

Survey on banking market in SEE

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Diversity of SEE countries

- First of all, we need to note that, although the countries belong to the same region, they are hardly comparable due to different level of economic development, political and historical background and different relations to the EU (some are members, while others are in the process of accession)
- They have different monetary regimes implemented, even though the main goal of central banks in each country is monetary and financial stability
- They also differ regarding the central banks' responsibility for the banking supervision

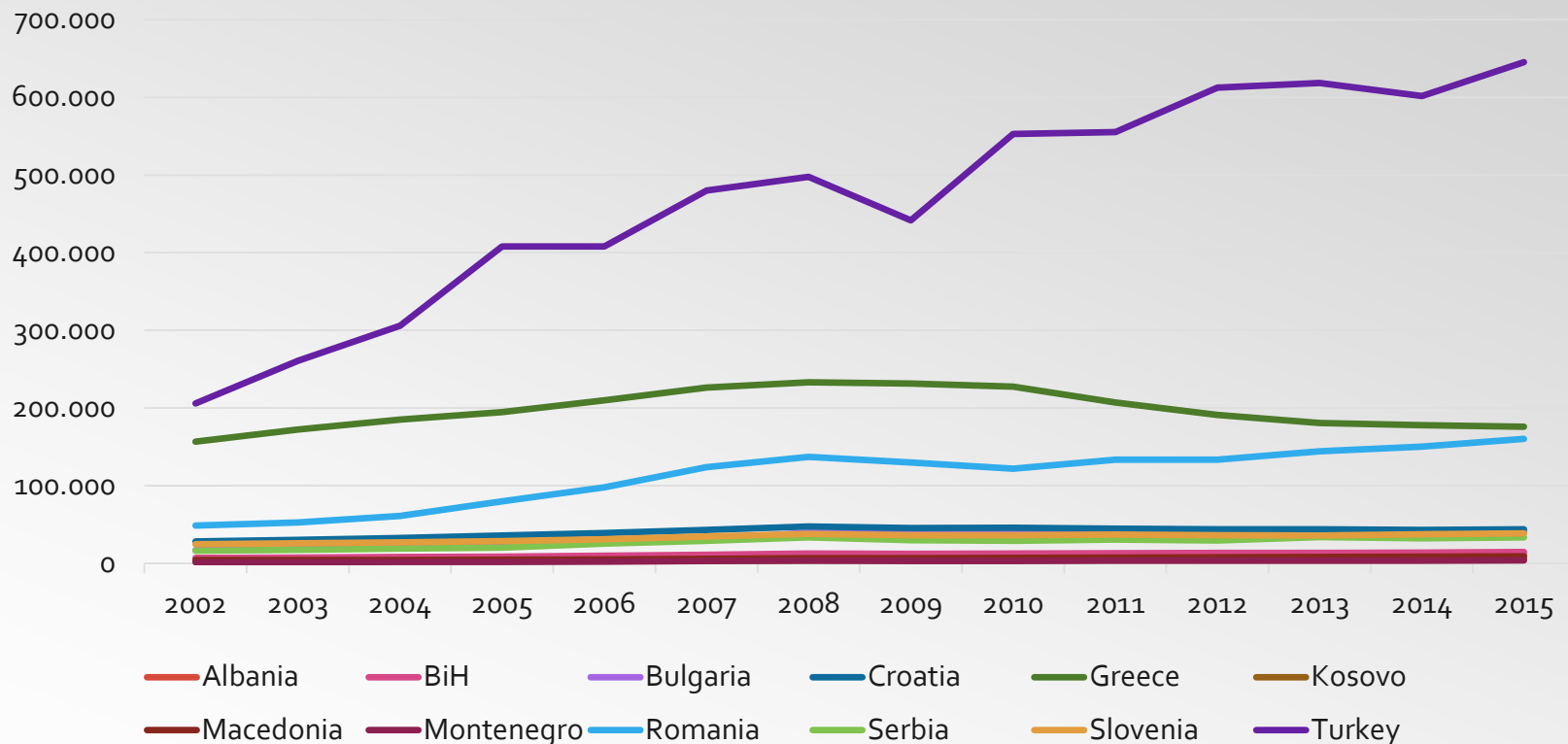
SEE region – main economic indicators

- Most of the countries of the SEE recorded the continued economic growth during the last five years
- Despite of political instability and refugee crisis, the region still has positive prospects and growth is expected in the next few years, depending on general changes in the EU economy
- The countries from the region had a low inflation rate over the last five years except Turkey
- A high rate of unemployment (app. 13,3% for the region) is still one of the biggest problems for most countries. Unfavourable demography and emigration are the consequences of a significant decline in working-age population

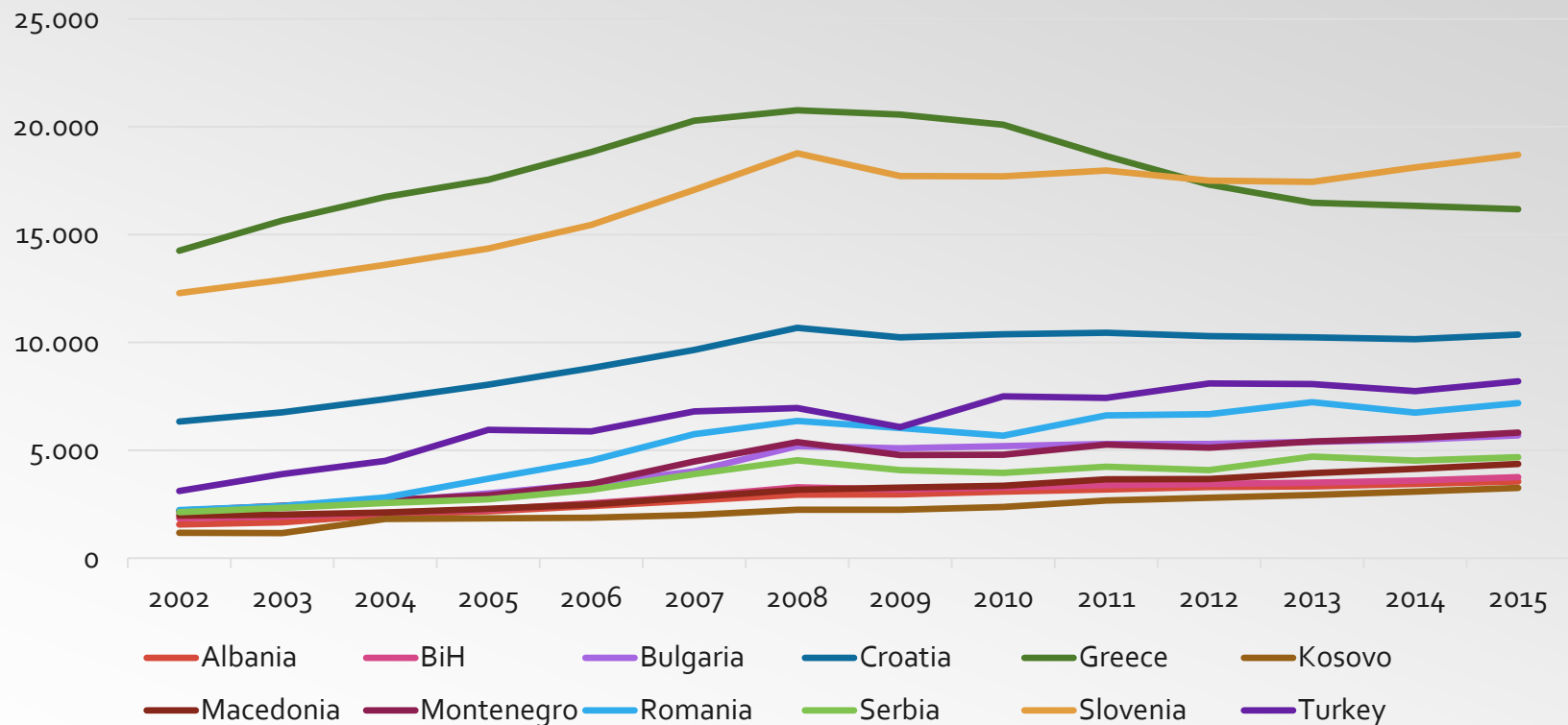
SEE region – growth issues

- The growth of 2,8% for the whole region in 2015 was the best result in recent years. Similarly, real GDP growth in the EU countries in 2015 was 2,2%. A total GDP of the SEE countries in 2015 was EUR 1.181 billion or 8% of the EU total GDP (EUR 14.714 billion). Figure shows changes of GDP for all countries of the region for period 2002-2015
- Data for 2015 show that only Slovenia, Greece and Croatia had GDP growth above the region's average
- The average GDP per capita for the region in 2015 was EUR 8.224, and it increased by 5,3% compared to 2010. On the other hand, it is 3,5 times lower than GDP per capita in the EU (EUR 28.900) showing a very significant gap in economic development compared to the EU countries

Total GDP of the SEE countries in the period 2002-2015 (EUR millions)



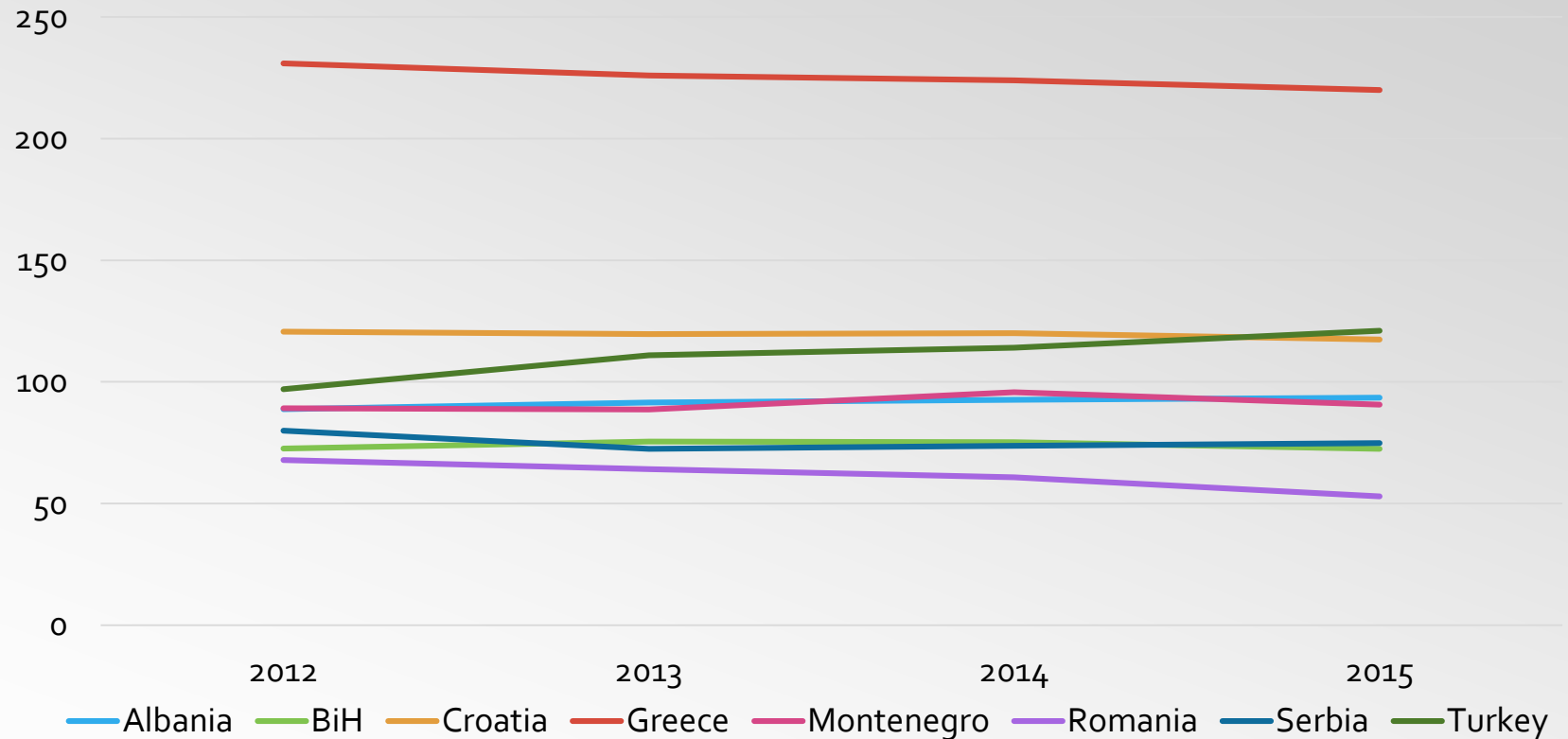
GDP per capita of the SEE countries in the period 2002-2015 (EUR)



Banking sector in SEE

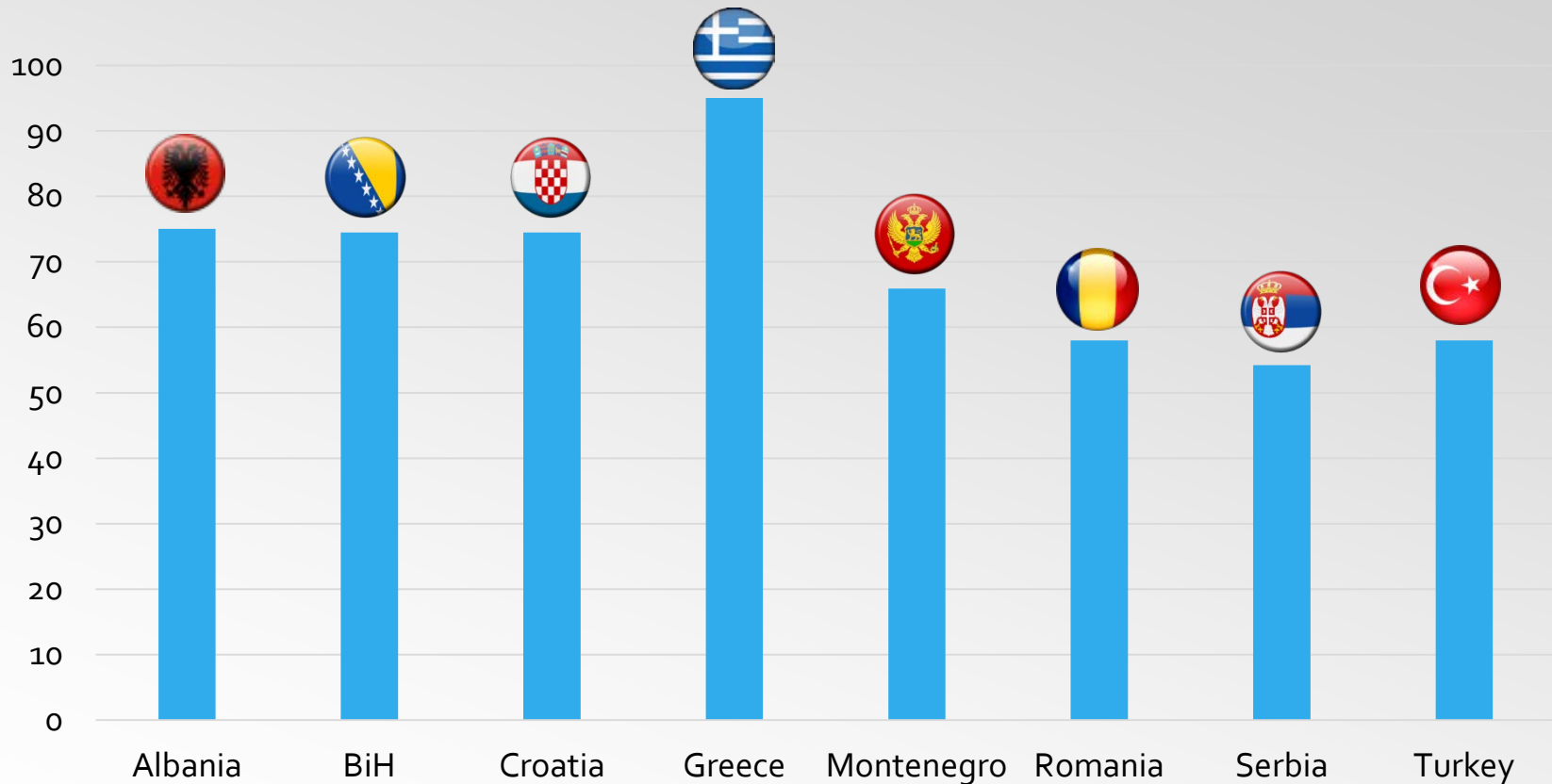
- Common characteristic of the region is that financial markets in the SEE are bank-centric and banks play a crucial role for the economic stability and development
- The size of the banking sector relative to GDP in the SEE indicates its great importance for the SEE's economies. Therefore, it is critical to assess the stability and resilience of the banking sector and to identify the most sensitive areas
- The observed period (2012-2015) was very challenging for the banking sector due to financial crisis and countries from the region reacted differently

Size of the banking sector



Total banks' assets as % of GDP

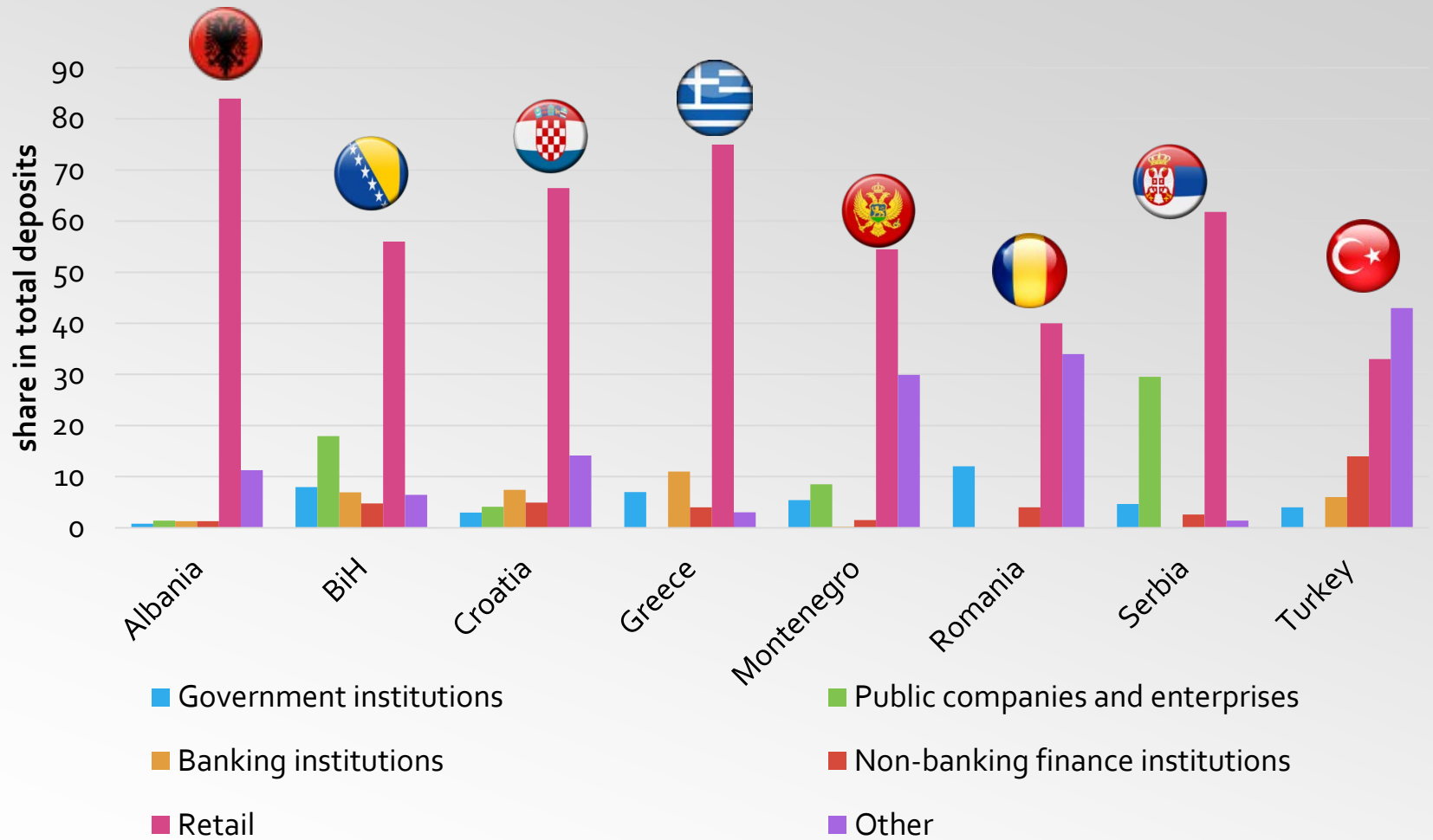
Market share of the five largest banks (%)



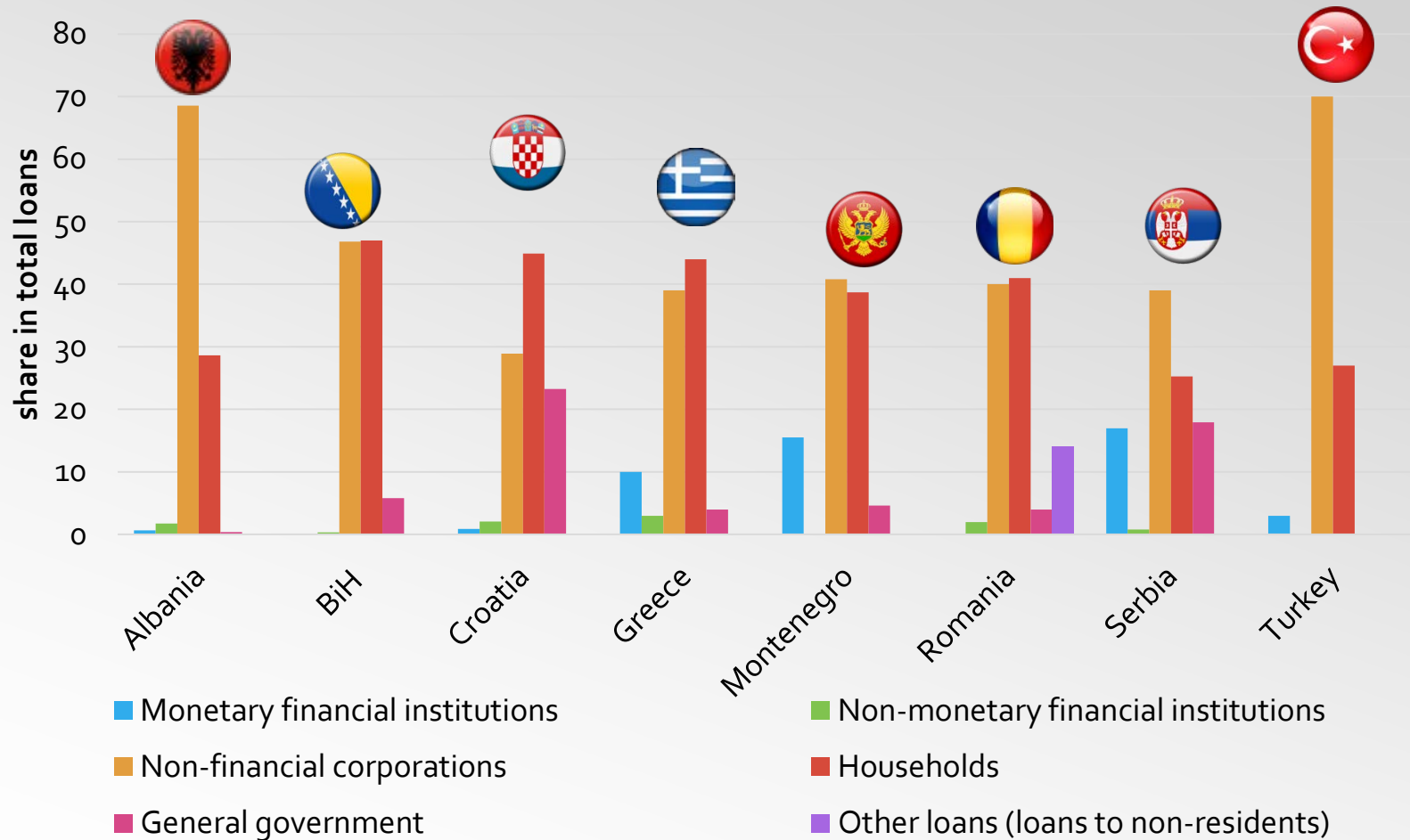
Share of banks with foreign ownership in total assets in 2015 (%)



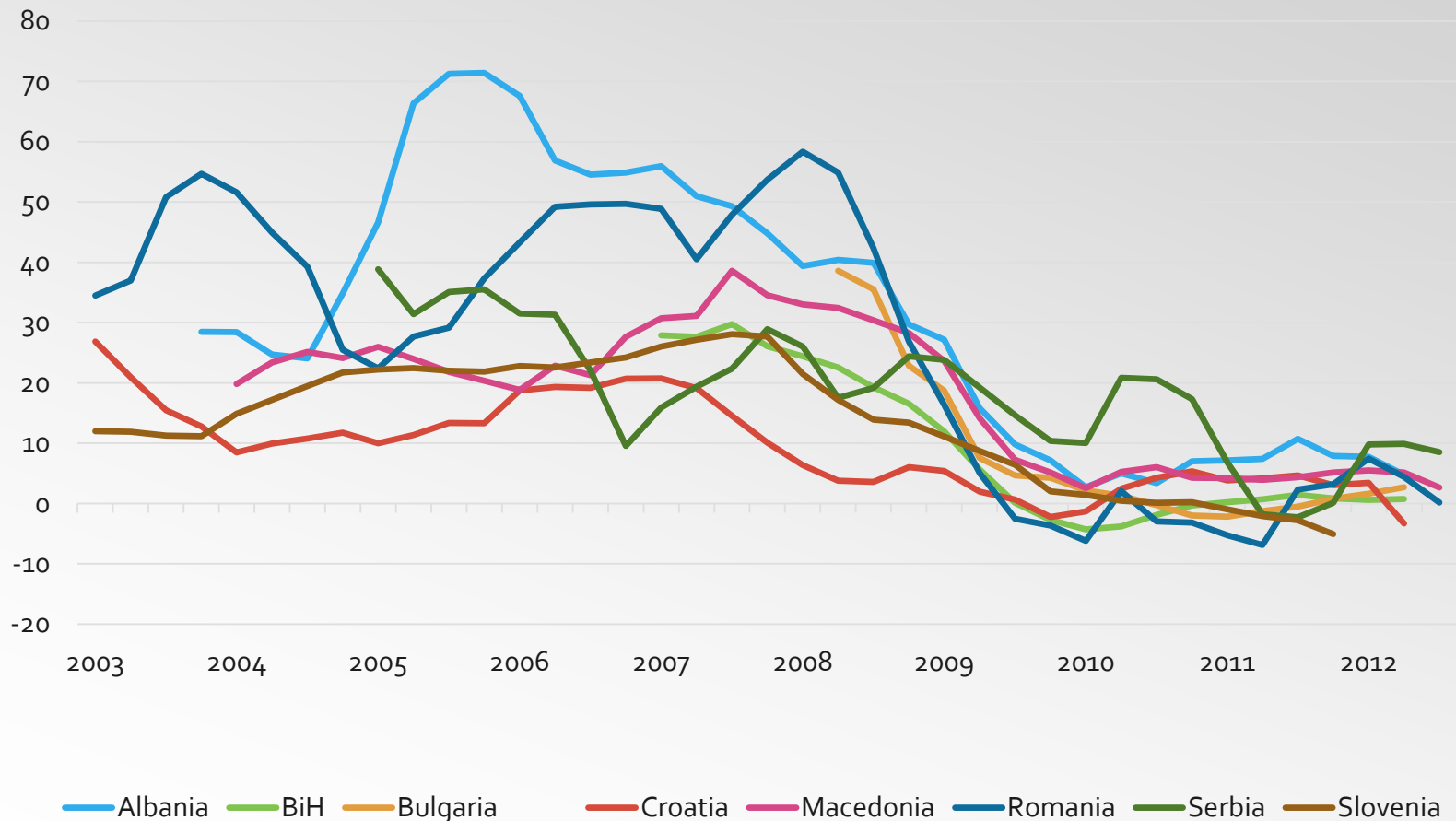
Deposit structure in 2015 (%)



Loans structure in 2015 (%)

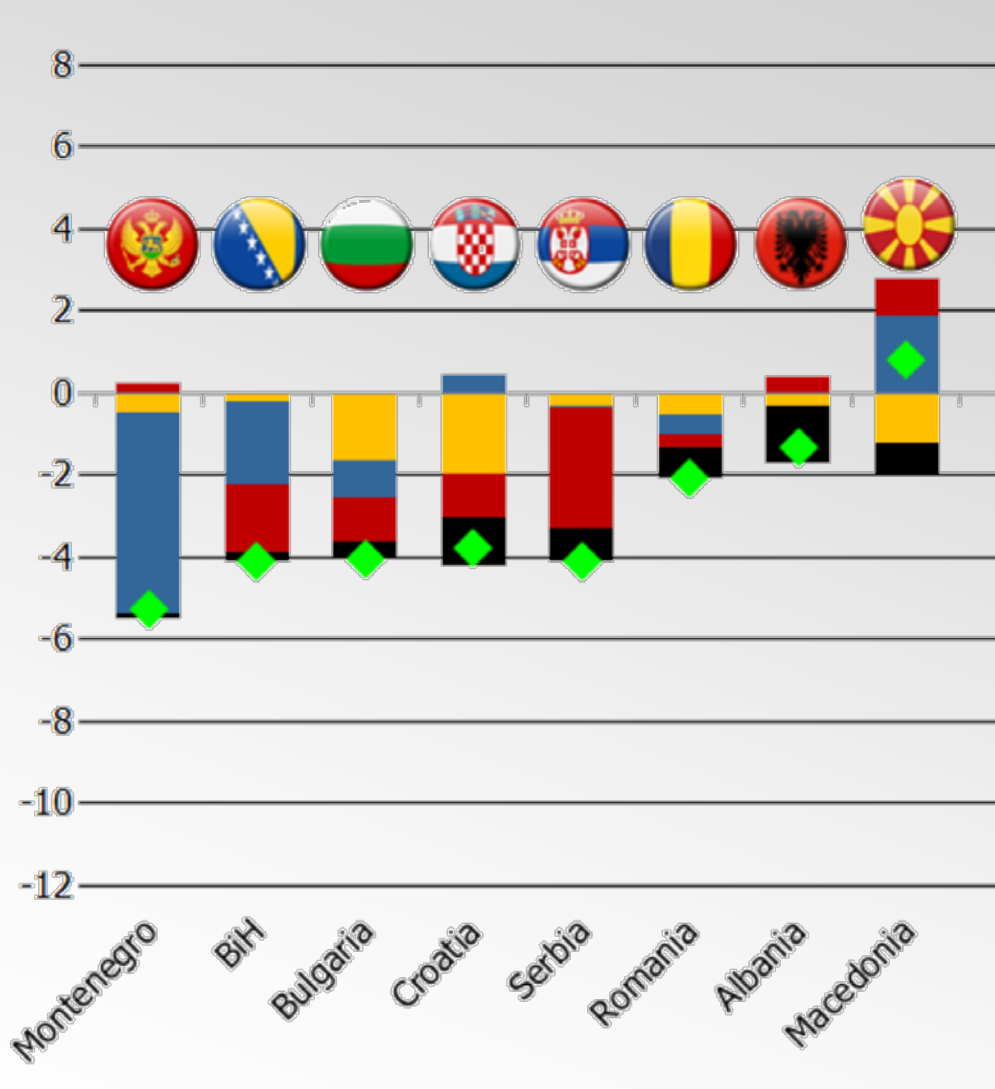


Evident credit growth decrease

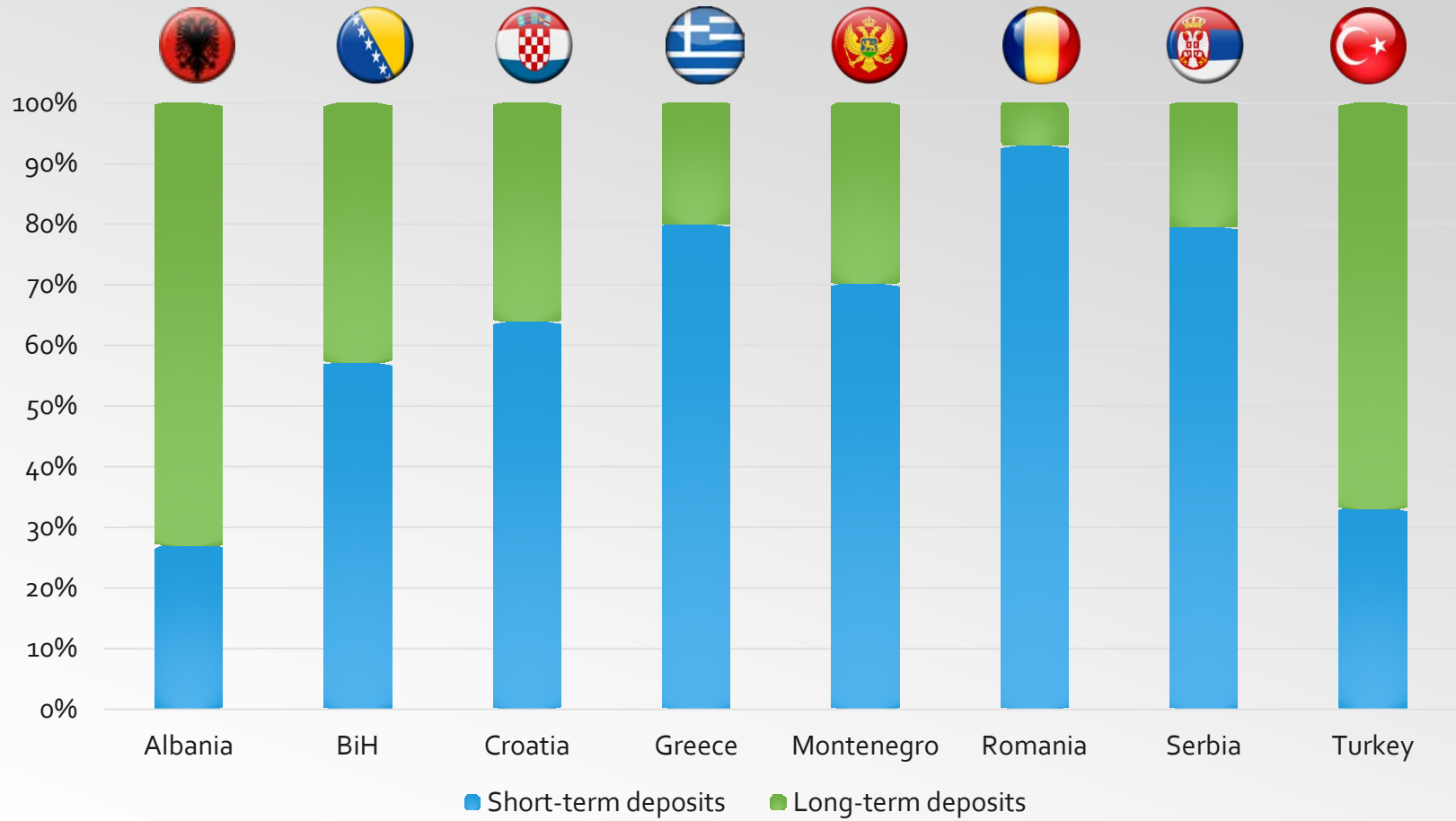


Constant decrease of exposure in the region

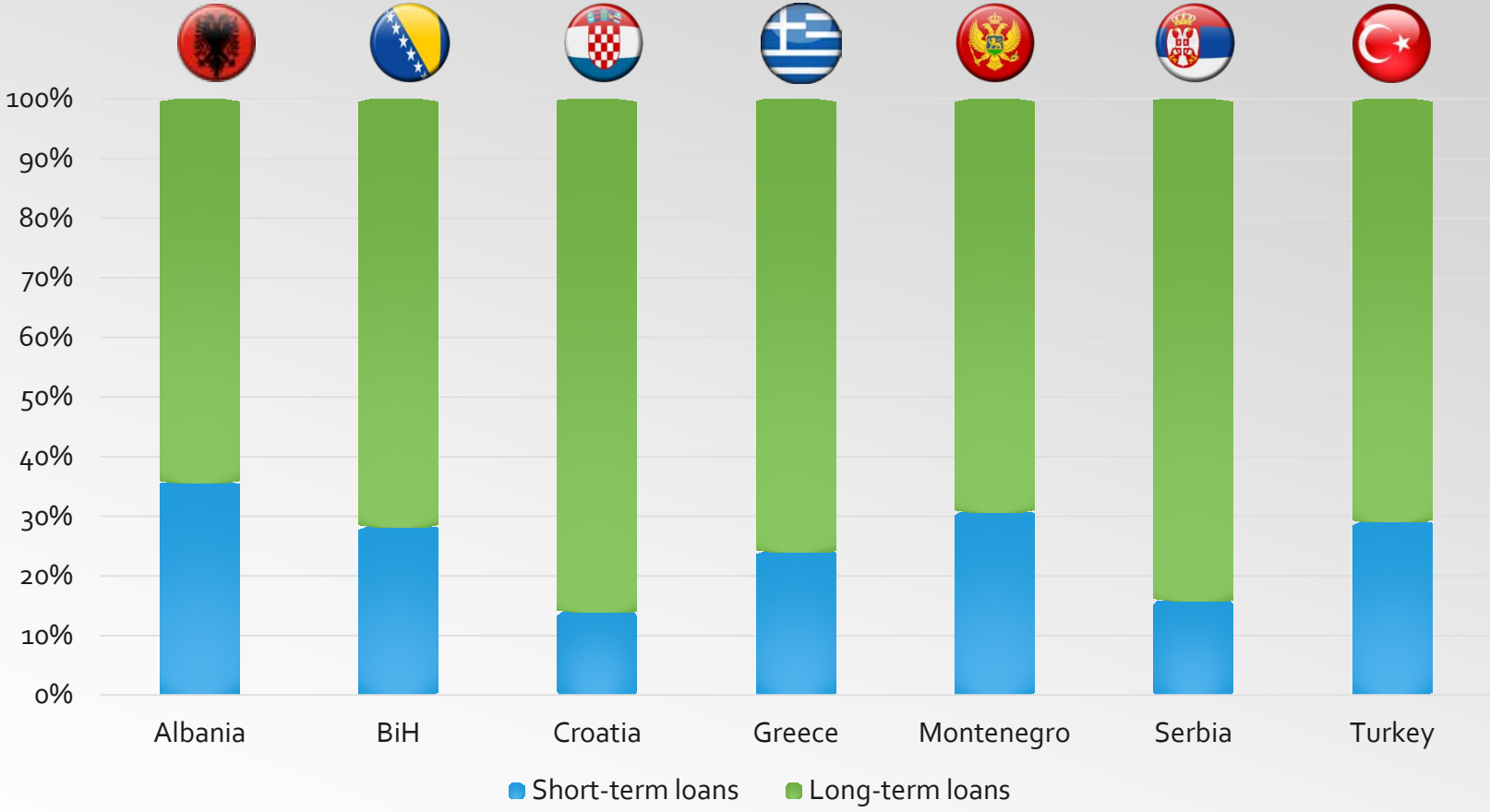
Cumulative change in gross positions of banks reporting to the BIS, 2011-12 (% of GDP)



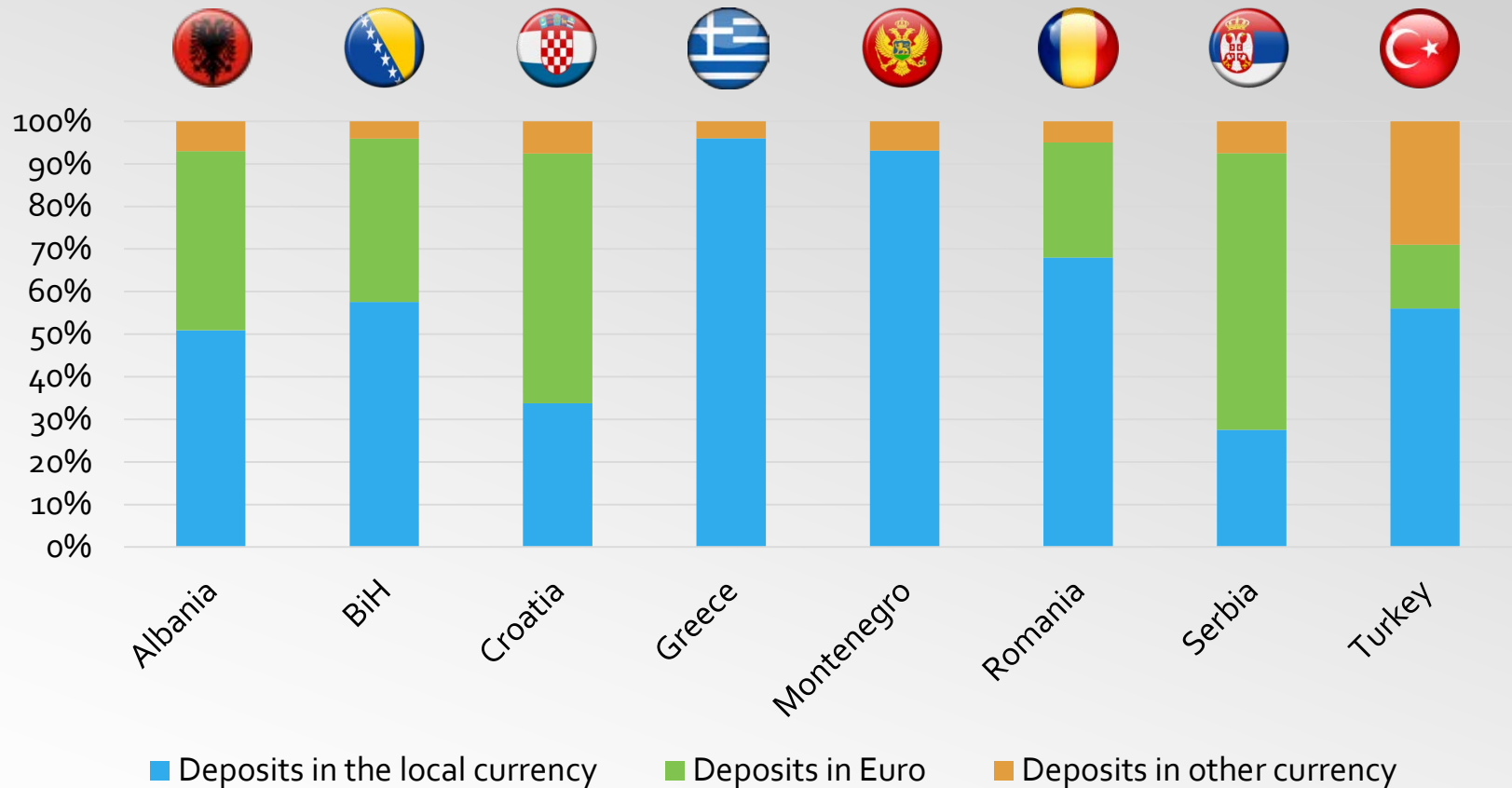
Maturity of deposits in 2015



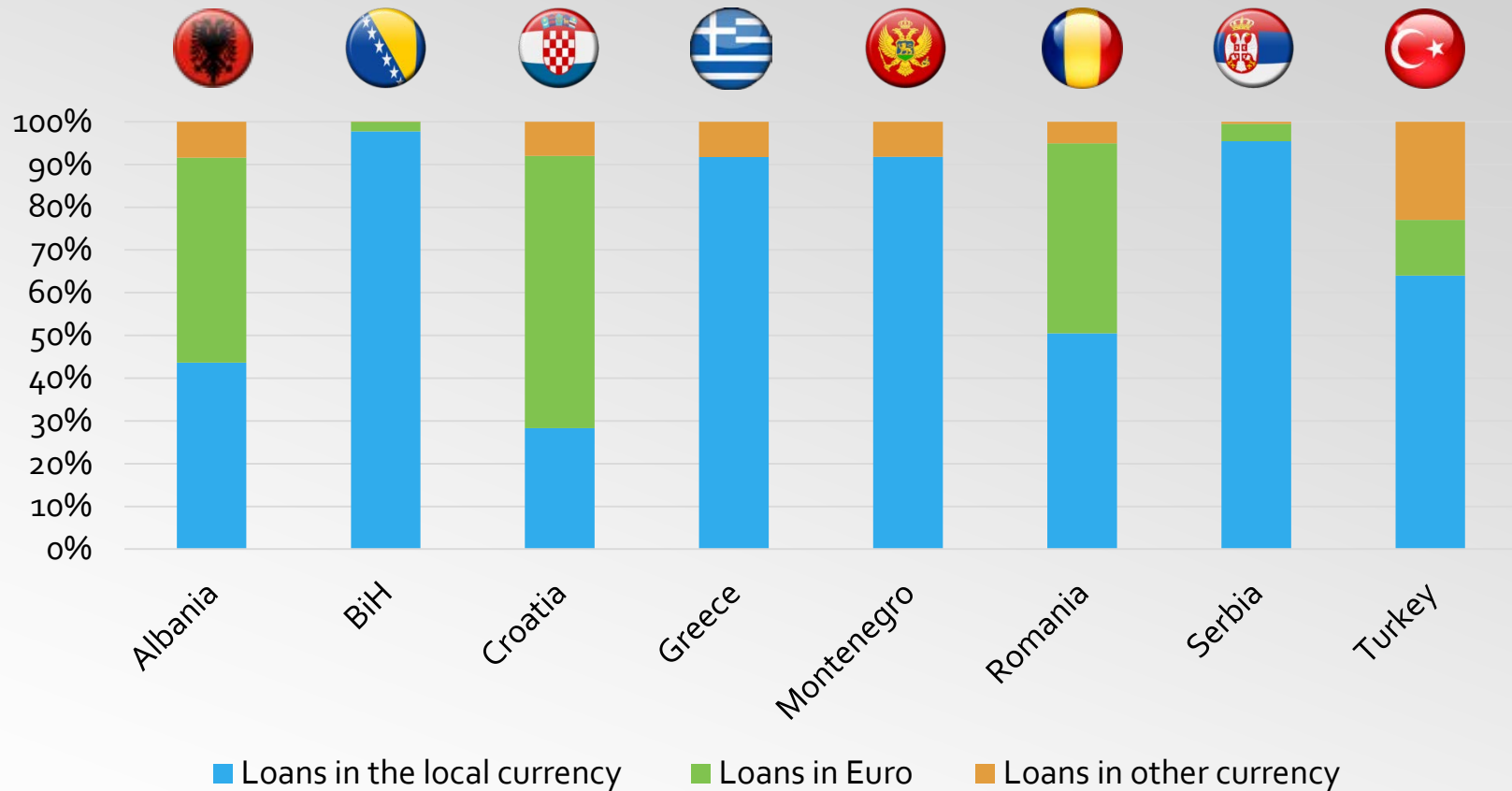
Maturity of loans in 2015



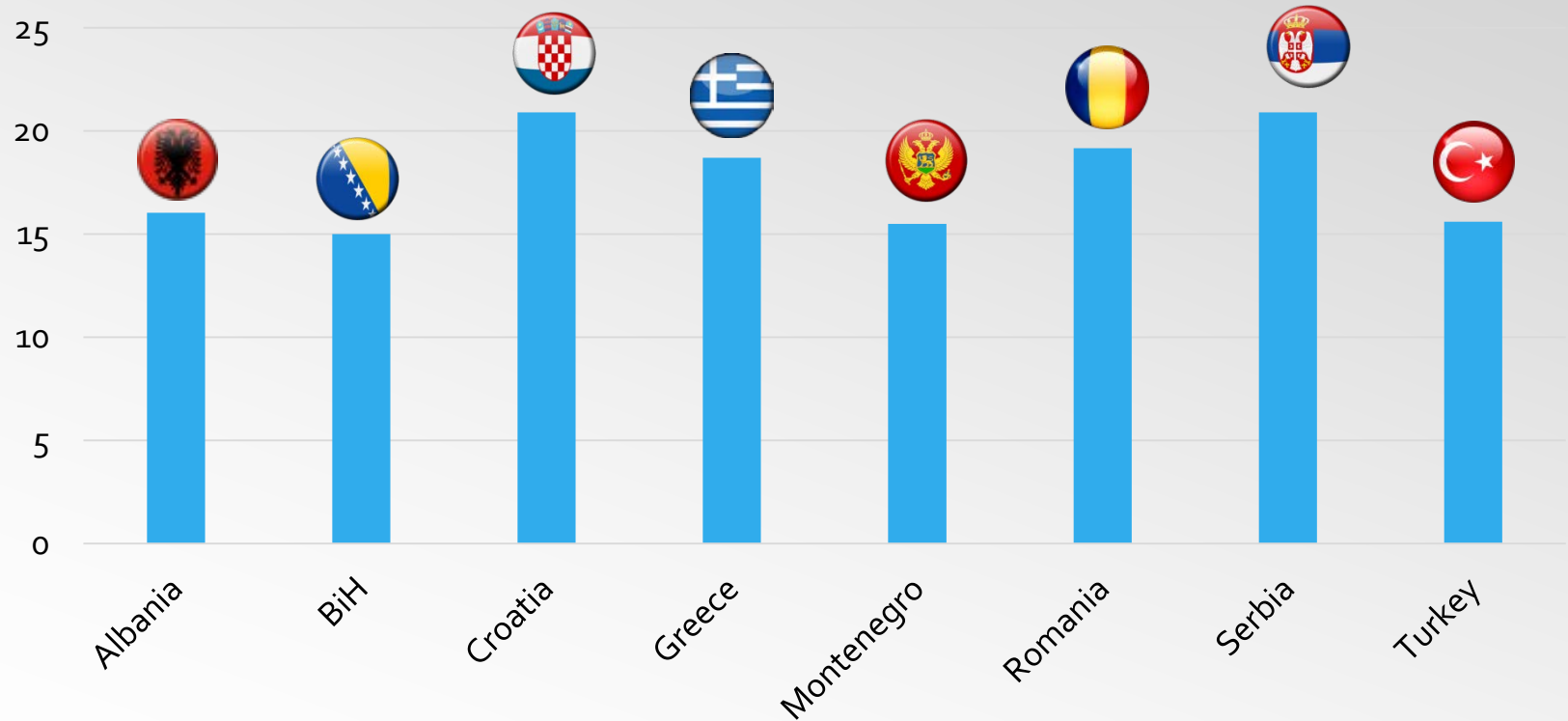
Currency structure of deposits in 2015



Currency structure of loans in 2015



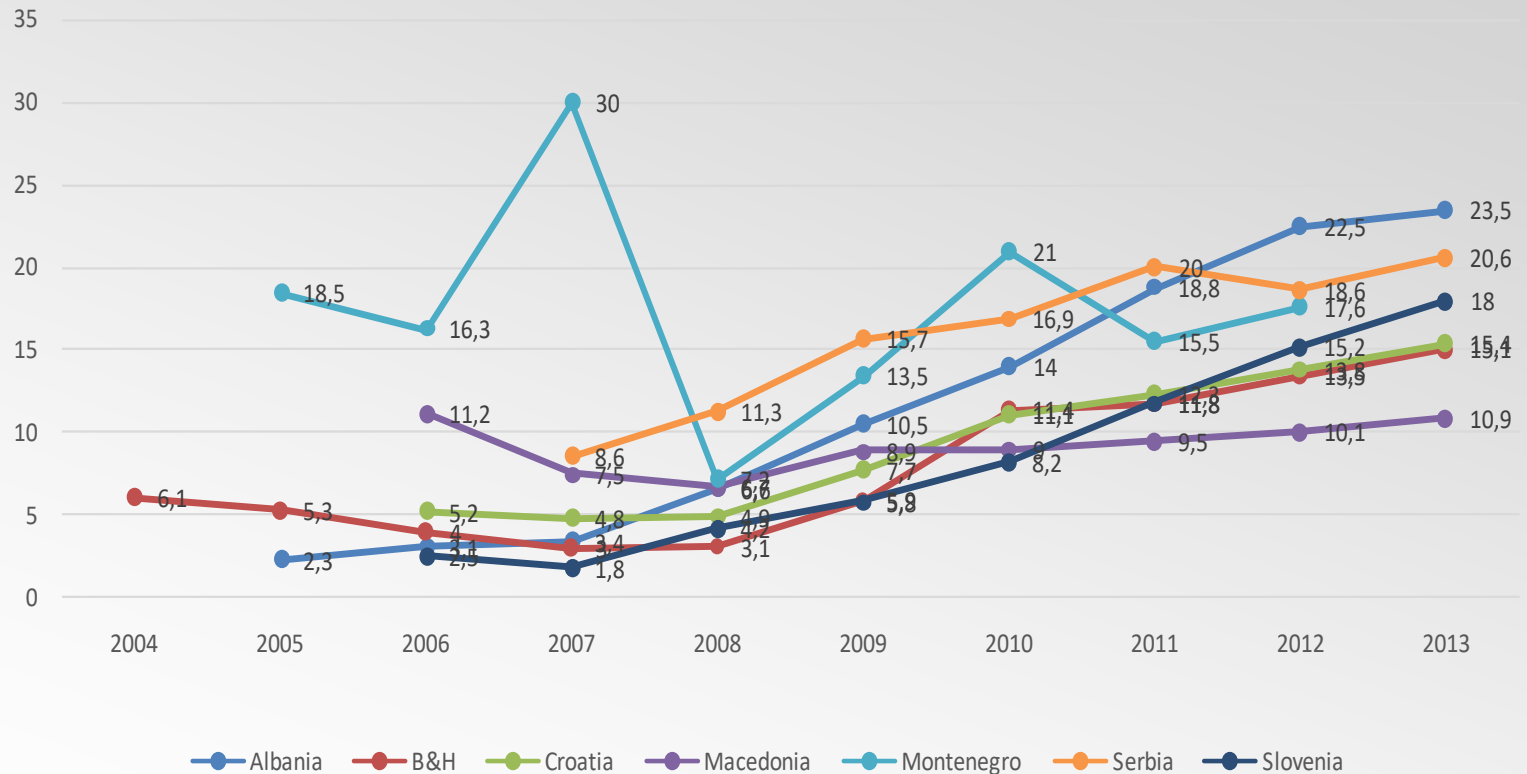
Capital adequacy rate (%)



Ratio of non-performing to total loans (%)



Evident increase in NPLs (percentage)



Source: World Development Indicators, World Bank

Conclusion

- Since the financial sectors in the region is highly bank-centric the soundness of the banking sector is extremely important for financial and real sector stability and growth
- Countries in the region have had relatively high capital adequacy and liquidity
- Non-performing loans still high in the region
- In order to increase resilience of the banking sector the new standards are being introduced in the banking systems across the region (Bazel III)

Conclusion

- Although the economic growth of the observed countries is higher than the EU average the living standards in the whole region is far beyond the EU average
- The region faces the refugee crisis and the problem of high unemployment, but has the high growth potential in many sectors (such as tourism, organic food production, energy sector and infrastructure investment) which could attract investors from the EU
- To fulfil this goal political stability and further progress towards Euro Atlantic integration is needed