

Gent Sejko: Albania's economic outlook and the challenges

Greeting speech by Mr Gent Sejko, Governor of the Bank of Albania, at the International Conference "Economic development prospects, globalisation, tourism and tradition", Luarasi University, Tirana, 12 December 2024.

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Honourable Rector of University,

Dear ministers,

Dear academics and guests,

It is a pleasure to be part of this conference, which aims to shed light on the Albania's economic outlook and the challenges we face.

Allow me to congratulate the organizers for bringing together representatives from academia, civil society, the public sector, and the private sector. Dialogue and our contribution are crucial, especially as the economic and social challenges we tackle require innovative and interdisciplinary approaches to work out the most effective solutions.

The shocks we dealt with in past years – the pandemic, the war in Ukraine, the energy crisis, and the inflation wave – have tested the ability of countries in preserving the economic, financial, and social stability. In addition, global transforming trends such as the acceleration of digitalization, the irreversible impacts of climate change, the retreat of globalization, and demographic challenges – including population ageing and the emigration of the labour force– are shaping a new global economic setting.

Albania is not immune to these changes at all. Next, I will share my views in this regard, trying to find a balance between challenges and new opportunities. At the same time, I will evidence the proactive and contributing role that the Bank of Albania can have in bolstering the sustainable economic development of our country.

Dear participants,

The Albanian economy has shown remarkably resilient against various challenges that have marked the global environment in recent years. Facing the consequences of the pandemic, managing geopolitical shocks, and dealing with inflationary pressures caused by the upsurge in commodity prices have been extremely large and complex challenges. However, Albania, despite these shocks, has succeeded to maintain its economic and financial stability in addition to accelerating the economic growth pace. This progress demonstrates both the prudential macroeconomic policies management, as well as the sustainability of the country's economic growth drivers.

The volume of economic activity in Albania has recorded a cumulative growth of 8.3% compared to the end of 2019, employment and wages have gone up by 3.9% and 15.4%, respectively, while the unemployment rate has dropped to a historic low of 10.7%. In parallel, the key economic and financial indicators: public debt, external debt,

and the non-performing loans ratio, have improved considerably. In particular, inflation is three times lower than in 2022, down to 2.2%, while indicators of the banking sector soundness stand at positive levels. All of these factors, have enabled – among other things – the improvement of Albania's credit risk rating by international institutions.

The enhanced interest of foreign investors for Albania has been another positive development as well. Our country has welcomed an ever increasing number of visitors in recent years, ranking third in the world for the fastest growth in tourism in 2023. Likewise, foreign direct investments have picked up progressively from year to year, confirming Albania's attractiveness as a compelling destination for investments.

The Bank of Albania has actively contributed to this progress by addressing elevated inflation in a timely manner and carefully supervising the banking sector. In addition, investments for developing the payment system, innovation, and the digitalization of financial services have played a key role in strengthening economic stability and the development of the financial sector.

We believe that Albania's outlook remain positive. However, global trends trigger a complex environment, which poses challenges and opportunities for the future.

Next, I will briefly address some of them:

- First, one of the biggest challenges for the Albanian economy is improving productivity and achieving a competition level comparable to that of European advanced countries. Despite the improvements achieved so far, Albania still has to work for reaching an economic structure oriented toward high-value-added sectors.
- Second, the ageing population and the elevating shortages of the labour force is a complex challenge with consequences on the Albanian economy as well as on the European and global economies. This process affects both the labour market and the long-term prospects for economic growth and the sustainability of the pension system and public debt.
- Third, another challenge is the impact of climate change on vital sectors such as agriculture and tourism, which are sensitive to it. These two sectors, in addition to directly affecting the economic activity and employment, represent also a great potential for the development of the Albanian economy in the future.

An integrated approach coupled with a strategic vision is needed to addressing these challenges. In this context, I believe it is important to undertake certain steps:

- First, investments in the modernization of physical and digital infrastructure, the development of scientific research, the updating of managerial philosophy and practices, and the improvement of business climate in all its dimensions will enhance productivity and help to tackle the increasing competition, in national level as well as in both regional and global levels.
- Second, investments in the development of human capital, through the improvement of the education system and the creation of specialized programs for vocational training, is crucial for empowering human capital. Creating incentives

for the return of the diaspora and improving working conditions will help curb the emigration of young people and create an environment that encourages them to build their future in Albania.

- Third, the optimum utilization of the country's natural resources, including energy, mineral, agricultural, and tourism resources, requires a planned and coordinated strategy to avoid adverse consequences. This strategy must further guide public development policies, entrepreneurial and financial resources of the private sector, as well as an efficient distribution of banking credit flows.

The implementation of these measures requires close cooperation between the public and private sectors. Each actor should contribute in their area of expertise, within legal frameworks and with a common approach, to ensure that these initiatives succeed. The academy plays an outstanding role in this regard. To this end, I find it appropriate to commend "Luarasi" University for its valuable contribution to the education of the new generation, transforming in a short period of time into a prestigious institution of professional education."

Dear guests,

Concluding, I would like to highlight that Albania has an extraordinary potential for development. A comprehensive effort from all actors is needed to realize this potential.

In this context, the Bank of Albania will continue to be an active partner in the country's economic development. In our vision for the future, the Bank of Albania aims to be the guarantor of financial stability and also a catalyst for long-term economic development, establishing the conditions for a more sustainable, competitive, and fair economy. Our monetary and macroprudential policies will continue to focus on preserving the monetary and financial stability as a foundation for sustainable and inclusive growth. Also, we will continue to work on the advancement and modernization of the payment system and our financial market, based on the best and most successful global practices.

Thank you, and I wish you a successful conference!