Selected Abstracts

The selected abstracts below alert readers to studies on CESEE topics in other OeNB publications. You may find the full-length contributions at www.oenb.at.

Austria's Exports to Eastern Europe: Facts and Forecasts Likely Impact of Slowing Exports on Growth in Austria

Christian Ragacs, Klaus Vondra

In 2008, 72.1% of all Austrian goods exports went to the EU-27; thereof, 17.6% went to the Eastern European states that joined the EU in 2004 and 2007, and 24.6% to Eastern Europe at large. While export demand for Austrian goods has declined markedly since the end of 2008, in the context of the international economic crisis, exports to the "new" Member States declined somewhat less than those going to the "old EU." This article offers a brief overview of the extent and development of Austrian exports to Eastern Europe, the latest growth forecasts for these countries, and their implications for Austria's growth forecast. The latest forecasts for Eastern Europe, while pessimistic and mixed in line with the global trend, indicate that growth rates – especially in the "new" EU Member States – are still higher (or that recessions are still weaker) on average than in Western Europe. Simulations with the OeNB's macro model show that the growth setbacks anticipated for Eastern Europe by the latest forecasts are likely to push the decline in Austria's real GDP growth another 0.7 percentage points below the rate implied by the OeNB's December 2008 forecast.

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Direct Cross-Border Lending by Austrian Banks to Eastern Europe

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Direct cross-border lending is an important component in the ongoing process of financial deepening in Central, Eastern and Southeastern Europe (CESEE) and the Commonwealth of Independent States (CIS). We use a loan-level dataset of Austrian banks to study the characteristics as well as the major driving forces of direct cross-border lending in CESEE and the CIS. Direct cross-border lending to nonbanks by Austrian banks expanded rapidly over the last few years; the bulk of loans is extended to corporate customers and is denominated in a foreign currency, with the euro taking a prominent position. By means of a series of univariate analyses, we provide support for the relevance of geographic proximity – small and medium-sized banks mainly lend to neighboring countries. Banks' direct lending also seems to follow nonfinancial FDI by Austrian corporates to CESEE and the CIS. We furthermore analyze the interdependencies between direct (i.e. by Austrian headquarters) and indirect (i.e. by local subsidiaries) cross-border lending and find support for a complementary effect between the two. In addition, host country factors such as GDP growth, private sector credit growth, financial intermediation growth and wage growth are also associated with direct lending growth.

To be published in *Financial Stability Report 17.*

Banking and Financial Stability in Russia and the Euro Area amid International Financial Market Turbulences

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This study was drafted during the preparation of the Fifth Joint High-Level Eurosystem – Bank of Russia Seminar hosted by the OeNB in Vienna on March 11–12, 2009. The first part of the study illustrates developments in the euro area, where the financial sector suffered to some extent from spillover effects from the first waves of the subprime crisis and later more substantially from the demise of Lehman Brothers. While rescue actions taken by national authorities and the ECB mitigated crisis effects, current challenges arise from a cyclical deterioration of credit quality and further adverse developments in global financial markets. The study highlights the considerable exposure of euro area banks to emerging Europe in general and their more modest exposure to Russia in particular. It then discusses developments in Russia: Embarking from a quite favorable macroeconomic environment, Russia was caught up in the global financial turbulences only in recent months, but the impact was heavy and exacerbated by structural weaknesses of the Russian economy. The Russian authorities' crisis response measures have been substantial and contributed to staving off a systemic banking crisis, but the sector remains fragile. The paper concludes with comments on lessons learnt: Confidence – which is the foundation of the financial system – needs to be restored. Structural and institutional problems have to be addressed adequately. Interbank markets should be made more resilient to shocks.

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