

The COVID shock and convergence paths in the Central and Eastern European Countries: the issue of public debt and its sustainability

Jérôme Creel, Marek Dąbrowski, Etienne Farvaque, Jakub Janus, Sandrine Levasseur, **Piotr Stanek**

Abstract

The paper examines the behaviour of public debt in eleven Central and Eastern European Countries over the period 2000-2021 in a double context: participation in or candidacy to the euro area and the impact of the COVID-19 pandemic.

Apart from the standard approaches, such as unit root and stationarity testing or again estimation of fiscal reaction functions, we additionally apply relatively novel techniques of recursive ADF testing allowing for detection of bubbles, notably: supremum ADF (SADF; Phillips, Wu, and Yu 2011) and generalized SADF (GSADF; Phillips, Shi, and Yu 2015).

Overall, the results indicate that the pandemic significantly affected debt trajectories, but, in majority of cases, did not lead to (even mildly) explosive behaviour of debt-to-GDP ratios.