

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.

Credit Boom in Russia despite Global Woes – Driving Forces and Risks

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After the crisis slump of 2008–2009, real year-on-year credit growth in Russia turned into a boom in 2011, with double-digit growth climaxing at +24% in mid-2012, before slowing down again. The ratio of domestic credit to GDP is, however, not high compared to peer countries. Retail lending, while still modest, developed most dynamically. Yet domestic deposits rose even more swiftly than domestic loans, and the loan-to-deposit ratio slightly declined. The driving forces of the Russian credit boom are (a) on the demand side: the oil price recovery (from early 2009 to early 2012) and relatively brisk domestic demand growth, partly driven by generous public salary and pension adjustments, and financial deepening in the highly profitable retail sector; (b) on the supply side: the “deposit boom,” increasing profits of resource enterprises, and official liquidity assistance. Risks related to the credit boom include surging unsecured consumer loans (+44% in real terms in 2012, thus accounting for 60% of household credit), widespread connected lending, elevated levels of nonperforming loans (NPLs), and modest provisioning. The Central Bank of the Russian Federation (CBR) reacted to the (consumer) credit boom by moral suasion and some prudential measures. The deceleration of lending growth since mid-2012 was probably largely due to the general economic slowdown. Shock-absorbing factors are considerable, including growing deposits as well as satisfactory profitability and the banking sector’s net external creditor position, but some factors, such as capital adequacy and loan loss provisions, have been eroding recently. In the current economic situation, the most probable outlook for the Russian lending boom is a softlanding.

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ARNIE in Action: The 2013 FSAP Stress Tests for the Austrian Banking System

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In this paper we present the main concepts and methods of the stress tests that the Oesterreichische Nationalbank conducted in 2013 in close cooperation with the IMF under the latter’s Financial Sector Assessment Program (FSAP). We cover solvency and liquidity stress tests as well as, as part of our contagion analysis, the interaction of solvency with liquidity. The paper’s objective is to contribute to the growing literature on applied stress testing by (i) sharing our methodological approaches, in particular innovations to cash flow-based liquidity stress testing, and by (ii) discussing the calibrations employed in what were the most extensive stress tests conducted for Austria in the past five years. Moreover we (iii) provide results at an aggregated level. The 2013 FSAP stress tests for Austria also mark the first public appearance of the OeNB’s new systemic risk assessment tool, ARNIE (“Applied Risk, Network and Impact assessment Engine”). By covering recent methodological as well as operational progress, we also shed light on practical challenges. Finally, we identify the need for further work, in particular with regard to the interaction of solvency and liquidity stress testing, and contagion analysis more generally.

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