

## Special Issue

# 30<sup>th</sup> Anniversary of the Visegrád Agreement

**Strong Economic Convergence, but Increasing Political Challenges**

**Looking Backward, Looking Forward**

**Time for a Paradigm Shift?**

**FDI-based Models and What the Future May Have in Store for Them**





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RICHARD GRIEVESON  
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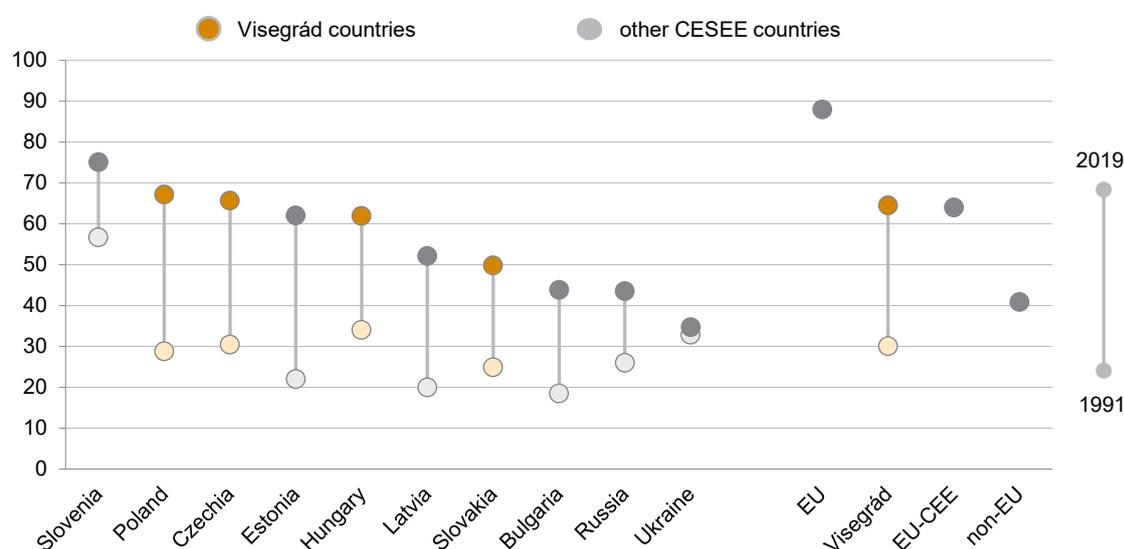


# Chart of the month: Strong economic convergence, but increasing political challenges

BY ALEXANDRA BYKOVA AND RICHARD GRIEVESON

## Average monthly gross wages in purchasing power standards (PPS), relative to Germany, in 1991 and 2019

Germany=100



Notes: Poland 1991 – data for 1992. Other CESEE countries selected according to data availability for 1991.

Regional averages: weighted averages with employment (Labour Force Survey) data, simple average for Visegrád countries in 1991.

Sources: *wiiw Annual Database* incorporating national statistics and Eurostat, wiiw estimates, wiiw calculations.

Thirty years ago this month, the leaders of Czechoslovakia, Poland and Hungary met in the Hungarian town of Visegrád to establish the Visegrád group.<sup>1</sup> The number of members of the group increased to four when Czechoslovakia split into the Czech Republic and Slovakia in 1993.

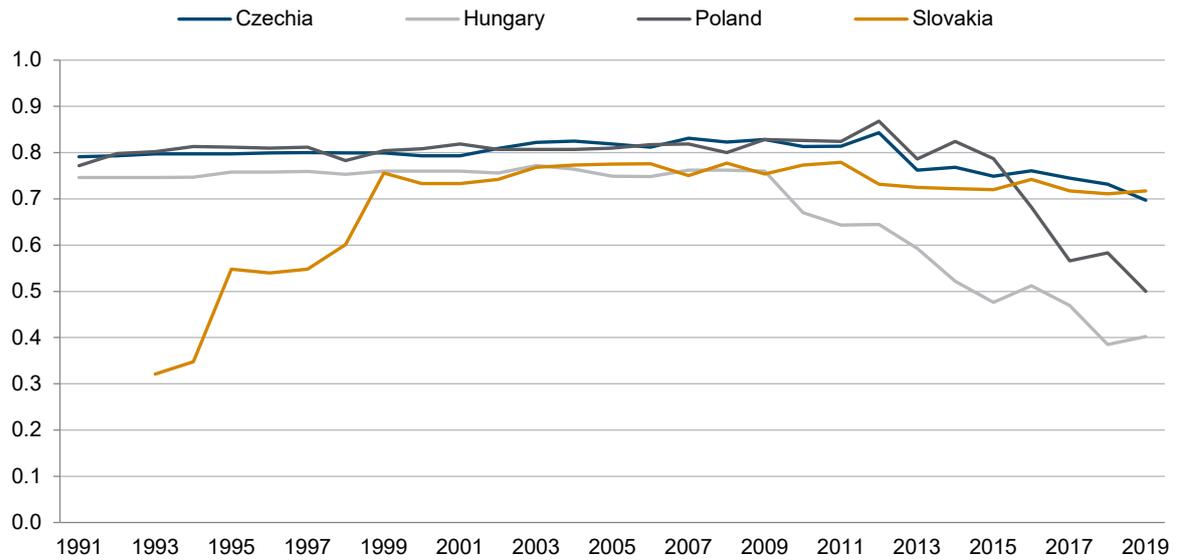
In the three decades since, on most conventional economic measures the four Visegrád countries have been fairly successful. They are among the wealthiest of those Central, East and Southeast European states that belong to the EU (the EU-CEE group) and have achieved sustained convergence with Germany in terms of per capita GDP and wages over these three decades (first chart). Some have even overtaken far older EU member states in Southern Europe, such as Greece and Portugal. Moreover, while much of the rest of Central, East and Southeast Europe (CESEE) has faced internal and external

<sup>1</sup> The choice of location had profound historical symbolism: in 1335, the rulers of Bohemia, Poland and Hungary had met at the Congress of Visegrád.

conflict over the past 30 years, in the Visegrád states those years have passed peacefully – even including the dissolution of Czechoslovakia.

### Evolution of Liberal Democracy Index (LDI) in Visegrád countries in 1991-2019

0 = worst, 1= best



Note: The Liberal Democracy Index (LDI) is an aggregate of V-Dem's Electoral Democracy Index (EDI) and Liberal Component Index (LCI), both combining a number of indicators to assess electoral democracy, civil liberties, the rule of law and sufficiency of constraints on the executive by the judiciary and legislature.

Source: V-Dem Dataset v10, Varieties of Democracy (V-Dem) Project. <https://www.v-dem.net>

As the Visegrád group enters its fourth decade, it remains relevant as a body. The four countries still meet regularly under the Visegrád umbrella, and adopt common positions on many issues within the EU. However, they also face important challenges – both economic and political. Economically, while the Visegrád countries clearly remain a success story from the perspective of most of the rest of CESEE, within the countries themselves there is some disenchantment and frustration over the economic model chosen. Economic convergence with Western Europe has slowed since the 2008 financial crisis, and there is greater domestic focus on the large foreign ownership of the economies. Meanwhile politically, Hungary and (to some extent) Poland have taken a more authoritarian turn, with adverse consequences for the independence of institutions. Although Czechia and Slovakia have so far been less affected, over the past decade liberal democracy has been in retreat right across the Visegrád group, according to Varieties of Democracy (V-Dem) (second chart).

# Opinion Corner\*: Looking backward, looking forward

BY TAMÁS SZEMLÉR<sup>1</sup>

*The Visegrád Group is celebrating its thirtieth anniversary. Over the past three decades, its member states have also become full-fledged members of the most important Euro-Atlantic integration structures. The group still offers important possibilities, but it should continue to be regarded as a piece in the complex Euro-Atlantic puzzle – rather than as an alternative to it.*

## SAILING TOGETHER TOWARDS THE WEST

Originally, as formulated in the Visegrád Declaration issued in February 1991,<sup>2</sup> the intention was to create a regional bloc, in order to facilitate the Euro-Atlantic integration of its members. Aware of their many similarities, the three countries of Poland, Hungary and (at the time) Czechoslovakia resolved to embark on their cooperation at the historic site of Visegrád, on the Danube bend. Over 650 years earlier, in 1335, the three kings of Poland, Bohemia and Hungary had met there with the aim of coordinating their countries' efforts to deal with the 'West' (and in particular, to counter Vienna's influence). In their 1991 endeavour, the countries enjoyed the encouragement of the West – an encouragement that was not entirely welcome, as the three countries feared that this could be a stalling tactic, designed to delay their integration into western structures.

Symbolism has remained an important part of the cooperation of the three – soon to be four – countries. However, in striving for recognition of their efforts, the countries have also been keen to produce tangible results of their cooperation. The Central European Free Trade Agreement (CEFTA), which was founded by the members of the Visegrád Group, has made a large contribution. The process of opening up to each other on the basis of the logic of the market economy was crucial, following decades of non-voluntary, non-market-based economic cooperation, and in the wake of the collapse of the old linkages and of the Soviet 'market'. CEFTA has been an important piece in the complex puzzle of economic transformation, (re)integration into the world economy and preparation for European integration.

Throughout the 1990s, the cooperation between the Visegrád countries continued; however, without contradicting the fundamental objectives of the group, its members mainly focused not on one another, but rather on the West, and on EU and NATO membership. Despite the economic and political ups and downs of the countries (which occurred at different times), they gradually drew closer to realising their objectives. The process took longer than originally anticipated – it used to be quipped in Hungary in the 1990s that at any given time, the country was always five years away from EU membership.

\* Disclaimer: The views expressed in the Opinion Corner section of the Monthly Report are exclusively those of the authors and do not necessarily represent the official view of wiiw.

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<sup>2</sup> <http://www.Visegradgroup.eu/documents/Visegrád-declarations/Visegrád-declaration-110412-2>

Nevertheless, by 2004 they had all become EU and NATO members. Cooperation within the Visegrád Group certainly contributed to this; however, as with all successful candidates for EU membership, the greatest role in gaining admission to the EU and NATO was played by the individual countries themselves (as well as by the 'old' members of those organisations, who felt it was in their interests to include them).

The Visegrád Group could thus proudly make out that its major objectives had been achieved. And indeed, in terms of the time between the Visegrád Declaration and the EU (and NATO) accession of all the group's countries (13 years – then perceived as a long time, but in fact very short in historical terms), it was a remarkable success. In 2004, the question for the Visegrád Group was: where do we go from here?

### **INSIDE THE EU: TOWARDS A CENTRAL EUROPEAN UNITY IN DIVERSITY?**

The members of the Visegrád Group made a logical choice: a few days after they joined the EU in 2004, they declared in Kroměříž that they would continue their cooperation, with a focus on regional projects and on the creation of a Central European identity; they also undertook to contribute actively to the EU's relations with the countries of East and Southeast Europe.<sup>3</sup> Seven years later, marking the twentieth anniversary of the Visegrád Group, the Bratislava Declaration emphasised the success of its cooperation and highlighted areas where that cooperation could be fine-tuned: economic cohesion, competitiveness, energy security, transport infrastructure, the four freedoms, the EU's Common Foreign and Security Policy, the actions of the Visegrád Group involving non-EU countries, Euro-Atlantic links and security.<sup>4</sup>

Since then, we have witnessed the increasing importance of the Visegrád cooperation in its political declarations. The group's joint position on migration is the best-known example, but it has issued many joint official documents on other issues, ranging from dual food quality to the revenue side of the EU's 2021-2027 multiannual financial framework.<sup>5</sup> On other issues, however, there have been limits to the cooperation: as with any such grouping, the interests of the participants sometimes coincide and sometimes diverge. Despite the ongoing similarities (less pronounced now than 30 years ago), there are many differences between the members of the Visegrád Group on important questions, including priority EU issues.

To begin with the economic issues: Slovakia has been a member of the euro area since 2009, whereas the other three Visegrád countries remain reluctant to join the single European currency. Over the past decade, the region has seen more dynamic economic growth than the 'old' EU member states (albeit from a considerably lower base); however, in the long run whether a country is or is not a member of the euro area could become a factor of greater importance than it might seem today – and indeed, it could well be the determining factor in a future two-speed (or multi-speed) Europe.

Because of the economic differences between individual Visegrád countries, there are areas where close cooperation is not realistic. Take, for instance, the EU Common Agricultural Policy: it is barely conceivable that Poland or Hungary (countries where agriculture plays an important role) could find a

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<sup>3</sup> Visegrád Declaration 2004, <http://www.Visegradgroup.eu/documents/Visegrad-declarations/Visegrad-declaration-110412-1>

<sup>4</sup> The Bratislava Declaration of the Prime Ministers of the Czech Republic, the Republic of Hungary, the Republic of Poland and the Slovak Republic on the occasion of the 20th anniversary of the Visegrád Group, 2011, <http://www.Visegradgroup.eu/2011/the-bratislava>

<sup>5</sup> For official statements and communiqués, see <https://www.Visegradgroup.eu/documents/official-statements>

strong ally in Czechia. Similarly, EU Cohesion Policy is of greater importance for the less affluent Visegrád countries (Hungary, Poland and Slovakia), than it is for Czechia. And the differences in the (absolute and relative) development levels of the countries could affect their interests with respect to the Cohesion Policy and other EU policies even more in the longer term.

In external relations, the positions of the Visegrád countries are often at variance as well. Take Poland and Hungary, for example: although there are many similarities (some profound, others perhaps more superficial) in their troubled relationship with Brussels, when it comes to the two countries' relations with Russia there are considerable differences, with Poland far more critical of Russia than Hungary. Given the two countries' different perceptions of their historical experiences with Russia (and the former USSR) – experiences that contain both differences and similarities – it does not seem very likely that Poland will ever come close to the current Hungarian position on this matter. And the same holds for Czechia and Slovakia vis-à-vis Russia.

Such differences and limitations are only natural; but it is still worth emphasising them, in order to make clear the point that, although the Visegrád Group has its guiding principles and has certainly contributed to the Euro-Atlantic integration of its members, its importance should not be overestimated and its role should not be misinterpreted.

## **EVERYDAY SUCCESS STORIES AND LONG-TERM PROSPECTS**

Beyond politics, it is important to mention the positive activity of the International Visegrad Fund, which last year celebrated its twentieth anniversary. Over the past two decades, the fund has, in line with its statutes, contributed to the realisation of a large number of projects in the fields of culture, science and education, as well as youth exchange, cross-border cooperation and tourism. Thanks to very user-friendly administration, these projects have achieved tangible results with relatively modest financial resources, and have contributed substantially to a strengthening of regional identity, better understanding of one another and joint action, thereby making day-to-day connections and interactions richer and smoother – and all this between the citizens of countries whose histories have not been without confrontation or, in some instances, major conflict. Moreover, in specific projects, the fund has provided an opportunity to cooperate with countries beyond the Visegrád Group, thus contributing to the ambition of its members to be active in the relationship with the EU's neighbours to the east and southeast.

The Visegrád Group has a rich and successful past. But how might the future look? As in the past, that depends on the members themselves. If they decide to act together in pursuit of well-defined objectives, they could form a successful coalition that would enrich the European integration process. Several issues – including those listed in the Bratislava Declaration – would provide good opportunities for that. If, however, the cooperation is used just as a political slogan to create dividing lines within Europe – a danger that unfortunately does exist – then it could lead to results that run counter to the original objectives declared by the members. This scenario can and should be avoided.

# Time for a paradigm shift?

BY JULIA GRÜBLER

*Despite the Visegrád countries' generally positive economic performance since 1991 and their successful integration into the Central European manufacturing core, important challenges still lie ahead. Policies towards sustainable development should form a central plank of the agenda in the region over the coming years.*

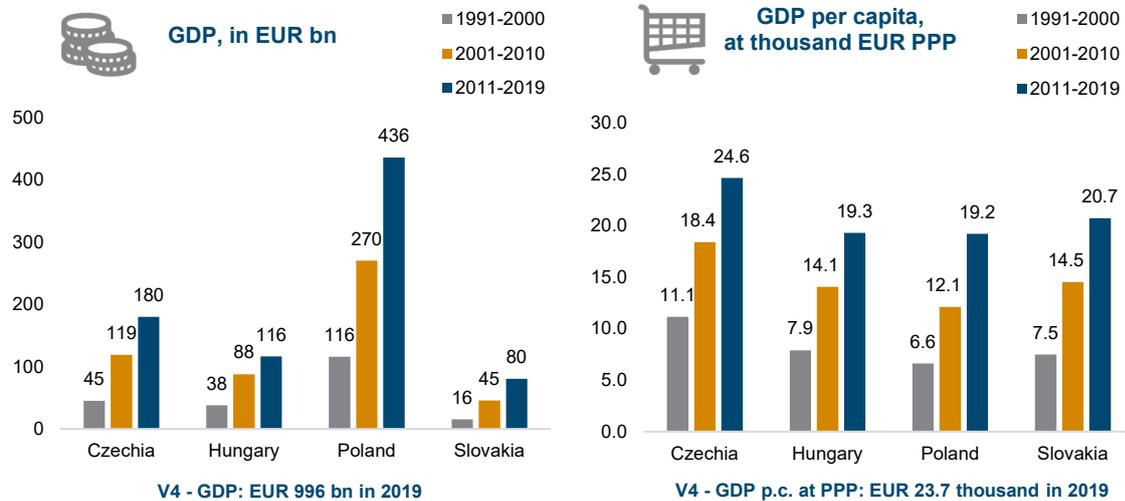
The 15th of February marks the thirtieth anniversary of the formation of the Visegrád Group. The original purpose of this group of Central European economies – which today includes four countries: Czechia, Hungary, Poland and Slovakia – was to forge strong cooperation after the Iron Curtain came down. While all four countries have achieved substantial economic development over the past three decades, both individually and collectively they face several current and future challenges.

Three of the four Visegrád countries are direct neighbours of Austria. In the course of the Visegrád countries' process of European integration, they have become major economic partners of Austria. A second goal of this article is therefore to set out some figures for the Visegrád Group in relation to Austria.

## **ECONOMIC SIZE AND PURCHASING POWER: STILL CATCHING UP**

In 2019, the total GDP of the Visegrád Group amounted to EUR 996 bn, with roughly half being attributable to Poland (EUR 436 bn). As such, the Visegrád countries produced 2.5 times as many goods and services as Austria. The road towards their current economic power was very bumpy: in the early 1990s, when the countries of 'the Eastern Bloc' embarked upon their economic transformation from planned to market economies, the Visegrád countries suffered great economic losses. Only after 1994 – and up until the global economic and financial crisis of 2008/2009 – did they experience substantial economic growth. Convergence trends continued thereafter, but at a slower pace (see, for example, Grieveson et al., 2019).

Despite their strong catching-up performance, the purchasing power of the Visegrád Group's population is still far below the level of their neighbours in the West. GDP per capita, computed at purchasing power parity (PPP), has more than doubled in Czechia and Hungary, and almost trebled in Poland and Slovakia: in 2019, overall GDP per capita at PPP of the Visegrád Group stood at EUR 24,000 (ranging from EUR 22,000 for Slovakia to EUR 29,000 for Czechia). However, these figures compare to EUR 39,000 in Austria.

**Figure 1 / Economic size and purchasing power**

Note: Period averages. Purchasing power parity (PPP) is expressed in relation to the EU27 average.

Source: wiiw Annual Database based on National Statistical Offices and Eurostat. <http://wiiw.ac.at/annual-database.html>

## OPENNESS AND DEPENDENCE: CRUCIAL IMPORTANCE OF THE AUTOMOTIVE INDUSTRY

Even during the first years following the collapse of state socialism in Central and Eastern Europe, the region experienced a major influx of foreign direct investment, triggering the development of strong trade links. Trade openness – computed as the sum of exports and imports as a percentage of GDP – increased from 61% during the 1990s to 94% in the early 2000s and 118% in the period 2011-2019. In 2019, the maximum level of trade openness exceeded 170% for Slovakia. Overall, imported intermediate goods represent about 50% of the Visegrád Group's exports.

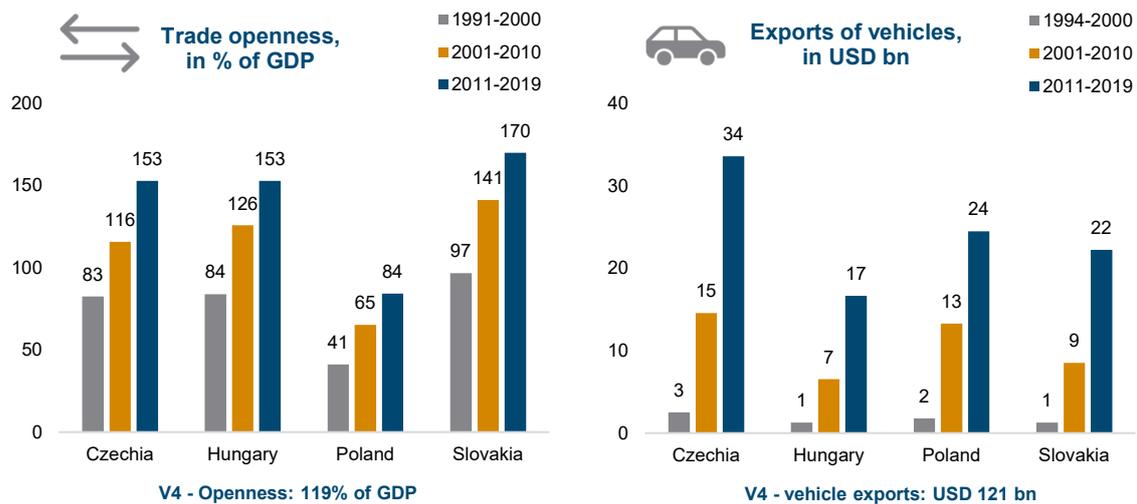
In 2019, Austria belonged among the top 10 export destinations for Slovakia (share of 5.6%; rank 6), Hungary (4.7%; 5) and Czechia (4.3%; 6). Simultaneously, it featured among the top 10 source countries for imports into Slovakia (9.1%; 3), Hungary (6.2%; 3) and Czechia (3.8%; 7) (see e.g. Grübler and Bykova, 2020).

Germany is an even more important trading partner for the Central European economies, not least on account of its heavy investment in the automotive industry in the early transformation phase. According to an index of foreign control in the European automotive industry, in 2015 some 97.1% of Slovakia's automotive industry was foreign controlled; 94.9% of Hungary's; 91.4% of Czechia's; and 86.3% of Poland's (Pavlínek, 2020).

The right-hand panel of Figure 2 plots gross export figures for the product category HS87, i.e. vehicles (other than railway or tramway rolling stock) and parts and accessories thereof. Exports increased from USD 7 bn for the period 1994-2000 to USD 97 bn for the period 2011-2019; imports amounted to USD 7 bn in the 1990s, increasing to USD 55 bn for the past decade. At least a fifth of all the Visegrád Group's exports and a tenth of its imports in 2019 were attributable to the automotive industry. Furthermore, Germany accounted for 30% of automotive exports and imports. The evolution of European supply

networks has transformed the Visegrád countries into the manufacturing core of Europe (Stöllinger, 2016); however, it is heavily dependent on the economic performance of Germany and the policies pursued there.

**Figure 2 / Openness and dependence**



Note: Period averages. Trade openness as exports plus imports as a percentage of GDP.

Source: wiiw Annual Database based on National Statistical Offices and Eurostat <http://wiiw.ac.at/annual-database.html>. UN Comtrade for exports of HS group 87 (vehicles, other than railway or tramway, rolling stock and parts and accessories thereof).

## SUSTAINABILITY: FUTURE CHALLENGES VARY CONSIDERABLY ACROSS THE VISEGRÁD GROUP

According to a poll conducted by the International Visegrad Fund in 2015, cooperation among the Visegrád Group members was seen as most vital in areas surrounding economic development and trade, followed by defence and security (Gyárfášová and Mesežnikov, 2016). However, important current and future challenges for the Visegrád countries might shift this focus.

Development is a multi-faced concept. Dimensions such as justice, equality or environmental sustainability extend far beyond – but are still often linked to – GDP, trade and investment. Indicators in the recent Sustainable Development Report (SDR) (United Nations, 2020) show current and future challenges, with sometimes great differences within the Visegrád Group (Figure 3).

- › **Seats held by women in national parliament (%):** This indicator was chosen as one of many to represent women's representation in (public) decision making. The share is lowest in Hungary, at 12% in 2020. In the SDR, this low share is considered to be a major challenge. Significant challenges are identified for Slovakia (20%), Czechia (22.5%) and Poland (28.7%). With a share of 39%, Austria also faces continued challenges in terms of equal representation.

- › **Share of renewable energy in total primary energy supply (%):** The figures are for the year 2018. With a share of 29%, Austria has achieved this sustainable development goal (SDG7). But with shares of around 10%, significant challenges remain for Czechia and Hungary; and with shares of around 8%, Poland and Slovakia face major challenges.
- › **Youth not in employment, education or training (NEET) (% of population aged 15-24):** With slightly below 10% in 2018, Czechia has the best performance among the Visegrád countries. The youth NEET rate was 12.7% in Poland, 13.5% in Hungary and 15.1% in Slovakia (by way of comparison, the figure was 11.1% in Austria).
- › **Gap in internet access by income (percentage points):** This indicator shows the difference in the percentage of households with internet access in the top and the bottom income quartiles. In Hungary, the discrepancy was 50 percentage points (pp) in 2019 – a far larger gap than among its Visegrád Group peers: Czechia had a gap of 36 pp; Poland – 35 pp; and Slovakia – 28 pp. By way of comparison, the gap in Austria was 14 pp. Eurostat figures suggest that less than 50% of individuals in Hungary and Poland had basic or above basic overall digital skills in 2019.<sup>1</sup> The trends toward automation and digitalisation are speeding up: it is of crucial importance to provide access to digital infrastructure and to develop the necessary skills.
- › **Electronic waste (kg/capita):** All Visegrád countries produced more than 10 kg of electronic waste per person in 2016. Meanwhile, Austria even produced 21 kg per capita. In the EU, less than 40% of all e-waste is recycled.<sup>2</sup> It is seeking to tackle this important issue with its EU Circular Economy Action Plan as part of the European Green Deal.<sup>3</sup>
- › **SO<sub>2</sub> emissions embodied in imports (kg/capita):** The SDG dashboards provide an array of measures for pollutants released during the production process or embodied in international trade flows. Sulphur dioxide (SO<sub>2</sub>) emissions arise mainly in the energy and transport sector. *'The largest source of SO<sub>2</sub> in the atmosphere is the burning of fossil fuels by power plants and industrial facilities.'*<sup>4</sup> The emissions have a severe impact on health and the environment. Looking at SO<sub>2</sub> emissions contained in the import of goods and services, Hungary and Poland (with 5-6 kg per capita) perform significantly better than Czechia and Slovakia (around 9 kg per capita) or Austria, which has a very high level of 21 kg per capita (considered a major challenge in the SDR).

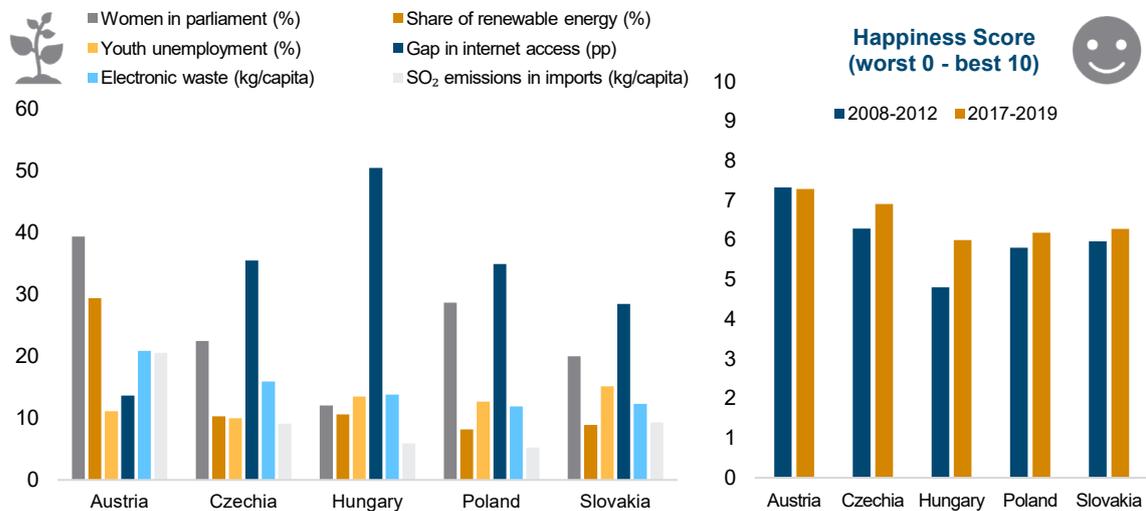
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<sup>1</sup> Eurostat, Individuals' level of digital skills [isoc\_sk\_dskl\_i]: [https://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=isoc\\_sk\\_dskl\\_i&lang=en](https://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=isoc_sk_dskl_i&lang=en)

<sup>2</sup> European Parliament (2020), E-waste in the EU: facts and figures (infographic): <https://www.europarl.europa.eu/news/en/headlines/society/20201208STO93325/e-waste-in-the-eu-facts-and-figures-infographic>

<sup>3</sup> European Commission (2020), EU Circular Economy Action Plan, <https://ec.europa.eu/environment/circular-economy/>

<sup>4</sup> US Environmental Protection Agency, Sulfur Dioxide Basics: <https://www.epa.gov/so2-pollution/sulfur-dioxide-basics#what%20is%20so2>

**Figure 3 / Sustainability and happiness**

Sources: Sustainable Development Report (United Nations, 2020), <https://www.sdqindex.org/>; World Happiness Report (Helliwell et al., 2020), <https://worldhappiness.report/ed/2020/>.

## FINALLY: ARE YOU HAPPY?

The World Happiness Report has been published since 2013. It emphasises the importance of happiness in any measurement of economic and social development. The reports are based on a variety of data, including the Gallup World Poll. According to the 2020 release, the happiest people live in Finland, Denmark and Switzerland (Helliwell et al., 2020). On a scale of 0 (worst) to 10 (best), Austria scores 7.29, placing it 9th in the world in terms of happiness. Czechia ranks 19th (6.91); Slovakia ranks 37th (6.28); Poland is 43rd (6.19); and Hungary comes in at 53rd (6.00).

Where do the Visegrád countries diverge most from Austria? Hungary is furthest away from Austria in terms of healthy life expectancy: 73.0 years for Austria; 70.0 years for Czechia; 69.3 years for Poland; 68.9 years for Slovakia; and only 67.6 years for Hungary. This represents a difference of more than 5 years between two neighbouring countries.

Based on the Gallup World Poll question of whether the respondent has relatives or friends who would help if he or she was in trouble, Poland shows the lowest social support figure of the Visegrád Group. In the category covering freedom to make life choices, Hungary scores lowest. Czechia is considered the least generous with respect to donations to charities. And finally, Slovakia shows the greatest perceived corruption, closely followed by Hungary.

To end on a positive note, however: despite the variety of challenges, a comparison of the period 2008-2012 and the latest release for the period 2017-2019 suggests that the population of the Visegrád countries does seem to have become happier over time.

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# FDI-based models and what the future may have in store for them

BY MAGDOLNA SASS<sup>1</sup>

*The economic strategy of the Visegrád countries has largely been based on attracting foreign direct investment (FDI). Although it showed some vulnerability during the global financial crisis, prompting governments to place greater emphasis on domestic economic players in certain sectors, the general reliance on foreign capital was left intact – and on some measures even increased. The trend towards de-globalisation, Industry 4.0-related developments, lack of viable powerful domestic economic growth engines and the COVID-19 pandemic may herald a renaissance in FDI-based growth (in a more inward-looking EU). And that is the most likely scenario for the Visegrád countries in the near future.*

## FDI-BASED STRATEGIES – UP UNTIL THE CRISIS

In the first stage of the transition process, all four (or up until 1993 three) Visegrád countries opened up their economies to foreign direct investment (FDI), albeit on different time scales. This was inspired by the relative success of foreign debt-ridden (and thus foreign currency-constrained) Hungary, which engaged in extensive privatisation of state-owned assets, selling them off to foreign multinationals; it was later followed in opening up to FDI by Estonia (Neuhaus, 2006). Moreover, this strategy was encouraged by various requirements linked to the four countries' EU accession; it helped to reform core state institutions and thus had a positive developmental impact (Bruszt et al., 2020).

So why such a prominent role for FDI? The transition process, which began in 1989, had to cope with many difficulties in the formerly planned economies: the absence of a market and market signals; the lack of technology and capital for investments; and the lack of various aspects of knowledge and skills related to the operating of companies and economic policies in an (evolving) market economy environment. Furthermore, inward-looking industrial policies were thought to lead to avoidable losses and slow progress towards a market economy, and were discouraged by various international obligations, such as those implied by membership of the General Agreement on Tariffs and Trade (GATT) and potential EU membership.

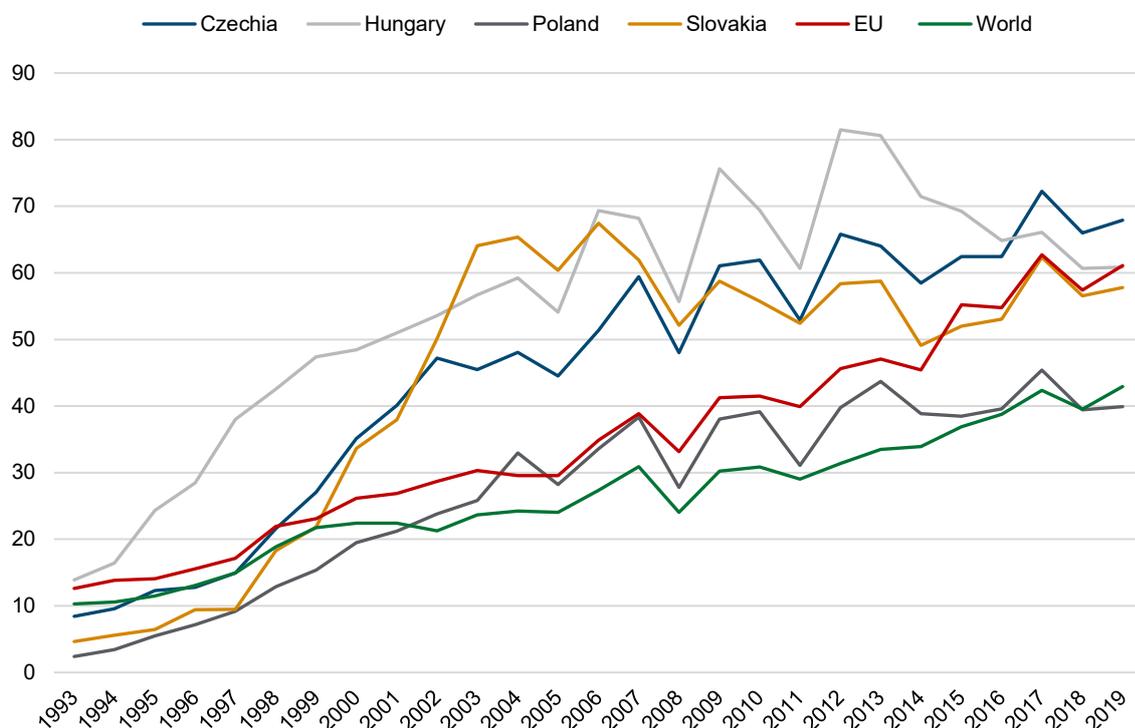
The Visegrád countries considerably lowered the barriers to FDI, resulting in a very liberal environment, even by international comparison. According to Koyama and Golub (2006), in 2006 the Organisation for Economic Co-operation and Development (OECD) average for the FDI Regulatory Restrictiveness Index was 0.148 and the non-OECD average was 0.189; meanwhile the index for Czechia stood at 0.122; for Hungary – 0.153; for Poland – 0.151; and for Slovakia – 0.128. With the exception of Slovakia, all the Visegrád countries substantially reduced their index values between 1998-2000 and 2006. Multinational companies that were seeking markets and efficiency (mainly through low labour costs) reacted positively to this opening-up of relatively developed and culturally close countries in their immediate geographical vicinity. Furthermore, the opening-up was accompanied by privatisation that was open to foreigners, as

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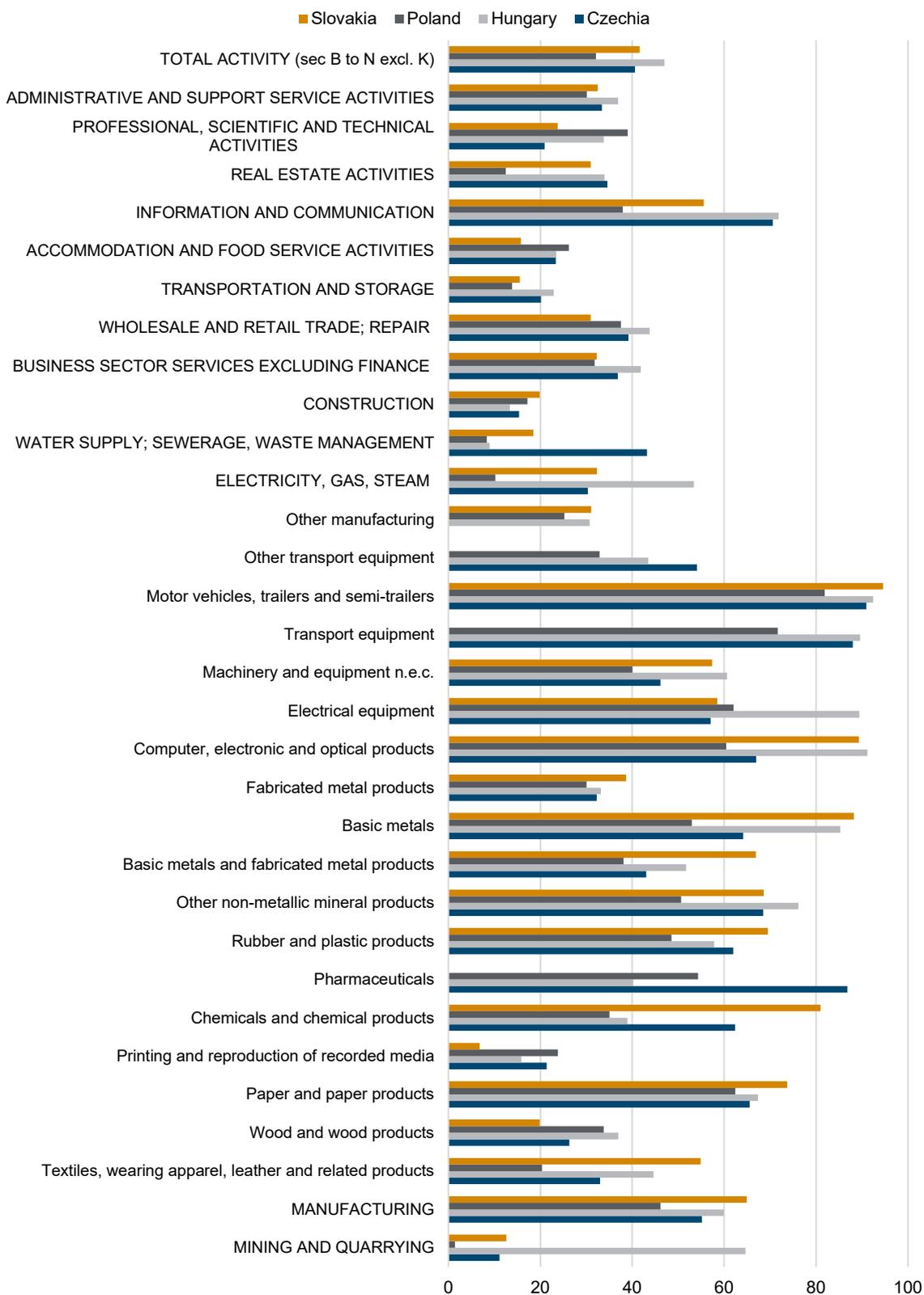
well as generous incentives that were offered particularly to export-oriented, efficiency-seeking investors, first of all in manufacturing and later on in services as well.

By the time of EU accession, foreign-owned players had become dominant in all four countries, which now seemed to be on a development path determined by FDI (Lane and Myant, 2007; Nölke and Vliegthart, 2009), whereby the economies were dependent on the investment decisions of foreign multinational companies. Indeed, they had considerably higher levels of FDI stock to GDP than the OECD countries as a whole, and also than the European Union member countries (with the exception of Poland) (Figure 1). Furthermore, certain industries had become overwhelmingly dominated by foreign-controlled companies, which had a share of over 70% in value added – e.g. in the production of motor vehicles in all four countries; in pharmaceuticals and information and communication services in Czechia; in the production of computers, electrical equipment, basic metals and information and communication services in Hungary; and in paper, chemicals, basic metals and computers in Slovakia (Figure 2). Based on OECD data on Activity of Multinational Enterprises (AMNE), the overall share of foreign-controlled companies in total value added in the Visegrád countries was among the highest in the OECD, surpassed only by Ireland.

**Figure 1 / Inward FDI stock/GDP (%), 1993-2019, Visegrád countries in international comparison**

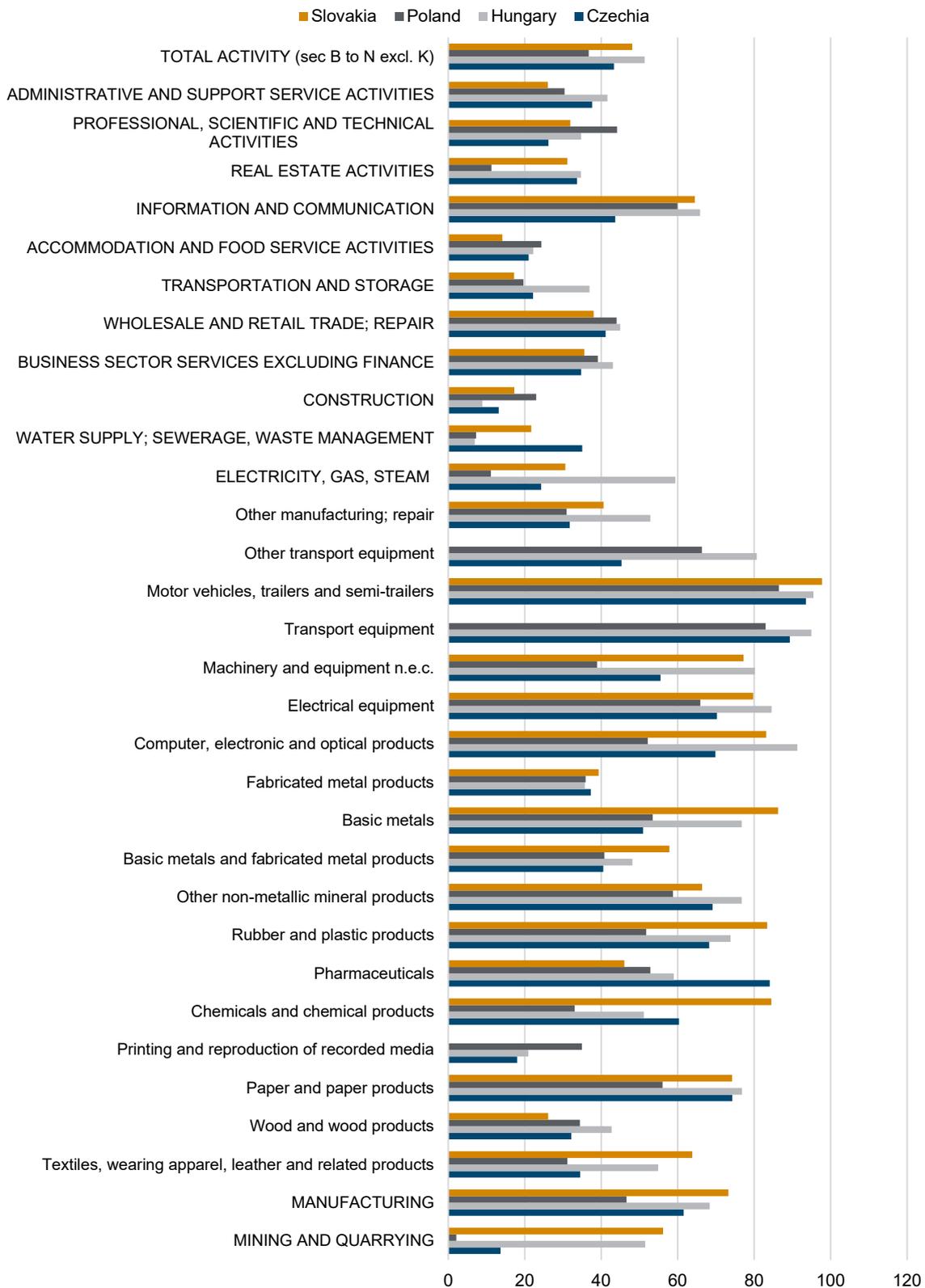


Source: UNCTAD and OECD.

**Figure 2 / Share of foreign-controlled companies in value added, by industry, %, 2008**

Notes: without financial services and real estate; foreign-controlled companies with foreign shares of over 50%.

Source: OECD AMNE.

**Figure 3 / Share of foreign-controlled companies in value added, by industry, %, 2016**

Notes: without financial services; foreign-controlled companies with foreign shares of over 50%.

Source: OECD AMNE.

Overall, compared to the Southern member countries and other countries of the EU's Eastern periphery, the Visegrád countries represented success stories of (foreign-led) industrial upgrading and competitiveness. According to empirical studies, FDI exercised an important and significant impact on economic growth in Central and Eastern Europe (CEE) (Neuhaus, 2006), and this effect was strengthened by financial market developments (Vojtovic et al., 2019). There was a strong convergence effect in productivity at both the country and the industry level. This impact of FDI on productivity depended crucially on absorptive capacity (especially in manufacturing) and on the level of human capital (especially in services) (Bijsterbosch and Kolasa, 2009). According to some analysis, this positive impact of FDI may have been confined to EU accession countries, where human capital stock was an important vehicle. Other analysis showed that export, employment and productivity growth were all enhanced by FDI, though to a different extent in the various countries (Damijan and Rojec, 2004). The Visegrád countries became increasingly involved in various regional value chains, mainly through unskilled, semi-skilled and – later on and to some extent – even skilled activities.

### **AFTER THE 2008-2009 CRISIS: CHANGE IN FDI-BASED STRATEGIES?**

The 2008-2009 crisis hit the Visegrád economies hard. This can be attributed partly to their high exposure to international business cycles, due to their big involvement in global value chains (GVC). Indeed, besides the financial sector, the crisis hit GVC-dominated industries hardest, and this had a domino effect on other economic sectors. This was aggravated by the increased competition (since around 2000) from mainly Asian newcomers, who had considerably higher populations and lower wages than the Visegrád countries, and thus presented substantial competition to them in the quest for labour-intensive production processes. They were also helped by technological developments, which allowed larger distances to be covered at lower cost; this led to further fragmentation of the production process. Furthermore, there was dissatisfaction surrounding the extent of the positive impact of FDI on domestic companies: Drahokoupil and Fabo (2020) showed the limited contribution of foreign-owned companies to local skill development, while other studies pointed to mixed and inconclusive evidence on technology transfer and spill-overs connected to FDI (Iwasaki and Tokunaga, 2016).

All this caused governments to rethink their development strategies (Sallai and Schnyder, 2018; Greskovits, 2015), resulting in a higher level of government intervention in the economy and in measures that aimed at reducing the dependence on FDI – and thus exposure to international business cycles and business decisions taken abroad. Steps were taken – first by the Hungarian and then, to a lesser extent, by the Polish government – to reduce the share of foreign ownership in certain domestic market-oriented sectors, while export-oriented industries were not affected (Hunya, 2017; Sass, 2017). Consequently, in this period, Hungary, Poland and Slovakia witnessed either a decline or stagnation in their FDI stock/GDP levels (Figure 1) – although in international terms, the levels were still outstanding. However, the statistics on FDI stocks may be distorted by the phenomenon of capital round-tripping, which is especially strong in Czechia and Slovakia.

Thus, Figure 3 – which shows the share of foreign-controlled companies in various industries in 2016 – may offer a more realistic picture of the degree of foreign capital involvement in the Visegrád economies and its changes over time. Accordingly, in 2016, Hungary led the way in terms of the share of foreign-controlled companies in total activities (51%), followed by Slovakia (48%), Czechia (43%) and Poland (37%). Interestingly, these shares are actually higher than they were before the 2008-2009 crisis (Figure 2:

Hungary: 47%; Slovakia: 42%; Czechia: 41%; and Poland: 32%), pointing to further gains by foreign-controlled companies, which weathered the crisis better than their financially and otherwise constrained domestic counterparts. Consistent with this observation is the fact that the overall regulatory environment for FDI has actually improved considerably in all four countries, compared to the pre-crisis period.

Thus, the FDI-based development paths have been maintained overall and have, to some extent, been further strengthened in the four countries – despite what the rhetoric of the governments might suggest. As before, the importance of foreign-owned companies differs by sector, but in manufacturing industries there have been only minor changes since 2008 (Figure 3).

The service industries are the sectors where constant change is visible, with the relative size of the domestic versus foreign share changing from year to year.<sup>2</sup> Between 2008 and 2016, there was a fall of a few percentage points in the share of foreign ownership in at least two Visegrád countries in the following service sectors: electricity, gas, steam and air conditioning supply; water supply; construction; accommodation and food services; and information and communication. Czechia recorded a fall in all five sectors, and the other three countries in three sectors apiece. Besides market developments, changes in government regulations also contributed to these switches (see e.g. for Hungary, Sass, 2017).

Thus, the overall exposure to FDI has basically not changed, though its main emphasis is a little different: certain domestic market-oriented activities (mainly services) have acquired a higher local ownership share, due to more intensive and targeted/selective government intervention. Thus, our analysis supports the statement of Bohle and Greskovits (2019): '*... actual path correction has merely shifted the pattern of dependency without breaking out of it*'. The weakness in the innovation capacities and competitiveness of the local firms generally remains, though certain domestic companies have emerged as more powerful now than they were in the pre-crisis period (Sass, 2017). But they are still not powerful enough to reach the critical mass required to replace foreign-owned companies as the dynamos of the economy.

The Visegrád countries do not display any great degree of economic cooperation, and indeed they compete fiercely with one another for FDI. Generous incentives for efficiency-seeking FDI are maintained at the level of individual countries, no common platforms have been established to improve their negotiation positions vis-à-vis multinational companies, and there are no knowledge-sharing activities in crucially important economic areas. FDI promotion agencies copy heavily from one another in terms of target countries, target industries and measures, even if the efficiency of their operations may be open to question (Szent-Iványi, 2017). Hungary rather diverges from the pattern, devoting more attention to attracting large greenfield projects from (emerging) Asian countries (Korea, Japan and, to some extent, China). In spite of the absence of economic cooperation, the economic interconnectedness of the four Visegrád countries has grown to perhaps its highest level for over a century. This is due partly to their common membership of the European Union, but also – and more importantly from the point of view of our topic – to their integration into European regional and global value chains.

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<sup>2</sup> Financial services – where there has been a substantial decline in Hungary, due to the acquisition of Budapest Bank by the state – are not included.

## FUTURE – CAN THE FDI-BASED STRATEGIES BE CONTINUED?

There are various developments in the world economy that make any predictions concerning the Visegrád countries' continued reliance on FDI problematic. Here we highlight three: (i) de-globalisation; (ii) the impact of Industry 4.0-related changes; and (iii) the effects of the COVID-19 pandemic, which may amplify and accelerate the impact of the previous two.

Due to de-globalisation, there is a deceleration or stagnation both in international trade/FDI and in the operation and formation of GVCs (García-Herrero and Tan, 2020). If globalisation is perceived as increased interdependence among countries in the world economy, then 'slowbalisation' might be defined as a sharp deceleration in the growth of interdependence, while de-globalisation would mean decreased interdependence between economies. Empirical evidence is mixed concerning whether we are seeing 'slowbalisation' or de-globalisation, but the COVID crisis has undoubtedly reduced international exchanges. Most probably, we can expect a continuation of these deglobalisation trends. Signs of decreased availability and higher FDI volatility have already been visible for a while in the Visegrád countries (Hunya, 2017; UNCTAD, 2019).

There are two alternative outcomes of de-globalisation, with distinct consequences: it may result in a patchwork of countries or groups of countries with different levels of interdependence, and this could lead to strengthened regional integration; or else we may again end up with a world of two superpowers – this time the US and China – and two economic blocs formed around them (Witt, 2019). Stronger regional integration may enhance the two new sources of finance that are replacing or supplementing FDI in the Visegrád countries: transfers from the European Union and remittances. Changes in globalisation might bring about changes in domestic policy in the Visegrád countries as well. Slower globalisation or de-globalisation may enhance and increase the role of domestic and inward-looking policies and domestically owned economic actors – although, depending on the outcome of de-globalisation, European Union membership will place a limit on that.

Industry 4.0 may have an important impact as well; however, it is not yet clear how the net impact would look. There are various channels through which Industry 4.0 may modify FDI and the activities of foreign-owned companies (in many cases, depending on other changes in the world economy, especially those related to the future of globalisation). According to empirical studies, it may facilitate integration in GVCs for the so-called 'factory economies' that specialise in labour-intensive activities, including the Visegrád countries (Szalavetz, 2020). It may induce some re-shoring from faraway economies, with consequences for FDI, whereby Visegrád countries may be the new host economies. However, it may also encourage the relocation of labour-intensive activities back to high-wage developed economies, through the intensive use of robots (Inomata and Taglioni, 2019). Certain industries may be largely unaffected: for example, the automotive industry, where there are *regional* value chains, rather than global ones, since cars are usually built where they are sold. Furthermore, FDI inflows may be affected by the reconfiguration or diversification of GVCs and production networks. Absorptive capacities, structural constraints (in the areas of human capital and infrastructure) and the attractiveness of the Visegrád countries may all act as important modifying factors in that respect.

The COVID pandemic is an important factor that is contributing to the two trends already mentioned – de-globalisation and enhanced reliance on Industry 4.0-related technologies. First of all, the experiences of the first months of the pandemic have caused firms to rethink their strategies and reduce risks through the reorganisation of value chains. Second, the pandemic has turned the labour markets upside down in the Visegrád countries; this has eased – maybe only temporarily – labour shortages and wage

pressures, which previously acted as important bottlenecks in attracting efficiency-seeking FDI. Third, different strategies in terms of complete or partial lockdowns have resulted in different outcomes in terms of GDP decline – including in the Visegrád countries. Fourth, the pandemic has had different impacts on the various Visegrád countries, due to their different specialisations in GVC-related industries – the common point, however, being their uniformly high exposure to any fall in demand and any decline in output of the automotive industry.

Thus, at present there are more questions about the future than there are answers. But given the circumstances, the most probable scenario would seem to be at least a temporary renaissance of FDI-based growth in a more inward-looking EU.

## CONCLUDING REMARKS

The FDI-based development paths have been maintained and, to an extent, further strengthened in the Visegrád countries since the 2008-2009 crisis – in spite of what the rhetoric of the governments might suggest. There has been some fine-tuning, especially in the service industries, and particularly in Hungary, in terms of reducing the reliance on FDI; but in manufacturing, the dominance of foreign-owned firms has continued. Hungary is leading the way in terms of the share of foreign-owned companies in value added, followed by Slovakia and then Czechia.

There seem to be no promising alternatives to this strategy. Though certain domestic company groups in each Visegrád country have emerged as more powerful now than they were in the pre-crisis period, they are still not powerful enough to reach the critical mass required to replace foreign-owned companies as dynamos of the economy. On the other hand, institutional weakness and lack of capacity mean that the governments of the four countries are not really capable of pursuing an industrial policy that would enable these emerging company groups to compete successfully with the foreign-owned subsidiaries and to reach the required 'critical mass' to replace them.

The Visegrád countries have overall been quite successful in their relative catching-up, especially if we compare them to the previously successfully converging (but now declining) Southern EU member countries. The latter highlight the danger of emerging from the middle-income trap, only to fall back in again. One question for the Visegrád countries is how to avoid any such relapse. Another concerns how the future external (especially de-globalisation and Industry 4.0) and internal environment might determine their growth prospects. The COVID pandemic has posed a third question.

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# Monthly and quarterly statistics for Central, East and Southeast Europe

The monthly and quarterly statistics cover **22 countries** of the CESEE region. The graphical form of presenting statistical data is intended to facilitate the **analysis of short-term macroeconomic developments**. The set of indicators captures trends in the real and monetary sectors of the economy, in the labour market, as well as in the financial and external sectors.

Baseline data and a variety of other monthly and quarterly statistics, **country-specific** definitions of indicators and **methodological information** on particular time series are **available in the wiiw Monthly Database** under: <https://data.wiiw.ac.at/monthly-database.html>. Users regularly interested in a certain set of indicators may create a personalised query which can then be quickly downloaded for updates each month.

## Conventional signs and abbreviations used

%	per cent
ER	exchange rate
GDP	Gross Domestic Product
HICP	Harmonised Index of Consumer Prices (for new EU member states)
LFS	Labour Force Survey
NPISHs	Non-profit institutions serving households
p.a.	per annum
PPI	Producer Price Index
reg.	registered

The following national currencies are used:

ALL	Albanian lek	HRK	Croatian kuna	RON	Romanian leu
BAM	Bosnian convertible mark	HUF	Hungarian forint	RSD	Serbian dinar
BGN	Bulgarian lev	KZT	Kazakh tenge	RUB	Russian rouble
BYN	Belarusian rouble	MKD	Macedonian denar	TRY	Turkish lira
CZK	Czech koruna	PLN	Polish zloty	UAH	Ukrainian hryvnia

EUR euro – national currency for Montenegro, Kosovo and for the euro-area countries Estonia (from January 2011, euro-fixed before), Latvia (from January 2014, euro-fixed before), Lithuania (from January 2015, euro-fixed before), Slovakia (from January 2009, euro-fixed before) and Slovenia (from January 2007, euro-fixed before).

Sources of statistical data: Eurostat, National Statistical Offices, Central Banks and Public Employment Services; wiiw estimates.

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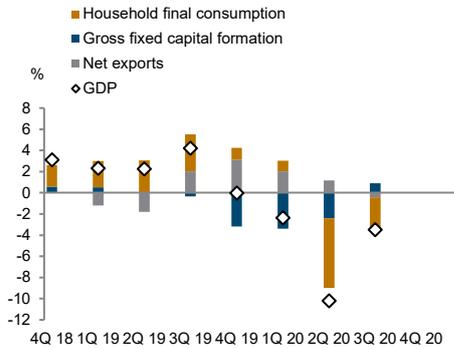
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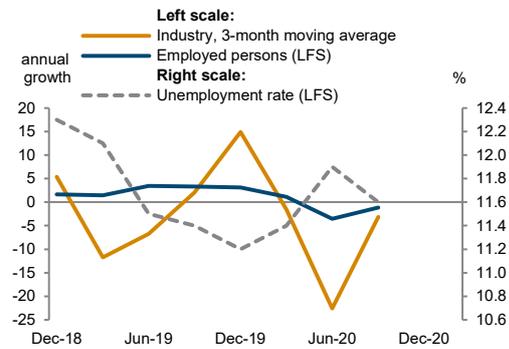
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# Albania

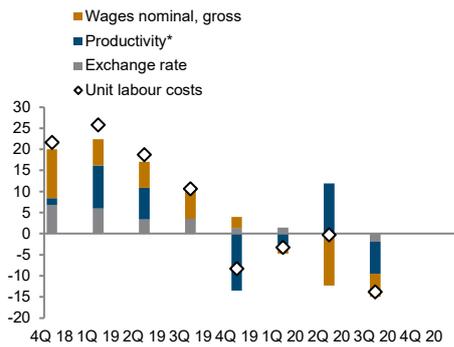
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year-on-year



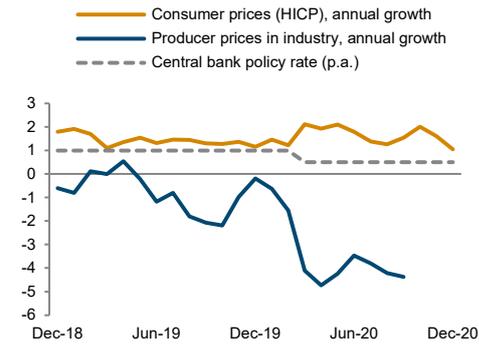
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in %



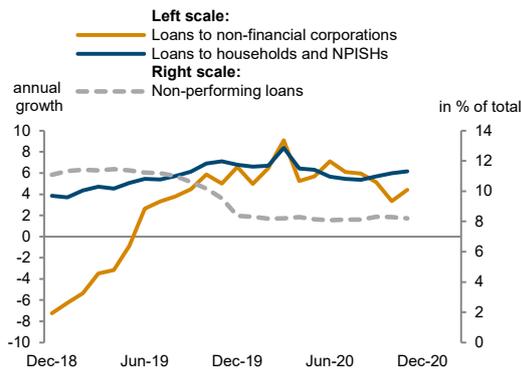
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annual growth rate in %



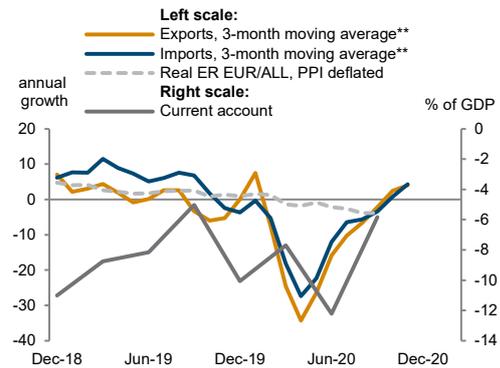
**Inflation and policy rate**  
in %



**Financial indicators**  
in %



**External sector development**  
in %



\*Positive values of the productivity component on the graph reflect decline in productivity and vice versa.

\*\*EUR based.

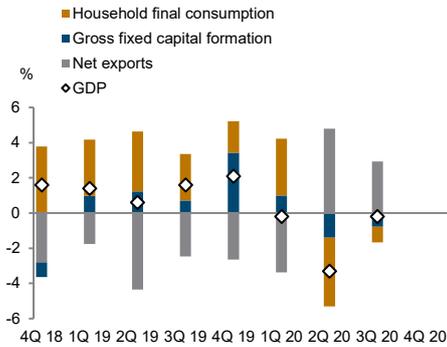
Source: wiiw Monthly Database incorporating Eurostat and national statistics.

Baseline data, country-specific definitions and methodological breaks in time series are available under:

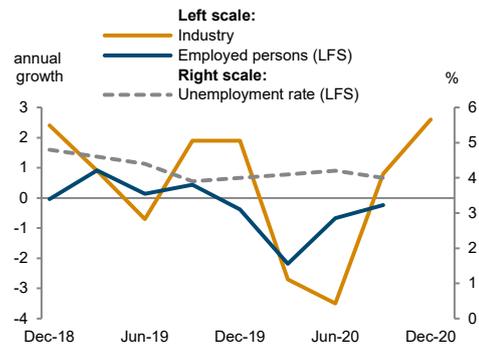
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# Belarus

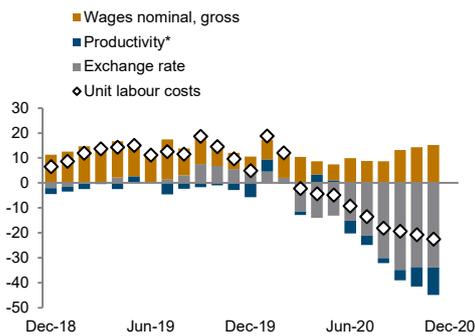
**Real GDP growth and contributions**  
year-on-year



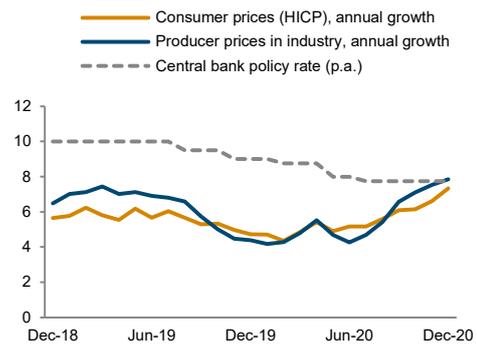
**Real sector development**  
in %



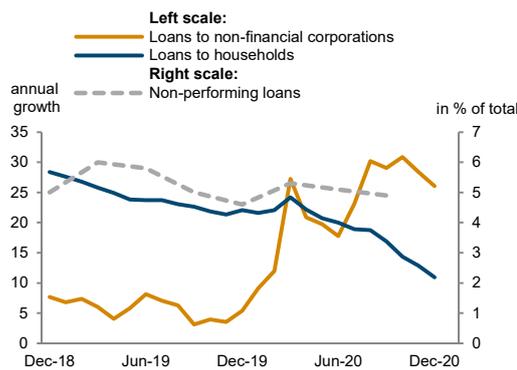
**Unit labour costs in industry**  
annual growth rate in %



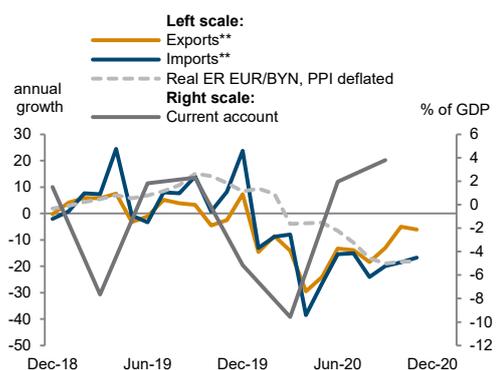
**Inflation and policy rate**  
in %



**Financial indicators**  
in %



**External sector development**  
in %



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\*\*EUR based.

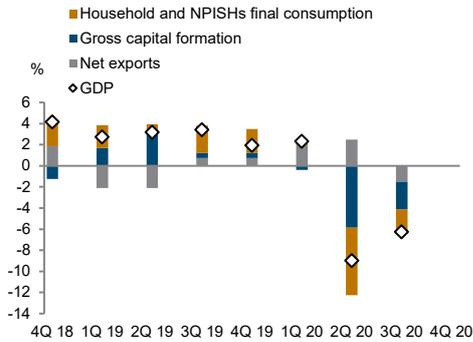
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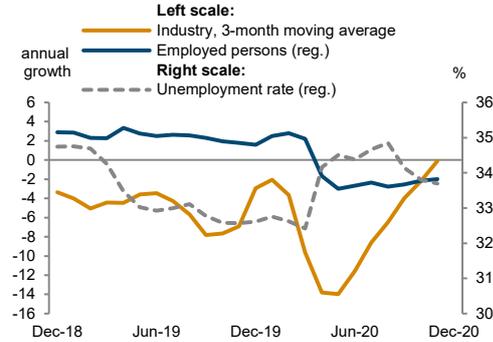
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# Bosnia and Herzegovina

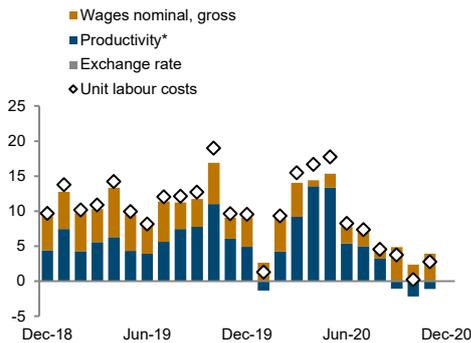
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year-on-year



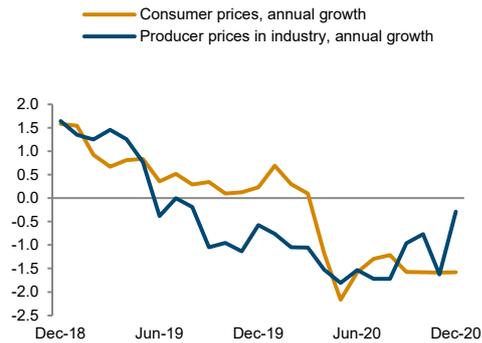
**Real sector development**  
in %



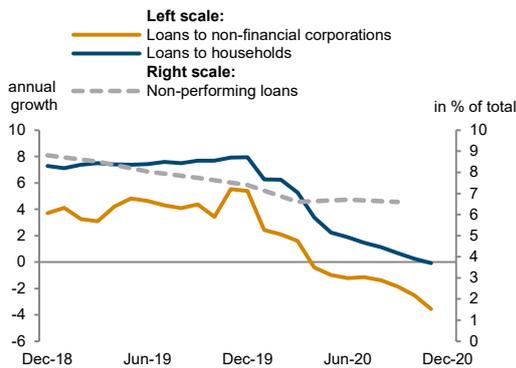
**Unit labour costs in industry**  
annual growth rate in %



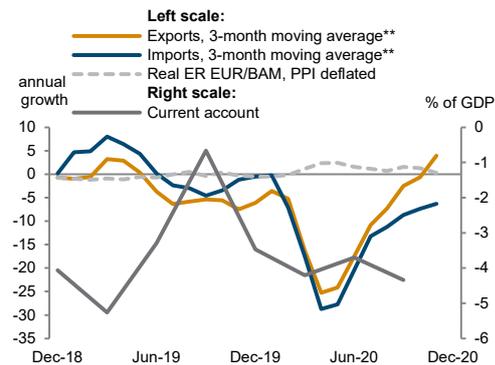
**Inflation**  
in %



**Financial indicators**  
in %



**External sector development**  
in %



\*Positive values of the productivity component on the graph reflect decline in productivity and vice versa.  
\*\*EUR based.

Source: wiiw Monthly Database incorporating Eurostat and national statistics.

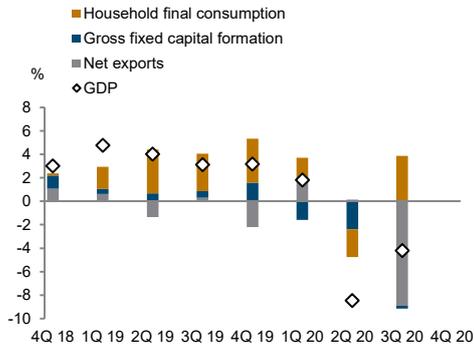
Baseline data, country-specific definitions and methodological breaks in time series are available under:

<https://data.wiiw.ac.at/monthly-database.html>

# Bulgaria

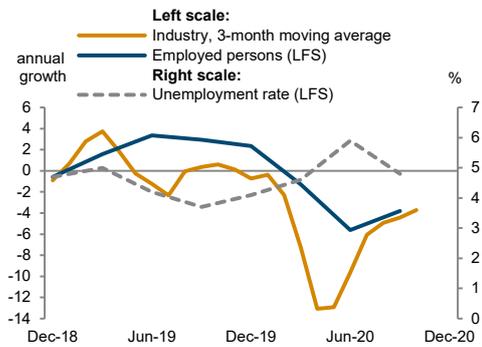
### Real GDP growth and contributions

year-on-year



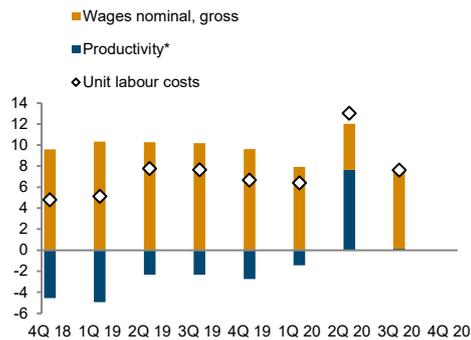
### Real sector development

in %



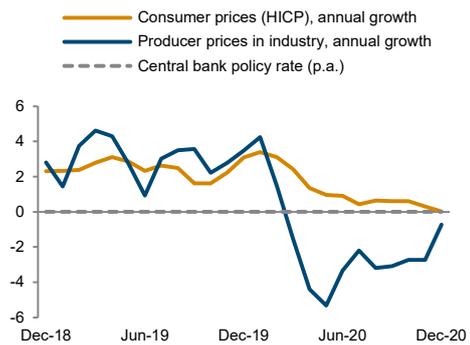
### Unit labour costs in industry

annual growth rate in %



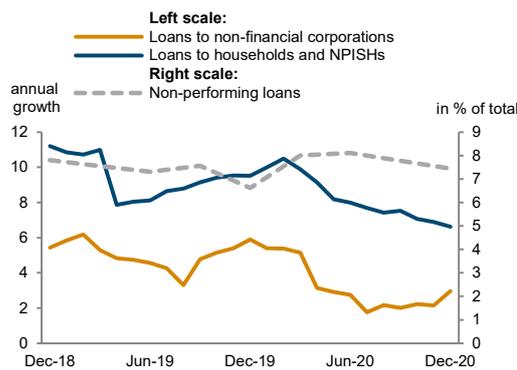
### Inflation and policy rate

in %



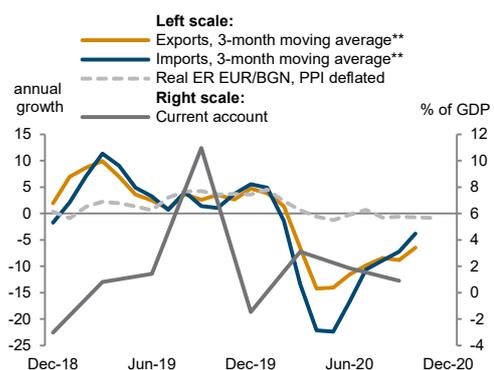
### Financial indicators

in %



### External sector development

in %



\*Positive values of the productivity component on the graph reflect decline in productivity and vice versa.

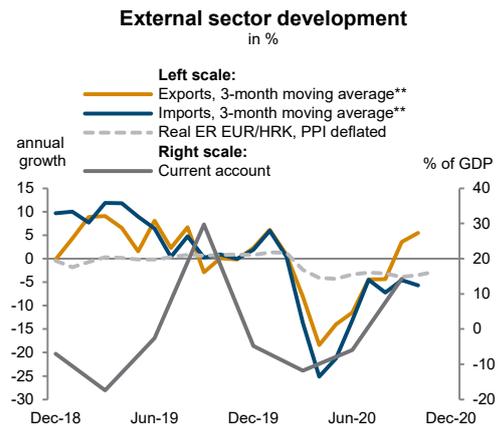
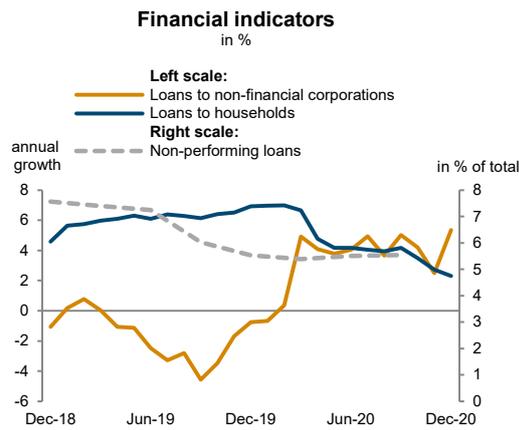
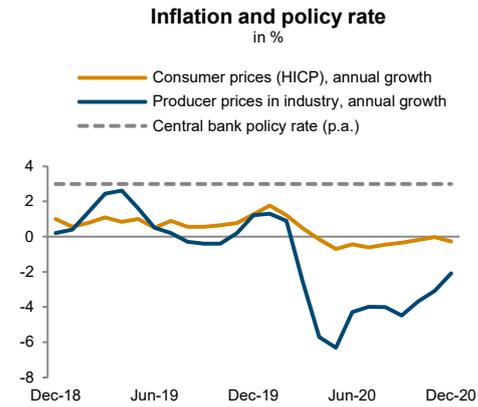
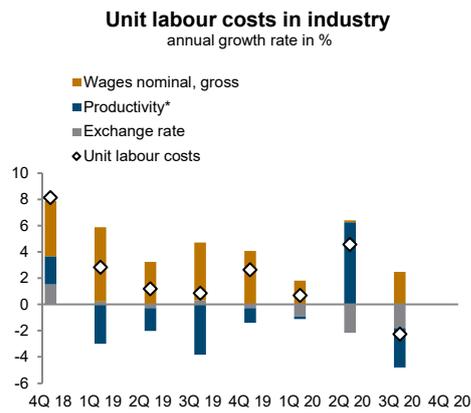
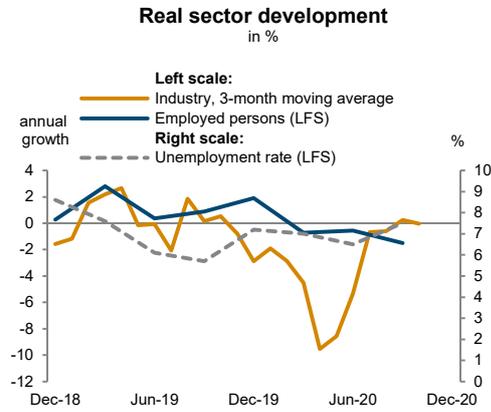
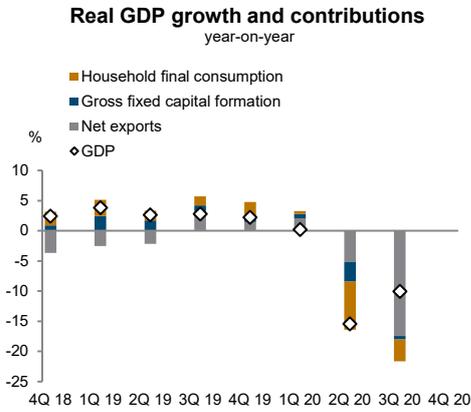
\*\*EUR based.

Source: wiw Monthly Database incorporating Eurostat and national statistics.

Baseline data, country-specific definitions and methodological breaks in time series are available under:

<https://data.wiw.ac.at/monthly-database.html>

# Croatia



\*Positive values of the productivity component on the graph reflect decline in productivity and vice versa.  
\*\*EUR based.

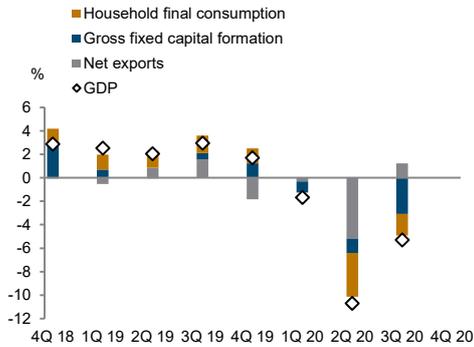
Source: wiiw Monthly Database incorporating Eurostat and national statistics.

Baseline data, country-specific definitions and methodological breaks in time series are available under:

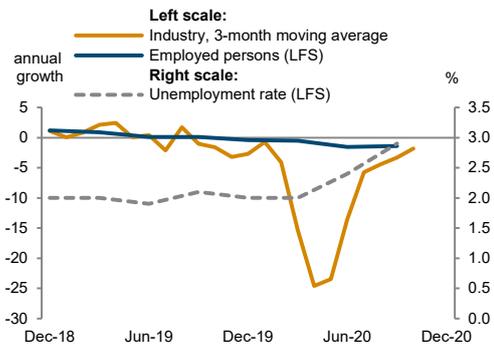
<https://data.wiiw.ac.at/monthly-database.html>

# Czechia

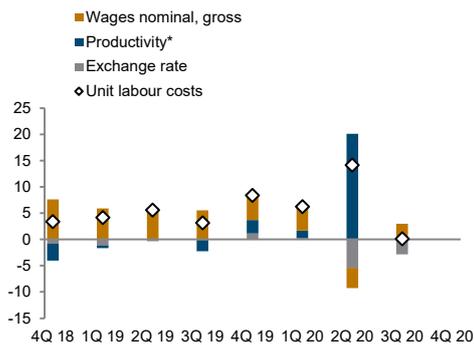
**Real GDP growth and contributions**  
year-on-year



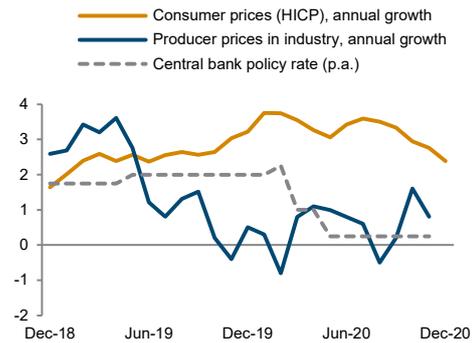
**Real sector development**  
in %



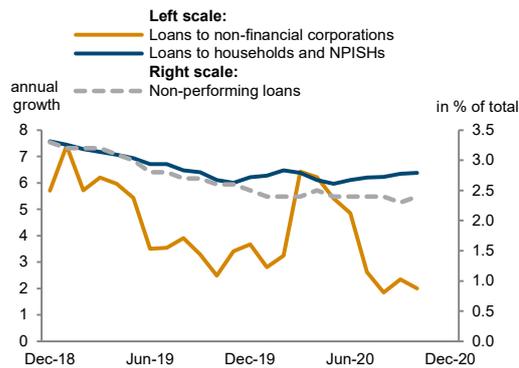
**Unit labour costs in industry**  
annual growth rate in %



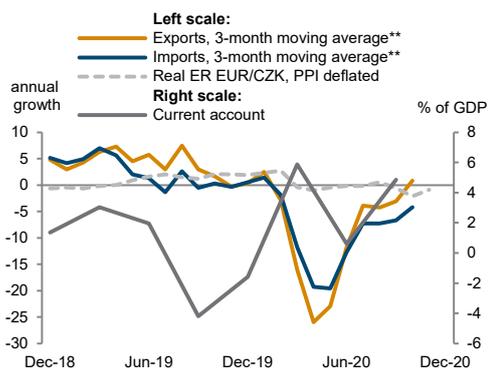
**Inflation and policy rate**  
in %



**Financial indicators**  
in %



**External sector development**  
in %



\*Positive values of the productivity component on the graph reflect decline in productivity and vice versa.

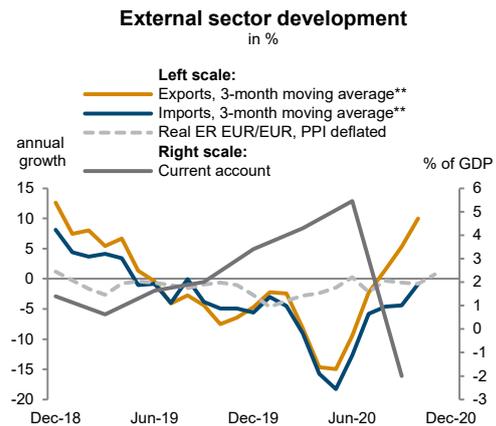
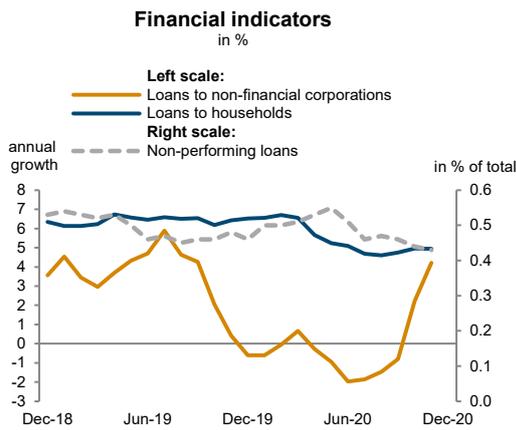
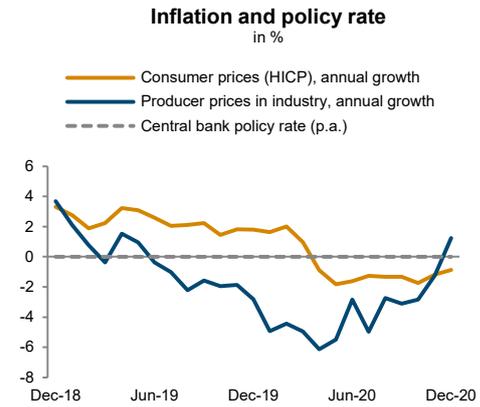
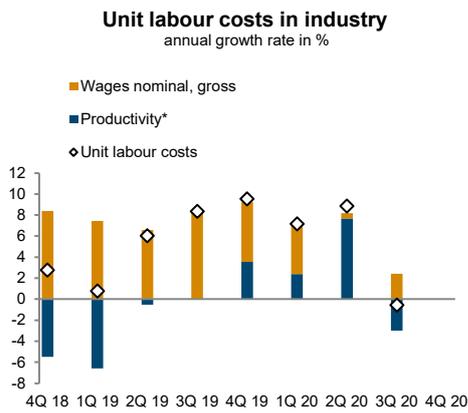
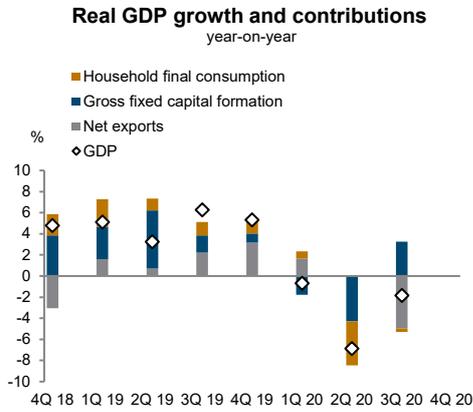
\*\*EUR based.

Source: wiiw Monthly Database incorporating Eurostat and national statistics.

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# Estonia

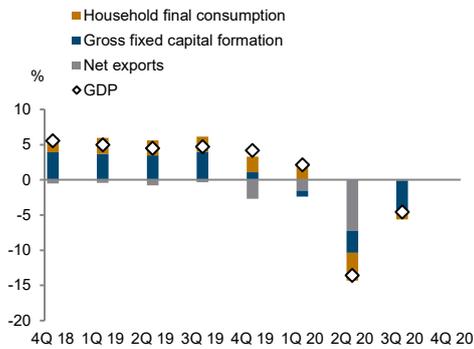


\*Positive values of the productivity component on the graph reflect decline in productivity and vice versa.  
 \*\*EUR based.

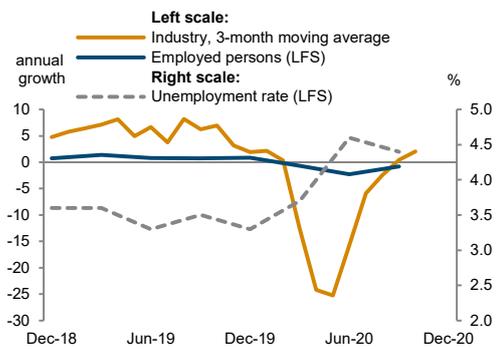
Source: wiiw Monthly Database incorporating Eurostat and national statistics.  
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<https://data.wiiw.ac.at/monthly-database.html>

# Hungary

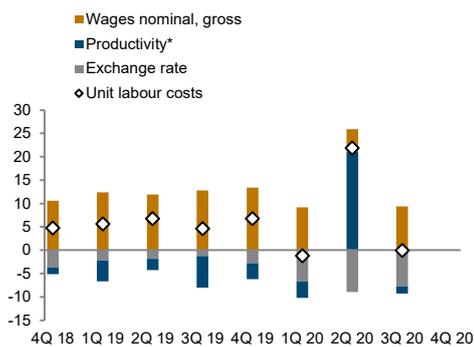
**Real GDP growth and contributions**  
year-on-year



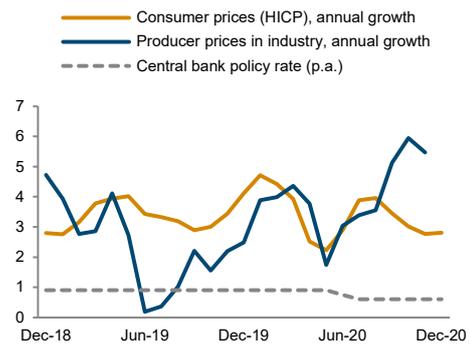
**Real sector development**  
in %



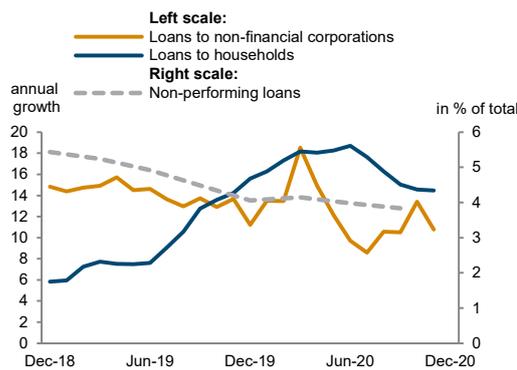
**Unit labour costs in industry**  
annual growth rate in %



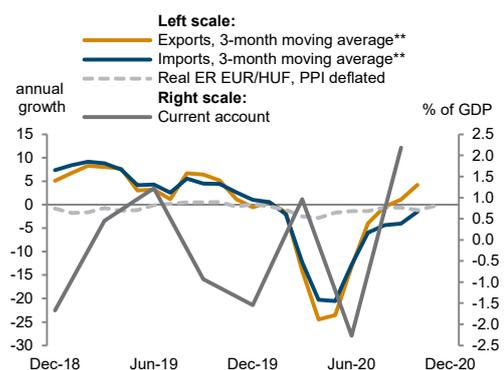
**Inflation and policy rate**  
in %



**Financial indicators**  
in %



**External sector development**  
in %



\*Positive values of the productivity component on the graph reflect decline in productivity and vice versa.

\*\*EUR based.

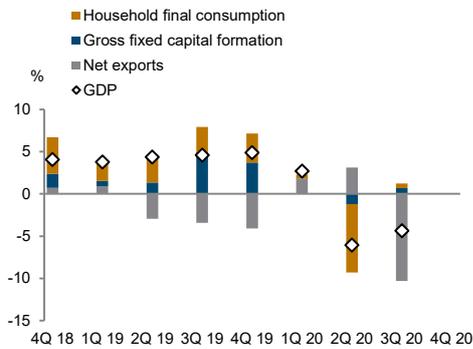
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Baseline data, country-specific definitions and methodological breaks in time series are available under:

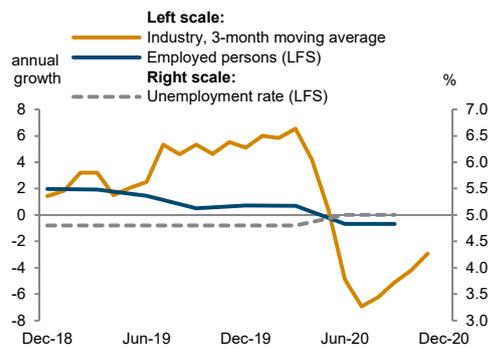
<https://data.wiw.ac.at/monthly-database.html>

# Kazakhstan

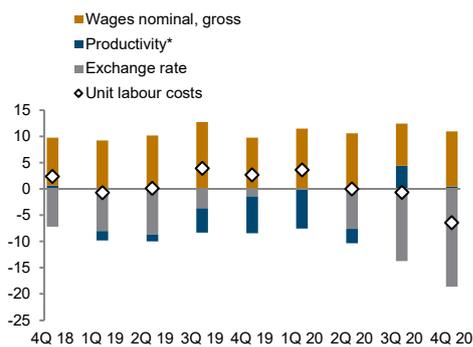
**Real GDP growth and contributions**  
year-on-year



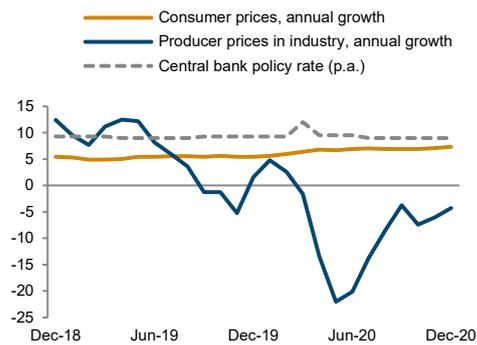
**Real sector development**  
in %



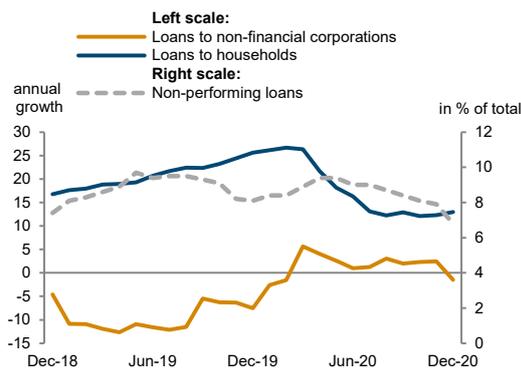
**Unit labour costs in industry**  
annual growth rate in %



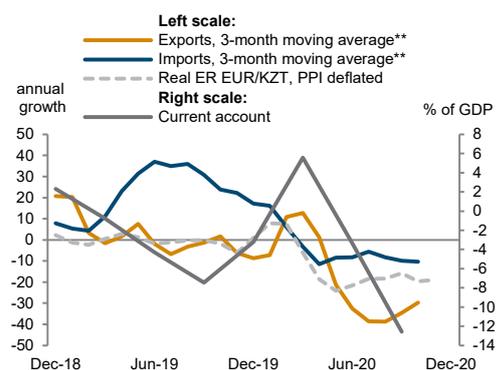
**Inflation and policy rate**  
in %



**Financial indicators**  
in %



**External sector development**  
in %



\*Positive values of the productivity component on the graph reflect decline in productivity and vice versa.  
\*\*EUR based.

Source: wiiw Monthly Database incorporating Eurostat and national statistics.

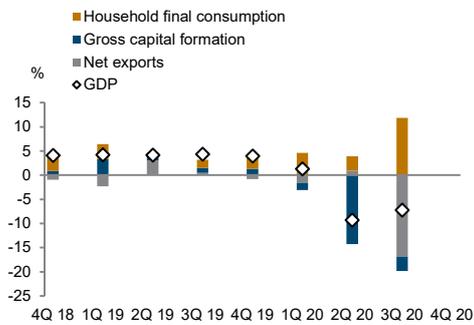
Baseline data, country-specific definitions and methodological breaks in time series are available under:

<https://data.wiiw.ac.at/monthly-database.html>

# Kosovo

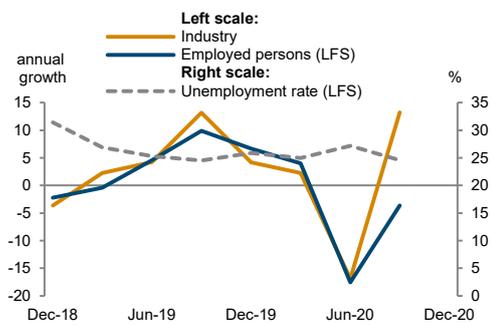
### Real GDP growth and contributions

year-on-year



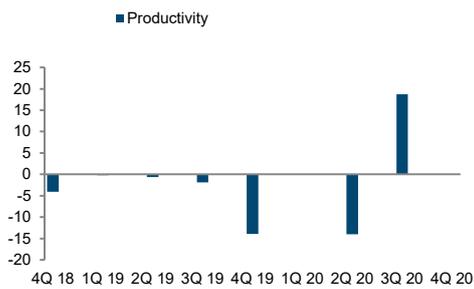
### Real sector development

in %



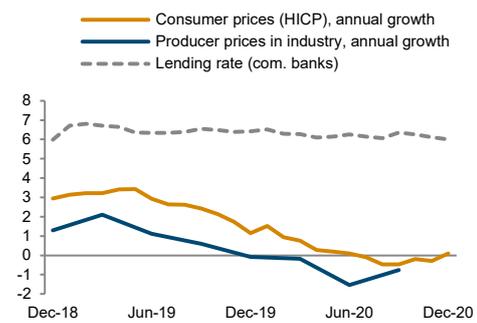
### Productivity in industry

annual growth rate in %



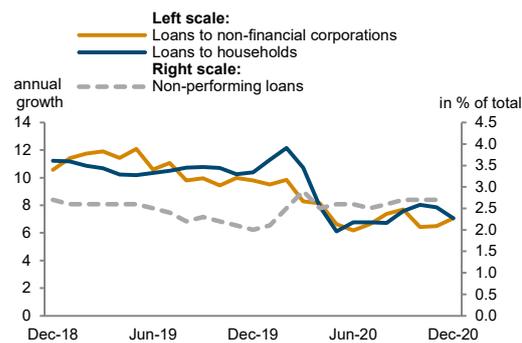
### Inflation and lending rate

in %



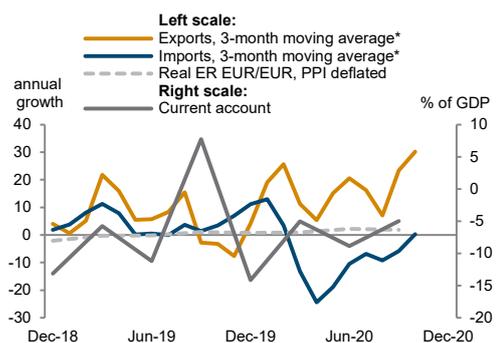
### Financial indicators

in %



### External sector development

in %



\*EUR based.

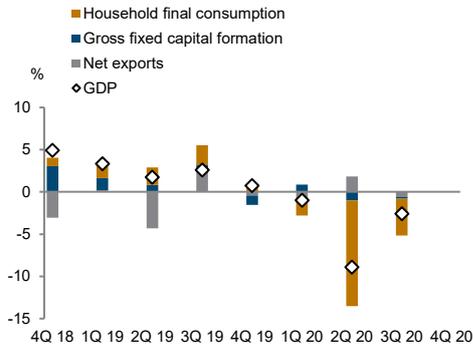
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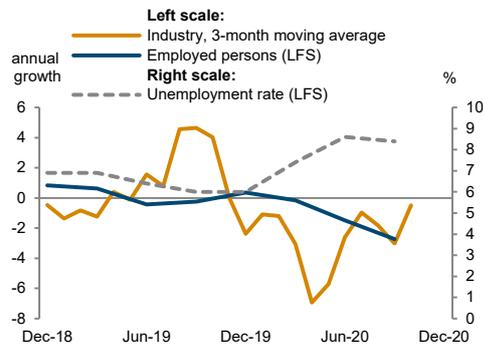
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# Latvia

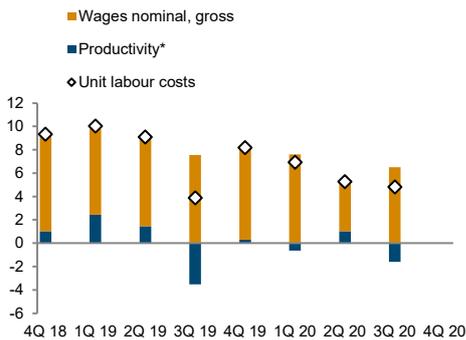
**Real GDP growth and contributions**  
year-on-year



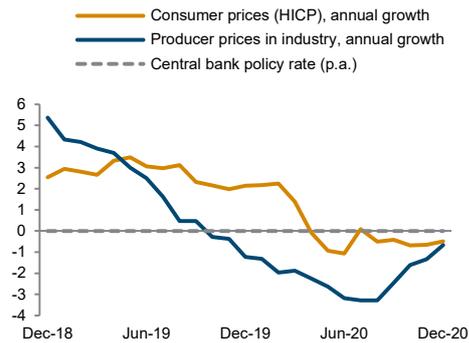
**Real sector development**  
in %



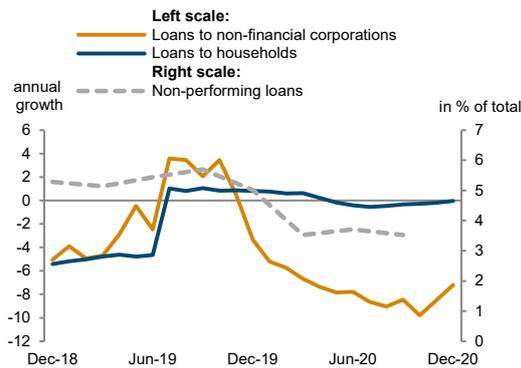
**Unit labour costs in industry**  
annual growth rate in %



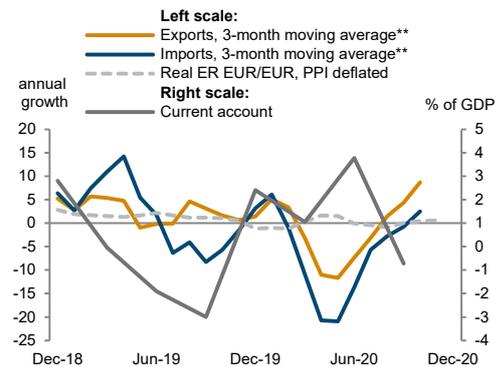
**Inflation and policy rate**  
in %



**Financial indicators**  
in %



**External sector development**  
in %



\*Positive values of the productivity component on the graph reflect decline in productivity and vice versa.  
\*\*EUR based.

Source: wiiw Monthly Database incorporating Eurostat and national statistics.

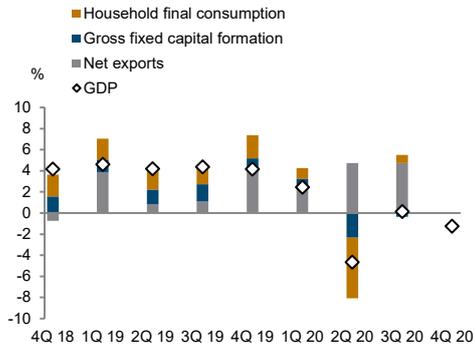
Baseline data, country-specific definitions and methodological breaks in time series are available under:

<https://data.wiiw.ac.at/monthly-database.html>

# Lithuania

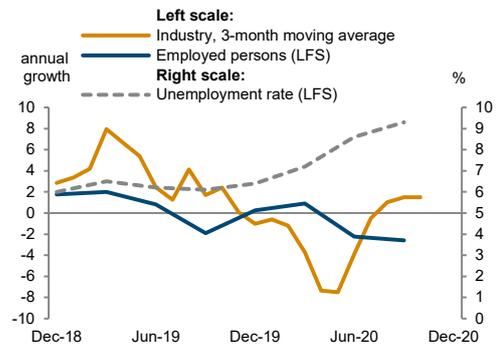
### Real GDP growth and contributions

year-on-year



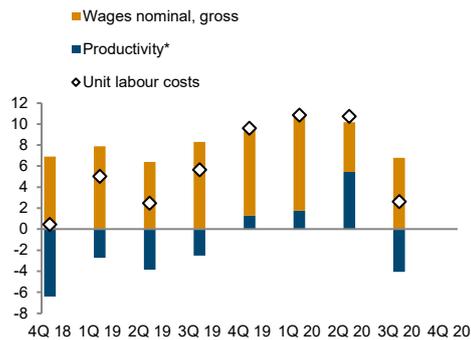
### Real sector development

in %



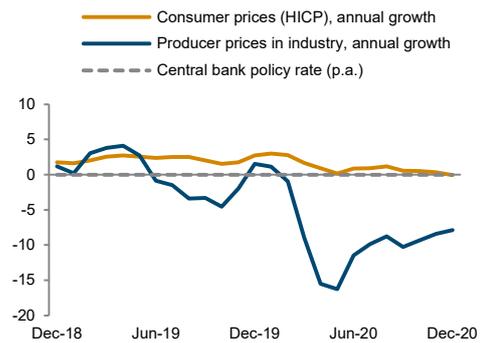
### Unit labour costs in industry

annual growth rate in %



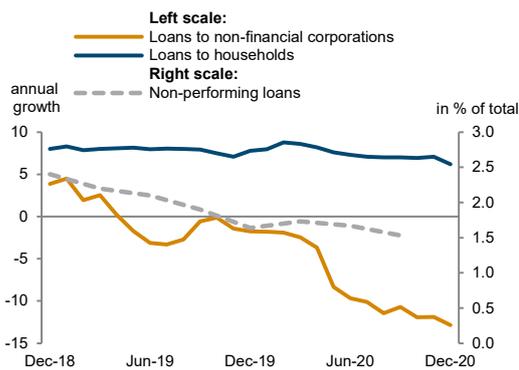
### Inflation and policy rate

in %



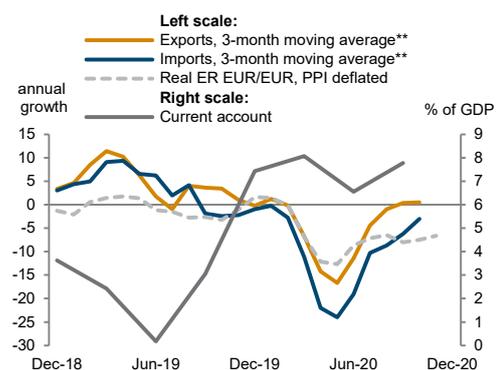
### Financial indicators

in %



### External sector development

in %



\*Positive values of the productivity component on the graph reflect decline in productivity and vice versa.

\*\*EUR based.

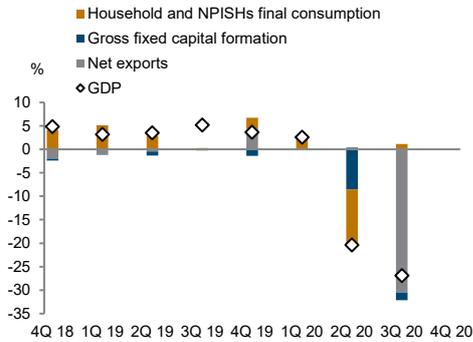
Source: wiw Monthly Database incorporating Eurostat and national statistics.

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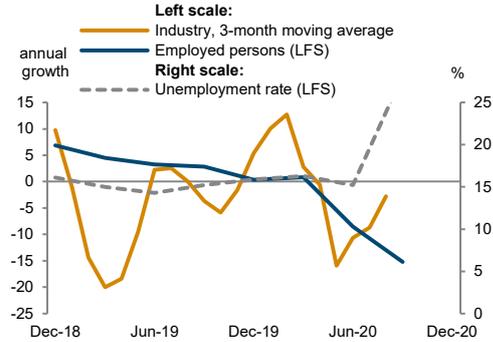
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# Montenegro

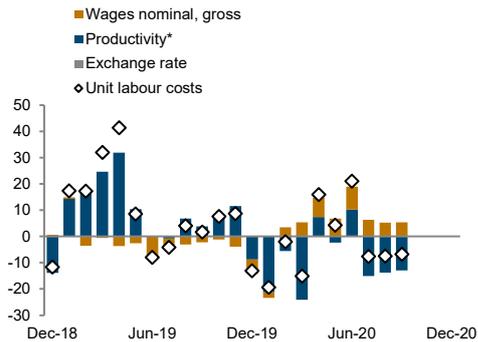
**Real GDP growth and contributions**  
year-on-year



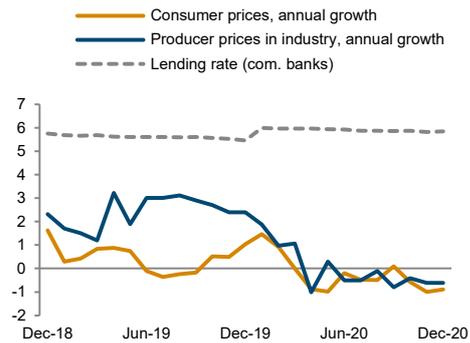
**Real sector development**  
in %



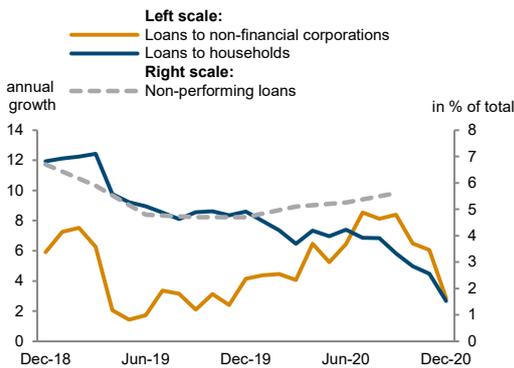
**Unit labour costs in industry**  
annual growth rate in %



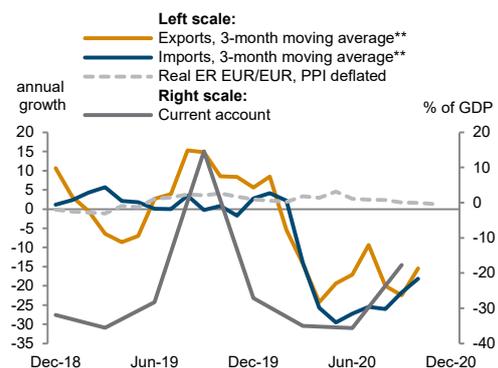
**Inflation and lending rate**  
in %



**Financial indicators**  
in %



**External sector development**  
in %



\*Positive values of the productivity component on the graph reflect decline in productivity and vice versa.  
\*\*EUR based.

Source: wiiw Monthly Database incorporating Eurostat and national statistics.

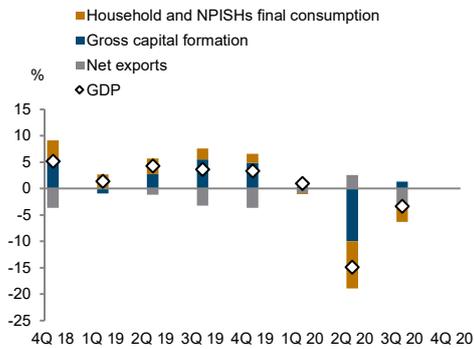
Baseline data, country-specific definitions and methodological breaks in time series are available under:

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# North Macedonia

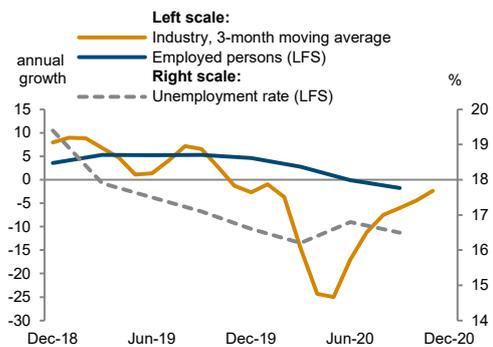
### Real GDP growth and contributions

year-on-year



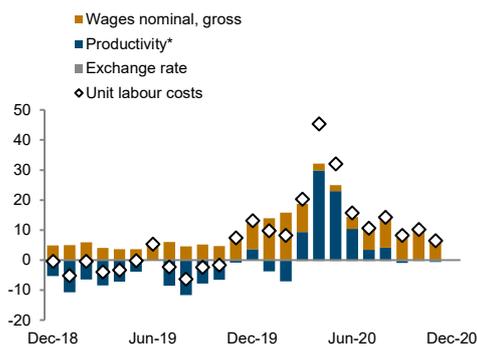
### Real sector development

in %



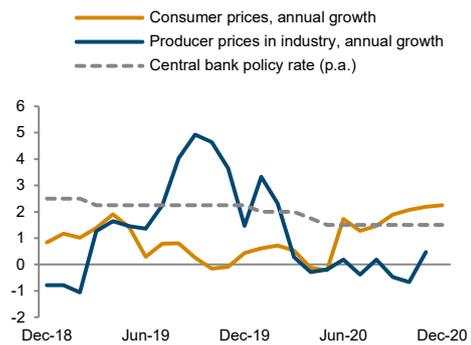
### Unit labour costs in industry

annual growth rate in %



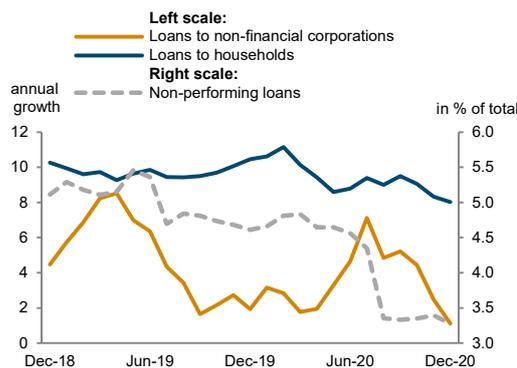
### Inflation and policy rate

in %



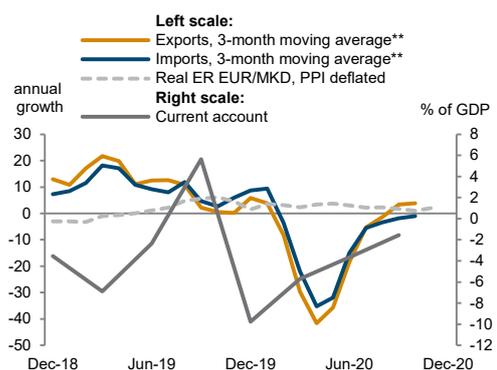
### Financial indicators

in %



### External sector development

in %



\*Positive values of the productivity component on the graph reflect decline in productivity and vice versa.

\*\*EUR based.

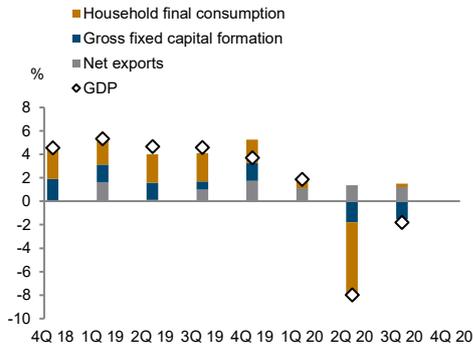
Source: wiiw Monthly Database incorporating Eurostat and national statistics.

Baseline data, country-specific definitions and methodological breaks in time series are available under:

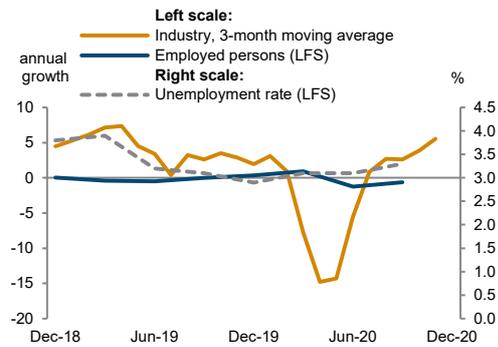
<https://data.wiiw.ac.at/monthly-database.html>

# Poland

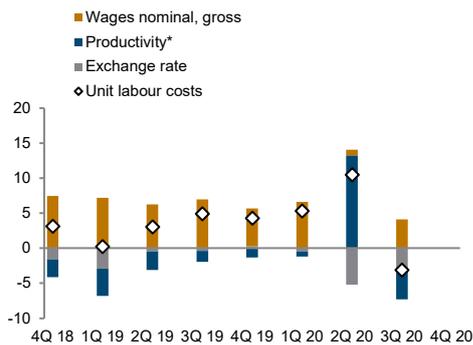
**Real GDP growth and contributions**  
year-on-year



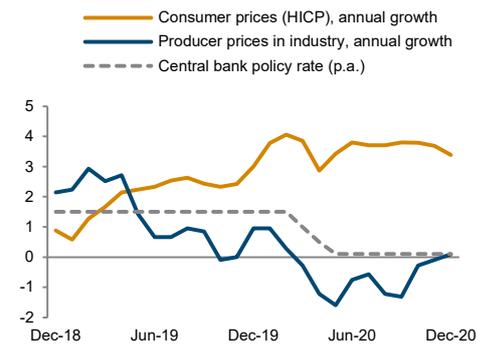
**Real sector development**  
in %



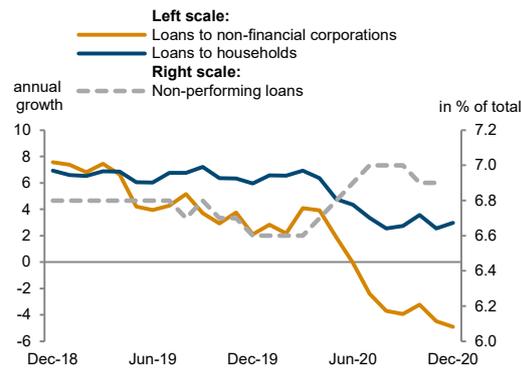
**Unit labour costs in industry**  
annual growth rate in %



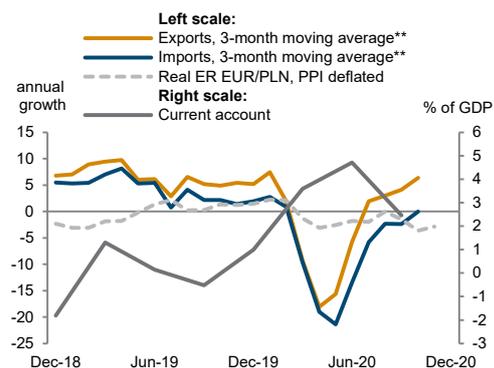
**Inflation and policy rate**  
in %



**Financial indicators**  
in %



**External sector development**  
in %



\*Positive values of the productivity component on the graph reflect decline in productivity and vice versa.  
\*\*EUR based.

Source: wiiw Monthly Database incorporating Eurostat and national statistics.

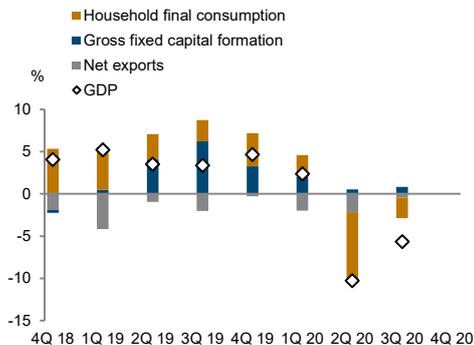
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# Romania

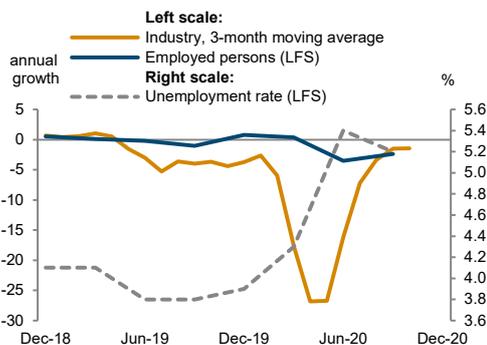
### Real GDP growth and contributions

year-on-year



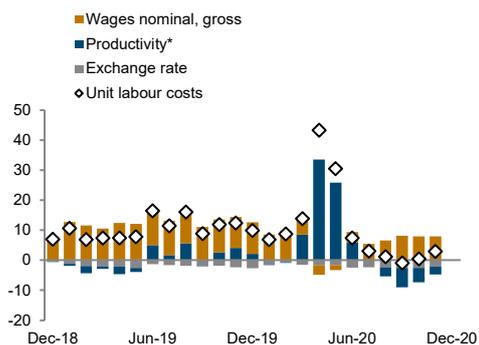
### Real sector development

in %



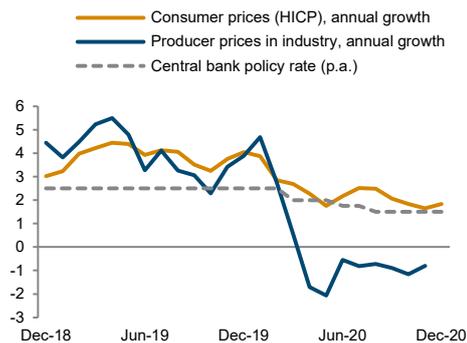
### Unit labour costs in industry

annual growth rate in %



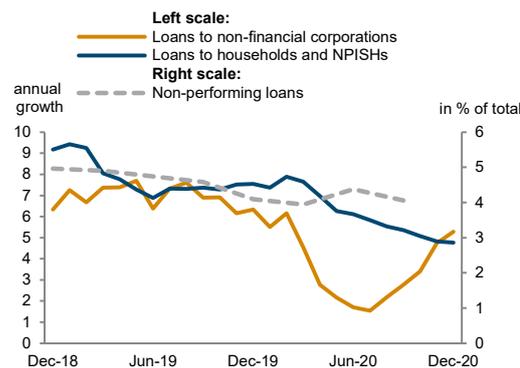
### Inflation and policy rate

in %



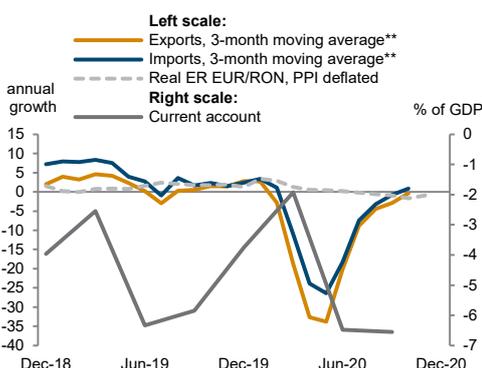
### Financial indicators

in %



### External sector development

in %



\*Positive values of the productivity component on the graph reflect decline in productivity and vice versa.

\*\*EUR based.

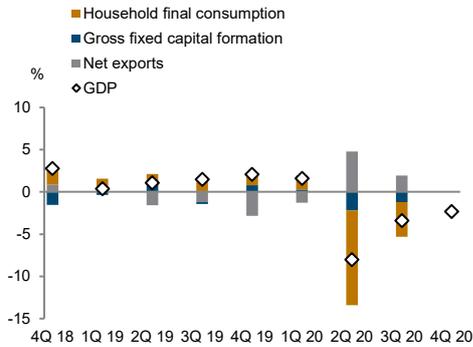
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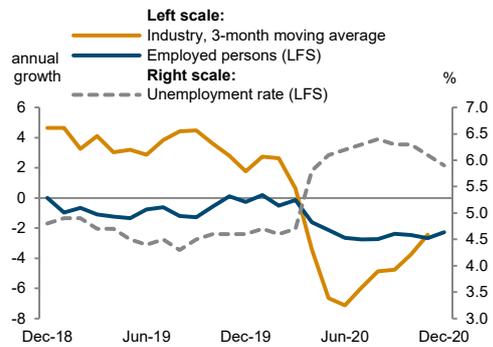
<https://data.wiiw.ac.at/monthly-database.html>

# Russia

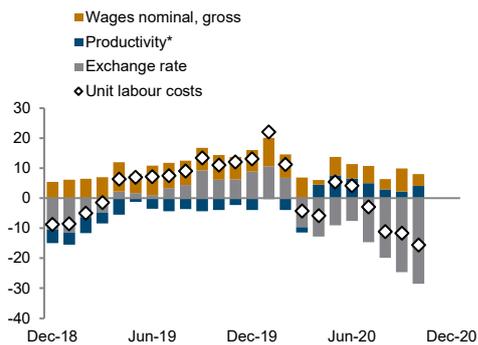
**Real GDP growth and contributions**  
year-on-year



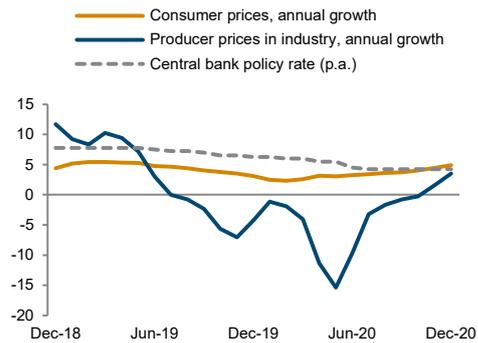
**Real sector development**  
in %



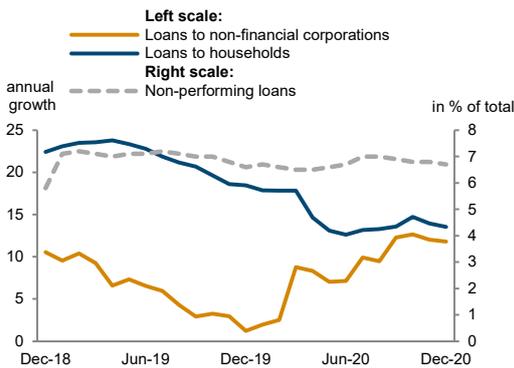
**Unit labour costs in industry**  
annual growth rate in %



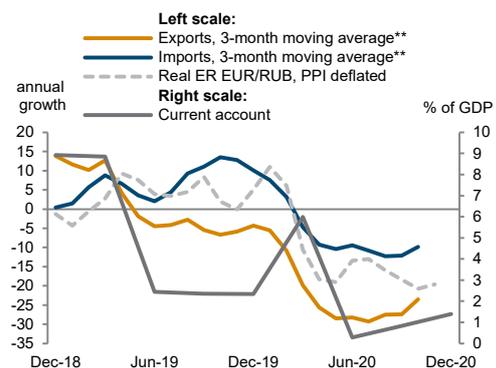
**Inflation and policy rate**  
in %



**Financial indicators**  
in %



**External sector development**  
in %



\*Positive values of the productivity component on the graph reflect decline in productivity and vice versa.  
\*\*EUR based.

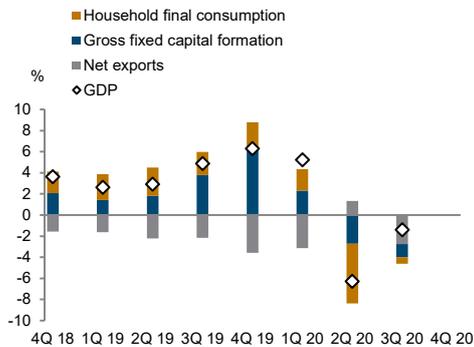
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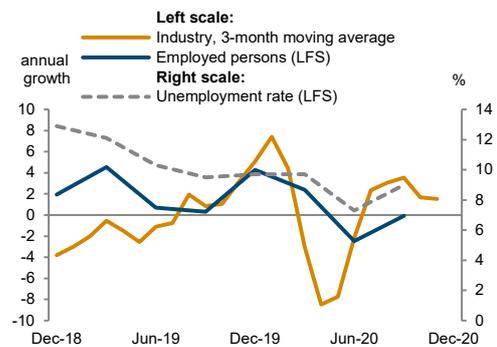
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# Serbia

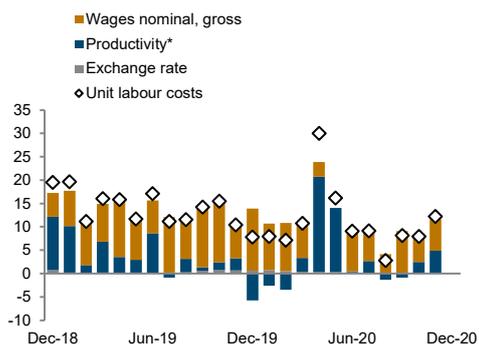
**Real GDP growth and contributions**  
year-on-year



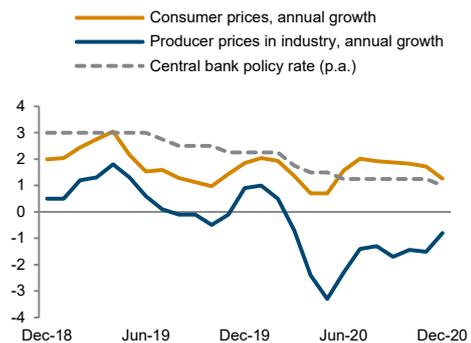
**Real sector development**  
in %



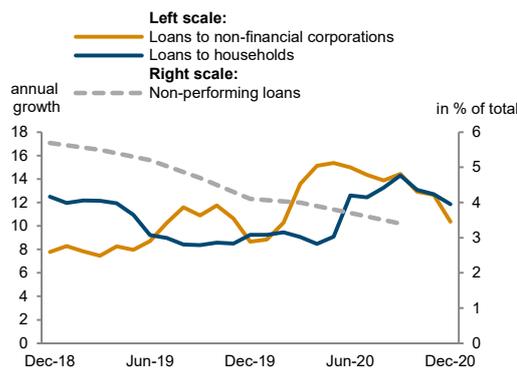
**Unit labour costs in industry**  
annual growth rate in %



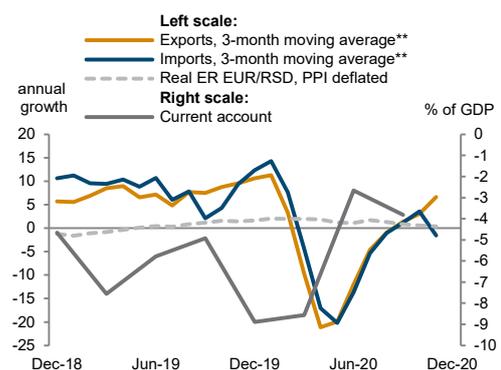
**Inflation and policy rate**  
in %



**Financial indicators**  
in %



**External sector development**  
in %



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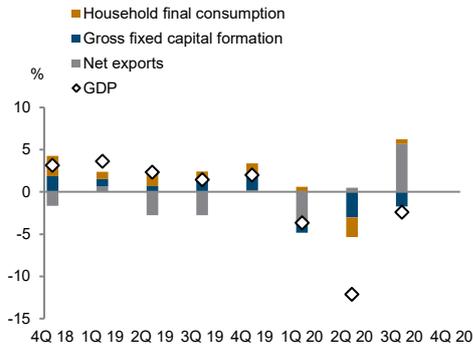
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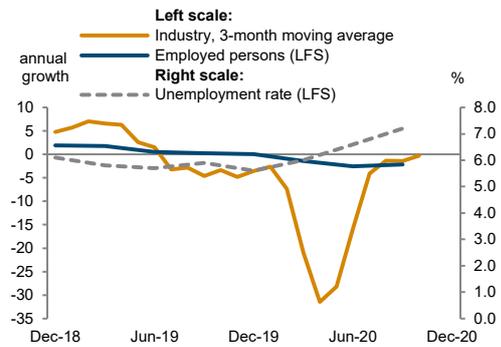
<https://data.wiw.ac.at/monthly-database.html>

# Slovakia

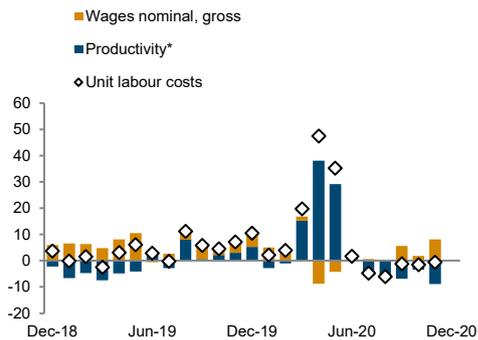
**Real GDP growth and contributions**  
year-on-year



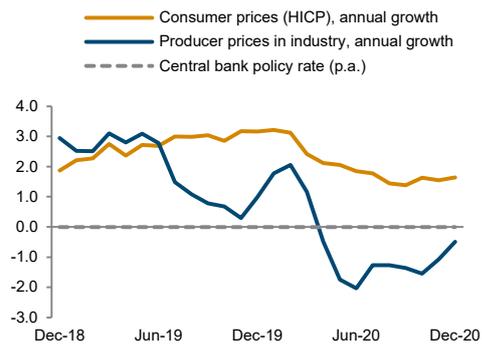
**Real sector development**  
in %



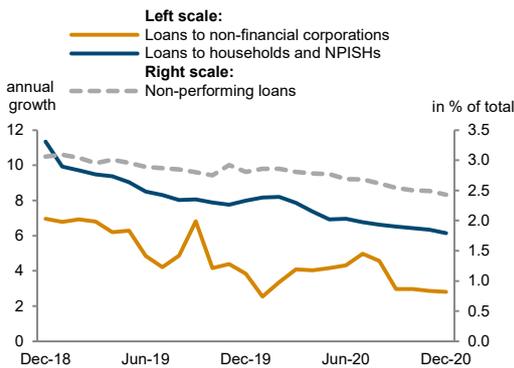
**Unit labour costs in industry**  
annual growth rate in %



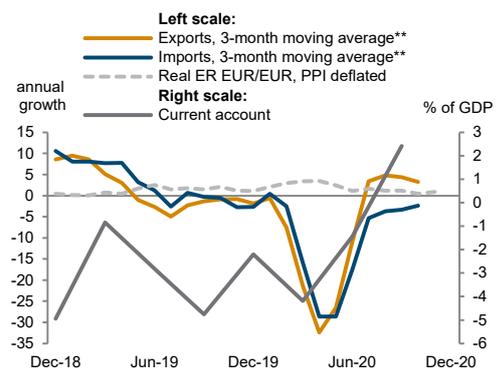
**Inflation and policy rate**  
in %



**Financial indicators**  
in %



**External sector development**  
in %



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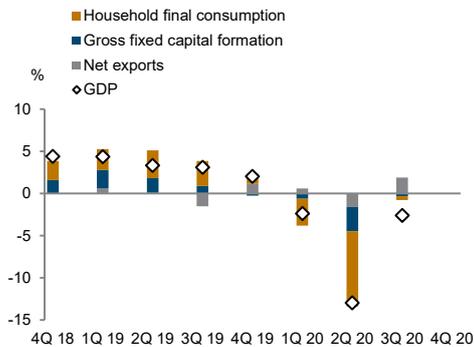
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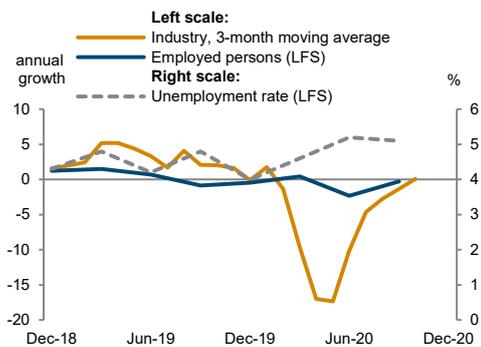
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# Slovenia

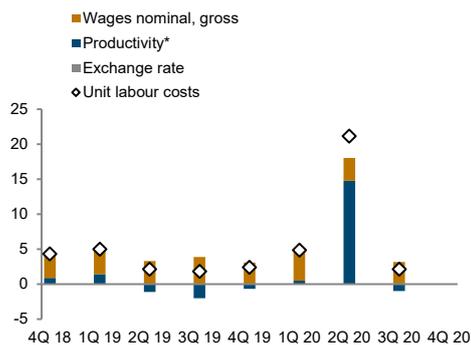
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year-on-year



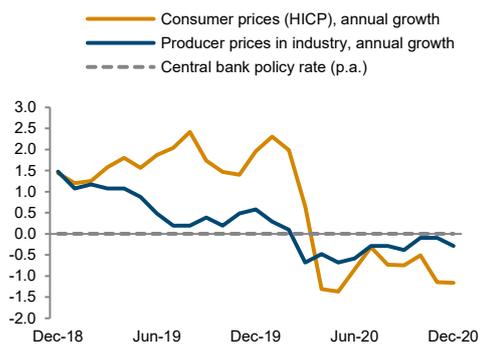
**Real sector development**  
in %



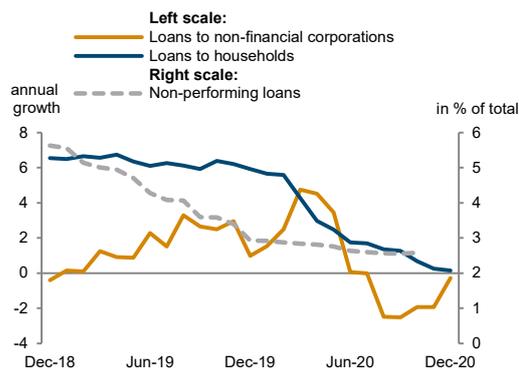
**Unit labour costs in industry**  
annual growth rate in %



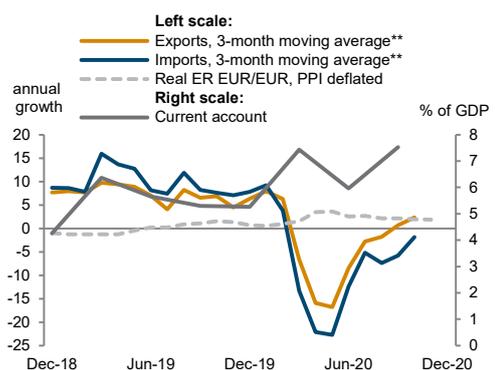
**Inflation and policy rate**  
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**Financial indicators**  
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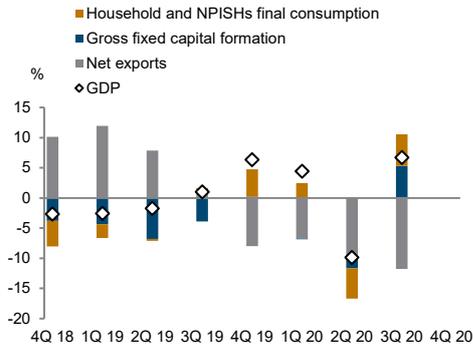
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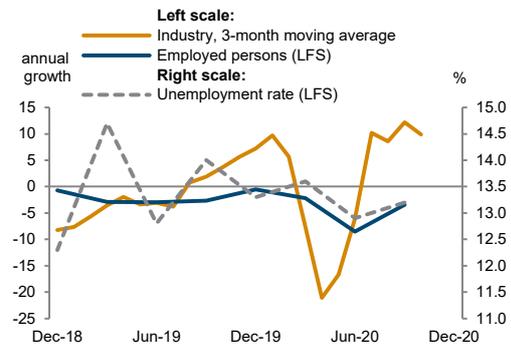
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# Turkey

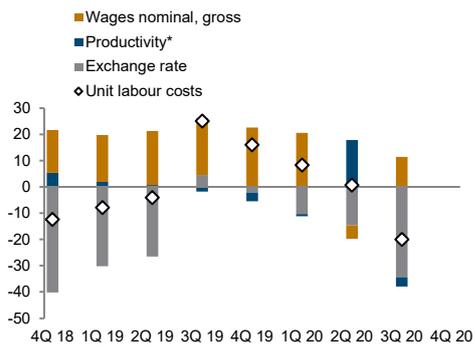
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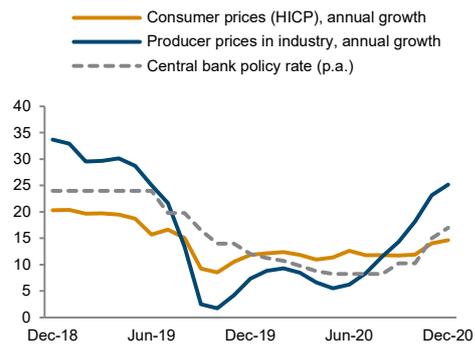
**Real sector development**  
in %



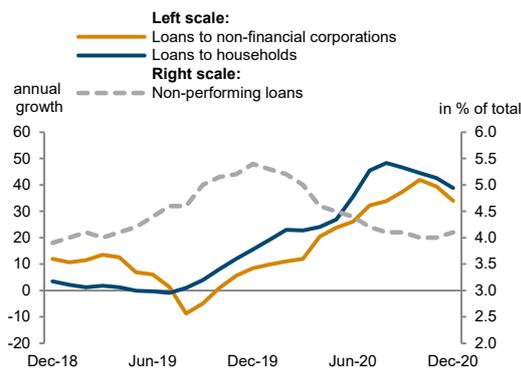
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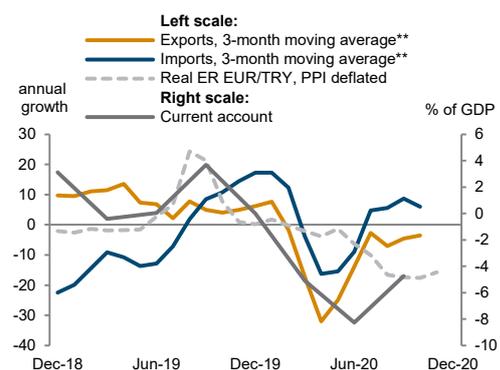
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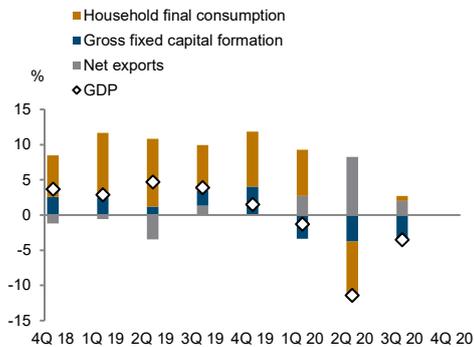
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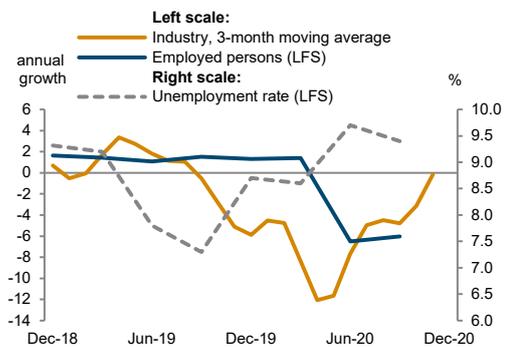
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# Ukraine

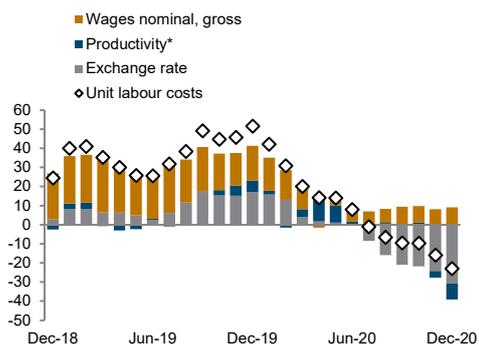
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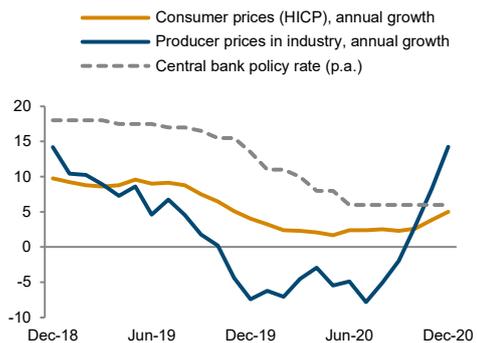
**Real sector development**  
in %



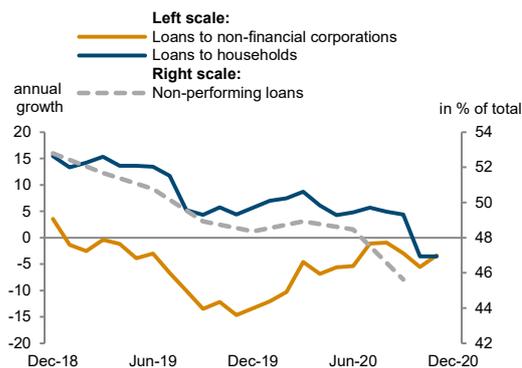
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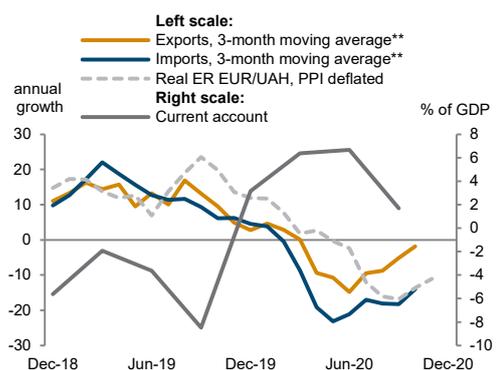
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