

COVID-19's current and future impact on the
retail banking sector in CEE and CIS:
presentation by Banking Association for Central
and Eastern Europe (BACEE)

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Brief overview

- ▶ Depth and dynamics of the COVID-19 pandemic in Central and Eastern Europe
- ▶ Public measures to fight the COVID-19 crisis
- ▶ COVID-19's impact on the economy and financial sector and government actions
- ▶ Banks' reaction to the situation, possible strategies. Regulatory easing, importance of international co-operation

Depth and dynamics of the COVID-19 pandemic in central and Eastern Europe

- ▶ Late appearance of the virus
- ▶ Relatively low number of infected persons, penetration is slowing down in most countries, daily growth rates mostly under 10% (see Excel tables sent separately)
- ▶ Mortality rates are very different in separate countries
- ▶ Is the peak behind us?

- ▶ VIGOROUS REACTION BY THE AUTHORITIES IN MOST COUNTRIES (SWEDISH MODEL NOT ACCEPTED)

Public measures to fight the COVID-19 crisis

- ▶ Coronavirus government response tracker by the University of Oxford

<https://www.bsg.ox.ac.uk/research/research-projects/coronavirus-government-response-tracker>

Comparison of COVID-19 Economic Support Mechanisms by Mayer Brown

<https://www.mayerbrown.com/en/perspectives-events/publications/2020/04/comparison-of-eu-covid-19-economic-support-mechanisms>

Most measures also applied in CEE countries (school closing, home office, shop closure, cancellation of public events, restriction of internal movements, closure of borders, contact tracing, testing policy, etc.) **STEP-BY-STEP EASING PLANNED!**

Different depth of application. Special cases: Russia (special pass for movements within cities), Hungary (freeing up to 60% of hospital capacities), etc

COVID-19's impact on the economy

- ▶ The real impact is largely unknown
- ▶ Different forecasts from zero to minus 10 per cent GDP growth in 2020
- ▶ Threats: Skyrocketing unemployment, bankruptcies in the services/tourism/travel/retail trade sector and among other SMEs, exchange rate shocks
- ▶ Defreezing the economy - when? Slow easing of limitations planned
- ▶ Government actions - EU funds for member countries and national measures
 - tax holidays, decreased social security contributions
 - direct subsidies, special loans
 - moratorium on loans
 - taxation of „wealthy economic sectors”

Banks' reaction to the situation, possible strategies, international co-operation

- ▶ Banks have been hit by COVID-19 in a better shape than in 2007-2008
- ▶ External shock - the main problem is overall economic downturn, worsening situation of customers
- ▶ ONLY QUICK GOVERNMENT ACTION MAY HELP, BANKS SHOULD PARTICIPATE
- ▶ Regulators' actions: Basel Committee, ECB, national regulators, IASB
- ▶ INTERNATIONAL CO-OPERATION IS A MUST! VIENNA INITIATIVE 2 PROPOSED
- ▶ Banks' own measures: applying pandemic emergency plans, enhancing digital service channels, closure of branches
- ▶ Keeping customers' trust is crucial
- ▶ No signs of serious troubles in the banking sector