

FOREWORD BY THE GOVERNOR

Dear reader,

Welcome to this annual meeting with the Annual Report of the Bank of Albania. Traditionally, this report provides a complete overview of our activity and results achieved throughout the year.

2023 was another challenging year for the Albanian economy. The significant surge in prices in the domestic and foreign environment over the past two years, the lift in financing costs as well as the geopolitical tension, have been hindering factors for economic growth and have tested the economic and financial stability of all the countries across the globe.

However, even in this unfavourable context, the Albanian economy has experienced a positive performance.

The volume of economic activity has grown coupled with employment and wages edging up. At the same time, the financial balances of businesses and households have improved, public and external debt have decreased, while the main soundness indicators of the banking sector: liquidity, capitalization and profitability, have improved.

In parallel with them, consumer price inflation recorded a considerable decline during the year, in turn mitigating its negative impact on family budgets and reducing uncertainty for businesses.

The activity of the Bank of Albania has provided a significant contribution in this picture of developments.

We continued to normalize the monetary policy stance during 2023, through the increases in the policy rate and for establishing the necessary financial premises for respecting our objective of price stability. However, the speed of normalisation decelerated significantly during the year, aligning with the gradual reduction of inflation, as well as with fiscal policy stance and the significant strengthening of the exchange rate. Current signs are encouraging. The appropriate response and in a timely manner of our monetary policy has considerably contributed to inflation coming down.

Based on current trends, monetary policy appears to be successfully fulfilling its mission: the rapid return of inflation to the target with minimum costs on economic activity.

Also, the Bank of Albania has continued the work for the supervision and prudential regulation of the banking sector, for the development of financial regulations and payment systems, as well as for strengthening the safety nets in the system. The continuous investment we have made over the years has strengthened the resilience of this sector against shocks and has enabled it to continue to meet the demands for funds of the economy.

In particular, during the past year, the Albanian financial sector marked three important achievements: Albania's removal from the list of jurisdictions under



increased monitoring, otherwise known as the “grey list” of countries, regarding the development of infrastructure for the prevention of money laundering and the fight against terrorism; the application to the European Banking Authority for the recognition of equivalence with the European standards of banking supervision and regulation, as well as the initiation of work for Albania’s membership in the Single Euro Payments Market (SEPA), as an integral part of the agenda of the Berlin process.

All these achievements pave the way for the development of the quantitative and qualitative expansion of the range of financial instruments in the economy, the reduction of costs and the increase of their efficiency, bringing the country closer to the best contemporary standards.

Finally, I would like to highlight the considerable work done and results we have achieved in various areas of our activity, such as: supplying the economy with quality coins and banknotes; managing the international reserve; supporting the processes of European integration; strengthening financial education of the public; expanding knowledge on the economy and the Albanian financial system; as well as the continuously dialoguing with national and international partners.

In this context, I would like to emphasize that - during 2023 - the Bank of Albania approved two important projects: The Medium-Term Green Strategy 2023-2025 for “The Management and Supervision of Climate-Related Financial Risks in the Financial Sector” in cooperation with the World Bank, as well as the Bank of Albania’s Strategy for Education and Financial Inclusion, which aims to promote financial education of public and enhance its financial inclusion.

Dear reader,

The activity of the Bank of Albania relies on a clear vision: fulfilling our legal duties through the adoption of the best practices in the field of central banking. This vision is documented in the Medium Term Strategy of the Bank of Albania and a talented and dedicated staff engages every day for its successful implementation.

I strongly believe that this coherent and consistent approach will help us in accomplishing our mission and successfully addressing all challenges in the future.


Gent SEJKO
GOVERNOR

