

## Editorial

Dear reader,

Anniversaries are a highly welcome topic to start luncheon speeches or, indeed, editorials. It is therefore a great pleasure for me to inform you that the Focus on Transition was created ten years ago to provide a platform for the numerous analyses and studies by OeNB experts on Central and Eastern Europe. What was initially a small periodical for a limited group of experts has meanwhile become a widely known publication, not only because of the topicality and high quality of the analyses, but also because this product has undergone a constant, critical process of change and review. The last major change occurred in 2004, when among other things the publication was renamed Focus on European Economic Integration and a new group of countries (mainly Southeastern European countries) was included in the data set.

This time you will find that we have revised the format of the chapter Developments in Selected Countries. The idea was to highlight two or three main issues per country and to streamline the tables. The chapter starts with a cross-country overview and pinpoints general trends that characterize all countries covered. In addition, the publication now includes data on Turkey, thus reflecting this country's status as an EU accession country as of autumn 2005. Last but not least, the chapter Developments in Selected Countries will be published on our website [ceec.oenb.at](http://ceec.oenb.at) prior to the publication of the Focus. This provides our readers with a head start in accessing timely data and information.

This edition focuses on the monetary transmission mechanism (MTM). In contrast to the situation a few years ago, the Central and Eastern European countries (CEECs) are no longer uncharted territory. The literature survey compiled by Fabrizio Coricelli, Balázs Égert and Ronald MacDonald impressively confirms this. These authors' paper addresses the functioning of the separate channels in the monetary transmission mechanism, explores possible interrelations between different channels and compares the empirical findings for the CEECs with the results for euro area countries.

Another team of authors, Jesús Crespo-Cuaresma, Balázs Égert and Thomas Reininger, reflects on the interest rate pass-through in five CEECs and compares it with the pass-through in selected euro area countries. Although the pass-through is usually higher in these CEECs than in Austria and Germany, it has been declining over time in particular in Hungary and (with respect to lending rates) in Poland. To my mind, this reflects the progress achieved in deepening the financial markets, which are also well integrated by now.

The chapter Developments in Selected Countries clearly shows that high credit growth is an issue in several CEE countries. A study by Peter Backé, Balázs Égert and Tina Zumer uses panel data analysis to judge whether credit-to-GDP levels have reached equilibrium. This issue is closely related to the question whether credit growth can be considered sustainable. The results vary across countries, suggesting that some CEECs' economies may have already come close to equilibrium by 2004, whereas others seem to be well below the level justified by the fundamentals.

Finally, we are proud to present the prize-winning study by one of last year's Olga Radzyner Award winners, Zsolt Darvas, who has also worked on the MTM. He shows that the transmission mechanism is not invariant to differences and changes in monetary policy regimes. In fact, monetary policy is most powerful (even comparable with that in the euro area) in Poland, and is least powerful in Hungary, whereas the Czech Republic lies somewhere in between.

By the way, to readers who are interested in MTM issues in general, and in the MTM studies published in this issue of the Focus in particular, I am pleased to announce that the OeNB will be hosting an East Jour Fixe seminar addressing the MTM in CEECs on September 15, 2006.

An economic overview of Ukraine, written by Stephan Barisitz and Annemarie Pemmer, forms another important contribution to our extensive collection of CEE country studies. Given the background of internal events (elections in March 2006) and external developments (the country's major role as a transit country in the European energy market), this study is highly topical. Incidentally, a complementary analysis of financial market developments in Ukraine (which may be especially informative for readers who are knowledgeable about the significant investments of Austrian banks in Ukraine), will be published in one of the OeNB's next Financial Stability Reports.

The summary of our last Conference on European Economic Integration (CEEI), which was compiled by Zoltan Walko, may be attractive to two separate groups of readers: Those who were not able to attend the conference in November 2005, and those who were there, but do not wish to wait for the publication of the conference volume in November 2006 by Edward Elgar.

This seems to be the right moment to announce the forthcoming CEEI, which will take place on November 20 to 21, 2006, in Vienna and which will be entitled "The Changing Landscape of FDI in Europe." This year's conference will be coorganized by the European Bank for Reconstruction and Development (EBRD). Thus, we have been able to take a well-known international institution on board that is most competent in this particular field. If you are interested in participating in the conference, please let us know via [ceec.oenb.at](mailto:ceec.oenb.at).

If you have further comments or are looking to exchange ideas, please do not hesitate to contact us at

Oesterreichische Nationalbank  
Foreign Research Division  
PO Box 61  
1011 Vienna

You may also fax your comments to (43-1) 404 20-5299 or mail them to [doris.ritzberger-gruenwald@oenb.at](mailto:doris.ritzberger-gruenwald@oenb.at), Head of the Foreign Research Division.

Klaus Liebscher  
Governor