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DETERMINANTS OF NET INTEREST MARGIN IN THE ALBANIAN BANKING SYSTEM

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Irini Kalluci

This material analyses the net interest margin as a measure of efficiency for the banks that operate in the Albanian banking system and the main focus is on the identification of factors that may affect this indicator. Net interest margin can be calculated as the proportion of net interest income to total assets or interest bearing assets. Nevertheless, a reduction of this indicator does not signal in all cases an improvement of efficiency. Under these circumstances, the study of factors that could bring about changes to the intermediation costs represents an interesting topic and broadly discussed by the foreign literature.

The banking system is the most important element of the Albanian financial system, whose assets account for 97 per cent of the financial system assets. For Albania, banks function as the main players in channelling funds from lenders to borrowers, therefore it is important that their intermediation role provides higher welfare for the society, possibly at lower costs. This study was inspired upon this context, aiming to identify the factors that impact the net interest margin for the Albanian banking system and wishing that it will contribute in the written literature dealing with this issue, since it represents the first attempt for the case of Albania.

Different stakeholders, but especially the policy-makers, are interested in the establishment and functioning of stabilized and efficient banking systems. Stability requires adequate profits, while the economic efficiency requires margins at acceptable levels, applied from banks. The results derived from the analysis of factors that impact the net interest margin may be useful for the compilation of specific measures of economic policies.

NET INTERNATIONAL RESERVES IN ALBANIA: LEVEL AND MEASUREMENT, A COMPARATIVE ANALYSIS WITH THE REGIONAL COUNTRIES

Olta Manjani

The purpose of this material is to make a general description of the international reserves held by the monetary authority. The strategy of the Bank of Albania in managing international reserves has foreseen a continuous growth of reserves in accordance with the main features of the Albanian

economy: a high and growing current account deficit, a fast growth of short-term foreign debt and a considerable shift of broad money to its foreign currency component. Given the features of the Albanian economy, the application of reserve adequacy criteria based on conventional benchmarks is useful in the case of Albania. Adequacy benchmark of reserves covering 3-4 months of imports, covering one or up to one year of short-term foreign debt or 5-20 percent of broad money are required to forerun potential risk factors that might impinge the Albanian economy. Despite being widely used, conventional criteria are highly credible and provide good basis for comparison between different countries.

June 2009 MEASURING INFLATION EXPECTATIONS*
Gent Hashorva
Elona Bollano
Elvana Troqe

This paper attempts to apply some approaches in order to quantify the responses collected via the Consumer Confidence Survey conducted by the Bank of Albania. Moreover, it attempts to better understand the nature of consumer inflation expectations in Albania. The paper is organized as follows: Section one analyzes the testing of expected inflation indicator in order to derive conclusions related to the nature of consumer inflation expectations. Section 2 describes the importance of expectations in the inflation control process and the method of their measurement. Section 3 continues with the methodology of data conversion from qualitative to quantitative, using a number of functions of the probability approach to quantification of inflation expectations. Section 4 applies the methodology and testing in the case of Albania. The last section provides some preliminary conclusions.

THE INTERNATIONAL FINANCIAL CRISIS AND THE REGIONAL COUNTRIES*

Eglent Kika
Erblin Maçi
Medvin Shehu

The purpose of this paper is to provide a retrospective of the crisis evolution from the developed to the developing world, the primary focus being some of the Central Eastern European Countries, some of the regional countries and Albania. Within this context, exceptional interest is paid to the manner the crisis is reflected in these countries' real economic indicators as well as fiscal, monetary and respective institutional operational developments according to their quintessential economic profile.

ANALYSIS OF FINANCIAL INTERMEDIATION

Erjona Suljoti

Sofika Note

September 2009

The purpose of this material is to analyze financial intermediation in Albania. The Albanian banking system consists of 16 universal private banks, dominated by foreign capital, which constitutes about 92 percent of the capital held by the banking system. Though a considerable number of banks have been present in Albania since 2000, the genuine intermediary activity of the banking system has been livened up in the last 4-5 years. In 2004 banking financial intermediation was characterized by the accumulation of economic agents' savings and low mobilization of funds for lending¹, particularly to the private sector. In the meantime, public debt financing accounted for 55% of assets, witnessing a high mobilization of funds for the public sector. This composition of the banking system assets was a consequence of the slow geographic expansion of the banking system, higher credit risk, lower integration of the real sector with the banking system, as well as the regulatory and supervisory elements² present at the time.

SURVEY RESULTS OF REMITTANCE –RECIPIENT HOUSEHOLDS (2008)

Godiva Rëmbeci

The following material provides information on the general characteristics of remittance recipient households, the characteristics of Albanian emigrants and of their remittances to Albania, based on the quarterly data obtained from the Bank of Albania surveys conducted in 2008. The survey results do not only provide a good source of information to complete and replace (in the future) the estimation of workers' remittances in the balance of payments, but they may be also used by the analysts as time series to monitor, understand and forecast remittances.