



ALBANIA

2025 ARTICLE IV CONSULTATION—PRESS RELEASE; AND STAFF REPORT

December 2025

Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. In the context of the 2025 Article IV consultation with Albania, the following documents have been released and are included in this package:

- A **Press Release**.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on a lapse-of-time basis, following discussions that ended on November 14, 2025, with the officials of Albania on economic developments and policies. Based on information available at the time of these discussions, the staff report was completed on December 8, 2025.
- An **Informational Annex** prepared by the IMF staff.

The documents listed below have been or will be separately released.

Selected Issues

The IMF's transparency policy allows for the deletion of market-sensitive information and premature disclosure of the authorities' policy intentions in published staff reports and other documents.

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IMF Executive Board Concludes 2025 Article IV Consultation with Albania

FOR IMMEDIATE RELEASE

- Albania enjoys one of the highest growth rates in Europe, low inflation, declining public debt, and strong foreign reserves. Building on this foundation, the Albanian government is advancing bold reforms to secure EU membership by 2030.
- Growth is projected to remain robust at 3.5 percent in 2025 and 3.6 percent in 26, while risks to the outlook have shifted to the downside amid a more unsettled external environment.
- Timely domestic reforms are essential to safeguarding macroeconomic stability and closing reform gaps with the EU. Key to this will be preserving fiscal buffers through sustained revenue mobilization, maintaining price and financial stability through agile monetary policy and further refinement of prudential tools, and advancing comprehensive reforms in human capital, labor markets, and governance.

Washington, DC – December 23, 2025: The Executive Board of the International Monetary Fund (IMF) completed the Article IV Consultation¹ with Albania and considered and endorsed the staff appraisal without a meeting on a lapse-of-time basis.² The authorities have consented to the publication of the Staff Report prepared for this consultation.³

Albania's tourism-led growth and macroeconomic prospects are expected to remain robust. After averaging 4.3 percent in the post-pandemic period, real GDP is projected to grow by 3.5 percent in 2025, primarily driven by private consumption, and 3.6 percent in 2026 reflecting a modest acceleration in growth in key euro area trading partners. Direct effects from U.S. tariffs are minimal, while indirect effects from global trade measures and uncertainty also appear limited so far. Despite some moderation, tourism continues to provide steady support to economic output. Headline inflation is projected to gradually increase from 2.2 percent in 2025 to the 3 percent target in the second half of 2026, amid a tight labor market and rising wages. The current account deficit is projected at 2.8 percent of GDP in 2025 and to gradually widen

¹ Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. A staff team visits the country, collects economic and financial information, and discusses with officials the country's economic developments and policies. On return to headquarters, the staff prepares a report, which forms the basis for discussion by the Executive Board.

² The Executive Board takes decisions under its lapse-of-time procedure when the Board agrees that a proposal can be considered without convening formal discussions.

³ Under the IMF's Articles of Agreement, publication of documents that pertain to member countries is voluntary and requires the member consent. The staff report will be shortly published on the www.imf.org/Albania page.

to about 3.5 percent of GDP over the medium term as rising disposable income and public capital expenditure boost imports.

Risks to the outlook have shifted to the downside amid a more unsettled external environment. Geopolitical tensions, escalating trade measures, commodity price volatility, and prolonged uncertainty could affect Albania's key trading partners and weaken external demand. Global financial market volatility and asset price corrections could reduce demand for Albanian sovereign debt and may lead to rollover risks. Domestically, a sharper-than-anticipated decline in the working age population could exacerbate labor shortages, fuel inflation, necessitate a tighter monetary policy stance, and dampen growth prospects. On the upside, the sustained implementation of the EU reform agenda could boost productivity and growth.

Executive Board Assessment

In concluding the 2025 Article IV Consultation with Albania, Executive Directors endorsed staff's appraisal as follows:

Albania stands out as one of fastest growing economies in Europe, thanks to a broadly appropriate macroeconomic policy mix. Output is now well above its pre-pandemic trend thanks to a booming tourism sector. Fiscal discipline has led to a significant reduction in public debt while proactive monetary policy has helped bring headline inflation below target. At the same time, external imbalances have shrunk considerably amid strong foreign reserves, contributing to an external position that is assessed as stronger than implied by fundamentals. In this context, the government is advancing bold reforms to secure EU membership by 2030.

While the near-term outlook is positive, Albania's goal of income convergence to the EU will require overcoming structural reform gaps. Productivity remains subdued, with income per capita at just a third of the EU level, and reform gaps in human capital, governance and business regulation are wide. These medium-term challenges are compounded by a more unsettled external environment and domestic pressures including rising wages and asset prices, all of which pose risks to the sustainability of tourism-driven growth.

Rising spending pressures—if not addressed now—could threaten fiscal sustainability. While Albania is projected to maintain non-negative primary balances in 2025-30, with public debt falling below 50 percent of GDP, the country faces fiscal challenges from demographic shifts, defense obligations and climate-related spending, particularly beyond 2030. To safeguard fiscal buffers, staff recommends growth friendly revenue reforms—streamlining tax expenditures, modernizing property tax systems, and enhancing tax administration—alongside improvements in spending quality and fiscal transparency. The “Fiscal Peace” Agreement, which offers debt cancellation and preferential revaluation of financial statements, risks undermining previous progress in tax administration and compliance. Well-targeted social assistance would more effectively support vulnerable households than the planned monthly pension bonuses.

The BoA should stand ready to quickly respond to evolving market conditions, while FX purchases should be limited to addressing non-fundamental fluctuations. With inflation expectations and core inflation close to target, the current policy rate of 2.5 percent and monetary policy stance close to neutral is appropriate. However, the BoA should swiftly adjust its monetary stance, including if second round effects from wage increases are stronger than expected. As the sustained exchange rate appreciation is largely driven by fundamentals, the BoA should allow greater flexibility and rely on interest rates for price stability. The objectives

of the central bank subsidized credit line can be better achieved through targeted fiscal policies and by tackling underlying structural issues.

Vulnerabilities from large-borrower, FX and sovereign exposures, and rapid growth of real estate lending require vigilant monitoring and proactive prudential policy making. Enhancing capital adequacy compliance and ensuring a smooth transition to IFRS should be a priority, while recent relaxations in risk-adjusted capital adequacy and large exposure frameworks for strategic transport infrastructure loans are not fully aligned with international standards and warrant reconsideration. The recently activated borrower-based measures for new residential real estate loans are an important structural tool, while data availability for commercial real estate lending should be improved. Financial stability could be further enhanced by moving toward a positive neutral rate for the countercyclical capital buffer and finalizing the systemic risk buffer framework. The new Albanian development bank requires strong governance and oversight.

Comprehensive reforms will be needed to revive productivity and foster income convergence with the EU. Policies should focus on improving skills through broader training coverage and education quality, creating high-quality jobs, boosting overall firm productivity, and enhancing the business environment through further governance reforms. Stronger preventive legislation and improved monitoring of public administration are essential for anti-corruption efforts, while SPAK's operational independence and resources should be safeguarded.

It is expected that the next Article IV consultation will be held on the standard 12-month cycle.

Albania: Selected Economic Indicators, 2024–30

	2024	2025	2026	2027 Proj.	2028	2029	2030
Output							
Real GDP growth (%)	4.0	3.5	3.6	3.4	3.2	3.2	3.2
Employment							
Unemployment rate (%) 1/	9.4	9.3	9.2	9.1	9.0	8.9	8.8
Prices							
Inflation (% end-period)	2.1	2.4	3.0	3.0	3.0	3.0	3.0
General government finances							
Revenues (% of GDP)	28.2	29.0	29.3	29.5	29.7	29.7	29.7
Expenditures (% of GDP)	28.7	30.6	31.3	31.8	32.0	31.9	31.9
Primary balance (% of GDP)	1.7	0.4	0.2	0.0	0.0	0.0	0.0
Fiscal balance (% of GDP)	-0.4	-1.7	-2.0	-2.2	-2.3	-2.2	-2.3
Public debt (% of GDP)	54.5	52.7	51.6	50.8	50.0	49.3	48.7
Money and credit							
Broad money (% change)	4.9	6.5	6.0	6.5	6.3	6.3	6.3
Credit to the private sector (% change)	12.3	11.5	9.5	6.5	6.3	6.3	6.3
Balance of payments							
Current account (% of GDP)	-2.5	-2.8	-2.9	-3.0	-3.2	-3.4	-3.5
FDI (% of GDP, net)	-5.4	-5.1	-5.0	-4.9	-4.9	-4.8	-4.8
Reserves (months of imports)	7.0	7.5	7.4	7.3	7.2	7.1	6.9
External debt (% of GDP)	40.7	39.8	39.2	38.8	38.3	37.8	35.8

Sources: Albanian authorities; and IMF staff projections and calculations.

1/ Unemployment rate = 15-64 years old



ALBANIA

STAFF REPORT FOR THE 2025 ARTICLE IV CONSULTATION

December 8, 2025

KEY ISSUES

Context. Albania stands at a pivotal juncture, with one of the highest growth rates in Europe, low inflation, and strong foreign reserves. Building on this foundation, the government is advancing ambitious reforms to secure EU membership by 2030. The near-term outlook is positive but the road to accession is complicated by structural challenges. Significant reform gaps with the EU persist amid stagnant productivity, while a more volatile global environment—coupled with domestic pressures on wages and asset prices—pose risks to the sustainability of tourism-led growth.

Policy Recommendations:

- **Fiscal policy.** Prudent fiscal management has contributed to a significant decline in public debt to 54.5 percent of GDP. The authorities are expected to maintain non-negative primary balances through 2030, with public debt falling below 50 percent of GDP. However, building fiscal pressures from social and defense spending could erode recent fiscal gains. Recommended measures include streamlining tax expenditures, a comprehensive property tax reform, and strengthening revenue administration through IT and data-driven improvements. The “Fiscal Peace” Agreement could undermine recent advances in tax compliance. Continued public investment and fiscal risk management reforms are essential to enhance credibility.
- **Monetary policy and financial stability.** With inflation expectations and core inflation close to target, the current monetary policy stance close to neutral is justified. However, the BoA should retain optionality to adjust its stance in both directions as needed, while FX purchases should be limited to addressing non-fundamental fluctuations. Although systemic risks appear broadly contained, some vulnerabilities are building up, including related to banks’ large borrower exposures. Amid rapid growth in real estate lending, the recently introduced borrower-based measures are an important structural tool to boost resilience. Financial stability could be further enhanced by moving toward a positive neutral rate for the countercyclical capital buffer and finalizing the systemic risk buffer framework. The new Albanian development bank requires strong governance and oversight.
- **Structural reforms.** Comprehensive reforms in labor markets, human capital and governance will be needed to revive productivity, against the backdrop of high emigration, youth unemployment, and informality. While Albania has made significant strides in enacting legal reforms, including in anti-corruption legislation, it continues to face obstacles in ensuring effective preventive measures, institutional transparency, and independent oversight.

Approved By
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Discussions were held in Tirana during November 4–14, 2025. The team comprised Anke Weber (head), David Bartolini, Nora Neuteboom (all EUR), Eyno Rots (FIN), Sebastian Sosa (Resident Representative), Olti Mitre and Eugena Topi (local economists), and Stefan Kavan (Vienna Office). Significant contributions to the staff report were made by Jakree Koosakul (MCM). Sharie Dominguez and Laila Azoor (both EUR) assisted in the preparation of the report. Gianmarco Coccozza and Silvana Sejko (all OED) participated in the meetings, and Michael Massourakis (alternate ED) joined for the concluding meetings and press conference. The mission held discussions with the Minister of Finance, Mr. Petrit Malaj, the Governor of the Bank of Albania, Mr. Gent Sejko, and other senior officials. The mission also met with members of parliament, the State Audit Institution, civil society, commercial banks, and development partners.

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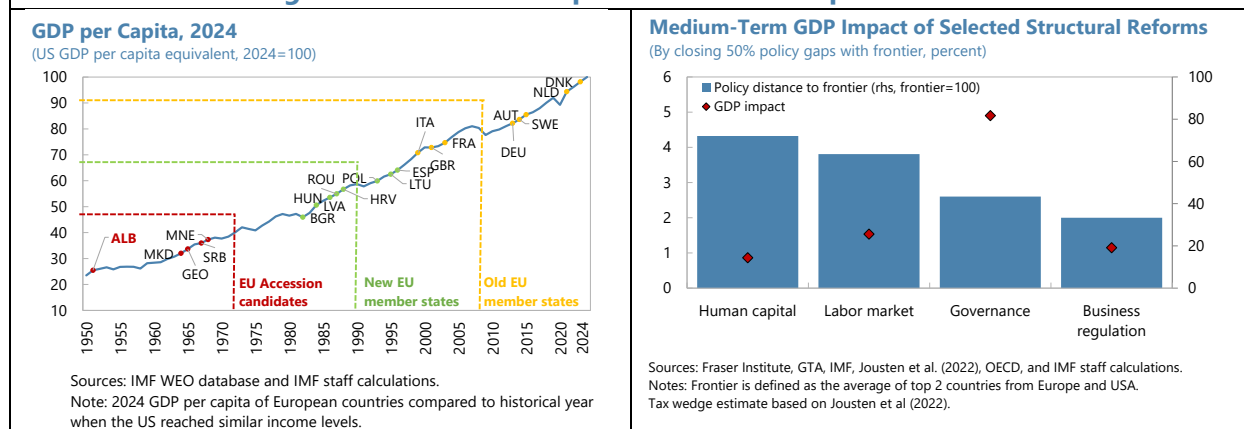
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AT A GLANCE: A PIVOTAL MOMENT

- 1. The Albanian government is pressing ahead with a bold reform agenda to secure EU membership by 2030.** The Socialist Party's decisive win—83 of 140 seats in the May elections—provides a robust mandate to advance on EU accession, with all 33 negotiating chapters officially opened. Backed by €922 million (3.7 percent of GDP) from the EU Growth Plan for the Western Balkans, the agenda focuses on enhancing the business environment, strengthening human capital, promoting digitalization, and reinforcing the rule of law.
- 2. The strong macroeconomy provides a solid foundation for advancing reforms.** Output is now well above its pre-pandemic trend thanks to a booming tourism sector. Fiscal discipline has led to a significant reduction in public debt while proactive monetary policy has helped bring inflation below target. At the same time, external imbalances have shrunk considerably amid strong foreign reserves.
- 3. Nonetheless, Albania's goal of income convergence to the EU will require overcoming structural reform gaps, while navigating a more unsettled external environment.** Productivity remains subdued, with income per capita at just a third of the EU level (a quarter of that of the U.S.), and reform gaps in human capital, governance and business regulation are wide. These medium-term challenges are compounded by a more unsettled external environment and rising domestic pressures on wages and asset prices—including in the real estate sector—which pose risks to the sustainability of tourism-driven growth.
- 4. This report presents a set of recommendations to preserve macroeconomic stability and boost potential growth.** Building on past IMF advice (Annex I), it centers on (i) preserving fiscal buffers through revenue mobilization and tax policy reforms, alongside improvements to spending quality and transparency; (ii) maintaining price and financial stability through agile monetary policy and prudential tools; and (iii) targeted reforms in the areas of human capital, labor markets, governance and business regulation to boost productivity.

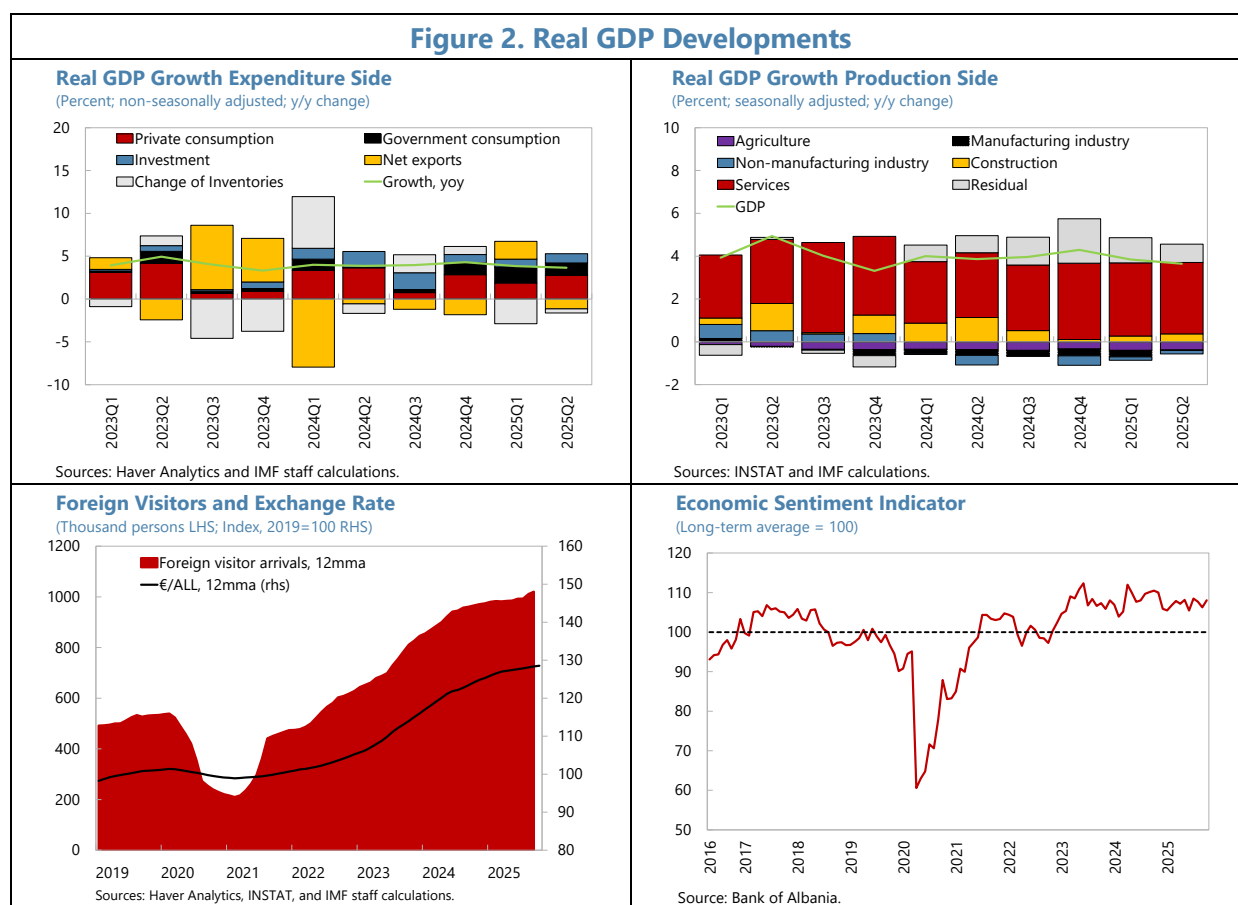
Figure 1. Income Per Capita and Reform Gaps and Yields



THE SETTING: ROBUST OUTLOOK AMID DOWNSIDE RISKS

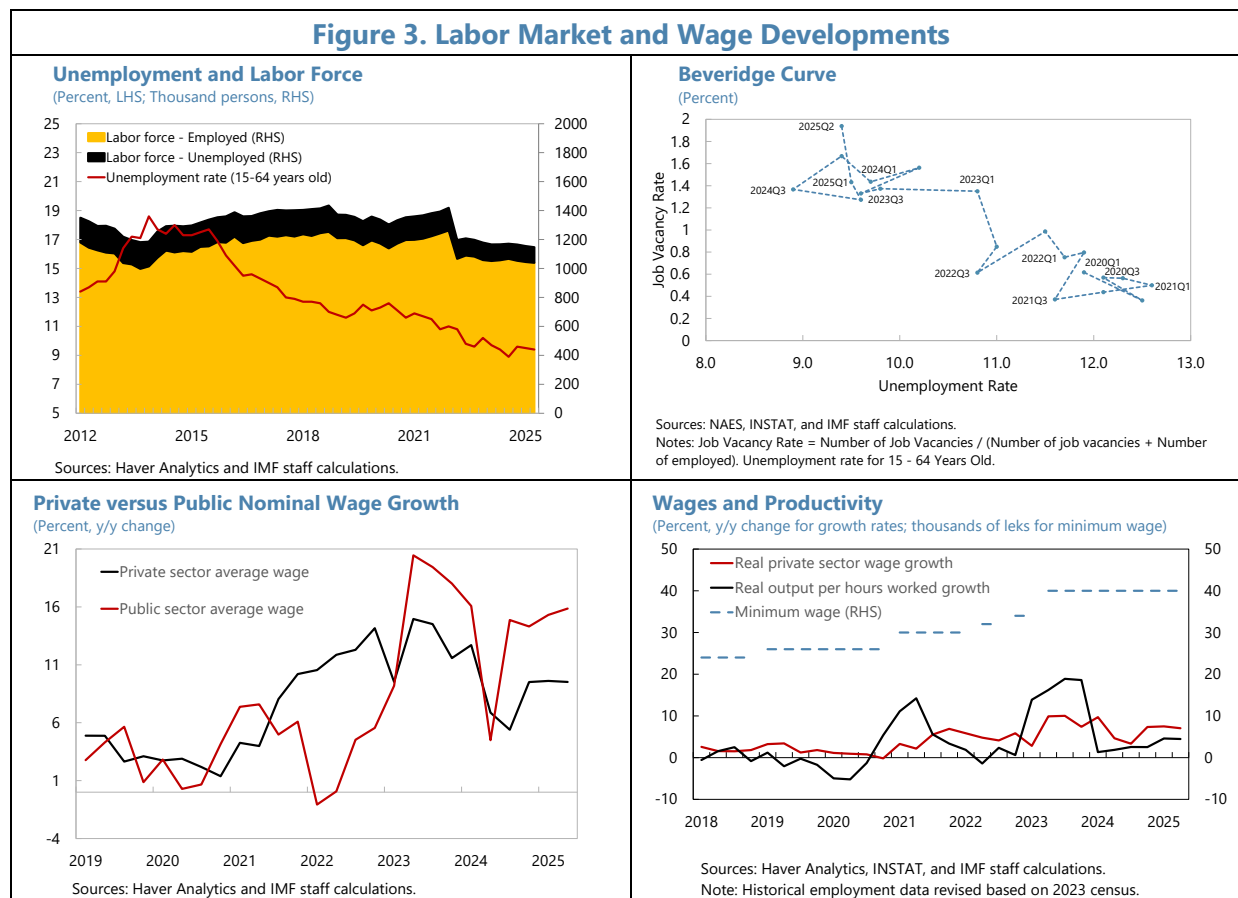
A. Recent Indicators

5. The economy continues to grow at a solid pace. Real output expanded by 4 percent in 2024 and 3.6 percent y/y in H1 2025, driven by private and public consumption, with continued strength in services. High frequency indicators point to continued momentum for the remainder of the year. Although slower than last year's double-digit gains, foreign visitor arrivals are still growing at a solid pace, by around 6.5 percent y/y through October, and confidence indicators remain well above historical averages.

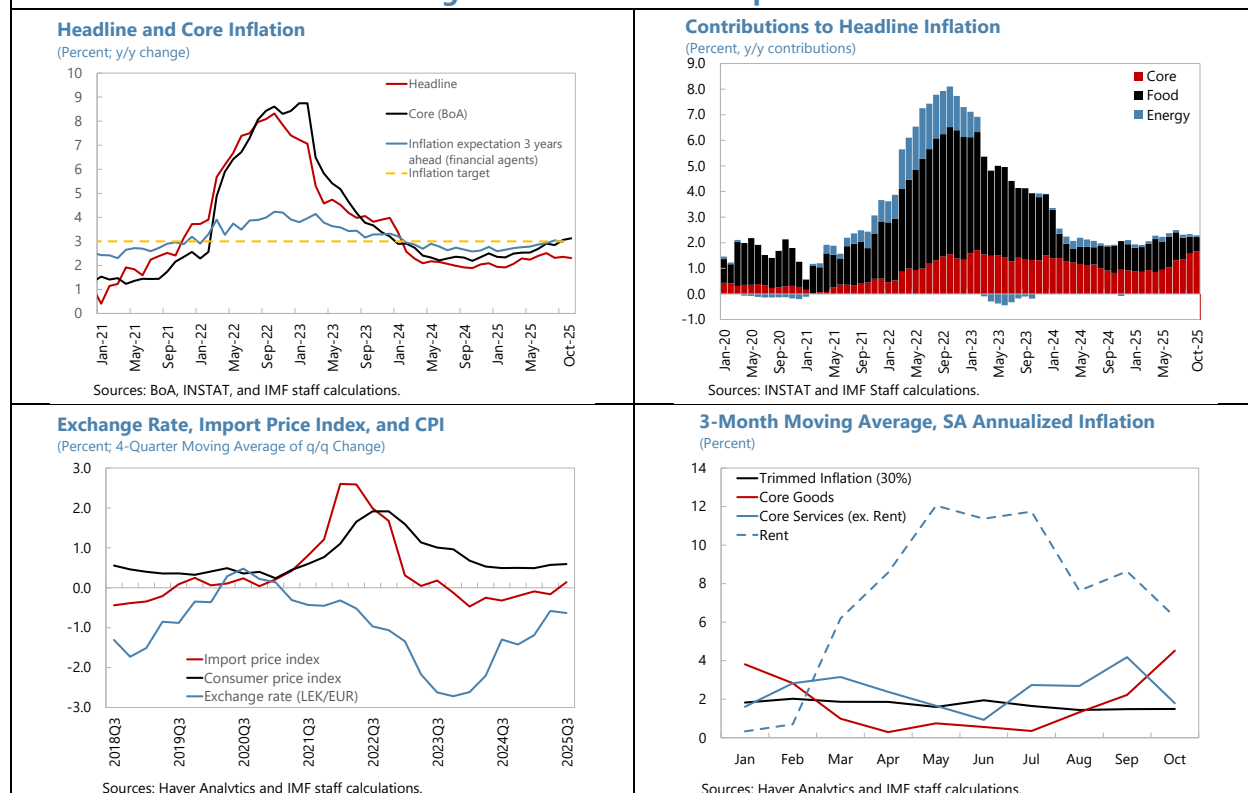


6. Labor market conditions remain tight. In Q2 2025, the unemployment rate reached a historical low of 9.4 percent, partly driven by a shrinking labor force amid emigration and aging. Elevated vacancy ratios signal persistent demand for workers, while wages have surged supported by a cumulative 33 percent minimum wage increase in 2022–24. Public sector wages have risen even faster than in the private sector, reflecting the phased implementation of the public sector wage reform with the second increase in H2 2024 ([see Annex II, 2023 IMF Albania AIV Report](#)). Despite

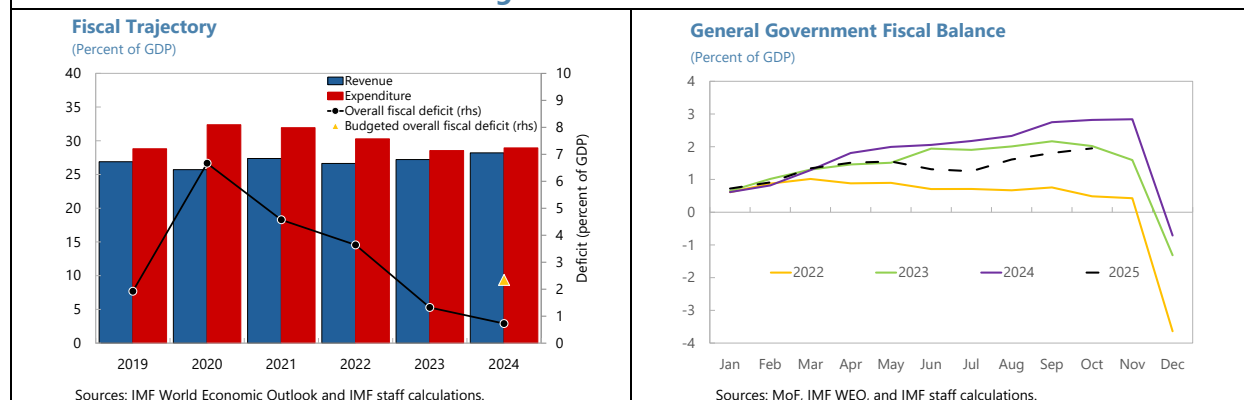
these increases, median wages in 2024 stood at just 15 percent of the EU level and real wage growth has outpaced productivity gains.



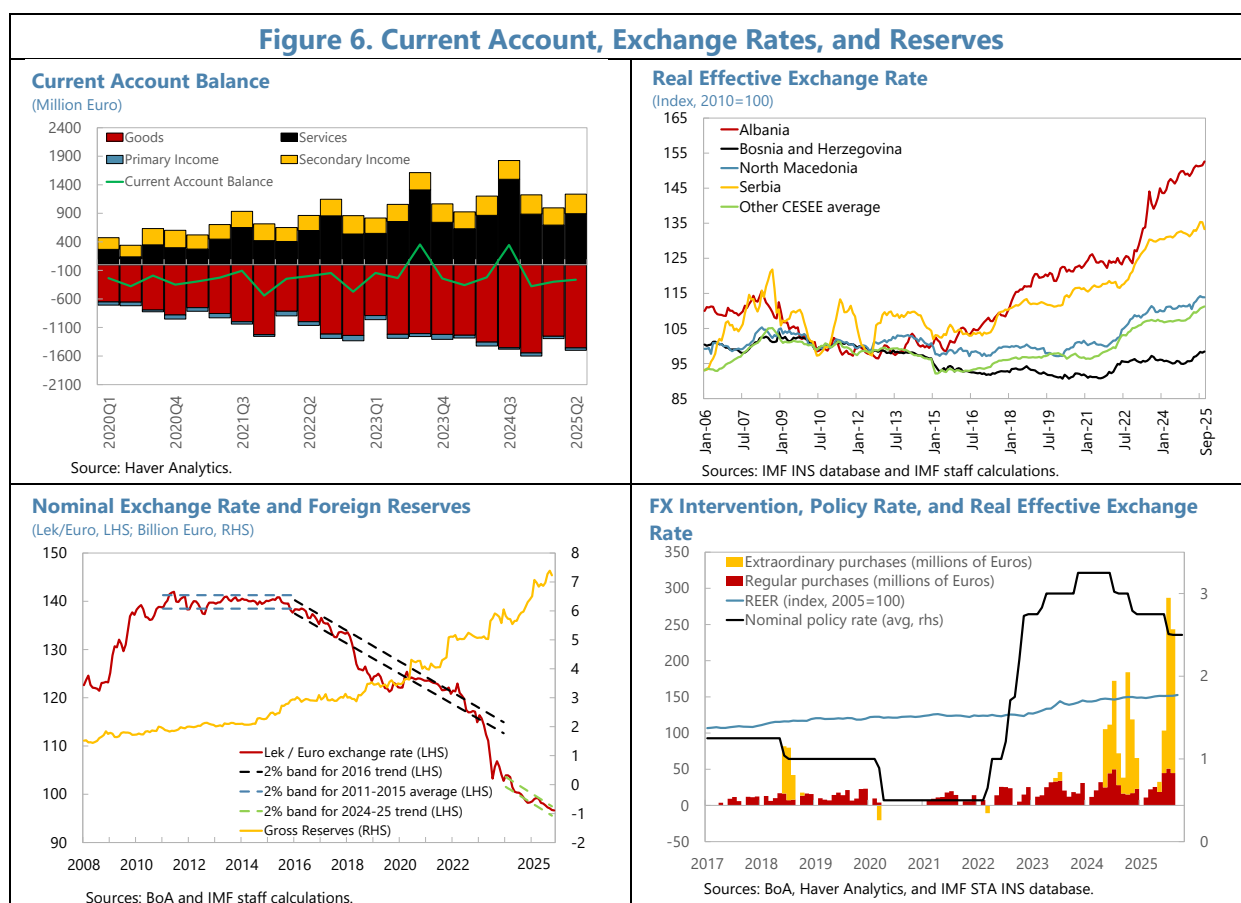
7. The tight labor market appears to start feeding into core inflation. Headline inflation remains well below the 3 percent target, on the back of exchange rate appreciation (119) and easing global commodity prices. In contrast, core inflation has shown a more pronounced rise and inflation expectations picked up following the BoA's 25-basis point policy rate cut to 2.5 percent in July. However, pressures remain uneven, with increases driven by core services and rent over the summer and, more lately, core goods.

Figure 4. Inflation Developments

8. Solid fiscal outturns have resulted in improved market sentiment. The primary balance reached 1.7 percent of GDP in 2024, driven by stronger-than-expected revenue performance and under-execution of capital expenditure, while public debt dropped to 54.5 percent of GDP. The authorities are on track to overperform their 2025 budget target, on the back of strong revenues and lower capital and interest spending. Sovereign bond spreads fell from around 200 to 150 basis points over the last year. A major milestone was the €650 million, 10-year Eurobond issued in February 2025, offering longer maturity and lower yields than the previous 5-year Eurobond. S&P upgraded Albania's sovereign rating to BB from BB- in March 2025.

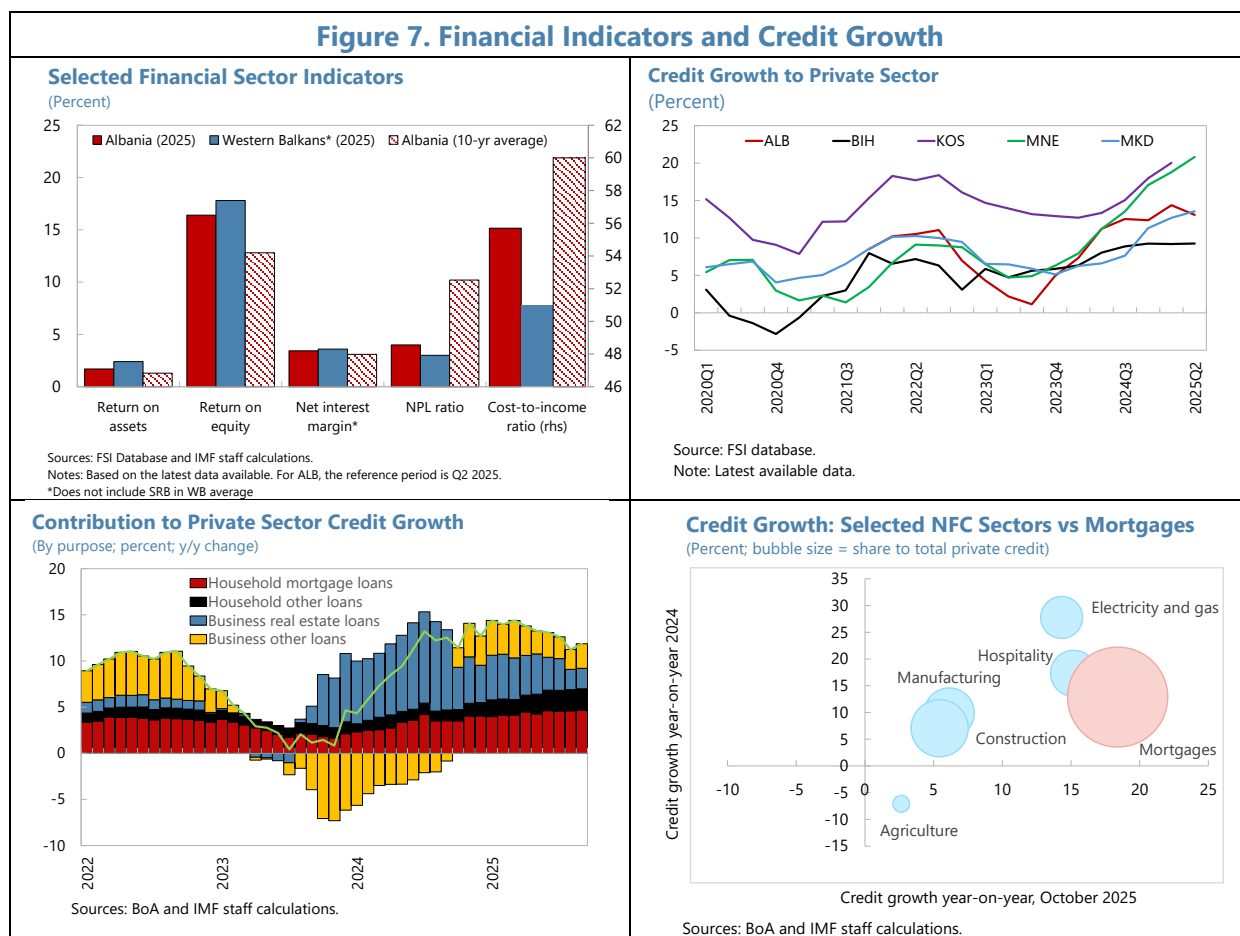
Figure 5. Fiscal Balances

9. While the current account deficit steadied in the first half of 2025, the BoA's FX purchases accelerated. The CA deficit doubled relative to 2023, reaching 2.5 percent of GDP in 2024, driven by falling goods exports amid exchange rate appreciation. The deficit remained broadly stable at 2.1 percent of GDP in H1 2025. FX purchases amounted to 3.4 percent of GDP during the first ten months of 2025—30 percent from regular reserve building activities and 70 percent from unscheduled interventions. Consequently, gross external reserves reached 7.6 months of imports in October (148 percent of the IMF's reserve adequacy metric).¹



10. The banking sector is profitable amid elevated credit growth. Net interest margins remained above 3½ percent in Q2 2025, while non-performing loans (NPL) ratios are near historical lows. Credit growth to households and non-financial corporations (NFC) remains elevated, driven largely by real estate lending, though overall growth is starting to level off after the rapid increase in 2024. To support SME financing, the authorities are establishing a development bank (see Section C) and the BoA launched a 25 billion lek (1 percent of GDP) credit line through commercial banks, with a fixed interest rate of 2–3.5 percent backed by government guarantees, active until end-2025. Uptake of the credit line has been limited, with only 0.1 percent of GDP disbursed by mid-2025.

¹ The Assessing Reserve Adequacy (ARA) metric is calculated under the exchange rate regime reclassified in 2024 as *de facto* crawl-like (see Annex II of the 2024 Article IV Staff Report).

Figure 7. Financial Indicators and Credit Growth

B. Baseline Outlook

11. The near-term outlook remains largely unchanged from the previous Article IV, while long-term growth has declined modestly.² With exports to the U.S. accounting for only about 0.3 percent of GDP, direct effects of the 10 percent U.S. tariffs imposed since April 2025 are minimal. The indirect effects of trade measures and global uncertainty, including lower external demand for tourism, also appear limited so far. While tourist arrival growth has moderated, it remains robust and in line with staff's projections. The economy is projected to grow by 3.5 percent in 2025, driven by private consumption, strong wage growth, and tourism. Growth is expected to rise to 3.6 percent in 2026, in line with a modest acceleration in key euro area trading partners, before converging to its potential of 3.2 percent.

² Projections are based on October 2025 WEO Global Assumptions.

Text Table 1. Macroeconomic Projections, 2025–27 (Percent)

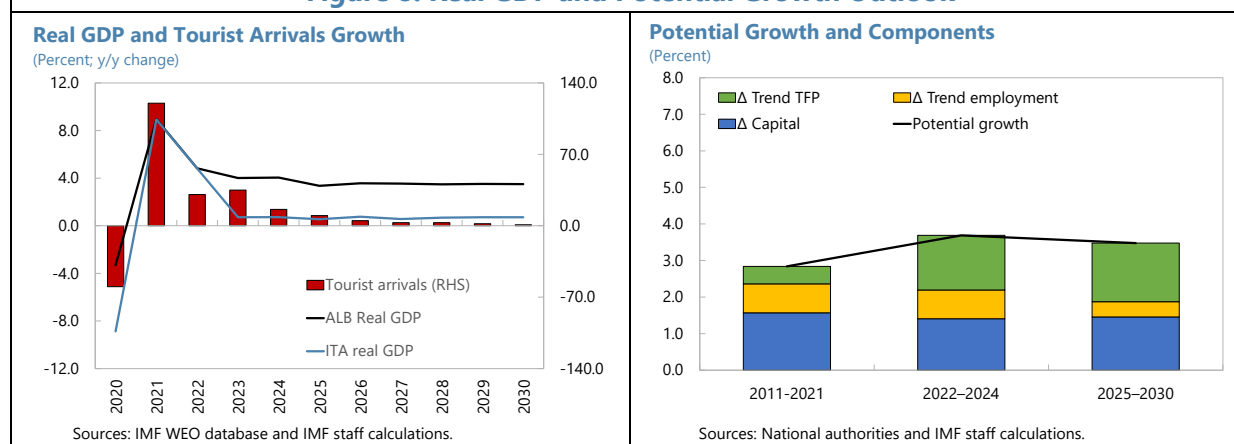
	GDP growth			Inflation		
	2025	2026	2027	2025	2026	2027
Staff projections 1/	3.5	3.6	3.4	2.4	3.0	3.0
BoA	3.6	3.5	3.5	2.4	3.0	3.0
MoF	3.9	4.0	4.0	2.4	3.0	3.0
World Bank 2/	3.7	3.5	3.5	2.5	3.0	3.0
Consensus Forecast	3.5	3.5	-	2.4	2.7	-
European Commission 3/	3.6	3.5	3.5	2.4	3.0	3.1

Sources: Consensus Forecast (September 2025), BoA, MoF, World Bank, and IMF staff projections.

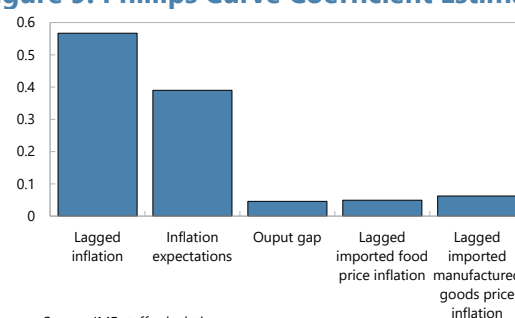
1/ Inflation end of period.

2/ World Bank, Western Balkans Regular Economic Report, No. 28 Fall 2025.

3/ European Commission, European Economic Forecast, Autumn 2025, Institutional Paper 327, November 2025.

Figure 8. Real GDP and Potential Growth Outlook

12. Headline inflation is projected to gradually converge to target by end-2026. While the effects of previous public sector wage increases will fade out by Q3 2025, overall real wage growth is projected to remain positive and outpace productivity growth amid a continued tight labor market. This, together with inflation expectations close to target and a positive output gap, will put further upward pressure on inflation. However, headline inflation is expected to only slowly converge to 3 percent given the high degree of inertia in the inflation process and broadly stable projected global food and manufactured goods prices.

Figure 9. Phillips Curve Coefficient Estimates

13. Albania's external position in 2025 is expected to be stronger than the level implied by medium-term fundamentals and desirable policies (Annex II). The current account deficit is expected to rise from 2.8 percent in 2025 to 3.5 percent of GDP by 2030, gradually moving towards the estimated norm. The current account deficit is expected to deteriorate due to rising imports on the back of higher real disposable income and public investment compared to 2022–24 levels, as

well as slowing remittances dragged by relatively slower economic growth in countries with large Albanian diasporas. The deterioration is projected to be partly offset by continued strong tourism services exports and rising primary income.

C. Risks Around the Baseline

14. Amid a more unsettled external environment, risks to the outlook are tilted to the downside.

- **Global risks.** Prolonged uncertainty, geopolitical tensions, and commodity price volatility could affect Albania primarily through lower growth in its key trading partners, negatively affecting tourism (see annex IV), FDI and remittance flows. Financial market volatility and asset price corrections could reduce demand for Albanian sovereign debt and may lead to rollover risks.
- **Domestic risks.** Emigration and aging—evident in recent census data³—could accelerate beyond what is expected in staff’s baseline, further shrinking the labor force. A tighter labor market would push up wages, fueling inflation and undermining competitiveness. In such a scenario, the BoA may need to tighten policy aggressively to anchor inflation expectations, which would further depress output. A sharp and sudden decline in real estate prices could lead to rising NPLs and a slowdown in credit growth, weighing on activity and resulting in exchange rate depreciation. On the upside, the sustained implementation of the EU reform agenda—not yet part of staff’s baseline—would boost productivity and growth.

15. Available policy buffers should be used if global risks materialize (Annex III). Based on Scenario A in Box 1.2 of the [2025 October WEO](#), which models higher tariffs, supply side disruptions and tighter financial conditions, Albania’s growth would be about 1 percent lower than in the baseline by early 2026, with the negative impact persisting into 2027.⁴ Inflation would remain largely unaffected, as the deflationary impact of the shock to GDP is offset by exchange rate depreciation, while the fiscal balance would worsen by about 0.4 percent of GDP by 2027 and the public debt ratio would rise by 2 percentage points. Automatic stabilizers should be allowed to operate, while Albania could use its available fiscal space to provide targeted support to the vulnerable. Exchange rate flexibility can help absorb shocks without requiring changes to the monetary policy stance.

16. Authorities’ Views. The authorities broadly agreed with staff’s assessment of the outlook and associated risks, though both the BoA and the MoF anticipate stronger medium-term growth—at 4 and 3.5 percent, respectively—supported by productivity improvements, including from AI and structural reforms linked to EU accession, and potentially rising immigration. They consider geopolitical tensions to present the main downside risks to growth and a fast progress toward EU integration, including the implementation of the New Growth Plan, as a significant upside risk, while labor market shortages and rapid wage growth could drive inflation higher.

³ Staff uses UN (2024) population projections. These do not yet include the 2024 census results, which showed a much smaller population than expected.

⁴ Based on a quarterly projections model calibrated to Albania.

POLICIES TO MAINTAIN STABILITY AND BOOST GROWTH

A. Tax Policies and Structural Fiscal Reforms to Preserve Buffers

17. Under current policies, staff projects a small primary surplus in 2025 and 2026, followed by a zero primary balance in the outer years. Staff expects a deterioration in the primary balance in 2025 on account of a year-on-year increase in capital spending, though the authorities are on track to marginally overperform their 2025 zero primary balance budget target based on monthly outturns.

Monthly pension bonuses starting in 2026 and the gradual increase in defense spending will be financed by expected gains from the authorities' Medium-Term Revenue Strategy (MTRS), current spending savings, and under-execution of capital spending. In cyclically adjusted terms, staff's baseline projections correspond to a broadly neutral stance in 2026–30.

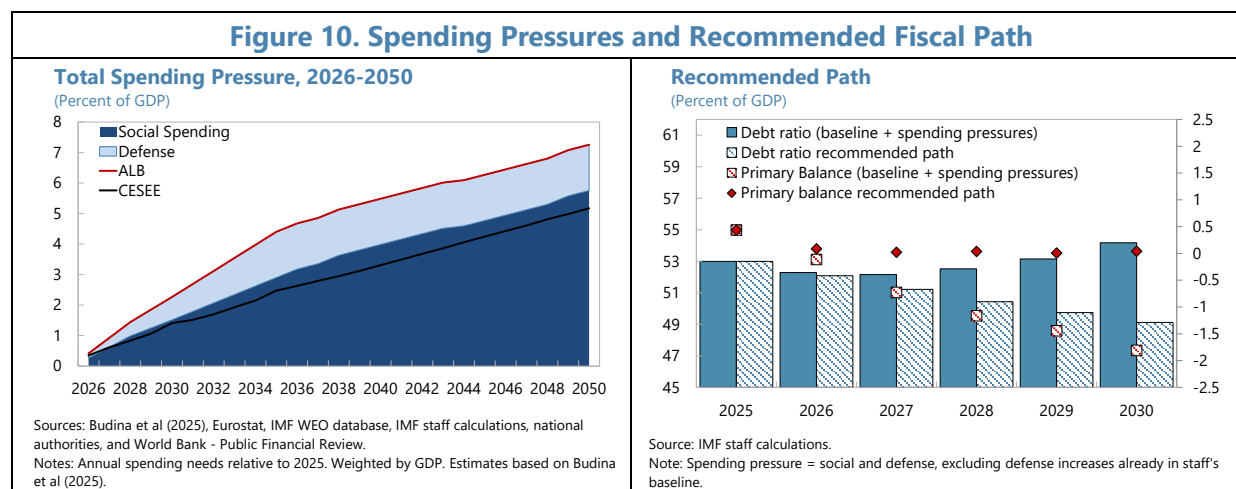
Text Table 2. Fiscal Baseline Assumptions

	Item	Assumptions
Revenue	Tax revenues	MTRS gains: Staff takes 50 percent of projected gains from authorities in Lek for legislated measures, revenues are phased over 2026–2028 (Table 3)
	Social contributions	The increase in minimum wages will increase social insurance contributions
Spending	Defense	From the 2025 level of 2 percent of GDP, defense spending increases by roughly 0.1 pp per year through 2030
	Wages	The minimum wage will increase from €400 to €500 in 2026 and €600 in 2028, with partial spillovers to the public sector pay scale
	Pensions	Pension outlays include a yearly indexation and are based on the authorities' projections and consistent with World Bank (Albania Public Finance Review, 2025) estimates. For pension bonuses- e.g., the planned increase in urban pensions from 27,000 Lek to 40,000 Lek - staff assumes the full allocation. The associated fiscal cost is projected to rise by around 10 billion Lek each year over the next five years, reaching a total of about 50 billion Lek by 2030
	Capital Exp.	Staff assumes under-execution consistent with historical patterns and to maintain a non-negative primary balance

18. The SR-DSF points to moderate risk of debt distress, primarily driven by elevated gross financing needs (Annex V). Under current policies, the debt ratio is projected to decline to below 50 percent by 2030. However, gross financing needs (GFNs) remain sizable, averaging 13 percent of GDP in 2025–30. Moreover, there are risks from contingent liabilities, including SoEs and PPPs. Reforms to strengthen the domestic debt market and implementation of the 2026–30 Debt Management Strategy thus remain critical. Staff recommends adjusting the maturity profile, as the average time to maturity is around 2.5 years and redemptions are concentrated in the earlier months of the year, to mitigate rollover risks. Furthermore, regular issuance of short-term instruments (3- and 6-month T-bills) would develop the short end of the yield curve. Additional priorities include enhancing secondary and repo market liquidity, improving investor relations, and aligning repo market regulations and data transparency with international standards.

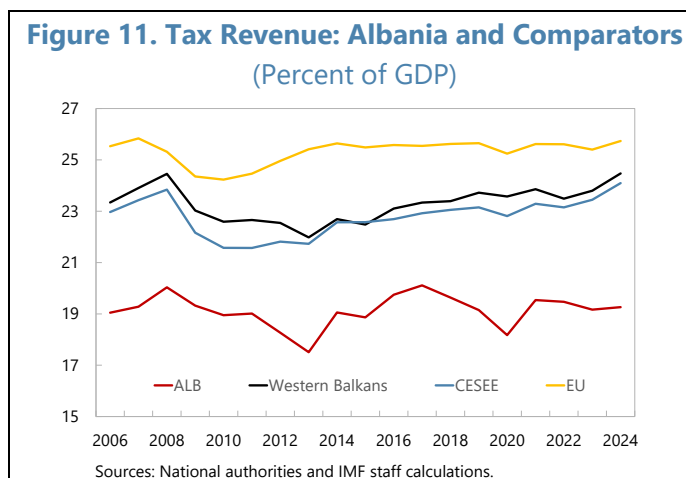
19. Albania faces mounting fiscal pressures, which—if not addressed now—could jeopardize fiscal sustainability over the medium term. Albania plans to increase defense spending to 2.45 percent of GDP by 2030 (compared with the 3.5 percent NATO commitment). Moreover, as the economy develops, the authorities will likely need to spend more on social spending including on pensions and health, where the impact of aging will be most pronounced

after 2030, as well as education and training (Section C). Against this backdrop, staff recommends additional measures of about 2 percent of GDP over 2026–30 to allow phasing in these needs while maintaining compliance with national fiscal rules—a zero minimum primary balance, and declining debt-to-GDP ratio until it reaches 45 percent—also beyond 2030 (see Box 1), if combined with growth-enhancing reforms.



20. Measures should be high-quality and growth friendly. The 2026 budget maintains focus on revenue administration measures. However, the postponement of key tax policy reforms (e.g., property taxes to 2028 and taxation for self-employed/small businesses to 2029), poses significant implementation risks, with 2029 being a parliamentary election year.

- Tax expenditures.** The timely phase out of zero taxation for small businesses and streamlining the tax regime for self-employed professionals would help avoid arbitrage between labor and business income and enhance fairness. In parallel, staff recommends gradually increasing reduced VAT rates including for the tourism sector, rationalizing exemptions, and aligning sectoral treatments with the EU acquis.
- Property taxes.** The planned market value-based property tax reform should be implemented comprehensively and on an accelerated timetable, including the full adoption of market-based cadastral values, consolidation of overlapping instruments, implementation of a functioning IT platform by municipalities, and robust administrative coordination. Integrating the temporary revaluation tax into a coherent strategy will be essential to ensure compliance and sustainable revenue gains.



Text Table 3. Revenue Measure Options and Estimated Gains
(Percent of GDP)

INCLUDED IN THE BASELINE		
MTRS measures		0.34
VAT		0.16
Profit tax		0.14
PIT		0.04
ADDITIONAL REVENUE MEASURES		
	Lower Bound	Upper Bound
Rationalizing tax expenditures	0.9	1.1
Sole proprietors and companies conducting trade and professional services with an annual turnover up to ALL 14 million benefit from a zero rate CIT	0.6	0.7
VAT reforms	0.3	0.4
Property tax	0.2	0.2
Recurrent value-based property tax - MTRS	0.2	0.2
Revenue Administration	0.4	1.0
Remaining measures in the MTRS	0.4	0.4
Improving IT Infrastructure, data access and utilization, staffing and capacity	0.0	0.6
TOTAL	1.2	2.0
Memo Items:		
Tax revenue potential-outturn gap	3.5	
Tax expenditure	4.8	

Source: Albania Medium-Term Revenue Strategy.

Note: MTRS related measures show cumulative gains over next two years; Additional measures assess gains over a one-year period.

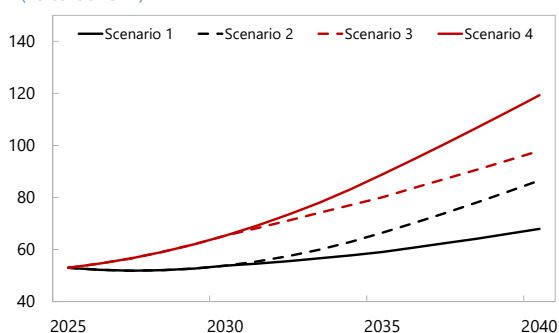
- Tax administration.** Further strengthening tax administration—through risk-based audits, IT and data integration, and enforcement—would help secure the full MTRS yields. The “Fiscal Peace” Agreement, approved in principle by parliament, proposes (i) cancellation and conditional forgiveness to businesses of tax and customs debts, penalties, and interest; (ii) a voluntary arrangement to pre-determine taxable profits and suspend tax audits for the agreement period; and (iii) the revaluation of past financial statements at a uniform 5 percent preferential rate. These measures risk undermining tax compliance, threatening Albania’s progress toward a modern, equitable tax system. They also raise concerns related to the effectiveness of the AML/CFT system, including around identifying illicit proceeds as potentially significant volumes of formerly undisclosed funds or assets are moved into the formal financial system. Staff instead recommends embedding debt relief in permanent legislation with transparent rules for debt write-off and aligned with international standards. Over the longer term, continued progress in strengthening governance (Section D) and reducing informality would help further lift tax collection.
- Spending rationalization and reprioritization.** Regular spending reviews—institutionalized as a core budgetary tool and supported by clear governance structures—will help identify low-priority programs. A comprehensive approach to improve pension adequacy and sustainability should include (i) targeting low effective contribution rates by addressing wage underreporting and fostering formalization (Section D); (ii) revisiting early retirement provisions as well as other parameters; and (iii) exploring voluntary supplementary private schemes (2023 Article IV, Annex VIII). Pension bonuses should be avoided, as they weaken the link between contributions and benefits, add to fiscal pressures, and distort incentives. Support for vulnerable households is best provided through well-targeted social assistance.

Box 1. Adjustment Needs Under Long-Term Spending Pressures

Following the methodology of [IMF \(2025\)](#), this box analyzes how public debt ratios would evolve in Albania in the face of long-term spending pressures and the size of measures needed to comply with the 45 percent debt-to-GDP anchor. It presents four scenarios: (1) pressures from social and defense spending to reach the 3.5 percent target in combination with growth enhancing structural reforms, (2) the same as (1) but without structural reforms; (3) the same as in 1 but adding public spending pressures related to climate mitigation and adaptation, which albeit uncertain, are estimated at around 2.5 percent of GDP per year by the [World Bank](#); and (4) the same as in (3) but without structural reforms. To maintain convergence towards the 45 percent debt-to-GDP ratio in scenarios 2–4, additional cumulative fiscal measures will be needed (in addition to staff's recommended measures of 2 percent over 2026–30, noted in ¶18), ranging from 1.5 percent of GDP in Scenario 2 to 4 percent of GDP in Scenario 4.

Public Debt

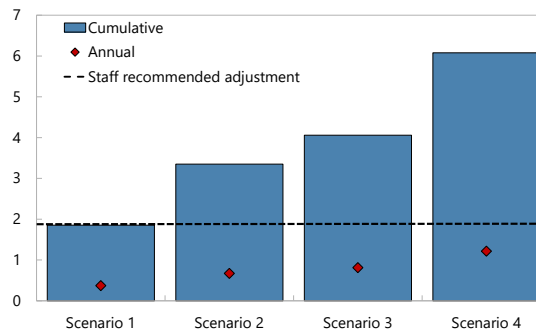
(Percent of GDP)



Source: IMF staff calculations.

Adjustment Needs 2026-2030 (45% Debt Anchor)

(Percent of GDP)



Source: IMF staff calculations.

Main Assumptions

Baseline path primary balance	Set at 0 percent of GDP (minimum required by national fiscal rule).
Spending pressures (2026–40)	Relative to 2025 levels.
Macro assumptions	Nominal GDP growth and effective interest rate follow staff baseline to 2030; for 2031–40, GDP growth held at 2030 pace, interest rates move in line with October WEO forecasts and some further adjustments in outer years.
Structural reform yields	Based on GDP gains from closing half of national-level reform gaps (see Figure 1) to frontier. See also Budina et al. (2025).

21. Complementary structural fiscal reforms are needed to enhance transparency.

- **Budgetary practices.** Budget revisions should be channeled through the regular legislative process, instead of normative acts, which reduce transparency and make fiscal planning less predictable.

- **Public investment management (PIM) and PPPs oversight.** Staff recommends restoring a unified project cycle for public investment projects, maintaining robust feasibility requirements, and clarifying multi-year commitment controls to ensure that projects are well-appraised, properly prioritized, and effectively implemented. Decision-making should be harmonized across traditional procurement and PPPs, with the Ministry of Finance coordinating the entire investment cycle. A

Climate-PIMA (C-PIMA) to take stock of progress since the 2016 PIMA could

buttress the PIM agenda. On PPPs, unsolicited proposals (80 percent of the current portfolio) should be eliminated and governance streamlined to avoid fragmented responsibilities.

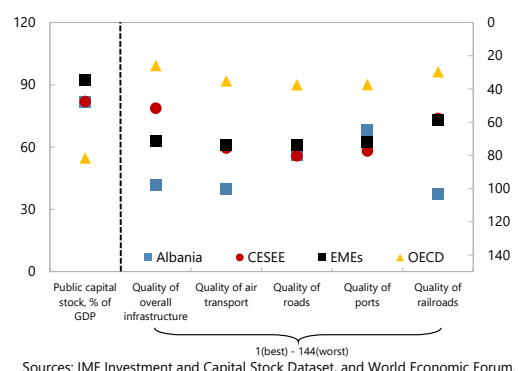
- **Fiscal risk management.** The authorities have made important advances in preparing a standalone fiscal risk statement, but need to align its publication with the budget cycle. In addition, institutionalizing regular monitoring and risk assessments of on-lending and PPP exposures is essential for early identification of fiscal risks, while operationalizing the IMF's SOE Health Check tool, SOE stress test, and the PPP Fiscal Risk Assessment Model (PFRAM) can help risk mitigation. Off balance sheet funding structures—such as foundations, special purpose vehicles, and public asset management companies—should be subject to transparent reporting and governance requirements, including disclosure of ultimate beneficial ownership.

22. Authorities' Views. The authorities remain committed to maintaining a non-negative primary balance and reducing public debt. They expect additional revenue gains of about 1 percent of GDP over the next two years from implementing the MTRS, while emphasizing that tax policy will remain largely unchanged until 2029. They view measures to strengthen revenue administration, including finalizing the fiscal cadaster, reducing cash usage, and leveraging AI as key to sustained revenue collection improvements. The authorities noted that the "Fiscal Peace" Agreement is intended to reduce informality and ease the tax burden for businesses. They view monthly pension bonuses as essential to offset adverse effects of the 2014 pension reform, which left many retirees with inadequate benefits. The authorities agreed that continued public investment reforms will be key to addressing under-execution of capital spending.

B. Agile Monetary Policy to Swiftly Respond to Evolving Conditions with Exchange Rate Flexibility

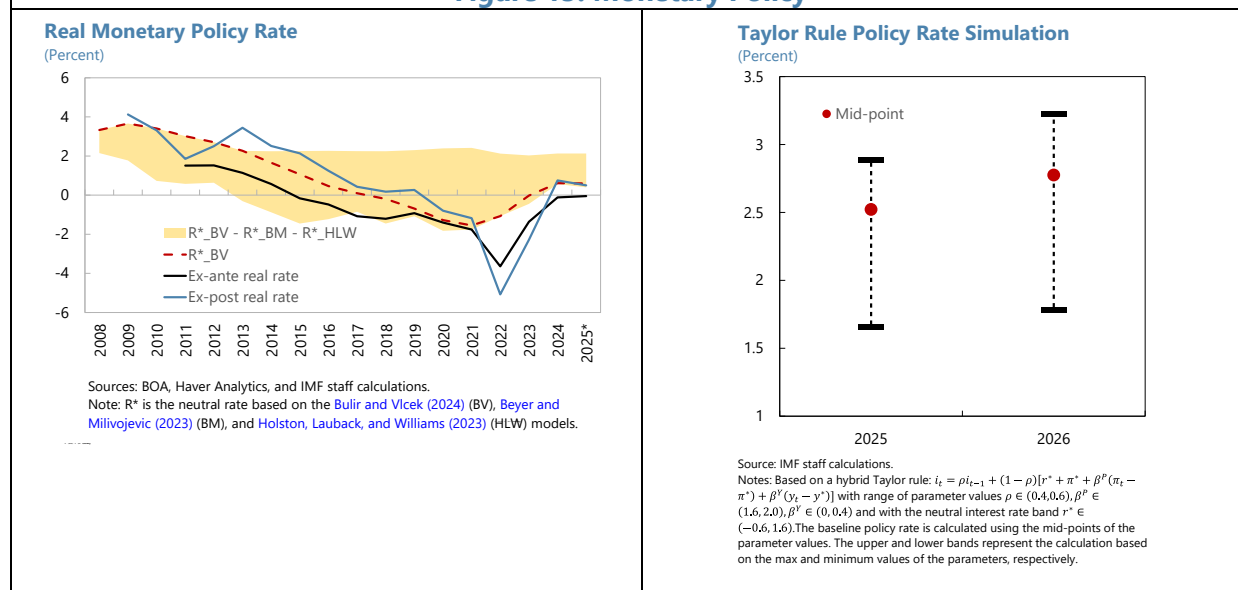
23. In a more shock-prone world, the BoA should stand ready to quickly respond to evolving conditions. The current policy rate of 2.5 percent is assessed as neutral on an ex-post basis and marginally accommodative on an ex-ante basis, based on an estimate that incorporates FX

Figure 12. Capital Stock and Infrastructure Quality
(Percent of GDP LHS; rank RHS; latest available)



movements (see Albania 2024 Article IV, Box 2). With inflation expectations and core inflation close to target, a monetary policy stance close to neutral is justified. However, the BoA should stand ready to swiftly adjust its monetary policy stance in both directions. A materialization of upside risks from second round wage effects could necessitate reversing recent easing, while lowering the policy rate would be justified in case of a high probability of persistent, under-target inflation potentially triggered by continued currency appreciation. The central bank subsidized credit line—albeit small—may lead to an inefficient allocation of resources. Its objectives can be better achieved through targeted fiscal policies and by tackling underlying structural issues.

Figure 13. Monetary Policy



24. The exchange rate should act as a shock absorber with greater flexibility, and further reserve accumulation guided by cost-benefit analysis. Fundamentals have been the principal driver of Albania's real exchange rate appreciation, with speculative forces playing only a modest role ([IMF, 2025](#)). The BoA should thus allow the exchange rate to adjust more flexibly and rely on interest rates as the primary tool for price stability. While sterilized⁵ FXI could reduce inflation and output variability in limited cases of non-fundamental shocks, the authorities should carefully weigh potential consequences, including for market development. Recent IMF staff analysis finds a non-trivial opportunity cost of holding reserves,⁶ which for emerging market economies is estimated to have been about 0.4 percent of GDP over 2012-24. Continued reserve accumulation would also subject the BoA to greater interest rate risk and potential FX revaluation losses.

25. Authorities' Views. The BoA noted that the current monetary policy stance appropriately balances supporting economic activity and maintaining price stability. Recognizing that its primary objectives are price and financial stability, the BoA emphasized that the SME refinancing operation

⁵ The BoA sterilizes a large part of the FXI depending on their impact on the banking system's liquidity.

⁶ See *Global Financial Safety Net—A Stocktaking* ([IMF, 2025](#)). The opportunity cost is calculated as the sum of: (i) the relative cost of funding shorter-dated assets with longer-term borrowing (i.e., the term premium); and (ii) the sovereign spread.

was created in accordance with its legal responsibilities to improve credit conditions. The BoA reaffirmed its commitment to a freely floating exchange rate, agreeing that the exchange rate has been mostly driven by fundamentals. However, it explained that limited interventions are necessary to reduce excessive financial market volatility and prevent a deflationary spiral or rapid shift from FX to lek-denominated deposits. Regarding FX reserves, the BoA indicated that these assets have generated significant returns, helping to offset their carrying cost. The liquidity deficit in the banking system, a result of many factors including FXI, is currently deemed appropriate by the BoA.

C. Enhanced Prudential Tools to Navigate Financial Sector Risks

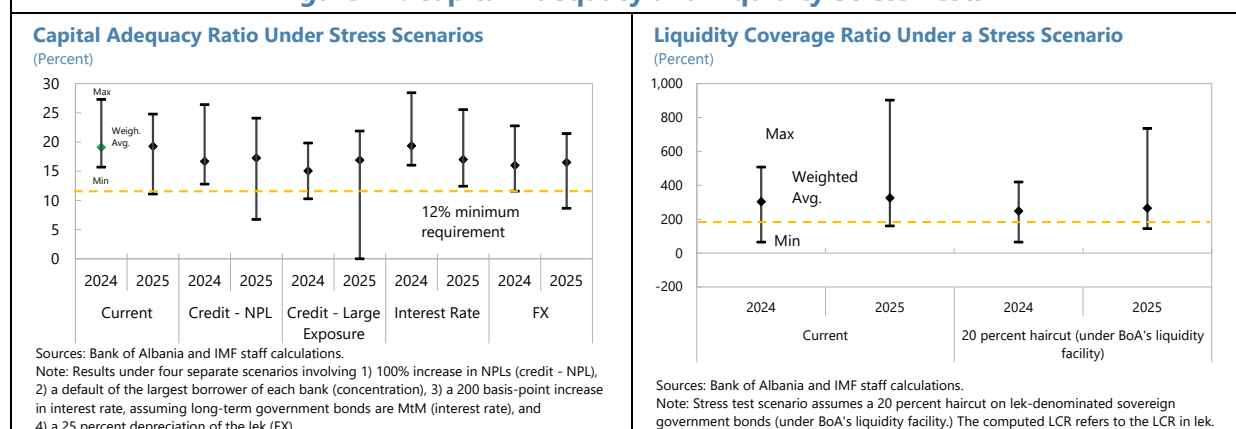
26. Systemic risks appear broadly contained. The banking system overall remains well-capitalized and liquid relative to minimum regulatory requirements. Aggregate capital and liquidity coverage ratios stand at 19.3 and 275 percent, respectively, though non-compliance with minimum regulatory requirements continues to be observed for a limited number of banks. Staff's stress tests show that banks are resilient to individual shocks that increase NPL ratios, interest rates, or lead to exchange rate depreciation, with weighted average capital ratios being higher than in the last Article IV in most scenarios.⁷ Liquidity conditions have improved banking system-wide. The NBFI sector accounts for less than 10 percent of total financial sector assets, and so far, no crypto-related providers have set up operations in Albania.⁸

27. Some vulnerabilities, however, are emerging and their effect on systemic risks will require careful monitoring:

- **Banks.** Compared to 2024, the results of the 2025 solvency stress tests—which assess the impact of individual risk factors on banks' capital ratios—reveal greater dispersion across individual banks. This suggests that while some institutions have improved their resilience, others have become more vulnerable to shocks, especially arising from large borrower exposure. In addition, results could be more severe under scenarios where multiple extreme shocks materialize simultaneously. Banks also continue to hold large amounts of sovereign securities (28 percent of their total assets compared to an average of 10 and 8 percent, respectively, in Western Balkan and EU countries).
- **Rapid growth of real estate lending.** The volume of banks' real estate loans grew by 14 percent year-on-year (as of Q3 2025). The credit-to-GDP gap for households is now in [positive territory](#) for the first time since 2009. A significant part of new household mortgages and commercial real estate (CRE) loans have elevated loan-to-value (LTV) and loan-service-to-income ratios (see Annex VI). While there has been some derisking for corporates, about a quarter of household loans are still denominated in FX, with unhedged volumes broadly unchanged in recent years.

⁷ See [2024 IMF Selected Issues Paper](#). The upcoming 2026 FSAP will assess systemic risks and resilience through a broader set of solvency, liquidity, and contagion stress tests—including tests based on macroeconomic scenarios where multiple risk factors can trigger simultaneous losses, as well as tests with solvency-liquidity interactions.

⁸ The forthcoming FSAP will look at potential interlinkages between banks and non-banks, including the insurance sector.

Figure 14. Capital Adequacy and Liquidity Stress Tests

28. Maintaining supervisory rigor and prudent provisioning is essential to safeguard financial stability.

- Capital requirements.** Cases of banks falling short of regulatory requirements should be addressed consistently and firmly by the supervisor, including through temporary suspension of dividends and preparation of capital conservation plans. The recent relaxations of risk-adjusted [capital adequacy](#) and [large exposures](#) frameworks for loans financing strategic transport infrastructure projects are not fully aligned with international standards and should be reconsidered, as prudential regulation should be risk-based and not be used to encourage lending to specific sectors.
- Asset quality and credit underwriting standards.** Staff supports efforts by the BoA to perform comprehensive quarterly assessments for all banks, on-site inspections, and progress in enhancing loan origination processes and NPL management. The BoA should be prepared for challenges arising from IFRS 9 implementation and quantify the impact of the transition. It should actively pursue transitional arrangements and consider a prudential provisioning backstop. All parties involved should allocate sufficient staffing and resources to this transition.

29. While the BoA has made important strides in enhancing its macroprudential framework, further refinements would bolster resilience. Broadly in line with IMF advice, the BoA introduced borrower-based measures (BBMs) for new residential real estate (RRE) loans (see Annex VI). The BBMs, which should become a permanent tool, complement the countercyclical capital buffer (CCyB), that will increase to 0.5 percent (from 0.25 percent) by end-December 2025. Financial stability could be further strengthened by moving towards a positive neutral rate for the CCyB (see *Selected Issues* Paper), alongside finalizing the systemic risk buffer (SyRB) framework. Regarding CRE-lending, data availability and quality should be improved; in case systemic risks were identified, they should be addressed by an appropriate macroprudential tool (e.g., a sectoral SyRB, higher risk weights, or targeted BBMs).

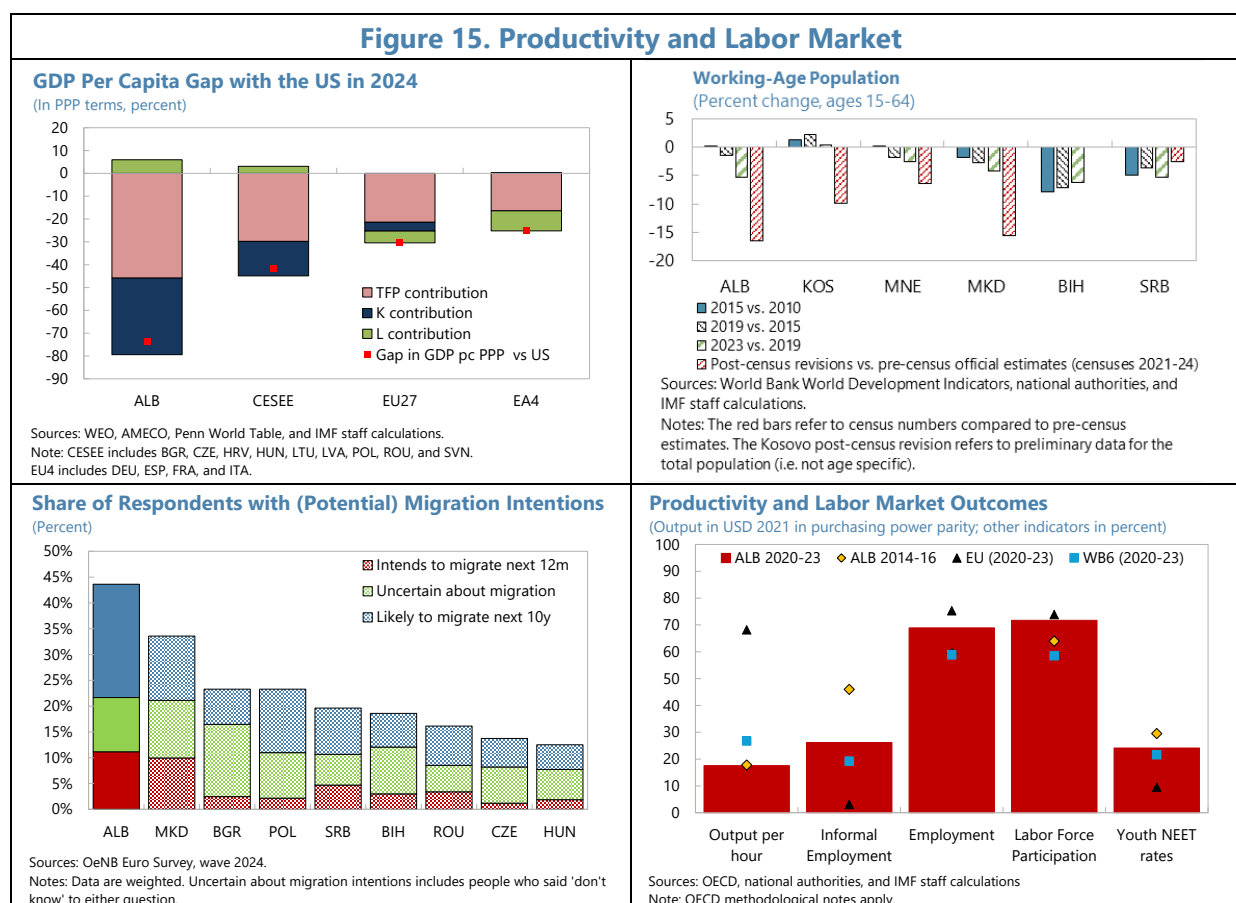
30. The Albanian Development Bank (ADB) requires rigorous governance and operational provisions. In April 2025, the government announced the establishment of a National Development Bank, with an initial capital of 10 billion Lek injected by the MoF, which also oversees its operations. It will be authorized to grant loans, issue securities, and accept retail deposits through the Albanian Post Office. Experience from other countries indicates that such institutions can pose significant fiscal and financial sector risks in the absence of (i) strong internal controls and risk management; (ii) oversight from banking supervisors; (iii) transparency and disclosure; (iv) prioritization of activities; and (v) regular reporting to the MoF on liabilities and exposures. Activities of the bank should be [time-bound and targeted at market failures](#), so as to support economic activity that would not otherwise occur (“additionality”), rather than crowd out private investment.

31. As Albania’s financial sector becomes more complex, careful oversight, effective institutional cooperation and enhanced AML/CFT measures are essential. The Albanian Financial Supervisory Authority (AFSA) should enhance data collection and risk monitoring, strengthen supervision in cases of bank-NBFI interlinkages, and make use of available instruments for effective interinstitutional cooperation, including through the Financial Stability Advisory Group (FSAG), which has not convened for more than three years. Timely implementation of the National Risk Assessment to mitigate identified AML/CFT risks is important.

32. Authorities’ Views. The BoA considers the financial system resilient to stress, noting steps taken to address limited cases of noncompliance with regulatory requirements in the banking sector, including dividend distribution restrictions. The BoA expects to ensure alignment with IFRS 9 by early 2027, eliminating dual reporting and improving data quality. The BoA views the recent risk-weights adjustments for strategic infrastructure projects’ lending as consistent with European standards, aimed at mitigating the concentration of large-scale projects within a few institutions. The BoA agreed that vigilance is needed on CRE lending and affirmed its readiness to introduce additional measures as needed, while adopting a dedicated office for AML/CFT risk monitoring. The authorities stressed that the development bank will support lending to underfunded sectors and operate under strict governance standards.

D. Productivity-Boosting Policies to Enhance EU Integration Benefits

33. Albania’s GDP per capita lags behind most of its CESEE peers, held back by weak productivity. Output per hour worked remains below the EU average with limited improvement over the past decade. Without a decisive policy response, the outlook appears challenging: Emigration, likely to rise further with EU accession, risks deepening labor shortages. While the falling working-age population has contributed to the convergence of labor force participation and employment rates with EU levels, informality, and the rate of the youth not in employment, education or training (NEET) remain above EU and Western Balkans averages.

Figure 15. Productivity and Labor Market

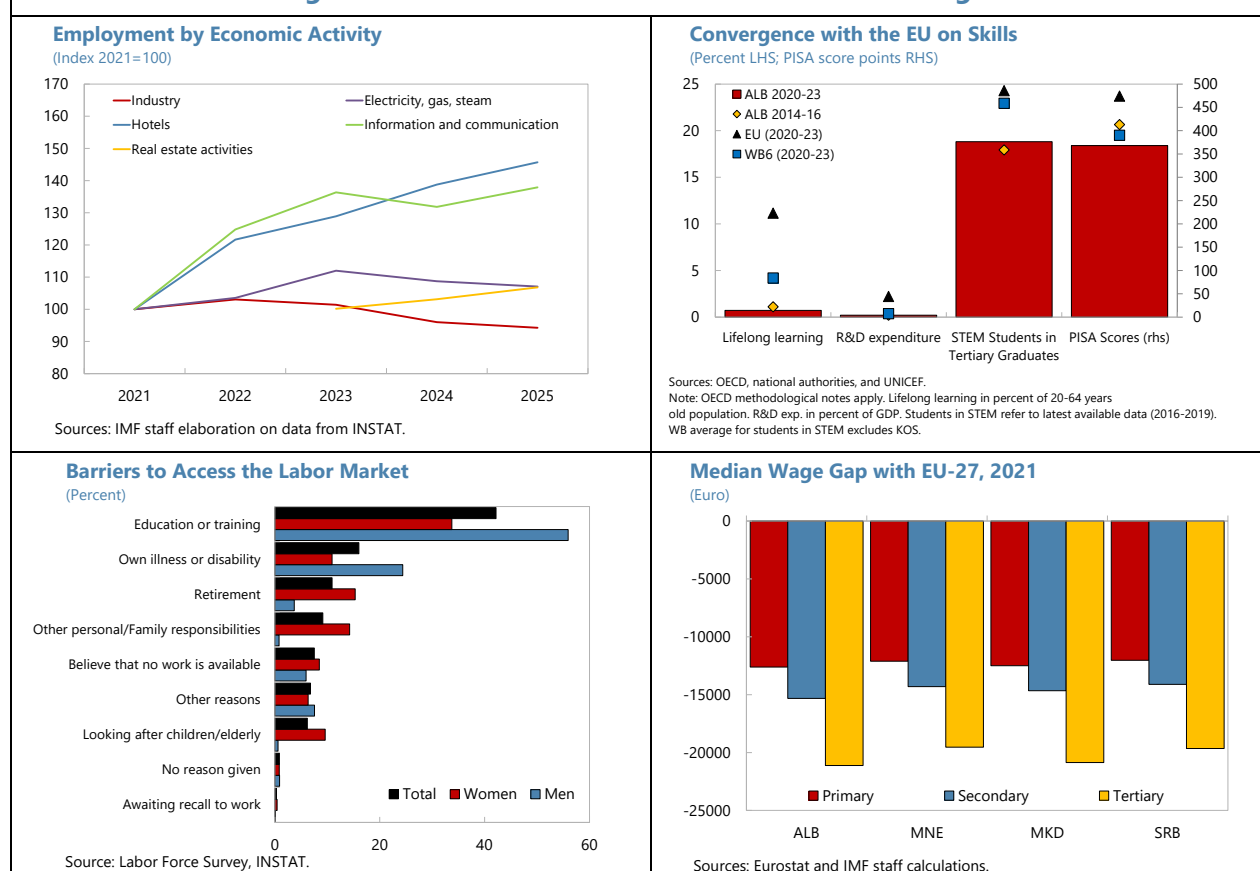
34. There is a confluence of structural factors that hinder both labor productivity and labor force participation. Although government initiatives such as the [National Employment and Skills Strategy](#) and [Digital Education Action Plan](#) mark important progress, they have yet to achieve the coverage and depth needed to alter underlying productivity dynamics.

- Labor productivity.** Albania is experiencing a steady shift of labor to tourism services which tend to have lower productivity than manufacturing. Productivity growth and industrial upgrading are further constrained by low spending on R&D. Gaps in education and training weigh heavily: Participation in lifelong learning is low and students' PISA scores are below the WB and EU averages. Many schools remain under-resourced and lack qualified teachers. Vocational schools are present only in 20 out of 61 municipalities, and employers' engagement remains below expectations.
- Youth NEET.** High NEET rates remain a concern, driven by informality, barriers to labor market entry, and widespread expectations of emigration. In 2023, half of NEETs were not seeking work, and fewer than one in five were registered with the National Agency for Employment and Skills (NAES). Education and care-related constraints are significant: 80 percent of NEETs have only secondary education or less, while one in four NEET women are inactive due to childcare responsibilities. Albania has introduced active labor market policies—including career guidance through NAES and subsidies to incentivize hiring disadvantaged groups—but coverage remains

limited. Only 3½ percent of the registered unemployed with NAES participated in employment promotion programs in 2024. Moreover, job-matching effectiveness appears to be weakening, as successful placements in 2024 fell by half compared to 2023, even as vacancies increased.

- **Emigration.** The main drivers of emigration are employment and better living conditions abroad.⁹ Higher wages in EU countries are a strong pull factor, given that Albania ranks at the bottom of the [wage distribution across European countries](#). The largest wage gap is among workers with tertiary education, where wages are more than threefold higher in EU advanced economies. In addition, there are push factors, with surveys indicating that governance and rule of law shortcomings are key emigration drivers,¹⁰ especially among skilled workers.

Figure 16. Selected Indicators on Structural Challenges



35. Staff analysis indicates that a comprehensive set of productivity-enhancing reforms will be key to boosting growth and mitigating the adverse effects of migration (Box 2). While the government's efforts to raise wages through repeated minimum wage increases may offer short-term relief, they will not be sustainable without corresponding productivity enhancements.

⁹ OeNB Euro Survey, 2024.

¹⁰ [Dimant et al., 2013](#).

- **Active Labor Market Policies (ALMPs).** Expanding ALMP coverage is essential, particularly to reach rural areas, informal workers, and vulnerable groups with tailored initiatives—for instance, a mobile employment team could visit remote municipalities. Program monitoring and evaluation should be improved to ensure measurable impact on employment outcomes. The new Labor Market Information Observatory could be extended to sector-specific analysis, while moving beyond snapshot data/tracer surveys toward forecasting models to better track labor market needs.
- **Education and training.** Strengthening digital tools and enhancing teacher development would help improve learning outcomes. Expanding STEM curricula will boost skills and employability in high-value sectors. The dual VET systems and the full rollout of the Youth Guarantee scheme should be accelerated, while ensuring stronger incentives and partnerships with the private sector, including through clear rules on how costs are shared, enhanced legal and regulatory frameworks, and robust data collection.
- **Other policies to reduce informality and enhance participation.** Measures to promote formal employment—such as improved labor law enforcement and simplified business processes—should be prioritized to reduce informality and foster sustainable job creation. Improving accessibility, quality, and affordability of childcare will boost labor force participation, especially for women with low levels of education (see Annex XI, [2023 Albania IMF Article IV Report](#)).
- **Boosting firm productivity and creating high quality jobs.** Supporting innovation and digitization, improving the business climate, ensuring a level playing field through an adequately resourced and empowered competition authority, and reducing red tape can enhance firm productivity (see [2024 Albania IMF Article IV](#)). Stepping up investment in R&D and adoption of new technologies will be a prerequisite for creating higher value-added production. This is even more important against the backdrop of steady exchange rate appreciation and wage growth that erodes competitiveness of low value-added manufacturing.
- **Governance.** The authorities should prioritize timely, merit-based, and impartial appointments to independent oversight bodies, accelerate the digitalization of court operations,¹¹ and expand public access to judicial information. Anti-corruption efforts would benefit from stronger preventive legislation, and enhanced monitoring of public administration. Maintaining SPAK's operational independence and ensuring adequate resources, including for digitalization, remain critical to sustaining momentum in high-level corruption cases.¹²

36. Authorities' views. The authorities agree that boosting productivity is necessary for dealing with adverse demographic trends. In this context, the Ministry of Economy and Innovation is implementing policies that prioritize inclusive employment, digital skills, and youth activation, with

¹¹ Full operationalization of an integrated electronic case management system in courts is expected only for 2030.

¹² The European Commission Working Document: Albania 2025 finds mixed progress on governance in 2025, with strong results on high-level investigations and some institutional steps, amid persistent weaknesses in prevention, oversight, public procurement and administrative capacity.

ALMPs supporting women and vulnerable groups. Upcoming minimum wage increases aim to boost incomes and reduce inequality as part of broader efforts to improve living standards and formalize the economy. The authorities reaffirmed their commitment to fulfilling the interim benchmarks for EU accession and noted sustained judicial reform progress, including through the reduction of case backlogs, and the rollout of digital case management systems by 2027. They view digitization and AI as critical to strengthening anti-corruption efforts.

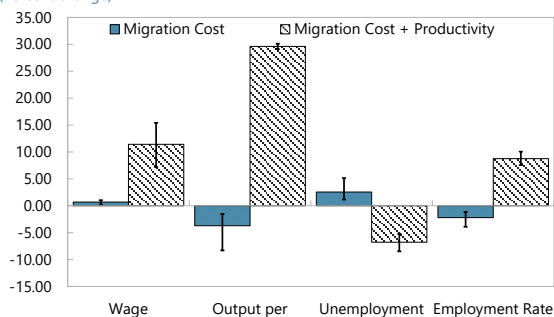
Box 2. The Impact of EU Integration and Productivity Boosting Policies on the Labor Market

Using a multi-country labor market model, this box examines the endogenous relationships between labor market outcomes and emigration. Following the methodology in Ayerst et al. (forthcoming), the analysis assesses the potential impact of a reduction in migration costs resulting in a doubling of emigration to the EU, (i) under current policies; and (ii) coupled with productivity gains (calibrated to increase GDP per capita by about 30 percent). The analysis then explores the impact of productivity enhancing reforms on outcomes: (i) structural reforms including enhancing governance and the rule of law and upgrading public infrastructure; (ii) active labor market policies (ALMPs); (iii) SME support that lowers entry costs for new firms; and (iv) labor force participation incentives.

Productivity-enhancing reforms would substantially increase the benefits of EU integration for Albania vis-a-vis costs from emigration. If EU integration were to happen without productivity gains, Albania could face high emigration, population loss, and lower output per capita, with only slight wage improvements. On the other hand, with productivity improvements, Albania would see major output-per-capita growth and lower unemployment from EU integration. The latter would also moderate the surge in emigration, attract labor inflows, and retain talent.

Impact of EU Integration on Output and Labor Market

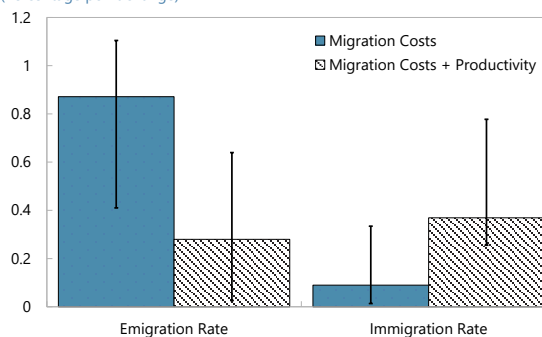
(Percent change)



Source: IMF staff calculations.

Impact of EU Integration on Migration

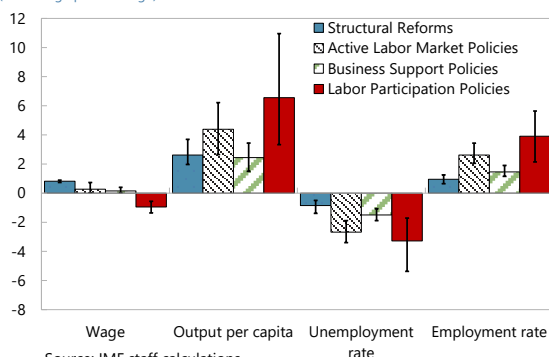
(Percentage point change)



Source: IMF staff calculations.

Impact of Policies on Output and Labor Market

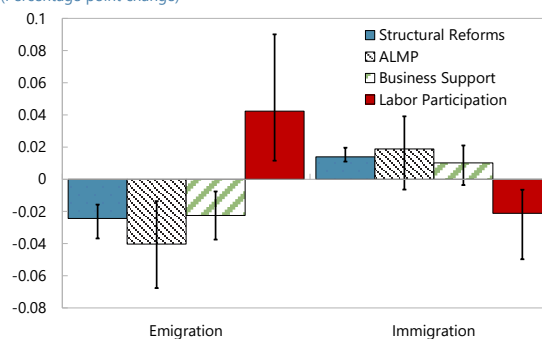
(Percentage point change)



Source: IMF staff calculations.

Impact of Policies on Migration

(Percentage point change)



Source: IMF staff calculations.

STAFF APPRAISAL

37. Albania stands out as one of fastest growing economies in Europe, thanks to a broadly appropriate macroeconomic policy mix. Output is now well above its pre-pandemic trend thanks to a booming tourism sector. Fiscal discipline has led to a significant reduction in public debt while proactive monetary policy has helped bring headline inflation below target. At the same time, external imbalances have shrunk considerably amid strong foreign reserves, contributing to an external position that is assessed as stronger than implied by fundamentals. In this context, the government is advancing bold reforms to secure EU membership by 2030.

38. While the near-term outlook is positive, Albania's goal of income convergence to the EU will require overcoming structural reform gaps. Productivity remains subdued, with income per capita at just a third of the EU level, and reform gaps in human capital, governance and business regulation are wide. These medium-term challenges are compounded by a more unsettled external environment and domestic pressures including rising wages and asset prices, all of which pose risks to the sustainability of tourism-driven growth.

39. Rising spending pressures—if not addressed now—could threaten fiscal sustainability. While Albania is projected to maintain non-negative primary balances in 2025-30, with public debt falling below 50 percent of GDP, the country faces fiscal challenges from demographic shifts, defense obligations and climate-related spending, particularly beyond 2030. To safeguard fiscal buffers, staff recommends growth friendly revenue reforms—streamlining tax expenditures, modernizing property tax systems, and enhancing tax administration—alongside improvements in spending quality and fiscal transparency. The “Fiscal Peace” Agreement, which offers debt cancellation and preferential revaluation of financial statements, risks undermining previous progress in tax administration and compliance. Well-targeted social assistance would more effectively support vulnerable households than the planned monthly pension bonuses.

40. The BoA should stand ready to quickly respond to evolving market conditions, while FX purchases should be limited to addressing non-fundamental fluctuations. With inflation expectations and core inflation close to target, the current policy rate of 2.5 percent and monetary policy stance close to neutral is appropriate. However, the BoA should swiftly adjust its monetary stance, including if second round effects from wage increases are stronger than expected. As the sustained exchange rate appreciation is largely driven by fundamentals, the BoA should allow greater flexibility and rely on interest rates for price stability. The objectives of the central bank subsidized credit line can be better achieved through targeted fiscal policies and by tackling underlying structural issues.

41. Vulnerabilities from large-borrower, FX and sovereign exposures, and rapid growth of real estate lending require vigilant monitoring and proactive prudential policy making. Enhancing capital adequacy compliance and ensuring a smooth transition to IFRS should be a priority, while recent relaxations in risk-adjusted capital adequacy and large exposure frameworks for strategic transport infrastructure loans are not fully aligned with international standards and

warrant reconsideration. The recently activated borrower-based measures for new residential real estate loans are an important structural tool, while data availability for commercial real estate lending should be improved. Financial stability could be further enhanced by moving toward a positive neutral rate for the countercyclical capital buffer and finalizing the systemic risk buffer framework. The new Albanian development bank requires strong governance and oversight.

42. Comprehensive reforms will be needed to revive productivity and foster income convergence with the EU. Policies should focus on improving skills through broader training coverage and education quality, creating high-quality jobs, boosting overall firm productivity, and enhancing the business environment through further governance reforms. Stronger preventive legislation and improved monitoring of public administration are essential for anti-corruption efforts, while SPAK's operational independence and resources should be safeguarded.

43. It is expected that the next Article IV consultation will be held on the standard 12-month cycle.

Table 1. Albania: Selected Economic Indicators, 2020–30

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
	Proj.										
	(Percent change)										
Real sector											
Real GDP	-3.3	9.0	4.8	4.0	4.0	3.5	3.6	3.4	3.2	3.2	3.2
Domestic demand contribution	-3.6	9.2	4.7	1.2	6.9	4.1	4.1	4.0	3.9	3.8	3.8
Consumption	-3.7	3.6	4.6	2.7	3.4	3.2	2.8	2.1	2.2	2.3	2.4
Investment (Incl. inventories and stat. disc)	0.1	5.6	0.1	-1.5	3.5	0.9	1.3	2.0	1.7	1.5	1.3
External demand contribution	0.5	-0.3	0.2	2.9	-2.7	-0.9	-0.5	-0.6	-0.7	-0.6	-0.6
Consumer Price Index (eop)	1.1	3.8	7.4	4.0	2.1	2.4	3.0	3.0	3.0	3.0	3.0
Consumer Price Index (avg.)	1.6	2.0	6.7	4.8	2.2	2.2	2.8	3.0	3.0	3.0	3.0
GDP deflator	0.0	3.4	9.9	5.7	2.4	2.0	2.3	3.0	3.0	3.0	3.0
	(Percent of GDP)										
Saving-investment balance											
Savings	18.4	21.8	21.7	22.8	23.0	22.8	22.9	23.7	24.2	24.5	24.7
Investment (incl. Inventories and stat. disc.)	27.1	29.6	27.6	24.1	25.5	25.6	25.8	26.7	27.4	27.9	28.2
Fiscal sector											
Total revenue and grants	25.7	27.4	26.6	27.2	28.2	29.0	29.3	29.5	29.7	29.7	29.7
Tax revenue	18.2	19.5	19.5	19.2	19.8	20.3	20.5	20.6	20.6	20.6	20.6
Total expenditure	32.4	31.9	30.3	28.5	28.7	30.6	31.3	31.8	32.0	31.9	31.9
Primary	30.3	30.0	28.4	26.5	26.5	28.5	29.1	29.5	29.7	29.7	29.7
Interest	2.1	1.9	1.8	2.0	2.2	2.1	2.2	2.2	2.3	2.2	2.3
Overall balance 1/	-6.7	-4.6	-3.6	-1.3	-0.4	-1.7	-2.0	-2.2	-2.3	-2.2	-2.3
Primary balance	-4.6	-2.7	-1.8	0.7	1.7	0.4	0.2	0.0	0.0	0.0	0.0
General Government Debt 2/ 3/	75.1	74.8	64.7	58.0	54.5	52.7	51.6	50.8	50.0	49.3	48.7
External	35.0	36.4	30.0	26.3	22.9	22.3	22.0	21.7	21.2	20.7	19.4
	(Percent change)										
Monetary indicators											
Broad money growth	10.5	8.6	4.9	2.5	4.9	6.5	6.0	6.5	6.3	6.3	6.3
Private credit growth	8.9	8.6	7.0	5.0	12.3	11.5	9.5	6.5	6.3	6.3	6.3
	(Percent of GDP, unless indicated otherwise)										
External sector											
Trade balance (goods and services)	-14.5	-13.3	-10.3	-5.4	-6.9	-7.2	-7.3	-7.4	-7.7	-7.8	-8.0
Current account balance	-8.7	-7.7	-6.0	-1.3	-2.5	-2.8	-2.9	-3.0	-3.2	-3.4	-3.5
Gross international reserves (billions of Euros)	3.9	5.0	5.0	5.8	6.3	7.1	7.4	7.7	8.1	8.5	8.8
(In months of imports of goods and services)	9.6	8.8	6.9	7.3	7.0	7.5	7.4	7.3	7.2	7.1	6.9
(In percent of ARA metric) 4/	132	140	127	135	136	147	146	145	145	144	144
Memorandum items											
Output gap	-6.4	-1.1	0.2	0.5	0.7	0.4	0.3	0.2	0.1	0.0	0.0
Real GDP (growth per capita)	-2.8	10.0	6.1	5.1	5.1	4.5	4.6	4.4	4.3	4.3	4.2
Nominal GDP (in billions of lek)	1656	1867	2150	2364	2518	2658	2818	3000	3190	3392	3605
Exchange rate Lek/Euro (avg.)	124	122	119	109	101	..	..	..	..	..	..
Exchange rate Lek/Euro (eop, annual growth)	1.4	-2.5	-5.4	-9.1	-6.0	..	..	..	..	..	..

Sources: Albanian authorities; and IMF staff estimates and calculations.

1/ The fiscal balance includes guarantees for new loans to the energy sector from 2021, and potential calls of COVID-19 related guarantees from 2022.

2/ Public debt refers to the general government and includes all public domestic and external guarantees for energy and non-energy sector debt as well as arrears from central and local government and VAT refund arrears.

3/ The 2021 SDR allocation equivalent at present to \$170 million is recorded with the Bank of Albania and is used as a credit line.

4/ The de facto exchange rate regime was reclassified to crawl-like in 2024 in line with the IMF's backward-looking statistical methodology.

Table 2a. Albania: Statement of Operations of General Government, 2020–30
(Percent of GDP)

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
						Budget	Budget	Proj.			
Total revenue and grants	25.7	27.4	26.6	27.2	28.2	29.0	28.8	29.3	29.6	29.5	29.7
Tax revenue	18.2	19.5	19.5	19.2	19.8	20.3	20.6	20.5	20.7	20.6	20.6
VAT	7.9	8.7	8.9	8.1	8.5	8.5	9.0	8.6	8.7	8.7	8.7
Profit tax	1.7	1.9	2.2	2.7	2.3	2.3	2.5	2.3	2.3	2.3	2.4
Excise tax	2.7	2.8	2.5	2.5	2.5	2.7	2.6	2.7	2.7	2.7	2.7
Customs duties	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4
Personal income tax	2.0	2.1	2.1	2.4	2.6	3.2	2.7	3.1	3.2	3.2	3.2
National taxes	2.2	2.3	2.1	1.7	1.9	1.8	1.9	1.8	1.8	1.8	1.8
Local government revenue 1/	1.3	1.4	1.3	1.3	1.6	1.5	1.6	1.6	1.6	1.6	1.6
Social insurance contributions	5.9	5.9	5.7	6.1	6.4	6.7	6.5	7.0	7.1	7.0	7.1
Non-tax revenue	1.1	1.2	1.0	1.0	1.7	1.2	1.0	1.1	1.1	1.1	1.1
Grants	0.5	0.7	0.4	0.9	0.3	0.8	0.7	0.7	0.7	0.8	0.9
Total expenditure	32.4	31.9	30.3	28.5	28.7	30.6	31.4	31.3	31.9	31.8	32.0
Current expenditure	25.4	24.7	23.3	23.1	24.1	24.9	25.0	25.7	25.3	25.8	26.3
Personnel cost	4.6	4.5	3.9	4.2	4.5	4.8	4.9	5.0	5.0	5.0	5.2
Interest	2.1	1.9	1.8	2.0	2.2	2.1	2.6	2.2	2.3	2.2	2.3
Operations & maintenance	3.0	3.2	3.2	3.0	3.2	3.0	2.9	3.0	3.1	3.0	3.0
Subsidies	0.4	0.4	0.4	0.4	0.3	0.1	0.1	0.1	0.1	0.1	0.0
Social insurance outlays	10.8	10.7	10.1	9.6	10.0	10.2	10.1	10.3	10.3	10.6	10.9
Local government expenditure	3.1	2.8	2.7	2.9	3.0	3.4	3.4	3.5	3.5	3.4	3.4
Social protection transfers	1.7	1.6	1.4	1.3	1.2	1.1	1.1	1.0	1.0	1.0	1.0
Other current transfers	0.0	0.2	1.3	0.2	0.3	0.6	0.0	0.6	0.0	0.6	0.0
Capital expenditure	5.2	5.3	5.2	5.0	4.6	0.0	6.2	5.6	6.5	5.7	5.4
Overall balance	-6.7	-4.6	-3.6	-1.3	-0.4	-1.7	-2.6	-2.0	-2.3	-2.2	-2.3
<i>Memorandum Items:</i>											
Primary balance	-4.6	-2.7	-1.8	0.7	1.7	0.4	0.0	0.2	0.0	0.0	0.0
Structural primary balance	-2.1	-0.8	-2.1	0.7	1.3	0.3	n.a.	0.1	n.a.	0.0	0.0
General government debt 2/	75.1	74.8	64.7	58.0	54.5	52.7	55.8	51.6	52.1	50.8	50.0
Nominal GDP (billions of leks)	1,656	1,867	2,150	2,364	2,518	2,658	2,621	2,818	2,781	3,000	3,190

Sources: Albanian authorities; and IMF staff estimates and calculations.

1/ Includes the property tax, the simplified profit tax for small businesses, and other local taxes.

2/ The stock of general government debt includes public guarantees (domestic and external) and arrears from central and local government and VAT refund arrears. The 2021 SDR allocation equivalent at present to \$170 million is recorded with the Bank of Albania and is used as a credit line.

Table 2b. Albania: Statement of Operations of General Government, 2020–30
(Billions of Leks)

	2020	2021	2022	2023	2024	2025		2026		2027	2028	2029	2030
						Budget		Budget					
										Proj.			
Total revenue and grants	425.9	510.6	572.8	643.7	710.6	770.1	754.6	824.8	823.1	885.8	947.7	1006.6	1069.1
Tax revenue	301.0	364.7	418.5	454.2	497.3	540.4	540.0	576.4	575.1	618.1	658.6	699.8	743.6
VAT	130.4	161.5	191.4	192.3	214.0	226.7	236.0	243.7	242.5	261.5	278.0	295.6	314.2
Profit tax	28.4	35.6	47.7	64.6	57.0	60.4	65.7	64.2	65.1	69.6	75.1	79.9	84.9
Excise tax	44.5	51.6	53.5	58.4	63.4	71.0	67.0	75.2	74.7	80.3	85.4	90.8	96.5
Customs duties	6.2	7.5	8.4	9.1	9.0	10.3	11.1	10.5	10.9	11.7	12.7	13.5	14.3
Personal income tax	33.7	39.3	45.0	57.9	66.2	84.2	70.0	88.6	88.3	94.8	101.1	107.4	114.1
National taxes	35.8	42.5	44.8	40.2	47.4	47.1	49.3	50.2	49.6	53.4	56.6	60.0	63.7
Local government revenue 1/	22.0	26.7	27.6	31.7	40.3	40.8	40.8	43.9	43.9	46.7	49.6	52.6	55.9
Social insurance contributions	97.7	110.9	122.8	144.5	161.6	177.7	169.9	198.0	198.0	210.3	227.1	240.8	255.4
Non-tax revenue	19.0	22.3	21.9	22.6	43.7	31.7	25.8	30.2	29.8	32.1	34.2	36.3	38.6
Grants	8.3	12.7	9.5	22.4	7.8	20.3	19.0	20.2	20.2	25.3	27.9	29.7	31.5
Total expenditure	536.3	596.3	651.0	674.9	721.7	814.4	822.7	882.3	886.8	953.1	1019.9	1082.3	1151.5
Current expenditure	421.4	461.1	500.0	547.0	606.3	662.9	655.0	722.7	704.7	775.5	838.1	895.6	956.8
Personnel cost	76.9	83.3	84.7	100.5	112.7	128.3	127.7	141.4	140.1	149.5	164.7	174.4	184.7
Interest	34.4	35.8	39.6	47.6	54.5	55.6	68.6	63.2	64.2	67.3	72.2	75.7	82.4
Operations & maintenance	48.9	59.4	68.5	70.5	80.2	80.8	75.1	85.5	84.9	91.1	96.8	102.9	109.4
Subsidies	6.6	7.1	7.9	10.3	8.0	1.9	1.9	2.0	2.5	2.1	2.3	1.3	2.6
Social insurance outlays	179.4	199.5	216.5	226.8	251.8	271.0	263.8	289.4	286.6	317.4	346.4	376.7	406.1
Local government expenditure	51.6	52.6	58.7	68.8	74.4	89.9	89.9	97.8	97.8	101.9	107.0	111.9	117.3
Social protection transfers	28.7	29.1	30.3	30.9	30.9	28.2	28.2	28.7	28.7	30.3	32.0	33.7	35.5
Other current transfers	0.0	3.7	27.9	3.8	7.2	15.8	0.0	17.8	0.0	19.0	0.0	0.0	0.0
Capital expenditure	85.3	98.2	112.1	119.1	115.4	0.6	161.5	157.1	179.6	169.6	173.8	176.7	184.6
Overall balance	-110.4	-85.7	-78.2	-31.2	-11.1	-44.2	-68.1	-57.6	-63.7	-67.3	-72.2	-75.7	-82.4
Memorandum items:													
Primary balance	-76.0	-49.9	-38.6	16.4	43.3	11.3	0.5	5.6	0.5	0.0	0.0	0.0	0.0
General government debt 2/	1,244	1,396	1,392	1,371	1,372	1,401	1,463	1,455	1,450	1,523	1,595	1,671	1,756
Domestic	664.3	715.8	745.8	749.7	795.7	809.0	863.2	834.8	869.2	871.7	920.2	968.2	1056.9
External	580.0	680.4	645.8	620.9	576.6	591.9	600.1	620.1	580.3	651.2	675.2	703.1	699.0

Sources: Albanian authorities; and IMF staff estimates and calculations.

1/ Includes the property tax, the simplified profit tax for small businesses, and other local taxes.

2/ The stock of general government debt includes public guarantees (domestic and external) and arrears from central and local government and VAT refund arrears. The 2021 SDR allocation equivalent at present to \$170 million is recorded with the Bank of Albania and is used as a credit line.

Table 3a. Albania: Balance of Payments, 2020–30
(Percent of GDP)

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
	Proj.										
Current account	-8.7	-7.7	-6.0	-1.3	-2.5	-2.8	-2.9	-3.0	-3.2	-3.4	-3.5
Goods and services (fob)	-14.5	-13.3	-10.3	-5.4	-6.9	-7.2	-7.3	-7.4	-7.7	-7.8	-8.0
Goods (fob)	-22.4	-25.1	-23.6	-20.9	-22.4	-22.1	-22.0	-22.2	-22.4	-22.6	-22.7
Exports	5.9	8.3	10.7	8.5	6.7	5.8	5.8	5.8	5.7	5.7	5.7
Imports	28.3	33.4	34.3	29.3	29.1	27.9	27.8	27.9	28.1	28.3	28.4
Services	7.9	11.8	13.3	15.5	15.5	15.0	14.8	14.8	14.7	14.7	14.7
Exports	16.7	22.9	26.6	30.2	29.7	29.4	29.4	29.6	29.7	29.8	29.8
Imports	8.8	11.1	13.3	14.8	14.1	14.4	14.6	14.8	14.9	15.1	15.1
Primary Income	-1.6	-1.4	-1.7	-1.3	-0.8	-0.6	-0.5	-0.5	-0.4	-0.3	-0.2
Secondary Income	7.5	7.1	6.2	5.5	5.2	5.0	4.9	4.9	4.8	4.8	4.7
Capital account	1.1	2.4	0.1	0.2	-0.6	0.2	0.2	0.2	0.2	0.2	0.2
Financial account	-11.3	-10.3	-4.5	-4.6	-3.6	-5.6	-3.7	-4.0	-4.4	-4.4	-4.2
Direct investment, net	-6.7	-6.5	-6.6	-5.8	-5.4	-5.1	-5.0	-4.9	-4.9	-4.8	-4.8
Portfolio investment	-0.5	-0.6	3.2	1.5	1.6	-0.8	1.0	1.3	1.4	1.4	1.5
Other investment	-4.1	-3.1	-1.1	-0.3	0.2	0.3	0.3	-0.3	-0.9	-1.1	-0.9
Errors and omissions	1.3	1.2	0.9	0.8	0.6	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance	4.9	6.1	-0.4	4.3	1.1	3.0	1.0	1.1	1.3	1.2	0.9
Financing	-4.9	-6.1	0.4	-4.3	-1.1	-3.0	-1.0	-1.1	-1.3	-1.2	-0.9
Reserve assets (reserve loss = +)	-4.9	-6.1	0.4	-4.3	-1.1	-3.0	-1.0	-1.1	-1.3	-1.2	-0.9
Financing Gap	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum items:											
Goods and Services											
Export value (fob)	-30.0	57.3	41.7	24.9	8.1	2.8	5.3	5.9	6.4	6.3	6.2
Import value (fob)	-20.0	37.0	26.8	11.5	12.7	4.0	5.6	6.2	6.9	6.6	6.5
Export volume	-28.1	51.8	17.1	8.7	-0.6	-0.1	3.6	3.8	3.5	3.4	3.4
Import volume	-19.7	32.3	11.8	0.3	5.7	1.2	3.8	4.1	4.1	3.8	3.6
Terms of trade	-2.8	0.1	6.5	3.1	1.8	0.8	0.0	0.0	0.0	0.0	0.0
Gross reserves (millions of euros)	3,942	4,972	4,952	5,847	6,264	7,064	7,353	7,682	8,092	8,502	8,812
(in months of imports of goods and services)	9.6	8.8	6.9	7.3	7.0	7.5	7.4	7.3	7.2	7.1	6.9
(in percent of ARA metric) 1/	132	140	127	135	136	147	146	145	145	144	144
Gross external debt (millions of euros)	8,549	9,755	9,766	10,074	10,163	10,578	10,976	11,461	11,990	12,553	12,610
Gross external debt (percent of GDP)	64.1	64.0	54.1	46.4	40.7	39.8	39.2	38.8	38.3	37.8	35.8
Nominal GDP (millions of euros)	13,344	15,246	18,059	21,726	24,980	26,567	27,988	29,515	31,304	33,191	35,189

Sources: Albanian authorities; and IMF staff estimates.

1/ The de facto exchange rate regime was reclassified to crawl-like in 2024 in line with the IMF's backward-looking statistical methodology.

Table 3b. Albania: Balance of Payments, 2020–30
(Billions of Leks)

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
						Proj.					
Current account	-1,153	-1,166	-1,063	-264	-609	-733	-801	-894	-1,016	-1,124	-1,223
Goods and services (fob)	-1,931	-2,033	-1,868	-1,182	-1,717	-1,901	-2,031	-2,193	-2,399	-2,599	-2,799
Goods (fob)	-2,982	-3,829	-4,269	-4,540	-5,593	-5,882	-6,169	-6,549	-7,014	-7,488	-7,978
Exports	794	1,265	1,933	1,836	1,679	1,541	1,623	1,697	1,792	1,896	2,008
Imports	3,776	5,094	6,201	6,376	7,272	7,423	7,792	8,247	8,806	9,384	9,986
Services	1,052	1,796	2,401	3,358	3,876	3,981	4,138	4,356	4,615	4,889	5,180
Exports	2,226	3,486	4,801	6,572	7,410	7,800	8,217	8,722	9,293	9,884	10,503
Imports	1,174	1,690	2,400	3,214	3,534	3,819	4,080	4,366	4,678	4,996	5,323
Primary Income	-219	-211	-315	-278	-193	-157	-146	-133	-120	-104	-85
Secondary Income	997	1,078	1,119	1,197	1,301	1,325	1,376	1,433	1,503	1,579	1,660
Capital account	144	359	20	46	-156	47	49	52	55	58	62
Financial account	-1,504	-1,565	-819	-1,001	-897	-1,486	-1,041	-1,171	-1,371	-1,476	-1,471
Direct investment, net	-894	-990	-1,190	-1,256	-1,340	-1,359	-1,402	-1,456	-1,526	-1,604	-1,689
Portfolio investment	-66	-96	573	327	405	-200	282	370	431	477	517
Other investment	-545	-478	-202	-72	38	72	80	-85	-275	-349	-299
Errors and omissions	159	179	154	154	132	0	0	0	0	0	0
Overall balance	655	936	-70	937	264	800	289	329	410	410	310
Financing											
Reserve assets (reserve loss = +)	-655	-936	70	-937	-264	-800	-289	-329	-410	-410	-310
Financing Gap	0	0	0	0	0	0	0	0	0	0	0
Memorandum items:											
Goods and Services											
Export value (fob)	-30.0	57.3	41.7	24.9	8.1	2.8	5.3	5.9	6.4	6.3	6.2
Import value (fob)	-20.0	37.0	26.8	11.5	12.7	4.0	5.6	6.2	6.9	6.6	6.5
Export volume	-28.1	51.8	17.1	8.7	-0.6	-0.1	3.6	3.8	3.5	3.4	3.4
Import volume	-19.7	32.3	11.8	0.3	5.7	1.2	3.8	4.1	4.1	3.8	3.6
Terms of trade	-2.8	0.1	6.5	3.1	1.8	0.8	0.0	0.0	0.0	0.0	0.0
Gross reserves (millions of euros)	3,942	4,972	4,952	5,847	6,264	7,064	7,353	7,682	8,092	8,502	8,812
(in months of imports of goods and services)	9.6	8.8	6.9	7.3	7.0	7.5	7.4	7.3	7.2	7.1	6.9
(in percent of ARA metric) 1/	132	140	127	135	136	147	146	145	145	144	144
Gross external debt (millions of euros)	8,549	9,755	9,766	10,074	10,163	10,578	10,976	11,461	11,990	12,553	12,610
Gross external debt (percent of GDP)	64.1	64.0	54.1	46.4	40.7	39.8	39.2	38.8	38.3	37.8	35.8
Nominal GDP (millions of euros)	13,344	15,246	18,059	21,726	24,980	26,567	27,988	29,515	31,304	33,191	35,189

Sources: Albanian authorities; and IMF staff estimates.

1/ The de facto exchange rate regime was reclassified to crawl-like in 2024 in line with the IMF's backward-looking statistical methodology.

Table 4a. Albania: Monetary Accounts, 2020–26
(Billions of Leks)

	2020	2021	2022	2023	2024	2025	2026
						Proj.	
Net foreign assets	803.5	937.8	892.7	975.2	1,016.9	1,090.4	1,158.1
Bank of Albania	480.4	573.5	539.8	584.6	592.4	642.3	683.1
Commercial banks	323.1	364.3	352.9	390.6	424.5	448.1	475.0
Net domestic assets	653.5	644.5	766.6	726.4	768.4	810.1	856.5
Claims on central government, net	435.4	412.2	491.7	467.9	483.9	510.9	541.5
Claims on public enterprises	15.2	22.5	23.7	16.8	19.0	-28.2	-63.1
Claims on the private sector	579.9	629.5	673.8	707.5	794.4	885.8	970.0
Other items, net	-376.9	-419.7	-422.6	-465.8	-528.9	-558.4	-591.9
Broad money	1,457.0	1,582.3	1,659.3	1,701.6	1,785.2	1,900.5	2,014.6
Currency outside banks	344.6	366.3	387.7	393.8	423.5	463.0	490.8
Deposits	1,112.4	1,216.1	1,271.6	1,307.8	1,361.7	1,437.5	1,523.8
Domestic currency	517.8	552.2	551.7	582.2	629.3	664.3	704.2
Foreign currency	594.7	663.8	720.0	725.6	732.5	773.3	819.6
Memorandum items:							
Broad money growth (% change)	10.5	8.6	4.9	2.5	4.9	6.5	6.0
Reserve money growth (% change)	23.2	5.8	9.6	2.1	-3.0	8.2	6.0
Private sector credit growth (% change)	8.9	8.6	7.0	5.0	12.3	11.5	9.5
Broad money (as percent of GDP)	88.0	84.8	77.2	72.0	70.9	71.5	71.5
Private sector credit (as percent of GDP)	35.0	33.7	31.3	29.9	31.6	33.3	34.4
Velocity (nominal GDP/broad money)	1.1	1.2	1.3	1.4	1.4	1.4	1.4
Money multiplier (absolute values)	2.7	2.8	2.7	2.7	2.9	2.9	2.9
Currency (as share of broad money)	23.6	23.1	23.4	23.1	23.7	24.4	24.4
Foreign currency deposits/total deposits	53.5	54.6	56.6	55.5	53.8	53.8	53.8
Gross reserves (millions of euros)	3,942	4,972	4,952	5,847	6,264	7,064	7,353
Sources: Bank of Albania and IMF staff estimates.							
Note: Foreign exchange denominated items are converted at exchange rates for that period.							

Table 4b. Albania: Summary of Accounts of the Central Bank, 2020–26
(Billions of Leks; end-period)

	2020	2021	2022	2023	2024	2025	2026
						Proj.	
Net foreign assets	480.4	573.5	539.8	584.6	592.4	642.3	683.1
Assets	504.2	617.9	582.3	622.3	629.1	681.1	724.2
Liabilities	23.8	44.4	42.5	37.7	36.7	38.8	41.1
Net domestic assets	54.0	-8.3	79.4	47.9	21.3	21.3	20.4
Domestic credit	66.5	0.0	61.9	15.0	-10.3	-10.9	-11.6
Net claims on central government	31.8	-43.8	8.6	-32.0	-71.4	-75.4	-79.9
Other credit	34.7	43.8	53.4	47.0	61.1	64.5	68.3
Private sector	2.0	2.2	2.3	2.3	2.0	2.1	2.3
Commercial banks	32.7	41.6	51.1	44.8	59.1	62.3	66.1
Other items, net (assets = +)	-12.5	-8.3	17.4	32.9	31.6	32.2	31.9
Reserve money	534.3	565.1	619.1	632.4	613.6	663.6	703.4
Currency in circulation	344.6	366.3	387.7	393.8	423.5	463.0	490.8
Bank reserves	189.7	198.9	231.5	238.6	190.0	200.6	212.7
Other nonbank deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Sources: Bank of Albania; and IMF staff estimates.

Note: Foreign exchange denominated items are converted at exchange rates for that period.

Table 5. Albania: Financial Soundness Indicators, 2015–25

	Dec-15	Dec-16	Dec-17	Dec-18	Dec-19	Dec-20	Dec-21	Dec-22	Dec-23	Dec-24	Sep-25
I Capital-based											
(i) Regulatory capital as a percent of risk-weighted assets	15.8	16.0	17.0	18.7	18.7	18.7	18.5	18.1	19.4	20.2	20.3
(ii) Regulatory Tier 1 capital as a percent of risk-weighted assets	13.7	14.1	15.5	17.4	17.5	17.6	17.4	16.9	17.7	18.5	18.7
(iii) Capital as a percent of total assets											
Regulatory Tier 1 capital as a percent of total assets	8.3	8.7	9.0	9.2	9.1	9.1	8.8	8.6	8.7	9.1	9.3
Regulatory capital as a percent of total assets	9.7	10.0	9.9	9.8	9.7	9.6	9.4	9.2	9.5	9.9	10.1
Shareholders' equity as a percent of total assets	9.5	9.7	10.2	10.1	10.5	10.4	9.9	9.8	9.9	10.3	10.2
(iv) Nonperforming loans net of provisions as a percent of capital											
As a percent of regulatory Tier 1 capital	28.4	26.3	17.3	16.6	14.6	12.0	7.6	7.9	6.0	4.4	6.8
As a percent of regulatory capital	24.3	23.1	15.7	15.5	13.6	11.3	7.1	7.3	5.5	4.0	6.2
As a percent of shareholders' equity	24.8	23.6	15.3	15.0	12.7	10.5	6.8	6.9	5.3	3.9	6.1
(v) Return on equity (ROE) (annual basis)	13.2	7.5	15.7	13.0	13.5	10.7	12.9	12.3	17.3	18.2	15.8
(vi) Net open position in foreign exchange as a percent of capital											
As a percent of regulatory Tier 1 capital	9.0	8.0	7.3	8.4	8.0	9.0	9.8	5.4	6.7	4.9	6.0
As a percent of regulatory capital	7.7	7.0	6.7	7.8	7.4	8.4	9.2	5.0	6.1	4.5	5.6
As a percent of shareholders' equity	7.8	7.2	6.5	7.5	6.9	7.8	8.7	4.7	5.9	4.3	5.5
II Asset-based											
(vii) Liquid assets as a percent of total assets (Liquid-asset ratio)	32.3	31.3	30.2	34.2	35.7	34.8	33.3	29.6	30.8	28.6	30.4
(viii) Liquid assets as a percent of short-term liabilities	41.4	40.6	40.8	46.2	49.4	47.4	45.4	41.1	43.4	41.8	43.9
(ix) Return on assets (ROA) (net income to average total assets, annual)	1.2	0.7	1.5	1.3	1.4	1.1	1.3	1.2	1.7	1.9	1.6
(x) Nonperforming loans (gross) as a percent of total loans	18.2	18.2	13.2	11.1	8.4	8.1	5.6	5.0	4.7	4.2	4.4
III Income and expense-based											
Other indicators:											
Risk weighted assets as a percent of total assets	62.0	63.4	59.7	53.9	53.2	52.6	52.4	50.9	49.0	50.0	49.6
Total loans as a percent of total assets	44.5	42.7	41.6	40.0	39.0	38.5	37.8	38.1	37.6	39.9	40.7
Total loans as a percent of shareholders' equity	466.8	438.6	408.9	393.8	373.3	370.5	381.7	388.0	378.5	387.5	397.6

Sources: Bank of Albania; and IMF staff estimates.

Annex I. Implementation of 2024 Article IV Recommendations

Key Recommendations (2024 Article IV)	Policy Actions
Fiscal Policy	
Maintaining a modest annual primary surplus alongside continued efforts to strengthen debt management would reinforce fiscal resilience. To this end, sustained revenue reforms will be needed to address rising spending needs and support inclusive growth. The Medium-Term Revenue Strategy can lay the groundwork for sustained revenue reforms.	Albania maintained a prudent fiscal position in 2024, with the primary balance rising to 1.7 percent of GDP, supporting a 3.5 percentage-point decline in the public debt ratio to 54.5 percent of GDP in 2024. The authorities adopted the Medium-Term Revenue Strategy at end-2024 and began implementation during 2025.
More ambitious tax policy reforms should complement these efforts. Rationalizing the tax structure and reducing exemptions would increase efficiency and expand the tax base. Efforts should resume to streamline the tax regime for self-employed professionals, in conjunction with the removal of the zero-income tax rate for small businesses. The groundwork for the introduction of a new property tax law should be completed in a timely manner.	In 2025, the authorities completed a comprehensive review and costing of tax expenditures to support rationalization of exemptions and reduced rates. Preparatory work for a new property tax law has progressed. No legislative changes were introduced in 2025 on the self-employed regime or the removal of the zero PIT rate for small businesses.
Operationalizing the National Single Project Pipeline and improving budget execution monitoring can improve the quality of spending... These efforts need to be accompanied by reforms to significantly enhance the central oversight of SOEs and PPPs and integrate PPPs into the PIM framework and regular budgetary process.	The National Single Project Pipeline was updated and approved in February 2025, and new PIM guidelines were adopted in March to strengthen project appraisal and gatekeeping. A draft PPP law was also prepared to improve oversight; however, both the updated PIM framework and the draft PPP law still fail to fully align PPP processes with the public investment management cycle and the regular budget process.
Risks emanating from contingent liabilities warrant a proactive response. Regular publication of a suitably robust standalone fiscal risk statement is necessary to bolster risk monitoring and management.	Progress was made in preparing a standalone Fiscal Risk Statement in 2025, though it has not yet been published. The authorities, supported by IMF technical assistance, established a disclosure calendar, standardized reporting templates, and incorporated tools such as SOE stress tests and PPP risk assessments.
Monetary Policy and Financial Sector	
Uncertainty around the outlook calls for a continued data-dependent approach to monetary policy.	After the policy rate cut of 0.25 percent in July 2025, the BoA has maintained the policy rate at 2.5 percent, closely monitoring core and headline inflation developments.
The exchange rate should continue to play its role as a shock absorber, with FXI serving as a complementary tool in certain circumstances. In doing so, the authorities should also internalize the potential adverse consequences of FXI (and further	The BoA has continued to intervene in the FX market to mitigate large fluctuations in the exchange rate. The pace of BoA's FX purchases has been comparable to 2024, and FX reserves have increased by EUR 800 million in the first 10 months

Key Recommendations (2024 Article IV)	Policy Actions
reserve accumulation), including on FX market development.	of 2025, reaching EUR 7.1 bn in October, while the lek has continued to appreciate gradually within a narrow band.
Banking sector resilience can be enhanced by strict regulatory enforcements and greater alignment with EU frameworks.	The Bank of Albania has continued to carry out its supervisory role, with onsite and offsite inspections and has enforced capital adequacy and large exposures regulation. In specific cases the Bank of Albania has implemented measures in response to non-compliance from individual banks with capital requirements including suspension of dividend distribution, and approval of capital conservation plans. Instances of non-compliance with large exposure regulations have been addressed through the promotion of syndicated lending and related measures to bank governance through dismissals of key staff when relevant. Occasional cases of non-compliance have persisted.
Strengthening the macroprudential toolkit would allow monetary policy to continue focusing on price stability without interference of financial stability considerations.	The Bank of Albania has enhanced its macroprudential toolkit by adopting borrower-based measures for both local and foreign currency RRE-lending. It also activated the CCyB, which will reach 0.5 percent by December 2025.
Continued efforts to develop the secondary bond market as well as the secured money market, including through a market-wide adoption of a standard International and Swaps and Derivatives Agreement (ISDA), are important for improving market participants' resilience to liquidity risks.	The necessary legal and regulatory framework, along with trade and post-trade infrastructure, have been established to foster market development. However, progress has been limited to the market-wide adoption of ISDA given parallel revision of the law in the framework of EU accession. Work has recently resumed on aligning the legal framework with ISDA standards to allow repo and derivative contracts to be signed under the ISDA Master Agreement.
Building on recent traction in climate risk assessment, data gap identification, and regulatory framework preparation, momentum should be maintained with the aim of developing a national taxonomy in line with EU standards.	The authorities are currently developing the National Green Taxonomy, a core component of the Second Medium-Term Green Strategy 2026–2028. The BoA has initiated a gap analysis on Green Finance to enhance its capacity to assess and manage climate-related financial risks.
Progress in mitigating cyber risks should be sustained, including through finalizing regulatory frameworks, as part of the BoA's 2024–26 Medium-Term Strategy.	The BoA has carried out a self-assessment exercise and has some visibility on the maturity of commercial banks' cyber controls. The BoA is committed to repeat the exercise until full maturity is achieved and use results to inform its decision making on cyber security supervisory priorities.
The NBFIs sector requires enhanced supervision and regulation. The Albanian Financial Supervisory Authority (AFSA) should enhance data collection and	The authorities have amended regulations aiming to enhance NBFIs reporting on operational risk. The authorities have engaged in active monitoring of

Key Recommendations (2024 Article IV)	Policy Actions
risk monitoring and make use of available instruments for effective interinstitutional cooperation, including through the Financial Stability Advisory Group (FSAG), which has not convened for 3 years.	financial groups, including through the drafting of a new law on financial conglomerates. The FSAG has yet to be convened.
Structural	
Removing barriers to firm growth. Removing tax benefits for firms with turnover below 14 million leks would eliminate a disincentive to grow.	The authorities have not included the removal of this measure in their short to medium-term plans.
Fostering transition to higher value-added production and integration into global value chains. To benefit from these opportunities, firms need to step up investments in existing technology and R&D. The creation of innovation networks across firms and other research institutions could facilitate knowledge acquisition and innovation diffusion across Albanian firms.	The share of R&D expenditure to GDP remains low, although the authorities have awarded grants to innovative startups to support them in their early years/establishment. In addition, there are a few newly established innovation centers that require time to provide their first outputs.
Full implementation of the dual vocational education and training system updated training programs with an eye on labor market needs, as well as advancing on the digital agenda would improve skills.	The authorities have continued implementation of the National Strategy for Employment and Skills and are providing vocational training programs, including in ICT with a focus on programming related qualifications. The Ministry of Economy and Innovation introduced targeted initiatives to improve employment among vulnerable groups—including long-term unemployed, NEET youth, women, and persons with disabilities—through personalized employment plans, training, and social services. A Youth Guarantee pilot in Tirana, Shkodër, and Vlorë aims at improving access to jobs or training.
Overcoming infrastructure bottlenecks to improve connectivity and benefit from domestic energy production. Although several projects have been initiated, including the construction of a new airport and touristic port, the transport network still lags EU economies.	Albania has made progress in addressing infrastructure bottlenecks, but gaps remain compared to EU peers. Major transport projects are on the way, but have not been finalized, including the modernization of key railway lines and the construction of Vlora International Airport. There are efforts to upgrade roads and integrate with the Trans-European Transport Network. The country is diversifying beyond hydropower through renewable projects and some limited gas infrastructure investments, supported by the National Energy and Climate Plan and EU-aligned efficiency measures.
Governance Reforms	
Judicial reforms. The National Strategy for Reducing Case Backlogs for 2024–27 should be forcefully	Albania's judicial reform agenda remains a key priority, yet progress is uneven. The National

Key Recommendations (2024 Article IV)	Policy Actions
<p>implemented and work on setting up an electronic integrated case management system should continue. Critical vacancies remain on the High Judicial Council and High Prosecutorial Council and appointment of new non-magistrate members to these bodies should be fully transparent, merit-based, and competitive.</p>	<p>Strategy for Reducing Case Backlogs (2024–27) is in place, and under implementation, though court delays persist. The High Judicial Council adopted in July 2025 a 2025–2027 Roadmap for the Efficiency of the Justice System. Work on the electronic integrated case management system continues, supported by allocated resources, though full functionality is projected only in the medium term. The selection process of members from civil society to the High Judicial Council and the High Prosecutorial Council has been completed, and as of end-2024, both Councils are fully functional.</p>
<p>Anti-corruption. The draft 2024–30 Anticorruption Strategy, which seeks to incorporate recommendations by the Council of Europe’s Group of States Against Corruption (GRECO), should be adopted as planned by the end of 2024 and concerted effort is required to ensure timely implementation of its Action Plan. Albania’s Special Anticorruption Structure (SPAK) should continue to be provided with the resources necessary for its mandate.</p>	<p>The authorities have adopted the 2024–30 Anticorruption Strategy, including recommendations from GRECO, and started implementation by 2025. While SPAK’s budget has expanded since its creation, the latest budget revisions through normative acts have reduced 2025 budgetary allocations initially foreseen for the entity.</p>
<p>AML/CFT. Albania should continue with the timely implementation of its 2024–30 National Strategy for the Prevention of Money Laundering and Financing of Terrorism. The AML framework should also be leveraged to support efforts to improve tax compliance and address tax crimes.</p>	<p>Albania continued to implement FATF recommendations in 2025. The rollout of the 2024–30 National Strategy for the Prevention of Money Laundering and Financing of Terrorism is ongoing. The inter-agency technical working group has met regularly, while supervisory authorities have conducted reviews of their internal risk assessments, as a follow up to the National Risk Assessment (NRA). The BoA adopted regulations on fund transfer information and on licensing and supervision of foreign exchange bureaus, aligned with international standards and Moneyval recommendations. It also established a dedicated office for AML/CFT risk monitoring.</p>

Annex II. External Sector Assessment

Overall Assessment: Albania's external position in 2025 was stronger than the level implied by medium-term fundamentals and desirable policy settings. The projected current account (CA) balance in 2025 is –2.8 percent of GDP, compared to –2.5 percent of GDP in 2024, still well below the average deficit of around 6 percent of GDP in 2018–22. Such a notable improvement—due to strong tourism inflows—in such a short period calls for caution in interpreting the model results. The 2025 assessment is based on projections and preliminary data.

Potential Policy Responses: Albania is an emerging market economy with an underdeveloped capital market, considerable infrastructure gaps, and significant structural challenges. The authorities should seek to boost private investment through improving the business climate and governance, fully execute planned capital spending to close the infrastructure gaps, and meet the building fiscal pressures from defense and social spending. The BoA should let the exchange rate adjust flexibly, absorbing external shocks.

Foreign Assets and Liabilities: Position and Trajectory

Background. Albania's Net International Investment Position (NIIP), after continued improvement from –57.2 percent in 2020 to around –40.6 percent in 2024, is expected to deteriorate to –43.4 percent in 2025. Liabilities are expected to increase from 92.8 percent of GDP in 2024 to 101.0 percent in 2025, while assets are expected to increase from 52.1 percent of GDP in 2024 to 57.6 percent in 2025.

Assessment. The movements in Albania's NIIP reflect the country's favorable backdrop of high tourism inflows and foreign direct investment (FDI). The increase in liabilities is primarily driven by FDI, which accounts for around 66.2 percent of GDP in 2025 and provides a stable and long-term source of financing, thus mitigating financial risks. Authorities' actions have been important in shaping the NIIP dynamics in 2025: the increase in assets in 2025 is mainly due to the accumulation of reserves amid lek appreciation, while Eurobond issuance added to the increase in liabilities through portfolio investment flows. Continued efforts to manage public debt, diversify foreign capital sources, and develop the domestic capital market will support long-term external sustainability and resilience to global financial shocks.

2025 (% of GDP)	NIIP: –43.4	Gross Assets: 57.6	Debt Assets: 17.6	Gross Liab.: 101.0	Debt Liab.: 33.5
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Current Account

Background. The CA deficit is expected to widen to 2.8 percent of GDP in 2025 from 2.5 percent in 2024 primarily reflecting falling exports of goods amid lek appreciation and broader competitiveness pressures, offset mainly by slower growth of imports of goods. The projected deficit is well below the average 6 percent deficit in 2018–22. The primary cause of this reduction has been a strong increase in services exports underpinned by robust tourism. In the medium term, the current account deficit is expected to gradually widen towards the norm, as tourism growth is expected to moderate, imports are projected to grow on the back of rising real personal disposable income and strong public investment, and workers' remittances are projected to be dragged by relatively slower economic growth in countries with large Albanian diasporas.

Assessment. In 2025, Albania's external position is assessed to be stronger than the level implied by fundamentals and desirable policies. For 2025, the EBA CA model estimates a cyclically adjusted current account deficit of –2.3 percent of GDP against a cyclically adjusted CA norm of –5.5 percent of GDP. This implies an EBA model CA gap of 3.2 percent of GDP, of which 3.1 percent of GDP is the relative policy gap. The policy gap, in turn, is largely explained by the relatively small overall fiscal deficit and low public health spending, both of which point to a higher saving-investment balance and CA. The primary fiscal balance is projected to remain non-negative in the medium term, which suggests some persistence in public saving and EBA model's CA gap. Should the authorities increase tax-financed health spending, private saving may adjust and edge the CA balance towards the norm. In addition, Albania's CA remains vulnerable to shifts in global economic conditions as the economy is highly dependent on tourism, FDI inflows, and remittances, while the reliance on hydropower makes it sensitive to weather-related disruptions.

EBA-lite Model Results, 2025		
	CA model 1/	REER model 1/
	(in percent of GDP)	
CA-Actual	-2.8	
Cyclical contributions (from model) (-)	-0.1	
Natural disasters and conflicts (-)	-0.3	
Adjusted CA	-2.3	
CA Norm (from model) 2/	-5.5	
Adjustments to the norm (+)	0.0	
Adjusted CA Norm	-5.5	
CA Gap	3.2	-9.9
o/w Relative policy gap	3.1	
Elasticity	-0.3	
REER Gap (in percent)	-12.2	38.4
1/ Based on the EBA-lite 3.0 methodology.		
2/ Cyclically adjusted, including multilateral consistency adjustments.		

Real Exchange Rate

Background. As of September 2025, Albania's Real Effective Exchange Rate (REER) was about 3.8 percent above the 2024 average, bringing the cumulative appreciation over the past decade to about 53 percent. This appreciation has been driven by strong tourism and FDI inflows (see also [2024 Albania Article IV Selected Issues Paper](#)).

Assessment. The models generate different results, which suggest some uncertainty and call for caution in their interpretation. The CA model suggests a REER gap of -12.2 percent (using an estimated elasticity of 0.3), consistent with the estimated positive current account gap. However, the REER model assesses the REER to be overvalued by 38.4 percent. Continued lek appreciation adds to pressures on broader competitiveness of Albania's exports, as labor shortages resulting from an aging population and negative net migration continue to drive wage growth, which continues to outpace productivity growth.

Capital and Financial Accounts: Flows and Policy Measures

Background. In 2025, net financial inflows were primarily driven by FDI inflows, which accounted for around 6.1 percent of GDP, while net portfolio inflows stood at -0.8 percent of GDP. Portfolio flows, while smaller, tend to be more volatile, driven by the government's Eurobond repayments and large one-off issuances.

Assessment. Albania's capital and financial account dynamics continue to be supported by stable FDI inflows. FDI in recent years has been mainly directed towards construction projects, particularly those related to tourism, and may increase at a slower pace as tourism growth normalizes.

FX Intervention and Reserves Level

Background. The BoA conducts regular scheduled FX auctions to build up reserves according to targets set under the BoA's reserve adequacy framework. The framework considers several factors, including public and private foreign short-term debt, FX deposits, the probability of sudden stops, and the opportunity cost of holding reserves. In addition, FX interventions can be conducted to address temporary market distortions. The *de jure* exchange rate system is classified as free floating. The *de facto* exchange rate arrangement was reclassified as crawl-like in 2024, given (i) the BoA's sizable unscheduled interventions relative to the interbank market volume; and (ii) the path of the exchange rate that seemed to be confined to a 2-percent corridor. As lek has continued to appreciate, FX interventions in the first ten months of 2025 have been exclusively FX purchases, which have amounted to 3.4 percent of annual GDP and already exceeded the upper limit of the BoA's target range for the year. Under the *de facto* classification of the exchange rate regime, gross reserves are projected to reach 147 percent of the fixed exchange rate regime ARA metric at end-2025, and then decrease gradually as the pace of FX interventions slows.

Assessment. In the absence of FX interventions, the lek would have appreciated faster, resulting in a higher current account deficit. Lek appreciation has been mostly driven by fundamentals, and the BoA should let the exchange rate adjust flexibly, with intervention serving only as a complementary tool in addressing non-fundamental fluctuations (see also [2024 Albania Article IV Selected Issues Paper](#)). FX reserves are assessed to be adequate. Although Albania's open capital account and reliance on tourism and remittances, alongside volatile portfolio flows, may justify building additional buffers, further reserve accumulation should be guided by a careful cost-benefit analysis (see Section B of the report).

Annex III. Risk Assessment Matrix

Risks	Likelihood ¹	Impact	Policy Responses
Global Risks			
Escalating Trade Measures and Prolonged Uncertainty. Rising trade barriers and prolonged policy uncertainty could reduce trade, investment, and growth. Inflationary pressures may re-emerge—especially in countries imposing tariffs. These effects can be amplified by strategic complementarities or bottlenecks in global value chains or inventory overhang.	High	High. The growth effects on Albania would be mainly through trading partners' growth given its reliance on tourism-related services exports, remittances and FDI. Albania's goods exports (including textiles) could also be negatively affected. A significant weakening of demand for tourism could result in exchange rate depreciation and real estate price decreases.	(1) Advance the structural reforms agenda to boost productivity, job creation, and domestic investment. (2) Adjust monetary policy as needed to anchor inflation expectations and return inflation to target over the medium term. (3) Exchange rate flexibility would help facilitate adjustments in the current account, while FXI could be deployed to reduce excess volatility. (4) Automatic fiscal stabilizers should be allowed to operate in the short term to support activity, while available fiscal space could be deployed for targeted support to the vulnerable and protect priority spending. (5) Macroprudential policies, including cyclical and systemic buffers, should be deployed as warranted to mitigate systemic financial instability.
Geopolitical Tensions. Intensification of conflicts, coupled with the weakening of multilateralism, may trigger commodity price volatility, increase migration pressures, reignite inflation, and weigh on growth by undermining confidence, investment, tourism, trade, and supply chains.	High	High. Albania is a small open economy, highly dependent on tourism, remittances and FDI, which in turn depend on global growth. While Albania has local production of hydropower for electricity generation, its production is weather dependent and production is insufficient in some years to cover domestic demand, while other energy sources (including oil) are imported. Thus, commodity price volatility would have terms of trade repercussions and negatively affect the financial accounts of SOEs with repercussions for fiscal transfers.	(1) Adjust monetary policy as needed to anchor inflation expectations and return inflation to target over the medium. (2) Exchange rate flexibility would help facilitate adjustments in the current account, while FXI could be deployed to reduce excess volatility. (3) Automatic fiscal stabilizers should be allowed to operate in the short term to support activity, while available fiscal space could be deployed for targeted support to the vulnerable and protect priority spending. (4) Strengthen energy security to lower vulnerability to energy supply and price shocks, including through further diversification into solar.
Commodity Price Volatility. Shifts in supply and demand—driven by geopolitical tensions and conflicts, OPEC+ actions, or the green transition—may fuel commodity price swings, intensifying external and fiscal pressures, social unrest, and macroeconomic instability.	High	High. Same as above	Same as above.
Financial Market Volatility and Correction. Stretched asset valuations, easy financial conditions, and subdued volatility in key markets could be significantly affected by a sudden and disruptive shift in investor sentiment or policy stance, triggering market corrections, exchange rate turbulence, spikes in sovereign bond yields, and capital flow volatility. Elevated leverage among Non-Bank Financial	High	High. Financial market volatility may affect the real estate sector, resulting in price adjustments. This in turn could trigger exchange rate depreciation, which would amplify the initial shock given banks' exposure to unhedged FX loans. In addition, given financial market volatility, there may be less demand for Albanian sovereign debt from foreigners. The Albanian	(1) The BoA should continue monitoring the real estate sector to assess the impact of market volatility on asset valuation and its impact on banks' balance sheets. (2) Exchange rate flexibility would help absorb shocks, but if volatility causes disorderly market conditions, the central bank should take steps to restore market functioning. (3) Macroprudential policies, including cyclical and systemic buffers, should be deployed as warranted to mitigate systemic financial instability.

Risks	Likelihood ¹	Impact	Policy Responses
Intermediaries further amplifies these risks, as forced deleveraging during periods of stress could exacerbate asset price swings and propagate shocks. Rapid growth of unregulated crypto markets could add to these vulnerabilities by increasing the risk of redemption runs and market dislocations.		government's significant reliance on short-term debt presents rollover risks in this context.	(4) Clear and consistent communication about medium-term fiscal plans can bolster market confidence. While the authorities can let automatic stabilizers operate in the short term and provide targeted support to the vulnerable, they should have a clear plan to get back to their medium-term targets through continued revenue-based growth friendly adjustment. Diversifying the debt holder base and lengthening maturities would bolster resilience.
Climate Change. Extreme climate events and rising temperatures could cause loss of life, damage to infrastructure, food insecurity, supply disruptions, and heighten economic and financial instability.	Medium	High. The intensity, frequency, and economic costs of extreme weather events and natural disasters are expected to increase. Those climate shocks raise fiscal deficits, lower growth, and reduce productivity.	(1) Prioritize public investment in disaster resilient infrastructure and sustainable growth (2) Enhance energy security by continuing to diversify renewable energy sources. (3) Provide targeted assistance to affected groups and sectors.
Cyberthreats. Cyberattacks on physical or digital infrastructure, technical failures, or misuse of AI technologies could trigger financial and economic instability.	High	Medium. As Albania becomes more digitalized and adoption of AI accelerates (including with the introduction of an AI Ministry), cyberattacks pose risks to various segments of the economy.	(1) Implement measures from the 2022 IMF technical assistance activity to lower cyber-attack risks for banks and government institutions. (2) Ensure that businesses have comprehensive crisis preparedness strategies in place to effectively respond to and recover from potential cyber incidents. (3) Carefully pace the adoption of AI in line with capacity to manage risks and ensure adequate regulatory frameworks.
Domestic Risks			
Worsening demographic trends compared to baseline. Faster than expected emigration, including among the highly skilled, could further exacerbate skill shortages, driving up wages, fueling core inflation, and eroding competitiveness.	Medium	High. In the absence of reforms to boost productivity or participation, a lower labor supply reduces potential growth. Faster wage growth in the absence of productivity increases also risk de-anchoring inflation expectations and forcing a more aggressive monetary tightening cycle, thereby lowering growth further.	(1) Boosting productivity through structural reforms (ALMPs, education and training, governance, business regulations) is key and would help mitigate emigration pressures. (2) Adjust monetary policy as needed to anchor inflation expectations and return inflation to target. (3) Avoid generalized public sector wage hikes and focus on targeted social support. Regular spending reviews can ensure that scarce resources are employed efficiently. Put in place well-designed reforms to contain age-related spending.
Real estate market downturn. Sharp and sudden decline in prices of residential and commercial properties.	Medium	High. A significant increase in NPLs leads to tighter credit conditions and a slowdown in credit growth. The negative wealth effect would weaken confidence and weigh on economic activity, including a reduction of inflow FDI. This could trigger exchange rate depreciation.	(1) Closely monitor and supervise banks' credit portfolios. (2) Promote bottom-up stress testing exercises of banks' portfolios. (3) Calibrate monetary and fiscal policies as appropriate. (4) Enhance monitoring of real-estate exposures. (5) Strengthen macroprudential and supervisory frameworks.
¹ The Risk Assessment Matrix (RAM) shows events that could materially alter the baseline path (the scenario most likely to materialize in the view of IMF staff). The relative likelihood is the staff's subjective assessment of the risks surrounding the baseline ("low" is meant to indicate a probability below 10 percent, "medium" a probability between 10 and 30 percent, and "high" a probability between 30 and 50 percent). The RAM reflects staff views on the source of risks and overall level of concern as of the time of discussions with the authorities. Non-mutually exclusive risks may interact and materialize jointly.			

Annex IV. Albania's Tourism Sector as a Conduit of External Shocks¹

The growing tourism sector exposes Albania's economy to external shocks. Out of 11.1 million foreign citizen arrivals to Albania in 2024, 3.2 million were from euro area (EA) countries. To overcome endogeneity issues, this annex uses exogenous ECB monetary policy shocks as an approximation of changes to EA aggregate demand. Using local projection estimations, it finds that a contractionary (expansionary) ECB monetary policy shock, which corresponds to a decrease (increase) in EA GDP, decreases (increases) EA citizen arrivals, FDI inflows, and the value of the lek vis-à-vis the euro. While the results suggest uncertainty due to small sample size, estimations over monthly and quarterly data confirm that the impact is statistically significant but temporary, vanishing after 1–2 quarters.

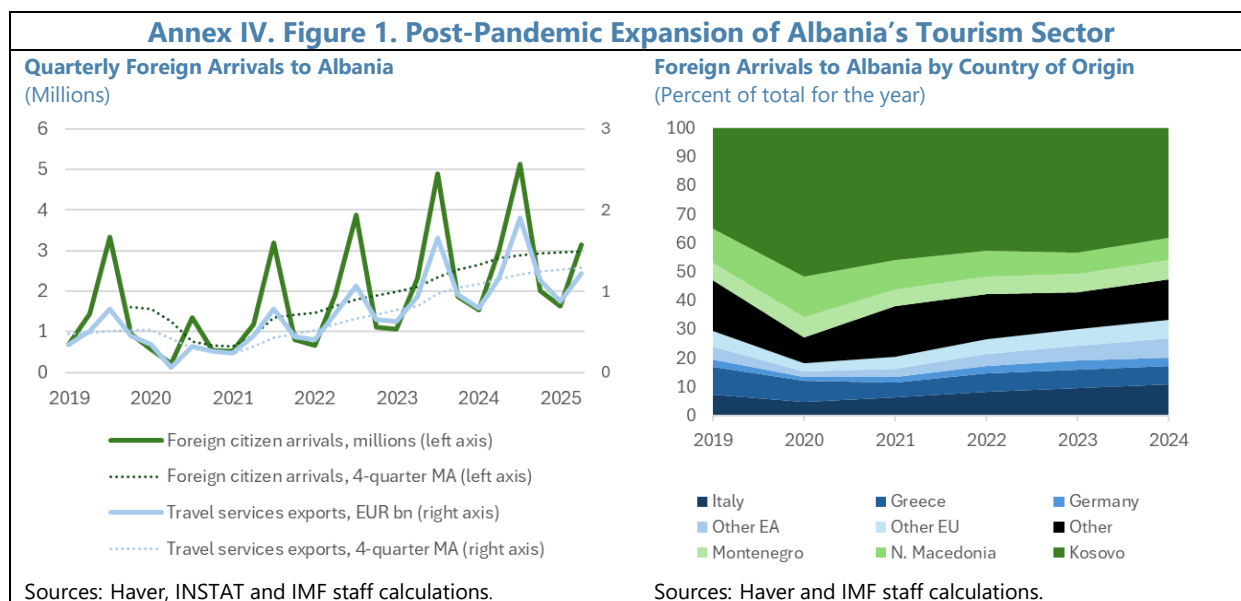
1. The tourism industry has become increasingly prominent in Albania. Arrivals of foreign citizens have more than quadrupled from 2.7 million in 2020 to 11.7 million in 2024, of which about 95 percent are arrivals for personal reasons such as holidays and visiting relatives (Figure 1 of the Annex). Correspondingly, exports of travel services, which are highly seasonal and correlated with foreigners' arrivals, have increased from about 7.5 to 20 percent of GDP over the same period. In terms of value added, accommodation and food services are the fastest-growing GDP component, whose share increased from 1.9 to 4.1 percent of GDP in 2020–24. In addition, Albania's tourism industry remains attractive to foreign investors, with FDI inflows increasing from EUR 0.9 bn in 2020 to EUR 1.6 bn in 2024 (although they have decreased relative to GDP). The lek has appreciated by about 25 percent from end-2020 to end-2024, largely driven by stronger external demand.²

2. The growing importance of the tourism industry exposes Albania to external shocks. Tourism inflows rely on foreign demand and therefore can act as a channel for spillovers from external shocks. However, it is not immediately clear how a demand shock in Albania's main trading partners would affect tourism flows to Albania given that there could be substitution effects, with Albania remaining attractive to budget travelers seeking low-cost services.

3. Most foreign citizen arrivals to Albania are from Western Balkan and EU countries. Out of 11.7 million arrivals in 2024, the most arrivals were from Kosovo (37.9 percent), EU countries (33.6 percent, including 10.7 percent from Italy, 6.3 percent from Greece, and 3.2 percent from Germany), North Macedonia (7.7 percent), and Montenegro (6.5 percent). A broadly similar composition was observed in 2019. In 2020, when the number of arrivals dropped, the share of arrivals from Kosovo increased to over 50 percent. Over 2020–24, as travel restrictions eased and international travel normalized, the share of arrivals from Kosovo diminished back to the pre-pandemic level, while arrivals from EU have become more prominent (Annex Figure 1).

¹ Prepared by Eyno Rots.

² See [Albania 2023 Article IV Annex III](#).



4. This annex studies the impact of ECB monetary policy shocks on tourism-related indicators of economic activity in Albania. Regressions with independent variables such as Europe's GDP are subject to endogeneity problems. A better approach, which is commonly used in the literature, is to identify exogenous shocks in foreign countries, such as fiscal or monetary policy shocks, which may help establish causality.³ This annex uses ECB monetary policy shocks, because the data on such shocks are readily available in the literature (Jarocinski and Karadi, 2020), and because a large portion of foreign citizens coming to Albania are from euro area countries (26.8 percent in 2024). We employ local projections using the following regression with monthly data:

$$y_{t+h-1} = \alpha + \sum_{i=1}^p B_i^h y_{t-i} + D^h mp_t^{ECB} + \gamma z_t + u_{t+h-1}, \quad h = 1, \dots, H,$$

where h indicates months after impact, y contains endogenous variables such as foreign arrivals, exchange rate, and foreign direct investment inflows; mp^{ECB} is an exogenous variable representing shocks to ECB monetary policy; and z contains additional controls.⁴ Monthly data on total arrivals to Albania by country from January 2019 were obtained from INSTAT; FDI and exchange rate official data are published by the Bank of Albania; the data on ECB's monetary policy shocks are available through June 2025.⁵

5. The results confirm the impact of EU-specific exogenous shocks on tourism-related economic activity in Albania. A standard contractionary monetary policy shock, as defined in Jarocinski and Karadi (2020),⁶ is associated with an increase of about 5 bps in the 1-year Bund yield

³ For examples, see Alloza et al. (2020), Blagrove et al. (2017), and Brauning and Shereminov (2021).

⁴ Where necessary, all series have been seasonally adjusted and converted to logs.

⁵ See https://github.com/marekjarocinski/jkshocks_update_ecb_202310.

⁶ Jarocinski and Karadi (2020) study surprises in market interest rates and stock prices during short windows around the ECB policy decision announcements and use sign restrictions to distinguish between monetary policy shocks and

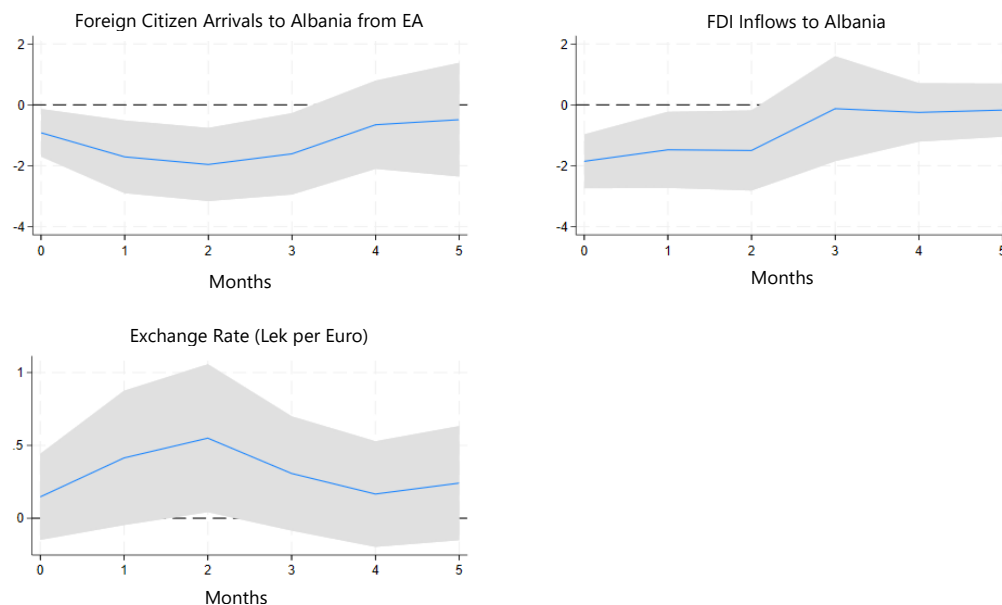
(continued)

and a decrease in euro area's GDP by about 0.1 percent. The results of the estimations presented in this annex associate such a shock with a decrease in foreign citizen arrivals to Albania from EA countries by about 2 percent, a 2-percent decrease in FDI inflows, and a 0.5 percent depreciation of the lek vis-à-vis the euro. All the responses, while significant at the 95-percent confidence level, are temporary, turning statistically insignificant after three months (Figure 2 of the Annex). The results suggest non-trivial spillovers from foreign economies that originate tourist inflows into Albania, while substitution effects do not seem substantial enough to counteract the negative impact of reduced economic activity in trading partners on Albania's tourism sector. These estimates should be treated with caution given their magnitudes and wide confidence intervals, possibly stemming from the short and volatile sample, which includes the pandemic and the following rapid recovery. The short available monthly data series constrains the specification of the regression model and ability to perform robustness checks, which puts the reliability of the findings into question. However, estimations using different lag specifications, a VAR, and subsamples excluding the pandemic months produce broadly consistent results for arrivals and the exchange rate (less so for FDI inflows). Additional local projections were performed over 2010q1–2025q2 quarterly data on FDI inflows, exchange rates, travel services exports: the results corroborate significant but short-lived (up to two quarters) responses to the ECB monetary policy shocks.⁷

central bank information shocks. The latter capture new information about the economic outlook and conditions that the central bank reveals in its statements and the former the surprise purely related to the announced change in the policy rate. A contractionary monetary policy shock raises market interest rates and decreases stock prices, while a negative central bank information shock decreases both.

⁷ The response of travel services exports is only significant at 90-percent confidence level, and the confidence interval is wide, suggesting less certainty about the impact, partly because travel services exports are not limited to tourists from the euro area.

Annex IV. Figure 2. Response to a Contractionary ECB Monetary Policy Shock
(Percent)



Source: IMF staff calculations.

Blue lines show the response (dynamic multiplier) to a standard monetary policy shock, and the gray areas show 95-percent confidence intervals adjusted for the small sample size. A contractionary standard monetary policy shock, as identified and calculated by Jarocinski and Karadi (2020), corresponds to about 5 bp increase in 1-year Bund yield and 0.1 percent decrease in euro area's GDP. Responses are symmetric by construction, i.e. an expansionary monetary shock would lead to a corresponding increase in foreign arrivals.

References

- Alloza et al., 2020. *Fiscal Expenditure Spillovers in the Euro Area: An Empirical and Model-Based Assessment*, Banco de España Occasional Paper No. 2012.
- Blagrove et al., 2017. *Fiscal Spillovers: The Importance of Macroeconomic and Policy Conditions in Transmission*, International Monetary Fund.
- Brauning and Sheremirov, 2021. *The Transmission Mechanisms of International Business Cycles: Output Spillovers through Trade and Financial Linkages*, Federal Reserve Bank of Boston Working Paper No. 21-13.
- Jarociński and Karadi, 2020. *Deconstructing Monetary Policy Surprises—The Role of Information Shocks*, American Economic Journal: Macroeconomics, AEE, vol. 12(2), pp. 1-43.

Annex V. Sovereign Risk and Debt Sustainability Assessment

Annex V. Figure 1. Risk of Sovereign Stress

Horizon	Mechanical signal	Final assessment	Comments
Overall	...	Moderate	Public debt remains on a broadly favorable trajectory over the short and medium term. Gross financing needs, though declining, remain sizable in the near term, averaging about 13 percent of GDP over the medium term. Further strengthening debt management to extend maturities and mitigate rollover risks would reduce vulnerabilities from large amortizations. Additional efforts are also warranted to enhance the monitoring, management, and mitigation of fiscal risks.
Near term 1/			
Medium term	Moderate	Moderate	Fiscal rules are expected to anchor fiscal policy and government borrowing over the medium term, alongside progress in lengthening the average maturity of public debt and strengthening debt management. Nonetheless, gross financing needs remain sizable, and long-standing challenges from limited transparency of contingent liabilities—particularly those linked to state-owned enterprises and public-private partnerships—continue to weigh on the medium-term debt outlook
Fanchart	Moderate	...	
GFN	Moderate	...	
Stress test	Comm. Prices Nat. Disast.	...	
Long term	...	Moderate	As growth converges to potential and financing conditions remain favorable, public debt is projected to continue its gradual long-term decline. However, adverse demographics—marked by high emigration, low birth rates, and population aging—will weigh on growth and drive higher pension and healthcare costs. In addition, Albania faces significant spending pressures from climate action and defense spending. Without major reforms, pension-related obligations will continue to burden the long-term fiscal and growth outlook.
Sustainability assessment 2/	Not required for surveillance countries	Not required for surveillance countries	
Debt stabilization in the baseline			Yes

DSA Summary Assessment

Albania's medium-term outlook remains favorable, with growth supported by tourism-related service exports. Fiscal outcomes in recent years have outperformed expectations, underpinned by a broadly prudent fiscal stance. The reactivation of fiscal rules requiring a nonnegative primary balance from 2024, together with the continued reduction in public debt, should support fiscal sustainability. Implementation of the medium-term debt management strategy is expected to further improve debt composition by lengthening maturities and lowering financing costs. Nonetheless, gross financing needs remain sizable, averaging 13 percent of GDP in 2025–30, while long-term spending pressures constitute key risks to the sovereign debt outlook. The absence of concrete progress in containing contingent liabilities and addressing structural spending pressures could weigh on the medium- and long-term debt trajectory.

Source: Fund staff.

Note: The risk of sovereign stress is a broader concept than debt sustainability. Unsustainable debt can only be resolved through exceptional measures (such as debt restructuring). In contrast, a sovereign can face stress without its debt necessarily being unsustainable, and there can be various measures—that do not involve a debt restructuring—to remedy such a situation, such as fiscal adjustment and new financing.

1/ The near-term assessment is not applicable in cases where there is a disbursing IMF arrangement. In surveillance-only cases or in cases with precautionary IMF arrangements, the near-term assessment is performed but not published.

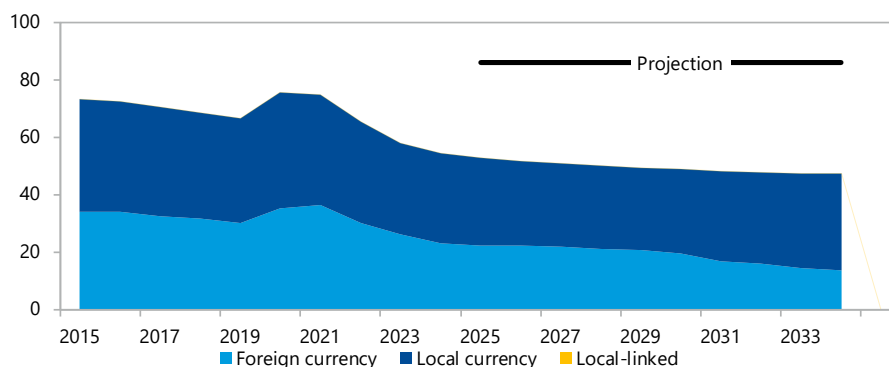
2/ A debt sustainability assessment is optional for surveillance-only cases and mandatory in cases where there is a Fund arrangement. The mechanical signal of the debt sustainability assessment is deleted before publication. In surveillance-only cases or cases with IMF arrangements with normal access, the qualifier indicating probability of sustainable debt ("with high probability" or "but not with high probability") is deleted before publication.

Annex V. Figure 2. Debt Coverage and Disclosure

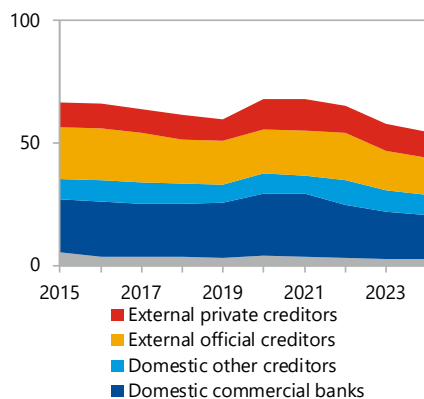
Annex V. Figure 2. Debt Coverage and Disclosure										Comments									
1. Debt coverage in the DSA: 1/										CG	GG	NFPS	CPS	Other					
1a. If central government, are non-central government entities insignificant?															n.a.				
2. Subsectors included in the chosen coverage in (1) above:																			
Subsectors captured in the baseline										Inclusion									
CPS	NFPS	GG: expected	CG	1	Budgetary central government						Yes	Not applicable							
				2	Extra budgetary funds (EBFs)						No								
				3	Social security funds (SSFs)						No								
				4	State governments						No								
				5	Local governments						Yes								
				6	Public nonfinancial corporations						No								
				7	Central bank						No								
				8	Other public financial corporations						No								
3. Instrument coverage:										Currency & deposits	Loans	Debt securities	Oth acct. payable 2/	IPSGSs 3/					
4. Accounting principles:										Basis of recording		Valuation of debt stock							
										Non-cash basis 4/	Cash basis	Nominal value 5/	Face value 6/	Market value 7/					
5. Debt consolidation across sectors:										Consolidated		Non-consolidated							
Color code: ■ chosen coverage ■ Missing from recommended coverage ■ Not applicable																			
Reporting on Intra-Government Debt Holdings																			
Issuer										Holder	Budget. central govt	Extra-budget. funds (EBFs)	Social security funds (SSFs)	State govt.	Local govt.	Nonfin. pub. corp.	Central bank	Oth. pub. fin corp	Total
CPS	NFPS	GG: expected	CG	1	Budget. central govt												0		
				2	Extra-budget. funds												0		
				3	Social security funds												0		
				4	State govt.												0		
				5	Local govt.												0		
				6	Nonfin pub. corp.												0		
				7	Central bank												0		
				8	Oth. pub. fin. corp												0		
Total										0	0	0	0	0	0	0	0	0	
1/ CG=Central government; GG=General government; NFPS=Nonfinancial public sector; PS=Public sector.																			
2/ Stock of arrears could be used as a proxy in the absence of accrual data on other accounts payable.																			
3/ Insurance, Pension, and Standardized Guarantee Schemes, typically including government employee pension liabilities.																			
4/ Includes accrual recording, commitment basis, due for payment, etc.																			
5/ Nominal value at any moment in time is the amount the debtor owes to the creditor. It reflects the value of the instrument at creation and subsequent economic flows (such as transactions, exchange rate, and other valuation changes other than market price changes, and other volume changes).																			
6/ The face value of a debt instrument is the undiscounted amount of principal to be paid at (or before) maturity.																			
7/ Market value of debt instruments is the value as if they were acquired in market transactions on the balance sheet reporting date (reference date). Only traded debt securities have observed market values.																			
While the debt of state-owned enterprises is not included in the public debt statistics, the debt guarantees provided by the government to SOEs are included. Potential contingent liabilities arising from public-private partnership projects are not included.																			

Annex V. Figure 3. Public Debt Structure Indicators

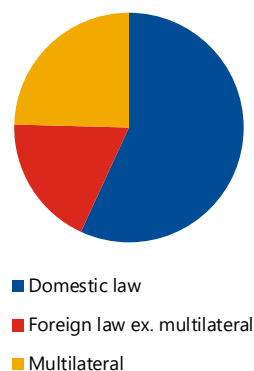
Debt by Currency (Percent of GDP)



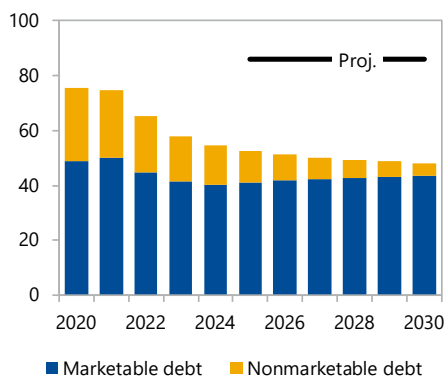
Public Debt by Holder (Percent of GDP)



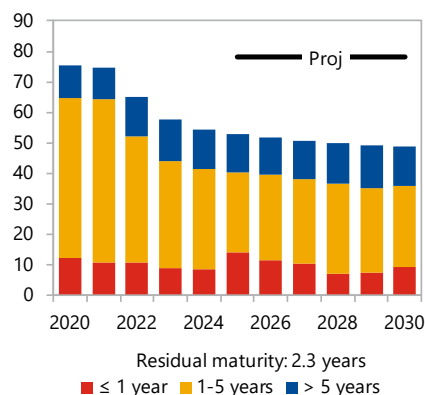
Public Debt by Governing Law, 2024 (Percent)



Debt by Instruments (Percent of GDP)



Public Debt by Maturity (Percent of GDP)



Note: The perimeter shown is general government.

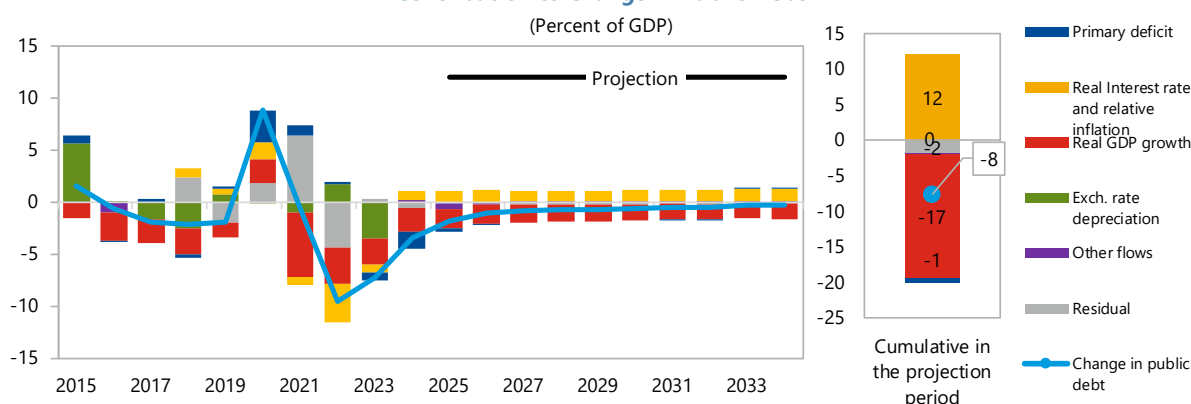
Note: The perimeter shown is general government.

Nonmarketable debt in Albania includes borrowings from multilateral institutions (e.g. World Bank, EBRD, EIB), official bilateral lenders, and occasional private syndicated loans. The share of euro-denominated debt in total external public debt has been steadily rising over the years and as of mid-2025, accounted for around 83 percent of total outstanding external debt. Staff's baseline projections are based on (i) the latest debt breakdown data; and (ii) the assumption that new borrowing not yet identified in the government's Medium-Term Budget Framework will take the form of a eurobond issue with a maturity of 10 years. Albania does not have any local currency-linked public debt.

Annex V. Table 1. Albania: Baseline Scenario
(Percent of GDP, unless indicated otherwise)

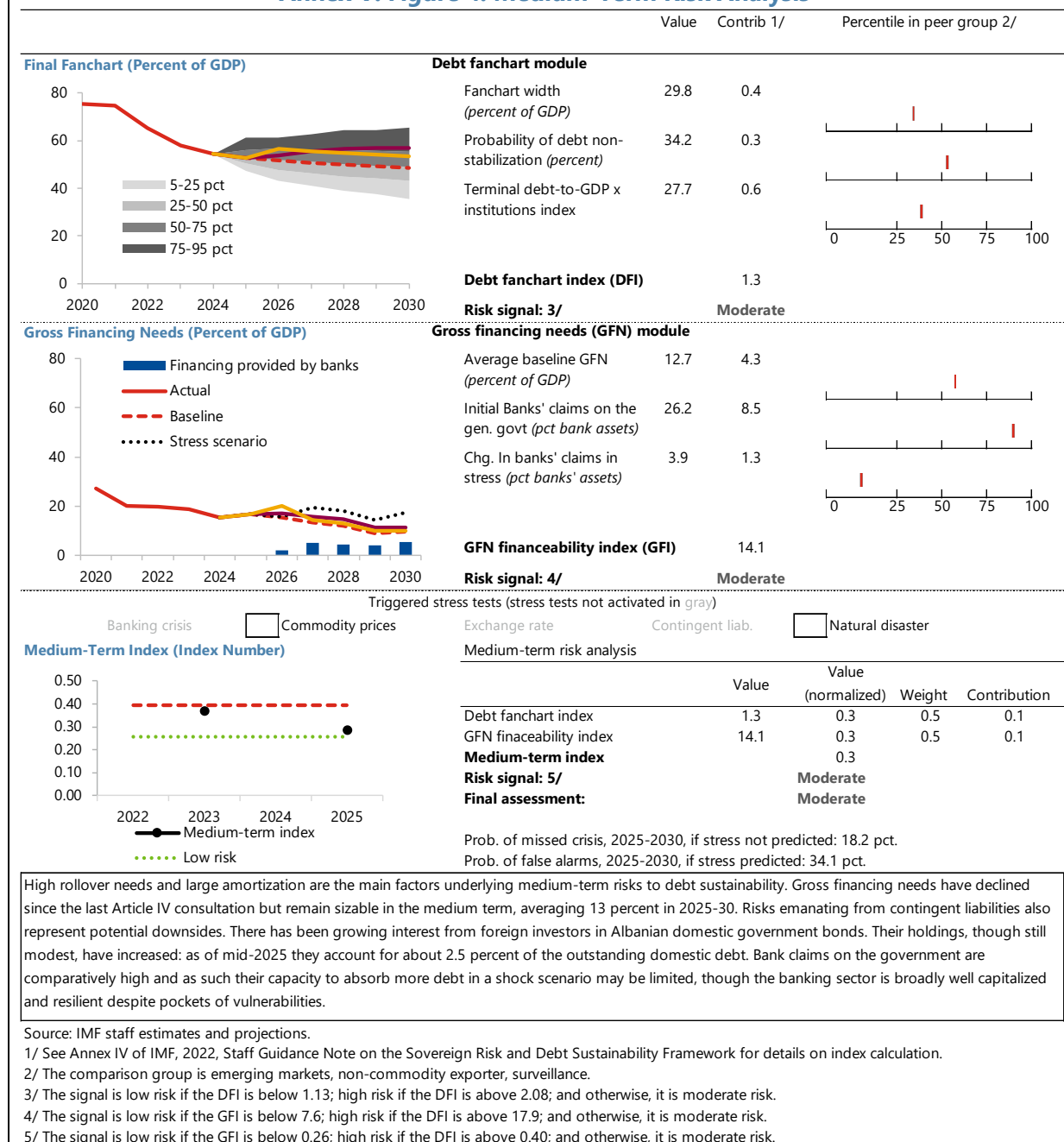
	Actual	Medium-term projection						Extended projection			
	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Public debt	54.5	52.7	51.6	50.8	50.0	49.3	48.7	48.2	47.7	47.4	47.1
Change in public debt	-3.5	-1.8	-1.1	-0.9	-0.8	-0.7	-0.6	-0.5	-0.5	-0.3	-0.3
Contribution of identified flows	-2.9	-1.7	-0.9	-0.6	-0.5	-0.5	-0.4	-0.4	-0.3	-0.2	-0.1
Primary deficit	-1.7	-0.4	-0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1
Noninterest revenues	28.2	29.0	29.3	29.5	29.7	29.7	29.7	29.7	29.7	29.7	29.7
Noninterest expenditures	26.5	28.5	29.1	29.5	29.7	29.7	29.7	29.6	29.6	29.7	29.7
Automatic debt dynamics	-1.3	-0.7	-0.6	-0.7	-0.5	-0.5	-0.4	-0.4	-0.4	-0.3	-0.2
Real interest rate and relative inflation	0.9	1.1	1.2	1.0	1.1	1.0	1.1	1.1	1.1	1.2	1.2
Real interest rate	0.9	1.1	1.1	0.8	0.8	0.8	0.9	0.9	1.0	1.0	1.1
Relative inflation	0.0	0.1	0.1	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.1
Real growth rate	-2.3	-1.8	-1.8	-1.7	-1.6	-1.6	-1.5	-1.5	-1.5	-1.5	-1.5
Real exchange rate	0.0	...	...	...	...	...	...	...	...	...	...
Other identified flows	0.1	-0.6	-0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.0	0.0
Contingent liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
(minus) Interest Revenues	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other transactions	0.1	-0.6	-0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.0	0.0
Contribution of residual	-0.6	-0.1	-0.2	-0.3	-0.3	-0.3	-0.2	-0.1	-0.2	-0.1	-0.2
Gross financing needs	15.2	16.8	15.4	13.2	12.1	9.0	9.5	11.0	11.0	10.3	9.4
of which: debt service	16.9	17.2	15.6	13.2	12.1	9.0	9.5	11.0	11.0	10.3	9.3
Local currency	14.1	13.0	13.6	9.3	8.6	7.5	6.9	6.9	7.7	7.5	7.6
Foreign currency	2.8	4.2	1.9	3.9	3.5	1.5	2.7	4.1	3.3	2.9	1.8
Memo:											
Real GDP growth (percent)	4.0	3.5	3.6	3.4	3.2	3.2	3.2	3.2	3.2	3.2	3.2
Inflation (GDP deflator; percent)	2.4	2.0	2.3	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Nominal GDP growth (percent)	6.5	5.6	6.0	6.5	6.3	6.3	6.3	6.3	6.3	6.3	6.3
Effective interest rate (percent)	4.0	4.0	4.5	4.6	4.7	4.7	4.9	5.0	5.1	5.3	5.4

Contribution to Change in Public Debt

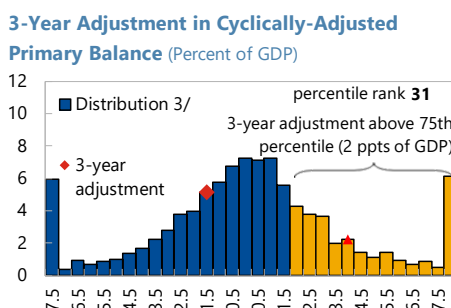
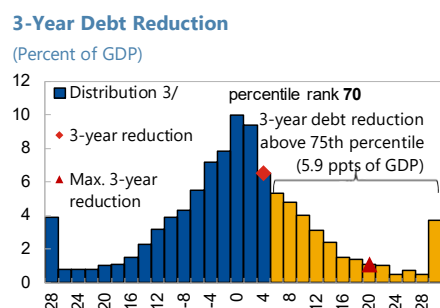
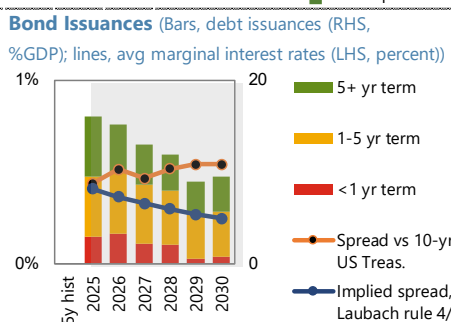
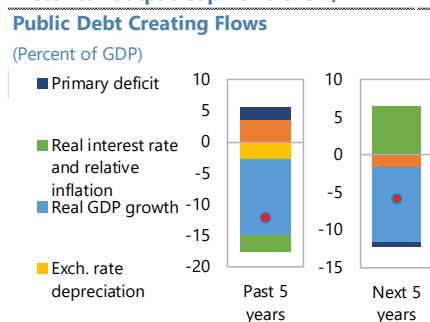
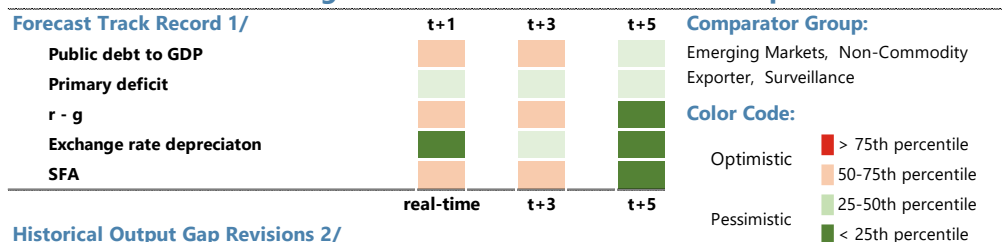


Fiscal rules requiring nonnegative primary balance have continued to be legally binding since 2024, after being suspended during the COVID-19 pandemic. Another fiscal rule determines that debt should go down y/y, until it reaches 45 percent of GDP. The amount of withdrawal from the government's cash deposits in the Treasury Single Account from 2031 onwards is assumed to be the same as the amount planned in the government's Medium-Term Budget Framework for 2030. The total debt level estimate for 2025 includes arrears.

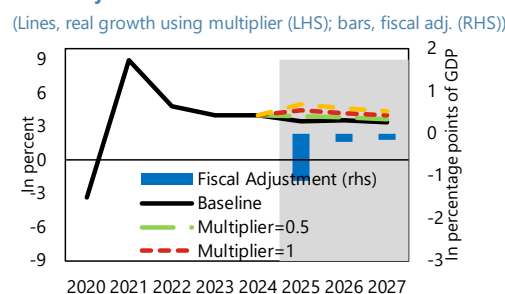
Annex V. Figure 4. Medium-Term Risk Analysis



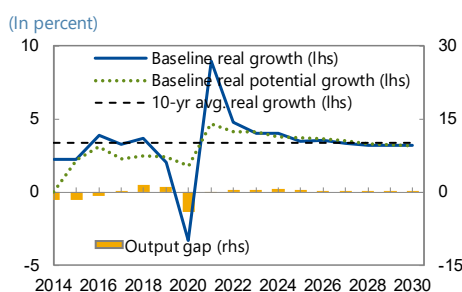
Annex V. Figure 5. Realism of Baseline Assumptions



Fiscal Adjustment and Possible Growth Paths



Real GDP Growth



In recent years, the country's fiscal performance, external position, and growth have tended to outperform staff's baseline projections, with tourism arrivals consistently turning out to be higher than projected. Fiscal performance has partly been driven by a positive growth momentum but also by the implementation of the MTRS and consistent underexecution of capital spending. The 3-year debt reduction is around the 75th percentile. Over the medium and long term, however, the growth outlook is likely tempered by sustained net emigration and an aging population. The increase in spreads vs. the 10-year U.S. treasury over the medium-term will raise borrowing costs and interest expenditures.

Source : IMF staff.

1/ Projections made in the October and April WEO vintage.

2/ Calculated as the percentile rank of the country's output gap revisions (defined as the difference between real time/period ahead estimates).

3/ The Laubach (2009) rule is a linear rule assuming bond spreads increase by about 4 bps in response to a 1 ppt increase in the projected debt-to-GDP ratio.

4/ Data cover annual observations from 1990 to 2019 for MAC advanced and emerging economies. Percent of sample on vertical axis.

Annex V. Figure 6. Triggered Modules

Large amortizations

Pensions

Climate change: Adaptation

Natural Resources

Health

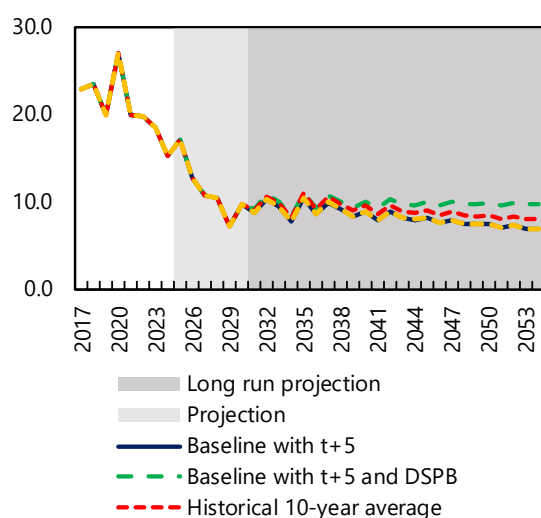
Climate change: Mitigation

Albania: Long-Term Risk Assessment: Large Amortization Incl. Custom Scenario

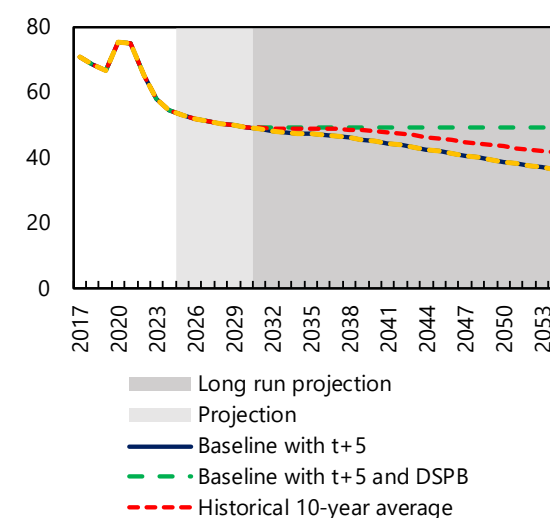
Projection	Variable	Risk Indication
Medium-term extrapolation	GFN-to-GDP ratio	<div></div>
	Amortization-to-GDP ratio	<div></div>
	Amortization	<div></div>
Medium-term extrapolation with debt stabilizing primary balance	GFN-to-GDP ratio	<div></div>
	Amortization-to-GDP ratio	<div></div>
	Amortization	<div></div>
Historical average assumptions	GFN-to-GDP ratio	<div></div>
	Amortization-to-GDP ratio	<div></div>
	Amortization	<div></div>
Overall Risk Indication		<div></div>

Variable	2030	2034 to 2038 average	Custom Scenario
Real GDP growth	3.2%	3.2%	3.2%
Primary Balance-to-GDP ratio	0.0%	0.0%	0.0%
Real depreciation	-2.9%	-2.9%	-2.9%
Inflation (GDP deflator)	3.0%	3.0%	3.0%

GFN-to-GDP Ratio



Total Public Debt-to-GDP Ratio



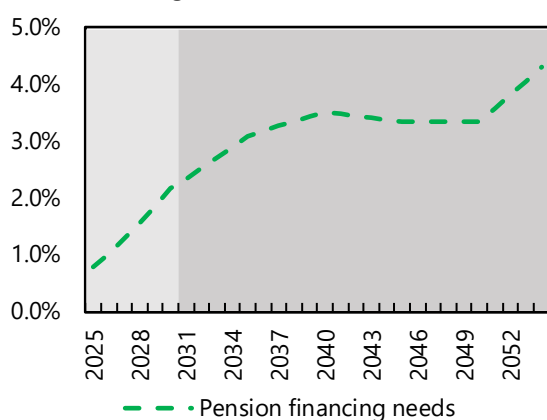
Amortization needs constitute a significant share of Albania's gross financing requirements (GFN), reflecting the country's reliance on both domestic borrowing and periodic Eurobond issuances. Large external bond redemptions create a lumpy repayment profile, with years of elevated rollover pressures followed by periods of relative ease. Albania's debt trajectory is projected to remain broadly stable in the near term but faces upward pressures over the longer horizon.

Annex V. Figure 7. Demographics: Pensions

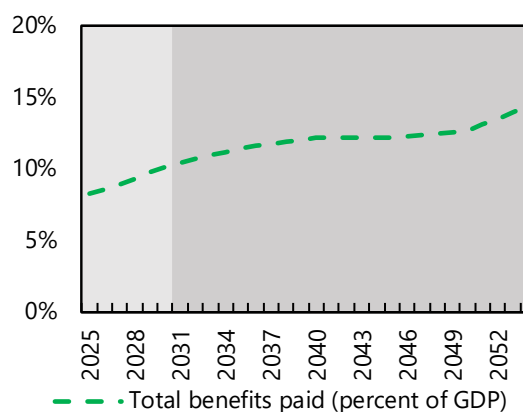
Permanent adjustment needed in the pension system to keep pension assets positive for:

	30 years	50 years	Until 2100
(percent of GDP per year)	3.0%	4.9%	5.5%

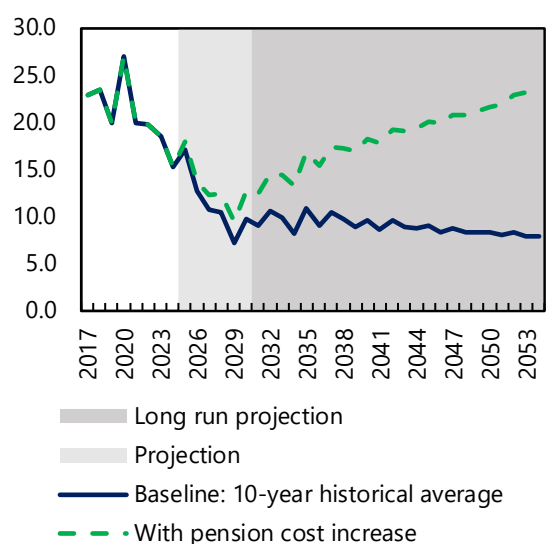
Pension Financing Needs



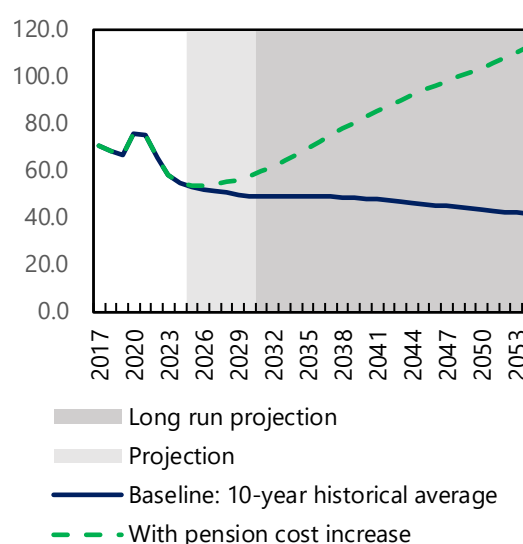
Total Benefits Paid



GFN-to-GDP Ratio



Total Public Debt-to-GDP Ratio



With pension obligations already exceeding contributions, Albania's pension system is running a deficit, and spending pressures are set to intensify as demographic trends unfold. As of early 2025, the old-age dependency ratio stands at about 26 percent. Projections indicate this could more than triple—reaching 80–85 percent by mid-century under certain scenarios—placing Albania well above the 50–60 percent projected for comparable countries. These simulations assume contributions grow in line with GDP per worker and are based on a minimal set of assumptions, abstracting from any reforms (including wage measures) or the long-term impact of emigration on the beneficiary pool (such as the interaction between increased emigration and the number of long-term beneficiaries).

Annex VI. Borrower-Based Measures to Strengthen Mortgage Lending Standards¹

This annex analyzes the new borrower-based measures (BBMs) that were introduced in Albania in 2025. These binding limits for residential real estate (RRE) lending are timely and can reduce risks to financial stability from looser lending standards. They should become a permanent macroprudential tool, while supervisors need to remain vigilant to counter potential risks from unhedged FX- and variable rate loans. Introducing a sectoral systemic risk buffer (sSyRB), higher risk weights or targeted BBMs may be additional tools to address rising risks from commercial real estate (CRE) lending, in case they were identified as systemic.

1. Since 2019 Albania has experienced a significant increase in construction activity and real estate prices, while banks' exposures to the sector have grown. The volume of outstanding household (HH)² loans for house purchases has doubled since end-2019, while real estate loans to private nonfinancial corporations (NFC) grew even stronger. In Q3 2025, two-thirds of HH-loans and 41 percent of NFC-loans were being used for real estate purposes. The share of real estate loans in total bank assets is now at 20 percent.

2. While the total volume of unhedged FX-loans has halved over the last decade, de-risking has been weaker for HHs. New lending to HH for house purchases is dominated by variable rates and more recently local currency loans, as variable ALL-rates have become comparatively cheaper than EUR-rates. However, about two-thirds of the stock of NFC's real estate loans and close to a third of HH-loans for house purchases are still denominated in euro. As of Q3 2025, less than a quarter of FX-loans remain unhedged, but two-thirds of these serve real estate purposes. While derisking has been significant for corporate loans over the last decade, HH's nominal unhedged exposure is still similar to levels seen in 2017. This may imply that unhedged FX-loans are still extended to HH, which may not be able to mitigate the associated risks. The banking sector, however, appears to have an effective FX asset and liability management in place, as the elevated exposure to FX-loans is matched by high FX-liabilities.³ The Bank of Albania also uses supervisory tools to reduce credit risks, as there are [binding requirements](#) when lending to unhedged borrowers, and banks have to assign a [50 percent higher risk weight](#) for these loans.

¹ Prepared by Stefan Kavan.

² Including nonprofit institutions serving households.

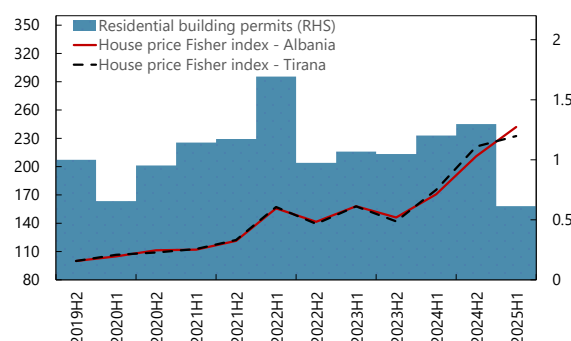
³ As of Q3 2025, the banking sector's net open position in foreign exchange to capital stood at 5.6 percent, well below the limits applied by the [Bank of Albania](#).

Annex VI. Figure 1. Real Estate Borrowing Dynamics 1/

A dynamic real estate market ...

Construction Permits and House Price Indices

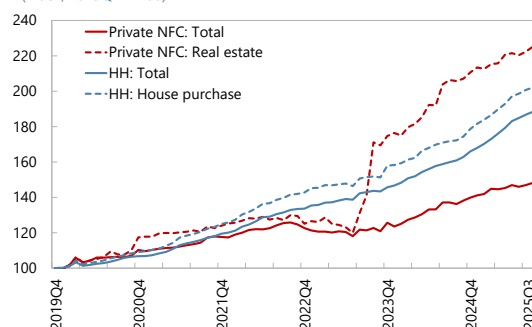
(Index, 2019H2=100, LHS; area in km2, RHS)



... underpinned by strong lending ...

Loan Growth

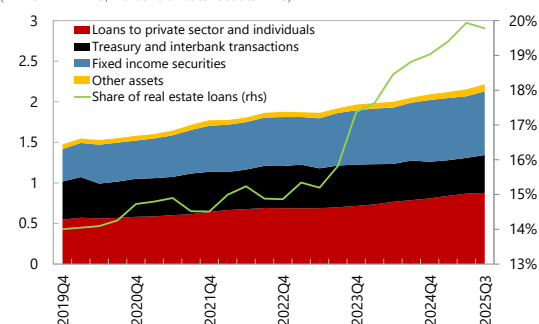
(Index, 2019Q4 = 100)



... increased banks' exposure to real estate loans.

Banking System Assets and Share of Real Estate Loans

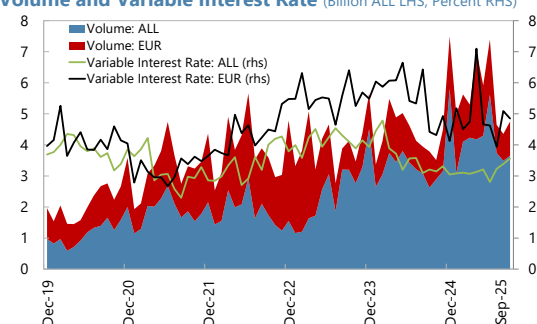
(Trillion ALL LHS; Percent of total assets RHS)



HH now borrow mostly in ALL (and at a variable rate) ... *

New Loans to HH for House Purchase:

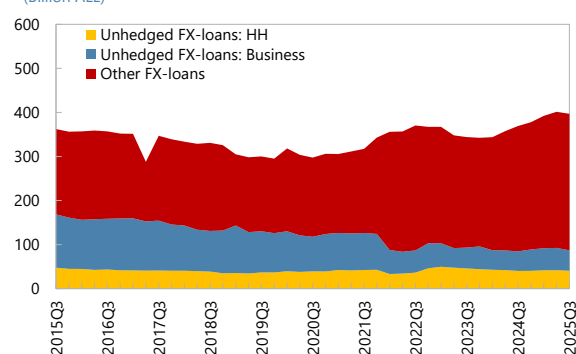
Volume and Variable Interest Rate (Billion ALL LHS; Percent RHS)



... but unhedged FX-loans remain an issue, particularly for HHs...

(Unhedged) FX Loans

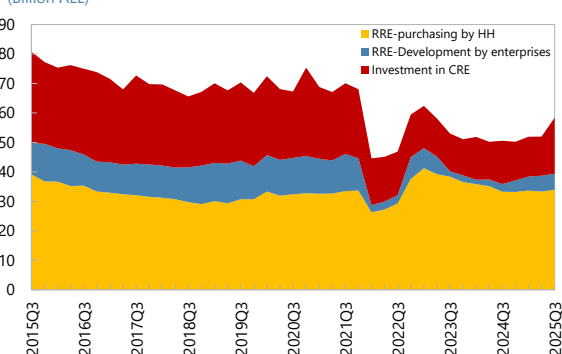
(Billion ALL)



... where RRE-purchases play a significant role.

Unhedged Real Estate Loans

(Billion ALL)



Sources: Bank of Albania, INSTAT and IMF staff calculations.

* The chart shows only HH-loans, as interest rates for real estate NFC-loans are not available. It also excludes loans in other foreign currencies than EUR, as their flow volumes are marginal.

1/ Some data was historically affected by large infrastructure lending, re-classifications, and reporting errors, which explains the sharp rise in NFC real estate loans in 2023 and the temporary declines in (unhedged) FX-loans in 2017 and 2022.

3. The Bank of Albania has compiled borrower-based indicators of new RRE- and CRE-loans since H1/2024.⁴ The data collection includes ratios on the loan-to-value at origination (LTV

⁴ The data collection is backed by [regulation No 44/2023](#) (Albanian only).

for RRE/CRE) and the loan service-to-(disposable) income (LSTI for RRE).⁵ Granular distribution data is important, as averages often mask risks in the tail of distributions.

- **RRE-lending:** In H2 2024, banks lent ALL 24 billion (0.95 percent of GDP), of which 74 percent went to first-time buyers, while 78 percent are in local currency and at variable rates. The average LTV was 71 percent and for the LSTI 34 percent (FX-loans slightly above these averages), with several pockets of risk already visible: EUR-loans for first-time as well as second-time buyers (respectively with an LSTI of 48 percent and LTV of 83 percent) and the small buy-to-let segment (EUR-LTV: 112 percent, ALL-LSTI: 41 percent). In the largest market segment of first-time buyers with an ALL-loan, a fifth of the volume was issued at LTVs above 85 percent and more than a quarter at LSTIs above 40 percent. LTV- and LSTI-distributions of other categories show similar or higher lending at loose lending standards.
- **CRE-lending:**⁶ In H2 2024, banks lent ALL 48 billion, often in euro (42 percent of contracts, but 60 percent of volume). The average LTV stood at 54 percent, and the lowest LTVs were recorded for FX-loans and those for the acquisition of an income-generating property. A fifth of the loan volumes exceeded an LTV of 80 percent (7 percent even at LTVs above 100 percent) with larger than average loan volumes issued at elevated ratios.

4. Following the collection of relevant data, the BoA set binding upper limits for the LTV and DSTI of new RRE-loans that are in force since mid-2025. The BBMs will be reviewed no later than two years from entry into force. To calibrate the LTV-limit, the Bank of Albania used an estimate for the overvaluation of house prices to determine the required overcollateralization. For the DSTI-limit, it calculated a financial reserve that borrowers should be able to maintain under stress. According to the [decision \(25/2025\)](#), and based on loan data from H1/2024, the following limits apply:⁷

- A maximum LTV-limit in local/foreign currency: 85 percent/75 percent; for second time and sequential buyers: 80 percent/70 percent.
- A maximum DSTI-limit in local/foreign currency: 40 percent/35 percent; for second time and sequential buyers: 35 percent/30 percent.

Banks can exceed these limits as long as the value of the respective loans does not exceed 15 percent of the loans approved and disbursed during the respective quarter (“the exceeding quota”).⁸ The BBMs come in addition to an existing recommendation on the maturity of new RRE-loans, which

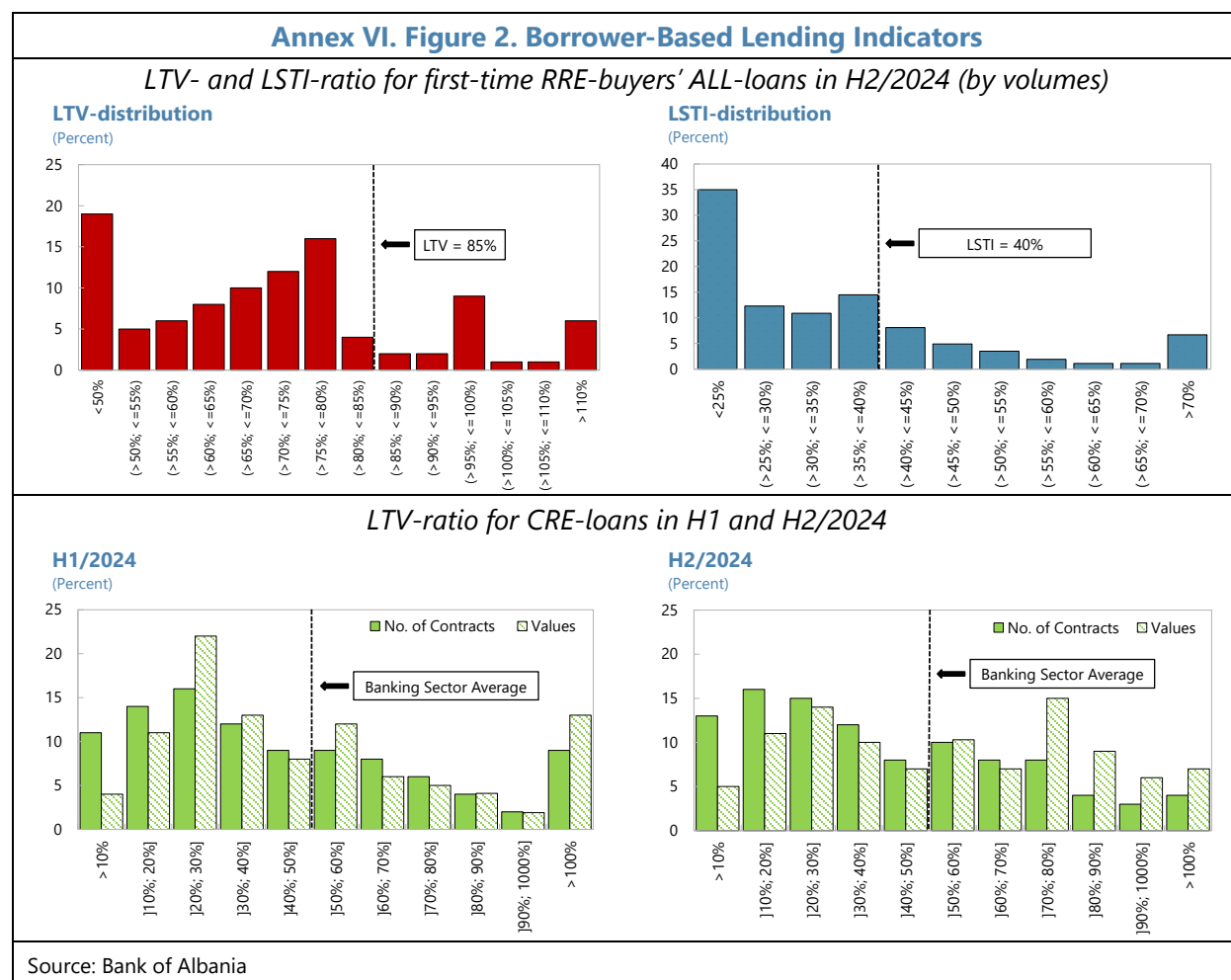
⁵ The LSTI is used as a proxy for the DSTI by the Bank of Albania.

⁶ The data collection includes the loan purpose, one of which is “collateralized with CRE”. According to the Bank of Albania, there is no overlap or double counting with other loan categories.

⁷ According to the Bank of Albania, banks should categorize buy-to-let loans as second time buyer loans.

⁸ Defining loose lending standards depends on local market conditions, chosen definitions, and the use of exceeding quotas. An overview of limits applied in Europe is provided by the [ESRB](#), including [recent examples](#) such as Bulgaria (LTV: 85 percent, DSTI: 50 percent) and Croatia (LTV: 90 percent, DSTI: 45 percent for housing loans). BBMs were also recently changed in the [Republic of North Macedonia](#).

shall not exceed 30 years or the number of years until the borrower's retirement age, whichever is smaller.



5. The activation of BBMs is timely and limits risks to financial stability from loosening lending standards. Contrary to capital-based measures that strengthen banks' risk bearing capacity, BBMs address credit risks directly at loan origination by prohibiting certain borrowers with too little own funds and/or disposable income to become over-indebted. They also create buffers against potential subsequent price decreases (LTV) or losses of income (DSTI). Two other macroprudential tools are complementary: First, the existing recommendation on a maturity limit, as it hinders lowering the debt service by extending a loan's maturity and addresses lower income levels when borrowers reach retirement. Second, the active countercyclical capital buffer, as a recent [justification](#) by the BoA referred to "potential risks stemming from an overheating in the credit market and mainly of non-financial assets market."

6. The Bank of Albania should remain vigilant and adjust its policy stance on RRE-risks as needed. While BBMs fill a gap in the macroprudential toolkit and should be a permanent tool to avoid regular de- and re-activations, future reviews can be used for fine-tuning and to address potential circumventing actions. Lending standards and their evolution should be continuously

monitored with a focus on the right tail of distributions and whether banks issue a high share of loans just below BBM-limits. Also, buy-to-let loans, although a small RRE-segment, appear risky, while variable-rate and unhedged FX-loans need to be closely monitored.

7. CRE-lending should be analyzed in more detail and proactively addressed, especially if systemic risks were identified. Given the CRE-market's heterogeneity, this includes sectoral analyses (e.g. tourism), attention to collateral valuations and the development of price indices. Individual banks' risks should be addressed with microprudential tools, while potential systemic risks would call for macroprudential measures (e.g. a sectoral SyRB, higher risk weights or targeted BBMs).

Annex VII. Data Issues

Annex VII. Table 1. Albania: Data Adequacy Assessment for Surveillance

Data Adequacy Assessment Rating 1/							
B							
Questionnaire Results 2/							
Assessment	National Accounts	Prices	Government Finance Statistics	External Sector Statistics	Monetary and Financial Statistics	Inter-sectoral Consistency	Median Rating
	C	B	A	B	A	A	B
Detailed Questionnaire Results							
Data Quality Characteristics							
Coverage	C	B	C	A	A		
Granularity 3/	C		A	A	A		
			A		A		
Consistency			A	B		A	
Frequency and Timeliness	C	A	A	B	A		
<p>Note: When the questionnaire does not include a question on a specific dimension of data quality for a sector, the corresponding cell is blank.</p> <p>1/ The overall data adequacy assessment is based on staff's assessment of the adequacy of the country's data for conducting analysis and formulating policy advice, and takes into consideration country-specific characteristics.</p> <p>2/ The overall questionnaire assessment and the assessments for individual sectors reported in the heatmap are based on a standardized questionnaire and scoring system (see IMF <i>Review of the Framework for Data Adequacy Assessment for Surveillance</i>, January 2024, Appendix I).</p> <p>3/ The top cell for "Granularity" of Government Finance Statistics shows staff's assessment of the granularity of the reported government operations data, while the bottom cell shows that of public debt statistics. The top cell for "Granularity" of Monetary and Financial Statistics shows staff's assessment of the granularity of the reported Monetary and Financial Statistics data, while the bottom cell shows that of the Financial Soundness indicators.</p>							
A	The data provided to the Fund are adequate for surveillance.						
B	The data provided to the Fund have some shortcomings but are broadly adequate for surveillance.						
C	The data provided to the Fund have some shortcomings that somewhat hamper surveillance.						
D	The data provided to the Fund have serious shortcomings that significantly hamper surveillance.						
<p>Rationale for staff assessment. Data provided has some shortcomings but is broadly adequate for surveillance. The main shortcomings refer to the real sector statistics and weak inter-institutional cooperation between government agencies. Although national accounts compilation has been improving, quarterly GDP estimates are released with long lags of at least 90 days (occasionally more than 90 days, e.g. Q2:2024), and subject to large revisions with discrepancies between the GDP compilation by the expenditure and by the production approach. This discrepancy affects the calculation of the GDP deflator, which is further complicated by the lack of data on services prices. In addition, shortcomings in the monitoring of contingent liabilities stemming from SOEs and PPPs limit the visibility of fiscal risks. The authorities also continue to report budget outturns on a cash basis, rather than accrual basis for general government. Errors and omissions remain sizeable, averaging over 1 percent of GDP and external statistics are occasionally subject to nonnegligible revisions. Various shortcomings in the Labor Force Survey result in a lack of reliable income indicators, while data on poverty are available with a substantial lag, compared to other CESEE countries. Labor market statistics are also issued with a lag of 90 days, including availability of administrative data.</p>							
<p>Changes since the last Article IV consultation. The BoA has continued to collect real estate lending related indicators on RRE and CRE, and is in the process of refining the reporting and analysis of data. Authorities have recently rebenchmarked GDP data, but they should ensure timely revision of the full series. The authorities have improved the monitoring of the balance sheet of state-owned enterprises, partly through the application of the IMF's SOE Health-check Tool, as well as monitoring of PPPs.</p>							
<p>Corrective actions and capacity development priorities. The Albanian statistical institute (INSTAT) is working on tourism satellite accounts to better integrate granular tourism data into national accounts. In addition, technical assistance could help INSTAT improve the accuracy and timeliness of GDP statistics. The authorities would benefit from technical assistance in addressing the discrepancy between balance sheet data and monetary statistics concerning loans to nonfinancial corporations and households. With regards to residential real estate lending data, particular focus should be placed on the availability and quality of the debt service-to-income indicator. Regarding commercial real estate lending data, more granular sectoral data would be useful, while paying attention to collateral valuations and the development of price indices. Some commercial real estate lending indicators also display a high degree of volatility, which requires closer attention (interest and debt service coverage ratios).</p>							
<p>Use of data and/or estimates in Article IV consultations in lieu of official statistics available to staff. Staff do not use data and/or estimates different from official statistics.</p>							
<p>Other data gaps. There are some data gaps in the coverage of non-bank financial institutions (NBFIs). While monetary and financial statistics are adequate for surveillance, data collection from investment funds should be more frequent, to match their redemption profile.</p>							

Annex VII. Table 2. Albania: Data Standards Initiatives

Albania participates in the Enhanced General Data Dissemination System (e-GDDS) and publishes the data on its National Summary Data Page since June 2017.

Annex VII. Table 3. Albania: Table of Common Indicators Required for Surveillance
(As of December 3, 2025)

	Data Provision to the Fund				Publication under the Data Standards Initiatives through the National Summary Data Page			
	Date of Latest Observation	Date Received	Frequency of Data ⁵	Frequency of Reporting ⁶	Expected Frequency ^{6,7}	Albania ⁸	Expected Timeliness ^{6,7}	Albania ⁸
Exchange Rates	30-Nov-25	2-Dec-25	D	M	D	1M	...	1D
International Reserve Assets and Reserve Liabilities of the Monetary Authorities ¹	Oct-25	Nov-25	M	M	M	1M	1M	1M
Reserve/Base Money	Oct-25	Nov-25	M	M	M	1M	2M	15D
Broad Money	Oct-25	Nov-25	M	M	M	1M	1Q	1M
Central Bank Balance Sheet	Oct-25	Nov-25	M	M	M	1M	2M	15D
Consolidated Balance Sheet of the Banking System	Oct-25	Nov-25	M	M	M	1M	1Q	1M
Interest Rates ²	Oct-25	Nov-25	M	M	M	1M	...	1M
Consumer Price Index	Oct-25	Nov-25	M	M	M	1M	2M	8D
Revenue, Expenditure, Balance and Composition of Financing ³ —General Government ⁴	Oct-25	Nov-25	M	M	A	1M	3Q	2M
Revenue, Expenditure, Balance and Composition of Financing ³ —Central Government	Oct-25	Nov-25	M	M	Q	...	1Q	...
Stocks of Central Government and Central Government-Guaranteed Debt ⁵	2025Q3	Oct-25	Q	Q	Q	1M	2Q	2M
External Current Account Balance	2025Q2	Sep-25	Q	Q	Q	1Q	1Q	1Q
Exports and Imports of Goods and Services	2025Q3	Nov-25	Q	Q	Q	1Q	1Q	40D
GDP/GNP	2025Q2	Sep-25	Q	Q	Q	1Q	1Q	1Q
Gross External Debt	2025Q3	Oct-25	Q	Q	Q	1Q	2Q	1Q
International Investment Position	2025Q3	Oct-25	Q	Q	A	1Q	3Q	1Q

¹ Includes reserve assets pledged or otherwise encumbered, as well as net derivative positions.

² Both market-based and officially determined, including discount rates, money market rates, rates on treasury bills, notes and bonds.

³ Foreign, domestic bank, and domestic nonbank financing.

⁴ The general government consists of the central government (budgetary funds, extra budgetary funds, and social security funds) and state and local governments.

⁵ Including currency and maturity composition.

⁶ Frequency and timeliness: ("D") daily; ("W") weekly or with a lag of no more than one week after the reference date; ("M") monthly or with lag of no more than one month after the reference date; ("Q") quarterly or with lag of no more than one quarter after the reference date; ("A") annual; ("SA") semiannual; ("I") irregular; ("NA") not available or not applicable; and ("NLT") not later than.

⁷ Encouraged frequency of data and timeliness of reporting under the e-GDDS and required frequency of data and timeliness of reporting under the SDDS and SDDS Plus. Any flexibility options or transition plans used under the SDDS or SDDS Plus are not reflected. For those countries that do not participate in the IMF Data Standards Initiatives, the required frequency and timeliness under the SDDS are shown for New Zealand, and the encouraged frequency and timeliness under the e-GDDS are shown for Eritrea, Nauru, South Sudan, and Turkmenistan.

⁸ Based on the information from the Summary of Observance for SDDS and SDDS Plus participants, and the Summary of Dissemination Practices for e-GDDS participants, available from the IMF Dissemination Standards Bulletin Board (<https://dsbb.imf.org/>). For those countries that do not participate in the Data Standards Initiatives, as well as those that do have a National Data Summary Page, the entries are shown as "...".



ALBANIA

STAFF REPORT FOR THE 2025 ARTICLE IV CONSULTATION—INFORMATIONAL ANNEX

December 8, 2025

Prepared By

European Department in consultation with other
departments

CONTENTS

FUND RELATIONS _____ 2

RELATIONS WITH OTHER INTERNATIONAL FINANCIAL ORGANIZATIONS _____ 6

FUND RELATIONS

(As of November 30, 2025)

Membership Status: Joined October 15, 1991; Article VIII.

General Resources Account:	<u>SDR Million</u>	<u>Percent Quota</u>
Quota	139.30	100.00
IMF's Holdings of Currency	139.60	100.21
Reserve Tranche Position	26.00	18.67

SDR Department:	<u>SDR Million</u>	<u>Percent Allocation</u>
Net cumulative allocation	179.96	100.00
Holdings	204.92	113.87

Outstanding Purchases and Loans:	<u>SDR Million</u>	<u>Percent Quota</u>
Extended Arrangements	26.30	18.88

Latest Financial Commitments:				
<u>Type</u>	<u>Approval Date</u>	<u>Expiration Date</u>	<u>Amount Approved (SDR Million)</u>	<u>Amount Drawn (SDR Million)</u>
<i>Outright Loans</i>				
RFI	Apr. 10, 2020	Apr. 15, 2020	139.3	139.3
<i>Arrangements</i>				
EFF	Feb. 28, 2014	Feb. 24, 2017	295.42	295.42
ECF ¹	Feb. 1, 2006	Jan. 30, 2009	8.52	8.52
EFF	Feb. 1, 2006	Jan. 28, 2009	8.52	8.52

Projected Payments to Fund:

(SDR Million; based on existing use of resources and present holdings of SDRs)

			Forthcoming		
	2025	2026	2027	2028	2029
Principal	0	21.52	4.77		
Charges/Interest	0	0.53	0.05	0	0
Total	0	22.06	4.82	0	0

¹ Formerly PRGF.

Safeguards Assessments. The BoA made significant progress in addressing the 2022 safeguards assessment recommendations. The remaining recommendation to amend the BoA law remains on hold, pending potential requirements from Albania’s EU accession process.

Exchange Rate Arrangements: The *de jure* exchange rate system is classified as free floating. The *de facto* exchange rate arrangement has been reclassified as crawl-like (from floating), effective January 5, 2024, given (i) the monetary authorities sizable unscheduled intervention activity relative to the FX interbank market volume, and (ii) the exchange rate following an appreciating trend within a 2 percent band against the euro. Albania has accepted the obligations under Article VIII, Sections 2, 3, and 4, of the IMF’s Articles of Agreement but continues to maintain an exchange restriction in the form of outstanding debit balances on inoperative bilateral payment agreements with two IMF member countries. Those debit balances were in place before Albania became a Fund member in 1991 and relate to debt in nonconvertible and formerly nonconvertible currencies. Despite repeated efforts by the Albanian authorities, no agreement has been reached with the counterparties. The Albanian authorities notified the Fund of no further exchange rate restrictions introduced in accordance with Executive Board Decision No. 144 (52/51).

Article IV Consultation: Albania is on a 12-month cycle. The 2024 Article IV consultation was concluded on January 17, 2025 (IMF Country Report No. 2025/020).

Technical Assistance: The Fund, other multilateral organizations, and donors have provided extensive technical assistance for institutional development in Albania. The Fund has sent multiple technical assistance missions to Albania every year since 1991. The extent and focus of Fund TA since FY 2016 are briefly summarized below in Table 1.

FSAP Participation, ROSCs: The most recent FSAP was carried out in November 2013 (with a Board date of February 28, 2014). The next FSAP is scheduled to take place in 2026 as agreed with the authorities. A data module ROSC was published on the Fund’s website in June 2000. A fiscal ROSC was completed in June 2003. Albania participates in the enhanced General Data Dissemination System (e-GDDS), and a complete set of e-GDDS data with accompanying metadata for the external, financial, fiscal, and real sectors, as well as for the socio-demographic indicators, is posted on Albania’s National Summary Data Page, which can be found on the Fund’s Dissemination Standards Bulletin Board (<http://dsbb.imf.org>). A data module ROSC reassessment using the Data Quality Assessment Framework was conducted in March 2006.

Resident Representative: Mr. Sebastian Sosa from the regional office for the Western Balkans took his post on August 15, 2023 and oversees Albania’s local office.

Table 1. Albania: Technical Assistance Since FY2016

Department	Purpose	Date (V=Virtual)
FAD	Tax Administration	Multiple (nearly monthly) visits in 2018, February 2022, March 2022, June 2022 (TADAT), September 2022, November 2022, November 2023
	Revenue Administration	May 2021 (V), November 2021 (V), February 2022, March 2022, November 2022, May 2023, September 2023, November 2023, February 2024, April 2024, September 2024, September 2025
	Public Financial Management	March–April 2016, July 2016, September 2016, October 2016, March 2017, September 2017, October–November 2017 December 2018, April 2019, May 2019, June 2019, November 2019, May 2020 (V), June 2020 (V), December 2020 (V), May 2021 (V), September 2021 (V), October 2021 (V), November 2021 (V), February 2022, May 2022, October 2022, June 2023, October 2023, July 2024, October 2024
	Tax Policy	June 2015, September 2016, September 2017; October 2017, June 2018, September 2018, January 2021 (V), October 2021 (V), May 2022, April 2023, October 2023, April 2024, November 2024, January 2025
	Fiscal Transparency Evaluation	June 2015
	Public Investment Management	February 2022, May 2022, June 2022
LEG	Tax Law	March 2015, May 2015, June 2018, November–December 2018
	NPL Resolution	April 2015
	AML/CFT Laws Related to VA and VASPs	March 2021 (V), June 2021 (V)
	Public Investment Management (joint with FAD)	June 2022, July 2023
	Strengthening PPP Legal Framework	July 2023

Table 1. Albania: Technical Assistance Since FY2016 (concluded)

Department	Purpose	Date (V=Virtual)
MCM	NPL Resolution	November 2015
	Central Bank Accounting and Official Foreign Exchange Transactions	October 2018
	Banking Supervision and Regulation	July 2015, May 2018
	Long-Term Resident Advisor on Monetary Policy	September 2015-August 2018
	Financial management and accounting policy framework	September 2018
	Monetary Policy Design and Implementation	January 2016, September 2016, December 2016, February 2017, September 2017, September 2018
	Long-Term Resident Advisor on Banking Supervision and Financial Stability	September 2017-July 2020
	Foreign Exchange Market Development	December 2019
	Cash, debt and liquidity management (joint with FAD)	June 2020
	Crypto Asset Regulatory Framework	May 2021 (V)
	Risks Management Framework for Investment Funds	June 2022
	Annual Borrowing Plan	October 2022
	IFRS 9 Implementation and capital structure review	February 2017, January 2018, November 2018, October 2025
	Regulatory Framework for Investment Funds	June 2022
	Application of IFRS and Revaluation of Reserves	October 2023
	Strengthening Supervision of E-Money Institutions	March 2024
	Local Bond Market Development	November 2025
STA	External Sector Statistics	January 2016, April–May 2017
	Government Finance Statistics	May 2015, May–June 2016, November 2016, May 2017, June 2017, September 2017, April 2018, May 2018, November 2018, April 2019, May 2019, June 2019, July 2020 (V), June 2021 (V), Sept–Oct 2021 (V), March, May, 2022
	National Accounts Statistics	May 2015, April 2017, September 2017, March 2018, November 2019
	Enhanced General Data Dissemination System	April 2017
	Monetary and Financial Statistics	July 2017, April 2019

RELATIONS WITH OTHER INTERNATIONAL FINANCIAL ORGANIZATIONS

Albania collaborates with the World Bank Group, the European Bank for Reconstruction and Development (EBRD), the European Investment Bank (EIB), and the Council of Europe Development Bank. Further information can be obtained from the following hyperlinks.

World Bank Group (<https://www.worldbank.org/en/country/albania>)

European Bank for Reconstruction and Development (<https://www.ebrd.com/albania.html>)

European Investment Bank (<http://www.eib.org/en/projects/regions/enlargement/the-western-balkans/albania/index.htm>)

Council of Europe Development Bank (<https://coebank.org/en/about/member-countries/albania/>)