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## MENA in transition: any lessons from CESEE?

BY PETER HAVLIK AND SÁNDOR RICHTER

In the wake of the 'Arab Spring' several observers compared the changes in the Middle East and North Africa (MENA) to the transition of the former communist countries to parliamentary democracy and market economy. Relying on the wiiw's long-standing experiences in analysing both the centrally planned economies and their later transition, the following overview makes an attempt to find possible similarities and/or differences between the economic situation of the MENA countries now and that of the former centrally planned economies during their transition in the past two decades.

### Levels of economic development

As illustrated in Table 1, the majority of MENA countries are at a substantially lower level of development than the majority of transition countries (TCs). An exception, on the part of the TC members, is Albania: its per capita GDP at purchasing power parity (PPP) fits better the MENA group than the TCs. On the MENA side, the exceptions are Libya and Lebanon. Their current level of economic development (measured by GDP per capita at PPP) is, in relative terms, more similar to that of Poland, Romania and Bulgaria in the early stage of transition than to the rest of the MENA in 2010. However, on closer inspection only Lebanon is a genuine exception, as Libya's favourable ranking is explained by its revenues from oil exports and not by a truly higher level of economic development. It is remarkable that the MENA countries with the biggest population and political weight (Egypt, Morocco, Algeria and Syria) are all at a lower level of economic development than TCs.

### The state's role in the economy

Prior to transition the state had an overwhelming and direct (command) role in the economy in the TCs. Administrative commands were most extensive in Albania and Romania while in Poland and

Hungary some scope for private initiatives survived. There was no open unemployment (except for Yugoslavia). On the contrary, sizeable over-employment existed in the state sector and being out of job was usually punishable by law.

A major challenge and declared aim of transition was the (re-) establishment of private ownership. Initial transition measures included the liberalization of prices and of foreign trade (abolishment of the state foreign trade monopoly and most subsidies), the start of privatization of state enterprises and also the building-up of the institutional system of a market economy. The 'return to Europe', i.e. the departure from regional autarchy under Soviet dominance, was a declared aim of transition – at least in Central and East Europe.

Privatization in the broad sense in the TCs required facilitating business start-ups throughout the economy and the elaboration of privatization schemes in an environment where domestic private capital was extreme scarce compared to the needs of a functioning market economy. Foreign investment played an outstanding role in the privatization process.

For the MENA group (with the exception of Libya) privatization may be less of a problem. Although the state's direct or indirect role is bigger than in developed market economies and the state is 'heavily involved in many private sector activities and plays the role of the employer of first choice and last resort'<sup>2</sup>, the way towards a functioning market economy based on predominantly privately owned businesses should not necessarily be as long, painful and controversial as it was in the TCs. The dimension of privatization tasks is smaller and barriers to be removed are of a different nature. Even in Egypt, where the public sector reportedly accounts for over 40% of value added outside agri-

<sup>2</sup> 'Economic Transformation in MENA: Delivering on the Promise of Shared Prosperity', IMF paper prepared for the G8 Summit in Deauville, France, 27 May 2011, p. 11. The simultaneous high incidence of unemployment (especially youth) and low competitiveness is being ascribed to the skills mismatch – see M. Ahmed et al. (2010), 'Trade Competitiveness and Growth in the MENA Region', *The Arab World Competitiveness Review 2010*, pp. 23-26.

Table 1

**GDP per capita at current PPPs (EUR)**

EU-27 = 100

	1990	1995	2000	2005	2010	1990	1995	2000	2005	2010
Bulgaria	4700	4700	5400	8200	10600	35	32	28	36	43
Czech Republic	9400	10100	13000	17000	19500	70	69	68	76	80
Estonia	.	5300	8600	13800	15900		36	45	61	65
Hungary	6800	7600	10600	14200	15700	50	52	55	63	64
Latvia	7100	4600	7000	10900	12600	53	32	37	48	51
Lithuania	7200	5200	7500	11900	14200	53	36	39	53	58
Poland	4600	6100	9100	11500	15200	34	42	48	51	62
Romania	4400	4800	5000	7900	11000	33	33	26	35	45
Slovakia	6500	6900	9600	13500	18100	48	47	50	60	74
Slovenia	8900	9800	15200	19700	21300	66	67	80	88	87
NMS	5600	6300	8600	11700	14800	41	43	45	52	60
Croatia	8000	6700	9500	12800	15100	59	46	50	57	62
Macedonia	4400	4000	5100	6600	8600	33	27	27	29	35
Montenegro	.	.	5600	6900	9800			29	31	40
Turkey	3700	4400	8000	9500	11800	27	30	42	42	48
Albania	1800	2000	3500	5000	6800	13	14	18	22	28
Bosnia & Herzegovina	.	.	3900	5200	6600			20	23	27
Serbia	.	.	5000	7100	9000			26	32	37
Kazakhstan	.	3100	4200	7300	9300		21	22	32	38
Russia	7600	5300	6600	10000	12600	56	36	35	44	51
Ukraine	4800	2600	2800	4700	5400	36	18	15	21	22
Algeria	2079	1260	1566	2627	3389	15	9	8	12	14
Egypt	1495	889	1363	1074	2131	11	6	7	5	9
Jordan	1008	1327	1515	1927	3438	7	9	8	9	14
Lebanon	865	2971	4215	4878	7674	6	20	22	22	31
Libya	5894	5677	6220	6227	8645	44	39	33	28	35
Morocco	903	1051	1131	1652	2482	7	7	6	7	10
Syria	853	974	1059	1324	2199	6	7	6	6	9
Tunisia	1393	1887	1953	2695	3209	10	13	10	12	13
EU-27 average	13500	14600	19100	22500	24500	100	100	100	100	100

Source: wiiw Database incorporating Eurostat and national statistics. IMF World economic outlook, April 2011. wiiw estimates.

culture, the dimension of privatization is much smaller than it was in TCs at the outset of transition. The main task is a fundamental reform in the regulation of business activities, including a radical reduction of corruption and the lifting of pre-industrial-era limitations to competition and transparency, a process which necessarily should involve the revision (typically down-scaling) of the public sector's role in the economy. Concerning the fundamentals of the market economy, basic trading skills (bazaar) and small entrepreneurship have historic roots in the region and the respective traditions were not interrupted for decades even in 'quasi-socialist' countries such as Libya or Syria as was the case in the TCs.

Financial institutions have existed for a longer time there. In at least one of the group members, Lebanon, banks are not less 'sophisticated' than in the West. MENA countries have a middle class and families with huge fortunes (of whatever origin): capitalism will not have to be re-established from scratch like in the TCs. Nevertheless, the MENA societies cannot be easily catapulted into a modern market economy and democracy. Instead of re-establishing the market economy, as was the case in the TCs, the main task in the MENA countries will typically be a thorough modernization and expansion based on in part already existing structures.

## Economic structures

The economic structure of the TCs at the beginning of transition shows certain similarities to that of advanced industrialized countries. Industry played the key role, partly in continuation of the pre-communist structures (Central Europe), partly as newly created under the communist rule (the Balkans, and the former USSR). Even if the products of industry were mostly inferior to those of their western counterparts in terms of quality, design and the efficiency of the production, the societies were overwhelmingly industrial, with a population possessing the appropriate skills. That was reflected in the employment and skill structures, ways for upward social mobility (including the role of women), and in countless aspects of everyday life (including, to a large degree, culture, religion and nationality issues). Even if a huge part of the industrial firms in these countries perished under the competitive pressure imposed by the sudden (and some say premature) liberalization of imports from the West, a considerable part of the involved human capital survived the initial industrial collapse that accompanied early transition and was able to get employed in the emerging market economy. Still, the 'transformational recession' was frequently deeper than the recent 'global crisis' and resulted from the combination of factors such as the collapse of the old system, the resulting trade disintegration and the transition policies applied (often following external advice according to the so-called Washington Consensus). This recession left deep scars on the economies and societies of TCs which are being felt up until now.

Contrary to the TCs, MENA members are not full-fledged industrial societies. This refers to their output, export and skill structures. Various features of everyday life resemble Europe of the pre-industrialization era. The task here is not so much the transformation of the existing economic structure to a more competitive and efficient one, as it was in TCs, but rather, varying from country to country, the creation of new, robust and internationally embedded industries more or less independently from the existing initial structure, often directly or indirectly controlled by the state. More-

over, many MENA countries had been implementing market-oriented reforms following the IMF and World Bank advice – often quite successfully for more than a decade.<sup>4</sup> Thus, rather than transition it is a development and modernization agenda which has to be addressed in the MENA region. An eminent condition for this to happen is a catching-up in skills structures which most likely require remarkable changes in the educational system in the countries involved.

## Foreign trade

One of the most important features of early transition in the TCs was the radical opening-up of the economy to foreign competition via liberalization of external trade and current account (later also capital account) transactions. The opening was associated with a huge devaluation of domestic currency and, together with price liberalization, contributed to high inflation at the beginning of transition. The economic opening represented an unprecedented shock for the TC after the decade-long extreme protectionism under the umbrella of the Soviet-led regional 'integration' bloc. After the widespread and rapid collapse of many state enterprises and even whole industries, the recovery started relatively soon as parts of industry became (cost-) competitive after devaluations. Many TCs (especially those in Central Europe) adopted an export-driven growth strategy, nevertheless with a completely different geographical distribution of trade, different actors (exporters) and, after FDI had helped in restructuring and modernization, also new or upgraded products. Highly developed EU economies became the TCs' main export markets, first in labour-intensive products, and also the main source of imports (of both consumer and investment goods). To different extents in the individual TCs, strong specialization on a few groups of engineering products occurred. These developments were closely correlated with the massive inflow of FDI, and foreign-owned enterprises played an outstanding role in the rapid expansion of TCs' exports.

<sup>4</sup> Cf., for example, the fairly positive recent IMF Staff Reports on Algeria, Egypt, Libya, Morocco and Tunisia (<http://www.IMF.org>).

Table 2

**EU-15 imports from the MENA and selected transition countries, 1989 and 2010**

Composition by SITC 1-digit commodity groups, %	Algeria		Egypt		Morocco		Libya		Tunisia	
	1989	2010	1989	2010	1989	2010	1989	2010	1989	2010
food and live animals	0	0	3	7	25	24	0	0	7	3
beverages and tobacco	0	0	0	0	0	0	0	0	0	0
crude materials, inedible, except fuels	1	0	4	3	16	6	0	0	3	2
mineral fuels, lubricants and rel. materials	80	97	67	48	2	2	96	99	19	16
animal and vegetable oils, fats and waxes	0	0	0	0	0	1	0	0	4	2
chemicals and related products, n.e.s.	1	1	1	12	9	7	3	1	10	3
manufactured goods class. chiefly by material	1	1	20	16	7	5	0	0	8	7
machinery and transport equipment	0	0	3	5	6	20	1	0	8	31
miscellaneous manufactured articles	0	0	2	9	34	35	0	0	40	36
commodities and trans. not class. elsewhere	16	0	1	0	0	0	0	0	1	0
Total	100	100	100	100	100	100	100	100	100	100
<i>Total in EUR million</i>	<i>5,854</i>	<i>20,490</i>	<i>2,391</i>	<i>6,679</i>	<i>2,675</i>	<i>7,337</i>	<i>6,307</i>	<i>27,365</i>	<i>1,982</i>	<i>9,264</i>

  

Composition by SITC 1 digit commodity groups, %	Poland		Hungary		Romania		Bulgaria		Albania	
	1989	2010	1989	2010	1989	2010	1989	2010	1989	2010
food and live animals	19	9	24	5	3	3	16	9	6	4
beverages and tobacco	0	2	1	0	0	2	6	1	1	0
crude materials, inedible, except fuels	11	3	8	3	3	4	10	7	30	7
mineral fuels, lubricants and rel. materials	12	3	3	2	33	1	7	3	3	21
animal and vegetable oils, fats and waxes	0	0	1	0	0	0	0	1	0	0
chemicals and related products, n.e.s.	6	7	10	5	4	4	12	4	3	0
manufactured goods class. chiefly by material	22	18	18	10	19	15	20	25	46	12
machinery and transport equipment	12	42	13	64	6	47	12	22	1	7
miscellaneous manufactured articles	15	14	20	9	31	24	12	27	9	48
commodities and trans. not class. elsewhere	2	1	2	1	1	1	4	2	0	0
Total	100	100	100	100	100	100	100	100	100	100
<i>Total in EUR million</i>	<i>3,863</i>	<i>71,399</i>	<i>2,588</i>	<i>37,654</i>	<i>2,548</i>	<i>19,317</i>	<i>530</i>	<i>6,589</i>	<i>100</i>	<i>857</i>

Source: EUComext.

Contrary to pre-transition TCs, MENA countries are currently not under the protective umbrella of a regional trading bloc (on the contrary, their lack of intra-regional trade is seen as one of the culprits of low development levels). However the average level of protection in individual countries of the group is significant (with import tariffs averaging about 12%) and several MENA countries are at the high end of a ranking which compared 139 countries by overall trade restrictiveness.<sup>7</sup> Nevertheless, the main problem for MENA's exports is not protectionism itself, but (as in TCs twenty years ago) the lack of established export industries, low competitiveness, export concentration in traditional products and a mismatch of skilled labour which could be relied on in case of the intention to follow the pattern of the TC export-driven catching-up proc-

ess.<sup>8</sup> These problems are often compounded by trade restrictions imposed by major trading partners (e.g. on agriculture in the case of the EU).

MENA's lack of competitiveness and other external trade problems are also clearly evident from trade patterns as displayed in Table 2.<sup>9</sup> Algeria and Libya

<sup>8</sup> Paradoxically, Tunisia ('outsourcing hub in the MENA region with car, IT and aeronautical industries') and Egypt ('attracting global IT investments') were mentioned as 'success stories' in the MENA region – see Ahmed (2010), op. cit. Similarly, Libya was praised by the IMF for its achievements in modernization and diversification as late as in October 2010.

<sup>9</sup> Due to lack of consistent export data for all the investigated countries in the period concerned, for the analysis of export structure we used mirror statistics, namely the imports from the countries concerned by the EU-15 as reported by the EUComext. The EU is by far the biggest export market for MENA oil-importing countries – see Ahmed (2010), op. cit., p. 24.

<sup>7</sup> IMF, op. cit., p. 12.



are monoculture-like exporters of fuels with hardly anything else to sell in the EU-15. Egypt's exports to the EU-15 are also dominated by fuels, simple chemicals and semi-finished products. The share of more sophisticated manufactured products in MENA's exports is very low (but note the IT success in Egypt and Tunisia). In the past two decades Egypt's exports to the EU-15 have tripled, while those of Poland have increased to the 18-fold, those of Hungary to the 14-fold in the same period. In 2010 Poland, with about half of the population of Egypt, exported goods to the EU-15 amounting to EUR 71 billion, while Egypt's respective deliveries amounted to less than EUR 7 billion. Morocco and Tunisia are fairly comparable with Bulgaria and Albania in terms of composition of their exports (e.g. with respect to high shares of clothing, textiles and leather), but the expansion of their deliveries to the EU-15 in the period 1989-2010 was again substantially less dynamic than in the case of the respective two TCs. MENA countries, in contrast to TCs, failed to increase their export markets shares not only in the EU but in global trade in general. The MENA region 'is not realizing the full benefits of globalization'.<sup>10</sup>

### Foreign direct investment

In the TCs, foreign-owned firms have been the engine of restructuring and modernization in industry, financial services and trade. 60% to 80% of exports are delivered by foreign-owned firms. We have no comparable data for the MENA countries, but per capita FDI stocks are much smaller than in the transition countries (see Table 3). Tunisia, Jordan and Lebanon are exceptional. Except for Poland and Slovenia the overwhelming part of the financial institutions and insurance companies also are foreign-owned.<sup>11</sup> Contrary to this, the significance of foreign ownership in the financial sector of the MENA is substantially smaller: foreign-owned assets amount to about one fifth of all banking system assets.

Nevertheless, a strong foreign presence in the economy may be seen as a mixed blessing. On the one hand, TCs have been integrated into worldwide production networks and today not only produce (this was the case already before transition) but also export to the world market products such as cars, computers, telecommunication devices – something they could not have dreamed of to achieve on their own initiative before. Mother companies of the local financial affiliates introduced to TCs a more sophisticated banking culture and technologies, provided ample liquidity for the pre-2008 economic boom in the region and, finally, helped their local affiliates survive the worst months of the 2008-2009 global financial crisis. On the other hand, FDI firms often remained isolated islands of modernity in the TCs, with insufficient subcontracting activities or spillovers induced among local firms. The strong specialization of foreign-owned firms in industry (e.g. on the automotive industry) is sometimes seen as one-sided and thus potentially risky. There is no national industrial policy any longer in the countries concerned, with negative consequences for domestic R & D activities and innovation. Domestic-market oriented foreign firms often crowd out domestic-owned competitors. Last but not least, a considerable part of the profit generated in the highly profitable foreign sector is transferred abroad to the mother company, thus contributing to external imbalances. All in all, should the MENA countries opt for a modernization path similar to that of the TCs, they must be aware of the fact that foreign capital is definitely an indispensable component of transition, modernization and restructuring as we know it. Whether that is compatible with the involved societies' sensibility, cultural traditions and visions about the future, is a question still to be answered. It is definitely no panacea and the TCs opted for foreign capital inflows in the privatization process only reluctantly – either due to financial constraints (as in Hungary which needed to service its high external debt) or after attempts to privatize 'domestically' had failed (Czech Republic).

<sup>10</sup> See Ahmed, 2010, op. cit, p. 23

<sup>11</sup> G. Hunya (2011), *Diverging Patterns of FDI Recovery*. *wiiw Database on Foreign Direct Investment in Central, East and Southeast Europe, 2011*, wiiw, May.

Table 3

**FDI stocks per capita**  
(USD)

	1993	2000	2009
Bulgaria	30	331	6,688
Czech Republic	331	2,107	11,052
Estonia	173	1,932	12,126
Hungary	539	2,240	9,867
Latvia	86	878	5,200
Lithuania	37	667	4,143
Poland	60	890	4,791
Romania	9	310	3,444
Slovakia	120	881	9,274
Slovenia	971	1,455	7,469
Albania	29	81	1,109
Bosnia and Herzegovina	n.a.	286	2,034
Croatia	59	630	8,264
Macedonia	n.a.	266	2,200
Serbia	n.a.	135	2,812
Algeria	62	116	487
Egypt	237	315	869
Libya	200	84	2,857
Morocco	167	311	1,292
Tunisia	1,008	1,207	3,053
Jordan	341	645	3,128
Lebanon	26	1,400	8,319
Syria	24	76	364
Turkey	242	305	1,102
Austria	1,531	3,890	20,154
World	487	1,223	2,626

Source: wiiw Database, UNCTAD World Investment Report 2010, IMF World Economic Outlook Database 2011.

### Legal and institutional environment

The prospects of membership in the EU ('membership anchor') and the necessity to secure the creation of a favourable legal and institutional environment for foreign direct investment compelled the TCs to continuously elaborate on their institutional competitiveness. That required a radical departure from the initial conditions right after the beginning of transition. The MENA countries are going to face this challenge only now. This is clearly seen from the results of a worldwide ranking of individual economies displayed in the World Bank publication 'Ease of doing business'. This survey is based on discernible facts (contrary to various opinion surveys). It measures the time to be devoted to the various stages of the start-up of a limited liability

company in the country concerned. The average of the rankings achieved in the 9 different dimensions of the start-up procedure is then calculated and that constitutes the conclusive ranking of the countries. Out of the altogether 14 transition countries involved, 6 were ranked among the first 50, 7 among the second 50 and 1 among the third 50 countries of the altogether 183 countries ranked. Concerning the MENA group, none was among the first 50, two (Tunisia and Egypt) were among the second 50 and 6 among the third 50 countries.

### Final remarks

The main similarity of transition in TCs that started twenty years ago and MENA today is that both groups of countries had to or will have to face the

challenge of finding a way out of a social and economic malaise they have or had got trapped in for historical and/or geopolitical reasons. As the two groups are fairly different concerning their historical, economic, social and political traditions, pre-transition initial conditions and possibly also concerning the visions of the goals to be achieved in future, the lessons learned by the TCs cannot be automatically taken over by the MENA group. Nevertheless, the similarities are strong enough merit a thorough analysis of the TCs' experience in detail. This may help select those best transition practices which, by way of careful adaptation, may decisively contribute to successful transition/modernization in the MENA region while possibly avoiding certain mistakes, illusions and disappointments that may have long-lasting adverse consequences.

## The EU and Russia: both important for Ukraine<sup>\*</sup>

BY VASILY ASTROV

*The negotiations over a Deep and Comprehensive Free Trade Area (DCFTA) between the EU and Ukraine, which would be part of a broader Association Agreement, have been going on since 2008 but reportedly intensified in the recent couple of months. According to a number of official statements, they could be concluded as early as the end of 2011, although there are still important issues to be settled. Meanwhile, Russia – which hitherto had never raised official objections to Ukraine’s closer EU integration – has recently made attempts to discourage Ukraine from becoming an associate member of the EU and offered Ukraine to join the newly formed trilateral Russia-Belarus-Kazakhstan Customs Union (CU) instead.*

In this note, we argue that under the current circumstances, a full membership of Ukraine in the CU (as suggested by Russia) would be incompatible with its free trade regime with the EU. Besides, it would be problematic given Ukraine’s WTO membership. However, preserving close trade links with Russia – as well as deepening those with the EU – is essential for Ukraine. In the longer run, Ukraine’s membership in a CU with Russia might be feasible and perfectly compatible with a DCFTA with the EU provided that Russia and the EU advance their own integration. This outcome would represent a ‘first-best’ solution for Ukraine not only in economic, but also in political terms, as it would reduce incentives for the often futile geopolitical competition between Russia and the EU on the post-Soviet space.

The benefits to Ukraine from closer trade integration with the EU are potentially huge. In this respect, the earlier experience of former COMECON

countries from Central Europe, but also to some extent Romania and Bulgaria, may provide a useful reference. In these countries, trade integration with the EU was advancing rapidly in the course of the 1990s and became an important – though not the only – factor behind massive inflows of foreign direct investment from the ‘old’ EU countries, particularly Germany. In many instances, these investments have brought new technologies, higher quality standards, know-how in management and marketing, and – last but not least – were crucial in raising the energy efficiency of the recipient countries’ economies (which remains an important challenge for Ukraine). In this way, the former COMECON countries have successfully restructured their industrial sector, which in many cases became competitive on the European scale and has been increasingly gaining market shares.

Although in the case of Ukraine – unlike in the above-mentioned countries – one important factor behind this success story, namely the ‘carrot’ of prospective EU membership, is missing and is unlikely to be in place any time soon, the country could still at least partially replicate these developments via closer EU integration. Ukraine is offering a combination of proximity to EU markets, some of the best soil in the world, a cheap but generally well-educated labour force, and now also a higher degree of political stability. It is also likely to become a more attractive target for foreign direct investment, as producing in the more ‘traditional’ recipient countries of Central Europe will be increasingly expensive.

These developments do not rule out that Ukraine maintains close trade links with Russia, e.g. via a preservation of the current free trade regime (albeit with ‘exemptions and limitations’). On the contrary, Ukraine – where wages are standing at around half of the Russian level – could potentially attract European investments into production destined for the Russian market. The Russian market is important for Ukraine for several reasons. First, Russia is Ukraine’s single most important export destination: its share (~25%) is roughly the same as that of the entire EU. Second, and probably more importantly,

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<sup>\*</sup> This note is a contribution to the debate on the ongoing EU-Ukraine free trade negotiations organized by the Centre for Eastern Studies in Warsaw (OSW) within the framework of its Eastern Partnership Community project ([www.easternpartnership.org](http://www.easternpartnership.org)).

Russia is the principal export market for Ukraine's more sophisticated products such as machinery and equipment, not least thanks to the technological links inherited from the Soviet times and revived following the victory of Mr. Yanukovych in the presidential elections. (In contrast, Ukraine's exports to the EU are heavily concentrated on raw materials and manufactured goods with low value-added, such as basic metals and fertilizers.) Finally, Russia as an 'emerging' economy will in the medium and long run almost certainly post higher growth rates than (at least) the 'old' EU countries, and its import demand – including that for Ukrainian products – is likely to rise accordingly.

In this context, if Russia indeed reconsiders the free trade regime with Ukraine – as it has threatened recently, facing the prospects of a DCFTA between Ukraine and the EU – this could be potentially painful for Ukraine. On the other hand, the 'carrot' of lower gas prices offered by Russia to Ukraine if it joins the CU should not be over-interpreted.<sup>1</sup> Even if Ukraine's import price will indeed be adjusted to the currently low Russian domestic level, this level is unlikely to be sustained, given that domestic gas tariffs in Russia are planned to be progressively raised in order to induce energy-saving behaviour and facilitate the implementation of energy-saving technologies. The stated objective of the Russian government, e.g. as reflected in the most recent Energy Strategy, is to ensure in the medium term 'netback parity' between Russian domestic and export gas prices, i.e. the domestic price should equal the export price net of the transport costs and the export duty. This will inevitably imply higher prices for Ukraine, since it is difficult to imagine that Gazprom will be prepared to sell Ukraine gas at prices below what it charges domestic customers.

Gas prices apart, Ukraine's membership in a CU with Russia, Belarus and Kazakhstan is currently

rather unlikely for a more important reason: Ukraine's WTO membership since 2008. If Ukraine raises its customs duties for imports from third countries to the current CU level, these countries – most of which are WTO members – would surely demand compensations. Of course, this problem would not arise if the import tariffs of the CU were adjusted to the Ukrainian level (rather than the other way around) – but the latter is highly unlikely to happen. From the point of view of trade integration with the EU, Ukraine's CU membership is even more problematic. It would be problematic even in the latter case, i.e. when Ukraine's duties for imports from third countries do not change and stay at their currently relatively low level, given that the DCFTA with the EU would generally require zero duties. In fact, the preliminary EU-Ukraine DCFTA agreement envisages no import duties on the Ukrainian side, with the exception of the automotive industry (and potentially agricultural products).

However, while under the current circumstances Ukraine's membership in a free trade area with the EU and in a Customs Union with Russia appear to be mutually exclusive, this does not need to be the case forever. Clearly, closer trade integration between Russia and the EU would relieve Ukraine from having to make a difficult choice with respect to the direction of integration. For instance, should Russia and the EU enter a free trade agreement, the possibility of which is envisaged in the current EU-Russia Partnership and Cooperation Agreement (PCA), Ukraine's participation in both DCFTA and CU could become perfectly feasible. Of course, for that to become possible, a number of difficult problems would have to be solved. First, in order to start free trade negotiations with the EU, Russia will need to join the WTO first, although this target appears now realistic. Second, a free trade agreement with Russia would also require free trade with both Kazakhstan and Belarus, which in the latter case appears particularly problematic, primarily (but not only) for political reasons.

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<sup>1</sup> Russian Prime Minister V. Putin has repeatedly offered to sell gas to Ukraine (in case it joins the Customs Union) at Russian domestic prices, which means that Ukraine could save some USD 9 billion per year thanks to a lower gas import bill (Interestingly enough a similar price discount was abolished for Belarus).

## What price nationalism? Economic consequences of the break-up of Yugoslavia

BY VLADIMIR GLIGOROV

What are the costs of nationalistic policies? The expectations may be more optimistic than is warranted as the example of the break-up of Yugoslavia suggests. Assuming that nationalists expected that economic results would be better than in federal Yugoslavia, it makes sense to get some idea of what an alternative to a nationalistic strategy would have achieved in the past 20 years.

Let us take the Slovenian development as the basis for counterfactual simulations of where other Yugoslav states would have been had they followed its strategy of transition. This is because Slovenia (i) opted for gradual transformation of the inherited Yugoslav institutions to those characteristic of the European Union (this is sometimes seen as a type of economic nationalism though in view of the next characteristic it is more of a gradualist strategy of transition); (ii) chose to integrate with the EU and indeed the EMU, both as soon as possible, rather than pursue a protectionist, nationalistic strategy; and (iii) fared well, though not miraculously well. Comparing Slovenia with the other Yugoslav countries makes it possible, because of (i), to indirectly evaluate the quality of the starting position, i.e. the Yugoslav institutions; to assess, because of (ii), the costs or benefits of the alternative nationalistic strategies, and thus to get an idea of the costs of nationalism in view of (iii).

I will rely on four indicators: GDP growth and GDP per capita levels, employment and unemployment, openness in terms of exports, and industrial development. There are two points to stress before actual comparisons are made.

First, the Slovenian economy grew faster than those of most other transition countries in the past 20 years, except for Poland and Slovakia when the last two crisis years are included. Still, that growth

was not exceptionally high, in real terms about 2.3% per year. As a consequence, Slovenia's GDP in 2010 stood at 157.2% of that in 1990 (at constant prices).<sup>1</sup>

How important is this growth rate for other Yugoslav countries? That is the other point. In Yugoslav times, regional differences in terms of GDP per capita were practically constant (there were of course cyclical variations).<sup>2</sup> In other words, there was no convergence in terms of GDP per capita. Indeed, there has not been much of a convergence with the EU in the case of Slovenia since independence and there was quite a divergence in the case of other countries in the past 20 years too.

So, it is not completely arbitrary to suggest that if other Yugoslav countries had followed Slovenia's strategy of transition, they would have achieved Slovenian growth and kept their distance, in terms of GDP per capita, where it had been throughout the Yugoslav period. Assuming that, in terms of Slovenian GDP per capita, the fifth column in Table 1 gives GDP per capita in 2010 euro. The sixth column reports average annual real growth rates from 1990 to 2010, while the last column gives the distance of countries' GDP per capita from the Slovenian GDP per capita in euro purchasing power standards in 2010.

The differences are striking especially in the case of Serbia. This is in part due to the difference in the growth of nominal GDP in euro in comparison with the real GDP growth (column six). For instance, in the case of Croatia, real GDP has increased by only 11% since 1990, and in the case of Macedonia only 15%, which is reflected in their annual average real GDP growth rates of 0.5% and 0.7% respectively. Other countries have recorded negative average real GDP growth rates. However, price levels have diverged a lot, mostly due to different exchange rate policies, so that Croatia's GDP *per capita* looks better than its real GDP growth would indicate while Serbia's looks worse.

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<sup>1</sup> Havlik et al. (2011), p. vii.

<sup>2</sup> For details see Gligorov (2002a).

Table 1

**Per capita GDP, 2010, actual and hypothetical**

	1987	GDP p. c. (Slovenia = 100)		GDP p.c. (Euro)		Average GDP growth rate (%) 1990-2010
		2010 actual	2010 hypothetical	2010 actual	2010 hypothetical	
Slovenia	100	100	100	17860	17860	2.3
Bosnia and Herzegovina	34	18.4	30.3	3283	6126	-1
Croatia	64	57.5	70.6	10275	11430	0.5
Macedonia	33	18.5	39.8	3314	5947	0.7
Montenegro	37	26.6	46	4747	6590	-0.8
Serbia	54	22.4	42.2	3994	9734	-1

Source: Gligorov (2002a), wiiw, own calculations.

In terms of GDP per capita in purchasing power parity euro (PPP, last column in Table 1), the deviation from the exchange rate is much smaller in the Croatian case than in the case of all other countries. Given the growth record, that suggests that the exchange rates are probably overvalued and relative growth of consumption to that of in-

vestments much faster, except perhaps in the case of Macedonia. There are no PPP data for the Yugoslav period, but the stability of the divergence in GDP per capita over a longer period of time would suggest that probably the price level changes were not all that different across Yugoslav regions and have clearly increased since.

Table 2

**Exports as GDP share, and the rate of unemployment, 1980s and 2010**

	exports/GDP 1987	exports/GDP 2010	unemployment rate 1989	unemployment rate 2010
Slovenia	42.4	50.2	3.2	7.5
Bosnia and Herzegovina	33	28.9	20.3	27.2
Croatia	40	19.5	8	12
Macedonia	42.5	34.5	21.9	32.5
Montenegro	43.9	11.7	21.5	20
Serbia	39.2	24.7	14	19.2

Source: Gligorov (2002a), wiiw, own calculations.

What has happened with the openness of these economies? In Table 2, in the first two columns, exports of goods to GDP in the Yugoslav period (i.e. just before the dissolution) can be compared with those now. These include intra-Yugoslav and now intra-regional trade and the change is striking. Slovenia has increased its exports of goods (as per cent of GDP) and Bosnia and Herzegovina has almost kept its level of openness while all the other states now have more closed economies than in their Yugoslav period. The worst performers are Montenegro and Croatia, with Serbia close by.

Macedonia does somewhat better, but these are small economies and the level of openness was not all that high before the break-up and it is quite low now.

This is mostly the consequence of the decline of industrial production. Even if the effects of the crisis in the last two years are put aside, in 2008 industrial production of Slovenia was just short of 30% higher than in 1990 while that of Croatia was only slightly above 90% of what it was in 1990 and that of Macedonia a trifle over 60%. Industrial produc-

tion in other countries was around 50% or below that level in 2008 as compared to 1990.<sup>3</sup> Of course, the crisis has led to further decline. However, even in the last ten years, when GDP growth was rather strong, industrial production grew rather slowly (2010/2000): Slovenia 118.8%; Bosnia and Herzegovina 187.3%; Croatia 122.6%; Macedonia 100.9%; Montenegro 90.2%; Serbia 106.1%. The speedy growth in Bosnia and Herzegovina is of course just an indication of the extremely low level from which its industrial production is recovering after the war and other destructions.

Even in the case of Slovenia, growth of industrial production is less than impressive and is quite a bit slower than that of its GDP growth, though the performance of the latter has not been stellar either. Overall, the rest of the post-Yugoslav region has gone through quite a significant process of deindustrialization. That, of course, is also reflected in the already noticed low level of exports of goods.

In Table 2, the last two columns show rates of unemployment. Unlike in the other socialist countries, employment was to an important extent market determined in Yugoslavia; it was voluntary and not compulsory as in Soviet-type socialist countries, which also supported significant intra-Yugoslav mobility and also continuous outward migration. Thus, significant unemployment existed and regional differences were large. Comparing employment and unemployment, however, is a bit difficult because figures for the Yugoslav period are drawn from registration, while those for today are based on labour force surveys (which include informal employment). Even now, registered unemployment is higher or even quite higher than survey unemployment, so it can be assumed that actual unemployment rates were if anything lower, and employment rates higher, than those recorded. So, the comparison is most probably biased against the state of the labour markets in the Yugoslav period. Also, these figures are from the time just before the break-up and are higher than at any time before, and somewhat similar is the case of 2010. How-

ever, the comparisons of other years or with some kind of an average would not lead to different qualitative conclusions.

As can be seen in Table 2,<sup>4</sup> Slovenia has a significantly higher unemployment rate than in 1989 – 7.5% rather than 3.2% (and below 2% from 1952 onwards). Croatia's unemployment rate was 8% just before the independence and 12% in 2010 (around 5% from the mid-1960s until the pre-break-up hike). Serbia's (without Kosovo) unemployment rate was less than 15% and is about 20% now. Macedonia and Bosnia and Herzegovina had unemployment rates around 20% and those rates are about 10 percentage points higher now. Montenegro is an exception because its unemployment rate jumped strongly just before the break-up of Yugoslavia and is at practically the same level now, again jumping somewhat as a consequence of the current crisis. Demographic factors played a significant role in these labour market results, but that aside, labour market outcomes have been inferior to those achieved in Yugoslav times. The latter was especially beneficial to Slovenia and Croatia as they tended to have rather low or quite low unemployment rates.

So, what can be concluded about nationalism vs. integration? Yugoslav institutions were not supportive of regional convergence and those regions less developed suffered from high unemployment, in part because of faster growth of population (e.g. in Kosovo). However, if Slovenia is at all representative, the transformation of Yugoslav institutions to those characteristic of the EU could have been achieved gradually and with much better results than the alternative nationalistic policies. That counterfactual is not conditional on the continuation of the existence of federal or any other Yugoslavia, as the EU integration process is also an alternative to nationalistic strategies. Again, if Slovenia can serve as an example, even without GDP per capita convergence with the EU and within the Yugoslav

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<sup>3</sup> Havlik et al. (2011), p. vii. Figure for Serbia, Montenegro and Bosnia and Herzegovina are author's assessments.

<sup>4</sup> The comparison is between the peaks of the crisis in terms of employment and unemployment then and now. If averages were to be used, the qualitative conclusion would be the same, though the levels would be lower in both periods.



group of countries, as has been the historical record of integrative processes so far, the outcomes would have been vastly superior to those achieved with one or the other variety of nationalistic strategies, political and economic, pursued by the Yugoslav successor states.

### The conclusion

Slovenia's transition has been a repetition of the process of EU integration: market integration, followed by financial and monetary integration. The Yugoslav example is useful at the point when the choice is made whether to go forward with integration or to reverse the integration process and go back to nationalistic policies. The costs of reversal were high in the case of Yugoslavia.

### A very short note on Kosovo

Data for Kosovo are still rather scarce and because of that it is left out here. I have looked at its development over time (Gligorov, 2000b, 2002b, 2007) and concluded that it does not represent a special case in the context of the strategic choice between nationalism and integration. One important difference is demographic, so in terms of GDP per capita, Kosovo fared much more poorly than the other Yugoslav political entities and regions. However, in terms of GDP growth, that is not true, as Kosovo's economic growth was for the most part faster than that of the rest of Yugoslavia. In the past twenty years, the costs of Yugoslav disintegration have been exceptionally high in Kosovo, though nationalistic expectations there as in other nations were different. In any case, it is clear that integration is advantageous to Kosovo's development.

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## STATISTICAL ANNEX

### Selected monthly data on the economic situation in Central, East and Southeast Europe

NEW: As of January 2011, time series for the three Baltic countries – **Estonia, Latvia, Lithuania** – are included in the wiiw Monthly Database.

#### Conventional signs and abbreviations used

.	data not available
%	per cent
PP	change in % against previous period
CPPY	change in % against corresponding period of previous year
CCPPY	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
NACE Rev. 1	statistical classification of economic activities in the European Community, Rev. 1 (1990) / Rev. 1.1 (2002)
NACE Rev. 2	statistical classification of economic activities in the European Community, Rev. 2 (2008)
LFS	Labour Force Survey
CPI	consumer price index
HICP	harmonized index of consumer prices (for new EU member states)
PPI	producer price index
p.a.	per annum
mn	million (10 <sup>6</sup> )
bn	billion (10 <sup>9</sup> )
avg	average
eop	end of period
NCU	national currency unit (including 'euro-fixed' series for euro-area countries)

The following national currencies are used:

ALL	Albanian lek	HUF	Hungarian forint	RON	Romanian leu
BAM	Bosnian convertible mark	LVL	Latvian lats	RSD	Serbian dinar
BGN	Bulgarian lev	LTL	Lithuanian litas	RUB	Russian rouble
CZK	Czech koruna	MKD	Macedonian denar	UAH	Ukrainian hryvnia
HRK	Croatian kuna	PLN	Polish zloty		

EUR euro – national currency for Montenegro and for the euro-area countries Estonia (from January 2011, euro-fixed before), Slovakia (from January 2009, 'euro-fixed before) and Slovenia (from January 2007, 'euro-fixed' before)

USD US dollar

M1 currency outside banks + demand deposits / narrow money (ECB definition)

M2 M1 + quasi-money / intermediate money (ECB definition)

M3 broad money

Sources of statistical data: Eurostat, national statistical offices and central banks; wiiw estimates.

wiiw Members have **free online access** to the wiiw Monthly Database.

To receive your personal password, please go to <http://mdb.wiiw.ac.at>

ALBANIA: Selected monthly data on the economic situation 2010 to 2011

(updated end of June 2011)

		2010										2011				
		Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May
<b>LABOUR</b>																
Employment total, registered	th. pers., quart. avg	900.7	.	.	904.9	.	.	916.0	.	.	916.9	.	.	920.4	.	.
Employment total, registered	CPPY	-7.4	.	.	-7.0	.	.	-5.7	.	.	2.0	.	.	2.2	.	.
Unemployment, registered	th. pers., quart. avg	144.6	.	.	144.6	.	.	143.2	.	.	143.0	.	.	142.8	.	.
Unemployment rate, registered	%	13.8	.	.	13.8	.	.	13.5	.	.	13.5	.	.	13.5	.	.
<b>PRICES</b>																
Consumer	PP	0.1	-0.4	-1.2	-0.5	-0.5	0.8	0.7	0.2	0.2	2.2	0.8	2.3	-0.1	-0.6	-1.1
Consumer	CPPY	4.0	3.7	3.3	3.2	3.4	3.5	3.4	3.0	2.8	3.3	3.3	4.5	4.3	4.1	4.2
Consumer	CCPPY	4.3	4.1	4.0	3.8	3.8	3.7	3.7	3.6	3.6	3.5	3.3	3.9	4.0	4.0	4.1
Producer, in industry	PP	1.0	-0.3	-0.4	0.3	0.6	0.1	0.3	0.3	0.1	0.4	0.7	0.0	0.1	.	.
Producer, in industry	CPPY	0.4	0.3	0.0	0.4	0.1	0.4	0.5	0.3	0.6	0.7	3.6	3.3	2.3	.	.
Producer, in industry	CCPPY	-0.2	-0.1	0.0	0.0	0.0	0.1	0.1	0.2	0.2	0.2	3.6	3.4	3.1	.	.
<b>FOREIGN TRADE</b>																
Exports total (fob), cumulated	EUR mn	255	346	475	596	695	766	866	971	1073	1172	107	250	371	471	586
Imports total (cif), cumulated	EUR mn	723	999	1302	1601	1928	2224	2523	2823	3123	3475	254	524	831	1154	1480
Trade balance, cumulated	EUR mn	-467	-653	-827	-1005	-1233	-1458	-1657	-1852	-2050	-2303	-147	-274	-460	-682	-895
<b>FOREIGN FINANCE</b>																
Current account, cumulated	EUR mn	-235	-304	-356	-438	-517	-628	-683	-792	-890	-1056	-72	-147	-246	.	.
<b>EXCHANGE RATE</b>																
ALL/EUR, monthly average	nominal	139.20	138.36	136.72	136.65	136.11	136.24	137.05	138.39	138.82	138.81	138.65	139.59	140.14	141.48	141.80
ALL/USD, monthly average	nominal	102.51	103.02	108.73	111.89	106.63	105.59	104.81	99.60	101.33	104.95	103.84	102.27	100.17	97.89	98.79
EUR/ALL, calculated with CPI <sup>1)</sup>	real, Jan07=100	91.9	91.7	91.5	91.1	91.2	91.7	91.5	90.6	90.3	91.7	93.0	94.0	92.6	90.6	89.3
EUR/ALL, calculated with PPI <sup>1)</sup>	real, Jan07=100	89.7	89.3	89.6	89.6	90.4	91.1	90.5	89.8	89.1	88.7	88.5	87.2	86.2	.	.
USD/ALL, calculated with CPI <sup>1)</sup>	real, Jan07=100	96.6	95.5	89.3	86.4	90.2	91.7	92.9	97.9	96.4	94.9	96.2	99.5	100.6	101.6	99.0
USD/ALL, calculated with PPI <sup>1)</sup>	real, Jan07=100	89.4	88.1	83.0	81.5	85.8	86.4	87.3	91.3	89.3	85.7	86.1	85.9	86.2	.	.
<b>DOMESTIC FINANCE</b>																
Currency outside banks	ALL bn, eop	195.2	193.1	193.5	193.9	197.2	197.0	191.3	190.9	189.4	195.1	186.6	185.9	185.5	187.9	.
M1	ALL bn, eop	268.5	263.4	265.6	268.9	274.4	276.4	272.5	269.8	266.9	275.4	263.4	262.3	263.8	265.4	.
M2	ALL bn, eop	887.9	886.3	897.8	902.3	913.6	940.0	948.4	952.0	961.4	980.3	981.4	978.0	983.5	994.6	.
M2	CPPY, eop	10.2	9.3	10.0	10.1	11.2	11.2	12.4	11.7	12.0	12.5	11.5	10.8	10.8	12.2	.
Central bank policy rate (p.a.) <sup>2)</sup>	%, eop	5.3	5.3	5.3	5.3	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.3	5.3	5.3
Central bank policy rate (p.a.) <sup>2)3)</sup>	real, %, eop	4.8	4.9	5.2	4.8	4.9	4.5	4.4	4.7	4.4	4.2	1.4	1.7	2.9	.	.
<b>BUDGET</b>																
General gov. budget balance, cum.	ALL bn	699	-1271	-7703	-15600	-22799	-23179	-24193	-23433	-23228	-38031	1621	-8904	-11776	-15910	-20406

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

2) One-week repo rate.

3) Deflated with annual PPI.

Source: wiw Monthly Database incorporating national statistics.

## BOSNIA and HERZEGOVINA: Selected monthly data on the economic situation 2010 to 2011

(updated end of June 2011)

		2010										2011				
		Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May
<b>PRODUCTION</b>																
Industry, total <sup>1)</sup>	real, CPPY	4.3	2.7	5.2	-4.3	-4.7	7.1	-1.2	-0.1	2.0	8.7	17.5	6.6	8.0	3.2	2.3
Industry, total <sup>1)</sup>	real, CCPY	1.3	1.7	2.6	1.3	0.2	1.1	0.8	0.8	0.9	1.6	17.5	12.0	10.5	8.5	7.2
Industry, total <sup>1)</sup>	real, 3MMA	2.2	4.1	1.2	-1.3	-0.6	0.4	1.9	0.2	3.5	9.4	10.9	10.7	5.9	.	.
<b>LABOUR</b>																
Employees total, registered <sup>2)</sup>	th. persons, avg	699.0	699.4	677.2	677.0	677.3	676.0	680.1	685.9	686.4	699.3	696.2	695.7	694.1	693.9	.
Employees total, registered <sup>2)</sup>	CPPY, avg	0.1	0.2	-3.0	-3.1	-2.8	-2.8	-2.0	-1.2	-1.1	0.7	-0.7	-0.6	-0.7	-0.8	.
Unemployment, registered <sup>3)</sup>	th. persons, eop	519.2	516.0	512.3	511.8	516.0	517.6	517.0	517.2	519.1	522.1	526.7	527.7	530.1	529.4	.
Unemployment rate, registered <sup>3)</sup>	%, eop	42.6	42.5	43.1	43.1	43.2	43.4	43.2	43.0	43.1	42.7	43.1	43.1	43.3	43.3	.
<b>WAGES</b>																
Total economy, gross	BAM	1215	1217	1211	1216	1216	1219	1220	1213	1229	1250	1232	1240	1275	1266	.
Total economy, gross	real, CPPY	-1.0	-1.7	-1.5	-1.7	-1.0	0.3	0.0	-1.1	-0.2	-0.9	-0.3	0.9	1.0	0.0	.
Total economy, gross	EUR	621	622	619	622	622	623	624	620	628	639	630	634	652	647	.
<b>PRICES</b>																
Consumer	PP	0.2	-0.7	0.0	0.0	0.0	-0.2	0.3	0.9	0.3	0.8	1.5	0.7	0.7	-0.6	0.2
Consumer	CPPY	2.0	2.4	2.6	2.4	1.7	1.7	1.9	2.2	2.3	3.1	2.7	3.3	3.9	4.0	4.2
Consumer	CCPPY	1.7	1.9	2.0	2.1	2.0	2.0	2.0	2.0	2.0	2.1	2.7	3.0	3.3	3.5	3.6
Producer, in industry	PP	-0.2	-1.2	0.6	-0.5	0.3	0.6	0.8	2.2	0.2	0.5	.	.	.	.	.
Producer, in industry	CPPY	-1.1	0.0	0.9	0.3	0.9	1.9	2.6	2.9	3.6	4.0	.	.	.	.	.
Producer, in industry	CCPPY	-2.0	-1.5	-1.0	-0.8	-0.6	-0.3	0.0	0.3	0.6	0.9	.	.	.	.	.
<b>FOREIGN TRADE</b>																
Exports total (fob), cumulated	EUR mn	787	1090	1399	1728	2054	2352	2673	2977	3316	3627	316	648	1009	1369	1722
Imports total (cif), cumulated	EUR mn	1406	1984	2584	3184	3817	4414	5068	5688	6302	6957	486	1057	1735	2392	3047
Trade balance, cumulated	EUR mn	-619	-893	-1185	-1457	-1763	-2062	-2395	-2711	-2986	-3330	-170	-409	-727	-1023	-1325
Exports to EU-27 (fob), cumulated	EUR mn	443	606	782	961	1133	1283	1463	1639	1822	1978	170	355	558	756	961
Imports from EU-27 (cif), cumulated	EUR mn	661	932	1196	1475	1773	2027	2314	2604	2887	3193	208	475	782	1077	1393
Trade balance with EU-27, cumulated	EUR mn	-218	-327	-414	-514	-640	-744	-851	-965	-1065	-1215	-38	-120	-224	-321	-432
<b>FOREIGN FINANCE</b>																
Current account, cumulated	EUR mn	-48	.	.	-193	.	.	-466	.	.	-697	.	.	.	.	.
<b>EXCHANGE RATE</b>																
BAM/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
BAM/USD, monthly average	nominal	1.441	1.457	1.548	1.602	1.534	1.517	1.503	1.408	1.429	1.481	1.465	1.434	1.399	1.356	1.368
EUR/BAM, calculated with CPI <sup>4)</sup>	real, Jan07=100	102.4	101.3	101.1	101.1	101.3	100.9	101.0	101.6	101.7	101.9	103.8	104.1	103.7	102.4	102.5
EUR/BAM, calculated with PPI	real, Jan07=100	100.5	98.5	98.6	97.8	98.0	99.3	99.7	101.7	101.4	100.9	.	.	.	.	.
USD/BAM, calculated with CPI <sup>4)</sup>	real, Jan07=100	107.3	105.2	98.9	95.7	100.0	100.7	101.8	109.5	108.3	105.1	107.3	109.9	112.4	114.4	113.0
USD/BAM, calculated with PPI	real, Jan07=100	99.8	97.0	91.6	88.7	92.7	93.9	95.4	103.2	101.3	97.2	.	.	.	.	.
<b>DOMESTIC FINANCE</b>																
Currency outside banks	BAM mn, eop	1975	2005	1981	1990	2073	2065	2109	2144	2115	2211	2143	2155	2164	2240	.
M1	BAM mn, eop	5882	6013	6045	5862	6090	6179	6114	6218	6210	6301	6301	6234	6248	6347	.
M2	BAM mn, eop	13119	13277	13310	13307	13449	13695	13488	13622	13714	13821	13875	13855	13929	13988	.
M2	CPPY, eop	6.3	7.9	7.8	8.0	8.4	9.1	7.3	8.3	9.2	7.1	7.6	7.1	6.2	5.4	.

1) Federation of B&amp;H and Republic Srpska weighted by wiiw.

2) Sum of employees in Federation of B&amp;H, Republic Srpska and District Brcko, calculated by wiiw.

3) Sum of unemployed persons in Federation B&amp;H, Republic Srpska and District Brcko, calculated by wiiw.

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

Source: wiiw Monthly Database incorporating national statistics.

CROATIA: Selected monthly data on the economic situation 2010 to 2011

(updated end of June 2011)

		2010										2011				
		Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May
<b>PRODUCTION</b>																
Industry, NACE Rev. 2 <sup>1)</sup>	real, CPPY	-0.2	-5.5	-1.9	-2.4	-3.3	0.9	3.0	-5.9	0.2	0.9	-5.2	-2.7	-3.0	0.2	.
Industry, NACE Rev. 2 <sup>1)</sup>	real, CCPPY	-0.5	-1.9	-1.9	-2.0	-2.2	-1.8	-1.3	-1.8	-1.6	-1.4	-5.2	-3.9	-3.6	-2.6	.
Industry, NACE Rev. 2 <sup>1)</sup>	real, 3MMA	-2.4	-2.6	-3.3	-2.5	-1.7	0.1	-0.8	-1.0	-1.7	-1.2	-2.2	-3.6	-1.8	.	.
Construction, NACE Rev. 2 <sup>1)</sup>	real, CPPY	-16.3	-17.2	-16.1	-17.2	-19.2	-11.7	-14.3	-14.9	-12.1	-11.3	-8.3	-7.1	-9.7	.	.
Construction, NACE Rev. 2 <sup>1)</sup>	real, CCPPY	-18.6	-18.2	-17.8	-17.7	-17.9	-17.2	-16.9	-16.7	-16.3	-15.9	-8.3	-7.7	-8.5	.	.
<b>LABOUR</b>																
Employment total, registered	th. persons, avg	1166.8	1169.0	1173.3	1178.4	1182.2	1180.6	1171.5	1163.1	1155.9	1145.8	1123.8	1133.4	1138.9	1142.9	.
Employees in industry, reg., NACE Rev. 2	th. persons, avg	243.0	242.6	242.3	242.3	242.6	242.7	241.6	240.7	239.8	237.6	236.2	237.3	237.3	237.5	.
Unemployment, registered	th. persons, eop	318.7	308.7	296.4	285.8	282.8	283.3	289.5	304.5	312.4	319.8	334.4	336.4	330.1	308.9	.
Unemployment rate, registered	%, eop	18.4	17.9	17.2	16.6	16.4	16.4	16.9	17.8	18.3	18.8	19.6	19.6	19.3	18.2	.
Productivity in industry, NACE Rev. 2 <sup>1)</sup>	CCPPY	8.7	7.0	6.9	6.6	6.3	6.5	6.9	6.2	6.2	6.3	0.1	-0.6	0.2	1.3	.
<b>WAGES</b>																
Total economy, gross	HRK	7831	7606	7662	7763	7608	7707	7546	7650	7892	7806	7638	7483	7894	.	.
Total economy, gross	real, CPPY	-0.7	-1.8	-1.9	-1.2	-2.4	0.1	-1.7	-1.3	-0.1	-1.5	-1.6	-1.8	-1.8	.	.
Total economy, gross	EUR	1079	1048	1056	1074	1055	1064	1036	1045	1070	1056	1033	1010	1068	.	.
Industry, gross, NACE Rev. 2	EUR	985	946	945	984	966	947	939	932	990	968	921	894	957	.	.
<b>PRICES</b>																
Consumer	PP	0.4	0.4	0.2	-0.1	-0.4	-0.2	0.3	0.1	0.3	0.0	0.6	0.5	0.8	0.2	0.3
Consumer	CPPY	0.9	0.6	0.8	0.7	1.0	0.9	1.4	1.4	1.2	1.8	1.9	2.2	2.6	2.4	2.5
Consumer	CCPPY	0.9	0.8	0.8	0.8	0.8	0.8	0.9	1.0	1.0	1.1	1.9	2.1	2.2	2.3	2.3
Producer, in industry, NACE Rev. 2 <sup>2)</sup>	PP	0.9	0.6	0.5	0.4	0.0	0.3	0.4	0.3	-0.1	1.0	0.7	1.6	0.8	0.6	0.6
Producer, in industry, NACE Rev. 2 <sup>2)</sup>	CPPY	4.9	5.0	4.9	4.4	3.8	3.3	4.4	4.9	4.7	5.7	5.1	6.9	6.8	6.7	6.8
Producer, in industry, NACE Rev. 2 <sup>2)</sup>	CCPPY	3.5	3.9	4.1	4.2	4.1	4.0	4.0	4.1	4.2	4.3	5.1	6.0	6.3	6.4	6.5
<b>FOREIGN TRADE</b>																
Exports total (fob), cumulated	EUR mn	2000	2685	3528	4279	4996	5675	6450	7352	8124	8902	652	1334	1961	2882	.
Imports total (cif), cumulated	EUR mn	3338	4594	5880	7188	8531	9803	11156	12409	13804	15129	974	2051	3399	4683	.
Trade balance, cumulated	EUR mn	-1338	-1909	-2351	-2909	-3535	-4128	-4707	-5057	-5680	-6226	-322	-717	-1438	-1801	.
Exports to EU-27 (fob), cumulated	EUR mn	1233	1663	2222	2688	3115	3524	4004	4529	5039	5440	407	758	1165	1795	.
Imports from EU-27 (cif), cumulated	EUR mn	1968	2765	3562	4349	5162	5848	6620	7380	8245	9107	541	1166	1947	2705	.
Trade balance with EU-27, cumulated	EUR mn	-735	-1103	-1340	-1661	-2047	-2323	-2616	-2851	-3206	-3668	-134	-408	-782	-910	.
<b>FOREIGN FINANCE</b>																
Current account, cumulated	EUR mn	-1362	.	.	-1488	.	.	401	.	.	-654	.	.	.	.	.
<b>EXCHANGE RATE</b>																
HRK/EUR, monthly average	nominal	7.261	7.258	7.258	7.229	7.212	7.246	7.283	7.321	7.373	7.393	7.396	7.411	7.394	7.362	7.391
HRK/USD, monthly average	nominal	5.347	5.405	5.753	5.922	5.667	5.614	5.593	5.270	5.384	5.595	5.538	5.431	5.285	5.105	5.142
EUR/HRK, calculated with CPI <sup>3)</sup>	real, Jan07=100	104.8	104.8	104.8	105.1	105.2	104.3	103.8	103.1	102.5	101.6	102.5	102.4	102.3	102.3	102.2
EUR/HRK, calculated with PPI <sup>3)</sup>	real, Jan07=100	108.7	108.5	108.6	109.1	109.2	109.7	109.3	108.8	107.4	107.2	106.8	107.6	107.7	107.9	107.0
USD/HRK, calculated with CPI <sup>3)</sup>	real, Jan07=100	109.8	108.8	102.3	99.4	103.5	104.0	104.6	111.0	109.0	104.7	105.9	108.0	110.8	114.2	113.1
USD/HRK, calculated with PPI <sup>3)</sup>	real, Jan07=100	107.9	106.7	100.6	98.8	102.9	103.8	104.6	110.3	107.2	103.2	103.6	105.6	107.4	109.8	108.6
<b>DOMESTIC FINANCE</b>																
Currency outside banks	HRK bn, eop	14.8	15.1	15.4	16.0	16.9	16.7	16.0	15.7	15.0	15.3	14.9	14.9	15.0	15.5	.
M1	HRK bn, eop	47.7	49.0	48.0	49.7	50.7	51.2	51.7	50.7	48.3	49.2	49.5	49.4	49.1	50.4	.
Broad money	HRK bn, eop	222.0	222.1	222.6	224.6	227.0	231.6	232.7	232.4	232.5	232.9	231.8	231.6	229.3	228.9	.
Broad money	CPPY, eop	1.6	1.5	2.0	2.8	2.5	3.2	3.8	5.1	4.0	4.4	3.7	3.7	3.3	3.1	.
Central bank policy rate (p.a.) <sup>4)</sup>	%, eop	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	.
Central bank policy rate (p.a.) <sup>4)5)</sup>	real, %, eop	1.1	0.9	1.0	1.6	2.1	2.6	1.5	1.0	1.3	0.3	0.8	-0.9	-0.7	-0.7	.
<b>BUDGET</b>																
Central gov. budget balance, cum. <sup>6)</sup>	HRK mn	-5216	-5191	-6566	-7284	-8212	-8347	-9397	-9064	-10634	-14353	-1491	-2831	-5339	.	.

- 1) Enterprises with 20 and more employees.
- 2) Including E - electricity, gas, steam, air conditioning supply etc.
- 3) Adjusted for domestic and foreign (US resp. EU) inflation. Values more than 100 mean real appreciation.
- 4) Average weighted repo rates.
- 5) Deflated with annual PPI.
- 6) Consolidated central government budget.

Source: wiw Monthly Database incorporating national statistics.

## MACEDONIA: Selected monthly data on the economic situation 2010 to 2011

(updated end of June 2011)

		2010										2011				
		Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May
<b>PRODUCTION</b>																
Industry, NACE Rev. 2 <sup>1)</sup>	real, CPPY	-13.3	-7.2	-1.1	5.6	8.0	-2.5	-14.0	-4.6	-2.9	-10.0	5.0	10.9	24.5	11.8	6.9
Industry, NACE Rev. 2 <sup>1)</sup>	real, CCPY	-9.3	-8.7	-7.1	-4.9	-3.0	-2.9	-4.4	-4.4	-4.3	-4.8	5.0	8.0	13.8	13.3	11.8
Industry, NACE Rev. 2 <sup>1)</sup>	real, 3MMA	-10.4	-7.2	-0.9	4.2	3.6	-3.6	-7.3	-7.3	-5.9	-3.7	0.2	13.8	15.7	14.1	.
Construction, total, effect. work. time	real, CPPY	3.0	12.5	13.0	8.4	4.9	8.1	0.6	1.3	6.9	9.6	8.7	13.7	14.8	.	.
Construction, total, effect. work. time	real, CCPY	1.6	4.3	6.1	6.5	6.3	6.5	5.8	5.3	5.5	5.8	8.7	11.3	12.6	.	.
<b>LABOUR</b>																
Employed persons, LFS	th. pers., quart. avg	615.9	.	.	627.1	.	.	648.8	.	.	659.5	.	.	.	.	.
Employed persons, LFS	CCPPY	-0.4	.	.	-0.9	.	.	-0.3	.	.	1.3	.	.	.	.	.
Unemployed persons, LFS	th. pers., quart. avg	309.6	.	.	296.2	.	.	300.5	.	.	295.4	.	.	.	.	.
Unemployment rate, LFS	%, avg	33.5	.	.	32.1	.	.	31.7	.	.	31.0	.	.	.	.	.
Productivity in industry, NACE Rev. 2 <sup>1)</sup>	CCPPY	-5.9	-5.1	-3.7	-1.5	0.0	-0.6	-2.6	-3.2	-3.3	-4.2	5.2	7.1	12.8	12.1	.
Unit labour costs, exch.r. adj.(EUR) <sup>1)</sup>	CCPPY	12.6	10.7	8.2	4.9	2.6	2.7	4.2	4.5	4.3	5.0	.	.	.	.	.
<b>WAGES</b>																
Total economy, gross	MKD	29938	30081	30598	30035	29827	30207	30263	30279	30349	31435	30902	30032	30216	30172	.
Total economy, gross	real, CPPY	0.5	-1.6	1.8	-2.2	-1.5	-0.8	-1.6	-2.6	-1.5	-0.3	0.0	-2.7	-3.9	-4.2	.
Total economy, gross	EUR	486	488	497	488	485	491	491	491	493	511	502	488	491	490	.
Industry, gross	EUR	417	413	420	413	414	422	423	423	421	449	.	.	.	.	.
<b>PRICES</b>																
Consumer	PP	0.5	0.6	-0.6	0.2	-0.4	0.1	0.1	0.3	0.4	0.7	0.9	0.9	1.7	0.3	-0.2
Consumer	CCPY	0.7	1.4	0.2	1.8	1.5	1.9	2.0	2.7	2.9	3.0	3.2	3.9	5.2	4.8	5.2
Consumer	CCPPY	0.5	0.7	0.6	0.8	0.9	1.0	1.1	1.3	1.4	1.7	3.2	3.6	4.1	4.3	4.5
Producer, in industry, NACE Rev. 2 <sup>2)</sup>	PP	1.0	3.0	1.4	-0.8	0.2	-0.1	0.6	1.1	-1.5	2.4	3.2	1.7	3.3	1.3	-0.8
Producer, in industry, NACE Rev. 2 <sup>2)</sup>	CCPY	8.4	11.7	12.7	10.8	8.9	8.1	8.8	9.7	7.3	9.3	12.7	12.8	15.3	13.3	10.8
Producer, in industry, NACE Rev. 2 <sup>2)</sup>	CCPPY	7.3	8.4	9.2	9.5	9.4	9.2	9.2	9.2	9.1	9.1	12.7	12.7	13.6	13.5	13.0
<b>FOREIGN TRADE</b>																
Exports total (fob), cumulated	EUR mn	483	666	866	1089	1323	1525	1780	2004	2265	2496	205	443	683	961	.
Imports total (cif), cumulated	EUR mn	809	1163	1495	1849	2180	2561	2903	3266	3664	4118	420	813	1180	1641	.
Trade balance, cumulated	EUR mn	-326	-497	-630	-760	-857	-1035	-1123	-1261	-1399	-1622	-215	-369	-497	-680	.
Exports to EU-27 (fob), cumulated	EUR mn	301	409	531	671	818	931	1088	1229	1391	1531	132	290	436	608	.
Imports from EU-27 (cif), cumulated	EUR mn	419	619	795	972	1163	1337	1526	1744	1955	2188	267	466	651	877	.
Trade balance with EU-27, cumulated	EUR mn	-118	-210	-264	-301	-346	-406	-438	-516	-564	-657	-135	-176	-215	-269	.
<b>FOREIGN FINANCE</b>																
Current account, cumulated	EUR mn	-82	-123	-131	-132	-110	-110	-55	-93	-110	-191	-104	-180	-204	.	.
<b>EXCHANGE RATE</b>																
MKD/EUR, monthly average	nominal	61.60	61.60	61.53	61.51	61.52	61.51	61.63	61.62	61.55	61.50	61.51	61.51	61.52	61.52	61.53
MKD/USD, monthly average	nominal	45.40	45.90	48.79	50.38	48.25	47.71	47.35	44.37	44.97	46.55	45.97	45.10	43.99	42.64	42.83
EUR/MKD, calculated with CPI <sup>3)</sup>	real, Jan07=100	101.1	101.3	100.6	100.8	100.7	100.6	100.2	100.3	100.6	100.8	102.1	102.5	103.1	102.8	102.5
EUR/MKD, calculated with PPI <sup>3)</sup>	real, Jan07=100	104.5	106.8	107.9	106.7	106.8	107.5	107.5	108.5	106.4	108.0	110.2	111.4	114.0	114.5	112.4
USD/MKD, calculated with CPI <sup>3)</sup>	real, Jan07=100	105.9	105.2	98.3	95.5	99.3	100.3	101.1	108.1	107.1	103.9	105.7	108.2	111.7	114.8	113.5
USD/MKD, calculated with PPI <sup>3)</sup>	real, Jan07=100	103.7	105.1	100.0	96.8	101.0	101.6	103.0	110.0	106.3	104.0	107.3	109.4	113.7	116.7	114.1
<b>DOMESTIC FINANCE</b>																
Currency outside banks	MKD bn, eop	14.8	15.2	15.5	15.7	16.7	16.2	15.9	16.1	15.6	17.0	15.8	16.1	15.9	16.8	17.3
M1	MKD bn, eop	50.3	50.6	52.9	52.5	52.7	53.6	53.8	53.8	54.0	57.4	54.6	54.1	54.1	57.2	58.2
Broad money	MKD bn, eop	210.7	215.0	219.4	220.4	216.1	220.0	221.9	224.5	229.1	232.6	232.0	233.5	234.7	234.4	238.0
Broad money	CCPY, eop	10.7	11.7	15.0	14.8	12.8	12.4	13.4	12.3	13.7	12.2	11.5	12.1	11.4	9.0	8.5
Central bank policy rate (p.a.) <sup>4)</sup>	%, eop	7.3	6.5	6.2	5.5	5.0	4.7	4.5	4.5	4.5	4.1	4.0	4.0	4.0	4.0	4.0
Central bank policy rate (p.a.) <sup>4)5)</sup>	real, %, eop	-1.1	-4.6	-5.7	-4.8	-3.6	-3.2	-4.0	-4.7	-2.7	-4.8	-7.7	-7.8	-9.8	-8.2	-6.1
<b>BUDGET</b>																
General gov.budget balance, cum. <sup>6)</sup>	MKD mn	-4104	-4762	-5673	-6075	-5219	-5415	-6585	-7718	-8658	-10542	-652	-2395	-3713	.	.

1) In business entities with more than 10 persons employed.

2) Domestic producer prices.

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

4) Central bank bills (28-days).

5) Deflated with annual PPI.

6) Central government budget plus extra-budgetary funds.

Source: wiw Monthly Database incorporating national statistics.

MONTENEGRO: Selected monthly data on the economic situation 2010 to 2011

(updated end of June 2011)

		2010										2011				
		Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May
<b>PRODUCTION</b>																
Industry, total	real, CPPY	-8.4	8.5	15.7	39.4	16.1	27.2	55.2	37.1	48.4	45.6	2.0	8.4	-10.3	-20.0	-24.4
Industry, total	real, CCPY	-13.9	-9.1	-5.4	0.0	1.8	3.8	8.2	10.6	13.5	16.3	2.0	5.0	-0.4	-5.4	-8.9
Industry, total	real, 3MMA	-8.2	3.7	19.9	23.4	27.5	32.5	40.4	46.7	43.8	29.5	17.9	-0.4	-7.9	-17.9	.
<b>LABOUR</b>																
Employment total, registered <sup>1)</sup>	th. persons, avg	171.3	158.2	158.7	159.2	160.2	158.5	157.6	155.0	157.7	157.7	157.8	158.0	158.8	159.7	.
Employment in industry, registered	th. persons, avg	26.6	22.2	22.2	21.8	21.9	22.0	22.1	22.3	22.0	21.9	22.0	22.0	22.1	22.3	.
Unemployment, registered	th. persons, eop	33.1	33.2	32.4	31.3	31.1	30.6	31.0	31.9	32.2	31.1	32.8	33.1	32.7	32.2	.
Unemployment rate, registered	%, eop	16.2	17.3	16.9	16.4	16.3	16.2	16.5	16.8	17.0	16.5	17.2	17.3	17.1	16.8	.
Labour productivity, industry	CCPPY	4.1	14.1	21.1	30.2	33.7	36.9	42.6	45.6	49.3	52.4	27.8	29.4	21.8	10.2	.
Unit labour costs, exch.r. adj.(EUR)	CCPPY	5.3	-2.8	-7.3	-13.1	-15.4	-15.9	-18.5	-19.5	-21.0	-22.4	-4.6	-10.1	-8.1	2.9	.
<b>WAGES</b>																
Total economy, gross	EUR	693	693	727	706	696	752	717	711	716	768	772	754	722	705	.
Total economy, gross	real, CPPY	7.2	6.7	11.3	8.7	8.4	17.4	13.3	11.8	12.3	16.8	8.6	6.8	0.3	-1.9	.
Industry, gross	EUR	751	696	785	775	747	786	810	832	827	854	929	846	773	823	.
<b>PRICES</b>																
Consumer	PP	0.4	0.1	-0.1	-0.4	0.2	0.1	0.1	0.2	0.2	0.1	0.3	1.0	2.0	0.0	-0.1
Consumer	CCPY	0.7	0.4	0.3	0.2	1.0	-0.1	0.3	0.5	0.7	0.7	1.3	2.2	3.8	3.7	3.7
Consumer	CCPPY	0.6	0.5	0.5	0.4	0.5	0.4	0.4	0.4	0.5	0.5	1.1	1.5	2.3	2.6	4.5
Producer, in industry	PP	-0.5	1.5	3.8	-0.7	-0.9	0.3	0.2	-0.3	0.0	0.3	1.6	0.8	0.4	0.0	-0.2
Producer, in industry	CCPY	-4.6	-3.4	1.1	2.2	2.9	2.5	1.6	0.7	0.3	0.4	2.8	4.5	5.6	4.7	1.9
Producer, in industry	CCPPY	-5.7	-5.2	-3.9	-2.9	-2.1	-1.6	-1.2	-1.0	-0.9	-0.9	2.8	3.6	4.3	4.4	3.9
<b>FOREIGN TRADE</b>																
Exports total (fob), cumulated	EUR mn	56	82	118	142	172	201	231	259	288	330	37	69	111	147	180
Imports total (cif), cumulated	EUR mn	311	448	586	755	928	1083	1226	1365	1508	1657	85	203	353	499	657
Trade balance, cumulated	EUR mn	-255	-366	-468	-613	-756	-882	-995	-1106	-1221	-1327	-48	-134	-242	-352	-477
<b>FOREIGN FINANCE</b>																
Current account, cumulated	EUR mn	-243	.	.	-511	.	.	-501	.	.	-778	.	.	-188	.	.
<b>EXCHANGE RATE</b>																
EUR/USD, monthly average	nominal	0.737	0.746	0.796	0.819	0.783	0.776	0.765	0.720	0.732	0.756	0.749	0.733	0.714	0.692	0.697
EUR/EUR, calculated with CPI <sup>2)</sup>	real, Jan07=100	107.9	107.5	107.2	106.8	107.3	107.2	107.0	106.9	106.9	106.4	107.1	107.7	108.7	108.0	107.8
EUR/EUR, calculated with PPI <sup>2)</sup>	real, Jan07=100	107.0	107.8	111.4	110.2	109.1	110.2	110.0	109.5	108.9	108.2	108.8	108.9	108.4	107.5	106.3
USD/EUR, calculated with CPI <sup>2)</sup>	real, Jan07=100	103.7	104.9	111.7	114.6	109.8	108.6	107.2	100.9	102.8	106.2	104.8	103.2	101.6	97.8	97.9
USD/EUR, calculated with PPI <sup>2)</sup>	real, Jan07=100	97.5	99.6	110.1	113.3	107.0	105.9	104.7	97.2	98.3	100.9	100.1	97.1	93.3	88.8	88.4
<b>DOMESTIC FINANCE</b>																
Central bank policy rate (p.a.) <sup>3)</sup>	%, eop	9.5	9.5	9.5	9.5	9.6	9.6	9.6	9.6	9.6	9.6	9.6	9.6	9.7	9.7	9.7
Central bank policy rate (p.a.) <sup>3(4)</sup>	real, %, eop	14.7	13.3	8.3	7.2	6.5	6.9	7.9	8.8	9.2	9.2	6.6	4.9	3.9	4.8	7.6
<b>BUDGET</b>																
General gov.budget balance, cum.	EUR mn	-37	.	.	-12	.	.	0	.	.	146	.	.	-55	.	.

1) Excluding individual farmers.

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

3) Average weighted lending interest rate of commercial banks (Montenegro uses the euro as national currency).

4) Deflated with annual PPI.

Source: wiw Monthly Database incorporating national statistics.



## S E R B I A: Selected monthly data on the economic situation 2010 to 2011

(updated end of June 2011)

		2010										2011				
		Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May
<b>PRODUCTION</b>																
Industry, NACE Rev. 2 <sup>1)</sup>	real, CPPY	0.6	11.8	6.6	4.0	5.4	4.6	3.0	-3.4	-0.7	-1.4	3.8	5.8	7.1	0.7	.
Industry, NACE Rev. 2 <sup>1)</sup>	real, CCPPY	1.1	3.6	4.3	4.2	4.4	4.4	4.2	3.3	2.9	2.5	3.8	4.9	5.7	4.4	.
Industry, NACE Rev. 2 <sup>1)</sup>	real, 3MMA	4.2	6.1	7.3	5.3	4.7	4.3	1.2	-0.4	-1.8	0.3	2.4	5.7	4.5	.	.
<b>LABOUR</b>																
Employees total, registered	th. persons, avg	1362.0	1359.0	1358.0	1356.0	1353.0	1350.0	1348.0	1347.0	1346.0	1345.0	1344.0	1343.0	1344.0	.	.
Employees in industry, registered	th. persons, avg	387.0	384.0	381.0	380.0	380.0	377.0	375.0	374.0	373.0	372.0	.	.	.	.	.
Unemployment, registered	th. persons, eop	778.5	772.2	762.6	746.8	737.0	724.3	721.0	717.5	721.1	729.5	750.7	763.6	773.9	.	.
Unemployment rate, registered	%, eop	26.7	26.6	26.4	26.0	25.8	25.5	25.7	25.6	25.7	25.9	26.5	26.6	26.8	.	.
<b>WAGES</b>																
Total economy, gross	RSD	46457	48525	46454	47486	48394	47190	48016	47822	47877	54948	47382	49394	49633	54532	49064
Total economy, gross	real, CPPY	5.6	3.1	3.9	3.7	2.4	2.0	2.9	-0.2	-0.4	-2.6	2.3	-2.3	-6.6	-2.2	-7.3
Total economy, gross	EUR	466	488	460	459	462	448	455	450	447	517	451	477	480	538	499
Industry, gross	EUR	433	468	439	443	444	428	427	430	426	488	.	.	.	.	.
<b>PRICES</b>																
Consumer <sup>2)</sup>	PP	1.1	0.6	1.3	0.0	-0.2	1.7	1.1	1.1	1.7	0.7	1.4	1.5	2.6	1.1	0.4
Consumer <sup>2)</sup>	CPPY	4.4	4.1	3.8	3.7	4.4	6.3	7.2	8.6	9.6	10.5	11.2	12.6	14.1	14.7	13.4
Consumer <sup>2)</sup>	CCPPY	4.3	4.2	4.1	4.1	4.1	4.4	4.7	5.1	5.5	6.8	11.2	12.0	12.8	13.3	13.4
Producer, in industry	PP	2.7	1.9	0.8	1.2	0.2	1.5	1.4	0.5	1.3	1.2	2.5	2.3	1.9	2.5	-0.5
Producer, in industry	CPPY	12.2	13.2	12.5	11.5	12.1	12.5	14.7	15.5	15.5	16.7	17.5	18.9	18.0	18.7	17.2
Producer, in industry	CCPPY	11.1	11.6	11.8	11.8	11.8	11.9	12.2	12.6	12.8	12.7	17.5	18.2	18.2	18.3	18.1
<b>FOREIGN TRADE</b>																
Exports total (fob), cumulated	EUR mn	1468	2046	2661	3346	3990	4588	5272	5952	6662	7387	542	1192	1964	2687	.
Imports total (cif), cumulated	EUR mn	3101	4090	5051	6143	7026	8085	9255	10285	11468	12670	972	2035	3385	4543	.
Trade balance, cumulated	EUR mn	-1632	-2045	-2390	-2797	-3036	-3497	-3983	-4333	-4805	-5282	-430	-842	-1421	-1856	.
Exports to EU-27 (fob), cumulated	EUR mn	875	1191	1571	1942	2281	2621	3013	3406	3838	4231	342	873	1221	1626	.
Imports from EU-27 (cif), cumulated	EUR mn	1518	2100	2692	3277	3898	4510	5113	5757	6408	7061	469	1324	1801	2452	.
Trade balance with EU-27, cumulated	EUR mn	-642	-909	-1120	-1334	-1617	-1889	-2100	-2350	-2571	-2830	-127	-451	-580	-825	.
<b>FOREIGN FINANCE</b>																
Current account, cumulated	EUR mn	-760	-899	-1089	-1373	-1526	-1670	-1896	-1999	-2158	-2082	-273	-505	-844	-1028	.
<b>EXCHANGE RATE</b>																
RSD/EUR, monthly average	nominal	99.70	99.40	100.98	103.51	104.70	105.30	105.44	106.33	107.07	106.31	105.14	103.52	103.32	101.44	98.30
RSD/USD, monthly average	nominal	73.44	74.05	80.54	84.71	82.05	81.57	80.84	76.55	78.30	79.81	78.65	75.74	73.85	70.27	68.60
EUR/RSD, calculated with CPI <sup>3)</sup>	real, Jan07=100	96.7	97.2	96.8	94.4	93.4	94.2	94.9	94.8	95.6	96.4	99.2	101.8	103.5	106.0	109.7
EUR/RSD, calculated with PPI <sup>3)</sup>	real, Jan07=100	101.8	103.3	102.0	100.4	99.3	100.9	101.9	101.3	101.4	102.4	105.0	108.3	109.6	113.6	115.4
USD/RSD, calculated with CPI <sup>3)</sup>	real, Jan07=100	101.5	101.0	94.0	89.5	92.2	94.1	95.9	102.3	101.7	100.3	102.7	107.7	112.3	118.5	121.3
USD/RSD, calculated with PPI <sup>3)</sup>	real, Jan07=100	101.2	101.7	94.0	91.1	94.0	95.6	97.8	102.8	101.2	99.5	102.1	106.6	109.4	115.8	117.0
<b>DOMESTIC FINANCE</b>																
Currency outside banks	RSD bn, eop	85.9	89.4	84.9	87.7	93.1	87.8	89.8	95.0	85.2	91.8	78.7	81.0	81.3	86.3	.
M1	RSD bn, eop	224.9	229.4	232.8	234.0	240.6	238.3	242.9	248.9	236.5	253.3	223.9	228.8	230.0	233.0	.
Broad money <sup>4)</sup>	RSD bn, eop	1217.8	1226.5	1278.8	1296.2	1331.4	1288.9	1306.0	1330.2	1361.9	1360.8	1324.0	1308.8	1315.6	1287.2	.
Broad money <sup>4)</sup>	CPPY, eop	19.9	18.2	22.7	22.1	24.9	19.2	20.1	21.0	17.9	12.9	9.5	7.6	8.0	5.0	.
Central bank policy rate (p.a.) <sup>5)</sup>	%, eop	9.0	8.5	8.0	8.0	8.5	9.0	9.5	10.5	11.5	11.5	12.0	12.0	12.3	12.5	.
Central bank policy rate (p.a.) <sup>5)6)</sup>	real, %, eop	-2.8	-4.1	-4.0	-3.2	-3.2	-3.1	-4.5	-4.3	-3.4	-4.5	-4.7	-5.8	-4.9	-5.2	.
<b>BUDGET</b>																
Central gov.budget balance, cum.	RSD mn	-20598	-30806	-40938	-48559	-56549	-59303	-71284	-85966	-82811	-100249	-1188	-18849	-27836	-44997	-49507

1) Enterprises with more than 50 employees.

2) From 2011 according to COICOP classification.

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

4) Excluding frozen foreign currency savings deposits of households.

5) Two-week repo rate.

6) Deflated with annual PPI.

Source: wiw Monthly Database incorporating national statistics.

R U S S I A: Selected monthly data on the economic situation 2010 to 2011

(updated end of June 2011)

		2010										2011				
		Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May
<b>PRODUCTION</b>																
Industry, total	real, CPPY	9.8	10.4	12.6	9.8	6.0	7.1	6.3	6.7	6.8	6.5	6.9	6.0	5.4	4.7	4.2
Industry, total	real, CAPPY	9.5	9.7	10.3	10.2	9.6	9.2	8.9	8.7	8.5	8.3	6.9	6.4	6.1	5.7	5.4
Industry, total	real, 3MMA	9.5	10.9	10.9	9.4	7.6	6.5	6.7	6.6	6.7	6.7	6.5	6.1	5.3	4.8	.
Construction, total	real, CPPY	-8.2	-5.5	-5.0	-0.3	-5.6	0.0	2.0	2.9	-1.0	11.6	-1.1	0.4	4.2	-1.9	1.9
Construction, total	real, CAPPY	-11.5	-9.8	-8.8	-7.3	-7.0	-6.2	-5.3	-4.4	-4.1	-2.3	-1.1	-0.4	1.3	0.3	0.7
<b>LABOUR</b>																
Employed persons, LFS	th. pers., avg	68228	68851	70244	71006	70862	71236	71100	70481	70243	69621	69118	69550	69613	69721	71011
Employed persons, LFS	CCPPY	0.4	.	.	0.6	.	.	0.8	.	.	0.9	2.0	2.1	2.1	1.9	1.7
Unemployed persons, LFS	th. pers., avg	6418	6140	5553	5206	5357	5248	5032	5111	5014	5392	5815	5685	5352	5411	4855
Unemployment rate, LFS	%, avg	8.6	8.2	7.3	6.8	7.0	6.9	6.6	6.8	6.7	7.2	7.8	7.6	7.1	7.2	6.4
<b>WAGES</b>																
Total economy, gross	RUB	20589	20358	20279	21795	21325	20753	20999	20970	21486	28027	20669	20680	22673	22519	22520
Total economy, gross	real, CPPY	6.7	6.6	6.3	7.1	7.1	6.6	4.2	3.7	4.0	8.7	0.1	-0.2	1.1	1.4	1.8
Total economy, gross	EUR	513	519	529	572	546	529	524	498	507	687	512	517	570	555	562
Industry, gross <sup>1)</sup>	EUR	456	474	479	501	505	493	485	470	470	556	469	474	519	517	.
<b>PRICES</b>																
Consumer	PP	0.6	0.3	0.5	0.4	0.4	0.6	0.8	0.5	0.3	1.0	2.4	0.8	0.6	0.4	0.5
Consumer	CPPY	6.5	6.0	6.4	6.1	5.9	6.6	7.4	8.0	8.0	8.6	9.5	9.4	9.4	9.5	9.0
Consumer	CAPPY	7.2	6.9	6.8	6.7	6.6	6.6	6.7	6.8	6.9	7.1	9.5	9.4	9.4	9.4	9.3
Producer, in industry	PP	1.8	3.2	2.7	-3.1	0.6	3.3	-1.3	2.2	4.4	1.0	2.1	3.3	1.3	2.0	1.2
Producer, in industry	CPPY	11.9	12.8	15.2	9.2	7.9	10.0	7.3	10.7	16.1	16.7	20.5	22.0	21.4	20.0	18.2
Producer, in industry	CAPPY	13.8	13.6	13.9	13.1	12.3	12.0	11.4	11.4	11.8	12.2	20.5	21.2	21.3	21.0	20.4
<b>FOREIGN TRADE</b>																
Exports total, cumulated	EUR mn	66808	91737	116977	143355	167820	192441	218298	243025	268540	300566	23200	51746	82497	113891	.
Imports total, cumulated	EUR mn	29696	42964	57287	72257	87412	104571	121349	137787	154613	173884	11021	26037	44467	62344	.
Trade balance, cumulated	EUR mn	37112	48773	59690	71098	80408	87871	96949	105238	113926	126682	12179	25710	38030	51547	.
<b>FOREIGN FINANCE</b>																
Current account, cumulated	EUR mn	24587	.	.	38732	.	.	43148	.	.	53521	.	.	23250	.	.
<b>EXCHANGE RATE</b>																
RUB/EUR, monthly average	nominal	40.131	39.227	38.345	38.115	39.090	39.220	40.109	42.101	42.405	40.789	40.352	39.970	39.770	40.560	40.100
RUB/USD, monthly average	nominal	29.565	29.198	30.358	31.169	30.687	30.344	30.836	30.321	30.968	30.854	30.085	29.290	28.430	28.100	27.870
EUR/RUB, calculated with CPI <sup>2)</sup>	real, Jan07=100	111.1	113.6	116.6	117.7	115.5	115.6	113.7	108.5	107.9	112.6	117.0	118.5	118.5	116.0	117.8
EUR/RUB, calculated with PPI <sup>2)</sup>	real, Jan07=100	107.9	113.0	118.2	114.8	112.5	116.7	112.2	109.1	112.4	117.0	119.4	123.7	124.8	123.9	125.5
USD/RUB, calculated with CPI <sup>2)</sup>	real, Jan07=100	116.3	117.9	113.9	111.4	113.7	115.4	114.3	116.8	114.7	116.0	121.2	125.0	128.3	129.4	130.4
USD/RUB, calculated with PPI <sup>2)</sup>	real, Jan07=100	107.0	111.2	109.6	104.1	106.1	110.4	107.2	110.4	112.2	112.6	116.3	121.4	124.3	126.0	127.4
<b>DOMESTIC FINANCE</b>																
Currency outside banks	RUB bn, eop	3986.1	4181.0	4240.3	4367.7	4467.3	4477.8	4524.5	4590.0	4621.5	5062.7	4826.4	4892.6	4916.4	5069.3	.
M1	RUB bn, eop	8291.2	8471.9	8716.6	9006.5	9021.1	9195.0	9400.1	9429.2	9679.7	10825.3	10353.5	10491.6	10434.5	10449.9	.
M2	RUB bn, eop	19309.7	19709.1	20104.8	20557.1	20770.0	20992.1	21318.6	21516.9	22117.7	23791.2	23148.9	23502.0	23639.3	23735.4	.
M2	CPPY, eop	22.1	24.2	25.0	24.0	24.1	24.1	25.4	25.6	25.2	24.6	23.0	23.1	22.4	20.4	.
Central bank policy rate (p.a.) <sup>3)</sup>	%, eop	8.3	8.0	8.0	7.8	7.8	7.8	7.8	7.8	7.8	7.8	7.8	8.0	8.0	8.0	8.3
Central bank policy rate (p.a.) <sup>3(4)</sup>	real, %, eop	-3.3	-4.3	-6.2	-1.3	-0.1	-2.1	0.4	-2.6	-7.2	-7.7	-10.6	-11.5	-11.0	-10.0	-8.4
<b>BUDGET</b>																
Central gov. budget balance, cum.	RUB bn	-244.6	-412.2	-463.3	-388.3	-512.8	-623.2	-692.6	-759.9	-891.6	-1811.8	-147.5	-78.5	-178.1	.	.

1) Manufacturing industry only (D according to NACE Rev. 1).

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

3) Refinancing rate.

4) Deflated with annual PPI.

Source: wiw Monthly Database incorporating national statistics.

## UKRAINE: Selected monthly data on the economic situation 2010 to 2011

(updated end of June 2011)

		2010										2011				
		Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May
<b>PRODUCTION</b>																
Industry, total	real, CPPY	14.4	17.6	13.0	9.4	6.8	9.8	10.5	10.6	10.6	13.3	9.6	11.8	8.2	4.9	8.5
Industry, total	real, CCPY	11.2	12.8	12.9	12.3	11.4	11.2	11.1	11.1	11.0	11.2	9.6	10.7	9.8	8.5	8.5
Industry, total	real, 3MMA	12.8	15.0	13.3	9.7	8.6	9.0	10.3	10.6	11.5	11.2	11.6	9.8	8.1	7.2	.
Construction, total	real, CCPY	-21.4	-21.2	-20.0	-19.3	-16.7	-14.0	-12.6	-9.0	-8.2	-5.4	6.1	6.1	6.8	11.6	13.2
<b>LABOUR</b>																
Employees total, registered <sup>1)</sup>	th. persons, avg	10738	10724	10693	10694	10685	10657	10713	10718	10673	10578	10548	10543	10546	10565	10540
Employees in industry, registered <sup>1)</sup>	th. persons, avg	2847	2834	2825	2827	2827	2825	2828	2841	2836	2818	2801	2807	2814	2812	2800
Unemployment, registered	th. persons, eop	505	455	419	399	397	396	408	401	450	545	586	617	614	580	549
Unemployment rate, registered	%, eop	1.8	1.6	1.5	1.4	1.4	1.4	1.5	1.4	1.6	2.0	2.1	2.2	2.2	2.1	2.0
Labour productivity, industry <sup>1)</sup>	CCPY	15.1	16.3	15.9	14.8	13.6	13.0	12.6	12.2	11.8	11.8	11.5	12.4	11.3	9.9	9.8
Unit labour costs, exch.r. adj.(EUR) <sup>1)</sup>	CCPY	-6.0	-5.3	-2.1	1.5	4.5	6.7	9.0	10.3	11.6	13.4	20.5	15.2	13.5	11.5	8.5
<b>WAGES <sup>1)</sup></b>																
Total economy, gross	UAH	2109	2107	2201	2373	2367	2280	2349	2322	2353	2629	2297	2338	2531	2533	2573
Total economy, gross	real, CCPY	4.5	4.1	9.6	12.1	10.4	9.7	8.2	8.2	10.2	7.9	10.8	11.6	11.4	9.9	5.3
Total economy, gross	EUR	195	198	220	245	235	224	228	211	217	250	216	216	228	221	224
Industry, gross	EUR	232	234	250	266	267	260	264	248	253	285	259	254	279	261	266
<b>PRICES</b>																
Consumer	PP	0.9	-0.3	-0.6	-0.4	-0.2	1.2	2.9	0.5	0.3	0.8	1.0	0.9	1.4	1.3	0.8
Consumer	CCPY	11.0	9.7	8.5	6.9	6.8	8.3	10.5	10.1	9.2	9.1	8.2	7.2	7.7	9.4	11.0
Consumer	CCPPY	11.2	10.8	10.3	9.8	9.3	9.2	9.3	9.4	9.4	9.4	8.2	7.7	7.7	8.1	8.7
Producer, in industry	PP	3.0	3.0	4.4	-0.5	-0.2	0.9	0.1	2.4	-0.3	0.9	1.3	4.8	2.1	3.4	2.6
Producer, in industry	CCPY	18.6	21.7	28.0	25.6	24.4	23.3	19.2	19.8	18.9	18.8	18.1	21.5	20.4	20.9	18.8
Producer, in industry	CCPPY	17.2	18.3	20.2	21.1	21.6	21.8	21.5	21.3	21.1	20.9	18.1	19.8	20.0	20.2	19.9
<b>FOREIGN TRADE</b>																
Exports total (fob), cumulated	EUR mn	7459	10581	13871	17354	20661	23950	27542	30971	34744	38744	3459	6936	11253	15138	.
Imports total (cif), cumulated	EUR mn	8446	11865	15339	19140	23154	27341	31677	36168	40758	45781	3771	8476	13546	17900	.
Trade balance, cumulated	EUR mn	-987	-1284	-1468	-1785	-2493	-3392	-4135	-5198	-6014	-7037	-312	-1541	-2293	-2762	.
<b>FOREIGN FINANCE</b>																
Current account, cumulated	EUR mn	41	.	.	415	.	.	-409	.	.	-2173	.	.	-581	.	.
<b>EXCHANGE RATE</b>																
UAH/EUR, monthly average	nominal	10.822	10.634	10.000	9.668	10.057	10.180	10.293	10.994	10.867	10.497	10.615	10.839	11.093	11.487	11.476
UAH/USD, monthly average	nominal	7.967	7.926	7.926	7.916	7.902	7.890	7.910	7.910	7.928	7.956	7.950	7.941	7.944	7.965	7.975
EUR/UAH, calculated with CPI <sup>2)</sup>	real, Jan07=100	93.6	94.6	99.8	102.8	98.9	98.7	100.1	93.9	95.2	98.7	99.0	97.3	95.4	92.8	93.5
EUR/UAH, calculated with PPI <sup>2)</sup>	real, Jan07=100	103.7	107.8	119.2	122.2	117.1	117.6	116.0	111.0	111.4	115.2	114.2	116.4	115.1	114.1	116.0
USD/UAH, calculated with CPI <sup>2)</sup>	real, Jan07=100	98.1	98.1	97.4	97.2	97.2	98.3	100.8	101.2	101.3	101.5	102.1	102.7	103.1	103.4	103.6
USD/UAH, calculated with PPI <sup>2)</sup>	real, Jan07=100	102.9	105.9	110.4	110.7	110.4	111.1	110.9	112.5	111.3	110.7	110.8	114.3	114.5	116.0	117.8
<b>DOMESTIC FINANCE</b>																
Currency outside banks	UAH bn, eop	155.1	159.9	162.1	168.3	175.1	175.1	174.8	175.2	173.3	183.0	176.2	177.6	179.5	185.2	184.7
M1	UAH bn, eop	235.5	242.8	249.2	259.5	269.3	271.3	275.4	277.7	276.4	289.9	286.7	286.7	296.9	305.1	300.6
Broad money	UAH bn, eop	494.2	510.8	521.4	533.5	550.9	556.2	568.8	576.0	574.1	597.9	601.2	605.2	621.4	638.4	636.2
Broad money	CCPY, eop	6.6	9.8	11.3	12.9	16.8	18.1	21.2	23.0	22.0	22.7	25.3	26.0	25.7	25.0	22.0
Central bank policy rate (p.a.) <sup>3)</sup>	%, eop	10.3	10.3	10.3	9.5	8.5	7.8	7.8	7.8	7.8	7.8	7.8	7.8	7.8	7.8	7.8
Central bank policy rate (p.a.) <sup>3,4)</sup>	real, %, eop	-7.1	-9.4	-13.8	-12.8	-12.8	-12.6	-9.6	-10.0	-9.4	-9.3	-8.8	-11.3	-10.5	-10.9	-9.3
<b>BUDGET</b>																
General gov.budget balance, cum.	UAH mn	-4367	-1820	-11505	-24979	-25273	-39374	-47454	-51400	-46662	-64836	909	5025	-712	-2916	.

1) Excluding small firms.

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

3) Discount rate.

4) Deflated with annual PPI.

Source: wiw Monthly Database incorporating national statistics.



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