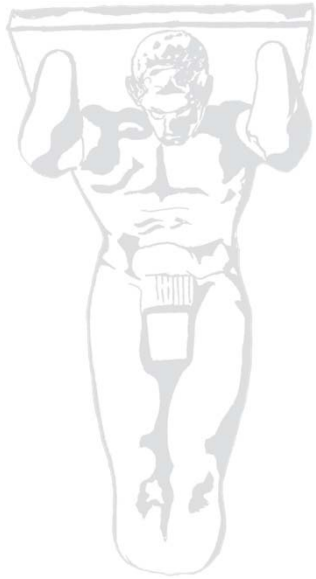


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**The catching-up processes in CESEE  
countries:  
Experiences and drivers**



Boštjan Jazbec  
Bank of Slovenia

5 October 2017

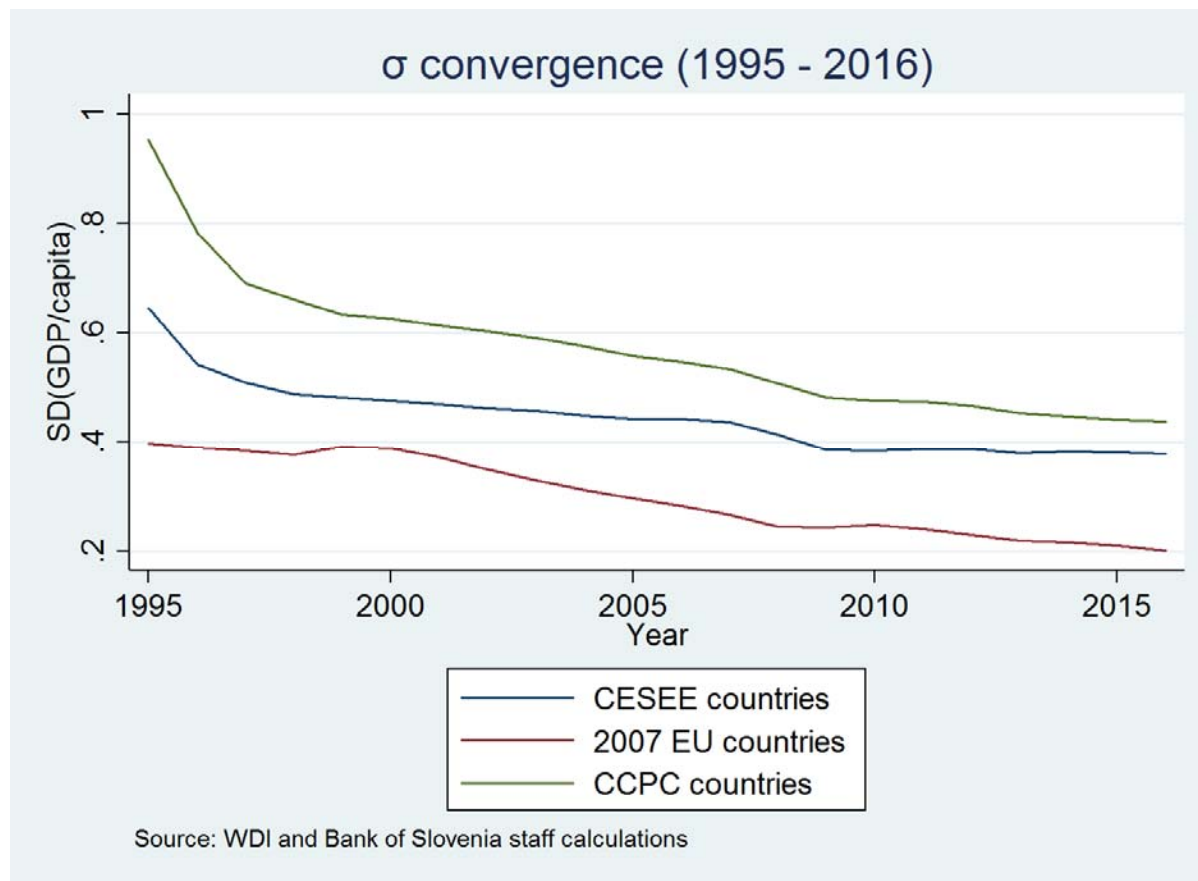
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# Summary

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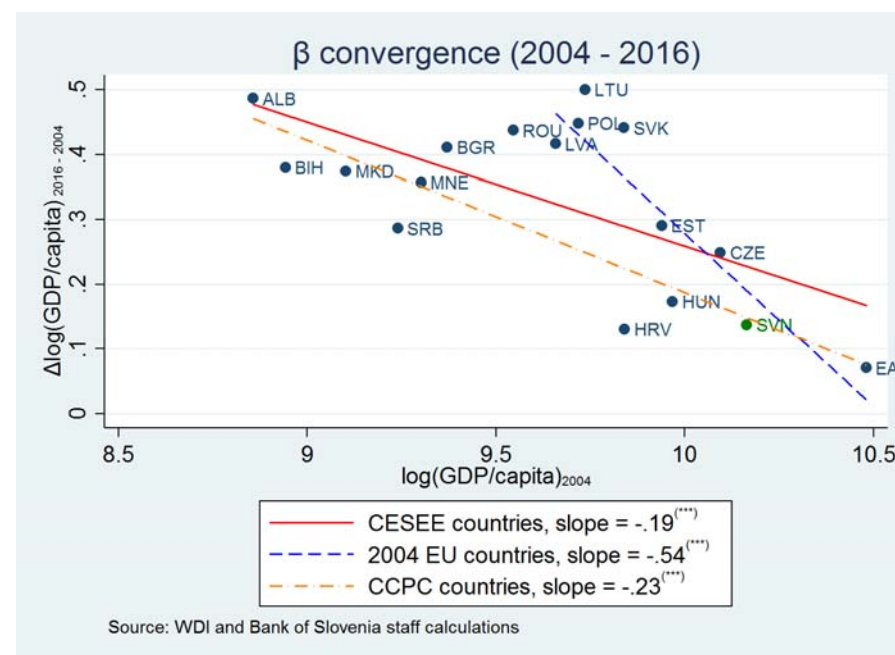
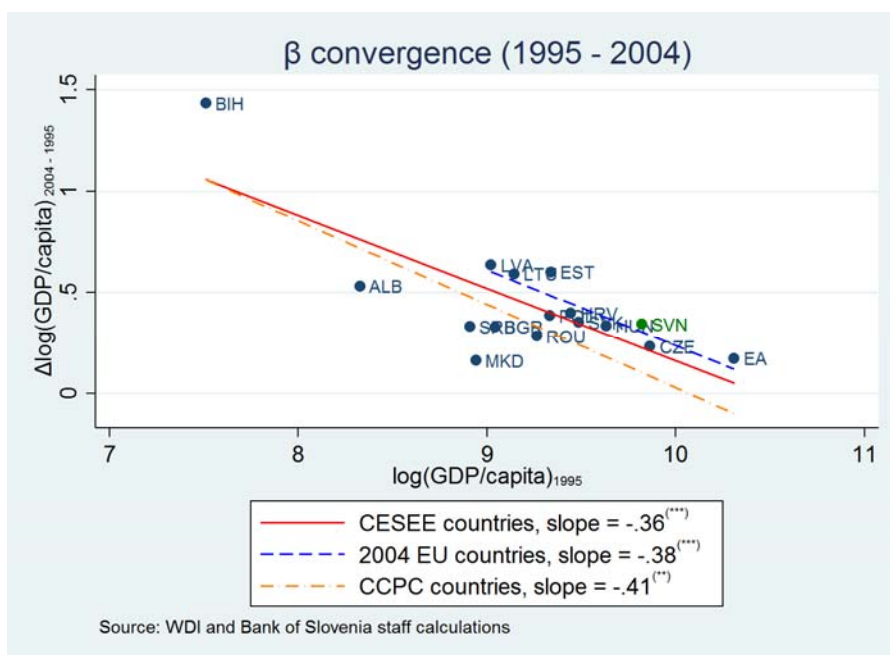
- In general, catching-up occurred among CESEE countries
- Income convergence was fostered by EU membership
- EU membership softened the effects of the global financial crisis on income convergence
- TFP is an important driver of income growth
- Convergence is observed in human development, however what about institutional convergence?

# Initial income convergence is continuing although at a slower pace



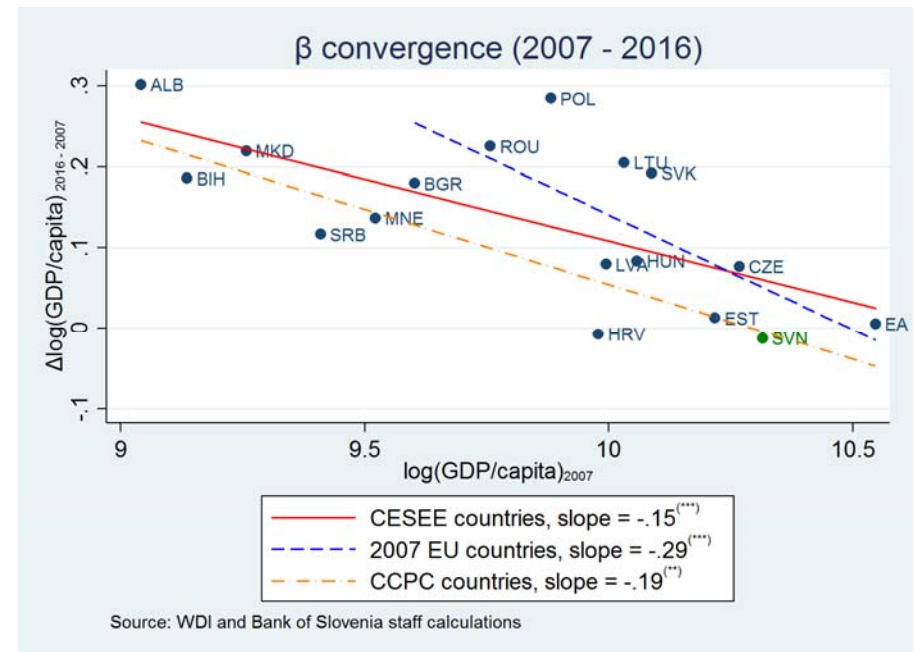
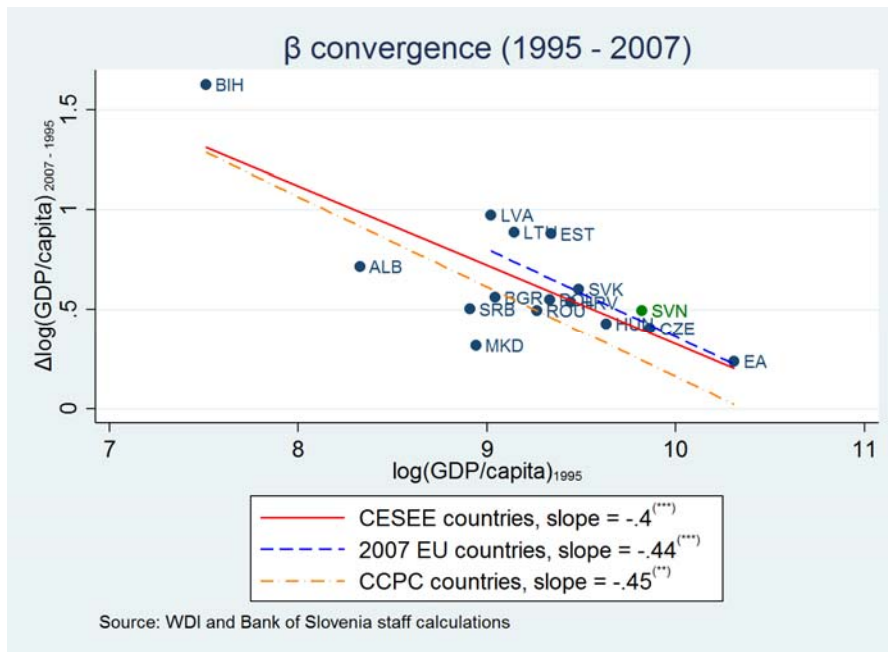
- The pace of income convergence is heterogeneous among different CESEE country groups
- Stronger among EU member countries, while relatively flat among CCPC countries

# EU membership's role in income convergence



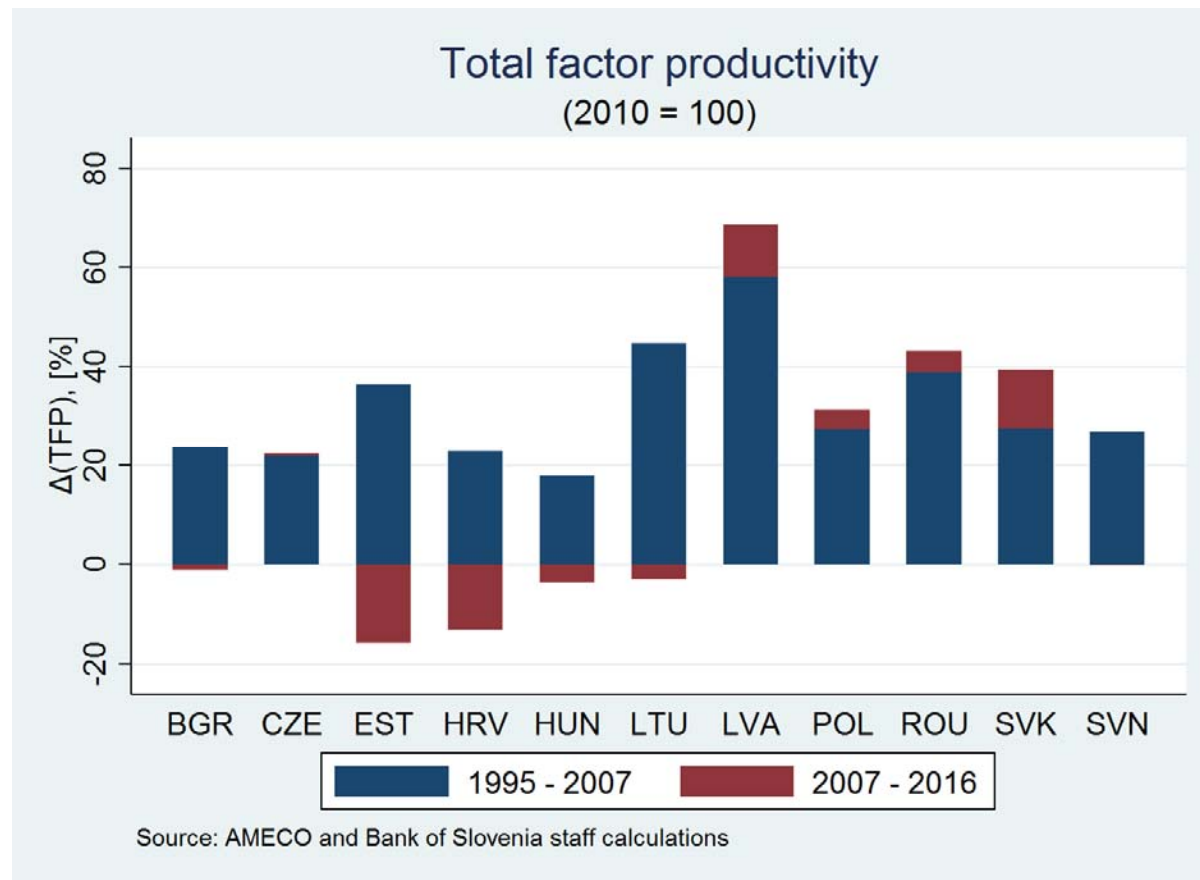
- EU membership promoted income convergence
- The pace of the convergence process in CCPC countries has almost been halved after 2004

# The global financial crisis affected the convergence process



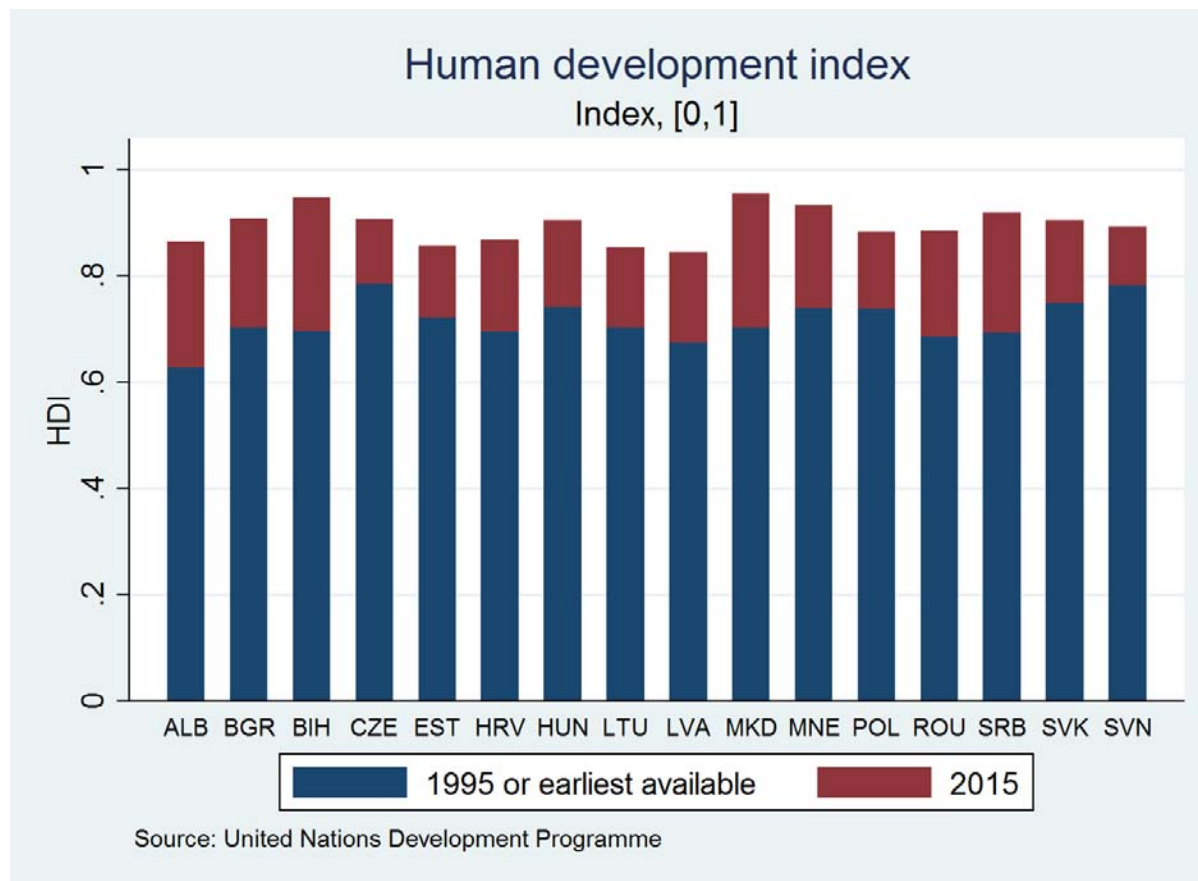
- The global financial crisis (GFC) had an impact on the convergence process in both EU members as well as EU candidate countries
- EU membership alleviated the effects of the GFC on income convergence
- The impact of the GFC is more adverse among CCPC countries

# The effect of TFP on growth deceleration



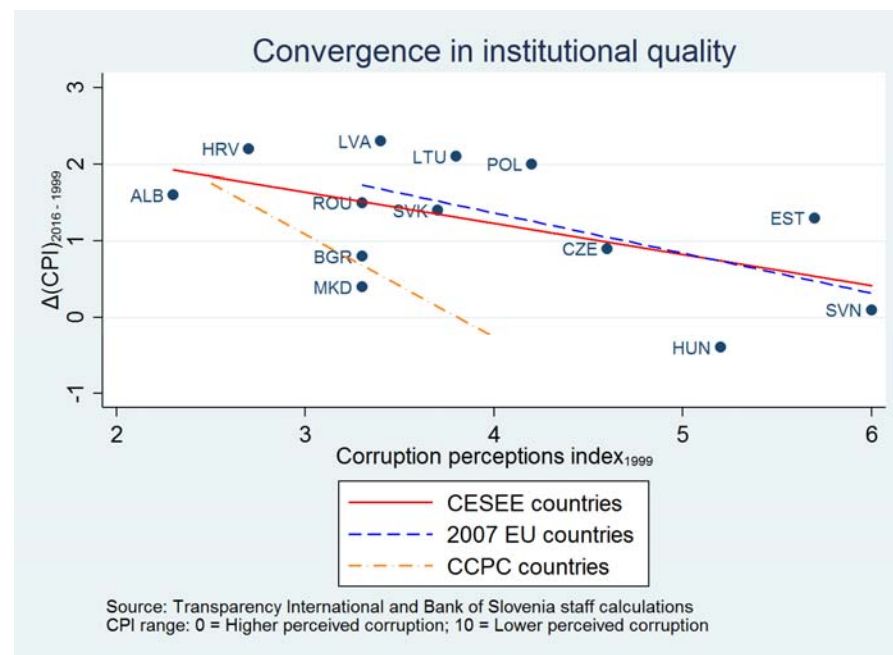
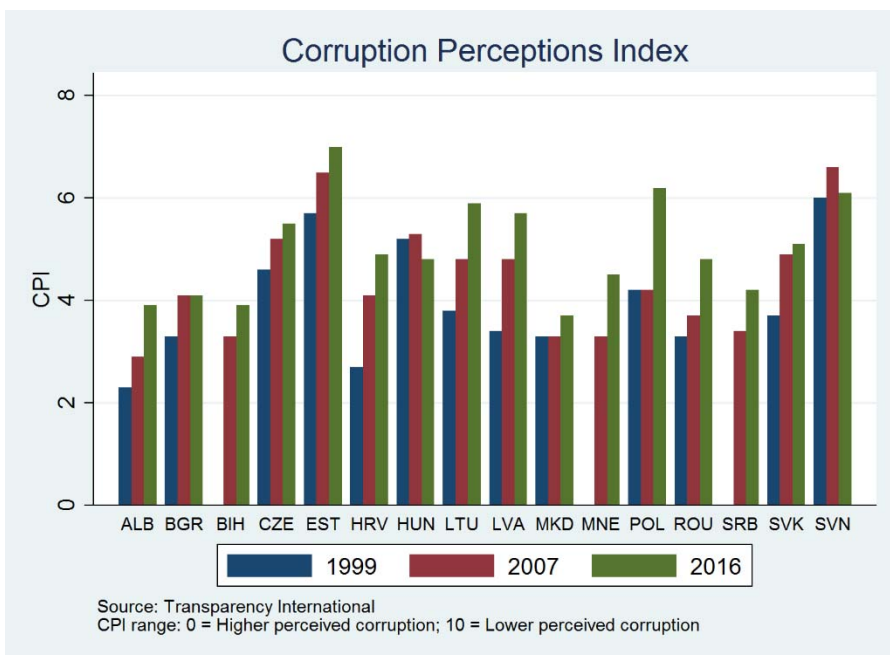
- From 1995 until 2007 all CESEE EU member countries exhibited strong growth in TFP
- TFP growth slowed down significantly or even reversed for many of them during the period 2007 – 2016

## Remarkable progress has been achieved since the early 1990s but institutional convergence lags behind



Overall, convergence in human development has been observed, but there is still room for improvement in institutional quality

# Despite progress in real terms, institutional convergence has been weak



- Institutional convergence has been weak among CESEE EU member countries
- Instead it has been more pronounced among CCPC countries



## Take aways

- In general, catching-up occurred among CESEE countries
- Income convergence was fostered by EU membership
- EU membership softened the effects of the global financial crisis on income convergence
- TFP is an important driver of income growth
- Convergence is observed in human development, however, what about institutional convergence?