

# Research Update

## Economic Analysis and Research Department

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### Editorial

by Peter Mooslechner  
 Director of the Economic Analysis and Research Department

### The Crisis: A “Rashomon” View by S&P

After a quiet Christmas and a happy New Year's Eve – even the markets seemed to take a little bit of a break – on Friday, January 13 (what a date!) the next kind of shock hit financial markets and European politics. Standard & Poor's made public its newest decision to downgrade two (France and Austria) out of six remaining European AAA-rated countries and assigned a negative outlook to all the others with the exemption of Germany.

Of course, this move did not come as a complete surprise, but what is very interesting – if not revealing – is the specific rationale given by S&P explaining its decision: First and foremost, the political setting of European integration is challenged, with a special negative focus on Europe's capacity to deal with the recent crisis. Second, the unsatisfactory growth prospects due to fiscal consolidation are stressed as the other important point.

Obviously, both arguments play a certain role in the current difficult situation. But how these arguments are used in a rather time-inconsistent manner reminds me very much of the classic movie “Rashomon” (by Akira Kurosawa, Japan 1950), in which the same event is reported in a completely different way by different witnesses – eventually leading to completely different conclusions. It seems that S&P has taken a very specific “Rashomon” style perspective in its assessment of the European situation as well. For example:

- As you can see from this Newsletter, the Austrian economy is doing comparably well and much better than many other economies, having achieved a growth rate of above 3% in 2011.
- The fiscal results for 2011 will also turn out to be significantly better, bringing the deficit down to the range of 3.2 to 3.4%, a number which originally had not been expected to be reached before 2012.
- Last but not least, Austria is implementing significant measures to minimize the risk stemming from the exposure of its banking system vis-à-vis Eastern Europe, thereby reacting to continuous criticism by international institutions as well as rating agencies.

S&P also holds different views concerning the marked progress Europe has made with regard to Economic Governance and setting up substantial rescue mechanisms for countries under stress (see more inside this Newsletter).

No question, a move from AAA to AA+ is not very likely to have significant impacts and the market reaction underlines this. What is worrisome is if a general mood is created that things can be fixed overnight by some sort of miracle, squaring the circle from fiscal consolidation to economic growth. In fact, we all know that what is needed is time and patience to address the challenges in a sustainable way.

# Crisis of Confidence to Trigger Marked Slump in Growth in 2012

## Economic Outlook for Austria from 2011 to 2013 (December 2011)

The Austrian economy expanded vigorously in 2011. In its December 2011 economic outlook, the Oesterreichische Nationalbank (OeNB) projects real GDP growth of 3.3%. In 2012, owing to a severe deterioration in external conditions and to a crisis of confidence, real GDP growth is expected to amount to just 0.7%. In line with both the assumed international economic recovery and abatement in the loss of confidence related to the sovereign debt crisis, 2013 will see growth accelerate to 1.6%. Compared with the OeNB economic outlook of June 2011, this means economic prospects look much more unfavorable, with the outlooks for 2012 and 2013 downgraded by 1.6 and 0.9 percentage points, respectively.

In 2011, owing to steeper price increases in the service, food and energy sectors, HICP inflation will reach 3.5%. In 2012 and 2013, inflation, on the back of falling commodity prices, will ease significantly to 2.2% and 1.6%, respectively. In 2011, primarily for economic reasons and due to the dissipation of one-off effects, the budget balance will markedly improve from -4.4% to -3.1% of GDP. In 2012 and 2013, it will fluctuate around the 3% ceiling (2012: -2.9%, 2013: -3.2%).

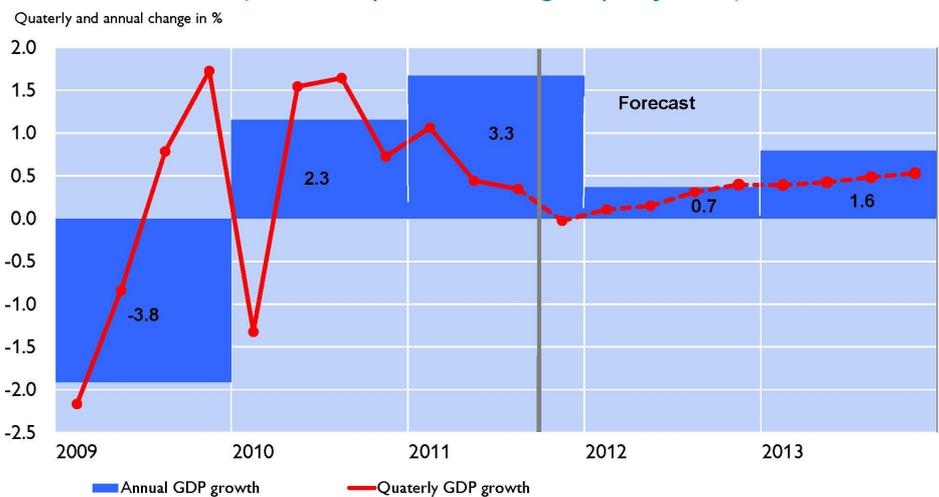
Despite healthy economic fundamentals, Austria's economy will be badly hit by the consequences of the debt crisis and the crisis of confidence. As an export-led economy, Austria cannot decouple itself from the deteriorating international economic outlook. Following a very healthy first quarter in 2011, export growth decelerated significantly and is likely to stagnate by year-end. Far more sluggish export growth (+2.9%) is expected in 2012 (2011: +7.3%). In 2013, export growth should bounce back in line with the assumed revival of the international economy.

In the wake of the incipient recovery, the investment cycle slowly picked up in 2010 but lost momentum as early as mid-2011. Overcapacity, which was still extant until mid-2011, suggests that present investment in equipment was aimed at primarily replacing old investments and directed less at boosting production potential. In 2012, in the wake of the crisis of confidence and the expected economic downturn, companies will postpone their investment plans and reduced their investment in equipment (-0.4%). The investment cycle was therefore unusually short and sluggish. A modest recovery in building construction, which is signaled by a growing number of building permits and recently steep rises in house prices, is not expected until 2012. The

civil engineering sector is likely to recover somewhat earlier than the building construction industry. However, clear signs of an upturn are absent, as no additional impetus is coming from the public sector.

In 2011, private consumption suffered from high inflation. Real disposable household income barely rose despite high employment growth. Although the results so far of the fall 2011 round of wage negotiations indicate high growth in

### Real GDP Growth (Seasonally and Working-Day Adjusted)



Source: Eurostat, OeNB.

collectively agreed wages in 2012, overtime payments and other overpayments, which decline in a downturn, will dampen wage growth. In conjunction with sluggish employment growth and a lack of stimuli from both mixed income accruing to self-employed households and investment income, purchasing power will therefore not rise appreciably, despite a drop in inflation in 2012. Projected consumption growth of 1.0% (2011) and 0.7% (2012) can therefore only be financed by a decline in the savings ratio.

The labor market was unexpectedly favorable in 2010 and has been so in 2011 to date. New jobs were created in almost all sectors of the economy. Since mid-2011, however, key leading indicators have been signaling a trend reversal in the Austrian labor market. At 0.4%, employment growth will slacken appreciably in 2012 (2010: 1.5%). The complete liberalization of the Austrian labor market, which came into force in May 2011, generated an increase in the labor supply by 20,000 persons according to current data. In 2011, the jobless rate will fall to 4.2%. In 2012, the frail economy will mean unemployment will rise to 4.5%, a level from which it will not budge in 2013. This means Austria will have the lowest unemployment rate in the euro area in 2011, 2012 and 2013.

# The New Economic Governance of the EU

## Special Issue of Monetary Policy & the Economy Q4/11: EU Governance Reformed

The global financial and economic crisis and the resulting public finance crises in some EU Member States have exposed weaknesses in the EU's economic and fiscal governance architecture. Despite the European fiscal framework, many EU and euro area members failed to achieve sufficiently sustainable fiscal positions in the years preceding the outbreak of the global crisis. This contributed to the fact that the financial and economic crisis turned into a sovereign debt crisis. Economic policymakers' attempts to promote the implementation of the EU's Lisbon strategy using the "open method of coordination" – a soft, nonbinding mechanism based on peer review and benchmarking – did not prove very effective either. Moreover, emerging macroeconomic imbalances that may affect the functioning of individual euro area economies, or the EU economy as a whole, were not given the appropriate attention prior to the onset of the crisis. Also, the Treaty of Lisbon did not make adequate institutional and economic policy provisions to prevent or cope with the banking and sovereign debt crisis in the EU.

In light of these realizations, a reform of the EU's economic governance framework consisting of several key reform packages was agreed. The introduction of the European semester, for one part, is supposed to better align the EU's economic policy and budgetary surveillance measures with national budgetary procedures, both in terms of timing and content. The preventive and the corrective arm of the Stability and Growth Pact (SWP) and the monitoring of national fiscal frameworks will be strengthened. Second, a new framework for the surveillance of macroeconomic imbalances has been introduced to complement fiscal surveillance. An alert mechanism based on specific indicators, together with a stringent surveillance mechanism, is supposed to facilitate the prevention and correction of

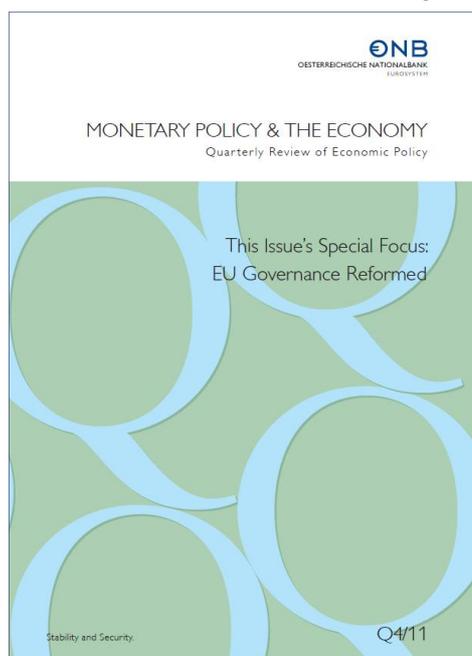
such imbalances, in particular with regard to unsustainable debt positions in the private and public sectors, in the finance sector and vis-à-vis non-EU countries. Third, EU-wide monitoring of structural reforms in the Member States is to achieve actual progress toward the objectives laid down in the Europe 2020 strategy in the interest of smart, sustainable and inclusive growth. Moreover, the adoption of the European Stability Mechanism (ESM) as a permanent crisis management mechanism designed to safeguard financial stability in the euro area as a whole represents an important step toward financial solidarity.

Given the complexity of the governance reform, the Oesterreichische Nationalbank has dedicated the latest issue of its quarterly publication "Monetary Policy & the Economy" to this intricate topic, aiming to provide the broad public with a comprehensive overview of the EU's new governance architecture, while at the same time explaining the intentions and objectives behind the new provisions. This special issue is the result of a cooperation between authors representing four different institutions, i.e. Austria's Federal Ministry of Finance, the Austrian Federal Chancellery, the Federal Ministry of Economy, Family and Youth, and the OeNB.

### Content of this Special Issue:

- **Economic Governance Reform and Financial Stabilization in the EU in the Eurosystem – Treaty-Based and Intergovernmental Decisions** (Gloggnitzer, Lindner)
- **Macro Coordination under the European Semester** (Köhler-Töglhofer, Part)
- **Europe 2020 – A New Framework for New Growth** (Auböck, Burger, Mangler)
- **What to Expect from the Latest Reform of the Stability and Growth Pact** (Holler, Reiss)
- **Prevention and Correction of Macroeconomic Imbalances: The Excessive Imbalances Procedure** (Essl, Stiglbauer)
- **Crisis Financing in the EU** (Nauschnigg, Schieder)
- **Chronology of European Initiatives in Response to the Crisis** (Hajek-Rezaei)

... up to be published in February 2012



## Early 2012 Sees Some Signs of Economic Stabilization in Austria

### Results of the OeNB Short-Term Indicator of January 2012

While the Austrian economy had continued its slowdown toward the end of 2011, there were signs of stabilization in early 2012. The results of the OeNB short-term indicator show a stagnation of real GDP in the fourth quarter of 2011. For 2011 as a whole, growth thus amounts to 3.3%. For the first quarter of 2012, the indicator predicts slow growth of 0.2% (compared to the previous quarter, seasonally and working-day adjusted). These results confirm the OeNB's December 2011 economic outlook (Q4: 0.0%; Q1: +0.1%). The marginally improved growth prospects for the first quarter of 2012 are attributable to the fact that economic agents were slightly more optimistic in November and December 2011. Earlier fears of recession thus did not materialize at the turn of the year; however, risks to further economic development remain predominantly tilted to the downside in Austria. The above information does, however, not yet take into account current developments in January 2012.

Economic sentiment somewhat improved in the last weeks leading up to the new year. A series of leading indicators show signs of stabilization and several have posted slight increases again, which might suggest that the global downturn may be coming to an end. The U.S. economy seems to have slightly expanded toward the end of the year. In Europe, the debt crisis has dampened economic sentiment but the effects on the real economy cannot be compared to those of the financial and economic crisis in the years 2008 and 2009. According to first estimates, GDP in Germany marginally declined in the fourth quarter (-0.2%), at the end of an otherwise strong year – a development which, unfortunately, is likely to be mirrored by most other euro area countries.

While exports were the key pillar of economic activity in Austria in 2011, they were also most strongly affected by the downturn. External orders have been steadily declining since May; however, there are signs of stabilization. According to the results of the OeNB's export indicator, nominal goods exports stagnated in the fourth quarter; however, the sharp decline feared owing to the weak October figures did not materialize. Against the background of strong export demand and excellent profits, businesses stepped up their investments in plant and equipment in the past quarters. However, the slowdown in exports and the once more declining capacity utilization in the fourth quarter seem to have caused a palpable loss of momentum in investment dynamics. Construction activity benefited from very mild weather conditions in the fourth quarter. Owing to this development and the increasing number of new orders and building permits, construction investments are expected to increase.

Adversely affected by high inflation, real household income is only growing weakly despite favorable employment developments. Though the retail sector developed disappointingly in October and November, good earnings in the Christmas shopping season could still result in a small plus. The strong rise in the number of new car registrations represents a positive signal. Overall, a small increase in consumption may be expected based on these developments.

The growth projection for the first quarter has been based on the general assumption that the European debt crisis will not intensify any further during this period.

The next release of the OeNB's short-term indicator is scheduled for March 2012.

## Lending by Austrian Banks:

### Still Robust, though Growth Has Slowed in Recent Months

#### 7<sup>th</sup> OeNB Lending Report

Growth in Austrian banks' lending to Austrian enterprises continued to recover in the course of 2011, but began to grow more slowly in recent months. The annual growth rate of lending to enterprises stagnated at around 2% since July 2011. From a historical perspective, the pace of credit growth therefore still remains well below the precrisis level. By sectors, lending to manufacturing enterprises and construction companies has widened in recent months, whereas lending to energy suppliers has been contracting for several months.

Lending to households has likewise been recovering only slowly in the wake of the financial crisis. After having ex-

panded more powerfully in the first half of 2011 to more than 2%, the growth rate began to stagnate at around 2%, just like lending to enterprises.

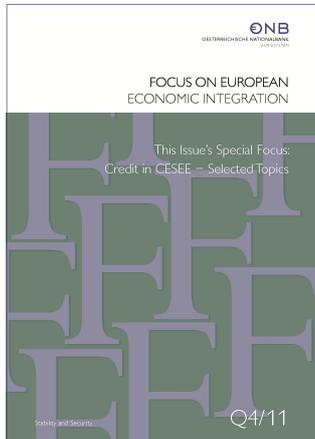
The OeNB survey of large Austrian enterprises shows that demand for loans is rather restrained because investment demand is low and net cash flow is high. Some enterprises cited low availability or unattractive conditions for some of the longer-term loans.

Judging statistics and recent surveys, there is currently no indication of a credit crunch.

## OeNB Periodical Publications

[www.oenb.at/de/presse\\_pub/period\\_pub/volkswirtschaft/volkswirtschaft.jsp](http://www.oenb.at/de/presse_pub/period_pub/volkswirtschaft/volkswirtschaft.jsp)

List of all Publications since 2001 (by staff of the Economic Analysis and Research Section):  
[http://www.oenb.at/de/img/publications\\_of\\_the\\_economic\\_analysis\\_and\\_research\\_department\\_tcm14-231169.pdf](http://www.oenb.at/de/img/publications_of_the_economic_analysis_and_research_department_tcm14-231169.pdf)



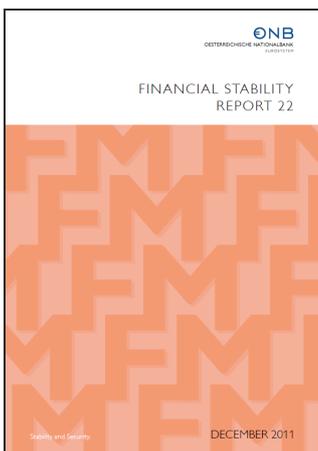
### Focus on European Economic Integration Q4/11 This Issue's Special Focus: Credit in CESEE – Selected Topics

Developments in Selected CESEE Countries: Deteriorating External Demand and Rising Risk Aversion Increasingly Weigh on Growth in CESEE

Nonperforming Loans in CESEE – What Do They Comprise? (Barisitz)

Determinants of Foreign Currency Loans in CESEE Countries: A Meta-Analysis (Crespo-Cuaresma, Fidrmuc, Hake)

OeNB Euro Survey: Growing Uncertainty, but Overall Euroization Not Affected (Beckmann, Dvorsky, Scheiber)



### Financial Stability Report 22

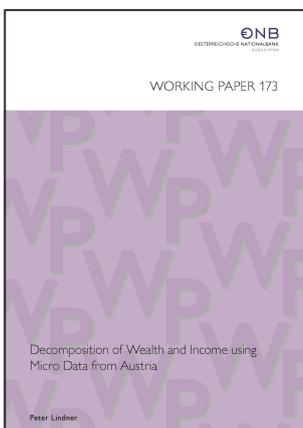
What Drives Aggregate Credit Risk? (Kerbl, Sigmund)

The Austrian Insurance Industry in CESEE: Risks and Opportunities from a Financial Stability Point of View (Bianchi, Ebner, Korherr, Ubl)

Detecting Financial Stability Vulnerabilities in due Time: Can Simple Measures Indicate a Complex Issue? (working title) (Trachta, Sigmund, Neudorfer)

## OeNB Working Papers

[http://www.oenb.at/de/presse\\_pub/research/020\\_workingpapers/working\\_papers\\_2011.jsp#tcm:14-173297](http://www.oenb.at/de/presse_pub/research/020_workingpapers/working_papers_2011.jsp#tcm:14-173297)



### Decomposition of Wealth and Income Using Micro Data from Austria Peter Lindner (Working Paper 173)

This paper analyses Austrian data on (financial) wealth and income. The main focus lays on the distribution of these indicators. Using a decomposition procedure of the Gini Index first proposed by Lerman and Yitzhaki (1985), it is possible to recover the effect of specific forms of investments of assets and of certain sources of income on the overall distribution (in terms of an elasticity) of wealth and income in Austria. For the first time Austrian wealth and income data are used to decompose the total distribution into various categories. Additionally, there are, due to the lack of available data on household wealth, internationally only very few attempts to compare wealth and income using decomposition methods. The analysis shows that specific forms of assets (mainly more sophisticated ones) as well as income from sources that are concentrated on a small group tend to increase inequality whereas the others have an equalizing effect.

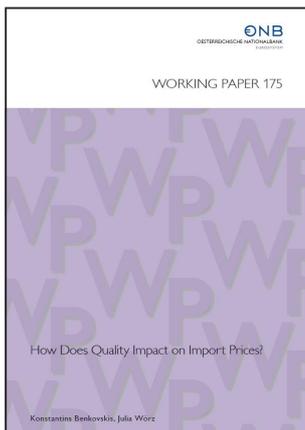


## Regulatory Medicine Against Financial Market Instability: What Helps And What Hurts?

**Stefan Kerbl (Working Paper 174)**

Do we know if a short selling ban or a Tobin Tax result in more stable asset prices? Or do they in fact make things worse? Just like medicine regulatory measures in financial markets aim at improving an already complex system, cause side effects and interplay with other measures. In this paper an agent based stock market model is built that tries to find answers to the questions above. In a stepwise procedure regulatory measures are introduced and their implications on market liquidity and stability examined. Particularly, the effects of (i) a ban on short selling (ii) a mandatory risk limit, i.e. a Value-at-Risk limit, (iii) an introduction of a Tobin Tax, i.e. transaction tax on trading, and (iv) any arbitrary combination of the measures are observed and discussed. The model is set up to incorporate

non-linear feedback effects of leverage and liquidity constraints leading to fire sales. In its unregulated version the model outcome is capable of reproducing stylised facts of asset returns like fat tails and clustered volatility. Introducing regulatory measures shows that only a mandatory risk limit is beneficial from every perspective, while a short selling ban – though reducing volatility – increases tail risk. The contrary holds true for a Tobin Tax: it reduces the occurrence of crashes but increases volatility. Furthermore, the interplay of measures is not negligible: measures block each other and a well chosen combination can mitigate unforeseen side effects. Concerning the Tobin Tax the findings indicate that an overdose can do severe harm.



## How Does Quality Impact on Import Prices?

**Konstantins Benkovskis and Julia Wörz (Working Paper 175)**

Understanding the dynamics of import price developments is an important but challenging issue which affects the way we look on consumers' welfare, real exchange rates and exchange rate pass-through. In this paper we propose an exact import price index which extends the approach by Broda and Weinstein (2006) who adjust price developments for changes in varieties of imported products. We relax two assumptions still underlying the Broda and Weinstein (2006) approach, thus allowing the set of imported goods and the quality to vary. This variety-, set-of-products-, and quality-adjusted import price index shows that gains from variety in European G7 countries, although positive, are rather small compared to calculated gains from quality. Using HS 07 (vegetables) as our benchmark group of products with unchanged quality, we find significant gains from quality for Germany, France, Italy and the UK between 1995 and 2010. Although these results are not

invariant to the choice of the benchmark category, they clearly stress the importance of incorporating the quality issues in empirical literature. Ignoring changes in import quality can give misleading estimates of import prices and consumers' welfare.

## External Publications by Staff Members

### Varieties of helping capitalism. Politico-economic determinants of bank rescue packages in the EU during the recent crisis

**Beat Weber, Stefan W. Schmitz (2011). *Socio-Economic Review*, Volume 9, Number 4, 639–670**

This article explores the determinants of bank rescue packages in the European Union during the recent financial crisis. Despite the common EU framework, member states had room for manoeuvre with respect to the size and structure of bank rescue packages as well as the conditions attached to the measures. There are inherent conflicts between different objectives of bank rescue packages, therefore their design involves choices and impacts the distribution of income and wealth. Using data for the size of national bank rescue packages, a novel approach to measure generosity of the conditions attached, and an index of credit supply requirements, we explore the possible determinants of the underlying choices. Building on and investigating hypotheses from political economy and the Varieties of Capitalism literatures, we analyse economic, political and institutional factors contributing to differences among national approaches to crisis intervention.

## Upcoming and Recent Events

The following events are organized by the OeNB. Please note that attendance is by invitation only. If you are interested in participating in one or more of the events, please send an e-mail to [OeNB.ResearchUpdate@oenb.at](mailto:OeNB.ResearchUpdate@oenb.at)

### Upcoming

January 31, 2012	Presentation of the EBRD Transition Report
February 2, 2012	Giovanni Calice (University of Southampton); Liquidity Interactions in Credit Markets: An Empirical Analysis of the Eurozone Sovereign Crisis
February 23 – 24, 2012	East Jour Fixe; Forecasting CESEE Growth after the 2009 Crisis
March 5 – 9, 2012	Institutional Challenges for candidate countries and potential candidate countries on the Road to EU and EMU...
March 22 – 23, 2012	1 <sup>st</sup> Danube Financing Dialogue on Financing SME projects in the Danube Region
May 10 – 11, 2012	40 <sup>th</sup> Economics Conference of the OeNB; European Monetary Union: Lessons from the Debt Crisis
June 18, 2012	2012 SUERF Annual Lecture and SUERF/OeNB Workshop; The Interaction of Political, Fiscal and Financial Stability: Lessons from the Crisis
June 22, 2012	East Jour Fixe of the OeNB; Slovenia – the First Five Years in Monetary Union

### Recent

January 20, 2012	Branko Urosevic (National Bank of Serbia); Globalization, Exchange Rate Regimes, and Financial Contagion
January 13, 2012	Gyöngyi Lóránth (Universität Wien); Bank Bailouts: Guarantees versus Bank Recapitalization
December 9, 2011	Uros Herman (Banka Slovenije); Have the Firms with High (Foreign) Debt Been Hit More by the Crisis? A Micro-Financial Evidence from Slovenia.
December 1 – 2, 2011	Economics as a Multi-Paradigmatic Science. Conference in Honour of Kurt W. Rothschild (1914-2010)
November 21 – 22, 2011	Conference on European Economic Integration (CEEI) 2011: European Integration in a Global Economic Setting – CESEE, China and Russia,
November 18, 2011	Alberto Martin (Pompeu Fabra); Sovereign Default, Domestic Banks and Financial Institutions
November 14, 2011	Global Economy Lecture, Prof. Baldwin, “21 <sup>st</sup> Century Regionalism: Filling the Gap between 21 <sup>st</sup> Century Trade and 20th Century Trade Rules”
November 4, 2011	Sascha Becker (University of Warwick); The Empire Is Dead, Long Live the Empire! Long-Run Persistence of Trust and Corruption in the Bureaucracy
October 28, 2011	Yves Zenou (Stockholm University); Systemic Risk and Network Formation in the Interbank Market
October 21, 2011	Peter Egger (ETH); The Role of Absorptive Capacity for Growth
October 7, 2011	Thomas Hintermeier (Universität Bonn); Debt Portfolios

## OeNB Courses at the Joint Vienna Institute (JVI)

For further details see: [http://www.jvi.org/fileadmin/jvi\\_files/JVI\\_Program2012-1\\_11.pdf](http://www.jvi.org/fileadmin/jvi_files/JVI_Program2012-1_11.pdf)

February 13 – 24, 2012	Sound Fiscal Institutions: The Basis for Stability, growth, and Prosperity
March 5 – 9, 2012	Institutional Challenges for See Countries on the road to the EU and EMU
September 17 – 18, 2012	Cash Circulation and Payment Systems in Austria
October 1 – 5, 2012	Economic and Monetary Integration in Europe: CIS-related Aspects
October 29 – November 9, 2012	Growth Policies and Diagnostics in the Aftermath of the Crisis
November 19 – 23, 2012	Trade Policy

## The Conference on European Economic Integration 2011: Exceptional for Two Reasons

### European Integration in a Global Economic Setting – CESEE, China and Russia



The 2011 Conference on European Economic Integration (CEEI) was unique among the series of CEEI conferences for two reasons.

First, the CEEI 2011 took place in Vienna, as always, but was organized jointly with the Suomen Pankki – Finlands Bank. Both Governor Nowotny of the OeNB and Governor Liikanen of Suomen Pankki agreed that such a cooperation could draw on synergies established through numerous cooperation projects over the years. In addition, both central banks share a regional economic research focus. While the OeNB's research is devoted to Central, Eastern and Southeastern Europe (CESEE), Suomen Pankki – or more specifically the BOFIT, the Bank of Finland Institute for Transition Economies – concentrates its research on China and Russia.

Second, the conference for the first time broadened its geographic focus after having limited itself to the CESEE region. This broader perspective is highly topical, as emerging and developing economies like China and Russia are set to overtake the advanced economies in terms of output in the near future, thereby shifting the balance of economic activity in the world significantly. The cooperation between the the OeNB and Suomen Pankki thus allowed for a perfect match.

More than 300 participants from over 30 countries followed the presentations and discussions of high-profile representatives of international organizations, central banks, the business and banking sector, and academia. Among the distinguished speakers, Min Zhu, who has been Deputy Managing Director of the IMF since July 2011, impressively highlighted the challenges for both China and the European Union raised by changing global economic structures and slower growth rates. While China has to move from an export-led growth model to a growth model driven more by domestic investment and consumption, Europe should foster human capital formation and R&D investment to better adapt to the environment of slower growth. The first session underlined these propositions, as it showed that in the light of the crisis in 2009, each region has to deal with imbalances and that these imbalances in the real economy are closely linked to monetary policy.

Andrew Rose, professor of international trade at the University of California at Berkeley, investigated the economic effects of regional trade agreements. He emphasized that greater transatlantic trade liberalization would be highly desirable, but at the same time underlined that the persistence of vested interests in the two regions renders complete liberalization very unlikely. The session on competitiveness and trade revealed that China and Russia represent an increasing challenge to CESEE. But both regions additionally offer rewarding opportunities, e.g. as attractive target markets for exports.

Challenges to financial stability in the banking sector were discussed during the second day of the conference. While Markus Taube, expert for China and professor at the University of Duisburg-Essen, gave the Chinese banking sector a positive review, risks remain, e.g. regional housing bubbles and particularly the sizeable informal shadow banking sector. By contrast, Russia's financial sector is still weak, and economic challenges are closely linked to political problems, as Sergey Aleksashenko of the Carnegie Moscow Center cautioned. Against the background of the financial crisis, the banking panel agreed that as a rule, markets are always ahead of regulators, and that the main challenge was to avoid irrational exuberance and thus to step up cooperation between institutions and markets.

Looking back on the CEEI 2011, the OeNB's joint venture with Suomen Pankki has proved to be highly rewarding for all parties. For this reason, the OeNB has decided to repeat this cooperation in a different setting. Next year, the CEEI will go abroad. The OeNB, together with Suomen Pankki, have the pleasure of inviting you to the CEEI 2012 on November 26 and 27, 2012, in Helsinki!

For details, papers and presentations, see [http://www.oenb.at/de/geldp\\_volksw/zentral\\_osteuropa\\_neu/Veranstaltungen/CEEI/conference\\_on\\_european\\_economic\\_integration\\_ceei\\_2011.jsp](http://www.oenb.at/de/geldp_volksw/zentral_osteuropa_neu/Veranstaltungen/CEEI/conference_on_european_economic_integration_ceei_2011.jsp).

The conference proceedings of the CEEI 2011 will be published by Edward Elgar Publishing Ltd. in the course of 2012. For more information about the publication, send an e-mail to [ceei@oenb.at](mailto:ceei@oenb.at).

## Call for Applications – Visiting Research Program



The Oesterreichische Nationalbank (OeNB) invites applications from external researchers for participation in a Visiting Research Program established by the OeNB's Economic Analysis and Research Department. The purpose of this program is to enhance cooperation with members of academic and research institutions (preferably post-doc), and with central bank researchers

who work in the fields of macroeconomics, international economics or financial economics and/or with a regional focus on Central, Eastern and Southeastern Europe.

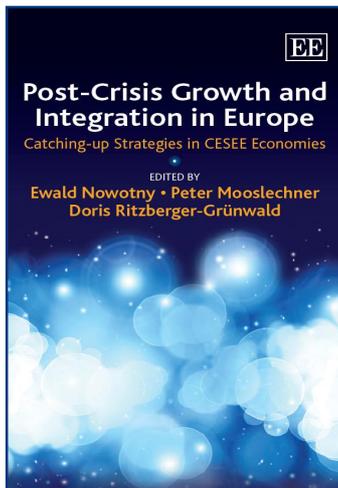
The OeNB offers a stimulating and professional research environment in close proximity to the policymaking process. Visiting researchers are expected to collaborate with the OeNB's research staff on a prespecified topic and to participate actively in the department's internal seminars and other research activities. They are provided with accommodation on demand and have, as a rule, access to the department's data and computer resources and to research assistance. Their research output will be published in one of the department's publication outlets or as an OeNB Working Paper. Research visits should ideally last between 3 and 6 months, but timing is flexible.

Applications (in English) should include

- a curriculum vitae,
- a research proposal that motivates and clearly describes the envisaged research project,
- an indication of the period envisaged for the research stay, and
- information on previous scientific work.

**Applications for 2012/13** should be e-mailed to [eva.gehringer-wasserbauer@oenb.at](mailto:eva.gehringer-wasserbauer@oenb.at) **by May 1, 2012.**

Applicants will be notified of the jury's decision by mid-June. The next round of applications will close on November 1, 2012.



### Post-Crisis Growth and Integration in Europe

**Edited by Ewald Nowotny, Peter Mooslechner and Doris Ritzberger-Grünwald**

Cheltenham, UK, Northampton, MA, Edward Elgar

Against the backdrop of the financial crisis that unfolded in 2008, this book deals with policy challenges going forward, focusing in particular on the ongoing catching-up process in Central, Eastern and South-Eastern European (CESEE) countries.

Whilst having emerged relatively unscathed from the crisis, the CESEE economies nonetheless need to adjust to the new external conditions they will encounter. In this respect, decision-makers are faced with multiple sources of uncertainty: will post-crisis growth be the same as pre-crisis growth? What will be the future role of financial integration, growth financing and exports? What are the particular challenges facing monetary policy-makers and the banking sector in the region? On these issues and related topics, the book provides a multi-disciplinary assessment, combining the views of high-ranking central bankers and other policy-makers, commercial bankers and academics.

Economists and students of economic policy and European integration from central, commercial and investment banks, governments, international organizations, universities and research institutes will find this book of great interest and importance, especially those working on Central, Eastern and South-Eastern Europe.

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Oesterreichische Nationalbank, Economic Analysis and Research Department

Postal address: P.O. Box 61, A 1011 Vienna, Austria; [OeNB.ResearchUpdate@oenb.at](mailto:OeNB.ResearchUpdate@oenb.at)

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