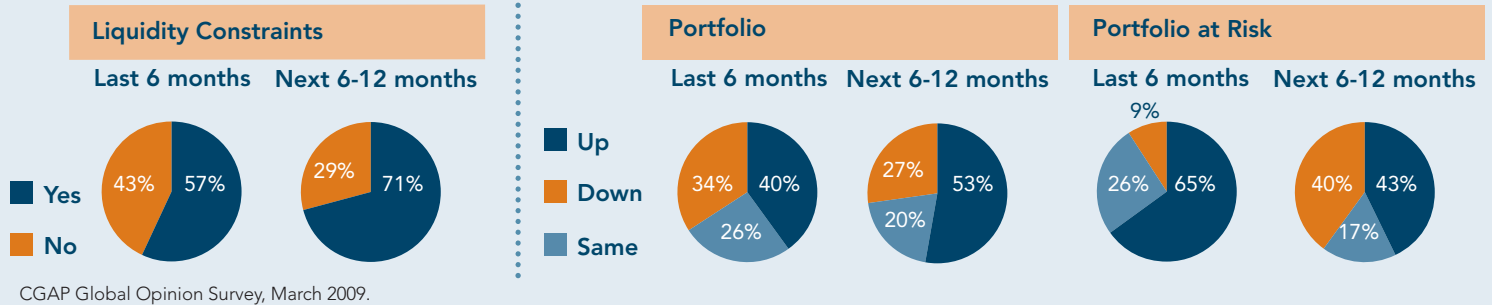


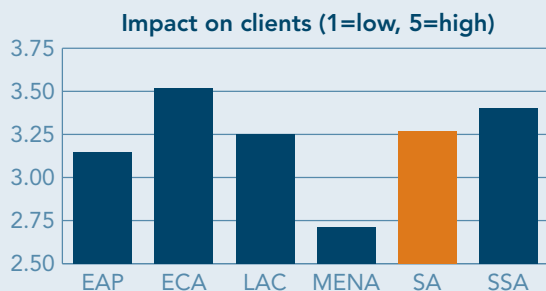
AT A GLANCE

GDP growth in South Asia slowed markedly in 2008 to 6.3 percent from 8.4 percent in 2007. Even before the financial crisis hit the markets, rising inflationary pressures and tight credit conditions had started to take a toll on domestic activity in many countries. The region's banking sector has been largely insulated from the crisis as its exposure to toxic assets has been rather limited. Still, as in all other developing regions, liquidity is a major concern for MFI managers. This is all the more alarming given that a large proportion of the region's population is poor, and therefore particularly vulnerable to changes in credit availability.

MICROFINANCE INSTITUTIONS



MICROFINANCE CLIENTS



- Pressure of sustained high food prices increasing; clients' food expenditure on the rise.
- Clients' savings capacity diminished.
- Weakened demand in export markets is being felt sharply; clients that depend on income from export-oriented sectors severely affected (i.e., tea, rubber, garments) as services exports and capital spending wanes globally.

REGION HIGHLIGHTS

- A 10 percent increase in food prices would lead to an estimated increase of 4.4 percent in poverty headcount in urban areas and 1.7 percent in rural areas.¹
- Loans for households and trade credit for exporters have become significantly more difficult to obtain—indications of a fall-off in external and domestic demand have begun to trickle in.²
- Low exposure to currency volatility: 18% of DFI loans to MFIs denominated in hard currency.³
- India, Pakistan and Afghanistan among top 20 fastest growing microfinance markets worldwide.⁴
- Defaults among nonfinancial South Asian firms could climb to 20 percent in the coming year, up from an expectation of 4.2 percent a year earlier.⁵

1 World Bank - Global Economic Prospects – April 2009.
 2 World Bank - Global Economic Prospects – April 2009.
 3 CGAP.org – Supplement for virtual conference on financial crisis.
 4 The Micro Banking Bulletin - Autumn 2008.
 5 NY Times – India, Suddenly Starved for Investment – May 5, 2009.

Microfinance Sector (weighted by assets)	%
– Banks/NGOs (2008) ^a	26/74
– Yield on Gross Portfolio (2007) ^b	18.1
– Financially Self-Sustainable MFIs (FSS) (2007) ^c	55
– Savings/Assets (2007) ^d	5

a The Mix Market.
 b 2007 MFI Benchmarks, The Mix Market (data only available for Asia).
 c Micro Banking Bulletin – Autumn 2008.
 d The Mix Market.

MACROECONOMIC INDICATORS

annual percent change unless noted otherwise	2008	2009	2010
GDP per capita ¹	4.8	4.0	5.8
Private Consumption ²	5.7	4.7	5.7
Consumer Prices Index ³	11.7	9.8	5.5
Current Account Balance / GDP (%) ⁴	-3.5	-2.0	-1.9
Exchange rate ⁵			
- India	-19.7	-1.2	
- Bangladesh	-0.9	0	
- Pakistan	-21.7	-1.9	
Remittances ⁶	26.7	(-7.3;-4.2)	(0.5;3.4)
Unemployment ⁷	0.1	(0;0.8)	n/a

1 WB - Global Economic Prospects 2009.
 2 WB - Global Economic Prospects 2009.
 3 World Economic Outlook 2009 – GDP deflator.
 4 WB - Global Economic Prospects 2009.
 5 oanda.com - against USD (2008 data: 01/01/08 to 01/01/09; 2009 data: 01/01/09 to 05/01/09).
 6 WB – Remittances Outlook 2009 – 2009-2010 (numbers in brackets refer to low/high case scenarios).
 7 ILO – Employment Trends 2009 – 2009 (numbers in brackets refer to low/high case scenarios).