

## Central, Eastern and Southeastern Europe

The Austrian economy – and especially Austria’s banking sector – are tightly interlinked with the economies in Central, Eastern and Southeastern Europe (CESEE). The team of the *CESEE Section* contributes to a better understanding of European integration by explicitly focusing on economic developments in the CESEE countries. As we continuously monitor and analyze macroeconomic and financial developments in individual CESEE countries, we are capable of offering a consistent cross-country comparative perspective on the region. We evaluate economic convergence and financial market developments, and assess the implications for the Austrian economy and financial stability. The CESEE region has been hit by several economic and political crises in recent years; so, we are placing increased attention on risk analysis, including financial, economic, trade and climate risks.

Our research activities revolve around **two priority areas** that are crucial for monetary policy and financial stability in the interplay between CESEE and euro area economies.

### Real and monetary convergence

- first with respect to CESEE countries’ integration into both the European Union and the euro area, and second with respect to structural change and transformation, particularly in the context of global value chains and the green transition

### Financial stability in CESEE

- first with respect to risks to financial stability and possible spillovers, with a special focus on Austrian banks’ exposure to the region, and second with respect to euroization, i.e. the use of the euro, and household finance

We draw on a wide variety of data sources, including a large-scale **survey** which we conduct **in ten CESEE economies**,<sup>2</sup> the [OeNB Euro Survey](#). The survey mainly helps us (a) understand what determines individuals’ financial decisions and (b) ascertain in particular the use of foreign currencies, such as the euro and the US dollar, in the region. Thanks to the flexible design of the survey, we can include topical, policy-relevant questions in a timely and efficient manner.

For our macroeconomic monitoring, we rely on various tools and models, including a time series-based forecasting model and systematic risk assessments. In addition, our extensive expertise builds on a steady stream of research papers, economic analyses and other CESEE-related activities.

Within the ESCB, the OeNB’s CESEE Section acts as a bridge between the euro area and CESEE. Together with the OeNB’s EU and International Affairs Division, we represent the OeNB in the ECB’s International Relations Committee (IRC) and coordinate the OeNB’s economic input to the IRC. Furthermore, our economists provide input to the external assumptions underlying the ECB’s projections for the euro area. We act as a partner for the ECB in monitoring and analyzing EU candidates and potential candidates, in particular in the Western Balkans. We also contribute to the ECB’s analysis of the international role of the euro by monitoring and analyzing euroization in CESEE and by regularly estimating the extent of currency substitution in the region, including the use of euro cash.

Our expertise in CESEE economies, including Russia, Ukraine and Turkey, has helped build the OeNB’s reputation as a competence center for CESEE in international policy-making institutions and academic institutions. We closely cooperate with a broad range of partners that include central banks in the region and international financial institutions.

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<sup>2</sup> Six EU member states: Bulgaria, Czechia, Croatia, Hungary, Poland, Romania, and four non-EU member states: Albania, Bosnia and Herzegovina, North Macedonia and Serbia.