

FOREWORD BY THE GOVERNOR

Economic and monetary developments in Albania continue to follow a favourable trajectory.

Economic activity grew by 3.6% in the first half of the year, and available indirect indicators point to a similar performance in the second half. The economic growth has been reflected in further increases in employment and wages in the non-agricultural sector, thereby bringing higher household incomes. Also, higher demand for goods and services has contributed to stronger sales and a sound financial position for Albanian firms.

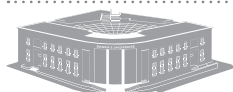
Inflation of consumer prices, while edging slightly higher, continues to remain at low levels and below our target during 2025. This dynamic reflects a broadly balanced interplay of demand and supply conditions, the strengthening of the exchange rate—which has helped absorb external inflationary pressures—and the impact of supply-side developments that have exerted downward pressure on prices. The low inflation levels, over the past two years, have enhanced the purchasing power of Albanian families and supported their consumption. In addition, these developments have supported an increase in business investment, facilitated by the establishment of a more secure economic environment and the maintenance of long-term interest rates at low levels.

The prudent and consistent monetary policy stance pursued by the Bank of Albania has made a significant positive contribution to these favourable outcomes.

The orientation of monetary policy toward safeguarding price stability, along with its continuous alignment with inflation dynamics, fiscal policy, and exchange rate developments have enabled preserve price stability at minimal cost to economic activity, while also supporting the soundness of the banking sector.

The reduction of the key interest rate in July was followed by a decline in money market interest rates, and particularly in lending rates. This monetary policy adjustment has contributed to lower costs for new borrowing as well as reduced debt-servicing costs on existing credit. As a result, credit to the private sector has continued to grow at a solid and sustained pace, thereby supporting the expansion of both consumption and investment in Albania.

Our forward-looking assessments remain unchanged. The updated projections indicate that the Albanian economy will continue to expand at a similar pace



over the next two years, supported by favourable financing conditions, robust financial balance sheets, and sustained confidence across the economy. At the same time, inflation is expected to return to our 3% target in the first half of 2026 and to remain close to that level thereafter.

In view of these developments, and following our review of this Report, at the meeting of 5 November 2025 we assessed the current monetary policy stance to be appropriate for ensuring the achievement of our price stability objective. Accordingly, we decided to maintain the key interest rate unchanged at 2.5%.

