

Ardian Fullani: Recent economic and financial developments in Albania

Speech by Mr Ardian Fullani, Governor of the Bank of Albania, at the joint press conference with the International Monetary Fund (IMF) Mission and the Ministry of Finance, Tirana, 14 July 2010.

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Honourable participants and representatives of print and visual media,

The visit of the International Monetary Fund Mission is characterised by fruitful and intensive discussions. They were focused on the recent developments at home, their perspective in the near and far future and the role of structural and macroeconomic policies to encouraging and ensuring the sustainable development of the country.

At the end of these discussions, we conclude that we share a common opinion as regards to the role and importance of prudent policies, which should have at their heart the maintenance of the basic economic balances, as an essential prerequisite for the stable and long-term growth.

Likely positive is the fact that the principal decision-taking institutions remain committed to perform concrete steps in due time to ensure this development.

The Bank of Albania has already adopted this position and transparency, as a guidance of its decision-taking process in both the monetary policy and banking supervision fields. The respective explanation has composed the essence of our communication with the other players of the economy and with the public at large.

Allow me to deal in more details the issues discussed during these days, by summarising the opinion of the Bank of Albania in this regard.

The economic developments of the last months carry encouraging signals, but also they show some weakness of the Albanian economy and the compromises that policy-makers should realise and accept to accomplish their targets.

The Albanian economy, during the first half of 2010, has performed in line with our projections, being characterised by a positive, but slow growth of the economic activity.

This growth is considerably grounded on the quick increase in exports, by denoting the improvement of the world economy, the more competitive position of the exchange rate, also the efforts of businesses and industries which carry out their activity in this sector to find new markets and the use of their competitive advantages.

On the other hand, the domestic demand slowed down, mainly reflecting the still high uncertainty and the difficulties in the financing of the economic activity. As regards to the basic balances of the economy, this period is followed by controlled downward inflationary pressures, as well as correcting trends in the external position of the country.

The economy financial health is improved, the confidence on banking system is recovered and the risk premiums have been declining.

Economic developments during the first half of year have imposed the need to discuss the review of fiscal policies and projections for the rest of year. The realisation of public revenues and the need to preserve the fiscal stability and public confidence imposed the indispensability to take precautions which guarantee the control of both budget deficit and public debt.

The Bank of Albania, always requesting the accomplishment of these measures, considers the envisaged fiscal precautions in the reviewed budget as the right step in this direction.

The accomplished real management of the fiscal situation and the adoption of a prudence philosophy regarding the implementation of budget for year 2010 are considered as the needed steps for the long-term fiscal sustainability and for the strengthening of macroeconomic balances.

Among others, a lower pressure of public sector on the domestic monetary markets establishes more adequate conditions for the lending to private sector, through the reduction of risk premiums and the control over long-term interest rates.

Bank of Albania remains ready to further support these developments by other steps of the monetary policy, which shall aim the transmission of a careful monetary stimulus to the economy. At the same time, we shall make the right efforts in order the banking system transmits timely and successfully this incentive, thus augmenting the lending of private sector.

Finally, allow me to emphasise that the current situation and the next developments of the country are expected to remain at positive lines, but they also impose the needed attention to avoid the possible risks that may hit the economic stability, also threat the potentiality of the long-term growth.

In particular, the Albanian external position shall remain at the focus of our attention. In the short-term it will measure and conditions the economic incentives, which might be successfully absorbed from the Albanian economy. In the long-term, we repeat our call that the encouragement of foreign direct investments or of the other forms of long-term capital inflows is the right way for the long-term development of the country. Altogether with the domestic structural reforms, public authorities should pay an increasing attention on this target, to release the development potentiality of the Albanian economy.