

Gent Sejko: Launch of the EBRD Transition Report 2025-26

Opening remarks by Mr Gent Sejko, Governor of the Bank of Albania, at the launching of the EBRD Transition Report 2025-26, Tirana, 27 January 2026.

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Dear representatives of the EBRD,

Dear friends, colleagues and media representatives,

It is a pleasure to welcome you to the presentation of this year's EBRD Transition Report, which focuses on one of the most powerful yet often underestimated forces shaping our economies and societies: demographic change.

Demography might seem like an abstract concept, but it is a fundamental force of development and prosperity. It evolves slowly, over cycles far longer than business or financial ones. This is precisely why it is not always at the centre of policy or central banking debates. However, we are currently living through a global demographic turning point and that begs our attention. As fewer people enter the labour force, more depend on pension and healthcare systems. These shifts are already putting pressure on productivity, public finances, political priorities, and long-term growth prospects across regions.

At the Bank of Albania, we have been concerned about these issues and demographic developments for almost a decade. Population ageing and emigration are early identified as defining challenges for Albania's economic future. Our country mirrors many of the trends described in this report: rapid ageing combined with significant outflows of young and working-aged people. According to United Nations projections, these dynamics are expected not only to persist, but to intensify in the years ahead, leading to a reversal of the demographic pyramid.

Rapid demographic transformation is reshaping Albania's economy and society, which are now facing similar challenges with the one highlighted in the Transition Report. The population has been steadily declining while the average age is rising rapidly. The 2023 census records about 2.4 million inhabitants, roughly one third fewer than 1990. In the meantime, the average age has reached nearly 43 years.

Emigration, once viewed as a mitigating factor for unemployment and poverty, is increasingly emerging as a structural challenge. Sustained economic growth, historically low unemployment, and labour shortages in key sectors have made the long-term consequences of demographic change more visible to both businesses and households. Population ageing affects both aggregate demand and supply: it alters consumption patterns, weakens innovation and productivity, raises production costs, and ultimately influences prices, investment, and productive capacity, thereby undermining the long-term sustainability of economic growth.

Bank of Albania reports and analyses have repeatedly emphasized the adverse effects of these trends on the labour market, wages, inflation dynamics, and Albania's long run growth potential.

The Albanian economy has however shown strong adaptability and resilience in recent years, supported by low inflation, sustained economic growth, rising employment and wages, an improving current account. Labor market conditions have improved markedly, with employment rising, unemployment falling to historically low levels, and labour productivity substantially higher than before the global financial crisis. Up to this moment, the market has adjusted and offset demographic pressures through the increase in participation rate which however this comes at the cost of higher wages and therefore more inflation pressures.

The Bank of Albania has played a key role in these developments through a prudent, consistent, and proactive monetary policy focused on maintaining price stability and safeguarding purchasing power.

Since mid-2024, the accommodative policy stance has helped anchor inflation expectations, reduce uncertainty, and improve financial conditions, leading to lower borrowing costs and robust credit growth. In parallel, the banking sector has continued to strengthen, with improved indicators of liquidity, capitalization, and asset quality, while systemic risks remain contained. This solid financial position ensures that the banking system can continue to support economic activity through effective financial intermediation.

Despite this success, negative demographic trends in Albania are expected to be persistent. Our studies show that they will likely put downward pressure on real interest rates. This environment limits the effectiveness of conventional monetary policy, as low interest rates leave central banks with less room to stimulate the economy. At the same time, demographic shifts may also complicate inflation dynamics. Our research shows that increase in labour market participation rate comes at the cost of higher wages.

These national findings strongly resonate with the broader conclusions of the EBRD Transition Report. Across Emerging Europe, ageing populations and shrinking workforces are weighing on growth. However, policy response requires coordinated action and political will.

These reforms require courage and honesty. They should deal with reforming pension systems, modernizing labour markets, designing realistic migration frameworks, and investing in healthy ageing. It also means embracing new technologies, including artificial intelligence, responsibly and inclusively. Above all, it requires ensuring that younger generations, whose voices risk being diluted, remain central to economic decision-making.

Let me conclude with the central message of this year's Transition Report: demography does not have to be destiny. The report offers a rigorous and policy-relevant framework to understand demographic change and its economic implications. I hope it will serve not only as an analytical reference, but also as a catalyst for informed debate and decisive action.

Thank you and I wish you a fruitful discussion of this Report!

