

# BANK OF ALBANIA ANNUAL REPORT

# 2011



*100 Vjet Pavarësi*

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*Sheshi "Avni Rustemi" Nr.24, Tiranë, Shqipëri*

*Tel.: + 355 4 2419301/2/3; + 355 4 2419409/10/11*

*Fax: + 355 4 2419408*

*E-mail: [public@bankofalbania.org](mailto:public@bankofalbania.org)*

[www.bankofalbania.org](http://www.bankofalbania.org)

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*Governor of the Bank of Albania, Mr. Ardian Fullani*



*Bank of Albania Supervisory Council*

*From left to right, in front:*

ELISABETA GJONI  
ARDIAN FULLANI  
ERMELINDA MEKSI  
HALIT XHAFA

Vice Chairman (First Deputy Governor)  
Chairman (Governor of the Bank of Albania)  
Member  
Member

*From left to right, in the back:*

ADRIAN CIVICI  
ARJAN KADAREJA  
ELA GOLEMI  
DHORI KULE  
PETRAQ MILO

Member  
Member  
Member  
Member  
Member

## FOREWORD BY THE GOVERNOR

*Dear reader,*

It is a special pleasure for me to write the opening words of this year's Annual Report of the Bank of Albania. I am confident that in this report you will find not only a thorough analysis of last year's economic and financial developments but also a detailed account of the work of the Bank of Albania to meet its legal duties and accomplish its institutional commitments. I do not aim to present a full overview of all the issues we have tackled, as there would not be enough space in this foreword. Hence, I would like to present below some of the key messages of the Report.

The past year was another year of economic growth for Albania. Data from INSTAT reveal that economic growth during the first nine months of 2011 was about 2.7%, whereas indirect quantitative data suggest an acceleration of the economy during the fourth quarter of 2011. Economic growth was driven by foreign demand and a slight fiscal stimulus. Meanwhile, private investments and consumption remained weak, mainly as a result of uncertainty and hesitation of Albanian households and businesses in their decision-making process. By sector, economic growth was driven mainly by services, agriculture and industry sectors. The construction sector continued its sluggish performance, which was in line with the restructuring trend of the Albanian economy over the past two-to-three years. These trends are characterised by divergences and adjustments in the growth rates of various sectors of the economy and shift of businesses, capital and focus of the banking system to the most productive branches and sectors of the economy.

Primarily, economic growth should be sustainable in order to be reflected in a constant improvement of welfare. Conform to this philosophy, which lies at the foundation of its legal duty, the Bank of Albania pays particular attention to maintain price stability and support macroeconomic and financial stability in Albania. It is my pleasure to affirm that this objective was accomplished in 2011.

Despite fluctuations over the course of 2011, mostly due to shocks from the global economy, average annual inflation in 2011 was 3.5%, within our target band. The prudent monetary policy of the Bank of Albania, adept liquidity management and inflation expectations established the appropriate premises to keep it in check. In the macroeconomic context, below-potential economic growth and the negative output gap limited internal inflationary pressures, compensating, at the same time, shocks from price rise in international markets. On the other hand, prudent fiscal policy affected the control of budget deficit and domestic public debt. Fiscal indicators and public debt stability is at the centre of attention by financial markets. As such, it is and should remain a permanent objective of macroeconomic policies. Foreign exchange in trade and financial activities at home was overall balanced in 2011. The relatively high current account deficit, assessed to be around 12%

to GDP for the first nine months of the year, remains a structural vulnerability of the Albanian economy, which exposes it to potential fluctuations in international capital markets. In this context, the ever-growing orientation of the Albanian economy towards manufacturing sectors, rapid expansion of exports and higher exports to imports growth are positive signals that need to be developed and sustained. Moreover, Albania's elevated attractiveness as a destination for foreign direct investments, through structural reforms and macroeconomic stability should remain priority items in the agenda of economic development policies.

Monetary developments reflected the developments not only in the real economy but also in our trade partner countries and international financial markets. Overall, these developments are positive. The Albanian banking system continued to credit the increase of consumption and investments at home, leading to upward crediting to the economy by about 10.4% over the past year. It continued to generate the necessary flows of deposits, thus leading to sound development of its balances. Enhanced financial intermediation and crediting to the economy were supported by the monetary and operational policy of the Bank of Albania. Nevertheless, crediting was relatively sluggish relative to our experience prior to the global crisis and the country's need to generate close-to-potential economic growth. This development is similar to the experience of many advanced and emerging economies and should be considered as a medium-term matter. It reflects mostly the low demand for loans during this period. However, the prudent approach to lending by banks adds the dimension of supply to it. Tackling these problems will require time and will continue to condition the performance of the economy in the period ahead.

Turning to the activity of the Bank of Albania over the past year, I would like to highlight the main directions and achievements of our work.

Monetary policy has been and is oriented towards respecting our core objective: achieving and maintaining price stability. The policy has been increasingly stimulating, which reflects developments in the real economy and the expected inflation performance. This approach is reflected in the key interest rate cut in the last quarter of the year; supply of the economy with liquidity according to the amount, time and maturity terms needed by the banking system; regulatory amendments, which aimed to encourage financial intermediation and increase the usage rate of the national currency in the economy, and; our transparent communication with the financial market agents. In response to our policy, domestic financial markets were generally quiet, inflation and liquidity risk premiums decreased and interest rates for government securities, deposits and loans were downward.

In parallel, the supervisory and regulatory function of the banking and financial system, at macro and micro institutional level, was developed further by the Bank of Albania. Our approach to financial stability remains oriented to prevent risks, so as to identify and anticipate on time the potentially harmful developments to the soundness of the system. In this regard, the Bank of

Albania has initiated necessary amendments to the legal framework and has made relevant adoptions to the regulatory framework aiming at strengthening liquidity and capital indicators, enhancing administrative capacities of the banking system as well as its capacities to identify and buffer potential shocks. The resultant of these evident efforts is a sound banking system, which enjoys the trust of the public and is capable to tend to the needs of the economy.

Beyond these two pivotal directions, the Bank of Albania has invested considerable time and energy to successfully realise its institutional duties and engagements, which include but are not limited to: maintaining and developing the payment systems infrastructure; quantitative increase and qualitative improvement of the public communication, publication and improvement of monetary and balance of payments statistics; support to EU integration, and; strengthening of analytical capacities and research at the Bank of Albania. You may find more details about our work in the following Report.

*Respectfully Yours,*

  
Ardian FULLANI

GOVERNOR





I was born in Skopje, I was educated in London, I live in

Calcutta and I work for all the poor people in the world.

My homeland is a small country named Albania.

Mother Teresa

Albania

Albania





## CHAPTER I GLOBAL ECONOMY AND WORLD MARKETS

### I.1. GLOBAL ECONOMY

Global economic growth decelerated in 2011. The 2010's economic activity expansion and recovery shifted to a weaker performance in 2011. Transient factors, such as natural disasters and nuclear crisis in Japan were associated with the effects of the European public debt crisis and its impact on the overall confidence in financial markets and investors. The debt crisis deepening and expansion to many advanced economies adversely affected the economic performance of these countries. Related tensions were transmitted to financial markets, making capital exchanges more difficult and the demanded risk premia higher. Growth in emerging and developing economies was stronger than in the developed ones, albeit more moderate than in the previous year. Economic slowdown in industrialised countries conditioned the global economic performance, affecting the external demand of developing and emerging economies, in which exports constitute a key driver to GDP growth. Inflationary pressures world-wide were relatively high over 2011 H1 and trended down in several countries over 2011 H2.

Countries	GDP change		Unemployment rate		Inflation rate	
	2010	2011	2010	2011	2010	2011
US	3.0	1.7	9.6	8.9	1.5	3.0
Euro area	1.9	1.5 <sup>3</sup>	10.0	10.3	1.6	2.7 <sup>3</sup>
Germany	3.6	3.0 <sup>1</sup>	6.8	5.9	1.1	2.3
France	1.4	1.7 <sup>2</sup>	9.7	9.7	1.5	2.1
United Kingdom	2.1	0.9	8.0	8.0 <sup>2</sup>	3.3	4.5
Japan	3.1	-0.9 <sup>1</sup>	5.1	4.6	-0.7	-0.3

Table 1 Selected macroeconomic indicators

Source: Eurostat, statistical institutions of respective countries.

<sup>1</sup> IMF projections, January 2012.

<sup>2</sup> Preliminary data from the National Institute of Statistics, France.

<sup>3</sup> Preliminary data, Eurostat.

#### • EURO AREA ECONOMY

Euro area economic growth slowed down in 2011. GDP indicators decreased q-o-q, confirming the economic downturn. According to latest data from Eurostat, the euro-area economic growth was 1.5% in 2011, down from 1.9% in 2010. The slow recovery of private consumption and contraction of private investments and consumer spending were several factors affecting this performance. The public debt crisis, present in many euro-area countries, has adversely affected the dynamics of many sectors of the economy. Business and consumer confidence indicators marked downward values, being subsequently reflected in an unfavourable climate of the euro-area economic activity. Inflation rates in 2011 resulted higher than in 2010, mainly due to higher prices of energy products, primary commodities and food. In average

terms, the Euro area's unemployment rate remained unchanged from the previous year, though it was upward in several countries.

- *THE U.S. ECONOMY*

The U.S. economic growth performed positively in 2011, though decelerated as compared to the previous year. The annual economic growth rate by 1.7% (preliminary data) is lower than in 2010. Recent developments in the labour market, private consumption, foreign investments and industrial production growth have contributed significantly to 2011's GDP growth, while the shrunk net exports, long-term investments and consumer spending have contributed to its contraction. The unemployment rate in the U. S. was last reported at 8.3%, the lowest since 2008 Q1. U.S. industrial production rose 4% y-o-y, while government spending was downward. Although the economic activity continued to recover, its situation remains fragile, taking into consideration the impact that the euro-area crisis may have on the U.S. economy. Prices have picked up, as also shown by the annual inflation rate doubling to 3.0% in 2011, from 1.5% in 2010.

- *BRIC ECONOMIES*

BRIC economies continued to grow in 2011, albeit at more moderate rates than in 2010. In this regard, Brazil's economic expansion decelerated to 2.9% in 2011, from 7.5% in 2010. The shrunk domestic demand, the appreciated Brazilian Real and, in consequence, the slowing exports are several factors that have determined Brazil's economic growth contraction. India's economy slowed its growth to 7.4%, from 9.9% in the previous year. Reduced investments, increased risk premia on fiscal sustainability, reduced FDIs and high lending costs led to economic growth slowdown. China's economic activity was influenced by the slightly decreased domestic demand, slower expansion of exports and moderate growth of the labour force. Inflation trended up during the year, mostly pronounced over the third quarter, to later go down over the last months of the year. In Russia, stable economic growth rates were maintained due to higher consumer spending, expanded lending activity and agricultural sector dynamics.

Table 2 Selected  
macroeconomic indicators  
for BRIC economies

Countries	Annual GDP change		Annual Inflation	
	2010	2011	2010	2011
Brazil	7.5	2.9 <sup>1</sup>	5.0	6.6
Russia	4.0	4.1 <sup>1</sup>	6.9	8.5
India	9.9	7.4 <sup>1</sup>	12.0	9.1
China	10.4	9.2 <sup>1</sup>	3.3	5.4

Source: IMF, OECD, statistics institutions of respective countries.

<sup>1</sup> IMF projections, January 2012.

In 2011, inflation pressures were upward in the BRIC economies. This has helped orient respective central bank monetary policy towards keeping price performance in check. The accelerated economic activity in these countries, in 2011 H1, was associated with frequent interventions to raise the key interest rates in respective countries. China and Russia registered low inflation rate over the last months of 2011.

## • ECONOMIES IN THE REGION

Economies in the region registered positive growth in 2011, albeit more moderate than in the previous year. Greece's economy, which shrank 5.5% in 2011, was an exception to this trend. Lower consumer spending and aggregate investments, and reduced industrial production in the country were the main drivers to this performance. Italian economy grew by 0.4% in 2011, down from 1.5% in 2010. Low consumer spending and decelerated growth of private sector investments contributed to Italy's decelerated GDP growth rates. Also, Italy was faced with decreased market confidence over the public debt condition, leading to financial market distresses and difficulties in trading funds and capitals. The Croatian economy grew by 0.8% in 2011, following the contraction in 2010. Expansion of net exports and growth of FDIs led to positive GDP growth rate, though the domestic demand contracted over the year.

Country	Annual change of GDP		Annual Inflation		Unemployment rate	
	2010	2011	2010	2011	2010	2011
Italy	1.5	0.4	1.6	2.9	8.4	8.4
Greece	-4.6	-5.5	4.7	3.1	12.9	17.0 <sup>2</sup>
FYROM	1.8	3.0 <sup>1</sup>	1.6	3.8	32.0	31.2 <sup>3</sup>
Serbia	1.0	2.0 <sup>1</sup>	6.5	11.0	19.18	24.0 <sup>3</sup>
Croatia	-1.2	0.8 <sup>1</sup>	1.1	2.2	11.8	13.3
Turkey	8.9	6.6 <sup>1</sup>	8.6	6.2	10.7	9.0 <sup>2</sup>
Kosovo	4.0	5.3 <sup>1</sup>	3.5	7.4	:	:
Albania	3.5	2.7 <sup>3</sup>	3.6	3.5	13.5	13.3 <sup>3</sup>

Table 3 Economic indicators for some countries in the region.

Source: Respective statistical institutes, EuroStat, EcoFin, IMF.

<sup>1</sup> IMF outlook, WEO September 2011.

<sup>2</sup> Arithmetic mean for January – October 2011.

<sup>3</sup> Arithmetic mean for the first three quarters of 2011.

: Data not available.

Economies of the Former Yugoslav Republic of Macedonia (FYROM), Kosovo and Serbia grew at higher rates in 2011 than in 2010. Increased consumer spending and aggregate investments were the main drivers to FYROM's economy. In Serbian economy, the increased contribution of exports and investments exceeded the decreased domestic consumption, leading to 2% annual GDP growth in 2011. In Kosovo, the increased private consumption and investments led to 5.3% annual growth, although the contribution of net exports was on the down side. The Turkish economy posted the highest growth rate among the countries in the region in 2011. A sizeable contribution was made by boosted exports, sustained by the positive effect of national currency depreciation and constant industrial production growth.

In 2011, unemployment was down in Turkey and FYROM and up in Italy, Greece, Serbia and Croatia. Annual inflation rate fell in Turkey and Greece and increased in other countries in the region.

## 1.2 PRIMARY COMMODITY PRICES

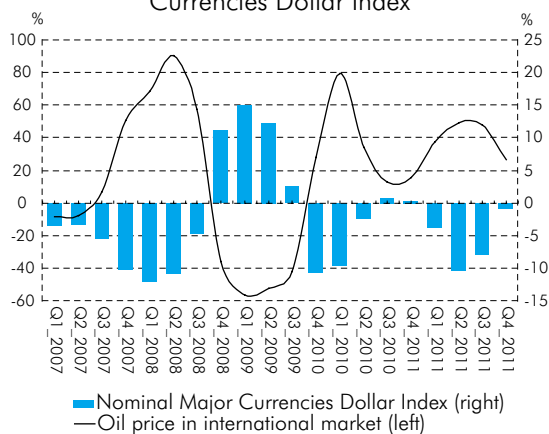
Primary commodity prices world-wide performed unevenly in 2011. They increased faster in 2011 H1, while the modified expectations for slower

economic growth and lower demand world-wide were reflected in moderated growth and decreased prices of certain categories.

The average monthly oil price ranged around USD 96-123 per barrel, up by 40% from 2010's figure. Though global oil demand decelerated, oil market prices trended up. In 2011, global oil demand increased by 1.0% from 2010, and world oil supply increased by 1.2% from 2010.

Several factors influencing the upward oil price are tensions in North Africa and Iran, which have increased the geopolitical risk perception, ongoing and upward demand by emerging and developing economies, and some technical difficulties in production lines and physical oil exchange markets, which have affected the black gold supply. Another important factor was the devaluation of the U.S. dollar<sup>1</sup> against some major international currencies, which exerted upward pressure on major oil producers, thus affecting its price performance.

Chart 1 Volatility of annual oil price in international market and Nominal Major Currencies Dollar Index

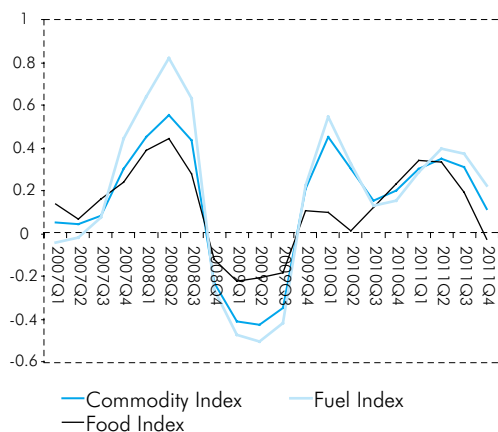


Source: FED, EIA

In 2011, other primary commodity price indices registered higher rates than in 2010, mostly influenced by prices registered in 2011 H1. In average terms, the Commodity Price Index increased by 26.3%, Food Price Index by 19.7%, and Fuel Price Index by 31.8%.

After the accelerated paces in 2011 H1, the major price indices registered slow or negative paces in 2011 H2, due to uncertainty about the economic performance and its probable reflection in the demand for these commodities.

Chart 2 Price indices by primary commodities



Source: IMF

### 1.3 MONETARY POLICY AND FINANCIAL MARKETS

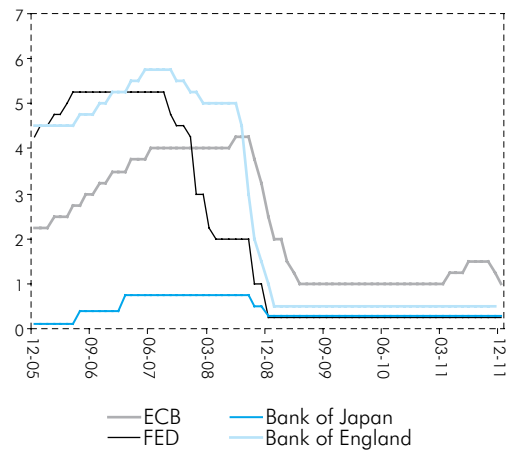
#### Monetary policy of main central banks

Except the ECB, the major central banks kept their key interest rates unchanged. The ECB changed the key interest rate four times by 0.25 percentage point, respectively in March, July, November and December, to 1.00%. The other banks kept their interest rates at the same levels: Federal Reserve at 0-0.25%, Bank of England at 0.5% and Bank of Japan at 0-0.1%. The last change of key interest rate by these banks was more than two years ago.

<sup>1</sup> Nominal Major Currencies Dollar Index constructed by the Federal Reserve, including 26 weighted currencies according to trade with the U.S. Dollars, presented a devaluation of the U.S. dollar by about 5.8% y-o-y.

The U.S. central bank continued pursuing the quantitative easing program launched in 2010. Specifically, in 2011, it focused on extending the maturity term of securities available in its investment portfolio. With this intervention, the Federal Reserve tried to stimulate lending to the domestic economy and orient the long-term interest rates. In consequence, long-term bond yields reflected these developments and decreased in 2011. Over this period, the ECB was faced with a euro-area situation characterised by tensions and constraints in lending relationships between banks, as well as between banks and the economy. In order to create favourable liquidity conditions and promote bank lending in the euro area, the ECB provided, inter alia, liquidity-injecting operations with a maturity of 3 years and lowered the required reserve. These measures are expected to promote bank lending and facilitate the functioning of the euro-area money market.

Chart 3 Key interest rates

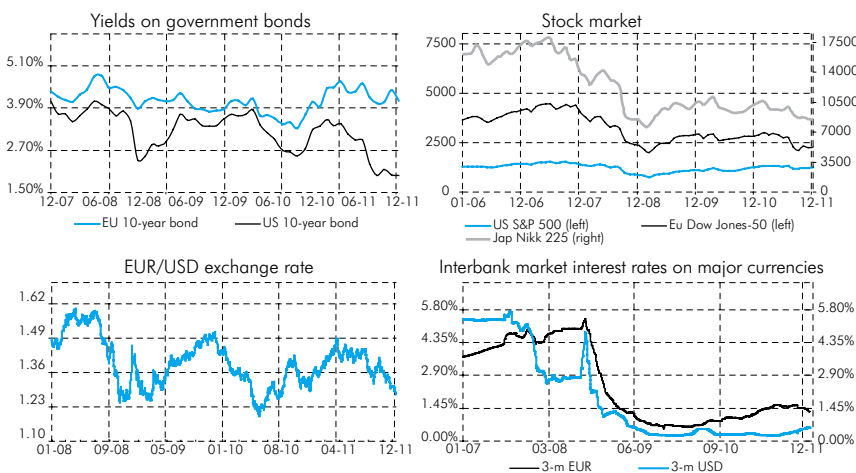


Source: ECB, FED, Bank of England, Bank of Japan

#### • MAIN FINANCIAL MARKETS

Financial markets were characterized by upward performance of indicators and high volatility in 2011. The fragile macroeconomic situation of many developed economies and the unclear outlook for the global economy conditioned economic agents' trading activity and operations. The channelling of purchase and investment flows towards countries and categories deemed as safe led to a lower price asked for these activities and increased risk premia on debt securities and equities of countries perceived as unsafe.

Chart 4 Exchange rate and some financial indicators in international markets



Source: ECB, Reuters

In the euro-area money markets, the EURIBOR rates increased throughout the year, taking into account both the key interest rate rise twice for the euro

and the market concerns about the European banking system position and its exposure to countries with a high public debt. The EURIBOR rate of a 1, 3, 6 and 12-month maturity was 1.18%, 1.39%, 1.64% and 2.01%, respectively, in 2011, up by 0.60 percentage point on average<sup>2</sup> from the previous year. The U.S. dollar LIBOR rate remained almost unchanged from the previous year's level<sup>3</sup>, although, recently, this indicator has been slightly upward because of the foregoing tensions. In bond markets, the premia on financial securities of the euro-area countries increased in general, while those of the U.S. decreased. Bond yields for countries more exposed to sovereign debt crisis (Spain, Italy, etc.) continued to increase, expanding the spread between them and the German government bond yields. The stock markets performed similarly to bond markets during these months. The major stock market indices of Europe and Japan decreased, whereas those of the U.S. appeared better. In terms of activity profile, the decrease affected mainly the prices of financial and banking securities traded in stock exchanges.

In the foreign-exchange market, the euro appreciated by 5% against the U.S. dollar in 2011. It lost part of the terrain it had gained a year earlier against the green currency, mainly due to factoring financial concerns into the euro area. Also, the euro depreciated against the Japanese yen and the Swiss franc. In 2011, one euro was exchanged on average for 1.3924 U.S. dollars, while in last month it was exchanged for 1.3179 U.S. dollars.

<sup>2</sup> The increase was 0.61, 0.58, 0.56 and 0.66 percentage point, respectively.

<sup>3</sup> The U.S. dollar 3-month Libor rate remained 0.34%.

There *Albania* a land of rocks and a cradle of brave and strong men.

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There *Albania* a land of rocks and a cradle of brave and strong men.

There is Albania.

A land of rocks and a cradle of brave and strong men.

*Alexandre Dumas*  
French writer

There *Albania* a land of rocks and a cradle of brave and strong men.

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## CHAPTER II PRICE STABILITY AND BANK OF ALBANIA'S OBJECTIVE

*The primary objective of the Bank of Albania is to achieve and maintain price stability. From the quantitative viewpoint, the Bank of Albania targets a 3.0% inflation rate over the medium run, considering the short-term tolerance band of +/- 1 percentage point as in line with its price stability target. In view of achieving this objective, the Bank of Albania compiles and implements the monetary policy, relying on free market instruments for its transmission to the economy and operating under a free-floating exchange rate regime.*

### II.1 INFLATION AND CORE CPI BASKET ITEMS

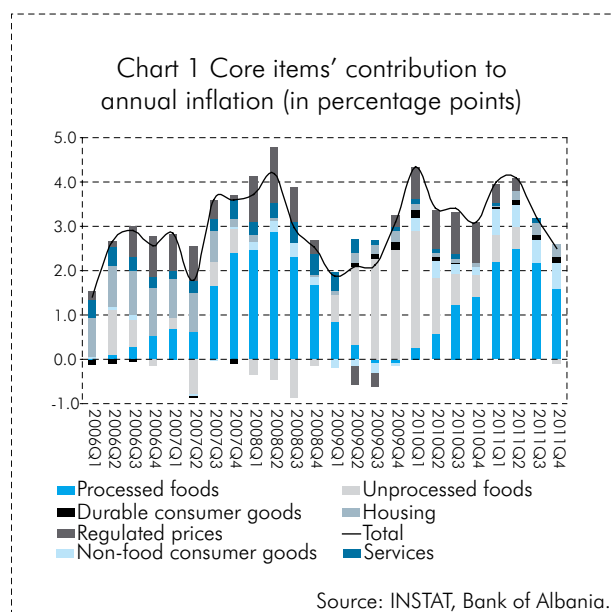
Average annual inflation was 3.5% in 2011, likewise in the previous year but with a higher volatility. In 2011 H1, the average inflation rate was close to the upper limit of the tolerance band, whereas in 2011 H2 it approached to the central value of the Bank of Albania's medium-term objective. In 2011, inflation was not influenced by regulated price increases, but only by the cancelling out effects of their increases a year earlier. Inflation marked relatively high rates in 2011 Q2, when its annual rate reached 4.1% or 0.7 percentage point higher than in the same period a year earlier. This performance was mostly fuelled by price rise in primary commodities and raw materials in international markets, as well as by effects of certain fiscal measures that led to inflation pickup in several CPI basket sub-items. In contrast to high expectations and projections for intensity of international price pickup, the period between July and December 2011 highlighted the restraining of this trend, world-wide. This development was reflected in gradually reduced average inflation in the country's economy. Also, an important and supporting role in preventing consumer prices from rise was played by the stable exchange rate performance and a significant domestic consumption-oriented agricultural production. Year 2011 highlighted low inflation in December (1.7%), which did not verify the high intensity of Decembers' seasonal behaviour in years.

The analysis of the inflation formation process by items of goods and services divided in terms of their economic function, shows that inflation performed differently over 2011 H1 and 2011 H2. Average annual inflation, in 2011, was formed mostly by the contribution of processed foods and non-food consumer goods (78%). The substantial volatility in the inflation contribution profile was driven by the inflation behaviour of items that have a significant share to inflation rate, such as Regulated prices and Unprocessed foods. Their contribution was 22% in 2011 H1 and almost zero in 2011 H2.

During 2011 H2, as anticipated, the contribution of Bread and cereals<sup>1</sup>

<sup>1</sup> This item's contribution decreased by 0.5 percentage point at end-2011, while in July 2011 it reached 1 percentage point to headline inflation.

started to diminish in the domestic market, due to the base effect caused by unexpected price rise having started since August 2010. This factor, along with the restraining tendency of exchange rate depreciation<sup>2</sup>, led to downward contribution of processed foods to inflation rate. Specifically, the annual inflation and this item's contribution dropped by 10.1% and 2.4 percentage points, respectively in 2011 H1, to 7.8% and 1.9 percentage points, respectively in 2011 H2. In the meantime, the contribution of other basket items remained unchanged.



Non-food CPI inflation was driven mainly by domestic oil price performance. This, in turn, was determined by the international oil price and exchange rate developments. The upward oil prices and the lek's depreciation against the US. dollar were also reflected in the domestic oil prices. On the other hand, the domestic oil price in 2011 H2 was influenced even by a fiscal measure applied in September<sup>3</sup>. Alongside oil price rise, this item's inflation was also influenced by medicines price increase, peaking in 2011 Q1. As a consequence, while over much of the last 10 years this item's average contribution to headline inflation has ranged between 0.1 - 0.2 percentage points, in 2011 it amounted to 0.5 - 0.6 percentage points. The prolonged effect of this item's price increase exerted additional pressures on domestic inflation,

in contrast to inflation of other items that were skewed to the downside of headline inflation in 2011 H2.

Table 1 Main contribution of core items and sub-items to annual inflation (in percentage points)

Core items and sub-items	Q1-10	Q2-10	Q3-10	Q4-10	Q1-11	Q2-11	Q3-11	Q4-11
Processed foods	0.3	0.6	1.1	1.4	2.2	2.5	2.2	1.6
Bread and cereals	-0.2	-0.1	0.1	0.4	0.7	1.0	0.8	0.5
Alcohol and tobacco	0.1	0.2	0.2	0.2	0.5	0.4	0.4	0.4
Unprocessed foods	2.6	1.3	0.9	0.5	0.6	0.5	0.0	-0.1
Fruits	0.2	0.1	0.3	0.1	0.2	0.4	0.2	0.3
Vegetables	2.0	1.5	0.1	-0.7	0.1	-0.4	-0.6	-0.7
Services	0.1	0.1	0.1	0.0	0.0	0.0	0.1	0.0
Regulated prices	0.7	0.9	1.0	0.9	0.4	0.3	0.1	0.0
Fuel and energy	0.4	0.4	0.4	0.4	0.2	0.3	0.2	0.1
Housing	0.1	0.1	0.1	0.1	0.2	0.3	0.3	0.3
Non-food consumer goods	0.3	0.4	0.3	0.2	0.6	0.5	0.4	0.6
Durable consumer goods	0.2	0.1	0.0	0.0	0.0	0.1	0.1	0.1
Annual headline inflation (in %)	4.3	3.4	3.4	3.1	4.0	4.1	3.2	2.5

Source: INSTAT, Bank of Albania.

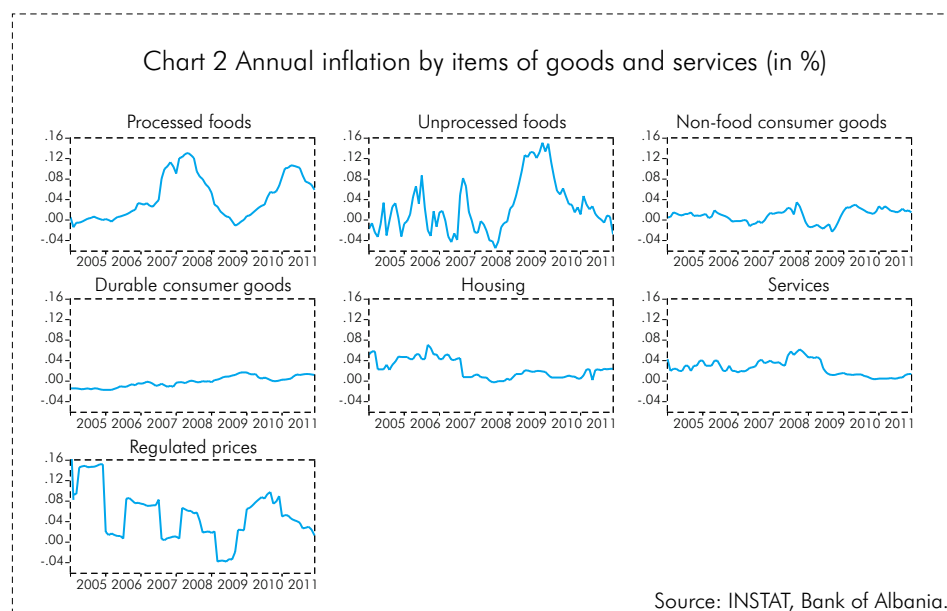
Unprocessed foods inflation was high in early 2011, shifting down over the subsequent periods. This item has registered a pronounced price fall, y-o-y,

<sup>2</sup> It was slightly appreciated (0.4%) in December 2011.

<sup>3</sup> The first phase of applying the road tax on fuels.

since June 2011. Its annual inflation rate was -0.1% in 2011 H2, contributing to the decline in headline inflation rate by about 0.5 percentage point from 2011 H1. Negative values of inflation and of this item's contribution had not been registered since autumn 2008. Specifically, December 2011 was characterized by this item's low inflation rates. This is judged to have been affected by the increased share of domestic products in meeting the demand for these goods. Also, the lek's slight appreciation against the euro and the sluggish domestic demand influenced this item's prices.

Regulated prices made a downward contribution in 2011, falling close to zero in Q4, due to successive cancelling out of this item's price rise effect in 2010. The first half of the year reflected the cancelling-out effect of electricity price rise of January 2010 and the gradually cancelling-out effect of price rise in some other items (water, medical services, etc).



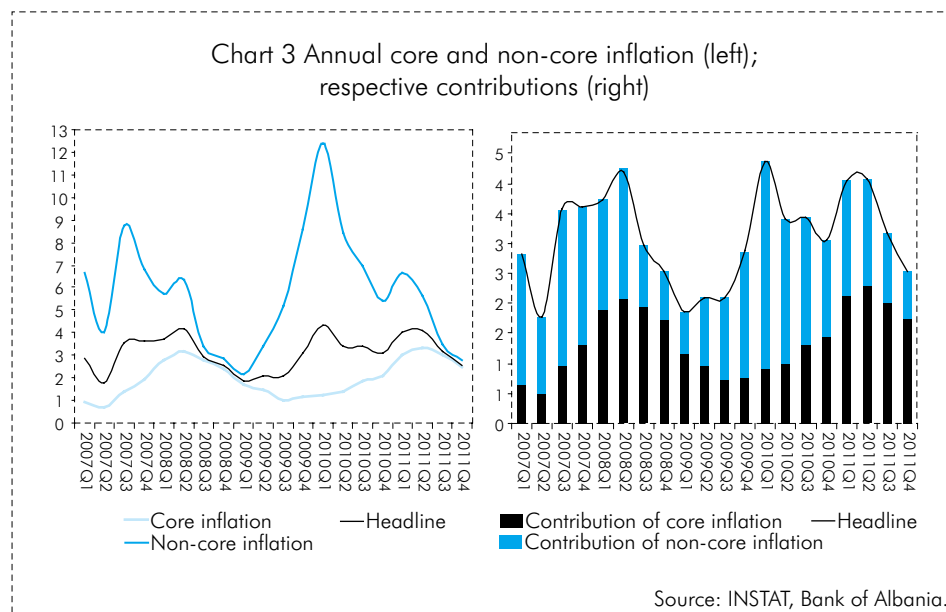
The other items with a smaller share in CPI basket made a lower contribution to headline inflation rate, thus reflecting the sluggish domestic consumer demand for these goods and services.

## II.2 THE BEHAVIOUR OF MAIN INFLATION COMPONENTS

In 2011 H1, the behaviour of the main inflation components was substantially driven by particularly strong supply-side induced inflationary pressures. Domestically demand-side inflationary pressures contributed to the reverse side, thus partially offsetting the impact of supply-side factors. As a result, the annual average of persistent inflation components converged towards its mid-term target, while the average of other components approached the historical levels.

### CORE AND NON-CORE INFLATION

Annual core inflation fluctuated within the 2.2% - 3.4% band in 2011, with an average of 3.0%. It was influenced by earlier shocks to several basic CPI basket products<sup>4</sup>, and new price increases mainly in 2011 Q1. Their intensity and duration were considerable, posing the risk of onset of a second-round effect on consumer prices and the economy. Though inflationary pressures dampened sooner than projected in 2011 H2, the downward trend of core inflation was slower than that of the headline inflation. The core component contributed on average 59% in inflation formation over 2011.



The rest of annual headline inflation was formed by its non-core component. As a measure of transitory inflationary pressures, it fluctuated within a wide band (0.6% - 8.5%), with an annual average of 4.6%, while a year earlier it was obviously higher (8.3%). Its rates were rapidly restrained due to the impact of several factors, among which: the complete cancelling out of the effect of the regulated price increases in the previous year; non-application of new price increases in 2011; and, the presence of stronger seasonal factors leading to decreased agricultural product prices. Also, the excise tax increase for several goods applied in early 2011, led to a higher non-core inflation. The national currency's stability, with a minimum depreciating tendency, helped in decreasing the core and non-core inflation rates over time.

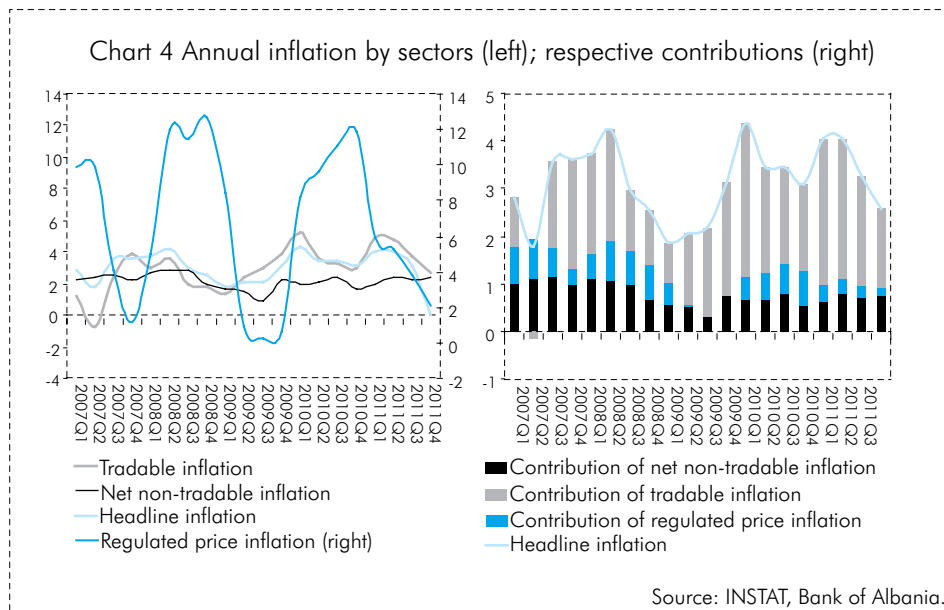
### INFLATION BY SECTORS OF THE CPI BASKET

Developments in the global conjuncture of primary commodity, food and industrial prices, as well as those in the real sector of the economy, affected the performance of inflation by sectors of the CPI basket in 2011. Pressures from import prices were relatively high until mid-2011, yet dampened over the rest of the year. Combined with a stable exchange rate performance, in 2011, the annual inflation was downward in the tradable sector of the CPI

<sup>4</sup> Prices of bread and cereals has started to rise since August 2010.

basket. It ranged within the 1.4% - 5.6% band, averaging 4% compared with 2010.

In 2011, contribution profile was determined by developments of inflation in the tradable sector of the CPI basket. It formed about 71.7% of the annual headline inflation, reflecting the relatively high exposure to foreign price and exchange rate developments.



The average annual inflation of net non-tradable sector<sup>5</sup> of the CPI basket was 2.3% in 2011, slightly higher than in the previous year but close to its long-term average. Its low volatility within the 1.7% - 2.5% band attested to the presence of weak demand-side inflationary pressures. As an inflation arising mainly from services included in the CPI basket, it contributed on average 20.7% to the annual headline inflation formation. Performance of this inflation component and upward inflation expectations in 2011 Q1, posed potential risks for the onset of second-round effects on inflation. Further developments in prices, coupled with the monetary policy decision-making, helped in reducing these risks partially, flattening the net non-tradable inflation of goods and services of the CPI basket, in 2011 H2<sup>6</sup>.

In contrast to the previous years, 2011 did not undergo any added inflationary pressures from the regulated prices of the CPI basket; moreover, they were dampening. These developments did not transmit the first-round contagion effect to other consumer prices. On average, the respective annual inflation resulted 4.3%, or 8 percentage points lower than its average over the last decade.

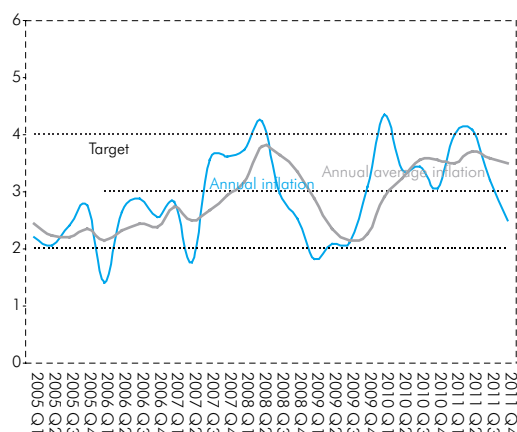
<sup>5</sup> This inflation is devoid of the shock effect generated from decisions on regulated prices (bills for water, electric power and hospital services)

<sup>6</sup> Average annual inflation of the net non-tradable sector for the period referred to is 2.3%.

## II.3 FACTORS IMPACTING INFLATION

The country's macroeconomic situation in 2011 was characterized by a positive economic growth and an inflation rate within the 2 - 4% targeted band of the Bank of Albania. Inflation dynamics was influenced by cost factors and the sluggish domestic demand. Acceleration of inflation in 2011 H1, driven mainly by supply-side shocks<sup>7</sup>, was transitory. The downward inflation trend in 2011 H2 was conditioned by reduction of foreign inflationary pressures and weakening of domestic ones.

Chart 5 Annual inflation, q-o-q



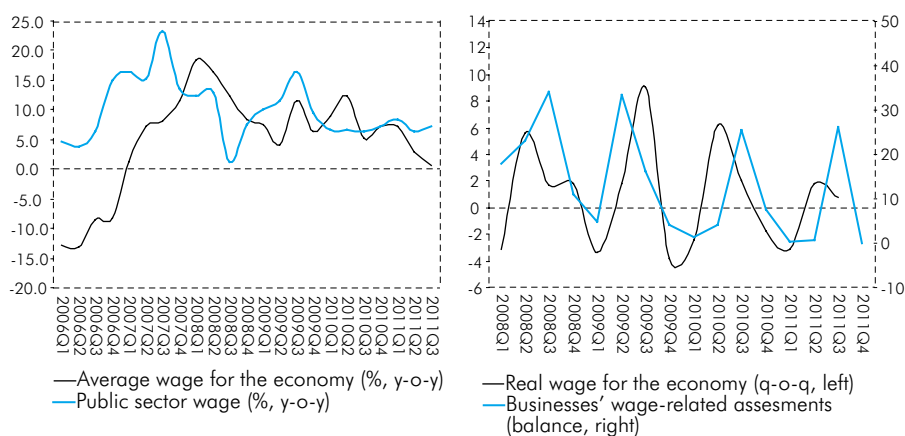
Source: INSTAT, Bank of Albania.

Gross domestic product, the main macroeconomic indicator, shows that the average economic growth was below potential (2.7%) in the first nine months of the year, maintaining a negative output gap. This economic situation has conditioned the controlled rise in wages and production costs, thus reducing the potential risk from the presence of second-round effects and keeping the demand inflationary pressures low. This development was reflected in curbing the increase in: core inflation; net non-tradable inflation; and economic agents' expectations in 2011 H2.

### • DOMESTIC INFLATIONARY PRESSURES: UNIT LABOUR COST

Private sector wages increased slowly during the first nine months of 2011. In the presence of positive labour productivity trends, this performance was reflected in reduced unit labour costs over this period.

Chart 6 Annual change in average wage by sectors (left), quarterly wage and its assessment in the economy (right)



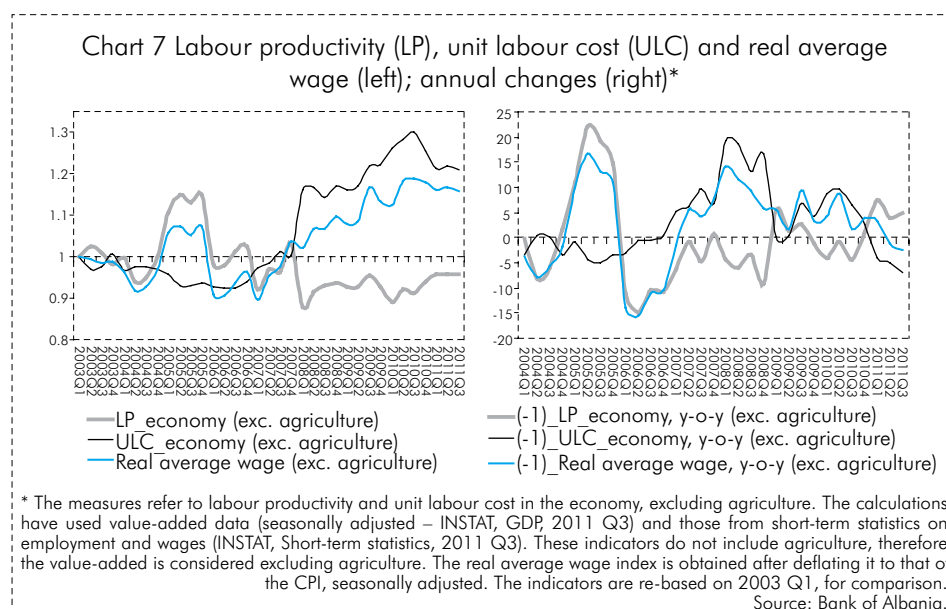
Source: INSTAT, Bank of Albania.

<sup>7</sup> Increases in international primary commodity prices, excise tax increase for several products and economic agents' higher expectations for inflation.

According to INSTAT, the wage index in the economy increased by 3.6% y-o-y in the first nine months of 2011, from 8.7% in the same period a year earlier. The elevated inflation rates that characterized 2011 H1, brought about a significant slowdown in the real wage. This ratio fell by 0.18% y-o-y in the first nine months. In terms of sectors, the real wage index fell mainly in the production sector of the economy. Real wages in industry and construction for the first nine months fell by 1.11% and 0.88%, respectively, compared with the previous year. On the other hand, the real wage in the services sector increased by 4.9%. Business confidence surveys indicate contained developments with regard to wage performance over the third and fourth quarters.

Labour productivity index (LP) increased on average 5.4% y-o-y in the first nine months of 2011. Its performance supports the agricultural-related businesses' efforts to use the work force more efficiently. The positive dynamics of this indicator was most influenced by its high annual growth rate for the first quarter (7.4%). The economic activity slowdown (excluding agriculture) for the next quarters, was reflected in the contained annual growth rate of this index, which registered 4% and 4.8%, respectively, in 2011 Q2 and Q3.

Over the nine-month period, the decline in the real average wage and the increase in the labour productivity led to decline in unit labour cost (ULC). This index pursued a negative average annual dynamics (-5.2%), deepening the decline over the first three quarters of 2011. The above analysis points out that non-agriculture-related businesses have pursued a more cautious approach with regard to wages, employment and labour costs in the light of a relatively slow economic activity.



Overall, the labour market conditions have influenced the dynamics of wages and labour cost, being translated into low domestically generated inflation pressures.

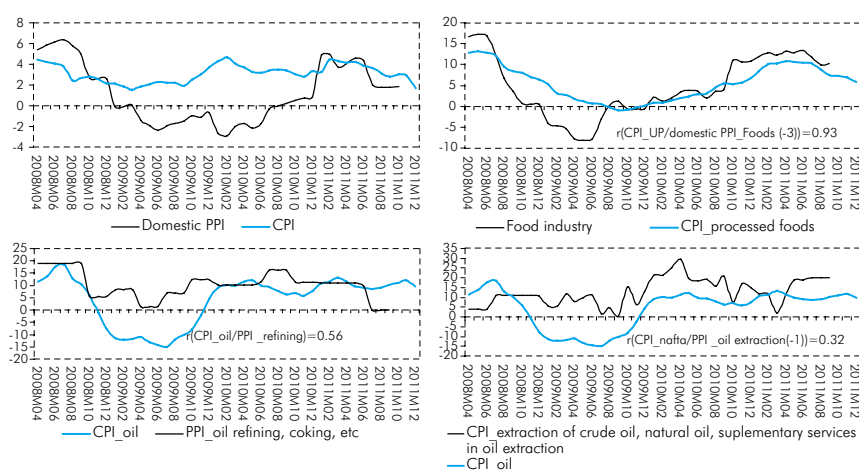
### BOX 1 ASSESSMENT OF PRESSURES GENERATED FROM PRODUCTION COSTS BY THE PRODUCER PRICE INDEX<sup>8</sup>

Pressures generated from production costs play an important role in the formation of inflationary pressures in the economy and, hence, in the price-setting process. One of the indicators that helps in explaining these pressures is the Producer Price Index (PPI). Since 2007, INSTAT has been reporting two other components of total PPI: the PPI destined for the domestic market; and PPI destined for export markets. The domestic PPI informs accurately and directly on inflation pressures generated from domestic production costs. The following analysis refers to this index.

This indicator's positive annual rates, after peaking at year-start, contracted significantly in 2011 Q3. They signalled the presence of inflationary pressures arising from lower production costs, a phenomenon that had been passed-through to inflation developments in 2011 H2. The 12-month average annual change in the producer price index destined for the domestic market was 2.8% in September 2011, from 3.6% in October 2011<sup>9</sup>. The spread between both measures reflected the impact of inflationary pressures generated from the external environment over 2011 H1.

Analyzing the behaviour of more specific components of the above indices, a high correlation is evidenced (to 0.93) between annual PPI rates in food industry (domestic market), which signal the performance of annual processed food inflation three months ahead. The latter has registered lower growth rates than the relevant PPI since August 2010, when markets and production were faced with upward prices of basic products (grain prices included). The processed food inflation has increased less than the producer price index due to a more cautious approach to customers that the trading businesses have held in terms of prices. This development has reflected the reduced profit margin of businesses, against the setting of a sluggish demand. Similar developments are observed even in the prices of oil production and trading, as well as in some of its by-products.

Chart 8 Annual changes of the PPI and CPI and the linear correlation



Source: INSTAT and Bank of Albania calculations.

The weakening financial situation of producing and services businesses, assessed through 2011 Q4 confidence surveys, is based on lower operating profit margins of businesses, without exerting added inflationary pressures from production costs.

<sup>8</sup> Evelina Çeliku is the author of this box. February 2012.

<sup>9</sup> Indicators of annual paces of respective indices present a correlation over time oriented from producer prices to consumer ones, with an average correlation of 1 month lag.



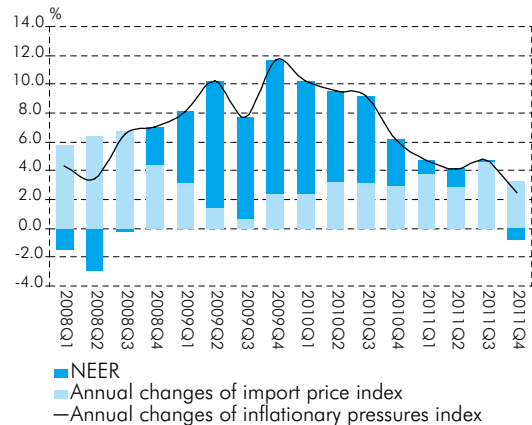
### EXTERNAL INFLATIONARY PRESSURES: IMPORTED INFLATION

Year 2011 highlighted high but downward externally-generated inflationary pressures on the domestic economy. While the primary commodities and consumer prices in international markets were higher than in the previous year, the exchange rate stability contributed to dampening the imported inflation pressures on the domestic economy. The annual average change of the index that combines the import price effect with that of the NEER<sup>10</sup> resulted about 4.0% in 2011, significantly lower than in 2010 (8.8%). The national currency's annual average depreciation in terms of the NEER resulted about 0.4% in 2011, from several times higher in 2010 (5.48%). Import prices - another component of this index - contributed substantially to this increase, albeit at a slower rate at year-end.

In order to measure the imported inflation impact on consumer price performance in the country, the indicator of inter-sectoral inflation differential is constructed. Calculating the difference between tradable inflation and net non-tradable inflation of the CPI basket, the value of this indicator is adjusted for the contagion effect of prices on the domestic market. This direct measure shows that the differential values were narrowing in 2011. They were highly volatile, averaging 1.8 percentage points.

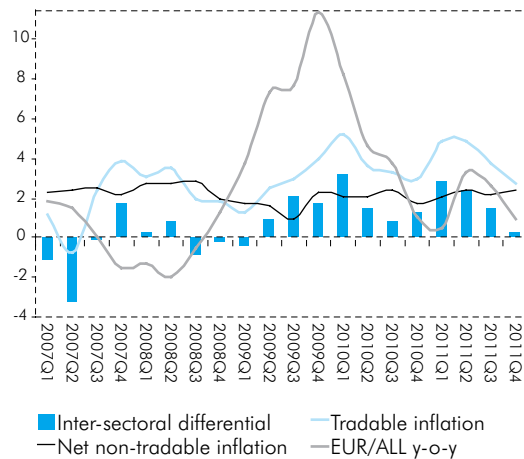
The obvious domination of imported inflationary pressures in inflation formation in early 2011 pursued a downtrend until year-end. With a minimal depreciation of the national currency, relative stability of net non-tradable inflation and reduced tradable inflation, the contributions from imported inflation and domestic inflation to headline inflation reached similar levels. The estimates show that the imported inflation contribution to headline inflation fell substantially over the fourth quarter, to 35%.

Chart 9 Annual percentage of changes in inflationary pressures from import price index, and contribution of import prices and exchange rate



Source: Bank of Albania, INSTAT, IMF, OECD, Eurostat.

Chart 10 Inter-sectoral inflation differential



Source: INSTAT and Bank of Albania.

### INFLATION EXPECTATIONS

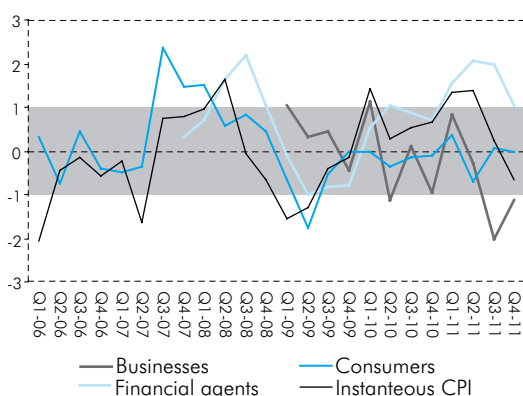
The meeting of the primary monetary policy target, i.e. achieving and maintaining price stability in the medium run, is conditioned by the measure of anchor for inflation expectations<sup>11</sup>. The stability of inflation expectations

<sup>10</sup> The index of inflationary pressures from import prices. It is calculated as a weighted average of the consumer price indices for 21 countries that are our main trade partners, using the weight of their imports based on the external trade data and adding the NEER index value for the respective month.

<sup>11</sup> The Bank of Albania measures economic agents' inflation expectations by means of business and consumer confidence indicators and experts' expectations surveys.

in 2011 played an important role in setting wage and price levels in the country, hence restricting the second-round effects. In general, various agents' expectations remain anchored and in line with the Bank of Albania's target, facilitating the falling back of inflation in 2011 H2.

Chart 11 Inflation expectations anchoring indicator by various economic agents



Source: Confidence survey and banks' survey, Bank of Albania.

The anchoring of inflation expectations<sup>12</sup> by consumers has been stabilized around its average level. By contrast, the financial agents' and businesses' expectations show deviation from their long-term average. Relative to financial agents, the deviation of expectations from the target (3%) is positive and has been recorded throughout 2011, indicating a higher level of persistence compared to their historical behaviour. In the meantime, in 2011 H2, financial agents' expectations were downward, getting closer to the inflation target. In contrast to financial agent' expectations, businesses' inflation expectations anchoring indicator recorded negative rates, signalling weak inflationary pressures from their behaviour in setting prices and wages in the future.

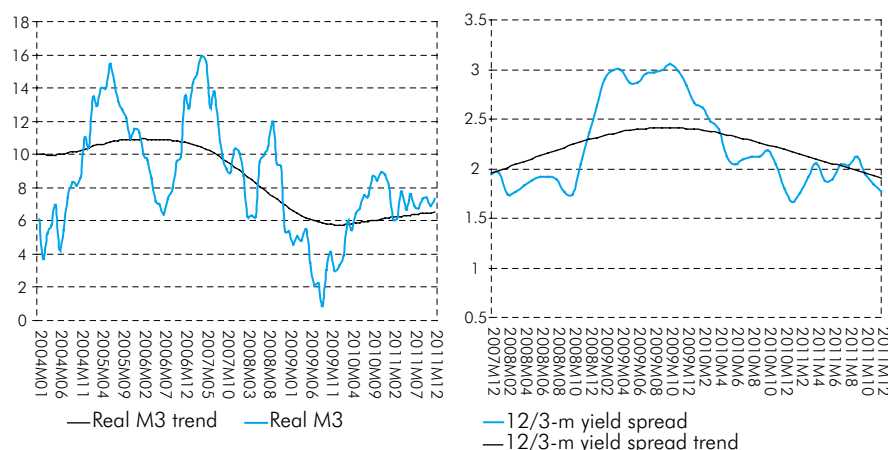
#### • MONETARY AND FINANCIAL INFLATIONARY PRESSURES

In 2011, monetary expansion in the economy reflected lower annual rates than in the previous year, to 7.4%. This slowdown reflected the decline in foreign currency inflows from abroad and the moderate private sector demand, in line with the weak performance of the country's economic activity. Compared with the potential level, the growth of the broad money supply was slightly above this level throughout the year, reflecting the added money demand by the public sector and the upward monetization of the economy. From a long-term viewpoint, it is assessed that the money growth in the economy accommodated the money demand in real terms. The performance of monetary expansion and real demand for monetary assets did not exert any added inflationary pressures in the country. Developments in the monetary indicator in 2011 continued to point out the presence of contained inflationary pressures over the mid-term time horizon.

Financial markets were characterised by good liquidity and bank soundness indicators in 2011, transmitting stimulating monetary policy signals in the economy. The interest rate spread shows that economic agents have not factored into any added liquidity risk for the future. Developments in foreign currency flows were balanced, hence leading to a stable performance of the lek's exchange rate against foreign currencies. The exchange rate stability helped in containing inflationary shocks from abroad and in strengthening the financial stability of the economy.

<sup>12</sup> This indicator is used to measure the degree of anchoring inflation expectations and is calculated by deducting the long-term average expectations (for consumer and business expectations) or the 3 % numeric inflation target (for financial agents' expectations) from the series level and by dividing them with the respective standard.

Chart 12 Monetary expansion and yield spread\*



\*The indicators' trend, Real M3 aggregate and yields are calculated by the filtration technique of Hodrick Prescott filter.

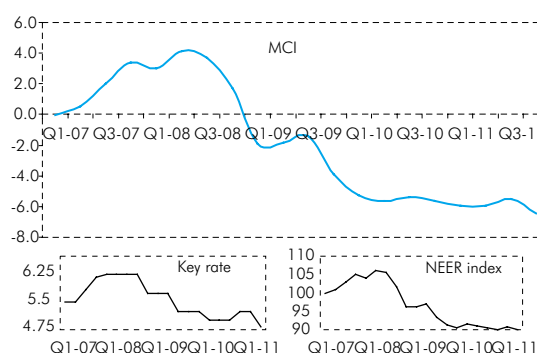
Source: Bank of Albania

## II.4 MONETARY POLICY

The macroeconomic situation continued to register real-positive but below-potential growth rates, under the pressure of added uncertainties from the external economic environment. At the end of 2011 Q1, the Supervisory Council of the Bank of Albania raised the key interest rate by 0.25 percentage point to contain the upward inflation expectations trend. At the end of Q3 and November 2011, the key interest rate was lowered by 0.25 percentage point, to reach the lowest historical level, by 4.75% at year-end.

Monetary conditions in the economy measured by the Monetary Conditions Index, were generally on the easing side. In 2011 H2, this tendency was pronounced as a consequence of consecutive key interest rate cut. These decisions were supported by assessments of subduing inflationary pressures and anchoring inflationary expectations to Bank of Albania's target. In the absence of a pronounced fiscal stimulus, the created monetary stimulus aimed to support the domestic demand, favouring the easing of monetary conditions and encouraging private investments and consumption.

Chart 13 MCI change from the base year\*

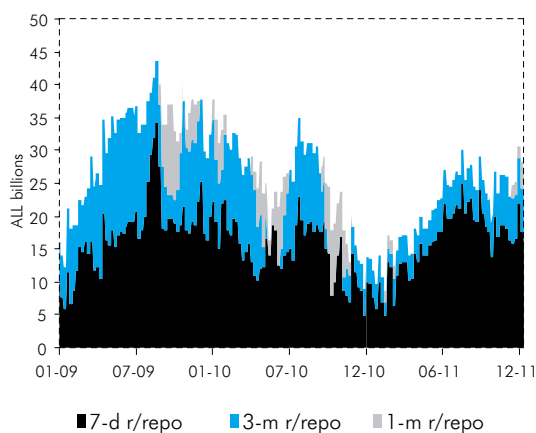


\*Monetary Conditions Index (MCI) is constructed by taking as components the performance of the key interest rate and the nominal effective exchange rate. In this series, a rise in NEER means exchange rate appreciation. This is so, to maintain the meaning of the MCI, in which a rise in the index means tightening of monetary conditions and vice-versa.

Source: Bank of Albania

Monetary operations were oriented towards supplying the banking system with liquidity, to ensure the short-term interest rate stability and control the liquidity risk premia in the system. Liquidity is injected through open market operations – regulated (reverse repos of a 7-day maturity) and regulating (reverse repos of 1 to 3 month maturity) operations. The improved banking

Chart 14 Liquidity injected into the banking system through open market operations



Source: Bank of Albania

system liquidity condition led to lower level and maturity of the liquidity injected in 2011 than in 2010<sup>13</sup>.

The short-term interest rates in the money market fluctuated around the key rate, being in concert with the Bank of Albania's operational objective. Their downward trend was transmitted to other market segments, in which economic agents' national-currency borrowing cost decreased as compared to the previous year. This helped in raising the banking system intermediation in lek. The Bank of Albania's decision to decrease the foreign required reserve remuneration rate to 0%, has served, since July 2011<sup>14</sup>, to orient the demand trend towards the lek.

<sup>13</sup> The average liquidity level injected for 2011 is ALL 18.4 billion, from ALL 22.4 billion in 2010. Out of them, 74% of the injected value represents adjusted 7-day operations, against 58% in the previous year.

<sup>14</sup> With the decision No. 28, dated 27.04.2011 of the Supervisory Council of the Bank of Albania, the reserve requirement remuneration rate in Eur and USD went down to zero. The decision aims to encourage the banking system intermediation in the national currency. For more details, see box on "Change in the required reserve remuneration policy".

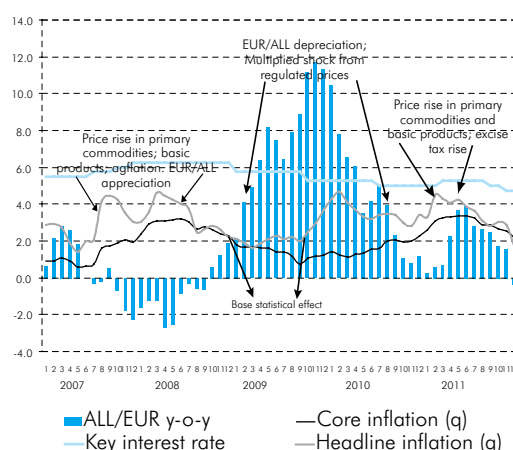
BOX 2 SHOCKS TO INFLATION IN 2007 – 2011<sup>15</sup>

Annual inflation for 2007-2011 averaged about 3.1%, very close to Bank of Albania's primary mid-term target. This inflation rate supported the positive dynamics of the real economic growth, which in average annual terms resulted 4.7%, while the average key interest rate for the lek resulted about 5.6%. The annual average change of the lek/euro exchange rate for the period under review was slightly depreciated (2.7%), influenced mainly by high depreciation of this indicator in 2009-2010 and followed by the restraining of this phenomenon in 2011. The average performance of foregoing indicators has contributed to maintaining an appropriate macroeconomic stability. However, the difficulties generated in the country's economy due to financial market distress as an aftermath of the 2009 crisis, coupled with the situation of sovereign debt crisis in some European countries - Albania's main trading partners – have induced added uncertainties about the real sector of the economy in the country over the last two years.

Against this background, the monetary policy's primary target for maintaining price stability in the medium run, has resulted particularly attained. An important role in this process has been played by the avant-garde monetary policy decision made in due time and amount, supporting future developments in consumer prices, markets and aggregate demand of the economy in the country. The public's inflation expectations have not encouraged the onset of any inflationary spiral in the economy. Regular inflation forecasts have been an important component of decision-making, with an enhanced role in terms of assessing the amount, time and future intensity of inflationary pressures in the economy. Aiming at enhancing the monetary policy decision-making transmission power, the Bank of Albania has increased the focus and reliance on forecasts.

The 2007-2011 period highlighted shocks to overall economic balances worldwide, with highly volatile price indices for primary commodities, basic products and consumer goods. Their pass-through to Albania's CPI resulted in building-up the supply-side inflationary pressures from Autumn 2007 to end-2008. Also, the national currency was appreciated, thus helping in offsetting the inflationary pressures arising from imported inflation. Year 2009 recorded shocks to inflation and boosted uncertainties due to the onset of exchange-rate depreciation. This phenomenon did not find any obvious reflection in consumer prices over the first nine months of 2009, though empirical evidence shows that prices are very sensitive to national-currency depreciation. Actually, the exchange rate impact was markedly offset by the high base effect of comparison of 2008, qualified as a statistical element.<sup>16</sup> As such, the base effect can be regarded neither as a "shock" to inflation, nor as a disinflationary process. It was reflected most in the downward trend and in lower historical rates of the core and headline inflations during the last ten months of 2009. In the absence of this statistical factor, inflationary pressures would have been high, due to the national currency's depreciation against the euro. End-2009 and year 2010 were

Chart 15 Annual change of the CPI, exchange rate and key interest rate (in %)



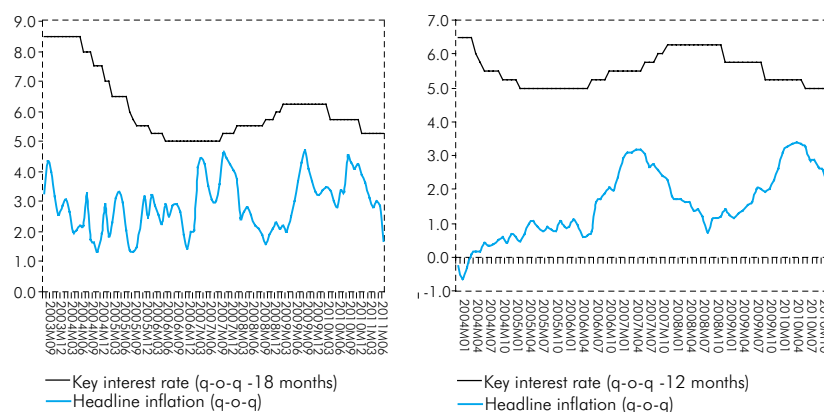
Source: INSTAT, Bank of Albania

<sup>15</sup> Written by Evelina Çeliku, based on the working paper on "Assessment of performance: Uncertainties in inflation forecasting", E. Çeliku and G. Hashorva. Presented in the 5<sup>th</sup> Seminar of Researches in South-East Europe, Bank of Albania, 10-11 November 2011, Tirana.

<sup>16</sup> Bank of Albania, Monetary Policy Report, 2010 Q1, Box "Base effect and impact on inflation rate".

characterised by obviously added inflationary pressures as a combination of the earlier accumulated effect and the deepening of the lek's depreciation against the euro. Over the same period, added tariffs were applied on regulated prices of goods and services. These effects, combined with the low base effect of comparison of 2009, turned the inflation trend upward and to a similar profile with that of mid-2008. From Autumn 2010 to mid-2011, inflation was sensitive to and gradually reflected the other shocks from price rise in primary commodities worldwide. This development was combined with some shocks to prices as a result of fiscal measures applied in early 2011, thus leading to higher inflation expectations by businesses and financial market agents. However, supply-side inflationary pressures in 2010–2011, were dampening due to the weakening aggregate demand, reflected in the presence of a negative output gap, decline in productive capacity utilization and a high unemployment rate.

Chart 16 Key interest rate shift over time, in correlation with the headline inflation (left) and core inflation (right)



Source: Bank of Albania and author's calculations.

The monetary policy decision-making during the period under review has aimed at reducing the consumer price volatility, in order to boost economic agents' confidence in the market. Though shocks have arisen from the supply-side factors, the pursued monetary policy has, on the one hand mitigated the effects of numerous shocks to inflation, thus anchoring inflation expectations to inflation target, and on the other hand, aimed at promoting economic activity and consumption in the economy. The key interest rate decisions and the corrective effects, as a consequence of adjustment of macroeconomic development programmes to new equilibrium in the country and abroad, have been supported by an appropriate efficiency of the functioning of the monetary policy transmission mechanism. This has kept inflation subdued in the medium-term and in accordance with the Bank of Albania's 3% target.<sup>17</sup>

<sup>17</sup> A negative correlation of the average strength between the key interest rate (with a time lag not higher than 18 months) and headline and core inflation has been evidenced. Between the core inflation and the key interest rate the linear coefficient of correlation fluctuates from (-0.4) to (-0.7), whereas between the headline inflation and the key interest rate the linear coefficient of correlation resulted weaker, from (-0.21) to (-0.4).

The Albanians, then, are the most magnificent in the world in attire of any other tribe, particularly those in which gold is used, and which are either in the shape of a coat of mail or a chain of mail.

The Albanians in their dresses (the most magnificent in the world) consist of a long white kilt, gold-embroidered tunic, a crimson velvet gold-laced jacket and waistcoat, silver-mounted pistols and daggers.

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The Albanians, in their dresses  
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## CHAPTER III MACROECONOMIC DEVELOPMENTS

Economic and monetary developments in 2011 were characterised by positive but slow economic growth in 2011, slightly stimulating fiscal policy, relative exchange rate stability, decreased risk premia and sluggish demand inflationary pressures. Notwithstanding the positive economic growth rate, the Albanian economy remained below its potential; the average annual inflation fluctuated around the Bank of Albania's target and the key macroeconomic balances ranged around the previous year's levels.

Domestic macroeconomic developments were considerably impacted by the slowed economic growth world-wide, shocks arising from costs that made import bill more expensive and a sluggish domestic demand. The economic activity expanded on average 2.7% during the first three quarters of the year, supported mainly by the external demand. Impacted also by the slowed economic activity abroad, exports continued to grow but at a lower rate. On the other hand, the domestic demand, impacted by a cautious approach by the fiscal agent, was fragile, thus providing a minimal contribution to aggregate demand growth. In terms of sectors, the economic growth structure was balanced, impacted by the contribution of both production and services sectors.

Budget revenues increased slowly in 2011, reflecting the impact of automatic stabilisers in the economy and the effects of previous year's revenue composition. Developments in revenues and the fiscal authority's commitment to observing the budget deficit benchmark determined the downward trajectory of expenditures in 2011 H2. The budget deficit as at year-end is estimated at about 3.5% of GDP, within the budget law projection for 2011.

Current account deficit as a share of GDP resulted 12.0% in the first nine months of 2011. Alongside trade deficit deepening, the deterioration of services account surplus is likely to have contributed to current account deficit expansion. Net flows in current and financial account recorded a positive balance sheet, financing about 72.1% of the current account deficit. The stock of foreign reserve was sufficient to cover 4.4 months of import of goods and services.

The labour market conditions improved in 2011. Increased employment was associated with a lower unemployment rate, at 13.3% in 2011 Q3. Reflecting these developments, the minimum wage rise was low in the first nine months of the year.

Table 1 Key economic indicators in the years

	2007	2008	2009	2010	2011
Inflation rate (y-o-y, period average)					
Core inflation (in %)	1.3	2.8	1.4	1.7	3.0
Headline inflation (in %)	2.9	3.4	2.3	3.6	3.5
Economic growth					
Real GDP growth (in %)	5.9	7.5	3.3	3.91	2.72
GDP (at current prices, in ALL mln.)	967,670	1,089,293	1,151,020	NA	NA
Labour market					
Number of people employed (in thousand)	939.0	974.1	899.3	916.9	929.92
Unemployment rate	13.2	12.7	13.7	13.5	13.32
Fiscal sector					
Budget deficit (including grants, as a share of GDP)	(3.5)	(5.5)	(7.0)	(3.1)	(3.5)
Budget revenues (as a share of GDP)	26.0	26.7	26.0	26.4	25.4
Budget expenditures (as a share of GDP)	29.5	32.3	33.0	29.5	28.9
External sector					
Current account (excluding official transfers, as a share of GDP)	(11.4)	(15.8)	(15.9)	(12.3)	(12.0) 2
ALL/USD average exchange rate	90.4	83.9	95.0	103.9	100.84
ALL/EUR average exchange rate	123.6	122.8	132.1	137.8	140.34
Effective nominal exchange rate, NEER	100.2	99.7	107.1	113.4	113.8
Monetary and financial sector					
M3 aggregate (period-end)	13.7	7.7	6.8	12.5	9.2
Private sector credit (period-end)	48.3	32.2	11.7	10.6	10.4
12-month yields (annual average)	7.90	8.16	9.17	7.98	7.34

Source: INSTAT, Ministry of Finance, IMF and Bank of Albania calculations.

<sup>1</sup> Preliminary data.

<sup>2</sup> The labour market estimates refer to the nine-month period average and end-Q3.

\* The indicators as a share of GDP are based on annual projections.

Economic growth continued to be supported by private sector credit. Improved liquidity condition and sound bank balance sheets, as well as downward borrowing costs favoured the growth of credit to the economy. However, credit demand remained weak due to the slowdown in economic activity, uncertainty surrounding the economic outlook for the future and banks' reluctance to lend.

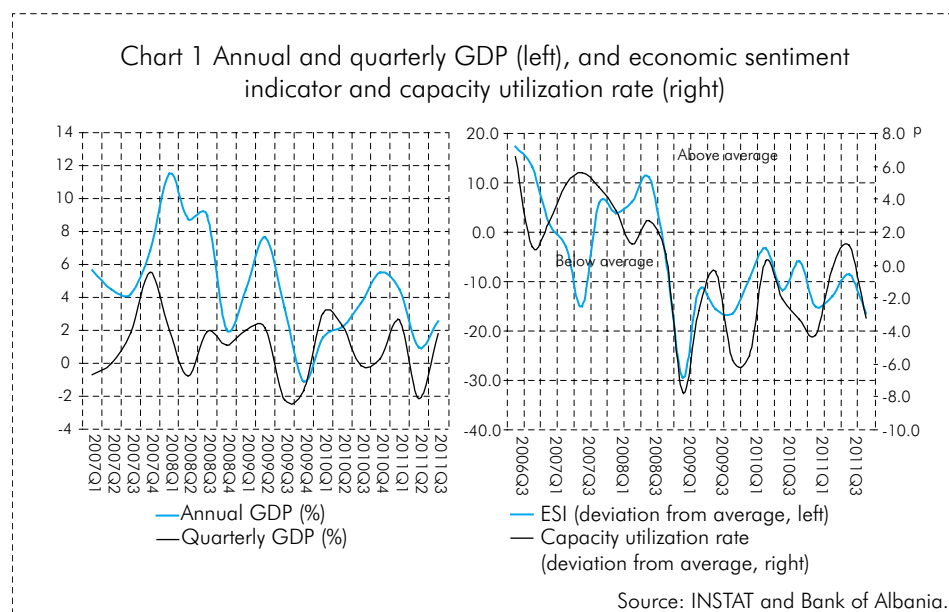
In 2011, the financial markets were characterised by a downward trend of interest rates, reflecting the easing monetary policy, improved liquidity condition, steady inflation expectations and controlled risk premia. On the other hand, the exchange rate slowed down the previous year's depreciating trend due to equilibrated developments in the balance of payments and the performance of international financial markets.

### III.1 GROSS DOMESTIC PRODUCT AND AGGREGATE DEMAND

In 2011, the Albanian economy continued to grow at contained rates, likewise in the last two years. Real Gross Domestic Product<sup>1</sup> increased on average 2.7% in the first nine months of the year, with significant volatility across the quarters. Following the expansion by 4.5% in Q1, the economic

<sup>1</sup> In the latest publication of the quarterly GDP, the GDP series since 2005 Q1 has been revised. For more details, see box 3, "Revising the quarterly GDP data in volume".

activity slowed down to about 1.0% in Q2, to improve to 2.6% in Q3. This year's economic growth continued to be supported by the external demand, though reflecting the global economic slowdown at a smaller extent. The domestic demand was contained and mainly formed by the fiscal sector's contribution in 2011 H1. Estimates on business and consumer spending performance, in 2011, depict lack of dynamism of these aggregate demand components. From the viewpoint of value-added, the economic growth was generated by the contribution of both production and services sectors.



### BOX 3 REVISING THE QUARTERLY GDP DATA IN VOLUME <sup>2</sup>

This box analyses synthetically INSTAT's latest publication on quarterly GDP by economy branches for 2011 Q3. The publication includes not only Q3's GDP estimates in volume, but also the revising of GDP series in total and by economy branches for the period 2005 Q1-2011 Q2. As depicted by Chart 2, the new information, generated by the national accounts for 2010 and the results of records of economic enterprises, was reflected in revising the GDP values for the previous quarters<sup>3</sup>.

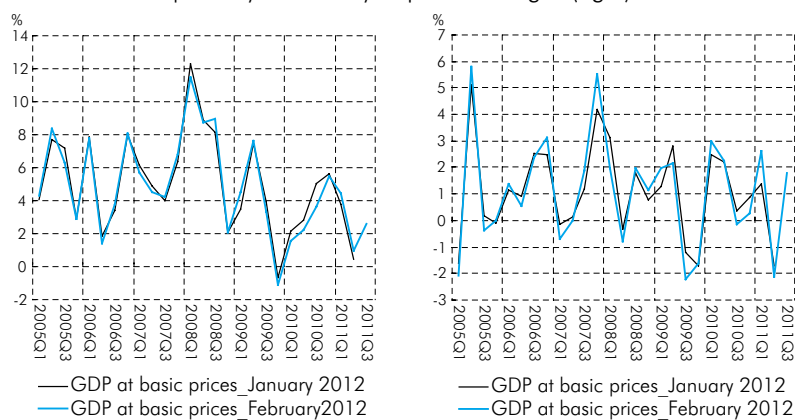
Data revising, in essence, aims at improving the reliability of GDP values by method of production, providing the series with information, at the same time, signalling the need for a cautious interpretation of data on the preceding quarters. Unification of the measure, volatility and direction of revising would ensure additional useful information on the data available for analyses. These three indicators have been calculated for the series of annual percentage of GDP change from 2005 Q1 to 2011 Q2<sup>4</sup>. Revising is calculated as a difference between the released annual GDP rates for 2011 Q3 and 2011 Q2, in percentage points.

<sup>2</sup> Iris Metani is the author of this box, February 2012.

<sup>3</sup> Referring to INSTAT's publication on "Quarterly GDP", quarterly publication for 2011 Q3, February 2012.

<sup>4</sup> We should take into consideration that the given series includes a lower number of data.

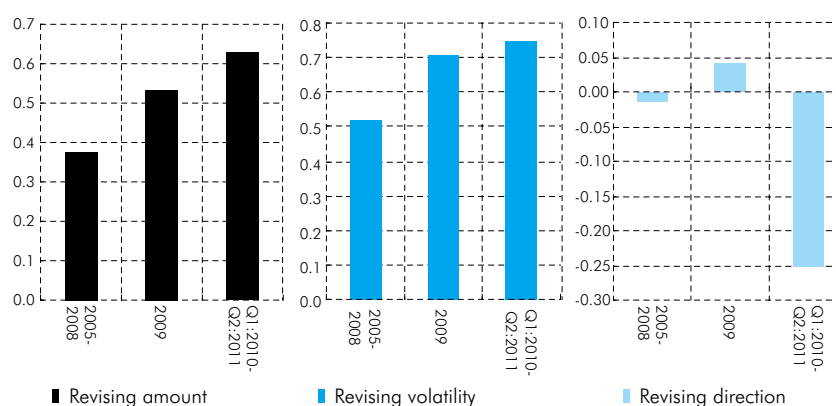
Chart 2 Performance of real quarterly GDP, annual change (left) and the quarterly seasonally adjusted changes (right)



Source: INSTAT.

Based on this generated series, the revised amount is calculated as an arithmetic mean of the reviews in absolute value. More concretely, over the period 2010 Q1 – 2011 Q2, the revised amount resulted about 0.63 percentage point, being higher compared to the average revised amount for the preceding quarters. As concerns the revising volatility, which is computed as their standard deviation, the highest volatility of the series was evidenced over the period 2010 Q1 – 2011 Q2. The third indicator, the revising direction or the average revising is an estimate that determines whether the revised values average close to zero, are positive or negative. For the period under review, the revising direction of the annual GDP rate is slightly negative, about -0.1 percentage point. Comparing the periods, the largest revising down of annual rates of the previous series belongs to the period 2010 Q1 – 2011 Q2, by about 0.25 percentage point.

Chart 3 Revising indicators of annual GDP (in %)



Source: Bank of Albania.

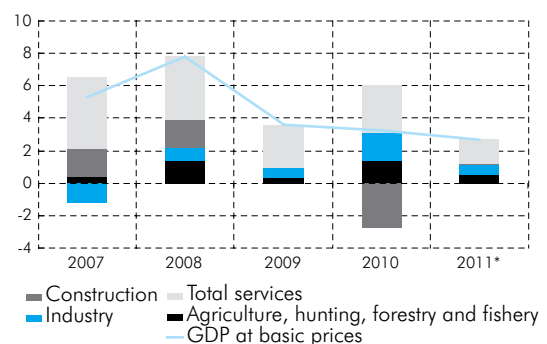
In conclusion, the estimates show that the amount and volatility of indicators is high and the revising direction is negative over the period 2010 Q1 – 2011 Q2, which corresponds with the period of increasing the data availability. These results confirm that the interpretation of new GDP data requires higher prudence, in the light of updating them with additional information in the periods ahead.

### III.2 OUTPUT BY SECTORS OF THE ECONOMY <sup>5</sup>

Gross Domestic Product growth has primarily reflected the better performance of transport, trade and agriculture branches. Notwithstanding the slowdown in economic activity, the services sector remains the main driver to annual GDP growth during the nine-month period. Its contribution diminished on average 1.5 percentage points, from 2.4 percentage points in the same period a year earlier. On the contrary, the production sector's contribution<sup>6</sup> to annual economic growth rose to 1.2 percentage points, from 0.1 percentage point in the previous year.

Value-added in industry sector in the first nine months of 2011, grew on average 5.3% y-o-y, substantially lower than the 15.8% growth registered in the same period a year earlier. Slower performance of industry sector was influenced, to a great extent, by the deteriorated activity in the branch of electricity, gas and water. More specifically, in the first nine months of 2011, this branch's value-added was down 53.9%, y-o-y. Positive developments characterised the activities in extractive and processing industries. The annual growth of production and volume turnover index were reflected in the annual expansion of the value-added in the extractive industry (on average 39.6%) and the processing industry (on average 14.5%) over the first nine months of the year.

Chart 4 Sectors' contribution (in percentage points) to annual GDP growth (in %)\*



\*The contribution from sectors and the annual GDP growth have been calculated as an average of respective values for the 4 quarters of the year. By contrast, in 2011, under the conditions of data availability till the third quarter of 2011, the sector contribution, annual GDP growth and the value added by sectors have been computed as an average of values for the first 3 quarters of 2011, to aggregate the figures for the first nine-month period of 2011. Source: INSTAT and Bank of Albania.

	2008	2009	2010	2011*
Extractive industry	3.2	-1.6	3.3	4.3
Processing industry	0.8	-1.5	9.7	10.0
Electricity, gas, water	3.8	10.2	4.6	-8.9
Industry	7.8	7.0	17.6	5.3

Source: INSTAT and Bank of Albania.

\* Year 2011's figures are estimated as an average of the first three quarters of the year.

Table 2 Branch contributions (in percentage points) to annual growth of the value-added in industry (in %)

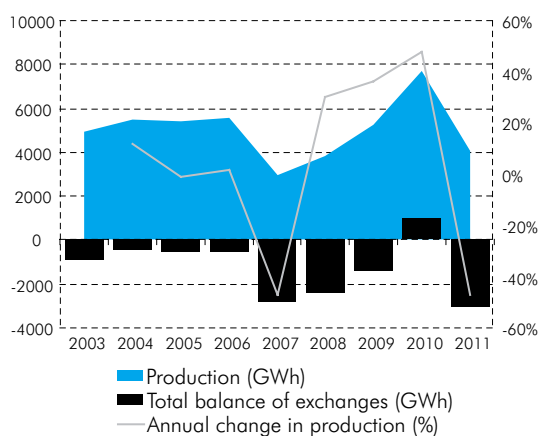
During 2011, several core electricity balance indicators deteriorated significantly in the country. These adverse developments were materialized in the sharp decline in domestic production, significantly increased import level and reduced export of electricity. The domestic electricity production decreased by about 47.4% y-o-y, following the previous year's 47.5% improvement.

The unfavourable hydride situation in the country led to non-fulfilment of the domestic needs for electricity by the domestic production, exacerbating

<sup>5</sup> GDP analysis by sectors is based on complete data of the value-added until 2011 Q3. Sectoral developments in 2011 Q4 have been addressed on the basis of indirect quantitative and qualitative indicators.

<sup>6</sup> Production sector includes: Agriculture, hunting, forestry and fishery, Industry and Construction.

Chart 5 Core electricity balance indicators

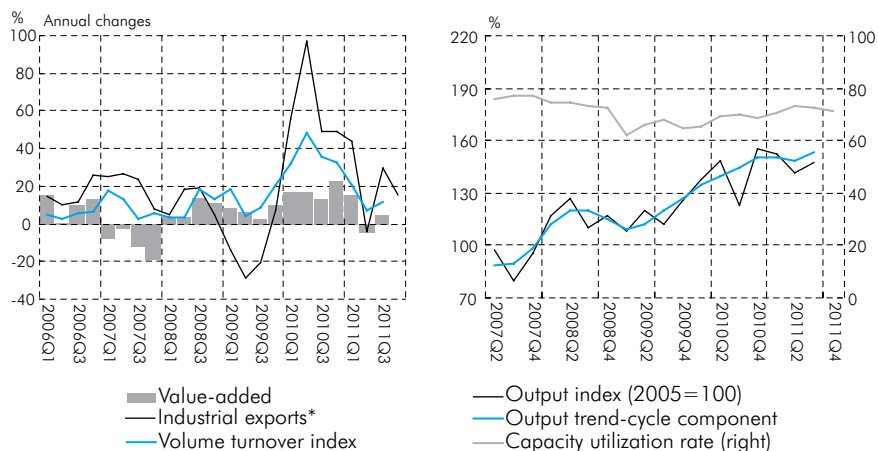


Source: AEC and Bank of Albania.

significantly the country's trade balance.<sup>7</sup> Electricity imports in 2011 were at the highest historical levels, particularly during the last two months of the year. On the other hand, exports resulted low and concentrated only in January. As a consequence of intensified importing and curbed exports, the total balance<sup>8</sup> of electricity exchanged over the period under review resulted sharply negative, to about 3086.5 GWh, the lowest historical level since 2003.

Over the rest of 2011, the industry sector performance was assessed on the basis of indirect quantitative and qualitative indicators. The slowdown in annual growth of industrial exports in the fourth quarter shows a decelerated expansion in the industry sector compared with the previous quarters of the year. In the meantime, positive signals result from the industry confidence indicator, which increased at year-end 2011, but remained below the historical average.

Chart 6 Industry sector



\*Deflated using the exchange rate and inflation.

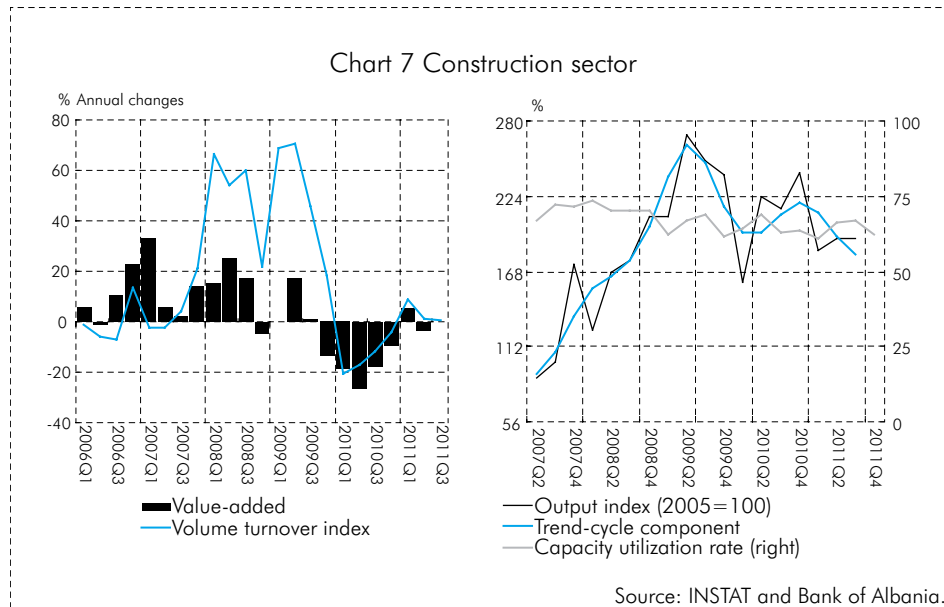
Source: INSTAT and Bank of Albania.

Construction sector performed poorly in the first nine months of 2011. The contraction of construction activity, having started since 2009 Q4, seems to have halted in 2011 Q1. However, the value-added to GDP by construction sector declined, y-o-y, in 2011 Q2, to remain almost unchanged in the next quarter. More specifically, during the first nine months of 2011, the construction sector's value-added averaged 0.8% higher than in the corresponding period a year earlier. This increase remains 9.4 percentage points below the annual

<sup>7</sup> Based on external trade statistics, in 2011, the electric power import contributed by 4.3% to total import growth.

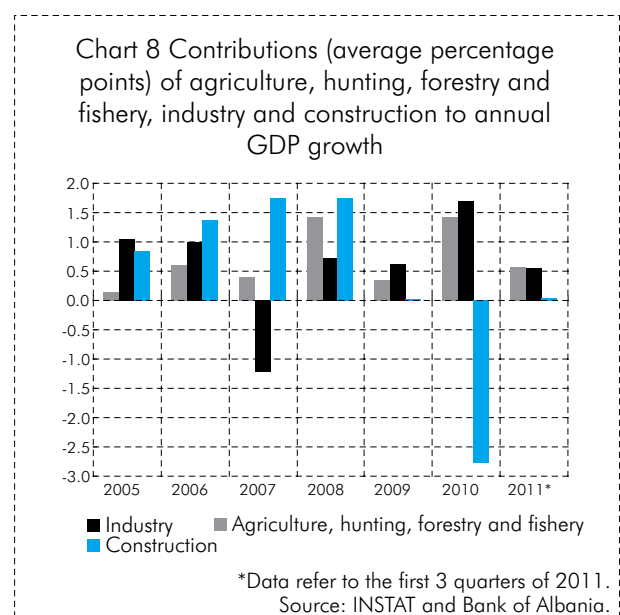
<sup>8</sup> It includes imports, exports, and electricity Exchange agreements.

average for 2005 Q1 – 2009 Q3. Partial data on types of constructions being built in the country, confirm an increase in the value of approved building permits<sup>9</sup> (an annual average of 32.5% for 2011 H1). This reflects primarily the increased value of buildings for residential purposes.



In 2011 Q4, the construction sector dynamics, estimated through qualitative indicators, continued to appear non-positive. Hence, the lower level of the construction confidence indicator suggests a deteriorated construction activity over the fourth quarter, on a quarterly basis.

In the production sector, the activities of agriculture, hunting, forestry and fishery made the highest contribution to average annual GDP growth in the first nine months of 2011. They contributed on average 0.6 percentage point to annual GDP growth. In terms of value-added, the activities of agriculture, hunting, forestry and fishery grew on average 2.9% in the first nine months of the year. However, the expansion remains below the annual historical average of 3.8% growth over the period 2005-2010.



Services sector showed a slower annual performance over the first nine months of 2011, influenced mainly by the sluggish domestic demand<sup>10</sup>. The value-added grew on average 2.9%, y-o-y, remaining 3.1 percentage points below its long-term historical average. This was reflected also in the

<sup>9</sup> Source: Quarterly Statistical Bulletin, INSTAT.

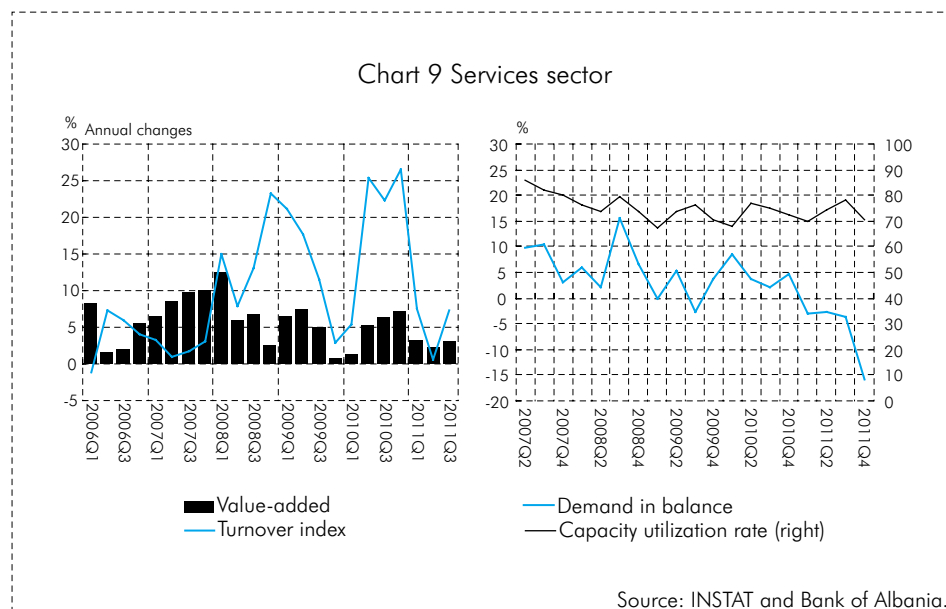
<sup>10</sup> Assessed indirectly by means of the volume turnover index, which for the services sector increased by 5.1% y-o-y in the first nine-month period of 2011, significantly lower than the 17.6% y-o-y growth in the same period of the previous year.



contribution of the services sector to GDP growth that was slightly higher than that of the production sector.

Analysed by economic activity, the slower performance of the services sector over the first nine-month period of the year was mainly driven by the contraction of the branches of post and telecommunications and other services. More specifically, the branch of post and telecommunications recorded 1.7% annual decline in the value-added in the economy. During the first nine months of 2011, other services activities generated a 0.7% lower value-added than in the previous year, affected mostly by the contraction of other services for the community, health and education.

In the services sector, transport and trade result as the branches with the highest positive contribution to annual economic growth. Transport branch performed more positively than the other branches of this sector during the nine-month period. Its value-added, although recording slower average growth rates (18.7%) than in the same period a year earlier (21.4%), turned out to be significantly higher than the 6.6% historical average for the last five years. This performance has mainly reflected the better performance of air transport<sup>11</sup>. Regarding trade, the value-added from this branch grew on average 4.8% during the first nine months of the year, comparable to the historical average growth of 5% for the period 2006-2010. Trade activities, maintenance and repair of vehicles and motorcycles,<sup>12</sup> and the wholesale trade<sup>13</sup> provided a positive impact on the performance of this branch.



According to 2011 Q3 survey results, businesses signal for a likely deteriorated performance of the services sector, q-o-q.

<sup>11</sup> This is based on the information obtained from volume turnover index, which for this branch resulted on average 17.1% higher than the other types of transport.

<sup>12</sup> The volume of this item's sales registered an annual average growth of 28.3% in the nine-month period of 2011, exceeding by 11.3% the annual average growth registered in the last five years.

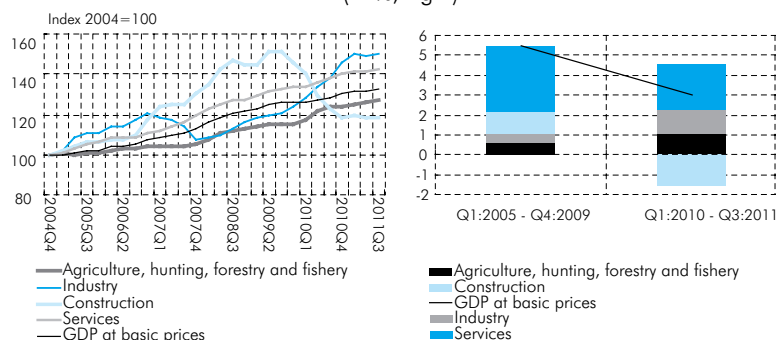
<sup>13</sup> Volume turnover index for the first nine-month period of 2011 increased by 8.7% y-o-y, about 1.3 percentage points higher than the historical average.



BOX 4: STRUCTURAL DYNAMICS IN THE ALBANIAN ECONOMY<sup>14</sup>

Developments in economy sectors reflect the dynamics of internal and external factors, to be reflected totally in the performance of gross domestic product. Global economic and financial crisis provided its impact on the Albanian economy. Therefore, the decelerated external demand, combined with a lower increase in the domestic demand, influenced not only the slower economic activity growth, but also the domestic product structure. Adjustment to reduced consumption and investments generated a new structure of the domestic economy. More specifically, economy sectors' growth rates diverged from those recorded over the 2005-2008 period as well as by sectors. This brings about contraction of activity of firms operating in those sectors and shifting and expansion of the activity into other sectors. Reclassification of economic enterprises in 2010 reflected this change in the structure of gross domestic product, which is evidenced by computing the shares of economy sectors.

Chart 10 Performance of annual GDP in total and by sectors\* (left); sector contributions (in percentage points) to annual GDP growth\*\* (in %, right)



\* IGDP index in total and by sectors (2004=100) is constructed on the basis of quarterly GDP at basic prices, after the annual sliding amount has been computed for each quarter. \*\*Sector contributions and annual GDP growth for respective periods represent the arithmetic mean of quarterly values.

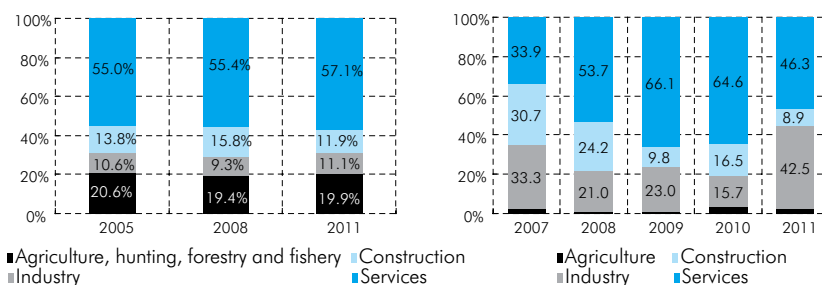
Source: INSTAT and Bank of Albania.

Overall, the positive performance of the domestic economy during 2005-2009 was reflected in the average annual GDP growth by 5.5%. Services, as the most dynamic sector of the economy, contributed to annual GDP growth by 3.3 percentage points, mostly owing to Other services<sup>15</sup> and Trade, hotels and restaurants. On the other hand, in the production sector, the accelerated expansion of construction was translated into a substantial contribution, averaging 1.2 percentage points. For the period 2010 Q1 – 2011 Q3, the annual economic growth averaged 3.0%. The services sector continued to lead the annual GDP growth, despite its diminished contribution to domestic product. On the other hand, the contribution from industry and agriculture increased by 2.3 percentage points in total. In the meantime, a negative impact (to 1.6 percentage points) of the construction sector on the economic growth has been highlighted.

<sup>14</sup> Iris Metani is the author of this box, February 2012.

<sup>15</sup> Branches included in Other services are: Monetary and financial intermediation, Real estate, renting, scientific and academic research, Public administration, defence, social insurance, Education, Health and their social activities, Other collective social and individual services and activities.

Chart 11 Real GDP structure over respective periods\* (left) and credit structure by economy sectors\*\* (right)



\* For computing the shares of economy sectors, annual GDP by branches and in total for 2005 and 2008 is calculated as a sum of quarterly GDP for four quarters of respective countries. For 2011, under the conditions of data availability till the third quarter, the annual GDP by branches and in total is computed as a sum of quarterly values of end-2010 and three quarters of 2011. The respective shares represent GDP ratios by branches to total GDP. \*\*The respective shares are computed as a ratio of annual credit flows by sectors to total credit.

Source: INSTAT, Bank of Albania.

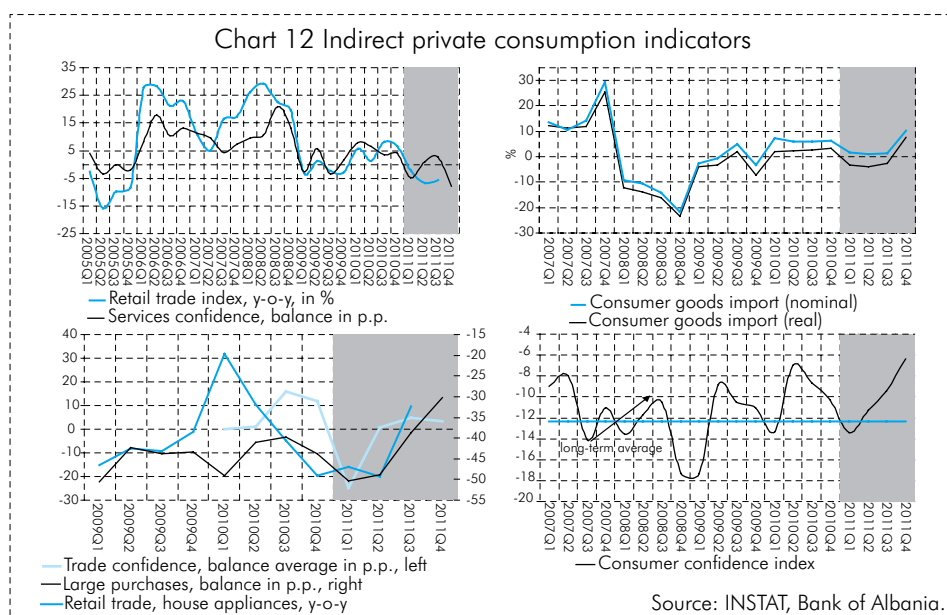
The analysis of the economy structure in terms of the shares of sectors to GDP, after updating the information with current account data on annual GDP and the new classification of economic sectors for 2010<sup>16</sup>, evidences a significant change of the construction sector's share. It dropped by about 3.9 percentage points, to 11.9% in 2011, from 15.8% in 2008. In 2011, a higher share was attributed to agriculture and industry sectors, by up 1.8 and 0.5 percentage point, respectively, from the 2008's respective figures. In services sector, which represents also the leading sector to economic growth, its share to GDP increased slightly by 1.6 percentage points in 2011 compared to 2008, accounting for 57.1%. The changed shares in the economy have also been reflected in changing the credit flow structure by sectors. The banking sector financing of construction sector has decreased significantly over the last three years, as compared with the previous years. Also, in line with the real economy developments, the industry sector has attracted more banking system financing flows. Services sector has been the most credited sector in four years.

<sup>16</sup> Referring to INSTAT's release on "Quarterly Gross Domestic Product", publication of 2011 Q3, February 2012.

### III.3 AGGREGATE DEMAND

Increase in aggregate demand was slow in 2011. Following the increase by 4.5% in the first quarter, the low rates of quarterly GDP growth in Q2 and Q3 – by 1.0% and 2.6% respectively, reflected the impaired external economy conditions and the low contribution from the domestic demand. Net exports in real terms continued to provide a positive but lower contribution to 2011's economic growth. Government spending, after providing a positive contribution to increasing the aggregate demand in Q1, diminished it in the next quarters. On the other hand, the domestic private demand was weak along the three quarters.

Private consumption is assessed to have performed poorly over the first nine months of 2011, reflecting the low increase in real consumer income and uncertainties about the economic outlook at home and abroad. In consequence, this component's contribution to economic growth is deemed to have been low since 2010 Q1, in spite of its large share to GDP<sup>17</sup>. Indirect quantitative data support this assessment. Consumer spending, as proxied by the retail trade index, fell on average 4.8% in the first nine months of the year. Albanian households' consumption of imported goods also fell over the same period. The annual change of consumer merchandise import<sup>18</sup> fell by about 3.2% in real terms over the first nine months of 2011.



As concerns the 2011 Q4, the improved confidence indicators on trade and other indirect quantitative indicators<sup>19</sup> suggest recovery of retail trade over this period. A more optimistic view is also presented by the consumer confidence indicators survey. On the other hand, uncertainties generated by external and internal economic environment may discourage consumption in the short run, as suggested by savings trend balances and as proxied by the consumer confidence survey. Quantitative indicators confirm the signals given by the survey results. Consumer goods import improved in 2011 Q4. Real consumer goods import grew by 7.6% in this quarter. Also, VAT revenues increased by about 16.2%, thus hitting record highs since 2005 Q4.

Low level of private consumption in 2011 reflected the limited funding resources and the preference to save. The national disposable income slowed its annual growth rate in 2011 H1, to slightly improve in 2011 Q3 (see Box 5). Also, more expensive import prices, in terms of the lek, and expanded

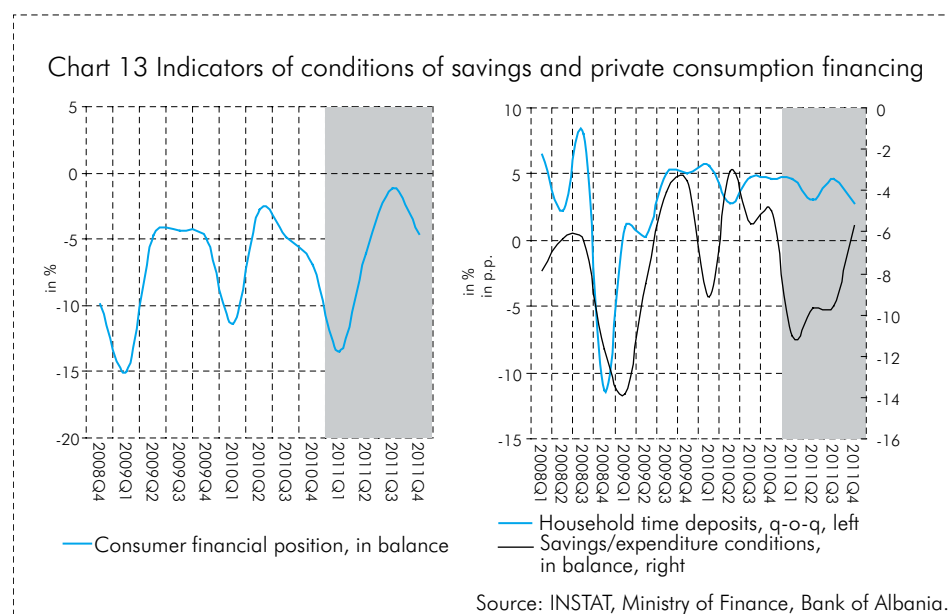
<sup>17</sup> Private consumption accounts for 80% of nominal GDP in the period between 1996-2008.

<sup>18</sup> Consumer goods import is expressed in real terms by deflating it to the price index of tradable goods.

<sup>19</sup> Income from VAT accounts for about 72% of change in the retail trade index during last 5 years.

VAT-paying base<sup>20</sup> led to decline in the real purchasing power of consumer income in 2011 H1. Domestic financing sources – increased disposable income and decelerated import prices made more room for consumption over the third quarter.

The private consumption support by remittances was weak. The annual change of remittances inflows in the first nine months of 2011 was negative, though the downward trend decelerated. In 2011 Q3, remittances fell only 2%, from 10.7% in 2011 H1. On the other hand, consumer credit growth provided a positive contribution to financing consumption in 2011.



<sup>20</sup> Besides including liberal professions in the VAT scheme, the increase in excise tax and medicines VAT in the first half of the year have reduced the consumer income.

#### BOX 5: CONSTRUCTING A PROXY FOR PRIVATE DISPOSABLE INCOME<sup>21</sup>

As a share of GDP, private consumption behaviour constitutes an important element in analysing and forecasting the aggregate demand. Theoretically, the performance of consumption (C) is a function of a set of variables, such as: disposable income (Yd), interest rate (i), expectations for the inflation rate ( $\pi^e$ ), changes in property condition, and other risk factors or consumer behaviour.

In this context, the assessment of private disposable income (Yd) represents an important explanatory variable for consumer behaviour. In the absence of official data, this box tends to make a proxy of this indicator, using the main macroeconomic identities in the national accounts system. The database used is the performance of real and nominal GDP<sup>22</sup>, according to INSTAT's publications; performance of the balance of payments indicators, according to the Bank of Albania; performance of fiscal indicators, according to the Ministry of Finance; and the authors' technical assumptions.

Initially, it is important to lay out that disposable income for private consumption is ensured not only through income generated from domestic economic activity (GDP), but also through income generated from factors of production owned by Albanian citizens<sup>23</sup> in other countries, as well as through net current transfers<sup>24</sup> received by Albanian households. For a logical symmetry, the incomes generated from domestic economic activity for private consumption in Albania should be corrected, deducting the incomes transferred abroad from factors of production of foreign-owned businesses. The above distinction has to do with the difference between GDP (based on the concept of residence) and Gross National Disposable Income (GNDI)<sup>25</sup> (based on the concept of nationality). To further the assessment of personal disposable income, GNDI should be revised down by deducting total tariffs and taxes paid to the state and the interests that the state pays on external debt, and should also be revised up by adding the state transfers and the interests that the state pays on domestic debt. Because of lack of data, this calculation does not consider the depreciation of fixed assets in the economy and businesses' retained earnings.

In the form of identities, we may write down:

$$GDI = GDP + Yf \quad (1) \quad GNDI = AKB + Ytr \quad (2) \quad Yd = GNDI - T + Tr \quad (3)$$

where: GDI represents gross domestic income; Yf represents net income from factors of production of Albanian citizens, revised down by deducting income from factors of production of foreign citizens, GNDI represents the gross national disposable income, Ytr represents the net current transfers; Yd represents personal disposable income for consumption by the private sector of the economy; T represents total tariffs and taxes paid to the state, and Tr represents transfers made from the public sector to the private one.

<sup>21</sup> Merita Boka and Rajna Hoxholli are the authors of this box, February 2012.

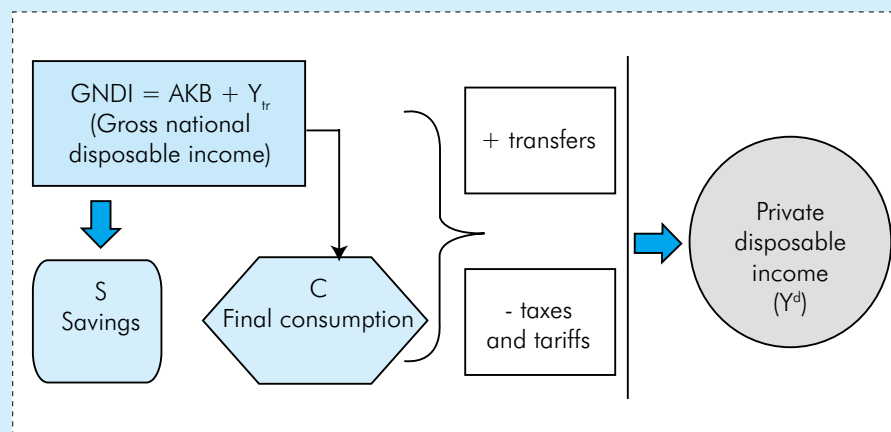
<sup>22</sup> Nominal GDP refers to the value published by INSTAT for the period 2005 - 2008 and the Bank of Albania's estimates for the period 2009-2011. The quarterly distribution is done according to shares to real quarterly GDP.

<sup>23</sup> In this case, they refer concretely to current account income item, which includes: compensation from work which is paid to non-resident seasonal workers (less than one year) and income from investments (dividends from direct foreign investments, portfolio investments and interest on long-term and short-term debt).

<sup>24</sup> Net current transfers are equal to the difference between current transfers received by residents, which are not connected to income from production factors, and transfers sent abroad. Workers' remittances have the main share to this item.

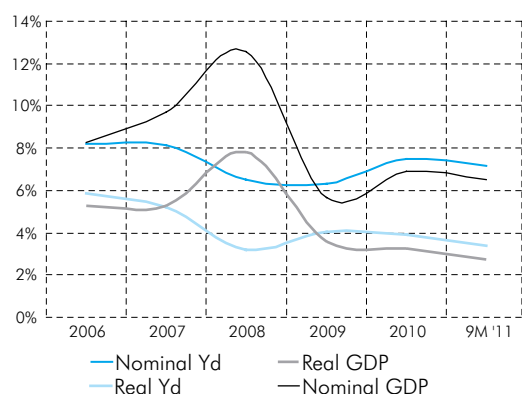
<sup>25</sup> Manual on national accounts. "National Accounts: a practical introduction", United Nations, 2003

Schematically, the above concepts may be illustrated as follows:



Making the above calculations, we may obtain a measurement of Albanian households' disposable income. This proxy may take place in nominal and real terms (making respective adjustments for inflation). The following chart illustrates the annual real income changes.

Chart 14 Annual changes in private disposable income (Y<sub>d</sub>), in nominal and real terms



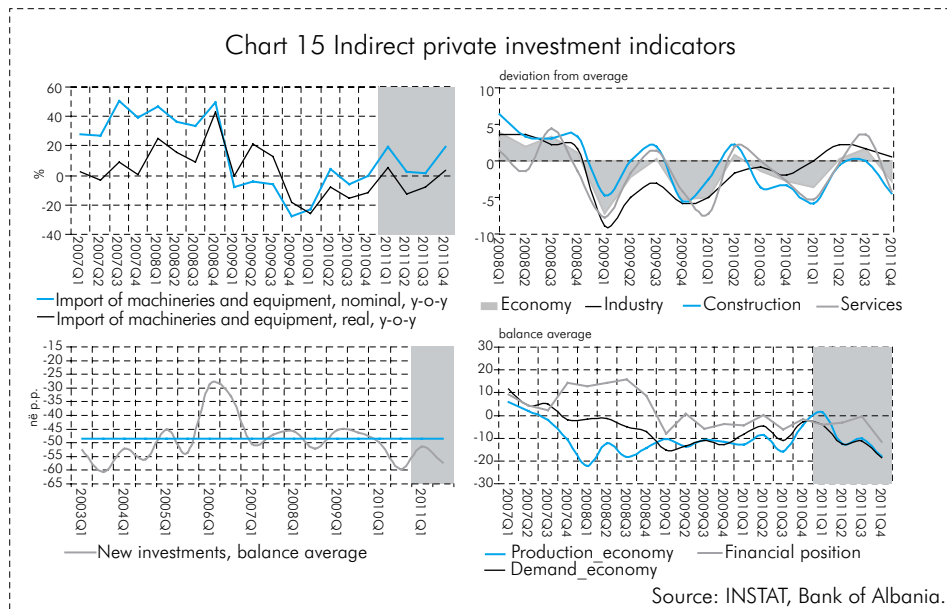
Source: INSTAT, Bank of Albania, Ministry of Finance and staff calculations.

Alongside changes in GDP, private disposable incomes are affected even by the volatility of net current transfers, net income, taxes and tariffs and public sector's transfers to the private sector. In nominal terms, the growth rate of disposable income decelerated during 2006 - 2009, as a result of decline in net income and net current transfers, as well as increase in taxes and tariffs paid by households. In net current transfers account, the decline in remittances played a crucial role, while in income account, this role was played by the rise in investment income outflow. The more pronounced deceleration of disposable income growth in 2009 owes to the significant deepening of income deficit, as a consequence of repatriation of foreign direct investments income. In the next period, the narrowing of the net income deficit and the slight growth of net current transfers led to disposable income growth by about 7.2% in nominal terms and 3.7% in real terms. The spread between disposable income in real terms and in nominal terms is attributed to the inflation rate. The greater divergence in the period 2010 - 2011, owes to the higher inflation rate over this period.

Indirect private investment indicators show a low contribution to aggregate demand growth. Their recovery, after the previous year's decline, is sluggish and has reflected the deceleration of domestic and external demand, low capacity utilization rate and the increased uncertainty about the future. On the other hand, supporting the private investment financing with loans has not lacked. Investment loans have increased by about 10.6%, y-o-y.

Economic sentiment indicator remained below its historical average in 2011. Also, about 30% of business productive capacities remained unutilized. In the

face of a sluggish demand, businesses accumulated inventories during 2011 H1, as suggested by business confidence surveys. Capital goods import in real terms<sup>26</sup> dropped by about 6.2% over the first nine months of the year. The slowing demand and uncertainties about the economic growth sustainability abroad have led to decline in foreign direct investments, which dropped on average 60.6% in the first nine months of the year.



Indirect quantitative data show positive developments in private investments over the fourth quarter. Import of machineries and equipment has increased by about 20.5% in real terms, reversing the decline registered over the two previous quarters.

The increase in capital spending by about 19.53% in the last quarter is expected to be reflected in private investments as well, thanks to the fiscal multiplier, similar to the previous quarter. On the other hand, new investments balance, after having improved in 2011 H1, fell in 2011 H2, standing below its historical average. The survey indicators suggest that the decline in investment level has been driven by the decline in services investments and in new constructions. Businesses have reported increased level of investments in the industry sector in 2011.

Fiscal policy in 2011 had a slightly stimulating nature at uneven intensity across the quarters. Budget spending and deficit increased at slow paces, reflecting, on the one hand the economic activity slowdown and on the other, the government's cautious stance for maintaining fiscal sustainability. Reflecting these developments, fiscal deficit to GDP expanded by about 0.4 percentage point in 2011.

<sup>26</sup> Capital goods import is deflated using the import price index, in order to turn this indicator to real terms.

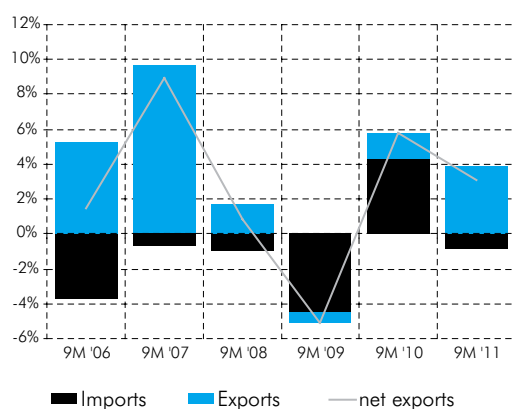


Following a significant contribution to aggregate demand in 2011 Q1 and sustained by current and capital expenditures, the public demand decelerated in the next quarters. Total nominal expenditures increased by about 3.7% as compared to the previous year.

In 2011, government consumption, measured by current expenditures, increased only 1.6% y-o-y, compared to the 8.2% historical average increase in the past fifteen years. Modest growth of government consumption provided low contribution to total consumption by the population. This cautious stance of the Government in carrying out current expenditures is assessed to have affected consumer's reluctance to spend.

Public investment contribution to gross fixed capital formation was positive in 2011. Annual growth of public investments by 4.5% somewhat offset their decreased level in 2010. The annual growth dynamics of government capital spending, after falling in the second and third quarters, shifted up in 2011 Q4. The latter is expected to positively stimulate the growth of private investments in the economy, providing an added contribution of this investment component to aggregate demand in 2011 Q4.

Chart 1.6 Net export contribution to real GDP (in percentage points)



Source: General Customs Directorate and the bank of Albania.

Economic growth in 2011 maintained the same structure as in the previous year, characterized by a significant contribution from net exports and the sluggish domestic demand. Net export deficit in real terms<sup>27</sup> decreased by about 10.6% during the first nine months of 2011, contributing positively to the growth of aggregate demand. Exports of goods and services grew by about 10.8% y-o-y, mainly reflecting the increased merchandise exports. The positive performance of these exports was helped by the depreciation of nominal and real exchange rate following 2008, as well as by the development of trading relations in new markets. On the other hand, the import of goods and services rose on average 1.3% y-o-y in the first nine months. Although the demand for goods and intermediate products increased, consumer goods and capital imports

were downward, reflecting the poor performance of domestic demand during the first nine months.

<sup>27</sup> The latest data on net exports cover 2011 Q4. They are obtained from the balance of payments. The analysis of this component is based on real data. In order to pass from nominal to real terms of merchandise imports and exports, the unit value index obtained from the external trade volume is used. In terms of imports and exports of services, the consumer price index for services has been used. Calculations in this section represent approximations.



### III.4 FISCAL POLICY, AGGREGATE DEMAND AND FISCAL INDICATORS<sup>28</sup>

Quantitative operational objectives of fiscal policy in 2011 were to observe the public debt threshold below 60% of GDP and maintain low budget deficit levels. These two fiscal anchors, in view of public finance sustainability, conditioned the fiscal space in 2011, leading to the necessity for pursuing a prudent fiscal policy over this budget year. In 2011, the overall fiscal policy was slightly stimulating<sup>29</sup>, while from the viewpoint of distribution by quarters, the measure and direction of consumer spending impact on economic growth was uneven across the quarters. More specifically, in 2011 Q1 and Q4, the fiscal policy was oriented towards expanding direction, while the opposite resulted from its behaviour over the two other quarters. Consequently, in 2011 Q1 and Q4, the public sector is assessed to have made a positive contribution to economic growth, mainly in the form of gross fixed capital formation (as proxied by capital expenditures). Government final consumption, which is illustrated by several specific items of current expenditures, is assessed to have provided a substantially positive contribution only in 2011 Q1.

Budget revenues marked a decelerated growth in 2011, reflecting, inter alia, the impact of automatic stabilizers in the country. Developments in revenues led to budget revising in July 2011. The primary focus of revising was adhering to the budget deficit limit of ALL 46.8 billion projected in the 2011 budget law. To this end, the projected level of total expenditures decreased by about ALL 18.3 billion (a correction accounting for 4.5% of total budget expenditures projected at year-start). Budget revising has conditioned the trend of expenditures (especially that of current expenditures) in the last two quarters of the year. The high annual growth (by 16.8%) of total expenditures registered in 2011 Q1 slowed down in the next two quarters, to moderate to about 3.7% at year-end. Finally, the revenue and expenditure behaviour in 2011 determined a budget deficit level within the projected budget plan.

Total expenditures registered ALL 376.2 billion in 2011, increasing by 3.7%, y-o-y, in nominal terms. As a ratio of GDP, public expenditures posted approximately 28.9%. Primary expenditures<sup>30</sup> registered a higher annual growth rate, by 4.3%, albeit below its historical average.<sup>31</sup>

Current expenditures were carried out at about ALL 305.6 billion, accounting for about 23.5% of GDP. In annual nominal terms, current expenditures resulted about 1.6% higher. Social security outlays and personnel expenses

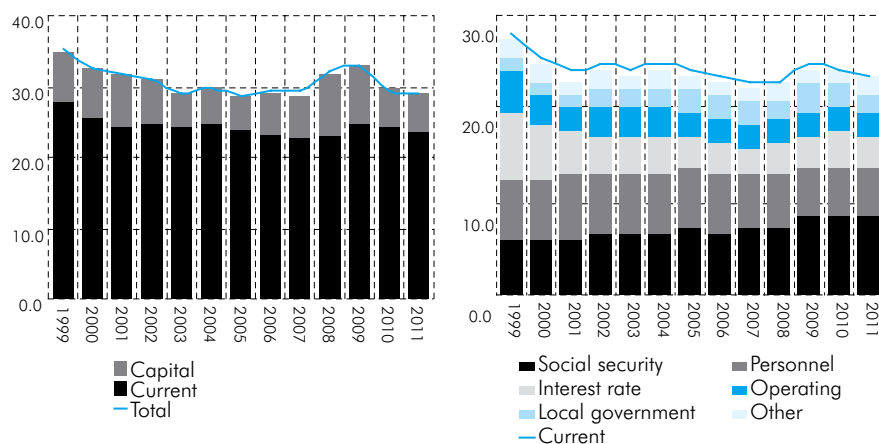
<sup>28</sup> The fiscal data for 2011 are preliminary and subject to review.

<sup>29</sup> The fiscal stimulus on budget expenses was more concentrated particularly in 2011 Q2. The contraction of capital spending for Q2 and Q3 by about ALL 6.5 billion and of the current expenses by about ALL 5.6 billion in the second half of the year have partly balanced the added positive effect from increased total expenses in Q1 and of the capital spending in 2011 Q4.

<sup>30</sup> Primary expenditures represent total expenditures, excluding interest rate ones. They are a proxy of expenditures carried out on the basis of fiscal policy in the current year, since interest rate expenses are paid on the stock of debt incurred in the previous years.

<sup>31</sup> Excluding year 2010, when primary expenditure registered negative growth rates due to a substantial fiscal consolidation process, based mainly on reduction of budget expenditures.

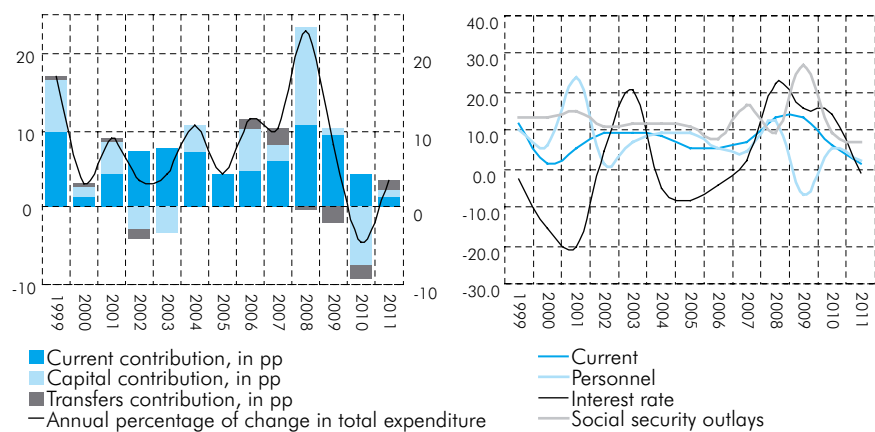
Chart 17 Total expenditure by main items (left) and current expenditure by component items (right) as a ratio of GDP



Source: Ministry of Finances, INSTAT and Bank of Albania.

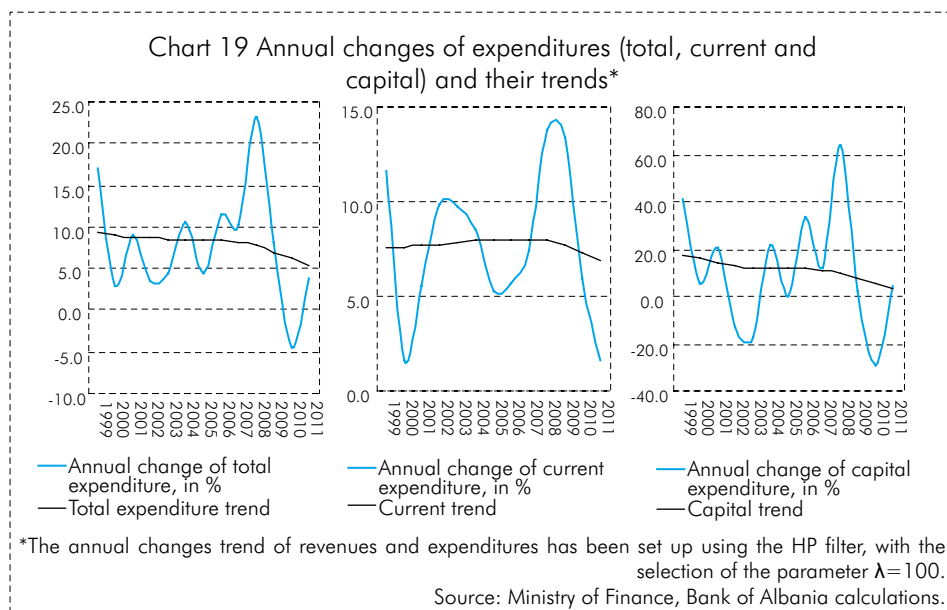
are the only items having contributed positively to current expenditure growth, while the other current expenditure items (operating expenses, interest rate expenses, subsidies and local government spending) contributed negatively to short-term expenditure growth. It should be noted, however, that the trend observed in the current expenditure constituent items was in line with the revised budget plan for 2011.

Chart 18 Annual change in total expenditure, with respective item contribution (current, different transfers and capital, left) and annual changes of some current expenditure items, in % (right)



Source: Ministry of Finance.

On the other hand, capital expenditure registered ALL 70.6 billion, or up by 4.5% in nominal annual terms. The trajectory pursued by capital expenditure in 2011 converged toward its long-term trend. By contrast, the performance of current expenditure was obviously below the trend, hence determining the total expenditure trajectory.



According to quarters, the performance of spending was uneven across the quarters of the year. In 2011 Q1, the current expenditures and capital ones recorded an annual growth of 11.3% and 41.4%, respectively, thus suggesting the presence of a positive contribution made by the public sector to aggregate demand growth, either in the form of final consumption by the government or in the form of gross fixed capital formation. In the second quarter, the annual contraction in capital expenditures (by about 27.5%) exceeded the positive effect caused by the growth of current expenditures on total consumer spending. In the third and fourth quarters, current expenditures underwent negative growth, y-o-y, by 3.3% and 3.6%, respectively. In the meantime, capital expenditures contracted in Q3 (by about 9.7%), to record an annual growth by about 19.5% in 2011 Q4.

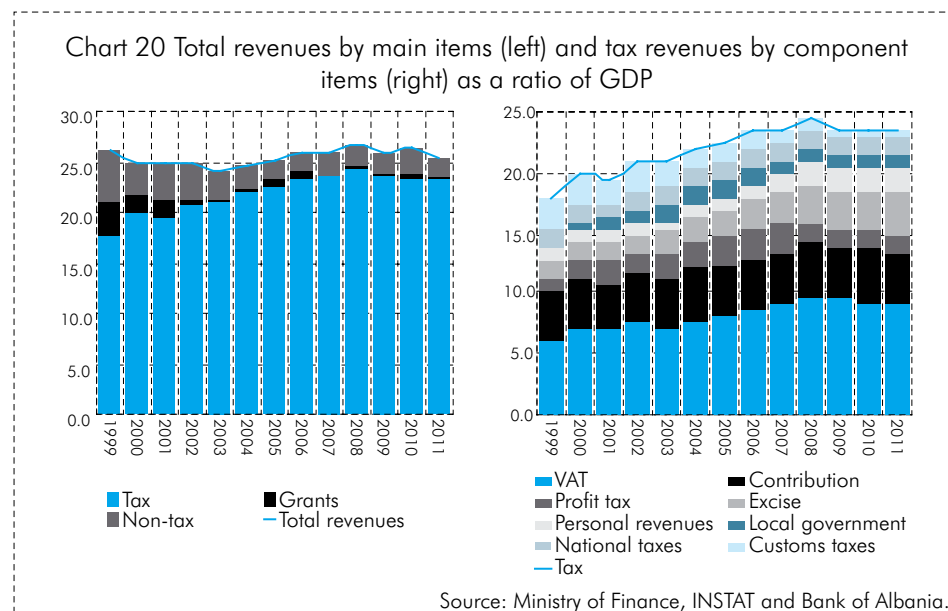
Expenditure trend, driven partly by the revised plan for 2011, has reflected the pursuit of a prudent fiscal policy along this budget year.

Budget revenues grew slowly in 2011 due to the combined effect of several factors simultaneously: the country's economic performance, tax policy in force and revenue structure. In 2011, the budget revenues totalled about ALL 330.5 billion, accounting for about 25.4% of GDP. The revenue indicator as a share of GDP is the lowest in the last five years, reflecting, inter alia, the effects of revenue structure and slow economic growth over this budget year. Total revenues marked an annual increase of 1.8% in 2011.

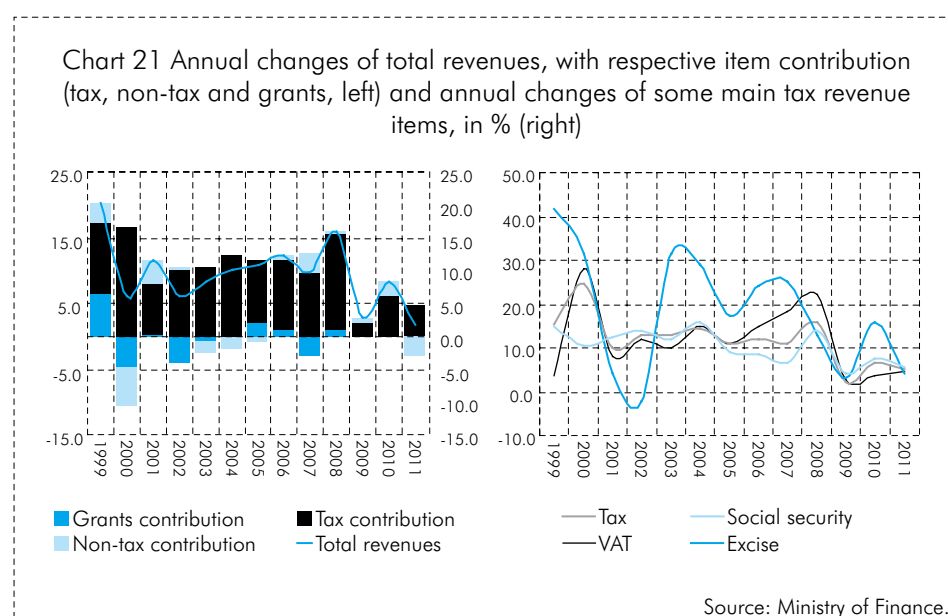
Revenues of a temporary nature, classified in the non-tax revenues are one of the potential factors influencing the low annual growth rates<sup>32</sup>. A different structure of revenues compared with the previous years is reflected in a higher share of tax revenues to total revenues. Along the same lines, tax revenues as a share of GDP for 2011 are estimated at about 23.4%, while maintaining

<sup>32</sup> If we exclude temporary revenues, which for 2010 were about ALL 8.4 billion, the annual change of total revenues is estimated at about 4.5%.

almost similar levels for 3 years in a row. In the meantime, non-tax revenues and grants accounted for 0.3% and 1.7% of GDP, respectively, or down by 0.1 and 0.8 percentage point from the previous year. The marginal increase of total revenues for 2011 was partly determined by adverse contribution from non-tax revenues, which accounted for about 2.7 percentage points.



By contrast, tax revenues contributed positively to total growth by about 4.7 percentage points. However, the tax revenues trend was slow in 2011, suggesting the impact of automatic stabilizers in the economy. Though the fiscal authority has oriented the tax policy towards tax basis expansion,<sup>33</sup> which suggests positive effects of these regulations in revenue collection, the magnitude of their impact on the budget revenue accumulation is difficult to be identified.



<sup>33</sup> In more details, the fiscal package changes for 2011 are presented in the box: "Tax policy changes in 2011".

Revenues on VAT, excise tax, tax on profit (which constitute about 59% of total tax revenues) are the main revenue items that reflect directly or indirectly the country's economic activity. VAT revenues, which represent the highest share (about 39.2%) of tax revenues, reflected a slower performance in 2011, increasing by 4.6%, y-o-y<sup>34</sup>. Growth of VAT revenues (as an indirect indicator of consumption in the country), is related to import value, exchange rate, production of goods and services in the country, exports, as well as specific regulations regarding the manner of VAT payment on capital goods import. The major part of VAT revenues (about 78%) is collected from merchandise import, while the rest is collected from the economic activity in the country (netting from reimbursements and deferred VAT). The increase in import value (by about 12.4%), for 2011, is translated into a positive contribution (by about 7.1 percentage points) of VAT revenues from merchandise import to total VAT. By contrast, the VAT tax collected on goods and services produced in the country contributed negatively (by about 2.6 percentage points) to total VAT, hence suggesting a slow performance of economic activity in the budget year. On the other hand, the relative exchange rate stability in 2011<sup>35</sup>, did not favour the performance of VAT<sup>36</sup> revenues, a phenomenon that had been present in 2010. Finally, the VAT refunds and the deferred VAT for capital goods, decelerated the VAT revenue growth in 2011<sup>37</sup>. In conclusion, despite the regulatory measures expanding the VAT basis<sup>38</sup>, developments in the VAT item depict a slower performance of consumption in the country during the major part of the year, except in the fourth quarter, when the VAT revenues increased by 16.2%. Import value for the same period increased by 14.6%. Taking into consideration the downward trajectory of the primary commodities and oil prices in international markets in the last months of the year, developments in VAT revenues may be a positive signal for the performance of consumption in the country, in 2011 Q4.

Excise tax revenues pursued a similar trajectory to that of VAT revenues, confirming the presence of weak consumption over most of 2011. Their annual growth rate for 2011 resulted about 4.2%<sup>39</sup>. Revenues from social security contributions showed a steadier increase, by 5.6%, y-o-y. Tax on profit was the item with the highest annual growth for this year, about 12%. However, its pace is more moderate (5.4%), if we do not take into account the tax on profit paid by KESH and Albpetrol, in May 2011.

<sup>34</sup> This pace of increase in VAT revenues is higher than in two previous years, but significantly lower than in the period prior to 2009.

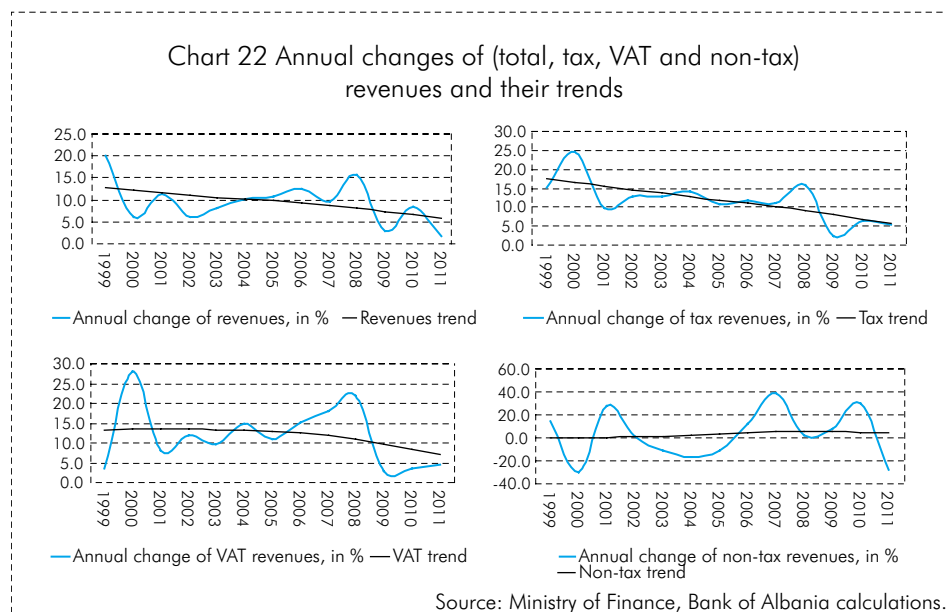
<sup>35</sup> In 2011, the average depreciation of the national currency against the major currencies basket resulted about 0.4%, while in 2010, the depreciation was about 5.8%.

<sup>36</sup> Imports are measured and monitored in euro; the revenues are reposted in ALL. Therefore, an annual appreciation or depreciation of the lek's exchange rate impacts materially the VAT revenues from imports.

<sup>37</sup> If we do not consider the VAT refund (which is mostly related to export performance), the VAT revenue growth for 2011 would result 4.8%, about 0.3 percentage point higher than the annual growth of the net VAT. On the other hand, the increase in capital goods import by about 10% suggests a higher amount of deferred VAT in comparison to the previous year. One of the facilities of the existing VAT Law is the deferring up to one year of VAT payment on capital goods import from the moment of their customs clearance.

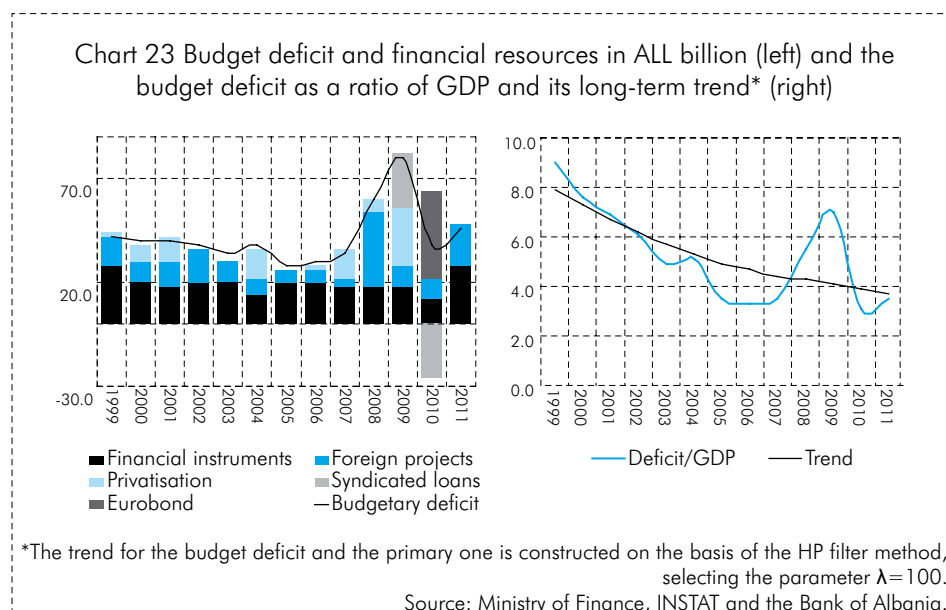
<sup>38</sup> For more details, see the box on "Changes in the tax policy for 2011".

<sup>39</sup> Excise tax revenues accelerated their growth rate in 2011 Q4, following the moderate or even negative paces observed in the previous quarter.



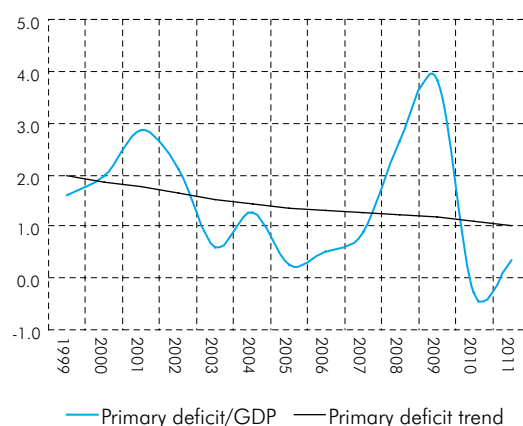
The above charts depict that the performance of total revenues was partly driven by developments in the non-tax revenue item, whose annual percentage change resulted substantially below the long-term trend. Also, the slow performance of budget revenues, especially those from VAT and excise taxes, owes to the sluggish domestic demand over the first nine months of 2011. At the same time, as long as the output gap remains negative (assessed as such for 2011), the slow performance of budget revenues is due to the impact of automatic stabilizers in the economy.

Developments in revenue and expenditure items were materialized in a budget deficit of ALL 45.7 billion, which accounts for about 98% of the budget plan for 2011. In terms of GDP, the deficit is estimated at about 3.5%, a ratio very close to its long-term trend.



In 2011, the budget deficit was financed according to the traditional method, i.e. domestic debt instruments issuance and external borrowing for project financing. The budget deficit expansion was more accelerated in 2011 H1 (generated by the performance of expenditures in Q1 and revenues in Q2). Consequently, the needs for government borrowing, which is fully provided in the domestic market, increased. During 2011 H2, a borrowing measure similar to that of 2011 H1 was maintained, but its composition structure changed, giving priority to long-term domestic debt instruments. In concrete terms, over 2011 H2, the government treasury bill portfolio of all maturities declined by about ALL 5.1 billion, to be offset by the increase at the same extent of 2-, 3- and 5-year bonds. On the other hand, the downward interest rates on domestic debt observed in 2011 H2 may have positively contributed to the decline of debt service cost in the future. Overall, in 2011, the increase in domestic borrowing for deficit financing was composed of 40% treasury bills and 60% bonds. Such a structure favours the profile of domestic debt settlement and also contributes to reducing the risk of debt refinancing.

Chart 24 Primary deficit to GDP, in % and the long-term trend



Source: Ministry of Finance, INSTAT, Bank of Albania calculations.

The final composition of net budget deficit financing for 2011 resulted 59% in the ALL-denominated borrowing and the rest in foreign-currency denominated borrowing (through foreign projects).

	ALL billion			Annual change, in %		
	2009	2010	2011	2009	2010	2011
Total revenue	299.5	324.7	330.5	2.8	8.4	1.8
Tax	270.8	288.6	303.9	2.4	6.6	5.3
VAT	110.1	114.0	119.2	2.8	3.6	4.6
Tax on profit	17.1	17.6	19.7	-5.3	2.7	12.0
Excise tax	33.5	38.8	40.4	3.1	15.8	4.2
Personal revenues	26.8	27.1	28.0	9.5	0.9	3.4
Local government	12.1	11.9	11.8	7.4	-2.1	-0.9
Contributions	49.8	53.6	56.6	4.2	7.7	5.6
Non-tax	24.2	31.5	22.7	7.3	29.9	-27.8
Total expenditures	379.9	362.8	376.2	8.1	-4.5	3.7
Current	283.9	300.9	305.6	13.4	6.0	1.6
Personnel	62.4	65.8	67.4	-6.4	5.5	2.6
Interest rates	36.3	41.6	41.1	16.0	14.6	-1.2
Operational expenditures	32.1	34.3	33.0	11.4	7.0	-3.9
Subsidies	2.0	3.5	3.3	-21.6	76.4	-6.6
Social security outlays	96.7	106.2	113.9	26.9	9.8	7.2
Local government expenses	33.6	30.8	28.1	24.0	-8.4	-8.6
Other expenditures	19.1	18.7	18.7	7.8	-2.3	0.3
Capital	95.9	67.5	70.6	2.4	-29.6	4.5
Budget deficit	80.4	38.1	45.7	33.4	-52.6	20.2

Source: Ministry of Finance.

Table 3 Main fiscal indicators relative to previous years

Developments in the main fiscal indicators throughout the year were reflected in a primary deficit of 0.4% as a share of GDP, from a surplus of 0.3% in 2010. The performance of primary deficit over this year is expected to be translated into increased public debt compared to 2010.



BOX 6: TAX POLICY CHANGES IN 2011<sup>40</sup>

The overall tax policy in 2011 was similar to a year earlier, with the following changes:

VAT-related amendments and regulations. The annual turnover threshold of 5 million for VAT registration of businesses remained the same as a year earlier. Unlike a year earlier, by Decision No. 18, dated 12.01.2011 of the Council of Ministers, the threshold for VAT registration of ALL 2 million for liberal professions<sup>41</sup> was abrogated. Thus, all these taxpayers were included in the VAT scheme, despite the stated annual turnover. Also, by amendments to Guideline No. 17, dated 13.05.2008 on the VAT Law, the supply of medicines, health services from medical institutions, both public and private, became a 10% taxable supply (from 0% until January 2011). Another VAT-related amendment approved by the Guideline of 07/07/2011, abrogated the existing exemptions for importing businesses that conduct their business at land border-crossing points of Albania with the neighbouring countries, including these businesses to the VAT scheme, when they exceed the VAT registration threshold.

Amendments related to excise taxes. Adding the range of excise tax paid on domestically produced beer and imported one. Such a categorization for the sub-group of beer in general sets lower levels of excise tax than the existing ones. On the other hand, amendments to the Law No. 10404 of 24/03/2011 and Law No. 10456 of 21/07/2011 introduced for the first time the fiscal stamp, in the form of a security code to the sub-item of imported beer and the domestically produced one. The excise tax applied to imported and domestically produced goods increased relative to the previous year for the following items: tobacco-containing cigarettes, heavy oils used as fuels and petroleum coke. Meanwhile, the excise goods items remained the same as in the previous year, which by order are listed as follows: coffee, beer, wine, alcohol and alcoholic beverages, tobacco and its by-products, oil and oil products, fireworks, tires, piles and primary batteries, glass and plastics packaging, as well as incandescent bulbs.

Amendments to the local tax law and the national tax law. These amendments abolished the fixed annual registration tax on road transport vehicles and introduced a new tax on "petrol and diesel road tax charge". This tax was ALL 5 per litre until 31.12.2011, whereas for 2012, the approved level was ALL 7 per litre. The increase in the carbon tax was also amended under the Law on "National Taxes". The increase in the ageing coefficient of transport vehicles when calculating the annual tax for used vehicles was the last amendment made to the law on "National Taxes".

Amendments to Law "On Approval of Customs Duties," which consisted in excluding articles of re-export of textiles from the customs duty. Also, for several vegetal products, the customs duty was set at 2%.

A fundamental change was introduced in the 2011's fiscal package through the approval of the Law No. 10418 of 21/04/2011 "On Capital Legalization and Partial Remission of Tax and Customs Duties". This Law, otherwise referred to as the fiscal amnesty, was based on five pillars, as follows:

- Capital legalization/formalization for natural and legal persons. Through individuals' and businesses' voluntary declaration of monetary assets, whose

<sup>40</sup> Anjeza Gazidede is the author of this box, February 2012.

<sup>41</sup> Liberal professions include tax-payers that provide the following services: lawyers and notaries; doctors and dentists (including specialists), pharmacists, nurses, architects, engineers, veterinarians, agronomists, midwives, economists, chartered accountants and professional certified accountants and real estate assessors, as well as accommodation providers.



source was unknown earlier, their legalization was enabled, provided these values were deposited at a commercial bank, against a fee of 3 % of the total declared amount.

- Re-evaluation of assets. Individuals may re-evaluate their real estate, against 1% of the positive difference between the re-evaluated amount and the contract value registered in the immovable property registration offices. The tariff set for businesses is 3% on real estate and 5% on machinery and equipment; the rates apply on the difference between the re-evaluation value and the registered book value.
- Self-declaration of liabilities as at 31/12/2010. One may benefit from this provision, provided that 50% of the self-declared real liabilities are paid (Article 22).
- Partial remission of tax and customs duties for businesses and households.
- Remission of water and electricity bills until the moment these utilities were supplied by state-owned, companies for certain categories of consumers.

### III.5 MAIN DEVELOPMENTS IN THE BALANCE OF PAYMENTS<sup>42</sup>

Albanian economy's external position during the first nine months of 2011 was significantly influenced by international macroeconomic developments, particularly in the euro area. The external sector of the economy was subject to a number of risks related to the economic growth slowdown in the neighbouring countries, employment situation and sluggish external demand. These developments led to moderate growth of export of goods and services in 2011. On the other hand, the trends for the domestic demand recovery in the fourth quarter and the effects of the liberalization of the Schengen visa regime conditioned the performance of import of goods and services in the country. The performance of the real effective exchange rate<sup>43</sup> for 2011 presents a slight appreciation (by 0.02%) of the national currency. The deterioration of the employment situation in countries like Greece and Italy<sup>44</sup>, led to decline in remittances in the first nine months of 2011. Consequently, the current account deficit resulted about EUR 826.4 million in this nine-month period, about 23.4% higher than in the same period a year earlier.

The current deficit for this period accounted for about 12.0% of nominal GDP<sup>45</sup>. The analysis of the current account by its key items for the first nine months of 2011, highlighted the deepening of net exports as the main driver to the deterioration of this account's position. Expansion of merchandise trade deficit by about 5.7% y-o-y and the narrowing of the services account surplus conditioned the expansion of net export deficit by about 14.0% in the first three quarters of 2011.

<sup>42</sup> Latest data of the balance of payments belong to 2011 Q3.

<sup>43</sup> About the method of calculation, please see the "Real effective exchange rate in Albania; its concepts and measurement", Vika I., 2006

<sup>44</sup> Greece is the largest country of origin of remittances to our country. The latest data on remittances from Greece are as at 2009 and their decline explained fully the decreased remittances to our country. Italy is the second largest country of origin of remittances.

<sup>45</sup> Nominal GDP used for 2003 – 2009 is the one published by INSTAT. For 2010 and 2011, the projections of the Bank of Albania's Monetary Policy Department have been used.

Table 4 Key factors of the balance of payments

	Q3 '10	Q4 '10	Q1 '11	Q2 '11	Q3 '11
Current account (in Eur million)	-245.2	-373.6	-229.6	-324.4	-272.4
Current account (as a share of GDP)	-10.2%	-16.7%	-10.9%	-13.5%	-11.4%
Trade balance	-595.9	-584.9	-408.5	-581.4	-593.1
Exports, f.o.b.	270.3	305.9	370.6	330.8	344.1
Imports, f.o.b.	-866.2	-890.7	-779.1	-912.2	-937.2
Balance of services	180.0	5.2	-32.2	-11.0	119.7
Credit	661.0	412.5	304.4	367.8	615.8
Debit	-481.0	-407.2	-336.6	-378.8	-496.2
Net – travel services	171.3	17.3	-43.5	-19.9	82.9
Balance of income	-19.9	-31.6	14.7	22.2	17.6
Credit	70.8	73.1	60.0	69.5	74.3
Debit	-90.7	-104.7	-45.3	-47.3	-56.6
Net FDI income	-73.8	-73.7	-15.0	-9.5	-20.8
Current transfers	190.6	237.7	196.4	245.9	183.4
Credit	233.0	280.1	238.0	287.6	225.9
Debit	-42.4	-42.4	-41.6	-41.7	-42.5
Net remittances	135.1	165.1	153.1	189.4	132.6
Current and financial account (in EUR million)	193.7	433.1	184.6	192.7	218.5
Capital and financial account (as a share of GDP)	8.0%	19.2%	8.7%	8.0%	9.2%
Capital account	22.6	30.2	19.1	31.5	6.5
Financial account	171.1	402.8	165.5	161.2	212.0
Net FDI	247.4	244.4	42.2	221.5	166.4
Net portfolio investments	-6.6	286.8	-21.8	-23.2	-54.2
Other net investments	-74.8	-134.9	145.2	-37.1	99.8
Errors and Omissions	111.7	66.2	-32.1	130.1	110.3
Reserve assets	-60.2	-125.7	77.1	1.7	-56.4

Source: Balance of Payments, Bank of Albania.

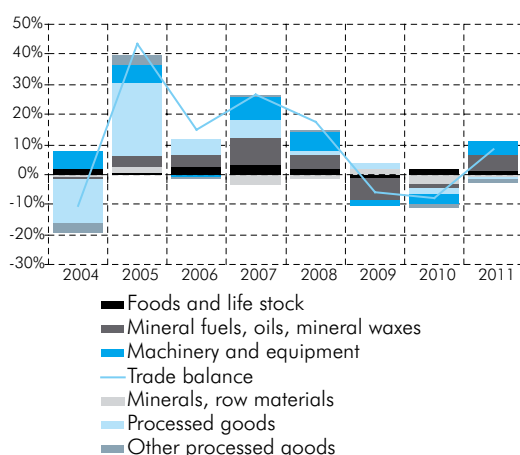
#### EXTERNAL TRADE IN 2011

In 2011, the merchandise external trade balance resulted in a widening trade deficit by about 8.6% compared with the previous year, estimated at about 27.1% of nominal GDP. This year marked a reversed trend relative to that of the two preceding years, when the trade deficit narrowed by about

5.9% in 2009 and 7.8% in 2010. In annual terms, the 2010's accelerated exports growth<sup>46</sup> moderated significantly, falling to about 20.0% in 2011. On the other hand, annual expansion of merchandise imports accelerated on average 12.4%, from about 6.9% in the previous year. Notwithstanding the international conjunctures and less favourable external demand, our country's trade activity, measured by the flow of trade exchanges, continued to record positive growth rates for the second consecutive year. During 2011, trade exchanges increased about 14.3% relative to 2010 and about 32.8% relative to 2009. The import coverage ratio resulted about 36.0%, up by about 2.3 percentage points from 2010.

The division into 10 key items highlights the main contribution to trade deficit expansion from Mineral

Chart 25 Contribution by items to trade deficit deepening/narrowing



Source: Statistics of External Trade, Bank of Albania.

<sup>46</sup> In 2010, exports grew by 56.1%, y-o-y.

fuels, mineral oils and waxes and Machinery and equipment. On the other hand, the narrowing of merchandise trade deficit in the item of other processed goods, contributed to narrowing the total trade deficit in 2011.

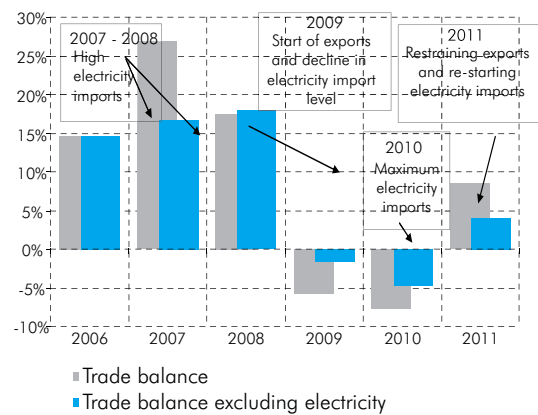
Over the past three years<sup>47</sup>, the performance of trade deficit in the country was substantially conditioned by electricity trading flows, which provided a considerable contribution to its widening or narrowing. Given the unfavourable hydride conditions at home, year 2011 was characterised by a significant contraction of electricity export and growth of its import. Excluding this effect, the widening of trade deficit in 2011 resulted only 4.1% relative to the previous year.

Export performance in 2011 was characterised by overall satisfactory growth rates, although decelerated as compared to the previous year. In annual terms, exports grew by about 20.0%, to 15.3% of GDP. This export trend, alongside the impact of the previous year's high base of comparison, was also influenced by other important factors, such as the difficult macroeconomic situation in our trading partner countries. On the other hand, average annual growth in the base metal prices in international markets<sup>48</sup> and the flexibility of domestic exporters in exploiting new markets, positively influenced the performance of exports.

Breaking down by items, exports present almost the same profile as in the previous year, although at a lower level. Merchandise exports including mineral fuels, oils and mineral waxes continued to make the main contribution to annual growth of exports in 2011, by about 7.4 percentage points.

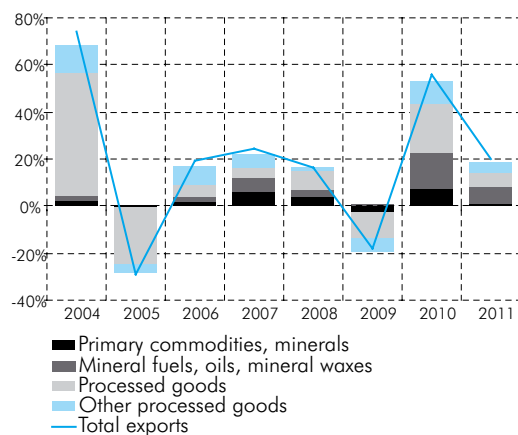
Within this item, crude oil export continued to make a significant contribution, consisting of about EUR 225.9 million or 16.1% to Albania's total exports. Export of processed goods<sup>49</sup> also made a significant contribution to total export growth in 2011, by about 5.6 percentage points. Within this item, the processed materials of steel and cast iron, chromium and related articles, and aluminium are several products that impacted positively on export growth.

Chart 26 Trade deficit including and excluding the electricity, (y-o-y change in %)



Source: External Trade Statistics, Bank of Albania.

Chart 27 Contribution of main domestic export items to annual total export growth



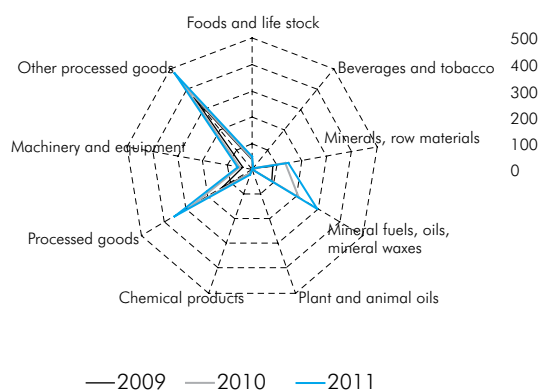
Source: External Trade Statistics, Bank of Albania.

<sup>47</sup> Data on electricity import and export have been available since 2007.

<sup>48</sup> Metal price index is published monthly by the IMF. For 2011, this index increased by about 13.5% in annual terms.

<sup>49</sup> Even though positive, this item's contribution is markedly lower than in the previous year (about 20.2 percentage points).

Chart 28 Export orientation by main items  
(in EUR million)



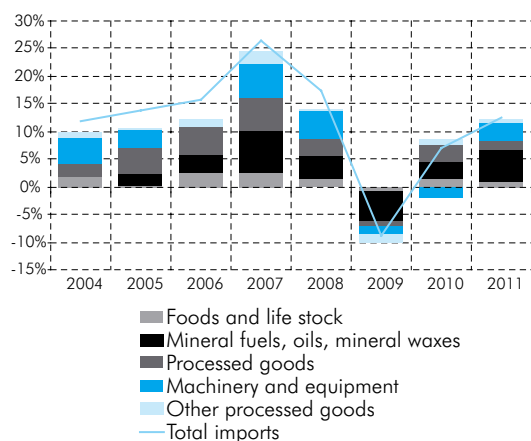
Source: External trade statistics, Bank of Albania.

Other processed goods, the export products item with the largest share to total exports, including mainly the re-exporting textile products, increased by about 11.3% in 2011, from 20.6% in the previous year. The growth rate of merchandise exports listed under Raw materials and minerals moderated significantly from 61.7% in 2010, to 8.9% in 2011. Although the prices of these products in international markets were upward in 2011, domestic developments in the mining sector appear to have influenced significantly on this item's export descent.

In 2011, imports into our country continued their steadily upward trend that had started since 2010. During the year, total imports grew by about 12.4% y-o-y, accounting for about 42.4% as a ratio of nominal GDP. Mineral fuels, oils, mineral

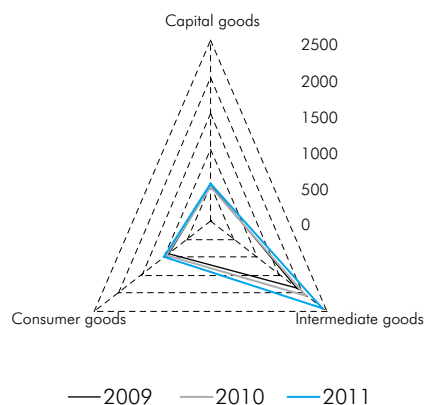
waxes continued to make the main contribution to total import growth. This item's merchandise import grew by about 42.6% y-o-y. Within this item, electricity played an important role, contributing by about EUR 161.1 million, or about 23.6% to this item's imports and 4.1% to total imports. Excluding this component, the increase in total imports resulted approximately 10.5% y-o-y. Imports of machinery and equipment contributed positively by about 3.2 percentage points to total import growth in 2011. Within this item, a significant increase was recorded in the import of goods included in Transport vehicles other than wagons and in Machinery and mechanical equipment. Changes in fiscal measures for the abrogation of customs tax on used cars appears to have significantly stimulated the import of passenger cars. During 2011, their imports rose by about 48.4% y-o-y.

Chart 29 Contribution of main domestic export items to total annual import growth



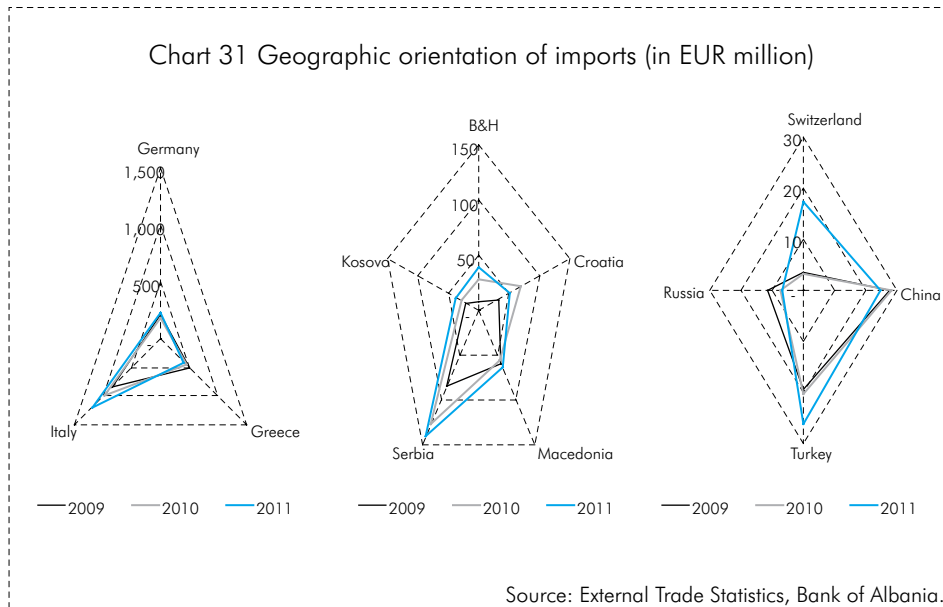
Source: External trade statistics, Bank of Albania.

Chart 30 Merchandise imports by final use in the economy (in EUR million)

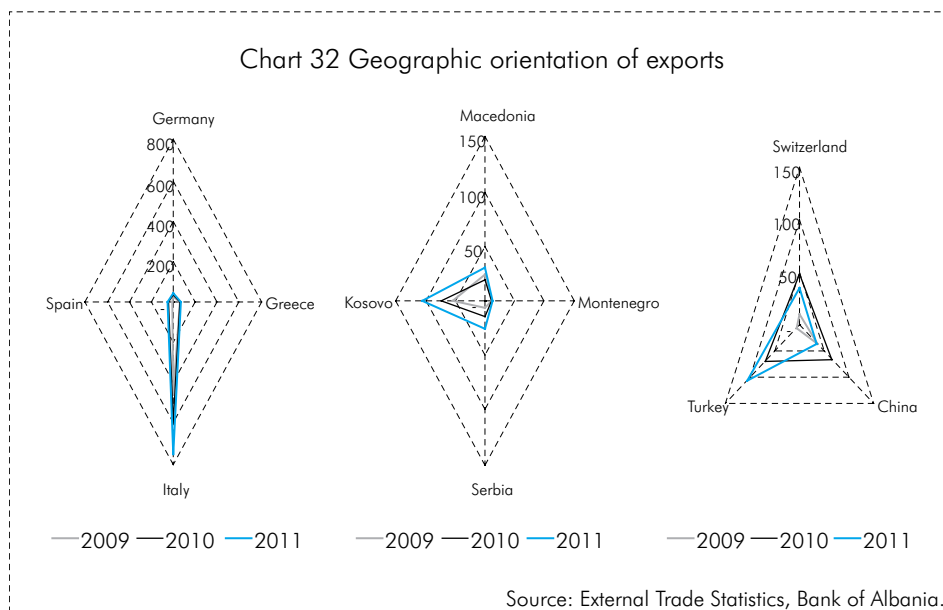


Source: External Trade Statistics, Bank of Albania.

Imports breakdown by their final use in the economy in the last three years highlights their clearer orientation towards intermediate goods<sup>50</sup>.



Intermediate goods import - the item with the largest share to total imports - grew by 17.0% y-o-y, mainly due to expansion of industrial intermediate goods import. After the decline in 2009 and 2010, capital goods import grew by about 10.0% in 2011, influenced by the growth of import of transport vehicles, machinery and equipment. In 2011, the growth rate of imports of consumer goods decelerated. In annual terms, the growth rate of this item's import moderated to 3.8%, from about 6.3% in the previous year.



<sup>50</sup> This item includes: food and processed and unprocessed beverages for industry, processed and unprocessed industrial products, mineral fuels, oils, processed and unprocessed mineral waxes, capital goods, spare parts and accessories.

Our country's trade activity, measured by the flows of trade exchanges, grew by 14.3% in 2011. According to geographical orientation, trade exchanges remained concentrated in the EU countries. They accounted for about 66.3% of the country's overall trade activity. In annual terms, imports from EU countries grew by about 11.0%, whereas exports to EU countries grew by 24.0%, y-o-y.

Following the growth of trade exchanges with CEFTA<sup>51</sup> member countries by about 41.5% in 2010, year 2011 highlighted a contracted growth of trade flows with these countries by about 17.5%. This performance was due to decline in the growth rate of imports, to 7.3% in 2011, from 48.0%. On the other hand, exports to these countries almost doubled their growth rate as compared to the previous year. The growth of trade flows with other trading partners, such as China, Turkey and Russia, pursued an upward trend in 2011.

- *OTHER CURRENT ACCOUNT ITEMS*

Services account surplus narrowed by about 56.7% in the first nine months of 2011, compared with the same period a year earlier, contributing substantially to deepening current deficit. The year over year narrowing of this account's surplus was primarily a consequence of increased personal expenses for tourism and business purposes of resident travellers abroad. In the meantime, foreign-currency inflows from personal services of non-resident travellers in the country declined by about 7.9% during the period under review. Developments in this services account's sub-item are assessed to have been impacted by the application of Albania's visa-free regime with the Schengen states.

Net current account balance posted a surplus of about EUR 54.5 million in the first nine months of 2011, mainly due to the decline in FDIs income outflows. In the same period a year earlier, this account's net balance resulted in a deficit of EUR 33.2 million. The deficit narrowing of the FDIs income account by about 51.8% y-o-y, brought about improvement in the balance of total revenues. Against the background of current macroeconomic conditions in foreign markets and high related risk, profit re-investment in the country is seen as a more attractive option than its repatriation in the countries of origin.

Over the first nine months of 2011, the current transfers account surplus - an important current deficit financing source - narrowed by about 8.6% y-o-y. This account's main item, remittances, continued the downward trend that had started since 2010. During this period, the inflow of remittances registered about 8.6% y-o-y. Developments in the neighbouring countries' employment situation, particularly in Italy and Greece, suggest the persistence of the downtrend of this current account item in the periods ahead. The ratio of current deficit financing by current transfers registered

<sup>51</sup> Central Europe Free Trade Agreement, which includes: Bosnia and Herzegovina, Croatia, Macedonia, Moldavia, Montenegro, Serbia and Kosovo. It does not include the countries accessed to EU in 2007. Source: [www.ceftatradeportal.com](http://www.ceftatradeportal.com)

75.7%, down by 26.5 percentage points from the same period a year earlier. In this context, the impaired situation in the EU countries would damage the current deficit financing sources, such as exports, FDI and remittances.

- *CAPITAL AND FINANCIAL ACCOUNT*

Net flows in capital and financial account registered a positive balance of EUR 595.8 million in the first nine months of 2011, ensuring the coverage of current deficit at about 72.1%. The net flows in this account resulted about 25.2% higher in annual terms and accounted for about 8.6% of GDP. Based on asset and liability distribution, the major part of financial inflows (liabilities) was in the form of FDI and other investments, where the main role was played by private and public borrowing. Foreign portfolio investments, and currencies and deposits of the Albanian banking system abroad were key drivers to financial outflows (assets).

During the first nine months of 2011, net FDI (inflows-outflows) resulted about EUR 430.1 million, or 25.6% lower than in the same period a year earlier. The analysis on annual dynamics of the FDI shows that their decline is due to capital outflows in the form of other capitals<sup>52</sup> of direct investment. During the period under review, (net) debt transactions among companies registered EUR 163.4 million, from EUR 3.3 million in the same period a year earlier. Net FDI in the form of shares and profit re-investment were slightly up by about 2.1% y-o-y.

Net portfolio investments for the first nine months of 2011 contributed about EUR 99.2 million to the growth of domestic assets invested in foreign economies. In annual terms, the net portfolio investments increased by about 62.5%. During the period under review, residents invested by about EUR 103.1 million in the form of cross-border portfolio investments. According to investment instruments, they were mostly in the form of debt securities, accounting for about 82.0% to the total.

During the first nine months of 2011, other investments account (net) resulted in a positive balance, contributing to about EUR 207.8 million to the growth of residents' liabilities to non-residents. Financial flows' direction in this account was influenced by about EUR 349.8 million increase in domestic liabilities to non-residents, mainly as a consequence of increased private and public borrowing. The private and public borrowing resulted about EUR 180.2 million during the period under review, or about 24.7% higher than in the same period a year earlier. Significant movements are noted also in currencies and deposits at home and abroad. The Albanian banking system deposits declined by about 53.4%, whereas those of non-residents in Albania increased pronouncedly by about 75.3% y-o-y during the period under review. In net terms, currencies and deposits contributed to growth of domestic liabilities to non-residents by about EUR 87.3 million.

<sup>52</sup> Other capitals (or debt transactions among companies) cover the borrowing and lending of funds, including debt securities and commercial loans, between direct investor and direct investment company and two direct investment companies that share the same direct investor.

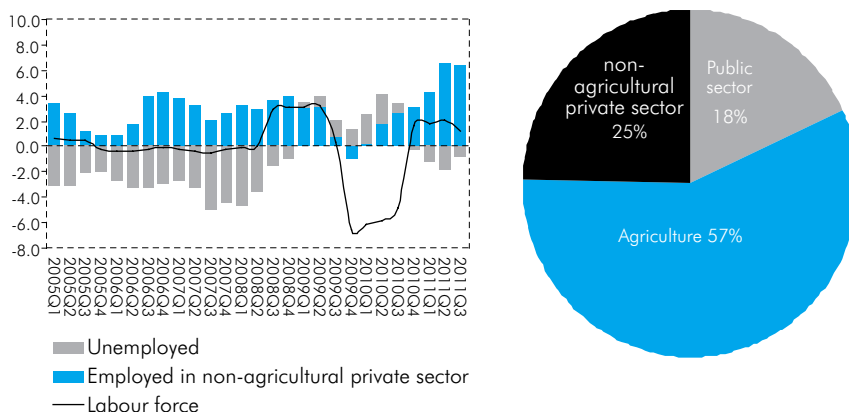


As at end-September 2011, the stock of foreign reserves resulted about EUR 1,894.0 million, sufficient for covering 4.4 months of imports of goods and services.

### III.6 THE LABOUR MARKET

The labour market in 2011 performed positively. Employment increase was higher than that of the number of unemployed people, resulting in reduced unemployment rate in the first nine months of the year. The 2011 Q4 business confidence survey signalled businesses' reluctance in terms of employment, reflecting the uncertainty about future demand developments.

Chart 33 Working age population (annual percentage, left) and the average share of the number of people employed by sectors (in %)



Source: INSTAT, workforce balance.

Chart 34 Unemployment rate and long-term unemployment (% left), balance of employment (in percentage points, right)



Source: INSTAT, Bank of Albania and MLSAEO.

During the first nine months of 2011, the number of people employed in the economy increased by about 2.15% compared to the same period a year



earlier. The increase in employment was mainly due to increased employment in the private non-agriculture sector. For the first nine months of the year, employment increased on average 5.7% in this sector and fell on average 0.8%, y-o-y in the public sector<sup>53</sup>. The people employed in agriculture, which absorbs the major part of the labour supply, increased on average 1.4% over the course of this period.

The unemployment rate was downward in 2011, though it remains above its average historical level. Compared to end-2010, the unemployment rate fell by about 0.2 percentage point, settling at 13.3% in 2011 Q3.

<sup>53</sup> Unemployment rate is calculated as a ratio of the number of unemployed people and the working age population. The increase in the working age population, combined with the decline in the number of the unemployed people, is reflected in the decline in unemployment rate. On the other hand, the working age population is calculated as the sum of the number of unemployed and the number of employed people. If the rise in employment exceeds the decline in unemployment, the working age population rises and in consequence, the unemployment rate falls.



*So many times in the past you have had to defend firmly  
your identity! ...*

*You have had to endure many difficulties for your nation.  
You have, therefore, all the reasons to love it with passion.*

*Pope John Paul II identity!*



## CHAPTER IV MONETARY AND FINANCIAL MARKET DEVELOPMENTS

### IV.1 MONETARY DEVELOPMENTS

Monetary developments in 2011 were characterised by moderate growth rates of monetary expansion, dictated by the slow performance of the demand for monetary assets and the tendency of reduction of foreign currency inflows in the banking system. Consumption-oriented households, stabilized confidence in the banking system, and the money multiplier process were associated with increased time deposits in the banking system.

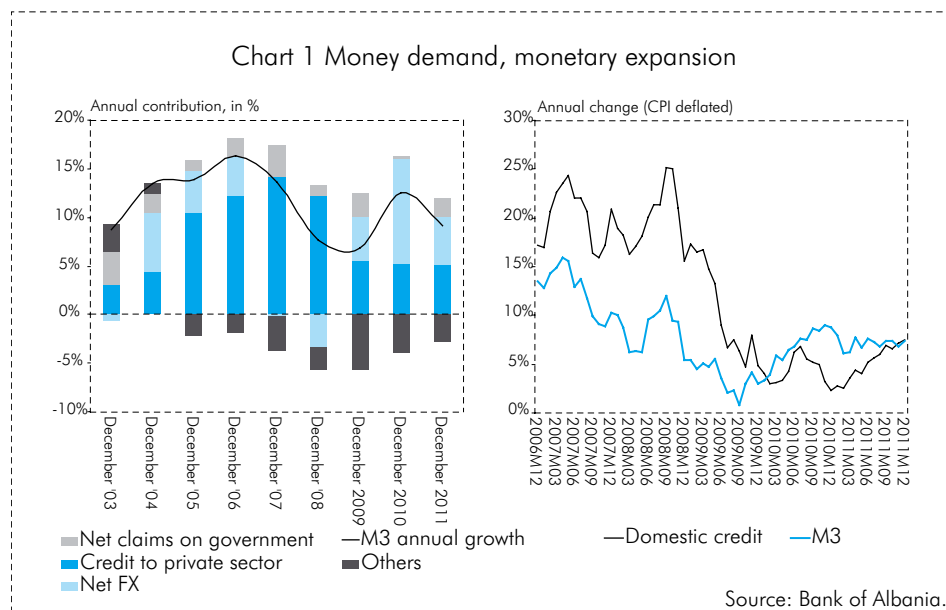
The banking system had the necessary liquidity and adequate capital to sustain the economic activity in the country. Lending to economy increased in both components, business credit and consumer credit. However, credit growth remained below the 2008's paces, as a consequence of the decline in the qualitative demand for loan and tightening of banking system credit standards. The weak consumer demand and persistence of the inclination to save were reflected in a weak loan demand by households. The presence of spare capacities of production and the weak domestic and external demand reduced the business incentives for undertaking new investments. Against this setting and irrespective of easing signs for certain market segments, credit conditions were mainly tightened in 2011, as a consequence of banks' higher prudence and factorisation of credit risks into the supply.

The increase of monetary assets in the economy was in line with the historical performance. Money expansion in the economy has responded to economic agents' demand for monetary assets and did not exert pressures on consumer prices at home.

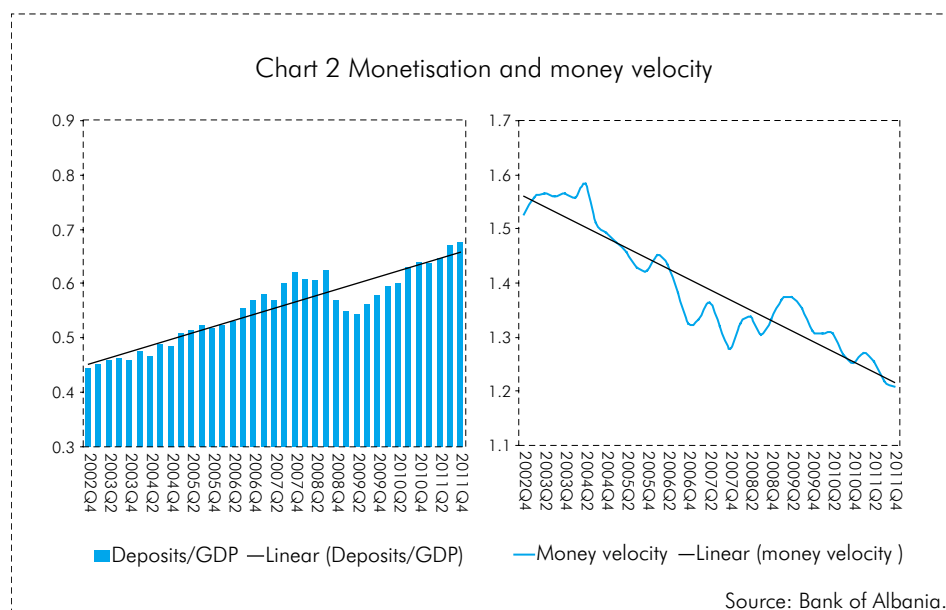
- *M3 AGGREGATE*

The economy's demand for monetary assets increased moderately in 2011, under the impact of below-potential growth of economic activity in the country and uncertainties surrounding foreign financial markets. Broad money (M3 aggregate) increased by 9.2% in 2011, slowing down compared to the 12.5% increase in 2010. The slowdown in broad money expansion reflected the lower net foreign inflows into the banking system and the moderate rates of foreign-currency lending to the private sector. Net foreign assets contributed by 5.1 percentage points to M3 growth, while the contributions of private sector credit and public sector financing were 5 and 1.9 percentage points, respectively.<sup>1</sup>

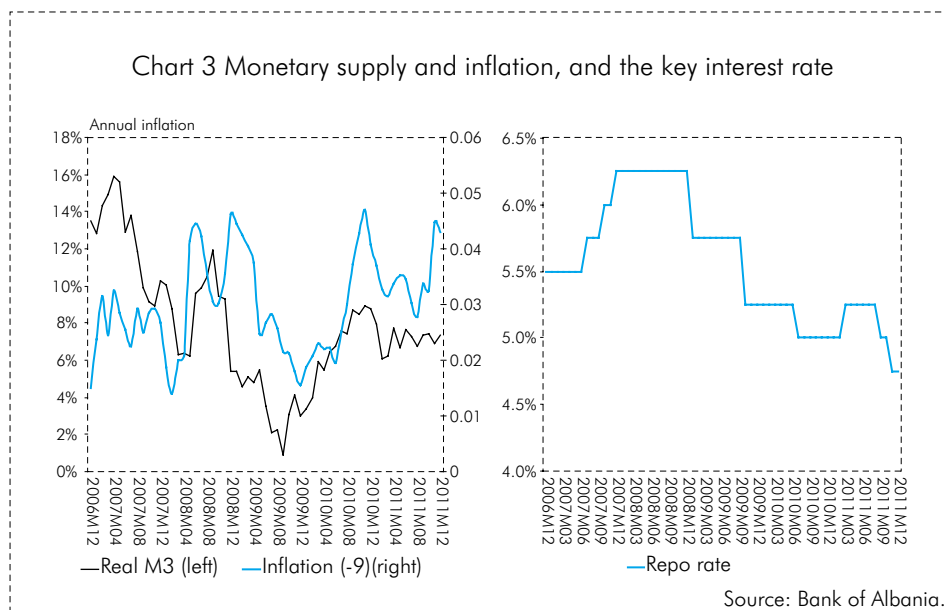
<sup>1</sup> The difference between contributions and total growth of M3 aggregate is explained by the performance of other net assets of the banking system.



Notwithstanding the moderate improvement as compared to the previous year, the private sector demand for financing remains low, reflecting the uncertainty about the future and the existence of spare production capacity in the economy. The banking system was also more cautious in terms of lending, applying more tightened lending standards because of the uncertainties surrounding the foreign and domestic economic environment and the progressive growth of non-performing loans in the balance sheet. The demand contraction and its low elasticity are concerns that have associated the lending activity during the past three years, reflecting also the comparably lower rates of credit growth during this period. On the other hand, the public sector's demand for financing was volatile over the year, being concentrated mainly in 2011 Q1 and Q4. The public sector's higher contribution than in the previous year to money creation was impacted by the shift of the demand for financing towards the domestic market.



The annual expansion of M3 aggregate was also sustained by the upward monetisation of the economy, in response to boosted public confidence in the banking sector. Broad money supply as a ratio of GDP was about 82.2% at end-2011, or 2.6 percentage points more than as at end-2010. Alongside upward monetisation of the economy, year 2011 highlighted also a shift of monetary assets from liquid money into long-term investments, which also attests to households' inclination to save. As a consequence, the money velocity trended down during the year.



Monetary developments responded to the Bank of Albania's easing policy, which was reflected in the consecutive key interest rate cut and in liquidity injection, offering appropriate conditions for increasing the financial intermediation. In real terms, M3 aggregate increased by 7.3% in 2011, down by 1.5 percentage points from the previous year. Overall, the matching of money demand by money supply transmits contained monetary pressures on inflation.

- BROAD MONEY ALL COMPONENT - M2 AGGREGATE**

Higher intermediation in lek by the banking system has helped money creation in lek, supporting the positive trajectory of M2 aggregate expansion rates. In 2011, the M2 aggregate increased by 7%, from 4.6% in the previous year. The gradually improved M2 aggregate growth rates were supported by the private sector ALL financing and fiscal activity financing, particularly in 2011 Q4.

During the past two years, a shift towards long-term maturities has been observed in the M2 aggregate composition. The decreased ratio of currency outside banks to M2, to 30.1%, close to the minimum historical average, as at end-2011, confirms the economic agents' lower demand for liquid money and the boosted confidence in the banking system. This fact was also

Chart 4 M2 aggregate and its structure

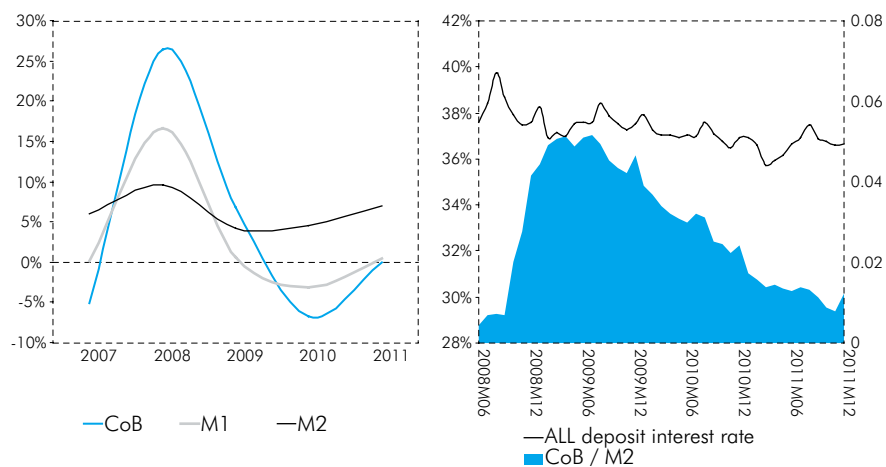
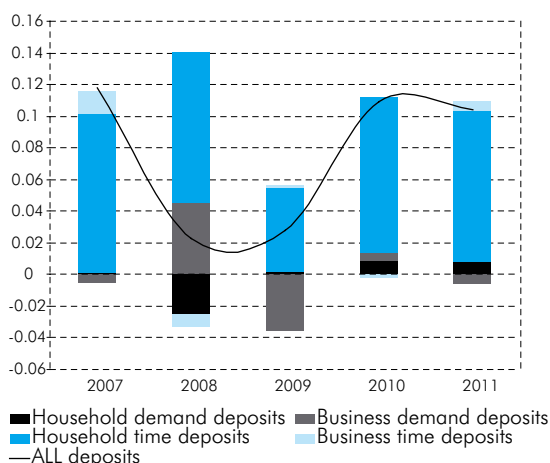


Chart 5 ALL-denominated deposits by term and economic agents

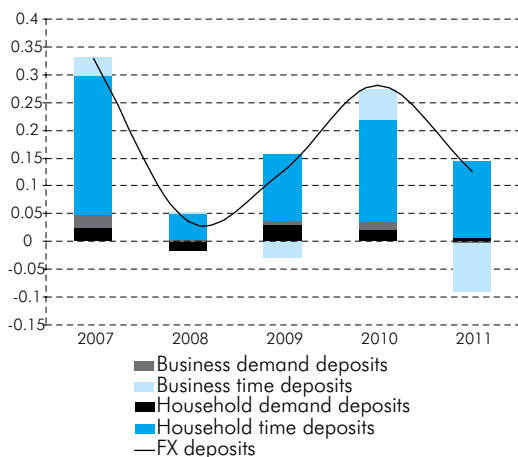


confirmed by the steady growth of ALL-denominated deposits throughout the year. ALL-denominated deposits increased by 10.4% in 2011 or down 0.5 percentage points from the previous year. The time structure of ALL-denominated deposits confirms the shifting tendency towards time deposits in both households and businesses. The ratio of ALL-denominated demand deposits to total ALL-denominated deposits resulted 18%, compared to 20% in the previous year.

#### FOREIGN-CURRENCY COMPONENT OF THE BROAD MONEY - FOREIGN-CURRENCY DEPOSITS

Foreign-currency deposits fluctuated around 47.7% of total deposits in 2011. The growth rate of foreign-currency deposits (by 12.6%) is significantly lower than in 2010 (by 28.1%). The pronounced slowdown of foreign-currency deposit growth in 2011 reflected the developments in the external sector of the economy and the lower foreign-currency money creation. Also, a higher risk perception for the euro as a consequence of the deterioration of the European debt crisis, appears to have led to lower interest rate on foreign-currency savings. In consequence, business time deposits contracted in response to their needs for liquidity and economic activity.

Chart 6 Foreign-currency deposits by term and economic agents

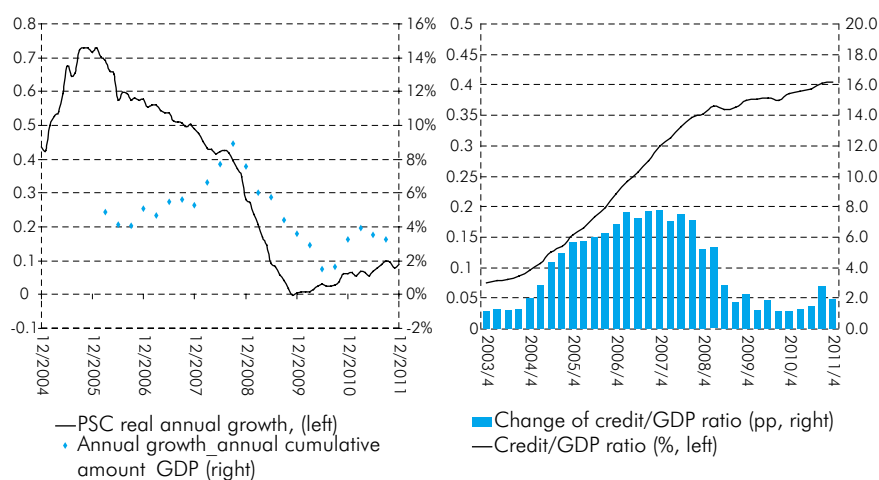




# • PRIVATE SECTOR CREDIT<sup>2</sup>

Private sector credit (PSC) in 2011 developed against the background of below-potential growth of the economy and boosted uncertainties of economic agents, which influenced both the credit demand and supply. Regardless of this setting, private sector credit has been characterised by ongoing positive growth rates and added impulse supportive to the economic activity. As at end-2011, it accounted for 40.2% of GDP or up 1.7 percentage points, y-o-y. The comparative regional analysis reveals that Albania is among the few countries with a good performance of lending activity in the Central and South-East Europe.<sup>3</sup>

Chart 7 Private sector credit and GDP



Source: Bank of Albania.

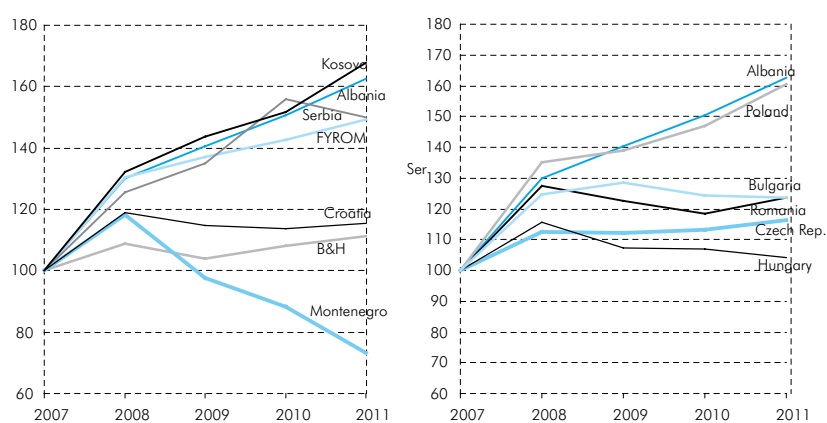
<sup>2</sup> The PSC analysis based on monetary statistics (Table 3.7 in the statistical appendix).

<sup>3</sup> For more details, see box 7, "Determinants of the PSC in Central and South East Europe".

### BOX 7: DETERMINANTS OF THE PERFORMANCE OF PRIVATE SECTOR CREDIT IN CENTRAL AND SOUTH EAST EUROPE<sup>4</sup>

Studying the lending activity in the Central and South-East Europe (CSEE) is the focus of many research papers, as a good example of complete lending activity cycles. Prior to the international financial crisis onset, these countries experienced a rapid credit growth, fed by foreign funds in particular. On the other hand, in the post-crisis period, a slowdown was noted in all these countries and, in several cases, even a contraction of lending activity.

Chart 8 Annual credit growth index in South East Europe (left) and Central Europe (right)



Source: Central banks of respective countries.

A comparative analysis of the private sector credit with countries in the region and the identification of factors determining it has been a frequent topic in the Bank of Albania's reports. Comparative analyses confirm that Albania is among the countries with the highest private sector credit growth. An overview of the main macroeconomic variables shows that economic growth is identified as the main factor explaining this ranking among the CSEE countries. This box, aiming at introducing other factors determining the PSC performance in Albania and other countries in the region, and making their quantitative assessment, introduces several results obtained from econometric methods.

The literature identifies several factors that determine the private sector credit performance, such as: interest rate, as a proxy for credit cost; economic growth, as a proxy for demand; deposits as sources of credit activity financing; credit risk or other risks associated to lending activity, as determinant of banks' willingness to make loans. Among many others, a recent paper that has recently enriched this literature is the one by Guo and Stepanyan (2011), who analyse the determinants of bank credit in a panel of data for 38 emerging economies, for 2001-2010. The authors identify the interest rate, economic growth, deposit growth and foreign financing growth as factors that have determined the private sector credit growth in these countries over this decade.

In order to assess the determinants to private sector credit in the countries in the region for the pre-crisis period of 2008, an econometric model is constructed under

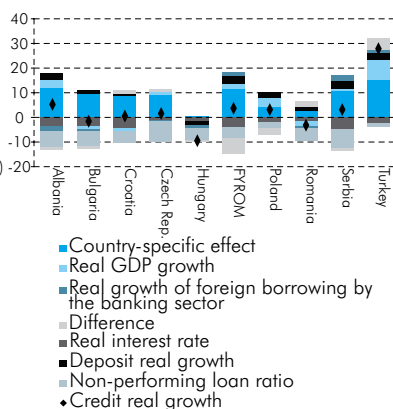
<sup>4</sup> Written by Sofika Note and Erjona Suljoti, February 2012.

the example of Guo and Stepanyan (2011)<sup>5</sup>. The interest rate variable is the real credit growth (excluding inflation and exchange rate effect). Explanatory factors taken into consideration are: the real interest rate, real GDP growth; real deposit growth; real growth of foreign borrowing of the banking system; and the ratio of non-performing loans. The equation is calculated in a quarterly data panel for 10 countries, for the period 2010 Q4-2011 Q3<sup>6</sup>. The estimated coefficients and their significance are presented in Chart 9. Alongside them, the specific effect is also calculated for each country, summarising the effect of factors that are not represented in the equation and that vary from one country to another, for example, the economy structure and the private sector financing, the banking system structure, the economic agents' behaviour, and the regulatory and macro prudential framework.

Chart 9 Econometric estimate results (left) and application of results to private sector credit growth in the past two years (right)

Dependent variable: Real annual growth of private sector credit  
 Estimation method: Least squares, fixed effects  
 Sample period : 2008Q4-2011Q3  
 Sample periods: 12  
 Sample countries: 10  
 Total observed values: 120

Explanatory variables	Coefficient	Error	Significance (p)
Real interest rate	-0.570	0.264	0.03
Real GDP growth	1.002	0.166	0.00
Real deposit growth	0.305	0.088	0.00
Real growth of foreign borrowing by the banking system	0.090	0.024	0.00
Non-performing loans	-0.448	0.130	0.00
R2	0.7662	F-statistic	24.5840
Adjusted R-sq	0.7351	Prob(F-stat)	0.0000



Source: Authors' calculations based on data from statistical agencies and central banks of respective countries.

Coefficients estimated for the 2008 Q4-2011 Q3 were used to break down the real annual growth of the private sector credit over the past two years in the countries under review. As depicted by Chart 9, in Albania, similarly to almost all the countries in the region, the credit risk, as proxied by the ratio of non-performing loans, was main the main adverse driver on the private sector credit growth over this period. Besides this, the interest rates acted on the tightening side, providing a restraining effect on the private sector credit growth. Though most of banks in the region have pursued an easing monetary policy, the latter has not been fully reflected in the credit market, as a consequence of still high-risk premia.

Compared to the countries in the region, the higher credit growth in Albania has reflected the higher economic growth, which confirms the conclusions drawn from our previous analyses. Also, the comparably better deposit performance in Albania has fed the private sector credit growth. In contrast to other CSEE countries, deposits constitute the main financing source of lending activity in the Albanian banking system. This determined lower reliance on foreign financing and, hence, a higher stability against shocks to foreign financing resources.

<sup>5</sup> Guo, Kai and Vahram Stepanyan, 2011, "Determinants of Bank Credit in Emerging Market Economies", IMF working paper, No. 11/51.

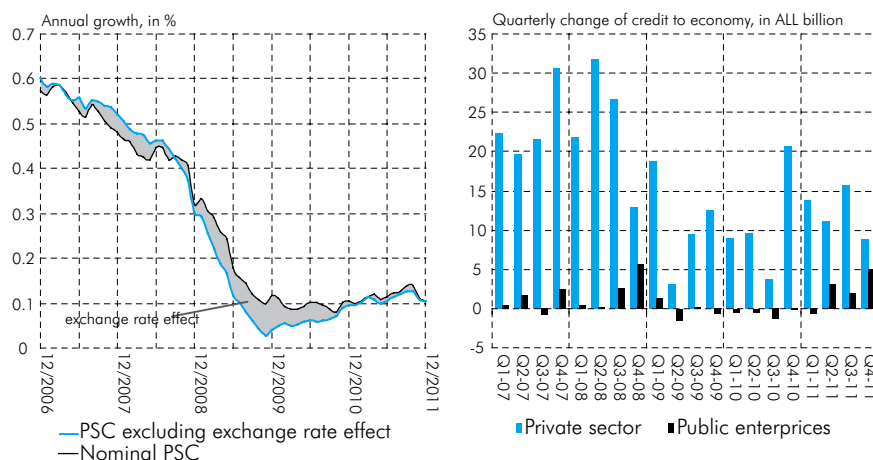
<sup>6</sup> Countries taken into consideration are: Albania, Bulgaria, the Czech Republic, Hungary, Croatia, FYROM, Poland, Rumania, Serbia and Turkey.

Results from econometric estimates help in identifying factors that may impact on the credit activity performance in the future. So, the private sector credit growth will be determined by the aggregate demand performance – continuation of economic growth. At the same time, it depends on the situation of non-performing loans. Their reduction would decrease the perceived credit risk and, in consequence, would encourage the credit supply. Finally, an apparent factor that impacts credit demand and supply, which is not included in the model, is the boosted uncertainty of economic and market agents. The psychological factor and reduced uncertainty for the future would lead to a more rational behaviour of both borrowers and banks. Their confidence in insofar sound macroeconomic policies and in the future structural reforms will be equally important in determining the future credit activity and the macroeconomic factors.

In 2011, the stock of private sector credit increased by about ALL 49.4 billion or up 9% from 2010. Its annual growth resulted 10.4% in 2011, settling close to the previous year's figures. It has pursued a uniform upward trend as at end-October, when it recorded 14.0%. The annual rate slowdown over the last two months of the year was mainly a result of the base effect due to the high expansion of credit outstanding in November-December 2011. This base effect was particularly present in the foreign-currency business loan, mostly for investments. Excluding the exchange-rate effect, the private sector credit growth, as at end-2011, was 10.5%, or about 0.8 percentage points less than end-2010<sup>7</sup>.

Alongside higher private sector credit by the banking system, in 2011, credit to public enterprises increased by about ALL 9.3 billion, being concentrated in 2011 Q4. These credit flows are oriented to electricity sector and are dominated by foreign-currency loans. As at end-2011, the share of credit to these enterprises to credit outstanding was 3.4%, from 1.9% at end-2010.

Chart 10 Lending to private and public sectors

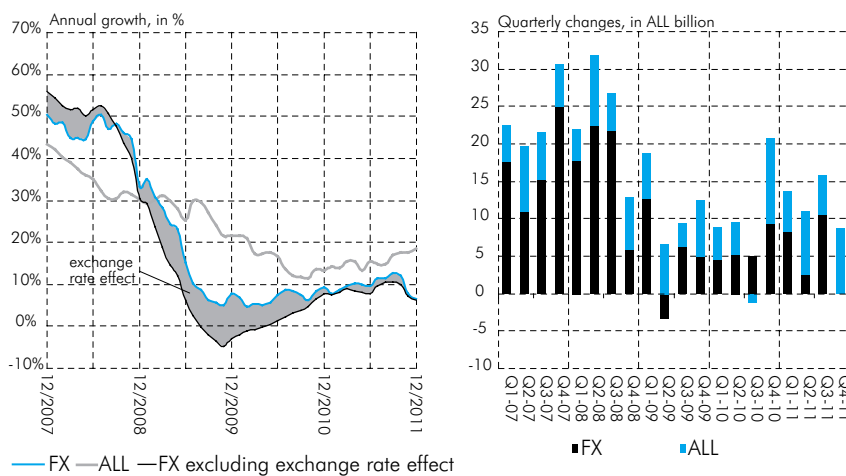


Source: Bank of Albania.

<sup>7</sup> In general, the exchange rate effect on the credit performance was insignificant in 2011 due to national currency's stability. On average, this effect was 0.7 percentage points in 2011, from 3.1 percentage points in 2010.

In 2011, private sector credit expansion was dominated by ALL-denominated loans, estimated at 57%. The increase in credit outstanding was about ALL 28 billion or up 57% from 2010. In annual terms, the growth of ALL-denominated loan has trended up during 2011, settling at 18.5% at year-end, or up 5.1 percentage points from the previous year. On the other hand, in 2011, foreign-currency credit slowed down. It grew by ALL 21.3 billion or about 22% lower than in 2010. The annual foreign-currency credit trended up until October and slowed down to 6.6% in December 2011, compared to 9.3% as at end-2010. Excluding the exchange rate effect, the annual foreign-currency credit growth was 6.1% at end-2011 or down by 1.6 percentage points from end-2010.

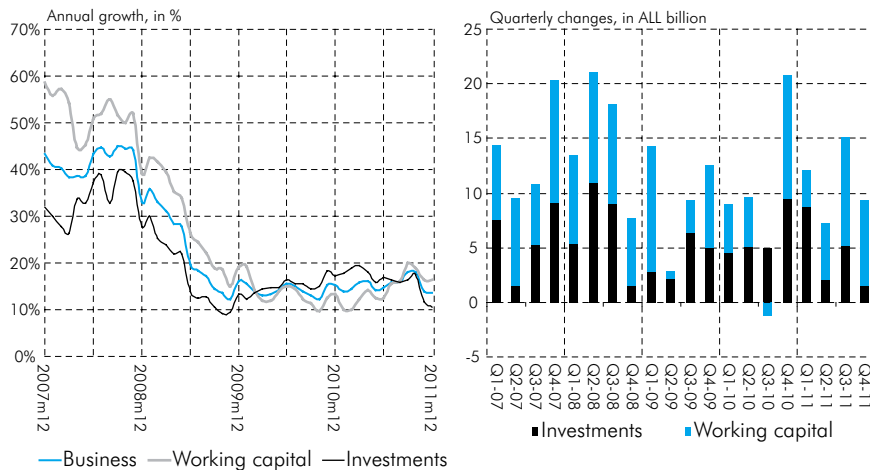
Chart 11 Private sector credit performance by currency



Source: Bank of Albania.

Foreign-currency credit structure in the past three years has been determined by the simultaneous impact of several factors. Thus, although the interest rate spread continues to favour the higher demand for foreign-currency loans,

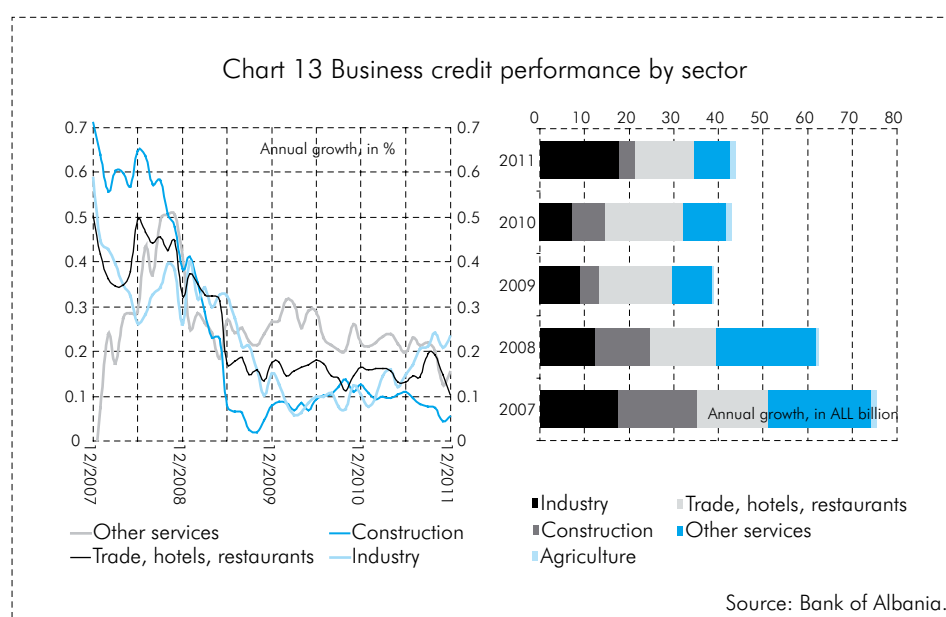
Chart 12 Business credit performance by purpose of use



Source: Bank of Albania.

banks and borrowers have factored into a higher exchange-rate risk present in foreign-currency lending. Consequently, particularly in household loans, both demand and supply of foreign-currency loans have been more contained over the last three years. Also, the relatively slower performance of foreign-currency loans in 2011 was dictated by real economy developments. The low demand for investment loans, which is the main driver to foreign-currency credit growth, led to slower growth of the latter in 2011. As a result of these developments, the share of foreign-currency credit in the private sector credit outstanding was gradually decreasing, to 66% at end-2011, from 71% as at end-2008.

Business loan maintained positive growth rates<sup>8</sup> in 2011. Its expansion by about ALL 44 billion was at the same levels as in the previous year. The annual growth of business credit settled at 13.5% at end-2011, from 15.3% at end-2010. During 2011, in the absence of sound projects for new investments, the business demand for loans was dominated by the demand for working capital financing. In 2011, its expansion accounted for 60% of business credit expansion and was about 40% higher than in 2010. The annual growth rate of this portfolio is 16.4% as at end-2011 or 3.0 percentage points higher than as at end-2010. Meanwhile, the net flow of investment loans in 2011 was 28% lower than in 2010. Annual growth of investment loans fluctuated around 17.3% in January to October, to slow down to 10.6% in December.



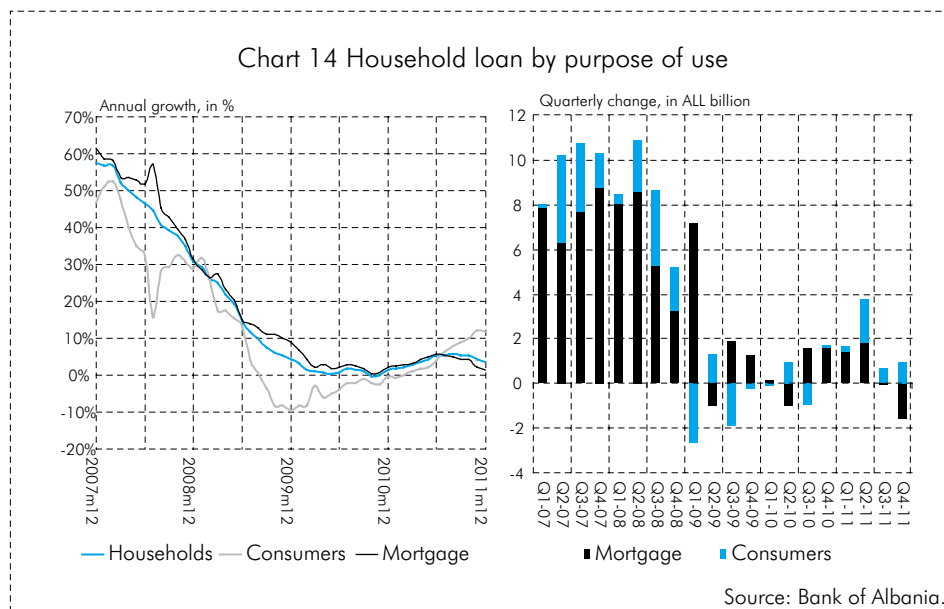
Business credit by sectors of the economy was in line with the developments in the real economy. Industry was the most credited sector in 2011, accounting

<sup>8</sup> In December 2011 due to reclassification of the loan portfolio by purpose of use of a commercial bank, the mortgage household loan outstanding decreased by about ALL 6 billion, and the business investment loan outstanding increased equally. Since this reclassification impacts significantly on analysing the loan by purpose of use for 2011, the figures under analysis are adjusted to this effect. According to official data, the annual growth of business investment loan and mortgage household loan as at December was 15.9% and -2.4%, respectively, for this period, while the annual growth of business loan and of household loan was 16.2% and 0.2%, respectively.

for 41% of business credit<sup>9</sup>. Some of the branches of the services sector, particularly Trade, hotels and restaurants were also among the most credited ones, accounting for about 30% of the loan, and other services branch, accounting for about 19% of the loans granted in 2011. In contrast to other sectors, the growth of credit to industry accelerated during 2011, recording an annual growth rate of 23.4% at end-2011, compared with the growth of 10.4% at end-2010. The annual growth of credit to trade sector was volatile and, after maintaining the previous year's average pace during the first nine months of the year, slowed down in the fourth quarter, settling at 10.4% at year-end. Credit to other branches of the services sector slowed down in 2011 H2, marking about 15.4% y-o-y increase at year-end. During 2011, the construction sector attracted little financing from the banking sector. Annual growth of credit to this sector continued to slow down, standing at 5.6% at year-end.

During 2011, lending to households reflected a positive trend compared to the previous year. It expanded by ALL 5.4 billion or 2.4 times more than in 2010. Its annual growth rate pursued an upward trend until August, accounting for 5.7%, from 1.5% as at end-2010. Subsequently, following the deceleration of mortgage loan in 2011 H2, lending to households fell to 3.6% in December.

The performance of household loans was under the influence of various developments in its both components. Hence, consumer loan grew steadily over the year. Its expansion constituted 70% of household loan outstanding growth. After the 2009 Q4's annual contraction, this portfolio recorded positive annual growth rates in 2011 Q2. At end-2011, the annual consumer loan growth stood at 11.8%.



The positive developments in mortgage loans in 2010 H2 were carried over to 2011 H1. The annual growth of this portfolio amounted to 5.7% at end-June, from 2.0% at end-2010. In 2011 H2, the mortgage loan contracted

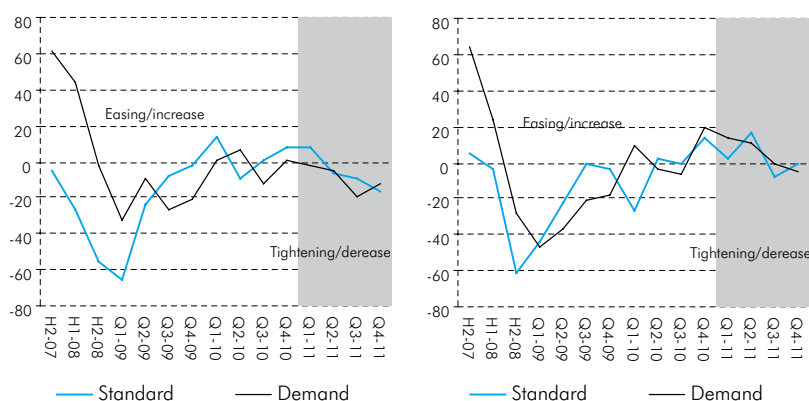
<sup>9</sup> Excluding public business credit in industry.

significantly, being materialised in its annual growth slowdown. At year-end, the annual change of the mortgage loan portfolio decreased to 1.4%. As a result of the contraction over those months, in 2011, the overall mortgage loan increase was about 30% less than in 2010. The share of this loan in household credit outstanding fell to 77% at year-end, from 79% at year-start. Beyond the reluctance of households to undertake long-term investments, their expectations for a correction of the house prices might have contributed to the sluggish demand for mortgage loans.

#### BOX 8: A SUMMARY OF 2011 BANK LENDING SURVEY

The results of bank lending survey<sup>10</sup> conducted by the Bank of Albania in 2011, show that banks tightened the business credit standards. In terms of households, they eased the standards in 2011 H1, keeping them almost unchanged in 2011 H2. The tightening of business credit standards and a higher uncertainty about household loans (measured by the higher volatility of this series) reflect the uncertainty surrounding the macroeconomic situation, the condition of non-performing loans, specific problems related to sectors where the business operates and household's financial position. According to survey results, banks have not made any significant distinction in applying credit standards according to business size (large, small and medium enterprises). The size and direction of credit standards change is the same for consumer loan and household home purchase loan.

Chart 15 Changes in lending standards and credit demand by businesses and households



Source: Bank lending survey, Bank of Albania.

General developments in lending terms and conditions reported by banks reflected the tightening of lending standards in 2011. In terms of businesses, banks pursued a tighter lending policy, using almost all the conditions for making loans. The increase in collateral requirements, commission fees and expansion of margin on riskier loans have been used at a higher level. Household loan standard tightening has been applied mainly by using non-monetary conditions, reducing the loan size and adding collateral requirement.

<sup>10</sup> The bank lending survey collects opinions of loan officers at commercial banks about the credit standards performance, lending terms and requirements and the loan demand, for both businesses and households. The questionnaire and the methodology used to collect data on the lending activity are similar to the ones used by other central banks. For more details, see [www.bankofalbania.org](http://www.bankofalbania.org)



Regarding the loan demand perception, banks have reported reduced household demand and a more pronounced decline of business demand, to negative levels. Unfavourable developments in the real estate market and low consumer confidence have contributed to the decline in households' demand for loans. The macroeconomic situation and the decreased need for new investment financing are factors that have affected the continued deterioration of the business demand for loans. This is also confirmed by the confidence survey results, according to which businesses reported a downward level in new investments, in 2011.

## IV.2 FINANCIAL MARKETS

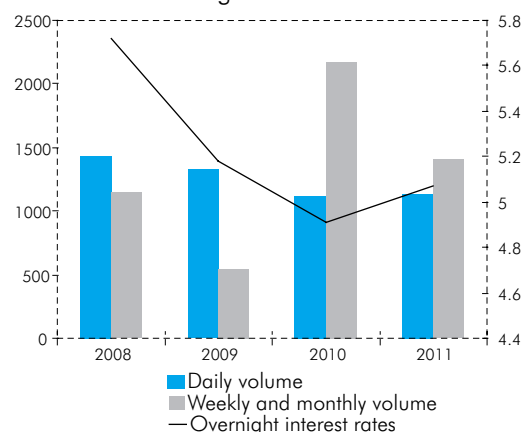
Financial markets, notwithstanding the short-term volatility, have reflected the slowed economic activity in the country and further consolidation of the regulatory framework. The financial system has operated under the conditions of improved liquidity and controlled risk premia. The money market activity has reflected the easing policy of the Bank of Albania and has also been supported by its open market liquidity-providing operations. In general, the cost of national-currency borrowing has pursued a downward trajectory. This is also coupled with the tendency to boost the lek-denominated lending. However, the demand for financing and the deposit interest rates result lower than in the previous year, but at attractive levels for collecting savings in both lek and foreign currency. In contrast to a year earlier, the foreign exchange market pressures have been low and the lek's exchange rate against major currencies has been stable, a supportive factor to subdue inflationary pressures in the country. In general, financial market indicators and surveys show anchored inflation expectations by financial agents.

### • INTERBANK MARKET

The banks' activity in the money market was generally stable in 2011. Interbank market rates were slightly upward, while the volume exchanged among banks was slightly lower than a year earlier. Interest rates rose slightly for both main maturities preferred by major banks and reflected a higher volatility<sup>11</sup> than in the previous year. The increase in interbank rates was more obvious in the second and third quarters, as a consequence of the higher demand over the course of this period.

The Bank of Albania changed its key interest rate three times over 2011, to 4.75%. It was upward in March and downward in September and November. The interbank borrowing interest rates reflected these changes even in the subsequent periods, when the average values registered in interbank market moved in line with the monetary policy signal. The

Chart 16 Average annual volume of 1- and 7-day borrowing in the interbank market, the overnight interest rate



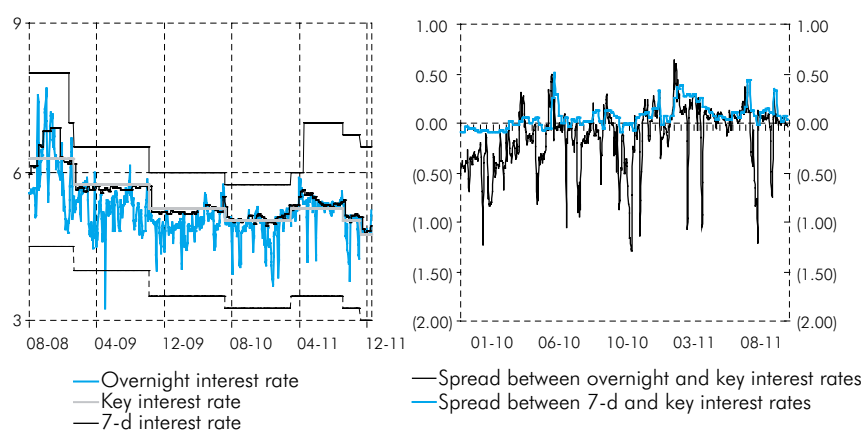
Source: Bank of Albania.

<sup>11</sup> The standard deviation of overnight interbank rate for 2011 was 0.3922, from 0.2744 in 2010.

Bank of Albania has continued to supply the market with liquidity through reverse repo auctions of 7-day, 1-month and 3-month maturity terms. The amounts provided in 2011 were lower than in the previous year, while the yields resulting from these auctions, albeit slightly higher, remained close to the key interest rate.

On average, the total volume exchanged in the interbank market during this year fell slightly, reflecting the reduction of transactions of 7-day and 1-month maturity terms. The profile of interbank transactions in 2011 was similar to 2010's figure, reflecting the banks' preference for a 7-day borrowing to the overnight one. In annual terms, the total borrowing in the interbank market dropped to ALL 2.5 billion or down ALL 3.3 billion from the previous year. The overnight borrowing remained similar to the previous year, but the reduction of transactions of a 7-day and 1-month maturity by ALL 0.5 and ALL 0.3 billion, contributed to reducing the total interbank traded volume. Regarding the yield demanded by banks in exchanging funds among them, the average overnight rate was 5.08% in 2011, from 4.93% in the previous year, while the 7-day one was 5.23%, from 5.14%. Interest rates fluctuated within the corridor set by the Bank of Albania and close to the key interest rate. The spread between the average overnight rate and the key rate, in 2011, narrowed to 0.20 percentage points, from 0.28 percentage points a year ago.

Chart 17 Interbank interest rates (left) and their spread from the key interest rate (right)



Source: Bank of Albania.

#### BOX 9 CHANGE IN THE POLICY OF REQUIRED RESERVE REMUNERATION<sup>12</sup>

Required reserve is an instrument of monetary policy with the main function to regulate the domestic financial market and control the interbank rates. It is used to withdraw excess (structural) liquidity from the banking system or to create the permanent (structural) banking system requirement related to liquidity by the central banks. This instrument creates also a reserve against liquidity shocks to banks, given that the meeting of the required reserve must take place, in average terms, over a month,

<sup>12</sup> Sofika Note is the author of this box, February 2012.

and also helps reduce the interbank interest rate volatility and keep it close to the key interest rate. Also, in the developing countries, changes in the required reserve rate (growth) have also served to foster the public confidence in the banking system.

The reserve is also used to manage the flow of money into the economy through its effect on the money multiplier. Within this context, in many countries with a high euroisation level, this instrument has been used and is still being used to restrict the financial intermediation in foreign currency. This is achieved by applying a higher required reserve rate on foreign-currency liabilities and a lower remuneration rate compared to its national currency component of the reserve.

In Albania, the required reserve rate is the same for both the national currency and the foreign currency. Also, even the remuneration rule until end-June 2011 was not discriminative related to foreign currencies. The Bank of Albania, alike many other central banks, has aimed at establishing a required reserve system that does not carry over the high costs for banks and that does not impede the efficient allocation of resources. The required reserve remuneration rate until end-June 2011 accounted for 70% of the key interest rate for all currencies.

Table 1 Required reserve instrument in several countries in the region.

Country	Foreign currency-denominated deposits	Foreign currency-denominated loans	Exchange rate regime	Required reserve rate	Remuneration policy
Croatia	70%	73%	fixed	same	differentiated
FYR Macedonia	56%	58%	fixed	differentiated	differentiated
Bulgaria	51%	60%	fixed	same	same (0%)
Serbia	70%	62%	floating	differentiated	differentiated
Albania	48%	67%	floating	same	same
Romania	39%	63%	floating	differentiated	differentiated
ECB	---	---	floating	same	same
Hungary	26%	60%	floating	same	same
Poland	10%	33%	floating	same	same
Czech Republic	9%	8%	floating	same (as ECB)	same (as ECB)

Source: Respective central bank websites.

However, against the background of high euroisation, a differentiated treatment of the reserve required in foreign currency is justifiable. Even the practice of highly-euroised countries has been and continues to be discriminating against the required reserve in foreign currency, particularly reflected in the remuneration policy. Only Hungary is an exception from this case. Hungary and other countries with low-euroisation level, which are closer to the euro-adopting process (Poland, the Czech Republic) have applied a framework approximate to that of the ECB.

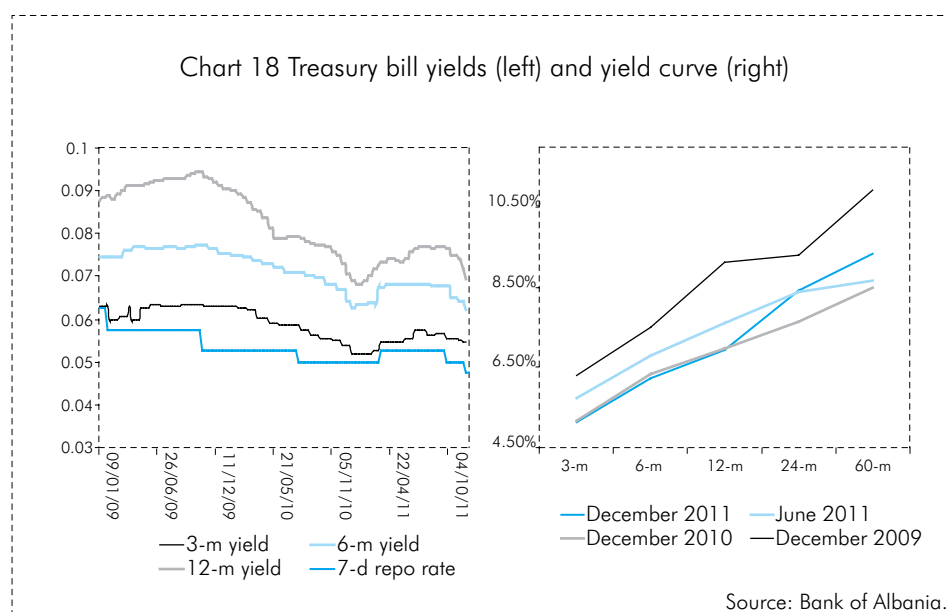
Given these consideration, the Supervisory Council of the Bank of Albania decided<sup>13</sup> that the Bank of Albania shall not pay remuneration on the foreign-currency reserve required component. This decision addresses the concern about high interest rates on foreign currency deposits in the domestic market and also helps in further developing the national-currency intermediation. Prevention of the foreign-currency required reserve remuneration serves also to enhance the monetary policy effectiveness. By discouraging the foreign-currency intermediation, the national-currency intermediation is promoted, thus helping in a better functioning of the domestic money market and in increasing the efficiency of interest rate and credit - both important channels of monetary policy.

<sup>13</sup> Decision No. 28 of 27/04/2011, effective since July.

• PRIMARY MARKET

The performance of government security yields issued in the primary market was uneven in 2011. It was influenced mainly by the policies of domestic budget deficit financing and by the orientation of monetary conditions in the economy. The bid-to-cover ratio in this market was above 100%, reflecting the positive performance of banking system liquidity.

Treasury bill yields, particularly those of a 12-month maturity term, started to pick up in 2011 Q1 due to an increased demand for budget deficit financing and the expectations for the persistence of this demand even in Q2. The yield performance factored slightly into the increased key rate at end-March. The period of May-July confirmed an added demand for financing, making yields hit record highs for 2011. In July, the 12-month yield registered 7.69%, from 6.83% at year-start.

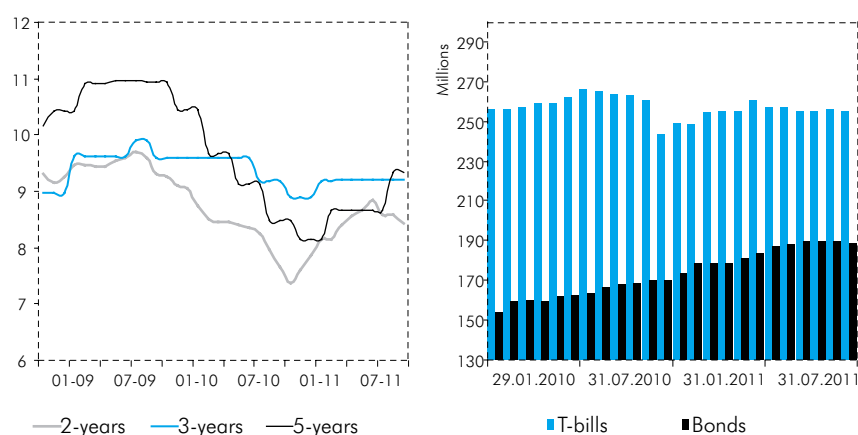


Upon revising of the budget indicators for keeping the budget deficit and the public debt in check, and lowering of the key interest rate by the monetary authority, the trajectory of treasury bill yields reversed at end-Q3. In the following periods, the recurrent reduction of the key interest rate was transmitted to their downward performance in Q4. As at end-December, the 12-month yield was 7.04%, close to that of the previous year-end.<sup>14</sup> The financial agents' surveys on inflation expectations show that the risk premia remain in check, which is also evidenced in the short-term yield curve.

Bond yield behaviour was somewhat different from that of T-bill yield. After their rise in 2011 H1, the yields have maintained relatively high rates in the rest of the year. The decline in short-term yields faster than the long-term ones has brought about the yield curve slope. The margin on 12-month yield level (a reference indicator in determining the long-term interest rates) demanded for bond yields increased over the second half. Over this period, the deficit

<sup>14</sup> At end-October 2010, the government issued an Eurobond in the international market, reflecting the government's demand for domestic financing. This led to yield decline in 2010 Q4.

Chart 19 Bond market yields (left) and government securities portfolio (in ALL billion, right)



Source: Bank of Albania.

financing was covered mainly by securities. Also, this primary market segment is less competitive and liquid, given that bond-issuing auctions have a rarer frequency.<sup>15</sup> The combination of these factors and the increased uncertainty of economic agents for the future generated upward pressures on the performance of long-term security yields. The 2-, 3-, and 5-year bond yields resulted 8.44%, 9.21% and 9.33%, respectively, at end-2011, or 0.79 pp, 0.02 pp and 0.85 pp higher than at end-2010.

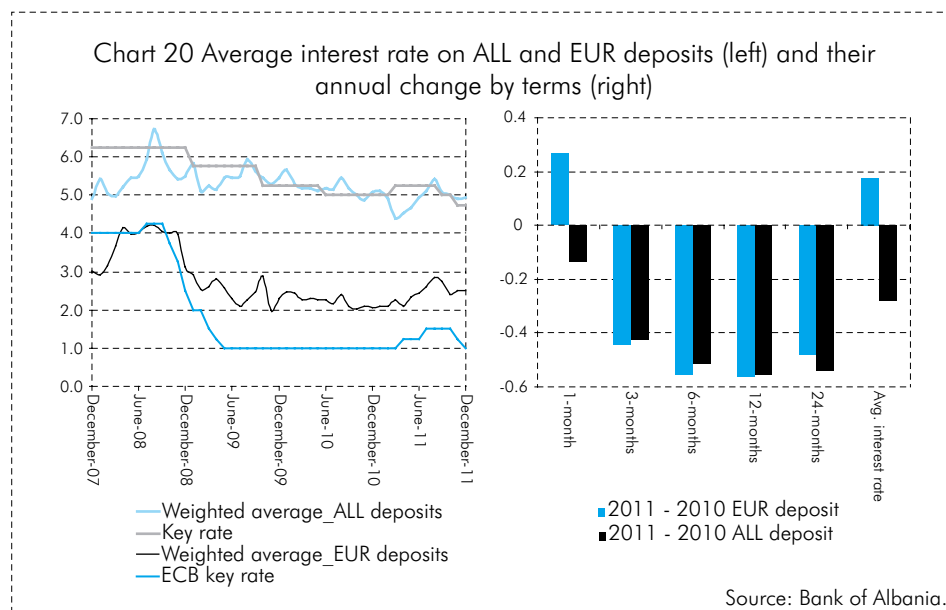
#### • NEW DEPOSIT INTEREST RATES

Year 2011 was featured by the decline in ALL and EUR deposit interest rates. The changes in the key interest rate for the lek over this year were followed by the setting of new ALL deposit interest rates. The weighted euro deposit interest rate has also followed the key interest rate moves by the ECB and the margins on this rate have declined over the first half of the year. Upon start of summer, the euro deposit interest rates rose until October due to the increased reference rate and promotions, to fall back until year-end.

The interest rate on time ALL deposits averaged 4.92% in 2011 or 0.28 percentage points lower than in 2010. The average interest rate on time lek-denominated deposits fell over the second half, from 5.11% in January, to 4.66% in May, as a consequence of the termination of end-2010 promotions and improved liquidity situation in the system. During the summer, this indicator increased, peaking to 5.42% in August, impacted by the seasonal promotions and the key interest rate rise (at end-March). Upon increase in deposits at the system level and the key interest rate cut in two occasions<sup>16</sup>, interest rates were lowered several times until December (to 4.93%). According to maturity terms, an average decline is observed for all maturities, in particular for the 12-month deposits, which decreased by 0.55 percentage points as compared to 2010.

<sup>15</sup> As a rule, 2-year bond auctions take place monthly, and 3- and 5-year bond auctions take place quarterly.

<sup>16</sup> In September and November.



The interest rates on time deposits in euro, in 2011, followed the same dynamics as those in the national currency. A significant interest rate cut was marked by maturity, mainly on 12-month deposits (-0.56 pp). The average weighted interest rate on EUR deposits averaged 2.41% in 2011 or 0.17 percentage points above the 2010's average. This relatively higher value as compared to the previous year has been influenced by new inflows to long-term deposits with a higher interest rate during the summer promotions (thus influencing the weighted average). The EUR deposit interest rates continued to be conditioned by the liquidity situation and the individual orientation of policies for foreign-currency deposits by banks of the system.

#### • NEW LOAN INTEREST RATES

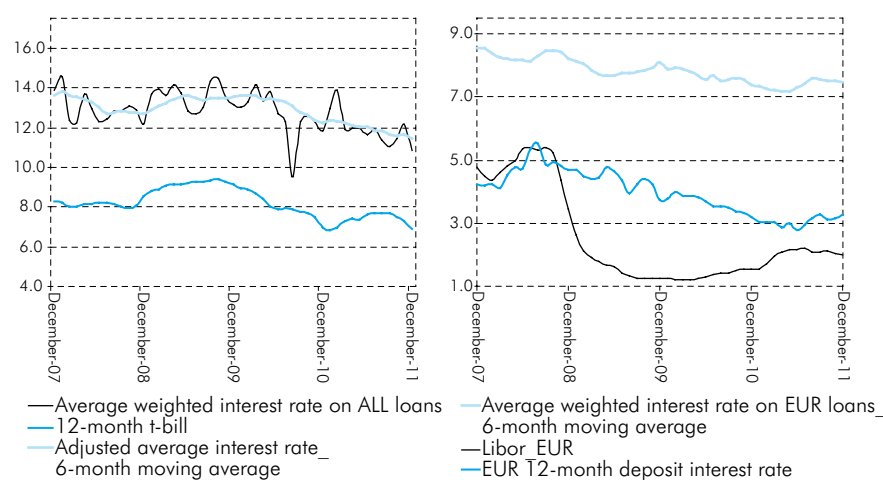
Year 2011 was featured by downward average interest rates for loans in lek and somewhat steady for those in euro. The margins applied on the reference rate declined. For those in national currency, the decline was more significant because the interest rates continued to decrease in the first half even though their reference rates were upward. In the second half, after the interest rate cut in the primary market and the signals of the Bank of Albania to lower the lek-denominated lending cost, the interest rates registered recurrent decline. However, the lending interest rates continue to be influenced primarily by the diversification of offers and the preferential conditions of some banks of the system for certain clients.

During 2011, the interest rate<sup>17</sup> on ALL-denominated loans averaged 11.92%, from 12.59% in the previous year. The decline reflected the interest rate cut in the money market and the increased attention of the banking system for financing in the national currency. This might have brought about increased competition in this credit segment. Most of new ALL-denominated loans were extended to meet the short-term needs of businesses (overdrafts/

<sup>17</sup> Average weighted interest rate on new loans.

working capital for businesses) and for investment purposes, while a higher frequency of mortgage household ALL-denominated loans is noted. More favourable interest rates have been applied for long-term loans compared with short-term ones, promoting ALL-lending for real estate and investments. The average interest rate cut continued until end-2011, hitting record lows in December (10.82%). According to purpose of use, business short-term loans remained the ones with the most volatile interest rate, due to their own nature, being influenced by certain preferential policies of the banking system.

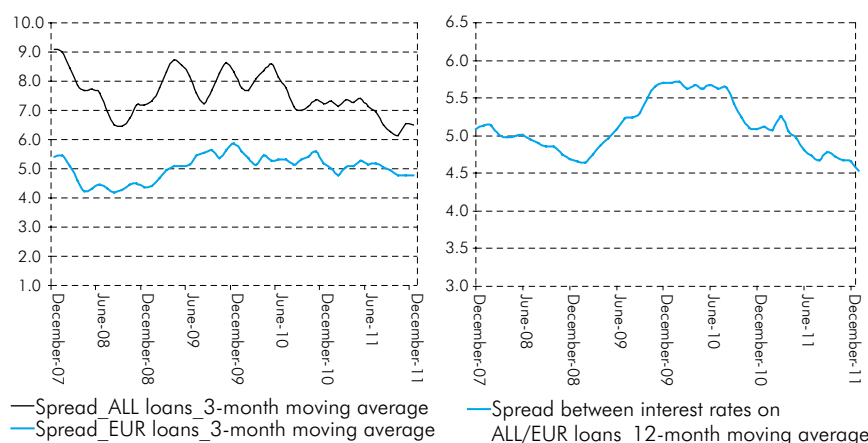
Chart 21 Average weighted interest rate on ALL loans (left) and EUR loans (right)



Source: Bank of Albania.

The interest rate on new loans in euro averaged almost similar to the previous year and was characterised by a seasonal volatility. The average weighted interest rate on EUR-denominated loans registered 7.41% in 2011, compared with 7.47% in 2010. In the meantime, the average Euribor rate in the international market increased by 0.66 percentage points over this

Chart 22 Intermediation margin in ALL and EUR (left) and the spread between the average weighted interest rate on ALL and EUR loans (right)



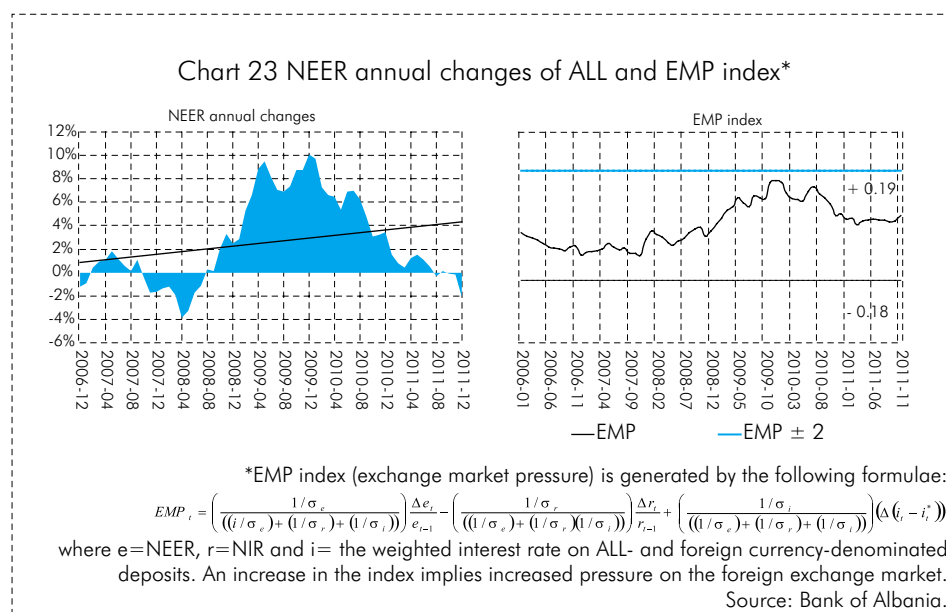
Source: Bank of Albania.

period. On average, during 2011, a slight interest rate cut was registered on all maturity terms, in particular on the short-term one for working capital, due to businesses' higher demand for liquidity.

Intermediation costs in ALL and in EUR declined in 2011. On average, this indicator for the lek averaged 6.83 percentage points, from 7.62 percentage points in the previous year. The average intermediation rate in euro was 5.00 percentage points, down 0.24 percentage points from the previous year. Upon the lowering of interest rates on both currencies, the spread between ALL loan interest rates and EUR ones narrowed on average 4.5 percentage points in 2011, from 5.1 percentage points in 2010.

#### • EXCHANGE RATE

The performance of lek in nominal effective terms, in 2011, was characterised by slightly lower depreciating rates, on average remaining unchanged compared to 2010. The annual percentage of change of the NEER<sup>18</sup> index ranged within -2.1% and +1.6%, reaching higher appreciating rates in recent years. More concretely, over 2011 H1, the national currency depreciated by 1.1%, whereas in 2011 H2, it appreciated by 0.3%.



The NEER index dynamics reflected the equilibrium of the demand/supply ratio in the domestic market, transmitting also the seasonal effects that characterised 2011 H2. The higher upward rates of exports over July-December and the depreciating trajectory of the euro against the other foreign currencies over the last weeks are factors that have influenced the depreciating rates of the NEER at year-end and its stability in annual terms.

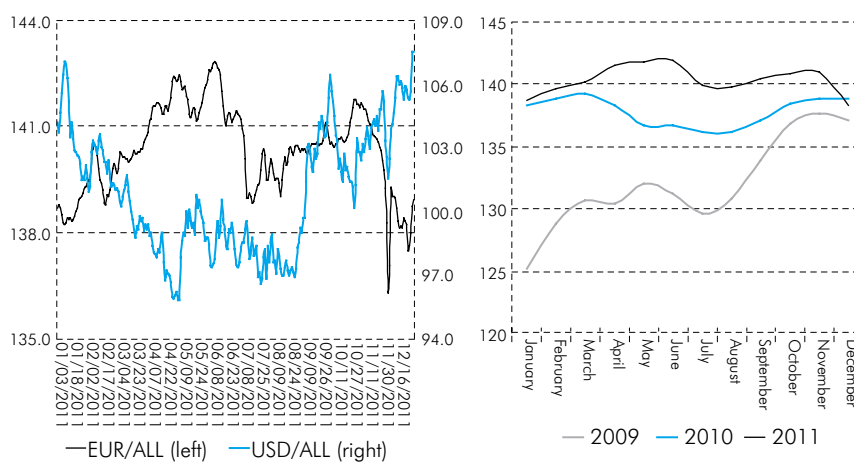
<sup>18</sup> NEER – the nominal effective exchange rate is measured against currencies of five main trading partner countries: Italy, Greece, Germany, Turkey and China. A rise in NEER implies the lek's depreciation.



The above developments were also confirmed by the exchange market pressure index, which was stable in 2011, reflecting its stabilization around the 0.05 standard deviation from the historical average.

Individual developments of major basket currencies in the foreign exchange market for 2011 reflect a moderate depreciation of the lek against the euro and its appreciation against the US dollar. The lek depreciated against the euro by 1.8% in 2011, from 4.3% in 2010, while it appreciated by 2.9% against the US dollar, from 9.4% in the previous year.

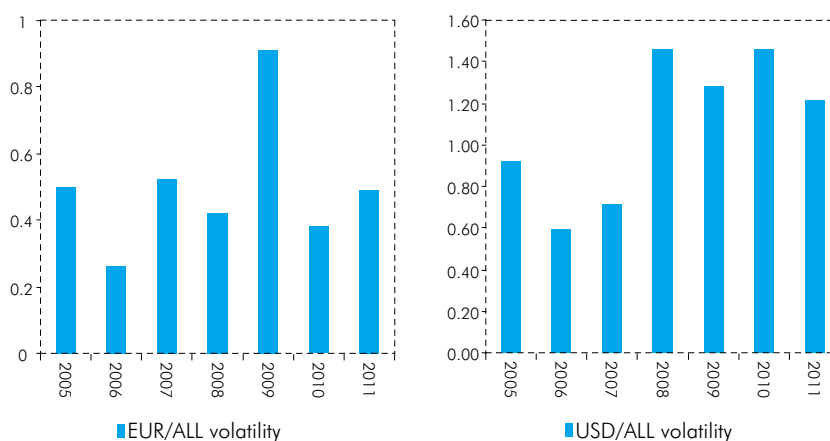
Chart 24 Daily EUR/ALL and USD/ALL exchange ratios (left) and the monthly performance of the EUR/ALL ratio in 2009- 2011 (right)



Source: Bank of Albania.

The depreciating trend of the lek against the euro was present almost throughout the whole period, excluding December, during which the average monthly exchange rate of the EUR/ALL depreciated by 0.4% y-o-y. Difficulties in finding a solution related to the euro area crisis and the positive indicators

Chart 25 Volatility of the USD/ALL and EUR/ALL ratios in the years

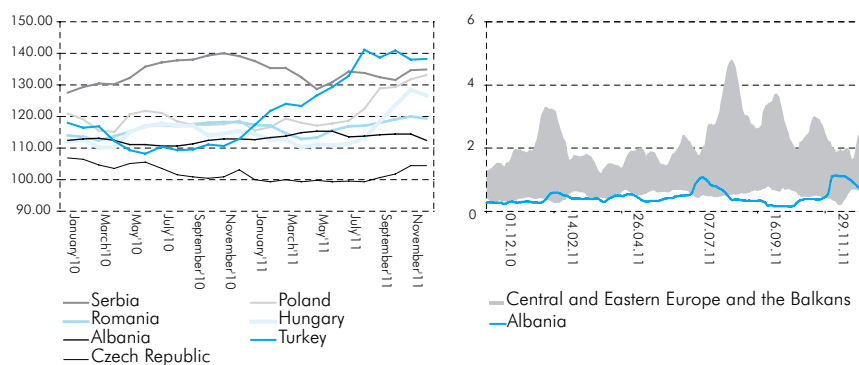


Source: Bank of Albania.

of the American economy during November-December contributed to depreciating the euro against the US dollar. Impacted by media comments, this situation was more pronounced in the domestic foreign-exchange market, where one euro was exchanged for 136-137 lek in the first week of December, from 140 lek at end-November. The accelerated depreciation of the euro against the lek was short term, making the foreign-exchange rate return to steadier rates in the following weeks. In these conditions, the volatility of the euro/lek ratio was higher than in 2010. On the other hand, the USD/ALL ratio dynamics during the period under review was in line with the performance of the US dollar in international markets. Based on the volatility indicator, the developments in this ratio resulted lower than in the last four years.

A comparative analysis of the euro/lek ratio relative to other currencies of the countries in the region shows that the lek followed a steadier dynamics than in most countries of the group. The euro/Turkish lira and euro/Polish zloty ratios showed high depreciating trends. As a consequence of the political crisis in the country, the Hungarian currency also weakened significantly its positions against the common currency. Also Serbian and Romanian currencies showed a depreciating trend. The chart on the ratio volatility in the case of the Albanian currency was below the lower limit of the interval created by the countries in the region, crossing it only in July and December.

Chart 26 Performance (index base: October 2008)\* and the EUR/ALL volatility vs CEE and Balkan countries currencies\*\*



\*The volatility of the euro/lek ratios is measured as a 30-day standard deviation. The volatility climax in every period represent the maximum and minimum standard deviation of the included ratios. The countries are: Poland, the Czech Republic, Hungary, Romania, Turkey and Serbia. \*\*The ratio performance is indexed with the base month: October 2008. The countries are: Poland, the Czech Republic, Hungary, Romania, Turkey and Serbia. These countries implement a free floating exchange rate regime, the same as Albania. Source: Respective central banks and Bank of Albania calculations.

It has often occurred to me to see, along the way, some  
peculiar refractions of the landscape, abrupt discontinuation  
of profiles and colours, violent disappearance of a certain  
type of flora and equally unexpected explosions of another  
type of flora. This is one of the most extraordinary views of  
this extraordinary country ...

Indro Montanelli  
Italian journalist and historian



## CHAPTER V MONETARY POLICY INSTRUMENTS AND FOREIGN RESERVE MANAGEMENT

### V.1 MONETARY POLICY INSTRUMENTS

The amount of liquidity injected by the Bank of Albania during 2011 continued to be lower, on average, for the second year, reflecting the improved liquidity condition in commercial banks. The injected liquidity averaged ALL 18.4 billion, from ALL 22.4 billion in 2010. In line with the operational objective of the Bank of Albania, which consists in targeting short-term interest rates in the interbank market, the overnight interest rate fluctuated around the key interest rate, with a tendency to exceed it. This was also impacted by increased participation and boosted confidence of banks in the operational framework of the Bank of Albania, as well as by the improved liquidity management process by banks.

During 2011, the injected amount registered minimum values in 2011 Q1, averaging ALL 11 billion, to peak by ALL 24 billion in summer. During 2011 Q4, it averaged ALL 23 billion. The number of banks that used the temporary instruments during the year was higher compared with the previous year, showing that now the open market operations of the Bank of Albania are considered as ordinary and important by the banking community.

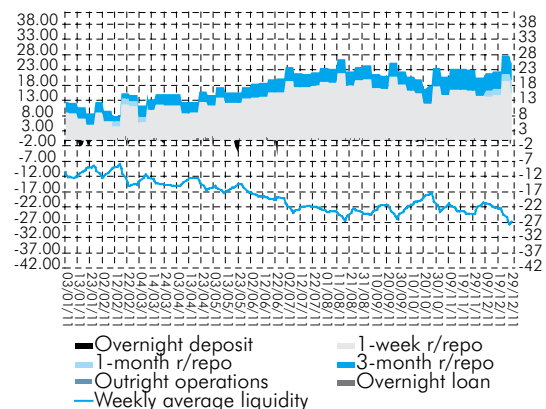
#### V.1.1 OPEN MARKET OPERATIONS

Open market operations, which consist of the main operation, fine-tuning operations, and structural ones are core operations for liquidity management by central banks. The Bank of Albania has continued to maintain a diverse maturity structure for liquidity-injection, even though the improved liquidity conditions in the system have somewhat reduced the need for fine-tuning liquidity injections compared with a year earlier. Liquidity provision structure averaged 74% through the main instrument and 26% through fine-tuning instruments of a longer-than-one-week maturity. A year earlier, it averaged 58% through the main instrument and 42% through long-term operations.

- *MAIN OPEN MARKET OPERATION*

During 2011, the reverse agreement of one-week maturity term was the main instrument of open market operations. This instrument was conducted mainly through fixed-amount variable-price auction.

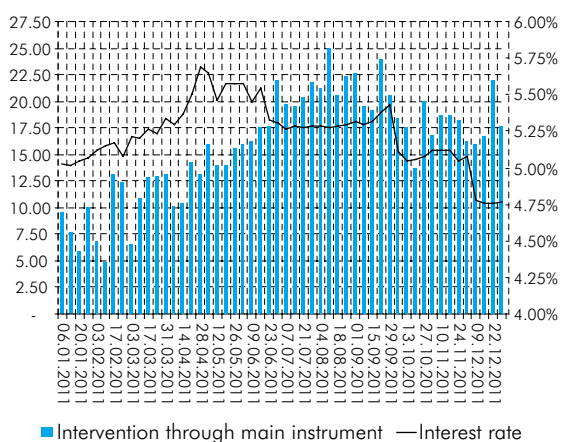
Chart 1 Open market operations and the use of permanent facilities\*



\*Negative values reflect liquidity-withdrawing operations, whereas positive values correspond to liquidity-injecting operations.

Source: Bank of Albania.

Chart 2 Main open market operation by auction dates (in ALL billion)



Source: Bank of Albania.

The liquidity injected through reverse repurchase agreements of one-week maturity term averaged ALL 15.95 billion a week in 2011. The number of banks participating in weekly auctions averaged 8, compared with an average of 6 banks per auction in 2010 and 2009.

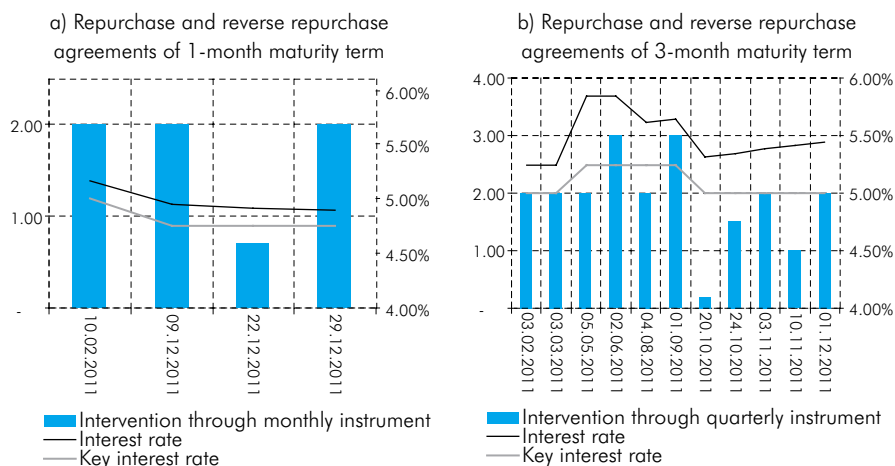
Increased average of participating banks in 2011, reflects a positive sign of their increased activity in terms of intermediation of central bank liquidity in the economy. Also, it is worth noting that year 2011 registered a decline in the concentration of the amount required and injected into each bank participating in the system, by significantly improving the liquidity distribution in the system and by facilitating the liquidity-provision by the banks with sporadic liquidity needs, which are not regular participants in the weekly auctions of the Bank of

Albania. Although this situation reflects the improved liquidity distribution in the banking system through the interbank market, it is frequently conditioned by market conditions and is not yet considered as an active positioning of banks for trading liquidity in the interbank market.

#### • FINE-TUNING OPERATIONS

In 2011, fine-tuning operations for injecting liquidity of a longer-than-one-week maturity term were used mainly in response to the effect of increased demand for liquidity in the banking system over seasonal periods, such as summer and year-end. In 2011, the fine-tuning operations of one-month maturity term were used three times less than in the previous year, whereas the three-month liquidity-injecting operations were used more frequently than in the previous year.

Chart 3 Fine-tuning operations by auction dates (in ALL billions)



Source: Bank of Albania.

Reverse repurchase agreements of one-month maturity term were used 4 times, injecting on average ALL 1.7 billion, from 15 times in the previous year. Reverse repurchase agreements of a three-month maturity term were used 11 times, from 9 times in the previous year, injecting on average ALL 1.79 billion. While the use of reverse repurchase agreements of three-month maturity term is distributed throughout the year with the highest concentration in the last months of the year, the one-month repurchase agreement was used three times in December 2011.

The bid-to-cover ratio of monthly auctions averaged 96%<sup>1</sup>, whereas that of quarterly auctions averaged 162%, being higher than a year earlier. The number of banks participating in monthly auctions averaged 3 banks per auction, while in quarterly auctions it averaged 4 banks per auction, similar to that of the previous year. These instruments are mainly used by big banks of the system, which are more predisposed to money market share.

The spread between the quarterly interest rate and the key interest rate ranged from 0.24 percentage points to 0.60 percentage points, whereas the one between one-month interest rate and the key interest rate ranged from 0.15 percentage points to 0.20 percentage points. The average interest rate spread for quarterly liquidity injection increased by 0.10 percentage points compared to the previous year, to an average of 0.40 percentage points, while with regard to the monthly interest rate, it narrowed by 0.01 percentage points, to an average of 0.17 percentage points. This expansion is due to more frequent use of the quarterly liquidity-providing instrument than the monthly one, compared to the previous year.

Besides liquidity-providing instruments of a longer than one week term, in 2011, overnight reverse repurchase agreement was used four times, injecting an average of ALL 1.24 billion. This operation was intended to manage the liquidity condition and short-term interest rates over the last two days of the required reserve maintenance period, in April, and over the last two days of the required reserve maintenance period, in September.

In the opposite direction and with the goal to withdraw the excess liquidity in the last days of the required reserve maintenance period in June and November, the overnight repurchase agreement was used three times, on average for about ALL 6.5 billion.

- **STRUCTURAL OPERATIONS**

During 2011, structural operations - outright T-bill purchase/sale – were applied solely once in 2011, for an amount of ALL 0.60 billion.

<sup>1</sup> In this case, cover is the amount asked by the Bank of Albania in the reverse repurchase agreement auction, whereas bid corresponds to the banks' request to participate in these auctions

## V.1.2 STANDING FACILITIES

Standing facilities - overnight deposit and overnight loan - are instruments available to commercial banks to manage unexpected liquidity on a daily basis. The use of overnight deposit in 2011 was ALL 0.11 billion a day, significantly down from ALL 0.47 billion a day in the previous year, mainly due to the improved liquidity management by the banking system.

Not only was the overnight loan used rarely in 2011, but it also recorded a significantly lower average level than in 2010. More specifically, it was used 31 times with an average of ALL 0.15 billion, from 35 times in the previous year with an average of ALL 0.68 billion. Likewise in overnight deposits, the cases of liquidity-providing instrument were concentrated at the end of the required reserve maintenance period.

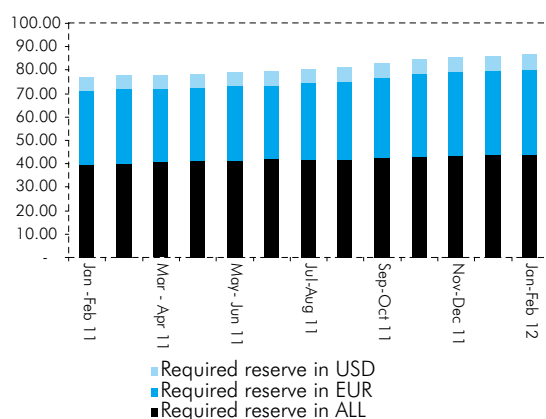
## V.1.3 ADDITIONAL LIQUIDITY-PROVIDING INSTRUMENTS

Lombard loan is the last lending instrument the Bank of Albania uses to help banks overcome temporary liquidity shortages, provided they are financially sound. Likewise in recent years, this instrument was not used at all in 2011.

## V.1.4 REQUIRED RESERVE

ALL required reserve is a monetary policy instrument aimed at adjusting the banking system liquidity and stabilizing the interest rates. The Bank of Albania applies the required reserve even for foreign-currency deposits. The required reserve ratio is 10% of commercial banks' deposits of up to 2 years, in the three currencies - ALL, EUR, USD. Its performance in 2010 reflected that of the deposits by respective currencies with a one-month lag, since the required reserve maintenance period starts on the 24th calendar day of each month and corresponds to deposit position of the preceding calendar month.

Chart 4 Required reserve (in ALL billion)\*



\*Foreign required reserve components are converted according to respective fixed exchange rate announced by the Bank of Albania on the last day of 2011.  
Source: Bank of Albania.

The required reserve ratio reflected the effect of ongoing deposit growth throughout 2011 both in ALL, EUR and USD. The annual growth of the required reserve in ALL was 10.9%, of the one in EUR was 14.50%, and of the one in USD was 7.69%.

In 2011, the average share of the required reserve component in ALL was 52.0%, while in EUR it was 41.0% and in USD it was 7.0%.

In 2011, the ALL required reserve averaging, by using 40% of the required reserve, reflects a significant improvement compared to 2010. The

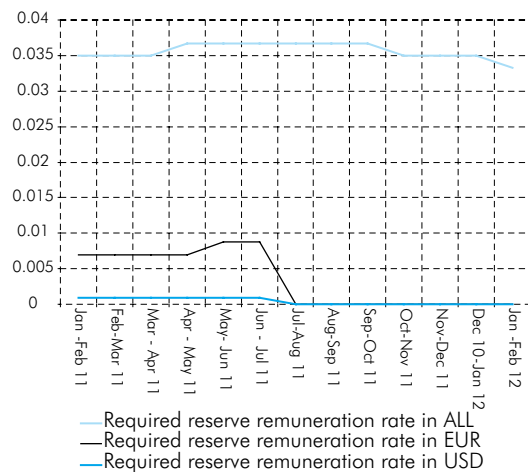


deviation of the account position from the required reserve ratio at the end of the maintenance period decreased to a positive average of ALL 0.08 billion, from a positive average of ALL 0.21 billion in 2010. In optimal conditions, the deviation should be positive, close to zero. Compared to the previous years, the Bank of Albania's liquidity-providing operations have aimed at gradually reducing excess liquidity in the system at the end of the reserve maintenance period. Moreover, the improved attitude of banks and their greater commitment in good management of liquidity is an outcome of constant communication of the Bank of Albania with them.

The required reserve remuneration rates performed in line with the interest rates they derive from<sup>2</sup>. Specifically, the ALL required reserve remuneration reflected the Bank of Albania's key interest rate performance, which increased by 25 percentage points at end-March, and decreased by 25 percentage points at end-September and November, to 4.75%.

As at June-2011, the foreign required reserve remuneration was based on the key policy rates of respective central banks - the European Central Bank and the Federal Reserve of the USA, while the Bank of Albania applied the 0% foreign required reserve remuneration rate as of July 2011.

Chart 5 Required reserve remuneration rates



Source: Bank of Albania.

## V.2 FOREIGN RESERVE MANAGEMENT

Cooperation with the World Bank in the framework of Reserves Advisory Management Program (RAMP) continued in 2011. This institution has provided useful assistance for maintaining and further improving staff skills through training programs or participation in qualification programs closely related to their area. With the assistance provided by the World Bank in terms of operational risk management, 2011 evidenced the work for preparing the regulatory framework for the establishment of this function, with the purpose to extend it to other processes taking place within the Bank.

An important project under the cooperative agreement with the World Bank relates to the implementation of the Portfolio Management System, which is expected to be released within 2012. This product will provide a complete solution for the needs related to information technology used in the reserve portfolio management, under the conditions of expanded investment instruments and the necessity for prudential management of risks incurred in investments.

<sup>2</sup> Over 2011 H1, the required reserve remuneration rates were 70% of the reference rates they derive from. Starting from 24.07.2011, the interest rate on foreign required reserve remuneration is zero, while the interest rate on the ALL required reserve remuneration is held unchanged, at 70% of the key interest rate of the Bank of Albania.

### • STATISTICS ON FOREIGN-EXCHANGE RESERVE IN 2011

In 2011, gross foreign-exchange reserve, estimated and reported in euro, increased by about EUR 2.6 million, registering EUR 1,907.50 million. The key factors impacting the gross reserve are presented in the following:

- A. Transactions with the Ministry of Finance provided a negative impact, estimated at EUR 117.3 million, according to the following items:
- Privatization and other receipts, EUR 33.56 million;
  - Net inflows from loans extended by the International Development Agency (IDA), renovation of short-term securities, etc., EUR 104.51 million;
  - Transfers, at EUR 255.37 million.

During 2011, swaps continued to be carried out with the Ministry of Finance, aiming at foreign-currency liquidity management.

- B. Commercial banks' transactions provided a positive impact, estimated at EUR 50.18 million, according to the following items:
- Commercial banks' deposits at the Bank of Albania to fulfil the required reserve and other transactions related to their capital, etc., at EUR 94.37 million;
  - Transfers, at EUR 44.19 million.
- C. Bank of Albania's transactions provided a positive impact, estimated at EUR 38.48 million, according to the following items:
- Buying foreign currency from the Ministry of Finance (net), from commercial banks and other institutions, at EUR 13.88 million, of which:
    - EUR 1.39 million (Ministry of Finance);
    - EUR 10.27 million (banks);
    - EUR 2.22 million (other institutions);
  - Receipts generated from foreign reserve investment, are estimated at about EUR 40.26 million. These receipts represent the bulk of payments in the form of security coupons, in which the foreign reserve is invested. The portfolio re-valuation effect, as a result of interest rate volatility, is estimated at a negative value of EUR 1.25 million;
  - Settlement of Bank of Albania's dues to the IMF is estimated at EUR 8.88 million;
  - Transfers, at about EUR 5.54 million.

In 2011, the foreign exchange rate volatility of currencies composing the foreign reserve positively influenced the gross reserve value, registering an effect of about EUR 31.24 million.

*Albanians consider hospitality as a sacred rite. They cannot thank the guest enough for honouring them by choosing to cross their doorstep and stay at their home.*

*Noëlle Roger  
Swiss novelist and journalist*



## CHAPTER VI BANKING SUPERVISION AND FINANCIAL STABILITY

### VI.1 BANKING SYSTEM

#### VI.1.1 BANKING SYSTEM HIGHLIGHTS

The banking system is the main financial intermediary in Albania and its role is growing. At end-2011, the assets of the banking system accounted for about 85% of the Gross Domestic Product (GDP), from about 81% at end-2010.

Indicators	2005	2006	2007	2008	2009	2010	2011
Total assets (in ALL billion)	496.6	624.3	742.9	834.1	886.3	990.6	1,120.2
Total assets /GDP (in %)	60.9	70.8	76.8	76.7	77.5	81.0	84.8 <sup>1</sup>

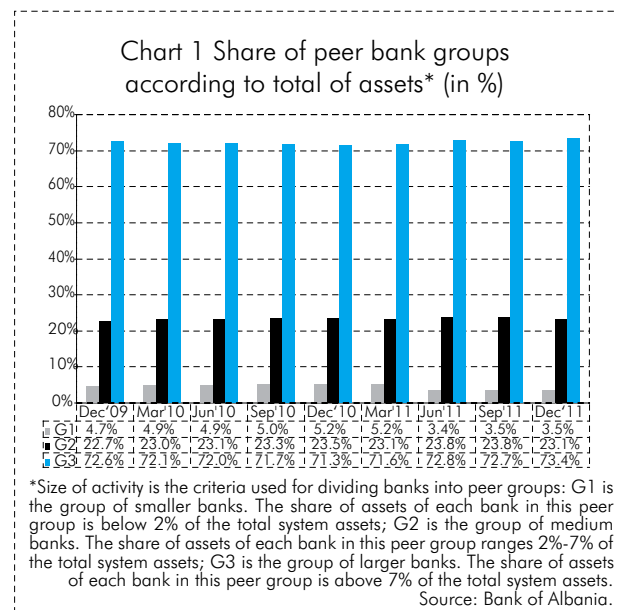
Source: Bank of Albania.

<sup>1</sup> Data according to projections.

Table 1. Banking system total assets and their ratio to the GDP

During 2011, the banking system total assets increased at higher rates than in the preceding year. The banks' asset structure continued to be funded mostly by households' deposits and it focused on lending, primarily, to the private sector.<sup>1</sup> In 2011, total assets were up ALL 129.54 billion or 13.08% compared to ALL 104.32 billion or 11.8%, in 2010, year-on-year. In absolute terms, this growth is mainly a result of changes in larger banks (G3), followed by medium banks (G2) and smaller banks (G1).

Concentration indicators, represented by the Herfindahl Index, are almost equal to the levels of the last four years, remaining far from the optimum level.



Indicators	2005	2006	2007	2008	2009	2010	2011
Index H (assets)	0.21	0.18	0.15	0.15	0.14	0.14	0.15
Index H (deposits)	0.24	0.2	0.17	0.17	0.16	0.15	0.16
Index H (credit)	0.1	0.11	0.12	0.11	0.11	0.11	0.12

Source: Bank of Albania.

Table 2 (Herfindahl) H Index of asset, deposit and credit concentration

<sup>1</sup> At end-2011, private sector credit accounted for about 70% of the bank's total loan portfolio from about 67% at end-2010.

### • LOAN PORTFOLIO

At end-2011, loans accounted for about 50% of total banking system assets and its growth rates accelerated. The loan portfolio of the banking system was up by ALL 75.35 billion or about 15.35% during 2011, compared to about ALL 44.45 billion or 9.07%, a year earlier<sup>2</sup>. The credit value increased throughout the quarters and reached the highest level in the last quarter of the year.

Table 3 Quarterly credit growth in 2011

Credit by quarter	Q1	Q2	Q3	Q4
In ALL million	13,780.22	18,781.45	19,175.42	23,610.38
In per cent	2.81	3.72	3.66	4.35

Source: Bank of Albania.

Developments point to higher exposure of the banking system to credit risk, as a result of higher non-performing loan increase than the total outstanding loans increase in 2011. Consequently, the loan portfolio quality indicator, non-performing loans to total outstanding loans in the banking system was up by 4.8 percentage points, settling at 18.76%, from 13.96% at the end of 2010.

Loan portfolio quality deteriorated for loans to both businesses and households. At end-2011, the share of non-performing loans to the loan portfolio to businesses was about 20.8%, from about 15.5% a year earlier. This indicator for households was about 15.8%, from about 11.7% in December 2010. On the other hand, the quality of the foreign currency loan portfolio was more problematic than that of the national currency one. Quality indicators for foreign currency loans and national currency loans were respectively 19.6% and 16.9%, from about 13.8% and 14.4% at end-2010.

By share to total assets of the banking system, the treasury and inter-bank transactions ranks second to loans, with about 29.9% of total assets. At end-2011, this item was ALL 333.25 million, up by about 12.5%, year-on-year. This item's growth rates were almost equal to those of total assets; therefore, the share of this item to total assets did not register essential changes.

### • NET PROFIT AND BANKING SYSTEM PROFITABILITY INDICATORS

The financial profit of the system dropped in 2011. The large increase of provisions was a determining factor for this result. The net operational profit would have been otherwise up by about 7.7%, which indicates that banks, in general, have reached stable net volume and profit from their main banking activities.

Table 4 Net profit in ALL billion

Indicators	December `08	December `09	December `10	December `11
Net result (after tax)	7.33	3.54	6.72	0.71

Source: Bank of Albania.

<sup>2</sup> Total loans refers to total loan portfolio including loans to state enterprises and loans to non-residents.

The Net Interest Margin (NIM) was down from 2010 owing to the decline in income from assets, which was higher than the decline in financing costs of income-bearing assets.

Table 5 Core activity profitability indicators, in per cent (cumulative)

Indicators	December '08	December '09	December '10	December '11
Interest income/average income-bearing-assets (1)	8.06	8.10	8.11	7.78
Interest expenses/average income-bearing assets (2)	3.94	4.06	3.78	3.57
Net Interest Margin (NIM) {(1)-(2)}	4.13	4.04	4.32	4.20

Source: Bank of Albania.

Banking system profitability, assessed through RoAA (Return on Average Assets) and RoAE (Return on Average Equity), was positive, though lower due to the net result decline.

Indicators	December '08	December '09	December '10	December '11
RoAA	0.91	0.42	0.72	0.07
RoAE	11.35	4.58	7.58	0.76

Source: Bank of Albania.

Table 6 Banking system profitability indicators (in per cent)

The efficiency indicator hiked compared to the previous year because of higher growth rates of operational income than operational expenses. At end-2011, this indicator was 161.8%, up by about 4.4 percentage points from 2010.

- CAPITAL ADEQUACY RATIO**

At end-2011, the capital adequacy ratio for the banking system was about 15.6%, which is higher than in 2010 and significantly higher than the regulatory minimum of 12%.

Indicator	December '08	December '09	December '10	December '11
Capital adequacy ratio	17.2	16.2	15.4	15.6

Source: Bank of Albania.

Table 7 Capital adequacy ratio (in per cent)

The shareholder's equity increased by about ALL 4.17 billion, settling at ALL 97.3 billion at end-December 2011. Its share to total liabilities of the system continued to decline, settling at 8.7%, from 9.4% in 2010. The assets to shareholders equity, i.e. the financial leverage, increased gradually during 2011. The increase from 10.6% to about 11.5% over the course of the year pointed to the banking system's reliance on debts to finance its assets.

To address potential losses from the credit risk, the banking sector established provisions that surged by about ALL 18.93 billion or about 52.4%, year-on-year. Subsequently, provisions to total outstanding loan ratio was up by about 2.3 percentage points, settling at 9.7% at end-December 2011. As

non-performing loans in 2011 grew at higher rates than provision rates, the provisions to non-performing loans ratio was down, settling at 51.8% from 52.7% at end-2010.

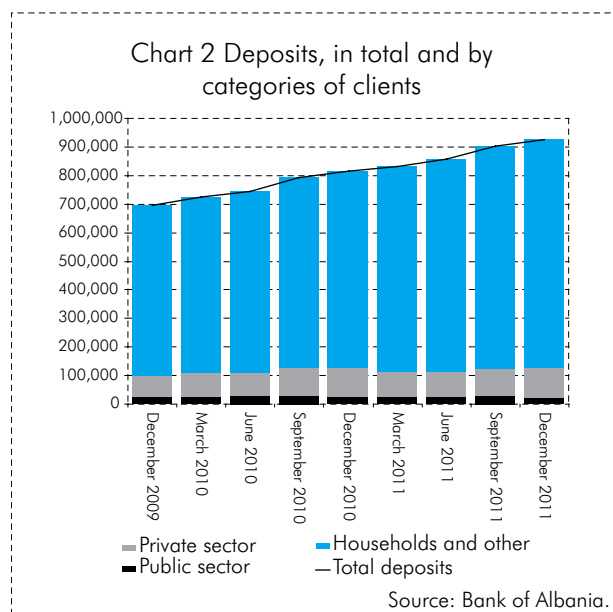
The non-performing loan portfolio collateral coverage showed upward signals, which were more pronounced during 2011 H1. Thus, the non-performing loan portfolio collateral coverage was about 85.2%, up by about 7.7 percentage points, from 2010.

Despite the aforementioned developments, stress-test results show that the banking system remains stable and resilient to various potential shocks.

## VI.1.2 SUPERVISION OF NON-CREDIT RISKS IN THE BANKING SYSTEM

### • SUPERVISION OF LIQUIDITY RISK

Deposits from households continue to be the main funding source for banks in Albania. During 2011, these deposits surged by 13%, although slightly down compared with a year earlier. Similar to 2010, foreign currency deposits were main contributors to this growth. Hence, the currency structure of the deposits is balanced.



Foreign currency to total deposits ratio was 49.9% in December 2011, with 84% accounting for EUR-denominated deposits and 15% USD-denominated deposits. As regards client categories, households' deposits account for the majority of 86% of deposits in the banking system.

The hike in deposits was accompanied by a slightly higher increase of the outstanding loans in 2011. This led to an insignificant increase of the credit to deposit ratio, which was stable throughout the year and settled at 61% in December. This ratio was higher for the foreign currency (83%) than the national currency ratio (39%), thus reflecting the balance structure of the Albanian banking system. The ratio by currency reflects the high increase of foreign currency deposits, combined with a modest rise in foreign currency outstanding loans during this period.

Table 8 Credit to deposit ratio, over the years, in per cent

Years	ALL	Foreign Currency	All currencies
2006	17	70	38
2007	22	79	46
2008	30	104	62
2009	36	99	65
2010	35	86	60
2011	39	83	61

Source: Bank of Albania.



At end-2011, Regulation "On liquidity management" was amended, consisting in the redefinition of some liquid asset items, increase of the minimum regulatory limit of liquid assets to short-term liabilities ratio to 25%, start of implementation of two separate limits for the national currency and foreign currency indicators to the minimum level of 20%. Banks responded immediately to the decision of the Bank of Albania by increasing their liquidity levels. At end-December, the liquidity ratio was 33.1%, compared with 30.6% a year earlier. All banks respected the new regulatory limit of this ratio, totalling 25%<sup>3</sup>. The increase of the total ratio is attributed entirely to the increase in the foreign currency ratio, a result of measures taken by banks to fulfil the new regulatory requirement by currency. In December 2011, the ALL ratio was 43%, unchanged from a year earlier; the foreign currency ratio was at 23%, from 18% at end-2010. The new minimum regulatory foreign currency ratio of 20%, to be observed by all banks in the system, started to be implemented in December. Mismatch in assets and liabilities with a remaining maturity of up to three months continued to be negative, reaching ALL 114 billion or 9% of total assets at end-2011. While negative, this gap narrowed from 14% a year earlier, implying improvement of the liquidity situation of the system at the end of the year.

- *SUPERVISION OF OTHER MARKET RISKS*

The assessment of foreign exchange open positions of the banking system reveals a total position of ALL 3.88 billion, net long position, which is translated into 3.94% to the regulatory capital. Compared with the regulatory maximum limit of 30%, these values reveal low exposure of the Albanian banking system to the foreign exchange risk. On the other hand, the required capital to cover market risks accounts for only 2.2% of the regulatory capital, while the overall rate to cover the systemic market and credit risks with capital was 128.6%, compared to 126.5% a year earlier and the overall minimum rate of 100%. As regards the interest rate risk, the difference between assets and liabilities, re-evaluated up to three months, is ALL 51 billion or 5.1% of income-bearing assets, which indicate low exposure of the system to interest rate fluctuations, at system level. For longer maturity terms, exposure is on the opposite direction and somewhat more expanded (ALL 79 billion). Nevertheless, stress-test analyses show moderate impact of this risk on the banking system's capital adequacy.

- *SUPERVISION OF OPERATIONAL AND INFORMATION TECHNOLOGY RISKS*

Operational risk is defined by the Bank of Albania as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. The operational risk includes the legal risk, but excludes reputational or strategic risk. The operational risk, given its nature, is substantial in all bank processes.

In February 2011, the Regulation "On operational risk management" was approved by Decision No 3, dated 13.01.2011 of the Supervisory Council

<sup>3</sup> Until December 2011, the limit was 20%.

of the Bank of Albania. This Regulation, in line with the best international practices, defines the operational risk and urges the banking system to establish special procedures and organisational requisites for enhanced qualitative management of this risk. Through on-site inspection and off-site examination, the Bank of Albania has also conducted proactive supervision of operational risk at system level. During 2011, the banking system responded positively concerning compliance with new operational risk management standards, including reporting requirements set out in the Regulation.

As regards information and communications technology in the banking system, in 2011, the banks worked to develop core banking software. In this context, while business continuation and recovery plans were upgraded, internal policies and procedures need to be improved, conform to stipulations of the Regulation "On use of information and communications technology by institutions licensed by the Bank of Albania".

#### VI.1.3 SUPERVISION OF TRANSPARENCY STANDARDS AND ANTI-MONEY LAUNDERING AND COMBATING THE FINANCING OF TERRORISM

Anti-money laundering and transparency were important components of supervision in 2011. Therefore, inspections were carried out both in banks and non-bank financial institutions, including bureaux de change (hereinafter referred to as entities).

In the framework of cooperation with the Directorate General of Anti-Money Laundering (DGAML), quarterly reports were drafted based on the implementation plan of the strategy On investigation of financial crime, adopted by Council of Ministers' Decision No 1077, dated 27.10.2009 and annual information was reported on the implementation of this document.

- *ANTI-MONEY LAUNDERING*

As regards anti-money laundering and combating the financing of terrorism, the entities have undertaken preventive measures to:

- Establish adequate structures and draft internal policies founded on a comprehensive regulatory framework to reflect amendments to the law and requirements of the relevant instruction;
- Upgrade electronic systems to establish a functional system that would ensure due diligence for high risk clients;
- Organise and participate in workshops and training seminars to inform bank employees and raise their awareness on risks in the field of money laundering and financing of terrorism;
- Enhance the quantity and quality of suspicious activity reporting;
- Typology of reported cases, etc.

Despite measures taken by the inspected entities, deficiencies were identified, which consisted in inadequacy of effective risk management

systems, especially about the categories of clients and transactions that require due diligence.

The Bank of Albania has paid particular attention to the increase of the number and quality of Suspicious Activity Reports (SARs). Throughout the year, it cooperated closely with the DGAML to carry out joint inspections that focused on categorisation and identification of suspicious transactions and activities. Moreover, more frequent training sessions were organised for the entities to raise their employees' awareness and enhance their professionalism with a view to improve suspicious activities identification.

- *TRANSPARENCY TO THE PUBLIC*

Transparency and publication of information were subject to reformation in 2011, in terms of both the regulatory aspect and steps taken to implement new requirements set out in regulatory amendments. In March 2011, the Bank of Albania adopted essential amendments to its regulations on transparency<sup>4</sup>, which aimed at establishing a better business climate for banks and providing higher protection for the public.

Banks are committed to conform to the new regulatory requirements on transparency, by aligning their internal regulatory framework with these amendments. Areas such as deposits and accounts and publication and handling of clients' complaints are deemed as less problematic, while stipulations in credit agreements are deemed to need improvement. Credit agreement stipulations have often been a source for customer complaints and subject to examinations for transparency and corrective measures by the Bank of Albania.

Following measures by the Bank of Albania, all the banks now have an official website with information for the public.

The project of the Bank of Albania to standardise (August 2011) banks reporting about interest rates on deposits and loans as well as fees on bank products and services is a new development concerning transparency. Thus, in 2011 Q3, a test period started to report fees and interest rates on loans and deposits through standardised and approved forms. This process precedes the final publication of this information on the official website of the Bank of Albania. This project is expected to help consumers choose the loan with best fitting terms.

As regards complaints, in 2011, the compliance office handled a series (30 cases) of complaints against banks. Most of the cases are subject to competences that fall beyond the range of Bank of Albania's competences, since bank-client relations are regulated by written contracts and disputes and failure to comply with contractual terms are solved in courts. However, the filed cases were addressed in due time, for both banks and clients.

<sup>4</sup> Latest amendments to Bank of Albania Regulation No 5, dated 11.02.2009 "On consumer credit and mortgage credit to households", and Regulation No 59, dated 29.8.2008 "On transparency for banking and financial products and services".

On their side, non-bank financial institutions made satisfactory efforts to comply with the relevant regulatory requirements by the Bank of Albania. Nonetheless, on-site examinations revealed inadequacies especially on credit agreement content, functioning of client complaint management and provision of clients with receipts (in the case of bureaux de change), for which relevant measures were proposed.

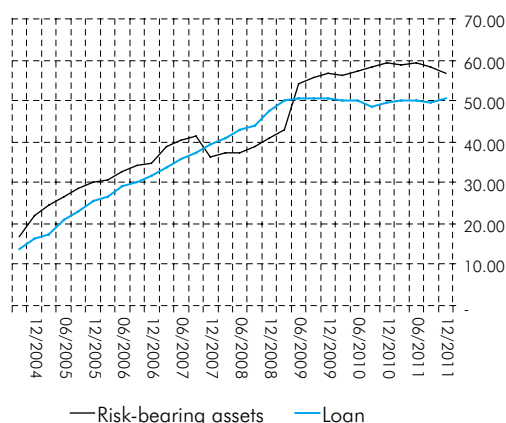
#### VI.1.4 FINANCIAL STABILITY RISKS

Economic slowdown in 2011 was reflected in banking sector activities, mainly in terms of moderate crediting and deterioration of the non-performing loans quality to the total ratio. Consequently, credit risk remains the primary risk to which banks are exposed, whereas interest rate and foreign exchange risks are moderate. Moreover, banks' liquidity improved, and the capitalisation of their activity increased. Following are some risks that are monitored to assess financial stability.

- *CREDIT RISK*

In December 2011, risk-bearing assets<sup>5</sup> of the banking sector were ALL 632.7 billion, whereas assets with a 0% risk-weighted rate (non-risk bearing assets) were ALL 450 billion. Among the risk-bearing assets, the high-risk ones<sup>6</sup> amounted to ALL 492.3 billion. The value of risk-bearing assets was 11.7% higher in December 2011 from end-2010. Risk-bearing assets accounted for 56.4% to total assets or 2.7 percentage points less than their value at end-2010. Their increase from a year earlier owes to the increase of assets that are weighted with higher risk coefficients (including credit), as a result of provisions in the regulatory framework.

Chart 3 Risk-bearing assets and loan portfolio



Source: Bank of Albania.

Non-performing loans in the banking sector amounted to ALL 106.3 billion, significantly up by about ALL 37.7 billion or 55% from end-2010. By category, the standard loan, despite its downtrend, continued to account for the largest share of 72.3 % to total loans in December 2011. In 2011 H2, there was a shift within the portfolio from standard and special mention towards sub-standard loans, whose share surged to 9.2% from 7.8% in June 2011 and 6.1% in December 2010.

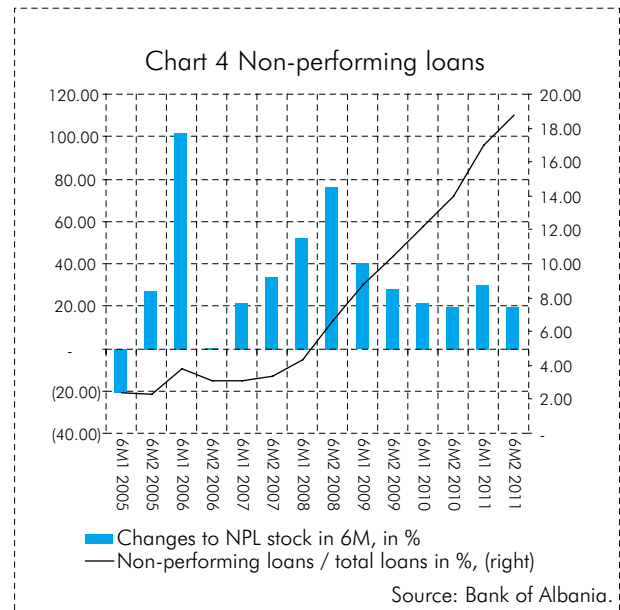
Loan portfolio quality deteriorated for both national and foreign currency loans. Quality

<sup>5</sup> For the purpose of calculating the capital adequacy ratio, assets are weighted with a certain risk coefficient (at least 20%, 50%, 100%, or 150%). Overall, risk-bearing assets are dominated by the loan portfolio as well as investments in debt securities and placements with financial institutions.

<sup>6</sup> For the purpose of calculating the capital adequacy ratio, these assets are risk-weighted at 100% and 150%. They are mainly represented by loans, including foreign currency loans to borrowers with ALL income.

indicators non-performing loan/outstanding loan in Lek and non-performing loan/outstanding foreign currency loan were 16.9% and 19.6%, respectively, from 14.4% and 13.8%, at end-2010.

At the end of 2011 H2, the non-performing foreign currency loans, when the borrower is unhedged against foreign exchange risk/outstanding foreign currency loan, when the borrower is unhedged against foreign exchange risk ratio was 18.9% vis-à-vis 12.5% at the end of 2010 H2. This share of the loan is a potential channel for negative impact on the banking sector by unfavourable exchange rate fluctuations, which may be accompanied by indirect increase of credit risk, as a result of difficulties by borrowers to pay back the loan.



- **INTEREST RATE RISK**

The widening of the negative difference (to ALL -79.1 billion from ALL -43.8 billion a year earlier) of assets and liabilities sensitive to the interest rate up to a year, signals the creation of additional net costs for the banking system in the event of interest rate increase. This has a negative impact on the financial position and, consequently, on the capital indicator. However, the size of exposure to interest rate risk, measured in per cent as a difference of the above to total assets, is calculated in an immaterial level, which was 7% at end-2011.

- **FOREIGN EXCHANGE RISK**

Exposure of the banking system to the indirect exchange rate risk has increased. The foreign currency outstanding loan, when borrowers' income is in Lek, was about ALL 214.8 billion, accounting for 37.9% of total outstanding loans, from 35.6% at end 2010. The outstanding level accounts for about 55.9% of foreign currency outstanding loans, from 51.9% a year earlier. The increased share of these indicators points to the importance of ongoing monitoring of the foreign exchange risk, which, when the national currency depreciates, may materialise in deteriorated loan portfolio quality for the borrower that is unhedged against the foreign exchange risk.

## VI.2 NON-BANK FINANCIAL SYSTEM

### VI.2.1 NON-BANK FINANCIAL INSTITUTIONS<sup>7</sup>

In 2011, the number of non-bank financial institutions (NBFIs) operating in the Albanian market rose to 19, from 17 a year earlier. These institutions, according to their activities licensed by the Bank of Albania, are classified as follows:

<sup>7</sup> NBFIs data refer to the period until 2011 Q3.

- Crediting institutions;
- Financial leasing institutions;
- Payment and money transfer service providers;
- Microcredit institutions;
- Factoring institutions.

During 2011, the activity of NBFIs increased moderately as regards their assets, loan portfolio and financial results. In September 2011, these institutions' assets accounted for ALL 34.0 billion or up 1.9% from December 2010. The specific share of these institutions to total assets of the banking system remained at 3.1%.

Table 9 Total assets of NBFIs by activity, December 2010 – September 2011

Value (in ALL billion)	December'10	March'11	June'11	September'11
Crediting NBFI	14.9	14.6	13.9	14.3
Financial lease NBFI	9.4	9.6	10.1	11.0
Payment services and money transfer NBFI	8.8	7.8	8.4	8.4
Microcredit NBFI	0.3	0.3	0.3	0.3
Factoring NBFI	0.0	0.0	0.0	0.1
Total NBFIs assets	33.4	32.3	32.7	34.1

Source: Bank of Albania.

The NBFIs loan portfolio was ALL 20.0 billion (gross base), as at 2011 Q3. The portfolio increased 3.8% from end-2010. Lending to clients constitutes the most considerable part of the activity of these institutions, reaching 58.8% to total assets of non-bank financial institutions. At banking system level, this portfolio is relatively small, only 3.7% to total loans. Crediting institutions dominate with about 55% to total portfolio of non-bank financial institutions, followed by financial lease institutions, which account for about 44%.

Loan portfolio quality for the NBFIs<sup>8</sup> deteriorated, as reflected in the increase of the non-performing loans to total loans ratio by 2.9 percentage points to 8.3%. The contraction of the loan portfolio for crediting institutions and higher provisions for non-performing loans were determinant for this performance.

By net financial results, the NBFIs performance was positive. In September 2011, these institutions had a positive financial result of ALL 0.9 billion, at levels similar to 2010.

## VI.2.2 SAVINGS AND LOAN ASSOCIATIONS AND THEIR UNIONS<sup>9</sup>

In Albania, there are 126 savings and loan associations (SLAs), of which, 124 are members of two unions: Albanian Savings and Loans Union (ASLU)

<sup>8</sup> The non-performing loans indicator is attributed only to non-bank financial institutions, which grant credits and micro-credits. Regulation "On risk management in the activity of non-bank financial institutions" does not envisage loan classification by classes of risk for financial lease and factoring institutions.

<sup>9</sup> Data for SLAs and their unions refer to the period up to 2011 H1. These institutions, in compliance with the Regulation "On supervision of savings and loan associations and their unions", report half yearly to the Bank of Albania.

with 98 SLAs and Jehona Union with 26 SLAs. Two SLAs, namely "Perlat" and "Elbasan", operate independently.

The main objective of these institutions is financial support for small and medium-sized enterprises to boost self-employment, as a substantial factor for Albania's economic development. The SLAs are geographically spread across the territory of Albania and most of them focus on rural areas. The SLAs accept deposits from their members, in order to use these deposits for crediting the members back. In 2011 H1, SLAs enrolled 43,049 members.

Total assets of the unions account for 0.4% of the system, whereas the network of SLAs accounts for a volume of assets ALL 5.06 billion or 0.5% of total assets of the banking system. Most of union's and SLAs network activity is oriented towards crediting. The loan portfolio of the unions and SLAs network is 0.5% and 0.9%, respectively, to total loans by the banking system.

The loan portfolio quality is assessed as positive for both the unions and the SLAs network. The majority of the loan portfolio consists of standard loans, 98.8% for the unions and 95.8% for the SLAs portfolio.

### VI.3 CREDIT REGISTRY

During 2011, the Credit Registry was enriched with new reporters and incorporated financial leasing institutions where incorporated in its system. In the fourth year of its operation, 26 bank and non-bank financial institutions report data on their borrowers. At end-2011, in total data on 725,265 loans were reported, of which 349,350 active loans.

New entities reporting to the Credit Registry during 2011 are as follows:

1. Raiffeisen Leasing sh.a.
2. Sogelease Albania sh.a.
3. Tirana Leasing sh.a.
4. Credins Leasing sh.a.
5. Landeslease sh.a.

Expansion of the Credit Registry by incorporating almost all crediting entities is a significant tool to expand and consolidate off-site and on-site examinations by the Bank of Albania in the context of risk-oriented supervision.

### VI.4 ON-SITE EXAMINATION

Supervision aimed to guarantee sound financial activity compliant to the requirements of the supervisory legal and regulatory framework. Work was organised based on the combination of needs for examination in accordance with the supervisory cycle established by the operational supervisory policy

and the importance of issues for individual banks, coupled with the effective use of the available human resources.

#### VI.4.1 BANK EXAMINATION

On-site examinations in 2011 aimed, primarily, to assess in full the risk profile of entities. Examinations were also set in motion following the surfacing of certain issues in licensed entities. Hence, six full-scope and two partial examinations were conducted on bank institutions.

Overall, the banking system complied with the requirements of the supervisory legal and regulatory framework. Nevertheless, some deficiencies were evidenced concerning procedures on credit risk management, large risk exposure, liquidity risk, transparency to clients etc. These deficiencies regarded compliance with:

- Regulation On management of risk from large exposure of banks. On-site examinations revealed excess of the maximum permissible exposure of 20% of the regulatory capital, for exposure in the form of lending and investment of funds in the form of deposits. Similarly, the limit of 10% of the regulatory capital for parties related to a bank and the maximum amount of an approved loan for the latter were exceeded. In some cases, the responsible authority for the approval of loans for related parties was not respected.
- Regulation On credit risk management, regarding inaccurate loan classification and, subsequently, insufficient provisions. Often, the level of additional provisions requested during the examination has affected the net financial result of the institutions and the key supervisory indicator that is the capital adequacy ratio. In addition to provisioning levels, recommendations aimed at taking measures to improve lending policies and procedures, strengthen analysing capacities for the bank risk structure, as well as enhance the analysis of the borrower's financial situation during the credit approval process.
- Regulation On capital adequacy ratio regarding the accuracy of assets classification and their risk-weighting in compliance with respective risk categories.
- Regulation On core management principles for banks and branches of foreign banks and criteria for the approval of their administrators, regarding the submission of the relevant documentation for the preliminary approval of the administrators by the Bank of Albania.
- Regulation On liquidity risk management regarding conformity with the minimum limit of liquid asset indicator. In addition to the regulatory limit, deficiencies were also identified in the completeness of institutions' internal policies and procedures on liquidity risk management. Pursuant to this regulation, periodic stress-test analyses were requested to identify and measure the exposure of the institution to liquidity risk, for both normal and extraordinary scenarios.
- Regulation On use of information and communications technology in



entities licensed by the Bank of Albania. The identified cases refer to improvement of ICT risk assessment, including classification of systems and applications used and identification of weaknesses and potential threats, improvement of plans for business continuity, based on the entity's size and complexity, revision of backup archiving procedure about its frequency and location, completion of the internal bank regulatory framework, etc.

- Regulation On minimum standards for operational risk management, regarding certain aspects for the management of this type of risk such as: identification, monitoring and reporting to relevant structures, collection of data on operational loss, annual self-assessment campaign, etc.
- Regulation On transparency for banking and financial products and services regarding reporting to the Bank of Albania and display in bank premises of the effective interest rate and accuracy of its calculation, as well as change of terms of contracts and/or provision of products and services.
- Regulation On anti-money laundering regarding classification of transactions by risk class and performance of due diligence.
- Regulation On minimum requirements for publication of information by banks and branches of foreign banks.
- Regulation On the functioning of the Credit Registry at the Bank of Albania, about accurate data entry by folder.
- Regulation On foreign exchange activities, regarding supporting documentation for money transfers.

#### VI.4.2 EXAMINATION OF NON-BANK INSTITUTIONS

In 2011, five non-bank financial institutions were examined on-site, of which three are financial leasing institutions, one crediting institution and one institution of payment, cash, and monetary transaction intermediation.

The financial leasing institutions were selected for examination conform to the bank examination plan, in compliance with the regulatory requirements of consolidated supervision. The crediting institution was examined based on its risk level and organisational and decision-making developments.

The focus of the examinations was mainly on assessing the quality of financial leasing management and credit risk management, as their core activity. Particular attention was paid to the adequacy of internal structures to support the activity as well as to the assessment of the financial performance and stability of these institutions. In addition, compliance with the regulatory framework was examined for conformity with supervisory requirements, transparency with the public, anti-money laundering, information and communications technology and operational risks.

Some of the identified issues are as follows:

- Need to improve crediting. In this context, it was recommended to improve the borrowers' payment capacity, accurately classify the loan portfolio and establish provisions conform to the Regulation On operational risk management for non-bank financial institutions.
- Need to review the internal regulatory framework. It is required to review and complete it in compliance with the internal structural development of these institutions and all the supervisory requirements in force. Its improvements were requested mainly on the specification of criteria for the identification of related parties, procedures to monitor credits and review borrowers' financial statements. Drafting of procedures on transparency with the public about clients' complaints were also requested.
- Non-compliance with the regulatory limits on large exposures in non-resident investments and excess of exposure to credit risk. Institutions were asked to draft a plan to return within the supervisory limits in order to ensure sustainable activity.
- Non-compliance with Regulation On risk management for non-bank financial institutions, as regards the limits on open foreign exchange positions. Measures were required to be taken to bring the exposure levels within the limits for the identified cases.
- Failure to report to the Bank of Albania compliant to law On accounting and financial statements and international accounting standards.
- Incomplete transparency with the public about adding information on the effective interest rate and including the credit payment schedule as part of the leasing/lending contract – incomplete information on foreign currency credit risk, interest rate calculation methodology and notification on their changes. Deficiencies were also observed concerning publication of credit interest rates and fees on the offered products and services.
- Partial compliance with regulatory requirements on anti-money laundering. The need was identified to establish an economic profile of the borrower, categorise him/her by risk, improve policies further in accordance with the instruction on Know the client better and their practical application, assign a person in charge of anti-money laundering at management level, as well as draft an annual training and capacity-building plan.
- Deficiencies in the information and communications technology (ICT) and operational risks. Institutions had deficiencies in ICT auditing by an independent entity. Institutions need to review user profiles and allocation of duties between processes as well as draft a strategy for support from the ICT in the years ahead. Relevant structures and procedures need to be established for operational risk management.

#### VI.4.3 EXAMINATION OF SAVINGS AND LOAN ASSOCIATION UNIONS

Two Unions of Savings and Loan Associations operate in Albania: The Albanian Savings and Loan Union (ASLU) and Jehona Union. In 2011, the

ASLU was examined. It accounts for the largest share of the activity of these institutions, about 98 % of total assets.

The examination revealed some issues that pertain mainly to rapid growth rates in the activity of these institutions, philosophy of their establishment and functioning, based on principles of voluntarism and mutual support. According to these issues, the need for legal and regulatory amendments was identified so as to ensure supervision comparable to the one for banks, given the similarities in their activities.

## VI.5 LICENSING AND REGULATORY FRAMEWORK

### VI.5.1 LICENSING AND PRELIMINARY APPROVAL

Licensing, as an integral part of banking supervision in 2011, was dynamic in response to banking sector developments. Development and expansion of banking and financial activities require licensing and/or preliminary approval by the Bank of Albania, in compliance with provisions of the Law "On the Bank of Albania", amended, the Law "On Banks in the Republic of Albania", amended as well as relevant regulations of the Bank of Albania. In 2011, the licensing consisted mainly in:

- Preliminary approval for additional activities in the bank licence annex. In 2011, the tendency of previous years, for additional activities that banks and non-bank financial institutions want to provide, continued. These requests arise from the need of banks and non-bank financial institutions to conform to banking and financial market developments in Albania as well as to diversify their activities and products. Additional activities, for which banks applied for approval by the Bank of Albania, consist mainly in trade activities on behalf of banks or their clients, including foreign exchange in a self-organised market (OTC), or derivative products, including, futures and options contracts of transferable securities, other negotiable instruments and financial assets, including transactions with gold, intermediation for monetary transaction for compensation and administration of assets such as money and portfolio management, funds management, custody, deposits and trust services. In 2011, the Bank of Albania granted preliminary approval for additional activities to four banks and one non-bank financial institution.
- Approval of requests by two banks to use e-banking products such as e-mobile banking and prepaid electronic cards.
- Approval of three requests for changes in the shareholders structure of banks and non-bank financial institutions.
- Preliminary approval for the expansion of banks' network. Expansion of the banks' network within the country continued in 2011, although at low rates similar to those of previous years. During this year, 10 new bank branches and agencies were approved and started their activity. Moreover, banks notified re-organisation of their branches

and agencies network. Consequently, 11 branches/agencies closed down. In addition, in 2011, Intesa Sanpaolo Bank Albania closed down its branch in Greece. As at the end of the year, there were 528 branches and agencies operating within the territory of the Republic of Albania and 1 branch abroad.

Table 10 Bank network at end -2010

No	Banks	In Albania		No of branches abroad	Total branches and agencies
		No. branches	No. agencies		
1	Raiffeisen Bank	103			103
2	National Commercial Bank (BKT )	27	31	1	59
3	United Bank of Albania	4	2		6
4	Veneto Bank (former Italian Development Bank)	8			8
5	Tirana Bank	49	3		52
6	National Bank of Greece Branch (NBG)	5	25		30
7	International Commercial Bank	9			9
8	Alfa Bank Branch	48			48
9	Intesa Sanpaolo Bank, Albania	17	14	1	32
10	ProCredit Bank	25	17		42
11	Emporiki Bank	13	11		24
12	Credit Bank of Albania	1	2		3
13	Credins Bank	28	6		34
14	Societe Generale Albania Bank (former Banka Popullore)	42			42
15	Union Bank	15	15		30
16	First Investment Bank	5	4		9
	TOTAL	399	130	2	531

Source: Bank of Albania.

Table 11 Bank network at end -2011

No	Banks	In Albania		No of branches abroad	Total branches and agencies
		No. branches	No. agencies		
1	Raiffeisen Bank	103			103
2	National Commercial Bank (BKT )	53	4	1	58
3	United Bank of Albania	4	2		6
4	Veneto Bank (former Italian Development Bank)	9			9
5	Tirana Bank	52	4		56
6	National Bank of Greece Branch (NBG)	5	22		27
7	International Commercial Bank	9			9
8	Alfa Bank Branch	46			46
9	Intesa Sanpaolo Bank, Albania	17	14		31
10	ProCredit Bank	24	17		41
11	Emporiki Bank	13	11		24
12	Credit Bank of Albania	1	2		3
13	Credins Bank	28	6		34
14	Societe Generale Albania Bank (former Banka Popullore)	44			44
15	Union Bank	15	14		29
16	First Investment Bank	5	4		9
	TOTAL	428	100	1	529

Source: Bank of Albania.

- Approval of administrators appointed by banks and non-bank financial institutions. Of 63 applications for preliminary approval for administrators of banks and non-bank financial institutions, 20 were for steering council members, 7 for audit committee members, 5 for

general directors, 2 for deputy general directors and 29 for heads of department/division/directorate.

- Establishment and licensing of non-bank financial institutions. In 2011, the Bank of Albania licensed two new non-bank financial institutions in response to their application to provide financial activities on payment services, money transfer and factoring.
- Granting and revoking licences for bureaux de change. In 2011, 19 new licences were granted for bureaux de change, whereas two offices were revoked their licences upon their request. In addition, conform to requirements of the Regulation On licensing, organisation, activity and supervision of bureaux de change additional activities were approved for 15 bureaux de change, which operate as money transfer agents on behalf of non-bank financial institutions, licensed by the Bank of Albania. At end-2011, there were 301 bureaux de change.
- Pursuant to Regulation On licensing and activity of non-bank financial institutions, approved by Decision No 11, dated 25.02.2009 of the Supervisory Council of the Bank of Albania, the process continued for the approval of agents that operate on behalf of a non-bank financial institution, licensed by the Bank of Albania. Hence, five agents were approved to transfer money on behalf of non-bank financial institutions.

Table 12 Number of institutions licensed by the Bank of Albania

No	Institutions	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
1	Banks and foreign bank branches	13	14	15	16	17	17	18	16	16	16	16
2	Non-bank financial institutions	4	5	7	7	7	6	6	7	13	17	19
3	Bureaux de change	38	58	58	54	58	60	112	189	221	284	301
4	Savings and Loan Associations		113	131	130	131	125	130	133	135	126	126
5	Unions of Savings and Loan Associations		2	2	2	2	2	2	2	2	2	2

Source: Bank of Albania.

## VI.5.2 REGULATORY FRAMEWORK

In 2011, new regulations and amendments to other regulations on banking supervision were finalised. They target alignment with Basel Committee standards, EU directives and best practices in the field of banking regulation and supervision.

New regulatory acts that were approved in this year on banking supervision are as follows:

- Regulation "On operational risk management", which sets out rules and qualitative requirements on operational risk management in the activity of banks and branches of foreign banks, non-bank financial institutions and savings and loan associations and their unions;
- Regulation "On minimum security requirements at premises where bank and financial activities are conducted", which sets out minimum security requirements for institutions that are licensed by the Bank of

Albania to exercise banking and financial activities, for normal and secure operations.

- Regulation “On chartered auditors for banks”, which sets out the criteria and procedures for the approval of the chartered auditor by the Bank of Albania, the audit content for the purposes of the Bank of Albania, as well as relations between the chartered auditor for banks and foreign bank branches and the Bank of Albania.
- Regulation “On credit risk management”, which sets out the rules for the credit risk management in the activity of banks and foreign bank branches, the criteria for risk assessment and loan classification and other activities, as well as calculation of respective provisions.

Amendments to existing legislation include the following:

- Regulation “On consumer credit and mortgage credit for households” and Regulation “On transparency for banking and financial products and services” to strengthen the requirements by the supervisory authority mainly as regards transparency for fees and the methodology for their calculation; keeping the interest rate calculation methodology unchanged for the duration of the loan/s; periodic reporting from institutions about interest rates on deposits and loans; and, applicable fees on all products and services and their publication by the Bank of Albania, including maximum limits on compensation in cases of early loan/s pay back, etc;
- Regulation “On licensing and activity of banks and branches of foreign banks in the Republic of Albania”, which includes the service of safety boxes, a financial activity that banks and branches of foreign banks in the Republic of Albania may conduct conform to stipulations of the Civil Code of the Republic of Albania;
- Regulation “On licensing and activity of non-bank financial institutions” on exemption of banks and branches of foreign banks from the requirements of this regulation for the approval of money transfer services, when the institutions have been licensed for payment and money transfer services;
- Regulation “On capital adequacy ratio” pertaining to the submission of requests for banks to weight the risk coefficient to 150 per cent of the credit when crediting an entity outside the territory of their activity through a subsidiary, branch or agency. This is an activity that bears additional potential risks vis-à-vis crediting within the territory of the Republic of Albania;
- Regulation “On liquidity risk management” in relation to taking preventive measures against negative impacts from recent developments in the region on our country’s banking system and stability;
- Regulation “On licensing, organisation, activity and supervision of bureaux de change” pertaining to some corrections and additions to technical and other terms, which have risen during on-site inspections in these institutions.

Finally, the decision “On an additional activity in banking activities” was repealed on the grounds that it has lost its effect since financial activities that may be exercised by banks and/or branches of foreign banks are now stipulated exhaustively in the law “On Banks in the Republic of Albania”.





*The Albanian language is the only instrument of moral enlightenment and progress. It is a powerful and beautiful language and should be its speakers' pride and a sacred vessel for the cultural and intellectual development of the ancient Albanian nation.*

*Holger Pedersen  
Danish linguist*



## CHAPTER VII PAYMENT SYSTEMS AND MONEY ISSUE

To accomplish its legal responsibilities on payment systems, the Bank of Albania promotes normal functioning of payment systems to support monetary policy implementation and maintain financial stability and public confidence in the national currency. In order to reach this objective, the Bank of Albania acts as the operator, supervisor and catalyser of payment systems. Pursuant to the Constitution of the Republic of Albania, the Bank of Albania is the only responsible authority for issuing and circulation of the national currency, the Albanian Lek.

### VII.1 PAYMENT SYSTEMS

In 2011, interbank transactions in the national currency were cleared and settled with efficiency and security conform to the rules and procedures of both systems operated and administered by the Bank of Albania: Albanian Interbank Payment System – AIPS for settlement of large-value payments and the Albanian Electronic Clearing House– AECH for clearing small-value payments. Both AIPS and AECH are operated in line with the envisaged schedule for settling and clearing payments, without any significant deviation from it. In the absence of extraordinary situations, the core basic infrastructure of national payments in Lek reflected stability. At end-2011, all banks and branches of foreign banks operating in the Republic of Albania were direct participants in the payment systems.

#### VI.1.1 AIPS AND AECH SYSTEMS

Statistics from the Albanian Interbank Payment System (AIPS) show decline of the activity in the system in terms of both volume and value. The Albanian Electronic Clearing House (AECH) underwent considerable increase of its activity in terms of both volume and value, throughout 2011.

Measures taken by the Bank of Albania on the functioning of AIPS and AECH payment systems, in March 2011, may have affected the performance of both systems.

## BOX 10 AMENDMENTS TO REGULATIONS ON AIPS AND AECH SYSTEMS

In March 2011, the Bank of Albania made a number of amendments to the Regulation On the functioning of the Albanian Interbank Payment System (AIPS) for large-value payments and Regulation On the functioning of the Albanian Electronic Clearing House (AECH) for small-value payments to promote the use of payment services provided by the banking system and reduction of cash in the Albanian economy. These amendments consist in:

- Increasing the limit value for payments processed in the AECH, from ALL 1 million to ALL 1.5 million so as to encourage its use by banks as a result of more favourable fees offered currently by the system.
- Adding clearing sessions in the AECH to enable banks to settle their payments for clients in almost real time for a low fee. Moreover, the decision envisages the application of different fees by session. Differentiation of fees by session encourages the use of the system during the early hours of the day as the fee for the first session is twice cheaper than the one for the last session. This encourages even distribution of payments during the day.
- Changing banks' participation fees in AIPS and AECH vis-à-vis the request to lower the fees they apply on clients for payment services.
- Changing participation agreement in AIPS and AECH so as to define a ceiling price, which banks may apply on their clients for payments/transactions that are processed through these systems. This change is expected to have a direct effect on easing transaction costs for the general public, in order to promote wider use.

#### • ALBANIAN INTERBANK PAYMENT SYSTEM (AIPS) FOR LARGE-VALUE PAYMENTS

In 2011, about 75,269 transactions totalling about ALL 4,085 billion were processed in AIPS. Annual transactions processed in this system fell about 6.33% in volume and about 7.92% in value from 2010.

From a longer-term perspective, despite the year-on-year reduction of the number of transactions settled during 2011, their level is significantly higher compared to 2007-2009. On the other hand, reduction of the value of transactions in AIPS in 2011 appears to have confirmed the trend observed for the third successive year, mainly due to the decline in transactions initiated by the Bank of Albania, which account for the main share in the total transactions value.

Table 1 AIPS system

AIPS system	2007	2008	2009	2010	2011
Number of transactions	45,480	56,717	55,701	80,356	75,269
Value of transactions (ALL billion)	3,745	5,146	4,718	4,437	4,085
Average value per transaction (ALL million)	82	91	85	55	54

Source: Bank of Albania.

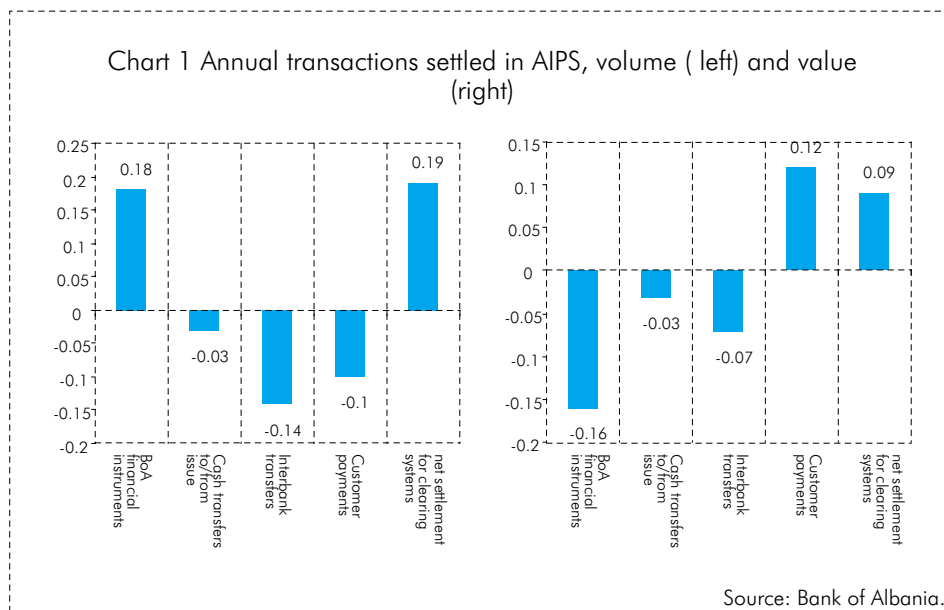
Types of transactions processed and settled in 2011 show that the decline in the number of transactions is generated by the combined, mainly downward effect of interbank payments and customer payments.

Table 2 Types of transactions in AIPS

Transactions	Number		Value (ALL millions)	
	Absolute value	Relative share	Absolute value	Relative share
Bank of Albania financing instruments	3,265.00	4%	1,787,589	44%
Cash transfers to/from the Issue	8,466.00	11%	212,449	5%
Inter-bank payments	6,912.00	9%	775,053	19%
Customer payments	49,140.00	65%	738,017	18%
Net settlement for clearing systems	7,486.00	10%	571,951	14%
Total	75,269.00	100%	4,085,059	100%

Source: Bank of Albania.

The reduced use of financial instruments by the Bank of Albania over this period points to better liquidity situation of banks and lack of additional pressures from liquidity or bank risks. Banking system's good liquidity situation reflects not only higher deposits in the system, but also the performance of the credit demand by the private sector. In addition, slow aggregate consumption affected the performance of the currency outside banks, which dropped 3.1%, from a year earlier. This development is reflected in the reduction of transactions from/to the Issue Department, most of which consist in cash received by the Bank of Albania.



On the other hand, the increase in value of customer transactions, combined with the decrease in number of transactions of this category, reflect the shift of transactions from AIPS to AECH, as a result of increasing the upper limit for transactions cleared in AECH, from ALL 1 million to ALL 1.5 million. During 2011<sup>1</sup>, the number of transactions over ALL 1 million cleared in AECH was up by 11,054 transactions. Lastly, net settlement for clearing systems was upward.<sup>2</sup>

<sup>1</sup> These calculations refer to March-December 2011, as measures taken by the Bank of Albania entered into force in March 2011.

<sup>2</sup> This item includes transactions for net settlement results for clearing systems such as: clearing of small-value payments in AECH, clearing of ALL bank and personal checks, net settlement for issuance/maturity of government securities and net settlement for results of ALL payments with VISA and MasterCard. For these services, the Bank of Albania is the settling agent.

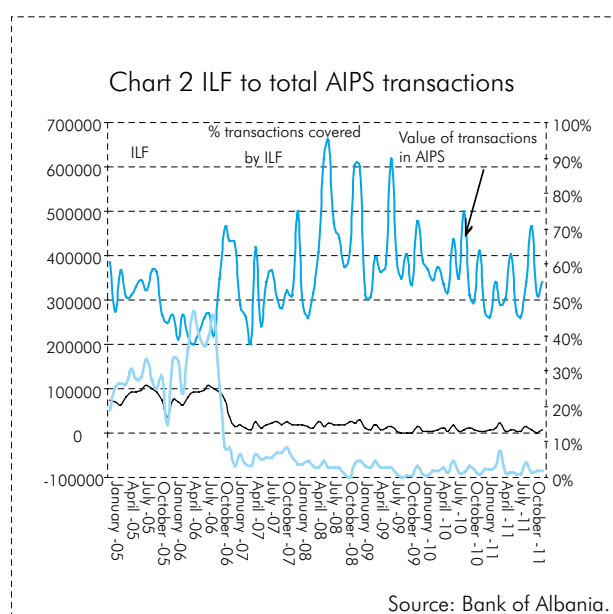
The concentration indicator shows the share of most active banks to total activity in AIPS. Thus, the four most active banks in AIPS account for 23.4% in volume and 38.0% in value, slightly down by 0.1 percentage points in value from 2010.

Table 3 Concentration indicators for AIPS

AIPS	Number of transactions	Value of transactions (in ALL billion)
Four banks <sup>1</sup>	17,613.00	1,551.00
Share to total (%)	23.40	38.00
Total	75,269.00	4,085.00

Source: Bank of Albania.

<sup>1</sup> Excluding the Bank of Albania.



In 2011, the need of AIPS participants for intraday liquidity was lower than a year earlier. Banks were granted 200 Intraday Loan Facilities (ILFs)<sup>3</sup> totalling ALL 84.39 billion, showing downward volume and value of ILFs, 28% and 12%, respectively.

In addition, the ILFs, throughout the period, were downtrend, which implies increasingly significant reduction of funding AIPS transactions with ILFs. Lower ILF/total AIPS transactions shows increasingly significant weakening of the liquidity risk in the system after 2007. This trend reduced even further after 2009, mainly as a result of the Bank of Albania's decision to raise the limit (from 20% to 40%) for banks to use the required reserve in Albanian Lek for intraday liquidity needs.

#### • ALBANIAN ELECTRONIC CLEARING HOUSE (AECH) FOR CLEARING SMALL-VALUE PAYMENTS

The Albanian Electronic Clearing House (AECH) processes and clears customer payments below ALL 1.5 million. Following the membership of Veneto Bank as a direct participant in AECH, at the beginning of 2011, all the banks and branches of foreign banks operating in the Republic of Albania are direct participants in this system.

In 2011, in AECH, 388,208 payment orders were cleared in total, amounting to ALL 64 billion. On average, about 1,534 payments<sup>4</sup> with an average daily value of ALL 253.35 million were processed every day in the AECH. Year-on-year, the volume and value of payments cleared in 2011 in the AECH were up by 16.66% and 45.76%, respectively.

<sup>3</sup> ILF is a financing instrument provided by the Bank of Albania to assist with intraday liquidity the banks that participate in the payment systems operated by the Bank of Albania.

<sup>4</sup> AECH and AIPS systems were operated for 253 days in total during 2011.

AECH	January – December 2010	January-December 2011
Number of transactions	332,777	388,208
Value of transactions (ALL million)	43,976.43	64,097.88
Average transaction value (ALL million)	0.13	0.17

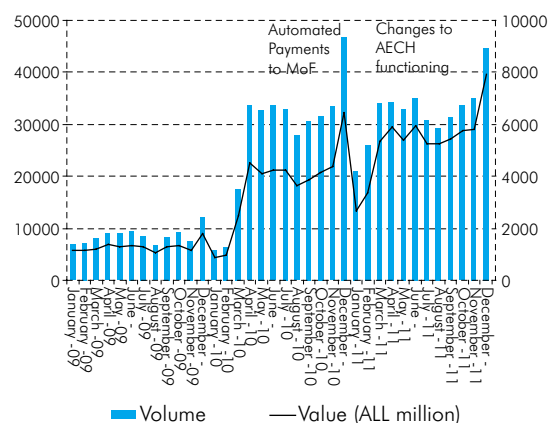
Source: Bank of Albania.

Table 4 AECH activity, 2010-2011

The uptrend of the volume and value cleared through the AECH, beyond the statistical effect of the low comparative base of the first two months of 2010 – prior to the automation of Ministry of Finance's Treasury payments in March 2010 – reflects to a considerable extent the increase of the upper limit for transactions cleared in AECH from ALL 1 million to ALL 1.5 million, as well as relevant measures for cost reduction.

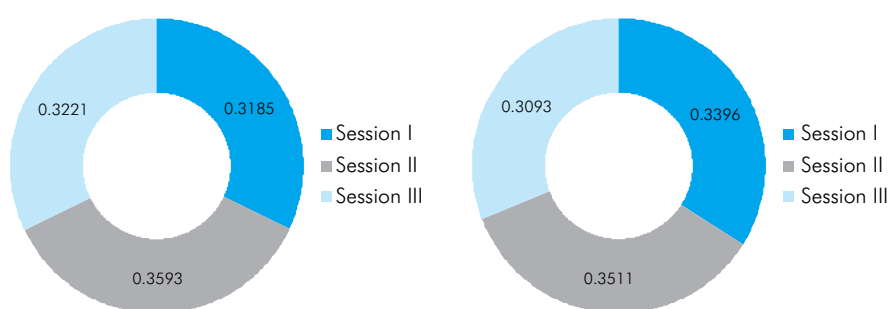
Another important factor for the activity of the AECH is the addition of a clearing session and differentiated fees/costs by session. The combined effect of these two measures appears to have achieved the goal for more even distribution of transactions between sessions with the ultimate goal to reduce transactions cleared during the last session and avoid any additional risks on the well functioning of the payment systems.

Chart 3 Volume and value of transaction cleared in AECH, 2009-2011



Source: Bank of Albania.

Chart 4 Share of transactions by clearing session\*, volume (left) and value (right)



\*Payments cleared in the AECH are processed in three sessions during the day. Session I during 08.35-10.00, Session II during 10.35-12.30, and Session III during 13.35-14.45. After the completion of each session, payments are settled for their net results in AIPS.

Source: Bank of Albania.

The concentration indicator shows the share of most active banks in the system to total activity of the AECH. The four most active banks account for 12% in volume and 16% in value, slightly up by 0.1 percentage points in value, from 2010.

Table 5 Concentration indicator for AECH

AECH	Number of transactions	Value of transactions (ALL billion)
Four banks <sup>2</sup>	48,693	9,9970
Share to total (%)	12	16
Total	338,208	64,097

Source: Bank of Albania.

<sup>2</sup> Excluding the Bank of Albania.

## VII.1.2 PAYMENT INSTRUMENTS

Statistics from banks' reporting reveal that as at end-2011, customer accounts, available for payments in the national or foreign currencies, were up by 7.7%, which is more moderate than the increase by 17.2% in 2010. The customer account structure by customer characteristics shows that, in 2011 as well, resident customer accounts prevailed with 99%. Furthermore, by account description, the trend was towards households' accounts, whose share rose to 94% at end-2011 from 92% at end-2010.

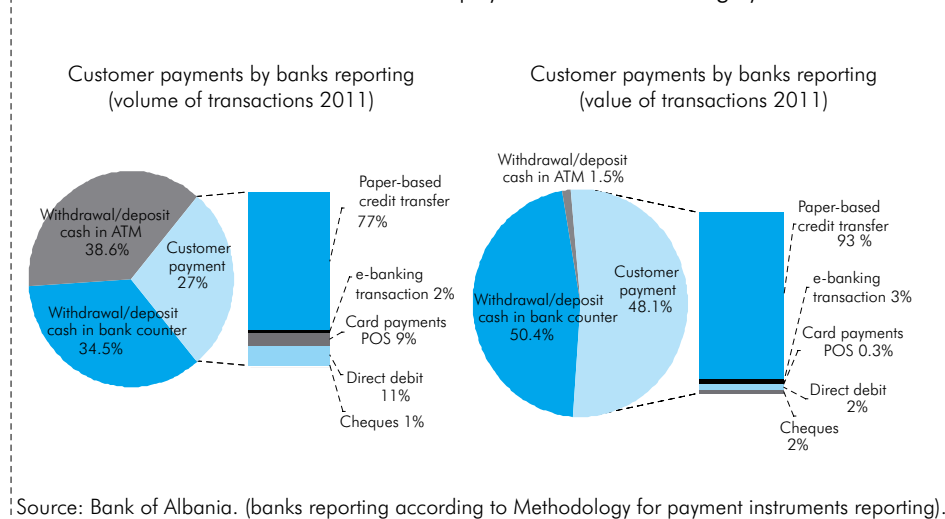
Table 6 AECH activity 2009-2011

Account description	Total customer accounts			Accessible online		
	2009	2010	2011	2009	2010	2011
Customer accounts (1+2)	2,086,143	2,446,495	2,634,971	15,034	27,368	37,138
1-resident accounts (a+b)	99%	99%	99%	97%	97%	98%
a - households (%)	91%	92%	94%	65%	66%	75%
b - businesses(%)	9%	8%	6%	35%	34%	25.3%
2-non-resident accounts (c+d)	1%	1%	1.2%	3%	3%	1.95%
c - households (%)	96%	94%	87%	88%	80%	78%
d - businesses (%)	4%	6%	12.2%	12.0%	20.0%	21.6%

Source: Bank of Albania. (banks reporting according to Methodology for payment instruments reporting).

Customer payments were also up in 2011, both in volume and in value. Specifically, during January – December 2011, about 8 million customer payments were made totalling ALL 3,899 billion and rose, year-on-year, in volume and value by 8.97% and 14.75%, respectively.

Chart 5 Share of customer payments in the banking system





The overview of customer payments reveals the prevalence of cash withdrawal and deposit at both bank counters and ATMs, whereas customer payments through payment instruments account for only 1/3 of the total.

Customer payments by instrument and currency show that payments in the national currency account for 84%<sup>5</sup> in volume and 50% in value of total customer payments. Moreover, ALL crediting transfers continue to dominate customers' preferences (about 79.69%), of which 97.54% are paper based. Electronic payments retained low levels over this period as well, accounting for about 2.46% to the total share.

Table 7 Share of customer payments in the banking system by payment instruments

Customer payment services	Payments in Lek		Payments in foreign currency		Total payments	
	Volume	Value (ALL billion)	Volume	Value (ALL billion)	Volume	Value (ALL billion)
I. Customer crediting transfers	79.69%	94.88%	76.36%	95.59%	79.15%	95.23%
of which:						
1. Paper-based crediting transfer	97.54%	97.77%	94.45%	96.72%	97.05%	97.25%
2. E-banking crediting transfer	2.46%	2.23%	5.55%	3.28%	2.95%	2.75%
II. Card payments at POS terminals	7.79%	0.20%	17.31%	0.36%	9.33%	0.28%
of which:						
1. Payments through debit cards	64.55%	49.73%	53.02%	39.45%	61.09%	43.23%
2. Payments through credit cards	35.57%	50.27%	46.98%	60.55%	38.91%	56.77%
III. Direct debit	12.00%	2.13%	4.28%	2.45%	10.75%	2.29%
IV. Cheques	0.52%	0.82%	2.05%	1.59%	0.77%	2.20%
Total Payments (I+II+III+IV)	6,739,920	1,984,008	1,298,661	1,915,432	8,038,656	3,899,439

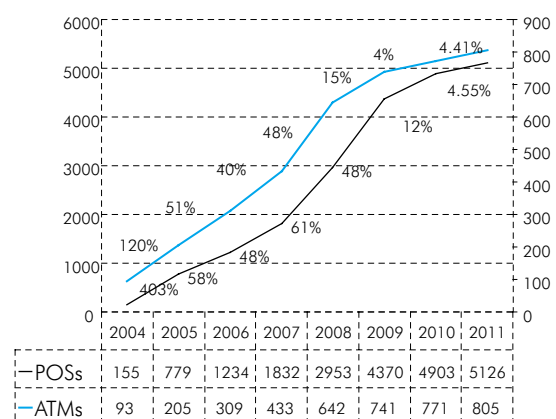
Source: Bank of Albania. (banks reporting according to Methodology for payment instruments reporting).

The number of banks licensed as card issuers<sup>6</sup> in the Republic of Albania, as at end-2011 was 14, unchanged from end-2010. Of banks licensed as card issuers, only 7 banks are also licensed as card acceptors.<sup>7</sup>

As regards infrastructure, the number of ATM and POS terminals at end-2011 was up 4.4% and 4.5%, respectively, from end-2010.

Bank reports on distribution of ATM and POS terminals in 2011 show their concentration in most developed regions and industrialised areas of the country. Tirana has the largest share, that is 55% to total ATM and 78% to total POS terminals.

Chart 6 Number of ATM and POS terminals and their trend during 2004-2011



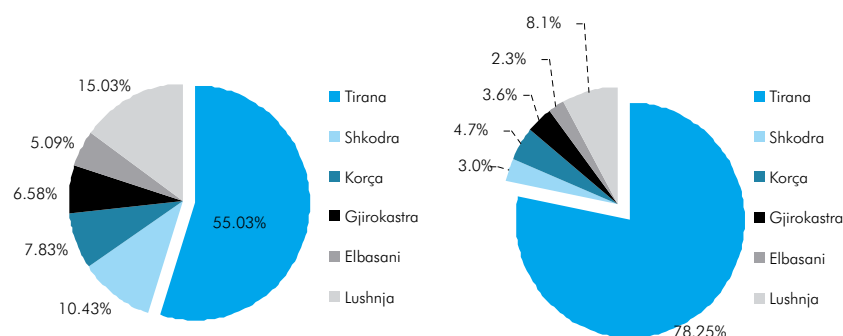
Source: Bank of Albania.

<sup>5</sup> Payments in foreign currencies accounted for 14% to total customer payments at end-2011.

<sup>6</sup> These banks provide cash withdrawal from ATMs.

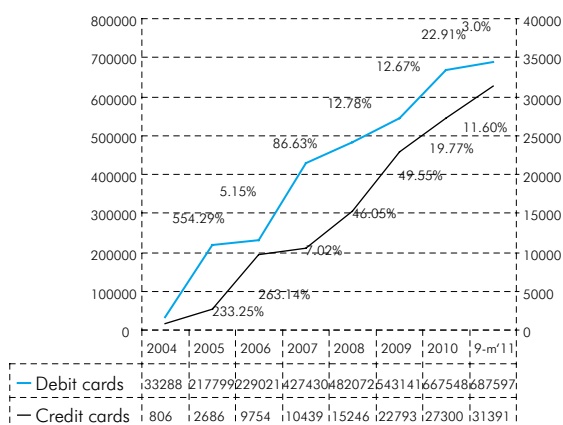
<sup>7</sup> These banks provide card payment acceptance through POS terminals installed in stores, restaurants, hotels or shopping centres.

Chart 7 Distribution of ATM and POS terminals by Region\* in 2011



\*Banks reporting refers to territorial division of the country according to branches of the Bank of Albania.  
Source: Bank of Albania. (banks reporting according to Methodology for payment instruments reporting).

Chart 8 Number of cards by function and their annual uptrend

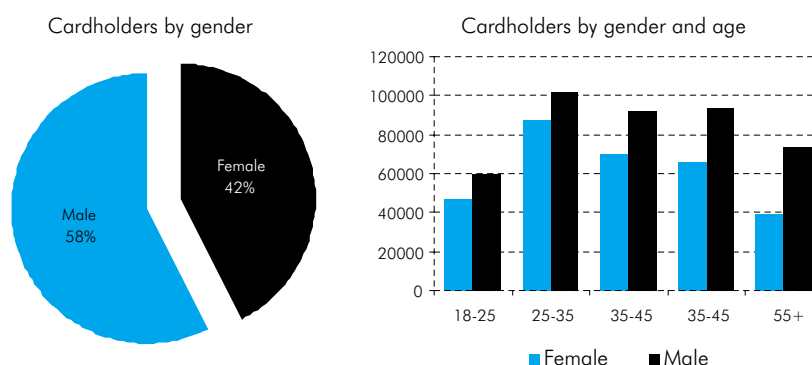


Source: Bank of Albania. (banks reporting according to Methodology for payment instruments reporting).

Cards are a payment instrument whose use is relatively widespread in Albania. Their use, however, is considered to be lower than in other countries of the region and Albania's potential, taking into account that the share of customer accounts remotely accessible, through a debit or credit card, is 28% to total customer accounts.

As at end-2011, the number of cards in circulation rose 5.3% from the corresponding period of a year earlier. By function, credit cards increased 39%, against the 4% of debit cards. According to banks' reporting, debit cards accounted for 95% to total cards in circulation at end-2011, from 96% at end-2010.

Chart 9 Cardholders by gender and age, as at end-2011



Source: Bank of Albania. (banks reporting according to Methodology for payment instruments reporting).

As regards cards operators, VISA has the biggest share, about 82 % to the total, followed by MasterCard. Maestro and American Express have the smallest share. Only two banks issue local cards, which account for 1% to total cards in circulation.

By cardholders' gender and age, 25-35 year-old males dominate the group.

Card transactions by category	Volume		Value (in ALL million)	
	2010	2011	2010	2011
1- ATM cash withdrawal	9,877,583	10,778,879	100,058	106,660
2- ATM depositing	47.00	11.00	0.23	0.10
3- ATM transfer orders	260.00	277.00	6,31	5.72
4- Cash withdrawal at POS terminals	1,654	2,088	358	404
5- Card payments at POS terminals	527,411	750,397	7,438	10,914
of which:				
- payments through debit cards	322,230	458,067	3,151	4,719
- payments through credit cards	205,181	292,330	4,287	6,195
Total card transactions	10,406,955	11,531,652	107,861	117,980

Table 8 Share of card transactions by terminal

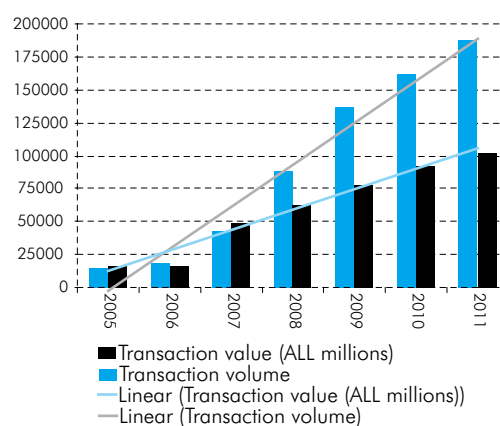
Source: Banks reporting according to Methodology for payment instruments reporting.

The increased number of (debit and credit) cards appears to have been followed by increased card transactions, mostly for cash withdrawal. In 2011, about 11.5 million card (ATM and POS) transactions, equal to ALL 118 billion, were processed in total. Of total transactions, about 93.5% were cash withdrawal from ATMs and only 6.5% were customer payments through cards at POS terminals. Card payments at POS terminals point to predominantly debit card transactions. However, in terms of value, credit card transactions are significantly higher than debit card ones.

Recently, home banking services<sup>8</sup> are increasingly expanding. After the introduction of this product in 2005 by a bank in the system, as at end-December 2011, home-banking services were provided by 11 banks. Expansion of these services is reflected also in the annual growth (35.6%) of remotely-accessible accounts. The upward number of these accounts is followed by upward home-banking transactions in terms of both volume and value at end-2011, by 15.4% and 11.8%, respectively. During 2005-2011, home-banking transactions expanded more in volume than in value.

The above-mentioned development may factorise an extension of the use of this instrument to a wider range of users. More specifically, while this instrument was initially provided by only one bank

Chart 10 Volume and value of home-banking transactions, 2005-2011



Source: Banks reporting according to Methodology for payment instruments reporting

<sup>8</sup> Home banking allows remote access of the bank account via internet or telephone connection or a software that the bank provides to its customers.

and was destined for large companies, boosted competition in this market segment and the subsequent decrease of costs as well as familiarisation of the public with this alternative payment instrument led to its use by other user categories.

### VII.1.3 BANK OF ALBANIA AS A SUPERVISOR AND REFORMER OF THE NATIONAL PAYMENT SYSTEMS

The Bank of Albania has paid particular attention to the accomplishment of its medium- term objectives in the regulatory and operational framework of the payment systems. It has intensified its efforts to strengthen payment systems oversight, improve the necessary technology infrastructure and contribute to the development of new payment products/instruments in Albania.

Since 2010, the Bank of Albania has been involved in a twinning project, under IPA 2008<sup>9</sup>, with the Bank of Italy in cooperation with the Bank of France. The main objectives of this project are supervision capacity building and payment systems development.

In line with completing the draft law "On Payment Systems", which aims at promoting active and prudent payment systems oversight throughout its components, the Bank of Albania, with the support of foreign expertise, is working to draft the relevant bylaws pursuant to provisions of this draft law. These bylaws aim at regulating the licensing and supervision of all payment and settlement systems, as well as accomplishing obligations of the central bank conform to fundamental principles on payment systems based on best international practices.

With regard to approximation of Albania's legislation with the *acquis communautaire*, the Bank of Albania, with the assistance of foreign expertise, is taking measures to transpose some of the most important EU payment directives, such as Directive 2007/64/EC On payment services in the internal market and Directive 2009/110/EC On the taking up, pursuit and prudential supervision of the business of electronic money institutions and/or best international practices. The above-listed measures aim to enhance transparency on payment systems and electronic money; establish a comprehensive set of rules on rights and obligations of the users and providers of these services with a view to enhance the security and efficiency, as well as strengthen the role of the supervisory authority in these areas.

Particular attention in this project is dedicated to payment systems development. Intensification of efforts to improve procedures on collateral and settling of securities according to the Delivery Versus Payment (DVP) methodology, conform to EU /ESCB standards is an important step forward in this regard. The focus of the Bank of Albania has been on the promotion of payments instruments and improvement of interbank payment procedures.

<sup>9</sup> IPA 2008 "Strengthening the institutional capacity of the Albanian Central Bank".

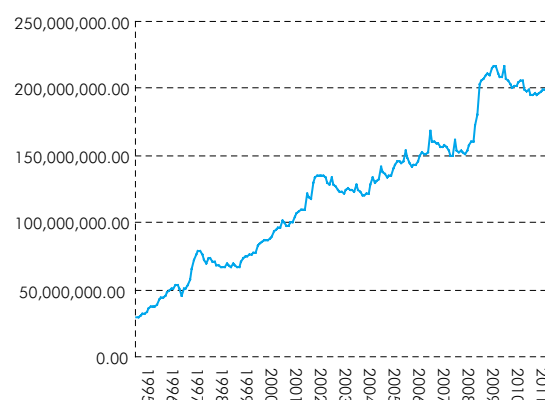
To promote cooperation between providers and users of the payment systems, including all stakeholders, the Bank of Albania is working to enhance the structure and role of the National Payment Committee<sup>10</sup> to adopt rules and procedures in accordance with the current market needs. The re-activation of this Committee is expected to contribute significantly to achieving many objectives and initiatives on payment system development and objectives of the central bank to be a promoter of financial infrastructure development in Albania.

## VII.2 MONEY ISSUE

### • BANKNOTES IN CIRCULATION<sup>11</sup>

At end-2011, there were 145,211,383 banknotes in circulation, worth about ALL 199.85 billion. Compared to 2010, their number was down 5%, but their value was up 0.1%. This phenomenon is explained by the slight change in the structure of banknotes in circulation. The number of 2000-Lek banknotes in circulation was significantly up by 22%, in 2011. The circulation of the 500-Lek banknote followed the opposite trend and fell 15.8%.

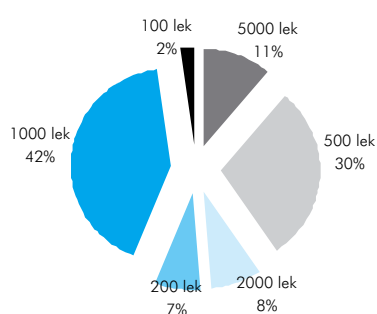
Chart 11 Currency in circulation 1995 – 2011 (in 000 Lek)



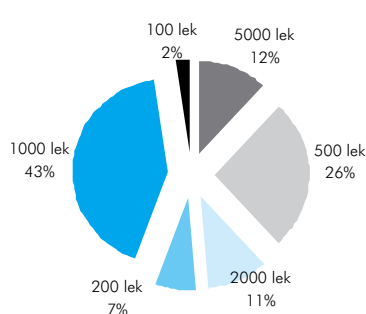
Source: Bank of Albania.

Chart 12 Structure of banknotes in circulation, 2010-2011

Structure of banknotes in circulation, as at 31.12.2010



Structure of banknotes in circulation, as at 30.12.2011



Source: Bank of Albania.

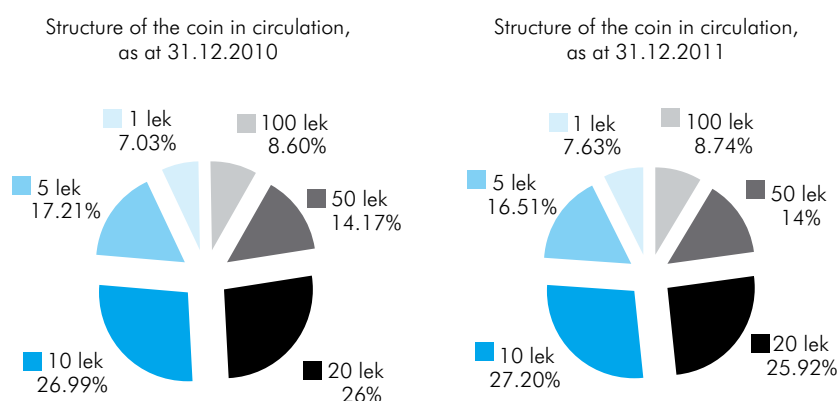
<sup>10</sup> The Committee was established in 1996, following recommendations by IMF technical assistance missions. It intensified its work during 1999-2002 to achieve some inter-bank agreements and undertook huge reforms on automating and improving the payment system, providing the banking system with two modern systems for clearing and settling ALL payments, (AIPS/RTGS and AECH/Clearing House).

<sup>11</sup> Volume and value of banknotes put in circulation by the Bank of Albania.

### • COINS IN CIRCULATION

As at end-2011, there were 123,416,323 coins in circulation worth ALL 3.029 billion, up 6% from 116,098,253 coins in circulation worth ALL 2.846 billion, at end-2010. Larger denominations, 50 and 100 Lek, continued to have the largest share. Thus, the circulation of the 50-Lek coin was up 6 % and that of the 100-Lek coin was up 8%. One of the main factors that led to this rise was the use of these coins to replace the 100-Lek banknote, which was withdrawn from circulation on 31 December 2010. At end-2011, the overall coins to banknotes value ratio was higher than a year earlier.

Chart 13 Structure of the coin in circulation, 2010 – 2011



Source: Bank of Albania.

### • INDICATORS OF MONEY CIRCULATION

At end-2011, money in circulation to M2 ratio was 30.1%, from 34.57% at end-2010. The Money Rate of Return<sup>12</sup> at the Bank of Albania was 0.536 in 2011, from 0.596 in 2010. This indicates that commercial banks delivered less money to the cash desks of the Bank of Albania. In addition, the average value of a banknote in circulation was ALL 1376 at end-2011 from ALL 1227 at end-2010.

### • RECYCLING OF CASH AND QUALITY OF BANKNOTES IN CIRCULATION

In 2011, about 134.5 million banknotes were sorted and checked for their authenticity and circulation suitability. The sorting revealed 109,8 million fit banknotes and 24.769 million unfit banknotes, which were withdrawn from circulation. The sorting rate<sup>13</sup> was 18.4%, up 3.44%, year-on-year. Unfit banknotes were replaced case by case with new banknotes. The banknote

<sup>12</sup> It is the ratio of banknotes and coins delivered at the Bank of Albania cash desk to the average annual number of banknotes and coins in circulation.

<sup>13</sup> It is the ratio of unfit banknotes and coins to the total number of banknotes and coins sorted in a year.

circulation rate<sup>14</sup> for 2011 was 0.917, implying that a banknote is returned to the Bank of Albania cash desks, on average, once a year. This rate is higher for 500-Lek and 1000-Lek banknotes (about 1.7) and lower for 5000-Lek and 2000-Lek banknotes (about 0.3), which shows that the latter are returned less at the cash desks of the Bank of Albania.

- *PROTECTION OF BANKNOTES AND COINS AGAINST COUNTERFEITING*

In 2011, the national currency was subject to full scrutiny through efficient and advanced sorting systems, at both head offices and regional branches of the Bank of Albania. During 2011, the number of counterfeit banknotes and coins continued to be very small. Against the number of coins and banknotes in circulation, this number is insignificant and points to a very low level of counterfeiting.

- *NUMISMATICS AT THE BANK OF ALBANIA*

In 2011, preparations were completed for minting a numismatic 50-Lek silver coin on "Purple Codex 043 ø - Beratinus 1, year 2012", which is expected to be available for public sale in September 2012.

On the occasion of the 100th anniversary of Albania's independence, the Bank of Albania approved the minting of a three-coin series with no legal tender, 200 Lek in gold, 100 Lek in silver and 50 Lek in base metal. In addition, the Bank of Albania approved the minting of a 100-Lek gold coin dedicated to Mother Teresa. The series of 100th anniversary of independence - 2012 and the coin dedicated to Mother Teresa will be displayed for the collectors and the public in 2012.

<sup>14</sup> It is the ratio of the banknotes delivered at the Bank of Albania cash desks to the average annual number of banknotes in circulation.





*Albanians have something they are inextricably linked with; it  
is their ardour for independence and glory.*

*This zeal is the dominant trait of thier character and the  
inspiration of thier heroism:  
it is a land of everlasting heroes.*

*Alphonse de Lamartine  
French writer, poet and politician*

*Albanians*

*everlasting heroes*

*heroism*



## CHAPTER VIII STATISTICS AT THE BANK OF ALBANIA

The Bank of Albania produces the official statistics of the monetary and external sectors of the economy, which may be used to draft and implement the monetary policy. They also contribute to enriching and strengthening the national statistics system. The law "On Official Statistics"<sup>1</sup> and law "On the Bank of Albania"<sup>2</sup> provide the Bank of Albania with the right to obtain information for statistical processing from all statistics agencies in the territory of the Republic of Albania. The five-year programme of official statistics<sup>3</sup> sets out the statistics categories and indicators that are compiled and distributed by statistics agencies as well as the legal framework, activities, methodology, and modalities of cooperation between national statistics agencies.

Statistics at the Bank of Albania were published in compliance with the published calendar on statistics and were distributed in printed and electronic format as part of main publications of the Bank of Albania. Statistics of the Bank of Albania include monthly, quarterly and yearly indicators. In addition, data published by the Bank of Albania include important indicators from the real and fiscal sectors compiled and published by the Institute of Statistics (INSTAT) and the Ministry of Finance, respectively. The Statistics/Time series section in the Bank of Albania's website has a considerable number of tables and indicators and enables the use of long time-series. As at end-2011, the website of the Bank of Albania had 148 tables with 3,822 indicators, of which 3,467 indicators produced by the Bank of Albania. Users' interest in these statistics remains high. This is reflected in the website's frequency of use and constant requests from users in Albania and abroad for statistical indicators or publications.

Table 1 Statistics published under Statistics on Bank of Albania's website

Type of statistics	Source	Annual		Quarterly		Monthly		Total	
		Table	Indicator	Table	Indicator	Table	Indicator	Table	Indicator
Monetary and financial statistics	Bank of Albania	16	116	13	688	46	1119	75	1923
External sector statistics	Bank of Albania	19	580	17	474	20	490	56	1544
Real sector statistics	INSTAT	4	111	6	69	2	78	12	258
Government finance statistics	Ministry of Finance	2	19			4	78	6	97
Total		41	826	36	1231	72	1765	149	3822

Source: Bank of Albania.

In 2011, the database of the Bank of Albania was enriched with four new tables for deposits by district, by subject and maturity for EUR-, USD- and ALL-denominated deposits. In addition, during 2011, a new and more detailed form of the financial account of the balance of payments was introduced.

<sup>1</sup> Law "On official statistics" No 9180, dated 05.02.2004.

<sup>2</sup> Law "On the Bank of Albania" No 8269, dated 23.12.1997.

<sup>3</sup> Official statistics programme 2007-2011 approved by the Assembly of the Republic of Albania, Decision No 153, dated 31.01.2008.

It provides users with more information on financial transactions between Albania and the world.

- *PROJECTS*

Throughout 2011, the Bank of Albania has been implementing a number of projects on statistics compilation. In the context of its medium-term objective for approximation with EU standards, the Bank of Albania is engaged in the EU-funded Twinning Project on Strengthening the institutional capacity of the Albanian Central Bank particularly in the areas of banking supervision, statistics, payments systems and the implementation of monetary policy and IPA-2009 Eurostat/EU-funded project for regional cooperation on statistics in Balkan countries.

The EU-funded Twinning Project focuses in the component for statistics on direct investments and portfolio investments and the component for collection of information and establishment of the structure for compiling the financial institutions' financial account. During 2011, statistics experts from the Bank of Albania and the Bank of Italy joined their expertise to work intensively to assess the needs for the statistics production structure, vis-à-vis EU statistics requirements for candidate and member countries. During the needs assessment and drafting of work plan for the period ahead, the main focus of work was on the creation of a reporting model, review and improvement of reporting forms and best standards for statistics publication. In the framework of this project, joint meetings were organised with statistics experts from the Institute of Statistics -INSTAT, Bank of Albania and Ministry of Finance.

IPA 2009 – Eurostat/EU Project, in the component for statistics, addresses balance of payments and economic statistics for resident enterprises with foreign capital and Albanian subsidiaries abroad. As at end-2011, the Statistics Department was visited by one project mission and participated in two workshops, where best practices on statistics from countries of the region and EU requirements were introduced. In these activities, Bank of Albania's experts were informed on detailed requirements for reporting these blocks of statistics as well as on technical manuals on data reporting to Eurostat. The Bank of Albania aim is to initiate regular reporting of these statistics to Eurostat during 2012.

With funds from the European Bank for Reconstruction and Development, the Bank of Albania has started a project for the "Automation of the Regulatory Reporting". This project aims to establish an electronic reporting system for institutions that report data to the Bank of Albania. This electronic reporting system would alleviate the reporting burden for institutions, shorten the reporting time, automate the control process, generate statistical tables and improve significantly the quantity and quality of statistics produced by the Bank of Albania.

For the second consecutive year, the Bank of Albania participated in the Working Group for the National Reporting of Foreign Investments (2010) – coordinated by the UNDP in cooperation with the UNCTAD. The Working

Group is composed of representatives from the Bank of Albania, Ministry of Economy, Trade and Energy, Institute of Statistics, Albanian Agency for Investment Development and National Registration Centre. This group was set up to collect data and compile an Annual Report on Foreign Investments in Albania for 2010. In 2011, Bank of Albania experts worked to produce detailed data on foreign investments at home.

#### BOX 11 MEDIUM-TERM OBJECTIVES ON STATISTICS IMPROVEMENT

*In accordance with medium-term strategic objectives of the Bank of Albania, the statistics in the medium run will be oriented towards:*

- *Approximation with EU and international standards on compilation and reporting of statistics;*
- *Improvement of quality of service for users of Bank of Albania's statistics;*
- *Improvement of technological infrastructure for collecting, processing and distributing official statistics.*

*Official statistics produced by the Bank of Albania will be approximated with EU requirements through activities envisaged in national programmes on official statistics such as the Statistics Programme 2012-2016 and the National Programme for the Implementation of the Stabilisation and Association Agreement, recommendations of the European Commission on statistics-related issues and ad-hoc projects with euro system central banks.*

*Quality of service for users of statistics of the Bank of Albania will improve through reflecting, in the publications of the Bank of Albania, users' requests with regard to both number of indicators and publication content and format. Detailed indicators, extended time series, shortened publication time and user-friendly database compilation will be medium-term priorities for the Bank of Albania, as a national statistics agency.*

*Improvement of technological infrastructure for collecting, processing and distributing statistics is a pre-requisite to improving the quality and meeting international standards in due time. In order to boost reporting efficiency, improve the cost-benefit ratio, reduce the reporting burden and enhance statistics quality, the Bank of Albania is working and will continue to invest on human and financial resources to automate statistics reporting and processing.*



*The Skipetar, the Albanians are a people who have conserved intact the traditions of their ancestors; they are a proud people, thirsty of freedom.*

*"The Skipetar, the Albanians are a people who have*

*conserved intact the traditions of their ancestors; they are a*

*proud people, thirsty of freedom.*

*Pietro Jassini*

*Ambassador of the Republic of Venice in 1455*

*The Skipetar, the Albanians are a people who have conserved intact the traditions of their*





## CHAPTER IX OTHER ACTIVITIES OF THE BANK OF ALBANIA

### IX.1 RESEARCH

In 2011, the main focus of research of the Bank of Albania was on issues pertaining to financial stability and monetary policy, fiscal policy, regional integration and trade relations, study of uncertainties arising from the evaluation of econometric models, etc. Research contributed to and supported the decision-making process to draft and implement Bank of Albania's policies. In 2011, the MEAM<sup>1</sup> model and its satellite models were used to assess future developments in main macroeconomic indices as well as various risk scenarios in terms of both price stability and financial stability. Some of the potential risks that were addressed are: the impact from the crisis in neighbouring euro area countries, foreign exchange, negative output gap, shocks from the supply and demand, fiscal policy effect, etc.

With the IMF assistance, the reassessment and calibration of the GAP structural models continued with a view to analyse the monetary policy in Albania. This is a suitable model to explain main connections between the monetary policy instrument (key rate) and main macroeconomic variables such as output, inflation, exchange rate and unemployment for a small and open economy with a floating exchange rate regime.

In the context of methodology improvement for the application of stress tests on the Albanian banking system, a VAR model was assessed on non-performing loans to total loans rate to assess the impact of macroeconomic and external shocks on the Albanian banking system. Moreover, the impact of feedback of the financial sector on the real sector was also assessed to see the impact of the financial system on the real economy.

The assessment of the equilibrium level of crediting in Albania was another research conducted during 2011. Empirical studies reveal that crediting in Albania has approached the level of crediting equilibrium. Nonetheless, it is estimated that there is still room for this level to converge to the crediting level of developed countries. The existence of the equilibrium between the savings level and capital formation (or efficient distribution of resources) is analysed based on the financial intermediation level by the Albanian banking system.

The calculation of the Banks Governance Index for 2010, as an evaluation of the relation of this index with the banks financial performance in 2011 was on the focus of research. The analysis identified a positive relation between some indicators of the banking system and the bank corporate governance

<sup>1</sup> *Macroeconomic Model for Albania. For more information, see Dushku, E., Kota, V., & Binaj, G., 2006, "A macro econometric approach model for Albania", a round table on targeted inflation, December 2006.*

index, revealing that the better governed the banks are, the better they perform financially and the better they manage credit and liquidity risks.

Three main issues were addressed on fiscal policy. The first one was on long-term assessment of fiscal policy stability, based on the approximation of the statistics method of the unit root development by Trehan e Walsh (1991) and Taylor (2002). The second issue addresses the impact of fiscal policy on economic growth in a small and open country, such as Albania, based on the empirical approach of the common Method of Least Squares and the Generalized Methods of Moments. In addition, the connection and dynamics between the fiscal policy developments and the yields performance in Albania was subject to the analysis for 2001-2010.

Given the significance of trade relations between countries on regional and trade integration, two researches were carried out in 2011. The first one assessed the impact of such agreements, focusing on South Eastern Europe, including Albania. The second research initiative assessed the impact of trade on economic growth in the former communist countries in Eastern Europe, and the relations among these countries as well as relations with the European Union.

Moreover, the equilibrium level of the real exchange rate in Albania was assessed, based on the statistics equilibrium of the exchange rate, which employs the method of constructing a long-term relation between unit root indicators and includes other explanatory factors for its assessment.

The assessment of the performance of the forecast error term in the MEAM model according to Monte Carlo stochastic simulation was another issue that was researched. The assessment concluded that macroeconomic forecasts are crucial, but understanding sources for uncertainty is even more important during the decision-making process and analysis of various effects.

- *PUBLICATIONS*

In the official website of the Bank of Albania, under Publications/Research and Working Papers you may find detailed and comprehensive information on our research work, while research articles are also published in the Bulletin of the Bank of Albania. Furthermore, the Scientific novelties at the Bank of Albania is published half-yearly to inform on research and working papers that have been completed recently or are in progress, papers introduced in the Friday workshops or other activities organised by the Bank of Albania throughout the six-month period.

- *ACTIVITIES*

On 6–17 June 2011, a two-week training course was organised, in cooperation with the IMF, on Macroeconomic and financial sector management in South Eastern Europe at the Research and Training Centre of the Bank of Albania in Berat. This activity focused on the macroeconomic policy and underlined the analytical framework to assess debt stability and competitiveness in foreign markets; importance of macro-financial relations

and financial sector issues, and; the role of structural reforms on promoting economic growth and development. Some 25 representatives from central banks and ministries of finance from South Eastern Europe countries attended this event.

In cooperation with the University of Oxford, on 21 June 2011, the Bank of Albania organised a high-level seminar on Current economic challenges and regional Co-operation in Southeast Europe. The goal of this seminar was to identify economic challenges in Southeast Europe and opportunities to strengthen regional cooperation. Some of the key topics addressed in this seminar were: identification of a programme for sustainable growth in the region; positive effects of external anchors in advancing regional co-operation; areas of regional economic cooperation in the future. The seminar brought together high-level participants from academia in Albania, the SEE region and beyond, representatives from the banking system, state agencies, international organisations operating in Albania and the Bank of Albania. This seminar was organised in the framework of the co-operation agreement between the Bank of Albania and the University of Oxford signed in September 2010.

On 10-11 November 2011, the Research Department organised for the fifth consecutive year the regional meeting on Economic Research in South Eastern Europe, where 25 speakers and discussants shared their views and opinions. They came from the Bank of Albania and other central banks of the region such as the Bank of Italy, Austrian National Bank, National Bank of Bulgaria, National Bank of Macedonia, Hungarian National Bank, and the European Central Bank. The goal of this activity was to boost cooperation and open dialogue among economic researchers and to expand central banks knowledge on characteristics and specific developments in participating countries in the event. Public finances in the countries of the region, economic uncertainties and the approach of central banks to optimise their action, productivity and trade, financial stability and price stability were some of the topics that were addressed in the regional meeting.

In 2011, the Bank of Albania continued its tradition of the Governor's Award for the Best Diploma 2011. This award encourages Albanian students that graduate in Albania or abroad to research on issues related to monetary economics, financial stability, Balkan's economic integration with the European Union, activities of the Bank of Albania, Albanian banking system and overall economic matters. This activity is a good tradition that serves to establish a research culture and a support structure with new individuals, who not only have the desire, but also the required knowledge.

Throughout 2011, in the Friday workshops, 19 research papers were introduced by representatives of the Bank of Albania, foreign and Albanian researchers as well as experts from other institutions. Some of the topics addressed in these workshops were: monetary policy and financial stability, aspects of fiscal policy and development policy, competitiveness of the Albanian economy in tourism and agriculture, financial crisis and its impact on the economies of the region, financial system and its performance, fiscal policy stability and

foreign exchange, trade relations, etc. This activity is a good opportunity for all researchers to discuss and present their empirical and theoretical studies.

The Research Department of the Bank of Albania organises a bimestrial technical workshop to introduce the latest scientific novelties in the field of economy, new methods of problem solving, development of original mathematical models of processes and phenomena and results obtained from their application. During 2011, six presentations introduced Bayesian techniques, principles of banks good-governance, estimation of probability densities, combination of forecasts from various models, estimation of GMM in Stata, labour market characteristics, etc.

## IX.2 PUBLIC RELATIONS

The Bank of Albania considers communication with the public as an important tool to transmit its decisions effectively and enhance institutional trust and confidence. In order for the monetary policy to be easily understood, the Bank of Albania sees interactive communication with the public as a primary, strategic and important issue. Transparent communication contributes to higher confidence in and effectiveness of the monetary policy, helping the public to understand properly the decisions of the Supervisory Council of the Bank of Albania.

### IX.2.1 PUBLIC INFORMATION

The Bank of Albania uses a number of communication instruments to inform the public and explain its objective and activities to achieve it.

- *MONTHLY PRESS CONFERENCE*

After the monthly decision-making on monetary policy by the Supervisory Council of the Bank of Albania, the Governor holds a press conference to inform the public on the decision of the Supervisory Council and the relevant analysis. During 2011, the 12 press conferences were followed by the publication of the Governor's speech and respective questions and answers, both in Albanian and English.

- *MONETARY POLICY REPORT*

This report is the main written monetary policy instrument for communication with the public. It presents a comprehensive description of the latest macroeconomic developments and factors that have affected and are expected to affect consumer prices in Albania. In 2011, the report was published quarterly, both in Albanian and English.

- *PRESENTATION OF THE ANNUAL REPORT TO THE ASSEMBLY*

Every year, the Governor of the Bank of Albania presents the Annual Report of the Bank of Albania to the Assembly of the Republic of Albania in a plenary

session. The Annual Report is submitted first to the Parliamentary Committee on Economy and Finance. The Annual Report provides an overview of Albania's economic and financial situation as well as the activity of the Bank of Albania during the year under review.

- *MEDIA RELATIONS*

The Bank of Albania pays particular attention to communication with the media. In 2011, the communication of the central bank with the print and electronic media was intensive and the media was informed and sensitised on the Bank of Albania activities and economic and financial situation of the country.

In this year, presentation of simplified and periodic reports on monetary policy and financial stability (in total 6) to the media continued. This presentation aimed to guide the media through an accurate reading of Bank of Albania's decisions and were appreciated as a very effective tool for transmitting Bank of Albania's activity to the public.

- *DIALOGUE WITH THE BANKING SYSTEM, BUSINESSES AND ACADEMIA*

Forums with the banking system and regional meetings with representatives of the businesses, local government and academia are a consolidated tradition in the philosophy of communication of the Bank of Albania with the public. In 2011, the Bank of Albania has organised five events to address key issues "of the day".

- *PUBLIC ADDRESSES*

The Governor and other officials of the Bank of Albania communicate with the public through speeches, presentations and lectures in various activities organised by the Bank of Albania or other national or international institutions.

- *PUBLICATIONS*

The publications of the Bank of Albania inform the public on the latest developments in the national and global economy; developments in the banking and financial system; financial and currency stability, amendments and enrichment of the banking legislation and its regulatory framework and other matters. It is a well-established source of accurate and reliable information for the public.

Periodic and non-periodic publications, in 2011, consisted of 4800 pages of analyses, statistics and research in both Albanian and English. The set of periodic reports was the same in 2011 as in previous years: Annual Report 2010, Monetary Policy Report (quarterly), Financial Stability Report (half-yearly) and Supervision Report 2010 (annually). In addition to periodic reports, the following were also published: Official Bulletin (monthly), Statistics Report (monthly), Bulletin of the Bank of Albania (half-yearly), Scientific Novelties at the Bank of Albania magazine (half-yearly), research papers (8 papers), the book of the 8th international conference "On monetary and financial stability, lessons from the crisis" as well as the publication of four educational brochures. These publications contributed to intensifying relations

with research, economic and financial institutions as well as other interested parties and complied with Bank of Albania's obligation to publish, inform and explain its objectives, procedures and opinions.

- *OFFICIAL WEBSITE*

Throughout 2011, real-time publication of information destined for the public, such as speeches by the Bank of Albania administrators, statements and press releases, periodic reports, surveys, analyses and research work, statistics and various indicators continued.

- *STATISTICS*

The Bank of Albania has a rich statistics system for many sectors of the Albanian economy such as: the banking sector, fiscal sector, real sector and external sector. The main goal for collecting this information is related to central bank goals, such as: drafting of monetary policy, compilation of the balance of payments and analyses of the banking and financial system for its further development. Statistics at the Bank of Albania are published in the monthly statistics reports, quarterly monetary policy reports as well as on Bank of Albania's official website.

## IX.2.2 PUBLIC EDUCATION

The Bank of Albania, one of the most important institutions that contributes to the welfare of Albanian citizens, has organised, for some years, various educational activities on personal finances and central banking as well as on the functions and objectives of the Bank of Albania and its role to support the country's economic development. The Bank of Albania holds that it is highly important for Albanian citizens to understand economic and financial developments that affect their lives regardless of their position in the society. Although education of the public is not a legal obligation for the Bank of Albania, financial literacy of the Albanian public, especially amongst the younger generation, is a crucial topic in the activities of the Bank of Albania.

In order to achieve its objectives in this area, the Bank of Albania organised a series of educational activities in 2011 such as the major project to integrate financial education in the high-school curricula. According to the Memorandum of Understanding with the Ministry of Education and Science, specialists from the Bank of Albania worked with experts on curricula from the Institute of Education Development<sup>2</sup> to design the curricula and compile the textbook, which is an elective subject and was introduced for the first time in the Albanian high-schools, in the 2011/2012 school year. The elective Personal finance in your hands is taught in 36 classes and students may elect it in any of the three high-school years.

<sup>2</sup> *Institute of Education Development (IED) was established pursuant to the Council of Ministers Decision No 67, dated 10.2.2010, under the Ministry of Education and Science, building on the experience of the Institute of Curricula and Training (ICT). The mission of the IED is to provide expertise and high-level professional counselling to the Ministry of Education and Science and relevant education institutions, based on the results of education research and practice.*

Another significant activity on financial education was the first survey on Albanians financial literacy. This was realised by the Bank of Albania in cooperation with the Bank of Italy and the Albanian Institute of Statistics (INSTAT). The survey would provide an overall picture of the financial literacy and pave the way for regular surveys on financial literacy in Albania. The survey was conducted on the national scale and sampled 1000 randomly selected persons across all the Regions of the country. The questionnaire is compatible to the one compiled by the International Network on Financial Education (INFE) of the OECD, so that its data may be internationally comparable.

#### BOX 12 PERSONAL FINANCE IN YOUR HANDS

*Personal finances in your hands is an elective subject, which aims to introduce students to the world of finance and encourage them to be financially-responsible citizens and financial consumers who make conscious decisions and informed choices. This elective provides the students with theoretical knowledge and practical skills on areas such as: money management, budgeting, financial targets, use of loans, investments, savings, insurance and taxation. Upon completion of this subject, students will have acquired the knowledge and skills to:*

- Draft a simple personal and households budget;
- Calculate interest rates on a current or savings account;
- Estimate inflation and exchange rate effects on money value;
- Understand various investment opportunities, types of taxes, insurance and pension funds.

*Personal finance in your hands was launched by Governor of the Bank of Albania and the Minister for Education and Science in a ceremony on 1 September 2011. Following this ceremony, for two days, representatives from Regional Directorates of Education attended a training workshop organised by the Bank of Albania. This workshop focused on cascade training to assist the trainees and, through them, the teachers of the elective subject to acquire new knowledge and concepts and equip them with the best didactic methods to effectively pass on the knowledge to students.*

*In 2011/2012 school year, this subject was elected by about 7.000 students, in 81 high schools.*

Table 1. Personal finance in your hands for 2011/2012 school year

District	No students	No schools	District	No students	No schools
Tirana	139	4	Tropoja	40	1
Durrës	450	3	Elbasan	280	1
Vlora	756	9	Peqin	145	1
Kukës	115	1	Gramsh	285	2
Kruja	150	1	Librazhd	350	6
Kavaja	105	2	Korça	302	2
Mat	344	5	Devoll	20	1
Dibër	583	2	Kolonja	25	1
Skrapar	150	2	Pogradec	95	2
Kuçova	32	1	Gjirokastra	80	1
Shkodra	347	5	Saranda	20	1
Mirdita	20	1	Mallakasta	45	1
Puka	65	1	Delvina	63	1
Has	130	1	Lushnje	790	8
Malësia e Madhe	250	1	Fier	85	2
Lezha	80	1	Berat	724	10

*The assessment of the effectiveness of the textbook is an important component for the future of this project. Therefore, a questionnaire was distributed to a sample of students before the start of the school year. The questionnaire will be distributed and administered again after the completion of this subject. This will help to understand the acquisition level of the new knowledge and identify needs for further improvement of the textbook. The respondent students will have to answer 44 questions on concepts covered by the textbook and 2 questions on their expectations. The school-start questionnaire was administered during September – October 2011, on a sample of 42 schools and included about 2200 students. Its results are being processed.*

In 2011, the Bank of Albania dedicated its annual international conference to financial education. The conference on “Building the future through financial literacy”, in cooperation with the Bank of Italy in the framework of the Twinning Project, was organised on 15 September and brought together participants from central banks of the region and other representatives of national and international institutions. Key speakers in this conference were: the Governor of the Bank of Albania, Ardian Fullani, the Ambassador of the Delegation of the European Union to Albania, Ettore Sequi, the Governor of the National Bank of Serbia, Dejan Soskic, Albanian Minister for Finance, Ridvan Bode, Albanian Deputy Minister for Education and Science, Halit Shamata and Managing Director at the Bank of Italy, Franco Passacantando. The conference addressed a series of steps to be taken to enhance financial literacy in Albania and underlined the importance of establishing a national strategy on financial education, which would set out the objectives of education programmes and bring together national and international stakeholders and policymakers.

Furthermore, in 2011, on the 85th anniversary of the first issue of the national currency, the Bank of Albania organised an exhibition, where a whole spectrum of the values of the national currency were displayed. In parallel with this exhibition, the Bank of Albania organised the symposium “The national currency: historical aspects”, where experts in this field shared their views on the history of the Albanian currency.

## IX.3 INTERNATIONAL COOPERATION AND EUROPEAN INTEGRATION

### IX.3.1 INTERNATIONAL COOPERATION

#### • RELATIONS WITH THE INTERNATIONAL MONETARY FUND

The Republic of Albania has been a member of the International Monetary Fund (IMF) since October 1991. It is in the same constituency with Italy, Greece, Portugal, Malta, San Marino and Timor-Leste and is presided by the Italian representative Mr. Arrigo Sadun, who serves as the Executive Director of this constituency. This constituency has a total of 107,138 votes (or about 4.25% of total votes of all IMF members). In 2011, Albania's quota remained unchanged at the amount of 48.7 million SDR. Likewise its quota, Albania's votes remained unchanged in 2011.



In June 2011, an IMF mission held consultations with Albanian authorities in the framework of Article IV of the Fund's Articles of Agreement. Based on the mission's assessments, the IMF Executive Board, on 7 September 2011, concluded its consultations in the framework of this Article and pointed out that the Albanian economy had an admirable resilience to the global financial crisis during 2009. The Executive Board held that the monetary policy framework with targeted inflation and floating exchange rate regime are the strengths of the Albanian economy. Similarly, the appropriate and timely monetary policy by Bank of Albania and adjustment of monetary conditions were also commended.

The Governor of the Bank of Albania represented the Republic of Albania in the decision-making of the Board of Governors, the highest body of the IMF. Important events in our relations with the IMF in this year were the spring and annual meetings of the IMF and the World Bank Group, organised in April and September, respectively, where the delegation of the Bank of Albania, presided by the Governor, met with senior IMF officials. These meetings focused on recent economic developments and measures taken by the Bank of Albania to maintain the country's macroeconomic stability.

During the meetings, very good relations between the IMF and Albanian authorities were noted and the stable situation of the banking system was praised. The Governor reiterated the commitment of the Bank of Albania for macroprudential decision-making and continuation of structural reforms in the Albanian economy.

During 2011, Albania paid about 7.9 million SDR to the IMF for its dues (principal payments, interests, periodic expenses, etc.) arising from earlier agreements PRGF and PRGF/EFF.

Following institutional reforms by the IMF, in 2011, the Bank of Albania committed to adopt the amendments for increasing Albania's quota at the Fund according to the 2008 Quota and Voice Reforms of the International Monetary Fund. The main objectives of this reform focus on better aligning the quota and voting shares in the Fund with member countries' weight and role in the global economy and enhance the participation and voice of low-income countries.

The Bank of Albania continued in 2011 to benefit from the technical assistance of the IMF on staff training through consultancy on areas such as banking supervision or monetary policy. In this regard, IMF experts visited the Bank of Albania on matters such as: liquidity risk management, determining Bank of Albania's instruments to prevent systemic phenomena, the project on establishing short-term econometric models to enhance decision-making at the Bank of Albania, assessment and improvement of forecast models for inflation and real short-term indicators. Moreover, in cooperation with the IMF Institute, a two-week training workshop was organised on Financial Sector and Macroeconomic Management in South Eastern Europe with participants from central banks and finance ministries of the region.

- *RELATIONS WITH THE WORLD BANK GROUP*

Albania has been a member of the World Bank Group since 1991 and has benefited from this institution a total of USD 1.4 billion through 69 projects. A year earlier, the Board of Directors of the World Bank Group approved the new partnership strategy with Albania 2011-2014, which will focus on three strategic objectives: (i) supporting recovery in Albania's growth rates through improved competitiveness; (ii) broadening and sustaining social gains by improving education and health services; (iii) reducing vulnerability to climate change.

In an official visit to Albania in January, the General Managing Director of the World Bank, Ms. Ngozi Okonjo-Iweala, met with the Governor of the Bank of Albania Mr. Ardian Fullani. They discussed on latest macroeconomic developments in Albania and relations between the two institutions and urged for further strengthening of the bilateral cooperation.

In 2011, cooperation of the Bank of Albania with the World Bank Group continued in the framework of the agreement "On foreign reserve investment management and consulting". The World Bank Group has provided technical assistance to the Bank of Albania through the Reserves Advisory and Management Program (RAMP), concretised through visits of World Bank experts and participation of Bank of Albania experts in workshops organised by the World Bank. The technical assistance by World Bank experts throughout these years has been useful and has contributed to elevating the activities of the Bank of Albania to new levels as regards foreign reserve management. Under this cooperation, a new portfolio management tool (Portfolio Analytics Tool II) will be implemented at the Bank of Albania.

During 2011, World Bank missions met with senior officials and experts of the Bank of Albania to assess the impact of the Greek and euro area crisis on Albania's macroeconomic stability. The assessment yielded a positive conclusion on the work of the Bank of Albania. In addition to various experts' missions, an inter-institutional group is established to assess the exposure to risks from natural disasters. The working group will continue to work in the year ahead.

In the meetings in spring and annual meetings of the IMF and the World Bank, the delegation of the Bank of Albania discussed extensively with senior representatives of the World Bank Group on Albania's macroeconomic developments, banking and financial system developments and measures taken by the Bank of Albania to maintain macroeconomic stability. On their side, World Bank representatives affirmed their support for steps taken by the Bank of Albania and offered their assistance to improve the financial infrastructure. In all the meetings, the very good relations and cooperation between the two institutions were praised and opportunities for intensification of these relations in the future were discussed.

The World Bank has constantly stated its readiness to assist the Bank of Albania in implementing projects on the consolidation, modernisation and stability of the Albanian banking system.

- *RELATIONS WITH OTHER INTERNATIONAL FINANCIAL INSTITUTIONS*

The Bank of Albania, in 2011, continued to be in regular contacts with the European Bank for Reconstruction and Development (EBRD), mainly with regard to providing information and statistics on the Albanian economy in general, and the financial sector in particular. In the Transition Report 2010, the EBRD presented the situation from global crisis to economic recovery of the countries under review as well as developments in the financial and monetary sectors. The report commended Albania's handling of the crisis, monetary policy decisions, maintaining inflation within the target band and boosted confidence in the banking sector.

The Bank of Albania continued to keep close relations with the Bank for International Settlement (BIS) during 2011. The BIS has been active in providing technical assistance to the Bank of Albania through workshops and training sessions organised by the Financial Stability Institute, which promotes international financial stability through information exchange and cooperation in the area of financial system supervision.

- *RELATIONS WITH THE FSVC*

In 2011, cooperation and coordination with USAID advanced, through the programme for financial sector development, implemented with the FSVC. Cooperation between the two institutions consisted in various valuable projects such as:

- a. Assistance in the framework of enhancing the risk assessment process and alignment with Capital Accord – Basel II requirements;
- b. Assistance in the framework of measuring and supervising market and liquidity risks.

Cooperation with this institution is envisaged to be long term and extended in time, until 2015. Moreover, the wide range of topics that it will address –according to a detailed schedule – is determined based on a thorough analysis of our staff's actual needs for assistance, in order to increase their knowledge and improve their skills.

- *RELATIONS WITH OTHER CENTRAL BANKS AND TECHNICAL COOPERATION*

Following the intensification of bilateral relations with other central banks, during 2011, upon the invitation of the Governor of the Bank of Albania, official visits were paid to Albania by the Governor of the People's Bank of China, Governor of the Bank of Greece, Governor of the National Bank of Serbia, Governor of the Central Bank of Montenegro, Governor of the Bank of Slovenia, Governor of the Central Bank of Kosovo, Managing Director of the Bank of Italy, etc.

Furthermore, the Governor of the Bank of Albania participated in many international conferences, regional forums and workshops such as the first

investment forum USA – Albania, the annual meeting of the European Fund for South Eastern Europe (EFSE), which was organised in Tirana with the support of the Bank of Albania, the high-level seminar on Current economic challenges and regional co-operation in Southeast Europe organised by the University of Oxford and the Bank of Albania, international conference of the Group of Banking Supervisors from Central and Eastern Europe, regional workshop on Legal aspects of central banking organised in cooperation with the Bank of France, etc.

These meetings, visits and conferences contributed not only to exchange experiences, analyse economic developments or discuss on measures taken in the context of the global financial crisis, but also to consolidate and further develop the increasing technical cooperation between the Bank of Albania and its counterpart institutions.

In the framework of cooperation of the Bank of Albania and other European central banks, in March, a Memorandum of Cooperation on banking supervision was signed with the Bank of Italy. This Memorandum formalises the cooperation between the two central banks, with regard to information exchange and coordination of supervision for banking groups that operate in both countries.

On the regional level, the Bank of Albania participated in the meetings of Central Banks Governors' Club of Central Asia, Black Sea Region and Balkan Countries. These meetings aimed to strengthen the ties between central banks of the region and promote regional cooperation through exchanging best experiences and addressing current issues in round tables at governor or expert level. Another meeting was organised in the framework of the multilateral Memorandum of Understanding to enhance further cooperation in the area of banking supervision and maintain of financial stability in South Eastern Europe. In this meeting a framework was approved for the regular exchange of information on foreign bank groups that operate in SEE countries. In May, the Governor of the Bank of Albania participated in the 18th meeting of central bank governors of francophone countries.

During 2011, the Bank of Italy, National Bank of the Czech Republic, Deutsche Bundesbank, National Bank of Romania and Centre of Excellence in Finance were the main providers of technical assistance to the Bank of Albania, mainly through study visits and internships.

As in previous years, during 2011, in light of technical assistance coordination, provision of technical expertise for the Central Bank of the Republic of Kosovo (CBRK) by the Bank of Albania was a priority. Hence, study visits were organised for CBRK and the Bank of Albania staff, focusing on areas such as internal audit, monetary operations, and human resources.

Moreover, in the context of the cooperation protocol with the National Bank of Serbia, in 2011, study visits and internships were organised in both central banks to exchange the experiences on issues of mutual interests.

### IX.3.2 EUROPEAN INTEGRATION

- *EUROPEAN INTEGRATION ISSUES*

Albania submitted its application for EU membership on 28 April 2009 and conform to procedures established in the EU Treaty, the European Commission (EC) handed a Questionnaire to the Albanian authorities to assess the country's capacities to assume obligations of membership.

Based on the answers to the Questionnaire by the Albanian authorities, on 9 November 2010, the EC published its Opinion on Albania's bid for EU membership and identified the need for addressing 12 key priorities for meeting the political criterion. In 2011, the European Commission assessed that though Albania had made progress in addressing the identified priorities, it had not met the criteria to open negotiations.

Conform to the institutional commitments, the Bank of Albania has submitted regularly its periodic contributions for the EC progress report. These reports, drafted in English and in Albanian, follow the structure of chapters of the *acquis communautaire* and reflect the progress made on approximating the Albanian regulatory framework with the EU legislation and on achieving European standards in the fields of activity of the Bank of Albania. These reports address and take into account the analyses of the EC recommendations. These chapters analyse issues related to economic and monetary policies, free movement of capital, regulation of banking services, establishment and freedom to provide banking services, consumer protection and protection of coins and banknotes, including the euro, against counterfeiting.

On 12 October 2011, the EC published the Progress Report on Albania, which describes the progress made by Albania during the period 1 November 2010 – 12 October 2011 and its challenges, laying down also the approach of the EC to guide and support our country in the future. The Progress Report describes the relations between Albania and the European Union, analyses the progress made on political, economic and legal accession criteria (Copenhagen criteria), and presents a summary of the assessment of the EC on priorities and problematic issues in 33 areas divided according to the *acquis communautaire*. On the activity of the Bank of Albania, the EC in its Progress Report, *inter alia*, commented positively that the monetary policy has successfully helped to keep inflation stable and that the banking sector remains well-capitalised and liquid.

In 2011, the Bank of Albania drafted and presented the required information in periodic meetings between Albania and the EU.

Thus, in the Stabilisation and Association Committee, all the achievements on the implementation of the SAA were addressed. This meeting aggregated all the issues discussed at the technical level in the joint sub-committees both on economic criteria and European standards.

In the meeting of the EU-Albania Sub-Committee on Economic and Financial matters and Statistics, the Bank of Albania reported on issues such

as overall economic development and its perspective, inflation and monetary policy, external sector, and developments and reforms in the banking and financial sectors. At the conclusion of the Sub-Committee on Economic and Financial matters and Statistics meetings, the delegation of the EC stated that in 2011 the Albanian banking system will continue to support the economy.

In the second meeting of the Sub-Committee on Internal Market and Competition, the Bank of Albania reported on improvements to the regulatory framework on the banking system and capital movement. At the conclusion of this meeting, the delegation from the EC welcomed the developments in the legal and regulatory framework and urged to benefit as much as possible from the implementation of the Twinning Project.

- *EU ASSISTANCE*

Year 2011 marked the beginning of the implementation of Component II of the Twinning Project of the Bank of Albania with the Bank of Italy in partnership with the Bank of France, funded by the EU Instrument for Pre-Accession Assistance (IPA). It sets out activities by project modules: banking supervision and financial stability, statistics, payment systems, interbank money market, financial literacy and coordination of European integration.

- *SUPERVISION AND FINANCIAL STABILITY*

Project activities under this module focused on training the Supervision Department and Financial Stability Department staff and providing technical assistance to develop instruments and manuals necessary for banking supervision. Training activities addressed issues on supervision of bank risks such as: liquidity management, operational risk, internal evaluation models, main IFRS issues (for example, assessment IAS39 of financial instruments) and advanced supervisory reporting systems, regulatory framework of Basel and criteria of the Capital Adequacy Directive (Pillars I, II and III), most recent instructions on stress-tests and early-warning indicators. The technical assistance and consultation programme aims to establish eight products to advance banking supervision in the field of supervisory systems of bank examination; review of regulations and reporting formats; macroprudential supervision and support with technological infrastructure.

- *FINANCIAL LITERACY*

The activities under this module, in cooperation with foreign experts, focused on conducting surveys to measure, for the first time, the overall financial literacy in Albania as well as the effectiveness of educational activities of the Bank of Albania with high school-students. Given the increasing importance of financial literacy in the world, high-level conferences were organised to bring the best international practices and various initiatives in this regard to Albania.

- *STATISTICS*

Activities that fall under this module focused on training and technical assistance on statistics BP/PIN, concentrating in particular on direct and

portfolio investments as well as on specific on-the-job training on methods of data collection, questionnaires, business registry, computerised instruments for data collection, etc. Therefore, the aim is to develop a model to improve the quality of statistics systems BP/PIN, conform to European standards. In addition, this module will address issues on financial statistics to facilitate reporting so as to include transactions of the banking system.

- *PAYMENT SYSTEMS*

Activities under this module focus on developing instruments and methodology for the supervision of payment systems. In the field of payment systems and infrastructure, the aim is to strengthen human resources capacities on payment and settlement systems management and the gradual use of methods and procedures employed by the European System of Central Banks (ESCB).

- *INTERBANK MARKET*

Activities under this module, in cooperation with foreign experts, aim to promote further the interbank money market in Albania, by identifying strategies and potential to include money market operators, development of the secondary market of government bonds and determining software programmes, as a trading platform in the interbank market. In addition, training aims to build human resources capacities as regards the development of collateralised money market, focusing in particular on operational tasks of the Bank of Albania in this market, its supervision and collateral assessment methodology. The technical assistance is provided in drafting fundamental principles of internal manuals, which pertain to the supervision of the interbank money market.

- *COORDINATION OF EUROPEAN INTEGRATION*

Activities under this module focus on raising the capacities of the Bank of Albania staff, taking into consideration the next steps in the European integration arising from the implementation of the SAA, approximation with the European System of Central Banks, granting of the status of the candidate country for membership and opening of accession negotiations with the European Union. In addition, the aim is to enhance the effectiveness of coordinating activities with regard to successful representation of our institution at the ESCB and ECB and development of the relevant coordinating instruments.

## BOX 13 TWINNING PROJECT

The Twinning Project is funded with EUR 1 million from the EU Instrument for Pre-Accession Assistance (IPA 2008).

The Twinning Project started on 22 November 2010 for an 18-month period and the twinning banks are the Bank of Italy and the Bank of France. The Project consists in two main components:

- Component I envisages designing of a Development Plan, according to the needs assessment for each field as well as identification of activities to address deficiencies;
- Component II envisages implementation of identified activities, to achieve the objectives of each module.

The activities envisaged under this Project are realised through periodic study visits by Bank of Albania experts to the Bank of Italy and the Bank of France, as well as through foreign experts' visits to the Bank of Albania. In addition, during the 18 months of the project implementation, a representative of the Bank of Italy serves as Resident Twinning Advisor. The Bank of Albania has involved more than 80 staff with Twinning Project activities. The unit in charge for coordinating Twinning Project activities is the Stakeholders Committee, which:

- Monitors project implementation in line with the Development Plan and coordinates the activities with other technical assistance projects;
- Analyses and approves quarterly and final reports of the Project;
- Ensures access to necessary information and supports the relevant experts.

The committee is composed of senior representatives of the Bank of Albania, Bank of Italy, Bank of France and the Delegation of the European Union to Albania. Moreover, in the Committee's meetings, relevant experts by module are invited.

## IX.4 STRENGTHENING HUMAN AND INFRASTRUCTURE CAPACITIES

### • STRENGTHENING ADMINISTRATIVE CAPACITIES

The medium term development plan of the Bank of Albania 2009-2011 set out the strengthening of administrative capacities as one of the major objectives in the field of human resources. In this area, the Bank of Albania's objective is to:<sup>3</sup>

- raise staff training and qualification level across all the realms of the Bank of Albania's operation;
- provide opportunities to further staff academic level (degrees), in accordance with their functions, duties and qualification;
- elevate the Bank of Albania to highly regarded institution not only for its administrative profile but also the scientific one.

<sup>3</sup> Medium-term development plan of the Bank of Albania 2009-2011, Chapter 4.7 "Human Resources".



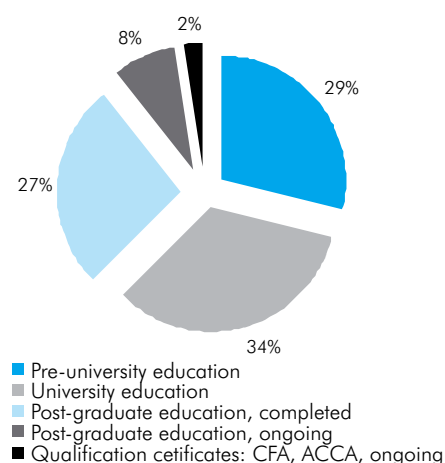
Raising staff qualification level aims at enhancing the research work at the Bank of Albania, to make it not only an administrative public institution, but also a research centre to serve more effectively and comprehensively to drafting and implementing the monetary policy of the Bank of Albania as well as other aspects of its activity.

In 2011, in the framework of this development plan, the Bank of Albania was engaged to develop major projects in the field of human resources such as measures to achieve the objective of raising professional qualification of staff by relevant profiles and positions, as the best way to develop the institution and their preparation for future challenges.

Ongoing training of Bank of Albania staff has been a necessary element to:

- Improve administrative and operational structures of the Bank of Albania conform to European System of Central Bank standards and developments in the international financial markets;
- Professional adaption in response to the impact of the global financial crisis and new developments in the financial market at home;
- Update of the necessary information on individual duties of the staff and familiarisation with the latest developments in other central banks.

Chart 1 Staff structure by qualification



Source: Bank of Albania.

Training activities provided (at home or abroad) focused on issues related to:

- a) Banking supervision;
- b) Monetary policy;
- c) Financial stability in post-financial crisis;
- d) Statistics;
- e) Legal aspects of central banking, approximation of the national legislation with EU standards;
- f) Foreign reserve administration;
- g) Money issue and administration;
- h) Internal audit, etc.

#### • INFRASTRUCTURE IMPROVEMENT

Over the past two years, the Bank of Albania has undertaken some major projects to address the need for coping with the flow of its activities in line with international standards. These undertakings will improve infrastructure and work conditions through the use of state-of-the-art technology as regards engineering infrastructure; overall protection and security of the Bank of Albania; enhancing quality of work in the fields of information technology and

public communication; and approximation of its institutional image to that of European central banks. These projects represent an important contribution to maintaining and promoting cultural heritage of Tirana. The main projects are:

- Renovation of the central building of the Bank of Albania, at the heart of Tirana is expected to finish in 2013 and occupies an area of 12,000 square metres. The building of the Bank of Albania, retaining the original shape by Vittorio Ballio Morpurgo 74 years ago, will remain history, but it will continue to live in the present as part of new premises. The primary goal is to restore the building to its original state. During the renovation process, various architectural elements (doors, windows, and fine works) will be refined, renovated or replaced. The observance of architectural values of this building has been the main requirement of the Bank of Albania for the winning project. Consequently, artistic elements such as bass reliefs and mosaics, will be renovated under the supervision of experts from the Institute of Monuments of Culture in Tirana and Italian experts.

According to the philosophy of the Bank of Albania, this project, in addition to the office space, will meet the need for more complete and transparent relations with the public. In this context, it is foreseen that in its central building, the Bank of Albania will have its first museum. The museum of the Bank of Albania will preserve and leave to the future generations the numismatic collection and will educate the public on the objectives, role, activity and the future of the institution.

- The renovation of former Hotel Dajti. The activity of the Bank of Albania over the recent years has been characterised by substantial qualitative and quantitative developments, which have increased the need for office space to allow for its daily activities. The Bank of Albania is an institution that exercises a series of unique functions, leading to increasing functional requirements, numerous engagements in international activities, necessary requirements as regards information technology and a series of other requirements that dictate the need for additional work facilities. Under these circumstances, the renovation of former Hotel Dajti provides a long-term solution for new premises, which would supplement the infrastructure provided by the central building.

Hotel Dajti was built in the 1930s by Gherardo Bosio, a Florentine architect of the "Rationalism" school of the XX century. It was built only a short distance in time from the building of the central building of the Bank of Albania.

The new project will restore the building to its original state, regardless of the deterioration it has suffered over the years. The renovation will be made according to the original ideas of Architect Bosio, taking into account contemporary conditions, and the surrounding green space.

- The premises for the Issue Department. The new building will provide this Department with optimum conditions to enhance security measures in line with European parameters, contributing to upgraded technology of money processing.

## IX.5 INTERNAL AUDIT

The Internal Audit Department is an integral part of the Bank of Albania structure. It has an independent function from the day-to-day economic-financial activity and serves to control and assess the activity within the Bank of Albania, in compliance with the regulatory framework approved by the Supervisory Council of the Bank of Albania.

Pursuant to the law “On the Bank of Albania”, the primary objective of the Internal Audit Department is to ensure adequate implementation of the law and bylaws on the activity of the Bank of Albania. Another objective of the Internal Audit Department is to act as an overall controller and consultant for the administrators and the Supervisory Council, by providing its contribution towards maintaining the integrity of information, efficient use of resources and effectiveness of internal audit systems at the Bank of Albania.

In compliance with the provisions of the law regarding its duties, the Internal Audit Department of the Bank of Albania aims at ensuring constant compliance of its activity with international internal audit standards, through: (i) strengthening the independence of the internal audit, and (ii) increasing the quality of the internal audit. Other objectives for the function of the internal audit include better harmonisation of the risks assessment for the functions of the central bank with the frequency of their auditing, and expansion of the map of risks that are assessed as part of the audit as well as legal and reputational risks.

In 2011, the activity of the Internal Audit Department was in line with the plan approved by the General Inspector. Throughout the year, 8 auditing engagements took place, and 50 full or partial processes were examined, from 19 functions and 92 processes identified in total in the auditing universe of the Bank of Albania for 2011. Mainly, the auditing engagements focused on the assessment of internal audit adequacy established for the audited functions and support applications, based on the accomplishment of objectives such as:

- Assessment of implementation and compliance of the audited function with the legal and regulatory framework;
- Assessment of the suitability and accuracy of registrations and accounts that are related to the function;
- Assessment of suitability of information technology applications that support the function; and
- Assessment of the level of the function risk.

The findings and recommendations in the auditing reports, for each of the engagements in 2011, are submitted initially to heads of the administrative units subject to auditing and later to the administrators of the Bank of Albania. A summary of these findings and recommendations in the form of periodic reports were also submitted to the Supervisory Council of the Bank of Albania.

In addition to auditing duties, the internal Audit Department has also provided consultancy to administrators and other organisational units of the Bank of Albania, with its contribution to drafting the policy "On operational risk management at the Bank of Albania", on the plan for business continuation, and accounting policies and standards for drafting financial statements of the Bank of Albania.

## IX.6 BANKING LEGISLATION HIGHLIGHTS IN 2011

During 2011, the Bank of Albania continued its commitment to complete and review the legal and regulatory framework in compliance with the EU legislation and conform to the recent dynamics at home. Following is a summary of the most important banking legal and sub-legal amendments, drafted in 2011.

- *IMPROVEMENTS TO THE BANKING LEGISLATION*

In the framework of improving and consolidating the legal and regulatory framework to achieve the main objectives that arise from the banking legislation, such as maintaining and guaranteeing financial stability of the system, the Bank of Albania in 2011 completed the drafting of the draft law "On some amendments to law no 9662, dated 18.12.2006 "On Banks in the Republic of Albania", which was approved by the Assembly of the Republic of Albania, by law no 10481, dated 17.11.2011.

These amendments aimed at further approximation with European Union directives in the field of banking and financial services as well as the best international standards and practices on handling and solutions for problematic banks (such as principles of the Banking Supervision Committee of the Bank for International Settlement and the International Monetary Fund on the legal, institutional, and regulatory framework for insolvent banks).

- *LEGAL ACTS ON PAYMENT SYSTEMS*

With regard to the security and efficiency of the payment system, in autumn 2011, the Bank of Albania sent to the Ministry of Finance the draft law "On Payment Systems", to follow the parliamentary procedures for its approval.. This draft law presents full alignment with fundamental principles of EU directives in the field of payment systems and in particular Directive 98/26/EC amended, on settlement finality in payment and securities settlement systems, Directive 2002/47/EC, amended, on financial collateral arrangements and the Basel Committee core principles for systemically important payment systems.

- *IMPROVEMENT OF THE REGULATORY FRAMEWORK ON SUPERVISION OF BANKS AND NON-BANK FINANCIAL INSTITUTIONS*

New regulatory acts and amendments relevant to legal acts in force on banking supervision approved by the Supervisory Council of the Bank of Albania in 2011 are as follows:

- Regulation "On operational risk management" (Decision No 03, dated 19.01.2011)<sup>4</sup>
- Regulation "On minimum requirements for the security in premises where bank and financial activities take place" (Decision No 4, dated 19.01.2011).
- Regulation "On chartered accountant for banks" (Decision No 42, dated 15.06.2011).
- Regulation "On credit risk management" (Decision No 62, dated 14.09.2011).

In addition, the regulatory framework in force was revised for further improvement as follows:

- Regulation "On consumer credit and mortgage credit for households" (Decision No 13, dated 09.03.2011) and Regulation "On transparency for bank and financial products and services" (Decision No 14, dated 09.03.2011).
- Regulation "On licensing and exercise of the activity of banks and branches of foreign banks in the Republic of Albania" (Decision No 33, dated 11.05.2011).
- Regulation "On licensing and exercise of activity by non-bank financial institutions" (Decision No 43, dated 15.06.2011).
- Regulation "On capital adequacy ratio" (Decision No 63, dated 14.09.2011).
- Regulation "On liquidity risk management" (Decision No 75, dated 26.10.2011).
- Regulation "On licensing, organisation, activity and supervision of bureaux de change" (Decision No 82, dated 14.12.2011).

<sup>4</sup> The scope of the new regulations or regulatory amendments on supervision of bank and non-bank financial institutions is addressed under VI.5.2 heading.



The true history of mankind will be written only when Albanians participate in its writing.

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The true history of mankind will be written only

The true history of mankind will be written only when Albanians participate in its writing.

Maximilian Lambertz  
Austrian Albanologist

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The true history of mankind will be written only when Albanians participate in its writing.





## CHAPTER X BANK OF ALBANIA FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011 (WITH INDEPENDENT AUDITOR'S REPORT THEREON)



Grant Thornton Albania Sh.p.k.  
Blv. Bajram Curri  
ETC, 9<sup>th</sup> floor, No.1  
Tirana, Albania  
T +355 4 22 74 832  
F +355 4 22 56 560  
[www.grant-thornton.com.mk](http://www.grant-thornton.com.mk)

### INDEPENDENT AUDITORS' REPORT

#### TO THE SUPERVISORY COUNCIL OF BANK OF ALBANIA

We have audited the accompanying financial statements of Bank of Albania ("the Bank"), which comprise the statement of financial position as at 31 December 2011, and the separate income statement, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

#### MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the accounting policies adopted by the Supervisory Council of Bank of Albania as disclosed in Note 2 (a) to the financial statements, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due

to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### OPINION

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2011, and of its financial performance and its cash flows for the year then ended in accordance with accounting policies adopted by the Supervisory Council of Bank of Albania as disclosed in Note 2 (a) to the financial statements.

#### OTHER MATTER

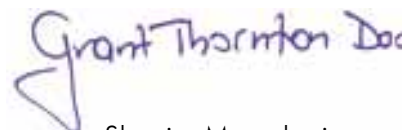
The financial statements of the Bank for the year ended 31 December 2010 were audited by another auditor who expressed an unmodified opinion on those statements on 10 March 2011.

Grant Thornton Albania sh.p.k.



Tirana, Albania  
28 March 2012

Grant Thornton DOO



Skopje, Macedonia  
28 March 2012

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER  
2011  
(amounts in Lek million, unless otherwise stated)

	Notes	31 December 2011	31 December 2010
<b>ASSETS</b>			
Assets denominated in foreign currencies			
Gold and precious metals	5	11,724	10,155
Accounts with the International Monetary Fund	6	15,828	15,751
Deposits with non resident banks	7	28,604	31,637
Available for sale investments	8.1	206,549	203,336
Held for trading investments	8.2	13,170	12,566
Other foreign assets	9	601	1,183
Total assets denominated in foreign currencies		276,476	274,628
Domestic assets			
Gold and precious metals	5	5,577	4,926
Transit credits	10.1	-	15
Loans to resident banks	10.2	25,485	12,520
Available for sale investments	11	63,616	63,630
Other domestic assets	12	9,639	9,229
Total domestic assets		104,317	90,320
Total Assets		380,793	364,948
<b>LIABILITIES</b>			
Liabilities denominated in foreign currencies			
Due to the International Monetary Fund	13	19,550	20,516
Due to non-resident financial institutions	14	1,243	1,256
Total liabilities denominated in foreign currencies		20,793	21,772
Domestic liabilities			
Currency in circulation	15	208,880	202,359
Due to resident banks	16	88,570	80,815
Due to the Government	17	11,863	11,600
Other domestic liabilities	18	1,189	1,279
Total domestic liabilities		304,405	296,053
<b>CAPITAL AND RESERVES</b>			
Capital		2,500	2,500
Legal reserve	19	12,500	11,697
Revaluation reserve	20	22,922	15,310
Property revaluation surplus		1,828	1,868
Other reserves	21	15,748	15,748
Total capital and reserves		55,498	47,123
Total liabilities, capital and reserves		380,793	364,948

The statement of financial position is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 185 to 221.

SEPARATE INCOME STATEMENT FOR THE YEAR ENDED 31  
DECEMBER 2011  
(amounts in Lek million, unless otherwise stated)

	Notes	Year ended 31 December 2011	Year ended 31 December 2010
Operations with non-residents			
Interest and commission income	22	5,347	4,499
Interest and commission expense	23	(2,688)	(2,461)
Operations with non-residents, net		2,659	2,038
Operations with residents			
Interest and commission income	24	5,196	6,736
Interest and commission expense	25	(1,670)	(1,625)
Operations with residents, net		3,526	5,111
Other operating income, net	26	939	1,353
Net trading income	27	181	220
Profit/ (Loss) from exchange rate		5,823	13,043
Total income from Banking activities		13,128	21,765
Other administrative expenses			
Personnel expenses	28	(1,019)	(945)
Depreciation	12	(220)	(162)
Amortization	12	(147)	(275)
General and administrative expenses		(675)	(565)
Total other administrative expenses		(2,061)	(1,947)
Net income from Banking activities		11,067	19,818

Profit distribution as of 31 December 2011:

	Notes	Year ended 31 December 2011	Year ended 31 December 2010
Net income from Banking activities		11,067	19,818
Transfer (to)/ from revaluation reserve		(5,823)	(13,043)
Profit before distribution		5,244	6,775
Provisions	18	(8)	(1)
Net profit before allocation		5,236	6,774
Allocation of profit			
Reversal of property revaluation surplus		40	39
Distribution of profit to Legal Reserve		(803)	(1,703)
Distribution of profit to Albanian Government		(4,473)	(5,110)
Total		5,236	6,774

The statement of financial position is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 185 to 221.

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR  
ENDED 31 DECEMBER 2011  
(amounts in Lek million, unless otherwise stated)

	Notes	Year ended 31 December 2011	Year ended 31 December 2010
Net income from Banking activities		11,067	19,818
Other comprehensive income:			
Property revaluations		(40)	(39)
Available for sale financial assets		1,783	(60)
Other comprehensive income for the year		1,743	(99)
Total comprehensive income for the year		12,810	19,719

The statement of financial position is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 185 to 221.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2011  
(amounts in Lek million, unless otherwise stated)

	Capital	Legal reserve	Revaluation reserve	Property revaluation surplus	Other reserves	Retained earnings	Net profit	Total
As at 1 January 2011	2,500	11,697	15,310	1,868	15,748	-	-	47,123
Transactions driven by law and with the Albanian Government recorded directly in equity								
Transfer to/ from revaluation reserves	-	-	5,823	-	-	-	(5,823)	-
Other revaluations	-	-	6	-	-	-	-	6
Reduction for Provisions (Note 18)	-	-	-	-	-	-	(8)	(8)
Profit distribution (Note 19)	-	803	-	-	-	(40)	(5,236)	(4,473)
Total contributions by and distributions to the Albanian Government	-	803	5,829	-	-	(40)	(11,067)	(4,475)
Transfer of revaluation surplus to retained earnings	-	-	-	-	-	40	-	40
Total comprehensive income for the year	-	-	-	-	-	-	11,067	11,067
Net income from Banking activity	-	-	-	-	-	-	-	-
Other comprehensive income	-	-	1,783	-	-	-	-	1,783
Securities revaluation	-	-	-	(40)	-	-	-	(40)
Release of tangible fixed asset revaluation surplus	-	-	-	(40)	-	-	-	(40)
Total other comprehensive income	-	-	1,783	(40)	-	-	-	1,743
Total comprehensive income for the year	-	-	1,783	(40)	-	-	11,067	12,810
As at 31 December 2011	2,500	12,500	22,922	1,828	15,748	-	-	55,498

	Capital	Legal reserve	Revaluation reserve	Property revaluation surplus	Other reserves	Retained earnings	Net profit	Total
As at 1 January 2010	2,500	9,994	2,339	1,907	15,748	-	-	32,548
Transactions driven by law and with the Albanian Government recorded directly in equity								
Transfer to/ from revaluation reserves	-	-	13,043	-	-	-	(13,343)	-
Other revaluations	-	-	(72)	-	-	-	-	(72)
Reduction for Provisions (Note 18)	-	-	-	-	-	-	(1)	(1)
Profit distribution (Note 19)	-	1,703	-	-	-	(39)	(6,774)	(5,110)
Total contributions by and distributions to the Albanian Government	-	1,703	12,971	-	-	(39)	(19,818)	(5,183)
Transfer of revaluation surplus to retained earnings	-	-	-	-	-	39	-	39
Total comprehensive income for the year	-	-	-	-	-	-	-	-
Net income from Banking activity	-	-	-	-	-	-	19,818	19,818
Other comprehensive income	-	-	-	-	-	-	-	-
Securities revaluation	-	-	(60)	-	-	-	-	(60)
Release of tangible fixed asset revaluation surplus	-	-	-	(39)	-	-	-	(39)
Total other comprehensive income	-	-	(60)	(39)	-	-	-	(99)
Total comprehensive income for the year	-	-	(60)	(39)	-	-	19,818	19,719
As at 31 December 2010	2,500	11,697	15,310	1,868	15,748	-	-	47,123

The statement of financial position is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 185 to 221.


STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31  
DECEMBER 2011  
(amounts in Lek million, unless otherwise stated)

	Notes	Year ended 31 December 2011	Year ended 31 December 2010
Cash flows from operating activities			
Net profit before allocation		5,236	6,774
Non-cash items in the statement of operation			
Interest and commission income (non-residents)	22	(5,347)	(4,499)
Interest and commission expense (non-residents)	23	2,688	2,461
Interest and commission income (residents)	24	(5,196)	(6,736)
Interest and commission expense (residents)	25	1,670	1,625
Net trading securities income	27	(181)	(220)
(Profit) /Loss from sale of available for sale investments	26	(823)	(1,321)
Gain from forward foreign exchange contracts and futures contracts	26	(114)	-
Provision for doubtful loans		8	1
Depreciation and amortization	12	367	437
Cash flow before the movement of working capital		(1,692)	(1,478)
Changes in working capital			
Increase in accounts with the IMF	6	(79)	(1,012)
Increase in other foreign assets	9	(7)	(16)
Decrease in transit loans	10.1	15	31
Increase in other domestic assets	12	(91)	(270)
(Decrease) /Increase in due to the IMF	13	(963)	62
Decrease in due to financial institutions	14	(13)	(24)
Increase in due to resident Banks	16	7,765	12,736
Increase/ (Decrease) in due to the Government	17	1,500	(1,929)
(Decrease) /Increase in other domestic liabilities	18	(99)	139
Purchase of held for trading securities (in foreign currency)		(9,723)	(31,986)
Sale of held for trading securities (in foreign currency)		9,580	31,763
Cash flows (used in) /generated from operations		7,885	9,494
Interest received		6,186	5,585
Interest paid		(1,720)	(1,675)
Net cash (used in) /generated from operating activities		10,659	11,926

	Notes	Year ended 31 December 2011	Year ended 31 December 2010
Cash flows from investing activities			
Purchase of property and equipment	12	(660)	(4,461)
Purchase of intangible assets	12	(16)	(9)
Purchase of available for sale investments (in foreign currency)		(347,996)	(367,942)
Purchase of available for sale investments (domestic assets)		(127,247)	(157,505)
Sale and maturity of available for sale investments (in foreign currency)		348,500	323,291
Sale and maturity of available for sale investments (domestic assets)		131,352	175,928
Increase in repurchase agreements	10.2	(12,941)	19,706
Adjustment for effect of foreign exchange		2,134	7,155
Net cash used in investing activities		(6,874)	(3,837)
Cash flows from financing activities			
Increase in money in circulation emissions	15	(5,000)	(6,000)
Distributed profit		(5,710)	(4,936)
Net cash generated from financing activities		(10,710)	(10,936)
(Decrease) /Increase in cash during the year		(6,925)	(2,847)
Cash and cash equivalents at the beginning of the year	29	72,996	75,843
Cash and cash equivalents at the end of the year	29	66,071	72,996

The statement of financial position is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 185 to 221.

The financial statements were authorised by the Supervisory Council on 29 February 2012 and signed on its behalf by:

  
Ardian Fullani  
Governor of the Bank

  
Fatos Ibrahim  
Director of Accounting and Finance Department



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011 (amounts in Lek million, unless otherwise stated)

### 1. GENERAL

The Bank of Albania (the 'Bank') is the Central Bank of the Republic of Albania and was established according to the Law No. 8269, dated 23 December 1997 'On the Bank of Albania'.

Under the terms of its charter the Bank's main responsibilities are:

- formulating, adopting and executing the monetary policy of Albania, which shall be consistent with its primary objective;
- formulating, adopting and executing the foreign exchange arrangement and the exchange rate policy of Albania;
- issuing or revoking of licenses and supervising banks that engage in the banking business in order to secure the stability of the banking system;
- holding and managing its official foreign reserves;
- acting as banker and adviser to, and as fiscal agent of, the Government of the Republic of Albania;
- promoting an effective operation of payments system.

The Bank is subject to the regulatory requirements of the Parliament of the Republic of Albania and the Law 'On the Bank of Albania'.

### 2. BASIS OF PREPARATION

#### (a) Statement of compliance

The financial statements have been prepared in accordance with the accounting policies adopted in the Bank's Accounting Manual approved from the order No.50 of the Council of Ministers, dated 26 January 2001 and other policies approved by the Supervisory Council of the Bank of Albania.

These accounting policies are broadly in line with International Financial Reporting Standards ('IFRS') approved by the International Accounting Standards Board ('IASB').

#### (b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following:

- financial instruments at fair value through profit or loss are measured

- at fair value
- available-for-sale financial assets are measured at fair value
- gold is measured at fair value
- buildings are measured at revalue amount.

### (c) Functional and presentation currency

These financial statements are presented in Albanian Lek ('LEK'), which is the Bank's functional currency. Except as indicated, financial information presented in LEK has been rounded to the nearest million.

### (d) Use of estimates and judgments

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in Note 4.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements. The most significant exception from IFRS is explained below:

### IAS 39 'Financial Instruments: Recognition and Measurement'

Interest income and expenses on financial assets and liabilities are recognized in profit or loss on an accrual basis, calculated on the straight line method (see Note 3.a). This method is not in accordance with IAS 39, which requires the calculation on an effective interest basis. Additionally, borrowings from international financial institutions are recognized at cost rather than fair value as required by IAS 39.

#### a. Interest and commission recognition

Interest income and expense are recognized in profit or loss on an accrual basis. Interest income and expense include the interest earned on coupons, as well as the amortization of any discount or premium or other differences between the initial carrying amount of an interest bearing instrument and its amount at maturity calculated on a straight line basis.

Interest income and expense on all trading assets and liabilities are considered to be incidental to the Bank's trading operations and are presented together with all other changes in the fair value of trading assets and liabilities in net trading income.

Fee and commission income and expenses arise on financial services provided by the Bank and are recognized when the corresponding service is provided. Other operating income/expense includes gains and losses arising from disposals and changes in the fair value of available for sale assets.

#### b. Foreign currency transactions

Transactions in foreign currencies are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the reporting date. Some non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are initially recognized in profit or loss in the period in which they arise, and are then transferred to 'Revaluation reserves' in capital and reserves, according to the Law No. 8269, dated 23 December 1997 'On the Bank of Albania'.

The Bank during the normal course of business enters into foreign exchange transactions with settlement dates 1 or 2 days after the trade date. These transactions are recorded in the financial statements on the settlement date. Foreign currency differences are recognised in profit or loss on the settlement date.

The applicable official Bank rate (LEK to the foreign currency unit) for the principal currencies as at 31 December 2011 and 31 December 2010 were as below:

	31 December 2011	31 December 2010
United States dollar (USD)	107.54	104
European Union currency unit (EUR)	138.93	138.77
British pound (GBP)	165.92	161.46
Special Drawing rights (SDR)	164.54	160.16
Japanese yen (JPY)	1.3880	1.2790
Gold ('XAU') per 1 onz	169,321.73	146,666.00

#### c. Net trading income

Net trading income comprises gains less losses related to trading assets and liabilities, and includes all realised and unrealised fair value changes, interest, and foreign exchange differences.

#### d. Lease payments made

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

#### e. Taxation and Profit distribution policy of the Bank

The Bank is not subject to income tax based on the law 'On the Bank of Albania'.

The Bank's policy of distribution of profit from banking operations is defined in the Law 'On the Bank of Albania'. According to this law, the Bank allocates all the realized profit to the State Budget after having fulfilled its requirement for reserve fund as required from the Supervisory Council of the Bank.

According to Article 64, point (a) of the Law 'On the Bank of Albania', the net gain / losses arising from the revaluation of assets and liabilities denominated in foreign currencies, is transferred to the equity to a revaluation reserve account 'Revaluation reserves'. According to Article 64, point (b), the Government of Albania issues debt securities at market interest rates to cover any negative balance of the revaluation reserve arising from the Bank's activity.

According to the requirements of Article 9 of the Law 'On the Bank of Albania', the Bank sets aside 25 per cent of the net profit for the year into a Legal Reserve until the reserve amounts to 500% of the capital (see accounting policy 3.f).

According to Article 11 of the Law 'On the Bank of Albania' no transfer, redemption or payment under Articles 8, 9 or 10 of this law shall be made if the assets of the Bank are less than the sum of its liabilities and paid-up capital. If such conditions arise, based on the 'On the Bank of Albania' under article 7, the Ministry of Finance might have to transfer interest bearing negotiable government securities to the Bank, in such amount as would be necessary to remedy the deficiency.

#### f. Legal reserve

Subsequent to the allocation of reserves as required by the Law 'On the Bank of Albania' (see accounting policy 3.e), the Bank stipulates the remainder to be paid into the State Budget.

#### g. Financial assets and liabilities

##### (i) Recognition

All financial assets held-to-maturity, or financial assets available-for-sale are initially recognised on the settlement date. The investments held-for-trading are accounted for on the trade date. The Bank initially recognises

loans and advances, deposits, and financial liabilities on the date at which they are originated.

A financial asset or financial liability is initially measured at cost. The cost of financial assets approximates their fair value.

## (ii) Classification

See accounting policies 3(h), (i), (j) and (k).

## (iii) De-recognition

The Bank derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Bank is recognised as a separate asset or liability.

The Bank derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. The Bank writes off certain loans and investment securities when they are determined to be uncollectible (see note 4).

## (iv) Offsetting

Financial assets and liabilities are set off and the net amount presented in the statement of financial position when, and only when, the Bank has a legal right to set off the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted by the accounting policies of the Bank, or for gains and losses arising from a group of similar transactions such as in the Bank's trading activity.

## (v) Fair value measurement

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date. When available, the Bank measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis.

For investments traded in organized financial markets, fair value is determined by reference to stock exchange quoted market bid prices at the close of business on the reporting date. For investments where there is no quoted market price, a reasonable estimate of the fair value is determined

by reference to the current market value of another instrument, which is substantially the same.

#### (vi) Identification and measurement of impairment

At each reporting date the Bank assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset, and that the loss event has an impact on the future cash flows of the asset that can be estimated reliably.

Financial assets, other than those 'Held for trading', are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, as follows:

- For loans originated by the Bank – the recoverable amount of originated loans is calculated based on the year-end evaluations of loans, including the accrued interest. In determining the recoverable amounts of loans to employees, management considers particular factors, including the review of repayment history of the debt by its former employees. The provision for impairment losses on loans is reported in profit or loss as a charge and is deducted from the relevant asset category in the statement of financial position. When it is determined that a loan cannot be recovered, all the necessary legal procedures have been completed and the final loss has been determined, the loan is written off.
- For financial assets held to maturity – the carrying amount of the asset is reduced to its estimated recoverable amount either directly or through the use of an allowance account and the amount of the loss is included in profit or loss.
- For financial assets available for sale –when a decline in the fair value of an available-for-sale financial asset has been recognized directly in other comprehensive income and there is objective evidence that the asset is impaired, the cumulative loss that had been recognized directly in other comprehensive income shall be removed from other comprehensive income and recognized in profit or loss even though the financial asset has not been derecognized.

#### (vii) Securities lending agreements

Investments lent under securities lending agreements are reported in the statement of financial position and are valued in accordance with the

accounting policies applicable to assets held for trading and assets available-for-sale. Investments lent under securities lending agreements continue to be recognized in the Bank's statement of financial position. The Bank receives cash or securities collateral for such lendings. Income arising from the securities lending agreements is reported as interest income.

#### **h. Cash and cash equivalents**

Cash and cash equivalents include notes and coins on hand and current accounts and time deposits with original maturities of less than three months. These assets are carried at amortised cost in the statement of financial position.

For the purposes of the statement of cash flows, the Bank includes gold and precious metals as part of cash and cash equivalents (See accounting policy 3.m).

#### **i. Trading assets and liabilities**

Trading assets and liabilities are those assets and liabilities that the Bank acquires or incurs principally for the purpose of selling or repurchasing in the near term, or holds as part of a portfolio that is managed together for short-term profit or position taking.

Trading assets and liabilities are initially recognised at cost and subsequently measured at fair value in the statement of financial position with transaction costs taken directly to profit or loss. All changes in fair value are recognised as part of net trading income in profit or loss. Trading assets and liabilities are not reclassified subsequent to their initial recognition.

#### **j. Available for sale investments**

Investment securities are initially measured at cost. Available-for-sale investments are subsequently carried at fair value. Interest income is recognised in profit or loss on an accrual basis.

Fair value changes are recognised directly in other comprehensive income until the investment is sold or impaired, whereupon the cumulative gains and losses previously recognised in other comprehensive income are recognised in profit or loss.

#### **k. Loans and advances**

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Bank does not intend to sell immediately or in the near term.

When the Bank purchases a financial asset and simultaneously enters into an agreement to resell the asset (or a substantially similar asset) at a fixed price on a future date ("reverse repo"), the arrangement is accounted for as

a loan or advance, and the underlying asset is not recognised in the Bank's financial statements.

Interest income is recognised in profit or loss on an accrual basis.

### **l. Derivatives held for risk management purposes**

Derivatives held for risk management purposes include all derivative assets and liabilities that are not classified as trading assets or liabilities. Derivatives held for risk management purposes are measured at fair value in the statement of financial position.

### **m. Gold and other precious metals**

Gold and other precious metals are valued at market value based on the official London Bullion Market price at the reporting date. This valuation is in line with local legislation.

### **n. Property and equipment**

#### **(i) Recognition and measurement**

Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, except for land and buildings, which are stated at re-valued amount, calculated using the replacement cost method.

Any revaluation increase arising on the revaluation of land and buildings is credited in other comprehensive income to the property revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognized in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in the carrying amount arising on the revaluation of such land and buildings is charged to profit or loss to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset. Cost includes expenditures that are directly attributable to the acquisition of the asset.

#### **(ii) Subsequent costs**

The cost of replacing a part of an item of property or equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Bank and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.



### (iii) Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment. Land and work in progress are not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

Buildings, Head Office	40 years
Buildings, branches	25 years
Vehicles	5 - 10 years
Furniture, fixtures and equipment	3 - 20 years

Depreciation methods, useful lives and residual values are reassessed at the reporting date.

### o. Intangible assets

#### (i) Printing and minting costs

The costs of printing banknotes and minting coins are capitalized as intangible assets and amortized over 2.5 years and 10 years, respectively.

#### (ii) Software

Software acquired by the Bank is stated at cost less accumulated amortisation and accumulated impairment losses.

Subsequent expenditure on software is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful life of the software, from the date that it is available for use. The estimated useful life of software is two years.

### p. Impairment of non-financial assets

The carrying amounts of the Bank's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects

current market assessments of the time value of money and the risks specific to the asset.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

#### q. Grants

Grants are recognised initially as deferred income when there is reasonable assurance that they will be received and the Bank will comply with the conditions associated with the grant. Grants that compensate the Bank for expenses incurred are recognised in profit or loss on a systematic basis in the same periods in which the expenses are recognised. Grants that compensate the Bank for the cost of an asset are recognised in profit or loss on a systematic basis over the useful life of the asset.

#### r. Borrowings from the International Monetary Fund (IMF)

The borrowings of the Government of the Republic of Albania from the IMF are undertaken through the Bank and are shown on the statement of financial position of the Bank. The interest on these borrowings is paid directly by the Bank. Borrowings from the IMF are denominated in Special Drawing Rights. Borrowings from IMF are initially measured at cost.

#### s. Repurchase agreements

When the Bank sells a financial asset and simultaneously enters into an agreement to repurchase the asset (or a similar asset) at a fixed price on a future date ("repo"), the arrangement is accounted for as a deposit, and the underlying asset continues to be recognised in the Bank's financial statements.

Repurchase agreements are included in 'Due to domestic Banks'. Based on the Bank's regulation on repurchase agreements, the Bank is not required to put up any collateral for these securities.

Interest earned on reverse repurchase agreements and interest incurred on repurchase agreements is recognized as interest income or interest expense, over the life of each agreement using the interest rate approved by the Supervisory Council of the Bank of Albania.

#### t. Provisions

A provision is recognised if, as a result of a past event, the Bank has a present legal or constructive obligation that can be estimated reliably, and it

is probable that an outflow of economic benefits will be required to settle the obligation.

#### **u. Employee benefits**

##### **(i) Defined contribution plans**

Obligations for contributions to defined contribution pension plans are recognised as an expense in profit or loss when they are due.

The Bank makes compulsory social security contributions that provide pension benefits for employees upon retirement. The local authorities are responsible for providing the legally set minimum threshold for pensions in Albania under a defined contribution pension plan.

##### **(ii) Termination benefits**

Termination benefits are recognised as an expense when the Bank is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised if the Bank has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

##### **(iii) Short-term benefits**

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A provision is recognised for the amount expected to be paid under short-term cash bonus if the Bank has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

#### **v. Comparative information**

When necessary, comparative figures are reclassified for the purposes of comparability. The Bank has not reclassified comparatives in these financial statements.

## **4. USE OF ESTIMATES AND JUDGEMENTS**

These disclosures supplement the commentary on financial risk management (see note 33).

#### **Key sources of estimation uncertainty**

## Allowances for credit losses

Assets accounted for at amortised cost are evaluated for impairment on a basis described in accounting policy 3(g)(vi).

The specific counterparty component of the total allowances for impairment applies to financial assets evaluated individually for impairment and is based upon management's best estimate of the present value of the cash flows that are expected to be received. In estimating these cash flows, management makes judgements about the counterparty's financial situation and the net realisable value of any underlying collateral. Each impaired asset is assessed on its merits, and an estimate of cash flows considered recoverable is independently approved.

## Determining fair values

The determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of valuation techniques. For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument. See also "Valuation of financial instruments" below.

## Accounting judgements in applying the Bank's accounting policies

Accounting judgements made in applying the Bank's accounting policies include:

### Printing House

At 31 December 2007 the Bank controlled the operations of the Printing House. The activity of the Printing House was terminated on 30 September 2008, based on the Decision of the Council of Ministers No.598 dated 5 September 2007 'On the termination of the economic and financial activities of the Printing House of the Bank of Albania', amended by Decision No. 862 dated 18 June 2008.

According to points 7 and 8 of Decision No. 598, the inventory and intangible assets of the Printing House were transferred to the Ministry of Finance, and the machinery used in the printing of fiscal stamps was transferred to the Tax Office. According to point 10 of the same decision the ownership of the Buildings of the Printing House was transferred to the Bank.

Following termination, the Bank has included in 'Other domestic liabilities' (see Note 18) an amount of LEK 226 million (2010: LEK 227 million), which represents other transfers between the Bank and Printing House upon termination. These transfers were based on the above mentioned decisions. The Bank has not yet taken a decision on the settlement of the total liabilities.

## Valuation of financial instruments

The Bank measures fair values using the following hierarchy of methods:

- Level 1: Quoted market price in an active market for an identical instrument.
- Level 2: Valuation techniques based on observable inputs. This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs could have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments the Bank determines fair values using valuation techniques. Valuation techniques include net present value and discounted cash flow models, comparison to similar instruments for which market observable prices exist and other valuation models. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date that would have been determined by market participants acting at arm's length.

The Bank uses widely recognised valuation models for determining the fair value of common and more simple financial instruments that use only observable market data and require little management judgment and estimation. Observable prices and model inputs are usually available in the market for listed securities, exchange traded derivatives like interest rate futures and simple over the counter derivatives. Availability of observable market prices and model inputs reduces the need for management judgment and estimation and also reduces the uncertainty associated with determination of fair values. Availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

### Balances with Banks

The fair value of these instruments is based on the Level 2 method described above.

### Investment securities

Fair value of investment securities is based on market prices or broker/dealer price quotations. The fair value of these instruments is based on the Level 1 method described above. Where this information is not available, fair value has been estimated using the Level 2 method described above.

## 5. GOLD AND PRECIOUS METALS

	31 December 2011	31 December 2010
Gold – foreign	11,724	10,155
Gold and precious metals - domestic	5,577	4,926
<b>Total</b>	<b>17,301</b>	<b>15,081</b>

As at 31 December 2011, the value of gold owned by the Bank placed in gold time deposits and current accounts abroad was LEK 11,724 million (2010: LEK 10,155 million).

Other gold and precious metals included within domestic assets include non-monetary gold, platinum and silver held in a domestic vault, valued at the London fixing rate on the reporting date, amounting to LEK 5,577 million as at 31 December 2011 (2010: LEK 4,926 million).

The total increase of LEK 2,220 million compared to prior year (2010: increase of LEK 4,280 million) results from the revaluation of gold and precious metals and is recorded in the revaluation reserve.

## 6. ACCOUNTS WITH THE INTERNATIONAL MONETARY FUND

	31 December 2011	31 December 2010
Quotas in the International Monetary Fund (IMF)	7,601	7,624
Special Drawing Rights (SDR) holdings	8,224	8,122
Accrued interest	3	5
<b>Total</b>	<b>15,828</b>	<b>15,751</b>

Accounts (Quotas) with the IMF resulted from the membership of the Republic of Albania in the IMF, according to Law No.8269 dated 23 December 1997 'On the Bank of Albania'. These deposits have as counterparty accounts due to the IMF (see Note 13).

The Republic of Albania's quotas in the IMF are LEK 7,601 million or SDR 49 million at 31 December 2011. LEK 551 million or SDR 3 million of the Republic of Albania's quotas in the IMF represents the reserve tranche held with the IMF. The IMF pays remuneration (interest) to those members who have a remunerated reserve tranche position at 0.11% (2010: 0.28%) annual floating interest rate.

The Special Drawing Rights (SDR) holdings represent deposits placed with the International Monetary Fund. The SDR holdings bear interest, which is determined on a weekly basis. The interest rate prevailing as at 31 December 2011 was 0.11% (2010: 0.3 %).

An amount of LEK 8,224 million or SDR 46 million included in SDR Holdings represents the amounts acquired through the SDR allocations at 31 December 2011 (see Note 13). The SDR allocations represent amounts received from IMF, the purpose of which was the timely response to the current and longer term needs for liquidity of the member countries. The amount of holdings above allocations was LEK 579 million or SDR 4 million (2010: LEK 683 million) at 31 December 2011.

## 7. DEPOSITS WITH NON RESIDENT BANKS

	31 December 2011	31 December 2010
Current accounts	25,532	25,350
Short-term deposits	3,030	6,201
Future contracts	35	81
Accrued interest	7	5
<b>Total</b>	<b>28,604</b>	<b>31,637</b>

Short-term deposits and current accounts earn interest at rates mostly based on the currency of the deposit or current account. The interest rate of overnight deposits is 0.29% for EUR currency and 0.01% for USD currency.

## 8. INVESTMENTS IN FOREIGN CURRENCY

### 8.1 AVAILABLE FOR SALE INVESTMENTS

The portfolio of available for sale investments in foreign currency is accounted for at market value as follows:

	31 December 2011	31 December 2010
Foreign Governments Treasury Notes	164,558	148,500
Bank for International Settlements (BIS): medium-term investments	1,476	2,186
Foreign Governments Treasury Bills	11,210	-
Agencies and Corporation Treasury Notes	26,555	13,272
Agencies Treasury Bills	2,749	39,378
<b>Total</b>	<b>206,548</b>	<b>203,336</b>

Foreign Government Treasury Notes have coupon rates varying between 0.25% up to 8.7% (2010: 0.375% up to 9%). Interest is paid semi-annually (USD and GBP) and annually (EUR) and maturities vary between January 2012 and January 2020. The yields vary from 0.1256% to 99.495% (2010: 0.39% to 4.14%).

Bank for International Settlements – medium term investments comprised of fixed coupon securities denominated in EUR with coupon rates varying between 3.7% to 3.8% (2010: 0.62% to 3.8% for USD, EUR, GBP). Interest is payable annually for investments in EUR and maturities range between March 2013 and December 2013. The yields vary from 1.045% to 1.261% (2010: 0.832% to 1.261%).

Foreign Government Treasury Bills are dominated in EUR and JPY. The yields vary between 0.11% up to 1.75%, and it's maturities are range between January 2012 up to June 2012.

Agencies and Corporation Treasury Notes are denominated in USD, GBP and EUR with coupon rates between 1.125% and 5.5% (2010: 1.125 to 5.5%). Interest is paid annually and semi-annually and maturities range from January 2012 up to September 2013. The yield is between 0.306% and 2.3998% (2010: 0.56% to 2.8%).

Agencies Treasury Bills are denominated in USD and GBP with yields that vary between 0.555% and 98.75% (2010: 0.11% to 2.2%) and maturities vary between January 2012 up to June 2013.

## 8.2. HELD FOR TRADING INVESTMENTS

Held for trading portfolio in foreign currency measured at market value is presented as follows:

	31 December 2011	31 December 2010
Government Treasury Notes	7,827	7,239
Agencies Treasury Notes	5,343	5,327
<b>Total</b>	<b>13,170</b>	<b>12,566</b>

Government Treasury Notes, denominated in USD, have a fixed rating coupon, it's rates varying from 0.25% up to 3.375% (2010: 0.875% and 4.75%). Interest is paid semi-annually and its maturities are ranged between May 2012 and January 2015.

Agencies Treasury Notes are denominated in USD with fixed coupon rates varying between 0.625% and 5.00% (2010: 0.625% and 5.875%) and floating rates varying between 0.49% and 0.60% (2010: 0.59% and 0.57%). Interest payments is paid on different bases, which vary from quarterly to annual, and maturities range between February 2012 up to June 2014.

Held for trading portfolio is administrated by International Bank for Reconstruction and Development (IBRD) as stated in the agreement 'On the administration and technical assistance on investing the foreign reserve of Bank of Albania (Reserves and Advisory Management Program) signed between Bank of Albania and IBRD on 23 September 2005. Investments from this portfolio are accounted for on the trade date.



## 9. OTHER ASSETS (IN FOREIGN CURRENCY)

	31 December 2011	31 December 2010
Quotas in international financial institutions		
International Bank for Reconstruction and Development subscriptions (IBRD)	362	361
International Development Agency subscriptions (IDA)	13	13
Multilateral Investment Guarantee Agency subscriptions (MIGA)	7	6
International Finance Corporation subscriptions (IFC)	79	76
European Bank for Reconstruction and Development subscriptions (EBRD)	63	61
Islamic Development Bank subscriptions (IDB)	24	24
<b>Total Quotas</b>	<b>548</b>	<b>541</b>
Cash on hand in foreign currency	53	642
<b>Total other assets in foreign currency</b>	<b>601</b>	<b>1,183</b>

Quotas in international financial institutions comprised subscriptions for participation of the Bank of Albania in these institutions (see Note 30).

## 10. LOANS DISBURSED TO THIRD PARTIES

### 10.1. TRANSIT CREDITS

Totally transit credits for the end of year 2011 is nil (2010: LEK 15 million). Those credits represent credits for services provided to the former Italian-Albanian Bank (Intesa SanPaolo Bank) for further distribution to ultimate borrowers to support state development programs.

### 10.2. LOANS TO RESIDENT BANKS

Loans to resident banks represent reverse repurchase agreements signed between the Bank of Albania and second-tier banks in amount of LEK 25,485 million with maturing terms between one week and three months (2010: LEK 12,520 million, weekly and quarterly maturity). On 31 December 2011, the annual interest rates of reverse repurchase agreement vary from 4.75% to 5.50% (2010: 5% to 5.44%).

## 11. AVAILABLE FOR SALE INVESTMENTS (DOMESTIC ASSETS)

	31 December 2011	31 December 2010
Short-term Treasury Bills	63,616	63,630
<b>Total</b>	<b>63,616</b>	<b>63,630</b>

Short-term Treasury Bills are Treasury Bills issued by Government of Albania with zero-coupon rates and with short-term maturity which are from quarterly up to annually. Its yields are varying from 4.778% to 7.022% (2010: 5.17% to 9.99%).

## 12. OTHER DOMESTIC ASSETS

	31 December 2011	31 December 2010
Property and equipment, net	7,575	7,123
Intangible assets, net	25	156
Loans to employees	1,890	1,755
Other debtors	4	4
Numismatic	38	40
Inventory	64	73
Other	43	78
<b>Total</b>	<b>9,639</b>	<b>9,229</b>

Loans to employees is net of a provision for legal claims of LEK 13 million at 31 December 2011 (2010: LEK 13 million).

The total amount of registered collateral for long term loans extended to employees shows the value of Lek 2,266 million at 31 December 2011 (2010: LEK 2,057 million). At 31 December 2011, commitments for loans to employees (in accordance with the Regulation on Loans No. 77, dated 25 October 2006) amount to LEK 145 million (2010: Lek 162 million).

The net book values of property and equipment by category at 31 December 2011 are comprised of:

	Land, buildings and general constructions	General equipment	Transport vehicles	Work in Progress	Total
<b>Cost / Valuation</b>					
Balance at 1 January 2011	6,562	1,195	186	265	8,208
Additions	1,781	131	-	505	2,417
Disposals	(1,741)	(13)	(2)	-	(1,757)
Balance at 31 December 2011	6,601	1,313	184	770	8,868
<b>Accumulated depreciation</b>					
Balance at 1 January 2011	157	776	151	-	1,084
Charge for the year	117	96	7	-	220
Disposals	-	(11)	-	-	(11)
Balance at 31 December 2011	274	861	158	-	1,293
<b>Net carrying amount</b>					
Balance at 31 December 2011	6,327	450	26	770	7,575
Balance at 31 December 2010	6,405	419	35	265	7,124

On January 2011, the Bank separated the value of "Dajti Hotel" between land (LEK 1,781 million) and building (LEK 2,316 million).

The net book values of property and equipment by category at 31 December 2010 are comprised of:

	Land, buildings and general constructions	General equipment	Transport vehicles	Work in Progress	Total
<b>Cost / Valuation</b>					
Balance at 1 January 2010	2,436	949	186	176	3,747
Additions	4,133	246	-	127	4,506
Transfers	(7)	-	-	(38)	(45)
Balance at 31 December 2010	6,562	1,195	186	265	8,208
<b>Accumulated depreciation</b>					
Balance at 1 January 2010	56	90	16	-	162
Charge for the year	-	-	-	-	-
Balance at 31 December 2010	157	776	151	-	1,086
<b>Net carrying amount</b>					
Balance at 31 December 2010	6,405	419	35	265	7,124
Balance at 31 December 2009	2,335	263	51	176	2,825

The net book values of intangible assets by category at 31 December 2011 are comprised of:

	Computer software	Banknotes printed and coins minted	Total intangible Assets
<b>Cost / Valuation</b>			
Balance at 1 January 2011	391	3,097	3,488
Additions	16	-	16
Balance at 31 December 2011	407	3,097	3,504
<b>Accumulated amortization</b>			
Balance at 1 January 2011	384	2,948	3,332
Charge for the year	8	139	147
Balance at 31 December 2011	392	3,087	3,479
<b>Net carrying amount</b>			
Balance at 31 December 2011	15	10	25
Balance at 31 December 2010	7	149	156

The net book values of intangible assets by category at 31 December 2010 are comprised of:

	Computer software	Banknotes printed and coins minted	Total intangible assets
<b>Cost / Valuation</b>			
Balance at 1 January 2010	383	3,096	3,479
Additions	8	1	9
Balance at 31 December 2010	391	3,097	3,488
<b>Accumulated amortization</b>			
Balance at 1 January 2010	372	2,686	3,058
Charge for the year	12	262	274
Balance at 31 December 2010	384	2,948	3,332
<b>Net carrying amount</b>			
Balance at 31 December 2010	7	149	156
Balance at 31 December 2009	11	410	421

### 13. DUE TO THE INTERNATIONAL MONETARY FUND

	31 December 2011	31 December 2010
SDR Allocations	7,645	7,439
Poverty Reduction and Growth Facility ('PRGF')	3,621	4,666
IMF securities account	6,002	6,113
IMF account in LEK	2,277	2,290
Accrued interest	5	8
<b>Total</b>	<b>19,550</b>	<b>20,516</b>

PRGF borrowings relate to the Republic of Albania's IMF quotas and were drawn down on behalf of the Government for macroeconomic reforms. These loans consist in the following component facilities:

- The loan 'Poverty Reduction and Growth Facility 2' was approved based on the agreement dated 13 May 1998 for an amount of SDR 45,040,000 and was drawn down during the period 1999 to 2001. The outstanding balance as at 31 December 2011 was nil (2010: SDR 1,411,500 or LEK 3,075 million). This facility started in 2011 and was paid in 2011 in 10 semi-annual. Interest was paid semi-annually at the rate of 0.5% p.a.
- The loan 'Poverty Reduction and Growth Facility 3' is approved based on the agreement dated 21 June 2002, for an amount of SDR 28,000,000 and the last disbursement was effected on 20 June 2005. The balance as of 31 December 2011 is SDR 14,000,000 (2010: SDR 19,200,000), equivalent of LEK 2,304 million (2010: LEK 3,075 million), with an interest rate of 0.5% p.a payable semi-annually. This facility had a grace period of five and a half years and is paid in 10 semi-annual equal instalments.
- The loans 'Poverty Reduction and Growth Facility 4 (PRGF 4)' and 'Extended Fund Facility' are approved based on a three year agreement signed on 27 January 2006 for the amount of SDR 17,045,000 at an interest rate of 0.5%, payable semi-annually. The balance as of 31 December 2011 is SDR 7,913,572 (2010: SDR 8,522,500), equivalent of LEK 1,302 million (2010: LEK 1,365 million). This facility had a grace period of five and a half years and is paid in 10 semi-annual equal instalments.

The IMF accounts represent liabilities towards Albania's participation in the IMF. As at 31 December 2011, these liabilities amount to LEK 8,280 million or SDR 53 million (as at 31 December 2010: LEK 8,403 million or SDR 54 million). Liabilities related to Albania's IMF quota are non-interest bearing with no stated maturity. These liabilities include No.1 and No.2 accounts and the securities account, where non-interest bearing and nonnegotiable promissory notes are deposited. Balances in these accounts are created by the payment of the national currency component of the quota subscription and purchases of the Fund's resources in exchange for domestic currency.

Included in the IMF accounts is the loan 'Extended Fund Facility' (EFF) of LEK 1,230 million (2010: LEK 1,316 million). The loan was disbursed during the period 2006 – 2009. As at 31 December 2011, the balance is SDR 7,913,752 (2010: SDR 8,421,042). The facility is repayable after a grace period of four and a half years and will be repaid within 10 years. The interest on these loans is floating and payable quarterly. The annual interest rate was 1.11% (2010: 1.32%).

#### 14. DUE TO NON-RESIDENT FINANCIAL INSTITUTIONS

	31 December 2011	31 December 2010
Transit credits (Note 10.1)	-	15
Loan from the Republic of Greece	1,223	1,222
Due to the World Bank	14	13
Accrued interest	6	6
<b>Total</b>	<b>1,242</b>	<b>1,256</b>

Transit credits at the end of year 2011 is nil (2010: LEK 15 million or EUR 0.3 million ) and represents the outstanding loan extended by the European Investment Bank (Note 10.1). Interest is paid by the recipients of these transit credits (Banks and domestic companies) directly to the providers of the funds.

The loan from the Republic of Greece amount to LEK 1,223 million or EUR 8.8 million (2010; 1,222 or EUR 8.8 million) was granted for the purpose of funding the balance of payments of the Republic of Albania. The interest rate is 1.17% per annum, payable semi-annually. The loan matures in 2018.

Due to the World Bank represents amounts owing to international organizations such as International Bank for Reconstruction and Development (IBRD), International Development Agency (IDA), Multilateral Investment Guarantee Agency (MIGA).

#### 15. CURRENCY IN CIRCULATION

The exclusive rights of issuing Albanian currency are vested with the Bank. This item comprises valid domestic banknotes and coins in circulation issued by the Bank.

The following Bank notes and coins were in circulation as at 31 December 2011 and 2010:

Nominal value LEK	31 December 2011		31 December 2010	
	Number in thousand	Total LEK (million)	Number in thousand	Total LEK (million)
100	3,417	342	3,426	343
200	10,021	2,004	11,274	2,255
500	38,093	19,047	45,271	22,636
1,000	61,221	61,221	64,031	64,031
2,000	15,018	30,036	12,303	24,606
5,000	17,440	87,201	17,128	85,640
Coins		3,029		2,848
		<b>202,880</b>		<b>202,359</b>

## 16. DUE TO RESIDENT BANKS

	31 December 2011	31 December 2010
Foreign currency		
Compulsory reserve and current accounts	44,055	36,565
Domestic currency (LEK)		
Compulsory reserve and current accounts	44,340	43,568
Overnight deposits	154	651
Accrued interest	21	31
<b>Total</b>	<b>88,570</b>	<b>80,815</b>

Based on the decision number 29 dated 27 April 2011 of Supervisory Council which entered in force on July 2011, compulsory reserve in foreign currency will not be remunerated. Interest on compulsory reserve in domestic currency are calculated as 70% of the yield on the repurchase agreements that is 3.5% (2010: 3.5%).

Overnight deposits from domestic banks bear annual interest of 3.00% (2010: 3.25%).

## 17. DUE TO THE GOVERNMENT

	31 December 2011	31 December 2010
Profit to be distributed to the Government	1,373	2,610
Deposits received on behalf of the Government	10,465	8,966
Other	25	24
<b>Total</b>	<b>11,863</b>	<b>11,600</b>

Deposits received on behalf of the Government in the amount of LEK 10,465 million, includes the main account of LEK 2,379 million (2010: LEK 938 million), international donor funds deposited at the Bank for subsequent transfer to aid projects in Albania, of LEK 2,345 million (2010: LEK 2,351 million), an amount of LEK 3,624 million (2010: LEK 3,066 million) representing a reserve fund account of the government on behalf of the Social Insurance Institute and Health Insurance Institute, and funds for other financing other activities in the amount LEK 1,616 million (2010: LEK 2,611 million)

Other comprises funds received by the Bank of LEK 25 million (2010: LEK 24 million) from a loan granted to the Government by the Islamic Development Bank.

## 18. OTHER DOMESTIC LIABILITIES

	31 December 2011	31 December 2010
Deposits of individuals from the participation in Treasury Bills	641	610
Net Pension fund obligation	15	23
Due to non banks financial institutions	103	258
Due to third parties	226	227
Other	203	161
<b>Total</b>	<b>1,188</b>	<b>1,279</b>

The net pension fund obligation relates to the pension plan scheme, which is based on employee contribution of 2% and 7% (2010: 2%) on gross salary and employer contribution of 15% on the total payroll amount. At 31 December 2011 the amount of pension funds assets invested in treasury bills maturing within 12 months, is LEK 97 million (2010: LEK 148 million) and the amount invested in Albanian Government bonds maturing within 5-7 years, is LEK 778 million (2010: LEK 621 million).

The movements in such contributions and changes in net assets available for pension fund benefits are as follows:

	31 December 2011	31 December 2010
Assets at 1 January	792	713
Income from investment		
Interest	73	70
Net income from investment	73	70
Employees contribution	18	11
Employer contribution	90	83
Reserves used	(53)	(70)
Total contribution	55	24
Payment to pensionists	(30)	(15)
Net increase	98	79
Assets at 31 December	890	792
Liabilities at 31 December	(875)	(769)
Net Pension fund obligation	15	23

Others includes accrued expenses of LEK 81 million (2010: LEK 44 million) and relate to a variety of services provided to the Bank including also a provision for claims or litigation incurred in the normal course of business.

Movements in the litigation commenced are as follows:

	Year ended 31 December 2011	Year ended 31 December 2010
Balance at the beginning of the period	73	108
Additional provision for the period	-	1
Provision reversal for the period	(19)	(39)
Difference from revaluations	1	3
Balance at the end of the period	55	73

As at 31 December 2011, there is no additional litigation commenced (2010: LEK 1 million).

## 19. LEGAL RESERVE

According to the Law 'On the Bank of Albania', at the end of each financial year the Bank shall allocate an amount equivalent to 25 percent of the net profits for that year to the general reserve until the General Reserve Fund amounts to 500 percent of the paid-up capital of the Bank of Albania.

In 2011 the Bank transferred an amount of LEK 803 million to the legal reserve (2010: LEK 1,703 million), as the amount of the reserve reached 500 percent of the paid-up capital or LEK 12,500 million.

## 20. REVALUATION RESERVE

The components of the revaluation reserve are as follows:

	31 December 2011	31 December 2010
Revaluation/(devaluation) of foreign currency and gold balances	20,664	14,841
Security revaluation reserve	2,369	586
Other (devaluations)/revaluations	1,718	(117)
<b>Total</b>	<b>24,751</b>	<b>15,310</b>

During 2011, the net gain arising from the revaluation of foreign currency and gold balances was LEK 5,823 million (2010: net gain of LEK 13,043 million).

The revaluation of securities at market value during the year ended 31 December 2011 resulted with the gain of LEK 1,783 million (2010: loss of LEK 60 million).

In accordance with the Law 'On the Bank of Albania' Article 64, point (a), the net gain / losses arising from the revaluation of assets and liabilities denominated in foreign currencies, is transferred to equity to a revaluation reserve account 'Revaluation of foreign currency balances'.

## 21. OTHER RESERVES

The components of other reserves are as follows:

	31 December 2011	31 December 2010
Special reserve for Balance of Payments	7,209	7,209
Reserve of gold and precious metals (Note 5)	7,042	7,042
Investment fund	301	301
Other	1,196	1,196
<b>Total</b>	<b>15,748</b>	<b>15,748</b>

The special reserve for the Balance of Payments relates to funds provided by the European Community as financial assistance to support Albania in its transition towards a market economy. These funds have been transferred during the period 1992 – 1993 supporting the long-standing of the Balance



of Payments and reserve balance and no movement has been incurred in this reserve since 1995.

Investment fund consists of a fund created at the decision of Supervisory Council with the aim of purchasing a new building for the Bank of Albania.

'Other' includes reserves created from the allocation of profits for years 2002 - 2007 based on the Supervisory Council decisions in the respective following years.

## 22. INTEREST AND COMMISSION INCOME (NON - RESIDENTS)

	Year ended 31 December 2011	Year ended 31 December 2010
Interest income from securities	5,052	4,353
Interest income from time deposits	104	67
Interest from SDR deposits with IMF	32	24
Interest from " Security Lending"	13	7
Other (discounts)	146	48
Total	5,347	4,499

## 23. INTEREST AND COMMISSION EXPENSE (NON -RESIDENTS)

	Year ended 31 December 2011	Year ended 31 December 2010
Amortization of premium on securities	2,572	2,353
Interest expenses on loans from foreign institutions	15	14
Interest expenses on IMF accounts	48	40
Other	53	54
Total	2,688	2,461

## 24. INTEREST AND COMMISSION INCOME (RESIDENTS)

	Year ended 31 December 2011	Year ended 31 December 2010
Interest income from securities	4,133	5,433
Interest income from Government loans	-	19
Income from repurchase and reverse repurchase agreements	986	1,207
Other	77	77
Total	5,196	6,736

## 25. INTEREST AND COMMISSION EXPENSE (RESIDENTS)

	Year ended 31 December 2011	Year ended 31 December 2010
Interest expense on compulsory reserve	1,629	1,540
Interest expenses on Government deposits	25	56
Other	16	29
Total	1,670	1,625

## 26. OTHER OPERATING INCOME, NET

	Year ended 31 December 2011	Year ended 31 December 2010
Net profit/(loss) from the sale of available for sale investments	823	1,321
Other	116	32
<b>Total</b>	<b>939</b>	<b>1,353</b>

## 27. NET TRADING INCOME

	Year ended 31 December 2011	Year ended 31 December 2010
Interest income from trading assets	149	196
Gains less loss related to sale of trading assets	80	74
Unrealized fair value changes	(48)	(50)
<b>Total</b>	<b>181</b>	<b>220</b>

## 28. PERSONNEL EXPENSES

Personnel expenses consist of employee salaries, social insurance, pension plan contribution and other costs.

Social costs represent mainly compulsory contributions to the Social Security Fund. As at 31 December 2011, the Bank had 502 employees (2010: 481 employees).

## 29. CASH AND CASH EQUIVALENTS

	31 December 2011	31 December 2010
Deposits with foreign banks (Note 7)	28,597	31,632
Domestic currency on hand	20,120	25,641
Foreign currency on hand (Note 9)	53	642
Gold held abroad (Note 5)	11,724	10,155
Gold and other precious metals held domestically (Note 5)	5,577	4,926
<b>Total</b>	<b>66,071</b>	<b>72,996</b>

## 30. CONTINGENCIES AND COMMITMENTS

### (i) Participation in International Financial Institutions

In the past the Republic of Albania has subscribed to a number of subscriptions in International Financial Institutions, including International Bank for Reconstruction and Development ('IBRD'), International Development Agency ('IDA'), Multilateral Investment Guarantee Agency ('MIGA'), International Finance Corporation ('IFC'), European Bank for Reconstruction and Development ('EBRD') and Islamic Development Bank ('IDB'). As detailed

in Note 9, "Other Assets (in foreign currency)" the Bank has paid an amount of LEK 548 million (2010: LEK 541 million).

The total amount paid in subscriptions confirmed by IBRD, MIGA, EBRD, IDA and IFC as at 31 December 2011 (2011: confirmed by IBRD, MIGA, EBRD) was LEK 1,496 million (2010: LEK 1,461 million) revise with the next year with LEK 400 million according with this year from IDB), from which LEK 548 million (2010: LEK 541 million) has been paid from Bank of Albania and are included on the financial statement as a part of other assets (in foreign currency) in total LEK 548 million. The difference of LEK 941 million (2010: LEK 914 million) paid by the Albanian Government and LEK 7 million (2010: LEK 6 million) paid in subscriptions in Multilateral Investment Guarantee Agency, supported both by promissory notes, are not included in the Bank's statement of financial position.

The total amount of callable subscriptions to support the Republic of Albania, confirmed by IBRD, and MIGA as at 31 December 2011 was LEK 10,477 million (2010: LEK 10,132 million).

The Bank and the Government of Albania have not signed yet a Memorandum of Understanding on allocating the original contributions and ownership of the subscriptions in the International Financial Institutions between both parties.

#### **(ii) Treasury bills issued by the Albanian Ministry of Finance**

At 31 December 2011 2010, the revaluation reserve of foreign currencies is positive. As a result the Ministry of Finance will not issue Treasury bills (note 20).

#### **(iii) Reverse repurchase agreements**

Reverse repurchase agreements as at 31 December 2011, represented collateralized loans (see note 10.2). The nominal value of the securities used as collateral as at 31 December 2011 was LEK 29,000 million (2010: LEK 13,900 million). The market value of the collateral as at 31 December 2011, was LEK 2,265 million (2010: LEK 14,226 million).

#### **(iv) Rent aggriments**

Bank of Albania has enter in rent aggriments periode three and five years. For the coming year the amount that has to been paid is LEK 56 million. (On 31 December 2010 these aggrements bearing obligation to pay within a year LEK 88 million, and obligation to pay LEK 95 million next years but not leater than five years.

#### **(v) Capital engagment**

Bank of Albania has entered into an agreement for the reconstruction of its

premises. On 31 December 2011, the Bank has an obligation of LEK 1,583 million (2010: LEK 1,991 million) payable in 2012.

### 31. MANAGED ASSETS

As at 31 December 2011, the Bank acted as custodian for short-term treasury bills which account for a nominal value of LEK 255 billion and EUR 9 million (2010: EUR 25 million) and, for long term securities with a maturity varying between 2 and 7 years at a nominal value LEK 189 billion (2010: LEK 170 billion). These securities are issued by the Albanian Government.

### 32. RELATED PARTIES

Parties are considered to be related if one party has the ability to control the other party or to exercise significant influence over the other party in making financial and other decisions.

Considering each possible related party relationship, attention is directed to the substance of the relationship and not merely to the legal form.

The only related parties of Bank of Albania are the relations between directors and the members of the Supervisory Council. As at 31 December 2011 and 2010 transactions made with related parties comprised:

	31 December 2011	31 December 2010
Loans to directors		
- Directors	109	103
Total assets	109	103

The loans have an annual interest rate of 0.5% and are repayable after a grace period of two years within 30 years by monthly equal instalments. The home loans are collateralized:

	Year ended 31 December 2011	Year ended 31 December 2010
Administrative expenses		
- Mobile expenses		
- Directors and Supervisory Council Members	5	5
- Salaries and Bonuses		
- Directors and Supervisory Council Members	115	114
- Bank contribution to pension plan scheme		
- Directors	11	11
Total of administrative expenses	131	130

### 33. FINANCIAL RISK MANAGEMENT

#### (a) Risk management framework

The Supervisory Board has overall responsibility for the establishment and oversight of the Bank's risk management framework.

The foreign reserve is under the administration of the Bank of Albania and its investment is performed by the Monetary Operations Department, which is based on the regulation 'On foreign reserve management policy', approved by the Supervisory Board. Its investment strategy depends mainly on the specific function of a central bank which is strictly regulated and in accordance with the requirements of the Law 'On the Bank of Albania'.

The reserve, in accordance with the liquidity needs, is invested in short-term instrument, fixed and floating income securities, and derivatives. The remaining portion is held in SDRs, and monetary gold.

The Bank has exposure to the following risks from financial instruments:

- liquidity risk
- credit risk
- market risks
- operational risks

This note presents information about the Bank's exposure to each of the above risks, the Bank's objectives, policies and processes for measuring and managing risk.

#### (b) Liquidity risk

Liquidity risk is the risk that the Bank will encounter difficulty in meeting obligations associated with its financial liabilities.

#### Management of liquidity risk

Policies to monitor and address liquidity risk are set by the Supervisory Council of the Bank. The Bank manages its liquidity risk by investing in short term deposits with foreign banks and in debt securities in liquid and highly controlled and organized markets.

The Bank's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Bank's reputation, and to comply with its monetary and exchange policy. The portfolio is defined annually based on the forecasts of the monthly and annual liquidity needs for each currency. The investments in securities are considered as sufficiently liquid instruments.

Because of the specifics of a central bank, the Bank is not exposed to liquidity risk in relation to liabilities in local currency.

The following table shows the Bank's financial liabilities on the basis of their contractual maturity and the financial assets on the basis of their

earliest possible expected maturity. The Bank's expected cash flows on these instruments may vary from this analysis.

31 December 2011	Up to one Month	One to three Months	Three to six months	Six months to one year	One to five years	Over five years	Undefined maturity	Total
Due to IMF	7,146	337	66	539	3,266	551	7,645	19,550
Due to non-resident financial institutions	-	-	-	-	-	1,243	-	1,243
Currency in circulation	-	-	-	-	-	-	202,880	202,880
Due to resident Banks	86,800	-	-	-	-	-	1,770	88,570
Due to the Government	2,379	170	1,203	-	-	-	8,111	11,863
Other domestic liabilities	302	1	2	4	11	-	869	1,189
Total Liabilities 2011 (contractual maturity date)	96,627	508	1,271	543	3,277	1,794	221,275	325,529
Total assets 2011 (expected maturity date)	71,127	41,138	38,307	43,129	138,223	15,193	33,676	380,793

31 December 2010	Up to one Month	One to three Months	Three to six months	Six months to one year	One to five years	Over five years	Undefined maturity	Total
Due to IMF	7,314	348	64	590	3,771	990	7,439	20,516
Due to non-resident financial institutions	-	-	-	15	-	1,241	-	1,256
Currency in circulation	-	-	-	-	-	-	202,359	202,359
Due to resident Banks	80,815	-	-	-	-	-	-	80,815
Due to the Government	938	2610	-	-	-	-	8,052	11,600
Other domestic liabilities	669	-	-	610	-	-	-	1,279
Total Liabilities 2010 (contractual maturity date)	89,736	2,958	64	1,215	3,771	2,231	217,850	317,825
Total assets 2010 (expected maturity date)	45,604	41,738	44,622	44,052	125,498	14,702	48,732	364,948

### (c) Credit risk

Credit Risk is the risk of the decrease in value of the foreign currency reserve as result of insolvency of a financial institution or the bankruptcy or insolvency of a debt issuer, in whose debt instruments the Bank has invested its own funds.

The investment limits of the Bank set a system of limits of maximum exposures to individual financial institutions and debt issuers. The set limits are calculated on the basis of credit ratings of the counterparty. The internal credit rating is based on criteria which are approved by the Supervisory Council. Credit risk is also mitigated through the diversification of the portfolio.

Loans to domestic Banks are secured by Albanian Government Treasury bills.

The financial assets which represent credit risk at the reporting date are shown below:

Assets	2011	2010
Gold - foreign (Note 5)	11,724	10,155
Special Drawing Rights with IMF (see below)	579	683
Deposits with non-resident banks (Note 7)	28,604	31,637
Available for sale investments (foreign currency) (Note 8.1)	206,549	203,336
Held-for-trading investment (foreign currency) (Note 8.2)	13,170	12,566
Loans to Government (Note 10.2)	-	-
Loans to resident banks (note 10.3)	25,485	12,520
Available for sale investments - domestic (Note 11)	63,616	63,630
<b>Total assets</b>	<b>349,727</b>	<b>334,527</b>

An amount of LEK 7,645 million which is included in SDR Holdings (see Note 13) does not represent credit risk for the Bank since it represents the counter-account of the amounts acquired through the SDR allocations (see Note 6). Only the amount of holdings above allocations of LEK 579 million is included in the assets which represent credit risk.

An analysis of concentrations of financial assets by type of counterparty at the reporting date is shown below:

Credit rating	Gold	Special Drawing Rights with IMF	Deposits with non-resident banks	Available for sale investments (foreign currency)	Held-for-trading investment (foreign currency)	Loans to domestic banks	Available for sale investments (domestic assets)	Total
Central bank	11,724	579	18,808	-	-	-	-	31,111
BIS Basle	-	-	3,670	1,477	-	-	-	5,147
Foreign Government & Agencies Securities	-	-	-	205,072	13,170	-	-	218,242
Commercial Banks	-	-	6,126	-	-	-	-	6,126
Albanian Government B1	-	-	-	-	-	-	63,616	63,616
Unrated	-	-	-	-	-	25,485	-	25,485
<b>Total 31 December 2011</b>	<b>11,724</b>	<b>579</b>	<b>28,604</b>	<b>206,549</b>	<b>13,170</b>	<b>25,485</b>	<b>63,616</b>	<b>349,727</b>

The Albanian Government is rated based on the Standard & Poor's ratings or equivalents.

Credit rating	Gold	Special Drawing Rights with IMF	Deposits with non-resident banks	Available for sale investments (foreign currency)	Held-for-trading investment (foreign currency)	Loans to domestic banks	Available for sale investments (domestic assets)	Total
Central Banks	10,155	683	13,297	-	-	-	-	24,135
BIS Basle	-	-	12,120	2,186	-	-	-	14,306
Commercial Banks	-	-	-	6,220	-	-	-	6,220
Foreign Government & Agencies Securities	-	-	-	201,150	12,566	-	-	213,716
Albanian Government B1	-	-	-	-	-	-	63,630	63,630
Unrated	-	-	-	-	-	12,520	-	12,520
<b>Total 31 December 2010</b>	<b>10,155</b>	<b>683</b>	<b>31,637</b>	<b>203,336</b>	<b>12,566</b>	<b>12,520</b>	<b>63,630</b>	<b>334,527</b>

An analysis of concentrations of credit risk by geographic location is shown below:

	Europe	USA	Republic of Albania	Other	Total
Gold - foreign	11,724	-	-	-	11,724
Special Drawing Rights with IMF	-	-	-	579	579
Deposits with non-resident banks	25,950	2,654	-	-	28,604
Available for sale investments (foreign currency)	154,627	40,135	-	11,787	206,549
Held-for-trading investment (foreign currency)	-	13,170	-	-	13,170
Loans to resident banks	-	-	25,485	-	25,485
Available for sale investments – domestic	-	-	63,616	-	63,616
31 December 2011	192,301	55,959	89,101	12,366	349,727

	Europe	USA	Republic of Albania	Other	Total
Gold - foreign	10,155	-	-	-	10,155
Special Drawing Rights with IMF	-	-	-	683	683
Deposits with non-resident banks	27,709	3,928	-	-	31,637
Available for sale investments (foreign currency)	154,558	35,996	-	12,782	203,336
Held-for-trading investment (foreign currency)	-	12,566	-	-	12,566
Loans to resident banks	-	-	12,520	-	12,520
Available for sale investments – domestic	-	-	63,630	-	63,630
31 December 2010	192,422	52,490	76,150	13,465	334,527

#### (d) Market risk

Market risk is the risk that changes in market prices, such as interest rates, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's / issuer's credit standing) will affect the Bank's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

The key elements of price risk affecting the Bank are:

- Interest rate risk associated with fluctuations in the fair value of financial instruments due to changes in market interest rates.
- Currency risk associated with fluctuations in the fair value of financial instruments due to changes in foreign exchange rates; and

The Bank's exposure to currency risk is monitored on a continual basis by the Monetary Operations Department. Financial assets and liabilities denominated in foreign currencies are disclosed in each relevant note to the financial statements.

#### Interest rate risk

The Bank's operations are subject to the risk of interest rate fluctuations which affect the prices of interest-earning assets (including investments) and interest-bearing liabilities. The Monetary Operations Department of the Bank monitors interest rate risk. The Bank mitigates such risks by maintaining a significant excess of interest bearing assets over liabilities. The Bank maintains a portfolio of interest bearing financial assets and liabilities such that the



net interest income is significantly higher than operating needs, in order to minimize the potential adverse effects of interest rate fluctuations. Interest rates applicable to financial assets and liabilities are disclosed in each relevant note to the financial statements.

The assets and liabilities with floating interest rates involve the risk of changes in the base which serves to determine the interest rates. Floating rate instruments are detailed as follows:

31 December 2011	Average rate	Six to twelve months	One to five years	Over five years	Total
<b>Assets</b>					
Available for sale investments	0.54%	9,950	-	-	9,950
Held for trading investments	0.60%	1,076	-	-	1,076
Held for trading investments	0.47%	-	861	-	861
<b>Total</b>		<b>11,026</b>	<b>861</b>	<b>-</b>	<b>11,887</b>
<b>Liabilities</b>					
Due to the IMF	1.11%	-	-	1,230	1,230
<b>Total</b>		<b>-</b>	<b>-</b>	<b>1,230</b>	<b>1,230</b>
Floating Interest gap		11,026	861	(1,230)	10,657
Sensitivity to 100 b.p. increase		110	9	(12)	107
<b>31 December 2010</b>					
<b>Assets</b>					
Available for sale investments	0.52%	-	1,558	-	1,588
Held for trading investments	0.49%	-	1,043	-	1,043
	0.57%	520	-	-	520
<b>Total</b>		<b>520</b>	<b>2,601</b>	<b>-</b>	<b>3,121</b>
<b>Liabilities</b>					
Due to the IMF	1.32%	-	-	1,316	1,316
<b>Total</b>		<b>-</b>	<b>-</b>	<b>1,316</b>	<b>1,316</b>
Floating Interest gap		520	2,601	(1,316)	1,805
Sensitivity to 100 b.p. increase		5	26	(13)	18

A summary of the Bank's interest-earning assets and interest-bearing liabilities (including the floating rate instruments above) by maturity dates as at 31 December 2011 and 2010 is as follows:

Assets	Up to one month	One to three months	Three to six months	Six to twelve months	One to five years	Over five years	Non-interest earning/bearing	Total
Gold and precious metals – foreign	-	-	-	-	-	-	11,724	11,724
Accounts with the IMF	8,224	-	-	-	-	-	7,604	15,828
Deposits with non residents Banks	3,030	-	-	-	-	-	25,574	28,604
Available for sale investments –foreign	5,594	12,678	18,314	35,542	128,718	5,703	-	206,549
Held for trading investments	-	142	1,121	2,418	9,489	-	-	13,170
Other foreign assets	-	-	-	-	-	-	601	601
Gold and precious metals - domestic	-	-	-	-	-	-	5,576	5,576
Transit Credits	-	-	-	-	-	-	-	-
Loans to resident banks	21,080	4,406	-	-	-	-	-	25,486
Available for sale investments - domestic	15,684	23,911	18,870	5,151	-	-	-	63,616
Other domestic assets	112	1	2	18	16	9,490	-	9,639
<b>Total</b>	<b>53,724</b>	<b>41,138</b>	<b>38,307</b>	<b>43,129</b>	<b>138,223</b>	<b>15,193</b>	<b>51,079</b>	<b>380,793</b>
<b>Liabilities and equity</b>								
Due to the IMF	7,146	337	66	539	3,266	551	7,645	19,550
Due to non-resident institutions	-	-	-	-	-	1,243	-	1,243
Currency in circulation	-	-	-	-	-	-	202,880	202,880
Due to resident Banks	86,800	-	-	-	-	-	1,770	88,863
Due to the Government	2,379	170	1,203	-	-	-	8,111	11,863
Other domestic liabilities	302	1	2	4	11	-	869	1,189
Capital and reserves	-	-	-	-	-	-	55,498	56,897
<b>Total</b>	<b>96,627</b>	<b>508</b>	<b>1,271</b>	<b>543</b>	<b>3,277</b>	<b>1,794</b>	<b>276,773</b>	<b>380,793</b>
Gap as at 31 December 2011	(42,903)	40,630	37,036	42,586	134,949	13,399	(225,694)	-
Cumulative gap – 2011	42(903)	(2,273)	34,763	77,349	212,295	225,694	-	-

	Up to one month	One to three months	Three to six months	Six to twelve months	One to five years	Over five years	Non-interest earning/bearing	Total
<b>Assets</b>								
Gold and precious metals – foreign	-	-	-	-	-	-	10,155	10,155
Accounts with the IMF	8,122	-	-	-	-	-	7,629	15,751
Deposits with non residents Banks	6,201	-	-	-	-	-	25,436	31,637
Available for sale investments - foreign	2,274	17,508	24,509	38,501	114,977	5,567	-	203,336
Held for trading investments	-	820	727	397	10,521	101	-	12,566
Other foreign assets	642	-	-	-	-	-	541	1,183
Gold and precious metals – domestic	-	-	-	-	-	-	4,926	4,926
Transit credits	-	-	-	-	-	-	15	15
Loan to resident banks	12,490	-	-	-	-	-	30	12,520
Available for sale investments - domestic	15,680	23,410	19,386	5,154	-	-	-	63,630
Other domestic assets	195	-	-	-	-	9,034	-	9,229
<b>Total</b>	<b>45,604</b>	<b>41,738</b>	<b>44,622</b>	<b>44,052</b>	<b>125,498</b>	<b>14,702</b>	<b>48,732</b>	<b>364,948</b>
<b>Liabilities and equity</b>								
Due to the IMF	7,666	348	64	590	3,771	990	7,087	20,516
Due to non-resident institutions	-	-	-	-	-	1,222	34	1,256
Currency in circulation	-	-	-	-	-	-	202,359	202,359
Due to resident Banks	80,784	-	-	-	-	-	31	80,815
Due to government	-	-	-	-	-	-	11,600	11,600
Other domestic liabilities	-	-	-	-	-	-	1,279	1,279
Capital and reserves	-	-	-	-	-	-	47,123	47,123
<b>Total</b>	<b>88,450</b>	<b>348</b>	<b>64</b>	<b>590</b>	<b>3,771</b>	<b>2,212</b>	<b>269,513</b>	<b>364,948</b>
Gap at 31 December 2010	(42,846)	41,390	44,558	43,462	121,727	12,490	(220,781)	-
Cumulative gap – 2010	(42,846)	(1,456)	43,102	86,564	207,465	220,781	-	-

## Future contracts

A future contract is a standardised contract to buy or sell a financial or non financial asset, at a certain date in the future and at a market determined price. To minimize the credit risk, depended on the type of instrument, the investor should post a margin to the clearing house. This margin or performance bond, is valued every day according to the prices in the market (marked to market), which means that every change in value is shown in the account of investor at the end of each trading day until the expiry day.

The net valuation of future contract transactions as at 31 December 2011 is Lek 35 million (2011 : Lek 81 million) (see Note 7).

## Exchange rate risk

Currency risk exists where there is a difference between the currency structure of assets and that of liabilities. From an accounting point of view, the Bank is exposed to currency risk when conducting transactions in financial instruments denominated in currencies other than the Bank's base currency.

The foreign currency reserve structure is determined based on various factors. For the time being the main foreign currency reserves are in EUR and USD.

	LEK	USD	EURO	GBP	Other	Total
<b>Assets</b>						
Gold and precious metals – foreign	-	-	-	-	11,724	11,724
Accounts with the IMF	-	-	-	-	15,828	15,828
Deposits with non residents Banks	-	2,724	22,478	893	2,509	28,604
Available for sale investments – foreign	-	55,776	128,379	11,168	11,226	206,549
Held for trading investments	-	13,170	-	-	-	13,170
Other foreign assets	335	215	51	-	-	601
Gold and precious metals – domestic	5,577	-	-	-	-	5,577
Transit Credits	-	-	-	-	-	-
Loans to resident banks	25,485	-	-	-	-	25,485
Available for sale investments - domestic	63,616	-	-	-	-	63,616
Other domestic assets	9,600	13	26	-	-	9,639
<b>Total assets</b>	<b>104,613</b>	<b>71,898</b>	<b>150,934</b>	<b>12,061</b>	<b>41,237</b>	<b>380,793</b>
<b>Liabilities</b>						
Due to the IMF	8,280	-	-	-	11,270	19,550
Due to non-resident financial institutions	14	-	1,229	-	-	1,243
Currency in circulation	202,880	-	-	-	-	202,880
Due to resident banks	44,515	7,429	36,626	-	-	88,570
Due to the Government	9,819	69	1,974	1	-	11,863
Other domestic liabilities	1,100	56	33	-	-	1,189
<b>Total liabilities</b>	<b>266,608</b>	<b>7,554</b>	<b>39,862</b>	<b>1</b>	<b>11,270</b>	<b>325,295</b>
Net currency position as at 31 December 2011	(161,995)	64,344	111,072	12,060	30,017	55,498
Net currency position as at 31 December 2010	(175,128)	60,592	121,127	10,843	29,689	47,123

	LEK	USD	EURO	GBP	Other	Total
<b>Assets</b>						
Gold and precious metals – foreign	-	-	-	-	10,155	10,155
Accounts with the IMF	-	-	-	-	15,751	15,751
Deposits with non residents Banks	-	4,018	24,159	346	3,114	31,637
Available for sale investments – foreign	-	49,881	130,175	10,498	12,782	203,336
Held for trading investments – foreign	-	12,566	-	-	-	12,566
Other foreign assets	335	209	639	-	-	1,183
Gold and precious metals – domestic	4,926	-	-	-	-	4,926
Transit credits	-	-	15	-	-	15
Loans to resident banks	12,520	-	-	-	-	12,520
Available for sale investments - domestic	63,630	-	-	-	-	63,630
Other domestic assets	9,188	9	32	-	-	9,229
<b>Total assets</b>	<b>90,599</b>	<b>66,683</b>	<b>155,020</b>	<b>10,844</b>	<b>41,802</b>	<b>364,948</b>
<b>Liabilities</b>						
Due to the IMF	8,403	-	-	-	12,113	20,516
Due to non-resident financial institutions	13	-	1,243	-	-	1,256
Currency in circulation	202,359	-	-	-	-	202,359
Due to resident banks	44,246	5,924	30,645	-	-	80,815
Due to the Government	9,495	119	1,985	1	-	11,600
Other domestic liabilities	1,211	48	20	-	-	1,279
<b>Total liabilities</b>	<b>265,727</b>	<b>6,091</b>	<b>33,893</b>	<b>1</b>	<b>12,113</b>	<b>317,825</b>
<b>Net Position as at 31 December 2010</b>	<b>(175,128)</b>	<b>60,592</b>	<b>121,127</b>	<b>10,843</b>	<b>29,689</b>	<b>47,123</b>
<b>Net Position as at 31 December 2009</b>	<b>(159,158)</b>	<b>57,602</b>	<b>100,882</b>	<b>10,382</b>	<b>22,840</b>	<b>32,548</b>

## (e) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Bank's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Bank's operations.

Operational risk management is supported by the development of overall Bank standards for the management of operational risk and a wide range of common policies, staff management regulations, obligatory requirements, and the internal control systems on several activities of the Bank.

## 34. SUBSEQUENT EVENTS

There are no significant events after the reporting date that may require adjustment or disclosure in the financial statements.



*Here (in Albania) is colour, life and art*

*Edith Durham*  
*British traveller, artist and writer*

## SHTOJCA STATISTIKORE

## STATISTICAL APPENDIX

## 1. ÇMIMET, PRODHIMI DHE TREGU I PUNËS

## 1. PRICES, OUTPUT AND LABOUR MARKETS

1.1 INDEKSI I ÇMIMEVE TË KONSUMIT<sup>1)</sup>1.1 CONSUMER PRICE INDEX<sup>1)</sup>

Indekse

Indexes

	1	2	3	4	5	6	7	8	9	10	11	12	13
	ICK Totali (dhjetor 2007=100) / CPI Total (December 2007=100)	Ushqime dhe pije joalkoolike/ Food and non-alcoholic beverages	Pije alkoolike dhe duhan/ Alcoholic beverages and tobacco	Veshje dhe këpucë/ Clothing and footwear	Qira, ujë lënde dhe energji/ Rent, water, fuel and power	Mobilim, pajisje shtëpie dhe mirëmbajtje e shtëpisë/ Furniture household and maintenance	Shëndeti/ Medical care	Transport/ Transport	Komunikimi/ Communication	Argëtim dhe kulturë/ Recreation and culture	Shërbimi arsimor/ Education service	Hotele, kafene dhe restorante/ Hotels, coffee-house and restaurants	Mallra dhe shërbime të ndryshme/ Goods and various services
2008	101.11	100.93	100.65	96.48	103.33	100.11	100.83	104.67	94.38	103.46	100.33	100.98	100.42
2009	103.42	105.87	104.17	94.57	105.13	100.48	104.09	102.51	80.80	110.75	102.64	102.95	101.24
2010	107.11	111.37	109.89	93.16	108.93	100.97	111.26	107.29	81.11	110.92	105.70	104.31	102.90
2011	110.78	116.25	122.84	91.37	111.94	101.87	119.90	113.66	81.30	112.09	105.83	105.64	103.23
2011/01	110.46	116.85	120.01	92.69	110.99	101.26	116.93	110.84	81.45	111.18	105.44	105.32	103.45
02	113.00	122.60	122.62	92.36	111.49	101.46	118.46	111.48	81.39	111.66	105.43	105.45	103.12
03	112.90	121.70	122.72	92.08	112.18	101.60	118.97	113.19	81.33	111.99	105.46	105.40	103.31
04	112.22	119.91	122.81	91.82	112.09	101.64	119.09	113.98	81.32	111.85	105.48	105.42	103.33
05	111.00	116.77	122.88	91.79	112.04	101.73	119.39	113.78	81.30	111.96	105.49	105.41	103.40
06	109.81	113.75	122.96	91.69	111.98	101.87	119.73	113.75	81.29	111.64	105.50	105.47	103.41
07	109.02	111.85	122.92	91.39	111.87	101.95	119.73	113.37	81.29	111.69	105.50	105.43	103.55
08	109.31	112.65	123.13	90.26	111.85	101.99	119.74	113.78	81.26	111.62	105.50	105.33	103.69
09	109.76	113.27	123.17	90.33	112.13	102.12	121.51	114.27	81.26	112.78	105.39	105.35	104.03
10	110.24	114.38	123.16	90.62	112.22	102.17	121.77	114.72	81.26	112.99	106.87	105.96	102.34
11	110.30	114.31	123.51	90.68	112.21	102.27	121.78	115.33	81.26	112.97	106.93	106.42	102.45
12	111.39	116.92	124.16	90.73	112.27	102.37	121.70	115.39	81.23	112.79	106.93	106.68	102.70

Burimi: INSTAT.

1) Të dhënat vjetore të Indeksit të Çmimeve të Konsumit janë indekse mesatare vjetore të çmimeve të konsumit sipas grupeve kryesore, ndërsa të dhënat mujore pasqyrojnë indeksin e çmimeve të konsumit.

1) The Consumer Price Index yearly data (for this and consecutive years), represent yearly average consumer price indexes by main groups, while monthly data represent consumer price Index.

Source: INSTAT



## 1.2 YEAR ON YEAR CONSUMER PRICE INDEX, MAIN GROUPS <sup>1</sup>

## 1.2 NDRYSHIMET VJETORE TË INDEKSIT TË ÇMIMEVE TË KONSUMIT SIPAS GRUPEVE

KRYESORE <sup>1</sup>

Në përqindje

In percentage

	Ndryshimet vjetore të indeksit të çmimeve të konsumit sipas grupeve kryesore (në %) / Year on year consumer price index, main groups (in %)												
	ÇK Totali (dhjetor 2007=100)/ CPI Total (December 2007=100)	Ushqime dhe pije joalkoolike/ Food and non-alcoholic beverages	Pije alkoolike dhe duhan/ Alcoholic beverages and tobacco	Veshje dhe këpucë/ Clothing and footwear	Qira, ujë lëndë dhe energji/ Rent, water, fuel and power	Mobilim, pajisje shtëpia dhe mirëmbajtje e shtëpisë/ Furniture household and maintenance	Shëndeti/ Medical care	Transporti/ Transport	Komunikimi/ Communication	Argëtimi dhe kulturë/ Recreation and culture	Shërbimi arsimor/ Education service	Hotele, kafene dhe restorante/ Hotels, coffee-house and restaurants	Mallra dhe shërbime të ndryshme/ Goods and various services
2008	2.16	3.46	2.34	-3.86	4.92	0.13	1.10	1.25	-19.26	10.21	1.05	2.27	1.13
2009	3.73	6.78	4.10	-1.07	0.86	0.72	8.56	4.27	0.35	1.02	4.73	1.32	0.20
2010	3.37	4.55	6.46	-2.30	4.73	0.25	6.55	3.29	0.63	0.11	-0.49	1.38	1.78
2011	1.68	1.22	9.46	-2.35	1.30	1.25	4.08	5.81	-0.36	1.19	1.53	1.55	-0.42
2011/01	3.26	4.36	12.05	-1.70	2.23	0.40	6.54	4.98	0.53	0.16	-0.42	1.53	2.20
02	4.48	6.92	14.19	-1.61	2.62	0.49	7.73	5.29	0.46	0.71	-0.45	1.47	0.27
03	4.30	6.13	13.54	-1.46	3.10	0.47	8.13	6.36	0.44	1.00	-0.43	1.45	0.35
04	4.14	6.08	12.74	-1.56	3.06	0.52	6.37	5.80	0.53	1.05	-0.39	1.22	0.28
05	4.23	6.49	12.08	-1.56	3.11	0.93	5.17	5.39	0.51	1.38	-0.34	1.14	0.15
06	3.87	5.69	11.58	-1.58	3.08	1.09	4.58	5.47	0.56	1.24	-0.34	1.11	0.07
07	3.64	5.34	11.27	-1.78	2.93	1.02	4.41	5.13	0.63	1.20	-0.34	1.02	0.13
08	3.11	4.34	10.95	-2.47	2.41	1.08	2.45	5.46	0.64	1.09	-0.43	1.19	0.86
09	2.79	3.28	10.64	-2.31	2.40	1.21	3.92	6.26	-0.32	1.40	0.12	0.83	1.06
10	3.03	3.92	10.52	-2.20	2.40	1.27	4.14	6.59	-0.33	1.41	1.49	1.02	-0.72
11	2.90	3.55	10.98	-2.29	2.10	1.28	4.15	7.11	-0.33	1.32	1.53	1.41	-0.62
12	1.68	1.22	9.46	-2.35	1.30	1.25	4.08	5.81	-0.36	1.19	1.53	1.55	-0.42

Burimi: INSTAT

1) Të dhënat vjetore matin variacionin e indekseve të muajit dhjetor të vitit n me indeksin e muajit dhjetor të vitit n-1, ndërsa të dhënat mujore matin ndryshimet vjetore të indekseve, në përqindje.

Source: INSTAT  
1) Yearly data (for this and consecutive years), measure the variation of December index of year n with December index of year n-1. Monthly data measure yearly index changes in percentage.

## 1.3 INDEKSI I ÇMIMEVE TË PRODHIMIT DHE INDEKSI I KUSHTIMIT NË NDËRTIM

Indeks

Index

## 1.3 PRODUCER PRICE INDEX AND CONSTRUCTION COST INDEX

	ICP Indeksi Total <sup>1</sup> / PPI Total Index <sup>1</sup> 2005=100	Indekset e çmimeve të prodhimit duke përjashtuar ndërtimin/ Producer price index, excluding construction		Indeksi i kushtimit në ndërtim <sup>2</sup> / Construction cost index <sup>2</sup> I / 2011=100
		Industria nxjerrëse/ Mining and quarrying industry	Industria përpunuese/ Manufacturing industry	
	1	2	3	4
2008	108.8	121.1	113.9	91.6
2009	109.2	124.3	114.1	92.1
2010	109.5	133.8	118.2	76.8
2010/IV	110.7	135.6	119.8	77.0
2011/I	111.8	139.8	121.3	77.0
II	112.4	140.5	122.3	77.0
III	112.2	140.1	122.0	77.0

Burimi: INSTAT.

1) Të dhënat vjetore të ICP përfaqësojnë indekse mesatare vjetore. 2) Duke filluar nga T1 2011, INSTAT do të llogarisë IKN me shportën e re të materialeve dhe shpenzimeve dhe me periudhë bazë T1 2011 = 100. Indekset e mëparshme janë rillogaritur me bazën e re.

1) PPI Annual data represent yearly average indexes. 2) Starting from Q1 2011, INSTAT calculates CCI referring to the new basket of materials and expenditures, with base period Q1 2011 = 100.

## 1.4 NDRYSHIMET NË % TË INDEKSIT TË ÇMIMEVE TË PRODHIMIT DHE TË INDEKSIT TË KUSHTIMIT NË NDËRTIM

Në përqindje

## 1.4 CHANGE IN % OF PRODUCER PRICE INDEX AND CONSTRUCTION COST INDEX

In percentage

	ICP Indeksi Total <sup>1</sup> / PPI Total Index <sup>1</sup> 2005=100	Ndryshimi vjetor i indeksit e çmimeve të prodhimit duke përjashtuar ndërtimin/ Annual change of producer price index, excluding construction		Ndryshimi tremujor i indeksit të kushtimit në ndërtim <sup>2</sup> / Quarterly change of construction cost index <sup>2</sup> I / 2011=100
		Industria nxjerrëse/ Mining and quarrying industry	Industria përpunuese/ Manufacturing industry	
	1	2	3	4
2008	4.4	6.1	5.3	0.5
2009	0.4	2.6	0.2	0.6
2010	0.2	7.7	3.6	-16.5
2010/IV	0.6	8.1	4.0	-16.3
2011/I	3.1	4.9	3.6	0.8
II	3.3	4.2	4.4	0.2
III	2.2	6.5	2.6	-

Burimi: INSTAT.

1) Ndryshimi për të dhënat vjetore përfaqëson ndryshimin e çimit të indekseve mesatare vjetore, ndërsa ndryshimi për të dhënat tremujore të indeksit mat ndryshimin e çimit të tremujorit aktual me tremujorin e njëjtë të vitit të mëparshëm.

2) Ndryshimi tremujor mat ndryshimin e indeksit të çmimeve të tremujorit aktual me tremujorin e mëparshëm.

1) Annual data change in % represents price changes of annual average indexes while change for quarterly data measures the price changes of the current quarter with the same quarter of the previous year.

2) Quarterly change measures the price changes of the current quarter with the previous one.

Source: INSTAT

## 1.5 PRODHIMI I BRENDSHËM BRUTO SIPAS METODËS SË SHPENZIMEVE

1996-2008 me çmime korrente, në milionë lekë

	Prodhimi i brendshëm Bruto/ Gross domestic product (2+8+11)		Kërkesa e brendshme/ Domestic demand (3+7)		Konsumi final / Final consumption (4+5+6)		Konsumi final i administratës publike/Final consumption of general government		Konsumi i institucioneve joqeveritare/ Consumption of NPISHs		Formimi bruto i kapitalit fikse/ Gross fixed capital formation		Eksporti neto/ Net export (9-10)		Eksporti e mallrave e shërbimeve/ Goods and services exports (f.o.b)		Importet e mallrave e shërbimeve/ Goods and services imports (f.o.b)		Ndryshimet e gjendjeve + mospërpuljeje statistikore/ Change in inventories & statistical discrepancy
	1	2	3	Konsumi final i popullatës/ / Final consumption of households		5	6	7	8	9	10	11							
1996	346,403	442,922	369,642	337,561	31,852	229	73,279	-72,151	38,782	110,934	-24,367								
1997	346,198	443,090	372,151	336,678	35,167	306	70,939	-84,626	33,739	118,365	-12,267								
1998	409,209	505,182	419,152	376,824	41,987	340	86,030	-97,362	44,376	141,738	1,389								
1999	471,578	545,403	437,004	389,573	47,023	408	108,399	-77,321	74,588	151,910	3,497								
2000	523,043	615,863	449,879	399,935	49,454	490	165,984	-105,583	93,453	199,036	12,764								
2001	583,369	695,596	471,816	410,448	60,667	700	223,780	-119,983	107,524	227,507	7,755								
2002	622,711	771,573	535,551	465,180	69,572	800	236,021	-154,037	122,044	276,081	5,175								
2003	694,098	878,374	597,453	520,954	75,585	914	280,921	-171,642	141,290	312,931	-12,635								
2004	751,022	947,566	668,187	584,659	82,484	1,044	279,378	-168,169	165,097	333,265	-28,376								
2005	814,797	1,025,525	724,171	634,471	88,508	1,192	301,354	-200,824	185,970	386,794	-9,904								
2006	882,209	1,114,987	771,105	680,323	89,411	1,371	343,882	-208,067	219,974	428,040	-24,712								
2007	967,670	1,248,995	874,937	775,081	98,352	1,504	374,058	-258,520	272,164	530,683	-22,805								
2008 <sup>1)</sup>	1,089,293	1,389,625	974,504	861,890	110,922	1,691	415,121	-290,065	319,931	609,997	-10,266								

Burimi: INSTAT

1) Të dhënat e vitit 2008 janë jo përfundimtare.

## 1.6 PRODHIMI I BRENDSHËM BRUTO SIPAS AKTIVITETIT EKONOMIK

1996-2010 me çmime korrente, në milionë lekë

	Prodhimi i brendshëm bruto sipas aktivitetit ekonomik/ Gross domestic product by economic activity (2+8-9)			Vlera e shuar bruto, me çmimet bazë/ Gross value added, basic prices (3+4+5+6-7)		Bujqësia, gjuetia dhe pyjet/ Agriculture, hunting and forestry		Industria/ Industry		Ndërtim/ Construction		Shërbime/ Services		Shërbime të ndërmjetme financiare të matura indirekt/ Indirectly measured financial intermediation services		Taksa mbi produktet/ Tax on products		(-) Subvencionet mbi produktet/ (-) Subsidies on products	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19
	Në milionë lekë/In million ALL																		
1996	346,403.2	324,861.4	121,756.8	32,834.9	17,011.3	161,316.7	8,058.3	23,163.9	1,622.0										
1997	346,197.8	319,587.7	104,505.7	28,973.5	20,171.6	177,085.0	11,148.1	28,020.1	1,410.0										
1998	409,208.8	363,514.7	110,781.9	28,321.6	19,334.6	225,807.8	20,731.2	48,059.1	2,365.0										
1999	471,578.5	424,066.7	114,997.3	32,319.7	26,942.5	271,231.7	21,424.5	49,577.8	2,066.0										
2000	523,043.4	463,971.1	122,908.1	37,528.7	39,979.4	282,062.8	18,507.9	63,935.8	4,863.5										
2001	583,368.6	523,612.8	128,039.3	39,448.8	56,450.2	317,569.8	17,895.3	67,165.8	7,410.0										
2002	622,710.8	554,994.0	134,508.0	39,592.3	69,164.7	330,980.7	19,251.7	73,710.8	5,994.1										
2003	694,097.2	612,397.9	149,012.9	54,927.4	87,046.7	342,259.9	20,849.0	86,714.3	5,015.0										
2004	751,021.6	660,904.6	151,562.1	68,028.9	94,431.9	365,610.7	18,729.0	94,951.0	4,834.0										
2005	814,796.7	714,127.7	151,640.2	78,318.6	101,759.5	405,917.4	23,508.0	104,158.0	3,489.0										
2006	882,208.8	764,738.5	154,648.1	88,207.3	113,723.7	438,605.7	30,446.2	121,188.3	3,718.0										
2007	967,670.4	833,959.9	165,747.9	81,692.9	129,585.4	495,614.7	38,681.0	136,789.2	3,078.8										
2008	1,089,293.1	932,925.0	182,118.2	95,229.5	145,450.6	589,122.9	40,902.2	158,712.1	2,344.0										
2009 <sup>1)</sup>	1,151,019.6	988,112.5	193,730.1	102,588.7	146,014.7	589,122.9	43,343.9	164,717.4	1,810.3										
2010 <sup>2)</sup>	1,242,418.0	1,067,676.2	226,286.7	126,216.4	119,572.7	642,515.3	46,914.9	176,520.2	1,778.4										

Burimi: INSTAT

1) Të dhënat e vitit 2009 janë jo përfundimtare.

2) Të dhënat e vitit 2010 janë paraprake.

\* Të dhënat janë sipas tabelave në faqen e web-it të INSTAT në datën 22.02.2012.

Logaritë Kombëtare/ Tabelat:

- Tregues kryesorë makroekonomikë

- Prodhimi i brendshëm bruto sipas aktivitetit ekonomik

1.7 PUNËSIMI, PAPUNËSIA DHE PAGAT<sup>1)</sup>

Në mijë ose në rast të kundërt, sikurse përcaktohet

In thousands, unless otherwise indicated

	Forca e punës/ Labor force (2+6)	Të punësuar gjithsej sipas sektorëve/ Total employment by sector (3+4+5)	Në sektorin shtetëror/ In public sector		Në sektorin privat jobijësor/ In non agricultural private sector		Në sektorin privat bujqësor/ In agricultural private sector		Papunësia/ Unemployment Të papunë të regjistruar gjithsej/ Total registered unemployment	Pagat (në Lekë) / Wages (in ALL)	
			2	3	4	5	6	7	8	Paga mesatare mujore në sektorin shtetëror/ Average monthly wage in state sector	Paga minimale zbatuar/ Minimum monthly wage approved
2008	1,114	974	167	239	239	569	140	36537	17000		
2009	1,041	899	166	237	237	496	142	40874	18000		
2010	1,059	917	166	244	244	507	143	43625	19000		
2010/IV	1,060	917	166	244	244	507	143	45000	19000		
2011/I	1,063	920	165	248	248	507	143	45500	19000		
II	1,072	930	165	258	258	507	142	45500	19000		
III	1,072	930	165	258	258	507	142	47660	20000		

Burimi: INSTAT.

1) Të dhënat vjetore janë sipas informacionit në tabelat vjetore "Punësimi" dhe "Pagat" në faqen e web-it të INSTAT.

Të dhënat vjetore mbi punësimin dhe papunësinë janë gjendje në fund. Të dhënat tremujore janë sipas informacionit të tabelës "Bilanci i

Forcave të Punës" në faqen e web-it të INSTAT në datën 17.01.2012.

1) Yearly data are administrative and according to the information on "Employment" and "Wages" yearly tables published on the INSTAT web page. Yearly data on employment and unemployment are end of period. Quarterly data are as of "Labor Force Balance" table information published on INSTAT web page on 17.01.2012.

Source: INSTAT

## 2. FINANCAT E QEVERISË

2.1 TË ARDHURAT E BUXHETIT TË QEVERISË<sup>1)</sup>

Të dhëna progresive, në milionë lekë, fundi i periudhës

Progressive data in millions ALL, end of period

	Totali i të ardhurave/ Total revenue (2+3+7)	Të ardhura nga ndihmat/ Grants	Të ardhura tatimore/ Tax revenue (4+5+6)	Të ardhurat nga tatimet dhe doganat / Revenue from tax offices and customs		Të ardhura nga pushteti vendor/ Revenue from local government		Të ardhura nga fondet speciale/ Social Inst. Contributions		Të ardhura (të gjitha) / Non tax revenue	
				4	5	6	7	8	9		
2008	291,238	4,228	264,421	205,292	11,307	47,822	22,588				
2009	298,981	4,430	270,830	208,870	12,149	49,812	23,720				
2010	324,721	4,605	288,564	223,019	11,898	53,647	31,552				
2011/01	27,006	7	23,520	17,116	851	5,553	3,479				
02	49,144	202	44,405	33,081	1,512	9,812	4,537				
03	77,535	454	70,143	53,294	2,788	14,061	6,938				
04	103,667	589	94,621	70,388	4,880	19,353	8,457				
05	130,121	865	119,322	89,506	6,271	23,545	9,934				
06	155,257	1,129	143,204	108,701	6,765	27,738	10,924				
07	182,701	1,357	168,864	128,379	7,438	33,047	12,480				
08	210,910	1,746	195,528	150,100	8,110	37,318	13,636				
09	239,518	2,077	219,988	169,236	9,176	41,576	17,453				
10	267,789	2,292	246,610	189,426	10,094	47,090	18,887				
11	295,677	2,601	272,394	210,103	10,776	51,515	20,682				

Burimi: Ministria e Financave sipas publikimit "Statistikat fiskale të qeverisë".

Të dhënat për 2011 sipas publikimit "Treguesit fiskalë sipas burimeve të konsoliduar 2011", 21.02.2012.

1) 2011 Të dhëna paraprake.

Source: Ministry of Finance, according to "Fiscal Statistics of Government" publication, 2011 Data refer to "Fiscal indicators regarding consolidated budget 2011" publication, on 21.02.2012.

1) 2011 Preliminary data.

## 2.2 SHPENZIMET E BUXHETIT TË QEVERISË<sup>1</sup>

Të dhëna progresive, në milionë lekë, fundi i periudhës

Progressive data, in millions ALL, end of period

	Totali i shpenzimeve/ Total expenditure (2+10+11)		Shpenzimet korrente/ Current expenditure (3+4+5+6+7+8+9)		Shpenzime për personelin/ Personnel expenditure		Interesat/ Interest		Shpenzime operative mirëmbajtje/ Operational & maintenance		Subvencionet/ Subsidies		Shpenzime për fonde speciale/ Social insurance outlays		Shpenzime për buxhetin vendor/ Local budget expenditure		Shpenzime korrente të tjera/ Other current expenditure		Shpenzime kapitale/ Capital expenditure		Shpenzime të tjera/ Other expenditure	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22
2008	351,492	250,298	66,621	31,307	28,788	2,555	76,199	27,079	17,750	93,783	7,410	11										
2009	379,863	283,897	62,359	36,301	32,058	2,004	96,725	33,582	19,129	95,881	85											
2010	362,752	300,878	65,762	41,604	34,318	3,535	106,207	30,764	18,688	67,492	-5,618											
2011/01	25,386	19,176	5,360	2,433	1,543	41	7,608	1,304	887	6,210												
02	58,049	43,672	10,800	6,671	3,624	155	16,777	3,308	2,337	14,377												
03	89,315	69,472	16,158	9,478	6,855	258	25,770	6,578	4,375	19,843												
04	119,576	94,588	21,796	11,393	9,998	699	34,866	9,790	6,046	24,988												
05	150,548	122,129	27,321	15,092	13,085	2,165	44,364	12,302	7,800	28,419												
06	182,166	149,114	32,940	19,550	16,000	2,372	53,929	14,686	9,637	33,052												
07	213,465	174,951	38,757	22,502	19,392	2,637	63,551	16,927	11,185	38,514												
08	242,100	199,607	44,115	25,857	21,506	2,832	73,816	18,730	12,751	42,493												
09	271,148	223,885	49,516	28,843	24,142	2,970	83,471	20,757	14,186	47,263												
10	299,507	246,680	55,049	30,547	26,152	3,082	93,420	22,819	15,611	52,827												
11	333,951	275,035	60,776	37,348	29,133	3,181	102,414	25,134	17,049	58,916												

Burimi: Ministria e Financave sipas publikimit "Statistikat fiskale të qeverisë".

Të dhënat për 2011 sipas publikimit "Treguesit fiskale sipas buxhetit të konsoliduar 2011", 21.02.2012.

1) 2011 Të dhëna paraprake.

Source: Ministry of Finance, according to "Fiscal Statistics of Government" publication. 2011 Data refer to "Fiscal indicators regarding consolidated budget 2011" publication, on 21.02.2012.

1) 2011 Preliminary data.

## 2.3 FINANCIMI I DEFICITIT BUXHETOR<sup>1</sup>

Të dhëna progresive, në milionë lekë, fundi i periudhës

Progressive data, in millions ALL, end of period

	Deficiti/ Deficit		Financimi i deficitit / Deficit financing (3+7)		Financimi i brendshëm/ Domestic financing (4+5+6)		Të ardhura nga privatizimi/ Privatization receipts		Huamarije e brendshme/ Domestic borrowing		Të tjera / Other		Financimi i huaj/ Foreign financing (8+9)		Hua afatgjatë (marrë)/ Long term loan (drawings)		Ndryshimi i gjendjes së arkës/ Change of statement accounts		Ripagimet/ Repayments	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
2008	-60,254	60,254	24,417	5,538	15,012	3,866	35,837	39,794	292											
2009	-80,883	80,883	70,701	25,138	43,339	2,224	10,182	15,375	567											
2010	-38,031	38,031	27,819	411	25,948	1,460	10,212	18,429	-1,705											
2011/01	1,620	-1,620	-1,096	6	8,097	-9,199	-524	310	-286											
02	-8,905	8,905	8,537	47	13,376	-4,886	368	1,003	190											
03	-11,780	11,780	10,373	125	18,225	-7,979	1,407	3,076	-680											
04	-15,909	15,909	13,960	141	18,937	-5,117	1,949	3,559	-144											
05	-20,427	20,427	17,902	162	21,743	-4,003	2,525	5,039	-353											
06	-26,909	26,909	22,811	229	28,880	-6,300	4,098	7,904	-365											
07	-30,764	30,764	25,260	328	29,300	-4,371	5,504	8,791	620											
08	-31,190	31,190	23,966	337	29,526	-5,896	7,224	10,962	546											
09	-31,630	31,630	20,631	348	30,202	-9,919	10,999	16,262	-724											
10	-31,718	31,718	17,396	371	29,752	-12,727	14,322	19,797	-258											
11	-38,274	38,274	21,990	387	30,720	-9,119	16,284	21,819	698											

Burimi: Ministria e Financave sipas publikimit "Statistikat fiskale të qeverisë".

Të dhënat për 2011 sipas publikimit "Treguesit fiskale sipas buxhetit të konsoliduar 2011", 21.02.2012.

1) 2011 Të dhëna paraprake.

Source: Ministry of Finance, according to "Fiscal Statistics of Government" publication. 2011 Data refer to "Fiscal indicators regarding consolidated budget 2011" publication, on 21.02.2012.

1) 2011 Preliminary data.

2.4 SHPENZIMET SIPAS KLASIFIKIMIT FUNKSIONAL (COFOG)<sup>1)</sup>2.4 EXPENDITURE BY FUNCTIONS (COFOG)<sup>1)</sup>

Të dhëna progresive, në milionë lekë, fundi i periudhës

Progressive data, in millions ALL, end of period

Shpenzimet totale/ Total Expenditure (2+3+4+5+6+7+8+9+10+11+12)		Shërbime të përgjithshme publike/ General public services													Mbrojtja/ Defense	Rendi dhe siguria publike/ Public order and safety	Çështjet ekonomike/ Economic affairs	Mbrojtja e mjedisit/ Environmental protection	Shtrehi dhe komoditetet e komunitetit/ Housing and community amenities	Shëndetësia/ Health	Argëtimi, kultura dhe gëshëritë/ Recreation, culture and religion	Arsimi/ Education	Mbrojtja sociale/ Social protection	Të tjera/ Other
	1	2	3	4	5	6	7	8	9	10	11	12												
2008	351,492	63,054	11,970	16,204	80,216	203	16,536	26,713	3,999	37,923	86,112	8,561												
2009	379,863	71,483	11,683	17,594	89,608	326	17,967	30,738	4,242	39,311	94,646	—												
2010	362,752	72,639	13,325	19,329	92,659	438	23,382	32,658	4,242	42,310	102,092	—												
2011/01	25,385	4,317	871	1,385	5,420	12	1,281	2,111	208	2,656	7,124	—												
02	58,048	11,301	1,698	2,952	12,831	107	2,857	5,006	461	5,706	15,129	—												
03	89,311	17,422	2,647	4,934	17,576	180	4,543	7,730	991	8,985	24,303	—												
04	119,575	22,886	4,575	6,753	21,100	210	6,365	10,522	1,517	12,554	33,093	—												
05	150,547	30,755	5,695	8,429	24,041	242	8,215	13,355	1,919	15,971	41,925	—												
06	182,166	37,976	6,656	10,353	26,669	291	10,919	16,392	2,299	19,265	51,346	—												
07	213,463	43,889	8,843	12,250	29,898	324	12,839	19,154	2,668	23,093	60,505	—												
08	242,098	49,486	9,626	13,643	33,016	485	14,387	21,819	2,972	26,248	70,416	—												
09	269,990	55,530	10,278	15,220	35,862	543	15,744	24,615	3,272	29,475	79,451	—												

Burimi: Ministria e Financave sipas publikimit "Statistikat fiskale të qeverisë".

Source: Ministry of Finance, according to "Fiscal Statistics of Government" publication.

1) 2011 Të dhëna paraprake.

1) 2011 Preliminary data.

2) Përfshin dhe shpenzimet për interesa.

2) Comprise interest expenditure.

2.5 STOKU I BORXHIT TË BRENDSHËM SIPAS INSTRUMENTEVE<sup>1)</sup>2.5 DOMESTIC DEBT STOCK BY INSTRUMENTS<sup>1)</sup>

Të dhëna progresive, në milionë lekë, fundi i periudhës

Progressive data, in millions ALL, end of period

	Stoku i borxhit të brendshëm/ Domestic debt stock (2+3+4+5+6+7+8)										Të tjera <sup>2)</sup> / Other <sup>2)</sup>
	1	2	3	4	5	6	7	8	9	10	
2008	400,456	224,224	65,730	21,100	45,910	12,000	23,540	7,952	—	—	—
2009	415,028	237,469	65,247	15,600	60,315	12,000	18,870	5,527	—	—	—
2010	407,372	231,436	70,957	15,613	71,815	12,000	—	—	—	—	—
2010/IV	407,372	231,436	70,957	15,613	71,815	12,000	—	—	—	—	—
2011/I	425,667	241,356	71,507	17,913	77,268	12,000	—	—	—	—	—
II	436,358	247,393	73,500	17,637	80,172	12,000	—	—	—	—	—
III	437,652	242,451	76,300	19,387	81,877	12,000	—	—	—	—	—

Burimi: Ministria e Financave sipas publikimit "Statistikat fiskale të qeverisë".

Source: Ministry of Finance, according to "Fiscal Statistics of Government" publication.

1) 2011 Të dhëna paraprake. Përditësimi i fundit në 15.11.2011.

1) 2011 Preliminary data. Last update on November 15, 2011.

2) Përfshin "Kredi direkte" dhe "Borxhi i garantuar".

2) Comprises "Direct credit" and "Publicly guaranteed debt".

### 3. SEKTORI FINANCIAR

### 3. FINANCIAL SECTOR

#### 3.1 AGREGATËT MONETARË DHE PËRBËRËSIT E TYRE

#### 3.1 MONETARY AGGREGATES AND THEIR COMPONENTS

	M3 (2+7)		M2 (3+6)	M1 (4+5)		Parajta tashmë korporative depozituese/ Currency outside depository corporations	Llogarit rrethëse dhe depozita po afat në lekë/ Current accounts and non-term deposits in national currency	Depozitat me afat në lekë/ Time deposits in national currency	Depozitat në valutë/ Deposits in foreign currency
	1	2		3	4		5	6	7
				Gjendja në fund të periudhës (në milionë Lekë)/ Stock at end of period (in millions ALL)					
2008/12	815,704.6	555,004.7		282,862.3	195,817.3		87,045.0	272,142.4	260,699.9
2009/12	871,469.5	578,181.5		284,505.5	209,043.7		75,461.8	293,675.9	293,288.0
2010/12	980,283.9	604,517.3		275,427.3	195,059.0		80,368.4	329,090.0	375,766.6
2011/01	981,424.4	601,566.4		263,423.3	186,562.3		76,861.1	338,143.1	379,858.0
02	978,045.1	604,422.3		262,298.5	185,856.3		76,442.2	342,123.7	373,622.9
03	983,534.3	609,345.2		263,775.5	185,549.4		78,226.1	345,569.7	374,189.1
04	994,623.1	615,785.5		265,411.4	187,867.1		77,544.2	350,374.2	378,837.5
05	998,498.0	619,174.5		264,818.9	187,885.7		76,933.2	354,355.7	379,323.4
06	1,008,822.5	624,971.9		267,748.0	189,276.6		78,471.4	357,223.9	383,850.6
07	1,015,644.9	625,633.1		269,565.4	190,236.0		79,329.4	356,067.7	390,011.9
08	1,034,708.7	625,586.2		271,808.2	189,554.9		82,253.2	353,778.0	409,122.5
09	1,046,909.0	630,476.0		269,923.2	189,946.3		79,976.9	361,552.8	416,433.1
10	1,053,377.3	631,260.9		267,189.3	186,592.0		80,597.3	364,071.6	422,116.5
11	1,057,110.6	637,089.8		269,123.6	187,234.3		81,889.3	367,966.2	420,020.8
12	1,070,153.7	647,007.8		276,898.3	194,923.4		81,974.9	370,109.5	423,145.8
				Ndryshimi vjetor në përqindje/ Annual percentage changes					
2008/12	7.7	9.7		16.6	26.4		-0.8	3.3	3.7
2009/12	6.8	4.2		0.6	6.8		-13.3	7.9	12.5
2010/12	12.5	4.6		-3.2	-6.7		6.5	12.1	28.1
2011/01	11.5	5.3		-2.2	-6.3		9.3	11.9	23.1
02	10.8	5.5		-1.6	-5.9		10.5	11.6	20.8
03	10.8	5.9		-1.8	-4.9		6.7	12.7	19.7
04	12.2	7.2		0.8	-2.7		10.4	12.5	21.6
05	11.2	6.8		-0.3	-2.9		6.7	12.8	19.3
06	11.8	7.2		-0.4	-2.4		4.6	13.7	20.2
07	11.2	6.7		-1.8	-3.5		2.7	14.2	19.2
08	10.1	6.3		-1.7	-3.8		3.5	13.3	16.4
09	10.4	6.7		-1.3	-1.3		-1.4	13.6	16.4
10	10.6	6.7		-1.0	-2.3		2.2	13.1	17.1
11	10.0	7.4		0.8	-1.1		5.7	12.7	14.1
12	9.2	7.0		0.5	-0.1		2.0	12.5	12.6

Burimi: Banka e Shqipërisë.

Source: Bank of Albania



### 3.2 KUNDËRPARTITË E AGREGATËVE MONETARË

### 3.2 COUNTERPARTS OF MONETARY AGGREGATES

	Mjetet valutore neto/ Net Foreign Assets	Mjetet e brendshme/ Domestic assets (3+4)	Pretendimet ndaj qeverisë qendrore neto/ Net claims on Central Government	Pretendime ndaj sektorëve të tjerë <sup>1</sup> / Claims on other sectors	Të tjera neto/ Other items net
	1	2	3	4	5
	Gjendja në fund të periudhës (milionë Lekë)/ Stock at end of period (in millions ALL)				
2008/12	206,667.6	718,680.7	322,065.6	396,615.1	-6,315.5
2009/12	244,442.7	781,942.8	341,292.4	440,650.4	3,516.5
2010/12	339,409.2	826,848.0	343,395.1	483,453.0	10,282.6
2011/01	334,320.5	828,175.4	344,049.1	484,126.4	12,008.7
02	320,526.0	841,305.7	352,028.2	489,277.5	12,257.9
03	316,103.2	850,019.6	353,571.7	496,447.9	14,503.0
04	322,208.9	858,914.3	358,461.2	500,453.1	15,756.1
05	327,847.4	864,681.0	358,486.2	506,194.8	22,660.2
06	330,264.9	872,070.0	361,312.4	510,757.6	23,732.1
07	330,749.6	880,784.8	364,112.9	516,671.9	19,974.6
08	356,891.6	882,820.8	364,185.0	518,635.8	23,169.1
09	373,084.1	887,640.4	359,222.1	528,418.3	27,475.0
10	379,233.5	889,059.3	357,809.7	531,249.6	26,388.0
11	378,285.5	894,552.8	361,107.2	533,445.6	28,167.1
12	389,082.5	903,863.7	361,663.0	542,200.7	29,671.2

	Ndryshimi vjetor në përqindje/ Annual percentage changes			
	Mjetet valutore neto/ Net foreign assets	Mjetet e brendshme/ Domestic assets (3+4)	Pretendimet ndaj qeverisë qendrore neto/ Net claims on Central Government	Pretendime ndaj sektorëve të tjerë <sup>1</sup> / Claims on other sectors <sup>1</sup>
	1	2	3	4
2008/12	-11.0	18.1	2.5	34.9
2009/12	18.3	8.8	6.0	11.1
2010/12	38.9	5.7	0.6	9.7
2011/01	28.5	6.1	2.6	8.8
02	21.9	7.1	4.0	9.4
03	18.3	8.0	4.5	10.6
04	21.0	8.7	5.6	11.1
05	17.4	8.1	4.9	10.5
06	16.5	8.8	5.1	11.5
07	16.0	9.4	5.3	12.5
08	13.1	9.3	4.7	12.8
09	17.0	9.9	3.8	14.6
10	17.6	9.9	3.2	14.8
11	12.5	10.2	7.7	12.0
12	14.6	9.3	5.3	12.2

Burimi: Banka e Shqipërisë.

Source: Bank of Albania

1) Përfshin kredinë për ekonominë dhe pretendime të tjera ndaj sektorëve mbajtës së parasë së gjerë.

1) Include credit to economy and other claims on broad money holding sectors.

### 3.3 LLOGARITË RRIJHËSE DHE DEPOZITAT PA AFAT NË LEKË SIPAS SEKTORIT<sup>1</sup>

Në milionë lekë, fund periudhë

### 3.3 ALL DENOMINATED CURRENT ACCOUNT AND SIGHT DEPOSITS BY SECTOR<sup>1</sup>

In millions ALL, end of period

	Llogaritë rrjedhëse dhe depozita pa afat/ Current account and sight deposits (2+3+4+5+6)	Qeveria vendore/ Local government	Korporatat jofinanciare publike/ Public nonfinancial corporations	Korporatat të tjera financiare/ Other financial corporations	Korporatat të tjera jofinanciare/ Other nonfinancial corporations	Sektorë të tjerë rezidentë/ Other resident sectors
	1	2	3	4	5	6
2008/12	87,045.0	482.8	7,233.9	698.2	33,582.0	45,048.2
2009/12	75,461.8	478.1	7,795.6	675.3	20,879.3	45,633.5
2010/12	80,368.4	948.1	7,134.0	920.6	22,505.0	48,860.8
2011/01	76,861.1	1,227.1	8,428.3	950.8	20,036.6	46,218.4
02	76,442.2	1,124.6	8,928.2	577.2	19,174.1	46,638.1
03	78,226.1	1,053.1	7,215.0	710.6	20,850.4	48,397.0
04	77,544.2	1,422.3	6,596.4	699.3	19,653.9	49,172.3
05	76,933.2	1,099.6	7,138.6	718.9	19,514.0	48,462.1
06	78,471.4	1,358.0	6,586.1	519.5	19,779.7	50,228.1
07	79,329.4	1,417.2	6,812.8	429.5	18,619.7	52,050.1
08	82,253.2	1,529.2	7,743.6	450.4	21,099.8	51,430.3
09	79,976.9	1,495.8	7,793.9	493.3	19,902.4	50,291.5
10	80,597.3	1,269.3	8,318.3	504.9	21,063.0	49,441.8
11	81,889.3	1,259.2	8,146.9	999.9	21,211.7	50,271.5
12	81,974.9	1,157.4	7,303.4	532.5	20,681.5	52,300.1

Burimi: Banka e Shqipërisë.

Source: Bank of Albania

1) Përfshihen vetëm llogaritë dhe depozitat që janë pjesë e parasë së gjerë.

1) Deposits included in broad money.



### 3.4 DEPOZITAT ME AFAT NË LEKË SIPAS SEKTORIT<sup>1</sup>

Në milionë lekë, fund periudhë

	Depozitat me afat/ Time deposits (2+3+4+5+6)	Qeveria vendore/ Local government	Korporatat jofinanciare publike/ Public nonfinancial corporations	Korporata të tjera financiare/ Other financial corporations	Korporata të tjera jofinanciare/ Other nonfinancial corporations	Sektorë të tjerë rezidentë/ Other resident sectors
	1	2	3	4	5	6
2008/12	272,142.4	17.7	1,331.5	831.8	9,428.6	260,532.8
2009/12	293,675.9	8.4	3,378.4	786.6	9,898.3	279,604.3
2010/12	329,090.0	55.1	3,054.3	1,773.4	8,316.8	315,890.5
2011/01	338,143.1	55.0	3,464.0	2,103.4	9,442.4	323,078.3
02	342,123.7	55.0	3,392.2	1,981.3	8,677.2	328,018.1
03	345,569.7	67.1	3,057.0	1,749.0	8,021.5	332,675.1
04	350,374.2	87.1	2,786.4	2,222.1	8,828.0	336,450.6
05	354,355.7	87.1	3,371.8	1,698.6	8,632.5	340,565.7
06	357,223.9	100.6	3,456.2	1,904.2	9,395.2	342,367.6
07	356,067.7	94.0	3,955.0	1,834.8	9,271.2	340,912.7
08	353,778.0	94.2	3,235.5	2,269.1	9,217.8	338,961.5
09	361,552.8	94.6	3,654.1	1,769.0	11,065.1	344,970.1
10	364,071.6	109.0	3,550.1	2,094.0	9,524.0	348,794.5
11	367,966.2	109.2	3,251.3	1,547.3	10,636.9	352,421.5
12	370,109.5	109.6	2,608.9	1,423.5	11,292.5	354,675.1

Burimi: Banka e Shqipërisë.

1) Përfshihen vetëm llogaritë dhe depozitat që janë pjesë e parasë së gjerë.

Source: Bank of Albania

1) Deposits included in broad money.

### 3.5 LLOGARI RRJEDHËSE DHE DEPOZITA PA AFAT NË VALUTË SIPAS SEKTORIT<sup>1</sup>

Në milionë lekë, fund periudhë

	Llogari rrjedhëse dhe depozita pa afat/ Current account and sight deposits (2+3+4+5+6)	Qeveria vendore/ Local government	Korporatat jofinanciare publike/ Public nonfinancial corporations	Korporata të tjera financiare/ Other financial corporations	Korporata të tjera jofinanciare/ Other nonfinancial corporations	Sektorë të tjerë rezidentë/ Other resident sectors
	1	2	3	4	5	6
2008/12	65,113.8	108.8	2,609.4	608.7	23,225.7	38,561.2
2009/12	75,422.6	153.7	2,771.9	426.8	25,627.3	46,443.0
2010/12	87,471.8	256.0	4,102.0	971.9	29,547.6	52,594.2
2011/01	83,037.3	113.2	4,264.2	851.1	26,535.5	51,273.2
02	83,674.8	132.8	3,883.2	333.1	26,726.0	52,599.8
03	80,551.3	83.7	3,311.9	537.1	25,679.3	50,939.3
04	82,814.9	89.5	3,115.7	582.4	27,684.6	51,342.6
05	81,235.3	264.0	2,983.9	508.6	26,092.8	51,386.0
06	84,923.2	580.5	2,911.3	484.7	27,805.8	53,140.9
07	89,903.2	334.7	3,298.6	406.0	30,096.9	55,766.9
08	93,537.6	235.9	2,872.3	885.0	31,076.1	58,468.4
09	90,326.9	920.0	2,921.4	788.4	28,814.7	56,882.4
10	89,328.7	390.7	2,732.1	458.7	29,766.7	55,980.5
11	87,325.3	295.7	2,755.6	274.8	29,304.9	54,694.3
12	86,753.0	263.1	2,091.4	971.8	28,217.3	55,209.4

Burimi: Banka e Shqipërisë.

1) Përfshihen vetëm llogaritë dhe depozitat që janë pjesë e parasë së gjerë.

Source: Bank of Albania

1) Deposits included in broad money.

### 3.6 DEPOZITAT ME AFAT NË VALUTË SIPAS SEKTORIT<sup>1</sup>

Në milionë lekë, fund periudhë

	Depozitat me afat/ Time deposits (2+3+4+5+6)	Qeveria vendore/ Local government	Korporatat jofinanciare publike/ Public nonfinancial corporations	Korporata të tjera financiare/ Other financial corporations	Korporata të tjera jofinanciare/ Other nonfinancial corporations	Sektorë të tjerë rezidentë/ Other resident sectors
	1	2	3	4	5	6
2008/12	195,586.2	170.7	5,480.3	1,731.1	22,697.2	165,506.9
2009/12	217,865.3	159.3	3,999.1	3,246.0	13,955.6	196,505.4
2010/12	288,294.8	237.0	4,470.0	5,229.1	27,835.3	250,523.5
2011/01	296,820.7	238.4	4,426.5	5,764.0	28,640.3	257,751.5
02	289,948.1	239.9	4,058.3	5,715.7	22,724.3	257,209.9
03	293,637.8	246.4	4,090.0	5,653.9	23,807.5	259,840.0
04	296,022.7	248.1	2,917.2	5,184.4	24,051.7	263,621.3
05	298,088.2	111.0	2,814.1	4,953.3	23,171.1	267,038.7
06	298,927.4	122.3	3,241.6	5,044.1	22,333.8	268,185.6
07	300,108.7	121.3	2,898.7	5,006.8	20,670.3	271,411.5
08	315,584.9	121.3	3,065.7	5,072.3	22,016.7	285,308.8
09	326,106.1	122.6	3,672.5	5,356.0	23,341.3	293,613.8
10	332,787.8	123.4	3,875.6	4,835.0	26,338.8	297,615.1
11	332,695.5	16.8	3,005.3	5,048.0	25,853.0	298,772.3
12	336,392.8	17.4	3,150.8	5,050.5	26,201.1	301,973.0

Burimi: Banka e Shqipërisë.

1) Përfshihen vetëm llogaritë dhe depozitat që janë pjesë e parasë së gjerë.

Source: Bank of Albania

1) Deposits included in broad money.

3.7 KREDIA PËR EKONOMINË SIPAS SEKTORIT<sup>1)</sup>

Në milionë lekë, fund periudhë

3.7 CREDIT TO ECONOMY BY SECTOR<sup>1)</sup>

In millions ALL, end of period

	Totali i kredisë/ Total credit (2+8)	Kredia në lekë/ Credit in national currency (3+4+5+6+7)			Qeveria lokale/ Local government	Korporatat jo financiare/ Public nonfinancial corporations	Korporata të tjera jo financiare/ Other nonfinancial corporations	Korporata të tjera financiare/ Other financial corporations	Sektori i tërë rezidentë/ Other resident sectors	Kredia në valutë/ Credit in foreign currency (9+10+11 +12+13)			Qeveria lokale/ Local government	Korporatat jo financiare/ Public nonfinancial corporations	Korporata të tjera jo financiare/ Other nonfinancial corporations	Korporata të tjera financiare/ Other financial corporations	Sektori i tërë rezidentë/ Other resident sectors
		1	2	3	4	5	6	7		8	9	10	11	12	13		
2008/12	396,264.3		114,051.9	-	3,636.7	49,111.0	334.7	60,969.5	282,212.4	-	-	9,262.4	192,939.7	41.5	79,968.9		
2009/12	440,397.4		140,479.9	-	6,323.5	70,353.3	816.3	62,986.8	299,917.5	-	-	5,732.8	205,126.5	5,216.0	83,842.3		
2010/12	483,129.7		157,197.3	85.0	5,022.9	83,234.9	2,957.0	65,897.5	325,932.4	-	-	4,351.0	232,644.2	5,747.5	83,189.8		
2011/01	483,802.0		158,130.0	85.4	5,025.7	83,978.7	2,705.5	66,334.8	325,671.9	-	-	4,019.3	232,598.5	5,768.2	83,286.0		
02	488,952.0		159,901.3	85.2	5,047.2	85,660.0	2,673.5	66,435.4	329,050.7	-	-	4,163.4	235,689.2	5,823.0	83,375.2		
03	496,141.0		162,746.6	88.4	5,041.9	87,408.4	2,995.7	67,212.3	333,394.4	-	-	3,626.7	240,402.8	5,817.4	83,547.5		
04	500,147.8		165,943.5	93.6	5,045.8	90,142.1	2,807.6	67,854.4	334,204.3	-	-	3,977.2	239,391.3	6,137.2	84,698.5		
05	505,889.1		166,079.0	93.7	5,056.0	89,113.8	2,893.3	68,922.4	339,810.1	-	-	5,510.6	243,651.3	6,196.6	84,451.6		
06	510,390.2		171,263.8	93.7	5,054.5	93,403.4	2,765.9	69,946.4	339,126.4	-	-	6,776.0	241,538.5	6,227.6	84,584.3		
07	516,508.2		172,760.4	96.1	5,058.9	94,016.9	2,754.0	70,834.4	343,547.8	-	-	7,033.1	245,672.1	6,365.9	84,476.7		
08	518,271.6		172,272.3	96.1	4,856.2	93,330.4	2,837.1	71,152.4	345,999.3	-	-	7,374.5	247,840.4	6,484.8	84,299.7		
09	528,028.2		176,248.5	96.1	4,842.8	96,950.4	3,151.3	71,207.9	351,779.6	-	-	8,878.6	252,312.2	6,649.8	83,939.0		
10	530,862.5		177,849.0	105.9	4,744.6	98,123.7	3,240.4	71,634.5	353,013.5	-	-	9,637.8	253,094.3	6,629.7	83,651.8		
11	533,057.8		181,326.7	112.6	5,026.7	100,698.9	3,327.6	72,161.0	351,731.1	-	-	10,168.9	252,683.8	6,448.4	82,429.9		
12*	541,903.3		188,782.6	147.2	8,446.2	108,321.7	3,364.2	68,503.4	353,120.7	-	-	10,232.3	256,052.2	6,477.7	80,358.5		

Burimi: Banka e Shqipërisë.

1) Kredia dhënë nga korporatat depozituese (Banka Qendrore, bankat paradepozituese dhe shoqëritë e kursim-kreditit).

\* Dhjetor 2011, rrikasifikim nga bankat paradepozituese i kredisë, nga kredi për sektorë të tjerë rezidentë në kredi për korporata të tjera jo financiare.

1) Credit granted by depositary corporations (Central Bank, deposit money banks and savings and loan associations).

\* December 2011; reclassification in the data of loans given to other resident sectors and other nonfinancial corporations.

Source: Bank of Albania

### 3.8 KREDIA SIPAS QËLLIMIT TË PËRDORIMIT DHE MONEDHËS PËR BIZNESET<sup>1)</sup>

Në milionë lekë, fund periudhë

### 3.8 BUSINESS LOANS BY PURPOSE AND CURRENCY<sup>1)</sup>

In millions ALL, end of period

	Kredia për bizneset/ Business loans (2+7+12+17)					
	1	2	3	4	5	6
	Në lekë / In ALL (3+4+5+6)					
	Overdraft/ Overdraft	Kapital qarkullues/ Working capital	Blerje pajisjesh/ Machines and appliances	Pasuri të paluajtshme/ Real estate		
2008/12	254,009.1	52,563.0	15,587.5	12,799.1	12,700.5	11,475.9
2009/12	291,214.3	76,734.3	30,976.5	17,237.7	18,494.7	10,025.4
2010/12	330,388.1	89,529.3	33,349.8	21,738.1	21,121.2	13,320.3
2011/01	329,854.7	90,207.8	34,592.5	21,104.6	19,944.3	14,566.5
02	334,034.9	91,361.2	34,678.8	21,384.8	19,359.4	15,938.2
03	340,108.7	93,713.6	33,923.0	23,976.7	19,452.7	16,361.1
04	343,030.1	96,406.7	35,421.0	24,694.1	19,154.9	17,136.6
05	347,587.3	95,415.6	34,053.6	24,936.2	18,979.5	17,446.4
06	351,758.0	99,773.9	35,321.7	25,470.6	21,575.6	17,406.0
07	356,550.8	100,229.7	35,383.0	25,875.2	21,410.9	17,560.6
08	358,107.8	99,327.6	34,500.9	25,893.0	21,617.9	17,315.9
09	369,087.2	103,753.9	36,066.3	26,076.3	24,158.8	17,452.6
10	370,874.3	104,790.9	36,622.7	25,884.3	24,471.9	17,812.1
11	373,534.3	107,514.8	36,760.4	28,541.5	24,281.2	17,931.6
12*	389,425.7	118,862.4	37,883.4	33,938.2	26,536.0	20,504.8

	Në dollarë amerikanë / In USD (8+9+10+11)					
	7	8	9	10	11	
	Overdraft/ Overdraft	Kapital qarkullues/ Working capital	Blerje pajisjesh/ Machines and appliances	Pasuri të paluajtshme/ Real estate		
2008/12	25,346.2	10,707.3	5,943.6	4,213.2	4,482.1	4,482.1
2009/12	26,832.1	12,115.4	5,787.9	4,493.4	4,435.4	4,435.4
2010/12	31,186.8	12,966.4	6,116.6	6,474.7	5,629.1	5,629.1
2011/01	30,582.6	11,957.4	5,857.1	7,268.7	5,499.5	5,499.5
02	31,594.6	12,781.8	5,829.3	7,463.9	5,519.5	5,519.5
03	30,978.4	12,755.5	5,389.9	7,485.2	5,347.8	5,347.8
04	28,300.3	11,308.1	4,703.5	7,211.1	5,077.5	5,077.5
05	29,350.0	12,258.1	4,662.2	7,115.6	5,314.0	5,314.0
06	28,420.8	11,123.6	4,883.4	6,948.4	5,465.4	5,465.4
07	30,070.3	13,553.4	5,208.0	5,860.5	5,448.4	5,448.4
08	30,828.8	13,909.9	4,939.4	5,979.1	6,000.4	6,000.4
09	35,879.4	17,912.6	5,454.8	6,242.4	6,269.6	6,269.6
10	34,430.2	17,351.7	5,116.6	5,923.2	6,038.8	6,038.8
11	34,975.0	17,098.8	5,295.2	6,349.6	6,231.4	6,231.4
12	36,138.2	17,403.7	5,354.5	7,070.4	6,309.6	6,309.6

	Në euro / In EUR (13+14+15+16)					
	12	13	14	15	16	17
	Overdraft/ Overdraft	Kapital qarkullues/ Working capital	Blerje pajisjesh/ Machines and appliances	Pasuri të paluajtshme/ Real estate		
2008/12	174,896.1	48,901.0	29,940.2	51,011.3	45,043.6	1,203.8
2009/12	186,942.0	53,528.5	26,575.6	53,511.5	53,326.4	705.8
2010/12	209,347.5	61,989.3	27,174.5	60,072.5	60,111.2	324.5
2011/01	208,754.2	59,720.6	27,423.8	59,755.6	61,854.1	310.2
02	210,772.9	59,632.5	27,051.4	58,041.4	66,047.6	306.3
03	215,119.4	61,040.0	28,391.2	58,841.5	66,846.7	297.3
04	218,025.7	62,504.7	29,668.6	58,422.3	67,430.1	297.5
05	222,533.1	64,850.6	31,185.1	58,576.6	67,920.7	288.5
06	223,299.9	65,136.3	30,912.8	59,412.0	67,838.9	263.4
07	225,981.3	66,850.9	30,451.9	61,288.8	67,389.7	269.6
08	227,693.7	67,297.4	30,379.7	62,219.0	67,797.6	257.7
09	229,211.4	66,929.7	31,540.3	62,429.4	68,312.0	242.4
10	231,414.4	66,289.0	31,150.9	64,744.5	69,230.0	238.8
11	230,817.1	67,704.3	31,280.8	63,420.0	68,412.0	227.5
12	234,203.0	68,305.4	31,695.8	65,354.7	68,847.0	222.1

Burimi: Banka e Shqipërisë.

1) Të dhënat e kredisë nuk përfshijnë interesat e përllogaritur.

\* Dhjetor 2011, rriklassifikim nga bankat para-depozituese i kredisë, nga kredi për individë në kredi për bizneset.

Source: Bank of Albania

1) Data on loans do not include accrued interests.

\* December 2011: reclassification from the deposit money banks in the data of loans given to households and businesses.

3.9 KREDIA SIPAS QËLLIMIT TË PËRDORIMIT DHE MONEDHËS PËR INDIVIDËT<sup>1)</sup>3.9 HOUSEHOLD LOANS BY PURPOSE AND CURRENCY<sup>1)</sup>

Në milionë lekë, fund periudhë

In millions ALL, end of period

	Kredita për individë/ Household Loans (2+8+14+20)		Në lekë/ In ALL (3+4+5+6+7)		Overdraft/ Overdraft		Mallra jo të qëndrueshme/ Nondurable goods		Mallra të qëndrueshme/ Durable goods		Pasuri të paluajtshme/ Real estate		Ushtrim aktiviteti/ Business activity	
	1	2	3	4	5	6	7	8	9	10	11	12	13	
	Në dollarë amerikanë / In USD (9+10+11+12+13)		Overdraft/ Overdraft		Mallra jo të qëndrueshme/ Nondurable goods		Mallra të qëndrueshme/ Durable goods		Pasuri të paluajtshme/ Real estate		Ushtrim aktiviteti/ Business activity			
2008/12	134,317.1	55,171.1	4,048.9	2,390.6	18,515.6	22,238.3	7,977.6							
2009/12	139,779.6	56,239.5	3,859.5	14,338.2	5,228.1	25,591.3	7,222.4							
2010/12	142,176.0	59,411.9	4,468.4	14,403.5	5,434.0	27,782.7	7,323.3							
2011/01	142,247.7	59,519.5	4,359.4	14,528.6	5,336.2	28,006.8	7,288.4							
02	142,876.3	59,697.1	4,455.8	14,537.0	5,249.6	28,161.8	7,292.9							
03	144,063.9	60,537.7	4,619.2	14,674.2	5,292.5	28,589.2	7,362.8							
04	145,734.6	61,218.5	4,793.1	14,863.1	5,382.7	28,848.4	7,331.2							
05	146,285.4	62,170.9	4,969.8	14,993.9	5,427.7	29,316.8	7,462.8							
06	147,446.9	63,224.9	5,147.1	15,283.8	5,494.4	29,807.5	7,492.2							
07	148,104.5	64,030.6	5,241.2	15,607.4	5,518.1	30,103.1	7,560.7							
08	148,041.1	64,315.5	4,981.0	15,952.8	5,469.0	30,438.6	7,474.0							
09	147,721.1	64,348.6	5,279.2	15,688.1	5,455.4	30,501.2	7,424.7							
10	148,057.1	64,675.6	5,335.5	15,812.3	5,465.4	30,654.9	7,407.4							
11	147,427.9	65,259.5	5,470.5	15,923.3	5,469.5	30,866.8	7,529.4							
12*	141,618.3	61,524.9	5,271.1	16,128.1	5,489.7	30,285.5	4,350.5							

	Në dollarë amerikanë / In USD (9+10+11+12+13)		Overdraft/ Overdraft		Mallra jo të qëndrueshme/ Nondurable goods		Mallra të qëndrueshme/ Durable goods		Pasuri të paluajtshme/ Real estate		Ushtrim aktiviteti/ Business activity	
	8	9	10	11	12	13						
	Në euro / In EUR (15+16+17+18+19)		Overdraft/ Overdraft		Mallra jo të qëndrueshme/ Nondurable goods		Mallra të paluajtshme/ Real estate		Kredita në monedha të tjera / In other currencies			
2008/12	75,708.0	2,637.4	1,422.1	3,526.0	64,177.6	3,944.8	391.8					
2009/12	80,748.3	2,029.4	1,666.4	2,899.4	70,031.3	4,121.9	461.0					
2010/12	80,001.6	1,559.4	1,732.9	2,415.5	70,107.7	4,186.0	508.3					
2011/01	80,124.1	1,583.8	1,659.6	2,244.2	70,463.8	4,172.7	493.8					
02	80,710.4	1,777.8	1,812.3	2,153.3	70,751.9	4,215.2	494.8					
03	81,142.8	1,858.8	1,735.9	2,322.8	71,009.2	4,216.2	488.1					
04	82,229.2	1,880.3	1,792.5	2,359.7	71,922.0	4,274.8	495.8					
05	81,788.1	1,905.6	1,764.1	2,333.3	71,508.3	4,276.8	511.4					
06	81,901.0	1,866.7	1,784.3	2,685.4	71,343.9	4,220.8	522.4					
07	81,541.9	1,902.2	1,902.2	2,828.8	70,962.9	4,217.8	562.4					
08	81,289.1	1,908.3	1,661.8	2,803.1	70,511.8	4,404.2	547.8					
09	80,719.4	1,844.8	1,616.6	2,764.3	70,291.7	4,202.1	531.6					
10	80,883.9	1,724.8	1,694.3	2,810.7	70,334.3	4,319.8	504.5					
11	79,591.7	1,743.7	1,610.1	2,815.8	69,194.5	4,227.7	486.8					
12	77,355.1	1,624.0	1,687.8	2,912.2	68,167.1	2,964.0	484.9					

Burimi: Banka e Shqipërisë.

1) Të dhënat e kredisë nuk përfshijnë interesat e përllogarit.

\* Dhjetor 2011, rriklassifikim nga bankat paradepozituese i kredisë, nga kredi për individë në kredi për bizneset.

Source: Bank of Albania

1) Data on loans do not include accrued interests.

\* December 2011: reclassification from the deposit money banks in the data of loans given to households and businesses.

### 3.10 KREDIA SIPAS AKTIVITEIT EKONOMIK<sup>1</sup>

Në milionë lekë, fund periudhë

### 3.10 LOANS BY ECONOMIC ACTIVITY<sup>1</sup>

In millions ALL, end of period

	Totale i kredise për bizneset/ Total loans to business (2+3+4+5+6+7+8+9+10+11+12+13+14+15+16+17)	Bujësi, gjëna dhe silvicultura/ Agriculture, hunting and forestry	Peshkimi/ Fishing	Industria nxjerrëse/ Mining and quarrying	Industria përpunuese/ Manufacturing	Prodhimi, shërbimet dhe energjitë elektrike, gaz dhe ujë/ Electricity, gas and water supply	Ndërtimi/ Construction	Tregtia, riparimi dhe anijeve/ Trade, repair of motor vehicles and personal and household goods	Hotelit dhe restorantet/ Hotels and restaurants	Magazini dhe telekomunikacioni/ Storage and telecommunications	Ndërmjetësimi financiar/ Financial intermediation	Pasuritë e patundshme, qira, etj./ Real estate, renting, etc.	Administrimi publik/ Public administration	Arsimi/ Education	Shëndeti dhe veprimtari sociale/ Health and social work	Shërbime kolektive, sociale dhe individuale/ Other community, social and personal service activities	Të tjera/ Other
2008/12	254,009.1	2,781.0	453.0	5,816.5	35,717.3	21,226.8	55,684.9	83,542.6	12,728.8	5,920.2	7,338.3	2,734.6	360.7	2,401.1	1,787.9	9,067.1	6,448.3
2009/12	291,214.3	3,060.1	569.5	6,727.8	42,215.8	22,392.1	59,332.5	98,050.9	13,800.8	7,391.1	9,055.7	2,374.7	423.1	3,280.5	3,261.5	13,575.4	5,702.9
2010/12	330,388.1	3,982.6	903.8	6,736.7	47,196.6	23,563.2	65,787.3	113,996.3	14,118.4	10,910.9	10,631.7	2,437.6	797.1	3,687.1	4,797.3	12,117.9	8,723.4
2011/01	329,854.7	3,974.1	906.8	5,813.6	48,419.8	22,649.3	65,621.8	114,193.0	13,806.0	10,128.9	10,105.4	2,570.0	718.3	3,744.3	5,100.9	12,352.3	9,750.2
02	334,034.9	4,062.0	1,310.8	6,850.1	49,803.1	22,159.4	65,467.0	114,795.9	13,985.7	9,717.7	10,042.0	2,596.7	782.9	3,781.1	4,404.7	12,252.2	12,023.7
03	340,108.7	4,117.7	895.7	6,961.7	51,197.0	22,615.7	65,752.8	117,804.2	14,228.8	9,812.3	10,439.0	2,590.2	807.5	3,765.6	4,770.3	12,494.1	11,856.2
04	343,030.1	4,077.3	985.1	6,741.4	52,500.9	23,284.4	65,734.2	118,984.1	14,511.9	9,569.5	10,582.2	2,601.8	859.3	3,933.8	4,615.6	12,758.9	11,289.7
05	347,587.3	4,545.8	993.7	6,584.0	52,316.5	25,345.1	66,543.6	119,471.1	14,690.8	10,482.6	10,551.9	2,613.4	975.4	4,020.1	4,603.0	12,881.3	10,969.0
06	351,758.0	4,626.4	975.8	5,332.1	54,639.3	25,223.9	67,360.0	121,406.7	14,714.0	10,800.2	10,646.1	2,600.2	1,711.2	4,088.1	4,668.7	13,346.8	9,618.5
07	356,550.8	4,612.6	968.2	5,746.5	55,050.6	25,961.3	67,164.8	122,442.5	14,461.8	10,960.6	10,674.5	2,644.1	1,695.3	4,034.8	4,761.1	13,862.3	11,509.8
08	358,107.8	4,740.4	957.4	6,097.1	55,122.0	28,063.0	67,459.8	121,420.9	14,582.1	10,183.8	10,218.2	2,929.0	1,661.6	4,077.8	4,761.4	14,370.8	11,462.6
09	369,087.2	4,821.9	979.4	6,054.0	54,883.0	30,794.9	67,468.4	128,380.8	14,808.5	10,509.2	10,707.2	2,838.6	1,673.8	4,175.5	4,757.3	14,596.6	11,638.1
10	370,874.3	4,904.9	1,001.6	7,128.0	55,278.1	31,233.2	68,350.1	126,564.9	15,301.9	10,535.3	10,334.4	2,789.9	1,688.8	4,121.0	4,788.4	15,565.0	11,289.0
11	373,534.3	5,263.6	985.5	7,365.4	55,618.7	31,485.4	67,792.9	127,583.2	15,005.9	11,021.9	11,158.4	2,762.0	1,663.4	4,066.5	4,797.9	15,620.6	11,353.1
12*	389,425.7	5,586.3	1,036.4	6,572.6	57,853.6	37,073.3	70,875.5	129,075.9	15,876.4	11,060.5	11,404.7	2,672.0	1,660.4	4,496.7	4,675.2	16,811.3	12,695.1

Burimi: Banka e Shqipërisë.

1) Të dhënat e kredise nuk përfshijnë interesat e përllogaritur.

\* Dhjetor 2011: riklasifikim nga bankat parapozitive të kredisë, nga kredi për individë në kredi për bizneset.

### 3.11 KREDIA SIPAS RRETHIT<sup>1</sup>

Në milionë lekë, fund periudhë

### 3.11 LOANS BY DISTRICT<sup>1</sup>

In millions ALL, end of period

	Totale i kredise/ Total loans (2+3+4+5+6+7+8+9+10)	Tiranë/ Tirana	Durrës/ Durrës	Elbasan/ Elbasan	Shkodër/ Shkodra	Korçë/ Korça	Vlorë/ Vloja	Fier/ Fier	Lezhë/ Lezha	Të tjera/ Other
2008/IV	388,326.2	263,703.1	28,769.9	12,272.0	10,237.4	7,912.8	14,724.4	13,244.0	8,708.3	28,754.4
2009/IV	430,993.8	296,368.6	33,631.9	13,740.3	10,995.7	8,421.8	15,726.9	12,859.3	9,363.0	29,886.2
2010/IV	472,564.0	330,634.1	37,138.3	12,921.5	12,024.4	8,083.6	16,490.2	14,187.2	8,909.6	32,175.2
2011/I	484,172.5	340,084.0	38,939.0	13,797.9	12,138.5	8,058.9	16,413.2	13,240.2	9,186.1	32,314.9
II	499,204.9	348,552.7	39,149.5	14,765.2	12,935.4	8,332.4	17,041.3	14,431.7	9,524.1	34,472.6
III	516,808.3	364,810.3	39,654.2	15,170.7	12,954.4	8,431.9	16,788.7	14,828.3	9,739.3	34,430.5
IV	531,044.0	374,940.9	41,383.8	15,266.5	13,128.9	8,649.4	16,477.1	15,779.5	10,257.8	35,160.0

Burimi: Banka e Shqipërisë.

1) Të dhënat e kredise nuk përfshijnë interesat e përllogaritur.

## 3.12.α BILANCI SEKTORIAL I BANKAVE PARADEPOZITUESE/ MUJETET

Në milionë lekë, fund periudhë

In millions ALL, end of period

	Totali i mjeteve/ Total assets (2+3+4+8+11+21+24+25)			Arka në valutë/ Foreign currency	Depozita/ Deposits (5+6+7)			Jorezidentët/ Nonresidents	Banka qendrore/ Central Bank	Bankat paradepozituese/ Deposit money banks	Letra me vlerë të ndryshme nga aksionet/ Securities others than shares (9+10)			Jorezidentët/ Nonresidents	Qeveria qendrore/ Central Government	10
	1	2	3		4	5	6				7	8	9			
2008/12	836,998.2	7,901.2	11,621.6	126,554.8	55,812.2	68,645.1	272,567.3	13,533.1	259,034.3	259,034.3						
2009/12	898,790.5	7,707.7	12,931.0	119,116.3	43,335.1	68,007.2	279,459.0	14,179.6	265,279.4	265,279.4						
2010/12	1,012,069.6	7,297.8	11,343.3	155,910.2	65,042.6	80,939.8	313,094.9	25,129.5	287,964.9	287,964.9						
2011/01	1,021,471.5	8,459.0	10,280.4	157,067.5	67,822.3	80,886.9	321,623.8	24,964.5	296,659.3	296,659.3						
02	1,019,666.7	8,940.7	9,468.1	142,462.9	55,683.3	80,223.0	328,896.9	27,656.0	301,240.9	301,240.9						
03	1,034,985.2	8,112.1	9,260.1	143,329.8	55,433.7	79,777.1	334,316.6	27,380.9	306,935.6	306,935.6						
04	1,049,303.5	7,933.4	9,443.2	148,963.6	60,807.9	80,565.3	336,941.2	28,474.0	308,467.2	308,467.2						
05	1,058,376.7	8,739.9	9,034.6	148,451.5	60,747.0	80,876.7	338,418.3	29,330.1	309,088.2	309,088.2						
06	1,071,984.4	8,581.4	9,421.4	150,352.1	62,360.1	82,169.7	343,024.9	29,174.1	313,850.8	313,850.8						
07	1,082,261.0	8,423.9	10,806.8	148,754.8	58,977.4	82,006.6	345,951.2	31,220.5	314,730.8	314,730.8						
08	1,107,984.4	9,368.0	11,063.1	167,161.7	79,405.7	82,855.0	348,675.3	34,181.3	314,494.0	314,494.0						
09	1,124,677.4	8,783.2	9,872.1	171,739.2	78,885.0	86,601.1	349,235.3	35,853.2	313,382.1	313,382.1						
10	1,135,574.3	9,186.3	11,671.0	177,774.0	86,429.3	86,042.8	348,856.7	35,514.3	313,342.5	313,342.5						
11	1,138,990.4	9,925.8	11,496.1	178,218.4	86,417.3	86,970.5	345,739.5	34,082.4	311,657.1	311,657.1						
12	1,154,584.7	7,961.6	11,365.7	184,302.3	88,470.2	89,122.7	344,420.6	35,886.7	308,533.8	308,533.8						

	Huatë/ Loans (12+13+14+15+16+17+18+19+20)			Bankat paradepozituese/ Deposit money banks	Banka qendrore/ Central Bank	Bankat paradepozituese/ Deposit money banks	Korporata të tjera financiare/ Other financial corporations	Qeveria qendrore/ Central Government	Qeveria lokale/ Local government	Korporata jo-financiare/ Other nonfinancial corporations	Sektore të tjerë rezident/ Other resident sectors	Aksione dhe instrumente të tjera të kapitalit / Shares and other equity (22+23)			Derivate financiare/ Financial derivatives	Llogaritë të arkësueshme/ Other accounts receivable	Mjetet jo-financiare/ Nonfinancial assets
	11	12	13									20	21	22			
2008/12	396,990.4	3,642.5	280.2	220.2	6,032.3	7,775.9	1,868.9	17	12,899.1	242,050.6	135,873.0	2,074.3	2,222.2	1,977.1	97.2	4,040.0	15,248.6
2009/12	456,905.6	14,325.7	220.0	220.0	6,032.3	7,775.9	1,868.9	85.0	12,056.3	275,479.8	141,015.7	2,222.2	2,222.2	1,914.9	307.3	5,829.5	14,619.3
2010/12	501,556.9	20,228.0	966.8	966.8	8,704.5	3,475.1	3,475.1	85.0	9,373.8	315,879.1	142,844.6	2,502.2	2,502.2	2,200.3	301.9	5,498.5	14,866.4
2011/01	500,958.3	19,779.8	1,150.0	1,150.0	8,473.6	3,499.4	3,499.4	85.4	9,045.0	316,577.2	143,383.0	2,492.6	2,492.6	2,190.7	301.9	5,495.8	15,094.0
02	506,560.4	20,069.1	275.0	275.0	8,496.5	3,500.5	3,500.5	85.2	9,210.6	321,349.1	143,574.4	2,532.3	2,532.3	2,230.4	301.9	5,664.4	15,141.0
03	516,261.6	22,214.4	564.9	564.9	8,813.1	3,523.8	3,523.8	88.4	8,668.6	327,811.2	144,577.4	2,552.0	2,552.0	2,250.1	301.9	5,976.9	15,176.2
04	522,107.2	23,905.0	685.0	685.0	8,944.8	3,577.6	3,577.6	93.6	9,023.0	329,533.5	146,344.8	2,609.9	2,609.9	2,308.0	301.9	5,972.3	15,332.5
05	528,025.7	23,979.9	844.6	844.6	9,089.9	3,556.2	3,556.2	93.7	10,566.6	332,765.1	147,129.8	3,861.5	3,861.5	3,559.6	301.9	6,108.9	15,335.5
06	534,661.5	26,581.6	365.0	365.0	8,993.4	3,546.8	3,546.8	93.7	11,830.5	334,941.9	148,308.6	3,683.8	3,683.8	3,318.1	365.7	6,171.9	15,697.8
07	541,607.4	27,542.3	470.2	470.2	9,119.9	3,524.3	3,524.3	96.1	12,092.0	339,689.0	149,073.6	4,119.2	4,119.2	3,870.9	301.9	6,214.3	15,941.3
08	544,687.7	28,183.9	970.5	970.5	9,321.8	3,514.9	3,514.9	96.1	12,230.8	341,170.8	149,198.9	4,022.8	4,022.8	3,720.9	301.9	6,334.4	16,111.3
09	559,254.7	33,019.1	903.4	903.4	9,801.1	3,537.9	3,537.9	96.1	13,721.4	349,262.6	148,913.1	2,747.3	2,747.3	2,445.5	301.9	6,130.5	16,324.9
10	561,869.7	32,548.2	1,155.9	1,155.9	9,870.1	3,564.4	3,564.4	105.9	14,382.4	351,217.9	149,024.9	2,652.7	2,652.7	2,350.8	301.9	6,157.3	16,762.8
11	567,740.9	36,905.1	550.2	550.2	9,776.0	3,497.0	3,497.0	112.6	15,195.6	353,382.7	148,321.8	2,479.7	2,479.7	2,177.8	301.9	6,222.4	16,471.7
12*	579,934.2	41,796.5	1,260.4	1,260.4	9,841.9	1,400.3	1,400.3	147.2	18,678.4	364,374.0	142,435.5	2,525.1	2,525.1	2,223.2	301.9	6,915.4	17,159.8

Burimi: Banka e Shqipërisë.

\* Dhjetor 2011, riklasifikim nga bankat paradepozituese i kredisë, nga kreditë për sektorë të tjerë rezidentë në kreditë për korporata të tjera jo-financiare.

Source: Bank of Albania  
\* December 2011; reclassification from the deposit money banks in the data of loans given to other resident sectors and other nonfinancial corporations.



## 3.12.b BILANCI SEKTORIAL I BANKAVE PARADEPOZITUESE/ DETYRIMET

Në milionë lekë, fund periudhe

## 3.12.b SECTORAL BALANCE SHEET OF DEPOSIT MONEY BANKS/ LIABILITIES

In millions ALL, end of period

Detyrimet totale / Total liabilities (2+8+17+18+26+27)	Depozita të përfshira në parantë e gjerë/ Transferable deposits (3+4+5+6+7)							Depozita të papërfshira në parantë e gjerë/ Deposits not included in broad money (9+10+11+12+13+14+15+16)							Sektorë të tjerë rezidentë/ Other resident sectors		
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	
2008/12	836,998.2	618,356.6	3,664.2	780.0	16,655.0	88,933.6	508,323.9	35,715.5	13,422.0	505.3	1,405.8	2,271.7	0.4	77.3	6,395.6	11,637.3	
2009/12	898,790.5	660,885.7	5,133.6	799.4	17,945.0	70,360.5	566,647.2	36,949.0	15,509.2	1,134.4	1,805.2	2,294.3	0.4	234.3	5,466.5	11,525.7	
2010/12	1,012,069.6	783,208.8	8,637.2	1,496.1	18,760.4	88,204.6	666,110.6	44,302.9	14,003.0	4,750.0	4,473.9	4,638.1	61.2	258.0	6,754.3	13,639.6	
2011/01	1,021,471.5	792,521.9	9,087.1	1,633.7	20,583.0	84,654.8	676,563.3	43,691.1	14,919.6	4,294.4	3,322.2	5,071.9	61.5	245.3	5,743.1	13,898.2	
02	1,019,666.7	790,423.1	8,600.0	1,552.3	20,261.9	77,301.5	682,707.4	39,824.0	13,160.3	1,506.6	1,280.3	4,765.6	61.8	256.3	5,811.5	14,337.6	
03	1,034,985.2	796,192.4	8,646.2	1,450.2	17,673.8	78,358.8	690,063.4	44,954.5	15,095.5	795.2	3,458.1	4,573.2	61.1	257.6	6,143.0	14,570.8	
04	1,049,303.5	804,523.8	8,242.9	1,847.0	15,415.7	80,218.2	698,800.1	48,257.2	15,568.9	3,284.0	3,405.3	4,057.0	61.4	234.6	7,103.9	14,542.0	
05	1,058,376.7	808,753.7	7,807.5	1,561.6	16,308.5	77,410.4	705,665.9	47,311.4	16,093.8	1,804.9	3,370.8	3,783.4	85.2	237.2	6,538.7	15,997.5	
06	1,071,984.4	817,634.8	7,876.9	2,161.3	16,195.3	79,314.6	712,086.7	47,053.0	16,778.4	586.8	2,628.5	4,016.8	62.1	239.9	7,360.8	15,379.6	
07	1,082,261.0	823,465.1	7,566.8	1,967.2	16,965.2	78,658.2	718,307.8	51,826.2	17,625.1	957.7	2,942.8	4,231.7	61.5	199.8	10,129.9	15,677.7	
08	1,107,984.4	843,074.5	8,434.0	1,980.6	16,917.0	83,410.5	732,332.5	52,337.6	17,240.9	1,480.3	3,146.4	4,203.5	61.8	241.8	9,601.0	16,362.0	
09	1,124,677.4	855,989.6	8,306.0	2,633.0	18,041.9	83,123.5	743,885.3	52,687.9	16,646.1	988.4	4,299.6	5,270.0	62.2	232.1	9,083.4	16,106.2	
10	1,135,574.3	864,255.8	7,235.7	1,892.3	18,476.1	86,692.6	749,959.2	55,480.3	18,861.4	860.1	4,804.6	4,639.4	61.5	216.0	8,591.2	17,442.2	
11	1,138,990.4	867,532.0	7,402.8	1,680.9	17,159.1	87,006.6	754,282.6	55,309.2	21,689.7	1,479.7	3,007.1	4,028.6	61.8	209.3	7,590.7	17,242.2	
12	1,154,584.7	873,228.0	7,875.2	1,547.5	15,154.6	86,392.3	762,258.4	57,282.9	22,100.6	894.9	5,817.2	3,045.8	59.8	201.8	8,424.5	16,738.2	

	Lëirat me vlerë përveç aksioneve/ Securities other than shares	Huatë/ Loans 19+20+21+22+23+ 24+25)				Jorezidentët/ Nonresidents	Banka qendrore/ Central Bank	Korporata të tjera depozituese/ Other depository corporations	Qeveria qendrore/ Central Government	Korporata të tjera financiare/ Other financial corporations	Korporata të tjera jo-financiare/ Other nonfinancial corporations	Sektorë të tjera rezidentë/ Other resident sectors	Llogarit të pragueshme/ Other accounts payable	Aksione dhe instrumente të tjera të kapitalit/ Shares and other equity
		18	19	20	21									
2008/12	-	90,421.2	68,092.5	20,145.3	1,741.3	58.6	383.5	-	-	-	-	-	17,996.1	74,508.9
2009/12	-	83,987.5	42,785.1	32,377.0	8,606.3	218.1	1.0	-	-	-	-	-	27,654.3	89,314.0
2010/12	-	49,254.2	28,680.5	12,536.9	7,761.7	274.0	1.0	-	-	-	-	-	37,701.7	97,602.0
2011/01	-	48,087.7	28,735.0	12,599.6	6,477.0	275.2	1.1	-	-	-	-	-	39,425.8	97,744.9
02	-	50,381.0	28,544.9	14,670.9	6,888.6	275.7	1.1	-	-	-	-	-	40,249.9	98,788.6
03	-	51,902.9	30,118.4	14,985.5	6,534.0	263.8	1.1	-	-	-	-	-	44,126.4	97,809.1
04	-	52,193.1	30,718.9	14,877.8	6,327.8	267.4	1.1	-	-	-	-	-	45,406.7	98,922.8
05	-	57,357.0	31,882.0	17,289.9	7,914.9	266.9	3.2	-	-	-	-	-	48,967.7	95,986.9
06	-	62,182.9	31,014.7	23,882.6	6,987.3	295.2	3.1	-	-	-	-	-	50,041.1	95,072.6
07	-	61,791.5	31,216.1	23,716.2	6,440.0	416.2	3.1	-	-	-	-	-	49,830.2	95,348.1
08	-	61,970.1	31,198.7	24,126.5	6,224.7	417.2	3.1	-	-	-	-	-	53,224.7	97,377.4
09	-	59,017.3	29,939.2	22,589.2	6,085.8	400.2	3.0	-	-	-	-	-	59,191.8	97,790.8
10	-	58,360.6	29,148.9	23,594.9	5,211.5	402.4	2.9	-	-	-	-	-	58,146.8	99,330.7
11	-	58,053.5	28,894.3	23,089.8	5,640.4	426.3	2.8	-	-	-	-	-	59,896.9	98,198.8
12	-	59,492.0	27,467.9	25,488.8	5,314.2	432.9	2.6	-	-	-	-	785.6	62,929.6	101,652.3

Burimi: Banka e Shqipërisë.

Source: Bank of Albania

## 3.13 BILANCI SEKTORIAL I BANKËS SË SHQIPËRISË

## 3.13 SECTORAL BALANCE SHEET OF BANK OF ALBANIA

Në milionë lekë, fund periudhë

In millions ALL, end of period

	Totali i mjeteve/ Total assets (2+3+4+5+6+12+13+14)		Arka në valutë/ Foreign currency	Depozita/ Deposits	Lirrat me vlerë të ndryshme nga aksionet/ Securities other than shares (6+7)		Qeveria qendrore/ Central Government	Huatë/Loans (9+10+11)	Qeveria qendrore/ Central Government	Korporata të depozitues/ Other depository corporations	Sektorë të tjerë residentë/ Other resident sectors	Derivatet financiare/ Financial derivatives	Llogaritë arëveshje/ Receivable accounts	Mjetet jo financiare/ Nonfinancial assets
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
2008/12	326,406.4	641.8	1,068.6	64,087.6	218,119.8	142,952.5	75,167.2	24,318.6	3,000.0	20,141.0	1,177.6	12,891.3	12,891.3	5,278.7
2009/12	359,552.4	7,546.1	705.8	54,391.6	243,142.8	165,853.4	77,289.4	33,885.2	-	32,371.7	1,513.5	10.7	13,279.2	6,590.9
2010/12	368,031.5	8,126.9	647.0	41,705.7	280,300.9	215,901.8	64,399.2	14,302.2	-	12,534.8	1,767.3	81.4	10,748.3	12,119.1
2011/01	360,325.6	7,892.4	95.6	30,841.0	286,453.1	222,181.0	64,272.1	14,360.0	-	12,597.5	1,762.5	77.7	8,891.9	11,714.0
02	356,218.6	7,621.1	107.9	27,122.3	284,256.6	220,085.2	64,171.5	16,429.4	-	14,668.5	1,760.9	83.6	8,454.8	12,143.0
03	354,425.5	7,380.9	89.2	34,515.6	274,931.4	210,846.5	64,085.0	16,748.0	-	14,983.4	1,764.7	49.6	8,598.5	12,112.3
04	353,084.3	7,330.6	90.0	28,782.2	278,821.3	214,774.1	64,047.1	16,878.6	-	15,088.3	1,790.3	30.0	8,779.6	12,372.1
05	360,495.5	7,402.0	85.9	32,658.9	279,313.3	215,151.5	64,161.7	19,113.6	-	17,287.3	1,826.3	16.6	9,431.8	12,473.5
06	364,630.2	7,295.4	81.6	32,364.6	277,264.4	213,161.1	64,103.3	25,716.9	-	23,879.1	1,837.8	26.5	9,594.5	12,286.4
07	364,410.3	8,238.7	73.5	27,959.7	280,529.7	216,593.5	63,936.2	25,558.8	-	23,705.7	1,853.1	12.6	9,352.4	12,684.9
08	369,455.5	8,012.8	75.2	31,562.8	280,815.4	216,640.4	64,175.0	25,990.9	-	24,122.2	1,868.7	16.4	9,642.0	13,340.0
09	380,284.8	8,233.8	80.7	38,469.4	286,025.6	221,754.8	64,270.8	24,403.3	-	22,585.8	1,854.6	20.6	10,093.9	12,920.6
10	381,104.4	8,154.3	88.9	36,804.8	286,912.7	222,490.3	64,422.4	25,473.5	-	23,591.5	1,882.0	18.9	10,481.3	13,170.0
11	379,901.3	8,241.5	92.0	34,959.6	287,162.9	222,548.5	64,614.4	24,976.4	-	23,086.5	1,889.8	29.3	11,083.9	13,355.7
12	384,581.3	8,226.5	59.8	40,286.0	284,209.6	219,718.8	64,490.8	27,388.1	-	25,485.4	1,902.8	35.3	11,295.9	13,080.0

	Detyrimet															
	Total liabilities (2+3+4+10+14+15+16)		Depozita të përfshira në paranë e gjerë/ Deposits included in broad money	Depozita të përfshira në paranë e gjerë/ Deposits excluded from broad money (5+6+7+8+9)	Qeveria qendrore/ Central Government		Korporata të depozitues/ Other depository corporations	Korporata të tjera jo-financiare/ Other nonfinancial corporations	Sektorë të tjerë rezidentë/ Other resident sectors	Huatë / Loans (11 + 12 + 13)	Jorezidentët/ Nonresidents	Qeveria qendrore/ Central Government	Korporata të depozitues/ Other depository corporations	Llogaritë pagueshme/ Other accounts payable	Allokimi i SDR/ SDR allocation	Aksione dhe instrumente të tjera të kapitalit/ Shares and other equity
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
2008/12	326,406.4	203,732.8	203.1	94,814.7	6,783.7	19,334.8	67,793.3	12.2	890.7	1,173.4	1,173.4	–	–	7,024.2	–	19,458.1
2009/12	359,552.4	216,767.6	0.6	87,660.4	7,981.6	10,897.5	68,071.5	17.0	692.9	1,269.2	1,269.2	–	–	6,903.5	6,954.1	39,997.0
2010/12	368,031.5	202,386.7	256.8	98,841.8	8,440.3	8,966.2	80,810.0	14.9	610.4	5,920.6	5,920.6	–	–	939.4	7,439.5	52,246.7
2011/01	360,325.6	195,051.2	580.8	104,190.3	8,424.0	13,967.9	80,797.6	14.6	986.3	5,710.5	5,710.5	–	–	1,492.2	7,430.0	45,870.6
02	356,218.6	194,827.0	6.4	100,344.9	8,407.9	10,641.0	80,133.3	14.7	1,147.9	5,477.7	5,477.7	–	–	1,294.7	7,383.8	46,884.2
03	354,425.5	193,691.4	3.9	102,542.7	8,407.4	13,989.7	79,390.9	15.3	739.4	5,282.0	5,282.0	–	–	1,689.5	7,272.2	43,943.9
04	353,084.3	195,830.4	443.6	98,916.1	8,406.7	11,783.2	77,717.2	15.7	993.3	5,269.9	5,269.9	–	–	897.4	7,222.7	44,504.3
05	360,495.5	196,655.4	70.0	101,860.0	8,362.9	13,357.1	79,245.9	17.0	877.2	5,312.7	5,312.7	–	–	1,395.8	7,297.3	47,904.1
06	364,630.2	197,891.9	75.8	106,529.7	8,362.7	15,333.2	82,170.9	16.7	646.2	5,220.2	5,220.2	–	–	1,397.6	7,253.7	46,261.5
07	364,410.3	198,693.7	108.5	103,509.0	8,347.0	12,621.0	81,397.5	16.1	1,127.3	5,037.7	5,037.7	–	–	910.7	7,311.6	48,838.9
08	369,455.5	198,956.7	243.9	104,938.1	8,315.3	13,480.4	81,599.9	18.6	1,524.1	4,868.8	4,868.8	–	–	919.8	7,270.7	52,257.5
09	380,284.8	197,771.5	99.2	111,294.1	8,321.1	16,162.7	85,965.2	19.0	826.0	4,903.5	4,903.5	–	–	928.0	7,589.7	57,698.8
10	381,104.4	195,820.3	655.6	114,756.0	8,316.2	19,094.9	85,882.3	20.1	1,442.6	4,876.9	4,876.9	–	–	933.6	7,516.3	56,545.6
11	379,901.3	197,202.2	470.3	110,205.0	8,317.1	14,901.1	85,844.8	20.5	1,121.5	4,900.3	4,900.3	–	–	946.7	7,600.2	58,576.6
12	384,581.3	202,906.6	102.8	108,016.5	8,318.7	10,465.6	88,570.2	20.5	641.5	4,852.0	4,852.0	–	–	1,064.3	7,647.1	59,992.0

Burimi: Banka e Shqipërisë.

Source: Bank of Albania



## 4. TREGJET FINANCIARE

## 4. FINANCIAL MARKETS

## 4.1 NORMAT E INTERESIT PËR KREDITË E REJA SIPAS MONEDHËS\*

## 4.1 INTEREST RATES ON NEW LOANS BY CURRENCY\*

Në përqindje

In percentage

	Në lekë/ In ALL				
	Deri në 6 muaj/ Up to 6 months	6 muaj - 1 vit/ 6 months - 1 year	1-3 vjet/ 1-3 years	3 - 5 vjet/ 3 - 5 years	Mbi 5 vjet/ Over 5 years
2008/12	11.18	11.11	13.29	13.35	13.60
2009/12	12.20	12.04	15.71	16.20	13.75
2010/12	11.69	11.52	15.42	13.56	10.59
2011/01	14.04	11.70	15.91	15.25	10.71
02	21.22	11.52	14.76	13.62	10.47
03	11.18	11.81	12.87	13.20	11.32
04	11.69	11.68	12.74	14.51	10.86
05	11.17	11.18	13.68	14.89	11.36
06	12.69	11.53	13.45	10.58	11.04
07	11.20	11.29	13.19	15.18	11.30
08	11.63	10.34	13.04	14.37	11.36
09	11.57	11.38	13.86	14.08	9.65
10	10.89	11.17	12.16	12.61	10.87
11	11.39	11.94	14.17	14.57	11.15
12	10.51	10.25	14.63	11.29	10.82
Në dollarë amerikanë / In USD					
2008/12	6.84	6.98	6.96	7.29	6.02
2009/12	8.02	6.37	9.33	8.68	6.79
2010/12	5.82	6.66	7.84	9.16	6.80
2011/01	7.85	5.77	6.99	1.94	7.52
02	6.13	5.98	6.89	5.42	6.76
03	9.98	7.18	8.19	6.00	8.77
04	8.48	7.44	9.00	8.26	8.44
05	6.51	5.22	7.59	7.97	7.03
06	11.99	6.70	6.25	9.18	5.21
07	14.46	7.21	7.15	6.70	8.15
08	7.36	7.20	7.27	-	5.69
09	6.76	7.64	6.12	8.27	3.16
10	8.14	6.88	7.68	9.31	3.50
11	9.44	6.51	7.68	6.68	7.56
12	6.81	7.05	7.31	6.41	7.11
Në Euro/ In EUR					
2008/12	8.18	6.72	7.89	6.83	7.42
2009/12	8.14	8.31	9.24	8.15	8.44
2010/12	6.25	6.18	8.49	7.38	7.54
2011/01	9.05	7.20	7.31	8.75	7.73
02	7.25	7.01	7.70	4.21	7.46
03	8.6	7.62	7.63	8.46	7.53
04	7.79	7.15	7.66	8.3	7.39
05	6.21	7.49	7.43	7.86	7.58
06	7.39	7.34	7.93	7.41	7.92
07	8.76	7.98	8.13	7.84	7.88
08	7.11	7.2	8.17	7.73	7.75
09	6.86	6.89	8.24	8.82	7.58
10	8.52	6.34	8.61	7.95	7.40
11	8.12	6.84	7.00	7.73	7.16
12	7.83	7.16	8.12	7.26	7.35

Burimi: Banka e Shqipërisë.

\* Përfaqësojnë normat mesatare të ponderuara të periudhës.

Source: Bank of Albania

\* Weighted average interest rates.

## 4.2 NORMAT E INTERESIT PËR DEPOZITAT E REJA SIPAS MONEDHËS\*

Në përqindje

## 4.2 INTEREST RATES ON NEW DEPOSITS BY CURRENCY\*

In percentage

	Në lekë/ In ALL					
	Llogari rjedhëse/ Current accounts	1-mujore/ 1 months	3-mujore/ 3 months	6-mujore/ 6 months	12-mujore/ 12 months	24-mujore/ 24 months
2008/12	0.26	3.95	5.23	5.76	6.86	6.83
2009/12	0.27	4.65	4.96	5.50	6.75	7.58
2010/12	0.34	4.70	4.42	5.16	6.07	6.86
2011/01	0.38	4.66	4.21	5.10	5.98	6.68
02	0.38	4.59	4.25	4.86	5.89	6.51
03	0.36	3.53	4.14	4.82	5.80	6.64
04	0.35	3.71	4.21	4.83	5.90	6.34
05	0.35	4.02	4.13	4.94	5.87	6.71
06	0.35	4.78	4.15	4.77	5.71	6.56
07	0.34	4.94	4.39	4.85	5.82	6.65
08	0.05	5.05	4.21	4.84	5.87	6.55
09	0.05	4.18	4.41	4.87	5.92	6.76
10	0.06	4.47	4.23	4.89	5.89	6.47
11	0.06	4.51	4.14	4.84	5.85	6.53
12	0.05	4.5	4.06	4.77	5.82	6.51
	Në dollarë amerikanë/ In USD					
	Llogari rjedhëse/ Current accounts	1-mujore/ 1 months	3-mujore/ 3 months	6-mujore/ 6 months	12-mujore/ 12 months	24-mujore/ 24 months
2008/12	0.14	1.76	2.07	2.20	2.55	2.44
2009/12	0.08	1.08	1.18	1.35	1.91	2.12
2010/12	0.13	0.75	1.04	1.31	1.83	2.04
2011/01	0.13	0.84	1.01	1.29	1.82	2.17
02	0.13	0.80	1.01	1.25	1.96	1.98
03	0.12	0.86	1.01	1.37	2.01	2.41
04	0.13	0.85	1.08	1.43	1.79	2.06
05	0.13	0.84	0.93	1.44	1.68	2.00
06	0.13	0.94	1.09	1.21	1.71	1.60
07	0.13	0.86	1.02	1.24	1.68	1.96
08	0.04	0.87	0.98	1.27	2.06	1.69
09	0.03	0.95	1.10	1.45	1.96	1.94
10	0.04	0.69	0.98	2.39	1.98	1.99
11	0.04	0.69	1.02	2.52	3.29	1.97
12	0.03	0.88	1.57	1.71	2.41	2.19
	Në Euro/ In EUR					
	Llogari rjedhëse/ Current accounts	1-mujore/ 1 months	3-mujore/ 3 months	6-mujore/ 6 months	12-mujore/ 12 months	24-mujore/ 24 months
2008/12	0.15	2.94	4.13	4.24	4.70	4.71
2009/12	0.13	1.79	3.04	3.40	3.75	4.57
2010/12	0.18	1.75	2.18	2.69	3.20	4.08
2011/01	0.18	1.74	2.11	2.47	3.03	3.96
02	0.17	1.78	2.20	2.56	3.05	3.83
03	0.17	2.15	2.04	2.46	3.02	3.92
04	0.18	2.02	1.89	2.28	2.87	3.33
05	0.18	2.17	2.16	2.50	3.01	3.34
06	0.17	2.35	2.07	2.47	2.78	3.85
07	0.17	2.48	2.08	2.44	2.97	3.76
08	0.03	2.50	1.99	2.43	3.15	3.78
09	0.04	2.33	2.23	2.44	3.28	4.01
10	0.03	2.22	1.97	2.37	3.11	3.76
11	0.03	2.13	2.19	2.51	3.17	4.18
12	0.03	1.90	2.31	2.38	3.29	3.72

Burimi: Banka e Shqipërisë.

\* Përfaqësojnë normat mesatare të ponderuara të periudhës.

Source: Bank of Albania

\* Weighted average interest rates.

#### 4.3 NORMAT E INTERESIT PËR BONOT E THESARIT SIPAS AFATIT\*

Në përqindje

#### 4.3 MATURITY BREAKDOWN OF TREASURY BILLS YIELDS\*

In percentage

	Normat e interesit për bonot e thesarit/ Maturity breakdown of Treasury bill yields		
	3-mujor/ 3 months	6-mujor/ 6 months	12-mujor/ 12 months
2007/12	6.32	7.41	8.26
2008/12	6.27	7.45	8.56
2009/01	6.30	7.46	8.84
02	5.99	7.46	8.87
03	6.08	7.61	9.07
04	6.31	7.68	9.13
05	6.28	7.67	9.15
06	6.37	7.67	9.23
07	6.31	7.67	9.26
08	6.31	7.67	9.28
09	6.34	7.70	9.33
10	6.36	7.73	9.42
11	6.32	7.65	9.30
12	6.30	7.52	9.14
2010/01		7.48	8.99
02	6.27	7.46	8.88
03	6.22	7.39	8.65
04	6.04	7.30	8.44
05	5.90	7.15	8.02
06	5.86	7.12	7.91
07	5.86	7.11	7.94
08	5.74	7.03	7.86
09	5.59	6.98	7.75
10		6.80	7.71
11	5.51	6.70	7.55
12	5.29	6.41	7.09
2011/01		6.32	6.83
02	5.21	6.38	6.95
03	5.35	6.72	7.27
04		6.84	7.41
05	5.47	6.82	7.36
06	5.65	6.80	7.54
07		6.82	7.69
08	5.61	6.78	7.68
09	5.62	6.77	7.68
10		6.49	7.50
11	5.49	6.44	7.40
12	5.31	6.23	6.95

Burimi: Banka e Shqipërisë.

\* Përfaqësojnë normat mesatare të ponderuara të periudhës.

Source: Bank of Albania

\* Weighted average interest rates.

## 5. KURSI I KËMBIMIT

## 5.1 KURSI I KËMBIMIT TË LEKUT KUNDREJT MONEDHAVE KRYESORE

Lekë për njësi të monedhës së huaj

Monedhat kryesore/ Main foreign currencies	Mesataria e periudhës/ Average of period						Fundi i periudhës/ End of period					
	Dollari amerikan/ US dollar (USD)	Monedha evropiane/ European currency (EUR)	Poundi britanik/ British pound sterling (GBP)	Franga zvicerane/ Swiss Franc (CHF)	Jeni Japonez/ Japanese yen (per 100 JPY)	Dollari Kanadaz/ Canadian dollar (CAD)	Dollari amerikan/ US Dollar (USD)	Monedha evropiane/ European currency (EUR)	Poundi i britanik/ British pound sterling (GBP)	Franga zvicerane/ Swiss franc (CHF)	Jeni Japonez/ Japanese yen (per 100 JPY)	Dollari Kanadaz/ Canadian dollar (CAD)
2008	83.89	122.80	154.37	77.50	81.68	78.82	87.91	123.80	127.66	82.97	97.43	72.22
2009	94.98	132.06	148.29	87.50	101.60	83.41	95.81	137.96	154.64	93.04	103.72	91.34
2010	103.94	137.79	160.53	99.87	118.66	100.94	104.00	138.77	161.46	110.98	127.90	104.29
2011/01	103.84	138.65	163.59	108.53	125.7	104.45	102.16	139.31	162.22	108.30	124.24	102.14
02	102.27	139.59	164.92	107.63	123.87	103.54	101.25	139.92	164.14	109.17	123.77	103.62
03	100.17	140.14	161.81	108.93	122.54	102.64	99.04	140.57	159.66	108.20	119.58	102.19
04	97.89	141.48	160.25	109.17	117.65	102.26	95.90	142.40	159.82	110.63	117.81	100.91
05	98.79	141.80	161.43	113.13	121.75	102.17	98.58	142.10	162.59	115.88	120.87	101.55
06	98.65	141.97	159.91	117.4	122.62	100.93	97.68	141.41	156.14	117.10	121.55	101.14
07	97.98	139.92	157.99	118.87	123.45	102.48	98.16	140.19	159.71	122.54	126.41	103.28
08	97.48	139.85	159.61	125.17	126.52	99.43	97.28	140.44	158.35	119.87	127.05	99.41
09	102.02	140.49	161.1	117.1	132.91	101.94	104.19	140.95	162.69	115.60	135.54	99.81
10	102.76	140.81	161.82	114.58	134.13	100.64	101.24	141.75	162.13	116.27	129.97	101.50
11	103.82	140.97	164.24	114.49	134.03	101.25	105.23	139.74	163.66	113.87	134.69	101.88
12	105.08	138.30	163.94	112.78	135.03	102.72	107.54	138.93	165.92	114.46	138.80	105.36

Burimi: Banka e Shqipërisë.

Source: Bank of Albania

## 6. NORMAT E INTERESIT TË INSTRUMENTEVE TË POLITIKËS MONETARE

## 6.1 NORMAT BAZË TË INTERESIT TË BANKËS SË SHQIPËRISË\*

Në përqindje

In percentage

	Depozita njëditore/ Overnight deposit			Marrëveshje riblerjeje njëjavore/ Weekly repurchase agreement			Kredita njëditore/ Overnight credit			Kredita Lombard/ Lombard credit		
	Vlera/ Level	Ndryshimi/ Change	2	Vlera/ Level	Ndryshimi/ Change	4	Vlera/ Level	Ndryshimi/ Change	6	Vlera/ Level	Ndryshimi/ Change	8
2004	29/04	3.25		6.25			8.75			12.25		
	12/05	3.00	-0.25	6.00	-0.25	-0.25	8.50	-0.25	-0.25	12.00	-0.25	-0.25
	24/06	2.75	-0.25	5.75	-0.25	-0.25	8.25	-0.25	-0.25	11.75	-0.25	-0.25
	28/07	2.50	-0.25	5.50	-0.25	-0.25	8.00	-0.25	-0.25	11.50	-0.25	-0.25
	04/11	2.25	-0.25	5.25	-0.25	-0.25	7.75	-0.25	-0.25	11.25	-0.25	-0.25
2005	31/03	2.00	-0.25	5.00	-0.25	-0.25	7.50	-0.25	-0.25	11.00	-0.25	-0.25
	27/07	3.25	1.25	5.00	0.00	-	6.75	-0.75	-0.75	11.00	-	-
2006	12/07	3.50	0.25	5.25	0.25	0.25	7.00	0.25	0.25	11.25	0.25	0.25
	30/11	3.75	0.25	5.50	0.25	0.25	7.25	0.25	0.25	11.50	0.25	0.25
2007	28/06	4.00	0.25	5.75	0.25	0.25	7.50	0.25	0.25	11.75	0.25	0.25
	27/09	4.25	0.25	6.00	0.25	0.25	7.75	0.25	0.25	12.00	0.25	0.25
2008	30/11	4.50	0.25	6.25	0.25	0.25	8.00	0.25	0.25	12.25	0.25	0.25
	24/12	4.50	-	6.25	-	-	7.00	-1.00	-1.00	12.25	-	-
2009	28/01	4.50		6.25			7.00			12.25		
	29/01	4.00	-0.50	5.75	-0.50	-0.50	6.50	-0.50	-0.50	11.75	-0.50	-0.50
2010	28/10	3.50	-0.50	5.25	-0.50	-0.50	6.00	-0.50	-0.50	11.25	-0.50	-0.50
	29/07	3.25	-0.25	5.00	-0.25	-0.25	5.75	-0.25	-0.25	11.00	-0.25	-0.25
2011	03/01	3.25		5.00			6.75			11.00		
	24/03	3.50	0.25	5.25	0.25	0.25	7.00	0.25	0.25	11.25	0.25	0.25
	30/09	3.25	-0.25	5.00	-0.25	-0.25	6.75	-0.25	-0.25	11.00	-0.25	-0.25
	01/12	3.00	-0.25	4.75	-0.25	-0.25	6.50	-0.25	-0.25	10.75	-0.25	-0.25

Burimi: Banka e Shqipërisë.

Source: Bank of Albania

\*Tabela paraqet ndryshimin e normave bazë të interesit sipas vendimit të politikës monetare.

\*Table presents the change of key interest rates according to the monetary policy decisions for interest rates.

## 7. STATISTIKAT E SEKTORIT TË JASHTËM

## 7. EXTERNAL SECTOR STATISTICS

### 7.1 BILANCI I PAGESAVE

### 7.1 BALANCE OF PAYMENTS

Në milionë euro

In millions EUR

	Llogaria korrente/ Current account (2+8+9+10)		Bilanci tregtar/ maltrat / Trade balance (3+4)		Eksporti mallrave (fab) / Export of goods (fab)		Importi i mallrave (fab) / Import of goods (fab)		Shërbimet/ Services		Të ardhurat/ Income		Transferata private/ Private transfers		Transferata shtetërore/ Official transfers	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
2008	-1,381.2	-2,431.5	917.5	-3,348.9	1,687.8	-1,618.3	321.2	-277.1	905.4	31.4						
2009	-1,321.4	-2,303.7	750.7	-3,054.4	1,771.4	-1,597.5	269.4	-398.8	910.8	27.1						
2010	-1,040.5	-2,082.7	1,171.5	-3,254.2	1,702.4	-1,520.7	286.4	-348.2	877.1	45.3						
2010/IV	-370.5	-584.9	305.9	-890.7	412.5	-407.2	72.8	-101.4	223.8	13.9						
2011/I	-229.6	-408.5	370.6	-779.1	304.4	-336.6	60.0	-45.3	195.1	1.4						
II	-324.4	-581.4	330.8	-912.2	367.8	-378.8	69.5	-47.3	239.4	6.5						
III	-272.6	-593.1	344.1	-937.2	615.8	-496.2	74.1	-56.6	177.1	6.2						

	Llogaria kapitale / Capital account	Llogaria financiare/ Financial account (13+14+15+16)	Investimet e huaja direkte (neto)/ Foreign direct investment, net	Investime portfoli (neto)/ Portfolio investment, net	Kapitale të tjera/ capital, Other neto)	Përdorim kredit & huash nga FMN/ Use of fund credit and loans	Gabime dhe harrresa/ Net errors and omissions	Blanci i përgjithshëm/ Overall balance (1+11+12+17)	Rezervat/ Reserve assets	Ndryshimi total në rezervat/ Total change in reserves assets	Nga të cilat: Rivlerësim/ Of which: Revaluation
	11	12	13	14	15	16	17	18	19	20	21
2008	78.2	1512.1	609.8	-32.6	940.2	-5.2	-18.9	190.3	-190.3	214.2	23.9
2009	84.9	928.7	688.2	21.5	246.5	-7.4	278.6	-29.2	29.2	-31.5	-2.3
2010	85.5	816.7	822.6	225.8	-222.4	-9.2	317.0	178.8	-178.8	254.6	75.7
2010/IV	30.2	396.3	244.4	286.8	-134.5	-0.5	69.7	125.7	-125.7	147.4	21.7
2011/I	19.1	165.5	42.2	-21.9	149.2	-4.1	-32.1	-77.1	77.1	-116.7	-39.6
II	31.5	161.2	221.5	-23.2	-36.7	-0.4	130.1	-1.7	1.7	-15.9	-14.3
III	6.5	212.2	166.5	-54.2	103.5	-3.7	110.3	56.4	-56.4	122.4	66.0

Burimi: Banka e Shqipërisë.

1) Nuk përfshihen përdorime huash dhe kredisht nga FMN.

Source: Bank of Albania.  
1) Excluding Use of Fund Credit and Loans.

## 7.2 EKSPORTI I MALLRAVE SIPAS PARTNERËRËVE

Në milionë euro

## 7.2 EXPORT BY COUNTRIES

In millions EUR

	Totali / Total (2+11+18+27)		Vendet e BE-së - 15 e 1: Total / European Union - 15 member countries (3+4+5+6+7+8+9+10)							Vendet e BE-së-onëtare të reja / European Union - new membership countries (11+12+13+14+15+16+17)							Të tjera/ Others			
	1	2	Angli/ United Kingdom	Austri/ Austria	France/ France	Greqi/ Greece	Gjermani/ Germany	Itali/ Italy	Spanjë/ Spain	Të tjera/ Others	Bullgari/ Bulgaria	Hungari/ Hungary	Poloni/ Poland	Rumani/ Romania	Sloveni/ Slovenia	Të tjera/ Others				
2008	917.5	715.7	0.6	6.2	7.8	80.4	24.6	566.6	1.4	28.1	14.4	6.6	0.3	0.4	1.5	4.1	1.6			
2009	750.6	576.2	0.9	9.8	7.0	56.4	25.0	459.6	8.3	9.3	10.1	4.7	0.6	0.2	3.3	0.3	1.1			
2010	1,171.5	773.9	1.8	12.1	10.3	62.5	32.8	595.5	40.2	18.7	47.0	11.9	0.4	0.2	0.6	10.6	23.3			
2011	1,405.5	954.6	1.2	16.7	8.8	71.1	40.9	747.4	49.8	18.8	64.4	17.5	0.7	0.5	1.9	1.5	42.2			
2011/01	106.4	70.4	0.2	1.7	1.2	5.0	3.6	52.7	3.7	2.3	5.6	1.4	0.0	0.1	0.0	0.7	3.3			
02	143.4	72.9	0.3	1.9	0.7	5.4	3.1	57.0	3.5	1.0	8.5	2.3	0.2	0.0	0.1	0.1	5.8			
03	120.9	81.8	0.1	1.4	0.4	5.7	3.4	58.5	10.6	1.8	5.7	1.0	0.0	0.0	0.0	0.1	4.5			
04	100.2	76.8	0.2	1.5	0.4	5.6	2.7	61.6	3.8	1.2	2.3	2.0	0.1	0.0	0.0	0.0	0.2			
05	114.1	81.4	0.0	1.6	0.3	5.6	2.6	69.6	0.5	1.2	4.3	0.9	0.0	0.0	0.1	0.1	3.3			
06	116.5	83.0	0.0	1.4	0.5	7.1	3.3	65.5	3.5	1.7	2.2	1.3	0.1	0.1	0.1	0.1	0.5			
07	127.3	90.3	0.1	1.8	0.9	6.9	3.1	71.9	4.4	1.4	8.7	2.0	0.0	0.0	0.2	0.1	6.4			
08	95.9	60.3	0.0	2.0	2.0	5.2	6.6	43.6	0.7	0.0	4.6	1.0	0.0	0.0	0.3	0.1	3.3			
09	120.9	82.2	0.1	1.1	0.5	6.2	3.9	64.5	4.4	1.7	8.7	1.4	0.1	0.2	0.3	0.0	6.7			
10	121.4	80.1	0.1	0.7	0.6	5.4	3.5	60.4	7.7	1.6	5.3	1.4	0.1	0.0	0.3	0.0	3.6			
11	119.2	89.7	0.0	0.6	0.7	6.9	2.6	70.8	6.6	1.5	2.3	1.5	0.0	0.0	0.0	0.1	0.6			
12	119.5	85.7	0.0	0.9	0.5	6.2	2.6	71.4	0.5	3.5	6.1	1.3	0.1	0.0	0.5	0.1	4.2			

	Vendet e Ballkanit/ Balkan Countries (19+20+21+22+23+24+25+26)										Vendet të tjera / Other countries (28+29+30+31+32+33+34)										Të tjera/ Others		
	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40
2008	143.2	1.5	60.5	1.5	19.0	27.0	16.5	—	17.1	44.2	0.2	25.6	10.2	3.5	0.1	3.3	1.4	1.4					
2009	100.1	0.8	53.8	0.9	10.4	23.9	6.1	—	4.3	64.2	0.8	37.0	0.1	6.4	—	9.2	10.7	10.7					
2010	191.9	2.3	72.8	1.8	11.0	19.6	14.2	—	70.1	158.8	2.0	64.4	0.0	17.2	0.0	48.6	26.5	26.5					
2011	282.2	1.7	104.6	2.2	12.0	29.5	25.7	—	106.5	104.5	1.4	35.2	6.1	13.9	0.2	37.6	15.7	15.7					
2011/01	15.1	0.2	4.2	0.1	0.5	1.0	2.1	—	7.0	15.4	0.1	8.4	—	2.1	—	0.5	4.2	4.2					
02	28.6	0.2	4.0	0.1	0.8	1.0	8.1	—	14.4	33.3	0.1	4.2	5.8	1.9	—	23.6	3.5	3.5					
03	24.2	0.2	7.4	0.4	1.0	2.3	2.5	—	10.4	9.2	0.1	2.6	—	0.4	—	5.2	1.0	1.0					
04	17.6	0.1	7.7	0.1	1.2	2.4	1.5	—	4.7	3.6	0.1	1.1	0.0	1.1	—	1.1	0.2	0.2					
05	25.1	—	8.5	0.2	1.2	2.5	1.7	—	11.1	3.3	0.1	1.1	0.2	0.2	—	0.5	1.2	1.2					
06	26.6	0.1	8.5	0.3	1.3	2.9	1.8	—	11.6	4.7	0.1	1.0	0.0	1.0	—	1.5	1.1	1.1					
07	23.4	0.1	10.1	0.1	1.2	3.2	1.3	—	7.3	4.8	0.1	1.4	—	1.3	0.0	1.6	0.3	0.3					
08	22.9	0.3	11.7	0.0	1.1	2.7	1.4	—	5.6	8.1	0.1	5.6	—	0.8	—	0.4	1.1	1.1					
09	22.6	0.1	11.1	0.2	1.0	3.6	1.2	—	5.5	7.5	0.1	3.4	—	1.3	—	1.4	1.2	1.2					
10	29.7	0.2	12.4	0.3	1.0	3.3	1.5	—	10.9	6.3	0.1	3.7	—	1.0	—	0.7	0.8	0.8					
11	23.2	0.1	10.4	0.3	0.8	2.5	1.2	—	7.9	4.0	0.1	1.5	—	1.2	—	0.7	0.3	0.3					
12	23.2	0.0	8.6	0.1	0.7	2.1	1.4	—	10.2	4.5	0.1	1.3	0.0	1.5	0.2	0.5	0.9	0.9					

Burimi: Banka e Shqipërisë.

Source: Bank of Albania

### 7.3 EKSPORTI I MALLRAVE SIPAS SITC

### 7.3 EXPORT BY COMMODITY GROUPS

Në milionë euro

In millions EUR

	1	2	3	4	5	6	7	8	9	10	11
	Total/ Total (2+3+4+5+6+7+8+9+10+11)	Ushqime dhe kafshë të gjalla/ Food and live animals	Pije dhe duhan/ Beverages & tobacco	Materiale të papërpunuar/ Raw materials, minerals	Lëndë djegëse/ Fuels and lubricants	Yrëryna bimore dhe shtazore/ Animal & vegetable oils & fats	Produkte kimike/ Chemicals	Mallra të përpunuar/ Manufactures	Makinëri dhe pajisje / Machinery and equipment	Mallra të tjera të përpunuar/ Miscellaneous manufactures	Mallra të paklassifikuara diku tjetër/ Other & unclassified
2008	917.5	32.3	2.6	108.3	81.9	0.2	10.4	232.3	38.0	411.6	—
2009	750.7	36.0	3.4	81.2	90.8	0.3	12.6	136.6	34.8	355.6	—
2010	1,171.5	42.4	4.5	135.6	210.9	0.8	11.2	288.0	49.2	428.8	—
2011	1,405.5	48.0	4.1	147.7	297.6	1.7	18.8	354.1	56.4	477.1	—
2011/01	106.4	2.4	0.1	16.2	16.3	0.0	0.8	27.5	4.4	38.6	—
02	143.4	2.7	0.1	8.8	51.7	0.1	0.6	35.2	3.6	40.5	—
03	120.9	3.0	0.2	10.8	23.7	0.0	0.9	34.8	4.5	42.9	—
04	100.2	3.1	0.6	10.4	15.5	0.1	1.2	26.2	4.5	38.6	—
05	114.1	4.5	0.5	10.2	21.3	0.2	1.2	32.2	4.5	39.6	—
06	116.5	5.5	1.1	10.7	16.8	0.0	1.1	33.7	4.6	42.9	—
07	127.3	3.8	1.0	12.1	24.2	0.0	1.0	31.9	4.5	48.7	—
08	95.9	2.8	0.1	15.5	21.6	0.8	1.2	21.3	2.8	29.8	—
09	120.9	3.9	0.1	16.5	24.3	0.1	1.3	27.5	4.7	42.6	—
10	121.4	5.4	0.1	15.5	23.4	0.2	1.7	30.9	4.8	39.3	—
11	119.2	5.7	0.1	12.0	29.8	0.1	1.3	25.9	6.6	37.7	—
12	119.5	5.1	0.1	9.0	29.0	0.1	6.6	27.2	6.7	35.8	—

Burimi: Banka e Shqipërisë.

Source: Bank of Albania

## 7.4 IMPORTI I MALLRAVE SIPAS PARTNERËVE

## 7.4 IMPORT BY COUNTRIES

Në milionë euro

In millions EUR

	Vendet e BE-së - 15 e 1: Total / European Union - 15 member countries (3+4+ 5+6+7+ 8+9+10)										Vendet e BE-së - anëtare të reja 2/ European Union - new membership countries (11+12+ 13+14+15+ 16+17)										Të tjera/ Others	Sloveni/ Slovenia	Rumani/ Romania	Poloni/ Poland	Hungari/ Hungary	Bullgari/ Bulgaria	Të tjera/ Others
	1	2	Angli/ United Kingdom	Austri/ Austria	Francë/ France	Greqi/ Greece	Germani/ Germany	Itali/ Italy	Spanjë/ Spain	Të tjera/ Others	11	12	13	14	15	16	17										
2008	3,570.2	1,928.3	37.0	45.3	42.6	523.7	215.9	945.8	49.8	68.2	240.0	68.5	49.0	30.2	19.4	32.0	40.9										
2009	3,248.8	1,849.4	39.6	40.3	67.6	504.9	209.4	850.1	51.7	85.9	238.5	61.3	27.5	26.2	29.5	55.4											
2010	3,474.1	1,965.1	50.4	57.1	74.0	458.5	189.3	987.3	52.6	95.9	284.7	63.1	31.5	47.9	43.4	37.7	61.0										
2011	3,905.3	2,223.7	43.1	70.9	93.1	411.8	222.7	1,200.7	82.1	99.4	274.6	49.3	36.5	47.0	39.9	29.7	72.2										
2011/01	257.6	148.4	2.9	4.5	6.9	31.9	11.4	78.0	3.9	8.9	14.4	4.0	0.9	3.1	2.0	1.7	2.8										
02	270.6	155.3	3.3	2.8	13.9	32.9	13.9	76.2	4.0	8.3	16.5	4.2	3.6	2.3	1.4	1.7	3.4										
03	305.4	170.3	3.3	4.6	11.8	30.2	17.5	91.4	5.3	6.1	26.2	4.2	4.7	3.0	3.7	2.3	8.4										
04	322.3	188.4	2.6	5.3	9.8	34.5	16.9	93.2	11.1	15.1	25.9	3.8	1.9	4.1	4.2	4.3	7.6										
05	327.0	179.7	4.9	7.7	6.5	31.8	17.8	91.4	12.0	7.7	21.1	3.4	2.6	3.5	2.9	2.9	5.8										
06	327.6	191.1	3.6	5.1	8.5	34.3	15.6	109.4	8.1	6.5	24.2	3.1	3.6	4.7	2.7	3.3	6.7										
07	340.9	199.2	2.7	6.1	7.5	37.9	15.0	115.7	7.0	7.2	24.8	3.6	4.1	4.0	3.6	2.3	7.3										
08	330.2	178.3	2.2	10.2	3.4	34.6	15.1	100.6	6.5	5.7	24.3	4.7	2.4	5.0	5.0	1.7	5.6										
09	331.5	181.2	4.9	6.4	5.6	36.8	21.0	91.2	5.6	9.4	22.2	4.5	2.2	3.8	3.4	2.5	5.8										
10	339.5	194.8	5.0	5.6	5.0	29.5	26.0	109.0	7.9	6.8	23.0	5.1	1.8	4.2	3.4	1.8	6.7										
11	349.5	203.7	3.2	6.7	9.9	35.6	24.6	111.3	4.5	8.0	22.4	4.3	2.2	4.2	3.5	2.1	6.1										
12	403.2	233.3	4.5	5.8	4.4	41.7	27.9	133.3	6.1	9.5	29.4	4.3	6.4	5.2	4.2	3.2	6.1										

	Vendet e Ballkanit/ Balkan Countries (1+20+21+22+ 23+24+25+26)										Bosnjë Hercegovinë/ Bosnia and Herzegovina		Kosovë/ Kosovo	Kroaci/ Croatia	Mali i Zi/ Montenegro	FYROM Maqedoni/ Macedonia FYROM	Serbi/ Serbia	Serbi e Mal i Zi/ Serbia and Montenegro	Vendet të tjera / Other countries (28+29+ 30+31+32+33+34)				Brazil/ Brazil	Kinë/ China	Rusi/ Russia	SHBA/ USA	Ukrainë/ Ukraine	Zvicër/ Switzerland	Të tjerë/ Others
	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40	41	42	43	44		
2008	511.5	10.3	21.3	35.6	6.0	78.9	146.0	-	213.4	890.3	49.8	266.4	156.6	41.2	53.4	107.7	215.3												
2009	423.5	7.8	22.6	32.2	5.9	59.8	86.6	-	208.6	737.4	30.9	235.9	87.0	46.3	53.4	73.5	206.4												
2010	512.8	27.6	27.9	68.3	8.0	55.9	128.8	-	196.3	711.5	30.9	216.2	80.8	53.0	33.1	54.7	242.7												
2011	557.4	38.7	36.8	52.0	10.2	63.5	140.5	-	215.6	844.7	31.4	247.8	77.6	53.5	47.4	100.8	309.0												
2011/01	34.6	1.8	2.3	2.0	1.2	4.0	11.1	-	12.2	60.1	1.6	18.0	10.7	3.3	2.3	2.2	21.9												
02	36.2	2.6	2.4	5.1	1.7	3.6	9.0	-	11.8	57.7	1.3	18.1	6.0	4.3	7.0	4.9	16.1												
03	41.0	4.1	2.4	3.9	0.9	5.2	6.6	-	17.9	67.8	2.4	21.7	6.1	4.5	5.2	7.2	20.6												
04	41.9	5.6	3.1	5.1	1.0	4.8	6.8	-	15.4	66.1	1.6	19.1	1.6	3.6	3.9	9.7	26.6												
05	52.1	3.1	3.0	5.0	1.2	5.0	18.8	-	16.1	74.0	2.7	17.9	4.5	3.5	4.5	10.1	53.4												
06	43.8	3.0	2.5	5.0	0.8	5.4	11.2	-	16.0	68.6	1.9	19.5	2.4	6.9	2.3	9.4	26.3												
07	51.1	3.2	3.0	5.6	0.6	5.9	14.6	-	18.2	65.7	3.0	18.0	5.3	7.9	4.5	6.3	20.6												
08	57.5	3.1	3.2	2.4	0.7	5.2	20.1	-	22.9	70.1	3.6	22.7	8.5	3.3	5.5	5.0	21.4												
09	50.5	3.6	7.6	1.8	0.5	7.2	11.5	-	18.4	77.6	3.9	21.4	12.4	3.2	3.4	12.3	21.1												
10	49.9	3.2	2.9	5.2	0.4	6.3	11.4	-	20.6	71.8	3.7	21.9	7.3	3.7	1.7	6.0	27.6												
11	43.9	2.5	2.1	6.6	0.5	5.0	7.0	-	20.2	79.4	3.0	24.6	6.2	3.7	2.6	10.4	28.9												
12	54.8	3.1	2.4	4.47	0.60	5.8	12.4	-	26.0	85.8	2.59	24.8	6.60	5.6	4.5	17.3	24.4												

Burimi: Banka e Shqipërisë.

Source: Bank of Albania



## 7.5 IMPORTI I MALLRAVE SIPAS SITC\*

## 7.5 IMPORT BY COMMODITY GROUPS\*

Në milionë euro

In millions EUR

	Totali / Total (2+3+4+5+6+7+8+9+10+11)	Ushqime dhe kafshë të gjalla/ Food and live animals	Pije dhe duhan/ Beverages & tobacco	Materiale të përpunuara/ Raw materials, minerals	Lëndë djegëse/ Fuels and lubricants	Yndyrna bimore dhe shtazore / Animal & vegetable oils & fats	Produkte kimike/ Chemicals	Mallra të përpunuara / Manufactures	Makinëri dhe pajisje / Machinery and equipment	Mallra të tjera të përpunuara / Miscellaneous manufactures	Mallra të paklassifikuara diku tjetër/ Other unclassified
	1	2	3	4	5	6	7	8	9	10	11
2008	3,570.2	424.6	112.8	74.4	573.6	51.6	346.7	848.6	783.8	354.2	-
2009	3,248.8	395.1	123.8	95.7	382.6	39.2	362.5	811.9	741.9	296.0	-
2010	3,474.1	441.7	143.3	63.3	479.2	41.2	387.3	913.5	673.5	331.0	-
2011	3,905.3	473.7	127.9	55.9	683.4	49.3	412.1	968.8	784.5	349.6	0.2
2011/01	257.6	30.8	7.5	4.4	43.0	2.6	24.7	70.4	48.9	25.3	-
02	270.6	44.3	5.5	4.1	42.6	5.9	29.1	66.6	49.7	22.8	0.0
03	305.4	46.2	7.2	5.7	39.6	3.2	32.8	83.8	60.7	26.2	0.0
04	322.3	38.2	9.4	4.3	47.3	4.0	32.7	89.8	70.7	25.9	-
05	327.0	38.5	11.1	5.3	49.8	2.6	34.2	94.8	59.3	31.2	-
06	327.6	35.2	13.2	4.1	62.1	3.0	33.5	81.7	64.1	30.6	-
07	340.9	37.0	13.1	4.5	57.7	6.5	38.0	90.2	63.2	30.8	0.0
08	330.2	41.7	14.9	5.4	79.6	4.0	31.2	75.7	54.3	27.4	0.0
09	331.5	42.5	11.8	4.2	50.3	5.9	32.4	85.2	71.8	27.4	0.0
10	339.5	37.8	10.6	5.1	61.3	3.4	36.7	76.1	76.1	32.3	0.0
11	349.5	39.3	9.6	4.4	56.9	3.6	39.2	79.1	76.4	40.9	0.0
12	403.2	42.2	14.0	4.5	93.3	4.5	47.4	75.2	89.4	32.7	0.0

Burimi: Banka e Shqipërisë.

\* Importet janë në vlerën c.i.f.

Source: Bank of Albania  
Imports are valued in c.i.f.

## 7.6 POZICIONI I INVESTIMEVE NDËRKOMBËTARE

## 7.6 INTERNATIONAL INVESTMENT POSITION

Në milionë euro

In millions EUR

	Pozicioni i investimeve ndërkombëtare (2-16) / International investment position (2-16)	Mjetet/ Assets (3+6+9+10+15)													Mjetet e rezervës/ Reserve assets
		Investime direkte jashtë/ Direct investment abroad			Investime portofoli / Portfolio investment		Derivative financiare/ Financial derivatives		Investime të tjera/ Other investments			Mjetet të tjera/ Other assets			
		(4+5)	3	4	5	(7+8)	6	7	8	(11+12+13+14)	Kredi tregtare/ Trade credits	Hua/ Loans	Monedha dhe depozita/ Currency and deposits	Mjetet të tjera/ Other assets	
	1	2													15
2005	-455.8	2,008.0	17.5	17.5	-	122.3	-	122.3	-	56.5	536.3	67.3	1,208.1	67.3	1,208.1
2006	-526.7	2,329.8	28.7	28.7	-	85.8	0.0	85.8	-	43.9	734.0	69.2	1,368.2	69.2	1,368.2
2007	-1,395.6	2,426.8	50.7	50.7	-	61.2	0.0	61.2	-	26.9	754.8	73.5	1,459.8	73.5	1,459.8
2008	-2,412.2	2,527.2	104.7	102.9	1.8	109.8	0.7	109.1	-	34.2	533.8	69.2	1,675.4	69.2	1,675.4
2009	-2,838.6	2,443.5	115.7	112.2	3.5	103.5	0.3	103.2	-	109.0	403.7	65.4	1,646.2	65.4	1,646.2

Burimi: Banka e Shqipërisë.

	Detyrimet/ liabilities (17+20+ 23+24)	Investime direkte në Shqipëri/ Direct investment in the reporting economy				Investime portofoli/ Portfolio investment		Derivative financiare/ Financial derivatives	Investime të tjera/ Other investments			Detyrime të tjera/ Other liabilities		
		(18+19)	Kapitali i vet dhe fitimi i rinvestuar/ Equity capital and reinvested earnings			Kapitali i tjerë/ Other capital	Leira me vlerë të kapitalit/ Equity securities		Leira me vlerë të borxhit/ Debt securities	Kredi tregtare/ Trade credits	Hua/ Loans		Monedha dhe depozita/ Currency and deposits	
			(17+20+ 23+24)	(18+19)	(19+20+ 23+24)									
2005	2,463.8	16	17	18	19	20	21	22	23	24	25	26	27	28
2006	2,856.5		860.7	820.6	40.0	64.3	24.5	39.8	-	1,538.8	64.1	1,400.7	67.7	6.3
2007	3,822.3		1,048.5	976.6	71.9	69.4	27.0	42.4	-	1,738.7	72.2	1,470.4	92.9	103.1
2008	4,939.3		1,815.1	1,626.2	188.9	107.7	58.0	49.7	-	1,899.6	88.1	1,611.3	166.6	33.5
2009	5,282.1		2,169.7	1,921.3	248.4	135.7	70.8	64.9	-	2,634.0	101.4	2,339.2	161.8	31.6
			2,312.3	2,206.6	105.7	141.3	72.2	69.1	-	2,828.5	96.0	2,483.2	177.3	72.0

Qëllimi: Banka e Shqipërisë.  
Burimi: Banka e Shqipërisë.

Burimi: Banka e Shqipërisë.

## 7.7 BORXHI I JASHTËM

Në milionë euro

## 7.7 EXTERNAL DEBT

In millions EUR

	Borxhi i jashtëm bruto/ Gross external debt (2+5+8+11+14)	Qeveria e përgjithshme/ General Government (3+4)		Autoriteti monetar/ Monetary authorities (6+7)		Bankat/ Banks (9+10)		Sektorë të tjerë/ Other sectors (12+13)		Afatgjatë/ Long-term		Afatshkurtër/ Short-term		Investime direkte: huatime/ Direct investment: intercompany lending	
		1	2	3	4	5	6	7	8	9	10	11	12	13	14
2008	3,212.1		1,323.9		1,323.9	66.8		66.8	714.3	707.5	6.8	593.9	109.2	484.7	513.3
2009	3,371.9		1,645.4		1,645.4	109.0		109.0	479.4	372.1	107.3	663.8	100.6	563.3	474.4
2010	3,750.6		1,930.3		1,930.3	105.9		105.9	461.3	293.0	168.3	726.3	116.7	609.6	526.8
2010/IV	3,750.6		1,930.3		1,930.3	105.9		105.9	461.3	293.0	168.3	726.3	116.7	609.6	526.8
2011/I	3,793.4		1,917.8		1,917.8	98.4		98.4	503.9	330.7	173.2	739.9	121.0	618.8	533.5
II	3,831.4		1,947.2		1,947.2	97.1		97.1	509.3	336.1	173.2	741.2	119.8	621.5	536.6
III	4,159.8		2,058.3		2,058.3	97.7		97.7	630.2	457.6	172.5	821.0	127.2	693.8	552.6

Burimi: Banka e Shqipërisë.

Source: Bank of Albania



