

Albania

The pace of economic growth remained high during the 2021. According to INSTAT, the economic activity grew by 8.5% during 2021. Economic growth was driven by many factors and was broadly-based. It was accompanied by a lower unemployment rate and higher inflationary pressures. In December 2021, the Bank of Albania reconfirmed its accommodative monetary policy stance, maintaining an unchanged policy rate, at its lowest historical level of 0.5%. The inflation rate in Albania increased rapidly, reaching 3.7% in December 2021. The fiscal policy also remained accommodative in the second half of 2021, maintaining the same approach as in the previous year. In December 2021, the fiscal deficit reached ALL 90 billion, down by ALL 25 billion from the same period in the previous year. The deficit tightened as a result of the strong annual recovery of income (20%).

During the period of 2021, the share of financial system assets to GDP slightly increased, reaching 111%. Banking sector activity and investments funds were the main contributors to this increase. The share of the banking sector to GDP reached 99%, while the share of the non-bank sector was 12% of GDP, remaining unchanged from the previous year. The banking sector was well-capitalized. The capital adequacy ratio at the end of the period was 18%. The indicator remained unchanged during the period, but decreased compared to the previous year due to the rapid growth of risk-weighted assets. All banks meet the required minimum capital adequacy ratio of 12%. The financial leverage ratio increased during the year, and was higher for banks with Albanian capital.

As at the end of 2021, the structure of the banking and financial system in Albania consisted of 12 banks, 35 non-bank financial institutions (NBFIs), 556 foreign exchange bureaus, 16 Savings and Loan Associations (SLAs) and one Union of SLAs.

During 2021, despite the situation created by the Covid-19 pandemic, applications to conduct foreign exchange activities continued. At the end of 2021, a total of 556 foreign exchange bureaus were operating in the foreign exchange market.

The banking sector closed 2021 with a profit almost 30% higher than the previous year. The financial result recorded an annual growth due to the increase of net interest income and other activities income, and a decrease of expenditures for loans provisions.

At the end of 2021 H1, outstanding loans totaled around ALL 670 billion, up 10% from the previous year. Deposits grew by 7%, during the period, and by 11% compared to the previous year, reaching ALL 1,433 billion.

As at end of 2021, the non-performing loans ratio (NPLR) dropped by 2.46 percentage points, in annual terms, to 5.65%. At the end of 2021, the non-performing loans reached at ALL 37.9 billion. Meanwhile, the loan portfolio increased by ALL 62.12 billion, or 10.28% during this year.

Customer deposits remain the main source of financing for the Albanian banking system, sharing 80.8% (81.3% in in December 2020) of total liabilities. In December 2021, the total value of deposits in the system amounted to ALL 1.433 billion, recording 10.25% annual growth from the previous year.

Structure of deposits by currency has changed slightly in favour of foreign currencies, in a ratio 48%/52% broken by lek/foreign currency, due to the strong growth in foreign currency-denominated deposits. The share of the domestic currency in total deposits decreased to 41.1%, from 49.5% in December 2020.

Due to a higher positive financial result than in the previous year, the main profitability ratios, Return on Average Assets (RoAA) and Return on Average Equity (RoAE), increased compared to 2020. At the end of 2021, RoAA stood at 1.31% and RoAE at 12.89%, from 1.10% and 10.41%, respectively at the end of 2020.

At the end of 2021, the financial system included 35 NFBIs, up by five entities compared to 2020. At the end of 2021, the gross credit portfolio of NFBIs reached ALL 42.1 billion, registering an increase of ALL 5.51 billion (or 15.1%) compared with the previous year. The credit portfolio of NFBIs accounted for 5.9% of total credit in the banking system, maintaining almost the same share compared to the previous year.