

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.

Ukraine: struggling banking sector amid substantial uncertainty

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The situation of banks in Ukraine is exceptionally challenging for a number of reasons. First of all, banks had not managed to recover from the 2008–09 crisis before being hit again in 2014. Hence, the deep Ukrainian recession and the hryvnia's plunge – together with strong exposure to geopolitical tensions – tipped the banking sector again deeply into the red. Amid an environment of persistent uncertainty, many foreign-owned banks have left the country. In addition to chronic structural shortcomings, such as weak rule of law, excessively high corruption, opaque ownership structures and connected lending, the most significant problems currently plaguing the sector include high and growing credit risk and high exchange rate risk. The country faces a dramatic credit crunch and even more alarming deposit outflows. Financial intermediation has practically collapsed, with the number of insolvent banks rising quickly. The major shock-absorbing factor is the IMF's and the international community's commitment to financially assist Ukraine.

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Spillovers from euro area and U.S. credit and demand shocks: comparing emerging Europe on the basis of a GVAR model

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We examine the international effects of adverse loan supply and aggregate demand shocks originating in the euro area and the U.S.A. For that purpose, we use a global vector autoregressive (GVAR) model and isolate disturbances stemming from loan supply from those of four other macroeconomic shocks by means of sign restrictions. Our general results are as follows: Domestic and international responses of total credit and output to an adverse loan supply shock are substantial. They are more pronounced than the responses to an aggregate demand shock. Under both types of shocks, total credit decreases considerably more strongly than output in the long run, implying a reduction in financial deepening. This deleveraging process is particularly pronounced in the case of loan supply shocks. Taking a regional angle, Central, Eastern and Southeastern Europe (CESEE) and even considerably more the Commonwealth of Independent States (CIS) are the most strongly affected regions, and their total credit and output responses are stronger than in the country of shock origin. This is true for both types of structural shocks in the euro area and in the U.S.A. Last, historical decompositions of deviations from trend growth show that for the euro area developments, foreign shocks originating in the U.S.A., the UK and the CESEE and CIS regions feature most prominently, while for the U.S. developments, foreign shocks emanating from the euro area and China play a considerable role.

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