

THE CRISIS HITS HOME

Stress-Testing Households in Europe and Central Asia

Erwin R. Tiongson, Naotaka Sugawara, Victor Sulla,
Ashley Taylor, Anna I. Gueorguieva,
Victoria Levin, and Kalanidhi Subbarao



THE WORLD BANK

Washington, D.C.

Contents

<i>Acknowledgments</i>	<i>ix</i>
<i>Abbreviations</i>	<i>xi</i>
Executive Summary	xiii
A. Objectives of the Study	xiii
B. Main Findings	xv
Chapter 1 Macroeconomic Shocks	1
A. Introduction	1
B. Macro Shocks and Household Welfare: Framework	1
C. External Shocks and Transmission Channels	3
D. Context: Macroeconomic Strengths and Vulnerabilities	6
E. Shocks to Household Welfare	11
Chapter 2 Household Vulnerabilities	21
A. Introduction	21
B. Context: Poverty and Vulnerability in the Pre-Crisis Period	22
C. Shocks to Household Welfare: Empirical Strategy	23
D. Households and Credit Market Shocks	24
E. Households and External Price Shocks	38
F. Households and Income Shocks	46
Chapter 3 Coping with the Crisis	53
A. Introduction	53
B. Household Responses: Lessons from the ECA Experience	53
C. Context: Policy Response, Government Resources, and Constraints	55
D. Immediate Policy Responses: Some Illustrations	57
E. Longer-Term Policy Responses	61
Appendix	65
References	75
Notes	79