

Economic developments January– September 2025



Albania Economic Performance - Sustainable growth in focus

Real Sector

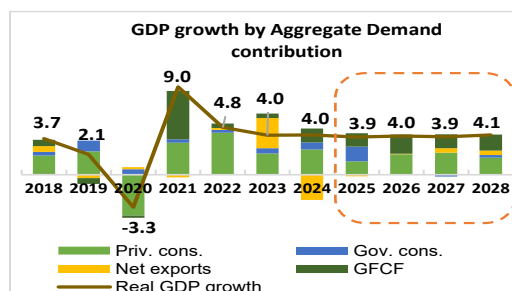
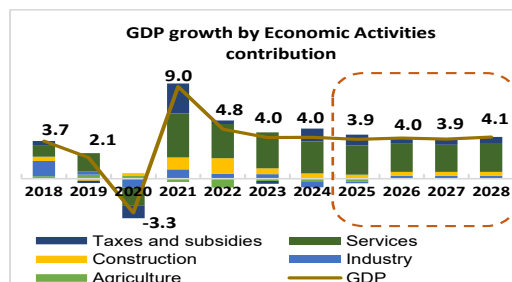
After two years of steady 4% growth, the Albanian economy continued to expand in the first half of 2025 by 3.6%. In Q2-2025, annual growth stood at 3.5% compared to the same period in 2024, primarily driven by increased economic activity in construction and services, especially tourism activities. Although the industrial and agricultural sectors still contributed negatively to the overall growth, they have shown signs of improvement compared to previous periods, indicating a gradual recovery trend. On the demand side, this growth was mainly generated by a 4.9% increase in domestic demand, fueled by faster growth in public and private consumption and a steady pace of investments. For the full year 2025, GDP growth is projected to stand at the level of 3.9%.

Inflation

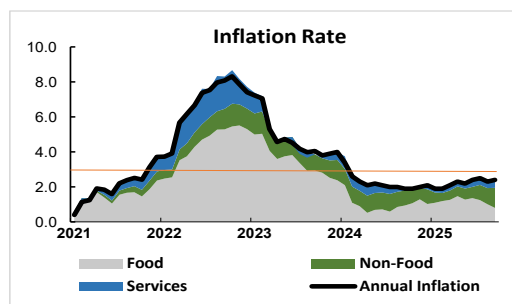
During the first 9 months of 2025, consumer price inflation averaged 2.2%, increasing from 1.9% in January to 2.4% in September. This performance was mainly driven by higher rent inflation in real estate market, as well as less negative oil price inflation. Meanwhile, prices of other goods and services have remained relatively stable. Beyond short-term fluctuations, inflation continues to remain below the 3% target. Inflationary pressures from abroad remain weak, driven by low commodity prices in international markets and 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.

Labour market and wages

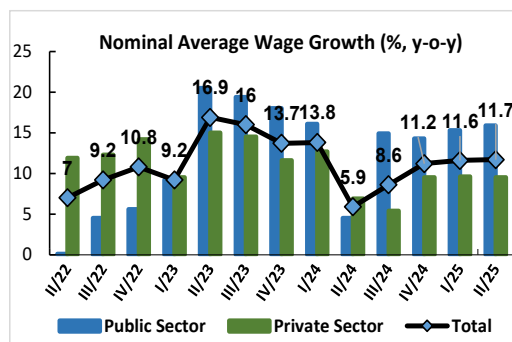
Developments in the labor market continued to show improvements. The unemployment rate (for the age +15) continued the declining trend seen over the last few years and registered 8.5% in the second quarter of 2025. The employment rate stood at 69.1% in Q2-2025 y-o-y, fueled mainly by the continued growth in labor force participation (76.2%) and recent upward trend in wages. During Q2-2025, the average nominal wage grew by 11.7% from a year ago, with wages in the public sector growing higher (15.9%) compared to wages in the private sector (9.5%).



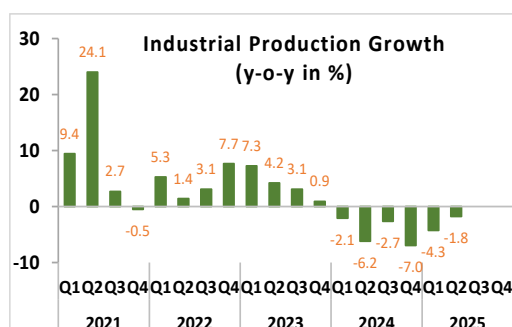
Source: INSTAT, Ministry of Finance



Source: INSTAT, Ministry of Finance



Source: INSTAT, Ministry of Finance



Source: INSTAT

Industrial production in the first half of 2025 declined by 3% compared to the same period of the previous year, when the decrease stood at 4.2%. In the second quarter of 2025, the downward trend continued with a y-o-y decline of 1.8% y-o-y, although this represents an improvement compared to the previous quarters. This positive shift was mainly driven by the extractive industry, which recorded an increase of 9% y-o-y, alongside improvements in energy and water supply activities. Meanwhile, the manufacturing industry posted neutral y-o-y growth, marking a recovery from the contraction observed in previous quarters.

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External Sector

During the second quarter of 2025, the current account deficit was estimated at 263 million euros, expanding in annual terms by about 42 million euros, due to the deterioration of the trade deficit in goods and services. Meanwhile, the expansion of the current account deficit was eased by the growth 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 5.5% compared to Q2-2024, while FDI inflows amounted to EUR 398 million, expanding by 0.3% in annual terms (mainly focused on real estate, the financial intermediation sector, hydrocarbons, energy and transportation). Foreign exchange reserves, at the end of June 2025, stood at EUR 6,727 million, sufficient to cover 7.3 months of average annual imports of goods and services.

Financial Sector

Credit activity, until September 2025, accelerated by 10.9% on annual basis, where the lending to non-financial businesses (private and public) increased by 7.4%, while loans granted to individuals increased by 17.2%. **Deposits** in the banking sector recorded an increase of 8.8% on annual basis, driven mainly by the growth of individual deposits by 9.5% and business deposits by 5.3%. The level of non-performing loans to total loans at the end of August 2025 was 4.2%.

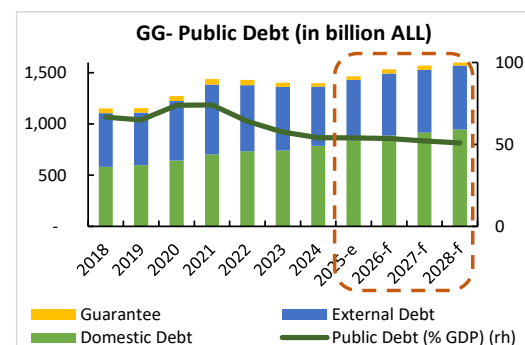
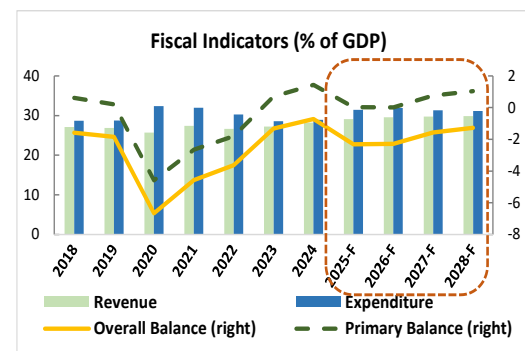
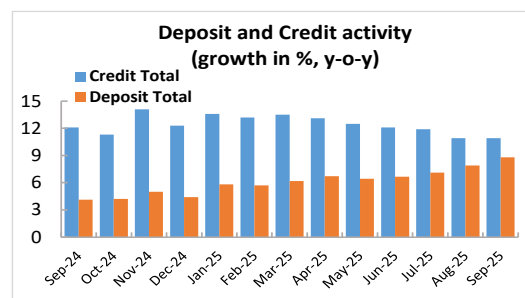
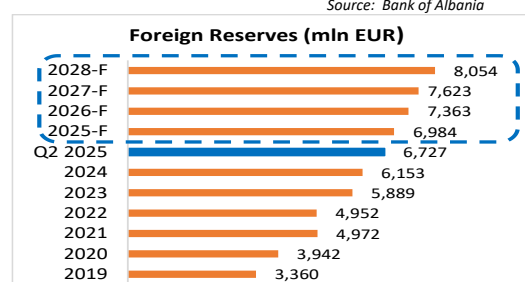
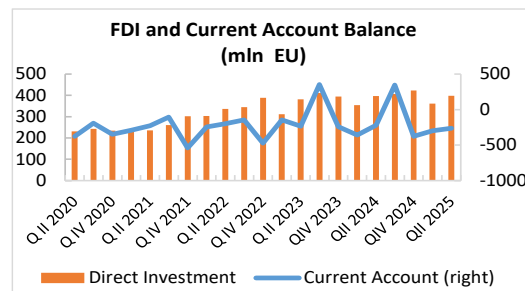
Fiscal Indicators

In the first 9-months of 2025, **the total budget revenues** reached ALL 563 billion, growing by 6.5% year-on-year and exceeding the period's plan by 1.1%. The largest contributors were tax revenues growing by +8.8% y-o-y, especially personal income tax, excise duties and VAT and also income from special funds by 12.4% y-o-y growth.

The total budget expenditures, for the 9-month period of 2025, reached the level of about ALL 517 billion, 96% of the period's plan. Compared to the same period of 2024, the budget expenditure resulted 12.5% higher or about ALL 57.6 billion more. For this period, current expenditures were the largest contributors, reaching around ALL 458 billion, 11.3% increase y-o-y.

Debt Sustainability

The fiscal balance in the first 9-months of 2025 registered a surplus of around 1.7% of 2025's estimated GDP and is expected to reach a deficit of 2.3% of GDP for the year 2025. At the end of September 2025, the Central Government Debt amounted to ALL 1,400.7 billion, which would consist of 53.4% of expected GDP for the year 2025. Gross foreign borrowing, during this nine-month period was held by loans for project financing and loans in the form of budget support. Gross public debt for 2025 is projected to stand at level of 54.1% of GDP.



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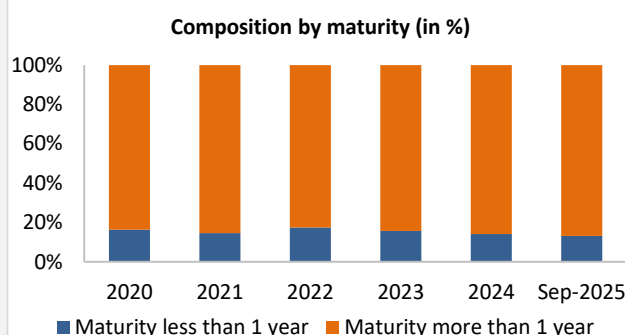
Debt Indicators

Composition of total debt by maturity

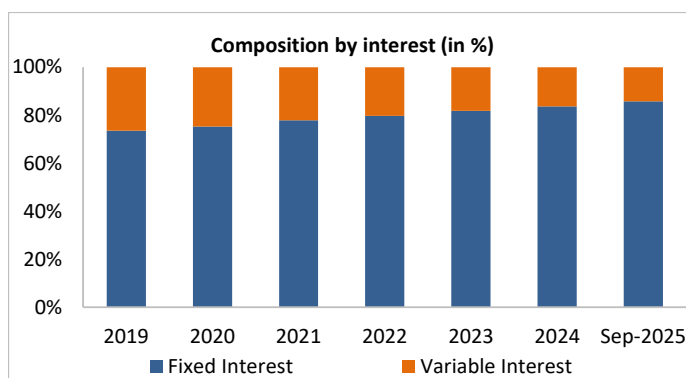
The debt portfolio primarily comprises instruments with maturities exceeding one year (more than 85% of the portfolio).

Within the domestic debt portfolio, medium-term securities (2-5 years) constitute the largest segment, about 42% of total domestic debt portfolio as of September 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.



Source: Ministry of Finance



Source: Ministry of Finance

Composition of total debt by interest

The fixed interest rate debt accounts for more than 85% of the total debt. The share of fixed interest rate debt has increased in line with the strategic objective of reducing interest rate risk.

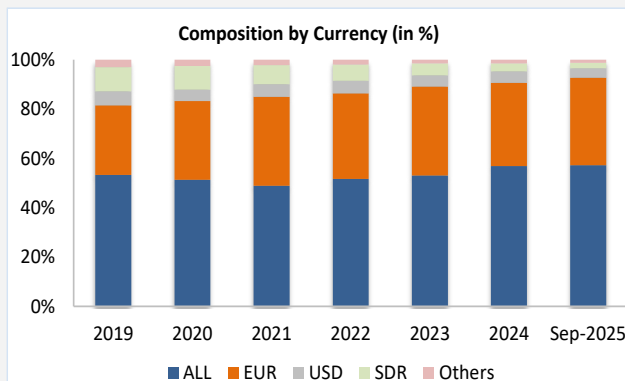
In the domestic debt portfolio, there have been no issuances of variable rate securities since 2016. Consequently, the proportion of variable interest rate securities is less than 1% of the domestic debt portfolio.

For the external debt portfolio, fixed interest rate debt represents more than 68% of the total share.

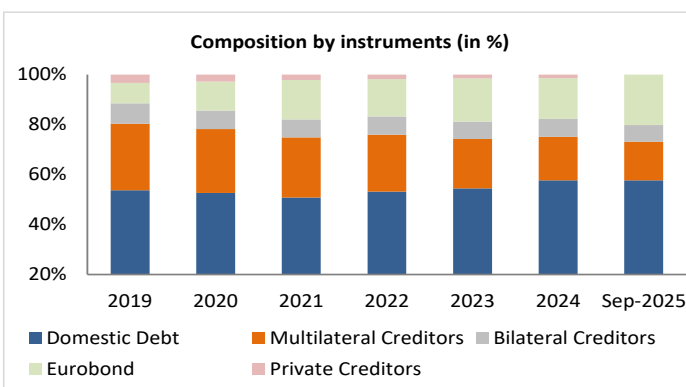
Composition of total debt by currencies

The largest portion of the total debt, exceeding 57%, 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 82% 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 57%, 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.

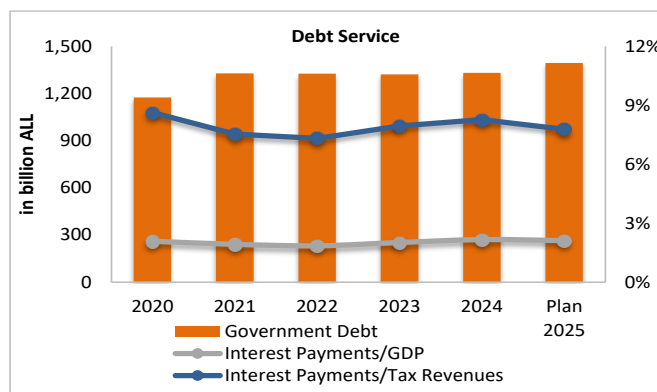
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Debt Cost and Risk Indicators

Cost Indicators

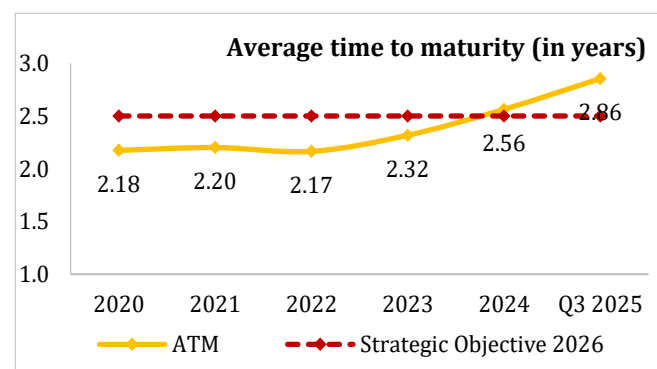
The debt portfolio has been effectively managed to maintain costs at the lowest possible level given the current market conditions. Beginning in 2022, there has been an increase in interest expenses attributed to rising interest rates in both external and domestic markets, but the increased interest rates impact has been mitigated because of the composition of the debt stock of more than 85% with fixed interest rates.



Source: Ministry of Finance

Refinancing risk

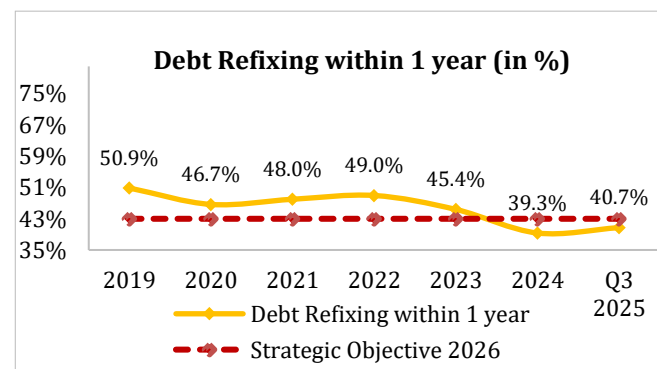
A key objective of the Debt Strategy is to mitigate refinancing risk, particularly within the domestic debt portfolio. This is because the external debt carries lower risk due to its composition of long-maturity instruments with extended amortization profiles. In recent years, indicators of refinancing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

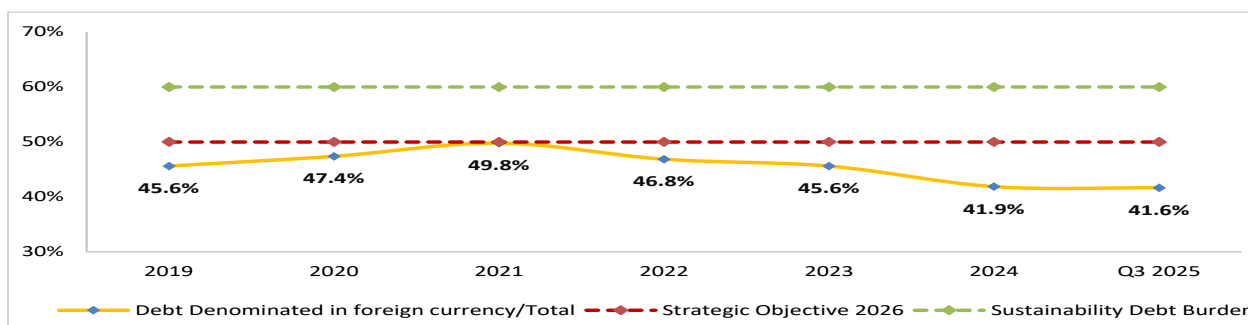
Interest rate risk has also been effectively mitigated, primarily due to the increased issuance of medium- and long-term securities and the exclusive use of fixed interest rates in the domestic market. Consequently, the proportion of total debt subject to interest rate refixing within one year has decreased by over 6.0 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 September 2025, the proportion of total debt denominated in foreign currency was 41.6%, representing a decrease of 0.3 percentage points compared to the end of 2024 and a reduction of 4.0 percentage points compared to the end of 2023. This reflects a significant improvement in exchange rate risk management.



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	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%	2.57%	2.91%	3.73%	4.14%	4.45%	5.05%	5.95%	6.88%

*20y Bonds are issued for the first time in January 2025

Sources:

Auction Results

<https://financa.gov.al/rezultatet-e-ankandeve-te-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						
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	
9-Jun-28	B+	B1	600	5.90%	99.055	6.125	374.6 bps	305.8 bps
23-Nov-31	B+	B1	650	3.50%	97.947	3.75	402.5 bps	357.4 bps
14-Feb-35	BB-	Ba3	650	4.75%	98.07	5		262.9 bps

Key Macroeconomic Indicators

Key macroeconomic indicators and projections

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025*	2026*	2027*	2028*
Real GDP growth, %	3.3	3.8	4.0	2.1	(3.3)	9.0	4.8	4.0	4.0	3.9	4.0	3.9	4.1
Nominal GDP growth, %	2.7	5.3	7.1	3.1	(3.3)	12.7	15.2	10.0	6.5	5.0	5.3	5.2	5.4
Average annual inflation, %	1.3	2.0	2.0	1.4	1.6	2.0	6.7	4.8	2.2	2.3	3.0	3.0	3
Budget balance, % of GDP	(1.8)	(2.0)	(1.6)	(1.8)	(6.7)	(4.6)	(3.6)	(1.3)	(0.7)	(2.3)	(2.3)	(1.6)	(1.3)
Primary balance, % of GDP	0.7	0.1	0.6	0.2	(4.6)	(2.7)	(1.8)	0.7	1.4	0.0	0.0	0.8	1.0
Current balance, % of GDP	2.2	2.4	3.1	2.5	(0.5)	2.3	1.6	3.7	3.9	3.8	4.2	4.8	5.0
General government debt, e.o.p., % of GDP	72.4	70.2	66.7	65.0	73.9	74.1	64.1	57.6	54.2	54.1	53.6	52.2	51.0
Average unemployment rate (15-64)	15.6	14.1	12.8	12.0	12.2	12.1	11.3	10.1	9.4	9.2	9.0	8.8	8.5
Average Exchange rate, ALL/EUR	137.4	134.2	127.6	123.0	123.8	122.5	119.0	108.8	100.7	98.3	98.3	98.3	98.3
Current Account Balance % of GDP	(7.6)	(7.5)	(6.7)	(7.8)	(8.6)	(7.7)	(5.9)	(1.2)	(2.4)	(2.2)	(3.5)	(3.3)	(3.2)
Monetary policy rate, %	1.25	1.25	1.00	1.00	0.50	0.50	2.75	3.25	2.75	2.5**
Foreign reserve, e.o.p., % of GDP	27.2	25.5	26.1	24.1	29.5	32.6	27.4	27.1	24.6	26.0	26.0	25.6	25.7

* MoF projections

Source: Ministry of Finance

**Based on Supervisory Council Decision of BoA, August 2025

Credit Ratings 2025

Credit rating, latest 2025

	Rating	Outlook
Moody's, 7 October 2025	Ba3	Stable
Standard & Poors, 19 September 2025	BB	Stable

These ratings reflect Albania's continued fiscal consolidation, steady economic growth, and progress on EU integration.

Key Macroeconomic Forecasts from International Organisations for year 2025

Key Macroeconomic Forecasts from International Organisations for year 2025

	Real GDP growth, %	Average inflation, %	Public Debt % of GDP	Budget Balance % of GDP
IMF, WEO (October 2025)	3.4	2.3	54.1	(1.7)
European Commission (October 2025)	3.6	2.5	53.5	(2.4)
World Bank (Fall 2025)	3.7	2.5	53.4	(1.8)
MoF, Albania (September 2025)	3.9	2.3	54.1	(2.3)