

THE CEEC: ECONOMIC GROWTH SPURRED BY REFORMS

After the collapse of the system of economic planning at the beginning of the 1990s and the early attempts to install a market-based system, the economies of the region suffered severe reductions in real gross domestic product. On the average of all CEE countries, real GDP was 25% lower in 1993 than in 1989.

Since the mid-1990s most of the Central and Eastern European (CEE) countries have managed to revive economic growth. During the past five years, growth has accelerated, albeit at a very uneven pace, depending on how far the economic reforms have advanced.

Real GDP growth was highest in Albania (which started from a dismally low level), followed by Poland and Slovakia at more than 5% each. Only Romania and Bulgaria were still on the losing side, with a reduction of economic output.

The EBRD forecasts positive growth rates in all reform countries, however.

Figure 1

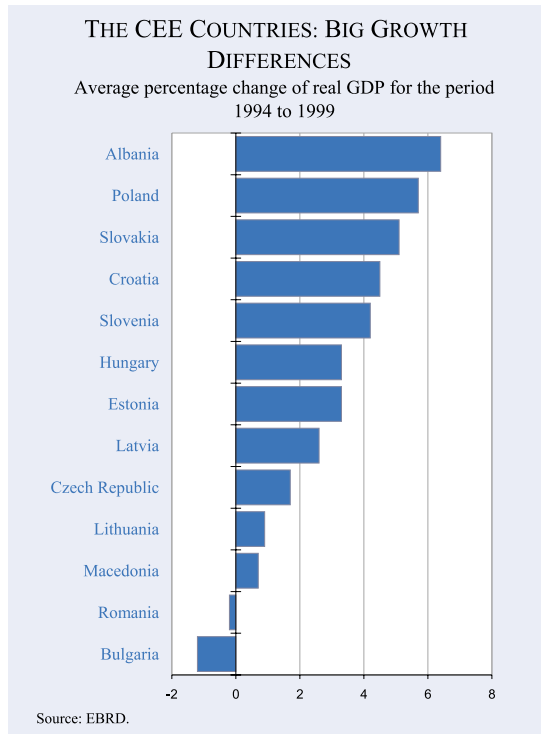
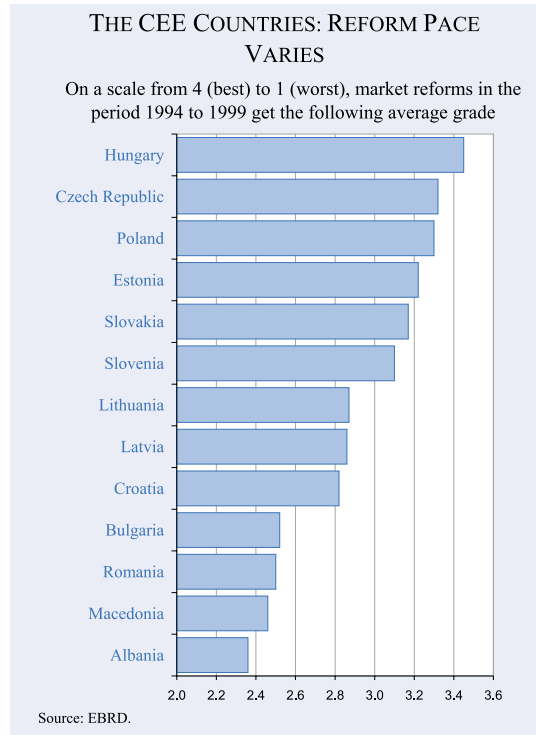


Figure 2



At the beginning of the transformation process, inflation was rampant. From 1991 to 1993 most of the reform countries had three-digit inflation rates. But these times are past. From 1994 to 1999 annual price increases of 100 % and more were registered in only seven countries. In Macedonia, Slovakia and the Czech Republic inflation fell below 10 %, in Croatia even below 3%.

All reform countries are having trouble getting their government finances under control. The smallest government deficits (less than 1 % of GDP on average during the period 1994 to 1999) were registered by Croatia, Slovenia, and Estonia. Estonia also did best in increasing its exports, export growth averaging 20%. Exports of the other CEE countries are also rising sharply.

It is obvious that these countries differ widely in how far they have travelled on the road to economic success. It may be surmised that this has been very much influenced by their efforts at economic reform. Privatisation, the liberalisation of the financial markets, the decontrol of prices, exchange rates and foreign trade are important stepping stones towards a market-based economy. A ranking of the reform achievements of the CEE is shown in Figure 2. It shows Hungary at the top, ahead of the Czech Republic and Poland.

H.C.S.