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**Conference Paper**

## THE NECESSITY OF A NEW PARADIGM FOR THE EUROPEAN COHESION POLICY UNDER THE PRESENT GLOBAL CRISIS

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## **THE NECESSITY OF A NEW PARADIGM FOR THE EUROPEAN COHESION POLICY UNDER THE PRESENT GLOBAL CRISIS**

The present global crisis began in 2007 in the USA. It affected all economies of the world during 2008-2010. The surprise was that the USA had first rank of the world's most competitive countries top in 2008 (International Institute for Management Development, 2009).

The EU15 countries covered the first 29 positions, excepting Portugal, Italy and Greece, the EU10 countries (which adhered in 2004) covered the ranks 32-62 and the latest two Member States covered ranks 68 and 76.

In 2009, the economic recession decreased in USA and EU. But the recovery was fragile and the economic risks remained great. The economic recovery depended on the national economic policies, especially on monetary policies. On the other hand, it is not clear if these measures are efficient on long term.

Some old Member States had a good rank in World Top 10 countries in 2009: 1<sup>st</sup> Finland, 3<sup>rd</sup> Sweden, 4<sup>th</sup> Denmark and 8<sup>th</sup> Netherlands (Legatum Institute, 2010).

The slowdown of the economic growth in USA and Euro zone had an important impact on the latest Member States, especially on those with budgetary or foreign deficit. The best situations have Poland, Slovakia and Czech Republic. The fast economic growth and the relative low labour costs in these countries are the main elements which support the foreign investments. Moreover, the same countries benefit of billion Euros from the EU under the convergence financing.

The mortgage lending was explosive but it operated without complex derivate instruments which caused billion dollars losses in some western banks. As a result, the European emergent economies are able to fight against the crisis.

In order to analyse the effects of the present crisis on the EU economy and the trends of the national economies, we used the Eurostat official data base as a neutral approach for all Member States' economies. We talk about the Economic Forecast Spring 2009 of the European Commission, Directorate-General for Economic and Financial Affairs. The analysis is focused on some specific economic indicators (GDP at previous year prices, private consumption, public consumption, gross fixed capital formation, exports, imports, employment, unemployment rate, unit labour costs whole economy, savings rate of households, harmonised index of consumer prices, trade balance, general government gross debt as % of GDP) and covers 2008-2010 time period.

For the beginning, we used the economic database for the EU15, EU'04 and EU'07, as in table 1.

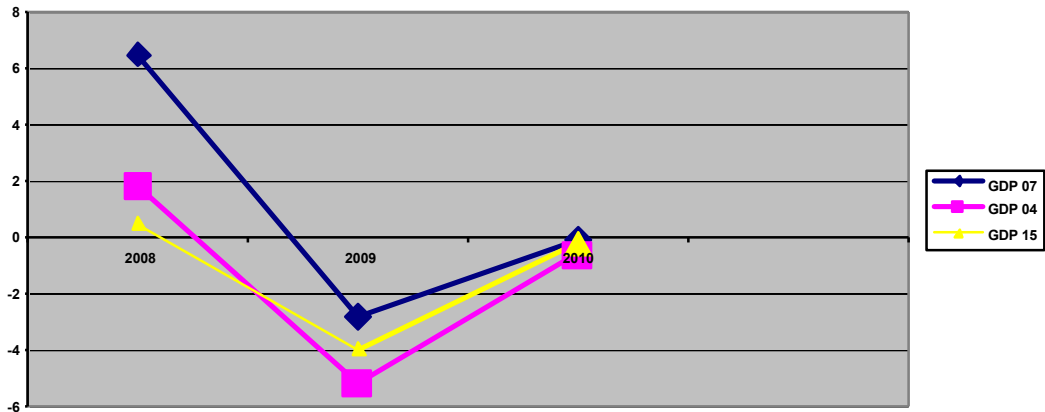
**Table 1: Economic trends in the EU (% change on preceding year)**

	E.U.15			2004 new Member States			2007 new Member States		
	2008	2009	2010	2008	2009	2010	2008	2009	2010
GDP at previous year prices	0.49	-3.96	-0.22	1.85	-5.14	-0.56	6.5	-2.8	-0,05
Private consumption	0.75	-1.50	-0.22	1.68	-5.24	-1.15	6.95	-2.0	-0.1
Public consumption	1.92	1.96	1.64	3.66	-1.08	0.18	1.65	-5.4	0.25
Gross fixed capital formation	-1.48	-11.4	-3.69	-1.58	-10.2	-1.68	19.8	-9.60	-1.25
Unemployment rate	6.33	8.72	10.19	6.17	9.67	10.98	1.85	-5.14	-0.56
Savings rate of households	11.7	13.9	14.6	11.4	14.5	13.9	-	-	-
Harmonised index of consumer prices	3.47	0.52	1.26	7.20	2.17	1.52	9.95	4.85	3.55
Trade balance	-0.57	2.25	-0.03	-4.44	-1.07	-2.07	0.49	-3.96	-0.22
General government gross debt (% of GDP)	57.9	65.4	71.7	35.3	40.8	45.8	13.9	17.1	20.0

Source: personal data processing

The data processing leads to an unexpected result: the Members States can be easily divided into three categories, each of them with specific evolutions: EU15, Member States which adhered in 2004 (EU'04) and those which adhered in 2007 (EU'07). Moreover, the economic evolution of those Member States' economies leads to greater disparities in 2010, comparing to 2008.

In 2010, the lowest GDP growth rates will have the Member States which adhered in 2004. This means that the socio-economic disparities will growth across the EU, at least between these 10 Member States and the E.U.15. We could talk about convergence between these three categories of Member States only still 2008.

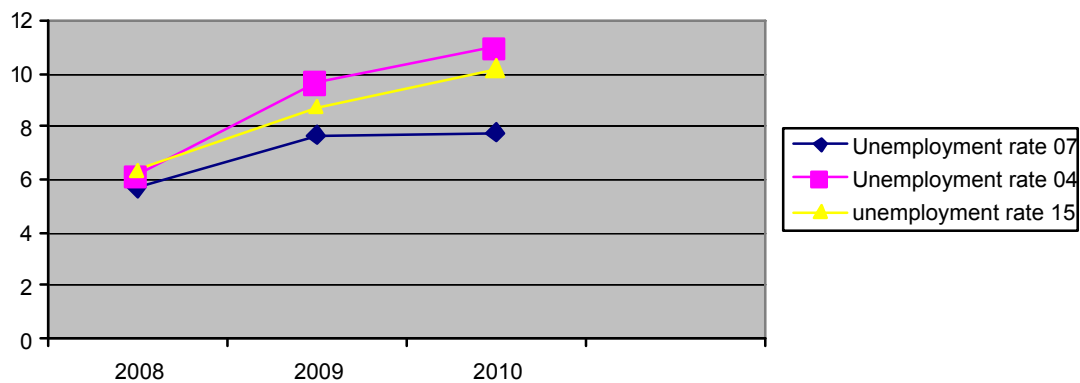


**Figure 1: GDP trends for EU15, EU'04 and EU'07**

Source: personal data processing

In figure 1, we can observe that the level of the GDP growth rate is lower than in 2008 for all Member States. This is not a result of cohesion policy, because the cohesion policy doesn't mean poverty for all Member States. It means welfare for every Member State. From an optimist point of view, maybe the worst situation was overtaken in 2009.

The second pertinent economic indicator is the unemployment rate, which is presented in figure 2.

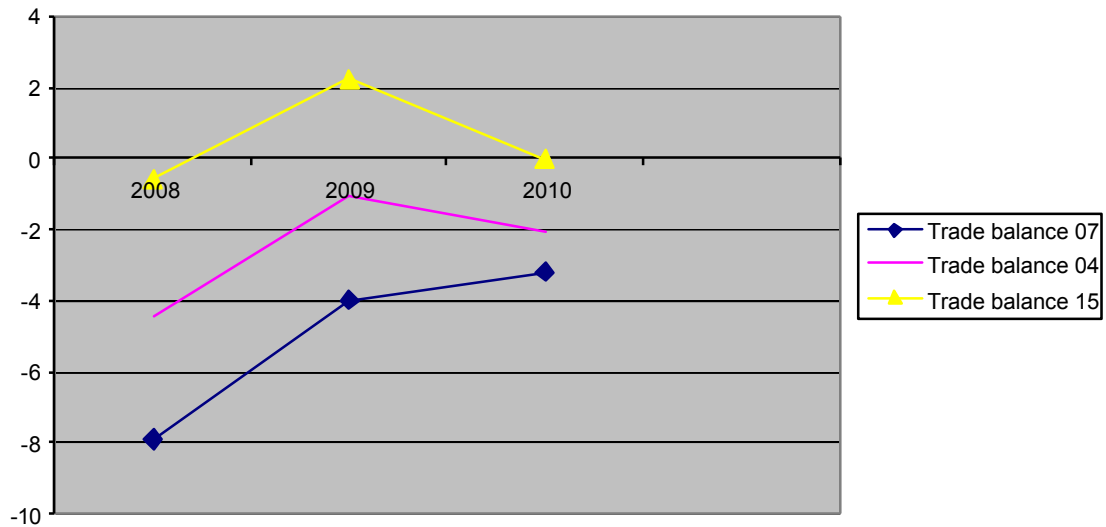


**Figure 2: Unemployment rate trends for EU15, EU'04 and EU'07**

Source: personal data processing

The greatest unemployment rate disparities are those between the 2004 Member States and 2007 Member States. The unemployment rate disparities between the E.U.15 and 2007 Member States will growth in 2010, as well. On the over hand, we can observe that the unemployment disparities will grow in 2010, comparing to 2008.

The trade balance is considered as an important element which supported the global crisis. In the EU27 Member States, the situation of the trade balance is presented in figure 3.

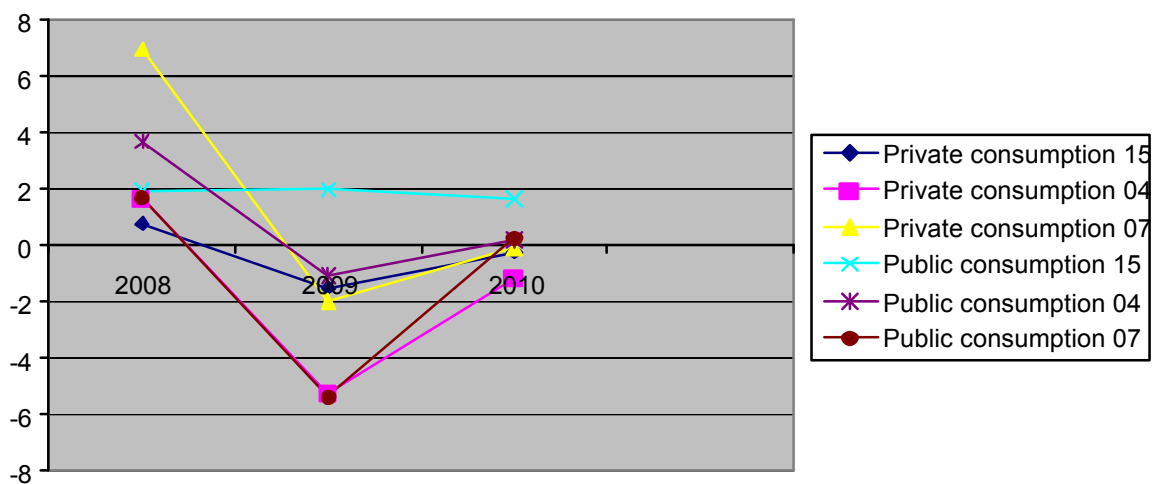


**Figure 3: Trade balance trends for EU15, EU'04 and EU'07**

Source: personal data processing

The trade balance disparities will decrease in 2010, comparing to 2008 and 2009. On the other hand, the imports are greater than exports in 2007 and 2004 Member States and they are quite equal in the E.U.15. The trade deficit is greater in the 2007 Member States, and it will support the disparities' growth between the three groups of countries which are analysed. On the other hand, the decrease of the trade balances was achieved by decreasing imports and consumption as a result of the impossibility to grow exports.

The private consumption decreased especially in the EU'07 during 2008-2010 time periods.



**Figure 4: Private and public consumption trends for EU15, EU'04 and EU'07**

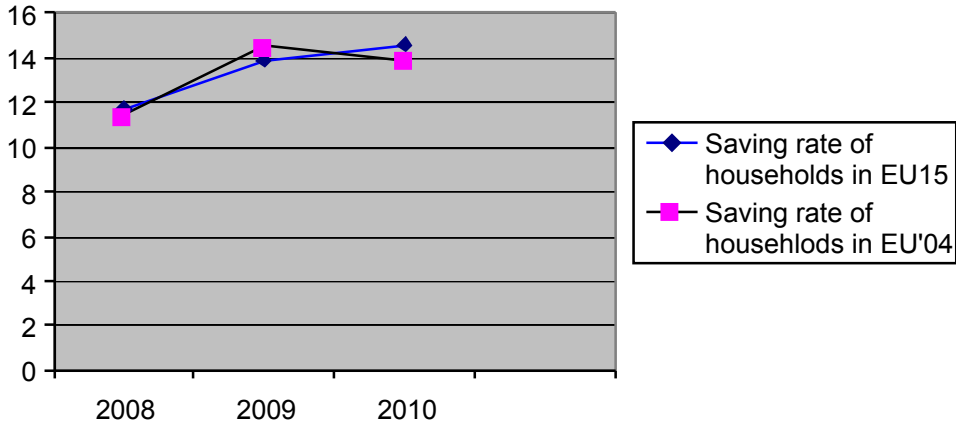
Source: personal data processing

The decrease was lower in the latest Member States, but it was enough to support an important disparity between these three categories of countries. The depreciation of the private consumption was followed by a greater depreciation of the public consumption. The situation is better in the EU15, but it is worst in EU'07 and EU'04.

A lower consumption can express a possible risk of poverty. The risk of poverty masks considerable variation between Member States. 11 Member States have a greater than EU27 average risk of poverty and on the second position is Romania. Other Member States with bad situation are the following ones: Poland, Portugal, Greece, Italy, UK, Spain, Lithuania, Bulgaria, Latvia and Estonia. The highest risk of poverty rates are in: Latvia (26%), Romania (23%), Bulgaria (21%), Lithuania, Greece and Spain (20%). The lowest risk of poverty rates are in the Czech Republic (9%), Iceland (10%), Netherlands, Slovakia and Norway (11%).

The surprises come from UK and Italy, which face to high risk of poverty rates, even that they are old Member States.

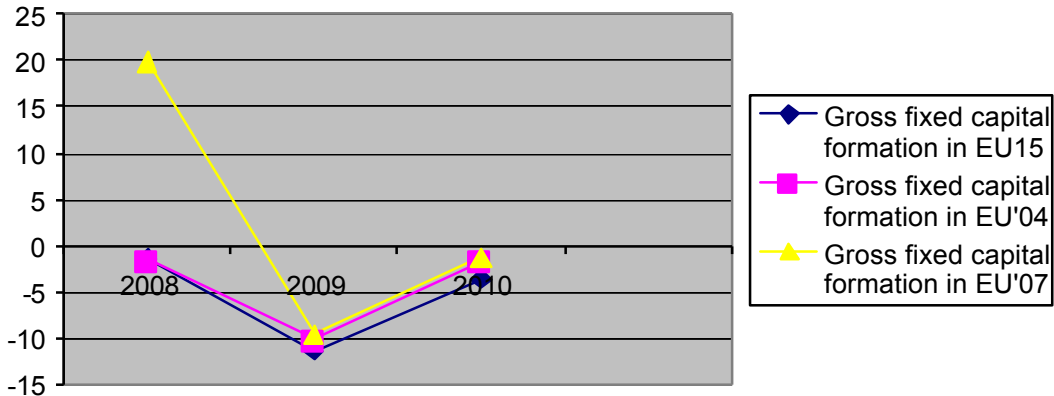
The savings rate of households is another pertinent indicator which supports us to analyse the effects of the present crisis on the Member States. This rate grew in EU15 and EU'04 during 2008-2009 and it will grow in 2010, as well. The problem is that this evolution is based on precautionary savings in these two categories of countries, and not on welfare. Moreover, there is no information about the savings rate of households in the latest two Member States, but we know that some savings are very difficult to make in Bulgaria and Romania. As a result, it is not a positive evolution, even that the savings rate of households grows, as long as it is based on precautionary reasons.



**Figure 5: The savings rate of households' trends for EU15, EU'04 and EU'07**

Source: personal data processing

The gross fixed capital formation had a negative trend during 2008-2010. It was the result of the economic slowdown and the investors' scepticism.

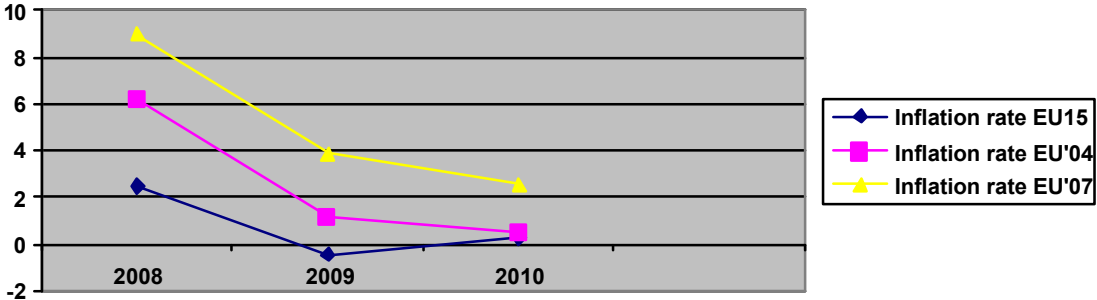


**Figure 6: The gross fixed capital formation trends for EU15, EU'04 and EU'07**

Source: personal data processing

The evolution in the figure 6 talks about a negative convergence, because the annual average rates of growth are negative and approximately equal.

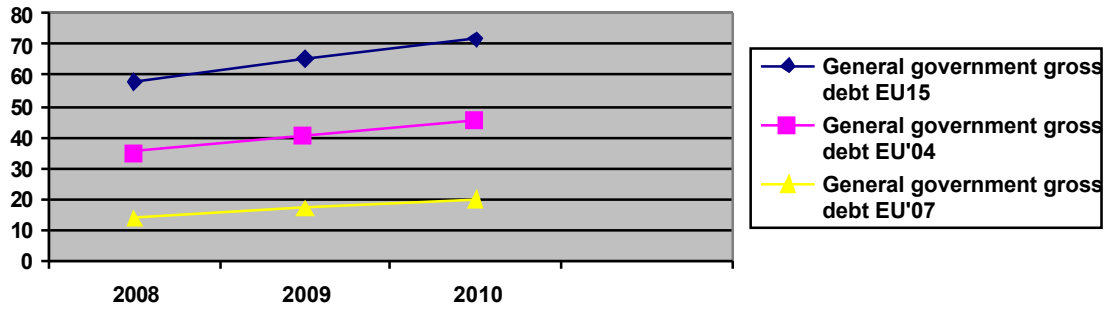
The evolution of the harmonised index of consumer prices and implicit of the inflation rate support the idea that the disparities between the Member States grow. As a result, the greatest inflation rates are in EU'07 and EU'04, comparing to EU15. From a positive point of view, we can observe that the inflation rates decreased in all Member States during 2008-2010.



**Figure 7: The inflation rate trends for EU15, EU'04 and EU'07**

Source: personal data processing

Last, but not the least, the general government gross debt as % of GDP varies high in the Member States. The trend is a negative one for all Member States, but the greatest debts are in EU15.



**Figure 8: The general government gross debt trends for EU15, EU'04 and EU'07**

Source: personal data processing

The first conclusion of the analysis is that the disparities between the Member States grew as a result of the present crisis. In order to verify this conclusion, we used the ranking of the Member States using the method of the relative distances, the ANOVA method (under the unemployment rate) and the cluster analysis, as well.

The method of the relative distances allows observing the relative distance of every Member State regarding the country which has the maximum level of the indicator. According to this maximum variant, every Member State is situated at a specific distance, which is calculated using the relative degrees of coordination lower than 100% (1). Then, we calculate a geometric average of the relative degrees of coordination for every Member State, named average distance.

Using this method, allows realising a hierarchy of the Member States, using a fictive unit and aggregating the data for every real unit. The observations for every characteristic were made using relative degrees of coordination, which were established for every element of the collectivity comparing to the unit with maximum quality performance. The comparisons between units were limited between 0% and 100%.

We used a geometric average in order to aggregate the coordination measures with are specific for every Member State into an average synthetic index. The average synthetic index was re-calculated as the average synthetic index for every Member State/ maximum level of the collectivity. The final rank for every Member State was given according to its average synthetic index, as in table 2.

**Table 2: The hierarchy of the Member States using the relative distances method (2010).**

Member State	Ranks according to:				Synthetic index	Final rank
	GDP/capita	Unemployment rate	Inflation rate	Trade balance		
Belgium	0.0	58.3	0.0	0.0	14.6	24.00



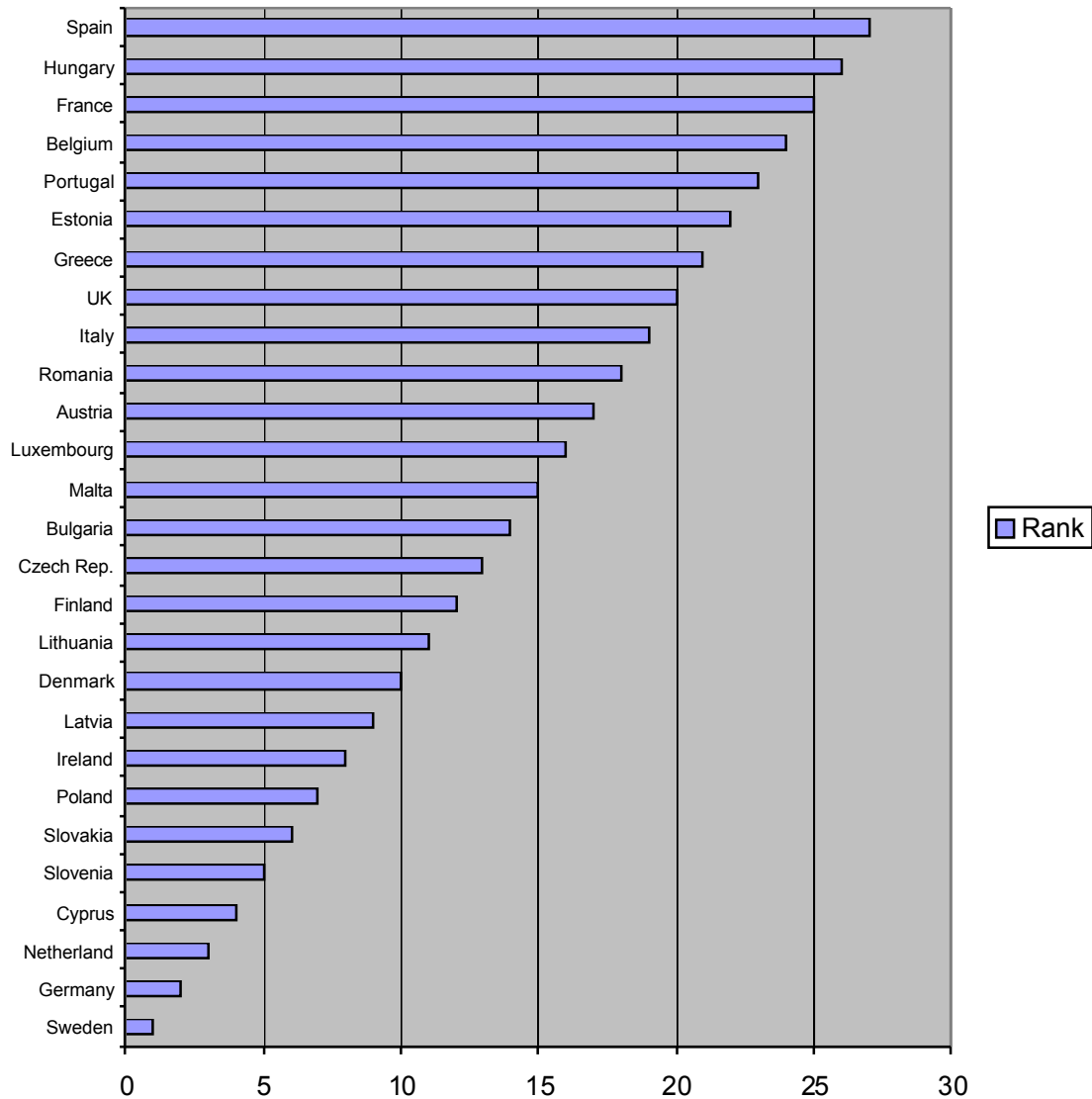
Denmark	37.5	90.9	0.0	0.0	32.1	10.00
Germany	37.5	57.7	17.7	92.7	51.4	2.00
Ireland	0.0	37.5	35.3	0.0	36.4	8.00
Greece	12.5	61.9	0.0	0.0	18.6	21.00
Spain	0.0	29.3	0.0	0.0	7.3	27.00
France	0.0	56.1	0.0	0.0	14.0	25.00
Italy	12.5	63.8	0.0	0.0	19.1	19.00
Luxembourg	12.5	85.7	0.0	0.0	24.6	16.00
Netherland	0.0	96.8	0.0	100.0	49.2	3.00
Austria	0.0	84.5	0.0	0.0	21.1	17.00
Portugal	0.0	61.2	0.0	0.0	15.3	23.00
Finland	25.0	64.5	0.0	29.1	29.7	12.00
Sweden	100.0	57.7	17.7	92.7	67.0	1.00
UK	12.5	63.8	0.0	0.0	19.1	20.00
Czech Rep.	37.5	81.1	0.0	0.0	29.7	13.00
Estonia	0.0	42.6	29.4	0.0	18.0	22.00
Cyprus	87.5	100.0	0.0	0.0	46.9	4.00
Latvia	0.0	37.5	100.0	0.0	34.4	9.00
Lithuania	0.0	37.7	82.4	0.0	30.0	11.00
Hungary	0.0	53.6	0.0	21.8	13.7	26.00
Malta	25.0	79.0	0.0	0.0	26.0	15.00
Poland	100.0	49.6	0.0	0.0	37.4	7.00
Slovenia	87.5	81.1	0.0	0.0	42.2	5.00
Slovakia	87.5	49.6	0.0	16.4	38.4	6.00
Bulgaria	0.0	76.9	0.0	29.1	26.5	14.00
Romania	0.0	77.9	0.0	0.0	19.5	18.00

Source: personal data processing

Using the data from table 2, we can observe that the disparities quantified by our graphics are greater, as they result from this method implementation.

Only 6 Member States from EU15 have ranks lower than 16. Moreover, the latest 2 Member States seem to have a better forecast for 2010. Better situations have Cyprus, Slovenia, Slovakia and Poland. Under the relative distances method, the best situations have Sweden and Germany and the worst Hungary and Spain.

The analysis of the variation (Anova Method) is based on the analysis of the variance of some quantitative variables using qualitative variables. It is a dependence technique which implies the use of some dependent and independent variables. This method is used to understand the form and the measure of the dependent variable determination as a function of independent variables.



**Figure 9: The ranks of the Member States under the relative distances method**

Source: personal data processing

The statistic computation covered the determination of the descriptive statistic values on groups and of the average values, in order to obtain the significations of the disparities between groups for every investigation method used. We adopted the statistic signification degree as  $p < 0.05$ .

For every Member State, we used the unemployment rate and the GDP/capita during 2008-2010. It was performing by the SPSS Statistics 17 program. The greatest disparities connected to the unemployment rate are between Spain, Netherland and Cyprus. The SPSS Statistics 17 program induces three categories of Member States under the evolution of unemployment rate: first of them covers Netherland, Cyprus, Denmark, Austria, Luxembourg, Czech Republic, Slovenia, Malta, Bulgaria and Romania. Here, we can eliminate Bulgaria

and Romania, because the confidence in the official statistics is not too high. Moreover, Slovenia, Cyprus and Malta are small economies and they are not representative for the group.

The second group is formed by UK, Finland, Sweden, Italy, Belgium, Germany, Greece, Portugal, France, Hungary and Poland. There are EU15 Member States, excepting Hungary and Poland.

At least, another group of Member States is that which covers Estonia, Slovakia, Lithuania, Ireland, Latvia and Spain. These are EU'04 countries with high unemployment rates, excepting Ireland and Spain.

Using the GDP/capita during 2008-2010, the SPSS Statistics 17 describes the same three categories of countries: first of them covers 13 from all EU15 Member States and Czech Republic, second 4 countries from EU'04 and Ireland and third 5 countries from EU'04, the EU'07 countries, Greece and Luxembourg.

The same results come from cluster analysis, in which we used GDP/capita and unemployment rate in 2010.

Using the information from all these techniques of analysis, we can conclude that we agree the idea of a new paradigm for the European cohesion policy in order to limit and to decrease the regional disparities across the Member States.

The question we have to answer is if the present European cohesion policy is able to solve these disparities. Unfortunately, the answer is negative, at least in 2010.

Nowadays, we can admit that the Lisbon Strategy was a fiasco. As a result, the European Commission proposed a new document, EU 2020 Agenda, in November 2009. This new document reiterates ideas from the past one, as: knowledge based economic growth, flexicurity and green competitive economy. The Member States are not enthusiast of this new agenda. Great divergences are between Germany, UK, Poland and Czech Republic, for example.

As a result, these new socio-economic evolution of the EU under the global crisis represents the real greatest challenge for the EU.

Maybe, a positive point of view is that any Member State is not able to face the challenges of the global crisis alone. This is the moment to deal with fundamental changes of the European Cohesion Policy, in order to achieve a real convergence. If the Member States will not able to realise it, they will face to a change, from a relative decline decade, to a permanent deterioration of the economic growth and high structural unemployment rates.

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## ANNEXES

### Annex 1: E.U.15 Macroeconomic trends (% change on preceding year)

	Belgium			Denmark			Germany		
	2008	2009	2010	2008	2009	2010	2008	2009	2010
GDP at previous year prices	1.2	-3.5	-0.2	-1.1	-3.3	0.3	1.3	-5.4	0.3
Private consumption	1.0	-0.7	-0.4	-0.1	-1.6	1.1	-0.1	-0.5	-0.7
Public consumption	2.1	1.8	1.7	1.1	2.1	1.1	2.0	2.0	1.8
Gross fixed capital formation	4.8	-6.2	-2.2	-3.6	-9.1	-0.7	4.4	-10.3	-0.8
of which: equipment	7.4	-9.0	-2.0	-3.7	-13.0	0.2	5.3	-19.7	-5.5
Exports	2.4	-12.8	-1.0	2.2	-10.7	-0.1	2.7	-16.1	-0.4
Imports	3.7	-11.0	-0.9	3.7	-9.3	0.8	4.0	-10.8	-1.7
Employment	1.6	-1.2	-1.5	1.0	-2.2	-2.0	1.4	-1.5	-2.2
Unemployment rate	7.0	8.5	10.3	3.3	5.2	6.6	7.3	8.6	10.4
Unit labour costs whole economy	3.7	4.5	0.6	7.0	4.1	0.2	2.1	5.1	-1.5
Savings rate of households	12.8	14.6	15.6	5.6	7.8	7.7	17.2	17.5	17.6
Harmonised index of consumer prices	4.5	0.3	1.2	3.6	0.9	1.4	2.8	0.3	0.7
Trade balance	-2.2	-2.3	-2.4	0.6	0.7	0.0	7.5	4.8	5.1
General government gross debt (% of GDP)	89.6	95.7	100.9	33.3	32.5	33.7	65.9	73.4	78.7
	Ireland			Greece			Spain		
	2008	2009	2010	2008	2009	2010	2008	2009	2010
GDP at previous year prices	-2.3	-9.0	-2.6	2.9	-0.9	0.1	1.2	-3.2	-1.0
Private consumption	-0.8	-7.9	-4.0	2.2	0.4	0.5	0.1	-3.1	-1.1
Public consumption	2.1	-0.6	2.0	3.2	1.9	1.9	5.3	5.1	4.7
Gross fixed capital formation	-19.9	-29.2	-15.6	-11.5	-5.6	0.7	-3.0	-14.7	-8.0
of which: equipment	-20.0	-20.0	-5.0	-9.6	-9.5	1.5	-1.1	-23.3	-9.6
Exports	-0.4	-8.9	-0.2	2.2	-7.3	0.8	0.7	-10.2	0.1
Imports	-4.4	-12.5	-2.5	-4.4	-6.0	0.9	-2.5	-14.5	-2.4
Employment	-0.9	-9.0	-4.0	1.2	-1.1	-0.1	-0.6	-5.3	-2.7
Unemployment rate	6.3	13.3	16.0	7.7	9.1	9.7	11.3	17.3	20.5
Unit labour costs whole economy	7.0	-4.0	-3.9	5.7	4.1	1.7	3.4	1.1	0.9
Savings rate of	14.8	17.9	18.2	-	-	-	13.0	16.6	18.5

households									
Harmonised index of consumer prices	3.1	-1.3	0.4	4.2	1.8	2.3	4.1	-0.1	1.4
Trade balance	-5.2	3.8	-1.9	-1.1	5.4	-0.8	-7.7	-5.3	-4.8
General government gross debt (% of GDP)	43.2	61.2	79.7	97.6	103.4	108.0	39.5	50.8	62.3
	France			Italy			Luxembourg		
	2008	2009	2010	2008	2009	2010	2008	2009	2010
GDP at previous year prices	0,7	-3,0	-0,2	-1,0	-4,4	0,1	-0,9	-3,0	0,1
Private consumption	1,4	0,2	0,3	-0,9	-1,7	0,2	1,8	1,2	1,5
Public consumption	1,7	1,8	1,1	0,6	0,7	0,6	1,3	5,0	2,4
Gross fixed capital formation	0,5	-5,9	-2,6	-3,0	-12,3	-0,6	1,7	-8,9	-2,3
of which: equipment	-0,5	-11,4	-4,4	-4,6	-17,8	0,3	0,0	-15,0	-4,0
Exports	1,2	-11,7	-1,0	-3,7	-15,6	0,1	0,3	-6,3	-1,0
Imports	2,2	-6,9	0,0	-4,5	-12,8	0,2	1,8	-6,3	-0,9
Employment	0,6	-2,2	-1,2	-0,1	-3,3	-0,6	4,7	0,6	-0,8
Unemployment rate	7,8	9,6	10,7	6,8	8,8	9,4	4,9	5,9	7,0
Unit labour costs whole economy	2,7	2,0	0,4	4,2	3,3	0,8	7,2	5,4	0,6
Savings rate of households	15,4	16,1	16,5	14,7	15,1	15,1	-	-	-
Harmonised index of consumer prices	3,2	0,2	0,9	3,5	0,8	1,8	4,1	-0,6	2,0
Trade balance	-2,7	3,0	-0,3	-2,6	7,5	-0,4	-0,6	4,8	-0,5
General government gross debt (% of GDP)	68,0	79,7	86,0	105,8	113,0	116,1	14,7	16,0	16,4
	Netherland			Austria			Portugal		
	2008	2009	2010	2008	2009	2010	2008	2009	2010
GDP at previous year prices	2,1	-3,5	-0,4	1,8	-4,0	-0,1	0,0	-3,7	-0,8
Private consumption	1,0	0,2	-0,5	0,9	0,1	0,4	1,6	-1,3	-0,4
Public consumption	2,1	2,0	1,0	0,5	0,6	0,8	0,5	0,6	0,2
Gross fixed capital formation	5,3	-7,6	-3,2	1,8	-11,6	0,1	-1,1	-14,4	-8,0
of which: equipment	5,2	-9,4	-0,6	1,2	-17,9	0,1	3,9	-17,2	-8,6
Exports	2,6	-10,7	0,3	2,0	-10,9	0,4	-0,5	-11,7	-0,1
Imports	4,1	-9,3	-0,4	1,6	-9,5	1,1	2,1	-10,0	-2,3
Employment	1,8	-1,0	-2,8	1,5	2,7	-0,9	0,4	-1,4	-0,6
Unemployment rate	2,8	3,9	6,2	3,8	6,0	7,1	7,7	9,1	9,8
Unit labour costs whole economy	3,4	6,2	0,0	3,0	4,1	0,6	3,6	1,7	2,3
Savings rate of households	13,1	15,1	15,2	15,9	17,5	18,1	6,5	10,2	10,6
Harmonised index of consumer prices	2,2	1,4	0,9	3,2	0,5	1,1	2,7	-0,3	1,7
Trade balance	7,0	5,8	5,5	0,0	-0,2	-0,6	-2,6	4,9	-0,1
General government	58,2	57,0	63,1	62,5	70,4	75,2	66,4	75,4	81,5

gross debt (% of GDP)									
	Finland			Sweden			U.K.		
	2008	2009	2010	2008	2009	2010	2008	2009	2010
GDP at previous year prices	0,9	-4,7	0,2	-0,2	-4,0	0,8	0,7	-3,8	0,1
Private consumption	2,0	-1,4	0,9	-0,2	-3,0	0,5	1,4	-3,4	-1,6
Public consumption	1,7	2,3	1,9	1,3	0,5	0,6	3,4	3,6	2,9
Gross fixed capital formation	1,0	-8,5	-2,9	3,5	-14,6	-2,9	-3,1	-12,3	-6,3
of which: equipment	3,7	12,0	-2,9	7,2	-17,5	-5,7	-3,2	-12,7	-7,9
Exports	-1,1	-18,3	1,2	1,7	-9,4	1,1	0,1	-10,5	-0,9
Imports	-1,3	-15,7	1,9	3,0	-11,3	-0,6	-0,6	-13,0	-2,0
Employment	1,5	-2,9	-0,8	0,9	-2,4	-2,3	-0,7	-2,4	-0,9
Unemployment rate	6,4	8,9	9,3	6,2	8,4	10,4	5,6	8,2	9,4
Unit labour costs whole economy	6,2	5,7	2,5	2,7	3,7	-1,1	2,4	2,4	0,4
Savings rate of households	6,9	9,5	10,1	14,4	17,5	18,0	1,4	5,6	8,2
Harmonised index of consumer prices	3,9	1,3	1,1	3,3	1,6	0,7	3,6	1,0	1,3
Trade balance	3,5	2,1	1,6	4,0	4,9	5,1	-6,4	-6,1	-6,0
General government gross debt (% of GDP)	33,4	39,7	45,7	38,0	44,0	47,2	52,0	68,4	81,7

### Annex 2: E.U.10 Macroeconomic trends (% change on preceding year)

	Czech Republic			Estonia			Cyprus		
	2008	2009	2010	2008	2009	2010	2008	2009	2010
GDP at previous year prices	3,2	-2,7	0,3	-3,6	-10,3	-0,8	3,7	0,3	0,7
Private consumption	2,9	0,2	0,3	-3,8	-9,0	-1,3	7,0	1,0	1,2
Public consumption	0,9	0,5	0,4	4,4	-3,6	-2,4	8,7	7,0	2,4
Gross fixed capital formation	3,1	-5,1	-0,2	-8,1	-20,7	-1,2	9,8	1,7	0,6
of which: equipment	10,5	-5,9	-0,5	-9,0	-15,0	2,2	21,7	1,2	1,2
Exports	8,9	-11,6	0,7	-1,1	-14,1	0,4	1,1	-6,2	0,2
Imports	4,6	-10,4	0,6	-7,9	-16,0	-0,5	9,9	-3,1	1,3
Employment	1,2	-1,7	-1,3	0,2	-7,3	-3,3	3,8	4,7	6,0
Unemployment rate	4,4	6,1	7,4	5,5	11,3	14,1	3,8	4,7	6,0
Unit labour costs whole economy	4,2	4,2	1,8	19,3	4,1	-5,9	3,0	4,7	3,7
Savings rate of households	10,2	9,6	9,9	11,1	20,6	17,2	-	-	-
Harmonised index of consumer prices	6,3	1,1	1,6	10,6	0,6	0,5	4,4	1,1	2,0
Trade balance	-2,1	0,1	-0,2	-11,9	-8,4	-9,6	-2,6	10,2	-0,1
General government gross debt (% of GDP)	29,8	33,7	37,9	4,8	6,8	7,8	49,1	47,5	47,9

	Latvia			Lithuania			Hungary		
	2008	2009	2010	2008	2009	2010	2008	2009	2010
GDP at previous year prices	-4,6	-13,1	-3,2	3,0	-11,0	-4,7	0,5	-6,3	-0,3
Private consumption	-11,0	-22,0	-6,6	4,7	-17,5	-7,2	-0,7	-6,6	-0,3
Public consumption	1,5	-5,0	-2,0	4,3	-9,9	-3,2	0,5	-3,2	0,2
Gross fixed capital formation	-13,2	-24,0	-8,0	-6,0	-22,1	-7,3	-2,6	-10,6	-2,1
of which: equipment	-	-	-	-18,9	-19,0	-8,3	1,5	-12,5	-1,5
Exports	-1,3	-12,9	0,6	11,3	-15,1	-0,2	4,6	-11,9	0,8
Imports	-13,6	-27,7	-7,0	10,0	-23,8	-3,7	4,0	-12,3	0,5
Employment	0,7	-8,9	-3,3	-0,5	-7,7	-2,4	-1,2	-3,0	-2,0
Unemployment rate	7,5	15,7	16,0	5,8	13,8	15,9	7,8	9,5	11,2
Unit labour costs whole economy	23,2	-4,6	-3,1	10,6	-7,0	-6,6	6,0	5,1	4,0
Savings rate of households	-	-	-	-	-	-	-	-	-
Harmonised index of consumer prices	15,3	4,6	-0,7	11,1	3,6	-0,4	6,0	4,4	4,1
Trade balance	0,6	-4,3	-1,9	-11,9	-2,8	-1,2	0,4	1,0	1,2
General government gross debt (% of GDP)	19,5	34,1	50,1	15,6	22,6	31,9	73,0	80,8	82,3
	Malta			Poland			Slovenia		
	2008	2009	2010	2008	2009	2010	2008	2009	2010
GDP at previous year prices	1,6	-0,9	0,2	4,8	-1,4	0,8	3,5	-3,4	0,7
Private consumption	4,1	0,8	0,7	5,3	0,6	0,2	2,2	-0,4	0,6
Public consumption	8,3	-1,2	1,6	0,0	-0,3	0,7	3,7	2,9	2,9
Gross fixed capital formation	-19,7	3,4	3,1	7,9	-6,2	-0,8	6,2	-13,6	-1,1
of which: equipment	-	-	-	14,8	-9,2	1,0	3,5	-13,3	-0,5
Exports	-14,0	-7,8	-1,3	5,8	-11,0	0,2	3,3	-11,8	-0,3
Imports	-13,1	-5,4	0,1	6,2	-10,8	-1,5	3,5	-12,0	-0,6
Employment	1,1	-0,5	0,2	4,0	-2,3	-1,4	2,9	-4,7	-0,6
Unemployment rate	5,9	7,1	7,6	7,1	9,9	12,1	4,4	6,6	7,4
Unit labour costs whole economy	3,3	3,4	2,7	6,9	2,4	-0,2	7,9	1,0	1,7
Savings rate of households	-	-	-	7,0	9,1	9,8	17,3	18,7	18,6
Harmonised index of consumer prices	4,7	1,0	1,8	4,2	2,6	1,9	5,5	0,7	2,0
Trade balance	-3,4	2,7	-0,2	-4,3	-4,6	-3,9	-7,3	-5,9	-5,7
General government gross debt (% of GDP)	64,1	67,0	68,9	47,1	53,6	59,7	22,8	29,3	34,9
	Slovakia								
	2008	2009	2010						
GDP at previous year prices	6,4	-2,6	0,7						
Private consumption	6,1	0,5	0,9						

Public consumption	4,3	2,0	1,2			
Gross fixed capital formation	6,8	-5,2	0,2			
of which: equipment	19,6	-4,1	0,1			
Exports	3,2	-10,2	0,2			
Imports	3,3	-7,6	0,3			
Employment	2,9	-1,7	0,4			
Unemployment rate	9,5	12,0	12,1			
Unit labour costs whole economy	5,2	5,9	5,2			
Savings rate of households	-	-	-			
Harmonised index of consumer prices	3,9	2,0	2,4			
Trade balance	-1,9	1,3	0,9			
General government gross debt (% of GDP)	27,6	32,2	36,3			

**Annex 3: E.U.2 Macroeconomic trends (% change on preceding year)**

	Bulgaria			Romania		
	2008	2009	2010	2008	2009	2010
GDP at previous year prices	6,0	-1,6	-0,1	7,1	-4,0	0,0
Private consumption	4,8	-0,3	0,1	9,1	-3,7	-0,3
Public consumption	0,1	0,2	0,4	3,2	-11,0	0,1
Gross fixed capital formation	20,4	-12,7	-2,0	19,3	-6,5	-0,5
of which: equipment	-	-	-	19,0	-7,0	-1,0
Exports	2,9	-11,1	2,2	19,4	-16,9	0,6
Imports	4,9	-11,3	1,1	17,5	-17,3	-0,5
Employment	3,3	-2,2	-1,0	0,3	-2,2	0,6
Unemployment rate	5,6	7,3	7,8	5,8	8,0	7,7
Unit labour costs whole economy	16,2	5,9	3,3	14,3	10,5	8,1
Savings rate of households	-	-	-	-	-	-
Harmonised index of consumer prices	12,0	3,9	3,6	7,9	5,8	3,5
Trade balance	-2,5	1,0	1,6	-13,3	-9,1	-8,0
General government gross debt (% of GDP)	14,1	16,0	17,3	13,6	18,2	22,7



## Annex 4: ANOVA – unemployment rate

### Unemployment rate 2008

#### ANOVA

VAR00002

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	121,519	7	17,360	2,923	,017
Within Groups	201,951	34	5,940		
Total	323,471	41			

### Unemployment rate 2009

#### ANOVA

VAR00002

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	87,331	7	12,476	2,697	,025
Within Groups	157,260	34	4,625		
Total	244,591	41			

### Unemployment rate 2010

#### ANOVA

VAR00002

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	85,828	7	12,261	2,792	,021
Within Groups	149,302	34	4,391		
Total	235,130	41			

## Annex 5: Cluster analysis

GDP/capita

Rescaled Distance Cluster Combine

C A S E	0	5	10	15	20	25
Label	Num	+-----+-----+-----+-----+-----+				
Italy	22	↓□				
Poland	3	↓□				
Slovenia	8	↓□				
UK	15	↓□				
Malta	7	↓□				
Denmark	20	↓□				
Netherland	11	↓↑↓↘				
Cyprus	1	↓□	↔			
Bulgaria	4	↓□	↔			
Hungary	23	↓□	↔			
Germany	19	↓□	↔			
Austria	12	↓□	↔			
Belgium	14	↓□	↔			

