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EUROPE



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Contents

SOVEREIGN RATING REPORTS.....	1
BOOKS.....	3
WORKING PAPERS	3

SOVEREIGN RATING REPORTS

Email Library@IMF.org to request the full reports; we'll send them to you as quickly as possible! (*reports are from Sept 10 to Oct 18, 2022*)

European Region

- Fitch: "[Fitch Ratings: Energy Crisis to Weaken CEE Growth in 2023](#)" (Sept 29)
- Fitch: "[Fitch Ratings: Energy Crisis Increases Fiscal Risks to Western Europe Sovereigns](#)" (Sept 23)
- Moody's: "Sovereign – Europe: Higher energy costs and slowing growth elevate social and fiscal risks across the region" (Oct 13)
- Moody's: "Sovereign – Europe: Nord Stream leaks highlight risks to energy infrastructure and heightened geopolitical risk" (Oct 4)
- S&P: "Credit Conditions Europe Q4 2022: Hunkering Down For Winter" (Sept 27)
- S&P: "What Europe's Energy Redesign Might Mean For Its Power And Gas Markets" (Sept 13)

Central 1 & 2

- Fitch: "[Fitch Revises Austria's Outlook to Negative; Affirms at 'AA+'](#)" (Oct 7)
- S&P: "Croatia Full Analysis" (Sept 19)
- S&P: "Research Update: Czechia 'AA-/A-1+' Foreign Currency And 'AA/A-1+' Local Currency Ratings Affirmed; Outlook Stable" (Oct 14)
- Fitch: "[Fitch Ratings: Failure to Obtain EU Funding Would Be Negative for Hungary](#)" (Sept 23)
- Moody's: "Government of Hungary - Baa2 stable : Annual credit analysis" (Oct 10)

Eastern & Eastern 2

- Moody's: "Government of Belarus – Ca Negative: Regular update" (Oct 4)
- S&P: "Research Update: Belarus FC Ratings Affirmed At 'SD/SD' And LC Ratings At 'CCC/C'; Issue Ratings Lowered To 'D'; LC Outlook Negative" (Sept 16)
- S&P: "Research Update: Turkiye Ratings Lowered To 'B' From 'B+'; Outlook Stable" (Sept 30)
- Fitch: "[Ukraine Rating Report](#)" (Sept 29)
- Moody's: "Government of Ukraine – Caa3 negative: Regular update" (Oct 11)

Nordic

- Moody's: "Government of Sweden – Aaa stable: Regular update" (Sept 27)

Northwestern 1 & 2

- Fitch: "[Belgium Rating Report](#)" (Oct 13)
- S&P: "Research Update: Belgium 'AA/A-1+' Ratings Affirmed; Outlook Stable" (Sept 16)
- Moody's: "Government of Germany: Limited credit impact from planned gas price cap" (Oct 5)
- S&P: "Research Update: Germany 'AAA/A-1+' Ratings Affirmed; Outlook Stable" (Sept 23)
- Fitch: "[Fitch Affirms Iceland at 'A'; Outlook Stable](#)" (Sept 16)
- Fitch: "[Netherlands Rating Report](#)" (Sept 21)

Other Advanced Economies

- Fitch: "[Fitch Rtgs: Israel-Lebanon Maritime Deal May Support Credit Profiles in the Long Term](#)" (Oct 14)
- Moody's: "Government of Israel – A1 positive: Regular update" (Oct 11)
- Moody's: "Government of Switzerland: Direct exposure to energy crisis is limited, but indirect risks are significant" (Oct 18)
- Fitch: "[United Kingdom–Forecast Update](#)" (Oct 10)
- Moody's: "Government of the UK: Large unfunded tax cuts are credit negative" (Sept 27)
- S&P: "Research Update: United Kingdom Outlook Revised To Negative On Rising Fiscal Risks; 'AA/A-1+' Ratings Affirmed" (Sept 30)

Poland & Baltics

- Fitch: "[Estonia Rating Report](#)" (Sept 15)
- Moody's: "Government of Latvia: Policy continuity following elections is credit positive" (Oct 4)
- Fitch: "[Lithuania Rating Report](#)" (Oct 17)
- S&P: "Research Update: Poland 'A-/A-2' Foreign Currency Ratings Affirmed; Outlook Stable" (Sept 30)

Southeastern 1 & 2

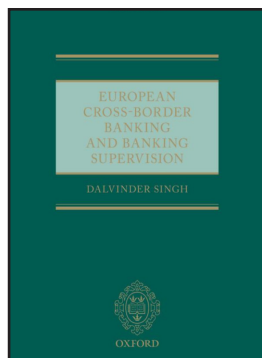
- Moody's: "Government of Bulgaria – Baa1 stable: Regular update" (Oct 4)
- Fitch: "[Fitch Affirms Romania at 'BBB-'; Outlook Negative](#)" (Oct 7)
- Moody's: "Government of Romania – Baa3 stable: Regular update" (Oct 18)
- S&P: "Research Update: Romania 'BBB-/A-3' Ratings Affirmed; Outlook Stable" (Oct 14)
- Fitch: "[Serbia Rating Report](#)" (Sept 29)

Southern 1-3

- Fitch: "[Fitch Affirms Cyprus at 'BBB-'; Outlook Stable](#)" (Sept 16)
- Moody's: "Government of Cyprus - Ba1 positive: Annual credit analysis" (Sept 15)
- Fitch: "[Fitch Affirms Greece at 'BB'; Outlook Positive](#)" (Oct 7)
- Moody's: "Government of Greece : FAQ on growth, debt, banks and politics" (Sept 28)

- Fitch: "[Fitch Ratings: Italy's Next Govt Faces Fiscal Constraints, Growth Still Key](#)" (Oct 6)
- Moody's: "Government of Italy – Baa3 negative: Regular update" (Oct 4)
- S&P: "Bulletin: New Italian Government Faces Difficult Choices Amid European Recession And High Debt" (Sept 26)
- S&P: "Spain Full Analysis" (Sept 19)

BOOKS



[European Cross-Border Banking and Banking Supervision](#)

By Dalvinder Singh

This book provides timely analysis of the cross-border exercise of banking activity in the EU and its supervision, from the perspective of the 'home-host rule'. It examines the current system and the efficacy of recent reforms considering whether the centralization of decision making and a more effective mutualization of financing tools could increase the efficiency of the EU banking system.

WORKING PAPERS

[The Effects of Sanctions on Russian Banks in TARGET2 Transactions Data](#)

(Discussion Paper No 38/2022, Deutsche Bundesbank)

This short paper examines the effect of financial sanctions at the most disaggregated level possible, individual bank accounts. Using data from the Eurosystem's real-time gross settlement system TARGET2, we provide empirical evidence that sanctions imposed by the European Union on Russian banks following the country's military interventions in Ukraine in 2014 and 2022 have sizably reduced financial transactions with sanctioned Russian bank accounts. Among the various sanction measures taken, exclusion from SWIFT, a global provider of secure financial messaging services, turns out to have the largest effects.

[Gender Diversity in Bank Boardrooms and Green Lending: Evidence From a Euro Area Credit Register Data](#) (Working Paper Series No 2741 / October 2022, European Central Bank)

Do female directors on banks' boards influence lending decisions toward less polluting firms? By using granular credit register data matched with information on firm-level greenhouse gas (GHG) emission intensities, we isolate credit supply shifts and find that banks with more gender-diverse boards provide less credit to browner companies. This evidence is robust when we differentiate among types of GHG emissions and control for endogeneity concerns. In addition, we also show that female director-specific characteristics matter for lending behavior to polluting firms as better-educated directors grant lower credit volumes to more polluting firms. Finally, we document that the "greening" effect of the female members in banks' boardrooms is stronger in countries with more female climate-oriented politicians.

[Brexit, What Brexit? Euro Area Portfolio Exposures to the United Kingdom Since the Brexit Referendum](#) (Working Paper Series No 2734 / September 2022, European Central Bank)

We study euro area investors' portfolio adjustment since the Brexit referendum in terms of securities issued in the UK or denominated in pound sterling, in the context of heightened policy uncertainty surrounding the exit process of the UK from the EU. Our sector-level analysis "looks-through" holdings of investment fund shares to gauge euro area sectors' full exposures to debt securities and listed shares. Our key finding is the absence of a negative "Brexit-effect" for euro area investors, which would have rendered UK-issued

and pound-denominated securities generally less attractive. Instead, we observe that euro area investors increased their absolute and relative exposures to UK-issued and pound-denominated debt securities since the Brexit referendum.

Consumer Payment Preferences in the Euro Area (Working Paper Series No 2729 / September 2022, European Central Bank)

Payments are a key focus of central banks, as - together with the safe, efficient operation of the payments market - wide access to cash is fundamentally important for a healthy economy. In this study, three main research areas were investigated: 1. socioeconomic characteristics that can be associated with financial inclusion; 2. factors behind consumers' payment choices; 3. underlying factors for holding cash in a wallet (i.e. for transactional purposes). Regression results for the first research question confirmed the findings of international literature, i.e. mainly older age, lower income and lower educational level is associated with the lack of access to electronic payment options. The study pursues various approaches to investigate consumer payments choices, and the results from most models showed that those with higher level of income and education, or lower level of cash income are more likely to prefer and actually use electronic payment methods.

Biases in Survey Inflation Expectations: Evidence from the Euro Area (Working Paper No. 2022/205, International Monetary Fund)

This paper documents five facts about inflation expectations in the euro area. First, individual inflation forecasts overreact to individual news. Second, the cross-section average of individual forecasts of inflation underreact to shocks initially, but overreacts in the medium term. Third, disagreement about future inflation increases in response to news when the current inflation is high, and declines when inflation is low, consistent with a zero lower bound of expectations. Fourth, overreaction of individual inflation forecasts to news increased after the global financial crisis (GFC). Fifth, the reaction of average expectations (and of actual inflation) to shocks became more muted post-GFC in the euro area, but not in the U.S.

Updating Inflation Weights in the UK and Germany during COVID-19 (Working Paper No. 2022/204, International Monetary Fund)

The COVID-19 pandemic altered consumption patterns significantly in a short period of time. However, official inflation statistics take time to reflect these changes in the weights of the CPI consumption basket. Using credit card data for the UK and Germany, we document how consumption patterns changed and we quantify the resulting inflation bias. We find that consumers experienced a higher level of inflation at the beginning of the pandemic than what a fixed-weight inflation (or the official-weight) index suggests and a lower inflation thereafter. We also show that weights can differ among age groups as well as between in-person and online spenders. These differences affect the purchasing power of the population heterogeneously. We conclude that CPI inflation indexes based on frequently updated weights can provide useful inputs to assess changes in the cost of living and, if shifts in consumption patterns prove persistent, determine the need to introduce new official weights and inform monetary policy.

Second-Round Effects of Oil Price Shocks -- Implications for Europe's Inflation Outlook (Working Paper No. 2022/173, International Monetary Fund)

The pass-through effects of oil price shocks on wage and consumer price inflation vary with the states or structural characteristics of an economy. The effects have declined over time in Europe and been higher in emerging European economies than in advanced economies. The pass-through to wages is found to have been higher when the prevailing level of inflation was higher or when the degrees of unionization and centralized bargaining were higher, while lower under a higher credibility of monetary policy. The effects of oil price shocks on core inflation and inflation expectations are consistent with their effects on wages.

Energy Crisis: Protecting Economies and Enhancing Energy Security in Europe and Central Asia (Policy Note October 2022, World Bank)

This companion piece to the Fall 2022 ECA Economic Update provides an overview of the policy options available to countries to respond to the energy price shock and examines how this crisis could harness the clean energy transition to enhance collective energy security. The options to support energy markets, vulnerable households, and firms will vary, depending on specific country contexts, including exposure to gas and electricity supply risks and the fiscal space available to mitigate their impact. Well-coordinated and calibrated fiscal and monetary policies are needed to manage the impact of the price shock. Countries will also need to consider the implications of any policy choice on the transition to a greener economy and development trajectories.

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