

## **Ardian Fullani: Albania – optimistic, flexible and adaptive to challenges**

Speech by Mr Ardian Fullani, Governor of the Bank of Albania, at the Opening of “Klik Ekspo Group” Fair, Tirana, 25 November 2008.

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Honourable Prime Minister,  
Honourable Ministers,  
Honourable Ambassadors,  
Dear Mr. Uldedaj!  
Dear entrepreneurs!  
Dear ladies and gentlemen!

I feel privileged to be here with you tonight and at the same time, be a friend to the Albanian entrepreneurship.

The times we are living through require the special attention of economic and financial forums, in particular when the latter bring together the governmental bodies, the banking system and the private entrepreneurship. The global table of discussions on macro-finance and future policies is the present focus; hence, I consider this forum as a follow-up of this prevailing philosophy of the time we are living in.

Set in a comprehensive context, the economic developments in the recent months have been characterized by the vague situation the monetary and financial markets and institutions have been going through – which in the last couple of weeks has been followed by other developments. The most recent data show that the economies of developed countries – the USA, Euro area, England and Japan – have recorded decline in economic growth.

However, most emerging economies have shown higher immunity to the consequences of the global crisis. **Economic activity has been buttressed by domestic factors**, which is the main reason to justify the immunity in addition to the incomplete financial integration with the developed countries.

**Although Albania has been “a net importer” of global developments, its economy has shown high level of resistance and absorption.** In the third quarter the present year, the Albanian economy continued to maintain its previous course. The available data on the first nine-month period show that the economic growth has been in line with the projections. Macroeconomic balances remain stable and the banking system continues to be sound. Economic growth at home has maintained its upward tendency. Services and trade sector in particular have provided the main contribution to the economic growth.

CPI inflation continued to fall in October to 2.7 percent. Developments in core inflation indicate that the macroeconomic balances at home and the monetary conditions have been adequate to ensure an inflation rate close to the Bank of Albania target. The achieved stability has been also prompted by the inflationary expectations of economic agents which have been anchored at around 3 percent. These developments attest to the fact that the central bank’s measures have been effective in terms of containing the inflationary pressures. The fiscal policy pursued during the entire year 2008 has observed the targets set in the Medium-term Budget Programme for 2008-2010; consequently, it has not yielded any repressions in economy and performance of prices.

The Albanian banking system continues to operate under optimal parameters, in line with the standards of prudent banking supervision. The latest data indicate that the domino effect induced by the developments in the international financial market has been handled with satisfactorily. In addition, the Bank of Albania has supplied and continues to supply the interbank market with the required amount of liquidity.

**As I have mentioned in my previous statements: There's no such thing as a free lunch!** Meaning that emphasis should be put on the far-sighted perspective characterizing the Bank of Albania in the recent years. I do not refer here only to price stability, but also to the greatest challenge: **banking system stability**. The Supervisory Council of the Bank of Albania has constantly amended the regulatory basis creating incentives for more qualitative lending, while other decisions have aimed at providing more banking system transparency to the public, more efficient internal control and better management and governing structures.

**Regardless of what has been stated above, the future is of prime importance.** For many reasons that I have also mentioned in my previous statements, end-year 2008 and almost the entire year 2009 will in a global context be hard, full of challenges and we will be walking through unknown paths. Overcoming this economic crisis requires time. Its solution will materialize through the resetting of a number of internal and external economic balances, the re-arrangement of many supervisory institutions and the re-design of the regulatory framework on many financial market segments.

Put in this general setting, **the idea that our small economy would resist this global economic tsunami with no consequences at all sounds as unrealistic.** However, this issue is even more intricate. Detecting the risks we may plausibly be faced with is not enough. I think our top priority is the design and implementation of preventive and remedial measures, which would reduce the materialization level of these risks. When I say "our", I mean the state with its entirety of institutions and mechanisms.

Our main challenge – involving the central bank, the banking system, the government, other decision-making and executive authorities, business community and the public in general – **is to maintain the aggregate demand, the production potentials and the financial resources in economy at unchanged levels.** These are our top national priorities.

Put differently: keep the real economy going; make sure economic growth does not shrink; ensure your business maintains the same rates and that employment grows instead of reducing. **This, dear participants, is may otherwise be referred to as ensuring the stability of the country's economic growth.** On behalf of the institution I represent, I would like to assure you that the Bank of Albania – being one of the main economic and financial decision-making authorities at home – remains entirely committed in this context.

The times we are going through require all the development strategies, economic policies, measures and rules to undergo a strict cost/benefit analysis. In this context, although the crisis is not outlined yet, we have already drawn the first lessons from it. Public and private authorities need to consider these lectures as future opportunities. Mistakes can teach us how to better serve the future. **We should have an optimistic view of the future and at the same time make sure our stance is realistic and consistent.**

**Time is ripe for Albania to start producing more goods and services than before.** Despite the admirable progress in this context, the gap is still wide. Agriculture and industry remain two important branches of the economy operating far from their potential. Additionally, other sectors that have revitalized during the transition years require more orientation and tuning. These measures will enable better diversification of the Albanian economy, augmenting its stability with the passing of time. Other challenges I believe relate to the country's external position, implying the reduction of current account deficit and the provision of alternative resources of foreign currency inflows.

Therefore, I think that the role of the state needs to be more pronounced, not only in terms of completing the legal and regulatory basis but also of concluding a number of important structural reforms, in particular those related to the land, ownership titles, pensions, to the support of the small and medium-size business, to the further improvement of business environment and the ongoing upgrade of national infrastructure. **The further strengthening of safety nets**, in the context of a stable fiscal and financial position, is an obligation whose accomplishment would reduce both the real and perceived risk of the Albanian economy, hence **creating incentives for the growth of domestic and foreign investments.** Time is

ripe for the state budget to involve the participation of private entrepreneurs in strategic investment projects through joint financing programmes.

The banking system plays a vital role. Banking loan has played a key role in Albania's economic development. It has been a source of profit in your business and it has to remain so in the future as well. In my recent communications with my counterparts and in the various meetings with senior officials of foreign banks' main headquarters I have truthfully presented our country's economic situation and I have required from them to keep their interest in the Albanian economy unchanged.

I avail myself of this opportunity to address to the Albanian entrepreneurship. You have to keep being active and focused on formulating and implementing your future business plans. This would be the only way for you to remain well-capitalized, lucrative and credible to the banking system. In the current economic conditions, private entrepreneurship should be a supporter and promoter in the formulation of domestic strategies at home, in the region and broader, and in their implementation process. All conditions are in place for the Albanian business to go beyond the official regional borders, hence, becoming a factor in ensuring a stable regional activity. This also means a real integration into the targeted standards.

Concluding, I would like to highlight that the small countries like Albania, should be optimistic, flexible and adaptive to challenges. Only in this way, they may find themselves able to sail into the international waters.

Thank you.