



BANK OF ALBANIA

18TH SOUTH-EASTERN EUROPEAN ECONOMIC RESEARCH

WORKSHOP

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Albania in numbers: Activity of the banking system in the period 1944-1990

Fiqiri Baholli

Bank of Albania

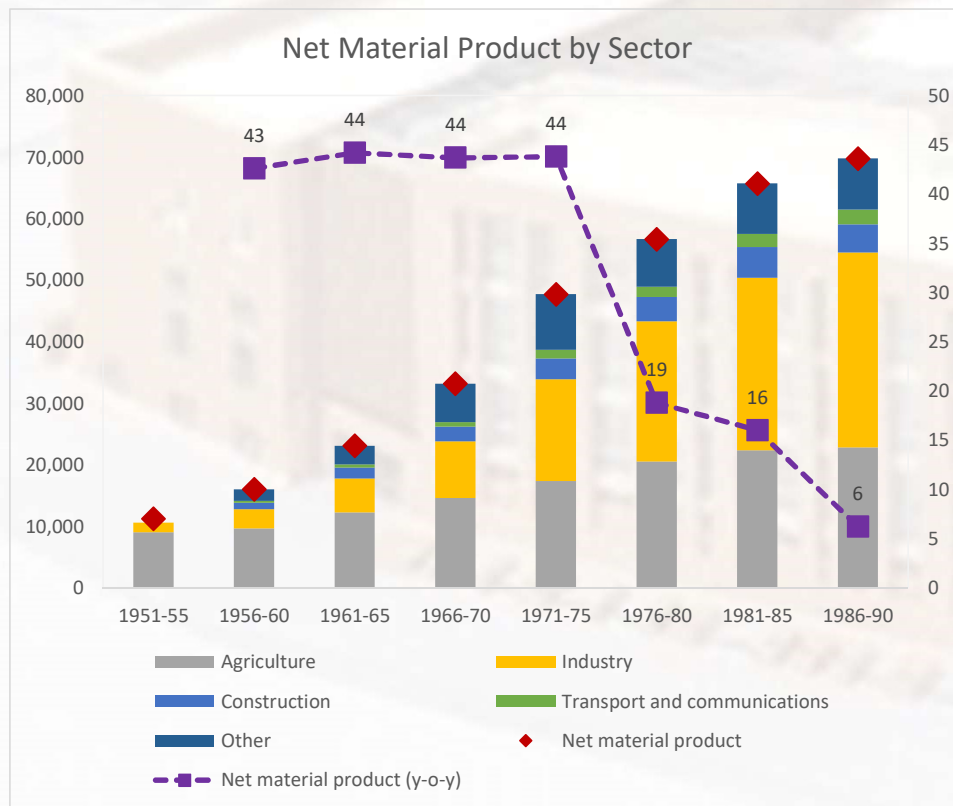
Outline

- Economic performance in Albania
- Household Financial Assets and Liabilities
- Financial system in Albania, monetary policy and credit
- Final remarks

Introduction

- The economic development of the country from the end of WWII until 1991, as presented in various university textbooks and publications, was based on the "inspirations" of the Party of Labour, and on a scenario created by the one-party socialism.
- This system has been confirmed to be the greatest failure of any other system.
- The leading party promised to empower the people, but in reality, it wasted resources, concentrated power in families, and supported a cult of personality.

Albania's economic development



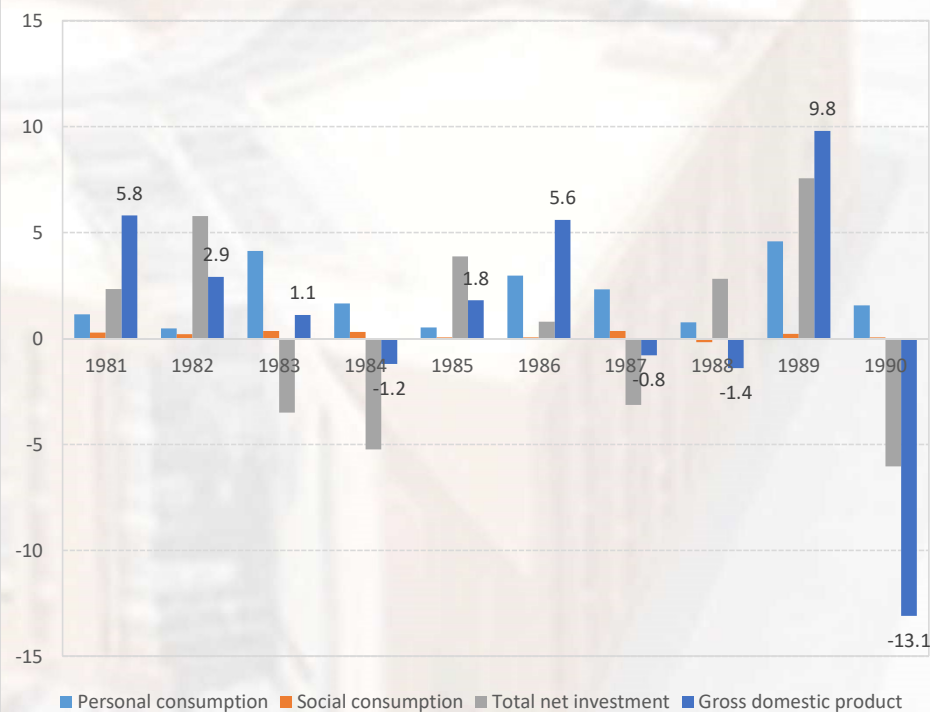
- The data show that during this period all market mechanisms were replaced by a centralised economy.
- Economic decisions on production, prices, investment and foreign trade were centralised in line with the five-year plan. In addition, prices and wages were fixed and did not change;
- The growth rate of GDP averaged 31% during 1951-99.
 - the 1951-1975 period showed average growth of 44%;
 - the 1976-1990 period showed 14%;
 - The last five years saw the lowest growth of 6.2%.
- Agriculture and industry account for about 80% of total GDP.)

Albania's economic development

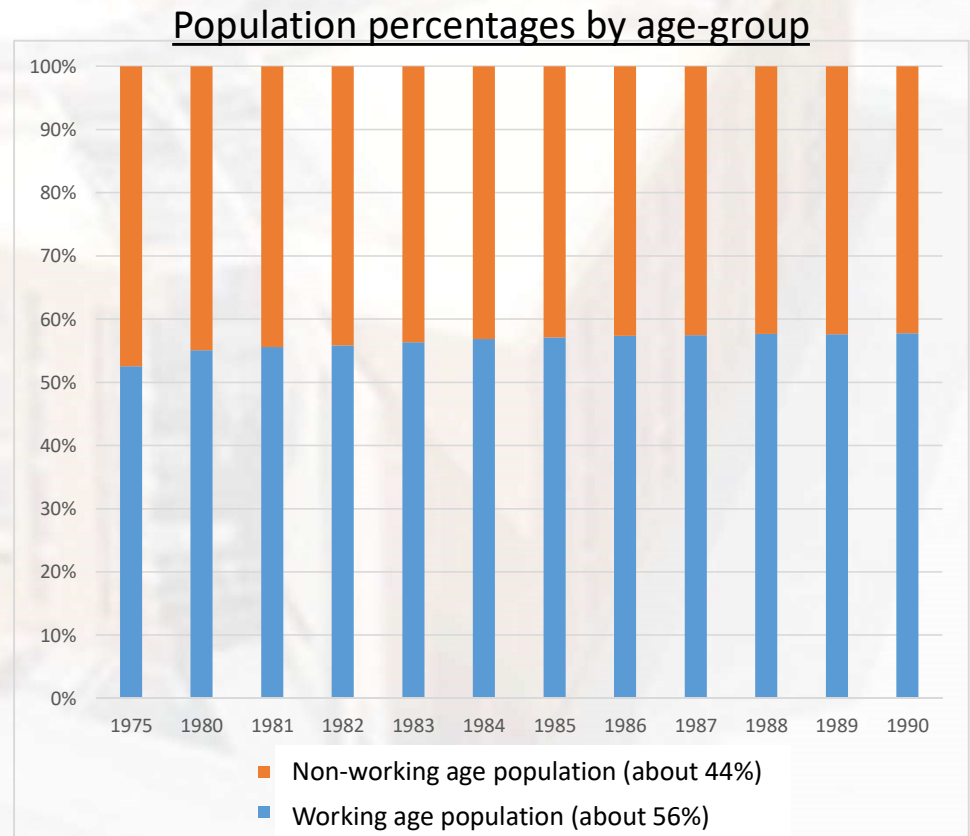
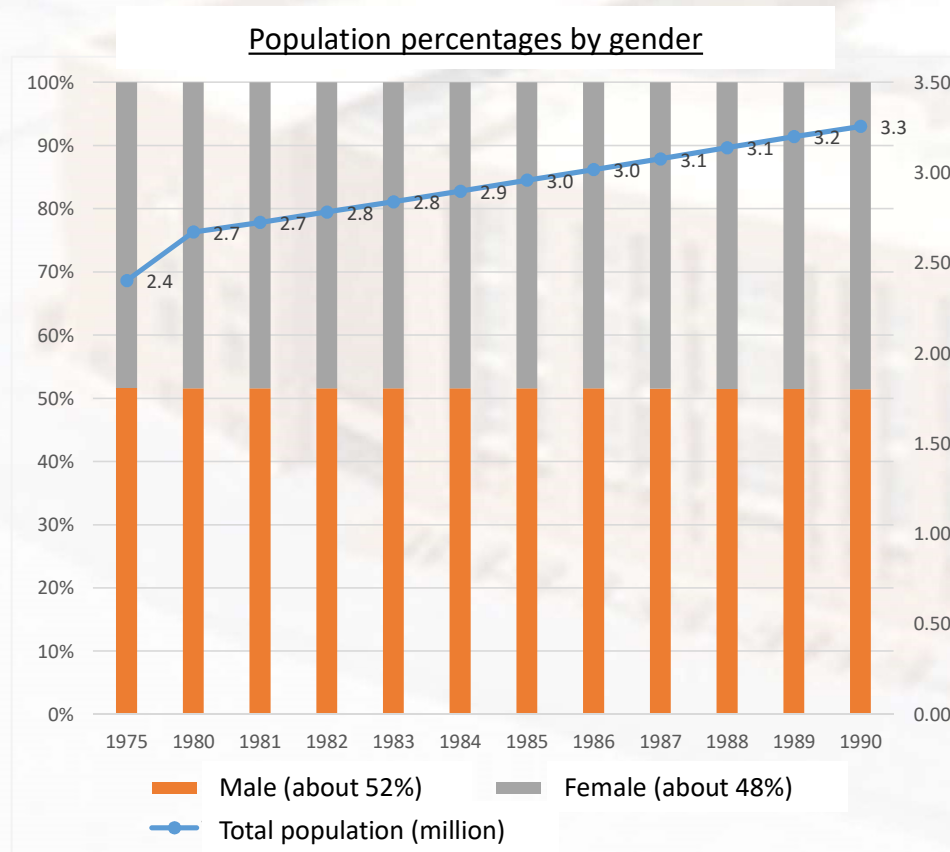
Annual percentage change in constant 1986 prices



GDP growth and the main factors behind it



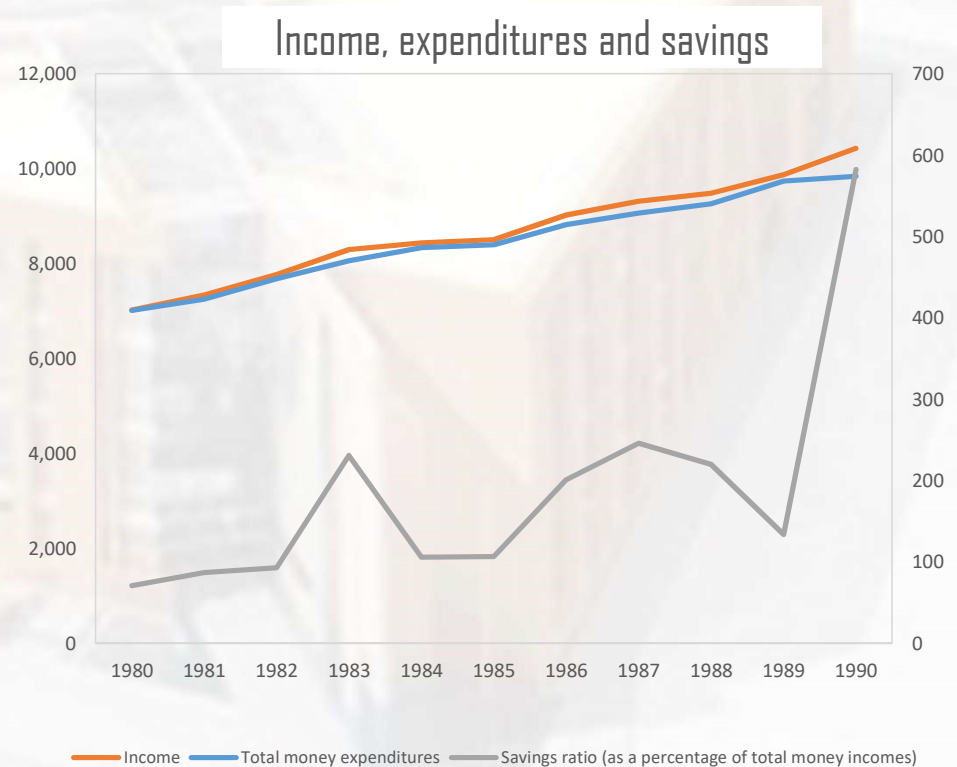
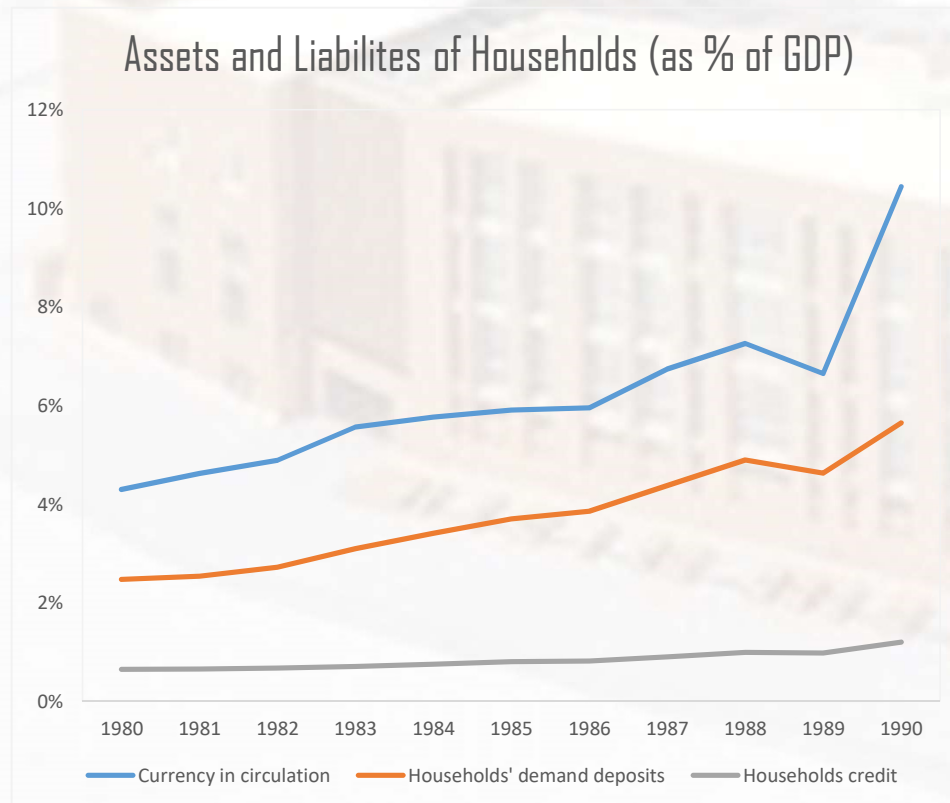
Total Population and Labor Market



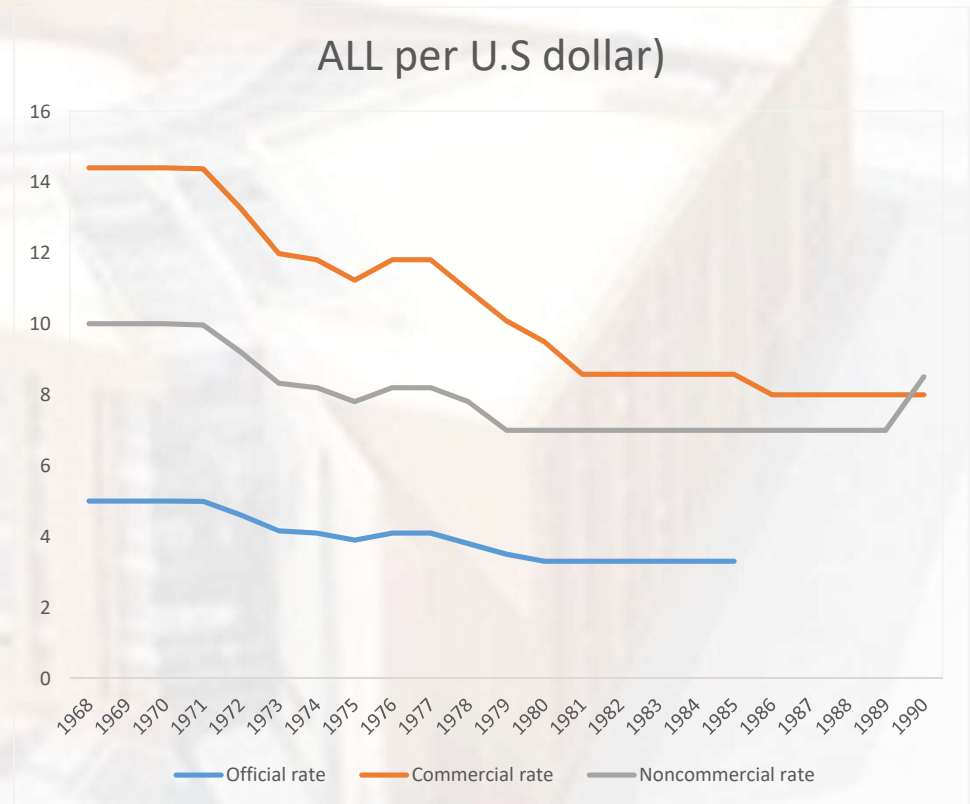
Total Population and Employment data for Albania (1975-1990)

	1975	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990
Total population	2.40	2.67	2.72	2.78	2.84	2.90	2.96	3.02	3.08	3.14	3.20	3.26
Labor force (as % of total population)	41%	44%	45%	45%	46%	46%	47%	47%	47%	48%	48%	48%
Male (as % of Labor force)	NA	52%	52%	52%	52%	52%	52%	52%	52%	52%	52%	52%
Female (as % of labor force)	NA	48%	48%	48%	48%	48%	48%	48%	48%	48%	48%	48%
Total employment(as % of total population)	37%	42%	43%	44%	44%	44%	44%	44%	45%	45%	45%	44%
In state sector (as % of total employment)	56%	58%	58%	58%	59%	59%	59%	60%	60%	61%	62%	63%
In cooperative sector (as % of total employment)	44%	42%	42%	42%	41%	41%	41%	40%	40%	39%	38%	37%
Total unemployment (as % of total population)	3%	2%	2%	1%	2%	2%	3%	3%	2%	3%	3%	4%
Registered unemployment ³	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%
Male ³	18%	25%	26%	29%	27%	28%	34%	35%	34%	33%	38%	41%
Female ³	82%	75%	74%	71%	73%	72%	66%	65%	66%	67%	62%	59%

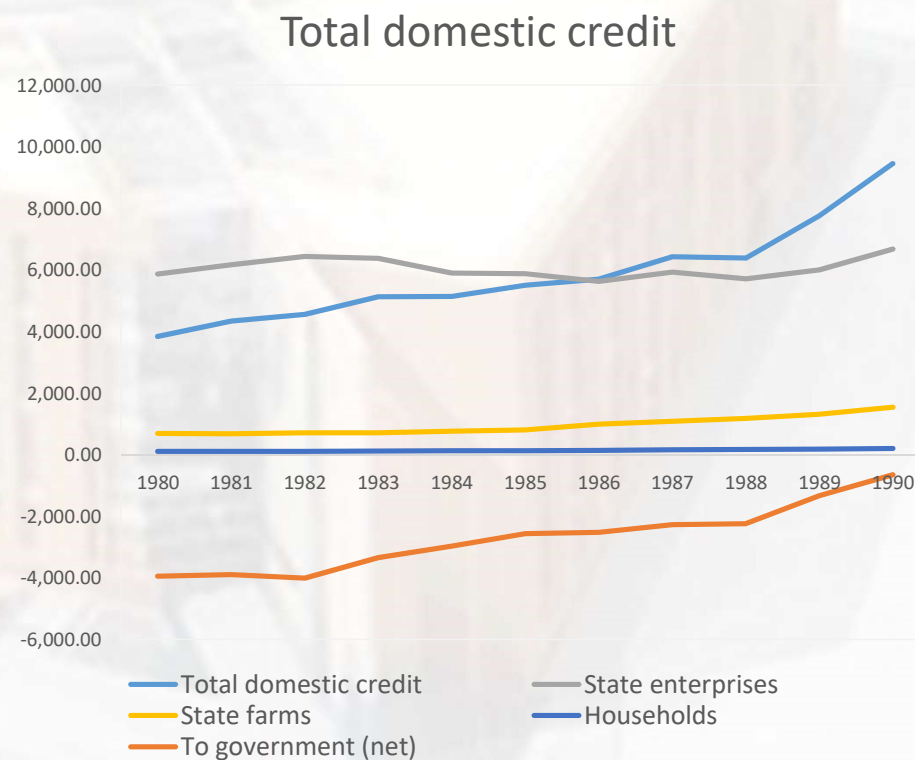
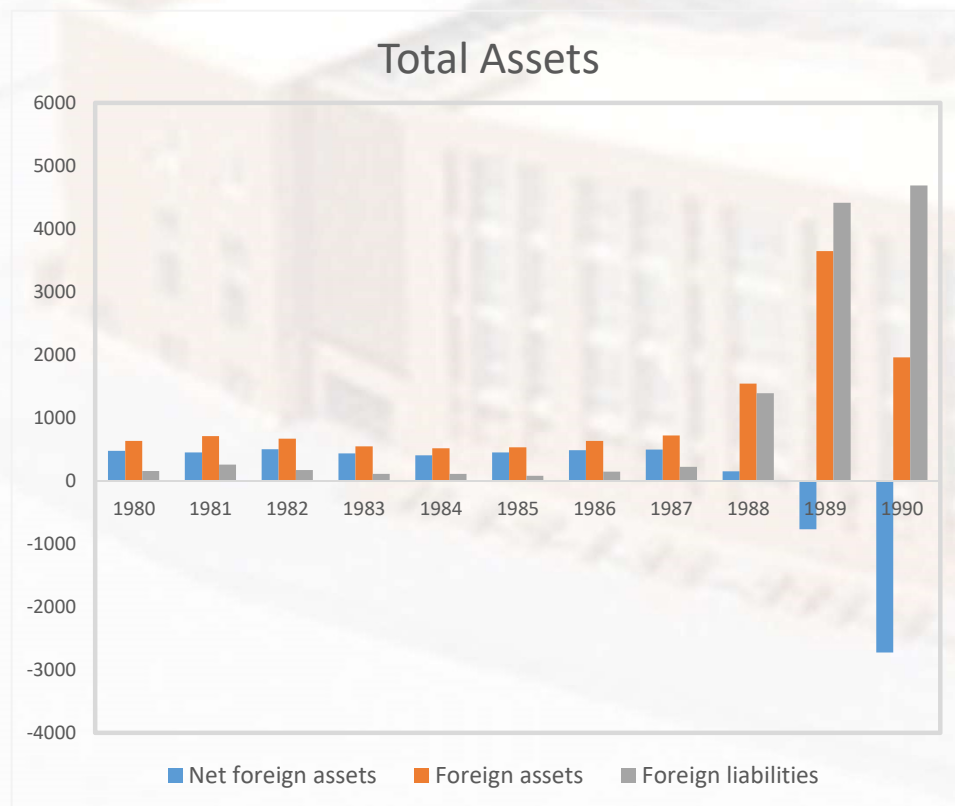
Household Financial Assets and Liabilities



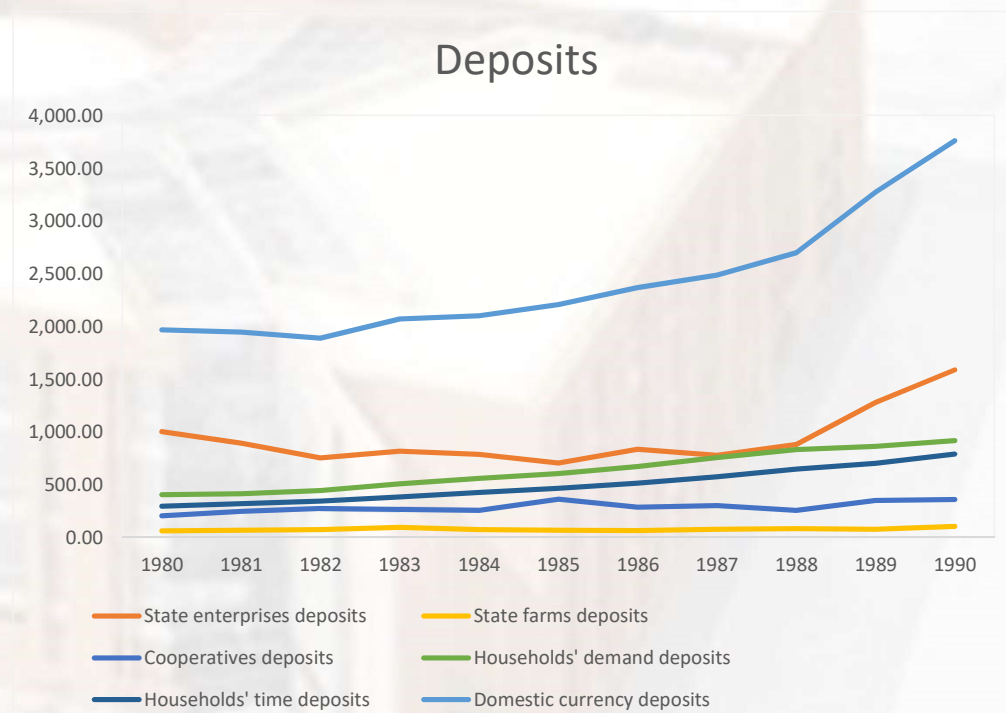
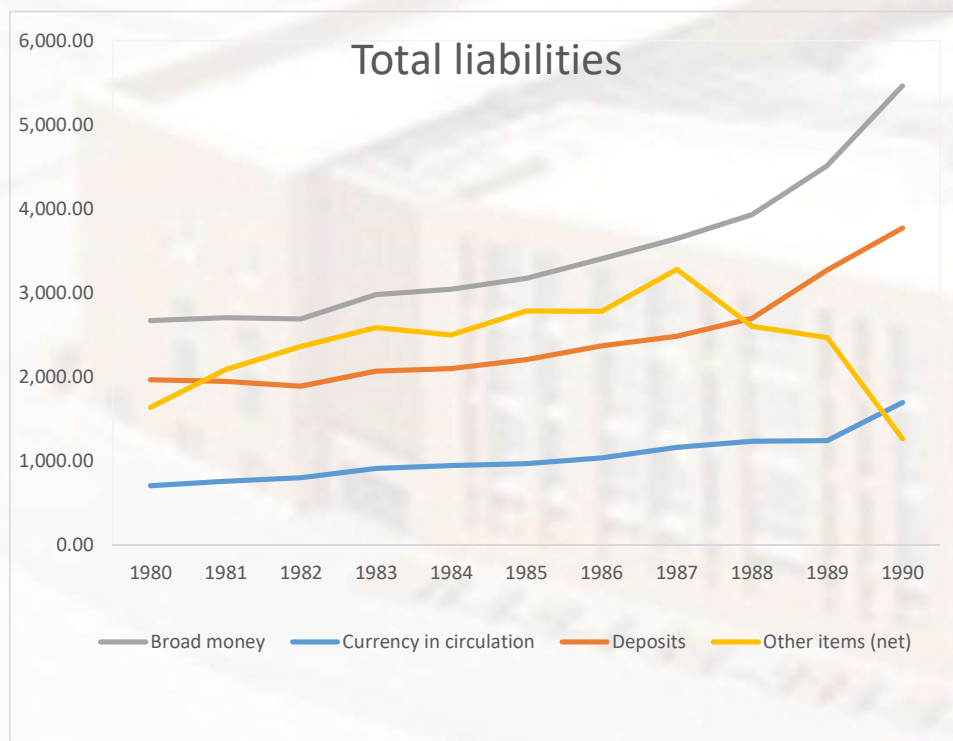
Price Developments



Assets and credit overview



Liabilities and deposits of the Albania's banking system



Foreign exchange reserves

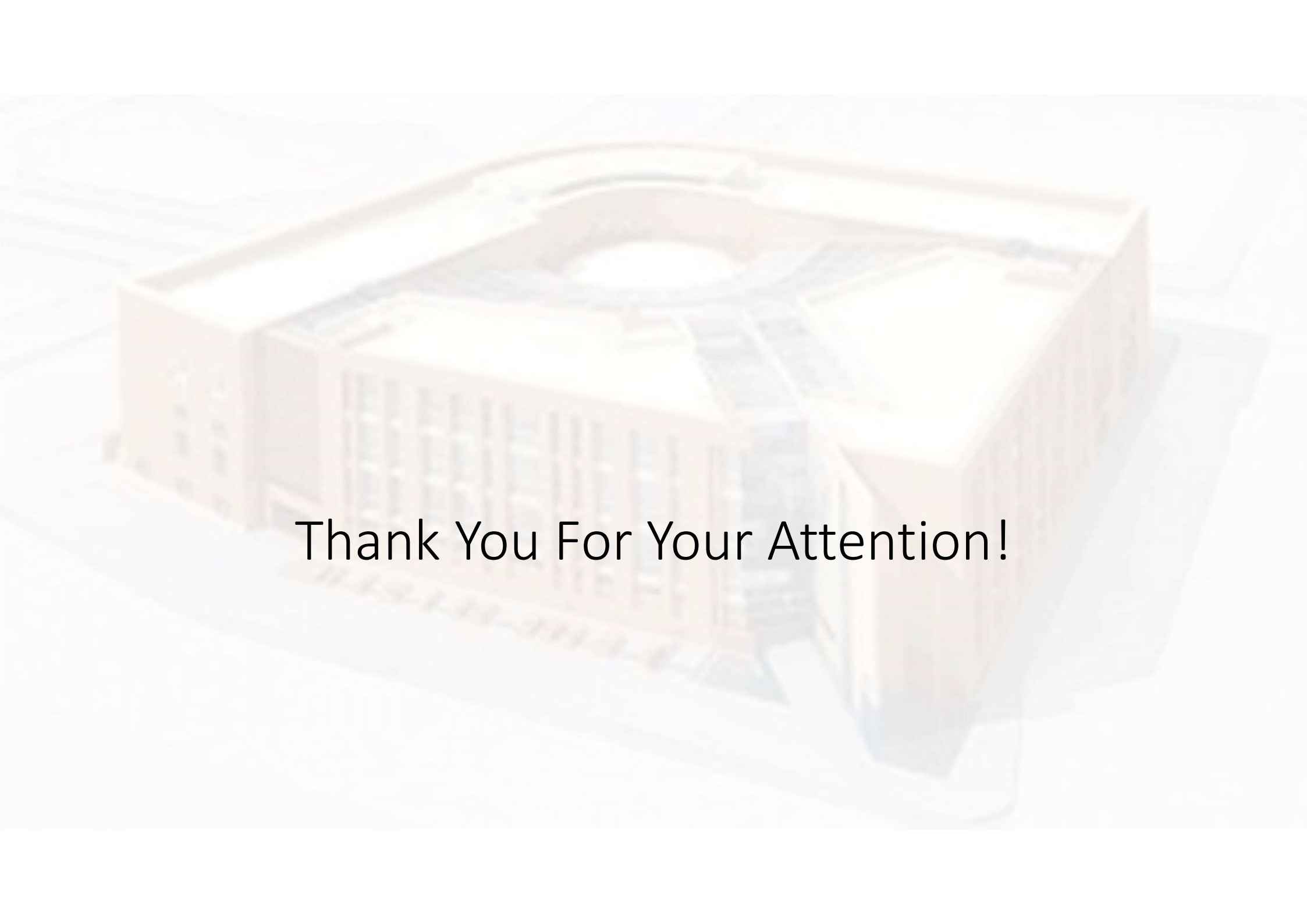
	1970	1975	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	June 1991
Official external reserves	23.6	59.7	82.6	108.8	95.3	54	42	24.4	23	34.7	165.3	429.5	223.2	16.6
Gold ¹	8	8.4	9.6	9.9	10	10.3	10.5	10.7	10.8	10.9	8.5	6.2	1.6	1.9
Foreign exchange	15.6	51.3	73	98.9	85.3	43.8	31.6	13.8	12.3	23.8	156.8	423.3	221.6	14.7
Short-term foreign liabilities in convertible currencies held by State Bank of Albania	—	—	2	3.7	2	2.4	2.6	3.3	2	2.7	111.2	497.7	473	331.8
Deposits	—	—	2	3.7	2	2.4	2.6	3.3	2	2.7	111.2	497.7	267.1	—
Arrears	—	—	—	—	—	—	—	—	—	—	—	—	206	331.8
Net international reserves														
Gold at \$42.22 an ounce	23.6	59.7	80.6	105	93.3	51.6	39.4	21.1	21.1	32	54.2	-68.2	-249.8	-315.2
Gold at current market price	22.4	83.4	210.9	202.6	172.7	144.6	118.5	90.8	104.3	136.6	133.6	-18.5	-236.9	-301.3
Foreign assets in nonconvertible currencies (net)														
Held by State Bank of Albania: Total	-13.6	21.2	16.3	47.8	20.4	5	9.6	3.4	5.7	-16.8	-53.2	-44.5	-80.3	-90.7
Rubles	-10.7	3	12	20.1	24.7	8.2	13.1	9.7	11.3	-4.1	-27.1	-12.5	-41.2	-54
Clearing dollars	-2.9	18.2	4.3	20.7	-4.3	-3.2	-3.5	-9.5	-5.6	-12.8	-26.1	-32	-39	-47.5
Memorandum item:														
Gold in ounces	188,900	199,200	227,600	233,500	238,000	243,700	248,400	253,100	255,600	258,800	201,391	146,516	37,800	45,217

Sources: State Bank of Albania; and IMF staff estimates.

¹Valued at \$42.22 an ounce

Final remarks

- As Albania attempts to reform its system and re-join the global economy, the picture that emerges is of an economy in crisis.
- It is experiencing a sharp contraction in economic activity (30-40 per cent in 1990-91), a sharp deterioration in its external accounts, a virtual depletion of foreign exchange reserves and a rapid accumulation of external debt and arrears.
- The *banking system* in Albania is composed of the State Bank of Albania, the State Agricultural Bank, the Albanian Commercial Bank (formerly Albanian State Bank for Foreign Relations), and a network of savings bank branches. The State Bank of Albania (SBA) performs both central banking and commercial banking functions.
- Monetary policy was an integral part of the Albanian national planning process. The Council of Ministers decided on credit at the beginning of each year based on joint recommendations from the Ministry of Finance, the State Planning Commission and the SBA.
- Credit to the economy grew by 11.2 percent, reflecting bank lending to support the plan due to government delays. At the end of 1990, the government's domestic arrears on its 1990 budget operations amounted to Lek 1.9 billion.
- Albania's net foreign assets declined by Lek 2.0 billion during 1990. The net external asset position deteriorated in 1990 due to a reduction in gross external assets, reflecting the financing of the balance of payments deficit and losses on the SBA's trading operations.



Thank You For Your Attention!