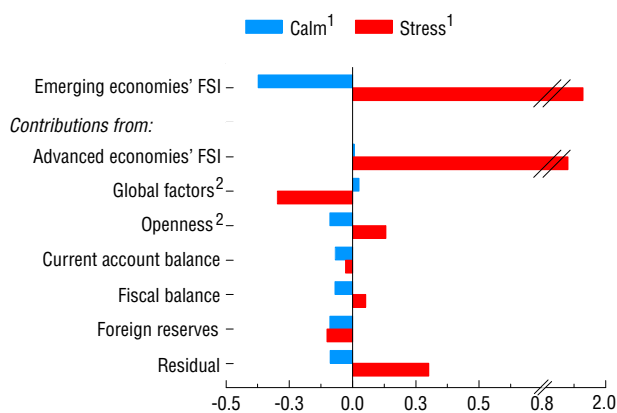


Figure 4.13. Explaining Financial Stress in Emerging Economies

The combined contributions from improvements in current account and fiscal balances and from higher reserves explain a large share of the decline in financial stress during calm periods in advanced economies. In contrast, during periods of high stress in advanced economies such efforts cannot offset stress transmission.

Actual and Predicted Change in Emerging Economies' Stress, 1997–2008 (change in stress index, sample average)



Sources: Bank for International Settlements; IMF, *Balance of Payments Statistics*; and IMF staff calculations.

Note: FSI = Financial Stress Index.

¹ Stress years are 1998, 2000, 2002, and 2008; calm periods are all others. See Table 4.1.

² Based on Table 4.3, last column; global factors include three-month London interbank offered rate, global output growth, and change in commodities terms of trade. "Openness" combines financial and trade factors.