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.

A Global Macro Model for Emerging Europe

Martin Feldkircher

This paper puts forward a global macro model comprising 43 countries and covering the period from Q1 1995 to Q4 2011. Our regional focus is on countries in Central, Eastern and Southeastern Europe (CESEE) and the Commonwealth of Independent States (CIS). Applying a global VAR (GVAR) model, we are able to assess the spatial propagation and the time profile of foreign shocks to the region. Our results show that first, the region's real economy reacts nearly equally strongly to a U.S. output shock as it does to a corresponding euro area shock. The pivotal role of the U.S.A. in shaping the global business cycle thus seems to partially offset the region's comparably stronger trade integration with the euro area. Second, an increase in the euro area's short-term interest rate has a negative effect on output in the long run throughout the region. This effect is stronger in the CIS as well as in Southeastern Europe, while it is comparably milder in Central Europe. Third, the region is negatively affected by an oil price hike, with the exception of Russia, one of the most important oil exporters worldwide. The oil-driven economic expansion in Russia seems to spill over to other – oil-importing – economies in CIS, thereby offsetting the original drag brought about by the hike in oil prices. Finally, our results corroborate the strong integration of advanced economies with the global economy. By contrast, the responses in emerging Europe are found to be more diverse, and country-specifics seem to play a more important role.

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

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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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