Risks in the Baltic States

Please choose the most appropriate answer for each sentence.

Q1 The Baltic states have enjoyed years of strong and sustained growth that has raised per capita income, hastening ..... with average EU levels; they have been among the four fastest-growing EU countries since 2001, remarks Edward Parker of Fitch Ratings.
A concurrence  B connivance  C convergence  D conversion

Q2 However, Estonia, Latvia and Lithuania are, to varying degrees, facing rising inflation, tightening labour markets, rapid credit growth and substantial current account deficits, indicating that their economies are ..... 
A overgrowing  B overheating  C overperforming  D overspeeding

Q3 The ..... in price stability has pushed back the euro adoption timetables for all three countries and Fitch expects inflationary pressures, particularly the requirement to adopt EU excise duties and raise administrative prices, and higher gas import prices, to be sustained in the medium term.
A deceleration  B decimation  C deterioration  D detonation

Q4 Furthermore, the Baltic countries' currency pegs and the inflation differential with the rest of the EU contribute to 'perverse' pro-cyclical low real interest rates (as nominal interest rate par has largely been attained), ..... the economic and asset price boom in these countries.
A spanking  B spearing  C spiking  D spurring

Q5 Fast- ..... growth and labour emigration have driven unemployment rates to multi-year lows, adding to wage pressures: Estonia, Latvia and Lithuania had unemployment rates of 5.6%, 6.9% and 5.9% respectively at end-2006, all below the EU average of 7.9%.
A geared  B laned  C paced  D rated

Q6 Growth levels far above the EU average have been financed for the ..... part through the rapid rise of external liabilities, which has fuelled the increase in external imbalances.
A best  B first  C great  D most

Q7 All three countries' gross external debt levels were above the A-range median in both 2005 and 2006; Latvia's gross external debt ..... rose to over 100% in 2006, and the proportion of short-term external liabilities is also considerable, raising near-term financing risks.
A baggage  B burden  C charge  D cargo

Q8 Nevertheless, Fitch believes there are important factors that ..... the negative pressure that growing external imbalances place on the ratings.
A attenuate  B correlate  C legislate  D mitigate

Q9 Crucially, all three Baltic countries have had public external debt levels below 20% of GDP since at least 1993 and all are net public external creditors; low public debt levels, as well as small budget deficits (or a budget surplus in Estonia's case) also allow the Baltic countries scope to ..... any cyclical downturn.
A bolster  B buffet  C catch  D cushion
Comparing the Baltic countries’ macroeconomic indicators with those of pre-crisis Asia leads to the consideration of whether they are vulnerable to the type of financial market ..... that contributed to the spread of the crisis in Asia.

A. contagion  
B. contraction  
C. infection  
D. implementation
ANSWERS: Risks in the Baltic States

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