

# ALBANIA

Albania's economy maintained positive momentum through September 2025, supported by private consumption, tourism, and construction. GDP grew by 3.7 percent in Q3 2025, year on year. Inflation remained below target, while poverty declined amid a tighter labor market and rapid wage growth, which boosted incomes but added to price pressures. Growth is expected to moderate to 3.6 percent in the medium term, reflecting a maturing tourism sector.

## Key conditions and challenges

Albania's post-pandemic rebound has been supported by tourism and stronger trade and services linkages with the European Union (EU), helping growth average about 4.2 percent in 2022–25. Tourism remains an important contributor to growth, bolstering economic performance but increasing exposure to external shocks and highlighting the need for diversification.

Albania's economy continues to face structural constraints that weigh on its ability to converge to the EU average per capita income (currently at one-third). These include low productivity in agriculture and services, a narrow export base, and a business environment affected by regulatory barriers, informality, and institutional weaknesses.

Skills mismatches, migration and aging continue to constrain human capital availability. Demographic and climate pressures, alongside higher spending needs, underscore the importance of safeguarding fiscal buffers through revenue mobilization and spending efficiency. Adoption of EU acquis-consistent reforms

Population <sup>1</sup> million	2.4	Poverty <sup>2</sup> millions living on less than \$8.30/day	0.6
Life expectancy at birth <sup>3</sup> years	79.6	School enrollment <sup>4</sup> primary (% gross)	111.5
GDP <sup>5</sup> current US\$, billion	30.9	GDP per capita <sup>6</sup> current US\$	13056.7

Sources: WDI, MFM, and official data. 1/ 2025. 2/ 2024 (2021 PPPs). 3/ 2023. 4/ 2024. 5/ 2025. 6/ 2025.

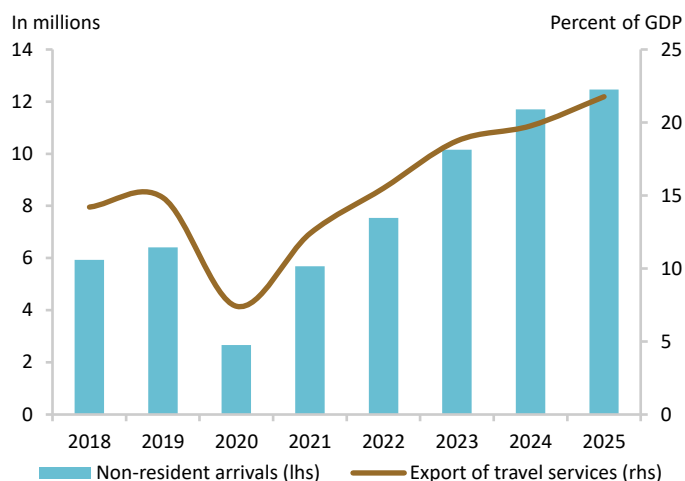
can raise productivity, deepen market integration, and ensure that gains are inclusive.

## Recent developments

Albania's economy grew by 3.7 percent y-o-y in Q3 2025, following 4.0 percent growth in 2024. Growth was supported by net exports, while domestic demand was broadly steady, with a slight increase in private investment. Looking at the supply side, services and construction drove economic activity in 2025, offsetting continued declines in agriculture, manufacturing and extractive industries, alongside a tapering of tourism growth.

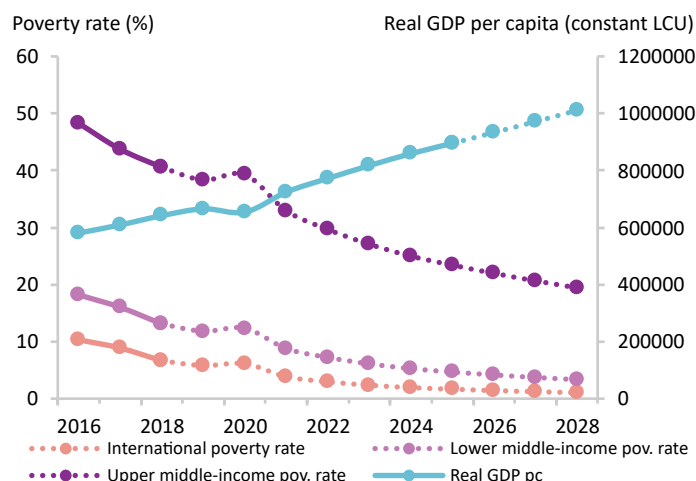
Unemployment fell to 8.1 percent in Q3 2025, despite unchanged employment levels, reflecting labor force contraction driven by emigration and aging, alongside sectoral shifts toward services. Wage growth remained strong in 2025 (10.2 percent y-o-y through Q3), with public wage increases initially outpacing the private sector and supporting consumption. Sustained solid growth is estimated to have reduced poverty by 1.6 percentage points, bringing it down to 23.4 percent in 2025.

FIGURE 1 / Tourism indicators



Sources: INSTAT and Bank of Albania.

FIGURE 2 / Actual and projected poverty rates and real GDP per capita



Source: World Bank. Notes: See footnotes in table on the next page.

Inflation averaged 2.2 percent in 2025 remaining below Bank of Albania's target. Despite strong demand and rising wages, inflation remained contained overall, while core inflation was higher, financing conditions remained favorable in 2025 and, together with strong demand, supported rapid private-sector credit growth (13.2 percent). Real-estate lending, particularly mortgages to households (16.7 percent), was the main driver, while a further increase in the share of lek-denominated credit supported monetary policy transmission and financial stability. Credit quality improved further, with the non-performing loan ratio falling to 3.8 percent in December 2025 (from 4.2 percent in December 2024).

Albania had mixed results in its fiscal accounts in 2025. The fiscal balance and the primary balance deteriorated, owing to spending increases (public wages, pensions, and investment) that outpaced revenue growth (driven by higher social security contributions and personal income tax on the back of rapid wage growth). Yet, public debt dropped to 53.2 percent of GDP at end-2025, from 54.2 percent in 2024, aided by the positive primary balance, the appreciation of the Lek, and solid GDP growth.

Albania's external position strengthened significantly, with the current account shifting to a surplus of 0.25 percent of GDP in the first three quarters of 2025 (from a 1.26 percent deficit a year earlier), marking the first surplus on record. Strong services exports, led by tourism, offset weaker goods exports amid exchange rate appreciation and rising labor costs. Foreign exchange purchases reached 3.0 percent of GDP in the first three quarters of 2025 reflecting primarily discretionary interventions rather than reserve accumulation that helped temper the Lek's appreciation, while raising external reserves to 7.7 months of imports.

## Outlook

Albania's economic growth is forecast to slow as tourism matures. Consumption will get a temporary lift in 2026 from fiscal transfers and wage hikes, but rising prices will partly offset some gains. By 2027–2028, consumption growth is expected to ease with stable inflation near 3 percent, while government spending supports investment, especially for infrastructure. Wage growth may continue outpacing productivity, fueling inflation, while higher global energy prices and trade disruptions linked to the conflict in the Middle East are expected to add to domestic price pressures in 2026 and weaken household purchasing power. Despite these factors, employment and wage increases should help reduce poverty to 19.4 percent by 2028.

The fiscal deficit will rise to 1.8 percent of GDP in 2026 due to pension bonuses, defense spending, wage indexation, and capital investments. Through 2028, the deficit should shrink as GDP grows, revenue strategy takes effect, and EU fund absorption increases, lowering public debt to about 51 percent of GDP.

The current account deficit will stay below historical levels despite strong demand and increased import-heavy public investment, although a larger fuel and energy import bill related to the Middle East conflict could widen the deficit.

Risks include global uncertainty and domestic pressures that may dampen confidence or reform pace. Positive outcomes are possible through faster EU accession and stronger reforms, leading to higher investment and productivity.

## Recent history and projections

	2023	2024	2025e	2026f	2027f	2028f
<b>Real GDP growth, at constant market prices</b>	4.0	4.0	3.9	3.4	3.7	3.6
Private consumption	2.7	3.7	2.4	2.9	2.6	2.2
Government consumption	4.4	6.0	5.9	2.5	2.6	2.6
Gross fixed capital investment	1.7	5.8	3.8	6.5	6.6	6.8
Exports, goods and services	8.6	0.1	6.8	6.9	7.4	7.5
Imports, goods and services	0.2	6.0	4.3	6.8	6.3	6.2
<b>Real GDP growth, at constant factor prices</b>	5.0	3.2	3.9	3.4	3.7	3.6
Agriculture	-1.4	-2.0	-1.5	-1.5	-0.8	-0.7
Industry	4.4	0.0	0.9	1.0	1.0	1.1
Services	7.3	6.4	6.8	5.7	5.9	5.6
<b>Employment rate (% of working-age population, 15 years+)</b>	56.5	58.2	58.6	58.8	59.1	59.3
<b>Inflation (consumer price index)</b>	4.8	2.2	2.2	3.2	3.0	3.0
<b>Current account balance (% of GDP)</b>	-1.2	-2.4	-0.9	-3.1	-3.0	-2.9
<b>Net foreign direct investment inflow (% of GDP)</b>	5.7	5.4	5.0	5.0	5.1	5.1
<b>Fiscal balance (% of GDP)</b>	-1.3	-0.7	-1.7	-1.8	-1.6	-1.2
<b>Revenues (% of GDP)</b>	27.2	28.2	28.2	29.8	29.8	29.9
<b>Debt (% of GDP)</b>	57.6	54.2	52.9	52.7	52.1	50.9
<b>Primary balance (% of GDP)</b>	0.7	1.4	0.3	0.5	0.7	1.1
<b>International poverty rate (\$3.00 in 2021 PPP)<sup>1,2</sup></b>	2.3	1.9	1.6	1.4	1.2	1.1
<b>Lower middle-income poverty rate (\$4.20 in 2021 PPP)<sup>1,2</sup></b>	6.1	5.2	4.6	4.1	3.7	3.3
<b>Upper middle-income poverty rate (\$8.30 in 2021 PPP)<sup>1,2</sup></b>	27.1	25.0	23.4	22.0	20.7	19.4
<b>GHG emissions growth (mtCO2e)</b>	-6.1	-2.3	-1.3	-1.3	-1.6	-3.0

Source: World Bank, Fiscal Policy & Growth Department. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Calculations based on ECAPOV harmonization, using 2017-SILC-C and 2019-SILC-C. Actual data: 2018. Nowcast: 2019-2025. Forecasts are from 2026 to 2028.

2/ Projection using point-to-point elasticity (2016-2018) with pass-through = 1 based on GDP per capita in constant LCU.