

## FORWARD BY THE GOVERNOR

The Albanian economy showed recovery signs during the first half of the year.

The information analysed in the report indicate that the economic recovery is gaining traction. The gross domestic product grew by 5.5% during 2021 Q1, a rate which went beyond our expectations. The available data analysis suggests a further acceleration of the growth rate in the next quarters.

Furthermore, the recovery is supported by a wide range of factors and is present in almost all the sectors of the economy. Relaxation of containment measures thanks to the vaccination process; the increased business and consumer's confidence; the improvement to the economies of our trading partners, as well as the supportive monetary and fiscal policies have fuelled the expansion in consumption, private and public investments, and exports. This performance has been beneficial to both the production and service sectors, providing more breathing room for enterprises and establishing the premises for higher employment and increase of wages in the future.

In particular, the accommodative monetary policy stance has created an environment with low financing costs, adequate lending conditions, and a relatively stable exchange rate. This financial environment has enabled a stable growth of lending to the private sector, assessed at around 7.7% in the second quarter.

Given these positive trends, our economic growth projections in 2021 have been revised upwards and our expectations of inflation converging to target in 2022 have been strengthened.

Nevertheless, according to the Bank of Albania, inflation continues to undershoot the target, while employment is still below the pre-pandemic level. Also, the Bank of Albania deems that the stable recovery of the economy should remain anchored to adequate financing conditions throughout the medium-term horizon, and downside risks, particularly those related to the pandemic and restrictions imposed by it, remain present.

Against this backdrop, the Supervisory Council assessed that the current monetary policy stance is adequate for underpinning both the further economic recovery and inflation converge to target. In this view, the Supervisory Council decided to keep the policy rate unchanged, at 0.5%. Maintaining the adequate financing conditions will bolster consumption and investments, which in turn will drive increase employment and wages increase and inflation gradually converge to the target.



In the future as well, our monetary policy will provide the appropriate support for the rebound of economy, considering it is a necessary preliminary condition for the return of inflation to target.

