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The Vienna Institute for International Economic Studies

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Contents

Russia in the global financial storm

BY PETER HAVLIK

Despite strong economic fundamentals, the Russian stock market has been hit exceptionally hard by the global financial crisis. The overall RTS index dropped from the peak of 2488 points reached in May 2008 to below 600 points by the end of October. The stock market capitalization fell by about USD 1000 billion in the same period. Only in September did the net private capital outflows reach USD 25 billion, followed by another USD 35 billion in October (net capital inflows exceeded USD 80 billion during 2007). The stocks of a number of Russian blue chip companies (such as Gazprom, Rosneft, Lukoil, Sberbank, Norilsk Nickel) were hit particularly hard, largely reflecting an overreaction by investors, although some fundamental factors might have played a role given the recent decline in the world prices for oil and metals and a high exposure to short term foreign debts.

The adverse external shocks that triggered these events may have been magnified by domestic political factors (Mechel and TNK-BP affairs, the war in Georgia). However, the shallowness and relative immaturity of the domestic financial market should keep repercussions on the real economy to a minimum. The current developments probably reflect more of a temporary overreaction of the market participants, rather than a sharp deterioration in the domestic investment climate and worsened prospect for longer-term economic growth (the stock market rose dramatically by more than 30% early November).

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Potentially more serious than the poor and volatile performance of the stock market – especially as far as the repercussions on the real economy are concerned – is the tightening of credit conditions. There is no doubt that several large Russian companies (such as Oleg Deripaska's Basic Element) and especially smaller Russian banks have been facing difficulties in servicing and refinancing their outstanding foreign debts. The lack of domestic and especially long-term credit financing – a result of previous restrictive monetary policies and high domestic interest rates – motivated Russian companies, even those owned or controlled by the state, to seek external credit. The private foreign corporate debt reached USD 488 billion at the end of June 2008 (an increase by USD 52 billion only in the second quarter of the year; the public external debt was almost fully repaid in the meantime), almost matching the foreign exchange reserves of the Central Bank. At the end of 2008 the estimated debt service of the Russian coporate sector is set to be USD 40 billion (in 2009 USD 80 billion) – amounts which could be easily mobilized in 'normal' conditions (by the government acting as a lender of last resort), despite marked credit tightening.

The government has adopted several rescue packages in order to improve the liquidity of the banking sector and to restore confidence. The Central Bank released USD 50 billion from its reserves (amounting to close to USD 500 billion as of the end of October) in order to provide additional liquidity. New credit will be provided to the banking sector without the necessity of collateral and with a maturity of up to 6 months via the state-owned Vneshekonombank (VEB). In addition, the VEB will provide credit for refinancing short-term foreign debt, acquiring shares of these companies as collateral (e.g. Mr. Deripaska's Basic Element). The guarantee on private deposits was raised to RUB 700,000 (EUR 20,000). Altogether, more than USD 200 billion of state assistance was earmarked for improving the liquidity of the financial sector. Critics point to the usual dangers of misappropriation and corruption, expecting that mainly big (or well connected) banks will disproportionately gain from this scheme and questioning whether the money will reach the companies facing the liquidity squeeze. It can be expected that a number of small and medium-sized banks will eventually collapse, the banking sector will be streamlined and the state will increase its influence on companies which seek financial help from them.

At the same time, Russian economic fundamentals remain fairly strong: the economic growth reached nearly 8% in the first three quarters of 2008, fixed investments grew by 13% and the real money incomes by 8%. Export revenues grew by 52% (imports by 42%, both in USD terms) during January-September 2008 and both trade and current account surpluses increased as well (the latter exceeded USD 90 billion in the first three quarters of 2008). Nevertheless, inflation remains high (more than 15% year-on-year in September) and may even accelerate as a consequence of the recent government rescue measures and the depreciation of the rouble. Perhaps more than the present financial crisis, the global price of oil represents a crucial variable for Russia in the short, medium and long term. After the recent price spike (oil prices were 70% higher on average in the first three quarters of 2008 compared to previous year period), a drop in prices is already seen to be taking place – although they are unlikely to drop below USD 50-70 per barrel (which is the same as on average during 2006-2007). This should not cause any major problems for Russia, although some ambitious future spending and investment plans will have to be scaled down and government revenue will fall markedly following lower export duties on oil. The rouble is already under pressure and the Central Bank was forced to intervene in order to support the exchange rate. The recent construction boom will slow down as well (the signs of this are already visible, especially regarding residential construction). Considering such circumstances, the expected GDP slowdown (forecast by wiiw in advance of the current financial turmoil) is now certain to occur (and will be probably even more pronounced than earlier expectations). Current wiiw forecasts of GDP growth are now in the range of 7% for 2008 and close to 5-6% expected in 2009 at best, with acceleration possible in 2010. Both investment and consumption will expand by 8-10% in 2009. This is less than the past couple of years, yet still represents a respectable growth. Owing to the still limited role of credit in the financing of both consumption and investments (the latter are still largely either self-financed or by the government) any effect of the financial crisis should be relatively modest and short-lived. The domestic financial market may stabilize and even recover fairly soon, yet the investment conditions (including financing and the climate for investments in general) will remain difficult. The major challenges for the Russian economy – institutional developments and economic diversification and modernization – remain the same as before.

Table RU

Russia: Selected Economic Indicators

	2004	2005	2006	2007 1)	2007	2008	2008	2009	2010
					January-June			Forecast	
Population, th pers., end of period 2)	143474	142754	142221	142009	142000	141900	141000	140500	140000
Gross domestic product, RUB bn, nom.	17048.1	21625.4	26879.8	32987.4	14497.0	19112.8	40500	43000	49000
annual change in % (real)	7.2	6.4	7.4	8.1	7.8	8.0	7.0	5.8	6.3
GDP/capita (EUR at exchange rate)	3310	4285	5530	6629	.	.	.	.	.
GDP/capita (EUR at PPP - wiiw)	9170	10030	11070	12330	.	.	.	.	.
Gross industrial production									
annual change in % (real)	8.0	5.1	6.3	6.3	7.1	5.8	5	4.5	6
Gross agricultural production									
annual change in % (real)	3.0	2.3	3.6	3.3	4.0	4.3	.	.	.
Construction output total									
annual change in % (real)	10.1	10.5	18.1	18.2	19.9	22.4	.	.	.
Consumption of households, RUB bn, nom.	8405.6	10590.0	12880.9	15815.5	7131.2	9091.7	.	.	.
annual change in % (real)	12.1	11.8	11.2	12.8	12.6	13.2	12.8	7.8	13.6
Gross fixed capital form., RUB bn, nom.	3130.5	3836.9	4968.4	6951.1	2505.1	3450.4	.	.	.
annual change in % (real)	12.6	10.6	17.7	20.8	22.9	16.2	16	10	14.5
LFS - employed persons, th, avg.	67275	68169	68855	70573	69977	70679	70300	70500	70600
annual change in %	.	1.3	1.0	2.5	2.7	1.0	.	.	.
Reg. employment in industry, th pers., avg.	14775	14469	14325	14320	.	.	.	.	.
annual change in %	-1.1	-2.1	-1.0	0.0	.	.	.	.	.
LFS - unemployed, th pers., average	5674.8	5262.8	5312.0	4585.0	4889.8	4638.0	.	.	.
LFS - unemployment rate in %, average	7.8	7.2	7.2	6.1	6.5	6.1	5.8	5.5	5.5
Reg. unemployment rate in %, end of period	2.6	2.5	2.3	2.1	2.0	1.8	.	.	.
Average gross monthly wages, RUB	6739.5	8554.9	10633.9	13527.4	12438.0	16198.8	.	.	.
annual change in % (real, gross)	10.6	12.6	13.3	16.2	17.4	12.9	.	.	.
Consumer prices, % p.a.	11.0	12.5	9.7	9.1	7.8	13.9	15	15	10
Producer prices in industry, % p.a.	24.0	20.7	12.4	14.1	10.9	26.1	20	18	15
General governm.budget, nat.def., % GDP									
Revenues	31.9	39.7	39.5	40.5	40.1	39.5	43	.	.
Expenditures	27.4	31.5	31.2	34.5	29.8	28.9	37	.	.
Deficit (-) / surplus (+), % GDP	4.5	8.1	8.4	6.0	10.3	10.6	6	.	.
Public debt, nat.def., in % of GDP 3)	21.6	14.9	8.9	7.2	.	.	.	.	.
Refinancing rate of NB % p.a., end of per.	13	12	11	10	10	10.8	11	.	.
Current account, EUR mn 4)	47867	67703	75198	55703	27689	41634	70000	10000	0
Current account in % of GDP	10.1	11.0	9.5	5.9	6.6	8.0	6.3	0.9	0.0
Gross reserves of NB, excl. gold, EUR mn	88663	148094	224306	318244	295530	352422	350000	.	.
Gross external debt, EUR mn	156689	216553	235714	316620	291441	335007	.	.	.
Gross external debt in % of GDP	34.8	34.2	30.4	34.5	.	.	.	.	.
FDI inflow, EUR mn 4)	12422	10336	23675	40237	22295	28490	30000	.	.
FDI outflow, EUR mn 4)	11085	10240	18454	33547	20830	21091	30000	.	.
Exports of goods, BOP, EUR mn 4)	147358	195545	241960	258930	116946	155219	300000	275000	285000
annual growth rate in %	22.5	32.7	23.7	7.0	-0.2	32.7	16	-8	4
Imports of goods, BOP, EUR mn 4)	78327	100608	130948	163282	71884	88569	200000	230000	255000
annual growth rate in %	16.4	28.4	30.2	24.7	26.7	23.2	22	15	11
Exports of services, BOP, EUR mn 4)	16564	20029	24791	28798	12825	15474	30000	32000	35000
annual growth rate in %	15.4	20.9	23.8	16.2	16.0	20.7	4	7	9
Imports of services, BOP, EUR mn 4)	26774	31173	35741	43244	18699	22737	50000	55000	60000
annual growth rate in %	11.6	16.4	14.7	21.0	20.9	21.6	16	10	9
Average exchange rate RUB/USD	28.81	28.28	27.19	25.58	26.09	23.95	24.4	25	26
Average exchange rate RUB/EUR (ECU)	35.81	35.26	34.11	35.01	34.67	36.61	36.6	37	38
Purchasing power parity RUB/USD, wiiw 5)	11.03	12.74	14.29	15.79	.	.	.	.	.
Purchasing power parity RUB/EUR, wiiw 5)	12.92	15.06	17.04	18.83	.	.	.	.	.

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

1) Preliminary . - 2) Resident population. - 3) wiiw estimate. - 4) Converted from USD at average official cross exchange rate. - 5) wiiw estimates based on the 2005 International Comparison Project benchmark.

Source: wiiw Database incorporating national statistics; wiiw forecasts.

Ukraine: 'hard landing' in sight

BY VASILY ASTROV

Until September 2008, Ukraine's economy had proven generally resilient to the ongoing global financial crisis, although the stock market had fallen sharply (since mid-March, the PFTS index has plunged by nearly 80%), credit expansion had slowed down somewhat (to 54% year-on-year in September from 78% in January, mainly at the expense of household lending), and the construction sector had been stagnating. Overall economic growth however proved robust (6.9% in January-September), helped by the record grain harvest, and a continued boom in private consumption: the retail trade turnover was up by 25.1% in real terms.

However, in October, the situation changed rapidly for the worse, representing a combined effect of the global liquidity crunch, the steeply falling steel prices, and renewed political crisis. The impact of the liquidity crunch is not surprising given that Ukraine has been heavily borrowing in international capital markets to finance its increasingly domestically-driven growth – and relies heavily on access to new credit in order to finance existing debts. By mid-2008, the gross external debt – largely within the corporate and banking sectors – reached USD 100.1 billion (corresponding to 66% of last year's GDP), of which some USD 9 billion is reportedly due to be repaid in the fourth quarter of 2008 and another USD 20 billion is due next year. Restricted access to new external finance has put the country's corporate and banking sector under severe pressure and contributed – along with the shareholder dispute over Prominvestbank, one of the country's top ten banks – to a run on the banks.[1] In the first two weeks of October alone, households withdrew some UAH 6.2 billion of private deposits before the National Bank reacted with a set of measures, including providing extra liquidity to banks, lowering minimum reserve requirements, imposing a moratorium on the premature withdrawal of term deposits, and forbidding banks to extend further loans (the latter two measures were revoked later on).

Ukraine's current problems are aggravated by the 65% drop (since July 2008) in the global price of steel – the country's main export commodity. Steel prices have been falling amidst fears of a global recession and also due to the fact that both the construction and the car industries – two important consumers of steel – appear to be hit particularly hard by the current crisis. In response to the falling prices, metal production in Ukraine decreased by 8.6% in August (year-on-year) and another 17% in September (steel output fell in September by as much as 30%), causing industry as a whole to drop in September by 4.5%. (Another reason was a 22.3% decline in oil processing, owing to the globally falling oil prices). In the period January-September, industrial output still increased by a healthy 5.1% (year-on-year), but the growth has been slowing down. To improve the financial situation of steel producers, the government granted a 9-10% discount on the railway transportation tariffs for coke and iron ore, but the measure appears not to have been substantial enough to make a major impact. Anecdotal evidence from the biggest steel mills suggests significant further cuts in production, likely to be followed by large-scale redundancies (wage cuts are already widely reported).

The exchange rate has been under pressure too, with the official corridor (re-aligned from 4.85 to 4.95 UAH/USD and widened from ± 4% to ± 8% around the central parity in response to the first signs of turmoil) becoming increasingly meaningless, as the National Bank was initially reluctant to intervene. Subsequently however, it spent USD 4.1 billion of foreign exchange reserves to support the hryvnia, which by the end of October had depreciated by over 20% in the interbank market, to around 6 UAH/USD. (The marked strengthening of the US dollar in the world financial markets is certainly a factor.) In another move, the National Bank imposed a maximum 5% deviation between the buy and sell rates for foreign currency trading, while the regulation of the interbank foreign exchange market was tightened as well.

In an attempt to alleviate the mounting problems, the government reached a deal with the IMF on a

[1] Subsequently, the insolvent Prominvestbank was put under temporary administration of the National Bank and was taken over later on.

USD 16.4 billion 'stand-by' two-year loan. Although the IMF rescue package has restored some confidence in the country's financial markets, its impact in the medium run seems questionable. In particular, the IMF conditionalities approved by the Rada (Ukraine's parliament) require a deficit-free budget for 2009 and a freeze of public wages and social expenditures in real terms in 2009-2010, which will inevitably undermine consumer demand further in an economy already heading towards recession.[2] (Instead, the initial budget draft for 2009 envisaged a 35% increase in public wages and a 20% increase in pensions.) Meanwhile, public finances are the least of Ukraine's problems. The country had nearly balanced budgets in both 2006 and 2007, and this year the budget deficit should not exceed 1.5% of GDP either – not least due to the high inflation, which inflated the government tax collection. Public debt as a share of GDP (12.5% at the end of 2007) and public foreign debt as a share of total foreign debt (14.9% in mid-2008) are both very modest by international standards, and the forthcoming due service of public external debt (USD 2.5 billion before the end of 2009) is only a fraction of total payments due (an estimated USD 35-40 billion). Finally, although the National Bank's forex reserves (USD 31.9 billion at the end of October) and the IMF loan combined seem more than sufficient to finance the existing external debt obligations, new substantial borrowing will likely be required in the forthcoming months to finance the high – and increasing – current account deficit (in January-September, the latter reached USD 8.4 billion, or 5.8% of GDP, according to the National Bank's preliminary estimations). Should this new borrowing turn out to be problematic, a sustained devaluation of the hryvnia might follow, putting the holders of foreign-currency-denominated liabilities (51% of total outstanding loans) under pressure.

In any case, a steep decline in economic growth seems unavoidable at this point. The impact on investments should be particularly pronounced, as some big metal producers have frozen their investment programs, and foreign investors (such as Austria's Voestalpine) have announced the postponement of their plans to enter the country. Private consumption should suffer less, although restricted access to consumer credit, falling wages and (potentially) rising unemployment cannot but exert their influence. Both exports and imports should decelerate sharply (due to the prediction that global steel prices will remain low and the low price of imported oil) and the price for the (largely) imported natural gas will almost certainly go up next year. The related domestic gas tariff increases for households should remain the main inflationary factor in an otherwise increasingly deflationary environment.[3]

The current economic meltdown is aggravated by the persistent political stalemate following the collapse of a government coalition between the parties of President Yushchenko (OUPS) and Prime Minister Tymoshenko (BYuT) in September, after BYuT joined votes with the pro-Russian opposition to undermine the presidential powers and after Ms Tymoshenko adopted a more Russia-friendly stance on a number of issues.[4] Although her popular rating has suffered somewhat as a result, the biggest losses in the early parliamentary elections – which will take place in the next few months according to presidential decree and providing the parliament allocates budgetary money for the elections – are likely to be suffered by Mr Yushchenko himself, who continues to lose influential political allies.

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2 Among other – arguably less controversial – bills enacted by the Rada in line with the IMF requirements are the creation of a mechanism of banks' recapitalization and of the so-called 'stabilization fund' for this purpose (the latter is to be fed from privatization receipts and public borrowing – both hardly feasible in the current circumstances), the tightening of bank supervision, the tripling of the maximum deposit insurance coverage to UAH 150,000 (some USD 25,000 at the current exchange rate), and the elimination of a number of VAT benefits for agricultural producers.

3 Gas tariffs for households were raised by 14% on 1 September and will rise by another 35%, to UAH 480 (some USD 80) per thousand cubic metres on 1 December 2008.

4 These included Ms Tymoshenko's reluctance to adopt an anti-Russian parliament resolution on the Russian-Georgian war, her resistance to reverse the Odessa-Brody oil pipeline (which is currently pumping Russian oil towards the Black Sea) in order for it to ship Caspian oil to Poland, and her party's support of the bill de facto providing the Russian language official status.

Table UA

Ukraine: Selected Economic Indicators

	2004	2005	2006	2007 [1]	2007	2008	2008	2009	2010
					January-June			Forecast	
Population, th pers., end of period	47280.8	46929.5	46646.0	46372.7	46490.8	46222.0	46000	45800	45600
Gross domestic product, UAH mn, nom.	345113	441452	544153	712945	302764	419105	925200	1060000	1195200
annual change in % (real)	12.1	2.7	7.3	7.6	9.0	6.5	5.5	0.5	2.5
GDP/capita (EUR at exchange rate)	1100	1467	1836	2216	.	.	.	.	.
GDP/capita (EUR at PPP - wiiw)	4460	4720	5220	5800	.	.	.	.	.
Gross industrial production									
annual change in % (real)	12.5	3.1	6.2	10.2	11.8	7.5	3.5	-0.5	4
Gross agricultural production									
annual change in % (real)	19.7	0.1	2.5	-6.5	6.3	-0.3	.	.	.
Construction output total									
annual change in % (real)	17.2	-6.6	9.9	15.6	14.4	-1.1	.	.	.
Consumption of households, UAH mn, nom.	180956	252624	319383	422837	184763	264251	.	.	.
annual change in % (real)	13.5	16.6	15.9	17.1	18.0	17.4	14	5	10
Gross fixed capital form., UAH mn, nom.	77820	96965	133874	195179	77698	107723	.	.	.
annual change in % (real)	20.5	3.9	21.2	24.8	25.8	9.9	5	-5	10
LFS - employed persons, th, avg.	20295.7	20680.0	20730.4	20904.7	20828.5	21070.4	.	.	.
annual change in %	0.7	1.9	0.2	0.8	0.4	1.2	.	.	.
Reg. employees in industry, th pers., avg. [2]	3408.3	3415.8	3361.9	3287.0	3290.8	3231.2	.	.	.
annual change in %	-0.2	0.2	-1.6	-2.2	-2.3	-1.8	.	.	.
LFS - unemployed, th pers., average	1906.7	1600.8	1515.0	1417.6	1467.8	1401.2	.	.	.
LFS - unemployment rate in %, average	8.6	7.2	6.8	6.4	6.6	6.2	6.6	7.5	7.5
Reg. unemployment rate in %, end of period	3.5	3.1	2.7	2.3	2.3	1.9	.	.	.
Average gross monthly wages, UAH [2]	589.6	806.2	1041.4	1351.0	1225.5	1707.0	.	.	.
annual change in % (real, gross)	17.0	20.4	18.4	15.0	14.3	10.3	.	.	.
Consumer prices, % p.a.	9.0	13.5	9.1	12.8	10.8	26.4	23	14	10
Producer prices in industry, % p.a.	20.5	16.7	9.6	19.5	18.2	33.8	.	.	.
General governm.budget, nat.def., % GDP									
Revenues	26.5	30.4	31.6	30.8	31.4	32.6	.	.	.
Expenditures [3]	29.7	32.2	32.3	31.9	29.7	31.0	.	.	.
Deficit (-) / surplus (+), % GDP	-3.2	-1.8	-0.7	-1.1	1.6	1.6	.	.	.
Public debt in % of GDP	24.7	17.7	14.8	12.5	.	.	.	.	.
Discount rate, % p.a., end of period	9.0	9.5	8.5	8.0	8.0	12.0	.	.	.
Current account, EUR mn [4]	5560	2030	-1289	-3967	-1243	-4427	-7500	-9500	-8500
Current account in % of GDP	10.6	2.9	-1.5	-3.8	-2.8	-8.1	-5.9	-7.2	-5.7
Gross reserves of NB excl. gold, EUR mn	6977	16058	16587	21634	18858	22058	.	.	.
Gross external debt, EUR mn	22528	33504	41391	57529	48503	63608	.	.	.
Gross external debt in % of GDP	47.1	45.3	50.6	59.9	.	.	.	.	.
FDI inflow, EUR mn [4]	1380	6263	4467	7220	2760	4158	6000	.	.
FDI outflow, EUR mn [4]	3	221	-106	491	20	547	500	.	.
Exports of goods, BOP, EUR mn [4]	26906	28093	31048	37498	17063	21486	40000	44000	50500
annual growth rate in %	28.0	4.4	10.5	20.8	18.7	25.9	7	10	15
Imports of goods, BOP, EUR mn [4]	23895	29004	35188	45452	19571	27138	50000	56000	61500
annual growth rate in %	16.3	21.4	21.3	29.2	20.5	38.7	10	12	10
Exports of services, BOP, EUR mn [4]	6325	7503	9000	10654	4212	5414	12000	13700	15300
annual growth rate in %	37.0	18.6	19.9	18.4	4.9	28.5	13	14	12
Imports of services, BOP, EUR mn [4]	5329	6054	7305	8834	3849	4951	10000	11500	12500
annual growth rate in %	35.5	13.6	20.7	20.9	12.4	28.6	13	15	9
Average exchange rate UAH/USD	5.319	5.125	5.050	5.050	5.050	5.006	5.2	6.2	6.2
Average exchange rate UAH/EUR (ECU)	6.609	6.389	6.335	6.918	6.712	7.655	7.3	8	8
Purchasing power parity UAH/USD, wiiw [5]	1.392	1.680	1.869	2.215	.	.	.	.	.
Purchasing power parity UAH/EUR, wiiw [5]	1.631	1.986	2.229	2.641	.		.	.	.

1) Preliminary. - 2) Excluding small enterprises. - 3) Including lending minus repayments. - 4) Converted from USD at average official cross exchange rate. - 5) wiiw estimates based on the 2005 International Comparison Project benchmark.

Source: wiiw Database incorporating national statistics; wiiw forecasts.

Croatia: slowing economy

BY HERMINE VIDOVIC

Economic activities tapered off in the second quarter of 2008; GDP grew by 3.8% in the first half of the year (compared to 6.8% in the same period 2007). Weakening economic growth was mainly due to decelerating private consumption caused by stagnating wages, slowing credit growth and probably also reduced payments of pension arrears. Growth of government consumption also slowed again after the election year. Investment, by contrast, rose by 11%, reflected in strong growth of construction activities. Industrial production slowed from month to month and grew by only 2.9% in the first three quarters of the year. In manufacturing, output rose the most in publishing and printing, manufacturing of fabricated metals, tanning and dressing of leather, and office machinery and computers. Declines were strongest in the textile and clothing industries, but also in the production of electrical machinery and apparatus. The inflation rate rose rapidly, to 8.4% in July, but weakened thereafter, to 6.2% in September. Nominal wages grew by 7.1% in the first half of the year.

Registration data point to a further reduction of unemployment. Labour Force Survey data for the first quarter of 2008 suggest a slight increase in employment and a stagnation of unemployment at 10%. A success was achieved in the reduction of youth unemployment, but long-term unemployment remained high (60% of the total).

On the external side imports grew much faster than exports during the first half of 2008, resulting in a further widening of the trade deficit. Rising earnings from tourism were by far not sufficient to offset the deterioration of the trade balance; the current account deficit reached a EUR 4.3 billion deficit in the first half of 2008. As for FDI, inflows were EUR 500 million lower than in the same period of 2007, amounting to EUR 1.8 billion.

The restructuring and privatization of Croatian shipyards (except Uljanik), as urged by the EU, will start by the end of November. Employees will be allowed to acquire an up to 25% stake. Shipbuilding is one of Croatia's main industrial branches, accounting for 6% of manufacturing and 15% of exports, but it is also one of the biggest loss makers and highly subsidized. Following a public tender the Hungarian oil company MOL became the single biggest shareholder of INA, Croatia's largest oil company, by raising its stake in INA to 47.1%.

The impact of the international financial crisis has been moderate so far. In order to boost liquidity the National Bank abolished the application of the Decision on the Marginal Reserve Requirement. This measure was imposed four years ago aimed at curbing banks' strong foreign borrowing. To prevent a depreciation of the Croatian currency, the National Bank successfully intervened twice in late October. Gross foreign indebtedness stood at EUR 35.4 billion, EUR 2.2 billion more than at the end of 2007. The rise in debt was almost exclusively due to new borrowing of the enterprise sector. Debt repayment in 2009 has become a major issue, since the government is still seeking refinancing for its debts due in the first quarter of next year. The central bank has rejected speculations to provide help in refinancing, unlike in 2008 when it released a portion of the foreign currency enabling the state to borrow at home.

According to EU Enlargement Commissioner Olli Rehn, most of the remaining chapters of the accession negotiations with Croatia should be opened in autumn 2008 and technical negotiations should be concluded before the end of 2009, 'if Croatia puts all efforts into it and can meet the conditions'. In its financial assistance plans for the Western Balkans and Turkey the EU has foreseen EUR 451.4 million for Croatia for the period 2008-2011, focusing on institution building, cross-border cooperation and preparation of the country for participation in the EU's cohesion and rural development policies.

For 2008 wiiw expects GDP to grow by 3.5%. Inflation should slow somewhat by the end of the year. As a consequence of the high and growing trade deficit, the current account will close with a record deficit (9.7% to GDP). The pace of GDP growth will further slow down in 2009 coupled with declining investment and weakening private consumption. The slowdown in investment may bring about decelerating imports; the trade deficit may somewhat diminish. Croatia's tourism industry, being vulnerable to external shocks, is likely to be affected by the economic deterioration in Western Europe.

Table HR

Croatia: Selected Economic Indicators

	2004	2005	2006	2007 [1]	2007	2008	2008	2009	2010
					January-June			Forecast	
Population, th pers., mid-year	4439	4442	4440	4436	4440	.	.	.	.
Gross domestic product, HRK mn, nom.	214983	231349	250590	275078	131034	144537	303200	329500	359800
annual change in % (real)	4.3	4.3	4.8	5.6	6.8	3.8	3.5	3	4
GDP/capita (EUR at exchange rate)	6462	7038	7708	8453	.	.	.	.	.
GDP/capita (EUR at PPP - wiiw)	10570	11200	12130	13200	.	.	.	.	.
Gross industrial production [2]									
annual change in % (real)	3.7	5.1	4.5	5.7	7.5	4.3	3.8	3	4
Gross agricultural production									
annual change in % (real)	11.9	-8.7	4.4	-3.9	.	.	.	.	.
Construction industry, hours worked [2]									
annual change in % (real)	2.0	-0.8	9.4	2.4	3.0	12.2	.	.	.
Consumption of households, HRK mn, nom.	123123	131671	140261	153421	75751	82973	.	.	.
annual change in % (real)	4.8	3.4	3.5	6.2	6.8	3.2	3	3	3
Gross fixed capital form., HRK mn, nom.	60512	65008	74792	82386	40802	47531	.	.	.
annual change in % (real)	5.0	4.8	10.9	6.5	8.3	11.3	8	5	5.5
LFS - employed persons, th, avg.	1563	1573	1586	1615	1586	1591 I-III	.	.	.
annual change in %	1.7	0.7	0.8	1.8	2.5	1.8	.	.	.
Reg. employees in industry, th pers., avg.	281.7	278.9	284.1	292.9	292.1	290.9	.	.	.
annual change in %	-0.3	-1.0	1.9	3.1	3.3	-0.4	.	.	.
LFS - unemployed persons, average	249.5	229.0	198.5	171.0	180	176 I-III	.	.	.
LFS - unemployment rate in %, average	13.8	12.7	11.1	9.6	10.2	10.0 I-III	9.8	9.4	9
Reg. unemployment rate in %, end of period	18.5	17.8	17.0	14.7	14.3	12.5	14	.	.
Average gross monthly wages, HRK	5985	6248	6634	7047	6940	7435	.	.	.
annual change in % (real, net)	3.7	1.5	1.9	2.2	3.0	0.0	.	.	.
Consumer prices, % p.a.	2.1	3.3	3.2	2.9	1.9	6.2	6.5	5.5	5
Producer prices in industry, % p.a.	3.5	3.0	2.9	3.4	2.3	8.1	3.5	.	.
General governm.budget, nat.def., % GDP [3]									
Revenues	44.9	44.5	44.8	46.3	.	.	45.2	.	.
Expenditures	49.5	48.3	47.6	48.6	.	.	47.6	.	.
Deficit (-) / surplus (+), % GDP [4]	-4.8	-4.0	-3.0	-2.3	.	.	-2.3	-2.5	-2
Public debt in % of GDP% [5]	52.0	52.7	50.0	53	.	.	.	.	.
Discount rate % p.a., end of period	4.5	4.5	4.5	9.0	4.5	9.0	.	.	.
Current account, EUR mn	-1433.7	-1975.6	-2696.3	-3230.4	-3392.6	-4331.9	-4000	-3600	-3600
Current account in % of GDP	-5.0	-6.3	-7.9	-8.6	-19.0	-21.8	-9.7	-8.0	-7.3
Gross reserves of NB excl. gold, EUR mn	6436.2	7438.4	8725.3	9307.4	9170.3	9941.2	.	.	.
Gross external debt, EUR mn	22933.0	25747.7	29273.9	32929.2	31058.4	35287.5	.	.	.
Gross external debt in % of GDP	81.8	82.1	85.8	87.7	.	.	.	.	.
FDI inflow, EUR mn	949.6	1467.9	2745.2	3618.8	2356.6	1827.8	2500	.	.
FDI outflow, EUR mn	278.8	191.8	174.5	180.2	141.0	-11.0	200	.	.
Exports of goods, BOP, EUR mn	6606.8	7220.3	8463.6	9192.5	4355.2	4702.6	9900	10600	11400
annual growth rate in %	18.5	9.3	17.2	8.6	9.3	8.0	8	7	8
Imports of goods, BOP, EUR mn	13330.9	14738.3	16807.8	18626.5	9042.5	10376.0	20900	23000	25500
annual growth rate in %	6.3	10.6	14.0	10.8	10.5	14.7	12	10	11
Exports of services, BOP, EUR mn	7636.7	8052.6	8534.1	9154.9	2978.5	3397.5	10000	10700	11200
annual growth rate in %	0.9	5.4	6.0	7.3	11.0	14.1	9	7	5
Imports of services, BOP, EUR mn	2867.8	2734.9	2823.7	2858.9	1355.2	1492.2	3100	3200	3300
annual growth rate in %	8.9	-4.6	3.2	1.2	-5.1	10.1	8	3	3
Average exchange rate HRK/USD	6.0355	5.9480	5.8378	5.3645	5.54	4.76	.	.	.
Average exchange rate HRK/EUR (ECU)	7.4952	7.4002	7.3226	7.3362	7.36	7.27	7.33	7.33	7.34
Purchasing power parity HRK/USD, wiiw	3.8542	3.9350	3.9108	3.9576	.	.	.	.	.
Purchasing power parity HRK/EUR, wiiw	4.5812	4.6520	4.6516	4.6965	.	.	.	.	.

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

1) Preliminary and wiiw estimates. - 2) Enterprises with more than 20 employees. - 3) On accrual basis. - 4) Including change in arrears and non-recorded expenditures. - 5) Including guarantees. - 6) From 2008 new reporting system.

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

Macedonia: external balances worsen

BY VLADIMIR GLIGOROV

The global financial crisis carries two main risks for emerging markets: increased cost of foreign financing and a decline in demand for their exports. Both put a strain on external balances, especially if they go together. Macedonia is currently experiencing the effects of the second risk – exports are under pressure. The available data are still not showing this, because it is a rather recent development. But if sustained, it will have significant consequences for macroeconomic stability and for growth.

The main change is in the expected deficit on the current account. Macedonia had practically a balanced current account two years ago, and a relatively mild deficit last year. This year, however, the current account deficit is running at around 8% of GDP currently and is poised to worsen in the last quarter. The increase of the deficit was due to growing costs of energy and other imports in the first half of 2008 and will be the consequence of the slowdown in exports in the second half of the year.

The weakness of the exporting sector is not something that is specific for Macedonia. Most of the Balkan economies have a rather concentrated export supply. Only few goods account for the bulk of export revenues. In the case of Macedonia, metals and raw materials take a significant part of total exports. The demand for these products has declined and prices have plummeted. Thus, the revenues from exports are growing more slowly and may eventually decline.

Macedonia faces less of a risk to external financing at the moment. Credit expansion was subdued in the past and was not based predominantly on foreign financing. The private sector is not as indebted as in most other neighbouring countries. Also, the favourable external position has enabled the government to even repay some of its debts ahead of time. Finally, the fiscal position has been traditionally comfortable, though the government has shown some inclination to run fiscal deficits of late.

If, however, trade and current account deficits continue to worsen, the pressure on the exchange rate will be quite strong. Macedonia relies on a strict peg with the euro and the exchange rate has been fixed at the same values since 1997. The foreign currency reserves, though, are not all that high, about three months of imports, and the central bank cannot really hope to defend the exchange rate in the case of further adverse developments in the accessibility of foreign finances. If the exchange rate were to come under pressure, the overall macroeconomic stability could prove unsustainable.

In view of these developments, growth prospects will depend on the stance that the government takes in its fiscal policy. Currently, there are no plans to decrease public spending. Also, further plans for tax reductions are being drawn. Indeed, the government would like to see a more relaxed monetary policy. All these measures should support consumption and GDP growth, the risk is to the sustainability of this policy in view of worsening external balances. It is, however, realistic to expect some fiscal tightening with limited possibilities for monetary easing. In view of that, aggregate demand will not grow very much. On the production side, there are recessionary tendencies in industrial production due to the decline of export opportunities. Overall, then, GDP growth of 3% looks as being more realistic than the government projection of 5% growth.

Unlike in some other Balkan countries, inflation has come down in Macedonia, so that fiscal and monetary easing would not risk unfavourable inflationary developments. Indeed, in view of the slowdown, the dangers are more on the side of deflationary developments. Given the price environment that favours fiscal and monetary stimulus and the lack of access to foreign finances that pushes towards increased savings, one way out is to strengthen the foreign reserves and ease the overall policy stance. That suggests an IMF programme, perhaps a stand-by agreement. At the moment the government is opposed and the central bank is in favour.

Table MK

Macedonia: Selected Economic Indicators

	2004	2005	2006	2007 1)	2007	2008	2008	2009	2010
					January-June			Forecast	
Population, th pers., mid-year 2)	2032.5	2036.9	2040.2	2045	.	.	.	.	.
Gross domestic product, MKD mn, nom.	265257	286619	310915	343025	159037	185024	375000	402000	435000
annual change in % (real)	4.1	4.1	4.0	5.0	5.3	6.0	4	4	5
GDP/capita (EUR at exchange rate)	2128	2296	2491	2742	.	.	.	.	.
GDP/capita (EUR at PPP - wiiw)	5760	6250	6680	7360	.	.	.	.	.
Gross industrial production									
annual change in % (real) 3)	-2.2	7.1	3.6	3.7	3.6	9.0	5	5	5
Gross agricultural production							.	.	.
annual change in % (real)	6.8	0.3	4.8	-5.1	.	.	.	.	.
Construction output, value added							.	.	.
annual change in % (real)	7.4	0.9	11.3	5.0	.	.	.	.	.
Consumption of households, MKD mn, nom.	209075	222726	243131	.	.	.	.	.	.
annual change in % (real) 2)	8.0	5.7	6.0	5	.	.	6	7	7
Gross fixed capital form., MKD mn, nom.	47286	48868	56485	.	.	.	.	.	.
annual change in % (real) 2)	10.9	-5.4	11.6	6	.	.	6	6	6
LFS - employed persons, th. avg.	523.0	545.3	570.4	590.2	589.3	607.1	.	.	.
annual change in %	-4.1	4.3	4.6	3.5	4.1	3.0	.	.	.
Reg. employees in industry, th pers., avg. 4)	101.5	125.7	125.4	.	92.7	88.8	.	.	.
annual change in % 4)	-4.9	-3.1	-0.3	.	-2.5	-4.2	.	.	.
LFS - unemployed, th pers., average	309.3	323.9	321.3	316.9	316.9	310.4	.	.	.
LFS - unemployment rate in %, average	37.2	37.3	36.0	34.9	35	33.8	34	34	33
Reg. unemployment rate in %, end of period	.	.	.	.	.	.	.	.	.
Average gross monthly wages, MKD	20771	21330	23036	24136	23395	25356	.	.	.
real growth rate, % (net wages)	4.4	2.0	3.9	5.5	5.1	1.7	.	.	.
Consumer prices, % p.a.	-0.4	0.5	3.2	2.3	0.9	9.7	5	3	3
Producer prices in industry, % p.a.	0.9	3.2	7.3	2.5	0.7	12.1	8	.	.
Central governm. budget, nat.def., % GDP 5)									
Revenues	33.2	35.2	33.5	34.9	.	.	.	.	.
Expenditures	33.2	35.0	34.0	34.2	.	.	.	.	.
Deficit (-) / surplus (+), % GDP	0.0	0.2	-0.6	0.6	.	.	-1	-1	-1
Public debt in % of GDP	.	.	.	.	.	.	.	.	.
Discount rate, % p.a., end of period	6.5	6.5	6.5	6.5	6.5	6.5	.	.	.
Current account, EUR mn 6)	-362.7	-121.3	-44.9	-170.9	92.0	-408.3	-550	-300	-300
Current account in % of GDP	-8.4	-2.6	-0.9	-3.0	3.5	-13.5	-9.0	-4.6	-4.2
Gross reserves of NB, excl. gold, EUR mn	653.3	1028.0	1311.3	1400.1	1313.6	1414.1	.	.	.
Gross external debt, EUR mn	2070.6	2518.1	2495.2	2711.5	2439.1	3008.7	.	.	.
Gross external debt in % of GDP	47.9	53.7	49.1	48.4	93.8	99.6	.	.	.
FDI inflow, EUR mn	260.7	77.2	344.8	239.3	82.5	268.9	300	.	.
FDI outflow, EUR mn	1.0	2.3	0.1	-0.9	-1.5	-10.5	0	.	.
Exports of goods, BOP, EUR mn	1345.0	1642.9	1902.7	2441.5	1200.5	1347.0	2700	3200	3700
annual growth rate in %	11.8	22.2	15.8	28.3	42.8	12.2	10	18	15
Imports of goods, BOP, EUR mn	2259.3	2501.4	2923.1	3614.3	1619.2	2179.7	4300	5200	6200
annual growth rate in %	15.5	10.7	16.9	23.6	21.9	34.6	20	20	20
Exports of services, BOP, EUR mn	363.7	416.2	477.3	594.3	254.6	303.3	700	800	1000
annual growth rate in %	8.5	14.4	14.7	24.5	21.5	19.1	20	20	20
Imports of services, BOP, EUR mn	407.2	440.8	455.1	568.7	254.8	312.6	700	800	900
annual growth rate in %	19.3	8.3	3.2	25.0	17.0	22.7	15	15	15
Average exchange rate MKD/USD	49.41	49.29	48.79	44.71	46.05	40.08	.	.	.
Average exchange rate MKD/EUR (ECU)	61.34	61.30	61.19	61.18	61.18	61.27	61.2	61.2	61.2
Purchasing power parity MKD/USD, wiiw	19.06	19.06	19.20	19.21	.	.	.	.	.
Purchasing power parity MKD/EUR, wiiw	22.66	22.53	22.83	22.80	.	.	.	.	.

Notes: 1) Preliminary. - 2) 2007 wiiw estimate. - 3) Enterprises with more than 10 employees, - 4) From 2005 re-weighted data with information from pension and invalid insurance funds. Quarterly data are unweighted. - 5) Refers to central government budget and extra budgetary funds. - 6) Including grants.

Source: wiiw Database incorporating national statistics; wiiw forecasts.

Turkey's nerves of steel

BY JOSEF PÖSCHL

In August 2008 industrial production was lower than a year earlier. Currently, companies' expectations regarding incoming orders and sales revenues in the next few months are quite pessimistic. In the third quarter of 2008, export and import growth decelerated. It is the global growth slowdown that impacts on exports, whereas the development of imports reflects slower growth of domestic income and lower import prices. The situation is likely to remain the same in most of 2009 as well. The deceleration of import growth is likely to be quite substantial and more pronounced than that of exports, so that the current account deficit may well fall from EUR 31 billion in 2008 to EUR 30 billion in 2009.

A minor reduction of the current account deficit, however, will not solve all existing problems. In 2009 a massive inflow of foreign capital will still be needed to meet financing requirements of different origin. The lion's share is taken by refinancing of debt becoming due in 2009. In recent years, the non-financial private sector has relied extensively on borrowing from abroad. According to estimates (see below), currency reserves will have a good chance to remain untouched, should Turkey's economy manage to attract a net capital inflow of some USD 108 billion, an amount in the range of approximately 15% of GDP.

Up to now, Turkey has not faced difficulties in attracting foreign capital. The currency reserves have increased in recent years and stabilized at a level of around USD 76 billion in recent months (July-August 2008). In any case, however, attracting capital has become more costly; and Turkey has to make sure that confidence of international financiers (lenders, direct and portfolio investors) will not erode.

In 2008, the Turkish lira has so far fluctuated roughly within a range of 1.7 and 2.1 lira per euro, with the trend changing three times: From the beginning of the year up to mid-April a depreciation trend prevailed due to internal tensions on the political floor. Appreciation followed, but stopped at the beginning of September under the impact of the international financial crisis. Then, the lira depreciated up until the third week of October, and re-appreciated thereafter with support of the central bank. In comparison to the first months of 2008, the lira has lost heavily against the US dollar, but not that much against the euro – a rather unfavourable constellation, as this kind of depreciation scenario has stimulated inflation (via imports) rather than exports (to the EU).

Turkey's foreign financing requirements in 2009, in USD billion

Total financing requirements	**107.7**
Types of financing requirements:	
Current account deficit	40.5
Requirements related to private sector debt	50.4
Corporate sector	43.4
Banks	7.0
Requirements related to public sector debt	8.7
Eurobond payments	5.0
Payments to IMF	3.1
Feasible financing sources:	
FDI (net)	10.0
Equity & GDIs (net)	2.0
Eurobond issues	5.0
Private sector borrowing	83.9
Corporate sector	75.9
Banks	8.0
Public sector borrowing	6.8

Source: M. Mercan and Y. Yücel, Occasional Macro Note, YKB/OMN/08-11.

The GDP may continue to expand in 2009, albeit at a much lower rate than in the years after 2001. The factor mainly responsible will not be foreign trade, but domestic demand. When flagships of the international banking sector were facing trouble or even defaulted, banks all over the world started thinking twice before granting new credits to their clients, households as well as non-financial enterprises. The resultant interruption of funding flows caused problems within the real sector; its demand for credits stopped growing. Most likely, Turkey's gross fixed private investment will not expand much in 2009, if at all. Construction came close to stagnation already in the first half of 2008 (+0.9% year-on-year), and this had an impact on related industries such as iron and steel (-12%). Lower growth of consumer credits will negatively impact on household consumption and cause higher unemployment. Rising fears of becoming unemployed will strengthen the cautious approach to taking up credits. Government demand, both consumption and investment, is likely to continue to expand as a result of large investment programmes and higher salaries for government employees. The government wants to win the local elections scheduled for Spring 2009. It avoids signalling stress associated with the international financial crisis. It exhibits nerves of steel by not following the example of those countries that have hastened to increase deposit guarantees; and for the time being it rejects entering negotiations for a new stand-by agreement with the IMF.

Should Turkey's GDP keep growing in 2009 and 2010, we may regard this as a considerable success – even in the case of growth rates being quite low. We have to take into account that in some of the globe's most developed countries the situation will be worse than that.

Table TR

Turkey: Selected Economic Indicators

	2004	2005	2006	2007 1)	2007	2008	2008	2009	2010
					January-June			Forecast	
Population, th pers., mid-year 2)	71152	72065	72971	73901	.	.	.	.	.
Gross domestic product, TRY bn, nom.	559.0	648.9	758.4	853.6	398.5	463.6	960	1070	1210
annual change in % (real)	9.4	8.4	6.9	4.6	6.0	4.2	2.3	2.0	4.5
GDP/capita (EUR at exchange rate)	4421	5369	5745	6456	.	.	.	.	.
GDP/capita (EUR at PPP - wiiw)	8150	8770	9700	10470	.	.	.	.	.
Gross industrial production									
annual change in % (real)	9.8	5.4	5.8	5.4	6.0	4.9	3	4	6
Gross agricultural production									
annual change in % (real)	2.7	6.6	1.3	-7.3	.	.	.	.	.
Construction industry									
annual change in % (real)	4.6	21.5	.	.	.	.	.	.	.
Consumption of households,TRY bn, nom.	398.6	465.4	534.8	604.7	288.7	340.1	.	.	.
annual change in % (real)	11.0	7.9	4.6	4.1	2.6	5.1	3	1	2.0
Gross fixed capital form., TRY bn, nom.	113.7	136.5	169.0	184.1	88.2	99.0	.		
annual change in % (real)	28.4	17.4	13.3	5.5	4.2	4.7	2	3	6.5
LFS - employed persons, th, avg. 3)	21791	22046	22330	21253	21037	21252	.	.	.
LFS - employed pers. in agricult. th, avg. 3)	7400	6493	6088	5640	5585	5421	.	.	.
LFS - employed pers. in industry th, avg. 3)4)	5017	5456	5674	5429	5282	5494	.	.	.
LFS - employed pers. in services th, avg. 3)	9374	10097	10568	10184	10170	10337	.	.	.
LFS - unemployed, th pers. average 3)	2498	2520	2446	2323	2355	2403	.	.	.
LFS - unemployement rate in %, average	10.3	10.3	9.9	9.9	10.2	10.3	10.5	11	10
Reg. unemployment rate in %, average	.	.	.	.	.	.	.	.	.
Average gross monthly wages, manuf.ind., TRY 5)	1030	1162	1301	1437	.	.	.	.	.
annual change in % (real) 5)	.	4.3	2.1	1.6	-0.7	1.0	.	.	.
Consumer prices, % p.a.	10.6	8.2	9.6	8.8	9.9	9.6	10.5	9	8
Producer prices in manufacturing, % p.a.	13.1	7.6	9.3	5.6	8.9	11.0	13.0	10	8
General governm. budget, EU-def., % GDP 6)									
Revenues	.	.	13.6	19.6	.	.	.	.	.
Expenditures	.	.	13.7	20.9	.	.	.	.	.
Deficit (-) / surplus (+)	-4.5	-0.6	-0.1	-1.2	.	.	-1.5	-1.4	-1
Public debt, EU-def., in % of GDP 6)	59.2	52.3	46.1	38.8	.	.	33.0	29.0	.
Discount rate % p.a., end of period 7)	22.0	17.5	22.5	20.0	22.5	20.25	22	.	.
Current account, EUR mn	-12482	-18167	-25704	-27578	-14495	-17898	-31000	-30000	-31000
Current account in % of GDP	-4.0	-4.7	-6.1	-5.8	-6.6	-7.3	-6.1	-5.7	-5.8
Gross reserves of CB, excl. gold, EUR mn	26436	42823	46251	49804	50538	48153	.	.	.
Gross external debt, EUR mn	117932	142774	155775	167869	165261	180413	.	.	.
Gross external debt in % of GDP	38.7	35.0	38.3	33.8			.	.	.
FDI inflow, EUR mn	2328	8287	15708	16128	9441	5672	15000	.	.
FDI outflow, EUR mn	693	875	722	1567	1179	1134	1500	.	.
Exports of goods, BOP, EUR mn	53889	62017	73072	82819	40342	47657	90000	97000	113000
annual change in %	19.3	15.1	17.8	13.3	15.1	18.1	9	8	17
Imports of goods, BOP, EUR mn	73102	89115	105953	117244	55665	66392	128000	136000	155000
annual change in %	27.1	21.9	18.9	10.7	6.7	19.3	9	6	14
Exports of services, BOP, EUR mn	18531	21597	20045	20967	7884	8716	22400	24000	27000
annual growth rate in %	16.7	16.5	-7.2	4.6	2.4	10.6	7	6	12
Imports of services, BOP, EUR mn	8165	9180	9125	10755	4955	5601	11400	12000	13000
annual growth rate in %	23.4	12.4	-0.6	17.9	16.1	13.0	6	4	10
Average exchange rate TRY/USD	1.4286	1.3480	1.4408	1.3054	1.3742	1.2343	.	.	.
Average exchange rate TRY/EUR (ECU)	1.7771	1.6771	1.8090	1.7891	1.8264	1.8890	1.9	2.1	2.3
Purchasing power parity TRY/USD	0.8110	0.8683	0.9009	0.9286	.	.	.	.	.
Purchasing power parity TRY/EUR	0.9640	1.0265	1.0716	1.1033	.	.	.	.	.

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

1) Preliminary. - 2) SIS projections. 2007 figure: Eurostat. SIS figure 2007 (end of year): 70586 th. persons based on new census methodology. - 3) From 2007 new methodology due to census 2006. - 4) Industry including construction. - 5) From 2004 including overtime payment. - 6) According to ESA'95, excessive deficit procedure. - 7) CBRT overnight, lending. - 8) Calculated from USD.

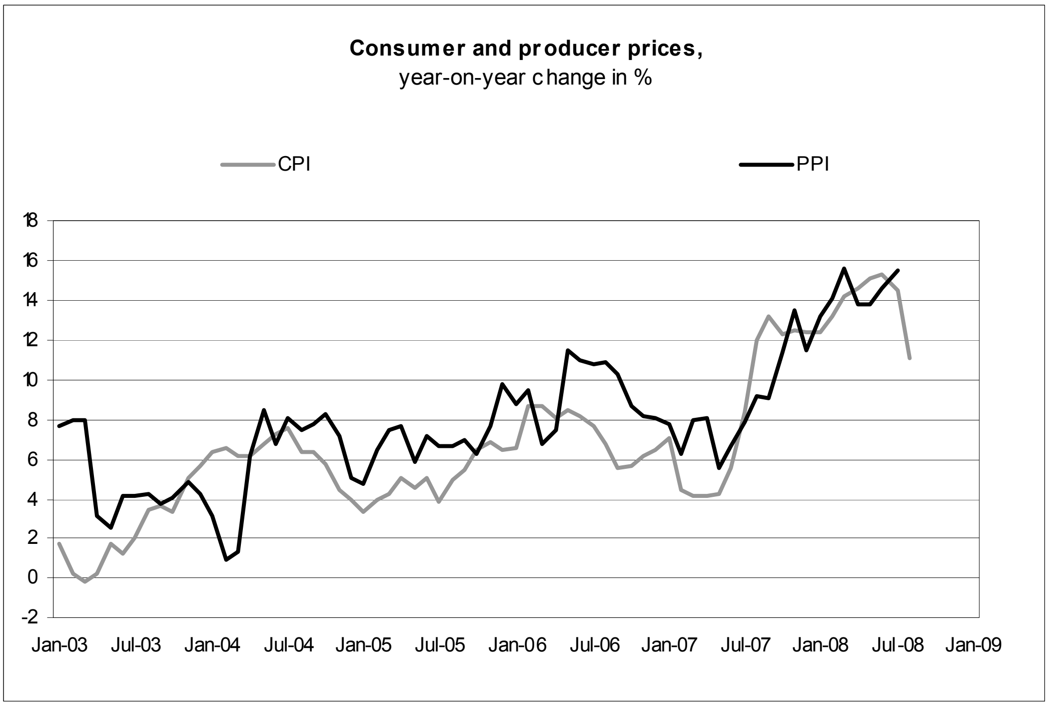
Source: CBRT-EDDS (Central Bank of Turkey, Electronic Data Distribution System), SIS (State Institute of Statistics), SPO (State Planning Organization), UT (Undersecretary of Treasury), Eurostat; wiiw forecasts and European Commission (Spring Report 2008).

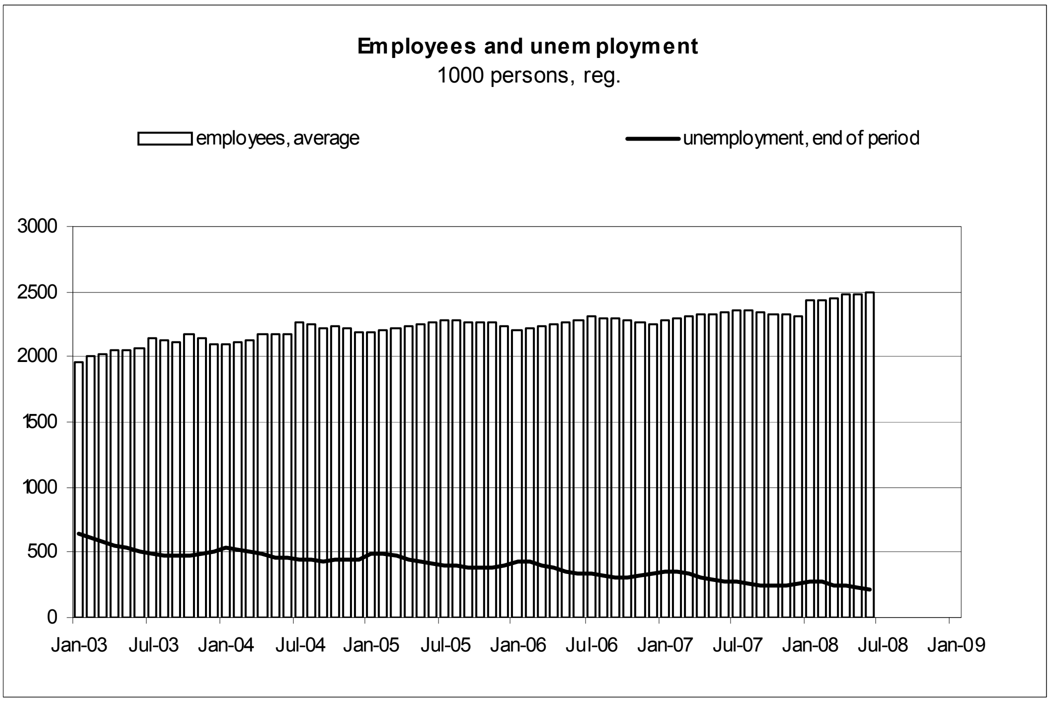
STATISTICAL ANNEX

Consumer and producer prices; employees and unemployment in Central, East and Southeast Europe, 2003-2008 (graphics)

Please note: *wiiw* Members have **free online access** to the wiiw Monthly Database Eastern Europe.
To receive your personal password, please go to http://mdb.wiiw.ac.at

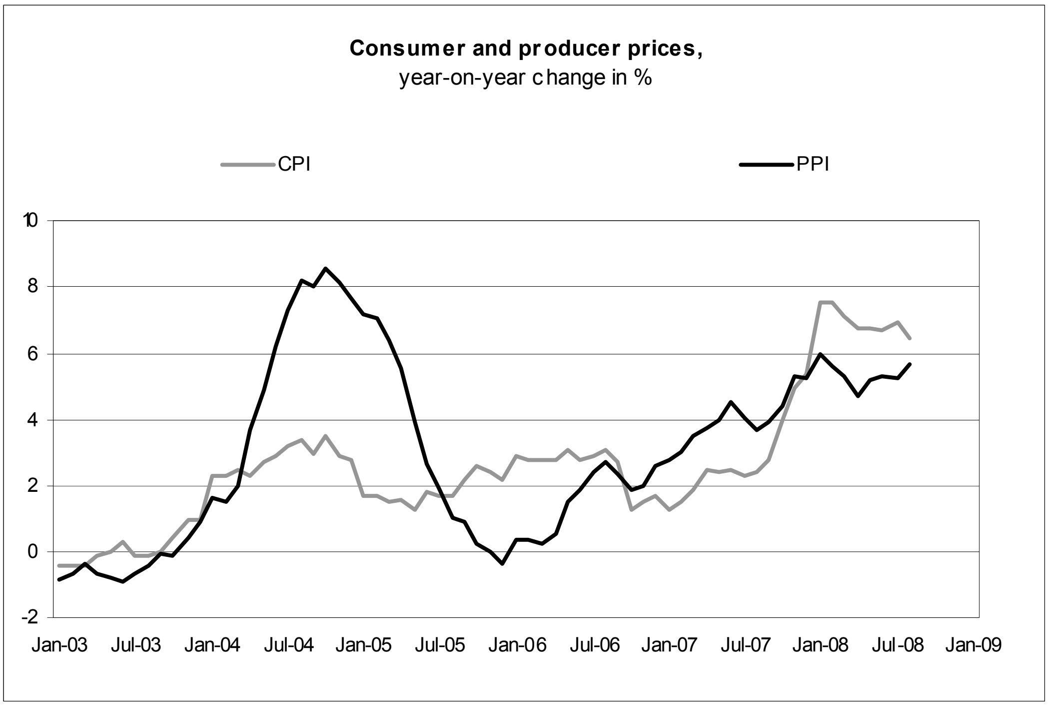
Bulgaria: Selected monthly data on the economic situation 2003 to 2008

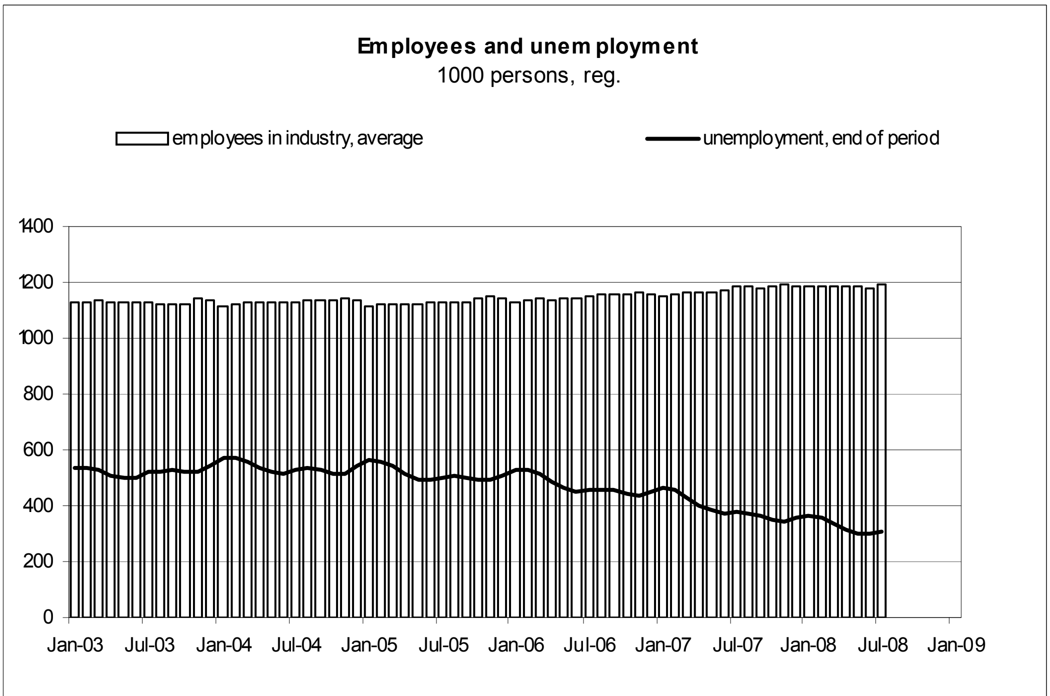




Source: wiiw Monthly database incorporating national statistics.

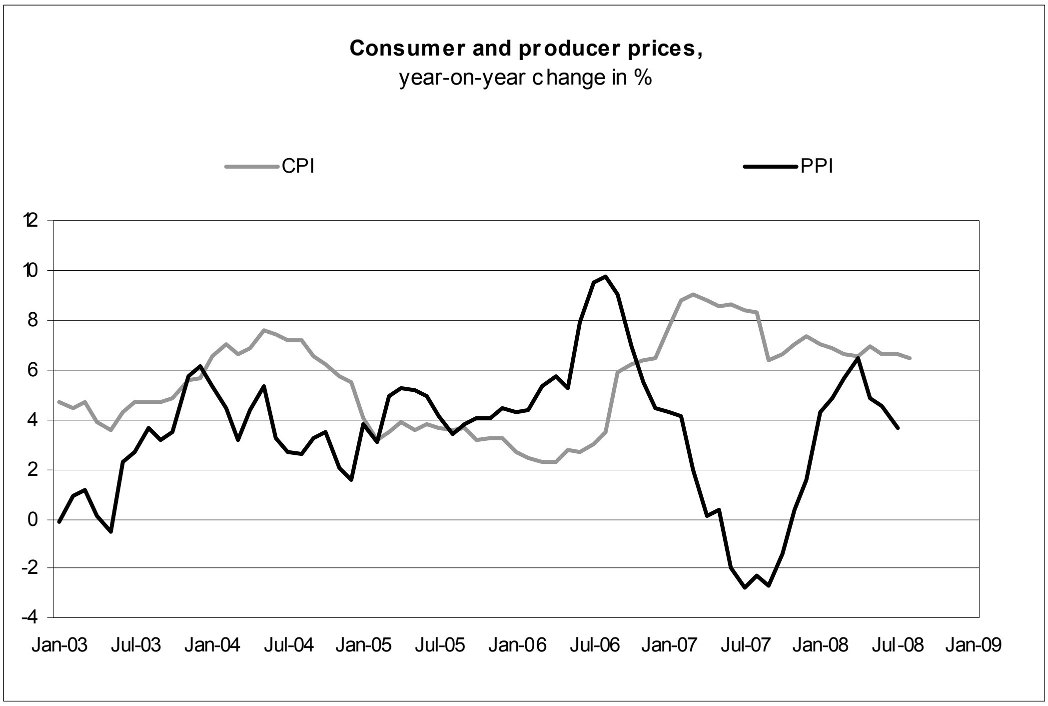
Czech Republic: Selected monthly data on the economic situation 2003 to 2008

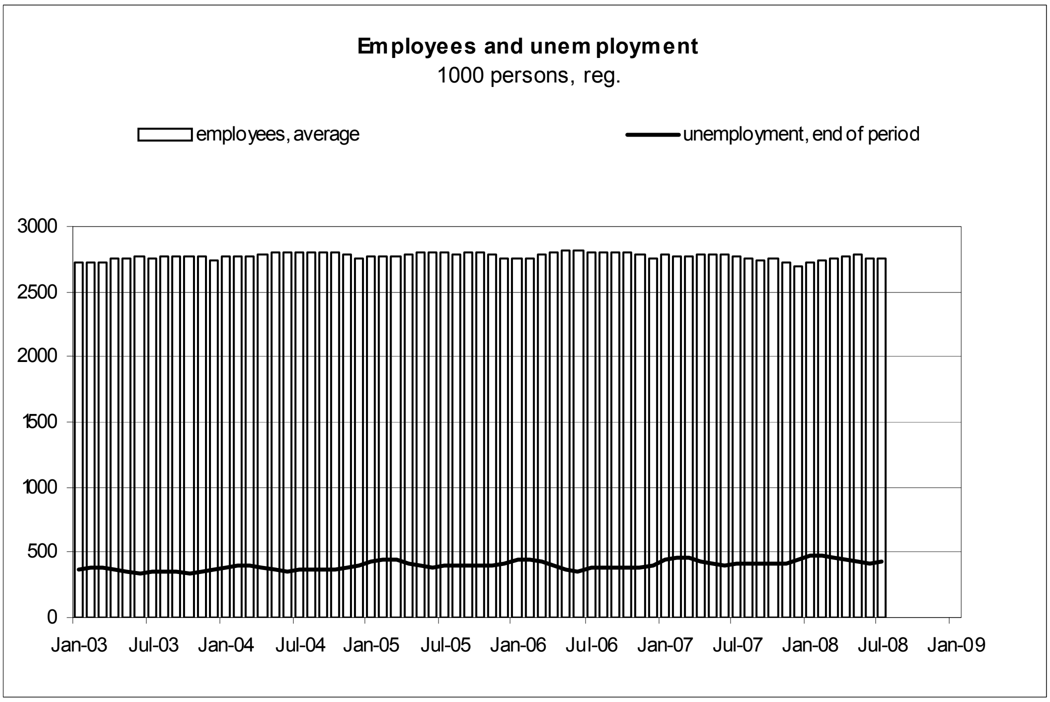




Source: wiiw Monthly database incorporating national statistics.

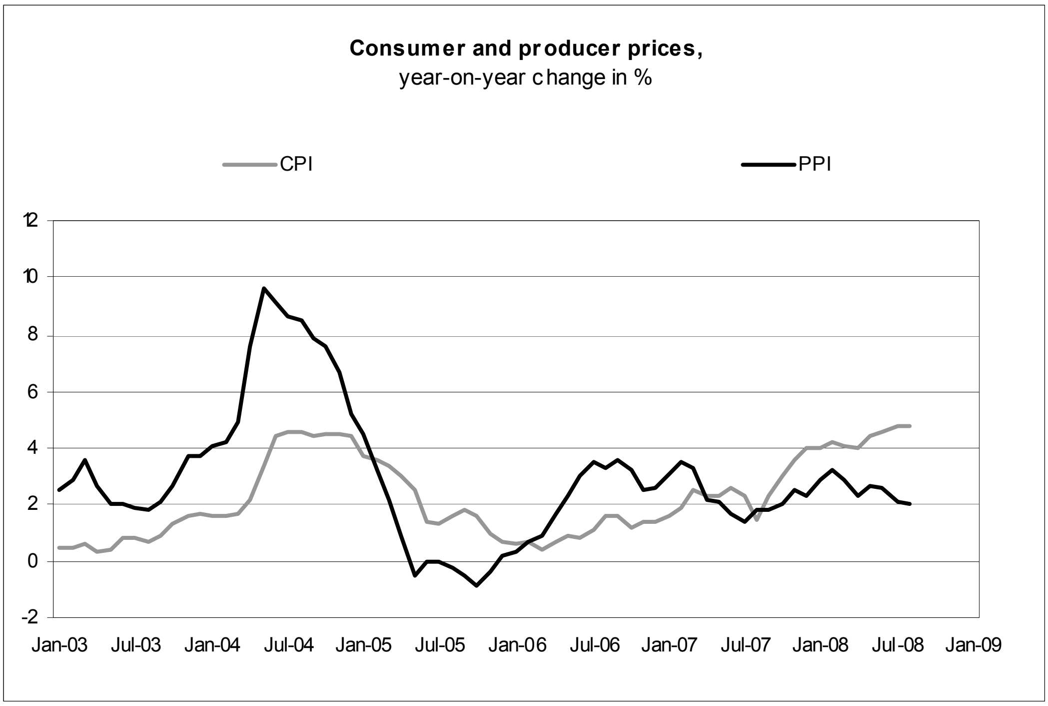
Hungary: Selected monthly data on the economic situation 2003 to 2008

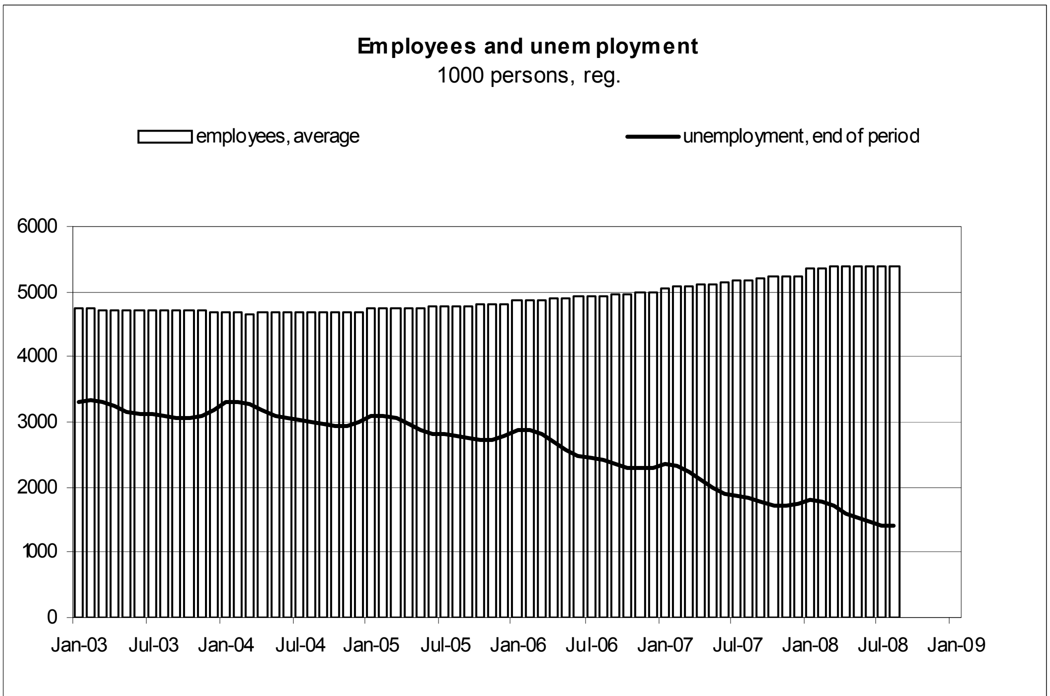




Source: wiiw Monthly database incorporating national statistics.

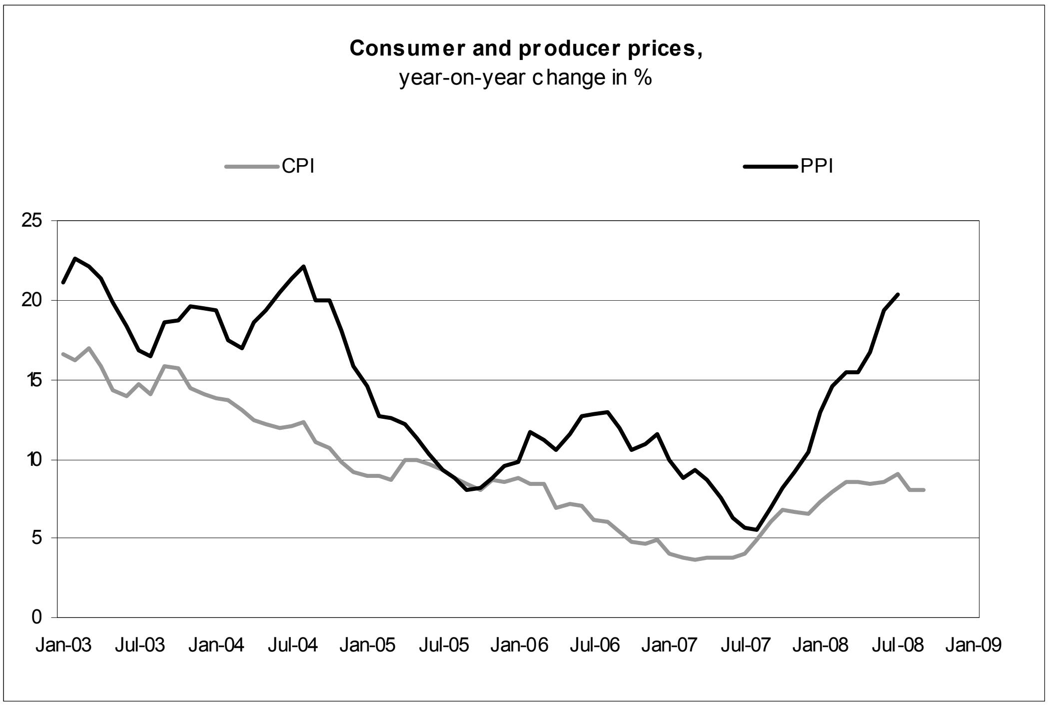
Poland: Selected monthly data on the economic situation 2003 to 2008

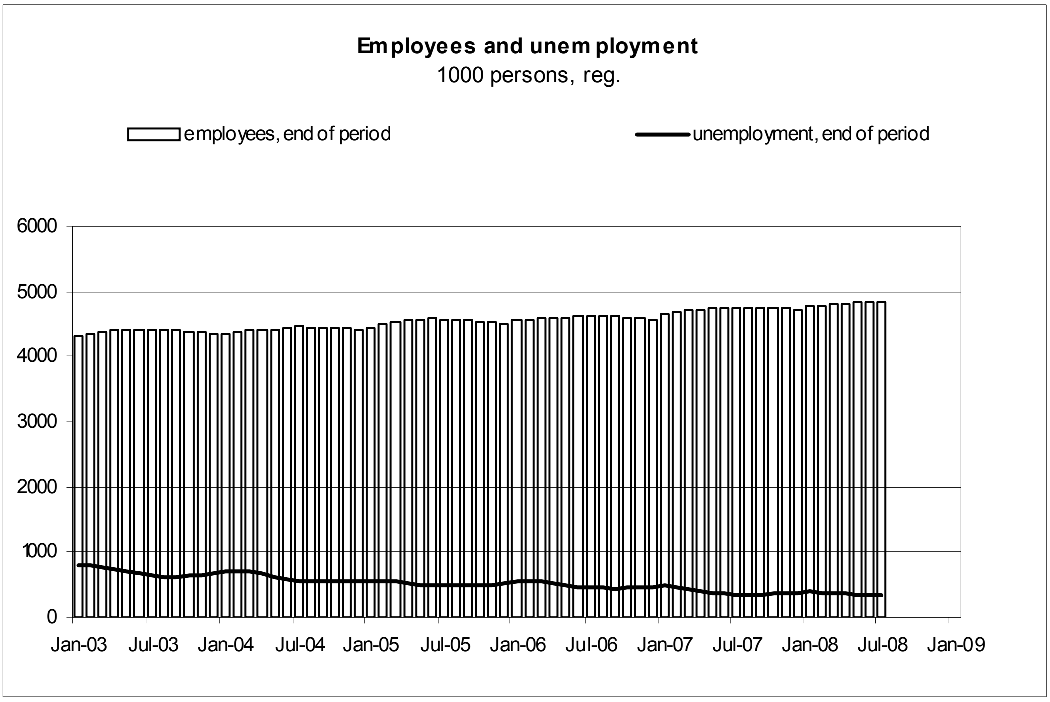




Source: wiiw Monthly database incorporating national statistics.

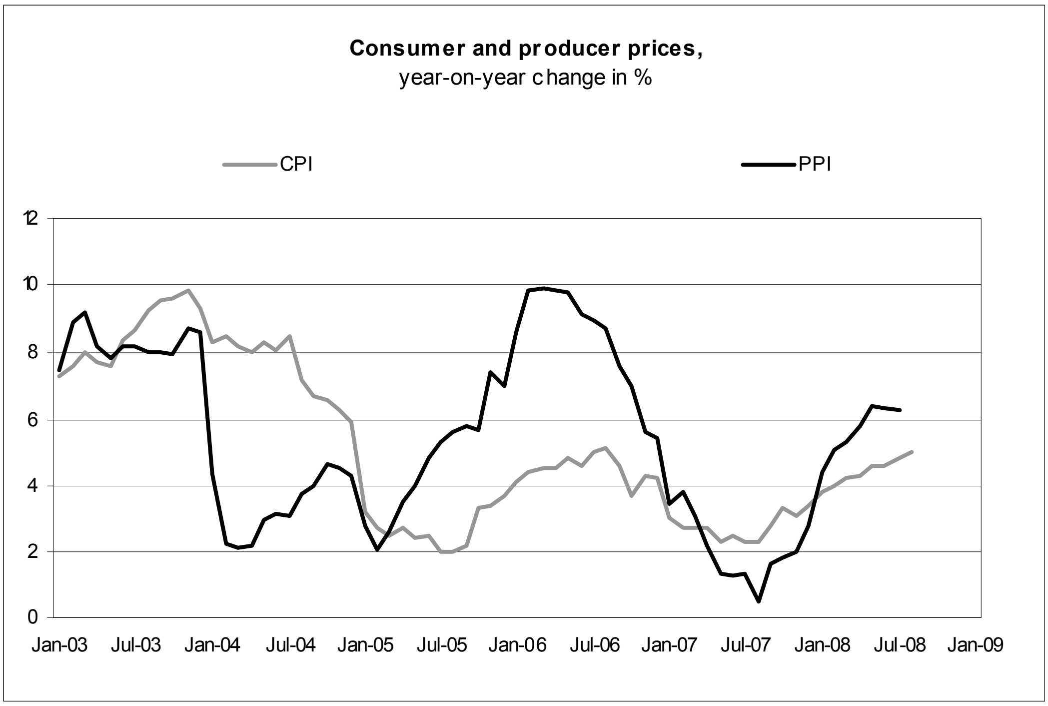
Romania: Selected monthly data on the economic situation 2003 to 2008

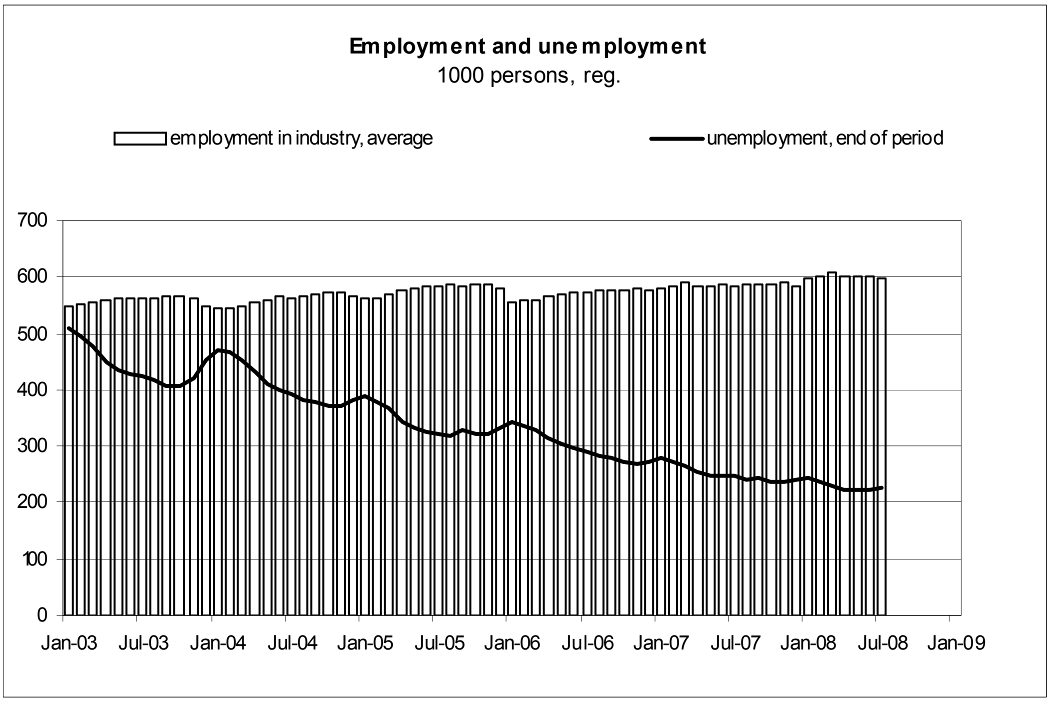




Source: wiiw Monthly database incorporating national statistics.

Slovak Republic: Selected monthly data on the economic situation 2003 to 2008





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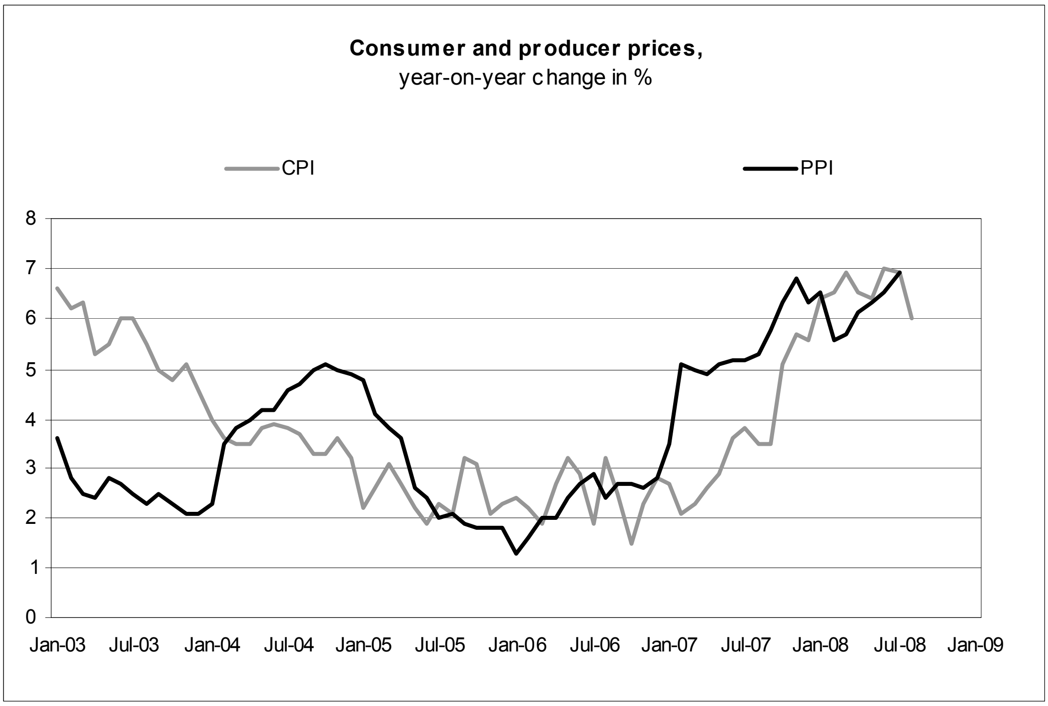
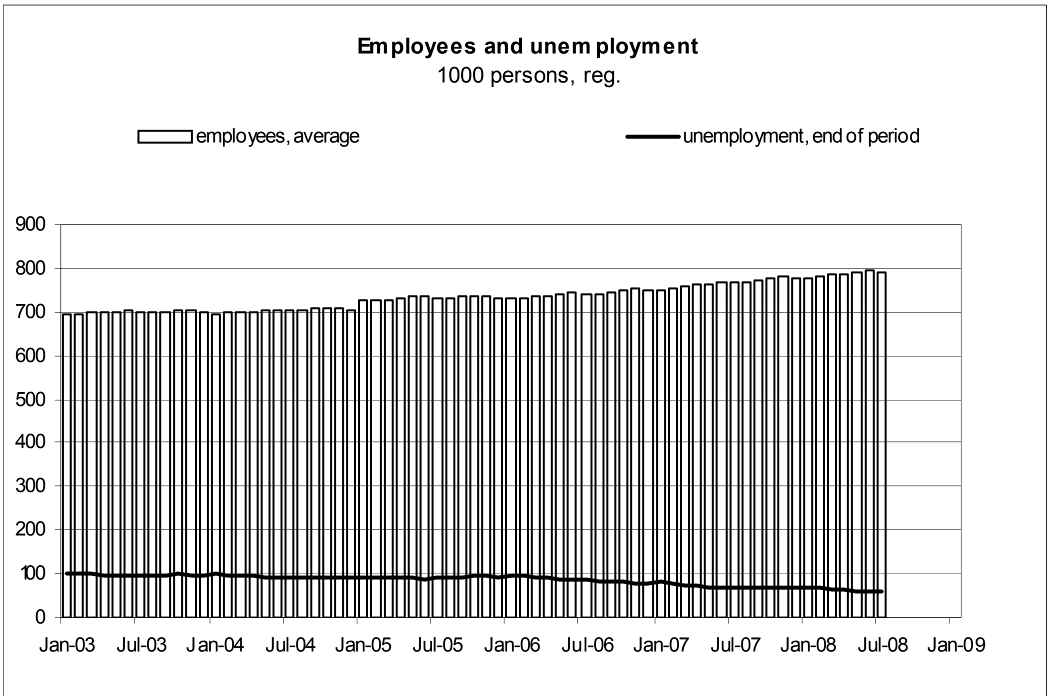
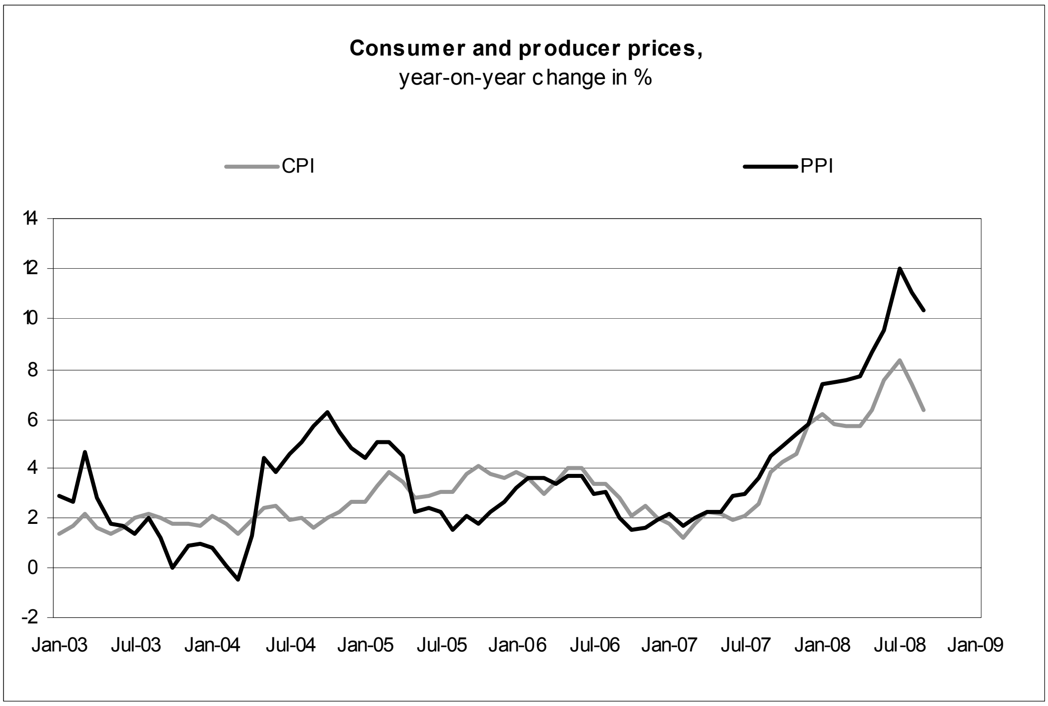
Slovenia: Selected monthly data on the economic situation 2003 to 2008

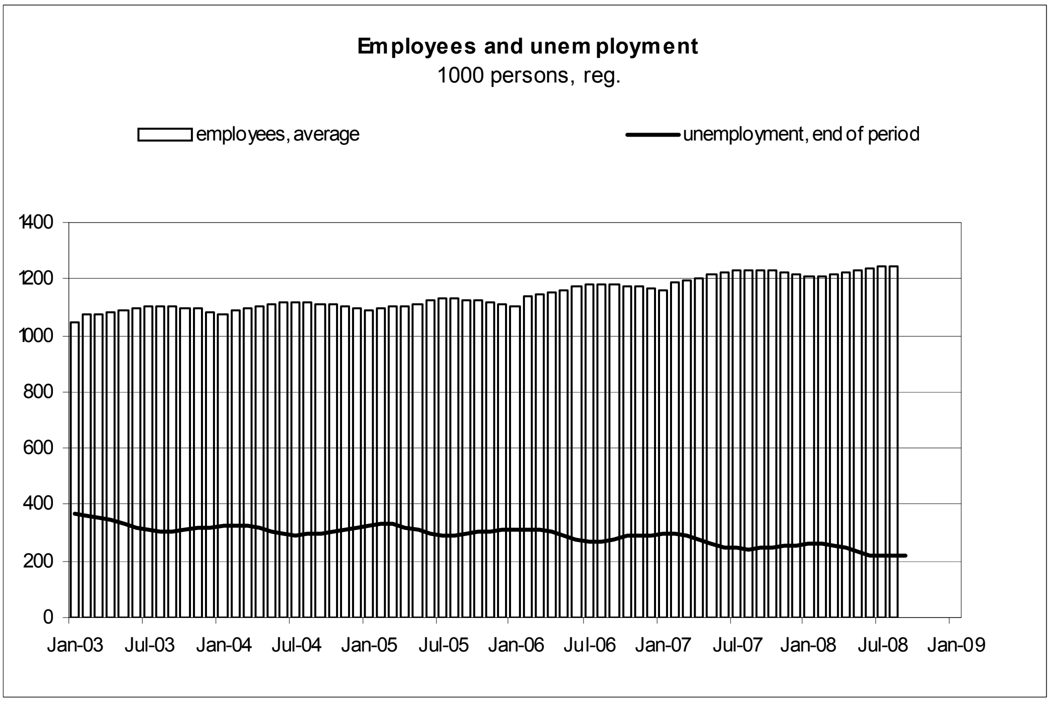




Source: wiiw Monthly database incorporating national statistics.

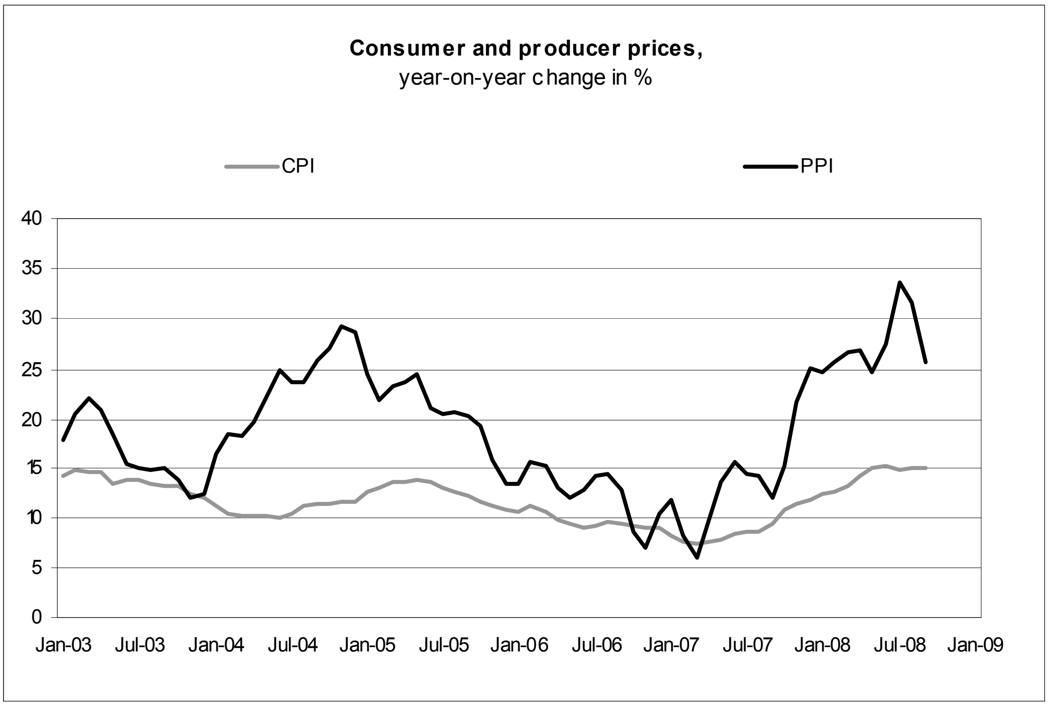
Croatia: Selected monthly data on the economic situation 2003 to 2008

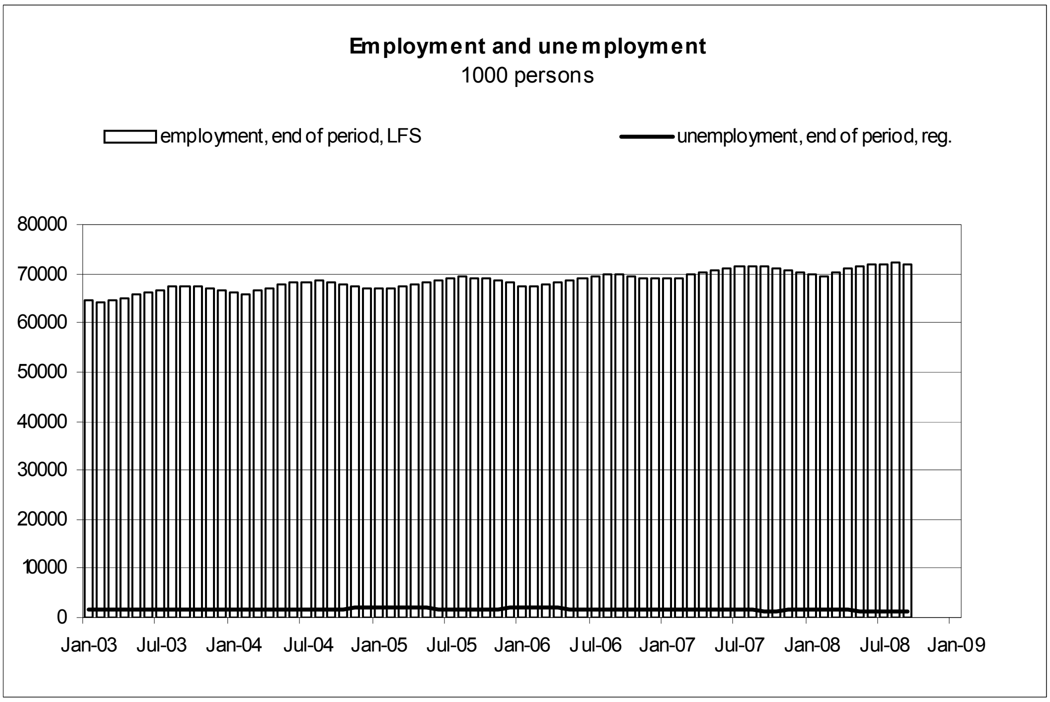




Source: wiiw Monthly database incorporating national statistics.

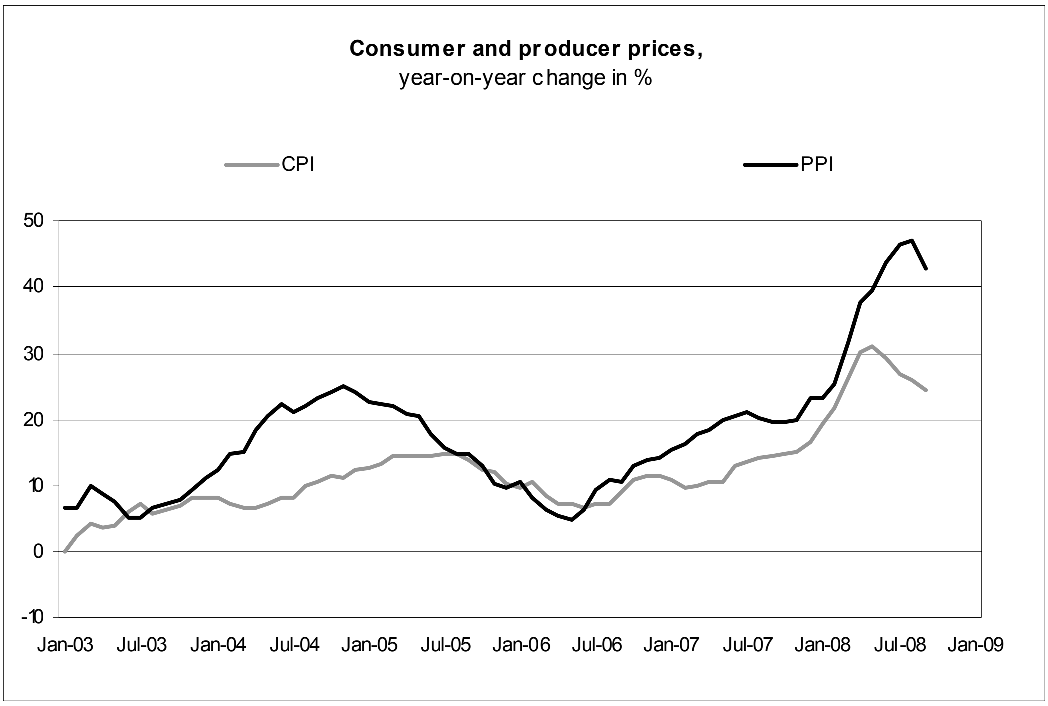
Russia: Selected monthly data on the economic situation 2003 to 2008

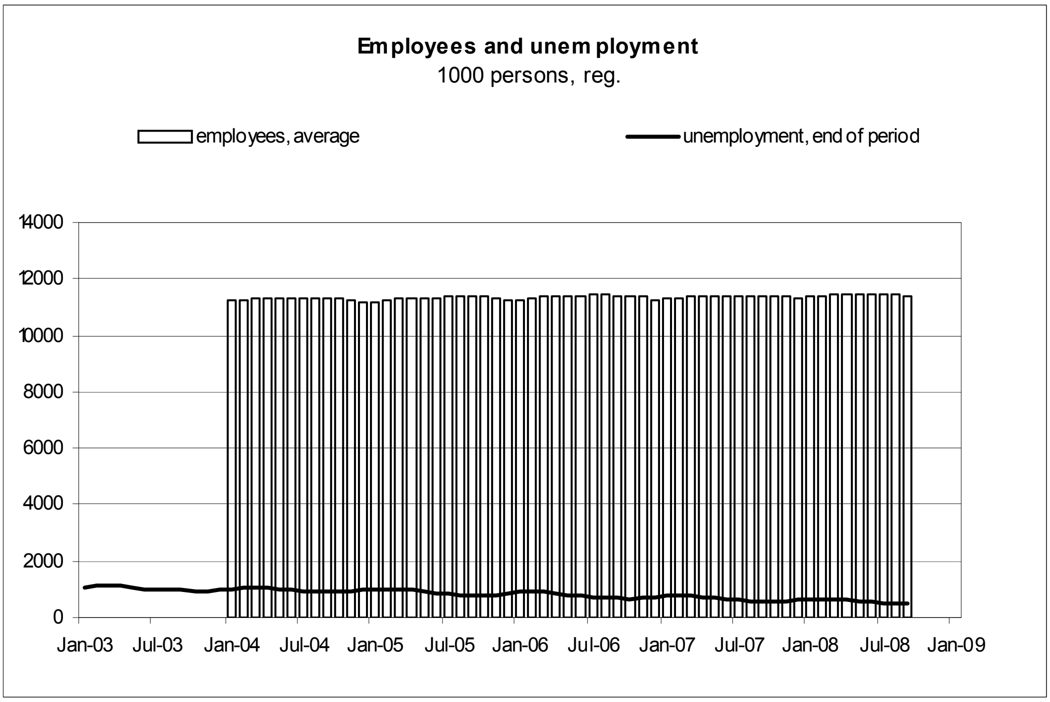




Source: wiiw Monthly database incorporating national statistics.

Ukraine: Selected monthly data on the economic situation 2003 to 2008





Source: wiiw Monthly database incorporating national statistics.

Guide to wiiw statistical services on Central, East and Southeast Europe, Russia and Ukraine

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Annual data	*Handbook of Statistics*	on CD-ROM (MS Excel tables + PDF files)	order from wiiw	November 2008	€ 230.00; for Members free of charge
		on CD-ROM (PDF files)	order from wiiw	November 2008	€ 92.00
	individual chapters	via e-mail (MS Excel tables)	order from wiiw	November 2008	€ 37.00 per chapter
		Please note: No printed version of the Handbook is published in 2008.			
	wiiw Annual Database	online access	via WSR http://www.wsr.ac.at	continuously	€ 2.70 per data series; for Members € 1.90
Quarterly data (with selected annual data)	*Current Analyses and Forecasts*	printed	order from wiiw	February and July	€ 70.00; for Members free of charge
		PDF (online or via e-mail)	order from wiiw	February and July	€ 65.00; for Members free of charge
	Monthly Report (2nd quarter)	printed, PDF (online or via e-mail)	for wiiw Members only	*Monthly Report* nos. 10, 11, 12	only available under the wiiw Service Package for € 2000.00
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