

Economic developments January–December 2024

Albania Economic Performance - Sustainable growth in focus



Real Sector

During 2024, the country's economy continued to perform positively again, recording a real GDP of 4.0% compared to 2023. This growth was primarily driven by strong performances in the services sector (mainly tourism) and construction, while activity in the agricultural sector was slightly negative. On the demand side, 2024's real growth was driven by the good performance of domestic demand through private consumption, as well as by investments. Net foreign demand had a slightly negative contribution to economic growth in 2024, influenced by the faster growth in imports of goods and services and the decline in exports of goods.

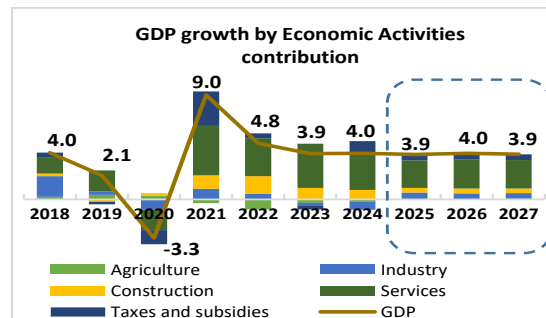
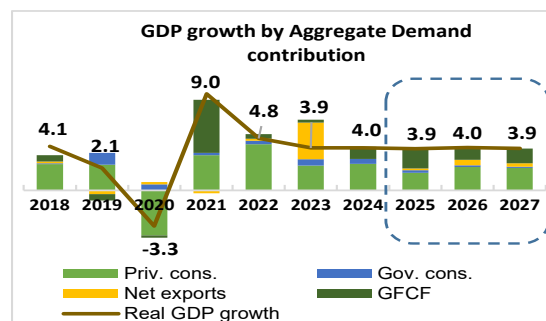
Over the medium term 2025-2027, economic growth is expected to average 3.9%. This growth will be primarily fueled by private consumption and investments, supported by improved consumer confidence, the labor market, and financial conditions. Exports, especially those of tourism services, will offset the increase in imports, while private investments will rise due to better lending conditions and a positive outlook on the economy.

Inflation

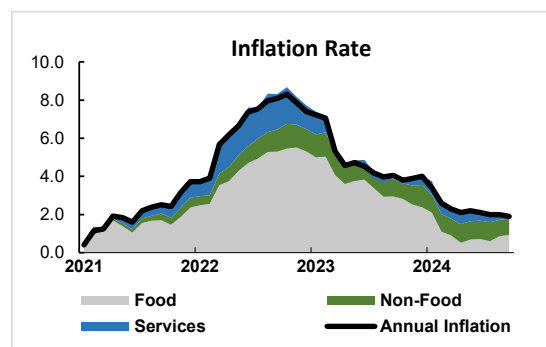
The Albanian economy was characterized by low inflation levels during the year 2024, reflecting the decline in inflation in the foreign environment, the strengthening of the Lek and the reduction of inflationary pressures in the domestic economy. Inflation in the fourth quarter resulted in 2.0%, bringing the annual average inflation to 2.2% for 2024. Fluctuations in food and oil prices in the international market have directly affected the inflation course in the country. The increase in these prices in recent months brought the inflation rate to 2.1% in December. Meanwhile, other categories have shown small and balanced fluctuations across the months.

Labour market and wages

Developments in the labour market have been positive during 2024. Employment has increased, supported primarily by higher employment in services. From a labour supply perspective, the rise in employment has been fueled mainly by the continued growth in labour force participation and recent upward trend in wages. At the same time the unemployment rate continued the declining trend seen over the last few years and it is 8.8% in the fourth quarter of 2024 from 9.5% at the end of last year (for the age +15). Administrative labor market indicators suggest employment growth of 1.4 percent for 2024, led mainly by private sector employment.



Source: INSTAT, Ministry of Finance



Source: INSTAT, Ministry of Finance

Industrial production in 2024 declined by an average of 6.8% year-on-year basis. For the fourth quarter of 2024, industrial production decreased by 7.7% per year, primarily driven by a contraction of around 22% in the manufacturing industry, while there was a slight increase in the extractive industry, energy and water supply activity for this period.



Source: INSTAT

Economic developments January–December 2024

Albania Economic Performance - Sustainable growth in focus



External Sector

During 2024, the current account deficit widened by EUR -607 million compared to the same period a year earlier, which was EUR -264 million, due to high domestic demand for imports and a decline in export revenues. The deterioration of the current account was significantly affected by the deepening of the trade deficit in goods. The expansion of the positive balance in trade in services and that of secondary income, together with the narrowing of the negative balance of primary income, contributed to the reduction of the current deficit, by about 59%.

Revenues from services generally related to Tourism expanded by 19.6% compared to 2023, while Foreign Direct Investment increased by 5.7% over the same period (mainly focused on real estate, the financial intermediation sector, hydrocarbons, energy, and transportation).

Credit activity in December 2024 increased by 12.3% on annual basis, where the lending to non-financial businesses (private and public) increased by 11.4%, while loans granted to individuals increased by 13.5%. Deposits in the banking sector recorded an increase of 4.4% on annual basis, driven mainly by the growth of individual deposits by 5.1%, while business deposits slowed down the growth rates starting from the second quarter of 2024, marking a decline of 0.9% compared to December 2023. The level of non-performing loans to total loans at the end of December 2024 fell to 4.17%, the lowest level on record.

Fiscal Indicators

The total budget revenues for 2024 reached ALL 710.3 billion, showing strong growth by 10.4% year-on-year and reaching 99.5% of the budget's plan. Tax revenues rose by 10.1%, with a realization of 99.9% of the year's plan. The largest contributors to tax revenues growth were personal income tax, value added tax and excise duties.

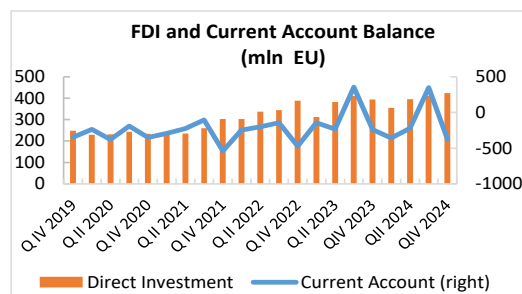
The total budget expenditures for 2024 reached the level of about ALL 728.6 billion, with a realization of 94.5% of the year's plan, 8.0% higher compared to 2023 realization. Current expenditure increased by 10.8%, achieving 96.4% of the budget plan. However capital expenditure declined by 2.9% compared to the previous year, achieving 87.3% of the 2024 budget plan.

Debt Sustainability

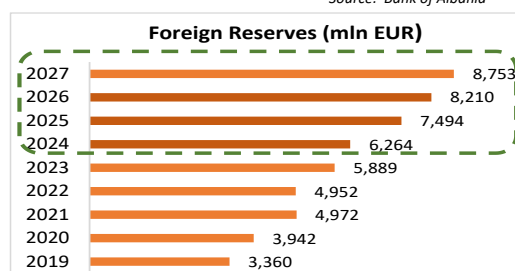
The overall balance for 2024 registered -0.7% of GDP, from -1.3% in 2023. The primary balance resulted in 1.4 percent of GDP for 2024 and is expected to remain around the average level of 0.5 percent over the medium term 2025-2027.

At the end of December 2024, the Central Government Debt amounted to ALL 1,365 billion, which would consist of 54.0% of actual GDP for the year 2024. In nominal terms, the debt stock of the central government decreased by nearly ALL 2 billion compared to the end of 2023.

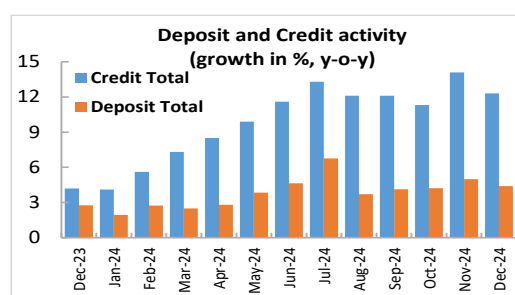
Gross foreign borrowing during 2024 amounted to ALL 15.4 billion. The main weight in foreign borrowing during 2024 was held by loans for project financing and loans in the form of budget support.



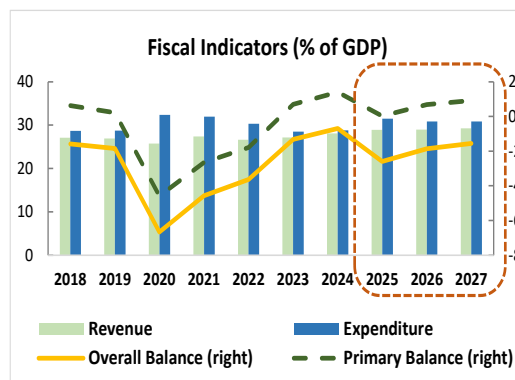
Source: Bank of Albania



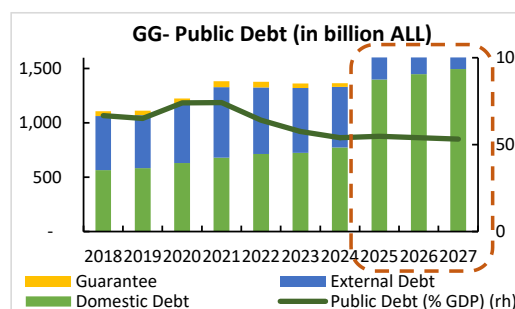
Source: Ministry of Finance, Bank of Albania



Source: Bank of Albania



Source: Ministry of Finance



Source: Ministry of Finance

Economic developments January– December 2024



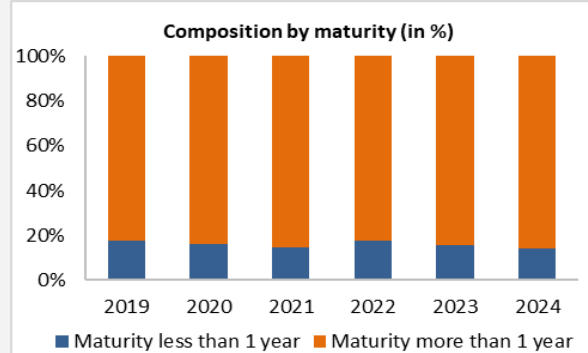
Debt Indicators

Composition of total debt by maturity

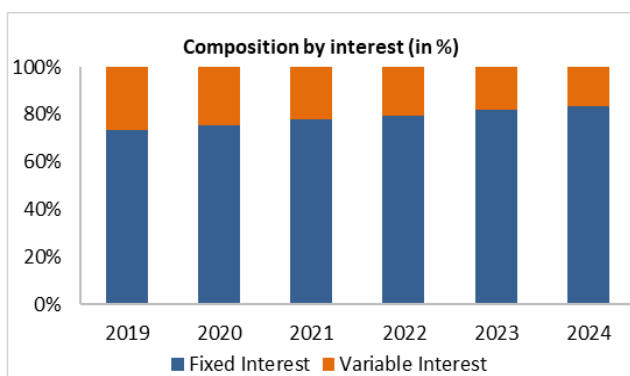
The debt portfolio primarily comprises instruments with maturities exceeding one year (more than 80% of the portfolio).

Within the domestic debt portfolio, medium-term securities (2-5 years) constitute the largest segment, about 41% of total domestic debt portfolio as of December 2024. The proportion of long-term debt has increased due to new financing being secured mostly through long-term bonds.

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



Source: Ministry of Finance



Source: Ministry of Finance

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.

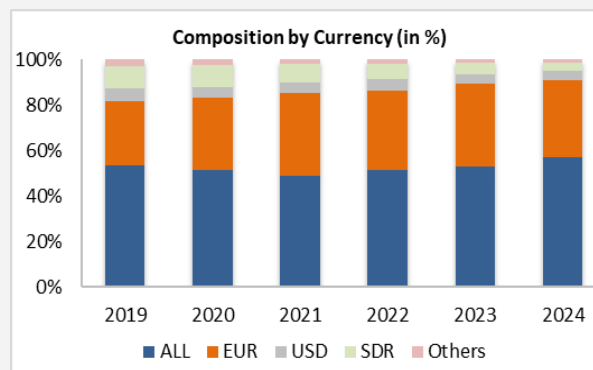
In the domestic debt portfolio, there have been no issuances of variable rate securities since 2016. Consequently, the proportion of variable interest rate securities is less than 1% of the domestic debt portfolio.

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

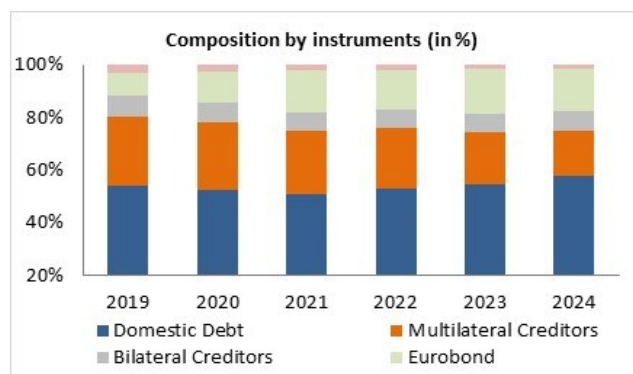
Composition of total debt by currencies

The largest portion of the total debt, exceeding 55%, 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 75% 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.



Source: Ministry of Finance



Source: Ministry of Finance

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 55%, belongs to domestic creditors followed by multilateral creditors. In recent years, the share of the Eurobond has been increased from year to year due to the more frequent issuances in the international markets.

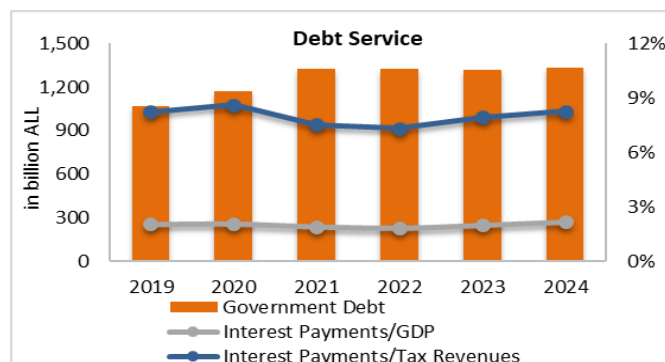
Economic developments January–December 2024



Debt Cost and Risk Indicators

Cost Indicators

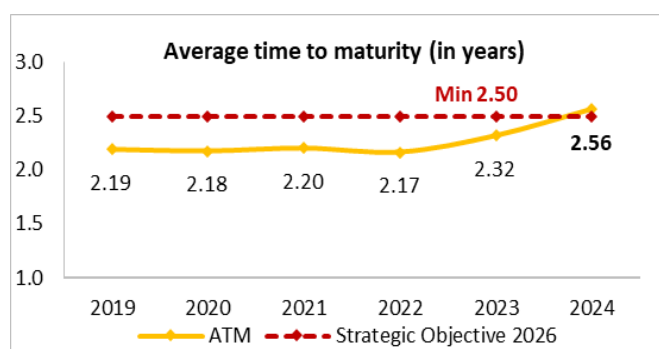
The debt portfolio has been effectively managed to maintain costs at the lowest possible level given the current market conditions. Beginning in 2022, there has been an increase in interest expenses attributed to rising interest rates in both external and domestic markets, but the increased interest 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

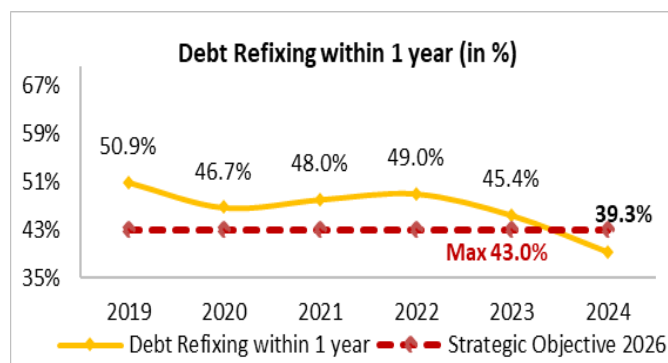
A key objective of the Debt Strategy is to mitigate refinancing risk, particularly within the domestic debt portfolio. This is because the external debt carries lower risk due to its composition of long-maturity instruments with extended amortization profiles. In recent years, indicators of refinancing 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

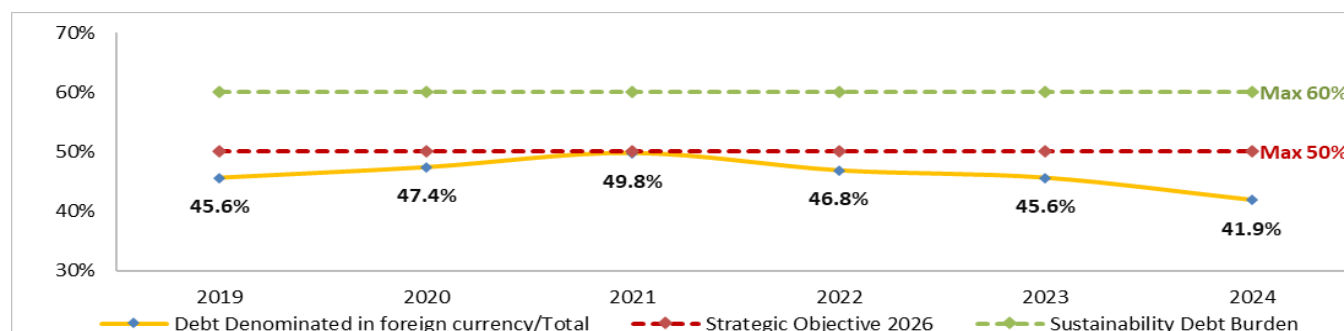
Interest rate risk has also been effectively mitigated, primarily due to the increased issuance of medium- and long-term securities and the exclusive use of fixed interest rates in the domestic market. Consequently, the proportion of total debt subject to interest rate refixing within one year has decreased by over 11 percentage points 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 December 2024, the proportion of total debt denominated in foreign currency was 41.9%, representing a decrease of 3.7 percentage points compared to the end of 2023 and a reduction of 5.0 percentage points compared to the end of 2022. This reflects a significant improvement in exchange rate risk management.



Source: Ministry of Finance

Economic developments January–December 2024



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 December 2024	3.05%	3.12%	2.73%	3.38%	3.44%	3.91%	4.85%	5.93%	6.41%

Sources:

Auction Results

Auction Calendar

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

<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

Key macroeconomic indicators and projections

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025*	2026*	2027*
Real GDP growth, %	3.3	3.8	4.0	2.1	(3.3)	9.0	4.8	3.9	4.0	3.9	4.0	3.9
Nominal GDP growth, %	2.7	5.3	7.1	3.1	(3.3)	12.7	15.2	10.2	6.8	5.1	5.2	5.1
Average annual inflation, %	1.3	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	(1.8)	(2.0)	(1.6)	(1.8)	(6.7)	(4.6)	(3.6)	(1.3)	(0.7)	(2.6)	(1.9)	(1.6)
Primary balance, % of GDP	0.7	0.1	0.6	0.2	(4.6)	(2.7)	(1.8)	0.7	1.4	0.0	0.7	0.9
Current balance, % of GDP	2.2	2.4	3.1	2.5	(0.5)	2.3	1.6	3.7	3.8	3.6	4.2	4.5
General government debt, e.o.p., % of GDP	72.4	70.2	66.7	65.0	73.9	74.1	64.1	57.5	54.0	54.8	54.0	53.2
Average unemployment rate (15-64)	15.6	14.1	12.8	12.0	12.2	12.1	11.3	10.1	9.4	9.8	9.5	9.3
Average Exchange rate, ALL/EUR	137.4	134.2	127.6	123.0	123.8	122.5	119.0	108.8	100.7	100.7	100.7	100.7
Current Account Balance % of GDP	(7.6)	(7.5)	(6.7)	(7.8)	(8.6)	(7.7)	(5.9)	(1.2)	(2.4)	(3.7)	(3.1)	(3.1)
Monetary policy rate, %	1.25	1.25	1.00	1.00	0.50	0.50	2.75	3.25	2.75
Foreing reserve, e.o.p., % of GDP	27.5	25.9	26.1	24.1	29.5	32.6	27.4	27.0	24.9	28.8	30.0	30.4

* MoF projections

Source: Ministry of Finance

Credit Ratings 2025

Credit rating, latest 2025

	Rating	Outlook
Moody's, April 2025	Ba3	Stable
Standard & Poors, March 2025	BB	Stable

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 March 2025 (from "BB-, stable" to "BB, stable") and most recently by Moody's in April 2025 (from "B1, positive" to "Ba3, stable").

Key Macroeconomic Forecasts from International Organisations for year 2024

	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 (March 2025)	4.0	2.2	54.0	(0.7)