

OF RESEARCH AND MONETARY POLICY



DEPARTMENT

BANK OF ALBANIA

Over the transition period the decisions made by individuals and trade companies began to carry an ever greater weight. Combination and interrelation of these decisions affect the most important variables of the economy such as inflation, production, employment and the rate of interest. In the said situation, the central bank should resort to its basic instrument - the percentage of the interest rate of the weekly repos, so as to ensure accomplishment of its main goal, which is the achievement and preservation of stability in prices. In this framework, the analysis of policies and scientific research has an important role to play. Their aim is to ensure the comprehensive understanding of the functioning of the economy.

Political analyses and research in the Bank of Albania are the responsibility of two divisions: the Division of Economy and the Division of Finance. These divisions are responsible for submitting economic and financial data and to the decision-making authorities, and for making the analysis of such data. The achievement of this task necessitates the availability of comprehensive data and information. Hence, the department is also involved in obtaining statistical information both from the network of public (or state) agencies and from the private sector of the economy by way of observation.

This department is also responsible for making the statistical data and the results of the conclusions reached from analyses and studies available for public access. To this effect, the department prepares various periodical and non-periodical publications. Some of the publications, being strictly technical in nature, are targeted for a narrow group of professional users. Other publications, which have an explanatory character, are destined for the general public. The latter publications are prepared on the basis of an established strategy of the Bank of Albania for the purpose of fostering public education on economic and financial issues. In this framework, the library of the Bank of Albania provides access both to its employees and the general public.

Set up in April 2001, the Department of Research and Monetary Policy was the outcome of the merging of the Department of Research (established in March 1998) and the Department of Monetary Policies (August 1992).

The research and analysing functions attributed to this department are interrelating. The analysing process of the phenomena was improved both quantitatively and qualitatively. It was made to stand to logic. The research work, on the other hand, called for the recruitment of an ever increasing number of highly qualified human resources in the department. Issues of vital importance to the activity of the central bank were addressed and studied. Recommendations and concrete solutions on how to emerge from or cope with the various economic situations in the country were provided. Over this period of time research work marked the first steps towards concrete forecasting methodologies concerning important macroeconomic indices.

1. It is worth mentioning the contribution of research in exploring:

- the performance of inflation and its forecast in short term;
- the inflation of saleable and non-saleable commodities;
- the performance of the exchange rate and the factors determining it;
- the analysis of exports and imports;
- the independence of the central bank and its transparency; and
- the banking system as a whole.
- etc..

2. Observation of statistics for the specific purpose of studying, working out and analysing the information obtained from them promoted significantly the department's performance in handling statistics and making analyses.

3. Expansion of the publishing activity and the enhanced quality of publications contributed in concrete terms to ensure moving towards a transparent and independent central bank. The educational impact of this activity with regard to the important problems of the economy in general, and the Albanian economy, in particular, was highlighted through periodical and special publications, which kept improving throughout this period. Nowadays this department puts out about 200 pages on a monthly basis as against several pages that it used to publish in the past.

4. In the future the Department of Research and Monetary Policy will focus on the following goals:

- Research projects will basically aim at bringing about monetary and financial stability so as to promote the forecasting ability of the proposed patterns;
- In the medium term, the Bank of Albania will continue to rely on the monetary policy regime called *monetary targeting*. This, however, will be an active preparatory period paving the way for the adoption of the *inflation targeting*;
- Intensification of the educational activity intended for the general public so as to help them perceive and understand the economic edge of concepts such as savings and investments, and the role of banks as financial intermediaries. The publishing activity will focus on:

- increasing the number of non-periodical publications on specific economic aspects;
- increasing the number of educational publications;
- increasing the number of publications in foreign languages;
- increasing the number of the users of these publications; and
- offering these publications free of charge.

- The structure of the department will improve with a view to digesting and guiding the performance of its staff in the forecasting and shaping processes. This will eventually help make conclusions and analyses available in the decision-making process.