

B a n k o f A l b a n i a

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FINANCIAL STABILITY REPORT

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## FOREWORD

*This is the second issue of the Financial Stability Report, published by the Bank of Albania on a yearly basis. The purpose of this Report is to detect and assess the risks the financial system and its infrastructure are faced with, in order to provide the public authorities the opportunity to identify the relevant measures for the necessary corrections. For the compilation of this Report we have used data available at the Bank of Albania, and information has been exchanged with other authorities supervising the activity of the financial market. The Report has also made use of information and analysis of public and private international financial institutions.*

*In order for this Report to have a wide and diverse audience, the language used and the information presented in it is aimed to be as clear and appropriate as possible. The improved quality of the Financial Stability Report, in particular in terms of the data it contains, will be our objective for the future issues of this Report.*

*The financial system stability has been assessed based on the performance and risks arising from its interaction with the overall internal and external economic environment, and from its activity. In order to evaluate the risks arising from its interaction with the surrounding environment, we have analyzed the latest developments in the international financial markets and developed and regional economies. We have also assessed their impact over the Albanian financial system and the banking sector. Among the domestic indicators, the present Report makes an assessment of the overall developments and expectations for the economic growth, trade balance, overall price level, exchange rate and fiscal indicators. It also provides an analysis of employment, personal income and its impact over the banking sector's borrower's solvency.*

*In order to assess the risks arising from the financial system's activity, the present Report also provides an analysis of the developments in its main financial soundness' indicators, namely the capital, assets' quality and financial performance. The magnitude of risks has been assessed through the stress test analysis. The Report also makes a brief assessment of the situation in non-bank financial sector.*

*The data and analysis mainly cover the developments over the course of the year 2008 and the first quarter of 2009. The expectations for future developments mainly cover the period until the year-end 2009.*

## 1 SUMMARY

The financial crisis worsened significantly during the second half of 2008. A number of banks and important financial institutions in the U.S. went bankrupt while others were able to survive thanks to interventions from public authorities with liquidity assistance. The financial market response was very strong after these events, especially following the decision of the U.S. government to allow Lehman Brothers to go bankrupt, considering its active role in the global markets of mortgage-backed securities and derivatives. Financial markets and their institutions were clinched by the panic and the crisis that initially spread rapidly into the European markets, where some banks almost went bankrupt, and later it spread around the world. Interbank transactions in advanced economies decreased notably, focusing their transactions mainly on shorter term instruments, while the financing cost increased drastically. U.S. mortgage-backed securities continued to depreciate worsening banks' losses on their balance sheets. Markets for particular financial instruments vanished completely. Investors' and public confidence in banks and financial institutions were shaken on a global level, which led to the overall decrease of banks' stock price, tightening their financing abilities notably. According to the International Monetary Fund, indices of the largest stock markets, during October 2008 alone, decreased by 25 percent. In order to swiftly address the public loss of confidence in banks, the U.S. and European Union public authorities increased the amount of insured deposit for a limited time.

The financial sector crisis spread swiftly to the real sector of the economy as well. As a result of the non-functioning markets, the amount available for funding diminished and the financing cost increased, causing a decline in investment and trade, which hit domestic demand and induced significant economic slowdown on a global level. Unemployment increased in all developed countries, due to the enterprises' attempt to lower production costs in response to the shrinking demand. Most developed economies entered an economic recession phase in the second half of 2008, while the economic growth slowdown swept across the developing countries as well. According to the IMF<sup>1</sup>, the world's annual gross domestic product declined to 3.4 percent in 2008 from 5.2 percent in 2007. The world trading volume of goods and services increased by only 4.1 percent in 2008, from 7.2 percent in 2007. Economic growth in developed countries declined to 1 percent in 2008 from 2.7 percent in the year 2007. The developing countries were not affected by the financial crisis initially, given their little integration with the global financial markets and low exposure to those financial instruments that were in the centre of the crisis. The further deepening of the crisis in the second half of the year and its implications on the real economy allowed the crisis to be transmitted to developing countries through financial and trading channels. As result, the economic growth of these countries declined to 6.1 percent in 2008, compared to 8.3 percent in 2007.

Under the financial crisis effects, the foreign exchange markets and energy and raw material markets were characterized by high levels of volatility. In

the first six months, the U.S. dollar lost ground against the major currencies, especially against the Euro, reflecting investors' pessimistic expectations of the U.S. economy. Oil and raw material prices continued the upward trend that started in 2007, raising the inflationary pressures worldwide. The situation marked a turning point in the opposite direction during the period August-September 2008, when the U.S. dollar gained ground against the Euro as a result of the increasing investors' demand for the U.S. government debt securities, which are perceived to be low risk securities in a crisis situation. The lower demand from advanced economies and the slowdown of world economic activity affected the decline in demand for raw materials and food products, bringing moderated pressures for price hikes. Average annual growth of consumer prices in advanced economies and developing countries resulted in 3.5 and 9.4 percent, respectively, in 2008.

In response to the difficult situation created in 2008, public authorities in many countries formulated their own rescue plans. These plans generally included financial assistance to banks, the preservation of incentives for continued crediting from the banking sector to small and medium-sized enterprises as well as the insurance of public's savings in banks. The worsening and deepening of the financial crisis in the second half of the year required harmonizing actions on a global level, as well as strengthening of the role of international financial institutions such as the International Monetary Fund and the World Bank.

Through several meetings in the last quarter of 2008, most developed countries committed themselves to act according to some general principles which aimed at the commitment of these countries and international financial institutions to strengthening transparency, accountability and regulatory framework of financial markets, reinforcing international cooperation for the reforming and strengthening of the international financial institutions' financial resources and to increasing the resilience to actions that cause the closure of national economies to markets. In more concrete terms, the authorities of these countries were committed to ensuring appropriate liquidity conditions for financial institutions, relieving the tightened terms for funding banks, providing capital to support the financial institutions so that they maintain funding for the economy, efficiently recapitalizing banks that had problems, allowing the flexibility in interpretation of accounting rules in terms of market situation of emergency and the strengthening of cooperation procedures among countries.

These measures have played an important role in setting a limit on the loss of public confidence in their banks as well as maintaining the confidence among banks. In general, these measures have given the financial markets a "breather" to continue their actions, although the volumes and prices are still far from those of normal conditions. Given the history of past global crises, confidence in the financial markets and the return of lending to prior-crisis levels is expected to recover after some time. Moreover, the spread of the crisis to the real economy shows that most countries may continue to experience economic contractions and the recovery of the world economy to

a sustainable growth can not occur within the near future. This scenario is also confirmed by the IMF's periodic evaluations.

On a global level, the financial system and banks will face difficulties during the year 2009. The financial result is expected to be weak, while demand for capital will be stable. In fact, these two indicators are expected to be so in the medium term, despite a partial improvement of banking activity in the short term. Factors associated with the lending activity decline and difficulties in the real sector of the economy, the durability of financing costs in the interbank market, the loss of assets' value, the increase of contingency funds as a result of the deteriorating assets' quality, etc, will contribute to the decline of the financial result. On the other hand, banks and other financial institutions can benefit from the stable liquidity conditions, increasing returns from trading activities of various financial products, the lower costs as a result of size reduction and synergy created from the mergers etc. However, the unstable income situation and the deterioration of assets' quality will adversely affect banks' capital adequacy levels and may further fuel their public capitalization schemes of operations.

In our country, the impact of the international crisis has increased due to its alteration into a real economic crisis of global proportions. Initially, the international financial crisis did not have a significant direct impact on the Albanian financial system, owing to the general lack of exposure of the banking sector and the financial system to products and financial institutions that were at the core of the crisis, as well as the low exposure to borrowing from the foreign markets. However, in the last quarter of 2008, due to the psychological impact caused by the deterioration of the international market crisis, the public pulled a portion of their deposits from the banking sector. As a consequence, there was a rising need for liquidity and a declining lending from the banking sector. The Bank of Albania took immediate measures to normalize the situation and restore public confidence in banks, by injecting liquidity in the market in different forms, as well as expanding opportunities for banks to access it<sup>2</sup>. These actions gave a positive effect to interbank activities in lowering the volatility level and the interest rates at the end of the year. As the financial crisis turned into a global economic crisis, its impact was materialized in our country in the form of financial resource limitation and increased cost of financing, for both the public and private sector, shrinking remittances and declining exports, increasing depreciating pressures on the domestic currency exchange rate against its major counterparts and a negative impact on future expectations of economic agents with respect to the financial welfare. The performance of these short-term effects in the near future will strongly depend on the capacity of economic public and private agents to adapt to these conditions, on the ability of the financial system to maintain sustainable growth rates in the financial intermediation process, as well as on the developments of external risk factors.

The banking and the financial system activity have increased at lower rates during 2008. The level of financial intermediation in Albania, computed as a ratio of the financial sector<sup>3</sup> assets to the GDP<sup>4</sup>, has grown to 82 percent

at the end of 2008, versus 79.4 percent at the end of 2007. Banks play a key role in the assets structure of the financial system. At the end of 2008, 16 banks operated in our country and their assets accounted for approximately 95.4 percent of total assets in the financial system and about 78 percent of the GDP. During the year 2008, activity in the banking sector continued to increase. Expressed in terms to total assets in the system, it amounted to ALL 843.1 billion, or 12.4 percent higher than the previous year. However, the performance of activity has followed a different dynamic this year. Total assets changed due to deposits withdrawal in the last quarter, which compared with the third quarter decreased by 2.7 percent. Lending activity, which accounted for about 48 percent of assets in December 2008, albeit upward since 2003, weakened especially in the last quarter of the year. The loan portfolio, accounting for about 37 percent of GDP, amounted to ALL 396.8<sup>5</sup> billion. Compared to the same period the previous year, this surplus attests to an increase of ALL 104.3 billion, or about 36 percent. The loan portfolio quality has deteriorated. Despite their upward share to total balance, foreign currency assets and liabilities of the banking sector attested to a balanced foreign currency exposure, reflected by their similar sizes. The financial result of the banking sector during the year 2008 was positive but lower than in 2007. Liquidity and capital indicators of the banking sector assess comfortable levels, despite the reduction of the financial results, the deposits' volatility and the deteriorated loan portfolio quality.

## 1.1 RISK SENSITIVITY ASSESSMENT OF THE BANKING SECTOR

The financial system stability, especially for the banking sector, is defined in terms of relations with the internal and external financial and economic developments, and of their interaction with the internal situation in the financial system. *Based on the development analysis of 2008 and the first months of 2009, general evaluations indicate that the level of risk for the financial system and the banking sector has increased. The main sources of risk are mainly linked to macroeconomic performance developments and some banking activity indicators, which require careful monitoring.*

More specifically:

1. *The sensitivity of the financial system and the banking sector to domestic macroeconomic developments has increased.* The main risks to the stability of the financial system and the banking sector relate to:
  - a. *The significant economic growth slowdown.* During 2008, the country's economic growth was stable and in line with expectations, backed by rising public spending and the banking sector momentum of high volume financing. However, the developments of the last quarter of 2008 and the first months of 2009 indicate that economic growth for the year 2009, although expected to be positive, will be lower.

The rationale behind the economic growth slowdown relates to the declining domestic demand, due to the lower revenues of domestic economic agents that interact with international markets, restrained expansionary fiscal policy and the significant reduction of funding from the Albanian banking sector. Preliminary estimates of the IMF evaluate an economic growth between 0 and 1 percent. For this reason, opportunities for activity expansion of the financial system will be more restrained and its financial results will be lower during 2009.

- b. *The difficult financial situation of the real economy.* Expectations for economic slowdown have deteriorated the financial restraints for enterprises and households. Enterprises are facing less and more expensive financial resources. Internal resources for activity expansion in the form of income from main activity will be adversely affected by the decline of investment and sales. External sources of funding in form of borrowing from the banking sector are also falling sharply. Various surveys on the situation of the business sector in general confirm increasing financial restraints and the lack of optimism for the short-term developments. The difficulties of enterprises will adversely impact their ability to provide sustainable jobs hence leading to the decline of household income. The financial system and banking sector in particular will feel these unfavourable developments mainly in the form of deteriorating loan portfolio quality and public deposits' growth slowdown.
- c. *Restrained expansionary fiscal policy.* The budget deficit increase in 2008 compared with the previous year represented an expansionary fiscal policy that backed the domestic economic growth. Deficit financing was conducted in more favourable conditions, domestically and externally. The expected economic slowdown and the financial constraints the real economy is going through will put public revenue under pressure, hence hindering their actualization according to the 2009 budget plan. On the other hand, the financing cost of the budget deficit increases as we face more liquidity constraints in the domestic and foreign financial markets, increasing the financial burden in the medium term. The actualization of the projected public expenditure is a desirable objective in a situation of economic slowdown. However, in the Albanian case, if no other sufficient alternative sources of income is found, the adaptation of public expenditure according to the level of actual income and the preservation of the budget deficit objective, would better serve to the implementation of lower cost financing and funds release for domestic market and private sector use.
- d. *The resistance of the balance of payments' current account deficit.* Due to the instability of exports and declining remittances, the current account deficit in the trade balance shows to be unstable. If this trend strengthens, it could affect the structure of foreign currency flows in the domestic market, impacting the demand and supply with foreign

currency, thus increasing the exchange rate volatility of the national currency. The flexible exchange rate offers an automatic correction tool for these imbalances in the demand and supply with foreign currency in the domestic market. Against this background, all economic agents should assess their sustainability and sensitivity to possible unfavourable shifts in the exchange rate, and take necessary protective actions. In turn, the banking sector is sensitive to exchange rate movements, particularly in terms of the impact on the quality of loan portfolio in foreign currency. Therefore, the course of the exchange rate for the first months of 2009 should promote all the required actions of the banking sector in order to reduce undesired effects on the financial situation.

2. *The sensitivity of the banking sector and the financial system to developments in the international markets has decreased. Against this background, it is determined that:*
  - e. *Public policies for the protection of European banking groups have reduced the uncertainty over their legal and financial abilities to provide assistance with investments in our country. In fact, the packages of financial assistance, approved in Austria, Greece, Italy, France and other countries and the powerful liquidity injections by the European Central Bank have eased the difficulties of major European banks to ensure liquidity and to refinance their obligations in the market. The positive stock price performance of these banks' trading in the stock exchange, especially during the first months of 2009, attest to the improvement of the situation. In order for the European banking sector to substantially improve its financial situation, and to regain its full capacity to perform firmly its financial intermediation function, stimulating public policies, being accompanied by the necessary actions to clear the banks' balance sheets from unhealthy investment need to be considered. In practical terms, improving the financial situation of European banking groups means that now it is easier for them to meet the demands of their subsidiaries for credit lines or capital funding, providing an important contribution to the intermediating role of the banking subsidiaries of these groups in the countries where they operate. In the case of Albania, the banking sector benefited from the higher volume of this funding and injection of capital in the last quarter of 2008 and the first months of 2009. The improved financial situation for the European banking sector would further consolidate in the event the economic growth recovers. From this perspective, there would be higher guarantees for the progress of the Albanian banking sector.*
  - f. *Although the economic and financial situation in Central and South-East European countries appears to be still unstable, the financial aid from the International Monetary Fund and the European Commission, have provided important support for the alleviation of negative expectations. In the end of 2008, some of the countries in the region*

faced a complex financial situation, which emerged in the short-term with the deterioration of the current account deficit, a strong under priced exchange rate, high interest rates, increased credit default possibilities, etc., which brought in turn a strong economic contraction and deterioration of public finances. Accordingly, the IMF and the European Commission offered to some of these countries, dozens of billions of Euros as financial assistance. In virtue of this arrangement, the under pricing pressures on the exchange rate were softened and interest rates fell to levels which stimulated the monetary circulation. Although the worsening rates have slowed, the situation in some of these countries is still unstable. However, actions that mitigate investors' uncertainty to developments in these countries, improve the perception of our country, in terms of relative similarities that exist, at least with the countries of our region.

- g. *More signs are indicating a slow down of the global economic deterioration.* The economies of developed countries and the largest developing countries show some optimistic signals. In the financial world, in addition to improving shares' value of the financial institutions in the stock markets thanks to the improvement of their financial results, there is a general value increase of the stock market indices compared to last year. Simultaneously, in the U.S. and some EU countries, the indicators that evaluate the businesses' financial situation show a deterioration slowdown or a slight improvement, indicating that the financing opportunities of the economy are gradually improving. In terms of general economic developments, business and consumer confidence indices have shown signs of improvement, although they will be unstable as long as unemployment continues to increase. On the other hand, public finances are facing high costs. For the time being, it is still unclear how stable these developments will be and how quickly they will be translated into a resurgence of economic development. However, the perception of an improved global economic climate will positively affect economic actors in the domestic market, not only economically but also through the creation of optimistic expectations, supporting their return to normal relations with the banking sector.
3. *There is higher sensitivity of the financial system and the banking sector to the performance of some banking activity indicators.* Against this background, it is determined that:
- h. *Prudent management of the banking sector liquidity demands is required.* Specifically, in order to cope with the decline of deposits in the last quarter of 2008, commercial banks reduced their liquid assets portfolio, and increased their borrowing from their parent banking groups and the Bank of Albania. The share of customers' deposits to financing banking activity incurred a decline, though it remains at high levels. This process should be monitored prudently so as to identify how stable it will be in time and to avoid significant shifts towards wholesale borrowing, particularly in foreign currency. When sources of foreign

currency funding rely on foreign markets, the banking sector is more protected since the financing lines in foreign currency originate from the parent banking groups. This factor significantly lowers the debt renewal risk at the time of maturity. However, in the foreign markets, banks are currently making efforts to reduce the wholesale borrowing process and to increase customers' deposits, which are considered a much more stable source of funding. The Bank of Albania provides a stable source of funding in a particular situation for the banking sector and helps to improve the monetary policy transmission mechanism. This aspect is particularly important for banks that are not part of foreign banking groups. Simultaneously, the Bank of Albania allows commercial banks to develop policies that support financial activity in the national currency. From this point of view, the securities' portfolio management plays an important role as collateral for large amounts of borrowing. For such monetary transactions denominated in the Albanian Lek, commercial banks utilize government debt securities, such as treasury bills and bonds. Banks should establish and administer a special portfolio of these securities to use in case of unexpected liquidity needs. The actions for the further development of the secondary securities' market would be a supportive factor in this regard. Thus, to ensure that banks will apply more conservative policies in managing their liquidity risk, the Bank of Albania is preparing a special regulation that will require banks to improve their capacities in terms of forecasting the liquidity needs, as well as to establish more direct and close ratios between sources of financing and banks' investment, with regard to type of currency, changing of the maturity term, creation of specific collateral portfolios etc.

- i. *The loan portfolio quality has entered a downward trend phase.* The constraints in the real sector of the economy, economic growth slowdown and the strong credit crunch due to the volatile liquidity situation in the recent months, has brought increasing volume of non-performing loans, regardless of the type of currency, purpose of use and user. The increasing number of non-performing loans has prompted tight lending procedures, shrinking the lending volumes and shortening loans' maturity term. Moreover, banks' provisions to cope with potential loan losses have increased, which has contributed to the decline of the banking sector financial result. The banking sector has to confront this situation, aiming at maintaining a stable financial intermediation activity, a very important function for the development of economy and the financial sector situation. For this reason, time is ripe for the banking sector to give priority to lending in domestic currency rather than in foreign, making better use of the greater opportunities that customer deposits and borrowing from the Bank of Albania offer. Therefore, the banking sector should pursue more appropriate credit price setting policies, in order to spur demand for loans in domestic currency.
  
- j. *The banking sector is sensitive to exchange rate behaviour, particularly*

*in terms of the impact it has on the quality of loan portfolio.* Foreign currency loans dominate the total loan portfolio of the banking sector. The rationale behind its growth associates with the balance sheet structure of the banking sector, lower interest rates compared to ALL denominated loans, as well as the perception that historic trends of the exchange rate for ALL will persist in the future. It is understandable that the under pricing of ALL in great value and in a short period of time, for those borrowers who do not have their income in foreign currency, leads to higher value of the ALL instalments for foreign currency loans. In return, this might cause loan payment delays that would classify these loans as non-performing. From this perspective, the public and the banks themselves as powerful players in the foreign exchange market would prefer to have a stable exchange rate. However, in this case, the best solution would be provided by implementing balanced lending policies targeting the increase of the share of ALL loans. In terms of foreign currency balance position, the banking sector continues to prefer to maintain a small net open position, limiting the magnitude of possible losses significantly.

- k. *The financial result of the banking sector for the year 2009 will continue the decline that began in 2008.* In fact, this is a result of the declining operating income, due to the lower volume of activities with high return and the rising operating costs, particularly the increase in provisions to cope with potential loan losses. The declining net financial result implies that the banking sector will have less internal sources to support the operations and increase the capital. Banks that might experience a financial loss will have their funds reduced. Though the financial results' decline is not expected to have a significant impact on the capital values, banks must cautiously monitor the capital activity indicators, and increase the capital if necessary.
4. *The sustainability risk of the underlying infrastructure, such as the payment systems, has remained unchanged and at low levels for the financial system and particularly the banking sector.* Against this background, it is determined that:
  - l. *The payment systems that are managed by the Bank of Albania have operated in an optimal way.* This is confirmed by the stable growth of the number and volume of payments in 2008, which is expected to continue in 2009. For the normal functioning and oversight of payment systems, for large and small amounts, the Bank of Albania has positioned the necessary human, financial and technological resources, as well as worked to improve the regulatory framework that enhances efficiency and safety of the payment systems. In addition, the needs for the improvement of procedures and technological infrastructure, against a background of increasing volume of transactions, will be regularly assessed in order to support the normal functioning of these systems in the future.

In general, the ability of the financial system and particularly the banking sector to act in a sustainable manner and to be protected from the abovementioned risks will largely depend on the duration, the magnitude and the systemic value a certain unfavourable development manifests.

Based on the financial indicators of the banking sector, as well as assessing their volatility according to stress test analysis, the sustainability of the banking sector to the abovementioned risks is assessed as being good.

#### Box 1 IMF's forecasts

*International Monetary Fund, in its "World Economic Outlook – Crisis and Recovery" of April 2009, states that world output for the year 2009 is projected to decline by 1.3 percent. Advanced economies will shrink by about 3.8 percent (for the first time since World War II), while the emerging and developing economies will grow by only 1.6 percent. Under the influence of measures to facilitate financing and the support of monetary and fiscal incentive policies, the world economy is projected to gradually remerge in 2010, when economic growth is expected to be about 2 percent. Despite significant fiscal stimulus (including the additional package of 787 billion dollars approved by President Obama administration), the U.S. economy is expected to shrink by 2.8 percent in 2009 and it is not expected to have a significant increase in 2010. Annual growth rate of consumer prices will be temporarily negative during the year 2009. Public finances will worsen, following a vast increase of the budget deficit to 12.3 percent of GDP for 2009.*

*For the Euro area countries, the IMF's expectations are even weaker. The economy of this region will shrink by 4.2 percent in 2009 and will grow only 0.4 percent in 2010. The economic situation will not be favourable for the countries in our region as well. According to January 2009 Interim Forecast of the European Commission, the Italian economy is expected to shrink by 2 percent in 2009 and recover growth in 2010. The projections are more optimistic for Greece, although the positive economic growth for the year 2009 is expected to be very low. Both these countries will experience an increase in the unemployment rate close to the average level of the Euro area in 2009. For the Central and East European countries, the IMF's expectations are for a contraction of the economy by 3.7 percent in 2009 and a growing economy of 0.8 percent in 2010. According to January 2009 Interim Forecast of the European Commission, unemployment in the European Union will increase significantly during this period (with an additional 3.2 million of unemployed people), and the unemployment rate will rise to 8.75 percent in 2009 (9.25 percent in the Euro area), and will continue to grow in 2010. According to the European Commission, the public finances will be severely hit in 2009. In the EU countries, the primary deficit is anticipated to rise to 4.5 percent of GDP (from 2 percent in 2008). Forecasts for public finances are negative for 2010. Inflationary pressures in the European Union are expected to be weak during 2009, due to the low demand for energy and raw materials. Annual consumer prices' growth rate for the Euro area and the European Union is expected to be 1 percent in 2009, and about 2 percent in 2010.*

Table 1 GDP and inflation in 2007-2008 and projections for 2009-2010

	GDP Growth		Projection		Average Annual Inflation		Projection	
	2007	2008	2009	2010	2007	2008	2009	2010
Global Economy	5.2	3.2	-1.3	1.9	3.9	5.9	2.5	2.4
Advanced economy	2.7	0.9	-3.8	0.0	2.2	3.4	-0.2	0.3
United States	2.0	1.1	-2.8	0.0	2.9	3.8	-0.9	-0.1
Japan	2.4	-0.6	-6.2	0.5	0.0	1.4	-1.0	-0.6
Euro area	2.7	0.9	-4.2	-0.4	2.1	3.3	0.4	0.6
United Kingdom	3.0	0.7	-4.1	-0.4	2.3	3.6	1.5	0.8
Emerging and developing countries	8.3	6.1	1.6	4.0	6.4	9.3	5.7	4.7
Central and Eastern Europe	5.4	2.9	-3.7	0.8	6.1	8.0	4.6	4.2
China	13.0	9.0	6.5	7.5	4.8	5.9	0.1	0.7
India	9.3	7.3	4.5	5.6	6.4	8.3	6.3	4.0
Brazil	5.7	5.1	-1.3	2.2	3.6	5.7	4.8	4.0
Mexico	3.3	1.3	-3.7	1.0	4.0	5.1	4.8	3.4

Source: \*IMF (World Economic Outlook-January, World Economic Outlook – Crisis and Recovery, April 2009), IMF database