

Monthly Report | 11/12

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Eurozone crisis and fiscal austerity push half of the CESEE region into recession

BY VASILY ASTROV

The recession in the euro area is proving to be deeper than initially expected¹ and continues to be a drag on economic growth also in the countries of Central, East and Southeast Europe (CESEE). Their exports, which had expanded markedly in the two previous years and boosted GDP growth, nearly stalled in 2012 and are generally recording single-digit growth rates at best. The countries whose exports are performing above average tend to be either energy producers benefiting from high oil prices (Russia and Kazakhstan) or relatively less dependent on the eurozone, such as the Baltic states (which trade relatively more with Russia) and Slovakia (whose car producers have diversified their exports towards the US, China and Russia). On the other hand, Albania has paradoxically increased its (otherwise small) exports to the crisis-torn Greece, Italy, and Spain.

At the same time, domestic demand in most CESEE countries continues to remain anaemic, as uncertainties weigh heavily on the households' mood to spend and the businesses' propensity to invest. Also, bank deleveraging (let alone an outright banking crisis like in Slovenia) are resulting in a credit crunch which is suppressing domestic demand still further, although in some cases (e.g. in the Czech Republic and Poland) the weak credit dynamics is a reflection of the low demand for credit in the face of elevated uncertainties. Once again, the exceptions are to be found primarily on the 'fringes' of the region: in Russia and Kazakhstan (where the share of western banks in the banking sector is smaller), consumer lending is on the rise, while in the Baltic states and Ukraine, private consumption is reviving on the back of re-

ceding unemployment and recovering wages, respectively (after the extreme hardships suffered during the 2008-2009 crisis).

Apart from that, the differences in the dynamics of domestic demand can be largely attributed to differences in fiscal policy. In Bulgaria and Romania, domestic demand is being sustained somewhat by the pre-election hikes in wages and pensions and public investments, respectively. However, nearly all other CESEE countries are currently in the midst of budget consolidation programmes. In many cases, fiscal austerity is a natural reaction to the government's difficulties to borrow and the high yields they have to pay on sovereign bonds. In addition, some countries (such as Poland and Albania) have legal limits on the size of their public debt, which are becoming increasingly binding. The economic rationale for fiscal consolidation varies, however, from country to country. While it may be fully justified e.g. in Hungary and Serbia given their high public debts, it appears less plausible in the cases of the Czech Republic and Poland which can still borrow rather cheaply.

Export weakness and suppressed domestic demand will push nearly half of the CESEE region into recession this year, including the Czech Republic, Hungary, Slovenia, and all Western Balkan countries with the exception of Albania. Elsewhere, the above-mentioned better performance of foreign trade and/or domestic demand should bring about a meagre economic growth in 2012, but also here our forecasts have been generally revised downwards.

Still, the prospects for 2013-2014 are a bit more encouraging. For the next year, we expect economic recovery and growth acceleration, respectively, everywhere except Slovenia, which will not overcome the legacy of the recent 'burst' of a real estate bubble before 2014. Needless to say, this forecast is conditional on an improvement in the global environment and particularly that in the eurozone. The New EU Member States, which have a relatively strong export-oriented industrial sector, should be able to take full advantage of the even-

¹ See e.g. IMF, 'World Economic Outlook', October 2012; European Commission, 'European Economic Forecast', Autumn 2012.

tual euro area recovery. This applies however less to the Western Balkan countries whose industrial base is considerably weaker and in some cases (steel industry in Serbia, aluminium industry in Montenegro) appears to be further weakening. Besides, the so far relatively steady inflow of remittances – an important pillar of domestic demand in many Balkan countries – may eventually dry up if economic woes in the host countries (largely countries of the eurozone ‘periphery’) continue. Finally, in the case of the commodity (mainly energy and metals) exporting CIS countries, the dynamics of commodity prices will be crucial for their economic performance.

Even under the most optimistic scenario, in the medium run the CESEE countries will be generally unable to replicate the growth rates observed prior to the 2008-2009 crisis. Their growth pace is and will likely remain insufficient to bring about a considerable improvement in the labour markets. One possible exception is the Baltic states, where a decline in unemployment could be facilitated, at least initially, by the growing labour-intensive services sector and the outward migration of unemployed. In the Western Balkans, on the other hand, the already high unemployment has been in some cases rising further (particularly in Serbia and Croatia), and may eventually jeopardize the social stability of these countries.

Table 1

Overview 2010-2011 and outlook 2012-2014

	GDP					Consumer prices					Unemployment, based on LFS					Current account				
	real change in % against previous year					change in % against previous year					rate in %, annual average					in % of GDP				
	2010	2011	2012	2013	2014	2010	2011	2012	2013	2014	2010	2011	2012	2013	2014	2010	2011	2012	2013	2014
			Forecast	Forecast				Forecast	Forecast				Forecast	Forecast				Forecast	Forecast	
NMS-10																				
Bulgaria	0.4	1.7	0.7	1.5	2	3.0	3.4	2.5	3	3	10.2	11.2	12	11	10	-1.5	0.3	-2.0	-2.9	-3.4
Czech Republic	2.5	1.9	-1.2	0.8	2	1.2	2.2	3.2	2	2	7.3	6.7	7.2	7	7	-3.9	-2.9	-1.5	-2.0	-2.1
Estonia	3.3	8.3	2.1	2.9	3.9	2.7	5.1	4.0	4.0	4	16.9	12.5	10.5	9.5	9	2.9	2.1	-2.1	-3.3	-4.6
Hungary	1.3	1.6	-1.3	0.5	2	4.7	3.9	5.7	5	4	11.2	10.9	10.9	10.7	10.5	1.1	0.9	1.2	1.0	1.0
Latvia	-0.9	5.5	3.7	3.3	3.8	-1.2	4.2	2.3	2.8	3.5	18.7	15.4	15.5	14.5	13.5	2.9	-2.1	-2.6	-2.9	-3.3
Lithuania	1.5	5.9	2.7	3.4	4	1.2	4.1	3.2	3.5	3.5	17.8	15.4	13.0	12.5	11.5	0.1	-3.7	-2.5	-3.2	-3.2
Poland	3.9	4.3	2.3	2.1	2.6	2.7	3.9	4.0	2.8	2.5	9.6	9.7	10.2	10.2	10.2	-5.1	-4.9	-4.0	-4.4	-4.3
Romania	-1.6	2.5	1.0	1.5	3	6.1	5.8	3.5	4.5	4	7.3	7.4	7.3	7	7	-4.4	-4.4	-3.9	-4.5	-5.1
Slovakia	4.2	3.3	2.8	2	3	0.7	4.1	3.5	3	3	14.4	13.5	13.5	13.5	13	-3.7	0.1	1.5	1.0	0.7
Slovenia	1.2	0.6	-2.0	-1.5	0.5	2.1	2.1	2.5	2	2	7.3	8.2	8.8	9	9	-0.6	0.0	1.1	1.1	0.8
<i>NMS-10</i> ¹⁾	2.1	3.2	1.1	1.6	2.5	3.0	4.0	3.8	3.2	3.0	9.9	9.6	9.8	9.6	9.4	-3.3	-2.9	-2.3	-2.8	-3.0
<i>EA-17</i> ²⁾	2.0	1.4	-0.4	0.1	1.4	1.6	2.7	2.5	1.8	1.6	10.1	10.1	11.3	11.8	11.7	0.5	0.5	1.1	1.5	1.6
<i>EU-27</i> ²⁾	2.1	1.6	-0.3	0.4	1.6	2.1	3.1	2.7	2.0	1.8	9.7	9.7	10.5	10.9	10.7	-0.2	0.2	0.4	0.9	1.1
Candidate countries																				
Croatia	-1.4	0.0	-1.8	1	2	1.1	2.3	2.5	2.4	2	11.8	13.5	15.5	16	15.5	-1.1	-1.0	-0.7	-1.1	-1.2
Macedonia	2.9	2.9	-0.6	1	1.7	1.6	3.9	3	3	3	32.0	31.4	31	31	31	-2.0	-3.0	-5.8	-5.0	-4.8
Montenegro	2.5	3.2	-1	1	2	0.5	3.1	3	3	3	19.6	19.7	20	20	19	-24.6	-19.6	-21.2	-23.5	-22.2
Potential candidate countries																				
Albania	3.8	3.1	1.5	2.8	3.3	3.6	3.4	1.5	4	4	13.7	14.0	15	14	13	-11.5	-12.1	-11.5	-14.1	-15.0
Bosnia and Herzegovina	0.7	1.3	-0.7	0.8	2	2.1	3.7	2	2	2	27.2	27.6	28	28	28	-5.7	-8.8	-9.1	-8.9	-8.5
Serbia	1.0	1.6	-1.5	1	2	6.8	11.0	7	6	5	19.2	23.0	27	28	28	-7.4	-9.0	-11.0	-11.0	-11.0
Kazakhstan	7.3	7.5	5	5	6	7.1	8.3	5.5	7	6	5.8	5.4	5.2	5	5	1.2	7.2	7.8	6.4	7.6
Russia	4.3	4.3	3.6	3.8	4.2	6.9	8.5	6	5	5	7.5	6.6	6.5	6.7	6.7	4.8	5.3	3.9	3.0	2.2
Ukraine	4.1	5.2	1	3	4	9.4	8.0	0.5	4.5	5	8.1	7.9	7.9	7.7	7.5	-2.2	-6.2	-7.1	-5.3	-6.6

Note: LFS: Labour Force Survey. NMS: The New EU Member States. EA: Euro area 17 countries.

1) wiiw estimate. - 2) Current account data include transactions within the region .

Source: wiiw (November 2012), Eurostat. Forecasts by wiiw and European Commission (Autumn Report, November 2012) for EU and euro area.

Albania: EU, ho! (conditionally)

BY MARIO HOLZNER

On 10 October 2012, the Commission recommended granting EU candidate status to Albania subject to completion of key reform steps. These include measures in the areas of judicial and public administration reform, and parliamentary rules of procedures being revised. Also Albania's commitment to fight corruption and organized crime will be taken into account. Finally, the conduct of the 2013 parliamentary elections will be a crucial test.

This is not the first election seen as crucial for a substantial improvement in the relations between the EU and Albania. And it might well be that this is not the last one. So far, no elections held since the collapse of the communist regime have fully met international standards and allegations of fraud and disputed results have been widespread. However, if conducted in a 'free and fair' way it appears to be quite likely that Albania will soon join the club of EU candidate countries.

In economic terms the elections seem to be quite important as well. Under the impression of unfavourable external conditions, domestic demand appears to cool off dramatically. Quite bluntly, central bank governor Ardian Fullani has recently urged the government to take measures to increase domestic consumption as it seems obvious that lowering the interest rate alone does not help to prevent the slowdown in economic growth.

During the first half of 2012, GDP growth dropped by two percentage points to less than one per cent as compared to the same period a year earlier. The main disappointment is the construction sector, which was decreasing value added by about 18% year-on-year (y-o-y). One of the reasons for the reduction in aggregate demand might be decreasing remittances (-2%) from Albanian expatriates during the first half of 2012 as compared to the same period in 2011 as well as expectations of an even stronger drop in the future.

A recent study by the Albanian Centre for International Trade (ACIT) estimates that during the past few years about 180,000 Albanian migrants have left Greece and returned home. While so far remittances have remained more or less stable as returnees have taken their savings with them, it can be expected that the drop in remittances will be more pronounced in the period to come.

Overall retail trade was only slightly negative in the second quarter of 2012 as compared to last year, but sales and repair of motor vehicles (a forward looking indicator of aggregate demand) dropped by 22%. Also, nominal growth of new loans turned negative in the first eight months of 2012 (-2.5% y-o-y). Here especially new loans to households dropped massively (-27%) while new loans to businesses were still rising (+2.6%). However, among new loans to businesses, loans for machinery and appliances dropped by 4%. This indicates less private investment. Moreover, the share of non-performing loans in total loans increased from 17% in the second quarter of 2011 to a worrying 21% a year later.

The weak state of private household and business demand is also reflected in the Economic Sentiment Indicator: the third quarter 2012 depicts the lowest value since the trough in the first quarter of 2009. This is despite the fact that the external position of the Albanian economy has improved. Over the first eight months of 2012 goods exports grew in nominal terms by 6% (but also imports dropped by 2%). Counter-intuitively especially exports to crisis-torn Spain, Italy and Greece were increasing. Particularly exports of minerals and fuels as well as food and beverages were on the rise.

Unfortunately the external sector seems to be the only source of growth for the moment. Also government demand has been so far restrained. Latest data from January to September 2012 indicate that government revenues increased by 2.3% while expenditures decreased by 0.2% y-o-y. Particularly subsidies and capital expenditures were reduced while unproductive expenditures on military and police were increased.

In order not to choke off the economy, it will be of utmost importance to increase fiscal stimulus by resuming important infrastructure works. However, the government has tied itself unnecessarily by a public debt legal limit of 60% of GDP which has been almost reached if not surpassed already. In this respect it is reassuring that the political cycle provides an important incentive for fiscal stimulus given the 2013 parliamentary elections.

The most likely source of financing additional public expenditure without increasing public debt is the receipt from the latest privatization of the state-owned Albpetrol oil company. Apart from the company's assets above ground the buyer gains the right to explore and exploit oil and gas in Albanian territory for 25 years. Both on- and off-shore oil and gas reserves in Albania are estimated to be quite substantial. The winning privatization bid of EUR 850 million (or about 9% of GDP) was made by the Singapore–US consortium Vetro Energy. The majority shareholder of this company is Rezart Taçi, an Albanian businessman who allegedly belongs to Prime Minister Sali Berisha's inner circle. He is also the owner of Albania's largest chain of petrol stations (Taçi Oil) and has earlier privatized the state-owned refinery company ARMO. Interestingly enough (and probably not only as a trivia) Taçi Oil is one of the premium sponsors of Silvio Berlusconi's AC Milan soccer club.

Despite a Europe-wide process of deleveraging it can be expected that in the years to come foreign direct investment in Albania will be of substantial importance. There are still a few public assets to be privatized and also the improved prospects for EU accession might attract additional capital. At the moment only the energy and transport sectors appear to be of major interest to foreign investors. Austria's EVN and Norway's Statkraft are expected to start works for the construction of a hydropower cascade on the Devoll River in early 2013. The investment is expected to be in the order of close to EUR 1 billion and should have the capacity to boost Albanian power output by some 20%.

Also, recently Albania, Greece and Italy have signed a memorandum of understanding granting political support to the Trans Adriatic Pipeline (TAP) project that aims at bringing Caspian natural gas to the Mediterranean. TAP is a joint venture of Swiss Axpo, Norwegian Statoil and German E.ON and is competing with a number of other pipeline projects longing for Azeri gas.

Thus, for both 2012 and 2013 one can expect at least a billion euro of FDI each year which is a substantial amount for a small economy and which should also help to overcome the financing gap caused by diminishing remittances and legal public debt constraints. Consequently economic prospects appear to be less gloomy than what available indicators of domestic demand in 2012 suggest. This is obviously given that the expected inflows of foreign capital materialize and fiscal stimulus strengthens domestic demand.

While the 2011 GDP growth rate had to be revised upwards by more than one percentage point to 3.1%, the 2012 GDP growth forecast had to be revised downwards by almost one percentage point to 1.5%, due to the development of private and public domestic demand. Growth in 2013 is expected to pick up at a pace of close to three per cent. As compared to the IMF, our forecasts are more optimistic by about one percentage point. This is due to the expected fiscal expansion in the wake of the campaign for the Albanian parliamentary elections in 2013, starting with the celebrations of the 100th anniversary of the declaration of independence of Albania on 28 November 2012.

ALBANIA

Table AL

Albania: Selected Economic Indicators

	2008	2009	2010	2011 ¹⁾	2011 January-June	2012	2012 Forecast	2013 Forecast	2014
Population, th pers., average	3182.0	3194.4	3210.0	3220.0	.	.	3240	3260	3280
Gross domestic product, ALL bn, nom. ²⁾	1089.3	1148.1	1222.5	1302	.	.	1340	1430	1540
annual change in % (real) ²⁾	7.5	3.3	3.8	3.1	2.9	0.9	1.5	2.8	3.3
GDP/capita (EUR at exchange rate)	2800	2700	2800	2900	.	.	.	.	.
GDP/capita (EUR at PPP)	6400	6500	6600	6800	.	.	.	.	.
Consumption of households, ALL bn, nom. ²⁾	861.9	910	970	1030	.	.	.	.	.
annual change in % (real) ²⁾	6.7	3	2.5	3	.	.	0	3	5
Gross fixed capital form., ALL bn, nom. ²⁾	415.1	430	400	420	.	.	.	.	.
annual change in % (real) ²⁾	9.5	5	-7	4.8	.	.	1	5	6
Gross industrial production ³⁾									
annual change in % (real)	8.7	10.6	18.6	10	3.9	.	4	5	7
Gross agricultural production									
annual change in % (real)	4.6	4.4	5.9	4	3.3	.	3	4	5
Construction output total ³⁾									
annual change in % (real)	10.9	0.4	-17.9	1	3.7	.	-5	6	3
Employed persons, LFS, th ⁴⁾	1123.3	1160.5	1200	1200	.	.	1180	1200	1220
annual change in %	-6.2	3.3	3.4	0.0	.	.	-2	2	2
Employment reg. total, th pers., end of period	974.1	899.3	916.9	928.0	925.0	933.3	920	930	950
annual change in %	3.7	-7.7	2.0	1.2	2.5	0.9	-1	1	2
Unemployed persons, LFS, th ⁴⁾	168.6	185.0	190	200	.	.	210	200	190
Unemployment rate, LFS, in % ⁴⁾	13.0	13.8	13.7	14.0	.	.	15	14	13
Unemployment rate, reg., in %, end of period	12.7	13.9	13.5	13.3	13.4	13.3	14	13	12
Average gross monthly wages, ALL ⁵⁾	34277	36075	38492	41030	45500	48800	.	.	.
annual change in % (real, gross) ⁵⁾	21.2	2.9	3.1	3.0	3.1	5.7	6	8	4
Consumer prices, % p.a.	3.4	2.3	3.6	3.4	4.0	1.5	1.5	4	4
Producer prices in industry, % p.a.	6.5	-1.6	0.3	2.6	3.2	2.0	2	4	4
General governm.budget, nat.def., % GDP									
Revenues	26.7	26.1	26.6	25.4	.	.	26	27	28
Expenditures	32.3	33.1	29.7	28.9	.	.	30	35	34
Deficit (-) / surplus (+)	-5.5	-7.0	-3.1	-3.5	.	.	-4	-8	-6
Public debt, nat. def., in % of GDP ⁶⁾	55.1	59.8	58.2	58.0	.	.	60	65	66
Central bank policy rate, % p.a., end of period ⁷⁾	6.25	5.25	5.00	4.75	5.25	4.25	3.75	3.5	4
Current account, EUR mn	-1381.2	-1329.8	-1018.5	-1122.1	-525.8	-445.9	-1100	-1450	-1700
Current account in % of GDP	-15.6	-15.3	-11.5	-12.1	.	.	-11.5	-14.1	-15.0
Exports of goods, BOP, EUR mn	917.5	750.7	1171.5	1405.5	701.4	720.0	1460	1500	1600
annual growth rate in %	16.7	-18.2	56.1	20.0	17.8	2.7	4	3	7
Imports of goods, BOP, EUR mn	3348.9	3054.4	3254.2	3647.1	1691.3	1661.2	3610	3850	4300
annual growth rate in %	15.9	-8.8	6.5	12.1	13.0	-1.8	-1	7	12
Exports of services, BOP, EUR mn	1687.8	1771.4	1750.7	1747.4	689.1	677.5	1780	1850	2050
annual growth rate in %	18.7	5.0	-1.2	-0.2	6.1	-1.7	2	4	11
Imports of services, BOP, EUR mn	1618.3	1597.5	1518.8	1612.7	-712.3	-640.4	1600	1700	1850
annual growth rate in %	15.4	-1.3	-4.9	6.2	12.9	-10.1	-1	6	9
FDI inflow, EUR mn	665.2	716.9	793.3	747.0	297.1	382.6	1000	1000	900
FDI outflow, EUR mn	55.4	28.2	4.8	30.1	6.4	11.1	20	30	40
Gross reserves of NB excl. gold, EUR mn ⁸⁾	1626.1	1607.8	1842.1	1853.1	1720.2	1880.2	.	.	.
Gross external debt, EUR mn	3313.5	3567.5	3919.1	4599.5	4058.7	4857.1	.	.	.
Gross external debt in % of GDP	37.4	41.0	44.2	49.6	43.7	50.7	.	.	.
Exchange rate ALL/EUR, average	122.80	132.06	137.79	140.33	140.61	139.27	140	139	136
Purchasing power parity ALL/EUR	53.48	55.40	57.83	59.24	.	.	.	.	.

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

1) Preliminary. - 2) According to ESA'95 (including non-observed economy, real growth rates based on previous year prices). Data partly estimated by wiiw. - 3) Gross value added. - 4) Survey once a year (June or September-October), wiiw estimate in 2010 and 2011. - 5) January to June data refer to public sector. - 6) Based on IMF data. - 7) One-week repo rate. - 8) Until 2008 foreign assets of NB.

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

Bosnia and Herzegovina: change without evolution

VLADIMIR GLIGOROV

Like in other Balkan countries that depend significantly on official transfers and multilateral credits as well as on remittances, e.g. Albania and Kosovo, the crisis has been milder than in economies relying more on private financial inflows, i.e. most every other country in the region. However, when it comes to recovery there is hardly any difference: it was shallow in the past couple of years and is now turning into a mild recession. Also, prospects are similar like that of the Balkans as a whole (except for Greece), which is practically stagnant for a couple of years with a possible speed-up of growth later, on condition that the external environment improves significantly and economic policy is adjusted appropriately. The latter part is unlikely in Bosnia and Herzegovina because of the rigid and apparently unchangeable constitutional and political set-up.

Basically, the country has been put in a straitjacket and has quite narrow space of manoeuvre. So, even though the economy and society change, there is hardly any institutional evolution. In addition, most policy instruments have been taken out either by the liberal trade system or due to the introduction of the currency board. The fiscal system is quite decentralized with hardly any significant fiscal policy tools on the central level of government. This arrangement makes public spending quite intractable and also quite susceptible to discretion. So, economic policy tends to be a drag on the economy rather than being supportive of it.

In the past – and the same will be the case in the future – IMF programmes have underpinned the macroeconomic stability. As a rule, the IMF has been unhappy with the quality of execution of its standby agreements, but has little choice but to keep its presence given the level of international involvement. The new standby agreement focuses on the same goals as previous ones, i.e. on fiscal clarification and consolidation and on a whole bat-

tery of structural reforms. IMF support is mainly needed for fiscal purposes, though foreign and public debts are not as high as in most other Balkan countries, but the access to commercial financing is either not available or prohibitively high. This is in part the legacy of relatively high growth rates before 2009, but the prospects for a fast worsening are not really high. So, macroeconomic stability does not seem to be under pressure at the moment and should not be expected to deteriorate in the medium term.

The performance of the economy depends mainly on industrial production and on foreign investments. This year both have underperformed. The Serbian part of the country relied on investments from Serbia mainly, though there were some Russian investments too. Those have dried out due to the recession in Serbia and lack of assets to sell to other prospective foreign investors. The situation in the Bosniak part is somewhat better due to investments from Turkey and some countries from the Persian Gulf. Those investments, however, do not target industry as a rule, while the country's comparative advantage is mostly in that sector. Finally, remittances have been flowing in rather steadily so far, though that is liable to change if the crisis in the host countries is protracted.

Labour, product and financial markets are changing with a certain increased flexibility being exhibited. Similarly, there are political changes, with the governing parties in both entities, the Serbian and the mainly Bosniak one, doing badly in the recent local elections. Particularly significant is the defeat of the party of Milorad Dodik, the president of the Serbian Republic, which has been dominant there for quite some time. There is, however, little evolution in the political commitments of the majority of the parties on all the levels of government. They still do not see advantages in working together and reforming the political and the constitutional system.

In Bosnia and Herzegovina, it is as a rule more important what happens outside than inside the country. Croatian accession to the European Union (EU) should be stabilizing and perhaps incentiviz-

ing for their own EU agenda. More important is the political change in Serbia where the interest has increasingly turned to local issues and less to regional objectives. That should also be stabilizing, though Serbian politics is rather volatile and may change again. However, with decreasing interest in these two trouble making neighbours, and with Montenegro, another neighbour, already negotiating with the EU for accession, this lack of political and economic evolution may change.

In the medium term, however, as in most other Balkan economies, rather slow recovery is what can be expected. Given that domestic demand cannot increase all that much and foreign demand is stagnating, there is not much that can be expected from increased exports. Multilateral financial support and foreign investments from traditional destinations will continue to support changes in the various markets, but the economic and political evolution is still hard to forecast.

Table BA

Bosnia and Herzegovina: Selected Economic Indicators

	2008	2009	2010	2011 ¹⁾	2011 January-June	2012	2012 Forecast	2013 Forecast	2014
Population, th pers., mid-year	3842.3	3843.0	3843.1	3839.7	.	.	3843	3842	3842
Gross domestic product, BAM mn, nom. ²⁾	24759	24051	24584	25474	.	.	25800	26500	27600
annual change in % (real) ²⁾	5.6	-2.9	0.7	1.3	.	.	-0.7	0.8	2
GDP/capita (EUR at exchange rate)	3300	3200	3300	3400	.	.	3400	3500	3700
GDP/capita (EUR at PPP)	6700	6400	6600	6800	.	.	.	.	.
GDP by expend. approach, BAM mn, nom. ²⁾	28116	27895	27955	.	.	.	.	.	.
annual change in % (real) ²⁾	7.0	-1.8	1.0	.	.	.	.	.	.
Consumption of households, BAM mn, nom. ²⁾	22468	21631	21828	22700	.	.	.	.	.
annual change in % (real) ²⁾	6.0	-3.9	-1.0	0.2	.	.	-2	1	1
Gross fixed capital form., BAM mn, nom. ²⁾	7565	5952	5344	5800	.	.	.	.	.
annual change in % (real) ²⁾	16.1	-22.4	-11.1	5.4	.	.	0	6	5
Gross industrial production ³⁾									
annual change in % (real)	7.3	1.5	3.7	5.6	7.9	-6.2	-5	5	7
Gross agricultural production									
annual change in % (real)	9.1	3.9	-7.1	2	.	.	.	.	.
Construction output total ⁴⁾									
annual change in % (real)	16.9	-7.2	-12.4	-4.0	.	.	.	.	.
Employed persons, LFS, th, April	890.2	859.2	842.8	816.0	816.0	813.7	810	810	812
annual change in %	4.8	-3.5	-1.9	-3.2	-3.2	-0.3	-0.7	0.0	0.2
Employees total, reg., th, average	705.6	697.6	695.7	692.1	692.5	689.2	682	685	685
annual change in %	2.9	-1.1	-0.3	-0.5	-0.1	-0.5	-1.5	0.4	0.0
Unemployed persons, LFS, th, April	272.0	272.3	315.1	310.9	310.9	316.6	315	313	312
Unemployment rate, LFS, in %, April	23.4	24.1	27.2	27.6	27.6	28.0	28	28	28
Unemployment rate, reg., in %, end of period	40.6	42.4	42.7	43.8	43.1	43.8	44	44	44
Average gross monthly wages, BAM	1113	1204	1217	1273	1262	1288	1280	1300	1350
annual change in % (real, net)	8.4	5.6	-1.1	-1.4	-1.2	-0.7	.	.	.
Consumer prices, % p.a.	7.5	-0.4	2.1	3.7	3.6	2.2	2	2	2
Producer prices in industry, % p.a. ⁵⁾	8.6	-3.2	0.9	3.7	4.0	2.0	2	2	2
General governm.budget, nat.def., % GDP									
Revenues	44.0	43.0	44.2	44.6	.	.	43.5	43.5	44.0
Expenditures	46.2	47.5	46.7	45.8	.	.	46.5	46.0	46.5
Deficit (-) / surplus (+)	-2.2	-4.4	-2.5	-1.3	.	.	-3.0	-2.5	-2.5
Public debt, nat. def., in % of GDP ⁶⁾	30.7	35.3	38.9	39.0	.	.	42	43	44
Central bank policy rate, % p.a., end of period ⁷⁾
Current account, EUR mn ⁸⁾	-1771.3	-777.7	-719.3	-1141.9	-802.2	-896.5	-1200	-1200	-1200
Current account in % of GDP	-14.0	-6.3	-5.7	-8.8	.	.	-9.1	-8.9	-8.5
Exports of goods, BOP, EUR mn ⁸⁾	3522.0	2920.2	3761.9	4347.2	1286.4	1250.1	4200	4500	5000
annual growth rate in %	13.9	-17.1	28.8	15.6	24.4	-2.8	-3	7	11
Imports of goods, BOP, EUR mn ⁸⁾	8344.6	6330.1	6994.1	7976.0	3235.1	3281.6	8095	8500	9100
annual growth rate in %	15.4	-24.1	10.5	14.0	17.3	1.4	1.5	5	7
Exports of services, BOP, EUR mn ⁸⁾	1131.9	1024.9	974.5	922.3	671.1	683.2	930	960	1010
annual growth rate in %	6.6	-9.5	-4.9	-5.4	-0.6	1.8	1	3	5
Imports of services, BOP, EUR mn ⁸⁾	467.7	461.7	407.4	378.6	160.4	165.1	390	400	420
annual growth rate in %	10.8	-1.3	-11.8	-7.1	5.8	2.9	3	3	5
FDI inflow, EUR mn ⁸⁾	683.8	180.5	173.6	313.0	96.6	329.4	400	500	500
FDI outflow, EUR mn ⁸⁾	11.2	4.3	31.7	14.2	-15.1	30.9	2	3	3
Gross reserves of NB excl. gold, EUR mn ⁹⁾	3218.9	3143.8	3267.6	3207.0	3048.2	2928.7	3150	3200	3200
Gross external public debt, EUR mn	2168.0	2676.2	3215.4	3405.3	3153.0	3332.8	3700	4000	4000
Gross external debt in % of GDP	17.1	21.8	25.6	26.1	24.2	25.3	28.1	29.6	28.4
Exchange rate BAM/EUR, average	1.9558	1.9558	1.9558	1.9558	1.9558	1.9558	1.96	1.96	1.96
Purchasing power parity BAMEUR	0.9658	0.9842	0.9743	0.9725	.	.	.	.	.

1) Preliminary. - 2) According to ESA'95 (including non-observed economy, real growth rates based on previous year prices). - 3) Until 2008 wiiw estimates based on weighted averages for the two entities (Federation BH and Republika Srpska). - 4) According to gross value added. - 5) Domestic output prices. - 6) Based on IMF data. - 7) Bosnia and Herzegovina has a currency board. There is no policy rate and even no money market rate available. - 8) Converted from national currency with the average exchange rate. Quarterly data and forecasts BOP 6th edition. - 9) Including investment in foreign securities.

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

Croatia: employment victimized by budget consolidation

BY HERMINE VIDOVIC

Croatia's GDP dropped by 1.7% during the first half of 2012 owing to a decline in domestic demand. Gross fixed capital formation, which has been on the decline since 2009, continued to drop for yet another year. Private consumption fell due to the decline in disposable income (rising unemployment) and deleveraging of households, while the decrease in government consumption was mainly resulting from fiscal consolidation. The contraction in investments was felt primarily in the construction sector, where output continued to decline (11%). The slump in industrial production has become even more pronounced than in the two preceding years, with output dropping by 4.8% over the first eight months of the year. In manufacturing half of all sectors recorded a decline in production; still, shipbuilding industry, Croatia's single most important exporter, increased production by 5%. During the first eight months of 2012, labour productivity in industry was 1.2% lower than a year earlier.

Based on customs statistics, external trade remained suppressed during the first eight months of 2012, with exports of goods declining by 1.6% in nominal euro terms and imports almost stagnating. The resulting trade deficit rose by about EUR 170 million to EUR 4.7 billion compared to a year earlier. In trade with the EU, exports fell by close to 4%; exports to Italy, one of Croatia's most important trading partners, dropped by nearly 16%. Thanks to a rising surplus in services trade and a declining deficit in the income balance, the current account closed with a lower deficit during the first half of the year than in the corresponding period of 2011. At the same time the inflow of FDI fell substantially and amounted to only EUR 154 million. At the end of June foreign debt stood at EUR 46.5 billion, by EUR 0.8 billion more than at the end of 2011. This increase was mainly due to government borrowing (bond issue, assuming debt of the shipbuilding sector) and to a lesser extent by debt owed by private enterprises.

The continued downward pressure on the kuna against the euro during the first months of 2012 came to a halt in August/September when the Croatian National Bank (CNB) intervened to prevent kuna appreciation due to seasonal foreign exchange inflows.¹

Croatia's labour market has deteriorated further during 2012. Labour force survey data indicate that employment fell by 3.3% during the first half of the year², while the unemployment rate jumped to 15.9% (13.9% in the first half of 2011). Youth unemployment soared to 41% in the first half of the year and is among the highest if compared with the EU; among the EU countries only Spain and Greece have higher youth unemployment rates. Registration data put the unemployment rate at 18.3% in September. According to the Minister of Labour a further wave of job losses is expected next year.

In July the government adopted its 'Economic and Fiscal Policy Guidelines for the Period 2013-2015' which envisage a gradual reduction of the general government deficit to 1.6% in 2015. Projections are based on annual GDP growth rates reaching 1.8% in 2013, 3% in 2014 and 3.5% in 2015, which seem to be rather optimistic. In September Fitch Ratings revised Croatia's outlook from negative to stable owing to the deficit reduction plan, improvements in the tax compliance regime and efforts to fight tax avoidance. According to Fitch key challenges will remain the further reduction of the deficit and the implementation of structural reforms (labour market and pension reforms). Cutting the public sector wage bill is one of the challenges ahead for the Croatian government. In September the government unilaterally cancelled the basic collective agreement for public sector employees, paving the way for cuts of employee benefits such as Christmas bonuses, holiday cash grants and transport costs. Only recently the Minister of Finance has

¹ Up to September the CNB had intervened five times to prevent the kuna from depreciating.

² By contrast, data obtained from the Pension Insurance Institute indicate only a marginal employment decline of 0.7% during the first half of 2012.

announced the dismissal of 20,000 employees in the public sector. In response several thousand members of the teachers and nurses unions demonstrated in Zagreb.

Public debt increased from 46.7% of the GDP at the end of 2011 to an estimated 50.5% at the end of June. More than half of the debt increase was due to assuming the shipyards' debts by the government. At the same time the share of sovereign guarantees fell from 16.1% of the GDP to 13.9%.

On 10 October the second monitoring report of the European Commission on Croatia's progress in its preparation for accession was published covering the period between October 2011 and September 2012. The report concludes that 'the country has continued to make good progress overall and is now completing its alignments with the EU legislation and standards'. However, the Commission has identified a limited number of issues where increased efforts are necessary related in particular to (i) the preparation of proper management for future structural funds; (ii) speeding up the restructuring of the Croatian shipbuilding industry; (iii) strengthening the rule of law; (iv) fighting corruption effectively; and (v) the management of external borders. With regard to shipyards, despite an approval by the EU

for the privatization of 'Brodosplit', the deal is pending due to disagreements between the Ministry of Economy and the Ministry of Finance as well as the buyer (the Croatian DIV company). Negotiations related to the sale of Brodotrogir are under way, the privatization of which is expected for the end of 2012. Shipyard 3. Maj will be privatized according to the model of Uljanik (distribution of shares to employees) and probably sold to the latter.

Based on the results for the first months of the year, wiiw has revised its previous GDP forecast for 2012 downwards, close to minus 2% (from -1.5%); we expect moderate growth at best in 2013 driven by a rebound in investment activities. Employment will continue to contract along with a decline in GDP in 2012 and in 2013, as employment growth will follow GDP growth only with some delay. At the same time the LFS unemployment rate is expected to increase to 15.5% and will only slowly decrease from 2014 onwards. Thus, household consumption will remain suppressed as a consequence of high unemployment, household deleveraging and weak credit activity; joining the EU in mid-2013 may help to boost foreign investor confidence. Further fiscal consolidation and the need to undergo structural reforms against the background of high unemployment will remain the major challenge for the years to come.

Table HR

Croatia: Selected Economic Indicators

	2008	2009	2010	2011 ¹⁾	2011 January-June	2012	2012 Forecast	2013 Forecast	2014
Population, th pers., mid-year	4434.5	4429.1	4417.8	4402.8	4402.8	.	4435	4435	4435
Gross domestic product, HRK mn, nom.	343412	328672	326980	333956	159398	159108	336100	347600	361600
annual change in % (real)	2.1	-6.9	-1.4	0.0	-0.3	-1.7	-1.8	1	2
GDP/capita (EUR at exchange rate)	10700	10100	10200	10200	.	.	10100	10500	10900
GDP/capita (EUR at PPP)	15800	14600	14500	15100	.	.	.	.	.
Consumption of households, HRK mn, nom.	197936	188859	189314	194318	95442	95882	.	.	.
annual change in % (real)	1.3	-7.6	-0.9	0.2	0.3	-1.9	-2	-1.4	1
Gross fixed capital form., HRK mn, nom.	93930	80367	67254	62746	30885	29748	.	.	.
annual change in % (real)	8.7	-14.2	-15.0	-7.2	-7.0	-4.4	-4	3.5	3
Gross industrial production ²⁾									
annual change in % (real)	1.2	-9.2	-1.4	-1.2	-1.2	-6.1	-5	2.5	3
Gross agricultural production									
annual change in % (real)	8.0	-0.8	-8.2	-1.0	.	.	.	.	.
Construction output ²⁾									
annual change in % (real)	11.8	-6.5	-15.9	-9.1	-9.6	-11.4	.	.	.
Employed persons, LFS, th, average	1636	1605	1541	1493	1478	1430	1450	1420	1430
annual change in %	1.3	-1.8	-4.0	-3.2	-4.5	-3.3	-3	-2	1
Unemployed persons, LFS, th, average	149	160	206	232	238	261	.	.	.
Unemployment rate, LFS, in %, average	8.4	9.1	11.8	13.5	14.0	15.5	15.5	16	15.5
Unemployment rate, reg., in %, end of period	13.7	16.7	18.8	18.7	16.9	17.3	19	19	18
Average gross monthly wages, HRK	7544	7711	7679	7796	7742	7860	7750	7800	7850
annual change in % (real, net)	0.8	0.2	-0.5	-0.4	-0.2	-1.3	.	.	.
Consumer prices, % p.a.	6.1	2.4	1.1	2.3	2.3	2.5	2.5	2.4	2
Producer prices in industry, % p.a. ³⁾	8.3	-0.4	4.3	6.3	6.4	6.4	6	5	3
General governm.budget, EU-def., % GDP ⁴⁾									
Revenues	39.1	36.4	35.0	34.7	.	.	34.5	35.5	35.5
Expenditures	40.4	40.5	39.9	39.7	.	.	39.0	39.5	39
Net lending (+) / net borrowing (-)	-1.4	-4.1	-4.9	-5.0	.	.	-4.5	-4.0	-3.5
Public debt, EU-def., in % of GDP ⁴⁾	29.3	35.8	42.2	46.0	.	.	50	55	58
Central bank policy rate, % p.a.,end of period ⁵⁾	6.0	6.0	6.0	6.0	6.0	6.0	.	.	.
Current account, EUR mn	-4258.1	-2292.5	-482.1	-431.1	-1997.0	-1803.0	-300	-500	-600
Current account in % of GDP	-9.0	-5.1	-1.1	-1.0	-9.3	-8.5	-0.7	-1.1	-1.2
Exports of goods, BOP, EUR mn	9752.7	7674.5	9063.6	9774.0	4810.1	4668.1	9500	9800	10200
annual growth rate in %	6.5	-21.3	18.1	7.8	10.6	-3.0	-2.5	3	4
Imports of goods, BOP, EUR mn	20607.8	15090.1	15054.3	16146.6	8022.5	7989.1	16100	16600	17400
annual growth rate in %	10.6	-26.8	-0.2	7.3	12.4	-0.4	0	3	5
Exports of services, BOP, EUR mn	10090.6	8640.2	8649.4	9002.7	2966.2	3189.7	9500	9900	10400
annual growth rate in %	10.7	-14.4	0.1	4.1	1.6	7.5	6	4	5
Imports of services, BOP, EUR mn	3016.0	2754.5	2662.7	2613.8	1225.3	1335.6	2700	2550	2700
annual growth rate in %	9.7	-8.7	-3.3	-1.8	-5.5	9.0	2	3	6
FDI inflow, EUR mn	4218.6	2415.0	297.5	1074.8	598.7	154.4	500	.	.
FDI outflow, EUR mn	970.2	888.1	-113.2	31.8	270.6	-204.7	.	.	.
Gross reserves of NB excl. gold, EUR mn	9121	10376	10660	11195	11422	11635	.	.	.
Gross external debt, EUR mn ⁶⁾	39764	43745	46496	45733	47330	46514	.	.	.
Gross external debt in % of GDP ⁶⁾	83.6	97.7	103.6	101.8	105.4	103.8	.	.	.
Exchange rate HRK/EUR, average	7.2232	7.3396	7.2862	7.4339	7.3944	7.5393	7.5	7.45	7.45
Purchasing power parity HRK/EUR	4.9004	5.0667	5.0934	5.0373	.	.	.	.	.

Note: Gross industrial production, construction output and producer prices in industry refer to NACE rev. 2.

1) Preliminary. - 2) Enterprises with 20 and more employees. - 3) Domestic output prices. - 4) According to ESA'95, excessive deficit procedure. - 5) Average weighted repo rates. - 6) From 2008 and 2009 new reporting systems.

Source: wiw Database incorporating national statistics. Forecasts by wiw.

Kazakhstan: slower growth due to lower oil production

BY OLGA PINDYUK

In the first half of 2012, economic growth in Kazakhstan slowed down to 5.6% year-on-year. The primary cause of the growth deceleration was a decrease in oil extraction due to technical difficulties. Industrial production data for January-September 2012 show 2% year-on-year decline in the oil extraction sector. Consequently, oil exports during January-August 2012 were only about 45 million tonnes, almost 3 million tonnes lower than during the same period of 2011.

The technical difficulties are perceived to be only temporary, and in 2013, according to the US Energy Information Administration (EIA) forecast, Kazakhstan's oil production will increase by 9% to 1.73 million barrels per day (bpd). A contributing factor is the start of Kashagan operation¹, which is expected in early 2013. During the first year, oil extraction in the new field is forecasted at only about 100 thousand bpd, but in 2014 the volume should be somewhat higher. Oil prices are expected to remain above USD 100 per barrel during the forecast period; therefore Kazakhstani oil exports should pick up in 2013 and further increase in 2014. Economic growth is expected to remain at a level of 5% in 2013 and accelerate to 6% in 2014.

Another industrial sector which also contributed to the growth slowdown was ferrous metallurgy: during January-September 2012, the sector's production dropped by 19.6% year-on-year. This was mainly due to the weak world demand for ferrous metals caused by the continuing global recession.

The agricultural sector also experienced negative growth, first of all owing to unfavourable weather

conditions: in January-June 2012, gross agricultural production declined by 6.3% year-on-year. Extensive summer drought caused an almost 50% decline in the grain harvest. Provided the weather conditions are not so drastic during the next two years, Kazakhstani agriculture should achieve positive growth again.

The construction sector continues to be lethargic with only 0.5% year-on-year real growth in January-June 2012. The sector remains an outcast for many banks, which perceive loans to construction companies (and mortgage loans to households) as too risky. During January-August 2012, loans to the construction sector and mortgage loans accounted for only 8% and 1.9% of newly issued loans respectively, which is significantly lower than the shares of these sectors in the total stock of bank loans (14.7% and 8.2% respectively). The sector's revival will be rather anaemic – 2% real growth by the end of this year. In 2013-2014 we expect a gradual acceleration of the sector's growth with an improvement of the sector's financing options. Better dynamics was recorded in sectors supplying consumer goods. Production of the automotive sector increased by 106% year-on-year during January-September 2012, that of beverages by 14%, and of light industry by 7%. It is worth noting that real private consumption in the first half of 2012 grew faster than real household income – 14.1% versus 9.5%, which implies a rapid increase in households' indebtedness. This conclusion is supported by banking statistics: newly issued loans to private clients increased by 53% year-on-year during that period. Banks treat such loans (mostly short-term consumption ones) as low risk ones compared to loans to corporate clients.

The banking sector in general remains a bottleneck for Kazakhstan's economic growth. Though banks appear to be more liquid now, it is mostly short-term liquidity (owing to growth of deposits – 14.8% year-on-year during January-September 2012), which limits their abilities to issue long-term loans. In January-August 2012, short-term loans (with a duration of less than 1 year) accounted for about 60% of newly issued loans – compared with a 19% share

¹ Kashagan is an oil field discovered in 2000, which is estimated to have commercial reserves of 9 to 16 billion barrels of oil – the largest field found in the world during the past 30 years. Full operation of the Kashagan field can potentially allow almost doubling the country's oil production.

of short-term loans in the loans stock in August 2012. The growth rate of newly issued short-term loans during January-August 2012 was 59.4% year-on-year – 21 p.p. faster than that of long-term loans.

Another factor which limits credit growth are persistently high non-performing loans (NPLs): in August 2012, the share of NPLs in total banks' assets equalled 22.7%, 5.5 p.p. higher than at the beginning of 2012. NPLs, the bulk of which is related to the housing bubble, keep accumulating because of the protracted cleaning of banks' balance sheets from bad assets. The government has been slow to implement policies to promote faster balance sheets cleaning. In these circumstances, bank loans accounted only for 10.7% of investment financing in January-September 2012; companies' own resources remained the main source of investment financing (48% share). The government financed about 19% of investment during that period. Growth of gross fixed capital formation in the first half of 2012 continued to be weak – 3.2% year-on-year. As investment statistics show, this result is driven by the real estate sector, in which there has been a significant decrease in fixed capital investment. We expect that investment growth will speed up during the forecast period as the government plans to finance numerous investment projects, in particular in transport infrastructure, and bank credit will increase in the housing sector.

Lower than expected GDP growth in 2012 caused revisions in the budget for the current year. The fiscal revenue forecast was worsened, and the planned budget deficit was increased to 3.1% of GDP. A new law on the budget also introduced changes in the forecasted budget deficit for 2013-2014. The budget deficit is still expected to decline, but more gradually than planned before, as the government wants to provide more stimuli to growth; in 2013, the budget deficit will amount to 2% of GDP, and in 2014 to 1.5% of GDP.

Double-digit growth of private consumption led to a proportionate increase in import demand: during the first half of 2012 imports of goods increased by 13% year-on-year in USD terms, imports of ser-

vices even faster, by 35%. We expect that imports will continue to outpace exports during 2012-2013, thus the positive current account balance will decline, but will still remain quite high. In 2014, exports are forecasted to speed up growth on the back of the oil sector, and the current account balance will widen to 7.5%.

On 24 September Prime Minister Masimov resigned and was immediately appointed by President Nazarbayev to head the presidential administration; this is viewed as a promotion. Former Deputy Prime Minister Akhmetov was appointed the new Prime Minister on the same day. There was no significant reshuffle in the government, only three ministers were changed. The new PM is known to be loyal to the president and is expected to continue the policies of his predecessor.

Kazakhstan finished all the bilateral negotiations for its WTO accession in October 2012; now only multilateral talks remain to be finalized, one of the key topics being agriculture. If the multilateral negotiations proceed as expected, then the country can become a member of the WTO in 2013.

Some industries have raised concerns about negative effects of the Customs Union of Belarus, Kazakhstan and Russia. Kazakh enterprises in the mining and metal sector have been accusing Russian competitors of dumping as they set prices much lower than those of the local companies. Trade statistics for the first half of 2012 show that during that period exports of Kazakhstan to Belarus and Russia decreased by 16% year-on-year, while imports increased by 6% year-on-year.² Entry to the WTO can help Kazakhstan to minimize negative consequences of the Customs Union related to trade diversion effects of increased external import tariffs: import tariffs will be most likely decreased and the country will have access to better mechanisms of trade conflicts resolution and countervailing measures.

² In the first half of 2012, Belarus and Russia together accounted for about 7% of Kazakhstan's exports, and 38% of imports.

Table KZ

Kazakhstan: Selected Economic Indicators

	2008	2009	2010	2011 ¹⁾	2011 January-June	2012	2012 Forecast	2013 Forecast	2014
Population, th pers., average ²⁾	15674.0	16093.5	16323.3	16558.7	16498	16734	16800	16900	17000
Gross domestic product, KZT bn, nom.	16053	17008	21816	27572	10984	12536	30400	34200	38400
annual change in % (real)	3.3	1.2	7.3	7.5	7.0	5.6	5	5	6
GDP/capita (EUR at exchange rate)	5800	5100	6800	8200	.	.	9300	10200	11500
GDP/capita (EUR at PPP)	9200	9000	9700	10400	.	.	.	.	.
Consumption of households, KZT bn, nom.	6871	7913	9721	11576	4287	5135	13400	15100	16600
annual change in % (real)	7.8	0.6	11.8	11.0	8.9	14.1	10	5	4
Gross fixed capital form., KZT bn, nom.	4309	4727	5307	5706	1926	2080	6200	7100	8300
annual change in % (real)	1.0	-0.8	3.8	3.6	0.4	3.2	4	7	10
Gross industrial production									
annual change in % (real)	2.6	2.7	9.6	3.8	5.6	1.6	1	4	7
Gross agricultural production									
annual change in % (real)	-6.9	14.6	-11.7	26.8	2.5	-6.3	-10	8	5
Construction industry									
annual change in % (real)	1.7	-3.3	2.4	2.8	1.7	0.5	2	5	8
Employed persons, LFS, th, average ³⁾	7857.2	7903.4	8114.2	8301.6	.	8494.6	8510	8600	8690
annual change in %	3.0	0.6	2.7	2.3	.	.	1	1	1
Unemployed persons, LFS, th, average ³⁾	557.8	554.5	496.5	473.0	.	475.8	.	.	.
Unemployment rate, LFS, in %, average ³⁾	6.6	6.6	5.8	5.4	.	5.4	5.2	5	5
Reg. unemployment rate, in %, end of period ³⁾	0.6	0.6	0.4	0.4	.	0.5	.	.	.
Average gross monthly wages, KZT ⁴⁾	60805	67333	77611	90028	83118	97753	.	.	.
annual change in % (real, gross)	-1.0	3.2	7.6	7.1	5.2	12.0	.	.	.
Consumer prices (HICP), % p.a.	17.0	7.3	7.1	8.3	8.6	5.0	5.5	7	6
Producer prices in industry, % p.a.	36.8	-22.0	25.2	27.2	27.1	6.8	5	7	6
General governm.budget, nat-def., % GDP									
Revenues	25.1	20.6	19.7	19.5	23.7	26.1	.	.	.
Expenditures	27.2	23.5	22.1	21.5	24.8	26.7	.	.	.
Net lending (+) / net borrowing (-)	-2.1	-2.9	-2.4	-2.1	-1.0	-0.7	-3.0	-2.0	-1.5
Public debt, nat-def., in % of GDP	8.3	12.3	14.4	11.8	13.5	11.5	13	14	15
Central bank policy rate, % p.a., end of period ⁵⁾	10.5	7.0	7.0	7.5	7.5	6.0	.	.	.
Current account, EUR mn ⁶⁾	4298	-2950	1322	9770	4893	6758	12100	11100	14900
Current account in % of GDP	4.7	-3.6	1.2	7.2	9.1	10.4	7.8	6.4	7.6
Exports of goods, BOP, EUR mn ⁶⁾	48905	31504	46376	63551	30330	36195	75000	81000	92300
annual growth rate in %	38.5	-35.6	47.2	37.0	34.7	19.3	18	8	14
Imports of goods, BOP, EUR mn ⁶⁾	26128	20769	24786	29125	13192	16130	35800	40200	45000
annual growth rate in %	7.5	-20.5	19.3	17.5	29.1	22.3	23	12	12
Exports of services, BOP, EUR mn ⁶⁾	3007	3038	3203	3239	1476	1846	4100	4500	4900
annual growth rate in %	15.5	1.0	5.4	1.1	-0.1	25.0	27	10	9
Imports of services, BOP, EUR mn ⁶⁾	7556	7200	8534	7845	3087	4500	10900	12600	13900
annual growth rate in %	-11.8	-4.7	18.5	-8.1	-14.7	45.8	39	16	10
FDI inflow, EUR mn ⁶⁾	9732	9497	8750	9869	6050	5574	10600	11400	10800
FDI outflow, EUR mn ⁶⁾	818	2266	5934	3311	2423	973	2500	3000	3300
Gross reserves of NB excl. gold, EUR mn	12630	14352	19044	19477	21699	21877	.	.	.
Gross external debt, EUR mn	76278	78674	89283	96821	86860	106424	.	.	.
Gross external debt in % of GDP	84.1	95.1	80.1	71.7	64.3	68.3	.	.	.
Average exchange rate KZT/EUR	177.04	205.68	195.67	204.11	204.73	192.17	195	198	196
Purchasing power parity KZT/EUR ⁷⁾	111.01	118.00	137.95	160.11	.	.	.	.	.

Note: Gross industrial production and producer prices refer to NACE rev. 2 (including E - Water supply, sewerage, waste management and remediation activities).

1) Preliminary. - 2) From 2009 according to census 2009. - 3) From 3Q 2011 according to census 2009.- 4) Excluding small enterprises, engaged in business activities.- 5) Refinancing rate of NB. - 6) Converted from USD with the average exchange rate. - 7) wiw estimates based on the 2005 International Comparison Project benchmark.

Source: National statistics (National Bank, Agency of Statistics etc). Forecasts by wiw.

Macedonia: back to recession

BY VLADIMIR GLIGOROV

Things turned worse than expected due primarily to the worsening external environment. The policy mix that was adopted almost twenty years ago relies on external demand as the main engine of growth. This policy reflects the preference for stability rather than growth, which has been found to be appropriate for this small, landlocked, and internally divided country in a turbulent region. That policy preference has meant reliance on a fixed peg to the euro and a balanced budget with for the most part stagnant wages. The latter two elements were relaxed a bit in the run-up to the financial crisis, but have been maintained in the past few years. In the last couple of years, the government has increased investments in infrastructure and intends to continue with those in the coming years. Still, the main impetus for growth should come from foreign investments and exports, which have disappointing this year due to the worsening external environment. Similarly, next year and probably in the medium run, recovery will prove slow due to worsening prospects in major trade and investment partners.

In this policy framework, structural and industrial policies should play the major roles. Though the government, which was returned to power after last year's early elections, is committed precisely to structural reforms and offers incentives to foreign investors, the effects so far have been less than impressive. The Macedonian market is small and domestic demand is not really growing, while accessible markets are hit by crisis even more severely. In addition, Greek investments in banking and trade were rather prominent and thus the effect of the crisis in that country is starting to be felt more intensely.

The levels of private and public debt are not all that high and thus are not worrisome. More problematic is the performance of remittances, which are quite important for the sustainability of the balance of payments. In times of normal business cycles,

remittances behave counter-cyclically and that was the case in the early years of this crisis. However, the longer the recession or stagnation persist in host countries, chances are that the inflow of remittances will start to decline. That may have negative consequences for macroeconomic and social stability.

The last report by the European Commission recommends to the European Council to open negotiations with Macedonia. Chances that this will be the case are zero. Recently, Bulgaria has joined Greece in the opposition to such a decision. Similarly, due to Greek opposition, chances for NATO membership are non-existent. So, it cannot be expected that improved chances of Euro-Atlantic integration would help the perception of the stability and advancement of this country and thus improve its external economic relations.

In the short run, stagnation or slow recovery are to be expected. In the medium run there is room for faster growth if the external situation improves. It cannot be expected that the policymakers will change the preferred policy mix at the time of increasing risk to regional and domestic stability.

Table MK

Macedonia: Selected Economic Indicators

	2008	2009	2010	2011 ¹⁾	2011 January-June	2012	2012 Forecast	2013 Forecast	2014
Population, th pers., mid-year	2046.9	2050.7	2055.0	2058.5	.	.	2065	2070	2075
Gross domestic product, MKD mn, nom. ²⁾	411728	410734	434112	463010	220856	220978	474000	493100	516500
annual change in % (real) ²⁾	5.0	-0.9	2.9	2.9	5.1	-1.1	-0.6	1	1.7
GDP/capita (EUR at exchange rate)	3300	3300	3400	3700	.	.	.	.	.
GDP/capita (EUR at PPP)	8400	8500	8900	9200	.	.	.	.	.
Consumption of households, MKD mn, nom. ²⁾³⁾	330399	314376	321524	345410	170677	173994	.	.	.
annual change in % (real) ²⁾³⁾	7.4	-4.7	1.3	4.0	6.0	0.7	0	1	2
Gross fixed capital form., MKD mn, nom. ²⁾	86403	81872	82968	94800	.	.	.	.	.
annual change in % (real) ²⁾	5.4	-4.3	-2.7	10.0	.	.	0	3	4
Gross industrial production ⁴⁾									
annual change in % (real)	5.1	-8.7	-4.8	3.3	9.2	-6.9	-5	3	5
Gross agricultural production (EAA)									
annual change in % (real)	5.4	-2.3	8.2	2	.	-8.0	-7	5	3
Construction output, hours worked									
annual change in % (real)	-9.6	-2.1	5.8	14.2	11.4	-10.9	-7	5	5
Employed persons, LFS, th, average	609.0	629.9	637.9	645.1	646.2	645.9	645	654	664
annual change in %	3.2	3.4	1.3	1.1	4.0	-0.05	0	1.5	1.5
Unemployed persons, LFS, th, average	310.4	298.9	300.4	295.0	294.0	295.8	.	.	.
Unemployment rate, LFS, in %, average	33.8	32.2	32.0	31.4	31.3	31.4	31	31	31
Unemployment rate, reg., in %, end of period	.	.	.	.	.	.	.	.	.
Average gross monthly wages, MKD ⁵⁾	26229	29922	30225	30602	30508	30551	.	.	.
real growth rate, % (net wages) ⁵⁾	1.9	25.0	1.4	-2.4	-2.6	-2.0	.	.	.
Consumer prices, % p.a.	8.3	-0.8	1.6	3.9	4.4	2.3	3	3	3
Producer prices in industry, % p.a. ⁶⁾	10.1	-7.2	8.7	11.1	12.6	4.0	.	.	.
General governm. budget, nat. def., % GDP ⁷⁾									
Revenues	33.1	31.3	30.4	29.6	30.5	30.3	.	.	.
Expenditures	34.1	33.9	32.9	32.1	34.0	33.9	.	.	.
Deficit (-) / surplus (+)	-0.9	-2.7	-2.4	-2.5	-3.5	-3.6	-2	-1	-1
Public debt, nat. def., in % of GDP ⁸⁾	27.9	31.7	34.8	35	.	.	36	36	36
Central bank policy rate, %, p.a., end of period ⁹⁾	7.00	8.50	4.11	4.00	4.00	3.73	4	4	4
Current account, EUR mn	-862.2	-457.1	-143.6	-224.3	-310.1	-200.7	-450	-400	-400
Current account in % of GDP	-12.8	-6.8	-2.0	-3.0	-8.6	-5.6	-5.8	-5.0	-4.8
Exports of goods, BOP, EUR mn	2692.6	1932.6	2530.1	3178.9	1529.9	1497.6	3180	3340	3670
annual growth rate in %	8.9	-28.2	30.9	25.6	37.4	-2.1	0	5	10
Imports of goods, BOP, EUR mn	4455.1	3492.2	3977.9	4860.6	2366.1	2373.9	4910	5160	5680
annual growth rate in %	21.9	-21.6	13.9	22.2	31.8	0.3	1	5	10
Exports of services, BOP, EUR mn	692.0	617.6	681.4	805.8	374.1	369.7	806	846	931
annual growth rate in %	15.9	-10.8	10.3	18.3	22.3	-1.2	0	5	10
Imports of services, BOP, EUR mn	682.8	601.1	644.6	707.7	330.7	369.5	778	856	959
annual growth rate in %	20.0	-12.0	7.2	9.8	16.5	11.7	10	10	12
FDI inflow, EUR mn	399.9	145.0	160.0	336.8	186.2	71.9	300	350	400
FDI outflow, EUR mn	-9.5	8.1	1.4	0.0	-0.1	3.9	0	0	0
Gross reserves of NB, excl. gold, EUR mn	1361.0	1429.4	1482.7	1801.9	1604.2	1746.5	.	.	.
Gross external debt, EUR mn	3304.2	3780.4	4105.7	4846.6	4584.6	4957.9	.	.	.
Gross external debt in % of GDP	49.2	56.4	58.2	64.4	60.9	64.3	.	.	.
Exchange rate MKD/EUR, average	61.27	61.27	61.52	61.53	61.53	61.55	61.5	61.5	61.5
Purchasing power parity MKD/EUR	23.93	23.59	23.84	24.34	.	.	.	.	.

Note: Gross industrial production and producer prices refer to NACE rev. 2. Gross agricultural production refers to Economic Accounts for Agriculture (EAA).

1) Preliminary. - 2) According to ESA/95 (FISIM reallocated to industries, including non-observed economy, real growth rates based on previous year prices). - 3) Including Non-Profit Institutions Serving Households (NPISHs). - 4) Enterprises with 10 and more employees. - 5) From 2009 including allowances for food and transport. - 6) Domestic output prices. - 7) Refers to central government budget and extra-budgetary funds. - 8) In 2011 wiiw estimates (consolidated central government debt: 27.7%). - 9) Central Bank bills (28-days).

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

Montenegro: new old government

BY VLADIMIR GLIGOROV

The governing coalition has been exceptionally successful in winning elections since the beginning of the financial crisis. At every point when the economic problems intensified, the government would call for early elections and would manage to win them. In the latest elections, held in October, the opposition mounted a more concerted effort and managed to deny the governing party coalition a strait majority of over 50 per cent of the votes and of parliamentary seats. However, the latter can still form the government with the support of the parties representing the national minorities (Bosniaks, Albanians, and Croats). The opposition consists mostly of Serbian parties and of various non-government organizations and movements (called Positive Montenegro). They have succeeded in making the race competitive, which may prove important in the future elections. The current governing coalition is dominated by a party that has run the country for about 25 years. So, at some point, there has to be a change.

Though the government was re-elected, its economic programme could not be said to have been approved. The dissatisfaction in the business community is second only to the one to be found in the general public. Overall social dissatisfaction is quite high. This is not so much because of the adverse economic developments, though those are clearly weighing heavily on the public opinion. There is growing dissatisfaction with the economic policy and also with its distributional consequences. In the latter, corruption plays a significant role, which is rather not surprising given how long the same parties and personalities are running the country.

Since the beginning of the crisis, the weaknesses in the banking system as well as the problems with the remaining industrial sectors have been prominent. The government has been able to finance the bail-out of one of the failing banks and also to support the aluminium producing company, but there

are limits to both, especially when it comes to the latter. Aluminium production is an important generator of revenues from exports, but it uses a lot of electricity, the price of which needs to be subsidized. In addition, the Russian partner has pulled out and is requesting the payment of government guarantees, which are quite sizeable and probably cannot be honoured. So, the prospect for this activity is uncertain.

Overall industrial production is small as is the contribution of agriculture. The main activities are in the services sector, especially in tourism. There are significant investments in infrastructure and other development projects planned with the aim of increasing the attractiveness and the quality of the tourist industry. Though private investments from Russia and the European Union are declining, foreign investment is still coming in from different other destinations. From a medium- to long-run perspective, there is not much of an alternative to relying on tourism and services in general.

Macroeconomic stability is precarious, due to the weakness in the banking sector, but has proved manageable with saved public resources and with new loans. Also, the labour market situation is not as dire as it is the rule in the Balkans. Clearly, employment is declining and unemployment is increasing, but the rate of the latter is not as high as in most neighbouring countries.

Montenegro is negotiating with the EU, and is expecting a steady progress in the process. The EU has issues with corruption, rule of law, and democratization, but this is a very small country (a micro country by some classification as it has a population below one million) and presents negligible challenges. On the other hand, for stability and development reasons, speedy EU accession would be important for Montenegro.

Table ME

Montenegro: Selected Economic Indicators

	2008	2009	2010	2011 ¹⁾	2011 January-June	2012	2012 Forecast	2013 Forecast	2014
Population, th pers., mid-year ²⁾	628.8	631.5	618.8	620.0	.	.	621	622	623
Gross domestic product, EUR mn, nom. ³⁾	3085.6	2981.0	3103.9	3234.1	1399.2	1418.3	3300	3400	3600
annual change in % (real) ³⁾	6.9	-5.7	2.5	3.2	1.7	-0.9	-1	1	2
GDP/capita (EUR at exchange rate)	4900	4700	5000	5200	.	.	.	.	.
GDP/capita (EUR at PPP)	10700	9700	10100	10500	.	.	.	.	.
Consumption of households, EUR mn, nom. ³⁾	2814.8	2503.7	2550.7	2728.5	.	.	.	.	.
annual change in % (real) ³⁾	12.1	-12.9	2.0	4.2	.	.	1	1	1
Gross fixed capital form., EUR mn, nom. ³⁾	1180.2	797.6	655.1	596.5	.	.	.	.	.
annual change in % (real) ³⁾	27.3	-30.1	-18.5	-10.3	.	.	2	5	5
Gross industrial production ⁴⁾									
annual change in % (real)	-2.0	-32.2	17.5	-10.3	-10.8	-9.5	-10	5	5
Net agricultural production	.	.	.	.	.	.	.	.	.
annual change in % (real)	10.3	2.6	-1.7	9.5	.	.	.	.	.
Construction output ⁵⁾
annual change in % (real)	20.7	-19.2	-7.4	5.0	.	.	0	5	5
Employed persons, LFS, th, average	218.8	212.9	208.2	195.4	192.3	194.9	195	197	199
annual change in %	0.6	-2.7	-2.2	-6.1	-6.2	1.3	0	1	1
Unemployed persons, LFS, th, average	45.3	50.9	50.9	47.9	49.7	49.7	.	.	.
Unemployment rate, LFS, in %, average	17.2	19.3	19.6	19.7	20.6	20.4	20	20	19
Unemployment rate, reg., %, average	14.4	15.1	16.9	15.8	15.1	15.3	17	17	16
Average gross monthly wages, EUR	609	643	715	722	729	734	.	.	.
real growth rate, % (net wages)	14.6	7.6	3.0	-2.0	0.8	-2.8	.	.	.
Consumer prices, % p.a.	7.4	3.4	0.5	3.1	3.1	3.6	3	3	3
Producer prices in industry, % p.a. ⁶⁾	14.0	-3.9	-0.9	3.2	3.6	-0.3	.	.	.
General governm.budget, nat.def., % GDP									
Revenues	49.1	45.8	40.9	34.6	35.6	33.4	.	.	.
Expenditures	47.5	49.4	43.9	38.8	39.3	42.2	.	.	.
Deficit(-)/Surplus(+)	1.7	-3.6	-3.0	-4.1	-3.7	-8.8	-6	-4	-3
Public debt, nat. def., in % of GDP	29.0	38.2	40.9	45.9	.	.	51	53	54
Central bank policy rate, % p.a., end of period ⁷⁾	8.81	8.85	8.98	10.00	9.06	8.89	9	9	8
Current account, EUR mn	-1560.7	-881.3	-764.2	-634.5	-440.7	-479.0	-700	-800	-800
Current account in % of GDP	-50.6	-29.6	-24.6	-19.6	-31.5	-33.8	-21.2	-23.5	-22.2
Exports of goods, BOP, EUR mn	450.4	296.3	356.6	476.5	225.6	193.6	450	500	550
annual growth rate in %	-6.8	-34.2	20.4	33.6	45.4	-14.2	-5	10	10
Imports of goods, BOP, EUR mn	2475.7	1617.9	1623.8	1782.8	824.3	844.5	1910	2100	2310
annual growth rate in %	22.1	-34.6	0.4	9.8	11.3	2.5	7	10	10
Exports of services, BOP, EUR mn	750.6	680.5	747.0	844.9	216.9	262.5	1010	1160	1330
annual growth rate in %	11.5	-9.3	9.8	13.1	14.9	21.0	20	15	15
Imports of services, BOP, EUR mn	404.9	331.0	336.8	316.8	139.3	168.2	350	370	390
annual growth rate in %	45.7	-18.3	1.8	-5.9	-13.9	20.7	10	5	5
FDI inflow, EUR mn	655.7	1099.4	574.2	401.4	185.0	176.2	500	800	1000
FDI outflow, EUR mn	73.7	32.9	22.1	12.3	3.9	31.3	20	20	50
Gross reserves of NB, excl. gold, EUR mn ⁸⁾	216.6	172.8	164.6	170.8	162.6	173.0	.	.	.
Gross external public debt, EUR mn	481.7	699.9	912.4	1063.7	.	.	.	.	.
Gross external public debt in % of GDP	15.6	23.5	29.4	32.9	.	.	.	.	.
Purchasing power parity EUR/EUR	0.4595	0.4885	0.4965	0.4957	.	.	.	.	.

1) Preliminary. - 2) From 2010 according to census April 2011. - 3) According to ESA'95 (FISIM reallocated to industries, including non-observed economy, real growth rates based on previous year prices). - 4) Excluding small enterprises in private sector and arms industry. - 5) Gross value added. - 6) Domestic output prices. - 7) Average weighted lending interest rate of commercial banks (Montenegro uses the euro as national currency). - 8) Data refer to reserve requirements of Central Bank.

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

Russian Federation: growth flat, politics bad

BY PETER HAVLIK

Russian GDP growth is slowing down again in the third quarter and the growth forecast for the year 2012 as a whole has once more been revised downwards. Stagnating or even falling energy exports and the lack of progress in diversification are the main culprits; the worsened growth outlook may be aggravated by the crisis in the eurozone. However, as long as the oil price stays above USD 100 per barrel Russia may comfortably live without any marked economic policy changes. The current (2012) and expected (2013) rate of GDP growth – below yet close to 4% – is driven mainly by consumer spending. The contribution of net exports to GDP growth is negative; it will further deteriorate because import volumes are growing faster than those of exports. Though there is still a sizeable trade and current account surplus (the latter is estimated at about 4% of GDP in 2012), given the projected paths of export and import revenues even the Central Bank of Russia now expects that the current account will turn into a deficit in a couple of years. On the supply side, industry remains sluggish (growth below 3% in January-September 2012 against the same period of the previous year). Last year's strong upturn in agricultural output (+22%) will definitely not be repeated. A bumper harvest not only boosted GDP growth in 2011, it was also instrumental in the reduction of consumer price inflation, an effect which spilled over to 2012. These developments, together with a slight increase in employment (and the related drop in unemployment), and last year's fiscal surplus have been the main positive economic developments in the past 12 months.

Foreign exchange reserves have been so far replenished (they reached USD 530 billion in October 2012), despite sizeable capital flight: after more than USD 85 billion in 2011, the outflow of capital from Russia will be of similar magnitude in 2012. These outflows are partly linked to genuine outward FDI, and partly due to the lasting political

uncertainties. Corruption and the hostile domestic investment climate have also played an important role whereas the expected positive effects of WTO accession in August 2012 are yet to materialize.¹

The consolidation of the banking sector continues, with credits to both households (including housing mortgages) and enterprises growing sharply. The share of non-performing loans on mortgages fell below 6% of the total as of September 2012. The share of investment in GDP is planned to be increased from the current rate of 20% to 27% by the year 2018. With this target in mind, a substantial improvement in the investment climate is required. To foster this, new privatization plans have been announced.² Unfortunately (as mentioned repeatedly in our previous assessments), the recent years have not been used for launching economic restructuring and institutional reforms which would bring about the badly needed improvements in the business climate. Russia is as dependent on exports of commodities as ever: oil and gas account for about two thirds of export revenues. Restructuring, modernization and the 'innovation development' preached by the former President Medvedev over a number of years have so far remained empty slogans.

Unfortunately, all by and large positive economic news has been overshadowed by deteriorating political and societal developments after the Medvedev-Putin tandem shuffle. Mr Medvedev's weakness (and also a general retreat from liberal values which he tried to pursue during his presidency) came repeatedly to the open during the first months of Putin's new presidency. Tensions within

¹ The latest (November 2012) corruption scandals involve the Ministry of Defence and the prestigious space navigation project GLONASS.

² The government has announced ambitious plans to privatize – either fully or by selling minority stakes – a number of state-owned companies such as Sovkomflot (sea transport), Sberbank, VTB, Rosnano, Russian Railways, Aeroflot, Sheremetyevo Airport, Rosneft, Transneft, etc. Rosneft's recent purchase of TNK-BP from BP and AAR involving cash and shares settlement with BP may be considered as a specific kind of privatization since BP's share in Rosneft was raised to nearly 20% as a consequence of this transaction – see *Vedomosti*, 23 October 2012.

the ruling tandem reappeared in varying reactions to the harsh sentence for the punk group Pussy Riot, Putin's criticism of the draft 2013 budget, etc. The strange coalition between the Orthodox Church and the political leadership which is gambling on the support from conservative parts of Russian society raises uneasy feelings among the liberal opposition yet it is popular with the nationalists and populists. On the external front, Russian relations with the USA and the EU further worsened (Syria, Russian ban of USAID and other restrictions on foreign-supported NGOs, etc.). Russia also became more assertive in energy issues with pressures on Bulgaria, Moldova and Ukraine and Gazprom's conflicts with the EU. On the more positive side, some political reforms (such as the re-introduction of regional governors' elections and an easier registration of political parties) have been introduced as well. The regional elections on 14 October 2012 secured the overwhelming victory of the Unified Russia Party. Reports about cheating were this time sporadic and the opposition (which remains weak and split) did not manage to gather any visible support.

We basically stick to the previous assessment regarding the reform outlook and are convinced that any significant breakthrough is unlikely in the near future. Still, uncertainties have increased and Mr Putin's current presidency is assumed to be much weaker than the previous ones. External risks have also increased: a more pronounced recession in Europe and a slowdown in the global economy may result in lower oil prices. The new role of shale gas and its impact on global energy prices may significantly affect Russia's export revenues and budget in the medium and long run.³ The wiiw baseline forecast scenario assumes that oil prices will stay at USD 100 per barrel in 2012 and thereafter. The 'horror scenario' (for Russia), with oil prices falling below USD 70 per barrel and the resulting severe consequences for Russian export and fiscal revenues, is unlikely – although the gov-

ernment allegedly makes plans based on a scenario which assumes oil prices falling to USD 60 per barrel.⁴

In the current baseline scenario, the wiiw has revised the GDP growth forecast for 2012 downwards (below 4%), but continues to forecast an accelerating yet unspectacular growth rate of GDP during 2013-2014. This scenario assumes no abrupt policy changes or external shocks and is charged with substantial downside risks. In particular, a more severe recession in Europe would have serious consequences, largely via falling export (and fiscal) revenues. In the baseline scenario, export revenues grow slowly due to stagnating volumes of exported oil and gas, while there will be not much else to export since progress in export diversification will be limited. Simultaneously, import volumes are expected to grow at a faster rate as household consumption and investment gradually pick up, both fuelled by the ongoing real currency appreciation. In the medium and long run, economic reforms and investment (including FDI) may be stimulated by WTO membership. In summary, we stick to a relatively optimistic scenario of stable yet unspectacular growth. This implies a continuation of the negative contribution of real net exports to GDP growth and, in nominal terms, gradual reductions of the trade and current account surpluses. Simultaneously, the annual CPI inflation will gradually drop below 5%, the budget deficit will remain balanced and the rate of unemployment stable at some 5%.

³ Poland succeeded in obtaining a 10% rebate on gas purchases from Gazprom worth about USD 1 billion just for 2012.

⁴ The baseline assumption for the 2013 budget plan regarding the oil price is USD 90 per barrel. Each 1 USD/bbl lower oil price costs the Russian budget RUB 60 billion in foregone revenues; the non-oil budget deficit is expected to reach 10.6% of GDP in 2012 – see *Vedomosti*, 21 June 2012.

RUSSIA

Table RU

Russia: Selected Economic Indicators

	2008	2009	2010	2011 ¹⁾	2011 January-June	2012	2012 Forecast	2013 Forecast	2014
Population, th pers., average ²⁾	141956	141902	142938	142961	142800	143100	142000	141500	141000
Gross domestic product, RUB bn, nom. ³⁾	41277	38807	45173	54586	24718	28062	62600	70000	78000
annual change in % (real) ³⁾	5.2	-7.8	4.3	4.3	3.7	4.5	3.6	3.8	4.2
GDP/capita (EUR at exchange rate)	8000	6200	7800	9300	.	.	.	.	.
GDP/capita (EUR at PPP)	13000	11800	12500	13200	.	.	.	.	.
Consumption of households, RUB bn, nom. ³⁾	19967	20986	23482	27229	12608	14040	.	.	.
annual change in % (real) ³⁾	10.6	-5.1	5.2	6.8	6.1	6.9	4.5	4.8	5
Gross fixed capital form., RUB bn, nom. ³⁾	9201	8536	9829	11620	3970	4710	.	.	.
annual change in % (real) ³⁾	10.6	-14.4	5.8	8.0	2.2	11.5	8	7	8
Gross industrial production ⁴⁾									
annual change in % (real)	2.1	-9.3	8.2	4.7	5.5	3.1	3	5	6
Gross agricultural production									
annual change in % (real)	10.8	1.4	-11.3	22.1	0.7	4.2	.	.	.
Construction output									
annual change in % (real)	12.8	-13.2	3.5	5.1	1.2	5.4	4	5	6
Employed persons, LFS, th, average	70965.1	69284.9	69803.6	70731.8	70073.8	70809.2	70500	70000	70000
annual change in %	0.6	-2.4	0.7	1.3	1.5	1.0	-0.3	-0.7	0.0
Unemployed persons, LFS, th, average	4791.5	6372.8	5636.0	5020.0	5288.3	4536.3	5000	5000	5000
Unemployment rate, LFS, in %, average	6.3	8.4	7.5	6.6	7.0	6.0	6.5	6.7	6.7
Unemployment rate, reg., in %, end of period	2.0	2.9	2.1	1.7	1.9	1.5	.	.	.
Average gross monthly wages, RUB	17290.1	18637.5	20952.2	23693.0	22242.8	25491.3	.	.	.
annual change in % (real, gross)	11.0	-3.0	5.2	4.2	2.7	11.3	.	.	.
Consumer prices, % p.a.	14.1	11.8	6.9	8.5	9.6	3.9	6	5	5
Producer prices in industry, % p.a. ⁵⁾	21.4	-7.2	12.2	19.0	20.3	8.8	10	9	8
General governm.budget, nat.def., % GDP									
Revenues	38.8	35.0	35.5	38.4	40.0	39.6	.	.	.
Expenditures	33.9	41.4	39.0	36.8	32.9	35.5	.	.	.
Deficit (-) / surplus (+), % GDP	4.9	-6.3	-3.5	1.6	7.1	4.1	0	0	0
Public debt, nat.def., in % of GDP ⁶⁾	5.7	8.3	8.6	9.2	8.2	8.8	8	7	6
Central bank policy rate, % p.a., end of period ⁷⁾	13.00	8.75	7.75	8.00	8.3	8.0	.	.	.
Current account, EUR mn ⁸⁾	70546	34893	53588	70976	37554	47503	60000	50000	40000
Current account in % of GDP	6.2	4.0	4.8	5.3	6.1	6.7	3.9	3.0	2.2
Exports of goods, BOP, EUR mn ⁸⁾	321353	217796	302039	374872	175998	203240	410000	445000	480000
annual growth rate in %	24.2	-32.2	38.7	24.1	23.4	15.5	9	9	8
Imports of goods, BOP, EUR mn ⁸⁾	198876	137691	187448	232553	105564	119042	280000	320000	360000
annual growth rate in %	21.8	-30.8	36.1	24.1	13.8	12.8	20	14	13
Exports of services, BOP, EUR mn ⁸⁾	34874	29859	33912	38797	17454	22775	45000	49000	53000
annual growth rate in %	21.6	-14.4	13.6	14.4	13.8	30.5	16	9	8
Imports of services, BOP, EUR mn ⁸⁾	51424	44099	55550	64612	27930	35015	80000	95000	100000
annual growth rate in %	21.1	-14.2	26.0	16.3	18.5	25.4	24	19	5
FDI inflow, EUR mn ⁸⁾	51107	26203	32635	37973	19120	12561	45000	50000	55000
FDI outflow, EUR mn ⁸⁾	37882	31346	39598	48318	23874	19231	45000	40000	35000
Gross reserves of CB, excl. gold, EUR mn	291920	290380	335251	350786	336498	371721	.	.	.
Gross external debt, EUR mn	340692	325639	369524	421441	374626	454863	.	.	.
Gross external debt in % of GDP	30.1	37.0	32.9	31.6	28.0	29.8	.	.	.
Exchange rate RUB/EUR, average	36.41	44.13	40.27	40.87	40.16	39.74	41	42	43
Purchasing power parity RUB/EUR, wiiw ⁹⁾	22.36	23.15	25.26	28.84	.	.	.	.	.

1) Preliminary. - 2) Resident population. From 2010 according to census October 2010. - 3) According to SNA'93 (FISIM reallocated to industries, real growth rates based on previous year prices etc). - 4) Excluding small enterprises. - 5) Domestic output prices. - 6) wiiw estimate. - 7) Refinancing rate of Central Bank. - 8) Converted from USD with the average exchange rate. For quarterly data and forecast BOP 6th edition. - 9) wiiw estimates based on the 2005 International Comparison Project benchmark.

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

Serbia: new government, old problems

BY VLADIMIR GLIGOROV

In the May elections, the opposition Serbian Progressive Party was the big winner. Their candidate became the new President, and the party won the plurality of the votes in the parliamentary elections. After some confusion, lasting roughly two months, the new government coalition was approved by the Parliament. The Prime Minister is from the Socialist Party, ranked third in the election results, and the Minister of Finance and Economy is from the even smaller Union of Regions Party. These two parties were given such prominence in order to lure them away from the Democratic Party, their coalition partner in the previous government, and now the largest party in the opposition. This, however, made for a rather awkward distribution of responsibilities that does not reflect the electoral outcome. This may prove destabilizing and has already incited some tensions within the government.

The economic state of affairs that the new government inherited is not a good one. This year's GDP is expected to decline by about 1.5%. Industrial production is expected to decline also while agricultural production, which is important in Serbia, is forecasted to shrink by over 20 per cent due to the cold winter and the subsequent drought. Exports are also slowing down and may post a slim growth with imports growing just a bit faster. Still, the current account deficit is expected to rise to as much as 11% of GDP. Finally, in part due to rising food and administered prices, inflation is speeding up and will be in double digits at the end of the year (compare to end of last year).

The main immediate problem that the government faces is the sharply increased fiscal deficit and consequently rising public debt. Even with the increase of the VAT, from 18% to 20%, and some excises, the fiscal deficit will come out to around 7% of GDP. More important is the increase of public debt, which may climb as high as 65% of GDP,

due to exchange rate devaluation (over 50% the public debt is in foreign currency) and real GDP decline. This is way above the legally set ceiling of 45%.

The Ministry of Finance and Economy has proposed a strategy for fiscal consolidation which envisages a sharp reduction of the fiscal deficit to 3.5% of GDP next year and to around 1% the year after with the aim of reaching the 45% of GDP requirement after 10 years. Initially, the main instruments of fiscal adjustment should be a limit to the growth of salaries and pensions to 2% next year and tax increases. Thereafter, public spending should be decreasing slowly with public revenues being kept at a relatively high level (around 43-44% of GDP). So, the bulk of fiscal consolidation should be done next year mainly through the fall of real public expenditures due to the inflation running faster than the growth of most expenditures. This will probably limit the economic growth to whatever the recovery of the agricultural production will contribute.

This fiscal strategy assumes slow recovery in the next couple of year, but then a return to the long-term growth rate of 4%. The main drivers of growth should be investments and exports. Those may be supported by declining real wages due to continuing depreciation of the exchange rate of the dinar. This may prove elusive due to the dilemma that monetary policy will face. It will either have to hike the interest rates, which it has already started doing since mid this year, or stabilize the exchange rate, which it has also been doing since September, or both. As that is the usual policy cycle in Serbia, most devaluations are reversed through faster inflation and then a period of practically fixed exchange rate to stabilize prices. There is little indication that things will be different this time around.

Given the policy stance, medium-term prospects are not very optimistic. So far, at least in the past decade or so, the outcome of this policy mix has been rising foreign debt and declining employment. The added problem, due to the draining out of foreign financing, is growing public debt. With both

foreign debt and public debt constraints, the prospects for growth and development are rather modest in the medium term.

Political stability may also prove problematic due to the imbalance between the strength of the parties in the governing coalition and their policy responsibilities. The government is hoping to get some support from the European Union, in the form of the date for the start of accession negotiations, but that is conditional on the advancement in the negotiations with Kosovo. The latter may prove destabilizing and together with the possible increase in social dissatisfaction, may require early elections. Those may prove necessary to change the policy approach anyway if the current one disappoints.

Table RS

Serbia: Selected Economic Indicators

	2008	2009	2010	2011 ¹⁾	2011 January-June	2012	2012 Forecast	2013 Forecast	2014
Population, th. pers., mid-year	7350.2	7320.8	7291.4	7258.8	.	.	7250	7220	7200
Gross domestic product, RSD bn, nom. ²⁾	2661.4	2720.1	2881.9	3175.0	1510.3	.	3300	3500	3700
annual change in % (real) ²⁾	3.8	-3.5	1.0	1.6	2.7	-1.2	-1.5	1	2
GDP/capita (EUR at exchange rate)	4400	4000	3800	4200	.	.	.	.	.
GDP/capita (EUR at PPP)	9000	8400	8400	8800	.	.	.	.	.
Consumption of households, RSD bn, nom. ²⁾	2023.6	2143.2	2282.8	2600.0	.	.	.	.	.
annual change in % (real) ³⁾	6	-6	-2	-0.6	.	.	0	0	1
Gross fixed capital form., RSD bn, nom. ²⁾	632.4	510.2	512.3	700.0	.	.	.	.	.
annual change in % (real) ³⁾	8	-23	-10	26.9	.	.	-8	3	3
Gross industrial production ⁴⁾									
annual change in % (real)	1.4	-12.6	2.5	2.1	4.3	-4.6	-5	3	4
Gross agricultural production									
annual change in % (real)	13.7	1.3	1.0	0.8	.	.	-22	10	5
Construction output ⁵⁾									
annual change in % (real)	4.7	-19.7	-7.1	7.7	.	.	3	3	3
Employed persons, LFS, th, average ⁶⁾	2821.7	2616.4	2396.2	2253.2	2281.9	2157.6	2150	2100	2100
annual change in %	.	-7.3	-8.4	-6.0	-5.4	-5.4	-5	-2	0
Unemployed persons, LFS, th, average ⁶⁾	445.4	503.0	568.7	671.1	650.4	740.0	.	.	.
Unemployment rate, LFS, in %, average ⁶⁾	13.6	16.1	19.2	23.0	22.2	25.5	27	28	28
Unemployment rate, reg., in %, end of period	24.0	25.9	26.7	27.5	26.6	27.8	30	30	30
Average gross monthly wages, RSD ⁷⁾	45674	44147	47450	52733	50770	55974	.	.	.
real growth rate, % (net wages) ⁷⁾	3.9	0.2	0.7	0.2	-2.5	5.5	.	.	.
Consumer prices, % p.a.	13.5	8.6	6.8	11.0	13.1	4.3	7	6	5
Producer prices in industry, % p.a. ⁸⁾	12.4	5.6	12.7	14.2	17.4	4.8	.	.	.
General governm.budget, nat.def., % GDP									
Revenues	43.0	42.1	43.1	41.9	.	.	.	.	.
Expenditures	45.6	46.6	47.9	47.0	.	.	.	.	.
Deficit (-) / surplus (+), % GDP	-2.6	-4.5	-4.7	-5.0	.	.	-7	-4	-4
Public debt, nat.def., in % of GDP	29.2	34.8	42.9	49.0	.	.	63	65	65
Central bank policy rate, % p.a., end of period ⁹⁾	17.75	9.50	11.50	9.75	11.8	10.0	8	6	5
Current account, EUR mn	-7054.0	-2084.4	-2082.2	-2770.6	-1304.5	-1915.5	-3160	-3210	-3180
Current account in % of GDP	-21.6	-7.2	-7.4	-9.0	-8.8	.	-11	-11	-11
Exports of goods, BOP, EUR mn	7416.0	5977.8	7402.4	8439.7	4116.9	4136.1	8700	9400	10300
annual growth rate in %	16.2	-19.4	23.8	14.0	23.5	0.5	3	8	10
Imports of goods, BOP, EUR mn	15917.2	11096.3	12176.0	13758.1	6584.6	6979.9	14400	15400	16500
annual growth rate in %	18.3	-30.3	9.7	13.0	15.7	6.0	5	7	7
Exports of services, BOP, EUR mn	2741.4	2500.0	2667.1	3032.1	1351.8	1414.2	3200	3400	3600
annual growth rate in %	19.0	-8.8	6.7	13.7	15.4	4.6	5	7	7
Imports of services, BOP, EUR mn	2926.1	2481.7	2661.9	2869.6	1311.3	1384.8	3100	3400	3700
annual growth rate in %	14.1	-15.2	7.3	7.8	10.7	5.6	7	10	10
FDI inflow, EUR mn	2017.5	1410.1	1003.1	1948.9	596.1	-122.5	800	1000	1000
FDI outflow, EUR mn	193.1	37.6	143.0	122.0	30.5	15.6	100	100	100
Gross reserves of NB, excl. gold, EUR mn	7939	10278	9555	11497	9511	9557	.	.	.
Gross external debt, EUR mn	21088	22487	23786	24125	22734	24086	.	.	.
Gross external debt in % of GDP	64.6	77.7	84.9	78.2	73.7	83.9	.	.	.
Exchange rate RSD/EUR, average	81.47	93.94	102.90	102.93	101.91	108.11	115	120	128
Purchasing power parity RSD/EUR	40.16	44.36	46.93	49.74	.	.	.	.	.

Note: Gross industrial production, construction output and producer price index refer to NACE rev. 2.

1) Preliminary. - 2) According to ESA95 (non-observed economy partially included, real growth rates based on previous year prices). - 3) wiiw estimate. - 4) Excluding arms industry. - 5) According to gross value added. - 6) From 2008 extended survey as of April and October (before October only). - 7) From 2009 including wages of employees working for sole proprietors. - 8) Domestic output prices. - 9) Two-week repo rate.

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

Ukraine: incumbent political elite retains its grip

BY VASILY ASTROV

The parliamentary elections on 28 October 2012 were effectively won by President Yanukovich's Party of Regions, which together with its satellite Communist party should be able to form a majority in the new parliament. Although the three opposition parties combined have received more votes on a proportional basis than the two former parties, their success has been vastly diluted by the newly introduced changes in the electoral system. In line with the latter, half of the parliament is now elected by majority vote in individual constituencies, which has predictably benefited the ruling Party of Regions. All in all, we expect largely a continuation of the political status quo, although the relative success of radical parties – the communists and in particular the far-right nationalistic Svaboda party (which has entered the parliament for the first time) – may potentially become a destabilizing factor in the longer run.

Meanwhile, the economic situation has deteriorated markedly over the past few months. According to very preliminary estimates, in the third quarter of 2012 real GDP fell by 1.3%, after having grown by 2% in the first and by 3% in the second quarter. The slowdown has been partly due to a decline in agricultural output (after a record-high harvest last year), but also to the poor performance of export-oriented industry facing in particular lower steel prices¹ and a weakening demand for machinery imports from Russia. Overall, in the first nine months of 2012 industrial output declined by 1.2%, mostly on account of the sharp drops in August and September.

At the moment, the only source of growth appears to be the booming private consumption fuelled by a strong pick-up in wages and the lasting price stabil-

ity. In October 2012, consumer prices were stagnant on an annual basis, still benefiting from the depressed food prices owing to last year's plentiful harvest. At the same time, the soaring wages are not backed by improvements in labour productivity and – to the extent that they are not offset by squeezing profit margins – tend to erode export competitiveness. In addition, adherence to the policy of exchange rate peg to the US dollar has led to hryvnia appreciating with respect to the currencies of some of Ukraine's important trading partners such as Russia and (to a lesser extent) the eurozone. As a result, the trade deficit in January-August 2012 widened by about 60%, translating into the current account deficit growing by a similar magnitude. On average, the latter has been comfortably financed by the inflows of FDI and other capital. However, in individual months the National Bank had to intervene heavily to defend the exchange rate peg. These interventions were stepped up markedly in September and even more so in October in the face of mounting expectations of hryvnia devaluation following the parliamentary elections.²

Although the ongoing credit crunch is not helping to revive the economy and inflationary pressures are nearly non-existent, monetary policy remains generally highly restrictive. One reason is that the 'core' CPI inflation – which is more of a guideline to the National Bank and excludes items such as food and energy – is not overly low (1.1% in October 2012 year-on-year). More importantly, any liquidity sporadically injected by the National Bank over the summer months in an attempt to boost lending to the real economy almost invariably ended up in the foreign exchange market, putting the currency under pressure. In these circumstances, any meaningful relaxation of monetary policy would almost certainly require a higher flexibility of the exchange rate, i.e. essentially hryvnia devaluation to a more credible level (by 10-20%, according to our estimates). The latter would be also conducive towards reducing the external imbalances.

¹ Steel prices have declined by up to 20% since their peak in March 2012, not least due to the growth slowdown in China and political instability in a number of Middle East countries.

² In October 2012 alone, the National Bank reportedly lost some USD 2.4 billion (or 8%) of its foreign exchange reserves.

Fiscal policy has potentially more room for manoeuvre, but the latter has been already largely exhausted by the socially-oriented additional government expenditures enacted in May 2012.³ Besides, the yields on government bonds – despite the recent relatively successful placements⁴ – remain generally high, in the tune of 7-9% p.a. in US dollar terms, and are constraining the scope of government borrowing. The most recent government initiative has been to start selling US dollar-denominated bonds to households in a move to tap their vast foreign-cash holdings, but the yields on them are at over 9% p.a. similarly high.

Given the recent deterioration in economic performance, our GDP growth forecast is revised downwards, to just 1% this year and 3% in 2013. The latter is based on an optimistic scenario of improved global demand (particularly in the steel markets) and the beneficial effect of a moderate currency depreciation, which should improve export performance and constrain the growth of imports so that the trade and current account deficits will decline accordingly. Irrespective of whether the government resumes the long-stalled cooperation with the IMF, it will most probably be faced with little choice but to implement domestic energy tariff hikes for households, in order to reduce the deficit of the state-owned energy monopolist Naftohaz. This – along with other factors such as the resumed food price pressures – should fuel consumer price inflation, which is likely to climb to 4-5% next year on an annual average basis.

Longer-term economic prospects are clouded by the persistent excessive dependence on volatile commodity exports and insufficient export diversification. Ukraine is increasingly less likely to repli-

cate the earlier economic success of several Central European countries whose technological modernization was largely facilitated by massive inflows of FDI from the EU. This is not least because of the 'protectionist' stance of Ukraine's ruling Party of Regions backed by domestic 'oligarchs' who are eager to preserve control over the industrial assets. Although the privatization of state assets has gained momentum since President Yanukovich came to power in early 2010, the privatization deals – such as those of regional energy companies – have been typically favouring domestic 'oligarchs'. The Deep and Comprehensive Free Trade Agreement with the EU (which is part of a broader Association Agreement) was finally initialled in July 2012, but the prospects for its signature remain highly uncertain given the ongoing dispute between Kyiv and the EU over 'values' (largely reflecting the ' Tymoshenko case'). In addition, Ukraine has reportedly requested a large-scale revision of its WTO tariff commitments for over 350 goods affecting up to USD 4.6 billion worth of imports, of which USD 2.6 billion are coming from the EU.⁵

On the positive note, the recent legislation aimed at liberalizing the domestic gas market (in line with Ukraine's commitments within the Energy Community of the EU, of which the country is a member) and the planned construction of an LNG terminal should help reduce the dependence on Russian gas and result in lower gas prices in the medium term. Ironically, the high price Ukraine is currently paying to Russia's Gazprom – in excess of USD 400 per thousand cubic metres – is effectively working to the same end, since it is stimulating the exploration of domestic gas resources, the implementation of energy efficiency measures, and the already advancing substitution of gas in electricity generation by coal and nuclear power.

³ For more on that see 'Ukraine: Social spending spree', in: L. Podkaminer et al., 'Fasting or Feasting? Europe – Old and New – at the Crossroads', *wiiw Current Analyses and Forecasts. Economic Prospects for Central, East and Southeast Europe*, No. 10, July 2012, pp. 123-125.

⁴ After a protracted period of blocked access to external capital markets, the government succeeded in placing USD 2 billion worth of Eurobonds with a yield of 9.25% in July 2012 and secured an even better deal with a USD 600 million placement at a yield of 7.46% in September.

⁵ See Reuters, 'Ukraine trade demand shocks global partners', <http://af.reuters.com/article/commoditiesNews/idAFL4E8KO58220120924>.

UKRAINE

Table UA

Ukraine: Selected Economic Indicators

	2008	2009	2010	2011 ¹⁾	2011 January-June	2012	2012 Forecast	2013 Forecast	2014
Population, th pers., average	46258	46053	45871	45706	45727	45598	45580	45460	45350
Gross domestic product, UAH bn, nom. ²⁾	948.1	913.3	1082.6	1316.6	576.5	648.7	1340	1440	1570
annual change in % (real) ²⁾	2.3	-14.8	4.1	5.2	4.6	2.5	1	3	4
GDP/capita (EUR at exchange rate)	2700	1800	2200	2600	.	.	.	.	.
GDP/capita (EUR at PPP)	5900	5000	5400	5700	.	.	.	.	.
Consumption of households, UAH bn, nom. ²⁾	582.5	581.7	686.1	857.3	387.5	448.7	.	.	.
annual change in % (real) ²⁾	13.1	-14.9	7.1	15.0	14.6	12.2	8	4	5
Gross fixed capital form., UAH bn, nom. ²⁾	250.2	167.6	195.9	247.9	88.5	113.5	.	.	.
annual change in % (real) ²⁾	-1.2	-50.5	3.9	10.1	3.8	12.9	5	6	6
Gross industrial production									
annual change in % (real)	-5.2	-21.9	11.2	7.6	9.4	0.4	-1	3	5
Gross agricultural production									
annual change in % (real)	17.1	-1.8	-1.5	17.5	3.2	7.4	.	.	.
Construction output									
annual change in % (real)	-15.8	-48.2	-5.4	11.0	14.7	-1.9	.	.	.
Employed persons, LFS, th, average	20972.3	20191.5	20266.0	20324.2	20247.7	20290.6	20350	20350	20400
annual change in %	0.3	-3.7	0.4	0.3	0.2	0.2	0	0	0.2
Unemployed persons, LFS, th, average	1425.1	1958.8	1785.6	1732.7	1810.5	1710.3	.	.	.
Unemployment rate, LFS, in %, average	6.4	8.8	8.1	7.9	8.2	7.8	7.9	7.7	7.5
Unemployment rate, reg., in %, end of period ³⁾	3.0	1.9	2.0	1.8	1.8	1.6	.	.	.
Average gross monthly wages, UAH ⁴⁾	1806.3	1905.9	2239.2	2633.0	2496.7	2918.3	.	.	.
annual change in % (real, gross)	6.8	-9.0	9.7	8.9	8.3	15.5	.	.	.
Consumer prices, % p.a.	25.2	15.9	9.4	8.0	9.2	1.2	0.5	4.5	5
Producer prices in industry, % p.a. ⁵⁾	35.5	6.5	20.9	19.0	19.9	6.8	.	.	.
General governm.budget, nat.def., % GDP									
Revenues	31.4	29.9	29.1	30.3	30.8	32.2	.	.	.
Expenditures	32.8	34.0	35.0	32.0	32.9	33.7	.	.	.
Deficit (-) / surplus (+) ⁶⁾	-1.5	-4.1	-6.0	-1.8	-2.0	-1.5	-4	-3	-2.5
Public debt, nat.def., in % of GDP	20.0	34.8	39.1	35.9	36.4	35.8	37	37	35
Central bank policy rate, % p.a., end of period ⁷⁾	12.00	10.25	7.75	7.75	7.75	7.50	.	.	.
Current account, EUR mn ⁸⁾	-8721	-1242	-2274	-7359	-2356	-4101	-9000	-6800	-9000
Current account in % of GDP	-7.1	-1.5	-2.2	-6.2	-3.3	-5.1	-7.1	-5.3	-6.6
Exports of goods, BOP, EUR mn ⁸⁾	46274	28958	39321	49865	23734	26325	53000	58300	67000
annual growth rate in %	27.2	-37.4	35.8	26.8	35.3	10.9	6.3	10	15
Imports of goods, BOP, EUR mn ⁸⁾	57270	32046	45641	61540	28330	33244	68500	71900	82700
annual growth rate in %	29.9	-44.0	42.4	34.8	49.1	17.3	11.3	5	15
Exports of services, BOP, EUR mn ⁸⁾	12228	9936	12856	13954	6377	7107	14700	16200	17500
annual growth rate in %	18.3	-18.8	29.4	8.5	10.5	11.4	5	10	8
Imports of services, BOP, EUR mn ⁸⁾	11039	8248	9538	9576	4398	4964	10100	11500	13300
annual growth rate in %	28.8	-25.3	15.6	0.4	3.9	12.9	5	14	16
FDI inflow, EUR mn ⁸⁾	7457	3453	4893	5177	2352	2986	5000	5000	6000
FDI outflow, EUR mn ⁸⁾	690	116	555	138	-2	856	.	.	.
Gross reserves of NB excl. gold, EUR mn	21847	17825	25096	23593	25123	22162	.	.	.
Gross external debt, EUR mn	72109	72113	88363	97940	85537	103371	.	.	.
Gross external debt in % of GDP	58.6	85.8	86.0	82.5	72.1	81.0	.	.	.
Exchange rate UAH/EUR, average	7.708	10.868	10.533	11.092	11.163	10.361	10.5	11.3	11.5
Purchasing power parity UAH/EUR, wiw ⁹⁾	3.453	3.962	4.407	5.024	.	.	.	.	.

1) Preliminary. - 2) According to SNA'93 (real growth rates based on previous year prices). - 3) In % of working age population. - 4) Excluding small enterprises. - 5) Domestic output prices. - 6) wiw projections include transfers to Naftohaz. - 7) Discount rate of NB. - 8) Converted from USD with the average exchange rate. - 9) wiw estimates based on the 2005 International Comparison Project benchmark.

Source: wiw Database incorporating national statistics. Forecasts by wiw.

STATISTICAL ANNEX

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

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
3MMA	3-month moving average, change in % against previous year
NACE Rev. 2	Statistical classification of economic activities in the European Community, Rev. 2 (2008)
NACE Rev. 1	Statistical classification of economic activities in the European Community, Rev. 1 (1990) / Rev. 1.1 (2002)
LFS	Labour Force Survey
CPI	Consumer Price Index
HICP	Harmonized Index of Consumer Prices (for new EU member states)
PPI	Producer Price Index
EDP	Excessive Deficit Procedure
M1	Currency outside banks + demand deposits / narrow money (ECB definition)
M2	M1 + quasi-money / intermediate money (ECB definition)
M3	Broad money
p.a.	per annum
mn	million (10 ⁶)
bn	billion (10 ⁹)
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				

Sources of statistical data: Eurostat, National Statistical Offices, Central Banks and Public Employment Services; wiiw estimates.

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

ALBANIA: Selected monthly data on the economic situation 2011 to 2012

(updated end of Oct 2012)

		2011						2012								
		Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
LABOUR																
Employment total, registered	th. pers., quart. avg	.	.	929.9	.	.	932.4	.	.	933.3	.	.	933.3	.	.	.
Employment total, registered	CPPY	.	.	1.5	.	.	1.7	.	.	1.4	.	.	0.4	.	.	.
Unemployment, registered	th. pers., quart. avg	.	.	142.1	.	.	143.0	.	.	143.4	.	.	143.1	.	.	.
Unemployment rate, registered	%	.	.	13.3	.	.	13.3	.	.	13.3	.	.	13.3	.	.	.
WAGES																
Total economy, gross ¹⁾	ALL	.	.	47660	.	.	48000	.	.	48800	.	.	48800	.	.	.
Total economy, gross ¹⁾	real, CPPY	.	.	3.3	.	.	4.0	.	.	6.1	.	.	5.3	.	.	.
Total economy, gross ¹⁾	EUR	.	.	340.2	.	.	342.8	.	.	350.5	.	.	350.3	.	.	.
PRICES																
Consumer	PP	-0.7	0.3	0.4	0.4	0.1	1.0	0.7	1.3	0.4	-0.1	-0.8	-0.8	-0.2	0.4	0.2
Consumer	CPPY	3.6	3.1	2.8	3.0	2.9	1.7	1.6	0.6	1.0	1.6	1.9	2.2	2.7	2.8	2.6
Consumer	CCPPY	4.0	3.9	3.8	3.7	3.6	3.5	1.6	1.1	1.1	1.2	1.3	1.5	1.7	1.8	1.9
Producer, in industry	PP	-0.3	0.0	0.0	0.6	0.2	-0.1	1.1	0.3	0.3	-0.7	-0.1	-0.1	.	.	.
Producer, in industry	CPPY	2.3	2.2	2.0	2.2	2.3	1.8	2.2	2.6	2.8	1.6	1.4	1.3	.	.	.
Producer, in industry	CCPPY	3.0	2.9	2.8	2.8	2.7	2.6	2.2	2.4	2.5	2.3	2.1	2.0	.	.	.
FOREIGN TRADE, customs statistics																
Exports total (fob), cumulated	EUR mn	826	922	1043	1165	1284	1403	97	206	326	455	593	721	864	988	.
Imports total (cif), cumulated	EUR mn	2149	2479	2802	3138	3473	3877	268	536	853	1138	1457	1790	2137	2467	.
Trade balance, cumulated	EUR mn	-1322	-1557	-1759	-1974	-2189	-2473	-171	-329	-527	-684	-863	-1069	-1274	-1479	.
FOREIGN FINANCE																
Current account, cumulated	EUR mn	-588	-678	-770	-884	-1014	-1122	-84	-163	-249	-307	-364	-446	.	.	.
EXCHANGE RATE																
ALL/EUR, monthly average	nominal	139.92	139.85	140.49	140.81	140.97	138.30	138.32	139.35	140.03	139.98	139.44	138.51	137.46	137.35	138.89
ALL/USD, monthly average	nominal	97.98	97.48	102.02	102.76	103.82	105.08	107.10	105.32	105.97	106.35	108.96	110.48	111.77	110.79	108.10
EUR/ALL, calculated with CPI ²⁾	real, Jan09=100	89.6	89.7	89.1	89.0	88.8	91.1	92.3	92.3	91.2	90.8	90.6	90.5	91.4	91.5	90.1
EUR/ALL, calculated with PPI ²⁾	real, Jan09=100	84.9	85.1	84.4	84.7	84.6	86.3	86.5	85.7	85.1	84.5	85.0	86.0	.	.	.
USD/ALL, calculated with CPI ²⁾	real, Jan09=100	95.8	96.3	92.2	92.2	91.4	91.4	89.9	92.2	91.3	90.7	87.9	86.1	85.1	85.7	88.0
USD/ALL, calculated with PPI ²⁾	real, Jan09=100	83.4	84.4	80.5	81.4	80.6	80.2	79.2	80.4	79.2	78.6	77.1	76.7	.	.	.
DOMESTIC FINANCE																
Currency outside banks	ALL bn, eop	190.2	189.6	188.9	186.6	187.2	194.9	188.2	187.4	185.6	186.1	186.3	187.5	188.3	188.9	.
M1	ALL bn, eop	269.6	271.8	268.9	267.2	269.1	276.9	265.2	265.9	264.7	267.0	268.0	269.4	270.6	272.3	.
M2	ALL bn, eop	1015.6	1034.7	1046.9	1053.4	1057.1	1070.1	1061.2	1067.1	1070.3	1077.4	1084.9	1092.6	1101.2	1118.9	.
M2	CPPY, eop	11.2	10.1	10.4	10.6	10.0	9.2	8.1	9.1	8.8	8.3	8.7	8.3	8.4	8.1	.
Central bank policy rate (p.a.) ³⁾	% eop	5.25	5.25	5.00	5.00	4.75	4.75	4.50	4.50	4.25	4.25	4.25	4.25	4.00	4.00	4.00
Central bank policy rate (p.a.) ³⁽⁴⁾	real, % eop	2.9	3.0	3.0	2.7	2.4	2.9	2.2	1.9	1.4	2.6	2.8	2.9	.	.	.
BUDGET																
General gov. budget balance, cum.	ALL bn	-30764	-31190	-31630	-31718	-38274	-45877	1713	-7058	-9571	-11597	-17885	-21133	-21044	.	.

1) Excluding private sector.

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

3) One-week repo rate.

4) Deflated with annual PPI.

Source: wiiw Monthly Database incorporating national statistics.

BOSNIA and HERZEGOVINA: Selected monthly data on the economic situation 2011 to 2012

(updated end of Oct 2012)

		2011						2012								
		Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
PRODUCTION																
Industry, total ¹⁾	real, CPPY	10.2	4.3	1.3	0.4	5.3	0.9	-7.0	-12.8	-8.6	-4.9	-0.2	-4.3	-4.7	-3.0	.
Industry, total ¹⁾	real, CCPY	8.3	7.7	7.0	6.3	6.2	5.7	-7.0	-9.8	-9.4	-8.3	-6.6	-6.2	-6.0	-6.0	.
Industry, total ¹⁾	real, 3MMA	8.0	5.3	2.0	2.3	2.2	-0.3	-6.3	-9.5	-8.8	-4.6	-3.1	-3.1	-4.0	.	.
LABOUR																
Employees total, registered	th. persons, avg	693.1	689.7	693.4	691.5	689.7	687.9	689.1	687.1	688.7	690.0	689.6	690.4	689.0	687.0	.
Employees total, registered	CPPY	-0.6	-0.9	-1.0	-1.1	-1.5	-1.3	-0.7	-0.9	-0.4	-0.2	-0.3	-0.4	-0.6	-0.4	.
Unemployment, registered	th. persons, eop	528.5	531.1	530.0	530.9	532.5	536.7	541.4	543.6	542.7	540.3	537.0	538.2	539.4	545.9	.
Unemployment rate, registered	%, eop	43.3	43.5	43.3	43.4	43.6	43.8	44.0	44.2	44.1	43.9	43.7	43.8	43.9	44.3	.
WAGES																
Total economy, gross	BAM	1268	1283	1273	1268	1287	1294	1287	1278	1286	1286	1306	1283	1292	1298	.
Total economy, gross	real, CPPY	0.3	1.3	0.3	0.8	1.0	0.4	1.9	0.7	-1.2	-0.7	0.1	-1.6	0.5	-0.6	.
Total economy, gross	EUR	648	656	651	648	658	662	658	653	658	658	668	656	661	664	.
PRICES																
Consumer	PP	0.0	-0.1	0.3	0.5	0.3	0.1	0.9	0.4	0.4	-0.4	-0.1	-0.5	-0.5	0.3	0.8
Consumer	CPPY	3.9	3.9	4.0	3.7	3.7	3.1	2.5	2.4	2.1	2.3	1.9	1.9	1.4	1.8	2.3
Consumer	CCPPY	3.7	3.7	3.8	3.7	3.7	3.7	2.5	2.4	2.3	2.3	2.2	2.2	2.1	2.0	2.1
Producer, in industry ²⁾	PP	2.0	-0.3	0.4	0.0	0.2	-0.4	0.4	0.4	-0.2	0.0	0.2	0.0	0.0	0.2	.
Producer, in industry ²⁾	CPPY	5.8	4.9	4.5	2.2	2.2	1.4	1.6	1.2	0.4	2.6	3.2	2.8	0.8	1.3	.
Producer, in industry ²⁾	CCPPY	4.3	4.3	4.4	4.1	3.9	3.7	1.6	1.4	1.1	1.5	1.8	2.0	1.8	1.7	.
FOREIGN TRADE, customs statistics																
Exports total (fob), cumulated	EUR mn	2438	2781	3156	3511	3871	4204	286	554	902	1237	1599	1978	2334	2658	3029
Imports total (cif), cumulated	EUR mn	4460	5125	5851	6561	7223	7938	510	991	1742	2415	3087	3749	4447	5138	5833
Trade balance, cumulated	EUR mn	-2022	-2343	-2695	-3049	-3352	-3734	-224	-437	-841	-1177	-1488	-1771	-2113	-2480	-2804
Exports to EU-27 (fob), cumulated	EUR mn	1406	1587	1800	1998	2196	2372	186	356	561	753	953	1164	1365	1541	1769
Imports from EU-27 (cif), cumulated	EUR mn	2152	2437	2764	3098	3407	3719	234	473	810	1129	1441	1764	2086	2395	2717
Trade balance with EU-27, cumulated	EUR mn	-747	-850	-964	-1100	-1211	-1348	-48	-117	-249	-376	-488	-600	-721	-854	-947
FOREIGN FINANCE																
Current account, cumulated	EUR mn	.	.	-755	.	.	-1142	.	.	-436	.	.	-897	.	.	.
EXCHANGE RATE																
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	1.369	1.365	1.416	1.428	1.439	1.482	1.517	1.480	1.481	1.486	1.523	1.563	1.590	1.581	1.523
EUR/BAM, calculated with CPI ³⁾	real, Jan09=100	99.0	98.7	98.4	98.6	98.7	98.5	99.9	99.8	99.2	98.3	98.3	97.9	97.8	97.8	98.0
EUR/BAM, calculated with PPI ³⁾	real, Jan09=100	93.7	93.7	93.6	93.6	93.5	93.4	93.0	92.9	92.3	92.2	92.7	93.3	93.1	92.6	.
USD/BAM, calculated with CPI ³⁾	real, Jan09=100	105.2	105.1	101.5	101.4	101.0	98.4	96.6	98.9	98.5	97.6	95.1	92.4	90.5	90.8	95.0
USD/BAM, calculated with PPI ³⁾	real, Jan09=100	91.4	92.1	88.9	89.3	88.6	86.5	84.5	86.5	85.3	85.2	83.8	82.4	81.2	80.8	.
DOMESTIC FINANCE																
Currency outside banks	BAM mn, eop	2317	2317	2253	2241	2237	2366	2298	2323	2330	2363	2329	2357	2417	2429	.
M1	BAM mn, eop	6049	6124	6069	6051	5987	6186	6104	6047	6076	6130	6111	6071	6301	6350	.
M2	BAM mn, eop	14049	14181	14133	14144	14133	14418	14313	14340	14307	14416	14465	14499	14659	14768	.
M2	CPPY, eop	6.0	5.0	5.8	5.3	4.3	5.8	4.9	5.4	4.6	5.0	5.1	5.2	4.3	4.1	.

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

2) Domestic output prices.

3) 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 2011 to 2012

(updated end of Oct 2012)

		2011						2012								
		Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
PRODUCTION																
Industry, NACE Rev. 2 ¹⁾	real, CPPY	-0.6	-4.5	-2.3	2.1	-0.3	-1.8	-3.5	-2.8	-9.3	-9.4	-3.8	-7.0	-4.1	2.1	-10.6
Industry, NACE Rev. 2 ¹⁾	real, CCPPY	-1.1	-1.5	-1.6	-1.2	-1.1	-1.2	-3.5	-3.1	-5.4	-6.5	-5.9	-6.1	-5.8	-4.9	-5.5
Industry, NACE Rev. 2 ¹⁾	real, 3MMA	-1.1	-2.4	-1.5	-0.2	0.0	-1.8	-2.6	-5.4	-7.3	-7.5	-6.7	-4.9	-3.2	-4.5	.
Productivity in industry, NACE Rev. 2 ¹⁾	CCPPY	2.7	2.3	2.2	2.5	2.7	2.6	-1.8	0.8	-2.1	-3.3	-2.7	-2.7	-2.3	-1.2	-1.7
Unit labour costs, excl.r. adj.(EUR) ¹⁾	CCPPY	-4.3	-3.6	-3.4	-3.7	-3.5	-3.5	3.2	0.6	3.0	3.9	3.7	3.2	3.0	.	.
Construction, NACE Rev. 2 ¹⁾	real, CPPY	-12.5	-8.9	-7.5	-7.4	-6.4	-8.8	-5.7	-17.3	-12.5	-10.0	-7.9	-15.0	-7.9	-11.2	.
Construction, NACE Rev. 2 ¹⁾	real, CCPPY	-10.0	-9.9	-9.6	-9.4	-9.1	-9.1	-5.7	-11.8	-12.0	-11.5	-10.7	-11.4	-10.9	-11.0	.
LABOUR																
Employed persons, LFS	th. pers., quart. avg.	.	.	1534.4	.	.	1479.2	.	.	1394.2	.	.	1465.3	.	.	.
Employed persons, LFS	CPPY	.	.	-0.4	.	.	-3.2	.	.	-5.6	.	.	-1.0	.	.	.
Unemployed persons, LFS	th. pers., quart. avg.	.	.	213.3	.	.	237.4	.	.	273.3	.	.	248.7	.	.	.
Unemployment rate, LFS	%	.	.	12.3	.	.	13.9	.	.	16.5	.	.	14.6	.	.	.
Employment total, registered	th. persons, avg	1176.3	1175.9	1170.3	1161.7	1155.0	1144.6	1135.5	1129.3	1128.8	1135.2	1143.7	1151.3	1152.9	1148.2	.
Unemployment, registered	th. persons, eop	287.6	285.3	283.7	293.9	302.1	315.4	334.4	343.0	339.9	323.7	306.1	294.9	298.7	301.6	312.0
Unemployment rate, registered	%, eop	16.8	16.7	16.8	17.4	17.9	18.7	19.6	20.1	20.0	19.1	18.0	17.3	17.5	17.7	18.3
WAGES																
Total economy, gross	HRK	7680	7910	7740	7744	8131	7891	7846	7702	7958	7767	7978	7909	7794	7977	.
Total economy, gross	real, CPPY	-0.9	0.6	0.4	-1.4	0.4	-1.0	1.5	1.6	-1.2	-2.3	-1.3	-3.6	-1.9	-3.0	.
Total economy, gross	EUR	1035	1061	1034	1035	1086	1051	1040	1016	1055	1036	1060	1048	1040	1065	.
Industry, gross, NACE Rev. 2	EUR	930	959	931	925	1011	953	932	907	954	927	972	951	948	.	.
PRICES																
Consumer	PP	-0.5	-0.1	0.4	0.6	0.2	-0.4	-0.4	0.6	1.5	0.8	1.7	-0.6	-1.0	0.5	1.4
Consumer	CPPY	1.9	2.0	2.2	2.6	2.6	2.1	1.2	1.3	2.0	2.6	3.9	3.8	3.4	4.0	5.0
Consumer	CCPPY	2.2	2.2	2.2	2.2	2.3	2.3	1.2	1.3	1.5	1.8	2.2	2.5	2.6	2.8	0.8
Producer, in industry, NACE Rev. 2 ²⁾	PP	0.1	0.7	0.0	0.5	0.5	-0.2	0.9	2.0	0.6	0.6	1.5	-0.4	0.0	1.5	1.0
Producer, in industry, NACE Rev. 2 ²⁾	CPPY	6.1	6.6	6.1	6.4	7.0	5.7	5.9	6.3	6.1	6.2	7.1	7.0	6.9	7.8	8.9
Producer, in industry, NACE Rev. 2 ²⁾	CCPPY	6.4	6.4	6.4	6.4	6.4	6.4	5.9	6.1	6.1	6.1	6.3	6.4	6.5	6.7	6.9
FOREIGN TRADE, customs statistics																
Exports total (fob), cumulated	EUR mn	5535	6304	7192	8001	8744	9582	667	1348	2254	2976	3793	4583	5429	6205	.
Imports total (cif), cumulated	EUR mn	9586	10825	12310	13744	15104	16283	1109	2329	3892	5236	6690	8047	9558	10900	.
Trade balance, cumulated	EUR mn	-4051	-4521	-5118	-5744	-6360	-6701	-443	-981	-1638	-2260	-2897	-3464	-4129	-4695	.
Exports to EU-27 (fob), cumulated	EUR mn	3354	3741	4382	4709	5114	5507	411	823	1288	1736	2216	2634	3139	3594	.
Imports from EU-27 (cif), cumulated	EUR mn	5804	6570	7425	8225	9017	9712	667	1461	2467	3384	4277	5127	6031	6832	.
Trade balance with EU-27, cumulated	EUR mn	-2449	-2829	-3042	-3516	-3902	-4205	-256	-638	-1178	-1648	-2061	-2494	-2892	-3238	.
FOREIGN FINANCE																
Current account, cumulated	EUR mn	.	.	488	.	.	-431	.	.	-1593	.	.	-1803	.	.	.
EXCHANGE RATE																
HRK/EUR, monthly average	nominal	7.420	7.455	7.487	7.483	7.488	7.507	7.547	7.579	7.540	7.494	7.529	7.547	7.494	7.487	7.427
HRK/USD, monthly average	nominal	5.193	5.192	5.421	5.468	5.513	5.689	5.847	5.733	5.709	5.691	5.871	6.027	6.089	6.042	5.788
EUR/HRK, calculated with CPI ³⁾	real, Jan09=100	96.8	96.1	95.5	95.8	95.8	94.8	94.5	94.1	95.1	96.0	97.2	96.5	96.6	96.8	98.4
EUR/HRK, calculated with PPI ³⁾	real, Jan09=100	102.1	102.5	101.7	102.3	102.5	102.2	101.7	102.7	103.4	104.6	106.1	106.0	106.6	107.5	109.5
USD/HRK, calculated with CPI ³⁾	real, Jan09=100	102.9	102.6	98.5	98.5	98.0	94.7	91.4	93.4	94.4	95.2	94.0	91.1	89.5	90.1	95.4
USD/HRK, calculated with PPI ³⁾	real, Jan09=100	99.7	101.1	96.6	97.5	97.1	94.7	92.5	95.8	95.6	96.7	95.8	93.8	93.0	94.0	99.1
DOMESTIC FINANCE																
Currency outside banks	HRK bn, eop	18.1	17.8	17.1	16.5	16.4	16.7	16.1	16.0	16.2	16.4	16.8	17.8	18.7	18.7	.
M1	HRK bn, eop	53.9	54.0	51.2	51.0	50.9	52.9	49.2	48.4	47.4	47.8	49.4	51.5	53.1	52.3	.
Broad money	HRK bn, eop	236.9	241.4	241.2	241.4	241.7	241.1	237.7	236.2	235.5	236.7	239.6	240.0	244.5	248.0	.
Broad money	CPPY, eop	4.4	4.2	3.7	3.8	4.0	3.5	2.5	2.0	2.7	3.4	3.9	3.2	3.2	2.7	.
Central bank policy rate (p.a.) ⁴⁾	%, eop	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	.
Central bank policy rate (p.a.) ⁴⁾⁵⁾	real, %, eop	-0.1	-0.5	-0.1	-0.3	-1.0	0.3	0.1	-0.3	-0.1	-0.1	-1.1	-0.9	-0.9	-1.7	.
BUDGET																
Central gov. budget balance, cum. ⁶⁾	HRK mn	-9542	-9436	-10297	-10133	-11982	-15394	-1256	-1647	-4047	-3866	-4895	-5824	-7193	-7256	.

- 1) Enterprises with 20 and more employees.
- 2) Domestic output prices. 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 2011 to 2012

(updated end of Oct 2012)

		2011						2012								
		Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
PRODUCTION																
Industry, NACE Rev. 2 ¹⁾	real, CPPY	5.5	0.9	-2.4	-3.9	-5.3	-4.7	-8.0	-8.8	-8.5	-7.2	-5.4	-4.1	-6.9	-8.0	-5.6
Industry, NACE Rev. 2 ¹⁾	real, CCPPY	8.5	7.5	6.3	5.2	4.1	3.3	-8.0	-8.4	-8.4	-8.1	-7.5	-6.9	-6.9	-7.1	-6.9
Industry, NACE Rev. 2 ¹⁾	real, 3MMA	1.5	1.4	-1.8	-3.9	-4.7	-5.8	-7.0	-8.4	-8.1	-7.0	-5.6	-5.5	-6.4	-6.8	.
Productivity in industry, NACE Rev. 2 ¹⁾	CCPPY	6.2	5.2	4.0	3.0	2.3	1.8	-6.9	-6.8	-7.2	-6.8	-6.1	-5.3	-5.2	-5.0	.
Unit labour costs, excl.r. adj.(EUR) ¹⁾	CCPPY	-3.0	-1.9	-1.0	0.0	0.7	0.8	8.4	7.5	8.1	7.8	6.8	5.6	5.3	4.9	.
Construction, total, effect. work. time	real, CPPY	9.8	17.5	21.7	24.8	16.4	11.6	-0.6	-24.9	-12.7	-9.7	-7.1	-10.0	-7.2	.	.
Construction, total, effect. work. time	real, CCPPY	11.2	12.0	13.1	14.3	14.5	14.2	-0.6	-13.4	-13.1	-12.2	-11.1	-10.9	-10.3	.	.
LABOUR																
Employed persons, LFS	th. pers., quart. avg	.	.	648.6	.	.	639.3	.	.	643.6	.	.	648.2	.	.	.
Employed persons, LFS	CPPY	.	.	0.0	.	.	-3.1	.	.	-0.9	.	.	0.8	.	.	.
Unemployed persons, LFS	th. pers., quart. avg	.	.	293.8	.	.	298.0	.	.	297.3	.	.	294.2	.	.	.
Unemployment rate, LFS	%, avg	.	.	31.2	.	.	31.8	.	.	31.6	.	.	31.3	.	.	.
WAGES																
Total economy, gross	MKD	30528	30715	30340	30680	30591	31338	30768	30257	30876	30444	30636	30323	30469	30777	.
Total economy, gross	real, CPPY	-1.5	-2.0	-3.1	-2.1	-2.8	-3.0	-3.4	-1.9	0.8	-1.2	-2.4	-4.3	-2.2	-3.4	.
Total economy, gross	EUR	495	499	493	499	497	509	500	492	502	495	497	492	495	500	.
Industry, gross, NACE Rev. 2	EUR	415	422	416	415	411	417	413	395	404	399	409	402	410	414	.
PRICES																
Consumer	PP	-0.8	-0.1	-0.1	0.3	0.6	-0.1	1.2	0.5	0.4	1.1	-0.3	-0.5	-0.9	1.5	1.4
Consumer	CPPY	3.8	3.6	3.4	3.3	3.5	2.8	3.4	2.9	1.4	2.2	2.0	2.1	2.3	3.7	5.3
Consumer	CCPPY	4.3	4.2	4.1	4.1	4.0	3.9	3.4	3.1	2.5	2.5	2.4	2.3	2.3	2.5	2.8
Producer, in industry, NACE Rev. 2 ²⁾	PP	-1.0	1.3	-0.4	-0.2	0.1	0.4	0.1	2.4	1.8	-0.1	-0.7	-0.8	0.1	0.9	2.2
Producer, in industry, NACE Rev. 2 ²⁾	CPPY	9.5	11.1	10.1	8.7	10.4	8.3	5.1	5.8	4.3	3.0	3.2	3.0	4.1	3.7	6.3
Producer, in industry, NACE Rev. 2 ²⁾	CCPPY	12.1	12.0	11.8	11.5	11.4	11.1	5.1	5.5	5.1	4.5	4.3	4.0	4.1	4.0	4.3
FOREIGN TRADE, customs statistics																
Exports total (fob), cumulated	EUR mn	1778	2057	2371	2657	2923	3200	192	444	701	933	1219	1495	1778	2018	.
Imports total (cif), cumulated	EUR mn	2860	3289	3728	4126	4582	5038	324	718	1133	1587	2039	2459	2879	3259	.
Trade balance, cumulated	EUR mn	-1082	-1231	-1357	-1468	-1659	-1838	-132	-274	-432	-655	-820	-963	-1101	-1242	.
Exports to EU-27 (fob), cumulated	EUR mn	1091	1256	1397	1609	1768	1939	117	287	454	593	770	935	1117	1265	.
Imports from EU-27 (cif), cumulated	EUR mn	1565	1780	2038	2259	2494	2738	182	368	607	892	1163	1404	1682	1923	.
Trade balance with EU-27, cumulated	EUR mn	-474	-524	-641	-650	-726	-799	-65	-81	-153	-299	-393	-468	-564	-658	.
FOREIGN FINANCE																
Current account, cumulated	EUR mn	-316	-283	-254	-222	-274	-224	-44	-72	-120	-196	-229	-201	-149	.	.
EXCHANGE RATE																
MKD/EUR, monthly average	nominal	61.62	61.51	61.50	61.50	61.50	61.51	61.50	61.50	61.50	61.54	61.63	61.61	61.57	61.50	61.50
MKD/USD, monthly average	nominal	43.14	42.91	44.54	44.91	45.31	46.60	47.68	46.54	46.57	46.73	48.00	49.22	50.05	49.71	47.88
EUR/MKD, calculated with CPI ³⁾	real, Jan09=100	97.9	97.8	97.0	97.0	97.4	97.0	98.7	98.7	98.1	98.7	98.3	98.0	97.5	98.7	99.4
EUR/MKD, calculated with PPI ³⁾	real, Jan09=100	113.6	115.6	114.7	114.4	114.2	114.9	114.0	116.1	117.7	117.5	117.0	116.7	116.7	117.0	119.5
USD/MKD, calculated with CPI ³⁾	real, Jan09=100	103.9	104.1	100.0	99.7	99.5	96.8	95.4	97.8	97.4	97.9	95.1	92.5	90.2	91.6	96.4
USD/MKD, calculated with PPI ³⁾	real, Jan09=100	110.8	113.7	108.8	109.1	108.0	106.3	103.6	108.2	108.7	108.5	105.7	103.2	101.7	102.0	108.2
DOMESTIC FINANCE																
Currency outside banks	MKD bn, eop	18.1	17.6	17.2	17.0	16.6	19.3	18.2	18.3	17.9	18.1	18.4	18.8	20.4	19.6	19.2
M1	MKD bn, eop	57.8	58.0	57.5	57.5	56.1	61.3	60.2	59.8	59.3	60.9	59.8	61.2	63.3	62.4	63.2
Broad money	MKD bn, eop	245.4	247.0	245.1	247.3	248.9	255.0	255.3	256.2	257.6	256.3	257.1	258.5	263.2	261.7	260.5
Broad money	CPPY, eop	13.5	12.3	10.5	10.2	8.6	9.7	10.0	9.7	9.8	9.3	8.0	8.0	7.3	6.0	6.3
Central bank policy rate (p.a.) ⁴⁾	%, eop	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	3.97	3.71	3.73	3.73	3.73	
Central bank policy rate (p.a.) ⁴⁾⁵⁾	real, %, eop	-5.1	-6.4	-5.5	-4.3	-5.8	-4.0	-1.0	-1.7	-0.3	0.9	0.5	0.8	-0.4	0.1	-2.4
BUDGET																
General gov. budget balance, cum. ⁶⁾	MKD mn	-9001	-9225	-9391	-9865	-10537	-11483	-1429	-3300	-4530	-4419	-5419	-8047	-9928	-10147	-12025

1) Enterprises with 10 and more persons employed.

2) Domestic output 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 2011 to 2012

(updated end of Oct 2012)

		2011						2012								
		Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
PRODUCTION																
Industry, NACE Rev. 2	real, CPPY	0.2	18.0	-2.1	-4.2	-15.9	-37.1	-24.5	-14.7	-4.0	20.8	4.8	-19.5	-1.7	-5.5	-15.8
Industry, NACE Rev. 2	real, CCPPY	-9.3	-6.6	-6.1	-5.9	-6.9	-10.3	-24.5	-19.7	-14.7	-7.1	-5.2	-7.4	-6.6	-6.5	-7.6
Industry, NACE Rev. 2	real, 3MMA	-2.1	4.5	2.7	-7.7	-20.7	-26.7	-26.5	-14.7	-0.5	6.7	1.9	-5.9	-8.7	-7.9	.
Productivity in industry, NACE Rev. 2	CCPPY	.	.	.	.	.	.	-17.2	-11.8	-6.2	1.7	3.7	1.2	2.0	2.5	0.4
Unit labour costs, exch.r. adj.(EUR)	CCPPY	.	.	.	.	.	.	16.1	14.4	11.8	4.3	2.5	6.2	4.7	4.0	6.1
LABOUR																
Employed persons, LFS	th. pers., quart. avg	.	.	202.2	.	.	194.7	.	.	193.0	.	.	196.7	.	.	.
Employed persons, LFS	CPPY	.	.	-4.6	.	.	-7.5	.	.	3.8	.	.	-1.0	.	.	.
Unemployed persons, LFS	th. pers., quart. avg	.	.	49.1	.	.	42.9	.	.	50.3	.	.	49.1	.	.	.
Unemployment rate, LFS	%	.	.	19.5	.	.	18.1	.	.	20.7	.	.	20.0	.	.	.
Employment total, registered	th. persons, avg	170.6	168.0	164.4	163.4	162.7	162.5	160.9	162.0	162.6	163.7	165.8	162.6	173.1	173.0	169.9
Unemployment, registered	th. persons, eop	29.1	29.1	29.4	30.2	30.6	30.6	31.3	31.5	31.6	31.3	30.1	29.4	28.7	28.5	28.3
Unemployment rate, registered	%, eop	14.6	14.8	15.2	15.6	15.8	15.8	16.3	16.3	16.3	16.1	15.4	15.3	14.2	14.6	14.3
WAGES																
Total economy, gross	EUR	710	709	712	711	721	722	754	739	730	733	727	722	716	716	721
Total economy, gross	real, CPPY	-1.1	-9.1	-4.1	-3.4	-2.3	-8.6	-4.9	-5.9	-1.6	0.8	-1.6	-1.9	-3.4	-2.9	-3.0
Industry, gross, NACE Rev. 2	EUR	820	827	835	863	902	876	904	920	901	910	880	936	842	873	883
PRICES																
Consumer	PP	-0.3	0.7	-0.1	0.2	-0.2	-0.2	0.8	1.0	0.4	0.5	0.4	0.2	0.2	0.4	0.4
Consumer	CPPY	3.1	3.7	3.5	3.5	3.1	2.8	2.7	4.2	2.7	3.1	3.5	3.9	4.4	4.0	4.4
Consumer	CCPPY	3.1	3.2	3.2	3.2	3.2	3.2	2.7	4.2	3.7	3.6	3.5	3.6	3.7	3.6	3.8
Producer, in industry ¹⁾	PP	0.7	0.0	0.1	-0.4	-0.1	-1.6	1.0	0.4	-0.3	0.1	-0.2	1.8	0.0	4.2	-1.5
Producer, in industry ¹⁾	CPPY	3.6	3.2	3.2	2.8	2.8	1.0	-0.6	-0.8	-1.5	-0.2	-0.3	1.8	0.9	5.1	3.5
Producer, in industry ¹⁾	CCPPY	4.3	3.5	3.5	3.4	3.4	3.2	-0.6	-0.7	-1.0	-0.8	-0.7	-0.3	-0.1	0.6	0.9
FOREIGN TRADE, customs statistics																
Exports total (fob), cumulated	EUR mn	247	289	332	380	418	454	27	51	85	116	150	182	214	245	275
Imports total (cif), cumulated	EUR mn	1019	1192	1365	1516	1660	1823	100	207	398	549	717	888	1065	1238	1386
Trade balance, cumulated	EUR mn	-772	-902	-1033	-1136	-1242	-1369	-72	-155	-313	-433	-566	-705	-851	-993	-1110
Exports to EU-27 (fob), cumulated	EUR mn	141	163	186	209	220	227	9	16	25	35	49	59	68	74	83
Imports from EU-27 (cif), cumulated	EUR mn	403	466	534	586	639	697	37	83	150	208	276	339	406	474	527
Trade balance with EU-27, cumulated	EUR mn	-261	-303	-348	-377	-418	-470	-29	-66	-125	-173	-227	-279	-338	-401	-444
FOREIGN FINANCE																
Current account, cumulated	EUR mn	.	.	-372	.	.	-634	.	.	-218	.	.	-479	.	.	.
EXCHANGE RATE																
EUR/USD, monthly average	nominal	0.701	0.697	0.726	0.730	0.738	0.759	0.775	0.756	0.758	0.760	0.782	0.798	0.814	0.806	0.778
EUR/EUR, calculated with CPI ²⁾	real, Jan09=100	98.8	99.2	98.5	98.4	98.0	97.5	98.9	99.3	98.7	98.7	99.2	99.5	100.1	100.2	99.9
EUR/EUR, calculated with PPI ²⁾	real, Jan09=100	93.3	93.5	93.2	92.8	92.5	91.2	91.3	91.1	90.4	90.5	90.6	92.8	92.7	95.8	94.4
USD/EUR, calculated with CPI ²⁾	real, Jan09=100	90.8	90.7	94.2	95.1	96.0	98.8	101.2	99.3	99.2	99.7	103.1	105.6	108.1	106.9	103.5
USD/EUR, calculated with PPI ²⁾	real, Jan09=100	78.8	78.9	82.0	83.1	83.8	85.6	87.9	85.7	84.5	85.1	88.0	92.3	94.2	96.1	91.3
DOMESTIC FINANCE																
Central bank policy rate (p.a.) ³⁾	%, eop	9.07	9.06	9.06	9.05	9.10	9.06	9.02	9.00	8.99	8.93	8.91	8.89	8.87	8.87	8.86
Central bank policy rate (p.a.) ^{3,4)}	real, %, eop	5.3	5.7	5.7	6.1	6.1	8.0	9.7	9.9	10.6	9.1	9.2	7.0	7.9	3.6	5.2
BUDGET																
General gov.budget balance, cum.	EUR mn	.	.	-64	.	.	-137	.	.	-41	.	.	-125	.	.	.

1) Domestic output prices.

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: wiiw Monthly Database incorporating national statistics.

S E R B I A: Selected monthly data on the economic situation 2011 to 2012

(updated end of Oct 2012)

		2011						2012								
		Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
PRODUCTION																
Industry, NACE Rev. 2	real, CPPY	-3.3	-0.5	-1.8	-1.0	2.2	0.1	-2.8	-12.9	-3.2	-2.2	-3.1	-4.0	-4.0	-0.8	.
Industry, NACE Rev. 2	real, CCPY	3.2	2.7	2.1	1.8	1.8	1.7	-2.8	-8.0	-6.2	-5.2	-4.8	-4.6	-4.5	-4.1	.
Industry, NACE Rev. 2	real, 3MMA	-0.2	-1.9	-1.1	-0.2	0.4	0.0	-5.0	-6.2	-5.9	-2.8	-3.1	-3.7	-3.0	.	.
Productivity in industry, NACE Rev. 2	CCPPY	6.7	6.2	5.3	4.7	4.6	4.3	-1.6	-6.8	-4.7	-3.7	-3.2	-3.0	-2.9	.	.
Unit labour costs, excl.r. adj.(EUR)	CCPPY	5.7	7.1	8.7	9.7	10.0	10.3	4.9	14.2	11.7	8.9	6.4	4.1	.	.	.
LABOUR																
Employed persons, LFS	th. pers., quart. avg	.	.	.	.	.	2224.5	.	.	.	.	.	2157.6	.	.	.
Employed persons, LFS	CPPY	.	.	.	.	.	-6.6	.	.	.	.	.	-5.4	.	.	.
Unemployed persons, LFS	th. pers., quart. avg	.	.	.	.	.	691.8	.	.	.	.	.	740.0	.	.	.
Unemployment rate, LFS	%	.	.	.	.	.	23.7	.	.	.	.	.	25.5	.	.	.
Employees total, registered	th. persons, avg	1341.0	1339.0	1337.0	1337.0	1337.0	1338.0	1338.0	1338.0	1339.0	1339.0	1338.0	1339.0	1337.0	.	.
Unemployment, registered	th. persons, eop	749.1	746.0	742.6	737.9	735.1	745.2	764.2	777.1	782.7	775.3	762.6	755.0	752.6	.	.
Unemployment rate, registered	% eop	27.5	27.4	27.4	27.3	27.2	27.5	28.0	28.3	28.6	28.4	28.0	27.8	27.8	.	.
WAGES																
Total economy, gross	RSD	54164	53285	53838	52944	53239	61116	50829	55505	56125	58465	56206	58712	57240	58503	55903
Total economy, gross	real, CPPY	-1.1	1.4	1.6	1.1	2.3	3.8	1.4	6.9	9.2	4.1	10.1	1.9	-0.4	1.8	-5.7
Total economy, gross	EUR	529	521	532	526	519	594	484	513	506	524	495	507	491	496	486
Industry, gross, NACE Rev. 2	EUR	507	511	512	512	497	565	487	498	498	513	471	495	.	.	.
PRICES																
Consumer ¹⁾	PP	-0.5	0.0	0.2	0.4	0.9	-0.7	0.1	0.8	1.1	0.6	1.4	1.1	0.1	1.6	2.3
Consumer ¹⁾	CPPY	12.1	10.5	9.3	8.7	8.1	7.0	5.6	4.9	3.2	2.7	3.9	5.5	6.1	7.9	10.3
Consumer ¹⁾	CCPPY	13.0	12.7	12.3	11.9	12.1	11.0	5.6	5.2	4.5	4.1	4.0	4.3	4.5	5.0	5.6
Producer, in industry, NACE Rev. 2 ²⁾	PP	0.1	-0.3	0.4	-0.3	0.3	0.4	0.4	0.8	1.8	0.1	-0.5	0.1	0.5	2.1	1.1
Producer, in industry, NACE Rev. 2 ²⁾	CPPY	15.5	13.4	12.3	11.2	10.3	9.7	6.9	5.8	5.9	3.4	3.3	3.4	3.8	6.2	7.0
Producer, in industry, NACE Rev. 2 ²⁾	CCPPY	17.1	16.7	16.2	15.7	15.2	14.2	6.9	6.3	6.2	5.5	5.0	4.7	4.6	4.8	5.1
FOREIGN TRADE, customs statistics																
Exports total (fob), cumulated	EUR mn	4859	5568	6278	7004	7732	8437	552	1072	1856	2584	3335	4134	4893	5617	.
Imports total (cif), cumulated	EUR mn	8091	9178	10403	11628	12957	14359	1027	2113	3121	4305	5571	6763	8015	9157	.
Trade balance, cumulated	EUR mn	-3233	-3610	-4125	-4624	-5225	-5922	-475	-1041	-1266	-1721	-2237	-2629	-3123	-3540	.
Exports to EU-27 (fob), cumulated	EUR mn	2877	3247	3650	4055	4482	4867	351	666	1114	1531	1969	2436	2850	3235	.
Imports from EU-27 (cif), cumulated	EUR mn	4401	5063	5856	6601	7301	8034	538	1120	1907	2627	3360	4128	4874	5564	.
Trade balance with EU-27, cumulated	EUR mn	-1524	-1816	-2206	-2547	-2819	-3167	-187	-454	-793	-1097	-1392	-1692	-2024	-2329	.
FOREIGN FINANCE																
Current account, cumulated	EUR mn	-1494	-1626	-1950	-2205	-2358	-2854	-261	-648	-1177	-1390	-1624	-1916	-2035	-2171	.
EXCHANGE RATE																
RSD/EUR, monthly average	nominal	102.39	102.25	101.21	100.60	102.68	102.93	105.04	108.10	110.90	111.63	113.60	115.77	116.46	117.86	115.03
RSD/USD, monthly average	nominal	71.63	71.30	73.52	73.45	75.71	78.15	81.41	81.62	83.91	84.75	88.94	92.24	94.67	95.14	90.52
EUR/RSD, calculated with CPI ³⁾	real, Jan09=100	104.9	104.8	105.4	106.1	104.8	103.4	102.0	99.4	97.0	96.5	96.2	95.5	95.4	95.5	99.5
EUR/RSD, calculated with PPI ³⁾	real, Jan09=100	115.9	115.9	117.1	117.4	115.1	115.5	112.7	109.8	108.4	107.7	105.7	104.5	104.2	104.3	108.1
USD/RSD, calculated with CPI ³⁾	real, Jan09=100	112.1	112.3	109.0	109.8	107.6	103.7	99.2	99.3	96.9	96.3	93.1	90.9	88.8	89.3	96.0
USD/RSD, calculated with PPI ³⁾	real, Jan09=100	113.8	114.8	111.5	112.7	109.4	107.4	103.0	103.1	100.8	100.1	95.6	93.1	91.4	91.7	97.4
DOMESTIC FINANCE																
Currency outside banks	RSD bn, eop	94.6	89.3	94.2	87.9	92.8	114.2	107.2	111.2	106.9	109.0	102.1	105.3	109.8	110.2	111.0
M1	RSD bn, eop	253.6	256.1	256.4	255.5	263.8	293.7	275.2	286.3	266.4	275.6	262.2	269.0	275.2	277.1	290.2
Broad money ⁴⁾	RSD bn, eop	1391.7	1405.8	1412.2	1412.0	1457.6	1500.4	1483.0	1522.8	1499.7	1531.2	1574.7	1588.6	1607.5	1616.9	1607.6
Broad money ⁴⁾	CPPY, eop	4.5	9.1	8.1	6.2	7.0	10.3	12.0	16.4	14.0	19.0	22.3	18.1	15.5	15.0	13.8
Central bank policy rate (p.a.) ⁴⁾⁵⁾	% eop	11.75	11.75	11.25	10.75	10.00	9.75	9.50	9.50	9.50	9.50	9.50	10.00	10.25	10.50	10.50
Central bank policy rate (p.a.) ⁵⁾⁶⁾	real, % eop	-3.2	-1.5	-0.9	-0.4	-0.3	0.0	2.4	3.5	3.4	5.9	6.0	6.4	6.2	4.0	3.3
BUDGET																
Central gov.budget balance, cum.	RSD mn	-83786	-94037	-97015	-108633	-119938	-132534	-10428	-41633	-52741	-82902	-89274	-111197	-111236	-123148	-145225

1) From 2011 according to COICOP classification.

2) Domestic output prices.

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 2011 to 2012

(updated end of Oct 2012)

		2011						2012								
		Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
PRODUCTION																
Industry, total	real, CPPY	5.1	6.1	3.8	3.6	3.9	2.4	3.8	6.4	2.0	1.3	3.7	2.0	3.4	2.1	1.9
Industry, total	real, CCPY	5.4	5.5	5.3	5.1	5.0	4.8	3.8	5.1	4.0	3.3	3.4	3.1	3.2	3.0	2.9
Industry, total	real, 3MMA	5.7	5.0	4.5	3.8	3.3	3.3	4.1	4.0	3.1	2.3	2.3	3.0	2.5	2.5	.
Construction, total	real, CPPY	12.8	5.5	4.8	8.2	5.9	6.7	11.7	6.8	-0.7	3.8	7.1	5.3	-3.2	0.8	-5.6
Construction, total	real, CCPY	3.7	4.0	4.1	4.7	4.8	5.1	11.7	9.2	5.2	4.8	5.4	5.4	3.7	3.2	1.9
LABOUR																
Employed persons, LFS	th. pers., avg	71629	72013	71965	70828	70970	70933	69968	69917	69800	70864	72077	72229	72277	72493	72187
Employed persons, LFS	CPPY	1.1	1.1	1.2	0.5	1.0	1.9	1.2	0.5	0.3	1.6	1.5	1.1	0.9	0.7	0.3
Unemployed persons, LFS	th. pers., avg	5013	4672	4615	4805	4766	4643	4911	4824	4874	4372	4093	4144	4124	3955	3985
Unemployment rate, LFS	% avg	6.5	6.1	6.0	6.4	6.3	6.1	6.6	6.5	6.5	5.8	5.4	5.4	5.4	5.2	5.2
Unemployment, registered	th. persons, eop	1384.0	1327.0	1263.0	1216.0	1223.0	1286.0	1298.0	1331.0	1313.0	1254.0	1185.0	1127.0	1086.0	1068.0	1022.0
Unemployment rate, registered	% eop	1.8	1.7	1.7	1.6	1.6	1.7	1.7	1.8	1.8	1.7	1.6	1.5	1.4	1.4	1.3
WAGES																
Total economy, gross	RUB	23598	23051	23468	23602	24296	32809	23746	24036	25487	25800	26385	27494	26684	25718	26489
Total economy, gross	real, CPPY	1.5	2.7	4.1	4.9	5.8	10.3	10.3	12.0	8.3	10.5	11.7	9.1	7.0	5.3	5.9
Total economy, gross	EUR	591	560	557	550	580	791	583	609	657	665	670	667	667	650	655
Industry, gross ¹⁾	EUR	559	537	525	517	531	635	544	568	610	614	622	589	627	625	.
PRICES																
Consumer	PP	0.0	-0.2	0.0	0.5	0.4	0.4	0.5	0.4	0.6	0.3	0.5	0.9	1.2	0.1	0.6
Consumer	CPPY	9.0	8.2	7.3	7.3	6.9	6.1	4.2	3.8	3.8	3.7	3.7	4.4	5.6	6.0	6.6
Consumer	CCPPY	9.5	9.4	9.1	8.9	8.7	8.5	4.2	4.0	3.9	3.8	3.8	3.9	4.1	4.4	4.6
Producer, in industry ²⁾	PP	-1.0	4.6	-0.7	1.7	1.6	0.2	-0.2	1.1	2.1	0.6	-2.4	-0.9	-1.1	5.1	4.8
Producer, in industry ²⁾	CPPY	17.4	18.9	19.6	19.0	15.9	14.9	12.2	9.7	10.5	9.0	5.2	6.7	6.6	7.1	13.0
Producer, in industry ²⁾	CCPPY	19.9	19.8	19.8	19.7	19.3	18.9	12.2	11.0	10.8	10.3	9.3	8.8	8.5	8.3	8.9
FOREIGN TRADE, customs statistics																
Exports total (fob), cumulated	EUR mn	203024	233818	265282	298488	333173	371665	30935	64696	100208	134097	169209	201432	234577	267360	.
Imports total (cif), cumulated	EUR mn	117963	138000	156988	177340	197970	219829	13888	31709	52205	71178	91782	112016	134654	156770	.
Trade balance, cumulated	EUR mn	85062	95818	108294	121148	135203	151836	17046	32987	48002	62919	77427	89415	99923	110590	.
FOREIGN FINANCE																
Current account, cumulated	EUR mn	.	.	50132	.	.	71036	.	.	30827	.	.	47503	.	.	58245
EXCHANGE RATE																
RUB/EUR, monthly average	nominal	39.930	41.180	42.150	42.940	41.880	41.480	40.730	39.490	38.800	38.820	39.380	41.230	40.030	39.560	40.450
RUB/USD, monthly average	nominal	27.900	28.770	30.490	31.350	30.860	31.450	31.510	29.880	29.370	29.470	30.650	32.910	32.500	31.970	31.520
EUR/RUB, calculated with CPI ³⁾	real, Jan09=100	121.3	117.1	113.7	111.8	114.9	116.1	119.5	123.1	124.8	124.5	123.4	119.1	124.6	125.8	123.0
EUR/RUB, calculated with PPI ³⁾	real, Jan09=100	143.3	145.6	140.7	140.4	145.9	147.9	149.0	154.5	159.9	160.6	155.1	147.7	150.2	158.5	162.5
USD/RUB, calculated with CPI ³⁾	real, Jan09=100	127.7	123.3	116.2	113.8	116.2	114.7	114.5	120.8	122.6	122.3	118.2	111.3	114.3	115.6	117.9
USD/RUB, calculated with PPI ³⁾	real, Jan09=100	138.6	141.6	132.3	132.5	136.6	135.4	134.3	142.5	146.2	146.9	138.8	129.3	129.7	136.9	145.5
DOMESTIC FINANCE																
Currency outside banks	RUB bn, eop	5306.6	5343.0	5420.4	5420.1	5475.2	5938.6	5670.7	5713.0	5704.3	5831.5	5856.4	6003.9	5976.3	5980.0	.
M1	RUB bn, eop	10962.6	11098.1	11359.1	11130.9	11354.1	12857.4	12301.2	12285.6	12273.2	12230.8	12353.7	12621.3	12470.9	12293.8	.
M2	RUB bn, eop	24558.5	24920.6	25663.4	25545.1	26290.4	28754.6	27993.7	28084.4	28345.8	28504.3	29045.7	29340.8	29267.5	29410.0	.
M2	CPPY, eop	18.2	18.7	20.4	18.7	18.9	20.9	20.9	19.5	20.1	20.2	21.0	20.1	19.2	18.0	.
Central bank policy rate (p.a.) ⁴⁾	% eop	8.25	8.25	8.25	8.25	8.25	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00
Central bank policy rate (p.a.) ⁴⁾⁵⁾	real, % eop	-7.8	-9.0	-9.5	-9.1	-6.6	-6.0	-3.8	-1.6	-2.3	-0.9	2.7	1.2	1.3	0.8	-4.5
BUDGET																
Central gov. budget balance, cum.	RUB bn	756.2	788.7	1130.9	1422.8	1369.5	430.8	27.2	-199.6	-70.2	-51.3	132.1	270.7	285.1	.	.

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

2) Domestic output prices.

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

4) Refinancing rate.

5) Deflated with annual PPI.

Source: wiiw Monthly Database incorporating national statistics.

U K R A I N E: Selected monthly data on the economic situation 2011 to 2012

(updated end of Oct 2012)

		2011						2012								
		Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
PRODUCTION																
Industry, total	real, CPPY	9.8	10.5	7.3	5.2	4.4	0.2	2.4	1.7	-1.2	0.0	1.0	-1.3	-0.7	-4.7	-7.0
Industry, total	real, CCPY	9.4	9.6	9.3	8.8	8.4	7.6	2.4	2.1	0.9	0.7	0.7	0.4	0.2	-0.4	-1.2
Industry, total	real, 3MMA	10.1	9.2	7.6	5.6	3.3	2.3	1.4	0.9	0.1	-0.1	-0.1	-0.3	-2.2	-4.1	.
Productivity in industry ¹⁾	CCPY	10.6	10.7	10.4	10.0	9.6	8.9	2.2	2.2	1.2	1.2	1.4	1.2	1.1	0.6	0.0
Unit labour costs, excl.r. adj.(EUR) ¹⁾	CCPY	3.4	2.7	2.9	3.9	4.5	5.4	18.1	19.4	17.8	18.8	20.1	21.4	22.5	23.8	23.6
Construction, total	real, CCPY	13.5	13.0	11.6	11.9	12.7	11.0	2.5	-0.5	-2.7	-3.0	0.3	-1.9	-6.2	-8.0	-9.1
LABOUR																
Employed persons, LFS	th. pers., quart. avg	.	.	20783	.	.	20019	.	.	20040	.	.	20541	.	.	.
Employed persons, LFS	CPY	.	.	0.0	.	.	0.8	.	.	-0.3	.	.	0.8	.	.	.
Unemployed persons, LFS	th. pers., quart. avg	.	.	1531	.	.	1779	.	.	1845	.	.	1576	.	.	.
Unemployment rate, LFS	%	.	.	6.9	.	.	8.2	.	.	8.4	.	.	7.1	.	.	.
Employees total, registered ¹⁾	th. persons, avg	10562	10541	10537	10539	10498	10396	10598	10602	10613	10613	10579	10595	10592	10554	10536
Unemployment, registered	th. persons, eop	470	432	405	379	413	483	521	547	531	486	465	447	438	427	416
Unemployment rate, registered ²⁾	%, eop	1.7	1.6	1.5	1.4	1.5	1.8	1.9	2.0	1.9	1.7	1.7	1.6	1.6	1.5	1.5
WAGES¹⁾																
Total economy, gross	UAH	2749	2694	2737	2729	2727	3054	2722	2799	2923	2942	3015	3109	3151	3073	3064
Total economy, gross	real, CPPY	5.0	8.5	10.0	11.5	10.2	11.1	14.2	16.2	13.3	15.5	17.8	16.2	14.7	14.1	12.0
Total economy, gross	EUR	242	236	248	250	252	290	264	265	278	280	294	311	321	311	299
Industry, gross	EUR	280	283	297	300	296	337	312	312	319	322	342	346	366	367	346
PRICES																
Consumer	PP	-1.3	-0.4	0.1	0.0	0.1	0.2	0.2	0.2	0.3	0.0	-0.3	-0.3	-0.2	-0.3	0.1
Consumer	CPY	10.6	8.9	5.9	5.4	5.2	4.6	3.7	3.0	1.9	0.6	-0.5	-1.2	-0.1	0.0	0.0
Consumer	CCPY	9.4	9.4	9.0	8.6	8.3	8.0	3.7	3.4	2.9	2.3	1.7	1.2	1.0	0.9	0.8
Producer, in industry ³⁾	PP	0.1	0.5	1.2	-1.8	0.6	-1.8	-0.8	0.8	1.1	3.7	0.2	0.7	-2.9	0.5	0.2
Producer, in industry ³⁾	CPY	20.4	19.9	21.2	16.2	17.3	14.1	11.8	7.5	6.5	6.8	4.3	4.5	1.3	1.3	0.3
Producer, in industry ³⁾	CCPY	20.0	20.0	20.1	19.7	19.5	19.0	11.8	9.6	8.5	8.1	7.3	6.8	6.0	5.4	4.8
FOREIGN TRADE, customs statistics																
Exports total (fob), cumulated	EUR mn	27133	31166	35489	39681	44281	49144	4128	7878	12333	16734	21602	25970	30636	35332	.
Imports total (cif), cumulated	EUR mn	31922	36959	42307	47793	53430	59357	4173	9296	14553	20074	25979	31535	37364	43216	.
Trade balance, cumulated	EUR mn	-4789	-5793	-6818	-8112	-9149	-10213	-45	-1418	-2220	-3340	-4377	-5565	-6728	-7884	.
FOREIGN FINANCE																
Current account, cumulated	EUR mn	.	.	-4191	.	.	-7359	.	.	-1385	.	.	-4101	.	.	.
EXCHANGE RATE																
UAH/EUR, monthly average	nominal	11.379	11.417	11.030	10.914	10.839	10.544	10.301	10.544	10.533	10.511	10.265	10.012	9.829	9.890	10.248
UAH/USD, monthly average	nominal	7.971	7.971	7.973	7.975	7.984	7.990	7.990	7.989	7.986	7.987	7.991	7.993	7.993	7.993	7.993
EUR/UAH, calculated with CPI ⁴⁾	real, Jan09=100	105.9	104.9	108.0	108.8	109.5	112.4	116.0	112.9	112.2	111.9	114.4	117.1	119.5	117.9	113.2
EUR/UAH, calculated with PPI ⁴⁾	real, Jan09=100	130.6	131.0	136.7	135.6	137.0	138.6	139.5	136.6	137.6	142.9	147.2	152.9	151.0	149.6	144.7
USD/UAH, calculated with CPI ⁴⁾	real, Jan09=100	112.1	111.3	111.2	111.5	111.6	111.9	111.7	111.4	110.9	110.6	110.3	110.2	110.1	109.2	109.3
USD/UAH, calculated with PPI ⁴⁾	real, Jan09=100	126.8	128.4	129.6	128.8	129.2	127.9	126.3	126.7	126.6	131.5	132.7	134.8	131.1	130.1	130.4
DOMESTIC FINANCE																
Currency outside banks	UAH bn, eop	194.0	194.0	189.9	188.4	184.2	192.7	184.6	186.5	187.9	194.5	194.8	200.4	201.5	200.8	199.8
M1	UAH bn, eop	311.7	311.1	304.6	304.3	294.8	311.0	302.7	300.0	308.6	315.8	313.6	319.0	323.6	318.6	321.0
Broad money	UAH bn, eop	657.0	664.4	662.3	666.4	653.5	685.5	675.5	679.7	691.3	703.7	701.1	710.4	721.0	725.1	731.7
Broad money	CPY, eop	19.3	19.5	16.4	15.7	13.8	14.7	12.4	12.3	11.3	10.2	10.2	8.9	9.7	9.1	10.5
Central bank policy rate (p.a.) ⁵⁾	%, eop	7.75	7.75	7.75	7.75	7.75	7.75	7.75	7.75	7.50	7.50	7.50	7.50	7.50	7.50	7.50
Central bank policy rate (p.a.) ⁵⁾⁶⁾	real, %, eop	-10.5	-10.1	-11.1	-7.3	-8.1	-5.6	-3.6	0.2	1.0	0.7	3.1	2.9	6.1	6.1	7.1
BUDGET																
General gov.budget balance, cum.	UAH mn	-8145	-2105	-3119	-8040	-7535	-23058	2069	4759	-712	-6384	-4803	-9743	-18868	-14833	.

1) Enterprises with 10 and more employees.

2) Ratio of unemployed to average working age population.

3) Domestic output prices.

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

5) Discount rate.

6) Deflated with annual PPI.

Source: wiw Monthly Database incorporating national statistics.

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