

## **Gent Sejko: Statement - press conference with IMF Mission Chief**

Statement by Mr Gent Sejko, Governor of the Bank of Albania, at the joint press conference with the International Monetary Fund (IMF) Mission Chief for Albania Minister of Finance and Economy, Tirana, 10 October 2022.

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**Dear media representatives,**

In the last two weeks, the Bank of Albania and the Albanian government have been engaged in intensive discussions with the IMF Mission, which visited Albania in the framework of the regular Article IV consultations. Discussion focused on current challenges for the Albanian economy, as well as structural reforms that would enable a faster and more sustainable development of the country in the long term.

Allow me - first and foremost - to extend my thanks to the IMF Mission for the open share of views in addition to the fruitful and transparent discussions. Overall, the Bank of Albania and the IMF share similar opinions on the developmental challenges that lie ahead.

The swift upsurge of prices in the global markets following the unprovoked military aggression of Russia over Ukraine, have triggered serious economic and social challenges for the economies and citizens of all countries around the world, including Albania.

Inflation hit 8% in August, increasing at a rapid pace and having a broad base. Based on our judgement, we have previously stressed out that the high inflation is the main threat on the macroeconomic stability and both the stable and long-term growth of Albania. This inflation corrodes the households' purchasing power, increases the uncertainty for the future in every cell of the economy, heightens the volatility of financial markets, and damages the long-term perspective of development. Therefore, the primary focus of economic policies should be the undertaking of coordinated measures to mitigate the cost borne by inflation, and control and return it to its target, in the shortest time period and with the lowest cost possible.

Against this backdrop, the Bank of Albania has embarked on the gradual normalisation of the monetary policy. This normalisation is undertaken in parallel with all the other central banks, across the region and around the world, which are facing the same high inflation phenomenon. It engenders a progressive raise of the key interest rate, by slowly changing the nature of the monetary policy stance from the current position, which has been stimulating, towards a more neutral position, which provides a more sustainable support for the long-term growth of Albania.

During the discussions of the past two weeks, we have gladly observed that our viewpoint is also shared by the IMF Mission and the Ministry of Finance and Economy.

Our future projections suggest that inflation will continue to remain high in the two next quarters as well. Furthermore, the stabilisation of prices in foreign markets and the normalisation of the monetary policy stance will induce a progressive reduction of inflation, until its return to the target in 2024 H1.

In the same vein, our projections suggest that the Albanian economy will continue to grow in the medium-term horizon. Although the economic activity will suffer from the negative consequences of inflation, the economic growth of Albania is expected to remain in the positive territory.

Economic growth will continue to benefit from the overall financial and economic stability in Albania, the sound balance sheets of enterprises and households, as well as the continuing support of the banking sector with credit and payment instruments.

In this context, it should be emphasized that the banking sector appears sound, liquid, and well-capitalised. The continuing reforms undertaken in the past years have borne their fruits. The consolidation of the banking sector, the improvement of the lending environment, the multifaceted development of financial markets and payment systems, as well as the initiatives carried out that encourage the use of national currency, have brought about notable qualitative improvements in the stability and efficiency of the banking sector. The growth rate of credit to the private sector recorded a progressive improvement, peaking to 13.7% in August. Also, it shows a good coverage of the need of enterprises and households for long-term financing and liquid tools. The stable growth of credit and the increase in the quality of its portfolio, are crucial indicators which demonstrate the sector's support to the economic recovery of Albania.

To this end, the Bank of Albania will continue to work diligently for: the prudent regulation and supervision of the banking activity; the financial market and payment system development; the promotion of the financial stability of the country, as well as for bolstering the financial education and inclusion of the public. Although the challenges facing ahead are not few and far in between, I am convinced that the banking industry will continue to remain a trusted partner to Albanian enterprises and households.

In conclusion, I would like to stress out that the Bank of Albania supports and encourages the structural reforms. This agenda of reforms has now found a stable anchor in the process of negotiations undertaken in the framework of the European Union membership.

The continuous investment on reforms, which boost and encourage the macroeconomic stability of the country, the improvement of the business climate, the increase of efficiency and competitiveness, the improvement of human and institutional capacities, as well as the comprehensive development of infrastructure, is the one and only path toward a faster economic and social progress.