

FOREWORD BY THE GOVERNOR

Dear reader,

The Annual Report of the Bank of Albania is a comprehensive communication platform, aiming at presenting, integrally and transparently, the work and achievements of the Bank of Albania over one calendar year. As such, the Annual Report and the accompanying financial statements are an important instrument of accountability and transparency. They complement our institutional independence and serve to maintain and boost public confidence in our institution.

Prefacing this Report, as always, is a special obligation and privilege for me.

Allow me to emphasise, at the start of this communication, that the Bank of Albania has worked with devotion and professionalism to fulfil its mission and legal obligations throughout 2018. Albeit we faced challenges, I have the pleasure to say that the positive trend of the economic and monetary developments in Albania reflects also the results of our work.

Our accommodative monetary policy stance has provided for a liquid financial environment, with low interest rates and low fluctuations in the financial markets. Our monetary stimulus, through the reduction of financing costs, has helped in balance sheet improvement across all sectors of the economy, has encouraged lending in the domestic currency, and has contributed to strengthening financial stability, by establishing the necessary premises to boost aggregate demand and economic growth.

The Albanian economy, in response, accelerated the growth pace over 2018, employment expanded, and unemployment rate trended down, while wages started an upward cycle. In parallel, in 2018, current account deficit narrowed, stability of the external position of Albania improved, and public debt fell further.

The improvement of the economic activity drove to the build-up of domestic inflationary pressures. Nevertheless, in 2018 inflation averaged 2%, largely unchanged from the previous year, due to the curbing effect from the exchange rate rapid appreciation. Our analyses and forecasts suggest that both stabilisation of the exchange rate and further increase of employment, wages and production costs will provide the ground for the convergence of inflation toward the target within 2020.

The continuous investment in improving the professional capacities; the development of contemporary platforms, and analysis as well as forecasts have enabled us to implement an increasing active role of the monetary policy. The successful absorption of shocks to both the foreign exchange market and the exchange rate clearly affirmed the strengthening of the stabilising role of the monetary policy.

In full coherence with the monetary stimulus, the supervision and prudential regulation of the banking sector and the segments related to it, and the on-going investment in establishing and developing the payment systems, created the premises for strengthening financial stability. Our main instruments in this regard, macro and micro prudential policies, safety nets and financial infrastructure of Albania marked a qualitative leap over 2018.



The main indicators of the banking sector soundness: liquidity, capitalisation and profitability remain at adequate levels. I would like to emphasise that the non-performing loans ratio reduced further, while banking sector appears resilient to potential shocks.

In particular, I would like to highlight the important step towards consolidation in the banking sector over 2018. This consolidation, still under way, is a premise for a more sound and effective banking sector in fulfilling the financial intermediation role.

A thorough listing of our work over 2018 would require much time and space. I would like to assure you that the next sections of this Report provide comprehensive information on the financial market developments and functioning, the foreign reserve management, the support to the European integration processes, advancements in the field of statistics, payment systems, scientific research, financial education and public education, etc.

Dear reader,

I hope this Report fulfils its mission to inform the public and helps to boost public confidence in the Bank of Albania.

Let me assure you that the Bank of Albania has been and will continue to be committed to thoroughly improve its performance and adopt the best central banking standards. Investment and devotion in this regard are a guarantee toward fulfilling our mission and obligations.

Gent SEJKO

Governor

