

# Macroeconomic Determinants of Nonperforming Loans in Albanian Banking System

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**Abstract:** *The aim of this paper is to study the impact of macroeconomic factors in the amount of nonperforming loans in Albanian banking sectors by using multi regression analysis model from 2003 to 2012. This paper studies the relationship between the amount of non-performing loans and six important macroeconomic factors which are: Gross Domestic Product (GDP) growth rate, inflation rate, money supply (M2) annual growth rate, interest rate, unemployment rate and exchange rate. The multi regression analysis suggests that all variables have a negative impact in the non-performing loan level except inflation and exchanges rates. Moreover the time forecasting analysis predicts an increase in NPL level in Albanian Banking System.*

**Keywords:** *Albania, Banking System, Macroeconomics, NPL, Credit risk.*