

FOREWORD BY THE GOVERNOR

Albanian economy closed 2023 with a positive balance sheet.

Against the backdrop of a challenging economic environment, characterised by relatively elevated prices, uncertainties and financing costs, the volume of economic activity grew by 3.4%, exceeding the initial expectations. In parallel, employment and wages went up, helping the purchasing power of households, inflation came down progressively, while the main indicators of macroeconomic equilibriums improved.

The data of the first quarter suggest that this positive moment of development has continued during the current year.

The expansion in both consumption and private sector's investments, coupled with the growth in income from tourism bolstered economic activity continuing to grow. Also, inflation of consumer prices declined, down at the average of 2.7%. This fall was driven by a relatively fast stability in food prices, which reflected a similar performance across international market. We deem this development encourages the guaranteeing of price stability in Albania. However, our analyses suggest that inflation performance remains volatile and the stable return of inflation to the target will still take time.

The prudential monetary policy of the Bank of Albania has provided an important contribution in successfully tackling the shocks that the Albanian economy has experienced in the last two years.

The normalisation of monetary policy stance has helped to control inflationary pressures, enabling its gradual - but continuous and stable - reduction in the past two years. At the same time, the attention we have paid while calibrating the monetary policy has enabled the decline in inflation to not damage the positive economic growth prospects. The relatively low interest rates and financing costs in Albania, as well as the continuous growth of bank credit in support of consumption and investments, evidence this prudence.

Our monetary policy has been and will remain consistent with price stability, forward guidance, as well as harmonized with all factors affecting inflation.

Looking ahead, the update of forecasts suggests that current economic trends will continue in the medium term as well. The Albanian economy will continue to grow over the next three years - at a relatively similar pace to those of 2023 - generating: new jobs; increase in wages; and improvement in the welfare



of society. Also, inflation will continue to fluctuate around our 3% target. We consider, the base of factors underpinning price stability in line with our inflation target will continue to expand.

In our judgement, our current monetary policy stance provides the best balance between respecting our price stability objective and boosting economic growth.

