

FOREWORD BY THE GOVERNOR

The overall economic environment, domestic and external one, continues to be challenging.

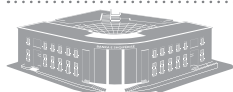
Russia's aggression to Ukraine triggered supply-side shocks - manifested in the form of soaring food, energy and commodity prices, heightened uncertainty and tightened financing conditions – which have driven up inflation and economic activity slowdown globally.

The Albanian economy is increasingly experiencing the effect of these shocks. Despite economic growth remains in positive territory, it has started to exhibit slowdown signs after the first quarter. On the other hand, inflation has progressively picked up during 2022, reaching at 8.1% in September. The increase in international prices pushed up inflation, which has started to be transmitted in the rise of production costs and in inflationary expectations in Albania. For that reason, the surge in prices in Albania seems to be of a broad base and relatively stable.

Against this backdrop, we have embarked on a gradual normalisation process of monetary policy stance, by increasing the policy rate. This process took place also in the meeting of 2 November 2022. The Supervisory Council, after reviewing this Quarterly Monetary Policy Report, decided to raise the policy rate by 0.5 percentage point, to 2.75%.

This normalisation is indispensable to curb the rapid increase of prices, control inflationary pressures and for inflation to return to target. It serves to the concordance with our legal mandate of price stability. In this light, this normalisation aims to: safeguard the overall economic and financial equilibriums in Albania; preserve the value of savings and wages; maintain the purchasing power of households and enterprises; and further grow the social welfare.

Our projections for the future suggest that inflation will return to the target within the first half of 2024. In parallel, the Albanian economy is foreseen to continue to record a positive growth pace, notwithstanding the expected slowdown in the short run. The soundness of private sector's balance sheets, the preservation of a stable banking and financial environment, the continuous lending, and the increase in income from exports will continue to underpin the economic growth. On the other hand, the economic growth will continue to be reflected in further increase of wages and employment in the Albanian economy, thus supporting the Albanian families to dampen shocks from prices.



The Bank of Albania will continue to carefully monitor the economic, monetary and financial developments in both domestic and external environments. Our commitment has been and remains the undertaking of any measure, in a timely manner, necessary to safeguard the economic and monetary stability, as a precondition for a sustainable and long-term growth in Albania.

