THE LAST DEVELOPMENT OF THE ECONOMY OF THE VISEGRAD FOUR

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Abstract

The development of the economy can be described by using main economic indicators, such as the rate of gross domestic product, rate of inflation and rate of unemployment. Main economic indicators are supplemented by indices of competitiveness. In the text is the trend of economic indicators from 2000 to 2011 and preliminary data for 2012 in the Visegrad countries, i.e. in the Czech Republic, Hungary, Poland and Slovak Republic. Description of relationship among these indicators and contemporary competitiveness of countries of the Visegrad Four are described under the conditions of the contemporary cyclical development. Analysing economic cycles by GDP we see, that after a period of positive rates of growth follow absolute decrease of real GDP during 2009 year. The exception is Poland, where was only slowdown. The deepest decline was in Hungary. Forecast of growth in 2012 is sharp slowdown and absolute decline in GDP.

Key words: Main economic indicators. Visegrad Four. Cyclical development

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Introduction

Economic development can be characterized by a number of economic indicators. The most important are gross domestic product, labour market situation, price level and external position. The following is the evolution of these variables in the Visegrad countries, i.e. in the Czech Republic, Hungary, Poland and the Slovak Republic and to compare the Euro zone countries.

1 Main Economic Indicators

1.1 Gross domestic product

Gross domestic product (GDP) is the basic measure of economic activity. It is the value of all final goods and services produced in the economy in a year.

Tab. 1: Real GDP (percentage change from previous year)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011 forecast	2012 forecast
Czech Republic	4,2	3,1	2,1	3,8	4,7	6,8	7,0	5,7	3,1	-4,7	2,7	2,1	1,6
Hungary	4,2	3,7	4,5	3,9	4,8	4,0	3,9	0,1	0,9	-6,8	1,3	1,5	-0,6
Poland	4,5	1,3	1,5	3,9	5,2	3,6	6,2	6,8	5,0	1,6	3,8	4.2	2,5
Slovak Republic	1,4	3,5	4,6	4,8	5,1	6,7	8,3	10,5	5,9	-4,9	4,2	3,0	1,8
Euro Area	3,9	2,0	0,9	0,7	2,0	1,8	3,3	3,0	0,3	-4,2	1,8	1,6	0,2

Source: OECD Economic Outlook No 90: Annex-Tables, tab. 1, www.oecd.org

Analysing economic cycles by indicator GDP we can see, that after a period of positive rates of growth follow absolute decrease of real GDP during 2009 year. The exception is Poland, where was only slowdown. The deepest decline recorded in Hungary during 2009, Slovak Republic and the Czech Republic. Forecast of growth in 2012 is sharp slowdown and absolute decline in GDP.

Tab. 2: Output gaps (Deviations of actual GDP from potential GDP as a per cent of potential GDP)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011 forecast	2012 forecast
Czech Republic	-1,3	-1,2	-2,5	-2,7	-2,3	-0,2	2,4	3,6	4,1	-2,7	-2,1	-2,4	-3,5
Hungary	-1,0	-0,8	0,3	1,0	2,6	3,7	5,2	3,3	2,8	-4,6	-3,9	-3,1	-4,5
Poland	2,4	-0,3	-2,2	-1,9	-0,8	-1,8	-0,8	0,7	1,2	-0,7	0,3	1,5	0,8
Slovak Republic	-3,4	-3,3	-2,9	-2,8	-3,0	-1,8	1,0	6,1	7,5	-1,1	0,8	1,1	-0,7
Euro	1,5	1,1	-0,1	-1,1	-0,7	-0,5	1,2	2,5	1,2	-3,9	-3,1	-2,6	-3,6

Area													

Source: OECD Economic Outlook No 90: Annex-Tables, tab. 10, www.oecd.org

Recession 2008 – 2009 caused the emergence of deep output gap. After the recession the output gap has been reduced, but at present due to a decrease in growth rate is expected to grow again.

Of the countries is the highest expected negative output gap in Hungary, followed by the Euro Area as a whole, as well as Czech Republic and Slovakia. The exception again is Poland, where it awaits a positive output gap.

1.2 Labour Market

The labour market is another important indicator of the state of economy. Status of the labour market is usually characterized by unemployment. The unemployment rate is the share of unemployed in the country's labour force, i.e. economically active population.

Tab. 3: Unemployment rates: commonly used definitions (Per cent of labour force)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011 forecast	2012 forecast
Czech Republic	8,9	8,2	7,3	7,8	8,3	8,0	7,2	5,3	4,4	6,7	7,3	6,9	6,7
Hungary	6,5	5,8	5,9	5,9	6,2	7,3	7,5	7,4	7,9	10,1	11,2	11.0	11,9
Poland	16,1	18,2	19,9	19,6	19,0	17,7	13,8	9,6	7,1	8,2	9,6	9,6	9,9
Slovak Republic	18,8	19,3	18,7	17,5	18,2	16,2	13,4	11,1	9,5	12,1	14,4	13,4	13,2
Euro Area	8,3	7,8	8,2	8,7	9,0	8,9	8,2	7,4	7,5	9,4	9,9	9,9	10,3

Source: OECD Economic Outlook No 90: Annex-Tables, tab. 13, www.oecd.org

„Unemployment is undoubtedly phenomenon with serious social-economic impact on individuals and society as a whole". (Čadil, Pavelka, Kaňková, Vorlíček, 2011)

Based on data from the table it can be said that the unemployment rate makes a upward trend. The exception is the Czech Republic and Slovakia, where is assumed in 2012 a slight decrease in the unemployment rate. At the same time Slovak Republic has the highest

unemployment rate of all countries surveyed. The lowest unemployment rate exhibits Czech Republic.

Problems of long-term unemployment are analysed by Pavelka, Loster, Makovský, Langhamrová (2011). The article "Diplom and its value" (in Czech) also offers stimulating view on unemployment issue (Kaňková, 2010).

1.3 Price Level

The price level is expressed in terms of price indices. The following tables' lists are GDP deflator and Consumer Price Index.

Tab. 4: GDP deflators (Percentage change from previous year)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011 forecast	2012 forecast
Czech Republic	1,4	4,6	2,7	0,9	4,0	-0,3	0,5	3,3	1,9	1,9	-1,7	0,0	1,9
Hungary	9,7	11,3	8,5	5,4	5,2	2,5	3,5	5,4	5,3	3,6	3,1	2,0	4,0
Poland	7,4	3,7	2,1	0,2	4,4	2,6	1,5	4,0	3,2	3,4	1,7	2,8	2,3
Slovak Republic	9,4	5,0	3,9	5,3	5,8	2,4	2,9	1,1	2,9	-1,2	0,5	2,0	2,8
Euro Area	1,4	2,5	2,5	2,2	1,9	1,9	1,8	2,3	1,9	0,9	0,7	1,3	1,5

Source: OECD Economic Outlook No 90: Annex-Tables, tab. 16, www.oecd.org

Tab. 5: Consumer price indices (Percentage change from previous year)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011 forecast	2012 forecast
Czech Republic	3,9	4,7	1,8	0,1	2,8	1,9	2,6	3,0	6,3	1,0	1,5	1,7	3,1
Hungary	9,8	9,1	5,3	4,7	6,7	3,6	3,9	8,0	6,0	4,2	4,9	3,9	4,9
Poland	9,9	5,4	1,9	0,7	3,4	2,2	1,3	2,4	4,2	3,8	2,6	4,0	2,5
Slovak Republic	12,2	7 2	3,5	8,4	7,5	2,8	4,3	1,9	3,9	0,9	0,7	4,1	2,9

Euro Area	2,2	2,4	2,3	2,1	2,2	2,2	2,2	2,1	3,3	0,3	1,6	2,6	1,6

Source: OECD Economic Outlook No 90: Annex-Tables, tab. 18, www.oecd.org

Forecast of GDP deflator 2012 is positive for EA12 as a whole and for Visegrad countries. Forecast by CPI is similar as GDP deflator, but there are great differences in these two indicators.

1.4 External economic relations

External economic relations are measured by current account of balance of payments.

Tab.6: Current account balances as a percentage of GDP

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011 forecast	2012 forecast
Czech Republic	-1,2	-1,6	-0,9	-1,1	2,2	1,2	4,8	4,6	-2,2	1,5	2,1	-1,1	-2,2
Hungary	-8,7	-6,1	-7,0	-8,0	-8,6	-7,5	-7,4	-7,3	-7,3	-0,2	1,1	1,9	1,4
Poland	-6,0	-3,1	-2,8	-2,5	-5,3	-2,4	-3,8	-6,2	-6,5	-3,9	-4,5	-4,4	-4,4
Slovak Republic	-3,5	-8,3	-7,9	-5,9	-7,8	-8,5	-7,8	-5,3	-6,6	-3,2	-3,5	-1,6	-1,5
Euro Area	-0,6	0,1	0,6	0,5	1,1	0,4	0,3	0,2	-0,7	0,0	0,2	0,1	0,6

Source: OECD Economic Outlook No 90: Annex-Tables, tab. 51, www.oecd.org

Forecast deficit of the current account of balance of payments of the year 2012 is worsening in Poland, Czech Republic, Slovak Republic and Hungary, but in EA12 as a whole is a favourable..

2 Competitiveness

„According to the OECD definition competitiveness of national economies is defined by the ability to produce goods and services that will stand the test of international competition and at the same time by the ability to maintain or increase GDP". (Nečadová, Scholleová 2011)

The above indicators may not be fully indicative of the success of the economy. For comparison individual economies are supplemented by other indicators, such as indices of competitiveness.

Tab.7: Competitive positions: relative consumer prices (Indices, 2005 = 100)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Czech Republic	104,1	95,7	94,7	88,6	94,7	100,0	104,0	102,1	103,7	100,0	106,4
Hungary	75,1	81,3	89,7	91,9	98,0	100,0	95,4	106,3	109,0	102,4	104,1
Poland	91,0	94,5	102,0	100,5	96,0	100,0	99,9	99,7	99,7	98,1	102,7
Slovak Republic	76,9	77,9	78,9	89,1	97,6	100,0	105,4	116,1	125,8	135,2	129,5
Euro Area	82,7	84,3	87,8	98,5	102,0	100,0	99,7	101,9	104,0	105,1	104,0

Source: OECD Economic Outlook No 90: Annex-Tables, tab. 42, www.oecd.org[1]

Tab.8: Competitive positions: relative unit labour costs (Indices, 2005 = 100)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Czech Republic	76,8	85,5	96,5	101,1	99,0	100,0	100,6	101,9	107,7	100,2	98,3
Hungary	80,1	87,0	94,1	91,7	97,6	100,0	92,9	99,2	100,7	92,4	84,9
Poland	125,9	129,2	114,4	94,2	88,8	100,0	97,7	99,0	105,0	75,6	76,9
Slovak Republic	114,3	105,6	104,3	105,8	102,5	100,0	102,5	108,0	117,4	134,2	131,5
Euro Area	82,6	82,0	86,9	98,2	103,1	100,0	98,9	101,2	105,3	107,6	100,0

Source: OECD Economic Outlook No 90: Annex-Tables, tab. 43, www.oecd.org[2]

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[1] Competitiveness weighted relative consumer prices in dollar terms. Competitiveness weights také into account the structure of competition in both export and import market of the manufacturing sector od 49 countries. An increase in the index indicates a real effective appreciation and a correspondent deterioration of the competitive position.

Conclusion

In the preceding text is the trend of selected economic variables from 2000 to 2011 and preliminary data for 2012. Of the Visegrad Four countries according to the development of these indicators probably the most successful is Poland, which is the only country inexperienced a recession 2008 – 2009. The success or failure of the economy but can not be evaluated in isolation. Selected economic indicators are therefore supplemented by other indicators, such as indices of competitiveness.

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[2] Competitiveness weighted relative unit labour costs in the manufacturing sector in dollar terms. Competitiveness weighs také into account the structure of competition in both export and import market sof the manufacturing sector of 49 countries. An increase in the index indicates a real effective appreciation and a corresponding deterioration of the competitive position.

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