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Wiener Institut für Internationale Wirtschaftsvergleiche

The Vienna Institute for International Economic Studies

Monthly Report | 6/09

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Statistical Annex

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Crisis management in selected countries of Central, East and Southeast Europe

Bulgaria: fiscal activism

BY ANTON MIHAILOV

Crisis management in Bulgaria relies almost exclusively on fiscal measures in view of the monetary policy constraints associated with the currency board arrangement.

Already in October 2008, the government announced a series of anti-crisis measures, both of short- and medium-term nature, some of which were subsequently incorporated in the 2009 budget. The core of the programme is public investment in infrastructure with a target figure of total public capital expenditure in 2009 at BGN 5.6 billion (over 8% of GDP), which is a significant increase both in absolute and in relative terms (it was 6.3% of GDP both in 2007 and 2008 and much lower before that). Another important component of crisis management was the launching of a Development Bank (initially funded with BGN 500 million), a public fund aimed to support SMEs through different financial instruments. Longer-term measures also include reforms in the social security and health care systems.

In March, the government adopted a new infrastructure package (amounting to BGN 250 million) including supplementary funding of national and local projects. In particular, additional targeted subsidies amounting to BGN 155 million are to be allocated among some 200 municipalities in support of local infrastructure projects.

The newly established Development Bank was also given a swift start and began operational activity at the beginning of 2009. By mid-May it had disbursed some BGN 151 million of funding (or more than 60% of its initial endowment of disbursable funds) to projects initiated by 246 small businesses. The maximum amount of funding to a borrower is BGN 2 million and the interest rate is fixed at 8% for a period of up to 10 years with a 3-year grace period (some 3.5 percentage points below the current market interest rate on new commercial loans of similar maturity). The Bank now envisages a bond issue in order to be able to finance new projects. In addition to this, public subsidies for research and innovation in 2009 were increased by 50% compared to 2008 to reach BGN 120 million.

In early 2009, the anti-crisis programme was supplemented with a wide-ranging package of measures – both new and expanded existing ones – in support of the labour market, covering several areas:

- Employment protection and support. These include: partial compensation of lost income to employees obligated to switch to part-time work due to the crisis; supplementary support for vocational training of laid-off parents of children with disabilities; career start support to both university and school graduates; hiring additional social workers from within the pool of unemployed, etc.
- Human resources development. Measures include: vocational training and support of new career start to some 40,000 persons laid off after November 2008; hiring some 8000 additional child care personnel from among older-age unemployed; support to part-time vocational training to young employees obligated to work part-time; extended forms of support to vocational training for both employed and unemployed persons; support for the start of new businesses.
- Unemployment benefits have been reorganized to stimulate active job search. The amount of the benefit has been differentiated over time (higher at the beginning and lower at the end) while the maximum duration of the unemployment benefit has been reduced.

Some of the new labour market measures were aligned with those discussed and agreed upon at the EU Employment Summit dedicated to tackling the impact of the economic crisis on jobs in Europe held in Prague in May 2009, and will partly rely on funding from European programmes.

As regards incomes policy, the government has manifested relative restraint and has managed to avoid excessive, populist pre-election spending. Thus the increase in public sector wages planned for 2009 has been put on hold. At the same time, the two steps in increases in different types of pensions (one in January and another one in July) are being implemented as envisaged in the 2009 budget.

Thanks to the sound fiscal position established in previous years, the government has been in the comfortable position to be able to afford relatively lavish countercyclical spending without jeopardizing the fiscal balance. Thus while the anti-crisis measures have been associated with a considerable loosening of the fiscal stance compared to the pre-crisis period (in the first quarter of the year, the consolidated general government revenue was 5% down from the same period of 2008, while expenditure was 22.5% up), the general government balance was still in surplus, underscoring the sizeable buffers in Bulgaria's public finances. The authorities have been financing some of the anti-crisis measures from the fiscal reserve, which dropped by BGN 427 million between end-December and end-March. Nevertheless, the fiscal reserve remained at the respectable level of BGN 7.95 billion at the end of the first quarter.

Despite the loosening of the fiscal stance, the authorities have stated their commitment to overall fiscal discipline and have not abandoned the target of maintaining a surplus in the general government balance for 2009 as a whole; the target however was reduced to 1% from the initially envisaged 3%. It remains to be seen whether the new government due to take over after the parliamentary elections in July will continue to stick to the policy of fiscal prudence.

Overall, Bulgarian banks have preserved financial stability and remain fairly sound despite the substantial reduction in the access to external funding related to the global financial squeeze. The key factor contributing to the stability in the banking system has been the stringent prudential regulation introduced after the 1996-1997 crisis which is much stricter than what is required from the Basle I and II regulations. Since the start of the crisis, there has been some increase in the amount of non-performing loans in the banking system (from 2% in 2008 to some 3.5% in March 2009); however, they still remain at a level which does not pose systemic risks. Thanks to this financial stability, there has been no need of government intervention in the financial sector and such need is unlikely to emerge in the immediate future.

Within the existing constraints, the Bulgarian National Bank adopted some regulatory measures equivalent to a moderate monetary easing aimed at softening the credit squeeze. In particular, the provisioning requirements for credit risk were somewhat softened in February, allowing the banks to release some previously blocked funds and re-allocate them for credit activity.

Romania: procyclical fiscal tightening

BY GÁBOR HUNYA

The fiscal policy is basically procyclical. First, the budget law passed by the previous government in November 2008 was replaced by a new one with lower deficit and economic growth targets in February 2009. Two months later this was modified to adjust to an even more severe contraction of GDP. The objective of the new budget law was to increase public revenues as a percentage of GDP and keep the deficit to GDP ratio below the 2008 level. The general government deficit soared to 5.2% of GDP last year whereas it had been below 3% in the five preceding years. The adjusted target of both February and April is 5.1% of GDP, which has been agreed with the IMF in a stand-by loan agreement. In February this deficit target was based on an economic contraction of 2% and the budget had to be adjusted to the new growth target of -4.1% while keeping the deficit target intact. The budget rectification resulted in significant cuts in the budgets of all ministries, the largest volumes being cut from agriculture, defence, administration and internal affairs, and education; the only ministry to receive additional funds is the labour ministry.

According to the agreement with the IMF, fiscal reforms include measures to improve budgeting, streamline public wages and pensions, and make public enterprises more efficient to ensure that the deficit will remain low in the future. These reforms should help produce a leaner, more efficient, and more transparent public sector. To make sure that weak social groups are not hit overly hard, the government promised to make arrangements to protect the lowest paid public employees, the poorest pensioners, and others exposed to the economic downturn by boosting social safety net spending.

Expenditure cuts include the curtailing of public sector wage rises and pension increases. The government may go as far as freezing public wages for the whole year 2009. The basic wages would be left unaffected, but extra payments curtailed.

Expenditures will be redirected to investments. The share of capital outlays in the government budget should increase from 17% to 20%. In this respect the budget is highly reliant on EU funds. Their use could be problematic though, on the one hand due to the low capacity of the Romanian administration, on the other hand owing to the lack of progress in fighting corruption. If Romania does not make progress on this front until June, the EU Commission may decide to withhold part of the cohesion money that the government wants to rely on. It is envisaged but not legislated yet that the tax of reinvested profits be cut to 0% in the second half of the year.

The flat tax of 16% has been maintained which is also the corporate income tax. In order to increase revenues the government introduced a minimal lump sum taxation. Businesses that make a loss will still have to pay an annual lump sum ranging from at least RON 2200 (EUR 500) to a maximum of RON 43,000 (EUR 10000). This measure is thought to clamp down on tax evasion and raise budget revenues. A further increase in revenues is expected from the non-deductibility of VAT for cars and fuel costs for companies.

There are several smaller schemes that may buffer the negative impacts of the crisis. The government adopted, on 20 May, a state aid scheme to support SMEs. According to it, the government has increased the state aid budget allotted to SMEs from EUR 5 million to 100 million for the years 2009, 2010 and 2011. The maximum value of the grant for a company is EUR 200,000. The Labour Ministry is running a governmental programme of support for firms and jobs from the European Social Fund in the amount of EUR 61 million. Firms which hire unemployed receive state support amounting to 50% of the salary costs for 12 months. The Ministry of Economy has elaborated another three schemes intended to support investment. These refer to investments of over EUR 30 million and 300 jobs, and larger ones with a capital of EUR 100 million and 750 jobs. Grants are in line with EU public aid norms.

Following the official approval of the letter of intent to the IMF on 4 May, Romania received a first instalment, worth EUR 4.9 billion, of the stand-by credit. This added to the central bank's foreign currency reserves. The objectives of the agreement with the IMF are to reduce the budgetary deficit to less than 3% of GDP in 2011, to maintain bank capitalization and liquidity in the financial market at a proper level, to reduce inflation to the National Bank of Romania (BNR) target, and to secure external funding to improve confidence.

As reserves have been stocked up by the IMF, the BNR could reduce its own reserve collection. At the beginning of May the BNR Executive Board decided to cut the monetary policy interest rate by 0.5 percentage point, to 9.5% per year. It maintained the mandatory minimum reserve rates applicable for RON and foreign currency liabilities at 18% and 40% respectively. Earlier the BNR Board decided to cut to zero the minimum reserve ratios on foreign-denominated liabilities with residual maturities of over two years, starting with 24 May. This has effectively reduced the reserve building obligations of commercial banks and pumped new liquidity into the system.

No special help to the banking system was initiated except for the recapitalization of the state-owned savings bank CEC and Eximbank.

It is mainly political pressure that should keep the funds of foreign-owned banks staying in the country. On 26 March in Vienna, the parent banks of the nine largest foreign banks incorporated in Romania (Erste Group Bank, Raiffeisen International, Eurobank EFG, National Bank of Greece, Unicredit Group, Société Generale, Alpha Bank, Volksbank, Piraeus Bank) met in Vienna together with the IMF, EC, the World Bank etc. and gave a general declaration on maintaining their overall exposure to the country and on increasing the capital of their subsidiaries.[1] As a result of the discussions held on 19 May in Brussels, the nine parent banks agreed to submit specific bilateral commitment letters in the coming weeks to fulfil the objectives agreed upon in Vienna. These commitments, including a precautionary increase in the minimum capital adequacy ratio for each subsidiary from 8% to 10% for the duration of the programme, along with the international financial support package will help Romania's banking system to weather the current crisis and support investor confidence.

Hungary: strong fiscal tightening attempted

BY SÁNDOR RICHTER

When the international financial market turmoil reached Hungary, the immediate symptoms of a nearing ‘meltdown’ were, first, the ‘drying out’ of the market for government securities, endangering the rollover of Hungary’s foreign public debt, and second, the sudden weakening of the exchange rate, increasing the debt service of the private sector (firms and households) indebted in foreign currency. Finally came the freeze of the inter-bank market.

Measures in order to maintain solvency of the country: The first measure against the crisis was to ensure the international solvency of the country. An agreement with the IMF, the European Commission and the World Bank in the framework of an IMF stand-by agreement provided EUR 20 billion in six instalments up to the first quarter of 2010.[2] The objectives are to (i) support the sustainability of the balance of payments through increasing the forex reserves and (ii) secure funds for the central bank stability package. Of the already disbursed instalments, the share provided by the EC was used for financing the budget deficit, part of the facility provided by the IMF was used to finance the stability package for the banking sector, the rest landed as forex deposits of the government at the central bank. Of the funds provided by the IMF, about EUR 2 billion was earmarked for possible actions to bail out the banking system (guarantees, recapitalization).

Monetary policy measures to stabilize the exchange rate: As an immediate reaction to the weakening of the exchange rate, the central bank raised the policy rate by 300 basis points to 11.50% on 22 October. Now, six months later, this rate stands at 9.50%, still 100 points higher than before the October 2008 decision.

Measures to recapitalize the banking system: The government offered recapitalization for the Hungarian banks. As it would mean the appearance or increase of state ownership in the banks participating in the programme, only one bank, FHB, accepted the ‘helping hand’ involving 5% of the earmarked funds for recapitalization.

1 See http://www.imf.org/external/np/cm/2009/032609.htm.

2 http://www.imf.org/external/np/cm/2009/052009.htm.

Other banks (MKB, Raiffeisen) received capital injections from their mother companies, the only significant domestic-owner bank is in negotiations about a capital injection in the form of a subordinated loan from the EBRD.

Measures in order to maintain/increase the liquidity of the banking system:[3]

Measures to maintain HUF liquidity

- Announcement of MNB auctions for the purchase of government securities
- Six-month, variable-rate collateralized loan tenders
- Narrowing the interest rate corridor around the key policy rate to ±50 basis points from ±100 basis points
- Two-week, collateralized loan tenders with a fixed interest rate
- Widening the range of eligible assets in a series of steps
- Reducing the reserve ratio from 5% to 2%

Measures to increase HUF liquidity

- Two-way O/N FX swap tenders (providing euro and forint liquidity) under a competitive bidding scheme
- O/N FX swap standing facility providing euro
- Swiss franc liquidity-providing one-week, fixed price FX swap tenders
- Euro liquidity-providing six-month EUR/HUF FX swap tenders

Government measures to promote domestic corporate lending:[4] Since November 2008 the government has introduced four new programmes and has eased the conditions of some existing ones, each focused on SMEs. Of the new programmes, Új Magyarország Working Capital Credit Programme, SME Credit Programme, and Venture Capital Programme provide additional funds for the banking system to enable it to refinance corporate loans; other measures turn the conditions on banks' existing offers more favourable through providing subsidies on interest or guarantee schemes. The total volume of new funds for refinancing amounts to HUF 225 billion, of which HUF 140 billion is allocated to providing the most crucial short-term loans for financing working capital. It corresponds to 10% of the total volume of SME loans maturing within a year. The new funds to refinance banks' corporate loans originate mainly from EU sources; Hungarian government budget financing is used for guarantees and interest subsidies.

Government measures to help reschedule credits of selected households: With the help of government guarantees the commercial banks may reschedule credits for selected households indebted either in forint or foreign exchange. Only those debtors are eligible for this programme who have lost their job after 30 September 2008, who do not possess another real estate and whose credit is less than HUF 20 million (about EUR 70,000).

Government programme to counter the crisis in the construction industry: This programme is to generate HUF 1800 billion (EUR 6.5 billion, about 7% of one year's GDP) orders in 2009 and 2010 for the construction industry, primarily in EU Structural and Cohesion Fund co-financed projects. This is actually only an acceleration of already planned EU co-financed projects. The government's contribution consists of advance payments for the investors between 25% and 40% of the investment's value. Central government bodies and local governments which will be found responsible for the delay of due disbursements of EU funds for investors will be penalized. Lack of advance payments and delayed payments have both been important bottlenecks in the realization of EU co-financed projects, thus these measures will indeed create additional demand for this and the next year compared to a situation without these measures.

[3] Quarterly Report on Inflation, National Bank of Hungary, February 2009, p. 25.

[4] Report on Financial Stability, National Bank of Hungary, April 2009, p. 32.

Procyclical fiscal policy measures coupled with a reduction of the tax burden on labour: In the current circumstances there is no room for classical fiscal expansion in Hungary. In order to regain the country's credibility with international financial investors and observe the conditions of the IMF stand-by agreement, the general government deficit must remain relatively low despite the deep recession. The IMF and the European Commission accepted that Hungary would attain a GDP proportional deficit of 3.9% in 2009 (a opposed to the 2.5% in the original agreement) but even this more relaxed deficit target requires cuts in the budget expenditures, i.e. a procyclical fiscal policy.[5]

Slovakia: a measured fiscal expansion

BY ZDENEK LUKAS

The seven years of robust economic expansion in Slovakia have come to an abrupt end. This small, export-oriented economy was hit hard by the sharp contraction in foreign demand. Germany and the Czech Republic, Slovakia's key export markets, are both in recession. So is Slovakia, whose GDP contracted by more than 5% in the first quarter of 2009. Prospects are bleak in the months to come.

Since the end of 2008 the cabinet has taken a number of measures to lessen the negative external impacts. Most them are described in the 'Stability Programme of the Slovak Republic for 2008-2012'.[6] The measures have been focusing on encouraging consumption and investment. That is to be backed by improvements to the business environment. Specifically, the burden of taxation is temporarily eased.

The tax-fee personal income allowance is raised, VAT refunds are to be executed promptly. The volume of state-guaranteed loans for enterprises (in particular SMEs) has been raised. The European Commission authorized a Slovak economic aid plan to help companies suffering from weak liquidity. The state can help with a sum of up to EUR 500,000 per company. This applies to firms facing financial problems caused by lower loan accessibility. (This regulation is in power through the end of 2010.)

For many years Slovakia has suffered high unemployment. Therefore measures supporting employment are vital. They include (i) the provision of subsidies equal to the social contributions paid to the employers who temporarily limit their operations, (ii) a decrease in social contributions for mandatorily insured self-employed and (iii) simplifying the legal environment for existing or new firms employing otherwise unemployable persons.

Since the beginning of 2009 child-birth benefits have been raised. Also the pension indexation factor has been increased. In addition, a temporary (until 31 December 2009) car-scrapping bonus has been introduced. This stipulates the subsidy of EUR 2000 per new car (priced less than 25 thousand euro). That should help raise demand for small Slovak-made cars. However, unlike the Czech automotive industry, Slovak car makers have so far not been strongly profiting from the car-scrapping bonus introduced several old EU countries. As yet, foreign demand for low-cost cars (such as small models of KIA, Citroen or Peugeot) and luxury cars (VW Touareg, Audi Q7 and Porsche Cayenne) produced by foreign-owned companies in Slovakia has been disappointing. The fall in car manufacturing by nearly one half resulted in a contraction of gross industrial production by one-quarter in the first four months of 2009.

Besides, there have been cash injections for the Slovak cargo and railway company, the Slovak Guarantee and Development Bank as well as the Export-Import Bank in the value of EUR 310 million. These expenditures do not represent a burden on the general government deficit but increase the debt. As elsewhere, the government intends to facilitate a more effective absorption of EU funds with the help of better

5 These procyclical fiscal measures are described in detail in the May issue of the *wiiw Monthly Report* (5/2009).

6 Government decision No. 316 of 29 April 2009; see parts I.4 and I.5.

prepared big investment projects including public-private partnership (PPP). Co-financing is to be secured.

The projected expenditures on the anti-crisis measures amount to EUR 0.7 billion in 2009-2010. This would correspond to some 0.5% of GDP, in annual terms. Furthermore, the government is expecting additional financial transfers of EU funds in the total amount of EUR 242 million for 2009-2010. Should the drawing of EU funds really rise in line with the projections, the cabinet would expect a pro-growth effect of 2.4% in 2009 and 1.9% in 2010. However, given the current delay in the preparation of a very big and ambitious infrastructure project (highway construction via PPP), that target does not appear very realistic. Despite the anti-crisis package, GDP will contract by about 5% in 2009. In view of the pro-growth and stabilization measures and the co-financing needs of the EU-funded projects, as well as lower budgetary revenues due to the recession, the general government deficit will exceed 5% of the GDP both in 2009 and 2010. Public debt will rise and account for nearly 40% of the GDP in 2010.

The most challenging issue facing future economic expansion relates to the excessively strong SKK/EUR conversion rate that undermines Slovak export competitiveness. As a matter of fact, in the long run, sustainable economic growth has to be backed by investments in new, advanced technology for the knowledge economy in order to regain competitiveness and to revitalize export expansion. The long-term-oriented measures included in the current anti-crisis package aim at promoting long-term sustainability of economic growth. They comprise, in particular, subsidies for R&D activities as well as programmes for increasing energy efficiency.

Finally a word on anti-crisis measures in banking. These are minimal, because Slovak commercial banks have so far not been hit directly by the global financial and economic crisis. The exposure of banks to toxic assets is marginal. More than 90% of bank assets are in foreign ownership, with dominance by Austrian and Italian banks which locally operate in the traditional deposits-and-loans business. On the whole, compared to Western countries, both public and private debt is very low. Nevertheless, two stabilizing instruments have been applied since November 2008: To avoid a run on bank deposits, the National Bank of Slovakia introduced an unlimited deposit guarantee for private persons. Besides, the NBS has tightened supervisory rules for liquidity transfers by daughter banks to their foreign mother banks.

Latvia: desperate attempts at preserving the exchange rate peg

BY SEBASTIAN LEITNER

The Latvian government has to face a dramatic economic situation: GDP in the first quarter of 2009 is estimated to have fallen by 18% year-on-year and the rate of unemployment rose to 14% in the first quarter compared to 6.5% in the same period a year earlier.

The economic downturn in Latvia is aggravated by two particularities: The first one is the Baltic bust following the boom period, which was characterized by an enormous inflow of credits in the country which triggered private consumption and investment in the real estate sector. Now that those bubbles have burst and the credit crunch is evident, the downturn is sharper than in other countries in Central and Eastern Europe. Given the fact that the inflow of capital together with the fixed exchange rate regimes resulted in a sharp rise of inflation in the boom period, the subsequent rise of the real exchange rate has led to a ballooning current account deficit and a slowdown of exports and industrial production already during 2008.

The second distinctive feature of Latvia is the liquidity crisis of Parex Bank, the country's second largest institute, in November 2008. In order to prevent Parex from bankruptcy, the bank had to be nationalized. This resulted in a deterioration of the refinancing situation of the Latvian government and a sharp rise of the RIGIBOR indicating the increased probability of the Latvian currency to be devalued alongside the fall of foreign currency reserves of the Bank of Latvia.

In December 2008 the IMF, the EU Commission and Nordic countries approved a rescue package for Latvia worth EUR 7.5 billion. About half of the money is envisaged for covering the budget deficits, another third for financing the government debt and the rest for further bank recapitalization and loans to enterprises. The Latvian government committed itself in return to take serious measures to curb government expenditures and reduce the mounting fiscal deficit.

In order to curb the expected fall of government revenues the VAT rate (standard) was increased from 18% to 21% on 1 January 2009 alongside an increase in excise taxes. The announcement of spending cuts, however, led to riots in the streets of Riga in January and in the following to the demise of the government. The new five-party coalition government led by Valdis Dombrovskis, taking power in March 2009, imposed public wage cuts of 15%. However, by the end of April it was obvious, that the economic slump was followed by an even sharper fall in government revenues. In particular the fall in income from VAT was dramatic, declining by about 30% year-on-year in the first quarter. Thus the public deficit target of -5%, as stated in the rescue package, is out or reach now. The Minister of Finance announced a new target, -7% of GDP, for 2009. In total the government plans to cut government expenditures by 40% in 2009, compared to 2008, in nominal terms. Public wage bills are planed to be cut by another 10% nominally and expenses for health and education are to be reduced by enforcing ‘structural reforms and an increase in efficiency’. In the agreement on the rescue package, the IMF stressed that the Latvian government should try to maintain social expenditures at the existing level, therefore a cut in unemployment or other social benefits has not been announced so far.

In response to the announcement of the increased deficit target, EU Economic and Monetary Affairs Commissioner Almunia stated at the beginning of May that the EU would like to see more progress on budget and structural reforms before it releases the second tranche of its aid programme, worth about EUR 1 billion. The IMF at the same time is completing its review that will release its third tranche of financing worth EUR 200 million.

As described above the Latvian government has implemented a package of procyclical policies which should prevent a currency crisis via internal devaluation. Without the rescue package, abandoning the currency peg would have been necessary at once. However, it is highly questionable whether the benefits of the currency peg of the overvalued lats to the euro outweigh the disadvantages. In the second half of May several representatives of Nordic banks claimed in interviews that their institutes could withstand a devaluation of the lat (and other Baltic currencies) – an option that was opposed by the same managers in former times to protect their assets in the Baltics. The collapse of economic activity in the Baltics has made it clear that internal devaluation is accompanied by quantitative effects which may lead to even higher credit default rates, compared with the option of a currency devaluation which is followed by a rising debt burden of creditors (90% of Latvian creditors have borrowed in foreign currencies, in particular the euro).

Up until now the government has committed itself firmly to keeping the lats pegged and adopting the euro by 2012; it has even envisaged reducing the budget deficit by 2011 to the 3% laid down in the Maastricht treaty. Obviously, the exit option of entering the eurozone is the only argument left to maintain the fixed lats/euro rate. At the same time this means that Latvia will face another three years of austerity packages to adjust government expenses to nominally shrinking public revenues.

The reaction of financial markets and depositors immediately after the implementation of the rescue package in December 2008 was broadly positive, but the reason for, e.g., non-resident deposits in the banking sector to stabilize was also that the government restricted deposit withdrawals at Parex to EUR 50,000 per month, which applied in effect not only to Latvian branches but also to subsidiaries throughout Europe.

On 16 April the EBRD signed an agreement with the Latvian government to take over 25% plus one share of the total share capital of Parex Bank, thereby alleviating the public recapitalization burden. The EBRD furthermore announced that it plans to acquire a minority share of about 10% in two Latvian banks, but details have not been published as yet.

Since the economy of Latvia is highly 'euroized' – 70% of deposits and 90% of loans are denominated in foreign currencies – the possibilities of the Bank of Latvia (BOL) to influence credit developments via intervention in the money market are more limited as compared to other CEE countries. Nevertheless, the BOL tried to ease the liquidity situation by lowering the refinancing rate from 6% to 5% by the end of March 2009 and down to 4% at the end of May. Yet, the capacity of the banks to issue new credits has meanwhile been shrinking, since the share of overdue loans soared to 20% by the end of May, forcing banks to create specific provisions.

No more detailed information on interventions of the BOL are available up to now.

However, the probability of a devaluation of the lats has risen since the foreign currency reserves of the BOL are dwindling. By the end of April forex reserves had been reduced by 30% year-on-year and throughout May another 6% of reserves had to be spent on purchasing lats by BOL. These interventions bring forth a fall of all monetary aggregates; in particular, M1 fell by more than 16% year-on-year in the first quarter of 2009, after a reduction of close to -10% already in 2008. This provokes the danger of strong deflation in the course of the year. Another indicator of devaluation expectations on the rise is the development of the Rigibor, which fell only slightly from 14% in December 2008 to 11% at the beginning of February, but has risen since to 14.4% at the end of May 2009.

In the IMF agreement the Latvian government promised to draft proposals to help debtors in financial difficulties. This issue was postponed and by the end of May no definite solutions had been found how to bail out private homeowners with overdue mortgage burdens. Furthermore the government plans to approve a new insolvency law by the end of June.

No government programmes for direct enterprise support have so far been launched or announced in detail.

Ukraine: muted response to the financial crisis

BY VASILY ASTROV

Given the lack of own fiscal resources and the very limited access to international capital markets, Ukraine is hardly in a position to implement any kind of fiscal stimulus – unlike e.g. the advanced OECD countries or Russia. In addition, the elaboration of any 'anti-crisis' fiscal package is complicated by the lack of political consensus within the ruling elite and the persistent stand-off between President Viktor Yushchenko and Prime Minister Yuliya Tymoshenko.

Until recently, Ukraine's economic policy concerns were largely on the external – rather than the fiscal – front. The challenge has been the ability to serve its external debts and not least over the possibility of a sovereign default. It was these concerns which were behind Ukraine's efforts to secure an IMF stand-by loan worth USD 16.4 billion in November 2008. The fact that the IMF package was aimed (at least initially) exclusively at solving the country's balance of payments problems – and not at mitigating the effects of the crisis on the real economy – was exemplified most visibly by the IMF conditionality of a deficit-free budget for 2009 (ultimately ignored by the Ukrainian government).

However, the recent substantial improvement of Ukraine's external position[7] and the mounting problems on the fiscal side have brought about a certain shift in IMF priorities. As a result, half of the *second* IMF tranche released in May (USD 2.8 billion) may be used to cover the 2009 (central) budget deficit; the IMF has required that the latter may not exceed 4% of GDP. This relatively high (by Ukrainian standards) budget deficit target results from a recession-induced shortfall in revenues rather than from an increase in expenditures. On the contrary, in order to meet the IMF requirements, the government has had to adopt fiscal consolidation measures, such as raising the revenues of the Pension Fund and adopting a financial plan for the state-owned energy monopoly Naftogaz. (These measures sum up to nearly 1% of GDP.) Generally, the government priority in the fiscal sphere is to maintain social expenditures; budget cuts mostly fall on investment programmes – explaining not least the 40% drop in fixed capital investment in the first quarter 2009 (year-on-year).

The 4% budget deficit target does not take into account the costs of bank recapitalization (UAH 44 billion, or some USD 5.5 billion, according to the 2009 budget). There is a list of seven banks (all domestically owned)[8] in need of recapitalization, but the actual procedure has not started yet. In line with the most recent IMF requirements, the first wave of recapitalizations should be completed by the end of June 2009. The government has also committed itself to amend banking legislation in the issues of bank insolvency, mergers and acquisitions, and gradually phase out restrictions on the foreign exchange market and multiple exchange rates (introduced earlier in response to the financial turmoil). Another restriction imposed by the National Bank at the end of 2008 – a ban on the early withdrawal of bank deposits – was abolished in May 2009, following the continuous strengthening of the hryvnia and the related subsiding of incentives for households to convert their hryvnia deposits into foreign exchange.

In the area of trade policy, at the end of 2008 the government imposed a 13% extra import duty (still in place), which – along with the above-mentioned pronounced hryvnia devaluation – has contributed to dampening imports.

7 In the first quarter of 2009, the current account deficit stood at just USD 882 million (down from USD 3700 million the year before) – the combined result of the pronounced hryvnia devaluation, the deep economic recession and the very low energy imports (partly due to the supply cuts of Russian gas in January), which exerted a strong downward pressure on imports. Still, because of the net capital outflows, the overall balance of payments was strongly negative.

8 The recapitalization of *foreign-owned* Ukrainian banks by their parent banks is already taking place, explaining the relatively strong FDI inflows in April 2009.

The road to China's economic transformation: past, present and future*

BY XIAOLU WANG AND GANG FAN**

Thirty years has past since the beginning of China's economic reform in 1978. As well as transitioning from a centrally planned economy into a market economy, China has also performed well in economic development. However, some aspects of economic reform were delayed, and China currently faces a number of challenges for future development. In this paper, we examine the past experiences, present situation, and future challenges in China's economic transformation.

Economic performance during the past period of transformation

Up until the beginning of its economic reform in 1978 China was basically a Soviet-styled centrally planned economy. During the past 30 years, prices of most commodities have been liberalized. The private enterprise sector, including private companies, share-holding companies, and foreign-funded enterprises, has become the dominant sector of the economy. Although the government is still playing important roles in the economy, the overall command system was abolished long ago.

During this period (1978-2008), China has achieved an average GDP growth rate of 9.8%, nearly four percentage points higher than that of the pre-reform period (1952-1978). GDP in constant prices increased 16 fold, and the size of the economy overtook Russia, Canada, Italy, France, UK and Germany, and now ranks third in the world.

GDP per capita in China is still low. It was around USD 220 in 1978 and USD 3250 in 2008. At PPP the per capita GNI in 2006 was USD 4660, according to World Bank. In 1978, there were 250 million of the rural population under the official poverty line, accounting for one-third of the rural population. In 2007, there were 15 million, or 2%.

In the first decade of reform (1978-1988), China introduced a family-based Household Responsibility System in the agricultural sector, partially decentralized the fiscal system, gradually and partially lifted price control, and encouraged development of the non-state sector, especially the Township and Village Enterprise sector. Annual GDP growth rate during this period reached 10%. Urban and rural income per capita in constant prices increased by 1.82 and 2.11 fold respectively.

Agricultural reform

The first step towards economic reform in China was agricultural reform which began in 1978. As a replacement of the inefficient People's Commune System, the rural Household Responsibility System (HRS) was not designed by the government, but was rather an innovation by farmers that originated from the 1950s. Although this showed its advantage in increasing output and reducing rural poverty repeatedly throughout the 1950s till 1970s, it was suppressed by the leadership for ideological reasons several times (see Research Group for China's Rural Development, 1981).

In 1978-1980, farmers in some regions reintroduced this system with remarkable success in increasing agricultural output and rural income, and thus it automatically spread to broader areas. In Anhui and Sichuan provinces, this was supported by the provincial leaders, Wan Li and Zhao Ziyang,[1] but attacked by conservative leaders

* This is an abridged version of the paper presented at the International Conference 'The Great Transformation: 1989-2029', Warsaw, 3-4 April 2009, organized by TIGER Research Center. Some material included in this paper comes from Wang's contribution to the book *China's Dilemma* (Song and Woo, eds., 2008).

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[1] Wan later became the Chairman of the National People's Congress Standing Committee in 1988-1993. Zhao became the Prime Minister (1980-1987) and then the General Secretary of the Communist Party (1987-1989).

Table 1

Farming output and rural income before and after agricultural reform

	1978 (before HRS)	1984 (after HRS)	1984/1978
Grain (mn tons)	304.8	407.3	134%
Cotton (mn tons)	2.2	6.3	289%
Oil bearing crops (mn tons)	5.2	11.9	229%
Fruit (mn tons)	23.8	47.8	201%
Per capita rural income (yuan)*	134	355	250%
Rural poverty (mn persons)	250	128	-51%

* Income levels are in current prices, and the relative changes are calculated at constant prices.

Source: NBS (2005a).

at both the central and local levels as a serious crime of 'anti-socialism'. However, the outcome of the HRS was more convincing than ideologies. After many debates, the HRS was formally accepted and promoted by the central government and the central committee of CCP in 1982. More than 97% of the Chinese villages had adopted HRS by 1984. The Commune system was abolished. The HRS is a household based farming system which operates by distributing farm land to households under long-term contracts. Unlike the old Commune system, it provides farmers with sufficient incentive and autonomy. In 2006 all the land contract levies, together with the agricultural tax, were abolished. Now land use is free for farmers.

The pricing mechanism of agricultural products was also changed. The government first increased the state purchasing prices of grain by 20-50% in 1979, and then gradually liberalized the grain market. Similar things happened to other agricultural products. The HRS reform, together with price increases, led to remarkable increases in agricultural output and farmers' incomes in the early 1980s. The long-term food shortage problem was solved. Over the period 1978-1984, farmers' real incomes per capita increased 2.66 fold. Rural poverty reduced by half (see Table 1). Urban-rural income disparity also decreased.

An important condition for the success of agricultural reform was the fact that the political leaders were experienced in rural issues and made rural development and improvement in people's life a priority target of reform.

In general, agricultural reform in China was a bottom-up process. It adopted a model that was preferred by most farmers and led to improvement in the quality of life for nearly all the 790 million rural residents, who accounted for 82% of the Chinese population in 1978. Urban people also benefited because food supply was greatly improved. In contrast, agricultural reform in Russia followed a top-down approach. The leadership imposed an imported agricultural model on farmers without considering indigenous needs and local situations. The results were a disaster and most of the people suffered because of it.

Price reform

Price reform in China was a crucial part of transition towards a market economy. A 'dual price system' gradually formed in the early and mid-1980s. As a transitional measure, it allowed market prices to work at the margin while the planning price system remained. This avoided major economic shocks and maintained economic growth in the early stages of reform.

Some state-owned enterprises (SOEs) in the Sichuan province were brought into the experiment of 'expanding enterprise autonomy' during the period 1978-1980. For production over-fulfilling the state tasks, firms were allowed to sell their outputs and to purchase inputs at flexible prices outside the

Table 2

Proportion of products subject to market prices

	1978	1997	2005
Controlled price	>90%	11.9%	7.2%
Guided price	<10%	3.6%	
Market price		84.4%	92.8%

Note: Calculated as weighted averages of retailed commodities, inputs and agricultural products.

Source: Fan, Wang and Zhu (various years).

state plan. This experiment achieved the desired result and so was later applied to all SOEs in China. It actually led to the emergence of markets in addition to the planning system. The market prices provided incentives to enterprises and played the role of balancing supply and demand at the margin.

In addition to debates on the validity of market prices, it was becoming clear that the planning price system did not function well, and further market-oriented price reform was needed. There was also a general consensus that a radical price reform would exceed the economy's ability to withstand it. The reason for this was that for some major products the gaps between controlled prices and market prices were large, (e.g. market prices of steel were three times that of planned prices at the time), and a sudden abolition of price control would have created violent shockwaves which would have impacted industries and consumers and resulted in serious inflation, unemployment, firm bankruptcy and economic declines (see, e.g., Chinese Institute for Economic System Reform, 1987). As a result, the government basically persisted with a dual-price system through the 1980s. Planned prices were gradually adjusted to approach market prices and price control was withdrawn product by product as and when reasonable equilibrium had been achieved. For those important inputs like steel, where price control remained for quite a time, an increasing part of output was also market-oriented. The higher market prices provided incentive to firms to meet additional demand and thus the role of market mechanism became more and more important. Steel output over the period 1980-1993 increased from 27 to 77 million tons (NBS, 2005a), while its prices were gradually liberalized.

A different approach was attempted in 1988 when the top leaders planned to launch a 'price reform storm' to liberalize the remaining part of controlled prices. This scheme resulted in massive panic purchasing of consumer goods and a bank squeeze and was soon given up. Another important contributing factor to price reform was the rapid growth of market-oriented non-state enterprises. This substantially increased the scope for market prices to work. The non-state enterprises gradually became the dominant sector of the economy, and eventually led to market prices playing the dominant role. Prices of most of the commodities are now determined by market competition. Table 2 shows how the price mechanism has been transformed over the past three decades.

Today, China has emerged from the 'economy of shortage' that resulted from the rigid central-planning mechanism. Serious supply bottlenecks have been eliminated. The economic structure has become more balanced and healthier. Moreover, market competition has promoted substantial increases in efficiency.

It should be mentioned that in 2007-2008, price intervention on certain products, including petroleum products and some raw materials, reappeared. The price control was used as an anti-inflation measure but it distorted resource allocation, expanded energy consumption, and increased government burden. This policy should be changed to allow market prices to play the fundamental role.

Table 3

Ownership structure of the industrial sector (share in Gross Output Value)

Year	SOE	Non-state		
			Collective	Private [a]
1978	77.6%	22.4%	22.4%	-
1990	54.6%	45.4%	35.6%	9.8%
2000	47.3% [b]	52.7% [c]	13.9%	38.8%
2007	29.5% [b]	70.5% [c]	2.7%	67.8%

- : percentage share is negligible.

a) Private sector including private enterprises, foreign funded enterprises and joint-stock companies. - b) SOE data for years 2000 and 2007 include joint stock companies with a controlling state share. - c) Data exclude small non-state enterprises with annual sales below 5 million yuan.

Source: NBS (2005a, 2007, 2008).

While prices were generally market-driven, price levels during the transitional period were basically stable, and hyper inflation was avoided. The average CPI in the three decades 1978-2008 was 5.7%.

To summarize the above, transformation of the price mechanism in China from planned to market-led was an evolutionary process. This was based on the consideration for macroeconomic stability as well as protecting consumers, workers, and enterprises from shocks.

Ownership structure transformation

The Chinese non-agricultural industries were dominated by State Owned Enterprises (SOE) before reform. In 1978, they shared 78% of the gross industrial output value with the remaining 22% completely shared by collective enterprises. Transformation of the ownership structure began with the development of the Township and Village Enterprises (TVE) in rural areas, and foreign-funded enterprises (FE) and enterprises with investment from Hong Kong, Macao and Taiwan (HMTE) in four Special Economic Zones in the early 1980s.

There were serious debates on non-state enterprises in the 1980s. An influential opinion in the government was that these enterprises were competing with SOEs and 'undermining the socialist economy' and so should be banned, whereas others argued that these enterprises significantly contributed to employment, people's incomes, the supply of goods and services, and government revenue, and therefore should be further developed. The latter view dominated central policy, and was made more convincing when the non-state enterprise sector achieved better performance.

Following their early success, development of FEs, HMTEs, private enterprises and joint-stock companies were promoted in broader coast areas and then in the whole country, gradually becoming the dominating part of the economy. In 2007, the non-state enterprises shared 70.5% of industrial output value. This excludes small private enterprises with annual sales below 5 million yuan. Table 3 shows changes in the industrial sector in the past three decades. In 2007, employment in urban non-state enterprises reached 229 million, which is 78% of urban employment.

Transformation of the ownership structure of the economy was basically due to two processes: continued robust growth of the private and foreign enterprises in the past three decades, and privatization of SOEs mainly in late 1990s and after.

Whether SOEs should be privatized was still controversial in the 1990s. Although they became partially market-oriented, their performance was generally poor. Over the period 1984-1996, SOEs' total losses increased from 3 to 79 billion yuan, and their profits, after deducting losses, dropped from

71 to 41 billion (NBS, 1997, 1998). Non-performing bank loans to SOEs built up to the trillion-yuan level. The 1997 Asian financial crisis further sharpened the pain.

In 1997, the state council adopted a new policy called 'grasp the big and free the small', which allowed small SOEs to be privatized. For large and medium SOEs, the policy focused on either improving their management or transforming them into joint stock corporations and limited liability companies.

From 1996 to 2006, the number of SOEs in the industrial sector decreased sharply from 113,800 to only 24,961 (the latter figure including both pure SOEs and the joint stock corporations with a controlling state share; hereafter these are called State Controlled Enterprises, or SCE). Their employment in industry fell from 43 to 18 million. Most small SOEs were fully privatized.

The remaining SCEs in the industrial sector produced less then 30% of the total industrial output in 2007, but their performance had improved. Their profit increased from 41 to 849 billion yuan during the 1996-2006 period, and their profit-asset ratio increased from 0.8% to 6.3%, close to the industrial average of 6.7%. Non-performing loans in the banks also reduced substantially, accounting for 23.6% of total loans in 2002 and 6.7% in 2007. These figures imply that the policies on improving SOE management and non-state participation were effective.

A large number of SOEs became private firms and general performance of the whole private sector improved significantly. This indirectly implies a generally good performance of the privatized former SOEs.

Nevertheless, privatization of SOEs was not a painless operation. Twenty million SOE workers were laid off in 1998, and then another 26 million over the following years up to 2006. Due to the lack of a social security system in the first few years, laid-off workers received only limited financial support and many of them fell into hardships. This was a real shock, although maybe smaller in scale than that in Russia. The development of the non-state sector, which re-employed many former SOE workers, reduced the impact.

Another negative outcome was low-transparent and unfair distribution of the former state assets in some areas, where the process of privatization was neither well regulated nor monitored. There were a lot of under-the-table deals and corruption.

In examining the process of SOE reform with hindsight, the negative effect could have been reduced if the social security systems had been put in place earlier, and the process of reform had been better regulated, more transparent, and followed a step-by-step approach.

Income inequality: a new challenge to the Chinese economy

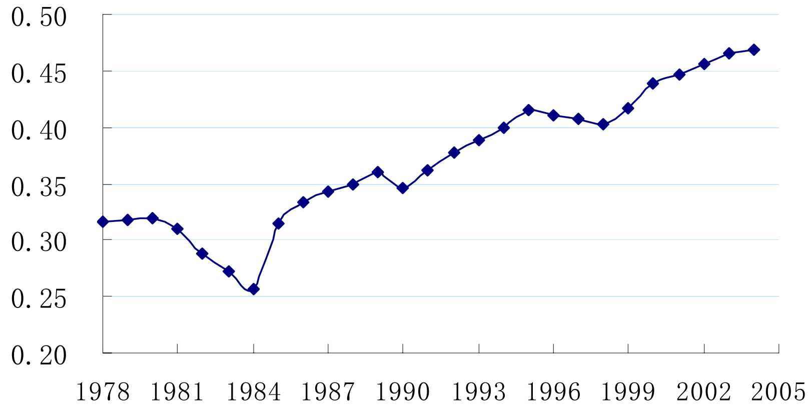
Although reform in China over the past three decades has been successful, the Chinese economy is now facing a number of new challenges. One of these is the widening income inequality. The Gini coefficient dropped from 0.32 to 0.26 in the first few years of reform (1978-1984), because the agricultural reform increased rural income and reduced the urban-rural income gap. However, there was a continual increase in the Gini coefficient after 1984, with it reaching 0.47 in 2004 (see Figure 1).

The widening inequality is due to a number of reasons. First, economic growth in the better developed east coast areas has been faster than that of the inland areas. Second, urban-rural income disparity is widening because urban economies have grown more rapidly. Third, inequality between different resident groups is increasing significantly, because returns to capital, human capital, land and other resources has risen faster than returns to unskilled labour.

The slower growth of labour income is mainly due to the abundant supply of labour force, which has

Figure 1

Increasing income disparity: Gini coefficient in China



Source: WIDER database and World Bank (2008).

suppressed wage rises for some time. Now there are still more than 400 million rural labourers, which account for 62% of the total labour force. Pressure on the employment situation and wage growth is also added to by the movement into urban areas of several million rural workers seeking jobs and better lives.

Meanwhile, incomplete social security systems and the lack of public services, e.g., health care and public education, make the situation even worse.

Finally, there is widespread exploitation and corruption in the public sector, which distorts income distribution and enlarges income inequality.

Although many of these are development issues and commonly seen in other developing countries, they are also due to defects, or non-completion, of the institutional frameworks which has resulted in the inefficient and inadequate allocation of resources and inequality of income distribution (see Wang, 2007). This induces social conflicts, and challenges the social justice, social stability and growth sustainability.

In recent years there have been extensive policy adjustments aimed at reducing income inequality. The government has carried out several programs for promoting development in the less developed Western, Central and North-east regions since 1999. It abolished agricultural tax and village levies in 2004-2005, exempted school fees for rural and urban nine-year compulsory education in 2006-2007, established a rural minimum living allowance system in all provinces by the end of 2007, built a rural cooperative medical service system in all provinces in 2008, and implemented a new 'Labour Contract Law' in 2008. Urban social security systems have also been improved in recent years. It is expected that the widening income inequality has very recently been reduced.

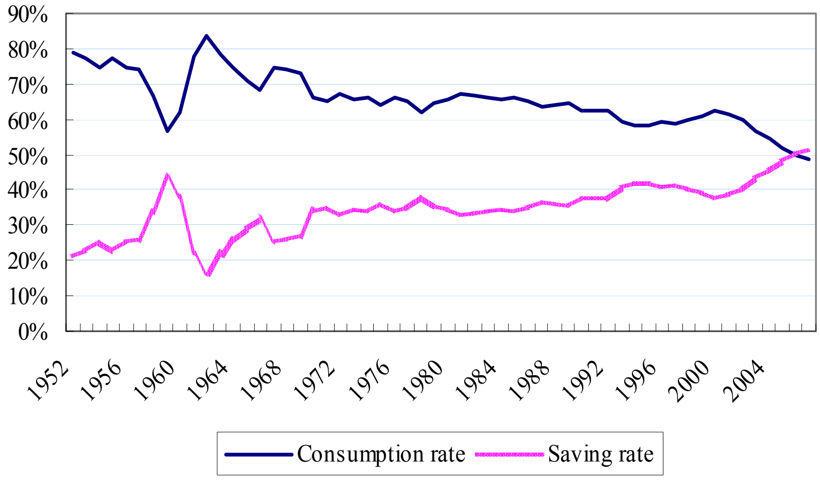
A lot of effort has been made to improve the social security and transfer payment systems. However, there is a need for further institutional reform to move towards a more transparent, better public-monitored government system, more complete social security and public services systems, and a more efficient legal system.

Structural imbalance: saving and consumption ratios

The Chinese economy has been seriously affected by the global economic crisis since the last quarter of 2008. This has resulted in a drop of economic growth and rising unemployment. Some recent surveys have estimated that the number of unemployed rural migrant workers has reached 13 or 20 million. This is mainly due to the shrinkage in the international market, which has seriously impacted China's export industry.

Figure 2

Increasing saving and decreasing consumption in China



Source: NBS (2005a, 2008).

Economic growth in China in recent years has relied heavily on exports because of the deficiency in domestic consumption demand. There has been a long period of a decreasing ratio of final consumption to GDP, especially over the past seven or eight years, which saw it drop from 62% in 2000 to 49% in 2007, while the gross saving rate increased from 38% to 51% (see Figure 2). Investment has increased rapidly in recent years. Due to imbalances between investment and consumption growth, this has resulted in continued overcapacity in the industrial sectors.

Due to the relatively weak growth in domestic demand, economic growth has increasingly relied on demand from the international market. From 2000 to 2007, net exports increased from 2% to 9% of GDP, becoming an important driving force for economic growth. This situation made the economy vulnerable: when the global economy is slowing down, economic growth in China is seriously affected.

Most recent data indicate that the US and European economies are in serious recession, and the over-consumption pattern in the US is unlikely to be able to continue in the future. All evidence shows that, for sustainability of economic growth in the future, it is necessary for the Chinese economy to adjust itself towards a more domestic-demand-led growth pattern. In particular, a substantial increase in the share of final consumption in GDP is needed.

Our econometric analysis using a growth model finds that a decrease in the final consumption ratio has a non-linear effect on total factor productivity (TFP) and economic growth. The effect is positive when the ratio is above 50%, and negative when it is below a critical point close to 50%. This implies that a very high or very low consumption rate (correspondingly, a very low or very high saving rate) causes inefficient use of financial resources, and therefore lower TFP (Wang, Fan and Liu, 2009).

Some recent studies have found that the trend of decreasing consumption ratio is closely related to the decreasing labour share in GDP (e.g., Zhuo, 2007). Meanwhile, increases in corporate savings are found to be the main reason for increases in national savings. Its share in total savings increased from 28% in the mid-1990s to above 40% in 2005. These figures imply that the saving-consumption imbalance is the result of a certain pattern of income distribution.

Besides slower wage growth compared with economic growth, the increasing share of corporate savings has been a result of institutional defects. For instance, due to the non-completion of the taxation system, gains from natural resources, e.g., oil and coal, were basically retained as corporate profits and savings instead of returns to public. A similar situation applies to other monopolistic profit.

Therefore, to rebalance the saving-consumption pattern, further institutional reforms in the taxation and government revenue systems are necessary.

Government reform: the next step?

The early economic transformation in China was accompanied by decentralizations of the government power and the budgetary system. The shares of budgetary revenue in GDP dropped from around 30% in the late 1970s to 10-11% in the mid-1990s. The government then reinforced the taxation system, leading to increases of the share of budget revenue in GDP to 20% by 2007. Besides the budgetary revenue, governments at different administrative levels also have some extra-budget levies, which are less transparent, regulated and monitored. There are no reliable data for the total size of these levies.

The roles of government in economic activities decreased in the early period of the market-oriented reform, but has increased in recent years. The later trend in general reflects the increasing economic and social needs for infrastructure investment, social security, and public services. However, self-expansion and corruption in the government sector, and inefficient use of public resources, have also become serious problems. One indicator is that the ratio of government administrative expenses to GDP has nearly doubled in the past 10 years, although its absolute value is still low. It would be much higher if the administrative expenses that are sourced from the extra-budget revenues were included in the ratio.

In a recent study, we examined the impact of government administrative cost on economic growth via a growth model. By using empirical data from the past half a century, we find that increases in the ratio of administrative cost to GDP have a large negative and highly significant effect on economic growth. Our growth accounting indicates that this caused a 1.66 percentage point annual deduction to the GDP growth rate during the period of 1999-2007 (see Table 4).

Furthermore, our growth forecast based on this analysis indicates that there are three crucial factors for future economic growth in China: the government efficiency, human capital growth, and saving-consumption balancing.

In a business-as-usual scenario, we derived that the average economic growth rate during the coming period of 2008-2020 can only achieve 6.7% (9.7% for the past decade), and the fast growth is likely to fade away by 2020. However, in an alternative scenario with three assumptions, economic growth in the 2008-2020 period can be maintained at 9.3% annually, and the potential for economic growth in the post-2020 period will still be high. With this growth rate, it will be possible for the size of the Chinese economy to catch up with the US by 2030. These three assumptions are:

1) a future reform in the government sector towards a more transparent, more public monitored, and better regulated administrative system which increases government efficiency and restricts corruption and expansion of government administrative cost;
2) more investment in education resulting in faster human capital growth, lifting up per capita schooling years from the current 7.5 to 9.3 by 2020 (8.7 years in the business-as-usual case); and
3) improvement in the social security and public service systems, and reform of the taxation and government fiscal systems, which will rebalance savings and consumption in the future.

These reforms and policy adjustments are achievable, although not easy.

Summary

An evolutionary approach of economic transformation in China, which targeted the well-being of the people, has achieved remarkable success in terms of economic development in the past 30 years. However, the reform was not

Table 4

Growth accounting for China: factor contribution and TFP changes

	Pre-reform	Reform period		
	1953-78	1979-88	1989-98	1999-07
Economic growth rate	**6.15**	**10.06**	**9.59**	**9.72**
Input-driven growth	4.46	7.18	5.54	5.78
By capital	2.66	2.76	2.94	3.80
By human capital (and labour)	1.71	4.18	2.46	1.82
TFP growth	1.81	2.66	3.74	3.63
Spillover effect of human capital	0.32	1.49	0.79	1.09
Increasing R&D expenses	0.10	-0.16	0.15	0.31
Marketization	-0.55	0.82	0.55	0.67
Urbanization	0.06	0.24	0.23	0.38
FDI effect	0.00	0.51	0.69	-0.55
Trade effect	0.00	0.11	0.04	0.27
Infrastructure effect	0.57	-0.04	1.02	2.57
Government administrative cost	**0.44**	**-0.18**	**-0.15**	**-1.66**
Final consumption effect	0.85	-0.16	0.36	0.49

Source: Wang, Fan and Liu (2009).

completed, and China is now facing a number of new challenges resulting from the defects in a non-reformed institutional framework. Further reforms are necessary for both social justice and sustainability of economic development. Of the various options, government reform should be the priority and can be the first step and key part of political system reform. Like the past economic reforms, a gradual or evolutionary approach to government sector reform is preferred. In conjunction with improvements in the social security and public service systems, and the promotion of human capital growth, China can maintain its fast economic development over the coming decades.

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STATISTICAL ANNEX

Selected monthly data on the economic situation in Central and Eastern Europe

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.

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B U L G A R I A: Selected monthly data on the economic situation 2008 to 2009

(updated end of May 2009)

		2008											2009			
		Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr
PRODUCTION																
Industry, total[1)2)]	real, CMPY	11.4	2.5	8.3	3.9	5.0	4.2	-5.4	3.3	-5.1	-11.7	-11.2	-18.4	-17.7	-17.1	.
Industry, total[1)2)]	real, CCPY	11.6	8.2	8.2	7.3	6.9	6.5	4.9	4.7	3.7	2.2	1.0	-18.4	-18.0	-17.7	.
Industry, total[1)2)]	real, 3MMA	8.2	7.2	4.8	5.7	4.4	1.3	0.7	-2.5	-4.6	-9.3	.	.	-17.7	.	.
LABOUR																
Employees total	th. persons	2437	2450	2477	2487	2502	2526	2516	2495	2481	2466	2436	2438	2428	2413	.
Employees in industry[2)]	th. persons	713	711	718	711	711	711	708	698	699	692	681	653	645	634	.
Unemployment, end of period	th. persons	268.8	251.6	241.1	229.1	221.1	220.9	218.3	214.7	216.6	216.8	232.3	240.8	247.8	254.9	.
Unemployment rate[3)]	%	7.3	6.8	6.5	6.2	6.0	6.0	5.9	5.8	5.8	5.8	6.3	6.5	6.7	6.9	.
Labour productivity, industry[1)2)]	CCPY	10.3	7.1	7.0	6.1	5.7	5.3	3.8	3.7	2.7	1.3	0.3	-10.7	-9.8	-8.9	
Unit labour costs, exch.r. adj.(EUR)[1)2)]	CCPY	13.1	16.8	16.6	17.3	17.8	18.3	19.6	19.4	20.0	21.2	21.8	27.8	25.5	23.7	
WAGES, SALARIES																
Total economy, gross	BGN	474	500	512	503	515	517	514	538	538	542	566	557	553	579	.
Total economy, gross	real, CMPY	10.2	10.6	11.7	6.4	9.5	7.6	10.4	11.8	12.8	10.9	10.8	8.6	10.1	10.4	.
Total economy, gross	EUR	242	256	262	257	263	264	263	275	275	277	289	285	283	296	.
Industry, gross[2)]	EUR	247	265	259	265	270	267	270	278	271	276	283	277	276	294	.
PRICES																
Consumer	PM	1.1	0.8	0.8	0.5	-0.2	1.5	0.1	1.1	0.5	-0.1	-0.2	0.8	0.1	-0.2	0.7
Consumer	CMPY	13.2	14.2	14.6	15.0	15.3	14.5	11.2	11.0	10.9	9.1	7.8	7.1	6.0	4.9	4.8
Consumer	CCPY	12.8	13.3	13.6	13.9	14.1	14.2	13.8	13.5	13.2	12.8	12.3	7.1	6.5	6.0	5.7
Producer, in industry[2)]	PM	1.0	2.5	0.2	1.5	1.4	2.3	-0.1	-0.5	-0.8	-3.2	-5.7	-1.3	-0.9	1.1	-0.8
Producer, in industry[2)]	CMPY	14.6	15.3	13.4	12.8	12.7	13.2	11.8	11.2	8.9	2.9	-1.0	2.2	0.5	-1.1	-2.3
Producer, in industry[2)]	CCPY	13.9	14.4	14.1	13.9	13.7	13.6	13.3	13.1	12.7	11.7	10.6	2.2	1.4	0.5	-0.2
FOREIGN TRADE[4)5)]																
Exports total (fob), cumulated	EUR mn	2327	3649	5021	6342	7737	9253	10561	11964	13251	14327	15278	807	1707	2799	.
Imports total (cif), cumulated	EUR mn	3723	5722	7973	10215	12656	15099	17146	19352	21736	23659	25334	1217	2524	4011	.
Trade balance, cumulated	EUR mn	-1396	-2074	-2953	-3873	-4920	-5846	-6584	-7388	-8485	-9331	-10056	-410	-817	-1211	.
Exports to EU-27 (fob), cumulated	EUR mn	1473	2308	3106	3864	4672	5569	6317	7130	7952	8637	9190	564	1188	1790	.
Imports from EU-27 (cif)[6)], cumulated	EUR mn	2051	3240	4543	5772	7098	8394	9439	10741	12121	13309	14330	723	1496	2397	.
Trade balance with EU-27, cumulated	EUR mn	-578	-933	-1438	-1908	-2426	-2825	-3122	-3611	-4169	-4673	-5140	-159	-308	-607	.
FOREIGN FINANCE																
Current account, cumulated	EUR mn	-1465	-1980	-2778	-3567	-4465	-4954	-5245	-5846	-6920	-7767	-8634	-425	-699	-1079	.
EXCHANGE RATE																
BGN/USD, monthly average	nominal	1.326	1.259	1.241	1.257	1.258	1.240	1.307	1.362	1.470	1.536	1.460	1.479	1.530	1.496	1.481
BGN/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/BGN, calculated with CPI[7)]	real, Jan04=100	137.0	144.1	146.4	143.9	142.0	145.4	138.9	134.8	127.3	124.6	132.4	131.3	126.3	128.7	.
USD/BGN, calculated with PPI[7)]	real, Jan04=100	122.7	128.8	128.9	125.5	124.6	126.2	123.6	119.2	115.7	112.6	115.7	113.0	109.2	.	.
EUR/BGN, calculated with CPI[7)]	real, Jan04=100	121.3	121.3	121.8	121.6	120.9	122.8	123.0	124.1	124.7	125.1	125.1	126.8	126.2	125.6	126.1
EUR/BGN, calculated with PPI[7)]	real, Jan04=100	115.3	117.5	116.8	117.0	117.3	118.8	119.2	118.6	118.6	116.9	111.9	110.9	110.1	111.9	.
DOMESTIC FINANCE																
Currency in circulation, end of period[8)]	BGN mn	6992	6990	7224	7245	7364	7576	7758	7745	7699	7583	8029	7433	7284	7023	7064
M1, end of period[8)]	BGN mn	19590	19848	20075	20338	20327	20832	20822	20525	19791	19245	19867	18645	17938	17750	17512
Broad money, end of period[8)]	BGN mn	41684	42249	42833	43181	43965	45040	45716	45690	44603	43928	45778	45020	44865	44892	45023
Broad money, end of period	CMPY	29.8	29.0	28.3	27.3	24.4	23.8	21.0	19.5	15.0	10.9	8.8	8.3	7.6	6.3	5.1
BNB base rate (p.a.),end of period	%	4.8	4.8	4.8	4.9	5.0	5.1	5.3	5.2	5.4	5.7	5.8	5.2	3.9	3.5	3.9
BNB base rate (p.a.),end of period[9)]	real, %	-8.6	-9.1	-7.5	-7.0	-6.9	-7.2	-5.9	-5.4	-3.2	2.7	6.8	2.9	3.4	4.6	6.4
BUDGET																
Central gov.budget balance,cum.	BGN mn	673	1278	2102	2715	3256	3706	4104	4498	4586	4152	1423	631	300	322	.

1) Enterprises with 10 and more persons.
2) From January 2009 according to NACE rev. 2.
3) Ratio of unemployed to the economically active.
4) Based on cumulated national currency and converted with the average exchange rate.
5) Cumulation starting January and ending December each year.
6) According to country of dispatch.
7) Adjusted for domestic and foreign (US resp. EU) inflation. Values more than 100 mean real appreciation.
8) According to ECB methodology.
9) Deflated with annual PPI.

C Z E C H REPUBLIC: Selected monthly data on the economic situation 2008 to 2009

(updated end of May 2009)

		2008											2009			
		Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr
PRODUCTION																
Industry, total 1)	real, CMPY	11.6	-2.1	12.1	3.1	3.4	7.7	-4.4	9.0	-7.7	-17.4	-14.6	-22.9	-23.4	-17.0	.
Industry, total 1)	real, CCPY	10.0	5.6	7.2	6.3	5.8	6.1	4.9	5.3	3.9	1.7	0.4	-22.9	-23.1	-21.0	.
Industry, total 1)	real, 3MMA	5.6	6.8	4.1	6.1	4.6	2.3	4.2	-1.3	-6.1	-13.2	.	.	-21.1	.	.
Construction, total 1)	real, CMPY	11.7	0.5	1.3	-3.5	-3.0	7.2	-1.8	9.3	-1.2	-6.1	-2.6	-11.1	-14.3	-9.5	.
LABOUR																
Employees in industry 1)2)	th. persons	1183	1186	1183	1182	1181	1187	1178	1168	1163	1151	1131	962	946	920	.
Unemployment, end of period	th. persons	355.0	336.3	316.1	302.5	297.9	310.1	312.3	314.6	311.7	320.3	352.3	398.1	428.8	448.9	456.7
Unemployment rate 3)	%	5.9	5.6	5.2	5.0	5.0	5.3	5.3	5.3	5.2	5.3	6.0	6.8	7.4	7.7	7.9
Labour productivity, industry 2)4)	CCPY	6.7	3.0	4.9	4.3	3.9	4.4	3.5	4.1	3.1	1.0	0.2	.	.	.	.
Unit labour costs, exch.r. adj.(EUR) 2)4)	CCPY	15.2	19.0	17.2	17.4	18.5	19.1	19.7	18.8	19.2	20.1	20.1	.	.	.	.
WAGES, SALARIES																
Industry, gross 1)2)	CZK	21252	22459	22659	23239	22911	23220	21438	21850	22807	24843	24394	23020	21600	23370	.
Industry, gross 1)2)	real, CMPY	5.3	2.2	3.7	0.3	1.5	2.5	-2.1	2.0	-0.3	-1.9	6.0	-0.2	-1.6	0.2	.
Industry, gross 1)2)	EUR	837	890	904	926	942	987	883	892	920	986	934	847	759	858	.
PRICES																
Consumer	PM	0.3	-0.1	0.4	0.5	0.2	0.5	-0.1	-0.2	0.0	-0.5	-0.3	1.5	0.1	0.2	-0.1
Consumer	CMPY	7.5	7.1	6.8	6.8	6.7	6.9	6.5	6.6	6.0	4.4	3.6	2.2	2.0	2.3	1.8
Consumer	CCPY	7.5	7.4	7.2	7.1	7.1	7.0	7.0	6.9	6.8	6.6	6.4	2.2	2.1	2.1	2.0
Producer, in industry 1)	PM	0.1	0.3	0.0	1.0	0.8	0.1	0.4	-0.1	-1.2	-1.9	-1.5	1.1	0.3	-1.1	-0.5
Producer, in industry 1)	CMPY	5.6	5.3	4.7	5.2	5.4	5.3	5.7	5.5	3.9	1.2	-0.2	-0.8	-0.6	-2.0	-2.5
Producer, in industry 1)	CCPY	5.8	5.7	5.4	5.4	5.4	5.4	5.4	5.4	5.3	4.9	4.5	-0.8	-0.7	-1.2	-1.5
FOREIGN TRADE 5)6)																
Exports total (fob),cumulated	EUR mn	16756	25201	34147	42475	51459	60193	67373	76439	85222	92940	98776	5957	11911	19224	.
Imports total (cif),cumulated	EUR mn	15792	23867	32542	40486	48885	57336	64416	73050	82022	89771	96019	5830	11474	17937	.
Trade balance,cumulated	EUR mn	964	1334	1606	1989	2574	2858	2957	3389	3200	3170	2756	127	437	1287	.
Exports to EU-27 (fob), cumulated	EUR mn	14412	21700	29368	36540	44108	51548	57650	65332	72783	79345	84120	5150	10201	16432	.
Imports from EU-27 (cif) 7), cumulated	EUR mn	10729	16277	22334	27680	33474	39205	43852	49684	55415	60436	64263	3544	7264	11614	.
Trade balance with EU-27, cumulated	EUR mn	3683	5423	7034	8861	10634	12343	13798	15648	17368	18909	19857	1606	2937	4819	.
FOREIGN FINANCE																
Current account, cumulated 5)	EUR mn	911	1186	892	512	-1016	-1240	-1792	-2243	-3146	-3806	-4562	-56	561	771	.
EXCHANGE RATE																
CZK/USD, monthly average	nominal	17.2	16.2	15.9	16.1	15.6	14.9	16.2	17.1	18.6	19.8	19.5	20.5	22.3	20.9	20.3
CZK/EUR, monthly average	nominal	25.4	25.2	25.1	25.1	24.3	23.5	24.3	24.5	24.8	25.2	26.1	27.2	28.5	27.2	26.8
USD/CZK, calculated with CPI 8)	real, Jan04=100	151.0	158.4	161.2	158.4	161.8	169.6	156.6	148.8	138.4	132.4	135.7	130.1	119.5	127.4	.
USD/CZK, calculated with PPI 8)	real, Jan04=100	136.9	141.5	142.1	137.6	140.2	143.5	136.9	131.5	126.0	122.0	126.4	121.5	113.4	.	.
EUR/CZK, calculated with CPI 8)	real, Jan04=100	133.7	133.3	134.0	133.7	137.7	143.1	138.6	136.8	135.1	132.8	128.0	125.6	119.4	124.6	126.3
EUR/CZK, calculated with PPI 8)	real, Jan04=100	128.5	129.0	128.7	128.2	131.9	135.0	131.9	130.7	128.7	126.5	122.1	119.1	114.2	118.7	.
DOMESTIC FINANCE																
Currency in circulation, end of period 9)	CZK bn	323.5	322.5	326.4	327.7	326.9	326.9	329.3	331.7	364.7	368.1	365.5	362.8	363.7	359.3	.
M1, end of period 9)	CZK bn	1527.7	1558.7	1540.6	1564.3	1596.5	1608.3	1598.0	1629.7	1630.6	1650.1	1674.8	1665.6	1686.5	1692.1	.
Broad money, end of period 9)	CZK bn	2408.3	2406.5	2445.9	2475.5	2456.6	2510.1	2543.8	2541.6	2583.7	2621.9	2702.2	2714.0	2728.8	2700.5	.
Broad money, end of period	CMPY	14.5	14.2	12.5	12.3	11.3	12.5	12.4	13.2	12.7	12.4	13.5	13.7	13.3	12.2	.
Discount rate (p.a.),end of period	%	2.75	2.75	2.75	2.75	2.75	2.75	2.50	2.50	2.50	1.75	1.25	1.25	0.75	0.75	0.75
Discount rate (p.a.),end of period 10)	real, %	-2.7	-2.5	-1.9	-2.3	-2.5	-2.4	-3.0	-2.9	-1.3	0.5	1.5	2.1	1.4	2.8	3.3
BUDGET																
Central gov.budget balance,cum.	CZK mn	-4970	-13350	-28090	-38320	-5650	9280	5320	10480	10940	-6510	-20003	482	5390	-2340	-55660

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

2) Enterprises employing 20 and more, from January 2009 50 and more persons.

3) Ratio of job applicants to the economically active (including women on maternity leave), calculated with disposable number of registered unemployment.

4) Calculation based on industrial sales index (at constant prices).

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

6) Cumulation starting January and ending December each year.

7) According to country of origin.

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

9) According to ECB methodology.

10) Deflated with annual PPI.

H U N G A R Y: Selected monthly data on the economic situation 2008 to 2009

(updated end of May 2009)

		2008 Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	2009 Jan	Feb	Mar	Apr
PRODUCTION																
Industry, total 1)	real, CMPY	13.3	2.2	11.5	3.0	-0.5	0.3	-5.8	0.1	-7.0	-11.9	-19.6	-22.6	-28.9	-15.6	.
Industry, total 1)	real, CCPY	9.6	7.0	8.1	7.1	5.7	4.9	3.6	3.2	2.0	0.6	-1.1	-22.6	-25.8	-22.2	.
Industry, total	real, 3MMA	7.0	8.8	5.5	4.5	0.9	-1.9	-1.7	-4.3	-6.4	-12.5	.	.	-22.4	.	.
Construction, total 1)	real, CMPY	-16.7	-13.7	2.0	-7.2	-7.5	-11.4	-6.1	3.2	-2.7	2.7	5.5	-13.8	-5.8	3.5	.
LABOUR																
Employees total 1)2)	th. persons	2767.4	2776.7	2797.4	2803.9	2783.6	2779.0	2767.0	2762.1	2751.6	2725.5	2682.1	2694.7	2675.8	2645.6	.
Employees in industry 1)2)	th. persons	758.1	756.6	757.7	755.6	752.5	755.1	751.5	746.4	737.9	728.3	713.7	680.3	667.4	652.8	.
Unemployment, end of period	th. persons	476.6	462.4	442.8	424.5	415.6	421.1	425.0	423.9	424.6	446.0	477.4	509.1	543.1	563.9	.
Unemployment rate	%	10.8	10.5	10.1	9.6	9.4	9.6	9.7	9.6	9.7	10.1	10.8	11.6	12.3	12.8	.
Labour productivity, industry 1)2)	CCPY	8.8	6.2	7.1	6.0	4.8	3.9	2.5	2.1	1.3	0.2	-1.5	-17.7	-20.1	-15.5	.
Unit labour costs, exch.r. adj.(EUR) 1)2)	CCPY	-2.5	-1.3	-2.3	-0.8	1.1	3.1	5.2	6.3	6.5	6.8	8.1	14.7	15.6	7.4	.
WAGES, SALARIES																
Total economy, gross 1)2)	HUF th	187.5	193.4	193.8	195.3	199.7	194.4	189.5	189.7	196.7	222.7	220.7	194.2	191.9	201.3	.
Total economy, gross 1)2)	real, CMPY	5.5	2.7	3.4	2.1	2.6	0.6	0.3	2.3	3.0	4.1	1.1	-8.1	-0.5	1.4	.
Total economy, gross 1)2)	EUR	716	743	764	789	823	838	803	788	763	840	835	694	643	661	.
Industry, gross 1)2)	EUR	671	714	748	802	777	806	774	767	729	797	799	652	606	641	.
PRICES																
Consumer	PM	1.1	0.6	0.3	1.1	0.1	0.1	-0.3	0.0	0.2	-0.2	-0.3	0.6	1.0	0.5	0.8
Consumer	CMPY	6.9	6.7	6.6	7.0	6.7	6.7	6.5	5.7	5.1	4.2	3.5	3.1	3.0	2.9	3.4
Consumer	CCPY	7.0	6.9	6.8	6.9	6.8	6.8	6.8	6.7	6.5	6.3	6.1	3.1	3.1	3.0	3.1
Producer, in industry 1)	PM	0.7	0.2	-0.1	-1.1	-0.5	-0.7	0.7	1.2	3.4	0.1	-0.9	3.0	3.2	0.7	.
Producer, in industry 1)	CMPY	4.9	5.7	6.5	4.9	4.6	3.7	3.2	4.7	7.8	7.1	5.8	5.7	8.4	9.1	.
Producer, in industry 1)	CCPY	4.6	5.0	5.4	5.3	5.2	5.0	4.7	4.7	5.0	5.2	5.3	5.7	7.1	7.7	.
FOREIGN TRADE 3)4)																
Exports total (fob), cumulated	EUR mn	12431	18789	25404	31555	38041	44232	49600	56332	62642	68477	72779	4177	8644	13858	.
Imports total (cif), cumulated	EUR mn	12347	18497	25071	31257	37714	44268	49728	56345	62737	68474	72874	4344	8484	13195	.
Trade balance, cumulated	EUR mn	84	291	333	298	327	-36	-129	-13	-95	3	-95	-167	160	663	.
Exports to EU-27 (fob), cumulated	EUR mn	9664	14505	19723	24516	29585	34421	38629	43928	48945	53637	56866	3493	7022	11084	.
Imports from EU-27 (cif) 5), cumulated	EUR mn	8350	12642	17229	21427	25913	30403	34209	38779	43047	46698	49541	2891	5757	9010	.
Trade balance with EU-27, cumulated	EUR mn	1313	1863	2494	3089	3672	4018	4421	5150	5898	6939	7325	602	1265	2075	.
FOREIGN FINANCE																
Current account, cumulated 6)	EUR mn	.	-1650	.	.	-3660	.	.	-6318	.	.	-8902	.	.	.	.
EXCHANGE RATE																
HUF/USD, monthly average	nominal	177.7	167.6	161.0	158.9	155.9	147.1	157.4	167.4	193.2	208.2	196.8	211.7	233.3	233.5	223.7
HUF/EUR, monthly average	nominal	262.0	260.1	253.8	247.4	242.6	231.9	235.9	240.6	257.9	265.2	264.1	279.8	298.5	304.4	295.1
USD/HUF, calculated with CPI 7)	real, Jan04=100	129.5	136.9	141.9	144.0	145.2	153.4	143.5	135.1	118.9	112.7	120.3	112.1	102.2	102.4	.
USD/HUF, calculated with PPI 7)	real, Jan04=100	105.7	109.3	111.8	108.8	108.2	111.1	107.9	103.9	98.3	95.9	104.2	100.0	94.4	.	.
EUR/HUF, calculated with CPI 7)	real, Jan04=100	114.6	115.2	117.9	121.5	123.6	129.5	127.0	124.2	116.0	113.1	113.3	108.3	102.0	100.2	103.8
EUR/HUF, calculated with PPI 7)	real, Jan04=100	99.3	99.7	101.2	101.4	101.7	104.5	103.9	103.2	100.4	99.5	100.5	98.2	95.1	94.4	.
DOMESTIC FINANCE																
Currency in circulation, end of period 8)	HUF bn	2038.7	2068.9	2070.1	2034.8	2018.8	2002.4	2023.8	2008.6	2150.1	2190.6	2137.2	2115.0	2123.8	2204.8	.
M1, end of period 8)	HUF bn	6254.2	6416.6	6246.6	6118.0	6045.5	6259.5	6068.9	6115.6	6236.9	6183.3	6160.4	5962.3	6051.1	6240.8	.
Broad money, end of period 8)	HUF bn	14654.5	14685.7	14681.5	14404.4	14183.2	14694.7	14553.7	14693.8	14892.0	15065.1	15432.2	15595.0	15716.3	15951.7	.
Broad money, end of period	CMPY	16.2	15.2	15.5	12.2	9.1	11.8	8.7	8.5	7.8	8.7	8.7	10.0	7.2	8.6	.
NBH base rate (p.a.), end of period	%	7.5	7.5	8.3	8.5	8.5	8.5	8.5	8.5	11.5	11.0	10.0	9.5	9.5	9.5	9.5
NBH base rate (p.a.), end of period 9)	real, %	2.5	1.7	1.6	3.4	3.7	4.6	5.1	3.6	3.4	3.6	4.0	3.6	1.0	0.4	.
BUDGET																
Central gov.budget balance, cum.	HUF bn	-261.0	-547.9	-551.6	-475.4	-783.0	-677.4	-772.0	-824.3	-828.0	-973.9	-861.7	11.6	-262.0	-555.5	-534.6

1) From January 2009 according to NACE rev. 2.
2) Economic organizations employing more than 5 persons. Including employees with second or more jobs.
3) Based on cumulated national currency and converted with the average exchange rate.
4) Cumulation starting January and ending December each year.
5) According to country of dispatch.
6) Excluding SPE (Special Purpose Entities).
7) Adjusted for domestic and foreign (US resp. EU) inflation. Values more than 100 mean real appreciation.
8) According to ECB methodology.
9) Deflated with annual PPI.

P O L A N D: Selected monthly data on the economic situation 2008 to 2009

(updated end of May 2009)

		2008 Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	2009 Jan	Feb	Mar	Apr
PRODUCTION																
Industry, total[1)2)]	real, CMPY	15.0	1.0	15.1	2.4	7.3	5.9	-3.7	6.7	-0.1	-9.2	-4.4	-15.3	-14.6	-1.9	-12.4
Industry, total[1)2)]	real, CCPY	12.8	8.5	10.2	8.6	8.4	8.0	6.5	6.5	5.8	4.3	3.6	-15.3	-14.6	-10.0	-10.1
Industry, total[1)]	real, 3MMA	8.5	10.0	6.0	8.2	5.2	3.2	3.0	1.0	-0.9	-4.5	.	.	-10.6	-9.6	.
Construction[1)2)]	real, CMPY	20.6	16.2	23.0	16.6	20.8	16.9	5.8	13.2	10.5	5.5	6.1	7.4	1.9	1.2	0.5
LABOUR																
Employees total[1)2)]	th. persons	5371	5384	5389	5390	5391	5400	5399	5404	5406	5394	5360	5374	5352	5325	5309
Employees in industry[1)2)]	th. persons	2634	2638	2639	2636	2631	2628	2624	2620	2619	2602	2576	2509	2489	2476	2457
Unemployment, end of period	th. persons	1778.5	1702.2	1605.7	1525.6	1455.3	1422.9	1404.4	1376.6	1352.3	1398.5	1473.8	1634.4	1718.8	1758.8	1719.9
Unemployment rate[3)]	%	11.3	10.9	10.3	9.8	9.4	9.2	9.1	8.9	8.8	9.1	9.5	10.5	10.9	11.2	11.0
Labour productivity, industry[1)2)]	CCPY	8.8	4.8	6.4	5.0	4.9	4.7	3.5	3.7	3.1	1.9	1.5	-12.5	-11.3	-6.1	-5.9
Unit labour costs, exch.r. adj.(EUR)[1)2)]	CCPY	10.4	14.6	13.9	15.6	16.3	17.4	19.1	19.0	18.7	18.4	16.3	4.9	-3.0	-10.3	-11.2
WAGES, SALARIES																
Total economy, gross[1)2)]	PLN	3033	3144	3138	3069	3215	3229	3165	3172	3242	3321	3420	3216	3196	3333	3295
Total economy, gross[1)2)]	real, CMPY	8.3	5.9	8.3	5.9	7.1	6.5	4.7	6.2	5.4	3.6	2.0	5.1	1.7	2.0	0.8
Total economy, gross[1)2)]	EUR	847	889	911	901	952	990	963	941	904	893	851	762	688	721	746
Industry, gross[1)2)]	EUR	858	892	909	896	966	993	958	939	892	918	856	750	688	716	738
PRICES																
Consumer	PM	0.4	0.4	0.4	0.8	0.2	0.0	-0.4	0.3	0.4	0.2	-0.1	0.5	0.9	0.7	0.7
Consumer	CMPY	4.2	4.1	4.0	4.4	4.6	4.8	4.8	4.5	4.2	3.7	3.3	2.8	3.3	3.6	4.0
Consumer	CCPY	4.1	4.3	4.3	4.3	4.4	4.5	4.5	4.5	4.5	4.4	4.3	2.8	3.1	3.6	3.8
Producer, in industry[2)]	PM	0.6	0.2	-0.1	0.8	0.4	-0.1	0.2	0.3	-0.1	-0.3	-0.5	2.3	2.6	0.0	-0.6
Producer, in industry[2)]	CMPY	3.2	2.9	2.3	2.7	2.6	2.1	2.0	2.3	2.6	2.4	2.6	3.6	5.7	5.5	5.1
Producer, in industry[2)]	CCPY	3.1	3.0	2.8	2.8	2.8	2.7	2.6	2.6	2.6	2.6	2.6	3.0	4.8	5.0	5.0
FOREIGN TRADE[4)5)]																
Exports total (fob), cumulated	EUR mn	19100	28737	39533	49085	59147	69420	78528	89281	99563	107846	113564	6798	13654	22106	.
Imports total (cif), cumulated	EUR mn	22246	34036	46734	58323	70713	83311	94542	107363	119836	130292	138156	7784	15184	23933	.
Trade balance, cumulated	EUR mn	-3146	-5299	-7202	-9238	-11566	-13891	-16014	-18083	-20273	-22447	-24592	-986	-1530	-1828	.
Exports to EU-27 (fob), cumulated	EUR mn	15213	22891	31284	38697	46517	54333	61083	69330	77258	83776	87967	5601	10863	17558	.
Imports from EU-27 (cif)[6)], cumulated	EUR mn	14029	21386	29545	36925	44685	52530	58971	66788	74303	80510	84897	4484	8979	14263	.
Trade balance with EU-27, cumulated	EUR mn	1185	1505	1740	1772	1832	1803	2113	2542	2955	3266	3070	1118	1884	3296	.
FOREIGN FINANCE																
Current account, cumulated	EUR mn	-2772	-4732	-6315	-8096	-10269	-11241	-12519	-14607	-16340	-18029	-19732	-1069	-154	-79	.
EXCHANGE RATE																
PLN/USD, monthly average	nominal	2.431	2.282	2.185	2.190	2.169	2.067	2.193	2.350	2.698	2.921	2.971	3.172	3.631	3.541	3.348
PLN/EUR, monthly average	nominal	3.582	3.537	3.444	3.407	3.376	3.260	3.288	3.371	3.586	3.721	4.018	4.218	4.644	4.624	4.419
USD/PLN, calculated with CPI[7)]	real, Jan04=100	149.9	158.9	165.4	164.7	164.8	172.1	162.4	152.2	134.8	127.7	126.9	119.0	104.4	107.6	.
USD/PLN, calculated with PPI[7)]	real, Jan04=100	132.7	137.8	141.4	138.1	137.2	140.4	137.0	129.6	119.1	115.2	116.8	112.2	101.4	.	.
EUR/PLN, calculated with CPI[7)]	real, Jan04=100	132.8	133.9	137.5	139.2	140.2	145.3	143.5	140.1	132.2	128.1	118.7	114.3	104.2	105.1	110.4
EUR/PLN, calculated with PPI[7)]	real, Jan04=100	124.7	125.8	128.1	128.8	129.0	132.1	131.8	129.0	122.2	119.5	111.9	109.5	102.2	103.2	.
DOMESTIC FINANCE																
Currency in circulation, end of period	PLN bn	76.1	77.8	80.0	80.7	81.9	82.7	83.6	82.5	90.7	90.1	90.7	88.6	90.8	91.1	92.3
M1, end of period[8)]	PLN bn	328.7	338.0	327.1	343.8	353.7	352.9	353.0	355.0	345.5	344.9	349.7	341.3	347.6	356.9	352.0
Broad money, end of period[8)]	PLN bn	578.0	581.8	594.3	600.1	606.6	616.1	628.6	630.5	635.7	648.3	666.3	668.9	680.9	683.7	680.0
Broad money, end of period	CMPY	13.5	13.6	15.0	15.1	16.3	16.8	16.8	17.3	17.3	18.1	18.6	17.6	17.8	17.5	14.4
Discount rate (p.a.),end of period	%	5.8	6.0	6.0	6.0	6.3	6.3	6.3	6.3	6.3	6.0	5.3	4.5	4.0	4.0	4.0
Discount rate (p.a.),end of period[9)]	real, %	2.5	3.0	3.6	3.2	3.6	4.1	4.2	3.9	3.6	3.5	2.6	0.9	-1.6	-1.4	-1.0
BUDGET																
Central gov.budget balance, cum.	PLN mn	-137	1803	554	-1877	-3381	-2745	-317	-4225	-11485	-14973	-24591	2918	-5251	-11220	-15335

1) Enterprises employing more than 9 persons.
2) From January 2009 according to NACE rev. 2.
3) Ratio of unemployed to the economically active.
4) Based on cumulated national currency and converted with the average exchange rate.
5) Cumulation starting January and ending December each year.
6) According to country of origin.
7) Adjusted for domestic and foreign (US resp. EU) inflation. Values more than 100 mean real appreciation.
8) According to ECB methodology.
9) Deflated with annual PPI.

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

(updated end of May 2009)

		2008 Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	2009 Jan	Feb	Mar	Apr
PRODUCTION																
Industry, total[1,2]	real, CMPY	7.6	3.0	13.4	2.8	4.0	5.1	-1.6	3.8	-2.8	-11.5	-18.0	-16.4	-14.5	-8.5	.
Industry, total[1,2]	real, CCPY	6.8	5.5	7.4	6.4	6.0	5.8	4.9	4.8	4.0	2.5	0.9	-16.4	-15.4	-13.0	.
Industry, total[1]	real, 3MMA	5.5	7.8	6.1	6.4	4.0	2.5	2.5	-0.2	-3.6	-10.4	.	.	-13.1	.	.
Construction, total[2]	real, CCPY	31.5	32.0	32.2	32.7	32.9	32.3	31.8	31.4	29.9	26.9	26.0	14.0	10.2	4.4	.
LABOUR																
Employees total[1,2]	th. persons	4775.5	4803.6	4820.0	4829.2	4827.4	4833.2	4828.9	4834.6	4825.1	4791.2	4738.6	4736.7	4692.3	4654.4	.
Employees in industry[1,2]	th. persons	1554.1	1558.4	1552.9	1547.0	1539.4	1530.9	1517.1	1510.7	1497.3	1477.4	1449.2	1379.6	1353.6	1331.3	.
Unemployment, end of period	th. persons	379.8	374.0	352.5	338.3	337.1	340.5	345.5	352.9	364.2	377.0	403.4	444.9	477.9	513.6	.
Unemployment rate[3]	%	4.2	4.1	3.9	3.7	3.7	3.7	3.8	3.9	4.0	4.1	4.4	4.9	5.3	5.6	.
Labour productivity, industry[1,2]	CCPY	9.9	8.8	10.9	9.9	9.5	9.4	8.5	8.4	7.7	6.4	4.8	-7.1	-5.3	-1.5	.
Unit labour costs, exch.r. adj.(EUR)[1,2]	CCPY	1.6	-0.1	-0.4	0.5	0.8	0.8	1.5	2.2	2.5	3.6	4.9	10.0	6.1	2.1	.
WAGES, SALARIES																
Total economy, gross[1,2]	RON	1543.0	1623.0	1751.0	1704.0	1738.0	1769.0	1728.0	1751.0	1795.0	1844.0	2023.0	1839.0	1836.0	1922.0	.
Total economy, gross[1,2]	real, CMPY	13.1	9.5	16.2	15.4	16.2	15.7	14.7	15.7	13.6	13.5	10.0	5.3	11.3	11.0	.
Total economy, gross[1,2]	EUR	422	436	481	466	475	494	490	483	479	488	517	434	429	449	.
Industry, gross[1,2]	EUR	381	394	449	428	436	464	456	460	437	434	472	382	374	394	.
PRICES																
Consumer	PM	0.7	0.7	0.5	0.5	0.3	0.7	-0.1	0.4	1.1	0.3	0.2	1.2	0.9	0.5	0.3
Consumer	CMPY	8.0	8.6	8.6	8.5	8.6	9.0	8.0	7.3	7.4	6.7	6.3	6.7	6.9	6.7	6.4
Consumer	CCPY	7.6	8.0	8.1	8.2	8.3	8.4	8.3	8.2	8.1	8.0	7.8	6.7	6.8	6.8	6.7
Producer, in industry[2]	PM	1.4	1.7	1.1	1.7	2.1	0.9	1.1	-0.1	-0.1	-2.5	-1.9	1.9	0.6	-0.6	.
Producer, in industry[2]	CMPY	14.7	15.6	15.5	16.8	19.4	20.3	20.1	18.6	16.7	11.7	7.9	7.0	6.2	3.9	.
Producer, in industry[2]	CCPY	13.9	14.4	14.7	15.1	15.8	16.5	16.9	17.1	17.1	16.6	15.8	7.0	6.6	5.7	.
FOREIGN TRADE[4]																
Exports total (fob), cumulated	EUR mn	5392	8143	10915	13951	17027	20279	22932	25896	29141	31694	33628	1920	4001	6561	.
Imports total (cif), cumulated	EUR mn	8410	13241	18190	23059	28226	33442	37865	43287	48635	52899	56337	2546	5431	8557	.
Trade balance, cumulated	EUR mn	-3018	-5098	-7275	-9108	-11199	-13163	-14933	-17391	-19494	-21206	-22709	-627	-1430	-1996	.
Exports to EU-27 (fob), cumulated	EUR mn	3870	5789	7719	9821	11943	14249	16064	18210	20517	22346	23671	1483	3068	4918	.
Imports from EU-27 (cif)[5], cumulated	EUR mn	5986	9377	12916	16217	19805	23325	26155	29799	33512	36497	38937	1876	3989	6302	.
Trade balance with EU-27, cumulated	EUR mn	-2116	-3588	-5197	-6397	-7863	-9075	-10091	-11588	-12995	-14151	-15266	-392	-921	-1384	.
FOREIGN FINANCE																
Current account, cumulated	EUR mn	-2504	-3955	-5597	-7238	-8883	-10371	-10981	-13160	-14528	-15939	-16896	-378	-372	-710	.
EXCHANGE RATE																
RON/USD, monthly average	nominal	2.477	2.397	2.310	2.352	2.351	2.269	2.357	2.524	2.813	2.963	2.903	3.200	3.348	3.285	3.178
RON/EUR, monthly average	nominal	3.653	3.722	3.643	3.659	3.656	3.579	3.527	3.625	3.745	3.775	3.915	4.233	4.284	4.282	4.195
USD/RON, calculated with CPI[6]	real, Jan04=100	153.2	157.9	163.6	159.9	158.6	164.7	159.2	149.4	137.2	133.8	138.5	126.7	121.6	124.3	.
USD/RON, calculated with PPI[6]	real, Jan04=100	161.8	165.3	170.7	165.5	165.8	169.1	169.9	160.3	151.8	147.6	153.2	141.9	137.7	.	.
EUR/RON, calculated with CPI[6]	real, Jan04=100	135.6	132.9	135.9	135.1	135.1	139.0	141.0	137.4	134.3	134.2	129.9	122.4	121.4	121.6	124.1
EUR/RON, calculated with PPI[6]	real, Jan04=100	152.0	150.8	154.5	154.4	156.0	159.1	163.9	159.3	155.5	153.1	147.2	139.3	138.7	138.6	.
DOMESTIC FINANCE																
Currency in circulation, end of period[7]	RON mn	21154	21559	22269	22852	23598	23747	23996	23611	24457	25230	25314	24943	24822	23944	24389
M1, end of period[7]	RON mn	81654	82629	83775	85850	90934	90166	90980	92571	91710	92401	92605	89720	84835	81456	80477
Broad money, end of period[7]	RON mn	149762	151859	157088	157605	161495	161298	162351	166092	162523	164727	174136	176105	176205	175288	176366
Broad money, end of period	CMPY	36.6	34.8	38.9	39.7	38.9	34.4	30.4	31.1	26.1	21.0	17.7	19.4	17.7	15.4	12.3
Discount rate (p.a.),end of period[8]	%	8.0	9.0	9.0	9.5	9.8	9.8	10.0	10.3	10.3	10.3	10.3	10.3	10.3	10.1	10.1
Discount rate (p.a.),end of period[8,9]	real, %	-5.8	-5.7	-5.6	-6.3	-8.1	-8.7	-8.4	-7.0	-5.5	-1.3	2.2	3.1	3.8	6.0	.
BUDGET																
Central gov.budget balance, cum.	RON mn	-2234	-4141	-2774	-5247	-7347	-5078	-6562	-8372	-8493	-13742	-19860	338	-4577	-10036	.

1) Enterprises with more than 3 employees.
2) From January 2009 according to NACE rev. 2.
3) Ratio of unemployed to economically active population as of December of previous year.
4) Cumulation starting January and ending December each year.
5) According to country of dispatch.
6) Adjusted for domestic and foreign (US resp. EU) inflation. Values more than 100 mean real appreciation.
7) According to ECB methodology.
8) Reference rate of RNB.
9) Deflated with annual PPI.

S L O V A K REPUBLIC: Selected monthly data on the economic situation 2008 to 2009

(updated end of May 2009)

		2008 Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	2009 Jan	Feb	Mar	Apr
PRODUCTION																
Industry, total[1]	real, CMPY	13.9	-1.2	13.2	2.0	6.3	3.3	-1.1	5.8	0.0	-9.2	-15.1	-26.9	-26.4	-15.9	.
Industry, total[1]	real, CCPY	11.3	6.8	8.4	7.0	6.9	6.4	5.5	5.6	4.9	3.5	2.1	-26.9	-26.7	-23.1	.
Industry, total	real, 3MMA	6.8	8.2	4.4	7.0	3.9	2.9	2.8	1.6	-1.3	-7.7	.	.	-23.1	.	.
Construction, total[1]	real, CMPY	13.0	7.6	17.9	9.2	6.5	9.1	7.1	17.2	16.5	14.2	12.7	-25.6	-11.0	-5.7	.
LABOUR																
Employment in industry[1]	th. persons	600.7	606.9	601.6	599.5	599.7	596.9	597.7	593.7	592.7	584.3	571.6	549.0	534.6	520.2	.
Unemployment, end of period	th. persons	237.0	229.6	223.3	222.3	222.9	224.8	222.3	228.7	228.2	235.2	248.6	269.5	289.6	311.8	325.6
Unemployment rate[2]	%	7.8	7.6	7.4	7.4	7.4	7.5	7.4	7.5	7.5	7.8	8.4	9.0	9.7	10.3	10.9
Labour productivity, industry[1]	CCPY	8.4	4.1	5.5	4.2	4.2	3.8	3.0	3.1	2.6	1.5	0.5	-21.6	-19.9	-14.5	.
Unit labour costs, exch.r. adj.(EUR)[1]	CCPY	4.1	8.4	6.9	8.6	10.1	11.2	12.2	12.8	13.2	13.6	14.7	47.1	41.4	31.1	.
WAGES, SALARIES																
Industry, gross[1]	EUR-SKK	682	707	705	743	753	739	706	723	737	824	780	714	687	718	.
Industry, gross[1]	real, CMPY	5.3	3.6	4.5	2.7	5.0	3.5	0.5	3.9	-0.7	-4.3	-0.5	0.2	-1.9	-0.6	.
PRICES																
Consumer	PM	0.4	0.3	0.2	0.3	0.4	0.1	0.2	0.7	0.4	0.2	-0.2	0.4	0.1	-0.2	-0.1
Consumer	CMPY	4.0	4.2	4.3	4.6	4.6	4.8	5.0	5.4	5.1	4.9	4.4	3.4	3.1	2.6	2.3
Consumer	CCPY	3.9	4.0	4.1	4.2	4.2	4.3	4.4	4.5	4.6	4.6	4.6	3.4	3.3	3.0	2.8
Producer, in industry[1]	PM	2.4	0.2	0.2	0.5	0.2	0.5	0.2	0.6	0.9	-0.2	-0.6	-1.2	0.5	-1.1	.
Producer, in industry[1]	CMPY	5.1	5.3	5.8	6.4	6.3	6.3	6.7	6.8	7.5	6.7	6.0	3.7	1.8	0.5	.
Producer, in industry[1]	CCPY	4.7	4.9	5.1	5.4	5.5	5.7	5.8	5.9	6.1	6.1	6.1	3.7	2.7	2.0	.
FOREIGN TRADE[3)4)]																
Exports total (fob),cumulated	EUR mn	7712	11601	15757	19811	24107	28178	31863	36252	40889	44764	47710	2757	5737	9089	.
Imports total (fob),cumulated	EUR mn	7665	11606	15976	19930	24292	28486	32106	36490	41062	45121	48398	2969	5870	9141	.
Trade balance,cumulated	EUR mn	47	-5	-219	-118	-185	-308	-243	-238	-173	-357	-687	-212	-133	-51	.
Exports to EU-27 (fob), cumulated	EUR mn	6610	9925	13462	16972	20528	23952	27034	30733	34726	38081	40542	2447	5023	.	.
Imports from EU-27 (fob)[5], cumulated	EUR mn	5162	7798	10745	13460	16422	19292	21684	24679	27642	30286	32407	1997	4021	.	.
Trade balance with EU-27, cumulated	EUR mn	1448	2127	2717	3512	4106	4660	5349	6053	7084	7795	8135	450	1002	.	.
FOREIGN FINANCE																
Current account, cumulated[3]	EUR mn	.	-392	.	.	-2014	-2528	-2589	-2954	-3286	-3635	-4228	-345	-424	-582	.
EXCHANGE RATE																
EUR-SKK/USD, monthly average	nominal	0.7467	0.6963	0.6821	0.6723	0.6477	0.6378	0.6704	0.6986	0.7561	0.7921	0.7520	0.7553	0.7825	0.7663	0.7581
EUR-SKK/EUR, monthly average	nominal	1.1001	1.0787	1.0751	1.0467	1.0065	1.0062	1.0071	1.0051	1.0109	1.0088	1.0026	1.0000	1.0000	1.0000	1.0000
USD/EUR-SKK, calculated with CPI[6]	real, Jan04=100	144.4	153.9	156.3	157.5	162.4	164.2	157.4	152.2	143.1	140.1	149.0	148.4	142.6	145.1	.
USD/EUR-SKK, calculated with PPI[6]	real, Jan04=100	137.0	143.2	144.2	142.8	145.6	144.9	142.7	139.3	137.2	137.2	148.9	146.8	143.7	.	.
EUR/EUR-SKK, calculated with CPI[6]	real, Jan04=100	128.0	129.8	130.0	133.1	138.4	138.7	138.9	139.8	139.5	140.5	141.4	143.2	142.6	141.8	141.2
EUR/EUR-SKK, calculated with PPI[6]	real, Jan04=100	128.8	130.9	130.6	133.1	137.1	136.4	137.1	138.3	139.9	142.4	144.7	144.0	144.9	144.1	.
DOMESTIC FINANCE																
Currency in circulation, end of period[7]	EUR-SKK mn	4592	4542	4521	4471	4386	4298	4244	4074	4122	3695	1600	6250	6303	6485	.
M1, end of period[7]	EUR-SKK mn	19743	19602	19094	19642	19767	19277	18823	19149	19186	19102	19116	22625	22432	22677	.
Broad money, end of period[7]	EUR-SKK mn	36283	36001	36207	36781	36335	36677	36963	36708	36285	36674	37684	40334	39911	39522	.
Broad money, end of period	CMPY	12.2	10.6	10.2	9.8	6.6	9.6	8.2	6.4	5.1	6.1	4.9	12.3	10.0	9.8	.
Discount rate (p.a.),end of period[8]	%	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3	3.8	3.3	2.5	2.0	2.0	1.5	1.3
Discount rate (p.a.),end of period[8)9)]	real, %	-0.8	-1.0	-1.5	-2.0	-1.9	-1.9	-2.3	-2.4	-3.5	-3.2	-3.3	-1.7	0.2	1.0	.
BUDGET																
Central gov.budget balance, cum.	EUR-SKK mn	52	114	258	-103	-137	-20	169	143	262	318	-704	100	-185	-205	-347

Note: Slovakia has introduced the Euro from 1 January 2009. For statistical purposes all time series in SKK as well as the exchange rates have been divided by the conversion factor 30.126 (SKK per EUR) to EUR-SKK.

1) From January 2009 according to NACE rev. 2. Employment and wages data including water supply.

2) Ratio of disposable number of registered unemployment calculated to the economically active population as of previous year.

3) Based on cumulated national currency and converted with the average exchange rate. From 2009 original data in EUR.

4) Cumulation starting January and ending December each year.

5) According to country of origin.

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

7) According to ECB methodology. Data from January 2009 refer to Slovakia's contributions to EMU monetary aggregates.

8) Corresponding to the 2-week limit rate of NBS. From January 2009 ECB official refinancing operation rate.

9) Deflated with annual PPI.

S L O V E N I A: Selected monthly data on the economic situation 2008 to 2009

(updated end of May 2009)

		2008 Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	2009 Jan	Feb	Mar	Apr
PRODUCTION																
Industry, total 1)	real, CMPY	7.9	-2.9	9.1	-0.8	2.4	-2.0	-6.9	5.5	-2.8	-13.9	-14.3	-20.0	-21.3	-15.4	.
Industry, total 1)	real, CCPY	4.1	1.6	3.5	2.6	2.5	1.9	0.9	1.4	0.9	-0.5	-1.5	-20.0	-20.7	-18.9	.
Industry, total	real, 3MMA	1.6	4.4	1.6	3.4	-0.1	-2.0	-0.9	-1.2	-3.9	-10.0	.	.	-18.9	.	.
Construction, total 1)2)	real, CMPY	41.3	21.2	23.1	13.6	14.0	18.6	10.4	20.8	10.7	-3.6	-4.1	-26.9	-22.7	-13.6	.
LABOUR																
Employment total	th. persons	870.9	874.2	876.6	879.6	882.0	879.9	879.8	885.3	888.1	886.9	880.3	872.2	868.7	866.0	.
Employees in industry 1)	th. persons	237.6	237.8	237.7	237.6	237.6	236.4	235.8	235.8	235.0	233.5	229.9	223.0	220.8	.	.
Unemployment, end of period	th. persons	67.0	64.3	62.4	61.2	60.7	61.5	60.7	59.3	62.6	63.4	66.2	73.9	77.2	79.7	.
Unemployment rate 3)	%	7.1	6.9	6.6	6.5	6.4	6.5	6.5	6.3	6.6	6.7	7.0	7.8	8.2	8.4	.
Labour productivity, industry 1)	CCPY	3.8	1.3	3.2	2.4	2.4	1.8	0.9	1.5	1.1	-0.1	-0.9	-15.7	-16.0	.	.
Unit labour costs, exch.r. adj.(EUR) 1)	CCPY	4.1	6.9	5.6	6.4	6.4	7.3	8.0	7.5	7.8	8.1	8.8	19.7	19.6	.	.
WAGES, SALARIES																
Total economy, gross	EUR	1326	1353	1354	1360	1365	1372	1405	1400	1424	1550	1458	1416	1382	1425	.
Total economy, gross	real, CMPY	2.6	1.1	2.8	1.2	1.7	1.7	3.6	5.4	4.1	0.8	6.3	5.1	2.1	3.5	.
Industry, gross 1)	EUR	1181	1221	1219	1219	1231	1242	1238	1244	1284	1394	1276	1204	1164	1217	.
PRICES																
Consumer	PM	0.0	1.3	0.8	1.1	0.9	0.0	-0.6	0.0	0.0	-0.7	-0.6	-0.4	0.5	1.0	0.1
Consumer	CMPY	6.5	6.9	6.5	6.4	7.0	6.9	6.0	5.5	4.9	3.1	2.1	1.6	2.1	1.8	1.1
Consumer	CCPY	6.4	6.6	6.6	6.5	6.6	6.7	6.6	6.5	6.3	6.0	5.7	1.6	1.8	1.8	1.6
Producer, in industry 1)	PM	1.3	0.5	0.7	0.4	0.5	0.4	0.0	-0.1	-0.3	-0.7	-0.4	-0.4	0.2	0.0	0.0
Producer, in industry 1)	CMPY	5.6	5.7	6.1	6.3	6.5	6.9	7.0	5.7	4.8	3.6	3.1	2.3	1.2	0.8	0.2
Producer, in industry 1)	CCPY	6.0	5.9	6.0	6.0	6.1	6.2	6.3	6.3	6.1	5.9	5.6	2.3	1.8	1.4	1.1
FOREIGN TRADE 4) 5)																
Exports total (fob), cumulated	EUR mn	3290	5027	6871	8566	10313	12098	13415	15283	17099	18604	19793	1195	2480	3874	.
Imports total (cif), cumulated	EUR mn	3697	5643	7698	9729	11747	13849	15505	17615	19753	21485	23002	1256	2593	4082	.
Trade balance total, cumulated	EUR mn	-407	-616	-827	-1163	-1434	-1752	-2089	-2331	-2655	-2881	-3209	-61	-113	-209	.
Exports to EU-27 (fob), cumulated	EUR mn	2389	3595	4871	6062	7279	8485	9349	10599	11833	12873	13653	879	1788	2754	.
Imports from EU-27 (cif) 6), cumulated	EUR mn	2907	4441	6076	7684	9232	10832	12116	13782	15441	16767	17883	955	1970	3110	.
Trade balance with EU-27, cumulated	EUR mn	-518	-846	-1205	-1622	-1954	-2347	-2768	-3183	-3608	-3894	-4230	-76	-182	-356	.
FOREIGN FINANCE																
Current account, cumulated	EUR mn	-342	-468	-578	-768	-900	-1101	-1284	-1372	-1593	-1740	-2055	-22	-114	-155	.
EXCHANGE RATE 7)																
EUR/USD, monthly average 8)	nominal	0.6781	0.6440	0.6349	0.6428	0.6425	0.6341	0.6678	0.6959	0.7506	0.7854	0.7435	0.7553	0.7822	0.7663	0.7582
EUR/EUR, monthly average	nominal	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000
USD/EUR, calculated with CPI 9)	real, Jan04=100	115.6	122.2	124.0	122.6	122.5	123.5	117.1	112.5	105.7	102.6	109.1	106.5	102.9	105.8	.
USD/EUR, calculated with PPI 9)	real, Jan04=100	110.3	113.5	114.1	109.9	108.3	107.5	105.4	102.2	99.8	99.4	108.4	106.5	104.0	.	.
EUR/EUR, calculated with CPI 9)	real, Jan04=100	102.3	102.8	103.2	103.7	104.2	104.3	103.7	103.4	103.4	103.0	102.6	102.8	102.8	103.4	103.2
EUR/EUR, calculated with PPI 9)	real, Jan04=100	103.6	103.5	103.4	102.5	101.8	101.2	101.6	101.6	102.1	103.2	104.5	104.5	104.9	105.4	.
DOMESTIC FINANCE																
Currency in circulation, end of period 10)	EUR mn	2601	2627	2648	2681	2687	2734	2737	2731	2898	2932	2997	3045	3061	3075	.
M1, end of period 10)	EUR mn	6862	7071	6944	7120	7341	7020	6986	7191	6880	6888	6886	6714	6712	6838	.
Broad money, end of period 10)	EUR mn	16426	16456	16500	16385	16589	16694	16669	17058	16836	17472	17991	18030	17990	18401	.
Broad money, end of period	CMPY	7.5	6.5	7.0	3.9	3.2	1.5	0.7	2.8	0.9	9.9	8.4	8.9	9.5	11.8	.
Discount rate (p.a.), end of period 11)	%	4.00	4.00	4.00	4.00	4.00	4.25	4.25	4.25	3.75	3.25	2.50	2.00	2.00	1.50	1.25
Discount rate (p.a.), end of period 12)	real, %	-1.5	-1.6	-2.0	-2.2	-2.3	-2.5	-2.6	-1.4	-1.0	-0.3	-0.6	-0.3	0.8	0.7	1.0
BUDGET																
General gov.budget balance, cum.	EUR mn	64	-19	215	112	194	396	443	422	473	325	-103	3	-339	.	.

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

2) Effective working hours, construction put in place of enterprises with 20 and more persons employed.

3) Ratio of unemployed to the economically active.

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

5) Cumulation starting January and ending December each year.

6) According to country of dispatch.

7) Slovenia has introduced the Euro from 1 January 2007.

8) Reference rate from ECB.

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

10) According to ECB methodology.

11) From January 2007 ECB official refinancing operation rate.

12) Deflated with annual PPI.

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