

2020 YEAR IN BRIEF

- *The year, 2020, marked a historic shock on economies nearly worldwide. They faced an unprecedented situation, a health crisis caused by the COVID-19, which has obliged governments to undertake extreme measures and disrupt a range of activities in public life. The Albanian government declared a state of emergency on March 2020 and closed down several economic activities. The restrictions relaxed in the second quarter, but some of them were re-imposed by the end of year as infections jumped.*
- *The Bank of Albania undertook immediate measures to support the Albanian economy that was hit by the pandemic. These measures have aimed at mitigating negative impacts on the welfare of the public, as well as the establishment of premises for a very rapid recovery of the economy in the following period. The reaction by the Bank of Albania was fast, with high intensity and effectiveness.*
- *In the field of monetary policy, the Bank of Albania reduced the key rate from 1.0% to 0.5% and the interest rate for the overnight lending facility, from 1.9% to 0.9%. The Bank switched to fixed-price full-allotment liquidity injection operations. In the fields of supervision and financial stability, the BoA undertook several temporary regulatory amendments aimed at easing the financial burden on both the banking system and borrowers and providing for continuous lending to the economy. The Bank of Albania guaranteed cash supply and the functioning of payment systems, in addition to the reduction of costs for on-line payments.*
- *The Albanian economy contracted by 5.5% in the first nine months of 2020. Almost all aggregate demand components and economic sectors suffered a contraction. On the other hand, the increase of budgeted expenditures supported the aggregate demand, but did not succeed to compensate the contraction of other components.*
- *Inflationary pressures continue to be low. Inflation averaged 1.6% in 2020, affected by a weak demand and a low increase in international prices. The Bank of Albania expects inflationary pressures to trend upwards underpinned by economic recovery in the next period and stimulating monetary policies.*
- *The domestic financial system has operated steadily and has supported the economy, in spite of the shock. Capitalisation and profitability indicators for the banking sector are considered satisfactory and their exposures to risks as contained. The macro-prudential methodological and regulatory framework has been enriched in compliance with the recommendations of the European Systemic Risk Board as well as the prudential approach taken in the context of the pandemic.*
- *The regulatory framework on supervision has been amended aiming at alignment with EU legal and regulatory acts and Basel III. Examinations on banks and non-bank financial institutions have continued, particularly focusing on credit risk. Regulatory complementariness was carried out in the framework*



of Resolution, while resolution plans for systemic banks were finalised.

- *The Credit Registry was harmonised with the regulatory and methodological framework of the European Union on the collection of detailed data, related to credit and credit risk (AnaCredit) and the ECB's regulatory requirements related to detailed statistics on securities were implemented.*
- *AIPS assessment was finalised, which achieved compliance with the supervisory principles of the European Central Bank, and regulatory and infrastructural interventions were made for guaranteeing the security and effectiveness of both systems, AIPS and AECH. Around 50% of measures set out in the action plan of the National Retail Payments Strategy were accomplished. Work has started for approximation with the EU "Payment Accounts Directive" which will boost financial inclusion.*
- *In 2020, the Twinning Project with Banca Italia and Deutsche Bundesbank (IPA funds) in the framework of enhancing Bank of Albania's alignment with EU Acquis was concluded. The twinning program involved eight departments throughout 2020, and was finalised into a number of tangible results, the drafting of 29 various documents, including policy papers; by-laws, manuals, and guidelines. Collaboration with the London School of Economics and Political Science was finalized at the virtual international conference on "COVID-19: The Impact on the Economy and Central Bank Policies".*
- *In November, the Supervisory Council approved the Medium-Term Development Strategy of the Bank of Albania 2021-2023. In compliance with the objectives of this strategy the SC approved the planned medium-term budget.*

