

SCIENTIFIC NOVELTIES AT THE BANK OF ALBANIA

Contents:

- I. *Friday seminars*
- II. *Recently concluded research papers*
- III. *Research papers in progress*
- IV. *Articles*
- V. *Other Activities*

I. FRIDAY SEMINARS

Research papers presented in “Friday Seminar Series” addressed different issues regarding the impact of shocks on business cycles and the trend of economic growth, financial innovation, bidding behaviour in treasury auctions, and imported inflation and its impact on the headline inflation. In the following sections, you may find a detailed description of the presented materials.

“THE IMPACT OF NOMINAL SHOCKS ON BUSINESS CYCLES AND ON THE TREND OF ECONOMIC GROWTH”, BY BLENDAR HODA, RESEARCH DEPARTMENT, BANK OF ALBANIA

The volatility of output and the long-term trend in the income per capita have been recently the focus of policy decision-making worldwide. Identification of the role of nominal, monetary or interest rate shocks in smoothing business cycles has become an area that draws much interest. This study focuses on the impact of monetary or interest rates shocks on output and other indicators of national accounts,

as a means of stabilizing business cycles. The author aims to establish a system consisting in the consumption to output ratio and the investment to output ratio, as well as a function of money demand in a three-equation system. Monetary and real interest rates shocks are used as alternative potential factors explaining developments of the real sector. Findings identify the extent to which each nominal indicator is used to influence the latter.

“FINANCING INNOVATION AND INNOVATION IN FINANCE”, BY GRID THOMA, ASSISTANT PROFESSOR OF ECONOMICS AND MANAGEMENT AT THE UNIVERSITY OF CAMERINO, ITALY

This study analyses data obtained from the process of recording financial patents in Europe, whose number has increased in parallel with significant changes in the financial and payment systems. Drawing an analogy with nonfinancial patents, data are obtained from the European Patent Office (EPO) and the analysis

follows the behaviour of the market value of financial patents. Authors find that firms, which operate in non-financial sectors and have a diversified portfolio, own a large part of patents in EPO, while their evolution is similar to developments in the U.S patents market. The findings of the study provide valuable information for intellectual property managers on financial innovations and patents.

“BIDDING BEHAVIOR IN ALBANIAN TREASURY AUCTIONS”, BY ELISA PAZAJ, MONETARY OPERATIONS DEPARTMENT, BANK OF ALBANIA

This study aims to present empirical evidence on the response of investors to various developments in treasury auctions. Based on detailed data from submitted claims in auctions during January 2010 – December 2010, this study reveals that uncertainty in the market is associated with higher yields for treasury bills. Also, results show that bidding behaviour varies depending on the form of auction.

“APPLICABILITY OF INTERNATIONAL FINANCIAL REPORTING STANDARDS IN DEVELOPING COUNTRIES”, BY DR. DRITAN FINO, LECTURER AT UNIVERSITY “MARLIN BARLETI”, TIRANA, ALBANIA

This paper aims to analyse the applicability of international financial reporting standards in developing countries, and their role in the economic development of these countries. The paper describes the advantages and disadvantages of adopting such standards and, at the same

time, the challenges our accounting system is faced with. The author concludes that financial reports prepared on the basis of international standards provide more reliable information, which facilitates financial decision-making. Consequently, our country should benefit from their implementation, while considering the environment and the current stage of economic development. With the adoption of international standards in Albania reported financial information would be more comparable, transparent and accountable; however, this remains a difficult process, and depends heavily on the ability of national accounting authorities.

“IMPORTED INFLATION OF CONSUMER GOODS AND ITS CONTRIBUTION TO THE NATIONAL INFLATION”, BY LORENA SKUFI AND ENIAN ÇELA, RESEARCH DEPARTMENT, BANK OF ALBANIA

As a small open economy, Albania is thought to be exposed to foreign inflationary influences, which then have an impact on the country's headline inflation. This paper seeks to quantify imported inflation for a selected sample of consumer goods representing 60% of the Consumer Price Index (CPI) basket. Furthermore, it endeavours to decompose the headline inflation into domestic and foreign contributions, while applying accounting techniques for the period 2008- 2012. Results show that the contribution of imported inflation is marginal.

“HOW TO WRITE AND ASSESS AN ACADEMIC ARTICLE?” BY MARGERITA TOPALLI, RESEARCH DEPARTMENT, BANK OF ALBANIA

This paper discusses, in general terms, the process of scientific research for each

stage, and how to write a research paper. The focus of the presentation consisted in becoming familiar with procedures for publishing a paper, its publication and review process, which altogether might last from several months to about 2 or 3 years.

II. RECENTLY CONCLUDED RESEARCH PAPERS

“STATISTICAL ESTIMATIONS OF MACROECONOMIC INDICATORS ADDRESSING DENSITY VALUATION TECHNIQUES”, BY ALTIN TANKU AND KLITI CECA, RESEARCH DEPARTMENT, BANK OF ALBANIA

This paper aims to propose alternative models for the existing econometric models based on density valuation techniques. The main methodology introduced in this material is the method of modelling random variables (scalar and vector), which consists in estimating multidimensional densities. Empirical estimation is done based on the selection of several macroeconomic variables, such as: GDP, inflation, and monetary indicators, for some countries in the region. This estimation technique will serve to judge the performance of certain models used in modelling macroeconomic indicators.

“THE ADEQUACY LEVEL OF FOREIGN RESERVE HOLDINGS: A NEW APPROACH”, BY ELONA DUSHKU AND GERTI SHIJAKU, RESEARCH DEPARTMENT, BANK OF ALBANIA

This paper examines the adequacy level of foreign reserve holdings for a small

open economy, like Albania, based on the approach of an optimal model. Literature proposes three main approaches for determining its potential level, mainly based on the purpose of holding currency: insurance against shocks hitting the payments account; a source for smoothing consumption from unexpected shocks to credit and economic growth, and for mitigating the effects stemming from slowdown in economic growth; and domestic consumption during the balance of payments and banking crisis in a dollarized economy. This paper is based on the third approach. Some of the indicators considered in this study are: level of debt, capital account and sudden stops, and risk of large deposits withdrawals during crises. This new empirical approach provides an innovative way in determining the optimal level of foreign reserve holdings and serves as an upper boundary for its holdings.

“HOUSE PRICES IN ALBANIA: DEVIATIONS FROM THE EQUILIBRIUM?”, BY ENDRIT YZEIRAJ, RESEARCH DEPARTMENT, BANK OF ALBANIA

House price measurements assumed a pronounced importance after the 2008

global financial crisis. The rapid growth of house prices was seen as one of the main causes that led to and exacerbated the crisis. As a result, housing prices are seen as incredibly important for a country's economic and financial stability. The paper creates a "fundamental house price index" for Albania, derived using key macroeconomic indicators such as growth rates and interest rates. This new index, which theoretically represents the "fundamental price", is then compared with actual housing prices. Depending on the indicators used, the deviation of the fundamental price from the actual price varies. However, there is an appreciation after 2006, which begins to correct itself in 2012. The relationship between the actual and fundamental prices, nonetheless, is not very significant. The methodology consists of calibration methods and the Vector Error Correction Mechanism (VECM)

"IMPORTED INFLATION OF CONSUMER GOODS AND ITS CONTRIBUTION TO THE NATIONAL INFLATION", BY LORENA SKUFI AND ENIAN ÇELA, RESEARCH DEPARTMENT, BANK OF ALBANIA

As a small open economy, Albania is thought to be exposed to foreign inflationary influences. The increasing degree of trade openness and exchanges would support such claim with imported inflation producing an impact on headline inflation. This paper seeks to quantify imported inflation for a selected sample of consumer goods representing 60% of the CPI basket. Furthermore, it endeavours to decompose the headline inflation into domestic and foreign contributions on CPI basket by applying accounting techniques

for the period 2008-2012. Results reveal that the contribution of imported inflation is marginal.

"FINANCIAL EUROISATION IN ALBANIA", BY LINDITA VRIONI, RESEARCH DEPARTMENT, BANK OF ALBANIA

Despite the attention and measures for reducing the high Euroisation in Albania, it remains a concerning issue. Understanding monetary and non-monetary factors, which encourage greater use of the euro will be helpful to long-term solutions regarding euroisation. Determinants of euroisation are divided into factors that influence euroisation of deposits and those influencing euroisation of credit. Empirical findings do not explain the extent of deposits euroisation derived from monetary factors (interest rate spread, inflation, exchange rate, or remittances); however, credit euroisation is explained by the stock of deposits denominated in foreign currency.

"PAYMENT INSTRUMENTS AS PERCEIVED BY ALBANIAN CONSUMERS; "PROBIT MODEL" ESTIMATIONS ON A PUBLIC SURVEY", BY ALBAN PLLAHA AND KLITI CECA (RESEARCH DEPARTMENT) AND VALENTINA SEMI (PAYMENT SYSTEMS DEPARTMENT), BANK OF ALBANIA

The aim of this paper is to utilize data from "a public survey on the perceptions of Albanian consumers on payment instruments", to empirically evaluate which specific characteristics influence consumers in their decision-making process regarding the use of these payment instruments. The study uses a binary

choice model (Probit Model) to identify the variables (demographic characteristics of the consumers) influencing the selection of specific payment instruments. Empirical results suggest that socio-demographic characteristics such as: education, income level and age influence consumers' choices of payment instruments.

“FOREIGN CURRENCY LENDING IN ALBANIA”, BY GERTI SHIJAKU, RESEARCH DEPARTMENT, BANK OF ALBANIA

The increase in foreign currency lending in many countries of Central and South Eastern Europe (CESEE) has resulted in a surge of research on this area. Similar to other countries of CESEE, in Albania it is highly important to study the main determinants of the behaviour of foreign currency, given that 65% of total loans to private sector are denominated in foreign currency. This material employs the Autoregressive Distributed Lag model, including indicators of both demand and supply side, such as: interest rate differential, foreign currency

deposits, and volatility of inflation and exchange rate.

“FINANCIAL LITERACY IN ALBANIA: SURVEY RESULTS FOR MEASURING FINANCIAL LITERACY OF THE POPULATION, 2011”, BY KLITI CECA AND BORANA HAXHIMUSAJ (RESEARCH DEPARTMENT), ARLINDA KOLENIÇO AND EGNIS ISAKU (GOVERNOR’S OFFICE), BANK OF ALBANIA.

In the framework of creating and adapting educational programmes, identifying shortcomings and finding the right ways for the most efficient approach towards the public's real needs are pivotal. This study presents summarized results obtained from a survey on the financial literacy of the population, in July 2011. The results of this survey provide information on financial inclusion of households, their financial knowledge and behaviour, as well as their financial attitudes regarding different aspects of managing personal or household financial matters.

III. RESEARCH PAPERS IN PROGRESS

“IMPACT OF ECONOMIC TRANSITION ON ENTERPRISES IN CENTRAL AND EASTERN EUROPE”, BY MARGERITA TOPALLI, RESEARCH DEPARTMENT, BANK OF ALBANIA

This paper is part of a long-term project, which aims to study in depth the economic transition in Central and Eastern Europe. The first phase of the

project aims to highlight potential areas, which exist in today's literature, in order to provide a more complete analysis of this phenomenon. Literature is evaluated using quantitative methodology, the co-word analysis, which identifies possible areas for further deepening of the main research question.

“CONDITIONAL DENSITY ESTIMATES, A GENERALIZATION OF CONDITIONALITY. APPLICATION ON ECONOMIC DATA”, BY ALTIN TANKU AND KLITI CECA, RESEARCH DEPARTMENT, BANK OF ALBANIA

In the framework of density estimates, this paper aims to generalize the concept of conditionality on the density estimates for multidimensional densities. Authors are expected to estimate general forms of the generalized conditional density estimates in one and multi-dimensional space for several kernels. This way of modelling of random vectors will enable users of such methodology to realize shocks to these densities under one and multi-dimensional conditions, according to several variables. Empirical estimates will also be included in the material.

“ESTIMATING THE POTENTIAL OF FOREIGN DIRECT INVESTMENT IN THE REGION OF SOUTHEASTERN EUROPE”, BY ARLIND RAMA, RESEARCH DEPARTMENT, BANK OF ALBANIA

This paper aims to offer an estimation of the potential of foreign direct investment in the economies of South Eastern Europe (SEE), while taking in consideration the impact of economic policies as determinants. After comparing the economic policies applied by the SEE countries, the concept of the “potential” of foreign direct investment (FDI) is evaluated as an expected value of FDI stock in each of the economies in focus, following the principle of “best practice” in the region. The panel data analysis is based on annual data for a ten-year period, 2002-2012, and includes eight countries of this region.

“CHALLENGES IN IMPLEMENTING BASEL II”, BY LINDITA VRIONI, RESEARCH DEPARTMENT, BANK OF ALBANIA

On 31 December 2014, the new regulation on capital adequacy ratio comes into effect, supporting thus changes based on the risk sensitivity. This paper addresses the challenges of implementing this new standard. Taking into account the constraints and structure of the Albanian market, the author analyses banks’ obligation to support capital requirements on credit risk assessments by External Credit Assessment Institutions (ECAI). The analysis aims to verify whether the new standard of calculating capital could be an effective instrument in the hands of banks’ supervision to signal an increase of risky assets by banks.

“MEASURING UNCERTAINTY IN ALBANIA’S ECONOMY”, BY ENDRIT YZEIRAJ, RESEARCH DEPARTMENT, BANK OF ALBANIA

An economic crisis causes uncertainty regarding future developments for economic agents. Increased uncertainty exacerbates an existing crisis, causing a slowdown in consumption and investment, as well as increased savings throughout the relevant period. These effects lead to a collapse of aggregate demand in the economy. This paper aims at the measuring empirically the uncertainty in the Albanian economy as a result of the economic growth slowdown. For this purpose, different definitions of uncertainty suggested by the literature will be used but mainly they will be based on surveys of various market agents. Bank of Albania and

INSTAT conduct similar surveys for the Albanian economy. These indices may be combined into a single one through principal component analysis, where VAR methods will be used to assess the relationship between uncertainty and other key macroeconomic indicators.

“THE “J-CURVE EFFECT IN SECTORAL TRADE. THE IMPACT OF CURRENCY DEPRECIATION ON SECTORAL TRADE BALANCES”, BY ALBAN PLLAHA, RESEARCH DEPARTMENT, BANK OF ALBANIA

This study aims to identify the existence of the “J – curve phenomenon” in Albania’s foreign trade in sectorial terms. This material utilizes quarterly data from different trade sectors, to empirically evaluate the short and long-run effects of real exchange rates on sectorial trade balances. The study applies the error correction model (ECM) in evaluating trade balances. Estimation results are expected to outline specific sectors of the Albanian economy that might have competitive advantages in the foreign trade sector.

IV. ARTICLES

This section presents a brief review of several articles or papers published by the Bank of Albania and other central banks and/or institutions, to give a better view on scientific research published during July-December 2013.

“ANALYSING LENDING ACTIVITY OF MICROFINANCE INSTITUTIONS IN THE ALBANIAN ECONOMY”, BY ARLIND RAMA, RESEARCH DEPARTMENT, BANK OF ALBANIA

This article tends to describe and interpret the behaviour of microfinance institutions (MFIs) lending activity according to the statistical data reported by them to the Credit Registry from the fourth quarter of 2010 until first quarter of 2013, in order to give a better understanding of the microfinance tendencies in the Albanian economy. To analyze the lending nature of MFIs, data are analysed taking the amount of ALL 1.5 million as a splitting level. The classification of disbursed credits above

and below this level provides a clear overview of main features of the MFIs lending activity. According to data, in a specific period, MFIs serve as smoothing mechanisms for imbalances between the banking and non-banking lending. In order for the microfinance to continue being considered as a contributing instrument to economic development, it is important to establish a new balance between social development and the purely commercial approach adopted by microfinance institutions.

“BANKING CRISES AND THE ROLE OF BANK COALITIONS”, BY DANIEL R. SANCHES, FEDERAL RESERVE BANK

The goal of this paper is to provide a framework to analyze the effectiveness of bank coalition formation in response to an external aggregate shock that may cause disruption to the payment mechanism and real economic activity. The study shows that the kind of insurance

mechanism provided by a specific type of bank coalition allows the society to completely prevent any disruption to real activity that can be caused by a temporary drop in the value of banking assets, at least in the case of a shock that is not too big. If the shock is relatively large, then a private bank coalition will be unable to completely prevent a disruption in real activity even though it will be able to substantially mitigate the effects on equilibrium quantities and prices. Thus, the existence of a private bank coalition, of the kind described in this paper, can be an effective means of preventing significant disruptions in trading activity.

<http://www.philadelphiafed.org/research-and-data/publications/working-papers/2013/wp13-28.pdf>

“THE EFFECTIVENESS OF THE NON-STANDARD POLICY MEASURES DURING THE FINANCIAL CRISES: THE EXPERIENCES OF THE FEDERAL RESERVE AND THE EUROPEAN CENTRAL BANK”, BY SETH B. CARPENTER, SELVA DEMIRALP, JENS EISENSCHMIDT, FEDERAL RESERVE BANK

The purpose of this paper is to measure the effects of non-standard policy on bank funding markets by looking at the effects of bank funding market stress on the volume of bank lending, using a simultaneous equation approach. By separately modeling loan supply and demand, authors determine how non-standard central bank measures affect bank lending by reducing stress in bank funding markets. Authors focus on the Federal Reserve and the European Central Bank. Results of the study suggest

that non-standard policy measures lowered bank funding volatility, which, in turn, increased loan supply in both regions, contributing to sustain lending activity. This study considers this as strong evidence for a “bank liquidity risk channel”, operative in crisis environments, which complements the usual channels of transmission of the monetary policy.

<http://www.federalreserve.gov/pubs/feds/2013/201334/201334abs.html>

“RISKS TO PRICE STABILITY, THE ZERO LOWER BOUND AND FORWARD GUIDANCE: A REAL TIME ASSESSMENT”, BY GÜNTER COENEN AND ANDERS WARNE, FEDERAL RESERVE BANK

This paper employs stochastic simulations of the New Area-Wide Model—a microfounded open-economy model developed at the ECB—to investigate the consequences of the zero lower bound on nominal interest rates for the evolution of risks to price stability in the euro area during the recent financial crisis. Using a formal measure of the balance of risks, which is derived from policy-makers’ preferences about inflation outcomes, the study first shows that downside risks to price stability were considerably greater than upside risks during the first half of 2009, followed by a gradual rebalancing of these risks until mid-2011 and a renewed deterioration thereafter. The study finds that the lower bound has induced a noticeable downward bias in the risk balance throughout our evaluation period because of the implied amplification of deflation risks. Authors then illustrate that, with nominal interest rates close to

zero, forward guidance in the form of a time-based conditional commitment to keep interest rates low for longer can be successful in mitigating downside risks to price stability. However, they find that the provision of time-based forward

guidance may give rise to upside risks over the medium term if extended too far into the future.

<http://www.ecb.europa.eu/pub/pdf/scpwps/ecbwp1582.pdf>

V. OTHER ACTIVITIES

CONFERENCE: "SETTING UP THE MONETARY POLICY FRAMEWORK: WHAT ROLE FOR FINANCIAL SECTOR CONSIDERATIONS?", 17-18 OCTOBER 2013, GENEVA

During the proceedings of the conference on "Setting up the Monetary Policy Framework: What role for Financial Sector Considerations?", held in Geneva on 18 October 2013, Mr. Ardian Fullani, Governor of the Bank of Albania and Ms. Beatrice Maser, Ambassador, Head of Economic Cooperation and Development at the SECO signed a bilateral agreement between the Bank of Albania and the Swiss State Secretariat for Economic Affairs (SECO).

At this conference, Governor Fullani gave his contribution as a speaker at the third panel: "Facing the crisis and unusual times", introducing policies followed by the bank after the recent financial crisis, the challenges and the role that central banks should undertake while taking into account specifications, features and the degree of our country's integration in the global economy. Some of Bank of Albania's experts presented research studies during the conference.

- "The role of money as an important pillar for monetary policy: The case of Albania ", by Gert Shijaku , Bank of Albania
- "The role of exchange rate in international trade models: Does M-L condition stand for Albania? ", by Bledar Hoda, Bank of Albania
- "Empirical investigation of forecast uncertainty with Monte Carlo simulation" by Altin Tanku, Elona Dushku and Kliti Ceca, Bank of Albania
- "Constructing a composite leading indicator for Albania", by Ermelinda Kristo and Delina Ibrahimaj, Bank of Albania
- "A Bayesian estimation of a small structural model for the Albanian economy", by Elona Dushku and Vasilika Kota, Bank of Albania
- "A financial systemic stress index for Albania", by Vasilika Kota and Arisa Saqe, Bank of Albania.

THE SEVENTH REGIONAL WORKSHOP: "ECONOMIC RESEARCH IN SOUTHEASTERN EUROPE", 4-5 DECEMBER 2013, TIRANA

For the seventh consecutive year, the Research Department organised on 4-5 December 2013 the seventh regional workshop, "Economic Research in South-Eastern Europe". Some of the addressed themes in this workshop related to actual financial issues and developments in the banking sector, macroeconomic indicators, fiscal developments, the role of policy decision-making, modelling and forecasting prices, exchange rates and other indicators, public surveys and other recent economic developments in Albania and in the region.

In the workshop, 35 researchers presented and discussed their studies from the Bank of Albania and central banks of the South Eastern Europe and beyond, such as: the Bank of Italy, (Austrian) Oesterreichische Nationalbank, (Hungarian) Magyar Nemzeti Bank, the National Bank of Poland, and the Central Bank of the Republic of Turkey. This workshop strengthened the cooperation between researchers and served to exchange knowledge on the region and country-specific developments.

Following is a list of the papers presented in this workshop:

- "Debt financing and firm performance before and during the crisis: microfinancial evidence from Slovenia" (Mateja Gabrijelčič – Bank of Slovenia).
- "Estimating the probability of stress

scenarios (Dániel Holló and György Kocsis – Magyar Nemzeti Bank and Central Budapest University of Technology and Economics).

- "Foreign currency borrowing and knowledge about exchange rate risk" (Elisabeth Beckmann and Helmut Stix – Oesterreichische Nationalbank).
- "Macroprudential policies as buffer against volatile cross-border capital flows" (Salih Fendoğlu – Central Bank of the Republic of Turkey).
- "Explaining interest rate decisions when the MPC members believe in different stories" (Carl Andreas Claussen and Øistein Røisland – Sveriges Riksbank, Norges Bank).
- "Fiscal gimmickry in Europe. An extended study" (Eglent Kika, Nicolas Fernandez, Pierpaolo Perna, and Ben Sacks – Bank of Albania, Valdani Vicari & Associati, London School of Economics).
- "Where are we now? Estimates of private consumption and investment in Albania" (Ilir Vika and Esida Abazaj – Bank of Albania).
- "Risky health behaviors and medical expenditures: the role of policy" (Osman Furkan Abbasoğlu – Istanbul School of Central Banking, Central Bank of the Republic of Turkey).
- "A non-linear model for Albanian Lek forecasting" (Jonida Bollano – Bank of Albania).
- "Housing prices in Albania, deviations from the equilibrium" (Endrit Yzeiraj – Bank of Albania).
- "An evolutionary perspective of shock analysis using density estimate models of economic variables" (Altin Tanku and Kliti Ceca – Bank of Albania).

- "Using computer models in estimating probability densities" (Denis Saatçi– Faculty of Natural Sciences, University of Tirana).
- "The adequacy level of foreign reserve holdings: a new approach" (Elona Dushku and Gerti Shijaku – Bank of Albania).
- "Imported inflation of consumer goods and its contribution to the national inflation" (Lorena Skufi, and Enian Çela – Bank of Albania).
- "Loss Aversion versus liquidity constraints: Evidence from the Central and Eastern European Countries" (Ramiz Rahmanov – Central Bank of Azerbaijan).
- "Payment instruments as perceived by Albanian consumers: Probit model on estimations of a public survey" (Kliti Ceca, Alban Pllaha, and Valentina Semi – Bank of Albania).
- "Financial literacy in Albania: Survey results on measuring the financial literacy of the population, 2011" (Arlinda Koleniço, Egnis Isaku, Kliti Ceca, and Borana Haxhimusaj – Bank of Albania).
- "Euroization of the Albanian economy: Reflecting more than reacting", (Lindita Vrioni – Bank of Albania).
- "Determinants of financial euroization in Albania" (Olta Manjani – Bank of Albania).
- "Assessment of banks' lending determinants in CESEE countries" (Erjona Suljoti and Sofika Note – Bank of Albania).
- "Foreign currency lending in Albania" (Gerti Shijaku – Bank of Albania).
- "Evaluating risk taking of banks in

Albania" (Vasilika Kota – Bank of Albania).

- "Bidding behavior in Albanian treasury auctions" (Elisa Pazaj – Bank of Albania).

Each paper was followed by the discussion of colleagues or foreign guests who presented the main findings of the paper, its contribution, while providing comments and suggestions for further research or improvement.

THE GOVERNOR'S AWARD FOR THE BEST DIPLOMA THESIS FOR THE YEAR 2013

For the seventh consecutive year, the Bank of Albania organized the "The Governor's Award for the Best Diploma Thesis for the year 2013". This award encourages Albanian students, graduated in 2013 either in Albania or abroad, to participate with their research work. Further, it establishes a supporting structure for young, willing, and knowledgeable Albanian researchers.

The winners for the best diploma thesis, for this year, are:

Ms. Eda Dokle, the first prize winner, a graduate from Charles University in the Czech Republic for her masters' dissertation: "Inflation targeting in dollarized economies". The dissertation addresses the performance of some countries in Western and Central Europe, including Albania, before and after the adoption of the inflation targeting regime, while considering the level of dollarization in these economies. Empirical estimates regarding the impact of this regime on inflation and its volatility and output

show that such regime provides benefits in terms of inflation, but not in terms of economic growth costs.

Mr. Minella Kalluci, the second prize winner from the University of Bocconi in Italy for his diploma thesis: "The main critiques of the credit rating agencies and determinants of sovereign debt rating: Evidence from the Euro Area". The thesis describes the role of credit rating agencies, such as: Standard&Poor's (S&P) and Moody's, and their evaluation method of debt in various countries. The author concludes that there are many other social or political indicators affecting the rating of companies (or countries) in addition to those taken into consideration when determining such rating. Debate over the credibility and dependence of these institutions will continue in absence of a detailed regulatory structure.

Mr. Ergi Take, third prize winner from the University of Tirana, with his diploma thesis: "Validity of Okun's Law in the Albanian economy (1980-2012)". The thesis examines the relationship between unemployment and economic growth in Albania based on the identification of Okun's law for the case of Albania, using a model of difference and gap over the period 1980- 2012. The results show a long and short-term relationship between economic growth and unemployment in the case of Albania, which is statistically significant. The author concludes that policymakers should take into consideration those policies that boost employment and further economic growth.

TECHNICAL SEMINARS

In the framework of the Medium-Term Development Strategy of Research in the Bank of Albania, the Research Department organizes a series of technical or informative seminars on various issues, events or phenomena of high interest. The following provides a summary of seminars during July-December 2013.

- i. "The impact of nominal shocks on economic fluctuations", by Bledar Hoda

The purpose of this material is to identify the impact of nominal shocks on the volatility of output in the case of Albania. Based on a three-equation model, in addition to productivity shocks, the author examined shocks to interest rates and money, as alternative potential explanatories for the movement of real indicators in the economy. The methodology employed Vector Error Correction Mechanism (VECM).

- i. "Foreign currency lending in Albania" by Gerti Shijaku

This seminar provided preliminary results regarding the long and short-term effects of foreign currency lending in Albania. The methodology of this study is the Autoregressive Distributed Lag, which uses as explanatory variables of foreign currency loans, the factors of demand and supply, such as: the difference in interest rates, inflation, volatility of exchange rate, foreign currency deposits, and the minimum variance portfolio (MVP).

MEMBERSHIP OF THE BANK OF ALBANIA IN THE CENTRAL BANK LIBRARIANS GROUP (CBLG)

In October 2013, the library of the Bank of Albania became a member of the Central Bank Librarians Group (CBLG). This membership enables the exchange of electronic materials and scientific works between Bank of Albania and other central banks' libraries as well as to improve and increase access to these materials. Currently, the CBLG has 155 libraries from 57 various countries.

INVITATION FOR PARTICIPATION IN THE FRIDAY SEMINARS SERIES

The Research Department resumes the "Friday Seminar Series" for 2014.

We invite all researchers and scholars within and outside the Bank of Albania to participate in this activity by introducing and discussing their empirical and/or theoretical studies. Participants have the opportunity to benefit from the exchange of comments on their topic, thereby improving their research, both within and outside the Bank of Albania.

All researchers, who are interested to participate in the "Friday Seminar Series", are kindly requested to email Ms. Borana Haxhimusaj, Project Coordinator, at the Institute of Economic and Banking Studies, at: bhaxhimusaj@bankofalbania.org

LINKS:

Banca d'Italia (<http://www.bancaditalia.it/studiricerche>)

Banco de Espana (<http://www.bde.es/informes/be/docs/docse.htm>)

Bank of England (<http://www.bankofengland.co.uk/publications/workingpapers/index.htm>)

Bank of Finland (http://www.bof.fi/en/julkaisut/bofit_julkaisut/index.htm)

Bank of Greece (<http://eng.bankofgreece.gr/en/publications/research.asp>)

Czech National Bank (<http://www.cnb.cz/en/research/>)

Deutsche Bundesbank (http://www.bundesbank.de/vfz/vfz_diskussionspapiere_2009.en.php)

European Central Bank (<http://www.ecb.int/home/html/researcher.en.html>)

Oesterreichische Nationalbank (http://www.oenb.at/en/presse_pub/research/research.jsp)

Federal Reserve (<http://www.federalreserve.gov/econresdata/default.htm>)

BIS Central Bank Research Hub (<http://www.bis.org/cbhub/index.htm>)

International Journal of Central Banking (<http://www.ijcb.org/>)

National Bureau of Economic Research (<http://www.nber.org/>)

International Monetary Fund (<http://www.imf.org/external/pubind.htm>)

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