

### 3.2. Real convergence

Whereas the Czech Republic diverged (tended away) from the average level in the European Union in the period from 1997 to 2000, as is clear from the development of the GDP per capita in the purchasing power parity as the aggregate gauge of economic development of the country, it was also faster in convergence in the strong boom years of 2005 to 2007. In 2008, however, the relative position in the GDP per capita in PPS remained at the same level as in 2007, i.e. 80.2% of the EU 27 average. The convergence at the level of work productivity was noticeably slower.

• **The position of the Czech Republic did not change year-on-year**

The strong economic growth in the period from 2004 to 2007 improved the economic position of the Czech Republic in comparison with the average level of the EU 27 and the EU 15. According to the GDP per capita in purchasing power parity in 2003, the Czech Republic was at the level of 73.4% of the average economic level of the EU 27, while in 2008 the figure was 80.2% like in 2007.

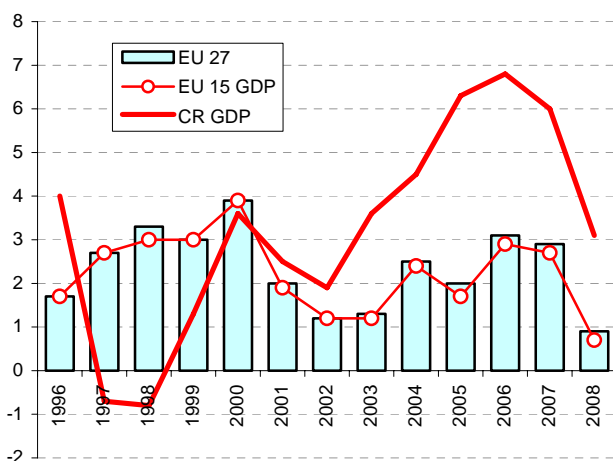
**In 2008, the Czech economy grew faster than in the countries of the EU 15 and the EU 27**

The convergence of the position of the Czech Republic with the Union average enabled by the growth rate in real GDP is shown by Graph no. 3.2.1. According to the graph, the weakening of the differences between the dynamic of the Czech economy and the pace of growth in the EU 15 or the EU 27 in 2007 and 2008 were merely optical.

The proportions in the individual years show that in 2005 the Czech economy grew 3.7 times faster than in the EU 15 (as the grouping of the most developed countries in the Union) and in 2007 it grew 2.4 times faster - influenced by the still very sizable performance of the European economy. In 2008, however, the growth rate of the Czech GDP was 4.4 time faster than the dynamic of the EU 15 due to a far greater slowdown in the old European countries. The comparison with the average level of the EU 27 shows results which are only slightly different with regard to the dominant role of the EU 15 in the economy of the Union. In 2008, however, the difference was even more substantial and the Czech Republic grew 3.4 times faster than the EU 27.

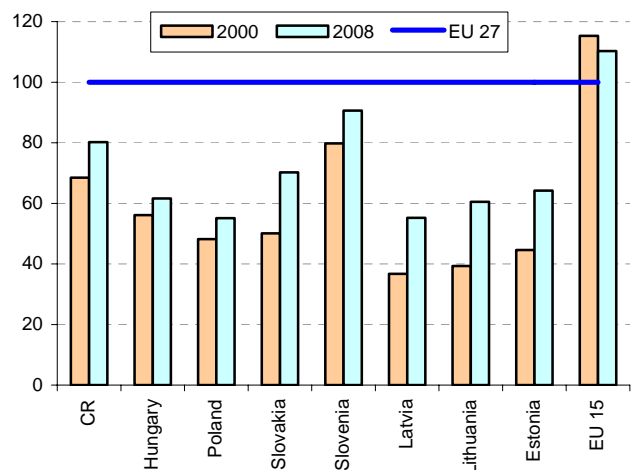
Therefore, 2008 represented a significant jump in convergence (paradoxically despite the noticeable slowdown in the Czech Republic) due to the fact that the old European countries in particular found themselves in a technical recession during the course of the year.

**Graph no. 3.2.1 A comparison of the real GDP dynamic in the Czech Republic and the EU (year-on-year changes, in %)**



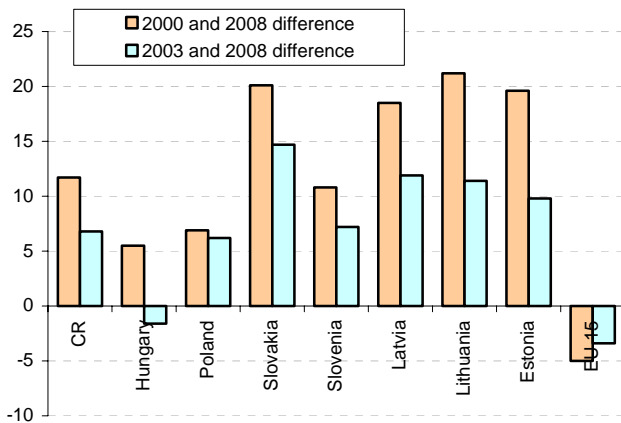
Source: Eurostat

**Graph no. 3.2.2 The position in GDP per capita in purchasing power parity (PPP) (EU 27=100)**



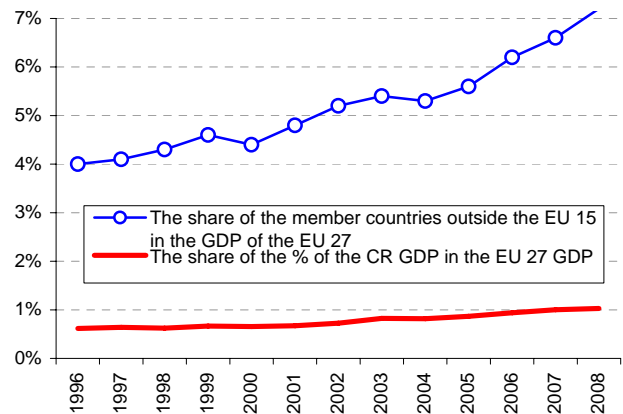
Source: Eurostat

**Graph no. 3.2.3 The shift in the position of selected countries in GDP per capita PPP (in percentage points, the calculation in the EU 27=100)**



Source: Eurostat

**Graph no. 3.2.4 The shares of the EU 27 GDP (from the volume in millions of Euros, at lat year's prices)**



Source: Eurostat

- **The share of the Czech Republic in the Union's GDP has increased by two fifths in the period from 1996 to 2008, while it amounts to a total of four fifths in the other "new" countries**

Despite the stated levelling of the growth of the Czech economy which has enabled convergence with the level of the EU, the other countries outside the EU 15 increased their share of the Union's economy even more quickly (Graph no. 3.2.15).

Whereas the GDP of the Czech Republic amounted to just 0.6% of the EU 27 GDP in 1996 and then reached 1% in 2008, the other countries of the Union outside the EU 15 increased their share of the EU 27 GDP in total from 4% in 1996 to 7.2% in 2008. The Czech Republic thus increased its share of the Union's GDP in the stated period by two fifths, but the other "new" countries, i.e. those outside the EU 15, did so by four fifths.

- **The Czech Republic converged at a medium tempo**

The stated findings also influenced the speed of the convergence according to the changes in the relative position in the GDP per capita in PPP – the Czech Republic was an example of a relatively fast country from among the "new" countries of Central and Eastern Europe with regard to the speed of its convergence with the level of the EU 27 (Graph no. 2.2.14).

During the period from 2000 to 2008, the fastest convergence was experienced by the Baltic states and Slovakia with a change in their relative positions by approximately 20 percentage points. An important circumstance is, however, the fact that – especially in the case of the Baltic states – this involves countries which were "poor" (the GDP per capita in PPS in Lithuania and Latvia was between 35-39% of the Union average in 2000, while it was 50% in Slovakia). The position of the Czech Republic at that time was 70% of the EU 27 average.

- **Slovakia has experienced the greatest change of position after entering the EU**

The Czech Republic and Slovenia converged slower in comparison with the Baltic states (a change in the relative position by 14.5% and 10.8 percentage points respectively), but Hungary and Poland were the slowest in improving their relative positions (by 5.5 and 6.9 percentage points respectively in 2008 in comparison with the year 2000).

After the entry of the country into the Union (May 2004), Slovakia increased its relative position the most (by 14.7 percentage points since 2003), while the Czech Republic improved by 9.6 percentage points. The relative position of Hungary actually worsened.

- **The Czech Republic exceeded the position of Portugal as early as in 2006**

Despite the improvement of the Czech Republic's relative position to the Union's average in 2008 (by 11.7 percentage points from 2000 and by 6.8 percentage points. In comparison with 2003), the Czech Republic was lower in 2008 than Slovenia in 2003 according to the thus measured economic advancement (Slovenia had achieved 83.4% of the EU 27 average according to the GDP per capita in PPS). The traditional comparison with Portugal as a country from the previous entry wave shows that the Czech Republic exceeded the level of Portugal as early as in 2006. In 2008, the difference amounted to 4.9 percentage points.

- **The relative position of the Czech Republic in work productivity in GDP per capita is clearly lagging behind ...**

In 2008, the work productivity per employed individual (as the ratio of GDP in purchasing power parity/number of employed individuals) was not quite three quarters of the average level of the EU 27 (72.2%). In 2000, the Czech Republic did not reach even two thirds of the EU 27 level (61.7%).

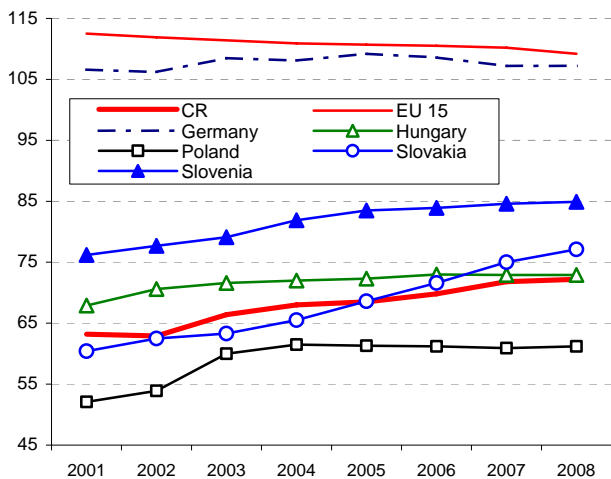
The convergence with the EU 27 average in work productivity per employed individual was more distinct in the Czech Republic for the period from 2004 to 2008 than in the previous periods. The position of the Czech Republic improved by 5.8 percentage points, whereas it improved by 10.5 percentage points for the period from 2000 to 2008 (for the period from 1997 to 2000, the work productivity per employed individual improved in comparison with the EU 27 average by a mere 1.3 percentage points.).

- **... against the rate of improvement in the productivity per employee position in the case of Slovakia**

During a comparison of the developments in other countries, the Czech Republic's convergence to the average level of the work productivity per employed individual in the EU 27 was not as fast as that of Slovakia (Graph no. 3.2.16), which improved its position in comparison with the year 2000 by 19.2 percentage points. Despite that, both countries belong (apart from the Baltic states which had a very low starting value for work productivity) with Poland to the countries where the relative position has increased in the aforementioned period by more than 10 percentage points. Of the countries outside the "new" countries in the Union, only Ireland has managed this.

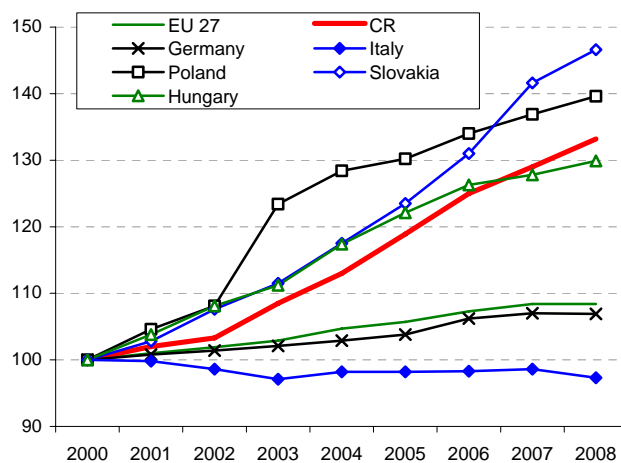
The shift in the relative position arises from the growth in work productivity per employed individual. Graph no. 3.2.17 depicts the rate of growth in the selected countries in relation to the basis in the year 2000. Slovakia, which has increased its work productivity by 46.6% against the basic level, dominates, followed by Poland (+39.9%) and the Czech Republic with growth of one third.

**Graph no. 3.2.5 Productivity per employed individual (GDP in PPS per employed individual, EU 27 = 100)**



Source: Eurostat

**Graph no. 3.2.6 Productivity per employed individual (index 2000 = 100, selected countries)**



Source: Eurostat