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In Albania economic slowdown, not crisis

The IMF has said that the global financial crisis is hitting a lot poor countries

The IMF head Dominique Strauss-Kahn, called on the international community to act urgently and generously to avoid the impact with catastrophic potential of this crisis in the most vulnerable countries.

Ragip Luta from BCC talked with the IMF Resident Representative in Tirana, **Ann-Margret Westin**, and initially asked why this call came now?

Westin: From the beginning of the global financial crisis last fall, the world is almost exclusively focused in the impact in the advanced countries and recently in the emerging market economies which are receiving large packages of financial aid. We at the Fund have been preoccupied with the insufficient attention paid to the impact in the smaller and more vulnerable economies, especially in developing countries, which obviously had no role in the creation of the crisis, but which will be regardless of that much affected. I think that the message of our managing director is that the international community has a responsibility to intervene and to help these countries, escalating considerably the amount of financial help at their disposal, including here the resources of the Fund itself.

BBC: Is Albania one of them?

Westin: Allow me first to tell you something regarding the vulnerability assessments and their very hypothetical nature. They are based on the assumption of what would happen in the event of some considerable shocks, if all of these would happen in combination and in addition of the impact of crisis in the region. What I want to say is that this is to a great degree an exercise of “what if?” and it is not a forecast. And it obviously it is not an assessment on the probability of the crisis. Now let’s get back to Albania, which is in a different situation than most other countries with low income, which does not any more qualify for example for IDA financing and it has concluded with us the poverty reduction arrangements. In this study, Albania has been relatively less at risk by shocks of traditional low income countries, such as are the shocks to exports, prices, remittances and FDI. Instead, if you look at growth in Albania—which is very much in line with the experience of more advanced countries—it is impacted by the global financial developments. Against this background, we still foresee considerable growth in 2009 and 2010. To summarize, I wish to say that while we project considerable economic slowdown in Albania, we certainly do not foresee a crisis.

BBC: So we can say that currently Albania is not hit by the crisis?

Westin: Allow me first to say that if you consider the global extent of this crisis, we think that all countries in the world will be affected at some point, and at some extent and we

believe that Albania will be affected to and we are making our downward revision for projections based on slowing trade, lower remittances and capital inflows, which we have seen since in end 2008 and in the beginning of 2009. But regardless of these, we still see positive growth for Albania in 2009.

BBC: But you say that it will be hit in time. When?

Westin: Absolutely. We're revising downwards the growth projections. For example last year we would say 6% growth for this year. Now, in our latest report issues a week ago we say 3.7% and we could revise further. Obviously we do downward revision for projected growth same as for all advanced countries, but Albania is one of the few countries where we still see positive growth this year.

BBC: And you don't see any element of the crisis that has affected rich countries?

Westin: We wouldn't call it crisis what we see in Albania at this moment. We would call it a slowdown, a very normal slowdown so far.

BBC: But this is how it started everywhere. First as a slowdown and then a few months down the road, they say it is much more serious than we initially thought, and then they call it a recession. Wouldn't you say this for Albania at this time, would you?

Westin: What we see in Albania is a number of alleviating factors. For example growth. Look at exports, these are important for growth. Exports today in Albania make up only 25% of the GDP. This shows where Albania is in its transition phase. In fact this is right now helping. When exports decline—because they will decline in Albania too as in other countries—they will not draw down the economy with them as it has happened in other countries.

BBC: When Albania starts feeling the impact of the global crisis will the IMF help?

Westin: We always stand ready. We have a continuous policy dialogue with the authorities even though we do not have a program in this moment, we're still monitoring the economy and giving advise. If the government will be interested for an arrangement we of course stand ready.