



NÁRODNÁ BANKA SLOVENSKA
EUROSYSTEM

The Convergence of Slovakia towards the EU

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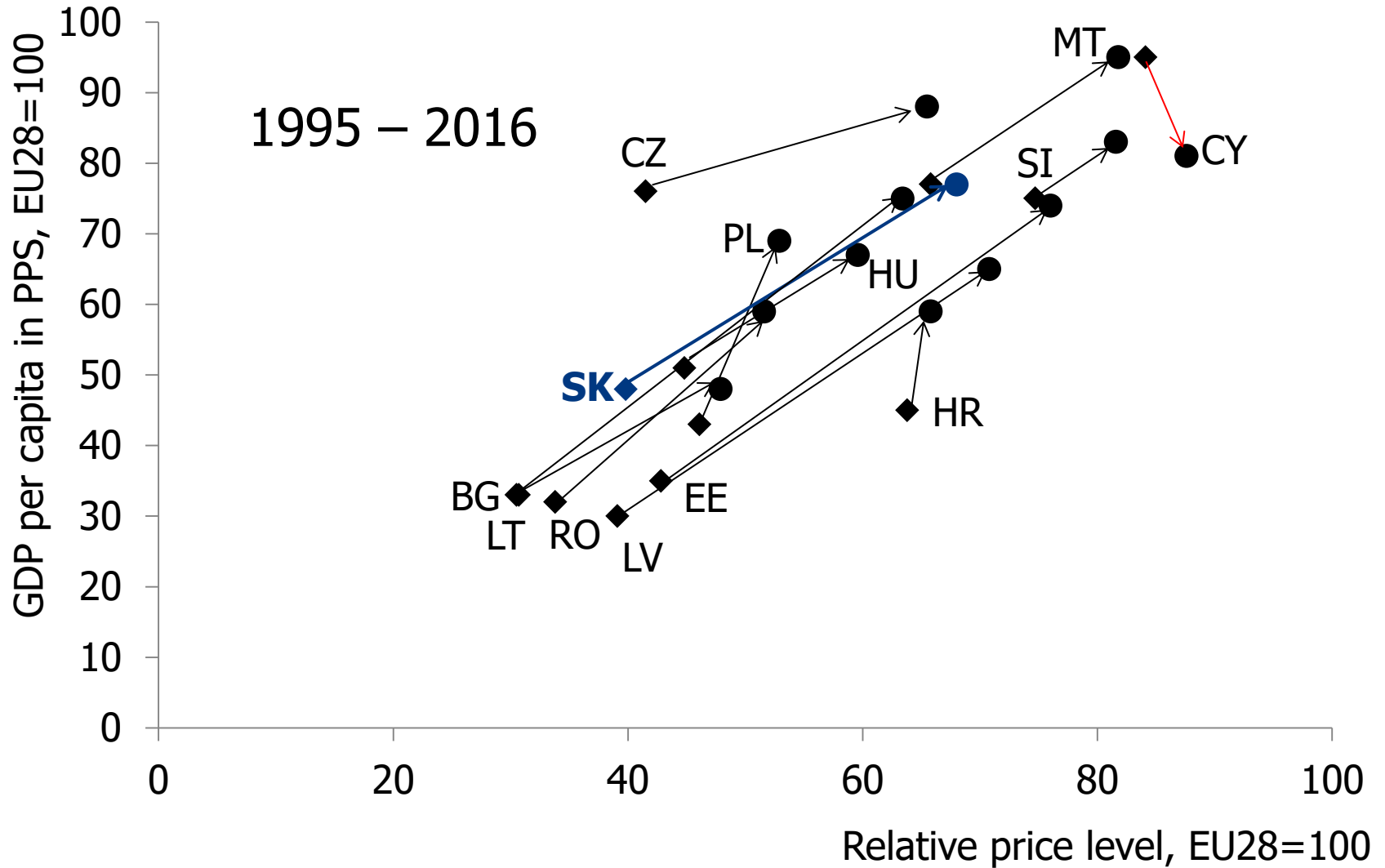
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Tigers ... are not so good distance runners





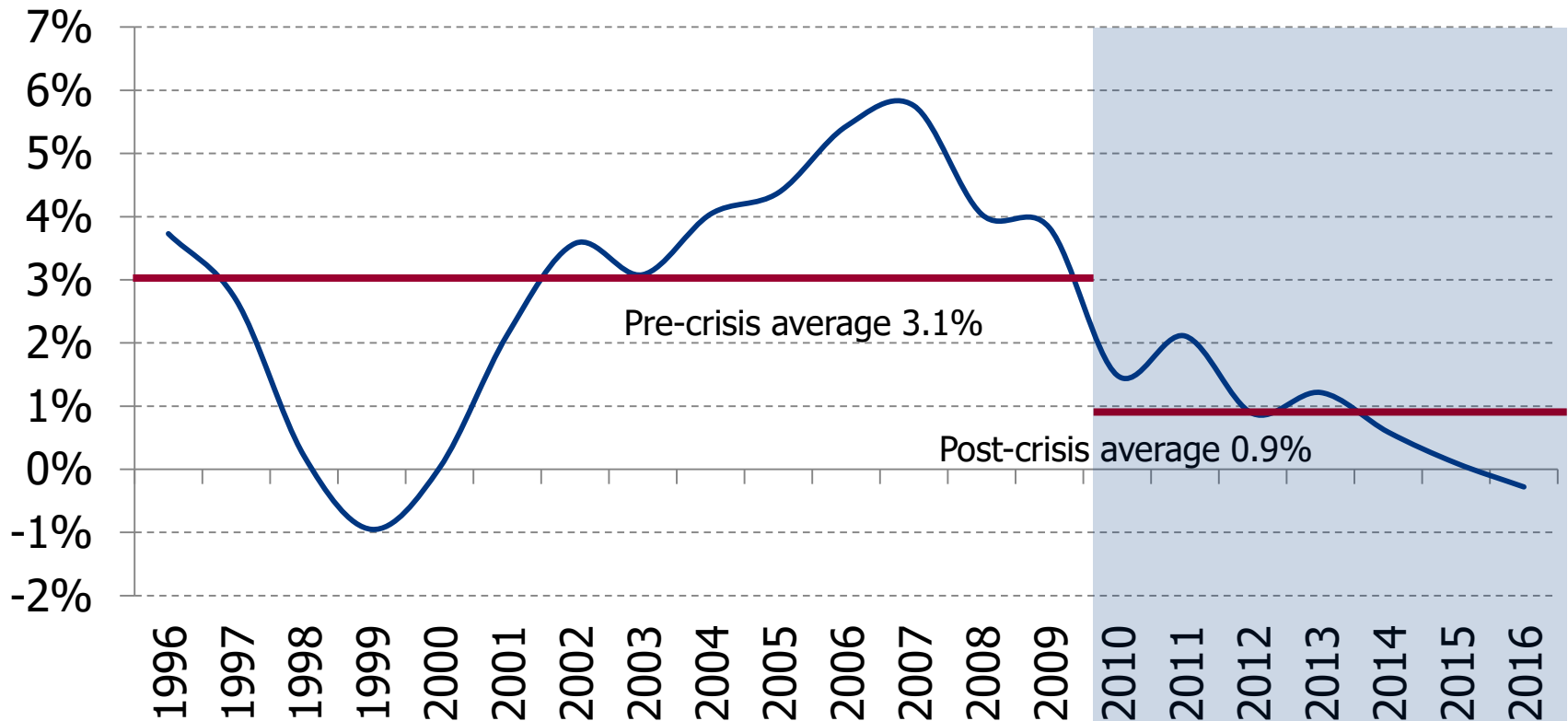
Income Convergence in NMS





Convergence of Slovakia

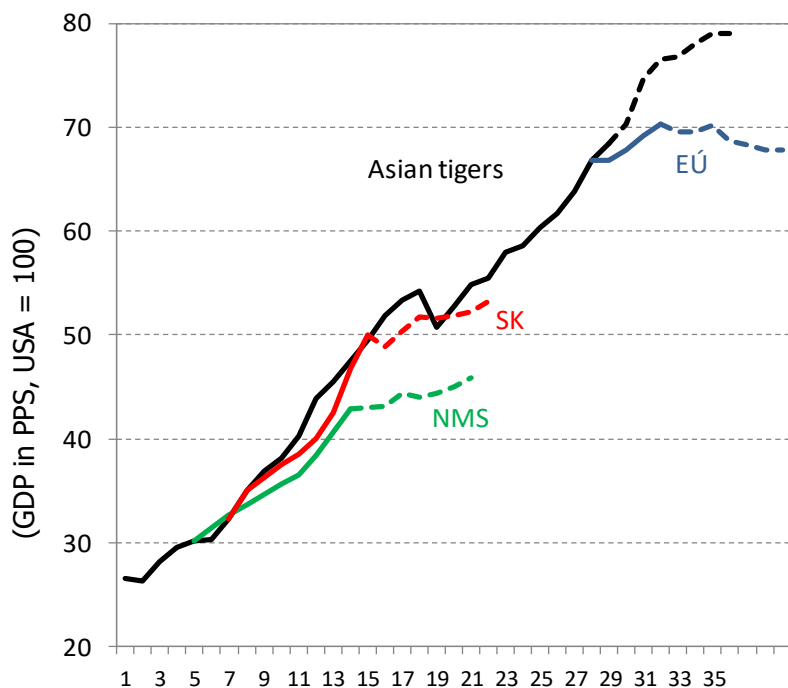
convergence rate





How do we compare to the tigers?

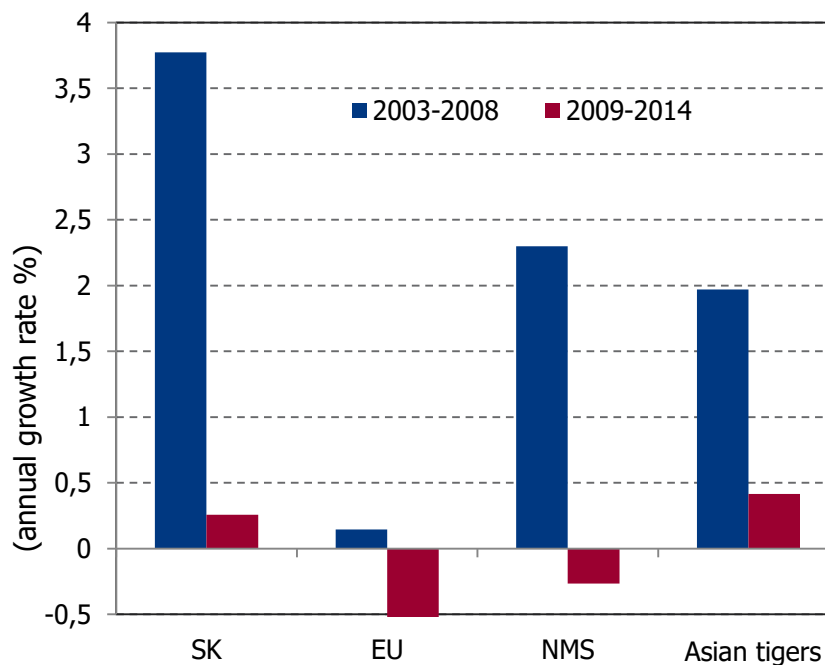
Comparing the convergence in Slovakia and the EU with the Asian tigers



Source: MMF, NBS calculations.

Note: The dashed line is an after-crisis period (2009 -2015). The Asian tigers include South Korea, Taiwan, Hong Kong and Singapore. Data for SK, EU and NMS since 2004.

Comparing TFP before and after the crisis



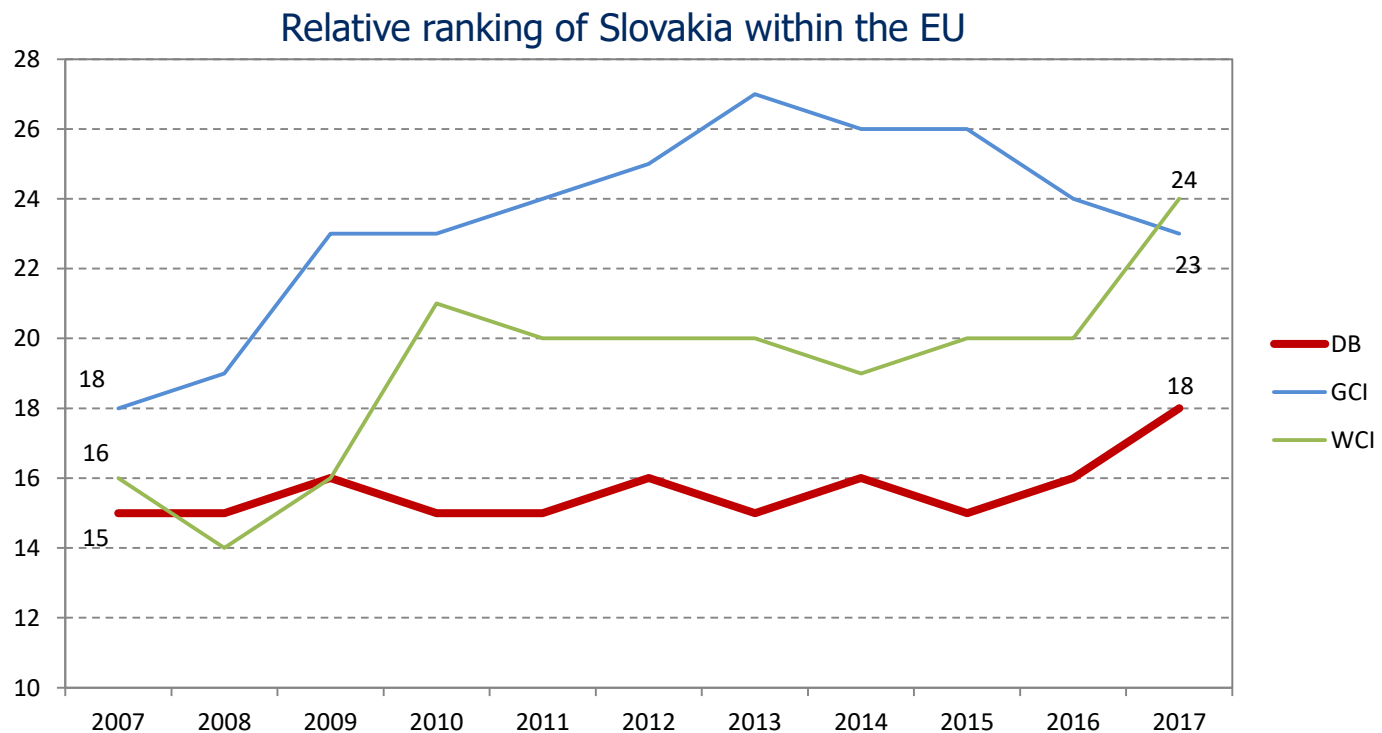
Source: PWT, NBS calculations.

Note: Annual TFP growth rates for the given periods. The Asian tigers include South Korea, Taiwan, Hong Kong and Singapore.



Evolution of the business environment

Slovakia is systematically losing ground in business environment and competitiveness. Other countries are making progress, while we stay where we were a decade ago.



Source: World Bank, WEF, IMD.

Note: DB – Doing Business, GCI – Global Competitiveness Index, World Competitiveness Index.



Risks related to Middle-income Trap

Growth slowdown is most frequent in countries with adverse demographics, low institutional quality and low external competitiveness.

	Birth rate	Tertiary education	Investment to GDP	Free trade	Business regulations	Technological level	FDI	Terms of Trade	Index of Economic Complexity
BG	1.50	26.6	20.5	7.58	7.92	56.4	3.46	107.0	0.71
CR	1.51	21.6	23.9	7.67	6.98	70.4	1.02	97.7	1.05
CY	1.46	41.5	24.6	7.66	6.80	72.2	15.65	92.2	0.89
CZ	1.45	20.0	25.0	7.94	7.73	59.2	3.52	101.6	1.68
EE	1.56	37.2	26.1	8.25	7.82	61.8	3.55	94.1	0.93
HU	1.34	24.5	19.4	7.65	7.50	55.8	-3.08	95.2	1.42
LT	1.44	31.1	26.5	8.08	7.56	59.6	3.20	104.2	0.83
LV	1.60	37.1	19.1	7.61	7.81	67.2	1.53	93.4	0.87
MT	1.43	20.9	13.5	8.12	7.60	69.0	6.07	124.8	-0.64
PL	1.30	28.2	19.6	7.36	7.47	80.3	0.00	97.9	1.15
RO	1.53	17.6	26.3	7.75	7.71	52.2	2.17	109.7	0.91
SK	1.34	19.8	22.1	7.88	7.26	72.7	2.20	91.6	1.61
SI	1.58	29.1	24.9	7.38	6.48	59.5	0.18	94.6	1.56

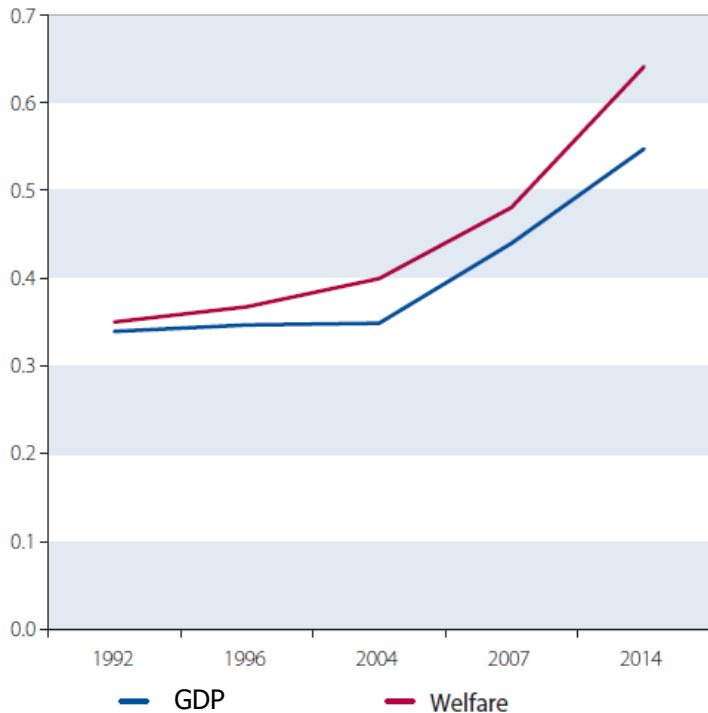
Alternative measure of welfare



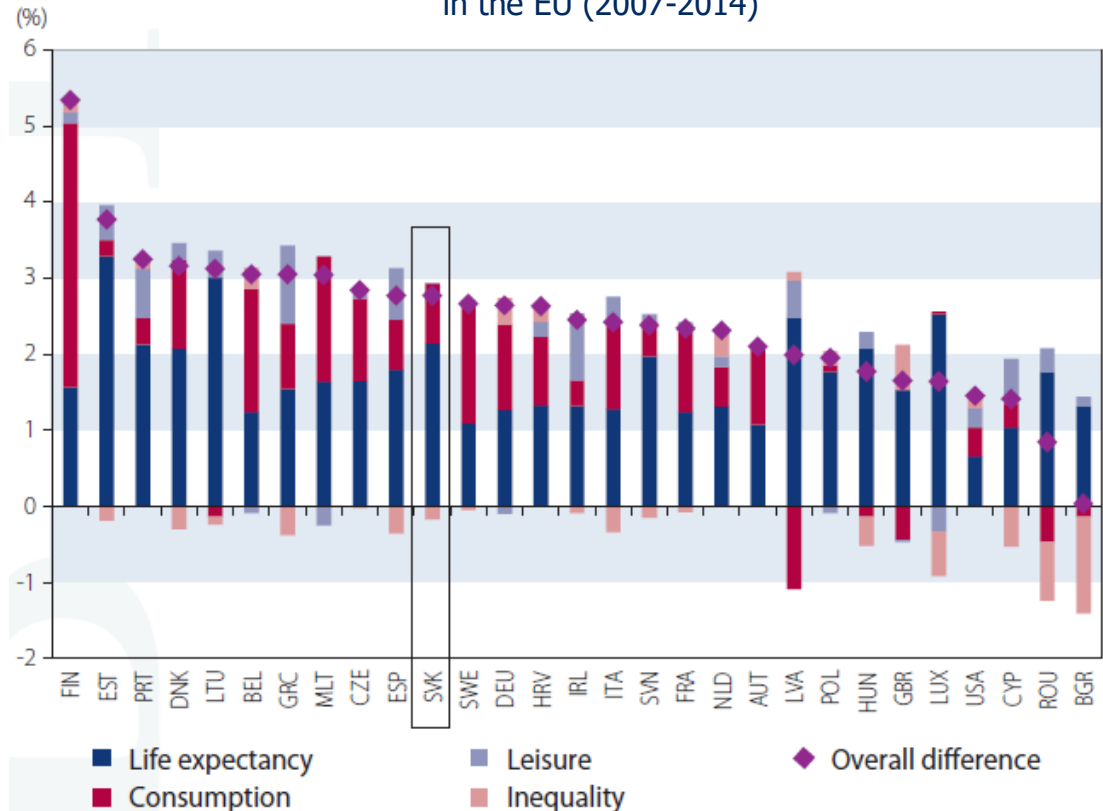
An alternative welfare measure points to a faster convergence of welfare.
 The gap between relative welfare and relative GDP is growing. All EU countries are relatively better in terms of welfare relative to GDP – mainly due to lower inequalities.

Based on Jones and Klenow (2016)

Relative welfare and relative GDP
(USA=1)



Decomposition of the difference between welfare and GDP growth
in the EU (2007-2014)





Thank you
for your attention



Sigma convergence in the EU

Coefficient of variation of GDP per capita in PPS

