

## FOREWORD BY THE GOVERNOR

Dear reader,

*The year we left behind was, overall, a positive year for the Albanian economy.*

*The volume of economic activity, in the face of a challenging external environment, continued to grow, generating increased employment and income for businesses and households. In parallel, the key indicators of Albania's economic, monetary, and financial stability improved. Inflation marked a significant decline over 2024, down close to our 3% target, in turn accommodating a stable price environment for the Albanian economy and society. At the same time, the budget deficit and the current account deficit remained close to their historical minimums, external debt and public debt continued to decrease, while parameters of financial stability and the banking sector's soundness remain at good levels.*

*Our economic and financial partners have confirmed this progress. The year 2024 brought a series of positive news for the Albanian economy, but here I would like to highlight three of them. First, during the year we left behind, Albania officially began the negotiations process for EU membership. This process is expected to culminate in the near future with the fulfilment of our national aspiration to be – officially – part of the family of the most developed European nations. Second, Albania joined the European Single Payments Area (SEPA), a step that will yield real benefits in the form of reduced costs for cross-border banking payments. Third, Albania received a rating upgrade from the two most prestigious sovereign debt rating agencies. This rating has provided quick and visible benefits by reducing financing costs in international markets.*

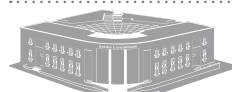
*The, Bank of Albania, an important institution in the economic and financial life of Albania, has provided a significant contribution to this panorama of developments.*

*Our monetary policy has succeeded in addressing the global inflation wave of 2022–2023. It enabled control of the impact of this shock and restoration of price stability, with minimal cost to the trajectory of economic growth and financial stability.*

*Prudential supervision and regulation of monetary markets and the banking system have resulted in a stable monetary and financial environment; sustainable development of the banking industry; as well as a rapid and solid growth in lending. In 2024, the work of the Bank of Albania focused on the continuous supervision of the banking sector, improving the macro-prudential framework, and reviewing several regulations, with a special focus on adopting European Union standards and enhancing consumer protection.*

*In addition, our ongoing reform efforts in the development of the payment system have led to a reduction in the cost of banking transactions, an increase in electronic payments, and an expansion of financial inclusion.*

*Last, and equally important, the Bank of Albania has successfully fulfilled its legal duties in supplying the economy with cash, managing foreign exchange reserves, and producing financial statistics. In addition, we have actively participated in the*



*European integration process, contributed to enhancing financial literacy among the public, and developed strategies to reduce the risks that the financial industry faces from climate change, etc.*

*These positive development trends are an encouraging premise for the country's sustainable and inclusive growth in the future.*

*Yet many challenges lie ahead, wherein I find it appropriate to highlight elevated tensions, geopolitical uncertainty, unfavourable demographic trends, and climate change. However, the progress we have achieved in adopting best practices, increasing human resources, and improving the institutional architecture provides substantial assurance for addressing these issues.*

*Dear reader,*

*Concluding, I would like to thank you for your interest in the Bank of Albania's Annual Report. I am confident that in this Report, you will find a comprehensive analysis of the economic, monetary, and financial developments in Albania over the course of the past year, an overview of the work and activities of the Bank of Albania, as well as a tool for transparency and accountability regarding the fulfilment of our legal objectives and institutional commitments.*

Gent SEJKO

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