News Release

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Stagnating Financial Systems Hamper the Road to Recovery

31 October 2012

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- World Economic Forum Financial Development Report 2012 shows that financial systems across the world are stalling
- Hong Kong tops the Financial Development Index; top six economies remain the same as last year ' s rankings. Japan and Switzerland each moved up one spot to 7th and 8th position respectively.
- The Report analyses 62 financial systems and capital markets around the world
- The Report, rankings (PDF and Excel) and country highlights can be downloaded at: http://www.weforum.org/issues/financial-development

Geneva, Switzerland, 31 October 2012 – Financial systems across the world are stagnating, leading to challenges for a global economic recovery, according to the fifth edition of the World Economic Forum ' s Financial Development Report 2012 released today.

There have been improvements in the banking system, such as Tier 1 capital ratios and non-performing loans to total loans, this signifies only a small step forward in what has been a sluggish recovery.

The Report also shows that liquidity appears to be stabilizing in a number of top economies, as highlighted by the fact that turnover velocity rebounded in 2011, moving closer to 2006 levels. However, such gains are offset by considerably weaker domestic market capitalization levels across the world ' s stock exchanges.

Topping the Index, **Hong Kong SAR** came in 1st for a second consecutive year as a result of benefits from a large and efficient banking system, well-developed infrastructure and robust equity markets. Despite these strengths, Hong Kong has a relatively underdeveloped bond market and its financial sector has yet to be fully liberalized.

The **United States** and the **United Kingdom** also remain in the same positions as last year, 2nd and 3rd, respectively. Both countries have highly developed financial markets, particularly their foreign exchange and derivatives markets, but they struggle with relatively inefficient banking systems. Banking system stability and currency stability are also areas of weakness. The US, however, has more developed equity and bond markets, while the United Kingdom has stronger corporate governance and legal and regulatory mechanisms. **Japan** and **Switzerland** each moved up one spot to 7th and 8th space overall. Both countries have improved the size and efficiency of their banking and financial services and have shown improvements in their legal and regulatory framework.

" The Financial Development Report shows that financial systems in advanced and emerging economies are stalling " , said **Giancarlo Bruno**, Senior Director at the World Economic Forum. " Macroeconomic uncertainty, as

well as concerns related to regulation, contributes to inhibiting the financial industry from funding much-needed growth. ”

The Report ’ s Financial Development Index assesses such factors, analysing drivers of financial system development that support economic growth.

The general stability of the Index is further highlighted by **Singapore, Australia** and **Canada** maintaining their positions at 4th, 5th and 6th place, respectively. The Netherlands fell two spots from 7th to 9th because of weakness in equity market development and banking system efficiency. **Sweden** jumped into this year ’ s top 10 because of an improvement in retail access to capital.

About the Financial Development Report

The Financial Development Report 2012 ranks 62 of the world ’ s leading financial systems and capital markets, analysing the drivers of financial system development in advanced and emerging economies to serve as a tool for countries to benchmark themselves and establish priorities for reform. The rankings are based on more than 120 variables spanning institutional and business environments, financial stability, and size and depth of capital markets, among other factors.

Notes to Editor

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