



# **FINANCIAL AND BORROWING SITUATION OF HOUSEHOLDS IN ALBANIA**

**2021 H1**

**BANK OF ALBANIA  
FINANCIAL STABILITY DEPARTMENT**

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## Summary of key findings of the Survey of Households' Financial and Borrowing Situation

The survey on the financial and borrowing situation of households has been conducted half-yearly since May 2010. The latest survey was conducted in May 2021, focusing on the developments in the financial situation and borrowing of households during 2021 H1, as well as expectations for 2021 H2. The survey was conducted on a sample of 1210 randomly selected households, geographically spread across the country.

### ▪ FINANCIAL SITUATION

The total number of employed individuals in the surveyed sample slightly increased compared to the previous six months and the previous year, and this came mainly from the private sector. The overall level of household's income and living expenses increased during the period under review, and compared to the previous year. This increase was more pronounced on the income side.

### ▪ BORROWING

Around 24% of interviewed households (or 261 households) state that they have a debt to repay by the moment of the interview, regardless of its type, source or amount. This share has remained unchanged compared to the previous six months and has increased by 1 percentage point compared to the previous year, remaining below the historical average of the survey of around 28% of households. The total outstanding debt reported for the entire sample has increased compared with the previous survey, but it remains below the level reported in the previous year. Around 61% of the outstanding debt has originated from formal sources ('banks' and 'non-bank financial institutions') and 35% from informal sources ('natural persons' and 'debt in the form of unpaid goods'). This structure has shifted in favour of borrowing from informal sources, compared to both the previous six months and the previous year. Regarding the debt purpose, around 26% of the total outstanding debt amount was used to purchase/renovate a property, 43% was used for business development, 14% for consumption and 17% for other purposes (dominated by loans taken to cover medical expenses). The most significant growth in debt stock was registered for business purposes, reflecting the gradual recovery of the economic activity in Albania, after the loosening of the restrictive measures imposed due to the pandemic.

### ▪ DEBT BURDEN

Around 77% of borrowing households that responded to the survey declared that their debt repayment amount has not changed during the previous six months. The *net balance* of the rest of responses shows a downward trend in the loan instalment during the period. About 56% of borrowing households have declared that their solvency 'has deteriorated' during the period, but has improved considerably compared to the previous year. For 2021 H2, around 74% of households do not expect a change in their solvency, while the net balance of the rest of responses shows optimistic expectations. The new loan/rollover index for the next six months decreased compared to the previous six months and the previous year, remaining nonetheless above its historical long-term average.

### ▪ HOUSEHOLDS' WEALTH

Around 94% of total interviewed households own 1-2 real estates, mainly residential houses; 1% state they own more than 2 real estates (houses and land/ shop etc.); and 5% declared that they do not own any property. In the group of households that state to possess some form of financial assets, *deposits and/or bank accounts* continue to remain the main type of financial investment, both in the case of total households (62% of the cases) and in the case of borrowing households (75% of the cases). Compared with the previous six months, these shares *have decreased by 3 pp as regards the total sample, while they have increased by 3 pp as regards the borrowing households.*

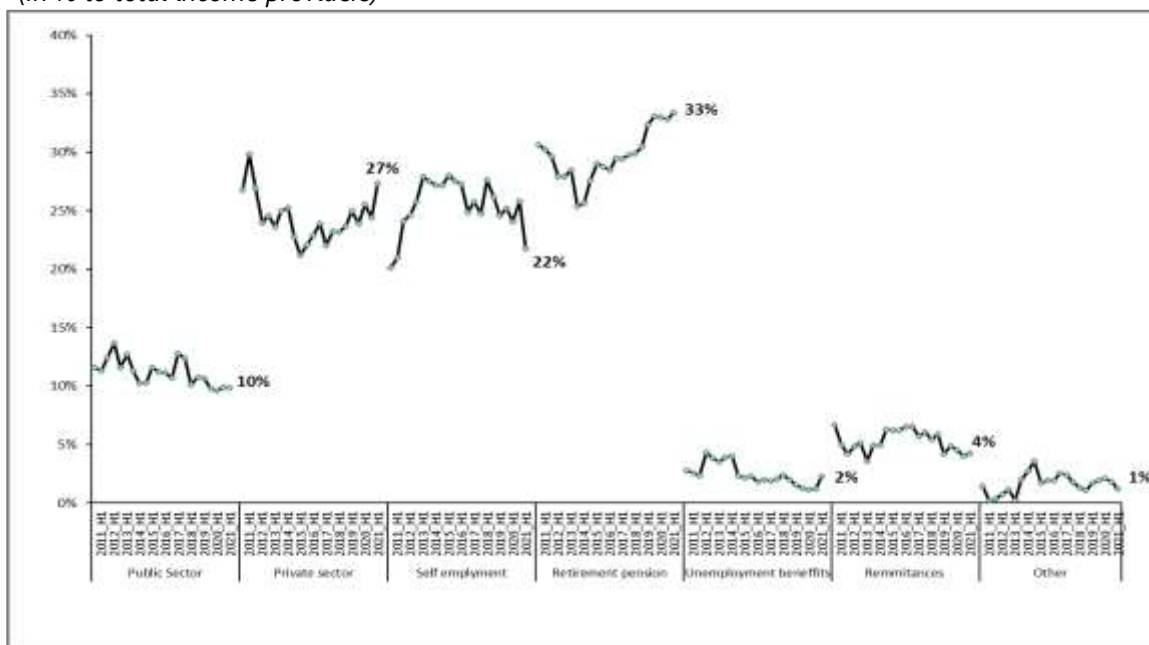
# 1 -Demographic and financial characteristics of interviewed households

**Sample characteristics.** This survey was conducted on a randomly selected sample of 1210 households, where around 90% of them (1088 households) participated in the interview process, responding to all or part of the delivered questionnaire. The share of responders to the total sample increased by 2 pp compared to the previous survey. About 49% of them are located in urban areas and 51% in rural areas.

*The following analysis refers to the responded households only and the calculations are computed based on the total number of responded households*

**1.1- Employment and other sources of income.** Total number of households' members that provide income from employment/self-employment in the public sector, private sector and/or other sources<sup>1</sup> has increased by 3.5% compared to the previous six months, and by 0.8% compared to the previous year. The increase has been higher in the case of private and public sector employees, whereas the number of self-employed has decreased during both aforementioned periods.

**Chart1.1 Distribution of household income providers by income source**  
(In % to total income providers)



Source: Bank of Albania

Note: The item "Other" includes mainly the cases of individuals that receive invalidity assistance, individuals receiving financial help from relatives and those that do occasional jobs

Focusing the analysis on the group of the employed household members only<sup>2</sup> (Table 1.1), it results that their total number has increased by 1.4% in semi-annual terms and by 0.3% in annual terms, especially in the private and public sector.

<sup>1</sup>In the questionnaire, in addition to employment in the public and private sectors, the following income sources are also listed as follows: "retirement", "social assistance for unemployment", "emigration" and item "other". In "other" includes any other type of income source that has not been listed in the questionnaire.

<sup>2</sup>Here are included only the households' members employed in the public sector, private (agricultural and non-agricultural) sector and self-employed individuals (agricultural and non-agricultural).

**Table 1.1 Distribution of employed individuals by sector**

		Public	Private	Self-employed	Total employees	Semi-annual chg.	Annual chg.
S10	H1_2015	270 (19%)	495 (35%)	654 (46%)	1419	6.8%	0.8%
S11	H2_2015	268 (18%)	528 (36%)	657 (45%)	1453	2.4%	9.3%
S12	H1_2016	283 (18%)	580 (37%)	691 (44%)	1554	7.0%	9.5%
S13	H2_2016	272 (18%)	609 (40%)	633 (42%)	1514	-2.6%	4.2%
S14	H1_2017	333 (21%)	575 (36%)	672 (43%)	1580	4.4%	1.7%
S15	H2_2017	317 (21%)	595 (38%)	634 (41%)	1546	-2.2%	2.1%
S16	H1_2018	259 (17%)	592(38%)	705 (45%)	1556	0.6%	-1.5%
S17	H2_2018	280 (18%)	618(39%)	682 (43%)	1580	1.5%	2.2%
S18	H1_2019	266 (18%)	623 (41%)	613 (41%)	1502	-4.9%	-3.5%
S19	H2_2019	235 (17%)	574 (41%)	606 (43%)	1415	-5.8%	-10.4%
S20	H1_2020	233 (16%)	621 (43%)	585 (41%)	1439	1.7%	-4.2%
S21	H2_2020	234 (16%)	578 (41%)	611 (43%)	1423	-1.1%	0.6%
S22	H1_2021	241 (17%)	670 (46%)	532 (37%)	1443	1.4%	0.3%

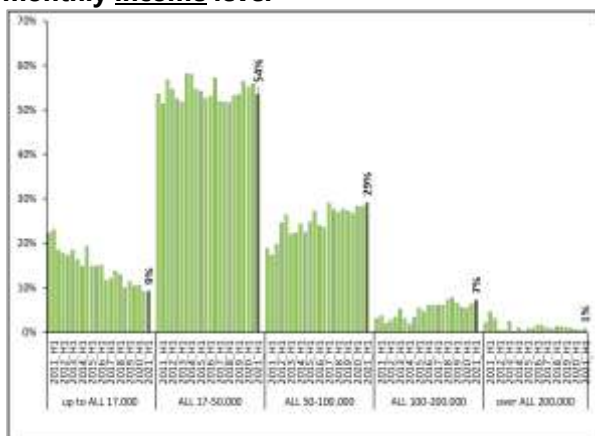
Source: Financial Stability Department

Note: Numbers in parenthesis are the share of each item against total employees.

The number of households that have declared **additional stable sources of income**<sup>3</sup> (like rents, banking interests etc.), was 10% (or 108 households in total), increasing by 1 pp during the period. Within this group of households, around 48% of them declare *interest from savings (deposits, T-bills, etc.)*, 28% declare income from *renting a property* and both items increased compared with the previous six months.

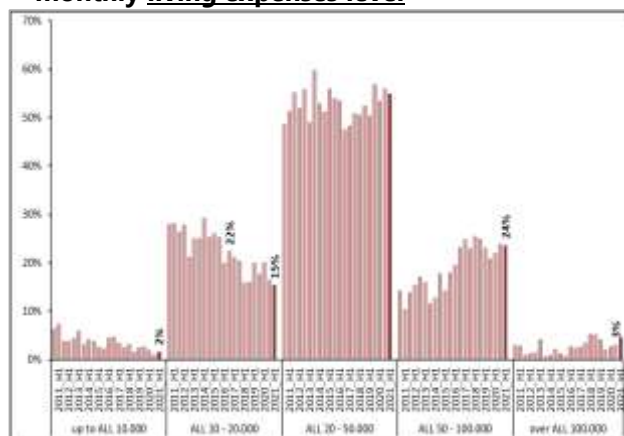
**1.2- Households' income and living expenses.** During 2021 H1, the distribution of the number of households by *income level* shifted slightly towards higher levels ('ALL 50-100,000' and ALL '100-200,000') both in semi-annual and annual terms, resulting at 29% and 7% of households, respectively, falling under this category. On the other hand, most households (around 54%) continue to declare monthly income at 'ALL 17-50,000' level, and this share has decreased by 2 percentage points both in semi-annual and annual terms (Chart 1.2).

**Chart 1.2 Distribution of households by their monthly income level**



Source: Bank of Albania.

**Chart 1.3 Distribution of households by their monthly living expenses level**

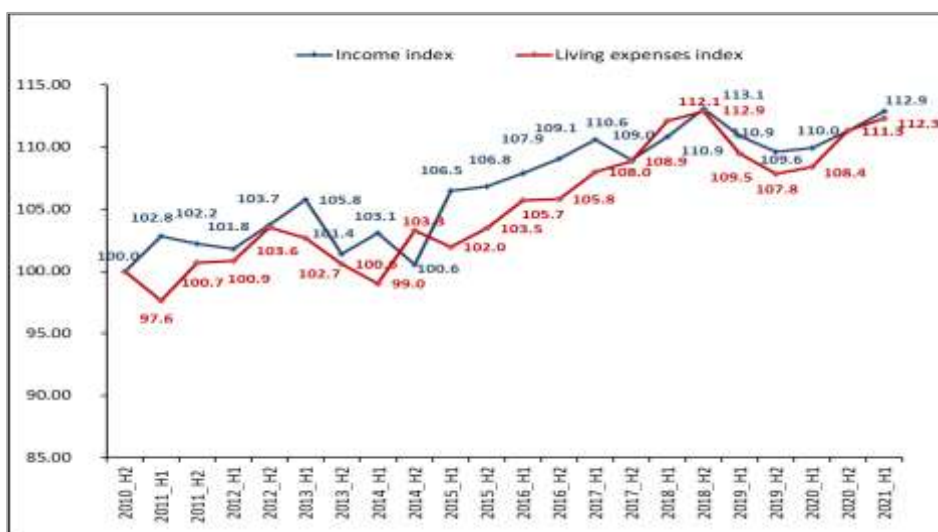


<sup>3</sup> In this question, the alternatives listed as stable sources of income are: (1) rent; (2) interests from savings (deposits, T-bills etc.); (3) interests from money lent to thirds; 4. Other (define).

The distribution of households according to their *living expenses* has shifted towards higher levels of monthly expenses during the period. Thus, 55% of them declare monthly expenses at the level of 'ALL 20-50,000'; while 24% declare expenses at the level 'ALL 50-100,000'. Both of these shares decreased compared with the previous six months, but increased by 2 pp, respectively, compared with the previous year (Chart 1.3).

The households' **income index**<sup>4</sup> and **expenditure index**<sup>5</sup> increased during the surveyed period, where the increase of the income index was somewhat more pronounced, resulting in a slight improvement of the households' financial balance. This performance has reflected the positive effect of reopening of most economic sectors, following the pandemic situation improvement and the easing of restrictive measures.

**Chart 1.4 Income and Expenditure Indices of households (2010=100)**



Source: Bank of Albania.

The *euroisation* level in terms of income continues to remain low, where only 14% of the respondents (153 from 1087 interviewed households) declared to have some income in foreign currency (mainly in euro), that make various percentage of their total monthly income<sup>6</sup>. This share remained unchanged compared to the previous six months, but has slightly decreased by around 1 pp compared to the previous year.

## 2- Households' debt

The number of households reporting *one or more debt to repay* by the moment of the interview, despite the type, source or value of this debt, resulted in 261 households or around 24% of the total respondents (Chart 2.1). This share remained unchanged compared to the previous six months and has increased by 1 pp compared to the previous year, continuing to remain below the historical average of this survey of about 28%.

<sup>4</sup> 'The income index' is built as a weighted amount of frequencies in % of responses with the coefficients defined for each interval as follows: "up to ALL 17,000" with 0.2; "ALL 17-50,000" with 0.4; "ALL 50-100,000" with 0.6; "ALL 100-200,000" with 0.8; and "over ALL 200,000" with 1. The values received each year are returned to the index based on year 2010 = 100. The increase of the value of the index implies an increase in the level of monthly income

<sup>5</sup> 'The expenditure index' is built as a weighted amount of frequencies in % of responses with the coefficients defined for each interval as follows: "up to ALL 10,000" with 0.2; "ALL 10-20,000" with 0.4; "ALL 20-50,000" with 0.6; "ALL 50-100,000" with 0.8; and "over ALL 100,000" with 1. The values received each year are returned to the index based on year 2010 = 100. The increase of the value of the index implies an increase in the level of necessary monthly expenses.

<sup>6</sup> The alternatives related to the level of income in foreign currency are: (1) "none", (2) "up to 10%", (3) '10-50%' and (4) 'over 50%'.

*The following analysis refers only to the group of borrowing households.<sup>7</sup>*

**2.1- The level of income and living expenses of borrowing households.** During the surveyed period, the distribution structure of the borrowing households by income level, has fluctuated between levels, shifting slightly towards the average level. Regarding the monthly expenses, the structure has shifted towards higher levels. Specifically, the distribution of borrowing households by monthly income resulted more concentrated in the level of 'ALL 17–50,000' (54% of borrowers), decreasing by 1 p.p. compared to the previous period and in the level of 'ALL 50-100,000' (30% of borrowers), increasing by 2.4 p.p. during the period. On the other hand, the distribution of borrowers by monthly living expenses resulted more concentrated in the level of 'ALL 20-50,000' (58% of borrowers), decreasing by 1 p.p. compared to the previous six months and in the level of 'ALL 50-100,000' (23.4% of borrowers), decreasing by 2 p.p. during the same period.

The above distribution of borrowers by their monthly level of income/living expenses resulted in an increase in both the income and the expenditures indices over the period (Chart 2.1). However, the increase of the income index has been more pronounced, resulting in the improvement of the financial balance (income-expenses) of these households.

**Chart 2.1 Borrowing households' income and living expenses indices**  
(2010 = 100)



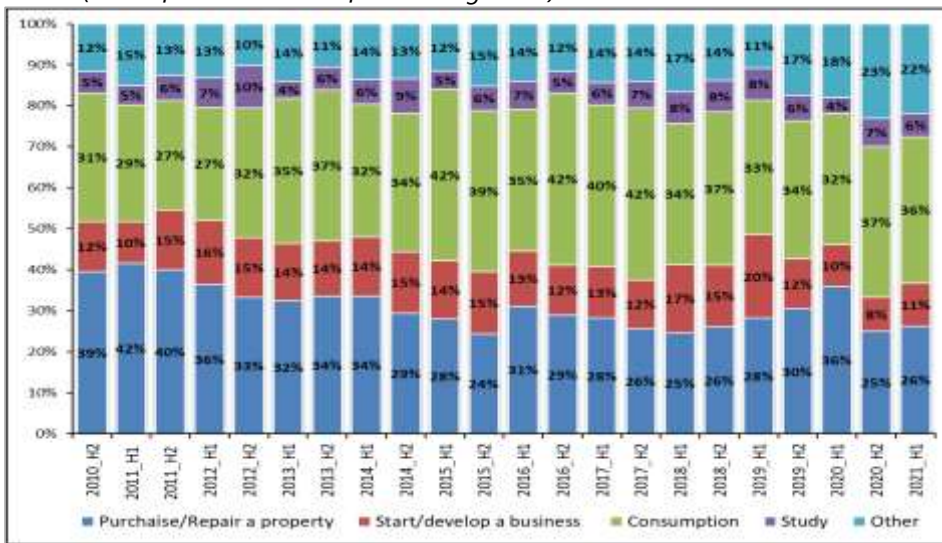
Source: Bank of Albania

**2.2- Debt purpose.** The main purpose of households' borrowing remained: 'for consumption' in 36% of borrowing cases; 'purchase/renovation of property' in 26% of cases; and for 'business development' in 11% of cases. In contrast with the last survey, the share of borrowing cases with the purpose to 'purchase/renovate a property' and 'business development' have increased in 2021 H1. While households' demand for long-term investments, such as purchase of a property or business development, was trending downwards last year due to the high level of uncertainty and the strong restrictive measures of the pandemic, it seems that the easing of the situation and the reopening of the economy has revived the interest for this type of borrowing.

<sup>7</sup> Methodological note: since a household may have more than one loan to repay in the period under review, with different characteristics (source, purpose, etc.), in order not to lose the information, in this section the calculations are made on the total of the declared borrowing cases, except when it is specified "... on the total of borrowers" (in this survey =252 households). With "borrowing cases" we mean the total of loans taken by the same household and with the same characteristic, e.g.: a household that declares 2 loans from banks constitute "1 borrowing case from banks" and a household that has a loan from a bank and another from a natural person constitutes "1 borrowing case from banks" and "1 borrowing case from natural persons".



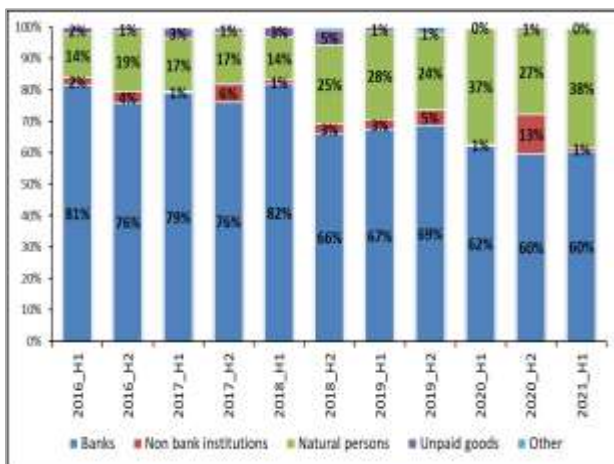
**Chart 2.2 Frequency of borrowing by debt purpose**  
(in % of total number of borrowing cases)



Source: Bank of Albania.

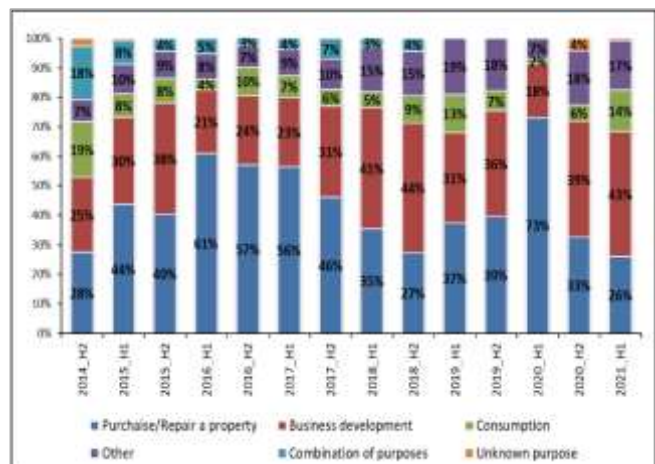
**2.3- Outstanding debt.** The analysis of the outstanding debt by *source* and *purpose of use*, shows that around 61% of the outstanding debt has originated from *formal sources* (60% banks and 1% non-bank financial institutions), and around 35% from *informal sources* (“*natural persons*” and “*unpaid goods*”). Compared to the previous six months, this structure has shifted in favour of borrowing from informal sources (by 8 p.p.) due to a higher increase of outstanding debt originated from informal sources compared to the increase of debt originated from formal sources (Chart 2.3).

**Chart 2.3 Composition of the outstanding debt by source** (in % of the total outstanding debt reported)



Source: Bank of Albania.

**Chart 2.4 Composition of outstanding debt by purpose** (in % of the total outstanding debt reported)



Source: Bank of Albania.

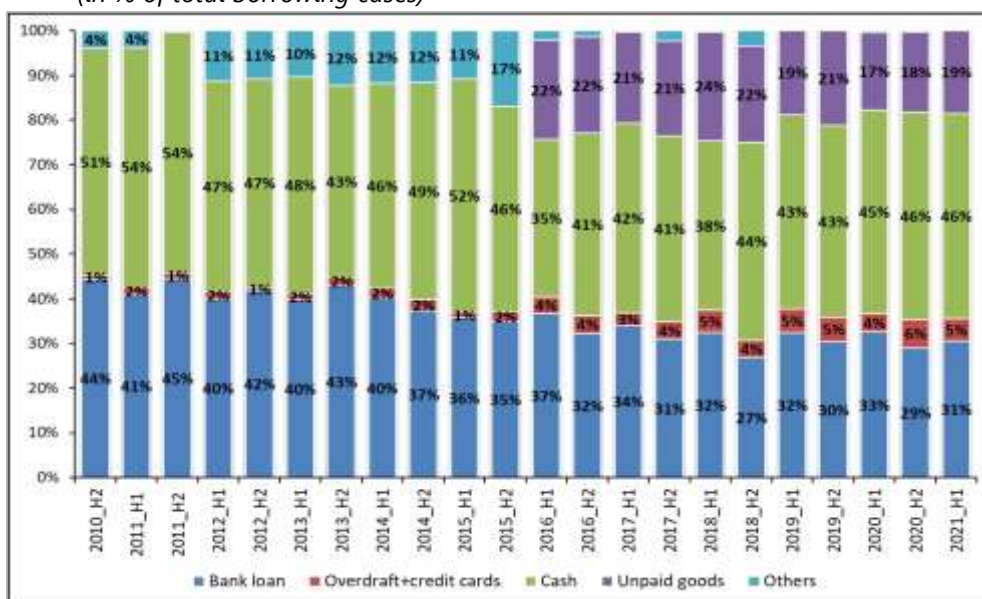
Note. The item “other” includes mainly loans to face medical expenses.

The analysis of the outstanding debt by its *purpose of use* (Chart 2.4), shows that 26% of the outstanding debt is used for “*purchasing/renovating a property*”, 43% for “*business development*”, 14% for “*consumption*”, and 17% for “*other purposes*” dominated by loans taken to cover medical expenses. In absolute value, the stock of debt used for “*business development*” has recorded the highest increase during the period, which concurs with the previous conclusion that the recovery of the economic activity in Albania, following the improvement of the pandemic situation and the loosening of the restrictive measures, may have stimulated the increase in demand for financing by family enterprises.



**2.4-Type of debt.** Around 36% of households' borrowing cases are in the form of "loans from financial institutions", of which 31% of cases are "bank loans" (up by 2 p.p. compared to 2020 H2) and 5% are "credit cards and overdraft" (down by 1 p.p. compared to 2020 H2). In about 46% of cases, the debt is in "cash" and in 19% of cases, it is in "unpaid goods". Both of these shares have remained almost unchanged compared to the previous six-months and have recorded an increase by 1 p.p., respectively, compared to the previous year.

**Chart 2.5 - Frequency of borrowing by type of debt**  
(in % of total borrowing cases)



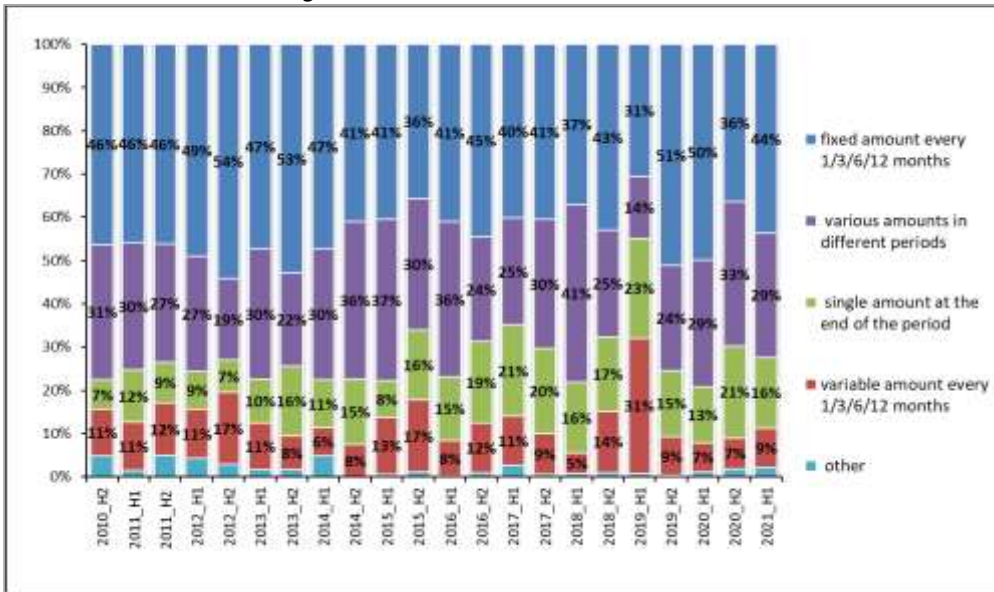
Source: Bank of Albania.

**2.5- Debt repayment schedule.** The two main forms of debt repayment continue to be through 'fixed payments every 1/3/6/12 months' (44% of borrowing cases), 'variable payments in different periods' (29% of borrowing cases) and 'one single payment at the end of the period' (16% of borrowing cases) (Chart 2.8). During 2021 H1, the share of debt cases with fixed (or variable) monthly payments– typical of long-term bank loans (such as mortgages or loans to enterprises) – has increased, while the share of debt cases with variable payments in various periods, has decreased. This type of payment is mostly a feature of informal loans or short-term bank loans (such as overdraft, credit cards) etc.

Regarding the borrowing household's debt burden measured as the ratio of debt monthly payments to total monthly income, in 75% of cases it is reported that the debt repayment accounts for less than 30% of monthly income ('up to 10% of income' for 33% of borrowing cases, '10-30% of income' for 42% of borrowing cases). On the other hand, in 25% of cases this payment exceeds 30% of income ('31-50% of income' for 15% of borrowing cases and '51 -70' for 4% of cases and 'over 70%' for 5% of cases) (Chart 2.9).

**Chart 2.6 - Frequency of borrowing by debt repayment schedule**

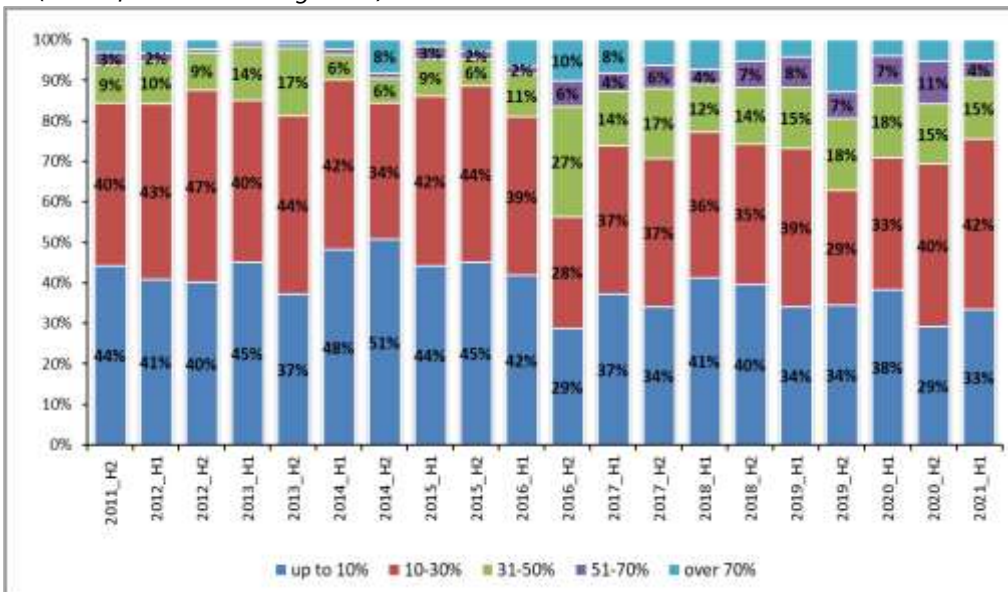
(in % of total borrowing cases)



Source: Bank of Albania.

**Chart 2.7 - Frequency of borrowing by debt repayment-to-monthly income ratio.**

(In % of total borrowing cases)

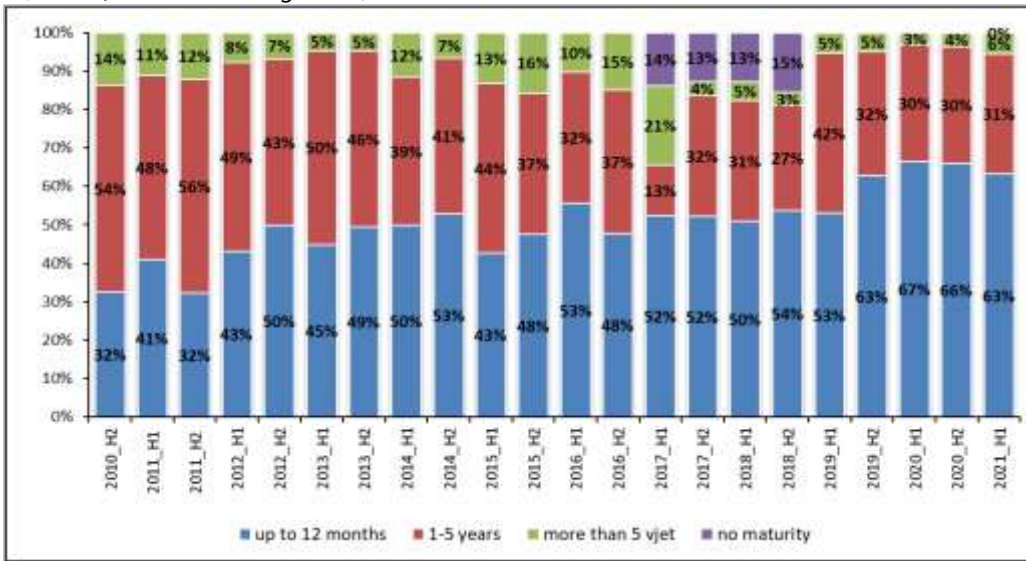


Source: Bank of Albania.

**2.7- Remaining maturity.** In 66% of the borrowing cases, it results that the debt matures *'within a year'* and this share has decreased by 1 p.p. compared to the previous six months; in 31% of cases, the remaining maturity of the debt is between *'1 to 5 years'* (up by 1 p.p. compared to 2020 H2) and in 6% of cases the remaining maturity is reported to be *'over 5 years'* (increased by 2 p.p. compared to 2020 H2). As in the distribution of borrowing cases by *debt repayment schedule*, distribution by *remaining maturity* also suggests an increase of households' long-term borrowing.

**Chart 2.8- Frequency of borrowing by debt remaining maturity**

(In % of total borrowing cases)

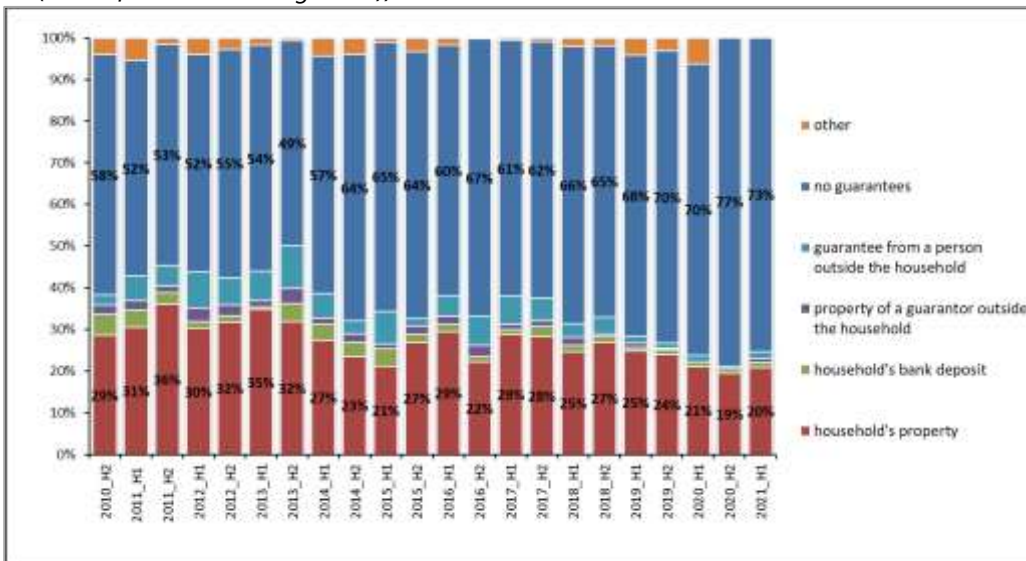


Source: Bank of Albania.

**2.8-Type of debt guarantees.** In 73% of borrowing cases, it results that the debt has 'no guarantees' and this share has decreased by 4% compared to the previous six months, but it has increased by 3 p.p. compared to the same period of the previous year. In contrast, the share of the borrowing cases guaranteed with a 'property owned by the household' had increased in semi-annual terms (by 1 p.p.) and had decreased in annual terms (by 1 p.p.). Keeping in mind that unguaranteed borrowing is usually a feature of informal borrowing and short-term formal borrowing for consumption purposes (consumer loans, overdraft etc.), while borrowing guaranteed with a property generally consists of mortgage loans, the performance of their shares during the period is in line with the results of the survey up to this point.

**Chart 2.9 Frequency of borrowing by types of debt guarantees**

(in % of total borrowing cases)



Source: Bank of Albania

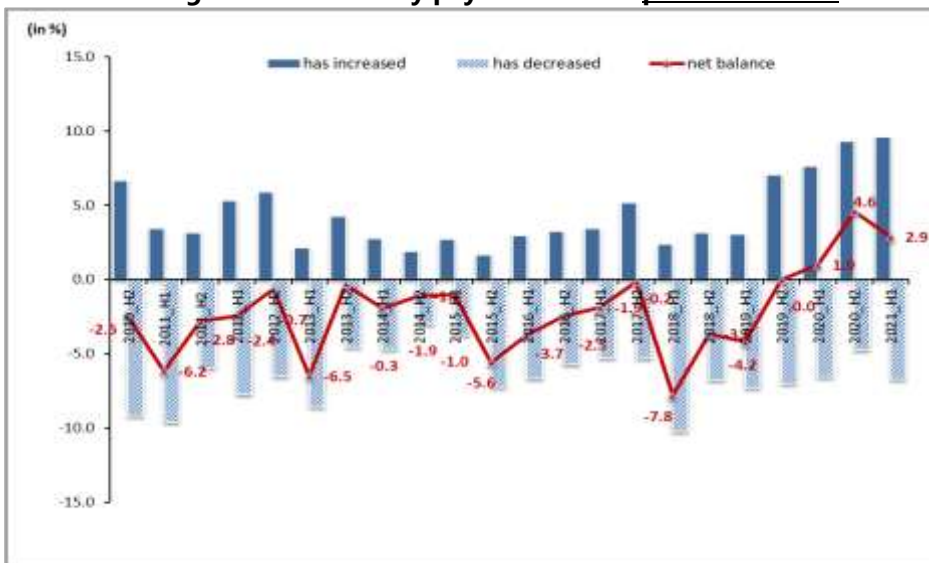
Note: The item "other" includes the borrowing cases guaranteed by other forms of guarantees, such as monthly salaries, goods (like cars), etc.

### 3- Households' debt burden

In this section of questions, borrowing households are asked to provide information on the *largest existing debt* that is also the most burdensome for their household. Consequently, the shares of responses are calculated on the total number of the borrowing households responding to each question.

**3.1- Change in debt monthly payments.** Around 77% of borrowing households declared that their debt monthly payment has not changed during 2021 H1. The *net balance* of the rest of the responses (23% of borrowing households) resulted at 2.9 p.p., decreasing compared to the previous six months, although above the values registered in the previous year.

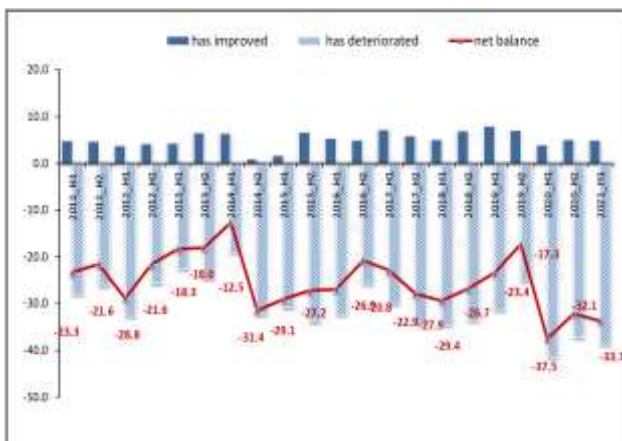
**Chart 3.1 Change in debt monthly payments in the past six months**



Source: Bank of Albania.

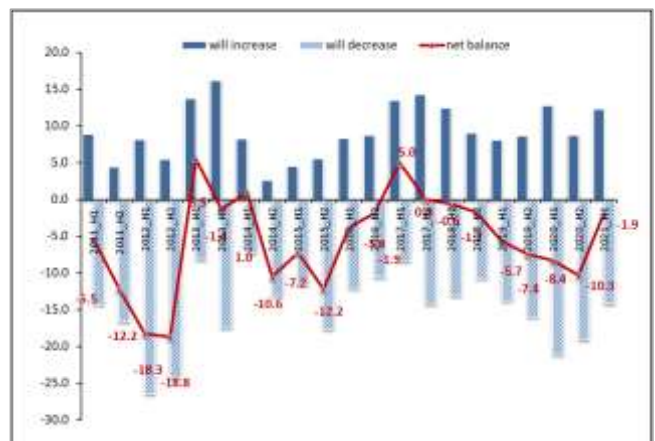
**3.2- Households' solvency during 2021 H1 and expectations for 2021 H2.** About 56% of the borrowing households declared that their solvency '*has not changed*' during 2021 H1, and this share has decreased by 1 p.p. compared to the previous six months. The rest of the responding borrowers assess, on aggregate, '*a slight deterioration of their solvency*' compared to the previous period, (39% reported '*deterioration*' and 5% reported '*improvement*').

**Chart 3.2 Household's solvency during 2021 H1**



Source: Bank of Albania.

**Chart 3.3 Household's expected solvency in 2021 H2**

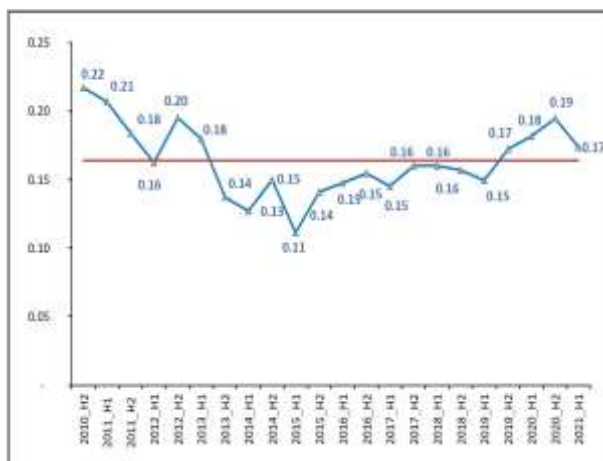




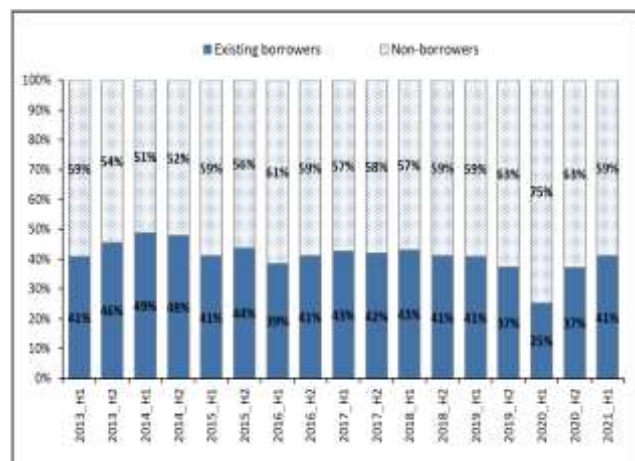
The household's perception of their solvency is somewhat worsened compared to the previous six months, but significantly optimistic compared to the previous year (Chart 3.2), reflecting the positive effect of re-opening the economy following the loosening of the restrictive measures imposed due to the pandemic. This is also reflected in the households' improved expectations regarding their future solvency. Thus, 74% of borrowing households *do not expect a change in their solvency in 2021 H2*, while the net balance of the rest of responses resulted in – 1.9 pp, indicating more optimistic expectations compared with the results of the previous six months and the previous year (Chart 3.3).

**3.3- Household's borrowing plans for the upcoming six months**<sup>8</sup>. Around 60% of the respondents declared that they *do not expect to take a new loan in the upcoming six months*, whilst around 40% of them (or 439 households) might consider this option (with various degrees of certainty<sup>9</sup>), and this share has decreased by 3 p.p. compared to the previous six months and by 1.6 p.p. compared to the previous year.

**Chart 3.4 New borrowing planning/rollover index in the next six months**



**Chart 3.5 Households that plan to borrow in the next six months**



Source: Bank of Albania.

As a result, the *new borrowing planning/rollover index*<sup>10</sup> resulted at 0.174, marking a decrease compared to the previous survey and the previous year, remaining however above its long-term average (Chart 3.4).

Focusing the analysis only on the group of households that *plan to take a new loan* (439 households), it results that about 59% of them are *'new borrowers'*, meaning that they don't have any existing debt by the time of the survey (Chart 3.5). This share decreased by 4 p.p. in semi-annual terms.

<sup>8</sup> The question is addressed to the entire sample of 1210 households and 1056 households' responded, or around 87% of total sample.

<sup>9</sup> The given alternatives are: "little possibility", "many possibilities" and "it is certain".

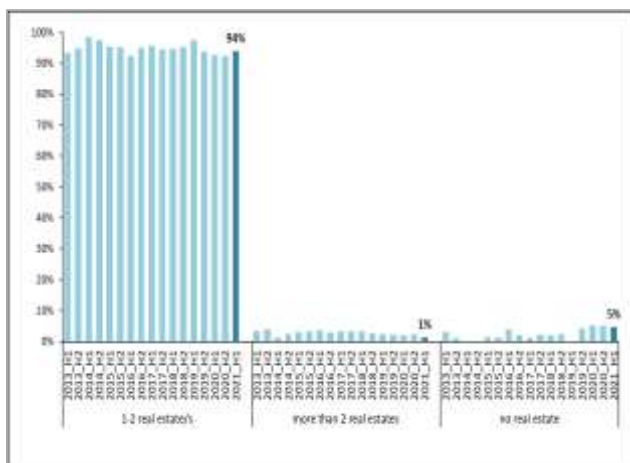
<sup>10</sup> The index is calculated as weighted average of % of responses for each alternative with relevant coefficients. On the definition of the coefficients, the interval 0-1 is separated in 4 sub-intervals with equal length of 0.33. Coefficients for each alternative are: 0 ("no possibility"), 0.33 ("little possibility"), 0.66 ("many possibilities") and 1 ("it is certain"). The index takes values from 0 to 1, where the nearest to 0 the index value results, the smaller is the chance to get a new loan, and the closest to 1, the higher the probability of getting new loan in the next half-year.

## 4- Households' wealth

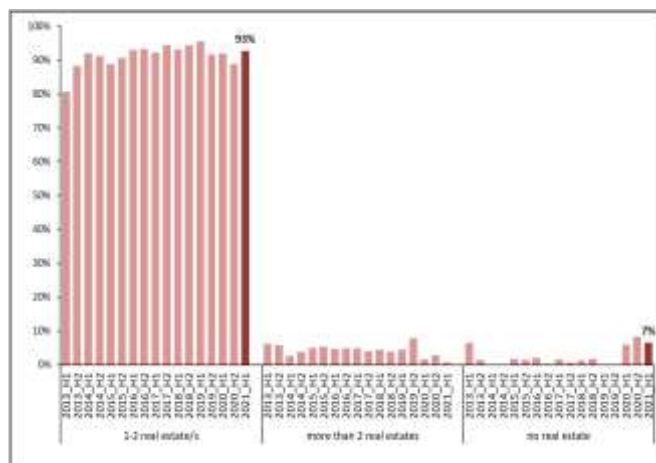
This section contains only two questions regarding the households' properties and their financial wealth, and is addressed to the entire sample. The results of 2021 H1 are presented below:

**4.1- Households' real estate properties.** A total of 1087 households responded to the questions of this section, of which 95% reported to possess at least one real estate property. The responded households declared to own a total of 1542 real estates of different types (upwards mainly in 'residential properties' compared to the previous survey), where: 94% of them (1023 households) own "1-2 real estates", mainly residential properties or a combination of residential property/ies and another property such as land, shop, building etc. This share has increased by 2 p.p. compared to the previous six months and by 1 p.p. compared to the previous year (Chart 4.1). On the other hand, 1% of the total households reported that they 'own more than 2 real estates' (house and land/shop etc.), while 5% reported that they 'do not own any real estate'.

**Chart 4.1 Distribution of households (total sample) by the number of real estates they own** (in % of total responding households)



**Chart 4.2 Distribution of borrowers by the number of the real estates they own** (in % of total responding households)



Source: Bank of Albania.

Focusing the analysis on the group of **borrowing households** only (261 households), the respondents declare to own in total 244 real estates, of which 69% are "residential properties", 28% are "lands" and the rest are "shops", "buildings" and other types of properties.

The distribution of the borrowers by the number of properties they own, shows that: 93% of them (242 households) own '1-2 real estates' at the time of the interview, and this share has increased by 4 p.p. and 1 p.p., respectively, compared to the previous six months and the previous year. In most cases, these are residential properties or a combination of a residential property and land. Only 1% of borrowers declare that they own 'more than 2 properties' and this share has decreased by 1 p.p. compared to the previous half-year survey, while 7% of borrowers declare that they 'do not own any property' (Chart 4.2).

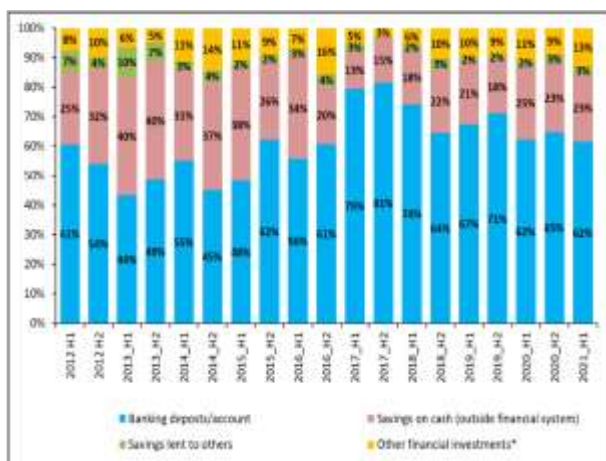
**4.2- Households' financial wealth**<sup>11</sup>. For the period under review, 47% of the total surveyed households (borrowers and non-borrowers) and 67% of borrowing households declare that they "do not own any type of financial wealth" and both shares have increased by 7 pp, respectively, compared with the previous survey.

<sup>11</sup> 1088 households that took part in the survey, answered the question regarding the financial wealth of the households.



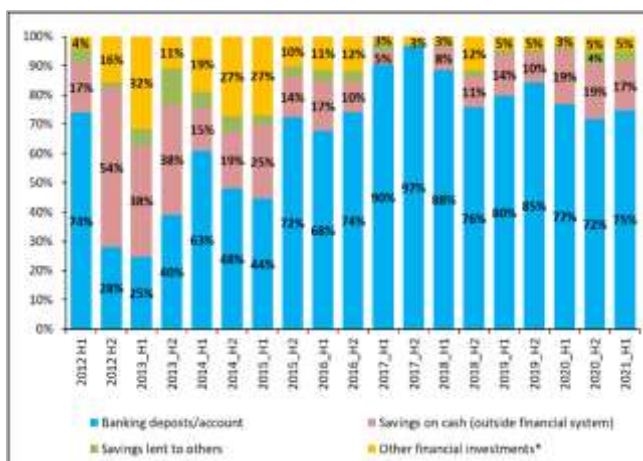
Focusing the analysis only on the group of households that have declared financial wealth of various forms (excluding the cases where the household 'does not possess any financial wealth'), it results that '*deposits and/or bank accounts*' continue to remain the main type of financial investment, both for the total sample (62% of cases) and the borrowing households (75% of cases). Compared to the previous six-months, these shares have decreased by 3 p.p. in case of total households, but have increased by 3 p.p. in the case of borrowing households.

**Chart 4.3 Financial assets owned by all households**  
(total sample, in % of total responses)



Source: Bank of Albania.

**Chart 4.4 Financial assets owned by the borrowing households only**  
(in % of borrowers responses)



The use of other types of financial investments, defined as "*other investments*"<sup>12</sup>, has increased in the case of the total households (both in semi-annual and annual terms), and has remained unchanged in semi-annual terms (but increased in annual terms) in the case of the borrowing households. On the other hand, there is a decrease by 2 p.p. in the share of households that report to keep their savings in the form of *cash* (outside the financial system/banks) in the group of borrowing households, while this share has remained unchanged in the case of the total sample.

In contrast with the two previous surveys, there is an increasing trend of keeping wealth (including deposits/current accounts and other investments) inside the financial system, for both the total sample of households and the group of the borrowing households.

<sup>12</sup> Other investments" summarizes investments in: T-bills, life insurance, pension funds and securities.