

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.

Measuring Financial (In)Stability in Emerging Europe: A New Indexed-Based Approach

The importance of assessing financial stability in emerging Europe has increased rapidly since the recent financial crisis. Against this background, in the present paper we contribute to the existing literature in a twofold way: First, by using a broad range of indicators from money, bond, equity and foreign exchange markets, we develop a comprehensive financial instability index (FII) that gauges the level of financial market stress in some key Central, Eastern and Southeastern European (CESEE) countries. In a second step, we perform a panel estimation to investigate which macroprudential indicators that cover both internal and external imbalances explain the evolution of our FII over the past more than 15 years. Our analysis suggests that both the levels and changes of some indicators (such as credit growth and the level of private sector indebtedness) play an important role for financial stability. Moreover, we find that the impact of some key indicators on financial (in)stability is nonlinear and varies over time depending on market sentiment.

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

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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