

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.

The Austrian Insurance Industry in CESEE: Risks and Opportunities from a Financial Stability Point of View

This study gives an overview of the insurance market in Central, Eastern and Southeastern Europe (CESEE) in general and of the Austrian insurance groups' activities in the region in particular. Moreover, it deals with risk management issues and the challenges arising from the new EU regulatory framework, Solvency II. We identify the main risks and opportunities for insurance groups in this respect: While potential market growth rates and still higher margins represent the main opportunities, there is also evidence of some reputational as well as financial risks. Further, cross-border business activities also pose some challenges for the risk management of internationally active insurance groups. From a macroprudential perspective, the Austrian insurance groups' exposure to CESEE augments the exposure of Austrian financial institutions to this region.

Published in *Financial Stability Report 22*.

Teresa Bianchi,
Gernot Ebner,
Raimund Korherr,
Eva Ubl

Households' Foreign Currency Borrowing in Central and Eastern Europe

Foreign currency loans represent an important feature of recent financial developments in CEECs. This might pose a serious challenge for macroeconomic stability. Against this background, we study the determinants of foreign currency loans of households, using data on the behavior of households in nine CEECs. Our results reveal that foreign currency loans are driven by households' lack of trust in the stability of the local currency and in domestic financial institutions. Moreover, special factors including remittances and expectations of euro adoption play an important role in selected regions. The financial crisis reduced foreign currency borrowing, but there is some indication this effect might be only temporary.

Published as *OeNB Working Paper 171*.

Jarko Fidrmuc,
Mariya Hake,
Helmut Stix