

Nominal versus Real Convergence

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Nominal Convergence

	Inflation HICP Oct 13 (% yoy) max 2.5% (most 1.5 pps higher than 3 best performers'avg)	Budget deficit to GDP (%) 2012 (<3%)	Governmental Debt to GDP (%) 2012 (<60%)	ERM II member (min 2 yrs as of q1 2013)	Long term interest rate (12 month average of 10 yr bonds) max 3.9% (at most 2 pps higher than 3 MS with lowest inflation)
Bulgaria	-1.1	0.8	18.5	No	3.71
Czech Rep	0.8	4.4	45.8	No	2.33
Hungary	1.1	1.9	79.2	No	6.13
Latvia	0	1.2	40.7	Yes (01.01.2014)	3.29
Lithuania	0.5	3.2	40.7	Yes (01.01.2015)	3.90
Poland	0.7	3.9	55.6	No	4.02
Romania	1.2	2.9	37.8	No	5.75

Source: Eurostat

Real convergence: Labour productivity and labour utilization

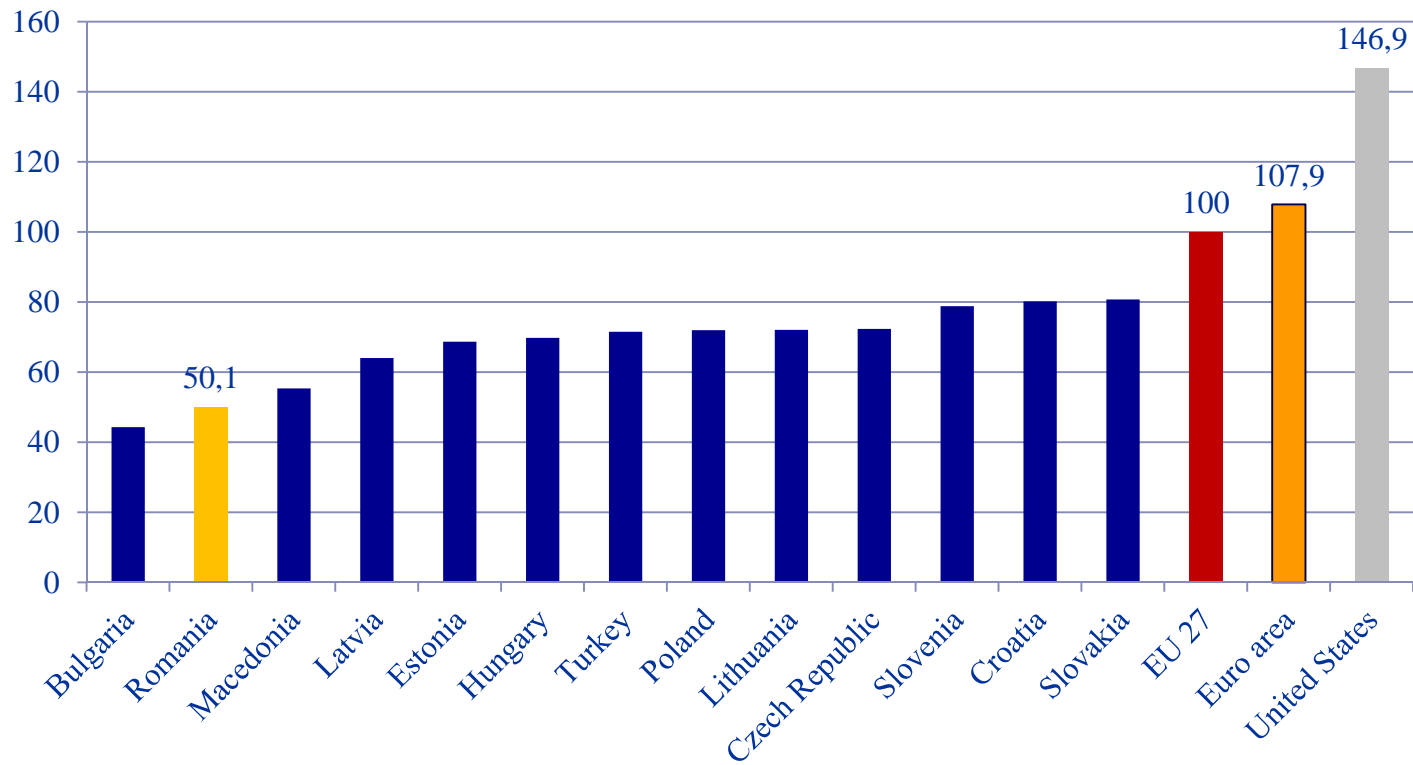
real convergence in terms of labour productivity:

$$\frac{GDP}{Population} = \frac{GDP}{Employment} \times \frac{Employment}{Population}$$

1. Labour productivity: improved relative to the Euro Area, mainly due to the expanding shares of more productive sectors in total output and due to the decline in overall employment (increasing labour efficiency).
2. Labour utilisation: strong mismatches in the labor market. Increasing need of skilled labour

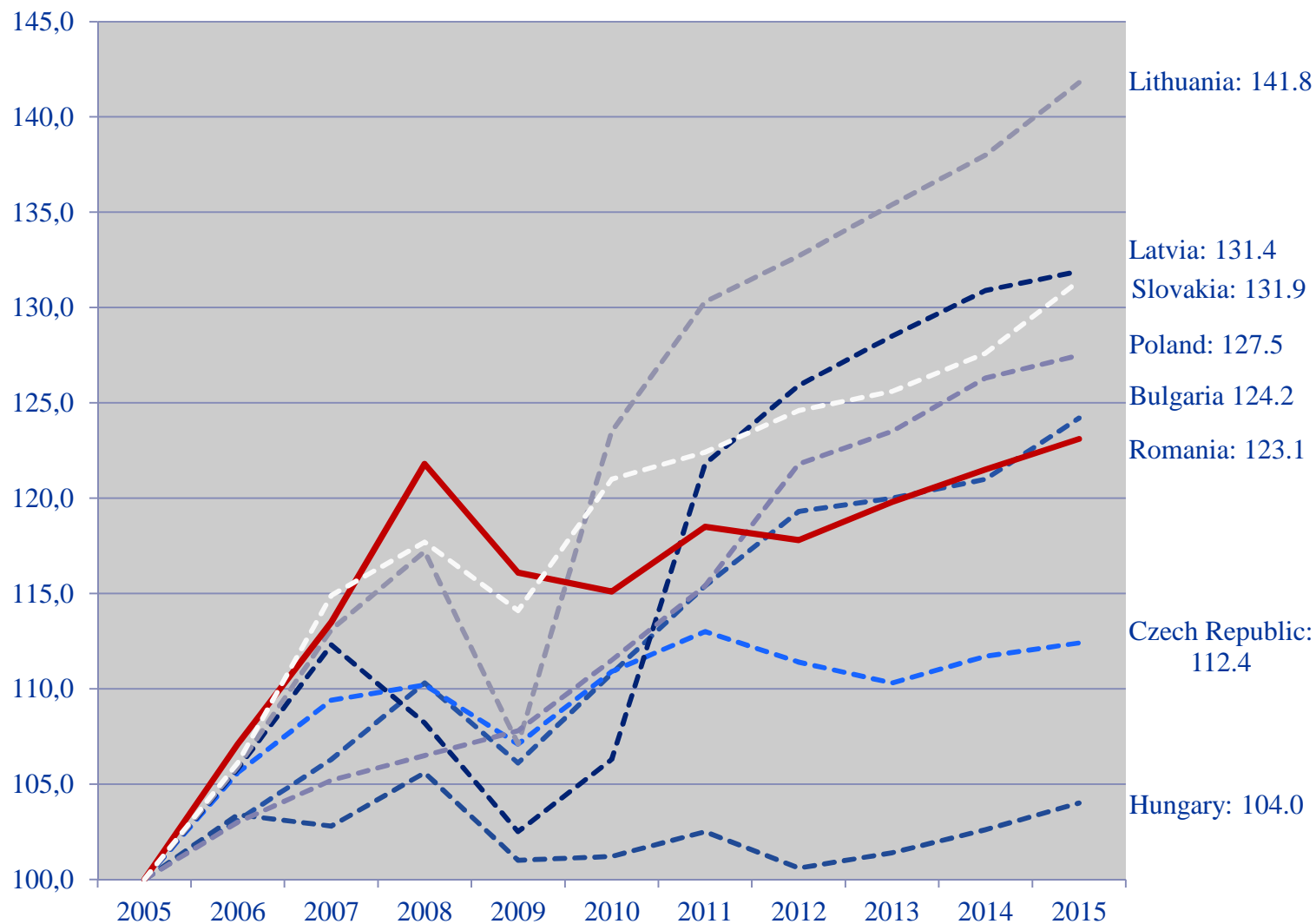
Real convergence: Labour productivity

GDP per person employed



Source: Eurostat

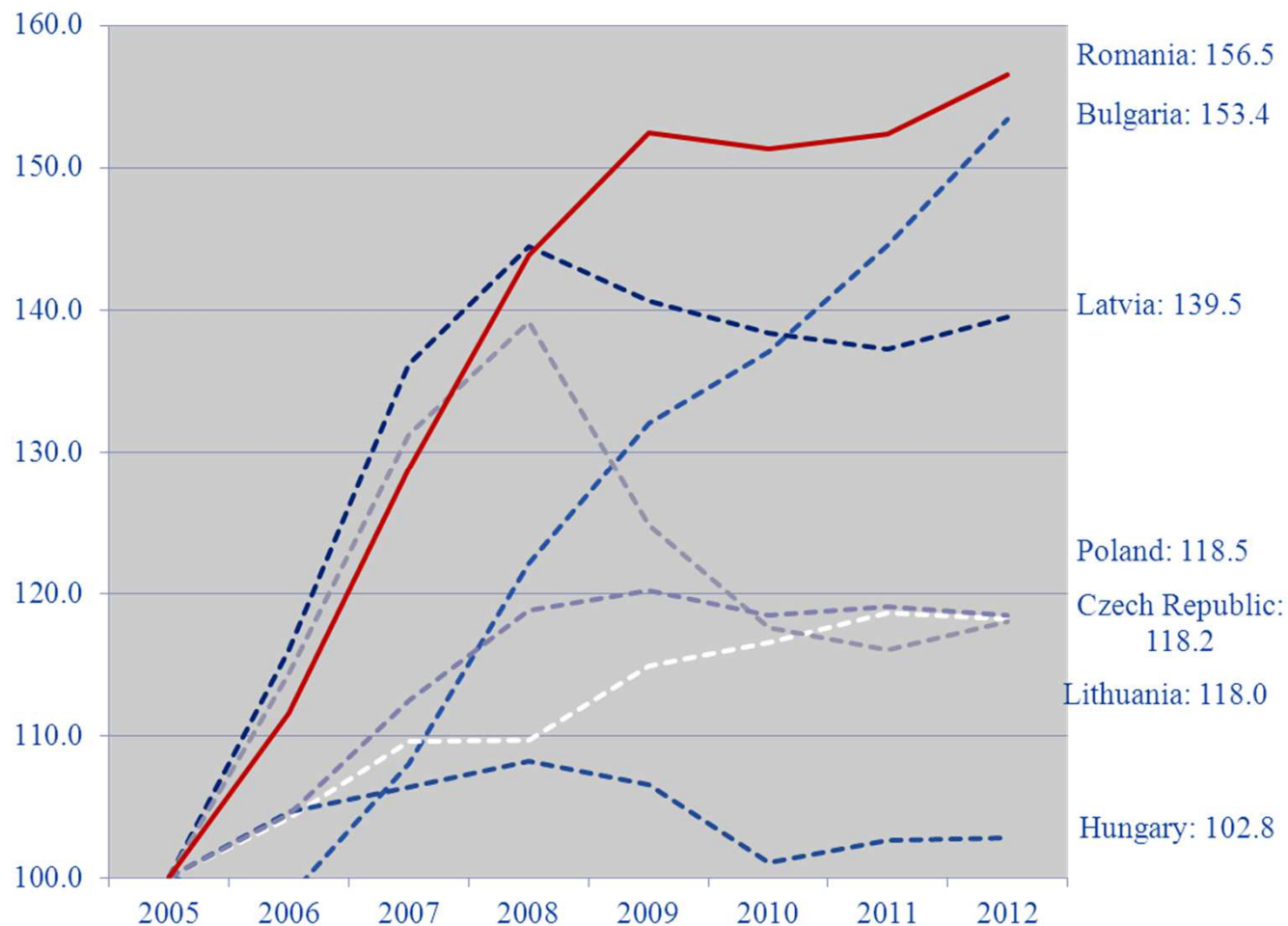
Real convergence: Labour productivity



Source: Eurostat



Competitiveness: Real Labour Cost Growth 2005-2012

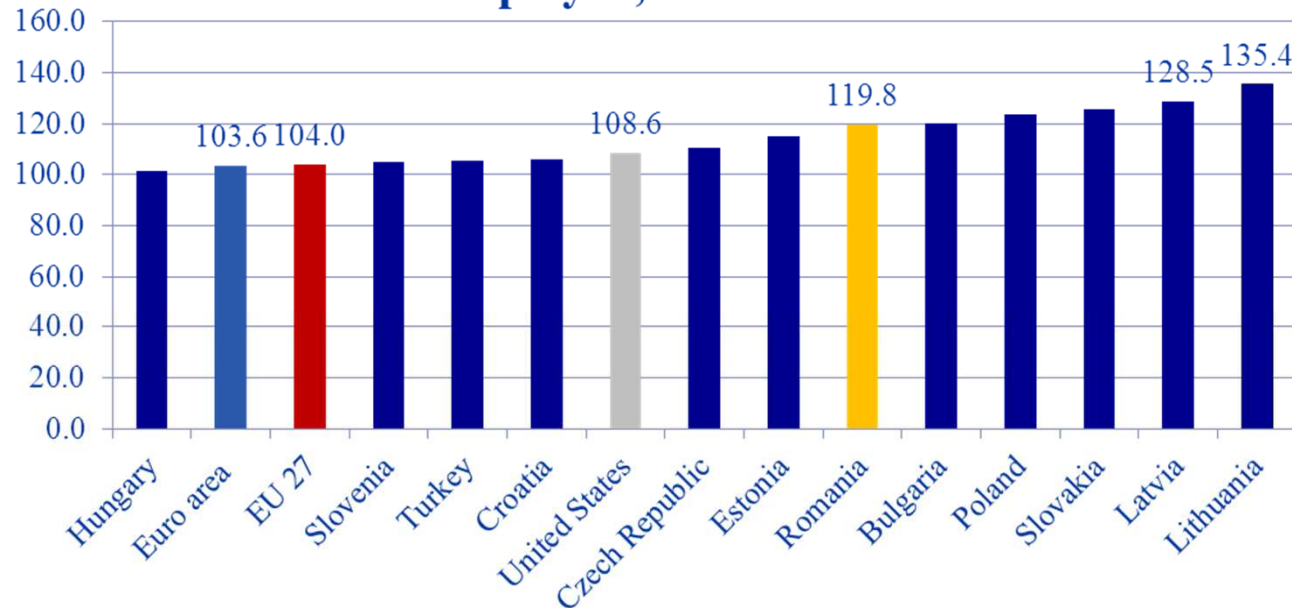


Source: Eurostat

The data covered in the LCI collection relate to total average hourly labour costs and to the labour cost categories "wages and salaries" and "employers' social security contributions plus taxes paid minus subsidies received by the employer"

Real convergence: Labour productivity

Growth of real labour productivity per person employed, 2005-2013

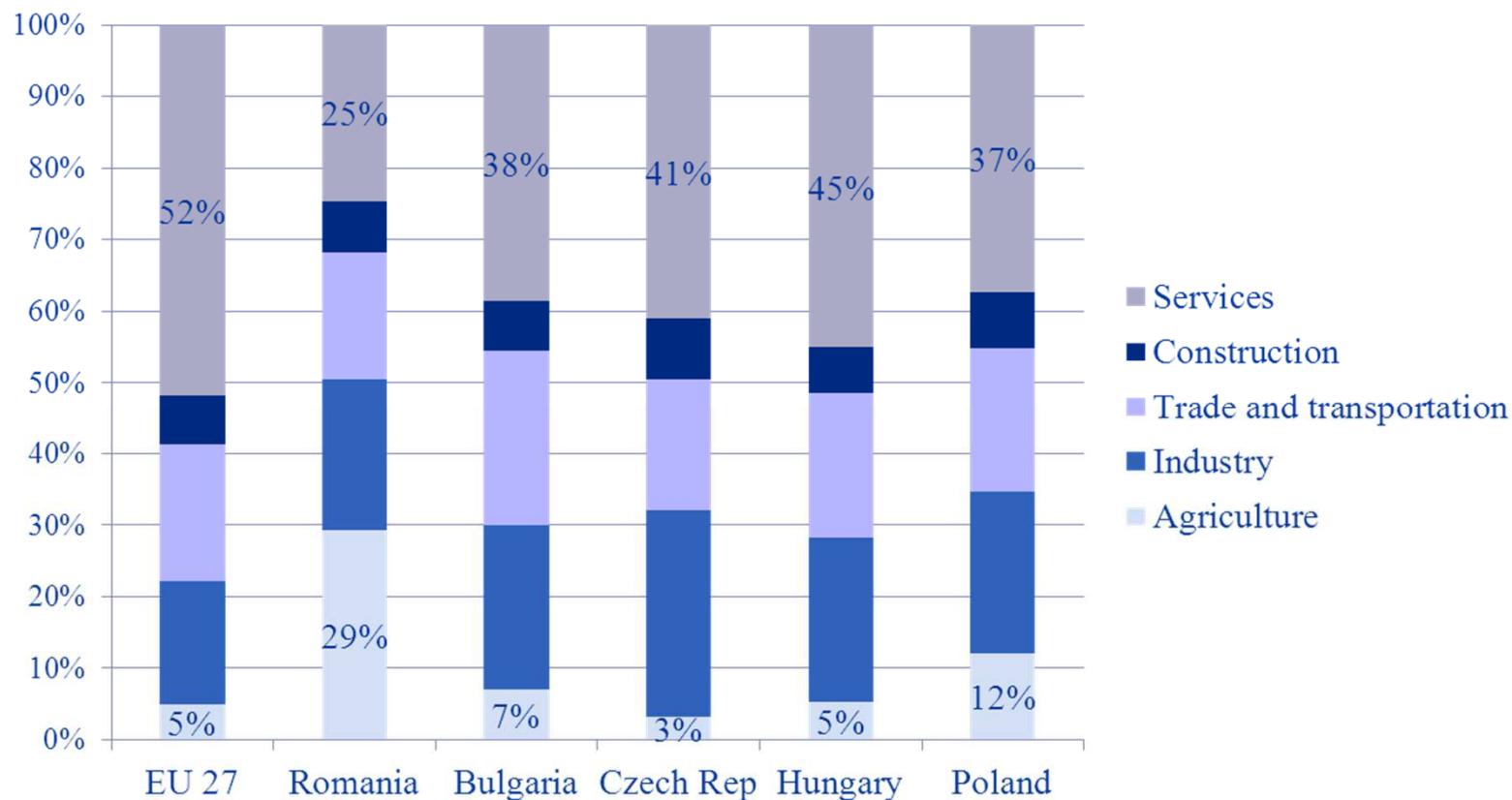


Labour productivity: GDP per person employed

Source: Eurostat

Employment structure: mismatches in the Romanian labor market. Need of skilled labor

	EU 27	Romania	Bulgaria	Czech Rep	Hungary	Poland
Employment share from total population	44%	44%	41%	47%	40%	42%
Unemployment rate	11%	7.5%	13.1%	7.0%	10.1%	10.4%



Source: Eurostat