I. FRIDAY SEMINAR

During January - June 2016, the papers presented at the Series of Friday Seminar focused on:

“Potential output and growth; output and unemployment gaps in case of Albania – comparative analysis of recent estimations” by Evelina Çeliku, Enian Çela, Iris Metani, Monetary Policy Department and Endrit Yzeiraj, Research Department

This seminar presented the results from a group of studies that had been conducted at the Bank of Albania on the issue of potential GDP. The studies involved different methodologies, starting from the more basic statistical approaches like HP filter to more structural estimations. The aim of the seminar was to compare the values and behaviour of potential output generated from various methods, and thus the output gap as well.

“Does primary sovereignty risk matter for bank stability? Evidence from Albanian banking system” by Gerti Shijaku, Research Department

The purpose of the paper is to assess the effects of primary sovereignty risk on banks’ fragility, in Albania. The assessments conducted through the General Method of Moments (GMM) sustains the view that the primary sovereignty risk does not affect the stability of banks. In addition, the findings show that the improvement of macroeconomic and financial conditions constitute the most important external factors. At the same time, financial leverage and operational efficiency are among the specific factors of banks that mostly affect the stability.
II. RECENTLY CONCLUDED RESEARCH PAPERS

“Mapping the evolution of the impact of economic transition on Central and Eastern European enterprises: A co-word analysis” by Margerita Topalli, Research Department and Silvester IVANAJ, Associate Professor of Information Systems at ICN Business School, France


This paper uses the metric-scientific technique of “Co-Word Analysis”, to build a rational map of economic transition impact on the enterprises in the Central and Eastern Europe during the period 1989-2013. Also, the paper provides an identification of main fields on future researches. The employed quantitative method CWA, which provides the broad review of the literature, made available the selection of 2,053 relevant documents and the withdrawal of the main concepts discussed in these documents. The paper contributes in the economic transition literature, providing an intellectual structure of this research field by considering the available scientific data set. This framework describes the main factors that affect enterprises during the transition process, the relationships between these factors, and their evolution in years.

“Does primary sovereignty risk matter for bank stability? Evidence from Albanian banking system” by Gerti Shijaku, Research Department

The article introduces a new methodology for calculating a risk index to the Albanian banking system, which is based on the accounting balance data from banks and reflects the situation of banks in individual aspect. The purpose of this article is to empirically assess the internal and external factors related to the banking stability, in particular if the primary sovereign risk affects the banking stability. The results confirm the view that the primary sovereign risk does not affect the stability of banks. In addition, the findings show that the improvement of macroeconomic and financial conditions constitute the most important external factors. At the same time, financial leverage and operational efficiency are among the specific factors of banks that mostly affect the stability.

“Reassessment of the Macro Econometric Assessment Model (MEAM) of the Albanian Economy”, by Ilir Vika, Lorena Skufi, Enian Çela, Esida Abazaj (Research Department)

This paper presents the reassessment of MEAM macro model, by mainly using quarterly data for the years 1996-2012. The old fashioning of the parameters being assessed/calibrated in the previous version with data for the pre-crisis period, and the new release of statistical data by INSTAT with considerable reviews of the national accounts and of other series were some of the reasons that drove to the need to re-test the resilience of the model. In any case, the revaluation of MEAM model maintains a similar structure to the previous version with some slight interventions aiming at the improvement of the model. The changes consist in: the replacement of time series with better proxies; methodological changes related to the construction of substantial series such as the potential product; or the inclusion of a new channel in the model, that was previously assessed outside.
its structure. For the moment, the model mostly appears usable for the purposes of simulations and analyses to measure the effects of various indicators in economy, albeit it may contribute in the preparation of short and medium-term projections, in addition to the other instruments and methods already employed at the central bank.

III. RESEARCH PAPERS IN PROGRESS

“Assessment of forecasting performance: Gap Model in Yada”, by Meri Papavangjeli and Arlind Rama, Research Department

The purpose of this paper is to assess the predicting ability of GAP structural model by using the YADA platform. The preliminary assessment of conditioned and unconditioned forecast on inflation, economic growth, exchange rate and the interest rate are received to test the performance of the model. Assessments have taken place at different time intervals to understand how the availability of data may affect the accurateness of forecasts.

“Concentration of banking activity, the impact on the economic growth”, by Endrit Yzeiraj, Research Department

This paper is in line with the assessments of the effects of the financial system development on the economic growth. Once, it is estimated priorly that the system growth, measured according to the aggregate indicators, has started to reflect the signs of a weak relationship with the economic growth, it is aimed to assess the effect of qualitative elements, and not the quantitative elements. The most important in literature is the concentration of lending activity and vice versa, its ability to be allocated in all levels of the society.

“Credit crunch and the new regulation on capital adequacy”, by Lindita Vrioni, Research Department

Bank of Albania has paid, in its reports and analyses, attention to the slowdown of crediting and the possible factors affecting crediting performance in the Albanian banking system. This study is based on Berger and Uedell theory, according to which credit supply is assumed to respond to the risk factors of time lags. The study investigates the possible impact of the new regulatory framework on capital adequacy on credit supply of banks, by using the data set of banks before and after the publication date of Basel II implementation. The international empirical theory connects the slowdown of crediting to the need to inject capital for the purposes of regulatory pressures and this paper aims at finding out if such connection should be considered in case of banks in Albania.

“Parameterise while assessing densities – an application for the economic variables”, by Altin Tanku and Kliti Ceca, Research Department

The purpose of the paper is to provide parameterising ways in the established models based on the estimated densities. It provides
a generalised definition of parameterise concept. It is also studied the literature on parameterise of stochastic models, and there are determined the potential scenarios on the parameterise methodology to be followed in the paper. In concrete terms, the authors present concrete optimisation techniques in functional spaces. 5-dimensional densities are assessed, based on two macroeconomic data bases (one for the Albanian economy and one for the American economy). It remains to realise the application of selected scenarios to generate the matrix of parameters and the description of the connections of economic indicators that derives from them.

IV. ARTICLES

This section briefly summarizes some articles and papers to be published in the half yearly publication of the Bank of Albania: “Economic Review” January-June 2016. This section provides a better view on research and scientific topics published during this period by other central banks.

http://www.bankofalbania.org/web/Economic_Review_7469_2.php?kc=0,22,32,1,0.php

“Stability index of Albanian banks: Vulnerability against methodological changes”, by Gerti Shijaku, Research Department

The purpose of this paper is to assess a new index on the stability of banks that conduct their activity in Albania, based on the individual data of banks’ balance sheet and financial statements. The index results show the developments in banking sector before and after the global financial crisis, grouped by level of banks’ capital, assets quality, profit, liquidity and vulnerability to market risks. The analysis of vulnerability of methodological changes in measuring and analysing the index, shows that: there are no crucial differences among the methods.

“The Development of the Financial System and the Impact on Growth in Albania” by Endrit Yzeiraj, Research Department

This paper examines the correlation between growth and finance in the Albanian context post-crisis. Before 2008, there was a consensus in literature that the growth and development of financial sector was a positive contributor to the economic growth, in particular in emerging countries. The new data after the financial crisis and the following economic slowdown suggest that this relationship, albeit still present, has been weaken.

WORKING PAPERS BY OTHER CENTRAL BANKS


The impact of bank shocks on the real
economy has increasingly gained in importance since the 2008 international financial crisis and the subsequent sovereign debt and banking crises, in particular after fall in investments and the backdrop of low bank lending. The authors use a rich dataset of matched bank-firm loans in the Portuguese economy for the period 2005 to 2013, show that credit supply shocks have had a strong impact on firm-level investments in Portugal. Firms with access to alternative financing sources are found to be generally less vulnerable to the adverse effect of bank shocks on investment and partially manage to offset their shortfall of bank credit by increasing their financing from other sources. Larger firms appear to be in a better position to cope with the unfavourable effects of bank shocks mainly since their banks do not curtail their credit supply as much as for small firms. 


"Bond risk premia, macroeconomic factors and financial crisis in the euro area ", by Juan Angel Garcia and Sebastian E.V. Werner, European Central Bank

This paper investigates the power of macroeconomic factors to explain euro area bond risk premia using a large dataset. The authors find that macroeconomic factors, in particular economic activity and sentiment indicators, explain 40% of the variability of risk premia before the crisis, and up to 55% during the financial crisis, and both for core countries (from 40% to 60%) and periphery countries (from 35% to 44%). Moreover, macroeconomic factor models clearly outperform financial indicators like the CP-factor and credit default swap (CDS) premia, even in periods of significant market turbulence. 


"Financial Inclusion—What’s it Worth?", by Michael Ampudia and Mirchael Ehrmann, Bank of Canada

The paper studies the determinants of being unbanked in the euro area and the United States as well as the effects of being unbanked on wealth accumulation. Based on household-level data from The Eurosystem Household Finance and Consumption Survey and the U.S. Survey of Consumer Finances, it first documents that there are, respectively, 3.6 per cent and 7.5 per cent of unbanked households in the two economies. Low-income households, unemployed households and those with a poor education are the most likely to be affected. The authors found that banked households report substantially higher net wealth than their unbanked counterparts, with a gap of around €74,000 for the euro area and $42,000 for the United States. A potential reason for this wealth difference is that banked households are considerably more likely to accumulate wealth through ownership of their principal residence. 

http://www.bankofcanada.ca/2016/07/staff-working-paper-2016-30/
TECHNICAL SEMINARS

In the framework of the Medium-Term Development of Strategy of Research at the Bank of Albania, the Research Department organizes internal technical seminars and/or informative workshops on issues and various phenomena of interest. Below is a summary of workshops conducted during January-June 2016.

“Matlab and Iris for modeling purposes” by Arlind Rama and Meri Papavangjeli, Research Department

This technical seminar aimed to introduce the basic concepts of Matlab and IRIS, which are necessary in the field of macroeconomic modeling. During the seminar, the attention was focused on the commands that enable data entry, graphical representation of the series and their transformations such as: seasonal adjustment, filtration through Hodrick-Prescott filter, and creating scripts to execute the above-mentioned actions.

“Presentation of the evaluation on the GAP Model performance, designed to analyse the Albanian economy” by Arlind Rama, Meri Papavangjeli, Research Department

As part of improvement process of GAP model, the division of Economic Modeling held a seminar on the assessment process of the GAP model forecasting ability, by employing YADA platform. The seminar presented the results of the preliminary work and aimed at taking the comments and suggestions on the assessments of the conditioned and unconditioned forecast for inflation, economic growth, exchange rate and the interest rate. Assessments have taken place at different time intervals to understand how the availability of data may affect the accurateness of forecasts.

BILATERAL ASSISTANCE AND CAPACITY BUILDING FOR CENTRAL BANKS PROGRAM

In the framework of Bilateral Assistance and Capacity Building for Central Banks Program (BCCI), Prof. Massimiliano Marcellino (Bocconi University), on 6th to 8th July 2016, held a seminar on “Communication of Scientific Research in Decision Making”. The main objective of the seminar was improving research communication for the decision-making process. The seminar took place in the form of a round table. The employees of Research Department introduced their presentations, which were commented and discussed by Prof. Massimiliano Marcellino, aiming at their improvement in the framework of the recommendations that each research paper transmits to the decision-making process of the Bank of Albania. Following is a summary of the topics presented in this seminar:

- “Do banking system confidence indices have predictive power for developments in credit and real macroeconomic variables in Albania?” by Esida Abazaj and Lindita Vrioni, Research Department.
- “Micro and macroeconomic determinants
of net interest margin in the Albanian Banking System (2002-2014)” by Meri Papavangjeli, Research Department.
• “The macroeconomic pass-through effects of the monetary policy through sign restrictions approach in the case of Albania” by Gerti Shijaku, Research Department.
• “Investigating financial development – economic growth nexus. A Southeastern Europe perspective” by Arlind Rama, Research Department
• “Mapping the evolution of the impact of economic transition on Central and Eastern European enterprises: A co-word analysis by Margerita Topalli, Research Department:
• “Presentation of the evaluation on the GAP Model performance, designed to analyse the Albanian economy” by Arlind Rama, Meri Papavangjeli; Research Department
• “The Development of the Financial System and the Impact on Growth in Albania” by Endrit Yzeiraj, Research Department
• “Credit Losses and Loan Growth at Albanian banks” by Elona Dushku, Research Department
• “The role of money as an important pillar for Monetary Policy: The case of Albania” by Gerti Shijaku, Research Department
• “DSGE Models”, by Ilir Vika, Research Department

PARTICIPATION OF BANK OF ALBANIA STAFF IN CONFERENCES AND SEMINARS ORGANISED ABROAD

The National Bank of the Republic of Macedonia organised in Scopie the 5th Research Conference, on 7-8 April 2016. The purpose of this conference was the addressing of various aspects of the global economic crises, mainly focused on the “Economic and Financial Cycle Spillovers: Reconsidering Domestic and Cross Border Channels and Policy Responses”. Staff of the Bank of Albania participated in this seminar with the study: “The macroeconomic pass-through effects of the monetary policy through sign restrictions approach in the case of Albania” by Gerti Shijaku, Research Department.

The Deutsche Bundesbank organised the expert panel “The monetary policy instruments”, on 5-7 July 2016, with the participation of central bank experts from around the world. The aim of the panel was to discuss specific issues and challenges related to the use and design of monetary policy instruments, to exchange views, experiences and innovative ideas on how to promote the effectiveness of monetary policy instruments.

Staff of the Bank of Albania participated in this seminar with the study: “Forward guidance at the Bank of Albania: The evolution of the new monetary policy instrument and its effects”, by Lindita Vrioni, Research Department.

10TH SOUTH-EASTERN EUROPEAN ECONOMIC RESEARCH WORKSHOP - CALL FOR PAPERS

Bank of Albania shall organise the 10th SEE Economic Research Workshop, on 1 and 2 December 2016. The topic of this workshop will be “Including monetary policy and financial shocks and trends in modeling and policy analysis”. The purpose of this event is the presentation and discussion of various research works of experts from regional central banks,
universities and research institutions. A detailed summary of the topics of the activity, dates and deadlines for the submission of presentations is provided in the following link:

https://www.bankofalbania.org/web/pub/see_workshop_x_call_for_papers_2016_2_8467_1.pdf

VI. LINKS

Banca d’Italia  (http://www.bancaditalia.it/studiricerche)

Bank of Canada  
http://www.bankofcanada.ca/research/

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

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

Bank of Finland  

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

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

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)

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

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

International Monetary Fund  
(http://www.imf.org/external/publish/)

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