



Joint press release

Vienna Initiative takes stock of pandemic crisis and (re)focuses on new risks

European Bank Coordination Initiative discussed economic impact of Covid-19 pandemic

The European Bank Coordination (Vienna) has warned against potential disturbances as the global economy struggles to recover from the Covid-19 pandemic. Opening the first Full Forum meeting of the group since the outbreak of the crisis, the governor of the National Bank of Croatia (HNB), Boris Vujčić, warned against “a resurgence of inflation the persistence of which across different economies is uncertain, but may affect the anchoring of inflation expectations.”

The HNB governor paid tribute to central banks participating in the Vienna Initiative for successfully responding to the immediate outbreak of the pandemic and the first lockdowns in early 2020 and delivering their mandates, if “in sometimes unorthodox manners”. But he warned: “The full impact of pandemic effects on private sector resilience and the quality of firm balance sheets might yet emerge into full view in the period to come, with direct impact on lending activity and the need for resolute forward-looking action.”

Any such action, however, the participants agreed, would have to be carefully assessed considering timing and dimension. While first central banks in the region covered by the Vienna Initiative have started raising interest rates in response to the rising inflation, the Forum also recognises the need to support the still fragile economies on the road to recovery, especially since other reasons for concern such as supply chain disruptions, rising commodity prices and labour market shortages persist.

The Full Forum in Split took place on 28 and 29 October in Split and hosted by the National Bank of Croatia. It brought together representatives of the International Monetary Fund, European Commission, European Bank for Reconstruction and Development, European Investment Bank Group, World Bank Group, ECB/SSM, home and host country central banks and authorities, major cross-border banking groups as well as other financial sector stakeholders.

The European Bank Coordination (Vienna) Initiative is a framework for safeguarding the financial stability of emerging Europe. It was launched at the height of the first wave of the global financial crisis in January 2009, bringing together relevant public and private sector stakeholders of EU-based cross-border banks active in emerging Europe.

With regard to climate action, the Forum looked at green finance, institutional investor perspectives on the configuration of financial instruments, as well as the issues related to ESG. Governor Vujčić underlined: “These considerations have begun to shape central bank decision making in a variety but

also multiplicity of ways, and we cannot overlook the implications induced by the social and governance dimensions of ESG evaluation and implementation efforts for all of us.”

Against this background, the Forum endorsed the establishment of the new working group on the climate change and financial stability. The working group will seek to improve cross-border cooperation on the identification and assessment of climate change-related risks to the financial sector, and coordination of policies to contain them and reinforce financial stability or reduce the costs of protecting financial systems.