

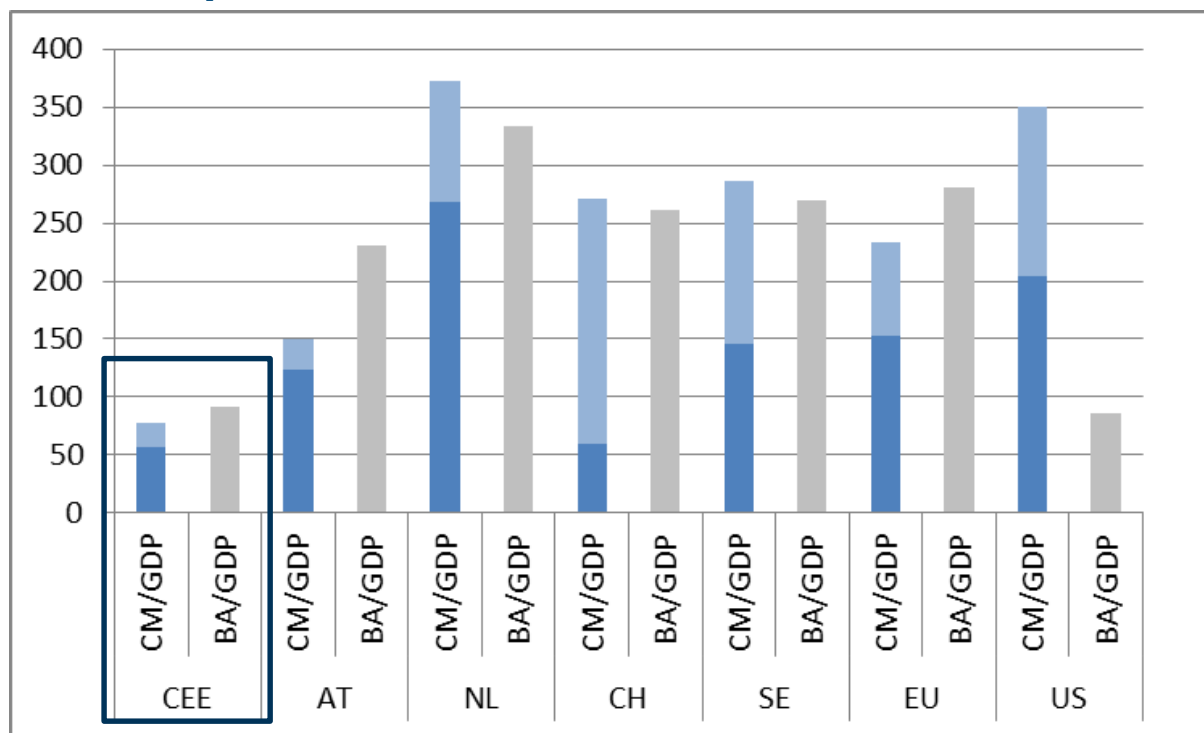
„Capital Market Development in CEE“

ECMI Confernce
Brussels, October 10, 2018

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What is different in CEE?

Capital market / total bank assets to GDP



CM = capital market (=bond + stock market)

■ Bond market/GDP
■ Stock market/GDP

BA = Total Bank Assets

Sources: BIS, WFE, World Bank

Market structure

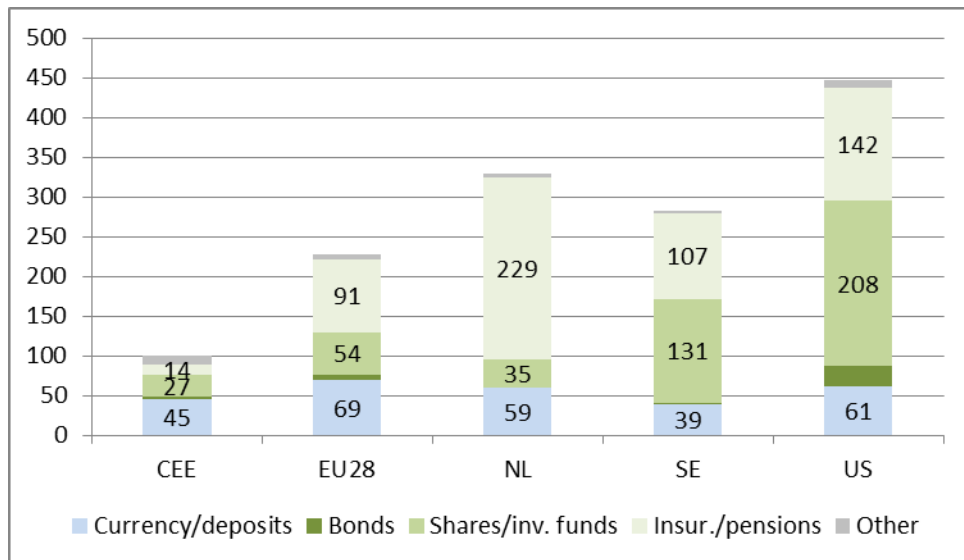
- Structurally not so different from EU average, but much smaller in size
- Market fragmentation and lacking liquidity
- Much smaller equity markets dominated by traditional sectors (banks, utility, energy)
- Dominance of government bonds in debt markets

Determinants of investor behavior

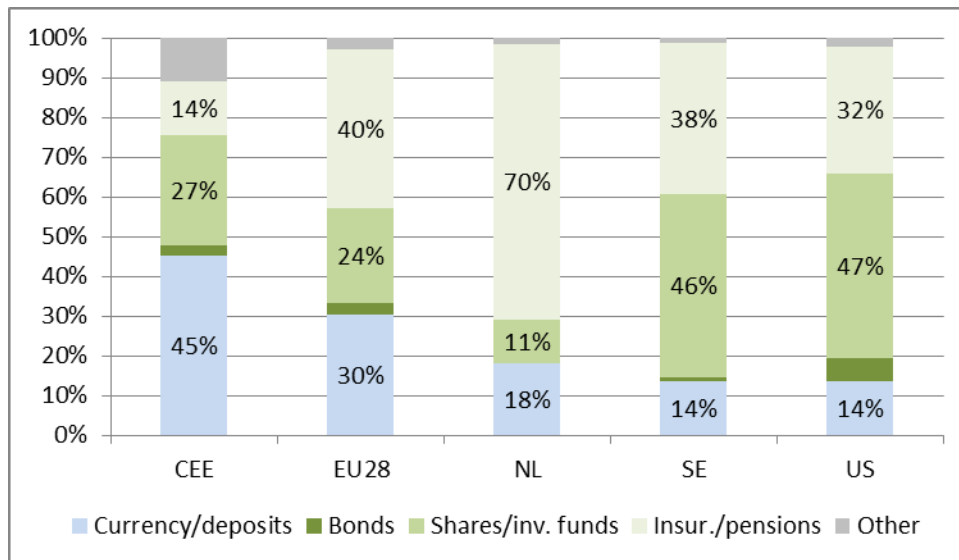
- Negative experiences during privatization, risk aversion of private investors
- Lower disposable income levels, high homeownership rates and weak social security net
- Conservative investment behavior

How to unlock savings?

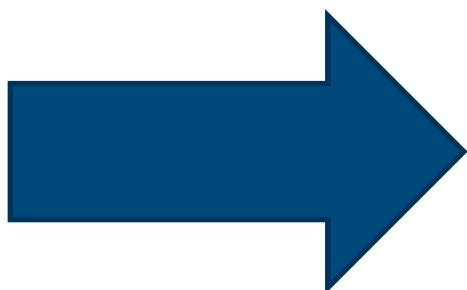
Financial assets of households (% of GDP)



Financial assets of households (% of total)



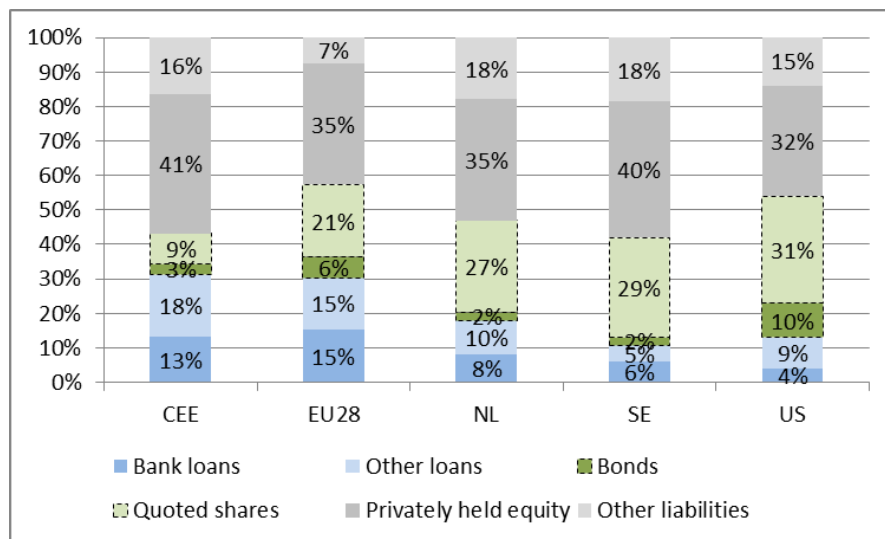
*Shares include listed and unlisted equity



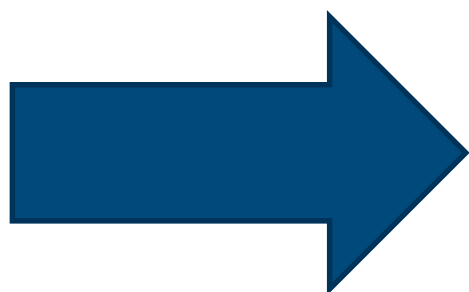
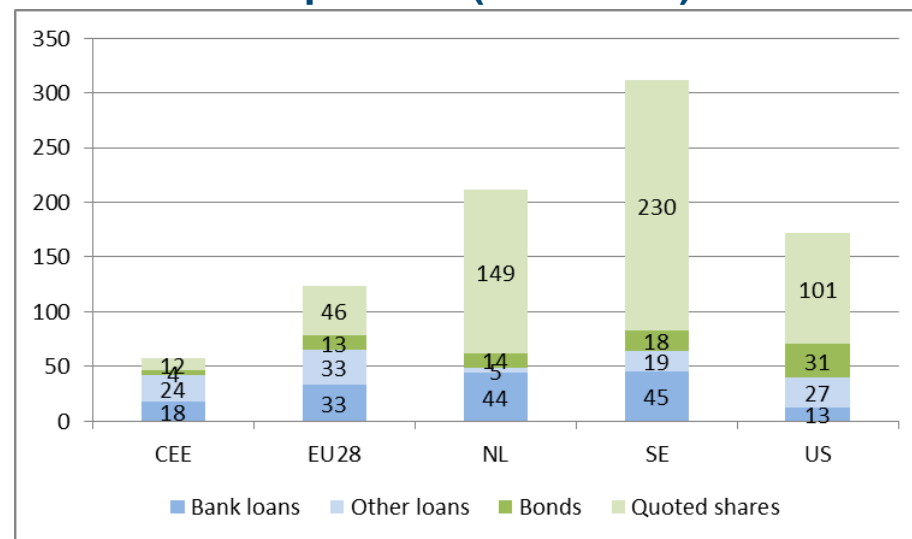
- **Create stable, balanced and reliable economic environment**
- **Increase disposable incomes, have social stability nets in place**
- **Grant tax exemptions for any type of longer term investment product, work against lopsided focus on real estate**
- **Foster financial literacy and long-term thinking**
- **Reduce costs for investment, offer broader scope of products**

What can be done for potential market finance candidates in CEE?

Liability structure of non-financial corporates (% of total)



External funding of non-financial corporates (% of GDP)



- Offer/develop market finance options matching company sizes (PE/VC/Crowd...) and foster loan securitization
- Reduce regulatory and tax burden where possible, create level playing field between market and bank finance, improve market infrastructure
- Foster growth and investment orientation among SMEs, support potential candidates with dedicated programs
- Foster regional cooperation, harmonize regulation/legislation

Source: Eurostat, other loans include: non-domestic loans, intra company lending, government loans etc.,
 *CEE: CZ, SK, PL, HU, RO, SI, HR

We think there is one more thing of overriding importance that needs to be addressed in our region:

**Establish a
culture of
transparency**