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Methods for Detecting Disequilibrium in the Real Economy of Slovak Republic

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Abstract

This working paper presents nine selected methods for computing disequilibrium in real economy and applies them to the Slovak Republic. We use eight of these methods to compute relative output gap and one of them to compute a composite index of disequilibrium. From the point of view of computational simplicity, we find the Hodrick-Prescott filter and simple time trend useful. The economic theory is best followed by the production function approach and multivariate filter with unobserved components; the latter can reflect discrete supply shock as well. The results of all methods indicate that economic development of Slovak Republic in years 1996 to 2006 can be split into three separate stages: disequilibrium growth with expansive economic policy till the end of 1998, followed by contraction and consolidation from 1999 till 2002 and gradual acceleration of growth from 2003 onwards.

JEL classification: E32

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