

HIGHLIGHTS OF 2017

- The Albanian economy grew by 3.9% during the first nine months of 2017, improving the growth rate for the third consecutive year. The expansion of the economic activity was supported by all the components of aggregate demand and helped increasing the output across all the main sectors of the economy.
- The average inflation rate rose to 2.0% during 2017, but it continues to undershoot our target. Although upward, domestic inflationary pressures were still insufficient to offset the low inflation rate in our trading partner countries, the effects of the exchange rate appreciation, and the growing inertia of the price formation process over the last years.
- Based on the trends of economic development and the underlying factors, the Bank of Albania expects economic growth to continue further in the next years and inflation to return to target over the medium-term.
- The monetary policy stance of the Bank of Albania remained accommodative. The policy rate did not change and, at 1.25%, stands at its lowest historical level. Meanwhile, the Bank of Albania increased the liquidity injection and continued the forward guidance on monetary policy. The monetary policy pass-through to the financial markets has been complete, while its transmission to the economic activity and to prices is increasing.
- The fiscal policy was less consolidating compared with the previous year. This policy supported economic growth mainly through the expansion of investments. The budget deficit was assessed at 2.0% of the GDP, while public debt reached 69.6% of GDP in 2017.
- The banking sector activity has been improving: profitability indicators increased, capitalisation and liquidity are at good levels and the non-performing loans ratio declined. The latter is at 13.2% from 18.2% in 2016 and reflects the implementation of the plan of measures for reducing non-performing loans.
- Although credit and market risks remain present, the indicators monitored for the assessment of systemic risks suggest financial stability improved in Albania. The resilience of the financial system to operational risks remains good.
- The regulatory framework on supervision and financial stability continued to be aligned with the Basel Committee principles and EU directives. Among the most significant regulatory changes were those on the Internal Capital Adequacy and Assessment.
- In February, in collaboration with the World Bank, we organised the workshop on "The financial system in Albania - From 2025 scenarios to action today". The aim was to discuss different scenarios and combinations of factors that could affect our economy in the distant future, and their impact in today's decision-making.
- In April, was signed a Memorandum of Cooperation between the Bank of Albania, the Ministry of Finance and Economy, and the Financial Supervision Authority "On increasing the use of the national currency in the Albanian financial system and economy" (the de-euroization strategy). Following this Memorandum, the Bank of Albania prepared a package of measures that included the de-euroization strategy policy document and some regulatory amendments. After a series of consultations with the relevant stakeholders,



these measures were approved in February 2018.

- In May, the National Payments System Committee, chaired by the Bank of Albania held its regular meeting. The Committee initiated a number of important projects that help to promote the reform of the small-value payments market and the use of electronic payments instruments.
- In May, in cooperation with the International Monetary Fund and the Swiss Government, an international conference was organised on "Negative Euro Area Interest Rates and Spillovers on Western Balkan Central Banks' Policies and Instruments". A panel of experts discussed the impact of non-conventional policies on Western Balkan countries by major central banks.
- In June, the First Conference of the Museum of the Bank of Albania was organised on "Money and Banking in Albania, from Antiquity to Modern Times". The conference brought together experts from various fields, who discussed findings in the area of monetary production and circulation, the economic history and the development of banking in Albania, as well as the educational role of the Museum.
- In July, the Law "On the recovery and resolution of banks in the Republic of Albania" entered into force, establishing the Bank of Albania as the Resolution Authority for banks and branches of foreign banks that exercise their activity in Albania. The Resolution Department was established as the unit responsible for the implementation of this mandate. The Regulation "On the Resolution Fund and the procedures for its management", which defines the establishment of the resolution fund the respective procedures for its contributions and management was approved in October.
- In August, the Macro-prudential Policy Strategy was approved. It is a guideline for macro-prudential measures available to the Bank of Albania to maintain financial stability. These measures aim at preventing risk accumulation and increasing the resilience of financial institutions.
- In November, in collaboration with the South East European Studies Centre at the University of Oxford, the Annual Conference of the Bank of Albania was organised. This year, it focused on the banking market developments and the role of financial markets infrastructure in risk mitigation and financial intermediation.
- In November, the Governor of the Central Bank of the Republic of Turkey, Mr Murat Çetinkaya, visited the Bank of Albania. During the visit, at the Bank of Albania a Memorandum of Cooperation was signed, aimed at enhancing the cooperation between the two central banks.
- In November, the Supervisory Council approved the Medium-Term Development Strategy 2018-2020 of the Bank of Albania. In accordance with the objectives of this strategy, it approved the guiding medium-term budget for 2019-2020.
- In November, the Decision on the transfer of Veneto Bank's shares to the Intesa Sanpaolo Bank was approved. The absorption of Veneto Bank into Intesa Sanpaolo Bank is expected to be completed in 2018, thus reducing the number of banks in the banking sector.
- In December, a Memorandum of Understanding was signed between the Bank of Albania, the Minister of State for the Diaspora and the Ministry of Finance and Economy, which aims to increase the awareness, facilitate dialogue and promote cooperation on issues related to the contribution of remittances by the Albanian emigrants on economic development.

