

Sustainable economic growth in the European Union under COVID-19 conditions

Ruta Baneliene

Vilnius Gediminas Technical University

ORCID iD: <https://orcid.org/0000-0002-3045-1692>

Author's Note

Ruta Baneliene, Vilnius Gediminas Technical University. Vilnius, LITHUANIA

Abstract

All European Union countries have faced first COVID-19 wave impact on their economic growth and should focus their effort on solving issues related to negative impact on their GDP growth. This paper analyses how sustainable economic growth could be maintained in long run keeping in mind three criteria: investment in R&D, gross value added per employee and country size by population; and which factors could have highest impact on economic growth. Panel least squares method was applied for modeling.

In general, estimation output shows the higher role of human capital in small EU countries where investment in R&D exceeds 3% of GDP and have higher impact on their sustainable economic growth in comparison to large EU countries under the same conditions. Estimation results partially proved the hypothesis that labor factor has a higher impact on GDP growth in small EU countries which have proper focus on R&D investment as a major engine of economic growth.

Analyzing exports factor role on economic growth, estimations denied hypothesis that this factor has a higher impact on economic growth in small open economies, but proved its part in relation to investment in R&D: exports of small countries with higher investment in R&D have higher impact on economic growth. Although, the highest exports factor impact on GDP growth was gotten in estimation of pool of large countries with lowest investment in R&D level, and this segment is most dependable on smooth exports of goods and services flows and could be most vulnerable under COVID-19 conditions.

Keywords: GDP growth, European Union countries, R&D investment, employment, exports.

JEL Classification: A10, C23, E17, F01, F39, F63, O39, O40.