

Economic developments January– March 2026



Albania - Solid Performance in a Changing Environment

Real Sector

After two years of stable 4% growth, the Albanian economy maintained solid momentum even in 2025, expanding by 3.8% for the on an annual basis. Economic activity continued to be driven primarily by the services and construction sectors, while growth in industry and agriculture showed some moderation. From the expenditure side, domestic demand increased by 4.1% in 2025, supported by stronger growth in both consumption and investment, which rose by 3.9% and 5.0% respectively. These developments provided significant support to overall economic growth, despite a drag from net exports, due to weaker goods exports, which were partially offset by the strong performance of services exports. Business and consumer confidence remained above long-term averages, indicating a positive outlook among economic actors. Looking ahead, real GDP growth is projected to reach 4.0% in 2026.

Inflation

During the first quarter of 2026, consumer price inflation averaged 2.5%, rising from 2.3% in January to 2.6% in March. Inflation developments were mainly driven by higher price increase in rents, oil and transport services, while prices of other goods and services remained relatively stable, reflecting subdued domestic demand pressures.

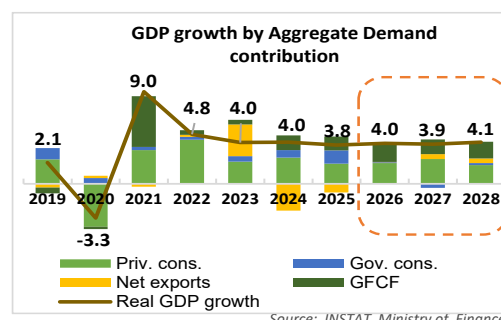
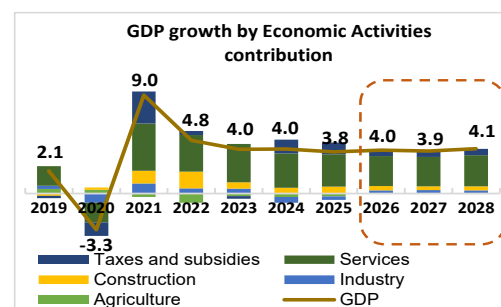
Inflation remained below the 3% target in early 2026. Going forward, the inflation outlook remains broadly stable, while developments in global energy and commodity prices linked to geopolitical risks continue to represent a key source of uncertainty.

Labour market and wages

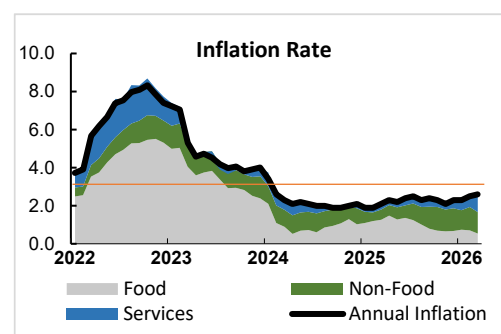
Labor market conditions remained favorable in 2025, with unemployment falling to 8.4% and employment rising to 69.3%, supported by higher labor force participation (76.3%).

Wage growth highlighted the continued improvement and resilience of labor market conditions: the average gross nominal wage increased by 8.7% compared to the previous year, with wages in the public sector growing higher (9.4%), compared to wages in the private sector (8.5%). These trends reflect strong demand for labor, rising wages and an expanding range of employment opportunities.

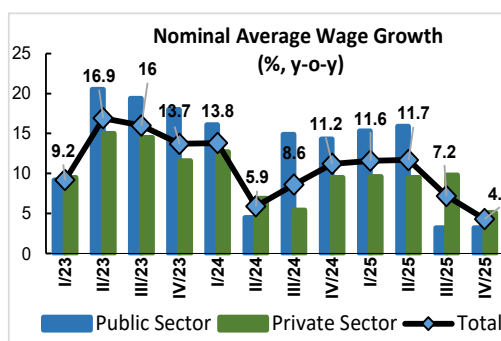
Industrial production in Albania remained in contractionary territory throughout year 2025, although signs of gradual improvement emerged over the course of the year. Overall industrial output declined on an annual basis by an average 3.2%, reflecting persistent weaknesses in manufacturing activity contracting by an average of 1.7%, while mining, energy, and water supply showed a more mixed performance. The manufacturing sector remained the main drag on industrial output, while the extractive industry recorded an increase of around 10% y-o-y basis by end December 2025, mainly supported by improved performance in mining activities.



Source: INSTAT, Ministry of Finance



Source: INSTAT, Ministry of Finance



Source: INSTAT, Ministry of Finance



Source: INSTAT

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Solid Performance in a Changing Environment

External Sector

During 2025, the current account deficit narrowed by EUR -179 million compared to the same period a year earlier, driven primarily by a widening surplus in services, supported by strong tourism activity. The primary income deficit narrowed due to lower FDI income outflows, while higher secondary income inflows further strengthened the external position, offsetting the deterioration in the merchandise trade balance.

Services exports, largely related to Tourism, expanded by 14.7% compared to 2024, while Foreign Direct Investment increased by 3.4% over the same period (mainly concentrated in real estate, financial intermediation, hydrocarbons, energy, and communications). At the end of December 2025, FX reserves stood at EUR 7.3 billion at, equivalent to 7.6 months of imports, indicating a broadly stable external position.

Financial Sector

Credit activity, until March 2026, accelerated by 10.6% on annual basis, where the lending to non-financial corporations increased by 8.2%, while loans granted to individuals increased by 17.5%. Deposits in the banking sector recorded an increase of 8.2% on annual basis, supported by both household and business deposits, reflecting stable liquidity and continued confidence in the system. Portfolio quality remained broadly stable, with the non-performing loan (NPL) ratio standing at 3.85 % at end-March, largely unchanged compared to the previous period.

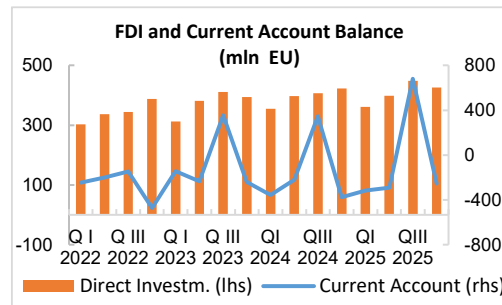
Fiscal Indicators

During the first 3 months of 2026, total budget revenues amounted to around ALL 206 billion, marking an increase of 13.6 % y-o-y and exceeding the quarterly plan by 6.1%. Revenue performance was driven primarily by tax revenues, which grew by 13.8 % on an annual basis, reflecting strong collections from personal income tax, excise duties, and value-added tax.

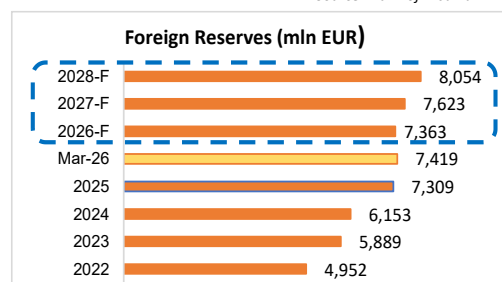
Over the same period, total budget expenditures reached approximately ALL 157 billion, corresponding to 93.3 % of the approved quarterly allocation and representing a y-o-y increase of 6.3 % (around ALL 9.3 billion). Expenditure growth was largely driven by current spending, which amounted to ALL 151 billion, reflecting an annual increase of 8.4 %.

Debt Sustainability

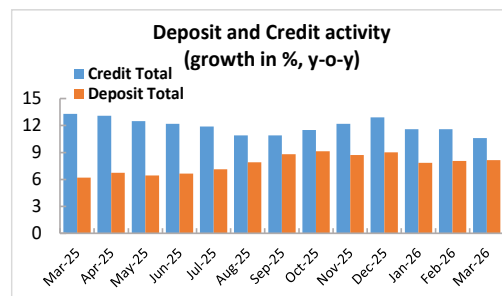
In the first quarter of 2026, Albania's public debt remained broadly stable, underpinned by prudent fiscal management. The fiscal balance recorded a surplus of around 1.76 % of estimated GDP in the first three months of 2026 and is projected to shift to a deficit of 2.3 % of GDP for the year, reflecting the planned fiscal stance. As of end-March 2026, central government debt amounted to ALL 1,357.2 billion, corresponding to 48.8 % of projected GDP for 2026. In nominal terms, the central government debt stock declined by ALL 44.3 billion compared to end-2025. During the first quarter, gross foreign borrowing reached ALL 569.6 billion (20.2 % of forecast GDP), while gross domestic borrowing amounted to ALL 795.3 billion (28.6 % of forecast GDP).



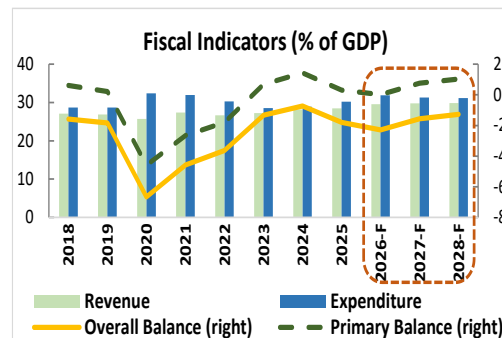
Source: Bank of Albania



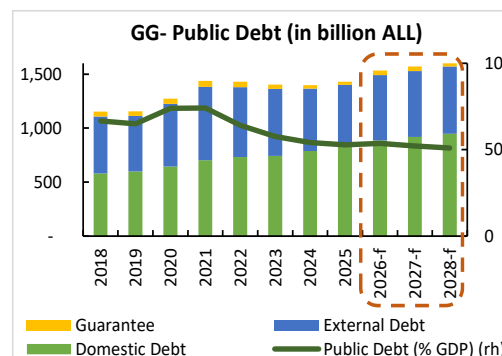
Source: Ministry of Finance, Bank of Albania



Source: Bank of Albania



Source: Ministry of Finance



Source: Ministry of Finance

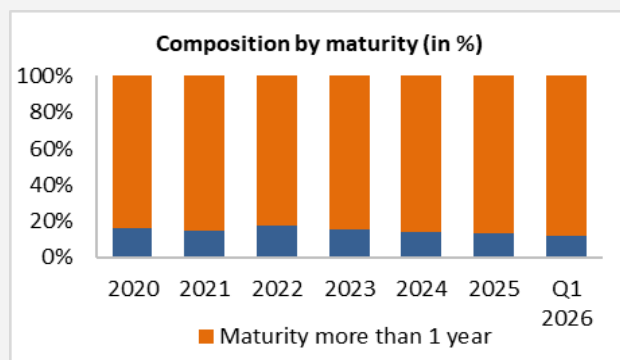
Debt Indicators

Composition of total debt by maturity

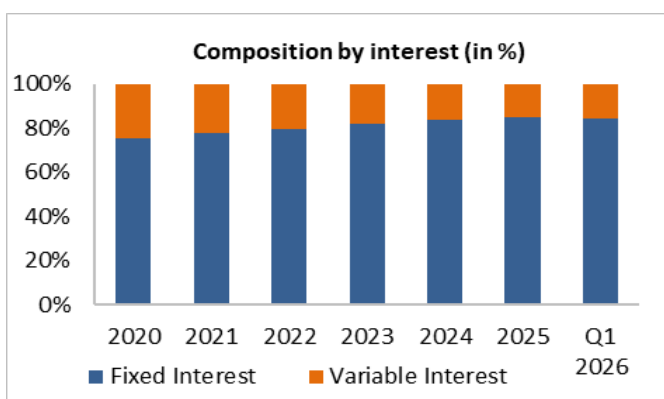
The debt portfolio primarily comprises instruments with maturities exceeding one year (more than 85% of the portfolio).

Within the domestic debt portfolio, medium-term securities (2-5 years) constitute the largest segment, about 40% of total domestic debt portfolio as of March 2026. 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 84% of the total debt. The share of fixed interest rate debt has increased in line with the strategic objective of reducing interest rate risk.

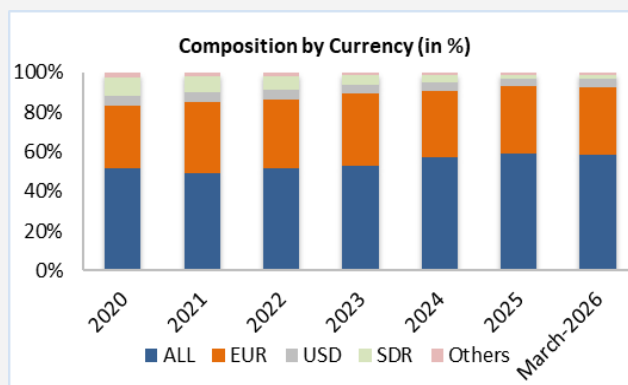
In the domestic debt portfolio, there have been no issuances of variable rate securities since 2016. Consequently, the proportion of variable interest rate securities is less than 1% of the domestic debt portfolio.

For the external debt portfolio, fixed interest rate debt represents more than 64% of the total share.

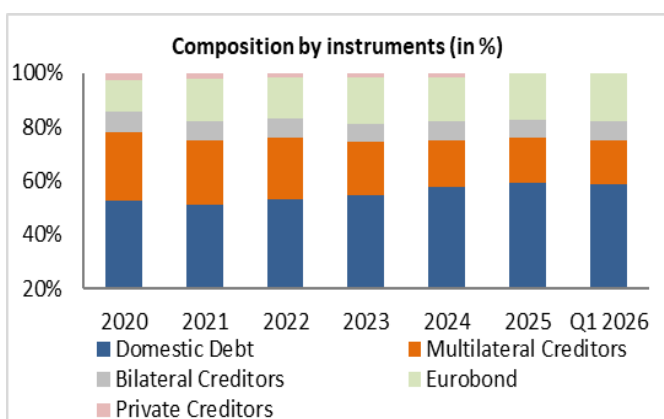
Composition of total debt by currencies

The largest portion of the total debt, exceeding 58%, 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. 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.

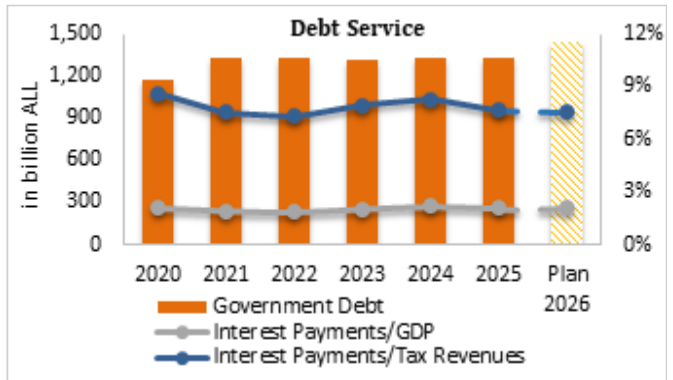
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Debt Cost and Risk Indicators

Cost Indicators

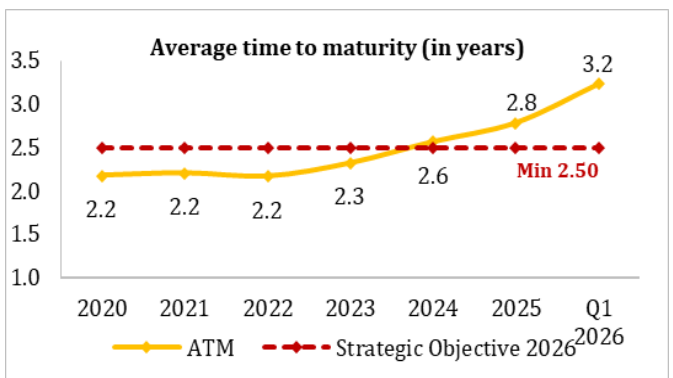
The debt portfolio has been effectively managed to maintain costs at the lowest possible level given the current market conditions. Beginning in 2022, there has been an increase in interest expenses attributed to rising interest rates in both external and domestic markets, but the increased interest rates impact has been mitigated as a result of the composition of the debt stock of more than 84% with fixed interest rates. Average Yield of Domestic Debt has decreased from 4.56% in 2024 to 4.23% in 2025 and further decreased to 4.19% as of March 2026.



Source: Ministry of Finance

Refinancing risk

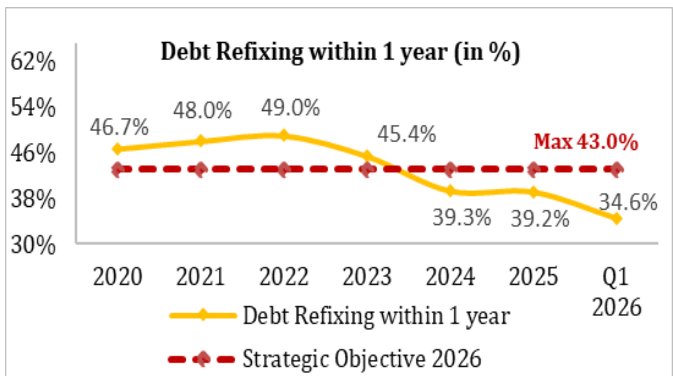
A key objective of the Debt Strategy is to mitigate refinancing risk, particularly within the domestic debt portfolio. This is because the external debt carries lower risk due to its composition of long-maturity instruments with extended amortization profiles. In recent years, indicators of refinancing risk have shown significant improvement. Notably, the average time to maturity of domestic debt has increased by over 300 days in the past five years, and more than 430 days in the last 10 years.



Source: Ministry of Finance

Interest rate risk

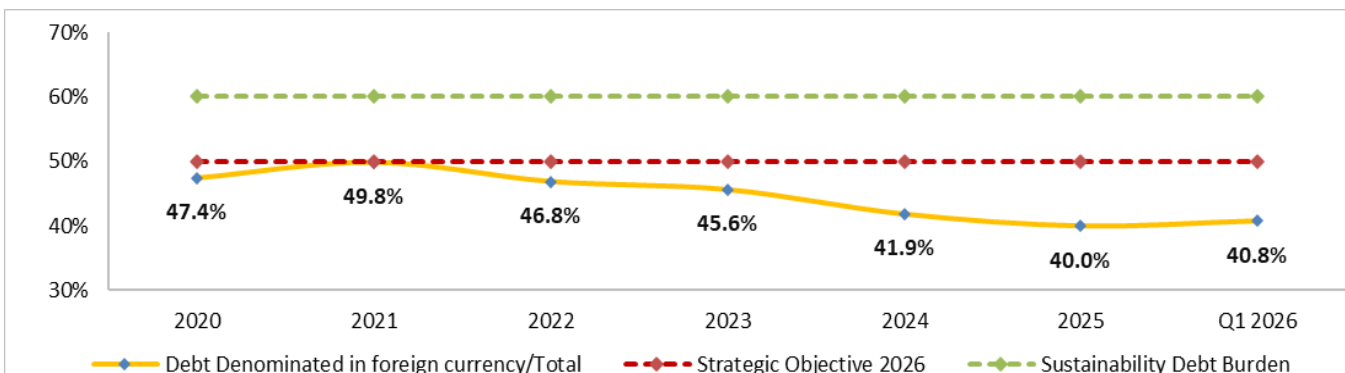
Interest rate risk has also been effectively mitigated, primarily due to the increased issuance of medium- and long-term securities and the exclusive use of fixed interest rates in the domestic market. Consequently, the proportion of total domestic debt subject to interest rate refixing within one year has decreased by over 13 percentage points in the last five years.



Source: Ministry of Finance

Exchange rate risk

Exchange rate risk has been effectively managed, remaining considerably below the strategic limit objective. At the end of March 2026, the proportion of total debt denominated in foreign currency was 40.80%. This is a temporary increase, because the share of debt denominated in foreign currency is planned to decrease in the short and medium term.



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	2y plus Bonds**	Ref 3y Bonds	Ref 5y Bonds	7y Bonds	10y Bonds	15y Bonds	20y Bonds*
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 December 2025	2.60%	2.47%	2.44%	2.84%		3.79%	4.26%	4.77%	5.25%	6.19%	6.88%
Yield on the end of March 2026	2.46%	2.39%	2.50%		3.00%	3.06%	3.45%	4.05%	4.72%	5.67%	6.20%

*20y Bonds are issued for the first time in January 2025 with a coupon 6.78%

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						
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

	2018	2019	2020	2021	2022	2023	2024	2025	2026*	2027*	2028*
Real GDP growth, %	3.7	2.1	(3.3)	9.0	4.8	4.0	4.0	3.8	4.0	3.9	4.1
Nominal GDP growth, %	5.2	3.1	(3.3)	12.7	15.2	10.0	6.5	5.3	5.3	5.2	5.4
Average annual inflation, %	2.0	1.4	1.6	2.0	6.7	4.8	2.2	2.2	3.0	3.0	3.0
Budget balance, % of GDP	(1.6)	(1.8)	(6.7)	(4.6)	(3.6)	(1.3)	(0.7)	(1.8)	(2.3)	(1.6)	(1.3)
Primary balance, % of GDP	0.6	0.2	(4.6)	(2.7)	(1.8)	0.7	1.4	0.3	0.0	0.8	1.0
Current balance, % of GDP	3.1	2.5	(0.5)	2.3	1.6	3.7	3.9	3.2	4.2	4.8	5.0
General government debt, e.o.p., % of GDP	66.7	65.0	73.9	74.1	64.1	57.6	54.2	52.9	53.6	52.2	51.0
Average unemployment rate (15-64)	12.8	12.0	12.2	12.0	11.3	10.1	9.4	9.3	9.0	8.8	8.5
Average Exchange rate, ALL/EUR	127.6	123.0	123.8	122.5	119.0	108.8	100.7	97.8	98.3	98.3	98.3
Current Account Balance % of GDP	(6.7)	(7.8)	(8.6)	(7.7)	(5.9)	(1.2)	(2.4)	(0.7)	(3.5)	(3.3)	(3.2)
Monetary policy rate, %	1.00	1.00	0.50	0.50	2.75	3.25	2.75	2.5**
Foreing reserve, e.o.p., % of GDP	26.1	24.1	29.5	32.6	27.4	27.1	24.6	27.0	26.0	25.6	25.7

* MoF projections

Source: Ministry of Finance

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

Credit Ratings 2026

Credit rating, latest 2026

	Rating	Outlook
Moody's, 5 March 2026	Ba3	Stable
Standard & Poors, 23 March 2026	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 2026

Key Macroeconomic Forecasts from International Organisations for year 2026

	Real GDP growth, %	Average inflation, %	Public Debt % of GDP	Budget Balance % of GDP
IMF, WEO (April 2026)	3.4	3.4	52.6	(2.0)
European Commission (April 2026)	3.5	3.0	52.9	(1.9)
World Bank (Spring 2026)	3.4	3.9	52.7	(2.6)
MoF, Albania (December 2025)	4.0	3.0	53.6	(2.3)