2006 estimate
GDP growth rate (%)	4.2	1.1	1.4	3.8	5.3	3.4	5.2
Consumption	2.2	1.8	2.4	2.1	3.3	2.2	
Gross fixed investment	0.7	-2.3	-1.3	0.0	1.2	1.2	
Trade balance	1.0	2.6	0.5	1.1	-0.8	1.1	
Other items*	0.3	-1.0	-0.2	0.6	1.6	-1.1	
Romania	2000	2001	2002	2003	2004	2005	2006 estimate
GDP growth rate (%)	2.1	5.7	5.1	5.2	8.4	4.1	6.5
Consumption	1.3	5.5	4.2	7.0	10.3	7.5	
Gross fixed investment	1.0	1.9	1.6	1.8	2.4	2.9	
Trade balance	-2.4	-3.4	0.9	-3.9	-5.0	-5.4	
Other items*	2.2	1.7	-1.6	0.3	0.7	-0.9	

* Other items: change in stocks and statistical discrepancy.

Remark: The growth rate of each individual position was weighted with its share in GDP. The sum of the components' growth rates adds up to the GDP growth rate.

Source: wiiw Database relying on national statistics.

than imports. Poland could withstand the competitive pressure on the European market, it has been able to sell more while its import reliance has been moderate (see also next section).

In Romania, the high rate of economic growth in the past five years has been driven by domestic consumption and, to a lesser extent, by investment, while the foreign trade balance has deteriorated continuously. Romania is in a phase of rapidly adjusting industry and services, with a lot of technology being imported and domestic production hardly in a position to meet the demand for investment goods. Private demand has also

expanded rapidly as consumers have benefited from rising wages, improved creditworthiness and an appreciating local currency. Private demand grew much faster than domestic production, in both quantitative and qualitative terms, and was met by rapidly growing imports. At the same time, production developed in such a way that exports also increased at two-digit annual rates, albeit at a slower rate than imports. Thus, the contribution of net exports to economic growth is increasingly negative in Romania, while it is positive in Poland. As to the performance of the external sector, the difference between the two countries is also indicated by the current account deficit to GDP

ratio: in Poland, it was below 3% in the early 2000s, jumped to 4.2% in the year of accession and came down to 1.4% in 2005. Romania, on the other hand, reports a current account deficit of more than 10% of GDP in the year before accession. Keeping in mind that in Poland, due to accession, the current account balance deteriorated sharply, a similar impact in Romania would increase the deficit to really high levels.

The difference between the two countries in terms of consumption growth may be explained by the difference in wage growth. Wage increases have been modest in Poland, keeping consumption growth moderate: real wages expanded by only 7.6% between 2001 and 2005, while GDP grew by 14.6%. In Romania real wage expansion was as much as 42%, while GDP grew by 25%. (Average monthly wages in 2006 can be estimated at EUR 650 for Poland and EUR 310 for Romania.)

We conclude from the above that Poland joined the EU with an economy modestly growing, and with an improving foreign trade balance. In the past two years, expanding consumption has boosted economic growth while the foreign trade balance has improved further. Romania joins the EU with an economy growing more rapidly and displaying signs of overheating. This growth is fuelled primarily by domestic consumption while the external deficit is high and expanding. This deficit is financed by abundant foreign currency inflows which appreciate the local currency, triggering a further widening of the foreign trade deficit.

Export size and structure

The competitiveness in relation to other countries can be expressed by the change in market shares on the main export market, the European Union. Both countries have increased their market shares in the EU-15 in recent years (Table 3) which may be interpreted as an indicator of increasing competitiveness. Due to the more rapid export expansion, Poland's share in EU-15 imports increased faster than that of Romania. Considering the larger size of Poland, a market share 2.3 times

higher than that of Romania in 2004 is more than justified as Poland's nominal GDP in euro terms is 2.7 times higher than the Romanian.

As to the specialization pattern of exports, both countries hold the strongest position in low-tech and medium-low-tech industries, while the market shares attained in high-tech industries are very small (Table 3). Still, Poland has had a more advanced export structure and recent market share gains took place mostly in the medium-high-tech sectors. Romania's market share is concentrated on the low-tech industries and it was this sector which achieved most of the gains on EU markets. Currently both Poland's and Romania's exports undergo a structural change due to the diminishing role of low-tech industries, in particular textiles, clothing and footwear, caused by Chinese competition. These commodities are primarily replaced by increasing exports of cars, car components and electrical machinery.

Qualitative changes in exports are typically reflected in the prices received for the products. The measurement of such price/quality improvements involves the calculation of average prices per 'ton' of various types of goods.³ In this comparison Romania outperforms Poland (Table 4). In the second half of the 1990s the unit values of Romanian exports to the EU-15 had been below those of Poland, but by 2004 they had surpassed the Polish level. This superiority is present in all technological categories of industries. Romanian products have been modernized so that they can be exported at relatively higher price. But high prices set a narrow limit for increasing the volume of exports. Poland expanded exports mainly by quantity, competing on the basis of prices but not of quality.

The diverting development of export competitiveness in the two countries may be linked to the differences in unit labour costs. As pointed out in the previous section, wage increases have

³ The calculations were done by Robert Stehrer, wiiw. For the methodology see, e.g., Landesmann and Stehrer (2003).

Table 3

**Manufacturing goods exports to the EU-15:
shares in EU-15 total imports, annual averages for two periods, in %**

		Low-tech	Medium-low-tech	Medium-high-tech	High-tech	Total manufacturing
Poland	1995-1998	1.60	1.43	0.63	0.20	0.92
	2002-2004	1.94	1.81	1.56	0.40	1.35
Romania	1995-1998	0.86	0.61	0.14	0.02	0.35
	2002-2004	1.73	0.61	0.32	0.11	0.58

Source: wiiw calculations based on COMEXT Database. Low-tech goods are the products of NACE industries 15-22, 36-37; medium-low-tech: NACE 23, 25-28; medium-high-tech: NACE 24, 29, 31, 34-35; high-tech: NACE 30, 32-33.

Table 4

**Central and East European countries' exports to the EU-15:
unit value ratios**

		Low-tech	Medium-low-tech	Medium-high-tech	High-tech	Total manufacturing
Poland	1995-1998	0.802	0.846	0.665	0.860	0.789
	2002-2004	0.869	0.872	0.864	0.821	0.867
Romania	1995-1998	0.720	0.796	0.663	0.596	0.731
	2002-2004	0.956	0.895	0.903	0.838	0.924

Source: wiiw calculations based on COMEXT.

been moderate in Poland but surged in Romania. In Poland, productivity increased more rapidly than wages, thus unit labour costs in manufacturing declined, by 17.8%, between 2002 and 2005. The costs of Polish producers diminished and they could compete with lower prices and sell larger quantities. In Romania, by contrast, productivity did not increase as fast as wages during the same period, which resulted in an increase in manufacturing unit labour costs of 24.5%. Romanian producers could not sell as much as before in the same quality and were pushed to increase export prices even if quantities had to be limited.

Despite the above differences in development, unit labour costs in both countries' industries are much below the EU-15 level; this fact can attract the relocation of production. Polish unit labour costs are on average still higher than the Romanian ones. Using Austria as a benchmark (a slightly higher base than the EU-15 average), Polish unit labour costs in manufacturing were at 37% in 2005, while Romania's at 32%. However, whereas Polish unit labour costs were above the Romanian ones in

the manufacturing sector as a whole, they were below the Romanian level in key export industries: textiles-clothing-leather, and machinery-electrical equipment-transport equipment (Table 5).

We can discover a relationship between the wage surge and quality upgrading of exports in Romania, but the way of causality is not obvious. Did rapidly increasing unit labour costs push producers to upgrade their products and improve the quality, or was it the fast technological change that triggered productivity and quality gains which in turn allowed for rapid wage increases? There is no answer to this at the current level of analysis but the conclusion is clear: Romanian exporters could align costs and prices and maintain competitiveness, but they could not substantially increase the amount of exports. Polish producers increased the quantity of exports relatively more rapidly than the quality.

Another related effect of the strong increase in Romanian unit labour costs concerns the competitiveness on the domestic market. Domestic producers find themselves in a disadvantaged

Table 5

**Unit labour costs in Poland and Romania
in comparison to Austria, 2005, euro-based, %**

	Poland	Romania
D Manufacturing	36.9	32.2
DA Food products; beverages and tobacco	36.9	19.0
DB Textiles and textile products	50.9	61.8
DC Leather and leather products	74.6	127.2
DD Wood and wood products	38.3	31.1
DE Pulp, paper & paper products; publishing & printing	43.4	17.0
DF Coke, refined petroleum products & nuclear fuel	121.1	37.4
DG Chemicals, chemical products and man-made fibres	47.0	24.7
DH Rubber and plastic products	28.0	23.7
DI Other non-metallic mineral products	29.1	28.8
DJ Basic metals and fabricated metal products	33.8	21.2
DK Machinery and equipment n.e.c.	43.2	60.3
DL Electrical and optical equipment	31.8	58.5
DM Transport equipment	34.9	68.5
DN Manufacturing n.e.c.	32.7	31.7

Source: wiiw Database.

position in the face of imported goods. This may explain the sluggish growth of manufacturing output in the past five years and the high import growth.

FDI patterns

Finally we look into the ability of the two countries to attract FDI. In absolute terms, large countries receive higher amounts of FDI than do smaller ones. The largest country, Poland, is the most important recipient among the NMS as of end-2005, with an FDI stock of more than EUR 70 billion. Romania is the most important recipient in Southeast Europe, registering an FDI stock of EUR 20 billion. But in relationship to their size, FDI is quite low in both countries. The FDI stock amounts to only 29% of GDP in Poland, and to 25% in Romania – the second and third lowest rates among the new members and accession countries after Slovenia (Table 6).

FDI in Romania is of much more recent origin than in Poland, which may be a reason for lower accumulated stocks. Inflows started to reach

significant amounts only in 2004. Most of the inflows in recent years have been privatization-driven. For the year 2006 high amounts of FDI can be expected to have flown into both countries (see Table 6 for wiiw estimations based on half-year balance of payments data). In 2006 there was a general trend in the NMS for accelerating inflows, and Poland has been on track to confirm its position as the largest receiver of FDI. Romania has booked one-time high amounts of privatization-related FDI which will certainly be followed by a backdrop in 2007.

As for the structure of FDI, up to 2005 the two countries differed in so far as in Romania industry had a higher share of FDI than services, whereas in Poland services, first of all banking and trade, were more important. Romania can be assumed to have changed to the Polish pattern in 2006 when the recent privatizations to foreign investors in banking and electricity distribution appear in the statistics. Poland will move in the other direction as the share of manufacturing in new FDI is growing again. The country has recently attracted some

Table 6

FDI inflow and stocks in NMS and accession countries

	FDI inflow, EUR million					forecast	Stock per
	2001	2002	2003	2004	2005	2006	GDP, % 2005
Czech Republic	6296	9012	1863	4007	8837	5000	51.2
Hungary	4391	3185	1888	3754	5559	5000	58.9
Poland	6372	4371	4067	10279	6566	8000	29.1
Slovakia	1768	4397	593	1016	1694	3000	34.8
Slovenia	412	1700	300	665	445	500	21.9
Bulgaria	903	980	1851	2727	2326	3000	39.8
Croatia	1503	1195	1785	990	1403	2000	42.6
Romania	1294	1212	1946	5183	5197	8000	25.4

Source: wiiw Database on FDI and wiiw estimate.

larger investment projects in the motor industry and household electronics. These are hoped to boost the exports of medium-high-tech products and speed up the upgrading of the export structure. In the past few years Romania has attracted FDI in labour-intensive production from Poland, but its current wage surge and Asian competition may force these plants to move on. Larger green-field projects are still missing in Romania but may come after the country's accession to the EU; as a precondition, however, a general development of the transport infrastructure is essential.

Conclusion and outlook

In the above analysis we have found that the competitiveness of both Poland and Romania is improving by some important indicators. They were growing faster in 2004-2006 than earlier, they have attracted more FDI and they have exported more, in an improving structure and in improving quality. Problems for Poland were identified in terms of slow structural upgrading and for Romania in terms of expanding foreign trade deficit. These problems are not easy to solve, therefore optimism concerning medium-term economic prospects has to be cautious. This refers especially to Romania's current imbalances, and competitiveness problems may even aggravate in the first few years of EU membership.

In general, the conditions for doing business, for foreign trade and for investment flows improve when a country joins the EU. The 2004 enlargement showed that the first year of membership may stir economic imbalances: many countries registered a push to inflation, an acceleration of imports and an increase in the budget deficit. All these difficulties have been successfully overcome by Poland. Economic growth in 2007 will be sustained, at a rate of about 5%. Rising incomes of wage-earners, pensioners, and farmers (the chief beneficiaries of Poland's EU accession) are likely to strengthen consumer demand. At the same time there is every reason to expect strong fixed productive investment: the corporate sector is highly liquid, interest rates are relatively low, capacity utilization levels are fairly high, domestic and foreign demand seem to be forthcoming. Despite its populist rhetoric, the current government keeps budgetary spending under control and its foreign policy statements do not discourage investors either.

Romania has acceded the European Union on 1 January 2007 with a dynamically growing economy, high current account deficits, high but falling inflation, and a low but increasing budget deficit. In 2007, private consumption may increase less rapidly than in past years, but a somewhat less restrictive fiscal policy and enhanced confidence of foreign investors will support economic growth

further on, if less rapidly than before. After 6.5% GDP growth in 2006 one may realistically expect only about 5.5% for 2007. The deceleration of growth has partly reasons which are connected to the one-time nature of the 2006 growth acceleration (agricultural recovery). The forecast mainly reflects growing uncertainties due to the increasing external imbalance. Adverse effects of EU accession may appear in the form of stronger competition on the domestic market, surging imports and thus even higher current account deficits. Wage restraint and productivity-enhancing investments will be necessary to reduce unit labour costs as compared to competitors such as Poland. In addition, in the first year of membership there will be no surging inflow of EU funds yet. It will take a few more years for Romania to fully benefit from the system of EU funding.

The development of the balance of payments in Romania may cause uncertainties regarding inflation and the exchange rate. Inflation may decline due to increasing competition, but the obvious overheating of the economy may impose the opposite. The current account deficit may become a problem and trigger a depreciation of the currency, but this may also be prevented by an improved risk perception that supports the inflow of further foreign investments. Abundant foreign financing would allow for even larger deficits. Despite all these uncertainties, due to the generally

optimistic attitude in and around the Romanian economy, there is little likelihood of an inverse investment flow triggering a currency crisis. The most important danger Romania has to face is that, while the currency stays firm, competitiveness in terms of the ability to sell and to adjust will not improve appropriately.

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The flawed logic of capital account liberalization

BY AMITAVA KRISHNA DUTT*

The logic of capital account liberalization

The government is exploring the possibility of further liberalizing India's capital account. Despite limited and gradual liberalization in the 1990s, for instance, relaxation of restrictions on foreign direct investment, allowing limited access for foreign institutional investors (FIIs) to the domestic capital market, and making restricted portfolio investment available to domestic and overseas corporate bodies and to non-resident Indians, numerous restrictions on capital flows are currently in force (see Nayyar, 2002). Should the capital account be further liberalized?

The *economic* logic of the liberalization of the capital account for less developed countries (LDCs) such as India (as distinct from merely 'yielding' to pressure from Western financial interests, or wanting India to graduate – prematurely – to the ranks of financially advanced nations) is related to the goals of increasing capital inflows in order to increase GDP and growth (and hence contribute to overall economic development) and of smoothing consumption through international borrowing.

The output-enhancing effect of capital account liberalization can be seen from a simple textbook model in which one good is produced in two countries with two factors of production, 'capital' and 'labour', with given technology under conditions of diminishing returns to each factor. Suppose that the only difference between the two countries is that one – a developed country, DC – has a higher stock of capital than the other, an LDC. Under the assumption of perfect competition, but with labour and capital immobile between the

two countries, the return to capital – or the rental rate – will be higher in the LDC than in the DC. If capital is allowed to move from the low-rental country to the high-rental country in search of higher returns, it will move from the rich country to the poor country, lowering its cost of capital, and adding to its production and income after paying the rental to the rich country (also adding to world production and income, since capital has a higher marginal product in the LDC than in the DC). To the extent that the accumulation of capital leads to higher growth such international capital flows increase growth in LDCs.

The consumption-stabilizing impact can be shown with another simple model in which a country with a representative agent can borrow or lend at a given world interest rate. Suppose that the representative individual receives a stream of income which is subject to exogenous fluctuations. If consumption exhibits diminishing marginal utility, the individual (and the country) will be able to increase its inter-temporal utility if it can participate in the international capital market and stabilize consumption.

The empirics of capital account liberalization and international capital flows

Does empirical evidence confirm this logic of capital account liberalization? A substantial increase in capital flows into emerging markets (consisting of LDCs and transitional economies) in the early and mid-1990s followed their capital market liberalization. This phenomenon has been extensively studied and the evidence, which suggests that both arguments for capital account liberalization are flawed, can be briefly summarized with four observations.

One, for reasonably long periods of time, and especially in recent years, there has been a reverse net transfer of financial resources from LDCs to rich countries. For instance, from 1997 onwards net transfers to LDCs have been negative, increasing from USD 5.2 billion in 1997 to over USD 350 billion in 2004, explained by a combination of low levels of net financial flows and

* Professor Amitava Krishna Dutt, Department of Economics and Policy Studies, Faculty of Economics, University of Notre Dame, Notre Dame, Indiana, USA. This paper was written for 'Capital Account Convertibility: A Symposium' and appeared originally in the *Economic and Political Weekly*, Vol. XLI, No. 19, Mumbai, India, May 2006, pp- 1850-53.

the accumulation of foreign exchange reserves (Griffith-Jones, forthcoming).

Two, episodes of booms in capital inflows, especially short-term capital flows, end abruptly and turn into sharp outflows (Kaminsky, forthcoming).

Three, capital flows to emerging markets have been pro-cyclical, with large inflows during periods of economic expansion and outflows during recessions (Ocampo, 2003, Kaminsky, forthcoming). Further, fiscal and monetary policies tend to be pro-cyclical in LDCs and therefore exacerbate their business cycles.

Four, most episodes of interrelated banking and currency crises in emerging markets have been preceded by financial liberalization and increased access to foreign capital markets (Kaminsky and Reinhart, 1999).

These findings regarding capital market liberalization and capital flows, especially portfolio investment and hot money flows, are well known and widely recognized. Bhagwati (2004), an avid defender of globalization, warns about the perils of free international financial capital movements, and even the IMF has become less doctrinaire in supporting free movements of capital.

Imperfect information, uncertainty and instability

Why is the logic of capital market liberalization at odds with the actual experience of LDCs? It is flawed because it fails to come to grips with some fundamental features of reality of which the most important arguably relates to information.

Contrary to the assumption of perfect information in the standard model, information is imperfect in capital markets. Without deviating too much from the standard neoclassical assumption of optimizing agents, models with asymmetric information produce results which are far more consistent with reality. If lenders do not know exactly what borrowers do with borrowed funds and can only observe the outcomes of their activity, while borrowers know what they are doing, we have the

problem of asymmetric information, and lenders will require collateral to ensure that borrowers do not wilfully default. The implication of this is that borrowers in rich countries who have higher initial endowments of capital will be able to borrow more than those in poor countries because they can put up collateral to overcome moral hazard problems, while borrowers in poor countries are less able to do so (Gertler and Rogoff, 1990). This may imply that capital will flow from poor to rich countries, making rich countries even richer, resulting in a process of uneven development.¹ Borrowers in poor countries will not be able to borrow what they want to and will be rationed, and this rationing will become tighter when poor countries experience bad times, implying that capital flows to poor countries will be pro-cyclical and not stabilize their consumption.

Similar implications emerge from Keynes' (1936) view of asset markets in which investors are faced with fundamental uncertainty: they simply do not know the returns they can expect from their investments. In such a situation they form expectations of the future, knowing full well that these expectations are built on flimsy foundations. In forming these expectations they may follow conventions, such as following the lead of others, which gives rise to herd mentality, and such conventions and expectations are likely to be subject to large changes in reaction to new information. At certain times business optimism is high, and that makes firms invest more, and this expansion results in an increase in aggregate demand which further fuels investment. This is possible because, unlike the neoclassical full employment model, the economy has unemployment resources. As the expansion proceeds, some firms may feel overextended and suddenly lose their confidence, and investment is

¹ There are other explanations for uneven development due to international capital flows. Unlike what is assumed in the standard textbook model, capital may be subject to non-diminishing or even increasing returns, which means that DCs with higher stocks of capital may have higher rates of return on capital, so that capital will flow from LDCs to DCs unless prevented from doing so due to capital market restrictions. This explanation, however, appears to be more relevant for LDCs that receive little or no private capital from abroad.

curtailed, resulting in a reverse process of contraction and rising unemployment. Stock markets, in which asset holders try to guess what others believe, as in the famous beauty contest analogy, add to the instability.

Keynes' ideas have been extended and refined by post-Keynesian economists, most notably Minsky (1982), who analysed how the expectations of firms as borrowers and banks as lenders would change and interact. During the expansion firms borrow more and this leads them to become more indebted. Increased indebtedness leads lenders and borrowers to perceive greater risks, which induces lenders to increase the interest rate and borrowers to cut down on borrowing and investment. This decline in investment reduces aggregate demand in the standard Keynesian manner and results in a decline in profits which, along with the increase in interest rates, leads to a downward spiral. Matters can be exacerbated when funds flow into real estate and stock markets. Herd mentality can lead to bubbles in these markets during the expansion, and when the bubbles inevitably burst, the price of assets (including those serving as collateral) tumble, which aggravates the financial positions of borrowers and lenders, leading to sharp reductions in lending and economic activity, as well as to bankruptcies. Keynes and Minsky were mainly discussing the financial markets within advanced capitalist economies, in which central banks can stabilize the economy, but matters are more complicated when we turn to international financial markets and LDCs.

Extending the analysis to international markets complicates matters for a number of reasons, including the following.² First, the problems of uncertainty and asymmetric information are greater because market participants have less knowledge about situations and borrowers in distant countries. Lenders are therefore more likely to have their expectations built on flimsy foundations, exhibit more of a herd mentality, and rely more on conventions which are subject to sudden changes.

Second, the fact that international markets operate with different currencies creates additional sources of instability. During the boom, currency appreciation in borrower nations can lead to greater euphoria, and because loans have to be paid back in the currencies of lender nations, when loans are recalled during the downswing, currency depreciation can make it more difficult for borrowers to pay back loans. (Exchange rate fluctuations can in theory stabilize the market, but in practice have been found to amplify the lending cycles.) Third, because of contagion effects across borders, for instance because foreign banks who suffer losses in one country can call back loans to another country, problems arising in one country can be transferred to other countries, introducing additional sources of instability. Fourth, since financial capital can move from one country to another, changes in the supply of finance to an economy can be greater than in a closed economy. Finally, the absence of a world central bank and the absence of monetary authorities that can regulate the amount of liquidity reduces the chances of containing the problem. In fact, the IMF, the closest thing to a world central bank, exacerbates the instability, deepening the bust by imposing austerity measures and other contractionary policies on borrowing countries, and by encouraging the imprudent lending boom by being ready to bail out lenders when financial crises occur.

LDCs are particularly prone to these problems while rich countries seldom experience currency crises. The small size of their financial markets – especially stock and currency markets – implies that a given change in capital flows has a large proportional effect on these markets. Poor prudential regulation and supervision of financial institutions, and the inexperience of financial agents in evaluating risks make them less able to reduce the instability of capital flows. Their thin securities markets reduce the ability of their monetary authorities to follow counter-cyclical policies which could dampen the fluctuations.

The consequences of unstable capital flows

² See, e.g., Stiglitz (2002), Taylor (2002) and Ocampo (2003).

Unstable capital flows (although some components, such as foreign direct investment, may be less unstable than others) can be expected to have adverse consequences on economic growth and social indicators in LDCs. The following discussion draws on available theoretical analysis and empirical investigations to present likely scenarios.

During the boom, private and public sector borrowing-financed expenditure increases (Ocampo, 2003). For the private sector, there may be some increase in real investment, but given that capital inflows are of short maturities, investments are more likely to be in the stock market and in real estate than in real capital formation (see Demir, 2005). When interest rate spreads rise and credit is rationed and the bust occurs, the availability of funds falls, reducing investment and output.

The precise effects depend on the exchange rate regime. If the country has a flexible exchange rate, during the boom its currency will appreciate and this can affect growth adversely in a number of ways. If the economy is supply-constrained, the decline in the profitability of the traded goods sector will shift resources to the non-traded sector, a shift which can slow down technological change if the traded goods sector has greater scope for learning by doing and has more technological externalities for other sectors. If the economy is aggregate demand-constrained, the reduction in net exports will result in a decline in aggregate demand and hence in output and investment and, consequently, in technological change driven by growth and investment. In either case, the result will be lower growth. The inflow of foreign capital is more likely to finance investments in stock markets and real estate than real capital formation, and the resultant asset price bubbles make real investment less attractive. Banks borrowing short abroad and lending long to firms for investment will also become fragile. When the bubble bursts and overextended lenders call back loans and capital leaves the country, the cost of borrowing for investment increases for firms and investment falls, as does output if it is constrained by the availability of finance for working capital. The exchange rate

depreciates, but this is unable to win back lost markets abroad because of hysteresis effects and kinked demand curves. Depreciation makes imported goods more expensive and can thereby fuel inflation and, if money wages are sticky, this can result in a worsening of the income distribution. Depreciation also has a wealth effect, especially with currency mismatches, if loans have to be repaid in foreign currency and revenues are earned in domestic currency. All this results in a downturn, which is exacerbated by cuts in government expenditure due to reduced access to credit and reduced revenue because of the downturn, which further reduces capital inflows.

If a country maintains a fixed exchange rate, or at least does not let the exchange rate float freely, capital inflows will result in the accumulation of foreign exchange reserves. Large foreign exchange reserves may serve to stabilize the currency and prevent outflows, but come at the cost of holding low-return foreign assets as reserves which can lead to significant interest costs for the economy. Meanwhile, the credit boom spills over into financial markets and results in bubbles, and fails to increase capital formation. If the central bank leans against the wind and reduces domestic credit, this may fuel capital inflows by raising interest rates and further constrain investment. When the bubble bursts, there will be an outflow. The outflow will result in a contraction in money supply. Reserve losses of the central bank can lead to currency crises and the currency will have to be devalued and eventually floated, with the consequences discussed earlier.

The instability caused by capital flows further increases uncertainty and reduces investment. The resultant fall in output and reduced external financing leads to cuts in government expenditure, especially in infrastructure and social programmes. The fall in employment and the decline in government programmes increase poverty and a general deterioration in social indicators, unless expenditures are reallocated to the social sector (see Taylor, 2001).

Conclusion

The theoretical analysis and empirical evidence briefly summarized here suggests that it is unwise to embark on further capital account liberalization for India.

This conclusion is further strengthened when one examines India's experience with limited capital account liberalization in recent years. First, liberalization led to a large increase in foreign institutional investors, which has proved to be somewhat volatile. Most of the evidence suggests that capital inflows have driven stock prices and real estate prices, but stock prices have had little effect on real investment and growth (see Rakshit, 2006; Rao and Dutt, 2006, p. 150-51). Second, the limited nature of liberalization allowed India (as well as China) to escape from the Asian financial crisis of 1997 relatively unscathed. Third, India and China, both with capital controls, are among the fastest growing economies in the world today. One is led to ask: 'If it ain't broke, why fix it?'

India, of course, may miraculously avoid the boom-bust cycles and adverse consequences of capital account liberalization through effective regulation and macroeconomic policies. But suitable regulation is hard to pursue, as shown, for instance, by the facts that: even rich countries (which liberalized their capital accounts at a far later stage of their development than India is at now) are not free from financial instability; countries as developed as South Korea had a severe currency crisis; and several financial instruments – including derivatives – are very difficult to monitor. India would not need just one miracle, but many, to ride the boom-bust waves successfully. Finally, it must not be forgotten that costs of failure are very high indeed. Per capita income in India is low and the incidence of poverty is high compared to most Latin American and East Asian countries that have suffered the consequences of the instability of capital flows: India has very little slack with which to gamble.

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Conventional signs and abbreviations

used in the following section on monthly statistical data

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

Sources of statistical data:

National statistical offices and central banks; wiiw estimates.

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C Z E C H REPUBLIC: Selected monthly data on the economic situation 2005 to 2006

(updated end of January 2007)

		2005				2006											
		Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
PRODUCTION																	
Industry, total ¹⁾	real, CMPY	8.5	8.0	10.0	7.3	15.6	11.6	17.1	3.5	12.0	10.4	12.0	7.4	5.5	12.6	7.6	.
Industry, total ¹⁾	real, CCPY	6.0	6.2	6.6	6.7	15.6	13.6	14.9	11.9	11.9	11.6	11.7	11.2	10.5	10.7	10.4	.
Industry, total ¹⁾	real, 3MMA	8.4	8.9	8.5	10.9	11.4	14.9	10.7	10.9	8.7	11.4	9.9	8.1	8.5	8.5	.	.
Construction, total	real, CMPY	9.4	13.8	6.6	8.6	-1.2	-8.2	8.7	-3.0	10.5	10.0	12.2	6.4	4.2	7.1	7.9	.
LABOUR																	
Employees in industry ²⁾	th. persons	1130	1141	1147	1141	1132	1137	1141	1140	1141	1142	1145	1148	1142	1146	1149	.
Unemployment, end of period	th. persons	503.4	491.9	490.8	510.4	531.2	528.2	514.8	486.2	463.0	451.1	458.3	458.7	454.2	439.8	432.6	448.5
Unemployment rate ³⁾	%	8.8	8.5	8.4	8.9	9.2	9.1	8.8	8.3	7.9	7.7	7.9	7.9	7.8	7.4	7.3	7.7
Labour productivity, industry ^{2,4)}	CCPY	7.4	7.7	8.0	8.2	14.6	12.2	13.6	10.6	10.7	10.3	10.4	9.9	9.4	9.7	9.6	.
Unit labour costs, exch.r. adj.(EUR) ^{2,4)}	CCPY	4.5	4.1	3.9	3.5	-2.1	-0.2	-1.7	0.8	1.4	1.8	1.7	2.0	2.0	1.9	1.9	.
WAGES, SALARIES																	
Industry, gross ⁵⁾	CZK	17943	18184	21464	19629	18024	17308	18830	18564	20065	19712	19268	19061	19995	19605	22744	.
Industry, gross ⁵⁾	real, CMPY	2.7	1.5	2.7	1.5	3.3	3.1	3.7	2.4	4.7	3.2	2.6	2.4	1.9	6.3	4.2	.
Industry, gross ⁵⁾	USD	751	736	865	803	759	727	790	798	906	878	859	866	897	874	1046	.
Industry, gross ⁵⁾	EUR	612	613	734	677	628	609	657	651	710	694	677	676	705	693	811	.
PRICES																	
Consumer	PM	-0.3	0.9	-0.3	-0.1	1.4	0.1	-0.1	0.1	0.5	0.3	0.4	0.2	-0.7	-0.5	-0.1	0.2
Consumer	CMPY	2.2	2.6	2.4	2.2	2.9	2.8	2.8	2.8	3.1	2.8	2.9	3.1	2.7	1.3	1.5	1.7
Consumer	CCPY	1.7	1.8	1.9	1.9	2.9	2.8	2.8	2.8	2.9	2.9	2.9	2.9	2.9	2.7	2.6	2.5
Producer, in industry	PM	0.2	0.4	-0.3	-0.6	1.0	0.2	0.1	0.3	0.3	0.2	0.7	0.3	-0.2	0.0	-0.2	0.0
Producer, in industry	CMPY	1.0	0.3	0.0	-0.4	0.3	0.3	0.3	0.5	1.6	1.9	2.4	2.7	2.3	1.9	2.0	2.6
Producer, in industry	CCPY	4.1	3.7	3.3	3.0	0.3	0.3	0.3	0.4	0.6	0.8	1.1	1.3	1.4	1.4	1.5	1.6
RETAIL TRADE																	
Turnover	real, CMPY	3.8	3.4	3.3	2.1	7.0	7.4	6.5	5.1	7.1	6.2	6.3	7.3	4.9	8.8	6.4	.
Turnover	real, CCPY	4.4	4.3	4.2	4.0	7.0	7.2	7.0	6.5	6.6	6.6	6.5	6.6	6.4	6.7	6.6	.
FOREIGN TRADE^{5,6)}																	
Exports total (fob), cumulated	EUR mn	45610	51350	57543	62734	5732	11360	17949	23627	30071	36556	42205	48080	54727	61943	69461	.
Imports total (fob), cumulated	EUR mn	44360	50007	56115	61437	5281	10699	17008	22715	29108	35341	41040	46964	53331	60392	67682	.
Trade balance, cumulated	EUR mn	1250	1343	1429	1297	450	661	942	913	963	1215	1165	1116	1397	1551	1779	.
Exports to EU-25 (fob), cumulated	EUR mn	38488	43295	48514	52734	4833	9548	15021	19801	25228	30682	35430	40335	45932	51971	58339	.
Imports from EU-25 (fob) ⁷⁾ , cumulated	EUR mn	31784	35704	39910	43601	3635	7434	11926	15910	20446	24860	28883	32933	37390	42323	47407	.
Trade balance with EU-25, cumulated	EUR mn	6705	7591	8604	9133	1198	2114	3095	3891	4782	5821	6546	7403	8542	9648	10931	.
FOREIGN FINANCE																	
Current account, cumulated ⁵⁾	EUR mn	-1370	-1286	-1687	-2070	119	73	83	-437	-718	-1722	-2513	-2971	-3428	-4353	-4751	.
EXCHANGE RATE																	
CZK/USD, monthly average	nominal	23.9	24.7	24.8	24.4	23.7	23.8	23.8	23.3	22.1	22.4	22.4	22.0	22.3	22.4	21.8	21.0
CZK/EUR, monthly average	nominal	29.3	29.7	29.3	29.0	28.7	28.4	28.6	28.5	28.3	28.4	28.4	28.2	28.4	28.3	28.0	27.8
CZK/USD, calculated with CPI ⁸⁾	real, Jan03=100	119.3	116.1	116.2	118.3	122.6	122.1	121.2	123.3	129.5	127.8	128.0	130.5	128.5	127.8	131.6	136.5
CZK/USD, calculated with PPP ⁸⁾	real, Jan03=100	112.4	106.4	107.3	108.7	112.2	113.8	113.5	115.2	120.3	118.6	118.8	120.9	120.9	122.6	126.2	130.6
CZK/EUR, calculated with CPI ⁸⁾	real, Jan03=100	106.1	105.5	106.9	107.5	110.4	111.4	109.8	109.8	110.9	110.6	111.0	112.0	110.4	110.1	110.9	111.7
CZK/EUR, calculated with PPP ⁸⁾	real, Jan03=100	108.0	106.7	107.5	107.5	108.6	109.8	108.5	108.6	109.9	109.5	109.0	110.3	110.3	110.5	111.8	112.8
DOMESTIC FINANCE																	
M0, end of period	CZK bn	256.3	258.5	262.7	263.8	261.8	264.8	267.3	272.7	273.3	279.9	279.1	282.4	287.5	287.1	292.0	.
M1, end of period	CZK bn	1015.2	1048.5	1078.2	1087.3	1099.9	1103.5	1086.0	1111.0	1160.7	1141.3	1177.8	1193.0	1180.5	1220.3	1241.6	.
M2, end of period	CZK bn	1919.2	1933.9	1965.6	1992.1	1989.6	2002.2	2011.2	2051.9	2061.5	2073.2	2073.2	2099.7	2094.9	2124.4	2141.9	.
M2, end of period	CMPY	4.2	5.0	6.8	8.0	8.9	8.6	9.0	9.0	7.8	8.4	8.6	9.3	9.2	9.9	9.0	.
Discount rate (p.a.), end of period	%	0.75	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.25	1.25	1.50	1.50	1.50	1.50
Discount rate (p.a.), end of period ⁹⁾	real, %	-0.2	0.7	1.0	1.4	0.7	0.7	0.7	0.5	-0.5	-0.9	-1.2	-1.5	-0.8	-0.4	-0.5	-1.1
BUDGET																	
Central gov. budget balance, cum.	CZK mn	25748	15181	201	-56338	3427	-557	15754	-19955	-12202	7642	-445	-6440	1490	-12670	-30920	-97310

1) According to new calculation.

2) Enterprises employing 20 and more persons.

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

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

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

6) Cumulation starting January and ending December each year.

7) According to country of origin.

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

9) Deflated with annual PPI.

H U N G A R Y: Selected monthly data on the economic situation 2005 to 2006

(updated end of January 2007)

		2005				2006											
		Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
PRODUCTION																	
Industry, total	real, CPMY	8.6	9.6	7.8	5.7	13.2	11.2	15.4	2.3	10.5	8.8	12.3	9.3	9.2	10.6	10.8	.
Industry, total	real, CCPY	6.6	6.9	7.0	6.9	13.2	12.2	13.3	10.4	10.4	10.1	10.5	10.3	10.2	10.2	10.3	.
Industry, total	real, 3MMA	9.9	8.7	7.8	8.7	9.9	13.3	9.6	9.4	7.2	10.5	10.1	10.2	9.7	10.2	.	.
Construction, total	real, CPMY	36.3	11.0	18.7	14.6	12.3	-3.2	15.7	-7.6	-7.9	-8.0	1.1	-3.4	-4.8	7.5	-4.5	.
LABOUR																	
Employees in industry ¹⁾	th. persons	759.3	760.1	757.0	753.3	751.6	752.5	751.7	749.2	750.5	752.1	753.7	752.7	751.7	754.6	752.8	.
Unemployment ²⁾	th. persons	308.6	308.3	305.4	309.9	317.6	326.5	323.6	318.5	309.4	305.7	311.1	314.5	318.3	317.3	321.0	.
Unemployment rate ²⁾	%	7.3	7.3	7.2	7.3	7.5	7.8	7.7	7.5	7.3	7.2	7.3	7.4	7.5	7.4	7.5	.
Labour productivity, industry ¹⁾	CCPY	10.3	10.5	10.6	10.7	17.1	15.6	16.4	13.4	13.2	12.7	12.9	12.6	12.3	12.3	12.2	.
Unit labour costs, exch.r.adj.(EUR) ¹⁾	CCPY	0.0	-0.7	-1.1	-1.7	-9.6	-9.1	-10.4	-9.1	-8.7	-9.0	-10.1	-10.2	-10.5	-10.1	-9.9	.
WAGES, SALARIES																	
Total economy, gross ¹⁾	HUF th	150.3	152.9	175.9	179.9	195.6	157.3	162.5	162.1	166.1	165.9	164.4	164.4	161.0	167.2	187.4	.
Total economy, gross ¹⁾	real, CPMY	3.8	3.4	3.8	2.1	3.4	5.9	5.2	5.7	3.6	3.6	5.4	7.0	1.1	2.9	0.2	.
Total economy, gross ¹⁾	USD	750	730	825	845	944	747	749	750	809	772	751	768	746	789	933	.
Total economy, gross ¹⁾	EUR	611	607	700	712	780	625	623	611	633	610	592	600	586	625	724	.
Industry, gross ¹⁾	EUR	598	585	714	664	592	588	622	590	650	604	567	598	574	611	734	.
PRICES																	
Consumer	PM	0.2	0.0	0.2	0.0	0.1	0.2	0.6	0.7	1.0	0.3	0.2	0.0	2.5	0.5	0.2	0.1
Consumer	CPY	3.7	3.2	3.3	3.3	2.7	2.5	2.3	2.3	2.8	2.8	3.0	3.5	5.9	6.3	6.4	6.5
Consumer	CCPY	3.7	3.6	3.6	3.6	2.7	2.6	2.5	2.5	2.5	2.6	2.6	2.7	3.1	3.4	3.7	3.9
Producer, in industry	PM	0.8	0.8	0.4	0.0	0.6	0.1	1.8	1.1	0.1	2.4	1.2	0.3	0.1	-1.0	-1.1	.
Producer, in industry	CPY	3.8	4.1	4.1	4.5	4.3	4.4	5.4	5.8	5.3	7.9	9.5	9.7	9.0	7.0	5.5	.
Producer, in industry	CCPY	4.3	4.3	4.3	4.3	4.3	4.3	4.7	5.0	5.0	5.5	6.1	6.5	6.8	6.8	6.7	.
RETAIL TRADE																	
Turnover	real, CPMY	7.4	6.8	7.0	3.5	7.5	6.0	2.9	5.7	5.5	4.0	4.0	5.1	3.7	2.3	2.2	.
Turnover	real, CCPY	5.4	5.6	5.7	5.5	7.5	6.7	5.3	5.4	5.4	5.2	5.0	5.0	4.9	4.7	4.3	.
FOREIGN TRADE⁴⁾⁵⁾																	
Exports total (fob), cumulated	EUR mn	36427	40896	45851	50090	4178	8389	13493	17891	22914	27854	32282	36714	41987	47416	53063	.
Imports total (cif), cumulated	EUR mn	38603	43418	48625	52993	4344	8805	14143	18745	23919	28910	33672	38369	43719	49349	55158	.
Trade balance, cumulated	EUR mn	-2176	-2523	-2774	-2903	-165	-415	-650	-853	-1005	-1056	-1389	-1655	-1732	-1933	-2095	.
Exports to EU-25 (fob), cumulated	EUR mn	27930	31401	35207	38283	3220	6443	10255	13540	17285	20967	24311	27501	31365	35409	39644	.
Imports from EU-25 (cif ⁵⁾ , cumulated	EUR mn	26565	29831	33295	36126	2885	5906	9586	12593	16171	19636	22856	25898	29546	33280	37173	.
Trade balance with EU-25, cumulated	EUR mn	1365	1570	1912	2158	334	537	670	946	1114	1331	1455	1604	1818	2128	2471	.
FOREIGN FINANCE																	
Current account, cumulated	EUR mn	-4627	.	.	-6002	.	.	-1451	.	.	-2932	.	.	-4062	.	.	.
EXCHANGE RATE																	
HUF/USD, monthly average	nominal	200.6	209.4	213.0	213.0	207.1	210.6	216.9	216.3	205.5	214.9	218.8	214.0	215.7	211.8	200.8	192.3
HUF/EUR, monthly average	nominal	245.9	251.7	251.1	252.7	250.9	251.6	260.8	265.3	262.5	271.9	277.6	274.3	274.7	267.3	258.9	254.1
HUF/USD, calculated with CPI ⁶⁾	real, Jan03=100	117.7	112.5	111.6	112.1	114.5	112.6	109.5	109.5	115.9	110.9	108.8	111.0	113.5	116.7	123.4	129.0
HUF/USD, calculated with PPI ⁶⁾	real, Jan03=100	103.6	97.6	97.7	98.2	100.7	100.7	99.3	99.4	103.8	101.4	100.2	102.3	103.1	106.1	110.6	.
HUF/EUR, calculated with CPI ⁶⁾	real, Jan03=100	104.8	102.1	102.8	101.8	103.1	102.7	99.2	97.5	99.2	96.0	94.3	95.3	97.4	100.6	103.9	105.6
HUF/EUR, calculated with PPI ⁶⁾	real, Jan03=100	99.6	97.7	98.1	97.1	97.5	97.1	95.0	93.7	94.9	93.7	91.9	93.3	94.1	95.6	98.1	.
DOMESTIC FINANCE																	
M0, end of period ⁷⁾	HUF bn	1491.4	1532.7	1570.7	1600.3	1551.4	1555.5	1622.7	1663.9	1661.5	1724.9	1730.3	1762.8	1788.6	1754.7	1820.7	.
M1, end of period ⁷⁾	HUF bn	4643.4	4692.1	4960.0	5188.8	4863.8	4959.2	5318.2	5323.4	5358.3	5573.2	5610.9	5506.9	5525.5	5403.2	5593.2	.
Broad money, end of period ⁷⁾	HUF bn	10621.1	10673.6	10915.6	11230.7	11224.6	11354.6	11925.4	11779.2	11770.6	12157.6	12215.2	12237.1	12298.7	12247.0	12470.2	.
Broad money, end of period ⁷⁾	CPY	14.5	14.1	14.4	14.5	16.2	16.3	19.7	15.9	14.6	18.6	17.8	16.9	15.8	14.7	14.2	.
NBH base rate (p.a.),end of period	%	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.3	6.8	7.3	7.8	8.0	8.0	8.0
NBH base rate (p.a.),end of period ⁸⁾	real, %	2.1	1.8	1.8	1.4	1.6	1.5	0.6	0.2	0.7	-1.5	-2.5	-2.2	-1.1	0.9	2.4	.
BUDGET																	
Central gov.budget balance,cum.	HUF bn	-780.9	-738.7	-744.7	-545.0	-144.4	-440.6	-682.7	-794.2	-859.7	-1158.4	-1141.3	-1266.7	-1323.0	-1384.7	-1465.9	.

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

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

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

4) Cumulation starting January and ending December each year.

5) According to country of dispatch.

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

7) According to ECB monetary standards.

8) Deflated with annual PPI.

P O L A N D: Selected monthly data on the economic situation 2005 to 2006

(updated end of January 2007)

		2005				2006											
		Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
PRODUCTION																	
Industry ¹⁾	real, CMPY	5.9	7.6	8.5	9.5	9.7	10.2	16.5	5.7	19.1	12.2	14.3	12.6	11.5	14.8	12.0	5.7
Industry ¹⁾	real, CCPY	2.5	3.1	3.6	4.1	9.7	10.0	12.3	10.6	12.3	12.2	12.5	12.5	12.4	12.7	12.6	12.0
Industry ¹⁾	real, 3MMA	6.1	7.3	8.5	9.2	9.8	12.3	10.8	13.7	12.2	15.1	13.0	12.7	13.0	12.8	10.8	.
Construction ¹⁾	real, CMPY	10.5	6.8	5.8	8.2	-7.9	-3.4	15.7	4.1	13.3	15.7	4.9	15.4	21.1	28.7	23.4	17.9
LABOUR																	
Employees ¹⁾	th. persons	4788	4798	4804	4799	4862	4861	4870	4889	4901	4918	4928	4943	4957	4971	4986	4995
Employees in industry ¹⁾	th. persons	2428	2434	2436	2430	2457	2458	2464	2468	2471	2478	2484	2490	2495	2502	2507	2507
Unemployment, end of period	th. persons	2760.1	2712.1	2722.8	2773.0	2866.7	2865.9	2822.0	2703.6	2583.0	2487.6	2443.4	2411.6	2363.6	2301.8	2287.3	2309.4
Unemployment rate ²⁾	%	17.6	17.3	17.3	17.6	18.0	18.0	17.8	17.2	16.5	16.0	15.7	15.5	15.2	14.9	14.8	14.9
Labour productivity, industry ¹⁾	CCPY	1.4	2.0	2.5	3.0	8.0	8.3	10.5	8.8	10.4	10.3	10.4	10.3	10.1	10.3	10.2	9.5
Unit labour costs, exch.r. adj.(EUR) ¹⁾	CCPY	15.6	14.9	14.4	13.0	1.9	1.7	-0.7	1.1	0.3	-0.4	-0.5	-0.5	-0.9	-1.4	-1.5	-0.7
WAGES, SALARIES																	
Total economy, gross ¹⁾	PLN	2484	2539	2678	2789	2471	2526	2614	2570	2550	2625	2648	2612	2611	2658	2760	3027
Total economy, gross ¹⁾	real, CMPY	0.3	5.1	6.2	1.2	3.2	4.3	5.1	3.4	4.4	3.7	4.5	3.7	3.9	3.8	1.8	7.2
Total economy, gross ¹⁾	USD	777	779	795	858	782	796	811	804	836	828	841	858	838	860	928	1048
Total economy, gross ¹⁾	EUR	633	647	674	723	646	666	675	656	655	654	662	669	658	681	721	794
Industry, gross ¹⁾	EUR	637	639	697	738	648	678	681	661	661	664	679	676	662	674	737	815
PRICES																	
Consumer	PM	0.4	0.4	-0.2	-0.2	0.2	0.0	-0.1	0.7	0.5	-0.3	0.0	0.3	0.2	0.1	0.0	-0.2
Consumer	CMPY	1.8	1.6	1.0	0.7	0.6	0.7	0.4	0.7	0.9	0.8	1.1	1.3	1.5	1.2	1.4	1.4
Consumer	CCPY	2.6	2.5	2.3	2.2	0.6	0.6	0.8	0.8	0.9	1.0	1.0	1.1	1.1	1.1	1.2	1.2
Producer, in industry	PM	-0.3	-0.1	0.1	-0.7	0.2	-0.1	0.7	1.5	0.4	0.9	0.7	-0.1	-0.1	-0.5	-0.7	-0.3
Producer, in industry	CMPY	-0.5	-0.9	-0.4	0.2	0.3	0.7	0.9	1.7	2.3	3.0	3.5	3.3	3.6	3.2	2.5	2.8
Producer, in industry	CCPY	1.1	0.9	0.8	0.7	0.3	0.5	0.6	0.9	1.2	1.5	1.8	1.9	2.1	2.2	2.2	2.2
RETAIL TRADE																	
Turnover ¹⁾	real, CMPY	2.9	5.7	6.4	6.2	8.6	9.9	10.1	13.3	13.4	10.5	10.8	10.9	14.4	13.9	14.1	13.7
Turnover ¹⁾	real, CCPY	0.1	0.6	1.2	1.5	8.6	9.6	9.0	10.1	10.6	10.5	10.8	11.1	11.6	11.9	11.8	11.9
FOREIGN TRADE⁴⁾⁵⁾																	
Exports total (fob), cumulated	EUR mn	51789	58693	65505	71744	6414	12915	20336	27098	34455	41886	48809	55807	63820	72458	80689	.
Imports total (cif), cumulated	EUR mn	58848	66441	74245	81536	7011	14371	22735	30126	38667	46832	54858	62889	71810	81484	90611	.
Trade balance, cumulated	EUR mn	-7059	-7748	-8740	-9791	-597	-1456	-2399	-3028	-4212	-4946	-6049	-7081	-7990	-9026	-9921	.
Exports to EU-25 (fob), cumulated	EUR mn	39595	45009	50474	55136	5200	10157	16049	21293	27027	32761	38057	43172	49468	56015	62256	.
Imports from EU-25 (cif) ⁵⁾ , cumulated	EUR mn	38585	43580	48725	53200	4339	8908	14409	19059	24493	29721	34832	39519	45095	51071	56646	.
Trade balance with EU-25, cumulated	EUR mn	1010	1428	1748	1936	862	1249	1639	2234	2533	3040	3225	3653	4373	4944	5610	.
FOREIGN FINANCE																	
Current account, cumulated	EUR mn	-2736	-3093	-3595	-4125	-211	-1050	-1406	-2003	-2377	-2677	-3064	-3732	-3589	-4176	-4686	.
EXCHANGE RATE																	
PLN/USD, monthly average	nominal	3.195	3.260	3.367	3.252	3.160	3.174	3.223	3.198	3.049	3.171	3.149	3.045	3.115	3.092	2.974	2.887
PLN/EUR, monthly average	nominal	3.925	3.926	3.972	3.856	3.825	3.794	3.875	3.919	3.894	4.016	3.997	3.901	3.970	3.903	3.830	3.813
PLN/USD, calculated with CPI ⁶⁾	real, Jan03=100	116.9	114.7	111.7	115.9	118.5	117.8	115.3	116.0	121.6	116.4	116.8	120.9	119.0	120.7	125.5	129.0
PLN/USD, calculated with PPI ⁶⁾	real, Jan03=100	109.7	104.8	103.1	106.4	108.8	109.9	108.8	109.8	114.6	111.0	111.9	115.0	114.0	116.6	120.4	123.7
PLN/EUR, calculated with CPI ⁶⁾	real, Jan03=100	103.6	103.7	102.5	105.1	106.6	107.2	104.3	103.2	104.0	100.4	101.0	103.6	102.0	103.8	105.6	105.5
PLN/EUR, calculated with PPI ⁶⁾	real, Jan03=100	105.1	104.6	103.1	105.1	105.2	105.8	103.8	103.5	104.6	102.2	102.4	104.8	103.8	104.9	106.7	106.8
DOMESTIC FINANCE																	
M0, end of period	PLN bn	55.3	55.8	55.9	57.2	55.3	56.3	58.4	61.3	61.2	64.2	64.9	64.9	66.2	66.3	66.0	68.9
M1, end of period ⁷⁾	PLN bn	192.5	195.9	202.5	208.0	204.5	211.5	209.7	209.7	223.8	226.2	233.1	235.5	239.4	240.3	249.4	.
Broad money, end of period ⁷⁾	PLN bn	401.0	408.4	407.1	412.5	406.6	416.1	417.6	423.2	433.1	437.9	440.3	447.2	453.1	458.6	465.6	477.1
Broad money, end of period ⁷⁾	CMPY	12.7	8.7	12.6	10.5	10.4	11.7	9.8	9.6	10.1	11.9	13.0	12.9	13.0	12.3	14.4	15.7
Discount rate (p.a.) ^{end of period}	%	4.8	4.8	4.8	4.8	4.8	4.5	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3
Discount rate (p.a.) ^{end of period⁸⁾}	real, %	5.3	5.7	5.2	4.5	4.4	3.8	3.3	2.5	1.9	1.2	0.7	0.9	0.6	1.0	1.7	1.4
BUDGET																	
Central gov. budget balance, cum.	PLN mn	-17782	-20649	-22272	-27495	772	-6716	-9275	-10070	-14718	-17694	-15543	-14483	-14610	-16637	-18581	.

1) Enterprises employing more than 9 persons.

2) Ratio of unemployed to the economically active.

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

4) Cumulation starting January and ending December each year.

5) According to country of origin.

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

7) Revised according to ECB monetary standards.

8) Deflated with annual PPI.

S L O V A K REPUBLIC: Selected monthly data on the economic situation 2005 to 2006

(updated end of January 2007)

		2005				2006											
		Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
PRODUCTION																	
Industry, total	real, CMPY	5.4	4.1	5.8	8.7	7.3	4.8	16.0	3.5	10.9	12.1	9.9	14.4	8.6	12.1	10.0	.
Industry, total	real, CCPY	2.8	2.9	3.2	3.6	7.3	6.1	9.5	8.0	8.6	9.2	9.3	9.9	9.8	10.0	10.0	.
Industry, total	real, 3MMA	4.7	5.1	6.1	7.2	6.9	9.5	8.2	10.2	8.9	11.0	12.1	10.9	11.6	10.3	.	.
Construction, total	real, CMPY	20.7	9.4	15.8	0.5	4.6	19.9	18.0	11.6	20.2	16.3	17.2	21.1	11.4	9.1	11.7	.
LABOUR																	
Employment in industry	th. persons	583.2	585.8	587.5	579.6	556.3	557.7	559.4	564.3	568.5	571.6	572.9	574.6	577.1	578.2	579.2	.
Unemployment, end of period	th. persons	327.8	322.2	322.6	333.8	342.4	337.3	329.3	315.6	302.6	296.5	291.3	282.0	279.9	271.0	268.8	273.4
Unemployment rate ¹⁾	%	11.2	10.9	10.9	11.4	11.8	11.7	11.4	11.0	10.6	10.4	10.2	9.9	9.8	9.3	9.1	9.4
Labour productivity, industry	CCPY	-0.6	-0.3	0.1	0.6	8.5	7.1	10.8	9.4	10.1	10.8	11.0	11.7	11.4	11.7	11.7	.
Unit labour costs, exch.r. adj.(EUR)	CCPY	12.7	12.2	11.5	10.6	-0.6	-3.3	-5.5	-2.5	-1.8	-2.4	-2.3	-2.7	-2.4	-2.4	-2.1	.
WAGES, SALARIES																	
Industry, gross	SKK	17727	18471	21515	19949	17781	17311	18401	18124	19433	19857	19167	18981	18918	19428	22522	.
Industry, gross	real, CMPY	2.7	3.6	3.2	3.1	0.6	-6.5	0.5	2.8	5.2	2.2	3.6	1.9	2.3	1.5	0.5	.
Industry, gross	USD	565	571	656	625	573	553	590	594	660	661	633	645	642	665	807	.
Industry, gross	EUR	461	475	556	527	474	463	491	485	517	522	499	504	504	527	627	.
PRICES																	
Consumer	PM	0.2	1.1	0.0	0.1	2.1	0.6	0.0	0.3	0.4	0.1	0.2	0.0	-0.3	0.2	0.6	0.0
Consumer	CMPY	2.2	3.3	3.4	3.7	4.1	4.4	4.5	4.5	4.8	4.6	5.0	5.1	4.6	3.7	4.3	4.2
Consumer	CCPY	2.4	2.5	2.6	2.7	4.1	4.3	4.3	4.4	4.5	4.5	4.6	4.6	4.6	4.5	4.5	4.5
Producer, in industry	PM	0.5	0.5	1.8	-0.6	1.4	1.4	0.7	0.7	0.8	0.2	0.6	0.6	-0.7	0.1	0.4	.
Producer, in industry	CMPY	5.8	5.7	7.4	7.0	8.7	9.9	9.9	9.8	9.9	9.1	9.0	8.8	7.5	7.1	5.6	.
Producer, in industry	CCPY	4.1	4.2	4.5	4.7	8.7	9.3	9.5	9.6	9.7	9.6	9.5	9.4	9.2	9.0	8.7	.
RETAIL TRADE²⁾																	
Turnover	real, CMPY	12.7	14.4	12.3	6.3	6.6	6.5	10.0	8.6	9.3	10.7	8.5	8.0	10.6	7.6	7.4	.
Turnover	real, CCPY	9.4	9.9	10.1	9.7	6.6	6.6	7.7	7.9	8.2	8.6	8.6	8.5	8.7	8.6	8.5	.
FOREIGN TRADE³⁾⁴⁾⁵⁾																	
Exports total (fob), cumulated	EUR mn	18486	20975	23583	25773	2164	4434	7143	9525	12292	15086	17656	20536	23604	27003	30308	.
Imports total (fob), cumulated	EUR mn	19501	22165	24878	27751	2380	4923	7756	10388	13353	16339	19044	22012	25342	28891	32451	.
Trade balance, cumulated	EUR mn	-1015	-1190	-1295	-1978	-216	-488	-613	-863	-1062	-1254	-1388	-1476	-1739	-1888	-2143	.
Exports to EU-25 (fob), cumulated	EUR mn	15816	17958	20184	22015	1914	3886	6235	8261	10643	13004	15121	17559	20131	22981	.	.
Imports from EU-25 (fob) ⁶⁾ , cumulated	EUR mn	14053	15963	17894	19778	1490	3151	5121	6879	8920	10995	12913	14850	17122	19593	.	.
Trade balance with EU-25, cumulated	EUR mn	1763	1996	2290	2237	424	736	1114	1382	1723	2010	2208	2710	3009	3388	.	.
FOREIGN FINANCE																	
Current account, cumulated ³⁾	EUR mn	-1765	-1949	-2146	-3288	-244	-427	-622	-981	-1451	-1647	-2276	-2308	-2804	-2924	.	.
EXCHANGE RATE																	
SKK/USD, monthly average	nominal	31.4	32.4	32.8	31.9	31.0	31.3	31.2	30.5	29.5	30.1	30.3	29.4	29.4	29.2	27.9	26.5
SKK/EUR, monthly average	nominal	38.5	38.9	38.7	37.9	37.5	37.4	37.5	37.4	37.6	38.0	38.4	37.7	37.5	36.9	35.9	35.0
SKK/USD, calculated with CPI ⁷⁾	real, Jan03=100	128.6	125.6	124.9	129.0	134.4	133.8	133.6	135.7	140.5	137.6	136.4	140.1	140.3	142.3	149.9	157.9
SKK/USD, calculated with PPI ⁷⁾	real, Jan03=100	117.7	111.8	114.0	117.0	121.1	123.6	124.7	126.6	131.0	128.5	127.5	131.3	132.3	136.2	143.1	.
SKK/EUR, calculated with CPI ⁷⁾	real, Jan03=100	114.3	113.9	114.6	117.0	121.1	121.8	121.1	120.9	120.4	118.9	118.1	120.1	120.3	122.6	126.4	129.2
SKK/EUR, calculated with PPI ⁷⁾	real, Jan03=100	113.1	111.9	114.1	115.5	117.2	119.0	119.2	119.4	119.8	118.4	116.9	119.8	120.6	122.7	127.0	.
DOMESTIC FINANCE																	
M0, end of period ⁸⁾	SKK bn	112.6	113.6	114.9	119.8	118.8	119.4	120.1	121.3	121.9	124.5	124.4	125.8	126.4	126.1	127.3	.
M1, end of period ⁸⁾	SKK bn	443.0	445.8	464.4	486.0	477.7	493.5	486.0	485.5	512.9	521.7	528.1	512.8	513.0	511.8	532.6	.
Broad money, end of period ⁸⁾	SKK bn	792.0	800.4	798.4	831.4	824.9	833.9	840.7	850.2	851.2	861.2	871.8	892.4	894.3	911.7	931.7	.
Broad money, end of period ⁸⁾	CMPY	7.3	7.6	6.3	7.8	8.6	9.1	10.3	9.4	10.5	11.2	11.8	13.6	12.9	13.9	16.7	.
Discount rate (p.a.) ⁹⁾ , end of period ⁹⁾	%	3.0	3.0	3.0	3.0	3.0	3.0	3.5	3.5	4.0	4.0	4.5	4.5	4.8	4.8	4.8	4.8
Discount rate (p.a.) ⁹⁾ , end of period ⁹⁾¹⁰⁾	real, %	-2.6	-2.5	-4.1	-3.7	-5.2	-6.3	-5.8	-5.8	-5.4	-4.7	-4.2	-4.0	-2.6	-2.2	-0.8	.
BUDGET																	
Central gov. budget balance, cum.	SKK mn	-8107	-5115	-7553	-33886	12083	6347	157	180	-11700	-10246	-5244	-5716	-5134	-1080	-6983	-31678

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

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

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

4) Cumulation starting January and ending December each year.

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

6) According to country of origin.

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

8) According to ECB methodology.

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

10) Deflated with annual PPI.

S L O V E N I A: Selected monthly data on the economic situation 2005 to 2006

(updated end of January 2007)

		2005				2006											
		Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
PRODUCTION																	
Industry, total	real, CMPY	2.5	3.1	7.5	6.0	7.1	8.1	7.2	0.7	9.4	4.2	6.8	10.7	7.3	10.4	8.3	.
Industry, total	real, CCPY	2.6	2.6	3.1	3.3	7.1	7.6	7.4	5.7	6.5	6.1	6.2	6.7	6.8	7.1	7.3	.
Industry, total	real, 3MMA	4.0	6.1	7.1	7.5	7.5	7.4	5.3	5.8	4.8	6.8	7.0	8.1	9.4	8.7	.	.
Construction, total ¹⁾	real, CMPY	-4.7	-8.2	8.6	13.2	-3.9	7.7	1.0	-3.2	-2.8	11.8	15.8	2.9	38.1	41.2	23.2	.
LABOUR																	
Employment total	th. persons	816.1	817.5	818.3	813.6	812.5	814.1	817.3	819.9	823.6	827.4	825.2	825.2	829.5	833.7	836.7	.
Employees in industry	th. persons	238.1	238.3	238.1	235.8	235.1	234.9	234.8	234.6	235.1	235.8	235.1	234.9	235.5	.	.	.
Unemployment, end of period	th. persons	91.1	94.2	93.9	92.6	95.2	94.1	91.4	90.0	87.1	84.9	85.6	83.1	80.2	81.3	78.8	.
Unemployment rate ²⁾	%	10.0	10.3	10.3	10.2	10.5	10.4	10.1	9.9	9.6	9.3	9.4	9.1	8.8	8.9	8.6	.
Labour productivity, industry	CCPY	4.2	4.4	4.9	5.2	9.8	10.3	10.1	8.4	9.2	8.7	8.7	9.1	9.0	9.3	.	.
Unit labour costs, exch.r. adj.(EUR)	CCPY	1.4	1.3	1.4	0.5	-2.2	-3.1	-3.3	-2.1	-2.9	-2.3	-2.4	-3.0	-3.2	-3.4	.	.
WAGES, SALARIES																	
Total economy, gross	th. SIT	277.4	279.5	314.0	290.5	281.6	277.4	285.7	279.9	286.3	285.7	283.0	290.1	287.6	293.1	333.8	.
Total economy, gross	real, CMPY	1.3	1.6	6.9	-1.5	2.8	3.2	3.2	1.2	2.1	2.2	2.3	0.8	1.1	3.3	3.9	.
Total economy, gross	USD	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.
Total economy, gross	EUR	1158	1167	1310	1213	1175	1158	1192	1168	1195	1192	1181	1211	1200	1223	1393	.
Industry, gross	EUR	1028	1036	1221	1060	1061	1021	1079	1027	1065	1070	1044	1089	1060	1096	.	.
PRICES																	
Consumer	PM	1.0	0.2	-0.5	0.0	-0.5	0.4	0.8	0.8	0.9	-0.3	-0.2	0.6	0.4	-0.8	0.3	0.4
Consumer	CMPY	3.2	3.1	2.1	2.3	2.4	2.2	1.9	2.7	3.2	2.9	1.9	3.2	2.5	1.5	2.3	2.8
Consumer	CCPY	2.5	2.5	2.5	2.5	2.4	2.3	2.2	2.3	2.5	2.6	2.5	2.6	2.5	2.4	2.4	2.5
Producer, in industry	PM	0.3	0.2	0.1	0.4	-0.1	0.6	0.4	0.3	0.1	0.3	0.1	-0.2	0.6	0.1	0.0	0.6
Producer, in industry	CMPY	1.9	1.8	1.8	1.8	1.3	1.6	2.0	2.0	2.4	2.7	2.9	2.4	2.7	2.7	2.6	2.8
Producer, in industry	CCPY	3.0	2.9	2.8	2.7	1.3	1.4	1.6	1.7	1.9	2.0	2.1	2.2	2.2	2.3	2.3	2.3
RETAIL TRADE																	
Turnover	real, CMPY	8.2	8.0	18.9	14.3	8.1	9.7	9.1	7.9	9.3	4.8	8.1	2.7	4.9	10.5	2.4	.
Turnover	real, CCPY	8.2	8.2	9.2	9.7	8.1	8.9	9.0	8.7	8.8	8.1	8.1	7.4	7.1	7.4	7.0	.
FOREIGN TRADE³⁾⁴⁾																	
Exports total (fob), cumulated	EUR mn	10577	11868	13229	14397	1233	2492	3983	5292	6735	8200	9624	10766	12270	13824	15349	.
Imports total (cif), cumulated	EUR mn	11363	12745	14313	15804	1256	2634	4279	5608	7162	8723	10263	11558	13169	14855	16648	.
Trade balance total, cumulated	EUR mn	-787	-877	-1084	-1408	-23	-142	-295	-316	-427	-523	-639	-792	-900	-1031	-1299	.
Exports to EU-25 (fob), cumulated	EUR mn	7185	8056	8977	9770	900	1797	2831	3706	4690	5693	6651	7394	8429	9499	10527	.
Imports from EU-25 (cif) ⁵⁾ , cumulated	EUR mn	9255	10366	11575	12788	974	2035	3363	4408	5648	6912	8176	9218	10525	11877	13337	.
Trade balance with EU-25, cumulated	EUR mn	-2070	-2310	-2598	-3018	-74	-238	-532	-702	-958	-1219	-1526	-1824	-2096	-2378	-2810	.
FOREIGN FINANCE																	
Current account, cumulated	EUR mn	-152	-147	-260	-548	54	-40	-126	-81	-103	-76	-298	-345	-432	-442	-706	.
EXCHANGE RATE																	
SIT/USD, monthly average	nominal	195.3	199.3	203.2	202.2	197.9	200.4	199.5	195.9	187.6	189.2	188.9	187.1	188.1	190.0	186.2	181.4
SIT/EUR, monthly average	nominal	239.6	239.6	239.6	239.6	239.6	239.6	239.6	239.6	239.6	239.6	239.6	239.6	239.6	239.6	239.6	239.6
SIT/USD, calculated with CP ⁶⁾	real, Jan03=100	111.9	109.6	107.8	108.8	109.7	108.5	109.4	111.2	116.6	115.1	114.7	116.3	116.7	115.1	117.8	121.5
SIT/USD, calculated with PP ⁶⁾	real, Jan03=100	100.4	96.2	95.8	97.1	98.3	99.1	99.8	100.6	104.2	103.5	103.1	103.4	105.1	106.2	108.4	111.9
SIT/EUR, calculated with CP ⁶⁾	real, Jan03=100	99.3	99.3	99.0	98.7	98.6	98.7	99.0	99.2	99.7	99.3	99.2	99.7	100.0	99.1	99.3	99.4
SIT/EUR, calculated with PP ⁶⁾	real, Jan03=100	96.3	96.2	95.9	96.0	95.0	95.4	95.4	95.0	95.1	95.3	94.4	94.3	95.6	95.6	96.1	96.6
DOMESTIC FINANCE																	
M0, end of period ⁷⁾	SIT bn	177.6	186.0	177.1	187.2	205.9	206.8	207.5	220.9	216.5	220.7	212.1	210.3	213.1	214.0	197.6	.
M1, end of period ⁷⁾	SIT bn	1068.4	1079.1	1073.4	1151.4	1687.0	1694.1	1728.4	1764.8	1795.3	1824.8	1813.5	1812.9	1825.7	1812.3	1816.5	1853.3
Broad money, end of period ⁷⁾	SIT bn	4155.8	4164.5	4248.9	4258.2	2562.7	3586.5	3632.3	3608.5	3655.7	3690.0	3697.7	3683.6	3750.7	3725.2	3756.4	3807.2
Broad money, end of period ⁷⁾	CMPY	6.1	7.5	8.0	5.5	-37.0	-11.7	-11.3	-12.8	-10.2	-8.5	-8.7	-9.9	-9.7	-10.5	-11.6	-10.6
Refinancing rate (p.a.) ^{end of period}	%	3.50	3.50	3.50	3.75	3.75	3.50	3.25	3.25	3.25	3.50	3.50	3.75	3.75	3.75	3.75	3.75
Refinancing rate (p.a.) ^{end of period⁸⁾}	real, %	1.6	1.7	1.7	1.9	2.4	1.9	1.2	1.2	0.8	0.8	0.6	1.3	1.0	1.0	1.1	0.9
BUDGET																	
General gov.budget balance, cum.	SIT bn	-47.5	-49.9	-36.9	-71.8	16.3	-17.8	-31.2	-15.5	-21.3	-16.6	-5.3	17.4	-8.0	2.8	.	.

1) Effective working hours, construction put in place of enterprises with 20 and more persons employed.

2) Ratio of unemployed to the economically active.

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

4) Cumulation starting January and ending December each year.

5) According to country of dispatch.

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

7) From 2006 harmonized ECB methodology.

8) Deflated with annual PPI.

B U L G A R I A: Selected monthly data on the economic situation 2005 to 2006

(updated end of January 2007)

		2005				2006											
		Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
PRODUCTION																	
Industry, total ¹⁾	real, CMPY	1.7	9.2	7.8	6.3	7.6	8.9	5.7	2.7	10.3	5.7	3.0	10.6	6.8	5.0	3.5	.
Industry, total ¹⁾	real, CCPY	6.3	6.6	6.7	6.7	7.6	8.3	7.3	6.1	7.0	6.7	6.2	6.7	6.7	6.6	6.2	.
Industry, total	real, 3MMA	5.8	6.3	7.7	7.2	7.5	7.3	5.7	6.2	6.2	6.2	6.4	6.7	7.4	5.1	.	.
LABOUR																	
Employees total	th. persons	2266	2260	2261	2234	2201	2213	2237	2250	2265	2276	2305	2300	2293	.	.	.
Employees in industry	th. persons	715	714	713	708	699	701	702	705	705	704	705	704	702	.	.	.
Unemployment, end of period	th. persons	388.5	386.5	383.9	397.3	432.3	426.2	401.5	378.9	355.3	340.1	331.8	323.8	312.8	310.4	321.9	337.8
Unemployment rate ²⁾	%	10.5	10.4	10.4	10.7	11.7	11.5	10.8	10.2	9.6	9.2	9.0	8.7	8.4	8.4	8.7	9.1
Labour productivity, industry ¹⁾	CCPY	1.7	2.0	2.0	2.0	10.6	11.1	10.1	8.8	9.6	9.3	8.7	9.2	9.2	.	.	.
Unit labour costs, exch.r. adj.(EUR) ¹⁾	CCPY	5.3	5.2	5.1	5.2	-1.3	-1.5	-0.6	0.9	0.0	0.2	1.0	0.8	1.0	.	.	.
WAGES, SALARIES																	
Total economy, gross	BGN	324	317	321	340	324	322	340	343	346	345	350	349	363	.	.	.
Total economy, gross	real, CMPY	1.4	0.5	-0.9	-0.2	3.4	1.0	0.9	2.4	-0.1	1.5	2.6	5.4	6.1	.	.	.
Total economy, gross	USD	203	195	193	206	201	197	209	215	226	223	227	229	236	.	.	.
Total economy, gross	EUR	166	162	164	174	166	165	174	175	177	176	179	178	186	.	.	.
Industry, gross	EUR	170	168	166	175	167	168	179	178	176	182	182	182	190	.	.	.
PRICES																	
Consumer	PM	1.4	1.2	1.0	0.8	0.8	3.0	0.3	0.4	0.0	-1.6	-0.5	-0.2	0.3	1.3	1.4	1.2
Consumer	CMPY	5.4	6.5	6.9	6.5	6.6	8.7	8.7	8.1	8.5	8.2	7.6	6.8	5.6	5.7	6.1	6.5
Consumer	CCPY	4.5	4.7	4.9	5.0	6.6	7.6	8.0	8.0	8.1	8.1	8.1	7.9	7.7	7.5	7.3	7.3
Producer, in industry ¹⁾	PM	1.3	0.8	0.5	0.7	-0.5	1.5	-0.2	1.8	3.1	0.3	0.9	0.3	0.7	-0.7	0.1	.
Producer, in industry ¹⁾	CMPY	7.0	6.3	7.7	9.8	8.8	9.6	6.8	7.5	11.5	11.1	10.9	11.0	10.3	8.7	8.2	.
Producer, in industry ¹⁾	CCPY	6.6	6.6	6.7	7.0	8.8	9.2	8.4	8.1	8.8	9.2	9.5	9.6	9.7	9.6	9.5	.
FOREIGN TRADE³⁾⁴⁾																	
Exports total (fob), cumulated	EUR mn	6800	7716	8606	9466	819	1696	2672	3668	4652	5711	6783	7850	8900	9960	11009	.
Imports total (cif), cumulated	EUR mn	10387	11814	13273	14668	1233	2457	3936	5347	6870	8364	9960	11621	13149	14858	16558	.
Trade balance, cumulated	EUR mn	-3587	-4098	-4667	-5201	-414	-761	-1264	-1679	-2218	-2653	-3177	-3771	-4248	-4898	-5549	.
FOREIGN FINANCE																	
Current account, cumulated ⁵⁾	EUR mn	-1226	-1576	-2012	-2427	-432	-677	-1116	-1471	-1737	-1834	-1845	-1928	-2135	-2652	-3115	.
EXCHANGE RATE																	
BGN/USD, monthly average	nominal	1.597	1.628	1.660	1.650	1.614	1.638	1.627	1.597	1.532	1.546	1.542	1.527	1.538	1.551	1.519	1.480
BGN/EUR, monthly average	nominal	1.956	1.956	1.956	1.956	1.956	1.956	1.956	1.956	1.956	1.956	1.956	1.956	1.956	1.956	1.956	1.956
BGN/USD, calculated with CPI ⁶⁾	real, Jan03=100	119.0	117.8	117.6	119.8	122.5	124.0	124.6	126.3	131.0	127.5	126.9	127.6	127.7	128.9	133.5	138.5
BGN/USD, calculated with PPI ⁶⁾	real, Jan03=100	111.1	107.2	107.3	109.1	110.1	111.8	112.1	114.8	122.3	121.3	122.0	122.9	124.8	125.4	128.2	.
BGN/EUR, calculated with CPI ⁶⁾	real, Jan03=100	105.9	106.9	108.2	108.8	110.1	113.1	112.9	112.6	112.2	110.3	109.9	109.5	109.8	111.0	112.5	113.4
BGN/EUR, calculated with PPI ⁶⁾	real, Jan03=100	107.0	107.4	107.6	107.9	106.4	107.9	107.2	108.4	111.8	112.0	111.8	112.2	113.9	113.0	113.6	.
DOMESTIC FINANCE																	
M0, end of period ⁷⁾	BGN mn	5213	5134	5096	5396	5092	5080	5113	5190	5284	5503	5687	5829	5917	5881	5825	6224
M1, end of period ⁷⁾	BGN mn	11566	11792	11729	12443	11840	12058	12371	12430	13085	13444	14182	14505	14751	15022	15193	16118
Broad money, end of period ⁷⁾	BGN mn	23746	23939	24010	25260	24633	25125	25558	25771	26568	27535	28183	28986	29611	30166	30361	32057
Broad money, end of period	CMPY	26.6	27.0	27.3	23.9	20.0	21.1	10.1	17.1	18.4	20.9	21.4	22.5	24.7	26.0	26.5	26.9
BNB base rate (p.a.) ^{end of period}	%	2.1	2.1	2.1	2.1	2.2	2.3	2.3	2.5	2.6	2.6	2.7	2.8	3.0	3.0	3.2	3.3
BNB base rate (p.a.) ^{end of period⁸⁾}	real, %	-4.6	-4.0	-5.2	-7.0	-6.0	-6.7	-4.2	-4.7	-8.0	-7.6	-7.3	-7.3	-6.7	-5.2	-4.6	.
BUDGET																	
Central gov.budget balance _{zum.}	BGN mn	1339.3	1488.3	1611.8	1333.9	137.0	457.7	619.9	978.8	1237.7	1454.9	1606.3	1941.0	2042.4	2229.0	2413.8	.

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

2) Ratio of unemployed to the economically active.

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

4) Cumulation starting January and ending December each year.

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

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

7) According to ECB methodology.

8) Deflated with annual PPI.

R O M A N I A: Selected monthly data on the economic situation 2005 to 2006

(updated end of January 2007)

		2005				2006											
		Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
PRODUCTION																	
Industry, total ¹⁾	real, CMPY	2.7	1.7	1.6	2.2	5.4	4.3	4.3	0.6	16.0	10.7	10.0	6.8	6.2	10.2	7.4	.
Industry, total ¹⁾	real, CCPY	2.0	2.0	2.0	2.0	5.4	4.9	4.7	3.6	6.1	6.9	7.3	7.2	7.1	7.4	7.4	.
Industry, total	real, 3MMA	2.2	2.0	1.8	3.0	3.9	4.7	3.1	6.8	9.0	12.2	9.2	7.6	7.8	7.9	.	.
Construction, total	real, CCPY	5.4	6.3	7.3	8.2	20.5	20.0	20.9	18.3	17.2	17.5	17.3	17.7	18.0	18.2	18.6	.
LABOUR																	
Employees total	th. persons	4554.6	4538.0	4537.6	4501.2	4556.2	4565.6	4582.0	4589.7	4604.0	4612.2	4617.4	4615.3	4608.5	4601.7	4603.4	.
Employees in industry	th. persons	1690.3	1680.6	1670.7	1652.3	1684.0	1680.8	1678.5	1666.7	1663.9	1653.1	1645.3	1640.4	1628.3	1623.0	1616.1	.
Unemployment, end of period	th. persons	493.8	499.7	504.8	523.0	548.0	554.6	545.9	512.3	481.2	465.9	446.8	446.5	440.2	453.5	456.0	.
Unemployment rate ²⁾	%	5.6	5.7	5.7	5.9	6.2	6.3	6.2	5.9	5.5	5.3	5.1	5.1	5.0	5.1	5.1	.
Labour productivity, industry	CCPY	4.8	5.0	5.2	5.4	9.2	8.8	8.6	7.6	10.1	10.9	11.3	11.1	11.0	11.2	11.1	.
Unit labour costs, exch.r. adj.(EUR)	CCPY	25.0	25.1	24.6	24.0	9.5	10.0	11.8	12.0	9.0	7.7	6.8	6.5	6.2	6.2	6.6	.
WAGES, SALARIES																	
Total economy, gross	RON	965.0	974.0	1017.0	1121.0	1100.0	1017.0	1101.0	1120.0	1109.0	1112.0	1122.0	1122.0	1148.0	1155.0	1213.0	.
Total economy, gross	real, CMPY	8.3	7.4	7.8	6.0	6.2	7.1	10.4	7.7	9.8	10.0	10.4	9.9	12.8	13.2	13.9	.
Total economy, gross	USD	337	325	328	364	366	343	377	393	404	397	398	407	415	414	447	.
Total economy, gross	EUR	275	271	278	306	302	287	314	321	316	313	314	318	325	328	347	.
Industry, gross	EUR	277	262	268	296	262	268	302	301	299	300	305	313	316	315	327	.
PRICES																	
Consumer	PM	0.6	0.9	1.2	0.5	1.0	0.2	0.2	0.4	0.6	0.2	0.1	-0.1	0.1	0.2	1.1	0.7
Consumer	CMPY	8.5	8.1	8.7	8.6	8.9	8.5	8.4	6.9	7.3	7.1	6.2	6.0	5.5	4.8	4.7	4.9
Consumer	CCPY	9.2	9.1	9.0	9.0	8.9	8.7	8.6	8.2	8.0	7.8	7.6	7.4	7.2	6.9	6.7	6.6
Producer, in industry	PM	0.7	1.7	0.7	-0.1	1.4	1.1	0.4	1.8	1.5	1.1	0.8	1.2	-0.2	0.4	0.9	.
Producer, in industry	CMPY	8.1	8.2	8.8	9.6	9.8	11.7	11.3	10.6	11.7	12.7	12.9	13.0	12.0	10.7	10.9	.
Producer, in industry	CCPY	11.1	10.8	10.6	10.5	9.8	10.7	10.9	10.8	11.0	11.3	11.5	11.7	11.7	11.6	11.6	.
RETAIL TRADE																	
Turnover	real, CMPY	11.7	9.2	12.4	30.3	25.4	26.7	24.0	16.3	32.1	28.4	28.5	21.5	26.1	22.8	22.3	.
Turnover	real, CCPY	17.6	16.8	16.4	17.6	25.4	26.0	25.4	23.1	24.9	25.5	25.9	25.4	25.3	25.2	24.7	.
FOREIGN TRADE⁴⁾⁵⁾																	
Exports total (fob), cumulated	EUR mn	16466	18407	20436	22255	1774	3878	6216	8084	10391	12672	14886	16933	19138	21390	23844	.
Imports total (cif), cumulated	EUR mn	23066	26144	29462	32569	2420	5287	8575	11517	15048	18529	21977	25330	28711	32594	36677	.
Trade balance, cumulated	EUR mn	-6600	-7737	-9025	-10313	-646	-1409	-2360	-3433	-4657	-5858	-7091	-8397	-9573	-11203	-12833	.
Exports to EU-25 (fob), cumulated	EUR mn	11153	12477	13935	15043	1237	2681	4256	5473	6950	8486	10016	11340	12906	14483	16232	.
Imports from EU-25 (cif), cumulated	EUR mn	14366	16340	18417	20251	1456	3142	5160	6947	9212	11467	13690	15730	17865	20355	22940	.
Trade balance with EU-25, cumulated	EUR mn	-3213	-3863	-4482	-5208	-219	-462	-904	-1474	-2262	-2980	-3674	-4390	-4959	-5872	-6708	.
FOREIGN FINANCE																	
Current account, cumulated	EUR mn	-4568	-5223	-6114	-6888	-315	-851	-1461	-2249	-3158	-4043	-4891	-5924	-6699	-7748	-8856	.
EXCHANGE RATE																	
RON/USD, monthly average	nominal	2.865	2.993	3.097	3.084	3.006	2.963	2.918	2.849	2.745	2.801	2.817	2.753	2.769	2.789	2.714	2.583
RON/EUR, monthly average	nominal	3.510	3.598	3.653	3.659	3.645	3.540	3.507	3.491	3.507	3.548	3.572	3.528	3.527	3.519	3.495	3.414
RON/USD, calculated with CPI ⁶⁾	real, Jan03=100	139.3	134.2	132.3	134.1	137.8	139.9	141.7	144.4	150.0	146.9	145.8	148.8	148.7	148.7	154.5	163.5
RON/USD, calculated with PPI ⁶⁾	real, Jan03=100	141.3	134.2	132.6	133.6	137.9	143.5	146.1	150.3	157.0	155.2	154.7	159.4	160.6	163.5	169.6	.
RON/EUR, calculated with CPI ⁶⁾	real, Jan03=100	124.2	122.0	121.9	121.9	124.2	127.8	128.6	128.9	128.7	127.2	126.6	127.9	127.9	128.4	130.6	134.2
RON/EUR, calculated with PPI ⁶⁾	real, Jan03=100	136.2	134.6	133.1	132.3	133.5	138.6	139.9	142.1	143.7	143.4	142.2	145.8	146.8	147.6	150.6	.
DOMESTIC FINANCE																	
M0, end of period	RON mn	10341	10258	10348	11386	10977	11165	11480	12471	12595	13557	13926	13959	14423	13955	13937	.
M1, end of period	RON mn	20964	21289	21133	24551	23560	23508	23843	24593	26080	27781	28930	29771	30406	30574	30606	.
M2, end of period	RON mn	80152	81098	81402	86332	85727	85677	87528	88034	91747	95054	95888	98302	99346	100619	101940	.
M2, end of period	CMPY	41.3	41.3	43.1	33.9	35.8	31.4	28.8	27.4	27.5	28.1	29.4	28.1	23.9	24.1	25.2	.
Discount rate (p.a.),end of period ⁵⁾	%	8.3	7.7	7.5	7.5	7.5	7.5	8.5	8.5	8.5	8.5	8.5	8.8	8.8	8.8	8.8	8.8
Discount rate (p.a.),end of period ⁵⁾⁶⁾	real, %	0.1	-0.4	-1.2	-1.9	-2.1	-3.8	-2.5	-1.9	-2.8	-3.7	-3.9	-3.7	-2.9	-1.7	-1.9	.
BUDGET																	
Central gov.budget balance, cum.	RON mn	403.0	1363.8	653.2	-2182.9	850.9	851.4	472.6	674.3	830.9	-444.7	755.7	-8.1	-550.4	440.7	-1284.4	.

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

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

3) Cumulation starting January and ending December each year.

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

5) Reference rate of RNB.

6) Deflated with annual PPI.

C R O A T I A: Selected monthly data on the economic situation 2005 to 2006

(updated end of January 2007)

		2005				2006											
		Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
PRODUCTION																	
Industry, total ¹⁾	real, CMPY	6.0	7.2	6.4	3.1	5.9	7.3	6.0	-3.2	4.1	-1.1	5.2	9.8	3.0	8.5	6.8	3.1
Industry, total ¹⁾	real, CCPY	5.0	5.2	5.3	5.1	5.9	6.6	6.4	3.7	3.8	2.9	3.3	4.1	3.9	4.4	4.6	4.5
Industry, total ¹⁾	real, 3MMA	6.0	6.5	5.5	5.0	5.3	6.4	3.1	2.3	-0.1	2.7	4.4	5.9	7.0	6.1	6.1	-26.1
Construction, total, effect. work. time ¹⁾	real, CMPY	5.6	8.8	8.0	4.4	13.3	17.1	16.9	3.8	13.7	7.5	8.3	9.7	4.7	9.9	7.3	.
LABOUR																	
Employment total	th. persons	1436.9	1429.7	1425.4	1417.2	1406.6	1403.8	1406.7	1416.3	1429.6	1444.1	1455.5	1456.2	1446.9	1438.5	1434.3	.
Employees in industry	th. persons	278.5	279.4	279.1	277.4	273.1	274.6	274.8	275.5	276.3	276.8	276.8	277.0	276.8	276.9	277.6	.
Unemployment, end of period	th. persons	294.3	300.6	305.5	307.9	314.2	313.6	311.3	302.4	287.3	274.5	270.8	271.1	279.0	289.9	292.3	293.2
Unemployment rate ²⁾	%	17.0	17.4	17.7	17.8	18.3	18.3	18.1	17.6	16.7	16.0	15.7	15.7	16.2	16.8	16.9	17.0
Labour productivity, industry ¹⁾	CCPY	3.4	3.6	3.7	3.5	5.2	6.8	7.0	4.7	4.9	4.1	4.5	5.3	5.2	5.6	5.8	.
Unit labour costs, exch.r. adj.(EUR) ¹⁾	CCPY	2.8	2.8	2.9	3.1	4.3	2.6	2.5	4.0	3.7	4.6	4.0	3.1	3.0	2.6	.	.
WAGES, SALARIES																	
Total economy, gross	HRK	6202	6184	6588	6409	6386	6326	6650	6459	6780	6684	6550	6672	6530	6593	.	.
Total economy, gross	real, CMPY	0.8	0.4	1.1	0.8	2.2	2.4	2.8	2.1	2.5	1.2	2.2	2.3	2.4	4.4	.	.
Total economy, gross	USD	1025	1008	1054	1028	1046	1032	1090	1081	1190	1167	1147	1174	1127	1125	.	.
Total economy, gross	EUR	835	837	893	867	866	863	908	883	932	921	904	917	884	892	.	.
Industry, gross	EUR	783	768	833	796	795	797	850	807	867	871	839	858	829	836	.	.
PRICES																	
Consumer	PM	0.5	0.7	0.2	0.5	0.6	0.8	0.1	0.2	0.5	-0.1	-0.8	0.1	0.0	0.0	0.6	0.0
Consumer	CMPY	3.8	4.1	3.8	3.6	3.9	3.6	3.0	3.5	4.0	4.0	3.4	3.4	2.8	2.1	2.5	2.0
Consumer	CCPY	3.2	3.3	3.4	3.3	3.9	3.8	3.5	3.5	3.6	3.7	3.6	3.6	3.5	3.4	3.3	3.2
Producer, in industry	PM	0.8	0.5	0.0	-0.3	0.5	0.7	0.3	0.1	0.4	-0.2	0.1	0.2	-0.3	0.0	0.1	0.0
Producer, in industry	CMPY	2.1	1.8	2.3	2.7	3.2	3.6	3.6	3.4	3.7	3.7	3.0	3.1	2.0	1.5	1.6	1.9
Producer, in industry	CCPY	3.2	3.1	3.0	3.0	3.2	3.4	3.5	3.4	3.5	3.5	3.5	3.4	3.3	3.1	2.9	2.9
RETAIL TRADE																	
Turnover	real, CMPY	3.6	1.7	2.0	2.9	3.6	5.3	0.3	1.5	0.2	-0.5	1.6	1.9	2.8	4.6	3.4	.
Turnover	real, CCPY	3.3	3.1	3.1	3.2	3.6	4.4	1.7	2.3	1.8	1.4	1.5	1.5	1.7	1.9	2.0	.
FOREIGN TRADE⁴⁾⁵⁾																	
Exports total (fob), cumulated	EUR mn	5117	5688	6357	7064	605	1192	1971	2555	3258	3903	4611	5231	5930	6734	7433	.
Imports total (cif), cumulated	EUR mn	10914	12350	13659	14933	1134	2424	3955	5323	6829	8362	9822	11217	12634	14237	15677	.
Trade balance, cumulated	EUR mn	-5797	-6661	-7303	-7869	-529	-1232	-1984	-2768	-3571	-4459	-5211	-5986	-6704	-7503	-8244	.
Exports to EU-25 (fob), cumulated	EUR mn	3234	3580	3996	4375	392	794	1291	1690	2155	2602	3029	3408	3811	4352	4778	.
Imports from EU-25 (cif), cumulated	EUR mn	7189	8060	8964	9788	643	1474	2449	3399	4448	5459	6458	7297	8193	9209	10173	.
Trade balance with EU-25, cumulated	EUR mn	-3954	-4481	-4968	-5412	-251	-680	-1158	-1709	-2293	-2856	-3429	-3889	-4382	-4857	-5395	.
FOREIGN FINANCE																	
Current account, cumulated ⁶⁾	EUR mn	-485	.	.	-1995	.	.	-2054	.	.	-3354	.	.	-1177	.	.	.
EXCHANGE RATE																	
HRK/USD, monthly average	nominal	6.052	6.136	6.252	6.234	6.102	6.129	6.098	5.974	5.698	5.726	5.711	5.683	5.794	5.862	5.710	5.566
HRK/EUR, monthly average	nominal	7.432	7.386	7.375	7.389	7.378	7.327	7.325	7.313	7.273	7.256	7.246	7.276	7.385	7.393	7.344	7.355
HRK/USD, calculated with CPI ⁶⁾	real, Jan03=100	113.9	112.8	111.8	113.1	115.4	115.5	115.7	117.3	122.9	122.0	120.9	121.4	119.7	118.9	122.8	126.0
HRK/USD, calculated with PPI ⁶⁾	real, Jan03=100	105.2	101.7	101.4	101.8	103.6	105.5	106.1	107.1	111.7	110.7	110.4	110.6	109.9	110.8	113.9	116.8
HRK/EUR, calculated with CPI ⁶⁾	real, Jan03=100	100.9	101.9	102.5	102.5	103.7	105.0	104.6	104.3	105.0	105.1	104.5	104.0	102.4	102.2	103.4	102.9
HRK/EUR, calculated with PPI ⁶⁾	real, Jan03=100	100.7	101.4	101.3	100.4	100.1	101.4	101.3	100.9	101.8	101.0	101.0	100.8	99.8	99.6	100.8	100.7
DOMESTIC FINANCE																	
M0, end of period	HRK bn	12.2	11.9	11.7	12.2	11.7	11.8	12.1	12.7	13.0	14.0	14.9	14.6	14.3	13.9	13.5	.
M1, end of period	HRK bn	36.7	37.1	37.2	38.8	37.2	37.2	38.2	39.2	40.8	42.2	45.0	45.0	44.0	45.5	46.3	.
Broad money, end of period	HRK bn	151.6	152.5	154.7	154.6	152.0	151.7	153.6	155.1	158.1	163.1	170.3	174.2	176.8	180.6	179.6	.
Broad money, end of period	CMPY	9.3	10.2	10.8	10.5	9.4	9.3	11.3	12.5	12.4	14.4	17.0	15.3	16.6	18.4	16.1	.
Discount rate (p.a.), end of period	%	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5
Discount rate (p.a.), end of period ⁷⁾	real, %	2.4	2.7	2.2	1.8	1.3	0.9	0.9	1.1	0.8	0.8	1.5	1.4	2.5	3.0	2.9	2.6
BUDGET																	
Central gov. budget balance, cum. ⁸⁾	HRK mn	-5995	-6994	-6936	-6874	-883	-1742	-2803	-3097	-3381	-3475	-3426	-2641	-2635	-2696	-2777	.

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

2) Ratio of unemployed to the economically active population.

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

4) Cumulation starting January and ending December each year.

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

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

7) Deflated with annual PPI.

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

R U S S I A: Selected monthly data on the economic situation 2005 to 2006

(updated end of January 2007)

		2005				2006											
		Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
PRODUCTION																	
Industry, total ¹⁾	real, CMPY	4.9	3.6	6.0	4.8	4.3	0.9	4.1	4.9	11.2	2.9	3.6	6.3	5.6	6.5	4.2	2.5
Industry, total ¹⁾	real, CCPY	3.6	3.6	3.8	3.9	4.3	2.6	3.1	3.6	5.0	4.7	4.5	4.7	4.8	5.0	4.9	4.7
Industry, total ¹⁾	real, 3MMA	3.8	4.8	4.8	5.0	3.4	3.1	3.3	6.6	6.2	5.8	4.3	5.2	6.1	5.4	4.3	-27.8
Construction, total	real, CMPY	10.4	13.6	16.2	15.6	-7.5	-3.5	10.7	12.1	10.9	14.5	14.5	12.4	18.3	24.3	21.4	.
LABOUR²⁾																	
Employment total	th. persons	69100	68900	68700	68300	67624	67607	67920	68226	68529	68962	69496	70026	69790	69650	69483	.
Unemployment, end of period	th. persons	5444	5491	5543	5660	5776	5893	5780	5674	5571	5338	5104	4874	4910	4950	5017	.
Unemployment rate	%	7.3	7.4	7.5	7.7	7.9	8.0	7.8	7.7	7.5	7.2	6.8	6.5	6.6	6.6	6.7	.
WAGES, SALARIES																	
Total economy, gross	RUB	8906	8701	8931	11319	9016	9255	9914	9833	10257	11106	10883	10853	11127	11071	11267	.
Total economy, gross	real, CMPY	14.7	12.8	14.0	16.0	10.9	11.5	10.7	11.8	15.7	17.7	14.9	14.7	14.0	16.5	15.6	.
Total economy, gross	USD	314	305	311	393	319	328	356	357	379	412	404	406	416	412	423	.
Total economy, gross	EUR	256	253	263	331	263	274	296	291	297	325	319	317	326	327	329	.
Industry, gross ³⁾	EUR	250	255	266	302	257	263	285	286	287	299	308	312	312	320	.	.
PRICES																	
Consumer	PM	0.3	0.6	0.7	0.8	2.4	1.7	0.8	0.4	0.5	0.3	0.7	0.2	0.1	0.3	0.6	0.8
Consumer	CMPY	12.2	11.7	11.2	10.9	10.7	11.2	10.7	9.9	9.6	9.2	9.5	9.8	9.6	9.2	9.1	9.1
Consumer	CCPY	12.9	12.8	12.7	12.5	10.7	10.9	10.8	10.6	10.4	10.2	10.1	10.1	10.0	9.9	9.8	9.8
Producer, in industry	PM	2.8	0.9	-0.9	-2.1	0.5	3.3	2.1	0.6	1.8	0.8	1.7	2.2	1.4	-2.8	-2.5	.
Producer, in industry	CMPY	20.5	19.4	16.0	13.4	13.4	15.7	15.2	13.1	12.1	12.9	14.2	14.4	12.9	8.8	7.0	.
Producer, in industry	CCPY	22.4	22.1	21.4	20.7	13.4	14.6	14.8	14.3	13.9	13.7	13.8	13.9	13.7	13.2	12.6	.
RETAIL TRADE																	
Turnover ⁴⁾	real, CMPY	13.8	12.9	12.2	14.8	10.8	10.1	10.8	11.1	11.9	14.0	14.2	14.2	14.1	14.6	13.9	.
Turnover ⁴⁾	real, CCPY	12.6	12.6	12.6	12.8	10.8	10.5	10.6	10.7	11.0	11.5	11.9	12.2	12.4	12.7	12.8	.
FOREIGN TRADE⁵⁾⁽⁶⁾																	
Exports total, cumulated	EUR mn	138178	156521	175258	195676	17300	35691	56042	75672	97012	117136	137582	159730	180004	199758	219654	.
Imports total, cumulated	EUR mn	69270	78796	89135	100663	7089	15756	26290	35389	45364	56765	67619	78990	90492	102974	115586	.
Trade balance, cumulated	EUR mn	68909	77725	86124	95012	10211	19935	29751	40282	51647	60372	69963	80740	89512	96785	104068	.
FOREIGN FINANCE																	
Current account, cumulated ⁸⁾	EUR mn	48822	.	.	66971	.	.	24497	.	.	44242	.	.	62669	.	.	76687
EXCHANGE RATE																	
RUB/USD, monthly average	nominal	28.380	28.563	28.763	28.805	28.228	28.195	27.874	27.564	27.065	26.983	26.916	26.762	26.746	26.867	26.617	28.228
RUB/EUR, monthly average	nominal	34.808	34.338	33.951	34.162	34.293	33.733	33.492	33.767	34.524	34.209	34.155	34.274	34.087	33.889	34.235	34.293
RUB/USD, calculated with CPI ⁹⁾	real, Jan03=100	136.1	135.6	136.7	138.1	143.2	145.5	147.6	148.5	151.3	151.9	152.9	153.8	154.8	155.3	157.7	149.9
RUB/USD, calculated with PPP ⁹⁾	real, Jan03=100	156.8	153.4	153.2	150.4	153.0	160.6	165.6	166.3	170.9	172.4	174.7	178.7	184.1	181.7	178.9	.
RUB/EUR, calculated with CPI ⁹⁾	real, Jan03=100	121.0	123.1	125.6	125.5	128.5	132.5	133.9	132.5	129.8	131.2	132.5	132.1	132.8	133.9	133.2	133.6
RUB/EUR, calculated with PPP ⁹⁾	real, Jan03=100	150.8	153.6	153.5	148.8	147.6	154.7	158.4	157.0	156.4	158.9	160.2	163.2	167.8	163.9	158.9	.
DOMESTIC FINANCE																	
M0, end of period	RUB bn	1740.7	1752.0	1765.8	2009.2	1875.6	1890.1	1928.8	2027.8	2096.9	2233.4	2290.3	2351.6	2400.8	2402.2	2450.7	.
M1, end of period	RUB bn	3371.9	3340.1	3413.2	3858.5	3662.0	3686.7	3855.9	3957.7	4205.2	4479.3	4504.9	4652.1	4856.1	4765.0	4900.1	.
M2, end of period	RUB bn	6458.4	6482.7	6604.8	7221.1	7035.6	7155.7	7392.9	7534.2	7877.6	8304.8	8407.9	8570.4	8897.2	8968.8	9233.6	.
M2, end of period	CMPY	39.3	37.0	35.7	36.3	35.7	33.9	34.4	34.7	37.2	38.0	38.1	36.3	37.8	38.3	39.8	.
Refinancing rate (p.a.) ^{end of period}	%	13.0	13.0	13.0	12.0	12.0	12.0	12.0	12.0	12.0	11.5	11.5	11.5	11.5	11.5	11.0	11.0
Refinancing rate (p.a.) ^{end of period} ¹⁰⁾	real, %	-6.2	-5.3	-2.6	-1.3	-1.3	-3.2	-2.8	-1.0	-0.1	-1.2	-2.4	-2.6	-1.2	2.5	3.7	.
BUDGET																	
Central gov. budget balance, cum.	RUB bn	1162.0	1429.6	1636.7	1612.9	221.7	390.8	575.9	692.0	894.7	1083.4	1270.0	1489.4	1694.5	1905.9	.	.

1) According to NACE C+D+E.

2) Based on labour force survey.

3) Manufacturing industry only.

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

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

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

7) Based on balance of payments statistics.

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

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

10) Deflated with annual PPI.

U K R A I N E: Selected monthly data on the economic situation 2005 to 2006

(updated end of January 2007)

		2005				2006											
		Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
PRODUCTION																	
Industry, total	real, CMPY	0.9	2.4	2.0	5.3	-2.9	1.5	1.3	0.5	10.0	9.6	11.4	9.1	6.2	3.8	8.3	12.0
Industry, total	real, CCPY	3.2	3.1	2.9	3.1	-2.9	-0.6	0.2	0.4	2.4	3.6	4.8	5.4	5.5	5.3	5.6	6.2
Industry, total	real, 3MMA	1.4	1.8	3.2	1.5	1.3	0.0	1.1	3.9	6.7	10.3	10.0	8.9	6.4	6.1	8.0	.
LABOUR																	
Employees ¹⁾	th. persons	11361	11357	11306	11220	11245	11296	11352	11378	11381	11412	11440	11430	11413	11403	11356	.
Employees in industry ¹⁾	th. persons	3407	3407	3394	3368	3374	3380	3380	3367	3355	3354	3351	3342	3334	3336	3329	.
Unemployment, end of period	th. persons	780.6	762.9	809.7	881.5	899.9	923.8	913.7	868.7	805.8	749.1	715.3	694.7	676.1	653.3	693.1	693.1
Unemployment rate ²⁾	%	2.8	2.7	2.9	3.1	3.2	3.3	3.2	3.1	2.9	2.7	2.5	2.5	2.4	2.3	2.5	2.5
Labour productivity, industry ¹⁾	CCPY	2.9	2.8	2.7	3.0	-2.1	0.3	1.3	1.6	3.7	5.0	6.3	7.0	7.2	7.0	7.3	.
Unit labour costs, exch.r. adj.(EUR) ¹⁾	CCPY	26.1	27.2	29.1	30.6	50.8	47.2	46.3	42.2	34.3	29.4	25.3	22.6	20.9	20.0	18.3	.
WAGES, SALARIES¹⁾																	
Total economy, gross	UAH	856	882	897	1020	865	905	987	984	1003	1064	1079	1073	1087	1088	1104	.
Total economy, gross	real, CMPY	19.2	23.3	24.3	31.3	22.9	22.6	25.8	24.9	22.3	21.0	19.9	20.2	16.3	11.2	10.3	.
Total economy, gross	USD	170	175	178	202	171	179	195	195	199	211	214	212	215	215	219	.
Total economy, gross	EUR	138	145	150	170	142	150	163	159	156	166	169	166	169	171	170	.
Industry, gross	EUR	166	171	177	188	173	177	194	182	174	187	193	194	196	202	200	.
PRICES																	
Consumer	PM	0.4	0.9	1.2	0.9	1.2	1.8	-0.3	-0.4	0.5	0.1	0.9	0.0	2.0	2.6	1.8	0.9
Consumer	CMPY	13.9	12.4	12.0	10.3	9.8	10.7	8.6	7.4	7.3	6.8	7.4	7.4	9.1	11.0	11.6	11.6
Consumer	CCPY	14.2	14.0	13.8	13.5	9.8	10.2	9.7	9.1	8.7	8.4	8.3	8.2	8.3	8.5	8.8	9.1
Producer, in industry	PM	1.9	0.0	-0.1	0.3	1.2	0.3	0.4	1.4	1.0	0.7	1.2	2.1	1.7	2.2	0.7	0.5
Producer, in industry	CMPY	14.7	12.9	10.4	9.6	10.7	8.1	6.5	5.4	4.7	6.3	9.4	10.9	10.7	13.1	14.0	14.2
Producer, in industry	CCPY	18.9	18.3	17.5	16.8	10.7	9.4	8.4	7.6	7.0	6.9	7.3	7.7	8.1	8.6	9.1	9.5
RETAIL TRADE																	
Turnover ³⁾	real, CCPY	23.1	22.4	22.4	23.0	31.3	28.4	26.5	27.4	27.2	27.0	26.1	25.6	25.0	25.0	25.1	25.3
FOREIGN TRADE⁴⁾⁵⁾																	
Exports total (fob), cumulated	EUR mn	19992	22415	24908	27498	1933	4041	6645	9055	11494	14126	16770	19522	22421	25150	27748	.
Imports total (cif), cumulated	EUR mn	20695	23349	26084	29030	2241	4895	8116	10792	13643	16501	19412	22416	25685	28878	31928	.
Trade balance, cumulated	EUR mn	-703	-934	-1176	-1533	-309	-854	-1472	-1737	-2150	-2375	-2641	-2894	-3264	-3728	-4179	.
FOREIGN FINANCE																	
Current account, cumulated ⁶⁾	EUR mn	2076	.	.	2030	.	.	-618	.	.	-637	.	.	-258	.	.	.
EXCHANGE RATE																	
UAH/USD, monthly average	nominal	5.050	5.050	5.050	5.050	5.050	5.050	5.050	5.050	5.050	5.050	5.050	5.050	5.050	5.050	5.050	5.050
UAH/EUR, monthly average	nominal	6.200	6.070	5.961	5.983	6.101	6.037	6.064	6.180	6.428	6.396	6.402	6.469	6.435	6.370	6.490	6.651
UAH/USD, calculated with CPI ⁷⁾	real, Jan03=100	124.0	124.7	127.2	128.9	129.4	131.5	130.4	128.7	128.7	128.6	129.4	129.1	132.4	136.5	138.9	140.2
UAH/USD, calculated with PPI ⁷⁾	real, Jan03=100	132.2	129.0	130.8	131.8	132.3	134.7	135.0	135.1	135.2	135.9	136.7	138.9	143.4	149.6	150.6	151.4
UAH/EUR, calculated with CPI ⁷⁾	real, Jan03=100	109.7	112.8	116.5	116.8	116.3	119.4	117.9	114.5	110.2	110.8	111.8	110.4	113.2	117.2	117.0	114.8
UAH/EUR, calculated with PPI ⁷⁾	real, Jan03=100	126.5	128.8	130.6	130.0	127.8	129.4	128.7	127.2	123.6	124.9	125.0	126.4	130.3	134.4	133.4	130.8
DOMESTIC FINANCE																	
M0, end of period	UAH bn	55.5	54.9	55.1	60.2	56.8	57.0	58.6	61.0	61.1	64.3	66.2	67.4	68.6	68.4	68.8	.
M1, end of period	UAH bn	90.1	88.7	92.7	98.6	92.1	93.6	96.2	97.5	99.8	104.7	108.6	109.1	113.0	113.1	115.2	.
Broad money, end of period	UAH bn	171.0	174.8	180.1	194.1	188.8	191.3	195.3	201.2	207.4	214.1	221.5	226.4	234.8	238.5	244.1	.
Broad money, end of period	CMPY	31.3	38.5	43.8	54.3	50.1	46.1	39.4	37.4	40.2	37.0	39.2	37.4	37.3	36.4	35.6	.
Refinancing rate (p.a.) ^{end of period}	%	9.5	9.5	9.5	9.5	9.5	9.5	9.5	9.5	9.5	8.5	8.5	8.5	8.5	8.5	8.5	8.5
Refinancing rate (p.a.) ^{end of period} ⁸⁾	real, %	-4.5	-3.0	-0.8	-0.1	-1.1	1.3	2.8	3.9	4.5	2.0	-0.8	-2.1	-2.0	-4.1	-4.8	-5.0
BUDGET																	
General gov. budget balance, cum.	UAH mn	5816	5309	3216	-7735	2508	2497	380	-856	1183	-996	-971	2524	2613	1452	4497	.

1) Excluding small firms.

2) Ratio of unemployed to the economically active.

3) Official registered enterprises.

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

5) Cumulation starting January and ending December each year.

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

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

8) Deflated with annual PPI.

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Index of subjects – February 2006 to February 2007

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

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PLEASE RETURN TO (no later than 16 March 2007):

The Vienna Institute for International Economic Studies (wiiw)
attn. Ms. Gabriele Stanek
Fax (+43-1) 533 66 10 50

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