

## FOREWORD BY THE GOVERNOR

The Albanian economy continued to recover during the first nine months of 2021.

According to the data provided by INSTAT, economic activity in Albania recorded an annual growth of 17.9% in the second quarter. This rapid growth pace goes beyond the impact produced by the low comparative base of the same quarter in the previous year. On one hand, it reflects the fast recovery of aggregate demand and, on the other hand, the relatively low impact of both the earthquake and the pandemic on the production capacities in Albania. The data available show a further growth of the economy in the second half of the year.

Economic rebound is supported by a broad range of factors. The easing of containment measures, the increased confidence as well as the supportive monetary and fiscal policies have fuelled the rapid expansion in the Albanian consumption, investments, and exports.

The monetary policy stance has continued to remain accommodative. This accommodation, which was transmitted through the lowest policy rate in history and increasing injection of liquidity into the system, has created the favourable financing conditions for Albanian enterprises and households. In particular, lending to the private sector has shown a stable growth, by reflecting both an improvement in the demand and ease of supply for bank loans. This credit has bolstered an expansion in consumption and investments, providing encouraging signals for a stable recovery in the future.

This mix of factors is expected to continue to nourish economic growth in the future as well.

Inflation increased in the third quarter, averaging 2.4%. Its increase reflects the effect of the higher prices of food, oil and energy in the global markets. International market monitoring suggests that these shocks are expected to be transitory and, as a result, their impact on inflation is expected to be transient. On the other hand, the domestic pushing factors on inflation - the performance of employment, wages and production costs - show an improvement, but are still insufficient to guarantee the stable convergence of inflation to target.

Our projections for the future continue to remain positive. In absence of further shocks, the economic activity will continue to grow in the medium-term horizon, although it is natural that the growth pace is expected to be slow. The expansion



in the demand for goods and services will underpin the overall recovery from the crisis caused by the pandemic, provide a faster increase in employment and wages, and create the premises for the convergence of inflation to target within 2022.

Against this backdrop, the Supervisory Council assesses that the current monetary policy stance remains adequate. In this view, the Supervisory Council decided to keep the policy rate unchanged, at 0.5%, as well as support the current operational framework of liquidity injections during the next quarter.

Also, the Supervisory Council deems that the continuous progress of economic recovery will require a gradual withdrawal of the monetary stimulus in the future, providing an adequate balance between the need to support economic growth and our inflation target. Last, the Bank of Albania will continue to carefully monitor the impact of the shock caused by the surging prices in international markets. In case this shock is assessed to pose a risk to our price stability objective, we are ready to revise our monetary policy stance.

