CEE Markets & Investment Review



October 2026

Monthly intelligence on capital markets, banking, investment and long-term savings across Central and Eastern Europe

Introduction

October and early November brought further developments in Central and Eastern Europe's financial markets, from capital-market reforms and sustainable bond issuance to stronger lending and EU-backed investment. While financing opportunities are diversifying, differences in market depth, borrowing costs and institutional investment capacity continue to shape investment conditions across the region.

This edition examines developments in capital markets, banking, investment and long-term savings. It also considers the implications of EU financial integration and pension reforms, highlighting the challenge of mobilising capital for productive investment while supporting sustainable growth and adequate retirement incomes.



Market dashboard

Theme	October Highlight	Key Takeaway
Capital Markets	Poland advances listing reforms; Latvia issues €40m in European Green Bonds.	Regional financing channels continue to diversify.
Banking	Latvia reports strong lending recovery; Czechia raises its policy rate to 4%.	Credit conditions and monetary policy remain uneven.
Investment	EIB-backed financing expands for Romanian businesses and regional infrastructure.	Public risk-sharing remains important for mobilising investment..
Pensions	Romania's private pension assets reach RON 246.2bn (at end-June 2026); OECD identifies persistent savings gaps.	Growing pension assets do not automatically ensure retirement adequacy.
Market integration	Council advances the Market Integration and Supervision Package.	Smaller markets could benefit from greater integration, provided reforms remain proportionate.

Capital Markets

Poland moves to simplify capital-market access

Poland took further steps towards strengthening its capital-market framework in early November. The government advanced draft legislation aimed at improving the functioning of the capital market, particularly for SMEs. The proposal would simplify public-offering and prospectus requirements, adapt rules for SME growth markets and introduce a framework for issuer-sponsored investment research, including transparency and labelling requirements. It would also reduce national regulatory requirements that go beyond EU legislation.

The measures implement aspects of the EU Listing Act and are expected to enter

into force in the first quarter of 2027. By reducing administrative costs and simplifying access to public markets, they could make equity financing more attractive to smaller companies and support the development of Poland's capital market. However, their impact on new listings will also depend on investor demand, market liquidity and the availability of suitable issuers.

Latvia's Rīgas ūdens launches €40m green bond issue

Latvia provided another example of capital-market diversification in November. On 4 November, Rīgas ūdens, Riga's municipal water utility, announced a €40 million European Green Bond issuance, with the issue scheduled for 11 November.

The five-year bonds carry a fixed annual coupon of 4.839% and complete the company's €60 million bond programme launched in 2025. The proceeds will support investment in water and wastewater infrastructure, including the modernisation of essential municipal services. The transaction is notable because it demonstrates how public-service companies can use capital markets to diversify financing beyond traditional bank loans and public budgets. It also contributes to the development of Latvia's sustainable finance market under the European Green Bond Standard.

For smaller CEE markets, such transactions can broaden the range of issuers and provide additional investment opportunities for institutional investors. Nevertheless, expanding this model will require a sufficient pipeline of financially viable projects, credible reporting and sustained investor demand.

Council advances EU market integration reforms

At EU level, the Council agreed on the key elements of its position on the Market Integration and Supervision Package on 9 October. The package aims to reduce fragmentation in European financial markets by improving cross-border trading, settlement, asset management and supervision.

The Council's approach would expand ESMA's direct supervisory responsibilities for significant cross-border market infrastructures while preserving national supervision for smaller entities. It also envisages changes to the Distributed Ledger Technology Pilot Regime and measures to facilitate cross-border investment services.

For CEE, the potential benefits are considerable. Smaller markets could gain access to more integrated infrastructure, a wider investor base and more efficient cross-border financial services. However, the final framework will need to account for differences in market size and development, particularly where local infrastructures

serve important domestic financing needs. The Council's October agreement represents progress in the legislative process, but the practical effects will depend on the final legislation and its implementation.

CEE Perspective analysis

Poland's listing reforms, Latvia's green bond issuance and the EU's market-integration agenda illustrate complementary approaches to capital-market development. Regulatory simplification can improve market access, new instruments can diversify financing, and cross-border integration can broaden investor participation. For CEE, the priority is to translate these initiatives into greater market activity and liquidity while preserving the role of smaller financial centres.

Banking and monetary conditions

Czechia raises interest rates amid persistent inflation risks

Monetary-policy conditions across CEE remained differentiated during the review period. On 5 November, the Czech National Bank (CNB) increased its two-week repo rate by 25 basis points to 4.00%, with the decision taking effect on 6 November. The discount rate increased to 3.00%, while the Lombard rate rose to 5.00%.

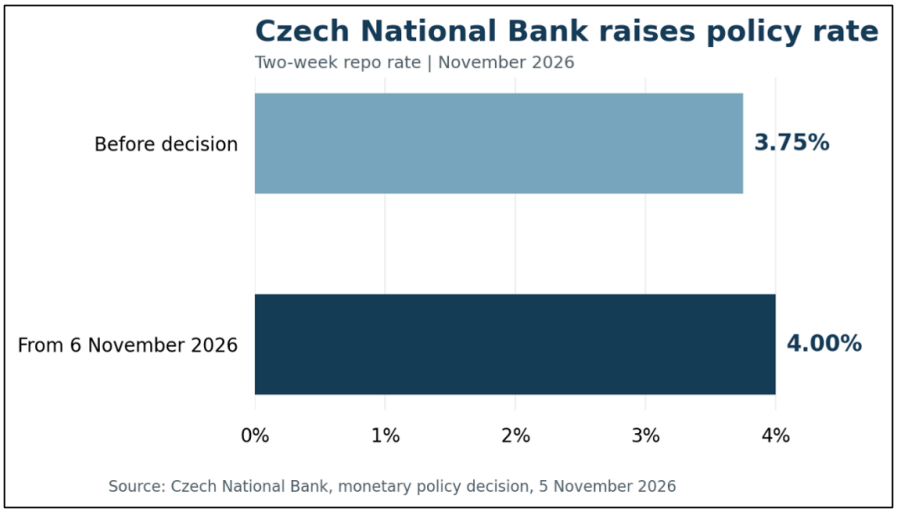


Figure 1. *Czech National Bank two-week repo rate before and after the November 2026 decision (%). Source: CEE Perspective, based on the Czech National Bank, Monetary Policy Decision, 5 November 2026.*

The decision followed the CNB's assessment of persistent domestic inflationary pressures, including wage growth, household demand and risks associated with energy prices. The bank's latest monetary-policy assessment also pointed to the importance of keeping inflation expectations anchored while maintaining economic stability.

The increase illustrates the different monetary-policy environments facing CEE economies. While euro-area countries operate under the ECB's common monetary policy, countries with independent currencies must respond to domestic inflation, economic growth and exchange-rate conditions. Higher interest rates can support price stability but also raise financing costs for businesses and households. For Czech companies considering new investment, the balance between inflation control and credit affordability will therefore remain important.

Latvia reports a strong recovery in bank lending

In contrast to Czechia's monetary tightening, Latvia reported a significant recovery in credit activity. On 28 October, Latvijas Banka published its 2026 Financial Accessibility Report, highlighting stronger lending to both businesses and households.

According to the report, outstanding loans to non-financial corporations increased by 15.3% in 2025, while household lending grew by 9.9%. The expansion continued during the first half of 2026, with annual growth reaching 14.4% for corporate lending and 10.6% for household lending. The improvement points to stronger financial intermediation in an economy where access to credit has historically been an important constraint on investment. Greater lending activity can support business expansion, housing investment and domestic demand, provided that credit quality remains sound.

Latvia's experience also illustrates the importance of banking competition, lending conditions and borrower confidence. A recovery in credit volumes is encouraging, but the longer-term impact will depend on whether financing reaches productive businesses and investment projects rather than being concentrated in particular sectors.

Citadele reports 12% lending growth in the Baltics

The broader Baltic banking sector also showed signs of expansion. On 4 November, Citadele published its financial results for the first nine months of 2026, reporting a 12% year-on-year increase in its loan portfolio to €4.12 billion. The bank provided €1.2 billion in new financing during the period, including €89.9 million in green and transition financing. Customer deposits rose by 9% to €4.45 billion, while net profit

reached €63.4 million.

Beyond lending growth, Citadele expanded its financial services offering. Its subsidiary C Capital Markets obtained an investment-services licence from Latvijas Banka, enabling it to support companies in raising capital through bond issuances and potential initial public offerings. The bank also launched C Business, a digital platform designed to simplify financial management for business customers.

These developments illustrate how Baltic banks are expanding beyond traditional lending towards capital-market services and digital solutions. Such diversification could improve financing options for regional businesses, particularly SMEs, while supporting the development of local financial markets.

CEE Perspective analysis

Czechia's monetary tightening and Latvia's lending recovery highlight divergent financing conditions across CEE. Higher borrowing costs may constrain investment in some markets, while stronger credit availability supports activity elsewhere. Given the region's continued reliance on bank lending, particularly among SMEs, developing complementary capital-market and alternative financing channels remains important.

Investment

EIB Group backs €200m in financing for Romanian microenterprises

European investment institutions continued to support business financing across CEE in October. On 19 October, the European Investment Bank Group announced two agreements with BCR Social Finance to improve access to finance for Romanian microenterprises.

The first agreement involves a €50 million EIB loan matched by €50 million from BCR Social Finance, creating €100 million in financing for small businesses on favourable terms. Separately, an expanded European Investment Fund guarantee under InvestEU is expected to support a further €100 million in financing for more than 5,300 microentrepreneurs, particularly in rural areas. An additional €10 million is intended to support education and skills development.

The arrangements illustrate how EU-backed financing can address gaps in access to

credit for smaller enterprises, which often face difficulties obtaining bank loans because of limited collateral, short operating histories or higher perceived risks. By combining public guarantees, development-bank funding and local financial intermediaries, such initiatives can improve financing conditions while encouraging private-sector participation. Their broader economic impact will depend on whether the additional credit supports sustainable business growth, productivity and employment.

EBRD commits €40m to Avallon private-equity fund

On 15 October, the European Bank for Reconstruction and Development (EBRD) announced a commitment of up to €40 million to Avallon MBO Fund IV, a private-equity fund targeting SMEs and small mid-cap companies in Poland and across Central and Eastern Europe.

Managed by Poland-based Avallon, the fund targets €220 million in commitments, with a maximum size of €260 million. At least 70% of its investments will be allocated to Poland, with up to 30% directed towards ten other CEE countries, including Romania, Czechia, Hungary and the Baltic states. The fund will provide long-term equity and quasi-equity financing to support business expansion, innovation and operational improvements.

The EBRD's participation is intended to attract additional private investment at a time when private-equity fundraising remains challenging across the region. The commitment highlights the role of institutional investors in expanding access to growth capital for smaller companies that may have limited financing alternatives.

EIB and CEB back Vilnius public transport with €110m

Infrastructure financing continued to demonstrate the importance of public and multilateral investment in CEE. On 20 October, the European Investment Bank and the Council of Europe Development Bank announced €110 million in joint financing to support the modernisation of public transport in Vilnius.

The financing is intended to improve urban transport infrastructure and support the transition towards more efficient and sustainable mobility. Beyond the environmental benefits, investment in public transport can strengthen economic connectivity, improve access to employment and contribute to urban competitiveness.

Energy infrastructure remains another major investment priority. The EIB's €100 million financing for Romania's Dama Solar project, announced on 30 September,

provides a recent example of the scale of renewable-energy investment underway in the region. Although the announcement preceded October, the project remains relevant to the review period's wider investment picture.

The development of new renewable generation, electricity grids and storage capacity is particularly important for CEE economies facing industrial competitiveness pressures and substantial energy-transition costs.

CEE Perspective analysis

Recent EIB and EBRD commitments highlight the complementary roles of development-bank lending, guarantees and private equity in addressing CEE's financing needs. These instruments can support smaller businesses, growth-stage companies and infrastructure projects that may struggle to attract conventional financing. Their long-term impact will depend on project quality, effective financial intermediation and the ability to mobilise additional private capital.

Pensions and long-term savings

Romania's private pension assets reach RON 246 billion

Romania's private pension system continued to expand during 2026. According to data published by the Financial Supervisory Authority on 8 October, total private pension assets reached RON 246.2 billion at the end of June, up 39% year-on-year and equivalent to 12.35% of GDP. Of this amount, RON 237.4 billion was held in mandatory Pillar II funds and RON 8.78 billion in voluntary Pillar III funds.

The system comprised 17 pension funds with a combined 9.64 million participants, including 8.54 million in Pillar II and approximately 1.1 million in Pillar III. Investment portfolios remained concentrated in domestic markets, with 67% of assets allocated to fixed-income instruments and 29% to equities.

These figures underline the growing importance of pension funds as institutional investors in Romania. Their expanding asset base can support domestic capital-market development, although the longer-term benefits will depend on portfolio diversification, investment performance and adequate retirement outcomes.

OECD highlights persistent retirement savings gaps

The OECD Pensions Outlook 2026, published on 4 November, highlighted continued growth in pension assets alongside persistent retirement savings gaps. Pension assets across OECD countries increased by 11.3% in 2025 to USD 78 trillion, equivalent to approximately 106% of GDP. However, assets remained below 20% of GDP in 17 OECD countries. The report also identified contribution gaps in 37 of 38 OECD countries, meaning that at least some workers would need additional voluntary savings to achieve adequate retirement income.

The OECD emphasised the importance of expanding participation in supplementary pensions, ensuring adequate contribution levels and supporting effective long-term investment. These findings are particularly relevant for CEE, where the role and coverage of funded pensions vary considerably. Measures such as employer involvement, financial incentives and retirement guidance could help strengthen retirement savings, although their effectiveness will depend on sustained contributions and investment performance.

Figure 2 illustrates differences in pension asset allocation across CEE countries, particularly in the relative shares invested in equities, bonds and other asset classes. These variations reflect differences in national pension systems, investment frameworks and the maturity of funded pension arrangements. They also highlight the importance of diversification as pension assets grow and regional capital markets develop.

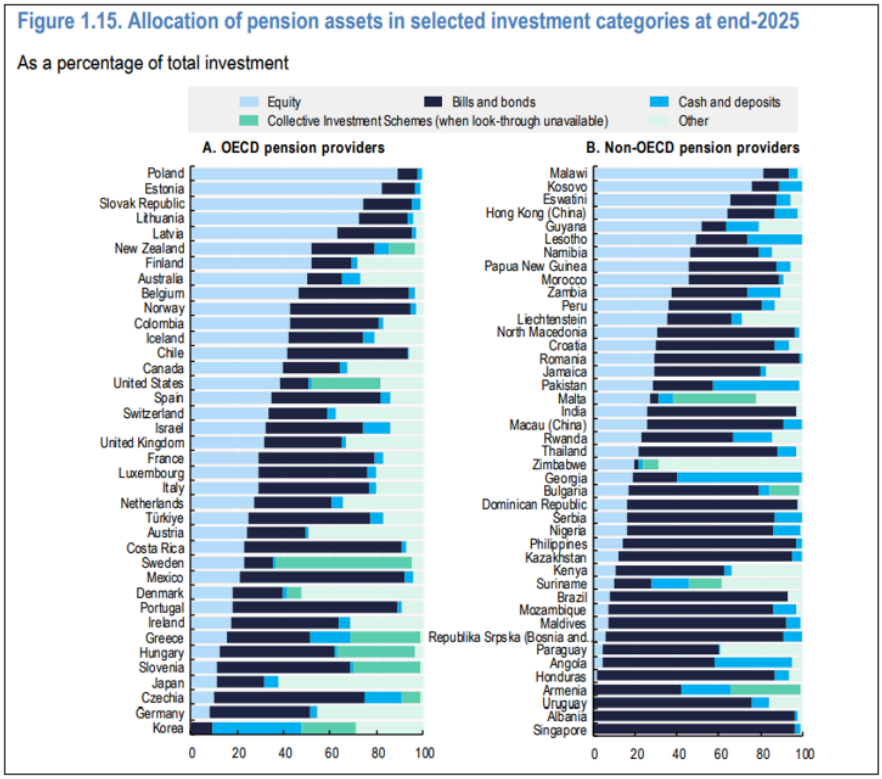


Figure 2. *Allocation of pension assets across selected investment categories at end-2025 (% of total investment). Source: OECD, Pensions Outlook 2026, Figure 1.15*

EU advances reforms to supplementary pensions

The European Commission's 2027 Work Programme, published on 4 November, confirmed the continued importance of the Savings and Investments Union, including the ongoing reviews of the IORP II Directive and the Pan-European Personal Pension Product Regulation.

The initiatives reflect the EU's efforts to strengthen supplementary pension provision and encourage long-term savings. For CEE countries, where supplementary pension systems vary considerably in coverage and maturity, the reforms could create opportunities to improve participation, transparency and the availability of retirement savings products.

However, the effectiveness of EU-level reforms will depend on their ability to accommodate different national pension structures. Occupational pension arrangements, individual savings products and mandatory funded schemes play different roles across the region. Greater pension coverage could also increase the pool of long-term institutional capital available for investment. Nevertheless, pension policy should remain focused primarily on delivering adequate retirement outcomes, with capital-market development as a complementary benefit.

CEE Perspective analysis

Romania's growing pension assets and the OECD's findings highlight the need to balance pension accumulation with retirement adequacy. Expanding supplementary savings can strengthen CEE's institutional investor base, but outcomes depend on participation, contributions and long-term investment performance. Pension reforms should therefore prioritise adequate retirement incomes while recognising the potential benefits for capital-market development.

Regional dashboard

Country	October Development	Market Implication
Poland	Government advances capital-market reforms to simplify market access and listing procedures.	Lower regulatory barriers could encourage more companies to raise equity financing.
Czechia	CNB increases its policy rate to 4.00%	Higher borrowing costs may weigh on

	on 5 November.	credit demand and business investment.
Romania	Private pension assets reach RON 246.2bn.	A larger institutional investor base could support domestic capital-market development.
Latvia	Rīgas ūdens raises €40m through European Green Bonds, while bank lending continues to recover.	Sustainable bond issuance and stronger credit activity broaden financing opportunities.
Lithuania	EIB and CEB announce €110m in financing for Vilnius public transport.	Development-bank financing supports infrastructure modernisation and long-term competitiveness.

5 Signals from October

01 **Capital markets are diversifying**

Listing reforms, green bonds and EU integration efforts are expanding financing opportunities, although market depth remains uneven.

02 **Financing conditions remain divergent**

Czech monetary tightening contrasts with stronger lending activity in Latvia.

03 **Development banks remain important**

EIB and EBRD financing continues to support SMEs, private equity and infrastructure investment.

04 **Pension assets are gaining importance**

Growing institutional savings offer investment opportunities, but retirement adequacy remains a challenge.

05 **Implementation will determine outcomes**

The benefits of EU financial integration and pension reforms will depend on their ability to accommodate different national market structures.