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Wolfgang Blaas, Ralf Helmelt

Survey of the economic development of the countries in the Danube River catchment area

Bericht im Rahmen des europäischen Forschungsprojektes daNUbs



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Draft Report

Survey of the economic development of the countries in the Danube River catchment area

Wolfgang Blaas - Ralf Helmelt

Version July 23, 2002



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1. Introduction

This interim report is a summary and an interpretation of empirical data of the economic development in the last decade of the countries relevant for the Danubs project, i.e. Austria, Bosnia Herzegovina, Bulgaria, Croatia, Czech Republic, Germany, Hungary, Macedonia, Moldova, Romania, Slovak Republic, Slovenia, Ukraine and Yugoslavia.

1.1. Presentation methods and key concepts

The economic development will be described mainly by tables and figures, which will be amended by short texts about the general economic history of the respective country and the sectoral shifts in the last ten years.

Each country will be described with the help of one table and a number of diagrams (figures). The table contains basic economic indicators about the development in the 1990s: Gross Domestic Product (GDP), Gross Domestic Product per capita (GDP/capita), growth rates, sectoral data, inflation rates, exchange rates, unemployment rates. Note that the exchange rate is the average exchange rate of the indicated year of the country's local currency against the Euro.

In order to provide for optimal comparability, all nominal values are denominated in Euro (except for GDP which is also given in local currency), sectoral data are shown both in money terms and in percentages.

It is important to note that the GDP in common currency (Euro) has been calculated both at current exchange rates ("nom") and at Purchasing Power Parities ("PPP"), so that the effect of the local price level can be seen. In countries with a stable price development as for example Germany or Austria, the trends of these two figures are very similar, whereas in countries with huge changes in inflation rates these figures depart substantially over time (see e.g. the case of Bulgaria). For a country by country comparisons of the economic living conditions the relevant indicator is of course the GDP per capita at PPP.

In the rest of this section the economic indicators will be defined.

Gross Domestic Production [GDP]

The total market value of all goods and services produced within the political boundaries of an economy during a given period of time, usually one year. This is the government's official measure of how much output our economy produces

Gross Domestic Production nominal, real

Nominal GDP: The total market value, measured in current prices, of all goods and services produced within the political boundaries of an economy during a given period of time, usually one year. The key is that nominal gross domestic product is measured in current, or actual prices; the prices buyers actually pay for goods and services purchased. Nominal gross domestic product is also termed current gross domestic product.

Real GDP: The total market value, measured in constant prices, of all goods and services produced within the political boundaries of an economy during a given period of time, usually one year. The key is that real gross domestic product is measured in constant prices, the prices for a specific base year. Real gross domestic product, also termed constant gross domestic product, adjusts gross domestic product for inflation.

GDP in common currency (e.g. in €)

$$GDP, \text{€}, \text{nom} = \frac{GDP, \text{national currency}, \text{nom.}}{\text{exchangerate to €}}$$

Purchasing Power Parity (PPP)

represents the relation of purchasing power of different currencies (in their respective countries) for the identical set of goods

$$GDP, \text{€}, \text{PPP}, \text{nom} = \frac{GDP, \text{national currency}, \text{nom.}}{\frac{\text{national currency}}{\text{€}_{PPP}}}$$

GDP per capita

GDP divided by the number of the country's inhabitants

$$GDP / \text{capita} = \frac{GDP}{\text{Population}}$$

Example:

GDP Ukraine: 153 bn € (PPP)
 GDP Slovenia: 28 bn € (PPP)
 GDP/capita Ukraine: 3.085 € (PPP),
 GDP/capita Slovenia: 14.362 € (PPP)

Value added

The increase in the value of a good at each stage of the production process. The value that's being increased is specifically the ability of a good to satisfy wants and needs either directly as a consumption good or indirectly as a capital good. A good that provides greater satisfaction has greater value. In essence, the whole purpose of production is to transform raw materials and natural resources that have relatively little value into goods and services that have greater value.

Value added per capita (of industry i)

$$value\ added / capita_i = \frac{value\ added_i}{population}$$

i: agriculture, wholesale retail trade, etc

nominal growth rate

$$nominal\ growth\ rate = \frac{GDP, national\ currency, nom._t}{GDP, national\ currency, nom._{t-1}} - 1$$

real growth rate

$$real\ growth\ rate = \frac{GDP, national\ currency, real._t}{GDP, national\ currency, real._{t-1}} - 1$$

Consumer prices

The percentage change in the price level from one period to the next is called the inflation rate. The two most common price indices used to measure the inflation are the Consumer Price Index (CPI) and the GDP price deflator.

Exchange rate

The price of one nation's currency in terms of another nation's currency. This is often called the foreign exchange rate in that it is the price determined in the foreign exchange market when people buy and sell foreign exchange. The exchange rate is specified as the amount of one currency that can be traded per unit of another.

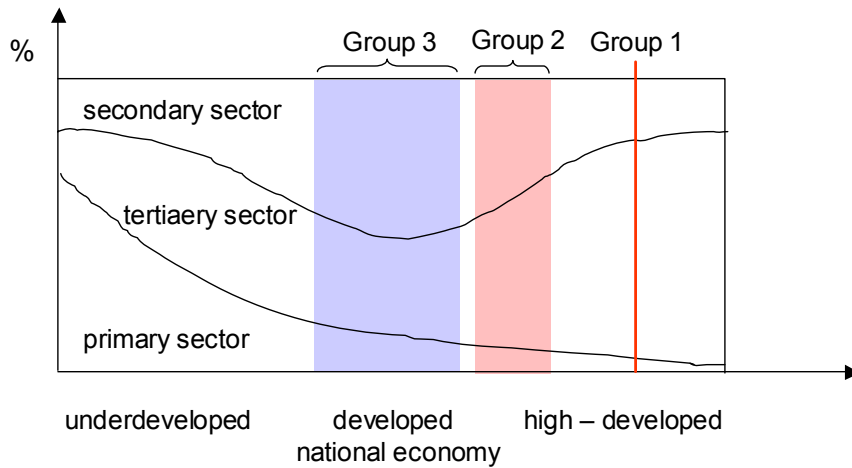
Unemployment rate

The proportion of the civilian labor force that is actively seeking employment, but is unemployed and not engaged in the production of goods and services.

Value added of economic branches (industries)

The economy may be divided into branches (industries) or sectors. The most well known and fundamental division is into the primary sector (agriculture), secondary sector (manufacturing) and the tertiary sector (services). The development of these sectors has been foreseen by Fourastié in 1949 as follows:

Figure 1: Trend estimation according to Fourastié



Source: J. Fourastié (1949), Le grand espoir du Xxe siècle

According to by Fourastié's vision less developed countries will be characterized by a large primary sector, developed countries will show a large manufacturing sector and highly developed contries exhibit a large service sector. The country grouping (group 1, 2 and 3) in this report will follow this basic insight.

The industry's (sector's) share in the GDP will be calculated as follows:

$$share\ of\ Sector_i = \frac{value\ added_i}{GDP}$$

i...sector (industry)

1.2. Structure of the presentation

The discussion of the economic development of the countries relevant for this research project will start with an overview containing the most basic information in a comparative presentation (see chapter 2). It will become clear from this overview, that some of the relevant countries are on a very different stage of economic development than others. For the more detailed presentation of economic indicators (see chapters 3 to 5) we will therefore group the countries according to their Gross Domestic Product per capita (see Table 1).

Table 1: GDP per capita in EURO at PPP by country

Country	GDP, EUR, PPP	GDP/capita, EUR, PPP	Percentage of the EU – average
	1999		
Germany	1,863	22,712	107.5%
Austria	188	23,332	110.4%
Czech Republic	107	12,010	56.8%
Hungary	103	10,315	48.8%
Slovak Republic	53	9,877	46.7%
Slovenia	28	14,362	68.0%
Ukraine	153	3,085	14.6%
Romania	122	5,456	25.8%
Bulgaria	39	4,758	22.5%
Croatia	29	6,484	30.7%
Macedonia	8	4,177	19.8%
Bosnia Herzegovina	Not available	Not available	Not available
Moldova	Not available	Not available	Not available
Yugoslavia	Not available	Not available	Not available
EU-15		21,131	100.0%

Source: OECD, WIIW, WIFO, IFIP, 2002

Table 1 suggests to form *three* groups of countries on the basis of GDP per capita. The first group contains Germany and Austria with a GDP p.c. above the EU average, the second group includes the Czech Republic, Hungary, the Slovak Republic and Slovenia with a GDP p.c. of about 50% to 70% of the EU average. In the third group with a GDP p.c. of 15% to 30% of EU average are Bulgaria, Croatia, Macedonia. Romania and Ukraine. The countries in the fourth group, Bosnia Herzegovina, Moldova and Yugoslavia can not be dealt with in a systematic way in this report because of insufficient availability of economic data.

2. Country overview

2.1. Size & population

2.1.1. Germany

Land area¹: 357,021 km²

arable land:	33%
permanent crops:	1%
permanent pastures:	15%
forests and woodland:	31%
other:	20%

Population²: 83,029,536

Age structure: 0 – 14:	15.57%
15 – 64:	67.82%
>64:	16.61%

Figure 2: Map of Germany



Source: World Factbook, CIA

2.1.2. Austria

Land area³: 83,858 km²

arable land:	17%
permanent crops:	1%
permanent pastures:	23%
forests and woodland:	39%
other:	20%

Population²: 8,150,835

Age structure: 0 – 14:	16.57%
15 – 64:	68.05%
>64:	15.38%

Figure 3: Map of Austria



Source: World Factbook, CIA

¹ World Factbook, CIA, 1993

² World Factbook, CIA, 2001

³ World Factbook, CIA, 1996

2.1.3. Czech Republic

Land area¹: 78,866 km²

arable land:	41%
permanent crops:	2%
permanent pastures:	11%
forests and woodland:	34%
other:	12%

Population²: 10,264,212

Age structure: 0 – 14:	16.09%
15 – 64:	69.99%
>64:	13.92%

Figure 4: Map of Czech Republic



Source: World Factbook, CIA

2.1.4. Hungary

Land area³: 93,030 km²

arable land:	51%
permanent crops:	3.6%
permanent pastures:	12.4%
forests and woodland:	19%
other:	14%

Population²: 10,106,017

Age structure: 0 – 14:	16.63%
15 – 64:	68.66%
>64:	14.71%

Figure 5: Map of Hungary



Source: World Factbook, CIA

¹ World Factbook, CIA, 1993

² World Factbook, CIA, 2001

³ World Factbook, CIA, 1999

2.1.5. Slovak Republic

Land area¹: 48,845 km²

Population¹: 5,414,937

arable land:	31%
permanent crops:	3%
permanent pastures:	17%
forests and woodland:	41%
other:	8%

Age structure: 0 – 14:	16.09%
15 – 64:	69.60%
>64:	11.54%

Figure 6: Map of Slovak Republic



Source: World Factbook, CIA

2.1.6. Slovenia

Land area²: 20,253 km²

Population³: 1,930,132

arable land:	12%
permanent crops:	3%
permanent pastures:	24%
forests and woodland:	54%
other:	20%

Age structure: 0 – 14:	16.09%
15 – 64:	69.61%
>64:	13.30%

Figure 7: Map of Slovenia



Source: Worldfactbook, CIA

¹ World Factbook, CIA

² World Factbook, CIA, 1996

³ World Factbook, CIA, 2001

2.1.7. Ukraine

Land area¹: 603,700 km²

arable land:	58%
permanent crops:	2%
permanent pastures:	13%
forests and woodland:	18%
other:	9%

Population²: 48,760,474

Age structure: 0 – 14:	17.30%
15 – 64:	68.57%
>64:	14.13%

Figure 8: Map of Ukraine



Source: Worldfactbook, CIA

2.1.8. Romania

Land area¹: 237,500 km²

arable land:	41%
permanent crops:	3%
permanent pastures:	21%
forests and woodland:	29%
other:	6%

Population²: 22,364,022

Age structure: 0 – 14:	17.95%
15 – 64:	68.51%
>64:	13.54%

Figure 9: Map of Romania



Source: Worldfactbook, CIA

¹ Worldfactbook, CIA, 1993

² Worldfactbook, CIA, 2001

2.1.9. Bulgaria

Land area¹: 110,910 km²

arable land:	43%
permanent crops:	2%
permanent pastures:	14%
forests and woodland:	38%
other:	3%

Population²: 7,707,495

Age structure: 0 – 14:	15.11%
15 – 64:	68.17%
>64:	16.72%

Figure 10: Map of Bulgaria



Source: Worldfactbook, CIA

2.1.10. Croatia

Land area³: 56,542 km²

arable land:	21%
permanent crops:	2%
permanent pastures:	20%
forests and woodland:	38%
other:	19%

Population²: 4,334,142

Age structure: 0 – 14:	18.16%
15 – 64:	66.61%
>64:	15.23%

Figure 11: Map of Croatia



Source: Worldfactbook, CIA

¹ World Factbook, CIA, 1999

² World Factbook, CIA, 2001

³ Worldfactbook, CIA, 1993

2.1.11. Macedonia

Land area¹: 25,333 km²

arable land:	24%
permanent crops:	2%
permanent pastures:	25%
forests and woodland:	39%
other:	10%

Population²: 2,046,209

Age structure: 0 – 14:	22.92%
15 – 64:	66.94%
>64:	10.14%

Figure 12: Map of Macedonia



Source: Worldfactbook, CIA

¹ Data collection date: 1993, Source: Worldfactbook, CIA

² Data collection date: 2001, Source: Worldfactbook, CIA

2.2. GDP – Trend

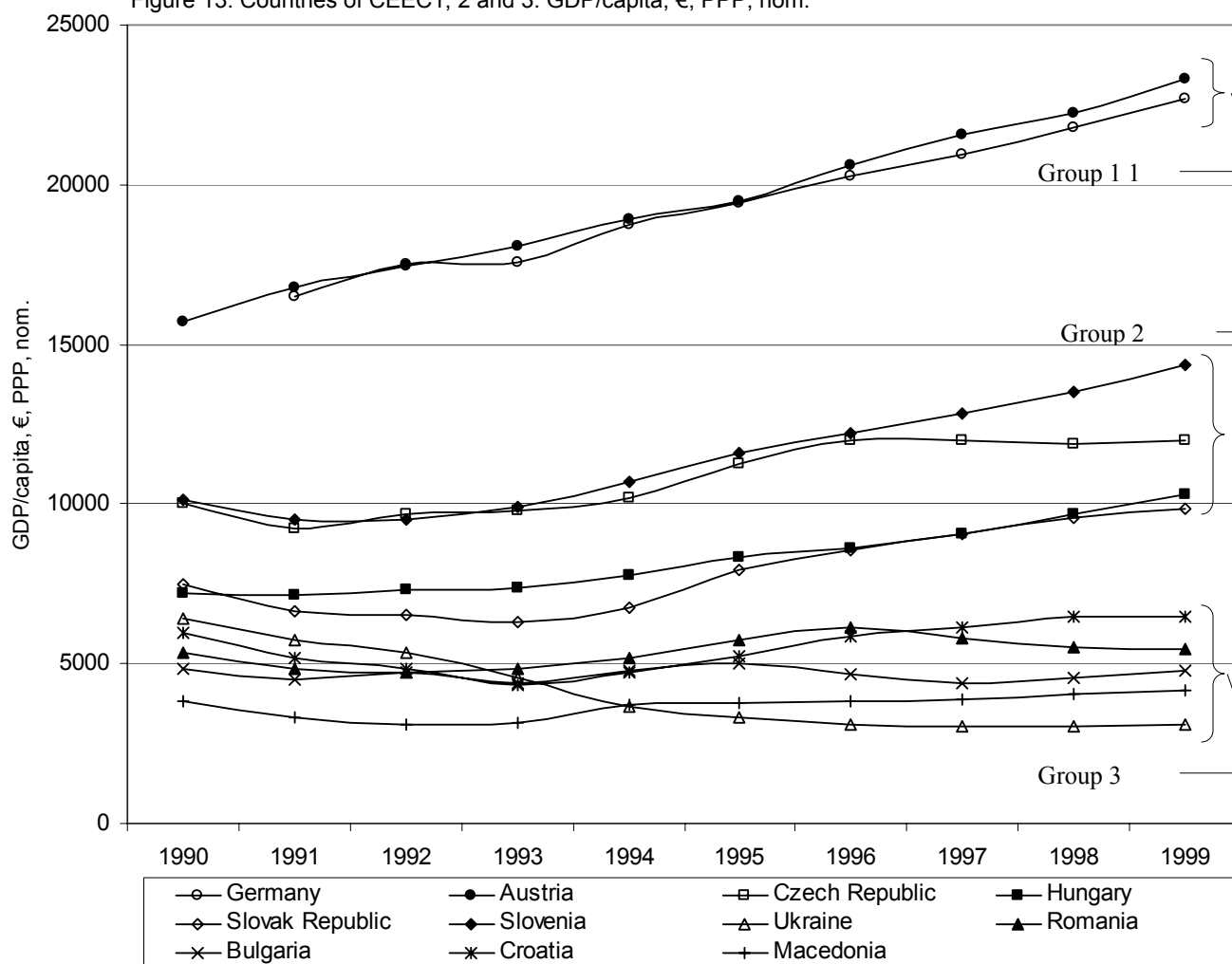
The main indicator for the economic development of the countries (GDP/capita) is shown in Table 2 and Figure 13 below. Once again, the partition of the countries into three groups is substantiated by these data.

Table 2: Comparison of the historical trend of the GDP/capita, €, PPP, nom.

Country\Sector	GDP / capita, €, PPP, nom.									
	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
Germany		16514	17513	17568	18734	19420	20277	20962	21802	22712
Austria	15694	16754	17450	18070	18929	19461	20635	21568	22221	23332
Czech Rep.	10021	9244	9665	9778	10217	11262	12020	11971	11859	12010
Hungary	7216	7155	7311	7377	7790	8330	8613	9077	9677	10315
Slovak Rep.	7486	6657	6515	6325	6758	7916	8532	9084	9559	9877
Slovenia	10110	9543	9519	9933	10713	11607	12192	12835	13513	14362
Ukraine	6434	5751	5352	4589	3636	3340	3080	3021	3024	3085
Romania	5358	4825	4716	4851	5166	5768	6112	5779	5543	5456
Bulgaria	4867	4491	4703	4410	4788	4987	4647	4372	4553	4758
Croatia	5990	5173	4844	4354	4714	5216	5832	6153	6473	6484
Macedonia	3817	3309	3107	3137	3705	3770	3845	3887	4030	4177

Source: IFIP own calculation, based on Data from OECD, Statistic Austria and WIIW, 2001

Figure 13: Countries of CEEC1, 2 and 3: GDP/capita, €, PPP, nom.



Source: IFIP own calculation, based on Data from OECD, Statistic Austria and WIIW, 2001

2.3. Comparison of selected economic sectors

In this section the development of economic branches in the 11 countries will be described in a comparative way. To start with a picture of the scale of the branches at the end of the considered time period (1999), in Table 3 the value added of the selected branches is shown in comparable money units (per capita, €, PPP). Furthermore, the share of the respective branches' value added is given.

The partition into three groups of countries is reconfirmed by the shares of the agricultural sector and the manufacturing sector. Whereas in Germany and Austria agriculture contributes not more than 2% to GDP, in the second group this sector contributes 3% to 5%, and in the third group 7% to 19%. Furthermore, the contribution to GDP of the manufacturing industry is generally larger in the group 2 and 3 countries than in the group 1 countries (see the explanation in section 1.1).

In order to give a more detailed picture of the development of important sectors, three branches have been selected, namely agriculture, manufacturing and wholesale/retail trade. The per capita production values of these branches are shown in the following diagrams, comparing the countries per group.

Whereas the shares in GDP of *agricultural* production show the expected differences between the country groups, in terms of (comparable) value added figures, Austria is rather in one group with the countries of group 2 and with Croatia, Macedonia and Ukraine (see Figure 14, Figure 15, Figure 16).

In the *manufacturing* branch, the level of per capita value added in the group 1 countries is about € 5.000, in the group 2 countries roughly the half to three quarters of this level (€ 2.500 to € 3.000), and in the group 3 countries the production level is roughly one fifth (€ 1.000 to € 1.500) of the group 1 level (see Figure 17 to Figure 19).

A very similar picture is to be observed in the third sector. When we look at the *wholesale* and *retail* trade branch at the end of the nineties (see Figure 20 to Figure 22), the range of per capita production starts at € 300 to € 600 in the group 3 countries, increases to € 1.000 to € 1.500 in the group 2 countries and goes up to € 2.200 in Germany and € 2.700 in Austria.

Table 3: Value added per capita in EURO at PPP by country

Sector \ Country	Germany		Austria		Czech R.		Hungary		Slovak R.		Slovenia		Ukraine		Romania		Bulgaria		Croatia		Macedonia	
	value	%	value	%	value	%	value	%	value	%	value	%	value	%	value	%	value	%	value	%	value	%
Agriculture ¹⁾	249	1	460	2	410	3	502	5	402	5	456	3	346	11	795	15	892	19	453	7	406	10
Manufacturing ²⁾	5.180	23	4.966	21	3.761	31	2.562	25	2.612	26	3.946	27	866	28	1.499	27	1.057	22	1.318	20	867	21
Construction ³⁾	1.114	5	1.818	8	827	7	415	4	514	5	763	5	136	4	291	5	158	3	364	6	264	6
Transport ⁴⁾	1.173	5	1.531	7	1.066	9	895	9	987	10	1.012	7	344	11	476	9	348	7	524	8	300	7
Hotels ⁵⁾	258	1	864	4			175	2			369	3			202	4	87	2	148	2		
Retail ⁶⁾	2.186	10	2.765	12	1.583 ⁷⁾	13	1.051	10	1.383 ⁷⁾	14	1.438	10			546	10	324	7	617	10		
Other ⁶⁾	12.553	55	10.928	46	4.363	37	4.716	45	3.980	41	6.379	45	1.392	46	1.648	30	1.892	40	3.060	47	2.340	56
GDP p.c., €, PPP	22.712	100	23.332	100	12.010	100	10.315	100	9.877	100	14.363	100	3.085	100	5.456	100	4.758	100	6.484	100	4.177	100
GDP, €, PPP, bn	1.863		188		107		103		53		28		153		122		39		29		8	

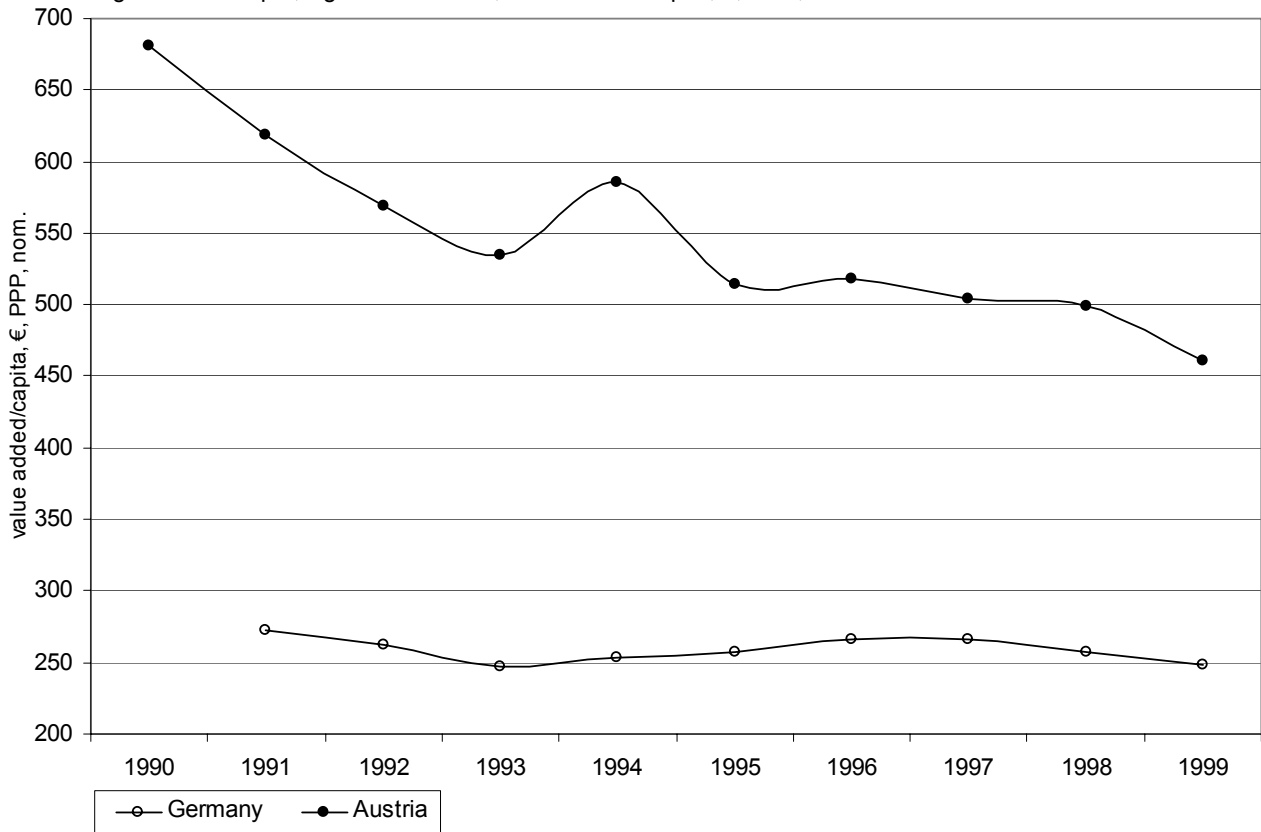
Note: 1) Agriculture, 2) Total manufacturing, 3) Construction, 4) Transport- storage and telecommunication,

5) Hotels and restaurants, 6) Wholesale, retail trade and repair motor vehicle

7) Includes the Data of Hotels and restaurants

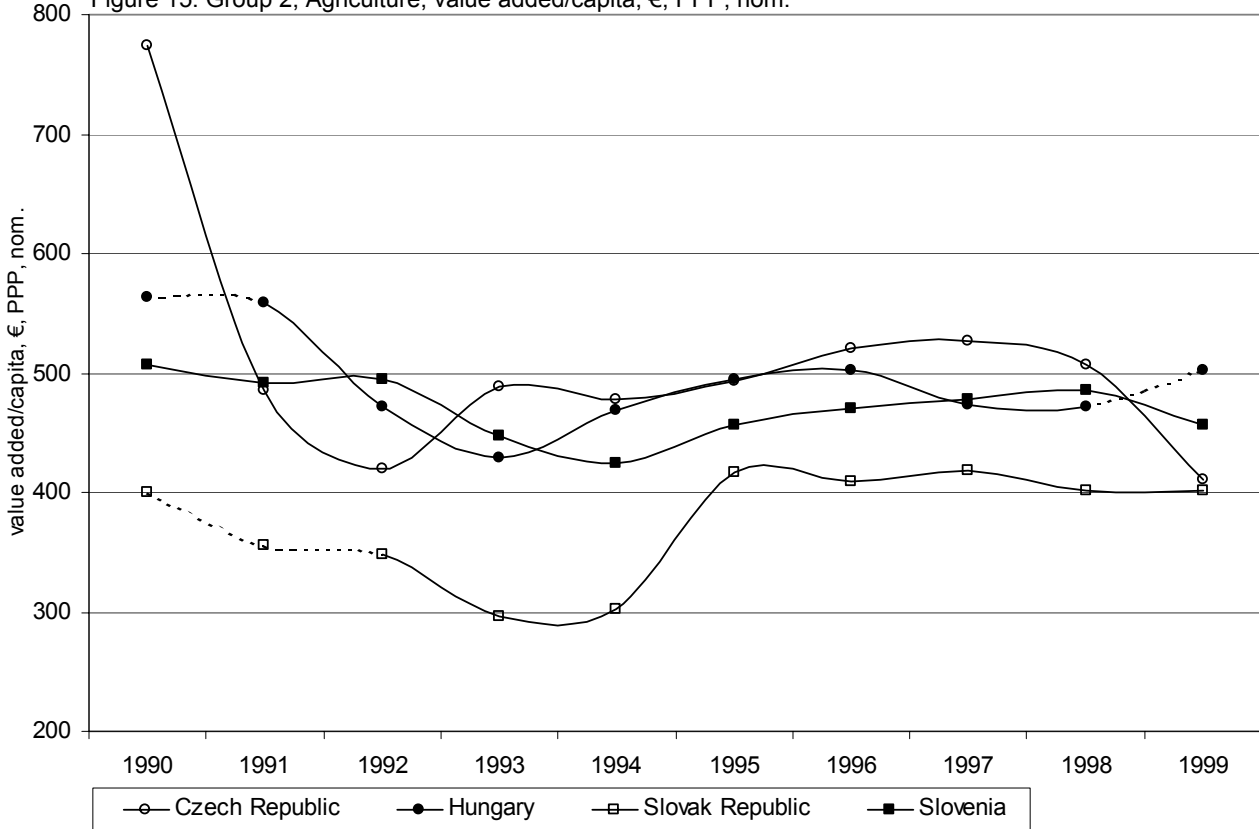
Source: OECD, Federal Statistical Office Germany, Statistic Austria, WIIW, IFIP

Figure 14: Group 1, Agriculture sector, value added/capita, €, PPP, nom.



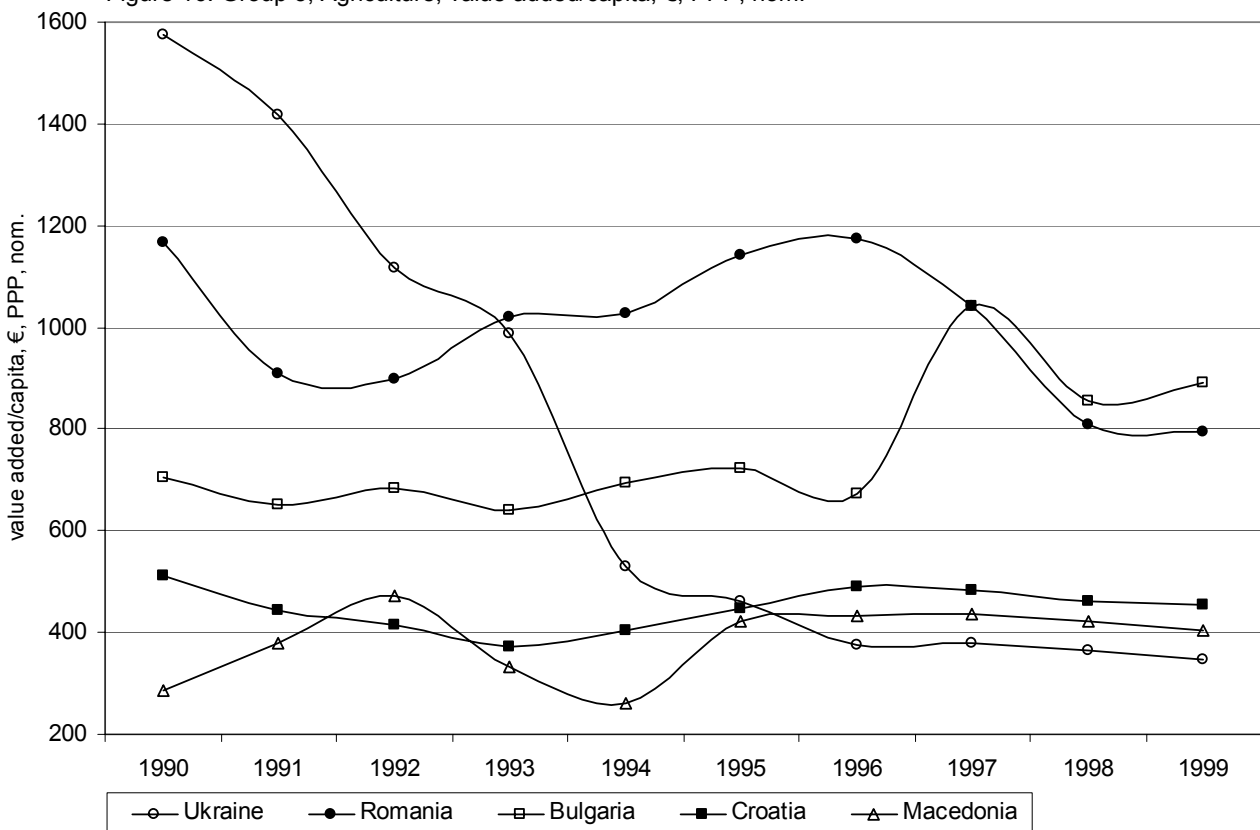
Source: IFIP own calculation, based on Data of OECD (2001) and Statistic Austria (2001)

Figure 15: Group 2, Agriculture, value added/capita, €, PPP, nom.



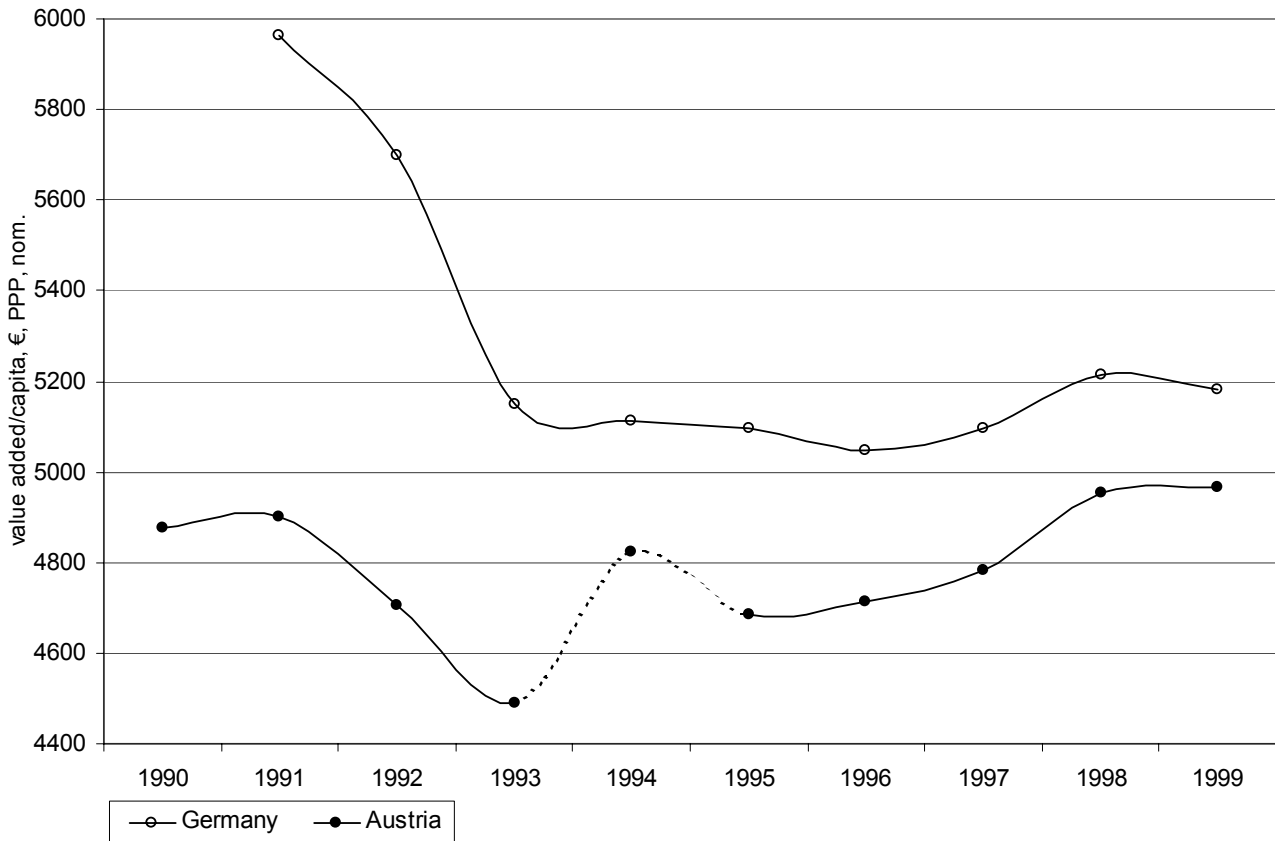
Source: IFIP own calculation based on Data of WIIW

Figure 16: Group 3, Agriculture, value added/capita, €, PPP, nom.



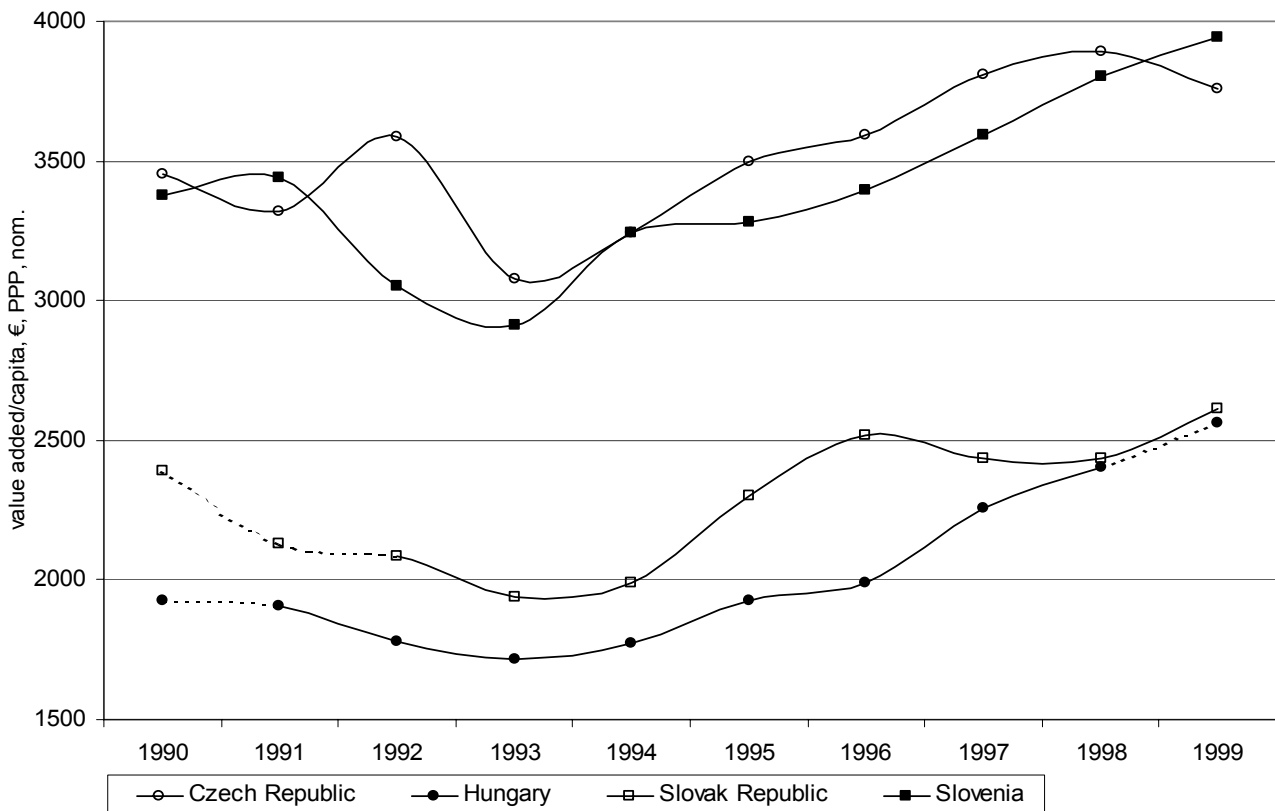
Source: IFIP own calculation, based on Data of WIIW

Figure 17: Group 1, Total manufacturing, value added/capita, €, PPP, nom.



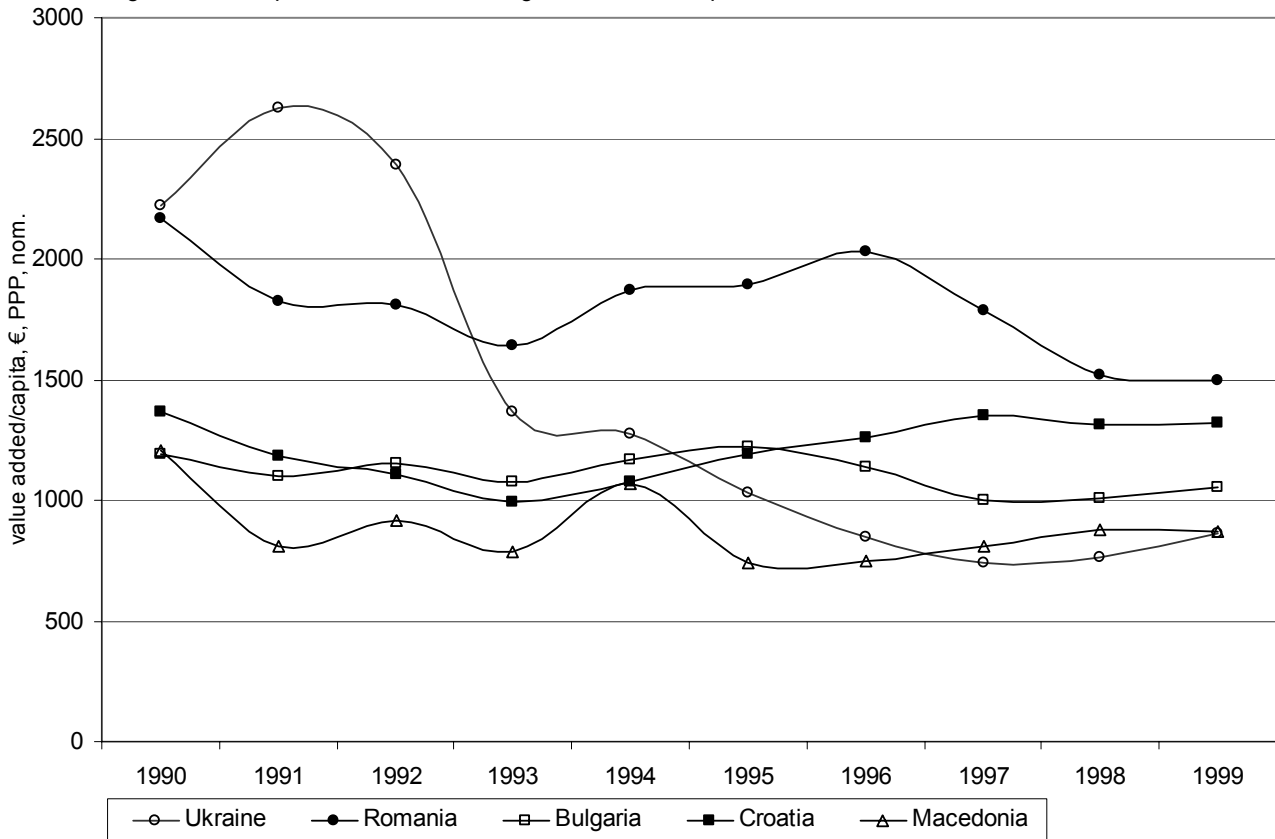
Source: IFIP own calculation, based on Data from OECD (2001) and Statistic Austria (2001)

Figure 18: Group 2, Total manufacturing, value added/capita, €, PPP, nom.



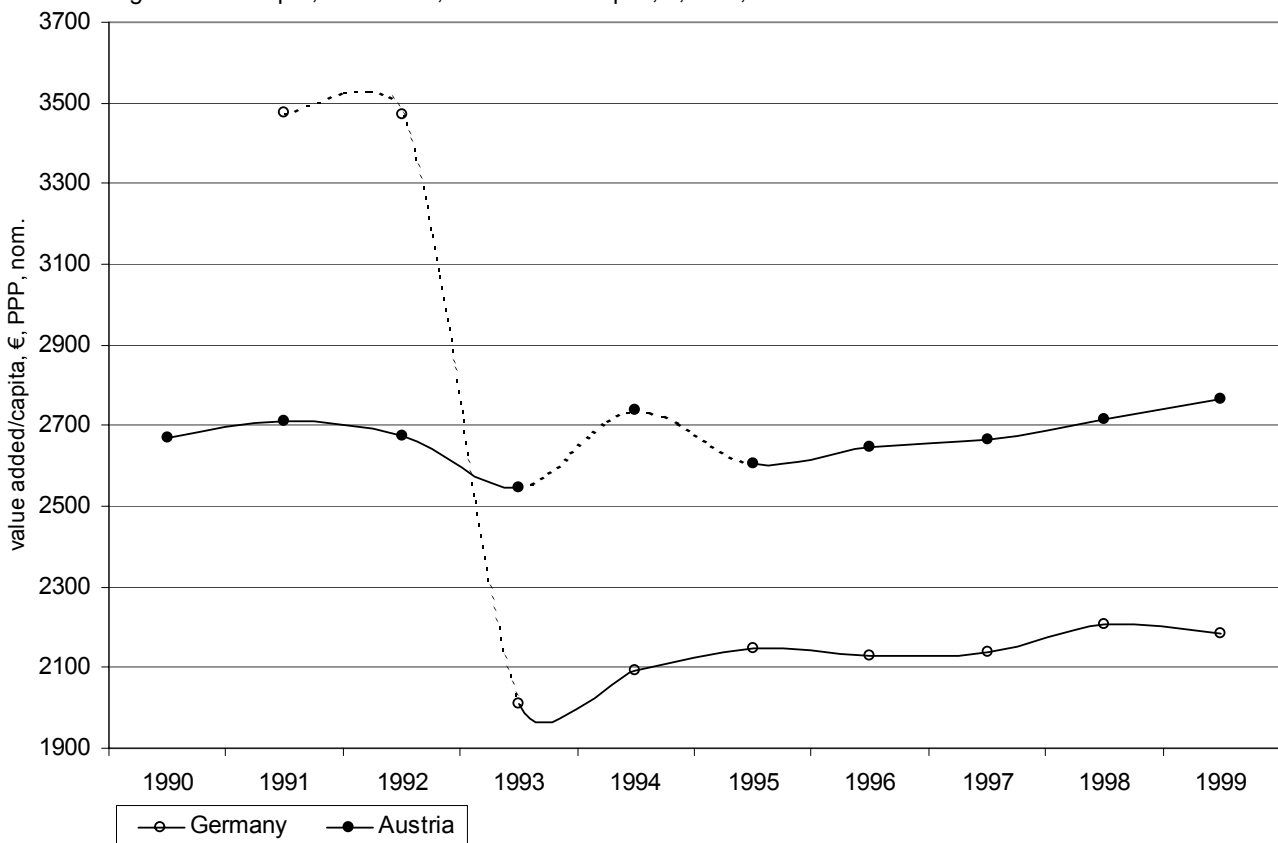
Source: IFIP own calculation, based on Data from WIIW, 2001 (2001)

Figure 19: Group 3, Total manufacturing, value added/capita, €, PPP, nom.



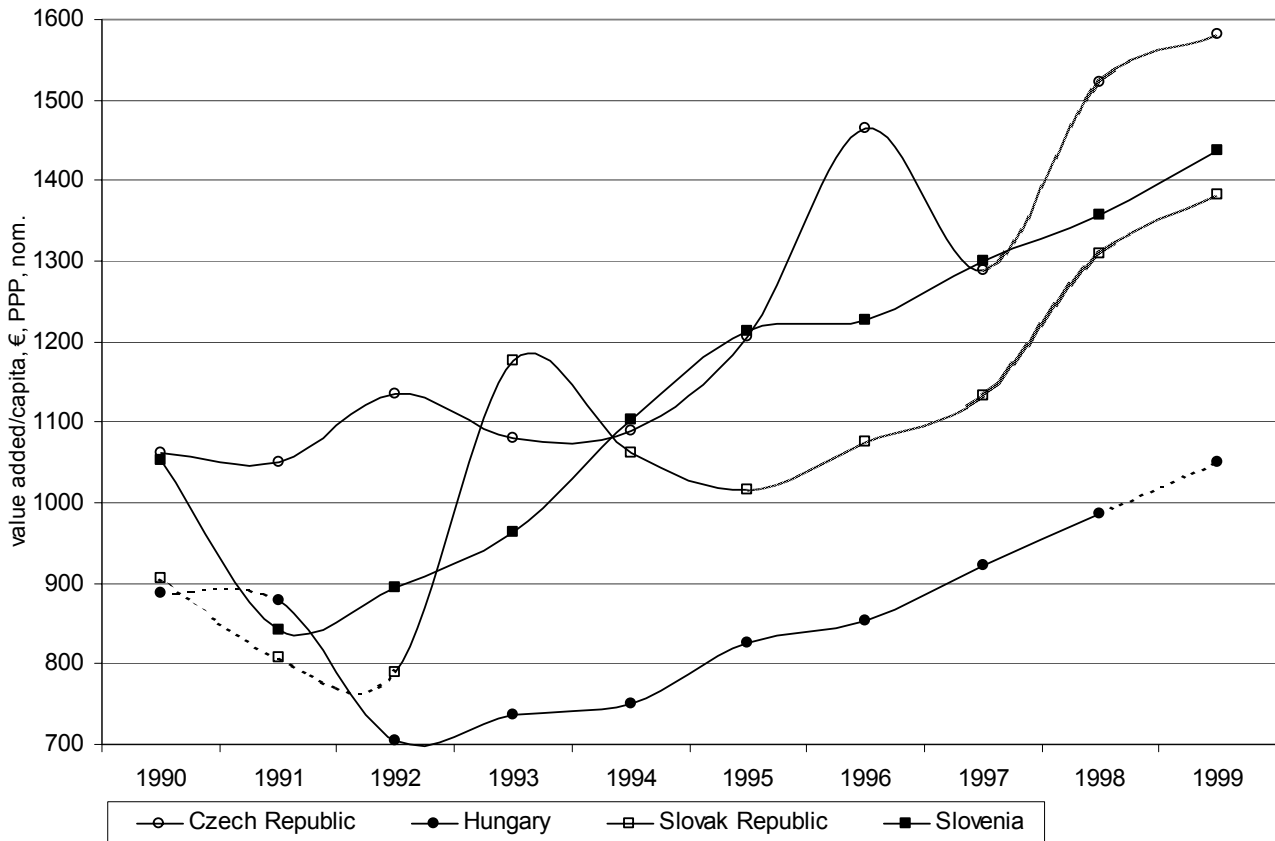
Source: IFIP own calculation, based on Data from WIIW, 2001 (2001)

Figure 20: Group 1, Wholesale, value added/capita, €, PPP, nom.



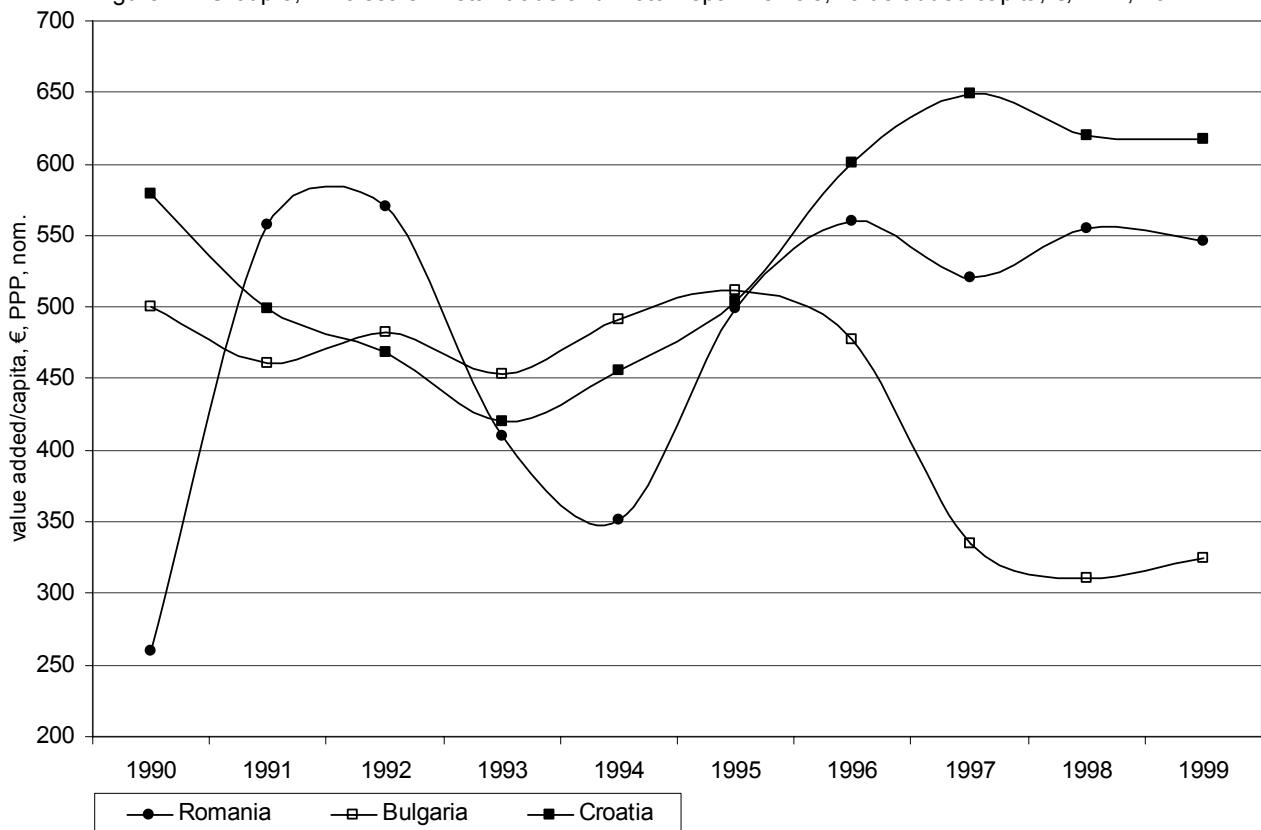
Source: IFIP own calculation, based on Data from OECD and Statistic Austria

Figure 21: Group 2, Wholesale – retail trade and motor repair vehicle, value added/capita, €, PPP, nom.



Source: IFIP own calculation, based on Data from WIIW

Figure 22: Group 3, Wholesale – retail trade and motor repair vehicle, value added/capita, €, PPP, nom.



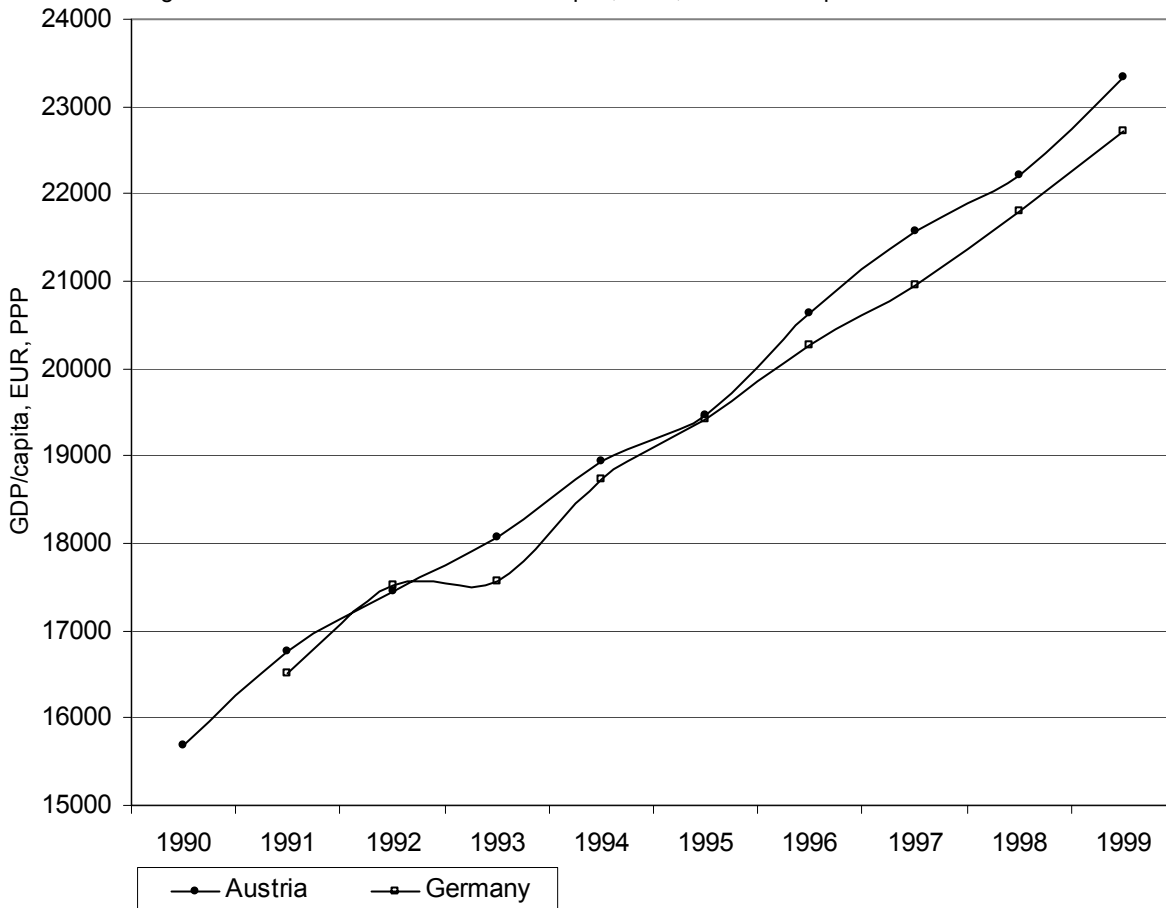
Source: IFIP own calculation, based on Data from WIIW, 2001

3. The development of group 1 countries

3.1. GDP trends

Figure 23 shows that the countries in group1, Germany¹ and Austria, not only had quite similar and constant trends of the GDP/capita (PPP) in the period analysed but also that their respective GDP values per capita do not differ significantly. In the 1990s, the GDP/capita at PPP in Austria increased almost by 49% and in Germany by 38%. The average real growth rate in Austria during the 1990s was 2,5%, in Germany 1,85%.

Figure 23: Historical trend of the GDP/capita, EUR, PPP of Group 1 countries



Source: IFIP own calculation, based on Data from WIIW, 2001

¹ The German unification in 1990 is the reason why the trend representation of Germany begins in 1991.

3.2. Germany

History

After the disbanding of the USSR and the collapse of the political system of the German Democratic Republic, the unification of West and East Germany took place on October 3 in 1990. From the first day on, the new state was also a monetary union, and the “East-Mark” was exchanged to the “West-Mark” on parity. While this was acclaimed frantically by most of the inhabitants of the “new Laender”, it proved to be disastrous for the east German companies: they had to face a revaluation of their exchange rate (against third countries) by 30% to 50%. No company depending significantly on export can survive such a deterioration of it’s international competitiveness. From an economic point of view, the breakdown of many eastern companies were only a logical consequence of this kind of unification policy. Still today, unemployment rates are quite different in western and eastern regions of Germany, e.g.: 8,7% in Bavaria compared to 22,2% in Mecklenburg. Nevertheless Germany is one of the economically most powerfull countries. Despite the problems of unification Germany’s GDP per capita is clear above the EU average (see Table 1 and Table 4). Germany is also a member of the EMU since January 2002.

Table 4: Germany – Basic data

		1991	1992	1993	1994	1995	1996	1997	1998	1999
GDP, DM, nom.	bn	2,938	3,155	3,235	3,394	3,523	3,587	3,661	3,774	3,861
Exchange rate		2,076	2,039	1,95	1,939	1,868	1,899	1,976	1,991	1,956
GDP, € nom.	bn	1,502	1,613	1,654	1,736	1,801	1,834	1,872	1,929	1,974
GDP, €, PPP, nom.	bn	1,317	1,406	1,423	1,524	1,583	1,659	1,719	1,789	1,863
GDP/capita, €, nom.		17,963	19,455	20,634	21,684	23,059	22,956	22,759	23,421	24,164
GDP/capita, €, PPP		16,514	17,513	17,568	18,734	19,420	20,277	20,962	21,802	22,712
nom. growth rate	%		6.05	0.31	6.64	3.66	4.41	3.38	4.01	4.17
real GDP change compared to 1991	%		2.24	1.13	3.50	5.29	6.10	7.59	9.70	11.73
real growth rate	%		2.24	-1.09	2.35	1.73	0.77	1.40	1.96	1.85
<u>Sector</u>										
	primary %	1.31	1.24	1.19	1.20	1.20	1.24	1.22	1.16	1.10
	secondary %	34.25	33.14	31.16	30.76	30.11	29.39	29.00	28.70	27.90
	tertiary %	64.44	65.62	67.65	68.04	68.69	69.37	69.78	70.14	71.00
Agriculture	%	1.31	1.24	1.19	1.20	1.20	1.24	1.22	1.16	1.10
Total manufacturing	%	28.65	26.95	24.85	24.21	23.78	23.45	23.40	23.47	22.96
Construction	%	5.60	6.19	6.32	6.55	6.33	5.94	5.60	5.23	4.94
Transport, etc.	%			5.44	5.33	5.39	5.17	5.34	5.35	5.20
Hotels & Restaurants	%			1.29	1.27	1.22	1.18	1.18	1.17	1.14
Wholesale, etc.	%	16.69	16.43	9.69	9.89	10.02	9.88	9.82	9.95	9.69
Other	%	47.75	49.20	51.23	51.54	52.06	53.14	53.44	53.67	54.97
Consumer prices	%	4.03	5.09	4.42	2.76	1.72	1.42	1.89	0.93	0.58
Exchange rate		2.076	2.039	1.950	1.939	1.868	1.899	1.976	1.991	1.956
Unemployment rate	%	8.79	7.74	8.93	9.58	9.44	10.39	11.48	11.08	10.51

Note: The monetary data has been converted from DM to EURO with the conversion rate of 1,95583

Source: Eurostat, Federal Reserve Statistical Release, Federal Statistical Office Germany, WIFO, IFIP

Interpretation of the data

The primary and the secondary sector loose out on their share in GDP in Germany as in most other industrialised countries (Table 4). On the other hand, the tertiary sector's share is growing, for example in the 1990s by about 6,5 percentage points (a growth in GDP share which is almost exclusively due to the decline of the share of the secondary sector).

Figure 24 shows the trend of the value added of important economic sectors. The rather dramatic decrease from 1992 to 1993 of the wholesale sector is a purely statistical effect of separating from 1993 onwards the transport (storage, telecom) sector from the wholesale sector. Taking this into account, no significant changes of the GDP-shares of the sectors can be observed (see Figure 25).

Agricultural sector

The agricultural (primary) sector produces not more than roughly one percent of the GDP. Only a small part of agrarian production is organic production. The majority of farmers use conventional methods of production¹. However, in 1998 Germany signed the European Community Directive which requires a more cautious handling of chemicals in agricultural production processes.

Construction sector:

In the aftermath of the German unification, a boom in building and rebuilding activities was responsible for a rather good performance of the construction industry (see Figure 24). The nominal added value of this sector increased by about 16% from 1991 in 1999. However, the sector's share fell by about 0,7 percentage points (see Table 4) because the real added value increased from 1991 to 1994 by 21% and decreased thereafter by 19%, so that the sectoral share was actually falling.

Hotels and restaurant sector:

Again, this sector is separately presented only from 1993 onwards. In nominal terms, the sector increased its value added by about 5,8% over the period, and the share in GDP fell slightly (see Table 4).

Total manufacturing

Manufacturing is still the most important single branch in Germany (see Figure 24). In 1999 the real output was about 2% greater than 1993 and it was growing continuously (except for 1993). It was already mentioned that the secondary sectors's share in GDP is declining, the share of the manufacturing industry decreased from 28,7% in 1991 down to 23% in 1999 (see Table 4).

Transport, storage and telecommunication sector:

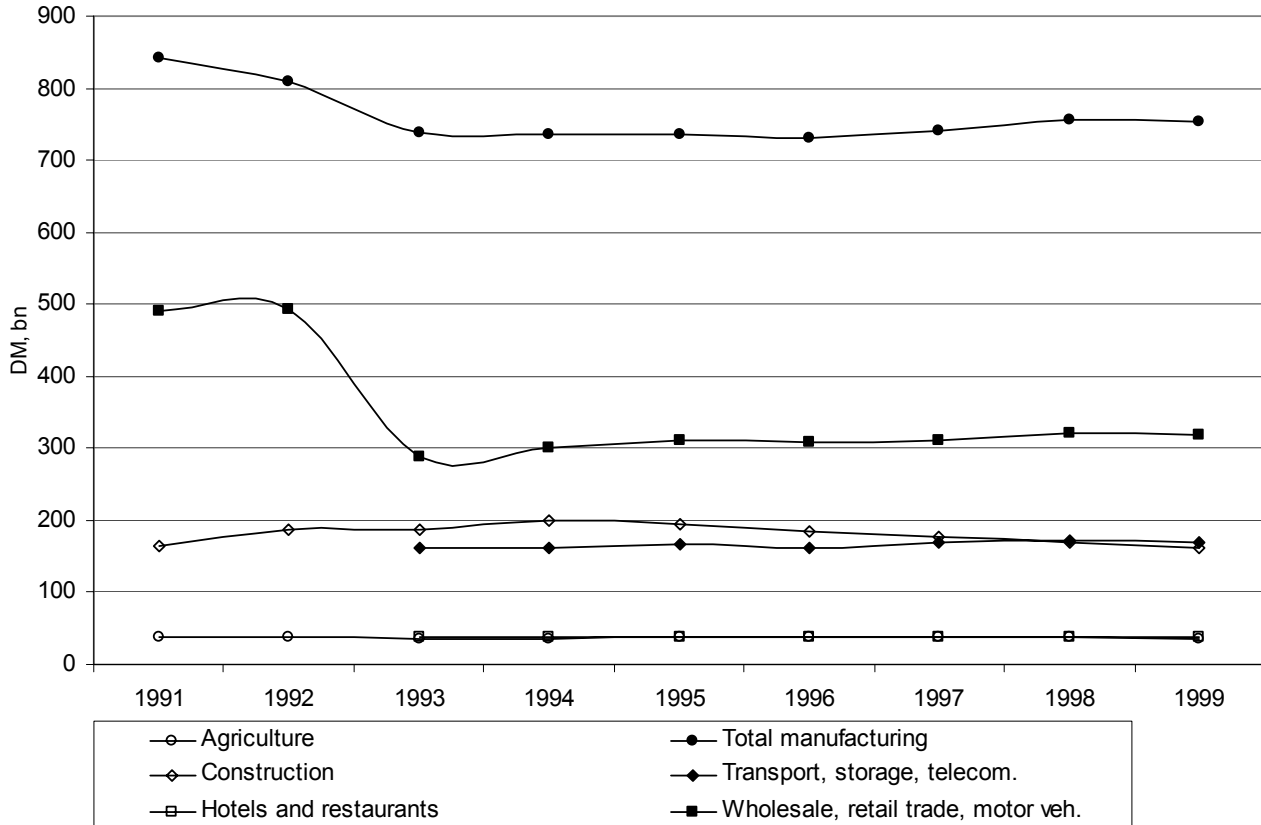
The separate statistical measurement of this sector started in the year 1993. Until that time it was a part of the wholesale, retail trade, repair motor vehicle sector. The sector output was falling by an average rate of -0,7% per year, and the GDP-share fell slightly to about 5,2% (see Table 4 and Figure 25).

¹ Bundesministerium für Umwelt, Naturschutz und Reaktorsicherheit [[http:// www.bmu.de](http://www.bmu.de)] [Federal Environment Ministry]

Wholesale, retail trade, repair motor vehicle sector:

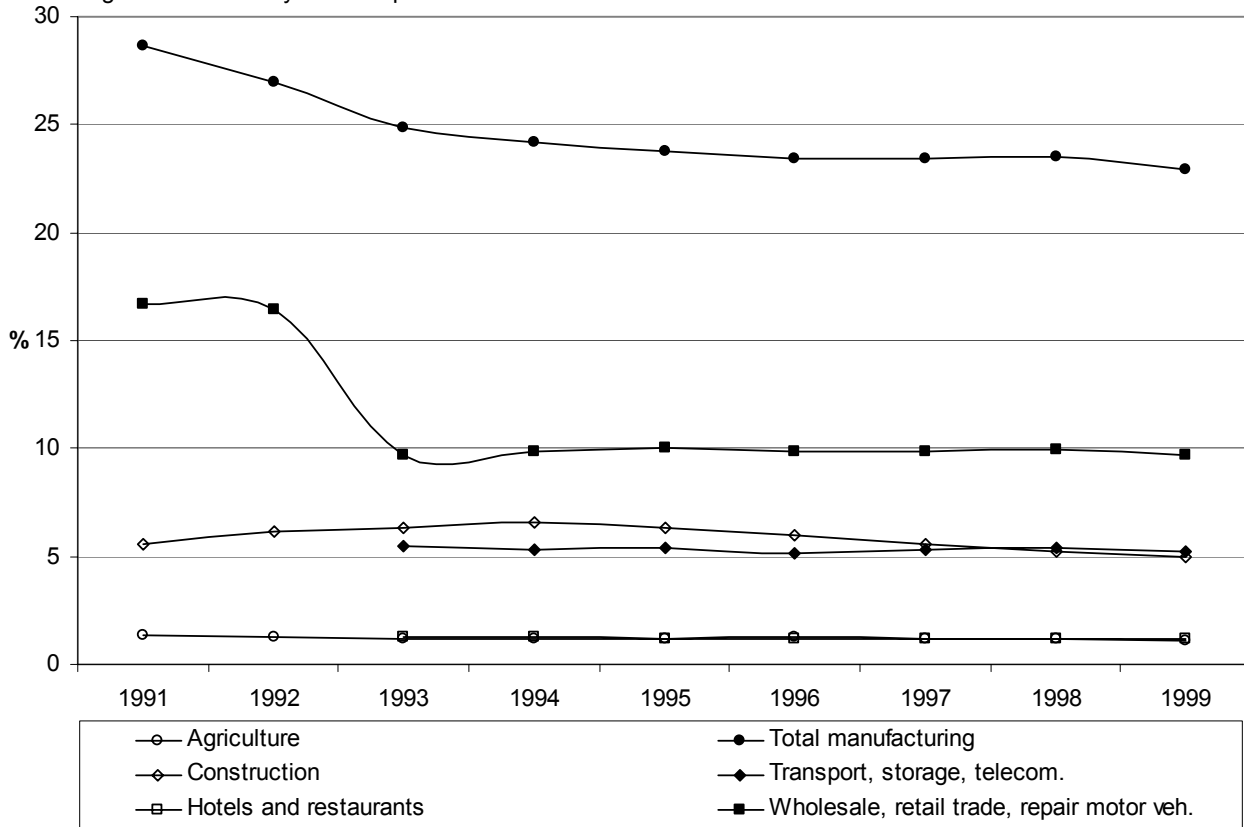
From 1993 onwards, when transport (storage, telecom) sector was separated from wholesale as a statistical unit, the sector grew slowly (average growth rate: 3%), showing no change in it's GDP-share (see Table 4)

Figure 24: Germany – Trend of the value added of important economic sectors, DM, bn, real, Prices 1991



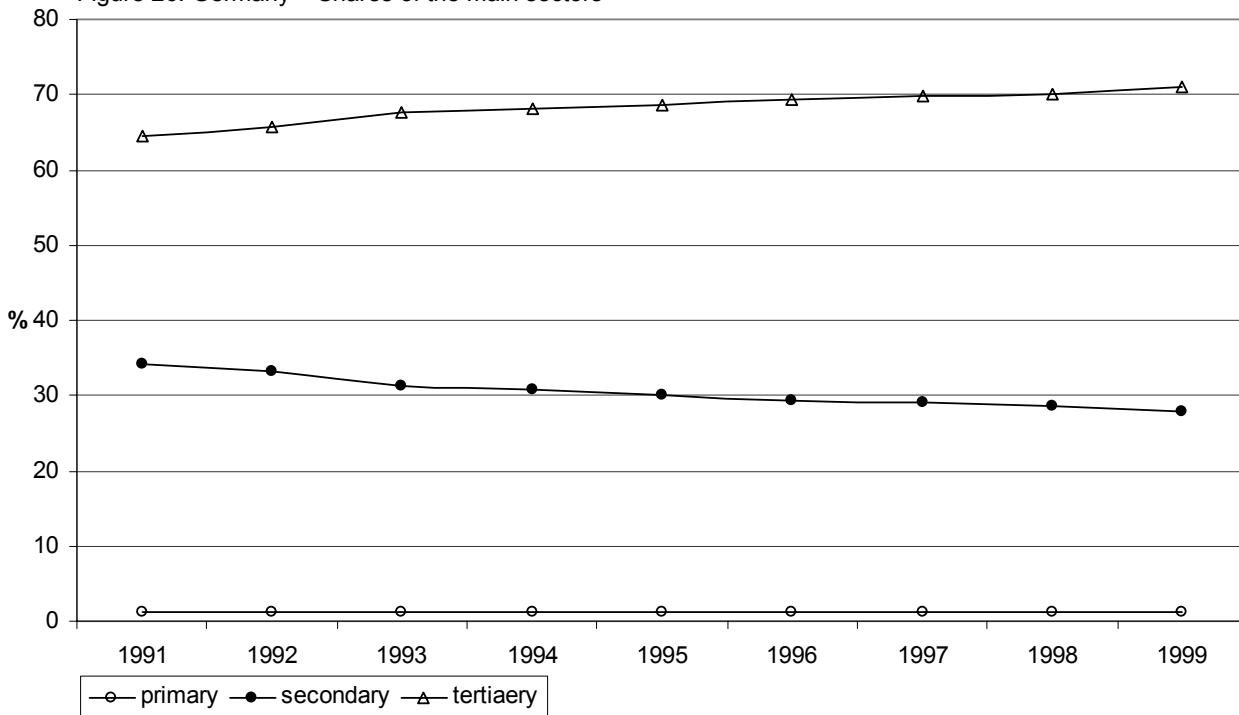
Source: IFIP own calculation based on data from the Federal Statistical Office Germany, 2002

Figure 25: Germany – development of the sectoral GDP-shares



Source: IFIP own calculation based on data from the Federal Statistical Office Germany, 2002

Figure 26: Germany – Shares of the main sectors



Source: IFIP own calculation based on Data from the Federal Statistical Office Germany, 2002

3.3. Austria

History

The 1990s have been a period of important changes in the Austrian economy. The preparation for the accession to the EU, the entering of the EU in 1995 and the preparation for the European Monetary Union at the end of the decade all had decisive effects on the structure and institutions of Austria's economy. In particular, trade liberalisation and the trend towards more private and international ownership of companies may be mentioned. Today, Austria is part of the European Monetary Union (1 EURO = 13,7603 ATS).

Table 5: Austria – Basic data

		1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
GDP, ATS, nom.	bn	1,838	1,971	2,089	2,160	2,276	2,371	2,450	2,511	2,614	2,706
Exchange rate		14.494	14.608	14.349	13.720	13.641	13.144	13.363	13.904	14.004	13.760
GDP, €, nom.	bn	133.60	143.23	151.83	156.94	165.41	172.29	178.05	182.49	189.94	196.66
GDP, €, PPP, nom.	bn	121.3	130.9	138.1	144.4	152	156.6	166.3	174.1	179.5	188.8
GDP/capita, €, nom.		17,286	18,332	19,185	19,639	20,599	21,410	22,093	22,629	23,522	24,356
GDP/capita, €, PPP		15,694	16,754	17,450	18,070	18,929	19,461	20,635	21,568	22,221	23,332
nom. growth rate	%	8.2	7.20	6.01	3.36	5.40	4.16	3.34	2.49	4.08	3.54
real GDP change compared to 1990	%		3,40	4,74	5,27	7,79	9,63	11,82	14,61	18,63	21,95
real growth rate	%	4.72	3.32	2.30	0.42	2.61	1.62	2.00	1.59	3.52	2.81
<u>Sector</u>											
primary	%	3.34	2.96	2.72	2.57	2.76	2.39	2.37	2.28	2.19	1.99
secondary	%	30.36	30.33	29.48	28.70	30.79	29.21	29.16	29.19	29.48	29.29
tertiary	%	66.30	66.71	67.79	68.72	66.44	68.40	68.47	68.53	68.32	68.72
Agriculture	%	3.34	2.96	2.72	2.57	2.76	2.39	2.37	2.28	2.19	1.99
Total manufacturing	%	23.90	23.47	22.53	21.60	22.78	21.79	21.54	21.63	21.79	21.44
Construction	%	6.46	6.86	6.95	7.11	8.01	7.42	7.63	7.56	7.69	7.85
Transport, etc.	%	7.23	7.39	7.57	7.65	0.83	6.98	6.48	6.84	6.83	6.61
Hotels & Restaurants	%	3.59	3.69	3.78	3.82	3.96	3.70	3.65	3.59	3.66	3.73
Wholesale, etc.	%	13.08	12.99	12.79	12.25	12.93	12.11	12.08	12.05	11.95	11.94
Other	%	42.40	42.64	43.65	45.00	48.72	45.60	46.26	46.06	45.88	46.44
Consumer prices	%	3.30	3.29	4.07	3.57	3.04	2.23	1.87	1.30	0.89	0.59
Exchange rate		14.49	14.61	14.35	13.72	13.64	13.14	13.36	13.90	14.00	13.76
Unemployment rate	%	4.12	4.53	4.71	5.40	5.28	5.27	5.64	5.66	5.73	5.32

Note: The monetary data has been converted from ATS to EURO with the conversion rate of 13.7603. Reason: usual procedure of the statistical offices of the EU.

Source: Federal Reserve Statistical Release, Statistic Austria, WIFO, IFIP

Interpretation of data

The share of the primary sector was continuously decreasing during the last 10 years from 3,3% to 2%, the value added of the sector decreased by about 12% (about 27% in real terms). Also the secondary sector's share was falling about 1%-point while increasing its value added by about 42% (about 18% in real terms). The tertiary sector grew during that period by about 2,5 percentage points.

Figure 27 shows the absolute numbers of value added of important economic sectors at 1990 prices. The trend of all sectors is quite constant growth with the exception of the transport sector¹. In principle there was no significant change of the GDP-shares of the sectors (see Figure 28). Only the construction sector grew relatively larger and ranks now before the transport sector.

Agricultural sector

The agricultural sector was particularly hit by Austria's entrance into the EU in 1995. After major reorganisations 70% of the agricultural companies² take part in the environmental programme ÖPUL, i.e. in ecological-oriented farming (EU – average = 20%). It has already been mentioned that the value added of the sector was declining, it is therefore no surprise that the labour force diminished substantially, moving mainly to the manufacturing industries.

Construction sector:

The construction sector was growing at a relatively constant annual rate (average: nearly 7%, average real growth rate 4,6%) and in 1999 the value added (nom.) was about 78% higher than in 1990 (value added at constant prices was about 48% higher → see Figure 27). But the sector increased not only in absolute but also in relative terms: its share in GDP grew from a value of 6,5% to 7,9% (Table 5).

Hotels and restaurants sector:

The value added of this sector increased in real terms over the period by about 27% (Figure 27) without changing its share in GDP significantly (see Table 5).

Manufacturing industry:

The manufacturing sector increased its nominal value added during the 1990s by about 32% and at constant prices by about 10% (see Figure 27) while the sectoral share in GDP was going down by about 2,5 percentage points (see Table 5). The growth trend of this sector is since 1995 very continuous.

Transport, storage and telecommunication sector:

Measured by nominal values the transport, storage and telecommunication sector grew by about 34% over the period (Figure 27 shows the growth rate at constant prices which was about 11%), which is again less than GDP growth so that the sector share fell by about a half percentage points (Table 5).

The developments in this sector are heavily influenced by Austria's and EU transport policy. For example, agreements between the EU and Austria aiming at the reduction of NOx and other emissions of commercial trucks have reduced partially and/or restructured heavy traffic through and within Austria. To give exemplary figures: between 1993 and

¹ The apparent downswing of the transport sector in the year 1994 may result from a error in the data.

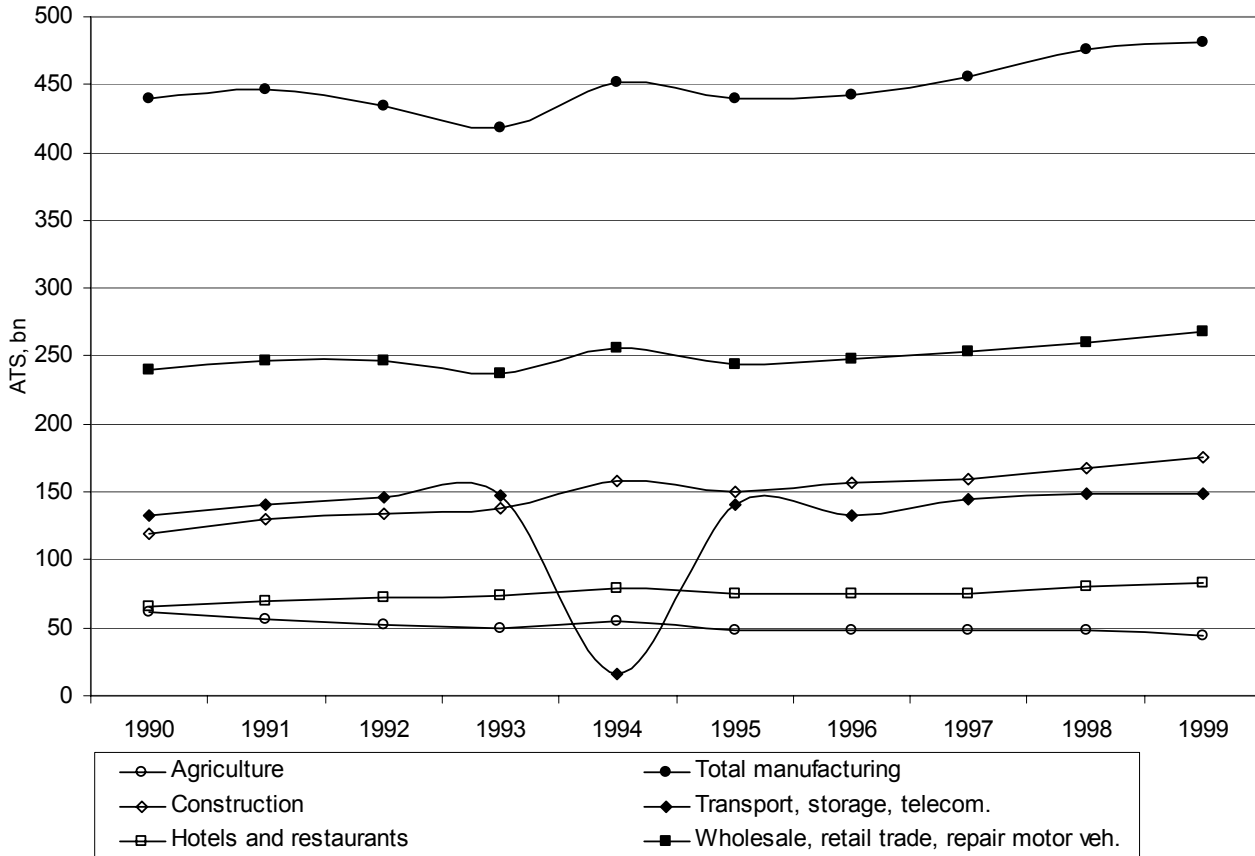
² Bundespressedienst - Österreich: „Tatsachen und Zahlen“ Wien, 2000
[Federal press service – Austria: “Facts and numbers” Vienna, 2000]

1996 truck traffic was rising by about 20% whereas NOx emissions were reduced more than required by the agreement¹.

Wholesale, retail trade, repair motor vehicle sector:

Also this sector grew constantly by about 34% (nom.) over the period, or about 11% (real) see Figure 27 and Table 4, but again less than GDP in total, so that its share in GDP decreased by about one percentage point (see Table 5 and Figure 28).

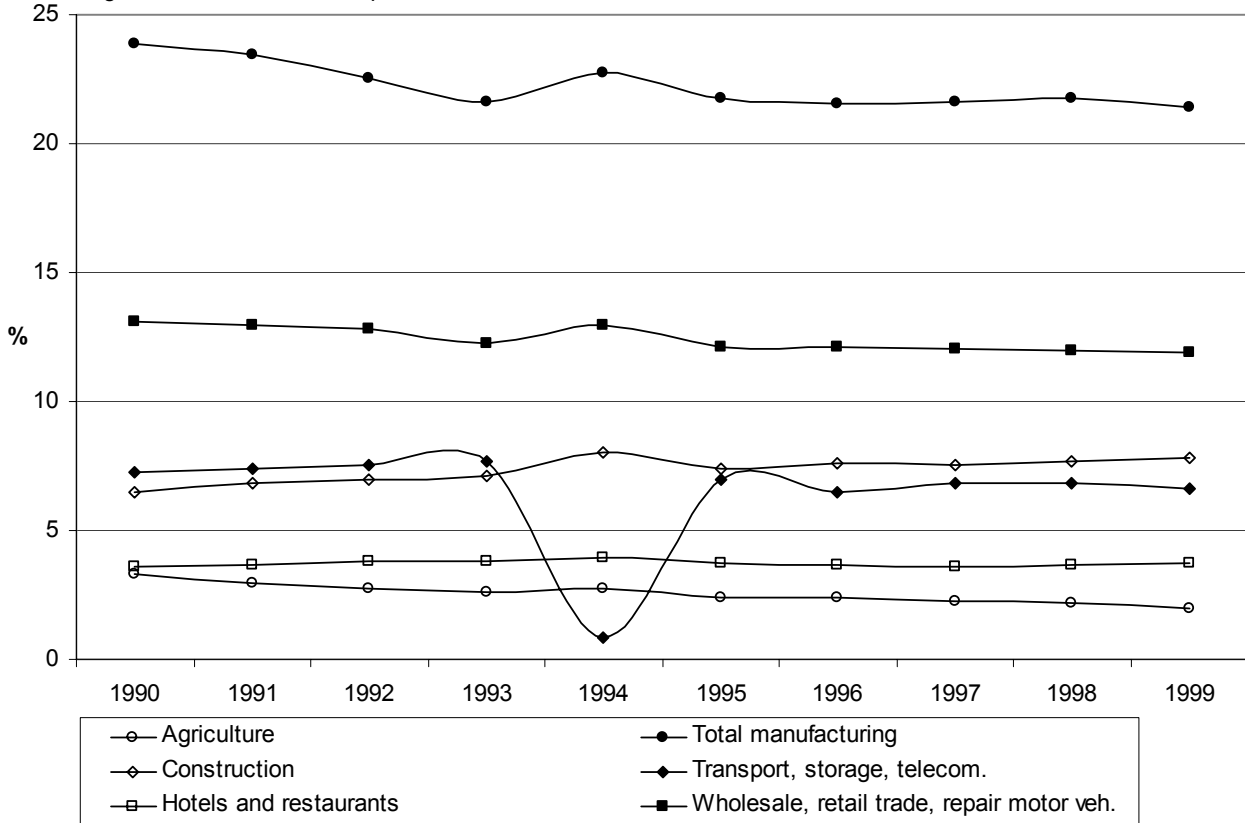
Figure 27: Austria – Trend of the value added of important economic sectors, ATS, bn, real, Prices 1990



Source: IFIP own calculation based on Data of Statistic Austria and WIFO

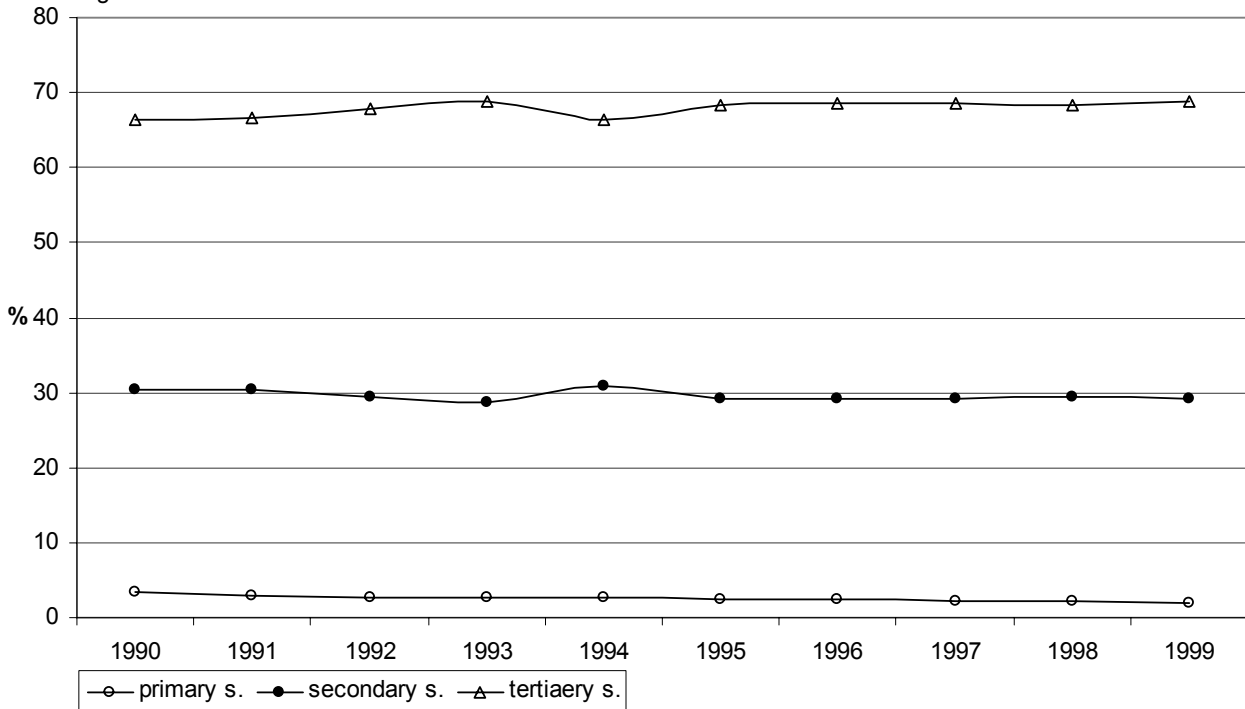
¹ WIFO: “Erste Bewertung des Transitvertrags“, Wilfried Puwein, 24. Feb. 1998
[WIFO: “First evaluation of the transit pact”, Wilfried Puwein, 24. Feb. 1998]

Figure 28: Austria – development of the sectoral GDP-shares



Source: IFIP own calculation based on Data of Statistic Austria and WIFO

Figure 29: Austria – Shares of the main sectors



Source: IFIP own calculation based on Data of Statistic Austria and WIFO

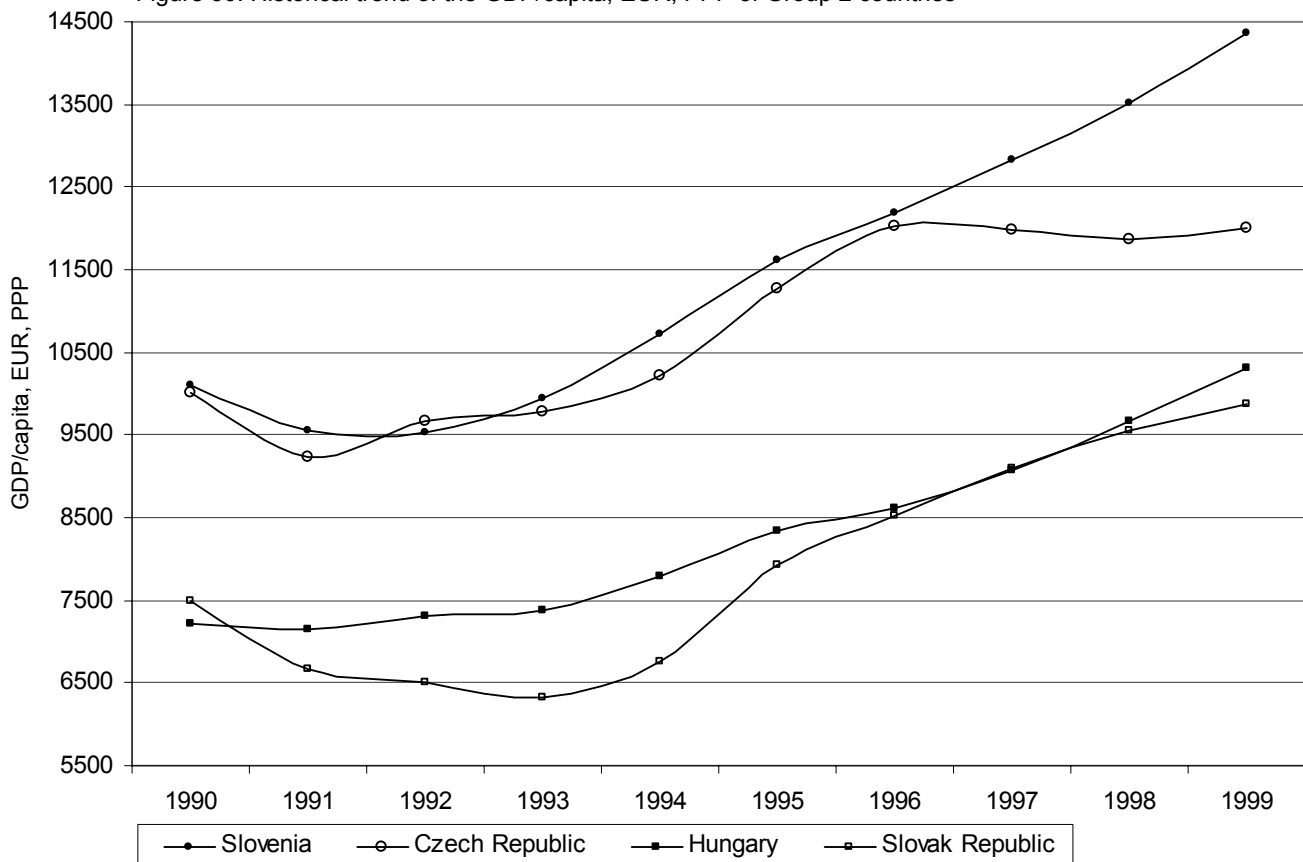
4. The development of group 2 countries

4.1. GDP trends

All countries in this group suffered from the system change (market shock) at the beginning of the 1990s. With the notable exception of Hungary, the shock also caused the GDP in these countries to contract in monetary terms for different lengths of time (Figure 30)

Between 1991 and 1993 all of the countries of Group 2 were able to stop the downswing and especially Slovenia impressed by here excellent development. An overview over the economic situation at the end of the year 1999 offer Table 1 and Figure 30.

Figure 30: Historical trend of the GDP/capita, EUR, PPP of Group 2 countries



Source: IFIP own calculation, based on Data from WIIW, 2001

4.2. Czech Republic

On January 1st, 1993, the Czechs and the Slovaks agreed to separate peacefully. Until this date, the Czech and the Slovak economy have been an integrated area. However, since there have been separate parliaments for the two parts of the Czechoslovak republic, there were also separate economic statistics for the two parts. The economic data for the years 1990 to 1992 therefore are official statistics from governmental sources and not estimates.¹

The Czech Republic was hit by the transition to a market economy quite severely. In real terms, the economy contracted two years in a row (1991 and 1992), in the year 1991 by more than 11%. A positive real growth was achieved for the first time after the transition in 1993, and in the mid-1990s there were some years of quite good economic performance. However, the situation was worsening again at the end of the decade with negative real growth rates from 1997 onwards (see Table 6).

Table 6: Czech Republic – Basic data

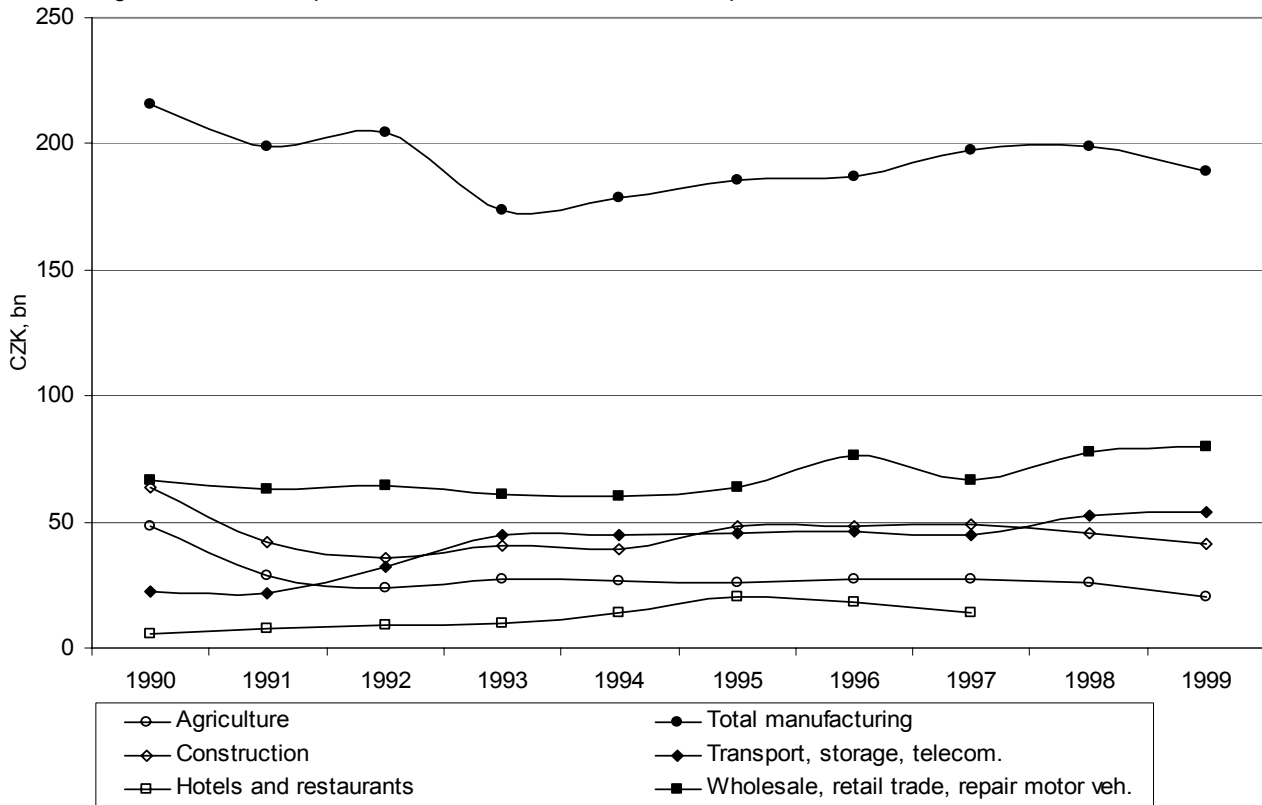
		1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
GDP, CZK, nom.	bn	626.2	753.8	842.6	1,020	1,183	1,381	1,572	1,669	1,798	1,836
Exchange rate		22.89	36.6	36.62	34.1	34.06	34.31	34.01	35.8	36.16	36.88
GDP, €, nom.	bn	27.36	20.59	23.01	29.92	34.73	40.25	46.23	46.62	49.73	49.79
GDP, €, PPP, nom.	bn	103.8	95.29	99.72	101	105.6	116.3	124	123.3	107	107.1
GDP/capita, €, nom.		2,640	1,998	2,230	2,896	3,360	3,896	4,482	4,524	4,232	4,200
GDP/capita, €, PPP		10,021	9,244	9,665	9,778	10,217	11,262	12,020	11,971	11,859	12,010
nom. growth rate	%		-7.76	4.55	1.18	4.49	10.23	6.73	-0.41	-0.94	1.27
real GDP change compared to 1990	%		-11.60	-12.04	-11.95	-10.02	-4.71	-0.13	-1.13	-3.31	-3.50
real growth rate	%		-11.60	-0.50	0.10	2.20	5.90	4.80	-1.00	-2.20	-0.20
Sector											
	primary %	7.72	5.24	4.35	4.99	4.67	4.38	4.33	4.40	4.28	3.41
	secondary %	44.65	43.50	43.60	38.86	38.71	39.16	37.62	39.79	40.29	38.20
	tertiary %	47.63	51.25	52.05	56.15	56.62	56.45	58.05	55.81	55.43	58.38
Agriculture	%	7.72	5.24	4.35	4.99	4.67	4.38	4.33	4.40	4.28	3.41
Total manufacturing	%	34.48	35.88	37.10	31.49	31.74	31.08	29.90	31.84	32.81	31.32
Construction	%	10.17	7.62	6.50	7.37	6.97	8.08	7.72	7.94	7.48	6.88
Transport, etc.	%	3.53	3.89	5.79	8.16	7.92	7.59	7.41	7.24	8.62	8.88
Hotels & Restaurants	%	0.91	1.40	1.62	1.82	2.49	3.35	2.86	2.28		
Wholesale, etc.	%	10.60	11.35	11.73	11.04	10.66	10.71	12.19	10.76	12.83	13.18
Other	%	32.59	34.61	32.90	35.12	35.54	34.80	35.58	35.53	33.98	36.33
Consumer prices	%	9.70	56.60	11.10	20.80	10.00	9.10	8.80	8.50	10.70	2.10
Exchange rate		22.89	36.60	36.62	34.10	34.06	34.31	34.01	35.80	36.16	36.88
Unemployment rate	%	0.80	4.10	2.60	3.50	3.20	2.90	3.50	5.20	7.50	9.40

Source: WIIW, IFIP

It seems, however, that the recession has been surpassed. In 2001, the Czech economy was growing again despite the economic downturn in Europe. The forecasts for the years 2003 to 2005 are quite optimistic (expected average growth rates of 4% to 5%), on the condition that the world economy will recover from the current slump.

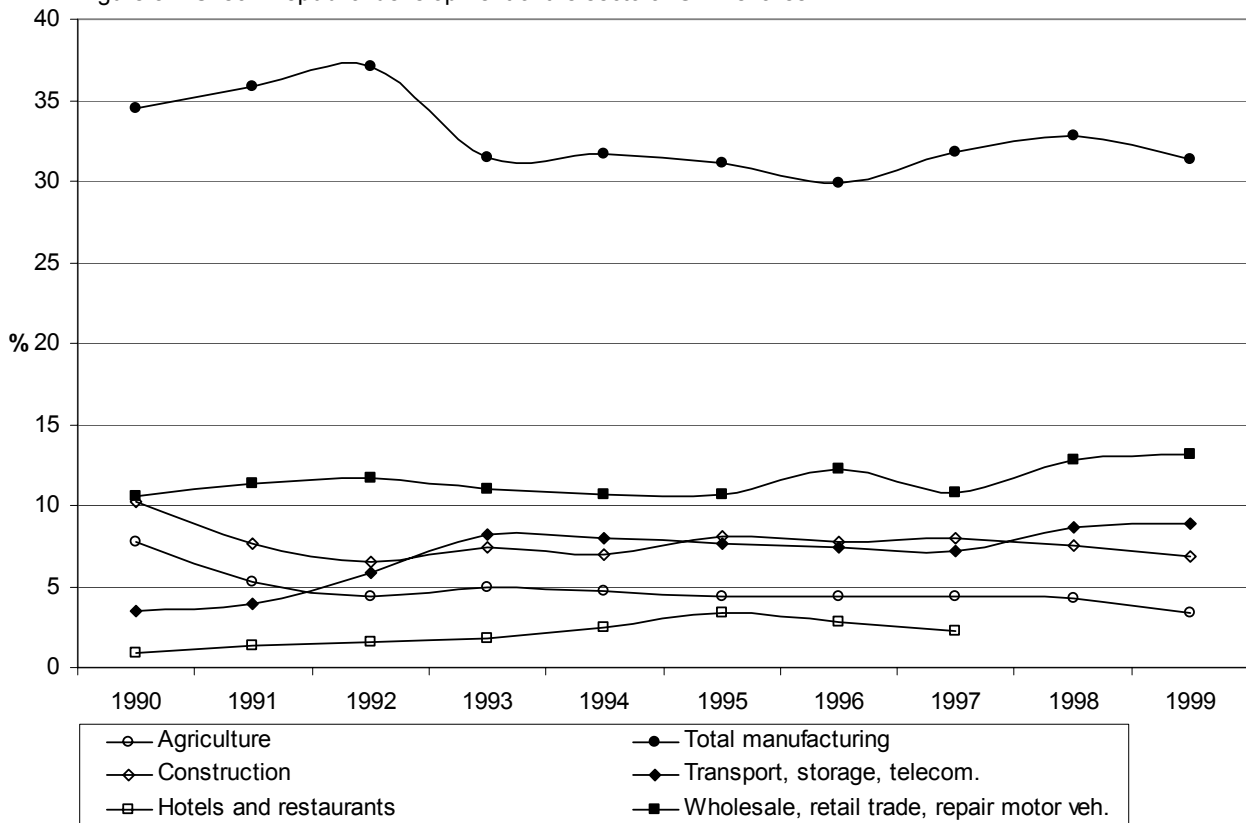
¹ Information from Dipl. -Ing. Zdenek Lukas, WIIW, 2002

Figure 31: Czech Republic – Trend of the value added of important economic sectors, CZK, bn, real, Prices 1990



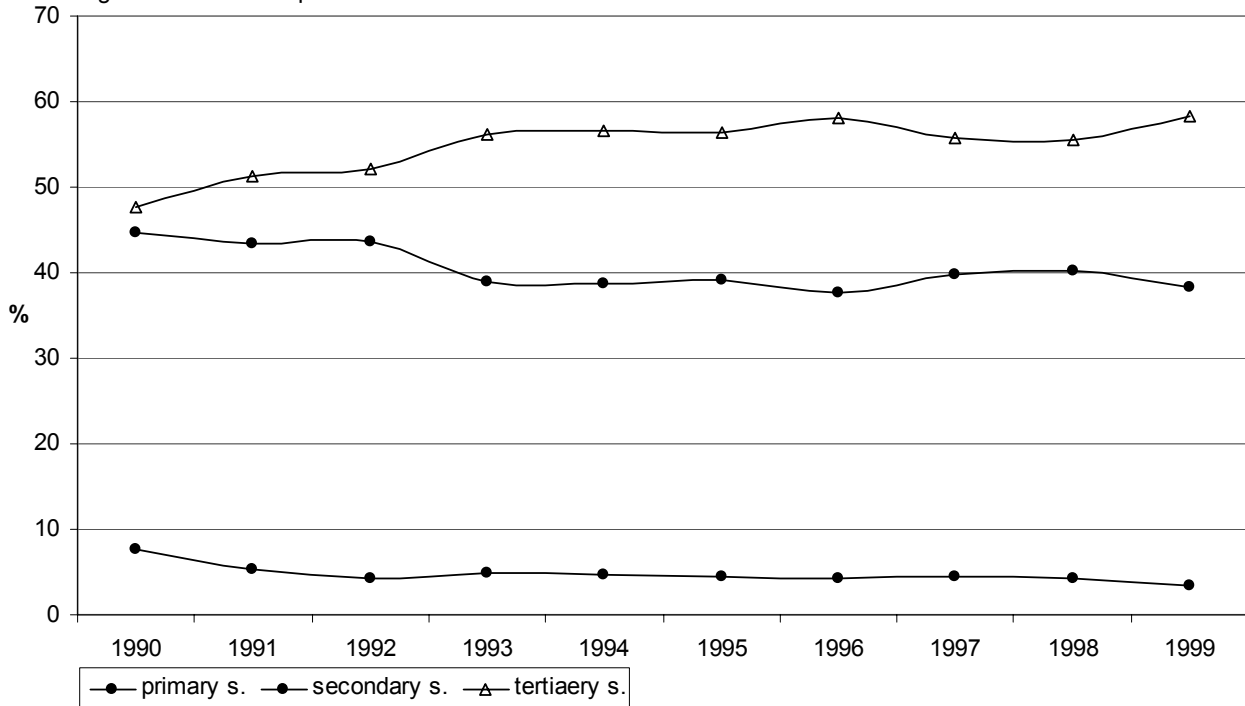
Source: IFIP own calculation, based on Data from WIIW, 2001

Figure 32: Czech Republic: development of the sectoral GDP-shares



Source: IFIP own calculation, based on Data from WIIW, 2001

Figure 33: Czech Republic – Shares of the main sectors



Source: IFIP own calculation, based on Data from WIIW, 2001

Tourism has become an important branch, contributing almost 10% to the GDP. In agriculture, it has been the goal to follow the american model to create large companies. Consequently, today only one fourth to one third of the agricultural companies are still small (family) enterprises. In any case, there was a significant break down af value added in this sector at the beginning of the nineties (-40% 1991, -18% 1992, in real terms. see Figure 31).

4.3. Hungary

The Hungarian economy experienced the negative effects of the transition even longer than the Czech Republic. Until 1993 the economy was shrinking in real terms every year, boosting the unemployment rate from only 2% in 1990 to 14% in 1993. After 1993, however, Hungary achieved steady real growth until the end of the 1990s, so that the labour market situation improved so that the rate of unemployment was coming down below 10% in 1999.

On the other hand, during the whole decade Hungary was struggling with rather high rates of inflation (up to almost 30% in 1995), and only at the end of the decade the price increases out 10% in 1999 were again relatively moderate (see Table 7).

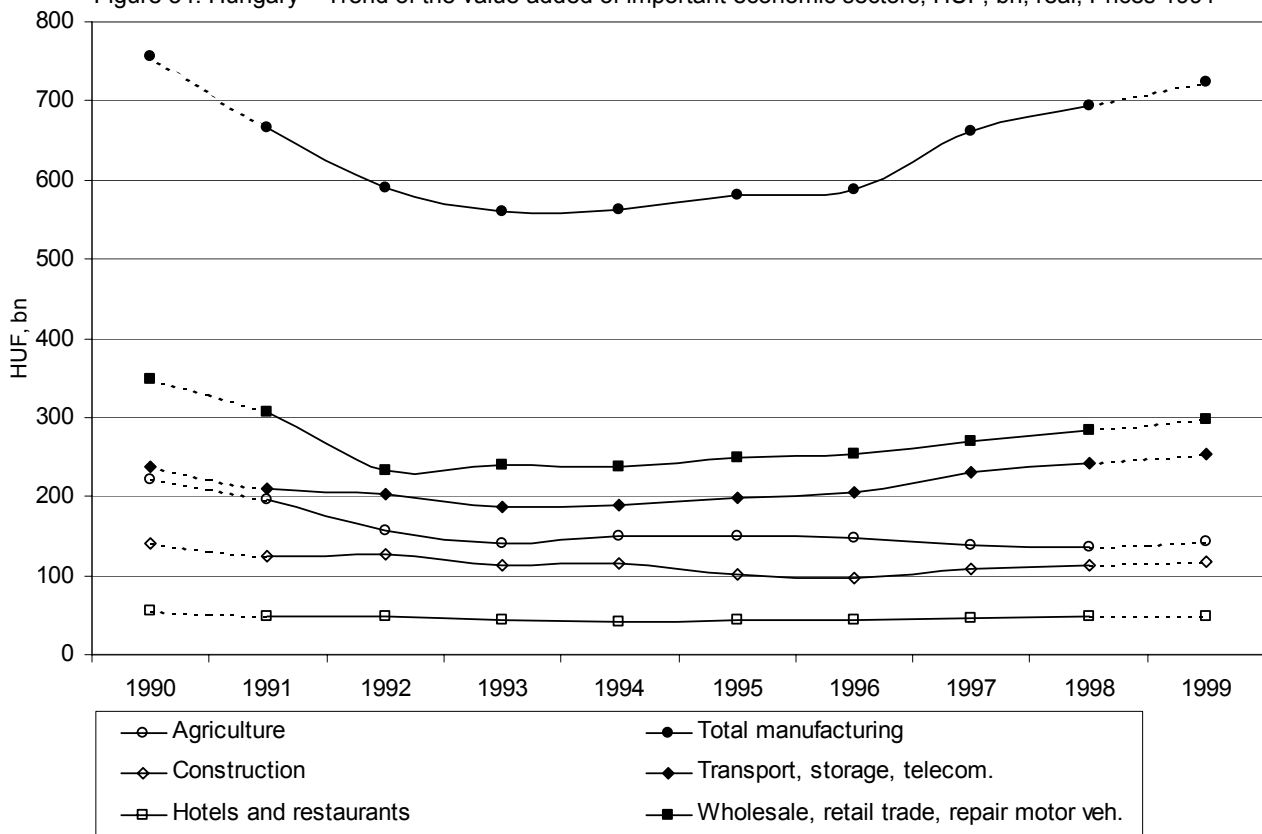
The forecasts for this year (2002) and the immediate future are nevertheless quite optimistic also for Hungary. In November 2001, experts were expecting a real growth rate of 3,8% in 2002 and of 4% for 2003.

Table 7: Hungary – Basic data

		1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
GDP, HUF, nom.	bn	2,089	2,498	2,943	3,548	4,365	5,614	6,894	8,541	10,087	11,439
Exchange rate		80.48	92.70	102.10	107.50	124.78	162.65	191.15	210.93	240.98	252.80
GDP, €, nom.	bn	25.96	26.95	28.82	33.01	34.98	34.52	36.07	40.49	41.86	45.25
GDP, €, PPP, nom.	bn	74.72	73.96	75.38	75.82	79.81	85.07	87.63	92.00	97.66	103.60
GDP/capita, €, nom.			2,607	2,795	3,212	3,414	3,380	3,545	3,995	4,148	4,505
GDP/capita, €, PPP		7,216	7,155	7,311	7,377	7,790	8,330	8,613	9,077	9,677	10,315
nom. growth rate	%		-0.86	2.18	0.91	5.59	6.94	3.39	5.39	6.61	6.59
real GDP change compared to 1990	%		-11.90	-14.63	-15.14	-12.68	-11.37	-10.22	-6.09	-1.49	2.94
real growth rate	%	-4	-11.90	-3.10	-0.60	2.90	1.50	1.30	4.60	4.90	4.50
<u>Sector</u>											
	primary %		7.81	6.45	5.81	6.01	5.93	5.84	5.21	4.87	
	secondary %		31.62	29.61	27.95	27.38	27.15	26.87	28.91	28.85	
	tertiary %		60.57	63.94	66.24	66.61	66.92	67.30	65.87	66.27	
Agriculture	%		7.81	6.45	5.81	6.01	5.93	5.84	5.21	4.87	
Total manufacturing	%		26.68	24.38	23.23	22.76	23.09	23.08	24.86	24.83	
Construction	%		4.94	5.23	4.72	4.61	4.06	3.78	4.05	4.02	
Transport, etc.	%		8.40	8.34	7.81	7.65	7.89	8.07	8.62	8.68	
Hotels & Restaurants	%		1.94	1.96	1.79	1.68	1.76	1.75	1.76	1.70	
Wholesale, etc.	%		12.30	9.65	9.97	9.64	9.92	9.92	10.15	10.18	
Other	%		37.93	44.00	46.67	47.65	47.35	47.56	45.34	45.72	
Consumer prices	%	28.90	35.00	23.00	22.50	18.80	28.20	23.60	18.30	14.30	10.00
Exchange rate		80.48	92.70	102.10	107.50	124.78	162.65	191.15	210.93	240.98	252.80
Unemployment rate	%	2.00	8.20	13.90	14.00	12.00	11.70	11.40	11.00	9.60	9.60

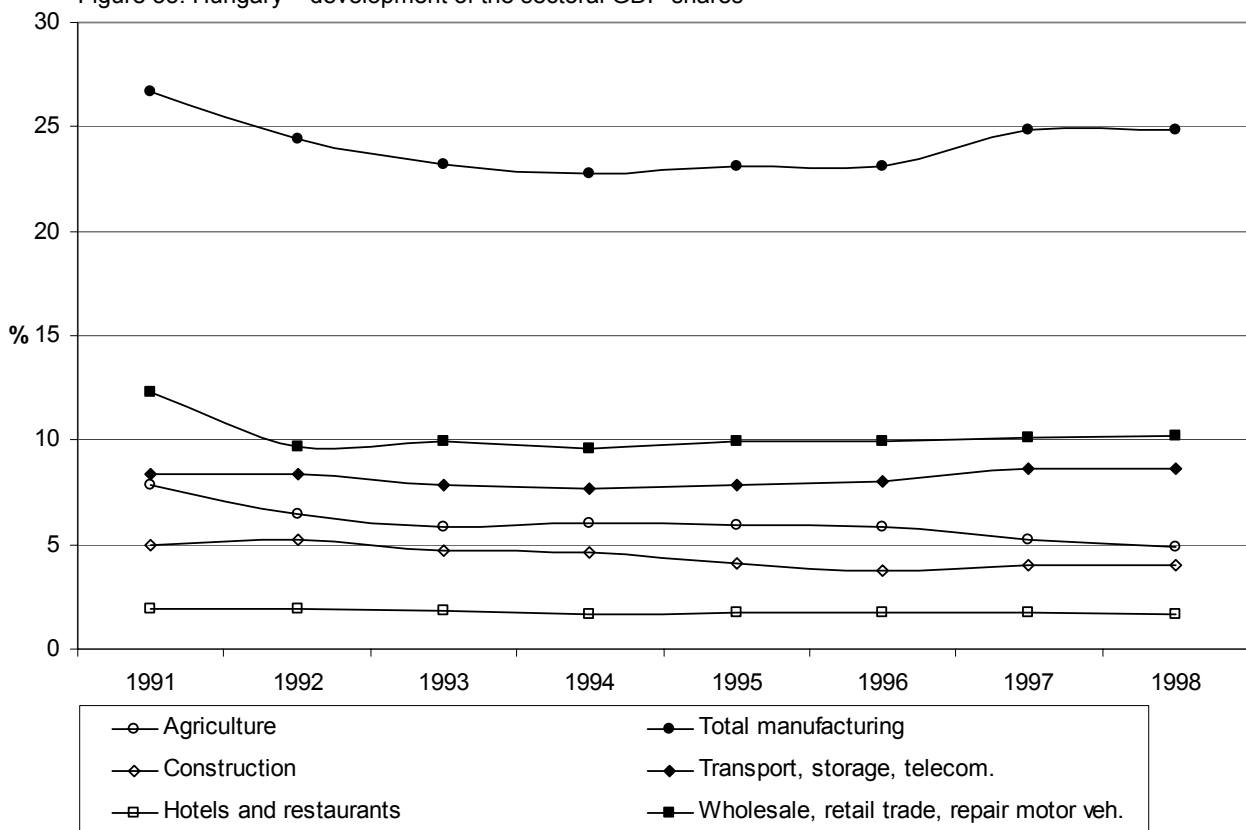
Source: WIIW, IFIP

Figure 34: Hungary – Trend of the value added of important economic sectors, HUF, bn, real, Prices 1991



Source: IFIP own calculation, based on Data from WIIW, 2001¹

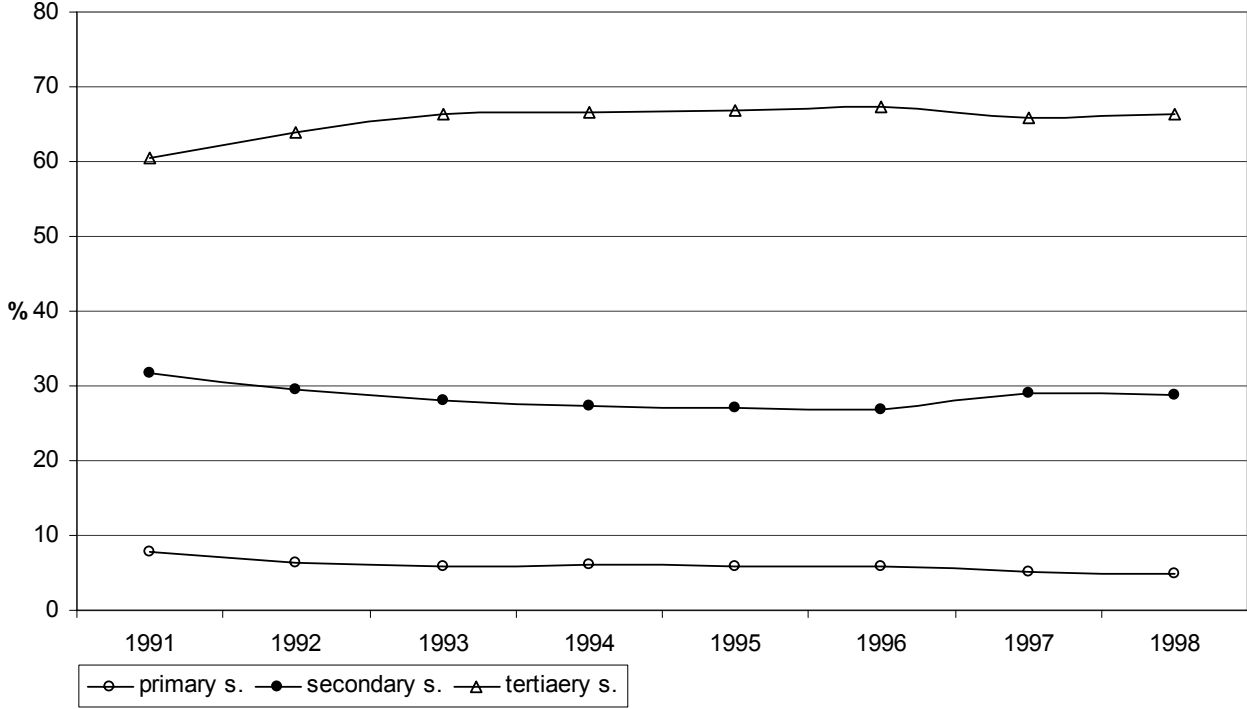
Figure 35: Hungary – development of the sectoral GDP-shares



Source: IFIP own calculation, based on Data from WIIW, 2001

¹ Interrupted lines represent estimates.

Figure 36: Hungary – Shares of the main sectors



Source: IFIP own calculation, based on Data from WIIW, 2001

4.4. Slovak Republic

The effects of the transition were felt also quite strongly in the Slovak economy and they were rather similar to those in Hungary. Again, a contraction of the economy in real terms until the year 1993 led to exploding unemployment rates from only 1,6% in 1990 to over 14% in 1993 (see Table 8).

Even the strong growth performance after 1993 was not able to bring down unemployment rates substantially, and at the end of the decade unemployment became a severe problem with a rate of unemployment of over 19% in 1999.

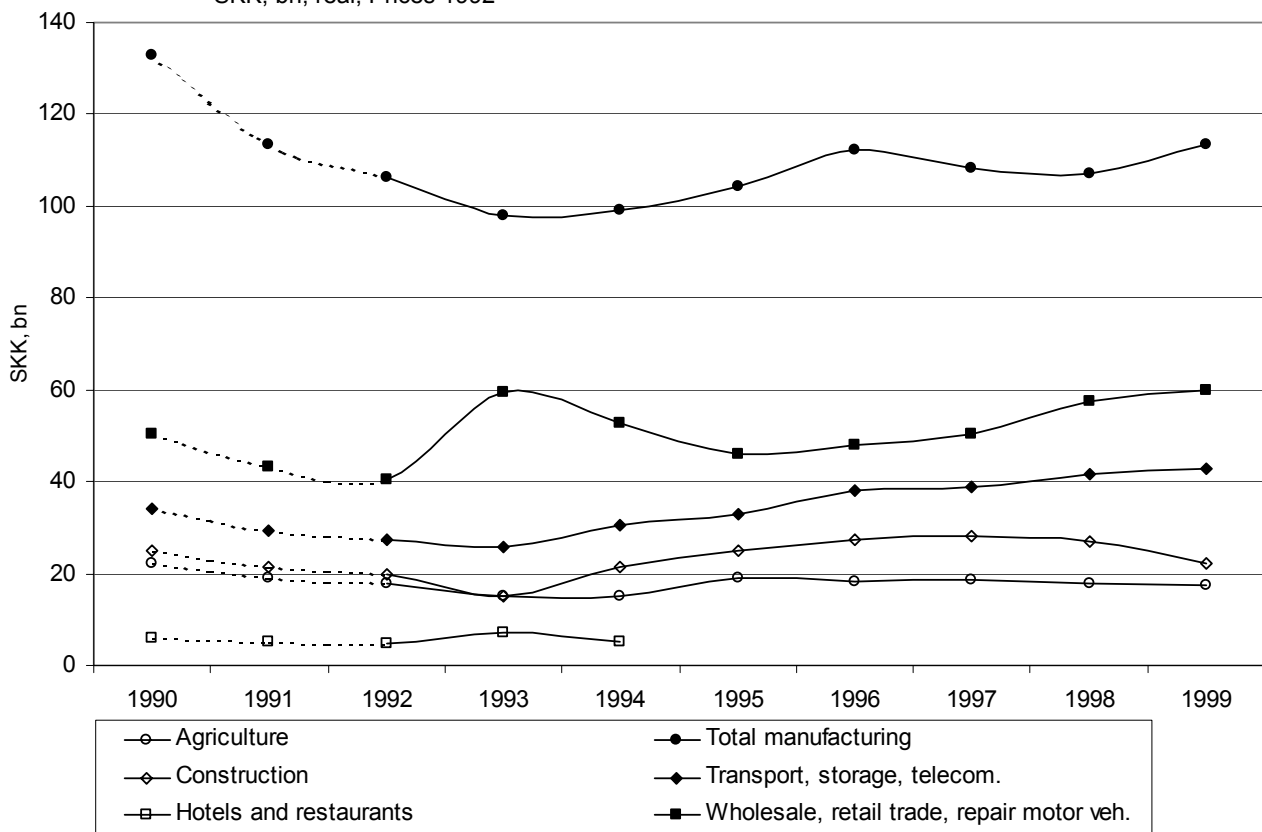
The official forecasts for the current year (2002) and for the years 2003 to 2005 with about 3% growth are rather optimistic, given the volatility of the oil price which may pose a problem for the recovery of the eastern countries in general and Slovakia in particular.

Table 8: Slovak Republic – Basic data

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
GDP, SKK, nom. Bn	278	320	332	369	441	546	606	686	751	815
Exchange rate	22.98	36.48	36.63	35.98	37.93	38.45	38.41	37.96	39.58	44.1
GDP, €, nom. Bn			9.07	10.26	11.61	12.55	13.85	15.60	16.41	16.18
GDP, €, PPP, nom. Bn	39.66	35.17	34.57	33.68	36.14	42.5	45.8	48.9	51.5	53.3
GDP/capita, €, nom.			1,709	1,927	2,172	2,340	2,577	2,898	3,044	2,999
GDP/capita, €, PPP	7,486	6,657	6,515	6,325	6,758	7,916	8,532	9,084	9,559	9,877
nom. growth rate %		-11.07	-2.12	-2.92	6.84	17.14	7.77	6.48	5.22	3.33
real GDP change compared to 1990 %		-14,60	-20,15	-23,11	-19,34	-13,93	-8,60	-2,93	1,05	2,97
real growth rate %	-2.50	-14.60	-6.50	-3.70	4.90	6.70	6.20	6.20	4.10	1.90
Sector primary %			5.34	4.68	4.47	5.27	4.79	4.61	4.21	4.07
secondary %			37.95	35.36	35.88	36.08	36.66	33.78	31.89	31.64
tertiary %			56.71	59.96	59.65	58.65	58.54	61.61	63.90	64.29
Agriculture %			5.34	4.68	4.47	5.27	4.79	4.61	4.21	4.07
Total manufacturing %			31.97	30.63	29.48	29.10	29.51	26.83	25.47	26.44
Construction %			5.99	4.73	6.40	6.98	7.15	6.95	6.42	5.20
Transport, etc. %			8.23	8.04	9.05	9.17	10.01	9.58	9.87	9.99
Hotels & Restaurants %			1.45	2.24	1.55					
Wholesale, etc. %			12.12	18.59	15.73	12.83	12.62	12.47	13.69	14.00
Other %			34.91	31.10	33.33	36.65	35.92	39.56	40.34	40.30
Consumer prices %	10.40	61.20	10.00	23.20	13.40	9.90	5.80	6.10	6.70	10.60
Exchange rate %	22.98	36.48	36.63	35.98	37.93	38.45	38.41	37.96	39.58	44.10
Unemployment rate %	1.60	11.80	10.40	14.40	14.60	13.10	12.80	12.50	15.60	19.20

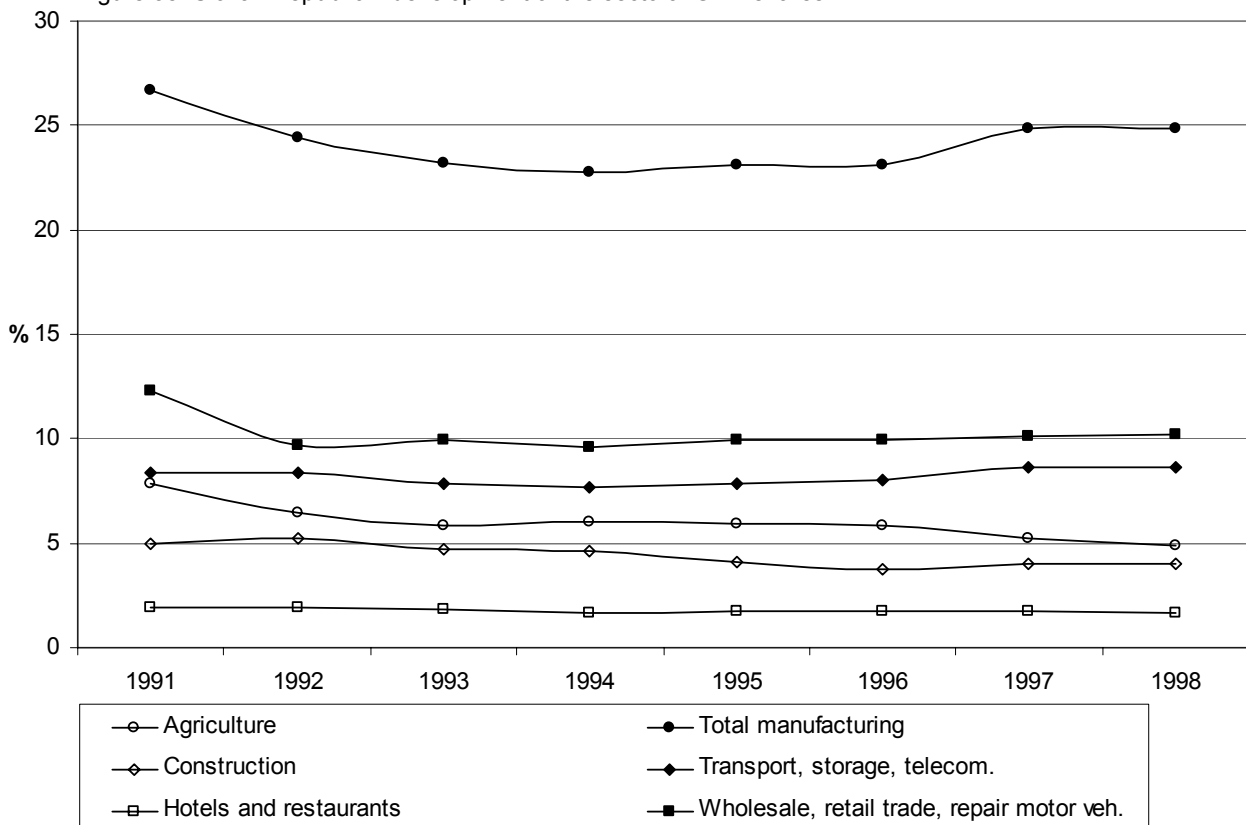
Source: WIIW, IFIP

Figure 37: Slovak Republic – Trend of the value added of important economic sectors, SKK, bn, real, Prices 1992



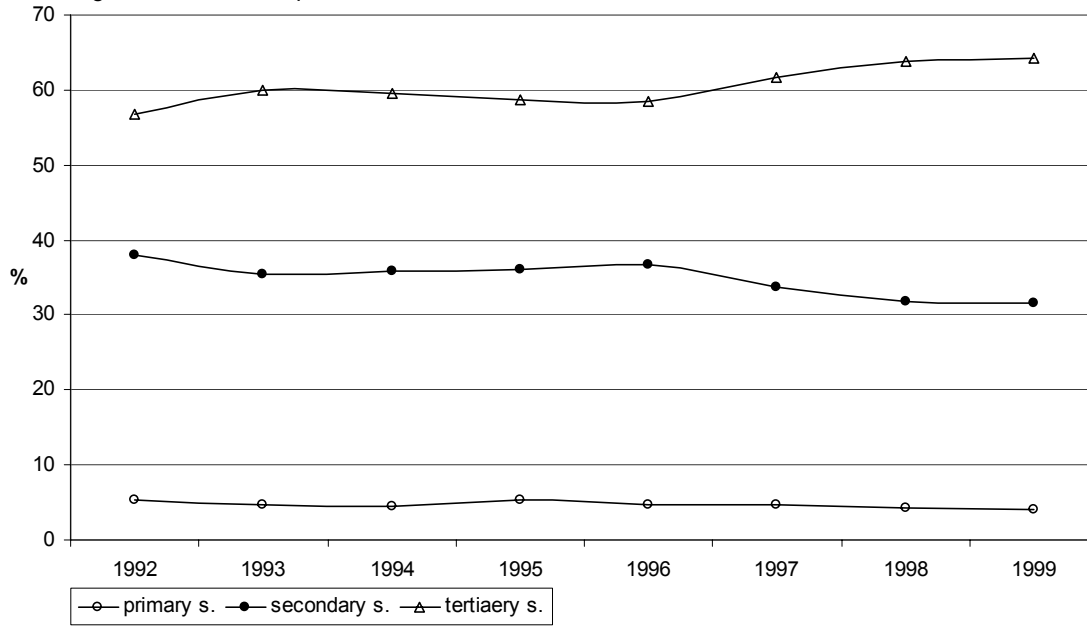
Source: IFIP own calculation, based on Data from WIIW, 2001

Figure 38: Slovak Republic – development of the sectoral GDP-shares



Source: IFIP own calculation, based on Data from WIIW, 2001

Figure 39: Slovak Republic – Shares of the main sectors



Source: IFIP own calculation, based on Data from WIIW, 2001

4.5. Slovenia

The republic of Slovenia is an independent and autonomous state since 1991. Also Slovenia could not escape the negative effects of the transition. For three years in a row (1990 to 1992) the economy was contracting in real terms, and unemployment rates went up from 5,8% in 1990 to more that 15% in 1993. Furthermore, Slovenia also suffered from two years of hyperinflation (1991 and 1992) with inflation rates of more than 100%.

From 1993 onwards the economic situation started to improve. With a steady growth between 3% and 5% it was possible to keep unemployment from rising even further and the rate of unemployment was reduced down to 13% at the end of the decade.

Furthermore, price level changes normalised slowly and were down to under 10% in the second half of the nineties (see Table 9).

In the years to come economists expect an economic growth of 3% (to 4% at maximum).¹ The growth perspectives seem to be that a slow but steady increase in GDP will follow from a cautious strategy of privatisation (in manufacturing) and from an only slowly expanding touristic infrastructure.

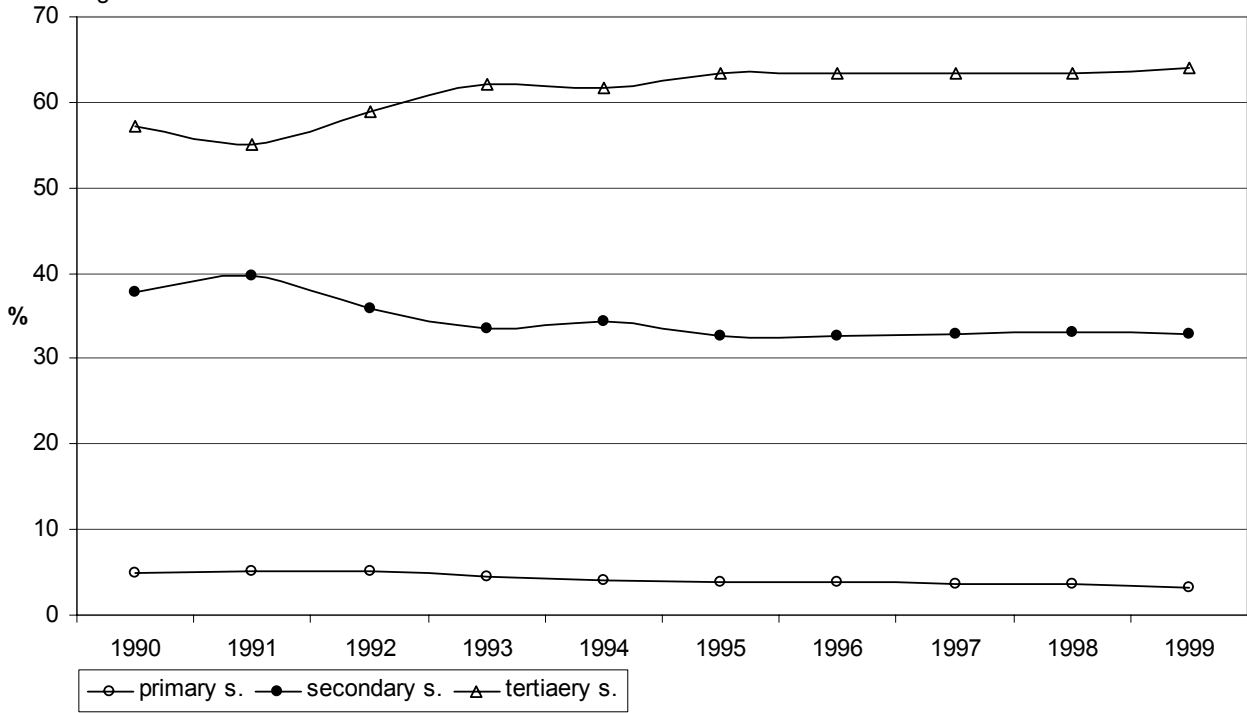
Table 9: Slovenia – Basic data

		1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
GDP, SIT, nom.	bn	197	349	1,018	1,435	1,853	2,221	2,555	2,907	3,254	3,637
Exchange rate		14.39	34.02	105	132.3	152.4	153.1	169.5	180.4	186.3	193.6
GDP, nom.	bn	13.67	10.27	9.69	10.85	12.16	14.51	15.08	16.12	17.47	18.79
GDP, PPP, nom.	bn	20.20	19.10	19.00	19.77	21.31	23.07	24.28	25.50	26.79	28.52
GDP/capita, nom.		6,843	5,131	4,857	5,450	6,115	7,300	7,571	8,111	8,811	9,461
GDP/capita, PPP		10,110	9,543	9,519	9,933	10,713	11,607	12,192	12,835	13,513	14,362
nom. growth rate	%		-5.61	-0.25	4.34	7.85	8.35	5.04	5.27	5.28	6.28
real GDP change compared to 1990	%		-8.90	-13.91	-11.50	-6.81	-2.99	0.41	5.03	9.02	14.36
real growth rate	%	-4.70	-8.90	-5.50	2.80	5.30	4.10	3.50	4.60	3.80	4.90
Sector											
	primary %	5.01	5.15	5.19	4.51	3.96	3.94	3.86	3.72	3.59	3.17
	secondary %	37.76	39.71	35.87	33.43	34.38	32.64	32.71	32.91	33.02	32.78
	tertiary %	57.23	55.14	58.94	62.06	61.66	63.43	63.42	63.37	63.39	64.04
Agriculture	%	5.01	5.15	5.19	4.51	3.96	3.94	3.86	3.72	3.59	3.17
Total manufacturing	%	33.43	36.04	32.06	29.33	30.26	28.29	27.87	27.99	28.13	27.47
Construction	%	4.33	3.67	3.80	4.10	4.12	4.35	4.85	4.92	4.90	5.31
Transport, etc.	%	7.79	7.16	6.53	6.82	6.55	6.70	6.62	7.05	7.16	7.05
Hotels & Restaurants	%	2.04	1.80	2.23	2.54	2.61	2.57	2.68	2.66	2.59	2.57
Wholesale, etc.	%	10.41	8.83	9.41	9.71	10.30	10.46	10.07	10.12	10.04	10.01
Other	%	36.99	37.36	40.77	42.99	42.19	43.70	44.05	43.54	43.60	44.41
Consumer prices	%	551.6	115.0	207.3	32.90	21.00	13.50	9.90	8.40	7.90	6.10
Exchange rate		14.4	34.0	105.0	132.28	152.36	153.12	169.51	180.40	186.27	193.63
Unemployment rate	%	5.80	10.10	13.40	15.40	14.20	14.50	14.40	14.80	14.60	13.00

Source: WIIW, IFIP

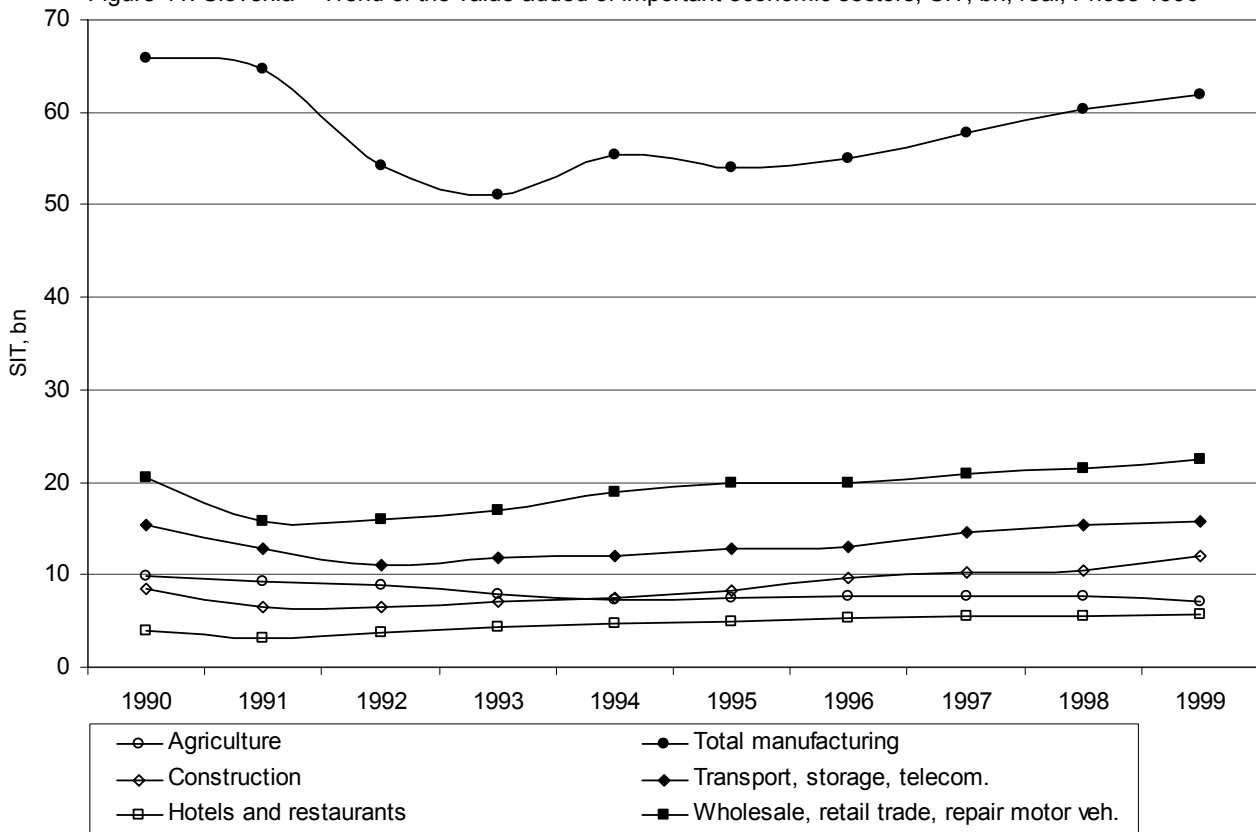
¹ Mag. Vidovic, WIIW

Figure 40: Slovenia – Shares of the main sectors



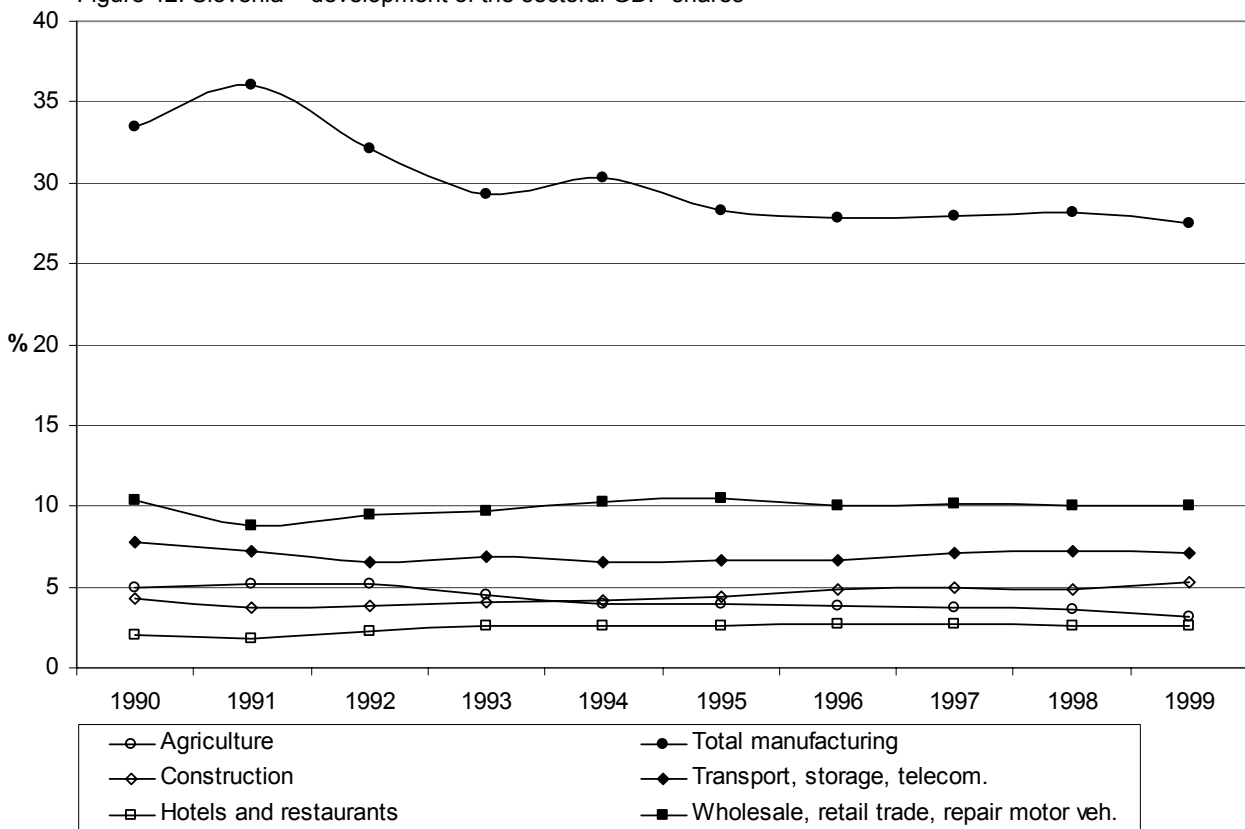
Source: IFIP own calculation, based on Data from WIIW, 2001

Figure 41: Slovenia – Trend of the value added of important economic sectors, SIT, bn, real, Prices 1990



Source: IFIP own calculation, based on Data from WIIW, 2001

Figure 42: Slovenia – development of the sectoral GDP-shares

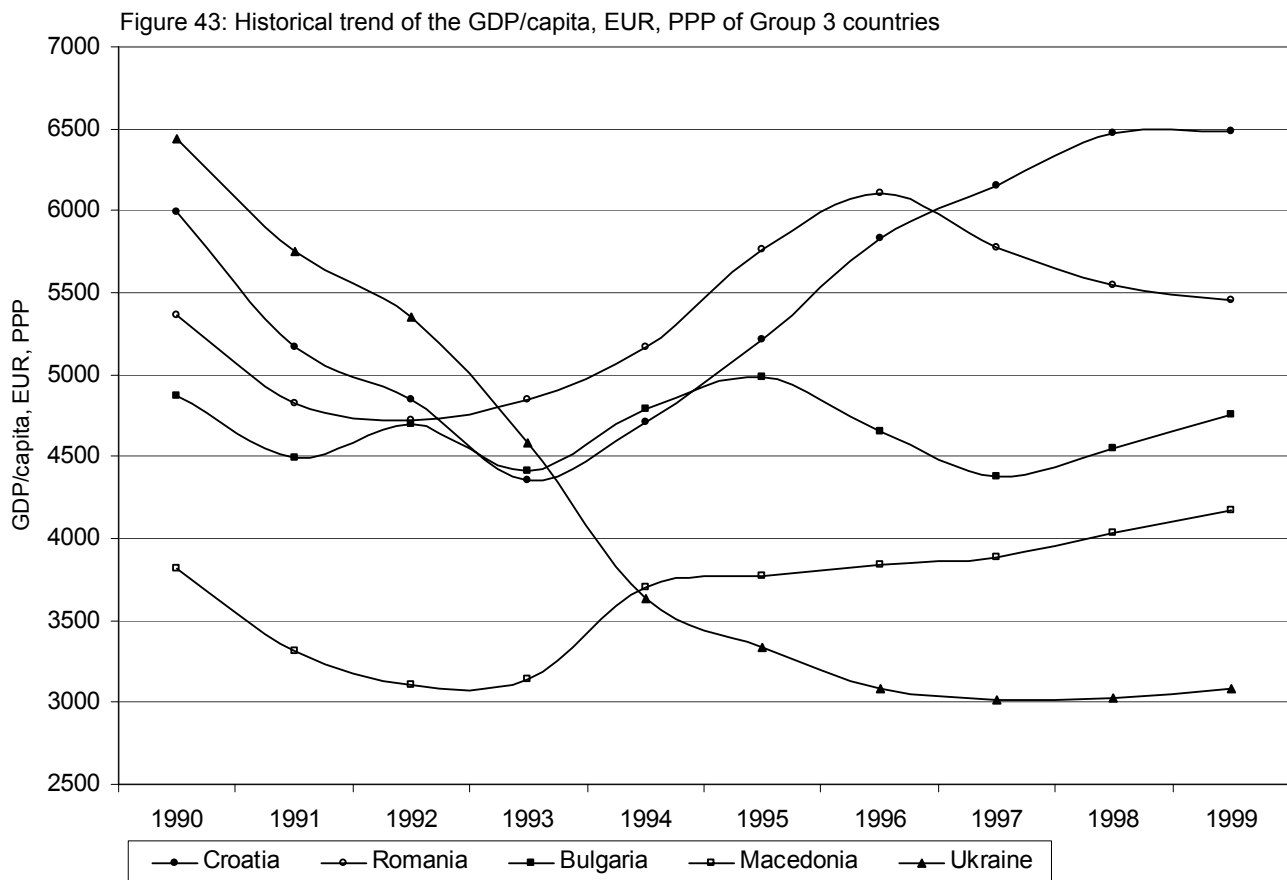


Source: IFIP own calculation, based on Data from WIIW, 2001

5. The development of group 3 countries

5.1. GDP trends

All of the countries in this group had enormous economic problems after the end of the Sovietunion and as a consequence of their own transition from plan to market. Soaring consumer prices and unemployment rates were the most visible evils. As a result, the GDP dropped down at the beginning of the 1990s in all countries (Figure 43; GDP per capita). A comparison of the real growth performance of these countries is given in Table 10 and in Figure 44 (GDP).



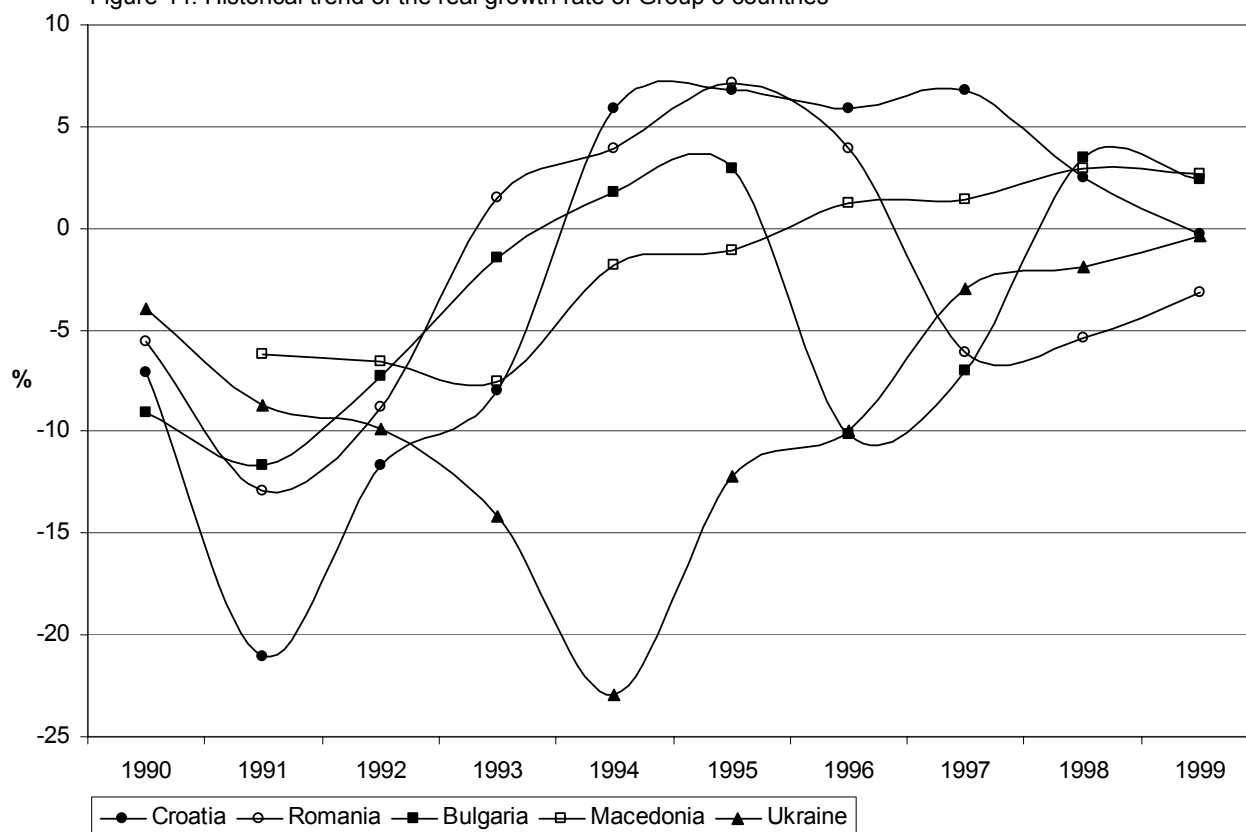
Source: IFIP own calculation, based on Data from WIIW, 2001

Table 10: Real growth rates of Group 3 economies

Country	real growth rate, %									
	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
Bulgaria	-9.1	-11.7	-7.3	-1.5	1.8	2.9	-10.1	-7	3.5	2.4
Croatia	-7.1	-21.1	-11.7	-8	5.9	6.8	5.9	6.8	2.5	-0.3
Macedonia		-6.2	-6.6	-7.5	-1.8	-1.1	1.2	1.4	2.9	2.7
Romania	-5.6	-12.9	-8.8	1.5	3.9	7.1	3.9	-6.1	-5.4	-3.2
Ukraine	-4	-8.7	-9.9	-14.2	-22.9	-12.2	-10	-3	-1.9	-0.4
	average real growth rate, %									
Bulgaria	90' to 93'	-7.40	90' to 93'	-7.40	94' to 99'	-1.08	94' to 99'	-1.08	90' to 99'	-3.61
Croatia	90' to 93'	-11.98	90' to 93'	-11.98	94' to 99'	4.60	94' to 99'	4.60	90' to 99'	-2.03
Macedonia	91' to 93'	-6.77	91' to 95'	-4.64	94' to 99'	0.88	96' to 99'	2.05	91' to 99'	-1.67
Romania	90' to 93'	-6.45	90' to 92'	-9.10	94' to 99'	0.03	93' to 99'	0.24	90' to 99'	-2.56
Ukraine	90' to 93'	-9.20	90' to 99'	-8.72	94' to 99'	-8.40			90' to 99'	-8.72
average		-8.36				-0.79				-1.86

Source: WIIW, IFIP, 2001

Figure 44: Historical trend of the real growth rate of Group 3 countries



Source: WIIW, 2001

5.2. Ukraine

Ukraine, which was the country in group 3 with the highest GDP p.c. (Euro, PPP) in 1990 was at the end of the 1990s the country with the lowest GDP p.c. (see Figure 43). The simple explanation is that Ukraine is the only country in the group with an economy shrinking in real terms every year from 1990 to 1999 (see Table 11). The official unemployment rate does not seem to reflect this dark picture. Despite an increase by a magnitude of 10 (from 0,3% in 1992 to 4,3% in 1999), the official rates are still very low compared to other transition countries. The explanation for these rather small unemployment rates may be either that official statistics do not cover real unemployment because of no incentive for unemployed people to register, and/or that agriculture, which is still a very large sector in the Ukraine, works as a pool for many people waiting for better job opportunities in other parts of the economy.

Quite similar to other countries in group 3, also the Ukraine had to suffer from hyperinflation in the 1990s (e.g. inflation rates of more than 1000% in 1992 and 1993). Inflation was still high at the end of the decade but on more tolerable levels (10% to 20%).

Table 11: Ukraine – Basic data

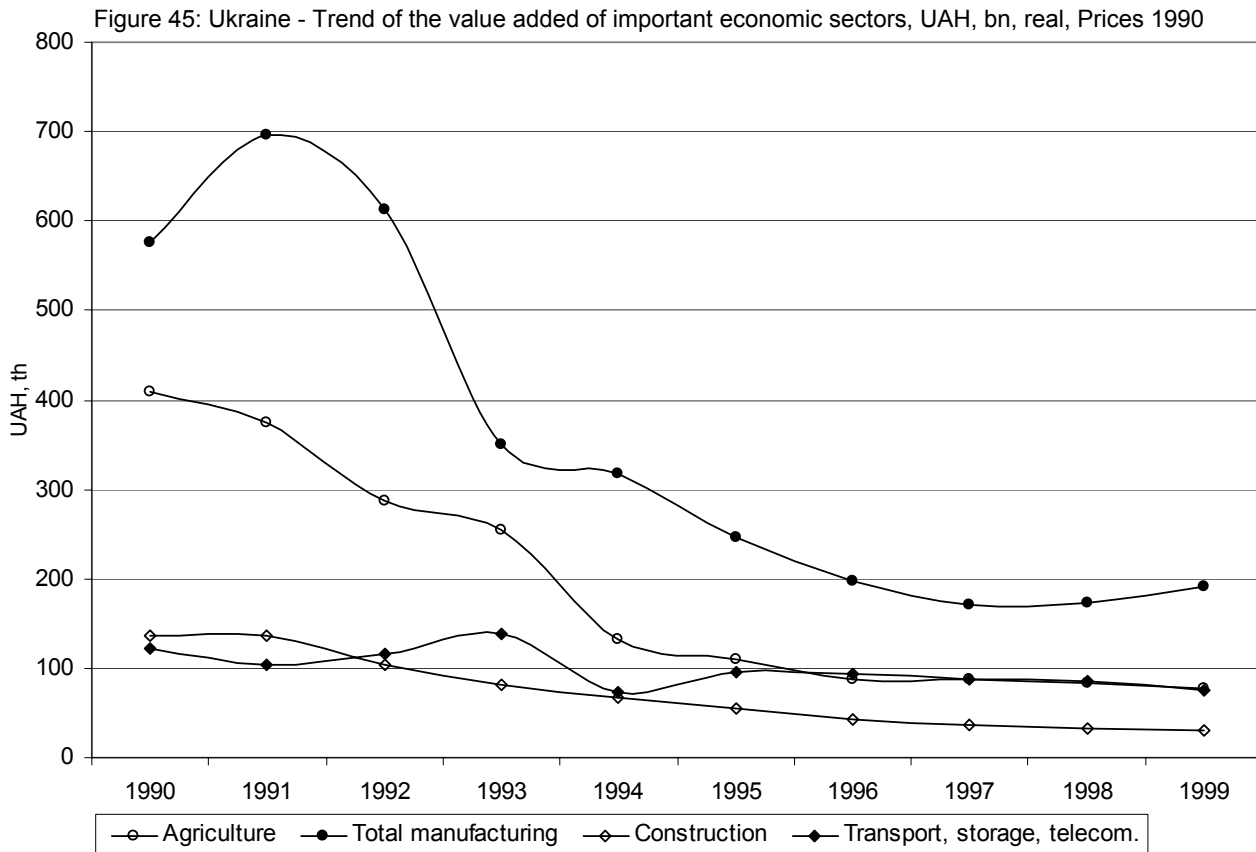
	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
GDP, UAH, nom. bn	0.002	0.003	0.05	1.483	12.04	54.52	81.52	93.37	102.6	127.1
Exchange rate	7.0E-06	2.2E-05	0.0027	0.0527	0.385	1.928	2.322	2.113	2.768	4.393
GDP, €, nom. bn	238.77	136.11	18.85	28.13	31.27	28.28	35.11	44.19	37.06	28.94
GDP, €, PPP, nom. bn	334.20	299.40	279.61	239.15	188.09	171.44	156.77	152.56	151.54	153.35
GDP/capita, €, nom.	4,597	2,615	361	540	604	551	690	875	740	582
GDP/capita, €, PPP	6,434	5,751	5,352	4,589	3,636	3,340	3,080	3,021	3,024	3,085
nom. growth rate %		-10.61	-6.94	-14.26	-20.76	-8.15	-7.77	-1.93	0.12	2.00
real GDP change compared to 1990 %		-8,70	-17,74	-29,42	-45,58	-52,22	-57,00	-58,29	-59,08	-59,25
real growth rate %	-4.00	-8.70	-9.90	-14.20	-22.90	-12.20	-10.00	-3.00	-1.90	-0.40
Sector										
primary %	24.45	24.62	20.84	21.54	14.57	13.77	12.23	12.52	12.07	11.23
secondary %	42.62	54.55	52.16	36.64	42.45	37.83	33.36	29.80	30.00	32.48
tertiary %	32.93	20.83	27.00	41.82	42.98	48.40	54.41	57.69	57.93	56.29
Agriculture %	24.45	24.62	20.84	21.54	14.57	13.77	12.23	12.52	12.07	11.23
Total manufacturing %	34.49	45.67	44.61	29.70	35.01	30.95	27.45	24.63	25.26	28.08
Construction %	8.13	8.88	7.55	6.93	7.44	6.88	5.91	5.17	4.75	4.40
Transport, etc. %	7.30	6.84	8.40	11.76	8.08	12.01	13.15	12.59	12.37	11.16
Other %	25.63	13.99	18.60	30.07	34.90	36.39	41.26	45.10	45.56	45.13
Consumer prices %	4.80	91.2	1,210	5,371	891	376.8	80.20	15.90	10.60	22.70
Exchange rate ²⁾	7*10 ⁻⁶	2*10 ⁻⁵	0.0027	0.0527	0.385	1.928	2.322	2.113	2.768	4.393
Unemployment rate %			0.30	0.40	0.40	0.50	1.30	2.30	3.70	4.30

Source: WIIW, IFIP

To counteract the deep economic crisis, in July 1996 a new constitution was accepted by the parliament, and in the same year a new currency, the Hryvnia, was introduced. The first positive effect was that inflation was slowing down after 1996, and the negative trend in real growth slowly started to recede (see Table 11, Figure 45). Finally, in the year 2000 a real growth rate of 5,9% has been estimated (by the International Centre for Policy Studies), and a rate of 9% for 2001. Furthermore, for the years 2002 to 2004 economists expect a real growth of 4,5% to 5,5%¹.

¹ Tetiana Sytnyk - ICPS Chief Economist, "Economic growth will slow down in 2002 – 2004", International Centre for Policy Studies, 21. Juni 2002, http://www.icps.kiev.ua/eng/forecast_2002-2004.html

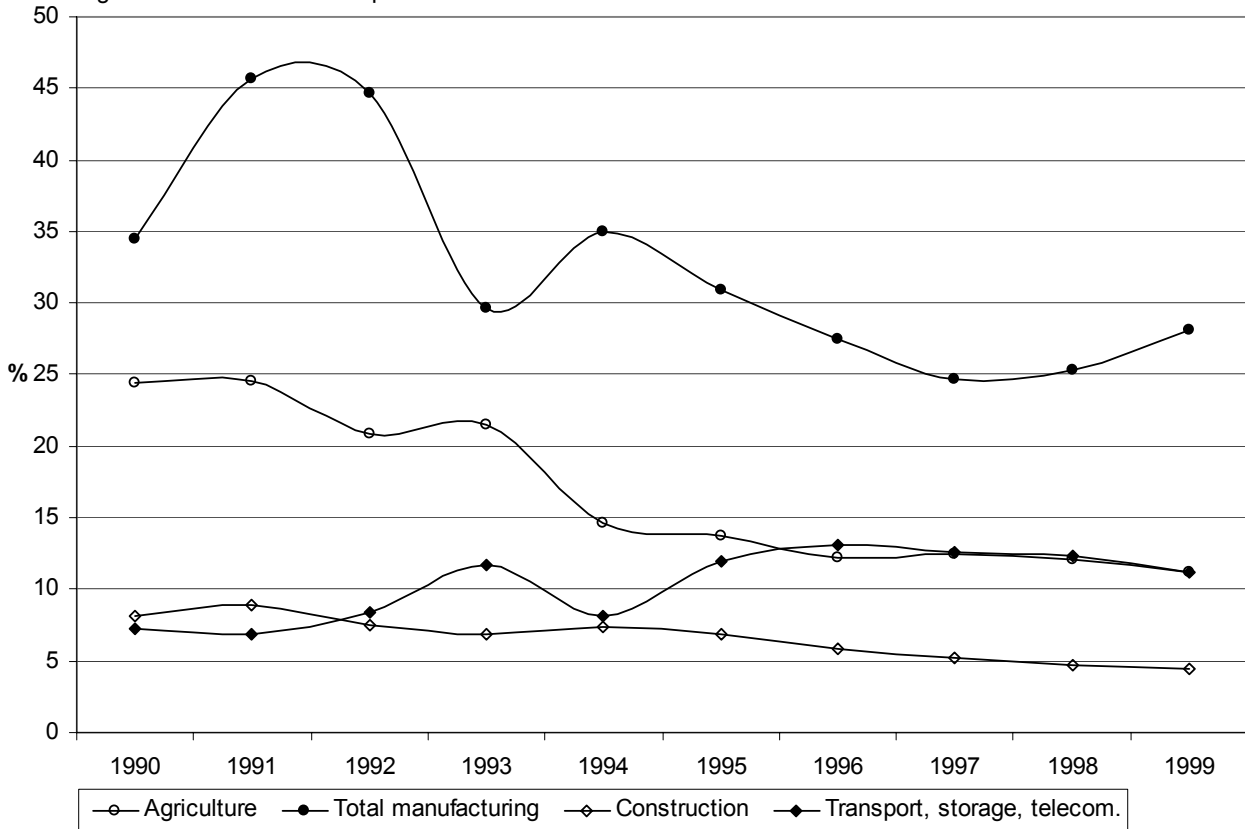
Because of the still very deep economic problems in the Ukraine, the EU accession will certainly take some time. In the meantime, however, special arrangements like the “privileged neighborhood” between EU and the Ukraine (similar to the arrangements with Moldavia and Belorussia) may support the efforts to prepare the country for the accession.¹



Source: IFIP own calculation, based on Data from WIIW, 2001

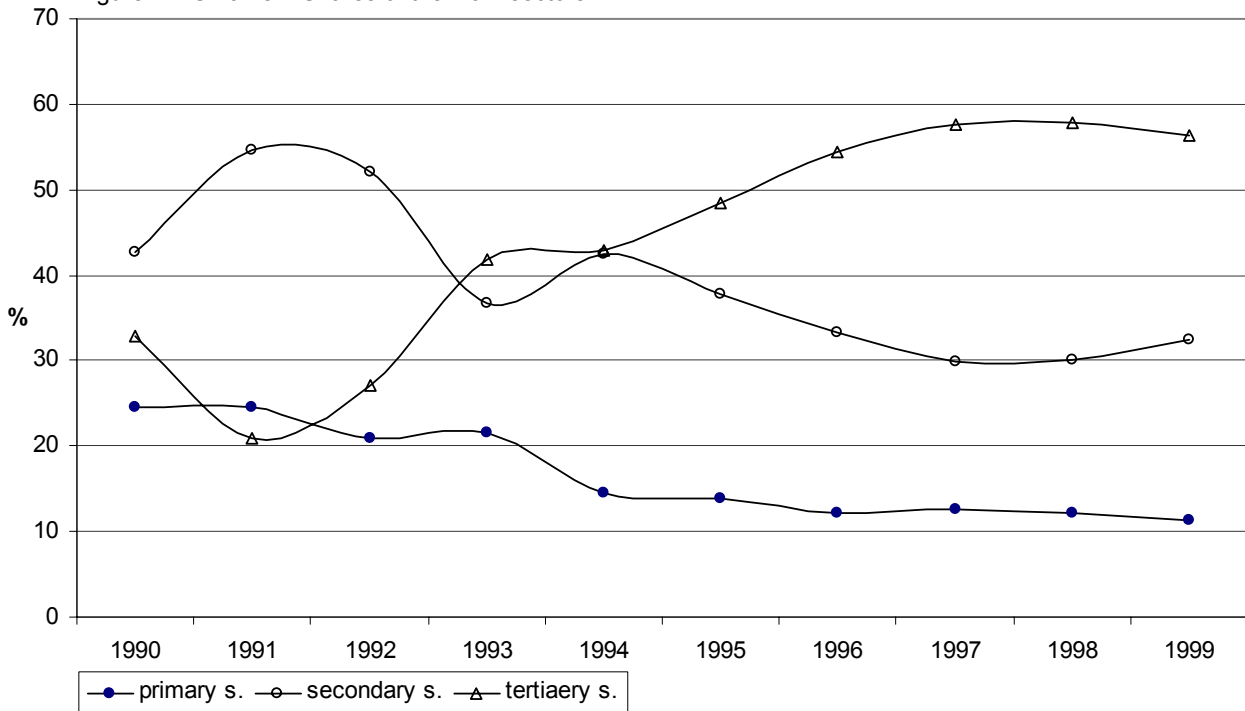
¹ Burkhard Bischof, “Kiew will aus Europas neuer Grauzone heraus”, Die Presse, 7. Juni 2002

Figure 46: Ukraine – development of the sectoral GDP-shares



Source: IFIP own calculation, based on Data from WIIW, 2001

Figure 47: Ukraine – Shares of the main sectors



Source: IFIP own calculation, based on Data from WIIW, 2001

5.3. Romania

Romania experienced the typical downturn at the beginning of the 1990s, the turnaround to positive real growth came in 1993. However, in contrast to many other transition economies, Romania managed to keep unemployment, which was also rising from 3% in 1991 to over 10% in 1993, under control. Despite a worsening growth performance from 1997 onwards, unemployment rates were still at about 11% at the end of the decade (see Table 12).

Romania had also to fight heavy inflation, not only in the first half of the decade (with more than 200% inflation in 1992 and 1993), but also in the second half (155% inflation in 1997). An extreme devaluation of the Romanian currency was the unavoidable consequence.

Table 12: Romania – Basic data

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
GDP, ROL, nom. bn	858	2,204	6,029	20,036	49,773	72,136	108,920	252,926	368,261	521,736
Exchange rate	31.1	94.8	399.4	884.6	1,968	2,630	3,863	8,091	9,988	16,295
GDP, €, nom. bn	27.58	23.25	15.10	22.65	25.30	27.43	28.20	31.26	36.87	18.10
GDP, €, PPP, nom. bn	124.33	111.87	107.47	110.39	117.42	130.82	138.19	130.29	124.74	122.53
GDP/capita, €, nom.	1,188	1,003	662	995	1,113	1,210	1,247	1,387	1,638	806
GDP/capita, €, PPP	5,358	4,825	4,716	4,851	5,166	5,768	6,112	5,779	5,543	5,456
nom. growth rate %		-9.94	-2.26	2.87	6.48	11.66	5.97	-5.45	-4.08	-1.58
real GDP change compared to 1990 %		-12.90	-20.56	-19.37	-16.23	-10.28	-6.78	-12.47	-17.20	-19.84
real growth rate %	-5.60	-12.90	-8.80	1.50	3.90	7.10	3.90	-6.10	-5.40	-3.20
Sector										
primary %	21.81	18.87	19.04	20.99	19.89	19.78	19.23	18.00	14.58	
secondary %	45.88	42.23	43.14	39.04	42.73	39.46	39.71	36.11	32.80	
tertiary %	32.31	38.90	37.82	39.97	37.38	40.76	41.06	45.89	52.63	
Agriculture %	21.81	18.87	19.04	20.99	19.89	19.78	19.23	18.00	14.58	
Total manufacturing %	40.52	37.87	38.33	33.85	36.20	32.87	33.22	30.88	27.47	
Construction %	5.36	4.36	4.81	5.19	6.53	6.59	6.49	5.23	5.33	
Transport, etc. %	5.75	6.67	8.53	10.06	8.75	7.73	9.00	8.96	8.72	
Hotels & Restaurants %	1.34	1.91	2.17	1.81	1.39	1.84	2.52	2.36	3.70	
Wholesale, etc. %	4.86	11.54	12.09	8.46	6.80	8.65	9.16	9.01	10.00	
Other %	20.36	18.77	15.04	19.65	20.45	22.53	20.38	25.56	30.20	
Consumer prices %	5.10	170.20	210.40	256.10	136.80	32.30	38.80	154.80	59.10	45.80
Exchange rate	31.1	94.8	399.4	884.6	1,968	2,630	3,863	8,091	9,988	16,295
Unemployment rate %		3.00	8.20	10.40	10.90	9.50	6.60	8.90	10.40	11.50

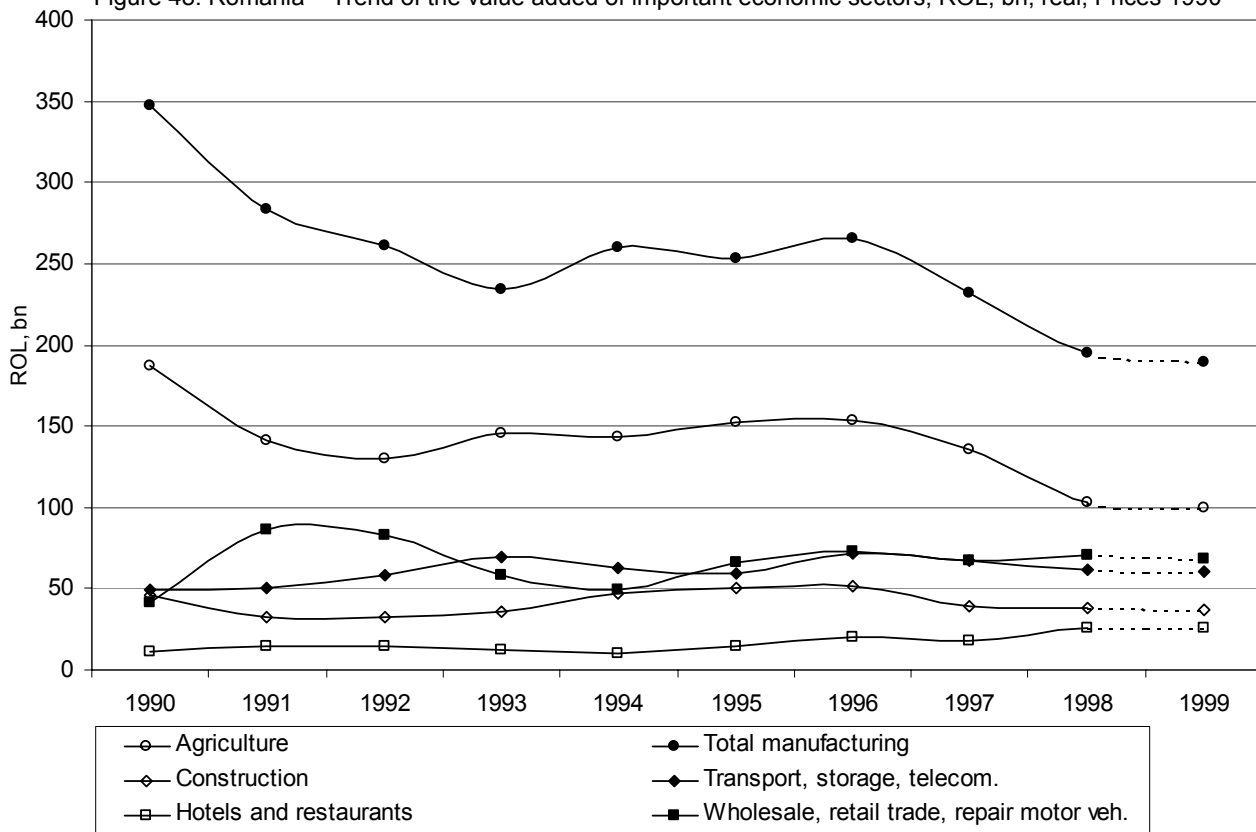
Source: WIIW, IFIP

Romania is a candidate for the EU accession since February 2000, and great efforts are being made to prepare the country for the integration.

In 2001, the economy was growing in real terms by 4,9%, for the current year (2002) a growth rate of 2,5% is expected¹

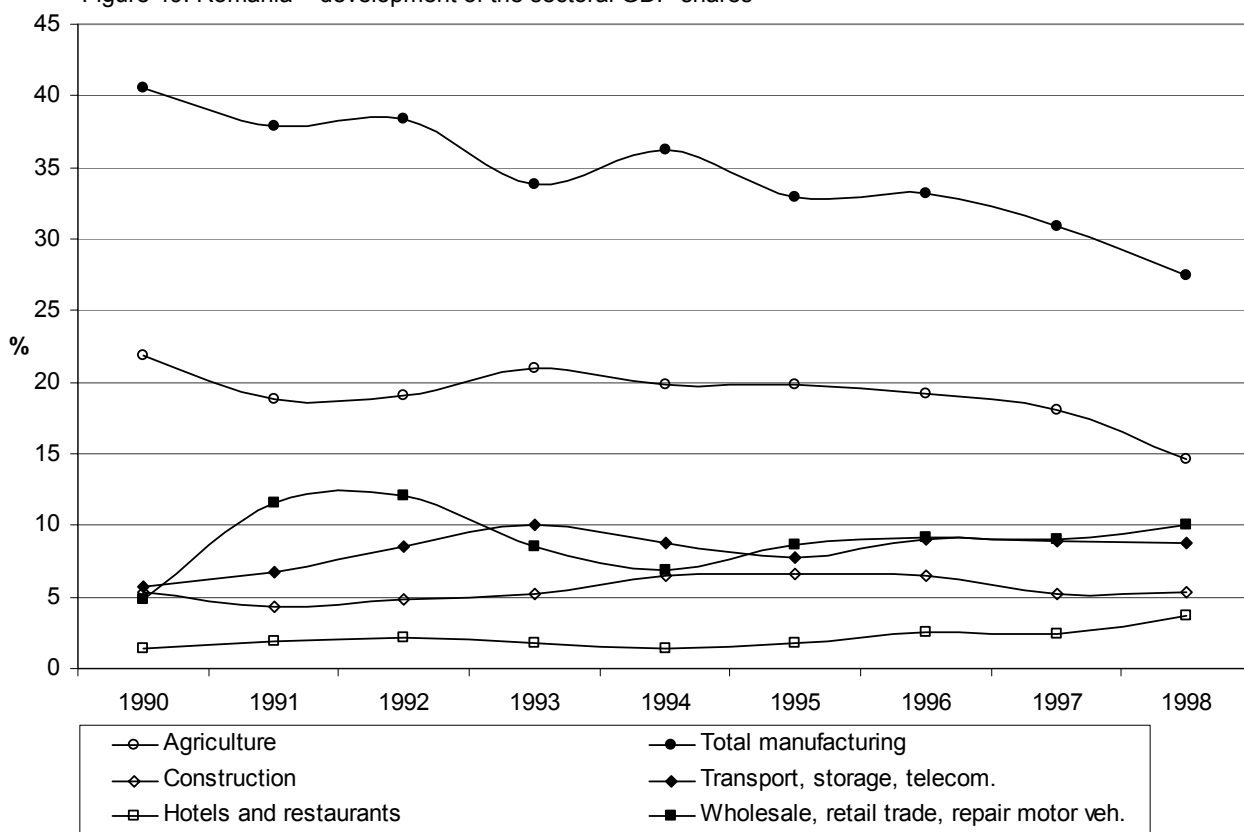
¹ Dr. Hunya, WIIW

Figure 48: Romania – Trend of the value added of important economic sectors, ROL, bn, real, Prices 1990



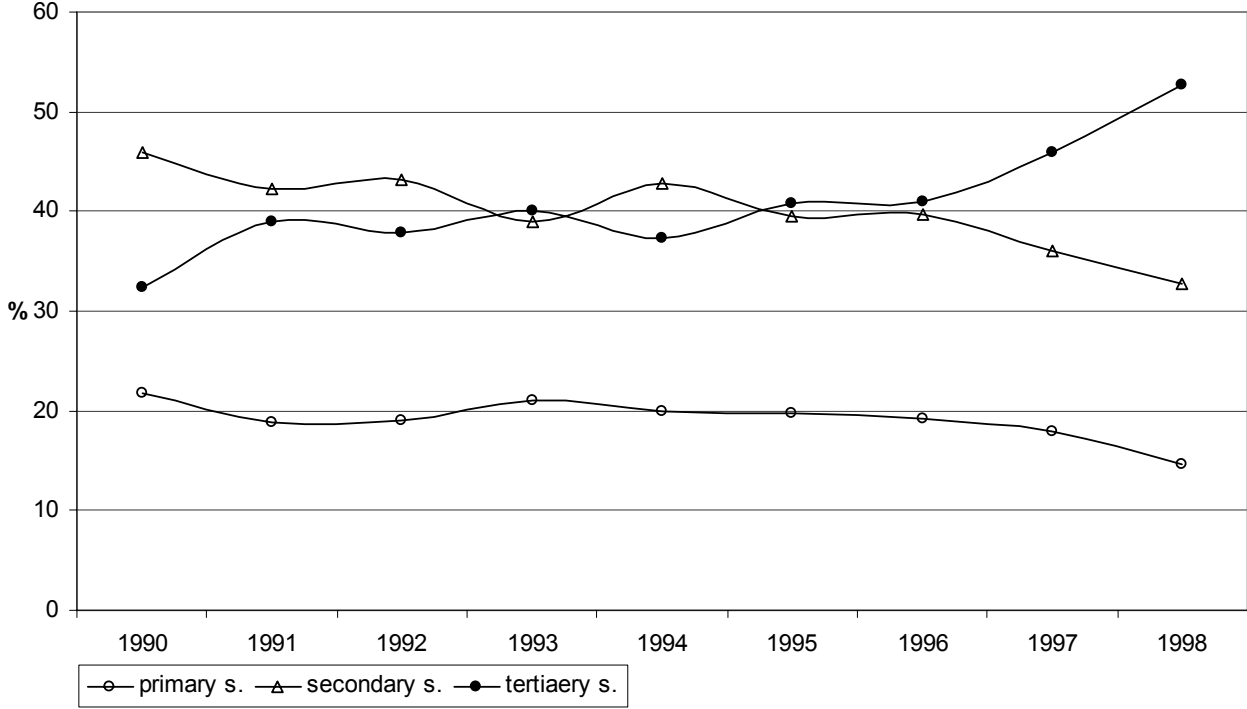
Source: IFIP own calculation, based on Data from WIIW, 2001

Figure 49: Romania – development of the sectoral GDP-shares



Source: IFIP own calculation, based on Data from WIIW, 2001

Figure 50: Romania – Shares of the main sectors



Source: IFIP own calculation, based on Data from WIIW, 2001

5.4. Bulgaria

Bulgaria is a transition economy with heavier problems than the average case (see Table 13). First, the real contraction of the economy lasted longer than in other countries. Only in 1994 a moderate real growth marked a short turnaround in the economic development. However, already two years later, the economy shrank again (severely) for two consecutive years. Consequently, the unemployment rate rose steeply from 1,7% in 1990 to over 16% in 1993 and was again up to 16% at the end of the decade after some years in between, where unemployment came down slightly. According to newspaper sources, the current rate of unemployment (May 2002) of 19,8% is among the highest of all CEEs (inofficial estimates go up to even 40%). Hence, the average income of roughly € 124 is the lowest of all CEEs¹.

Furthermore price increases were a heavy problem over the whole decade. Inflation rates over 300% in 1991, near 100% in 1992 and 1994, more than 100% in 1996 and more than 1000% (!) in 1997 posed not only great difficulties to the domestic economy. As a consequence of these price increases the exchange rate had to fall dramatically (by about 2000% over the ten years period).

A large number of otherwise unemployed has remained in or even has gone back to the agricultural industry, so that this sector takes an unusually large share in GDP.

Table 13: Bulgaria – Basic data

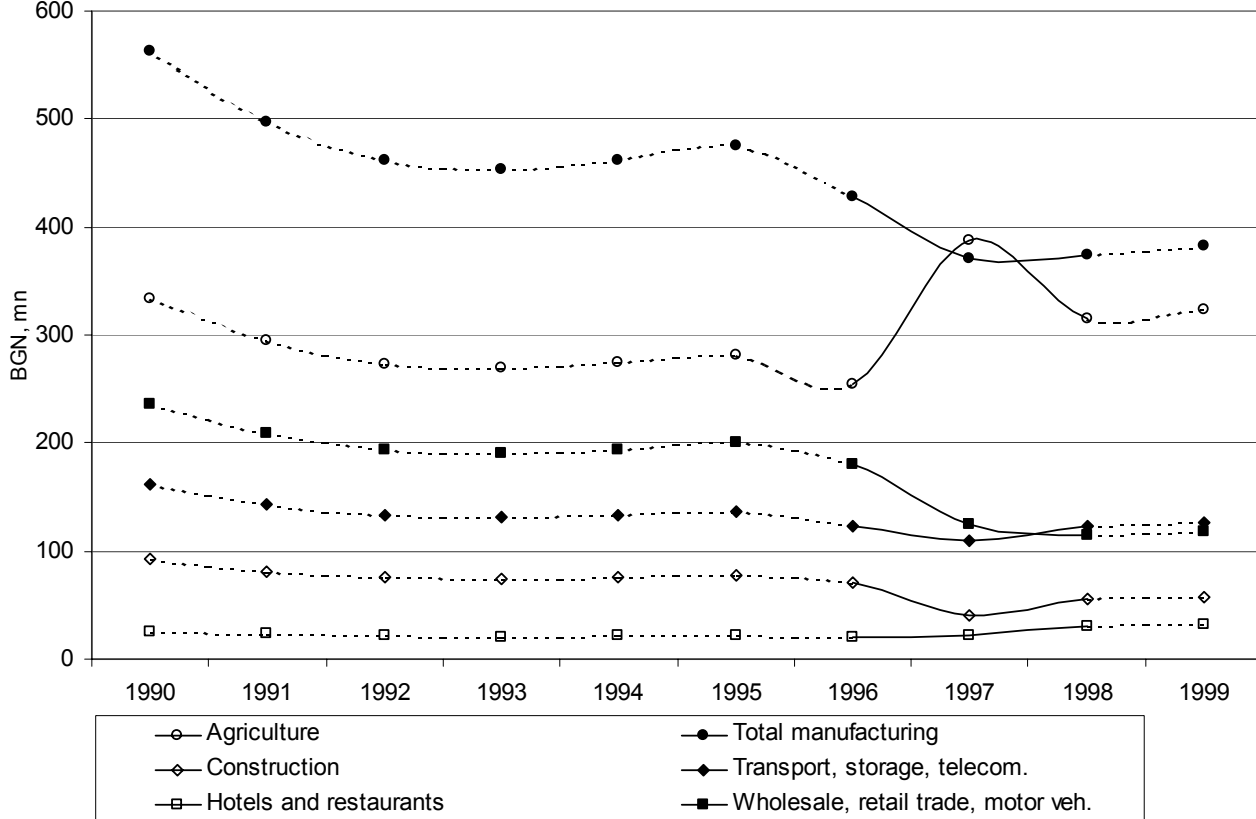
	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
GDP, BGN, nom. bn	0.045	0.136	0.201	0.299	0.526	0.88	1.749	17.06	21.58	22.78
Exchange rate	0.001	0.021	0.03	0.032	0.065	0.087	0.192	1.896	1.972	1.956
GDP, €, nom. bn	45.40	6.56	6.69	9.34	8.09	10.12	9.11	9.00	10.94	11.64
GDP, €, PPP, nom. bn	42.43	38.77	40.16	37.36	40.43	41.92	38.86	35.91	37.59	39.07
GDP/capita, €, nom.	5,207	759	784	1,102	958	1,204	1,089	1,095	1,325	1,418
GDP/capita, €, PPP	4,867	4,491	4,703	4,410	4,788	4,987	4,647	4,372	4,553	4,758
nom. growth rate %		-7.71	4.70	-6.22	8.58	4.14	-6.81	-5.91	4.13	4.51
real GDP change compared to 1990 %		-11,70	-18,15	-19,37	-17,92	-15,54	-24,07	-29,39	-26,92	-25,16
real growth rate %	-9.10	-11.70	-7.30	-1.50	1.80	2.90	-10.10	-7.00	3.50	2.40
Sector primary %							14.51	23.82	18.75	
secondary %							28.47	25.31	25.53	
tertiary %							57.03	50.87	55.72	
Agriculture %							14.51	23.82	18.75	
Total manufacturing %							24.45	22.82	22.20	20.15
Construction %							4.01	2.49	3.33	3.24
Transport, etc. %							7.04	6.77	7.31	7.63
Hotels & Restaurants %							1.13	1.31	1.84	
Wholesale, etc. %							10.27	7.65	6.81	6.52
Other %							38.59	35.14	39.76	62.47
Consumer prices %	23.8	338.5	91.2	72.8	96.0	62.1	123.0	1082.3	22.3	0.30
Exchange rate	0.001	0.021	0.030	0.032	0.065	0.087	0.192	1.896	1.972	1.956
Unemployment rate %	1.70	11.10	15.20	16.40	12.80	11.10	12.50	13.70	12.20	16.00

Source: WIIW, IFIP

¹ “Studie: Gehälter sind niedriger als in Rumänien“, Die Presse, 29.05.2002

It is not surprising therefore, that the economic outlook for Bulgaria is assessed very cautiously by experts. The opinion is prevailing that the Bulgarian economy will need some time to converge to the levels already achieved by other (e.g. group 2) countries. It is even feared by some that Bulgaria's process of catching up may be hampered by difficult and prolonged integration negotiations.¹ Nevertheless, for the current year (2002) a real growth of 4% (+/- 1%) is forecasted.²

Figure 51: Bulgaria – Trend of the value added of important economic sectors, BGN, bn, real, Prices 1996

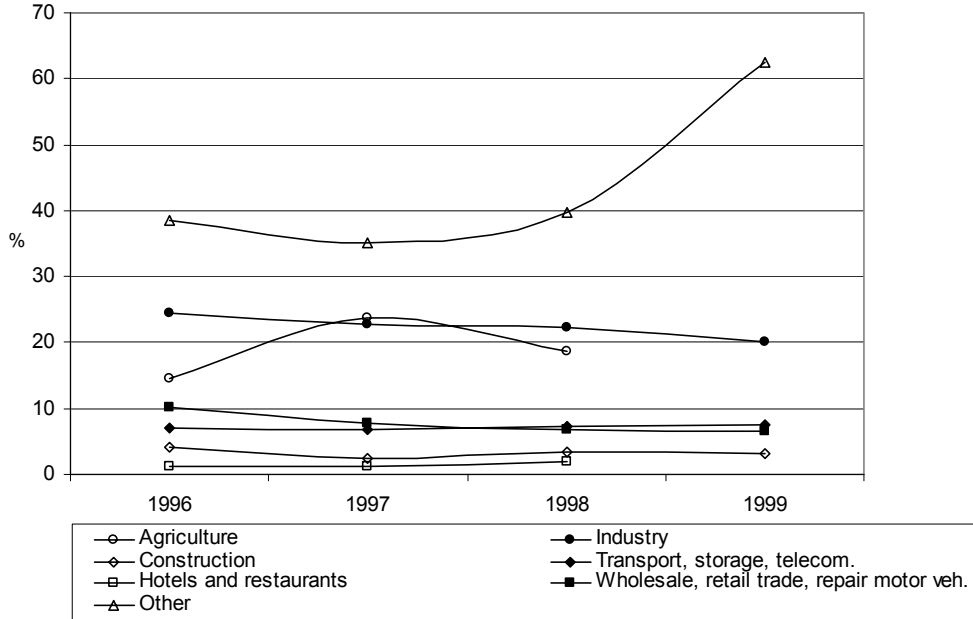


Source: IFIP own calculation based on WIIW – Database, 2001

¹ “Abseits der Erweiterung: Gefahr der Ausgrenzung”, Die Presse, 20.03.2002

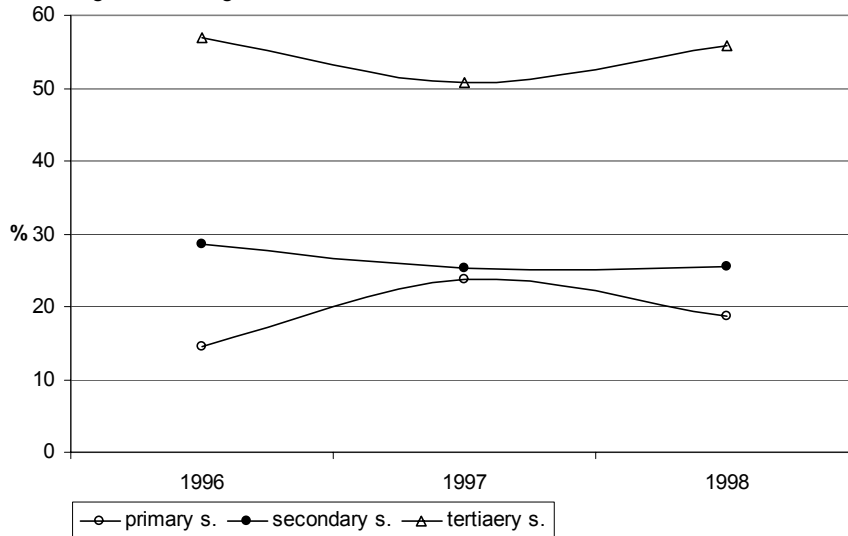
² Dr. Gábor Hunya, WIIW

Figure 52: Bulgaria – development of the sectoral GDP-shares



Source: IFIP own calculation, based on Data from WIIW, 2001

Figure 53: Bulgaria – Shares of the main sectors



Source: IFIP own calculation based on WIIW – Database, 2001

5.5. Croatia

The Croatian economy had not only to cope with transition but also with war. Therefore it is no surprise that from 1990 to 1993 the economy was contracting severely in real terms (see Table 14). Only in 1994, with the end of the war and the achievement of independence from Yugoslavia and autonomy of Croatia, the economy benefited from a five years period of real growth. However, unemployment, which had increased to over 15% in 1992, could only be kept under control for these years of real growth, and at the end of the decade, when growth slowed down and was even negative in 1999, unemployment rates went up again to over 19%.

A more positive picture is produced by price level data. After the first transition years with extremely high inflation rates, from 1995 onwards, inflation has been under control (price increases of about 3% to 5%).

The future prospects may be brightened by the fact that successful negotiations between Croatia and the EU (Agreement on stabilisation and association; elimination of import tariffs of the EU market for 96% of croatian products) will support a positive economic development. For 2002 a real growth of 3% to 3,5% is expected¹

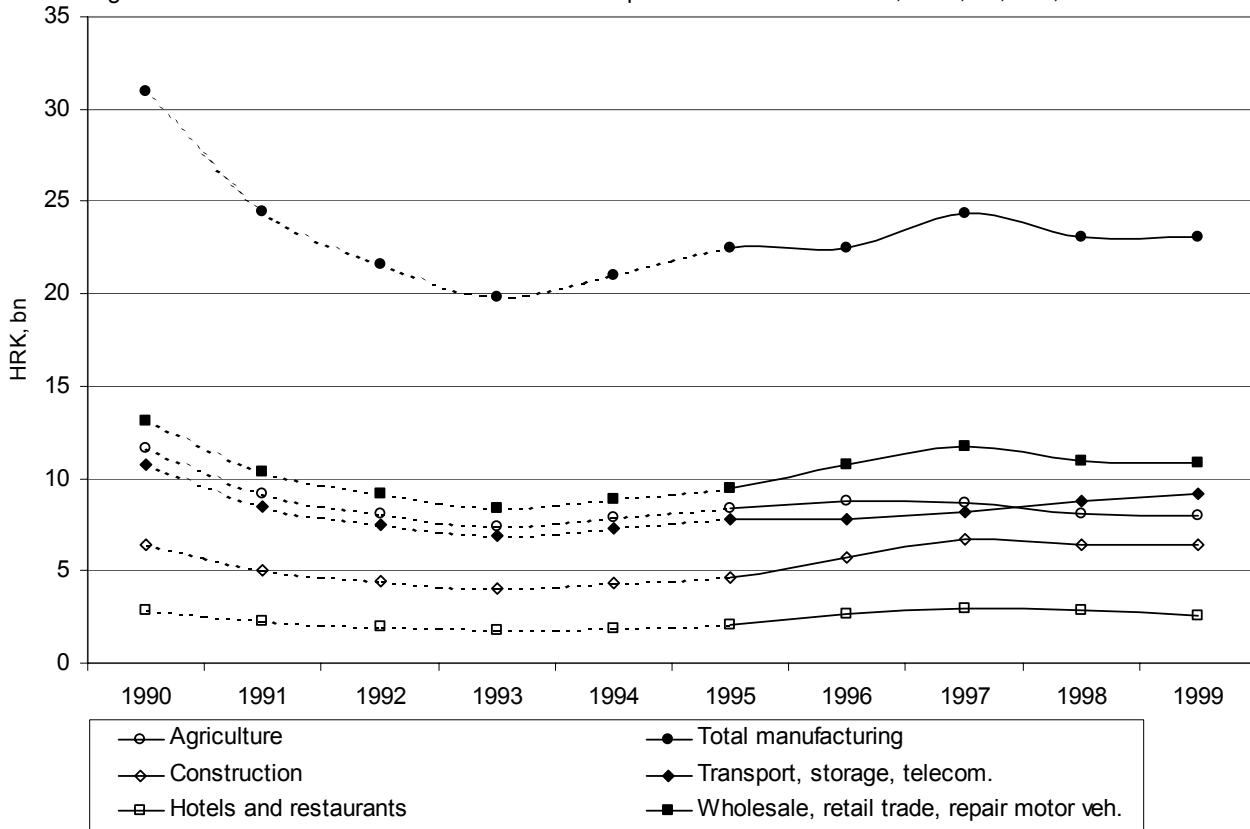
Table 14: Croatia – Basic data

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
GDP, HRK, nom. bn	0.281	0.441	2.707	39	87.44	98.38	108	123.8	138.4	143.5
Exchange rate	0.014	0.024	0.34	4.13	7.09	6.76	6.8	6.96	7.14	7.58
GDP, €, nom. bn	19.48	18.08	7.96	9.44	12.33	14.55	15.88	17.79	19.38	18.93
GDP, PPP, €, nom. bn	28.62	23.34	21.65	20.21	21.92	24.35	26.21	28.14	29.14	29.53
GDP/capita, €, nom.	4,077	4,007	1,781	2,035	2,653	3,117	3,533	3,890	4,306	4,157
GDP/capita, €, PPP	5,990	5,173	4,844	4,354	4,714	5,216	5,832	6,153	6,473	6,484
nom. growth rate %		6.75	4.15	3.55	4.75	2.81	6.04	4.52	3.03	5.00
real GDP change compared to 1990 %		-21,10	-30,33	-35,90	-32,12	-27,51	-23,23	-18,01	-15,96	-16,21
real growth rate %	-7.10	-21.10	-11.70	-8.00	5.90	6.80	5.90	6.80	2.50	-0.30
Sector primary %						8.55	8.39	7.82	7.11	6.99
secondary %						27.51	27.11	27.91	25.90	25.94
tertiary %						63.94	64.50	64.27	66.99	67.07
Agriculture %						8.55	8.39	7.82	7.11	6.99
Total manufacturing %						22.81	21.58	21.90	20.26	20.33
Construction %						4.70	5.52	6.01	5.64	5.61
Transport, etc. %						7.93	7.43	7.34	7.67	8.09
Hotels & Restaurants %						2.08	2.53	2.64	2.47	2.28
Wholesale, etc. %						9.66	10.30	10.54	9.57	9.51
Other %						44.26	44.24	43.75	47.28	47.19
Retail prices %	609.5	123.0	665.5	1517.5	97.6	2.00	3.50	3.60	5.70	4.20
Exchange rate	0.014	0.024	0.34	4.13	7.09	6.76	6.8	6.96	7.14	7.58
Unemployment rate %			15.50	14.60	14.80	15.10	15.90	17.60	18.10	19.10

Source: WIIW, IFIP

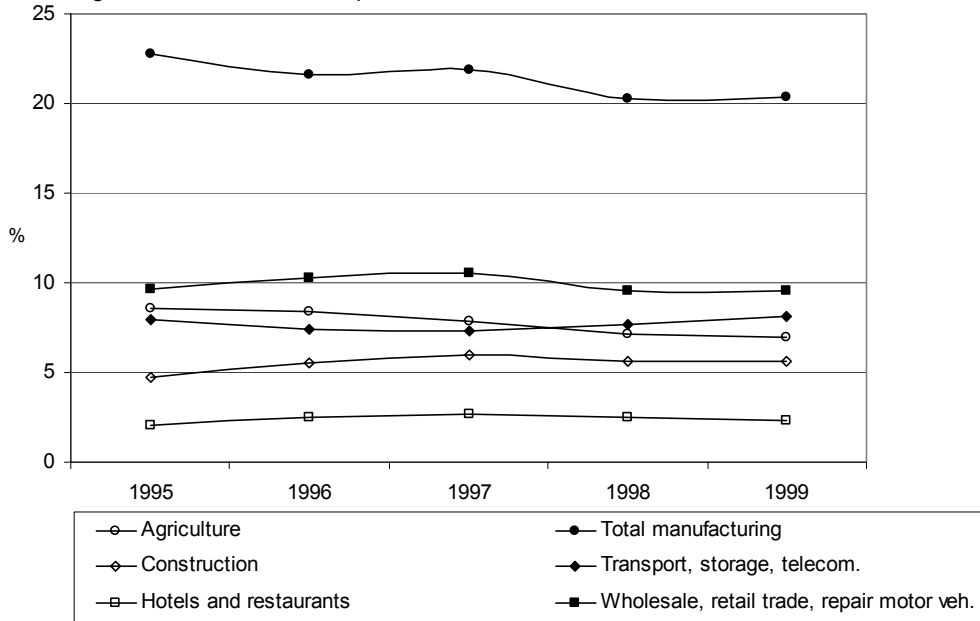
¹ Mag. Vidovic, WIIW.

Figure 54: Croatia - Trend of the value added of important economic sectors, HRK, bn, real, Prices 1995



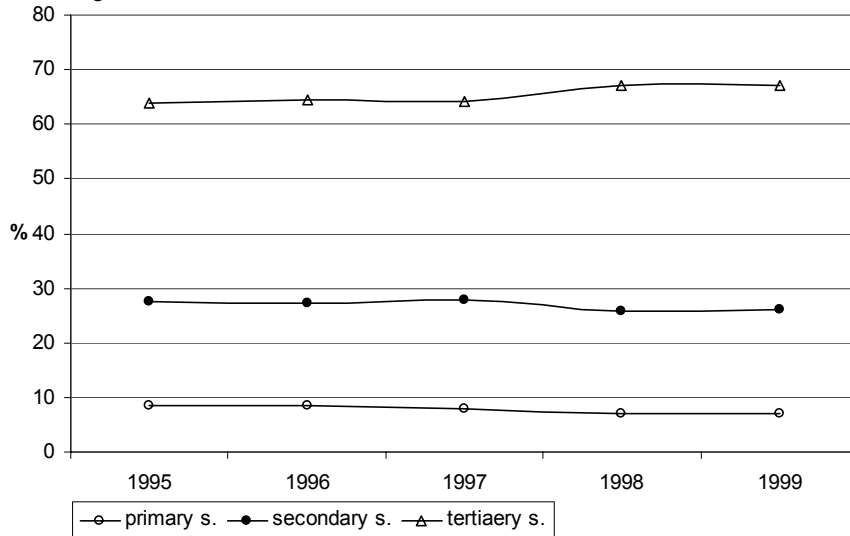
Source: IFIP own calculation, based on WIIW – Database 2001

Figure 55: Croatia - development of the sectoral GDP-shares



Source: IFIP own calculation, based on Data from WIIW, 2001

Figure 56: Croatia – Shares of the main sectors



Source: IFIP own calculation, based on Data from WIIW, 2001

5.6. Macedonia

After the referendum in 1991, Macedonia constituted itself as a separate and sovereign state. However, the young state had not only to cope with transition, but also the balkan war and the Greek embargo (1994/95).

Hence, it is not surprising that until 1995 the economy was shrinking in real terms every year. Only from 1996 onwards, a quite moderate real growth marked the turnaround.

However, this modest growth was not enough to bring down significantly the high unemployment rates of over 30% (see Table 15).

A positive achievement may be observed at the battle to fight inflation. After a period of hyperinflation in the first half of the 1990s (e.g. inflation rate over 1000% in 1992), from 1996 onwards the price increases have been able to be kept under control.

Table 15: Macedonia – Basic data

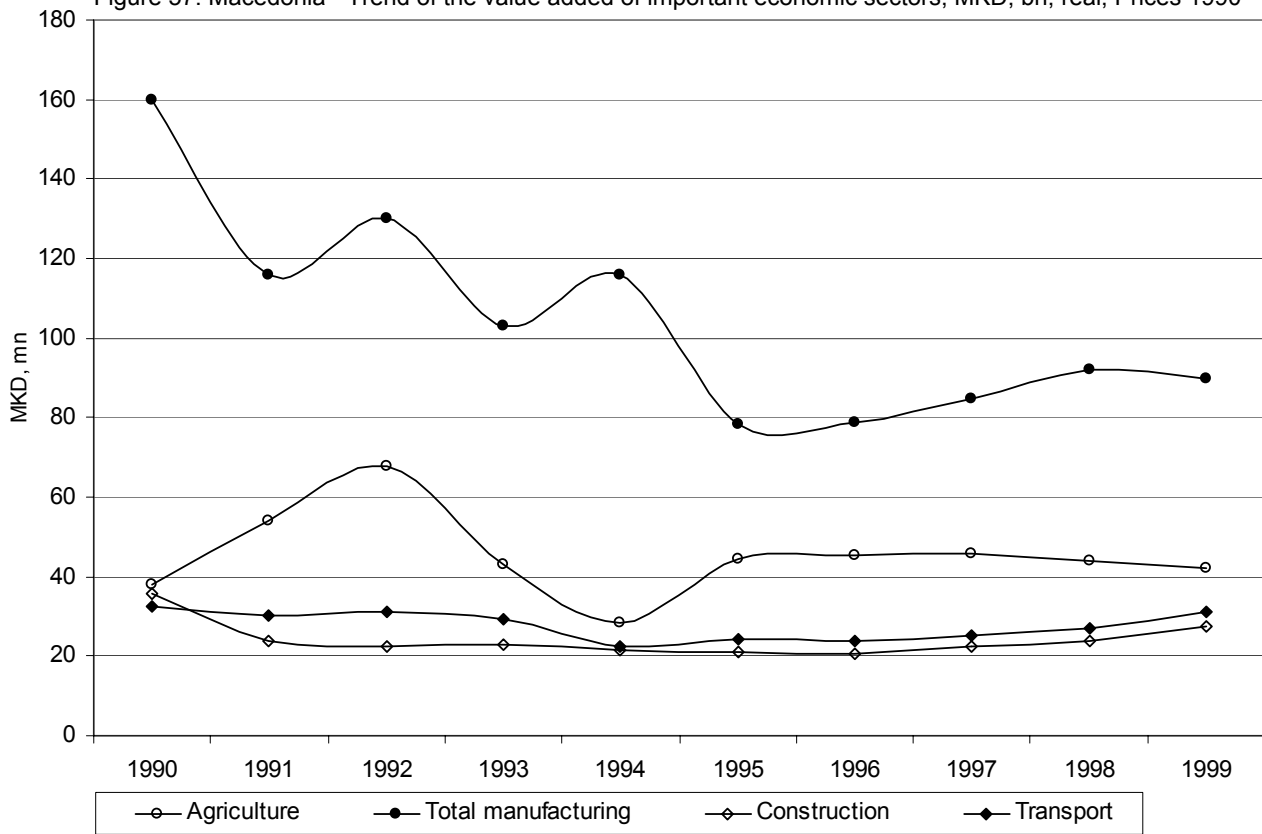
	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
GDP, MKD, nom. bn	0.506	0.92	11.79	59.17	146.4	169.5	176.4	185	190.8	195.3
Exchange rate	0.144	0.242	6.681	27.3	51.09	49.15	50.08	56.2	61.07	60.62
GDP, €, nom. bn	3.52	3.81	1.77	2.17	2.87	3.45	3.52	3.29	3.12	3.22
GDP, PPP, €, nom. bn	7.74	6.75	6.39	6.48	7.21	7.41	7.63	7.76	8.09	8.43
GDP/capita, €, nom.	1,604	1,869	859	1,049	1,473	1,754	1,777	1,648	1,557	1,597
GDP/capita, €, PPP	3,817	3,309	3,107	3,137	3,705	3,770	3,845	3,887	4,030	4,177
nom. growth rate %		-13.31	-6.08	0.94	18.11	1.77	1.98	1.10	3.66	3.66
real GDP change compared to 1990 %		-6.20	-12.39	-18.96	-20.42	-21.30	-20.35	-19.24	-16.89	-14.65
real growth rate %		-6.20	-6.60	-7.50	-1.80	-1.10	1.20	1.40	2.90	2.70
<u>Sector</u> primary %	7.53	11.41	15.24	10.54	7.05	11.16	11.22	11.22	10.47	9.71
secondary %	38.62	29.42	34.41	30.70	34.07	24.89	24.63	26.21	27.52	27.07
tertiary %	53.85	59.17	50.36	58.75	58.87	63.95	64.15	62.57	62.01	63.22
Agriculture %	7.53	11.41	15.24	10.54	7.05	11.16	11.22	11.22	10.47	9.71
Total manufacturing %	31.55	24.44	29.37	25.07	28.77	19.63	19.49	20.73	21.84	20.75
Construction %	7.07	4.98	5.04	5.63	5.31	5.26	5.14	5.48	5.68	6.32
Transport, etc. %	6.44	6.41	7.06	7.20	5.59	6.10	5.91	6.11	6.41	7.19
Other %	47.41	52.76	43.30	51.56	53.28	57.85	58.24	56.46	55.60	56.02
Retail prices %	608.4	114.9	1,690	349.8	121.7	15.90	3.00	4.40	0.80	-1.10
Exchange rate	0.144	0.242	6.681	27.3	51.09	49.15	50.08	56.2	61.07	60.62
Unemployment rate %							31.90	36.00	34.50	32.40

Source: WIIW, IFIP

The current perspective for the years 2000 to 2003 are rather mixed. Whereas for the year 2000 a real growth of 4,3% has been estimated, the economy produced 4% less in real terms in 2001. For 2002 a stagnation (real growth of 0%) is predicted, while for 2003 a modest growth of 2% is expected.¹

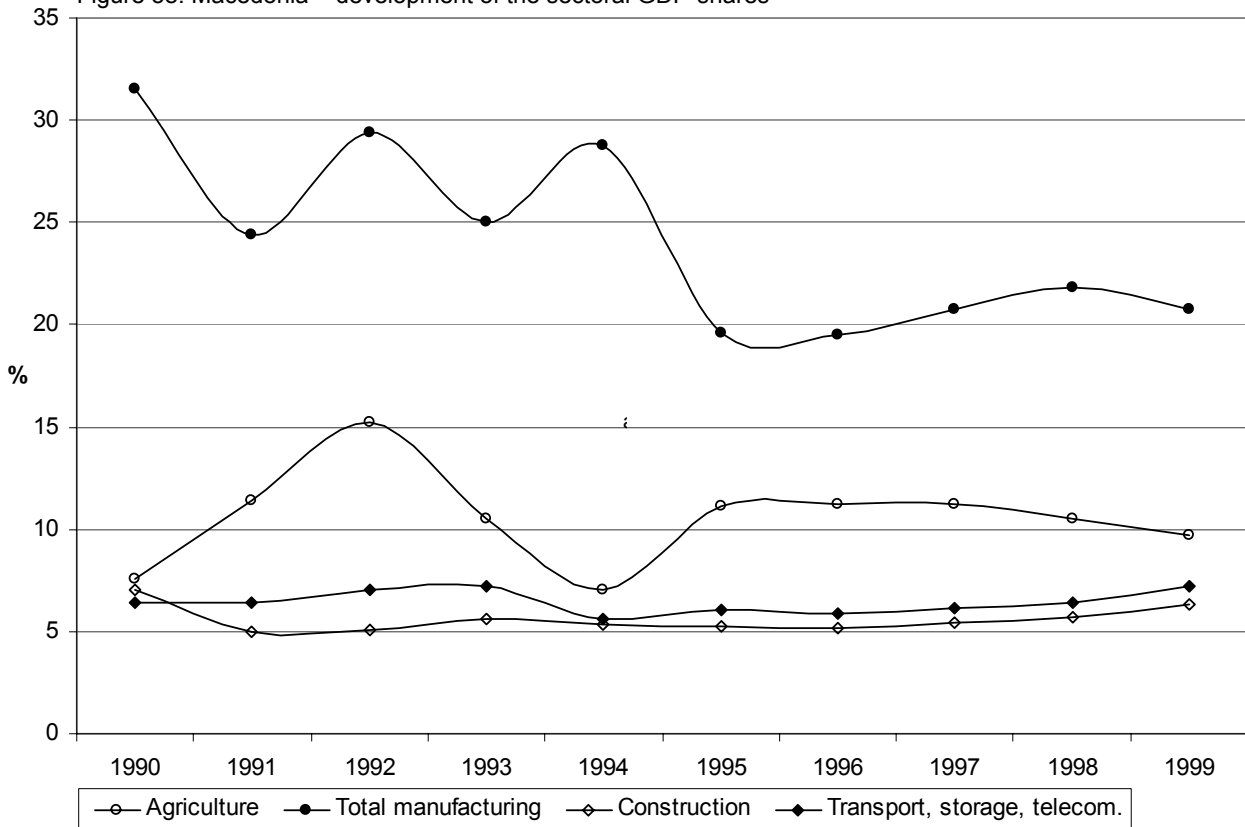
¹ Transition Countries Face Up to Global Stagnation, WIIW, February 2002

Figure 57: Macedonia - Trend of the value added of important economic sectors, MKD, bn, real, Prices 1990



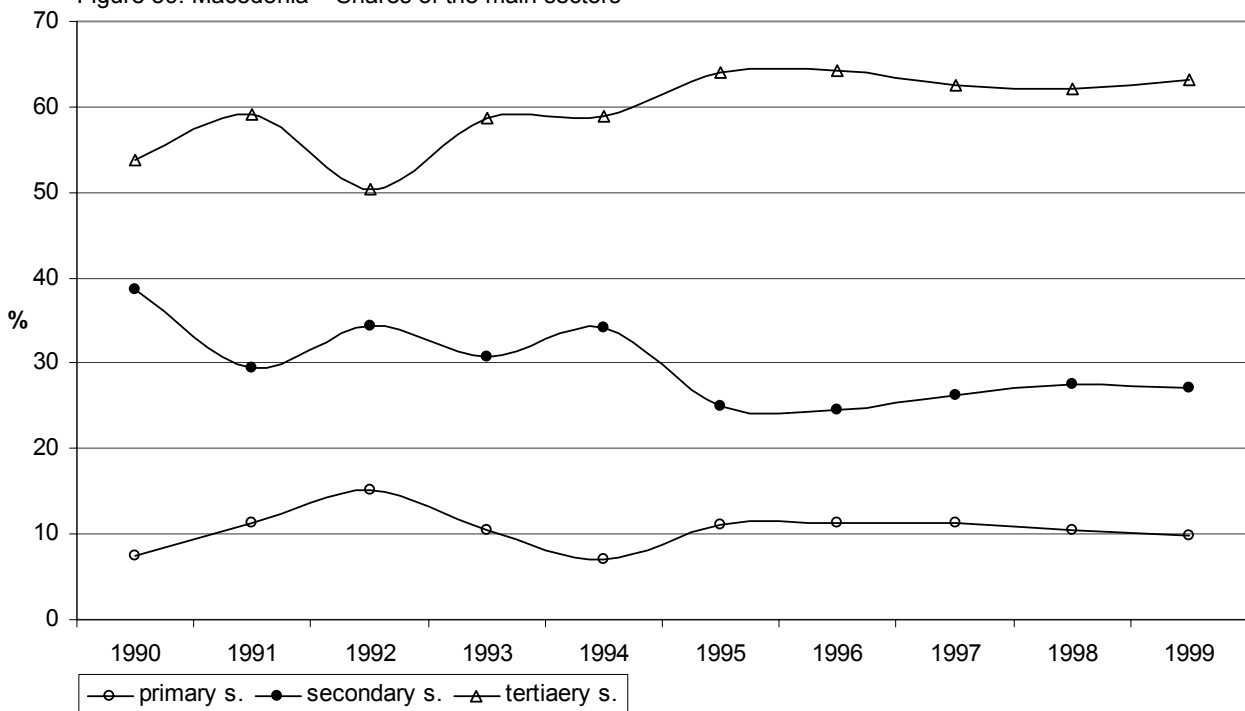
Source: IFIP own calculation, based on Data from WIIW, 2001

Figure 58: Macedonia – development of the sectoral GDP-shares



Source: IFIP own calculation, based on Data from WIIW, 2001

Figure 59: Macedonia – Shares of the main sectors



Source: IFIP own calculation, based on Data from WIIW, 2001

6. Summary

This summary concentrates on macroeconomic indicators, the sectoral shifts and developments will be discussed in a further report.

The main difference between the group 1 countries (Germany, Austria) on the one hand and the group 2 and 3 countries on the other hand is of course, that the latter economies had to go through the transition process from a command economy to a market economy. Furthermore, some of these countries have been involved in the Balkan war which meant an additional stress on the economy.

Therefore, it is not surprising that virtually all transition countries experienced a significant economic downturn at the beginning of the 1990s (as a consequence of the market shock policy, which was chosen by the governments and advised by western experts and politicians). If we look over the whole range of the nineties, the development of the real quantity of domestic production exhibits a picture which is clear and dramatic at the same time (see Table 16): all economies in the group 3 suffered from an absolute decline in real GDP, which was in some countries (e.g. the Ukraine) quite dramatic. Hungary and Slovakia managed to recover more or less to the production levels at the beginning of the decade, whereas Czech economy represents the negative and the Slovenian economy the positive special case in the group 2.

Rising unemployment was but one of the severe problems the transition countries had to face. The "shock therapy" destabilised many of the economies to an extent that hyperinflation and volatile and strongly falling exchange rates ensued. Only gradually, and depending largely on the pace of institutional and political reforms inside the countries, the economies of group 2 and group 3 seem to recover from the market shock and manage to capture a more stable and steady path of economic development.

Table 16: Real GDP change compared to 1990 (Germany: to 1991)

	real growth rate compared to 1990 (bzw. 1991 Germany)									
	1991	1992	1993	1994	1995	1996	1997	1998	1999	
Germany		2,24	1,13	3,50	5,29	6,10	7,59	9,70	11,73	
Austria	3,40	4,74	5,27	7,79	9,63	11,82	14,61	18,63	21,95	
Czech Rep.	-11,60	-12,04	-11,95	-10,02	-4,71	-0,13	-1,13	-3,31	-3,50	
Hungary	-11,90	-14,63	-15,14	-12,68	-11,37	-10,22	-6,09	-1,49	2,94	
Slovak Rep.	-14,60	-20,15	-23,11	-19,34	-13,93	-8,60	-2,93	1,05	2,97	
Slovenia	-8,90	-13,91	-11,50	-6,81	-2,99	0,41	5,03	9,02	14,36	
Ukraine	-8,70	-17,74	-29,42	-45,58	-52,22	-57,00	-58,29	-59,08	-59,25	
Romania	-12,90	-20,56	-19,37	-16,23	-10,28	-6,78	-12,47	-17,20	-19,84	
Bulgaria	-11,70	-18,15	-19,37	-17,92	-15,54	-24,07	-29,39	-26,92	-25,16	
Croatia	-21,10	-30,33	-35,90	-32,12	-27,51	-23,23	-18,01	-15,96	-16,21	
Macedonia	-6,20	-12,39	-18,96	-20,42	-21,30	-20,35	-19,24	-16,89	-14,65	

Source: WIIW, IFIP

Even so it is still open to the future, when and by which means a successful stabilisation and positive economic development on a broad front will take place in the considered economies, at least some hope can be gained from the current developments in the years 2000 to 2003. The perspective for these years seems to be a positive rate of real growth and a more stable monetary regime in most countries.

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