Włodzimierz Dymarski

Impact of the global crisis on economic performance of Central and East European countries[1]

Introduction

Economies of the CEE EU Member Countries (CEE10) have been hard afflicted by the global crisis, on average a bit less than those of EU "core" countries. Charts presented in Figure 1 suggest a W-shaped dynamics of development of the CEE region[2]. After several years of economic acceleration, around 2007 economic dynamics first slowed down and next, in 2009, main macroeconomic variables shrunk. Then a short-term (of one to two years) recovery came, followed by growth recession in 2012. However, individual CEE countries differ more or less (in some cases considerably) from this general pattern, as a degree, to which they were hit by the crisis as well as its course, were very much diversified. The chapter presents most important differences between economic development of particular CEE countries on the base of Eurostat data on 2005-2012 dynamics of GDP, gross fixed capital investment (GFCI), final consumption expenditure (FCI), exports of goods and services, as well as employment and unemployment.

Figure 1. Macroeconomic development of Central and East European EU Member Countries 2005-2012.

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[2] W-shape concerns here rates of change of macroeconomic variables and not their absolute values.

Source: Eurostat Database – author’s calculations (see Tables 1, 2, 5, 6 and 7 below for details).

1. Economic growth

Years preceding the global crisis were a period of fast economic growth of the CEE countries. During two years 2006-2007 GDP total for the CEE region had increased by 13 %, (if Hungary, with its nearly zero-growth in 2007, was passed over, the rate would be 14.4%). The yearly average rate of growth in particular countries was two to three times higher than in the Union as a whole.

Generally, the region have been afflicted by the global crisis of 2008-2009 with some delay compared with “old” market economies. While in 2008 West-European economy became nearly stagnant, the CEE region still registered 4.1 % growth, although recession was already observed in two countries and considerable economic slowdown in four other. However, next GDP of the CEE countries in total decreased by 3.7% that might suggest relatively shallow recession compared to the average 4.3 % of EU 27. But, such a low rate of 2009 recession the region owed to the Polish economy, which GDP constituted nearly two fifth the regions total. Though in 2009 the country experienced considerable economic slowdown (from 2006-2008 annual 6% average to 1.6%), still was remaining on the upward path of GDP as the EU only one. If Poland were left aside, the 2009 decrease in the GDP total of remaining nine CEE countries would be nearly 7%.

The length and depth of recession was considerably diversified among particular CEE economies. While six of them experienced only one-year recession, Estonia and Romania reached a trough after two and Latvia even after three years. In the first year of the global crisis in all countries besides Romania, growth rates went down and in two of them (Estonia and Latvia) became already negative, but in four other (Bulgaria, Poland, Romania and Slovakia) were still 5 or more per cent. A dramatic slump came in 2009. In all countries, except Poland, volumes of GDP sharply decreased compared to the previous year. In the Baltic Republics percentage decrease was two-digit. During two consecutive years Latvia and Estonia lost 20.4 and 17.6 per cent respectively of their pre-crisis GDP. GDP volumes of these two countries, as well as of Hungary fell in 2009 below their 2005 levels. Only slightly less severe was recession in Lithuania, where the GDP fell below its 2006 level. In most countries recession ended in 2009, though in Latvia and Romania recovery begun only in the second half of next year. Excluding Poland, the CEE region’s GDP in 2009 was by 3.7% below its 2007 level. On the other hand, GDP of Poland had increased during the same period by 6.8%.

Like in the whole Europe, 2010 brought recovery to the CEE economies. Their GDP increased by 2.4%, that is by 0.3 pp. more than the EU total, though still in two countries, Latvia and Romania, negative rate of growth were observed. In other countries increase in GDP was between 0.4 (Bulgaria) and 4.4 per cent (Slovakia). Next year, when in most West European countries economic slowdown appeared again, growth acceleration came in seven CEE countries, particularly spectacular in the Baltic Republics and Poland. However, in 2012 only Latvia managed to preserve the previous year rate of growth. In Czech Republic and Hungary and Slovenia recession came again, while in remaining countries considerable slowdown was registered. Notwithstanding, unlike the Western Europe, the CEE region remained on the upward though very slow path of growth.

Taking into account the whole period, since the pre-crisis peak year (2007 or 2008) till 2012, one can notice that though the GDP of the CEE region in 2012 exceeded its pre-crisis peak level by 2.6%, actually two countries only, Poland and Slovakia, had contributed to this. The former had increased its GDP since 2008 by 12.4 % and the latter by 4.5%, while the GDP total of eight other countries decreased by 4.3 % in the same time. To get a full picture of consequences of the crisis for economic growth, it is worth to notice, that only in four out of the eight countries the 2012 GDP exceeded that of 2007, while in Lithuania and Slovenia it was still below that of 2007, in Latvia below its 2006 level and in Hungary below its 2005 level.

Table 1. Real GDP growth rates

Countries	Change on previous year (%)			GDP 2007 percentage change on 2005	Change on previous year (%)		GDP 2009 percentage change on 2007	Change on previous year (%)			GDP 2012 percentage change on 2009	GDP 2012 percentage change on max pre-crisis GDP
	2005	2006	2007		2008	2009		2010	2011	2012		
1	2	3	4	5	6	8	9	10	11	12	13	14
UE27	2.1	3.3	3.2	**6.7**	**0.3**	**-4.3**	**-4.0**	**2.1**	**1.6**	**-0.3**	**3.3**	**-1.1 (2008)**
Bulgaria	6.4	6.5	6.4	13.4	6.2	-5.5	0.4	0.4	1.8	0.8	3.0	-2.6 (2008)
Czech Republic	6.8	7.0	5.7	13.2	3.1	-4.5	-1.5	2.5	1.9	-1.3	3.0	-1.6 (2008)
Estonia	8.9	10.1	7.5	18.3	-4.2	-14.1	-17.6	3.3	8.3	3.2	15.5	-4.9 (2007)
Hungary	4.0	3.9	0.1	4.0	0.9	-6.8	-5.9	1.3	1.6	-1.7	1.2	-5.6 (2008)
Latvia	10.1	11.2	9.6	21.8	-3.3	-17.7	-20.4	-0.9	5.5	5.6	10.3	-12.2 (2007)
Lithuania	7.8	7.8	9.8	18.4	2.9	-14.8	-12.4	1.5	5.9	3.7	11.5	-5.1 (2008)
Poland	3.6	6.2	6.8	13.4	5.1	1.6	6.8	3.9	4.5	1.9	10.6	12.4 (2008)
Romania	4.2	7.9	6.3	14.7	7.3	-6.6	0.3	-1.1	2.2	0.7	1.7	-5.0 (2008)
Slovakia	6.7	8.3	10.5	19.7	5.8	-4.9	0.5	4.4	3.2	2.0	9.9	4.5 (2008)
Slovenia	4.0	5.8	7.0	13.2	3.4	-7.8	-4.7	1.2	0.6	-2.3	-0.5	-8.3 (2008)
CEE10	**4.9**	**6.6**	**6.1**	**13.0**	**4.1**	**-3.7**	**0.3**	**2.4**	**3.3**	**0.8**	**6.5**	**2.6 (2008)**

Source: Compiled on the basis of Eurostat Database 2013d. Columns (9), (13) and (14) and figures for CEE10 – author's calculations on the basis of GDP volumes.

2. Fixed capital formation

Dramatically decreasing rates of investment growth were the most pronounced effect of economic crisis (see Table 2). In years 2005-2007 the CEE experienced an investment boom. Its gross fixed capital formation (FCF) was growing more than two times faster than GDP as well as more than two times faster compared to the EU as a whole. In some countries the rate of growth of FCF was even three to four times higher than the average for the EU27. The exception was Hungary, where the volume of investments in 2007 was by only 1.1 % bigger than two years earlier. On the other polar were Romania and Lithuania with increase of 56.2 and 45.3 per cent respectively. Then, however, an investment collapse came. The region's investment volume that in 2008 still was remaining on its upward path decreased sharply next year by as much as 14% as a result of investment slump in all countries. The timespan and depth of collapse differed considerably between countries. It Baltic Republics it began in already in 2008, in all other countries a year later. In Hungary and Slovenia the slump lasted incessantly five years[3], in Bulgaria, Estonia and Latvia three, in Lithuania, Poland and Romania two years and in Czech Republic and Slovakia only one year. Particularly sudden decrease took place in Baltic Republics where 2010 investments fell by 43-56 per cent compared to their peak level of 2007. In other words, they fell below the 2002 level in Estonia and Latvia and below 2004 level in Lithuania. And though in next two years they had increased considerably, in 2012 remained still much below their peak level of 2007 (by about ¼ in Estonia and 1/3 in two other countries). Similar decrease came in Hungary and Bulgaria, and still more dramatic in Slovenia, where 2012 investments decrease by 45% compared to the pre-crisis peak level. Poland, in spite of small decreases in 2009, 2010 and 2012 appeared to be one of only three EU countries, which FCF in 2012 was bigger than in the peak pre-crisis year. The remaining two countries were Austria and Luxemburg (increase by 0.9% and 6.5% respectively).

Slowdown and then decrease in investment volumes, relatively bigger than decrease in GDP, found its reflection in considerable – and in some countries dramatic – decrease in investment rates. (see Table 3). Though in 2008 in some countries (Bulgaria, Poland, Romania and Slovenia) the rates were still rising and in other decrease was rather moderate, next two years brought a decrease: in 2009 in all 10 countries and in 2010 in eight of them. The relative decrease was strongly correlated with the pre-crisis investment peak (in 2007 or 2008) as well as with the pre-crisis average (2005-2008). The correlation

[3] The Eurostat forecasts (26.07.2013) that the downward trend will continue also in 2013.

Table 2. Gross fixed capital formation (percentage changes)

Country	Change on previous year			Change 2007 on 2005	Change on previous year		Change 2009 on 2007	Change on previous year			Change 2012 on 2009	FCF 2012 percentage change on max pre-crisis FCF
	2005	2006	2007		2008	2009		2010	2011	2012		
1	2	3	4	5	6	7	8	9	10	11	12	13
EU27	**3.5**	**6.3**	**6.3**	**12.9**	**-1.1**	**-13.0**	**-14.0**	**0.0**	**1.4**	**-3.0**	**-1.7**	**-15.5 (2007)**
Bulgaria	30.7	13.1	11.8	26.5	21.9	-17.6	0.4	-18.3	-6.5	0.8	-23.0	-36.6 (2008)
Czech Republic	6.0	5.8	13.2	19.8	4.1	-11.0	-7.4	1.0	0.4	-2.7	-1.4	-12.3 (2008)
Estonia	15.2	23.0	9.3	34.4	-13.3	-38.3	-46.5	-7.4	25.7	21.0	40.9	-24.7 (2007)
Latvia	23.5	16.3	7.9	25.5	-13.8	-37.4	-46.0	-18.1	27.9	12.3	17.7	-36.4 (2007)
Lithuania	11.2	19.3	21.8	45.3	-5.2	-39.5	-42.7	1.9	18.3	-2.5	17.6	-32.6(2007)
Hungary	4.5	-2.7	3.8	1.1	2.9	-11.1	-8.6	-9.5	-3.6	-3.8	-16.1	-25.5 (2008)
Poland	6.5	14.9	17.6	35.1	9.6	-1.2	8.3	-0.4	8.5	-0.8	7.2	5.9 (2008)
Romania	15.3	19.9	30.3	56.2	15.6	-28.1	-16.9	-1.8	7.3	4.9	10.5	-20.5 (2008)
Slovenia	3.0	10.4	13.3	25.1	7.1	-23.2	-17.8	-13.8	-8.1	-9.3	-28.1	-44.8 (2008)
Slovakia	17.5	9.3	9.1	19.1	1.0	-19.7	-18.9	6.5	14.2	-3.7	17.1	-5.9 (2008)
CEE10	**9.3**	**11.1**	**15.5**	**28.4**	**6.9**	**-14.2**	**-8.3**	**-2.6**	**5.5**	**-0.5**	**2.3**	**-12.3 (2008)**

Source: Compiled on the basis of Eurostat Database 2013e:. Column (8), (12) and (13) and figures for CEE 10 - author's calculations on the basis of FCF volumes.

coefficients are 0.76 and 0.73 respectively. One can conclude from this that **a relative over-investment could be a crisis-deepening factor.** In last two years half of the countries (Estonia, Latvia, Lithuania, Romania and Slovakia) increased their rates of investments a little compared to 2009-2010. In all other, rates fell. Consequently, diversification of the rates in CEE countries decreased considerably in the first phase of the crisis. Standard deviation of investment rates that in 2010 was only a bit more than a half of its pre-crisis level (2.6 and 4.9 respectively). Then, however, it increased again to 3.3 in 2012.

Countries differed considerably in terms of variability of their investment rates over time (see Table 4). In the whole eight-year period high relative variability showed Baltic Republics, Bulgaria and Slovenia, moderate – Hungary, Romania and Slovakia, and low – Czech Republic and Poland. The ratios of standard deviation to 2005-2012 average rate of investment in the three groups were within the following ranges: 15.2-22.6, 9.6-10.2 and 4.6-6.1 respectively. It is worth stressing that the variability in the pre-crisis period of 2005-2008 and in the following four-year time were different in every country. In six countries variability increased in the crisis period, while the opposite was true in the remaining ones.

Table 3. Investment rate (%)*

Country	2005	2006	2007	2008	2005-2008 average[1]	2009	2010	2011	2012	2009-2012 aver-age[1]	2012 – pre-crisis average	Percen-tage change 2012 on pre-crisis average	2012 – pre-crisis max	Differ-ence between averages (6) – (11)
1	2	3	4	5	6	7	8	9	10	11				12
EU 27	**19.9**	**20.6**	**21.3**	**21.1**	**20.7**	**18.9**	**18.5**	**18.5**	**17.9**	**18.5**	**-2.8**	**-13.5**	**-3.4**	**-2.2**
Bulgaria	25.7	27.6	28.7	33.6	28.9	28.9	22.8	21.5	21.4	23.7	-7.5	-26.0	-12.2	-5.2
Czech Republic	25.8	25.7	27.0	26.8	26.3	24.6	24.5	24.1	23.6	24.2	-2.7	-10.3	-3.4	-2.1
Estonia	32.1	36.0	35.5	30.3	33.5	21.4	19.1	21.7	25.0	21.8	-8.5	-25.4	-11.0	-11.7
Hungary	22.8	21.7	21.8	21.7	22.0	20.7	18.3	17.9	17.2	18.5	-4.8	-21.8	-4.6	-3.5
Latvia	31.0	32.9	34.1	29.7	31.9	21.6	18.2	21.3	23.5	21.2	-8.4	-26.3	-10.6	-10.7
Lithuania	22.9	25.3	28.1	25.3	25.4	17.2	16.4	17.8	16.7	17.0	-8.7	-34.3	-11.4	-8.4
Poland	18.2	19.7	21.6	22.3	20.4	21.2	19.9	20.3	19.4	20.2	-1.0	-4.9	-2.9	-0.2
Romania	23.7	25.6	30.2	31.9	27.9	24.4	24.7	26.0	26.7	25.5	-1.2	-4.3	-6.4	-2.4
Slovakia	26.5	26.5	26.2	24.8	26.0	20.7	21.0	23.1	21.5	21.6	-4.5	-17.3	-4.7	-4.4
Slovenia	25.4	26.5	27.8	28.6	27.1	23.1	20.1	18.5	17.4	20.6	-9.7	-35.8	-11.2	-6.5

* Total gross fixed capital formation (GFCF) expressed as a percentage of GDP, for the public and private sectors.

[1] Arithmetical mean

Source: Compiled on the basis of Eurostat Main Tables 2013b. Columns (6), (11) and (12) - author’s calculations.

Table 4. Variability of investment rates (standard deviations)

Country	2005-2008		2009-2012		2005-20012		
	SD	SD/average %	SD	SD/average %	SD	Average	SD/average %
Bulgaria	2.9	10.1	3.1	13.0	4.0	26.3	15.2
Czech Republic	0.6	2.2	0.4	1.6	1.2	25.3	4.6
Estonia	2.4	7.1	2.1	9.6	6.3	27.6	22.6
Hungary	0.5	2.1	1.3	7.1	2.0	20.3	9.9
Latvia	1.7	5.3	1.9	9.0	5.7	26.5	21.4
Lithuania	1.8	7.2	0.5	3.1	4.4	21.2	20.7
Poland	1.6	7.9	0.7	3.3	1.2	20.3	6.1
Romania	3.3	11.9	0.9	3.7	2.7	26.7	10.2
Slovakia	0.7	2.7	0.9	4.3	2.4	23.8	9.9
Slovenia	1.2	4.5	2.1	10.9	4.0	23.4	17.3

SD = standard deviation

Source: Author's calculations on the basis of data in Table 3.

3. Consumption expenditure

In years preceding the crisis final consumption expenditures (FCE) in all CEE countries, except Hungary, were increasing much faster than in the EU as a whole. In two-year period 2006-2007 an increase in these expenditures CEE10 was nearly two and a half times bigger than in EU27 (10.7% compared with 4.3%). In particular countries the proportion ranged from 1.4 in Czech republic to 7.7 in Latvia.

An impact of crisis on final consumption expenditure in 2008-2009 was differentiated even more than in the case of GDP (see Table 6). In four countries (Poland, Slovenia, Czech Republic and Slovakia) it was reflected merely in decreasing rate of growth. As a result, in these countries the 2009 expenditure increased with comparison to 2007 (by 8.3, 7.7. 3.7 and 4.0 per cent respectively). In Romania consumption expenditure, after its considerable growth in 2008, next year practically returned to the 2007 level. Five remaining countries experienced decrease in FCE, particularly sharp in the Baltic Republics (between 11.5 in Lithuania and 24.0 per cent in Latvia). Poland was only CEE country that remained all the time on upward path of FCE, though at the end of the examined period the annual rate of growth fell below 1%. Slovakia, Czech Republic and Slovenia managed to do this till 2011, 2010 and 2009 respectively. In these four countries and Romania volumes of FCE in 2012 were higher than in 2007, though while Poland's volume of FCE increased by as much as 14.4%, four remaining countries registered the increase between 1.5% and 5.2% only. It should be emphasized that Poland was one of only eight EU 27 countries and the only CEE country in which FCE volume in 2012 exceeded that of 2008. What's more, the country had the biggest, among the all EU27 countries, relative increase in FCE with comparison to 2007 as well as 2008 and was the third, after Germany and France, in terms of absolute increase.

Table 5. Final consumption expenditure (percentage change)

Country	Change on previous year			2007 percen-tage change on 2005	Change on previous year		2009 percentage change on 2007	Change on previous year			2012 percentage change on 2009	2012 percentage change on 2008	2012 percentage change on 2007	Difference 2012-2008	Difference 2012-2007
	2005	2006	2007		2008	2009		2010	2011	2012					
1	2	3	4		5	7	8	9	10	11	12	13	14	15	16
EU 27	**2.0**	**2.2**	**2.1**	**4.3**	**0.8**	**-0.5**	**0.3**	**1.0**	**0.1**	**-0.5**	**0.5**	**0.0**	**0.8**	**5 189.5**	**79 819.9**
Bulgaria	5.3	7.5	7.2	15.2	2.6	-7.3	-5.0	0.5	1.5	1.8	3.8	-3.8	-1.3	-914.3	-315.5
Czech Republic	2.7	2.9	3.1	6.1	2.3	1.3	3.7	0.7	-0.4	-2.2	-1.9	-0.7	1.6	-544.8	1 294.5
Estonia	8.0	11.5	8.3	20.7	-2.9	-11.4	-14.0	-1.9	2.9	4.3	5.3	-6.8	-9.5	-643.6	-927.7
Hungary	2.3	2.2	-1.4	0.7	-0.2	-4.5	-4.7	-2.3	0.3	-1.7	-3.7	-8.0	-8.2	-5 572.0	-5 706.7
Latvia	9.7	18.0	12.6	33.0	-4.6	-20.3	-24.0	0.3	4.1	4.4	9.1	-13.1	-17.1	-1 740.6	-2 380.7
Lithuania	9.4	8.2	9.1	18.1	3.0	-14.1	-11.5	-4.4	5.3	3.4	4.1	-10.6	-7.9	-2 259.1	-1 636.0
Poland	2.7	5.2	4.6	10.1	6.1	2.0	8.3	3.4	1.6	0.6	5.7	7.8	14.4	18 251.7	31 652.3
Romania	8.9	9.4	9.6	19.8	8.7	-7.4	0.7	-1.3	0.9	1.2	0.8	-6.6	1.5	-5 979.8	1 211.8
Slovakia	2.4	3.1	4.8	8.0	3.2	0.7	4.0	1.4	0.4	-2.6	-0.9	-0.2	3.1	-35.8	694.6
Slovenia	5.8	6.6	5.1	12.0	6.1	1.6	7.7	-0.3	-1.5	-0.6	-2.3	-0.8	5.2	-270.5	1 711.3
CEE 10	**4.1**	**5.6**	**4.9**	**10.7**	**4.4**	**-2.0**	**2.4**	**0.9**	**1.0**	**0.1**	**2.1**	**0.0**	**4.5**	**291.2**	**25 597.9**

Source: Compiled on the basis of Eurostat Database 2013c. Column (8) and (12) to (15) and figures for CEE 10 - author’s calculations on the basis of FCE volumes.

4. Exports of goods and services

In most CEE countries export dynamics slowed down already a year or two before the crisis outbreak (see Table 6). It concerned first of all (but not only) Bulgaria and Baltic Republics, the four countries, which had pegged their national currencies to euro several years before. As a result, rate of growth in total export of all ten countries fell in 2007 by nearly 1/3 compared with previous year. In 2008 further slowdown in export dynamics was observed in all but two countries, but still all countries showed the positive rate of growth. Lithuania and Romania registered even temporary acceleration of increase in their exports, but dynamics of the total CEE10 export fell again, this time by half, or to 5.5%. Nonetheless, during three years the CEE countries increased total volume of their exports by 35.6%, that is almost twice as much as the EU27 total.

Table 6. Exports of goods and services (percentage changes)

Countries	Change on previous period (%)				2008 change on 2005	Change on previous period (%)				2012 change on 2008	2012 change on 2009
	2005	2006	2007	2008		2009	2010	2011	2012		
1	2	3	4	5	6	7	8	9	10	11	12
EU 27	**6.0**	**9.8**	**5.6**	**1.6**	**17.8**	**-11.7**	**10.7**	**6.4**	**2.3**	**6.4**	**20.5**
Bulgaria	-17.5	50.7	6.1	3.0	64.7	-11.2	14.7	12.3	-0.4	13.9	28.3
Czech Republic	11.6	13.8	11.2	4.0	31.6	-10.9	15.4	9.5	4.0	17.2	31.5
Estonia	18.6	6.1	3.7	1.0	11.1	-20.6	22.9	23.4	5.6	27.5	60.1
Latvia	20.2	6.5	11.8	2.5	22.1	-13.3	12.7	12.4	8.3	18.9	37.2
Lithuania	17.0	12.2	3.1	11.4	29.0	-12.6	17.4	14.1	11.9	30.9	49.8
Hungary	11.3	19.1	15.0	5.7	44.6	-10.2	14.2	6.3	2.0	11.2	23.9
Poland	8.0	14.6	9.1	7.1	33.9	-6.8	12.1	7.7	2.8	15.6	24.1
Romania	7.6	10.4	7.8	8.3	29.0	-6.4	13.2	10.3	-3.0	13.3	21.1
Slovenia	10.6	12.5	13.7	4.0	33.1	-16.7	10.1	7.0	0.3	-1.5	18.2
Slovakia	10.0	21.0	14.3	3.1	42.6	-16.3	16.0	12.7	8.6	18.9	42.0

CEE 10	**9.4**	**15.9**	**10.8**	**5.5**	**35.6**	**-10.5**	**14.0**	**9.2**	**3.2**	**15.1**	**28,5**

Source: Compiled on the basis of Eurostat Database 2013b. Last update 29-06-2013. Columns 11 and 12 and figures for CEE10 - author's calculations on the basis of exports volumes.

In 2009 the global crisis hit exports of CEE countries with all its strength. Its total volume decreased by 10.5%, a bit less than the EU total. No one CEE country was able to protect itself from a decrease, though its scale was different. The four countries having fixed exchange rates as well as Slovenia being already in the Eurozone and Slovakia, that had just joined ERMII registered bigger decrease in their exports than four other countries. In the first group rates of decrease ranged from 11.2 to 20.6, while in the second from 6.4 to 10.9 per cent. Next year all ten countries returned on upward path. Seven of them made up with some surplus for 2009 loses in their exports, while three other got close to the peak level of 2008. Total exports of CEE countries increased by 14% compared with 2009 and by 2% compared to 2008. However, in 2011 and 2012 growth in export slowed down again to 9.2% and 3.2% respectively. In total, the three consecutive years of growth gave an increase in CEE10 export by 15.1% and 28.5% compared to 2008 peak and 2009 trough respectively. Both rates were considerably higher than those for EU27. The only country which export volume of 2012 was still below its 2008 level was Slovenia. On the other hand, the highest increase was reached by Baltic Republics and Slovakia.

It should be emphasized that during the four-year period 2005-2008 volumes of imports of most CEE countries had been growing faster than volumes of exports that resulted in more than doubling their total negative balance of foreign trade volumes. When crisis hit foreign trade in 2009 imports of all countries decreased much more than exports, causing a sharp increase balance from -41.3 to -8 billion euro. As in next three years seven countries (exceptions were Latvia and Romania, and Bulgaria in 2012) had been increasing their imports slower than exports, in 2012 they already reached a foreign trade surplus, and all the ten improved considerably their balances compared to 2008. The increase in total of the ten countries' balances was 55.7 billion euro, that gave the 2012 surplus of above 14.3 billion.

The above findings have their confirmation in development of balance of payments for goods and services. The 48.8 billion euro total of CEE10 trade deficits in 2008 was reduced to only 0.9 in 2009 and then gradually altered for a surplus of 11.9 billion euro in 2012. Balances of all individual countries improved considerably as well compared to

2008, and a number of countries with negative balance of payments for goods and services decreased from eight to four[4].

5. Employment and unemployment

In the three-year period preceding the world crisis the CEE countries experienced a relative increase in employment much bigger than in the EU as a whole (see Table 7). The rate of growth for nine CCE countries in total (no comparable data are available for Romania) was 8.2%, while for the EU27 only 4.5%. Two countries only have the rate of growth below the EU average: Hungary in which employment decreased a bit compared to the middle of the decade, and Lithuania, where the upward trend in employment reversed already in 2008. On the other hand, in Bulgaria, Latvia and Poland employment increased by 9.4, 9.7 and 12 per cent respectively during three years. In 2009, however, only in the latter employment remained on the upward, though very slow, path. In all other countries economic recession brought decrease in employment, though less than proportional to the decrease in GDP. In seven countries it was between 1.7 and 2.6 per cent, but in Baltic Republics as much as 6.8 to 13.2 per cent respectively. In total, employment in the CEE region fell by 1.8%. In 2010 downward trend in employment continued in eight countries (Poland remained and Hungary entered on slow upward path) and again the highest rates were registered in the same three countries. In next two years this trend lasted in Bulgaria and Slovenia, while other countries experienced at least one year of increase. In effect, the CEE10 total employment in 2012 was by 3.3% (or nearly 1.5 million person) lower than in the peak year of 2008. However, in separate countries changes differed widely. Poland, as the only country, registered slight increase over its pre-crisis peak level. On the other hand, in Latvia, Lithuania and Bulgaria decreases were huge (22.1, 16.4 and 14.2 per cent respectively), in Slovenia and Estonia moderate (6.7 and 6.3 per cent), while in the other four countries relatively low (between 1.7 and 3.1 per cent).

Table 7. Total employment growth rate (percentage changes)

Country	Change on previous period (%)				2008 change on 2005	Change on previous period (%)				2012 percentage change on pre-crisis max*
	2005	2006	2007	2008		2009	2010	2011	2012	
1	2	3	4	5	6	7	8	9	10	11
EU27	**1.0**	**1.6**	**1.8**	**1.0**	**4.5**	**-1.8**	**-0.4**	**0.3**	**-0.4**	**-2.3**

[4] Figures calculated on the basis of Eurostat Database 2013f:

Bulgaria	2.7	3.3	3.2	2.6	9.4	-2.6	-4.7	-3.4	-4.3	-14.2
Czech Republic	2.1	1.3	2.1	2.3	5.9	-1.8	-1.0	0.3	0.4	-2.1
Estonia	2.0	5.4	0.7	0.2	6.4	-9.9	-4.8	7.0	2.1	-6.3
Latvia	1.6	4.9	3.6	0.9	9.7	-13.2	-4.8	-8.1	2.6	-22.1
Lithuania	2.5	1.8	2.8	-0.7	4.0	-6.8	-5.1	2.0	-6.7	-16.4
Hungary	-0.3	0.4	0.7	-1.8	-0.7	-2.5	0.7	0.4	0.1	-3.1
Poland	2.2	3.2	4.5	3.9	12.0	0.4	0.5	1.0	-1.6	0.2
Romania	:	:	:	:	:	-2.0	-0.3	-1.1	1.9	-1.7
Slovenia	-0.5	1.5	3.3	2.6	7.6	-1.8	-2.2	-1.6	-1.3	-6.7
Slovakia	1.6	2.1	2.1	3.2	7.6	-2.0	-1.5	1.8	0.1	-1.7
CEE10	**1.8**	**2.5**	**3.2**	**2.4**	**8.2**	**-1.8**	**-0.8**	**-0.0**	**-0.6**	**-3.3**

* Reference year: 2007 for Lithuania and Hungary, 2008 for other countries.

Source: Compiled on the basis of Eurostat Database 2013a.). Columns (6) and (11) and row CEE10 – author's calculations (domestic concept - ESA).

During several years preceding the outbreak of economic crisis unemployment rates in all CEE countries, except Hungary, were going down from year to year. In Baltic Republics this trend lasted till 2007, and in remaining countries in 2008. All nine countries had reached the lowest rates since the beginning of the decade and not very diversified.

The decline in employment in 2009 brought about an increase in unemployment rate, though of very differentiated magnitude (see Table 8). Particularly dramatic rise was in Baltic Republics were rates had increased three to nearly five times during three years 2008-2010, reaching levels not met before (between 16.9 and 19.8). Two-digit unemployment rate were observed also in Hungary and Slovakia (11.2 and 14.5 respectively). As a result, Baltic Republics and Slovenia found themselves among five EU countries with the highest unemployment, right behind Spain. During last two years of the examined period in most countries rate of unemployment decreased compared to 2010 or stabilized, but in Bulgaria, Poland and Slovenia its upward trend continued.

Table 8. Unemployment rate (age 15-74; LFS adjusted series)

Country	2004	2005	2006	2007	2008	2009	2010	2011	2012	2012 -pre-crisis minimum*	2012 -2010
1	2	3	4	5	6	7	8	9	10	11	12
EU27	9.3	9.0	8.3	7.2	7.1	9.0	9.7	9.7	10.5	3.4	0.8
Bulgaria	12.1	10.1	9.0	6.9	5.6	6.8	10.3	11.3	12.3	6.7	1.3
Czech Republic	8.3	7.9	7.1	5.3	4.4	6.7	7.3	6.7	7.0	2.6	2.0
Estonia	9.7	7.9	5.9	4.6	5.5	13.8	16.9	12.5	10.2	5.6	-0.3

Latvia	11.2	9.6	7.3	6.5	8.0	18.2	19.8	16.2	14.9	8.4	-6.7
Lithuania	11.3	8.0	5.2	3.8	5.3	13.6	18.0	15.3	13.3	9.5	-4.9
Hungary	6.1	7.2	7.5	7.4	7.8	10.0	11.2	10.9	10.9	3.5	-4.7
Poland	19.1	17.9	13.9	9.6	7.1	8.1	9.7	9.7	10.1	3.0	-0.3
Romania	8.0	7.2	7.3	6.4	5.8	6.9	7.3	7.4	7.0	1.2	0.4
Slovenia	6.3	6.5	6.0	4.9	4.4	5.9	7.3	8.2	8.9	4.5	-0.3
Slovakia	18.4	16.4	13.5	11.2	9.6	12.1	14.5	13.7	14.0	4.4	1.6

* Reference year: 2007 for Baltic Republics and Hungary, 2008 for other countries.

Source: Compiled on the basis of Eurostat Database 2013g.

It should be pointed out, that in 2012 even those countries, which reduced their rates of unemployment substantially compared to the peak level of 2010, rates remained still well above the pre-crisis minimum. In Bulgaria and Baltic Republics they were as much as roughly 2 to 3.5 times higher.

6. Conclusion

Data presented above raise a question about reasons of such a huge differences in an impact of global crisis on particular CEE countries. Exhaustive answer to this question needs further, in-depth studies on structural and institutional differences among particular economies, nature of their economic relations with outside world, as well as differences in reaction of their governments, central banks and economic actors to the global crisis. Nevertheless, some general remarks can be already made, in particular with reference to the case of Poland. Why the Polish economy has coped with an impact of the global crisis better than any other EU country? Why this only country managed to avoid even a single quarter of recession? The general answer is that a specific combination of factors have been involved here. The most important seem to be the following ones:

First, Poland has had its own currency with floating exchange rate regime, not only positively impacting the country's exports, but also restraining mass outflow of foreign capital, particularly from financial sector.

Second, Poland's domestic debt has been denominated in national currency and thus its vulnerability to the crisis was lower than that of the Baltic Republics, Hungary and Bulgaria.

Third, National Bank of Poland has been carrying out balanced monetary policy, "responding flexibly to shocks affecting the Polish economy, adjusting the level of interest rates to changing macroeconomic conditions" [NBP 2012b, p. 6].

Fourth, effective State supervision over banking sector contributed substantially to keeping its stability. A share of banks showing net result in the number of commercial banks has been very stable and high (ca. 97%), and average capital adequacy ratio remained at the level of 11-14 per cent with an upward trend since 2009.

Fifth, Polish fiscal policy was sane in pre-crisis years and as well as after the crisis outbreak. The government kept itself at a distance from austerity policy, at least till 2011.

In 2008-2010 the policy was actually expansionary: the general government expenditure was growing faster than GDP and the deficit more than doubled, reaching 7.9% in 2010.[Eurostat Main Tables 2013a].

Sixth, reaction of consumers to successive news about effects of global crisis on other economies was calm. Neither panic withdrawals of deposits or reduction in consumers demand for goods and services was observed. Just the opposite, in spite of decreasing value of consumer loans since 2011, final consumption expenditures of households was were growing form year to year, though at decreasing rate. Total growth from 2007 to 2012 was above 15%. As for bank deposits of households, they increased by 80% in nominal terms and by ca.65% in real terms in 2011 compared to 2007 [NBP 2012a, NBP 2013].

Seventh, Poland was the only CEE country where an upward trend of gross capital investments in non-residential buildings and structures did not reversed in 2009. On the contrary, during three years their volume had increased by nearly 24% compared to 2008. In all other countries this kind of investments contracted considerably, even to about a half of the 2008 level.

It should be emphasized that a number of the above mentioned factors could be found also in other CEE countries, but Poland seems to be the only one, in which combination of all of them worked simultaneously.

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