

The Current Global Financial Crisis 2008-2012

Albulena Shala¹, Besnik Livoreka², Vlora Berisha³, Safet Merovci⁴

Abstract: The current global financial crisis is considered as one of the biggest crises after the crisis of the years of 30's. The global financial crisis has affected all countries including developed and developing ones. It also has affected all the industries. Population with the low-income faced the greatest consequences. The last hope for the survival of the market economy was to undertake important steps for the nationalization of bankrupted banks and companies, thereby developing policies for the preservation of jobs. Through this analysis, we have included briefly some of the development followed the period of 2008 and onwards. A summary of statistics for some important economic indicators such as employment, exporting and importing is covered in this study as well.

Keywords: market economy; bankruptcy; companies

JEL Classification: G01

1. Introduction

We are in a severe financial crisis, the heaviest so far after the Great Depression. The financial crises have become a threat to the societies, which forced the governments to approve ever-increasing expenditures. The process reached the peak during the current financial crisis, which is so deeply rooted that even the unprecedented interventions by governments affected so far is unable to stop it.

¹ PhD Candidate, Asistence Accounting and Finance Department, University of Pristina, "Hasan Prishtina", Republic of Kosovo, Address: "Mother Teresa" Str., 10 000 Prishtinë, Republic of Kosovo, Tel.: +38138244183/244186, Fax: +38138244187, e-mail: albulena.shala@hotmail.com.

² PhD Candidate, Asistence Accounting and Finance Department, University of Pristina, "Hasan Prishtina", Republic of Kosovo, Address: "Mother Teresa" Str., 10 000 Prishtinë, Republic of Kosovo, Tel.: +38138244183/244186, Fax: +38138244187, e-mail: besniklivoreka@gmail.com.

³ PhD Candidate, Asistence Accounting and Finance Department, University of Peja, "Haxhi Zeka", Republic of Kosovo, Address: 70. "Qamil Hoxha" Str. 4-1, 10000 Prishtinë, Republic of Kosovo, e-mail: vlorab_402@hotmail.com.

⁴ Professor, PhD, Accounting and Finance Department, University of Pristina, "Hasan Prishtina", Republic of Kosovo, Address: "Mother Teresa" Str., 10 000 Prishtinë, Republic of Kosovo, Tel.: +381 38244183/244186, Fax: +38138244187, Corresponding author: safetmerovci@gmail.com.

The crisis began in the year of 2007 when the real estate prices went up in the sky. This was spread out rapidly, firstly in the entire financial sector in USA, and then in the other financial markets outside of USA.

Damages in the United States include the entire banking industry, the biggest insurance companies, savings and lenders. This was not limited only in the financial sector; however, the companies that often rely on the loans have suffered huge losses.

The U.S. car industry, which was declared a federal bailout found itself on the edge of abyss. Even, more alarmingly, banks, believing that no one turns loans back, simply stop lending without which most businesses do not function. The stock prices fell worldwide, and by the end of the year of 2008, a deep recession has captured a large part of the globe.

Paper begins with the financial crisis 2008-2012. It also includes a detailed impact of the crisis on the unemployment, export, import and the foreign direct investments. This paper ends with some conclusions on the lessons learnt of the data we have researched from literature and internet.

2. Current Global Financial Crisis (2008-2012)

The year 2008 will be remembered as the year that was described with a financial crisis that appears once in a century. The crisis caused unprecedented fluctuations in Wall Street. It also knelt the banking system and shocked the stock markets. However, this brought radical government interventions.

The first signs of the economic crisis emerged in the august of 2007. However, the 2008 was the year of real financial crisis that brought the economies of United States of America, Europe and Japan in recession for the first time after the World War II.

In 2008, among other things, Wall Street knelt down under the burden of major losses from loans which triggered the collapse of oil prices. The year of 2008 will be remembered for the unprecedented radical measures by the authorities in an effort to mitigate the crisis. The words such as collapse credit and fiscal incentives have become part of everyday vocabulary.

The crisis had much deeper roots. Many people have borrowed money to purchase houses without the opportunity to pay back their obligations. When many of them failed, lenders began to collapse. Banks showed major losses in the insurance system related to home loans. This made banks reluctant to give loans to business and other banks. The difficulties that were created made to feel the wind of recession.

In March of 2008, the first “victims failed”. “Bear Stearns' shares had a market value of about \$ 3.5 billion. However, the market value of its shares accounted for \$ 20 billion back in 2007. The confidence crisis that affected the firm prompted customers to leave. In turn, this situation put the “Bear Stearns” in a horrible choice: either to sell the firm at any price to a big bank willing to assume its obligations or file for bankruptcy. As a result, its stock price fell to \$ 2 per share.

In March 2008, “Bear Stearns”, one of the biggest firm in the Wall Street was purchased by its rival Morgan Chase for a small part of its value¹.

The biggest credit company named “IndyMac” failed in July of 2008². In the same month, the oil price reached \$ 147 per barrel, and the euro dollar exchange rate was \$ 1.60. The Federal Government took under its control the “IndyMac” bank on Friday, the 12th of July 2008. This was considered the second biggest bank failure in the history of U.S.A.³

In September of 2008, “Lehman Brothers” was the other major institution that went bankrupt. “Lehman Brothers” had a simple origin. Tracing back its roots, we find a small general store that was founded by German immigrant called Henry Lehman in Montgomery, Alabama in 1844. “Lehman Brothers” was established in 1850 by Henry Lehman and his brothers Emanuel and Mayer.⁴

Having a total asset value of \$ 639 billion and a debt value \$ 619 billion, the bankruptcy of “Lehman Brothers” was the biggest in the U.S. history. Its wealth had exceeded those of previous bankrupt giants such as WorldCom and Enron. Lehman Brothers was the fourth largest investment bank in U.S. in the time of its collapse. It employed a total number of 25,000 employees worldwide. The bankruptcy of Lehman Brothers made it the biggest victim of the financial crisis in U.S.⁵. The Lehman Brothers’ bankruptcy was declared in 15th of September 2008.

The next day, USA Treasury announced an emergency plan worth of billion dollars to rescue the insurance giant American International Group (AIG). AIG was an international insurance company that offered services to clients in more than 130 countries.⁶ The collapse of other banks that led to the peak of the crisis made the

¹ Sidel, Robin; Berman, Dennis K. & Kelly, Kate (2008). *J. P. Morgan Buys Bear in Fire Sale, As Fed Widens Credit to Avert Crisis, March 17*; <http://online.wsj.com/article/SB120569598608739825.html>.

² Clifford, Catherine & Isidore, Chris (2008). *The Fall of IndyMac, July 13*; <http://online.wsj.com/article/SB120569598608739825.html>.

³ Kristof, Kathy M. & Chang, Andrea (2008). *Federal Regulators Seize Crippled IndyMac Bank, July 12*; <http://articles.latimes.com/2008/jul/12/business/fi-indymac12>.

⁴ Burimi. *History of Lehman Brothers*. Harvard Business School; <http://www.library.hbs.edu/hc/lehman/history.html>.

⁵ *The 2007-08 Financial Crisis in Review (The Collapse of Lehman Brothers)*; <http://www.investopedia.com/articles/economics/09/lehman-brothers-collapse.asp>.

⁶Burimi. *American International Group*; http://www.aig.com/about-us_3171_437773.html.

Government to create the rescue plan to buy the bad debt in order to stabilize the situation. According to the well-known financier, George Soros, as reflected in the interview with Financial Times: “this occurred because the crisis triggered reactions array in the financial system, which brought the financial system to “cardiac arrest”.¹ This implies that except that the crisis was so powerful that it was a kind of “virus” that was transferred from one company to another.

By the end of September, crisis passed over Atlantic. By this time, the Europe treated the crisis as being only America’s concern. In Great Britain began the nationalization of two lenders: Bradford and Bingley. Both institutions were created in 1851.² After the collapse of the Lehman Brothers’ bank and many others in Great Britain, in the mid of September of 2008, the “Fortis” group was the first major European insurance company that failed in the European continent as a result of the financial crisis. “Fortis” had worldwide activities and it was one of the five leading financial institutions in EU. Until then, “Fortis” had been a success story of a successive merger of banks and insurance companies.³

The most dramatic situation was in Iceland, where the banking system collapsed and rescue was requested by the International Monetary Fund. The crisis began to be felt more in the Russian markets. The list of countries that required assistance from the IMF besides Iceland was by joined Hungary, Latvia, Ukraine, Belarus and Pakistan. The continents such as Asia and Africa could not survive the financial crisis. Asia has not had a mortgage crisis like many other places in the West. Many Asian nations have witnessed rapid growth and wealth creation in the recent years. This prompted Asia to make large investments in the Western countries. In addition, increased foreign investments in Asia were mainly from the West.

However, this crisis has shown an interconnected world, which means that Asia has had more exposure to problems emanating from the West. Many Asian countries have seen their stock markets to fall and a decline in the value of their currencies. Asian services and products are global and trade everywhere. Therefore, a slow-down in rich countries means an increased likelihood that demand for their products will fall because of decreased purchasing power. India and China are among nations with fast pace growth. Both are the biggest economies after Japan. From 2007-2008, the Indian economy was increased by 9%. However, even this

¹ Soros, George (2008). *America Must Lead a Rescue of Emerging Economies*, October 28; http://www.georgesoros.com/articlesessays/entry/america_must_lead_a_rescue_of_emerging_economies.

² House of Commons Treasury Committee (2009). *Shih: Banking Crisis: Dealing with the Failure of the UK Banks*; 21 April; fq14; <http://www.publications.parliament.uk/pa/cm200809/cmselect/cmtreasy/416/416.pdf>.

³ Fassin, Y. & Gossselin, D. *The Collapse of a European Bank in the Financial Crisis: An Analysis from Strategic, Stakeholder, Ethical and Governance Perspectives*; <http://ideas.repec.org/p/rug/rugwps/11-726.html>.

was not enough to protect it from the effects of the global financial crisis. The data show that until March 2009, India's growth has slowed soon to 7.1%.¹ Regarding Africa, ironically, the integration of Africa is generally weak with the other parts of global economy. It was thought that many African countries will not be impacted by the crisis, at least not in the early stages. In the recent years, there has been an increased interest for Africa by other Asian countries such as China. Since the financial crisis struck western nations, Africa has enjoyed an increase positive trade.² The hope for Africa was short-lived unfortunately. In the May of 2009, International Monetary Fund (IMF) warned that Africa's economic growth will fall due to global economic downturn. IMF predicted that the growth in Sub-Saharan Africa will slow down to 1.5% for the year 2009, below the rate of population growth.³

But if the following question is asked, what happened with countries that have large trade with U.S.A? If the African continent did not have a large trade with U.S.A, another part of the globe i.e. Latin America depends on the trade with U.S.A (as it absorbs half of the exports of Latin America). The effects of U.S. financial crisis will be also felt in Latin America. As such, this will hinder the economic growth for a long time. Because of its proximity to the U.S. and its close relationship to oil agreements and other agreements, Mexico is expected to have one of the lowest rates of growth in the coming years.

Even though, many funds were created by various Governments, the crisis and its consequences are obvious even today, in all of the continents, somewhere more and other places less.

3. The Effects of the Financial Crisis on the Labor Market

Between the start of the economic and financial crisis in 2008, and early 2010, almost four million jobs were lost in the eurozone area. Employment began to rise again in the first half of 2011, but declined once more at the end of that year and remains at around three million workers below the pre-crisis level.⁴ In the year of 2012, the world was facing a stark reality: one in three works in the labor force is currently unemployed. International Labor Organization predicts a deterioration of the employment for the youth. According to this organization, young people will

¹ Shah, Anup (2013). *Global Financial Crisis, March 24*; <http://www.globalissues.org/article/768/global-financial-crisis>.

² Burimi. *IMF Middle East, North Africa Weathering Global Crisis*; <http://www.imf.org/external/pubs/ft/survey/so/2009/car051009a.htm>.

³ Burimi (2009). *IMF Push for More Help for Africa, May 20*. BBC; <http://news.bbc.co.uk/2/hi/business/8058993.stm>.

⁴ Euro Area Labour Markets and the Crisis, page 8, October 2012.

have three times more chances to be unemployed in comparison with older people. There are 75 million young people seeking employment in the entire world.¹

For the fourth consecutive year, global unemployment remained high. In the 2011, there were more than 197 million unemployed worldwide, a figure unchanged since last year, and it is still almost 27 million more than in 2007. The Number of unemployed around the world grew 5 million eight hundred thousand in 2008 and then rose by more than 21 million in 2009. This was an increase from a rate of 5.5 percent to 6.2 percent. Global unemployment remains stuck at a rate of about 6.0 percent, despite rapid economic growth of 5.1 percent in 2010 and 4 percent in 2011. In United States, the unemployment fell to 8.9% in the first quarter of 2011 from 9.6% in the fourth quarter of 2010. Government employment figures for April were also encouraging. However, GDP growth fell to 1.7% (annual rate) in 2011Q1, from 3.1% in 2010Q4.²

While production in European Union rose by only 0.9% in 2010Q4 (the latest available period), from 2.0% in Q3 and 4.1% in Q2. Unemployment also remained at 9.6 for the fourth consecutive quarter of 2010 (see chart 1).

Japan's GDP growth turned negative in 2010Q4, but when it was expected to rise in 2011Q1, fell back due to the earthquake and tsunami that struck this country (see Graph 1). Table 1 as shown below reflects GDP rates associated with unemployment graphs.

Table 1. Percentage of GDP (2007-2012)³

GDP 2007-2012 (%)

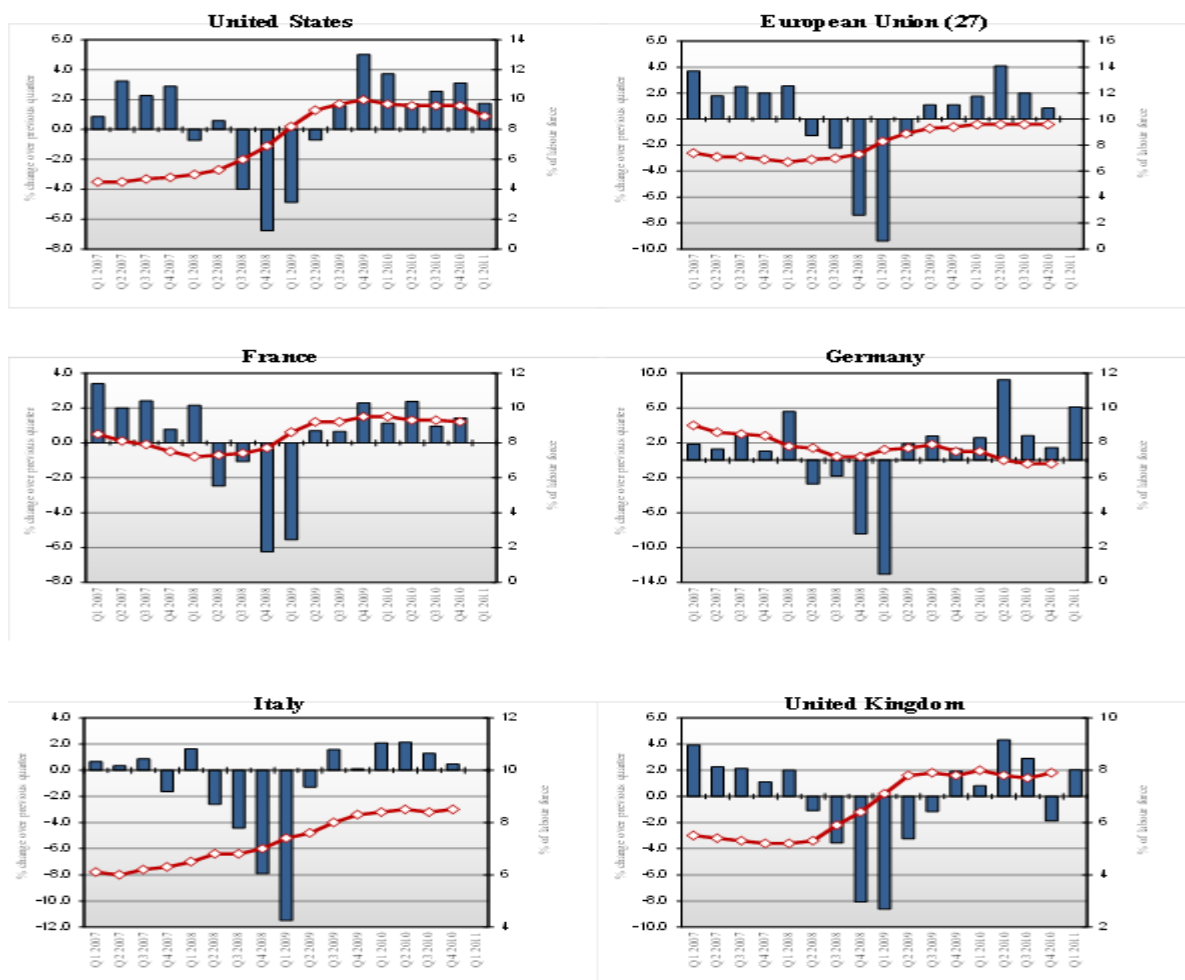
| Country | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
|----------------|------|------|------|------|------|------|
| Algeria | 3.0 | 2.4 | 2.4 | 3.3 | 2.4 | 2.6 |
| Argentina | 7.9 | 3.8 | -2.9 | 8.2 | 5.0 | 2.5 |
| Australia | 4.7 | 2.5 | 1.4 | 2.5 | 2.1 | 3.2 |
| Austria | 3.7 | 1.4 | -3.8 | 2.1 | 2.7 | 0.8 |
| Belgium | 2.9 | 1.0 | -2.8 | 2.4 | 1.8 | -0.2 |
| Brazil | 6.1 | 5.2 | -0.3 | 7.5 | 2.7 | 1.0 |
| Canada | 2.2 | 0.7 | -2.8 | 3.2 | 2.4 | 2.0 |
| Chile | 5.2 | 3.3 | -1.0 | 6.1 | 6.0 | 5.2 |
| China | 14.2 | 9.6 | 9.2 | 10.4 | 9.2 | 7.8 |
| Colombia | 6.9 | 3.5 | 1.7 | 4.0 | 5.9 | 4.3 |
| Cyprus | 5.1 | 3.6 | -1.9 | 1.3 | 0.5 | -2.3 |
| Czech Republic | 5.7 | 3.1 | -4.5 | 2.5 | 1.9 | -1.3 |
| Denmark | 1.6 | -0.8 | -5.7 | 1.6 | 1.1 | 0.6 |

¹ Report: Global Employment Trends 2013, page 56; http://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/---publ/documents/publication/wcms_202326.pdf.

² Report on G20 Trade Measures, pg. 35; Mid-October 2010 to April 2011.

³ Global Labor Market Situation, pg. 34; <http://www.ilo.org>.

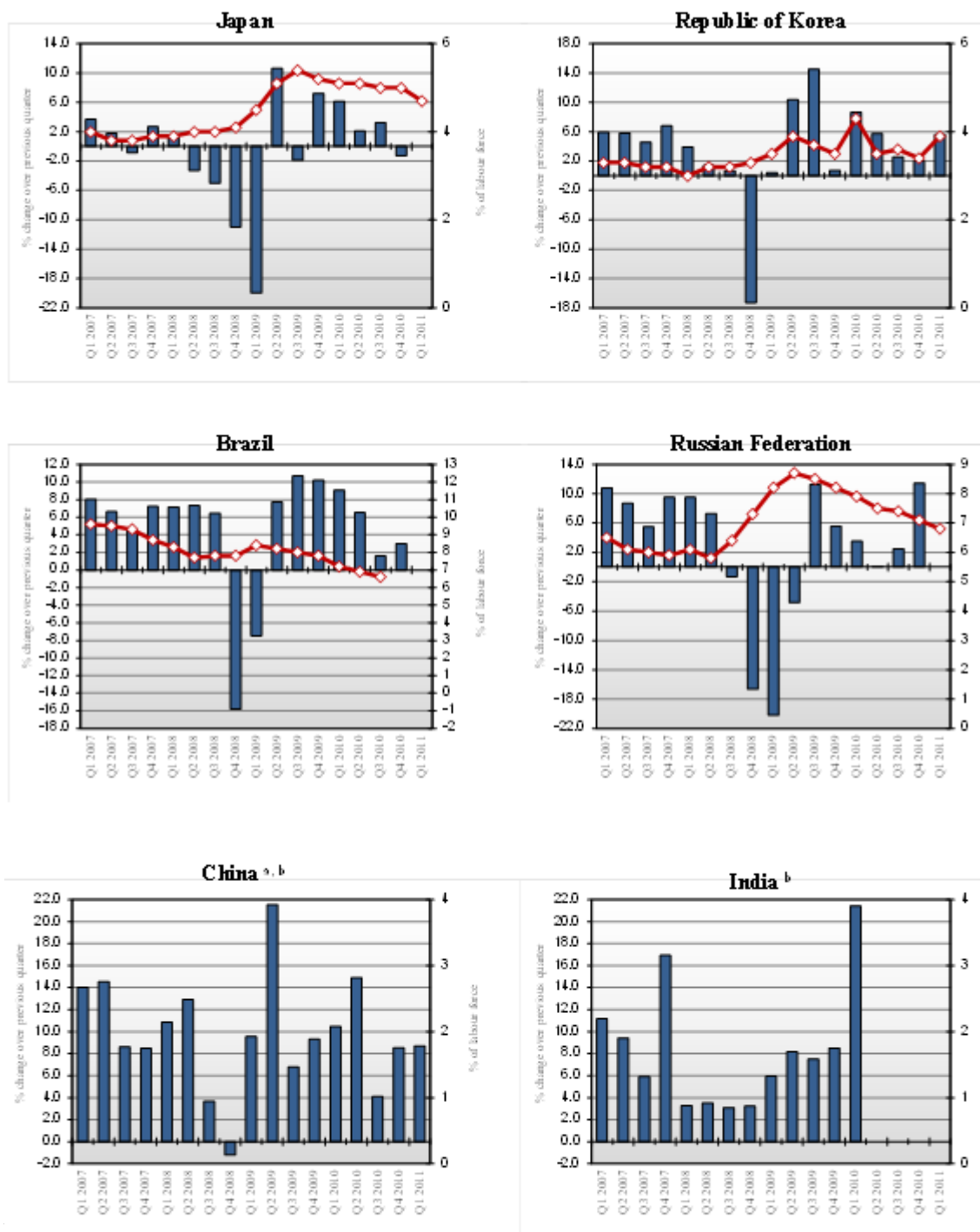
| | | | | | | |
|----------------------|------|------|------|------|------|------|
| Egypt | 7.1 | 7.2 | 4.7 | 5.1 | 1.8 | 2.0 |
| Finland | 5.3 | 0.3 | -8.5 | 3.3 | 2.7 | 0.1 |
| France | 2.3 | -0.1 | -3.1 | 1.7 | 1.7 | 0.2 |
| Germany | 3.3 | 1.1 | -5.1 | 4.2 | 3.0 | 0.7 |
| Greece | 3.5 | -0.2 | -3.1 | -4.9 | -7.1 | -6.0 |
| Hong Kong | 6.4 | 2.3 | -2.7 | 7.0 | 5.0 | 1.8 |
| Hungary | 0.1 | 0.9 | -6.8 | 1.3 | 1.6 | -1.2 |
| Iceland | 6.0 | 1.2 | -6.6 | -4.0 | 2.6 | 2.7 |
| India | 9.3 | 6.7 | 8.4 | 8.4 | 6.5 | 5.5 |
| Indonesia | 6.3 | 6.0 | 4.6 | 6.1 | 6.5 | 5.8 |
| Iran | 6.4 | 0.6 | 3.9 | 5.9 | 2.0 | -0.9 |
| Ireland | 5.4 | -2.1 | -5.5 | -0.8 | 1.4 | 0.4 |
| Israel | 5.9 | 4.1 | 1.1 | 5.0 | 4.6 | 3.1 |
| Italy | 1.7 | -1.2 | -5.5 | 1.8 | 0.4 | -2.3 |
| Japan | 2.2 | -1.0 | -5.5 | 4.7 | -0.6 | 0.6 |
| Luxembourg | 6.6 | -0.7 | -4.1 | 2.9 | 1.7 | 0.4 |
| Malaysia | 6.3 | 4.8 | -1.5 | 7.2 | 5.1 | 4.4 |
| Malta | 4.1 | 3.7 | -2.4 | 2.7 | 1.6 | 1.0 |
| Mexico | 3.4 | 1.2 | -6.3 | 5.6 | 3.9 | 3.9 |
| Morocco | 2.7 | 5.6 | 4.9 | 3.7 | 4.9 | 2.9 |
| Netherlands | 3.9 | 1.8 | -3.7 | 1.6 | 1.0 | -0.3 |
| New Zealand | 2.9 | -1.1 | 0.8 | 0.9 | 0.5 | 1.6 |
| Nigeria | 7.0 | 6.0 | 7.0 | 8.0 | 7.4 | 7.1 |
| Norway | 2.7 | 0.1 | -1.6 | 0.5 | 1.2 | 3.1 |
| Pakistan | 6.8 | 3.7 | 1.7 | 3.1 | 3.0 | 3.7 |
| Poland | 6.8 | 5.1 | 1.6 | 3.9 | 4.3 | 2.4 |
| Portugal | 2.4 | 0.0 | -2.9 | 1.9 | -1.6 | -3.0 |
| Russian Federation | 8.5 | 5.2 | -7.8 | 4.3 | 4.3 | 3.7 |
| Saudi Arabia | 2.0 | 4.2 | 0.1 | 5.1 | 7.1 | 6.0 |
| Singapore | 8.9 | 1.7 | -1.0 | 14.8 | 4.9 | 2.1 |
| Country | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
| South Africa | 5.5 | 3.6 | -1.5 | 2.9 | 3.1 | 2.6 |
| South Korea | 5.1 | 2.3 | 0.3 | 6.3 | 3.6 | 2.2 |
| Spain | 3.5 | 0.9 | -3.7 | -0.3 | 0.4 | -1.4 |
| Sweden | 3.3 | -0.6 | -5.0 | 6.6 | 3.7 | 1.1 |
| Switzerland | 3.8 | 2.2 | -1.9 | 3.0 | 1.9 | 1.0 |
| Taiwan | 6.0 | 0.7 | -1.8 | 10.8 | 4.1 | 1.3 |
| Thailand | 5.4 | 1.6 | -1.1 | 7.5 | 0.1 | 5.6 |
| Turkey | 4.7 | 0.7 | -4.8 | 9.2 | 8.5 | 3.3 |
| United Arab Emirates | 6.5 | 5.3 | -4.8 | 1.3 | 5.2 | 4.0 |
| United Kingdom | 3.6 | -1.0 | -4.0 | 1.8 | 0.8 | -0.3 |
| United States | 1.9 | -0.3 | -3.1 | 2.4 | 1.8 | 2.2 |
| Venezuela | 8.8 | 5.3 | -3.2 | -1.5 | 4.2 | 5.8 |



Graph 1. GDP and the Unemployment Rate (2007-2011)¹

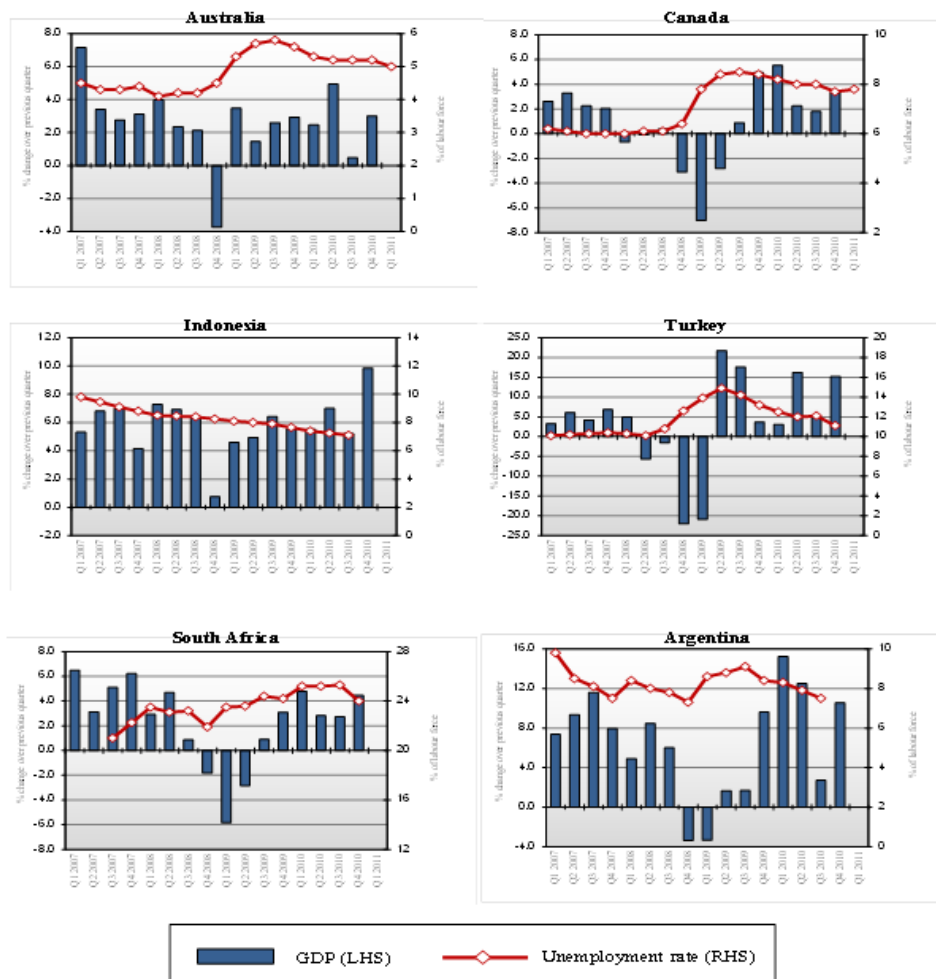
Source: International Global Organization

¹ Report on G20 Trade Measures, pg. 27; Mid-October 2010 to April 2011.



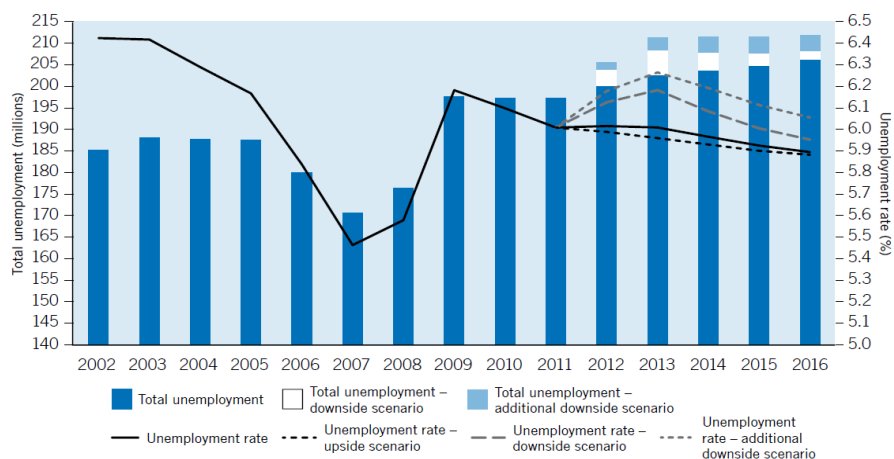
a GDP growth estimated based on year-on-year changes reported by China's National Bureau of Statistics.

b Unemployment data not available.



Graph 1. GDP and the Unemployment Rate (Continued)

In graph no.2, we have presented the total number of unemployed in the world for the period 2002-2013. Data from 2013 are projected.



Graph 2. Rate of Unemployment in the World (Expressed in Millions and %)¹

Source: International Labor Organization

Based on the graph, we can see the effects of crisis on the labor market. The unemployment rate starts to rise significantly from 2007 and onwards. Fifty-five percent of the total increased global unemployment between 2007 and 2010 has occurred in the developed economies and the EU region, and the employment in the industry declined by 9.5 million between the 2007 and 2009.

Something disturbing to unemployment is the number of young people who are unemployed in the world. Only in 2011, 74 million young people aged 15-24 were unemployed. This was an increase of more than 4 million since 2007².

Massive increase in youth unemployment that occurred in developed economies and European Union region during the crisis was accompanied by a significant drop in the labor force of young people as participants in the labor market. In turn, this showed widespread discouragement among youth. Within the European Union, youth unemployment increased more than in any other region in 2009, and one in five economically active young people were unemployed in the region in the year of 2010.³

In the countries of Latin America and Caribbean Islands, after a contraction of GDP growth in 2009, economic growth expanded strongly in 2010. In contrast to many worlds' regions, the labor market in East Asia has recovered relatively

¹ *Global Labor Market Situation*, pg. 34; <http://www.ilo.org>.

² Report: Global Employment Trends 2013: Recovering from a Second Jobs Dip; http://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/publ/documents/publication/wcms_202326.pdf.

³ *Global Employment Trends 2011, The Challenge of a Jobs Recovery (ILO)*; Geneva, 2011; http://www.ilo.org/wcmsp5/groups/public/@dgreports/@dcomm/@publ/documents/publication/wcms_150440.pdf.

quickly. However, youth unemployment remains a major challenge because the rate of youth unemployment was 8.9 percent in 2010. This was 2.5 times higher than the adult rate. While in the Middle East, the decline in regional unemployment rate was interrupted by the global economic crisis. The estimates for 2010 showed a 25.4 percent a level of unemployment, which is the highest regional rate in the world. While in 2010, there were about 23.1% of unemployed active young people for work in North Africa

Table 2. Global Unemployment and Unemployment Rates (15-24), Adults (25 +) and Total (15 +), 2007-2012¹

| | 2007 | 2008 | 2009 | 2010 | 2011 | 2012p |
|---------------------------------|-------|-------|-------|-------|-------|-------|
| Youth Unemployment (millions) | 70.3 | 70.8 | 75.4 | 74.8 | 74.5 | 74.6 |
| Adults Unemployment (millions) | 99.7 | 104.6 | 121.2 | 121.1 | 121.5 | 127.9 |
| Total Unemployment (millions) | 169.9 | 175.3 | 196.6 | 195.9 | 196.0 | 202.4 |
| The rate of youth unempl. (%) | 11.6 | 11.7 | 12.6 | 12.7 | 12.6 | 12.7 |
| The rate of adults' unempl. (%) | 4.0 | 4.1 | 4.7 | 4.6 | 4.5 | 4.7 |
| Total unemployment rate (%) | 5.4 | 5.5 | 6.2 | 6.1 | 6.0 | 6.1 |
| Rep. unemployed. Youth/Adults | 2.9 | 2.9 | 2.7 | 2.8 | 2.8 | 2.7 |

Source: International Labor Organization

Table 3. Youth Unemployment Rate 2007 -2016, from Different Regions (%)²

| | 2007 | 2008 | 2009 | 2010 | 2011 | 2012p | 2013p | 2014p | 2015p | 2016p |
|-----------------------------------------------------|------|------|------|------|------|-------|-------|-------|-------|-------|
| World | 11.6 | 11.7 | 12.6 | 12.7 | 12.6 | 12.7 | 12.7 | 12.7 | 12.7 | 12.7 |
| Developed Economies and European Union | 12.5 | 13.3 | 17.3 | 18.1 | 18.0 | 18.0 | 17.7 | 17.2 | 16.5 | 16.0 |
| Central and South Eastern Europe (without EU) & CIS | 17.5 | 17.0 | 20.5 | 19.4 | 17.6 | 17.5 | 17.6 | 17.5 | 17.5 | 17.5 |
| East Asia | 8.0 | 9.1 | 9.3 | 8.9 | 9.0 | 9.3 | 9.4 | 9.6 | 9.7 | 9.8 |
| South-East Asia and Pacific | 14.9 | 14.2 | 13.9 | 13.6 | 13.5 | 13.7 | 14.0 | 14.2 | 14.2 | 14.3 |
| South Asia | 9.0 | 8.6 | 9.1 | 10.2 | 9.8 | 9.8 | 9.7 | 9.7 | 9.8 | 9.8 |

¹ Report: Global Employment Trends for Youth 2012, p. 43; http://www.ilo.org/wcmsp5/groups/public/---dgreports/-dcomm/documents/publication/wcms_180976.pdf.

² Yes, there, p. 43.

| | | | | | | | | | | |
|---------------------------|------|------|------|------|------|------|------|------|------|------|
| Latin America & Caribbean | 14.1 | 13.7 | 15.6 | 14.5 | 14.3 | 14.3 | 14.4 | 14.5 | 14.5 | 14.6 |
| Middle East | 24.8 | 25.7 | 25.2 | 25.4 | 26.5 | 26.9 | 27.5 | 28.0 | 28.6 | 29.0 |
| North Africa | 23.8 | 23.0 | 23.6 | 23.1 | 27.9 | 27.8 | 27.6 | 27.3 | 26.9 | 26.7 |
| South Africa | 11.5 | 11.5 | 11.5 | 11.4 | 11.5 | 11.5 | 11.5 | 11.4 | 11.4 | 11.4 |

Based on unemployment rate, Albania is ranked fifth in the region after Macedonia (33%), Bosnia and Herzegovina (24%), Serbia (17.4%) and Turkey (14%). Meanwhile, after Albania (13%) is ranked: Montenegro (11%), Greece (9.4%) and Croatia (9.2%). By doing a timing analysis from the table (see table 4), we can see that the country with the drastic reduction of the unemployment rate during the last decade is Montenegro. However, the country with the largest increase of unemployment appears to be Turkey.

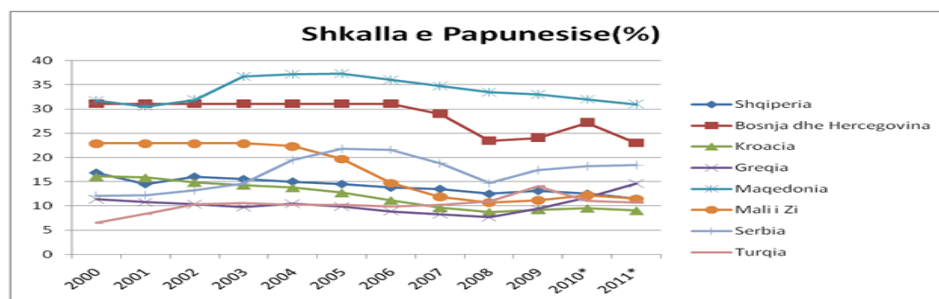
Table 4. Unemployment Rate for the Albania and the Region (%)¹

| Country | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 ² | 2011* |
|------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|-------------------|--------|
| Albania | 16.8 | 14.5 | 16 | 15.5 | 15 | 14.5 | 13.78 | 13.5 | 12.5 | 13.1 | 12.5 | 11.5 |
| Bosnia and Herzegovina | 31.096 | 31.096 | 31.096 | 31.096 | 31.096 | 31.096 | 31.096 | 29.013 | 23.408 | 24.068 | 27.202 | 23 |
| Croatia | 16.077 | 15.841 | 14.831 | 14.282 | 13.769 | 12.708 | 11.129 | 9.583 | 8.7 | 9.2 | 9.5 | 9 |
| Greece | 11.35 | 10.75 | 10.325 | 9.725 | 10.492 | 9.9 | 8.892 | 8.292 | 7.683 | 9.375 | 11.756 | 14.622 |
| Macedonia | 31.727 | 30.515 | 31.944 | 36.687 | 37.161 | 37.3 | 36.025 | 34.741 | 33.46 | 33 | 32 | 31 |
| Montenegro | n/a | n/a | n/a | 22.9 | 22.3 | 19.7 | 14.7 | 11.9 | 10.7 | 11.2 | 12.2 | 11.5 |
| Poland | 16.098 | 18.264 | 19.942 | 19.643 | 18.974 | 17.745 | 13.84 | 9.603 | 7.118 | 8.166 | 9.836 | 9.167 |
| Rumania | 10.884 | 9.362 | 9.467 | 7.592 | 6.7 | 5.767 | 5.425 | 4.308 | 3.975 | 6.275 | 7.205 | 7.105 |
| Serbia | 12.1 | 12.2 | 13.28 | 14.63 | 19.5 | 21.8 | 21.6 | 18.8 | 14.7 | 17.4 | 18.208 | 18.407 |
| Turkey | 6.497 | 8.335 | 10.333 | 10.495 | 10.25 | 10.203 | 9.856 | 10.244 | 10.945 | 14.028 | 11 | 10.658 |

Source: IMF

¹ IMF; <http://www.imf.org/external/data.htm>.

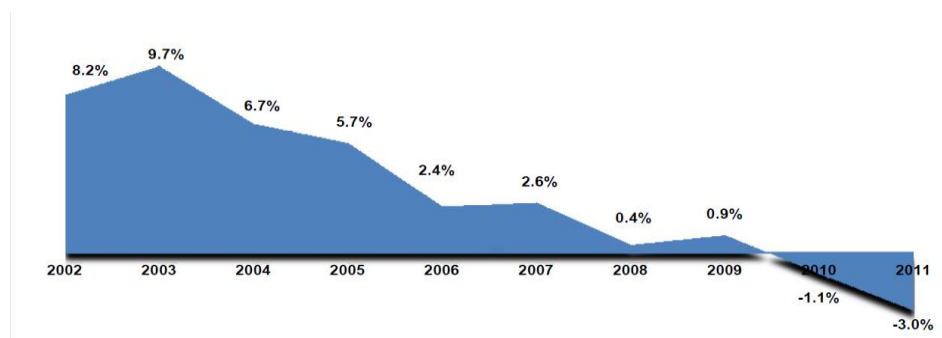
²Note: *IMF evaluations.



Graphic 3. Unemployment Rate for Albania and the Other Regional Countries

Source: IMF

Regarding Albania and Kosovo, administrative data are the only available source for tracking labor market developments in the past two years. In Albania (which publishes quarterly data only), the number of registered unemployed has remained constant throughout 2011. However, in Kosovo, the registered unemployment rate was stable until December 2011 when it began to decline sharply. But, this was mainly due to administrative changes (digitization of unemployment database).



Graphic 4. Registered Unemployment in the Republic of Kosovo¹

Source: Ministry of Labor and Social Welfare

According to public employment services (PES) in Kosovo, the accumulated number of registered unemployed accounts for 325,261 until the end of 2011. Given data show decline for the second time of -3.0% for 12 months. Thus, this is a quite significant indicator if compared with the results of the 12 months of growth from 2009. However, it is still far below the results of previous years (see graph.4).

According to the results of the Labor Force Survey published by the KAS (Kosovo Agency of Statistics), the unemployment rate in Kosovo on the first half of 2012 was 35.1 percent. Based on the results presented, the unemployment rate is higher

¹ Yearly report, p. 13; 2011.

in rural areas (40.1 percent) compared to urban areas (28.5 percent), and unemployment is higher among woman's (44.4 percent) than men (32.0 percent). The main concern and the high level of unemployment among young people aged between 15-24 (65.1 percent).¹

Table 5. Employment and Unemployment Rate in Kosovo (%)²

| | Employment Rate³ | Unemployment Rate⁴ |
|---------------|------------------------------------|--------------------------------------|
| Kosovo | 23.9% | 35.1 % |
| Urban | 29.8% | 28.5% |
| Rural | 20.2% | 40.1% |
| Male | 37.0% | 32.0% |
| Female | 10.3% | 44.4% |
| Youth | 9.0% | 60.2% |

Source: Kosovo Agency of Statistics (from January to June 2012)

3.1. The Impact of Financial Crisis on the Import and Export of Goods

Among developed countries, the exports in United States continue to grow at a faster rate than those from Japan. The latter has been affected by supply disruptions due to natural disasters that occurred in 2011.⁵

In the EU, the intra-regional trade that accounts for a large part of the trade among the member states has suffered as a result of the current economic recession of the region. Looking at a longer period specifically since 2006, the trade volume of member states has almost stagnated in the first months of 2012 in comparison with the year of 2006. As such, EU exports were only 8 percent higher and imports were approximately at the same level.

¹ Centralna Banka Republike Kosova. Balance of Payments Report, p. 12; http://www.bqk-kos.org/repository/docs/2013/CBK_BOP_No._12_2013.pdf.

² KSA (2012). *Labor Force Survey 2012. Results for the First Half of 2012*, p. 2012; http://esk.rks-gov.net/ENG/publikimet/doc_view/1081-labour-force-survey-2012-results-for-the-first-half-of-2012?tmpl=component&format=raw.

³ Labour Force Participation Rate - the percentage of the population of working age (15-64 years) who are in the Labour Force.

⁴ Unemployment rate – percentage of unemployed persons in the active population aged 15 to 64 years.

⁵ Report by the secretariat of the United Nations Conference on Trade and Development, 2012; (pg. 7) (http://unctad.org/en/PublicationsLibrary/tdr2012_en.pdf).

Faced with weak external demand from developed countries and increased global uncertainties, export growth in developing countries and of those economies in transition have also registered a slowdown to 7 percent and 6 percent respectively in 2011.

However, such slowdown has continued also in 2012 due to near to zero growth in imports in Europe. The latter is the largest trading partner for many developing countries. Some Asian developing countries will be most affected by sluggish demand from developed countries. This occurs as their exports mainly manufacturing are highly dependent on the markets of developed countries.

South Asia and West Asia have been exceptions, because their exports have increased in 2011. But, this is somewhat misleading, as this increase was from the low levels in 2010, when some major economies in these regions such as India and Turkey managed to pass over the levels that both had recorded in 2008.

In other developing regions and in the economies in transition, the export figures were slowed during the first half of 2011. However, the prospects looks good for 2012. These countries have benefited from significant gains of the trade terms in 2011, as the purchasing power of their exports has increased above what their volume would allow. The opposite has happened in most Asian countries, where the volume of imports grew more slowly as opposed to exports' volume.

Table 4. Export and Import Volume of Goods in Selected Regions and Countries, 2008-2011¹ (Annual Change in Percentage)

| Region/Country | Export Volume | | | | Import Volume | | | |
|-----------------------------------------|---------------|-------|------|------|---------------|-------|------|------|
| | 2008 | 2009 | 2010 | 2011 | 2008 | 2009 | 2010 | 2011 |
| World | 2.4 | -13.1 | 13.9 | 5.9 | 2.5 | -13.4 | 14.1 | 5 |
| Developed Countries | 2.5 | -15.2 | 13.2 | 5.1 | -0.2 | -14.5 | 11 | 3.5 |
| Japan | 2.3 | -24.9 | 27.5 | -0.4 | -0.6 | -12.4 | 10.1 | 1.9 |
| United States | 5.5 | -14.9 | 15.3 | 7.2 | -3.7 | -16.4 | 14.8 | 3.8 |
| European Union | 2.4 | -14.3 | 12 | 6 | 0.8 | -14.2 | 10 | 3.2 |
| Economies in Transition | -0.2 | -14.4 | 11.5 | 6 | 15.5 | -28.6 | 15.5 | 17 |
| CIS | -2.6 | -11.4 | 13.3 | 2.3 | 22 | -32.5 | 18.2 | 19.1 |
| Developing Countries | 3.2 | -9.7 | 15.4 | 7 | 6.6 | -9.9 | 19.2 | 6.2 |
| Africa | -3.1 | -9.7 | 8.7 | -5.1 | 10.6 | -3.9 | 7.1 | 3.9 |
| South Africa | -4.1 | -8 | 10.2 | 2.9 | 3.2 | -4.4 | 8.8 | 7 |
| Latin America and the Caribbean Islands | -0.3 | -11 | 10.3 | 3.4 | 8.5 | -17.9 | 23.3 | 7.1 |
| East Asia | 7.3 | -10.6 | 23.8 | 9.9 | 0.4 | -5.3 | 25 | 7.5 |
| China | 10.6 | -13.9 | 29 | 12.8 | 2.3 | -1.8 | 30.8 | 10.6 |

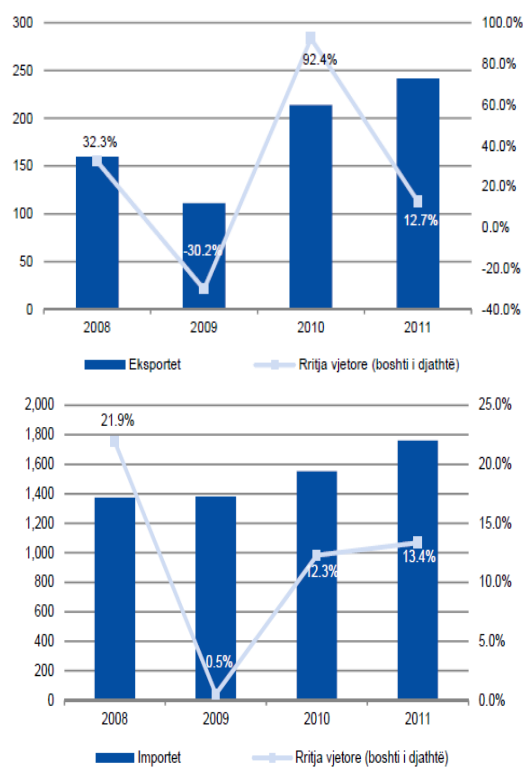
¹ The Unctad Handbook of Statistics 2012, p. 14; http://unctad.org/en/PublicationsLibrary/tdstat37_en.pdf.

| | | | | | | | | |
|--------------|------|-------|------|------|------|-------|------|-----|
| South Asia | 6.8 | -6 | 6 | 9.1 | 20.9 | -5.6 | 13.9 | 4.1 |
| India | 16.8 | -6.6 | 5.9 | 13.7 | 29.7 | -0.8 | 13.8 | 5.3 |
| South-East | 1.6 | -10.9 | 18.8 | 4.5 | 8 | -16.3 | 21.9 | 6.1 |
| Western Asia | 4.4 | -1.1 | 2.6 | 12.7 | 12.5 | -11.5 | 5.4 | 3.8 |

Source: United Nations Conference on Trade and Development

Even the poor economy of our country was certainly affected from the financial crisis. Ongoing increase of the trade exchanges between Kosovo and other countries has impacted the degree of trade openness (measured as the sum of exports and imports relative to GDP) to record an upward trend in recent years (57.4 per cent by September 2011, 55.9 percent until September 2010). The high dependence of the Kosovo's economy on imports made that the level of imports in the country to be significantly higher than the level of exports. Consequently, the coverage of imports with exports continues to remain at a relatively low level (13.7 percent), a level not much changed from the same period of the last year. By September 2011, Kosovo's trade balance recorded a deficit of 1.5 billion euros (43.6 percent of GDP), which represents an annual increase of 13.4 percent. In the export structure of Kosovo, base metals continue to be the dominant category with a share of 62.1 percent. By September 2011, Kosovo's imports reached a value of 1.76 billion Euros. This represented an annual increase of 13.4 percent. However, the nominal growth of 13.4 percent reflects the increase in prices of imported products, respectively the increase of the oil prices. The annual real growth of imports until September 2011 was only about 4 percent.

The structure of Kosovo's imports continues to remain similar with to the previous years. The largest category of imports continues to be represented by mineral products, which until September of 2011 increased their share to 21.5 percent, compared with 19.6 percent in September of the 2010. In the context of mineral products, Kosovo mostly imports fuel and ceramic products.



Graph 5. Exports and Imports in Kosovo (in mil. euro and %)¹

Source: Kosovo's Central Bank

The second category of share to total imports of Kosovo consists of food and beverage products which recorded a turnout of 12.2 percent. This was followed by machinery and equipment which were represented 10.1 percent of total imports in Kosovo (up 13.4 percent in September 2010). Machinery and equipment until September 2011 reached a value of 178.4 million euros, which represents a yearly decrease of 14.2 percent.²

The other important category of imported products in Kosovo consists of base metals, which recorded a share of 9.4 percent (8.9 percent until 2010).

The current account deficit in Kosovo during 2012 decreased significantly, reaching a level of 379.4m euros, a level which compared to 2011 represents a decrease of 42.4 percent. Substantial decrease of the current account deficit is largely influenced by which imports during 2012 were lower by 1.0 percent

¹ The Report of Balance of Payments (Central Bank of Kosovo) p. 14, March 2012.

² Yes there, p. 17.

compared with the previous year. Also, the increase in exports of services in 2012 led to a lower current account deficit.¹

4. Conclusion

The financial crisis that erupted in 2008 had a substantial impact on the labor market and income for citizens all over the world. The crisis affected directly or indirectly many of world's regions. The causes that led to the financial crisis are numerous and widely quoted in the literature and media worldwide but what characterized this crisis is:

- the speed at which the crisis spread from the United States of America towards other countries, especially in Europe;
- its global spread in comparison with other crises, which have been concentrated in a country or a limited region.

It's worth noting that the timing and the density of crisis continues to have a heterogeneous impact between countries. Some countries risked their bankruptcy (Greece and other countries of Southern Europe), while others handled crisis due to austerity measures that were taken. Though, almost five years have passed since the beginning of this crisis, the economy of all countries that were affected by the crisis continues to be in an ongoing recession with direct effects on unemployment, export, import, and foreign direct investment. As such, the crisis can be historically compared with the Great Depression due to its overall impact.

As a result of the crisis, many companies and industries have collapsed, and thus having a direct impact on the labor market. We can see that since the beginning of the crisis in 2008, unemployment in the EU has increased for about 2.1% (August 2008-August 2011). At the same time, across the ocean, in the United States of America, the level of unemployment rate after the measures that were taken remains relatively high (7.8% in September 2012). But, this has a tendency to decrease and be significantly lower than in the EU member states.

It can be concluded that the financial crisis, which has gripped the continent has fundamentally changed the role of economic and political actors. One of the fundamental issues in democratic countries is the role a country should or should not play in a market economy.

¹ Centralna Banka Republike Kosova. Annual Report 2012, p. 77; <http://www.bqk-kos.org/repository/docs/2013/BQK-RV-2012.pdf>.

6. References

- (2009). IMF Push for More Help for Africa. *BBC*, May 20; <http://news.bbc.co.uk/2/hi/business/8058993.stm>.
- (2011). *Raporti vjetor/ Annual Report*, p. 13; (MPMS); <http://mpms.rks-gov.net/sq-al/publikimet.aspx>.
- (2011). The Challenge of a Jobs Recovery. *Global Employment Trends 2011*, (ILO). Geneva; http://www.ilo.org/wcmsp5/groups/public/@dgreports/@dcomm/@publ/documents/publication/wcms_150440.pdf.
- (2012). OECD iLibrary; http://www.oecd-ilibrary.org/economics/oecd-factbook-2013/outflows-and-inflows-of-foreign-direct-investment_factbook-2013-table85-en.
- (2012). *Report by the Secretariat of the United Nations Conference on Trade and Development*, page 7; http://unctad.org/en/PublicationsLibrary/tdr2012_en.pdf.
- American International Group; http://www.aig.com/about-us_3171_437773.html.
- Clifford, Catherine & Isidore, Chris (2008). *The Fall of IndyMac*, July 13; http://money.cnn.com/2008/07/12/news/companies/indymac_fdic/.
- Fassin, Y. & Gosselin, D. The Collapse of a European Bank in the Financial Crisis: An Analysis from Strategic, Stakeholder, Ethical and Governance Perspectives. *Global Financial Crisis*; <http://www.globalissues.org/article/768/global-financial-crisis#Asiaandthefinancialcrisis>.
- Global Labor Market Situation*, page 34; <http://www.ilo.org>.
- Harvard Business School. *History of Lehman Brothers*; <http://www.library.hbs.edu/hc/lehman/history.html>.
- House of Commons Treasury Committee (2009). *Banking Crisis: Dealing with the Failure of the UK Banks*, 21 April, fq14; <http://www.publications.parliament.uk/pa/cm200809/cmselect/cmtreasy/416/416.pdf>.
- International Monetary Fund; <http://www.imf.org/external/data.htm>.
- Kristof, Kathy M. & Chang, Andrea. Federal Regulators Seize Crippled Indymac Bank; <http://articles.latimes.com/2008/jul/12/business/fi-indymac12>.
- Middle East, North Africa Weathering Global Crisis*; <http://www.ilo.org/global/topics/youth-employment/lang--en/index.htm>.
- Sidel, Robin; Berman, Dennis K. & Kelly, Kate (2008). *J. P. Morgan Buys Bear in Fire Sale, As Fed Widens Credit to Avert Crisis*, March 17; <http://online.wsj.com/article/SB120569598608739825.html>.
- Soros, George. *America Must Lead a Rescue of Emerging Economies*; http://www.georgesoros.com/articlesessays/entry/america_must_lead_a_rescue_of_emerging_economies.
- The Collapse of Lehman Brothers*; <http://www.investopedia.com/articles/economics/09/lehman-brothers-collapse.asp>.
- The Conference Board, Trusted Insights for Business Worldwide; <http://www.conference-board.org/data/globaloutlook.cfm>.
- United Nations Conference on Trade and Development; http://unctadstat.unctad.org/ReportFolders/reportFolders.aspx?sCS_referer=&sCS_ChosenLang=en.