Abstract

This study examines the impact of the political cycle on macroeconomic indicators in Central Europe, with a special focus on the Czech Republic. Thirty-nine Vector Autoregressive (VAR) models were constructed using data from 1998 to 2022 aiming to apply the Political Business Cycle (PBC) theory. It is the first time the VAR model has been used in this context for most of the selected countries. As the main variables in the model, subject to potential influence by political cycles, were chosen real GDP, inflation and unemployment. The results showed that no consistent significant relationship exists across all countries, with each nation displaying varying connections and occasional contradictions to the presupposed theory. Nevertheless, certain associations between the political cycle and macroeconomic indicators were observed in individual countries, supporting the presence of the PBC to some extent in the Czech Republic, Hungary, and Austria. Conversely, no evidence or even contradictory results were found for the PBC in Slovakia, Poland, and Germany. Additionally, the presence of the "partisan" political cycle was identified in Hungary but not in the Czech Republic, Germany, or Austria. Poland's significant results exhibited signs opposite to those expected. This research opens new avenues for further in-depth analyses of the political cycles in this region.

Keywords	Vector Autoregression, Political Cycle, Real GDP, ,Unemployment, Inflation
Title	Political Cycles and Their Impact on Macroeconomic Indicators in Central Europe

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