

82nd East Jour Fixe of the Oesterreichische Nationalbank

Debt in Central, Eastern and Southeastern Europe: vulnerabilities and opportunities

June 11, 2018

Oesterreichische Nationalbank (OeNB), Vienna

OeNB Kassensaal

Otto-Wagner-Platz 3, 1090 Vienna

While debt levels in Central, Eastern and Southeastern Europe (CESEE), both in the public and private sectors, remain broadly below the levels of other major emerging markets and the euro area average, they have risen considerably compared with pre-crisis levels. In some CESEE countries, public debt increased by more than 30 percentage points of GDP from 2008 to end-2016. In case of a tail event, contracted fiscal space may weaken the scope for public investments and constrict government support for the private sector thus limiting the use of discretionary fiscal policy to stabilize the economy. Private sector debt has reached 100% of GDP in the most indebted CESEE countries (i.e. the Baltic countries, Croatia and Bulgaria) – a level well below the euro area average. Relative to the pre-2008 period, credit growth has slowed down, even turning temporarily negative in some CESEE countries, with deleveraging a necessary response to the crisis. Recently, credit growth has, however, rebounded in most CESEE countries. This naturally raises the issues of what drives debt, its sustainability (also with regard to potential spillovers arising from the “normalization” of monetary policy in major advanced economies) and its “wise” (i.e. productivity-enhancing) use.

The 82nd East Jour Fixe will address these issues in three sessions. Session 1 will focus on public sector debt and sustainability considerations in CESEE. A particular focus will be on the structure of public debt in the region and on the role fiscal rules play. Session 2 will deal with developments and drivers of private debt, covering both corporate and household debt and its sustainability. This session will also explore if there is a need for further deleveraging in CESEE. Session 3 will then bring together representatives from the private sector, from CESEE institutions and from international financial institutions to discuss what institutions can contribute to ensuring optimal and sustainable debt developments in the public and private sector.

Preliminary program

8:30 a.m. Registration

9:00 a.m. **Welcome address and introductory statement**

Doris Ritzberger-Grünwald

Director, Economic Analysis and Research Department
Oesterreichische Nationalbank

9:15 a.m. **Keynote address**

Debt developments and economic recovery in CESEE after the global financial crisis

Laura Papi

Division Chief, European Department,
International Monetary Fund

10:00 a.m. **Session 1**

Public debt and debt sustainability in CESEE

Chair: Doris Ritzberger-Grünwald

How sustainable is public debt in CESEE?

Stéphanie Pamies Sumner

Head of Sector, DG for Economic and Financial Affairs
European Commission

Digging into the composition of government debt in CESEE: a risk evaluation

Markus Eller

Principal Economist, Foreign Research Division
Oesterreichische Nationalbank

10:45 a.m. **Coffee break**

11:00 a.m. **Session 2**

Drivers and implications of private sector debt in CESEE

Chair: Julia Wörz

Head of the CESEE Analysis Unit, Foreign Research Division
Oesterreichische Nationalbank

Optimal private debt levels: deleveraging and rebalancing finance

Miquel Dijkman

Head of Unit, Financial Sector Advisory Center
The World Bank

Keeping up with the Novaks: determinants of households' current and planned debt in CESEE

Mariya Hake

Senior Economist, Foreign Research Division
Oesterreichische Nationalbank

11:45 a.m.

Panel discussion

The role of institutions and monetary policy for debt developments

Chair: Helene Schuberth

Head, Foreign Research Division
Oesterreichische Nationalbank

The impact of macroprudential measures on credit developments: finding the right balance

Marek Ličák

Director of Macroprudential Policy Department
Národná banka Slovenska

Implications of the “normalization” of monetary policy for debt developments in CESEE

Birgit Niessner

Head of Analysis Financial Institutions & Countries
Raiffeisen Bank International AG

The impact of EU institutional arrangements on debt developments in non-EU countries

Belma Čolaković

Chief Economist
Central Bank of Bosnia and Herzegovina

12:45 p.m.

Concluding remarks and outlook

Tina Zumer

Senior Economist
European Central Bank

13:00 p.m.

Buffet lunch

This program is subject to change!