

FOREWORD BY THE GOVERNOR

The Albanian economy has shown remarkable resilient, despite the shock from the global prices crises triggered by the military conflict in Ukraine. The new information, analysed in this Quarterly Report, suggests economic growth has experienced a relatively fast rebound over the past year, inflation has continued to edge down, and the main economic and financial balances have remained solid.

In particular, consumer price index (CPI) inflation declined to 5.3% in March, marking the lowest level in a year, and one of the lowest inflation rates across both the region and Europe. In the first quarter of the year, inflation fell on the back of stabilised prices in the international market, the strong exchange rate of lek against the euro, and the controlled cost-push in the Albanian economy.

The normalization of the monetary policy stance, undertaken through the gradual increases in the key interest rate, has played a decisive role in this positive performance.

The response of the monetary policy, in a timely manner, was essential for stabilizing the domestic financial markets and establishing a better balance between the demand and supply for goods and services, by creating the optimum premises for inflation to return to the target. In addition, the appropriate response of the monetary policy did not have any adverse impact on the positive trends of economic growth. The Albanian economy continues to grow and generate new jobs, rise in wages, and sound financial balance sheets for enterprises.

In this view, our monetary policy has served to the sustainable and long-term development of Albania, in turn to the growth of social welfare.

The downward trend of inflation encourages its return to the target in the next year. In addition, the resilience and flexibility displayed by our economy in withstanding the last three consecutive shocks - the earthquake, the pandemic, and the spillovers from the conflict in Ukraine- are encouraging premises for a continued growth in the future, as well.

Judging on the above, the Supervisory Council decided to maintain the monetary policy stance unchanged in its meeting on 3 May 2023. We deem that the current monetary conditions- the interest rates, the liquidity situation, and exchange rate dynamics - are adequate to achieving our objectives.



Nevertheless, the battle for the return of inflation to the target has yet to be won. In particular, the still challenging external environment, the elevating domestic inflationary pressures, and the experience in the last years has taught us to not exclude the possibility of unexpected shocks.

For these reasons, the Supervisory Council has re-emphasised to monitor the situation on an on-going basis, and reaffirmed that it will take all the necessary measures for guaranteeing the financial stability of Albania.

