



LIETUVOS BANKAS
EUROSISTEMA

Central Europe's Convergence

Session II. Drivers of Growth and Convergence of Central European Economies

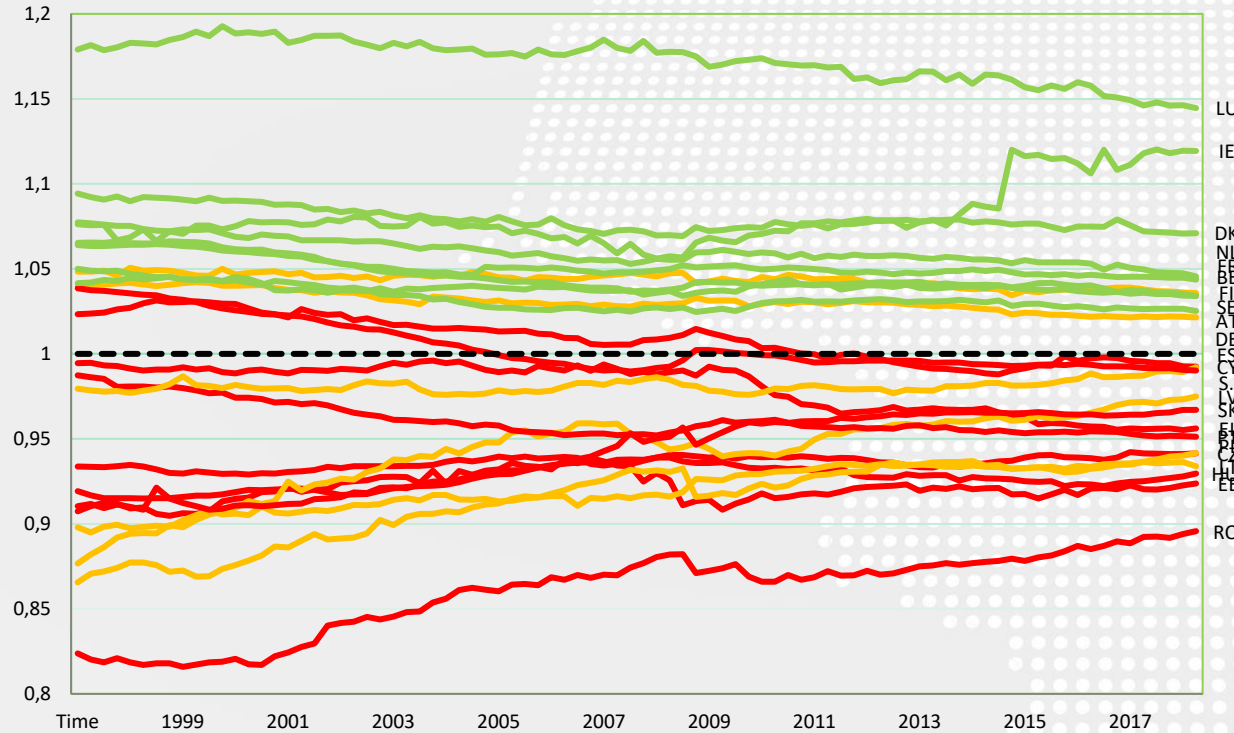
Introductory Remarks

Gediminas Šimkus

Chair of the Board of the Bank of Lithuania

Warsaw, October 21st, 2022

Different Speeds, Different Convergence Trajectories



Data suggests existence of multiple convergence clubs in terms of Total Factor Productivity (TFP).

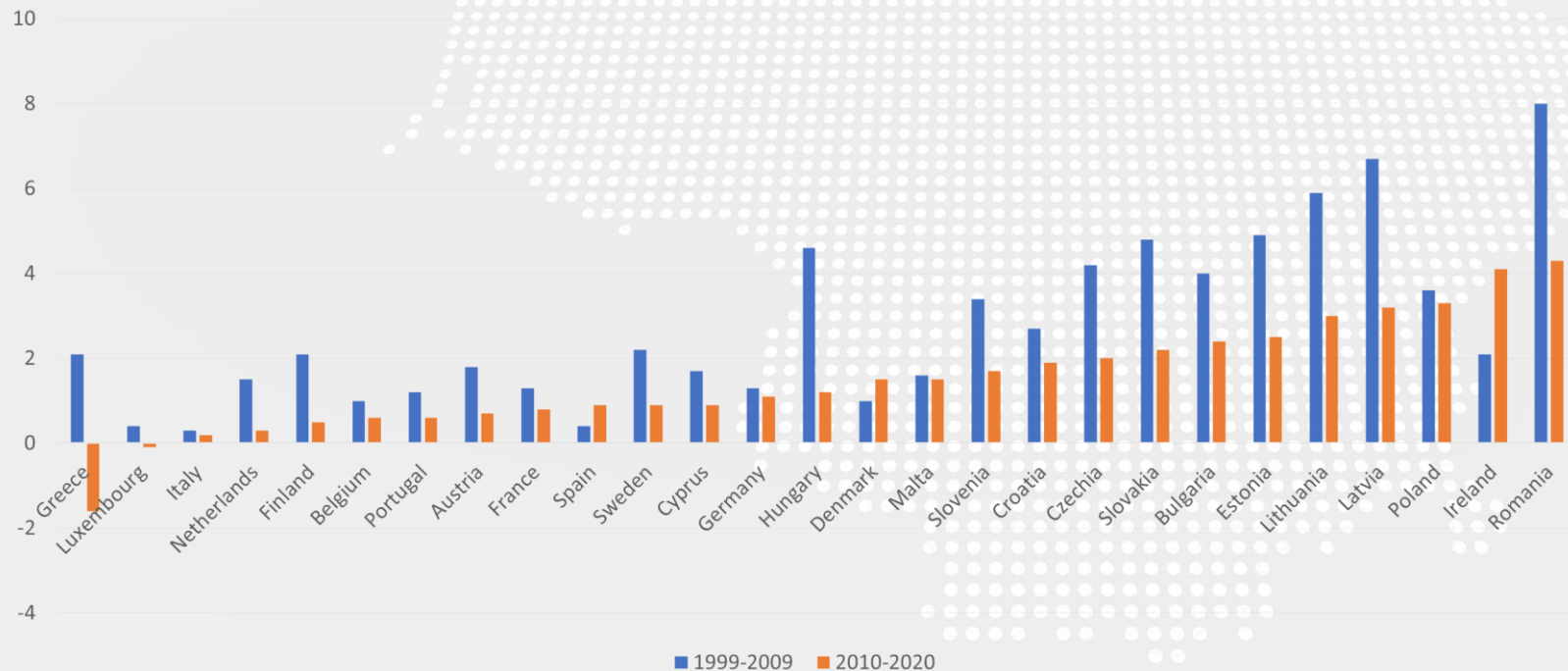
To belong to the first (green) club, Lithuania should have achieved a more than 30% higher TFP during the past 20 years.

Source: Lietuvos Bankas Occasional Paper 31/2020; Eurostat and EC AMECO data. Convergence Clubs are marked in green, orange and red. Convergence clubs are defined as in Phillips and Sul (2009).

Labour Productivity Growth is Slowing Down



Real labour productivity per hour worked, annual average growth rate by EU country, 1999-2009 and 2010-2020

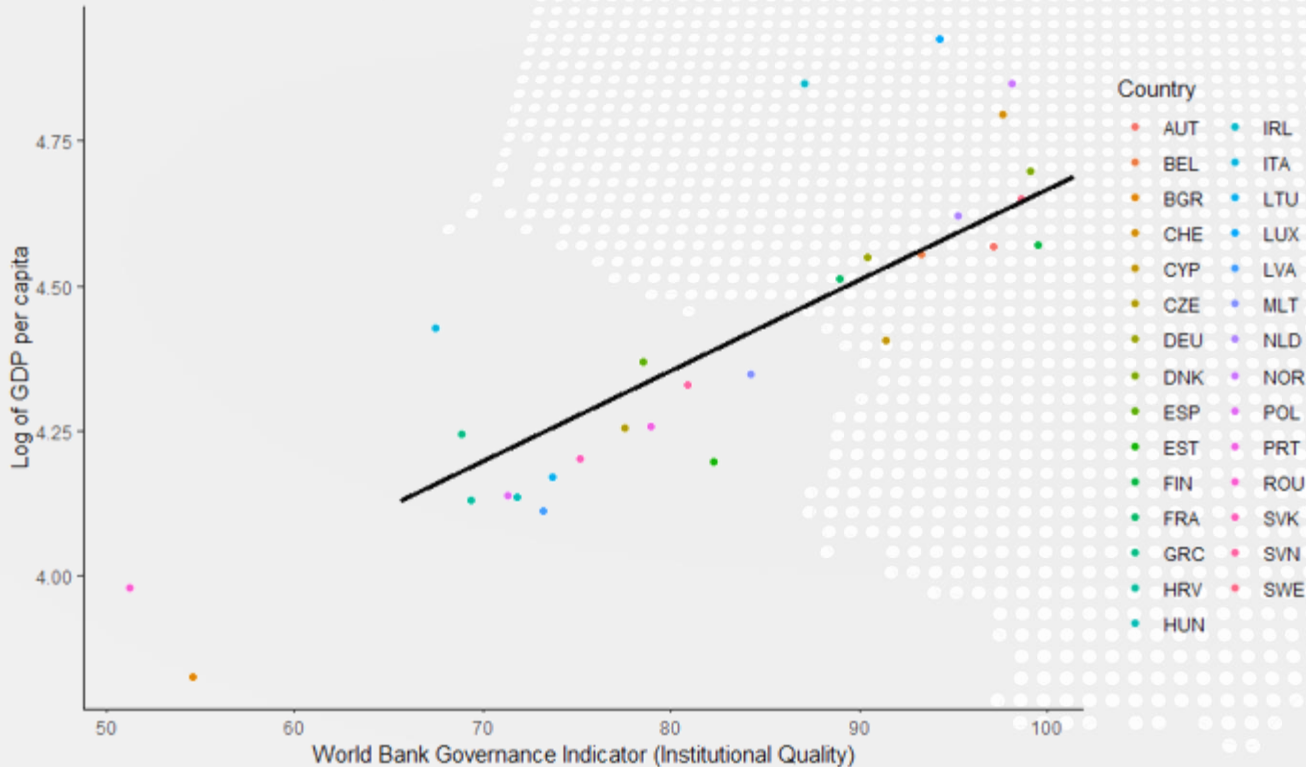


Source: Eurostat.

Institutional Quality and GDP



Relationship between log of GDP per capita and institutional quality in the EU, 2011-2021



Source: Eurostat, World Bank.

World Bank Governance Indicators measure quality of governance and institutional setting from political stability to the rule of law.

Is the relationship between political and economic institutions also linear?



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Thank you

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