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# The Financial Contagion of Crisis

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# Introduction

What is the Contagion?

- The traditional contagion mean when somebody sneeze the others my get risk to be sick, and that is mean the epidemic contagion ( Infection).
- The same thing happen in the economic of regions and countries, so when financial health of a country's suffers the malaise tend to spread to other countries, and we call this financial contagion.
- So the contagion effect have explain the possibility of spread of financial crisis across countries

# Concept Of Financial Contagion In Crisis

- In spite of the increasing procedures that were taken by the countries which suffered from the crisis and the countries to which the crisis moved, the world faced many financial and economic crisis.
- The important causes of this increasing are:

1- The financial liberation.

2- The financial globalization.

3- Various types of openness.

- These causes and other facilitated the emergence of financial contagion phenomenon.

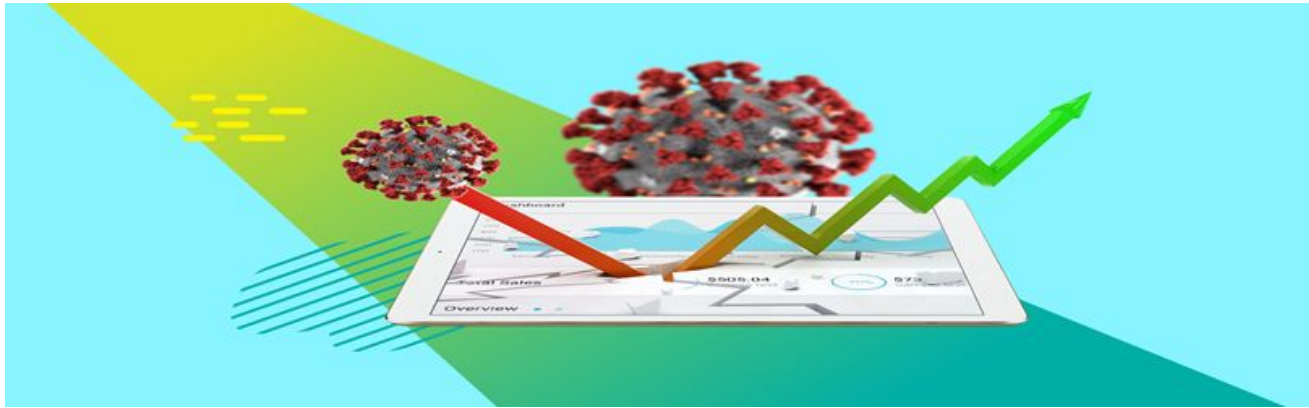
# History Of The Financial Contagion

- The financial crisis are frequent cases and no scenarios can be prepared to stop them, so it is increase through the time.
- The term financial contagion was introduced in 1997 during the currency crisis in Thailand.

This crisis quickly spread in many countries (East Asia, Russia, Brazil, North America .... Etc.)

- This crisis is one of the five big crisis which they happened in the last hundred year in the world. The other big crisis are:

- 1- The great depression of 1929-1932
- 2- The OPEC oil price shock 1973 ( oil embargo of USA and it's allies which result sever spike in oil prices).
- 3- the financial crisis of 2007-2008 which it is the most sever financial crisis since the great depression ( the collapse of Lehman brother's).
- 4- The Corona Virus crisis nowadays.



## Channels Of Financial Contagion

- It is difficult to define an illustration of how the financial contagion spread.
- Here we try to mention the most important channels through which the financial contagion spread the crisis or the sock of the financial problem from country to the others.
- These channels are:

1- The financial markets.

2- The banks.

3- Non-banks financial market participant. (the companies which take funds from the public and borrow from the banks in order to invest in financial market).

# **How To Reduce The Effect Of Financial Contagion**

- It is very difficult to finished the economic and financial crisis in the world, but we have to use many important strategies against the financial contagion in crisis done by:

1- World bank

2- International monetary fund.

3- Bank of International settlement (Basel committee)

4- local strategies used by the central banks.

**Thank you**