MOODY'S
RATINGS

Rating Action: Moody's Ratings changes Albania's outlook to positive from stable, affirms Ba3 ratings

18 Sep 2026

London, September 18, 2026 -- Moody's Ratings (Moody's) has today changed the outlook on the Government of Albania to positive from stable and has affirmed the long-term foreign and local currency issuer ratings and foreign currency senior unsecured ratings at Ba3.

The outlook change to positive reflects the strengthening of Albania's fiscal and external positions, which — if maintained — will improve the country's shock absorption capacity. The positive outlook also reflects the recently accelerated momentum in implementing structural reforms in the context of Albania's accession process to the European Union (EU, Aaa stable). Continued reform momentum would support a strengthening of Albania's institutional profile, including public administration efficiency, fiscal policy effectiveness, and stronger rule of law.

The affirmation of Albania's Ba3 ratings reflects solid growth performance and moderate public debt levels. Institutions have already started to strengthen under the EU accession process but shortcomings in the rule of law and control of corruption persist. Furthermore, comparatively large gross borrowing requirements, and banking sector risks related to rapid house price increases expose Albania to potential sudden shocks.

The local currency country ceiling remains at Baa2. The four-notch gap with the sovereign rating reflects predictable institutions, a contained government footprint in the economy and financial system, manageable political risk, and moderate external imbalances. The foreign currency country ceiling stands at Ba1. The two-notch gap to the local currency ceiling reflects improving policy effectiveness, albeit from a relatively low base, and moderate external indebtedness.

RATINGS RATIONALE

STRENGTHENING OF FISCAL AND EXTERNAL POSITIONS SUPPORTS SHOCK ABSORPTION CAPACITY

The authorities have established a track record of fiscal discipline and public finances have progressively strengthened. Albania recorded small primary surpluses in each of the past three years following the introduction of a fiscal rule requiring the maintenance of a non-negative primary balance. Solid revenue performance and lower-than-planned capital spending led to a lower than budgeted fiscal deficit of 1.8% of GDP in 2025. We project the fiscal deficit to average 2.3% of GDP in 2026 and 2027, mainly reflecting higher capital expenditure, before gradually declining towards around 1.6% of GDP in 2030.

Supported by robust economic growth, and contained fiscal deficits we project a continued gradual decline in general government debt reaching 50.2% of GDP in 2027, down from 52.9% at end-2025. The improvement in debt metrics is underpinned by fiscal reforms, including the implementation of the Medium-Term Revenue Strategy (MTRS) in 2025, enhancements in public investment management, and adherence to the fiscal rules which require a reduction in general government debt until it reaches 45% of GDP.

Albania's external position strengthened markedly in 2025, with the current account deficit narrowing to a record low of 0.7% of GDP from 2.4% in 2024. The improvement was driven by a smaller merchandise trade deficit and a stronger services surplus, reflecting continued robust growth in tourism-related exports. The strengthening trend has continued into 2026 despite the energy price shock emanating from the Middle East conflict. We expect the current account deficit to remain low, averaging around 1% of GDP in 2026-27, supported by strong tourism receipts, and resilient remittance inflows.

External resilience is further supported by strong foreign direct investment (FDI) inflows and a robust reserve position. Net FDI inflows remained substantial at around 5% of GDP in 2025 and in the first quarter of 2026, continuing to more than fully finance the current account deficit. Foreign exchange reserves have progressively increased, standing at around €7.9 billion in June 2026, equivalent to well above seven months of imports, providing a significant buffer against external shocks.

ACCELERATED REFORM MOMENTUM COULD LEAD TO FURTHER INSTITUTIONAL IMPROVEMENTS

While Albania started the EU accession process from a weaker position than some regional peers, it has built significant reform momentum since the opening of accession negotiations in 2022. In May 2026, Albania achieved a key milestone when the EU determined that the country had met the interim benchmarks under the Fundamentals cluster, covering democratic institutions, public administration reform, the rule of law and economic criteria. This development enables Albania to begin closing negotiating chapters and reinforces the role of the accession process as a key anchor for continued institutional improvements.

Albania will also continue to benefit from EU funding through both pre-accession instruments and the New Growth Plan for the Western Balkans, which support the implementation of reforms linked to the accession process. Albania's indicative allocation under the plan amounts to €922.1 million (3.2% of 2025 GDP) for 2024-27, with disbursements tied to the achievement of agreed reform milestones.

Despite a deepening divide between the ruling and opposition parties and recent public protests, we expect continued cross-party cooperation on EU accession-related reforms.

Continued reform progress under the accession framework, supported by EU-linked funding, has the potential to further strengthen Albania's institutional and governance profile, even if we expect the path to full membership to prove longer than currently envisaged by the authorities.

RATIONALE FOR THE AFFIRMATION OF THE Ba3 RATINGS

The affirmation of Albania's ratings reflects the economy's resilience to a series of shocks in recent years and our expectation that medium-term growth will remain solid.

We project real GDP growth of 3.6% in 2026 and 3.5% in 2027, representing only a modest deceleration from 2025. Over the medium term, tourism will remain an important driver of growth, although expansion in the sector is likely to moderate as the industry matures. Albania's economy has thus far proven resilient to the effects of the conflict in the Middle East, reflecting its almost exclusive reliance on renewable electricity generation, primarily hydropower and, increasingly, solar power. At the same time, the economy's small size and limited diversification continue to constrain our assessment of economic strength.

Moderate government debt levels are balanced against fiscal risks stemming from contingent liabilities, including those related to the electricity sector and public-private partnerships. Social and defence spending pressures persist, while rising age-related costs are expected to intensify over the medium term.

While we expect the accession process to remain a catalyst for further reforms over the coming years, important implementation challenges remain, including further strengthening the rule of law, safeguarding the independence and effectiveness of the judicial system, and sustaining progress in combating corruption and organised crime.

Albania's susceptibility to event risk remains primarily driven by government liquidity and banking sector risks. Government liquidity risks reflect relatively large gross borrowing requirements of around 16% of GDP in 2026-27, which are, however, mitigated by access to financing from the EU and international financial institutions, proactive debt management, and a stable domestic funding base. The banking sector's health is supported by adequate capitalization, sound liquidity, and broadly stable asset quality, although significant euroization and rapid growth in lending to the real estate sector pose risks.

ENVIRONMENTAL, SOCIAL, GOVERNANCE (ESG) CONSIDERATIONS

Albania's CIS-4 indicates the credit rating is lower than it would have been if ESG risk exposures did not exist, predominantly reflecting social pressures related to the country's unfavourable demographics, given high emigration and an aging population, which will weigh on trend growth over the long term. Exposure to environmental risks include climate-related pressures given its significant economic reliance on the agriculture and tourism sectors, while drought-related electricity shortages are to some degree mitigated by power sector reforms and energy diversification. Albania's governance profile remains moderately weak, although it is likely to strengthen as reforms related to the EU accession negotiations progress.

GDP per capita (PPP basis, US$): 23,498 (2025) (also known as Per Capita Income)

Real GDP growth (% change): 3.7% (2025) (also known as GDP Growth)

Inflation Rate (CPI, % change Dec/Dec): 2.3% (2025)

Gen. Gov. Financial Balance/GDP: -1.8% (2025) (also known as Fiscal Balance)

Current Account Balance/GDP: -0.7% (2025) (also known as External Balance)

External debt/GDP: 39.6% (2025)

Economic resiliency: ba1

Default history: At least one default event (on bonds and/or loans) has been recorded since 1983.

On 15 September 2026, a rating committee was called to discuss the rating of Albania, Government of. The main points raised during the discussion were: The issuer's economic fundamentals, including its economic strength, have not materially changed. The issuer's institutions and governance strength, have not materially changed. The issuer's fiscal or financial strength, including its debt profile, have not materially changed. The issuer's susceptibility to event risks has not materially changed.

FACTORS THAT COULD LEAD TO AN UPGRADE OR DOWNGRADE OF THE RATINGS

An upgrade would likely result from increasing confidence that Albania's strengthening fiscal and external positions are translating into durable improvements in shock absorption capacity. Further progress under the EU accession process that delivers improvements in addressing shortcomings in the rule of law and control of corruption would provide additional support, while the preservation of financial sector stability would remain supportive of the rating.

The positive outlook could be revised to stable if momentum in strengthening Albania's fiscal or external positions were to weaken. Slower than anticipated reform progress under the EU accession process, or evidence that accession-related reforms are not being effectively implemented, would also be credit negative. Downward rating pressure would arise if weaker growth or fiscal performance resulted in a sustained increase in government debt, or if government liquidity risks increased materially. A significant weakening in banking sector fundamentals would also be credit negative.

The principal methodology used in these ratings was Sovereigns published in May 2026 and available at https://ratings.moodys.com/rmc-documents/466021. Alternatively, please see the Rating Methodologies page on https://ratings.moodys.com for a copy of this methodology.

The weighting of all rating factors is described in the methodology used in this credit rating action, if applicable.

Albania's final economic strength score of "ba1" is below the initial score of "baa3" due to its more limited economic diversification and narrower export base compared to peers with a similar economic strength score. Albania's "baa2" final fiscal strength score is below the initial score of "baa1" to reflect potential risks arising from contingent liabilities mainly from state-owned enterprises and public-private partnerships (PPP) to scale up investment. As a consequence of these adjustments, the final-scorecard-indicated outcome range of "Ba1-Ba3" is below the initial scorecard-indicated outcome range of "Baa2-Ba1". The assigned rating is within the final-scorecard-indicated outcome range.

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