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Unstable Balkans

BY VLADIMIR GLIGOROV

Social tensions are rising in the Balkans¹ and will lead to political and policy changes. The economic reasons for discontent are basically the same while the political and policy consequences differ and will continue to diverge due to different stages in the political cycle that the countries find themselves in and due to diverging public preferences in the region. Overall, the period of instability may prove to be a prolonged one because of the characteristics of the underlying causes and the chosen policy responses.

Slow recovery

The Balkan countries have been caught in a process of deleveraging. The Greek crisis is the best known case, but most of the Balkan countries face similar problems. Though the Greek case puts the emphasis on fiscal balances, i.e. on the fiscal deficit and on the public debt, the underlying problem is lack of competitiveness and the steady increase in foreign debt. In most Balkan countries, like in Greece, there was a strong increase in private debt which translated into growing foreign indebtedness. Therefore, once the availability of credit declined, many Balkan countries faced the pressure to deleverage. In part, this process was helped by an increase in public debt, as most of the countries, unlike Greece, had actually entered the crisis with relatively low public debt to GDP ratios, but the remaining pressure of debt was still felt by the corporations and ultimately by the households.

This deleveraging is putting pressure on consumption and investments, which has bad consequences for employment and for incomes. Throughout the region, employment has been declining, in some cases quite strongly, as have real incomes since the start of the crisis. Especially hard hit have been countries such as Serbia and Croatia, but most other countries are experiencing

the same developments. Albania and Kosovo are exceptions because there has been no recession in these countries so far; also the protests in these two countries have been mostly political and not primarily driven by social dissatisfaction. These worsening labour market trends and falling real incomes are certainly the first cause of rising social tensions.

In addition to that, growth prospects are muted throughout the region. In the future, growth should be driven mostly by exports as domestic demand will remain weak as financing remains scarce. However, Balkan countries export little, especially commodities. On the coasts of this peninsula the export of services (tourism) is important, but most of the Balkans is continental and cannot rely on tourism or maritime trade. Therefore, the switch to exports will take some time and in the meantime the loss of income and employment in the non-tradable sectors may be higher than the gains in the tradable sectors. As a consequence, recovery will be slow and the labour market will continue to be depressed. The expectation of prolonged tight labour market conditions and lower incomes is the other main reason for social tensions.

Finally, inflation is speeding up in some countries for a variety of reasons. Particularly important is the rise in food and energy prices because those have a negative impact on the urban population and on the urban poor in particular. The increase in food prices may raise the incomes in agriculture, but increased investments in agriculture may go together with improved productivity, which may have the consequence of higher migration into the cities. The rising urban population and the increase in prices for food in the cities are conducive to growing social tensions. That is the third reason for social tensions.

Thus, it is depressed labour markets and declining real incomes, the expectation of prolonged stagnation, and rising prices of food and energy that are the main reasons, though with different weights in different countries, for social tensions throughout the Balkans.

¹ The Balkans here includes all the countries from Greece to Croatia as it were (Turkey is left out).

Types of social tensions

There have been a series of protests in various Balkan countries recently. Clearly, major social tensions are visible in Greece as employees tend to reject the policies of declining wages and rising taxes. The implicit goal of these protests is the change in the way the country deleverages. The current policy is to rely on borrowing from EU and IMF funds that are extended with lower interest rates than commercial credits but are conditioned on declining incomes and consumption in Greece. Social protests implicitly express preference for debt restructuring, which would entail higher losses for the creditors. In a way, these protests are a form of debt repudiation.

The protests in Serbia and Croatia are mostly motivated by rising unemployment and declining incomes. The latter is particularly important in Serbia because of the sharp speed-up of inflation, which is now running at about 14% annualized. In Croatia, a near-stagnant economy is the likely prospect for the next couple of years and that creates expectations of continuing decline of employment and depressed incomes. In both countries the governments have resorted to higher fiscal deficits in order to slow down the overall economic deterioration, but they have had very little room for an actual increase in public expenditures. The implicit aim of the social protests is a further increase in public expenditures in order to preserve or support employment and to sustain the real value of incomes.

In the other countries, social protests have been more muted and have also been motivated mostly by some particular interests. In other words, these are more industrial actions than general social outbursts. This is partly due to somewhat better prospects, for instance for Bulgaria, or due to the still significant buffer that subsistence agriculture provides in e.g. Romania. In the latter country deleveraging may not have such a strong impact as both private and public debts have not been accumulated to such levels as has happened in the other countries.

Montenegro is somewhat of an outlier because it has managed to sail through the crisis without sig-

nificant social tensions mainly due to the government's ability to increase public spending out of the money saved in good times before the crisis. Though employment and incomes have taken a beating, the effects have not yet been all that strong. That may change in the future, however.

Overall, social tensions are of three types: those that aim at debt repudiation, those that push for more government spending, which is in a way a demand for restructuring of the debt between the private and the public sectors, and those that reflect specific problems and are more like strikes than social protests.

Political adjustments

The mobilization of a social protest depends in part on the strength of the government. In non-democratic countries the power of the government is in its ability to use force. In democratic states, it is the level of its legitimacy. Most of the Balkan countries are democracies or democratizing countries, so legitimacy plays a more important role than outright use of force. However, they do differ in the level of legitimacy of their respective governments.

Given that legitimacy is acquired in elections, there are three cases to consider. One is when a government is elected at the beginning of the crisis and receives the mandate to implement a programme that has the support of the electorate. The other is when the government loses support during the crisis and calls for early elections to gain the mandate to deal with the crisis. The third is when a government insists on staying in office to the very end of the crisis or of the ongoing term. There are some mixed cases and some variants of these three main cases, but those do not matter all that much. There is also some residual risk of autocratic solutions emerging, perhaps in some kind of a populist, though elected, autocrat taking over.

In the Balkans, Greece belongs to the first type. Elections were held at the beginning of the crisis and the policies that the current government is implementing are, at least in their essence, those that got support in the elections. Thus, social protests may be a corrective on the speed and se-

quencing of the implementation of the government's programme, but they do not by themselves delegitimize it. Of course, if the programme fails, the government will lose legitimacy, but that can be related to the social protests if the government mishandles them, otherwise those cannot delegitimize a government in a democratic state. Thus, in the case of Greece, social protests are signalling the rejection of the government's programme by one part of the public and the suggestion to the rest of the public that the government's programme will not work and thus that it should change course from austerity measures to debt repudiation.

Bulgaria and Romania fall into this category too, as they have held parliamentary or at least presidential elections early into the crisis or at the height of the crisis so their governments are not facing a crisis of legitimacy. Their success or failure depends entirely on how they perform during the crisis and in the recovery phase. So far, there have been few general expressions of dissatisfaction and thus social protests have been muted though economic hardship has undoubtedly been severe.

Some countries chose to hold elections during the crisis in order to renew the government's mandate. This was the case in Montenegro and is going to be the case with Macedonia in June. In addition, the Montenegrin government was reshuffled at the end of last year in order to strengthen its legitimacy both at home and abroad (i.e. in the EU). In Macedonia, the opposition has precipitated the call for early elections, which the currently governing party is likely to win. But because the government was elected before the crisis, early elections have the effect of renewing the legitimacy of the government as the electorate will have the chance to evaluate the record of the current government and of the alternative programmes for dealing with the crisis. This has already happened in Montenegro. These political responses to the crisis can explain, at least in part, the lack of strong social protests in these two countries.

In Serbia and Croatia, the governments were elected before the crisis and on programmes directly contradictory to those that they are imple-

menting in the crisis. These governments have also declined to call for early elections on the ground that those would risk the process of integration with the EU. Both countries' governments have gone through some major reshuffling; in Croatia, the prime minister resigned and the government was restructured twice, while in Serbia, the government was reconstructed at the end of the first quarter of this year. Both governments have faced massive social protests throughout this year. In Croatia, those were not supported by the opposition parties and have thus died down, while in Serbia the main opposition party mishandled the social dissatisfaction and those have reached an impasse. Thus, in both countries, social mobilization was mishandled by the leadership, but social tensions if anything increased. However, in both cases, the lack of legitimacy of the seated governments was made quite clear and apparent by these social protests. As a consequence, the regular elections, when they are held, will more likely than not be about kicking the existing governments out rather than about the proposed programmes of the incoming governments. That of course may have consequences for the stability of the next governments in these countries.

Bosnia and Herzegovina presents a special case. There, elections were held as scheduled and have produced some political changes and some continuity. In the Federation, one of the state-like entities, an opposition party won, while in the Republic, another state-like entity, the ruling party was returned to power. While in other Balkan countries social dissatisfaction and tensions tend, by and large, to support democratic resolutions, in Bosnia and Herzegovina increased tensions have led to deterioration in the relations between the state-like entities and to renewed ethnic tensions. Thus, the central government cannot be formed and the country is hardly being governed in the time of crisis. There are no democratic mechanisms to address this political crisis and thus there is hardly any significant social mobilization. The Serbian republic is run in a quasi-autocratic manner while the Federation cannot form a government. The country faces a constitutional crisis and that makes social protests pointless. This is an interesting case

of a failed state that is by its very failure a disincentive for mobilizations of social protests.

As mentioned above, Albania and Kosovo go through waves of protests and open conflicts, but those are mostly political. In the case of Albania, there is a longstanding feud between the two major parties while in Kosovo there are expressions of dissatisfaction with the international presence and sporadic ethnic skirmishes. The political context is, however, the same when it comes to the lack of legitimacy of the elected governments.

Policy responses

There have been two types of policy responses, and the choice between them depends on the strength of the government both in terms of its legitimacy and the amount of social protest.

In the first group are the countries that have adopted a policy of austerity at least in part. This is characteristic of countries such as Greece, Bulgaria and Romania, which have less problems with their legitimacy and more with the social responses – Greece being the model case for this type of policy response. Out of these three countries, two have also asked for support from the EU and the IMF (Romania and Greece), which should help them to deleverage and to increase their competitiveness. So far, social response has been quite strong in Greece, but not in the other two countries. That does not mean that social dissatisfaction may not be mobilized if the austerity programmes fail. As failure becomes more probable, social protests can be expected to intensify, at least that is one lesson that can be drawn from the Greek example.

Practically all other countries in the Balkans have decided to forgo strong austerity measures and to delay structural reforms either because of lack of legitimacy or because there was space for softer policy responses. Serbia and Croatia are the key examples of countries with governments that are trying to muddle through. In these two countries proper policy responses may be expected only after the upcoming general elections at the end of this year or early next year. The incoming governments will have little choice but to adopt one or the

other type of austerity programme and a strategy of structural reforms. The challenge will be to face up to social protests that may look like those now going on in Greece.

In both cases, the premise for policy responses is that the recovery will lead to a resumption of growth and a development similar to the pre-crisis one. So, austerity and reforms now or later should be temporary adjustments to the same overall strategy of growth that was followed before the crisis. Most of the sacrifices called for by these austerity measures are justified with the prospects for strong investments and growth in the relatively near future. The severity of the sacrifices, their distribution, and the expectations of future improvement or lack of them influence mainly the strength, persistence and the aims of the social protests.

Looking ahead

The political and policy bet in the Balkans is that things will get to normal in the short or at least medium run. Therefore, social protests are distributional, about how the costs of adjustments should be distributed, rather than about the strategy of development. If, however, stagnant economies and less than legitimate governments prove to be the real outcome of this crisis and of the chosen policy response, social tensions will not only increase but those may lead to more radical political changes, to regime changes as it were. The probability of such an outcome may depend on the length of the process of deleveraging and that may differ across countries and may depend on the severity of the policies of austerity. More indebted countries, especially those with a significant share of foreign debts, may face a prolonged period of stagnation or low growth and that will test their social sustainability. If that goes along with a decline of the legitimacy of the governments, populist outcomes of one kind or another may become more probable than they are now.

Not a very Greek tragedy

BY JAN TOPOROWSKI*

As the first symptoms of the financial crisis that has threatened to engulf the euro area emerged in Greece, it was convenient to blame it on the present and past Greek governments. In fact the crisis is mostly due to policy errors by the leaders of the European Union and the faulty institutional design of the euro area. In both of these the Greek governments have played only a minor part. Indeed, if Greece were not part of the euro area, then the faults would simply emerge elsewhere. Unless the European Union were reduced to its northern fringe, say Scandinavia, Germany, Austria, Benelux and France, then the crisis would break out in some other country (e.g. in Ireland or Portugal – as it eventually did, despite both countries' debt levels being much lower than Greece's). This is because the critical variable is not the absolute level of government indebtedness, or even the level of that indebtedness relative to national income, as put forward in the Maastricht Treaty, but the level of indebtedness that central banks refuse to refinance.

The principle that central banks should not refinance government borrowing derives from the central banking doctrines of Hjalmar Schacht, the President of Hitler's Reichsbank. (Schacht was removed from the Reichsbank after protesting when the Finance Ministry exceeded its agreed quota on borrowing.) The principle gave rise to the paradoxical operating framework of central banks in the European Union in which central banks may buy corporate and other bonds, even the collateralized debt obligations made infamous in the US

financial crisis, but not bonds issued by their own governments.

It is this aspect of central bank operations that has given rise to fears of default on their debts by governments. In fact, given that their borrowing is in their domestic currency, the danger of default is easily removed by allowing governments to refinance their debts, in the same way that companies refinance theirs. Many central banks, such as the Bank of England, were originally set up to manage their government's debts, i.e., buying and selling government bonds, to keep a stable market in those bonds. This function was finally killed off when the European Central Bank was designed at Maastricht in 1992 by central bankers convinced that commercial banks and their interbank markets, and capital markets and their credit rating agencies, are better at evaluating financial risks than central banks.

This touching faith in the wisdom and foresight of commercial bankers and credit rating agencies has survived despite the mounting evidence (from the emerging market crises to the Collateralized Debt Obligations revelations of 2008) that commercial bankers and rating agencies are in fact very poor judges of financial soundness. There is a very simple reason for this. The financial success of commercial bankers and rating agencies depends not on their prudence but on their judgement of financial market consensus at any one time, however senseless that consensus may be. As Keynes wrote, 'a "sound" banker, alas! is not one who foresees danger and avoids it, but one who, when he is ruined, is ruined in a conventional and orthodox way along with his fellows, so that no one can really blame him'¹. In the wake of the 1929 Crash, Keynes concluded with words even more appropriate today: 'The present signs are that the bankers of the world are bent on suicide. At every stage they have been unwilling to adopt a sufficiently drastic remedy. And by now matters have been allowed to go so far that it has become extraordinarily difficult to find any way out.' (op. cit., p. 178)

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¹ J.M. Keynes, *Essays in Persuasion*, 1931, p. 176.

The Schachtian principle was just such a senseless consensus. It was partially remedied at the beginning of May 2010 when the eurozone governments in principle agreed to set up a EUR 720 billion temporary stabilization fund which could lend – on quite restrictive terms – to the eurozone governments which find it difficult to borrow on the ‘normal’ bond markets. This can only be a first step towards a formal system for regulating the markets for government securities.² A key limitation of the European Financial Stability Fund is that it cannot buy government debt in the primary or the secondary markets, so that it is restricted to lending directly to governments. This means that it cannot intervene to make a liquid market in government securities. The European Stability Mechanism that is supposed to replace the Stability Fund in the middle of 2013 will be allowed to buy bonds in the primary market from a government that agrees to deflationary budget restructuring. The limitations of these funds, in terms of stabilizing the financial and banking systems of Europe are therefore obvious. What is missing is a mechanism to maintain a liquid market in government securities that would allow governments to operate along the yield curve to refinance their debts and provide liquidity to banks and financial institutions holding such securities.

Sovereign default does not seem yet an immediate problem. A much more serious immediate possibility is that of debt deflation. Debt deflation has already started. Businesses and households throughout Europe, but especially in Britain, Ireland and Southern Europe, are being squeezed by excessive debt. Their response to this is to use income to pay off their excess debt. This takes

² Also in May 2010 the ECB started its Securities Markets Programme (SMP) that allowed ‘temporary’ outright interventions in the euro area public and private markets. It took some casuistry for the ECB to square the outright purchases of the euro area governmental debt with the ECB Statute which expressly outlaws any ‘direct purchase of central governments’ debt instruments by the ECB or national central banks’. The ECB claims its interventions are somehow ‘different’ because it carefully sterilizes them. Anyway, the actual impacts of SMP must have been trivial because the quantities of governmental debt (e.g. of Greece) bought by the ECB have been minute.

money, nowadays in the form of bank credit, out of normal circulation, where it would be spent on goods and services, and instead uses it to pay off debt. In the balance sheets of banks, both debits and credits are cancelled by this process, and bank balance sheets are reduced. The effect is falling bank credit and reduced expenditure in the real economy. Since the best (i.e., most liquid) borrowers pay off first, bank borrowing becomes concentrated more and more on worse borrowers, i.e., those who cannot pay off their debts.

In this situation, the best that governments can do is supply good quality assets to banks, in other words to borrow more from banks, and not less. If governments join in the deflation by cutting their expenditure, then the policy becomes self-defeating. GDP may then fall faster than the reduction in debt, so that the ratio of government debt to GDP continues to rise. Under the current IMF/euro area programme, the debt/GDP ratio of Greece is expected to rise to 150% by the end of 2011³ (still well below that of Japan, currently over 200%). However, as a result of fiscal austerity, civil disorder and reduced business investment, the gross domestic product of Greece is likely to fall again in 2011 and beyond. This would bring the government debt to GDP ratio to over 155% in 2012 – and possibly still more later on. In simple terms, it is just hardly possible to reduce the ratio of debt to GDP by cutting expenditure. The only realistic way in which that ratio can be reduced is by economic growth: increasing the value (relative to debt) of economic activity.

Two principles should guide this fiscal manoeuvre. One is that total government expenditure in the real economy (that is apart from debt service payments) should not be cut back. Such a reduction would shrink the tax base and act to increase the ratio of debt to GDP. The other principle is that where necessary fiscal balance should be improved by raising taxes on the better-off. This is not because the rich necessarily deserve such treatment (although the justice of the distribution of income should al-

³ ‘Financial Stability Review’, ECB, December 2010, p. 54.

ways be on the political agenda) but because their incomes can be reduced by taxes with less of an effect on total expenditure in the real economy.

The other crucial institutional factor in the crisis is the integration of banking and financial markets that has been going on in the eurozone since capital controls were abolished at the beginning of the 1990s. Although the claims for greater economic efficiency that were made for banking and financial integration were always hugely exaggerated, there is no doubt that this integration has had the political effect of increasing solidarity with Greece among the governments of the European Union. Financial integration now means that banks in other countries hold Greek government debt and are prepared to exert pressure to ensure that their assets are adequately refinanced.

In the years before financial integration the surpluses that German business obtained through its foreign trade were accumulated in German banks. The system of foreign capital controls meant that German banks acquired foreign assets through markets controlled by the German government. The trade deficits of countries such as Greece effectively drained the foreign currency reserves of the Greek banking system. But this too was managed by the government of the deficit country. Such foreign capital controls therefore interposed elements of government guarantee for the foreign assets of banks.

With financial integration, these government guarantees have been removed. Processes of competition in banking markets oblige German, French and Dutch banks to acquire as assets the weak debts of Southern Europe. Therefore the commercial bank deposits of German, French and Dutch businesses and households are backed to some degree by the assets that their banks hold in Greece, Italy, Portugal and Spain. For the sake of their banks and the deposits of their businesses and households, the governments of Northern Europe must refinance the debts of Southern Europe.

This does not mean that the corruption and tax evasion that is supposed to be widespread in Greece have not played a part in exacerbating the country's fiscal deficit. Corruption is a serious problem, but it has to be combated by transparency and democratic accountability. Nothing could be worse for Greek democracy, or for the sadly limited democratic institutions of the European Union, than for the Greek government to become merely a debt collector for foreign banks and multilateral agencies such as the European Central Bank, the International Monetary Fund and so on. All governments have to meet their financial obligations although, as indicated above, this does not mean that they must immediately pay their debts. But beyond a certain point the notion that the first duty of a government is to pay massive rents to foreign interests can only strain the compromises on which democracy rests. This is how fledgling democracies of many developing countries were undermined by the international debt crisis of the 1980s. The outlook for democracy in Europe is grim if similar pressures are imposed. We need better solutions than this.

Keynes for the 21st Century

BY ROBERT SKIDELSKY*

'When the facts change, I change my mind. What do you do, sir?' Keynes is supposed to have said, but almost certainly didn't. This is a good text for my own sermon.

What changed my mind was the great recession of 2007-2009, which stopped a few months short of becoming another Great Depression.

As Keynes's biographer I never completely abandoned my faith in Keynes. But there was a clear hedging of bets in the last sentence of that biography, written in 2002: 'Keynes's ideas will live so long as the world has need for them'. Well yes, but does it?

The extent to which I had swallowed the non-Keynesian message comes out in an article I wrote for the *Financial Times* in 2001. Basically I endorsed the view that monetary policy could do all the fine tuning needed to 'stabilise expectations', though I covered myself by wondering whether it would be enough to deal with a serious drop in business confidence. I called this 'minimum Keynesianism'. (*Financial Times*, 16 August 2001)

This was the period of the 'Great Moderation'. I now look back on it as reminiscent of the Roaring Twenties, which were supposed to go on forever. Then we had the collapse of 1929 followed by the collapse of the Credit Anstalt in 1931, Austria's special contribution to the Great Depression. Then, as later, monetary policy was supposed to have cracked the problem of the business cycle. Keynes also believed this in the 1920s, but I, and others, had much less reason to do so after the Keynesian Revolution; yet we did.

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The collapse of the banks in 2007-2008 showed that the financial system – the system which drives investment – was just as naturally unstable as it always had been. We should have been warned by the East Asian crisis of 1997-1998, but like many others I assumed this was a phenomenon of 'immature financial markets' and 'crony capitalism' which could not happen in the West.

But George Soros rightly pointed out in 2008 that 'the salient feature of the current financial crisis is that it was not caused by some external shock The crisis was generated by the system itself'.

This is what Keynes had always claimed: the market system lacked a thermostat and its temperature was likely to oscillate wildly unless controlled by the government.

There are two views about free markets, which I label for convenience the Ricardian and the Keynesian.

In the Ricardian view, markets have the property of always gravitating strongly to optimum equilibrium. Business cycles exist but will be short and shallow. Consequently unemployment, too, was a transient phenomenon. Governments have three economic functions only: to build and maintain some elements of infrastructure (particularly transport systems) which it would be too costly for private enterprise to finance; to maintain sound money; and to uphold the rules of competition. This view dominated economics before the Keynesian Revolution. Walras proved mathematically that a general market equilibrium was possible.

Economists developed quite a few 'second best' theories to explain why the real world didn't actually behave like this. The flexible prices which secured general equilibrium could be interfered with by monopoly, trade unions, Protectionism, etc.

By contrast, Keynes denied that the market system had any internal mechanism for maintaining full employment. This meant that economies could drift on for years in a state of semi-slump. Governments

should therefore assume responsibility for maintaining full employment. They could do this by securing enough spending power in the economy to employ all those who wanted to work. He invented macroeconomics. This was much more than just 'sound money': it involved fiscal and regulatory policy too.

Looking at what Keynes has to offer the 21st century I would now concentrate on the following key elements:

- * Market economies are inherently unstable.
- * This is because of the existence of radical uncertainty, particularly as it affects investment markets. The chief expression of this is liquidity preference.
- * Governments should reassert their macroeconomic functions, to which should be added sufficient equality of incomes to secure a broad basis of consumption demand.

To these I would add:

- * Rich countries should be making preparations for life beyond capitalism.

Let me deal with these points in turn.

1. The inherent instability of market economies. This needs less emphasis than the others. Economic life has always been marked by collapses and recoveries. These were caused by natural events beyond the wit of man to cope with. We have a pale echo of this in the effects of the Japanese tsunami on world stock markets: some economists predict that it will set back recovery by six months.

With the development of statistics in the 19th century, economists became increasingly interested in the supposedly rhythmic fluctuations of economies, that is, in business cycle theory. They discovered long cycles, medium cycles, short cycles. The most famous long cycle was the Malthusian population cycle. There was Jevons' sunspot cycle theory of agricultural crises. There were cycles caused by the bunching of inventions, the gestation time of capital goods, and so on. And many more: you've all heard of the Kondratieff cycle.

The common feature of these cycles was that they originated from events in nature which were at least partly unexpected and could not therefore be adequately guarded against. But the hope was that as statisticians discovered empirical regularities in these cycles, they could be forecast with a reasonable degree of accuracy, and if not wholly prevented, at least largely so. The elimination of the cycle in economics was part of the much grander project of eliminating the cycle in history to allow a linear progress towards a prosperous and pacified world.

Although Keynes is often considered a theorist of deep cycles, in fact he broke with this whole business cycle tradition. Because the very notion of a cycle assumed a predetermined future, subject to discoverable laws, and this was precisely the point Keynes wanted to deny. A large part of the future was radically uncertain, and therefore obeyed no laws.

Hence business cycle theory was a type of higher nonsense: more and more shorter and longer cycles were having to be invented in order to make sense of more and more data which never yielded, because it never could, any clear patterns. As Keynes said, the parameters are always shifting.

Therefore although economies were subject to frequent collapses, this was not in any rhythmic way, or according to discoverable laws. Keynes's much more radical proposition was that there was nothing in a market system to maintain continuous full employment, and more often than not it was far from continuous or full. It could get there, but this was by happenstance, a lucky conjuncture. Normally it operated well below capacity, and from that already mediocre level there could be booms and busts, depending on the animal spirits of businessmen.

2. Keynes's explanation of this was the existence of radical uncertainty. People were faced by the need to act but did not know what the future would bring. Thus there was a permanent fearfulness, punctuated by bursts of exuberant optimism and despair.

This nervousness affected particularly the investment system. For the essence of investment is the commitment of sums of money to obtain an income stream over a number of years into the future. We have worked out all kinds of devices for reducing the risk of losing our money. Still, there remains a risk, and we have to pay a premium for it, and that premium is the difference between full capacity utilisation and states short of that, depending on how high the premium is at different times. Keynes called this risk the liquidity premium, and I will come to it in a moment.

So when you want to understand Keynes's explanation of why capitalist market economies lacked an internal mechanism for maintaining full employment (or optimum equilibrium if you prefer) you have to find it in his epistemology, his theory of knowledge.

What he said, and I quote, 'Actually, however, we have as a rule, only the vaguest idea of any but the most direct consequences of our acts The whole object of the accumulation of wealth is to produce results ... at a comparatively distant, and sometimes at an indefinitely distant, date. Thus the fact that our knowledge of the future is fluctuating, vague, and uncertain, renders wealth a peculiarly unsuitable subject for the methods of the classical economic theory'¹.

Because what the classic theory presupposed, Keynes argued, was that 'at any given time facts and expectations ... [were] given in a definite and calculable form; and risks ... [were] capable of an exact actuarial computation. The calculus of probability ... was supposed to be capable of reducing uncertainty to the same calculable status as that of certainty itself'²

You can see that the classical theory which Keynes attacked already had an implicit theory of rational expectations. It was simply waiting to be properly mathematicized. Since the Chicago revolution of

the 1980s all mainstream economists have been constrained to work within a rational expectations framework – that is, the proposition that everyone in principle has access to perfect information about future events. Those economists like Stiglitz and Krugman and others who wanted nevertheless to get Keynesian instability into their models from a framework that made it impossible, were forced to develop models in which there could, nevertheless, be actual information failures, due to contingent circumstances – 'asymmetric information' is a good example of this kind of theorising. But let me say, this has nothing to do with Keynes. Keynes believed in uncertain expectations, not rational expectations.

More importantly, models with asymmetric information don't explain how the banking system collapsed in 2007-2008. In this kind of breakdown symmetric ignorance is much more powerful than asymmetric information.

I mentioned the liquidity premium. This is the practical expression of uncertainty. People hoard money as a store of value. Keynes said that in terms of classical theory this was highly irrational, because liquidity yielded very low returns (with cash, zero returns). But in an uncertain world it makes a lot of sense to be able to get your hands on ready cash to meet unexpected obligations, above and beyond what you needed for regular transactions or foreseen contingencies. In short, the preference for liquidity was an artefact of uncertainty, and all rates of interest had a built-in uncertainty premium, which differed with the type of investment. These premiums in turn fluctuated with the state of 'animal spirits.'

So uncertainty attacked the investment engine from two sides. On the one hand it affected profit expectations – the return you expected to get from an investment. On the other side it affected the cost of capital. As Keynes put it, the problem of maintaining stability arises because fluctuations in the expected profitability are likely to be greater than any practicable changes in the rate of interest. In fact, fluctuations in the former, leading to an increased

¹ *The Collected Writings of John Maynard Keynes*, Vol. XIV, Macmillan, London 1973, p. 113.

² *ibid.*, pp. 112-113.

desire for liquidity, have exactly the wrong effect on the latter, by causing it to rise rather than fall.

It is for this reason that Keynes believed there was no automatic bounceback from deep recessions – because the adverse expectations which led to the collapse tended to persist for a long time.

3. Now I come to my third point, which is the Keynesian theory of macroeconomic policy. I already mentioned that the one counter-depression tool accepted by the new classical policy regime was monetary policy. Any precise inflation target leaves a little leeway for counter-cyclical monetary policy by mandating a reduction in interest rates if expected inflation falls below the target. If the economy is assumed to be normally cyclically stable then small variations in interest rates – a gentle hand on the tiller – should be enough to keep it on an even path. Using such small changes in interest rates to ‘manage’ market expectations became the mantra of central bankers during the ‘Great Moderation’.

This extraordinary power gifted to monetary policy was above all the work of Milton Friedman. All the important central bank governors, Bernanke, Mervyn King, Jean Claude Trichet, are Friedmanites, or monetarists.

These powerful monetary executives would accept that following a big financial collapse – which nevertheless, they would think of as a very rare event – there could be a temporary increase in what Keynes called ‘liquidity preference’ – if only because banking institutions would find themselves with a lot of non-performing loans. So for central bankers the correct response to such collapses is in two parts: to get bank rate down as near to zero as possible, and to increase the supply of money to the banking system to get it to start lending at low interest rates. All the major central banks have gone in for longer or shorter bouts of printing money, or quantitative easing, and no doubt further episodes are in store.

But there is a huge flaw in this theory which is implicit in my earlier discussion of liquidity preference.

Keynes summed it up beautifully in a single sentence in the *General Theory*:

‘If, however, we are tempted to assert that money is the drink which stimulates the system to activity, we must remind ourselves that there may be several slips between the cup and the lip.’

The whole problem with printing money is contained in that short sentence. What Keynes is saying is that you can print as much money as you like, but if people don’t spend it, it will not stimulate the system to activity. What you’ve had in USA and Europe is a very big expansion in bank money, but a very mediocre growth in broad money, or bank deposits. In other words, the money being printed is going into the reserves of the banking system, and not being lent out to those who most need it – businesses and households. What we are seeing, in short, is Keynes’ ‘liquidity preference’ in action – a strong preference for keeping one’s money in cash or near cash, rather than committing it to illiquid investments which might yield a higher rate of return. This reflects the extreme uncertainty about the future course of recovery as well as real problems in the balance sheets of financial institutions.

What Keynes wrote in 1932 is still true, though in less extreme form:

‘It may still be the case that the lender, with his confidence shattered by his experience, will continue to ask for new enterprise rates of interest which the borrower cannot expect to earn ... If this proves to be the case there will be no means of escape from prolonged and perhaps interminable depression except by direct state intervention to promote and subsidise new investment.’

So what theory of economic policy follows from this? Evidently monetary policy alone was not enough to prevent the collapse. Macro policy needs to use fiscal policy as well as monetary policy (and if necessary exchange rate policy too) to balance the economy. I would also argue that incomes have to be more equally distributed to avoid the problem of the pile up of wealth draining consumption power from the population. Part at least of household over-indebtedness springs from this cause.

But what needs to be done now?

The recovery is stalling as Keynes suggested that such a recovery resting on such policies would. The main need is to deploy idle cash to finance investment. European governments can't do this directly because any further increase in borrowing is untenable. So we must find an alternative vehicle.

A National Investment Bank, initially seeded with capital by the government, could mobilise funds on the open market to support long-term private investment. The essence of banking is the ability to make loans up to a multiple of several times the initial capital. Such a bank could attract money now languishing in idle balances by offering interest rates fractionally higher than the risk-free long-term bond rate and using these loans to finance long-term investments in transport systems, green technology, and social housing on better conditions than such borrowers could obtain from commercial banks.

There are successful examples to draw on, from the German KfW (Kreditanstalt für Wiederaufbau) to the Development Bank of Japan in Asia, Brazil's National Bank, and many others. Take as an example the European Investment Bank. The EU governments which control it have contributed EUR 50 billion in initial capital, and the bank has raised a further EUR 420 billion on the capital market. It has used this to fund major infrastructure projects throughout Europe, from the port of Barcelona to the Warsaw beltway, and from France's famous TGV network to Britain's new, world-leading offshore wind industry. It has consistently turned a profit. I would double the capitalisation of the EIB over the next five years to enable it to expand its lending by a further EUR 500 billion. Here is a chance to do something practical about it.

The main aim of such an institution would be to steady the investment function. But it will kill three birds with one stone. Through its funding programme it would create a new class of long-term bond reflecting the needs of the pension industry

as the population ages. By lending for the long term, and in line with strategic economic and environmental priorities, it would help long-term economic growth. And by ramping up its operations now – when corporate recovery is being hamstrung by shrinking bank lending and fiscal austerity – it can offer a boost to aggregate demand when it is urgently needed.

I have omitted two topics of current concern: international money and finance and banking reform. On the first Keynes did have a lot to say, but it would take me too long to elaborate this evening. He took a leading part in setting up the Bretton Woods system which offered a payments system for a liberal economy less prone to violent disruptions than the old gold standard. He would I think be in the forefront of efforts to reform our present non-system. Here I will content myself with one quotation from the *General Theory* which touches on free trade and protection:

'If nations can learn to provide themselves with full employment by their domestic policy ... there need be no important economic forces calculated to set the interest of one country against that of its neighbours. There would still be room for the international division of labour and for international lending But there would no longer be a pressing motive why one country need force its wares or another or repulse the offerings of its neighbour, not because this was necessary to pay for what it wished to purchase, but with the express object of upsetting the equilibrium of payments so as to develop a balance of trade in its own favour ... International trade would [become again] a willing and unimpeded exchange of goods and services in conditions of mutual advantage'.³

I could also say something about reform of the banks to make them more socially responsible, but this is not a specifically Keynesian topic, so I omit it now. Glass-Steagall – the separation of the commercial and investment functions of banks – is the only way to prevent huge moral hazard problems

³ *The General Theory of Employment, Interest and Money*, Macmillan, London 1936 (republished 2007), pp. 382-383.

stemming from the structures of banks 'too big to fail'. Mervyn King, the governor of the Bank of England, has spoken out publicly in support of a modern version of the Glass-Steagall Act of 1933.

Instead I turn to my last point: Keynes's vision of life beyond capitalism. In 1930 Keynes published a short essay called 'Economic Possibilities for Our Grandchildren'. Britain was entering the greatest depression of modern times; all minds were fixed on the crisis of capitalism. But Keynes was in a playful mood. He wanted to 'disembarrass himself of short views and take wings into the future'. The depression was an interruption, a tragic interruption to be sure, to the upward economic ascent of man.

The average income of the British worker was then GBP 90 a year. Keynes argued that if the nation's capital went on growing at 2 per cent a year, if output per person continued to grow at 1 per cent a year, and if there was no population growth, by the end of the century the average British worker would have an annual income of between GBP 360 and 720, that is, between about four and eight times what he then earned. Translated into today's prices, GBP 360 would be GBP 16,000 and GBP 720 would be GBP 32,000. Keynes drew 'the startling conclusion that assuming no wars and no increase in population the economic problem may be solved in 100 years ... Then we would be up against our real problem – how to ... occupy leisure well and agreeably'. In 2008 income per head in the UK was USD 37,000, in the USA USD 42,000, and in the European Union USD 30,000. These figures give very rough orders of magnitude. What we can say is that we have arrived in Keynes's ball park, that is, we are in sight of 'having enough'.

As this point approached, Keynes predicted, mankind was likely to suffer 'a general nervous breakdown', because it would have been deprived of its traditional purpose. People would still have to do some work 'for contentment'. Three hour shifts or a 15 hour week will 'put off the problem for a little'. But in the end what would be needed was no less than a 'new code of morals'. We shall have to breed out, or breed down, purposefulness and breed up *carpe diem* – 'the delightful people who are capable of taking direct enjoyment in things – the lilies of the valley who enjoy to breathe the air – the rare angelic beings who are perfectly good, which is almost the same thing as to say that they have no purpose whatever'.

All this, remember, was supposed to happen about now, or in the very near future, at least in rich countries. It hasn't worked out like that, but it challenges to think why, and to rethink social arrangements forged in an era of scarcity for us in an age of abundance.

Although we should remember and honour Keynes as a great theorist of stabilization policy he has more to offer the 21st century than that. Because he asks the fundamental question that no economist now dares to ask: what is our economic civilization for? What is the purpose of money? What is the relation between money and the good life? Or more simply: 'How much is enough?' This is the title of the new book I am writing with my son, and it will be published in January next year. So if you want our answer you had better invite both of us to visit Vienna again.

STATISTICAL ANNEX

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

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

Conventional signs and abbreviations used

.	data not available
%	per cent
PP	change in % against previous period
CPPY	change in % against corresponding period of previous year
CCPPY	change in % against cumulated corresponding period of previous year (e.g., under the heading 'March': January-March of the current year against January-March of the preceding year)
3MMA	3-month moving average, change in % against previous year
NACE Rev. 1	statistical classification of economic activities in the European Community, Rev. 1 (1990) / Rev. 1.1 (2002)
NACE Rev. 2	statistical classification of economic activities in the European Community, Rev. 2 (2008)
LFS	Labour Force Survey
CPI	consumer price index
HICP	harmonized index of consumer prices (for new EU member states)
PPI	producer price index
p.a.	per annum
mn	million (10 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

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

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

M3 broad money

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

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

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

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

(updated end of Apr 2011)

		2010												2011		
		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
LABOUR																
Employment total, registered	th. pers., quart. avg	.	.	900.7	.	.	904.9	.	.	916.0	.	.	916.9	.	.	.
Employment total, registered	CPPY	.	.	-7.4	.	.	-7.0	.	.	-5.7	.	.	2.0	.	.	.
Unemployment, registered	th. pers., quart. avg	.	.	144.6	.	.	144.6	.	.	143.2	.	.	143.0	.	.	.
Unemployment rate, registered	%	.	.	13.8	.	.	13.8	.	.	13.5	.	.	13.5	.	.	.
PRICES																
Consumer	PP	0.9	1.1	0.1	-0.4	-1.2	-0.5	-0.5	0.8	0.7	0.2	0.2	2.2	0.8	2.3	-0.1
Consumer	CPPY	4.2	4.6	4.0	3.7	3.3	3.2	3.4	3.5	3.4	3.0	2.8	3.3	3.3	4.5	4.3
Consumer	CCPPY	4.2	4.4	4.3	4.1	4.0	3.8	3.8	3.7	3.7	3.6	3.6	3.5	3.3	3.9	4.0
Producer, in industry	PP	2.1	0.3	1.0	-0.3	-0.4	0.3	0.6	0.1	0.3	0.3	0.1	0.4	.	.	.
Producer, in industry	CPPY	-0.6	-0.4	0.4	0.3	0.0	0.4	0.1	0.4	0.5	0.3	0.6	0.7	.	.	.
Producer, in industry	CCPPY	-0.6	-0.5	-0.2	-0.1	0.0	0.0	0.0	0.1	0.1	0.2	0.2	0.2	.	.	.
FOREIGN TRADE																
Exports total (fob), cumulated	EUR mn	69	151	255	346	475	596	695	766	866	971	1073	1172	107	250	.
Imports total (cif), cumulated	EUR mn	218	448	723	999	1302	1601	1928	2224	2523	2823	3123	3475	254	524	.
Trade balance, cumulated	EUR mn	-149	-298	-467	-653	-827	-1005	-1233	-1458	-1657	-1852	-2050	-2303	-147	-274	.
FOREIGN FINANCE																
Current account, cumulated	EUR mn	-62	-152	-235	-304	-356	-438	-517	-628	-683	-792	-890	-1056	.	.	.
EXCHANGE RATE																
ALL/EUR, monthly average	nominal	138.28	138.80	139.20	138.36	136.72	136.65	136.11	136.24	137.05	138.39	138.82	138.81	138.65	139.59	140.14
ALL/USD, monthly average	nominal	96.84	101.34	102.51	103.02	108.73	111.89	106.63	105.59	104.81	99.60	101.33	104.95	103.84	102.27	100.17
EUR/ALL, calculated with CPI ¹⁾	real, Jan07=100	92.6	92.9	91.9	91.7	91.5	91.1	91.2	91.7	91.5	90.6	90.3	91.7	93.0	94.0	92.6
EUR/ALL, calculated with PPI ¹⁾	real, Jan07=100	93.9	93.6	93.6	93.2	93.5	93.5	94.3	95.0	94.4	93.7	93.1	92.6	.	.	.
USD/ALL, calculated with CPI ¹⁾	real, Jan07=100	101.5	98.0	96.6	95.5	89.3	86.4	90.2	91.7	92.9	97.9	96.4	94.9	96.2	99.5	100.5
USD/ALL, calculated with PPI ¹⁾	real, Jan07=100	98.1	94.6	93.2	91.9	86.6	85.0	89.5	90.1	91.0	95.2	93.1	89.4	.	.	.
DOMESTIC FINANCE																
Currency outside banks	ALL bn, eop	199.1	197.4	195.2	193.1	193.5	193.9	197.2	197.0	191.3	190.9	189.4	195.1	186.6	185.9	.
M1	ALL bn, eop	269.4	266.6	268.5	263.4	265.6	268.9	274.4	276.4	272.5	269.8	266.9	275.4	263.4	262.3	.
M2	ALL bn, eop	880.1	882.4	887.9	886.3	897.8	902.3	913.6	940.0	948.4	952.0	961.4	980.3	981.4	978.0	.
M2	CPPY, eop	7.8	8.8	10.2	9.3	10.0	10.1	11.2	11.2	12.4	11.7	12.0	12.5	11.5	10.8	.
Central bank policy rate (p.a.) ²⁾	%, eop	5.3	5.3	5.3	5.3	5.3	5.3	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.3
Central bank policy rate (p.a.) ²⁾³⁾	real, %, eop	5.9	5.7	4.8	4.9	5.2	4.8	4.9	4.5	4.4	4.7	4.4	4.2	.	.	.
BUDGET																
General gov. budget balance, cum.	ALL bn	4652	606	699	-1271	-11303	-15600	-22799	-23179	-23916	-23259	-23056	-38033	1621	-8907	-11777

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

2) One-week repo rate.

3) Deflated with annual PPI.

Source: wiw Monthly Database incorporating national statistics.

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

		2010												(updated end of Apr 2011)		
		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
PRODUCTION																
Industry, total ¹⁾	real, CPPY	-0.5	-0.5	4.3	2.7	5.2	-4.3	-4.7	7.1	-1.2	-0.1	2.0	8.7	17.5	6.6	8.0
Industry, total ¹⁾	real, CCPY	-0.5	-0.4	1.3	1.7	2.6	1.3	0.2	1.1	0.8	0.8	0.9	1.6	17.5	12.0	10.5
Industry, total ¹⁾	real, 3MMA	-1.8	1.1	2.2	4.1	1.2	-1.3	-0.6	0.4	1.9	0.2	3.5	9.4	10.9	10.7	.
LABOUR																
Employees total, registered ²⁾	th. persons, avg	701.4	699.7	699.0	699.4	677.2	677.0	677.3	676.0	680.1	685.9	686.4	699.3	696.2	695.7	.
Employees total, registered ²⁾	CPPY, avg	-0.4	-0.7	0.1	0.2	-3.0	-3.1	-2.8	-2.8	-2.0	-1.2	-1.1	0.7	-0.7	-0.6	.
Unemployment, registered ³⁾	th. persons, eop	516.2	519.3	519.2	516.0	512.3	511.8	516.0	517.6	517.0	517.2	519.1	522.1	526.7	527.7	.
Unemployment rate, registered ³⁾	%, eop	42.4	42.6	42.6	42.5	43.1	43.1	43.2	43.4	43.2	43.0	43.1	42.7	43.1	43.1	.
WAGES																
Total economy, gross	BAM	1203	1190	1215	1217	1211	1216	1216	1219	1220	1213	1229	1250	1232	1240	.
Total economy, gross	real, CPPY	-0.5	-2.9	-1.0	-1.7	-1.5	-1.7	-1.0	0.3	0.0	-1.1	-0.2	-0.9	-0.3	0.9	.
Total economy, gross	EUR	615	608	621	622	619	622	622	623	624	620	628	639	630	634	.
PRICES																
Consumer	PP	1.4	0.1	0.2	-0.7	0.0	0.0	0.0	-0.2	0.3	0.9	0.3	0.8	1.5	0.7	0.7
Consumer	CPPY	1.5	1.6	2.0	2.4	2.6	2.4	1.7	1.7	1.9	2.2	2.3	3.1	2.7	3.3	3.9
Consumer	CCPPY	1.5	1.6	1.7	1.9	2.0	2.1	2.0	2.0	2.0	2.0	2.0	2.1	2.7	3.0	3.3
FOREIGN TRADE																
Exports total (fob), cumulated	EUR mn	214	478	787	1090	1399	1728	2054	2352	2673	2977	3316	3627	316	648	1009
Imports total (cif), cumulated	EUR mn	368	851	1406	1984	2584	3184	3817	4414	5068	5688	6302	6957	486	1057	1735
Trade balance, cumulated	EUR mn	-153	-373	-619	-893	-1185	-1457	-1763	-2062	-2395	-2711	-2986	-3330	-170	-409	-727
Exports to EU-27 (fob), cumulated	EUR mn	132	279	443	606	782	961	1133	1283	1463	1639	1822	1978	170	355	558
Imports from EU-27 (cif), cumulated	EUR mn	167	394	661	932	1196	1475	1773	2027	2314	2604	2887	3193	208	475	782
Trade balance with EU-27, cumulated	EUR mn	-35	-115	-218	-327	-414	-514	-640	-744	-851	-965	-1065	-1215	-38	-120	-224
FOREIGN FINANCE																
Current account, cumulated	EUR mn	.	.	-48	.	.	-193	.	.	-466	.	.	-697	.	.	.
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	1.370	1.431	1.441	1.457	1.548	1.602	1.534	1.517	1.503	1.408	1.429	1.481	1.465	1.434	1.398
EUR/BAM, calculated with CPI ⁴⁾	real, Jan07=100	104.7	104.5	103.8	102.6	102.5	102.4	102.7	102.3	102.3	102.9	103.1	103.3	105.2	105.5	105.1
USD/BAM, calculated with CPI ⁴⁾	real, Jan07=100	114.5	109.8	108.7	106.6	100.2	97.0	101.2	102.0	103.1	110.9	109.7	106.4	108.7	111.2	113.8
DOMESTIC FINANCE																
Currency outside banks	BAM mn, eop	2002	2006	1975	2005	1981	1990	2073	2065	2109	2144	2115	2211	2143	2155	.
M1	BAM mn, eop	5880	5852	5882	6013	6045	5862	6090	6179	6114	6218	6210	6301	6301	6234	.
M2	BAM mn, eop	12890	12940	13119	13277	13310	13307	13449	13695	13488	13622	13714	13821	13875	13855	.
M2	CPPY, eop	3.8	4.1	6.3	7.9	7.8	8.0	8.4	9.1	7.3	8.3	9.2	7.1	7.6	7.1	.

1) Federation of B&H and Republic 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) Adjusted for domestic and foreign (US resp. EU) inflation. Values more than 100 mean real appreciation.

Source: wiiw Monthly Database incorporating national statistics.

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

(updated end of Apr 2011)

		2010												2011		
		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
PRODUCTION																
Industry, NACE Rev. 2 ¹⁾	real, CPPY	-0.1	-1.3	-0.2	-5.5	-1.9	-2.4	-3.3	0.9	3.0	-5.9	0.2	0.9	-5.2	-2.7	-3.0
Industry, NACE Rev. 2 ¹⁾	real, CCPPY	-0.1	-0.7	-0.5	-1.9	-1.9	-2.0	-2.2	-1.8	-1.3	-1.8	-1.6	-1.4	-5.2	-3.9	-3.6
Industry, NACE Rev. 2 ¹⁾	real, 3MMA	-2.6	-0.5	-2.4	-2.6	-3.3	-2.5	-1.7	0.1	-0.8	-1.0	-1.7	-1.2	-2.2	-3.6	.
Construction, NACE Rev. 2 ¹⁾	real, CPPY	-18.4	-21.4	-16.3	-17.2	-16.1	-17.2	-19.2	-11.7	-14.3	-14.9	-12.1	-11.3	-8.3	-7.1	.
Construction, NACE Rev. 2 ¹⁾	real, CCPPY	-18.4	-20.0	-18.6	-18.2	-17.8	-17.7	-17.9	-17.2	-16.9	-16.7	-16.3	-15.9	-8.3	-7.7	.
LABOUR																
Employment total, registered	th. persons, avg	1165.0	1166.6	1166.8	1169.0	1173.3	1178.4	1182.2	1180.6	1171.5	1163.1	1155.9	1145.8	1123.8	1133.4	1138.9
Employees in industry, reg., NACE Rev. 2	th. persons, avg	244.6	243.9	243.0	242.6	242.3	242.3	242.6	242.7	241.6	240.7	239.8	237.6	236.2	237.3	237.3
Unemployment, registered	th. persons, eop	309.6	317.6	318.7	308.7	296.4	285.8	282.8	283.3	289.5	304.5	312.4	319.8	334.4	336.4	330.1
Unemployment rate, registered	%, eop	17.8	18.3	18.4	17.9	17.2	16.6	16.4	16.4	16.9	17.8	18.3	18.8	19.6	19.6	19.3
Productivity in industry, NACE Rev. 2 ¹⁾	CCPPY	9.5	8.6	8.7	7.0	6.9	6.6	6.3	6.5	6.9	6.2	6.2	6.3	0.1	-0.6	-1.1
WAGES																
Total economy, gross	HRK	7615	7457	7831	7606	7662	7763	7608	7707	7546	7650	7892	7806	7638	7483	.
Total economy, gross	real, CPPY	-2.3	-2.5	-0.7	-1.8	-1.9	-1.2	-2.4	0.1	-1.7	-1.3	-0.1	-1.5	-1.6	-1.8	.
Total economy, gross	EUR	1044	1021	1079	1048	1056	1074	1055	1064	1036	1045	1070	1056	1033	1010	.
Industry, gross, NACE Rev. 2	EUR	933	907	985	946	945	984	966	947	939	932	990	968	921	894	.
PRICES																
Consumer	PP	0.5	0.2	0.4	0.4	0.2	-0.1	-0.4	-0.2	0.3	0.1	0.3	0.0	0.6	0.5	.
Consumer	CPPY	1.1	0.7	0.9	0.6	0.8	0.7	1.0	0.9	1.4	1.4	1.2	1.8	1.9	2.2	2.6
Consumer	CCPPY	1.1	0.9	0.9	0.8	0.8	0.8	0.8	0.8	0.9	1.0	1.0	1.1	1.9	2.1	2.2
Producer, in industry, NACE Rev. 2 ²⁾	PP	1.3	-0.1	0.9	0.6	0.5	0.4	0.0	0.3	0.4	0.3	-0.1	1.0	0.7	1.6	1.1
Producer, in industry, NACE Rev. 2 ²⁾	CPPY	3.0	2.7	4.9	5.0	4.9	4.4	3.8	3.3	4.4	4.9	4.7	5.7	5.1	6.9	7.1
Producer, in industry, NACE Rev. 2 ²⁾	CCPPY	3.0	2.9	3.5	3.9	4.1	4.2	4.1	4.0	4.0	4.1	4.2	4.3	5.1	6.0	6.4
FOREIGN TRADE																
Exports total (fob), cumulated	EUR mn	617	1202	2000	2685	3528	4279	4996	5675	6450	7352	8124	8902	652	1292	1919
Imports total (cif), cumulated	EUR mn	957	2015	3338	4594	5880	7188	8531	9803	11156	12409	13804	15129	974	2035	3377
Trade balance, cumulated	EUR mn	-340	-813	-1338	-1909	-2351	-2909	-3535	-4128	-4707	-5057	-5680	-6226	-322	-742	-1459
Exports to EU-27 (fob), cumulated	EUR mn	406	729	1233	1670	2230	2696	3122	3532	4012	4537	5046	5447	407	758	1165
Imports from EU-27 (cif), cumulated	EUR mn	502	1147	1968	2771	3567	4354	5167	5853	6625	7386	8250	9112	541	1166	1947
Trade balance with EU-27, cumulated	EUR mn	-96	-418	-735	-1100	-1337	-1658	-2045	-2321	-2614	-2849	-3204	-3665	-134	-408	-782
FOREIGN FINANCE																
Current account, cumulated	EUR mn	.	.	-1362	.	.	-1488	.	.	401	.	.	-654	.	.	.
EXCHANGE RATE																
HRK/EUR, monthly average	nominal	7.291	7.305	7.261	7.258	7.258	7.229	7.212	7.246	7.283	7.321	7.373	7.393	7.396	7.411	7.394
HRK/USD, monthly average	nominal	5.098	5.327	5.347	5.405	5.753	5.922	5.667	5.614	5.593	5.270	5.384	5.595	5.538	5.431	5.285
EUR/HRK, calculated with CPI ³⁾	real, Jan07=100	105.0	104.7	104.8	104.8	104.8	105.1	105.2	104.3	103.8	103.1	102.5	101.6	102.5	102.4	.
EUR/HRK, calculated with PPI ³⁾	real, Jan07=100	108.4	107.8	108.7	108.5	108.6	109.1	109.2	109.7	109.3	108.9	107.5	107.3	106.9	107.7	108.6
USD/HRK, calculated with CPI ³⁾	real, Jan07=100	114.9	110.2	109.8	108.8	102.3	99.4	103.5	104.0	104.6	111.0	109.0	104.7	105.9	108.0	.
USD/HRK, calculated with PPI ³⁾	real, Jan07=100	113.1	108.7	107.9	106.7	100.6	98.8	102.9	103.8	104.6	110.3	107.2	103.1	103.7	106.1	107.9
DOMESTIC FINANCE																
Currency outside banks	HRK bn, eop	14.8	14.8	14.8	15.1	15.4	16.0	16.9	16.7	16.0	15.7	15.0	15.3	14.9	14.9	15.0
M1	HRK bn, eop	48.1	48.7	47.7	49.0	48.0	49.7	50.7	51.2	51.7	50.7	48.3	49.2	49.5	49.4	49.1
Broad money	HRK bn, eop	223.5	223.3	222.0	222.1	222.6	224.6	227.0	231.6	232.7	232.4	232.5	232.9	231.8	231.6	229.3
Broad money	CPPY, eop	0.9	0.9	1.6	1.5	2.0	2.8	2.5	3.2	3.8	5.1	4.0	4.4	3.7	3.7	3.3
Central bank policy rate (p.a.) ⁴⁾	%, eop	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
Central bank policy rate (p.a.) ⁴⁾⁵⁾	real, %, eop	2.9	3.2	1.1	0.9	1.0	1.6	2.1	2.6	1.5	1.0	1.3	0.3	0.8	-0.9	-1.0
BUDGET																
Central gov. budget balance, cum. ⁶⁾	HRK mn	-1864	-3387	-5216	-5191	-6566	-7284	-8212	-8347	-9397	-9064	-10634	-14353	-1491	-2831	.

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

Source: wiw Monthly Database incorporating national statistics.

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

(updated end of Apr 2011)

		2010												2011		
		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
PRODUCTION																
Industry, NACE Rev. 2 ¹⁾	real, CPPY	-2.8	-10.6	-13.3	-7.2	-1.1	5.6	8.0	-2.5	-14.0	-4.6	-2.9	-10.0	5.0	10.9	24.5
Industry, NACE Rev. 2 ¹⁾	real, CCPY	-2.8	-6.9	-9.3	-8.7	-7.1	-4.9	-3.0	-2.9	-4.4	-4.4	-4.3	-4.8	5.0	8.0	13.8
Industry, NACE Rev. 2 ¹⁾	real, 3MMA	2.5	-9.3	-10.4	-7.2	-0.9	4.2	3.6	-3.6	-7.3	-7.3	-5.9	-3.7	0.2	13.8	.
Construction, total, effect. work. time	real, CPPY	7.6	-5.0	3.0	12.5	13.0	8.4	4.9	8.1	0.6	1.3	6.9	9.6	8.7	.	.
Construction, total, effect. work. time	real, CCPY	7.6	0.8	1.6	4.3	6.1	6.5	6.3	6.5	5.8	5.3	5.5	5.8	8.7	.	.
LABOUR																
Employed persons, LFS	th. pers., quart. avg	.	.	615.9	.	.	627.1	.	.	648.8	.	.	659.6	.	.	.
Employed persons, LFS	CCPPY	.	.	-0.4	.	.	-0.9	.	.	-0.3	.	.	1.3	.	.	.
Unemployed persons, LFS	th. pers., quart. avg	.	.	309.6	.	.	296.2	.	.	300.5	.	.	295.4	.	.	.
Unemployment rate, LFS	% avg	.	.	33.5	.	.	32.1	.	.	31.7	.	.	31.0	.	.	.
Productivity in industry, NACE Rev. 2 ¹⁾	CCPPY	0.8	-3.2	-5.9	-5.1	-3.7	-1.5	0.0	-0.6	-2.6	-3.2	-3.3	-4.2	5.2	7.1	.
WAGES																
Total economy, gross	MKD	29947	29751	29938	30081	30598	30035	29827	30207	30263	30279	30349	31435	30902	30032	.
Total economy, gross	real, CPPY	1.2	0.6	0.5	-1.6	1.8	-2.2	-1.5	-0.8	-1.6	-2.6	-1.5	-0.3	0.0	-2.7	.
Total economy, gross	EUR	489	484	486	488	497	488	485	491	491	491	493	511	502	488	.
Industry, gross	EUR	416	450	417	413	420	413	414	422	423	423	421	449	.	.	.
PRICES																
Consumer	PP	0.7	0.4	0.5	0.6	-0.6	0.2	-0.4	0.1	0.1	0.3	0.4	0.7	0.9	0.9	1.7
Consumer	CCPY	0.1	0.6	0.7	1.4	0.2	1.8	1.5	1.9	2.0	2.7	2.9	3.0	3.2	3.9	5.2
Consumer	CCPPY	0.1	0.3	0.5	0.7	0.6	0.8	0.9	1.0	1.1	1.3	1.4	1.7	3.2	3.6	4.1
Producer, in industry, NACE Rev. 2 ²⁾	PP	0.1	1.7	1.0	3.0	1.4	-0.8	0.2	-0.1	0.6	1.1	-1.5	2.4	3.2	1.7	3.3
Producer, in industry, NACE Rev. 2 ²⁾	CCPY	6.1	7.2	8.4	11.7	12.7	10.8	8.9	8.1	8.8	9.7	7.3	9.3	12.7	12.8	15.3
Producer, in industry, NACE Rev. 2 ²⁾	CCPPY	6.1	6.7	7.3	8.4	9.2	9.5	9.4	9.2	9.2	9.2	9.1	9.1	12.7	12.7	13.6
FOREIGN TRADE																
Exports total (fob), cumulated	EUR mn	134	293	465	655	867	1090	1324	1526	1781	2005	2266	2497	205	443	.
Imports total (cif), cumulated	EUR mn	230	490	797	1146	1496	1850	2181	2562	2904	3267	3665	4120	420	813	.
Trade balance, cumulated	EUR mn	-95	-197	-332	-490	-630	-760	-857	-1036	-1123	-1261	-1399	-1622	-215	-369	.
Exports to EU-27 (fob), cumulated	EUR mn	91	187	294	404	531	671	818	931	1089	1229	1391	1531	132	419	.
Imports from EU-27 (cif), cumulated	EUR mn	108	233	412	610	795	973	1164	1338	1526	1745	1955	2188	267	466	.
Trade balance with EU-27, cumulated	EUR mn	-17	-46	-118	-206	-264	-302	-346	-406	-438	-516	-564	-657	-135	-47	.
FOREIGN FINANCE																
Current account, cumulated	EUR mn	-44	-66	-82	-123	-128	-127	-105	-103	-48	-85	-103	-184	-103	.	.
EXCHANGE RATE																
MKD/EUR, monthly average	nominal	61.18	61.42	61.60	61.60	61.53	61.51	61.52	61.51	61.63	61.62	61.55	61.50	61.51	61.51	61.52
MKD/USD, monthly average	nominal	42.83	44.93	45.40	45.90	48.79	50.38	48.25	47.71	47.35	44.37	44.97	46.55	45.97	45.10	43.99
EUR/MKD, calculated with CPI ³⁾	real, Jan07=100	102.1	101.8	101.1	101.3	100.6	100.8	100.7	100.6	100.2	100.3	100.6	100.8	102.1	102.5	103.1
EUR/MKD, calculated with PPI ³⁾	real, Jan07=100	103.4	104.4	104.5	106.8	107.9	106.7	106.8	107.5	107.6	108.5	106.5	108.1	110.3	111.5	114.6
USD/MKD, calculated with CPI ³⁾	real, Jan07=100	111.8	106.9	105.9	105.2	98.3	95.5	99.3	100.3	101.1	108.1	107.1	103.9	105.7	108.2	111.6
USD/MKD, calculated with PPI ³⁾	real, Jan07=100	107.9	105.1	103.7	105.1	100.0	96.8	101.0	101.6	103.0	110.0	106.2	104.0	107.4	109.9	113.9
DOMESTIC FINANCE																
Currency outside banks	MKD bn, eop	15.5	15.1	14.8	15.2	15.5	15.7	16.7	16.2	15.9	16.1	15.6	17.0	15.8	16.1	15.9
M1	MKD bn, eop	50.0	50.7	50.3	50.6	52.9	52.5	52.7	53.6	53.8	53.8	54.0	57.4	54.6	54.1	54.1
Broad money	MKD bn, eop	208.1	208.3	210.7	215.0	219.4	220.4	216.1	220.0	221.9	224.5	229.1	232.6	232.0	233.5	.
Broad money	CCPY, eop	8.0	8.0	10.7	11.7	15.0	14.8	12.8	12.4	13.4	12.3	13.7	12.2	11.5	12.1	.
Central bank policy rate (p.a.) ⁴⁾	%, eop	8.0	7.6	7.3	6.5	6.2	5.5	5.0	4.7	4.5	4.5	4.5	4.1	4.0	4.0	4.0
Central bank policy rate (p.a.) ⁴⁾⁵⁾	real, %, eop	1.8	0.3	-1.1	-4.6	-5.7	-4.8	-3.6	-3.2	-4.0	-4.7	-2.7	-4.8	-7.7	-7.8	-9.8
BUDGET																
General gov. budget balance, cum. ⁶⁾	MKD mn	-2311	-4050	-4097	-4755	-5667	-6073	-5274	-5470	-6645	-7766	-8708	-10541	-660	.	.

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

2) Domestic producer prices.

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

4) Central bank bills (28-days).

5) Deflated with annual PPI.

6) Central government budget plus extra-budgetary funds.

Source: wiw Monthly Database incorporating national statistics.

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

(updated end of Apr 2011)

		2010												2011		
		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
PRODUCTION																
Industry, total	real, CPPY	-11.8	-21.6	-8.4	8.5	15.7	39.4	16.1	27.2	55.2	37.1	48.4	45.7	2.0	8.4	-10.3
Industry, total	real, CCPY	-11.8	-16.7	-13.9	-9.1	-5.4	0.0	1.8	3.8	8.2	10.6	13.5	16.3	2.0	5.0	-0.4
Industry, total	real, 3MMA	-19.3	-13.9	-8.2	3.7	19.9	23.4	27.5	32.5	40.4	46.7	43.9	29.5	17.9	-0.4	.
LABOUR																
Employment total, registered ¹⁾	th. persons, avg	172.3	171.6	171.3	158.2	158.7	159.2	160.2	158.5	157.6	155.0	157.7	157.7	157.8	158.0	.
Employment in industry, registered	th. persons, avg	27.6	26.6	26.6	18.6	22.2	21.8	21.9	22.0	22.1	22.3	22.0	21.9	22.0	22.0	.
Unemployment, registered	th. persons, eop	31.1	32.4	33.1	33.2	32.4	31.3	31.1	30.6	31.0	31.9	32.2	31.1	32.8	33.1	.
Unemployment rate, registered	%, eop	15.3	15.9	16.2	17.3	16.9	16.4	16.3	16.2	16.5	16.8	17.0	16.5	17.2	17.3	.
Labour productivity, industry	CCPPY	6.3	1.6	4.1	18.2	24.7	33.4	36.6	39.5	45.0	47.9	51.4	54.4	27.8	29.4	.
Unit labour costs, exch.r. adj.(EUR)	CCPPY	-0.2	5.4	5.3	-6.2	-10.0	-15.2	-17.2	-17.5	-19.9	-20.7	-22.1	-23.4	-4.6	-10.1	.
WAGES																
Total economy, gross	EUR	702	691	693	693	727	706	696	752	717	711	716	768	772	754	.
Total economy, gross	real, CPPY	5.6	5.4	7.0	6.7	11.5	8.9	8.5	17.4	13.3	11.8	12.3	16.8	8.6	6.8	.
Industry, gross	EUR	762	764	751	696	785	775	747	786	810	832	827	854	929	846	.
PRICES																
Consumer	PP	-0.3	0.1	0.4	0.1	-0.1	-0.4	0.2	0.1	0.1	0.2	0.2	0.1	0.3	1.0	2.0
Consumer	CCPY	0.8	0.2	0.7	0.4	0.3	0.2	1.0	-0.1	0.3	0.5	0.7	0.7	1.3	2.2	3.8
Consumer	CCPPY	0.8	0.5	0.6	0.5	0.5	0.4	0.5	0.4	0.4	0.4	0.6	0.6	1.3	1.8	2.5
Producer, in industry	PP	-2.4	-0.8	-0.8	1.6	3.8	-0.7	-0.9	0.3	0.2	-0.3	-0.3	-0.1	2.0	0.8	0.4
Producer, in industry	CCPY	-4.2	-5.0	-4.6	-3.4	1.2	1.5	2.1	1.8	1.4	0.6	-0.1	-0.5	4.0	5.6	6.9
Producer, in industry	CCPPY	-4.2	-6.3	-5.7	-5.2	-3.1	-2.3	-1.7	-1.3	-1.0	-0.8	-0.8	-0.8	4.0	4.8	5.5
FOREIGN TRADE																
Exports total (fob), cumulated	EUR mn	14	32	56	82	118	142	172	202	229	258	301	330	37	69	111
Imports total (cif), cumulated	EUR mn	74	181	311	447	585	754	927	1083	1225	1363	1507	1655	85	203	350
Trade balance, cumulated	EUR mn	-60	-149	-255	-366	-468	-612	-755	-881	-996	-1106	-1206	-1324	-48	-134	-238
FOREIGN FINANCE																
Current account, cumulated	EUR mn	.	.	-242	.	.	-509	.	.	-499	.	.	-775	.	.	.
EXCHANGE RATE																
EUR/USD, monthly average	nominal	0.701	0.731	0.737	0.746	0.796	0.819	0.783	0.776	0.765	0.720	0.732	0.756	0.749	0.733	0.714
EUR/EUR, calculated with CPI ²⁾	real, Jan07=100	108.6	108.4	107.9	107.5	107.2	106.8	107.3	107.2	107.0	106.9	106.9	106.4	107.1	107.7	108.7
EUR/EUR, calculated with PPI ²⁾	real, Jan07=100	109.4	108.2	106.6	107.5	111.0	109.9	108.8	109.9	109.7	109.2	108.4	107.3	108.3	108.4	108.3
USD/EUR, calculated with CPI ²⁾	real, Jan07=100	98.5	102.9	103.7	104.9	111.7	114.6	109.8	108.6	107.2	100.9	102.8	106.2	104.8	103.1	101.5
USD/EUR, calculated with PPI ²⁾	real, Jan07=100	94.6	98.3	97.1	99.3	109.7	112.9	106.7	105.6	104.4	96.9	97.7	99.8	99.6	97.0	92.9
DOMESTIC FINANCE																
Central bank policy rate (p.a.) ³⁾	%, eop	9.4	9.5	9.5	9.5	9.5	9.5	9.6	9.6	9.6	9.6	9.6	9.6	9.6	9.6	9.7
Central bank policy rate (p.a.) ³⁽⁴⁾	real, % eop	14.2	15.3	14.7	13.3	8.2	7.9	7.3	7.7	8.1	9.0	9.7	10.2	5.5	3.8	2.6
BUDGET																
General gov.budget balance, cum.	EUR mn	.	.	-37	.	.	-12	.	.	0	.	.	146	.	.	-55

1) Excluding individual farmers. From March 2010 according to Tax Administration source, before Employment Agency.

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

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

4) Deflated with annual PPI.

Source: wiw Monthly Database incorporating national statistics.

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

(updated end of Apr 2011)

		2010												(updated end of Apr 2011)		
		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
PRODUCTION																
Industry, total	real, CPPY	3.7	2.6	2.6	12.5	7.2	3.8	6.6	3.6	4.1	-1.9	0.2	0.0	3.8	.	.
Industry, total	real, CCPY	3.7	3.0	2.8	4.8	5.4	4.6	4.8	4.7	4.4	3.7	3.2	3.0	3.8	.	.
Industry, total	real, 3MMA	1.9	2.9	5.7	7.2	7.7	5.9	4.7	4.8	1.8	0.7	-0.6	1.1	.	.	.
LABOUR																
Employees total, registered	th. persons, avg	1366.0	1362.0	1362.0	1359.0	1358.0	1356.0	1353.0	1350.0	1348.0	1346.0	1346.0	1344.0	1339.0	.	.
Employees in industry, registered	th. persons, avg	391.0	389.0	387.0	384.0	381.0	380.0	380.0	377.0	375.0	374.0	373.0	372.0	.	.	.
Unemployment, registered	th. persons, eop	751.6	767.4	778.5	772.2	762.6	746.8	737.0	724.3	721.0	717.5	721.1	729.5	750.7	.	.
Unemployment rate, registered	%, eop	25.5	25.9	26.4	26.3	26.1	25.7	25.5	25.2	25.3	25.3	25.4	25.6	26.2	.	.
Labour productivity, industry	CCPY	11.7	11.3	10.9	13.1	13.5	13.0	13.0	12.7	12.5	11.6	11.1	10.7	.	.	.
Unit labour costs, exch.r. adj.(EUR)	CCPY	-6.5	-8.0	-5.7	-5.5	-6.4	-6.3	-6.8	-7.0	-7.2	-6.8	-6.9	-6.4	.	.	.
WAGES																
Total economy, gross	RSD	41651	44871	46457	48525	46454	47486	48394	47190	48016	47822	47877	54948	47382	49394	49633
Total economy, gross	real, CPPY	-1.1	0.0	5.6	3.1	3.9	3.7	2.4	2.0	2.9	-0.2	-0.4	-2.2	2.7	-1.9	.
Total economy, gross	EUR	428	454	466	488	460	459	462	448	455	450	447	517	451	477	480
Industry, gross	EUR	416	418	433	468	439	443	444	428	427	430	426	488	.	.	.
PRICES																
Consumer ¹⁾	PP	0.6	0.2	1.1	0.6	1.3	0.0	-0.2	1.7	1.1	1.1	1.7	0.3	1.4	1.5	2.6
Consumer ¹⁾	CCPY	4.7	4.9	4.3	3.8	3.5	3.5	4.3	6.1	7.1	8.5	9.5	9.9	11.2	11.2	13.9
Consumer ¹⁾	CCPPY	4.7	4.8	4.6	4.4	4.2	4.1	4.1	4.4	4.7	5.1	5.5	5.9	11.2	11.2	12.1
Producer, in industry	PP	1.8	1.1	2.7	1.9	0.8	1.2	0.2	1.5	1.4	0.5	1.3	1.2	2.5	2.3	1.9
Producer, in industry	CCPY	11.0	10.2	12.2	13.2	12.5	11.5	12.1	12.5	14.7	15.5	15.5	16.7	17.5	18.9	18.0
Producer, in industry	CCPPY	11.0	10.6	11.1	11.6	11.8	11.8	11.9	12.2	12.6	12.8	12.7	12.7	17.5	18.2	18.2
FOREIGN TRADE																
Exports total (fob), cumulated	EUR mn	399	873	1468	2050	2665	3350	3994	4592	5276	5956	6666	7392	542	1192	1964
Imports total (cif), cumulated	EUR mn	741	2001	3101	4067	5028	6120	7003	8062	9231	10262	11445	12647	972	2035	3385
Trade balance, cumulated	EUR mn	-342	-1129	-1632	-2018	-2363	-2770	-3009	-3470	-3956	-4306	-4778	-5255	-430	-842	-1421
Exports to EU-27 (fob), cumulated	EUR mn	253	627	875	1191	1571	1942	2281	2621	3013	3406	3838	4231	342	873	1221
Imports from EU-27 (cif), cumulated	EUR mn	392	1114	1518	2092	2692	3277	3898	4510	5113	5756	6408	7061	469	1324	1801
Trade balance with EU-27, cumulated	EUR mn	-139	-487	-642	-901	-1120	-1334	-1617	-1889	-2100	-2350	-2571	-2830	-127	-451	-580
FOREIGN FINANCE																
Current account, cumulated	EUR mn	-140	-447	-760	-896	-1086	-1370	-1524	-1668	-1894	-1996	-2156	-2082	-273	-503	.
EXCHANGE RATE																
RSD/EUR, monthly average	nominal	97.29	98.80	99.70	99.40	100.98	103.51	104.70	105.30	105.44	106.33	107.07	106.31	105.14	103.52	103.32
RSD/USD, monthly average	nominal	68.13	72.13	73.44	74.05	80.54	84.71	82.05	81.57	80.84	76.55	78.30	79.81	78.65	75.74	73.85
EUR/RSD, calculated with CPI ²⁾	real, Jan07=100	99.1	97.4	96.7	97.2	96.8	94.4	93.4	94.2	94.9	94.8	95.6	96.0	98.8	101.4	103.1
EUR/RSD, calculated with PPI ²⁾	real, Jan07=100	101.5	100.8	101.9	103.3	102.0	100.4	99.3	100.9	101.9	101.3	101.5	102.5	105.1	108.4	110.2
USD/RSD, calculated with CPI ²⁾	real, Jan07=100	108.4	102.6	101.5	101.0	94.0	89.5	92.2	94.1	95.9	102.3	101.7	99.9	102.3	107.3	111.7
USD/RSD, calculated with PPI ²⁾	real, Jan07=100	105.9	101.7	101.2	101.7	94.0	91.1	94.0	95.6	97.8	102.8	101.2	99.4	102.2	107.2	109.6
DOMESTIC FINANCE																
Currency outside banks	RSD bn, eop	89.2	89.9	85.9	89.4	84.9	87.7	93.1	87.8	89.8	95.0	85.2	91.8	78.7	81.0	.
M1	RSD bn, eop	237.0	234.3	224.9	229.4	232.8	234.0	240.6	238.3	242.9	248.9	236.5	253.3	223.9	228.8	.
Broad money ³⁾	RSD bn, eop	1209.3	1216.6	1217.8	1226.5	1278.8	1296.2	1331.4	1288.9	1306.0	1330.2	1361.9	1360.8	1324.0	1308.8	.
Broad money ³⁾	CCPY, eop	20.3	18.5	19.9	18.2	22.7	22.1	24.9	19.2	20.1	21.0	17.9	12.9	9.5	7.6	.
Central bank policy rate (p.a.) ⁴⁾	%, eop	9.5	9.5	9.0	8.5	8.0	8.0	8.5	9.0	9.5	10.5	11.5	11.5	12.0	12.0	12.3
Central bank policy rate (p.a.) ⁴⁾⁵⁾	real, %, eop	-1.3	-0.6	-2.8	-4.1	-4.0	-3.2	-3.2	-3.1	-4.5	-4.3	-3.4	-4.5	-4.7	-5.8	-4.9
BUDGET																
Central gov.budget balance, cum.	RSD mn	-696	-15995	-20598	-30806	-40938	-48559	-56549	-59303	-71284	-85966	-82811	#####	-1188	-18849	-27836

1) From 2011 according to COICOP classification.

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

3) Excluding frozen foreign currency savings deposits of households.

4) Two-week repo rate.

5) Deflated with annual PPI.

Source: wiw Monthly Database incorporating national statistics.

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

(updated end of Apr 2011)

		2010												2011		
		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
PRODUCTION																
Industry, total	real, CPPY	10.2	8.4	9.8	10.4	12.6	9.8	6.0	7.1	6.3	6.7	6.8	6.5	6.9	6.0	5.4
Industry, total	real, C0PPY	10.2	9.3	9.5	9.7	10.3	10.2	9.6	9.2	8.9	8.7	8.5	8.3	6.9	6.4	6.1
Industry, total	real, 3MMA	8.4	9.5	9.5	10.9	10.9	9.4	7.6	6.5	6.7	6.6	6.7	6.7	6.5	6.1	.
Construction, total	real, CPPY	-13.6	-12.8	-8.2	-5.5	-5.0	-0.3	-5.6	0.0	2.0	2.9	-1.0	11.6	-1.1	0.4	4.2
Construction, total	real, C0PPY	-13.6	-13.2	-11.5	-9.8	-8.8	-7.3	-7.0	-6.2	-5.3	-4.4	-4.1	-2.3	-1.1	-0.4	1.3
LABOUR																
Employed persons, LFS	th. pers., avg	67737	68030	68228	68851	70244	71006	70862	71236	71100	70481	70243	69621	69118	69550	69612
Employed persons, LFS	CCPPY	.	.	0.4	.	.	0.6	.	.	0.8	.	.	0.9	2.0	2.1	2.1
Unemployed persons, LFS	th. pers., avg	6832	6436	6418	6140	5553	5206	5357	5248	5032	5111	5014	5392	5815	5685	5355
Unemployment rate, LFS	%, avg	9.2	8.6	8.6	8.2	7.3	6.8	7.0	6.9	6.6	6.8	6.7	7.2	7.8	7.6	7.1
WAGES																
Total economy, gross	RUB	18938	19017	20589	20358	20279	21795	21325	20753	20999	20970	21486	28027	20669	20680	22127
Total economy, gross	real, CPPY	2.4	3.7	6.7	6.6	6.3	7.1	7.1	6.6	4.2	3.7	4.0	8.7	0.1	-0.2	-1.3
Total economy, gross	EUR	442	461	513	519	529	572	546	529	524	498	507	687	512	517	556
Industry, gross ¹⁾	EUR	382	408	456	474	479	501	505	493	485	470	470	556	469	473	.
PRICES																
Consumer	PP	1.6	0.9	0.6	0.3	0.5	0.4	0.4	0.6	0.8	0.5	0.3	1.0	2.4	0.8	0.6
Consumer	CPPY	8.1	7.2	6.5	6.0	6.4	6.1	5.9	6.6	7.4	8.0	8.0	8.6	9.5	9.4	9.4
Consumer	C0PPY	8.1	7.6	7.2	6.9	6.8	6.7	6.6	6.6	6.7	6.8	6.9	7.1	9.5	9.4	9.4
Producer, in industry	PP	-1.1	2.0	1.8	3.2	2.7	-3.1	0.6	3.3	-1.3	2.2	4.4	1.0	2.1	3.3	1.3
Producer, in industry	CPPY	16.6	13.1	11.9	12.8	15.2	9.2	7.9	10.0	7.3	10.7	16.1	16.7	20.5	22.0	21.4
Producer, in industry	C0PPY	16.6	14.8	13.8	13.6	13.9	13.1	12.3	12.0	11.4	11.4	11.8	12.2	20.5	21.2	21.3
FOREIGN TRADE																
Exports total, cumulated	EUR mn	19465	41891	66808	91738	116980	143118	167580	192202	218066	242787	268222	299552	23001	50910	.
Imports total, cumulated	EUR mn	6780	17006	29700	42968	57292	72265	87417	104573	121351	137786	154597	173444	10662	25527	.
Trade balance, cumulated	EUR mn	12685	24885	37108	48770	59687	70853	80163	87629	96715	105001	113625	126107	12339	25383	.
FOREIGN FINANCE																
Current account, cumulated	EUR mn	.	.	24587	.	.	38732	.	.	43148	.	.	53521	.	.	23250
EXCHANGE RATE																
RUB/EUR, monthly average	nominal	42.824	41.271	40.131	39.227	38.345	38.115	39.090	39.220	40.109	42.101	42.405	40.789	40.352	39.970	39.770
RUB/USD, monthly average	nominal	31.946	30.225	29.565	29.198	30.358	31.169	30.687	30.344	30.836	30.321	30.968	30.854	30.085	29.290	28.430
EUR/RUB, calculated with CPI ²⁾	real, Jan07=100	103.9	108.4	111.1	113.6	116.6	117.7	115.5	115.6	113.7	108.5	107.9	112.6	117.0	118.5	118.5
EUR/RUB, calculated with PPI ²⁾	real, Jan07=100	98.4	103.8	107.9	113.0	118.2	114.9	112.5	116.7	112.2	109.1	112.6	117.1	119.6	123.8	125.5
USD/RUB, calculated with CPI ²⁾	real, Jan07=100	106.5	113.6	116.3	117.9	113.9	111.4	113.7	115.4	114.3	116.8	114.7	116.0	121.2	124.9	128.1
USD/RUB, calculated with PPI ²⁾	real, Jan07=100	96.1	104.2	107.0	111.2	109.6	104.1	106.1	110.4	107.2	110.3	112.1	112.5	116.4	122.0	124.5
DOMESTIC FINANCE																
Currency outside banks	RUB bn, eop	3873.3	3950.0	3986.1	4181.0	4240.3	4367.7	4467.3	4477.8	4524.5	4590.0	4621.5	5062.7	4826.4	4892.6	.
M1	RUB bn, eop	7994.8	8184.9	8291.2	8471.9	8716.6	9006.5	9021.1	9195.0	9400.1	9429.2	9679.7	10825.3	10353.5	10491.6	.
M2	RUB bn, eop	18817.1	19094.0	19309.7	19709.1	20104.8	20557.1	20770.0	20992.1	21318.6	21516.9	22117.7	23791.2	23148.9	23502.0	.
M2	CPPY, eop	18.6	20.3	22.1	24.2	25.0	24.0	24.1	24.1	25.4	25.6	25.2	24.6	23.0	23.1	.
Central bank policy rate (p.a.) ³⁾	%, eop	8.8	8.5	8.3	8.0	8.0	7.8	7.8	7.8	7.8	7.8	7.8	7.8	7.8	8.0	8.0
Central bank policy rate (p.a.) ^{3/4)}	real, %, eop	-6.7	-4.1	-3.3	-4.3	-6.2	-1.3	-0.1	-2.1	0.4	-2.6	-7.2	-7.7	-10.6	-11.5	-11.0
BUDGET																
Central gov. budget balance, cum.	RUB bn	87.1	-169.5	-244.6	-412.2	-463.3	-388.3	-512.8	-623.2	-692.6	-759.9	-891.6	-1811.8	-147.5	.	.

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

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

3) Refinancing rate.

4) Deflated with annual PPI.

Source: wiw Monthly Database incorporating national statistics.

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

(updated end of Apr 2011)

		2010												(updated end of Apr 2011) 2011		
		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
PRODUCTION																
Industry, total	real, CPPY	12.9	6.1	14.4	17.6	13.0	9.4	6.8	9.8	10.5	10.6	10.6	13.3	9.6	11.5	7.8
Industry, total	real, CCPY	12.9	9.4	11.2	12.8	12.9	12.3	11.4	11.2	11.1	11.1	11.0	11.2	9.6	10.5	9.5
Industry, total	real, 3MMA	8.6	11.2	12.8	15.0	13.3	9.7	8.6	9.0	10.3	10.6	11.5	11.2	11.5	9.5	.
Construction, total	real, CCPY	-24.1	-20.9	-21.4	-21.2	-20.0	-19.3	-16.7	-14.0	-12.6	-9.0	-8.2	-5.4	6.1	6.1	6.8
LABOUR																
Employees total, registered ¹⁾	th. persons, avg	10740	10723	10738	10724	10693	10694	10685	10657	10713	10718	10673	10578	10548	10543	10546
Employees in industry, registered ¹⁾	th. persons, avg	2850	2846	2847	2834	2825	2827	2827	2825	2828	2841	2836	2818	2801	2807	2814
Unemployment, registered	th. persons, eop	527	530	505	455	419	399	397	396	408	401	450	545	586	617	614
Unemployment rate, registered	%, eop	1.9	1.9	1.8	1.6	1.5	1.4	1.4	1.4	1.5	1.4	1.6	2.0	2.1	2.2	2.2
Labour productivity, industry ¹⁾	CCPY	17.6	13.6	15.1	16.3	15.9	14.8	13.6	13.0	12.6	12.2	11.8	11.8	11.5	12.3	11.1
Unit labour costs, exch.r. adj.(EUR) ¹⁾	CCPY	-9.7	-7.2	-6.0	-5.3	-2.1	1.5	4.5	6.7	9.0	10.3	11.6	13.4	20.5	15.3	13.7
WAGES ¹⁾																
Total economy, gross	UAH	1916	1955	2109	2107	2201	2373	2367	2280	2349	2322	2353	2629	2297	2338	2531
Total economy, gross	real, CCPY	3.6	1.7	4.5	4.1	9.6	12.1	10.4	9.7	8.2	8.2	10.2	7.9	10.8	11.6	11.4
Total economy, gross	EUR	168	178	195	198	220	245	235	224	228	211	217	250	216	216	228
Industry, gross	EUR	193	203	232	234	250	266	267	260	264	248	253	285	259	254	279
PRICES																
Consumer	PP	1.8	1.9	0.9	-0.3	-0.6	-0.4	-0.2	1.2	2.9	0.5	0.3	0.8	1.0	0.9	1.4
Consumer	CCPY	11.1	11.5	11.0	9.7	8.5	6.9	6.8	8.3	10.5	10.1	9.2	9.1	8.2	7.2	7.7
Consumer	CCPPY	11.1	11.3	11.2	10.8	10.3	9.8	9.3	9.2	9.3	9.4	9.4	9.4	8.2	7.7	7.7
Producer, in industry	PP	1.9	1.9	3.0	3.0	4.4	-0.5	-0.2	0.9	0.1	2.4	-0.3	0.9	1.3	4.8	2.1
Producer, in industry	CCPY	16.3	16.5	18.6	21.7	28.0	25.6	24.4	23.3	19.2	19.8	18.9	18.8	18.1	21.5	20.4
Producer, in industry	CCPPY	16.3	16.4	17.2	18.3	20.2	21.1	21.6	21.8	21.5	21.3	21.1	20.9	18.1	19.8	20.0
FOREIGN TRADE																
Exports total (fob), cumulated	EUR mn	2110	4576	7467	10604	13903	17387	20691	23984	27548	30982	34756	38763	3459	6936	.
Imports total (cif), cumulated	EUR mn	2330	5045	8522	11974	15459	19280	23306	27508	31672	36162	40752	45779	3771	8476	.
Trade balance, cumulated	EUR mn	-220	-469	-1055	-1370	-1556	-1893	-2614	-3523	-4124	-5180	-5996	-7016	-312	-1541	.
FOREIGN FINANCE																
Current account, cumulated	EUR mn	.	.	41	.	.	429	.	.	-417	.	.	-2142	.	.	-581
EXCHANGE RATE																
UAH/EUR, monthly average	nominal	11.430	10.953	10.822	10.634	10.000	9.668	10.057	10.180	10.293	10.994	10.867	10.497	10.615	10.839	11.093
UAH/USD, monthly average	nominal	7.997	8.000	7.967	7.926	7.926	7.916	7.902	7.890	7.910	7.910	7.928	7.956	7.950	7.941	7.944
EUR/UAH, calculated with CPI ²⁾	real, Jan07=100	87.3	92.5	93.6	94.6	99.8	102.8	98.9	98.7	100.1	93.9	95.2	98.7	99.0	97.3	95.4
EUR/UAH, calculated with PPI ²⁾	real, Jan07=100	94.5	100.2	103.7	107.8	119.2	122.2	117.1	117.6	116.0	111.0	111.5	115.4	114.4	116.6	115.8
USD/UAH, calculated with CPI ²⁾	real, Jan07=100	95.4	97.2	98.1	98.1	97.4	97.2	97.2	98.3	100.8	101.2	101.3	101.5	102.1	102.6	103.0
USD/UAH, calculated with PPI ²⁾	real, Jan07=100	98.5	100.8	102.9	105.9	110.4	110.7	110.4	111.1	110.9	112.4	111.2	110.7	110.9	114.8	114.7
DOMESTIC FINANCE																
Currency outside banks	UAH bn, eop	153.1	154.0	155.1	159.9	162.1	168.3	175.1	175.1	174.8	175.2	173.3	183.0	176.2	177.6	179.5
M1	UAH bn, eop	227.0	227.6	235.5	242.8	249.2	259.5	269.3	271.3	275.4	277.7	276.4	289.9	286.7	286.7	296.9
Broad money	UAH bn, eop	479.9	480.4	494.2	510.8	521.4	533.5	550.9	556.2	568.8	576.0	574.1	597.9	601.2	605.2	621.4
Broad money	CCPY, eop	-2.6	2.0	6.6	9.8	11.3	12.9	16.8	18.1	21.2	23.0	22.0	22.7	25.3	26.0	25.7
Central bank policy rate (p.a.) ³⁾	%, eop	10.3	10.3	10.3	10.3	10.3	9.5	8.5	7.8	7.8	7.8	7.8	7.8	7.8	7.8	7.8
Central bank policy rate (p.a.) ³⁾⁴⁾	real, %, eop	-5.2	-5.3	-7.1	-9.4	-13.8	-12.8	-12.8	-12.6	-9.6	-10.0	-9.4	-9.3	-8.8	-11.3	-10.5
BUDGET																
General gov.budget balance, cum.	UAH mn	423	-2688	-4367	-1820	-11505	-24979	-25273	-39374	-47454	-51400	-46662	-64836	-909	-5025	610

1) Excluding small firms.

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

3) Discount rate.

4) Deflated with annual PPI.

Source: wiw Monthly Database incorporating national statistics.

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