Central and Eastern Europe and the Financial Crisis: The Impact on the Banking Sector and the Leasing Market

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The key question: Will the CEE region return to growth?
Catch-up in CEE: In the years before the crisis, income in CEE improved significantly compared to the EU average.
This positive development came to a halt due to the crisis
Slump in CEE exports
In 2009 exports collapsed in all countries of the region.

Change of exports (in % to previous year)

<table>
<thead>
<tr>
<th>Country</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
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<tr>
<td>UA</td>
<td>28.0</td>
<td>8.0</td>
<td>8.0</td>
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</table>
This translates into reduced contributions of exports to GDP (per capita in nominal terms)

Nominal GDP per cap in Euro
(the yellow part represents the decline of exports per cap in Euro in 2009 compared to 2008)
Dry-up of investment inflows within / to CEE
Investments declined throughout the region. Only in Austria they remained relatively stable...
...in CEE much of this decline is due to reduced inflows of FDI
National savings now cover a higher share of investments in CEE

Gross national savings / investments (in %)
Sharp decline of private consumption
With households saving more, private consumption experienced a major slump in 2009 throughout CEE.
...while some governments decided to increase public consumption
...with little impact on GDP, as private consumption outweighs government consumption significantly
The global economy will return to growth in 2010-12\%, which will primarily be driven by strong growth in emerging regions.
In Europe the forecast for CEE clearly is above EU average

Real GDP growth (in %)

Source: Erste Group Research
When will the real GDP level of 2008 be reached again?

Source: own calculations on basis of EIU forecast
What were factors behind the GDP slump?
Some regions produce and others consume

Trade balances, 2008 - 2010 (in bn US$)

North America:
2008: -684 bn$
2009: -402 bn$
2010: -517 bn$

Latin America:
2008: +5 bn$
2009: -17 bn$
2010: -41 bn$

Europe:
2008: +94 bn$
2009: -129 bn$
2010: -180 bn$

CIS:
2008: +189 bn$
2009: +80 bn$
2010: +111 bn$

Africa:
2008: +95 bn$
2009: +35 bn$
2010: +53 bn$

Middle East:
2008: +338 bn$
2009: +162 bn$
2010: +233 bn$

Asia & Pacific:
2008: +357 bn$
2009: +429 bn$
2010: +404 bn$

Source: EIU
Some save a lot, others much less

Gross savings rate in % of GDP, 2009

- **USA**
  - 2008: 9.0%
  - 2009: 9.9%

- **USA**
  - 2008: 9.0%
  - 2009: 9.9%

- **UK**
  - 2008: 15.4%
  - 2009: 13.7%

- **Eurozone**
  - 2008: 21.6%
  - 2009: 19.4%

- **CEE**
  - 2008: 19.0%
  - 2009: 21.3%

- **North Africa**
  - 2008: 34.8%
  - 2009: 25.3%

- **Russia**
  - 2008: 31.6%
  - 2009: 25.9%

- **Asia/Pacific**
  - 2008: 35.6%
  - 2009: 33.7%

- **Latin America**
  - 2008: 22.3%
  - 2009: 18.8%

- **Saudi Arabia**
  - 2008: 41.6%
  - 2009: 27.2%

Source: EIU
Europe has significant imbalances when looking at countries separately (C/A balances as % of GDP; 2009)

Source: EIU
Macro-economic imbalances will not go away any time soon
Impact on banking and leasing markets
Banking Markets in CEE
Market volumes of corporate loans in CEE, in bn €
Market volumes of retail loans in CEE, in bn €

<table>
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<th>Dec 09</th>
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Market volumes in corporate deposits in CEE, in bn €

R. Münz

Dec 07  Dec 08  Dec 09
Market volumes in retail deposits in CEE, in bn €
Leasing Markets in CEE
New leasing business in CEE, 2006

Source: Leaseurope
Equipment leases by type of asset in CEE, 2006

- Machinery and industrial equipment
- Road transport vehicles
- Ships, aircraft, railway, rolling stock
- Motorcars
- Computers and business machines
- Others

Source: Leaseeurope
Development of leasing volumes (new business) in CEE, in mn €

Total Leasing

<table>
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<tr>
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Note: The percentages indicate the change from one year to the next.
In the car leasing business particularly HU and RO were declining in 2009

Car leasing market sizes 2009 (bubble = new leasing in mn €) compared to 2008 (change in %)
In the equipment leasing business the largest markets performed (relatively) better.

Equipment leasing market sizes 2009 (bubble = new leasing in mn €) compared to 2008 (change in %)

Source: Immorent
...and the real estate leasing business was somewhere in the middle

Real Estate leasing market sizes 2009 (bubble = new leasing in mn €) compared to 2008 (change in %)

Source: Immorent
Leasing companies by ownership in CEE, 2006

- Leasing companies with banking status or banks
- Leasing companies owned by banks
- Captive leasing companies
- Independent leasing companies

Source: LeaseEurope
Average leasing market share of Erste Group in 2009 (% of new business volume)
Leasing markets and GDP
How important is GDP growth for the leasing business?

Nominal GDP/capita vs. new leasing volume/capita

R² = 0.7436

Source: Erste Group Research
Looking at the different leasing categories: the closest relation to GDP is in the car leasing business

Nominal GDP/capita vs. new leasing volume per capita

Source: Erste Group Research
The relation is less clear for the equipment leasing business ...
...but more or less holds true for the real estate leasing business
In line with the general growth expectations for CEE there is reason to believe that the leasing market has a lot of potential!
Thank you for your attention!

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