

Ardian Fullani: Inflation targeting in practice

Greeting address by Mr Ardian Fullani, Governor of the Bank of Albania, at the regional seminar on Inflation targeting in practice, Tirana, 10 October 2005.

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Dear participants,

It is a great honour for me to address the opening speech of the regional seminar "Inflation targeting in practice" organized by the Centre of Central Banking Studies in association with the Bank of Albania. I am delighted to see that the audience has an international composition. At the same time, I would like to take the opportunity to give my cordial thanks to Mrs. Gill Hammond, CCBS Deputy Director and all speakers accompanying her during the proceedings of this seminar. I would also like to thank the Bank of England and in particular the Director of the Centre of Central Banking Studies, Mr Mario Blejer, an old friend of mine, who continues to give his contribution to the improvement of the Albanian image in the world, just like many years ago.

This seminar is being organized in a very opportune time for the Bank of Albania. In less than two months, I shall be once more in front of a very distinguished international audience, to address the opening speech of the Open Forum on "Pre-conditions for launching inflation targeting in Albania". The object of this forum is to discuss the prime pre-conditions to be met by the Bank of Albania before launching the implementation of a new monetary policy strategy, with a particular emphasis on Albania's membership to the European Union in the long-term run.

The fact that we have been successful in controlling inflation during the last years holds true. We have managed to attain a general stability and I believe the policy adopted by us has been one of the key factors. Another fact which holds true is that, for some time, we have been considering to take another step, attempting a more sophisticated, effective and certainly a more responsible and transparent monetary policy approach. To this aim, we have come to the conclusion that the actual framework of the monetary policy requires the necessity of being further completed and perfected with standard elements, adopted by other countries in the world and where the targeting inflation regime has proven to be successful.

We are aware that this is not an effortless initiative to be seized. Therefore, I consider that this is a great fortune for the Bank of Albania to have the possibility, on the verge of discussing the pre-conditions of adopting this regime, to closely discuss and consult the distinguished guests present in this seminar. I trust straight opinions and recommendations shall be brought forth, be they challenging to be accomplished.

According to theory, inflation targeting is a direct regime. The Central Bank forecasts the forthcoming inflation performance; this forecast is then compared to the targeted inflation rate; and the difference between the forecast and target determines the proper adjustment of the monetary political instrument. But, unfortunately or perhaps, fortunately, this relatively new monetary regime is not the rescue solution of a central banker's affliction. I am confident that the honourable participants who are speaking during the three days of the seminar, shall enlighten in more details, based on the experiences of the central banks they represent, the complex issues and challenges they had to encounter, while adopting this regime.

The agenda of this three-day seminar seems promising, and the interweaving of theory and practice is outstanding. It begins with the theoretical considerations on inflations targeting, proceeds with the three main pillars of monetary policy communication: independence, transparency and accountability. Not by accident, the new approach required by the inflation targeting regime has been defined as the "forecast path". The distinguished economists from the Centre of Central Banking Studies shall introduce us to the econometric techniques, which come to help during the inflation forecast process. To conclude, the Czech National Bank, shall bring the experience of an economy in transition adopting this regime.

And last but not least, on behalf of the Bank of Albania, I would like to thank the Centre of Central Banking Studies (Bank of England) for the opportunity granted to the institution I govern, to cooperate

and to consent the holding of this regional seminar in our country. This activity is the first in its kind, and I express my highest considerations for the trust that the Bank of England has put to the Bank of Albania. The Centre of Central Banking Studies is internationally recognised as a centre of intellectual excellence in the area of central banking studies. Considering the goal that this centre has set to itself, as an opportunity provider to central banking employees to be endowed with ampler perspectives in the respective areas of expertise, I call for your attention to listen to what the distinguished experts shall say. Their professional achievements and the central banks they represent guarantee this.

Thank you and good proceedings!