

BANK OF ALBANIA

MONETARY POLICY  
MONTHLY REPORT

MAY 2006

## MONETARY POLICY MONTHLY REPORT, MAY 2006

### SUMMARY

#### INFLATION DEVELOPMENTS

- Annual inflation rate reached to 3.1 per cent in May 2006. The inflation measured by the CPI indicated a considerable increase compared to its 2.3 per cent average in the first four months of the year. The inflation of 3.1 per cent marks its fourth consecutive increase. In January 2006, inflation resulted in 1.3 per cent.
- The seasonal fall of foodstuffs prices was slighter than expected, probably caused by the decrease of supply with domestic products. Monthly inflation rate of -0.4 per cent marked the lowest value for the period being analyzed in the last five years.
- The increase of annual inflation reflects the contribution of agricultural products and oil prices. "Foodstuffs and non-alcoholic beverages" and "Rent, water, fuels and energy" groups share 82 per cent of the annual inflation.

#### MONETARY INDICATORS

- Monetary expansion in economy continues with relatively lower rates compared to the previous years, mainly due to the lack of borrowing from the public sector. The growth of money supply by 10 per cent is in compliance with the historical trends. Currency outside banks and M2 aggregate have followed their trends, leading to the maintenance of a constant time and currency structure of money supply.
- Over the recent months, money supply growth in nominal terms has been accompanied by the credit growth of the private sector. Outstanding credit for the private sector amounted to ALL 140.0 billion in April 2006, maintaining the same monthly growth of ALL 5.5 billion as in March. Credit to the private sector grew by ALL 18.1 billion in the first four months of 2006, compared to ALL 14.0 billion the same period the previous year. Meanwhile, credit growth in the monetary programme of the Bank of Albania for year 2006, was projected to be ALL 63.3 billion.
- In April, the Government continued the issuing of two and three-year bonds, in the amounts of ALL 0.5 billion and ALL 1.5 billion, respectively. The level of Treasury bills issued over this month was ALL 3.4 billion smaller than their maturity.
- Liquidity conditions in the banking system have not changed compared to the previous year. Excess liquidity has remained

in high levels, leading to the further decrease of interest rates in lek. At the end of May, Treasury bills yield of 12-month maturity decreased to 5.72 per cent from 5.83 per cent at the end of April. On average, inflation is estimated at 2.2 per cent of the nominal return from lek interests, causing the real interest of lek deposits to be about 2.0 per cent.

- The increase of core interest over 2006 for the euro and the dollar by the respective central banks have led to the reduction of the spread between the lek and foreign currency deposits interest.
- Exchange rate performance has reflected the developments in the international markets. Lek has appreciated against the dollar, while displaying stable tendencies against the euro. In nominal effective terms, the lek has appreciated by 1.5 per cent compared to the previous year. At the end of May, the exchange rate marked 95.84 lek/usd and 123.3 lek/euro.

## I INFLATION IN MAY

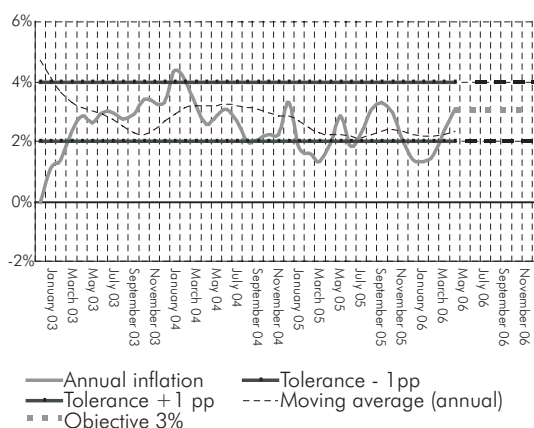
Total annual inflation increase in May 2006 was 3.1 per cent, marking an increase of 0.8 percentage points compared to the previous month. Average annual inflation rate for the last two months was 2.2 per cent. The annual inflation in May 2006 reflected the contribution of agricultural products and oil prices. Monthly inflation rate of -0.4 per cent was the lowest decrease for the reference period. The reduced seasonal effect generally reflects the lack of domestic agricultural production supply.

In May 2006, the inflation forecast of +2.5 per cent was based on the seasonal effect of the fall in the prices of “Foodstuffs and non-alcoholic beverages” group, which generally has varied in very low negative levels, as a result of the increase in the summer production for season products. Meanwhile, the fall in foodstuffs prices was not observed over this year, as a consequence of bad weather conditions.

### I.1 PERFORMANCE OF INFLATION BY CONSTITUENT GROUPS

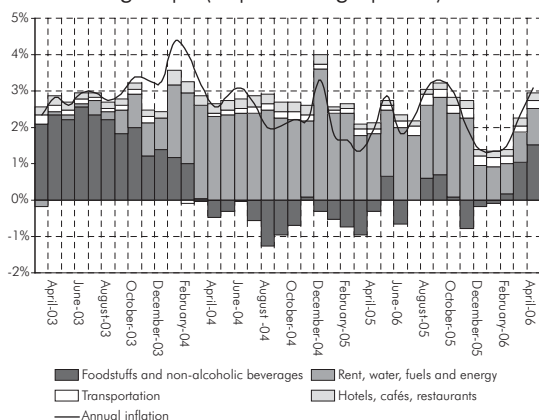
Consumer price index was influenced by the positive contribution of “Foodstuffs and non-

Chart 1 Performance of annual inflation (in percentage)



Source: Bank of Albania

Chart 2 Contribution of CPI basket in the main groups (in percentage points)



Source: Bank of Albania

alcoholic beverages” and “Rent, water, fuels and energy” groups on annual inflation by 82 per cent.

Foodstuffs prices rose with an annual rate of 3.7 per cent over May 2006, contributing to CPI annual inflation by 50 per cent. Monthly change was -1.5 per cent, recording the highest negative level compared to the previous 4 years. This performance was influenced by the rise in agricultural prices and the increase of imported inflation transmission to domestic consumer prices. Imported inflation was affected by the decrease of the lek appreciation against the euro.

Table 1 Inflation of “Foodstuffs and non-alcoholic beverages” group and its weight in total inflation.

	Annual inflation '05	Contribution (pp)	Annual inflation '06	Contribution (pp)	Annual inflation Italy <sup>1</sup> '06	Annual inflation Greece <sup>2</sup> '06
March	-1.7	-0.7	0.4	0.2	1.0	2.1
April	-2.2	-1	2.5	1	0.9	3.8
May	-0.7	-0.3	3.7	1.5		2.9

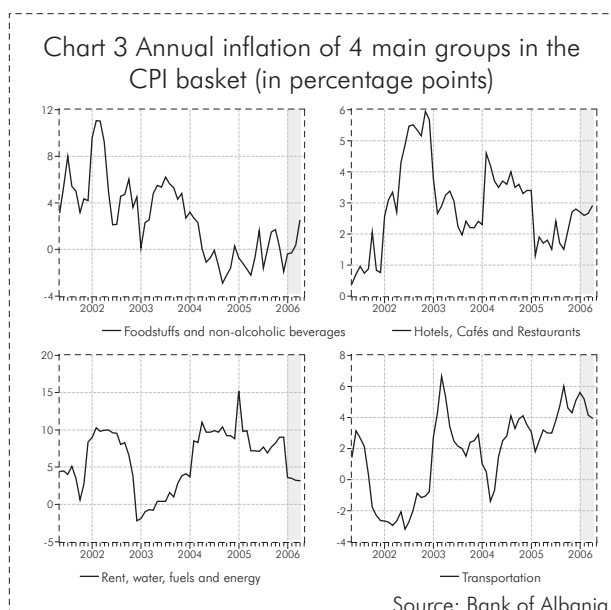
Source: INSTAT

Annual inflation of “Rent, water, fuels and energy” group was 3.8 per cent. Similar to the previous months, “Imputed rent” subgroup provided the most considerable contribution (representing 90 per cent of annual inflation in this group).

Table 2 Inflation of “Rent, water, fuels and energy” group and its weight in total inflation.

	Annual inflation '05	Contribution (pp)	Annual inflation '06	Contribution (pp)
March	9.8	2.4	3.5	0.9
April	7.2	1.8	3.2	0.8
May	7.2	1.8	3.8	1

Source: INSTAT



Annual price rise of “Transportation” group was 4.8 per cent, while its monthly price rise was 0.9 per cent. Regardless of the lek appreciation against the dollar and the consequent amortization effect, the rise of oil price in the international markets was transmitted to domestic prices, resulting in an annual inflation increase of 1.6 per cent in “Service to personal vehicles” subgroup (oil is the most significant item of this subgroup).

Annual inflation of other groups did not display significant changes compared to the same month the previous year, contributing to consumer prices by 0.3 percentage points.

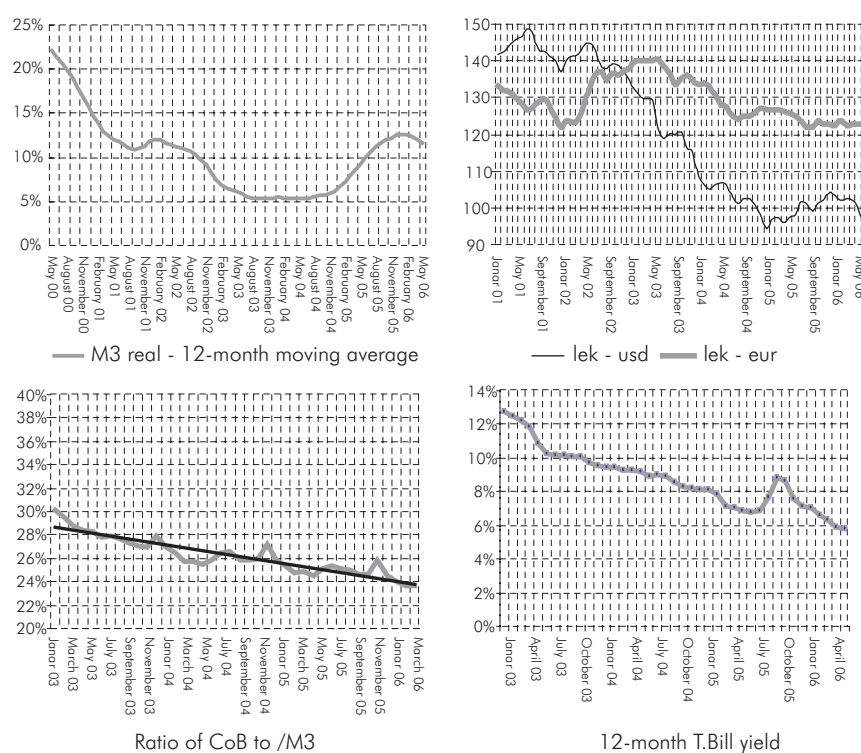
## 1.2 MACROECONOMIC ENVIRONMENT AND CONSUMER PRICES

Demand pressures on economy remained relatively inexistent in May 2006. The positive development of monetary and fiscal indicators has balanced the inflationary pressures, deriving from the external environments and from the negative supply development. High oil prices, the reduced supply of agricultural products and the downward trend of lek appreciation against the euro, are the main factors, which jeopardise future prices. They are mainly as a consequence of economy supply.

### MONETARY POLICY

The downward trend of M3 and currency outside banks annual growth continued over May 2006. The same occurred with the lending growth compared to the previous month, although the downward rates of its growth suggest for low inflation pressures.

Chart 4 Developments in monetary indicators

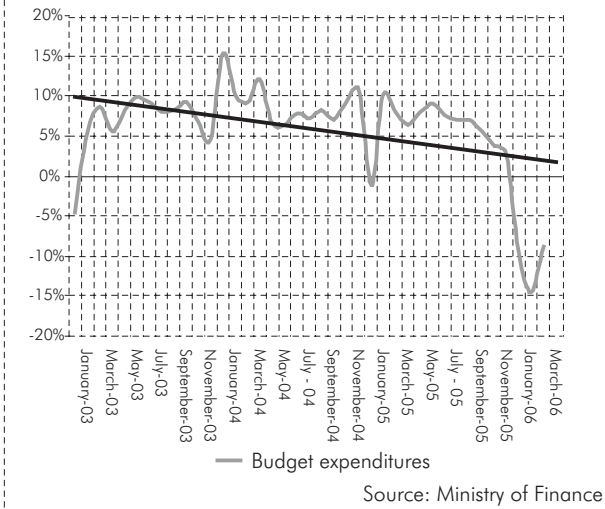


Source: Bank of Albania

### FISCAL POLICY

Over the first five months of 2006, budget implementation was realized better than projected. The increase of budget revenues and the decrease of fiscal deficit indicate a restricted stand of fiscal policy

Chart 5 Performance of budget expenditures



for this period. However, budget expenditures are expected to increase in the coming months. Such a performance shall definitely increase demand pressures on economy.

The increase of budget surplus has influenced on the low demand for money. 12-month T-bills yield, which has displayed a downward trend since last September, has reached to the level of 5.8 per cent in May 2006.

EXCHANGE RATE AND IMPORTED INFLATION

Average exchange rate of the lek appreciated against the dollar in May, reaching to an annual appreciation of 2.1 per cent and a monthly appreciation of 4 per cent. Average exchange rate of the lek against the euro was 123 lek/euro, which represents an annual appreciation of 1.4 per cent, but a monthly depreciation of 0.1 per cent.

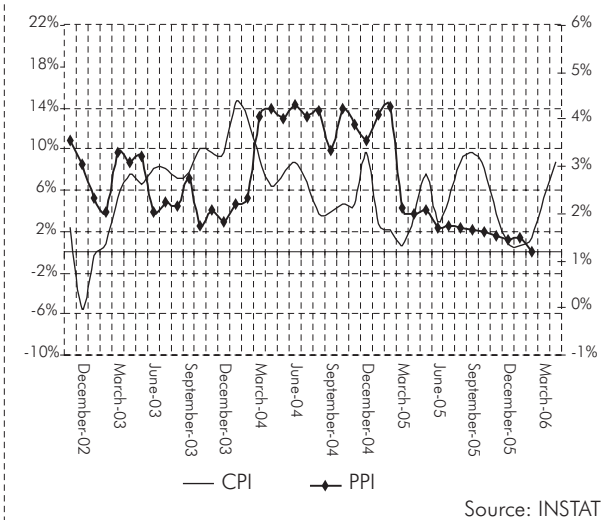
With regard to inflation in the country, it was observed that the appreciation of the lek against the euro has smoothed since March 2006. Therefore, unlike the previous months, the exchange rate performance has been unsuccessful in reducing the high prices impact of import foodstuffs products.

Table 3 Annual inflation of partner countries and changes in the exchange rate (in percentage) for 2006

	January	February	March	April	May
Greece <sup>3</sup>	3.2	3.2	3.3	3.3	3.1
Italy <sup>4</sup>	2.2	2.1	2.1	2.2	2.2
Lek/Euro	-2.5	-3.3	-2.9	-2.5	-1.4

Source: INSTAT, Bank of Albania

Chart 6 CPI and PPI annual changes



PRODUCTION PRICES

Production price index decreased over March 2006, but the transmission to consumer prices has resulted inconsiderable so far. The rapid increase in the reference period was recorded in the extracting industry subgroup – extraction of energy production and in the food processing and beverages subgroup, which bring increased pressure caused by cost.

OIL PRICES

Oil price rise continued at the beginning of May 2006, resulting in an annual increase rate

of 36.5 per cent, which was transmitted to the consumer price inflation increase for “Service to personal vehicles” group. The annual rise in oil domestic price kept the same trend in May 2006, being influenced solely by the oil price rise in the international markets and not by the exchange rate performance (the lek was deeply appreciated against the dollar).

## II MONETARY DEVELOPMENTS AND MARKETS

Monetary expansion in economy continued with lower rates than the previous year. Money supply growth rate of 10.0 per cent is consistent with the historical trend and it reflects the lack of borrowing from the public sector. Currency outside banks and M2 aggregate have followed the same trend, leading to the maintenance of a constant time and currency structure of money supply.

In real terms, money supply expansion has slowed down in more significant rates. Currently, the growth rate of this indicator is 6.5 per cent. At the end of the first semester 2005, money supply grew by 15.0 per cent in real terms.

In nominal terms, money supply growth has been accompanied by private sector crediting. Meanwhile, there has been a negative net contribution of the public sector to the growth of

Chart 7 Annual changes in the oil price and lek exchange rate against the dollar (right axis)

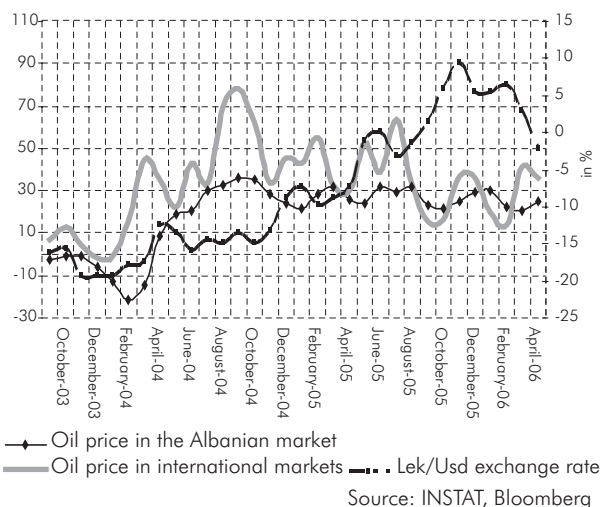


Chart 8 Annual growth of M3 and M2 aggregates and currency outside banks<sup>5</sup>

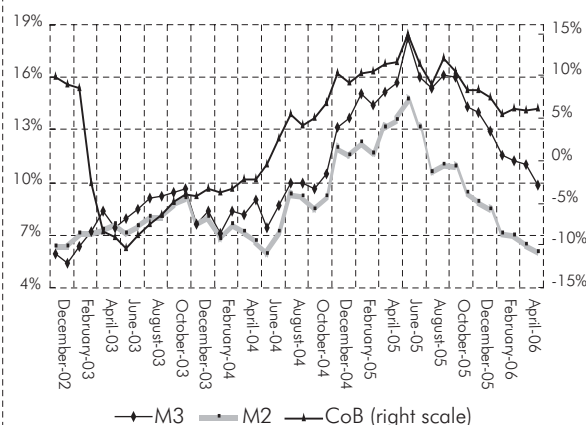


Chart 10 Public and private sector contribution to M3 growth (12-month change in nominal terms, in billions of Lek)

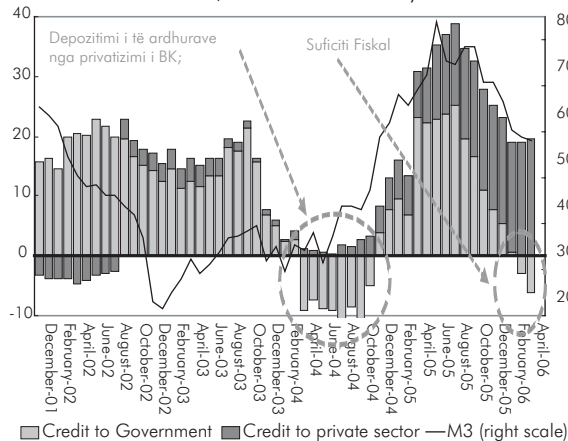


Chart 9 Growth of money supply and currency outside banks in real terms

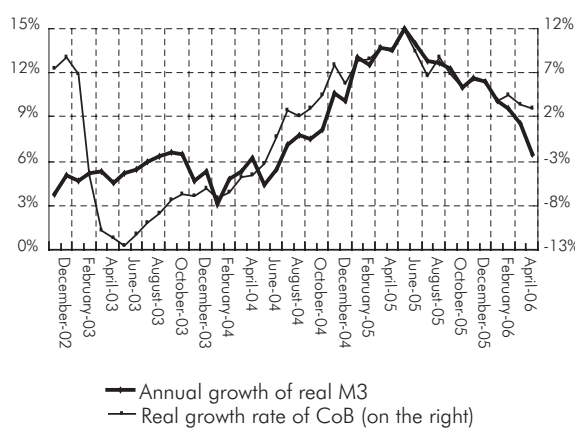
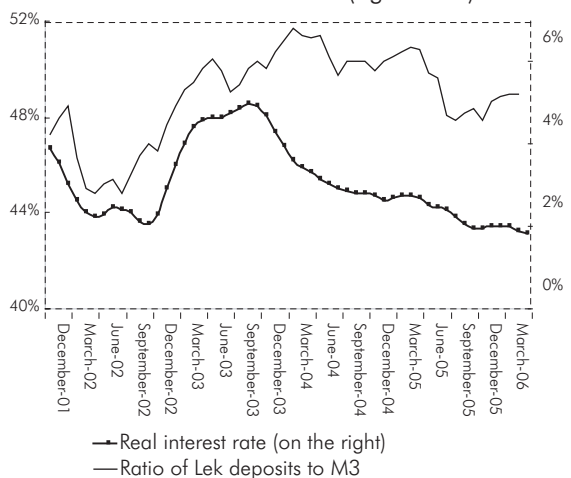


Chart 11 Ratio of lek deposits to M3 and average real interest rate of lek (right scale)



Source: Bank of Albania

M3 aggregate. The fact that the Government balance sheet has resulted with a surplus, has not had a direct influence on the injection of money into the economy. It has rather provided liquidity in the banking system, which as a consequence has led to the further reduction of Treasury bills interest rates.

Deposit interest nominal rates have experienced a slight decrease. In general, interest real rates for lek deposits have been influenced by the inflation performance. Despite the monthly inflation rate fluctuations, inflation is estimated at 2.2 per cent on average of the interest return, causing the real interest rate of bank deposits in lek to be estimated at about 2.0 per cent.

Table 4 Monetary aggregates (in millions of lek)<sup>6</sup>

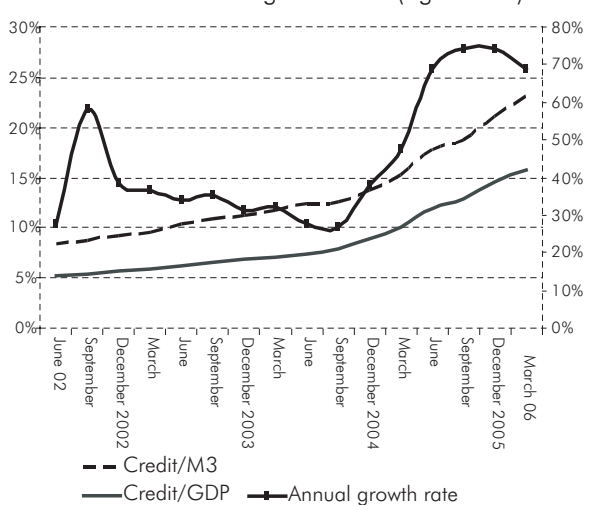
	April	Quarterly changes		Annual changes	
	2006	Million lek	Percentage	Million lek	Percentage
Currency outside banks	138.2	0.9	0.7	7.6	5.8
Monetary base	190.6	4.3	2.3	16.5	9.5
M1	218.9	1.6	0.7	46.3	26.8
M2	424.3	2.9	0.7	25.8	6.5
M3	584.1	3.8	0.6	58.1	11.0

Source: Bank of Albania

### CREDIT TO ECONOMY

In April 2006, outstanding credit amounted to ALL 140.0 billion, displaying the same monthly growth by ALL 5.5 billion as in March. Annual growth rate of credit decreased to 66.8 per cent from 68.0 per cent in March. Credit share to economy to money supply grew to 24.0 per cent in April. New credit extended over this month amounted to ALL 12.7 billion or 35.0 per cent more than the previous year.

Chart 12 Ratio of credit to GDP and M3 (left scale) and credit annual growth rate (right scale)



Source: Bank of Albania

Annual growth of credit in lek indicates a further decrease to 114.5 per cent compared to 117.5 per cent in March. The considerable decrease of credit in lek annual rate to households is the main contributor of total credit performance in lek. However, the share of credit in lek to total credit portfolio grew to 26.3 per cent.



Chart 13 Annual growth of outstanding credit

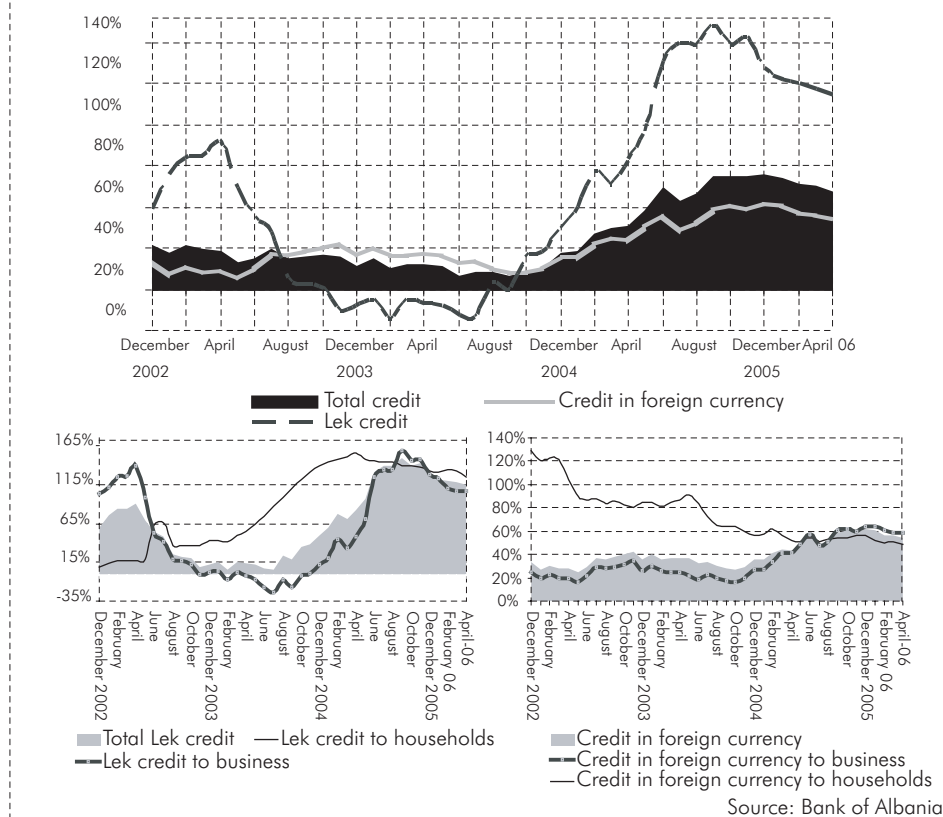


Table 5 Structure of outstanding credit (in percentage to total)

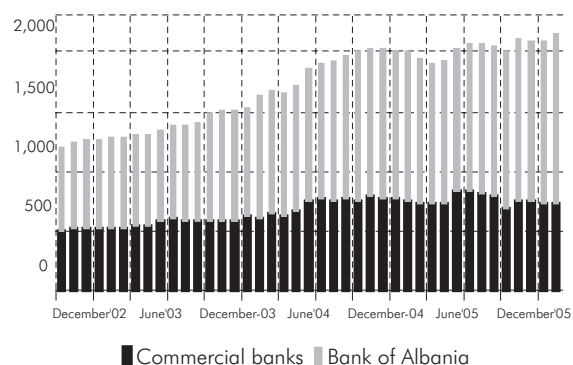
	2002	2003	2005				2006	
			Q1	Q2	Q3	Q4	March	April
Outstanding credit (in billion lek)	50.7	69.3	79.0	95.9	106.0	121.9	134.6	140.0
Credit to households	24.5	30.6	31.0	30.8	31.4	31.6	31.9	31.7
Credit to business	75.5	69.4	69.0	69.2	68.6	68.4	68.1	68.3
Credit in lek	19.6	19.5	20.1	22.9	23.7	25.5	26.0	26.3
Credit in foreign currency	80.4	80.5	79.9	77.1	76.3	74.5	74.0	73.7

Source: Bank of Albania

#### NET FOREIGN ASSETS

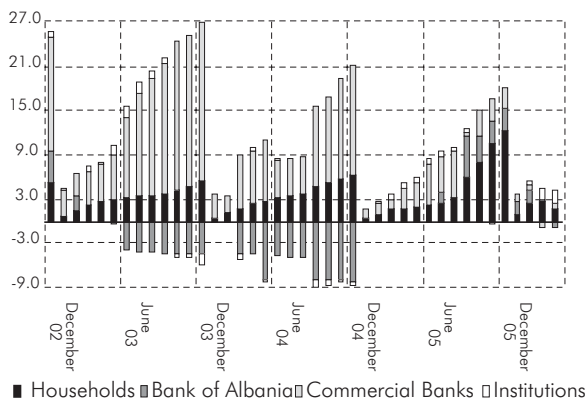
Net foreign assets of the banking system grew by USD 44.3 million in April. Net foreign assets of the Bank of Albania grew by USD 40.0 million, due to the Bank interventions in the foreign exchange market and the exchange rate effect (the appreciation of the euro against the dollar by 4.0 per cent). Net foreign reserves of commercial banks decreased by USD 1.4 million, leading to a negative effect on the banking system foreign assets. Such a change came as a consequence of the foreign liabilities performance (non-residents' loans

Chart 14 Net foreign assets of the banking system (in millions of USD)



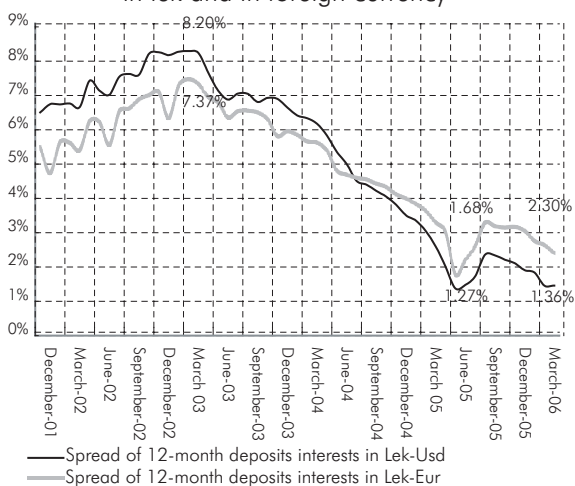
Source: Bank of Albania

Chart 15 Cumulative performance of budget deficit financing (in billions of Lek)



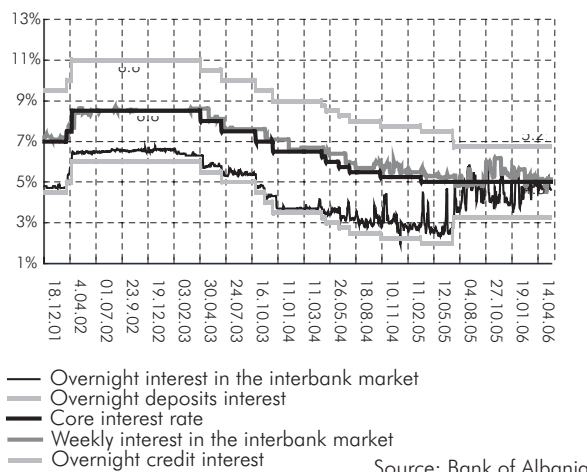
Source: Bank of Albania

Chart 16 Spread between deposits interests in lek and in foreign currency



Source: Bank of Albania

Chart 17 Interest in the interbank market and the Bank of Albania interest rates



Source: Bank of Albania

and deposits), which continued to grow over the month, having a negative effect on the net foreign reserve level.

#### GOVERNMENT DEMAND FOR MONEY

Fiscal accounts developments maintained the same tendency over April as in the preceding months of 2006. The Government has grown the positive fiscal balance to ALL 7.1 billion, decreasing its demand for money further. Domestic financing is estimated at negative values of ALL 3.1 billion, while Government deposit amounted to about ALL 4.0 billion.

Government two and three-year bonds continued to be issued over this month, for the amounts of ALL 0.5 and 1.5 billion, respectively. The level of issued Treasury bills in the market was smaller than the matured amount, providing a negative net effect of ALL 3.4 billion. In April, reverse repos organized by the Government grew by ALL 2.5 billion.

#### MONEY MARKET AND INTEREST RATES

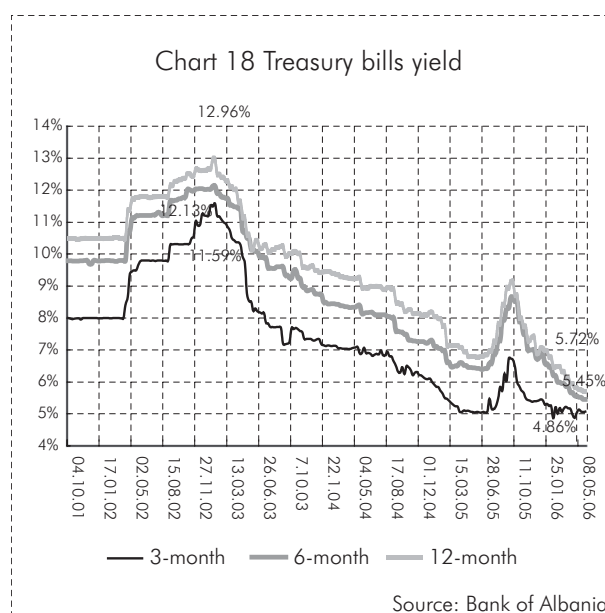
Over April-May 2006, the banking system has displayed the same liquidity conditions as in March. Excess liquidity has been in high levels<sup>7</sup>, leading to the further decrease of interest rates in lek. Changes in the core interest rate for the euro and the dollar have reduced the difference between deposits interests in lek and in foreign currency.

Interbank market was characterized by stable interest rates and the reduced spread between overnight and weekly credit cost.

Stability in the market conditions, the symmetrical spread of facilities provided by the Bank of Albania<sup>9</sup>, liquidity conditions in the system and the enhancement of competition in the banking system are among the main factors which have had an influence on such a performance. The possible demand growth for liquidity in the second semester may lead to the interest rates fluctuation in the interbank market.

With the exception of short-term instruments (in deposits and Treasury bills) and long-term credit (over 3 years), in all market segments was observed a decrease in the lek interest rates<sup>10</sup>. The excess Government account balance, excess liquidity conditions, constant inflation and stability in the financial market are several of the factors which have influenced positively on the downward trend of interest rates.

The decrease of credit in lek interests over April has reduced the difference between credit in lek and credit in foreign currency interest. However, considering credit risk, lek-foreign currency difference remains extremely higher in the case of credit, rather than in deposits. Interest shifts over April brought the narrowing of the difference between deposit and credit interests, both in lek and in foreign currency, marking a positive development for the markets stability.



	March 2006	April 2006
		Spread in lek
6-month	8.73 %	7.37 %
12-month	8.58 %	8.02 %
		Spread in usd
6-month	6.46 %	4.59 %
12-month	5.43 %	6.15 %
		Spread in euro
6-month	5.48 %	5.75 %
12-month	4.90 %	4.44 %

Table 6 Difference between credit and deposits interest rate in the banking system

Source: Bank of Albania

### EXCHANGE RATE

The appreciating tendency of the lek against the dollar was further deepened over May, while the lek displayed stable tendencies against the euro. The appreciation of lek/usd exchange rate reflected the developments in the international foreign exchange market. On the other hand, lek/euro exchange rate stability reflected the balance of reduced pressures from abroad and the increased pressures of the domestic market. In annual terms, lek has appreciated against both currencies, the dollar and the euro by 2.02 and 1.40 per cent, respectively. In nominal effective terms, lek has appreciated by 1.5 per cent, compared to the previous year. At the end

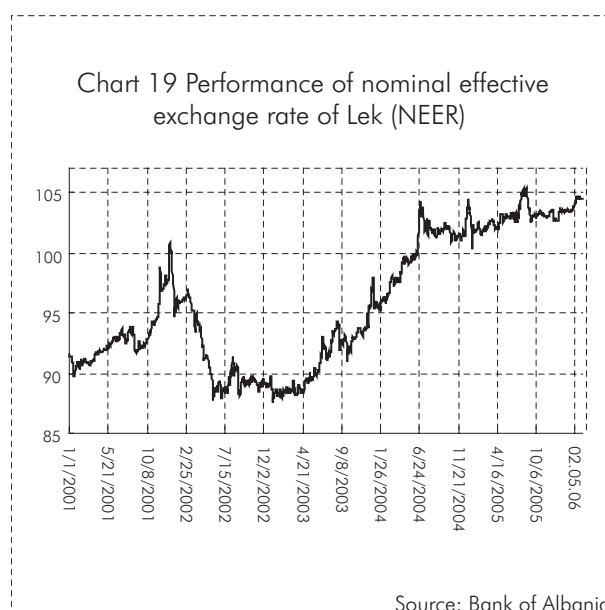
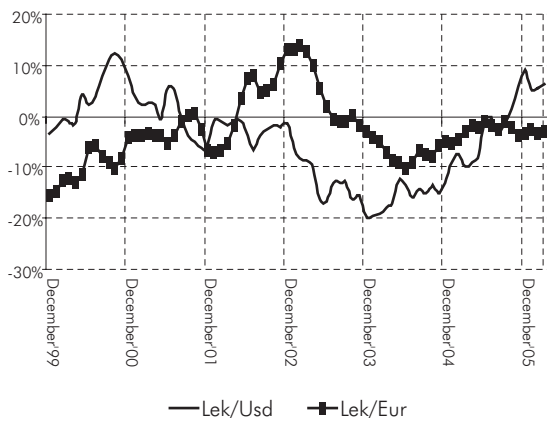


Chart 20 Average annual changes of lek exchange rate (- /appreciation)



Source: Bank of Albania

of May, the exchange rate marked 95.84 lek/ usd and 123.3 lek/euro.

## NOTES

<sup>1</sup> Source: ISTAT; webpage: <http://www.istat.it>

<sup>2</sup> Source: General Secretariat of National Statistical Service of Greece, webpage: <http://www.statistics.gr>

<sup>3</sup> Source: General Secretariat of National Statistical Service of Greece; webpage: <http://www.statistics.gr>

<sup>4</sup> Source: ISTAT; webpage: <http://www.istat.it>

<sup>5</sup> Operative data for May 2006.

<sup>6</sup> See Statistical Annex for further details.

<sup>7</sup> ALL 10 billion on average, for April-May 2006.

<sup>8</sup> The amounts displayed in the graph show the latest data in the interbank market, and distinguish several maximal values in this market.

<sup>9</sup> This spread was changed in July 2005, from assymetrical (+250/-300 percentage points) to symmetrical (+175/-175 percentage points).

<sup>10</sup> See the tables in the Statistical Annex.

## STATISTICAL ANNEX

Chart 1 Real sales indicator (in absolute value)

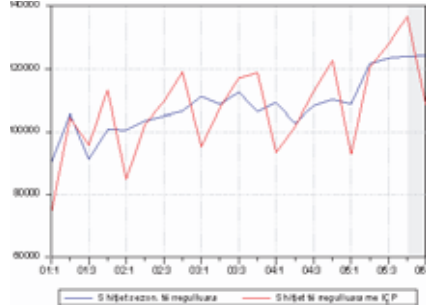


Chart 2 Annual inflation (in percentage)

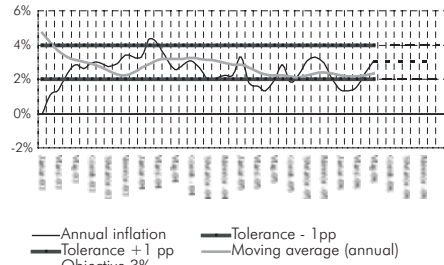


Chart 3 Contribution of main groups to annual inflation (in percentage points)

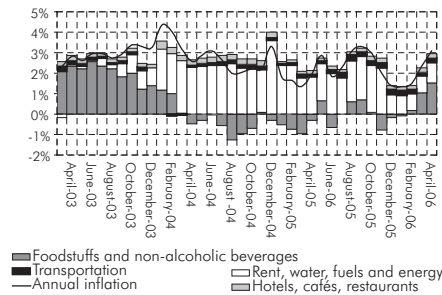


Chart 4 Cumulative and actual fiscal expenditures (in percentage)



Chart 5 Total and primary deficit (in percentage)

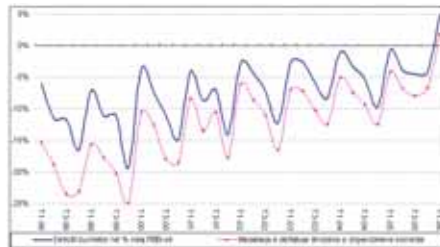


Chart 6 Current account and trade deficit as a percentage to GDP

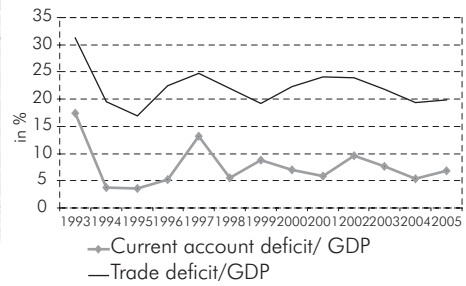


Chart 7 Annual growth of imports and exports (in percentage)

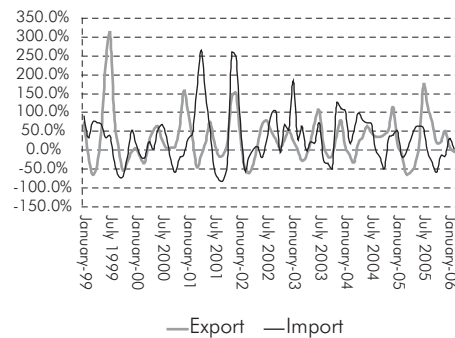
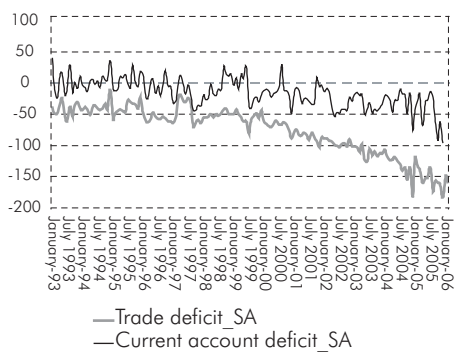


Chart 8 Monthly trade balance and current account (in billions of USD)



## 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	
July	5.6	4.2	3.0	3.1	1.8	
August	4.1	5.5	3.0	2.7	2.3	
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	1.9

Source: INSTAT

Table 2 Contribution of basket constituent groups to total inflation

	November 05	December 05	January 06	February 06	March 06	April 06	May 06
Foodstuffs and non-alcoholic beverages	0.09	-0.8	-0.16	-0.11	0.16	1.03	1.51
Rent, water, fuels, energy	2.30	2.26	0.94	0.93	0.85	0.84	1.00
Transportation	0.22	0.24	0.26	0.1	0.14	0.13	0.23
Hotels, café and restaurants	0.21	0.21	0.21	0.19	0.20	0.22	0.22
Other	0.13	0.15	0.14	0.10	0.11	0.12	0.10
Total	2.94	2.06	1.39	1.33	1.48	2.35	3.10

Source: INSTAT, Bank of Albania

## MONETARY AGGREGATES

Table 3 Performance of monetary indicators (in billions of ALL)

	April 06	Monthly change		Annual change	
	2005	Absolute	Percentage	Absolute	Percentage
Currency outside banks	138.2	0.9	0.7	7.6	5.8
Total deposits	445.9	2.8	0.6	50.5	12.8
- in lek	286.2	2.0	0.7	18.2	6.8
- in foreign currency	159.7	0.9	0.6	32.3	25.4
Demand deposits	131.7	1.1	0.8	43.3	49.0
- in Lek	80.8	0.7	0.9	38.7	92.0
- in foreign currency	50.9	0.4	0.8	4.6	9.9
Time deposits	314.2	1.7	0.6	7.2	2.3
- in Lek	205.4	1.3	0.6	-20.5	-9.1
- in foreign currency	108.8	0.5	0.4	27.7	34.2
M1	218.9	1.6	0.7	46.3	26.8
M2	424.3	2.9	0.7	25.8	6.5
M3	584.1	3.8	0.6	58.1	11.0
Monetary base	190.6	4.3	2.3	16.5	9.5

Source: Bank of Albania

Table 4 Performance of NFA indicators by main groups (in millions of USD)

	April 06	Monthly change	Annual change
Net foreign assets	2146.6	44.3	141.4
Foreign assets			
Bank of Albania	1,526.7	44.2	162.2
ODC	927.3	22.8	7.5
Foreign liabilities			
Bank of Albania	106	1.9	-7.6
ODC	201.4	24.1	35.9

Source: Bank of Albania

Table 5 Performance of Net Credit to Government indicators by main groups

	April 06	Monthly changes	Annual changes
Net claims on the Government	270.9	- 1.1	-8.4
Bank of Albania	53.1	-0.6	-3.2
ODC	217.8	-0.7	-5.2
Deposits with the Bank of Albania	5.3	- 1.3	0.4
Budget deficit	7.1	0.9	10.9

Source: Bank of Albania

Table 6 Outstanding credit indicators as a percentage to total

	2003	2004	Q-1 '05	Q-2 '05	Q-3 '05	Q-4 '05	Q1-06	April '06
Outstanding credit (in billions of ALL)	50.7	69.3	79.0	95.9	106.0	121.9	134.6	140.0
Short-term credit	46.0	34.0	34.1	33.7	31.6	32.8	31.9	32.1
Medium-term credit	33.3	36.0	34.5	33.1	31.2	30.3	30.3	29.7
Long-term credit	20.7	30.0	31.4	33.1	36.9	37.0	37.8	38.2
Credit to households	24.5	30.6	31.0	30.8	31.4	31.6	31.9	31.7
Credit to private sector	75.5	69.4	69.0	69.2	68.6	68.4	68.1	68.3
Lek	19.6	19.5	20.1	22.9	23.7	25.5	26.0	26.4
Foreign currency	80.4	80.5	79.9	77.1	76.3	74.5	74.0	73.6

Source: Bank of Albania

Table 7 Credit performance for the main branches of economy

	2002	2003	2004	Q1 '05	Q2 '05	Q3 '05	Q4 '05	Q1-06	April '06
Agriculture, Hunting and Silviculture	0.8	1	1.5	1.5	1.5	2.4	2.71	2.17	2.22
Processing industry	17	17	17.1	16.7	15.6	13.9	16.8	14.22	13.30
Construction	8.6	10	9.8	11.2	11.2	12.8	13.78	13.02	12.95
Trade, repairing of vehicles, and household equipment	0.4	34	23.3	20.6	19.1	20.0	15.9	18.99	19.76
Hotels and restaurants	6	6	8.3	5.2	4.7	4.4	13.02	4.78	4.81
Real estates	9.1	13	9.8	14.7	13.5	13.9	23.1	14.56	15.21
Other	18.1	19	30.2	30.1	34.3	32.6	33.2	32.27	31.75
Total	100	100	100	100	100	100	100	100	100

Source: Bank of Albania

Table 8 New credit indicators as a percentage to total

	Total 2004	Q1	Q2	Q3	2005 Q4	Q1 '06	April '06
New credit (in billions of ALL)	99.7	22.1	32.8	32.1	32.9	29.4	12.7
Short-term credit	62.54	53.2	47	47.4	48.7	44.2	43.4
Medium-term credit	22.53	22.4	31	30.3	25.6	30.1	27.9
Long-term credit	14.93	24.4	22	22.2	25.7	25.7	28.7
Credit in lek	32.59	30.1	32.8	30.2	31.4	27.7	34.2
Credit in foreign currency	67.41	70	67.2	69.8	68.6	72.3	66.0

Source: Bank of Albania



## FINANCIAL MARKETS

Table 9 Interest rates at the end of the month and their change compared to previous periods (in percentage points)

	May 06	Change May - April 06	Change May 06 - May 05
Core interest rate	5.00%	0.00	0.00
Interbank market			
Overnight interest	4.60%	-0.04	2.27
Weekly interest	5.20%	-0.03	-0.12
Primary market			
3-month Treasury bills yield	5.07%	0.20	0.03
6-month Treasury bills yield	5.45%	-0.12	-0.99
12-month Treasury bills yield	5.72%	-0.11	-1.07
Bonds market			
2-year bonds yield	6.30%	-0.20	-1.30

Source: Bank of Albania and commercial banks

Table 10 Interest rates and their change in Lek deposits and credit market (in percentage points)

	April 2006	Change April - March 06	Change April 06 - April 05
Core interest rate	5.00	0.00	0.00
Lek deposits interest			
3-month	3.30%	0.08	-0.26
6-month	3.95%	-0.01	0.00
12-month	4.60%	-0.20	-0.10
24-month	5.10%	-0.18	-0.12
Lek credit interest			
Up to 6-month credit	11.97%	-1.56	-1.53
6 month – 1 year credit	13.12%	-0.74	-0.57
1-3 years credit	16.52%	-0.74	-0.36
Over 3-year credit	12.78%	0.25	0.43

Source: Bank of Albania and commercial banks

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

	April 2006	Change April – March 06	Change April 06 – April 05
Fed-core interest rate	4.75%	0.00	+2.00
USD deposits interest			
1-month	2.46%	0.06	0.70
3-month	2.91%	0.09	0.87
6-month	3.34%	0.21	1.11
12-month	3.74%	-0.18	1.02
24-month	4.27%	-0.05	1.04
ECB-core interest rate	2.50%	+0.25	+0.50
EUR deposits interest			
1-month	2.13%	0.18	0.46
3-month	2.35%	0.02	0.63
6-month	2.63%	0.24	0.87
12-month	2.80%	0.06	0.78
24-month	3.37%	0.15	0.42

Source: Bank of Albania and commercial banks

Table 12 Spread of deposit – credit interest rate in Lek and foreign currency

Deposit interest spread:				
	Lek-Usd		Lek-Euro	
	April 05	April 06	April 05	April 06
3-month	1.9%	1.0% ↓	2.2%	1.6% ↓
6-month	2.5%	1.3% ↓	2.9%	2.0% ↓
12-month	2.5%	1.4% ↓	3.2%	2.3% ↓
Credit interest spread:				
	Lek-Usd		Lek-Euro	
	April 05	April 06	April 05	April 06
6-month	5.7%	4.0% ↓	5.6%	3.6% ↓
6-month – 1 year	5.0%	3.2% ↓	5.6%	5.9% ↑
1-3 years	8.8%	6.8% ↓	8.5%	8.3% ↓
Over 3 years	4.0%	2.7% ↓	4.3%	4.1% ↓

Source: Bank of Albania and commercial banks