

Development paths of countries and regions of Central and Eastern Europe

Before the transformation, Poland was one of the least economically developed countries in the CEE-11 group; in respect of GDP per capita at PPP it exceeded only Romania. / In 1990–2019 the fastest growing economy in the CEE-11 group was Poland, whose GDP rose more than 2.5 times (the index was 256). It means that the average annual growth rate was 3.2%. The only CEE country that had undergone transformation and had a similar development rate was Slovakia (2.5% annually). / In 1990–2019 Poland managed to reduce the economic development gap with all the old Member States of the European Union (except Ireland).

The evaluation of economic development paths in the examined countries of Central and Eastern Europe in 1990–2019 should take into account deep economic decline (so called ‘transformation recession’) that occurred as a result of launching the process of political transformation. In the beginning of the transformation it caused a cumulated drop in national income by as much as 18% in Poland and almost 65% in Lithuania. The period of transformation recession in the region lasted from 2 years in Poland to even 8 years in Bulgaria.

The transformation recession additionally increased the gap between economic development of Central and Eastern Europe and the Western Europe in the initial years of the political transformation. For instance, while in 1989 GDP per capita adjusted by purchasing power parity (PPP) in Poland accounted for 38% of the average GDP in EU-15 countries, in 1991 (when the transformation recession ended) it fell down to 32%. It also should be added that before the beginning of the transformation, Poland was one of the least economically developed countries in the CEE-11 group and in respect of GDP per capita at PPP it exceeded only Romania.

Nevertheless, it was the fastest developing economy in the CEE-11 group in 1990–2019. Similar trends were observed for development paths of Poland and two reference groups in the 2004–2019 period, or after Poland’s accession to the EU. The situation changed slightly after the 2008 global financial crisis (2010–2019). The development rates in that period were less diversified both among the CEE countries and comparing the average for CEE-11 and EU-15. That was also when Poland lost its leading position in the region.

Between 1990 and 2019 GDP of Poland, as the only country from the analysed group, grew by more than 2.5 times (the index was 256). It means that the average annual growth rate (taking into account the 1990–1991 transformation recession) was 3.2%. The only CEE country that had undergone transformation and had a similar development rate was Slovakia (2.5%

annually). Average economic growth rate in 1990–2019 in Poland in annual terms was 2.5 higher (3.2%) than the average for EU-15 (1.3%). Other countries that achieved economic growth rate higher than the EU-15 average were Estonia, Slovenia, Czechia, Romania and Hungary. At the opposite end were Croatia, Bulgaria, Latvia, Lithuania, where the economic growth was lower than the EU-15 average.

In the period following Poland's accession to the EU, its GDP grew by 80% (i.e. on average by about 4.2% a year). Similarly to the entire period of political transformation, Poland was in this respect a leader in the group of the new EU Member States (only Slovakia with 73% and Romania with 70% growth achieved a similar rate). Simultaneously, Poland also had a much higher growth rate than EU-15 countries. It should be highlighted that in 2004–2019 all the CEE-11 countries, except Croatia, had a higher economic growth rate than the average for EU-15 economies, which meant a reduction of the historical wealth gap with the Western Europe.

Although Poland was the only EU Member State that was not affected by the recession caused by the 2008 financial crisis, in the years 2010–2019 that followed it lost the leading position of the fastest developing economy among the CEE countries and its “growth yield” compared to the EU-15 also dropped. It was mostly caused by slower development pace in Poland – an

average annual GDP growth rate in that period was 3.2% and it was by 1 percentage point lower than in the years 2004–2019, or after Poland's accession to the EU (4.2%).

As a result of interaction of these trends, Poland managed to reduce significantly (in 1990–2019) the economic development gap with all the old EU Member States, except Ireland. Improvement of the relative development position of the Polish economy was a consequence of not only higher economic growth rate, but also diversified demographic trends, as well as directions and pace of currency exchange rate fluctuations in individual countries.

MARIUSZ PRÓCHNIAK, habilitated doctor of economic sciences, Department of Economics II of SGH Warsaw School of Economics; **JULIUSZ GARDAWSKI**, professor of economic sciences, Institute of Philosophy, Sociology and Economic Sociology of SGH Warsaw School of Economics; **MARIA LISSOWSKA**, professor of economic sciences, Department of Economics II of SGH Warsaw School of Economics; **PIOTR MASZCZYK**, doctor of economic sciences, Department of Economics II of SGH Warsaw School of Economics; **RYSZARD RAPACKI**, professor of economic sciences, Department of Economics II of SGH Warsaw School of Economics; **ALEKSANDER SULEJEWICZ**, habilitated doctor of economic sciences, Department of Economics II of SGH Warsaw School of Economics; **RAFAŁ TOWALSKI**, doctor of economic sciences, Institute of Philosophy, Sociology and Economic Sociology of SGH Warsaw School of Economics

TABLE 1. GDP growth in Central and Eastern Europe countries in 1990–2019

Country	GDP growth rate (basic prices)				GDP in 2019 ⁴		
	Average annual growth rate (%)	Annual growth rate (%)			1989 = 100	2004 = 100	2010 = 100
		1990–2019	2010	2018			
Visegrad Group states							
Poland	3.2	3.6	5.1	4.1	256	180	137
Czech Republic	1.8	2.3	2.8	2.5	169	147	122
Slovakia	2.5	5.7	4.0	2.7	207	173	128
Hungary	1.7	0.7	5.1	4.6	164	134	130
Average ²	2.3	3.1	4.3	3.5	199	159	129
Baltic states							
Estonia	2.0	2.7	4.8	3.2	184	149	138
Lithuania	1.1	1.5	3.6	3.8	137	158	138
Latvia	0.9	-4.5	4.6	2.5	132	146	135
Average ²	1.3	-0.1	4.3	3.2	151	151	137
Southeast Europe							
Bulgaria	0.9	0.6	3.1	3.6	133	157	125
Croatia	0.5	-1.5	2.7	2.9	116	120	112
Romania	1.7	-3.9	4.4	4.1	163	170	141
Slovenia	1.9	1.3	4.1	2.6	173	134	118
Average ²	1.3	-0.9	3.6	3.3	146	145	124
Western Europe							
UE15 ³	1.3	2.2	1.8	1.2	149	120	113

¹ Estimates. ² Non-weighted average. ³ Weighted average

⁴ For calculating growth rate based on 1989 = 100, historical data of the EBRD for the year 1989 were used.