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What is special about Central Europe?

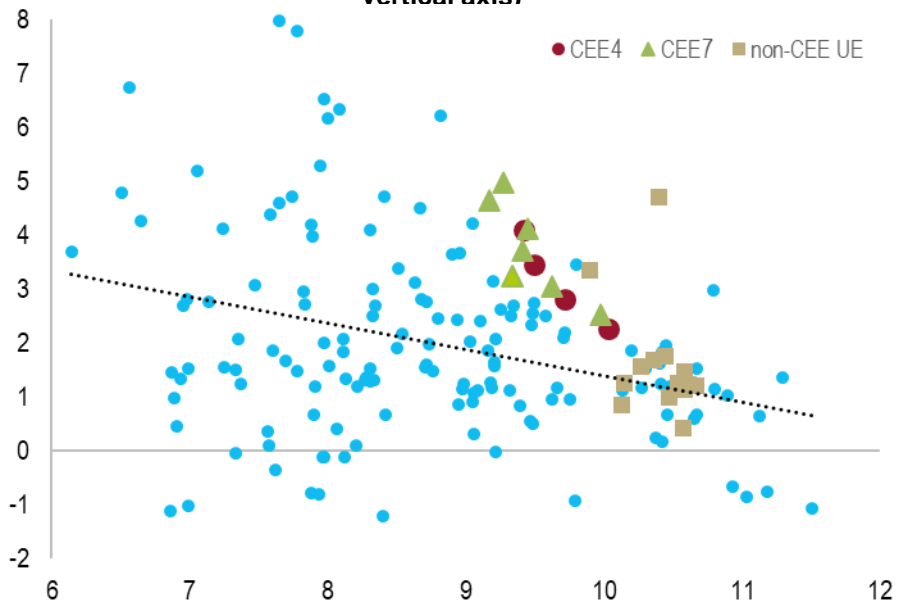
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Warsaw, 20 October 2023

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Narodowy Bank Polski



Unprecedented convergence of CEE economies

Convergence of CEE economies (logged GDP pc PPP in 1995 on horizontal axis; average growth rate of GDP pc PPP after 1995 on vertical axis)



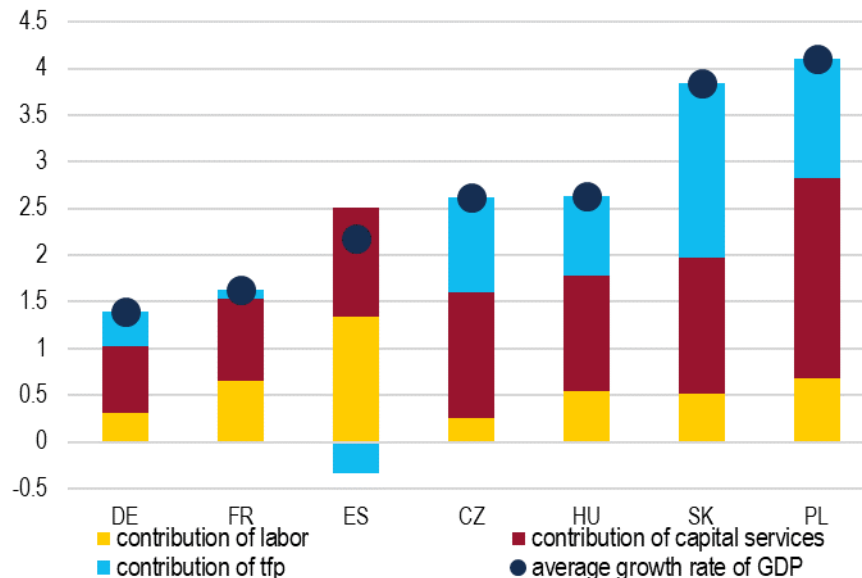
Source: WDI.

CEE4: Czechia, Hungary, Poland and Slovakia

CEE7: Bulgaria, Croatia, Estonia, Latvia, Lithuania, Romania, Slovenia

Dotted line represents average relationship between initial level of economic development and growth rate of GDP pc PPP.

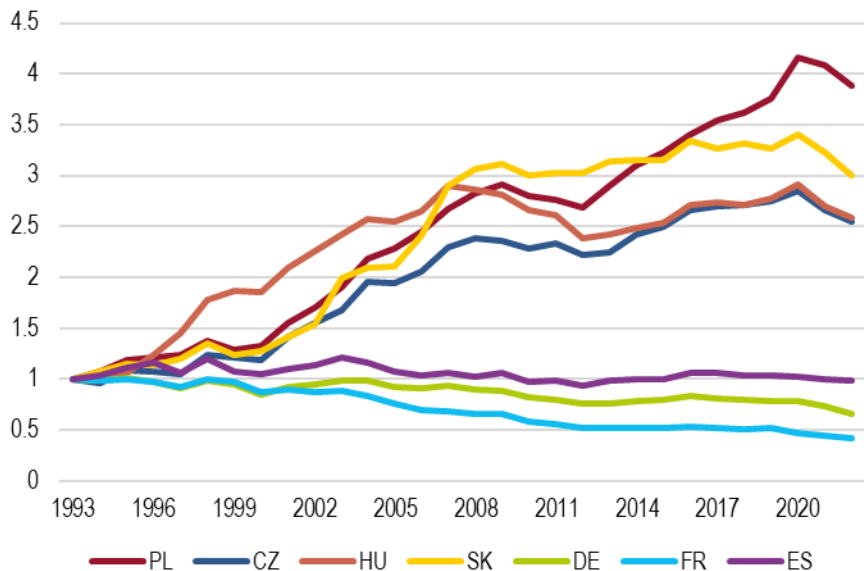
Supply-side sources of economic growth (in p.p., averages from 1995 to 2019)



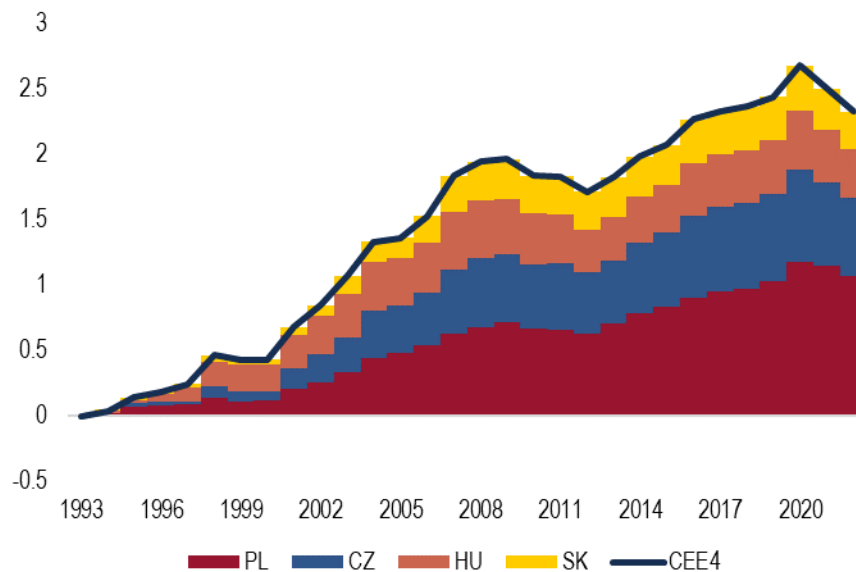
Source: PWT.

Three decades of export-led growth in CEE economies ...

Share in world exports of merchandises (1993=1)



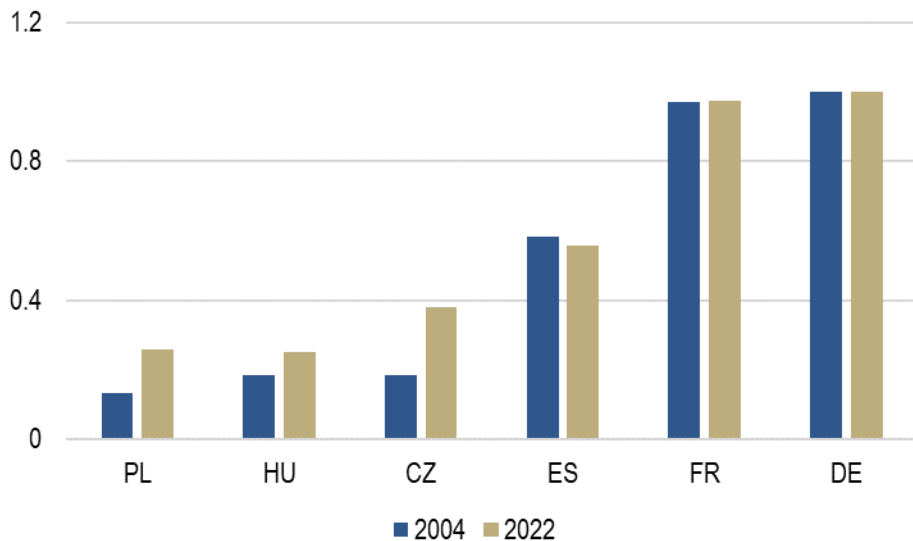
Cumulated change in share in world exports (in p.p.)



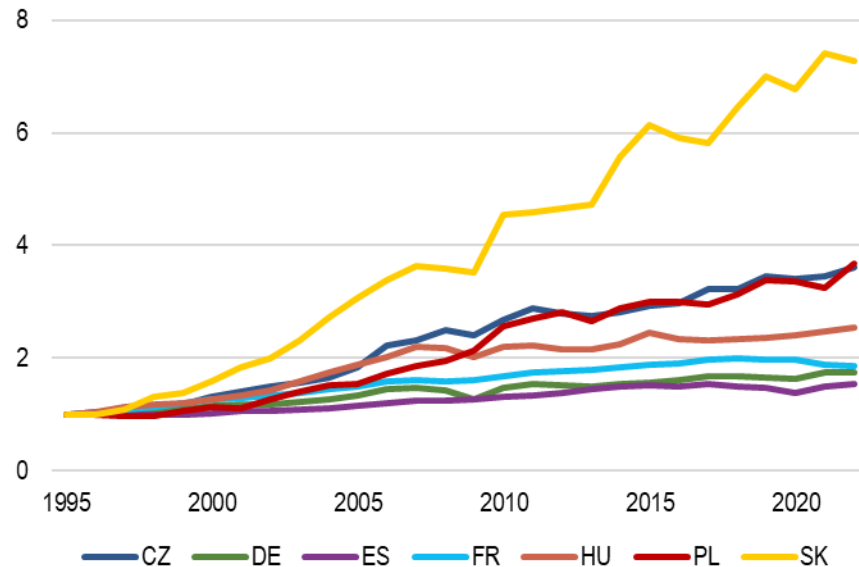
Source: WTO.

... supported by traditional cost competitiveness, rising labor productivity...

Relative hourly labor cost in manufacturing (Germany=1)



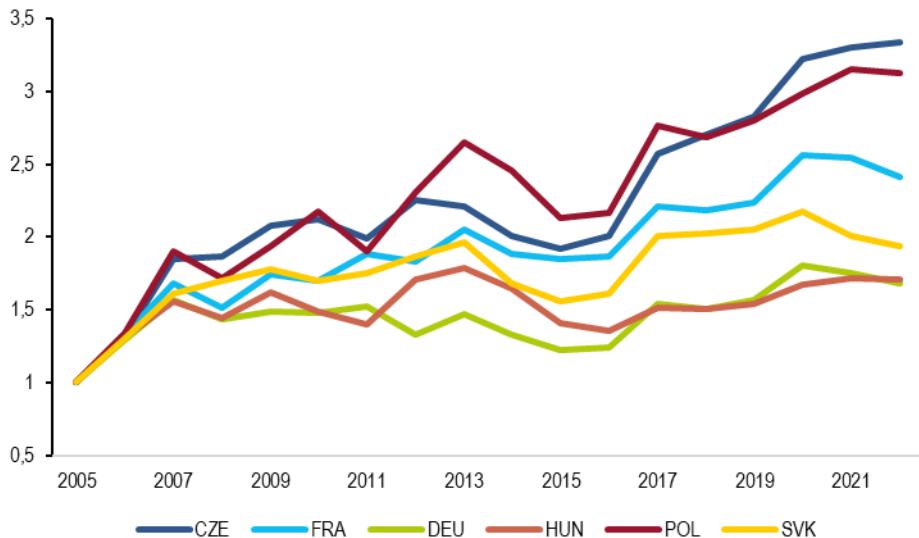
Labor productivity in manufacturing (1995=1)



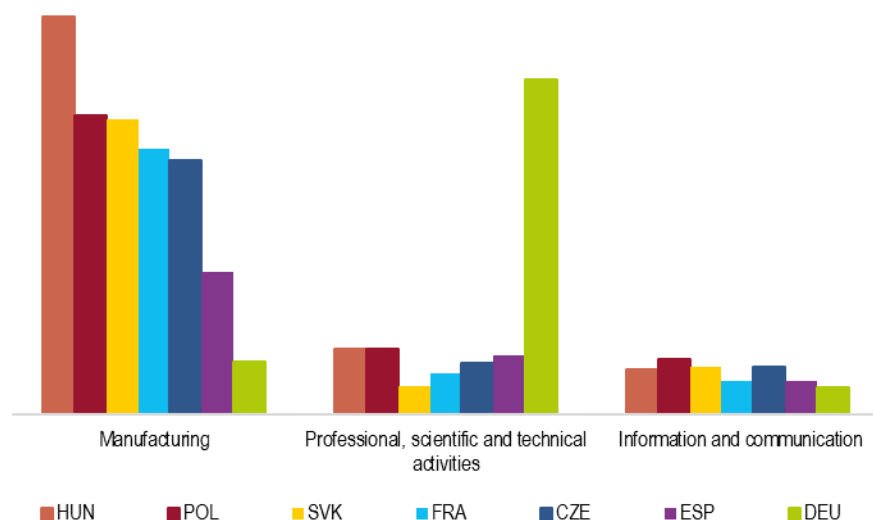
Source: Eurostat.

... influx of FDI in manufacturing related to a tight integration in regional value chains and ...

Net Inward FDI (Non-SPEs), bn USD, 2005=1*



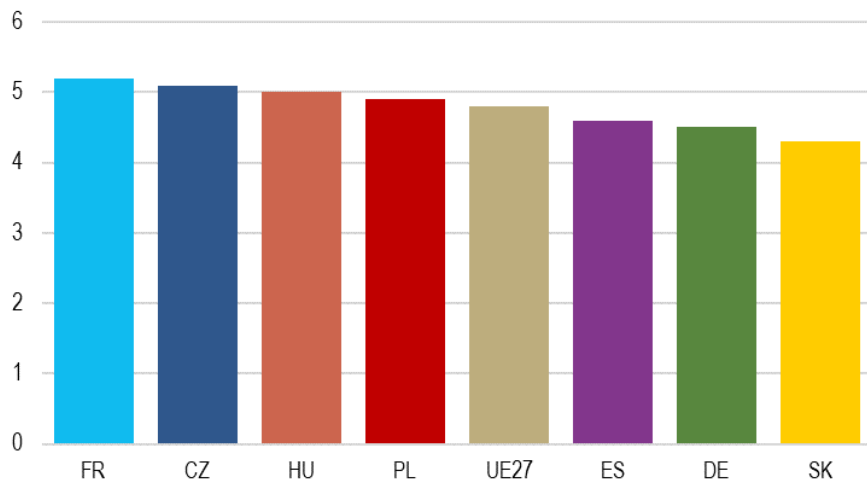
Share of selected industries in Net Inward FDI (Non-SPEs, %, 2019-2020 average)



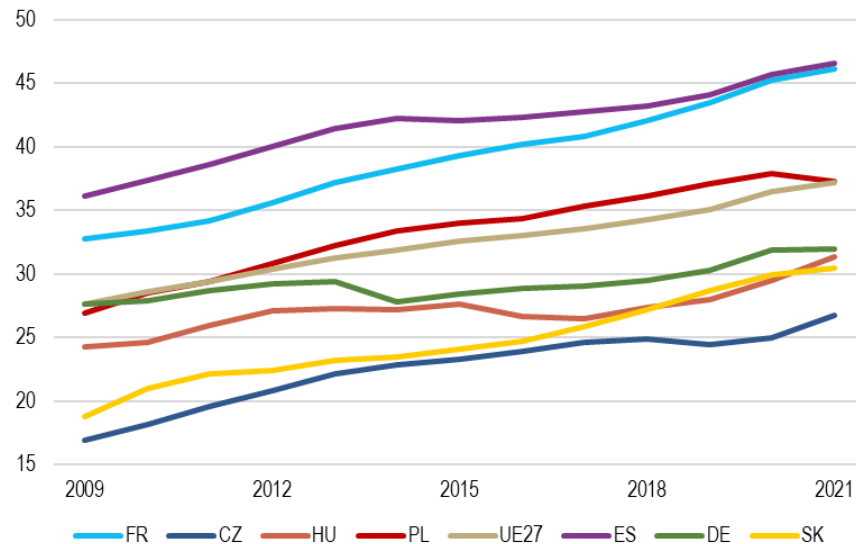
*For Poland, between 2018 and 2022, Net Inward FDI include SPEs. However, based on historically available data, they are not significant.

... dynamic accumulation of human capital

Government expenditure on education (2021, % of GDP)

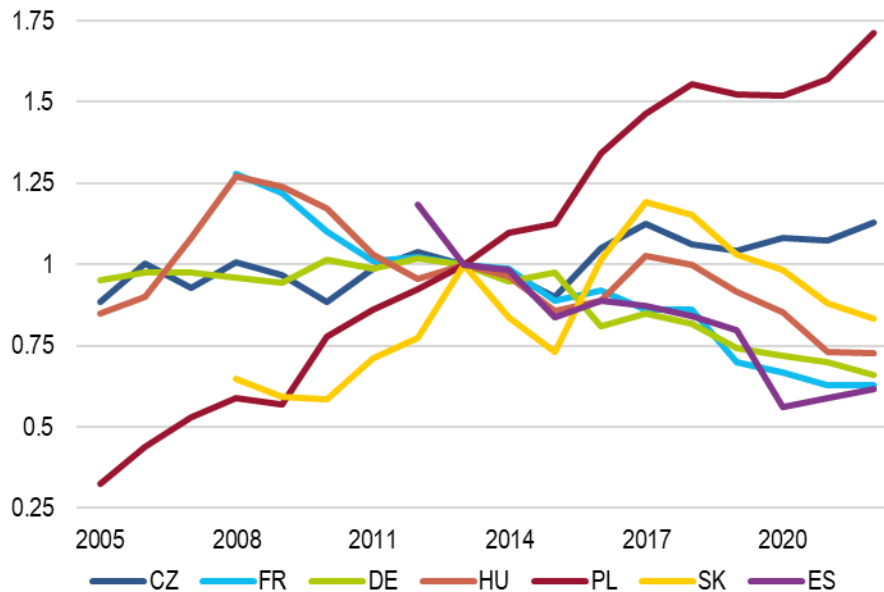


Employment with tertiary education (% of total employment)



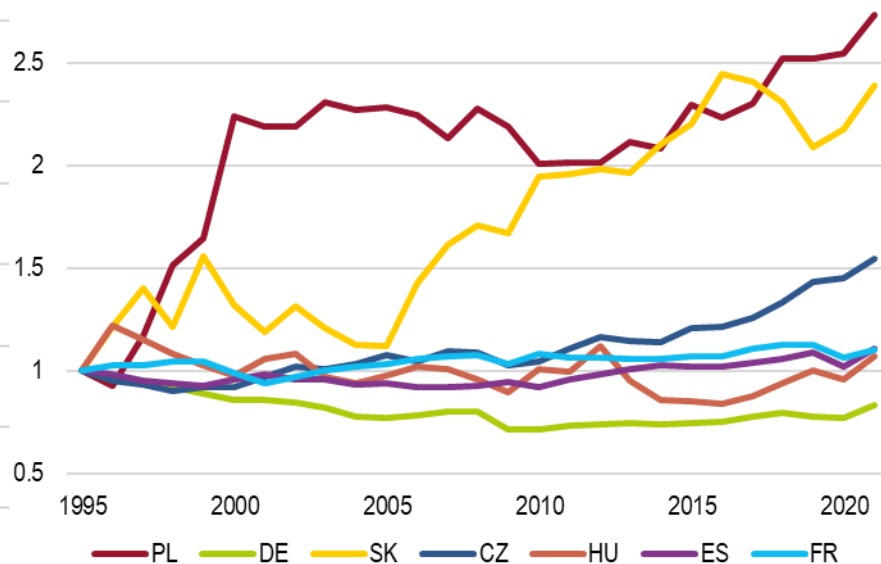
The CEE economies are becoming important exporters of high-skilled services due to available supply of high-skilled workers

Share in world exports of telecommunications, computer and information services (2013=1)



Source: WTO.

Labor productivity selected high-skilled services (1995=1)

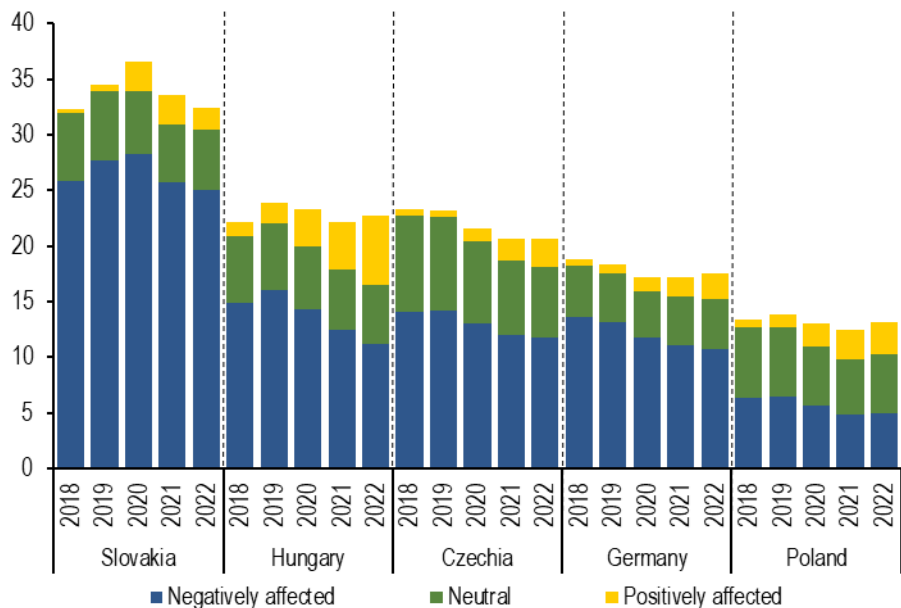


Source: Eurostat.

High-skilled services: computer programming, consultancy, and information service activities (NACE rev 2. code J62 & J63) and Professional, scientific and technical activities (section M).

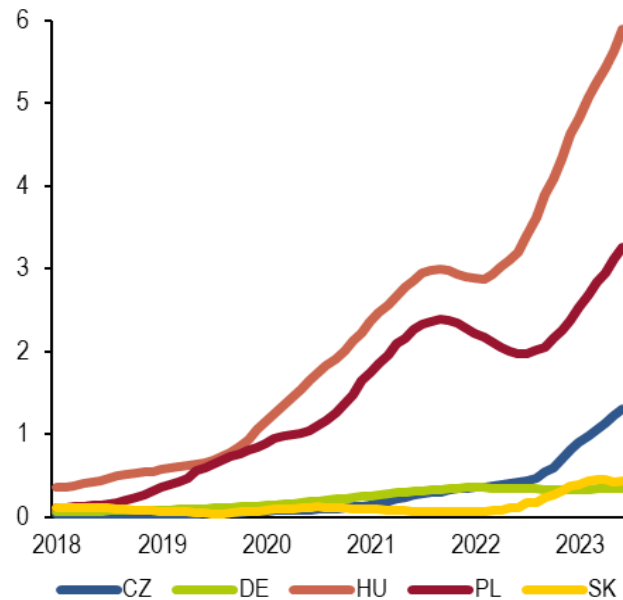
The CEE companies are flexible and adjust quickly to on-going structural changes

Shares of automotive-related goods in exports, which are negatively, neutrally or positively affected by the development of electromobility (%)



Source: own classification; data from Eurostat.

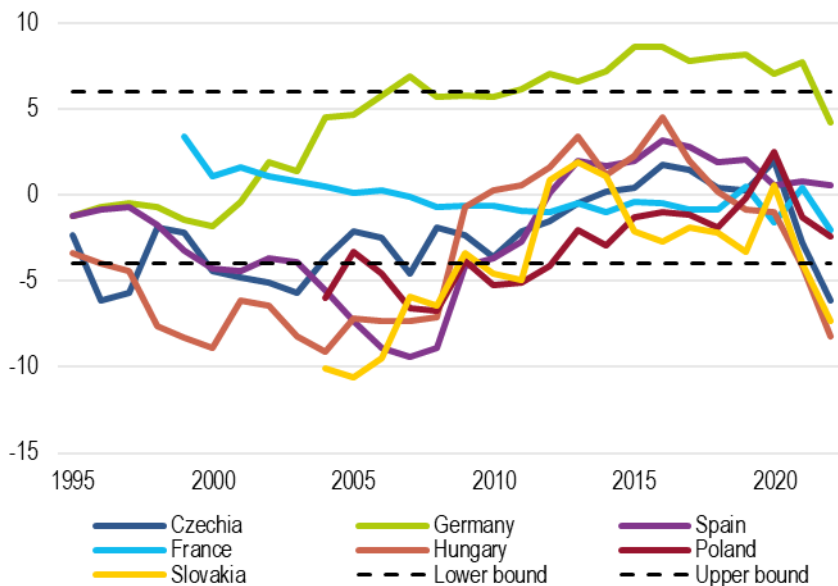
Share of lithium-ion batteries in exports (12 month moving average, %)



Source: Eurostat.

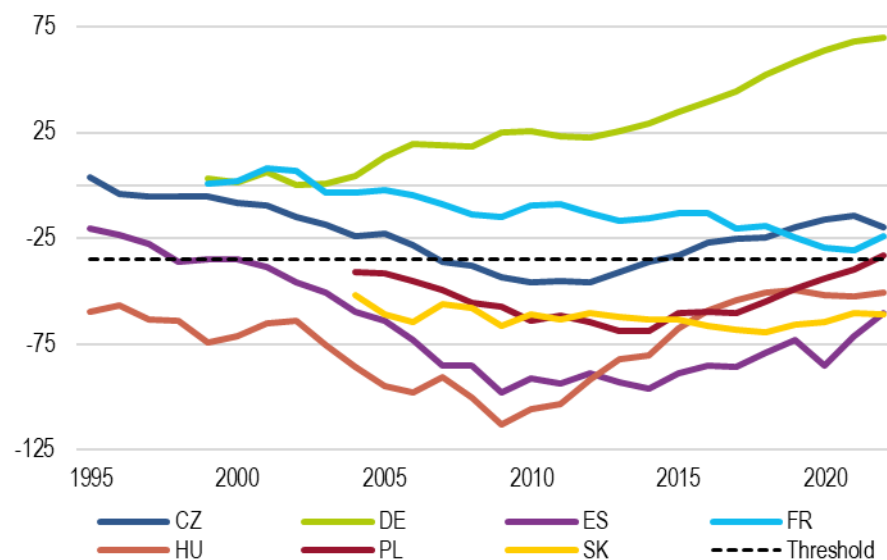
Balanced economic growth while occuring imbalances were transitory

Net balance of current account (% of GDP)



Source: Eurostat.

Net international investment position (% of GDP)



Source: Eurostat.



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