

BOSNIA AND HERZEGOVINA NEW TRENDS AND INVESTMENTS OPPORTUNITIES

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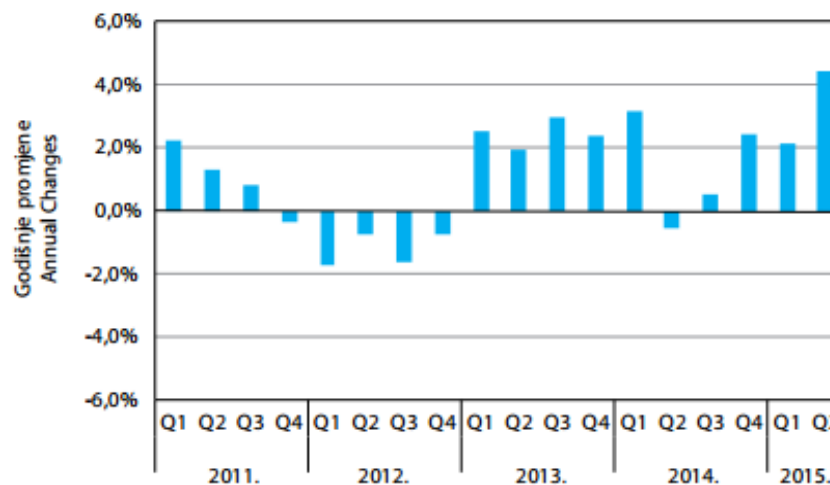


Background on Bosnia

- Population is estimated on 3.8 million (close to 50% Muslim; 30% Orthodox; 10% Catholic; others)
- Nominal GDP 13,24 billion EUR
- GDP / pc 3.430 EUR
- Share of insurance premiums in GDP is 1,95%
- Premium / pc is 69 EUR
 - ▣ **Non life 56 EUR**
 - ▣ **Life 13 EUR**

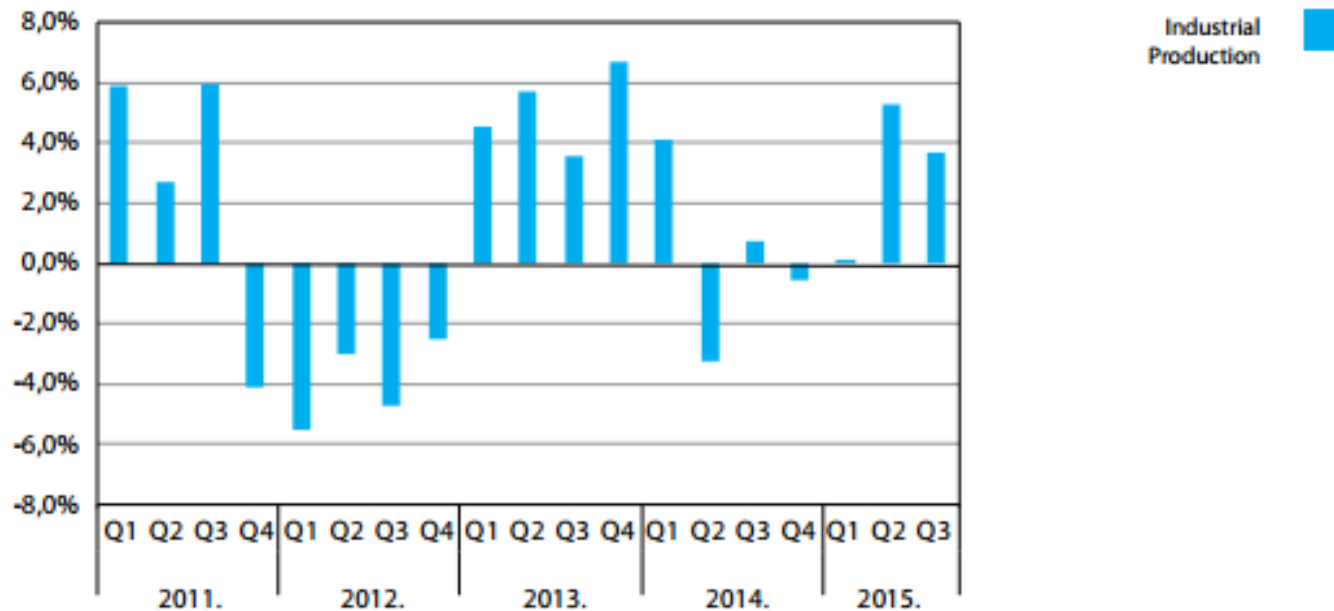
Gross Domestic Product

- Real GDP growth in the second quarter of 2015, compared to the same quarter of the previous year, amounted to **4.4%**. (caused by floods).
- Real growth rates of gross added value were recorded as follows:
 - in mining and quarrying (13.6%),
 - administrative and support service activities (13.4%).
 - wholesale and retail trade (8.1%), in financial activity
 - arts, entertainment and recreation (7.0%).
 - **insurance activity (7.9%)**



Industrial Production

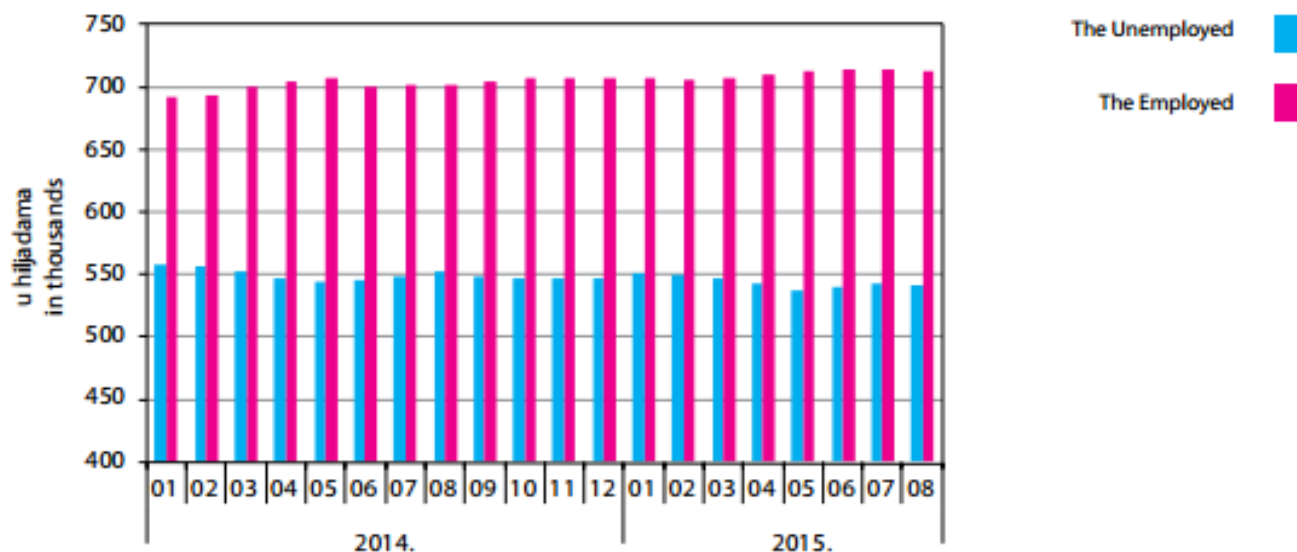
- Industrial production growth amounted **to 3.7%,.**
- Production increase in the three main industrial fields. Mining and quarrying thus recorded production growth rate of 4.6%, owing to high growth rate of mined metal ores (21.2%). In addition, the quantity of mined coal and lignite was by 2.9% higher.



Source: BHAS

Wages and Employment

- Increase in the number of employed persons by **1.6%** was recorded (August 2014 – August 2015)
- The most intense increase in the number of employed persons was recorded in manufacturing industry and trade
- Average nominal net wage in BH in August 2015 amounted to **EUR 422**,



Source: BHAS

Overview of BH Financial Sector

- Total assets in **2014 was EUR 13 bln. and 87.35%** in total assets of financial sector.
- Financial market development is modest, especially after the crisis
- Insurance and reinsurance companies participate with **5.19%** of total financial sector.
- Asset growth in 2014 in insurance and reinsurance companies was **10.06%**.
- **Total realised revenue** in the sector of insurance and reinsurance in 2014 in BiH was **16.46%**

Insurance sector in B-H

- Non-life premium shares 81,7% in total premiums.
- Decreasing the share of non-life premium for 3,79%
- 10 companies deals with life insurance
- Growth of 15,80%
- Biggest growth in recent period

Why to Invest in Bosnia and Herzegovina?

- **Business Environment**
- B&H's accelerated **Economic Reform Process (reforms agenda)** has contributed significantly to a greatly improved business climate.
- The aim of B&H is to **eliminate legal and administrative obstacles** for doing business in B&H, as well as create the most attractive business environment in the SEE.
- B&H has signed the **Stabilization and Association Agreement** with the European Union, which is a step toward EU membership.
- Submits **application** to join EU last week

Why to Invest in Bosnia and Herzegovina?

- **Financial Stability**
- B&H has the most **stable currency** in the South East Europe, which is directly pledged to the Euro (Currency Board)
- At the beginning of 2015 there are 26 commercial banks. Two banks are state owned and 24 banks are predominantly privately owned with majority of foreign ownership (90% of total banking sector assets, mostly from Austria, Germany, Italy).

Privatisation

- Great investment opportunities in B&H are in the process of privatization.
- Government announced the privatization of its minority share in 8 companies (constructing, pharmacy, tobacco, and the **insurance company**)
- B&H is accelerating the privatization process for companies of **strategic** importance in order to increase economic growth and enhance the volume of foreign investment.
- Number of these “strategic enterprises”, which includes large enterprises, telecommunications and power utilities sectors, public utilities, mines, etc, are still not privatized, presenting a choice of opportunities for potential foreign investors.

Attractive Sectors

- Tourism
- Agriculture and Food processing industry
- Energy
- Wood
- Transport
- Mining and Metal processing
- Automotive
- ICT sector

Islamic finance

- First signs of the Islamic finance were in 15th century
- There were “manafy” treasuries for poor people.
- First modern Islamic bank in early 1990's
- Initiative failed because of the war.
- After the war, new projects and initiatives
- First Islamic bank established in 2000th
- Still no any Takaful company

Islamic insurance

- There are still no any Islamic insurance
- There were few studies and initiatives
- Group of local investors had one initiative.
- The problem is high competition from Austrian insurance companies
- Low income and high unemployment is suitable for micro-takaful

Why to invest in Takaful in Bosnia

- Bosnia applied for EU membership last week
- Economy is growing and new cycle expecting with closing to EU membership
- Industry and investments growing as well
- Islamic banking grows, and new banks are expecting soon (Turkish Ziraat bank)
- Employment grows as well as income
- Growth of deposits and savings

Why to invest in Takaful in Bosnia

- Tourism grows with 20% annually what opens the market for new insurance products
- Big valuable assets in the energy sector (infrastructure and machines)
- Pension system needs reform, meanwhile, individuals more and more invest in life insurance (Muslims not significantly...)
- Insurance premium grows in conventional insurance and
- Islamic community network is not well used and it supports Islamic insurance development in Bosnia as well.

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