

November 13, 2014

CESEE Deleveraging and Credit Monitor

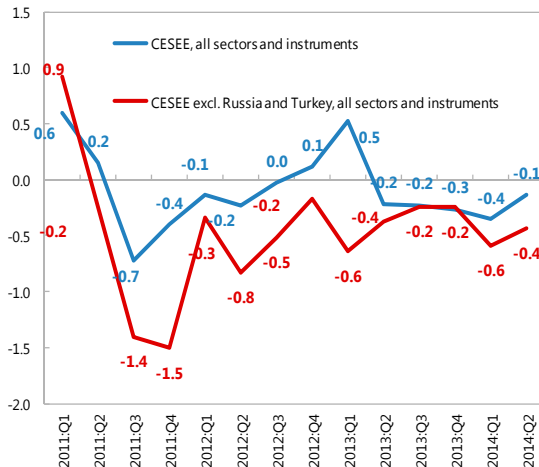
Part I: Key developments in BIS Banks' External Positions and Domestic Credit

Anna Ilyina (IMF)



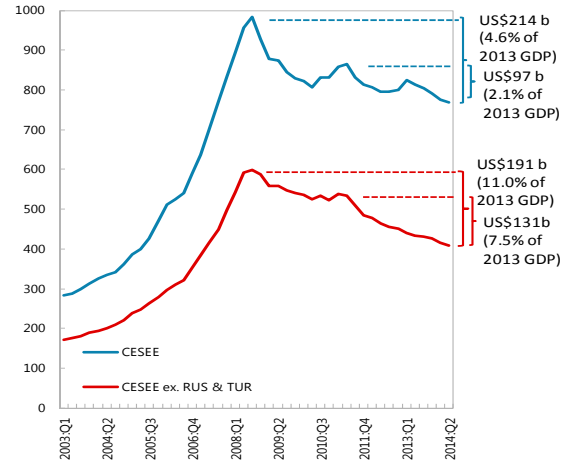
BIS reporting banks continue to reduce external positions vis-à-vis CESEE

CESEE: Change in External Positions of BIS-reporting Banks, 2011:Q1-2014:Q2
(Percent of 2013 GDP)



Sources: BIS, Locational Banking Statistics; and IMF staff calculations.

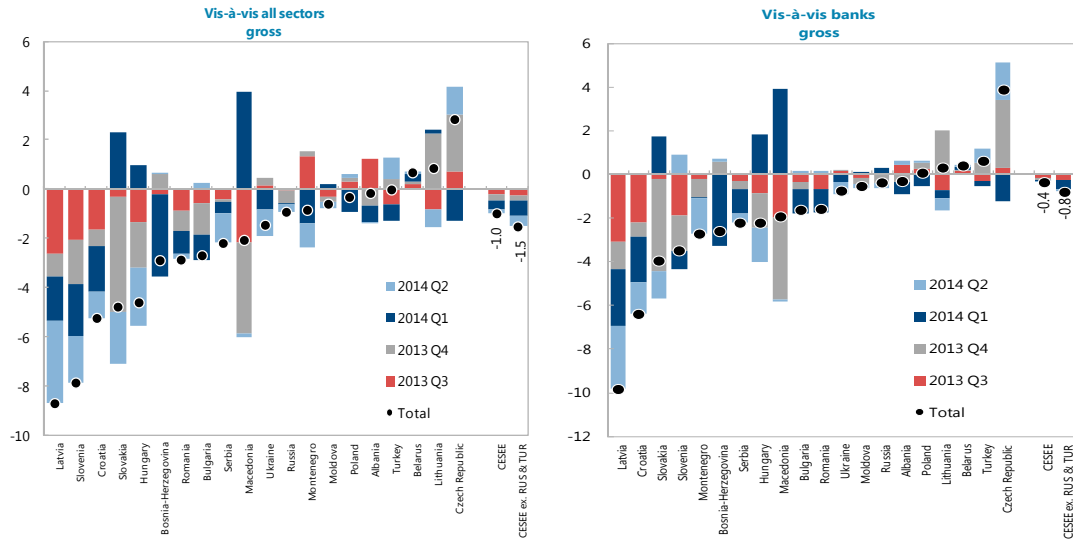
CESEE: External Position of BIS-reporting Banks, 2003:Q1-2014:Q2
(Billions of US dollars, exchange-rate adjusted, vis-à-vis all sectors)



Sources: BIS, Locational Banking Statistics; and IMF staff calculations.

With significant variations across CESEE countries, in line with earlier patterns

CESEE: Change in External Positions of BIS-reporting Banks, 2013:Q3 - 2014:Q2
(Change, Percent of 2013 GDP, exchange-rate adjusted)

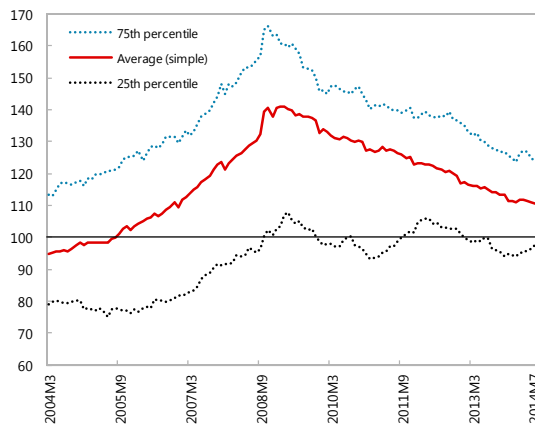


Sources: BIS, Locational Banking Statistics; and IMF staff calculations.

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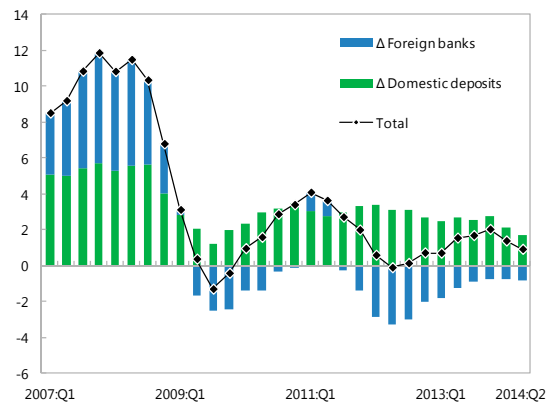
Aggregate LTD ratios continue to decline, while domestic deposit growth slightly outpaces reductions in foreign bank funding

CESEE. Evolution of Loan to Deposit Ratio, 2004M3 – 2014M7



Sources: IMF IFS database; and IMF staff calculations.

Evolution of Main Bank Funding Sources (2007:Q1–2014:Q2, Percent of GDP)



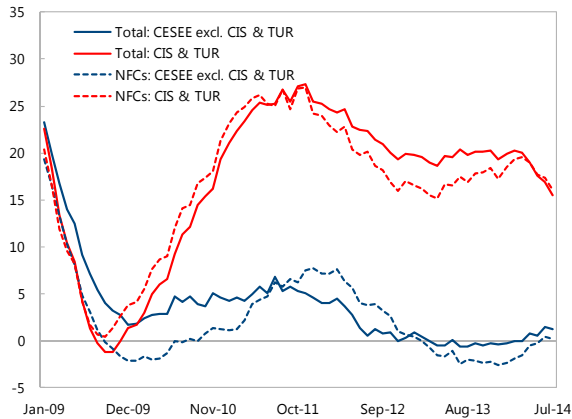
Notes: CESEE excl. Russia and Turkey; year-on-year change in the stock of BIS banks' exposure and domestic deposits in percent of GDP, exchange-rate adjusted. Excludes Latvia prior to 2011:Q3, Montenegro and Kosovo because of data unavailability.

Sources: BIS, Locational Banking Statistics; IMF IFS database; and IMF staff calculations.

Overall credit to growth in CESEE (excl. CIS and Turkey) remains subdued, especially credit to non-financial corporations (NFCs)

Credit to Private Sector, Jan 2009 - July 2014

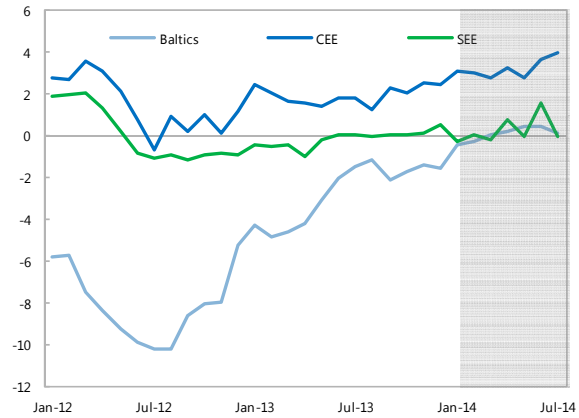
(Percent change, year-over-year, nominal, exchange-rate adjusted)



Sources: EBRD and IMF staff calculations.

CESEE: Growth of Credit to Households, Jan 2012 - July 2014

(Percent change, year-on-year, nominal, exchange-rate adjusted)

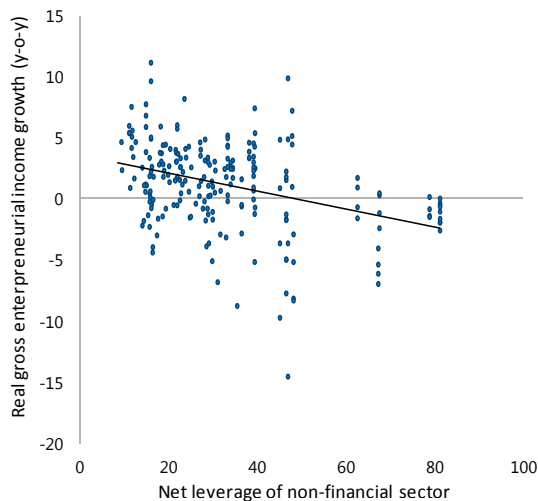


Sources: EBRD and IMF staff calculations.

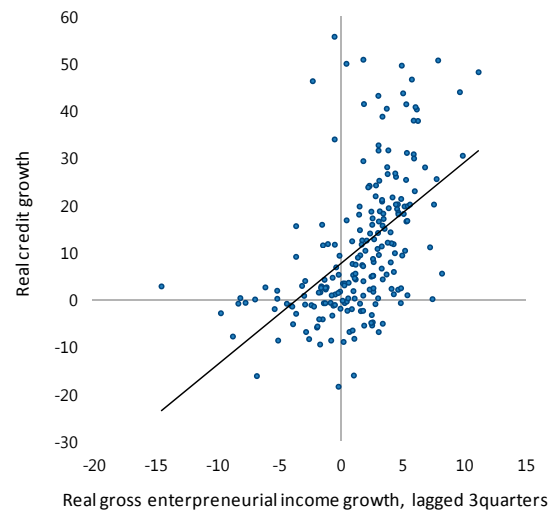
When would NFC credit growth resume? NFCs' balance sheets need to be repaired and profitability restored...

Business and Lending Cycles of the Non-financial Private Sector, 2005-14

Corporate Earnings and Net Leverage
(Percent)



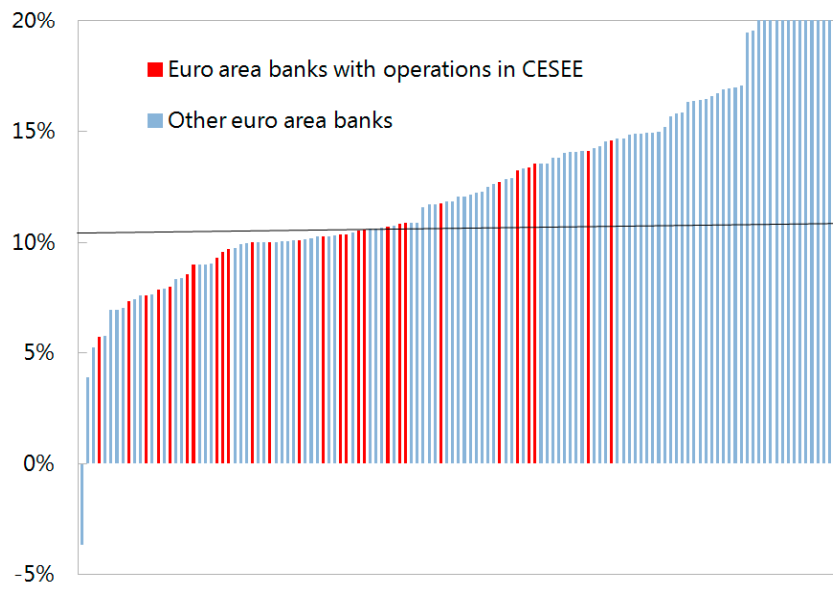
Real Credit and Corporate Earnings
(y-o-y in percent)



Sources: Haver Analytics; and IMF staff calculations (see forthcoming April 2015 Regional Economic Issues Report on CESEE for details).
Note: sample includes Poland, Czech Republic, Hungary, Bulgaria, Croatia and Romania.

... and bank balance sheet repair has to be completed.

Common Equity Tier 1 Capital Ratios of euro area banks after the AQR



Thank you