

CESEE-related abstracts from other OeNB publications

The abstracts below alert readers to studies on CESEE topics in other OeNB publications. Please see www.oenb.at for the full-length versions of these studies.

European retail payments market integration and fintech: a case study approach

Katharina Allinger

The segment of retail payments has been among the most affected by technology-enabled innovations in financial markets (fintech). This study looks at the digitalization of retail payments markets in Europe. We develop a framework and collect supportive indicators to discuss the connection between fintech and retail payments market developments. We apply our framework to four small European economies – Sweden, Austria, Estonia and Bulgaria – and discuss what conclusions, if any, can be drawn for the integration of European retail payments markets and fintech from the developments observed in the case study countries. While there are many channels through which digitalization may facilitate the creation of a single market for retail payments, this study discusses whether fintech might also contribute to stronger retail payments market fragmentation.

Published in *Financial Stability Report 36*.

Nonperforming exposures of Austrian banks – decomposing aggregate measures

Petra Bärnthaler,
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Pirmin Fessler,
Elisabeth Woschnagg

We analyze bank-level loan data to better understand the development of aggregate nonperforming exposure measures of large Austrian banks. We employ quarterly data from Q3 2014 to Q4 2017 for all 18 commercial banks in Austria that apply the International Financial Reporting Standards as well as for all their foreign subsidiaries (this leads to slightly different results than provided in other publications). We focus on the distribution of nonperforming exposure measures across time and banks as well as across economic sectors and borrower types. We find large heterogeneity across banks, economic sectors and borrower types. If we take a closer look at what lies behind the aggregate NPL ratio of about 3.6%, we find that the 10th percentile of the NPL ratio is close to zero whereas the 90th percentile is still at about 8% in the fourth quarter of 2017. Higher NPL ratios across relevant economic sectors do not seem to be concentrated in larger sectors. With regard to borrower type, we find NPL ratios of 5.3% for nonfinancial corporations, 3.8% for households and 2.2% for other financial institutions. Subsidiaries record substantially higher NPL ratios than parent institutions, e.g. over 7% for exposures to nonfinancial corporations (under 5% at parent institutions) and about 5% for households (3% at parent institutions). This points toward higher financial vulnerability among nonfinancial corporations as well as indebted households in CESEE, the region mainly responsible for nonperforming loans in the portfolios of Austrian banks' subsidiaries.

Published in *Financial Stability Report 36*.

Tina Wittenberger

Lending to households in CESEE with regard to Austrian banking subsidiaries and macroprudential measures addressing credit-related risks

The macroeconomic environment improved significantly in 2017. And so did Austrian banks' lending activities in Central, Eastern and Southeastern Europe (CESEE) – the banks' most important foreign market. As Austrian banks' exposure in terms of volume and profit is concentrated in six countries of the CESEE region, namely the Czech Republic, Slovakia, Romania, Croatia, Hungary and Russia, these countries will be the focus of this study. Moreover, the analysis sheds light on lending to households, in particular on mortgage and consumer loans, and it reveals Austrian banking subsidiaries' relative importance for their host markets. All CESEE countries analyzed in this study have implemented several macroprudential measures – either legally binding ones or in the form of recommendations – to cope with credit lending risks. Some countries did so because they are already faced with high growth rates, others did so to prevent risks from accumulating once credit growth picks up again.

Published in *Financial Stability Report* 36.

Christian A. Belabed,
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Income inequality and trust in national governments in Central, Eastern and Southeastern Europe

Using unique evidence from the OeNB Euro Survey, this paper sheds light on the correlation between the distribution of income and trust in national governments in ten Central, Eastern and Southeastern European (CESEE) countries between 2009 and 2015. By applying multilevel modeling to account for the hierarchical structure of the data, our main findings indicate that trust in national institutions increases with the individual's position in the regional income distribution but it overall declines with the increase of regional and country income inequality. This result is valid across different measures of income inequality and despite the slight decrease of income inequality over the period. Our analysis shows that perceived high corruption and weak rule of law are key determinants of distrust in national governments, while the negative link between income inequality and trust in national governments is more pronounced in the non-EU countries in our sample.

OeNB Working Paper 222. May 2018.