



BCC 14th Annual Conference: Resilience of the financial system: Where do we stand?

Policy Panel 1: Looking back: How well have we absorbed the shocks since 2008?

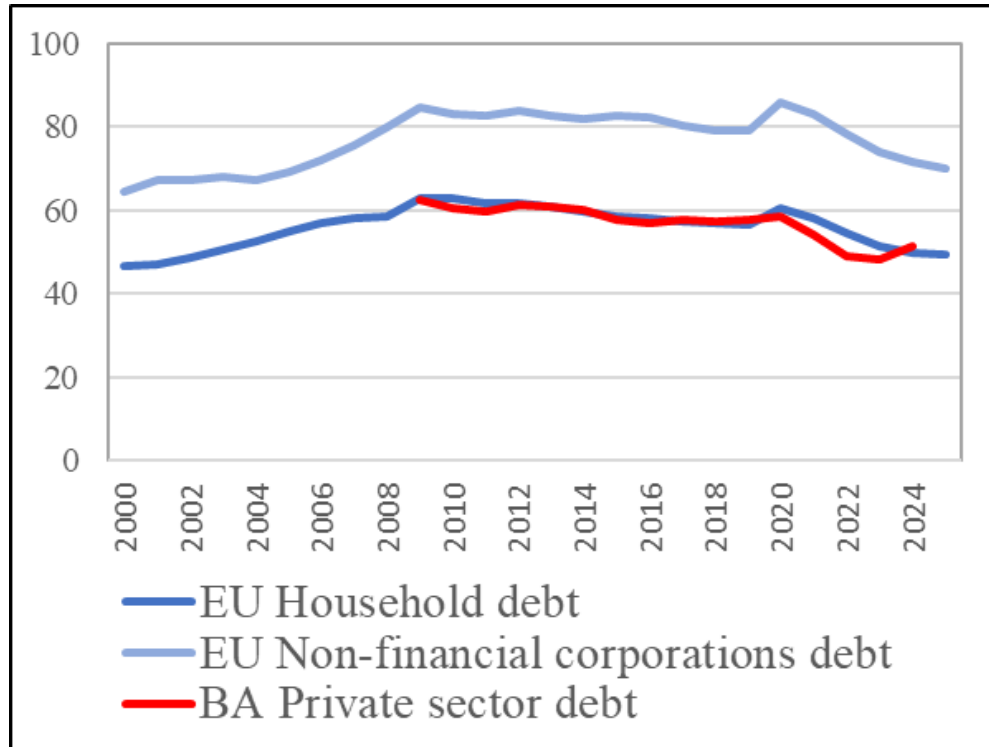
Belma Čolaković, CBBH

The views expressed during the panel are the personal views of the presenter and do not necessarily reflect those of the Central bank of Bosnia and Herzegovina

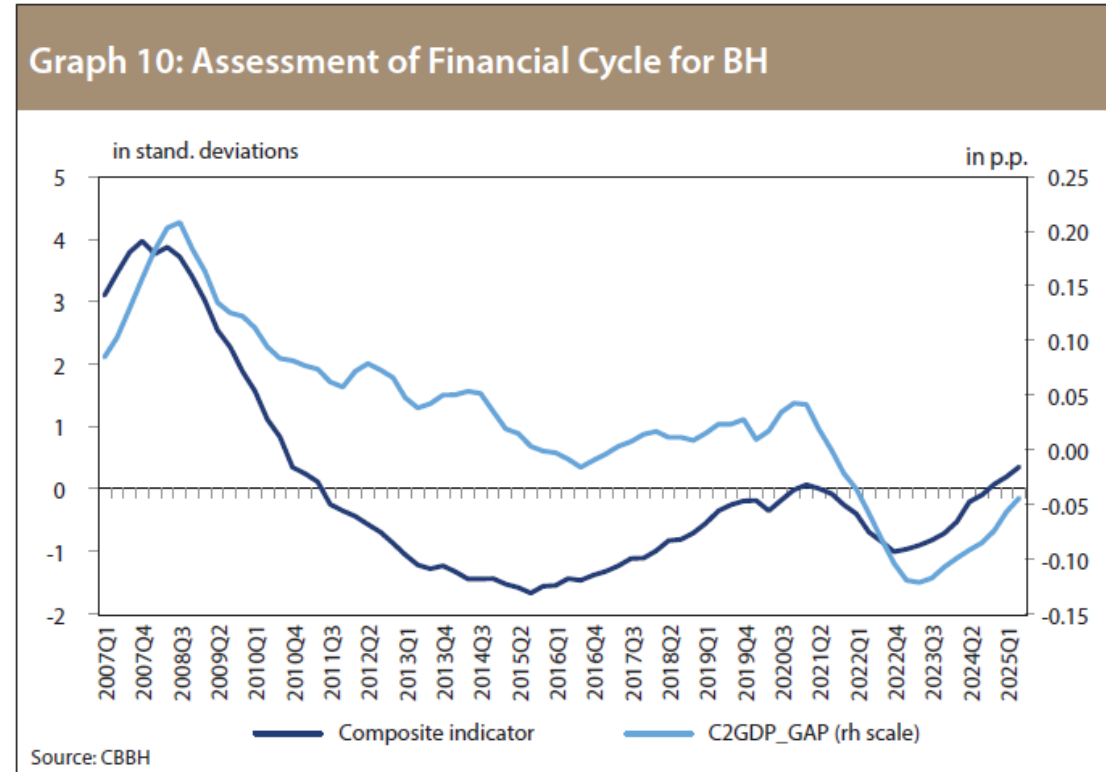




On the paper, financial system looks good; no signs of overhating



All consolidated, % of GDP; from MIP indicators (CBBH, Eurostat)

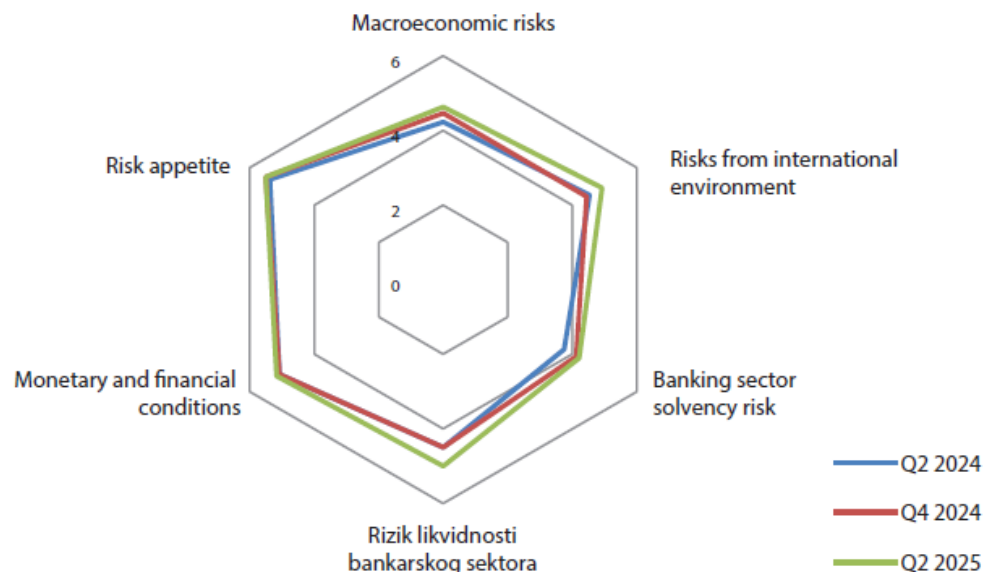


Source: CBBH



On the paper, financial system looks good; no dramatically rising risks

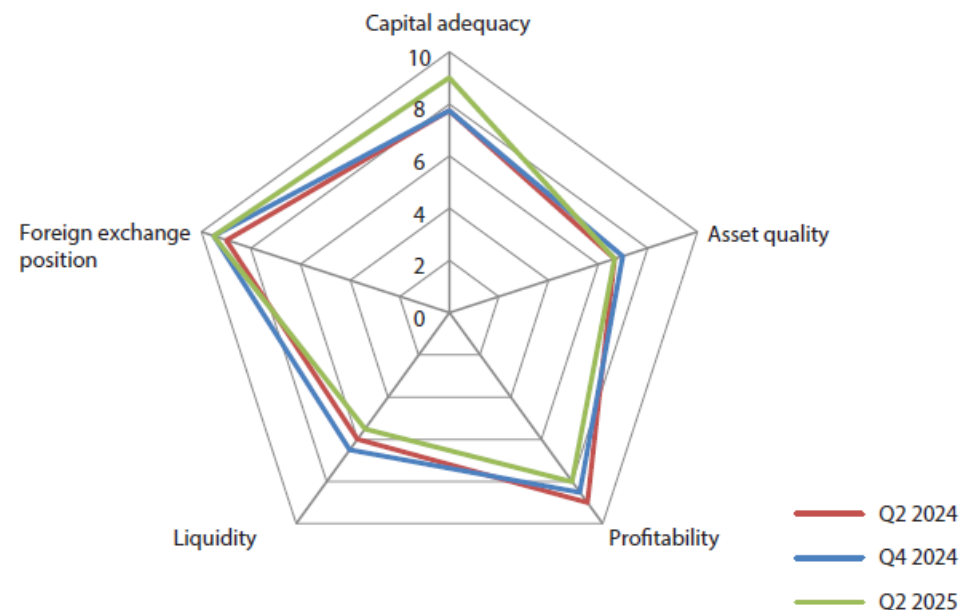
Graph 1: Macrofinancial Risks Chart



Source: CBBH

Note: Increase in distance from the graph center means higher risks and also represents improvement in monetary and financial conditions and higher risk appetite.

Graph 6: Banking Sector Financial Soundness Indicators Chart



Source: CBBH





While the notion that nominal interest rates are high is true for the EA

■ Bank interest rates - loans to households for consumption (new business) , Euro area, Monthly

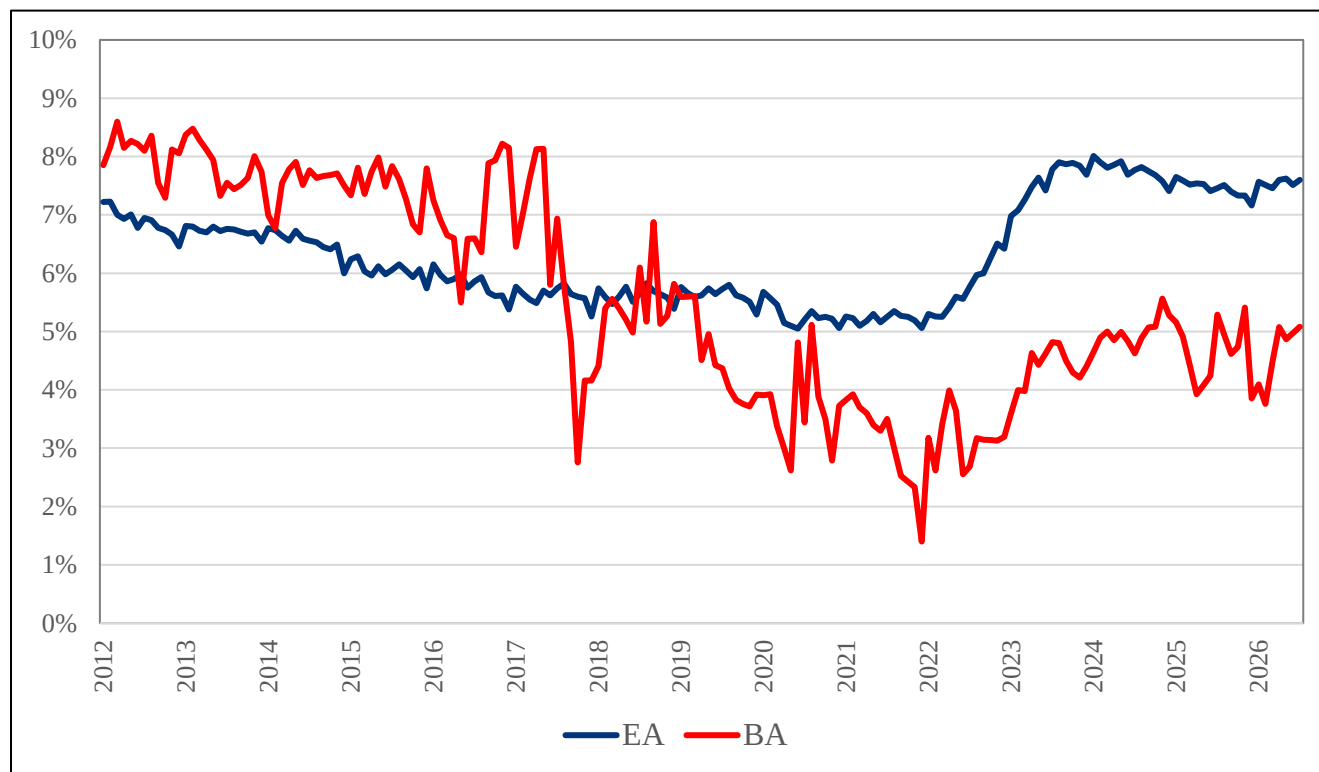


Source: ESCB





... this is not the case in BA



Source: CBBH, ECB. Bank interest rates - loans to households for consumption (new business)





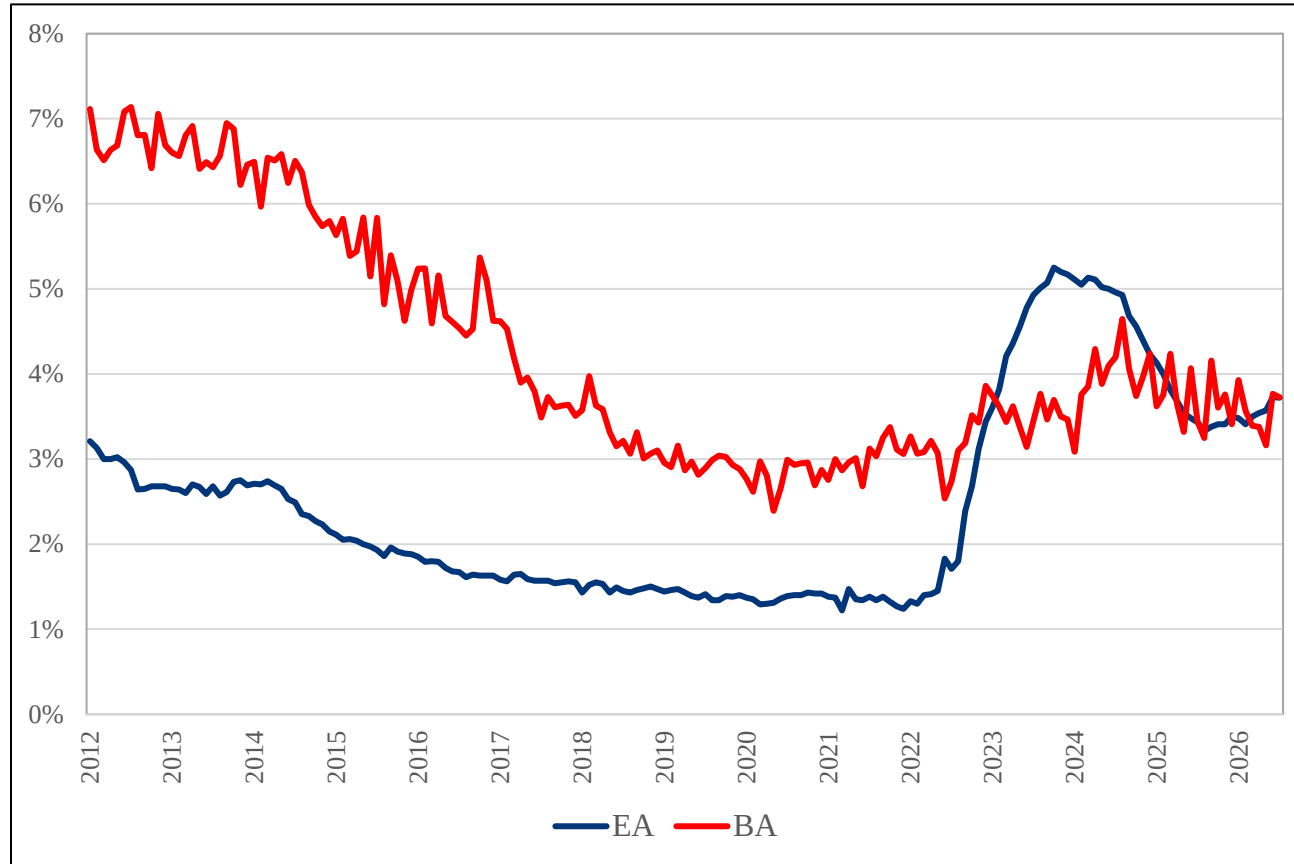
The same holds for the loans to corporations

Bank interest rates - loans to corporations (new business) , Euro area, Monthly



Source: ESCB





Source: CBBH, ECB. Bank interest rates - loans to corporations (new business)

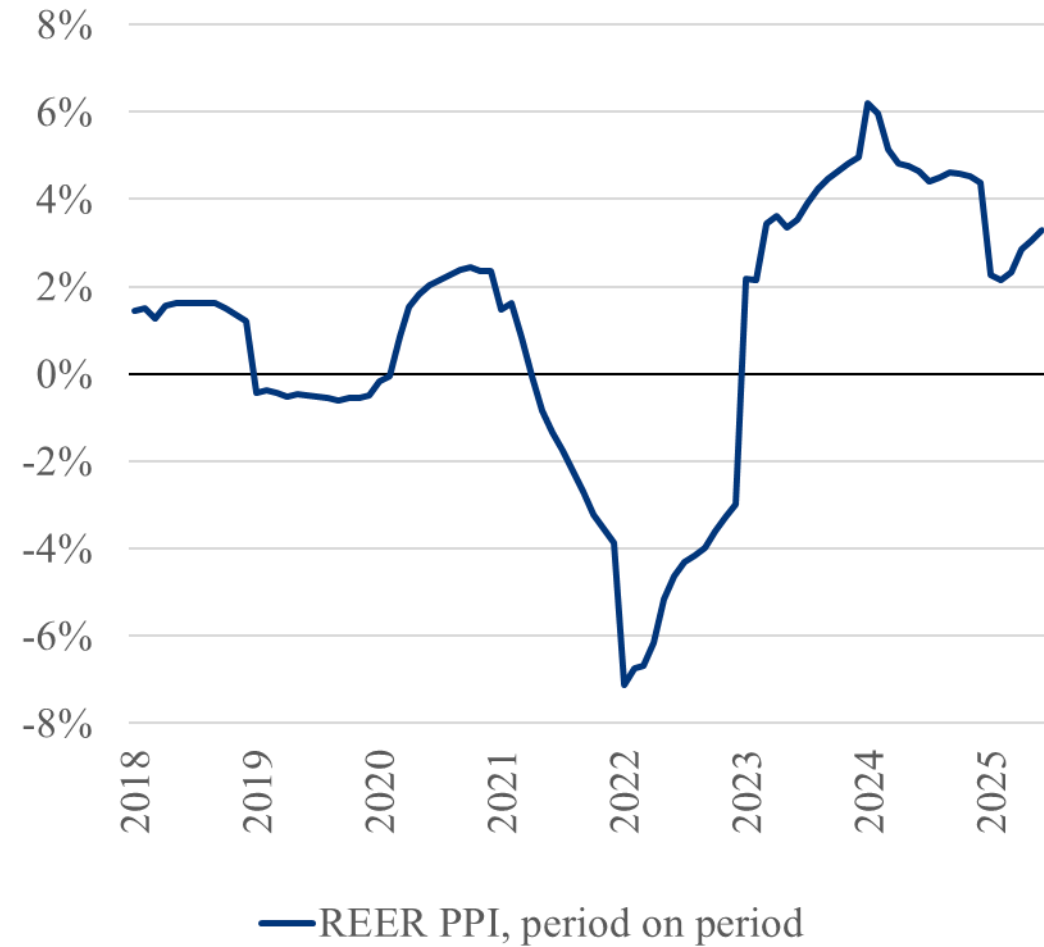




Small firms, with relatively low profitability dominate the corporate landscape, as the price competitiveness deteriorates

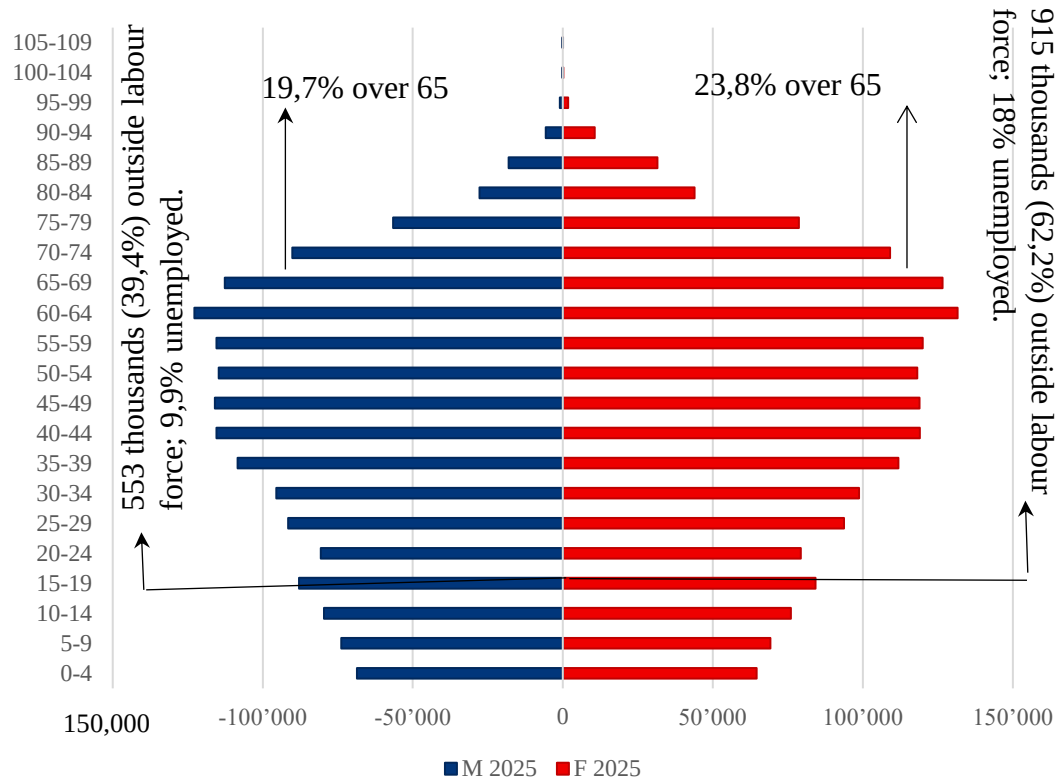
	Number of firms				Profit in 2024	
	Total	Micro	Small	Other	Less than 100K	Over 10M
Sarajevo	9,090	6,742	1,845	503	3,719	25
TK	4,273	3,026	978	269	2,178	10
ZDK	3,380	2,336	826	218	1,760	5
HNK	3,038	2,198	687	153	1,615	7
USK	2,084	1,521	465	98	1,085	1
SBK	1,976	1,312	541	123	1,003	5
ZHK	1,408	929	379	100	686	15
K10	783	599	160	24	436	0
Posavski	342	223	104	15	185	0
BPK	214	148	56	10	117	1

Source: Dun & Bradstreet. 2024 data.

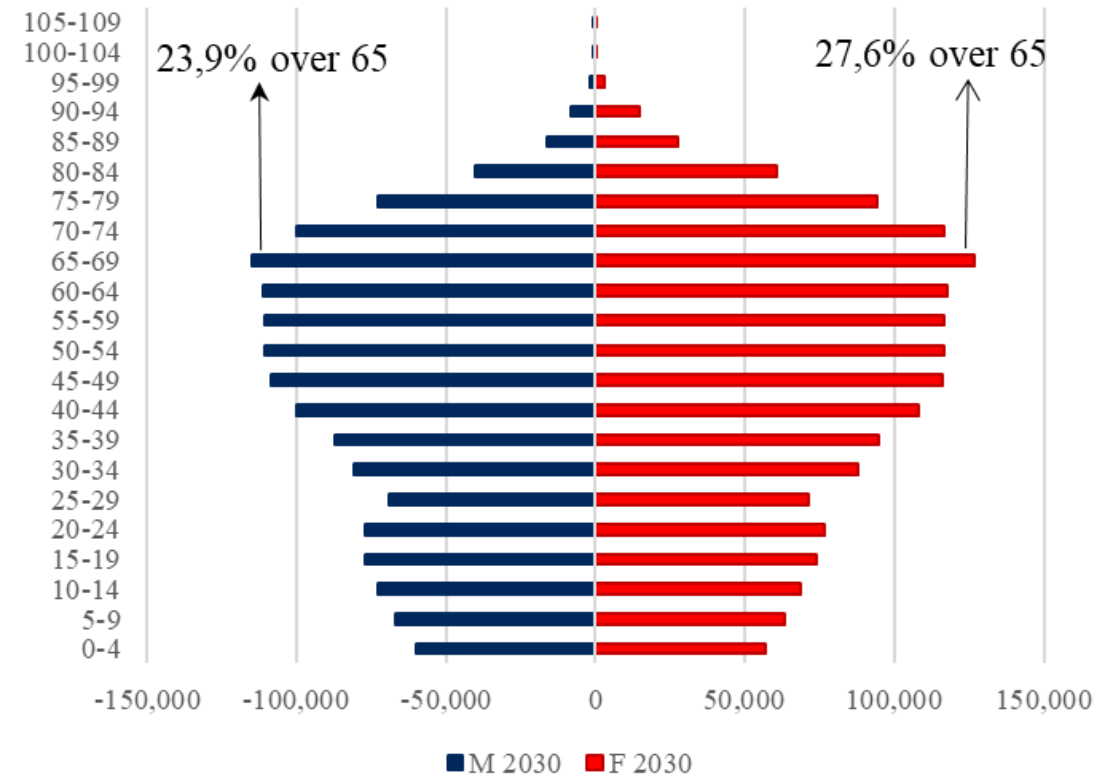




The population is ageing, and the characteristics are not overly comforting



Source: BHAS (Projected population pyramid). Estimated population 3,27 million.



Source: BHAS (Projected population pyramid). Estimated population 3,1 million.





What do we, actually, face

- Banking systems operating in autarchy.
- Profitability was record high over the past couple of years, BUT:
 - Very unevenly distributed;
 - To a large extent driven by overnight cross border flows of banks (which resulted in large oscillations in foreign reserves within a month)- BUT, all within the prescribed regulatory boundaries.
 - Maintained by keeping deposit interest rates low.
- Large number of banks are competing for a relatively small number of clients that are either losing price competitiveness (and are likely to continue) or have a real disposable income persistently deteriorating for years.
- Shrinking fiscal space, rising public debt, and a false perception that the Eurobonds issued in international markets are purchased by the non-residents.
- Relatively small exposure of banks to the real estate sector and price movements.

