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.

Clustering Austrian Banks' Business Models and Peer Groups in the European Banking Sector

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As the European banking sector is becoming increasingly intertwined, the degree of interdependence is also rising. Consequently, it is key to conduct comparisons for a timely identification of emerging patterns of this development. Furthermore, the product range of banks has expanded so that heterogeneity across the banking sector has also been growing rapidly. This rising heterogeneity makes it increasingly impractical to carry out comparisons on an aggregate level. A more efficient approach is identifying one or more "common denominators" of similar banks and establishing groups of banks which share this (these) common denominator(s). In this paper, we consider the business models of banks as one such common denominator, which can be described by a set of variables. These variables span a high-dimensional space where each bank represents a point, which can be measured by a statistical distance. Points close to each other may constitute a group, while points distant from these points will not belong to that group. Therefore, the objective of this study is, on the one hand, to define an efficient set of variables correctly reflecting the business models of banks and, on the other hand, to find subsets of high similarity. By applying statistical clustering techniques we aim to understand banks' business models, thereby gaining new insights into the design of the European banking sector and, in particular, identifying peer groups relevant to the top Austrian banks. Assessing the distribution of risk and identifying certain business patterns within those groups allows a meaningful ranking of Austrian banks in comparison to their European competitors. The analysis in this paper is conducted on the basis of a purely quantitative methodology and the results should be interpreted accordingly.

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The Cross-Border Movement of Euro Banknotes and Austria's TARGET2 Liabilities

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In the public and academic discussion on the payment system TARGET2, the high claims and liabilities of some euro area countries have mostly been associated with the financial crisis. The implicit assumption that TARGET2 balances would be close to zero without the financial crisis is both theoretically and empirically wrong, though. This study looks into the payment mechanisms that have caused the TARGET2 liabilities of the Oesterreichische Nationalbank (OeNB) to rise to a substantial level over the past ten years. The increase can be attributed to a structurally induced inflow of banknotes to the OeNB, which is partly due to tourism but above all to the physical shipment of euro cash from countries outside monetary union into Austria. This central bank money, which comes to Austria as cash, leaves the country in cashless form, causing an equivalent increase in the OeNB's TARGET2 liabilities. Structurally induced in- and outflows of central bank money (in cashless form or as banknotes) can be observed in other euro area countries, too. Understanding these flows is essential for a correct interpretation of TARGET2 balances during and after the current crisis.

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