Bank of Albania

GROSS EXTERNAL DEBT ANALYSIS 2025

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APRIL 2026

C O N T E N T

MAIN CONCLUSIONS

At the end of 2025, Albania's gross external debt stock stood at 37.9% of GDP. The ratio is around 2.7 percentage points lower from the end of 2024. Its decline reflects the increase of nominal GDP and the strengthening of the lek exchange rate. The debt stock increased by 1.1%, driven by the higher private sector's debt. Broken down by maturity, long-term debt accounts for around 89.5% of total, while short-term debt accounts for around 10.5%. Net external debt ratio to GDP is estimated at -7.9%, [1], down by 4.3 percentage points from a year earlier.

In 2025, the indicators of the external debt long-term repaying capacities have continued to improve. The growth in exports and fiscal revenues has mainly underpinned this development. Hence, the ratio of gross external debt to the annual export of goods and services was estimated at 90.8%, from 97.2% as at end of 2024. Also, the ratio of external debt to fiscal revenues fell to 133.2%, from 142.4% a year earlier. The ratio of general government stock to fiscal revenues dropped to 59.0%, from 65.5% a year earlier.

The indicators of the adequacy of liquidity show improving trends as well. The foreign exchange reserve stock covers around 446% of short-term external debt at the end of 2025, showing an adequacy in meeting the short-term liabilities[2].

1. GROSS EXTERNAL DEBT ANALYSIS[3]

A) EXTERNAL DEBT BY SECTORS

At the end of 2025, Albania's gross external debt stock totalled EUR 10,276.0 million, up by around 1.1%. The private sector underpinned the expansion of the stock. The private sector's debt stock expanded by 4.7%, thus contributing by 2.4 percentage points in the general increase in the total external debt.

The private sector's debt stock expanded on the back of the increased stock of deposit-taking corporations (except of the central bank). The stock of deposit-taking corporations amounted to EUR 2.398,2 million, up by 15.6%. The stock was estimated at 8.8% of nominal GDP, around 0.6 percentage points higher yoy. By instrument, the expansion of relevant stock was driven by liabilities in the form of "non-residents deposits".

On the contrary, private debt of other sectors, and of foreign direct investments inter-company lending reduced compared to the end of 2024. Other sectors stock was EUR 1,497.0 million - reducing by 3.3%. The stock to nominal GDP ratio was assessed at 5.5%, or around 0.7 percentage points lower.

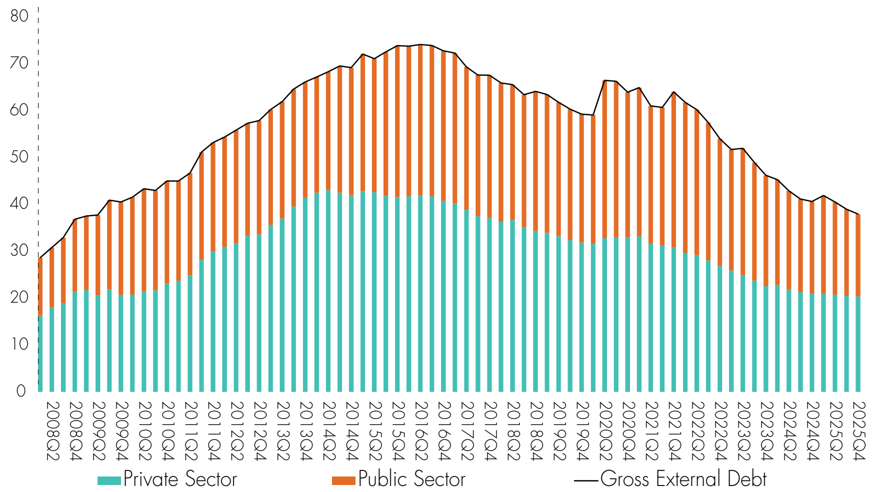
[1] The negative values of net external debt imply that the level of domestic assets is higher than the gross external debt.

[2] Short-term debt stock used in this report includes the debt of "General Government" by remaining maturity.

[3] The external debt data that were applied in this analysis belong to 2025 Q4.

The stock of foreign direct investments inter-company lending registered EUR 1,626.7 million, down by around 1.4%. The stock to nominal GDP ratio was assessed at 6.0%, around 0.6 percentage points lower.

Chart 1 Gross external debt by sectors (% of nominal GDP)

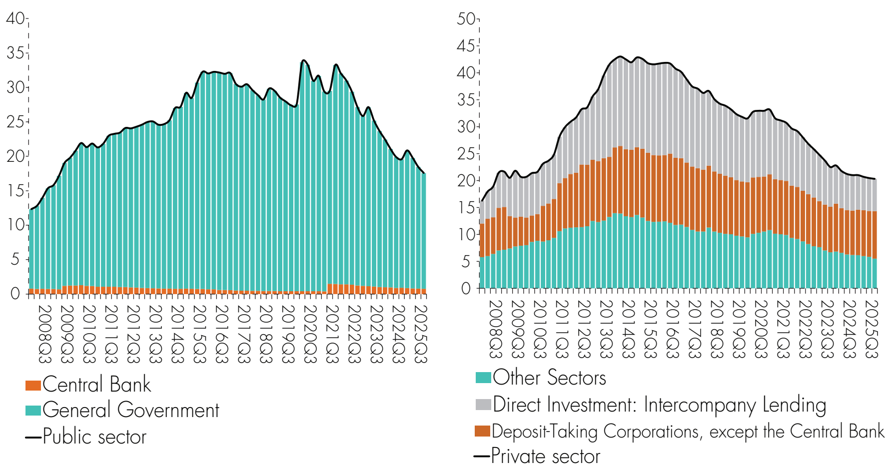


Source: Bank of Albania.

The public sector's debt stock (except of the guaranteed debt included in other sectors) reduced by 2.8% and contributed by -1.3 percentage points in the annual growth of the gross external debt. The decline in public debt stock is primarily related to the fall in liabilities of the "General Government". This stock reduced by 2.6%. The stock to nominal GDP ratio was estimated at 16.8%, 1.9 percentage points lower. By instrument, liabilities in the form of loans have decreased. On the contrary, liabilities in the form of "treasury bills and bonds" have increased.

The debt stock of Monetary Authority to GDP has narrowed by 6.8%. The stock to nominal GDP ratio stood at 0.8%, around 0.1 percentage point lower.

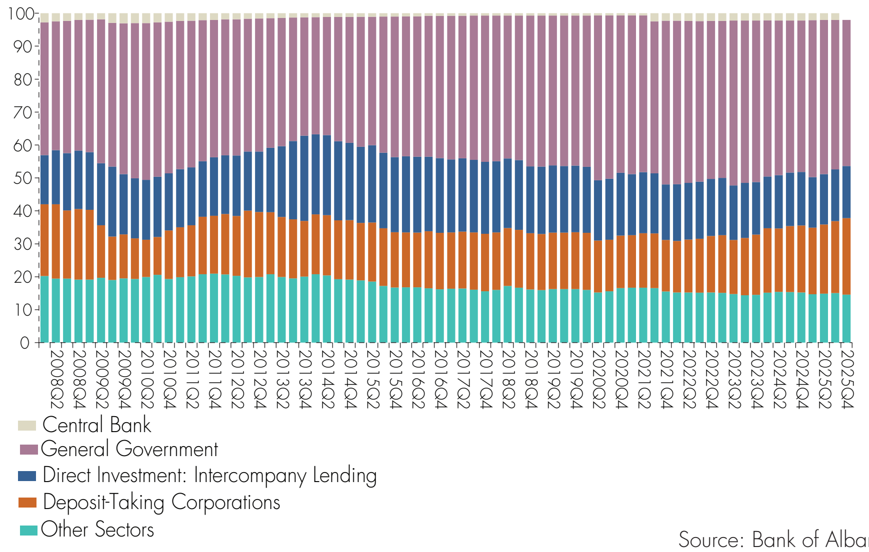
Chart 2 Disaggregated public and private sectors debt (in % of nominal GDP)



Source: Bank of Albania.

In a more detailed sector breakdown, the "General Government" has the main share in the external debt (around 44.3%). The rest of the debt stock has been allocated between deposit-taking corporations (except of the central bank) 23.3%, other sectors of the economy 14.6%, FDIs (intercompany lending) 15.8%, and the monetary authority 2.1%.

Chart 3 Share of sectors in total external debt stock



Source: Bank of Albania.

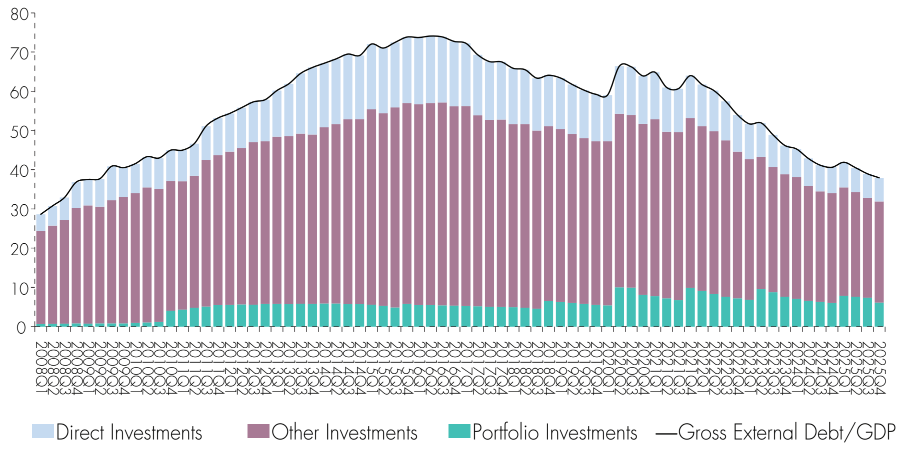
B) EXTERNAL DEBT BY INSTRUMENTS USED

Broken-down by instruments used, investments in the form of loans, currency and deposits and trade credit have the main share to the total external debt stock[4], by around 68.0% of the total (25.8% of nominal GDP). This ratio is 2.2 percentage points lower than a year earlier. Loans have the main share within this item Loans and non-resident deposits have the main share within this item.

The share of "portfolio liabilities" expanded due to the issuance of Eurobond in the first quarter of the previous year. This category accounted for around 16.2% of the total external debt, up by 1.4 percentage points. The share of FDIs stock - intercompany lending reduced by 0.4 percentage points.

[4] *Grouped in the "other investments" category.*

Chart 4 Gross external debt by instruments (as a ratio to GDP, in %)



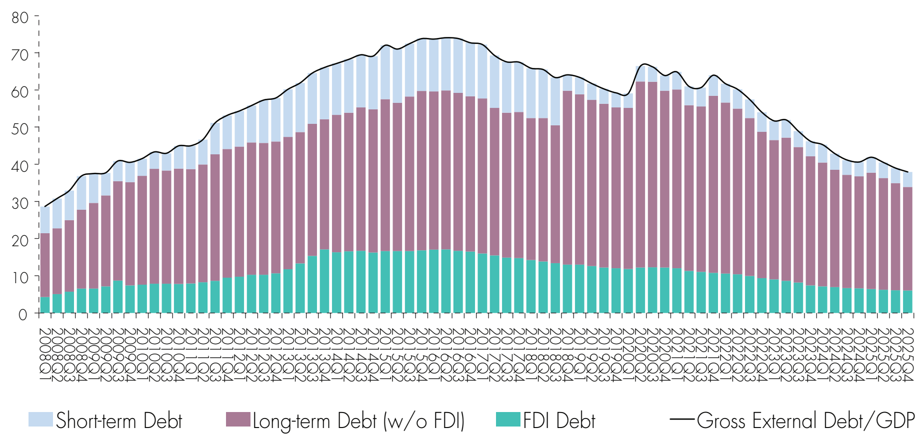
Source: Bank of Albania.

C) EXTERNAL DEBT BY MATURITY

By maturity, the external debt stock is mainly composed by long-term debt (which methodologically includes FDIs) accounting for around 89.5% of the total.

At the end of 2025, short-term debt amounted to around EUR 1082.1 million, expanding by 12.1%. The expansion of the short-term debt stock was mainly driven by the increase in "commercial lending" and "currency and deposits". Short-term debt is estimated at 4.0% of nominal GDP, up by 0.1 percentage point.

Chart 5 Classification of debt stock by maturity (in % of nominal GDP)



Source: Bank of Albania.

2. EXTERNAL DEBT SUSTAINABILITY INDICATORS

The monitoring of the gross external debt sustainability over time is based on two categories: (a) indicators that measure a country's continuous and uninterrupted repayment capacity to its international lenders[5]; (b) indicators that measure the adequacy of liquidity in case of obligation to repay short-term liabilities[6]. Table 2 displays a historical summary of these indicators.

Table 2 Indicators of repayment capacity and indicators of the adequacy of liquidity over the years

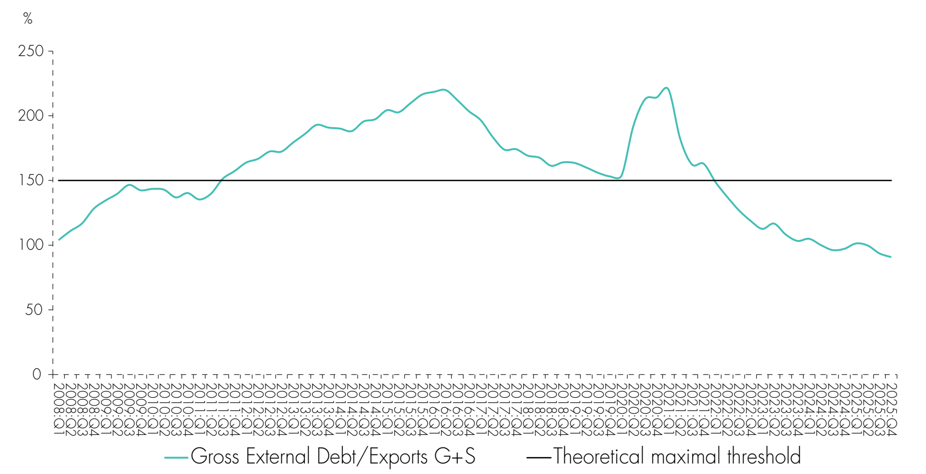
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Repayment capacity indicators											
Gross external debt/Exports (goods and services)	216.5	203.5	174.2	164.0	153.2	214.3	163.0	118.9	103.3	97.2	90.8
Gross external debt/Fiscal revenues	281.3	266.0	247.8	236.9	220.3	243.0	230.5	198.7	163.0	142.4	133.2
Central government gross external debt/Fiscal revenues	120.1	114.8	110.0	108.6	100.4	116.1	114.5	95.4	80.0	65.5	59.0
Liquidity adequacy indicators											
Net external debt/GDP	24.8	21.9	19.9	16.3	13.6	13.2	9.5	7.6	0.6	-3.6	-7.9
Net external debt/Exports (goods and services)	72.8	61.4	51.4	41.6	35.3	44.3	24.3	16.8	1.3	-8.6	-18.8
External debt service/Exports (goods and services)*	10.6	9.4	8.6	9.9	9.9	13.1	9.4	10.3	8.5	9.4	6.2
External debt service/New debt disbursements*	67.4	88.6	82.9	123.7	129.5	109.8	84.6	147.6	241.0	164.0	159.3

Source: Bank of Albania, Ministry of Finance.
** Annual cumulative average*

A) INDICATORS OF REPAYMENT CAPACITY

Long-term repayment capacity continued to improve during 2025. The improved economic activity, reflected in the form of increased exports and fiscal revenues, has given the main impact in this regard.

Chart 6 Gross external debt to exports of goods and services

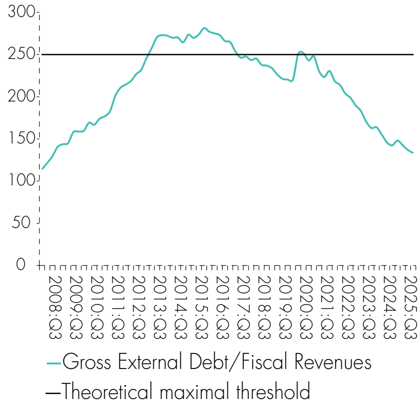


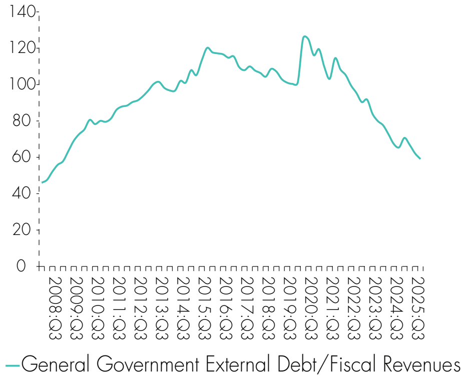
Source: Bank of Albania.

[5] *Mainly expressed as "general debt" and "general government" debt ratio to "export of goods and services" and to "fiscal income.*
[6] *Indicators of "net debt" and of "debt servicing" to "export of goods and services"; "international reserve" ratio to "short-term debt.*

Hence, gross external debt ratio to the export of goods and services stood at 90.8%, down by 6.5 percentage points. The ratio of gross external debt to fiscal revenues fell to 133.2%, reducing by 9.2 percentage points. Also, the ratio of the "General Government" stock to fiscal revenues decreased to 59.0%, down by 6.4 percentage points.

Chart 7 Gross external debt (left) and central government's gross external debt (right) against fiscal revenues as annual flow



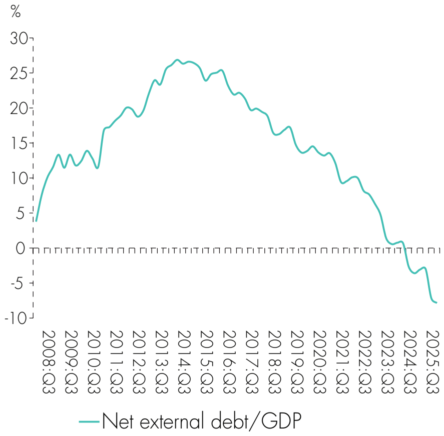


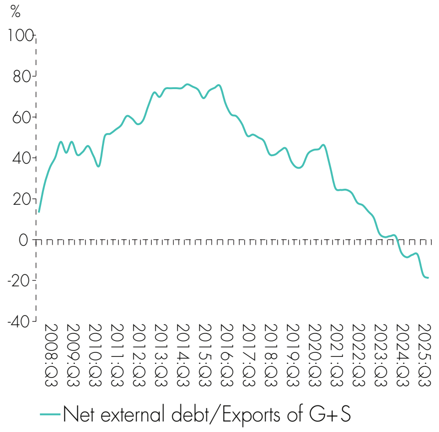
Source: Bank of Albania, Ministry of Finance.

B) LIQUIDITY ADEQUACY INDICATORS

Liquidity adequacy indicators also reflect an improvement. Thus, the net debt stock to nominal GDP ratio decreased at -7.9%, 4.3 percentage points lower. Also, the ratio of net debt to exports stood at -18.8%, down by 10.2 percentage points. Negative net external debt indicates that residents' foreign-currency-denominated external assets exceed gross external debt liabilities. This position has persisted since the third quarter of 2024.

Chart 8 Net external debt to nominal GDP (left) and to exports of goods and services (right)

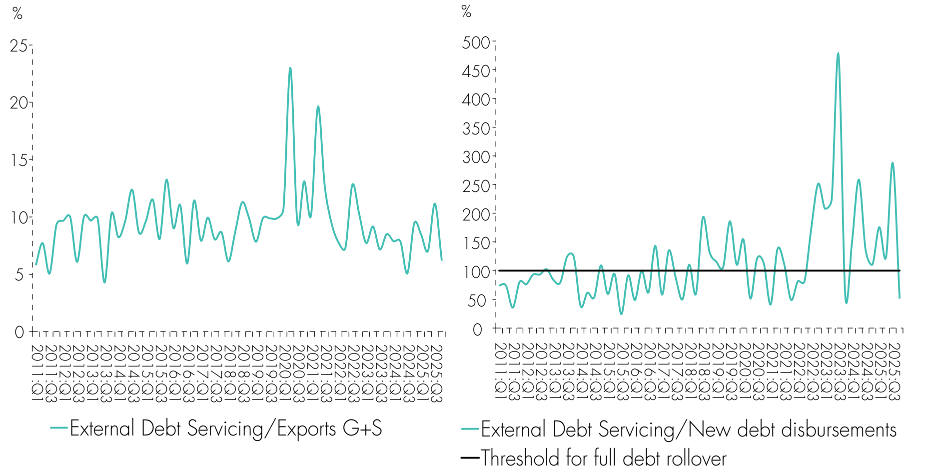




Source: Bank of Albania, INSTAT.

In terms of debt servicing, indicators point to low pressures. The ratio of external debt servicing to the export of goods and services fell to 6.2% at the end of 2025, down by 3.3 percentage points. Also, the ratio of external debt replacement[7] stood at 159.3%, down from 164.0% at the end of 2024.

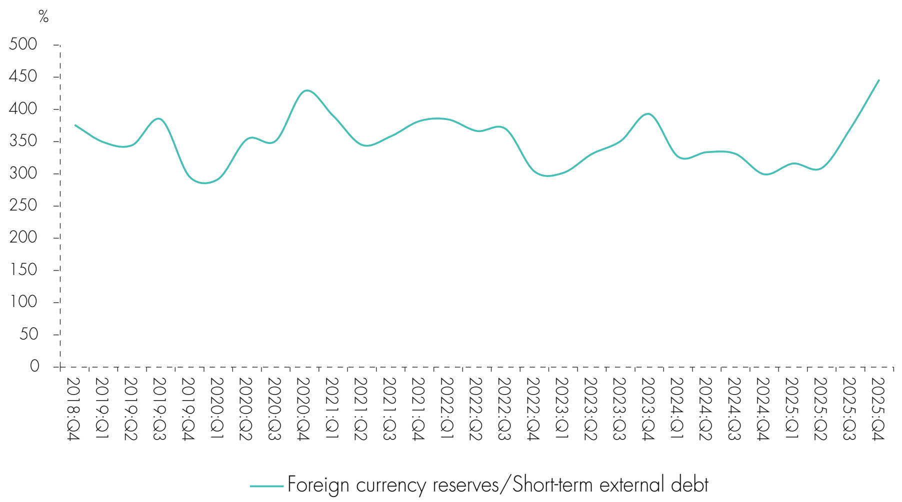
Chart 9 Ratio of external debt service to export of goods and services (left) and new debt disbursements (right)



Source: Bank of Albania.

Last, data on foreign exchange reserve stock show adequacy in terms of covering the short-term liabilities. In calculating this ratio, the external debt of "General Government" is added to the short-term debt of private sector discussed earlier. As at end of 2025, this ratio stands at 446.3%, around 147 percentage points higher compared with the end of 2024, and notably the critical threshold of 100%.

Chart 10 Foreign exchange reserve stock to short-term gross external debt



Source: Bank of Albania.

[7] *The indicator of external debt amortization to new debt disbursements measures the extent of debt roll-over. For this indicator, the ratio below 100% indicates a more accelerated new external debt disbursements compared to repayments for its amortization.*