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Working Paper

The European Economy. Medium Term Perspectives

ETLA Discussion Papers, No. 402

Provided in Cooperation with:

The Research Institute of the Finnish Economy (ETLA), Helsinki

Suggested Citation: Rantala, Olavi; Suni, Paavo (1992) : The European Economy. Medium Term Perspectives, ETLA Discussion Papers, No. 402, The Research Institute of the Finnish Economy (ETLA), Helsinki

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Keskusteluaiheita - Discussion papers

No. 402

Olavi Rantala - Paavo Suni*

THE EUROPEAN ECONOMY MEDIUM-TERM PERSPECTIVES

* We would like to thank Katariina Leikas for assistance in the computations and John Rogers for checking the language.

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RANTALA, Olavi - SUNI, Paavo, THE EUROPEAN ECONOMY, MEDIUM-TERM PERSPECTIVES. Helsinki : ETLA, Elinkeinoelämän Tutkimuslaitos, The Research Institute of the Finnish Economy, 1992. 26 p. (Keskusteluaiheita, Discussion Papers, ISSN 0781-6847; no. 402).

ABSTRACT: This report gives a summary of the medium-term forecasts of some member institutes of AIECE (ASSOCIATION D'INSTITUTS EUROPÉENS DE CONJONCTURE ÉCONOMIQUE). As a special issue the report deals with the convergence of Western European economies as measured by the criteria for EMU treaty recently decided in the EC. The outlook and problems facing Eastern European economies are also discussed. The report was prepared by The Research Institute of the Finnish Economy (ETLA) for the spring meeting of the AIECE Working Group on Longer Term Prospects and Structural Change.

KEY WORDS: medium-term forecasts, economic convergence, Eastern European transformation

This report was prepared by The Research Institute of the Finnish Economy (ETLA). We would like to thank the following institutes for providing us with their medium-term forecasts, reproduced in detail in the annexes of this report.

ECC	Commission of the EC, Brussels
IFO	Institut für Wirtschaftsforschung, München
BIPE	Bureau d'Information et de Prévisions Economiques, Paris
PROMETEIA	Association Prometeia, Bologne
LBS	London Business School, Center for Economic Forecasting, London
NIESR	The National Institute of Economic and Social Research, London
DGPC	Dirección General de Previsión y Coyuntura, Madrid
DULBEA	Département d'Economie Appliquée de l'Université Libre de Bruxelles
DØR	The Economic Council, Copenhagen
ESRI	The Economic and Social Research Institute, Dublin
WIFO	Österreichisches Institut für Wirtschaftsforschung, Wien
FTRI	Foreign Trade Research Institute, Warsaw
ERI	Economic Research Institute, Budapest
KOPINT	Institute for Economic and Market Research, Budapest
IFCAS	Institute for Forecasting of the Czechoslovak Academy of Sciences, Prague

CONTENTS

	Page
I Introduction	1
II Medium-term forecasts of the institutes	1
II.1 International economy	1
II.2 European economy	5
III Special issues	7
III.1 Economic convergence in Western Europe	7
III.2 Perspectives and problems in Eastern Europe	11
IV Issues for discussion	13

Annexes

- I Graphs: GDP growth rates in industrial countries
- II Tables: Key assumptions in institute forecasts
- III Tables: Institute forecasts for individual countries

I Introduction

This report summarises the latest medium-term forecasts of the Working Group on Longer Term Prospects and Structural Change of the AIECE. The outline of the report is as follows. In section II the various institutes' projections for the international and European economies are presented at an aggregated level. Section III deals with some special issues which are important for European economies in the medium term. This time the economic convergence has been chosen as a special issue because the provisions for the EMU treaty were decided recently in the EC. The perspectives and problems of Eastern European countries are also discussed in section III.

II Medium-term forecasts of the institutes

II.1 International economy

All institutes that have submitted their forecasts for the international economy foresee a cyclical upturn in the medium term. The recovery is, however, expected to be rather moderate. The average annual growth of real GDP in OECD countries is forecast to be 2.7 percent in 1992-1996. The growth for OECD Europe is estimated to be on average 2.5 percent. The world trade volume is expected to increase by 6.1 percent annually.

The main difference as compared to the aggregated medium-term forecast of the AIECE institutes a year ago is, however, not the average GDP growth rate in the OECD countries during the next five years but the fact that now it is generally assumed that the recovery of the international economy will be delayed (see figures in Annex I.)

After the Gulf crisis there was generally great optimism as regards the cyclical upturn of the industrial countries. Indeed, after oil prices had fallen, the economic growth seemed to have started to pick up, for instance, in the United States during the first half of last year.

The growth of private investments and consumption, however, stalled later in 1991 largely because of the stringency of the credit markets in many countries. Nevertheless, the present slow-down in economic activity is forecast to be temporary and after the double-dip the growth of production is generally expected to be restarted later this year.

One reason for the expected recovery of the international economy is the stability of the crude oil price. In fact institute forecasts of oil prices for the next five years are somewhat lower than they were a year ago. The average annual increase during the forecasting period is around 3.5 percent so that the real price hardly rises at all.

The relatively stable oil market conditions and the present slow-down in economic activity help to keep inflation under control. Therefore the interest rates have declined in the United States and Japan and they are expected to decline from the present abnormally high levels also in Europe. Moreover, the interest rate differential between Europe and the United States is expected to diminish.

The main uncertainties in the international economy according to member institutes are the results of the Uruguay round of GATT, the effects of the German unification process and the economic transition process in the former CMEA countries, especially in the CIS. Only one institute mentioned the risk of another oil crisis following the political unrest in the Middle East.

The results of GATT negotiations are important especially in the medium term. Increasing protectionism would seriously worsen the growth prospects of the international economy. On the other hand, increasing liberalism might increase the volume of world trade.

The German unification process with the accompanying restrictive monetary policy stance in Germany is assumed to keep interest rates in Europe higher than they would normally be in a recession. However, the size of the contractionary effect and the consequent influence on European economic activity is difficult to assess especially since on the other side of the coin there is the growth of the export market

in Germany. Moreover, the the interest rate effects of the increased demand for finance in Eastern Europe and CIS remain to be seen.

But even more generally there is considerable uncertainty as to the developments in the financial markets and the consequent effects on real economic activity. The "credit crunch" phenomena, i.e. the increased non-price rationing of credit by banks as a reaction to credit losses, may seriously endanger the recovery of investment activity in industrial countries.

	1982-1986	1987-1991	1992-1996	1991	1992	1993	1994	1995	1996
GDP volume: (annual percentage changes)									
OECD	2.6	3.0	2.7	1.1	2.0	3.0	2.9	3.1	2.8
OECD Europe	2.1	2.8	2.5	1.2	1.9	2.6	2.9	3.0	2.9
World trade volume of goods	3.0	6.0	6.1	3.0	4.8	6.3	6.6	6.4	6.3
Crude oil price (USD / bbl.)	27.0	18.3	21.1	19.3	19.4	20.3	21.2	22.2	22.9
Long-term interest rate:									
United States	10.8	8.6	7.6	8.1	7.5	7.8	7.9	7.8	7.2
Germany	7.6	7.1	7.8	8.6	8.3	8.0	7.8	7.6	7.3

1982 -1990: OECD

The problems in financial markets may, however, be only temporary and they have been relieved, for instance, in the United States and Japan by the interest rate cuts. Another important question concerning the longer run growth prospects of the U.S. economy is the effect of the permanent decrease of military expenditure, i.e. the "peace dividend", allowed by the reduction of political tensions in the world.

As to the prospects of the Eastern European economies, the AIECE institutes emphasized especially that the uncertainty concerning the political and economic transition in the former Soviet Union is a major risk particularly for the Eastern European countries. These countries were hit hardest by the break-down of the Soviet Union because it led to a collapse in these countries' exports.

II.2 European economy

The recovery in the international economy and world trade is expected to influence positively the European economy, too. The average GDP growth rate in the EC and OECD Europe in 1992-1996 is forecast to be 2.5 percent. These are the average growth rates computed from the institute forecasts. The aggregated institute forecasts are presented in tables 1 and 2.

Comparing the present outlook of the European economy to the institutes' medium-term forecasts a year ago shows that the economic growth scenario for the comparable period 1992-1995 has become less optimistic. This is probably at least partly due to the disappointing growth performance of industrial countries in 1991. The decreased optimism is a common feature in both most of the individual country forecasts and in the aggregate GDP figures of EC, OECD Europe and the whole OECD area.

However, according to the forecasts economic performance of European countries will gradually improve during this year. The differences in the growth rates are generally diminishing. Countries which were in recession last year (e.g. United Kingdom and Finland) will recover this year due to rising exports.

In countries where the growth rate has so far been fairly high (e.g. West Germany and Austria), the growth is generally decelerating this year. In West Germany and Austria the growth of exports is diminishing as the strongest demand pull from East Germany is over. The Spanish and Irish economies are growing fastest this year and the growth is forecast to be well above the European average in the medium term, too.

The lowered GDP growth estimates are reflected in unemployment rates which are now generally expected to remain somewhat higher in the first half of the 1990s than in last year's scenario. On the other hand, the assumed lower real economic activity has led to a downward-revision of the inflation forecasts.

	1982- 1986	1987- 1991	1992- 1996	1991	1992	1993	1994	1995	1996
(Annual percentage changes)									
GDP	2.0	2.8	2.5	1.3	1.7	2.4	2.7	2.8	2.8
Private consumption	2.0	3.1	2.4	1.7	2.2	2.2	2.4	2.6	2.7
Government consumption	1.8	1.7	1.6	1.4	1.8	1.5	1.5	1.5	1.7
Gross fixed investment	1.2	4.9	3.1	-0.5	1.3	2.9	3.5	3.9	4.0
Exports of goods and services	3.5	5.9	5.6	5.5	3.9	5.2	6.5	6.3	6.2
Exports of goods									
Imports of goods and services	3.7	7.0	5.6	4.6	4.0	5.0	6.4	6.4	6.4
Imports of goods									
GDP deflator	6.8	4.8	3.7	4.6	4.2	3.8	3.4	3.5	3.5
Consumer prices	7.4	4.6	4.0	5.1	4.3	4.1	4.1	3.8	3.7
Employment	0.0	-1.8		2.0	-0.2	0.2			
Unemployment (% of LF)	9.7	9.9		8.8	9.1	9.1			
Gen. gov. fin. bal. (% of GDP)	-5.2	-3.8		-8.1	-4.9	-4.8			
Current balance (% of GDP)	0.5	0.0		-0.2	-1.2	-1.0	-1.1		

1982 -1990: OECD

Compared to last year's forecasts the upturn in European economies is now expected to be based more on exports in the mid 1990s. By contrast, the growth estimates of domestic demand have been lowered in many institutes' forecasts.

More specifically, the private consumption and investment demand is now expected to grow less than in last year's forecasts. On the other hand, the fiscal policies are expected to become a bit more expansionary in terms of more rapid growth of government consumption.

The highest GDP growth rates are generally forecast for the years 1993 - 1996. The productivity gains and fairly stable raw material price developments will help to keep the inflation quite well under control in most European countries. Therefore the interest rate level is generally expected to decline, which again feeds back to the real economic activity. Therefore, despite the delay of the cyclical upturn, economic growth in the next few years is expected to be nearly as fast as it was in the mid 1980s.

Last year the economic performance of Eastern European countries has been worse than what was hoped and forecast. This may explain why the GDP growth estimates for 1992 have been revised considerably downwards, at least for Hungary, Czechoslovakia and Poland, which are included in this summary. Nevertheless, a modest recovery in these economies is expected in the following years.

III Special issues

III.1 Economic convergence in Western Europe

One important new aspect in the medium-term outlook is the economic convergence of the Western European countries necessitated by the economic integration process. This concerns especially the plans for the stage 3 of the European Monetary Union, for which concrete criteria for convergence were recently decided by EC countries at the Maastricht summit. The full EMU should begin for those member states judged eligible to participate no later than 1 January 1999, though it may begin earlier, maybe already in 1997.

It may be interesting to assess the proceeding of convergence by looking at the institutes' forecasts of those variables which belong to the set of convergence criteria of the EMU. In addition to EC countries also EFTA countries are included in the comparison because some of them have applied for membership in the EC.

The criteria concern the achievement of a high degree of price stability, the sustainability of the government financial position, the observance of the normal fluctuation margins provided by the ERM and the durability of convergence and participation in the ERM being reflected in the long-term interest rate. The inflation criterion allows the inflation rate to exceed the average of the three best performing member states by at most 1.5 percentage points. The criterion on the government budgetary position sets a limit of 3 percent for the ratio of the general government deficit to GDP and 60 percent for the ratio of the general government debt to GDP. The criterion on participation in the ERM allows only the narrow fluctuation margins of the ERM and, in particular, rules out devaluations against other member states'

currencies for at least two years before the examination. The criterion on interest rates allows the long-term interest rate to exceed the average rate of the three best performing member states in terms of price stability by no more than 2 percentage points.

In this paper the forecast convergence is assessed in terms of the financial deficit and gross debt of general government, inflation and the long-term interest rate. There are separate tables for each of these target variables. The attached tables describe both the historical developments and institutes' forecasts of the variables in the EC and EFTA countries.

Tables 3-6 indicate that in general those AIECE institutes which have submitted their forecasts expect that during the next five years or so there will be more convergence than took place in 1980s and is evident at the moment. On the other hand, many institutes seem to be doubtful as to the possibility of a complete fulfilment of the convergence criteria set for EMU by their own country in the given time schedule.

The underlying assumptions concerning the developments of the international economy vary in the different institutes' forecasts. This is, of course, reflected in the differences of the forecasts of the fundamentals of national economies. Consequently, it is also reflected in those variables by which the convergence is measured here. Moreover, all the qualifications as to the accuracy of long-term forecasts are naturally relevant here, too. Therefore one should not try to derive too far-reaching conclusions on the basis of the attached summary of the expected speed of the economic convergence in Europe.

Nevertheless, it may be interesting to compare e.g. the forecast general government financial deficit and gross debt figures to the historical levels of these variables in different Western European countries. Such a comparison is presented in tables 3 and 4. A general impression from this is that the deficit and debt levels are expected to remain high in those countries where they were high in the 1980s. However, even in these countries the general government indebtedness is expected to stabilize to some extent as compared to the historical developments, though not nearly as much as required under the provisions of the EMU treaty.

	1982-1986	1987-1991	1992-1996	1991	1992	1993	1994	1995	1996
EC: (Commission)	5.2	3.8		4.1	4.2	4.0	3.0	2.0	
West Germany	2.1	2.0		3.3	3.4	2.9			
France	2.9	1.9		1.9	2.4	2.3			
Italy	11.6	10.7	10.8	10.8	11.5	11.5	11.2	10.3	9.4
United Kingdom (LBS)	2.9	0.3	3.0	-0.1	2.2	3.5	3.6	3.0	2.6
(NIESR)	2.9	0.3	3.4	2.1	4.2	4.1	3.5	2.9	2.4
Spain	5.8	3.4	2.6	4.4	4.0	3.5	2.7	1.8	1.0
Netherlands	6.1	5.3							
Belgium	9.9	6.3	5.5	6.3	6.5	6.0	5.5	5.0	4.5
Denmark	3.8	0.2		1.5	0.3	-0.7			
Greece	10.5	16.6		17.9					
Portugal									
Ireland	11.9	4.3	2.2	1.9	2.9	2.6	2.2	1.9	1.4
Luxembourg	-2.6	-3.0							
EFTA:									
Switzerland									
Sweden	4.0	-3.4		-0.1					
Austria	3.2	2.9	0.5	2.1	1.1	0.9	0.5	0.2	-0.1
Norway	-6.5	-2.0		1.0					
Finland	0.2	0.2	5.3	5.3	7.5	7.2	6.0	4.0	2.0
Iceland									

1982 - 1990: OECD

	1982-1986	1987-1991	1992-1996	1991	1992	1993	1994	1995	1996
EC: (Commission)		60.9		61.4	62.8	63.9	64.4	63.9	
West Germany	41.5	43.4		(43.9)	(44.8)	(45.1)			
France	43.3	46.9		(47.1)	(47.4)	(47.2)			
Italy	77.6	98.2	112.9	102.5	107.3	110.5	113.3	115.9	117.5
United Kingdom (LBS)	53.1	40.4	(39.2)	(36.7)	(37.1)	(38.5)	(39.9)	(40.4)	(40.2)
(NIESR)	53.1	40.4	(40.8)	(36.7)	(38.7)	(40.5)	(41.4)	(41.7)	(41.5)
Spain	40.2	44.9	44.7	45.6	45.8	45.8	45.3	44.1	42.3
Netherlands	69.1	77.5		79.8					
Belgium	116.6	130.9	123.2	127.3	127.0	125.2	123.3	121.4	119.2
Denmark	60.6	58.0		(59.6)	(57.2)	(53.8)			
Greece	60.3	75.8		85.2					
Portugal	67.6	70.6							
Ireland	114.9	123.5	99.2	108.4	105.6	101.8	99.5	96.4	92.6
Luxembourg	14.2	8.9							
EFTA:									
Switzerland									
Sweden	66.0	50.1		44.8					
Austria	47.8	56.4	(52.1)	(54.4)	(54.3)	(53.6)	(52.4)	(51.0)	(49.4)
Norway	42.3	42.6		43.8					
Finland	18.5	18.5	43.4	22.9	33.5	40.0	45.0	49.0	50.0
Iceland									

1982 - 1990: OECD. Figures in parentheses computed by ETLA on the basis of the forecast financial deficit.

	1982-1986	1987-1991	1992-1996	1991	1992	1993	1994	1995	1996
EC: (Commission)	7.4	4.6		5.0	4.5	4.2	3.3	2.8	
West Germany	2.6	2.1		3.6	3.5	3.5			
France	7.5	3.2		3.0	3.1	3.2		3.2	
Italy	11.4	5.7	5.6	6.1	5.5	6.4	6.3	5.1	4.9
United Kingdom (LBS)	5.5	6.7	3.5	7.0	4.1	2.8	3.1	3.6	3.8
(NIESR)	5.5	6.7	3.7	7.1	4.7	3.4	3.5	3.4	3.4
Spain	11.1	6.0	4.1	6.3	5.8	4.6	3.7	3.2	3.0
Netherlands	2.9	1.5		3.9					
Belgium	5.7	2.5	3.2	3.2	3.2	3.2	3.1	3.2	3.1
Denmark	6.3	3.7		2.6	2.1	1.9			
Greece	20.4	16.6		18.9					
Portugal	21.5	11.3		11.4					
Ireland	9.1	3.1	2.8	2.7	2.4	2.6	3.0	3.1	3.1
Luxembourg	5.6	2.3		3.1					
EFTA:									
Switzerland	3.1	3.5		5.8					
Sweden	7.4	7.2		9.4					
Austria	3.9	2.5	3.2	3.3	3.7	3.3	3.1	3.0	2.9
Norway	7.8	5.5		3.4					
Finland	6.8	5.2	3.1	4.1	3.5	2.5	3.0	3.0	3.5
Iceland	43.6	17.2		6.4					

1982 - 1990: OECD

	1982-1986	1987-1991	1992-1996	1991	1992	1993	1994	1995	1996
EC: (Commission)	11.8	10.1		10.6	10.3	10.1	9.4	8.6	
West Germany	7.6	7.1							
France	13.0	9.6		9.1	8.4	8.2			
Italy	15.9	11.7	11.8	12.9	13.0	13.4	12.1	10.6	9.8
United Kingdom (LBS)	11.3	10.3				9.7	9.7	9.7	9.7
(NIESR)	11.3	10.2	7.9	9.9	8.9	8.0	7.7	7.5	7.5
Spain	14.8	13.1		12.4	11.9	11.5			
Netherlands	8.3	7.6							
Belgium	11.1	8.7	8.8	9.3	9.1	8.5	8.8	8.9	8.6
Denmark	14.2	10.8		10.1	9.1	8.7			
Greece	17.6	22.0							
Portugal	27.4	20.0							
Ireland	13.9	9.8							
Luxembourg	9.7	7.9							
EFTA:									
Switzerland	4.5	5.1							
Sweden	12.2	11.9							
Austria	8.2	7.6		8.6					
Norway	12.8	11.9							
Finland	11.0	11.8	10.7	12.2	12.0	11.0	10.5	10.0	10.0
Iceland	33.9	25.2							

1982 - 1990: OECD

The inflation rates in industrial countries and Europe are generally expected to remain quite well under control in the medium term because of the relatively stable oil market conditions and moderate acceleration of economic activity. There are, however, some differences in the underlying assumptions concerning the future developments of the international economy.

The differences in the assumptions regarding future oil prices have probably affected the national inflation and interest rate forecasts, which are therefore not fully comparable with each other. With similar underlying assumptions the forecast inflation and interest rate differentials might have been somewhat smaller than those shown in tables 5 and 6. Nevertheless, the forecasts given by the institutes indicate a considerable amount of convergence in Western European economies as measured by inflation and interest rates.

III.2 Perspectives and problems in Eastern Europe

The Eastern European countries are going through a historical transformation process. The former planned economies are moving towards market mechanisms. The Soviet Union and Yugoslavia have been split into parts. The Soviet Union has been replaced by the independent Baltic States and the Commonwealth of Independent States (CIS). While the process has led to a civil war in Yugoslavia, in the former Soviet Union it has been so far surprisingly peaceful. However, for example in Russia the economic reform has raised a lot of resistance because of the necessary harsh measures. Among the Eastern European countries Hungary has geared its economy already a long way towards market mechanisms. However, the key element in the transformation, privatization, is lagging there as well as in other East European countries.

Also the CMEA broke up in the beginning of last year. The economic difficulties in the Soviet Union together with decreased trade with other former CMEA countries influenced dramatically Eastern European countries. As measured by imports of the Soviet Union the value of Romanian exports to the Soviet Union decreased by 66 per cent in the first three quarters of last year compared to the respective period in 1990.

The drop was lowest in the case of Poland, 47 percent among the six Eastern European countries as can be seen in table 8. Eastern European countries reacted to this shock, for instance, by devaluing their currencies in order to reorientate their exports to the west.

The collapse of exports influenced very negatively the growth performance of Eastern European countries in 1991. Real output declined by about 10 percent or more in different countries in this area. At the same time the annual inflation rate accelerated enormously except for Poland, where the hyperinflationary period seems to be over.

Table 7. The shares of main regions in exports of some former CMEA countries in 1990, %			
	CMEA		Western countries
	all	USSR	
Bulgaria	80.9	64.4	8.6
Czechoslovakia	43.3	25.2	42.4
Hungary	31.9	20.2	53.8
Poland	22.6	15.3	66.6
Romania	35.9	25.2	40.8
Yugoslavia	..	14.3	65.5

Source: WIIW, COMECON DATA 1990

The submitted forecasts indicate a modest recovery in Czechoslovakia, Hungary and Poland in a few years time. Also the general economic developments seem to be stabilizing to some extent as compared to the last couple of years. Of course there is still a long way to a satisfactory situation because of the simultaneous unemployment, inflation and external balance problems.

The political and economic break-down of the former Soviet Union has increased the uncertainties in this area. The immediate consequence has been some disruption of supply in international commodities markets and the collapse of exports and terms of trade of Eastern European countries.

The future course of the CIS is naturally an important question, especially for the Eastern European countries due to the uncertainty concerning the future export markets in the east. But in the future the present CIS may become a potentially very

Table 8. The change in the value of Soviet imports from some former CMEA countries, %			
	1990		1991 (Jan-Sept)
	Share		
Bulgaria	8.7	-15.6	-63.0
Czechoslovakia	8.8	-5.5	-57.0
Hungary	6.2	-7.8	-55.0
Poland	11.2	7.2	-47.0
Romania	2.5	-28.3	-66.0
Yugoslavia	3.1	-8.7	..
World	100.0	-1.8	-44.0
Source: Soviet Foreign Trade Statistics			

important export market for the EC countries, too. In fact the EC countries may ultimately benefit most from the reorientation of the imports of the CIS.

The economic transition period in this area may, however, be very long. In the meantime there may be increasing pressure for emigration from the CIS. Moreover, there is an increasing need for financial aid and lending to this area which will tighten the financial markets in Western Europe.

IV Issues for discussion

1. The recovery in the United States and other industrial countries has been delayed and the upturn is expected to be less robust than in the previous upturns. One reason for this seems to be the increased indebtedness of economic agents, which has diminished the demand for credits. Another reason is the so-called "credit crunch", which has reduced the credit supply and threatened to become an obstacle for a recovery in the United States. Are these only short-term phenomena or has the behaviour of economic agents changed?

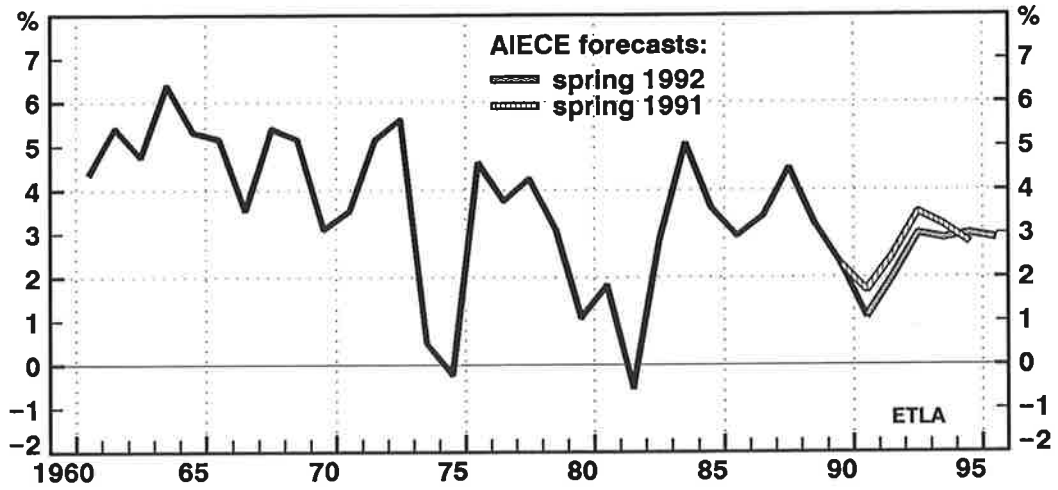
2. The decreased political tension between East and West enables the U.S. government to decrease military outlays. How does this affect the U.S. economy and other countries?

3. The Japanese have financed to great extent the current account deficits of many countries, e.g. by large direct investment in the U.S. and EC. Now they have new investment opportunities in the Eastern Europe and CIS. Will this decrease the Japanese investments in the U.S. and Western Europe?
4. The Uruguay round of GATT has run into difficulty. At the same time integration inside various zones has intensified (EC, EEA, the North American free trade zone etc.) How great is the risk of increased protectionism between various blocks?
5. How high do you consider the risk of major raw material supply shocks, especially in oil prices?
6. Some EFTA countries wish to join the EC as well as some Eastern European countries. What would be the effect of an enlargement of EC? Will this endanger the deepening of integration inside the present EC?
7. How do you see the chances for a stable ERM in the medium term since the convergence of countries' production structures is a very long process? The recently set criteria for EMU necessitate convergence in government budgetary positions. Will this leave enough room for countercyclical fiscal policy considering that EC countries may have to face "asymmetric shocks"? Moreover, for the same reason there may emerge pressure on real exchange rates. Are the convergence criteria therefore completely consistent with each other?
8. The German unification process has had clear real and monetary effects at least in Europe. What is the net effect of unification on other economies?
9. The CIS is politically very unstable at the moment. How do you see the chances for success in the economic transformation process in this area and in what time horizon?
10. Financial aid is seen as a necessary means to pull the Eastern Europe and CIS economies from the severe recession. Direct aid programmes between governments

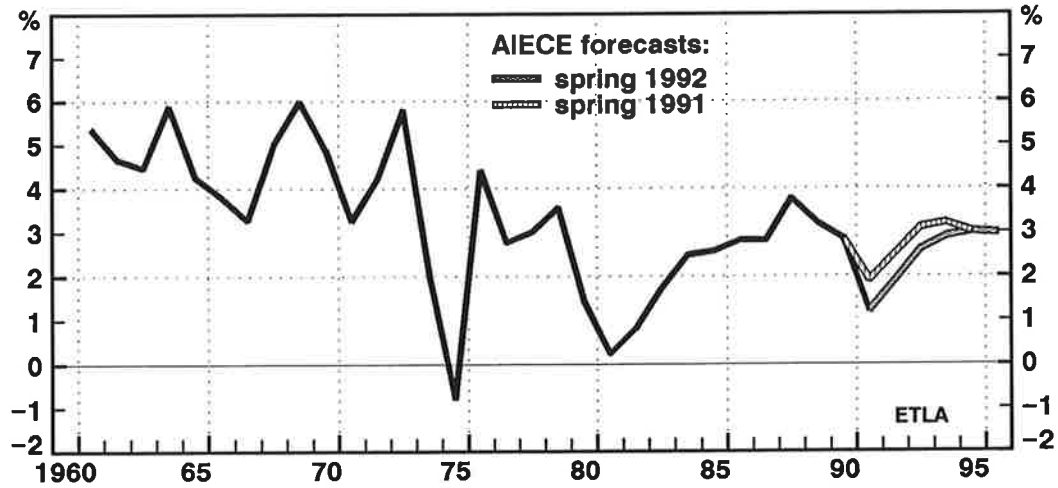
have been used to speed up the progress, e.g. the Marshall plan in Western Europe. How big should the aid be in case of Eastern Europe and CIS? How should it be allocated between countries and various purposes? In the economic reforms privatization seems to be one of the biggest problems. What are the most difficult problems regarding this process in various Eastern European countries at the moment?

ANNEX I: GDP growth in industrial countries

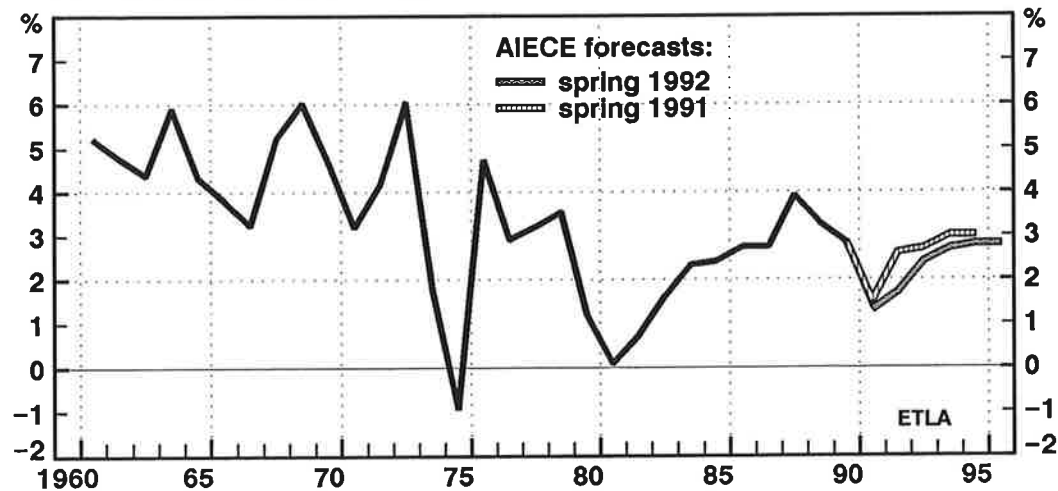
OECD countries, 1960-1996



European OECD countries, 1960-1996



EC countries, 1960-1996



ANNEX II: Key assumptions in institute forecast

GDP volume OECD countries, annual percentage changes							
	1992-1996	1991	1992	1993	1994	1995	1996
EC Commission		1.0	2.3	2.6	2.8	3.1	
West Germany / IFO		1.0	1.7	2.8			
France / BIPE		1.2	2.0	3.0		3.0	
Italy / PROMETEIA	2.7	0.9	1.7	2.7	2.9	3.3	2.9
United Kingdom / NIESR	2.8	0.9	1.9	2.8	3.1	3.2	3.1
Spain / DGPC		1.1	2.2	3.3			
Belgium / DULBEA		1.0	2.3	3.0			
Denmark / DØR		1.2	2.5	3.0			
Austria / WIFO	2.7	1.3	2.0	3.0	2.8	2.8	2.8
Finland / ETLA	2.6	1.1	1.5	3.0	3.0	3.0	2.5
Poland / FTRI		1.1	2.0	3.0			
Hungary / KOPINT		1.2	2.4	3.5			
Mean of assumptions	2.8	1.1	2.0	3.0	2.9	3.1	2.8

GDP volume OECD Europe, annual percentage changes							
	1992-1996	1991	1992	1993	1994	1995	1996
EC Commission		1.2	2.1	2.4	2.8	3.0	
West Germany / IFO		1.0	1.4	2.3			
France / BIPE		1.3	1.8	2.9		3.0	
Spain / DGPC		1.2	2.0	2.7			
Belgium / DULBEA		1.2	2.0	2.8			
Denmark / DØR		1.3	2.3	2.5			
Austria / WIFO	2.5	1.2	1.5	2.5	2.8	2.8	2.8
Finland / ETLA	2.6	1.0	1.5	2.5	3.0	3.0	3.0
Poland / FTRI		1.2	2.0	2.5			
Hungary / KOPINT		1.3	2.2	3.0			
Mean of assumptions	2.7	1.2	1.9	2.6	2.9	3.0	2.9

World trade volume, annual percentage changes							
	1992-1996	1991	1992	1993	1994	1995	1996
EC Commission		2.9	5.1	5.8	6.0	6.0	
West Germany / IFO		3.0	3.5	5.0			
France / BIPE		6.0	5.1	6.3		6.2	
Italy / PROMETEIA	5.6	3.0	4.0	5.3	6.2	6.5	6.0
United Kingdom / NIESR	5.7	2.1	4.4	5.0	6.4	6.3	6.3
Spain / DGPC		3.3	5.7	7.2			
Belgium / DULBEA		3.5	5.7	7.0			
Austria / WIFO	7.2	0.0	5.1	8.2	7.6	7.6	7.7
Finland / ETLA	6.0	3.3	5.0	7.0	7.0	6.0	5.0
Poland / FTRI		3.3	5.0	7.0			
Hungary / KOPINT		2.5	4.0	5.0			
Mean of assumptions	6.1	3.0	4.8	6.3	6.6	6.4	6.3

Crude oil price (\$/bbl.)							
	1992-1996	1991	1992	1993	1994	1995	1996
EC Commission		20.0	20.5	21.5	22.4	23.3	
West Germany / IFO		19.3	20.0	20.0			
France / BIPE		19.9	19.8	21.3			
Italy / PROMETEIA	24.3	19.9	21.0	23.0	24.2	25.8	27.7
United Kingdom / LBS	20.6	20.0	19.0	20.0	21.0	21.0	22.0
United Kingdom / NIESR	21.3	18.3	19.5	20.1	21.1	22.2	23.6
Spain / DGPC	19.9	18.4	18.5	19.1	19.8	20.5	21.5
Belgium / DULBEA		18.8	19.0	19.0			
Denmark / DØR		20.1	20.0	20.0			
Austria / WIFO	20.3	18.8	18.0	19.4	20.4	21.4	22.5
Finland / ETLA	20.6	20.0	18.0	20.0	21.0	22.0	22.0
Poland / FTRI		19.0	19.5				
Czechoslovakia / IFCAS	20.4	19.0	20.0	20.0	20.0	21.0	21.0
Hungary / KOPINT		20.0	18.0	18.0			
Mean of assumptions	21.1	19.3	19.4	20.3	21.2	22.2	22.9

Long-term interest rate FRG (%)							
	1992-1996	1991	1992	1993	1994	1995	1996
EC Commission		8.6	8.8	8.8	8.4	8.0	
France / BIPE		8.5	7.9	7.8			
Italy / PROMETEIA	7.7	8.6	8.5	8.0	7.5	7.3	7.0
Spain / DGPC	7.7	8.5	8.4	7.8	7.5	7.5	7.5
Belgium / DULBEA		8.6	8.4	7.8			
Finland / ETLA		8.6					
Hungary / KOPINT			7.8	7.6			
Mean of assumptions	7.8	8.6	8.3	8.0	7.8	7.6	7.3

Long-term interest rate USA (%)							
	1992-1996	1991	1992	1993	1994	1995	1996
EC Commission		8.2	8.2	8.7	8.8	8.6	
France / BIPE		8.2	7.9	7.5			
Italy / PROMETEIA	7.5	7.9	6.8	7.5	8.0	7.8	7.4
Spain / DGPC	7.2	7.9	7.3	7.5	7.0	7.0	7.0
Finland / ETLA		8.2					
Hungary / KOPINT			7.4	7.8			
Mean of assumptions	7.6	8.1	7.5	7.8	7.9	7.8	7.2

Exchange rate national currency / \$							
	1992-1996	1991	1992	1993	1994	1995	1996
EC Commission (ECU)		0.812	0.816	0.816	0.808	0.800	
West Germany / IFO		1.660	1.700	1.700			
France / BIPE		5.640	5.620	5.710			
Italy / PROMETEIA	1248.800	1240.000	1282.000	1274.000	1248.000	1225.000	1215.000
United Kingdom / LBS	1.770	1.770	1.790	1.780	1.770	1.760	1.750
United Kingdom / NIESR	1.630	1.770	1.750	1.660	1.610	1.580	1.570
Spain / DGPC	106.0	103.910	106.000	106.000	106.000	106.000	106.000
Belgium / DULBEA		34.100	33.700	35.000			
Denmark / DØR		6.550	6.550	6.550			
Austria / WIFO	10.90	11.680	10.900	10.900	10.900	10.900	10.900
Finland / ETLA	4.5	4.053	4.500	4.500	4.500	4.500	4.500
Poland / FTRI		10500.000	13000.000	15000.000			
Czechoslovakia / IFCAS	28.4	28.000	28.000	28.000	28.000	29.000	29.000
Hungary / KOPINT		74.700	85.000	93.000			

Exchange rate DM / \$							
	1992-1996	1991	1992	1993	1994	1995	1996
EC Commission		1.667	1.671	1.671	1.654	1.638	
West Germany / IFO		1.660	1.700	1.700			
Italy / PROMETEIA	1.628	1.660	1.700	1.670	1.620	1.590	1.560
Denmark / DØR		1.700	1.700	1.700			
Austria / WIFO	1.550	1.660	1.550	1.550	1.550	1.550	1.550
Finland / ETLA		1.667					
Poland / FTRI		1.690	1.800	1.860			
Hungary / KOPINT		1.660	1.750	1.800			

ANNEX III: Institute forecasts for individual countries

EC countries / EC Commission							November 21, 1991		
	1982-1986	1987-1991	1991-1995	1991	1992	1993	1994	1995	1996
(Annual percentage changes)									
GDP	2.0	2.8	2.4	1.3	2.2	2.4	2.8	3.1	
Private consumption	2.0	3.1	2.3	1.7	2.0	2.4	2.5	2.7	
Government consumption	1.8	1.7		1.4	1.4	1.6			
Gross fixed investment	1.2	4.9	3.2	-0.5	2.2	3.7	4.9	5.7	
Exports of goods and services	3.5	5.9	5.3	5.5	5.3	5.1	5.3	5.6	
Exports of goods									
Imports of goods and services	3.7	7.0	5.2	4.6	5.3	5.3	5.4	5.6	
Imports of goods									
GDP deflator	6.8	4.8	4.2	5.5	4.6	4.4	3.4	2.8	
Consumer prices	7.4	4.6	4.0	5.0	4.5	4.2	3.3	2.8	
Employment	0.0	1.2	0.5	0.3	0.2	0.5	0.7	0.9	
Unemployment (% of LF)	10.4	9.3	8.8	8.6	9.1	9.3	8.9	8.3	
Gen. gov. fin. bal. (% of GDP)	-5.2	-3.8	-3.4	-4.1	-4.2	-4.0	-3.0	-2.0	
Gen. gov. gross debt (% of GDP)		60.9	63.1	61.4	62.8	63.9	64.4	63.9	
Current balance (% of GDP)	0.5	0.0	-0.2	-0.3	-0.3	-0.4	-0.2	-0.1	
Long-term interest rate (%)	11.8	10.1	9.8	10.6	10.3	10.1	9.4	8.6	

1982 - 1990: OECD

West Germany / IFO							January / March 1992		
	1982-1986	1987-1991	1990-1996	1991	1992	1993	1994	1995	1996
(Annual percentage changes)									
GDP	1.5	3.2	3.0	3.1	1.5	2.0			
Private consumption	1.3	3.0	2.7	2.5	2.0	1.0			
Government consumption	1.3	1.0	1.5	0.8	1.5	1.3			
Gross fixed investment	0.4	5.9	3.8	6.7	2.5	3.0			
Exports of goods and services	3.6	7.4	6.9	12.1	4.0	5.0			
Exports of goods									
Imports of goods and services	2.7	8.1	7.0	12.6	4.5	4.5			
Imports of goods									
GDP deflator	3.1	2.8	3.5	4.5	4.5	4.0			
Consumer prices	2.6	2.1		3.6	3.5	3.5			
Employment	0.0	1.6		2.5	0.7	0.7			
Unemployment (% of LF)	6.5	5.7		5.5	5.6	5.8			
Gen. gov. fin. bal. (% of GDP)	-2.1	-2.0		-3.3	-3.4	-2.9			
Gen. gov. gross debt (% of GDP)	41.5	43.4							
Current balance (% of GDP)	2.0	3.0		-1.3	-0.6	-0.3			
Long-term interest rate (%)	7.6	7.1							

1982-1990: OECD

France / BIPE									
									March 1992
	1982-1986	1987-1991	1992-1996	1991	1992	1993	1994	1995	1996
(Annual percentage changes)									
GDP	1.8	2.6		1.0	1.9	2.6		2.7	
Private consumption	2.2	2.7		1.5	2.0	2.4		2.6	
Government consumption	2.2	2.0		0.8	2.1	1.7		1.8	
Gross fixed investment	0.2	4.6		-1.5	0.9	2.9		3.6	
Exports of goods and services	1.9	6.1		4.0	4.0	5.6		4.9	
Exports of goods				4.3	4.4	6.2		5.9	
Imports of goods and services	2.6	6.7		3.2	3.6	5.7		5.1	
Imports of goods				3.4	3.9	6.4		5.8	
GDP deflator	8.0	3.1		2.6	2.9	3.0		3.0	
Consumer prices	7.5	3.2		3.0	3.1	3.2		3.2	
Employment	-0.3	0.7		-0.2	0.0	0.1			
Unemployment (% of LF)	9.4	9.6		9.4	10.0	10.3			
Gen. gov. fin. bal. (% of GDP)	-2.9	-1.9		-1.9	-2.4	-2.3			
Gen. gov. gross debt (% of GDP)	43.3	46.9							
Current balance (% of GDP)	-0.6	-0.4		-0.5	-0.4	-0.5			
Long-term interest rate (%)	13.0	9.6		9.1	8.4	8.2			

1982-1990: OECD

Italy / PROMETEIA									
									March 1992
	1982-1986	1987-1991	1992-1996	1991	1992	1993	1994	1995	1996
(Annual percentage changes)									
GDP	1.9	2.6	2.1	0.9	1.4	1.9	2.1	2.5	2.5
Private consumption	2.2	3.5	2.2	2.4	2.1	2.7	2.0	2.1	2.3
Government consumption	2.9	1.9	1.5	1.3	1.4	1.6	1.6	1.5	1.3
Gross fixed investment	0.2	3.9	2.3	-0.1	0.6	1.3	2.5	3.7	3.6
Exports of goods and services	2.6	5.6	4.9	0.3	3.1	4.5	5.6	5.8	5.3
Exports of goods			4.7	-0.1	2.8	3.8	5.6	5.7	5.4
Imports of goods and services	3.6	7.5	5.0	3.9	3.6	5.1	5.4	5.4	5.2
Imports of goods			5.2	4.3	3.6	5.0	5.5	5.5	5.4
GDP deflator	12.1	6.6	5.4	7.1	5.6	6.2	6.1	4.6	4.4
Consumer prices	11.4	5.7	5.6	6.1	5.5	6.4	6.3	5.1	4.9
Employment	0.3	2.7	0.2	0.6	0.4	0.3	-0.2	0.4	0.1
Unemployment (% of LF)	10.2	11.7	10.8	10.9	10.9	10.8	10.9	10.8	10.7
Gen. gov. fin. bal. (% of GDP)	-11.6	-10.7	-10.8	-10.8	-11.5	-11.5	-11.2	-10.3	-9.4
Gen. gov. gross debt (% of GDP)	77.6	98.2	112.9	102.5	107.3	110.5	113.3	115.9	117.5
Current balance (% of GDP)	-0.4	-1.0	-2.0	-1.7	-1.8	-2.1	-2.2	-2.3	-1.4
Long-term interest rate (%)	15.9	11.5	11.8	12.9	13.0	13.4	12.1	10.6	9.8

1982-1990: OECD

United Kingdom / LBS									
									February 1992
	1982-1986	1987-1991	1992-1996	1991	1992	1993	1994	1995	1996
(Annual percentage changes)									
GDP	3.0	1.9	2.4	-2.4	1.2	2.6	2.6	2.8	2.9
Private consumption	3.4	3.1	2.3	-1.9	1.5	2.5	2.3	2.4	2.6
Government consumption	1.1	1.5	1.3	1.8	2.1	1.3	0.5	0.9	1.5
Gross fixed investment	5.1	3.3	2.3	-10.8	-2.2	2.7	3.4	3.8	3.8
Exports of goods and services	4.0	3.2	3.6	0.9	2.8	3.7	4.0	4.1	3.6
Exports of goods									
Imports of goods and services	6.1	5.3	3.2	-2.5	1.9	3.9	3.7	3.5	3.2
Imports of goods									
GDP deflator	5.3	6.3	3.8	6.5	3.8	3.3	3.4	3.9	4.5
Consumer prices	5.5	6.7	3.5	7.0	4.1	2.8	3.1	3.6	3.8
Employment	0.3	1.2	0.2	-2.6	-1.9	-0.4	1.2	1.6	0.8
Unemployment (% of LF)	11.3	7.7	9.1	8.1	9.2	9.9	9.2	8.7	8.3
Gen. gov. fin. bal. (% of GDP)	-2.9	0.3	-3.0	0.1	-2.2	-3.5	-3.6	-3.0	-2.6
Gen. gov. gross debt (% of GDP)	53.1	40.4							
Current balance (% of GDP)	0.9	-2.8	-1.4	-1.0	-1.4	-1.4	-1.5	-1.8	-1.2
Long-term interest rate (%)	11.3	10.3	9.7			9.7	9.7	9.7	9.7

1982-1990: OECD

United Kingdom / NIESR									
									February 1992
	1982-1986	1987-1991	1992-1996	1991	1992	1993	1994	1995	1996
(Annual percentage changes)									
GDP	3.0	1.9	2.3	-2.6	1.3	2.7	2.6	2.6	2.5
Private consumption	3.4	3.0	2.1	-2.0	0.9	2.4	2.4	2.5	2.4
Government consumption	1.1	1.5	1.6	1.8	1.7	1.6	1.5	1.5	1.5
Gross fixed investment	5.1	3.1	3.5	-11.4	-1.3	5.0	4.1	4.8	4.8
Exports of goods and services	4.0	3.2	4.9	1.0	2.8	5.1	5.8	5.5	5.5
Exports of goods				2.3	3.6	5.9	6.6	6.2	6.1
Imports of goods and services	6.1	5.2	5.0	-2.8	2.2	5.3	5.5	6.1	5.8
Imports of goods				-2.6	2.9	6.0	5.9	6.4	6.0
GDP deflator	5.3	6.4	4.1	6.8	4.9	3.7	4.0	4.1	4.0
Consumer prices	5.5	6.7	3.7	7.1	4.7	3.4	3.5	3.4	3.4
Employment	0.3	0.7	0.2	-5.2	-2.0	0.0	0.8	1.2	1.2
Unemployment (% of LF)	11.3	7.8	9.9	8.3	9.8	10.4	10.4	9.9	9.2
Gen. gov. fin. bal. (% of GDP)	-2.9	-0.3	-3.4	-2.1	-4.2	-4.1	-3.5	-2.9	-2.4
Gen. gov. gross debt (% of GDP)	53.1	40.4							
Current balance (% of GDP)	0.9	-2.8	-1.4	-1.0	-1.4	-1.5	-1.3	-1.5	-1.5
Long-term interest rate (%)	11.3	10.2	7.9	9.9	8.9	8.0	7.7	7.5	7.5

1982-1990: OECD

Spain / DGPC									
									April 9, 1992
	1982-1986	1987-1991	1992-1996	1991	1992	1993	1994	1995	1996
(Annual percentage changes)									
GDP	2.1	4.3	3.4	2.4	3.0	3.3	3.6	3.6	3.5
Private consumption	1.3	4.6	3.0	3.0	3.2	3.0	3.0	3.0	2.9
Government consumption	4.4	5.9	2.3	4.3	3.5	2.0	2.0	2.0	2.0
Gross fixed investment	1.3	10.1	5.1	1.6	3.2	5.1	6.2	5.8	5.4
Exports of goods and services	6.2	5.2	8.0	8.4	7.9	7.9	8.0	8.1	8.0
Exports of goods									
Imports of goods and services	4.7	13.8	7.1	9.4	8.0	7.1	7.0	6.8	6.6
Imports of goods									
GDP deflator	11.2	6.5	4.2	6.9	6.0	4.7	3.8	3.3	3.1
Consumer prices	11.1	6.0	4.1	6.3	5.8	4.6	3.7	3.2	3.0
Employment	-0.6	2.6	1.6	0.2	2.0	0.1	2.0	1.9	1.8
Unemployment (% of LF)	19.5	18.0	15.0	16.3	16.2	15.9	15.1	14.3	13.5
Gen. gov. fin. bal. (% of GDP)	-5.8	-3.4	-2.6	-4.4	-4.0	-3.5	-2.7	-1.8	-1.0
Gen. gov. gross debt (% of GDP)	40.2	44.9	44.7	45.6	45.8	45.8	45.3	44.1	42.3
Current balance (% of GDP)	-0.3	-1.3	-2.6	-2.9	-2.9	-2.8	-2.5	-2.4	-2.3
Long-term interest rate (%)	14.8	13.1	4.7	12.4	11.9	11.5			

1982-1990: OECD

Belgium / DULBEA									
									March 1992
	1982-1986	1987-1991	1992-1996	1991	1992	1993	1994	1995	1996
(Annual percentage changes)									
GDP	1.3	3.3	2.5	1.8	2.0	2.8	2.5	2.2	2.2
Private consumption	1.0	2.8	2.6	2.0	2.5	3.0	2.6	2.5	2.4
Government consumption	0.6	0.1	1.1	1.0	0.5	0.5	1.5	1.0	1.1
Gross fixed investment	0.2	8.7	2.0	0.0	2.5	1.0	2.5	2.0	2.2
Exports of goods and services	3.2	6.2	4.5	4.0	3.0	5.0	4.8	4.5	4.2
Exports of goods									
Imports of goods and services	2.6	6.7	3.8	3.8	3.2	4.0	4.0	3.8	3.5
Imports of goods									
GDP deflator	5.5	2.9	2.6	3.0	2.8	2.8	2.6	2.6	2.5
Consumer prices	5.7	2.5	3.1	3.2	3.2	3.2	3.1	3.2	3.1
Employment	-0.3	0.8	0.1	-0.2	0.0	0.1	0.3	0.1	0.1
Unemployment (% of LF)	12.4	8.0	10.6	10.4	10.9	11.0	10.5	10.5	10.2
Gen. gov. fin. bal. (% of GDP)	-9.9	-6.3	-5.5	-6.3	-6.5	-6.0	-5.5	-5.0	-4.5
Gen. gov. gross debt (% of GDP)	116.6	130.9	123.2	127.3	127.0	125.2	123.3	121.4	119.2
Current balance (% of GDP)	0.1	2.2	0.7	2.0	1.8	1.8			
Long-term interest rate (%)	11.1	8.7	8.8	9.3	9.1	8.5	8.8	8.9	8.6

1982-1990: OECD

Denmark / DØR									
									December 2, 1991
	1982-1986	1987-1991	1992-1993	1991	1992	1993	1994	1995	1996
(Annual percentage changes)									
GDP	3.6	1.2	2.8	1.9	2.8	2.7			
Private consumption	3.6	-0.1	3.0	1.4	2.5	3.4			
Government consumption	1.1	-0.1	0.0	-1.3	0.5	-0.6			
Gross fixed investment	10.3	-2.5	7.8	-0.5	6.9	8.8			
Exports of goods and services	3.2	6.6	4.3	6.0	4.6	4.0			
Exports of goods			4.7	4.7	5.1	4.3			
Imports of goods and services	5.2	1.8	5.6	3.1	5.0	6.2			
Imports of goods			6.2	4.2	5.5	6.8			
GDP deflator	6.6	3.5	2.0	1.7	1.9	2.1			
Consumer prices	6.3	3.7	2.0	2.6	2.1	1.9			
Employment	1.5	-0.2	0.3	-0.9	0.0	0.7			
Unemployment (% of LF)	9.4	9.1	10.2	10.3	10.5	9.9			
Gen. gov. fin. bal. (% of GDP)	-3.8	-0.2	0.2	-1.5	-0.3	0.7			
Gen. gov. gross debt (% of GDP)	60.6	58.0							
Current balance (% of GDP)	-3.9	-0.5	0.9	1.2	1.2	0.6			
Long-term interest rate (%)	14.2	10.8	9.3	10.1	9.1	8.7			

1982-1990: OECD

Ireland / ESRI									
									Winter 1991 / 1992
	1982-1986	1987-1991	1992-1996	1991	1992	1993	1994	1995	1996
(Annual percentage changes)									
GDP	1.8	5.0	3.6	2.3	3.3	4.1	3.2	3.5	3.7
Private consumption	0.5	2.6	2.9	2.2	2.5	4.7	2.1	2.5	2.8
Government consumption	1.3	-1.5	1.0	0.5	1.0	1.0	1.0	1.0	1.0
Gross fixed investment	-5.2	6.0	4.5	3.6	7.3	5.2	1.9	4.0	4.0
Exports of goods and services	8.4	9.3	6.5	5.4	7.5	6.6	6.2	6.1	6.0
Exports of goods				7.4	3.1	6.7	7.0	7.0	7.1
Imports of goods and services	4.0	6.0	5.9	4.4	6.3	7.3	5.1	5.5	5.5
Imports of goods				8.3	4.2	6.3	6.6	6.5	6.5
GDP deflator	8.8	2.2	2.8	1.8	3.0	3.3	2.3	2.5	2.8
Consumer prices	9.1	3.1	2.8	2.7	2.4	2.6	3.0	3.1	3.1
Employment	-1.2	0.8	0.9	-0.3	1.2	1.3	0.6	0.8	0.6
Unemployment (% of LF)	15.1	15.9	15.9	15.9	15.9	15.7	16.0	16.0	16.0
Gen. gov. fin. bal. (% of GDP)	-11.9	-4.3	-2.2	-1.9	-2.9	-2.6	-2.2	-1.9	-1.4
Gen. gov. gross debt (% of GDP)	114.9	123.5	99.2	108.4	105.6	101.8	99.5	96.4	92.6
Current balance (% of GDP)	0.0	0.4	1.9	1.9	2.0	1.8	2.1	1.9	1.8
Long-term interest rate (%)	13.9	9.8							

1982-1990: OECD

Austria / WIFO									
									March 1992
	1982-1986	1987-1991	1992-1996	1991	1992	1993	1994	1995	1996
(Annual percentage changes)									
GDP	1.6	3.5	3.0	3.0	2.2	3.0	3.3	3.2	3.1
Private consumption	2.1	3.2	2.9	3.0	2.6	2.9	3.0	2.9	2.9
Government consumption	1.7	1.1	2.2	2.5	2.2	2.1	2.3	2.3	2.3
Gross fixed investment	0.4	4.8	3.8	4.4	3.6	3.9	4.4	3.8	3.5
Exports of goods and services	3.2	7.7	5.8	7.1	3.5	6.2	6.4	6.5	6.5
Exports of goods				7.4	3.1	6.7	7.0	7.0	7.1
Imports of goods and services	3.4	7.9	5.7	7.2	4.1	6.0	6.3	6.1	6.1
Imports of goods				8.3	4.2	6.3	6.6	6.5	6.5
GDP deflator	4.5	2.5	3.5	3.6	4.1	3.5	3.4	3.3	3.3
Consumer prices	3.9	2.5	3.2	3.3	3.7	3.3	3.1	3.0	2.9
Employment	0.3	0.8	1.0	0.1	1.1	1.1	0.9	0.9	0.9
Unemployment (% of LF)	3.5	3.8	5.1	5.1	5.4	5.2	5.1	4.9	4.9
Gen. gov. fin. bal. (% of GDP)	-3.2	-2.9	-0.5	-2.1	-1.1	-0.9	-0.5	-0.2	0.1
Gen. gov. gross debt (% of GDP)	47.8	56.4							
Current balance (% of GDP)	0.2	0.0	0.0	-0.1	-0.2	-0.2	-0.1	0.1	0.3
Long-term interest rate (%)	8.2	7.6							

1982-1990: OECD

Finland / ETLA									
									March 1992
	1982-1986	1987-1991	1992-1996	1991	1992	1993	1994	1995	1996
(Annual percentage changes)									
GDP	3.0	1.8	2.3	-6.1	-1.5	3.0	3.5	3.5	3.0
Private consumption	3.4	2.2	1.2	-4.4	-4.0	2.0	2.5	3.0	2.5
Government consumption	3.7	3.2	1.5	2.3	1.5	1.0	1.0	2.0	2.0
Gross fixed investment	1.9	1.6	1.9	-17.0	-10.5	2.5	7.0	5.5	5.0
Exports of goods and services	1.9	0.7	5.9	-6.4	5.5	8.5	5.5	5.0	4.5
Exports of goods			6.2	-6.2	6.0	9.0	6.0	5.0	5.0
Imports of goods and services	3.3	2.9	3.6	-13.2	-5.0	5.5	7.0	5.5	5.5
Imports of goods			4.1	-15.5	-5.0	6.5	8.0	6.0	6.0
GDP deflator	7.1	5.6	3.3	3.5	3.5	2.5	3.5	3.5	4.0
Consumer prices	6.8	5.2	3.1	4.1	3.5	2.5	3.0	3.0	3.5
Employment	0.6	0.8	-0.1	2.7	-1.1	-0.4	0.2	0.2	0.4
Unemployment (% of LF)	5.3	4.7	9.4	7.1	10.0	9.4	9.2	9.3	9.1
Gen. gov. fin. bal. (% of GDP)	-0.2	-0.2	-5.3	-5.3	-7.5	-7.2	-6.0	-4.0	-2.0
Gen. gov. gross debt (% of GDP)	18.5	18.5	43.4	22.9	33.5	40.0	45.0	49.0	50.0
Current balance (% of GDP)	-1.3	-3.8	-1.9	-4.6	-2.9	-1.9	-1.8	-1.6	-1.2
Long-term interest rate (%)	11.0	11.8	10.7	12.2	12.0	11.0	10.5	10.0	10.0

1982-1990: OECD

Poland / FTRI									
									March 13, 1992
	1982-1986	1987-1991	1992-1993	1991	1992	1993	1994	1995	1996
(Annual percentage changes)									
GDP			1.4	-8.0	0.8	2.0			
Private consumption									
Government consumption									
Gross fixed investment			2.3	-8.0	0.5	4.0			
Exports of goods and services			4.0	-1.4	3.0	5.0			
Exports of goods									
Imports of goods and services			3.0	39.0	2.0	4.0			
Imports of goods									
GDP deflator			32.0	60.0	43.0	20.0			
Consumer prices			36.0	70.0	48.0	24.0			
Employment			1.1		-2.9	5.0			
Unemployment (% of LF)			21.2	17.6	23.1	19.2			
Gen. gov. fin. bal. (% of GDP)			-4.5	-3.5	-5.0	-4.0			
Gen. gov. gross debt (% of GDP)									
Current balance (% of GDP)			-0.5	-1.4	-0.7	-0.4			
Long-term interest rate (%)			26.5	45.0	35.0	18.0			

Czechoslovakia / IFCAS									
									March 15, 1992
	1982-1986	1987-1991	1992-1996	1991	1992	1993	1994	1995	1996
(Annual percentage changes)									
GDP			2.6	-15.0	-0.2	2.4	3.4	2.1	5.1
Private consumption			-0.2	-12.5	0.1	0.9	-0.7	2.7	-3.8
Government consumption			0.3	-15.7	-2.5	-2.2	0.5	0.4	5.2
Gross fixed investment			8.6	-33.7	16.3	11.9	6.2	2.6	6.0
Exports of goods and services 1)			5.5	51.7	11.2	5.7	4.1	4.0	2.6
Exports of goods 1)			5.6	44.9	11.6	5.7	4.1	3.9	2.5
Imports of goods and services 1)			6.0	43.6	9.9	5.6	4.2	3.0	7.2
Imports of goods 1)			6.2	28.3	10.8	5.7	4.1	2.6	7.6
GDP deflator			3.6	58.0	8.0	4.0	3.0	2.0	1.0
Consumer prices			3.6	58.0	8.0	4.0	3.0	2.0	1.0
Employment			0.3	0.0	-1.4	1.0	0.6	0.6	0.6
Unemployment (% of LF)			7.9	5.6	8.8	8.1	7.8	7.5	7.1
Gen. gov. fin. bal. (% of GDP)			-0.3	-1.2	-2.9	-1.6	-0.1	0.9	2.0
Gen. gov. gross debt (% of GDP)									
Current balance (% of GDP)									
Long-term interest rate (%)			11.0	16.0	16.0	15.5	15.0	15.0	-6.3

1) Current prices

Hungary / ERI									
									March 20, 1992
	1982-1986	1987-1991	1992-1994	1991	1992	1993	1994	1995	1996
(Annual percentage changes)									
GDP			-0.3	-9.0	-3.5	0.5	2.0		
Private consumption			0.2	-9.0	-1.5	0.0	2.0		
Government consumption									
Gross fixed investment			1.2	-10.0	-6.5	5.0	5.0		
Exports of goods and services									
Exports of goods			5.5	-10.0	6.0	4.5	6.0		
Imports of goods and services									
Imports of goods			6.3	0.0	8.0	5.0	6.0		
GDP deflator									
Consumer prices			23.8	35.0	29.0	20.0	22.5		
Employment			-3.3		-7.3	-2.6	0.0		
Unemployment (% of LF)			17.0	9.0	15.6	17.8	17.8		
Gen. gov. fin. bal. (% of GDP)			4.5	4.4	4.5	4.5	4.5		
Gen. gov. gross debt (% of GDP)				60.0					
Current balance (% of GDP)									
Long-term interest rate (%)			28.3	35.0	30.0	25.0	30.0		

Hungary / KOPINT									
									March 1992
	1982-1986	1987-1991	1992-1993	1991	1992	1993	1994	1995	1996
(Annual percentage changes)									
GDP			0.0	-8.0	-1.0	1.0			
Private consumption			0.0	-8.0	-1.0	1.0			
Government consumption			0.0	0.0	-1.0	1.0			
Gross fixed investment			1.5	-11.0	1.0	2.0			
Exports of goods and services									
Exports of goods			5.5	-9.0	5.5	5.5			
Imports of goods and services									
Imports of goods			2.5	-1.0	2.5	2.5			
GDP deflator			20.8	28.0	22.5	19.0			
Consumer prices			25.8	35.0	29.0	22.5			
Employment									
Unemployment (% of LF)			11.8	8.3	12.0	11.5			
Gen. gov. fin. bal. (% of GDP)			5.0	4.5	5.5	4.5			
Gen. gov. gross debt (% of GDP)									
Current balance (% of GDP)									
Long-term interest rate (%)				34.0	27.0				

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Int. 358-0-609 900 Int. 358-0-601 753

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