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From the Periphery to the Core? Central Europe and the Economic Crisis

Anita Sobják

As a new test case for the resistance of Central European economies, the Cyprus banking crisis has already renewed speculation that Slovenia could be the next Member State in need of a bail-out. While other states in the region have sounder public finances and banking sectors, each of them continues to be exposed to the on-going instabilities of the eurozone. More than four years into the economic crisis, the time is ripe for reflection on the changes that the region has undergone in this period. Principally, it can be seen that both the similarities and the differences between these economies have been brought to the surface. This, together with the future course of economic governance reform of the European Union, might further deepen intra-regional splitting in the future. Overall, however, Central Europe has a chance to improve its relative economic position in the EU in the mid to long run, as the region has weathered the crisis better than the EU average.

Similar Reactions to the Crisis

A sharp fall in GDP, decrease in exports due to falling demand in the EU, a decline in industrial production and the construction sector and an outflow of capital from the region are common effects of the global crisis on Central Europe (or CE: Slovenia plus the four Visegrad Group countries, which are the Czech Republic, Hungary, Poland and Slovakia). The ensuing drying up of foreign capital has in turn led to a credit crunch and a scramble for liquidity, which mutually fed each other. With the overall slowdown of economic growth and contraction of GDP, unemployment has risen, halting strong job creation dynamics that prevailed during the pre-crisis period. This chain reaction was made possible due to a series of common vulnerabilities in the region's economies. While many of these, such as the credit boom and generally high levels of debt, are shared by fellow Member States, there are a number of common features in the CE economies that have brought about specific problems during the crisis.

First is the highly export-oriented nature of the CE economies, which are open and (with the exception of Poland) small, and thus much exposed to swings in the global economy and demand in the main export markets. This made the region especially exposed during the eurozone debt crisis in 2012, as around 80% of CE exports are directed to the euro area.

Next, as a result of the gradual integration of the banking system in Europe during the past two decades, many western banks set up local branches in CE and eventually wound up with a large share of the banking assets. If, in the beginning, foreign bank ownership meant easier access to credit and contributed to growth, with the arrival of the crisis it became one of the weakest points of many economies in the region.¹ This

¹ International Monetary Fund, "Global Financial Stability Report. Restoring Confidence and Progressing on Reforms," *World Economic and Financial Surveys*, October 2012, p. 17, www.imf.org/External/Pubs/FT/GFSR/2012/02/pdf/text.pdf.

was especially true because much of the domestic loans in CE were granted in foreign currencies for both private and corporate borrowers. Upon the sudden depreciation of the local currencies (mainly in the case of the Hungarian forint and the Polish złoty) repayment of these credits became extremely burdensome, severely harming domestic consumption.

However, such flexible exchange rates of national currencies also facilitated the necessary space for adjustment of the Czech, Hungarian and Polish economies, allowing them to react swiftly to the business cycle downturn in 2008–2009. With local currencies depreciating against the euro, export prices became more competitive. This is important, because in contrast those countries from the broader region with currencies pegged to the euro (Latvia, Lithuania and Bulgaria) had a much lesser degree of flexibility. At the same time, those members of the common currency area, namely Slovenia (since 2007) and Slovakia (since 2009), while benefitting from the credibility of the euro and thus avoiding capital outflows, both suffered in terms of competitiveness.

Different Management of the Crisis

In spite of a number of features common to the Central European economies and their reactions to the crisis, there are also significant differences both in structural terms and regarding government strategies to tackle the crisis.

The Czech Republic

The strong economic fundamentals of the Czech Republic helped it withstand the effects of the global crisis relatively well at first. Strong external and fiscal positions and the credibility of monetary and exchange rate policies contributed to the resilience of the economy and the financial system. The Czech Republic is also the least indebted in the region (with 45.5% of GDP in 2011) and the banking sector remains healthy. But in spite of the relatively favourable initial conditions and supportive policies, the subsequent recovery has been driven mainly by export growth (particularly to Germany), while domestic demand has been weak, partly due to fiscal consolidation. As such, following a post-crisis recovery in 2010, the return to pre-crisis GDP levels has slowed, with the Czech Republic being overtaken on the regional level in these terms by only Hungary and Slovenia.

Such a slow pace of recovery was not, however, imposed entirely by external factors, but also by Czech government policy. During 2011, fiscal consolidation measures consisted mostly of restructuring expenditure. Public sector wages were cut, and social benefits were eliminated or their rates reduced. On the revenue side, the tax system was reformed by simplification and the elimination of tax exceptions and allowances. However, in addition to the consolidation measures, it was not until 2012 that some of the long-awaited systemic reforms were finally adopted, after being the subjects of long political debate. The most important of them concern the healthcare and pension systems.

Even though these reforms promise positive mid-term implications, the Czech economy was back in recession in 2012 (with a 1.1% GDP fall), and the European Commission projects stagnation at best for this year. The reasons are that both government and household demand has been hit by fiscal consolidation, inflation and weak wage growth, and the third pillar of GDP growth, net export, has also weakened since 2011. Fiscal consolidation efforts focusing not only on reducing the budget deficit but also on improving the structural parameters of the system, such as the quality of the public finances, support for the business environment, and reduction of bureaucracy remain the main priorities for the government.

Hungary

The problems of the Hungarian economy surfaced well before the eruption of the global financial crisis in 2008, with a serious slow-down of the economy as early as in 2006. Consequently, the crisis struck the country particularly heavily and Hungary became, in October 2008, the first country to agree a stand-by loan of €20 billion from the IMF. Even though a caretaker government accomplished temporary consolidation of the economic situation in 2011—similarly to the Czech Republic—the second phase of the crisis hit the country anew, and severely. The low point came in late 2011 and early 2012 when Hungary's

credit rating was cut to junk by each of the three major rating agencies.² The government then turned to the IMF for a financial rescue package, but one year later negotiations were suspended.³

When discussing the Hungarian options of crisis management, it is important to underline the exceptionally bad conditions of public finances: the country has been under an excessive deficit procedure since 2004 and public debt has been hovering around 80% of the GDP since 2009. Such conditions have been constraining the Hungarian government's tool-kit of anti-cyclical fiscal policy instruments in comparison with the other states of the region.

In its management of the crisis, the centre-right government, in power since 2010, has become known for its so-called "unorthodox" economic policy. In practice this boils down to stabilising public finances by consistently reducing public and private debt. On the revenue side a flat personal income tax of 16%, a banking tax, and temporary sectoral levies were introduced (for instance on telecom and insurance services and on financial transactions), VAT was increased from 25% to 27% (currently the highest in the EU). Additionally, there is a trend of re-nationalising companies (for instance in the energy sector, or in the case of the private pension pillar) and temporarily using part of the extra profits from their monopolistic positions to consolidate public finances.⁴ On the expenditure side, steps are being taken towards the re-structuring and cost-optimisation of the public administration and the reform of the largely uneconomical public transport companies. The expected short-term result of this mainly revenue-side package is a more stable budget position, but at the same time foreign bank activity in Hungary is expected to decrease,⁵ as is the inflow of FDI.⁶

The most worrying thing about the Hungarian economy remains the lack of growth, which can be explained by the plummeting of all three internal drivers of growth—public and private consumption, and investments. As such, major hopes are vested in the export sector, which has been demonstrating a spectacular dynamism since 2009.⁷ Based on such parameters, the European Commission foresees continuing recession (0.1% GDP contraction for this year), and a moderate decline in government debt.

Poland

The most intriguing case in the region's economic development in the past few years is probably the success of Poland in weathering the crisis. A number of reasons can be outlined for Poland's initial resistance to the global shocks. First of all, the country met the crisis with an already stable fiscal structure and banking sector.⁸ Secondly, the zloty, not being pegged to the euro allowed for significant room to manoeuvre in response to the global downturn. The considerable currency depreciation (the zloty is still about one-fourth cheaper than it was in mid-2008) facilitated not only increasing competitiveness of exports, but also an enhanced significance for EU-funded public investments. Furthermore, in comparison with the other CE countries, the Polish economy has a lower degree of openness. While exports currently make up approximately 60% of GDP in Hungary, the Czech Republic and Slovakia—and accounted for as much as 80–90% before the crisis—they represent a third of the Polish GDP. Finally, due to certain

² Such developments can be explained by a blend of the external and internal conjunctures: externally, it was indirectly caused by the international financial panic because of the Greek situation, domestically by the confrontation between the Hungarian National Bank and the government.

³ This resulted from an inability of the two sides to reach an agreement on the concrete type of the package: Hungary was applying for a flexible credit line, while the IMF offered nothing less than a stand-by loan. For further details see: "IMF reaffirms suspension of standby-loan negotiations with Hungary," 1 February 2013, www.politics.hu/20130201/imf-reaffirms-suspension-of-standby-loan-negotiations-with-hungary.

⁴ J. Mainka, "Unorthodox Doxology," *The Budapest Times*, 1 February 2013, www.budapesttimes.hu/2013/02/01/unorthodox-doxology.

⁵ K. Vida, "Hungary," in: K. Vida (ed.), *Strategic Issues for the EU10 Countries: Main Positions and Implications for EU Policy-making*, Institute of World Economics, Budapest, October 2012, p. 88, www.vki.hu/news/news_565.html.

⁶ K. Antalóczy, M. Sass, "Hungary," in: *V4 Trade and FDI Observer*, ICEG European Centre, May 2012, p. 35, www.pism.pl/research/projects/V4-Trade-and-FDI-Observers-Project.

⁷ K. Vida, *op. cit.*, p. 85, www.vki.hu/news/news_565.html.

⁸ Poland is among the few EU countries that has a strong fiscal rule setting a limit to gross public debt (this limit being currently 55% of GDP). This was incorporated in the Constitution as early as in 1997 and subsequently in legislation.

structural characteristics, as well as the size of the Polish economy, there was robust domestic demand⁹ and consumption that did not wane after the outbreak of the crisis.

While such favourable conditions enabled Poland to react well to the first wave of the crisis, policy-making also played its part. Since the banking sector turned out to be relatively healthy,¹⁰ and as such did not require any financial assistance from the state treasury, the government could instead deal with fiscal corrections in a timely manner. These included raising taxes and eliminating certain tax exceptions. Barriers to entrepreneurship were reduced and there was an increase in working time flexibility and job subsidies, in a bid to move towards “flexicurity.” Further on, the retirement age was raised and the eligibility criteria for early retirement and disability pension schemes were tightened. However, improving the efficiency of education, reducing barriers to foreign ownership, reforming the farmers’ national insurance system and speeding up privatisation remain unaddressed priorities.

2012 saw the eurozone sovereign debt crisis hit Polish exports too, and as a result economic growth is currently slowing (GDP growth fell from 4.3% in 2011 to 2% in 2012). Besides, public debt is increasing (currently at 55.8 % of GDP), with a growing share of this in euro and Swiss francs. This presents a danger that the constitutional debt limit will be exceeded in the event of a depreciation of the Polish zloty.

Slovakia

When the crisis arrived in 2008, Slovakia was one of the fastest growing economies in the EU with a stable financial sector and consolidated public finances. But the sharp decrease in foreign demand caused industrial production to crash and lead to a deep recession (a 4.9% GDP fall) and quickly rising unemployment in 2009. Within a year, however Slovakia had presented the swiftest and most spectacular recovery in the region with 4.4 % GDP growth.

Sound foundations that resulted from the in-depth structural reforms of the early 2000s (e.g. tax, health care, pension and labour market reforms) serve as the primary explanation for this. But, due to an expansionary fiscal policy in the pre-crisis, period public debt as a percentage of GDP rose from 27.9% in 2008 to 52.2% in 2012. This jump places a strong obligation on the government to consolidate public finances. The solution applied is a mostly revenue-side package with tax increases on labour, companies and banks—changes boding ill for future competitiveness. Among the early effects of these measures are a rise in unemployment and a decline in the number of contracted and self-employed workers. As for structural reforms, changes to the second pillar of the pension system and the revision of the labour code are the most important developments.

An important factor distinguishing Slovakia (similarly to Slovenia) from the rest of the region is its membership in the European Economic and Monetary Union (EMU). At the beginning of the crisis, when neighbouring countries experienced depreciations up to 20–25%, the stable currency worked against the short-term competitiveness of the Slovak economy. This was one of the reasons for the sharp recession in 2009. What facilitated a quicker than average return was very strong labour productivity growth (especially in manufacturing) together with wage moderation, from 2009 onwards.¹¹ Nowadays, eurozone membership ensures Slovakia the benefits of a stable currency environment. At the same time, it also exposes the country to the risks of a prolonged recession in the bloc and to those stemming from participation in the various rescue funds, which not only imposed a heavy short-term burden on public finances but present a threat if any of the countries which have been bailed out happen to go to sovereign debt default.¹²

In 2012 the Slovak economy slowed moderately, but GDP growth was still estimated at 2%—the highest and only positive score (other than Poland) among the five countries analysed. But this performance was driven almost entirely by an expansion in the export-oriented automotive industry, while the contribution

⁹ This demand was also strengthened considerably by the EU cash injections and the organisation of the Euro 2012 European Football Championship, which entailed an intensification of investments in infrastructure.

¹⁰ This can be mainly explained by the fact that, before the economy slowed down, the Polish Financial Supervisory Authority made efforts to limit loans by this preventing a contagion of the “bad credits.” It also persuaded banks to accumulate an additional capital buffer that helped protect them from the negative consequences of the downturn.

¹¹ Zs. Gál, “Farewell to the Carpathian Tiger: Impact of the Global Crisis on Slovakia,” in: A. Ágh, L. Vass (eds.), *European Futures: The Perspectives of the New Member States in the new Europe*, Together for Europe Series no. 16, Budapest College of Communication and Business, 2013, p. 345.

¹² *Ibidem*, p. 346.

of domestic demand to GDP growth was disappointing (reflecting the persistently high rate of unemployment). As such, the effects of car exports fading out in 2013 are likely to further decelerate GDP growth this year.

Slovenia

Less typically for the region, Slovenia was already an open economy in the early 1990s, as a legacy of the Yugoslav system,¹³ and as a result it underwent a much smoother transition than other countries of the region. Unfortunately, this gradualist, cautious approach to economic transformation encouraged the continuous neglect of the implementation of reforms throughout the transition period.

Although consistently recording relatively high economic growth until the end of 2007, with the onset of the global crisis Slovenia still proved unwilling to implement the reforms it had been lagging behind with, such as pension and labour market reforms. But in late 2011, under increasing threat of possible downgrading, the new government was forced to embrace a more liberal vision of tackling the crisis. This also implied embarking on the austerity measures consisting mainly of radical spending cuts in public sector wages, pensions and social benefits, and which had been victims of procrastination for so long. The long-delayed pension reform was also carried through and there are preparations to amend the labour code and to reform the healthcare structure. Simultaneously there is a centralisation of public property and a concentration of all state-owned assets in the hands of the government.¹⁴

The critical condition of the banking sector mainly dominated by state-controlled entities is peculiar to Slovenia. At the end of last year, the estimated level of bad debts reached €7 billion, which was equivalent to 20% of the country's GDP. Because of this Slovenia may be one of the next countries to resort to an international bail-out, which is estimated to run to €5 billion and to be used mostly to shore up banks.

Overall, as a result of the lengthy postponement of reforms and the problems of the banking sector, the country is currently facing one of the worst recessions not just in the region, but also among the 17 countries of the eurozone. GDP is shrinking faster than anywhere in the euro area except for Greece and Portugal. Even though Slovenia's macroeconomic parameters (like unemployment, inflation and public debt) are still scoring relatively well in comparison with the EU average—except for its quickly increasing deficit, standing at 6.4% of GDP—Slovenia is, from the CE perspective, currently undergoing the most severe economic hardships.

The Impact of the Crisis on Central Europe

An Intra-Regional Reshuffle

The global economic crisis and the ensuing European sovereign debt crisis undoubtedly left a visible imprint on the position of CE economies, bringing both risks and opportunities. The first wave of the crisis hit each of these economies, but to various degrees, with Hungary and most of all Slovenia being the worst affected and Poland suffering the least. This initial pattern was changed by the second wave of the crisis in 2011–2012. Slovakia was the swiftest and most effective in terms of recovery, achieving a 4.4% GDP growth by 2010 and escaping relatively lightly in the second round (although still exposed to further threats, mainly because exports are currently the sole driver of its economy). Hungary and the Czech Republic, after a hesitant and short-lived recovery, entered a second phase of crisis, falling into recession anew in 2012. Slovenia continues uninterruptedly in its downward spiral of economic turmoil, which is now being increasingly coupled with political and social instability. Finally, the crisis has also started to leave a mark on the Polish economy, which slowed down in 2012 to 2% GDP growth (from 4.3% in 2011) and is expected to continue with this trend in 2013.

¹³ Contrary to the Soviet bloc characterised by state ownership of productive assets, in Yugoslavia companies were decentralised into a system of self-management by workers and local authorities. Another important difference is that Yugoslav companies were authorized to trade with the West, and could even use their hard currency revenues to purchase technology and raw materials from abroad. As much as one third of Yugoslav exports were accounted for by Slovene firms.

¹⁴ F. Juri, *Why Slovenia Took to the Streets*, 21 January 2013, www.balcanicaucaso.org/eng/Regions-and-countries/Slovenia/Why-Slovenia-took-to-the-streets-129042.

In order to observe the scale and course of the regional reshuffles, it is worth comparing this present picture with that of the pre-crisis. Back then, Slovenia had long been considered the absolute forerunner of the former Eastern bloc, and Slovakia set an example with its miraculous boom from the early 2000s onwards—earning it the label “Tatra Tiger.” The Czech Republic was seen as a stable and consistently developing economy, similarly to Poland, though a number of steps ahead. The Hungarian economy, after a spectacular transition, was already giving reasons for worries from as early as 2006.

Augmenting Differences: Is There a Two-Speed Central Europe in the Making?

The above observations on the recent development of the five CE economies, together with the comparative perspective, lead further to the conclusion that if, before the crisis, CE was seen as a more homogeneous region, existing disparities are now surfacing. This is becoming clear for instance in the differences in macroeconomic indicators like real GDP growth levels (for a comparison see Annex No.1) and government indebtedness (with the greatest rises in Slovenia and Slovakia), in the maturing of the implications of the structural reforms undertaken during the transition period (Slovakia’s reforms are now bearing fruit, while Slovenia is languishing the most, because of procrastination), and in the varying degree of stability of the banking sector (more resilient in the Czech Republic, Poland and Slovakia). Equally important are differences in national policy choices. While many of the concrete measures taken are not yet ready to be evaluated in terms of impact, certain observations can already be made: Hungary is sticking out the most with its “unorthodox” economic policy consisting mainly in revenue-side corrections, Poland and Slovakia because of the timeliness of their fiscal consolidation measures and moderate progress in terms of structural reforms. The Czech Republic has acted somewhat slower in these terms, whereas Slovenia proved the most reluctant to implement reforms.

Even if such differences are unlikely to change the level of intra-regional integration, which is well reflected in the considerable dynamics of trade and investment flow among the CE countries, it can potentially distance the countries politically, due to the fact that the power balance both within the region and in the EU is largely determined by their economic fundamentals. This will become even more important if further CE states follow Slovenia and Slovakia in joining the EMU, which can broaden the gap in terms of the competitiveness of these economies. Also, several current debates in Brussels point to the probability of the eurozone further distancing itself from the rest of the EU, by institutionalising the already existing split. Such a scenario can easily lead not only to a two-speed EU, but to a two-speed Central Europe.

A Shift in Central Europe’s Place on the Economic Map of the EU

The crisis has clearly produced certain shifts in Europe’s economic geography, which may also improve the position of the CE economies in the EU. Despite the intra-regional differences, the region has, on balance, weathered the crisis relatively well, especially if viewed in contrast with the so-called GIIPS countries most severely hit by the crisis. Such an alteration can be identified on two levels. One is perceptual, the level on which CE countries are no longer viewed as primary hotspots of instability and inefficiency in the EU, and some are now even held up as examples of consistent crisis management. The second level is demonstrated by aggregate indicators when comparing CE with the GIIPS, or even the EU-27 for that matter. Based on real GDP growth, the CE countries have increasingly been outperforming the GIIPS states since the onset of the crisis, as is well-illustrated in Annex No. 2, and their GDP is forecast to grow faster than the EU-27 in the coming years (see Annex No. 1). Average CE debt rates are also more moderate than those of the EU-27 (see Annex No. 4). As for budget deficits, if, at the onset of the crisis, CE had higher deficits than the EU average, current trends indicate that after the crisis these countries will be similar in this respect to those in the euro area. A positive development can also be observed in terms of living standards. The region has come a step closer to the older Member States, as proved by the GDP per capita in PPS of these countries, which in 2011 was already between 64 and 84% of the EU-15 average (see Annex No. 3). The region’s competitiveness is also increasing, as shown by the improvement in the current account balances of these countries since the beginning of the crisis, the lower than EU-27 average unit labour costs, and the remarkable improvement in the CE export market shares of goods and services as a percentage of total world exports (between 0.4% and 1% in 2011).

Of course, this current positive trend should not be overstated without caution. The convergence of CE remains an ongoing process, and these countries will probably not reach the development and living

standards of the economic core of the EU sooner than 15-20 years. Several aspects of the Central European economic growth model require reforms to ensure that it is sustainable. Some areas that are lagging discernibly are for instance research and development, outward Foreign Direct Investments, competitiveness, GDP per capita and the Human Development Index. Trade and financial integration must also gain more on trade in modern services, and the integration of government bond and equity markets are somewhat behind. At the same time, future demographic developments pose a greater challenge to the labour market in CE than in the rest of the EU, making reforms of pension systems, education systems and migration policy even more urgent.¹⁵

Prospects for the Future

The ongoing debt crisis in the Mediterranean countries of the eurozone, together with the ever tighter fiscal and economic policy rules imposed by the EU, will continue to limit the financing capabilities of the region. Such a combination means that balancing public finances, even at the expense of growth, is likely to remain the main, short-term goal of the CE countries. The region is facing two major risks in the upcoming years: the possible further waves of global financial instability and, even more so, very strong links with the eurozone. While headwinds from the euro area will persist, they should become less intense, allowing for a slow acceleration in growth for several years to come.¹⁶ The individual countries' abilities to deal with these threats depends, crucially, on the strengths and weaknesses of their respective economies, particularly on tackling high current account and fiscal deficits, high unemployment and inflation, lack of competitiveness and other structural constraints on the economies. The most vulnerable in the region remain Hungary and particularly Slovenia.¹⁷ After months-long social unrest and political instability, Slovenia is now also in the spotlight due to the Cyprus banking crisis, which might easily infect the small Slovenian economy, with its poor finances and banking sector.

However, bearing in mind the possible long-term impacts of the three effects of the crisis on CE—the intra-regional reshuffle in terms of economic performance, the surfacing of differences in both economic structures and policies, and the moderate improvement of the overall economic position of the region—the five countries should also bear in mind their potential as a region. In spite of a number of broadening gaps within CE, the relative shift of the region on the economic map of the EU provides several opportunities for the future. These can be capitalised on by a more determined promotion of the region and its position, for instance at the ongoing negotiations on fiscal and economic governance in the EU, as well as in relations with major non-EU trade partners. Poland should take advantage of its recent spectacular convergence and seek a common voice with the traditional Czech-Slovak partnership on economic matters. At the same time, steps should be taken to prevent Hungary and Slovenia from becoming regionally marginalised. Finally, political and public debate on euro adoption should be revived in all countries, to prevent the strengthening eurozone borders from becoming a deepening division line within the region.

¹⁵ J.C. Cuaresma, H. Oberhofer, K. Smits, G.A. Vincelette, *Drivers of Convergence in Eleven Eastern European Countries*, Policy Research Working Paper no. 6185, The World Bank, August 2012, <https://openknowledge.worldbank.org/bitstream/handle/10986/12034/wps6185.pdf?sequence=1>.

¹⁶ The World Bank, "Assuring Growth over the Medium Term," *Global Economic Prospects*, vol. 6, January 2013, p. 1, <https://openknowledge.worldbank.org/handle/10986/12124>.

¹⁷ PwC Poland, *Approaching Storm. Report on Transformation: Central and Eastern Europe and the Eurozone Crisis*, 22nd Economic Forum, September 2012, p. 3, www.pwc.pl/pl/publikacje/pwc_approaching_storm_report_on_transformation.pdf.

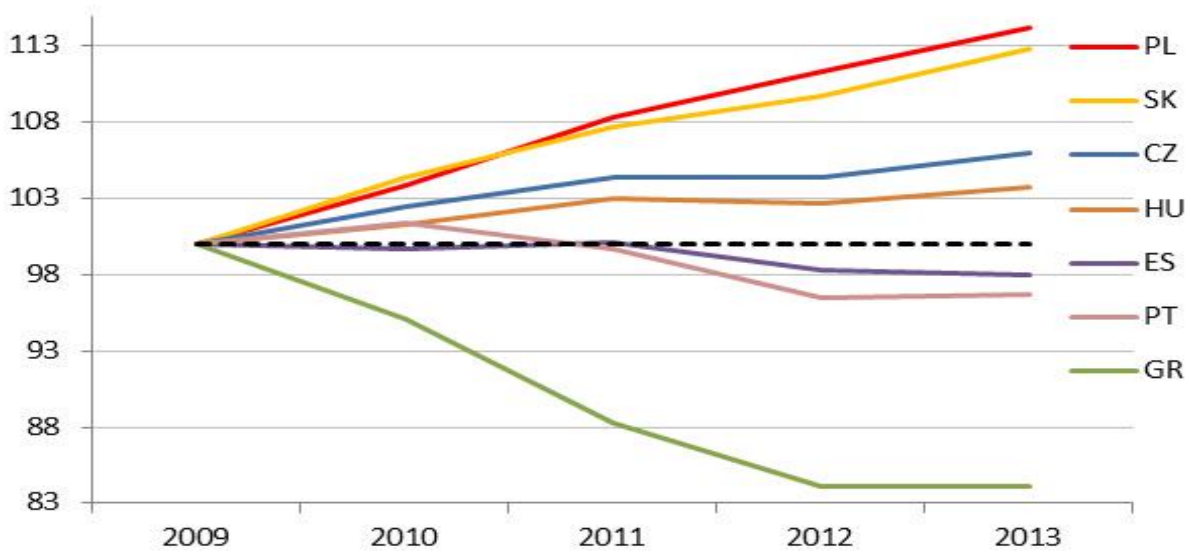
Annex:

No. 1. Real GDP growth (%)

	2008	2009	2010	2011	2012*	2013*	2014*
Czech Republic	3.1	-4.5	2.5	1.9	-1.1	0.0	1.9
Hungary	0.9	-6.8	1.3	1.6	-1.7	-0.1	1.3
Poland	5.1	1.6	3.9	4.3	2.0	1.2	2.2
Slovakia	5.8	-4.9	4.4	3.2	2.0	1.1	2.9
Slovenia	3.4	-7.8	1.2	0.6	-2.0	-2.0	0.7
EU-27	0.3	-4.3	2.1	1.5	-0.3	0.1	1.6

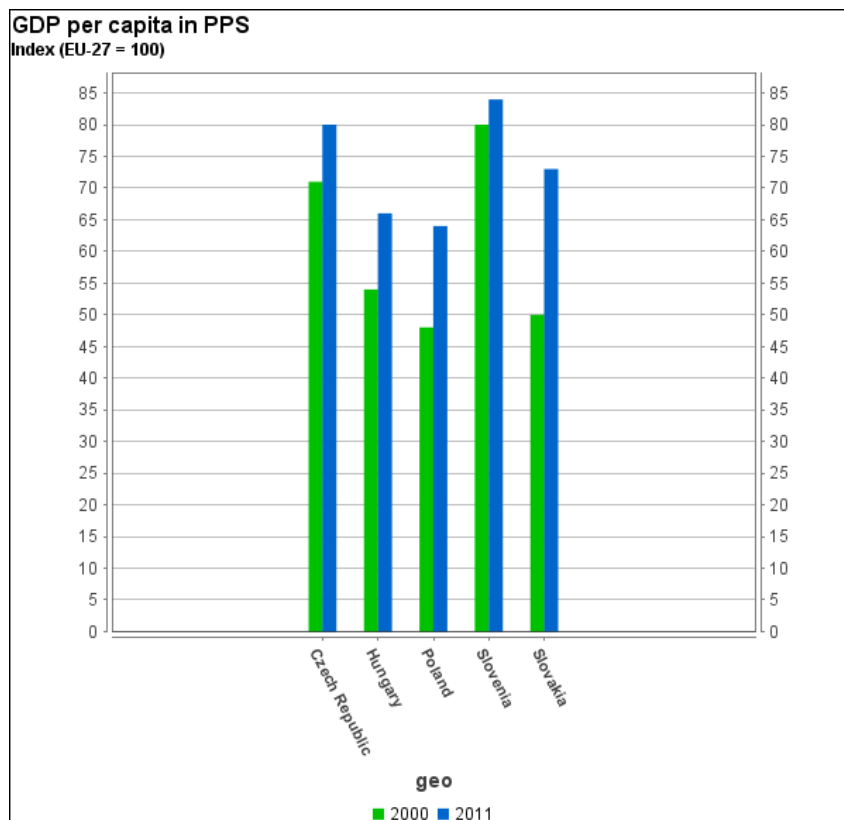
Source: Eurostat (* forecast).

No. 2. Divergence of V4 and PIGS countries in terms of real GDP growth (2009: 100%)



Source: Eurostat.

No. 3. GDP per capita in PPS (as % of EU-27)



Source: Eurostat.

No. 4. General government gross debt (in % of GDP)

	2008	2009	2010	2011	2012*	2013*	2014*
Czech Republic	28.7	34.2	37.8	40.8	45.5	48.0	49.5
Hungary	73.0	79.8	81.8	81.4	78.6	78.7	77.7
Poland	47.1	50.9	54.8	56.4	55.8	57.0	57.5
Slovakia	27.9	35.6	41.0	43.3	52.4	55.1	57.1
Slovenia	22.0	35.0	38.6	46.9	53.7	59.5	63.4
CE weighted average ¹⁸	44	48.9	52.8	54.8	56.3	58.1	59.2
EU-27	62.2	74.6	80.0	82.5	-	-	-

Source: Eurostat (* forecast).

¹⁸ Calculations by the author based on GDP at market prices as a weighted measure.

No. 5. General government deficit (in % of GDP)

	2008	2009	2010	2011
Czech Republic	-2.2	-5.8	-4.8	-3.3
Hungary	-3.7	-4.6	-4.4	4.3
Poland	-3.7	-7.4	-7.9	-5.0
Slovakia	-2.1	-8.0	-7.7	-4.9
Slovenia	-1.9	-6.0	-5.7	-6.4
EU-27	-2.4	-6.9	-6.5	-4.4

Source: Eurostat.