

# 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](http://www.oenb.at) for the full-length versions of these studies.

## **Euro Cash in Central, Eastern and Southeastern Europe**

Doris Ritzberger-  
Grünwald,  
Thomas Scheiber

A considerable part of the euro banknotes issued since 2002 is in circulation in Central, Eastern and Southeastern European (CESEE) countries. This can be attributed to the fact that numerous economic agents resorted to currency substitution in a parallel safe haven currency during the crisis arising in the course of their countries' transition to a market economy. On the other hand, euro cash holdings are related to some countries' upcoming accession to the European Union, which will oblige them to adopt the euro. Although countries have caught up economically, the degree of euroization in CESEE countries has hardly receded over the past years. According to surveys conducted by the Oesterreichische Nationalbank (OeNB), economically significant amounts of euro cash are primarily held by households in Southeastern Europe, which – unlike households in Central Europe – use euro cash as a store of value and partially as a means of payment in addition to their respective local currency. Policies introduced in CESEE countries to stabilize economies after the outbreak of the financial and economic crisis in 2008 have ultimately increased the public's confidence in the security of its savings deposits. The recent drop in euro cash holdings can therefore be attributed not only to the depletion of euro cash reserves during the crisis to finance necessary expenditures. It also seems to reflect a medium-term tendency to shift portfolios from (euro) cash to (euro) deposits.

Published in *Monetary Policy and the Economy Q1/12*.

## **Intra-Group Cross-Border Credit and Roll-Over Risks in CESEE – Evidence from Austrian Banks**

Markus Hameter,  
Mathias Lahnsteiner,  
Ursula Vogel

During the last decade several CESEE countries built up high external liabilities vis-à-vis foreign banking sectors, with Austrian banks being important creditors. The provision of cross-border credit allowed for rapid financial deepening in many of these countries but also led to a build-up of vulnerabilities to negative spillovers. This study points out that Austrian banks granted a considerable part of direct cross-border credit to affiliated borrowers in CESEE, in particular to their own bank subsidiaries. To our knowledge, this is the first paper that examines the differences between direct cross-border lending to affiliates and direct cross-border lending to nonaffiliates. Our analysis shows that intra-group cross-border credit from Austrian banks was more stable than lending to nonaffiliated borrowers during the 2008/09 financial crisis period. We argue that this is due to lower information asymmetries and parent banks' efforts to provide their subsidiaries with liquidity in times of financial distress to support their investments.

To be published in *Financial Stability Report 23*.

## Limited Fiscal Space in CESEE: Needs and Options for Post-Crisis Reform 68<sup>th</sup> East Jour Fixe of the Oesterreichische Nationalbank February 28, 2011

Markus Eller,  
Peter Mooslechner,  
Doris Ritzberger-  
Grünwald (eds.)

On February 28, 2011, the Oesterreichische Nationalbank (OeNB) organized its 68<sup>th</sup> East Jour Fixe entitled Limited Fiscal Space in CESEE: Needs and Options for Post-Crisis Reform. The East Jour Fixe workshop series was initiated by the OeNB in 1991 as a high-profile policy discussion forum on economic reforms and developments in Central, Eastern and Southeastern Europe (CESEE). In this context, participants from a wide range of backgrounds present their academic, political and professional expertise two or three times a year to a selected audience.

The 68<sup>th</sup> East Jour Fixe focused on the limited room for budgetary maneuver and on the limited resilience of public finance systems, which were revealed in the CESEE economies<sup>1</sup> during the 2008–09 financial and economic crisis. The workshop aimed at providing answers to three main questions: (1) What were the reasons for limited fiscal space? (2) What are the related implications and what kind of reforms are necessary to provide more fiscal space in the future? (3) Can an improved access to and a more effective use of international funds be considered as a possibility to create more fiscal space in CESEE?

The knowledge on fiscal policy developments is crucial for a central bank in order to properly guarantee price stability, to contain inflation expectations and to keep financial markets stable. Moreover, the workshop's focus on CESEE economies does not only reflect a strategic research priority of the OeNB but was also highly topical as the financial and economic crisis was the first real test for fiscal positions and institutions in most CESEE countries since the start of transition. During the crisis, only a few countries were able to implement significant stimulus packages, while fiscal headline positions deteriorated strongly in most countries of the region (however, on average, public deficit and public debt ratios increased less in the CESEE EU Member States than in the EU-27).

To answer the above mentioned questions, the workshop brought together distinguished experts in the field, from both international institutions and public entities located in CESEE. Two introductory keynote speeches and the presentations in session 1 tried to identify the main reasons for limited fiscal space and showed how the crisis has affected fiscal policy in CESEE. *Bas Bakker* from the IMF outlined in his keynote speech unprecedented fiscal adjustment measures that were necessary during the crisis. Besides, he emphasized the importance of appropriate fiscal consolidation in the region. In the second keynote address, *Karsten Staehr* from Tallinn University of Technology and Eesti Pank proposed the use of funded pensions as a countercyclical tool to create more fiscal space in CESEE.

In session 1, *Nadine Leiner-Killinger* from the ECB discussed the impact of fiscal policy structures and budgetary discipline on fiscal vulnerabilities, while *Markus Eller* from the OeNB elaborated the reasons of liquidity constraints that several governments in the region faced at the beginning of the crisis.

Session 2 featured a panel discussion among fiscal policy experts from CESEE public institutions – *Tomasz Jędrzejowicz* from Narodowy Bank Polski, *Petr Král* from Česká národní banka, *Neven Mates* from Hrvatska narodna banka and *Ludovít*

<sup>1</sup> The 68<sup>th</sup> East Jour Fixe focused mainly on the ten EU Member States from Central, Eastern and Southeastern Europe (CESEE) and partly on other countries in the region, such as Russia or Croatia.

*Ódor* from the Slovak Ministry of Finance – debating country-specific lessons and reform options to create more fiscal space in CESEE in the future.

Session 3 addressed the role of international funds in the expansion of fiscal space in CESEE as they are deemed to have served as valuable buffers during the crisis. *Philippe Monfort* from the European Commission brought in the respective European Commission's experience with Structural Funds. *Jean Vrla* from the European Investment Bank debated the role of countercyclical financing via multinational banks. Finally, *Christian Kummert* from Kommunalkredit Austria AG discussed the role of commercial banks in co-financing large-scale infrastructure projects via multinational banks and specifically elaborated on the funding of public-private partnership (PPP) projects in CESEE.

After an introductory article by Markus Eller, Peter Mooslechner and Doris Ritzberger-Grünwald (OeNB), which elaborates the issue of limited fiscal space more broadly and summarizes the main conclusions and policy implications of the 68<sup>th</sup> East Jour Fixe, this conference volume collects the papers according to their presentation order in the workshop. The underlying presentations and the workshop program are available at <http://ceec.oenb.at> (*Activities*).

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