

# Economic developments January– September 2024

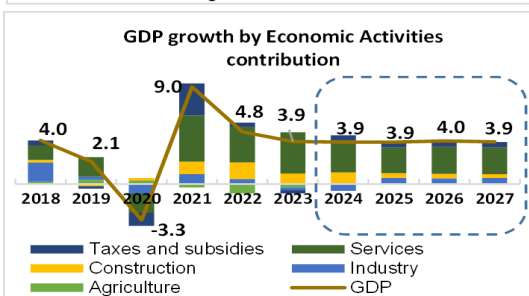
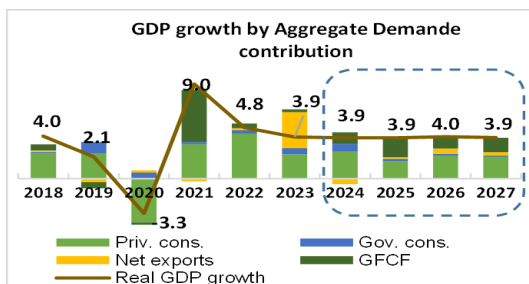


## Albania Economic Performance - Sustainable growth in focus

### Real Sector

The Albanian economy recorded an annual growth rate of 4.0% in the first 9 months of 2024 compared to the same period of 2023. This growth was mainly generated by a 4.1% increase in domestic demand, fueled by faster growth in household consumption and a steady rate of growth of investments. This dynamic performance was particularly evident in the significant expansion in the services and construction activity.

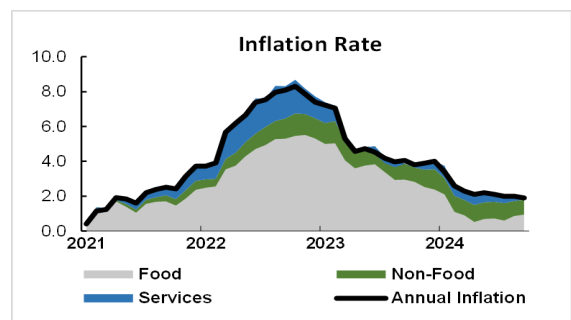
For the year 2024, GDP growth is expected to align with the potential growth at the level of 3.9%.



Source: INSTAT, Ministry of Finance

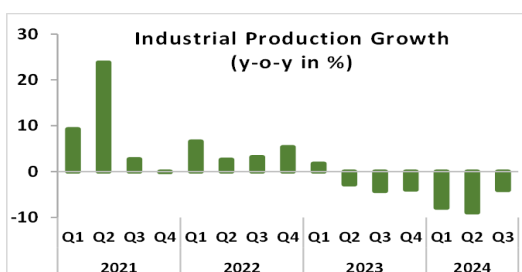
### Inflation

Consumer price indicator has continued to decline over 2024, standing at 1.9% in September 2024, from 4.1% in 2023. This decline was primarily driven by lower food prices initially, followed by a decrease in oil prices, alongside the steady appreciation of the Lek. While the drop in food prices was a regional trend, its impact on Albania's inflation was amplified by the exceptionally high share of food in the consumption basket (around 40%). The contribution of food price inflation to overall inflation decreased to 1.8 percentage points in 2024, from 2.1 percentage points in 2023. Meanwhile, the contribution of the energy prices has remained in negative territory (0.3 pp from 0.41 pp in 2023), and the contribution of other categories has fluctuated with a slight decrease compared to the values of 2023.



Source: INSTAT, Ministry of Finance

**Industrial production** for the first 9 months of 2024 declined by an average of 4.0% year-on-year basis. This downturn was driven mainly by a 6.5% contraction in the manufacturing industry, meanwhile other industrial sectors for this period registered an overall improvement by 0.1% mainly contributed by sector of "Water supply, waste treatment and management activities".



Source: INSTAT

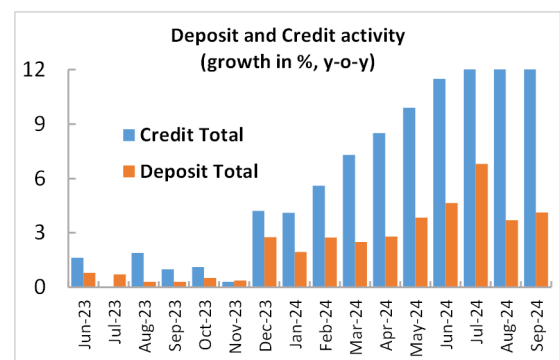
### Labor market and wages

Administrative labor market indicators suggest employment growth of 1.4 percent for 2024, led mainly by private sector employment. This upward momentum continued into the first 9 months of 2024, with real wage growth accelerating to 8.6% compared the same period in 2023, mainly in public sector with 15% growth rate compared to the same period of 2023 and around 8.6% growth rate in private sector.

**Credit activity** during September 2024 increased by 12.1% on annual basis, where the lending to non-financial businesses (private and public) increased by 11.9%, while loans granted to individuals increased by 11.7%.

Deposits in the banking sector recorded an increase of 4.12% on annual basis, reflecting the sustainable increase of corporate deposits by 3.0%, while the total of individual deposits increased by 3.5%.

The level of non-performing loans to total loans at the end of September 2024 reached 4.58%.



Source: Bank of Albania

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## Albania Economic Performance - Sustainable growth in focus

### External Sector

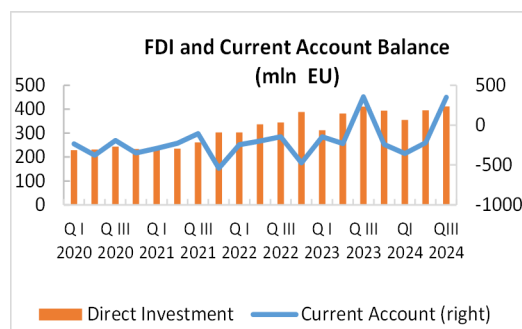
The rapid growth of service exports, foreign direct investment, remittances has contributed to the improvement of the economy's external position and the appreciation of the Lek in recent years.

The current account deficit stood at 1.3% of GDP in the first three quarters of 2024. This period witnessed an increase in imports, driven by the rapid expansion of domestic demand. In contrast, service exports—primarily led by tourism—continued to perform positively, recording a growth of 19.9% compared to the first nine months of 2023.

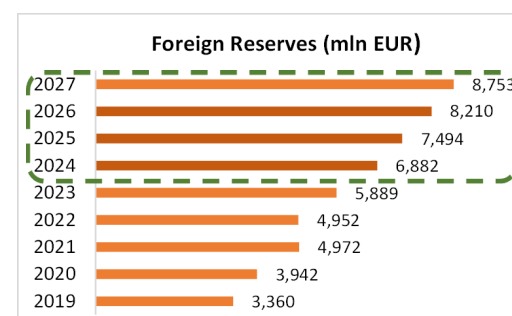
The overall balance of goods and services for the first 9 months of year 2024 recorded an increase of 50.2% compared to the same period of the previous year, especially driven by tourism exports.

Foreign direct investments expanded to +1161 million euros or +5.1% for the 9 months of year 2024, compared to +1104 million euros of the same period in year 2023, mainly concentrated in the "Real Estate", "Hydrocarbons", "Extractive Industry" and "Communication" sectors.

The stock of foreign exchange reserves, at the end of September 2024, marked 5,862 million euros, enough to cover 6.7 months of average annual imports of goods and services.



Source: Bank of Albania



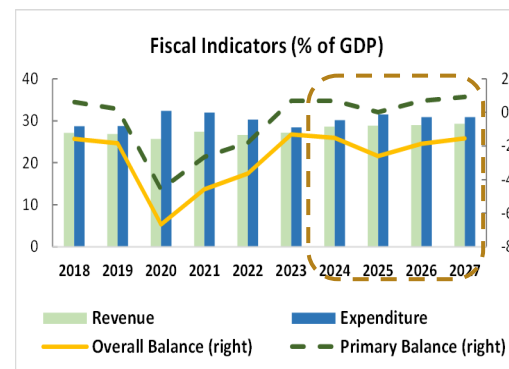
Source: Ministry of Finance, Bank of Albania

### Fiscal Indicators

**The total budget revenues in the first 9 months of 2024**, has shown strong growth by 10.7% year-on-year, realizing the budget plan by 99.6%. The largest contributors of tax revenue growth were tax revenues growth were personal income tax, corporate profit tax and excise duties. Tax revenues for the period January-September 2024 reached 491.6 billion ALL, exceeding the initial plan for the same period by 4.5% or 20.1 billion ALL.

**The total budget expenditures for the 9 month period of 2024**, reached the level of about ALL 425.6 billion, with a realization of 95.2 percent of the period's plan. Compared to the same period of 2023, this item resulted 7.9 percent higher or about ALL 33.7 billion more. In annual terms, total expenditures for the 9-month period of 2024, were realized at 62.2 percent of the annual plan.

Current expenditures, for the 9-month period of 2024, reached the level of about ALL 411.2 billion or 97.3 percent of the period's plan. Compared to the same period of the previous year, this item resulted 8.4 percent higher or about ALL 31.8 billion more. In annual terms, current expenditures for the 9-month period of 2024 resulted 67.9 percent of the annual plan.



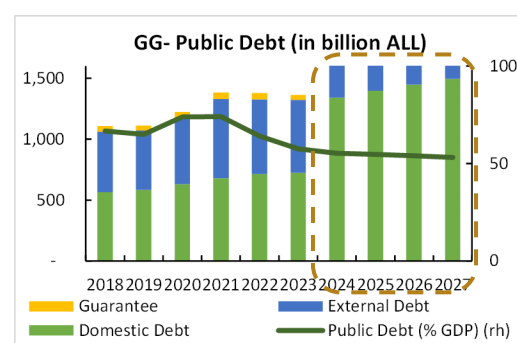
Source: Ministry of Finance

### Debt Sustainability

The overall balance in the first 9-months of 2024 registered 3.68% of GDP and is expected to reach at level -1.5 % of GDP for the year 2024.

At the end of September 2024, the Central Government Debt amounted to ALL 1,349.7 billion which would consist of 54.1% of expected GDP for the year 2024. In nominal terms, the debt stock of the central government decreased by ALL 13.1 billion compared to the end of 2023.

Gross foreign borrowing, during the first nine months of 2024, amounted to ALL 14.3 billion. The main weight in foreign borrowing during this nine-month period was held by loans for project financing and loans in the form of budget support. Net public debt for 2024 is projected to stand at level of 55.2% of GDP.



Source: Ministry of Finance

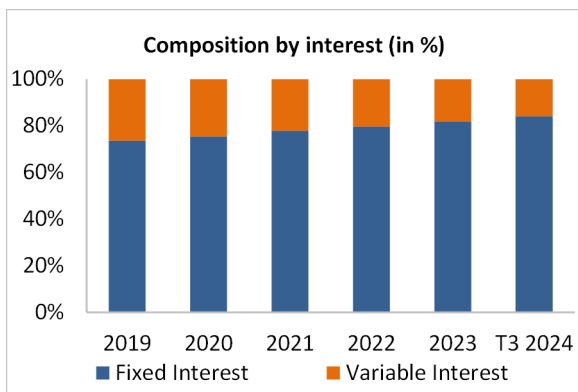
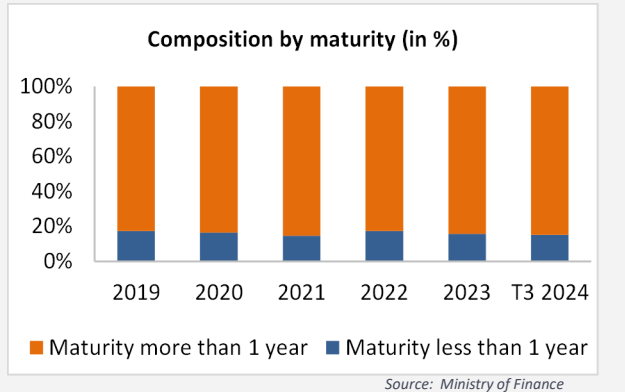
## Debt Indicators

### Composition of total debt by maturity

The debt portfolio primarily comprises instruments with maturities exceeding one year (more than 80% of the portfolio).

Within the domestic debt portfolio, medium-term securities (2-5 years) constitute the largest segment, about 40% of total domestic debt portfolio as of September 2024. The proportion of long-term debt has increased due to new financing being secured mostly through long-term bonds. Additionally, a 15-year bond issuance was issued for the first time in 2021.

Whereas, the external debt portfolio is totally composed of long-term instruments.



### Composition of total debt by interest

The fixed interest rate debt accounts for more than 80% of the total debt. The share of fixed interest rate debt has increased in line with the strategic objective of reducing interest rate risk.

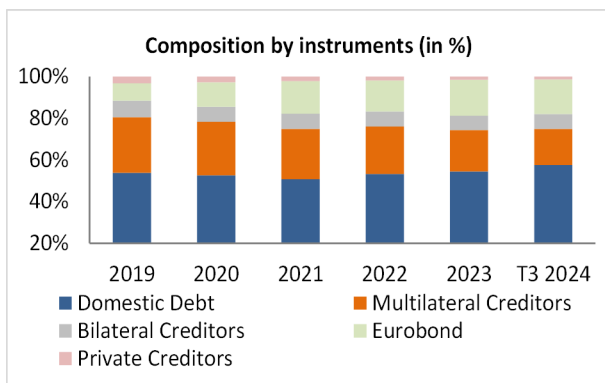
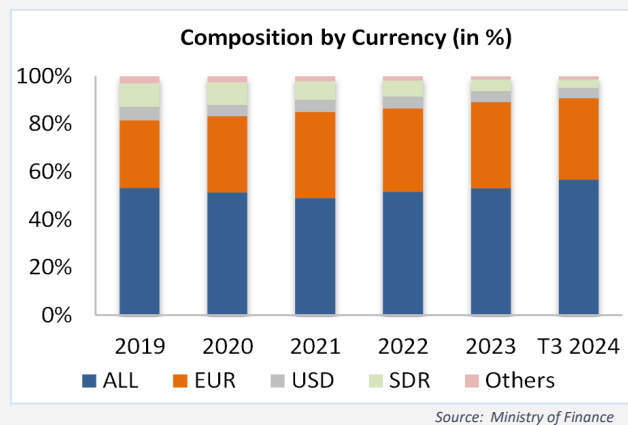
In the domestic debt portfolio, there have been no issuances of variable rate securities since 2016. Consequently, the proportion of variable interest rate securities is less than 1% of the domestic debt portfolio.

For the external debt portfolio, fixed interest rate debt represents more than 60% of the total share.

### Composition of total debt by currencies

The largest portion of the total debt, exceeding 50%, is denominated in local currency, followed by the Euro and the US Dollar. Domestic debt is totally in local currency.

External debt is entirely denominated in foreign currencies, with over 70% in Euro, followed by the US Dollar and SDR. The significant share of debt in Euro aligns with the country's European Union integration policies



### Composition of total debt by Instruments

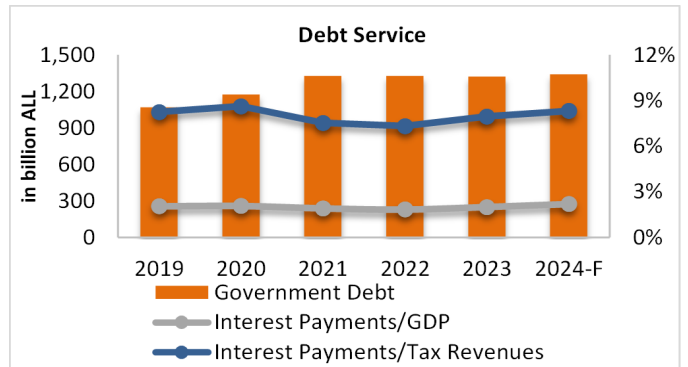
Albania benefits from a diversified funding mix, and from strong support from international finance institutions that supported the country to withstand multiple crisis situations. The largest portion of the total debt, exceeding 50%, belongs to domestic creditors followed by multilateral creditors. In recent years, the share of the Euro-bond has been increased from year to year due to the more frequent issuances in the international markets, where the most recent Eurobond was issued in June 2023 in the amount of EUR 600 million.



## Debt Cost and Risk Indicators

### Cost Indicators

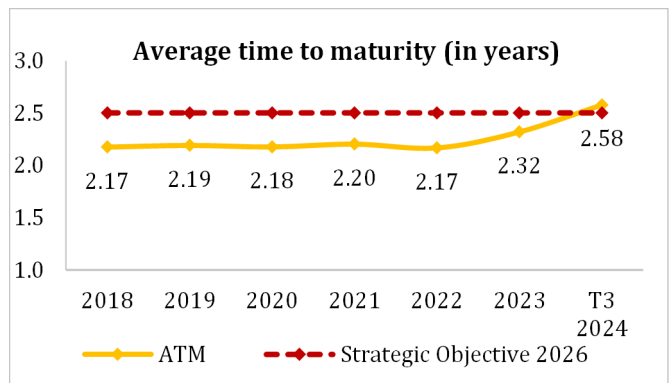
The debt portfolio has been effectively managed to maintain costs at the lowest possible level given the current market conditions. Beginning in 2022, there has been an increase in interest expenses attributed to rising interest rates in both external and domestic markets, but the increased interest rates impact has been mitigated as a result of the composition of the debt stock of more than 80% with fixed interest rates.



Source: Ministry of Finance

### Refinancing risk

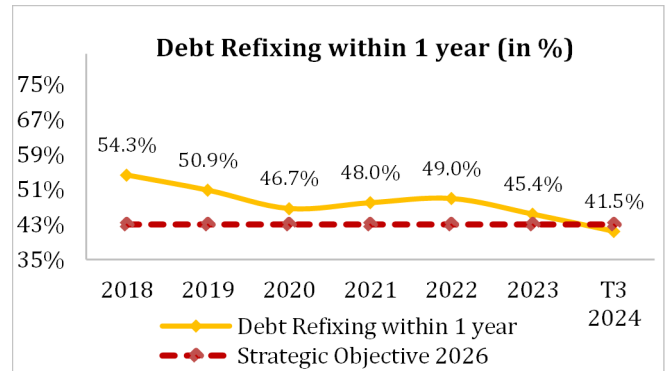
A key objective of the Debt Strategy is to mitigate refinancing risk, particularly within the domestic debt portfolio. This is because the external debt carries lower risk due to its composition of long-maturity instruments with extended amortization profiles. In recent years, indicators of refinancing risk have shown significant improvement. Notably, the average time to maturity of domestic debt has increased by over 100 days in the past five years, and more than 300 days in the last 10 years.



Source: Ministry of Finance

### Interest rate risk

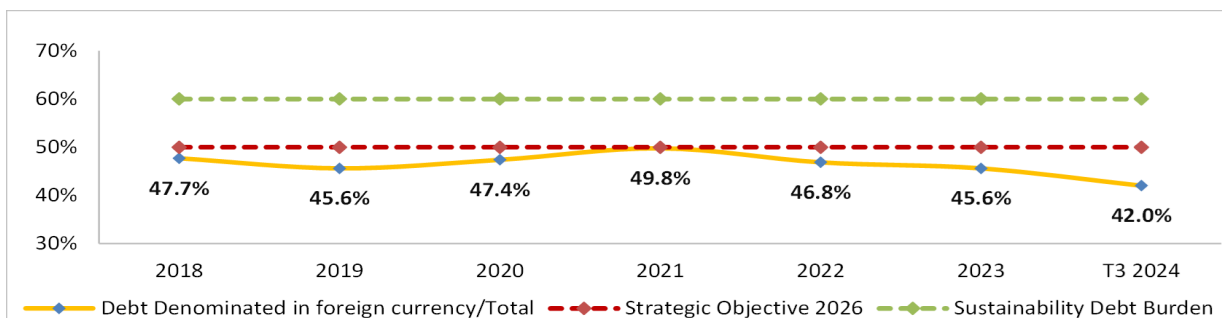
Interest rate risk has also been effectively mitigated, primarily due to the increased issuance of medium- and long-term securities and the exclusive use of fixed interest rates in the domestic market. Consequently, the proportion of total debt subject to interest rate re-fixing within one year has decreased by over 9% in the last five years.



Source: Ministry of Finance

### Exchange rate risk

Exchange rate risk has been effectively managed, remaining below the strategic limit objective. At the end of September 2024, the proportion of total debt denominated in foreign currency was 42.0%, representing a decrease of 3.6 percentage points compared to the end of 2023 and a reduction of 4.8 percentage points compared to the end of 2022. This reflects a significant improvement in controlling exchange rate risk.



Source: Ministry of Finance

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## Debt Indicators

### Performance of yields in primary market

Instrument	3M T-Bills	6M T-Bills	12M T-Bills	2y Bonds	Ref 3y Bonds	Ref 5y Bonds	7y Bonds	10y Bonds	15y Bonds
Yield on the end of 2023	3.00%	1.50%	3.36%	4.23%	5.17%	5.65%	5.96%	6.44%	7.98%
Yield on the end of September 2024	3.05%	3.12%	3.11%	3.88%	4.09%	4.76%	5.36%	6.13%	6.98%

#### Sources:

#### Auction Results

<https://financa.gov.al/rezultatet-e-ankandevete-titujve-qeveritare/>

#### Auction Calendar

<https://financa.gov.al/kalendaret-tremujore-te-emetimeve/>

### Republic of Albania outstanding eurobonds, latest

Eurobond Status Maturity date	Rating		Original/ Outstanding size mn	Coupon	Price	Yield	Bid Spread vs. BM	Bid z-Spread vs. MS
	S&P	Moody's						
09-Oct-25	B+	B1	367	3.50%	99.695	3.55	290.7 bps	
16-Jun-27	B+	B1	650	3.50%	99.239	3.625	378.4 bps	
23-Nov-31	B+	B1	650	3.50%	97.947	3.75	402.5 bps	357.4 bps
09-Jun-28	B+	B1	600	5.90%	99.055	6.125	374.6 bps	305.8 bps

## Key Macroeconomic Indicators

	2017	2018	2019	2020	2021	2022	2023	2024*	2025*	2026*	2027*
Real GDP growth, %	3.8	4.0	2.1	(3.3)	9.0	4.8	3.9	3.9	3.9	4.0	3.9
Nominal GDP growth, %	5.3	7.1	3.1	(3.3)	12.7	15.2	10.2	5.2	5.1	5.2	5.1
Average annual inflation, %	2.0	2.0	1.4	1.6	2.0	6.7	4.8	2.2	3.0	3.0	3.0
Budget balance, % of GDP	(2.0)	(1.6)	(1.8)	(6.7)	(4.6)	(3.6)	(1.3)	(1.5)	(2.6)	(1.9)	(1.6)
Primary balance, % of GDP	0.1	0.6	0.2	(4.6)	(2.7)	(1.8)	0.7	0.7	0.0	0.7	0.9
Current balance, % of GDP	2.4	3.1	2.5	(0.5)	2.3	1.6	3.7	3.6	3.6	4.2	4.5
General government debt, e.o.p, % of GDP	70.2	66.7	65.0	73.9	74.1	64.1	57.5	55.2	54.8	54.0	53.2
Average unemployment rate (15-64)	14.1	12.8	12.0	12.2	12.0	11.3	11.2	10.2	9.8	9.5	9.3
Average Exchange rate, ALL/EUR	134.2	127.6	123.0	123.8	122.5	119.0	108.8	100.7	100.7	100.7	100.7
Monetary policy rate, %	1.25	1.00	1.00	0.50	0.50	2.75	3.25	3.20**	...	...	...
Foreign reserve, e.o.p, % of GDP	25.9	26.1	24.1	29.5	32.6	27.4	27.0	27.8	28.8	30.0	30.4

\* MoF projections

Source: Ministry of Finance

\*\* Average for the period January - October 2024

## Credit Ratings 2024

	Rating	Outlook
Moody's, October 2024	Ba3	Stable
Standard & Poors, September 2024	BB-	Positive

**Note:** The country's credit ratings have remained stable, not only avoiding likely downgrades in the face of the pressure's from those shocks but recently achieving upgrades from both S&P in April 2024 (from "B+, stable" to "BB-, positive") and most recently by Moody's in October 2024 (from "B1, positive" to "Ba3, stable").

## Key Macroeconomic Forecasts from International Organisations

	Real GDP growth, %	Average inflation, %	Public Debt % of GDP	Budget Balance % of GDP
IMF, WEO (October 2024)	3.3	2.2	58.3	(2.2)
European Commission (November 2024)	3.8	2.3	56.3	(2.3)
World Bank (October 2024)	3.3	2.2	55.4	(2.3)
MoF, Albania (December 2024)	3.9	2.2	55.2	(1.5)