

BANK OF ALBANIA

MONETARY POLICY
MONTHLY REPORT

AUGUST 2006

MAIN HIGHLIGHTS

INFLATION PERFORMANCE

- The annual inflation rate of August was 3.1 percent, being close to 3 percent target of the Bank of Albania. Monthly inflation rate was 0.1 percent, maintaining the trend and the seasonal intensity observed over 5 last years.
- The annual inflation rate had an upward trend during 8 first months of the year. This trend was determined mainly by the administered price performance and foodstuff price performance.
- The country's macroeconomic developments during August were influenced by a number of supply factors, such as electricity price rise, oil price rise and rise of the excise on some goods. Regardless of these, the inflationary pressures have been generally moderate. The aggregate demand has been nourished by rapid credit to the economy, but the low fiscal stimulus during the first part of the year has brought about its maintaining within the programmed levels.

MONETARY DEVELOPMENTS

- The Bank of Albania has sustained the tightening signal of July through its monetary operations in the money market. The key interest rate rise by 0.25 percentage point is transmitted to the interbank money market in Treasury bill yield and in lek deposit interest rate.
- The 9.9 percent annual growth rate of money supply of July resulted in accordance with the projected monetary program. The demand for credit of the private sector of the economy and the seasonal foreign currency inflows have been the source of monetary expansion. The public sector continues to be featured by the budget deficit. The net contribution of the Government to the money demand remains negative. Current and expected monetary developments reflect signs of higher monetary expansion rates in the coming months.
- In July credit to the economy maintained high growth rates, likewise in the first part of the year. During this month ALL 12.7 billion new credit was extended, standing at the same level with that of the previous month. Credit to GDP continues to be upward, reaching around 18 percent in July against 14.6 percent recorded at end of 2005.
- Treasury bill yield rose during August-September. The size

and intensity of the government demand for financing are the main factors that will determine the further Treasury bill yield performance during the remainder of the year.

- Because of interest rate rise for the euro and the dollar, the interest rate spread between the lek and the two currencies has been falling.
- The seasonal effect of the exchange rate appreciation during summer was smoother during this year, compared to the preceding years. In annual terms, the lek was appreciated against the dollar and depreciated slightly against the euro, respectively by 3.7 and 0.3 percent during August.

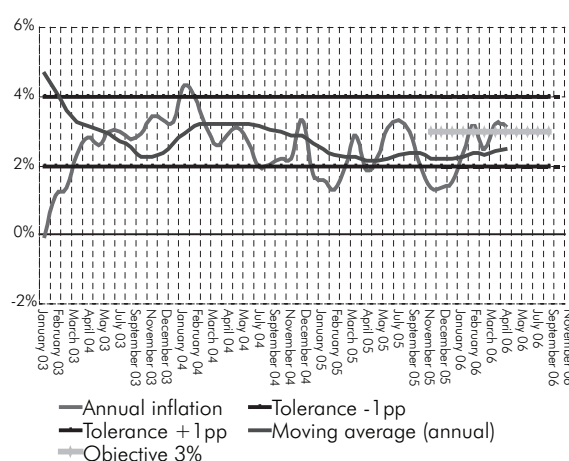
1 INFLATION IN AUGUST 2006

The annual inflation rate was 3.1 percent in August. This rate was almost equal to the rate recorded in July and to the 3 percent Bank of Albania target. The annual inflation rate over 8 first months of the year was mainly determined by the performance of the administered prices and foodstuff prices. The latter ones have deviated from the trend observed over two last years, recording positive annual inflation rates even during the summer. The electricity price rise for households is directly involved in the annual inflation rate of August. According to INSTAT, the electricity price rose by 12.5 percent on a monthly basis and 13.7 percent on an annual basis.¹ Though the period under consideration is short, it is noted that the electricity price rise has not caused rise in the prices of other goods or services of the consumer basket. The monthly inflation rate was 0.1 percent, close to the average monthly rate of this month in 5 last years.

1.1 INFLATION ACCORDING TO CONSTITUENT GROUPS

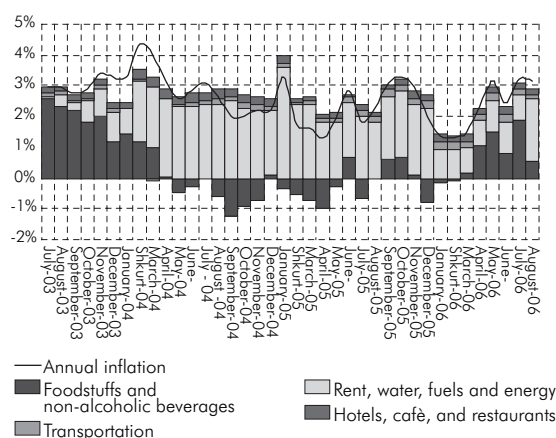
During August the prices of almost all the constituent items of the consumer basket recorded a rise. A number of factors have impacted on this direction, among which we highlight the electricity price rise, oil price rise, and consumer price rise in the partner countries.

Chart 1 Annual inflation (in percentage)



Source: Bank of Albania

Chart 2 CPI basket contribution to total inflation (in percentage)



Source: Bank of Albania

The annual inflation of “Foodstuffs and non-alcoholic beverages” item was 1.3 percent. The contribution of this item to annual inflation rate was 0.5 percentage point, declining in comparison with the contribution recorded in July. August has been characterised by the seasonal effect of the increased domestic products supply in the market. The increased supply is manifested in an obvious foodstuff price cut by -2.9 percent during August. The increased domestic products supply has restrained the inflationary pressures from partner countries, which recorded foodstuff price rise during the first eight months of the year.

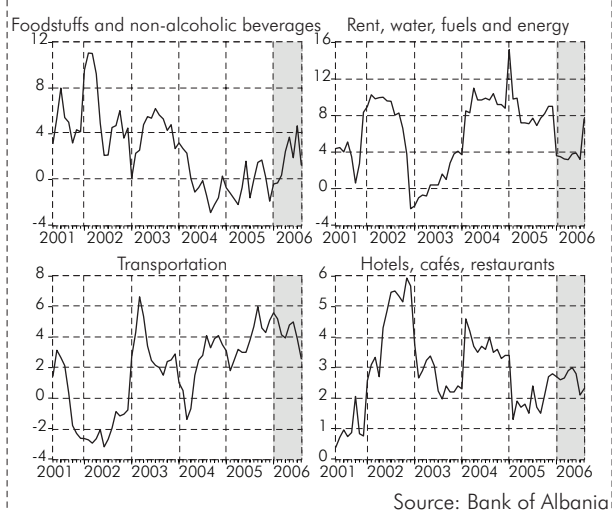
Table 1 Annual inflation of “Foodstuffs and non-alcoholic beverages” item (at home and abroad) and the contribution of the inflation of this item to total inflation

	Annual inflation '05	Contribution * (pp)	Annual inflation '06	Contribution * (pp)	Italy ² Annual inflation '06	Greece ³ Annual inflation '06	Euro area (12 countries)
January	-0.7	-0.3	-0.4	-0.2	0.9	1.8	1.7
February	-1.2	-0.5	-0.3	-0.1	0.9	2.6	1.6
March	-1.7	-0.7	0.4	0.2	1.0	2.8	1.3
April	-2.2	-1	2.5	1	0.9	3.5	1.6
May	-0.7	-0.3	3.7	1.5	1.1	2.4	1.7
June	1.6	0.7	1.9	0.8	1.3	3.0	2.0
July	-1.6	-0.7	4.7	1.9	1.8	5.4	2.6
August	0.0	0.0	1.3	0.5	2.2	4.6	--

Source: INSTAT, Bank of Albania

In August, the “Rent, water, fuels and energy” item contributed by 2.1 percentage points to the overall inflation, due to the electricity price rise by 13.7 percent, compared to the same previous year period. Besides this item, the “Alcoholic beverages and tobacco” and the “Transport” items, which recorded respectively a rise of 6.6 and 2.6 percent, have also contributed to the annual inflation rate rise.

Chart 3 Annual inflation of the main CPI basket items (in percentage points)



1.2 MACROECONOMIC ENVIRONMENT AND INFLATION

The country’s macroeconomic developments were influenced by a number of supply shocks during August, among which we highlight the electricity price rise, oil price rise and rise of excise on some goods. Regardless the above, the inflationary pressures have been restrained and the inflation has not deviated from the 3 percent targeted band. The aggregate demand went on being nourished by rapid growth of lending to the economy, but the low fiscal stimulus during the first part of the year has brought about its maintaining within the programmed levels. The annual inflation

stability of this month occurred as a result of the compensating impact of lower foodstuff prices against higher electricity and oil prices.

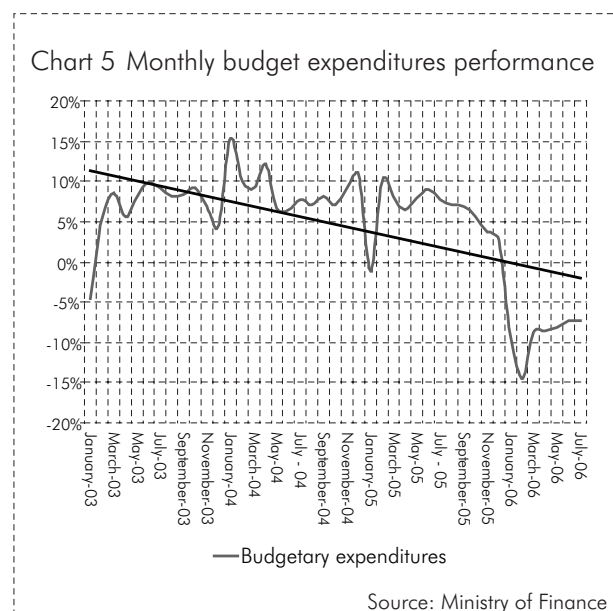
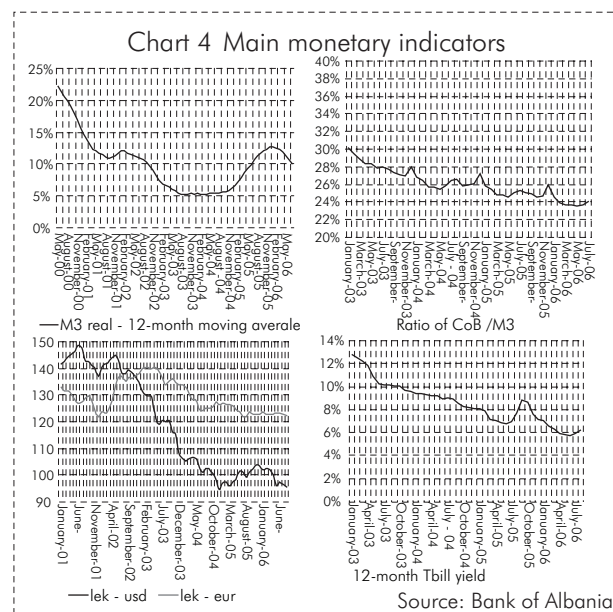
MONETARY AND FISCAL POLICY

On July the Bank of Albania raised the repo interest rate by 0.25 percentage point to 5.25 percent. This measure was accompanied by money cost rise in the securities market and partially in the system deposit interest rates. The upward trend of the interest rates is expected to be reflected to the control of the demand for monetary assets. On July, the broad money indicator, M3, grew by about 9.9 percent. However, monetary developments have generally been in line with the projections of the monetary program and the exchange rate performance has been stable.

The fiscal position of the public sector has been neutral to the demand for money. The government has pursued the projected program of income collection, lagging somewhat behind that of expenditures, particularly in the capital expenditures item. Unlike in the preceding years, the government's net domestic borrowing for January-August resulted in negative intervals. However, the intensification of the deficit and of the projected budget expenditures may be associated with temporary upward impulses in the aggregate demand and with fluctuations in Treasury bill yield.

EXCHANGE RATE, OIL PRICES AND IMPORTED INFLATION

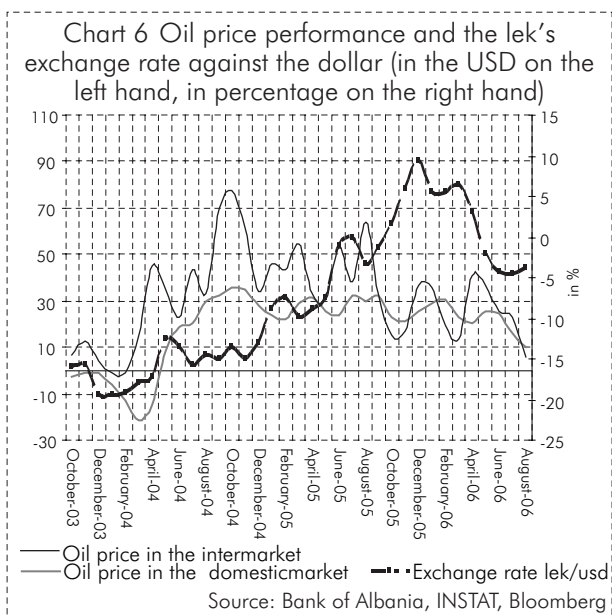
The international oil price rise, which is reflected in the domestic market, continues to remain a potential threat to inflation. During August the price rise of this product in the domestic market was restrained partially because of the lek's appreciation against the dollar. Also, the stabilized inflation rates for August in the main trading partner countries speak for an external economic-trading environment with no-underlined-inflationary trends. The lack of inflationary pressures transmitted through this channel leads to formation of the inflation rate from domestic factors and enhances the exchange rate effect.



	January	February	March	April	May	June	July	August
Greece ⁴	3.2	3.2	3.3	3.3	3.1	3.2	3.8	3.5
Italy ⁵	2.2	2.1	2.1	2.2	2.2	2.3	2.2	2.2
Lek/Euro	-2.5	-3.3	-2.9	-2.5	-1.4	-0.4	0.5	0.3
Lek/Usd	5.4	5.4	6.4	3.0	-2.1	-4.3	-4.5	-3.7

Source: CPI, INSTAT

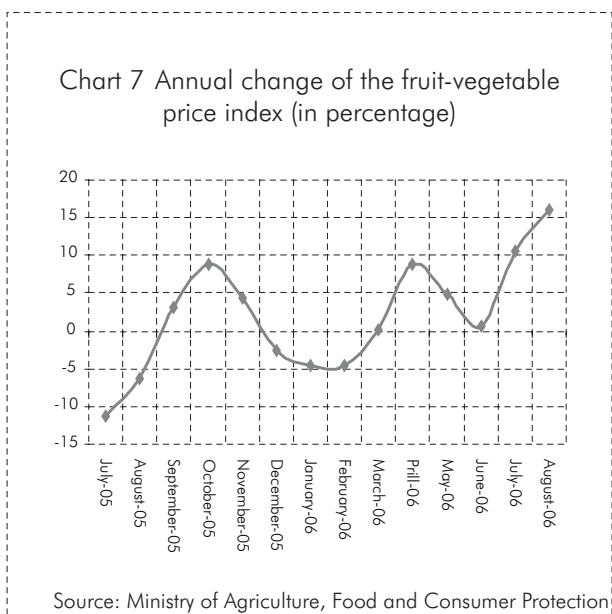
Table 2 Annual changes in partner countries' inflation and in the exchange rate (in percentage)



FOODSTUFFS AND ELECTRICITY PRICES

The electricity price rise has influenced by about 0.5 percentage point on the annual inflation rise. Without this factor, the annual inflation would result to about 2.6 percent. On the other hand, the balancing price fluctuations within the inflation basket made the annual inflation rate go on recording values close to the Bank of Albania target, mitigating the direct upward effect of electricity prices during this month.

The good situation in the agricultural products market for August has favoured the foodstuff price cut. During this month, the domestic agricultural products have balanced the upward effect given by the administered energy price rise on inflation.



2 MONETARY DEVELOPMENTS AND MARKETS

2.1 THE BANK OF ALBANIA'S MONETARY POLICY

The Bank of Albania has sustained the tightening signal of July through its monetary operations in the money market. The withdrawal of excess liquidity of the banking system is realised with a 5.25 percent interest rate. The key interest rate rise by 0.25 percentage point is transmitted to the interbank money market in Treasury bill yield and in Lek deposit interest rates.

The response to the monetary policy tightening has been immediate in the interbank market and primary securities market. On the other hand, the banking system tends to react late in terms of raising the deposit acceptance interest rates. The transmission of the tightening monetary policy signal is expected to be reflected in the financial intermediate cost for the real economy sector in the coming months.

Table 3 Interest rate change in the government securities market (in percentage points)

	3-month	6-month	12-month	2-year
Key interest rate change – July '06				0.25
Yield change – August '06	0.17	0.42	0.68	0.50

Source: Bank of Albania

The Bank of Albania interventions in the interbank market were aimed at withdrawing excess liquidity created in the system, mainly as a result

of the government budget surplus. The interventions in the foreign exchange market resulted in injecting about ALL 4.5 billion liquidity during July – August. These foreign currency interventions were aimed at balancing the demand for foreign currency with the foreign currency supply, meeting simultaneously the Bank of Albania target on the net international reserve. The ratio of the demand for foreign currency to the foreign currency supply is shifted temporarily in the favour of the supply during the summer. The low government borrowing has made the other Bank of Albania target, i.e., the one on net domestic assets result to about ALL 18 billion below the ceiling set for controlling the monetary supply of the market. The net credit to government is about ALL 23 billion under the ceiling of July.

	December '05	March '06	June '06	July '06	August '06
Net international reserve (dollar million)					
Objective	1,184	1,117	1,112	1,163	1,213
Actual	1,184	1,215	1,237	1,283	1,306
Difference	-	98.0	125	120	92.9
Net domestic assets (lek billion)					
Objective	82	85.0	90.0	87.6	85.2
Actual	77	61.8	67.7	66.6	67.4
Difference	- 5	-23.2	-22.3	-20.9	-17.8
Net domestic credit to the Government (lek billion)					
Objective	306.7	314.8	318.8	320.8	322.8
Actual	306.7	300.7	297.9	297.8	--
Difference	-	-14.0	-20.8	-23.0	--

Table 4 Meeting the Bank of Albania quantitative objectives

Source: Bank of Albania

2.2 MONETARY AGGREGATES PERFORMANCE

The annual money supply growth rate, by 9.9 per cent in July, resulted in accordance with the projected monetary program. However, the current and expected monetary developments contain signs for a possible return towards higher monetary expansion paces in the coming months, in the presence also of a high demand of the government for financing. The upward demand for money appears in the growth rates of currency outside banks, the most liquid constituent of monetary supply, beyond the seasonal effects characterising this indicator. The annual growth of currency outside banks – 6 percent in August, against 3.8 percent in July – tends to precede further developments in the demand for money. This development is confirmed by a higher annual rate of deposits in ALL, by 7.2 percent for July. Sources of monetary expansion have consisted mainly in the private sector's demand of the

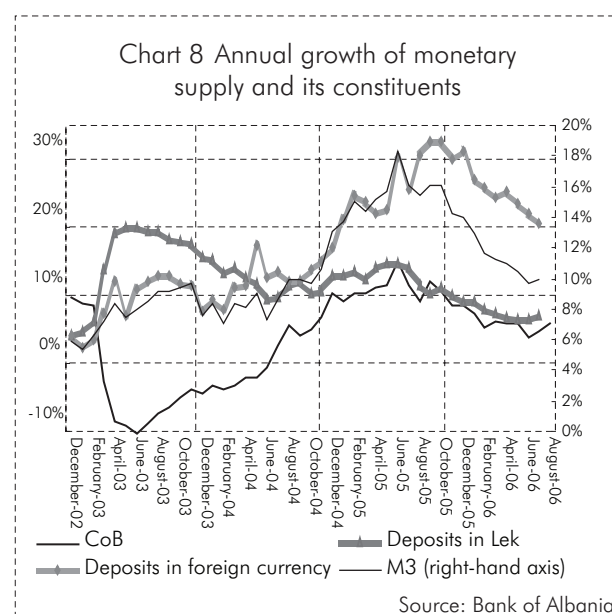
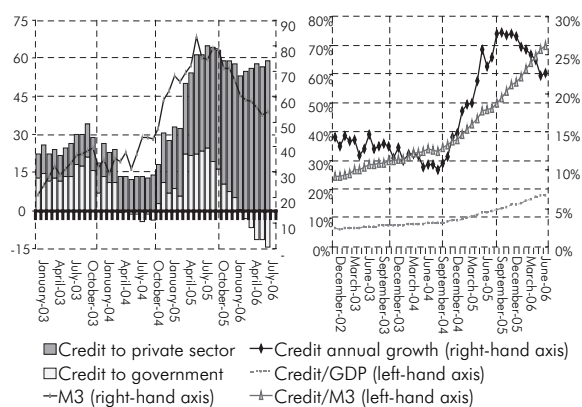
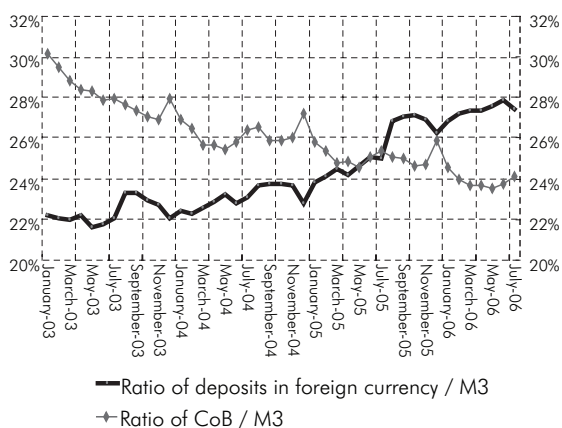


Chart 9 Contribution⁶ of credit to the private sector and of the fiscal position to the M3 growth, and ratios of credit to the private sector – right hand chart



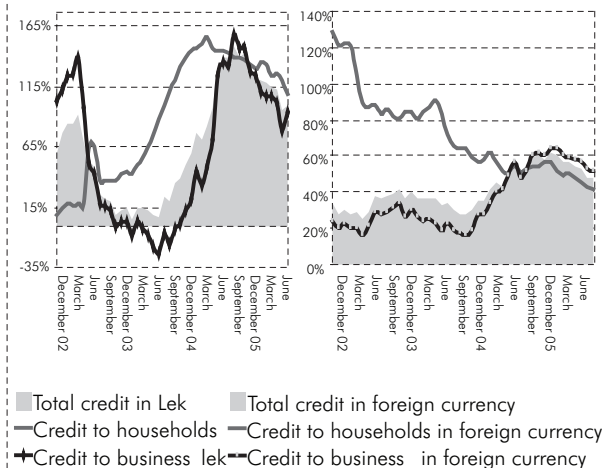
Source: Bank of Albania

Chart 10 M3 time and forex structure



Source: Bank of Albania

Chart 11 Annual credit growth by currencies



Source: Bank of Albania

economy for credit and in the foreign currency seasonal inflows, most of which enter in the monetary circulation of the Albanian economy, in the form of foreign currency deposits or converted into ALL through Bank of Albania's foreign currency intervention. The public sector continues to be characterised by the budget surplus, and the government's net contribution to the demand for money remains shrunk. However, in the recent months, tendencies to reduce the budget surplus to the realization of the plan projected in the government's fiscal budget are observed.

The money supply time structure has reflected the upward trend of the demand for monetary assets. The ratio of currency outside banks to M3 has increased to 24.1 percent in July, against the value of 23.7 percent recorded in June. The ratio of foreign currency deposits to M3 has increased slightly, as a result of remittances. The lek's exchange rate appreciated slightly in July has impacted negatively on the foreign currency deposit level of the system, by about ALL 2.1 billion.

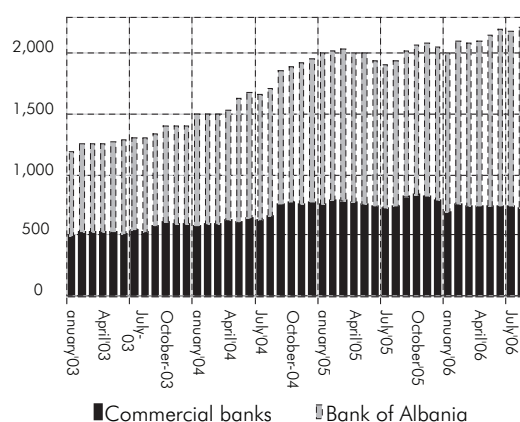
2.3 DEMAND FOR MONETARY ASSETS

CREDIT TO THE ECONOMY

Outstanding credit to the economy at end of July recorded ALL 157 billion, reflecting a growth of ALL 4.1 billion compared to the previous month. In annual terms, the credit growth rate reached 60.7 percent, recording a slight rise compared to the downward trend observed over the recent months. In July, the credit to the economy maintained high growth rates, as in the first half of the year. During this month, ALL 12.7 billion new credit was extended, standing at the same level with that of the preceding months. Credit to the economy constitutes 29.3 percent of the total assets of the banks and 34.5 percent of deposits. Credit continues to occupy an ever larger weight as a percentage of GDP, reaching to about 18 percent against 14.6 percent at end of 2005.

The foreign currency structure of outstanding credit to the private sector reflects the ALL lending trend of the system. The monthly growth of ALL credit outstanding is ALL 2.3 billion, recording an annual growth of 99.6 percent. The ratio of credit in ALL to the total credit reached 29 percent in July. The upward ALL lending pace is owing to credit to businesses. The annual growth rate for this group recorded 93 percent in July, compared to 78 percent in June. Credit in foreign currency has grown at a somewhat slower annual pace. The lek's appreciation effect against the two main foreign currencies during July impacted negatively on the foreign currency credit growth. The annual effect of the lek's appreciation resulted to ALL 1.3 billion.

Chart 12 Net foreign assets of the banking system (USD million)

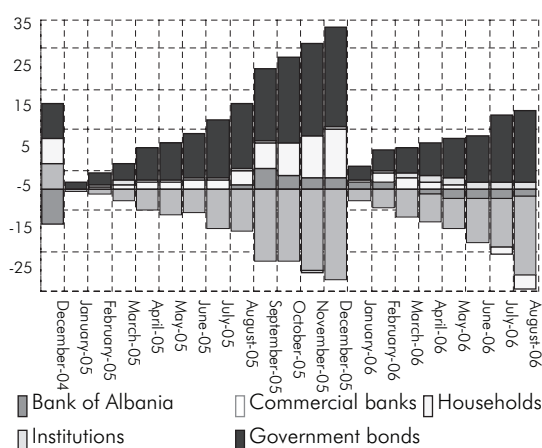


Source: Bank of Albania

NET FOREIGN ASSETS

Net foreign assets of the banking system grew by USD 43.1 million during July. The Bank of Albania increased the net foreign reserve by USD 56.9 million in July, as a result of foreign currency interventions and inflows in the form of foreign aids or disbursements. The exchange rate effect, which has resulted positive under the conditions of the euro's appreciation against the American dollar, is added to this increase. Commercial banks have decreased the net foreign assets by about USD 13.8 million, due to the larger growth of foreign currency credit to foreign currency deposits, and foreign currency liability growth.

Chart 13 Deficit financing (cumulative, ALL billion)



Source: Bank of Albania

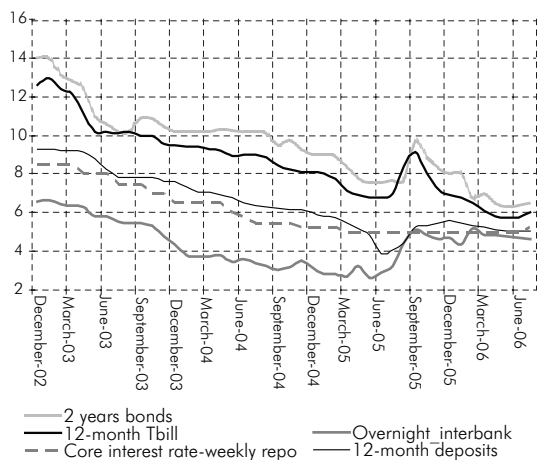
GOVERNMENT DEMAND FOR MONEY

The budget surplus recorded a reduction of ALL 1 billion in July. The two- and three-year bonds, respectively by about ALL 2.2 billion and ALL 2.8 billion, were part of the domestic financing. The net Treasury bill effect continues to be negative, by ALL 2.7 billion.

2.4 FINANCIAL MARKETS AND INTEREST RATE PERFORMANCE

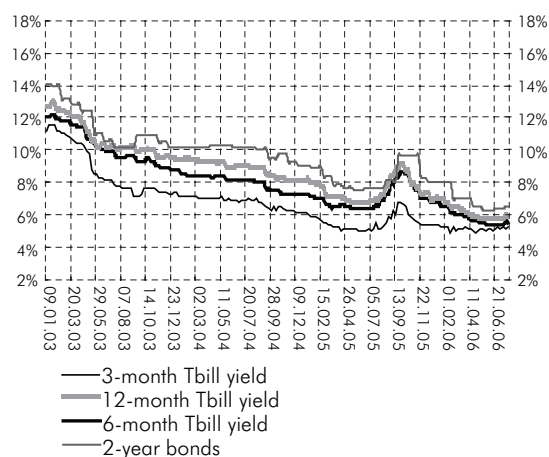
The Bank of Albania's monetary policy tightening in July, expressed through key interest rate rise by 0.25 percentage point, was simultaneously transmitted to the money market, recording interest rate rise in the interbank market and primary market. Also, preliminary data of August indicate upward movement of lek deposit interest rates.

Chart 14 Interest rates in the interbank market and the key interest rate



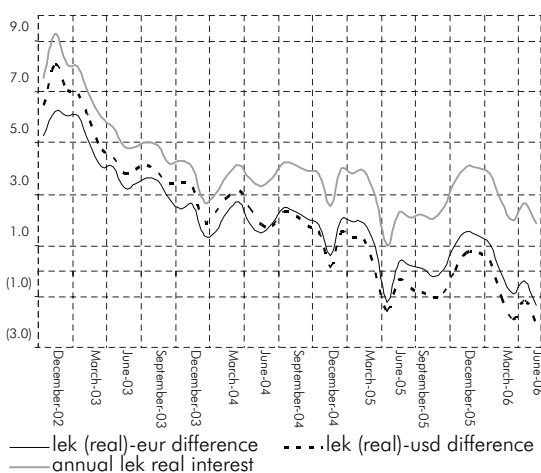
Source: Bank of Albania

Chart 15 Treasury bills and two-year bonds yields



Source: Bank of Albania

Chart 16 Lek and foreign currency deposit interest rate spread (in real terms)



Source: Bank of Albania

Lending interest rates in the interbank market have fluctuated close to the key interest rate, with the exception of the periods that coincide with the required reserve calculation, when the demand for liquidity is increased. The average interest rate for overnight transactions recorded 4.66 percent in the beginning of July, against 4.70 percent in June. After the key interest rate change, this indicator rose to 5.13 percent in August. The government demand for financing has remained unfulfilled in some cases during August, causing fluctuations of the Treasury bill yields. The Treasury bill yield of 12-month maturity at end of August rose by 0.68 percentage point compared to June. However, the Treasury bill yields are not yet under the pressure of the increased demand of the public sector for budget deficit financing. Their further performance will be significantly determined by the future intensity and size of this financing.

In July the interest rates of the lek deposits market stood at the same levels as in the preceding months. Preliminary data of August indicate rise of deposit acceptance interest rates. The rise of lek deposit interest rates is aimed at stabilizing the demand for money in accordance with the inflation target. The intermediation cost, expressed as a spread of ALL credit interest rates and ALL deposit interest rates, has been falling. In July this indicator recorded 6.2 and 6.6 percentage points for 6- and 12 – month maturities, compared to 9.6 and 7.9 percentage points in the previous year.

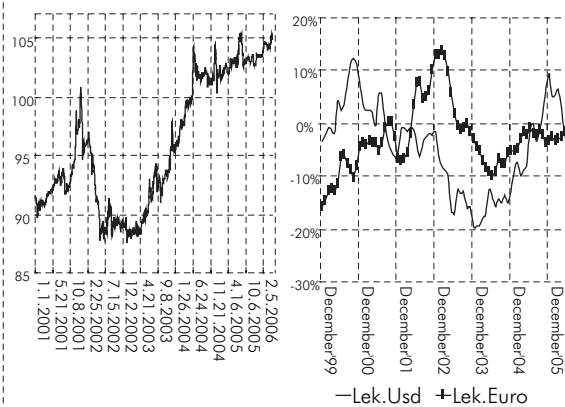
Because of the rise of interest rates for the euro and the American dollar, the interest rate spread of the lek and the two respective currencies has been falling. In July the lek-Usd deposit interest rate spread for 12-month maturity dropped to 1.15 percentage points, against 1.25 percentage points in July, while the lek-euro interest rate spread for the same maturity dropped to 1.87 percentage points against 2.01 percentage points. The real spread becomes more obvious due to small differences in inflation rates of respective areas, in July. The upcoming months are expected to bring about a change of this trend, due to expected rise of

ALL deposit interest rates and expectations for a neutral stance in the interbank market.

EXCHANGE RATE

The seasonal effect of the foreign exchange appreciation during summer was smoother during this year compared to the preceding years. In annual terms, for August, the lek was appreciated against the dollar and depreciated slightly against the euro, respectively by 3.7 and 0.3 percent. The dollar devaluation is owing to interbank market developments, whereas domestic and foreign developments with a balancing effect have influenced on the euro's stability.

Chart 17 Nominal effective exchange rate – NEER (left hand) and exchange rate (- /appreciation)



Source: Bank of Albania

STATISTICAL APPENDIX

Chart 1 Real sales indicator (in absolute value)

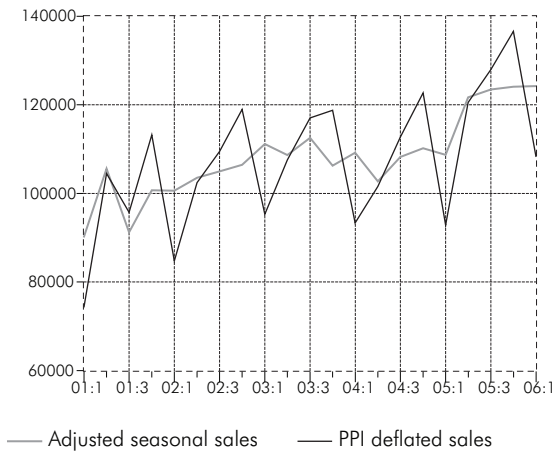


Chart 2 Annual inflation (in percentage)

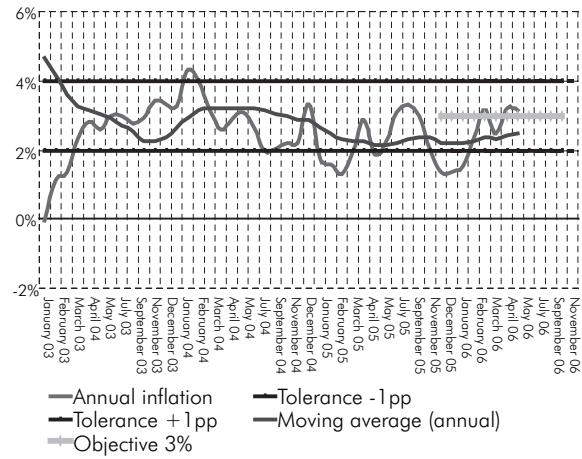


Chart 3 Contribution of the main items to annual inflation (in percentage)

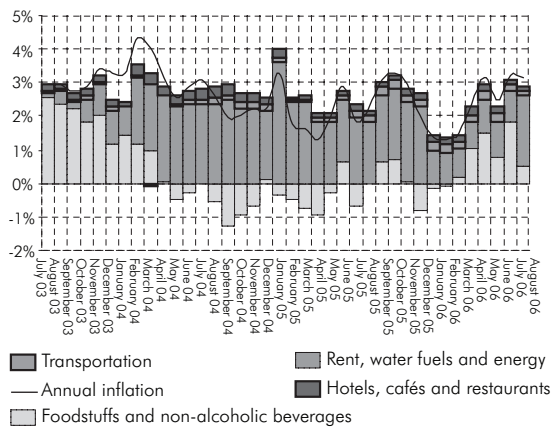


Chart 4 Cumulative and actual fiscal expenditures (in percentage)

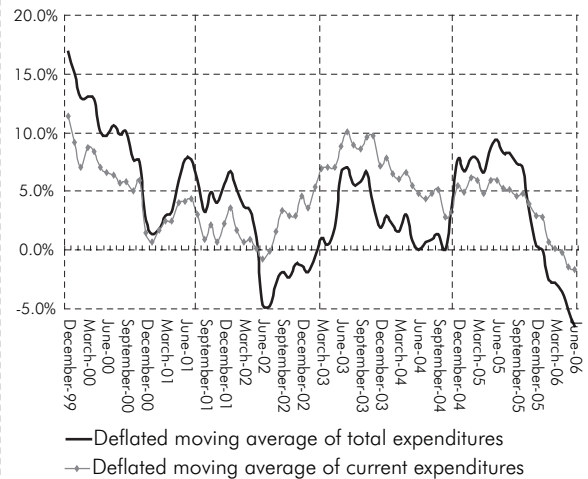


Chart 5 Primary and total deficit (in percentage)

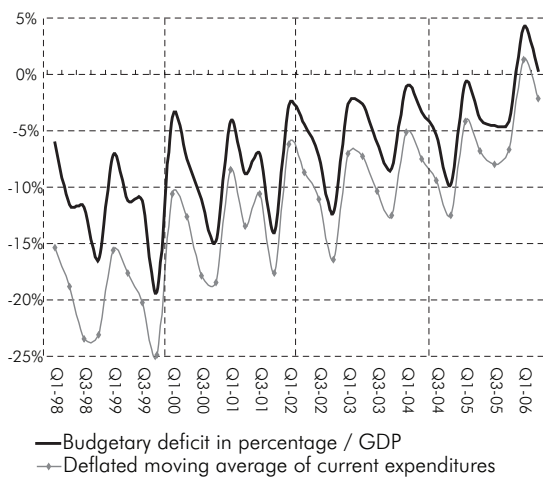


Chart 6 Current account and trade deficit as a percentage to GDP

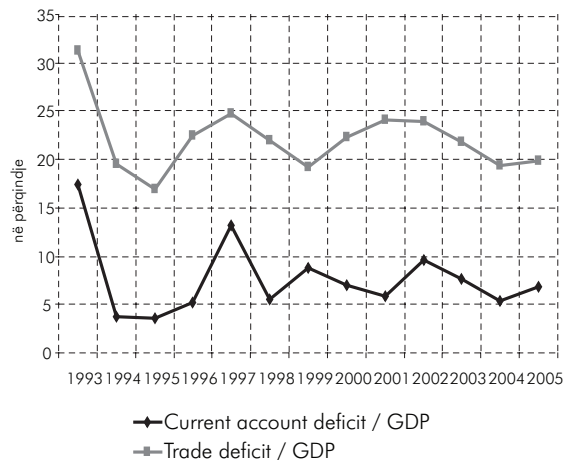


Chart 7 Annual growth of imports and exports (in percentage)

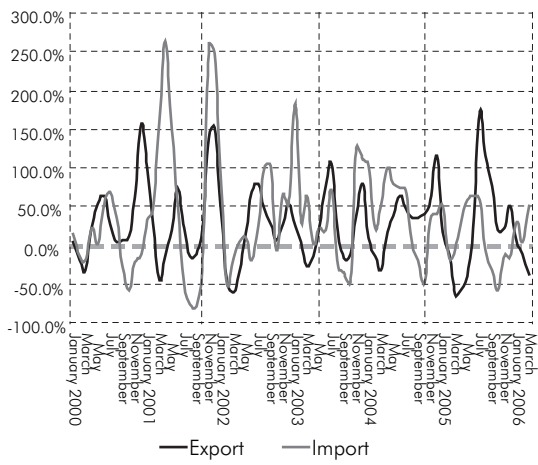
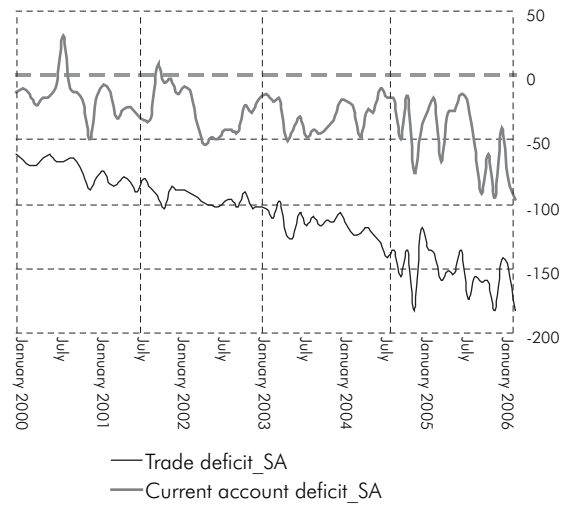


Chart 8 Monthly trade balance and current account (USD million)



INFLATION

Table 1 Annual inflation rate (in percentage)

	2001	2002	2003	2004	2005	2006
January	2.2	6.5	0.0	3.3	3.3	1.4
February	1.5	7.6	1.1	4.4	1.8	1.3
March	2.9	7.5	1.3	4.0	1.6	1.5
April	3.0	6.5	2.3	3.2	1.3	2.4
May	2.5	4.6	2.8	2.6	2.0	3.1
June	4.0	3.7	2.6	2.9	2.9	2.4
July	5.6	4.2	3.0	3.1	1.8	3.2
August	4.1	5.5	3.0	2.7	2.3	3.1
September	3.5	5.3	2.8	2.0	3.1	
October	1.8	5.8	2.9	2.0	3.3	
November	2.8	3.7	3.4	2.2	3.0	
December	3.5	1.7	3.3	2.2	2.0	
Average	3.1	5.2	2.2	3.0	2.4	2.3

Source: INSTAT

Table 2 CPI basket contribution to total inflation

	February -06	March -06	April -06	May- 06	June -06	July -06	August -06
Foodstuffs and Non-alcoholic beverages	-0.11	0.16	1.03	1.51	0.80	1.86	0.52
Rent, water, fuels and energy	0.93	0.85	0.84	1.00	1.04	0.88	2.08
Transport	0.1	0.14	0.13	0.23	0.24	0.19	0.13
Hotels, café and restaurants	0.19	0.20	0.22	0.22	0.22	0.16	0.18
Other	0.10	0.11	0.12	0.10	0.15	0.15	0.24
Total	1.33	1.48	2.35	3.1	2.45	3.24	3.14

Source: INSTAT, Bank of Albania

MONETARY AGGREGATES

Table 3 Monetary indicators performance (ALL billion)

	July - 06	Monthly change		Annual change	
		Absolute	Percentage	Absolute	Percentage
Currency outside banks	144.6	3.6	2.6	6.3	4.6
Total deposits	454.6	1.1	0.3	47.6	11.7
- in ALL	290.1	2.5	0.9	19.4	7.2
- in foreign currency	164.5	-1.3	-0.8	28.2	20.7
Demand deposits	140.2	4.0	2.9	46.3	49.4
- in ALL	85.0	1.0	1.2	39.0	84.7
- in foreign currency	55.3	3.0	5.7	7.4	15.4
Time deposits	314.4	-2.9	-0.9	1.3	0.4
- in ALL	205.1	1.4	0.7	-19.5	-8.7
- in foreign currency	109.3	-4.3	-3.8	20.8	23.6
M1	229.6	4.6	2.1	45.3	24.6
M2	434.7	6.1	1.4	25.8	6.3
M3	599.2	4.7	0.8	54.0	9.9

Source: Bank of Albania

Table 4 NFA indicators performance according to main items (USD million)

	July - 06	Monthly change	Annual change
Net foreign assets	2,223.8	43.1	290.7
Foreign assets			
Bank of Albania	1,604.5	56.1	301.7
Deposit Banks	947.6	- 4.6	49.6
Foreign liabilities			
Bank of Albania	103.0	- 0.8	- 0.9
Deposit Banks	225.5	9.3	61.6

Source: Bank of Albania

Table 5 Performance of net claims on government indicators according to main items (lek million)

	July - 06	Monthly change	Annual change
Net claims on government	269,266.5	12.6	- 16,704.0
Bank of Albania			
Deposit Banks	52,097.9	- 2.0	- 8,050.7
Deposits with the Bank of Albania	217,169.0	- 0.8	- 8,652.9
Budget Deficit	4,332.9	1,552.6	3,169.9

Source: Bank of Albania

Table 6 Credit outstanding indicators as a percentage to the total

	2003	2004	Q-1 '05	Q-2 '05	Q-3 '05	Q-4 '05	Q1-'06	Q2-'06	Jul '06
Credit outstanding (All billion)	50.7	69.3	79.0	95.9	106.0	121.9	134.6	152.8	156.9
Credit to households	24.5	30.6	31.0	30.8	31.4	31.6	31.9	32.3	32.4
Credit to the private sector	75.5	69.4	69.0	69.2	68.6	68.4	68.1	67.7	67.6
Lek	19.6	19.5	20.1	22.9	23.7	25.5	26.0	28.2	28.9
Foreign currency	80.4	80.5	79.9	77.1	76.3	74.5	74.0	71.8	71.1

Source: Bank of Albania

Table 7 New credit indicators as a percentage to the total

	2005				Q1 '06	Q2 '06
	Q1	Q2	Q3	Q4		
New credit (ALL billion)	22.1	32.8	32.1	32.9	29.4	35.7
Short-term credit	53.2	47	47.4	48.7	44.2	42
Mid-term credit	22.4	31	30.3	25.6	30.1	33
Long-term credit	24.4	22	22.2	25.7	25.7	26
Credit in ALL	30.1	32.8	30.2	31.4	27.7	35
Credit in foreign currency	70	67.2	69.8	68.6	72.3	65

Source: Bank of Albania

FINANCIAL MARKETS

Table 8 Interest rates as of end of month and their change with the preceding periods (in percentage)

	August - 06	Change August '06-July'06	Change August'06-August'05
Key interest rate	5.25%	0.00	0.25
Interbank market			
Overnight interbank market interest	4.96%	-0.04	-0.76
Weekly interbank market interest	5.31%	-0.13	-0.30
Primary market			
3-month Treasury bill yield	5.38	0.16	-0.36
6-month Treasury bill yield	5.83	0.27	-2.11
12-month Treasury bill yield	6.42	0.48	-1.99
Bonds market			
2-year bonds market	7.00	+0.50	-1.10

Source: Bank of Albania and commercial banks

Table 10 Interest rates and their change in ALL credit and deposit market (in percentage)

	July- 06	Change July'06-June'06	Change July'06-July'05
Key interest rate	5.25	0.25	0.25
ALL deposit interest rate			
3 – month	3.06%	-0.05	-0.14
6 –month	3.62%	-0.12	0.60
12 - month	4.23%	-0.12	0.51
24- month	5.08%	0.03	1.02
ALL credit interest rate			
Credit up to 6 months	10.45%	-0.83	-2.85
Credit of 6 months - 1 year	11.64%	-0.16	-0.36
Credit of 1-3 years	15.92%	0.03	-0.03
Credit of over 3 years	11.58%	0.16	-0.19

Source: Bank of Albania and commercial banks

Table 11 Interest rates of foreign currency deposits (in percentage)

	July - 06	Change July'06-June'06	Change July'06-July'05
Key Fed interest rate	5.25%	+0.00	+2.00
USD deposit interest rate			
1 – month	2.77%	0.43	1.00
3 – month	3.12%	-0.41	1.01
6 – month	3.34%	-0.07	1.09
12 - month	3.93%	0.11	1.25
24 - month	4.63%	0.25	1.04
Key ECB interest rate	2.75%	+0.00	+0.75
Euro deposit interest rate			
1 – month	2.25%	0.12	0.61
3 – month	2.53%	0.10	0.74
6 - month	2.85%	-0.06	0.94
12 - month	3.20%	0.16	1.24
24 - month	3.73%	0.10	0.69

Source: Bank of Albania and commercial banks

Table 12 ALL and foreign currency deposit-credit interest rate spread

Deposit interest rate spread:				
	lek-usd		lek-euro	
	July 05	July 06	July 05	July 06
3 – month	0.91%	0.50%	1.23%	1.09%
6 - month	1.47%	0.89%	1.81%	1.38%
12 -month	1.38%	1.15%	2.10%	1.88%
Credit interest rate spread:				
	lek-usd		lek-euro	
	July 05	July 06	July 05	July 06
6- month	5.37%	1.49%	6.78%	2.54%
6 month -1year	3.37%	2.42%	5.69%	4.21%
1-3 years	6.47%	6.92%	9.08%	7.65%
Over 3 years	2.63%	-0.79%	3.66%	3.54%

Source: Bank of Albania and commercial banks

NOTES

¹ Source: INSTAT, Consumer Price Index, August 2006

² Source: ISTAT; website <http://www.istat.it>

³ Source: National Statistical Service of Greece; website: <http://www.statistics.gr>

⁴ Source: National Statistical Service of Greece; website: <http://www.statistics.gr>

⁵ Source: Institute of Statistics of Italy; website <http://www.istat.it>

⁶ Contributions expressed in absolute 12-month changes in ALL billion

