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– *Please note: As of June 2013, time series for **Kazakhstan** are included in the wiiw Monthly Database.*

Unit labour cost developments in the EU: a structural analysis

BY MICHAEL LANDESMANN AND DORIS HANZL-WEISS

Most low- and medium-income economies in Europe – including the Southern cohesion countries Greece, Portugal and Spain (GPS) and the new member countries of Central and Eastern Europe (NMS) – went through major structural adjustment processes (in output and employment) following the onset of the recent financial and economic crisis. In this article we focus on the performance of one specific indicator which can play a crucial role in these adjustment processes: unit labour costs (ULCs). We emphasise the importance of understanding the different patterns of ULC developments across the different sectors of the economy, particularly in so-called 'tradables' and 'non-tradables'.[1]

As a preliminary, we consider ULC developments across all European Union countries and focus on differences between the economy as a whole and the manufacturing sector in particular. We single out the manufacturing sector as the principal tradable sector in most economies; the differences in developments between the manufacturing sector and the economy as a whole are then interpreted as an indication of the degree to which cost-competitiveness in the tradable sector has deteriorated or improved relative to all sectors of the economy[2]. In Figure 1 we look at developments in two periods: the pre-crisis period 2005-2008 (Figure 1a) and the crisis period 2009-2011[3] (Figure 1b).

The main patterns that the figures show are as follows:

There are much stronger movements in ULCs in many low- and medium-income economies than in advanced economies; this was the case both in ULC growth in the pre-crisis period (interpreted at the time partly as the workings of the Balassa-Samuelson process leading to price level convergence between advanced and catching-up economies, but partly also reflecting an overshooting in real exchange rate appreciation caused by strong capital inflows) as well as in ULC declines during the crisis period.

In general, ULCs rise more moderately in the manufacturing sector than in the economy as a whole across most economies which is natural as manufacturing is also a sector with generally higher relative labour productivity growth.

None the less, exceptions to that general trend can also be observed: a number of economies either experienced very similar developments in ULC growth in manufacturing compared to the economy as a whole or the relative ULC position of their manufacturing sectors deteriorated in the pre-crisis period. Latvia, Romania, Croatia, Spain, Greece and Cyprus fall into this category.

Furthermore, some economies can be seen to have undergone major shifts during the crisis period, with ULCs in manufacturing dropping significantly (and competitiveness thus improving). Poland, Estonia, Lithuania, Latvia, Romania, and Ireland are among those countries.

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[1]   We shall distinguish the following five sectors (based on NACE rev. 2): manufacturing (C), considered as the classic tradable goods sector and accounting for an overwhelming share of exports in advanced and inmost low- and medium-income countries, construction (F), reflecting an important non tradable part of the economy, tradable services, non-tradable services, as well a non-market services.

Tradable services include Transportation and storage (H), Information and communication (J), Financial and insurance activities (K) and Professional, scientific and technical activities (M).

Non-tradable services include Wholesale, retail trade, repair of motor vehicles (G), Accommodation and food service activities (I), Real estate activities (L), Administrative and support service activities (N), Arts, entertainment and recreation (R), Other service activities (S), as well as Activities of households as employers & for own use (T).

Non-market services include Public administration and defence, compulsory social security (O), Education (P), Human health and social work activities (Q).

[2]   It is well-known that relative price and unit cost developments between tradable and non-tradable sectors are one indicator of real exchange rate developments and hence of competitiveness of an economy.

[3]   Owing to industry classification breaks we show slightly different periods for some of the economies.

Figure 1

Development of unit labour costs – manufacturing and total economy
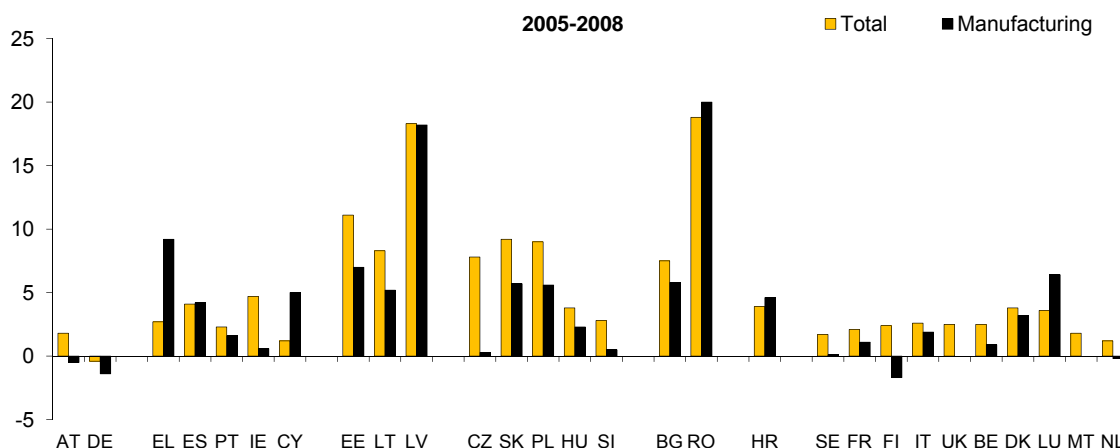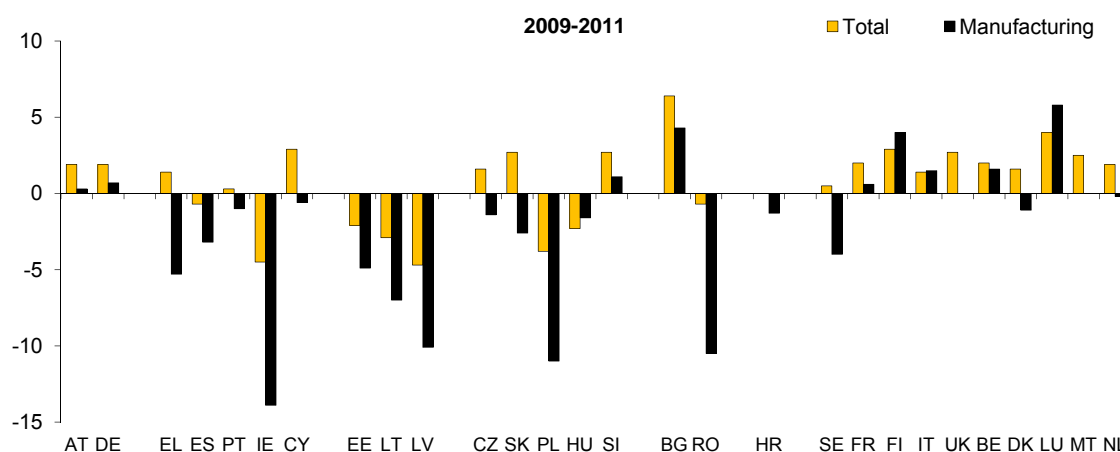average per annum growth in %

Figure 1a

Figure 1b

Remark: BG, PL and RO are not fully comparable with other countries due to different classification used. No manufacturing data for Malta and UK.

Source: Eurostat, Statistical Office of Romania and wiiw own calculations.

Moreover, one group of economies displays a persistent and significant differential in terms of ULC developments in both periods (favouring the relative competitiveness of the manufacturing sector). This group includes the Czech Republic, Poland, Slovenia, Slovakia and Ireland. Yet another group of economies is characterised by low differentials or 'perverse' ULC developments in the manufacturing sector relative to the economy as a whole (i.e. a deterioration in the relative ULC position of manufacturing). This group comprises Hungary, Spain, Italy, Portugal and Croatia. We consider developments in this latter group a problematic issue, unlike the pattern in the former group that we regard as a sign of healthy developments in the competitiveness of these economies.

Let us now discuss in greater detail those factors which drive relative ULC developments across sectors and time-periods.

The following decomposition formula is applied:

Δ ULC = – Δ Output + Δ Employment + Δ Compensation Rate (in NCU) – Δ Exch. Rate

Exchange rate is defined as NCU/EUR. It is clear that for those countries that adopted the euro at a particular juncture or maintained a fixed currency regime in relation to the euro, changes in the exchange rate play no role in driving ULCs. Output is identified with gross value added (GVA).

Figure 2a

Components of ULCs,
average growth in %

Total economy, 2005-2008

Total economy, 2009-2011
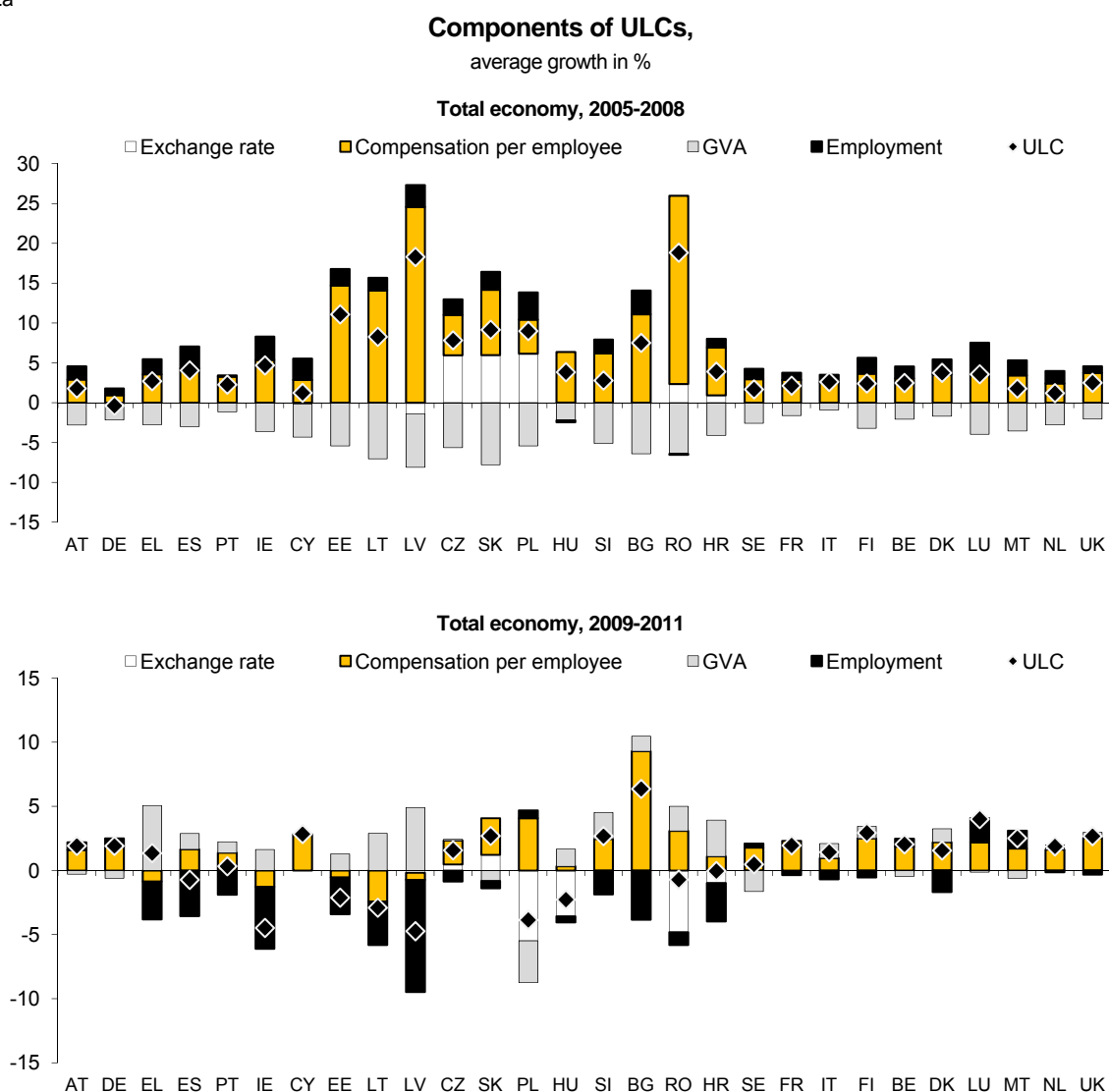
Source: Eurostat and wiiw own calculations.

Using the above formula, we first present an overview across the entire range of economies and we then select a few country examples in order to point out diverse patterns of ULC developments that occurred in the pre-crisis and the crisis periods.

Figure 2 (a and b) shows the decomposition of unit labour cost developments into the various components (changes in output, employment, labour compensation, exchange rate) for the periods 2005-08 and 2009-2011 respectively. Without going over these developments in any detail, we want to point out the following features:

Firstly, ULC developments are in general much more dramatic in the NMS than in the GPS or in

the advanced EU economies; this likely reflects the stronger catching-up gap which still had to be covered by the new member countries in price level convergence compared to the GPS economies which had been EU (and thus Single Market) members for a much longer period and where the nominal convergence process had already taken place earlier.

Secondly, we can see a marked difference between the pre-crisis period and the crisis period in that in the pre-crisis period labour compensation growth played a much bigger role in determining overall ULC developments than during the crisis years. During the crisis years, it is relative output and employment growth/contraction (and hence

implicitly labour productivity) which had a dominating role to play in determining ULC developments. There are exceptions to these patterns: e.g. fast output growth was important for manufacturing productivity growth in the Czech Republic, Slovakia and Poland in the pre-crisis period, and wage growth was high in Bulgaria during the crisis years. Thirdly, exchange rate developments played a significant role only in very few economies as most economies were either members of the EMU or had opted for fixed (or quasi-fixed) exchange rate regimes. The economies where exchange rate flexibility still played a significant role in the pre-crisis period were the Czech Republic, Slovakia, Poland and Romania (all appreciating vis-a-vis the Euro) and Poland, Hungary and Romania (depreciating vis-a-vis the Euro) during the crisis years.

We shall now discuss a few country examples regarding the factors which played important roles in ULC developments and point to different developments in this regard in different (tradable and non-tradable) sectors (see Figures 3). The examples chosen should demonstrate both differences in the weights which different factors have in driving ULC developments in different economies and the degree to which (particularly the vulnerable) economies manage to re-equilibrate real exchange rates in the course of the crisis.

Figure 2b

Components of ULCs

average growth in %

Manufacturing, 2005-2008

Manufacturing, 2009-2011
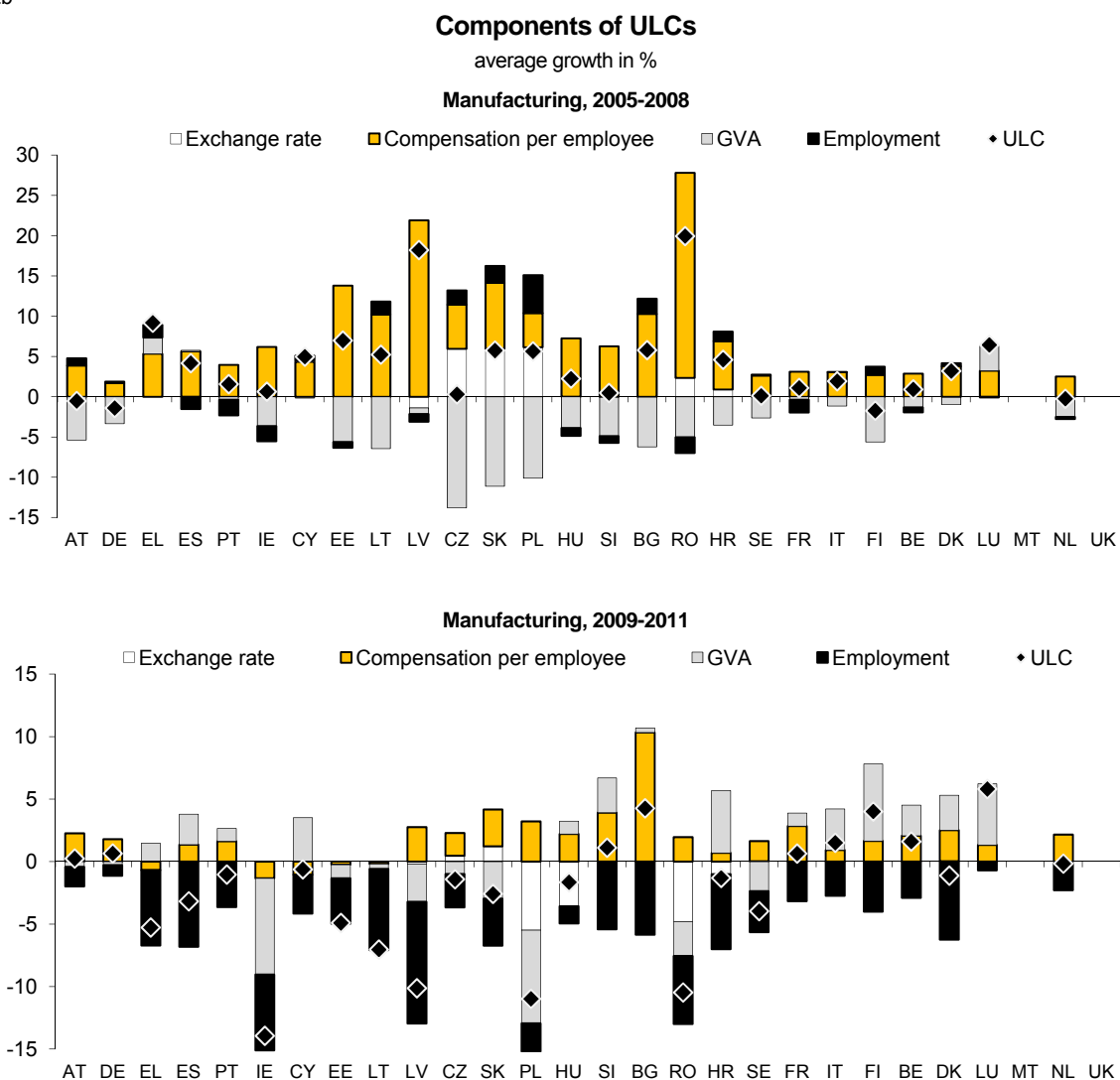
Source: Eurostat and wiiw own calculations.

We start with **Latvia** (Figure 3a): this country went through rather dramatic structural adjustment processes, which are apparent in the growth and employment adjustments across sectors. Over the period 2009-2011, Latvia experienced a sharp contraction in output particularly in construction and in non-tradable services, whereas the impact on manufacturing and tradable services was far less negative over the same period.

In terms of ULCs and their components, the country registered a steep rise in ULCs in the period prior to the crisis (2005-2008) in the construction sector relative to the other sectors of the economy. Wage compensation per worker in the construction sector rose by nearly 40% p.a.[4] while in the economy as a whole it grew by some 22%. In that period, ULCs grew by 33.9% in the construction sector mainly driven by wage growth, while ULCs grew by 18.2% in the economy as a whole. Once the crisis struck, ULCs fell by -4.7% in the economy as a whole, while decreasing by -10.1% in the manufacturing sector and by -4.7% in the construction sector. The crucially important component in the construction sector that drove ULCs down was a dramatic contraction in employment (-22.7%) accompanied by a decline in output of -19.4%. In the manufacturing sector, on the other hand, output increased over the period 2009-2011 by 3.0% p.a. and manufacturing was the only sector where output did not decline (the output decline in the economy as a whole was -4.7% p.a.). The developments favouring the tradable sector during the crisis period are also apparent when one compares the tradable and non-tradable market services sectors. The data show that the decline in output (and employment) was more substantial in the non-tradable services sector than in the tradable services sector. Hence overall there was a clear shift during the crisis period towards tradable activities (manufacturing and tradable market services) and away from non-tradables (construction and other non-tradable market services). Furthermore, the Latvian case clearly shows – and this finding applies to all economies – that

over the crisis period, relative ULCs across sectors are driven far less by differential movements in wage compensation, but much more by the differentiated movements in output and employment (and hence in labour productivity).

In the case of **Slovenia** (Figure 3b), as in the case of Latvia, exchange rate adjustments only played a role in ULC developments in the first period (2001-2004). Thereafter, in the run-up to joining the euro-zone and then having acquired EMU-membership in 2007, devaluations could no longer contribute to improving the competitiveness of the Slovene economy. From that point on the two other variables, labour productivity and labour compensation, determined ULC developments. Moving straight to the period 2009-2011, the period of adjustment, quite striking differences between the Slovene and the Latvian economies can be observed. The difference lie mostly in the productivity growth figures. In Latvia over the period 2009-11, productivity growth rates in the total economy, manufacturing and the construction sector were -3.8%, 14.2% and 4.3%, respectively, whereas the figures for the corresponding sectors in Slovenia were substantially lower -0.2%, 2.8% and -7.6%. If we take those figures together with the growth rates in compensation rates per worker, we obtain the corresponding ULC growth figures in Slovenia: for the economy as a whole +2.7% (Latvia -4.7%), manufacturing +1.1% (Latvia -10.1%) and the construction sector +8.4% (Latvia -4.7%). ULC developments in favour of manufacturing were corrected to a far greater degree in Latvia than in Slovenia. If we examine the factors behind the productivity growth figures, we can see that these productivity 'improvements' were due mostly to employment contraction in Latvia being much starker than in Slovenia.

Romania (Figure 3c) also offers evidence (from the standpoint of ULC developments) of comparatively pronounced adjustments favouring the tradable sector. Furthermore, given the country's flexible exchange rate regime, exchange rate adjustments still play a role in contrast to the two economies discussed above. Concentrating on the adjustment process during the crisis period, we can see that

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[4] All growth rate figures refer to average per annum (p.a.) growth rates in the different periods.

Figure 3

Components of unit labour costs,
average growth in %

Figure 3a

Latvia

Figure 3b

Slovenia

Figure 3c

Romania

Remark: RO: Data are not fully comparable with other countries due to different revision of classification used.

Source: Eurostat, Statistical Office of Romania and wiiw own calculations.

ULC developments are strongly differentiated across sectors. For the period 2009-2011, we find that ULCs fell for the economy as a whole by -0.7% p.a., but dropped in manufacturing by -10.5%; they rose in the construction sector by 10.9%, while tradable services also developed differently (+2.2%) in comparison to the non-tradable services sector (+5.4%). Hence, overall the tradable sectors (manufacturing and tradable services) improved their relative positions in terms of ULCs compared to the non-tradable sectors. Over and above that, Figure 3c also shows that devaluation contributed to a decline in ULCs (expressed in EUR) by 4.8% per annum; this devaluation, of course, only bears relevance for the tradable sectors as it contributes to improving their competitiveness. Hence taking the differential impact of exchange rate devaluation into account, the difference in the impact of adjustments favouring the tradable sector as against the non-tradable sector over the crisis period is even more pronounced.

If we look in greater detail at the different components which explain ULC developments across the different sectors in Romania, we can see that manufacturing whose relative ULC position was greatly improved (a) benefited from a far more moderate increase in wages (growth in employee compensation rose by only 2% p.a. as against 3.1% in the economy as a whole); and (b) underwent a much more pronounced decrease in employment (-5.4%) as compared to the other sectors (-1.0% for the economy as a whole). Moreover, output developments were distinctly more positive (+2.7%) as against negative growth rates in the other private sector activities. Furthermore, the different ULC patterns between tradable and non-tradable *services* sectors were mainly due to the far more moderate wage growth in the former; that effect was further bolstered by the exchange rate devaluation benefiting the tradable sectors.

Let us now shortly discuss developments in the GPS countries (Greece, Portugal, Spain): Figures 4a-4c show unit labour cost developments prior to and following the impact of the crisis for these economies. We observe the following:

Greece experienced rather unfavourable developments in ULCs in manufacturing relative to the economy as a whole prior to the crisis: while ULC grew on average by 2.7% per year in the economy as a whole in the pre-crisis period (2005-08), they grew by 9.2% p.a. in manufacturing; the main reason was particularly fast wage growth and negative output growth. The situation was better in tradable services (ULCs fell by -0.9% p.a. in that period driven by a relatively favourable output performance). When we come to the crisis period (2009-2011), we see a pattern of 'internal devaluation': ULCs in manufacturing decline by -5.3% p.a. while they increase in the economy as a whole by 1.4% p.a.; there is output contraction in the economy as a whole while there is slight output growth in the manufacturing sector. However, most of the decline in ULCs in the manufacturing sector is due to a dramatic fall in employment (- 6.0% p.a.). In the tradable services sector there is a sharp decline in output by close to 10.0% per annum and the collapse in output and employment in the construction sector is dramatic. Hence we can see that the main drivers behind ULC developments in the different sectors during the crisis are output and employment developments.

In **Spain**, we can similarly witness an employment and output driven process of adjustment of relative ULCs in the different sectors of the economy during the crisis: again, employment contraction in the manufacturing sector was very strong (-6.8% p.a. in the crisis period) outstripping output contraction, so that ULCs fell by -3.2% compared to -0.7% in the economy as a whole. The fall of employment in the services sectors and of ULCs was more moderate. Wage growth fell substantially compared to the pre-crisis periods, but remained in positive territory. Following a sustained boom of construction activity in the pre-crisis period, this sector experienced – like in Greece – a sharp contraction in employment and output (more in the former than in the latter) during the crisis.

Finally, the pattern of relative adjustment in ULCs in manufacturing compared to the economy is also visible in **Portugal** during the crisis years (with ULCs falling by -1.0% p.a. over the years

Figure 4

Components of Unit Labour Costs cont., average growth in %
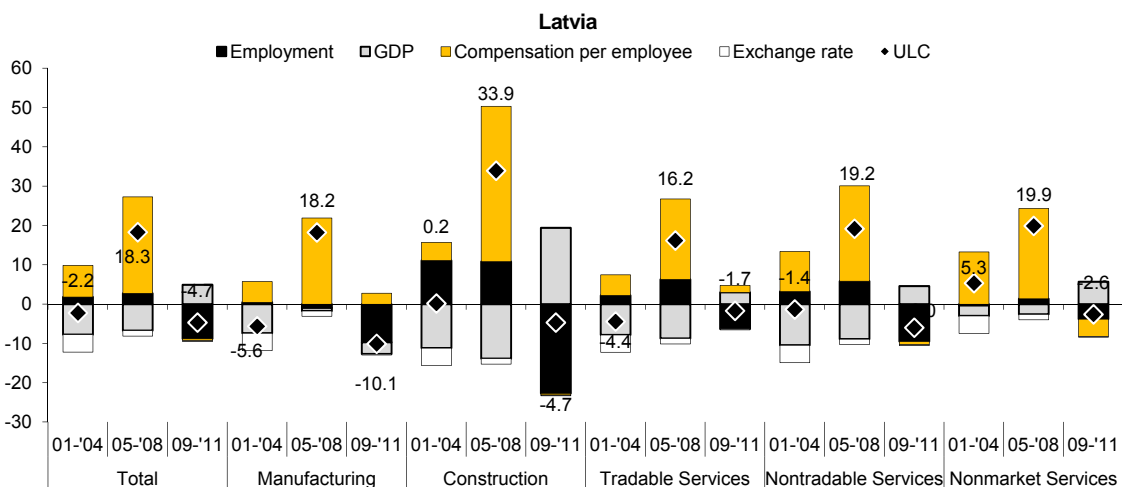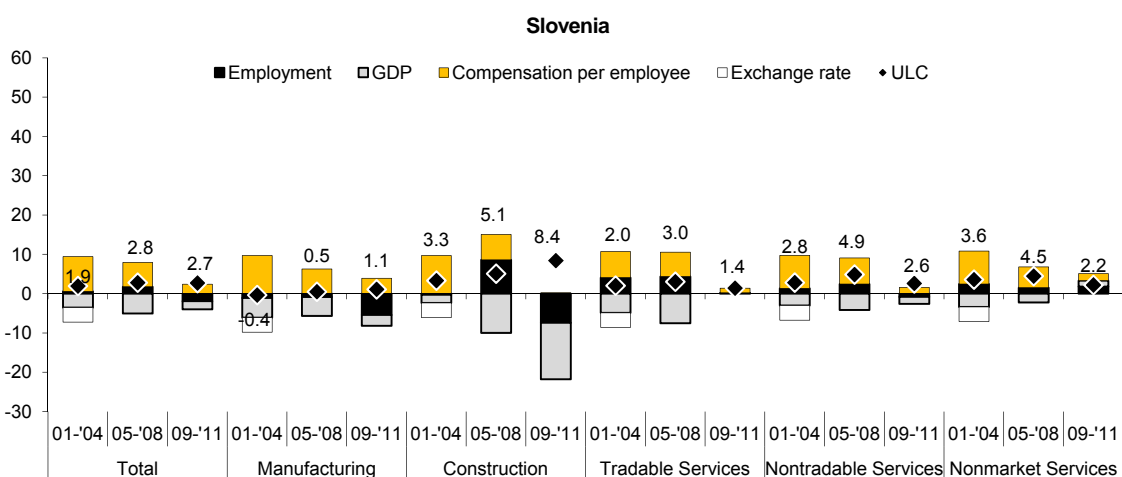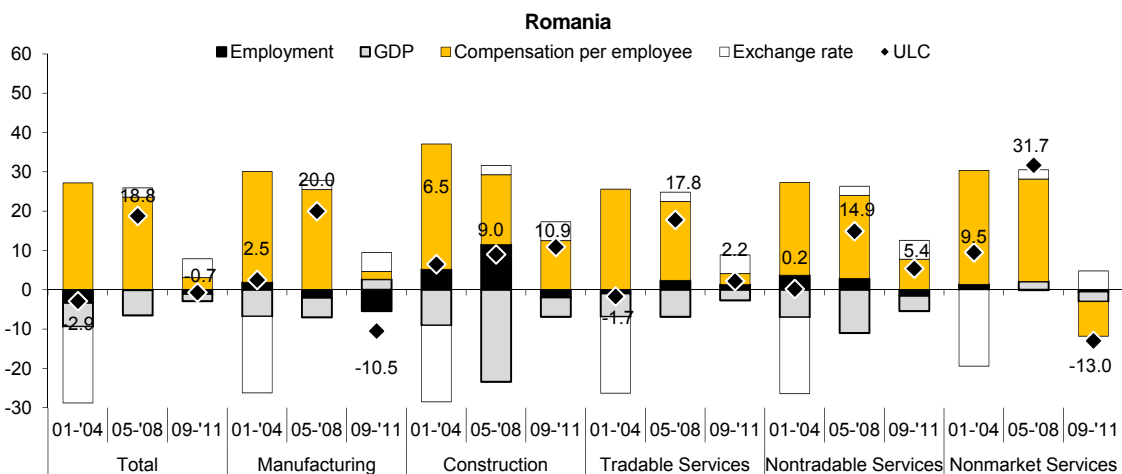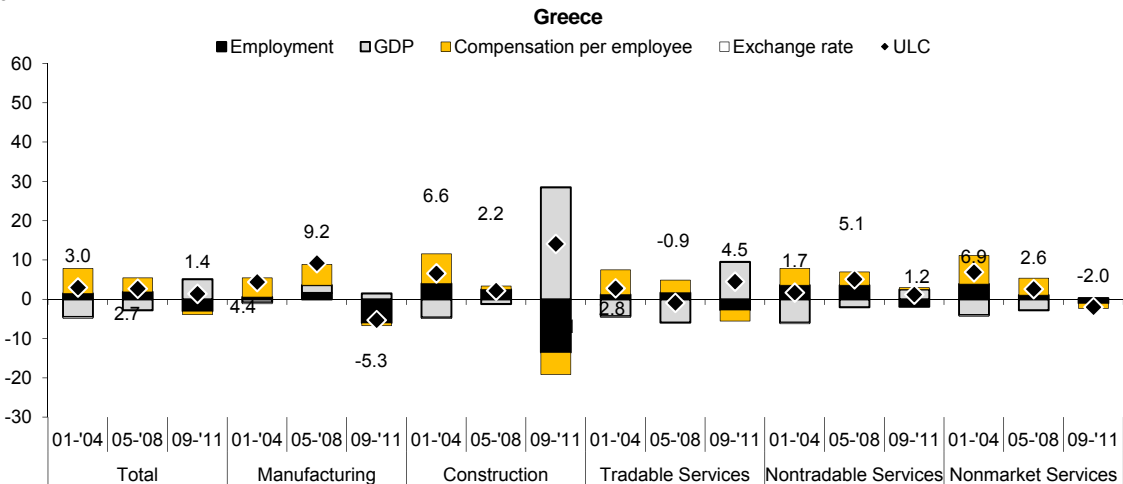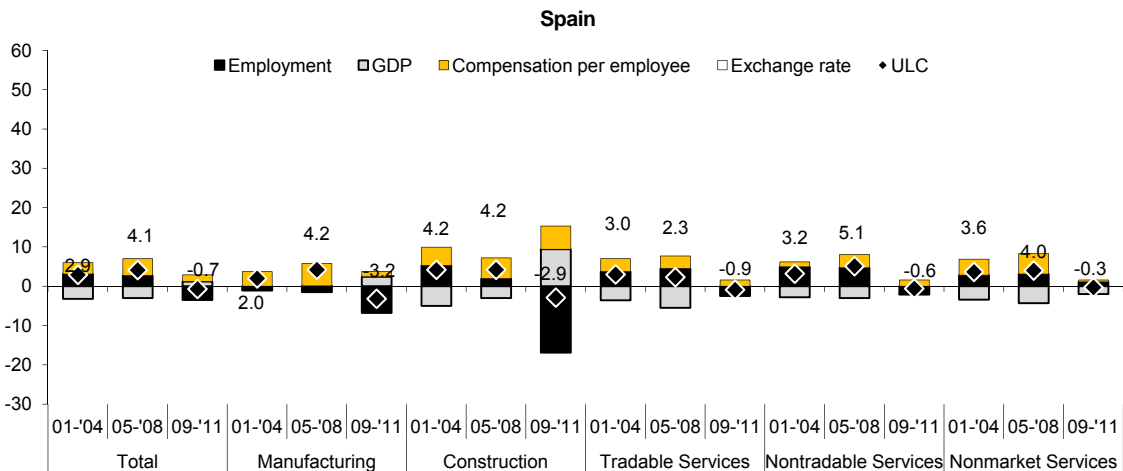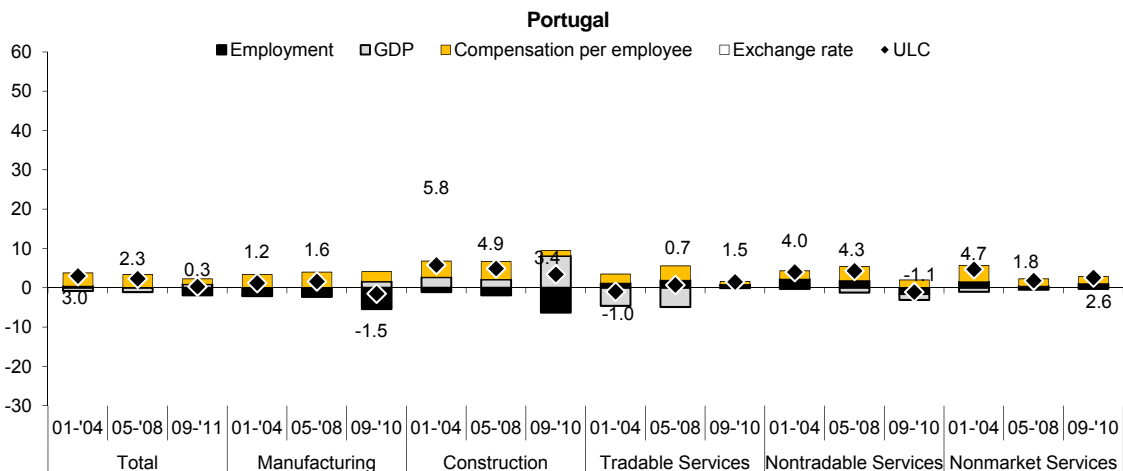
Figure 4a

Figure 4b

Figure 4c

Remark: RO: Data are not fully comparable with other countries due to different revision of classification used.
Source: Eurostat, Statistical Office of Romania and wiiw own calculations.

2009-2011 in manufacturing with a slight rise of 0.3% in the economy as a whole), again driven by a much stronger contraction of employment levels in manufacturing than in the other sectors of the economy with the exception of construction.

The findings of this analysis can be summarised as follows:

The decomposition of relative ULC developments across sectors into employment, output, wage and exchange rate effects is of importance to understanding the manner in which the relative cost position of the tradable sectors improves or deteriorates (relative ULCs are one of the indicators of 'real exchange rates').

Furthermore, an analysis by sector is important: drawing on information solely on ULCs for the economy as a whole and then comparing those costs across countries can be quite misleading to assess developments regarding different economies' competitiveness (which should be based on an assessment of competitiveness of the tradable sectors).

Although we have instances of differential developments in compensation rates across sectors in the short to medium term, differential developments in output and employment (and hence in productivity) play – in most instances – a much more important role in driving relative ULCs across sectors. Two issues follow from this: First, although 'wage flexibility' (across sectors) might be an important determinant of competitiveness in the longer run, in the medium and short term, the relative development of output and employment are a far more decisive factor in determining whether the tradable sector regains competitiveness. Thus, a sharp drop in output (and hence utilisation levels), if not matched by an even greater drop in employment, would be detrimental to this particular indicator of competitiveness. Secondly, it is important to assess the extent to which, in the course of a crisis, productivity developments might be long- or short-term in nature (e.g. whether reductions in staffing levels are temporary or long-term).

The example of Slovenia and its comparison with Latvia show that Slovenia failed to make a suc-cessful transition adjusting to firmly fixed exchange rates (by virtue of its being a member of the euro-zone). Once exchange rate flexibility was lost, Slovenia did not manage to maintain (or restore in the crisis period) competitiveness in its tradable sector. In Latvia, on the other hand, the adjustment proc-esses during the crisis period were dramatic (in terms of both output and employment in the non-tradable sector), thus supporting a shift towards competitiveness.

In economies with flexible exchange rates, ex-change rate adjustments – as demonstrated in the case of Romania – continue to play a role in sup-porting a return to competitiveness. They can fur-ther accentuate the differential impact that ULC developments have on tradable as distinct from non-tradable activities.

Conclusions

Whether adjustments in ULCs across sectors (and thus in real exchange rates) which are mainly based on sharp relative employment and output adjustments during the crisis years, will support the tradable sector in vulnerable economies in the longer-term remains an open question. Real ex-change rate adjustments could be short-term or lasting, and gains made in ULC developments which might have involved substantial capacity contractions might keep such economies 'trade-balance constrained' for a long time to come. Hence there is a relative price and a capacity effect to such adjustments which both have to be consid-ered. The monitoring of these issues will remain a vital issue to understand the future course of 'North-South' gaps and 'external imbalances' in the European Union.

References

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The various 'faces' of the EU budget*

BY SÁNDOR RICHTER

Introduction

The European Union is one of the major economic integration blocks in the world economy. Nevertheless, the EU has so far been the only economic integration block in the world where a redistribution of a part of the integration block's aggregate GNI takes place across the participant countries. Moreover, none of the other economic integration blocks in the world economy has a declared goal or even a vision for the future to establish a redistribution of its members' GNI in one or another way, similar to that taking place in the EU. In this sense the EU has been and remains a unique institution. This makes an analysis of the intra-EU cross-Member State redistribution an extremely challenging task. You can analyse the budget and thus the redistribution of incomes exercised by a state in the context of other states, that of a city or a community in the context of comparable cities and communities. For the European Union there is no definite benchmark, there are no players in the same class for comparison.

Shared sovereignty and cross-Member State redistribution

Shared sovereignty

If we try to define the extent of the EU budget we may apply two different approaches. The first one focuses on the issue of sovereignty. Each Member State renounces a part of its GNI and pays it into the Community budget. Currently this amounts to about 1% of the EU GNI. The sum collected will then be allocated to individual Member States along the various European policies. Theoretically this should not necessarily mean redistribution of resources across Member States. In the hypothetical case each Member State received transfers from the EU budget amounting to about 1% of its GNI. The only issue to be discussed would be the

following: who (the EU or the Member State) will decide about the targets and modalities of expenditures amounting to 1% of a Member State GNI?

In real life we see a shared sovereignty. Individual Member States do not possess of this 1% in the sense that a Member State's legislation may earmark spending targets and allocate money accordingly. Allocation, along various European policies, will be decided upon by the European Council under the Multiannual Financial Framework (MFF).[1] But this is a body where each Member State has the right to participate and influence the decisions on the European policies to be applied and indirectly about the size of redistribution through the EU budget as well. In the case of extreme differences of opinions, any Member State may veto the EU budget. But this right of a Member State to influence the size and spending philosophy and practice of the EU budget can only be exerted once in every seven years.

As regards sovereignty, the fundamental question is how much of it the Member States are ready to delegate from individual Member State competency to the EU level. Theoretically the EU, as the allocator of resources, could possess a much higher share of the Member State GNI than the current 1%. Change in shared sovereignty is about competencies, not about redistribution of resources across Member States. Smaller or bigger EU competency could leave the net financial positions unchanged and principally it could occur with zero net financial positions, where each Member State receives as much transfers from the EU budget as its contribution to the budget, 'only' the allocation of these resources across spending targets within the Member State concerned would be delegated to the EU level. A considerable extension of the EU budget in this sense would involve the delegation of complete areas of public finance from Member State to community level, which is very far from the current practice and would be compatible only with a vision of a federally constructed 'United States of Europe'.

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*   This note was written in the framework of the GRINCOH project, an FP 7 research project of the European Union.

[1]   In a second round of the decision-making process also by the European Parliament.

Redistribution of income

The other approach addresses the redistribution of income across Member States. While each Member State contributes to the community budget with about 1% of its GNI, net contributor Member States receive, in terms of transfers, less than their contributions: only 0.6% to 0.8% of their GNI (the paid-in 1% diminished by their net financial position). Net beneficiary Member States also contribute about 1% of their GNI to the EU budget; this group of countries receives transfers from the community budget amounting to 1.06% to 4.88% of their GNI (the paid-in 1% supplemented by their net financial position).[2]

It is important to underline that redistribution of the EU GNI across Member States is not an explicit target of the EU budget; rather it is the consequence of parameters of individual European policies, predominantly those of the cohesion policy. No Member State can put forward a proposal suggesting that the expenditures from the EU budget should amount to a certain sum, and that within this sum the proportion of cross-Member State redistribution should be of a certain size. What individual Member States can indeed do is to put forward recommendations for the European policies focusing on eligibility criteria, propose a cap on overall expenditures paid from the EU budget and hope to convince a sufficient number of other Member States to support the initiative. A fine calibration of these two items indirectly determines the overall size and the extent of cross-Member State redistribution in the EU budget.

The relation between the EU budget and Member State budgets

In the absence of a theory on budgetary relations between the EU and its Member States, an attempt will be made here to test this relation with the help of the toolkit elaborated by the OECD for measuring fiscal decentralisation (OECD and Korea Institute, 2013).

As the introductory section of the above-cited OECD paper argues, there is no consensus in the international literature on the taxonomy of intergovernmental grants.[3] In the OECD analysis the emphasis is put on the relation between the central government budget (CG) and the sub-central constituents of federal countries (states, Länder, provinces, regions, etc.) or the central government budget and local governments in unitary countries (without a federally structured state).

In the following exercise the European Union and its budget appears in the role of the central government and the Member States in the role of the secondary (lower) level of government. It must be noted that this is a formal issue, since there is no state in the world where 1% of the GNI is redistributed through the central government budget and 99% through regional/local governments. But we have to keep in mind that, while the EU bears some features of a state, it is definitely not a state, and its budget finances only a fragment of the tasks (except for subsidisation of agriculture) which typically belong to the competence of central government budgets.

Taxing power

In its taxonomy the OECD distinguishes 13 grades of taxing power, based on the extent to which taxing power is shared between the central government (CG) and the sub-central government (SCG) level(s) over tax rates, tax bases and tax sharing arrangements.

In terms of taxing power the EU, in the quality of a CG, is nearly non-existent. Of the 1% GNI collected by the EU budget, only the traditional own resources[4] can be considered as own tax income of the EU. This component amounted on average to 13.2% of the EU budget revenues (or 0.13% of the EU GNI) in the period 2007-2011. According to the OECD taxonomy, the traditional own resources component is a tax sharing arrangement, as the

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2   Estimations by the Austrian Ministry of Finance of the net financial positions of Member States in the next MFF 2014-2020, 'MFF 2014 bis 2020', presented by Edith Peters at the FIW seminar, Vienna, 14 February 2013.

3   For references see Rodriguez-Pose and Ezcurra (2010), Baskaran (2010), and Martinez and Timofeev (2010).

4   Agricultural duties (up to 2008), sugar levies, customs duties.

CG (the EU) collects the tax, but a fixed share (20% of the total from 1 January 2014) of the collected sum is left at the SCG (Member State) level to cover the costs of tax collection.

Despite the misleading name, the VAT-based own resources (20.2% of the total in 2007-2011, average) have no relation with real VAT revenues in the Member States; the latter serve only as a starting platform for complicated calculations where at the end a practically GNI proportional item emerges (European Commission, 2004, p. 6). The biggest component of EU budget revenues, the GNI-based contributions by Member States, amounted to 66.6% of the total in 2007-2011 (average). This component, and practically the VAT-based contribution as well, incorporate a simple transfer from the Member State treasuries to the EU budget. It can be interpreted as a special Member State GNI proportional tax, where the individual treasuries of the Member States figure as subjects of the tax. What can we say about the sharing of taxing power between the EU and the Member State in this case? The SCG (individual Member States) have originally the power as part of the decision making process to influence the tax base and the tax rate, possible tax reliefs, details of the tax sharing, but once the decision is made (at the European Council and later approved by the EP in every seventh year) individual Member States have no longer any opportunity to change any of the details up to the decision on the next MFF seven years later.

The European Union has declared its claim for genuine own resources already in an early phase of the integration process and its first element, the 'traditional own resources', was introduced in 1971 (European Commission, 1998). Genuine own resources would represent a new tax to be collected in the Member States by the EU and would reach the EU budget without the intermediation of the Member State treasuries. Over the past decades a plethora of ideas has been put forward how this tax should look like:[5]

- Genuine VAT
- EU corporate income tax
- Personal income tax
- Taxation of energy
- Excise duties on tobacco and alcohol
- Transfer of seigniorage revenue
- Communication taxation
- Climate charge on aviation
- Tax on stock exchange transactions
- Withholding tax on interest income
- Tax on international financial transactions (Tobin tax)

Of all these ideas the last mentioned tax on international financial transactions came closest to (partial) realisation, as in the case of this tax the effects seem the least visible for European citizens and the costs are apparently borne by the financial institutions.

Another solution is worth mentioning, namely the sharing of an already existing tax revenue between the Member State budgets and the EU budget. In Germany revenue from the VAT, the personal income and the corporate income taxes and a withholding tax on interest and capital gains are all shared between federal, state and local government levels, in each case in different proportions (Spahn, 2013, p. 93). Including a further (EU) level into one or more of these taxes would be technically (but not politically) a simple solution, at least in federally constructed states such as Germany. In unitary Member States the difficulties, both technical and political, would probably be bigger.

How does the SCG (Member State) contribution to the CG (EU) budget, amounting to 1% of Member State GNI, relate to the internal allocation of tax collection between central and regional/local governments? Sub-central level tax collection in the Czech Republic and Slovakia was extreme low (0.4% and 0.8% respectively) and not very high in Estonia, Hungary and Poland (4%, 2.3% and 4.1% respectively) (2005 data; Blöchliger, 2013, p. 18, Table 1.2.). We see here the opposite one-sidedness as compared to the relation between the

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[5] See an overview of the discussion on the topic in Cattoir (2004), Schratzenstaller and Berghuber (2007) and Richter (2008).

EU budget and the Member State budget, if it is interpreted as allocation between CG and SCG.[6]

The OECD terminology defines tax sharing as '*an agreement where tax revenue is divided vertically between central and sub-central governments as well as horizontally across sub-central governments … Often tax sharing arrangements contain an element of horizontal fiscal equalisation. Tax sharing has become a means to provide fiscal resources to sub-central governments while maintaining central control over fiscal aggregates.*' (Blöchliger, 2013, p. 22) As discussed above, tax sharing arrangements play a subordinated role in the EU budget except for the small item left for covering tax collection costs within traditional own resources. In the European Union's budget the task of horizontal fiscal equalisation has been delegated to a category which is defined by the OECD as intergovernmental grants.

Intergovernmental grants

Intergovernmental grants (or transfers) provide SCGs with additional financial resources, thus filling the gap between own tax revenue and expenditure needs. The conditions attached to intergovernmental grants are ranging on a broad scale from transfers that allow full autonomy for the SCG concerning utilisation to grants where the central government retains strict control (Blöchliger, 2013, p. 23).

The OECD database provides data for 25 countries in 2006. While figures in individual countries range widely (from 2% in Turkey to 34% in Korea) the average share of intergovernmental grants was 25.2% of total tax revenues in the group, or 8.6% of the group's aggregated GDP (unweighted average). Placing the EU budget into the role of an imaginary CG, intergovernmental grants (to Member States, or in this simulation to SCGs) can be calculated as that share of the EU budget expenditures which equals to the contributions of net contributor countries to the EU budget less the transfers they re-

ceive, or the receipts from the EU budget of the net beneficiary countries less the contributions they pay into the EU budget. The figures in Table 1 show that in terms of share in economic performance of the EU, intergovernmental grants are negligible compared to comparable data of the individual OECD countries in the group of 25, ranging from 0.16% in 2006 to 0.27% in 2011 of the EU GNI. However, as the EU budget collects only about 1% of the EU GNI, the share of intergovernmental grants within the EU budget expenditures is high: in 2011 it amounted to one quarter of the total (in EU GNI terms 0.27% relative to 1.08%). This proportion is practically identical with the intergovernmental grants' share in total tax revenues in the 25 selected OECD countries in 2006 (Blöchliger, 2013, p. 24, Table 1.5). (Nevertheless, in 2006 the respective proportion of 'intergovernmental grants' was lower, about 16%, see Table 1.)

Table 1

Net redistribution through the EU budget in selected years

	1997	2003	2006	2011
EU GNI, € million	7,388,285	9,503,191	11,401,003	12,664,138
Net redistributed GNI across MS*	15,909	17,099	18,466	34,185
Net cross-MS redistribution in % of EUGNI	0.22	0.18	0.16	0.27

*Contributions of net payer countries to the EU budget less the transfers they received, or receipts of net beneficiary countries from the EU budget less the contributions the paid.

Source: GNI: Eurostat, net redistribution: EU budget 2007 Financial Report, Annex 5 and EU budget 2011 Financial Report Annex 3; own calculations.

If we put the EU budget into the imaginary role of a CG, we can analyse how intergovernmental grants affect individual SCG financial positions. One group of the SCGs are winners, another group of SCGs are losers of the process, certainly strictly from a fiscal point of view.[7] The net financial position of an individual Member State provides a clear picture of

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[6]   Federally organised states have different proportions: in Germany sub-central revenues amount to 10.2%, in Canada to 15.7% of the GDP of the countries concerned (Blöchliger, p. 18, Table 1.2).

[7]   It would be misleading to limit the impact of cross-MS redistribution to the fiscal effects. Net contributor Member States gain in terms of expanded trade, FDI and other business opportunities.

the relative significance of these grants/transfers for the Member State concerned.

Graph 1

Net contributor and net beneficiary Member States: per capita GNI and net financial position vis-à-vis the EU budget

- GNI/capita 2011 (thousand €)
- avg. GNI/capita (thousand €)
- avg. net financial position in % of GNI, 2007-2011 (right-hand scale)

- GNI/capita 2011 (thousand €)
- avg. GNI/capita (thousand €)
- avg. net financial position in % of GNI, 2007-2011 (right-hand scale)
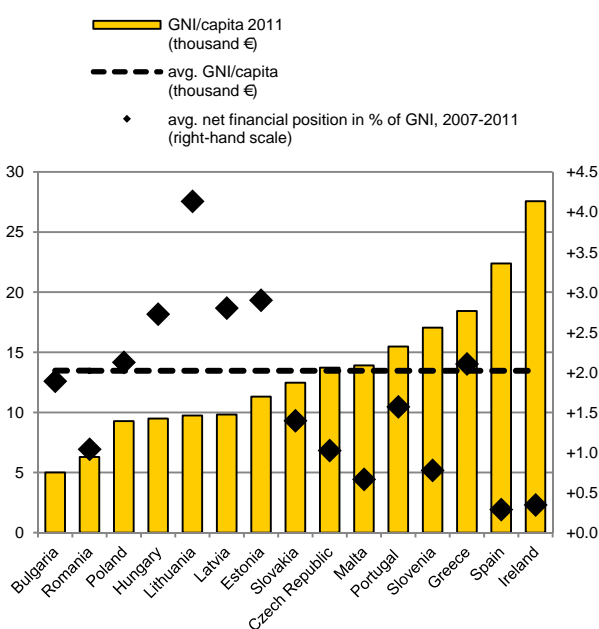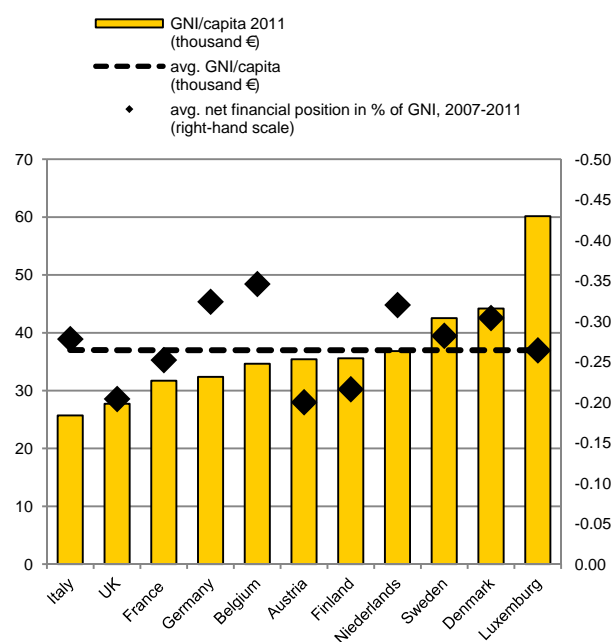
Source: EU budget 2011 Financial Report, European Commission; Eurostat and own calculations.

Taxonomy of intergovernmental grants

There is a dividing line in the OECD taxonomy separating earmarked and non-earmarked grants.

In the case of the EU–Member State relation there are only earmarked intergovernmental grants. This is in sharp contrast to the average of 20 selected OECD countries where 49.5% of grants were non-earmarked at the primary level of sub-central government (state, province, region, etc.) and 47% on the secondary (local) level.[8]

Earmarked grants can be further divided into mandatory and discretionary grants, reflecting their legal background which stipulates their allocation (Blöchliger, 2013, p. 25). In case of EU budget expenditures, part of the CAP, namely direct payments to farmers and market-related expenditures (33.8% of the total in 2011)[9] represent mandatory transfers, all other items fall into the category discretionary grants. In the group of the selected 20 OECD countries, on average 2/3 of the primary level of sub-central government transfers were mandatory, at the secondary level 58%.[10]

A further classification of the OECD distinguishes matching grants from non-matching ones. In the former case transfers are linked to supplementary SCG own expenditure, in the latter they are not. In the OECD sample average matching and non-matching grants are roughly on equal footing both within the mandatory and the discretionary grants. By contrast, in the EU budget the mandatory transfers for farmers (direct payments) are completely non-matched, while cohesion policy, rural development and competitiveness expenditures are all fully matched transfers as national contribution is required in each and every project, to various extents.

Finally, the OECD taxonomy distinguishes between grants for capital expenditure (investment) and grants for current expenditures. In the OECD sample, within earmarked grants current expenditures made up 82.7% of total grants at the primary level of SCG and 60.7% at the local level. As the philosophy of the EU policies (except for direct payments) primarily supports development through

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[8]   Own calculation based on Blöchliger (2013), p. 26, Table 1.6.

[9]   EU Budget 2011 Financial Report.

[10]   Own calculation based on Blöchliger (2013), p. 26, Table 1.6.

investment and contribution to initial but not to permanent operational costs, current expenditures are assumed to play a substantially smaller role in the EU–Member State fiscal relations than in the CG–SCG relations in the sample of OECD countries.

Spending power – the limits of autonomy

Sub-central governments' spending power is defined as the extent of control these can exert over the general government budget. That translates into calculating the share of SCG expenditure in general government expenditure (CG+SCG). Nevertheless, disposal over the money is only a part of the whole story, as upper level government regulation must also be taken into consideration when evaluating SCG discretion over various budget items (Blöchliger, 2013, p. 30).

Applying this approach to an imaginary federal state EU with the Member States as lower level constituents, the SCG level (the aggregate Member State budgets) amounts to about 45% of the EU GNI[11] and stands out with overwhelming dominance over the 'federal' EU budget amounting to 1% of the EU GNI. The distribution across Member States is however fairly diverging, but even in the case of the best positioned net beneficiary Member State the relation of the resources from the CG (EU) budget to the SCG (Member State) budget is about 1:10.

But spending power is more than simple arithmetic, and the EU's regulatory power goes ways beyond the scope of transfers.

Autonomy in regulatory terms

The OECD taxonomy maps SCG autonomy in regulatory terms in five different aspects (Blöchliger, 2013, p. 31).

- *Policy autonomy:* are SCGs obliged to provide certain services? If we take Member States as SCGs, we may argue that the EU does not prescribe explicit service delivery, but the Member

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[11] In 2011 general government revenue in the EU amounted to 44.6% of the EU GDP; European Commission (2012), Table 29B.

State must comply with the EU's acquis communautaire, which may necessitate that certain services must be delivered. Non-compliance with fundamental values of the EU through not delivering certain services could trigger sanctions.

- *Budget autonomy:* to what extent do SCGs exert control over the budget? Member States as SCGs have full control over their own budget, except for the extent of the fiscal deficit which is regulated in the Stability and Growth Pact, and in case of non-compliance an Excessive Deficit Procedure is initiated. In the forthcoming 2014-2020 MFF, repeated non-fulfilment of recommendations under the Excessive Deficit Procedure or the Excessive Imbalance Procedure may be sanctioned by suspension of a considerable part of cohesion policy transfers for the Member State involved.

- *Input autonomy:* to what extent do SCGs exert control over the civil service such as staff management and salaries and other input-side aspects of a service, e.g. the right to tender or contract out services? In staff management and salaries issues, limitations for the Member State budget imposed 'from above' by the EU are non-existent. Nonetheless, constraints are considerable in public procurement where the provision of an equal playing ground for potential domestic and other EU providers is a fundamental criterion of EU membership.

- *Output autonomy:* to what extent do SCGs exert control over quality and quantity standards of services delivered? Here SCG autonomy is full in case of expenditures from the own budget but limited in the case of services delivered by CG (EU co-financed) projects, where the EU has the right to control whether the standards agreed upon in the preparatory stage of a project have been observed, and non-compliance may lead to sanctions such as re-payment of the support received.

- *Monitoring and evaluation:* to what extent do SCGs exert control over evaluation, benchmarking and monitoring? The SCGs have full power what concerns their own expenditures, in the

case of CG (EU co-financed) projects the CG (EU) regulations for monitoring and evaluation overrule the SCG regulations.

While the CG resources are small in relation to SCG budgets, this money combined with the limitation of SCG autonomy deriving from the EU's regulatory power poses greater constraints on SCG autonomy than the 1% GNI proportional EU budget alone would suggest.

The expenditure side

In this paper the OECD taxonomy was used to describe the characteristic features of the EU budget; the expenditure side of the EU budget was featured as a single item. However, the expenditures consist of very different components following a diverging logic/philosophy.

Unitary state logic

Of the five main expenditure areas, chapter 4: *Global Europe* and chapter 5: *Administration* (combined 12.5% of the total budget, 0.125% of the EU GNI)[12] are comparable to expenditures of a unitary state, with no interference from lower levels of government, here the Member States.

Chapter 2: Natural resources consists of two very different sections, called first and second pillar. The first pillar is *Market-related expenditures and direct payments* (28.9% of the total budget, 0.289% of the EU GNI), the second pillar is *Rural development.* In the first pillar the EU follows the logic of a highly centralised unitary state, as the agricultural subsidies provided here are not matched with lower level (Member State) contributions; moreover, any additional subsidies by Member State governments are strictly prohibited (based on competition policy considerations). Although specific transfers have been strongly diverging by Member State after the 2004 and 2007 enlargements, in the next MFF period the income gap of subsidy recipient will be radically smaller, imitating the equal treatment of 'farmer-

citizens' in a unitary state. Direct payments reach the recipient farmers without interference by Member State fiscal authorities. The second pillar, *Rural development*, follows another logic, see below.

'Redistribution fosters convergence' logic

MFF Chapter 1: *Smart and inclusive growth* consists of two constituent parts of a fairly diverging nature. We address here sub-chapter 1b: *Economic social and territorial cohesion* (33.9% of the total budget, 0.339% of the EU GNI). This is the area of the EU budget where cross-Member State redistribution deliberately happens, even if in an indirect way. No explicit target concerning the extent of redistribution is announced, but the rules of the game are calibrated to reach a certain extent of redistribution which is acceptable for all Member States. For this purpose eligibility criteria are tailored to parameters of the typical recipient (Member States with less than 90% of the EU average development level; regions in Member States with 75%, 75-90% and above 90% of the EU average development level). The specific resources made available for the recipients are tiered digressively by the prosperity of the recipient regions. Cross-Member State redistribution is the consequence of the tiered eligibility criteria. Apart from the eligibility criteria, a cap (also tiered by the prosperity of the region concerned) on the resources available from this chapter helps to delimit the extent of cross-Member State redistribution 'from above'. Here matching of the EU transfers by Member State contribution is a must, and the extent of the Member State contribution (central or local budget, the recipient organisation or enterprise) is also tiered by the prosperity of the recipient Member State (and also by the type of the project to be financed).

'Best bidder takes all' logic

Sub-chapter 1a: Competitiveness for growth and jobs has the third distinct logic among the parts of the EU budget (13.1% of the EU budget, 0.131% of the EU GNI). This is the chapter where available resources, earmarked for modernisation (R&D, trans-European transport and communication networks) will be allocated for applicants that have

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[12] Here and in the next calculations data are from the 2014-2020 MFF as approved by the European Council on 7-8 February 2012 (European Council, 2013).

proved to be the best in an unrestricted competition. Here unrestricted competition is the guarantee for cross-Member State redistribution, as highly developed Member States have a far better record in receiving project financing in this chapter than less prosperous Member States (Somaj, 2013, pp. 15-17).

Mixed logic

Rural development, the second pillar of chapter 2: *Natural resources* (10.0% of the total budget, 0.099% of the EU GNI) is an in-between construction where matching by recipient is required but the available resources are pre-set for the individual Member State and no exact eligibility criteria such as those in the case of expenditures from the subchapter *Economic, social and territorial cohesion* are applied. The purpose is modernisation coupled with 'greening' of agriculture and rural areas. This is also the field for equalisation. First, co-financing rates are tiered by the relative prosperity of the regions; second, discretionary expenditures for a couple of Member States are allocated here with the obvious underlying purpose to amend the overall budgetary position of the Member State involved. While the main objective here is modernisation, these expenditures do not fit the box with *Modernisation logic* as the Member State envelopes in this sub-chapter are pre-fixed and there is no EU-wide competition by applicants for these resources.

The resources for the Member States from chapter 3: *Security and citizenship* (1.6% of the total budget, 0.016% of the EU GNI) probably fit best into this box. Transfers from this chapter are of a supplementary nature, as the responsibility for the services to be provided in this field and the related financing of them are all in Member State competency.

Conclusions

The recent crisis has fundamentally changed the prospects of cross-Member State redistribution in the EU. In the wake of the crisis the long established budget of the EU will have to face new 'competitors'. In May 2010 two new financial sup-

port instruments were called into being: the European Financial Stabilisation Mechanism (EFSM) and the European Financial Stability Facility (EFSF). The developments following these decisions inspired the euro area members to make the existing support mechanism more robust and establish a permanent crisis resolution institution, the European Stability Mechanism (ESM).

The ESM will issue bonds or other debt instruments on the financial markets to provide assistance to Member States and will have a total subscribed capital of EUR 700 billion provided by euro area members. To put this figure into context: it amounts to 73% of the USD 960 billion total funds to be made available within seven years (2014-2020) via the next Multi-Annual Financial Framework (EU budget).

The crisis also opened a new chapter in fiscal governance issues within the EU. After the measures introduced for a stricter control of Member States' national budgets, the call appeared for the establishment of a new, proper fiscal capacity for the EMU. It is expected to provide sufficient resources to support important structural reforms in economies in distress.

That means that cross-Member State redistribution in the EU will most probably become larger and substantially more complex in the future than it is today. Planning and implementing large-scale changes in this field and assessing their possible impact may become easier through a better understanding of similarities and differences of the cross-Member State redistribution within the EU compared to the existing federal structures in EU Member States and other countries of the world.

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Ukraine: always in between

BY Vasyl Yurchyshyn AND
Kateryna Markevych[*]

Political framework

The presidential elections of 2010 are considered to represent an important step in Ukraine's development through the consolidation of political power with the leadership of the new president.

The Committee for Economic Reforms was established to create and deliver an economic reform programme for 2010-2014, 'Prosperous society, competitive economy, and effective state'.

Despite the fact that the government was generally considered as business-friendly, the reform agenda was not delivered. This was due to many factors including the unwillingness of the Ukrainian authorities to take risks associated with a possible decrease in electoral support as a result of unpopular measures. Also, the reform program did not take account of some important challenges:

- past sources of growth (rapidly growing exports of low value-added commodities, 'cheap' external financing, rapid expansion of domestic consumption etc.) could no longer be main drivers of Ukraine's economy in the post-crisis period;
- lack of experience and incentives of the government in implementing market reforms and systemic transformation;
- absence of common vision at the National Bank of Ukraine (NBU) concerning management of the national currency[1].

Despite the tightening of power, political incentives for reforms have deteriorated significantly. The parliamentary elections of October 2012 were understood to be a test for the government regarding its commitment to European standards of democracy. The elections were largely subordinated to the logics of the 2015 presidential campaign – both ruling and opposition political forces saw the importance of the parliamentary elections primarily in building a platform for the presidential elections.

However, the October 2012 elections in the opinion of many observers brought 'no fundamental change' in the nature of Ukraine's political system and its geopolitical orientation. The composition of the post-election cabinet, finalised in late December 2012, pointed to the preservation of political 'stability', rather than proactive economic reforms, as the key near-term objective of the political leaders. The prospects of the political regime in Ukraine have remained unfavourable and can be characterised as strictly authoritarian – with further limitation on political competition, restriction of political rights and freedoms of citizens, pressure on civil society institutes, etc.

It is clear that President Yanukovych's overriding political goal is to remain in power following the 2015 presidential contest. However, in order to stay in power until then and hence avail himself of the advantages of incumbency, he faces some difficult choices. The accumulation of an array of powerful economic and financial pressures may make it hard this time.

Mounting financial pressures may force the Ukrainian leadership to seek a creative solution between the immediate goal of obtaining the external funds necessary to stave off economic crisis and ensuring that it is in a position to hold on to power in the medium term — although such a balancing act may be difficult to achieve. It is very likely that in 2013 Ukraine will have to finally take a decision on the priority geopolitical vector and, respectively, on the direction of evolution of its political regime. The country – with the growing pressure from Russia willing to see Ukraine in the Customs Union, on the one hand, and the deadline set to sign an Association Agreement with the EU (November 2013), on the other hand – might be forced to make such a choice.

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[1] Actually Ukraine exercised a fixed exchange rate regime pegging the hryvnia to the US dollar: before the crisis at around 5 UAH per 1 USD, and in recent years, after the precipitous devaluation, at 8 UAH / 1 USD.

Poor institutions

Ukraine is characterised by extremely weak institutions and a high incidence of corruption. In spite of the foundation of the National Anti-Corruption Committee in 2010, the corruption level has even increased in recent years. In the Corruption Perceptions Index 2010 Ukraine was ranked 134 among 178 countries; in 2012 the situation had worsened to rank 144 among 174 countries.

Deepening of the public finance crisis caused by non-transparency of the budget; near complete budget centralisation, budgetary support of state monopolies, rapid growth of public indebtedness, etc. According to the International Open Budget Survey 2012, Ukraine's score was 54[2], which is lower than for Central and East European countries and means rather poor transparency of the budget and the budget process. At the same time, Ukraine only received a B rating from Standard & Poor's.

Tax legislation remains confusing and inconsistent and is considered as one of the most complicated in the world. The new tax code (adopted in 2010) has not reduced the tax burden and has had no real positive impact on businesses. In the *Doing Business Report*, under the topic 'Paying Taxes', Ukraine ranked 181st among 183 countries in both 2010 and 2012.

Despite significant efforts the pension reform has failed to improve the welfare of pensioners and to balance the Pension Fund, but has raised the retirement age and has worsened the situation in the labour market.

Investment protection remains insufficient, and Ukraine can therefore hardly succeed in restructuring the economy. At the beginning of 2013 the FDI stock per capita was estimated at a level of USD 1,300, which is 3 times less than in neighbouring

Poland. Investment indices prove Ukraine's poor attractiveness for investors: In the Index of Economic Freedom[3] 2012 the country received very low scores in 'Property Rights' (30) and in 'Investment Freedom' (20), and it ranks 180th (out of 183) in 'Dealing with Construction Permits' in the *Doing Business Report*.

Since Ukraine is an open small economy, it could benefit from the free trade regime. However, the potential benefits have not been realised yet. The country remains highly dependent on imports (primarily from energy resources supplied mainly from the Russian Federation) and exports of low value-added products (i.e., principally metals and chemicals). In the Global Competitiveness Index[5], Ukraine is ranked 117th out of 144 countries in 'Goods market efficiency'. The recent government attempts to revise WTO obligations have raised concerns related to protectionist policies of the Ukrainian government.

Privatisation is mainly used for and directed at the redistribution of assets. The lower than expected revenue from privatisation[7] is attributed to the resumption of non-commercial tenders, politicised sales and long-term lease of profitable enterprises at low prices. Further denationalisation 'targets' will be achieved through concessions and privatisation of attractive enterprises (including those that previously were on the no-privatisation list). This process however is not to provide budget funding or find effective owners but to redistribute assets in favour of political-business partners.

Thus, as for 'Institutions' are concerned, Ukraine ranks only 132nd among 144 countries in the Global Competitiveness Report, the worst and poorest position in Europe.[8] Ukraine has practically abandoned structural reforms and was therefore not

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[2] The Open Budget Index (OBI) assigns each country a score from 0 (worst) to 100 (best) based on the simple average of the numerical value of each of the responses to the 95 questions in the questionnaire that assess the public availability of budget information. Source: Open Budget Survey, http://internationalbudget.org/wp-content/uploads/OBI2012-Report-English.pdf.

[3] See Index of Economic Freedom, http://www.heritage.org/index/.

[5] Source: Global Competitiveness Report 2012-2013, http://reports.weforum.org/global-competitiveness-report-2012-2013/.

[7] In 2012 privatisation proceeds of the state budget were about UAH 6.5 billion (against the planned UAH 10 billion).

[8] Source: Global Competitiveness Report 2012-2013.

in a position to resist the negative pressure of global economic imbalances in the second half of 2012.

Current economic developments

Negative trends are gaining strength. In 2012, decline was recorded in the key sectors of the economy: industry – by 1.8%, agriculture – 4.5%, turnover – 7.6%, construction – 13.8%. Full-year 2012 real GDP growth was limited to a mere 0.2%, sharply down from 5.2% in 2011. Being an open economy (with exports accounting for more than 50% of GDP), Ukraine suffered from weak foreign demand and declining world commodity prices in 2012. The contribution of exports to real GDP growth became negative in 2012.

In the first quarter of 2013 the decline in industry reached 5% (compared to the same period of the previous year), with manufacturing declining by 5.4%; turnover fell by 11.0%, construction even by 16.8%. Industrial production in Ukraine is much less than before the crisis (Figure 1). Only agriculture is seen as a more promising sector in terms of growth potential, export revenue and FDI receipts.

The official estimate of the GDP decline in the first quarter of 2013 is 1.2% (but we see the decline at around 2%).

Figure 1

Index of industrial output

Jan 2008 = 100
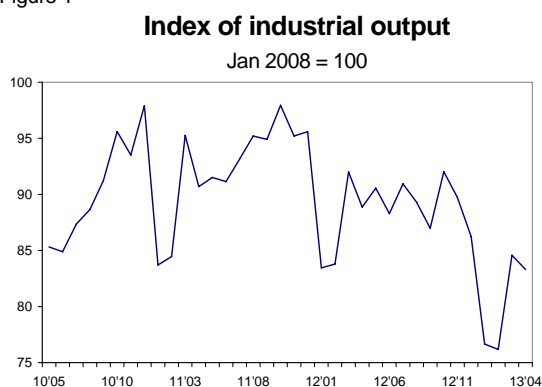
As opposed to the rather optimistic government scenario for Ukraine's economy in the coming years, particular for growth in both 2013 and 2014 (Table 1), the current negative economic dynamics indicates, according to our estimates, that full-year 2013 growth will be less than 1.0%.

Table 1

Government scenario for the economy

	2012	2013(f)	2014(f)
Nominal GDP, UAH billion	1.41	1.58	1.69
Real GDP growth, %	0.2	3.4	3.0
Inflation (Dec.-Dec.), %	-0.2	6.1	8.3
Unemployment rate (ILO), %	8.1	7.4-7.7	7.1-7.4
Budget deficit, % GDP	3.8	3.2	3.0
Public debt, % GDP	29.7	30.2	31.0

The share of gross fixed capital formation fell to a critically low level of 18-20% of GDP in 2011-2012, which is insufficient to build a solid basis for economic growth. The capital investment structure is deteriorating – nearly two-thirds (61%) of all sources comes from enterprises' own funds, and nearly 15% is accounted for by bank credits. It is likely that in 2013 investments will not exceed 20% of the GDP, which does not improve the prospects of accelerated recovery.

The deterioration of the economic dynamics in 2012 and rise in of expenditures before the parliamentary elections resulted in an increase in the budget deficit. The full-year 2012 budget deficit was considerably larger than expected – UAH 53.4 billion (against the expected UAH 25 billion).

The state budget deficit target for 2013 in the amount of around UAH 51 billion does not take into account the financial needs for state monopolies, first of all the gas monopoly Naftohaz, the Pension Fund, etc. Thus, the total deficit of public finance in 2013 is more likely to be UAH 82-85 billion (5.5% of GDP).

The near-zero official inflation rate in 2012 is understated; it distorts the indices of the real wellbeing and allows the authorities to escape indexation of social allowances. In 2013-2014 inflation will accelerate and will probably exceed 6-8%.

The latest balance of payments data point to a wider-than-expected current account deficit in 2012 – the full-year 2012 deficit reached USD 14.4 billion (8.3% of GDP).

Inflows of foreign direct investment declined and by the end of 2012 international reserves had dwindled to below the (generally regarded as safe) level of three months of import cover, as a result of the government's maintenance of a de facto fixed exchange rate for the hryvnia to the US dollar.

Despite the expected huge trade deficit and international reserve losses, the authorities will continue to keep the UAH/USD exchange rate at a rather stable level for political reasons – exchange rate stability is considered a sign of economic stabilisation. The government plans of raising customs duties in 2013 (in order to defend domestic markets) will bring about a further deterioration of Ukraine's investment attractiveness, raise prices of imported goods and complicate access to foreign markets. In the circumstances of weak structural change, the current account deficit may reach USD 10 billion at the end of 2013.

In 2012 disparities on the exchange markets were growing: the demand for foreign currency remained high as the population doubted the NBU's ability to maintain the hryvnia/USD peg (UAH 8 per USD).

By the end of 2012 Ukraine's international reserves had fallen to USD 24.5 billion (from USD 31.1 billion at the beginning of 2012). The NBU passed a number of resolutions intended to increase foreign currency supply on the domestic market, but their irrationality brought not only a reduction of the foreign currency inflow but also a further destabilisation of exchange markets[10].

Despite some currency stabilization in recent months, the large external repayments envisaged in the immediate future (see below) point to a significant risk of decline in the stock of reserves[11].

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[10] In the autumn of 2012 one even could observe a panic on the exchange markets. Net purchases of foreign currency by Ukrainians exceeded USD 2 billion per month.

[11] The fact that international reserves have not fallen over the past three months (staying at about USD 24.5-25.2 billion, below 3 months of total imports) is attributable to a sharp (but probably temporary) fall in gas imports from Russia and continuing debt issuance in reserves by both the sovereign and the corporate sector. Since the beginning of the year,

Since the devaluation pressure remains high, the NBU, for 'political expediency' considerations, will continue the administration of the exchange markets. If the cooperation with the IMF improves, the devaluation of the hryvnia will not be excessive – in 2013 we expect the annual average official exchange UAH/USD rate not to exceed 8.3.

The funding of the foreign trade deficit and the debt service required fresh massive borrowing – at the end of 2012 total foreign debt exceeded USD 135 billion, half of which is short-term. Over the past several years, Ukraine borrowed excessively to finance the sharply increased domestic consumption and investments. The international liquidity crisis led to a reversal of capital flows, which drained liquidity in the banking sector and depressed credit, investment and consumption. In order to avert a financial collapse, Ukraine must certainly resume full-scale cooperation with the IMF (Ukraine's payments to the IMF alone amount to USD 5.8 billion in 2013) and avoid a deterioration of ratings. With a modest devaluation of the hryvnia, external debt will account for some 80% of the GDP in 2013. As for domestic public debt (including debt denominated in hard currency or domestic bonds linked to the USD), we think the sovereign will be able to finance itself from the local markets.

Directions of integration

By the end of 2013 Ukraine has to finally decide on the strategic direction of its development, including integration processes – either wider fruitful cooperation with the EU or deeper subordination to Russia.

Economic integration with the EU requires the creation of market institutions, property protection, a competitive economy, etc. And the main task – to ensure sustainable growth – can hardly be achieved without cooperation with the IMF. In fact the IMF programme is a crucial part of the EU integration process. But neither in February nor in April 2013 could the IMF missions approve the decision on the

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the government has issued USD 2.25 billion in Eurobonds, and the corporate sector a further USD 3.2 billion.

new programme for Ukraine-IMF cooperation and financing. In these circumstances, Ukraine will need at least a couple of rounds of negotiations to come to agreement with the IMF. Delays in the negotiation process reduce the likelihood of the agreement to be signed this year.

To sign a new agreement Ukraine should be ready to fulfil the IMF's list of requirements: a 40% hike in gas prices; a more flexible exchange rate; more realistic budget revenues and control of budget guarantees; and reforms in the financial and banking sectors. Ukraine should keep in mind that the IMF is set to seek a realistic programme of deficit reduction, including at the Naftogaz level, and elimination of arrears on VAT rebates, before details of a new financing programme could be agreed.

Without implementation of the Ukraine-IMF programme it is close to impossible to sign the Association Agreement with the EU in November 2013.[12] It is likely that Ukraine's president will keep his options open while the government tries to secure a deal with Russia on sharply lower gas prices. Therefore, an IMF programme will be agreed no sooner than early autumn 2013.

The government now seems more likely to hike gas prices, but will probably negotiate a lower than 40% hike for households and will also implement subsidies for the poorer segment of the population.[15] At the same time, the longer the decision to hike

prices is delayed, the more difficult will be its implementation. The new presidential election campaign will start at the beginning of 2014 and no 'unsocial' reforms will be presented.

Comparing the negotiation processes, in 2013 the government continues its dialogue with the IMF to sign an agreement and receive financial resources, and demonstrates EU integration efforts. In 2014 the situation will probably change – the government may activate the dialogue with Russia concerning the formation of a joint (with Russia) gas transportation system (GTS) that helps to lower the gas prices. Thus, the Ukrainian authorities are trying to balance between East and West to receive gains from both sides. However, such policy is usually a failure.

As far as the main goal of Ukraine's agreement with the IMF is to support sound economic policies in Ukraine, the Russia deal does not exclude an IMF agreement. But Russia opposes Ukraine's position aimed at prioritising relations with the EU and will certainly be unhappy if an IMF deal is signed, or if Ukraine moves much closer to the EU. It should be emphasised that establishment of the priority of European integration (on the condition of equal and transparent partner relations with Russia) offers no instant economic advantage to Ukraine. However, in that case it will win strategically: adopting European values, norms and rules, Ukraine will fundamentally raise its investment attractiveness and get a real chance for restructuring the national economy on a modern innovative basis.

The risks of involving Ukraine in the sphere of Russia's economic interests

Economic relations between Ukraine and Russia institutionally are complicated. The main strategic problem stems from Russia's efforts to make Ukraine change its integration priority from Europe to Eurasia, and to subordinate the domestic business activity in Ukraine to the Russian norms with the purpose of transforming the Ukrainian economy into a privileged sphere of Russia's economic inter-

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[12] Following the 16th EU-Ukraine summit in Brussels on 25 February 2013, Ukraine's president ordered his ministers to fulfil the EU's demand for a range of reforms by summer 2013. This would allow the country to proceed with the ratification of its EU Association Agreement at the EU's Eastern Partnership summit in Vilnius in November 2013.
  However, widespread scepticism about the capability or willingness of Ukrainian political leaders to deliver these reforms has prevailed in Ukraine, as so far the administration of the president and the government have shown no readiness for the judicial, electoral and economic reforms..

[15] The government initially raised natural gas prices by 50% in August 2010 as part of the IMF programme and was due to raise them by another 50% in April 2011. The IMF later agreed to a more gradual increase of 20% in April 2011, followed by a 10% increase in July 2011, but none of these increases were carried out.

ests. Russia has a clear geopolitical and economic interest in Ukraine: stimulating Ukraine's withdrawal from Western influence, promoting Russian products on the Ukrainian market.

For deepening Ukraine-Russia cooperation, institutional improvement is not the first task. In fact, as for today, readiness of Russia to guarantee 'cheap' gas for Ukraine in return for Ukraine's membership in the Custom Union is the predominant element of the two countries' convergence. But Ukraine's accession to the Customs Union would considerably facilitate the advance of Russian capital to Ukraine's market with the associated seizure of sectors of particular interest to Russian capital and the associated subordination of their development to decision-making centres in Russia. In these circumstances one should not expect even a beginning of economic restructuring, fundamental improvement of the investment climate and any serious acceleration of the pace of economic development in the coming years.

The 'gas issue' (including penalties for the reduction of gas purchases by Ukraine in 2012) will be used by the Russian side to exert pressure on Ukraine, in particular to make it join the Customs Union. At the same time Ukraine's parliament and government will not be able to join efforts for the solution of national energy policy tasks and to defeat corruption in the energy sector. Instead, lobbyist groups will push laws aimed at increasing monopolisation of the energy markets.

Attempts to involve Ukraine in Russia's sphere of economic (and political) influence continue and there is recognisable success of Russia in this respect. But for Ukraine, a stronger economic orientation towards Russia will not allow the country to properly make use of the new configuration of world-economic relations which is currently being formed in the global economy, the benefits of EU cooperation as well as opportunities to strengthen its competitiveness and institutions. Under these conditions, the benefits of involving Ukraine in Russia's orbit seem quite illusory, while the risks are real and significant.

Russia's economy is characterised by an outdated production structure, low competitiveness and significant vulnerability to external shocks and volatile environments. High inflation leads to losses of assets and in purchasing power, and negatively affects the incentives for investment and innovative development. Russia's major orientation towards raw material markets definitely influences the value of its currency, the rouble. The weakness of Russia's economy implies potential losses for Ukraine's macroeconomic environment. In particular, Russia's economy remains unstable and vulnerable to economic fluctuations. Despite huge mineral and energy resources, the uncompetitive structure of the economy accumulates mid- and long-run imbalances. Although Russia has mostly a positive public budget balance and current account balance, this is chiefly due to raw energy exports – in particular, high oil prices. However, the non-fuel deficit of Russia's federal budget has remained extremely high, which indicates high risks for the country's budget and macroeconomic stability.

Russia's economy in general has a low absorption level. GDP per capita in Russia is several times lower than the corresponding indicator in the EU's developed countries. The Russian population's low purchasing power will not be able to stimulate economic growth – either in Russia or in partner countries (including Ukraine).

Low demand in the Russian markets as well as imports restrictions imposed by Russia have negative impacts for Ukraine's exports. Orienting Ukraine towards such an economy would mean an increased risk of variability and instability in external demand.

Instability of the rouble and its dependence on raw material markets: In particular during the global financial crisis the rouble exchange rate fluctuated substantially. The strong fluctuations are related to the Russian economy's remaining rather uncompetitive, with its high dependence on raw materials (especially oil) markets. In fact, the rouble exchange rate dynamics are inextricably linked with

the oil price: cheaper oil on international markets inevitably means depreciation of the rouble.

The complex economic relations between Ukraine and Russia are further burdened by the following facts:

- Ukraine runs a significantly negative trade balance with Russia (first of all due to the permanent rise in prices of Russia's energy carriers). For example, in 2010 Ukraine had a trade deficit with Russia of USD 8.8 billion, and the estimated deficit for 2012 was USD 9.8 billion. This deficit is largely caused by the extremely high cost of Ukraine's imports of Russian oil and gas.
- At the same time the share of Ukraine's imports from Russia takes only 15% of Ukraine's total technological, engineering and investment imports from all over the world.
- Russian business in Ukraine demonstrates negative tendencies – industries with high inflows of Russian capital are characterised by growing monopolization and losses in efficiency.
- The advance of the so-called 'roublisation' of the Ukrainian economy, which refers to the claims to expand using of the rouble in trade settlements and the intentions to implement assets denominated in Russian roubles as a component of the country's foreign exchange reserves.

Under these conditions, given Ukraine's growing trade deficit with Russia, its structure, and the needs for financing, Ukraine has all 'characteristics' to become a chronic debtor which must borrow ever more money from Russia for settlements involving energy resources – some of which will be denominated in roubles. It will lead to a further increase in the country's indebtedness in the nearest future and, consequently, both to the loss of the most important strategic assets (such as transport routes and ports) and an increase in Kyiv's political dependence on Moscow. Moreover, Russia puts considerable effort into strengthening integration processes in the former Soviet sphere. Its latest successful initiative was the so-called Free Trade Area (FTA) of the CIS and the Custom Union (Russia, Belarus, Kazakhstan). In fact, the Agreements

are aimed at restoring and strengthening the administrative structures of the CIS, where Russia will play a dominant role.

The Ukraine-Russia summit on 4 March 2013 produced left Ukraine to face a large gas imports bill (5-7% of GDP annually), a USD 7 billion penalty notice to Ukrainian Naftogaz from Russian Gazprom, and an inevitable decline in the utilisation of its ageing gas transit network.

Prospects for economic development

Ukraine faces a combination of continuing slowdown at EU markets and imbalanced domestic economic policies. The establishment and consistent implementation of transformation measures that should radically improve the economic and investment environment of Ukraine and bring it onto the path of sustainable long-term development is delayed. In realistic scenarios one can expect slow changes which are not risky for the government but friendly to oligarchs, serve the current structure of the economy, but do not provide incentives for improving productivity and incomes of the population.

In the coming years the global and EU economies are expected to remain weak. External demand for Ukrainian products (metallurgy, chemical industries) will remain weak and unpredictable. New foreign investors will hardly come to Ukraine due to political and institutional reasons. The country's investment attractiveness remains depressed and productivity, efficiency and effectiveness of the economy are insufficient and frozen.

A new IMF programme would help to maintain investors' confidence at a comfortable level. But an IMF deal is clearly not imminent, and chances to reach it this year have declined, due to the government's ability to borrow from capital markets, international and domestic ones. The IMF programme, even if approved, will only strengthen the basis to achieve economic growth, but does not imply an acceleration of economic growth. Moreover, a strict IMF programme may even provoke

short-term negative growth implications due to the necessity of budget balancing, social spending restriction, etc.

Among the main goals for the authorities, the restoration of public confidence will depend on sustainable growth of the population's income, abidance by the principle of social fairness by the state, and protection of human rights and interests.

Our growth forecast for 2013 is less than 1%. As regards 2014, we are more optimistic (the forecast is 3.0-3.5%). Another risk for growth in 2014 will be associated with the expected aggressive electoral spending that is likely to increase the pressure on the budget and to widen the budget deficit.

Despite depreciation pressure, the NBU will continue to support the national currency for political reasons. Exchange rate stability will certainly remain an important goal until the presidential elections in early 2015, as currency stability is seen to reflect economic growth and good leadership.

As the IMF insists on the introduction of a flexible exchange rate regime, this may happen in the second half of 2013 or the first half of 2014. In any case it implies increasing exchange rate volatility, but not strong devaluation. Moreover, the government and the NBU will prevent a large devaluation to adjust prices for gas paid by the population.

The payment schedule for both local and external debt looks rather heavy for Ukraine. Repayments to the IMF represent strong pressure in both 2013 and the first half of 2014. Ukraine has to pay USD 4 billion to the IMF by the end of 2013 (the NBU needs to cover half of this amount). The Finance Ministry will have to pay USD 4.4 billion until end-2013. In this situation, the downward pressure on the hryvnia will increase sharply and access to external markets will remain essential for Ukraine' authorities. In any case we see a large drop in international reserves in autumn 2013 due to IMF and Eurobond repayments, and import coverage will decline to 2.7 months.

Should the authorities lose the access to external markets and fail to reach an agreement with the IMF, they will try to use the local market (first of all the banking sector) to cover their external repayments and to keep international reserves relatively stable, at least until the end of 2013.

In 2014, payments to the IMF, according to Ukraine's current obligations, will decrease to USD 3.6 billion and the Ministry of Finance will have to cover another Eurobond (maturing in June 2014). Besides, there is a Naftogaz bond maturing in September 2014 at around USD 1.6 billion. This means that total debt maturing in 2014, including the Naftogaz bond, amounts to around USD 7.5 billion.

Economic growth would be desirable to collect financial resources for sharply increasing spending in 2014 before the presidential election. But strong growth is not absolutely necessary. Wide access to funding is more important than economic growth in this respect. Moreover, we doubt that an IMF agreement ensures strong growth in the short term.

Whatever the scenario of economic development implemented in Ukraine, the economy will remain vulnerable to external shocks in the coming years.

STATISTICAL ANNEX

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

NEW: As of June 2013, time series for Kazakhstan are included in the wiiw Monthly Database.

Conventional signs and abbreviations used

.	data not available
%	per cent
PP	change in % against previous period
CPPY	change in % against corresponding period of previous year
CCPPY	change in % against cumulated corresponding period of previous year
3MMA	3-month moving average, change in % against previous year
NACE Rev. 2	Statistical classification of economic activities in the European Community, Rev. 2 (2008)
NACE Rev. 1	Statistical classification of economic activities in the European Community, Rev. 1 (1990) / Rev. 1.1 (2002)
LFS	Labour Force Survey
CPI	Consumer Price Index
HICP	Harmonized Index of Consumer Prices (for new EU member states)
PPI	Producer Price Index
EDP	Excessive Deficit Procedure
M1	Currency outside banks + demand deposits / narrow money (ECB definition)
M2	M1 + quasi-money / intermediate money (ECB definition)
M3	Broad money
p.a.	per annum
mn	million (10^6)
bn	billion (10^9)
avg	average
eop	end of period
NCU	National Currency Unit (including 'euro-fixed' series for euro-area countries)

The following national currencies are used:

ALL	Albanian lek	HUF	Hungarian forint	PLN	Polish zloty
BAM	Bosnian convertible mark	KZT	Kazakh tenge	RON	Romanian leu
BGN	Bulgarian lev	LVL	Latvian lats	RSD	Serbian dinar
CZK	Czech koruna	LTL	Lithuanian litas	RUB	Russian rouble
HRK	Croatian kuna	MKD	Macedonian denar	UAH	Ukrainian hryvnia

EUR	euro – national currency for Montenegro and for the euro-area countries Estonia (from January 2011, euro-fixed before), Slovakia (from January 2009, 'euro-fixed before') and Slovenia (from January 2007, 'euro-fixed' before)
USD	US dollar

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

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

A L B A N I A: Selected monthly data on the economic situation 2012 to 2013

(updated end of June 2013)

		2012 Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	2013 Jan	Feb	Mar	Apr	May
PRODUCTION																
Industry, total	real, CPPY	0.8	.	.	42.3	.	.	15.4	.	.	9.0	.	.	.	.	.
Industry, total	real, CCPPY	0.8	.	.	20.6	.	.	18.9	.	.	16.6	.	.	.	.	.
Construction, total	real, CPPY	0.2	.	.	-14.9	.	.	-15.7	.	.	-12.3	.	.	.	.	.
Construction, total	real, CCPPY	0.2	.	.	-8.2	.	.	-10.9	.	.	-11.2	.	.	.	.	.
LABOUR																
Employment total, registered	th. pers., quart. avg	933.3	.	.	933.3	.	.	922.5	.	.	927.5	.	.	.	.	.
Employment total, registered	CPPY	1.4	.	.	0.4	.	.	-0.8	.	.	-0.5	.	.	.	.	.
Unemployment, registered	th. pers., quart. avg	143.4	.	.	143.1	.	.	141.8	.	.	141.8	.	.	.	.	.
Unemployment rate, registered	%	13.3	.	.	13.3	.	.	13.3	.	.	13.3	.	.	.	.	.
WAGES																
Total economy, gross [1]	ALL	48800	.	.	48800	.	.	51270	.	.	51500	.	.	.	.	.
Total economy, gross [1]	real, CPPY	6.1	.	.	5.3	.	.	4.7	.	.	4.7	.	.	.	.	.
Total economy, gross [1]	EUR	350.5	.	.	350.3	.	.	371.8	.	.	368.6	.	.	.	.	.
PRICES																
Consumer	PP	0.4	-0.1	-0.8	-0.8	-0.2	0.4	0.2	0.2	0.2	0.9	1.0	1.1	0.3	-0.1	-1.0
Consumer	CPPY	1.0	1.6	1.9	2.2	2.7	2.8	2.6	2.4	2.5	2.4	2.7	2.5	2.4	2.3	2.1
Consumer	CCPPY	1.1	1.2	1.3	1.5	1.7	1.8	1.9	1.9	2.0	2.0	2.7	2.6	2.5	2.5	2.4
Producer, in industry	PP	0.3	-0.7	-0.1	-0.1	-1.1	0.0	0.2	0.2	0.0	0.0	0.3	-0.2	0.2	.	.
Producer, in industry	CPPY	2.8	1.6	1.4	1.3	0.5	0.4	0.6	0.1	0.0	0.1	-0.8	-1.3	-1.4	.	.
Producer, in industry	CCPPY	2.5	2.3	2.1	2.0	1.8	1.6	1.5	1.4	1.2	1.1	-0.8	-1.0	-1.2	.	.
FOREIGN TRADE, customs statistics																
Exports total (fob), cumulated	EUR mn	326	455	593	721	864	990	1128	1265	1404	1532	130	243	382	528	.
Imports total (cif), cumulated	EUR mn	853	1138	1457	1790	2137	2470	2805	3138	3466	3801	245	484	757	1052	.
Trade balance, cumulated	EUR mn	-527	-684	-863	-1069	-1274	-1480	-1676	-1874	-2062	-2269	-115	-240	-375	-524	.
Exports to EU-27 (fob), cumulated	EUR mn	269	370	472	559	661	751	851	955	1058	1156	107	198	309	414	.
Imports from EU-27 (cif), cumulated	EUR mn	526	698	892	1106	1328	1525	1723	1938	2143	2353	162	326	506	693	.
Trade balance with EU-27, cumulated	EUR mn	-257	-328	-420	-547	-667	-774	-872	-982	-1085	-1197	-55	-128	-198	-279	.
FOREIGN FINANCE																
Current account, cumulated [2]	EUR mn	-290	-368	-441	-542	-597	-684	-785	-861	-954	-1021	-97	-158	-215	.	.
EXCHANGE RATE																
ALL/EUR, monthly average	nominal	140.03	139.98	139.44	138.51	137.46	137.35	138.89	139.72	139.71	139.72	139.49	139.75	139.78	140.28	140.89
ALL/USD, monthly average	nominal	105.97	106.35	108.96	110.48	111.77	110.79	108.10	107.78	109.01	106.57	104.96	104.61	107.81	107.86	108.56
EUR/ALL, calculated with CPI [3]	real, Jan09=100	91.2	90.8	90.6	90.5	91.4	91.5	90.1	89.5	89.8	90.3	92.0	92.5	91.9	91.5	90.1
EUR/ALL, calculated with PPI [3]	real, Jan09=100	85.6	84.9	85.3	86.3	85.8	85.2	84.3	84.0	84.2	84.4	84.5	84.0	84.2	.	.
USD/ALL, calculated with CPI [3]	real, Jan09=100	91.3	90.7	87.9	86.1	85.1	85.7	87.6	88.1	87.7	90.7	92.8	93.3	90.5	90.5	88.8
USD/ALL, calculated with PPI [3]	real, Jan09=100	79.2	78.6	77.2	76.9	75.1	74.7	76.1	76.8	76.6	78.5	79.5	78.9	76.8	.	.
DOMESTIC FINANCE																
Currency outside banks	ALL bn, eop	185.6	186.1	186.3	187.5	188.3	188.9	187.7	185.5	186.0	192.7	184.7	185.1	186.8	190.0	.
M1	ALL bn, eop	264.7	267.0	268.0	269.4	270.6	272.3	272.6	268.6	267.4	281.2	267.8	270.7	274.8	280.5	.
M2	ALL bn, eop	1070.3	1077.4	1084.9	1092.6	1101.2	1118.9	1118.1	1118.4	1116.2	1123.4	1113.3	1118.3	1119.4	1133.5	.
M2	CPPY, eop	8.8	8.3	8.7	8.3	8.4	8.1	6.8	6.2	5.6	5.0	4.9	4.8	4.6	5.2	.
Central bank policy rate (p.a.) [4]	%, eop	4.25	4.25	4.25	4.25	4.00	4.00	4.00	4.00	4.00	4.00	3.75	3.75	3.75	3.75	3.75
Central bank policy rate (p.a.) [4][5]	real, %, eop	1.4	2.6	2.8	2.9	3.5	3.6	3.4	3.9	4.0	3.9	4.6	5.1	5.2	.	.
BUDGET																
General gov.budget balance, cum.	ALL bn	-9571	-11597	-17885	-21133	-20889	-23715	-26024	-25726	-35274	-45856	-200	-9451	-13538	.	.

1) Excluding private sector.
2) BOP 6th edition.
3) Adjusted for domestic and foreign (US resp. EU) inflation. Values more than 100 mean real appreciation.
4) One-week repo rate.
5) Deflated with annual PPI.

Source: wiiw Monthly Database incorporating national statistics.

B O S N I A and H E R Z E G O V I N A: Selected monthly data on the economic situation 2012 to 2013

(updated end of June 2013)

		2012 Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	2013 Jan	Feb	Mar	Apr	May
PRODUCTION																
Industry, NACE Rev. 2	real, CPPY	-7.4	-1.8	-1.7	-5.3	-6.9	-3.6	-4.3	-5.9	-3.3	-0.5	2.0	11.1	6.9	11.5	.
Industry, NACE Rev. 2	real, CCPPY	-6.0	-4.9	-4.2	-4.4	-4.8	-4.6	-4.6	-4.7	-4.6	-4.3	2.0	6.3	6.6	7.8	.
Industry, NACE Rev. 2	real, 3MMA	-5.9	-3.7	-3.0	-4.7	-5.3	-4.9	-4.6	-4.6	-3.3	-0.7	3.8	6.6	9.8	.	.
LABOUR																
Employees total, registered [1]	th. persons, avg	688.7	690.0	691.6	690.4	689.0	687.0	688.3	687.2	686.7	685.1	651.3	648.4	648.4	.	.
Employees total, registered [1]	CPPY	-0.4	-0.2	0.0	-0.4	-0.6	-0.4	-0.7	-0.6	-0.4	-0.4	0.3	0.1	-0.1	.	.
Unemployment, registered	th. persons, eop	542.7	540.3	537.0	538.2	539.4	545.9	545.5	546.0	547.8	550.3	554.7	554.5	553.6	.	.
Unemployment rate, registered	%, eop	45.5	45.3	45.2	45.2	45.3	45.6	45.5	45.6	45.7	45.9	46.0	46.1	46.1	.	.
WAGES																
Total economy, gross	BAM	1286	1286	1306	1283	1292	1298	1268	1299	1300	1299	1294	1272	1278	1287	.
Total economy, gross	real, CPPY	-1.2	-0.7	0.1	-1.6	0.5	-0.6	-2.6	0.2	-0.8	-1.4	-0.7	-1.4	-1.3	-0.3	.
Total economy, gross	EUR	658	658	668	656	661	664	648	664	665	664	662	650	653	658	.
PRICES																
Consumer	PP	0.4	-0.4	-0.1	-0.5	-0.5	0.3	0.8	0.6	-0.1	0.0	0.3	0.0	0.1	-0.5	.
Consumer	CPPY	2.1	2.3	1.9	1.9	1.4	1.8	2.3	2.3	1.9	1.8	1.3	1.0	0.6	0.4	.
Consumer	CCPPY	2.3	2.3	2.2	2.2	2.1	2.0	2.1	2.1	2.1	2.0	1.3	1.1	1.0	0.8	.
Producer, in industry [2]	PP	-0.2	0.0	0.2	0.0	0.0	0.2	0.1	0.1	-0.1	-0.3	.	.	.	.	.
Producer, in industry [2]	CPPY	0.4	2.6	3.2	2.8	0.8	1.3	1.0	1.1	0.8	0.9	.	.	.	.	.
Producer, in industry [2]	CCPPY	1.1	1.5	1.8	2.0	1.8	1.7	1.7	1.6	1.5	1.5	.	.	.	.	.
FOREIGN TRADE, customs statistics																
Exports total (fob), cumulated	EUR mn	902	1237	1598	1978	2334	2657	3008	3361	3715	4018	310	641	990	1392	1771
Imports total (cif), cumulated	EUR mn	1743	2415	3088	3749	4447	5139	5834	6592	7211	7799	522	1098	1753	2405	3072
Trade balance, cumulated	EUR mn	-841	-1178	-1490	-1772	-2114	-2481	-2826	-3230	-3496	-3781	-212	-458	-763	-1013	-1301
Exports to EU-27 (fob), cumulated	EUR mn	561	753	953	1164	1365	1541	1769	1974	2182	2349	196	393	593	832	1052
Imports from EU-27 (cif), cumulated	EUR mn	810	1129	1441	1764	2086	2395	2717	3059	3363	3659	247	517	823	1138	1453
Trade balance with EU-27, cumulated	EUR mn	-249	-376	-488	-600	-721	-854	-947	-1085	-1181	-1310	-51	-124	-230	-306	-401
FOREIGN FINANCE																
Current account, cumulated [3]	EUR mn	-291	.	.	-613	.	.	-984	.	.	-1253	.	.	.	.	.
EXCHANGE RATE																
BAM/EUR, monthly average	nominal	1.956	1.956	1.956	1.956	1.956	1.956	1.956	1.956	1.956	1.956	1.956	1.956	1.956	1.956	1.956
BAM/USD, monthly average	nominal	1.481	1.486	1.523	1.563	1.590	1.581	1.523	1.508	1.526	1.493	1.474	1.462	1.507	1.503	1.507
EUR/BAM, calculated with CPI [4]	real, Jan09=100	99.2	98.3	98.3	98.0	97.8	97.8	98.0	98.3	98.3	98.0	99.1	98.7	97.9	97.4	.
EUR/BAM, calculated with PPI [4]	real, Jan09=100	92.8	92.6	93.1	93.6	93.4	92.8	92.8	92.9	93.1	93.1	.	.	.	.	.
USD/BAM, calculated with CPI [4]	real, Jan09=100	98.5	97.6	95.1	92.4	90.5	90.8	94.6	96.2	95.4	97.7	99.0	99.0	95.9	95.7	.
USD/BAM, calculated with PPI [4]	real, Jan09=100	85.3	85.2	83.9	82.7	81.2	80.7	83.2	84.5	84.1	85.9	.	.	.	.	.
DOMESTIC FINANCE																
Currency outside banks	BAM mn, eop	2330	2363	2329	2357	2417	2429	2421	2406	2364	2414	2337	2358	2403	2424	.
M1	BAM mn, eop	6076	6130	6111	6071	6301	6350	6209	6195	6046	6143	6073	6080	6242	6261	.
M2	BAM mn, eop	14307	14416	14465	14499	14659	14768	14741	14850	14748	14911	14860	14863	15127	15162	.
M2	CPPY, eop	4.6	5.0	5.1	5.2	4.3	4.1	4.3	5.0	4.4	3.4	3.8	3.6	5.7	5.2	.

1) From 2013 new methodology.
2) Domestic output prices.
3) BOP 6th edition.
4) Adjusted for domestic and foreign (US resp. EU) inflation. Values more than 100 mean real appreciation.

Source: wiiw Monthly Database incorporating national statistics.

C R O A T I A: Selected monthly data on the economic situation 2012 to 2013

(updated end of June 2013)

		2012 Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	2013 Jan	Feb	Mar	Apr	May
PRODUCTION																
Industry, NACE Rev. 2 [1]	real, CPPY	-9.2	-9.3	-3.7	-6.9	-4.0	2.2	-10.5	-4.4	-4.3	-8.4	5.1	-2.9	0.7	1.8	.
Industry, NACE Rev. 2 [1]	real, CCPPY	-5.4	-6.4	-5.8	-6.0	-5.7	-4.8	-5.5	-5.4	-5.3	-5.5	5.1	0.9	0.8	1.1	.
Industry, NACE Rev. 2 [1]	real, 3MMA	-7.3	-7.4	-6.6	-4.9	-3.1	-4.4	-4.5	-6.4	-5.7	-3.1	-2.5	0.8	-0.1	.	.
Productivity in industry, NACE Rev. 2 [1]	CCPPY	-2.9	-3.8	-3.0	-2.9	-2.4	-1.2	-1.7	-1.4	-1.1	-1.2	11.4	6.8	6.8	7.2	.
Unit labour costs, exch.r. adj.(EUR) [1]	CCPPY	3.7	4.3	3.9	3.3	3.0	1.8	2.1	2.3	1.7	1.7	-7.7	-3.0	-4.8	.	.
Construction, NACE Rev. 2 [1]	real, CPPY	-11.9	-9.4	-7.3	-14.4	-7.0	-10.3	-17.5	-3.8	-10.3	-18.8	-2.0	5.1	-10.5	-1.6	.
Construction, NACE Rev. 2 [1]	real, CCPPY	-11.7	-11.1	-10.3	-11.0	-10.4	-10.4	-11.2	-10.5	-10.5	-11.1	-2.0	1.4	-3.1	-2.7	.
LABOUR																
Employed persons, LFS	th. pers., quart. avg.	1394.2	.	.	1465.3	.	.	1522.2	.	.	1402.1	.	.	1344.0	.	.
Employed persons, LFS	CPPY	-5.6	.	.	-1.0	.	.	-0.8	.	.	-5.2	.	.	-3.6	.	.
Unemployed persons, LFS	th. pers., quart. avg.	273.3	.	.	248.7	.	.	258.4	.	.	307.4	.	.	339.0	.	.
Unemployment rate, LFS	%	16.5	.	.	14.6	.	.	14.6	.	.	18.1	.	.	20.5	.	.
Employment total, registered	th. persons, avg	1148.5	1155.1	1163.9	1171.8	1173.6	1168.8	1160.5	1150.8	1140.5	1129.0	1118.5	1113.3	1115.4	1120.7	.
Unemployment, registered	th. persons, eop	339.9	323.7	306.1	294.9	298.7	301.6	311.1	333.4	347.0	358.2	372.0	375.4	368.6	355.6	.
Unemployment rate, registered	%, eop	20.0	19.1	18.0	17.3	17.5	17.7	18.3	19.6	20.4	21.1	21.7	21.9	21.6	20.9	.
WAGES																
Total economy, gross	HRK	7958	7767	7978	7909	7794	7977	7702	7890	8079	7894	7974	7863	7986	7889	.
Total economy, gross	real, CPPY	-1.2	-2.3	-1.3	-3.6	-1.9	-3.0	-5.2	-2.8	-4.8	-4.5	-3.4	-2.7	-3.2	-1.7	.
Total economy, gross	EUR	1055	1036	1060	1048	1040	1065	1037	1052	1072	1048	1054	1037	1053	1038	.
Industry, gross, NACE Rev. 2	EUR	954	926	971	950	947	967	921	974	993	945	957	946	936	.	.
PRICES																
Consumer	PP	1.5	0.8	1.7	-0.6	-1.0	0.5	1.4	0.4	-0.2	-0.1	0.1	0.3	0.3	0.4	0.0
Consumer	CPPY	2.0	2.6	3.9	3.8	3.4	4.0	5.0	4.8	4.4	4.7	5.2	4.9	3.7	3.3	1.6
Consumer	CCPPY	1.5	1.8	2.2	2.5	2.6	2.8	3.0	3.2	3.3	3.4	5.2	5.1	4.6	4.3	3.7
Producer, in industry, NACE Rev. 2 [2]	PP	0.6	0.6	1.5	-0.4	0.0	1.5	1.0	0.1	-1.1	0.0	-0.4	0.3	0.1	-0.3	-0.6
Producer, in industry, NACE Rev. 2 [2]	CPPY	6.1	6.2	7.1	7.0	6.9	7.8	8.9	8.4	6.6	6.8	5.4	3.7	3.2	2.3	0.2
Producer, in industry, NACE Rev. 2 [2]	CCPPY	6.1	6.1	6.3	6.4	6.5	6.7	6.9	7.1	7.0	7.0	5.4	4.5	4.1	3.6	2.9
FOREIGN TRADE, customs statistics																
Exports total (fob), cumulated	EUR mn	2255	2975	3792	4580	5427	6268	7053	8021	8925	9630	609	1312	2073	2793	.
Imports total (cif), cumulated	EUR mn	3982	5331	6789	8148	9619	10944	12242	13759	15096	16216	1129	2341	3731	5104	.
Trade balance, cumulated	EUR mn	-1727	-2356	-2997	-3568	-4193	-4676	-5189	-5738	-6171	-6587	-521	-1029	-1657	-2311	.
Exports to EU-27 (fob), cumulated	EUR mn	1315	1741	2221	2639	3144	3599	4089	4693	5216	5609	382	816	1254	1720	.
Imports from EU-27 (cif), cumulated	EUR mn	2468	3454	4348	5198	6102	6903	7701	8595	9425	10156	677	1423	2288	3093	.
Trade balance with EU-27, cumulated	EUR mn	-1153	-1713	-2127	-2559	-2958	-3304	-3612	-3902	-4208	-4547	-296	-607	-1035	-1373	.
FOREIGN FINANCE																
Current account, cumulated	EUR mn	-1585	.	.	-1872	.	.	701	.	.	35	.	.	.	.	.
EXCHANGE RATE																
HRK/EUR, monthly average	nominal	7.540	7.494	7.529	7.547	7.494	7.487	7.427	7.500	7.536	7.529	7.568	7.582	7.586	7.602	7.568
HRK/USD, monthly average	nominal	5.709	5.691	5.871	6.027	6.089	6.042	5.788	5.784	5.876	5.747	5.701	5.665	5.847	5.845	5.828
EUR/HRK, calculated with CPI [3]	real, Jan09=100	95.1	96.0	97.2	96.5	96.6	96.8	98.4	97.5	97.0	96.7	97.0	96.8	96.1	96.3	96.7
EUR/HRK, calculated with PPI [3]	real, Jan09=100	104.0	105.1	106.5	106.3	106.8	107.8	109.5	108.7	107.2	107.5	106.2	106.0	106.2	106.3	106.1
USD/HRK, calculated with CPI [3]	real, Jan09=100	94.4	95.2	94.0	91.1	89.5	90.1	95.0	95.5	94.2	96.4	97.1	97.1	94.2	94.7	94.8
USD/HRK, calculated with PPI [3]	real, Jan09=100	95.6	96.7	95.9	94.1	93.0	93.9	98.2	98.8	96.9	99.2	99.1	99.2	96.3	96.3	95.8
DOMESTIC FINANCE																
Currency outside banks	HRK bn, eop	16.2	16.4	16.8	17.8	18.7	18.7	17.9	17.1	16.7	16.9	16.4	16.4	16.9	17.2	.
M1	HRK bn, eop	46.9	47.3	48.7	50.5	52.6	52.2	51.9	50.8	50.5	52.8	49.9	49.6	51.9	52.9	.
Broad money	HRK bn, eop	252.1	252.6	254.9	255.2	259.9	263.0	261.3	262.2	263.1	263.8	261.1	261.2	263.1	262.1	.
Broad money	CPPY, eop	2.6	3.2	3.4	3.3	3.2	2.6	2.1	2.5	3.0	3.2	2.7	2.9	4.4	3.7	.
Central bank policy rate (p.a.) [4]	%, eop	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00
Central bank policy rate (p.a.) [4][5]	real, %, eop	0.8	0.8	-0.1	0.0	0.1	-0.8	-1.8	-1.3	0.4	0.2	1.5	3.2	3.7	4.6	6.8
BUDGET																
Central gov. budget balance, cum. [6]	HRK mn	-4047	-3866	-4895	-5824	-7193	-7256	-8641	-8233	-8256	-11180	-2695	-3478	-6188	.	.

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

Source: wiiw Monthly Database incorporating national statistics.

M A C E D O N I A: Selected monthly data on the economic situation 2012 to 2013

(updated end of June 2013)

		2012 Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	2013 Jan	Feb	Mar	Apr	May
PRODUCTION																
Industry, NACE Rev. 2 [1]	real, CPPY	-3.5	1.5	-3.1	-1.4	-1.1	0.2	-9.0	-0.1	1.1	-3.9	4.3	6.5	6.6	7.5	-0.7
Industry, NACE Rev. 2 [1]	real, CCPPY	-6.0	-4.0	-3.8	-3.4	-3.0	-2.6	-3.4	-3.0	-2.6	-2.8	4.3	5.4	5.9	6.3	4.8
Industry, NACE Rev. 2 [1]	real, 3MMA	-3.2	-1.7	-1.0	-1.9	-0.8	-3.4	-3.0	-2.6	-1.0	0.1	1.6	5.9	6.9	4.4	.
Productivity in industry, NACE Rev. 2 [1]	CCPPY	-5.0	-2.9	-2.6	-2.0	-1.6	-0.9	-1.4	-0.8	-0.5	-0.7	4.5	4.9	5.0	5.6	4.1
Unit labour costs, exch.r. adj.(EUR) [1]	CCPPY	5.6	3.8	3.6	2.8	2.2	1.4	1.8	1.4	1.1	1.4	-1.4	-2.0	-1.8	-2.2	.
Construction, total, effect. work. time	real, CPPY	-12.6	-9.7	-7.2	-10.1	-4.5	-9.8	-16.2	-14.4	-15.8	-12.1	24.7	52.7	20.3	.	.
Construction, total, effect. work. time	real, CCPPY	-13.1	-12.2	-11.1	-10.9	-10.0	-9.9	-10.7	-11.1	-11.6	-11.6	24.7	37.4	30.8	.	.
LABOUR																
Employed persons, LFS	th. pers., quart. avg	643.6	.	.	648.2	.	.	652.5	.	.	657.8	.	.	669.0	.	.
Employed persons, LFS	CPPY	-0.9	.	.	0.8	.	.	0.6	.	.	2.9	.	.	3.9	.	.
Unemployed persons, LFS	th. pers., quart. avg	297.3	.	.	294.2	.	.	288.2	.	.	290.3	.	.	284.8	.	.
Unemployment rate, LFS	%, avg	31.6	.	.	31.3	.	.	30.7	.	.	30.6	.	.	29.9	.	.
WAGES																
Total economy, gross	MKD	30876	30444	30636	30323	30469	30777	30556	30875	30595	31466	31090	30644	31185	30799	.
Total economy, gross	real, CPPY	0.8	-1.2	-2.4	-4.3	-2.2	-3.4	-4.3	-4.3	-4.3	-4.1	-2.6	-2.1	-2.0	-2.1	.
Total economy, gross	EUR	502	495	497	492	495	500	497	502	497	512	505	497	506	500	.
Industry, gross, NACE Rev. 2	EUR	404	405	414	407	416	422	414	424	413	423	425	406	418	420	.
PRICES																
Consumer	PP	0.4	1.1	-0.3	-0.5	-0.9	1.5	1.4	0.2	0.0	0.0	0.3	0.2	0.1	1.3	-0.2
Consumer	CPPY	1.4	2.2	2.0	2.1	2.3	3.7	5.3	5.3	4.6	4.7	3.8	3.5	3.1	3.3	3.4
Consumer	CCPPY	2.5	2.5	2.4	2.3	2.3	2.5	2.8	3.1	3.2	3.3	3.8	3.7	3.5	3.4	3.4
Producer, in industry, NACE Rev. 2 [2]	PP	1.5	0.1	-0.6	0.2	-2.2	3.4	1.8	-0.8	-0.2	0.2	-0.3	-0.1	-0.4	0.2	-1.1
Producer, in industry, NACE Rev. 2 [2]	CPPY	3.7	2.8	2.8	3.8	2.6	4.1	6.5	5.9	5.9	5.4	4.8	2.9	1.0	1.2	0.7
Producer, in industry, NACE Rev. 2 [2]	CCPPY	5.1	4.5	4.1	4.1	3.9	3.9	4.2	4.4	4.5	4.6	4.8	3.9	2.9	2.5	2.1
FOREIGN TRADE, customs statistics																
Exports total (fob), cumulated	EUR mn	717	957	1236	1513	1787	2035	2305	2579	2852	3114	230	461	720	996	.
Imports total (cif), cumulated	EUR mn	1166	1624	2077	2472	2885	3292	3695	4156	4613	5063	375	739	1138	1595	.
Trade balance, cumulated	EUR mn	-449	-667	-840	-959	-1098	-1257	-1389	-1577	-1762	-1948	-144	-278	-417	-598	.
Exports to EU-27 (fob), cumulated	EUR mn	464	609	778	949	1123	1273	1441	1611	1784	1955	162	331	521	708	.
Imports from EU-27 (cif), cumulated	EUR mn	620	908	1176	1416	1687	1943	2185	2466	2719	2959	194	404	640	913	.
Trade balance with EU-27, cumulated	EUR mn	-156	-299	-398	-467	-564	-671	-745	-855	-935	-1004	-32	-73	-120	-205	.
FOREIGN FINANCE																
Current account, cumulated	EUR mn	-130	-208	-242	-217	-164	-157	-155	-199	-238	-291	-47	-74	-109	-167	.
EXCHANGE RATE																
MKD/EUR, monthly average	nominal	61.50	61.54	61.63	61.61	61.57	61.50	61.50	61.50	61.50	61.50	61.50	61.60	61.66	61.65	61.65
MKD/USD, monthly average	nominal	46.57	46.73	48.00	49.22	50.05	49.71	47.88	47.40	47.97	46.94	46.36	46.04	47.51	47.39	47.46
EUR/MKD, calculated with CPI [3]	real, Jan09=100	98.1	98.7	98.3	98.0	97.5	98.7	99.4	99.4	99.5	99.2	100.3	100.0	99.0	100.4	100.1
EUR/MKD, calculated with PPI [3]	real, Jan09=100	119.0	118.8	118.3	119.2	116.4	119.6	121.6	120.8	120.9	121.4	120.6	119.9	119.5	120.5	119.1
USD/MKD, calculated with CPI [3]	real, Jan09=100	97.4	97.9	95.1	92.5	90.2	91.6	96.0	97.3	96.5	98.9	100.2	100.3	97.0	98.6	98.1
USD/MKD, calculated with PPI [3]	real, Jan09=100	109.3	109.3	106.6	105.3	101.1	103.9	109.0	109.7	109.2	111.9	112.5	112.1	108.3	109.0	107.4
DOMESTIC FINANCE																
Currency outside banks	MKD bn, eop	17.9	18.1	18.4	18.8	20.4	19.6	19.2	18.8	18.3	20.1	18.9	18.8	20.7	20.6	20.0
M1	MKD bn, eop	59.3	60.9	59.8	61.2	63.3	62.4	63.2	63.8	62.2	65.9	62.6	64.1	66.2	63.9	64.4
Broad money	MKD bn, eop	257.6	256.3	257.1	258.5	263.2	261.7	260.5	262.3	263.0	266.3	265.0	268.7	270.5	262.4	263.8
Broad money	CPPY, eop	9.8	9.3	8.0	8.0	7.3	6.0	6.3	6.1	5.7	4.4	3.8	4.9	5.0	2.4	2.6
Central bank policy rate (p.a.) [4]	%, eop	4.00	3.97	3.71	3.73	3.73	3.73	3.73	3.73	3.73	3.73	3.49	3.48	3.42	3.38	3.37
Central bank policy rate (p.a.) [4][5]	real, %, eop	0.3	1.1	0.9	-0.1	1.1	-0.4	-2.6	-2.0	-2.1	-1.6	-1.3	0.5	2.3	2.2	2.6
BUDGET																
General gov.budget balance, cum. [6]	MKD mn	-4530	-4419	-5419	-8047	-9928	-10147	-12025	-13224	-14613	-17767	-2871	-6590	-11447	-11275	-12437

1) Enterprises with 10 and more persons employed.
2) Domestic output prices.
3) Adjusted for domestic and foreign (US resp. EU) inflation. Values more than 100 mean real appreciation.
4) Central bank bills (28-days).
5) Deflated with annual PPI.
6) Central government budget plus extra-budgetary funds.

Source: wiiw Monthly Database incorporating national statistics.

M O N T E N E G R O: Selected monthly data on the economic situation 2012 to 2013

(updated end of June 2013)

		2012 Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	2013 Jan	Feb	Mar	Apr	May
PRODUCTION																
Industry, NACE Rev. 2	real, CPPY	-4.0	20.8	4.8	-19.5	-1.7	-5.5	-15.8	-24.4	-6.0	17.0	1.6	-3.1	10.4	14.2	22.3
Industry, NACE Rev. 2	real, CCPPY	-14.7	-7.1	-5.2	-7.4	-6.6	-6.5	-7.6	-9.4	-9.1	-7.0	1.6	-0.8	3.3	6.3	9.1
Industry, NACE Rev. 2	real, 3MMA	-0.5	6.7	1.9	-5.9	-8.7	-7.9	-15.5	-15.6	-5.4	4.0	5.2	3.3	7.7	15.1	.
Productivity in industry, NACE Rev. 2	CCPPY	-6.2	1.7	3.7	1.2	2.0	2.5	0.4	-2.4	-2.8	-1.1	-1.0	-3.0	1.2	4.2	7.1
Unit labour costs, exch.r. adj.(EUR)	CCPPY	11.8	4.3	2.5	6.2	4.7	4.0	6.1	8.5	8.5	6.5	-2.5	0.9	-5.3	-8.5	-10.7
LABOUR																
Employed persons, LFS [1]	th. pers., quart. avg	193.0	.	.	196.7	.	.	211.6	.	.	197.4	.	.	.	.	.
Employed persons, LFS [1]	CPPY	3.8	.	.	-1.0	.	.	4.6	.	.	1.4	.	.	.	.	.
Unemployed persons, LFS [1]	th. pers., quart. avg	50.3	.	.	49.1	.	.	48.9	.	.	51.3	.	.	.	.	.
Unemployment rate, LFS [1]	%	20.7	.	.	20.4	.	.	18.8	.	.	20.6	.	.	.	.	.
Employees total, registered	th. persons, avg	162.6	163.7	165.8	162.6	173.1	173.0	169.9	168.7	168.6	167.5	167.4	167.4	167.7	170.3	174.4
Unemployment, registered	th. persons, eop	31.6	31.3	30.1	29.4	28.7	28.5	28.3	29.5	30.7	31.2	31.9	32.6	33.0	32.6	31.4
Unemployment rate, registered	%, eop	16.3	16.1	15.4	15.3	14.2	14.6	14.3	14.9	15.4	15.7	16.0	16.3	16.4	16.1	15.2
WAGES																
Total economy, gross	EUR	730	733	727	722	716	716	721	717	713	741	734	734	723	724	728
Total economy, gross	real, CPPY	-1.6	0.8	-1.6	-1.9	-3.4	-2.9	-3.0	-4.1	-6.0	-2.3	-6.6	-3.8	-4.1	-4.3	.
Industry, gross, NACE Rev. 2	EUR	901	910	880	936	842	873	883	868	911	907	873	912	828	852	849
PRICES																
Consumer	PP	0.4	0.5	0.4	0.2	0.2	0.4	0.4	1.1	-0.1	-0.3	-0.1	0.1	0.4	0.3	.
Consumer	CPPY	2.7	3.1	3.5	3.9	4.4	4.0	4.4	5.2	5.2	5.1	4.2	3.3	3.3	3.2	.
Consumer	CCPPY	3.7	3.6	3.5	3.6	3.7	3.6	3.8	3.9	4.1	4.1	4.2	3.7	3.6	3.5	.
Producer, in industry [2]	PP	-0.3	0.1	-0.2	1.8	0.0	4.2	-1.5	0.4	-0.1	-0.4	-0.1	0.2	-0.1	-0.1	-0.1
Producer, in industry [2]	CPPY	-1.5	-0.2	-0.3	1.8	0.9	5.1	3.5	4.3	2.8	5.7	4.6	3.9	4.2	4.0	4.1
Producer, in industry [2]	CCPPY	-1.0	-0.8	-0.7	-0.3	-0.1	0.6	0.9	1.2	3.4	1.9	4.6	4.3	4.2	4.2	4.2
FOREIGN TRADE, customs statistics																
Exports total (fob), cumulated	EUR mn	85	116	151	182	214	246	276	302	334	367	28	59	89	126	165
Imports total (cif), cumulated	EUR mn	398	549	717	887	1065	1238	1386	1545	1681	1821	110	224	363	525	676
Trade balance, cumulated	EUR mn	-313	-433	-566	-705	-851	-993	-1111	-1243	-1347	-1454	-82	-165	-273	-399	-511
Exports to EU-27 (fob), cumulated	EUR mn	25	35	49	59	68	74	84	91	99	105	7	19	27	36	66
Imports from EU-27 (cif), cumulated	EUR mn	150	208	276	339	407	475	527	591	643	699	37	81	136	198	257
Trade balance with EU-27, cumulated	EUR mn	-125	-173	-227	-280	-339	-401	-444	-499	-544	-594	-30	-62	-108	-162	-191
FOREIGN FINANCE																
Current account, cumulated	EUR mn	-237	.	.	-490	.	.	-327	.	.	-587	.	.	.	.	.
EXCHANGE RATE																
EUR/USD, monthly average	nominal	0.758	0.760	0.782	0.798	0.814	0.806	0.778	0.771	0.780	0.762	0.753	0.749	0.771	0.768	0.770
EUR/EUR, calculated with CPI [3]	real, Jan09=100	98.7	98.7	99.2	99.5	100.1	100.2	99.9	100.8	100.8	100.2	100.9	100.5	100.0	100.4	.
EUR/EUR, calculated with PPI [3]	real, Jan09=100	90.9	90.9	91.0	93.1	92.9	96.1	94.5	94.9	95.1	94.9	94.5	94.4	94.5	94.9	94.8
USD/EUR, calculated with CPI [3]	real, Jan09=100	99.2	99.7	103.1	105.6	108.1	106.9	103.1	103.3	104.9	102.5	100.8	99.5	102.7	102.6	.
USD/EUR, calculated with PPI [3]	real, Jan09=100	84.5	85.1	88.1	92.6	94.2	96.0	90.4	90.4	92.1	89.9	88.2	87.1	89.7	89.4	89.4
DOMESTIC FINANCE																
Central bank policy rate (p.a.) [4]	%, eop	8.99	8.93	8.91	8.89	8.87	8.87	8.86	8.82	8.83	8.83	8.80	8.81	8.81	8.80	8.81
Central bank policy rate (p.a.) [4][5]	real, %, eop	10.6	9.1	9.2	7.0	7.9	3.6	5.2	4.3	5.9	3.0	4.0	4.7	4.4	4.6	4.5
BUDGET																
General gov.budget balance, cum.	EUR mn	-41	.	.	-125	.	.	-90	.	.	-133	.	.	.	.	.

1) According to census April 2011.
2) Domestic output prices.
3) Adjusted for domestic and foreign (US resp. EU) inflation. Values more than 100 mean real appreciation.
4) Average weighted lending interest rate of commercial banks (Montenegro uses the euro as national currency).
5) Deflated with annual PPI.

Source: wiiw Monthly Database incorporating national statistics.

S E R B I A: Selected monthly data on the economic situation 2012 to 2013

(updated end of June 2013)

		2012 Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	2013 Jan	Feb	Mar	Apr	May
PRODUCTION																
Industry, NACE Rev. 2	real, CPPY	-3.2	-2.2	-3.1	-4.0	-4.0	-0.8	-6.8	1.6	-3.3	0.8	2.5	13.2	0.8	5.7	.
Industry, NACE Rev. 2	real, CCPPY	-6.2	-5.2	-4.8	-4.6	-4.5	-4.1	-4.4	-3.8	-3.7	-3.3	2.5	7.7	5.1	5.2	.
Industry, NACE Rev. 2	real, 3MMA	-5.9	-2.8	-3.1	-3.7	-3.0	-4.0	-2.1	-2.9	-0.3	-0.2	5.0	5.1	6.1	.	.
Productivity in industry, NACE Rev. 2	CCPPY	-4.7	-3.7	-3.2	-0.1	-0.5	-0.4	-1.1	-0.7	-0.8	-0.6	4.0	9.5	6.5	.	.
Unit labour costs, exch.r. adj.(EUR)	CCPPY	11.7	8.9	6.4	1.1	0.6	0.0	-0.5	-1.1	-0.5	-0.8	-6.9	-7.2	-5.8		
LABOUR																
Employed persons, LFS	th. pers., quart. avg	.	.	.	2157.6	.	.	.	.	.	2299.1	.	.	.	.	.
Employed persons, LFS	CPPY	.	.	.	-5.4	.	.	.	.	.	3.4	.	.	.	.	.
Unemployed persons, LFS	th. pers., quart. avg	.	.	.	740.0	.	.	.	.	.	665.5	.	.	.	.	.
Unemployment rate, LFS	%	.	.	.	25.5	.	.	.	.	.	22.4	.	.	.	.	.
Employees total, registered	th. persons, avg	1339.0	1342.0	1341.0	1345.0	1345.0	1343.0	1343.0	1344.0	1343.0	1342.0	1336.0	1333.0	1342.0	.	.
Unemployment, registered	th. persons, eop	782.7	775.3	762.6	755.0	752.6	751.6	751.5	752.7	755.4	761.5	778.6	790.3	792.3	.	.
Unemployment rate, registered	%, eop	28.7	28.4	28.1	27.9	27.8	27.8	27.9	27.9	28.0	28.2	28.7	29.0	29.1	.	.
WAGES																
Total economy, gross	RSD	56125	58465	56206	58712	57240	58503	55903	57733	58914	65165	54447	60199	57628	64249	57921
Total economy, gross	real, CPPY	9.2	4.1	10.1	1.9	-0.4	1.8	-5.7	-3.3	-1.0	-4.9	-4.9	-3.4	-7.6	-1.3	-6.1
Total economy, gross	EUR	506	524	495	507	491	496	480	507	524	574	486	540	516	576	522
Industry, gross, NACE Rev. 2	EUR	498	513	471	495	482	492	459	496	512	547	472	529	488	.	.
PRICES																
Consumer [1]	PP	1.1	0.6	1.4	1.1	0.1	1.6	2.3	2.8	0.0	-0.4	0.6	0.5	0.0	0.8	0.0
Consumer [1]	CPPY	3.2	2.7	3.9	5.5	6.1	7.9	10.3	12.9	11.9	12.2	12.8	12.4	11.2	11.4	9.9
Consumer [1]	CCPPY	4.5	4.1	4.0	4.3	4.5	5.0	5.6	6.3	6.8	7.8	12.8	12.6	12.1	12.0	11.5
Producer, in industry, NACE Rev. 2 [2]	PP	1.8	0.1	-0.5	0.1	0.5	2.1	1.1	0.7	-0.7	-0.1	0.4	0.2	0.0	-0.1	0.0
Producer, in industry, NACE Rev. 2 [2]	CPPY	5.9	3.4	3.3	3.4	3.8	6.2	7.0	8.1	7.0	6.4	7.4	6.7	5.4	4.9	5.1
Producer, in industry, NACE Rev. 2 [2]	CCPPY	6.2	5.5	5.0	4.7	4.6	4.8	5.1	6.6	5.5	5.6	7.5	6.7	5.9	5.7	6.5
FOREIGN TRADE, customs statistics																
Exports total (fob), cumulated	EUR mn	1858	2585	3336	4135	4894	5618	6394	7242	8083	8839	665	1408	2264	3216	.
Imports total (cif), cumulated	EUR mn	3514	4717	5984	7175	8428	9569	10722	12060	13336	14729	1062	2195	3529	17251	.
Trade balance, cumulated	EUR mn	-1656	-2132	-2648	-3040	-3534	-3951	-4327	-4818	-5253	-5890	-397	-787	-1265	-14035	.
Exports to EU-27 (fob), cumulated	EUR mn	1115	1531	1969	2436	2850	3235	3681	4181	4704	5136	445	926	1453	2019	.
Imports from EU-27 (cif), cumulated	EUR mn	1909	2633	3360	4128	4873	5564	6271	7097	7854	8602	587	1294	2102	2950	.
Trade balance with EU-27, cumulated	EUR mn	-794	-1103	-1391	-1692	-2023	-2329	-2590	-2916	-3150	-3466	-142	-368	-649	-931	.
FOREIGN FINANCE																
Current account, cumulated	EUR mn	-1176	-1391	-1625	-1917	-2036	-2180	-2462	-2686	-2751	-3155	-176	-291	-622	-758	.
EXCHANGE RATE																
RSD/EUR, monthly average	nominal	110.90	111.63	113.60	115.77	116.46	117.86	116.40	113.94	112.42	113.59	111.96	111.39	111.72	111.50	110.92
RSD/USD, monthly average	nominal	83.91	84.75	88.94	92.24	94.67	95.14	90.52	87.86	87.91	56.58	84.17	83.35	86.18	85.68	85.63
EUR/RSD, calculated with CPI [3]	real, Jan09=100	97.0	96.5	96.2	95.5	95.4	95.5	98.3	102.9	104.5	102.6	105.6	106.2	105.0	106.0	106.5
EUR/RSD, calculated with PPI [3]	real, Jan09=100	109.1	108.3	106.2	104.9	104.6	104.7	107.0	110.2	111.2	110.2	111.9	112.3	112.1	112.9	113.5
USD/RSD, calculated with CPI [3]	real, Jan09=100	96.9	96.3	93.1	90.9	88.8	89.3	95.6	101.3	101.7	157.7	106.4	107.1	103.3	104.8	104.7
USD/RSD, calculated with PPI [3]	real, Jan09=100	100.9	100.2	95.9	93.5	91.4	91.7	96.6	100.7	100.8	156.6	105.2	105.5	102.1	102.8	102.7
DOMESTIC FINANCE																
Currency outside banks	RSD bn, eop	106.9	109.0	102.1	105.3	109.8	110.2	111.0	101.6	100.7	110.5	95.9	99.3	102.1	107.0	.
M1	RSD bn, eop	266.4	275.6	262.2	269.0	275.2	277.1	290.2	273.3	277.7	308.7	278.9	300.0	311.6	311.8	.
Broad money [4]	RSD bn, eop	1499.7	1531.2	1574.7	1588.6	1607.5	1616.9	1607.6	1580.2	1612.5	1641.8	1580.2	1612.9	1622.7	1604.8	.
Broad money [4]	CPPY, eop	14.0	19.0	22.3	18.1	15.5	15.0	13.8	11.9	10.6	9.4	6.6	5.9	8.2	4.8	.
Central bank policy rate (p.a.) [5]	%, eop	9.50	9.50	9.50	10.00	10.25	10.50	10.50	10.75	10.95	11.25	11.50	11.75	11.75	11.75	11.25
Central bank policy rate (p.a.) [5][6]	real, %, eop	3.4	5.9	6.0	6.4	6.2	4.0	3.3	2.5	3.7	4.6	3.8	4.7	6.0	6.5	5.9
BUDGET																
Central gov.budget balance, cum.	RSD mn	-52741	-82903	-89274	-111197	-111175	-123086	-145164	-147916	-161351	-191979	-6988	-35279	-49816	-75912	-93649

1) According to COICOP classification.
2) Domestic output prices.
3) Adjusted for domestic and foreign (US resp. EU) inflation. Values more than 100 mean real appreciation.
4) Excluding frozen foreign currency savings deposits of households.
5) Two-week repo rate.
6) Deflated with annual PPI.

Source: wiiw Monthly Database incorporating national statistics.

K A Z A K H S T A N: Selected monthly data on the economic situation 2012 to 2013

(updated end of June 2013)

		2012 Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	2013 Jan	Feb	Mar	Apr	May
PRODUCTION																
Industry, NACE Rev. 2 [1]	real, CPPY	3.1	2.0	0.9	-1.7	-0.5	-3.7	-0.7	-0.8	0.9	2.0	0.7	1.1	3.8	1.8	1.2
Industry, NACE Rev. 2 [1]	real, CCPPY	2.9	2.7	2.3	1.6	1.3	0.7	0.5	0.4	0.4	0.5	0.7	0.9	1.9	1.9	1.8
Industry, NACE Rev. 2 [1]	real, 3MMA	2.8	1.9	0.5	-0.3	-1.9	-1.7	-1.7	-0.2	0.7	0.9	0.6	0.9	1.2	1.2	.
Productivity in industry, NACE Rev. 2 [1]	CCPPY	1.8	1.8	1.6	1.0	0.7	0.1	-0.1	-0.2	-0.2	-0.1	1.0	1.2	1.9	1.8	1.5
Unit labour costs, exch.r. adj.(EUR) [1]	CCPPY	14.2	16.4	18.8	21.4	23.7	25.6	25.5	25.2	25.0	23.3	8.1	8.9	8.9	10.0	9.8
Construction, NACE Rev. 2	real, CCPPY	-0.7	-0.5	0.2	0.5	0.7	1.9	2.3	1.2	2.5	2.9	-6.9	-5.6	-4.9	-2.7	-1.0
LABOUR																
Employed persons, LFS [2]	th. pers., quart. avg	8462.5	.	.	8526.7	.	.	8540.3	.	.	8499.9	.	.	8546.1	.	.
Employed persons, LFS [2]	CCPPY	.	.	.	.	.	.	.	.	.	.	.	.	1.0	.	.
Unemployed persons, LFS [2]	th. pers., quart. avg	478.5	.	.	473.1	.	.	472.8	.	.	474.8	.	.	474.5	.	.
Unemployment rate, LFS [2]	%, avg	5.4	.	.	5.3	.	.	5.2	.	.	5.3	.	.	5.3	.	.
Unemployment, registered	th. persons, eop	58.3	68.1	70.5	60.8	62.9	61.5	54.7	53.9	49.3	34.6	49.1	44.8	56.1	65.7	66.9
Unemployment rate, registered	%, eop	0.7	0.8	0.8	0.7	0.7	0.7	0.6	0.6	0.5	0.4	0.5	0.5	0.6	0.7	0.7
WAGES																
Total economy, gross [3]	KZT	100584	97568	98942	104896	106620	104546	99804	98861	100866	127402	99152	98736	108836	105289	106286
Total economy, gross [3]	real, CPPY	9.9	11.8	12.0	13.1	9.4	7.1	3.3	2.9	3.9	0.8	0.8	-0.2	1.1	1.2	1.3
Total economy, gross [3]	EUR	515	501	522	563	578	565	519	507	522	646	495	490	556	537	542
Industry, gross, NACE Rev. 2 [1][3]	EUR	634	604	628	652	694	705	651	624	650	831	608	604	714	693	689
PRICES																
Consumer	PP	0.3	0.7	0.7	0.3	0.3	0.3	0.6	0.7	0.7	0.6	0.9	0.8	0.2	0.3	0.2
Consumer	CPPY	4.6	4.8	5.0	5.0	4.8	4.8	5.1	5.6	5.7	6.1	6.7	7.1	7.0	6.6	6.1
Consumer	CCPPY	5.1	5.0	5.0	5.0	5.0	5.0	5.0	5.1	5.1	5.2	6.7	6.9	6.9	6.9	6.7
Producer, in industry, NACE Rev. 2 [1]	PP	3.9	3.7	-1.6	-4.9	-4.6	3.0	3.4	1.7	-0.5	-0.5	-0.3	1.8	0.0	-2.3	-4.3
Producer, in industry, NACE Rev. 2 [1]	CPPY	9.8	8.6	1.1	-0.4	-4.2	-3.9	1.3	3.6	2.8	2.3	3.0	4.7	0.8	-5.1	-7.7
Producer, in industry, NACE Rev. 2 [1]	CCPPY	11.1	10.4	8.4	6.8	5.2	4.0	3.7	3.7	3.6	3.5	3.0	3.9	2.8	0.7	-1.0
FOREIGN TRADE, customs statistics																
Exports total (fob), cumulated	EUR mn	16716	22535	29464	36177	42144	48549	54347	60386	66236	71876	4780	9690	15293	20936	.
Imports total (cif), cumulated	EUR mn	6977	9627	12424	15362	18542	21847	25130	28257	31477	34700	2224	4560	7298	10525	.
Trade balance, cumulated	EUR mn	9739	12908	17040	20815	23602	26702	29217	32128	34759	37176	2556	5130	7995	10411	.
FOREIGN FINANCE																
Current account, cumulated	EUR mn	2474	.	.	5562	.	.	5399	.	.	6003	.	.	1247	.	.
EXCHANGE RATE																
KZT/EUR, monthly average	nominal	195.12	194.57	189.68	186.40	184.31	185.16	192.23	195.02	193.11	197.19	200.28	201.49	195.62	196.19	195.95
KZTUSD, monthly average	nominal	147.79	147.79	147.89	148.86	149.74	149.54	149.77	150.39	150.52	150.42	150.73	150.51	150.73	150.96	151.00
EUR/KZT, calculated with CPI [4]	real, Jan09=100	93.9	94.4	97.6	99.8	101.6	101.0	97.3	96.3	98.1	96.3	96.4	96.2	98.4	98.5	98.7
EUR/KZT, calculated with PPI [4]	real, Jan09=100	157.1	163.2	165.2	160.7	154.7	157.4	156.5	157.1	158.2	154.6	151.3	152.6	157.3	154.2	147.7
USD/KZT, calculated with CPI [4]	real, Jan09=100	93.6	94.0	94.6	94.5	94.4	94.2	94.2	94.6	95.6	96.4	96.8	96.9	96.8	97.0	97.0
USD/KZT, calculated with PPI [4]	real, Jan09=100	144.8	150.6	149.3	142.6	135.0	137.4	140.7	143.2	143.5	143.2	141.8	143.2	143.1	139.9	133.6
DOMESTIC FINANCE																
Currency outside banks	KZT bn, eop	1307.8	1341.4	1350.1	1389.4	1398.8	1405.2	1421.8	1407.6	1379.9	1528.0	1422.4	1409.5	1428.4	1438.9	1460.2
M1	KZT bn, eop	3886.3	3725.3	3813.0	3993.5	3888.5	3733.0	3811.8	3759.9	3579.7	3880.4	3719.6	3759.4	3844.1	3884.1	3811.1
Broad money	KZT bn, eop	10293.1	10393.2	10334.9	10405.6	10582.9	10328.2	10514.8	10686.2	10465.5	10522.5	10495.9	10536.2	11078.2	11051.5	11318.4
Broad money	CPPY, eop	15.3	15.3	15.2	11.2	8.6	8.6	7.1	8.8	8.9	7.9	9.1	6.3	7.6	6.3	9.5
Central bank policy rate (p.a.) [5]	%, eop	7.00	6.50	6.50	6.00	6.00	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50
Central bank policy rate (p.a.) [5][6]	real, %, eop	-2.5	-2.0	5.3	6.5	10.6	9.8	4.1	1.9	2.6	3.1	2.4	0.8	4.7	11.1	14.3
BUDGET																
General gov.budget balance, cum.	KZT mn	8107	-94923	-3100	375480	214943	-286282	-341783	-508178	-533093	-890309	96118	230118	85119	123551	.

1) Including E (water supply, sewerage, waste management, remediation).
2) According to census March 2009.
3) Excluding small enterprises engaged in entrepreneurial activity.
4) Adjusted for domestic and foreign (US resp. EU) inflation. Values more than 100 mean real appreciation.
5) Refinancing rate of NB.
6) Deflated with annual PPI.

R U S S I A: Selected monthly data on the economic situation 2012 to 2013

(updated end of June 2013)

		2012 Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	2013 Jan	Feb	Mar	Apr	May
PRODUCTION																
Industry, total	real, CPPY	2.0	1.2	3.6	2.0	3.4	2.1	1.9	1.8	1.8	1.4	-0.9	-2.3	2.4	2.1	-1.6
Industry, total	real, CCPPY	3.9	3.3	3.3	3.1	3.1	3.0	2.9	2.8	2.7	2.6	-0.9	-1.6	-0.2	0.4	0.0
Industry, total	real, 3MMA	3.1	2.3	2.3	3.0	2.5	2.5	1.9	1.8	1.6	0.8	-0.5	-0.2	0.8	1.0	.
Construction, total	real, CPPY	2.9	4.5	5.4	4.0	1.0	1.2	-5.2	6.6	0.6	1.6	1.4	0.3	0.2	-3.7	1.7
Construction, total	real, CCPPY	5.0	4.9	5.0	4.7	4.0	3.6	2.3	2.8	2.6	2.4	1.4	0.8	0.6	-0.7	-0.1
LABOUR																
Employed persons, LFS [1]	th. pers., avg	70005	71021	72361	72441	72476	72757	72385	71697	71639	71540	70730	71001	70967	71121	71652
Employed persons, LFS [1]	CPPY	0.4	1.7	1.6	1.3	1.0	0.9	0.4	0.9	0.7	0.7	0.9	1.3	1.4	0.1	-1.0
Unemployed persons, LFS [1]	th. pers., avg	4699	4205	3993	3981	3964	3812	3844	3888	3949	3825	4477	4337	4252	4181	3904
Unemployment rate, LFS [1]	%, avg	6.3	5.6	5.2	5.2	5.2	5.0	5.0	5.1	5.2	5.1	6.0	5.8	5.7	5.6	5.2
Unemployment, registered	th. persons, eop	1313.0	1254.0	1185.0	1127.0	1086.0	1068.0	1022.0	987.0	1017.0	1065.0	1073.0	1099.0	1083.0	1061.0	1010.0
Unemployment rate, registered	%, eop	1.8	1.7	1.6	1.5	1.4	1.4	1.3	1.3	1.4	1.4	1.4	1.5	1.4	1.4	1.3
WAGES																
Total economy, gross	RUB	25487	25800	26385	27494	26684	25718	25996	26803	27448	36450	26840	26620	28693	30026	30000
Total economy, gross	real, CPPY	8.3	10.5	11.7	9.1	7.0	5.3	3.9	6.5	6.1	4.2	5.5	3.2	5.2	8.5	5.8
Total economy, gross	EUR	657	665	670	667	667	650	643	665	681	905	667	659	718	737	739
Industry, gross [2]	EUR	611	613	622	589	627	625	602	623	616	521	613	605	651	674	.
PRICES																
Consumer	PP	0.6	0.3	0.5	0.9	1.2	0.1	0.6	0.5	0.3	0.5	1.0	0.6	0.3	0.5	0.7
Consumer	CPPY	3.8	3.7	3.7	4.4	5.6	6.0	6.6	6.6	6.5	6.6	7.1	7.3	7.0	7.2	7.4
Consumer	CCPPY	3.9	3.8	3.8	3.9	4.1	4.4	4.6	4.8	5.0	5.1	7.1	7.2	7.2	7.2	7.2
Producer, in industry [3]	PP	2.2	0.7	-2.4	-0.9	-1.1	5.1	4.8	-1.6	-1.2	-1.1	-0.4	0.8	0.5	-1.2	-1.0
Producer, in industry [3]	CPPY	7.8	6.4	2.8	4.3	5.1	7.0	11.6	8.8	6.5	5.2	5.0	4.7	3.1	1.1	2.6
Producer, in industry [3]	CCPPY	8.0	7.6	6.6	6.2	6.1	6.2	6.8	7.0	6.9	6.8	5.0	4.9	4.3	3.5	3.3
FOREIGN TRADE, customs statistics																
Exports total (fob), cumulated	EUR mn	100065	133920	168983	201229	234501	267568	301114	336746	371748	407960	29024	60551	94706	128222	.
Imports total (cif), cumulated	EUR mn	52330	71369	92033	112355	135217	157875	177797	201395	223891	246459	15068	33636	54015	75293	.
Trade balance, cumulated	EUR mn	47735	62551	76949	88874	99284	109693	123316	135350	147857	161500	13956	26915	40690	52929	.
FOREIGN FINANCE																
Current account, cumulated [4]	EUR mn	29878	.	.	42944	.	.	48361	.	.	58199	.	.	21103	.	.
EXCHANGE RATE																
RUB/EUR, monthly average	nominal	38.800	38.820	39.380	41.230	40.030	39.560	40.450	40.320	40.310	40.290	40.260	40.390	39.950	40.750	40.570
RUB/USD, monthly average	nominal	29.370	29.470	30.650	32.910	32.500	31.970	31.520	31.090	31.410	30.740	30.260	30.160	30.800	31.330	31.240
EUR/RUB, calculated with CPI [5]	real, Jan09=100	124.8	124.5	123.4	119.1	124.6	125.8	123.0	123.7	124.2	124.5	126.8	126.7	127.3	125.4	126.8
EUR/RUB, calculated with PPI [5]	real, Jan09=100	156.6	157.4	151.9	144.6	147.0	155.2	158.8	156.9	155.4	154.2	153.3	153.5	156.2	152.2	151.3
USD/RUB, calculated with CPI [5]	real, Jan09=100	122.6	122.3	118.2	111.3	114.3	115.6	117.4	119.8	119.4	122.9	125.8	125.9	123.3	121.9	122.9
USD/RUB, calculated with PPI [5]	real, Jan09=100	142.5	143.3	135.7	126.7	126.6	133.5	140.8	141.0	139.2	140.9	141.9	142.2	140.0	136.3	135.0
DOMESTIC FINANCE																
Currency outside banks	RUB bn, eop	5704.3	5831.5	5856.4	6003.9	5976.3	5980.0	5969.2	5931.3	5975.4	6430.1	6078.9	6140.9	6181.4	6353.5	.
M1	RUB bn, eop	12273.2	12230.8	12353.7	12621.3	12470.9	12293.8	12375.0	12305.2	12459.4	13753.6	13172.8	13249.9	13408.2	13408.1	.
M2	RUB bn, eop	28345.8	28504.3	29045.7	29340.8	29267.5	29410.0	29512.1	29807.3	30046.9	32226.4	31653.3	32190.9	32626.6	33167.0	.
M2	CPPY, eop	20.1	20.2	21.0	20.1	19.2	18.0	15.0	16.7	14.3	12.1	13.1	14.6	15.1	16.4	.
Central bank policy rate (p.a.) [6]	%, eop	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.25	8.25	8.25	8.25	8.25	8.25	8.25	8.25
Central bank policy rate (p.a.), CPI calc.	real, %, eop	4.1	4.2	4.2	3.5	2.2	1.9	1.3	1.6	1.7	1.6	1.1	0.9	1.2	1.0	0.8
Central bank policy rate (p.a.) [6][7]	real, %, eop	0.2	1.5	5.1	3.6	2.8	1.0	-3.2	-0.5	1.6	2.9	3.1	3.3	5.0	7.0	5.5
BUDGET																
Central gov.budget balance, cum.	RUB bn	-70.2	-51.3	132.1	270.7	285.1	532.4	671.2	723.8	793.7	-37.0	-15.6	-169.0	-62.2	.	.

1) Revised data according to census October 2010.
2) Manufacturing industry only (D according to NACE Rev. 1).
3) Domestic output prices.
4) BOP 6th edition.
5) Adjusted for domestic and foreign (US resp. EU) inflation. Values more than 100 mean real appreciation.
6) Refinancing rate.
7) Deflated with annual PPI.

Source: wiiw Monthly Database incorporating national statistics.

U K R A I N E: Selected monthly data on the economic situation 2012 to 2013

(updated end of June 2013)

		2012 Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	2013 Jan	Feb	Mar	Apr	May
PRODUCTION																
Industry, NACE Rev. 2	real, CPPY	0.3	1.3	3.1	0.1	1.6	-2.0	-3.9	-2.5	-2.2	-5.6	-3.7	-5.9	-5.2	-2.0	-9.3
Industry, NACE Rev. 2	real, CCPPY	1.8	1.7	2.0	1.7	1.6	1.2	0.6	0.2	0.0	-0.5	-3.7	-4.8	-4.9	-4.2	-5.2
Industry, NACE Rev. 2	real, 3MMA	1.5	1.5	1.5	1.6	-0.1	-1.5	-2.8	-2.9	-3.4	-3.8	-5.1	-4.9	-4.3	-5.5	.
Productivity in industry [1]	CCPPY	1.6	1.6	1.8	1.6	1.6	1.1	0.4	0.3	0.2	-0.3	.	.	.	.	.
Unit labour costs, exch.r. adj.(EUR) [1]	CCPPY	17.3	18.3	19.6	20.9	22.0	23.3	23.1	22.6	22.3	21.5	.	.	.	.	.
Construction, NACE Rev. 2	real, CCPPY	6.2	7.1	9.0	6.0	2.0	-0.8	-2.1	-3.8	-6.4	-8.3	-7.6	-8.4	-13.8	-13.8	-17.8
LABOUR																
Employed persons, LFS	th. pers., quart. avg	20040	.	.	20541	.	.	20856	.	.	19980	.	.	20085	.	.
Employed persons, LFS	CPPY	-0.3	.	.	0.8	.	.	0.4	.	.	-0.2	.	.	0.2	.	.
Unemployed persons, LFS	th. pers., quart. avg	1845	.	.	1576	.	.	1469	.	.	1739	.	.	1756	.	.
Unemployment rate, LFS	%	8.4	.	.	7.1	.	.	6.6	.	.	8.0	.	.	8.0	.	.
Employees total, registered [1]	th. persons, avg	10613	10613	10579	10595	10592	10554	10536	10527	10469	10359	10195	10210	10208	10204	10169
Unemployment, registered	th. persons, eop	531	486	465	447	438	427	416	400	441	507	565	589	572	535	501
Unemployment rate, registered [2]	%, eop	1.9	1.7	1.7	1.6	1.6	1.5	1.5	1.4	1.6	1.8	2.0	2.1	2.0	1.9	1.8
WAGES [1]																
Total economy, gross	UAH	2923	2942	3015	3109	3151	3073	3064	3110	3098	3377	3000	3044	3212	3233	3253
Total economy, gross	real, CPPY	13.3	15.5	17.8	16.2	14.7	14.1	12.0	14.0	13.8	10.8	10.4	9.3	10.8	10.8	8.3
Total economy, gross	EUR	278	280	294	311	321	311	299	300	302	322	283	284	310	311	313
Industry, gross [3]	EUR	319	322	342	346	366	367	346	351	349	364	334	338	357	359	358
PRICES																
Consumer	PP	0.3	0.0	-0.3	-0.3	-0.2	-0.3	0.1	0.0	-0.1	0.2	0.2	-0.1	0.0	0.0	0.1
Consumer	CPPY	1.9	0.6	-0.5	-1.2	-0.1	0.0	0.0	0.0	-0.2	-0.2	-0.2	-0.5	-0.8	-0.8	-0.4
Consumer	CCPPY	2.9	2.3	1.7	1.2	1.0	0.9	0.8	0.7	0.6	0.6	-0.2	-0.4	-0.5	-0.6	-0.5
Producer, in industry [4]	PP	1.1	3.7	0.2	0.7	-2.9	0.5	0.2	-1.5	0.0	-1.5	0.3	-1.6	2.2	2.5	3.1
Producer, in industry [4]	CPPY	6.5	6.8	4.3	4.5	1.3	1.3	0.3	0.6	0.0	0.4	1.5	-0.9	0.2	-1.0	1.9
Producer, in industry [4]	CCPPY	8.5	8.1	7.3	6.8	6.0	5.4	4.8	4.3	3.9	3.6	1.5	0.3	0.3	0.0	0.4
FOREIGN TRADE, customs statistics																
Exports total (fob), cumulated	EUR mn	12333	16734	21602	25970	30636	35332	39635	44574	49162	53523	3858	7864	12051	16700	.
Imports total (cif), cumulated	EUR mn	14553	20074	25979	31535	37364	43216	48587	54525	59897	65851	3846	8542	13555	18679	.
Trade balance, cumulated	EUR mn	-2220	-3340	-4377	-5565	-6728	-7884	-8953	-9951	-10736	-12328	12	-678	-1505	-1980	.
FOREIGN FINANCE																
Current account, cumulated	EUR mn	-1568	.	.	-4505	.	.	-7718	.	.	-11485	.	.	-1653	.	.
EXCHANGE RATE																
UAH/EUR, monthly average	nominal	10.533	10.511	10.265	10.012	9.829	9.890	10.248	10.373	10.256	10.486	10.597	10.700	10.365	10.396	10.384
UAH/USD, monthly average	nominal	7.986	7.987	7.991	7.993	7.993	7.993	7.993	7.993	7.993	7.993	7.993	7.993	7.993	7.993	7.993
EUR/UAH, calculated with CPI [5]	real, Jan09=100	112.2	111.9	114.4	117.1	119.5	117.9	113.2	111.6	112.9	110.2	110.2	108.6	111.1	110.7	110.9
EUR/UAH, calculated with PPI [5]	real, Jan09=100	138.4	143.6	147.7	153.3	151.4	150.0	144.8	141.1	143.0	138.1	136.7	132.8	140.3	144.2	148.8
USD/UAH, calculated with CPI [5]	real, Jan09=100	110.9	110.6	110.3	110.2	110.1	109.2	108.8	108.9	109.2	109.7	109.7	108.6	108.4	108.5	108.4
USD/UAH, calculated with PPI [5]	real, Jan09=100	126.6	131.5	132.9	135.2	131.1	130.0	129.2	127.8	128.9	127.2	127.0	123.8	126.6	130.1	133.8
DOMESTIC FINANCE																
Currency outside banks	UAH bn, eop	187.9	194.5	194.8	200.4	201.5	200.8	199.8	195.0	190.9	203.2	198.0	201.4	206.1	214.5	213.9
M1	UAH bn, eop	308.6	315.8	313.6	319.0	323.6	318.6	321.0	312.8	302.1	323.2	326.5	329.8	337.5	349.4	352.3
Broad money	UAH bn, eop	691.3	703.7	701.1	710.4	721.0	725.1	731.7	729.7	729.0	773.2	780.1	788.1	800.9	818.0	821.7
Broad money	CPPY, eop	11.3	10.2	10.2	8.9	9.7	9.1	10.5	9.5	11.6	12.8	15.5	16.0	15.9	16.2	17.2
Central bank policy rate (p.a.) [6]	%, eop	7.50	7.50	7.50	7.50	7.50	7.50	7.50	7.50	7.50	7.50	7.50	7.50	7.50	7.50	7.50
Central bank policy rate (p.a.) [6][7]	real, %, eop	1.0	0.7	3.1	2.9	6.1	6.1	7.1	6.8	7.5	7.1	5.9	8.5	7.3	8.6	5.5
BUDGET																
General gov.budget balance, cum.	UAH mn	-712	-6384	-4803	-9743	-18868	-14833	-21262	-29184	-33915	-50730	-615	-1283	-5684	-18883	-21712

1) Enterprises with 10 and more employees.
2) Ratio of unemployed to average working age population.
3) From 2013 NACE Rev. 2.
4) Domestic output prices. From 2013 NACE Rev. 2.
5) Adjusted for domestic and foreign (US resp. EU) inflation. Values more than 100 mean real appreciation.
6) Discount rate.
7) Deflated with annual PPI.

Source: wiiw Monthly Database incorporating national statistics.

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