

Economic developments January– June 2026

Albania - Solid Performance in a Changing Environment



Real Sector

The Albanian economy recorded an annual growth rate of 3.7% in the first quarter of 2026 compared to the same period of 2025, primarily driven by increased economic activity in services, real estate and construction sectors, while the industrial and agricultural sectors continued to show contractionary trends. From the expenditure side, domestic demand increased by 3.0% in the first quarter of 2026, supported by stronger growth in both consumption and investment, which rose by 2.8% and 3.9% respectively. Net exports made a broadly neutral contribution to GDP growth in the first quarter of 2026, as the stronger growth in exports was offset by the larger absolute increase in imports. Business and consumer confidence fluctuated but remained above long-term averages, indicating a positive outlook among economic actors. For the year 2026, GDP growth is projected to stand at the level of 4.0%.

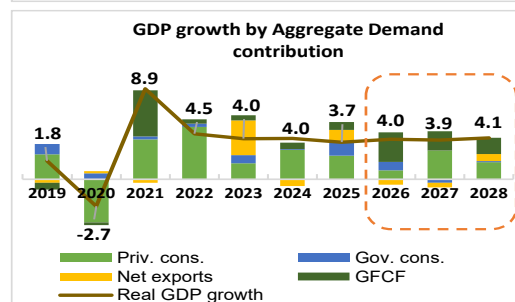
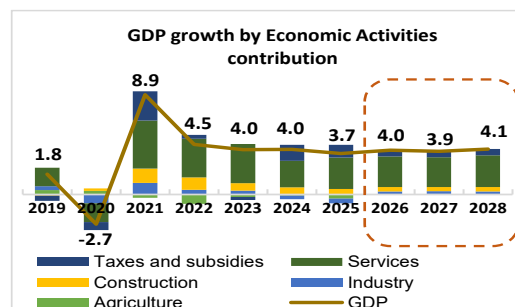
Inflation

During the first half of 2026, consumer price inflation averaged 2.7%, rising from 2.3% in January to 3.2% in June, slightly exceeding the 3% target of the Bank of Albania. This performance was mainly driven by higher price increase in food, rents, oil and transport services, while prices of other goods and services remained relatively stable. The inflation outlook remains broadly stable, while developments in global energy and commodity prices show moderating trends after severe early-year geopolitical spikes.

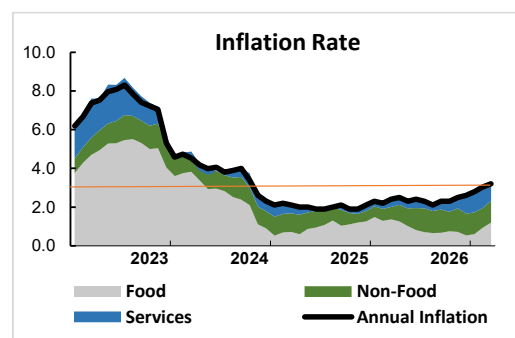
Labour market and wages

Developments in the labor market continued to show improvements, with unemployment falling to 8.4% compared to the same period last year. Meanwhile the employment rate and labor force participation rate (for the age 15+) rose to 69.1% and 76.2% respectively, compared to the previous quarter. Wage growth highlighted the continued improvement and resilience of labor market conditions: the average gross nominal wage increased by 9.6% compared to the previous year, with wages in the private sector growing higher (11.5%), compared to wages in the public sector (7.6%). These trends reflect strong demand for labor, rising wages and an expanding range of employment opportunities.

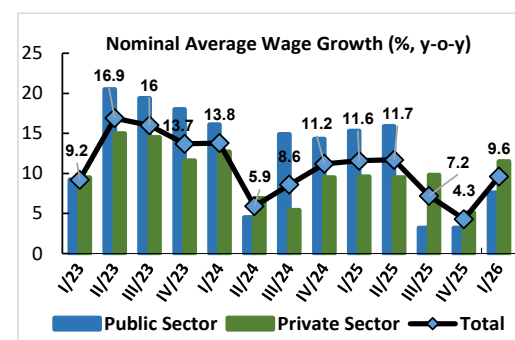
Industrial production in Albania remained subdued in the first quarter of 2026, with the industry, electricity and water sector contracting by 2.2% in real terms compared with the same period a year earlier. The decline was mainly driven by weaker performance in mining and energy-related activities, making the sector one of the main drags on overall economic growth during the quarter.



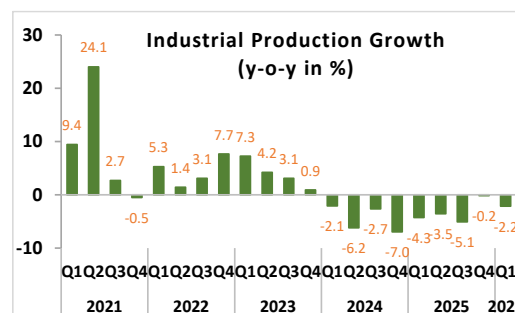
Source: INSTAT, Ministry of Finance



Source: INSTAT, Ministry of Finance



Source: INSTAT, Ministry of Finance



Source: INSTAT

Economic developments January– June 2026

Solid Performance in a Changing Environment



External Sector

During the first quarter of 2026, the current account deficit narrowed to 228 million euros, improving by around 88 million euros or 28%, compared to the previous year. This development primarily reflects a widening surplus in the services trade balance, an improvement in the primary income balance and an increase in net current transfers. Services exports, largely related to Tourism, expanded by 14.8% in Q1-2026 compared to Q1-2025, while Foreign Direct Investment increased by 11.8% over the same period, mainly concentrated in real estate, financial intermediation, energy, communications and hydrocarbons. At the end of March 2026, FX reserves stood at EUR 7.4 billion, equivalent to 7.6 months of imports, indicating a broadly stable external position.

Financial Sector

Credit activity, until June 2026, accelerated by 11.2% on annual basis, where the lending to non-financial businesses (private and public) increased by 8.0%, while loans granted to individuals increased by 16.8%. Deposits in the banking sector recorded an increase of 11.1% on annual basis, supported by both business (15.5%) and household deposits (8.3%), reflecting stable liquidity and continued confidence in the system. The level of non-performing loans to total loans at the end of May 2026 was 3.8%.

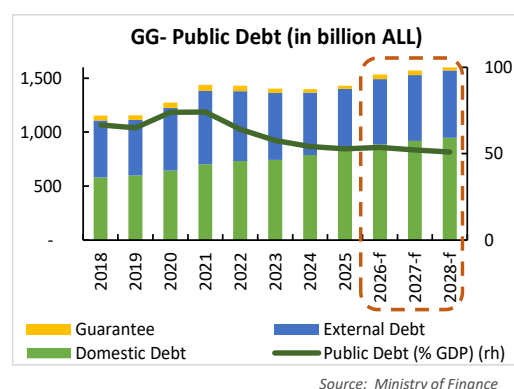
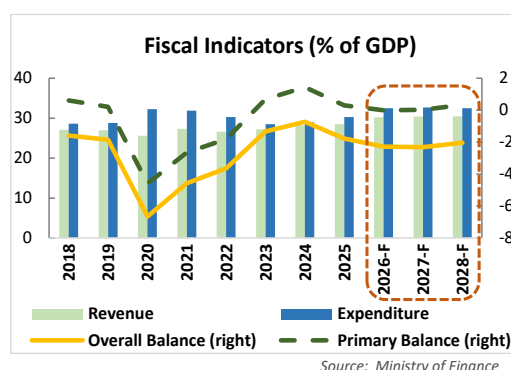
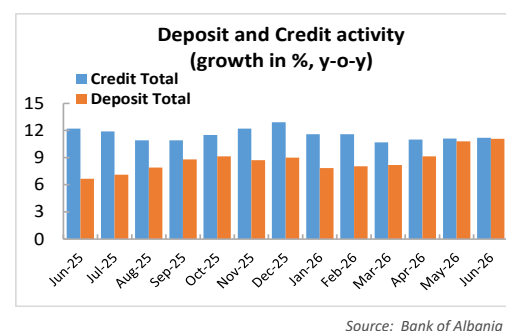
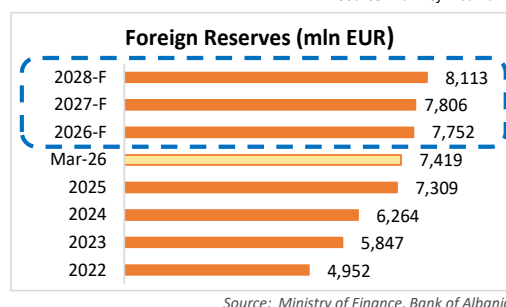
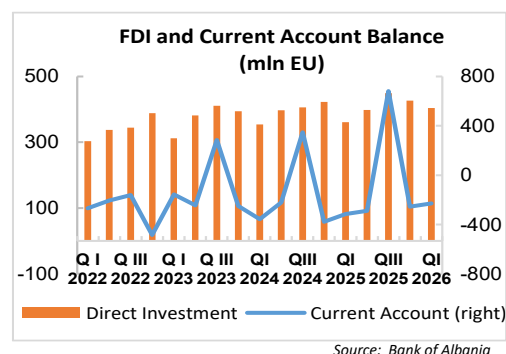
Fiscal Indicators

In the first half of 2026, the total budget revenues reached ALL 410.9 billion, growing by 12.2% year-on-year and exceeding the period's plan by 5%. The largest contributors were tax revenues growing by +12.9% y-o-y, especially personal income tax, VAT and customs duties.

The total budget expenditures, for the first half of 2026, reached the level of about ALL 358.1 billion, 97.5% of the period's plan. Compared to the same period of 2025, this item resulted 7.5% higher or about ALL 25.1 billion more. For this period, current expenditures were the largest contributors, reaching ALL 321.1 billion, 7.2 percent increase y-o-y.

Debt Sustainability

In the second quarter of 2026, Albania's public debt remained broadly stable, underpinned by prudent fiscal management. The fiscal balance recorded a surplus of around 1.89% of estimated GDP in the first half of 2026 and is projected to shift to a deficit of 2.3% of GDP for the year 2026, reflecting the planned fiscal stance. As of end-June 2026, central government debt amounted to ALL 1,367.9 billion, corresponding to 49.0% of projected GDP for 2026. In nominal terms, the central government debt stock declined by ALL 33.7 billion compared to the end of 2025. During the first half of 2026, gross foreign borrowing reached ALL 555.8 billion (19.9% of forecasted GDP), while gross domestic borrowing amounted to ALL 812 billion (29.1% of forecasted GDP).



Economic developments January – June 2026



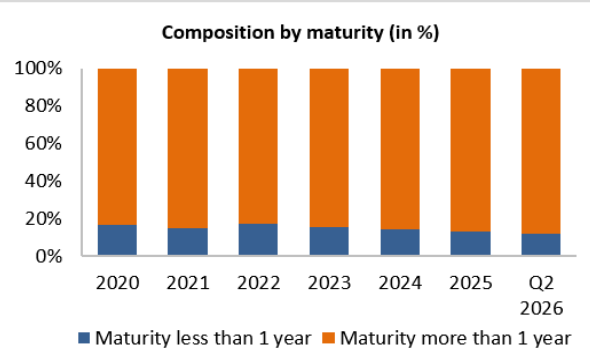
Debt Indicators

Composition of total debt by maturity

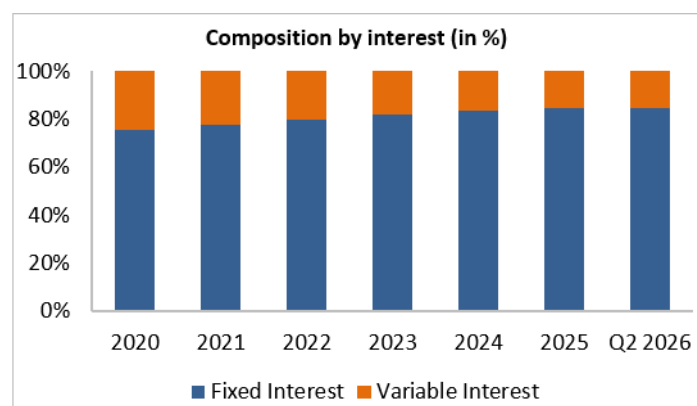
The debt portfolio primarily comprises instruments with maturities exceeding one year (more than 85% of the portfolio).

Within the domestic debt portfolio, medium-term securities (2-5 years) constitute the largest segment, about 40% of total domestic debt portfolio as of June 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.

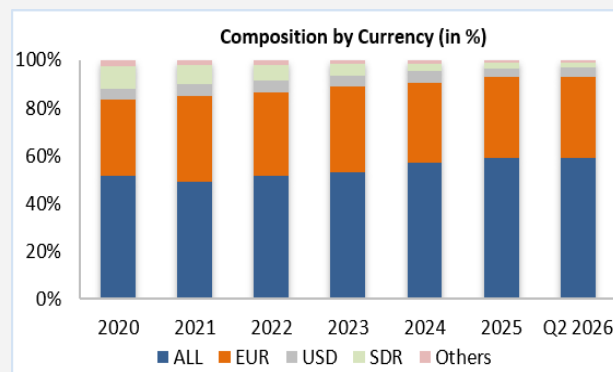
In the domestic debt portfolio, there have been no issuances of variable rate securities since 2016. Consequently, the proportion of variable interest rate securities is less than 1% of the domestic debt portfolio.

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

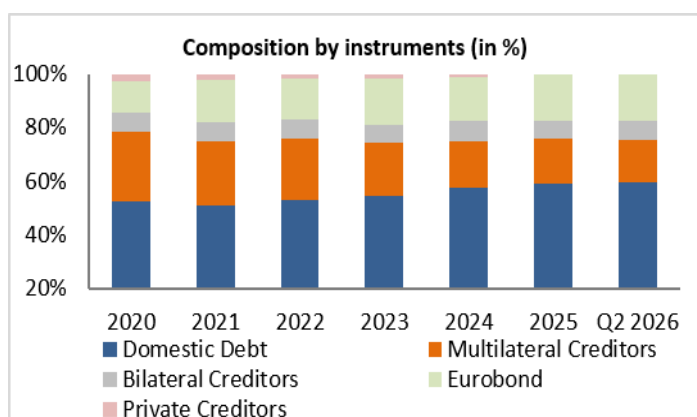
Composition of total debt by currencies

The largest portion of the total debt, around 60%, 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 59%, 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.

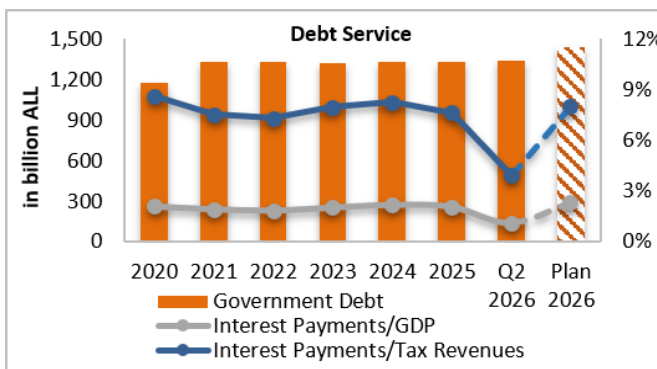
Economic developments January– June 2026



Debt Cost and Risk Indicators

Cost Indicators

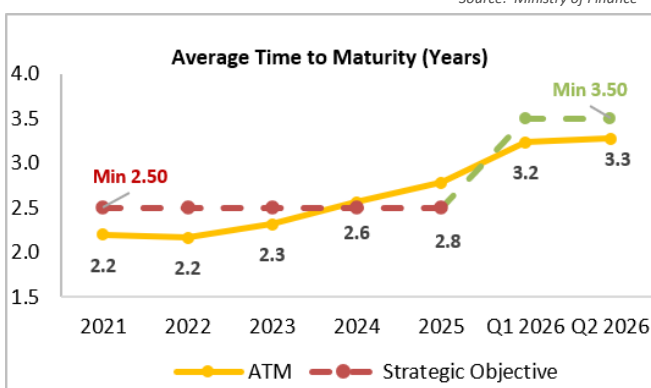
The debt portfolio has been effectively managed to maintain costs at the lowest possible level given the current market conditions. Beginning in 2022, there has been an increase in interest expenses attributed to rising interest rates in both external and domestic markets, but the increased interest 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 4.18% as of June 2026.



Source: Ministry of Finance

Refinancing risk

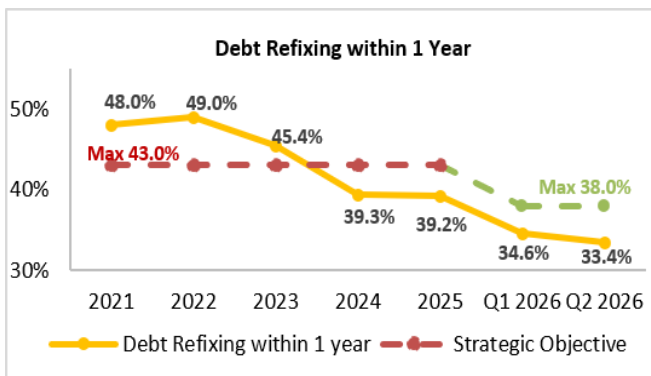
A key objective of the Debt Strategy is to mitigate refinancing risk, particularly within the domestic debt portfolio. This is because the external debt carries lower risk due to its composition of long-maturity instruments with extended amortization profiles. In recent years, indicators of refinancing risk have shown significant improvement. Notably, the average time to maturity of domestic debt has increased by over 380 days in the past five years, and more than 420 days in the last 10 years.



Source: Ministry of Finance

Interest rate risk

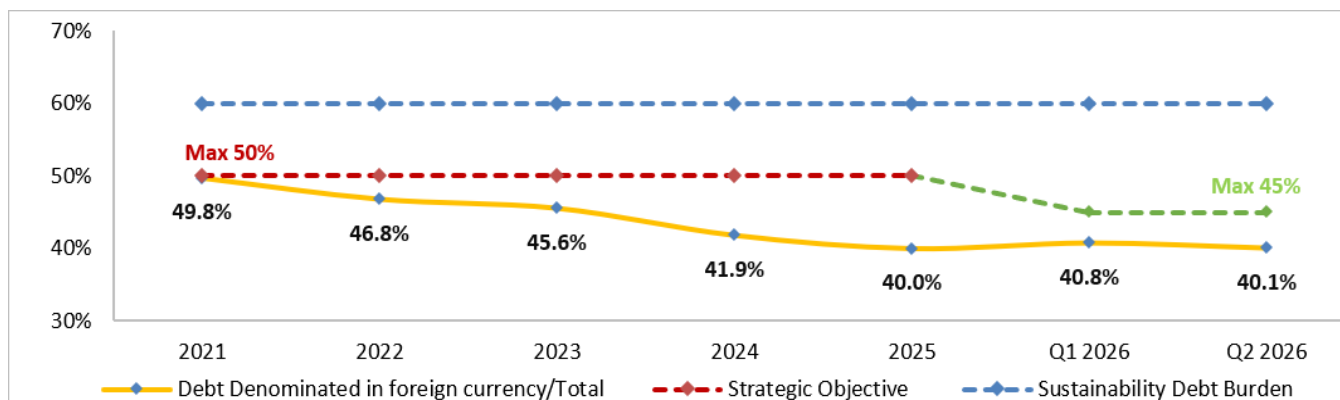
Interest rate risk has also been effectively mitigated, primarily due to the increased issuance of medium- and long-term securities and the exclusive use of fixed interest rates in the domestic market. Consequently, the proportion of total domestic debt subject to interest rate refixing within one year has decreased by over 14 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 June 2026, the proportion of total debt denominated in foreign currency was 40.09%. The share of debt denominated in



Source: Ministry of Finance

Economic developments January– June 2026



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 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%
Yield on the end of June 2026	2.40%	2.40%	2.65%	2.75%		3.38%	3.96%	4.68%	4.95%	6.22%	6.50%

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

**2y plus Bonds are issued for the first time in January 2026 with a coupon 3.31% and reopened in february and march 2026

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, %	3.8	1.8	(2.7)	8.9	4.5	4.0	4.0	3.7	4.0	3.9	4.1
Nominal GDP growth, %	5.3	2.8	(2.7)	12.5	15.0	10.0	6.4	5.2	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	2.9	3.0	3.0
Budget balance, % of GDP	(1.6)	(1.8)	(6.6)	(4.6)	(3.6)	(1.3)	(0.7)	(1.8)	(2.3)	(2.3)	(2.0)
Primary balance, % of GDP	0.6	0.2	(4.6)	(2.6)	(1.8)	0.7	1.4	0.3	0.0	0.0	0.3
Current balance, % of GDP	3.1	2.5	(0.5)	2.3	1.6	3.7	3.9	3.2	4.0	4.4	4.6
General government debt, e.o.p, % of GDP	66.7	65.2	73.7	73.9	64.1	57.6	54.2	52.9	52.8	52.7	52.5
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	96.2	96.2	96.2
Current Account Balance % of GDP	(6.7)	(7.8)	(8.6)	(7.7)	(6.2)	(1.7)	(2.4)	(0.7)	(3.1)	(3.8)	(3.4)
Monetary policy rate, %	1.00	1.00	0.50	0.50	2.75	3.25	2.75	2.50	...	...	...
Foreing reserve, e.o.p., % of GDP	26.1	24.2	29.4	32.6	27.4	26.9	25.1	27.0	26.7	25.6	25.3

* MoF projections

Source: Ministry of Finance

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 (July 2026)	3.3	3.0	52.3	(1.9)
World Bank (Spring 2026)	3.4	3.9	52.7	(2.6)
MoF, Albania (June 2026)	4.0	2.9	52.8	(2.3)