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Bank deleveraging slowed down in Eastern Europe while capital outflows moderated

Banks in Central, Eastern and Southeastern Europe (CESEE) reduced the pace of deleveraging in the first quarter of 2015 compared with the previous quarter, and the related capital outflows moderated. Credit growth continued to diverge across the CESEE region, according to the latest report from the [Vienna Initiative Steering Committee](#).

Banks reporting to the Bank for International Settlements (BIS) reduced their exposure to the region by 0.3 percent of GDP in the first quarter of 2015, following a 0.7 percent reduction in the fourth quarter of 2014.

Excluding Russia and Turkey, the fall in exposure in the first quarter of 2015 was also 0.3 percent of GDP.

BIS reporting banks lowered their exposure in about half of the countries in the region, mostly toward Southeastern Europe and the Commonwealth of Independent States. They increased or maintained their exposure elsewhere.

In line with developments in the BIS banks' external positions, overall net capital outflows from the region moderated in the first quarter of 2015 relative to the previous quarter.

Credit growth remained uneven across CESEE countries, reflecting differences in growth prospects and different degrees of corporate balance sheet repair. While economic recovery continues in many countries in the region, in about half of the countries' output recovery is accompanied by continued contraction or stagnation of credit to the private sector.

The CESEE Deleveraging and Credit Monitor is prepared by the staff of international financial institutions taking part in the Vienna Initiative's Steering Committee. It is based on the BIS's International Banking Statistics published on July 24, 2015.

The Vienna Initiative was established at the height of the global financial crisis of 2008/09 as a private-public sector platform to secure adequate capital and liquidity support by Western banking groups for their affiliates in Central, Eastern, and South Eastern Europe (CESEE). It was relaunched as "Vienna 2" in January 2012 in response to renewed risks for the region from the Euro zone crisis.