Selected Abstracts from Other OeNB Publications

The selected abstracts below alert readers to studies on CESEE topics in other OeNB publications. You may find the full-length contributions at www.oenb.at.

From Stormy Expansion to Riding Out the Storm: Banking Development in Kazakhstan

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Pushed by expanding income (on the back of rising oil prices) and by rapid external debt accumulation, the Kazakh banking sector featured one of the most dynamic credit booms in Central, Eastern and Southeastern Europe (CESEE) until 2007. Following the U.S. subprime crisis, banks' access to external funding plummeted and credit expansion ground to zero. The Great Recession forced credit institutions to drive down their external indebtedness. Moreover, the collapse of the oil price in late 2008 and the devaluation of the tenge in February 2009 cut domestic demand, liquidity and solvency. The share of nonperforming loans skyrocketed from 7% at end-2008 to 38% a year later. Large losses stemming from real estate exposure (burst of the housing bubble), lending to dubious partners and fraud played a role. Loan loss provisions were sharply ramped up, profitability was all but wiped out in 2008 and hefty losses were incurred in 2009 (return on assets at end-2009: –24%). Sector capital even turned negative. The authorities' crisis-response measures inter alia provided for the recapitalization of four, including the nationalization of two, of the largest banks (which accounted for two-thirds of sector assets). The two nationalized banks then defaulted on their high foreign liabilities and initiated debt restructuring negotiations that are currently in the process of completion. They promised steep haircuts for creditors, which should reduce the sector's debt burden and positively impact its capital. Very high credit risk and a weak institutional environment weigh on investor sentiment. But there are also important shock-absorbing factors: the (oil price-driven) recovery of the real economy, depositor confidence, record-level official foreign currency reserves and the oil stabilization fund and modest public debt.

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