

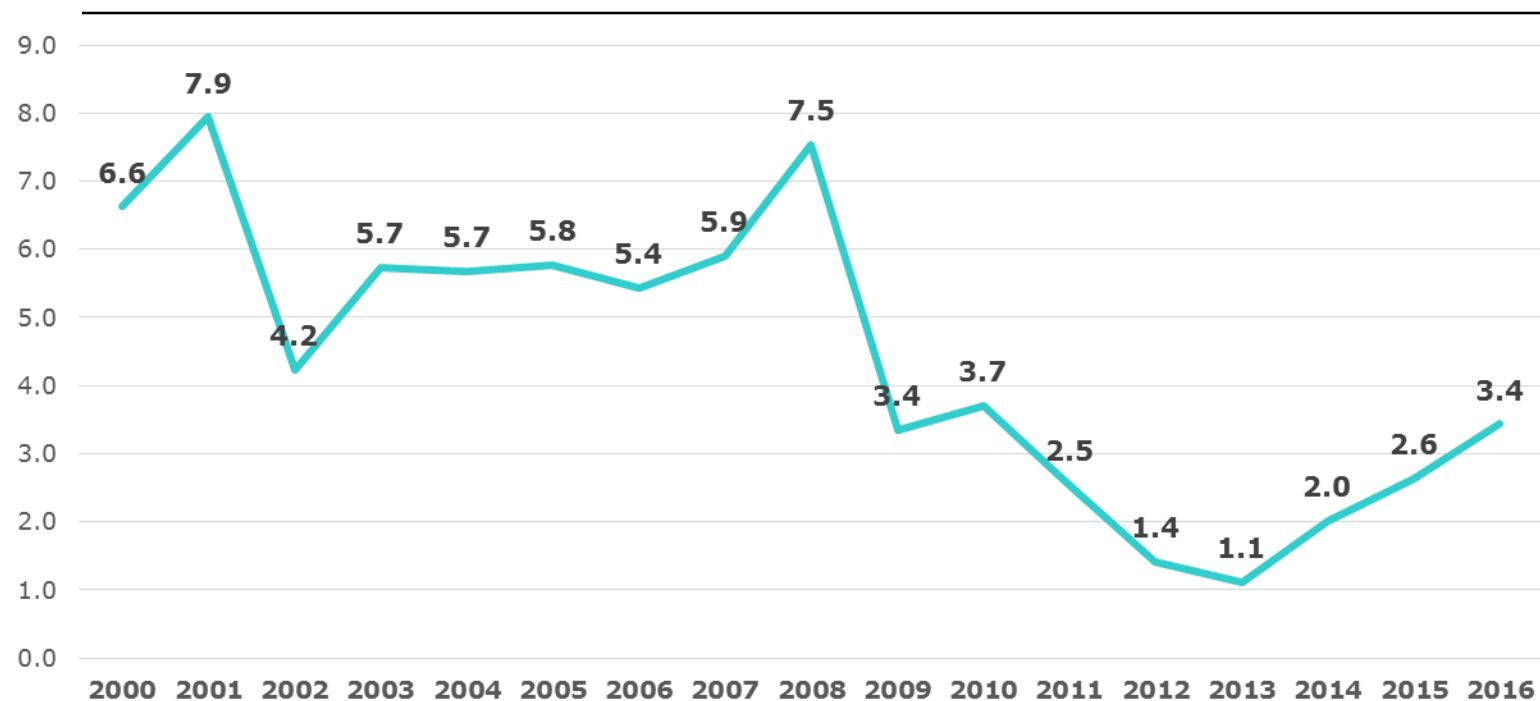
AN OVERVIEW ON ALBANIAN ECONOMIC DEVELOPMENT INDICATORS

*Secretariat of Albania Investment Council,
June 2017*

Note: This Material is a summary of some of the main indicators and does not represent the opinions and views of the Secretariat or the Investment Council.

Data used in the presentation have been generated from the databases of the official websites of Albania Institute of Statistics, Bank of Albania, World Bank, International Monetary Fund, etc.

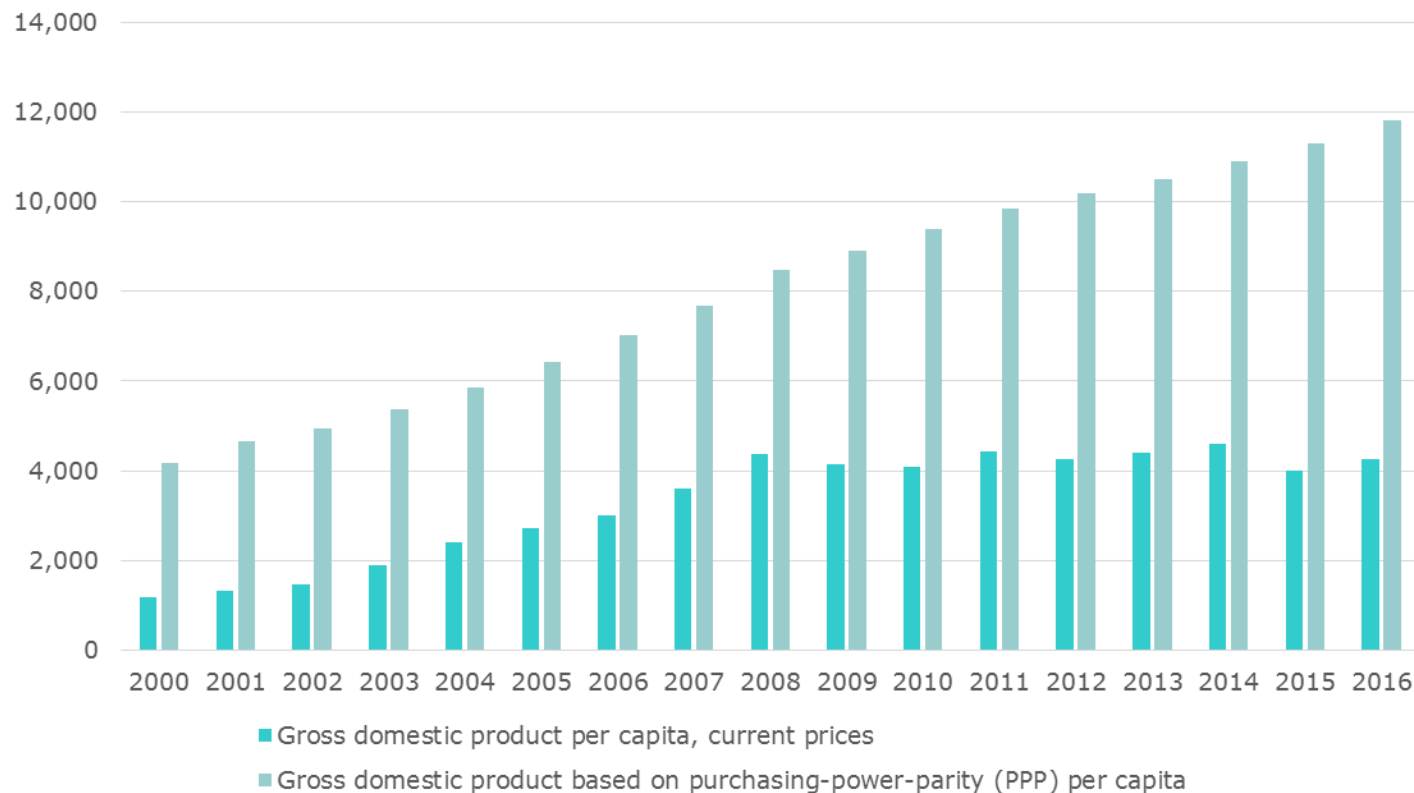
Economic Growth in Years



Source: IMF International Monetary Fund, World Economic Outlook Database, April 2016. After 2012 the values are estimations.

After a steady growth at average rate of 6% for 2000 – 2008, Albania felt the impact of the global financial crises with a declining growth rate, expected to recover by 2015 and on. Albanian Government (Macro-Economic Fiscal Framework 2015-2017) and IMF foresees an economic growth of 3.4% for 2016.

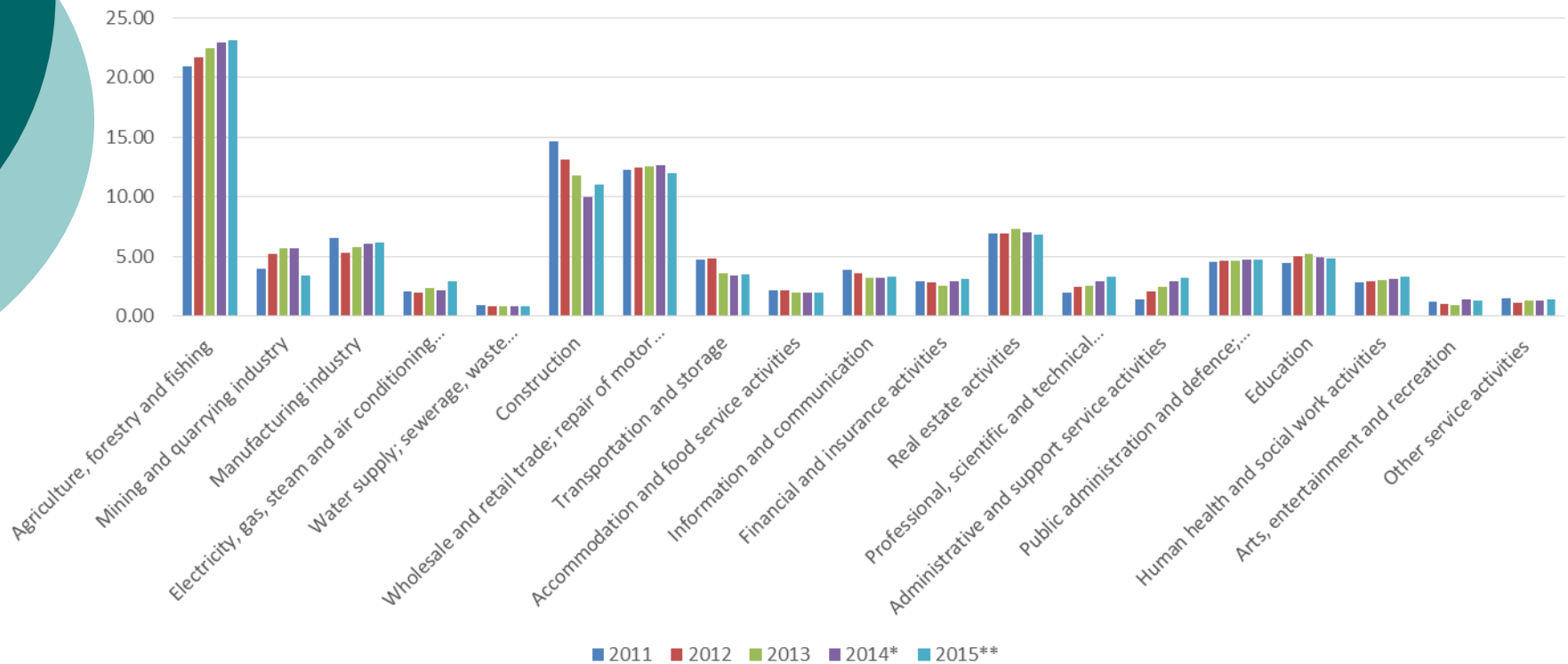
Gross Domestic Product per Capita



Source: IMF International Monetary Fund, World Economic Outlook Database, April 2016. After 2012, the values are estimations.

The 2016 GDP per capita per Albania is estimated to reach 4523 in current USD or 11822 USD based on purchasing power parity (PPP).

Sectors Contribution to Economic Growth (in %)



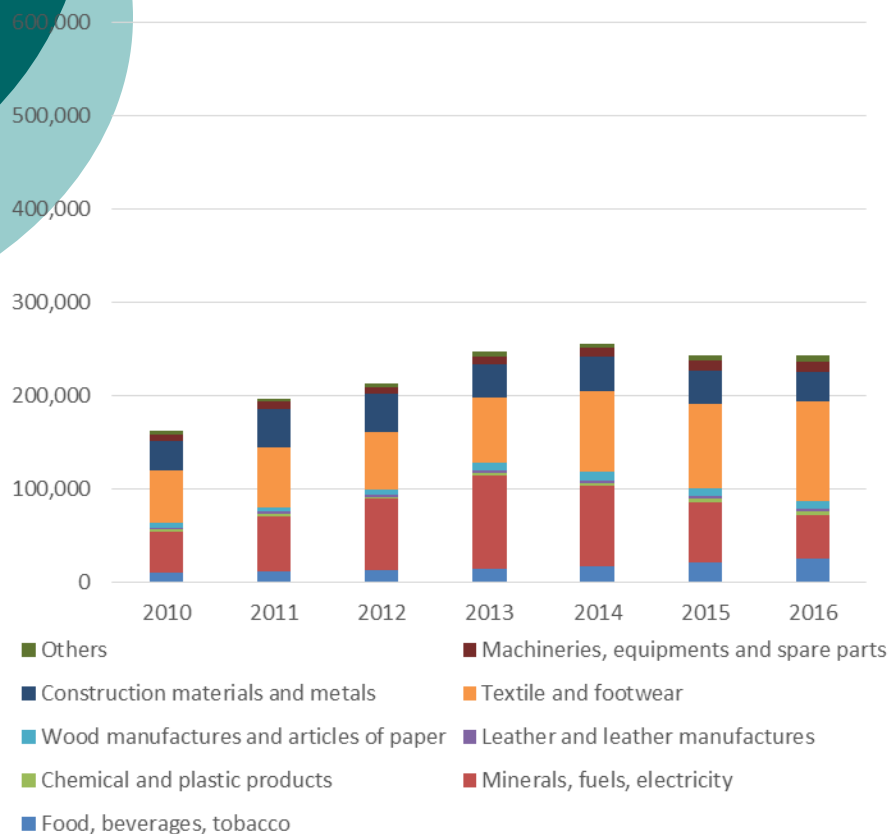
Source: INSTAT, December 2016 Annual National Accounts (Production Methods), * final and ** preliminary

Albanian economy is mainly driven by services (contributing in total to approx. 63%), agriculture (approx. at 20%), construction (approx. at 10%) and industry (modest contribution of both extracting and processing at 10%). Sectors which experienced a slight increase for 2015 have been agriculture and construction.

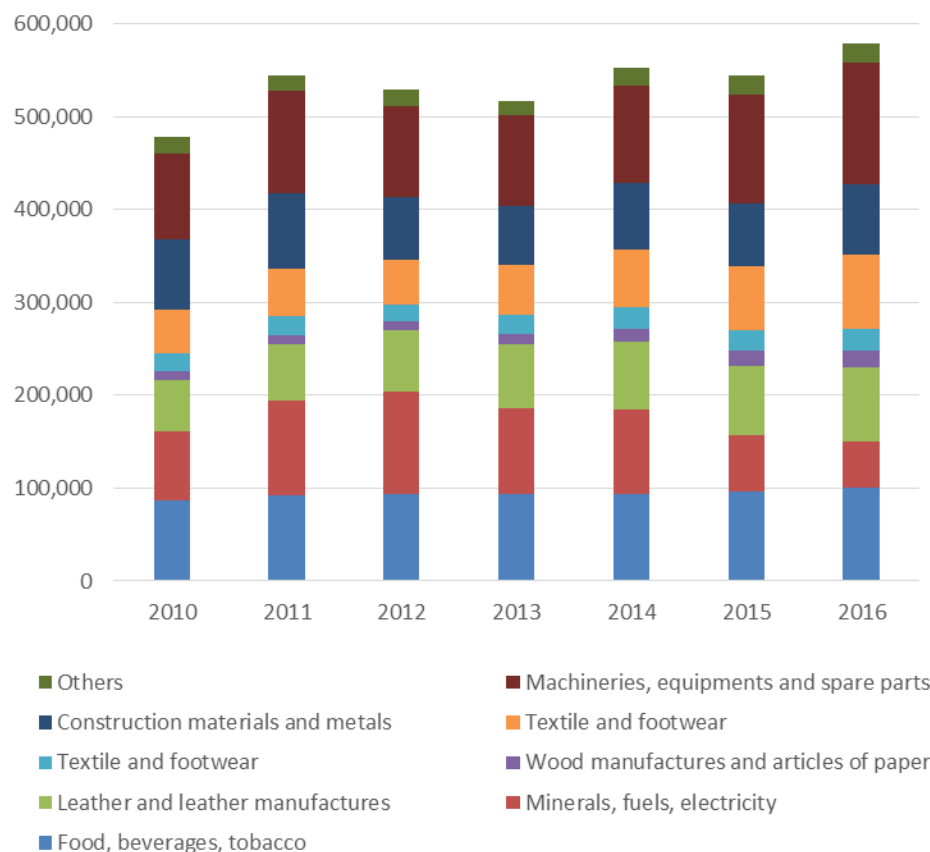
Albanian Exports and Imports as per group of commodities in years (million ALL)

Source: INSTAT, Foreign Trade according commodities 1993- 2015

Exports

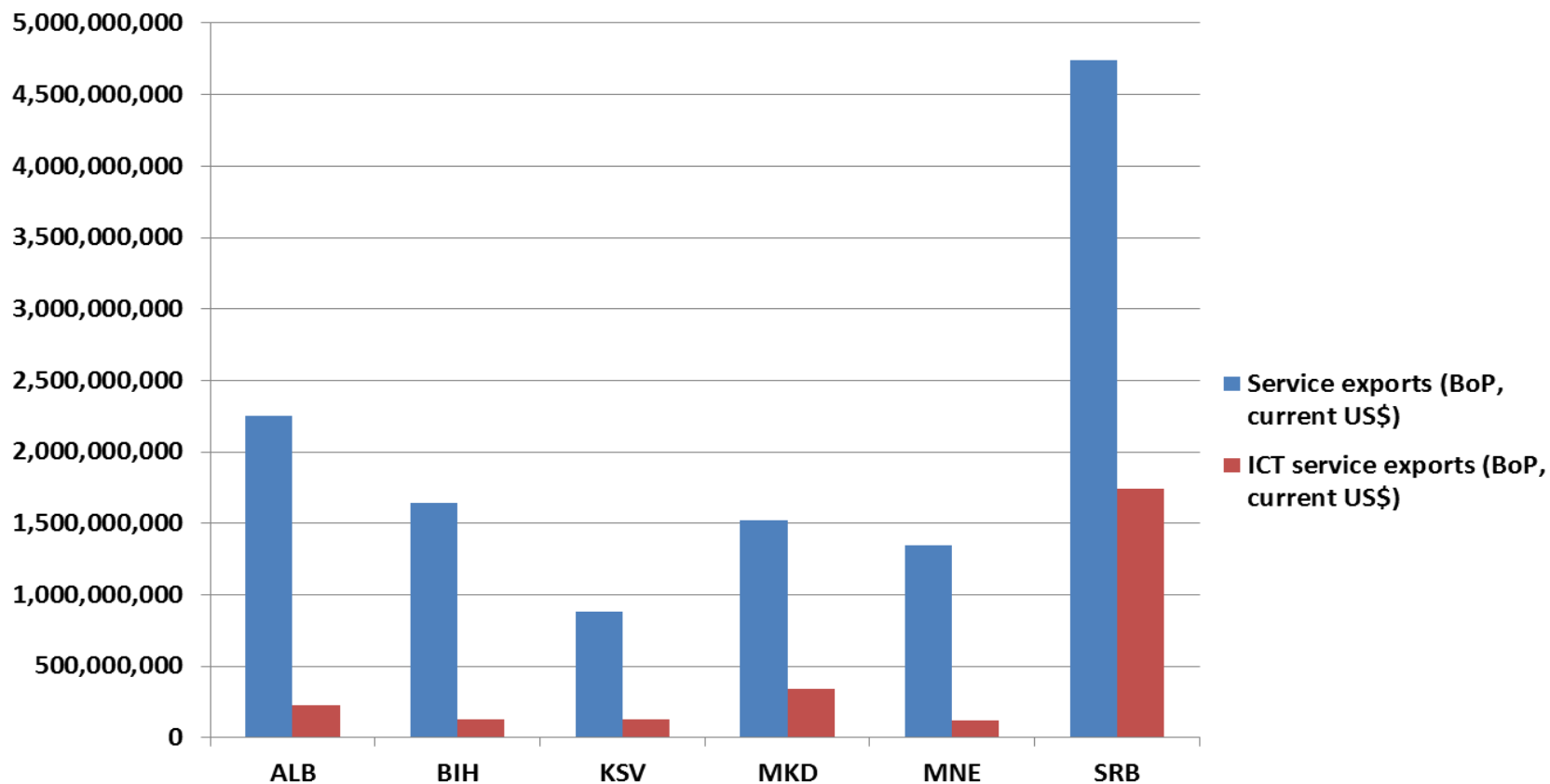


Imports



Exports are oriented from textiles, minerals products, electricity and fuel. Imports are dominated by food, beverages and tobacco products, machineries, minerals and fuel.

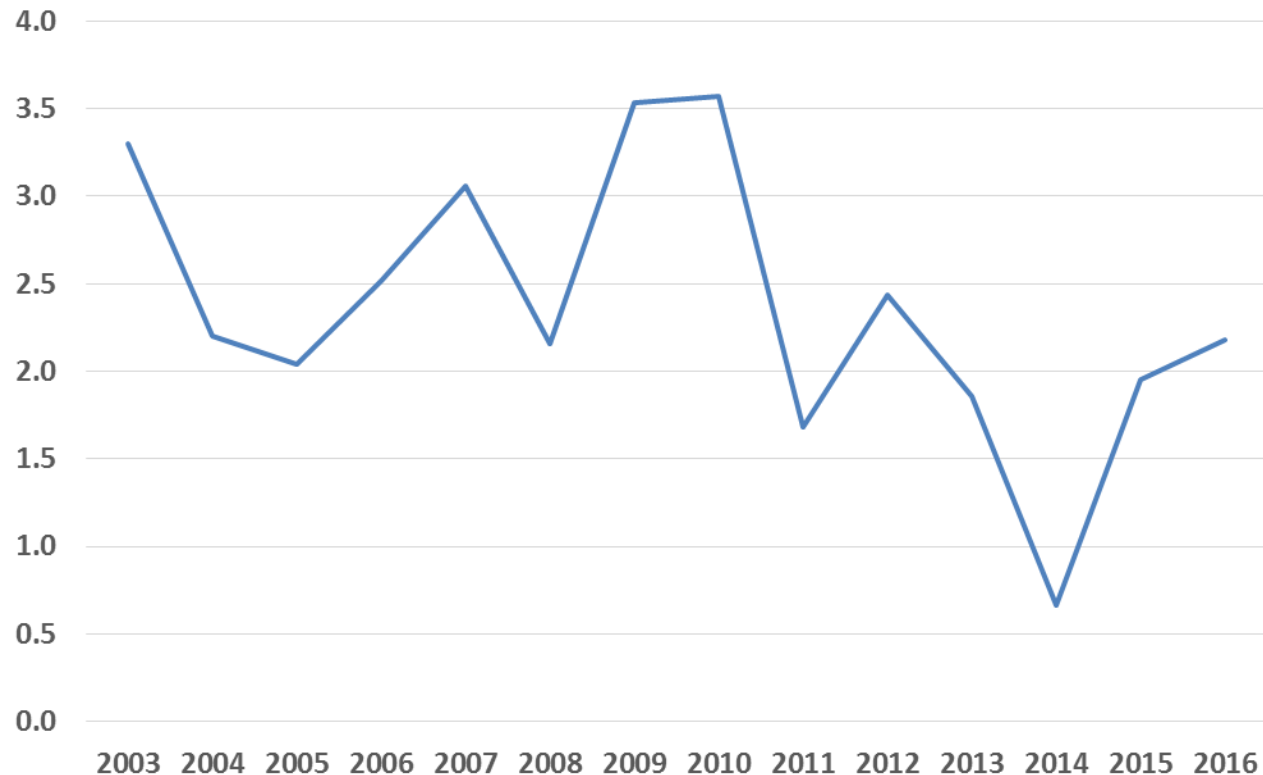
EXPORTS IN SERVICES IN 2015 – REGIONAL CONTEXT



Source: World Development Indicators, last update 28.04.2017

Albania has a considerable value of exports in services, the second in the region (behind Serbia), but really low value of ICT service exports compared to Serbia.

Annual Changes of Consumer Index Price

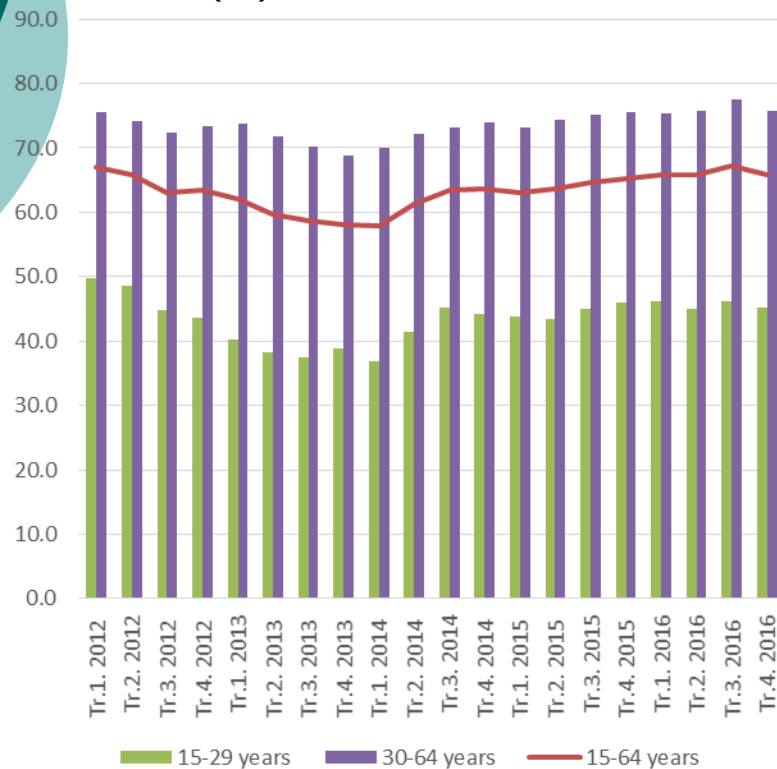


Source: INSTAT, March 2017

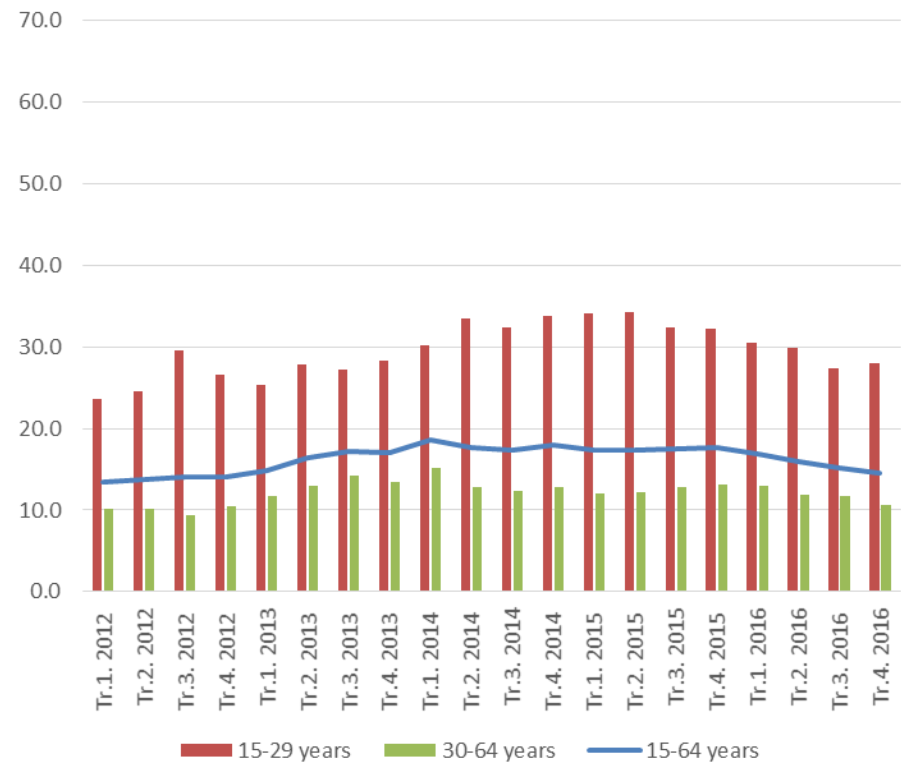
Inflation in all these years has been stable and below the maximum threshold of Bank of Albania, 4% rate.

Labour Force per Age Categories

Participation rate in the labour force (%)



Unemployment %

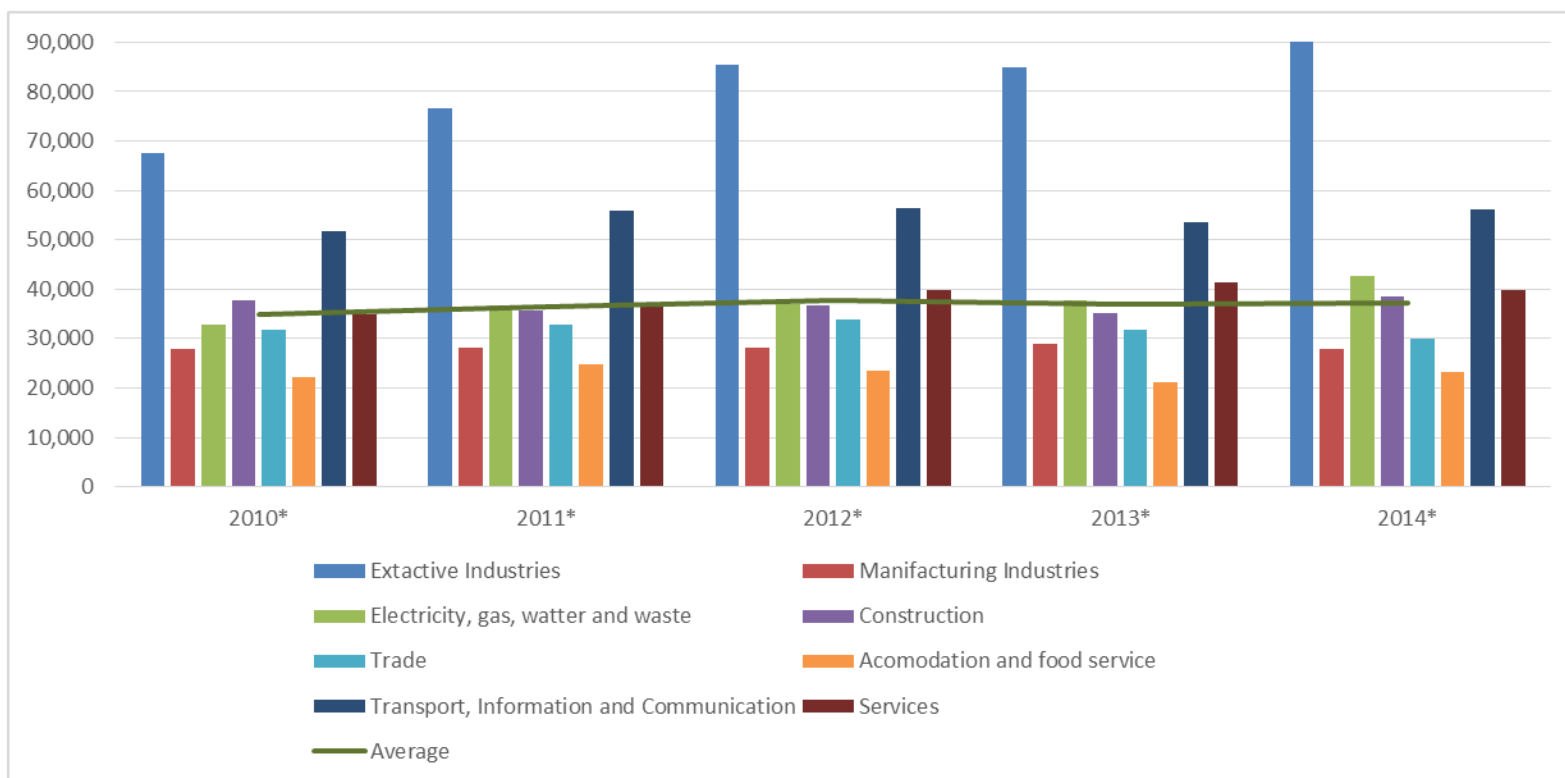


Source: INSTAT, Labour Force Survey, Q1.2012-Q4.2016

Unemployment among youth still remains high (27%), although in decrease for 2016.

Average Wages per Sector

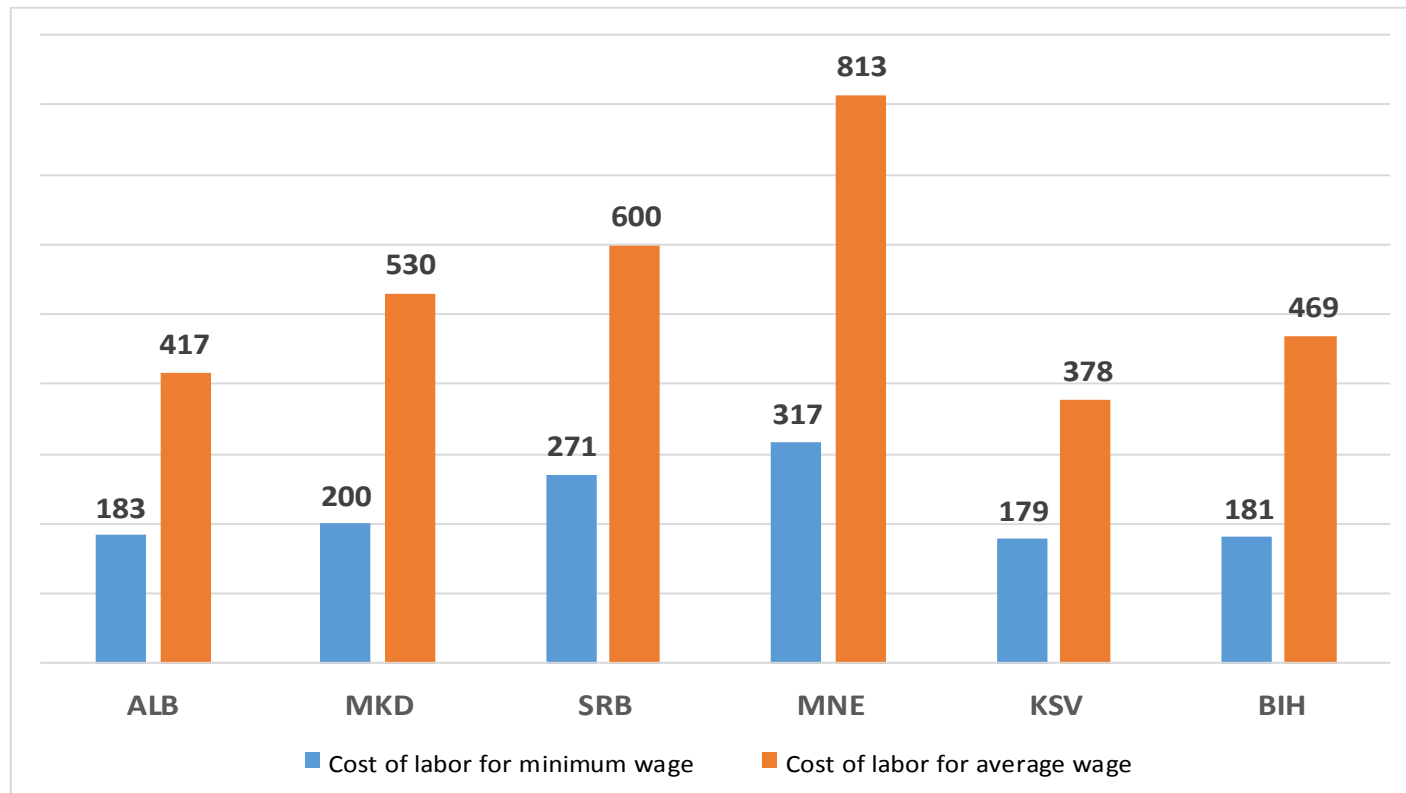
In ALL



Source: INSTAT, Enterprises Survey, 2010 - 2014

The highest wages are recorded in Extractive Industry, Transport, Information and Communication, well above the average level. 10

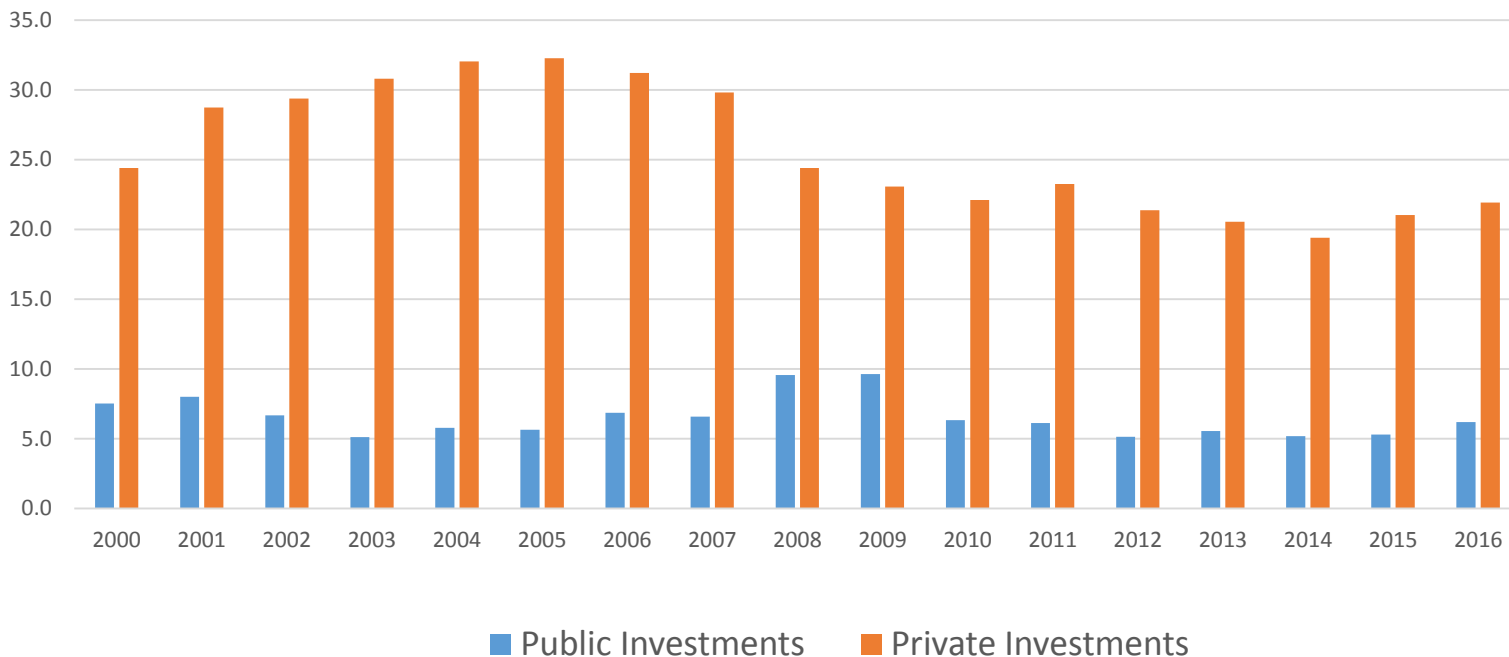
Cost of Labor for Western Balkans Countries, 2015 (EUR)



Source: Statistical Offices of Countries, for Albania is used as reference the public administration salary of 2015.

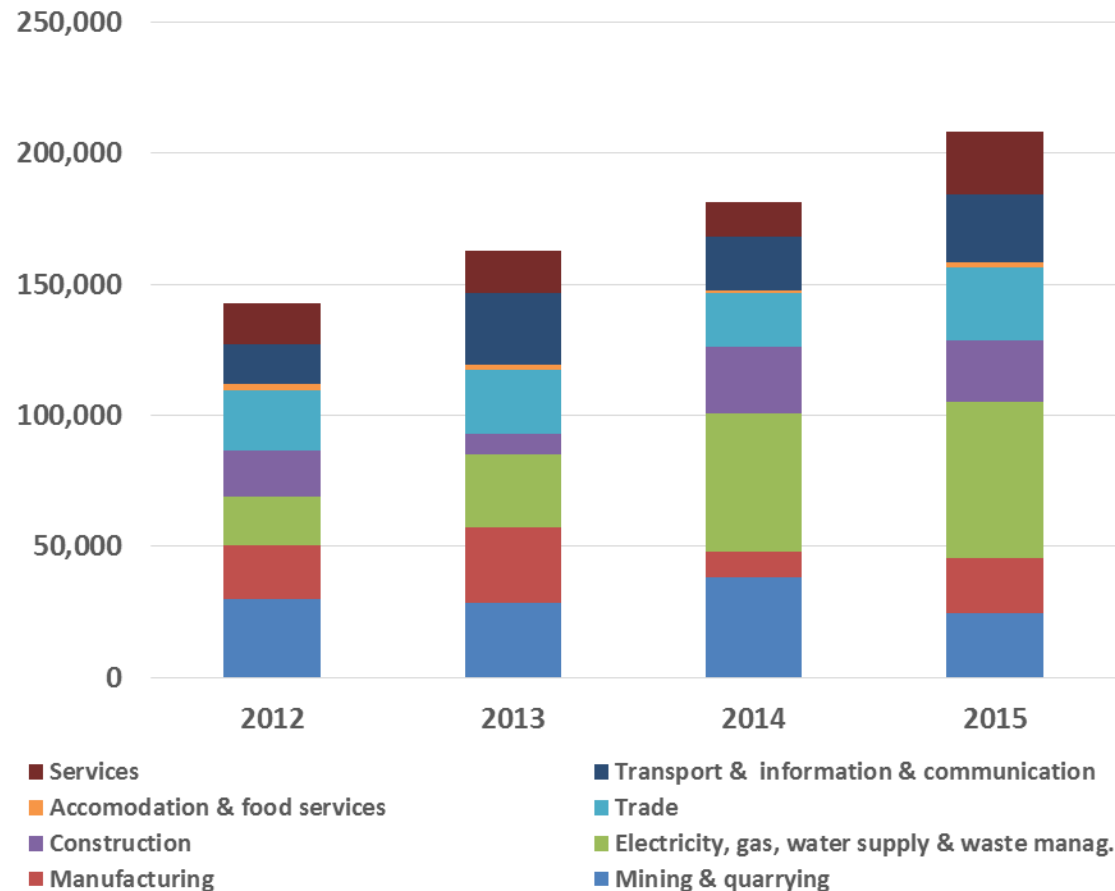
Albania compared to other Western Balkans Countries lies well below regarding cost of labour for average wage while related to the minimum wage, the cost of labour is comparable with Kosovo, Bosnia and Herzegovina and Macedonia.

Public and Private Investments in Albania (in percent to GDP)



Source: Ministry of Finance, Bank of Albania

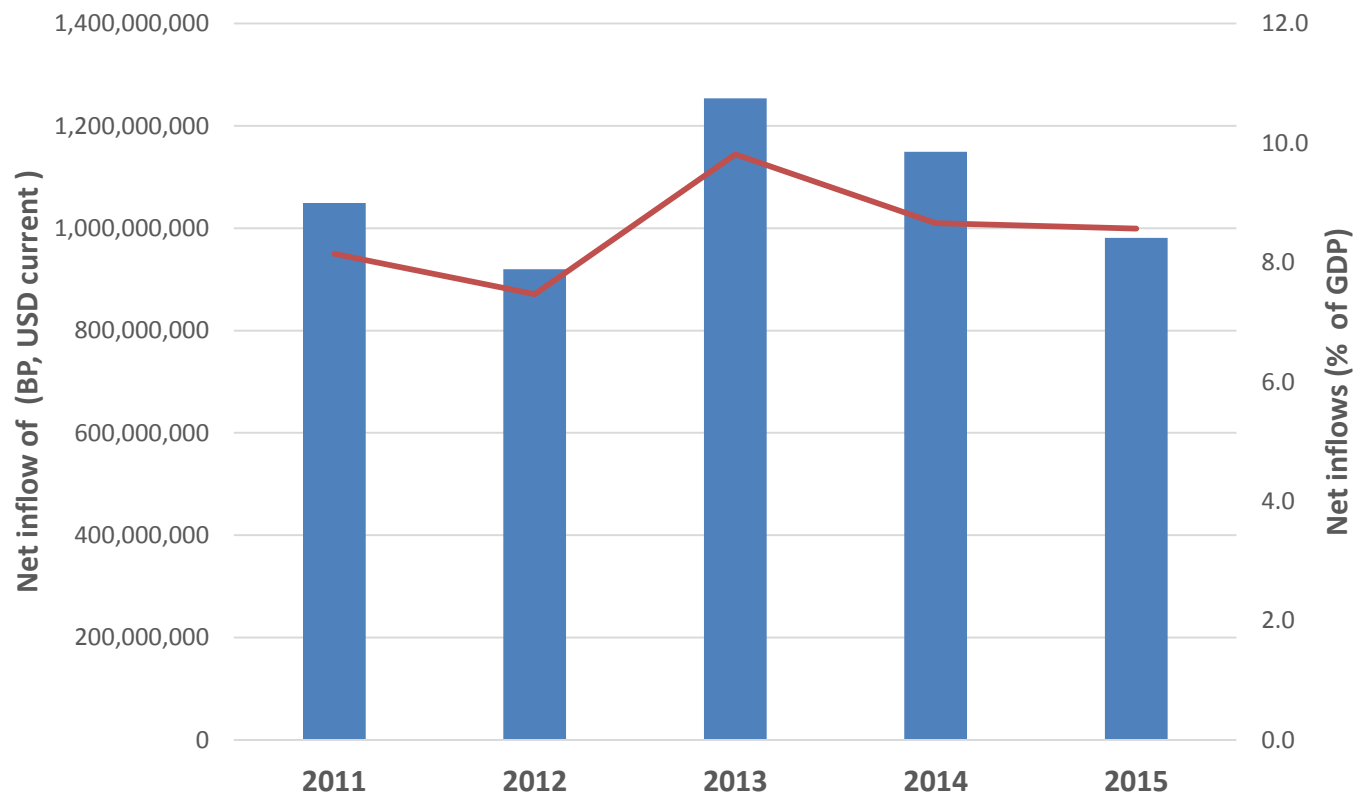
Investments per Sector (million ALL)



- Electricity, gas, water and waste treatment, activities has had the largest investments amount.
- There is a significant decline in investments in the manufacturing in 2014, with a recovery of investments in 2015 in this sector.
- Investments in Services have the highest growth for 2015.

Source: INSTAT – Enterprises Surveys

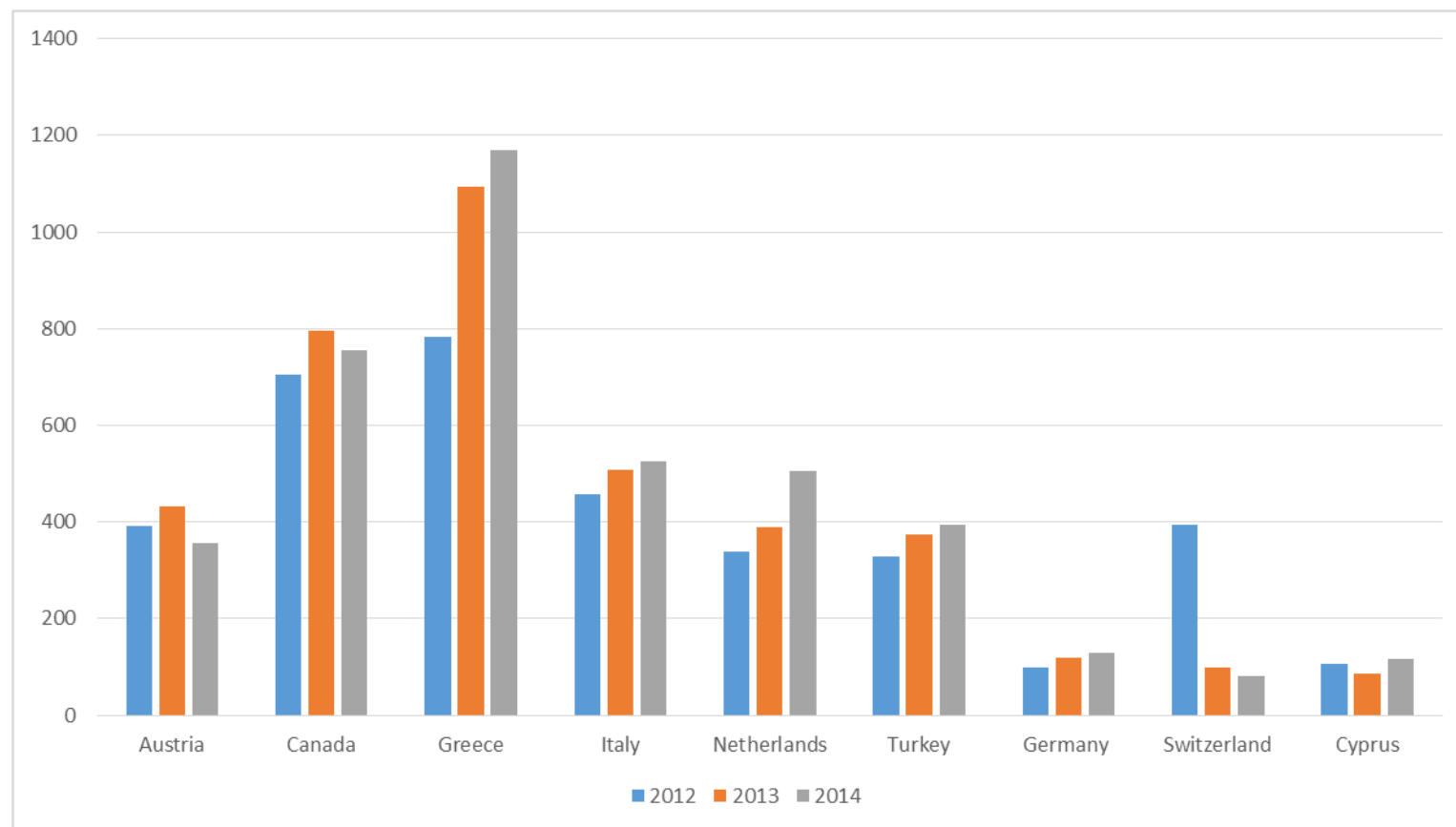
Flow of Foreign Direct Investment



Source: World Development Indicator, July 2016

Although the flow of FDI has decreased in value as a consequence of the economic crisis in the countries of destination as well as of origin, still the flow in relation to the GDP has been stable in the recent years. According to Bank of Albania for 2015, FDIs are estimated at 923 million euros, while for 2016 the preliminary estimation amounts to 977 million euros.

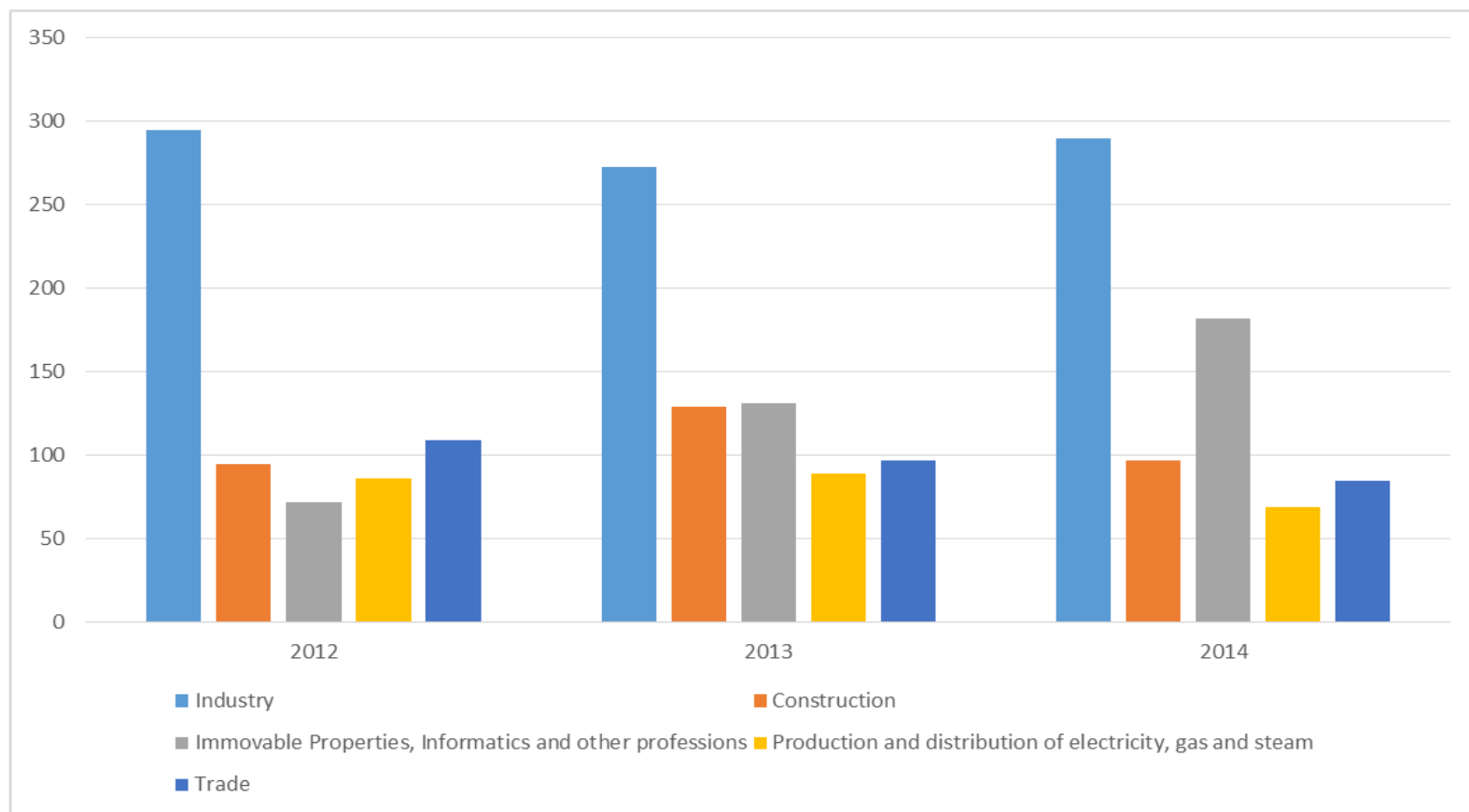
FDI Stock according to Countries of Origin (million EUR)



Source: Bank of Albania, September 2015

Greece, Canada and Italy are the main countries of origin for private investors in Albania for 2012 -2014.

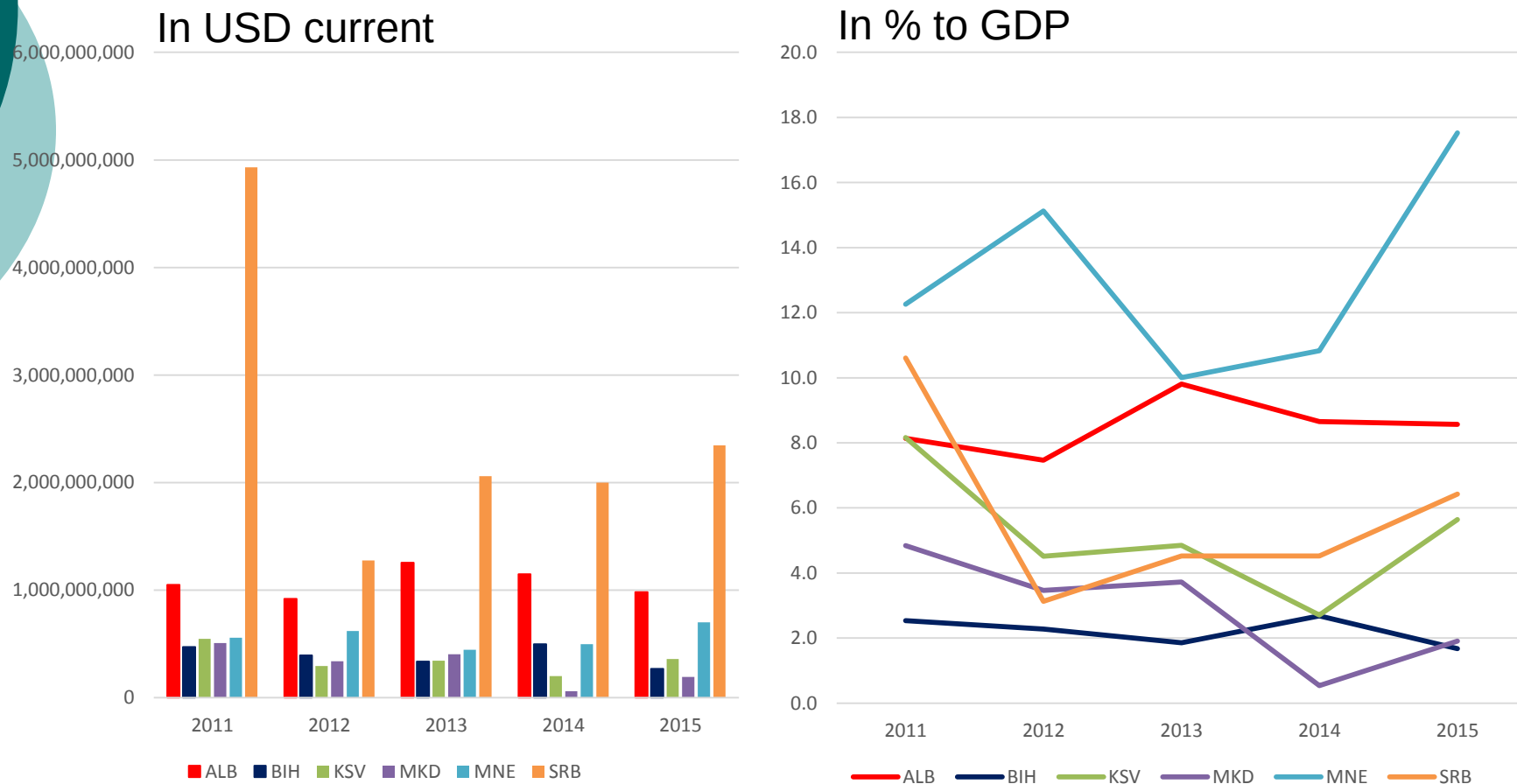
Stock of FDI per Economic Activity (million EUR)



Source: Bank of Albania, September 2015

Industry remains the main sector where FDI are oriented, but in the last two years is noted an increase of foreign investments in Real Estate, Informatics, while is decreased the contribution to the construction sector, as a sector facing big difficulties in the recent years.

Flow of FDI in the Western Balkans



Source: World Development Indicators

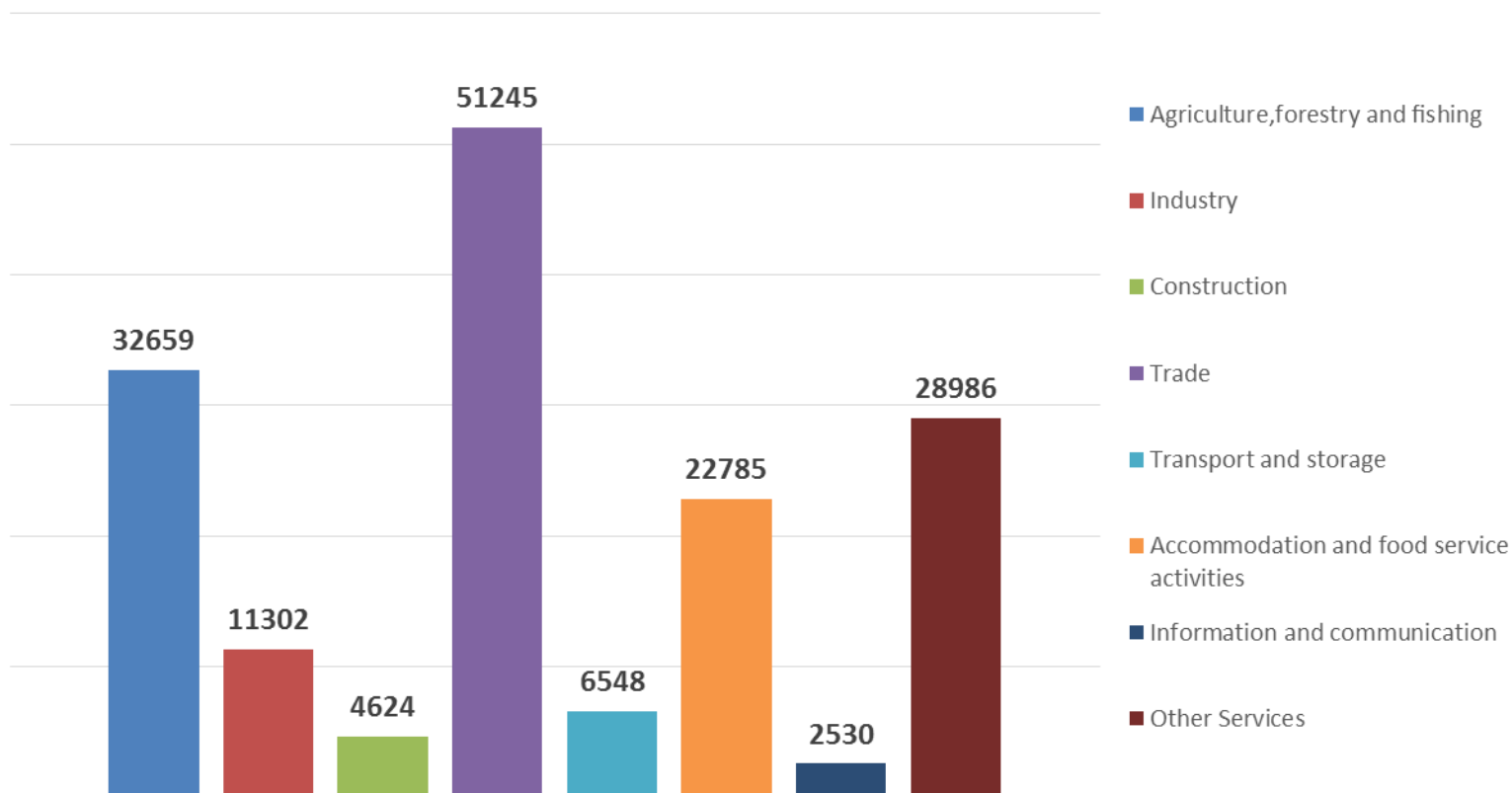
Albania is ranked the second in the region for the value of the foreign investments in years and for the contribution to the gross domestic product.

Stock and Profile of Enterprises 2010 - 2016

Per number of employees	Viti						
	2010	2011	2012	2013	2014	2015	
Total	103,038	109,039	106,837	111,083	112,537	152,288	160,679
1-4	92,798	97,836	95,520	99,782	101,025	136,470	145,456
5-9	5,018	5,194	5,636	5,235	5,387	8,172	7,631
10-49	4,078	4,744	4,439	4,660	4,647	5,994	5,902
50+	1,144	1,265	1,242	1,406	1,478	1,652	1,690
Producers of goods	16,049	17,099	16,413	16,842	16,989	37,950	48,585
1-4	12,198	12,991	12,592	13,071	13,273	33,255	44,179
5-9	1,791	1,717	1,718	1,565	1,603	2,080	1,865
10-49	1,649	1,923	1,650	1,681	1,562	1,971	1,877
50+	411	468	453	525	551	644	664
Producers of services	86,989	91,940	90,424	94,241	95,548	114,338	112,094
1-4	80,600	84,845	82,928	86,711	87,752	103,215	101,277
5-9	3,227	3,477	3,918	3,670	3,784	6,092	5,766
10-49	2,429	2,821	2,789	2,979	3,085	4,023	4,025
50+	733	797	789	881	927	1,008	1,026

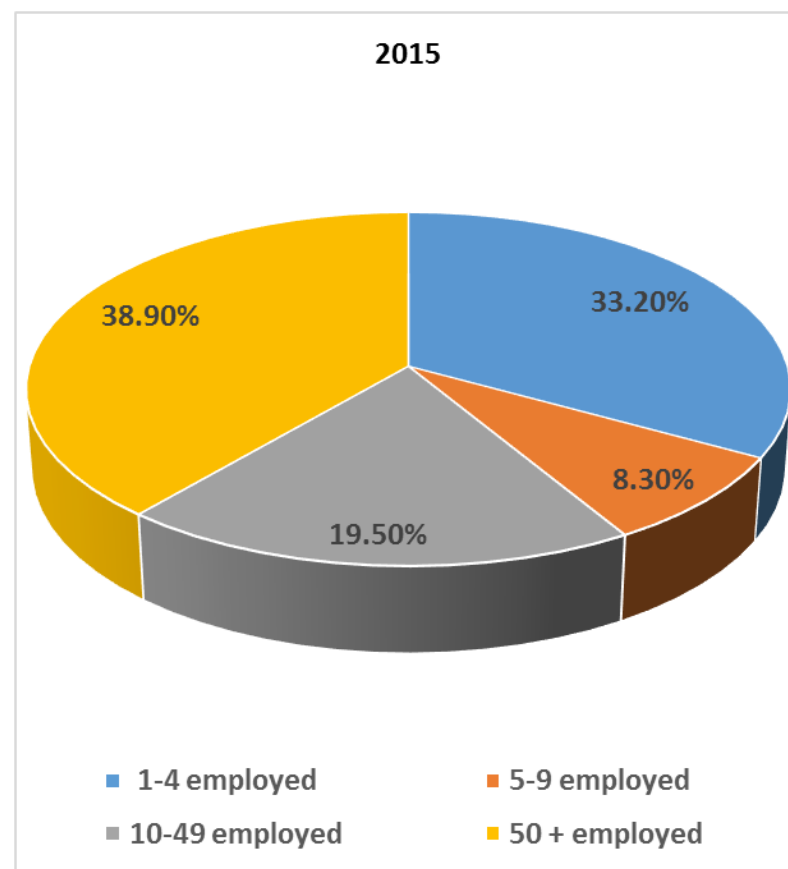
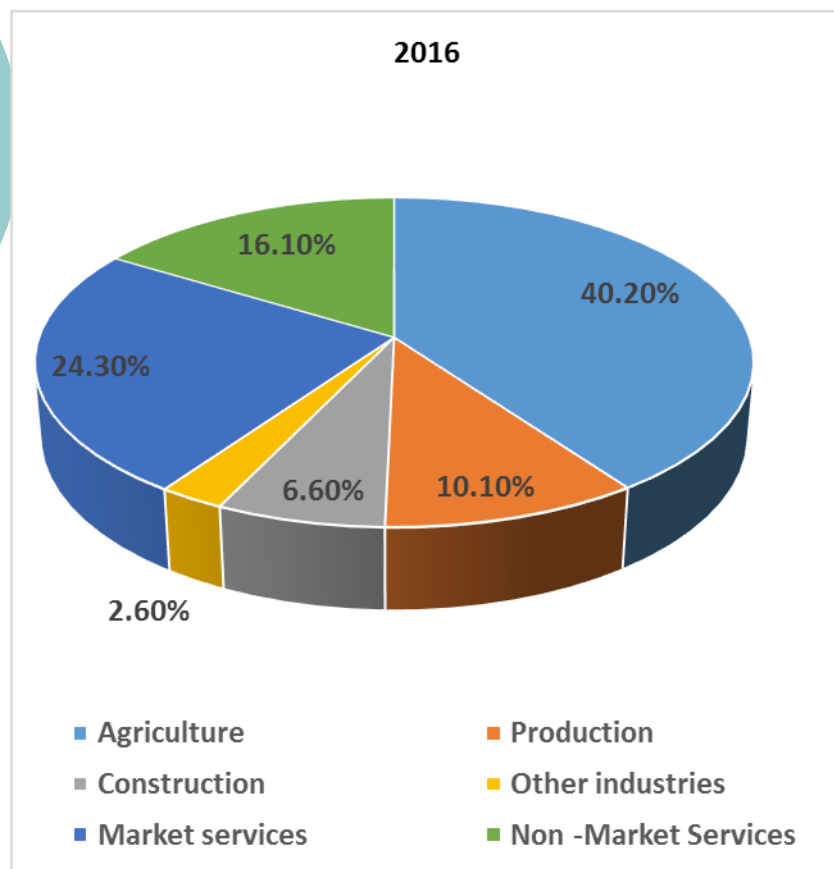
The private sector in Albania is dominated in 99% by small and medium enterprises where 80% of them oriented in service sector.

Active Enterprises according to Economic Activity - 2016



Source: Enterprise Survey, INSTAT

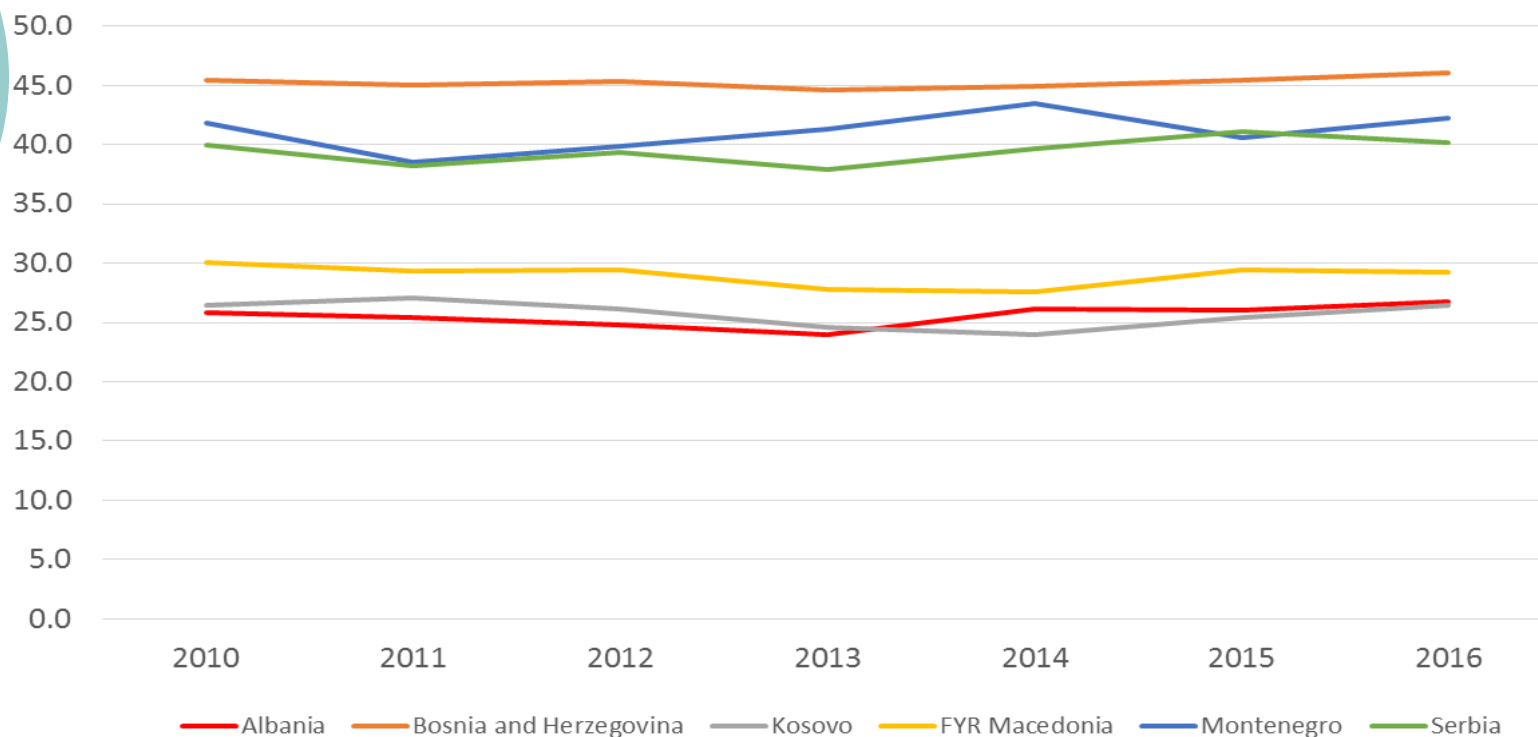
Structure of Employment according to Economic Activity and Size of Enterprises



According to INSTAT for 2016 results that 41.2 % of employed are employees, 34.9 % are self-employed (with employees or without employees) and 23.9 % are contributing family workers.

Source: INSTAT

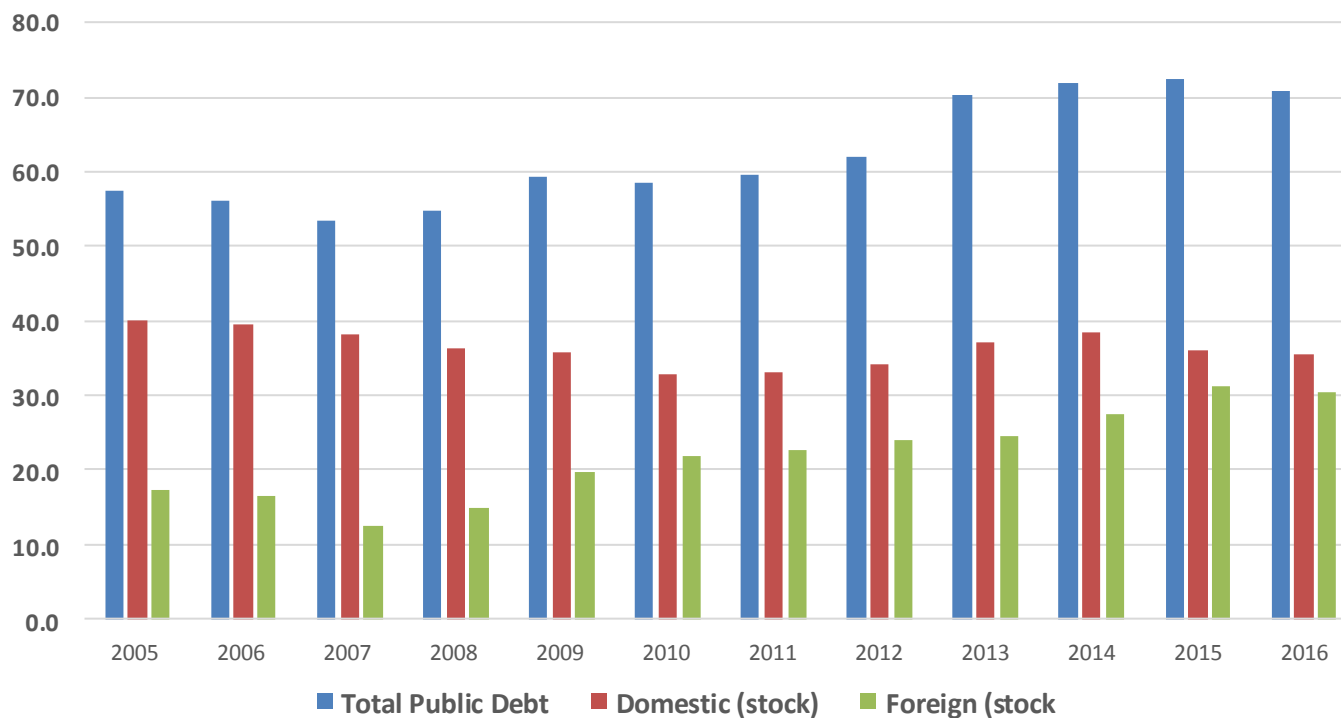
Ratio of Government Revenues to GDP in the Countries of Balkan Region



Source: IMF, World Economic Outlook, April 2016

The public sector in Albania represents the lowest contribution to economy among the Western Balkans Countries.

Progress and Composition of Public Debt versus GDP in Years



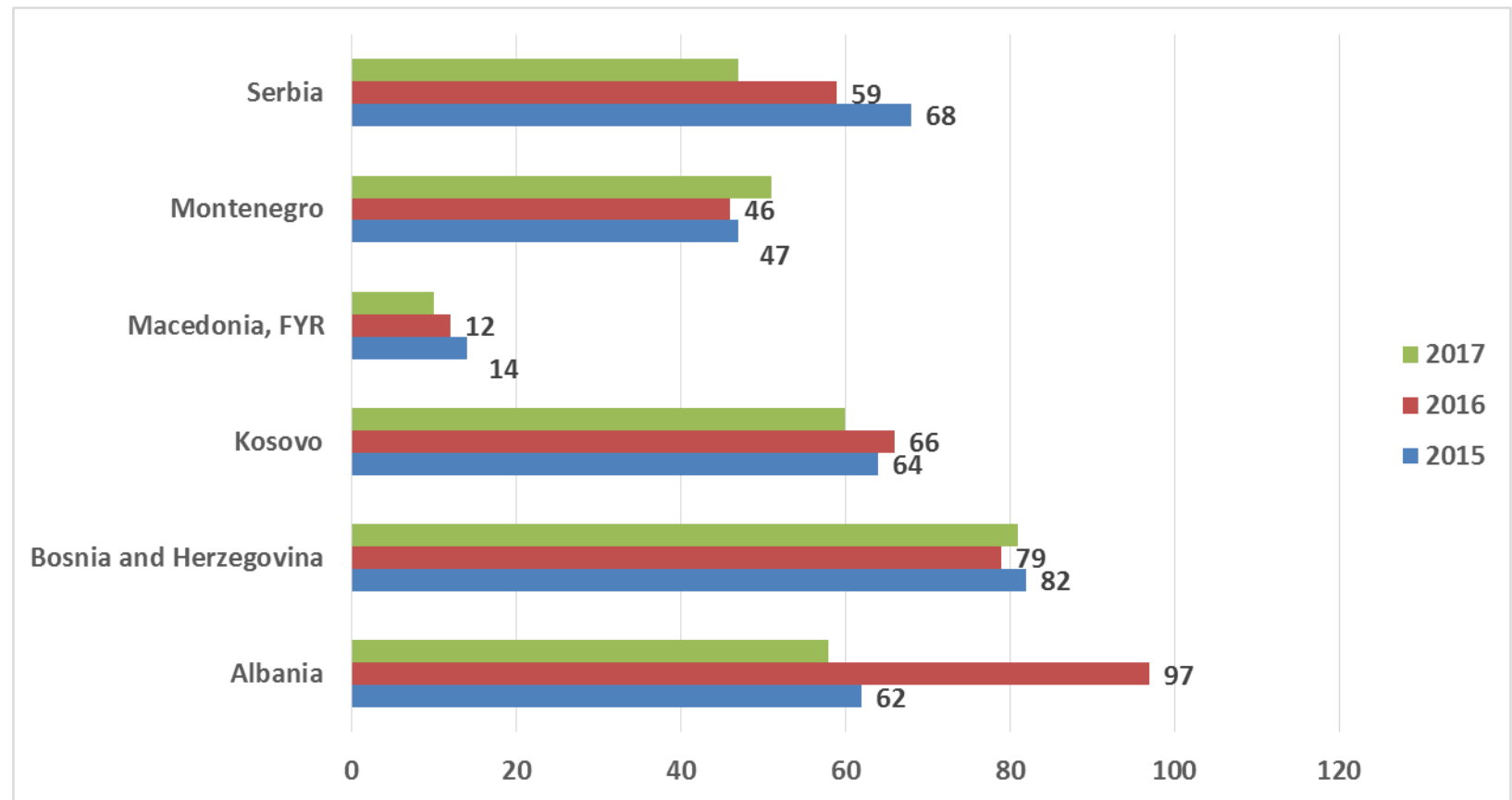
Source: Ministry of Finance, Macroeconomic and Fiscal Framework, 2017 – 2019

Public debt remains high, thus it is necessary the continuous fiscal consolidation.

Main Taxes

- ❑ Value Added Tax - 20%
- ❑ Profit Tax on Annual Turnover:
 - a) 0-5 Million ALL ($\approx$ 36,500 EUR) – 0%
 - b) From 5 Million ALL – 8 million Leke ($\approx$ 58,400 EUR) – 5%
 - c) Over 8 Million ALL – 15%
- ❑ Dividend Tax – 15%

Ranking of Western Balkan Countries on Ease of Doing Business Indicator



Source: <http://www.doingbusiness.org/data/exploreeconomies/>

1 = easiest to 185 = most difficult

Ranking of Albania in International Reports and Indexes

Index/ Report	Organisation	2014/2015	2015/2016	2016/2017
Perception of Corruption	Transparency International	110 (out of 175 countries)	88 (out of 168 countries)	83 (out of 176 countries)
Economic Freedom	The Heritage Foundation	54 (out of 178 countries)	63 (out of 178 countries)	
Doing Business	World Bank	62 (out of 189 countries)	97 (out of 189 countries)	58 (out of 190 countries)
World Competitiveness Index	World Economic Forum	97 (out of 144 countries)	93 (out of 140 countries)	80 (out of 138 countries)
Best Countries to do Business	Forbes Magazine	-	69 (out of 144 countries)	

Doing Business Indicators

Indicator	2014/ 2015	2015 / 2016	2016/ 2017
Starting a Business	54	58	46
Dealing with Construction Permits	122	189	106
Getting Electricity	159	162	156
Registering Property	104	107	106
Getting Credit	36	42	44
Protecting Minority Investors	18	8	19
Paying Taxes	130	142	97
Trading across Borders	37	37	24
Enforcing Contracts	96	96	116
Resolving Insolvency	40	42	43

Most problematic indicators for the country continue to be construction permits, getting energy, fiscal procedures and property registration. There is a notable improvement on protection of minority investors indicator.

Trading across Borders - DB 2017

Export time and costs

	Shqipëria	Europa & Azia Qëndrore
Time: Border compliance (hours)	9	28
Cost: Border compliance (USD)	55	195
Time: Documentary compliance (hours)	6	27
Cost: Documentary compliance (USD)	10	111
Ranking	24 out of 190 economies	

Competitiveness Indicators

Indicator	2015-2016	2016/2017
Institutions	103	76
Infrastructure	90	91
Macroeconomic Environment	122	93
Health and Primary Education	62	33
Higher Education and Training	60	42
Goods Market Efficiency	93	69
Labour Market Efficiency	93	98
Financial Market Development	114	94
Technological Readiness	91	82
Market Size	105	109
Business Sophistication	104	94
Innovation	120	109

Economic Freedom Indicators

Indicator (ranked 59 th position)	2016
Property Rights	86
Freedom from Corruption	113
Fiscal Freedom	34
Government Spending	72
Business Freedom	80
Labour Freedom	128
Monetary Freedom	49
Trade Freedom	37
Investment Freedom	50
Financial Freedom	19

Corruption, labour market, property issues are the most problematic areas in the economic freedom index, whereas the financial environment and trade are considered as favouring to the economic activity.

Indicators from Forbes Magazine for Best Countries to Do Business

Indicator	2015
Trade Freedom	35
Monetary Freedom	38
Property Rights	114
Innovation	118
Technology	88
Red Tape	49
Investor Protection	8
Corruption	99
Personal Freedom	65
Tax Burden	109

Economic environment suffers from the same problems mentioned in the previous indexes such as property registration, corruption, fiscal burden and the low level of innovation and technology.