

# CENTRAL BANKING

**BANK OF ALBANIA  
HIGHLIGHTS**  
January - June 2020



## NEWS AND EVENTS

No. 07





*Gent Sejko, Governor of the Bank of Albania*

## EDITORIAL

Dear Reader,

I have the pleasure to present the seventh edition of our half-yearly magazine "Central Banking: Bank of Albania highlights for 2020 H1.

This magazine presents a chronological overview of the activity of the Bank of Albania over the past six months. The first half of this year has been difficult and full of challenges not only for the Albanian economy, but also the global one, as a result of the health crisis caused by COVID-19, which has obliged governments around the world to undertake extreme measures and disrupt a range of activities in the public life.

The Covid-19 pandemic caused a shock on all segments of the Albanian economy. The measures undertaken to control the spread of the pandemic contributed to the decline in consumption, investments and exports of goods and services. The most vulnerable enterprises and households were affected by losing their income, and the government took on a primary role to provide them with the financial support packages.

To cope with the situation, the monetary response was rapid and sharp. The Bank of Albania undertook immediately adequate measures to minimize the costs of the Covid-19 pandemic in the economy. In this context, the Bank of Albania decreased by 0.5% the policy rate, removed quantitative thresholds in order to guarantee the supply of the banking system and the economy with all the required cash liquidity, as well as eliminated the operation costs of electronic payment systems.

One of the particularly important actions that the Bank of Albania took was the postponement by two quarters of loan instalment payments for enterprises and households in financial difficulties, as well as some relevant adjustments

for the banking system, but not only, in order to ensure the solution of customers' requests and at the same time ensure the soundness of banks and of the system as a whole.

However, the economic recovery requires the private actors' confidence and the cooperation of public policies. In this regard, fiscal policy has a primary role in dealing with the situation, and it should guarantee the necessary funds for the healthcare system and enable financial assistance for affected citizens. These measures will affect the increase of the level of public debt, which is an acceptable cost in facing this new reality.

The banking sector has also played a very active role. This sector has continued to lend to the private sector of the economy, to enterprises in particular, supporting the latter with the liquidity needed to cope with the crisis. Also, the banking sector has undertaken a part of the financial cost of the shock, by further easing the burden to both public and private sectors.

The Bank of Albania, on its part, will continue to pursue an accommodative monetary policy, but without letting down its vigilance toward the maintaining the financial soundness of the banking sector. This sector is stable and the financial situation remains good, reflecting the positive developments in the financial system indicators before the pandemic outbreak, the response of financial institution to contain the operational risks during these months of its aggravation, and the effect of measures undertaken by the authorities to support the financial activity. The private sector will also play an important role, which should be more realistic in its plans, but also more careful with liquidity management.

In any event, the Bank of Albania remains willing to use the instruments at its disposal, cooperating with all the authorities in the country, in order to overcome this situation and create the premises for a speedy recovery of the economy.



## GOVERNOR SEJKO IN THE CENTRAL AND EASTERN EUROPEAN FORUM ORGANISED BY EUROMONEY

14-15 January 2020, Vienna,  
Austria

On 14-15 January 2019, Euromoney hosted in Vienna, Austria, the Central and Eastern European Forum. This forum is organised every year and gathers together in a round table known international personalities of CEE countries from the political, economic and financial fields. The two-day forum is in the form of panels with specific topics where attendees were invited to discuss on the latest economic developments in European countries and abroad.



In the first Day of the Forum Governor Sejko was invited to hold a presentation in the table dedicated to Albania where the speakers were: Mrs Anila Denaj, Minister of Finance and Economy; Mr Pandeli Majko, The State Minister for Diaspora, etc. The topic in this table addressed the potential of Albania in international trade and the steps towards integration in global economy.

In his presentation, Governor Sejko, underlined that the Albanian economy has



continued to trend positively, its financial system is stable and growth perspectives are positive. Albania is on the first steps towards "internationalisation" and has ample potential to be exploited; that is why Albanians, but also the Albanian diaspora should provide the support to achieve success in the future. Mr Sejko added that to ensure a long-term fast and stable growth, Albania should enhance further its competitiveness and expands markets beyond the borders, including: the cross border movement of goods, services and capital; human capital flows.



In the second day, particularly important was the governors' panel of Central and East Europe dedicated to monetary policy, where the Governor of the Bank of Albania, Mr Gent Sejko, participated. During his speech in this panel, Governor Sejko stated that the accommodative monetary policy stance implemented by the Bank of Albania was adequate in supporting the economic growth

of Albania and in maintaining financial stability.



The panel also addressed the issue of cash reduction in the economy. On this topic, Governor Sejko stated that in countries, like Albania - where cash is used in the major part of payments - it is important for institutions to undertake policies and strategies which encourage the public to use the electronic payments. In this context, the Bank of Albania has compiled the draft law "On payment services", which aims at changing public approach



towards payments; it adopts the relevant EU directive and; opens the way to the development of new payment products.

During this two-day Forum, Governor Sejko held meetings with prominent international personalities, senior officials of central banks, as well as representatives of various commercial banks.

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## **GOVERNOR SEJKO RECEIVES H.E. AMBASSADOR OF NORWAY 17 January 2020, Tirana**

On 17 January 2020, the Governor of the Bank of Albania Mr Gent Sejko held an official meeting with the new Ambassador Extraordinary and Plenipotentiary of the Kingdom of Norway in Albania, resident



in Prishtina, H.E. Jens Erik Grøndahl, at the premises of the Bank of Albania.



During the meeting, Governor Sejko introduced His Excellency Ambassador Grøndahl to the financial developments in the country, stating that the Albanian banking system is liquid, capitalized and with good profitability indicators. The Bank of Albania has been and will remain focused on the careful supervision of the reforming of the banking system in Albania, contributing to its consolidation. Speaking about the economic performance of Albania, the Governor highlighted that the economic growth has continued the positive trend. While the external macroeconomic environment remains challenging, the monetary authority and the other institutions in Albania will continue to give the right contribution to support the preservation of the macroeconomic parameters.

On his part, H.E. Ambassador of the Kingdom of Norway thanked Governor Sejko for the meeting and appraised the key contribution of the Bank of Albania in safeguarding Albania's macroeconomic stability.

## GOVERNOR SEJKO MEETS THE WORLD BANK DELEGATION

6 February 2020, Tirana

On 6 February 2020, the Governor of the Bank of Albania, Mr Gent Sejko, met with the World Bank Group delegation, chaired by Ms Johanna Jaeger, Senior Financial Sector Specialist at the World Bank. This meeting was held in the framework of joint projects that the Bank of Albania has with the World Bank Group.



During the meeting, Governor Sejko presented an overview of the economic situation in Albania and highlighted that the economic growth has continued its positive trend, although at a slower pace. In addition, the Governor focused in recent developments, pointing out that the earthquake of 26th of November 2019, had a negative impact on the growth pace, and is expected to continue during 2020 with a temporary resultant effect concentrated on both the economic growth and inflation.

The Governor stated that the Bank of Albania will remain committed in further improving the financial system, by focusing on the development of financial markets and payment systems; further boosting lending, through the implementation of the the Platform to Boost



Lending in Albania and the continuation of the work to reduce non-performing loans. The non-performing loans ratio dropped to 8.4% in December 2019; a significant improvement of this ratio, which picked up at 25%, five years ago.



The World Bank Group representatives praised the contribution of the Bank of Albania in safeguarding the financial stability and economic development of the country.

## ADDRESS BY GOVERNOR SEJKO AT THE YEAR-END EVENT WITH THE ALBANIAN ASSOCIATION OF BANKS

### 12 February 2020, Tirana

On 11 February 2020, the Governor of the Bank of Albania, Mr Gent Sejko, participated at the year-end event with the



Albanian Association of Banks. During his welcoming speech, he presented some highlights of 2019, regarding the contribution of the banking and financial systems, as well as some milestones set for 2020.



He initially focused on the event with the highest impact that highlighted 2019, in all sectors of the economy and society, which was the devastating earthquake of 26 November. The governor said that the sudden earthquake caused economic and psychological damage in the affected areas, but also beyond. However, he highlighted that, on the other hand, it was a hard test that all banks passed successfully, maintaining the continuity of financial market critical functions. The Governor stated that the banks not only generously contributed to coping with the earthquake consequences, but they also supported their clients to alleviate the severity of the disaster and provide appropriate solutions, ensuring the continuity of their activities and businesses.

Consequently, the Governor said that during 2019, the activity of the banking sector grew in terms of the volume of assets, deposits and securities. Meanwhile, the quality of credit portfolio improved by around 3 percentage points during 2019 (at 11.1% from 8.36%). This improvement is attributable to the energetic actions by the major part of banks in addressing the non-performing loans portfolio, by offering solutions both within the system (settlement, re-owing, restructuring,

debt forgiveness), and outside the system (loan portfolio sales) as well.

The Governor marked that the Bank of Albania and the National Payment System Committee have implemented the national strategy for enhancing the small value payment market and increasing the financial inclusion of the population. The first results are promising and they will be followed by other steps by the Bank of Albania and the banking sector aimed at achieving a quantitative objective, that is to see the number of bank account holders doubled by 2022.

At the end of his speech, the Governor mentioned some key issues, which should be addressed attentively to ensure sustainable pillars on which banking activity will continue to build up as a whole, and particularly the sound, competitive lending which ensures stable income.

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## **GOVERNOR SEJKO RECEIVES H.E. AMBASSADOR OF ITALY 13 February 2020, Tirana**

On 13 February 2020, the Governor of the Bank of Albania Mr Gent Sejko met at the premises of the Bank of Albania the new Ambassador of Italy in Albania, H.E. Fabrizio Bucci. The talk focused mainly on the performance of the Albanian economy and banking system, the promotion of Albania's potentials, bilateral economic relations, as well as Albania's European integration process.

During the meeting, Governor Sejko introduced His Excellency Ambassador Bucci to the financial developments in Albania, stating that the Albanian banking system is liquid, capitalized and with good



profitability indicators. Focusing on the economic performance of the country, the Governor highlighted that the growth rate has continued to be positive, employment has increased, and Albania's internal and external equilibriums have strengthened. The Bank of Albania has contributed through the accommodative monetary policy stance supporting sustainable economic growth and guaranteeing macroeconomic stability.

The Governor further stated that the Bank of Albania remains a fully committed institution in aligning its legal, regulatory and operational framework with that of the European System of Central Banks, as well as in meeting the priorities that will arise from the consequent steps of the European integration process.

On his part, the Ambassador of Italy praised the Bank of Albania as one of the main institutions in the country. He highlighted the importance of joint projects of the Bank





of Albania with the Bank of Italy and the European Central Bank, in order to further develop institutional capacity and contribute to the approximation of European standards and accelerate the integration process. The two interlocutors shared the same opinion that these negotiations should serve as a development factor and as an additional guarantee for domestic and foreign investors in the future. Another point where they stopped was the continuation and further deepening of structural reforms, as an extremely important factor for the long-term and sustainable development of the country.

## LECTURE OF GOVERNOR SEJKO AT LSE

**26 February 2020, London, United Kingdom**

On 26 February 2020, Governor Sejko delivered a lecture at the premises of the London School of Economics and Political Science (LSE) on "Financial Challenges in Small Open Economies - Central Bank Perspective". This lecture was organized in the framework of the Bank of Albania's ongoing cooperation with the London School of Economics and Political Science (LSE) and was attended by international experts in economy, academic body of the University, and foreign and Albanian students of this University.



The lecture presented by Governor Sejko was conceived in four sections: developments and economic trends in the countries of the region, structural weaknesses in the financial and banking sector in Albania, undertaken measures and policy outcomes implemented to address these weaknesses, as well as the future challenges in the policy-making of the Bank of Albania.



During the presentation, the Governor informed the students on the way BoA has faced the challenges of the financial market in



## GOVERNOR SEJKO ATTENDS THE INTERNATIONAL MONETARY FUND/WORLD BANK CONSTITUENCY MEETING

**28 February 2020, Athens, Greece**



Albania. Mr Sejko emphasised that the Bank of Albania has been involved on improving the regulatory architecture of the financial system and strengthening financial safety nets that have contributed to further consolidate this system.

The Governor presented the lessons learned during the implementation of undertaken policies, the regulation and supervision of the financial market, and the new challenges associated with innovation in this market and with the Albania's increasing integration in globalization processes. The governor closed the lecture by emphasizing that as policy-makers we need to learn from the past in order to have a more safe future.

On 28 February 2020, the Governor of the Bank of Albania, Mr Gent Sejko, attended the meeting of the constituency in the International Monetary Fund (IMF)/World Bank Group (WB), which took place in Athens, Greece. Central bank governors and ministers of finance from the constituency member countries met to discuss the recent developments in the global economy and in the respective countries. In these meetings, Albania was represented by senior officials from the Bank of Albania and Ministry of Finance and Economy, led by the Governor of the Bank of Albania, Mr Gent Sejko and the Minister of Finance and Economy, Ms Anila Denaj.



During the meeting, Governor Sejko presented an overview of the latest economic developments in Albania, highlighting the important role of the Bank of Albania in the macroeconomic stability. The governor said that despite the slowdown in the economic growth rates in 2019, the country's economic and financial sustainability indicators



## GOVERNOR SEJKO IN A VIDEO CONFERENCE WITH PRIME MINISTER RAMA, MINISTER AHMETAJ AND COMMERCIAL BANKS CEOs

1 April 2020, Tirana

On 1 April 2020, the Governor of the Bank of Albania, Mr Gent Sejko, held a video conference with carried out a video conference with the Prime Minister of the Republic of Albania, H.E. Mr. Edi Rama, the Minister of State, Mr Arben Ahmetaj and the CEOs of commercial banks to discuss on the role and support that banking system could provide to cope with the situation and minimise the possible negative impacts caused by Covid-19 pandemic.

During this video conference, various issues were addressed, starting from the implementation of the measures taken previously, and further, the expected developments to anticipate the possible impacts of the pandemic prolongation.

Governor Sejko presented an overview of the situation of the banking system in Albania and the regulatory measures undertaken by the Bank of Albania to support banks and facilitate the operational processes. Furthermore, the Governor assured that the Bank of Albania remains ready to use all the

remain solid. Employment and wages have risen, the unemployment rate hit a historic low, the external position of the economy has improved, the budget deficit remains contained and public debt is declining, the banking sector is profitable, with liquidity and capitalization indicators above the regulatory requirements.

Regarding the financial sector, the Governor emphasized that the macro-prudential measures undertaken by the Bank of Albania and the monetary stimulus have helped lower the interest rates, thus promoting credit growth and lowering the cost of debt service to businesses and households. Monetary stimulus has enabled the financial environment in Albania to be transparent, and have low interest rates, ample liquidity and moderate exchange rate fluctuation.





necessary instruments recognized by law, in cooperation with all authorities in the country, in order to overcome this situation and maintain the financial stability of Albania.

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## **GOVERNOR SEJKO ON A TELEPHONE CONVERSATION WITH H.E. THE AMBASSADOR OF THE UNITED STATES**

**10 April 2020, Tirana**

On 10 April 2020, Governor Gent Sejko had a telephone conversation with the Ambassador of the United States of America in Albania, H.E. Ms Yuri Kim. The conversation focused on the management of the situation created by COVID-19 pandemic and its impacts on both Albanian and global economy.



Governor Sejko presented Ambassador Yuri Kim with the regulatory measures undertaken by the Bank of Albania to help banks and their clients, through the easing of the operational activity procedures. Then, Governor Sejko presented an overview of the banking sector in Albania, emphasizing that this system is well capitalised, solid and with good liquidity and financial soundness indicators. In this context, the banking sector continues its

normal activity and remains ready to provide all the needed contribution to counter and overcome this situation.

Mr Sejko ensured H.E. Ambassador Kim that the Bank of Albania is ready to use all the necessary legal instruments which are available, in cooperation with all authorities in Albania, with the aim at overcoming this situation and establishing the premises for a rapid recovery of the economy and for safeguarding macroeconomic parameters and price and financial stability in Albania.

On her side, H.E. Ambassador Yuri Kim commended the role that the Bank of Albania and the banking system have continuously played and the support they are providing to tackle this situation and minimise the possible effects arising from Covid-19 pandemic.

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## **INTERVIEW WITH GENT SEJKO, GOVERNOR OF THE BANK OF ALBANIA. MONITOR MAGAZINE**

**11 March, Tirana, Albania**

In an interview for the economic magazine Monitor, in the context of the global situation created as a result of the spread of Covid-19 infection, the Governor of the Bank of Albania, Mr Gent Sejko, says that the Bank of Albania has been active in its interventions to alleviate the consequences of the crisis that is causing in the economy the restriction of activities to curb the spread of infection.

To cope with this situation, the Bank of Albania took timely measures to minimize the costs of the Covid-19 pandemic in the economy, but always in function of its main objective, maintaining price stability. Specifically: decreasing the key interest rate, easing of

regulatory requirements for credit restructuring for enterprises and households, the suspension of the allocation of bank dividends, the guarantee of liquidity and payment services, have been some of the measures taken by the Bank of Albania.

Following in the interview, the Governor added that the Bank of Albania has EUR 3.2-3.3 billion in foreign currency reserves, but he stressed that its use is made only in very special cases and according to him our country is still far from meeting the premises that may activate this instrument. The Governor highlighted then the last case when the foreign currency reserves were used, not in the function of the monetary and financial stability of the country, but to mitigate the consequences of an economic crisis, was the end of the 1980s. Governor Sejko claims that the necessary funds to address the consequences of the shock we are facing can be provided in the local market and in our national currency.

The Governor stressed that the pandemic will bring a contraction of economic activity during 2020, however he added that with the gradual easing of control measures, the recovery of the economy is expected to be relatively rapid. Economic growth is expected to move into positive territory in 2021 and continue consequently in a upwards trajectory. Rising demand and employment will put pressure on rising wages, domestic costs and inflation. The Governor added that the fiscal, monetary and financial incentives that have been undertaken have provided vital support to the economy, especially to the affected sectors and households. Of course, in the event that the crisis prolongs and the economic outlook becomes even more challenging, public authorities should consider a further increase in economic stimulus, but this is something we are aware of and attentive to.

At the end of the interview, the Governor stressed that, although the shock we are going through is quite strong, the coordinated response of macroeconomic policies creates the premises for the rapid recovery of economic activity after it ends. Albania has all the potential to successfully pass this test.

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## **MEETING WITH THE BANKING SYSTEM AND BUSINESS COMMUNITY ON "BANK - BUSINESS RELATIONSHIPS: COMMON ECONOMIC CHALLENGES IN FACE OF GLOBAL PANDEMIC COVID-19 13 May 2020, Tirana, Albania**

On 13 May 2020, the Bank of Albania organised a discussion forum with the banking system and business community on: "Bank - Business relationships: Common economic challenges in face of global pandemic Covid-19". The meeting initiated and organized under the auspices of Governor Sejko at the premises of the Bank of Albania, aimed at encouraging the collaboration between these two groups of interest to counter the common economic challenges caused by Covid-19 pandemic.



and the providing of platform to share views and needs on the instruments to be employed and the further measures to be taken.

The meeting was attended by executives of the banking system, the Union of Chambers of Commerce and Industry of Albania, the National Chamber of Crafts, the American Chamber of Commerce in Albania, Chamber of Commerce and Industry France -Albania, Trade Union of Albania, the Albanian Agribusiness Council, Albanian Constructors Association, the Albanian Tourism Association, the Albanian Association of hydrocarbons, as well as the Albanian food Industry.



Governor Sejko, pointed out the importance of measures undertaken by public authorities to tackle this situation, where the two fiscal packages approve by the Government are crucial. They provide a stimulus to boost aggregate demand, mitigate liquidity problems and avoid the long-term consequence of the crisis on the economy. The Governor assessed the approval of funds



for the sovereign guarantee provided by the Albanian Government to support with bank credit the firms, with the purpose the conduction of monthly wages to their employees and to cover additional needs.

In its role as the monetary authority in Albania, the Bank of Albania activates a series of significant measures that aim to mitigate the negative impact of the Covid-19 pandemic on the economy and create all the necessary pre-conditions to offer a rapid recovery of the Albanian economy, such as: decreasing the key interest rate at its historical level of 0.5%, supply with all the necessary liquidity to the banking system in Albania by removing the quantitative limits, uninterrupted provision of the economy with cash, as well as postponement by a quarter of loan instalments of enterprises and households in financial difficulty. Governor Sejko stressed that it is essential for the banking sector to find and maintain a fair balance between supporting borrowers in need - in the long-term mutual interest and benefit, without compromising the security of citizens' savings and Albania's financial stability - and maintaining the soundness of its balance sheets.

The Chairman of the Albanian Association of Banks, Mr. Silvio Pedrazzi and the President of the Union of Chambers of Commerce and Industry of Albania, Mrs Ines Muçostepa, praised the measures undertaken by the Bank of Albania and stated their view regarding the economic situation created by Covid-19.





## GOVERNOR SEJKO PRESENTS THE ANNUAL REPORT OF THE BANK OF ALBANIA FOR 2019

1 June, Tirana

On 1 June 2020, the Governor of the Bank of Albania, Mr Gent Sejko, through an on-line communication, presented the Annual Report of the Bank of Albania for 2019 to the Parliamentary Committee on Economy and Finance.

Mr Sejko said that the Bank of Albania has played a significant role on the improvement of the economic and financial environment in Albania, through the implementation of an accommodative monetary policy. More specifically, the Governor focused on the contribution that the Bank of Albania has given

in 2019, in terms of maintaining financial stability by strengthening the stability of the banking sector and the efficient and secure operation of payment systems, through:

- successful completion of the banking sector consolidation process. Currently, in the Albanian banking system operate 12 banks, from 16 banks in 2018;
- significant decline in the non-performing loans ratio, from 25% in 2014 to 8.4% at the end of 2019;
- improving the regulatory framework related to the operation of two payment systems, the one for small value payments AECH and the one for large value payments AIPS;
- approval of the project-law "On payment services", which will affect the decrease of payment services costs and the promotion of the use of electronic payment instruments.
- the introduction of the new series of banknotes and the issuance of 200 Lekë and 5000 Lekë denominations of this series, where one of the objectives of the educational campaign was to raise public

awareness not to use the terminology “new lek-old lek”;

- improving internal governance, which enabled the management and continuity of the institution’s activity during the pandemic period.

In his speech Governor Sejko dedicated a special space to the new reality created by the global pandemic of COVID-19. The protective measures taken to control the spread of the pandemic affected the decline of consumption, investments and exports of goods and services. It is expected a decline of employment and increase of unemployment, which will cause the decline of households’ income and a deterioration of enterprises’ financial situation, and that also bring an increase of the level of non-performing loans in the banking sector.



In conclusion, Governor Sejko underlined that despite this situation, the Albanian economy will face this challenge with success.

## GOVERNOR SEJKO, ATTENDS THE 42<sup>TH</sup> MEETING OF THE CENTRAL BANK GOVERNORS’ CLUB OF THE CENTRAL ASIA, BLACK SEA REGION AND BALKAN COUNTRIES.

1 June, Tirana

On 1 June 2020, the Governor of the Bank of Albania, Mr Gent Sejko, attended the 43rd Meeting of the Central Bank Governors’ Club of the Central Asia, Black Sea Region and Balkan Countries. Participants of this meeting, which was conducted on-line, were the heads of the central banks of the member countries of the Club such as: The Central Bank of the Republic of Turkey, the Bank of Slovenia, the National Bank of Romania, the Bulgarian National Bank, the Czech National Bank, the Bank of Greece, the Central Bank of Montenegro, the National Bank of Serbia,



the Bank of Israel, the National Bank of Poland, the People's Bank of China, etc.

Governor Sejko gave a speech to the participants and said that in line with the forecasts at a global level, as a result of the preventive measures taken to control the spread of Covid-19 pandemic, the economic activity in Albania during 2020 is expected to decline, but is projected to be a temporary situation that will be improved in the upcoming year.



In addition, the Governor presented the measures taken by the Bank of Albania for the minimization of the impact of the Covid-19 pandemic in the country's economy, such as the policy rate cut at the historic level of 0.5%, the supply with the necessary liquidity of the country's banking system by removing quantitative limitations, forfeit of charges on using the electronic payment platforms, continuous supply with cash to the economy, postponing with two quarters the payments of loan instalments for enterprises and households in financial difficulty, as well as regulatory changes aiming to ensure the resolution of customer requirements, and to ensure the soundness of banks and the system as a whole.

## GOVERNOR SEJKO RECEIVES THE NEW AMBASSADOR OF AUSTRIA 10 June, Tirana

On 10 June 2020, the Governor of the Bank of Albania, Mr Gent Sejko, received the new Ambassador of the Republic of Austria in Albania, H.E. Mr Christian Steiner.

Governor Sejko commented the very good relationships, which have characterised historically both our countries, highlighting the significant and long-standing support of the Republic of Austria to Albania for the opening of negotiations with our country.

The meeting focused primarily on addressing the situation created by COVID-19 pandemic and its impacts on the Albanian economy. Governor Sejko stated that as a result of the preventive measures taken to contain the





spread of Covid-19 pandemic, the economic activity in Albania during 2020 is expected to fall, and to recover gradually in the next years.



H.E. Ambassador Steiner highlighted the importance of the implementation of economic, structural and sectoral reforms, and appraised the significant contribution of the Bank of Albania to the country's EU integration process by approximating the regulatory framework and work practices with EU Directives and standards.

Governor Sejko extended his gratitude to Ambassador Steiner and the Oesterreichische Nationalbank (OeNB), the central bank of the Republic of Austria, for the fruitful collaboration and technical assistance in various fields of central banking

The interlocutors, in conclusion, shared the same views about the perspectives of advancing the economic cooperation with Austria, as a strategic partner, mainly in the field of the financial system, and the growth of foreign investments in Albania.

## OTHER

### BANK OF ALBANIA REACTION TO COVID-19

In response to the situation created by the pandemic caused by COVID-19, the Bank of Albania has taken immediate measures to support the Albanian economy. The measures taken aim at mitigating the negative impacts on the welfare of enterprises and households, as well as the establishment of premises for a very rapid recovery of economy in the following period.

The goal of the decision-making of the Bank of Albania will be the safeguarding of the monetary and financial stability in Albania, the easing of the crisis costs to Albania enterprises and households, as well as the overcoming of this situation at less negative effects possible in order to not affect the long-term development of the country.

The measures taken in the field of monetary policy aim at reducing borrowing costs and the continuous financing of economy with credit. The fulfilment of these preconditions paves the way for the achievement of our objective to maintain price stability in the medium and long term.

In this regard, the measures undertaken by the Bank of Albania, within its field of competence, enable and complete the fiscal package announced the Albanian Government, which aims at shifting a part of the financial bill to counter the crisis from private to public sector.

The Bank of Albania created for banks and non-bank financial institutions the facility to postpone with three months the payment of instalments of loans to their clients, due to the difficult financial situation being created by COVID-19 pandemic.

Also, the Bank of Albania has decided to remove temporary the commissions applied by banks on the transfers of loans in lek in non-paper form from their clients, and the fees for participation in AIPS and AECH systems operated by the Bank of Albania, starting from 10 April 2020.

Bank of Albania has increased the operating capacities to guarantee the uninterrupted supply with coins and banknotes to economy. It has taken all the necessary decisions and has engaged all its structures to meet the market requests for cash, by simultaneously providing a sufficient stock with the purpose to counter the increasing needs of the economy.

To inform the public on the measures undertaken by the Bank of Albania to counter the situation, the managers of the Bank of Albania have given interviews in various media, by responding to the questions of journalists and public opinion.

The Bank of Albania continuously monitors the situation and extends its willingness to employ all the operational instruments and regulatory space available, to minimise the consequences of the pandemic on the economy in general and on the Albanian financial system in particular.



## THE BANK OF ALBANIA COMMUNICATES TO THE PUBLIC THE MONETARY POLICY DECISION-MAKING

After each meeting of the Supervisory Council, the Governor of the Bank of Albania communicates to the public the decision-making of the Bank of Albania, at a press conference.

According to the calendar published at the beginning of the year, during the first six months of 2020, three press conferences of the Governor were held on this decision-making, respectively on: 5 February, 25 March, and 6 May.

At the conference on March 25, in the context of the situation in which the Albania was due to the Covid-19 pandemic, the Bank of Albania took the decision to reduce the key interest rate from 1.0% to 0.5%, as well as to reduce the overnight loan interest rate, from 1.9% to 0.9% and keep the overnight deposit interest rate unchanged at 0.1%. This decision was taken as a result of the mitigation of the impact of the COVID-19 pandemic on the economic and financial soundness of Albania.

In his statement of 25 March, the Governor declared: "... in the Supervisory Council judgement, lowering the policy rate is a necessary measure to reduce the costs of new borrowing, to reduce the service cost of the existing debt and to ease the liquidity circulation for Albanian enterprises and households. It helps the smooth functioning of the monetary policy transmission mechanism and eases the pressure on the financial balance sheets of the economic operators, providing them with more time, space and breath room to face the shock."

The Supervisory Council kept interest rates unchanged at the 6 May press conference. Governor Sejko said that "... the confirmation of the positive scenario means that monetary policy will continue to remain accommodative throughout the forecast horizon".

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## THE PRESENTATION OF THE PERIODICAL REPORTS OF THE BANK OF ALBANIA TO THE MEDIA

As part of its communication strategy with the public, the Bank of Albania presents its periodical reports to the media prior to their publication. Based on the publication calendar of periodic reports published on the Bank of Albania's website at the beginning of 2020, during the these 6 months of this year, were held 3 presentations, respectively:

- The presentation of the Quarterly Monetary Policy Report 2020/I, dated 13 February 2020, at the premises of the Bank of Albania
- The presentation of the Quarterly Monetary Policy Report 2020/II, dated 14 May 2020, (on-line)
- The presentation of the Annual Supervision Report 2019, dated 20 June 2020, (on-line)



## FRIDAY SEMINARS

The Bank of Albania holds regularly the research activity "Friday Seminar". This initiative welcomes Bank of Albania's experts, researchers from the academic and other financial, research and scientific institutions to present and discuss their theoretical and empirical research papers. During the first 6-months was presented the paper:

- "Implications of QE policies of ECB" by Mr Bledar Hoda, on 24 January 2020.

