



OESTERREICHISCHE NATIONALBANK

EUROSYSTEM

Global and European Financial Stability Risks – Focus on Central, Eastern and Southeastern Europe

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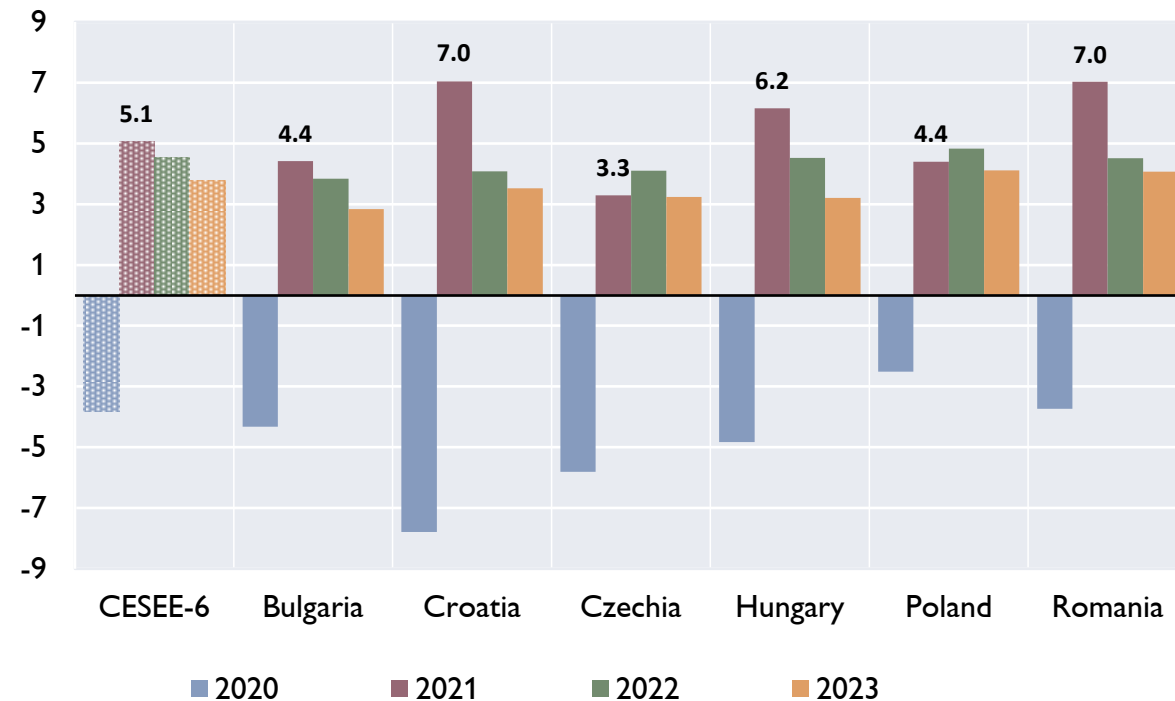
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OeNB outlook for selected CESEE EU member states: broad-based recovery subject to mounting downward risks

GDP forecasts for selected CESEE countries

Real growth in %



Note: Realized data for 2020, projections for 2021 to 2023.
Source: Eurostat, OeNB.

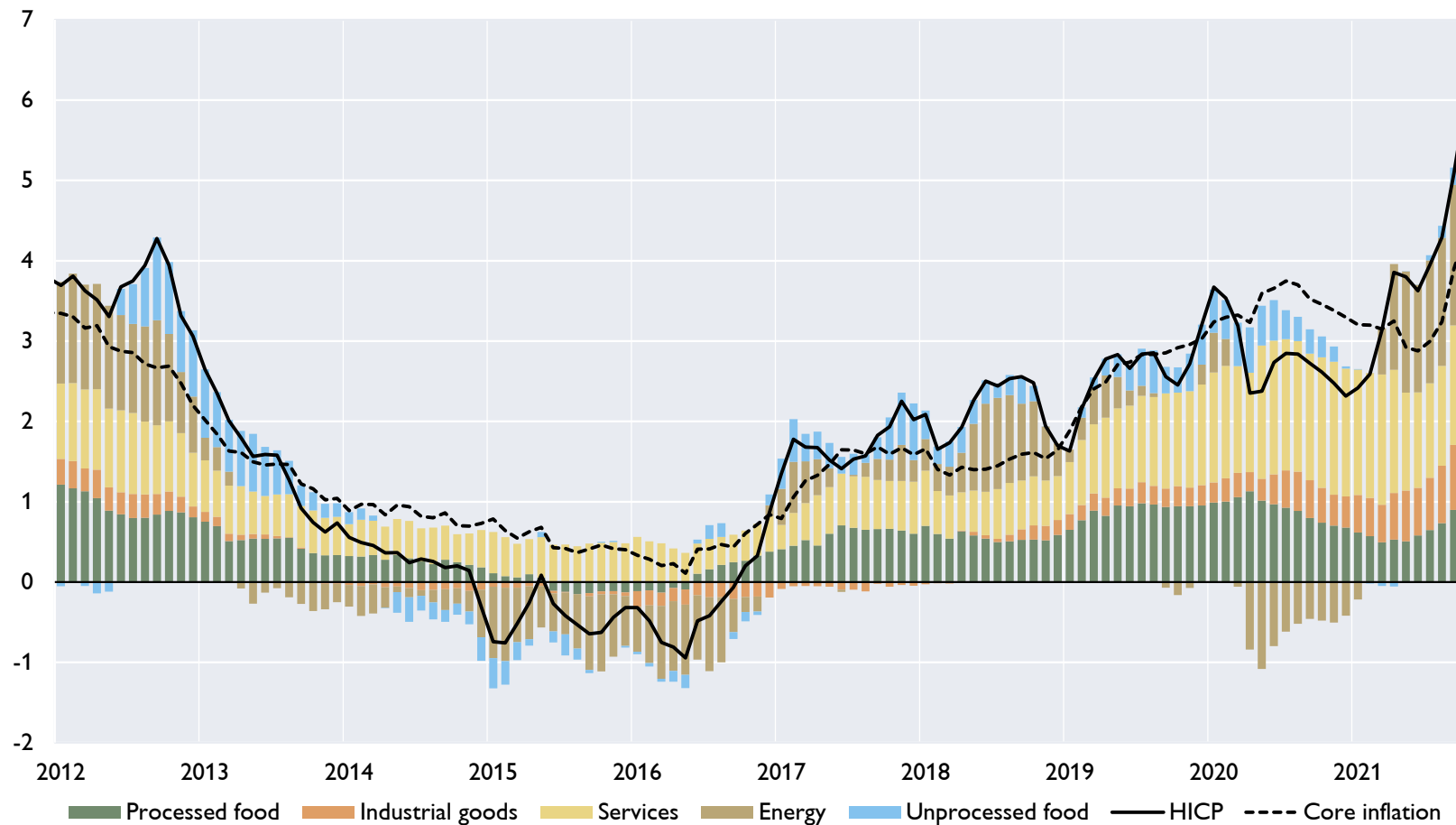
- **GDP growth for CESEE-6*** revised upwards to 5.1% in 2021, **some moderation** to 4.5% and 3.8% in 2022 and 2023 respectively
- **Robust domestic demand:** growth drivers shift from private consumption in 2021 toward **investments** in 2022 backed by **strong EU fund disbursements**
- **Strong exporting activity** but **negative growth contribution of the external sector** due to dynamic import demand
- **Elevated downside risks:** pandemic developments, low vaccination rates, supply bottlenecks in global value chains, inflation

* CESEE-6: non-euro area CESEE EU member states

Inflation reaches levels last seen before the global financial crisis

Inflation in CESEE EU Member States

in percentage points, HICP and core inflation in % year on year

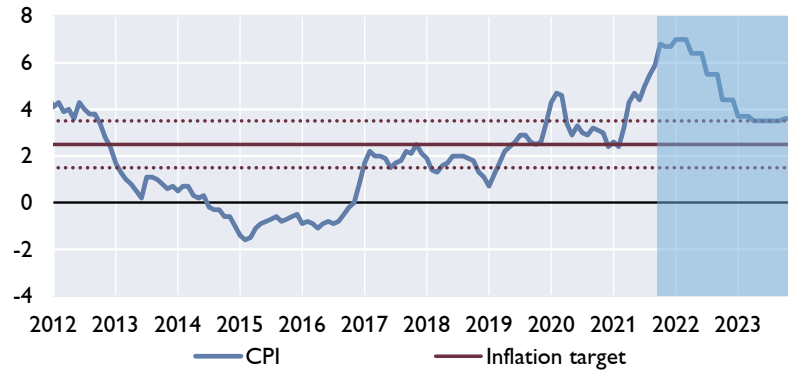


Source: Eurostat.

Return to inflation targets expected for end 2022 at the earliest

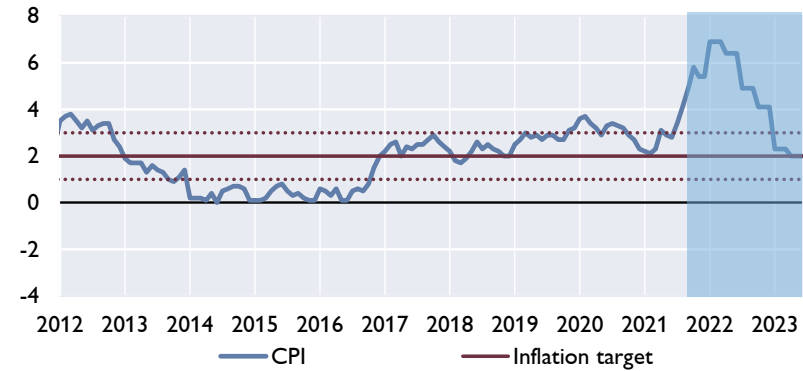
Poland

Year-on-year growth in %



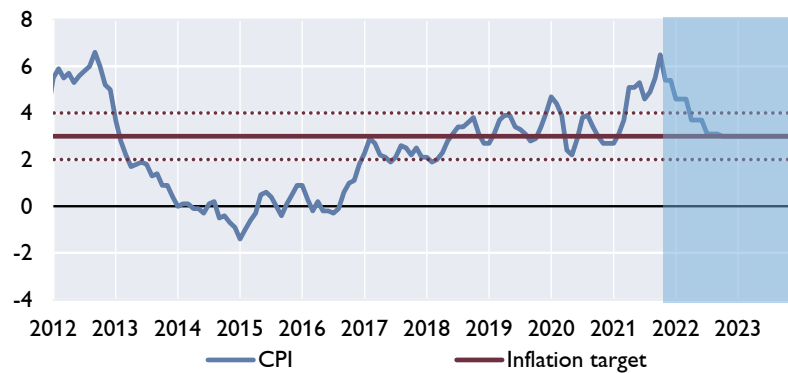
Czech Republic

Year-on-year growth in %



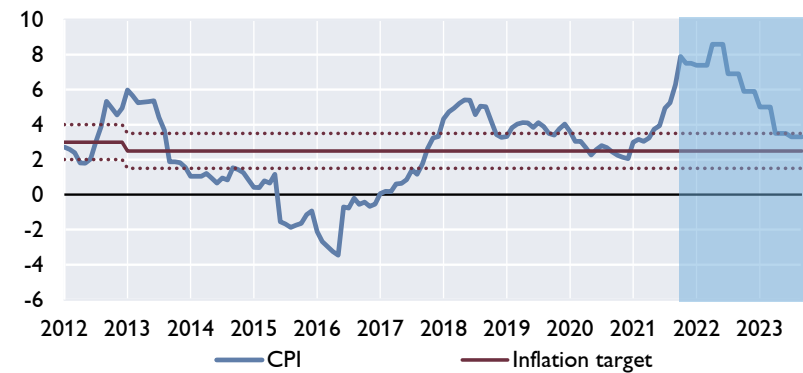
Hungary

Year-on-year growth in %



Romania

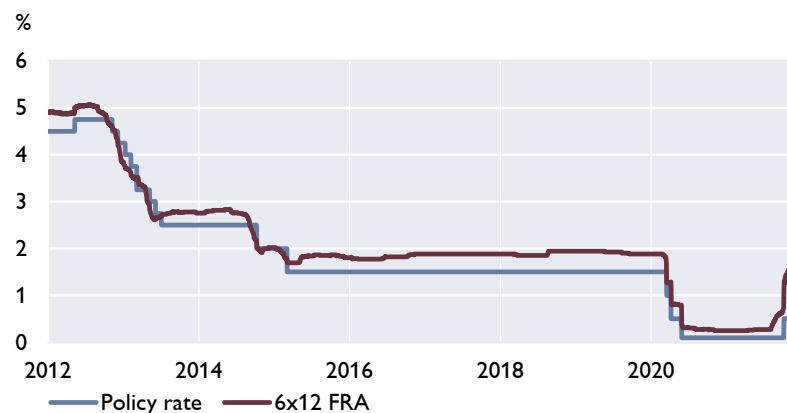
Year-on-year growth in %



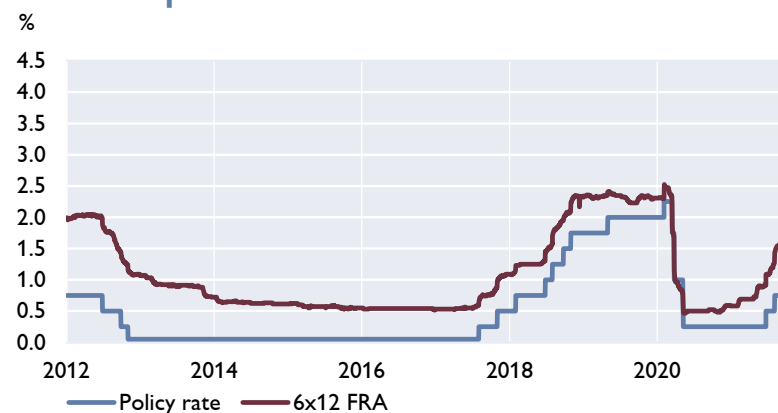
Source: NCBs, NSAs.

Decisive start of the tightening cycle by inflation targeting central banks

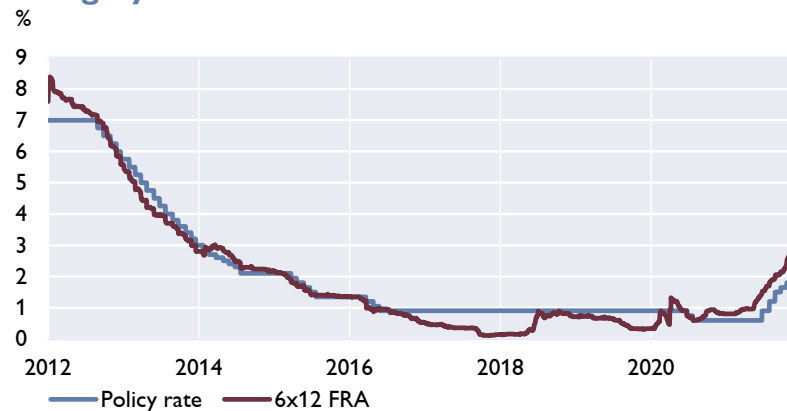
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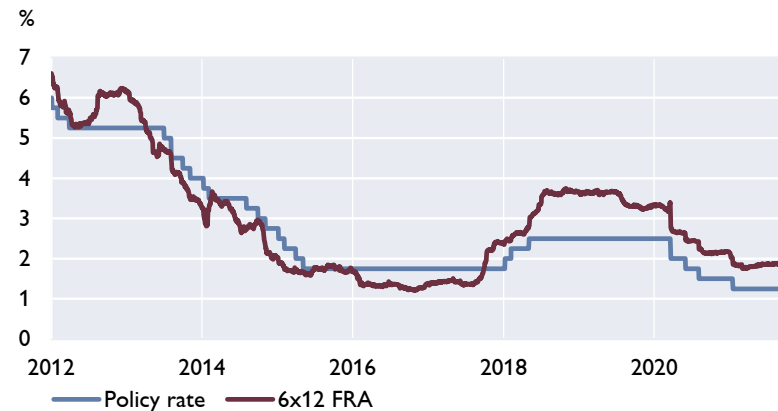


Hungary



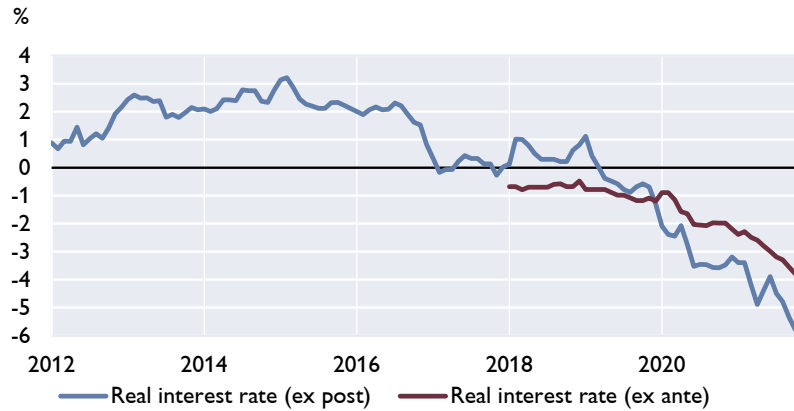
Source: Macrobond.

Romania

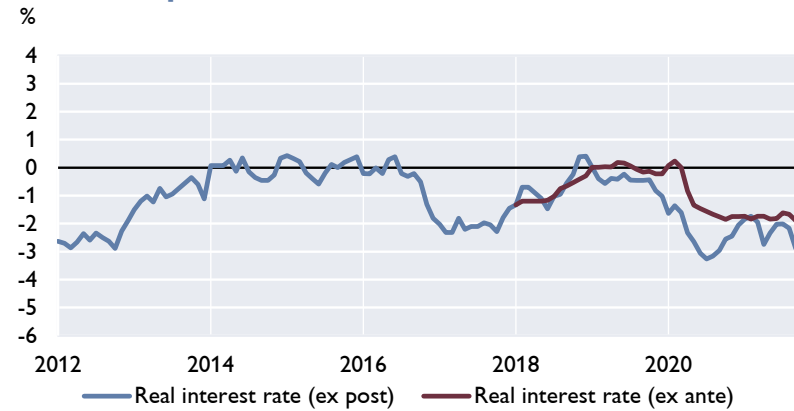


Real interest rates remain in negative territory

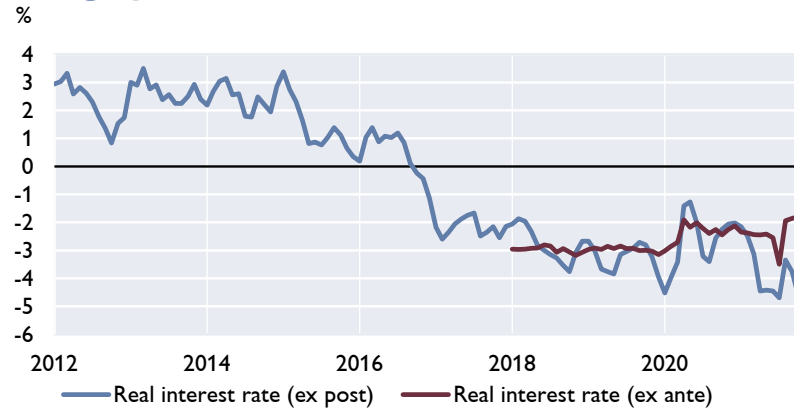
Poland



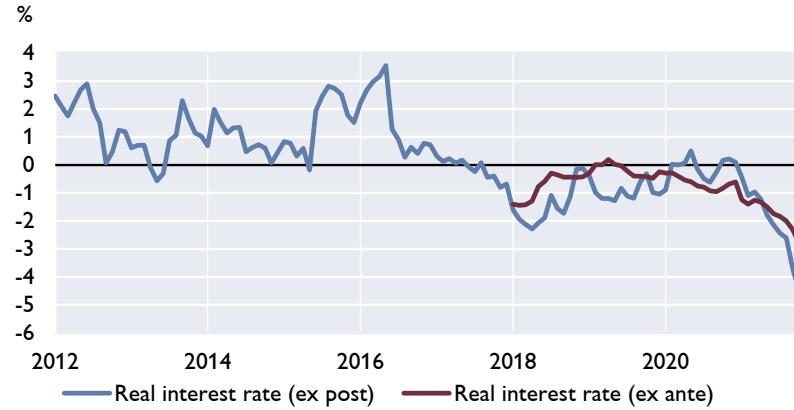
Czech Republic



Hungary



Romania



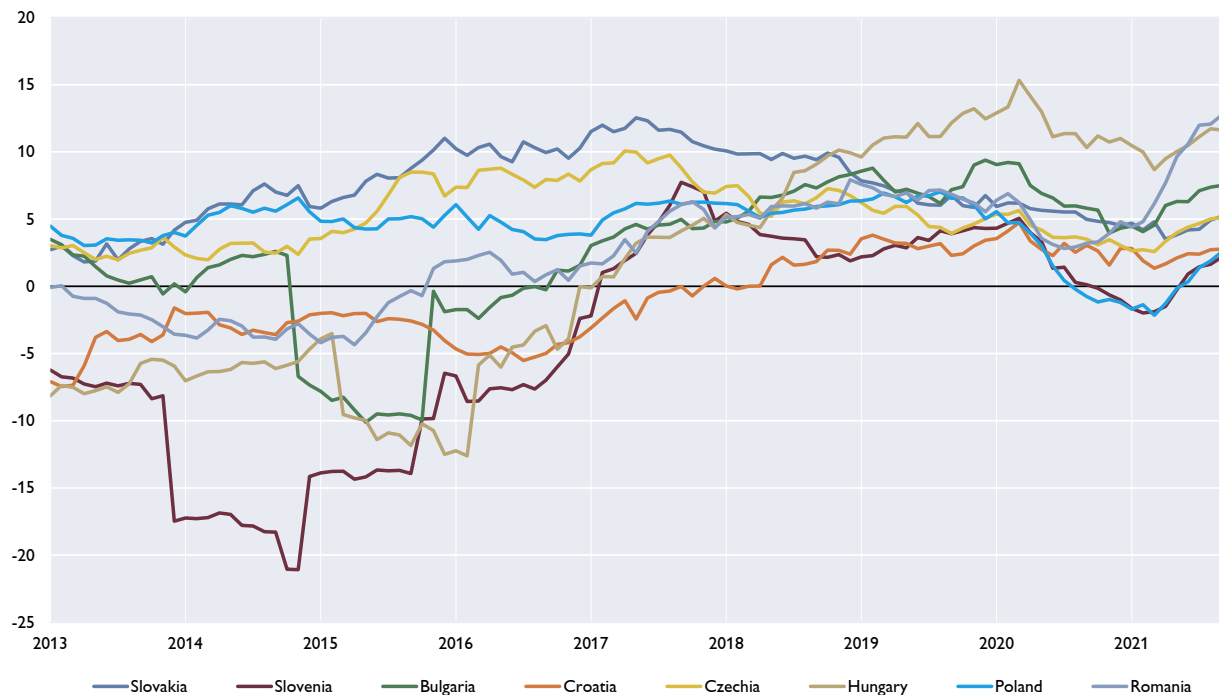
Source: Macrobond, Eurostat, Consensus Economics.

Note: Ex-Post real interest rates refer to 3-months MMR deflated by HICP inflation. Ex-ante real interest rates refer to 3-months MMR deflated by consensus inflation forecast for the next year.

Private sector credit growth picks up and NPLs remain low

Growth of credit to the private sector

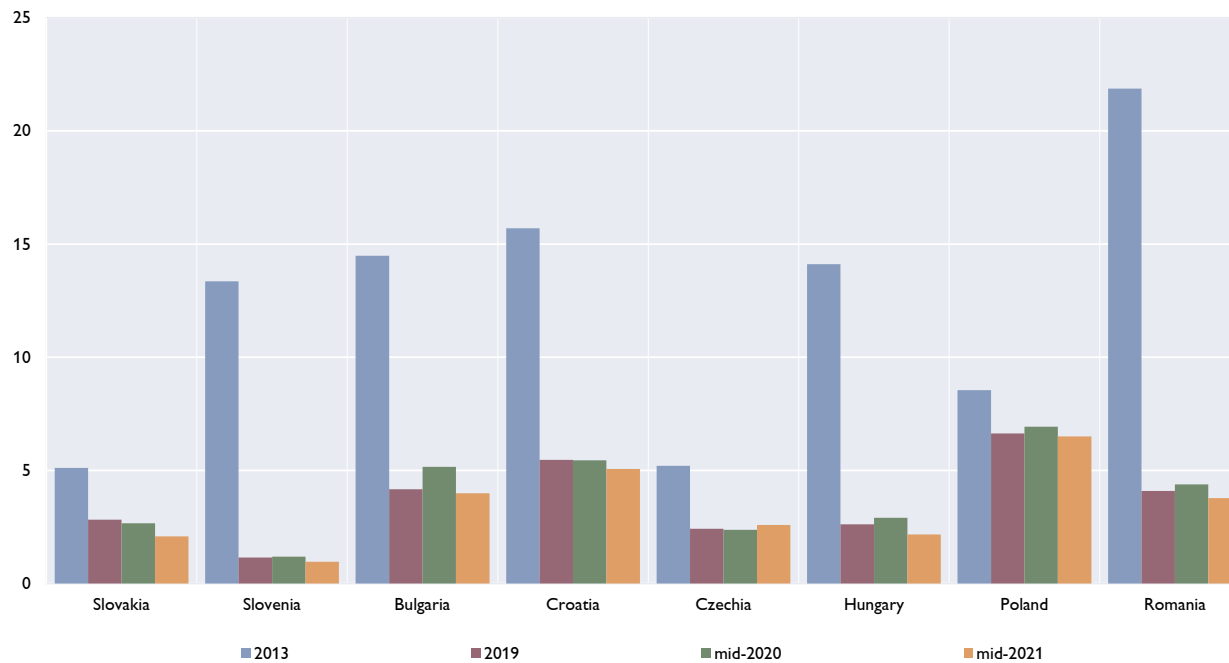
Year-on-year change in %, adjusted for exchange rate changes



Source: NCBs, ECB.

Nonperforming loans

% of total assets

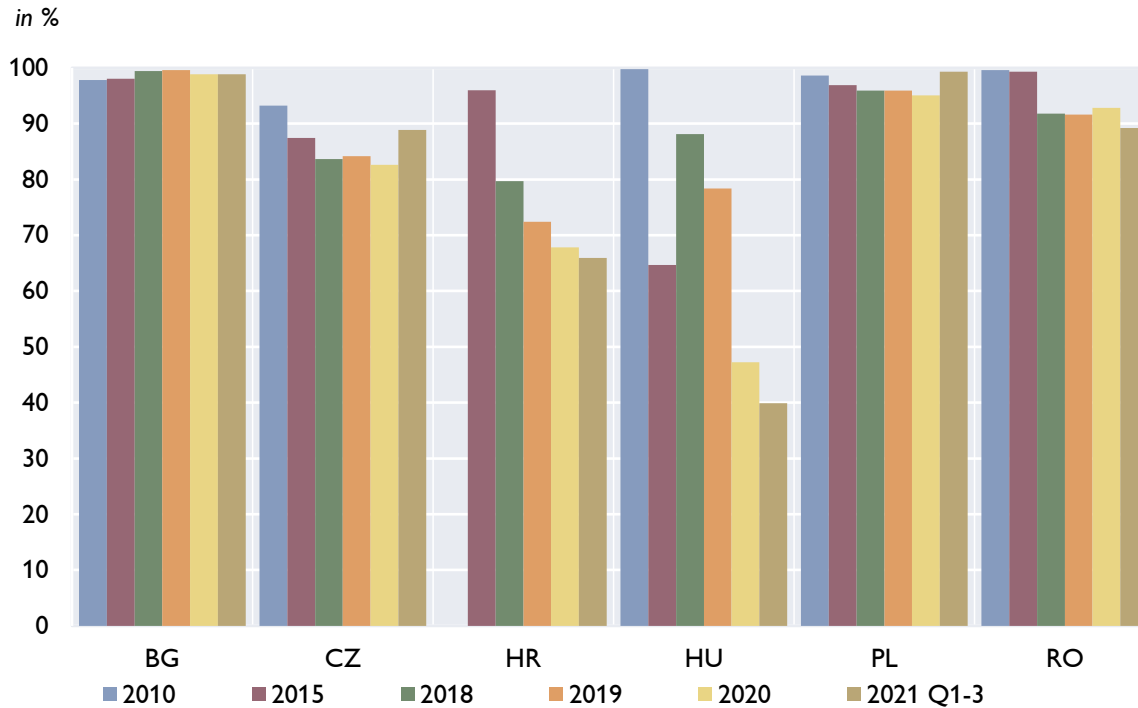


Note: Data are not strictly comparable across countries.

Source: National central banks.

High interest rate sensitivity, especially in the non-financial corporate sector

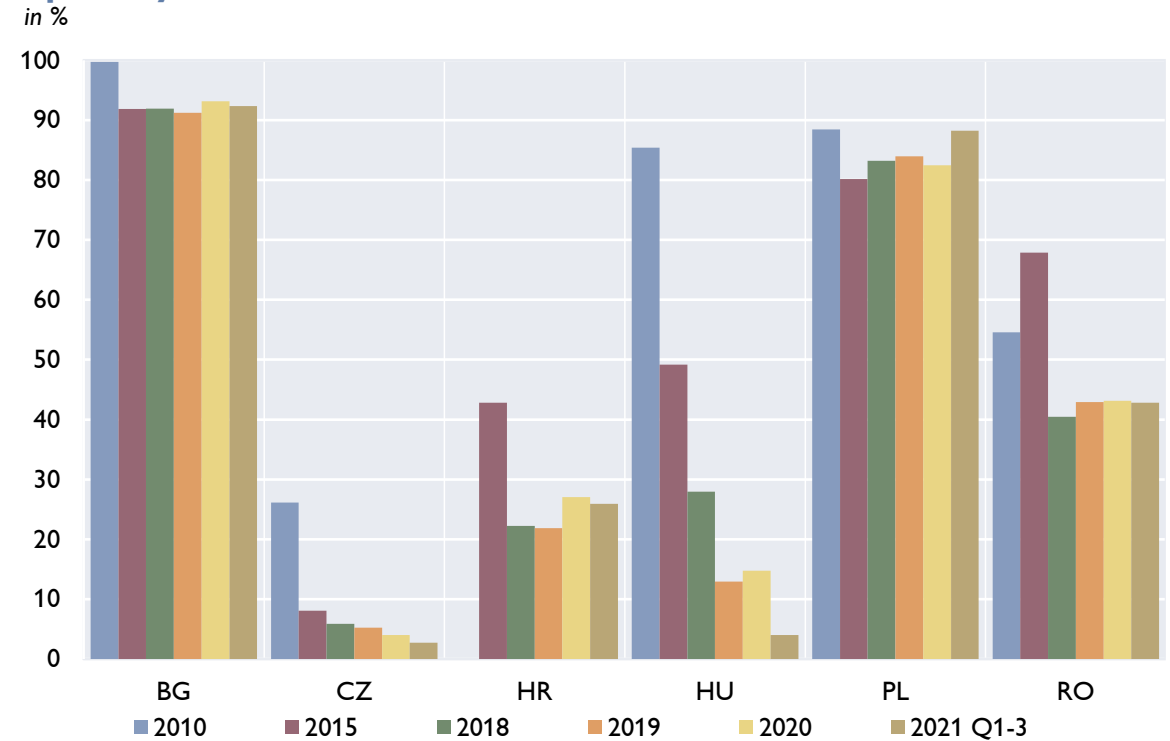
NFC: Loans: Floating rate and initial rate fixation period of up to 1 year in % of total



Note: Loans other than revolving loans and overdrafts, convenience and extended credit card debt.

Source: Authors' calculations, ECB.

HH: Total loans: Floating rate and initial rate fixation period of up to 1 year in % of total



Source: Authors' calculations, ECB.

Mounting challenges for CESEE central banks

- **Strong economic rebound in 2021 but elevated uncertainty**, risks from pandemic developments and inflation are increasing
- **Inflation** unlikely to soften soon as both, **cost-push and demand-pull factors will remain** in place for some time, inflation expectations are still rising
- **Inflation targeting central banks** in the region have **started** a decisive **hiking** cycle, overall monetary policy conditions remain rather loose
- **Banking sectors in good conditions so far**, credit growth picks up, but **full impact of the pandemic** related recession **not yet visible**
- In particular, **NFCs in CESEE** are potentially **vulnerable to rising interest rates**
- Inflation targeting central banks in CESEE are currently facing the **challenge of keeping inflation expectations anchored, while ensuring a smooth transition toward a higher interest rate environment** for debtors

Related OeNB publications

(recently published and forthcoming in [Focus on European Economic Integration](#))

- **Backé and Beckmann:** Euro adoption in CESEE: How do financial literacy and trust in institutions affect people's attitudes?. FEEI 4Q21.
- **Bittner:** Comparing the drivers of different loan types in selected CESEE Countries 2017–2019. An analysis based on micro data from the OeNB Euro Survey. FEEI 4Q21.
- **Breitenfellner, Lahnsteiner, Reininger and Schriefl:** Green transition: What have CESEE EU member states achieved so far?. FEEI 4Q21.
- **Koch and Scheiber:** Household Savings in CESEE - Expectations, Experiences, and Common Predictors. FEEI 1Q22.
- **Barisitz:** The Belarusian banking sector subject to continued instability. FEEI 1Q22.
- **Raggi:** The role of the quality of public services in shaping migration intentions in CESEE. FEEI forthcoming.
- **Scheiber and Koch:** Will the COVID-19 pandemic leave lasting scars on economic sentiments of CESEE individuals?. FEEI forthcoming.

Danke für Ihre Aufmerksamkeit

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