Abstract

This thesis investigates the impact of foreign currency lending on financial stability for the case of Balkans, CEE and Balkans and CEE together. Such investigation has been carried out by identifying the impact of foreign currency lending across 3 main channels, which are: 1) households, 2) non-financial corporations, and 3) central government. This thesis was able to prove the foreign currency lending relevance, significance, main impact, and remarkable heterogeneity characterizing the Balkans and CEE samples. With respect to each of the subsamples and the full sample, the results can be summarized in 3 main points. For the case of Balkans, the financial instability has been identified to be transmitted through the household and government channels. Regarding the CEE, the dynamics are completely different as household channel provides mixed evidence, while the non-financial corporation one serves as the main transmission channel. When investigating the full sample, it has been pointed out that the prevailing dynamics reveal the non-financial corporation and government channels as the ones with the largest contribution to financial instability.

JEL Classification

C33, C36, F34, G20, G21, G32

Keywords

Financial stability, foreign currency lending, household, non-financial corporation, central government

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