

# IS 2015 TOO SOON FOR EURO ADOPTION IN ROMANIA? LEARNING FROM THE CASE OF THE PIGS NATIONS

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**Abstract:** *The date at which Romania will adopt the Euro is a topic that was subjected to a lot of controversy. First because the initial date of 2014 was postponed, secondly because meeting the convergence criteria doesn't necessary mean a successful accession to the Eurozone. Considering the case of the PIGS nations, which all hadn't met the convergence criteria, their economy got in a very delicate state after adopting the new currency. Based on their case and economic forecast, 2015 might be too early for Romania to join the Eurozone.*

**Key words:** *Eurozone, PIGS nations, convergence criteria, 2015.*

## **1. Introduction**

The issue of Euro adoption has been a much debated topic all around Europe. Because of the economic crisis, and because not all the countries managed to meet correctly the euro adoption criteria, the economy of these countries was very affected.

As a part of joining the European Union, Romania has to make the next step, more precisely the monetary union. Which means that our country has to join the Euro zone by 2015. Date that has been recalculated because Romania hasn't met yet the Maastricht criteria.

Taking into consideration the unstable economic situation in our country, and the problems that the PIGS countries are facing after adopting the Euro, we can't help to ask ourselves the question: Is 2015 too soon?

This question has been answered by the skeptics as impossible, while the optimist

say that not only it will happen, but it's a necessity for Romania, and that it will bring positive changes. Although many forget to think on the long run, and realize that adopting the Euro is not the end of all our problems, but more like a beginning because once adopted, the economy has to sustain it and has to face the competition of the European market.

So I will try to discuss this question based on the PIGS countries experience, and their economic situation before and after euro adoption, together with analyzing the evolution of the convergent criteria indicators in Romania, and the factors that might influence these indicators.

## **2. The case of the PIGS Countries**

Whenever it comes to learning, or to predicting something, the best way to do it is by learning from the mistakes of others. This is the reason why studying the case of

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other countries that were in similar situations plays a great importance in defining what might happen in the future in the case of Romania.

Right now everyone is focusing on the nominal convergence criteria and on fulfilling them, but no one pays attention to what will happen after. Aside from the convergence criteria there are other aspects that have to be taken into consideration.

One is the synchronization of the business cycles. There is a core in the euro zone that acts as a single economic entity, but there are also countries whose economies are far from being synchronized with this core. A good example are the states that in the '70 had relatively lower levels of GDP/capita – Spain, Italy, Portugal, Greece – their business cycles were not correlated with the business cycles of the countries from the first category, and moreover, even after the introduction of the euro currency, this variability persisted, together with the increased volatility of their business cycles.[8] And one of the main problems was that their economies were not even synchronized among themselves.

Another aspect mentioned by the theory of the optimum currency areas is the existence of mitigation mechanisms for the asymmetric shocks, which affect just a country or a small group of countries. Because the common monetary policy can't solve specific problems that appear in a certain state, it is important that there exists price and wage flexibility, backed by a high labor and capital mobility, in order to successfully respond to these type of shocks.[7]

The third aspect is having the countries products compete with the ones produced in the euro zone and this will cause a rapid increase in prices, if the production technology increases also. If this doesn't happen, the economic disparities will probably determine a higher level of

inflation in these particular states, which will likely persist for a long time, influencing the level of the harmonized index of consumer price (HICP) from the euro zone. process.[6]

Therefore, a too quick adoption of the euro currency can have a negative effect on the less developed states that have entered the European Union.

In order to observe this I took the cases of 4 countries that adopted euro. The reason for choosing these 4 is that before adopting the Euro they had an economy more or less similar to the one Romania has right now, and they had been in the euro area long enough, in order to draw relevant conclusion from their case.

### **2.1. Portugal**

At the beginning of the '80, Portugal had a precarious economic condition, caused mainly by the 1975 revolution, the losing of its colonies and the second oil shock. The budgetary deficits often surpassed 12%, and the current account deficits 10%. This was an unsustainable situation, and indeed, between 1980 and 1987 the Portuguese escudo depreciated by 60%, wiping the current account deficit.[2]

After this stabilization took place, Portugal's economic development accelerated, having its GDP grow at a yearly average of 5.1% during 1985-91. During 1992-95 this growth slowed at an average of 1.5% yearly, but then again started to increase during 1996-2001, (see table 2) with an average yearly GDP growth of 3.5% Continued in a very slow, but increasing phase during 2002-2005 after which it speeded up in 2006-2008. In 2009 it fell to 15800 euro/inhabitant, continuing with a slight increase in 2010, and decreasing again in 2011. The average yearly inflation dropped from 14% during 1985-91 to 4% during 1992-95, stabilizing at 2.8% between 1996-2000.

In the second year after adopting the euro, Portugal reached it's highest inflation

rate 4.41% after which it began to decrease and stabilize until 2005, when another peak of inflation was registered. 2009 was a year with 0.1% deflation, value that wasn't maintained, and heaving an increase to 3.5% in 2011.

According to table 2 the labor market also improved, the unemployment decreasing from 7% in 1995-96 to 4.6% in 2000-2001. From this point (2 years from adopting the euro) the unemployment began to continuously increase reaching a rate of 14% in 2011.

After fulfilling the Maastricht criteria, Portugal experienced a substantial reduction of its interest rates. This was caused by the previous economic performance and by the market perception that the euro adoption process will be a successful one. This nominal – as well as real – interest rate reduction, coupled with the liberalization of the financial sector and increased competition, determined an increase in the volume of loans, especially household loans, which in the end translated into an increase of internal demand. The amount of credits demanded reached its highest point just before the euro introduction when the annual increase in the volume of loans was 28.6% [2] This was closely linked with the wage increases from that period, which created the illusory expectations that the incomes will keep rising indefinitely in the future.

Before entering the Economic and Monetary Union, Portugal managed to considerably reduce the budgetary deficit, from 7.7% of GDP in 1993 to 2.7% of GDP in 1999. This was based on a powerful economic development and low interest rates, which in turn determined lower costs for interest rate payments incurred by the Portuguese state. Unfortunately the structural reforms implemented towards increasing internal production were insufficient.

However, with the national debt not surpassing the 60% limit, Portugal managed to successfully meet all the other nominal convergence criteria in 1999. But this value was surpassed since 2004, reaching 108% in 2011.

After entering the Economic and Monetary Union, it was discovered that some sectors, which held important shares in the Portuguese economy, were not prepared for the increased competition environment that followed. As a result they lost important market share, the export for these categories of merchandises falling from 2/3 of total exports in 1995-96 to 1/3 in 2004-2005. [1] Thus the Portuguese economy was forced to reorient to the constructions and services sectors, which in 2002 were already representing 76.7% of the total value added in the whole economy. Consequently the rising internal demand shifted towards foreign goods, the value of imports in this segments rising rapidly. In the end the current account deficit increased again, and because of the instable economy, continued to fluctuate increasing and decreasing then increasing again, reaching the value of 10% in 2009 but managing to sustain it at the value of 4% in 2011.

In the following years after Portugal entered the Economic and Monetary Union, the speed of economic growth decreased. Moreover, due to insufficient structural reforms, the country kept losing market share, while the salaries were increasing at a faster rate than the ones from the euro zone, mostly because the unemployment was low and there was a high pressure for constant wage growing. The process of credit expansion continued, coupled with the rapid decrease of the saving rates, which resulted in an increase of the debt burden of the households, which in 2004 reached 118% of disposable income, a level surpassed in the euro zone only in the Netherlands. [4]

The high consumption levels could not be sustained by the available incomes, especially in an environment of slower productivity gains and diminished market share. At the macroeconomic level the situation became dire in time, as mentioned before, the main fiscal indicators experienced deterioration, mostly determined by the higher sums that had to be allocated to finance the constant current account deficits.

This forced Portugal to ask for external help in order to be able to honor its financial obligations and thus to avoid the restructuring of its debt.

## **2.2 Italy**

The story of Italy starts with the exchange rate turmoil that hit the European monetary system in 1992 and that continued to buffet the Lira in 1993 and 1995. In each of these episodes, Italy was forced to devalue the Lira against the Deutschmark. As a result, Italian inflation increased relative to Germany's, as did the relative interest rate that Italians paid on their long-term government bonds. Italian trade performance improved as import growth slowed while export growth remained relatively constant. Successive devaluations may have preserved competitiveness, but they also cut into the real value of Italian incomes because while exports became cheaper in foreign markets, imports into Italy became more expensive.

The turnaround came after the final bout of instability in 1995. The governments, struggled to gain control over domestic inflation and government accounts. This involved considerable efforts to reform labor markets and the public welfare. These efforts did not solve the country's major institutional rigidities, but they did start moving things in the right direction.

The main objective of these policies was the need to make a credible commitment to bringing Italy into the euro. As a result, the

Lira appreciated against the Deutschmark, and Italy improved its competitiveness through the favorable movement of relative labor costs. This increased the foreign demand for Italian government obligations, while the long-term sovereign bonds paid an effective interest rate more than six percentage points higher than those in Germany in March 1995.

Italy went into the Eurozone with low inflation rates and a large surplus on its trade accounts. It was paying less on its government debt and had more resources to use in reining in the deficit as a result, while it also escaped another round of exchange rate turbulence along the way.

All though Italy had still more to do in its welfare state and labor market reforms, the above mentioned changes were a great accomplishment for this country.

Since Italy joined the Eurozone, its performance has not been outstanding.

Italy had 4.5 percent of world exports in 1995, it held less than 3 percent a decade later.

Regarding its world market share during the country's participation in the euro, it fell from 3.7 percent of world exports in 2000 to 3.6 percent in 2007, so the change wasn't that high, all though expected it to grow after entering the monetary union.[5]

Starting with the year 2000, Italian labor costs relative to the rest of the Eurozone have deteriorated, and the labor costs got higher, putting Italian manufacturers at a relative disadvantage.

The Government debt was at a low point at the date of accession, having a deficit of only 1.9% as a result of the above mentioned policies. The next year reaching its minimum value, 0.8% point from which it continued a constantly increasing slope until 2005. After this the country managed to decrease it to the value of 1.6% in 2007, value that jumped to 5.4% in 2009 because of the crisis. By the end of 2011 it decreased to 3.9% being almost

under the convergence reference value. So the changes are more likely do to the crises not the fact that Italy adopted Euro.

The government debt did not fulfil the convergence criteria, having the value of 113% in 1999, value that was brought to this level due to the desire of Italy to adopt Euro. Just like in the case of the public deficit 2005 was the turnaround year, because from this point the deficit continued to increase reaching 120.7% in 2011.

After bringing it to an acceptable convergence level, the interest rate maintained its low value, with smaller up or down fluctuations, but we can say that the euro had a good effect on it.

One of the lowest inflation rates were reached in 1999 the year of adopting euro, after which we can observe a slight increase, but one that isn't acceptable. So in this case the euro was also benefic, considering the fact that before the adoption the inflation was 5.38 in 1995.

The situation of the economy got better, the GDP increased, all dough with a slow phase. 2009 and 2010 were years with lower GDP due to the crisis but Italy managed to get an increase in 2011 with the amount of 26.000 GDP/capita.

As for the unemployment it is clear that it was definitely higher before joining the Eurozone, and it started to constantly decrease until 2009 and then began to increase as a result of the economic crisis.

In case of Italy the crisis seems to be the reason of their economic problems, where in fact the crisis just shined light on the areas that were already functioning poorly.

### **2.3 Spain**

After Spain joined the euro, the country experienced a long boom, underpinned by a housing bubble, financed by cheap loans to builders and homebuyers. House prices rose 44% from 2004 to 2008, at the tail end of a housing boom. Since the bubble burst they have fallen by a third.

The economy, which grew 3.7% per year on average from 1999 to 2007, has shrunk at an annual rate of 1% since then.

So, although the Spanish government still had relatively low debts, it has had to borrow heavily to deal with the effects of the property collapse, the recession and the worst unemployment rate in the Eurozone.

Taking into account the budget deficit, the value in 2011 exceeded the one in 1995. Of course this value decreased in order to fulfil the convergence criteria, being 1.2% from the GDP in 1995 continuing its decreasing mode until 2004 where it turned into a surplus for 3 years, after which dropped dramatically to 9.45 of debt in 2011. Therefore the adoption of euro, was beneficial during the first years but on the long run, the country couldn't sustain this growth.

Spain's 17 regional governments collectively have large debts of their own.

They run and pay for most of their own services, including social services, health and education, with the central government in Madrid funding less than 20% of national spending.

In the boom years they spent lavishly on new infrastructure and big projects like airports and swimming pools.[12]

The government debt was above the convergence level in 1999 but after adopting the euro, but after continued to decrease till 2007 reaching 36.3% from the GDP. After the economic crisis, the debt began to increase surpassing the convergence limit and having the value of 69.3% exceeding the one in 1995 before the European currency.

At the beginning of the accession, the banks had been thriving thanks to the rapid expansion of the property sector.

But its collapse caused a plunge in the value of the assets the loans were based on, and meant borrowers had trouble making repayments.

The situation has been made worse by the fact that the banks borrowed the money on the international markets to lend to developers and homebuyers, a much riskier strategy than using the deposits they get from savers. That has left many banks struggling with massive losses.

The interest rate was successfully decreased from the value of 11.27 to 4.73 in the year of accession to the Eurozone, and during the period of 1999-2011 it had minor fluctuations, being considerably lower than before adopting the European currency. The inflation was as steady as the interest rate, and there wasn't any major changes in its value before and after adopting the euro, so the conclusion is that this indicator wasn't affected by this economical change.

Regarding the social sector, unemployment has always been an issue for the Spanish, and was not solved by introducing the new currency. Until 2007 the unemployment rate decreased to 8.3% after which it increased dramatically to the value of 21.7%

During the years after the accession, the GDP maintained a growing rate, with the cost of an increasing government debt and budget deficit.

All in all, Spain's situation improved soon after adopting the Euro, but the financial crisis brought out the true problems in the state's economy, resulting in a delicate economic state for the country. If not for the crisis, these problems would have emerged eventually on the long run.

### **2.3. Greece**

In the group of PIGS countries, Greece is by far in the weakest position - its current situation and economic outlook are extraordinarily grim.

Before the accession, Greece didn't pay attention on the convergence criteria, having the values modified in order to join the monetary union. Taking into

consideration the real data, the country didn't fulfil the convergence criteria's, and shouldn't have been accepted into the Eurozone. The only thing that respected the criteria was the inflation rate 2.89% while the budget deficit, 3.7%, government debt 103.7% and interest rate 6.1% were above the established limit. Right after adopting the euro, the government debt began to decrease together with the interest rate, while the budget deficit and the inflation rate began to rise. In just 5 years from the euro adoption, most of the indicators were already worse than before adopting the currency. The GDP was still increasing sustained by an increased budget deficit of 5.7%, government debt of 106.1% and in interest rate of 4.5% while inflation was still quite steady and unemployment decreasing. By the beginning of 2009, when the economic crisis began to be felt, it was clear that things went out of control, the GDP began to drop, budget deficit doubled since 2007 government debt reached the value of 129.7% interest rate reached 5.17%, inflation increased and unemployment went from decreasing to rapidly increasing.

The real crisis originated in January 2010, when the EU found 'severe irregularities' in the country's accounting procedures. As a result, Greece's 2009 government deficit was revised up from 3.7% of GDP to 12.7%. The interest rates also rise dramatically to the amount of 15.75% showing that markets see a lot of risk in investing in the country's bonds.

In April 2010, the Greek government was forced to ask the EU/ECB/IMF for assistance, and on 2 May 2010 they received the bailout package. However, the rescue packages failed to provide sufficient confidence to the financial markets, as the problems facing Greece remained and were aggravated as GDP growth rates were falling and unemployment rates were rising. The economy contracted for the

fourth consecutive year in 2011. After a contraction by 0.2% in 2008, 3.2% in 2009 and 3.3% in 2010, Greece's real GDP fell by a stunning 7.0% in 2011. The economy shrank by 7.5% year on year amidst tough austerity measures, low industrial and consumer confidence and faltering demand from the euro zone.

Greece's political risk is heightened because of the early parliamentary elections.

In addition to the political and macro-economic problems, Greece's poor commercial environment is a serious worry, because credit risk is extremely high due to complicated access to finance.

Because of these severe problems, Greece might be forced to exit the Eurozone.

### **3. What about Romania?**

When it comes to deal with Romania's case, the situation is quite complex. First of all, in order to adopt the euro, it has to fulfil the Maastricht criteria, and this change has to have a positive effect on the economy.

The main objective is to meet the convergence criteria's by the year 2015.

At the moment there are 3 criteria's that are not fully met. The inflation rate 4.6% is above the necessary target of 3.1% calculated in March 2012, with Sweden, Ireland and Slovenia as the three best-performing Member States. [9]

The budget deficit was also higher than the reference value of 3% reaching 5.2% of GDP. Finally the third criteria the long term interest rate which was 1.48 points higher than the allowed rate.

Another aspect in the euro/lei exchange stability which has to be in the limit of  $\pm 15\%$  for minimum 2 years. Criteria which is not too late to achieve by 2015 but haven't been achieved so far.

Apart from these aspects there are some other elements that are worth taking into

consideration in order to fulfil the EU requirements and to ensure a sustainable economic development after adopting the new currency. One of these aspects is the fact that 2013 is the year in which Romania has to pay back the 5.1 billion euros borrowed from the IMF 4 years ago.

While the other one is the evolution of foreign direct investments. We can have quite a good overview on the future of Romania as part of the international market, if we study the foreign direct investments that came into the country, because that expresses quite well the potential of the country concerning international competition.

In order to discuss the year 2015 as the year in which Romania will adopt the Euro, we must take into account the evolution of the above mentioned indicators during the next 3 year time period.

According to the Convergence Program 2012-2015 released by the Romanian Government, the inflation rate will continue its decreasing inflation trend in 2013-2015, in terms of both end of year and annual average.

The resumption of the inflation's decreasing trend will be supported by a continued firm conduct of the monetary policy and of other components of the economic policy mix (fiscal, revenues). The forecast has been based on normal years in agriculture and a low volatility in respect of the international oil price.

In addition, a gradual reduction in the excise duties increase, a prudential wage policy and continued structural reforms will keep the disinflation on a sustainable path. Hence, the inflation rate will go down to 2.3% in 2015, at an annual average of 2.5%. [10]

Therefore the inflation rate will most probably meet the convergence criteria, this inflation rate being between the limits of the average European inflation rate.

But if we take into consideration the loan that Romania has to repay, the issue of the inflation rate might cause some problems. Due to the lack of money to repay the loan, most likely the measures taken by the government will imply higher taxes, which lead to less investments, that slows down the economy, which eventually will result in inflation. So this criteria will be fulfilled only if the above mentioned risk will be avoided.

The 2011 budget deficit was higher than the target GDP. However, this was due to a one-off measure related to court decisions. Without this one-off, the deficit would have been lower than the target due to higher-than-expected savings on the expenditure side. The structural balance improved from a deficit of 9.6% of GDP in 2009 to a deficit of 6.1% in 2010 and deficit of 5.2% of GDP in 2011 following the implementation of the fiscal consolidation measures by the authorities. Given the need for urgent fiscal consolidation, the authorities had to implement pro-cyclical fiscal policy during the recession. [9]

These fiscal reforms contributed to improving Romania's credibility, so in 2011 the country entered the good path towards the general government budget deficit target.

Romania is foreseen to be able to meet its medium term objective as early as 2014, a structural budget deficit of 0.7% of GDP.[10]

Therefor this criterion will also be fulfilled by the established euro adoption date.

The Romanian 12-month moving average long term interest rate relevant for the assessment of the Treaty criterion stayed above the reference value at each

convergence assessment since EU accession in 2007; it peaked at 9.7% in the fourth quarter of 2009, but gradually declined thereafter and hovered at just above 7% since early 2011. In March 2012, the latest month for which data are available, the reference value, given by the average of long-term interest rates in Sweden and Slovenia plus 2 percentage points, stood at 5.8%. In that month, the 12-month moving average of the yield on the Romanian benchmark bond stood at 7.3%. [9] but reaching 6.65% by the end of the year according to the European Central Bank[11]

This trend will continue to decrease most likely reaching a value that fits the convergence criteria.

The Romanian leu does not participate in ERM II. The nominal exchange rate of the leu against the euro fluctuated in a wide range during the years, but remained broadly stable in early 2012, though at a moderately weaker level than the 2009-2011 average. During the two years before this assessment, the leu depreciated against the euro by 6.4%. According to table 1, the evolution of the exchange rate will stabilize further, so that Romania will be able to join ERM II by the end of 2013. All dough these fluctuations depend on the inflation rate. In the scenario in which the inflation increases, this target will not be fulfilled, resulting in exceeding the standard band of  $\pm 15\%$  from the benchmark.

The last criteria concerning the Government debt which is already fulfilled has to be kept at the same level. According to the forecasts presented in table 1, the level of this is well below the 60% reference value.

*Evolution of Government Gross debt and Average exchange rate*

Table 1

Year/Indicator	2012	2013	2014	2015
<b>Government gross debt</b>	34.2	33.7	32.8	31.8
<b>Average exchange rate - lei/euro</b>	4.45	4.5	4.45	4.4

Source: <http://www.cnp.ro/>

As mentioned before, fulfilling the convergence criteria is just the first step in adopting euro. As the case of the PIGS countries show, entering the Eurozone doesn't necessary mean that all our troubles will be over. On the contrary. If Romania can't adapt to the new market environment, the new currency can have very negative effect on the country's economy. Just like the case of Greece.

Studying the economic indicators of these countries compared to Romania, one can get quite a clear picture of what might happen in Romania.

First of all we take into consideration the actual well-being of the country, expressed by the GDP, it is clear that the above mentioned countries were considerably better developed before accession than Romania is today. Therefore they were more competitive as well. In contrast, the unemployment is the lowest in Romania, and today this value is considerably lower than in any of the PIGS countries. The government debt also has promising values considering that all the PIGS countries had problems with the government debt, and the fact that they couldn't manage their debts contributed to their fragile state in which they are today. So if Romania can manage the debt better, might avoid the above mentioned situation. Not only the debt but the public deficit has to be well managed. All dough the values are above the convergence limit, they are similar to the values these 4 countries had before entering the Eurozone.

In order to assure a well working economy that can face the challenges of

the European market, the interest rate is a vital indicator. Unfortunately the value of it is above the value of the indicators in the discussed countries, showing that the investors consider Romania as a more risky environment, therefore they might not be interested in investing as expected, after adopting the euro.

The inflation rate is also higher than in the other countries, which might represent a great risk factor, considering that introducing the euro causes inflation all by itself, so it is expected for the inflation to increase, and because it's already considerably high, and this might dis-equilibrate the economy.

#### 4. Conclusion

According to the forecasts, Romania will be able to meet the convergence criteria, if everything goes according to plan.

Therefore the country will be able to join the Eurozone by 2015. But the economy might not be in the situation to handle the competition of the European market, and the implications of a common monetary policy. Taking into consideration the case of the PIGS countries, and their economic situation compared to Romania, it is clear that an accession in 2015 might be too early, and therefore not recommended. Of course joining in 2015 is possible, just as mentioned before, but with great risk. The country might end up in similar situation as Portugal, or even Greece. Instead of hurrying to adopt the euro, Romania should first focus on developing a stable Economy, and not hope that adopting the euro will stabilize it, because most likely it

won't. The accession to the Eurozone should be the "next step" taken after having a well working economy, this way adopting the euro will consolidate it, and assure a stabile development on the long run.

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Table 2

*Economic indicators for Portugal in 1995-2011*

Year/ indicator	GDP at market prices (Euro/ inhabitant)	Government deficit (% of GDP)	Government debt (% of GDP)	Interest rate (%)	Inflation rate (%)	Unemployment rate (%)	GDP at market prices (Euro/ inhabitant)	Government deficit (% of GDP)	Government debt (% of GDP)	Interest rate (%)	Inflation rate (%)
1995	9,000	-5.4	59.2	11.47	3.97	7.2	15,200	-7.4	120.9	12.21	5.38
1996	9,500	-4.9	58.2	8.56	2.94	7.2	17,500	-7	120.2	9.4	4.02
1997	10,100	-3.7	55.5	6.36	1.90	6.7	18,600	-2.7	117.4	6.86	1.9
1998	10,800	-3.9	51.8	4.88	2.21	5.6	19,200	-2.7	114.2	4.88	1.98
1999	11,700	-2.7	51.4	4.78	2.17	5	19,900	-1.9	113	4.73	1.66
2000	12,500	-3.3	50.7	5.59	2.80	4.5	21,000	-0.8	108.5	5.58	2.57
2001	13,100	-4.8	53.8	5.16	4.41	4.6	22,000	-3.1	108.2	5.19	2.32
2002	13,600	-3.4	56.8	5.01	3.68	5.7	22,800	-3.1	105.1	5.03	2.61
2003	13,700	-3.7	59.4	4.18	3.27	7.1	23,300	-3.6	103.9	4.25	2.81
2004	14,200	-4	61.9	4.14	2.51	7.5	24,000	-3.5	103.4	4.26	2.27
2005	14,600	-6.5	67.7	3.44	2.13	8.6	24,500	-4.4	105.7	3.56	2.22
2006	15,200	-4.6	69.4	3.91	3.50	8.6	25,300	-3.4	106.3	4.05	2.22
2007	16,000	-3.1	68.4	4.42	2.42	8.9	26,200	-1.6	103.3	4.49	2.04
2008	16,200	-3.6	71.7	4.52	2.66	8.5	26,300	-2.7	106.1	4.68	3.5
2009	15,800	-10.2	83.2	4.21	-0.9	10.6	25,200	-5.4	116.4	4.31	0.77
2010	16,200	-9.8	93.5	5.4	1.39	12	25,700	-4.5	119.2	4.04	1.64
2011	16,100	-4.4	108.1	10.24	3.56	14	26,000	-3.9	120.7	5.42	2.9

Source: <http://epp.eurostat.ec.europa.eu>

Table 4

*Economic indicators for Spain in 1995-2011*

Year/ indicator	GDP at market prices (Euro/ inhabitant)	Government deficit (% of GDP)	Government debt (% of GDP)	Interest rate (%)	Inflation rate (%)	Unemployment rate (%)	GDP at market prices (Euro/ inhabitant)	Government deficit (% of GDP)	Government debt (% of GDP)	Interest rate (%)	Inflation rate (%)
1995	11,600	-7.2	63.3	11.2	4.58	20	:	-2	6.6	:	32.30
1996	12,400	-5.5	67.4	8.74	3.57	19.1	1,300	-3.6	10.6	:	38.80
1997	12,800	-4	66.1	6.4	1.88	17.8	1,400	-4.4	15	:	154.80
1998	13,500	-3	64.1	4.83	1.76	15.9	1,700	-3.2	16.8	:	59.10
1999	14,500	-1.2	62.4	4.73	2.23	13.2	1,500	-4.4	21.7	:	45.80
2000	15,600	-0.9	59.4	5.53	3.48	11.7	1,800	-4.7	22.5	:	45.70
2001	16,700	-0.5	55.6	5.12	2.83	10.5	2,000	-3.5	25.7	:	34.50

Table 5

*Economic indicators for Romania in 1995-2011*

<b>2002</b>	17,700	-0.2	52.6	4.96	3.59	11.4	2,200	-2	24.9	:	22.50
<b>2003</b>	18,600	-0.3	48.8	4.12	3.11	11.4	2,400	-1.5	21.5	:	15.30
<b>2004</b>	19,700	-0.1	46.3	4.1	3.05	10.9	2,800	-1.2	18.7	:	11.90
<b>2005</b>	21,000	1.3	43.2	3.39	3.38	9.2	3,700	-1.2	15.8	:	9.00
<b>2006</b>	22,400	2.4	39.7	3.78	3.57	8.5	4,500	-2.2	12.4	7.23	6.56
<b>2007</b>	23,500	1.9	36.3	4.31	2.84	8.3	5,800	-2.9	12.8	7.13	4.84
<b>2008</b>	23,900	-4.5	40.2	4.37	4.14	11.3	6,500	-5.7	13.4	7.7	7.85
<b>2009</b>	22,800	-11.2	53.9	3.98	-0.23	18	5,500	-9	23.6	9.69	5.59
<b>2010</b>	22,800	-9.7	61.5	4.25	2.04	20.1	5,800	-6.8	30.5	7.34	6.09
<b>2011</b>	23,100	-9.4	69.3	5.44	3.05	21.7	4870	-5.5	33.4	7.29	5.79

Source: <http://epp.eurostat.ec.europa.eu>*Economic indicators for Greece in 1998-2011*

Table 6

<b>Year/ indicator</b>	<b>GDP at market prices (Euro/ inhabitant)</b>	<b>Government deficit (% of GDP)</b>	<b>Government debt (% of GDP)</b>	<b>Interest rate (%)</b>	<b>Inflation rate (%)</b>	<b>Unemployment rate (%)</b>
<b>1998</b>	13,500	-3	64.1	4.83	1.76	15.9
<b>1999</b>	14,500	-1.2	62.4	4.73	2.23	13.2
<b>2000</b>	15,600	-0.9	59.4	5.53	3.48	11.7
<b>2001</b>	16,700	-0.5	55.6	5.12	2.83	10.5
<b>2002</b>	17,700	-0.2	52.6	4.96	3.59	11.4
<b>2003</b>	18,600	-0.3	48.8	4.12	3.11	11.4
<b>2004</b>	19,700	-0.1	46.3	4.1	3.05	10.9
<b>2005</b>	21,000	1.3	43.2	3.39	3.38	9.2
<b>2006</b>	22,400	2.4	39.7	3.78	3.57	8.5
<b>2007</b>	23,500	1.9	36.3	4.31	2.84	8.3
<b>2008</b>	23,900	-4.5	40.2	4.37	4.14	11.3
<b>2009</b>	22,800	-11.2	53.9	3.98	-0.23	18
<b>2010</b>	22,800	-9.7	61.5	4.25	2.04	20.1
<b>2011</b>	23,100	-9.4	69.3	5.44	3.05	21.7

Source: <http://epp.eurostat.ec.europa.eu>