

FOREWORD BY THE GOVERNOR

The Albanian economy pursued an overall positive stance throughout 2023.

The volume of economic activity has been growing, generated by an increase in both employment and wages. In parallel, inflation has been coming down leading to an improvement of households' purchasing power and reducing uncertainty in the future. Lastly, the main indicators of economic and financial soundness of the economy - public debt; external debt; and the non-performing loans ratio - recorded an improvement.

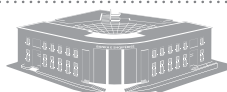
This positive panorama reflected the sound premises of the country's development. The improved confidence of households and enterprises has promoted a more positive approach towards investments and consumption. In addition, favourable monetary and financial conditions have bolstered the demand for goods and services. Reflecting this, credit to the private sector has been increasing, providing necessary funds to the economy for expanding activity and meeting liquidity needs. The Albanian economy has also benefited from fast growth in tourism revenues, which in turn has compensated for the decline in goods exports and has brought about a significant improvement in the balance of foreign trade exchanges.

The monetary policy of the Bank of Albania has made a significant contribution to this picture of developments.

The gradual and prudential normalization of the monetary policy stance over the last two years has enabled financial markets to function smoothly, has contributed to keeping inflation under control and has reduced uncertainties in the future. A decrease in inflation across the economies of our trading partners, the strengthening of the exchange rate as well as the reaction of our monetary policy have caused inflation to go back down. Inflation dropped to 4.0% from 7.4% over the course of 2023.

Our forecast for the future is positive.

The expanded consumption, investments and Albanian exports, particularly those in tourism, will continue to feed through economic growth in the coming years. This growth will translate into a further rise in employment and wages as well as in the well-being of Albanian households. On the other hand, inflation is expected to decline gradually and return to our 3% target by mid of 2024.



The Bank of Albania will continue to attentively follow economic developments and will take care, through its monetary policy, to establish appropriate conditions for achieving our price stability objective. Our monetary policy stance, expressed through the level of the key interest rate, will aim to guarantee a return of inflation to the target, in the shortest possible time and with the lowest costs on economic activity. This approach will be consistent with the balance of overall inflationary pressures, with fiscal policy and with the performance of the exchange rate, as factors with a primary impact on inflation performance.

