IMPORTANCE OF CAPITAL MARKETS

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SUCCESSFUL AND DEVELOPED COUNTRIES HAVE STRONG CAPITAL MARKET

- Supports innovation.
- Cost-effective way of transferring capital between industries.
- A more stable and resilient monetary system.
- Reduces the cost of long-term funding.

Source: OECD (2016), World Bank (2016)
STRONG AND IMPROVING ECONOMY

**1 YEAR CDS CURVE**

**DEBT TO GDP (%)**

- 2014: 76.6%
- 2015: 76.7%
- 2016: 76.0%
- 2017: 73.6%

**GDP GROWTH (%)**

- 2015: 3.2%
- 2016: 2.2%
- 2017: 4.0%
- 2018*: 4.3%
- 2019*: 4.1%
- 2020*: 4.0%

**CPI (%)**

- 2015: 0.9%
- 2016: 0.5%
- 2017: 2.4%
- 2018*: 2.5%
- 2019*: 2.9%
- 2020*: 3.0%

**UNEMPLOYMENT RATE (%)**

- 2015: 6.2%
- 2016: 5.1%
- 2017: 4.2%
- 2018*: 3.6%
- 2019*: 3.1%
- 2020*: 2.8%

*Forecast

Source: Bloomberg, MNB, AKK, MND
STRONG GROWTH IN HOUSEHOLD WEALTH – BUT CONSERVATIVE SAVING STRUCTURE

Institutional side

ASSETS IN HUNGARIAN MUTUAL FUNDS 2018 Q1

18% (4% domestic, 14% foreign)

Stock

Other investment

Property

Retail side

BREAKDOWN OF HUNGARIAN HOUSEHOLD’S WEALTH (billion HUF)

Other investment

Shares in Stock Exchanges

+34%

Government bond

Bank deposit

Corp. Bond, mortgage

T-bill

9266 billion HUF

2014

2017

Source: BAMOSZ, MNB
CAPITAL MARKET UNION INITIATIVE – COMMON GOALS WITH BSE

The creation of a more homogeneous capital market across the EU to achieve better economic growth and shock resilience.

- Support capital market financing with special focus on SMEs.
- Foster retail investment (e.g. Private Pension).
- Facilitating cross-border investment.
- Strengthening the banking capacity (Securitization).
- Financing innovation (Pan European VC fund).
- Promote infrastructure investments.

Limited actual steps achieved but a strong foundation for future achievements.

CMU 2.0 tailored goals based on past 2.5 years’ experiences (e.g.: Supervision reform).

Source: ECB, Federal Reserve, FTSE Russell, IMF
NEW STRATEGIC GOAL OF BSE

BSE set up a new 5 year strategy in order to:

1. Build up local ecosystem
2. Create new services
3. Help SMEs access to capital market
4. Make all services available for them

By enhancing the two main pillars

SUPPLY

DEMAND
ACTIONS TAKEN

SUPPLY

1. Set up a new MTF platform for SMEs (Xtend).
2. Introducing REITS to the Hungarian market.
3. BSE market development program for companies with small- and medium capitalization started in 2018 – analysis and market making.

DEMAND

2. Lunch a new mentoring program.
3. ELITE program – financial education for companies.
4. BET Akadémia – a series of lecture in the most interesting financial topics.
5. Establishing Budapest Institute of Banking (BIB) – multiple subject courses.
CMU – SUPPORTING LOCAL MARKETS
BY CREATING SME FUNDS

CMU 2.0 identified the need for tailored approach towards smaller EU capital markets already such as in CEE e.g: Vienna initiative – Structural Reform Support Program.

Financing of SMEs is crucial all over the EU including Hungary.

Dedicated SME funds supported by policy and finance could add real value to the development of local markets by creating substantial demand.

The dominance of SMEs in the EU11 economy

Source: Eurostat
Thank you for your attention!

RICHÁRD VÉGH
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