

2021 YEAR IN BRIEF

- Year 2021 market a rapid rebound in demand and production, and an improved employment. A year earlier, the suspension in certain activities due to the COVID-19 pandemic, has plunged the Albanian and foreign economies into a historical contraction. In 2021, the supportive policies, vaccination of population, and reduction of containment measures, led to declined uncertainties and accelerated domestic and foreign demand.
- In the first three quarter of 2021, GDP grew 10.4%, driven by the positive contributions across all sectors. The volume of output reached both the pre-pandemic and earthquake levels. The strong simulating monetary and fiscal policies mainly underpinned the economic growth in Albania.
- Inflation averaged 2.0%. Also, core inflation was up in reflection of the expanded domestic demand. Inflation increased considerably at the end of year, due to the high prices in international markets. Inflation is expected to temporary remain high, due to developments in global markets, and to settle durably at 3.0% target in the course of 2023.
- The monetary policy of the Bank of Albania has maintained its accommodative stance, by supporting the economic growth and inflation in compliance with the preservation of price stability. The Bank of Albania has kept the policy rate unchanged, at 0.5%, thus maintaining the interest rates in economy at low levels, and bolstering credit to economy.
- The activity of financial sector improved, while risks are assessed to be contained. Assets of banks expanded, profitability and rentability rose, and the quality of credit portfolio improved. Non-performing loans ratio dropped at the lowest level in the last decade, standing at 5.65%.
- The Bank of Albania has amended the regulatory framework of banking supervision aiming at its alignment with the EU legal and regulatory act and the Basel Committee acts. The drafting of regulatory framework on the implementation of the Law "On payment services" was completed this year. Important regulatory amendments are made to strengthen consumer protection.
- The Bank of Albania under the assistance of EBRD and PwC has conducted an independent assessment on the equivalence of supervisory and regulatory frameworks with the European Banking Authority requirements. This assessment finds out that the regulatory framework and supervisory practices of the Bank of Albania are largely equivalent and aligned with the European Union standards.
- The drafting of resolution plans for all banks conducting their activity in Albania was finalised, and the regulatory framework for the implementation of the resolution Law was completed.
- Two important infrastructural projects on payment services were concluded. In October 2021, the operationalisation of interbank "Direct Debit" scheme was realised. In January 2022, the AIPS Euro started to operate, for processing euro-denominated payments within Albania for banks' clients.



- *The improved regulatory framework of payments infrastructure has driven to the increased use of electronic payment instruments. In 2021, the targets established in the Albanian National Retail Payments Strategy (2018-2023) were achieved on: (i) cashless payments per capita; and (ii) account ownership.*
- *Two denominations of the new banknotes series, 1000 Lekë and 10000 Lekë, were launched in June 2021. The denomination 10000 Lekë is the highest-value banknote and is put in circulation for the first time.*
- *Foreign exchange reserve grew by around EUR 1 billion, reaching at EUR 4.974 billion. The infrastructure and regulatory basis on the expansion of instrument class for investments is being improved in collaboration with the World Bank.*
- *In the field of statistics, the Bank of Albania has continued to work towards alignment with the *acquis communautaire* standards.*
- *In November 2021, the awareness campaign: “Neither old nor new, I am simply Lek!” was launched on the correct use of Lek terminology. The Bank of Albania has undertaken a national campaign from some years aiming at educating public at large on the correct use of the terminology in their financial transactions.*
- *The staff has worked in presence and virtually due to the pandemic. All the main activities of the Bank of Albania have continued to operate smoothly, without any interruption.*
- *In November, the Supervisory Council approved the Medium-Term Development Strategy of the Bank of Albania 2022-2024. In compliance with the objectives of this strategy the SC approved the planned medium-term budget.*

