

Dimitar Bogov: World Savings Day - the importance of savings in Macedonia

Speech by Mr Dimitar Bogov, Governor of the National Bank of the Republic of Macedonia, in front of the Banking Association of the Economic Chamber of Macedonia, marking 31 October - the World Savings Day, Skopje, 31 October 2017.

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Ladies and gentlemen, dear bankers and guests,

It is a great pleasure to address you on the occasion of marking the World Savings Day. This is the day when we emphasize the important role of savings, not only in terms of its role as a source of funding for the banks, but also its immediate importance for the economy as a whole and for maintaining financial stability. All of us, you as bankers and we in the National Bank, as regulators, have many times been convinced in the truth of the saying that maintaining bank stability reflects the depositors' confidence. This year, the banks enjoyed the trust of the population, regardless of the unfavorable influence of the domestic political developments on the ordinary citizen and the depositor. This is also confirmed by the latest available data on the movement of household deposits. As of September, household deposits show a very solid growth rate of 5.8%, which is an important indicator for stabilizing depositors' expectations and perceptions amid unstable environment and restraint of economic agents from investment in the first half of this year. The positive movements in household savings contributed to the growth of the lending activity, so according to the latest available data as of September 2017, loans increased by 4.3% on an annual basis, with a solvency that is almost twice as high as the statutory levels and volume of liquidity that enables optimal day-to-day operation. It is also worth noting that in spite of the political environment, the deposit growth and the trust in banks have been achieved in the environment of historically lowest interest rates, both on the financial markets in the euro area and on the domestic interbank market.

Also, allow me to mention that in the forthcoming medium-term period, the deposit market will urge banks to make even greater efforts to modernize and increase their offer. We live in times of global digitalization, great advancements in information technology and its daily use in the financial sector. Innovation and application of modern technologies globally put competitive pressure on the traditional forms of banking, and encourage banks to constantly adapt, be proactive and inventive, and by changing their business models to new phenomena and conditions, ensure their market success.

Such processes will inevitably touch the bank operations in the Republic of Macedonia. In perspective, the use of modern technologies will not only affect the market performance of banks, but will probably change radically their relationship with depositors and other clients. In fact, even for countries such as the Republic of Macedonia, with relatively modest financial education and low utilization of modern technologies in the financial area, the question that arises is not whether, but when the digitization process will engulf the domestic banking system. In this light, I would like to point to the process of digitization and use of information technology not as a threat against the competition in banking, but as a new opportunity to bring financial services closer to as many clients as possible, to raise financial inclusion and literacy, and to ensure better allocation of resources, as phenomena of greater economic and social significance.

On the other hand, the application of new technological solutions brings changes in the range of risks that banks face and manage in their day-to-day operations. In addition to the conventional bank risks such as credit risk, interest rate risk, currency risk, the importance of non-financial operational risks will gradually increase. Increased use of modern technical solutions will mean greater significance of the risks related to the information systems security, the confidentiality of the data, the storage of information content, the access and the maintenance of the payment systems.

At the end, before awarding the Best Counter Officers, allow me to express gratitude on my behalf and on behalf of the National Bank for their daily and painstaking work in the banks' branches.

Thank you for your attention and congratulations on the World Savings Day!