

FOREWORD BY THE GOVERNOR

2024 was a positive year for the Albanian economy.

The volume of economic activity, employment, and wages have been edging up. This increase has: fuelled the expansion of consumption and improved the well-being of Albanian households, supported the financial health of businesses, and bolstered investment growth in the economy.

In parallel, the indicators of monetary and financial soundness have improved. The consumer price inflation dropped to an average of 2.2% over the past year, marking a rapid reduction from the average rate of 4.8% recorded in 2023. The return of inflation under control, after the high values recorded during the 2022-2023, preserves the purchasing power of Albanian households, cushions the value of their savings, and establishes a more transparent economic environment for businesses and their development plans. At the same time, the public debt and foreign debt of Albania have reduced, while banking sector remains sound and solid.

This panorama of positive developments reflects, among other things, the positive contribution of the monetary policy of the Bank of Albania. This policy has been and remains oriented towards maintaining price stability, implying an inflation rate around 3%, ensuring - at the same time - both the support for a sustainable growth of the economic activity and the financial stability of Albania.

In line with these objectives, the cautious increase in the policy rate that we undertook during the 2022-2023 period, in response to the rapid surge in prices in global markets and in Albania, was followed by an easing of monetary conditions in the second half of 2024. This easing, as inflation declined and the exchange rate strengthened, led to a relatively fast and stable growth in credit, thus supporting the expansion of consumption and investments in Albania.

Overall, our monetary policy has proven successful in containing inflation without undermining the positive trend of economic growth and the soundness of the financial balance sheets of the economy.

Our expectations for the future, despite the external environment is characterized by many uncertainties, remain positive. The Albanian economy is expected to grow at a stable pace in the coming years, driven by the expansion in consumption, investments, and service exports. The creation of new jobs and further rise in wages will accompany the increase in the demand for goods



and services. In addition, inflation is expected to return to target in the coming quarters, suggesting a balanced and sustainable development of economic activity.

In line with these projections, we decided to maintain the current stance of monetary policy, unchanged, in this decision-making round, aiming to stabilize lending and financing conditions in the economy.

Our monetary policy, in the future as well, will continue to remain prudential and fully dedicated to guaranteeing price stability in Albania, as a necessary precondition for rapid and sustainable growth.

