Warsaw, 2 February 2021

Over 30 years, the Visegrad Group exports have increased by a factor of 19

The Visegrad Group was established on 15 February 1991. In 1991–2019, its GDP rose by 155 per cent. Between 1995 and 2019, the value of exports of goods went up more than 19 times, that of imports – 16 times, whereas fixed capital formation rose 3 times faster than in the EU-15. Simultaneously, in 2019, GDP per capita represented nearly 72 per cent of the EU-15's level. At present, the region is Europe's sixth economic power and third consumer market – according to the Polish Economic Institute's report entitled 'The Visegrad Group – 30 years of transition, integration and development'.

The past three decades have been a period of significant transformations in the Visegrad Group (V4) countries. The region's investor attractiveness allowed the V4 economies to integrate into global value chains. Commercial and economic linkages with Germany have become particularly strong; today, the volumes of exports and imports between the V4 countries and Germany are one-and-a-half times those recorded in Germany–China trade. Another successful development are low unemployment rates, even in comparison with the Western European Member States. At the same time, the region still needs to keep catching up with the EU's most advanced economies. Other problems include the ageing populations, depopulation and limited inward migration.

EU accession brought the V4 countries closer to the wealthiest economies

In 2019, the GDP (at current prices) of the V4 countries was EUR 996 billion, up by 155 per cent on 1991. Against the backdrop of the region, Poland was distinguished by robust growth – the Polish economy more than tripled. The share of the V4 countries in the EU economy increased significantly – from 4.6 per cent in 2004 to 6.2 per cent in 2019. A key driver of the convergence process was foreign demand, primarily for products of internationalised manufacturing industries, mostly the automotive industry and mechanical engineering. Whereas convergence was sluggish in the 1990s, the narrowing of the income gap accelerated after the EU accession of the V4 countries in 2004.

As late as 2000, the GDP *per capita* at purchasing power parity of the V4 countries accounted for 45 per cent of the EU-15 average; the indicator jumped to 72 per cent in 2019. The Czech Republic is the closest to that level, with its GDP *per capita* at 92 per cent of the EU-28 average in 2019. EU funds have served as a vital element of increasing the economic competitiveness and improving the quality of life in the V4. In 2004–2019, the EU budget contributions, mainly under the

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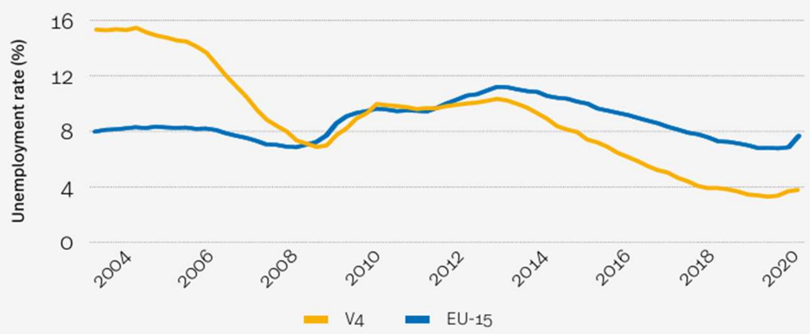
common agricultural policy and the cohesion policy, to Poland, the Czech Republic, Hungary and Slovakia nearly totalled EUR 328 billion. Poland received the most funds (55.2 per cent).

'The Visegrad countries have made enormous progress in the past three decades. At the political level, integration into the West due to accession to NATO and the EU was of key importance. The stimulants of the economic position of the V4 countries, in addition to EU funds, mainly included the inflow of enormous investment in the form of private foreign capital. The stock of inward foreign direct investment soared by a factor of 118, from USD 5 billion in 1991 to USD 565 billion in 2019. The Visegrad Group has a chance of maintaining the current downward trends of the income gap. Reducing differences in innovation remains a challenge: between 2000 and 2019, the Czech Republic narrowed the gap in research and development expenditure from 0.7 percentage point to 0.26 percentage point, whereas Poland – from 1.17 percentage points to 0.88 percentage point respectively. Furthermore, a much lower share of scientific publications are still published in journals with the highest impact factors', said Marek Wąsiński, the head of the foreign trade team at the Polish Economic Institute.

A shock-resilient labour market, but demographic trends pose a development risk

As late as 2003–2004, the unemployment rate in the V4 countries was nearly double that noted in the EU-15 (15.4 per cent against 8 per cent). However, in a longer term and in the aftermath of the global financial crisis of 2008–2010, the EU-15 job markets suffered more. A permanent break-even point was noted in 2012; since then, the V4 unemployment rate has been below the EU-15 level.

↘ Chart 24. Quarterly unemployment rate in the EU-15 and V4 countries in 2003-2020 (%)



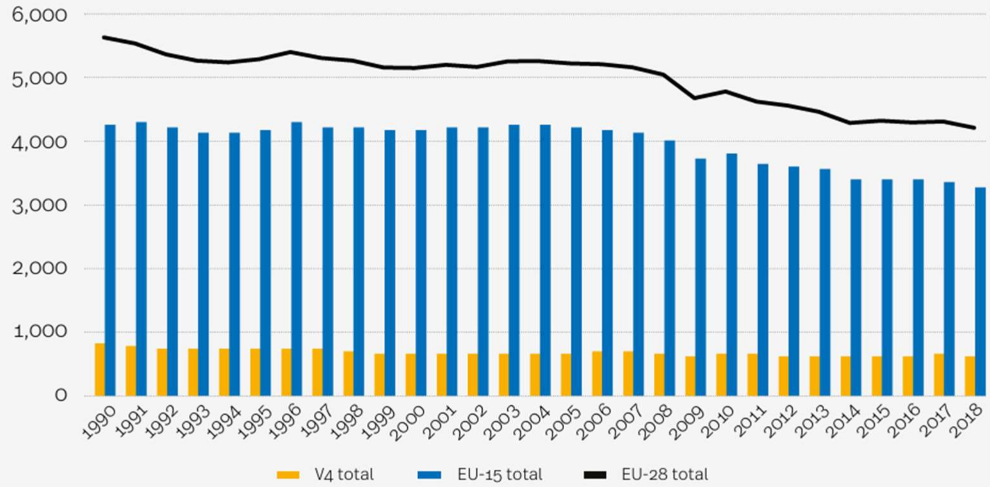
Source: prepared by PEI based on: Eurostat Database (2021).

At the same time, over the past 30 years, the V4 population has dropped by 1 per cent, whereas that of the EU has risen by 12 per cent. A major outflow of young and well-educated citizens from the V4 countries in the first years after joining the EU deteriorated the region's population forecasts. Migration trends concurred with socio-cultural changes, which resulted in developments such as negative population growth rates.

The V4 countries' economic transition favourable for the climate

A radical shift in the economic model in the V4 countries involved significant social costs, mostly caused by structural unemployment due to shut-downs in unprofitable industries. However, apart from such adverse social effects, the past 30 years have resulted in a considerable reduction (by 23 per cent) in greenhouse gas emissions. The key drivers included industry and energy modernisation and transition to the market economy and a greater role played by the service sector.

↘ Chart 31. Greenhouse gas emissions in 1990-2018 (million tonnes CO_2-eq)



Source: prepared by PEI based on EEA data.

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The Polish Economic Institute is a public economic think tank with a history dating back to 1928. Its main research areas include foreign trade, macroeconomics, energy, and the digital economy, as well as strategic analyses of key areas of social and public life in Poland. The Institute prepares analyses and expert studies supporting the implementation of the Strategy for Responsible Development and promotes Polish research in economic and social sciences domestically and internationally.

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