

1. External Economic Environment

1.1. Long Term Trends

- ***In the course of 1994 to 2003 the growth of the world economy accelerated while diverging at the same time*** Over the period of 1994-2003 world's GDP grew on average by 3,6 % p.a., registering faster growth compared to the decade earlier, during which the world economy expanded at 3,3 %. Economic performance among high-income countries diverged. Strong pace of growth was recorded in countries such as Ireland (8.0 %), Finland (3.8 %), the USA and Canada (3.4 %). On the other hand, sluggish growth was achieved in Japan (0.9 %), Germany (1.5 %) and Italy (1.9 %). The performance gap was attributed mainly to the disparity in productivity of labour and the ability to use up idle labour force with the corresponding positive effect of reduction in unemployment.
- ***Investment activities added significantly to economic growth*** One of the major aspects of the long-term development of high-income countries was high growth rates of gross fixed capital formation. In the decade of 1994 to 2003, despite the slowdown throughout 2001-2003, the growth of gross fixed capital formation averaged 3.5 % p.a., exceeding the growth of both GDP and household consumption. The levels of investment activities also differed among the individual countries, with the difference rising at the time of expansion and falling during the contraction that occurred throughout 2001-2003.
- ***The world trade grew rapidly while the growth of inflation slowed down*** The most distinctive changes in the economic development of high-income countries in the last two decades involve the decline in the average rate of growth of consumer prices from 4.1 % to 2.0 % and the participation in the world trade growth acceleration from 5.5 % to 6.6 %. Partial shift occurred in the rate of unemployment which decreased from 6.9 % to 6.6 % and in the productivity of labour, which increased from 3.1 % to 3.2 % while the growth of wages fell from 5.2 % to 3.3 % p.a.