Key challenges for the CPCCs on their way to the EU and EMU

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Trust in the European Union and National Governments


Note: The values represent the share of respondents answering that they "somewhat trust" or "trust completely" the respective institution. Excluding respondents answering "Don't know" or "No answer". Values for Central and Eastern Europe are the unweighted average for the Czech Republic, Hungary and Poland of the OeNB Euro Survey.
Trust in the Euro and Local Currencies

Source: OeNB Euro Survey, fall 2013.
Note: Respondents were asked whether agree or disagree with the statement "Over the next 5 years, the [local currency / euro] will be very stable and trustworthy. Values for Central and Eastern Europe are the unweighted average for the Czech Republic, Hungary and Poland."
Expected Euro Introduction and Euroization

I Have Euro Cash / a Foreign Currency Loan Because my Country Will Introduce the Euro Sooner or Later.

in % of respondents with euro cash / FX loan

Note: * Percentages are based on low number of observations, Central Eastern Europe only includes Hungary and Poland.
Trust in the Euro – A Double-Edged Sword?

De facto use of the euro widespread phenomenon with important implications:

- for the countries concerned: conduct of monetary and fiscal policy.
- for the euro area: euro cash in circulation abroad
- for both: foreign currency loans

OeNB Euro Survey of Households

- Semi-annual survey conducted since 2007
- Representative sample of 1000 respondents per country & survey wave
- Content of survey: distribution of foreign currency assets and liabilities, actual and planned portfolio structure, sentiments, memories and expectations

Asset Eurozation Index 2007-2012

Eurozation Index =
(Euro Cash + Foreign Currency Deposits) / (Total Cash + Total Deposits)
A Double-Edged Sword? Liability Euroization

Do you have a loan?

Source: OeNB Euro Survey.

Do you plan a loan?

Source: OeNB Euro Survey.
Non-Performing Loans – FX Driven?

Income versus Installment Shocks

Self-Reported Reasons for Loan Arrears

% of respondents in loan arrears

- 0%
- 25%
- 50%
- 75%
- 100%

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<th>AL</th>
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<tbody>
<tr>
<td>Earnings Dropped</td>
<td>50%</td>
<td>75%</td>
<td>50%</td>
<td>75%</td>
<td>50%</td>
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<tr>
<td>Loan Installments Increased</td>
<td>25%</td>
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Financial Difficulties due to FX Loans

“I know someone who has gotten burned on a foreign currency loan because repayments became much higher than expected.”
Bank Services – Addressing Households’ Needs?

Perceived Distance to Nearest Bank

“Generally speaking, would you have the possibility to borrow a significant amount of money from a bank / friends or family?”

Values show percentage of respondents who respond “yes, almost certainly” or “yes, probably.”

Source: OeNB Euro Survey, Fall 2013.
Expectations – Persistent Due to Memories of Previous Crises?

Depreciation Expectations of the Local Currency against Euro

Foreign Currency Deposit Demand

Preferred Currency for Savings Deposit

Source: OeNB Euro Survey.

Source: OeNB Euro Survey, fall 2013.