

# Economic developments January-June 2025

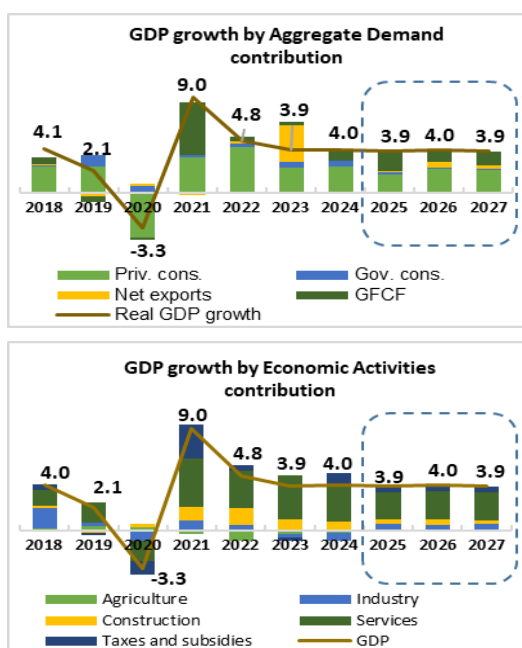


## Albania Economic Performance - Sustainable growth in focus

### Real Sector

The Albanian economy recorded an annual growth rate of 3.4% in the first quarter of 2025 compared to the same period of 2024, primarily driven by increased economic activity in construction and services, while the industrial and agricultural sectors continued to show contractionary trends. On the demand side, this growth was mainly generated by a 3.7% increase in domestic demand, fueled by faster growth in public and private consumption and a steady rate of growth of investments.

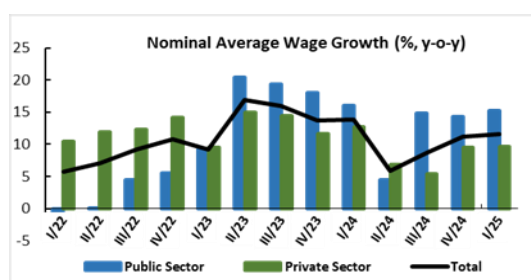
For the year 2025, GDP growth is projected to stand at the level of 3.9%.



Source: INSTAT, Ministry of Finance

### Labour market and wages

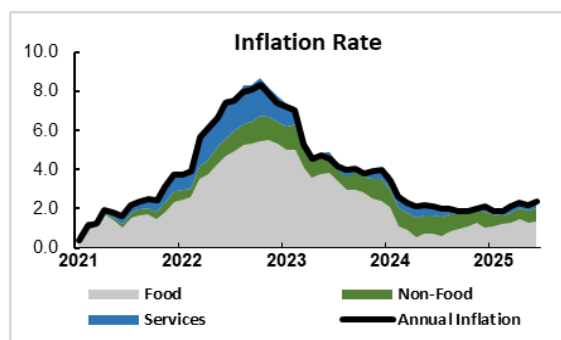
Developments in the labour market continued to show improvements. The unemployment rate continued the declining trend seen over the last few years and registered 8.7% in the first quarter of 2025 from 8.8% in Q1-2024 (for the age +15). The employment rate stood at 69.5% in Q1-2025 y-o-y, fueled mainly by the continued growth in labour force participation (76.7%) and recent upward trend in wages. During Q1-2025, the average nominal wage grew by 11.6% from a year ago, with wages in the public sector growing higher (15.3%) compared to wages in the private sector (9.6%).



Source: INSTAT, Ministry of Finance

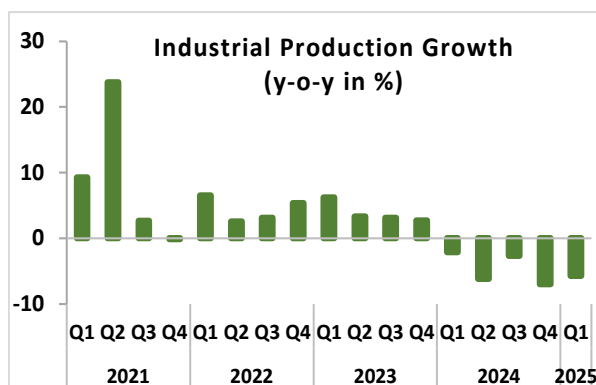
### Inflation

During the first half of 2025, consumer price inflation averaged 2.1%, increasing from 1.9% in January to 2.4% in June. This performance was mainly driven by higher food and rent inflation, as well as less negative oil price inflation. Meanwhile, prices of other goods and services have remained relatively stable. Beyond short-term fluctuations, inflation continues to remain below the 3% target, because of weak pressures from the external environment. The decline in inflation in Albania's trading partners, the appreciation of the exchange rate, as well as repeated supply-side shocks, have been reflected in historically low rates of imported inflation and food inflation.



Source: INSTAT, Ministry of Finance

**Industrial production** for the first quarter of 2025 continued the trend of decrease by 5.7% per year, mainly because of around 7.5% decrease in the manufacturing industry, while there was also a slight decrease of an average of 2.9% in the extractive industry, energy and water supply activity for this period.



Source: INSTAT

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### External Sector

During the first quarter of 2025, the current account deficit was estimated at 212 million euros, narrowing in annual terms by about 145 million euros, due to the narrowing of the trade deficit in goods and services. Current account deficit was also eased by the expansion of the positive balance in secondary income, together with the contraction of the negative balance in primary income.

Revenues from services generally related to Tourism expanded by 10.9% compared to Q1-2024, while FDI inflows amounted to EUR 362 million, expanding by 2% in annual terms (mainly focused on real estate, the financial intermediation sector, hydrocarbons, energy and transportation). Foreign exchange reserves, at the end of March 2025, stood at EUR 6,824 million, sufficient to cover 7.5 months of average annual imports of goods and services.

**Credit activity**, until May 2025, accelerated by 12.5% on annual basis, where the lending to non-financial businesses (private and public) increased by 11.1%, while loans granted to individuals increased by 15.7%.

Deposits in the banking sector recorded an increase of 6.5% on annual basis, driven mainly by the growth of individual deposits by 7.5%, while business deposits slowed down the growth rates starting from the second quarter of 2024, marking a decline of 1.2% compared to May 2024. The level of non-performing loans to total loans at the end of May 2025 was 4.12%.

### Fiscal Indicators

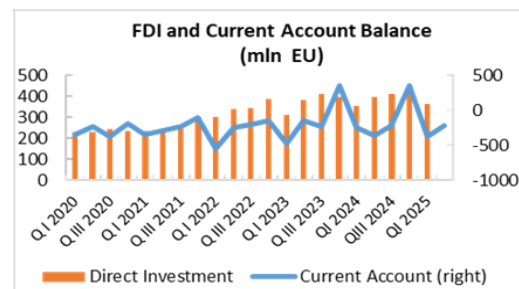
In first 5 months of 2025, the total budget revenues reached ALL 306 billion, growing by 6.5% year-on-year and exceeding the period's plan by 0.3%. The largest contributors were tax revenues growing by +9.3% y-o-y, especially personal income tax, excise duties and VAT.

The total budget expenditures, for the 5-month period of 2025, reached the level of about ALL 266 billion, 95.4% of the period's plan. Compared to the same period of 2024, this item resulted 12.1% higher or about ALL 28.6 billion more. For this period, current expenditures were the largest contributors, reaching ALL 243 billion, 12.6 percent increase y-o-y.

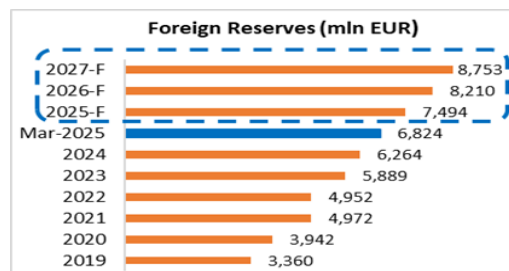
### Debt Sustainability

The fiscal balance in the first 5 month of 2025 registered a surplus of around 1.5% of 2025's estimated GDP and is expected to reach a deficit of 2.6% of GDP for year 2025.

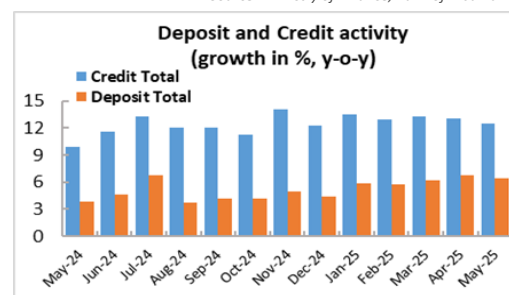
At the end of June 2025, the Central Government Debt amounted to ALL 1,349.7 billion, which would consist of 54.1% of expected GDP for the year 2024. In nominal terms, the debt stock of the central government decreased by ALL 13.1 billion compared to the end of 2023. Gross foreign borrowing, during the first quarter of 2025, 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 2025 is projected to stand at level of 54.8% of GDP.



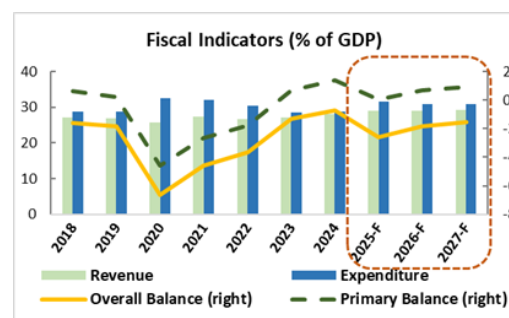
Source: Bank of Albania



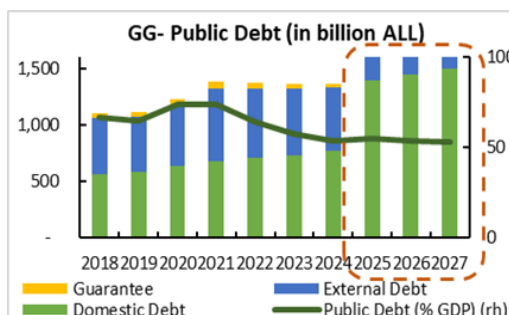
Source: Ministry of Finance, Bank of Albania



Source: Bank of Albania



Source: Ministry of Finance



Source: Ministry of Finance

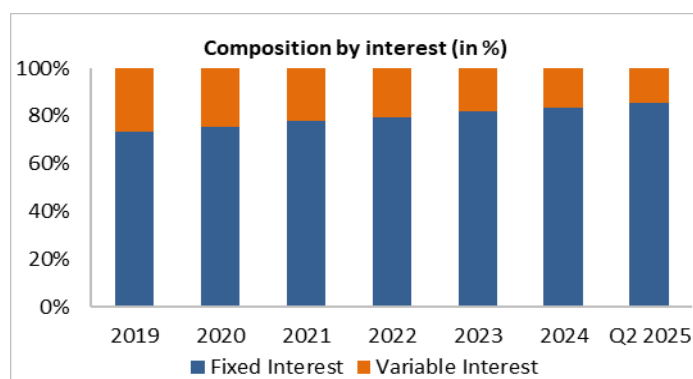
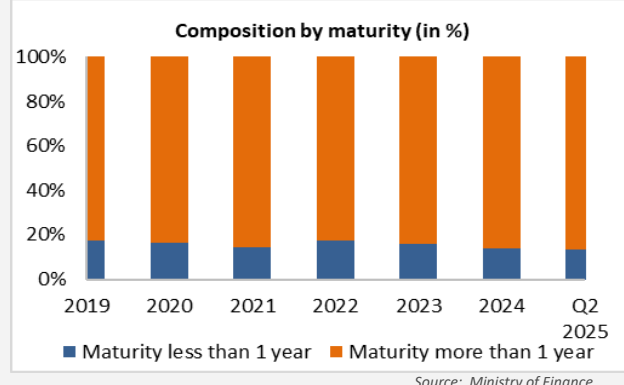
## Debt Indicators

### Composition of total debt by maturity

The debt portfolio primarily comprises instruments with maturities exceeding one year (more than 85% of the portfolio).

Within the domestic debt portfolio, medium-term securities (2-5 years) constitute the largest segment, about 43% of total domestic debt portfolio as of June 2025. 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.



### 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.

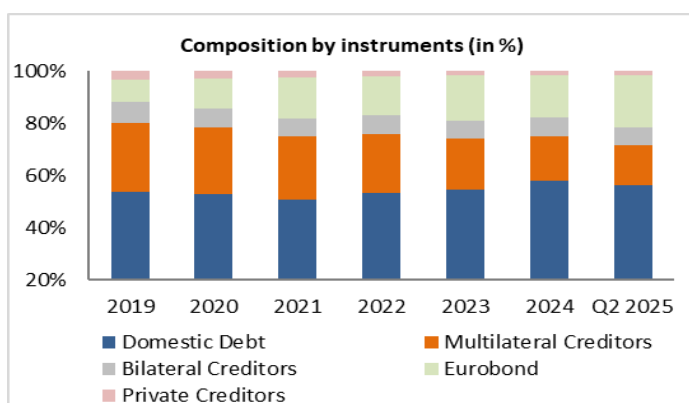
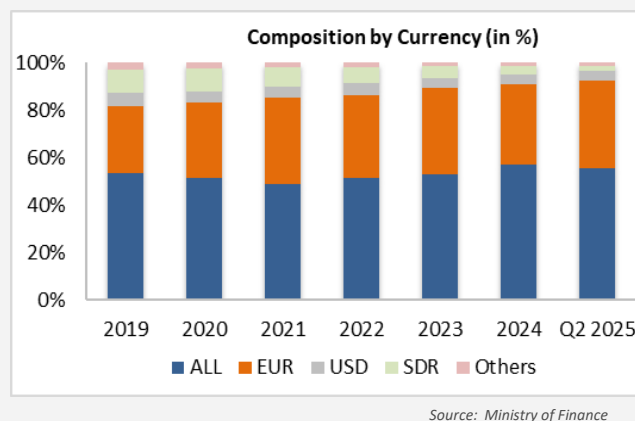
In the domestic debt portfolio, there have been no issuances of variable rate securities since 2016. Consequently, the proportion of variable interest rate securities is less than 1% of the domestic debt portfolio.

For the external debt portfolio, fixed interest rate debt represents more than 69% 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 80% 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.



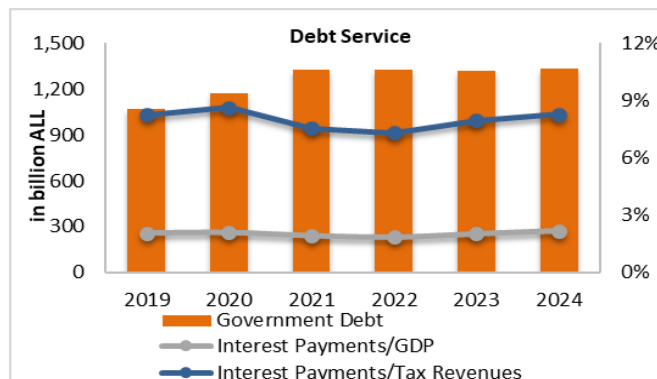
### Composition of total debt by Instruments

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 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.

## Debt Cost and Risk Indicators

### Cost Indicators

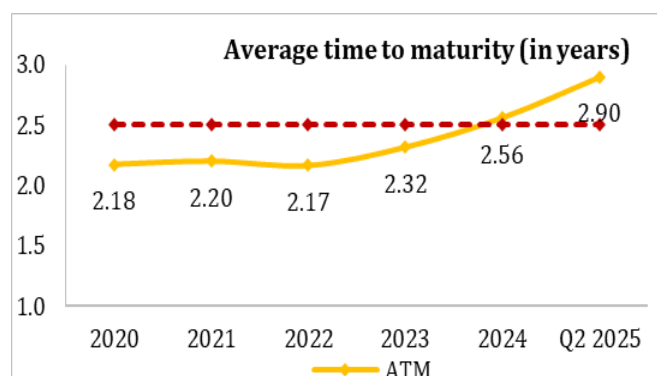
The debt portfolio has been effectively managed to maintain costs at the lowest possible level given the current market conditions. Beginning in 2022, there has been an increase in interest expenses attributed to rising interest rates in both external and domestic markets, but the increased interest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

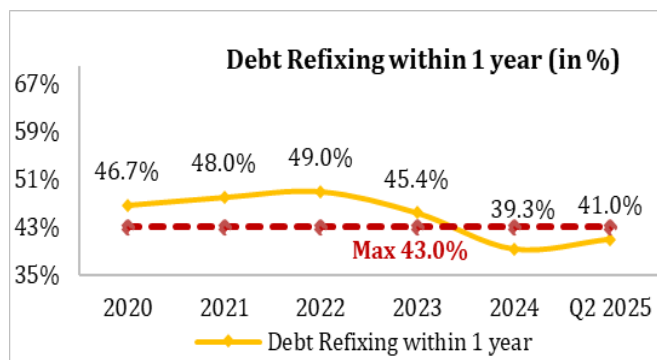
A key objective of the Debt Strategy is to mitigate refinancing risk, particularly within the domestic debt portfolio. This is because the external debt carries lower risk due to its composition of long-maturity instruments with extended amortization profiles. In recent years, indicators of refinancing risk have shown significant improvement. Notably, the average time to maturity of domestic debt has increased by over 200 days in the past five years, and more than 300 days in the last 10 years.



Source: Ministry of Finance

### Interest rate risk

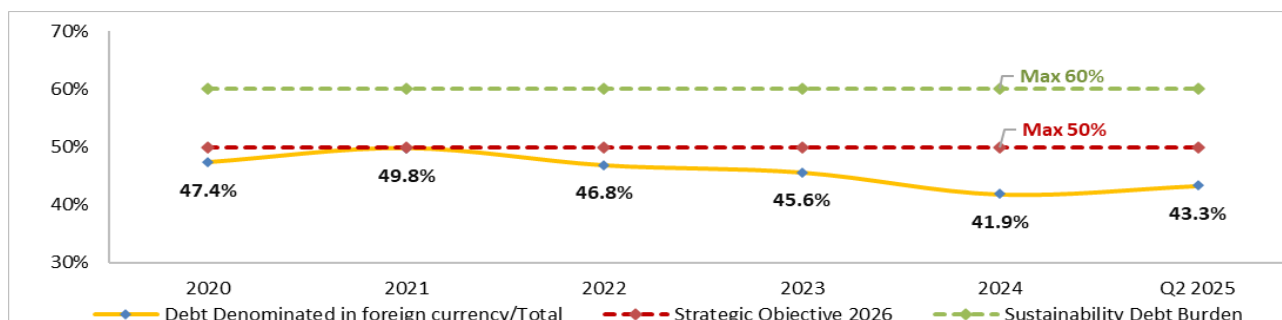
Interest rate risk has also been effectively mitigated, primarily due to the increased issuance of medium- and long-term securities and the exclusive use of fixed interest rates in the domestic market. Consequently, the proportion of total debt subject to interest rate refixing within one year has decreased by over 5.7 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 June 2025, the proportion of total debt denominated in foreign currency was 43.3%, representing an increase of 1.4 percentage points compared to the end of 2024 and a reduction of 2.3 percentage points compared to the end of 2023. This reflects a significant improvement in exchange rate risk management.



Source: Ministry of Finance

# Economic developments January-June 2025



## 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	20y 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%	
Yield on the end of June 2025	2.60%	2.62%	2.76%	2.85%	3.01%	3.50%	3.97%	4.70%	5.57%	6.50%

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	Rating		Original/ Outstanding size mn	Coupon	Price	Yield	Bid Spread vs. BM	Bid z-Spread vs. MS
	S&P	Moody's						
Maturity date								
9-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
9-Jun-28	B+	B1	600	5.90%	99.055	6.125	374.6 bps	305.8 bps
14-Feb-35	BB-	Ba3	650	4.75%	98.07	5.000		262.9 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 2025

	Real GDP growth, %	Average inflation, %	Public Debt % of GDP	Budget Balance % of GDP
IMF, WEO (April 2025)	3.8	2.4	54.3	(2.5)
European Commission (May 2025)	3.6	2.7	53.5	(2.4)
World Bank (Spring 2025)	3.2	3.0	51.2	(2.1)
MoF, Albania (Jan 2025)	3.9	3.0	54.8	(2.6)