TOWARDS A DEEPER BALTIC CAPITAL MARKET

European Stability Mechanism

11th International Financial Markets Conference “Capital Markets for Competitiveness and Resilience”

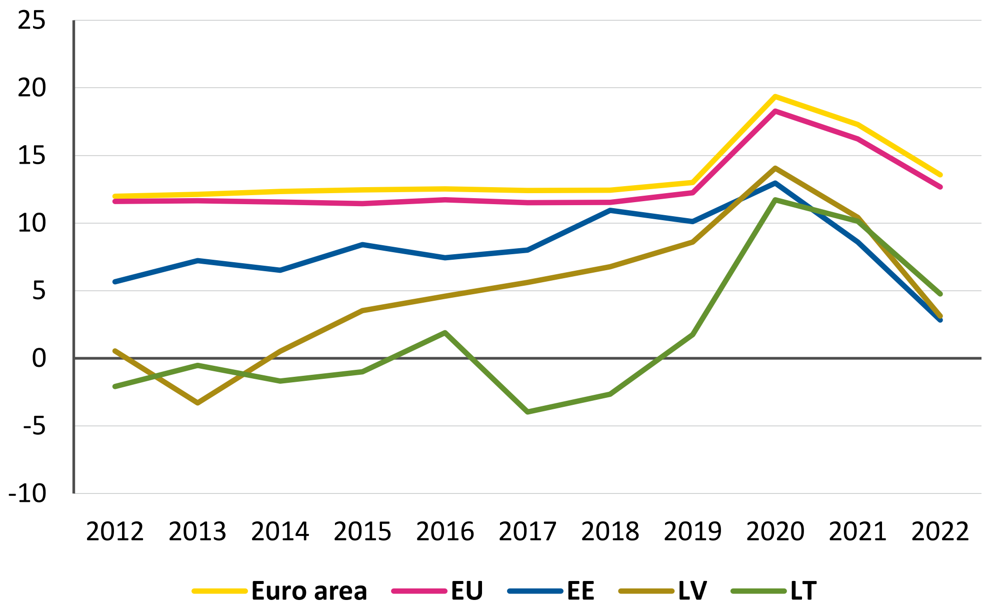
Rolf Strauch, ESM Chief Economist and Management Board Member

Vilnius, 07 November 2025

BALTIC HOUSEHOLDS: LOWER SAVINGS RATE AND LESS WEALTH THAN EU AVERAGE

Gross household savings rate

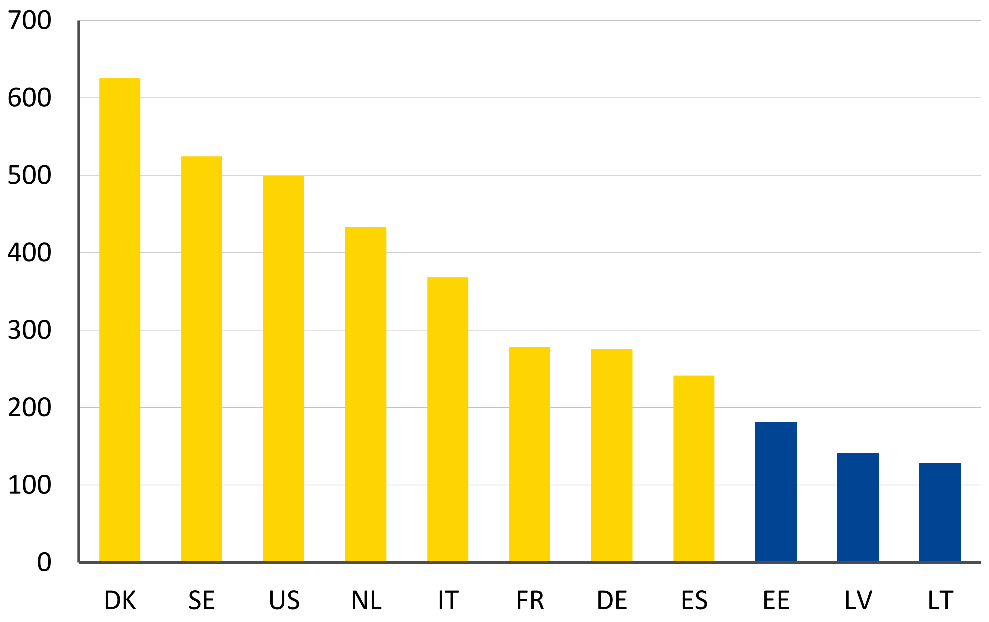
(in % of disposable income 2012–2023)



Source: Eurostat

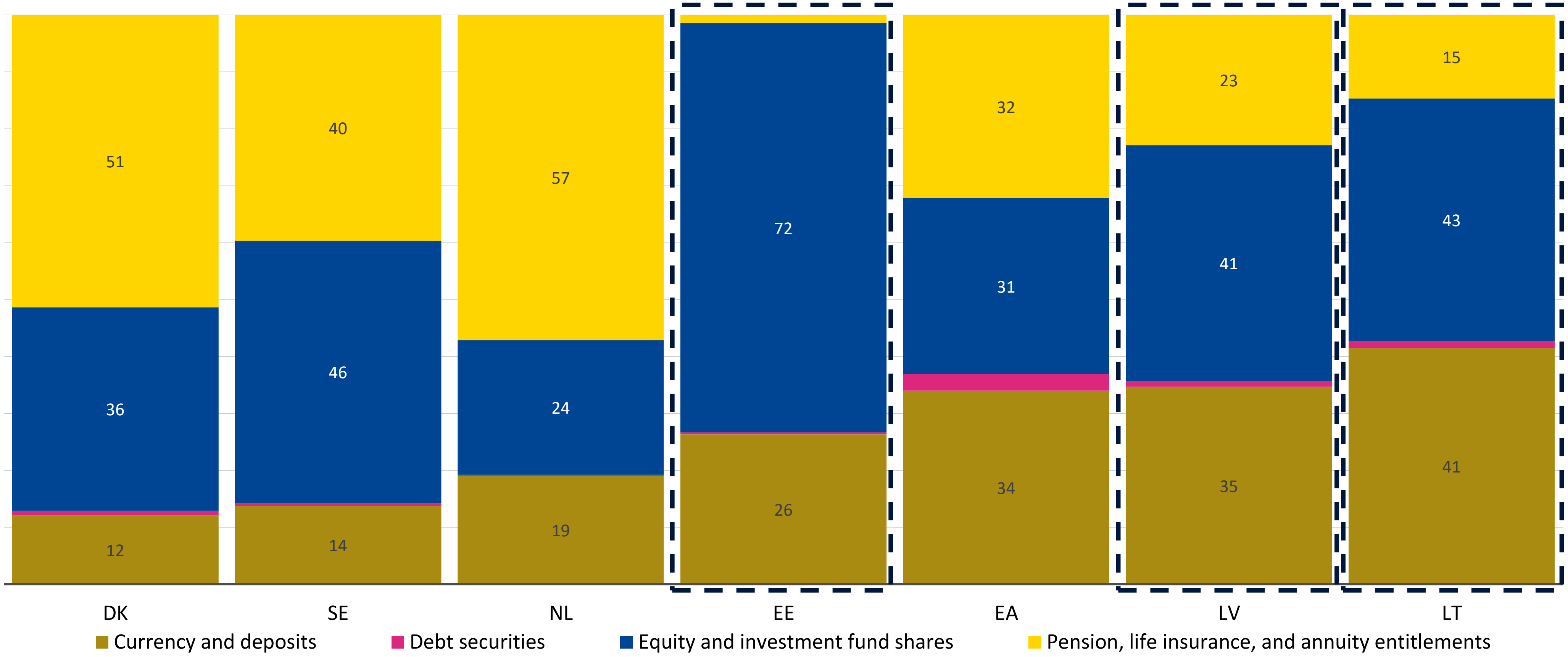
Household net worth

(in % of disposable income)



Source: OECD, as of Q4 2023

… AND NOTABLE DIFFERENCES IN HOUSEHOLD SAVINGS ALLOCATION…

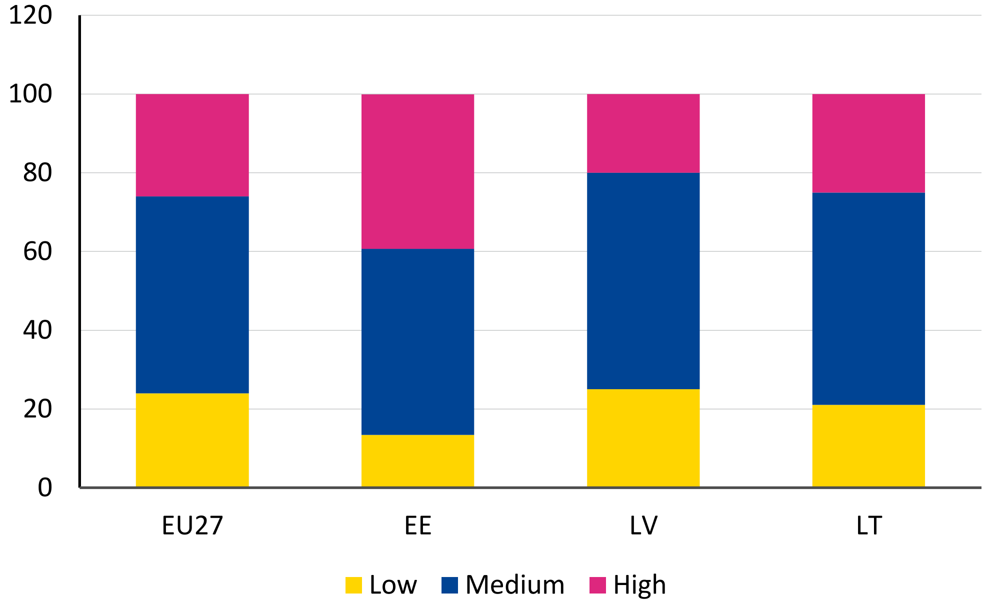


Source: European system of national and regional accounts (ESA 2010) and Haver Analytics

BALTIC HOUSEHOLDS DIFFER IN FINANCIAL LITERACY AND EXHIBIT RATHER LOW TRUST IN INVESTMENT ADVICE

Financial literacy score

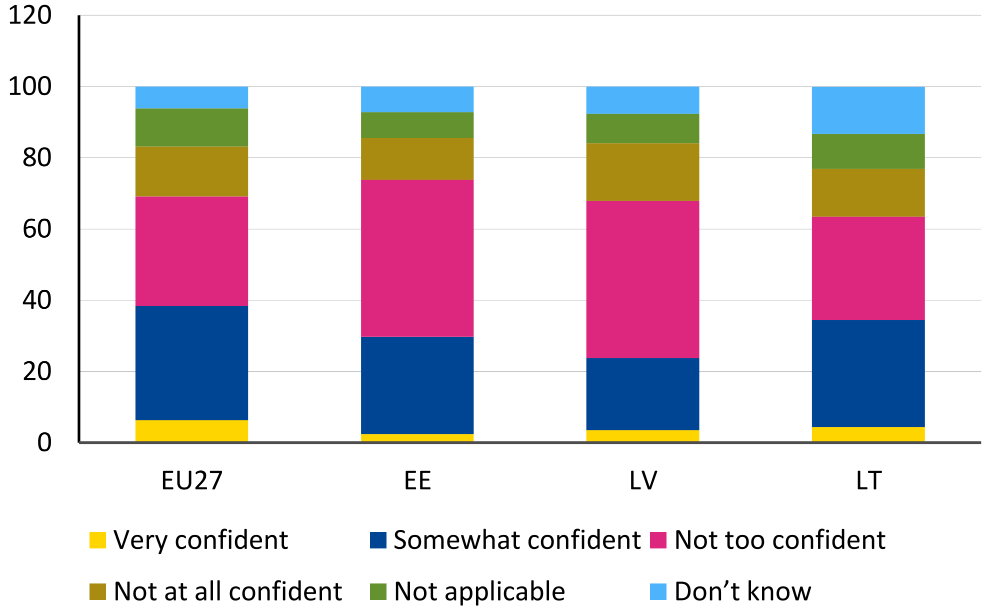
(in %, 2023-Q3)



Source: Eurobarometer on Monitoring the level of financial literacy in the EU, 2023.

Trust in investment advice

(in %, 2023-Q3)

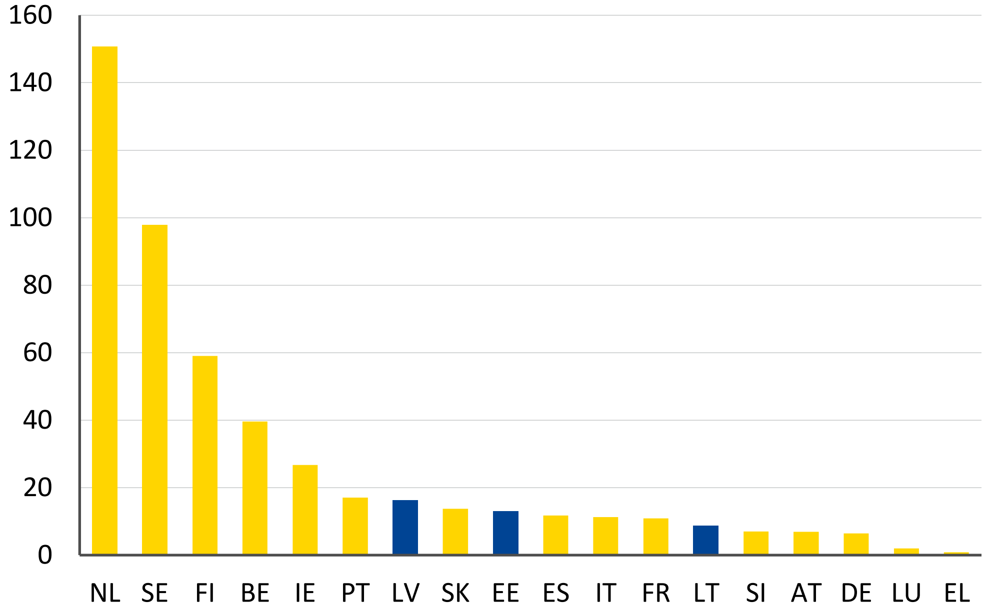


Source: Eurobarometer on Monitoring the level of financial literacy in the EU, 2023.

PENSION REFORM HAS NOT SUPPORTED STOCK MARKET DEVELOPMENT TO SAME EXTENT AS IN PEER COUNTRIES

Assets earmarked for retirement

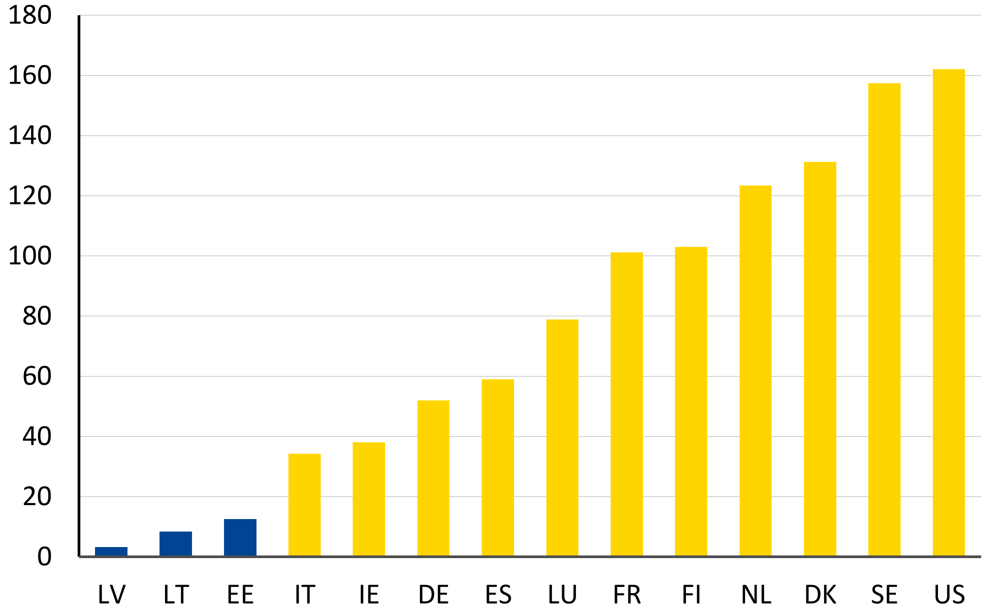
(in % of GDP)



Source: OECD, as of Q4 2022

Stock market capitalisation

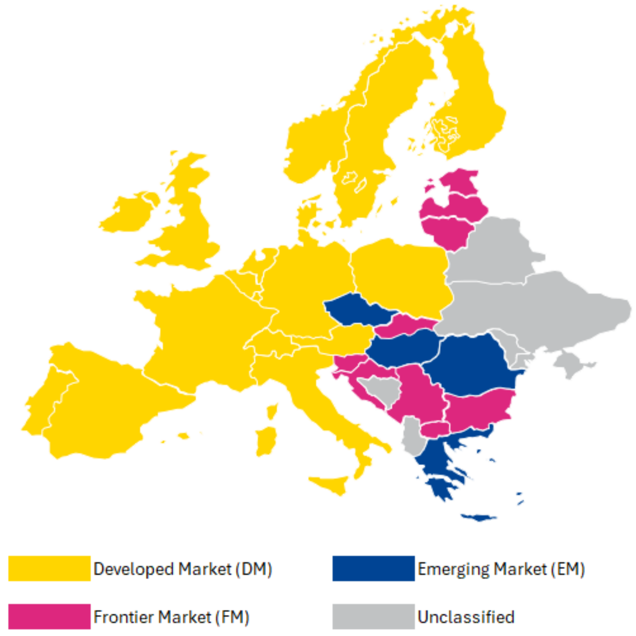
(in % of GDP, average 2014–2022)



Source: World Bank, CEIC

FRONTIER MARKET CLASSIFICATION: BREAKING THE DEADLOCK

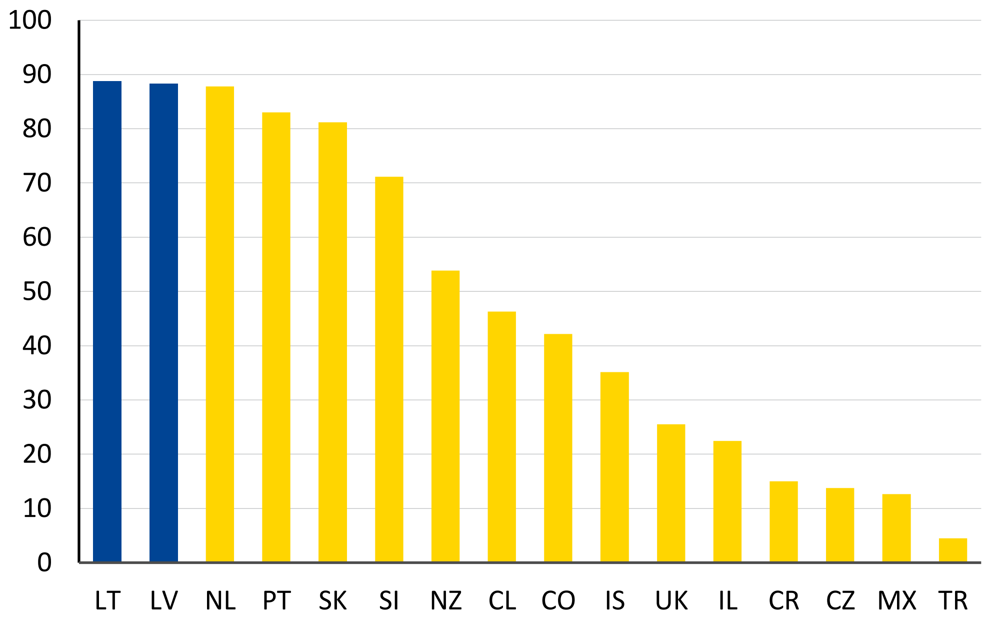
Classification of stock markets



Source: FTSE Russell

Allocation to assets overseas

(in % of assets, average 2019-2023)



Source: OECD Asset backed pensions database

SUMMARY OF RECOMMENDATIONS

- **Reforming Pillar 2 pension system**, by setting up a primary pension fund that acts as the default choice and price leader in the scheme
- Giving the primary pension fund a flexible investment mandate that allows for a significant **allocation to unlisted equities**, including firms in the startup and growth phases
- **Harmonising the tax treatment** of national investment savings accounts, to facilitate more scale and cross-country investments.
- **Centralising supervision** of Baltic financial markets to a common authority
- Enhancing education in **financial literacy**
- Strengthening supervision of entities providing investment advice to **improve citizens' trust**

European Stability Mechanism

CONTACT

Rolf Strauch

r.strauch@esm.europa.eu

ESM Briefs

European Stability Mechanism
6a Circuit de la Foire Internationale
L-1347
Luxembourg

Follow the ESM on Twitter:
@ESM_Press