



# **FINANCIAL AND BORROWING SITUATION OF HOUSEHOLDS IN ALBANIA**

**2021 H2**

**BANK OF ALBANIA  
FINANCIAL STABILITY DEPARTMENT**

**February 2021**

## CONTENT

1 –Demographic and financial characteristics of interviewed households .....	5
2- Households’ debt .....	7
3- Households’ debt burden .....	12
4- Households’ wealth.....	13

## Summary of key findings of the Survey of Households' Financial and Borrowing Situation:

The survey of households' financial and borrowing situation is conducted half-yearly since 2010. The latest survey was conducted in November 2021, focusing on the developments in the financial situation and borrowing of households during 2021 H2, as well as expectations for 2022 H2. The survey was conducted on a sample of 1210 randomly selected households, geographically spread across the country.

### ▪ FINANCIAL SITUATION

The total number of employed individuals in the surveyed sample registered an increase compared to the previous six months and the previous year, and this came mainly from the private sector (employed and self-employed). The overall level of households' income and expenses registered an increase during the survey period, and compared with the previous year. This increase was more pronounced on the income side.

### ▪ BORROWING

Around 24% of interviewed households (or 257 households) state that they have a debt to repay by the moment of the interview, regardless of its type, source or amount. This share has remained unchanged compared to the previous six months and has increased by 1 percentage point compared to the previous year, remaining below the historical average of the survey of around 28% of households. The total outstanding debt reported for the entire sample has decreased compared to the previous survey, but it is above the level reported one year ago. Around 79% of the outstanding debt has originated from formal sources ('banks' and 'non-bank financial institutions') and 21% from informal sources ('natural persons' and 'debt in the form of unpaid goods'). This structure has shifted in favour of borrowing from formal sources, due to the higher increase of debt originated from formal sources compared to the increase of debt originated from informal sources. Regarding the debt purpose, around 20% of the total outstanding debt amount was used to purchase/renovate a property, 59% was used for business development, 10% for consumption, and 11% for other purposes (mainly loans taken to cover medical expenses). The highest increase in debt stock was registered in case of debt used for business purposes, reflecting the gradual recovery of the economic activity in Albania, after the loosening of the pandemic measures.

### ▪ DEBT BURDEN

Around 75% of borrowing households (that responded to the survey), declared that their debt repayment amount has not changed during the surveyed six months. The net balance of the rest of responses shows an upward trend in the loan instalment during the period. About 50% of the borrowing households have declared that their solvency 'has not changed' during the period under review, whereas the net balance of the rest of the responses shows a deterioration of their solvency. For 2022 H1, around 69% of households do not expect a change in their solvency, while the net balance of the rest of responses shows optimistic expectations. *The new loan/rollover index* for the next six months increased compared to the previous six months and the previous year.

- HOUSEHOLDS' WEALTH

Around 93% of total interviewed households own 1-2 real estates, mainly residential houses; 3% state they own more than 2 real estates (houses and land/ shop etc.); and 5% declared that they do not own any property. In the group of households that state to possess some form of financial assets, deposits and/or bank accounts continue to remain the main type of financial investment, both in the case of total households (61% of the cases) and in the case of borrowing households (65% of the cases). Compared with the previous six months, these shares have decreased by 1 percentage points (pp.), as regards the total sample, and by 10 pp. as regards the borrowing households.

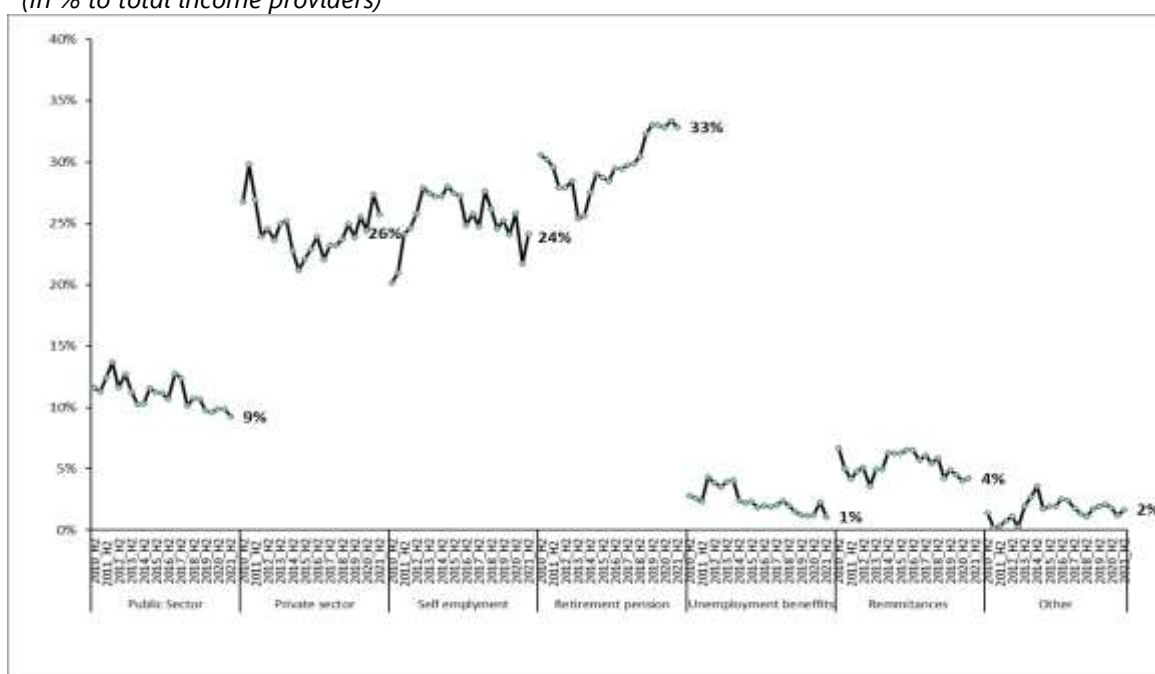
# 1- Demographic and financial characteristics of interviewed households

**Sample characteristics.** The survey was conducted on a randomly selected sample of 1210 households, where around 90% of them (1089 households) participated in the interviewing process, responding to all or part of the delivered questionnaire. The share of responders to the total sample remained unchanged compared to the previous survey, and has increased by 2 pp. compared to the previous year. About 54% of them are located in urban areas and 46% in rural areas.

*The following analysis refers to the responded households only and the calculations are computed based on the total number of responded households.*

**1.1-Employment and other sources of income.** Total number of households' members that provide income from employment/self-employment in the public sector, private sector and/or other sources<sup>1</sup> has increased by 1.9% compared to the previous six months, and by 5.4% compared to the previous year, being more pronounced in the case of self-employed and immigrants.

**Chart 1.1 Distribution of household income providers by income source**  
(In % to total income providers)



Source: Bank of Albania.

Notes: The item "Other" includes mainly the cases of individuals that receive invalidity assistance, individuals receiving financial help from relatives and those that do occasional jobs.

Focusing the analysis on the group of employed household members only<sup>2</sup> (Table 1.1), it results that their total number has increased by 2.2% in semi-annual terms and by 3.7% in annual terms, especially in the private and public sector.

In the questionnaire, in addition to employment in the public and private sectors, the following income sources are also listed as follows: "retirement", "social assistance for unemployment", "emigration" and item "other". In "other" includes any other type of income source that has not been listed in the questionnaire.

Here are included only the households' members employed in the public sector, private (agricultural and non-agricultural) sector and self-employed individuals (agricultural and non-agricultural).

**Table 1.1 Distribution of employed individuals by sector**

		Public	Private	Self-employed	Total employees	Semi-annual chg.	Annual chg.
S14	H1_2017	333(21%)	575 (36%)	672(43%)	1580	4.4%	1.7%
S15	H2_2017	317(21%)	595(38%)	634(41%)	1546	-2.2%	2.1%
S16	H1_2018	259(17%)	592(38%)	705(45%)	1556	0.6%	-1.5%
"S17:	H2_2018	280(18%)	618(39%)	682(43%)	1580	1.5%	2.2%
"S18:	H1_2019	266(18%)	623(41%)	613(41%)	1502	-4.9%	-3.5%
"S19:	H2_2019	235(17%)	574(41%)	606(43%)	1415	-5.8%	-10.4%
"S20:	H1_2020	233(16%)	621(43%)	585(41%)	1439	1.7%	-4.2%
"S21:	H2_2020	234(16%)	578(41%)	611(43%)	1423	-1.1%	0.6%
"S22:	H1_2021	241(17%)	670(46%)	532(37%)	1443	1.4%	0.3%
"S23:	H2_2021	231(16%)	642(44%)	602(41%)	1475	2.2%	3.7%

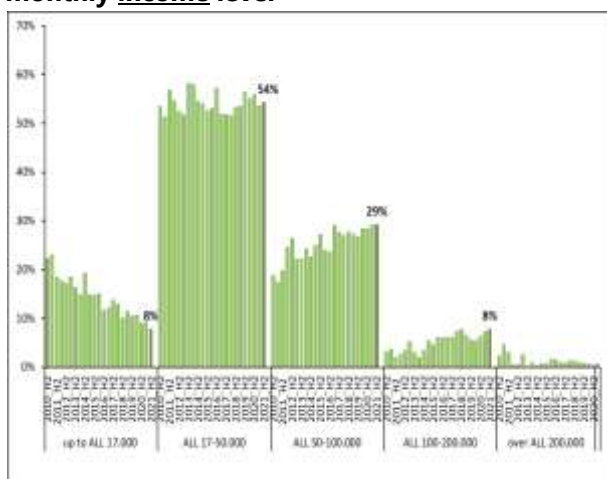
Source: Financial Stability Department.

Notes: Numbers in parenthesis are the share of each item against total employees.

The number of household that have declared **additional stable sources of income**<sup>3</sup> (like rents, banking interests etc.) was 11% (or 124 households in total), increasing by 1 pp. during the period. Within this group of households, around 61% of them declare *interests from savings (deposits, T-bills, etc.)* as an additional source of income, which is up by 15 pp. compared to the previous six months; 24% declare income from 'renting a property', down by 2 pp. compared with the previous six months.

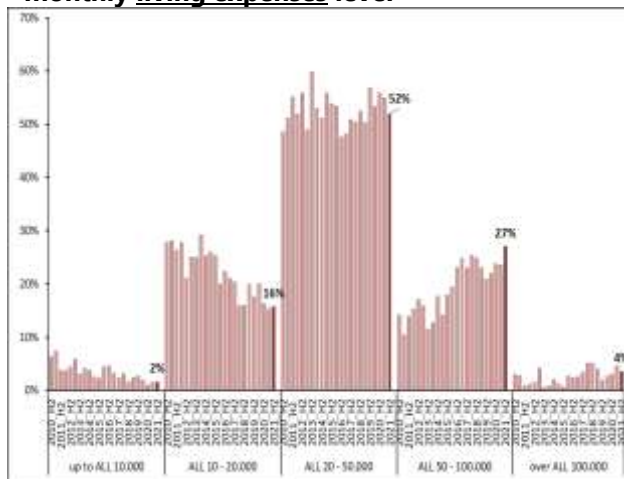
**1.2-Households' income and living expenses.** During the six months under review, the distribution of the number of households by *income level* shifted slightly towards higher levels ( such as 'ALL 50-100,000' and ALL'100-200,000') both in semi-annual and annual terms, resulting respectively at 29% and 8% of total households. On the other hand, most households (around 54%) continue to declare monthly income at 'ALL 17-50,000' level, and this share has remained unchanged in semi-annual terms, but has decreased by 2 pp. in annual terms (Chart 1.2).

**Chart 1.2 Distribution of households by their monthly income level**



Source: Bank of Albania.

**Chart 1.3 Distribution of households by their monthly living expenses level**



<sup>3</sup> In this question, the alternatives listed as stable sources of income are: (1) rent; (2) interests from savings (deposits, T-bills etc.); (3) interests from money lent to thirds; 4. Other (define).

The distribution of households according to their *living expenses*, has shifted towards higher levels during the period, mainly towards the 'ALL 50-100,000' level of expenses, which was up by 3 pp. in semi-annual and annual terms (Chart 1.3).

The households' *income index*<sup>4</sup> and the *expenditure index*<sup>5</sup> continued the upward trend recorded since the second half of the previous year, but the increase of the income index was higher, resulting in an improvement of the households' financial balance. This performance has reflected the stabilisation of activity in most of the economic sectors, following the pandemic situation improvement and the easing of restrictive measures.

**Chart 1.4 Income and Expenditure Indices of households (2010=100)**



Source: Bank of Albania.

The *euroisation* in terms of income continues to remain low. Only 18% of the respondents (192 from 1089 interviewed households) declared to have some income in foreign currency (mainly in euro), that make various percentage of their total monthly income<sup>6</sup>. This share increased by 4 pp. compared to the previous six months and the previous year, respectively, which was probably due to the higher remittances (identified at the beginning of the survey).

## 2- Households' borrowing

The number of households reporting *one or more debt to repay* by the time of the interview, despite the debt type, source or amount, resulted in *257 households or around 24% of the total respondents*. This share remained unchanged compared to the previous six months and the previous year and below the historical average of this survey of about 28%

The following analysis refers to the group of borrowing households<sup>7</sup> only.

<sup>4</sup> 'The income index' is built as a weighted amount of frequencies in % of responses with the coefficients defined for each interval as follows: "up to ALL 17,000" with 0.2; "ALL 17-50,000" with 0.4; "ALL 50-100,000" with 0.6; "ALL 100-200,000" with 0.8; and "over ALL 200,000" with 1. The values received each year are returned to the index based on year 2010 = 100. The increase of the value of the index implies an increase in the level of monthly income.

<sup>5</sup> 'The expenditure index' is built as a weighted amount of frequencies in % of responses with the coefficients defined for each interval as follows: "up to ALL 10,000" with 0.2; "ALL 10-20,000" with 0.4; "ALL 20-50,000" with 0.6; "ALL 50-100,000" with 0.8; and "over ALL 100,000" with 1. The values received each year are returned to the index based on year 2010 = 100. The increase of the value of the index implies an increase in the level of necessary monthly expenses.

<sup>6</sup> Alternatives related with the level of income in foreign currency are: (1) "none", (2) "up to 10%", (3) '10-50%' and (4) 'over 50%'.

<sup>7</sup> Methodological note: since a household may have more than one loan to repay in the period under review, with different characteristics (source, purpose, etc.), in order not to lose the information, in this section the calculations are made on the total of the declared borrowing cases, except when it is specified "... on the total of borrowers" (in this survey =252 households). With "borrowing cases" we mean the total of loans taken by the same household and with the same characteristic, e.g.: a household that

**2.1-The level of income and living expenses of borrowing households.** During the surveyed six months, the distribution of the borrowing households by income and living expense level, in contrast to the case of the total surveyed sample, has shifted mainly towards the lower levels. This has resulted in a decrease of the *income index* and the *living expenses index* during the period, but the decrease in the latest has been higher.

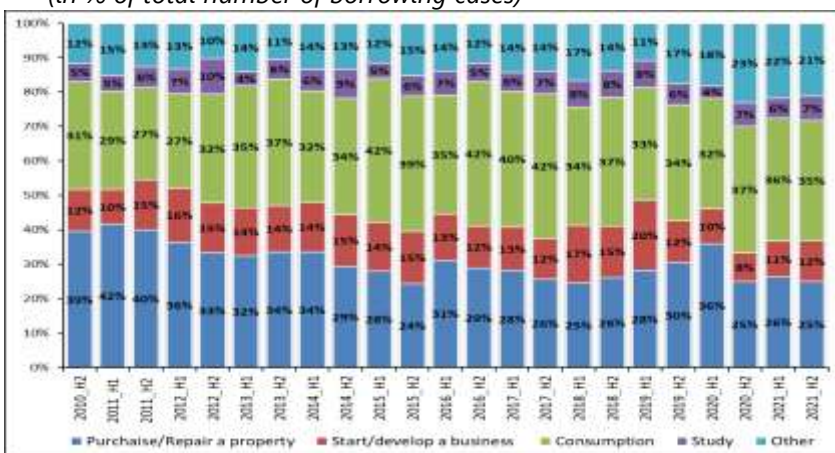
**Chart 2.1 Borrowing households’ income and living expenses indices**  
(2010 = 100)



Source: Bank of Albania.

**2.2-Debt purpose.** The main borrowing purposes remained: “consumption” in 35% of borrowing cases; “purchase/ repairs of a property” in 25% of cases; and for “business development” in 12% of cases. The share of borrowing “for consumption” and the item “others”, which includes mainly borrowing to cover health expenses, decreased compared to the previous six months and the previous year. The share of borrowing cases with the purpose to “purchase/renovate a property” has also slightly decreased by 1 pp. in semi-annual terms, and has remained unchanged in annual terms. On the other hand, borrowing cases for “business development” increased by 1 pp. and 4 pp., respectively, in semi-annual and annual terms, due to the recovery of the private activity following the easing of the pandemic situation and the economic reopening.

**Chart 2.2 Frequency of borrowing by debt purpose**  
(in % of total number of borrowing cases)



Source: Bank of Albania.

**2.3-Outstanding debt.** The analysis of the outstanding debt by source and purpose of use, shows that around 79% of the outstanding debt has originated from formal sources (78% banks, and 1% non-bank financial institutions) and around 21% from informal sources (18% “natural persons” and 3% “unpaid goods”). Compared to the previous six months and the previous year, this structure has shifted in favour of borrowing from formal

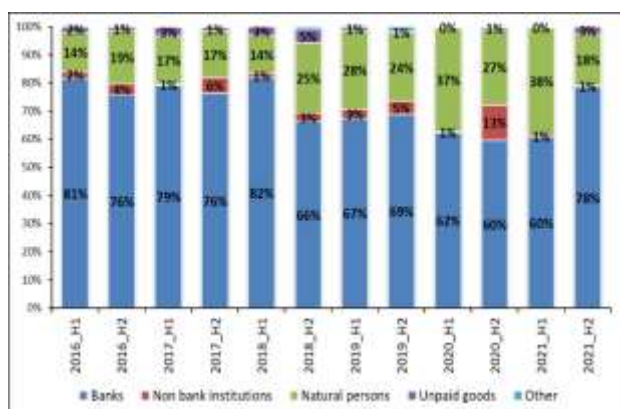
declares 2 loans from banks constitute “1 borrowing case from banks” and a household that has a loan from a bank and another from a natural person constitutes “1 borrowing case from banks” and “1 borrowing case from natural persons.”



sources (by 8 pp.), due to the higher increase of outstanding debt originated from formal sources compared to the increase of debt originated from informal sources. The outstanding debt originated from formal sources decreased during the period, but has increased compared to the previous year, whereas borrowing from non-bank financial institutions has been continuously downward.

The analysis of *the outstanding debt by its purpose of use*, shows that 20% of the outstanding debt is used for "purchasing/renovating a property", 59% for "business development", 10% for "consumption, and 11% for "other purposes," dominated by loans taken to cover medical expenses. Compared to six months ago, the absolute value of stock has recorded a decline for all the above-mentioned items. Whereas, compared to the previous year, it has increased in the case of borrowing for "business development" and for "consumption".

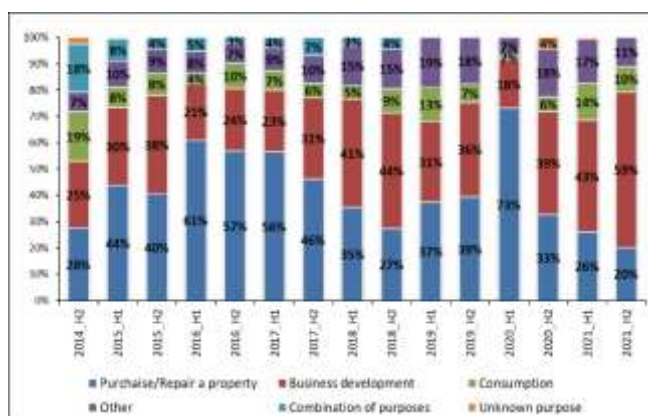
**Chart 2.3 Composition of the outstanding debt by SOURCE** (in % of the total outstanding debt reported)



Source: Bank of Albania.

**Chart 2.4 Composition of outstanding debt by PURPOSE of loan**

(in % of the total outstanding debt reported)

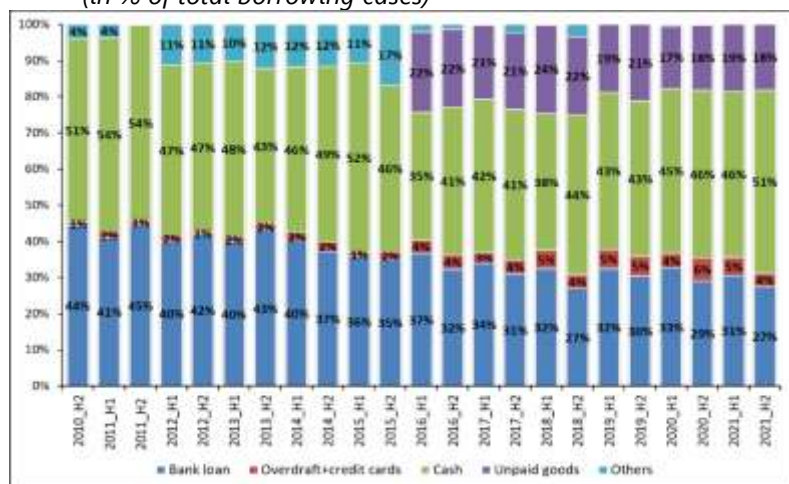


Source: Bank of Albania.

Note: The item "other" includes mainly loans to face medical expenses..

**2.4-Type of debt.** Around 36% of households' borrowing cases are in the form of "loans from financial institutions", where 31% are "bank loans" (up by 2 pp. compared to 2020 H2) and 5% are "credit cards and overdraft" (down by 1 pp. compared to 2020 H2). In about 51% of cases, the debt is in "cash" and in 18% of cases, it is in "unpaid goods". While the share of debt in "unpaid goods" has remained unchanged in semi-annual and annual terms, it has increased by 5 pp. in the case of debt in "cash".

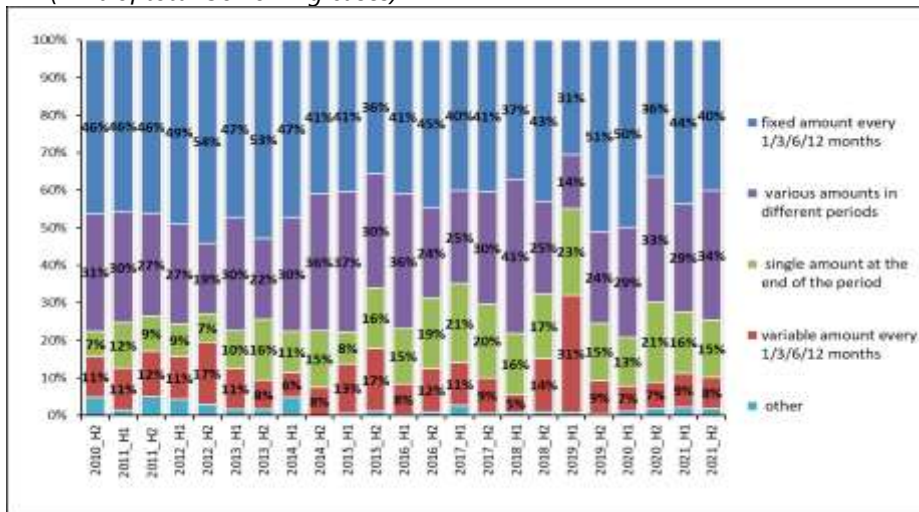
**Chart 2.5- Frequency of borrowing by TYPE of debt** (in % of total borrowing cases)



Source: Bank of Albania.

**2.5-Debt repayment schedule.** The two main forms of debt repayment continue to be through 'fixed payments every 1/3/6/12 months' (40% of borrowing cases), 'variable payments in different periods' (34% of borrowing cases), and 'one single payment at the end of the period' (15% of borrowing cases). During 2021 H2, the share of debt cases with fixed (or variable) monthly payments - typical of long-term bank loans (such as mortgages or loans to enterprises)- has decreased in semi-annual terms, but it has increased in annual terms (by 3 pp. and 4 pp., respectively). On the other hand, the share of debt cases with variable payments in various periods, mostly a feature of informal loans or short-term bank loans (such as overdraft, credit cards), has increased by 6 pp. and 1 pp., respectively, in semi-annual and annual terms.

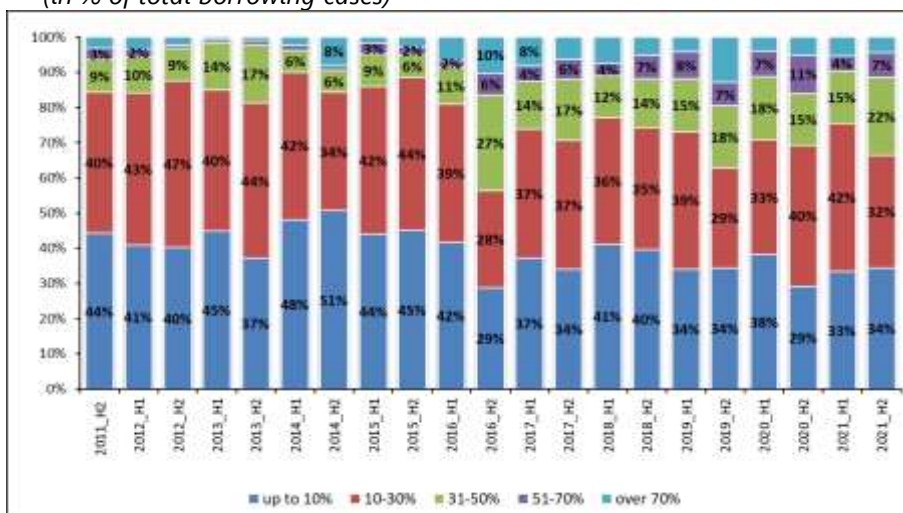
**Chart 2.6- Frequency of borrowing by debt REPAYMENT SCHEDULE**  
(in % of total borrowing cases)



Source: Bank of Albania.

Regarding the borrowing household's debt burden measured as the ratio of debt monthly payments to total monthly income, in 66% of cases it is reported that the debt repayment accounts for less than 30% of monthly income ('up to 10% of income' for 34% of borrowing cases, '10-30% of income' for 32% of borrowing cases). On the other hand, in 34% of households this payment exceeds 30% of income ('31-50% of income' for 15% of households, '51-70' for 4% of households and 'over 70%' for 5% of households).

**Chart 2.7- Frequency of borrowing by debt repayment-to-monthly income ratio**  
(in % of total borrowing cases)

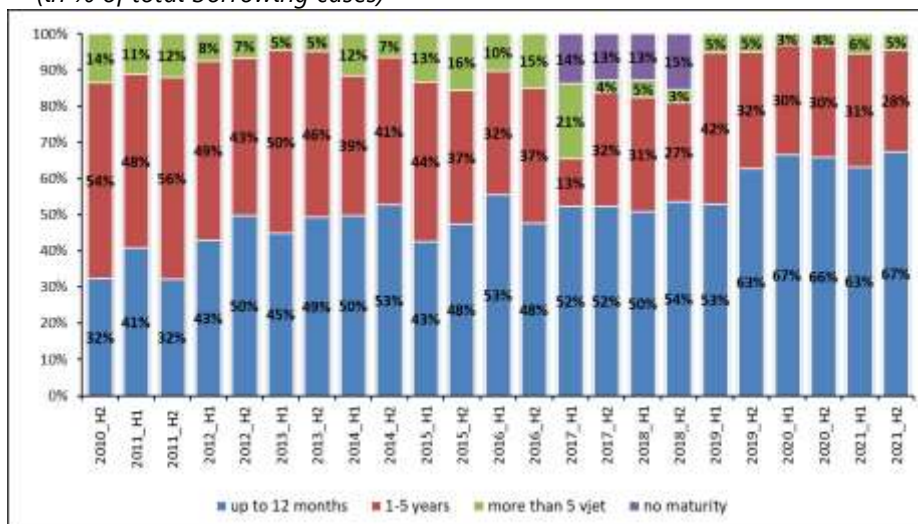


Source: Bank of Albania.

**2.6-Remaining maturity.** In 67% of the borrowing cases, it results that the debt matures 'within a year' and this share has increased by 4 pp. compared to the previous six month and by 1 pp. compared to the previous

year; in 28% of the cases, the remaining maturity of the debt is '1-5 years' (down by 3 pp. compared to 2021 H1 and by 2 pp. compared to 2021 H2) and in 5% of cases the remaining maturity is reported to be 'over 5 years' (down y 1 pp. compared to 2021 H1). As in the distribution of borrowing cases 'by debt repayment schedule', distribution by remaining maturity also suggests an increase of households' long-term borrowing.

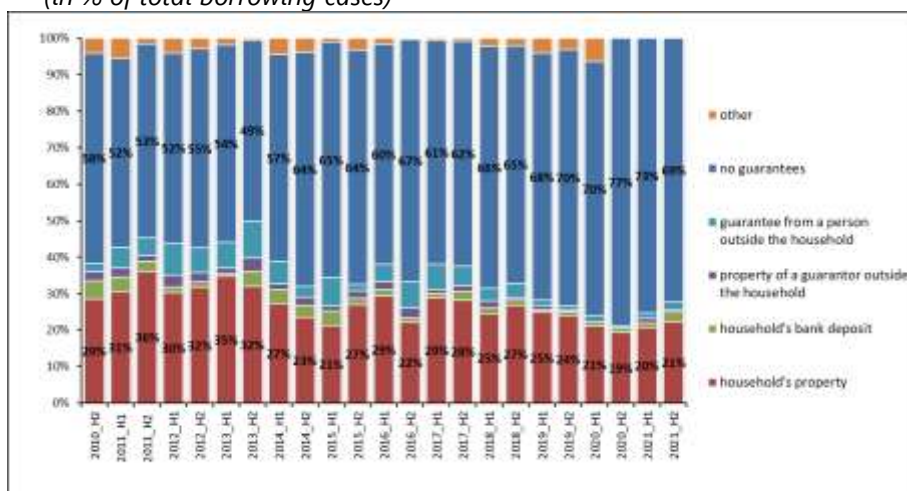
**Chart 2.8 Frequency of borrowing by debt remaining maturity**  
(in % of total borrowing cases)



Source: Bank of Albania.

**2.7-Type of debt guarantees.** In 69% of borrowing cases, it results that the debt has 'no guarantees' and this share has decreased by 4% and 8%, respectively, compared to the previous six months and compared to the same period of the previous year. In contrast, the share of the borrowing cases guaranteed with a 'property owned by the household' had increased by 1 pp. and 2 pp., respectively, both in semi-annual terms and annual terms. Keeping in mind that unguaranteed borrowing is usually a feature of informal borrowing and short-term formal borrowing for consumption purposes (consumer loans, overdraft etc.), while borrowing guaranteed with a property generally consists of mortgage loans, the performance of their shares during the period is in line with the results of the survey up to this point.

**Chart 2.9 Frequency of borrowing by TYPES OF DEBT GUARANTEES**  
(in % of total borrowing cases)



Source: Bank of Albania.

Notes: The item "other" includes the borrowing cases guaranteed by other forms of guarantees, such as monthly salaries, goods (like cars), etc.

### 3- Households' debt burden

In this section of questions, borrowing households are asked to provide information on the *largest existing debt* that is also the most burdensome for their household. Consequently, the shares of responses are calculated on the total number of the borrowing households responding to each question.

**3.1-Change in debt monthly payments.** Around 75% of borrowing households declared that their debt monthly payment has not changed during 2021 H2, and this share has decreased by 5 pp. compared with the previous six months and the previous year. The *net balance* of the rest of the responses (25% of borrowing households) resulted at 3.5 pp., increasing compared to the previous six months, although below the values registered in the previous year.

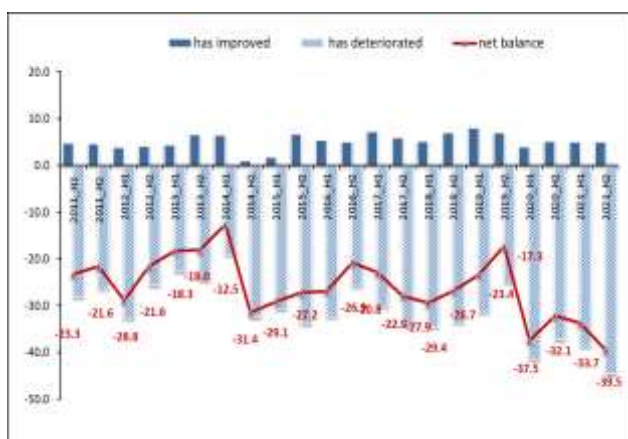
**Chart 3.1 Change in debt monthly payments in the past six months**



Source: Bank of Albania.

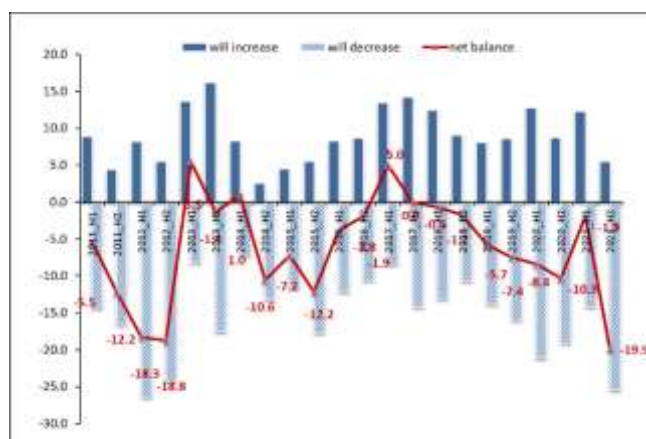
**3.2-Households' solvency during 2021 H2 and expectations for 2022 H1.** About 50% of the borrowing households declared that their solvency "has not changed" during 2021 H2, and this share has decreased by 6 pp. compared to the previous six months. The rest of the responding borrowers assess, on aggregate a *deterioration of their solvency* (45% have reported 'deterioration' and 5% reported 'improvement'). This is reflected in the deterioration of households' expectations regarding their solvency. Thus, around 69% of borrowing households *do not expect a change in their solvency in 2022 H2*, while the net balance of the rest of responses resulted in -19.9 pp., indicating pessimistic expectations compared with the results of the previous six-months and the previous year.

**Chart 3.2 Household's solvency during 2021 H2**



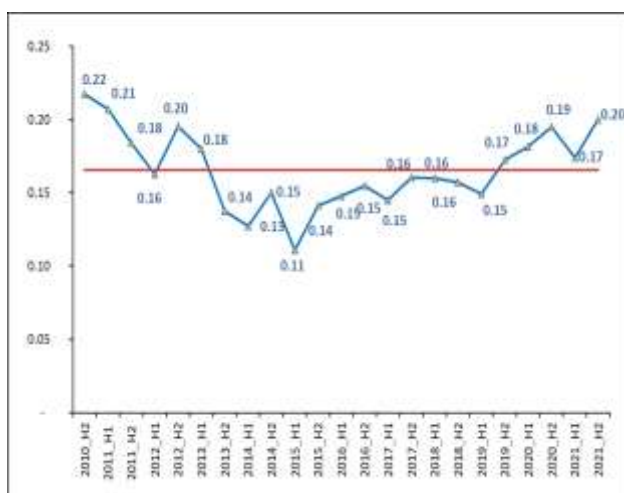
Source: Bank of Albania.

**Chart 3.3 Household's expected solvency in 2022 H1**

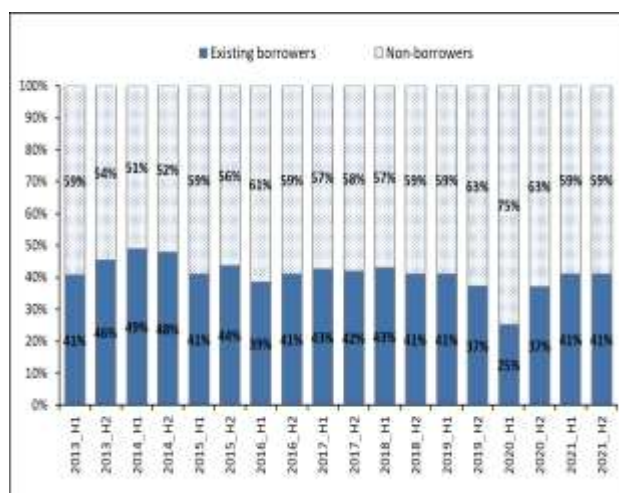


**3.3-Household’s borrowing plans for the upcoming six months**<sup>8</sup>. Around 55% of the respondents declared that they ‘do not expect to take a new loan in the upcoming six months’, whilst around 45% of them (or 486 households), might consider this option<sup>9</sup> with various degrees of certainty, and this share has increased by 4.2 pp. compared to the previous six months and by 1.3 pp. compared to the previous year. As a result, the *new borrowing planning/rollover index*<sup>10</sup> has increased compared to the previous survey and the previous year. Focusing the analysis only on the group of households that *plan to take a new loan (486 households)*, it results that about 59% of them are ‘new borrowers’, meaning that they don’t have any existing debt by the time of the survey. This share has remained unchanged compared to the previous six months, and it has decreased by 4 pp. compared to the previous year.

**Chart 3.4 New borrowing planning/rollover index in the next six months**



**Chart 3.5 Households that plan to borrow in the next six months**



Source: Bank of Albania.

## 4- Households’ wealth

This section contains only two question on real estate and financial wealth of interviewed households, and is addressed to the entire household sample. The result for 2021 H2 are presented below.

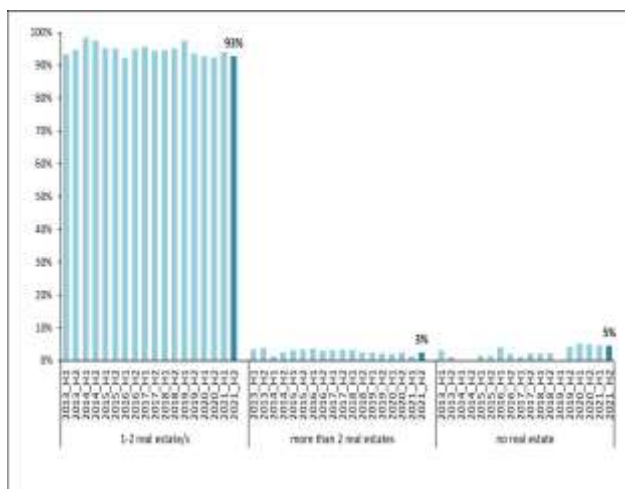
**4.1-Household real estate properties.** A total of 1087 households responded to the questions of this section, of which 95% reported to possess at least one real estate property. The responded households declared to own a total of 1544 real estates of different types (upward mainly in ‘residential properties’ compared to the previous survey), where: 93% of them (1008 households) own ‘1-2 real estates’ mainly residential properties or a combination of residential property/ies and another property such as land, shop, building etc. This share has decreased by 1 pp. compared to the previous six months and has remained almost unchanged compared to the previous year (Chart 4.1). On the other hand, 3% of the total households reported that they ‘own more than 2 real estates’, (house and land/shop etc.), while 5% reported that they ‘do not own any real estate’.

<sup>8</sup> The question is addressed to the entire sample of 1210 households and 1056 households responded, or around 87% of total sample.

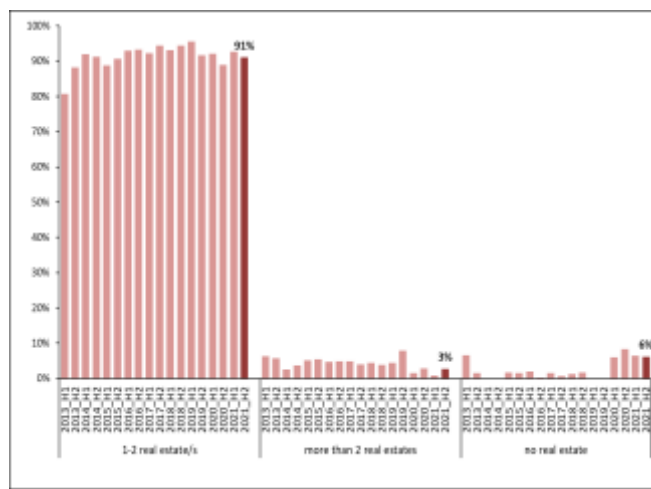
<sup>9</sup> The given alternatives are: “little possibility”, “a lot of possibilities” and “certain”.

<sup>10</sup> The index is calculated as weighted average of % of responses for each alternative with relevant coefficients. On the definition of the coefficients, the interval 0-1 is separated in 4 sub-intervals with equal length of 0.33. Coefficients for each alternative are: 0 (“no possibility”), 0.33 (“little possibility”), 0.66 (“many possibilities”) and 1 (“it is certain”). The index takes values from 0 to 1, where the nearest to 0 the index value results, the smaller is the chance to get a new loan, and the closest to 1, the higher the probability of getting new loan in the next half-year.

**Chart 4.1 Distribution of households (total sample) by the number of real estates they own (in % of total responding households)**



**Chart 4.2 Distribution of borrowers by the number of the real estates they own (in % of total responding household)**



Source: Source: Bank of Albania.

Focusing the analysis only on the group of **borrowing households** only (total 228 households), the respondents declare to own in total 228 households, of which 68% are “residential properties”, 29% are “lands” and the rest are “shops”, “buildings” and other types of properties.

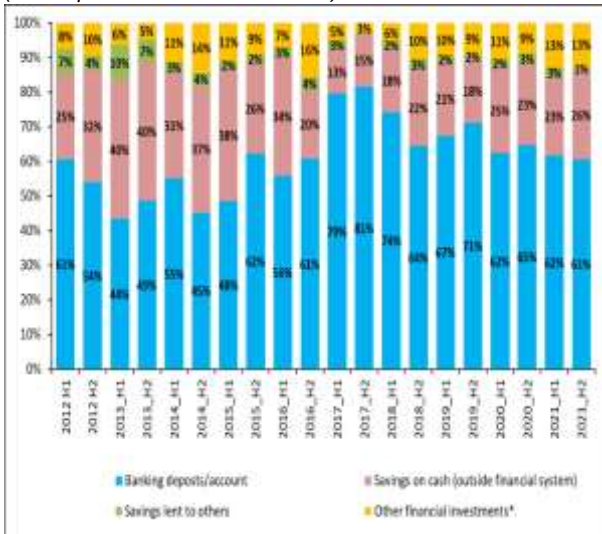
The distribution of the borrowers by the number of properties they own, shows that: 91% of them (234 households) own ‘1-2 real estates’ at the time of the interview, and this share has decreased by 2 pp. compared to the previous six months, but it has increased by 2 pp. compared to the the previous year. In most cases, this properties are residential houses or a combination of a residential property and land. Only 3% of borrowers (2 households) declare that they own ‘more than 2 properties’, and this share has increased by 2 pp. compared to the previous half-year survey, while 6% of borrowers declare that they ‘do not own any property’ (Chart 4.2).

**4.2-Households’ financial wealth**<sup>11</sup>. For the period under review, 44% of the total surveyed households (borrowers and non-borrowers) and 67% of borrowing households declare that they ‘do not own any type of financial wealth’ and both shares have decreased by 6 pp., respectively, compared with the previous survey.

Focusing the analysis only on the group of households that have declared financial wealth of various forms (excluding the cases where the household ‘does not possess any financial wealth’), it results that ‘deposits and/or bank accounts’ continue to remain the main type of financial investment, both for the total sample (61% of cases) and the borrowing households (65% of cases). Compared to the previous six-months, these shares have decreased by 1 pp. in case of total households, and by 10 pp. in the case of borrowing households.

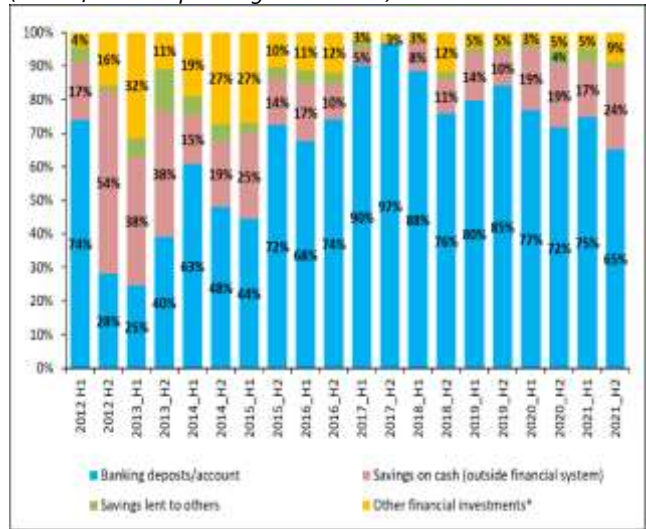
<sup>11</sup>1088 households that took part in the survey, answered the question regarding the financial wealth of the households.

**Chart 4.3 Distribution of households (total sample) by the number of real estates they own**  
(in % of total STATEMENT cases)



Source: Bank of Albania.

**Chart 4.4 Distribution of borrowers by the number of real estates they own**  
(in % of total responding households)



The use of other types of financial investments, defined as 'other investments'<sup>12</sup>, has remained unchanged in semi-annual terms in the case of the total households, and has increased in the case of borrowing households.

<sup>12</sup>Other investments" summarizes investments in: T-bills, life insurance, pension funds, securities and shares.