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New Hungarian government prescribes bitter medicine

BY SÁNDOR RICHTER

On 14 April the Hungarian parliament elected Gordon Bajnai for Prime Minister in the course of a constructive vote of no confidence against Ferenc Gyurcsány. The new PM, a successful businessman before entering his political career, served as Minister of Economy in the outgoing Gyurcsány government. Mr. Gyurcsány resigned although he had successfully stabilized the country's fiscal stance with the help of an austerity programme pursued since mid-2006. His attempts, however, to launch reforms for the modernization of the ailing public finances failed. In the wake of the mounting economic difficulties related to the global financial crisis, he did not manage to gain support in his own (Socialist) party for a second round of austerity measures, unavoidable for securing the support of the International Monetary Fund. Without the IMF's helping hand Hungary is currently unable to service its foreign debt.

The government regards itself as one of experts. The new PM is not a member of the Socialist Party, he also declared that he had no political ambitions and would not stand in the next general elections which are due in less than a year. Some key figures of the government are indeed 'outsiders' from the Socialist Party's point of view. Nevertheless, the opposition does not acknowledge that this is an experts' government (true, some important socialist politicians are members of the cabinet). The new Bajnai administration has a parliamentary majority only by the votes of the socialist and liberal MPs, even if there is no formal coalition between the Socialist Party and the Alliance of Free Democrats. Mr. Bajnai announced that his programme is designed for the next one-year period, his goal is nothing more than to save the country from economic collapse with the necessary emergency measures.

The main task of Mr. Bajnai is to accommodate the fiscal policy to the changed conditions. The standby agreement with the IMF signed last November reckoned with a GDP decline of 1%. But, along with the deterioration of the international environment and of the growth prospects of the country's main trading partners, first of all those of Germany, it became obvious that Hungary – with its shrinking domestic *and* external demand – would undergo a much stronger GDP decline than previously assumed. In view of the recession-related decline of the general government revenues and the unchanged level of expenditures, the earlier targeted deficit for 2009 (2.5% of GDP in the stand-by agreement) is impossible to achieve. In order to secure further tranches of the IMF stand-by credit, conditional on keeping the general government deficit below 3% of GDP, immediate measures are required to cut fiscal expenditures.

The first portion of measures were approved by the parliament on 11 May:

- Abolition of the 13th month pension (applying already to the second half of this transfer that would have been due in November this year). A new support system was introduced instead, a supplementary pension will be disbursed if the annual GDP growth attains 3.5%. The pension indexation will follow the inflation only. The retirement age will gradually be raised to 65 years (from the current 62 years). A planned upward correction of pensions has been postponed.
- The VAT rate will be increased from 20% to 25%, except for dairy and bakery products and district heating where the rate will be reduced to 18%.
- Social security contributions paid by employers are reduced by 5 percentage points.
- Personal income tax brackets are changed so that more people will be covered by the lowest (18%) tax rate.
- Sickness allowance will be reduced from 70% to 60% of the salary.

These measures are supplemented by government decisions to freeze nominal wages for two years and skip the 13th month salary in the public sector, along with the abolition of the preferential (state-supported) financing of housing expenditures.

The government proposes further changes to be introduced in 2010. The most important measures would include a new tax on real estate, a further 5 percentage points reduction of social security contribution paid by employers, taxation of incomes earned in off-shore firms, and a higher corporate income tax rate (19% instead of 16% currently, but with simultaneous abolition of the 4% 'solidarity tax', resulting in a 1 percentage point reduction of the tax burden on firms' profits).

This strange melange of changes is expected primarily to decrease fiscal expenditures. The second goal is to increase revenues from taxes on consumption which will better draw on the huge unreported personal incomes than the personal income tax. Simultaneously reported personal incomes are relieved through changing tax brackets. The planned tax on real estate followsthe same philosophy, as luxury housing is the most frequent spending target of owners of unreported incomes. A further goal is to maintain employment and thus stimulate economic growth (diminish decline) by reducing indirect taxes on labour.

However, given the latest GDP revisions (6.7% drop this year, and a further decline of 0.9% in 2010), the earlier set general government deficit target has become unrealistic. This was acknowledged by the IMF and the European Union in the course of the due review of the IMF stand-by agreement with Hungary in mid-May. An upward revision of the general government deficit target from 2.9% to 3.9% of GDP in 2009 has been approved. In 2010 the budget deficit is required to be diminished only by a symbolic 0.1 percentage point to 3.8% of the GDP. The only condition for the modification for 2010 was that next year the tax revenues must not fall below the 2009 level. The new macro growth path of the Hungarian government reckons with consumer price rises of 4.5%, exports are assumed to drop by 15%, imports by 16-17%.

The steel industry in Central and Eastern Europe: restructuring and prospects

BY JOANNA POZNANSKA*

The current financial meltdown is accompanied by a sharp fall in prices of major commodities, including steel. With the decline of prices, the steel sector has been forced to reduce its output and trim its labour force. As a consequence, the competition between advanced and emerging economies is intensifying. In the case of Europe, the divide is between Western Europe and Central and Eastern Europe (CEE).

Following in the footsteps of the Western European steel sector, with more than a decade-long delay, the CEE steel industry has been reformed. From being almost completely protected, the sector was left unprotected in a matter of few years. Within about a decade, the CEE steel sector was turned from being completely state-owned to almost completely private. At the same time most of the industry's capacity is now under foreign ownership.

The initial 'shock' of market-oriented reforms caused a serious contraction of production in the CEE steel sector and its pre-crisis level has not been regained since. However, the sector has engaged in rapid modernization that left in place its most productive core. With sizeable initial state support, the sector has experienced a massive inflow of modern technology, both in processing and finishing. Excess labour has been shed, further helping to raise the profitability of basic operations. Cost-wise the CEE steel sector may seem relatively well positioned to face the recent adverse turn in the world steel industry. Other factors, however, have caused the region to be more adversely affected by the current world downturn.

Production patterns

In 1990, when the whole of Central and Eastern Europe embarked upon the transition to market economy, the world market for steel continued to be very soft. At that time the steel sector was considered a sunset industry characterized by low profits, poor shareholder value and stagnating production. Caught in this downturn, CEE faced an urgent need to restructure its ailing and dated steel sector. What added to this urgency was that in response to the extended slowdown, the industries of Western Europe – CEE's closest competitor – had undergone a decade-long region-wide restructuring.

Table 1

Crude steel production (million tons annually)

	1980	1990	2000	2007
Western Europe	155.6	138.8	153.6	164.6
Austria	4.1	4.3	5.7	7.6
Belgium	11.2	11.0	11.7	10.7
France	23.0	19.0	20.9	19.3
Germany	43.8	38.4	46.4	48.5
East Germany	-	-	5.5	-
Italy	26.5	25.5	26.7	32.0
Spain	12.7	12.9	15.8	19.1
United Kingdom	11.3	17.8	15.1	14.3
CEE	54.0	43.1	29.0	33.3
Bulgaria	2.6	2.2	2.0	2.2
Czechoslovakia	14.9	14.8	-	-
Czech Republic	-	9.3	6.2	7.1
Slovakia	-	5.5	3.7	5.1
Hungary	3.8	2.9	1.8	1.9
Poland	19.5	13.6	10.5	10.7
Romania	13.2	9.7	4.7	6.3
Other Europe	-	-	125.6	
Russia	-	-	-	72.2
Ukraine	-	-	-	42.8
Turkey	-	-	14.3	25.8
Latin America	20.1	35.9	51.8	61.4
Asia	-	204.3	303.6	713.7
China	-	66.3	127.2	489.0

Source: International Iron and Steel Institute (various years).

The EU's restructuring of 1980, completed by 1990, was a response to the major fall in steel consumption combined with a surge in investment that added large capacities. Minimum prices were established and imports were limited to 10% of the total consumption. Production quotas were imposed on all steel producers and combined with compulsory capacity reductions mandated as well. Closures involved 44 million tons of capacity in

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1980-1986 alone. To accommodate these measures, government funds were released to assist the sector in covering the costs of capacity modernization and job redundancy (overall the sector's employment in the EU fell from 792 thousand in 1980 to 434 thousand in 1990).

The capacity reductions in the EU did not translate into comparable production reduction. From 155.6 million tons in 1980 the level of aggregate production of crude steel among the EU members moved to 142.3 million tons in 1989.

The post-1989 transitional recession was associated with a reduction in both capacities and production of East European steel. The recession lasted from three to five years but in most cases, steel output continued to decline after the overall economic recoveries had started. Total output of crude steel for CEE dropped from 51.2 million tons in 1989 to 33.9 million tons in 1995, and fell further to 29.0 million tons in 2000.

While during 1980-1989 the EU steel output declined by 8.8%, in CEE the decline for the comparable period of 1990-2000 was by 43.3 %. Importantly, during 1990-2000 the steel output in the EU increased from 138.8 to 153.6 million tons and then stood at 153.3 million tons in 2005. This means that the EU as a bloc practically returned to the level of production it had had in 1980, when the restructuring programme began. The CEE countries, with a further decline of output after 2000, registered a cumulative drop of 44% in period 1990-2005.

When in 1990 the first CEE countries started negotiations with the European Union over their membership, the scale of steel production in those countries became an important issue. Understandably, the CEE countries would have to join the existing policy framework developed for the regional steel industry, including ceilings for steel production. In the negotiations the CEE industries' production quotas were set on the basis of their current production levels rather than in relation to the pre-transition levels 1989.

Technology change

By 1989 the steel industry in CEE and the Soviet Union was obsolete by international standards. Interestingly, the import-led growth policy that the region had adopted in the early 1970s did not help the region to close its technological gap.

The technological lag at the outset of post-1989 market reforms shows among others in the application of the so-called oxygen blown technology invented in Austria in the 1950s. At about the same time the Soviet industry came up with a similar invention. However, while the oxygen blown process became dominant in Western Europe within two decades, CEE continued to lag by a decade. In 1985, the share of this technology was at 81% in France, 82% in Germany, and 90% in Austria. In the same year, the share of the oxygen blown technology stood at 41% in Czechoslovakia, 42% in Poland and at 46% in Romania.

In the year 2000, CEE steel-makers closed the gap regarding the use of oxygen blown technology. However, by that time the Western European producers were applying an even more advanced technology, namely the electric arc. In 2000, the share of the electric arc technology in Western Europe averaged around 30%. In CEE the respective average was lower (with the Czech Republic trailing far behind).

In addition to closing the technological gap in steel-making, the CEE countries also showed great progress in casting. It is in casting where the region had shown the most extensive lag behind Western Europe. In 1990, the share of continuous casting in total casting was over 85% in Western Europe – in the CEE countries the highest share was 36% (in Romania). However, in 2000, continuous casting accounted for 77% in Poland, 81% in Romania, 90% in the Czech Republic and 100% in Hungary.

Table 2

Shares of technological processes in total output (in %)

	1980	1990	2000	2005
Western Europe				
Austria				
EL	-	9	10	10
OB	87	92	91	90
CC	51	96	96	96
France				
EL	-	28	40	39
OB	82	72	60	61
CC	41	94	95	96
Germany				
EL	-	19	29	31
OB	80	82	71	69
CC	46	91	96	97
Spain				
EL	-	57	73	76
OB	46	43	27	24
CC	36	89	96	99
United Kingdom				
EL	-	27	24	23
OB	-	50	76	78
CC	27	85	96	97
CEE				
Bulgaria				
EL	-	41	30	38
OB	-	50	70	62
CC	-	20	21	33
Czech R.				
EL	-	13	8	8
OB	27	48	91	92
CC	1	12	87	90
Hungary				
EL	-	9	13	16
OB	14	50	88	84
CC	36	64	100	100
Poland				
EL	-	18	31	35
OB	38	53	65	65
CC	4	7	70	77
Romania				
EL	-	24	28	23
OB	45	54	72	77
CC	18	36	67	81
Others				
Russia				
EL	-	-	16	13
OB	-	-	32	45
CC	-	-	25	37
Ukraine				
EL	-	-	8	6
OB	-	-	40	43
CC	-	-	8	7

Table 2 continued

Table 2 (contd.)

	1980	1990	2000	2005
China				
EL	-	19	18	-
OB	-	49	82	-
CC	11	47	96	-
Japan				
EL	-	32	26	-
OB	69	71	71	74
CC	59	94	98	-

Note: EL – Electric Process, OB – Oxygen Blown Process, CC – Continuous Casting.

This marked progress in closing the technology gap is in large measure a result of large-scale investment programmes. Until the year 2000, much of the steel capacity was owned by the state and supported with large subsidies. These subsidies were permitted under the EU accession agreements. As in the past, equipment was imported from the advanced economies, mainly in Western Europe. Besides investing, the technological level of the industry gained from the elimination of the most obsolete installations and steel mills.

Aided by the modernization of production, the CEE steel industry was able to maintain its cost – and price – advantage vis-à-vis Western Europe. Lower wage rates are of course essential. When, in 2000, US Steel acquired a major steel-mill in Kosice (Slovakia) the company had a 5.5 million tons capacity compared with its US operations at 17 million tons. In 2001 the Kosice mill reported an operating profit of USD 54 per ton, while the US domestic mills showed USD 17. These figures were reported before US Steel started its own modernization at home. In 2008, four years after the takeover, the Polish subsidiary was reported to be the lowest-cost steel maker of the ArcelorMittal giant which has close to a dozen of plants operating world-wide.

Ownership structure

When in 2004 the first CEE economies joined the European Union, the Western European steel-making sector had already been privatized. To join the European Union, the CEE had to undertake

privatization as well. In the framework of accession, the CEE steel sectors had been given a special status of 'strategic industries', with import protection extended compared to most other industries. In addition, large government subsidies were allowed to pour into the sector and the governments could also delay the privatization of steel mills. Initially, privatization involved smaller steel mills while the key producers were usually privatized after the year 2000. The largest Czech steel company Nova Hut was privatized in 2002, while Poland sold its principal company Polish Steel in 2003.

As a rule, prior to finding a majority private buyer, the state-owned steel companies went through a consolidation. A good example is Poland, where the privatization of the steel sector proceeded slowly until much of the national production was merged into a single conglomerate – Polish Steel. This followed a long trend in Western Europe, where, such as in Germany, the key players Thyssen and Krupp/Hoesch merged after the prior absorption of some smaller companies. In many cases consolidation involved cross-border mergers (for instance, British Steel and Hoogovens of the Netherlands merged into Corus, and Arbed of Luxemburg and Spain's Aceralia merged into Arcelor which subsequently merged with Mittal).

In 2008, the five biggest Western European steel firms accounted for more than 60% of steel production in the region, compared with approximately 25% in 1993. In flat products the consolidation reached an even more impressive level, with five companies accounting for 85% of the deliveries to the European Union market in 2008. This higher level of concentration in part reflects the fact that after initial concentration, most of the CEE capacities were eventually merged into major Western European companies, most notably ArcelorMittal, with most of the mergers conducted by Mittal prior to the merger with Arcelor and US Steel.

The participation of ArcelorMittal and US Steel in privatization produced an ownership structure where the absolute majority of the production capacity of the CEE steel industry belongs to foreign investors. While waves of mergers in Western Europe produced a more international pattern of ownership, almost nowhere domestic production was turned over to foreign investors in the same fashion. However, the fact that ownership of the steel sector in CEE is largely foreign is in line with the overall pattern of ownership structure that emerged in CEE.

The changes in the ownership structure of steel-making reflect the choice by CEE leaders to channel the industry's assets towards foreign investors. Little consideration was given to the potential local investors, largely because of the considerable financial demands of further modernization of the sector. The ongoing consolidation of the steel sector world-wide made a 'national' variant so much more dubious. Incentives were provided for foreign buyers to take on the CEE companies, among others through attractive pricing of assets (for instance, Mittal acquired Polish Steel for the equivalent of its first year profits for 2004) as well as large subsidies (e.g., in the case of Polish Steel the package more than equalled the asking price of USD 0.5 billion).

Foreign trade

By merging with foreign steel-makers, CEE became more closely integrated into the world market. Given the traditional high importance of steel exports from CEE this should be welcome. But at the time of the accession negotiations, there were serious concerns in the West about rising imports from CEE.

In quantitative terms CEE was a net steel exporter. However, the post-1989 downturn sharply drove down the steel exports. Consequently, while in 1983 steel exports from CEE had accounted for 12.1% of world steel exports, by 1993 this share was only 8.7%. With a sluggish recovery of steel production, CEE has not been in a position to regain its share in world trade. As another contributing factor, exports from other emerging

economies, including China, showed a very strong increase during the past several years.

Table 3

Imports and exports of iron and steel in CEE and Western Europe, 1989-2007 (USD million)

	1990	2004	2006	2007
CEE				
Czech Republic				
Imports	180.2	3219.2	5008.4	6903.4
Exports	-	2390.7	3800.2	6414.0
Balance	-	1071.5	-1208.2	-489.4
Hungary				
Imports	229.3	1433.9	2045.6	2711.8
Exports	484.1	698.5	931.6	1175.9
Balance	254.8	-735.4	-1114.0	-1535.9
Poland				
Imports	342.7	3827.4	6212.5	9243.9
Exports	945.6	2685.5	3147.7	4894.9
Balance	602.9	-1141.9	-3064.8	-4349.0
Romania				
Imports	284.5	1248.7	2187.8	3554.1
Exports	611.0	2164.2	2471.6	3267.0
Balance	326.5	915.5	-284.8	-287.1
Western Europe				
France				
Imports	7004.8	13676.7	17209.8	21788.2
Exports	5738.9	13966.3	17653.2	21671.0
Balance	2734.1	289.6	443.4	882.8
Germany				
Imports	12201.3	18446.6	28888.7	38066.6
Exports	14623.9	23577.7	33788.5	41396.6
Balance	2402.6	5131.1	4899.8	3330.0
Italy				
Imports	6112.3	15983.0	22654.9	29489.5
Exports	5738.9	13644.1	19821.3	25596.7
Balance	-373.4	-2338.9	-2833.6	-3892.8
Spain				
Imports	2459.1	3827.4	6212.5	9243.9
Exports	2990.4	2685.5	3147.7	4894.9
Balance	431.3	-141.9	-3074.8	-4349.0

Source: UN Comtrade, UN, New York 2008.

As expected, after 1989 CEE reoriented its exports to the European Union. Importantly, the expansion of steel exports to Western Europe has been outpaced by the increasing import penetration of the CEE steel markets by Western European companies. For instance, in Poland the share of imports in domestic consumption rose from 40% in 2000 to 60% in 2007. Similar levels of market penetration can be found in most of the countries of CEE.

Simultaneously the Western European countries increased their overall net export position, CEE being the main market accounting for these increases. Most of the extra gains in the export surplus in the region have been earned on their sales to Poland, the Czech Republic, Slovakia and Hungary. In 2004, of 17 million tons of the total Western European export surplus, 13 million tons were sold to the new CEE members of the European Union. Clearly, the CEE countries have become an important factor in resolving Western Europe's long-standing problems with sizable overcapacities in its steel sector. With its higher rates of economic growth, CEE will continue to be a critical outlet for Western European steel-makers.

The value statistics (Table 3) show the same trend as the quantitative data quoted above, namely, the region recently turning from earning export surpluses to making trade deficits, mainly with Western Europe, which accounts for most of its overall trade. By 2004, only the Czech Republic and Romania did show trade surpluses, and in 2005 only Romania was left among the next exporters. From 2006 on, all of these countries became net importers (joining Italy, as a long-time net importer, and Spain, which moved into this category in a fashion similar to the CEE countries).

Immediate prospects

Already in 2007 there were symptoms of the upcoming downturn in the world steel industry, signalled by softening prices. The actual drop in world production, by 1.2%, took place in 2008. In contrast, China's production rose by 2.6%.

Together, the EU-27 countries produced 199 million tons last year – 5.3% down on 2007. In Germany the output fell by 5.6%. Similar trend emerged in CEE but with more severe losses. In Poland, a 7-8% decline was reported for 2008 and in the Czech Republic there was a 9.5% drop,

twice as deep as for the whole EU-27. Bulgaria saw a 40% loss. Serious output reductions affected the CIS countries with a 8.1% decrease in 2008. Ukraine recorded a decrease of 13.1%; Ukraine's biggest steel mill, owned by ArcelorMittal, reduced steel production to 6.2 million tons in 2008, 23.1% down from the 2007 level. Kazakhstan reported a 10.4% decline in 2008 (mainly due to the reductions executed by ArcelorMittal in one of the largest steel plants in the former Soviet Union Temirtau which was acquired together with a huge coal-mining complex a couple of years ago).

A similar tendency for the steel makers from CEE and the CIS to feel sharper reductions than the world average emerged in the category of the high value-added stainless steel. The world output of stainless steel reached 25.9 million tons in 2008, 6.9% less than in 2007. After a 2% decrease in 2007, this was the second year in a row that world stainless steel production decreased. In Asia, overall production declined by 10.3%, while China reduced its production by 3.6%. The second biggest stainless steel producing area, Western Europe, recorded a 4.8% decline. But production in CEE declined by 8.6% (with a production of just 333,000 tons in 2008).

The fact that CEE as well as Russia, Ukraine and Kazakhstan have experienced deeper production cuts than Western Europe must come as a surprise since the former enjoy higher profitability. Apparently the most profitable among ArcelorMittal subsidiaries are its four plants in Poland, but these plants have seen a sharp production decline and are scheduled for a 10% labour-force reduction in 2009. Reductions take place also in other ArcelorMittal plants in CEE, where this number-one world steel producer operates facilities that make around 18 million tons of steel annually.

Transition: unanswered questions

BY ANDRZEJ K. KOŹMIŃSKI*

Introductory remarks

As the twentieth anniversary of the fall of communist regimes in Central and Eastern Europe approaches, temptation rises to reflect upon the unprecedented and unique historical process of the disintegration of the communist system, as well as the 'communist bloc', and the transition from authoritarian rule to democracy, from planned to market economy.

The events of 1989-1992 in Central and Eastern Europe were certainly not less significant for human history than the French Revolution, and it is no wonder that some fundamental questions about them still remain unanswered. Those which seem to me of particular importance are the following:

(1) Why did the change come so early, so suddenly, so peacefully (except for Romania) and so completely?

(2) What is the legacy of the socialist system? What is left of it?

(3) Is there a 'post-socialist (or 'post-communist') bloc'?

(4) Is the radical transition path (known as 'big bang', 'shock therapy' and the like) more efficient than a gradual one or is it the other way around?

(5) Is a general explanatory theory of transition possible?

(6) What lessons can be drawn from the transition process? What is down the road? Is transition to continue?

The mystery of sudden collapse

The events of 1989-1992 took by surprise all 'Sovietologists' and economists analysing socialist economies and their reform dynamics on both sides of the 'iron curtain'. The sudden end of the system took everybody by surprise, as well as the radical shift to the market, which excluded any 'third way'. In spite of the prevailing consensus among experts that the system was inefficient and had to be reformed, by the end of the 1980s economists were still predicting that the socialist system still had a future and could survive without major recession at least for the next 10-15 years.

From the historical perspective it seems obvious now that the system became doomed to failure after Stalin's death, when it started losing its internal coherence and iron logic, including massive use of terror and slave labour. Nevertheless, the communist elites did not want to give up the absolute political power monopoly the system provided, as well as the illusion of an all-powerful influence over reality. The question then arises, why did they give it up so easily in virtually all countries of the 'socialist bloc' between 1989 and 1992? If we rule out absurd conspiracy theories only two complementary explanations remain:

- the strictly economic explanation implies that the system had used up all its reserves, and became unable even of simple reproduction;
- the political and psychological explanation points out that everybody was fed up with the system.

In my opinion, simple common sense provides us with the most plausible explanation of the events of 1989-1992: many things happened at the same time and triggered a domino effect. In Poland, the 'Round Table' compromise was reached between the communist party and 'Solidarity', opening the way to the electoral victory of the opposition, and the first non-communist government in the region. The Brezhnev Doctrine was already dead, because of Gorbachev's perestroika, and a Soviet military intervention became unthinkable. At the same time East Germans started fleeing massively their 'workers' paradise', passing through Hungary and Poland where nobody was able or willing to stop

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them, and the USSR had to agree on the dismantling of the Berlin Wall.

Communist legacy?

Asking about the legacy of the communist economy is nowadays somewhat embarrassing for an economist, because that system ended in shambles. But it has to be remembered that only some 50 years ago Indian Prime Minister Nehru truthfully stated that 'The idea of planning and planned society is accepted now in varying degrees by everyone'. Polish economist Michał Kalecki was at that time Nehru's economic advisor, another proponent of the socialist economy, Oskar Lange, was one of the most often quoted economists in the world, and Jan Tinbergen was working on his Nobel Prize winning models of macroeconomic planning. Because of this tradition some elements of the socialist legacy are still present in highly developed economies, particularly in Europe. Janos Kornai calls them the still present 'germs of socialism' and points to such phenomena as a wasteful and inefficient economic bureaucracy still experimenting with central planning and sometimes price controls, large private companies being rescued from financial troubles by the state, entire sectors of industry subsidized or owned by the state etc. The financial and economic crisis of 2008 has triggered an impressive series of such actions by governments all over the capitalist world. Does it mean that the 'germs of socialism' are on the rise again, and a dramatic change of the prevailing logic of market economy is going to happen in the near future?

One is tempted to ask whether the recent financial crisis will trigger a more pragmatic debate, focusing on new economic policies and structures more or less fundamentally diverging from the Anglo-Saxon model of capitalism that dominates the post-socialist economic and political thought. Paradoxically, the crisis raises hope in this respect. The bankruptcy of the simplistic liberal model of capitalism is obvious, and efficient pragmatic solutions capable of yielding results are urgently needed. Is some kind of post-Keynesian model of the market economy likely to emerge in the post-socialist countries?

Socialist and post-socialist bloc: fiction or reality?

In communist times, the notions of 'socialist bloc' or 'socialist camp' were widely used both inside and outside the 'bloc'.

The fall of communism and the transition processes accelerated the process of diversification and disintegration. Almost overnight after the collapse of communism it became evident that the CMEA was a complete fiction: intra-bloc trade disappeared almost instantly, and trade of the former members became reoriented towards the West. The dissolution of the military Warsaw Pact followed, and each country of the former 'bloc' went its own way. After the collapse of the USSR they were joined in their search of political destiny and economic prosperity by the post-Soviet states. The diversification of the political and economic systems of the former socialist countries strikes the observer's eye first. Let us examine some of them. A quite large group of post-Soviet states (such as Belarus, Kazakhstan, Azerbaijan, Tajikistan, Uzbekistan) maintain autocratic regimes trying to experiment with corrupt state capitalism, exploiting natural resources where available. These countries are also to differing degrees under the influence of the former sovereign Russia. Georgia and Ukraine are trying to break away from the vicious circle of political and economic dependence, economic underdevelopment, corruption and primitive capitalism. They are both in deep political crisis jeopardizing economic and social stability. Russia is following a century-long tradition of strong authoritarian governance, clearly supported by the majority of the voters. In this respect it is unique: the category of democratically elected autocratic regimes is not featured in typologies of political systems. The Russian economic model is also one of its kind. It could be called 'oligarchy' if oligarchs were not subject to strong state influence, along with the influence of the global markets, and if some key companies were not state-owned and state-controlled.

Economic scenarios for the future of Russia should be based then on the world market fluctuations of energy and raw materials prices. The Baltic states, were capable of building full-fledged democratic systems and mature market economies. After joining the EU and NATO, they have become part of the western world. The same can be said about the Central European countries (the Czech Republic, Hungary, Poland and Slovakia) formerly belonging to the 'outer empire'. The two new Balkan members of the EU are institutionally less mature than the Central European countries, but accession to the EU is likely to accelerate their transition process. Among the post-Yugoslav countries, only miniscule Slovenia made a successful transition to democracy and market economy, and is often quoted as a champion of transition. Other countries are still paying the price of the fratricidal Balkan wars of the 1980s.

The overall picture looks so heterogeneous and diversified that the notion of a 'post-socialist bloc' seems completely out of place.

Radical or gradual transition?

The never ending debate between the proponents of the gradual versus the radical approach to transition is so hot because of its political underpinning.

Almost twenty years of transition show that both sides of the feud were right and wrong at the same time (to some extent of course). According to Kornai (1990) there were three main streams of transition process: ownership, macroeconomic stabilization, and the relationship between economics and politics (leading to institutional change). Let us examine these issues from the perspective of the radicalism vs. gradualism dilemma.

Radical and fast changes in the ownership structure (or putting it simply: privatization) were aimed at the improvement of the economic efficiency of companies, enabling them to gain competitiveness on international markets, and to create value for the owners as well as for clients, employees and other stakeholders. Fast privatization of the state-owned companies (most approaching bankruptcy) was extremely difficult in the first phase of transition. There was no local capital available and foreign investors were reluctant to enter the high-risk emerging markets at the early stage of development. All kinds of 'give-away' programmes and spontaneous processes were the only available option. They were implemented under the label of 'mass privatization' (such as the Czech or Russian coupon privatization) opening the way to unrestricted speculation and often 'undesired' ownership transfers. 'Black privatization' and 'propertization' of the former communist nomenklatura led to similar results: an undermining of the social acceptance of property rights and the capitalist economic and social order in general. In Russia and in some other post-Soviet countries (Ukraine) privatization resulted in the establishment of a powerful oligarchy and the pauperization of large groups of the population. These effects were certainly not intended by the transition architects who had aimed at supporting recovery from the post-communist recession and providing for economic growth. In all the new EU members mixed privatization strategies were adopted, accompanied by the creation and growth drive of new private businesses. The final outcome was a gradual privatization with considerable assets still owned and controlled by the state until today. Since there are no realistic prospects of governments becoming more efficient in the near future, the privatization of all the industries remaining in the hands of post-socialist states seems necessary and inevitable.

Macroeconomic stabilization programmes in post-socialist countries had to be carried out in a very special set of economic conditions during the initial phase of transition, incomparable with the macroeconomic environment in any market economy, even in deep recession. Macroeconomic situation in the countries embarking on transition was characterized by the following features:

- 'repressed inflation' or, in other words, a combination of chronic shortages and low official prices unable to equilibrate the markets;
- 'inflationary overhang' or large monetary reserves (with no equivalent in real terms) both in the hands of households and companies, subject to 'soft budget constraints';
- lax money creation policy;
- falling production volumes combined with the ill structure of outputs and low quality;
- a huge foreign debt in some countries (Hungary, Poland);
- the private sector, where it existed, was often intertwined with the 'second' (grey) and the 'third' (black) economy;
- dramatic overemployment in the inefficient 'socialist sector'.

This situation, combined with falling standards of living of the population, massive dissatisfaction and political turmoil, could only spell 'catastrophe' or 'disaster'. In such a situation radical remedies had to be implemented at once, without hesitation and certainly at immediately high social cost. The notion of 'shock therapy' seems an appropriate description of such harsh but necessary medicine. It consisted of opening the economy and liberalizing prices (including the exchange rate) enabling them to reach a market level equilibrium and by the same token triggering a wave of corrective inflation, wiping out both repressed inflation and the inflationary overhang. The highly restrictive monetary policy, including prohibitive costs of credits, led to massive bankruptcies of state-owned companies, in turn resulting in massive unemployment and a dramatic output drop.

The question remains: how soon, to what extent and how efficiently could shock therapy measures be accompanied by economic policies promoting growth and accelerating recovery? The answers given to this question would vary from country to country and, of course, depending on the different experts. It is very difficult to state now whether mistakes and failures could have been avoided. It is hard to assess the gap between actual and optimal performance, since the 'optimal transition path' is practically impossible to establish.

What happened certainly did so also under the influence of the ideological zeal of former Marxist economists who hastily converted into a rather simplistic version of free marketeers of the early 1970s. Nevertheless, due to subsequent policy changes and fine-tuning, the overall outcome of transition was rather positive, at least in the case of the new EU members.

This statement leads us to the third component of the transition processes: the relationship between economics and politics. The socialist economy was not only state-dominated but also state-owned, state-planned and state-managed. Replacing the presumably all-powerful and all-provident state with presumably all-powerful and all-provident markets is not a realistic alternative either: politically, socially and economically. Social discontent and economic policy failures would undermine it almost instantly. The experiences of the initial phase of transition prove it without doubt. Some form (model) of a capitalist welfare state does not have an alternative though.

Building up a modern and efficient market-driven welfare state in post-communist economies requires a decade-long process of achieving political consensus in different matters, and developing the institutional and legal framework. A radical, 'revolutionary' approach in these matters is absolutely unrealistic. Even the most advanced post-socialist countries (the new EU members) are only at the beginning of the journey leading towards a situations comparable with today's Denmark or Finland. The low quality of public debates and political elites is certainly the main obstacle on this way. How soon will it be overcome? Is learning 'the hard way' through deep crisis unavoidable?

The overall assessment of the transition processes from the point of view of the radicalism vs. gradualism dilemma proves that the debate

between the proponents of these two options is more ideological than pragmatic.

Is there an explanatory theory?

Without any doubt there are meaningful lessons to be learned from the transition experience, and some kind of explanatory theory might be of considerable help in learning and teaching these lessons. Unfortunately, such a theory is not ready yet.

The most obvious way to generalize transition processes was to develop a multiphase model of it composed of consecutive or concurrent policies and reforms leading from planned to market economy. In the 1990s several such models were presented in the literature. In my own publications (Koźmiński, 1992; 1996) I presented a six-phase transition model including: political reform, early marketization, inflation control, market institutions building, anti-recession and economic growth policies. From today's perspective such 'linear' models look rather simplistic. They do not take account of the growing diversity of transition paths and the multiplicity of conditioning factors.

The transition experience and the body of scientific analysis accumulated up to now clearly point to the fact that 'policies matter' – see the more or less successful economic policies in such interrelated key areas as monetary and fiscal policies, trade (opening of the economy), foreign investment (direct and portfolio), taxation, income distribution etc. Grounding these policies in state of the art economics, freeing them from ideological biases, and providing an effective coordination of policies appear to be the conditions for satisfactory economic performance. In spite of the fact that there is a rather broad consensus among experts on how these policies should be implemented, the 'optimum transition trajectories' did not materialize. Why? An institutional explanation was discussed above: certainly 'institutions matter'. 'Institutions can be changed only gradually, and they exert a strong influence on economic performance. It was quite naïve to expect robust economic growth so soon after the fundamentals (but not the institutions) were in place. In fact, in real economic affairs, it is not possible to sustain fundamentals if they are not backed by solid institutions.

This takes us to another part of the explanation: 'history matters'. Transition economies certainly carry on a specific inertia of the former system: structurally, institutionally and culturally. This heritage is disappearing slowly and plays an active role in shaping the transition process a long time down the road. The patterns of this shaping are different for different countries and have yet to be disclosed and analysed. 'Politics matter', because different agendas for transition are being confronted, opposed, merged and transformed on the political playgrounds. The transition paths are shaped accordingly to the results of the political game, and post-socialist politics are dynamic, unstable and unpredictable, often emotional. Particularly in some countries with constantly changing political elites it is impossible to discuss transition strategies, because previous ones are being derailed by consecutive inventions of the new administrations.

When aiming at developing a theory of transition, we already know the main parts of the picture: policies, institutions, history, cultures and politics. Unfortunately, the different parts of the puzzle do not fit to each other. This is mainly because they are researched and analysed by scholars representing different disciplines: economists, sociologists, political scientists, lawyers, historians etc. Each discipline uses its own language and methodology, its own 'cognitive map'. There is no general framework enabling one to put the different pieces of the puzzle in the right places.

What is down the road?

While the post-socialist transition in Central and Eastern Europe is unprecedented by its scale, scope, depth and significance, there is certainly a lot more to come down the road. The most evident self-imposing hypotheses are the following:

- First, many post-Soviet countries (including three European ones: Ukraine, Belarus and Moldova) are still stuck in the initial phases of transition, and considerable progress is to be made in the future. How soon? And to what extent will the lessons that could be drawn from the experiences of the 'pioneers' be taken into account? Or will the same mistakes be made over and over again?
- Second, the same can be said about the post-Yugoslav countries (with the exception of Slovenia and to some extent Croatia). Certainly the burden of the war will weigh heavily on the transition process. In what way? For how long?
- Third, as a result of the transition undergone so far, Russia has evolved into some strange contemporary mutation of the pre-revolutionary Tsarist state: a benevolent autocracy widely supported by the people (this time in democratic elections), and moderately (as compared with the USSR) oppressive towards (still marginal) opposition. This system is not sustainable and stable, because of over-reliance on high prices of energy and raw material exports, lack of a legitimized power succession mechanism, and the inevitable increase of people's aspirations. A further evolution of the system is due to come. The economic crisis and the fall of energy prices will certainly accelerate it. Shall we expect evolutionary or revolutionary changes?
- Fourth, if we do not count Vietnam, which has already started to move towards a market system, there are still two hard-core communist countries on the planet: North Korea and Cuba. Both are likely to start a transition process sooner (Cuba) or later, and they might be joined by some other countries presently experimenting with socialist institutions and policies (like Venezuela). Here again the issue of learning from the experience of Central and Eastern Europe calls for serious consideration.
- Fifth, the Chinese economic, political and social system is in full evolution. In spite (and to some extent because) of record-breaking economic growth, tensions are mounting, such as between the capitalist economy and communist politics, rich and poor, big cities and countryside, labour and capital, entrepreneurs and party apparatus, among ethnic groups etc. A series of adjustments and more or less dramatic changes seem inevitable. It is certainly yet another transition in full swing. The economic slowdown of 2009 and the inability to absorb unemployed migrant work force can certainly trigger massive social disturbances. The way they are going to be dealt with will probably determine the future dynamics of the Chinese society and economy.
- Sixth, even the most advanced post-socialist countries (the new EU members) are not completely mature institutionally and have to make progress on all of the governance dimensions. They can still be qualified as politically and institutionally immature. Political and institutional dynamics will play a decisive role in the further development of these countries. The conflict between western influence (represented by the EU) and the forces of nationalism and traditionalism is particularly worth studying. The emerging (after 2009) new economic and political order of the western world will certainly have a strong impact on the former socialist bloc, hitting the most advanced countries (new EU members) first.

Statements about the future are neither right nor wrong, but they can be more or less substantiated. The existing body of knowledge on transition is certainly far from complete. Building scenarios for the future can help to identify the missing elements of the transition puzzle.

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STATISTICAL ANNEX

Selected monthly data on the economic situation in Southeast Europe, Russia and Ukraine

Conventional signs and abbreviations

used in the following section on monthly statistical data

.	data not available
%	per cent
CMPY	change in % against corresponding month of previous year
CCPY	change in % against cumulated corresponding period of previous year (e.g., under the heading 'March': January-March of the current year against January-March of the preceding year)
3MMA	3-month moving average, change in % against previous year.
CPI	consumer price index
PM	change in % against previous month
PPI	producer price index
p.a.	per annum
mn	million
bn	billion

BGN	Bulgarian lev
CZK	Czech koruna
EUR	euro, from 1 January 1999
EUR-SIT	Slovenia has introduced the euro from 1 January 2007
HRK	Croatian kuna
HUF	Hungarian forint
PLN	Polish zloty
RON	Romanian leu
RUB	Russian rouble
SKK	Slovak koruna
UAH	Ukrainian hryvnia
USD	US dollar

M0	currency outside banks / currency in circulation (ECB definition)
M1	M0 + demand deposits / narrow money (ECB definition)
M2	M1 + quasi-money / intermediate money (ECB definition)
M3	broad money

Sources of statistical data: National statistical offices and central banks; wiiw estimates.

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

(updated end of Apr 2009)

		2008												2009		
		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
LABOUR																
Employment, end of period	th. persons	.	.	939.3	.	.	965.9	.	.	969.9	.	.	.	.	.	.
Employment, end of period	CMPY	.	.	100.7	.	.	103.5	.	.	103.6	.	.	.	.	.	.
Unemployment, end of period	th. persons	.	.	140.8	.	.	140.0	.	.	140.1	.	.	.	.	.	.
Unemployment rate	%	.	.	13.0	.	.	13.0	.	.	12.6	.	.	.	.	.	.
PRICES																
Consumer	PM	0.5	1.0	0.9	-0.4	-1.0	-0.8	-0.6	0.6	1.1	0.1	-0.1	0.9	0.4	0.7	0.6
Consumer	CMPY	3.0	3.6	4.6	4.4	4.2	4.0	3.7	2.5	2.7	2.9	2.6	2.2	2.1	1.8	1.6
Consumer	CCPY	3.0	3.3	3.7	3.9	4.0	4.0	3.9	3.8	3.6	3.6	3.5	3.4	2.1	2.0	1.8
Producer, in industry	PM	2.8	0.6	0.1	0.6	0.4	0.5	-0.3	-0.3	0.6	-1.0	0.0	0.0	.	.	.
Producer, in industry	CMPY	6.9	7.6	7.7	7.0	7.3	7.9	7.4	6.8	7.2	4.1	4.2	4.2	.	.	.
Producer, in industry	CCPY	6.9	7.3	7.4	7.3	7.3	7.4	7.4	7.3	7.3	7.0	6.7	6.5	.	.	.
FOREIGN TRADE[1)2)]																
Exports total (fob), cumulated	EUR mn	61	133	207	290	373	467	557	621	708	786	860	917	53	111	.
Imports total (cif), cumulated	EUR mn	253	520	787	1071	1371	1669	1977	2269	2571	2917	3232	3582	222	482	.
Trade balance, cumulated	EUR mn	-192	-387	-580	-781	-998	-1202	-1419	-1648	-1862	-2130	-2372	-2665	-169	-371	.
FOREIGN FINANCE																
Current account, cumulated	EUR mn	-67	-166	-245	-369	-479	-591	-683	-815	-843	.	.	.	.	.	.
EXCHANGE RATE																
ALL/USD, monthly average	nominal	83.39	83.90	80.32	77.79	78.45	78.52	77.24	81.12	85.65	92.82	96.84	90.96	94.62	100.65	100.50
ALL/EUR, monthly average	nominal	122.61	123.69	124.59	122.68	122.08	122.03	121.87	121.44	123.05	123.13	123.29	123.18	125.18	128.79	130.67
USD/ALL, calculated with CPI[3)]	real, Jan04=100	123.5	123.8	129.3	132.0	128.3	125.8	126.5	121.8	116.7	109.2	107.1	116.4	111.9	105.4	106.0
USD/ALL, calculated with PPI[3)]	real, Jan04=100	121.7	120.6	122.7	125.4	121.2	119.3	118.0	115.7	111.5	107.6	108.4	119.5	.	.	.
EUR/ALL, calculated with CPI[3)]	real, Jan04=100	109.9	109.6	108.9	109.7	108.4	107.2	106.8	107.8	107.3	107.3	107.4	108.7	108.1	105.2	104.0
EUR/ALL, calculated with PPI[3)]	real, Jan04=100	113.7	112.8	111.5	113.0	112.6	111.8	110.6	111.2	110.5	110.3	112.0	114.0	.	.	.
DOMESTIC FINANCE																
M0, end of period	ALL bn	147.0	147.1	146.8	146.2	145.0	145.8	150.8	152.3	152.7	165.3	173.3	195.8	.	.	.
M1, end of period	ALL bn	230.4	225.1	219.2	219.6	219.5	223.3	230.1	230.8	232.0	244.4	254.6	287.7	.	.	.
M2, end of period	ALL bn	762.7	765.1	756.8	760.8	758.5	772.9	786.1	810.0	821.3	806.7	799.1	815.1	.	.	.
M2, end of period	CMPY	12.6	11.8	10.3	10.5	10.1	13.2	13.4	12.9	14.7	12.2	11.5	7.1	.	.	.
NB base rate (p.a.), end of period	%	6.3	6.3	6.3	6.3	6.3	6.3	6.3	6.3	6.3	6.3	6.3	6.3	5.8	5.8	5.8
NB base rate (p.a.), end of period[4)]	real, %	-0.6	-1.3	-1.4	-0.7	-1.0	-1.5	-1.1	-0.5	-0.9	2.0	1.9	1.9	.	.	.
BUDGET																
General gov.budget balance, cum.	ALL bn	.	.	10352	9341	5921	-2431	-5587	-8904	-8395	-16786	-21894	.	.	.	.

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

2) Cumulation starting January and ending December each year.

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

4) Deflated with annual PPI.

BOSNIA and HERZEGOVINA: Selected monthly data on the economic situation 2008 to 2009

(updated end of Apr 2009)

		2008												2009		
		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
PRODUCTION																
Industry, total[1]	real, CMPY	7.3	11.1	-1.6	6.6	5.5	8.1	9.8	5.5	11.6	10.6	14.8	40.9	-9.2	-6.3	4.5
Industry, total[1]	real, CCPY	7.3	9.2	5.3	5.5	5.5	6.0	6.6	6.4	7.0	7.4	8.1	11.0	-9.2	-6.1	-2.5
Industry, total[1]	real, 3MMA	6.0	5.6	5.4	3.5	6.7	7.8	7.8	9.0	9.2	12.3	22.1	15.5	8.5	-3.7	
LABOUR																
Employees[2]	th. persons	697.9	699.5	702.1	703.8	704.6	708.0	708.5	707.9	709.3	709.5	709.6	706.8	704.3	704.4	.
Employees[2]	CMPY	103.5	103.5	103.5	103.6	103.6	103.5	102.6	102.5	102.1	102.1	102.4	101.3	100.9	100.7	.
Unemployment, end of period[3]	th. persons	516.8	517.2	509.6	499.9	494.0	489.7	488.4	484.8	480.3	477.6	479.3	483.3	488.5	491.7	.
Unemployment rate	%	42.5	42.5	42.1	41.5	41.2	40.9	40.8	40.6	40.4	40.2	40.3	40.6	41.0	41.1	.
WAGES, SALARIES																
Total economy, gross	BAM	1000	1060	1074	1094	1115	1108	1130	1131	1148	1155	1149	1183	1191	1206	.
Total economy, gross	real, CMPY	3.7	9.4	8.4	8.5	8.1	6.8	8.5	7.2	9.4	10.1	9.1	13.2	16.4	11.7	.
Total economy, gross	EUR	511	542	549	559	570	567	578	578	587	591	587	605	609	617	.
PRICES																
Consumer	PM	1.4	0.4	1.0	-0.4	0.9	0.9	0.1	0.1	0.1	0.7	-0.6	-0.6	-0.1	-0.1	-0.1
Consumer	CMPY	6.1	6.2	7.1	7.4	8.2	9.6	9.9	9.5	8.8	7.3	5.5	3.8	2.3	1.8	0.7
Consumer	CCPY	6.1	6.1	6.4	6.7	7.0	7.4	7.8	8.0	8.1	8.0	7.8	7.4	2.3	2.1	1.6
FOREIGN TRADE[4)5)]																
Exports total (fob), cumulated	EUR mn	248	527	801	1092	1399	1713	2037	2316	2631	2929	3204	3432	197	410	633
Imports total (cif), cumulated	EUR mn	512	1178	2016	2758	3488	4217	4984	5691	6446	7235	7864	8465	417	899	1424
Trade balance, cumulated	EUR mn	-263	-651	-1215	-1667	-2089	-2504	-2948	-3375	-3815	-4306	-4659	-5033	-220	-489	-792
Exports to EU-27 (fob), cumulated	EUR mn	147	304	458	619	800	977	1151	1295	1464	1631	1783	1894	116	232	354
Imports from EU-27 (cif), cumulated	EUR mn	244	566	893	1247	1588	1915	2266	2590	2965	3371	3695	3996	205	457	715
Trade balance with EU-27, cumulated	EUR mn	-96	-262	-435	-628	-788	-939	-1115	-1295	-1501	-1740	-1912	-2102	-89	-225	-361
FOREIGN FINANCE																
Current account, cumulated[4)]	EUR mn	.	.	-376	.	.	-887	.	.	-1398	.	.	-1879	.	.	.
EXCHANGE RATE																
BAM/USD, monthly average	nominal	1.329	1.328	1.263	1.242	1.257	1.258	1.240	1.304	1.362	1.464	1.537	1.457	1.468	1.531	1.499
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
USD/BAM, calculated with CPI[6)]	real, Jan04=100	117.1	117.4	123.5	124.3	122.7	122.3	123.6	118.3	113.5	107.7	104.3	110.8	109.4	104.3	106.2
EUR/BAM, calculated with CPI[6)]	real, Jan04=100	104.1	104.1	104.3	103.4	103.7	104.2	104.4	104.6	104.4	105.1	104.8	104.4	104.9	104.3	103.9
DOMESTIC FINANCE																
M0, end of period	BAM mn	2044	2075	2061	2134	2125	2076	2152	2168	2131	2279	2139	2302	2083	2063	.
M1, end of period	BAM mn	5904	5940	6006	6089	6071	6032	6144	6242	6198	6045	5876	5995	5730	5662	.
M2, end of period	BAM mn	12226	12281	12402	12608	12726	12793	13079	13275	13426	12759	12645	12775	12548	12565	.
M2, end of period	CMPY	20.4	18.4	18.1	17.4	15.8	14.3	14.9	14.7	14.8	7.5	6.0	4.3	2.6	2.3	.

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

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

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

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

5) Cumulation starting January and ending December each year.

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

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

(updated end of Apr 2009)

		2008												2009		
		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
PRODUCTION																
Industry, total[1)2)]	real, CMPY	6.7	8.2	0.1	6.9	-2.1	7.2	1.9	-4.5	3.0	-0.7	-3.5	-1.5	-14.1	-12.4	-6.6
Industry, total[1)2)]	real, CCPY	6.7	7.5	4.8	5.3	3.7	4.3	3.9	2.9	2.9	2.5	1.9	1.6	-14.1	-13.3	-10.9
Industry, total[1)2)]	real, 3MMA	5.3	4.8	4.9	1.5	3.8	2.2	1.5	0.2	-0.7	-0.5	-1.9	.	.	.	.
Construction, total, effect.work.time[1)2)]	real, CMPY	10.6	15.0	5.8	21.4	6.5	14.8	15.0	2.0	18.0	10.6	7.8	16.1	-5.6	-1.9	.
LABOUR																
Employment total	th. persons	1210.1	1233.4	1238.6	1245.9	1256.0	1264.6	1270.8	1270.7	1267.4	1262.9	1257.2	1247.6	1234.4	1227.0	.
Employees in industry	th. persons	290.6	296.0	296.2	296.0	296.3	296.1	295.8	295.3	294.7	294.4	293.3	290.6	266.4	264.5	.
Unemployment, end of period	th. persons	261.1	260.1	255.5	245.2	232.8	222.3	219.7	219.3	222.2	228.5	233.7	240.5	254.3	262.8	.
Unemployment rate	%	14.8	14.7	14.5	13.9	13.2	12.5	12.4	12.3	12.6	12.9	13.2	13.7	14.3	14.8	.
Labour productivity, industry[1)2)]	CCPY	7.3	8.2	5.6	6.3	4.8	5.4	5.2	4.2	4.3	4.1	3.7	3.5	-7.5	-6.2	.
Unit labour costs, exch.r. adj.(EUR)[1)2)]	CCPY	0.6	2.6	2.9	2.6	4.2	3.1	3.4	3.9	4.2	4.6	4.6	5.2	10.1	.	.
WAGES, SALARIES																
Total economy, gross	HRK	7357	7340	7404	7395	7625	7478	7580	7489	7526	7621	7829	7868	7709	.	.
Total economy, gross	real, CMPY	1.1	2.9	0.5	1.4	0.9	-1.6	-1.1	-1.6	2.7	1.4	-0.6	5.4	1.3	.	.
Total economy, gross	EUR	1004	1010	1019	1018	1051	1032	1048	1041	1056	1065	1096	1093	1047	.	.
Industry, gross[2)]	EUR	933	948	930	942	980	954	980	946	984	1004	1000	1027	932	.	.
PRICES																
Consumer	PM	0.7	-0.1	0.6	0.7	1.1	0.7	0.1	-0.3	0.2	-0.1	-0.1	-0.6	1.2	0.6	0.2
Consumer	CMPY	6.2	5.8	5.7	5.7	6.4	7.6	8.4	7.4	6.4	5.9	4.7	2.9	3.4	4.2	3.8
Consumer	CCPY	6.2	6.0	5.9	5.9	6.0	6.2	6.5	6.7	6.6	6.6	6.4	6.1	3.4	3.8	3.8
Producer, in industry[2)]	PM	2.3	0.3	0.8	0.4	1.3	1.3	2.4	-0.1	-0.1	-1.1	-1.5	-1.3	-0.1	0.2	-1.2
Producer, in industry[2)]	CMPY	7.4	7.5	7.6	7.7	8.7	9.6	12.0	11.0	10.3	8.8	6.5	4.7	1.8	1.8	-0.1
Producer, in industry[2)]	CCPY	7.4	7.5	7.6	7.5	7.8	8.1	8.6	9.0	9.1	9.0	8.8	8.4	1.8	1.8	1.1
FOREIGN TRADE[3)4)]																
Exports total (fob), cumulated	EUR mn	701	1463	2177	2980	3822	4618	5631	6387	7270	8068	8868	9572	516	1234	.
Imports total (cif), cumulated	EUR mn	1522	3159	4860	6816	8615	10516	12432	14032	15958	17774	19344	20817	1034	2254	.
Trade balance, cumulated	EUR mn	-821	-1696	-2683	-3836	-4793	-5898	-6801	-7645	-8688	-9705	-10476	-11245	-518	-1020	.
Exports to EU-27 (fob), cumulated	EUR mn	431	889	1360	1833	2319	2852	3425	3841	4385	4902	5407	5842	301	811	.
Imports from EU-27 (cif), cumulated	EUR mn	879	1912	3064	4389	5537	6769	7998	8964	10170	11384	12377	13358	600	1387	.
Trade balance with EU-27, cumulated	EUR mn	-448	-1022	-1704	-2557	-3218	-3917	-4573	-5123	-5784	-6482	-6970	-7516	-300	-577	.
FOREIGN FINANCE																
Current account, cumulated[5)]	EUR mn	.	.	-2550	.	.	-4373	.	.	-2514	.	.	-4454	.	.	.
EXCHANGE RATE																
HRK/USD, monthly average	nominal	4.987	4.933	4.689	4.606	4.664	4.665	4.580	4.797	4.955	5.355	5.609	5.377	5.529	5.803	5.710
HRK/EUR, monthly average	nominal	7.327	7.267	7.267	7.266	7.255	7.247	7.230	7.196	7.126	7.158	7.141	7.197	7.363	7.431	7.427
USD/HRK, calculated with CPI[6)]	real, Jan04=100	122.8	123.8	129.8	132.1	130.6	130.1	132.0	126.3	122.6	114.8	112.1	117.6	115.3	110.0	111.8
USD/HRK, calculated with PPI[6)]	real, Jan04=100	112.9	113.5	117.1	117.8	114.4	113.6	115.6	113.9	111.4	107.6	106.3	113.4	110.4	.	.
EUR/HRK, calculated with CPI[6)]	real, Jan04=100	109.4	109.7	109.5	109.8	110.5	110.9	111.4	111.6	112.6	112.0	112.6	111.2	110.7	109.7	109.7
EUR/HRK, calculated with PPI[6)]	real, Jan04=100	105.7	106.2	106.5	106.2	106.3	106.6	108.3	109.2	110.3	109.5	110.0	109.5	107.2	106.6	.
DOMESTIC FINANCE																
M0, end of period	HRK bn	15.3	15.2	15.3	15.8	16.2	16.9	17.6	17.6	16.6	17.0	16.8	17.1	16.6	16.1	.
M1, end of period	HRK bn	52.2	51.2	52.8	52.7	53.2	54.4	55.5	55.7	53.7	52.7	51.1	55.2	49.6	46.8	.
Broad money, end of period	HRK bn	208.4	209.6	211.6	212.9	212.9	216.0	221.2	226.4	226.9	223.5	218.1	225.0	221.5	221.4	.
Broad money, end of period	CMPY	13.9	14.7	14.4	13.8	12.3	11.1	9.9	9.2	14.7	9.3	5.0	4.4	6.3	5.7	.
Discount rate (p.a.), end of period	%	9.0	9.0	9.0	9.0	9.0	9.0	9.0	9.0	9.0	9.0	9.0	9.0	9.0	9.0	9.0
Discount rate (p.a.), end of period[7)]	real, %	1.5	1.4	1.3	1.2	0.3	-0.5	-2.7	-1.8	-1.2	0.2	2.3	4.1	7.1	7.1	9.1
BUDGET																
Central gov. budget balance, cum.[8)]	HRK mn	1963	1680	1383	3062	2992	2957	3772	3633	3159	3680	2660	.	.	.	.

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

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

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

4) Cumulation starting January and ending December each year.

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

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

7) Deflated with annual PPI.

8) Consolidated central government budget.

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

(updated end of Apr 2009)

		2008 Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	2009 Jan	Feb	Mar
PRODUCTION																
Industry, total[1]	real, CMPY	13.6	7.0	-1.4	6.2	17.6	12.2	14.7	8.5	13.7	-9.9	-2.9	-10.1	-16.7	-11.3	-4.8
Industry, total[1]	real, CCPY	13.6	10.1	5.8	5.9	8.3	9.0	9.9	9.7	10.2	7.8	6.8	5.3	-16.7	-13.9	-10.8
Industry, total[1]	real, 3MMA	7.2	5.8	3.8	7.2	11.9	14.8	11.8	12.4	3.7	0.2	-7.7	-9.6	-12.6	-10.8	.
LABOUR																
Employees[1]	th. persons	255.0	255.6	255.9	256.8	257.9	257.8	258.2	257.4	256.9	255.8	.	.	.	.	.
Employees in industry[1]	th. persons	88.6	88.4	88.4	88.8	89.3	89.2	89.1	88.4	87.8	86.9	.	.	.	.	.
Unemployment, quarterly average[2]	th. persons	.	.	319.9	.	.	310.4	.	.	305.3	.	.	306.0	.	.	.
Unemployment rate[2]	%	.	.	34.8	.	.	33.8	.	.	33.0	.	.	33.5	.	.	.
Labour productivity, industry[1]	CCPY	13.5	10.3	6.0	6.1	8.5	9.6	10.5	10.5	11.0	8.8	8.0	6.7	-13.8	-10.4	-6.7
Unit labour costs, exch.r. adj.(EUR)[1]	CCPY	-4.6	-3.5	0.4	-0.1	-2.4	-2.9	-3.7	-4.0	-4.2	-2.4	.	.	.	.	.
WAGES, SALARIES																
Total economy, gross	MKD	25349	24799	25289	25412	25612	25673	25739	25758	27513	27758	27507	28323	29586	29433	.
Total economy, gross	real, CMPY	2.6	-0.8	-0.4	-1.2	-0.3	0.1	0.5	0.5	3.9	0.9	3.2	7.0	14.7	17.8	.
Total economy, gross	EUR	413	404	413	414	418	420	421	421	450	454	448	461	482	479	.
Industry, gross	EUR	368	349	361	365	368	374	370	372	384	389	.	.	.	.	.
PRICES																
Consumer	PM	1.6	0.8	0.8	0.4	0.2	0.3	-0.9	-0.2	-0.2	0.7	0.2	0.3	-0.6	-0.2	0.3
Consumer	CMPY	7.4	8.3	8.8	8.8	8.3	8.7	8.1	7.2	6.0	6.2	5.0	4.1	1.8	0.8	0.3
Consumer	CCPY	8.7	9.1	9.5	9.7	9.6	9.7	9.7	9.5	9.3	9.0	8.7	8.3	1.8	1.3	1.0
Producer, in industry	PM	1.1	-0.2	2.5	0.7	3.4	2.8	2.3	-2.2	-0.3	-3.3	-6.8	-1.4	-3.0	0.5	-0.2
Producer, in industry	CMPY	9.6	10.2	11.7	10.7	14.4	15.7	17.2	13.8	14.4	9.2	-0.9	-1.8	-5.9	-5.1	-7.7
Producer, in industry	CCPY	9.6	9.9	10.5	10.5	11.3	12.1	12.8	13.0	13.1	12.7	11.4	10.3	-5.9	-5.5	-6.2
FOREIGN TRADE[3)4)]																
Exports total (fob), cumulated	EUR mn	182	397	612	842	1102	1352	1619	1820	2062	2293	2489	2665	114	250	.
Imports total (cif), cumulated	EUR mn	308	683	1054	1442	1857	2299	2761	3149	3525	3947	4319	4661	267	568	.
Trade balance, cumulated	EUR mn	-126	-285	-442	-600	-755	-947	-1142	-1328	-1463	-1655	-1829	-1995	-153	-318	.
Exports to EU-27 (fob), cumulated	EUR mn	114	251	385	524	662	803	984	1100	1241	1373	1503	1610	72	228	.
Imports from EU-27 (cif), cumulated	EUR mn	135	298	469	663	863	1077	1305	1476	1664	1870	2057	2240	122	403	.
Trade balance with EU-27, cumulated	EUR mn	-21	-47	-84	-139	-201	-273	-321	-377	-423	-497	-554	-630	-50	-175	.
FOREIGN FINANCE																
Current account, cumulated	EUR mn	-30	-101	-173	-235	-282	-383	-417	-432	-450	-544	-732	-851	-114	.	.
EXCHANGE RATE																
MKD/USD, monthly average	nominal	41.69	41.63	39.54	38.90	39.37	39.33	38.79	40.79	42.59	45.79	48.27	48.56	46.08	48.07	47.41
MKD/EUR, monthly average	nominal	61.34	61.32	61.21	61.37	61.23	61.17	61.18	61.18	61.17	61.20	61.41	61.41	61.40	61.41	61.72
USD/MKD, calculated with CPI[5)]	real, Jan04=100	111.4	112.2	118.0	119.6	117.2	116.5	116.4	111.0	106.2	100.8	98.1	99.0	103.3	98.3	99.8
USD/MKD, calculated with PPI[5)]	real, Jan04=100	110.2	109.2	114.6	115.4	114.5	115.5	116.9	112.3	108.4	103.0	95.6	97.1	99.5	.	.
EUR/MKD, calculated with CPI[5)]	real, Jan04=100	99.1	99.5	99.7	99.4	99.2	99.2	98.4	98.2	97.8	98.4	98.6	99.1	99.1	98.4	97.9
EUR/MKD, calculated with PPI[5)]	real, Jan04=100	103.0	102.2	104.4	104.1	106.5	108.3	109.6	107.7	107.5	104.8	99.0	99.2	96.5	97.2	.
DOMESTIC FINANCE																
M0, end of period	MKD bn	16.4	16.2	15.7	16.3	16.4	16.2	16.7	16.4	16.5	16.6	15.8	17.6	15.9	15.3	14.6
M1, end of period	MKD bn	44.6	45.7	44.5	46.3	48.2	49.4	48.5	50.0	50.2	49.2	49.3	54.1	49.6	48.9	46.8
Broad money, end of period[6)]	MKD bn	176.1	179.1	178.5	183.1	187.2	189.7	192.7	197.4	197.9	195.3	190.2	195.5	192.7	192.8	190.4
Broad money, end of period[6)]	CMPY	29.3	27.8	25.3	23.3	22.8	21.4	20.1	22.3	22.0	19.6	13.8	11.2	9.4	7.6	6.6
NB discount rate (p.a.), end of period	%	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5
NB discount rate (p.a.), end of period[7)]	real, %	-2.8	-3.4	-4.6	-3.8	-6.9	-7.9	-9.1	-6.4	-6.9	-2.4	7.4	8.5	13.1	12.3	15.4
BUDGET																
General gov.budget balance, cum.[8)]	UAH mn	1558	802	4259	4698	4238	4002	4906	6370	10383	10473	7577	-3852	310	-1708	.

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

2) Based on labour force survey.

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

4) Cumulation starting January and ending December each year.

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

6) M2 plus restricted deposits (in denar and in foreign currency) plus non-monetary deposits over 1 year.

7) Deflated with annual PPI.

8) Central government budget plus extra-budgetary funds

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

(updated end of Apr 2009)

		2008												2009		
		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
PRODUCTION																
Industry, total	real, CMPY	13.1	19.0	2.4	-8.1	-9.9	5.6	3.5	-4.8	12.0	-21.1	-7.2	-20.3	-4.7	-20.2	-15.9
Industry, total	real, CCPY	13.1	16.2	11.1	6.2	3.0	3.4	3.4	2.4	3.5	0.7	-0.1	-2.1	-4.7	-13.1	-14.1
Industry, total	real, 3MMA	13.0	11.1	4.2	-4.9	-4.3	-0.2	1.3	3.7	-5.1	-5.8	-16.3	-11.2	-15.7	-14.1	.
LABOUR																
Employment[1]	th. persons	160.4	161.1	162.6	162.3	166.0	170.1	168.9	168.5	167.7	168.6	169.1	169.2	169.3	169.7	170.6
Employment in industry	th. persons	34.4	34.4	34.7	33.4	34.0	34.4	34.1	34.1	33.9	33.9	34.3	34.7	33.2	32.9	31.6
Unemployment, end of period	th. persons	31.3	31.5	31.3	30.3	30.0	29.1	28.7	28.1	28.3	28.7	28.6	28.4	28.9	29.3	29.2
Unemployment rate	%	16.3	16.3	16.1	15.7	15.3	14.6	14.5	14.3	14.4	14.5	14.5	14.4	14.6	14.7	14.6
Labour productivity, industry	CCPY	15.5	18.7	13.2	9.2	6.2	6.5	6.6	5.6	6.9	4.0	2.8	0.4	-1.4	-9.6	-9.1
Unit labour costs, exch.r. adj.(EUR)	CCPY	16.8	-0.9	1.4	4.3	7.5	9.0	9.1	10.0	8.7	11.5	13.3	16.2	17.4	26.8	23.3
WAGES, SALARIES																
Total economy, gross	EUR	564	584	578	588	602	623	610	625	630	621	629	651	655	650	642
Total economy, gross	real, CMPY	16.1	13.4	13.4	12.0	13.4	12.6	13.5	14.5	14.2	10.3	9.9	9.9	10.3	5.3	5.1
Industry, gross	EUR	620	624	607	612	671	730	673	679	720	683	716	704	718	708	650
PRICES																
Consumer	PM	1.3	0.3	0.4	0.8	0.7	1.7	0.0	0.1	1.0	0.0	-0.6	1.0	-0.2	0.7	0.4
Consumer	CMPY	5.6	7.4	8.7	8.8	8.7	9.9	10.8	10.6	8.4	7.4	6.2	6.9	4.9	5.3	5.5
Consumer	CCPY	5.6	6.5	7.2	7.6	7.8	8.2	8.6	8.8	8.8	8.6	8.4	7.4	4.9	5.1	5.2
Producer, in industry	PM	2.1	0.8	2.8	0.5	1.1	5.5	0.1	1.2	-1.0	-0.1	-0.8	-5.2	-1.2	0.0	-1.6
Producer, in industry	CMPY	16.3	16.0	16.4	15.1	16.5	22.7	17.2	19.0	17.6	17.2	12.9	6.9	5.7	4.7	0.6
Producer, in industry	CCPY	16.3	16.2	16.2	15.9	16.1	17.2	17.2	17.4	17.4	17.4	17.0	16.1	5.7	5.2	3.6
FOREIGN TRADE[2]																
Exports total (fob), cumulated	EUR mn	.	.	111	.	.	270	.	.	419	.	.	530	.	.	.
Imports total (cif), cumulated	EUR mn	.	.	431	.	.	999	.	.	1561	.	.	1971	.	.	.
Trade balance, cumulated	EUR mn	.	.	-321	.	.	-729	.	.	-1141	.	.	-1441	.	.	.
FOREIGN FINANCE																
Current account, cumulated	EUR mn	.	.	-309	.	.	-655	.	.	-499	.	.	-976	.	.	.
EXCHANGE RATE																
EUR/USD, monthly average	nominal	0.679	0.678	0.644	0.635	0.643	0.643	0.634	0.668	0.696	0.751	0.785	0.744	0.755	0.782	0.766
USD/EUR, calculated with CPI[3]	real, Jan04=100	87.6	87.5	82.7	81.6	82.3	82.9	81.3	86.1	90.8	99.2	105.6	102.2	103.2	107.1	105.1
USD/EUR, calculated with PPI[3]	real, Jan04=100	86.1	85.9	81.5	79.5	79.0	81.8	78.7	86.7	90.4	102.9	112.2	104.3	104.9	.	.
BUDGET																
General gov.budget balance, cum.	EUR mn	.	.	42	.	.	81	.	.	157	.	.	51	.	.	38

1) Excluding individual farmers.

2) Cumulation starting January and ending December each year.

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

S E R B I A: Selected monthly data on the economic situation 2008 to 2009

(updated end of Apr 2009)

		2008												2009		
		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
PRODUCTION																
Industry, total	real, CMPY	3.3	11.6	2.1	2.5	2.1	2.0	5.0	-4.4	2.3	-3.0	-2.7	-9.0	-16.3	-17.9	-13.3
Industry, total	real, CCPY	3.3	7.4	5.5	4.7	4.2	3.8	4.0	2.9	2.8	2.2	1.7	0.7	-16.3	-17.1	-15.8
Industry, total	real, 3MMA	4.4	5.5	5.1	2.2	2.2	3.0	0.8	0.9	-1.7	-1.2	-4.9	-9.0	-14.1	-15.8	.
LABOUR																
Employees total	th. persons	1416.0	1413.0	1432.0	1429.0	1428.0	1426.0	1424.0	1423.0	1425.0	1426.0	1424.0	1423.0	1416.0	1413.0	.
Employees in industry	th. persons	441.0	441.0	445.0	443.0	441.0	438.0	437.0	435.0	435.0	432.0	430.0	427.0	421.0	421.0	.
Unemployment, end of period	th. persons	793.0	796.0	795.1	789.0	773.3	756.5	744.8	733.7	726.5	717.4	718.3	727.6	736.8	749.7	.
Unemployment rate	%	25.3	25.4	25.2	25.1	24.7	24.4	24.1	23.8	23.6	23.4	23.5	23.7	24.0	24.3	.
Labour productivity, industry	CCPY	10.1	13.8	11.3	10.3	9.4	8.9	9.0	7.8	7.6	7.1	6.8	5.7	-12.3	-13.2	.
Unit labour costs, exch.r. adj.(EUR)	CCPY	-4.5	-2.9	1.0	3.8	5.4	6.2	7.1	9.1	9.5	9.5	9.4	9.2	4.4	5.6	.
WAGES, SALARIES																
Total economy, gross	RSD	39331	43218	42873	45355	44835	45608	46115	46222	46015	47883	46944	53876	40245	43341	42213
Total economy, gross	real, CMPY	3.5	8.2	3.3	5.4	2.7	1.0	3.5	6.7	5.6	6.3	3.5	3.5	-6.9	-9.3	-9.9
Total economy, gross[1]	EUR	475	518	521	566	544	577	599	605	601	563	526	608	428	462	445
Industry, gross[1]	EUR	426	448	448	488	473	515	526	537	528	488	456	515	390	412	.
PRICES																
Consumer	PM	0.8	0.6	1.6	1.8	1.6	0.5	-1.1	0.1	0.9	1.9	0.0	-0.8	2.4	1.3	0.4
Consumer	CMPY	12.4	13.4	14.4	15.3	15.2	15.4	14.4	11.2	10.2	11.8	10.0	7.7	9.3	9.9	9.0
Consumer	CCPY	12.4	12.9	13.4	13.9	14.2	14.4	14.4	14.0	13.5	13.3	13.0	12.6	9.3	9.6	9.4
Producer, in industry	PM	2.6	0.7	1.7	1.0	1.2	1.2	1.0	0.8	-0.3	0.1	-0.4	-0.6	-1.6	1.8	0.9
Producer, in industry	CMPY	12.1	12.9	14.1	14.3	13.0	13.6	14.8	14.9	13.7	12.9	11.1	9.3	4.9	6.0	5.2
Producer, in industry	CCPY	12.1	12.5	13.0	13.4	13.3	13.3	13.5	13.7	13.7	13.6	13.4	13.0	4.9	5.4	5.3
FOREIGN TRADE[2)3)]																
Exports total (fob), cumulated	EUR mn	468	1047	1674	2295	2976	3661	4404	5057	5732	6338	6850	7379	355	764	1269
Imports total (cif), cumulated	EUR mn	1011	2243	3611	4985	6339	7748	9179	10390	11782	13083	14128	15326	629	1505	2561
Trade balance, cumulated	EUR mn	-544	-1196	-1937	-2690	-3363	-4088	-4775	-5333	-6050	-6744	-7278	-7947	-274	-741	-1292
Exports to EU-27 (fob), cumulated	EUR mn	259	549	864	1162	1481	1919	2192	2419	2812	3088	3332	3556	174	411	658
Imports from EU-27 (cif), cumulated	EUR mn	480	1147	1897	2697	3437	4211	5052	5602	6336	7031	7589	8190	333	817	1382
Trade balance with EU-27, cumulated	EUR mn	-221	-598	-1033	-1535	-1956	-2293	-2860	-3182	-3524	-3944	-4257	-4633	-158	-407	-724
FOREIGN FINANCE																
Current account, cumulated[4)]	EUR mn	-315	-754	-1054	-1884	-2403	-3049	-3663	-4068	-4597	-5050	-5383	-5956	-75	.	-798
EXCHANGE RATE																
RSD/USD, end of month	nominal	55.58	54.97	52.13	51.46	53.09	50.01	49.40	51.79	53.78	66.33	69.02	62.90	72.86	73.68	71.59
RSD/EUR, end of month	nominal	82.77	83.46	82.31	80.13	82.43	78.98	76.99	76.44	76.60	84.99	89.20	88.60	94.10	93.81	94.78
USD/RSD, calculated with CPI[5)]	real, Jan04=100	138.4	140.5	149.2	152.8	149.0	157.2	156.6	150.3	146.2	122.3	120.4	132.6	116.8	116.4	120.0
USD/RSD, calculated with PPI[5)]	real, Jan04=100	120.9	122.0	127.3	128.2	122.1	128.6	128.3	127.4	123.7	106.0	106.6	120.5	102.5	.	.
EUR/RSD, calculated with CPI[5)]	real, Jan04=100	119.5	118.7	121.3	126.3	123.9	129.5	131.4	132.6	133.1	122.2	116.9	116.9	113.5	114.7	113.6
EUR/RSD, calculated with PPI[5)]	real, Jan04=100	109.6	108.8	111.6	114.9	111.6	116.5	119.5	121.9	121.4	110.5	106.7	108.5	100.8	103.1	.
DOMESTIC FINANCE																
M0, end of period	RSD bn	73.9	78.0	70.3	72.4	74.1	69.5	69.2	70.5	71.6	77.3	80.6	90.0	81.8	82.6	78.1
M1, end of period	RSD bn	236.7	240.0	227.2	225.8	230.6	225.5	213.6	218.3	222.0	222.8	223.5	241.1	212.1	227.3	210.2
Broad money, end of period[6)]	RSD bn	936.3	939.0	953.5	942.8	979.0	947.2	936.5	966.7	985.1	974.3	1000.3	992.7	1005.6	1026.6	1015.6
Broad money, end of period[6)]	CMPY	50.4	46.5	42.5	39.3	39.4	33.7	25.6	23.7	24.5	23.0	13.9	9.8	7.4	9.3	6.5
NB discount rate (p.a.), end of period	%	8.5	8.5	8.5	8.5	8.5	8.5	8.5	8.5	8.5	8.5	8.5	8.5	8.5	8.5	8.5
NB discount rate (p.a.), end of period[7)]	real, %	-3.2	-3.9	-4.9	-5.1	-4.0	-4.4	-5.5	-5.6	-4.5	-3.9	-2.3	-0.8	3.5	2.4	3.2
BUDGET																
Central gov.budget balance, cum.	RSD mn	3456	251	-729	-7945	-16885	-19146	-10637	-17219	-17983	-17412	-32179	-54600	-39	-10050	-11181

1) Calculation from NCU to EUR using the official end of month exchange rate.

2) Based on cumulated national currency and converted with the end of month exchange rate.

3) Cumulation starting January and ending December each year.

4) Calculated from USD to NCU to EUR using the official end of month exchange rate.

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

6) Excluding government deposits, excluding frozen foreign currency savings deposits.

7) Deflated with annual PPI.

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

(updated end of Apr 2009)

		2008												2009		
		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
PRODUCTION																
Industry, total	real, CMPY	4.5	7.5	6.6	9.2	6.7	0.8	3.1	4.8	6.4	1.7	-8.7	-10.2	-16.0	-13.2	-13.7
Industry, total	real, CCPY	4.5	6.0	6.2	6.9	6.9	5.8	5.4	5.4	5.5	5.1	3.7	2.4	-16.0	-14.6	-14.2
Industry, total	real, 3MMA	5.9	6.2	7.7	7.5	5.5	3.5	2.9	4.8	4.2	-0.3	-5.8	-11.5	-13.0	-14.2	.
Construction, total	real, CMPY	30.3	30.0	27.0	21.8	17.2	16.2	12.1	6.4	9.8	5.9	6.3	-15.7	-16.8	-20.7	-20.2
LABOUR[1]																
Employment total, quarterly average	th. persons	.	.	69491	.	.	71631	.	.	72136	.	.	70603	.	.	67664
Unemployment, quarterly average	th. persons	.	.	5308	.	.	4097	.	.	4472	.	.	5289	.	.	7107
Unemployment rate	%	.	.	7.1	.	.	5.4	.	.	5.8	.	.	7.0	.	.	9.5
WAGES, SALARIES																
Total economy, gross	RUB	14771	15354	16172	16538	16643	17715	17758	17244	17739	17643	17598	21681	17119	17098	17440
Total economy, gross	real, CMPY	14.8	15.9	14.6	15.9	13.0	12.2	14.3	13.0	12.8	10.4	5.5	2.9	2.2	-2.3	-5.5
Total economy, gross	EUR	411	425	440	446	451	481	482	476	488	500	507	571	404	374	385
Industry, gross[2]	EUR	392	397	414	421	424	440	459	460	461	471	479	456	352	333	.
PRICES																
Consumer	PM	2.3	1.2	1.2	1.4	1.4	1.0	0.5	0.4	0.8	0.9	0.8	0.7	2.4	1.7	1.3
Consumer	CMPY	12.6	12.6	13.3	14.2	15.1	15.1	14.7	15.0	15.0	14.2	13.8	13.3	13.5	14.0	14.2
Consumer	CCPY	12.6	12.6	12.8	13.2	13.6	13.8	14.0	14.1	14.2	14.2	14.2	14.1	13.5	13.7	13.9
Producer, in industry	PM	1.6	0.7	0.7	4.5	3.5	4.9	5.4	0.5	-5.0	-6.6	-8.4	-7.6	-1.8	2.8	4.1
Producer, in industry	CMPY	24.7	25.7	26.7	26.9	24.7	27.6	33.5	31.5	25.7	17.5	4.3	-7.0	-10.1	-8.2	-5.1
Producer, in industry	CCPY	24.7	25.2	25.7	26.0	25.7	26.1	27.2	27.8	27.5	26.5	24.3	21.4	-10.1	-9.2	-7.8
FOREIGN TRADE[3][4]																
Exports total, cumulated	EUR mn	23282	47047	72457	97930	125301	153474	183360	213589	243580	272449	296607	318174	13460	27706	.
Imports total, cumulated	EUR mn	9386	22619	36645	51778	66346	81557	98575	115281	132695	150829	165935	181616	6545	15934	.
Trade balance, cumulated	EUR mn	13897	24428	35812	46152	58955	71917	84786	98309	110885	121620	130672	136559	6915	11772	.
FOREIGN FINANCE																
Current account, cumulated[5]	EUR mn	.	.	25405	.	.	41987	.	.	61653	.	.	69824	.	.	8486
EXCHANGE RATE																
RUB/USD, monthly average	nominal	24.501	24.535	23.761	23.513	23.730	23.638	23.351	24.135	25.286	26.356	27.311	28.136	31.520	35.760	34.680
RUB/EUR, monthly average	nominal	35.982	36.123	36.786	37.064	36.892	36.799	36.839	36.260	36.340	35.286	34.739	37.993	42.377	45.710	45.280
USD/RUB, calculated with CPI[6]	real, Jan04=100	156.7	158.0	163.7	166.5	165.7	166.1	168.2	164.2	158.1	155.1	154.4	152.8	139.1	124.1	129.3
USD/RUB, calculated with PPI[6]	real, Jan04=100	181.0	180.4	182.5	189.7	188.8	195.0	202.9	203.8	186.9	176.8	164.2	152.6	134.1	.	.
EUR/RUB, calculated with CPI[6]	real, Jan04=100	139.6	140.1	138.1	138.4	140.1	141.3	141.9	144.8	145.3	150.9	155.1	143.1	132.2	123.9	126.4
EUR/RUB, calculated with PPI[6]	real, Jan04=100	169.3	168.9	166.1	171.0	175.5	182.4	190.2	195.1	185.1	179.6	169.9	145.9	128.8	123.0	.
DOMESTIC FINANCE																
M0, end of period	RUB bn	3465.7	3487.6	3475.5	3601.4	3656.2	3724.9	3807.2	3887.4	3904.2	3962.2	3793.1	3794.8	3312.7	3301.6	.
M1, end of period	RUB bn	7616.6	7571.1	7716.1	7304.4	7533.2	7814.1	7777.3	7963.2	8005.2	7549.1	7518.1	7591.4	6591.2	6515.1	.
M2, end of period	RUB bn	14365.7	14650.3	14918.3	14851.5	15395.9	15926.6	15760.2	16195.6	16067.8	15460.3	15421.3	16774.7	16381.7	16393.6	.
M2, end of period	CMPY	45.0	44.0	36.9	32.7	29.5	32.4	30.4	31.1	26.6	21.8	14.2	14.7	14.0	11.9	.
Refinancing rate (p.a.), end of period	%	10.0	10.3	10.3	10.5	10.5	10.8	11.0	11.0	11.0	11.0	12.0	13.0	13.0	13.0	13.0
Refinancing rate (p.a.), end of period[7]	real, %	-11.8	-12.3	-13.0	-12.9	-11.4	-13.2	-16.9	-15.6	-11.7	-5.5	7.3	21.5	25.7	23.2	19.1
BUDGET																
Central gov.budget balance, cum.	RUB bn	300.6	464.0	600.0	1139.2	1311.7	1375.1	2118.9	2347.2	2561.5	2783.4	2511.2	1707.5	376.5	.	.

1) Based on labour force survey.
2) Manufacturing industry only (D according to NACE).
3) Based on cumulated USD and converted using the ECB EUR/USD average foreign exchange reference rate.
4) Cumulation starting January and ending December each year.
5) Calculated from USD to NCU to EUR using the official average exchange rate.
6) Adjusted for domestic and foreign (US resp. EU) inflation. Values more than 100 mean real appreciation.
7) Deflated with annual PPI.

U K R A I N E: Selected monthly data on the economic situation 2008 to 2009

(updated end of Apr 2009)

		2008												2009		
		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
PRODUCTION																
Industry, total	real, CMPY	5.7	11.5	5.8	8.3	8.3	5.2	5.1	-0.5	-4.5	-19.8	-28.6	-26.6	-34.1	-31.6	-30.4
Industry, total	real, CCPY	5.7	8.8	7.8	8.0	8.0	7.5	7.3	6.3	5.1	2.2	-0.7	-3.1	-34.1	-32.8	-31.9
Industry, total	real, 3MMA	7.6	7.7	8.5	7.5	7.3	6.2	3.3	0.0	-8.3	-17.6	-25.0	-29.8	-30.8	-32.0	.
Construction, total	real, CCPY	-5.0	0.4	1.7	0.0	-1.1	-1.2	-2.1	-2.6	-7.2	-9.6	-13.0	-16.0	-57.6	-57.3	-56.7
LABOUR																
Employees[1)]	th. persons	11367	11416	11467	11459	11430	11441	11451	11428	11387	11358	11210	10982	10863	10815	10799
Employees in industry[1)]	th. persons	3243	3248	3249	3231	3211	3206	3197	3185	3169	3156	3104	3023	2970	2946	2924
Unemployment, end of period	th. persons	662.8	671.1	639.6	611.7	573.0	538.1	518.7	509.5	513.6	530.1	639.9	844.9	900.6	906.1	879.0
Unemployment rate	%	2.4	2.4	2.3	2.2	2.0	1.9	1.8	1.8	1.8	1.9	2.3	3.0	3.2	3.2	3.1
Labour productivity, industry[1)]	CCPY	7.5	10.7	9.7	9.9	9.9	9.5	9.4	8.5	7.3	4.5	1.8	-0.3	-28.0	-26.3	-25.0
Unit labour costs, exch.r. adj.(EUR)[1)]	CCPY	9.4	8.3	6.9	6.0	6.2	7.3	8.3	10.1	12.9	17.0	19.0	16.7	6.1	5.2	5.3
WAGES, SALARIES[1)]																
Total economy, gross	UAH	1521	1633	1702	1735	1774	1883	1930	1872	1916	1917	1823	2001	1665	1723	1818
Total economy, gross	real, CMPY	14.6	17.3	9.6	8.9	6.0	6.5	7.1	6.3	7.9	5.5	0.4	-2.3	-10.5	-12.7	-9.6
Total economy, gross	EUR	205	220	218	218	229	250	253	257	274	284	238	195	162	175	181
Industry, gross	EUR	237	246	250	248	260	272	284	296	313	313	253	201	181	194	204
PRICES																
Consumer	PM	2.9	2.7	3.8	3.1	1.3	0.8	-0.5	-0.1	1.1	1.7	1.5	2.1	2.9	1.5	1.4
Consumer	CMPY	19.4	21.9	26.2	30.2	31.1	29.3	26.8	26.0	24.6	23.2	22.3	22.3	22.3	20.9	18.1
Consumer	CCPY	19.4	20.6	22.5	24.4	25.8	26.4	26.4	26.4	26.2	25.8	25.5	25.2	22.3	21.6	20.4
Producer, in industry	PM	2.3	3.0	6.6	6.6	3.7	4.2	3.6	1.8	-1.8	-1.4	-6.5	-0.4	0.2	1.8	1.1
Producer, in industry	CMPY	23.2	25.6	31.7	37.5	39.4	43.7	46.4	47.0	42.7	37.7	27.5	23.0	20.5	19.1	13.0
Producer, in industry	CCPY	23.2	24.4	26.9	29.6	31.7	33.7	35.6	37.1	37.8	37.8	36.8	35.5	20.5	19.8	17.4
FOREIGN TRADE[2)3)]																
Exports total (fob), cumulated	EUR mn	2484	5667	9195	12750	16806	21257	26120	30589	35195	39539	42540	45561	1843	3944	.
Imports total (cif), cumulated	EUR mn	2557	6425	10824	17610	22577	27688	33308	38738	44580	50231	54491	58163	1542	4489	.
Trade balance, cumulated	EUR mn	-72	-758	-1629	-4860	-5771	-6431	-7188	-8150	-9385	-10692	-11950	-12602	300	-544	.
FOREIGN FINANCE																
Current account, cumulated[4)]	EUR mn	-290	-1283	-2472	.	.	-4616	.	.	-6036	.	.	-8838	422	-342	-675
EXCHANGE RATE																
UAH/USD, monthly average	nominal	5.050	5.050	5.050	5.050	4.986	4.852	4.843	4.845	4.853	5.043	6.004	7.581	7.700	7.700	7.700
UAH/EUR, monthly average	nominal	7.427	7.436	7.813	7.962	7.757	7.535	7.641	7.291	6.985	6.755	7.651	10.242	10.290	9.859	10.046
USD/UAH, calculated with CPI[5)]	real, Jan04=100	151.4	155.1	159.6	163.4	166.0	170.1	168.7	169.3	171.0	169.6	148.0	121.1	122.2	123.4	124.9
USD/UAH, calculated with PPI[5)]	real, Jan04=100	158.8	162.1	168.1	176.4	179.9	188.8	191.2	201.0	199.2	199.6	164.7	134.6	133.1	.	.
EUR/UAH, calculated with CPI[5)]	real, Jan04=100	134.7	137.5	134.7	135.8	140.3	145.0	142.4	149.1	156.9	165.0	148.4	113.4	116.8	123.1	122.2
EUR/UAH, calculated with PPI[5)]	real, Jan04=100	148.4	151.8	153.1	159.0	167.1	177.1	179.2	192.0	197.0	202.7	170.1	128.6	128.6	136.9	.
DOMESTIC FINANCE																
M0, end of period	UAH bn	105.4	106.9	109.8	116.1	118.8	124.7	130.9	134.0	133.6	146.3	141.3	154.8	150.2	147.5	147.1
M1, end of period	UAH bn	173.4	174.5	183.7	188.6	189.0	201.1	207.8	212.6	214.8	217.2	209.3	225.1	214.9	210.3	212.5
Broad money, end of period	UAH bn	391.3	398.1	416.0	429.6	429.7	450.6	467.2	474.9	477.7	481.1	483.8	515.7	492.7	470.9	463.8
Broad money, end of period	CMPY	52.7	52.3	52.7	52.2	49.1	48.7	47.4	44.4	37.2	35.8	32.3	30.2	25.9	18.3	11.5
Refinancing rate (p.a.), end of period	%	10.0	10.0	10.0	12.0	12.0	12.0	12.0	12.0	12.0	12.0	12.0	12.0	12.0	12.0	12.0
Refinancing rate (p.a.), end of period[6)]	real, %	-10.7	-12.4	-16.5	-18.6	-19.7	-22.1	-23.5	-23.8	-21.5	-18.7	-12.1	-9.0	-7.1	-6.0	-0.9
BUDGET																
General gov.budget balance, cum.	UAH mn	3974	5823	5670	5360	11843	6544	6643	14415	11762	7348	5558	-14183	2605	1291	.

1) Excluding small firms.

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

3) Cumulation starting January and ending December each year.

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

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

6) Deflated with annual PPI.

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