Business Environment and its Dynamics in Central and Eastern Europe

FDI and HR Perspective: Labor and Skill Shortage I.

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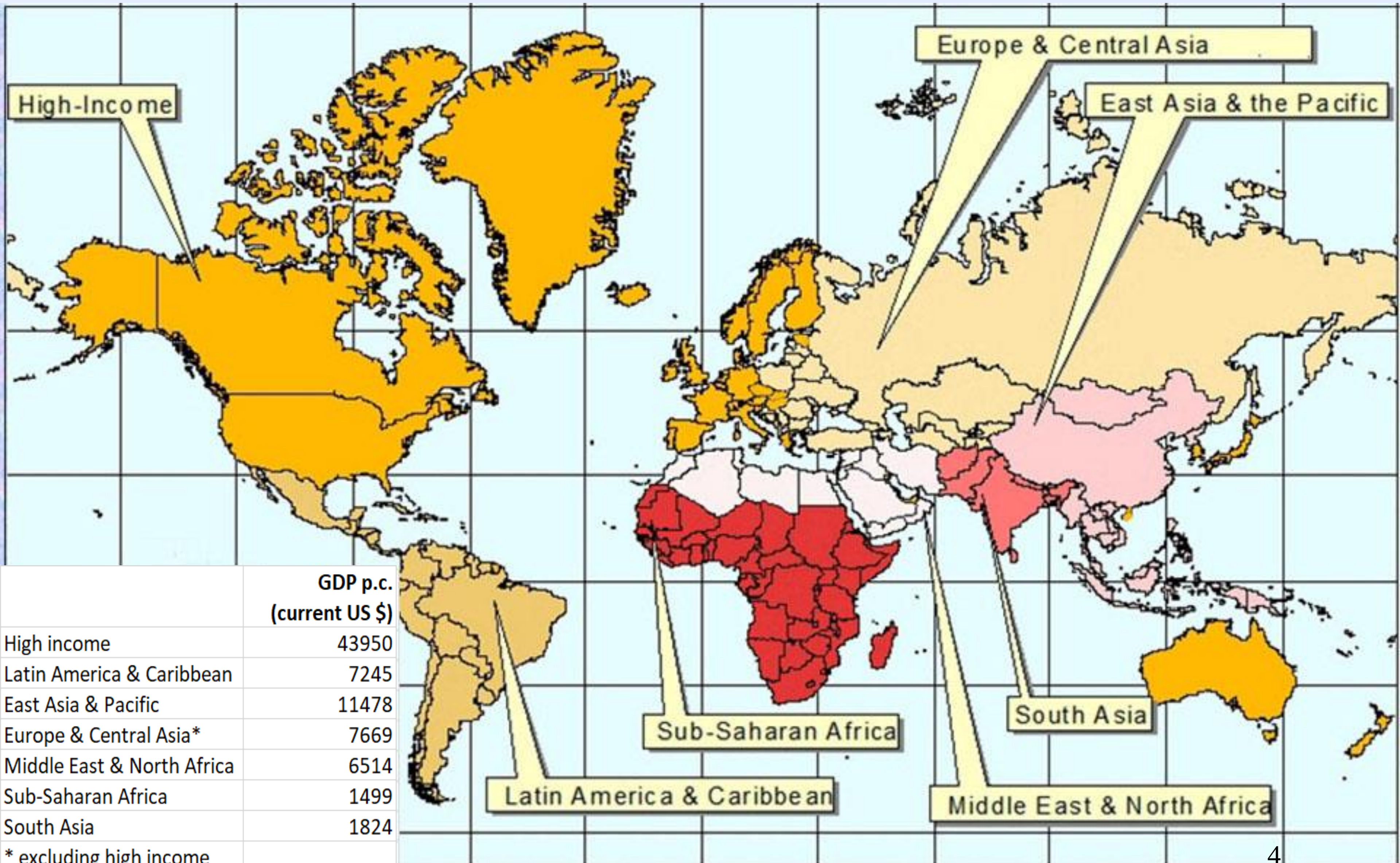
GDP per capita, 2020 Current US$



	GDP p.c. (current US $)
High income	43950
Latin America & Caribbean	7245
East Asia & Pacific	11478
Europe & Central Asia*	7669
Middle East & North Africa	6514
Sub-Saharan Africa	1499
South Asia	1824
* excluding high income	

Source: World Bank 2021

GDP in CEE Countries, 2020

Current US$

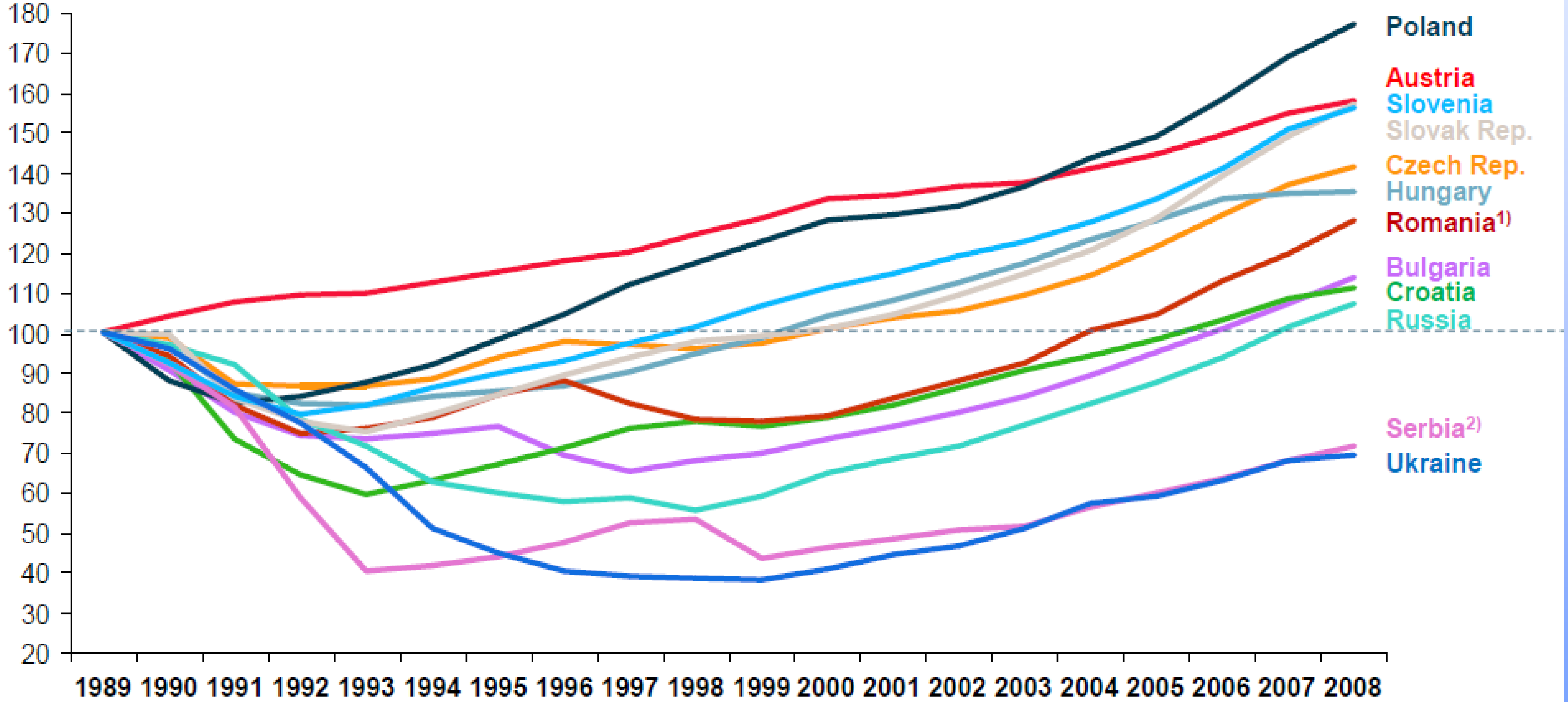
Country	GDP (current US$)	Population, total	GDP p.c. (current US$)
Albania	14 887 629 268	2 837 743	5 246
Belarus	60 258 239 056	9 379 952	6 424
Bosnia and Herzegovina	19 946 496 563	3 280 815	6 080
Bulgaria	69 889 347 433	6 934 015	10 079
Croatia	57 203 783 203	4 047 200	14 134
Czech Republic	245 349 489 988	10 698 896	22 932
Estonia	30 650 285 472	1 331 057	23 027
Hungary	155 808 436 238	9 749 763	15 981
Latvia	33 707 320 816	1 901 548	17 726
Lithuania	56 546 957 475	2 794 700	20 234
Montenegro	4 769 860 741	621 306	7 677
North Macedonia	12 263 710 123	2 072 531	5 917
Poland	596 624 355 720	37 950 802	15 721
Romania	248 715 551 367	19 286 123	12 896
Russian Federation	1 483 497 784 868	144 104 080	10 295
Serbia	53 335 016 425	6 908 224	7 721
Slovak Republic	105 172 564 492	5 458 827	19 267
Slovenia	53 589 609 581	2 100 126	25 517
Ukraine	155 498 989 150	44 134 693	3 523
Central & Eastern Europe	**3 457 715 427 978**	**315 592 401**	**10 956**

Source: World Bank 2021

20 Years of Transition (crisis before crisis)

Roland Berger, 2009

Real GDP development (1989-2008, in %)



1) From 2001 calculated by the National Statistical Institute using a new methodology that complies with European standards of national accounting
2) 1990-1999 Serbia and Montenegro, until 1998 gross material product

GDP Growth (annual %)

(Annual percentage growth rate of GDP at market prices based on constant local currency. Aggregates are based on constant 2010 U.S. dollars)

Country	1993	1995	2000	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Croatia	..	..	2,90	4,31	4,94	4,91	1,90	-7,28	-1,25	-0,09	-2,28	-0,36	-0,35	2,53	3,53	3,41	2,90	3,48	-8,10
Czech Republic	0,06	6,50	4,00	6,60	6,77	5,57	2,69	-4,66	2,43	1,76	-0,79	-0,05	2,26	5,39	2,54	5,17	3,20	3,03	-5,79
Estonia	..	..	10,09	9,53	9,77	7,58	-5,13	-14,63	2,44	7,26	3,23	1,46	3,01	1,85	3,16	5,79	4,13	4,10	-2,95
Hungary	-0,58	1,49	4,48	4,30	3,95	0,28	1,01	-6,60	1,08	1,86	-1,26	1,81	4,22	3,70	2,19	4,27	5,36	4,55	-4,68
Latvia	..	..	5,68	10,72	11,97	9,94	-3,24	-14,25	-4,47	2,56	7,04	2,01	1,90	3,89	2,37	3,31	3,99	2,48	-3,62
Lithuania	..	..	3,70	7,73	7,41	11,11	2,61	-14,84	1,65	6,04	3,84	3,55	3,54	2,02	2,52	4,28	3,99	4,57	-0,13
Poland	3,74	7,10	4,56	3,51	6,13	7,06	4,20	2,83	3,74	4,76	1,32	1,13	3,38	4,24	3,14	4,83	5,35	4,74	-2,54
Slovak Republic	1,90	,84	1,17	6,62	8,49	10,83	5,57	-5,46	6,29	2,64	1,36	0,65	2,72	5,22	1,93	2,98	3,79	2,61	-4,36
Slovenia	..	..	3,67	3,80	5,75	6,98	3,51	-7,55	1,34	0,86	-2,64	-1,03	2,77	2,21	3,19	4,82	4,42	3,25	-4,23
Average	1,28	5,23	4,47	6,35	7,24	7,14	1,46	-8,05	1,47	3,07	1,09	1,02	2,61	3,45	2,73	4,32	4,13	3,65	-4,04
Albania	9,56	13,32	6,95	5,53	5,90	5,98	7,50	3,35	3,71	2,55	1,42	1,00	1,77	2,22	3,31	3,80	4,02	2,11	-3,96
Bosnia and Herzegovina	..	20,80	12,77	3,90	5,41	5,86	5,44	-3,00	0,87	0,96	-0,82	2,35	1,15	3,09	3,15	3,17	3,74	2,83	-3,20
Bulgaria	-1,48	2,86	4,59	7,06	6,80	6,59	6,12	-3,27	1,54	2,10	0,75	-0,56	0,97	3,43	3,04	2,76	2,68	4,04	-4,39
Romania	1,53	6,23	2,46	4,67	8,03	7,23	9,31	-5,52	-3,90	1,91	2,04	3,77	3,61	2,95	4,70	7,32	4,47	4,19	-3,93
North Macedonia	-7,47	-1,11	4,55	4,72	5,14	6,47	5,47	-0,36	3,36	2,34	-0,46	2,93	3,63	3,86	2,85	1,08	2,88	3,91	-5,21
Montenegro	..	..	3,10	4,18	8,57	6,81	7,22	-5,80	2,73	3,23	-2,72	3,55	1,78	3,39	2,95	4,72	5,08	4,06	-15,31
Serbia	..	..	6,13	5,53	5,11	6,44	5,66	-2,73	0,73	2,04	-0,68	2,89	-1,59	1,81	3,34	2,10	4,50	4,33	-0,94
Average	0,53	8,42	5,79	5,08	6,42	6,48	6,67	-2,47	1,29	2,16	-0,07	2,28	1,62	2,96	3,33	3,56	3,91	3,64	-5,28
Russian Federation	-8,67	-4,14	10,00	6,40	8,20	8,50	5,20	-7,80	4,50	4,30	4,02	1,76	0,74	-1,97	0,19	1,83	2,81	2,03	-2,95
Ukraine	-14,20	-12,20	5,90	3,07	7,57	8,22	2,24	-15,14	4,09	5,45	0,15	0,05	-10,08	-9,77	2,44	2,36	3,49	3,20	-4,00
Average	-11,43	-8,17	7,95	4,74	7,89	8,36	3,72	-11,47	4,30	4,87	2,09	0,90	-4,67	-5,87	1,32	2,09	3,15	2,62	-3,48
European Union	-0,57	2,66	3,90	1,92	3,49	3,15	0,64	-4,35	2,25	1,86	-0,71	-0,03	1,58	2,31	2,01	2,81	2,07	1,82	-5,96

Source: World Bank, 2021

Consumer Price Inflation

(annual %)

	1993	1995	2000	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Czech Republic	20,81	8,99	3,78	1,86	2,53	2,85	6,36	1,02	1,47	1,92	3,29	1,44	0,34	0,31	0,68	2,45	2,15	2,85	3,16
Croatia	1500,00	3,95	4,61	3,32	3,19	2,90	6,08	2,38	1,03	2,27	3,41	2,22	-0,22	-0,46	-1,13	1,13	1,50	0,77	0,15
Hungary	22,46	28,31	9,80	3,56	3,93	7,96	6,04	4,21	4,86	3,93	5,65	1,73	-0,23	-0,06	0,39	2,35	2,85	3,34	3,33
Poland	36,96	27,95	9,90	2,18	1,28	2,46	4,16	3,80	2,58	4,24	3,56	0,99	0,05	-0,87	-0,66	2,08	1,81	2,23	3,37
Slovak Republic	23,29	9,84	12,04	2,71	4,48	2,76	4,60	1,62	0,96	3,92	3,61	1,40	-0,08	-0,33	-0,52	1,31	2,51	2,66	1,94
Estonia	89,81	28,78	4,02	4,08	4,44	6,60	10,36	-0,08	2,97	4,98	3,93	2,78	-0,11	-0,49	0,15	3,42	3,44	2,28	-0,44
Latvia	108,99	24,98	2,65	6,75	6,54	10,09	15,40	3,53	-1,08	4,37	2,26	-0,03	0,62	0,17	0,14	2,93	2,53	2,81	0,22
Lithuania	410,45	39,65	0,98	2,66	3,74	5,74	10,93	4,45	1,32	4,13	3,09	1,05	0,10	-0,88	0,91	3,72	2,70	2,33	1,20
Bulgaria	72,88	62,05	10,32	5,04	7,26	8,40	12,35	2,75	2,44	4,22	2,95	0,89	-1,42	-0,10	-0,80	2,06	2,81	3,10	1,67
Romania	255,17	32,24	45,67	9,01	6,56	4,84	7,85	5,59	6,09	5,79	3,33	3,98	1,07	-0,59	-1,54	1,34	4,63	3,83	2,63
Russian Federation	874,25	197,41	20,80	12,69	9,67	9,01	14,11	11,65	6,85	8,44	5,07	6,75	7,82	15,53	7,04	3,68	2,88	4,47	3,38
Ukraine	4734,91	376,75	28,20	13,57	9,05	12,84	25,23	15,88	9,37	7,96	0,57	-0,24	12,07	48,70	13,91	14,44	10,95	7,89	2,73
European Union	4,85	4,43	3,15	2,49	2,67	2,51	4,16	0,84	1,53	3,29	2,66	1,22	0,20	-0,06	0,18	1,43	1,74	1,63	0,50

Sources: IMF World Economic Outlook, EBRD Transition Report, OECD Economic Outlook and Eurostat

Unemployment Rate

Unemployment, total (% of total labor force) (modeled ILO estimate)

	1993	1995	2000	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Czech Republic	4,32	4,02	8,76	7,93	7,15	5,32	4,39	6,66	7,28	6,71	6,98	6,95	6,11	5,05	3,95	2,89	2,24	1,93	1,91
Croatia	11,10	10,45	16,06	12,60	11,13	9,91	8,53	9,20	11,62	13,68	15,94	17,25	17,29	16,17	13,10	11,21	8,43	6,93	7,11
Hungary	12,10	10,17	6,56	7,19	7,49	7,41	7,82	10,03	11,17	11,03	11,00	10,18	7,72	6,81	5,11	4,16	3,71	3,40	3,46
Poland	14,00	13,34	16,31	17,75	13,84	9,60	7,12	8,17	9,64	9,63	10,09	10,33	8,99	7,50	6,16	4,89	3,85	3,47	3,04
Slovak Republic	12,20	13,11	19,06	16,26	13,37	11,14	9,51	12,02	14,38	13,62	13,96	14,22	13,18	11,48	9,67	8,13	6,54	5,56	5,10
Slovenia	8,51	7,15	6,92	6,51	5,95	4,82	4,37	5,86	7,24	8,17	8,84	10,10	9,67	8,96	8,00	6,56	5,11	4,20	3,80
Estonia	6,54	9,66	13,36	8,03	5,91	4,59	5,45	13,55	16,71	12,33	10,02	8,63	7,35	6,19	6,76	5,76	5,37	5,11	5,38
Latvia	16,70	19,00	14,21	10,03	7,03	6,05	7,74	17,51	19,48	16,21	15,05	11,87	10,85	9,87	9,64	8,72	7,41	6,52	6,53
Lithuania	13,80	17,54	15,93	8,32	5,78	4,25	5,83	13,78	17,81	15,39	13,36	11,77	10,70	9,12	7,86	7,07	6,15	6,35	6,26
Bulgaria	13,65	13,69	16,22	10,08	8,95	6,88	5,61	6,82	10,28	11,26	12,27	12,94	11,42	9,14	7,57	6,16	5,21	4,34	3,85
Romania	8,27	8,01	6,97	7,17	7,27	6,41	5,79	6,86	6,96	7,18	6,79	7,10	6,80	6,81	5,90	4,93	4,19	3,98	3,92
Russian Federation	5,88	9,45	10,58	7,12	7,05	6,00	6,20	8,30	7,37	6,54	5,44	5,46	5,16	5,57	5,56	5,21	4,85	4,59	4,43
Ukraine	2,00	5,62	11,71	7,18	6,81	6,35	6,36	8,84	8,10	7,85	7,53	7,17	9,27	9,14	9,35	9,51	8,80	8,88	8,93
European Union	10,73	11,07	9,82	9,57	8,63	7,45	7,20	9,12	9,80	9,84	10,80	11,32	10,84	10,02	9,12	8,14	7,27	6,67	6,45

Sources: ILO 2020

European Commission Autumn Forecast, November 2021 (basic economic indicators)

	Real GDP			Inflation			Unemployment rate			Current account			Budget balance		
	2021	2022	2023	2021	2022	2023	2021	2022	2023	2021	2022	2023	2021	2022	2023
Belgium	6.0	2.6	1.9	2.7	2.3	1.6	6.2	6.3	5.8	0.8	0.3	0.0	-7.8	-5.1	-4.9
Germany	2.7	4.6	1.7	3.1	2.2	1.7	3.6	3.4	3.2	6.7	6.8	6.9	-6.5	-2.5	-0.5
Estonia	9.0	3.7	3.5	4.0	3.9	2.1	6.8	5.7	5.2	-1.1	0.2	0.5	-3.1	-2.5	-2.2
Ireland	14.6	5.1	4.1	2.3	3.1	1.5	7.5	6.8	6.2	15.4	14.4	14.6	-3.2	-1.7	-0.3
Greece	7.1	5.2	3.6	0.1	1.0	0.4	15.3	15.0	14.5	-6.3	-4.0	-2.8	-9.9	-3.9	-1.1
Spain	4.6	5.5	4.4	2.8	2.1	0.7	15.2	14.3	13.9	0.3	0.8	1.0	-8.1	-5.2	-4.2
France	6.5	3.8	2.3	1.9	2.1	1.4	8.0	8.0	7.9	-2.4	-2.2	-1.0	-8.1	-5.3	-3.5
Italy	6.2	4.3	2.3	1.8	2.1	1.4	9.8	9.3	9.2	3.5	2.7	2.7	-9.4	-5.8	-4.3
Cyprus	5.4	4.2	3.5	1.9	1.7	1.2	7.5	7.1	6.6	-9.1	-7.3	-5.7	-4.9	-1.4	-0.9
Latvia	4.7	5.0	4.0	3.1	3.6	0.8	7.3	6.9	6.6	1.1	-0.2	-1.1	-9.5	-4.2	-2.0
Lithuania	5.0	3.6	3.4	3.8	3.1	2.0	7.1	6.3	6.0	2.6	1.9	1.2	-4.1	-3.1	-1.1
Luxembourg	5.8	3.7	2.7	3.2	2.2	1.8	6.1	5.8	5.7	5.5	5.2	5.2	-0.2	0.2	0.3
Malta	5.0	6.2	4.8	1.1	1.6	1.5	4.0	3.8	3.7	0.4	1.8	1.9	-11.1	-5.8	-4.7
Netherlands	4.0	3.3	1.6	2.1	2.2	1.5	3.5	3.6	3.6	8.4	9.0	8.9	-5.3	-2.1	-1.0
Austria	4.4	4.9	1.9	2.7	2.5	2.0	5.0	4.6	4.5	-0.1	-0.2	-0.5	-5.9	-2.3	-1.3
Portugal	4.5	5.3	2.4	0.8	1.7	1.2	6.7	6.5	6.4	-0.9	-0.4	-0.4	-4.5	-3.4	-2.8
Slovenia	6.4	4.2	3.5	1.7	2.1	1.7	4.6	4.5	4.4	5.4	4.8	4.8	-7.2	-5.2	-4.4
Slovakia	3.8	5.3	4.3	2.8	4.3	2.2	6.8	6.4	5.6	-1.7	-1.0	-1.1	-7.3	-4.2	-3.2
Finland	3.4	2.8	2.0	1.8	1.9	1.9	7.7	6.9	6.5	1.2	1.2	1.5	-3.8	-2.4	-1.1
Euro area	**5.0**	**4.3**	**2.4**	**2.4**	**2.2**	**1.4**	**7.9**	**7.5**	**7.3**	**3.1**	**3.2**	**3.4**	**-7.1**	**-3.9**	**-2.4**
Bulgaria	3.8	4.1	3.5	2.4	2.9	1.8	5.1	4.6	4.4	0.4	1.2	2.7	-3.6	-2.8	-2.1
Czechia	3.0	4.4	3.2	3.3	3.4	2.3	2.7	2.6	2.4	-1.2	-2.5	-1.7	-7.0	-4.3	-3.9
Denmark	4.3	2.7	2.4	1.7	1.9	1.6	4.8	4.5	4.3	7.4	7.3	7.1	-0.9	1.3	1.4
Croatia	8.1	5.6	3.4	2.2	2.0	1.5	6.7	6.2	5.8	0.8	0.8	0.3	-4.1	-2.9	-2.1
Hungary	7.4	5.4	3.2	5.1	4.8	3.4	4.1	3.1	2.9	-1.1	-2.4	-1.9	-7.5	-5.7	-3.8
Poland	4.9	5.2	4.4	5.0	5.2	2.6	3.3	3.1	3.0	2.6	2.6	2.9	-3.3	-1.8	-2.1
Romania	7.0	5.1	5.2	4.0	4.0	2.8	5.0	4.8	4.5	-6.5	-6.3	-6.1	-8.0	-6.9	-6.3
Sweden	3.9	3.5	1.7	2.4	1.9	1.1	8.2	7.1	6.7	5.1	4.8	5.0	-0.9	0.3	0.9
EU	**5.0**	**4.3**	**2.5**	**2.6**	**2.5**	**1.6**	**7.1**	**6.7**	**6.5**	**3.0**	**3.0**	**3.2**	**-6.6**	**-3.6**	**-2.3**
United Kingdom	6.9	4.8	1.7	2.4	3.2	2.2	4.9	4.7	4.4	-2.8	-3.0	-3.4	-10.1	-5.5	-4.5
China	7.9	5.3	5.3	:	:	:	:	:	:	2.1	1.6	1.1	:	:	:
Japan	2.4	2.3	1.1	-0.5	0.2	0.4	2.8	2.6	2.4	3.5	3.4	3.3	-9.1	-5.0	-3.9
United States	5.8	4.5	2.4	4.3	3.3	2.2	5.5	4.2	4.0	-3.6	-3.6	-3.5	-11.4	-7.9	-6.8
World	5.7	4.5	3.5	:	:	:	:	:	:	:	:	:	:	:	:

OECD March 2022 forecasts

- -1 in GDP growth,
- 2.5 in inflation
- Stagflation in the near future?

Privatization I.

- Change in the legal status of companies from state owned status to a private legal status

  (formal privatization)

- Transfer of property to private investors

  (real privatization)

- Confronting new owners with all business risks, cutting off or reducing state subsidies, and permitting bankruptcy

Privatization II.

Forms:

- Small
- Large

Methods:

- Restitution
- Sales to outside owners (domestic, foreign)
- Management-employee buyouts
- Voucher privatization
- Spontaneous privatization

Speed of Privatization
Private Sector Share of GDP

in per cent, mid-year

	1992	1994	1996	1998	2000	2001	2002
Czech Republic	30	65	75	75	80	80	80
Hungary	40	55	70	80	80	80	80
Poland	45	55	60	65	70	75	75
Slovak Republic	30	55	70	75	80	80	80
Slovenia	30	45	55	60	65	65	65
Estonia	25	55	70	70	75	75	80
Latvia	25	40	60	65	65	65	70
Lithuania	20	60	70	70	70	70	75
Bulgaria	25	40	55	65	70	70	75
Romania	25	40	55	60	60	65	65
Russia	25	50	60	70	70	70	70
Ukraine	10	40	50	55	60	60	65

Source: EBRD Transition Report various issues.

Examples of Large-scale Privatization

- Hungary (debt burden) - goal of revenue generation – direct sales to private (often foreign) owners
- Russia – goal of rapid political break with the past – MEBO, vouchers
- Poland – longer debate (issue of fairness) – slower privatization (direct sales & buyouts)
- Czech Republic – goal of a quick break with the past, fair start, efficiency – vouchers to public at large and sales to outsiders
- Slovak Republic – vouchers, sales to domestic owners, sales to foreign owners
- Slovenia – sales to foreign owners under the pressure of the EU
- *FAQs: better corporate governance, speed, better access to capital and skill, more government revenue, greater fairness???*