

Monetary policies and banking development in Albania during 2020 and onwards

PhD Kristaq Gjyli

Faculty of Law, University of Tirana

Abstract

The Bank of Albania has as its primary objective the achievement and maintenance of price stability. To achieve this target, it follows the inflation targeting regime with a medium-term target of 3%.¹ This point value is considered as the annual inflation rate which supports the healthy growth of the economy. Monetary policy is implemented through open market operations, through repurchase agreements and reverse ones with a one-week term. The Bank of Albania defines a free exchange rate regime, in which the value of the domestic currency against the foreign ones is determined by the movements of supply and demand in the foreign exchange markets. The Bank reserves the right to intervene in this market to manage the level of its foreign exchange reserve, through publicly announced auctions. The monetary policy framework and the exchange rate regime are considered appropriate and beneficial to achieve the central bank target and are not expected to change in the medium term. The instruments used are in constant calibration to increase the effectiveness of the transmission of monetary policy in the market.

Keywords: Monetary policies, banking, development, Albania.

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