WORLD BANK GROUP

Western Balkans Regular Economic Report
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COUNTRY FACTSHEET

Albania

Albania's economic growth expanded moderately by 3.4 percent year-on-year in the first quarter of 2025, reflecting strong foreign demand and some moderation of domestic demand.

Inflation stayed below 3 percent, poverty declined amid stronger labor markets, and public debt continued its downward path.

Though external risks persist, EU accession progress is likely to support investor confidence, policy continuity, and long-term growth.

Services and construction drove supply-side activity, despite a tapering of tourism growth, offsetting declines in agriculture and other parts of industry.

> *We expect Albania's economy to keep growing, supported by strong reforms. Key priorities include fiscal stability, green development, better social protection, improved digital services, and stronger ties with regional and EU markets.*
>
> **Massimiliano Paolucci**
> *World Bank Group Country Manager for Albania*

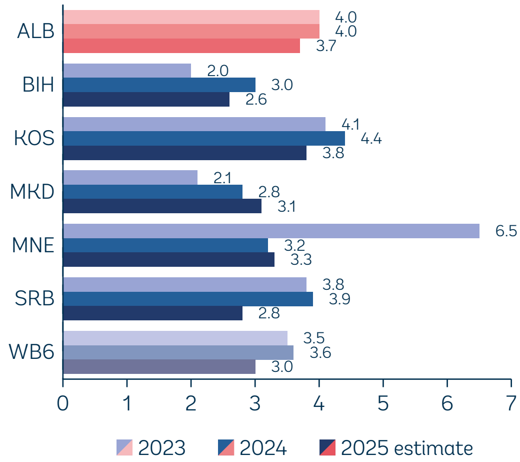
Labor-market conditions improved, unemployment edged down, and employment rose. Service sector hiring offset job losses in agriculture in the first quarter of 2025, lowering the unemployment rate to 8.7 percent and lifting the employment rate (ages 15 – 64) to 69.5 percent for both men and women. Despite rising wage pressures, inflation stayed low at 2.2 percent over the first seven months of 2025, supported by a stronger lek and low Eurozone inflation.

In the first half of 2025, fiscal policy supported demand through moderate loosening, with the overall fiscal surplus narrowing to 2.7 percent of GDP from 4.3 percent a year earlier.

Looking ahead, Albania's economic growth is projected to moderate to 3.7 percent in 2025 and 3.5 percent in the medium term, amid global trade uncertainties and a shifting international outlook, but faster implementation of EU-backed reforms could significantly lift per capita income growth by up to 3.1 percent above the baseline and accelerate convergence with EU living standards.

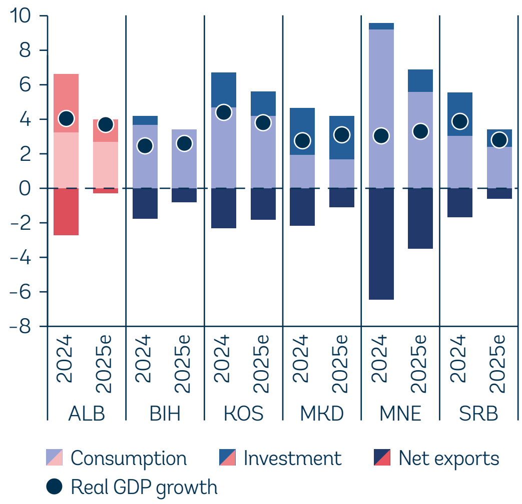
Real GDP growth

Percent



Annual Growth Composition

Percentage point



Source: National statistical offices and World Bank estimates.
Note: WB6 = Western Balkans six; e = estimate.

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