



Monthly Report

The Vienna Institute for International Economic Studies (WIIW)

Contents

Albania: high but powerless growth	1
Patterns of trade specialization in CEECs	11
Economic consequences of the Schengen Treaty for labour markets in the Polish borderland regions	18
Monthly statistics	
Selected monthly data on the economic situation in ten transition countries, 2001 to 2002.....	23
Guide to WIIW statistical services on Central and Eastern Europe, Russia and Ukraine	34

Albania: high but powerless growth

BY MARIO HOLZNER

Introduction

After a deep recession at the beginning of the transformation process and strong real growth averaging more than 9% from 1993 to 1996, the collapse of Albania's pyramid schemes in early 1997 caused a major economic and social crisis and a 7% GDP decline in real terms in 1997. In the subsequent four years up to now the Albanian economy resumed growth, at an average annual rate of 7.4%.

Albanian statistics in general and growth estimates in particular are not very reliable. Official national accounts do not exist yet, and growth estimates cover only inadequately private and informal sector activity. These facts have to be borne in mind when analysing the Albanian economy.

Recent economic developments

The economy recorded constant real growth in recent years. By the end of 2000 the GDP level of 1989 was reached again – that level, however, being a very low one. In the year 2000 Albanian GDP per capita, calculated at purchasing power parities (PPPs) stood at an estimated USD 3500. This is about 70% the level of neighbouring Macedonia, only some 20% compared to Slovenia and approximately 10% of the US level. Poverty is very high in Albania. Measured in relative terms, 30% of Albanians are poor; in absolute terms, 47% of Albanians are below the poverty line of USD 2 a day.¹ Still, thanks to increasing gross domestic production the unemployment rate decreased from 18% in 1999 to about 15% in 2001. This is

¹ According to the 1998 Living Conditions Survey (LCS), 29.6% of the population have an income below the relative poverty line of 60% of median income per capita. 16.2% are extremely poor, thus below the relative poverty line of 40% of median income per capita. With respect to absolute poverty lines, 46.6% of Albanians are below the 1993 PPP rate equivalent to USD 2.15 per day and person. 17.4% are even below USD 1.075.

The Vienna Institute Monthly Report is exclusively available to subscribers to the WIIW Service Package

The Vienna Institute
for International Economic Studies (WIIW)

Wiener Institut
für Internationale Wirtschaftsvergleiche (WIIW)

Oppolzergasse 6, A-1010 Vienna, Austria, Tel. (+43 1) 533 66 10, Fax (+43 1) 533 66 10-50
e-mail: wiiw@wsr.ac.at, Internet: <http://www.wiiw.ac.at>

Table 1

Albania: Selected economic indicators

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001 ¹⁾	2002	2003 forecast
Population, th pers., mid-year	3293	3260	3190	3167	3202	3249	3283	3324	3354	3373	3401	3435	3469	3504
Gross domestic product, leks mn, nom.	16813	16404	53200	125300	187900	224700	279803	341717	460631	506205	539210	594346	657030	726219
annual change in % (real)	-10.0	-28.0	-7.2	9.6	9.4	8.9	9.1	-7.0	8.0	7.3	7.8	6.5	6.0	6.0
GDP/capita (USD at exchange rate)			188	375	615	744	814	687	908	1090	1103	1218	1343	1480
GDP/capita (USD at PPP, WIIW estimates)	2401	1775	1781	2036	2233	2571	2877	2692	2893	3200	3500			
Gross industrial production, leks mn ²⁾			8547	17361	23110	26943	34309	42351	55047	60026	61931			
annual change in % (real) ²⁾	-14.2	-42.0	-51.2	-10.0	-2.0	6.0	13.6	-5.6	4.1	6.4	5.0	5.0		
Gross agricultural production, leks mn ²⁾			27490	68487	100749	125435	144825	191269	250705	266270	273519			
annual change in % (real) ²⁾	-5.4	-17.4	18.5	10.4	8.3	13.2	3.0	1.0	5.0	3.7	6.0	4.0		
Construction industry, leks mn ²⁾			3867	11344	17720	23620	31360	38423	58037	68387	79301			
annual change in % (real) ²⁾	-12.0	-30.0	7.0	30.0	15.0	21.2	18.4	-6.3	21.0	15.0	18.0	17.0		
Transportation, leks mn ²⁾			1519	3875	6211	8115	9006	9362	14024	16531	18681			
annual change in % (real) ²⁾	-10.0	-30.0	-15.0	13.0	18.0	18.7	-0.9	-20.5	20.0	15.0	15.0	12.0		
Other Services, annual change in % (real) ²⁾	-8.0	-14.0	9.0	16.0	11.0	13.5	20.1	-25.0	10.0	12.0	10.0	9.0		
Employment total, th pers., average	1434	1434	1020	987	1083	1145	1116	1107	1085	1081	1067	1038		
annual change in %	-	0.0	-28.9	-3.2	9.7	5.7	-2.5	-0.8	-2.0	-0.4	-1.3	-2.7		
Unemployed reg., th, end of period	151	140	394	402	264	233	158	194	235	240	215			
Unemployment rate in %, end of period	9.5	8.9	27.9	29.0	19.6	16.9	12.4	14.9	17.7	18.0	16.8	14.6		
Monthly wages in budgetary institutions, leks			2879	4738	6962	8745	10491	10491	13234	13195	15078			
annual change in % (real)			-	25.7	26.9	18.5	2.2	-29.6	16.1	0.7	9.7			
Retail prices, % p.a.		35.5	226.0	85.0	22.6	7.8	12.7	32.1	20.9	0.4	0.0	3.1	4.0	4.0
Fiscal sector, leks mn														
Revenues	9003	5168	11542	31170	43849	53715	51341	57594	93515	107809	120588	133728	158344	180829
Expenditures	10032	8565	41246	50435	68259	77134	82245	100621	141393	165672	169423	187219	213535	235295
Deficit (-) / surplus (+)	-1029	-3397	-29704	-19265	-24410	-23419	-30904	-43027	-47878	-57863	-48835	-53491	-55191	-54466
Deficit (-) / surplus (+), % GDP	-6.1	-20.7	-55.8	-15.4	-13.0	-10.4	-11.0	-12.6	-10.4	-11.4	-9.1	-9.0	-8.4	-7.5
Money supply, leks mn, end of period														
M1, Money			17163	28401	38767	59252	90406	91667	83729	103104	124041	130700	153000	169100
M2			21927	40106	57472	87370	120646	162221	199362	239662	264497	303200	333500	362600
M3, Broad money			28771	50355	70775	107449	154552	198547	239526	292871	328101	380200	423700	468300
Interest rates, % p.a., end-year														
Refinancing rate				34.0	25.0	20.5	24.0	32.0	22.9	17.8	10.8	10.2		
3-month treasury bill rate				.	10.0	14.7	21.1	35.3	20.4	14.8	7.8			
12-month deposit rate ³⁾				23.0	16.5	13.7	19.1	27.8	16.5	9.1	7.7	7.7		
12-month lending rate ⁴⁾				30.0	20.0	21.0	28.8	43.0	25.0	25.8	23.7	24.0		
Current account, USD mn ⁵⁾		-249	-434	-365	-279	-176	-245	-276	-187	-265	-261	-306	-384	-388
Current account in % of GDP			-72.3	-30.7	-14.2	-7.3	-9.2	-12.1	-6.1	-7.2	-7.0	-7.3	-8.2	-7.5
Gross reserves, USD mn			72	147	204	240	275	306	384	485	608	737	799	879
Gross external debt, USD mn		628	811	936	1005	682	734	759	882	975	1033	1210	1090	1214
Exports total, fob, USD mn				112	141	205	229	167	205	275	256	296	336	391
annual growth rate in %				.	26.2	45.4	11.7	-27.1	22.8	34.1	-6.9	15.6	13.5	16.4
Imports total, cif, USD mn				602	601	679	921	685	826	1121	1070	1243	1375	1492
annual growth rate in %				.	-0.1	13.0	35.6	-25.6	20.6	35.7	-4.5	16.2	10.6	8.5
Trade balance, USD mn				-489.9	-460.0	-474.0	-692.0	-518.0	-621.0	-846.0	-814.0	-947.0	-1039.0	-1101.0
Trade balance in % of GDP				-41.3	-23.3	-19.6	-25.9	-22.7	-20.4	-23.0	-21.7	-22.6	-22.3	-21.2
Average exchange rate leks/USD			88.66	105.55	95.36	92.99	104.76	149.61	151.23	137.69	143.71	142	141	140
Average exchange rate leks/DEM				61.75	58.27	64.81	69.46	85.73	85.65	75.14	67.79			
Average exchange rate leks/EUR (ECU)										146.96	132.58			

Notes: 1) Preliminary. - 2) IMF estimates based mostly on demand-side developments. - 3) Until 1995: floor of the band by Bank of Albania; thereafter: weighted average interest rates by commercial banks. - 4) Until 1995: guideline rate by Bank of Albania; thereafter: weighted average interest rates by commercial banks. - 5) Excluding official transfers.

Source: WIIW, IMF, Bank of Albania, EBRD; WIIW forecasts.

approximately half the reported unemployment rate that e.g. Macedonia has to bear. In this context however it is important to note that according to the law on employment (1995), unemployment is not considered in rural areas – although about 58% of the population is rural. A traditional way of escaping the poor social environment is migration. An estimated 750,000 Albanians live in the European Union and North America, most of them in Greece (500,000) and Italy (200,000).² Migration is currently declining though, not so much because of decreasing push factors but because of weaker pull factors, as the possibilities of labour force absorption in host countries are more and more limited.

The increases in GDP are attributed to strong growth in the construction industry³, in transport and in other services. These account for approximately 15%, 4% and 19% respectively of overall GDP. Still, more than 50% of GDP derives from agricultural production, which is growing slower than average. Similarly, industrial production grows less than the whole economy and accounts for 12% of GDP.

The recent growth in Albania was accompanied by low inflation. After the pyramid schemes crisis the inflation rate was brought down from two-digit levels to close to zero in 1999 and 2000. That price stability was achieved by a standard-type IMF stabilization programme, including a tight monetary policy with high real interest rates and lending restrictions for state-owned banks. The restrictive monetary policy was gradually loosened in 2000 as price stability was achieved and the nominal exchange rate vis-à-vis the German mark (DEM) was appreciating strongly. In 2001 the inflation rate increased to over 3%.

² Emigrants account for approximately 20% of Albania's 3.4 million inhabitants.

³ Interestingly, there are a number of foreign workers in Albania, such as Chinese and Egyptians, particularly in the construction sector.

Albania's external imbalances are substantial. The country can hardly cover one quarter of its imports by exports and the deficit on the trade balance amounts to more than 20% of GDP. In the past years almost all exports went to the EU (more than 90% in 2000), with Italy being the most important country by far. In 2000, about 61% of total exports of some USD 260 million were directed towards Italy, 17% to Greece, 7% to Germany, 1% to Macedonia and about 1.5% to Yugoslavia (Kosovo). Albania is an economy selling goods to virtually just five countries in the world. The main export items are manufacturing articles such as shoes, textile and wood products as well as some products of the iron and steel processing industry.⁴ Albanian imports are somewhat less dominated by the trading partner EU than are exports. In the year 2000, about 77% of imports came from EU countries, Italy being again the main partner (35%), followed by Greece (26%) and Germany (6%). Imports from Austria amounted to close to 1% of total Albanian imports of more than USD 1070 million. The main import partners outside the EU were Turkey with a share of more than 6%, Bulgaria with 2.5%, Macedonia with more than 1% and Romania and Croatia with approximately 1% each of total imports. From 1998 the share of machinery and transport equipment in overall imports increased to more than 20% in 2000. A similar but less dynamic development can be observed for manufactured goods, accounting for nearly one quarter of Albanian imports.

The huge trade deficit is covered mainly by substantial remittances from the Albanian diaspora, amounting to approximately half a billion US dollars or more than 10% of GDP. The true figure is probably even higher, as most transfers are channelled outside the banking system. These transfers of Albanian emigrants lower the current account deficit to some 7% to 8% of GDP. Moreover, it were the remittances which fuelled growth after the crisis, especially in the services and construction sectors.

⁴ For a more detailed analysis of Albania and Southeast European trade see Astrov (2000).

ALBANIA

Table 2

Albania: Directions of trade

Exports, 1999 to 2000

in per cent of total

	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	
World	100	100	100	100	100	100	100	100	100	100	100	100	
Austria	2.04	5.20	3.43	1.72	0.95	2.40	0.91	1.10	1.47	1.60	2.13	0.65	
Germany	9.48	9.72	11.56	12.16	4.28	4.76	6.11	6.93	6.85	5.73	6.37	7.24	
Greece	3.04	4.99	6.36	14.13	17.90	10.31	9.93	12.99	20.47	19.82	14.34	17.40	
Italy	11.78	18.12	16.18	22.54	41.00	51.77	51.53	57.85	49.41	60.05	67.35	61.26	
EU	38.38	47.89	46.08	59.24	73.07	76.99	79.46	85.98	87.46	92.51	93.62	90.95	
Turkey	0.24	0.14	0.23	0.00	1.36	1.07	6.20	3.11	0.92	0.55	0.40	0.97	
Russia	0.00	0.00	0.00	0.00	0.08	0.04	0.04	0.03	0.00	0.20	0.15	0.23	
Ukraine	0.00	0.00	0.00	0.00	0.02	0.00	0.09	0.00	0.00	0.06	0.00	0.03	
Bulgaria	0.00	0.00	0.00	0.00	0.70	0.55	0.09	0.02	0.02	0.05	0.01	0.02	
Hungary	1.99	2.55	1.75	1.27	0.39	0.25	0.14	0.12	0.19	0.03	0.02	0.00	
Romania	11.09	6.58	1.72	0.13	0.16	0.05	0.04	0.07	0.04	0.13	0.03	0.02	
Bosnia	0.00	0.00	0.00	0.00	0.17	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Croatia	0.00	0.00	0.00	0.00	1.00	0.47	1.06	0.68	4.20	0.60	0.14	0.11	
Macedonia	0.00	0.00	0.00	0.00	11.18	4.66	3.97	3.07	2.64	1.50	1.52	1.08	
Slovenia	0.00	0.00	0.00	0.00	1.37	0.64	1.62	1.27	1.25	1.22	0.61	0.28	
Yugoslavia FR (S/M)	0.00	0.00	0.00	0.00	0.03	0.16	0.00	0.00	0.00	0.30	1.21	1.46	
Total Exports	USD mn	305.3	224.3	171.2	114.1	122.5	141.5	201.8	210.5	141.3	206.5	275.3	261.1

Imports, 1999 to 2000

in per cent of total

	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	
World	100	100	100	100	100	100	100	100	100	100	100	100	
Austria	2.85	3.15	1.90	0.95	1.04	1.00	1.96	0.94	1.46	1.38	1.80	0.98	
Germany	11.82	13.93	11.17	5.99	12.22	5.73	4.56	5.79	4.19	3.75	5.61	5.90	
Greece	5.32	4.66	2.72	7.76	20.06	25.93	26.78	20.61	26.57	29.15	27.73	26.33	
Italy	14.64	15.88	17.95	27.76	34.01	41.12	37.88	40.52	46.50	44.06	37.98	34.99	
EU	40.66	46.32	48.10	75.17	71.24	77.04	76.87	76.34	83.75	82.86	80.18	76.53	
Turkey	1.12	1.48	3.87	3.83	3.35	4.32	4.10	4.31	4.40	3.35	5.47	6.33	
Russia	0.00	0.00	0.00	0.00	0.84	0.31	0.38	0.23	0.07	0.87	0.39	0.61	
Ukraine	0.00	0.00	0.00	0.00	0.11	0.29	0.27	0.36	0.41	0.89	0.71	0.45	
Bulgaria	0.00	0.00	0.00	0.00	7.06	8.58	8.01	3.91	2.73	2.78	2.95	2.48	
Hungary	2.98	4.12	5.55	2.32	1.31	0.64	0.66	0.78	1.06	1.12	0.96	0.74	
Romania	9.54	5.04	0.66	0.42	0.66	0.53	0.53	2.34	0.30	0.43	0.69	1.07	
Bosnia	0.00	0.00	0.00	0.00	0.22	0.00	0.00	0.00	0.00	0.01	0.00	0.00	
Croatia	0.00	0.00	0.00	0.00	0.27	1.33	0.40	1.46	0.41	0.47	0.93	1.00	
Macedonia	0.00	0.00	0.00	0.00	4.34	2.26	2.54	2.07	2.06	1.32	1.99	1.31	
Slovenia	0.00	0.00	0.00	0.00	0.88	0.78	1.54	1.15	1.50	1.65	1.76	0.74	
Yugoslavia FR (S/M)	0.00	0.00	0.00	0.00	0.20	0.01	0.00	0.03	0.00	0.10	0.05	0.05	
Total Imports	USD mn	387.3	423.1	495.9	574.5	421.1	160.6	650.6	908.6	619.7	794.6	899.1	1065.5

Source: IMF DOT, 16 April 2002.

Table 3

Albania: Balance of payments

USD million

USD million	1994	1995	1996	1997	1998	1999	2000	2001 ¹⁾	2002	2003
Current account	-278	-176	-244	-276	-187	-270	-262	-306	-384	-388
Trade balance	-460	-474	-692	-519	-621	-846	-814	-947	-1039	-1101
Exports	141	205	229	167	205	275	256	296	336	391
Imports	601	679	921	685	826	1121	1070	1243	1375	1492
Services (net) ²⁾	-83	-2	23	-8	-5	66	114	163	152	167
of which: Interest due	38	6	6	6	7	11	10	12	24	30
Private transfers	264	300	425	250	440	327	439	479	504	546
Capital account	181	201	167	83	99	219	313	357	417	446
Official transfers	161	118	77	77	89	139	111	107	106	104
Direct Investment	65	89	97	42	45	51	143	220	264	269
Other capital including										
short term flows	-98	-87	-120	-81	-88	-44	-11	-66	-39	-25
Official medium and										
long term loans (net) ³⁾	54	81	113	46	53	72	70	96	86	98
New borrowing	60	82	119	53	62	80	79	104	111	127
Amortization ³⁾	-6	0	-5	-8	-9	-8	-9	-8	-26	-29
Errors and omissions ⁴⁾	85	41	107	206	105	31	31	75	0	0
Net balance	-12	67	31	13	17	-20	82	126	33	58

Notes: 1) Estimate. - 2) 2000 new methodology for calculation of tourism services, 1999 revised (IMF estimate based on new methodology). - 3) Excluding IMF. - 4) Large errors and omissions in 1997 reflects incomplete data as a result of the crisis.

Source: IMF.

Looking at the capital account, more than half of the surplus is contributed by foreign direct investments (FDI). These have grown strongly in the past two years because of privatization and now amount to roughly 5% of GDP. In 2000 an 85% stake of the state-owned mobile phone company Albanian Mobile Communications was sold to a consortium comprising Norwegian Telenor and Greek Cosmote for USD 96 million. In the same year the government sold the second largest bank, the National Commercial Bank, to Turkish Kentbank. In 2001 several medium-sized state-owned companies were privatized, whereupon privatization or liquidation of small- and medium size enterprises (SMEs) is almost completed. A second GSM licence was attributed to the British-Greek consortium of Vodafone-Panafon for USD 38 million the same year. Some concessions in chrome and copper mining were sold as well. In preparation for its privatization, the state oil company Albpetrol has been split up into three

companies⁵ and the privatization of those parts that operate service stations is nearly completed. Further privatization will comprise INSIG, the state-owned insurance company, the fixed-line telecom operator Albtelekom and the country's largest bank, the Savings Bank. Thus, following the conclusion of the privatization agenda, FDI will probably continue to contribute a major share of the capital account surplus in the next few years. Similarly, prospects for continued donor support will remain favourable in the years to come. Official transfers, grants and concessional loans have recently averaged about USD 200 million annually, thus contributing somewhat less to the capital account than FDI.

⁵ Albanian Petroleum Company (oil and natural gas extraction), Albanian Refining and Marketing Company (refining) and Servcom (petroleum distribution).

Summing up, it can be concluded that Albania's balance of payments and overall economic development continues to be strongly dependent on remittances and official capital inflows. Once privatization has been finished, FDI inflows will drop sharply.⁶ This, together with declining concessional external financing, will open up a financing gap in the medium term. By then, at the latest, the exchange rate policy will have to be reconsidered. Since the mid-1990s, strong nominal and real exchange rate appreciation of the Albanian lek against the euro has been tolerated. In the light of a disastrous trade deficit, an exchange rate policy supporting the Albanian export development could help make the country's external position sustainable in the long run.

Energy crisis and miserable infrastructure

One of the biggest threats to strong and sustainable GDP growth is the ongoing energy crisis in the country. Parts of the country are suffering frequent power cuts for up to 18 hours a day, mainly hitting households and small businesses. There have been symptoms of shortages since 1996 and first serious shortages in the winter of 2000. Although demand for electricity is growing since the beginning of transition, there have been practically no investments in the electricity sector since 1986. Apart from the power network being outdated and limited, most electrical production is of hydroelectric origin and therefore dependent on rainfall. The state-owned Albanian electricity monopolist KESH is only able to produce 13 million kWh per day while facing an estimated demand of some 22 million kWh per day. Imports, mainly from Greece, still leave a significant shortfall. Moreover, KESH remains in serious financial difficulties as more than half of the revenues expected from produced electricity is lost, either because of technical defects or non-payment and theft.⁷ Help in the solution of the energy crisis

comes from the Italian government and the EBRD. Nevertheless, the energy crisis remains a substantial threat to further economic growth and FDI. Significant investments in the power grid and thermoelectric power plants will be necessary to overcome the crisis.

Apart from the electric power system, most of the other infrastructure is in a similarly miserable shape. Water supply is inadequate and water quality is poor in the large cities such as Tirana, Durres and Shkodra. Running water is sometimes available only 2-3 hours per day for urban households and only about 40% have a sewerage connection. Sewage treatment is virtually non-existent and the pollution of the sea by waste water has severely reduced Albania's tourism potential.⁸ Another part of Albanian infrastructure that is insufficient, is transport. Albania's road network is in poor condition and is inadequate for the increasing traffic. Similarly, railways, ports and air transport infrastructure are in need of upgrading – especially in view of the fact that transport of goods and passengers showed an increasing trend in the past few years. In 2000 overall transport (goods and passenger) increased by more than 8%. Although several international financial institutions and bilateral donors have provided financing for the Albanian transport infrastructure, there is still a huge need for urgent intervention.

In the light of the need to rebuild Albania's infrastructure, the budget deficit remained large, although decreasing. The overall fiscal deficit was reduced from double-digit levels to about 9% of GDP in 2000 and 2001. The primary deficit, excluding foreign-financed capital expenditure and interest payments, even fell to 1% of GDP. This was made possible by increased revenue generation, especially through a VAT reform in 1997⁹ and improvements in the tax and customs administration. Although the number of registered tax payers has nearly doubled in the past few

⁶ It is not very likely that FDI from privatization will be replaced by massive greenfield investments. Up till now, there have been only a few greenfield investments, especially in the oil sector.

⁷ It is interesting to note that even the government failed to pay its electricity bill to KESH.

⁸ Albania has 427 km of Adriatic Sea coastline that is underdeveloped in terms of tourism.

⁹ In October 1997 the VAT rate was increased from 12.5% to 20%.

years, informal sector activities, corruption and incorrect tax declarations and invoices are common and widespread. This becomes obvious when comparing Albania's tax revenue in per cent of GDP, which is considerably below 20%, with other countries in the region, ranking well above 20% or 30% of GDP. Revenues will have to rise in order to be able to finance the most urgently needed investments in infrastructure and the subsequent maintenance costs in the future. The level of public debt is quite moderate. External debt has been more or less stable at around 28% of GDP and total debt increased to about 69% because of a rise in domestic debt, reflecting bank recapitalization in recent years.

Foreign relations and Free Trade Agreements

Several international financial institutions such as the World Bank, EBRD and EIB are involved in financing Albanian infrastructure and provide support on different levels. Albania's multilateral relations comprise WTO membership as well as membership in the Council of Europe, the OSCE, NATO Partnership for Peace, and in all relevant regional initiatives¹⁰. Albania also signed the Memorandum of Understanding for Trade Liberalization and Facilitation with the objective of creating Free Trade Agreements (FTAs) between participant countries in the Stability Pact for South Eastern Europe by the end of 2002.¹¹ So far Albania has entered bilateral Economic Co-operation and Trade Agreements with Bulgaria, Croatia, Macedonia and Romania as well as with Slovenia, Turkey, Greece and Italy. In particular the relations with Italy are developing well, and contacts at the political and technical level are frequent. Thus, for instance, the Italian government helps Albania in the solution of the energy crisis by

providing a EUR 30 million soft loan.¹² The two countries have also signed a Three-year Co-operation Protocol (2001-2003). A similar Protocol was signed with Greece, with which relations have intensified recently. Albanian relations with other countries in the region are at traditionally low levels. While negotiations with Croatia concerning the FTA have already started, and some preparations for such negotiations with Bosnia and Herzegovina have been made, only little progress in this respect was achieved with Bulgaria and Romania. The past war-type clashes between the Albanian minority's rebels in neighbouring Macedonia and the Macedonian army and police have certainly been a burden on bilateral relations between Albania and Macedonia, although official Tirana maintained a moderate position in the conflict and the dialogue with Skopje never stopped. Nevertheless, the two countries signed a FTA that took effect at the beginning of 2002. With the re-establishment of diplomatic relations between Albania and Yugoslavia, bilateral relations between these two countries have improved. Last year's frosty relations were marked by the Kosovo war and deep disagreement on the future status of that Serbian province which is now under the de-facto protectorate of the United Nations Mission in Kosovo (UNMIK). In fact, this disagreement still exists and became once more obvious when Albanian prime minister Pandeli Majko visited Kosovo in April, without informing the Yugoslav government. Thereafter, the Yugoslav foreign ministry posted an official protest in order to demonstrate that Kosovo is technically still part of Yugoslavia. However, tensions were reduced again when former Albanian premier Ilir Meta visited Belgrade at the beginning of May, talking to Serbian premier Zoran Djindjić and Yugoslav foreign minister Goran Svilanović. While Albanian relations with Montenegro and obviously the Kosovo are developing well, there will remain potential discord with Serbia over the issues of Kosovo and the Albanian minority in southern Serbia's Preševo valley. The recent Albanian

¹⁰ These are e.g. the Stability Pact for South Eastern Europe, the South-East European Co-operation Process, the South East European Co-operation Initiative and the Adriatic Ionian Initiative.

¹¹ The Memorandum of Understanding for Trade Liberalization and Facilitation was signed in June 2001 by Albania, Bosnia-Herzegovina, Bulgaria, Croatia, Macedonia, Romania and Yugoslavia.

¹² ATA (Albanian Telegraphic Agency), 19 April 2002.

initiative to calm the situation is seen as an attempt to impress EU officials in the light of the approaching decision on whether to begin negotiations about Albania's future European integration.

The relationship between the EU and Albania is based on a non-preferential Agreement on Trade and Economic Co-operation of 1992. Albanian attempts for closer relations failed in 1995 and 1999, due to the insufficient preparedness of the country as the Commission stated. Since the end of 2000, Albania is benefiting from Autonomous Trade Measures under which it is granted free access to the EU market for all industrial products and improved access for agricultural products. Since 1991, EU financial assistance for Albania has amounted to more than a billion euro. In 2001 the Commission recommended the opening of negotiations for a Stabilization and Association Agreement (SAA).¹³ The decision on whether to begin SAA negotiations is expected by mid of June. Apart from foreign relations that step could support regional stability, as the EU expects from Albania also transparent interior structures with respect to socio-economic stability, democracy, rule of law and the fight against corruption. Although important reform projects have been undertaken in the past few years, such as the adoption of a modern constitution and legislative framework, implementation remains a major concern.

Recent political developments

The recent political developments in Albania have not supported the aim of a stable and democratic state all that well. In June 2001 elections were held for the unicameral Albanian parliament. The governing Socialist Party and its allies won 63% of the 140 parliamentary seats, while the opposition coalition 'Union for Victory', led by former President

Sali Berisha's Democratic Party, won only 33%. The opposition coalition declared the elections manipulated and boycotted the parliament until 31 January 2002. Meanwhile a power struggle started within the winning Socialist Party. The party president Fatos Nano and the former prime minister Ilir Meta had a fierce competition for the new prime minister's seat. After a few weeks of public debate, the latter succeeded, was elected premier and established a government with the help of his party supporters. Nevertheless, Nano did not give up and, with the help of the party base and a large part of the media, accused the prime minister and ministers of the new government of corruption. Under massive media pressure premier Meta resigned and nominated another former prime minister, defence minister and party friend Pandeli Majko, for the position. The new government was evenly divided between the two party wings. At this time, Main Prosecutor Arben Rakipi entered the stage and launched an investigation against some of the accused ministers, known as supporters of Meta. In return, the powerful Meta group together with its former main enemy, Berisha's Democratic Party delegates, decided in a late-night session in mid-March to request President of the Republic Rexhep Meidani to relieve the Main Prosecutor of duty. It was argued that the Attorney General was himself corrupt and not successful in the fight against corruption. President Meidani, who is currently in a weak position as his first five-year term in office ends in June and who wants to be re-elected by the parliament, signed the Chief Prosecutor's dismissal. At the end of March the only candidate for the vacant position of Attorney General, President Mejdani's Juridical Councillor Theodhori Sollaku, was elected by the parliament. By the end of April the constitutional court ruled that the former Main Prosecutor had been dismissed unconstitutionally. Notwithstanding that, the ruling of the constitutional court was rejected by President Rexhep Meidani¹⁴ as well as the Albanian Parliamentary Law Commission¹⁵, declaring that the decision had no implementation power.

¹³ Within the EU Stabilization and Association process (SAP) for EU integration for the countries of the western Balkans (i.e. Albania, Bosnia and Herzegovina, Croatia, Macedonia and Yugoslavia), the Stabilization and Association Agreement is somewhat comparable with the Europe Agreements for the candidate countries in Central and Eastern Europe. Yet it is not the same and SAP countries feel like second-class aspirants for EU accession.

¹⁴ ATA, 23 April 2002.

¹⁵ ATA, 17 May 2002.

However, it seems that the government of premier Majko could somehow keep out of the Socialist Party clash between Nano and Meta. Majko continued to carry on with his tasks, trying to convince the EU to set a firm date for the start of talks on a SAA, as the SAA negotiations planned for March had been postponed because of the recent political tensions in Albania.

Looking back at the political developments of the last months, it becomes obvious that the main problems of Albania, addressed by the EU in its recent Stabilization and Association Report on Albania, remain striking. The Commission mentioned the need for strengthening democracy and for fully free and fair elections as well as constructive opposing parties; the implementation of the rule of law through a strong judiciary and public administration; the fight against fraud, corruption and organized crime; and the need for economic stability and socio-economic progress. Unfortunately, democratic institutions and public administration are weak not only at the central but also at the local level. The whole society suffers from strong, systemic corruption. Especially corruption within the judicial system constitutes a serious problem. Overall the general respect for the rule of law remains deficient.

In the wake of Albania's political tensions, the IMF too was irritated. In February a planned board meeting to approve a three-year USD 30 million loan was postponed. The last agreement with the Fund was an ESAF/PRGF arrangement approved in May 1998, which expired by the end of July 2001. Additionally, the IMF provided extensive technical assistance in monetary and fiscal policy. At the beginning of April, an IMF mission visited Tirana in order to discuss the new three-year PRGF programme that had been approved in principle already in October 2001.¹⁶ The aim is to present the new PRGF arrangement to the Executive Board in Washington in June.¹⁷

¹⁶ ATA, 8 April 2002.

¹⁷ ATA, 17 April 2002.

Economic outlook

The energy crisis and the recent political developments have had their effects on the Albanian economy. Economic growth will remain strong but less than expected.¹⁸ The GDP growth rate for 2001 had to be revised from an estimated 7.3% down to 6.5%. Similarly, the growth forecast for 2002 has been reduced from 7% to 6%. Still, if a growth rate of about 6% could be maintained over the next years, unemployment could be decreased further.

The price level in the first quarter of 2002 rose by 7.6%.¹⁹ This is double the value that was expected for the whole year 2002 and confirms a trend that continued from December 2001. Several economic and psychological factors were made responsible for the growing inflation. Beside the problematic political situation, the growth of money aggregates was beyond the projection. The Bank of Albania has reacted by increasing interest rates and expects the inflation rate for the overall year 2002 to be around 4%.²⁰

In order to maintain the country's macro-economic and financial stability, achieved over the last years, the government made a review of law on state budget for 2002.²¹ This became also necessary because of increasing imports of electricity in the wake of the energy crises as well as the postponement of the privatisation of Albtelekom, because of unfavourable market situation. The government plans to lift up tax and customs revenues on the one hand and to cut some operating expenses on the other hand. Still, it will be very hard for the government to further decrease fiscal deficit below 9% of GDP, as it was planned for the years to come.

The Albanian economy's external position in terms of direction of trade did not change drastically in the

¹⁸ ATA, 29 April 2002.

¹⁹ ALN (Albanian News, <http://aln.worldn.com>), 14 April 2002.

²⁰ ATA, 25 April 2002.

²¹ ATA, 14 May 2002.

last year. A slight increase in exports to Balkan countries with which the memorandum agreement on free trade had been signed was reported.²² Thus, in this and the next years Albanian trade is expected to maintain its main orientation towards the EU countries Italy and Greece and, to a lesser extent, to other Balkan countries. The overall trade deficit widened further in 2001 and will remain above 20% of GDP in the years to come. This will further worsen the current account deficit and leave Albania highly dependent on remittances, FDI and official capital inflows. An exchange rate policy stopping the appreciation of the Albanian lek against the euro, thus supporting Albanian exports, could help to overcome the disastrous trade deficit and make the country's external position sustainable in the long run. However, recent statements of premier Pandeli Majko and governor of the Bank of Albania Shkelqim Cani on a wider use of the euro²³, as well as a recent feasibility study by the Bank of Albania²⁴ on the introduction of the euro, seem to indicate that Albania's senior officials have another exchange rate policy in mind.

Conclusion

The Albanian society and economy are in a process of substantial change. It can be expected that this process will continue to be supported by the EU and the international financial institutions. Strong economic growth, though from a low level, shows the large potentials of the country and opens many opportunities. The challenges for economic policy in Albania will remain the same: political tensions, poor infrastructure and large trade deficits.

References

- AIM Tirana (2002), 'Chief Prosecutor Relieved of Duty and Power of Politics Unquestioned', *AIM Press*, 25 March 2002.
- Astrov, V. (2000), 'Structure of Trade in Manufactured Products between Southeast European Countries and the European Union', The Vienna Institute for International Economic Studies (WIIW), mimeo.
- Commission of the European Communities (2002), 'Albania – Stabilization and Association Report', Commission Staff Working Paper.
- EBRD (2000), 'Transition Report 2000', Transition Report.
- EBRD (2001), 'Transition Report 2001', Transition Report.
- EBRD (2002), 'Strategy for Albania', Country Strategy.
- IMF (2001), 'Albania: 2001 Article IV staff report', Country Report No. 01/117.
- Lani, R. (2002), 'Sacking of Attorney General Complicates Albanian Political Crises', Analysis for *Balkan Times*, 26 March 2002.
- Misha, T. (2002), 'Albania: Relations With Serbia Improve', *IWPR Balkan Crisis Report* No. 336.
- Semini, L. (2002), 'Albania: Political Infight Threatens Economy', *IWPR Balkan Crisis Report* No. 315.
- Treichel, V. (2002), 'Stabilization Policies and Structural Reforms in Albania Since 1997 – Achievements and Remaining Challenges', *IMF Policy Discussion Paper*, PDP/02/2.
- UNDP Albania (2001), 'CCA Draft Notes, 20 December 2001', Common Country Assessment Draft Notes.
- UNDP Albania (2001), 'National Early Warning System Albania', Early Warning Report.

²² ATA, 15 May 2002.

²³ ALN, 15 May 2002.

²⁴ ALN, 1 May 2002.

Patterns of trade specialization in CEECs

BY JULIA WÖRZ

Using the UN trade data base, the export and import structure of the CEEC(10) is analysed in two ways: First, individual specialization patterns are described with the help of the 'relative trade advantage'.¹ This RCA measure is based on relative market shares and can be considered as an index of revealed 'competitive' advantage. Both relative demand and supply dimensions are incorporated, reflecting a country's net world market position in a certain industry relative to its size. The RCA incorporates an export and an import component, each ranging from zero to infinity. A value below one indicates export or import shares which are below the world average in the respective industry, a value above one hints towards above-average specialization in that industry, and a value of exactly one implies that export or import shares in that industry match exactly the world average. The RCA index itself is then obtained by subtracting relative imports from relative exports. A positive index reveals a comparative advantage, or an above-average relative net market share in the specific industry, whereas a negative index reveals a competitive weakness.

Second, the similarity of trade structures to other regions is analysed by using a simple measure of distance, based again on export and import shares in individual industries.

For the period before 1994, CEE export and import data at the industrial level are available only for Hungary, Poland, Slovenia and Romania. Therefore, 1994 and 1997 were chosen as reference years. In these years all ten candidate countries – with the exception of Estonia and

Bulgaria in 1994 – reported exports and imports at an disaggregated level.

Trade data for all pre-1994 OECD countries, 14 Latin American countries and seven East Asian countries were used to construct five reference groups: OECD-North, OECD-South (the cohesion countries including Turkey), EU, East Asia and Latin America.²

In order to allow comparisons between the two different data sources, industries are aggregated into four distinct classes, using skill intensities of labour inputs from the WIFO taxonomy³.

Initial specialization in low skills is decreasing

In 1997, the pattern of trade specialization of the CEEC(10) as a group bears great resemblance to the pattern of the southern OECD countries, but also to the group of Latin American countries in that year and to the East Asian countries in the early 1980s. Their comparative advantages can be found mainly in the low-skill industries, including among others textiles, clothing, rubber and plastic and basic iron and steel products. Here the relative export performance of CEECs in 1997 is well above the world average, export indices are ranging from 1.42 (Slovenia) to 2.53 (Poland). The import performance in this category corresponds roughly to the average, with indices around 1.

Figures 1a-d show the patterns of trade specialization for the group as a whole and for five selected countries in two different years. Not surprisingly, specialization patterns turn out to be very stable over the short observation period, both for the group as a whole and for each country. The trend of structural development which becomes apparent from the data seems to lead towards less specialization and an upgrading of skills in net exports. This implies catching-up with the

¹ As suggested in Vollrath, T. L. (1991), 'A Theoretical Evaluation of Alternative Trade Intensity Measures of Revealed Comparative Advantage', *Weltwirtschaftliches Archiv* 127, pp. 265-80.

² Data are taken from the UNIDO Industrial Demand-Supply Balance Database, covering the period 1981-1998.

³ Peneder, M. (1999), 'Intangible Investment and Human Resources – The new WIFO Taxonomy of Manufacturing Industries', *WIFO Working Papers* No. 114.

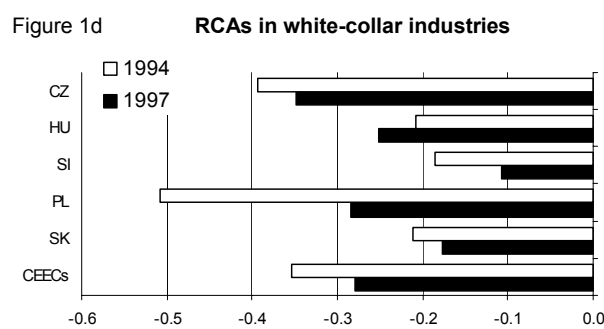
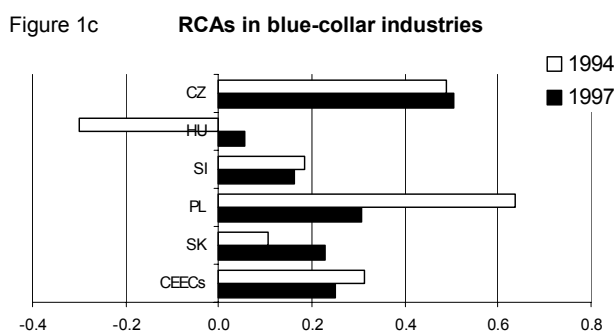
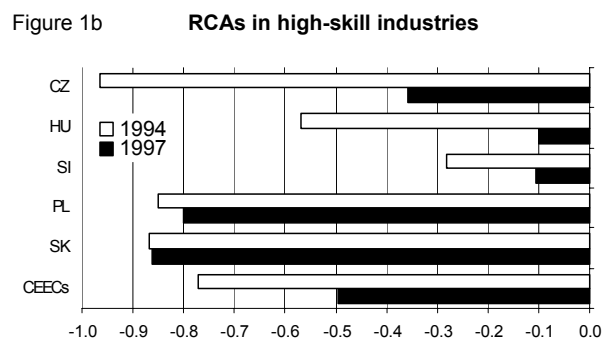
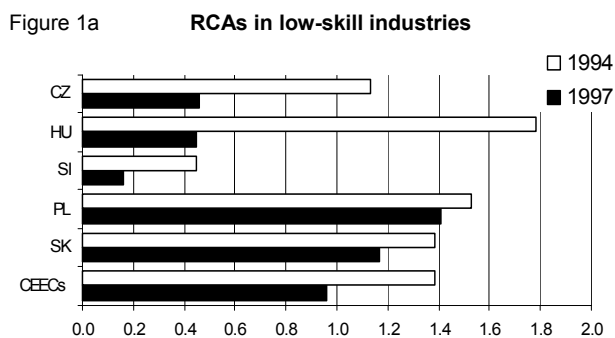


Table 1

Export and import components of competitiveness

Exports ¹⁾	low-skill industries		medium-skill blue-collar industries		medium-skill white-collar industries		high-skill industries	
	1994	1997	1994	1997	1994	1997	1994	1997
	CEECs	2.57	2.17	1.01	1.15	0.60	0.65	0.42	0.48
CZ	2.07	1.54	1.16	1.40	0.59	0.64	0.55	0.68
HU	2.89	1.56	0.56	0.97	0.81	0.88	0.42	0.69
PL	2.80	2.53	1.24	1.27	0.47	0.57	0.32	0.32
SK	2.48	2.18	0.74	1.12	0.79	0.72	0.45	0.39
SI	1.58	1.42	1.28	1.35	0.79	0.82	0.49	0.55
Imports ²⁾	low-skill industries		medium-skill blue-collar industries		medium-skill white-collar industries		high-skill industries	
	1994	1997	1994	1997	1994	1997	1994	1997
	CEECs	1.18	1.21	0.70	0.90	0.96	0.93	1.19	0.97
CZ	0.94	1.08	0.67	0.89	0.98	0.98	1.52	1.04
HU	1.11	1.11	0.86	0.92	1.02	1.13	0.99	0.78
PL	1.27	1.12	0.60	0.96	0.98	0.85	1.17	1.13
SK	1.09	1.02	0.63	0.89	1.00	0.90	1.31	1.25
SI	1.13	1.26	1.10	1.19	0.98	0.93	0.78	0.66

Notes: 1) Share of exports relative to sample average. - 2) Share of imports relative to sample average.

Source: Own calculations.

advanced OECD countries and especially the USA, which has been identified as being the structural leader in the sample.

The export and import components reported in Table 1 reveal that specialization in low-skill exports was more pronounced in 1994 and declined somewhat in the subsequent three years. However, the index of competitiveness in this category was still highly positive in 1997, especially so in Poland and the Slovak Republic.

All candidate countries are above-average exporters not only in the low-skill industries but also in the medium-skill blue-collar activities. In this category, comprising for instance wood products, furniture and transport equipment (except aircrafts), exports and imports amount roughly to the world average, with weak specialization on exports. Specialization in general increased, particularly so in the Czech and Slovak Republics.

In contrast, CEECs are relative net importers in medium-skill white-collar activities (chemicals, electrical and optical equipment, paper and publishing) and high-skill industries (pharmaceuticals, machinery, computers and aircraft). Exports in these categories are clearly below the world average, the export indices for the medium-high-skill and high-skill industries are 0.65 and 0.48 respectively. Compared to 1994 they increased slightly, whereas imports in these categories, which correspond closely to the world average, declined moderately. Although competitiveness increased the RCAs remained still negative. Competitiveness rose notably in white-collar activities in Poland (from -0.51 to -0.28) and in high-skill industries in Hungary (-0.57 to -0.10) and the Czech Republic (-0.97 to -0.36).

With the exception of medium-skill blue-collar industries, import structures are in general more similar across all countries than export structures. This feature becomes also apparent when looking at CEECs. Their import indices are all close to one, whereas exports are either clearly above average (in the lower-skill segments) or considerably below

average (in the higher-skill segments). Compared to the two groups of countries that are most similar to CEECs, namely OECD-South in the same year and East Asia in 1981, the Eastern European countries are less dependent on low-skill exports and show a higher degree of competitiveness in the high-skill segment. The importance of high-skill imports is generally decreasing, particularly in the Czech Republic. In Hungary and Slovenia the shares of these imports have fallen considerably and are now below the world average, whereas in Poland and the Slovak Republic the demand for high-skill industry goods from abroad is still pronounced. At the same time the former three countries are increasing their high-skill export shares, contrary to Poland and Slovakia where relative exports in this category have either stagnated or declined.

Although CEECs are relatively homogeneous as a group compared to the OECD, the EU, East Asia and Latin America, two subgroups within Eastern Europe can be identified. Hungary, Slovenia and also the Czech Republic are catching up rapidly and improving their competitiveness in the high-skill industries. Their traditionally strong position in low-skill industries has weakened considerably and no substantial changes can be observed in the medium-skill segment. Thus, restructuring is substantial, with changes taking place at the extreme ends of the quality segments. These countries are shifting their competitive strengths immediately from low- to high-skill industries, instead of moving gradually to the medium-skill categories first.

In contrast, trade patterns are relatively stable in Poland, the Slovak Republic, Latvia, Lithuania and Romania. It is worth mentioning that Poland has improved its competitiveness in the medium-skill industries. Still, this latter group of countries can be characterized by a more conservative trade structure. Structural change is moderate and if it occurs, it is confined to a more or less stepwise movement from one category to the next and does not imply radical shifts.

Moderate but continuous structural change in CEECs

Given their structural stability combined with the high levels of per capita income, the advanced OECD countries and especially the USA, which is dominating the OECD pattern to a large extent, are setting the structural benchmark for comparison. Figures 2 and 3 reveal the high stability of OECD-North exports and imports.

Figure 2 **Structural change 1994-1997**

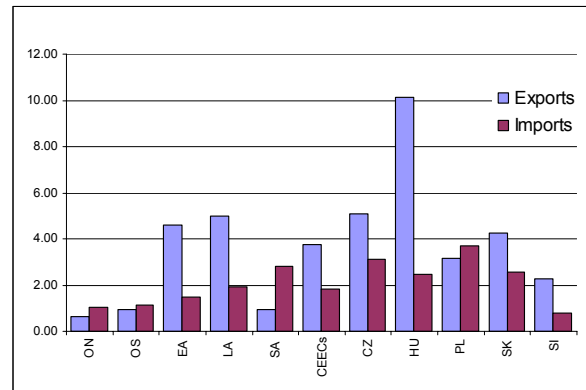


Figure 3a

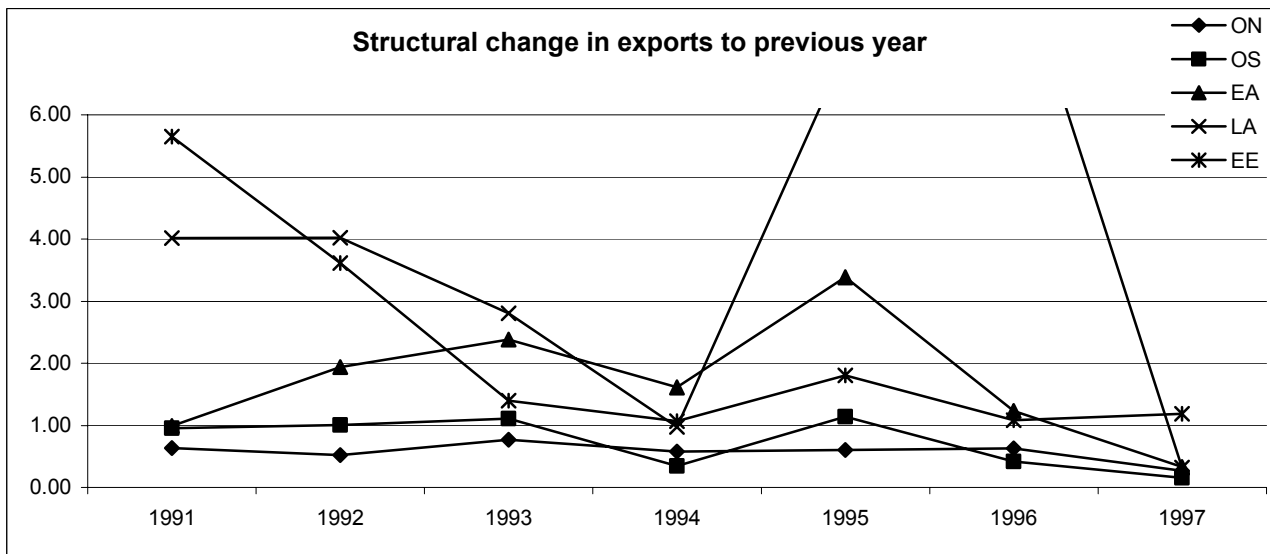
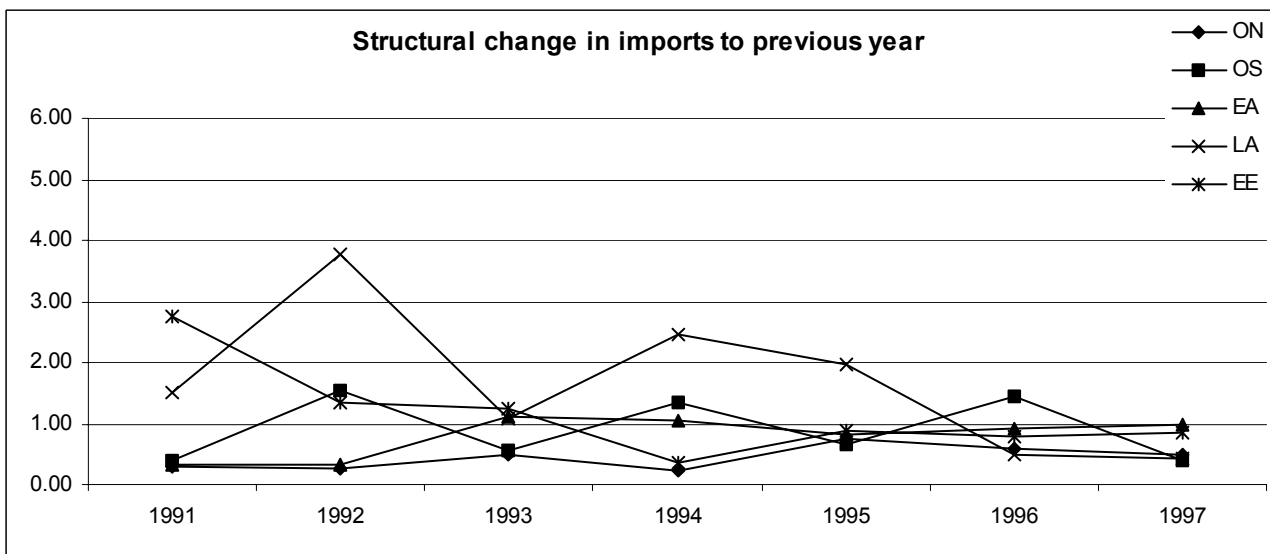


Figure 3b



Note: ON: OECD-North; OS: OECD-South; EA: East Asia; LA: Latin America; EE: CEEC(10)

The OECD-South or 'cohesion countries' are also quite stable in their export structures, especially so in recent years. Imports are subject to more restructuring, which is untypical, but changes are still rather moderate. As a general fact, import patterns are considerably more stable and we know from the previous section that import structures are more homogenous across countries and country groups than the composition of exports.

The group of East Asian countries shows considerably more structural change in exports, especially in the early 1980s (not shown in the figures) and the mid-1990s. The group of Latin American countries is clearly outstanding in its performance: the composition of exports has been subject to extreme restructuring in many periods.

Export patterns in CEECs are changing gradually and continuously. In the early 1990s, Hungary, Poland, Romania and Slovenia – where data before 1994 are available – show a substantial degree of initial restructuring, followed by a period of moderate change until now. The same pattern, but at lower rates of change, is observed in their import composition. The high degree of structural change in the first two years of the observation period for the group as a whole must be interpreted with care, as due to limited data availability this may also be a statistical artefact. But it is safe to say that there was continuous and moderate structural change in CEECs over the last decade. Export restructuring seems to have been synchronized with the cohesion countries, whereas changes in import structures are harmonizing with those in the advanced OECD countries.

Convergence towards the EU

Calculating the structural distance between geographic regions in two respective years reveals that this moderate but gradual restructuring inside the CEECs has led to convergence in trade structures between candidate countries and OECD countries, especially EU members. Figures 4 and 5 show the structural similarity of selected CEECs as

compared to other regional aggregates, such as EU, OECD-North, OECD-South, East Asia and Latin America. As mentioned above, the pattern of advanced OECD countries is used as a benchmark and catching-up is defined in terms of approaching this pattern, which itself is largely dominated by the USA.

It is clearly evident from Figures 4 and 5 that all aggregates are much more similar in their import patterns than in their export structures, except in the case of Latin America. In 1994, all five selected CEE countries show a great resemblance in export structure to the southern OECD countries. However, their import structure is already much closer to that of the EU.

During the four years of our observation period, this picture changed significantly. Structural similarity in exports to the EU and to the OECD North increased on average, but not homogeneously so in all candidate countries. In fact only the group of rapidly catching-up countries – the Czech Republic, Hungary and Slovenia – approach the Western European export pattern to a large extent. The structural distance to East Asia increased for all CEECs in absolute and in relative terms.

Hungary and the Czech Republic are characterized by the highest degree of export restructuring between 1994 and 1997, compared not only to other CEECs but also to all other aggregates, including East Asia and Latin America. Hungary and Slovenia have approached the average EU pattern of export specialization closer than all other CEECs, implying that the skill intensity of Hungarian and Slovenian exports in 1997 resembles most closely that of the EU as a whole and not that of the cohesion countries as before. All other CEECs are still closer in structure to the southern OECD countries, although their distance to EU and OECD-North has diminished. Poland shows notably less re-orientation towards the EU in export specialization and little export restructuring in general, while import restructuring is substantial.

Figure 4a Similarity of CEEC exports, 1994

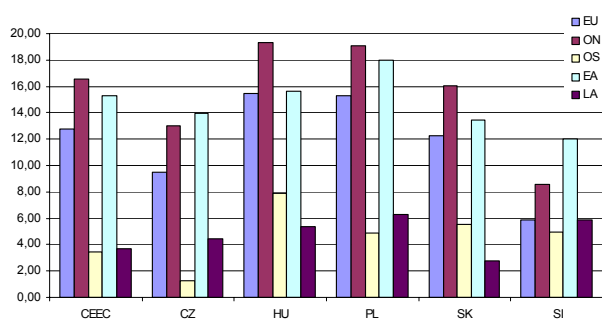


Figure 4b Similarity of CEEC exports, 1997

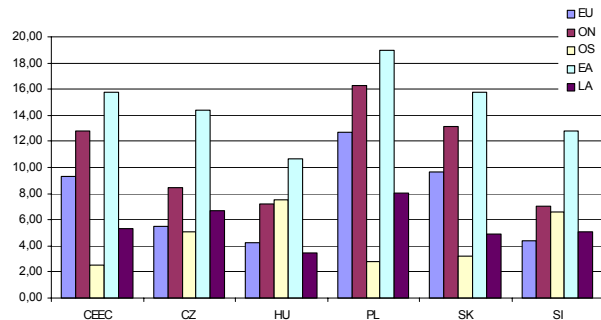


Figure 5a Similarity of CEEC imports, 1994

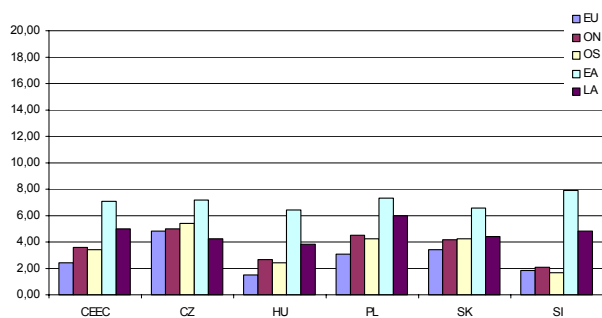
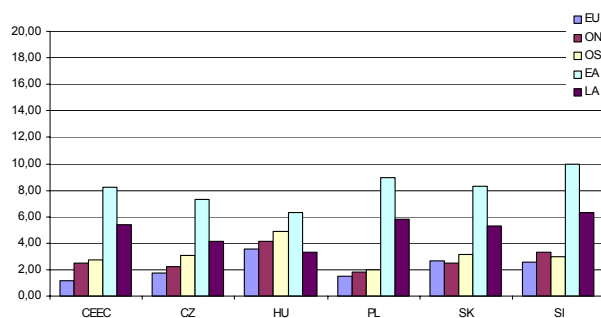


Figure 5b Similarity of CEEC imports, 1997



Note: ON: OECD-North; OS: OECD-South; EA: East Asia; LA: Latin America; EE: CEEC(10)

Similarity in import structure to the EU has also increased further, except for Hungary and Slovenia. The import patterns of OECD members and CEECs are very much alike, compared to a large gap in imports patterns versus East Asia and Latin America.

Conclusion

In the early transformation process, Eastern European countries were departing from a pattern of trade specialization that is typical for less developed countries. They were highly competitive in low-skill industries while high-skill goods were mostly imported. This specialization pattern was quite pronounced in all candidate countries, except in Poland. Poland initially showed a higher concentration of exports in lower-medium-skill industries and not so much specialization in purely low-skill activities.

Structural change in the region is taking place continuously, but at moderate rates. For instance, during the same time period export restructuring in

Latin America and East Asia has been more pronounced than in Central and Eastern Europe. On the other hand, the OECD countries – and among them especially the EU members, who are setting the standards in terms of trade patterns – show a high degree of structural stability. The orientation of CEECs’ trade structures towards Western industrialized countries is evident and has been accomplished at fast pace. As an aggregate, candidate countries’ demand for import resembles closely that of the incumbent countries. Export patterns are still more distant and more related to those of the southern OECD countries, which implies specialization in low- and medium-low skills and net imports of medium-high and high-skill goods.

However, observation of the aggregate conceals large differences. Although all countries remain competitive in the low- and medium-skill blue-collar industries and none of them shows a revealed competitive advantage in the medium-skill white-collar or high-skill industries in 1997, the extent of specialization is diminishing, in some cases even

substantially. Two groups can be identified: the Czech Republic, Hungary and Slovenia on the one hand and Poland, Slovakia, Latvia, Lithuania and Romania on the other.

The former group of countries is catching up radically and showing a strong shift from specialization on low-skill exports immediately to high-skill industries. The latter group is characterized by moderate structural change, which is predominantly taking place in the medium-skill segments.

Economic consequences of the Schengen Treaty for labour markets in the Polish borderland regions

BY MARCIN PETERLIK AND BOHDAN WYZNIKIEWICZ*

The Schengen Convention adopted by the EU member states¹ stipulates freedom of movement of people between the EU countries. In the incumbent EU countries, the Convention raises fears about the influx of labour force from the new EU members. Together with massive migration from the poorer parts of the enlarging EU, it can also facilitate free movement of criminality. Besides, of course, it is expected to accelerate economic growth everywhere and further the levelling of income disparities.

It is not possible to precisely estimate the economic consequences of the Schengen Agreement, both for the European Union members and for the candidate countries. First, the Agreement itself cannot be interpreted unequivocally: some analysts find it quite vague. Second, the consequences will vary in the different countries according to their economic development and wealth levels. Of course, a reliable evaluation of the migration flows is the major problem.

An assessment of the effects of the Schengen Agreement on the Polish economy is particularly difficult. But there can be no doubt that the income gap between Poland and the EU member states is large and will be quite decisive in determining the size of migration to the EU. The seven-year transitional period before the Polish labour force

acquires full employment rights within the Union may turn out to be too short to prevent mass migration movements, especially in view of the very high unemployment in Poland. Although the absolute size of migration to the European Union will probably be smaller than generally expected, in the medium run there will be significant numbers of workers seeking temporary jobs in the EU. Persons with either high, or poor qualification are likely to be very mobile. Within the first years of the transitional period, migration from Poland is envisaged to be between 40 and 60 thousand persons per year. Thereafter (beyond about 2011) it may rise to about 100 thousand annually. Of course, these are loose – and probably rather conservative – estimates.

The situation on the Polish labour market will also be affected by restrictions on the inflow of workforce from the East (former Soviet Union countries), which will follow the introduction of compulsory visas for their residents. This will affect the economy of borderland regions, particularly Poland's informal economy.

Currently, unemployment is the most significant economic and social problem in Poland

From January 1990, i.e. from the first month of transformation, the unemployment rate grew constantly to 16.9% (2.5 million persons) in July 1994. The fast economic development observed in the mid-1990s (5.2% GDP growth in 1994, 7.0% in 1995) which continued until 1998 contributed to falling unemployment. Since then unemployment has been rising again to reach 3.2 million persons (18% unemployment rate) presently.

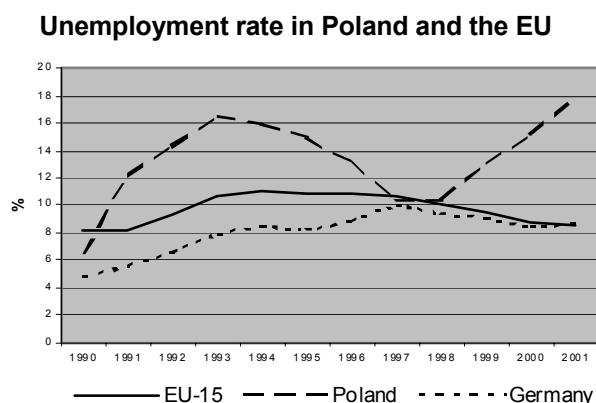
The labour market developments in Poland and in the EU differ markedly. There has been a clear, though relatively small decrease of the average unemployment rate in the EU(15) since 1997 (by 2 percentage points). Of course unemployment rates vary significantly across the EU (from less than 3% in Luxembourg to over 15% in Spain). Higher unemployment rates are observed in bigger countries (Spain, Italy, France and Germany), while

* Researchers, Gdansk Institute for Market Economics. – The present article is a shortened version of a paper prepared for the Institute of Public Affairs, Warsaw within the framework of the project 'Impact of EU Enlargement and the Schengen Treaty on the CEE Region'.

¹ The United Kingdom and Ireland will not be bound by the Protocol to The Amsterdam Treaty incorporating the whole Schengen system in the *acquis communautaire*, and Denmark is free to accept selected elements.

in the smaller ones (Luxembourg, Denmark, Portugal) unemployment tends to be lower. In the countries closest to Poland (Germany, Denmark, Holland, Austria and Sweden), which will attract the bulk of Polish labour migration, the unemployment rate is lower than the Union average.

Figure 1



Source: Central Statistical Office (GUS), European Economy (Eurostat).

The trends in the unemployment rate in Poland and the EU certainly differ as well. This is often attributed to the differences in labour market policies. Having reached high unemployment levels at the beginning of the 1990s, the EU countries have developed more flexible labour markets. The examples of Spain and Portugal seem particularly noteworthy. Poland may require similar labour market changes – and, first of all, the return to much higher rates of growth.

Labour markets in Poland's borderland regions

An assessment of the labour market situation in Poland's borderland regions requires a review of the recent trends in the unemployment rate in Poland's regions situated along the eastern and western borders.

In 30 borderland poviats (intermediate-level administrative regions) surveyed, 207 thousand unemployed were registered at the end of 2001. The unemployment rate was 21.2% and was distinctly higher than in the rest of the country (Poland's rate was 17.4% at that time).

Borderland poviats do not have uniform unemployment rates. There is a significant difference between the poviats along the eastern and western borders. Unemployment statistics point at a much better situation in the east. In the 21 poviats situated along the eastern border the unemployment rate was 20.0% at the end of 2001, while in the 9 surveyed western poviats it was 24.6%. (This does not mean, however, that the labour market situation in the eastern borderland regions is significantly better than in the west. Non-registered unemployment is much higher in the predominantly rural eastern poviats.)

Only two years before, at the end of 1999, the situation was different. The unemployment rate in borderland poviats was also higher than the average for whole Poland, but the differences between the east and west of Poland were insignificant. Between 2000 and 2001, unemployment in the poviats along the western border was rising much faster than in the east. Within these two years, the unemployment rate in the western poviats increased by 53.8%, while in eastern poviats only by 19%.

Economic potential of borderland areas

The best measure of regional economic potential is the level of GDP per capita. Information on GDP per capita, while not available for poviats, is available for larger sub-regions (voivodships). In 9 surveyed borderland sub-regions, the GDP per capita is much lower than the Polish average. In 1999, per capita GDP in Poland was PLN 15,900. At that time the average value of per capita GDP in the 9 sub-regions was PLN 12,300 – nearly 23% lower than the country average. The situation in this respect looks much worse in eastern than in western Poland. In 1999, the per capita GDP in the eastern sub-regions equalled 66% of the country average, against 98% in the western sub-regions.

In 1999 the growth of GDP per capita was also lower in borderland sub-regions than on the national average (7.3% and 11.1% respectively, in

nominal terms). In the western sub-regions the rate was the same as the Polish average, but in the east it was only 1.2%.

The differences in income levels between the German regions situated across the Polish border and the neighbouring Polish regions are large as well. Per capita GDP in Poland's western borderland regions is equal to 45% of the German eastern borderland regions. In both cases, income per capita in the borderland regions is lower than in the rest of the countries. (The Polish to German per capita GDP ratio equals 36%.) The above ratios are at purchasing power parities. At the exchange rates, the ratios are even more unfavourable for Poland. (And, it must be remembered that for the temporary migrant-workers the disparity of income at the exchange rate terms matters.)

There are no reliable statistics on income differences between the borderland regions of Poland and most of Poland's eastern neighbours, except for Lithuania. According to Eurostat data, the per capita GDP in Lithuania amounts to 74% of that in Poland. However, the Lithuanian per capita GDP is 11% higher than in the neighbouring Polish voivodship.

Russia, Belorussia and Ukraine are of course much poorer than Poland. According to UN European Economic Commission statistics, in 1999 the per capita GDP in the Russian Federation, Belorussia and Ukraine amounted to 62.2%, 86.1% and 41.6% respectively of the Polish level.² Moreover, the levels of income in those countries' regions bordering on Poland are certainly much lower. The Russian enclave of Kaliningrad (situated between Poland, Lithuania and the Baltic Sea) is considered Russia's poorhouse.

The low economic potential of borderland areas and the unfavourable situation on their labour markets may create incentives for their local residents to migrate. This is confirmed by an

analysis of the migration balance in the borderland poviats.

The poviats analysed were the same that were surveyed with respect to their labour market situation. In the group of 30 poviats, the migration balance for 2000 was positive only in five cases (three in the east, two in the west). In the remaining poviats, the migration balance was negative, i.e. more persons left than settled down. However, no massive outflows were observed. No doubt this may be attributed to the general depression of the Polish economy, with unemployment rising fast everywhere – including the most prosperous big cities.

Impacts of Schengen on the labour markets in the border regions of Poland

From the viewpoint of the labour market, the situation on Poland's eastern and western borders will be differently affected by the country's accession to the EU – and the associated adoption of the Schengen Convention.

In the western borderland not much will change, at least formally. Residents of the western borderland will continue to engage in illegal part-time work in Germany. Most probably this will intensify because the present passport and customs controls on the Polish–German border will be removed or reduced, thereby making commuting less time-consuming. Polish workers will then be reaching more distant destinations within Germany.

The impacts for the eastern border regions will be more substantial. Of course, much will depend on the actual restrictiveness of visa requirements, which Poland is obliged to enforce upon EU accession.

In any case, the introduction of visa requirements for the citizens of Russia, Belorussia and Ukraine will reduce the levels of the so-called 'suitcase trade' substantially. That trade has been very important for Poland (though its significance has been diminishing since 1995). Poland has recorded a large surplus on that trade. Estimates by the

² UN ECE, *Economic Survey for Europe*, No. 1, Geneva, May 2001.

Gdansk Institute for Market Economics amount to USD 1.8, 2.0 and 2.2 billion respectively in 1999-2001, while the estimate for 1995 was USD 3.6 billion. As such it has supported incomes and employment not only in the eastern border region, because goods sold to 'suitcase importers' have been produced and purchased also at distant locations inside the country. Much of the actual trade with foreigners escapes official statistics (and taxation) – hence belongs to the 'informal' economy. Nonetheless, even if the informal economy has a big or even predominant share in the sale of goods to the East, the supplies for such sales usually come from the official economy. The analyses conducted by the Gdansk Institute for Market Economics reveal that some 52% of cross-border trade on the eastern border falls on clothing. Despite the great involvement of the informal economy in the making of clothes, the spinning factories and textile industry firms are in the official economy. They will certainly suffer from restrictions imposed on the cross-border trade. Thousands of workers throughout the country may lose their jobs. The impacts will be particularly painful for the inhabitants of the eastern border regions earning their modest living as intermediaries in the 'suitcase trade'. The relatively high unemployment in those regions – and the relatively low incomes – will deteriorate further. Rising poverty may finally push their inhabitants into a search for an acceptable life elsewhere – be this beyond the Polish western border.

Another loss for the Polish economy resulting from possible restrictions on the eastern border may relate to the fall in illegal short-term employment of Ukrainians, Russians etc. in various low-wage activities (catering, hotels, personal services, seasonal work in horticulture and construction etc.). Certainly, it may be argued that the jobs vacated by the illegal guest-workers from the East may eventually increase the levels of employment of the domestic residents. However, those jobs are unlikely to be attractive to most Poles, at least at the wage rates acceptable to the guest-workers (and their Polish employers). Much higher levels of unemployment and poverty would be needed to fill the workplaces now occupied by the foreigners with Polish residents. As long as internal conditions do not deteriorate radically, the shortages of cheap foreign labour will imply economic losses. And, of course, a strong deterioration of unemployment and domestic wages may turn out ineffective because the open Polish/EU border will make emigration to the West a real option to escape poverty.

CONVENTIONAL SIGNS AND ABBREVIATIONS

used in the following section on monthly statistical data

.	data not available
%	per cent
CMPY	change in % against corresponding month of previous year
CCPY	change in % against cumulated corresponding period of previous year (e.g., under the heading 'March': January-March of the current year against January-March of the preceding year)
3MMA	3-month moving average, change in % against previous year.
CPI	consumer price index
PM	change in % against previous month
PPI	producer price index
p.a.	per annum
mn	million
bn	billion
BGN	Bulgarian lev (1 BGN = 1000 BGL)
CZK	Czech koruna
ECU	European currency unit
EUR	Euro, from 1 January 1999
HRK	Croatian kuna
HUF	Hungarian forint
PLN	Polish zloty
ROL	Romanian leu
RUB	Russian rouble (1 RUB = 1000 RUR)
SIT	Slovenian tolar
SKK	Slovak koruna
UAH	Ukrainian hryvnia
USD	US dollar
M0	currency outside banks
M1	M0 + demand deposits
M2	M1 + quasi-money

Sources of statistical data:

National statistical offices and central banks; WIIW estimates.

Please note: WIIW Members have **free online access** to the WIIW Monthly Database Eastern Europe.
To receive your personal password, please go to <http://mdb.wiiw.ac.at>

B U L G A R I A: Selected monthly data on the economic situation 2001 to 2002

(updated end of May 2002)

		2001												2002			
		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr
PRODUCTION																	
Industry, total	real, CPMY	-6.5	28.0	2.1	1.6	4.0	0.2	6.8	10.3	2.7	-0.7	1.3	-5.0	-2.9	0.1	-2.5	.
Industry, total	real, CCPY	-6.5	11.9	2.5	3.0	2.4	1.7	2.0	2.6	2.2	1.5	2.4	0.7	-2.9	-2.7	-3.1	.
LABOUR																	
Employees total	th. persons	1693	1695	1705	1703	1717	1725	1719	1708	1713	1717	1707	1686	1889	1894	1906	.
Employees in industry	th. persons	600	598	600	600	598	598	592	588	585	584	581	575	632	629	628	.
Unemployment, end of period	th. persons	708.7	713.8	704.7	707.8	678.5	654.0	643.5	637.8	629.9	637.3	657.0	662.3	687.8	683.9	669.0	678.6
Unemployment rate ¹⁾	%	18.5	18.7	18.4	18.5	17.8	17.1	16.8	16.7	16.5	16.7	17.2	17.3	18.0	17.9	17.5	17.8
Labour productivity, industry	CCPY	-1.8	17.5	7.3	7.5	6.7	5.9	6.2	6.8	6.4	5.7	6.6	4.7	-7.8	-7.6	-7.8	.
Unit labour costs, exch.r. adj.(EUR)	CCPY	12.2	-7.5	0.4	-0.2	0.5	1.3	0.9	0.4	0.5	1.3	0.3	1.9	11.6	12.4	12.7	.
WAGES, SALARIES																	
Total economy, gross	BGN	236.0	233.0	245.0	253.0	261.0	261.0	256.0	256.0	264.0	259.0	261.0	278.0	250.0	252.0	265.0	.
Total economy, gross	real, CPMY	5.8	3.2	1.3	2.8	2.9	4.2	3.5	6.7	4.6	7.0	3.9	4.8	-1.0	-0.2	-0.9	.
Total economy, gross	USD	113	110	114	115	117	114	113	118	123	120	119	127	113	112	119	.
Total economy, gross	EUR	121	119	125	129	133	133	131	131	135	132	133	142	128	129	135	.
Industry, gross	USD	122	118	124	120	118	120	117	125	131	126	125	131	118	117	124	.
PRICES																	
Consumer ²⁾	PM	0.6	0.3	0.1	-0.2	0.1	-0.1	-0.2	0.3	1.3	1.7	0.2	0.6	2.7	1.6	0.8	-0.1
Consumer ²⁾	CPY	9.3	8.5	8.9	9.8	9.7	9.4	8.5	5.7	4.7	5.2	4.6	4.8	7.0	8.4	9.2	9.2
Consumer ²⁾	CCPY	9.3	8.9	8.9	9.1	9.2	9.3	9.2	8.7	8.2	7.9	7.6	7.4	7.0	7.7	8.2	8.4
Producer, in industry	PM	-0.1	0.2	0.5	0.3	0.6	-0.3	-0.6	0.0	0.4	0.2	0.1	-0.5	0.3	.	.	.
Producer, in industry	CPY	13.4	11.8	10.5	12.1	9.7	9.5	7.7	6.0	3.3	1.2	1.2	0.7	1.1	.	.	.
Producer, in industry	CCPY	13.4	12.6	11.9	11.9	11.5	11.1	10.6	10.1	9.3	8.4	7.7	7.1	1.1	.	.	.
RETAIL TRADE																	
Turnover	real, CPMY	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.
Turnover	real, CCPY	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.
FOREIGN TRADE³⁾⁴⁾																	
Exports total (fob), cumulated	EUR mn	423	888	1388	1851	2299	2799	3325	3822	4287	4789	5294	5701	434	900	1362	.
Imports total (cif), cumulated	EUR mn	551	1109	1768	2412	3099	3853	4676	5339	5940	6697	7443	8084	571	1171	1787	.
Trade balance, cumulated	EUR mn	-127	-220	-380	-562	-800	-1054	-1352	-1517	-1653	-1909	-2149	-2382	-137	-271	-425	.
FOREIGN FINANCE																	
Current account, cumulated	USD mn	-139	-180	-231	-314	-408	-418	-499	-419	-469	-587	-745	-888	-129	-178	-233	.
EXCHANGE RATE																	
BGN/USD, monthly average	nominal	2.085	2.122	2.151	2.192	2.234	2.293	2.273	2.173	2.141	2.159	2.202	2.192	2.215	2.248	2.234	2.210
BGN/EUR, monthly average	nominal	1.956	1.956	1.956	1.956	1.956	1.956	1.956	1.956	1.956	1.956	1.956	1.956	1.956	1.956	1.956	1.956
BGN/USD, calculated with CPI ⁵⁾	real, Jan98=100	104.7	106.6	108.2	110.9	113.4	116.7	115.6	110.2	107.6	106.4	108.0	106.5	105.1	105.3	104.4	103.3
BGN/USD, calculated with PPI ⁶⁾	real, Jan98=100	98.1	97.8	97.6	99.5	101.2	103.2	101.2	96.8	94.9	93.4	94.8	93.6	94.7	.	.	.
BGN/EUR, calculated with CPI ⁵⁾	real, Jan98=100	88.3	88.4	88.6	89.2	89.6	89.7	89.7	89.5	88.6	87.1	86.7	86.3	84.4	83.2	82.8	82.9
BGN/EUR, calculated with PPI ⁶⁾	real, Jan98=100	80.0	80.0	79.7	79.6	79.3	79.5	79.7	79.6	79.4	78.9	78.5	78.7	78.6	.	.	.
DOMESTIC FINANCE																	
M0, end of period	BGN mn	2203.8	2214.7	2225.2	2307.0	2343.7	2427.2	2521.6	2542.0	2601.3	2570.1	2641.5	3080.6	2924.3	2904.8	2855.1	2892.2
M1, end of period	BGN mn	3522.3	3556.6	3555.0	3645.7	3746.3	3834.0	3932.1	3966.2	4029.9	3988.1	4103.8	4664.7	4411.0	4402.6	4375.1	4303.8
Broad money, end of period	BGN mn	9324.8	9430.0	9481.7	9143.1	9431.2	9678.7	9995.4	10105.9	10302.6	10352.1	10624.9	11594.1	11499.7	11508.7	11497.0	11489.2
Broad money, end of period	CPY	26.8	26.5	25.8	18.8	24.1	27.7	24.5	22.2	22.9	13.4	17.4	24.8	23.3	22.0	21.3	25.7
BNB base rate (p.a.) ^{end of period}	%	4.4	4.3	4.2	4.4	4.6	4.6	4.6	4.8	4.8	4.7	4.9	4.7	4.9	4.6	4.5	4.0
BNB base rate (p.a.) ^{end of period⁵⁾}	real, %	-8.0	-6.7	-5.7	-6.8	-4.7	-4.6	-2.9	-1.1	1.5	3.5	3.6	4.0	3.7	.	.	.
BUDGET																	
Government budget balance, cum. ⁷⁾	BGN mn	-370.0	-422.1	-223.5	-98.1	-18.5	-175.7	-447.8	-468.9	-559.1	-409.6	-408.3	-669.4	154.2	116.0	-125.3	-50.7

1) Ratio of unemployed to total employment.

2) According to EU methodology.

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

4) Cumulation starting January and ending December each year.

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

6) Deflated with annual PPI.

7) Including some extrabudgetary accounts and funds.

C Z E C H REPUBLIC: Selected monthly data on the economic situation 2001 to 2002

(updated end of May 2002)

		2001												2002			
		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr
PRODUCTION																	
Industry, total	real, CMPY	13.8	6.5	9.8	11.3	6.9	3.7	9.3	3.0	1.1	4.1	6.6	7.0	2.6	5.8	4.1	.
Industry, total	real, CCPY	13.8	10.0	10.0	10.3	9.6	8.6	8.7	7.9	7.1	6.8	6.8	6.8	2.6	4.2	4.2	.
Industry, total	real, 3MMA	7.1	10.0	9.2	9.3	7.2	6.5	5.1	4.2	2.7	4.0	5.8	5.4	5.1	4.2	.	.
Construction, total	real, CMPY	12.5	16.0	15.8	16.1	15.1	12.2	21.4	9.2	3.6	7.0	2.5	-6.8	3.1	13.8	-2.7	.
LABOUR																	
Employees in industry ¹⁾	th. persons	1163	1175	1185	1183	1181	1184	1193	1191	1184	1185	1174	1165	1163	1167	1167	.
Unemployment, end of period	th. persons	474.1	466.1	451.5	433.3	420.6	420.3	439.8	443.6	440.5	437.3	439.2	461.9	489.0	485.2	471.7	456.4
Unemployment rate ²⁾	%	9.1	9.0	8.7	8.3	8.1	8.1	8.5	8.5	8.5	8.4	8.5	8.9	9.4	9.3	9.1	8.8
Labour productivity, industry ¹³⁾	CCPY	16.8	10.8	8.8	8.4	7.6	6.9	6.7	6.5	5.7	5.7	5.7	4.9	1.3	3.6	3.4	.
Unit labour costs, exch.r. adj.(EUR) ¹³⁾	CCPY	-1.4	0.8	1.3	2.3	3.7	4.5	4.9	4.8	5.2	5.3	5.1	5.8	15.4	12.6	12.4	.
WAGES, SALARIES																	
Industry, gross ¹⁾	CZK	13581	12740	13623	13693	15039	14700	14532	14260	13794	14763	16909	15489	14496	13718	14347	.
Industry, gross ¹⁾	real, CMPY	7.9	0.9	0.1	3.1	2.1	0.4	1.6	0.6	0.0	2.2	0.1	0.7	2.9	2.8	1.0	.
Industry, gross ¹⁾	USD	363	339	359	354	383	370	369	377	367	399	451	425	399	375	400	.
Industry, gross ¹⁾	EUR	386	368	394	396	437	433	429	419	403	440	507	475	452	432	457	.
PRICES																	
Consumer	PM	1.9	0.0	0.1	0.4	0.6	1.0	1.0	-0.2	-0.7	0.0	-0.1	0.1	1.5	0.2	-0.1	-0.1
Consumer	CMPY	4.2	4.0	4.1	4.6	5.0	5.5	5.9	5.5	4.7	4.4	4.2	4.1	3.7	3.9	3.7	3.2
Consumer	CCPY	4.1	4.0	4.0	4.2	4.4	4.5	4.7	4.8	4.8	4.8	4.7	4.7	3.7	3.8	3.7	3.6
Producer, in industry	PM	0.4	0.9	0.1	-0.6	0.2	0.2	-0.1	-0.3	0.0	0.7	-0.4	-0.3	0.2	0.2	0.0	-0.5
Producer, in industry	CMPY	4.2	4.7	4.1	4.1	3.8	3.4	3.0	2.4	1.8	1.4	0.9	0.8	0.6	-0.1	-0.2	-0.1
Producer, in industry	CCPY	4.2	4.4	4.3	4.3	4.2	4.0	3.9	3.7	3.5	3.3	3.1	2.9	0.6	0.2	0.1	0.0
RETAIL TRADE																	
Turnover	real, CMPY	7.6	0.3	3.2	6.0	4.2	2.1	5.7	3.3	4.1	8.2	8.2	0.0	3.3	4.2	5.0	.
Turnover	real, CCPY	7.6	3.9	3.7	4.2	4.2	3.9	4.2	4.0	4.1	4.4	4.7	4.3	3.3	3.8	4.2	.
FOREIGN TRADE⁴⁾⁵⁾																	
Exports total (fob), cumulated	EUR mn	2861	5834	9164	12132	15398	18597	21402	24255	27356	30925	34486	37269	3072	6345	9870	13508
Imports total (fob), cumulated	EUR mn	3076	6263	9918	13219	16737	20076	23420	26667	29683	33563	37293	40708	3255	6445	10166	13852
Trade balance, cumulated	EUR mn	-215	-429	-755	-1087	-1339	-1479	-2017	-2412	-2327	-2638	-2807	-3440	-183	-100	-296	-344
Exports to EU (fob), cumulated	EUR mn	2031	4156	6506	8585	10843	13046	14958	16862	18966	21390	23803	25694	2150	4460	6924	9457
Imports from EU (fob), cumulated	EUR mn	1879	3914	6289	8354	10545	12651	14766	16770	18585	20977	23209	25162	1999	3973	6244	8539
Trade balance with EU, cumulated	EUR mn	151	241	217	231	298	395	192	92	381	413	594	532	151	488	680	918
FOREIGN FINANCE																	
Current account, cumulated	USD mn	.	.	-636	.	.	-1259	.	.	-1967	.	.	-2654	.	.	.	.
EXCHANGE RATE																	
CZK/USD, monthly average	nominal	37.4	37.6	38.0	38.7	39.3	39.8	39.3	37.9	37.6	37.0	37.5	36.5	36.3	36.5	35.8	34.3
CZK/EUR, monthly average	nominal	35.1	34.6	34.6	34.5	34.4	34.0	33.9	34.0	34.2	33.6	33.3	32.6	32.1	31.8	31.4	30.4
CZK/USD, calculated with CPI ⁶⁾	real, Jan98=100	103.1	103.8	105.1	107.2	108.5	109.0	106.4	102.7	102.9	101.1	102.3	99.2	97.5	98.3	97.0	92.8
CZK/USD, calculated with PPI ⁶⁾	real, Jan98=100	107.9	105.2	105.1	108.3	110.0	110.1	107.3	103.6	102.6	98.2	99.5	95.8	95.6	96.1	95.2	91.5
CZK/EUR, calculated with CPI ⁶⁾	real, Jan98=100	87.0	86.1	86.1	86.1	85.6	83.8	82.5	83.2	84.4	82.8	82.1	80.3	78.2	77.5	76.9	74.5
CZK/EUR, calculated with PPI ⁶⁾	real, Jan98=100	87.9	86.1	86.0	86.6	86.1	85.0	84.4	85.0	85.5	83.0	82.3	80.6	79.3	78.5	77.6	75.4
DOMESTIC FINANCE																	
M0, end of period	CZK bn	168.2	170.6	171.5	172.6	172.6	173.9	170.6	172.6	177.1	175.9	181.8	180.4	179.9	182.3	182.8	.
M1, end of period	CZK bn	543.3	549.2	551.1	566.0	583.4	592.6	598.5	600.6	604.8	602.2	615.1	633.5	572.8	575.2	568.8	.
M2, end of period	CZK bn	1487.3	1498.4	1498.1	1530.4	1578.6	1582.5	1602.7	1618.5	1603.7	1609.9	1635.3	1659.2	1590.9	1585.3	1581.6	.
M2, end of period	CMPY	9.0	7.8	7.8	9.2	11.4	13.1	13.3	12.8	12.0	11.8	12.4	12.1	7.0	5.8	5.6	.
Discount rate (p.a.), end of period	%	5.0	4.0	4.0	4.0	4.0	4.0	4.25	4.25	4.25	4.25	3.75	3.75	3.50	3.25	3.25	2.75
Discount rate (p.a.), end of period ⁷⁾	real, %	0.8	-0.6	-0.1	-0.1	0.2	0.6	1.2	1.8	2.4	2.8	2.8	2.9	2.9	3.4	3.5	2.9
BUDGET																	
Central gov. budget balance, cum.	CZK mn	18748	3248	2677	-16809	-28713	-29652	-23519	-25566	-22644	-35432	-59797	-67698	-3417	-24923	-15737	-41863

1) Enterprises employing 20 and more persons.

2) Ratio of job applicants to the sum of economically active, women on maternity leave and job applicants.

3) From January 2001 calculation based on industrial sales index (at constant prices).

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

5) Cumulation starting January and ending December each year.

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

7) Deflated with annual PPI.

HUNGARY: Selected monthly data on the economic situation 2001 to 2002

(updated end of May 2002)

		2001												2002			
		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr
PRODUCTION																	
Industry, total	real, CPMY	19.8	9.8	3.0	11.6	8.6	0.2	2.7	2.4	-6.4	5.9	-1.0	-2.2	-1.0	0.0	3.1	.
Industry, total	real, CCPY	19.8	14.6	10.6	10.8	10.4	8.4	7.6	6.9	5.3	5.3	4.6	4.1	-1.0	-0.5	0.6	.
Industry, total	real, 3MMA	12.6	10.6	7.9	7.5	6.2	3.6	1.7	-0.7	0.5	-0.6	0.9	-1.4	-1.0	0.6	.	.
Construction, total	real, CPMY	7.3	5.2	5.1	7.1	16.8	8.7	11.7	22.4	9.9	7.2	7.0	7.4	13.5	26.5	27.3	.
LABOUR																	
Employees in industry ¹⁾	th. persons	839.7	844.0	845.2	839.7	835.6	834.2	834.4	831.3	828.1	824.1	821.8	812.6	825.1	825.5	.	.
Unemployment ²⁾	th. persons	246.9	258.8	230.8	233.6	232.2	223.8	233.9	237.0	218.3	227.5	235.2	216.9	235.8	238.5	231.6	224.4
Unemployment rate ²⁾	%	6.0	6.3	5.6	5.8	5.7	5.4	5.7	5.8	5.3	5.6	5.8	5.4	5.8	5.9	5.7	5.5
Labour productivity, industry ¹⁾	CCPY	19.5	14.5	10.8	11.1	10.9	9.3	8.6	8.0	6.6	7.0	6.6	5.9	1.1	1.6	.	.
Unit labour costs, exchr. adj.(EUR) ³⁾	CCPY	-3.2	-1.1	1.2	1.2	1.5	4.1	5.4	6.5	7.9	7.9	8.6	9.5	22.1	21.3	.	.
WAGES, SALARIES																	
Total economy, gross ¹⁾	HUF	94262	91314	95268	99268	98523	101567	99069	97581	99416	106173	124074	136593	112385	108878	113857	.
Total economy, gross ¹⁾	real, CPMY	5.3	6.3	5.4	8.5	4.1	6.8	4.2	7.9	10.3	12.9	14.8	10.5	11.8	12.2	12.8	.
Total economy, gross ¹⁾	USD	334	317	326	332	334	351	342	350	354	377	438	493	407	389	407	.
Total economy, gross ¹⁾	EUR	356	344	358	372	381	411	398	389	389	416	494	552	461	447	465	.
Industry, gross ¹⁾	USD	335	324	342	326	361	358	352	372	356	375	438	433	407	376	.	.
PRICES																	
Consumer	PM	1.5	1.4	1.0	0.7	0.9	0.3	0.1	-0.2	0.5	0.3	0.1	0.1	1.3	1.0	0.7	0.9
Consumer	CPMY	10.1	10.4	10.5	10.3	10.8	10.5	9.4	8.7	8.0	7.6	7.1	6.8	6.6	6.2	5.9	6.1
Consumer	CCPY	10.1	10.3	10.3	10.3	10.4	10.4	10.3	10.1	9.9	9.6	9.4	9.2	6.6	6.4	6.3	6.2
Producer, in industry	PM	0.7	0.7	0.7	0.2	-0.7	-1.3	0.1	0.1	0.7	-0.3	-0.8	-0.7	-1.2	-0.2	0.4	.
Producer, in industry	CPMY	10.1	9.8	9.2	8.9	7.0	5.3	4.4	3.3	2.9	1.9	0.0	-0.4	-2.0	-2.3	-2.8	.
Producer, in industry	CCPY	10.1	10.0	9.7	9.5	9.0	8.4	7.8	7.3	6.8	6.3	5.7	5.2	-2.0	-2.2	-2.4	.
RETAIL TRADE																	
Turnover ³⁾	real, CPMY	8.9	5.6	5.8	5.8	4.3	4.0	5.3	4.7	3.3	5.4	3.0	3.6	13.8	10.4	17.2	.
Turnover ³⁾	real, CCPY	8.9	7.2	6.7	6.4	5.9	5.6	5.5	5.4	5.2	5.2	5.0	4.8	13.8	12.1	14.0	.
FOREIGN TRADE⁴⁾																	
Exports total (fob), cumulated	EUR mn	2444	5182	8157	10919	13920	16860	19563	22191	25079	28251	31550	34087	2528	5444	8672	.
Imports total (cif), cumulated	EUR mn	2860	5886	9137	12260	15606	18803	21956	24776	27762	31266	34713	37659	2869	6099	9523	.
Trade balance, cumulated	EUR mn	-417	-705	-980	-1341	-1686	-1943	-2392	-2585	-2683	-3015	-3163	-3573	-340	-655	-850	.
Exports to EU (fob), cumulated	EUR mn	1943	4044	6310	8392	10640	12813	14830	16740	18929	21313	23622	25319	1942	4187	6602	.
Imports from EU (cif), cumulated	EUR mn	1683	3433	5345	7130	9096	10936	12825	14472	16203	18216	20129	21764	1638	3426	5296	.
Trade balance with EU, cumulated	EUR mn	260	611	965	1262	1544	1878	2005	2268	2726	3097	3493	3554	305	762	1306	.
FOREIGN FINANCE																	
Current account, cumulated	USD mn	-165	-177	-221	-329	-516	-888	-807	-626	-637	-702	-812	-1105	-345	-517	-493	.
EXCHANGE RATE																	
HUF/USD, monthly average	nominal	282.2	288.0	292.6	299.0	295.4	289.3	289.5	279.1	280.9	281.5	283.1	277.0	275.9	279.9	279.5	273.6
HUF/EUR, monthly average	nominal	265.0	265.7	266.5	267.0	258.3	247.1	249.0	251.2	255.9	255.5	251.1	247.6	243.9	243.5	244.7	242.4
HUF/USD, calculated with CPI ⁶⁾	real, Jan98=100	111.4	112.6	113.5	115.6	113.6	111.2	110.8	107.0	107.6	107.2	107.5	104.8	103.2	104.1	103.7	100.6
HUF/USD, calculated with PPI ⁶⁾	real, Jan98=100	120.3	119.6	119.3	122.2	122.0	119.9	117.9	113.6	113.4	111.5	112.6	109.5	110.8	112.8	113.3	.
HUF/EUR, calculated with CPI ⁶⁾	real, Jan98=100	94.1	93.4	93.0	93.0	89.7	85.6	86.0	87.0	88.4	88.0	86.2	85.0	83.0	82.2	82.4	80.9
HUF/EUR, calculated with PPI ⁶⁾	real, Jan98=100	98.2	97.9	97.6	97.8	95.5	92.6	92.8	93.4	94.6	94.4	93.0	92.2	92.1	92.2	92.4	.
DOMESTIC FINANCE																	
M0, end of period	HUF bn	825.1	826.2	838.5	849.8	872.8	903.4	907.8	932.2	957.4	965.6	1006.8	1037.9	986.0	991.8	1005.0	1030.5
M1, end of period	HUF bn	2216.1	2185.1	2236.3	2235.0	2292.1	2331.6	2319.5	2438.1	2457.9	2478.7	2537.4	2777.1	2564.3	2569.9	2644.2	2665.6
Broad money, end of period	HUF bn	5970.9	5977.0	6013.2	6059.0	6155.1	6163.6	6241.6	6516.0	6544.8	6637.4	6715.1	7092.7	6984.3	6927.4	6985.2	7140.7
Broad money, end of period	CPMY	13.0	11.0	10.7	11.6	13.5	12.7	13.3	15.9	15.2	15.4	13.9	17.2	17.0	15.9	16.2	17.9
NBH base rate (p.a.) ^{end of period}	%	11.0	11.0	11.0	11.0	11.0	11.0	11.3	11.3	11.0	10.8	10.3	9.8	9.0	8.5	8.5	8.5
NBH base rate (p.a.) ^{end of period} ⁷⁾	real, %	0.8	1.1	1.6	1.9	3.7	5.4	6.6	7.7	7.9	8.7	10.3	10.2	11.2	11.1	11.6	.
BUDGET																	
Central gov.budget balance, ^{cum.}	HUF bn	10.3	-34.3	-35.2	-56.4	-66.8	-84.2	-102.7	-135.8	-170.6	-194.9	-178.5	-413.2	-59.3	-143.1	.	.

1) Economic organizations employing more than 5 persons.

2) According to ILO methodology.

3) Excluding catering.

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

5) Cumulation starting January and ending December each year.

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

7) Deflated with annual PPI.

R U S S I A: Selected monthly data on the economic situation 2001 to 2002

(updated end of May 2002)

		2001												2002			
		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr
PRODUCTION																	
Industry, total	real, CMPY	7.8	3.1	4.7	7.0	7.0	3.7	4.5	5.1	3.8	5.1	4.7	2.6	2.2	2.0	3.7	4.3
Industry, total	real, CCPY	7.8	5.4	5.2	5.7	5.9	5.5	5.4	5.3	5.2	5.2	5.1	4.9	2.2	2.1	2.6	3.0
Industry, total ¹⁾	real, 3MMA	6.0	5.2	4.9	6.3	5.9	5.1	4.4	4.4	4.7	4.5	4.1	3.2	2.3	2.6	.	.
Construction, total	real, CMPY	8.8	7.8	6.2	7.0	6.6	6.3	8.1	12.7	12.3	12.2	13.5	16.7	4.1	1.5	2.0	.
LABOUR																	
Employment total	th. persons	64900	64800	64800	64800	64900	65100	65100	65200	65200	65100	65000	65000	65000	.	.	.
Unemployment, end of period ²⁾	th. persons	7079	7119	6769	6419	6068	6095	6122	6149	6200	6252	6303	6190	6077	5964	5943	5921
Unemployment rate ²⁾	%	10.0	10.2	9.6	9.1	8.6	8.6	8.6	8.6	8.7	8.8	8.9	8.7	8.6	8.5	8.4	8.3
WAGES, SALARIES																	
Total economy, gross	RUB	2733.0	2655.0	2964.0	2923.0	3054.0	3284.0	3364.0	3376.0	3405.0	3515.0	3578.0	4541.0	3760.0	3725.0	4031.0	3991.0
Total economy, gross	real, CMPY	23.7	18.1	18.6	14.7	16.3	15.7	19.6	21.9	19.8	21.9	20.1	26.3	15.5	19.0	16.3	17.4
Total economy, gross	USD	96	93	103	101	105	113	115	115	116	119	120	151	123	121	130	128
Total economy, gross	EUR	103	101	114	113	120	132	134	128	127	131	135	169	140	139	148	145
PRICES																	
Consumer	PM	2.8	2.3	1.9	1.8	1.8	1.6	0.5	0.0	0.6	1.1	1.4	1.6	3.1	1.2	1.1	1.2
Consumer	CMPY	20.7	22.3	23.8	25.0	25.0	23.7	22.2	20.9	20.1	18.9	18.8	18.8	19.2	17.9	17.0	16.3
Consumer	CCPY	20.7	21.5	22.3	23.0	23.4	23.2	22.9	22.6	22.2	21.9	21.6	21.6	19.2	18.5	18.0	17.5
Producer, in industry	PM	1.8	1.7	1.1	0.9	0.9	2.0	0.9	0.0	-0.1	0.4	0.3	0.2	0.3	-0.3	-0.1	2.2
Producer, in industry	CMPY	28.8	26.3	24.5	23.8	22.6	22.4	19.4	17.4	15.0	12.5	11.4	10.7	9.0	6.9	5.5	6.8
Producer, in industry	CCPY	28.8	27.5	26.5	25.8	25.1	24.7	23.8	23.0	22.0	21.0	20.0	19.1	9.0	7.9	7.1	7.1
RETAIL TRADE																	
Turnover ³⁾	real, CMPY	6.5	7.5	8.4	10.5	12.3	11.5	11.1	11.9	11.1	12.2	11.6	10.8	9.4	8.2	8.9	.
Turnover ³⁾	real, CCPY	6.5	7.0	7.5	8.2	9.0	9.5	9.7	10.0	10.1	10.3	10.5	10.5	9.4	8.8	8.8	.
FOREIGN TRADE⁴⁾⁵⁾																	
Exports total, cumulated	EUR mn	8903	17799	27601	37375	47377	58234	67865	78059	87355	96437	105906	115047	7662	15535	25333	.
Imports total, cumulated	EUR mn	3435	7365	12001	16827	22046	27513	32613	37716	42274	47635	53335	59610	3916	8699	14120	.
Trade balance, cumulated	EUR mn	5468	10434	15600	20548	25331	30721	35252	40343	45082	48802	52571	55437	3746	6836	11213	.
FOREIGN FINANCE																	
Current account, cumulated	USD mn	.	.	11448	.	.	20879	.	.	28679	.	.	35092	.	.	7600	.
EXCHANGE RATE																	
RUB/USD, monthly average	nominal	28.367	28.594	28.678	28.851	29.028	29.115	29.223	29.343	29.430	29.538	29.797	30.100	30.473	30.806	31.064	31.174
RUB/EUR, monthly average	nominal	26.626	26.372	26.096	25.769	25.415	24.871	25.111	26.370	26.821	26.784	26.478	26.852	26.952	26.781	27.201	27.596
RUB/USD, calculated with CPI ⁶⁾	real, Jan98=100	167.7	165.9	163.6	162.3	161.1	159.3	158.7	159.3	159.5	157.8	156.7	155.3	152.8	153.3	153.7	152.4
RUB/USD, calculated with PP ⁶⁾	real, Jan98=100	192.7	187.3	183.8	184.0	184.2	179.3	175.5	176.2	176.8	172.8	173.1	172.3	174.6	177.2	180.6	177.4
RUB/EUR, calculated with CPI ⁶⁾	real, Jan98=100	141.5	137.5	133.9	130.6	127.1	122.6	122.9	129.2	130.9	129.3	125.8	125.7	122.8	120.9	121.9	122.2
RUB/EUR, calculated with PP ⁶⁾	real, Jan98=100	157.1	153.3	150.2	147.2	144.2	138.4	137.9	144.7	147.4	146.1	143.2	144.7	145.1	144.6	147.3	146.2
DOMESTIC FINANCE																	
M0, end of period	RUB bn	380.1	388.0	399.4	435.3	438.3	474.7	490.6	507.1	531.0	531.5	527.3	584.3	533.4	543.4	552.9	.
M1, end of period	RUR bn	810.5	829.2	858.4	918.2	938.5	987.9	1015.1	1040.8	1074.9	1084.4	1058.1	1192.6	1079.4	1084.6	1106.3	.
M2, end of period	RUB bn	1530.8	1615.8	1632.3	1683.4	1730.0	1798.7	1842.3	1870.4	1925.5	1974.7	1984.9	2122.7	2056.3	2105.0	2137.7	.
M2, end of period	CMPY	53.0	51.7	49.7	49.9	47.8	44.7	41.5	40.9	38.7	39.5	36.2	36.1	34.3	30.3	31.0	.
Refinancing rate (p.a.) ^{end of period}	%	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0	23.0
Refinancing rate (p.a.) ^{end of period} ⁷⁾	real, %	-3.0	-1.0	0.4	1.0	1.9	2.1	4.7	6.5	8.7	11.1	12.2	12.9	14.6	17.0	18.4	15.1
BUDGET																	
Central gov.budget balance, cum.	RUB bn	34.0	29.4	49.1	86.6	120.2	133.1	167.6	174.4	178.6	214.7	257.4	264.7	82.9	89.2	.	.

1) Seasonally adjusted.

2) According to ILO methodology.

3) Including estimated turnover of non-registered firms, including catering.

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

5) Cumulation starting January and ending December each year, incl. estimates of non-registered imports.

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

7) Deflated with annual PPI.

S L O V A K REPUBLIC: Selected monthly data on the economic situation 2001 to 2002

(updated end of May 2002)

		2001												2002			
		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr
PRODUCTION																	
Industry, total	real, CPMY	13.6	5.0	5.5	6.4	8.5	8.9	9.4	5.8	6.8	8.4	3.9	2.1	1.5	5.6	-1.1	.
Industry, total	real, CCPY	13.6	9.1	7.8	7.5	7.7	7.9	8.1	7.8	7.7	7.8	7.4	6.9	1.5	3.5	1.9	.
Industry, total	real, 3MMA	9.2	7.8	5.6	6.8	7.9	8.9	8.0	7.3	7.1	6.3	4.9	2.5	3.0	1.9	.	.
Construction, total	real, CPMY	11.2	10.8	10.6	6.2	1.0	3.3	0.7	-1.6	-6.7	-1.2	-4.1	-8.2	-4.2	-5.5	-0.8	.
LABOUR																	
Employment in industry	th. persons	554.0	553.8	554.6	554.4	554.0	555.8	557.2	555.7	556.0	554.1	553.5	549.1	547.8	547.9	547.7	.
Unemployment, end of period ¹⁾	th. persons	561.0	558.1	545.3	519.0	498.7	505.2	510.7	506.1	497.6	499.3	513.1	533.7	563.9	560.2	546.3	521.0
Unemployment rate ¹⁾	%	19.8	19.7	19.2	18.3	17.5	17.8	18.0	17.8	17.4	17.3	17.7	18.6	19.7	19.6	19.1	18.1
Labour productivity, industry	CCPY	12.3	7.9	6.6	6.2	6.4	6.6	6.8	6.5	6.4	6.6	6.3	5.9	2.6	4.6	3.1	.
Unit labour costs, exch.r. adj.(EUR)	CCPY	-2.1	-0.2	-0.5	-0.2	0.1	0.4	0.6	0.8	0.8	0.9	1.5	2.4	10.2	9.2	10.5	.
WAGES, SALARIES																	
Industry, gross	SKK	12386	11601	12563	12708	13459	13809	13322	13125	12667	13763	15835	15258	13619	12964	13664	.
Industry, gross	real, CPMY	5.6	2.6	1.3	3.2	2.5	2.7	1.3	1.0	-0.3	3.1	4.4	7.0	3.6	7.1	5.0	.
Industry, gross	USD	266	245	262	261	273	275	269	274	265	286	326	316	283	267	285	.
Industry, gross	EUR	283	265	287	292	312	322	313	305	291	316	367	354	320	307	326	.
PRICES																	
Consumer	PM	1.6	2.2	0.6	0.5	0.5	0.3	0.2	-0.2	0.2	0.0	0.0	0.2	1.5	0.4	0.0	0.4
Consumer	CMY	7.5	6.3	6.6	7.1	7.4	7.8	8.0	7.8	7.3	6.9	6.4	6.4	6.2	4.3	3.6	3.6
Consumer	CCPY	7.5	6.9	6.8	6.9	7.0	7.1	7.2	7.3	7.3	7.3	7.2	7.1	6.2	5.2	4.7	4.4
Producer, in industry	PM	0.2	1.8	0.8	0.3	-0.3	0.4	-0.4	-0.1	-0.2	0.1	-0.4	-0.1	0.4	1.8	0.0	0.8
Producer, in industry	CMY	9.0	9.9	9.7	9.2	7.9	7.5	6.2	5.9	4.8	3.6	2.4	2.2	2.4	2.3	1.5	2.0
Producer, in industry	CCPY	9.0	9.4	9.5	9.4	9.1	8.9	8.5	8.1	7.8	7.3	6.9	6.5	2.4	2.3	2.1	2.0
RETAIL TRADE																	
Turnover	real, CPMY	10.8	4.8	-2.9	2.8	3.9	0.4	5.1	5.4	6.1	5.0	4.8	5.4	.	.	.	.
Turnover	real, CCPY	10.8	7.7	3.7	3.4	3.5	3.0	3.3	3.6	3.9	4.0	4.1	4.2	.	.	.	.
FOREIGN TRADE²⁾³⁾																	
Exports total (fob), cumulated	EUR mn	1106	2210	3411	4572	5839	7084	8284	9365	10575	11856	13088	14102	1065	2187	3399	4687
Imports total (fob), cumulated	EUR mn	1216	2443	3841	5158	6604	8040	9436	10704	12073	13567	15101	16485	1200	2473	3859	5286
Trade balance, cumulated	EUR mn	-109	-234	-431	-585	-764	-956	-1152	-1338	-1498	-1712	-2013	-2383	-135	-286	-460	-599
Exports to EU (fob), cumulated	EUR mn	658	1363	2096	2805	3586	4351	5068	5648	6371	7121	7865	8441	664	1366	2116	2892
Imports from EU (fob), cumulated	EUR mn	573	1174	1875	2545	3292	4038	4779	5377	6056	6801	7557	8207	583	1221	1921	2653
Trade balance with EU, cumulated	EUR mn	85	189	221	260	294	313	289	271	315	320	308	235	80	145	195	239
FOREIGN FINANCE																	
Current account, cumulated	USD mn	-99	-128	-315	-372	-586	-784	-856	-956	-1131	-1251	-1492	-1756	-84	.	.	.
EXCHANGE RATE																	
SKK/USD, monthly average	nominal	46.5	47.4	48.0	48.7	49.3	50.2	49.6	48.0	47.8	48.1	48.5	48.2	48.1	48.6	47.9	47.1
SKK/EUR, monthly average	nominal	43.7	43.7	43.7	43.5	43.2	42.8	42.6	43.1	43.5	43.6	43.1	43.1	42.5	42.3	41.9	41.7
SKK/USD, calculated with CPI ⁴⁾	real, Jan98=100	110.5	110.6	111.4	113.1	114.4	116.2	114.2	110.9	110.6	111.0	111.8	110.5	108.7	109.9	108.9	106.7
SKK/USD, calculated with PPI ⁵⁾	real, Jan98=100	123.3	120.9	120.4	122.5	124.9	125.6	122.6	118.6	118.9	117.2	118.1	115.8	114.2	113.6	113.4	110.8
SKK/EUR, calculated with CPI ⁴⁾	real, Jan98=100	93.2	91.6	91.3	90.8	90.2	89.3	88.5	89.8	90.7	90.8	89.6	89.5	87.3	86.6	86.3	85.5
SKK/EUR, calculated with PPI ⁵⁾	real, Jan98=100	100.5	98.9	98.5	97.9	97.8	96.8	96.3	97.2	99.0	98.9	97.6	97.4	94.9	92.7	92.5	91.2
DOMESTIC FINANCE																	
M0, end of period	SKK bn	65.6	65.5	64.9	65.6	67.3	69.3	70.0	70.7	72.7	74.9	79.1	81.0	79.7	80.1	79.6	.
M1, end of period	SKK bn	177.8	179.3	177.7	182.0	186.3	189.8	195.8	198.4	207.4	207.0	214.0	228.6	217.8	214.2	210.9	.
M2, end of period	SKK bn	606.3	608.4	612.0	619.8	619.3	625.3	633.9	644.0	641.8	635.3	651.3	680.3	668.4	674.8	664.5	.
M2, end of period	CMY	15.7	13.6	13.3	14.0	13.5	14.5	13.6	10.3	9.5	9.3	12.0	13.1	10.2	10.9	8.6	.
Discount rate (p.a.) ^{end of period}	%	8.8	8.8	8.8	8.8	8.8	8.8	8.8	8.8	8.8	8.8	8.8	8.8	7.75	7.75	7.75	8.25
Discount rate (p.a.) ^{end of period} ⁵⁾	real, %	-0.2	-1.0	-0.8	-0.4	0.8	1.2	2.5	2.8	3.8	5.0	6.3	6.4	5.2	5.3	6.2	6.1
BUDGET																	
Central gov. budget balance, cum.	SKK mn	4972	-5061	-5647	-14916	-14649	-13462	-22339	-22415	-22878	-27560	-29797	-44371	-2902	-10851	-15185	-13497

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

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

3) Cumulation starting January and ending December each year.

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

5) Deflated with annual PPI.

S L O V E N I A: Selected monthly data on the economic situation 2001 to 2002

(updated end of May 2002)

		2001												2002			
		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr
PRODUCTION																	
Industry, total	real, CMPY	8.9	2.8	2.9	9.4	1.2	-3.9	6.4	2.9	-1.1	7.2	0.1	0.2	3.9	3.2	-1.5	.
Industry, total	real, CCPY	8.9	5.8	4.7	5.8	4.8	3.2	3.7	3.6	3.0	3.5	3.2	2.9	3.9	3.5	1.7	.
Industry, total	real, 3MMA	3.0	4.7	4.9	4.3	1.8	1.0	1.6	2.7	3.0	2.0	2.5	1.3	2.4	1.7	.	.
Construction, total ¹⁾	real, CMPY	8.7	-2.8	-5.8	0.7	-2.7	-5.5	0.4	-2.2	-3.9	1.6	-3.2	-9.0	-11.5	-3.8	-6.7	.
LABOUR																	
Employment total	th. persons	766.1	767.4	772.0	776.3	779.8	781.9	782.3	782.1	786.2	786.6	785.6	782.1	779.5	781.3	782.8	.
Employees in industry ²⁾	th. persons	220.7	221.5	222.5	223.0	223.5	223.4	222.9	221.9	221.8	221.5	221.2	219.8	220.4	225.4	.	.
Unemployment, end of period	th. persons	106.2	104.9	103.6	102.7	100.1	97.8	99.2	98.1	99.8	102.2	103.2	104.3	106.2	105.0	103.5	.
Unemployment rate ³⁾	%	12.2	12.0	11.8	11.7	11.4	11.1	11.3	11.1	11.3	11.5	11.6	11.8	12.0	11.8	11.7	.
Labour productivity, industry	CCPY	8.6	5.4	4.4	5.6	4.6	3.0	3.5	3.5	3.1	3.8	3.6	3.5	6.9	6.6	4.8	.
Unit labour costs, exch.r. adj.(EUR)	CCPY	-0.1	1.7	1.6	0.4	1.1	2.3	1.5	1.6	1.7	1.1	1.1	1.1	-3.3	-3.3	.	.
WAGES, SALARIES																	
Total economy, gross	th. SIT	207.3	204.5	206.7	206.9	210.5	209.3	210.1	216.4	214.1	219.2	234.8	234.1	226.4	223.3	227.0	.
Total economy, gross	real, CMPY	7.0	4.7	3.5	4.1	2.0	1.7	1.3	3.0	3.0	3.3	3.0	2.6	0.8	0.9	2.0	.
Total economy, gross	USD	918	883	877	855	852	823	829	889	890	903	946	945	901	870	888	.
Total economy, gross	EUR	977	958	963	960	974	965	965	989	976	997	1066	1059	1020	1001	1014	.
Industry, gross	USD	793	760	756	731	732	700	709	770	757	779	818	791	771	735	.	.
PRICES																	
Consumer	PM	0.4	1.1	1.1	0.7	1.1	0.4	0.2	0.0	0.9	0.5	0.4	0.1	1.6	0.9	0.7	1.4
Consumer	CMPY	8.5	8.7	8.9	9.0	9.7	9.5	8.8	8.5	7.9	7.8	7.0	7.0	8.4	8.1	7.6	8.4
Consumer	CCPY	8.5	8.6	8.7	8.8	9.0	9.1	9.0	9.0	8.8	8.7	8.6	8.4	8.4	8.3	8.1	8.2
Producer, in industry	PM	1.9	1.0	-0.5	0.9	0.1	0.3	0.4	0.3	0.4	1.0	0.5	1.0	0.3	0.6	0.4	0.4
Producer, in industry	CMPY	10.6	10.4	9.6	10.0	9.9	9.8	9.2	8.2	8.0	7.2	7.1	7.5	5.8	5.3	6.3	5.7
Producer, in industry	CCPY	10.6	10.5	10.2	10.1	10.1	10.0	9.9	9.7	9.5	9.3	9.1	8.9	5.8	5.6	5.8	5.8
RETAIL TRADE																	
Turnover	real, CMPY	15.8	4.7	5.2	11.0	5.6	3.2	12.2	9.7	5.5	9.4	5.3	6.4	9.2	6.8	.	.
Turnover	real, CCPY	15.8	10.0	8.2	8.9	8.2	7.3	8.0	8.2	7.9	8.1	7.8	7.7	9.2	8.0	.	.
FOREIGN TRADE⁴⁾⁵⁾																	
Exports total (fob), cumulated	EUR mn	812	1640	2612	3438	4348	5264	6196	6900	7782	8741	9627	10348	829	1683	2647	.
Imports total (cif), cumulated	EUR mn	872	1778	2815	3758	4803	5783	6775	7548	8466	9481	10463	11342	877	1791	2816	.
Trade balance total, cumulated	EUR mn	-61	-138	-203	-320	-456	-519	-580	-649	-684	-740	-836	-994	-48	-108	-169	.
Exports to EU (fob), cumulated	EUR mn	554	1093	1709	2223	2780	3344	3930	4343	4882	5465	6007	6434	553	1082	.	.
Imports from EU (cif), cumulated	EUR mn	595	1207	1919	2548	3264	3930	4607	5106	5720	6410	7085	7673	587	1204	.	.
Trade balance with EU, cumulated	EUR mn	-41	-114	-210	-324	-484	-586	-676	-763	-838	-944	-1079	-1239	-34	-122	.	.
FOREIGN FINANCE																	
Current account, cumulated	USD mn	51	56	48	22	-29	-44	-30	-10	35	86	102	-67	60	92	73	.
EXCHANGE RATE																	
SIT/USD, monthly average	nominal	225.9	231.6	235.7	241.9	247.1	254.4	253.5	243.5	240.7	242.7	248.2	247.8	251.4	256.6	255.7	254.0
SIT/EUR, monthly average	nominal	212.2	213.5	214.6	215.6	216.3	217.0	217.8	218.7	219.4	219.9	220.4	221.1	222.0	223.0	223.8	224.6
SIT/USD, calculated with CPI ⁶⁾	real, Jan98=100	115.0	117.1	118.0	120.8	122.6	125.9	124.8	119.9	117.9	118.0	119.9	119.3	119.3	121.2	120.5	118.1
SIT/USD, calculated with PPI ⁶⁾	real, Jan98=100	124.6	124.1	125.5	128.1	131.3	133.4	130.3	124.8	122.7	119.8	121.4	118.5	120.3	122.2	122.5	121.2
SIT/EUR, calculated with CPI ⁶⁾	real, Jan98=100	97.1	97.0	96.7	97.0	96.7	96.7	96.7	97.2	96.8	96.6	96.2	96.5	95.8	95.5	95.6	94.6
SIT/EUR, calculated with PPI ⁶⁾	real, Jan98=100	101.6	101.4	102.6	102.3	102.8	102.8	102.4	102.4	102.4	101.2	100.4	99.6	99.9	99.7	99.9	99.8
DOMESTIC FINANCE																	
M0, end of period	SIT bn	106.9	108.5	113.3	114.9	113.2	124.3	115.9	116.3	122.6	124.7	126.5	142.1	129.4	130.0	.	.
M1, end of period	SIT bn	396.6	391.1	402.7	417.1	408.1	437.8	419.6	418.1	438.1	440.3	455.3	502.2	471.8	469.2	485.2	.
Broad money, end of period	SIT bn	2240.8	2269.3	2329.9	2353.0	2410.3	2445.9	2477.1	2514.8	2555.2	2617.3	2705.7	2876.7	2911.4	2929.0	2970.7	.
Broad money, end of period	CMPY	17.2	17.1	18.7	18.6	20.2	19.8	19.3	19.9	20.2	21.8	23.4	30.4	29.9	29.1	27.5	.
Discount rate (p.a.)end of period	%	10	10	10	11	11	11	11	11	11	11	11	11	9	9	9	.
Discount rate (p.a.)end of period ⁷⁾	real, %	-0.5	-0.4	0.4	0.9	1.0	1.1	1.6	2.6	2.8	3.5	3.6	3.3	3.0	3.5	2.5	.
BUDGET																	
General gov.budget balance, cum.	SIT mn	-31955	-51698	-50911	-41823	-58363	-107532	-98297	-104403	-129993	-127649	-135450	-63121	-71128	-103709	.	.

1) Effective working hours.

2) Enterprises with 3 or more employed, excluding employees of self-employed persons.

3) Ratio of unemployed to the economically active.

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

5) Cumulation starting January and ending December each year.

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

7) Deflated with annual PPI.

U K R A I N E: Selected monthly data on the economic situation 2001 to 2002

(updated end of May 2002)

		2001												2002			
		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr
PRODUCTION																	
Industry, total ¹⁾	real, CMPY	14.8	7.2	12.7	16.3	16.2	13.1	10.2	9.1	11.1	9.5	5.8	-0.6	-1.2	1.3	.	.
Industry, total	real, CCPY	19.5	16.7	17.4	18.4	18.8	18.5	17.9	16.9	16.6	16.1	15.4	14.2	1.7	3.5	3.1	3.5
Industry, total ¹⁾	real, 3MMA	11.7	11.5	12.1	15.0	15.2	13.1	10.7	10.1	9.9	8.8	5.0	1.4	-0.2	.	.	.
LABOUR																	
Unemployment, end of period	th. persons	1149.6	1157.4	1149.2	1131.5	1088.4	1046.5	1015.3	1001.1	984.6	971.2	981.6	1008.1	1028.7	1067.4	1079.2	.
Unemployment rate ²⁾	%	4.2	4.2	4.2	4.1	4.0	3.8	3.7	3.7	3.6	3.5	3.6	3.7	3.8	3.9	3.9	.
WAGES, SALARIES ¹⁾																	
Total economy, gross	UAH	253.4	263.7	281.0	288.9	303.0	317.8	327.3	329.3	326.3	335.8	334.4	378.5	320.8	328.7	354.8	355.8
Total economy, gross	real, CMPY	14.7	16.3	13.8	20.2	23.5	24.4	24.9	21.4	22.1	24.6	22.3	20.4	19.9	20.5	23.6	20.6
Total economy, gross	USD	47	49	52	53	56	59	61	62	61	63	63	71	60	62	67	67
Total economy, gross	EUR	50	53	57	60	64	69	71	69	67	70	71	80	68	71	76	76
Industry, gross	USD	64	65	71	70	74	77	81	82	81	84	83	89	80	80	.	.
PRICES																	
Consumer	PM	1.5	0.6	0.6	1.5	0.4	0.6	-1.7	-0.2	0.4	0.2	0.5	1.6	1.0	-1.4	-0.7	1.4
Consumer	CMPY	22.1	18.9	17.3	17.0	15.1	11.6	9.9	9.6	7.3	6.0	6.1	6.1	5.6	3.5	2.2	2.1
Consumer	CCPY	22.1	20.5	19.4	18.8	18.0	16.9	15.8	15.0	14.1	13.2	12.5	12.0	5.6	4.5	3.7	3.3
Producer, in industry	PM	0.8	0.6	-0.5	0.2	0.0	0.2	0.1	-0.1	0.1	-0.7	0.7	-0.5	-0.4	0.7	-0.8	1.2
Producer, in industry	CMPY	17.8	16.4	12.8	10.8	10.1	9.4	7.9	7.1	5.9	3.8	3.5	0.9	-0.3	-0.2	-0.5	0.5
Producer, in industry	CCPY	17.8	17.1	15.6	14.4	13.5	12.8	12.1	11.4	10.8	10.0	9.4	8.6	-0.3	-0.3	-0.3	-0.1
RETAIL TRADE																	
Turnover ³⁾	real, CCPY	11.3	7.7	8.0	8.7	10.3	10.4	11.4	11.4	11.5	11.8	12.3	12.6	.	18.7	16.8	18.0
FOREIGN TRADE⁴⁾⁵⁾																	
Exports total (fob), cumulated	EUR mn	1233	2546	4116	5656	7174	8918	10497	11973	13389	15054	16684	18160	1376	2862	4419	.
Imports total (cif), cumulated	EUR mn	1150	2395	3856	5227	6710	8257	9682	11273	12683	14242	15946	17613	1161	2478	4047	.
Trade balance, cumulated	EUR mn	83	151	259	430	464	661	815	700	706	812	738	547	215	384	372	.
FOREIGN FINANCE																	
Current account, cumulated	USD mn	.	.	278	.	.	845	.	.	1237	.	.	1402	.	.	.	.
EXCHANGE RATE																	
UAH/USD, monthly average	nominal	5.433	5.430	5.421	5.418	5.414	5.401	5.371	5.347	5.339	5.310	5.287	5.294	5.313	5.321	5.322	5.327
UAH/EUR, monthly average	nominal	5.104	5.003	4.939	4.832	4.753	4.609	4.617	4.807	4.869	4.809	4.703	4.718	4.696	4.630	4.660	4.712
UAH/USD, calculated with CPI ⁶⁾	real, Jan98=100	171.4	171.0	170.1	168.1	168.0	166.9	168.3	167.9	167.7	165.9	164.1	161.2	160.5	163.7	165.7	163.6
UAH/USD, calculated with PPI ⁶⁾	real, Jan98=100	168.0	163.7	162.5	162.7	163.2	160.9	157.3	156.7	156.2	153.0	150.7	149.6	151.4	150.7	153.5	151.8
UAH/EUR, calculated with CPI ⁶⁾	real, Jan98=100	144.5	141.4	139.1	134.8	132.7	128.0	130.2	136.0	137.5	135.5	131.6	130.1	128.7	128.9	131.2	130.9
UAH/EUR, calculated with PPI ⁶⁾	real, Jan98=100	136.8	133.6	132.7	129.8	127.9	123.8	123.4	128.5	130.1	128.9	124.6	125.3	125.5	122.9	124.9	124.8
DOMESTIC FINANCE																	
M0, end of period	UAH mn	11851	12199	12736	13610	13452	14487	14797	15527	16208	16685	17325	19465	18101	18666	19646	21000
M1, end of period	UAH mn	19492	19961	21159	21796	22554	23820	24164	24768	25884	26406	26782	29773	27586	28416	30287	.
Broad money, end of period	UAH mn	30816	31638	33026	34092	35157	36953	37373	38275	39643	40750	41508	45555	43619	45032	47345	47300
Broad money, end of period	CMPY	39.8	37.7	36.4	35.8	35.1	36.4	32.9	29.8	36.8	41.2	41.2	42.0	41.5	42.3	43.4	38.7
Refinancing rate (p.a.) ^{end of period}	%	27.0	27.0	25.0	21.0	21.0	19.0	19.0	17.0	15.0	15.0	15.0	12.5	12.5	12.5	11.3	11.3
Refinancing rate (p.a.) ^{end of period} ⁷⁾	real, %	7.8	9.1	10.8	9.2	9.9	8.8	10.2	9.3	8.6	10.8	11.1	11.5	12.8	12.7	11.9	10.8
BUDGET																	
General gov. budget balance, cum. ⁸⁾	UAH mn	1404.3	1819.2	1319.0	1493.0	1623.7	1385.0	1676.6	1407.5	1379.7	1616.3	982.3	-1263.6	1381.7	1516.6	658.0	.

1) Excluding small firms.

2) Ratio of unemployed to the economically active.

3) Official registered enterprises.

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

5) Cumulation starting January and ending December each year.

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

7) Deflated with annual PPI.

8) Including pension fund.

**GUIDE TO WIIW STATISTICAL SERVICES
ON CENTRAL AND EASTERN EUROPE, RUSSIA AND UKRAINE**

	Source	Type of availability	How to get it	Time of publication	Price*
					*Unless otherwise stated, WIIW members (subscribers to the WIIW Service Package) receive a 30% discount on prices quoted
Annual data	<i>Statistical Handbook 2001</i>	printed	to be ordered from WIIW	October 2001 (next update: October 2002)	EUR 90.00 for members free of charge
	<i>Statistical Handbook 2001</i> on CD-ROM	computerized (PDF format)	to be ordered from WIIW	October 2001 (next update: October 2002)	EUR 90.00
	<i>Statistical Handbook 2001</i> on CD-ROM	computerized (MS-Excel tables + PDF format); plus printed version	to be ordered from WIIW	October 2001 (next update: October 2002)	EUR 225.00 (includes also printed version)
	<i>Statistical Handbook 2001: individual chapters</i> on diskette	computerized (MS-Excel tables)	to be ordered from WIIW	October 2001 (next update: October 2002)	EUR 36.00 per chapter
	computerized WIIW Database	online access	via WSR http://www.wsr.ac.at	continuously	EUR 2.50 per data series
Quarterly data (with selected annual data)	<i>Research Report</i>	printed	to be ordered from WIIW	January/February June/July	EUR 70.00
	<i>Monthly Report</i> (2nd and 4th quarters)	printed, online (PDF format) or via e-mail	for WIIW members only	<i>Monthly Report</i> nos. 10 and 11, nos. 4 and 5	only available under the WIIW Service Package for EUR 1944.00
Monthly data	<i>Monthly Report</i> (approx. 40 time series per country)	printed	for WIIW members only	monthly (11 times a year)	
	Internet	online access	see http://mdb.wiiv.ac.at	continuously	for members free of charge
Industrial data	diskette	computerized	to be ordered from WIIW	twice a year (June/December)	EUR 650.00

Orders from WIIW: fax no. (+43 1) 533 66 10-50
e-mail address: koehrl@wsr.ac.at
attention Ms. Ursula Köhrl

INDEX OF SUBJECTS – June 2001 to June 2002

Albania	<i>economic situation</i>	2002/6
Bulgaria	<i>economic situation</i>	2001/10
Croatia	<i>economic situation</i>	2001/10
Czech Republic	<i>economic situation</i>	2001/10
	labour market.....	2002/3
	real convergence, real appreciation	2002/4
Hungary	<i>economic situation</i>	2001/10
	agriculture	2001/11
	elections	2002/5
Macedonia	<i>economic situation</i>	2001/10
Poland	<i>economic situation</i>	2001/10 2001/8-9
	economic policy	2001/11
	exchange rate	2002/2
	inequality.....	2002/4
	labour market.....	2002/6
Romania	<i>economic situation</i>	2001/10
Russia	<i>economic situation</i>	2001/10
	barter trade	2002/5
Slovakia	<i>economic situation</i>	2001/10
	labour market.....	2002/3
Slovenia	<i>economic situation</i>	2001/10
Turkey	<i>economic situation</i>	2002/5
Ukraine	<i>economic situation</i>	2001/10
Yugoslavia	<i>economic situation</i>	2001/10
Region Eastern Europe and CIS	<i>economic situation</i>	2001/12
(multi-country articles	agriculture	2002/4 2002/2 2001/6
and statistical overviews)	Baltics, capital flows	2002/2
	chemical sector.....	2001/12
	CEE tourists in Austria	2001/11
	exchange rates	2001/7
	EU enlargement	2002/5 2001/12 2001/11 2001/10
	euro introduction.....	2002/1
	electrical and optical equipment sector	2001/8-9
	impact of war on terrorism	2001/10
	leather and leather products	2001/7
	manufacturing sector.....	2001/6
	metals sector	2002/3
	regional economic development.....	2002/3
	SEE economic and political developments	2001/8-9 2001/7
	Taxation	2001/8-9
	Trade.....	2002/6

The monthly publication *The Vienna Institute Monthly Report* summarizes WIIW's major research topics and provides current statistics and analyses exclusively to subscribers to the WIIW Service Package. This information is for the subscribers' internal use only and may not be quoted except with the respective author's permission and express authorization. Unless otherwise indicated, all authors are members of the Vienna Institute's research staff or research associates of WIIW.

Economics editor: Doz. Leon Podkaminer