

ECONOMIC OUTLOOK ALBANIA

January-December 2019

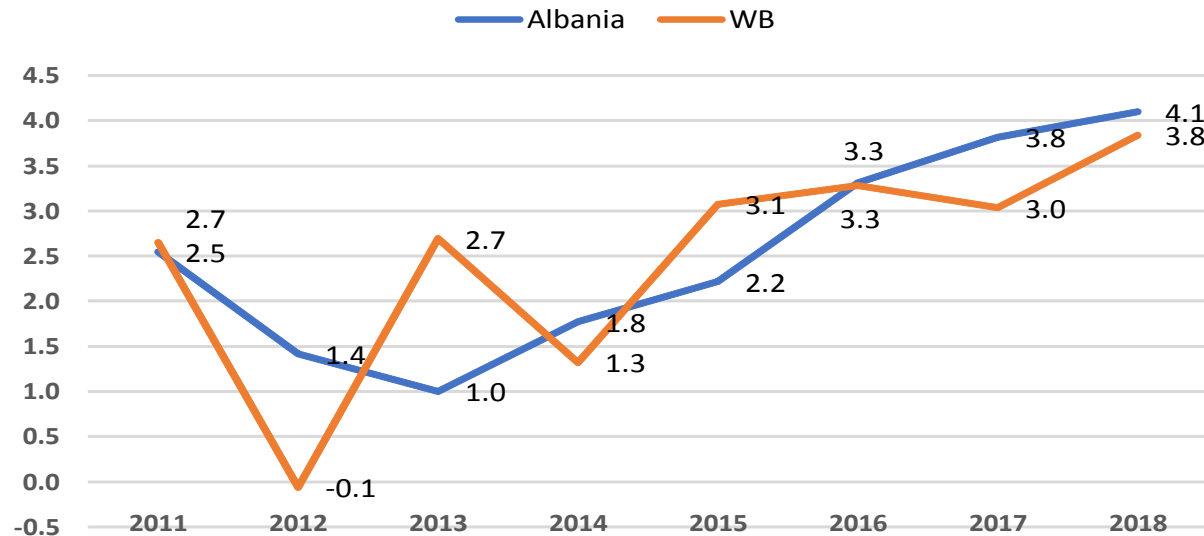
Secretariat of Albania Investment Council
March 2020

Note: This is a summary of the main indicators on economic situation in Albania as published by official sources or international organizations. This document 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 Albanian Institute of Statistics (INSTAT), Bank of Albania, World Bank, International Monetary Fund, etc.

Economic Growth in Years

Figure 1. Economic Growth: Albania and Western Balkans

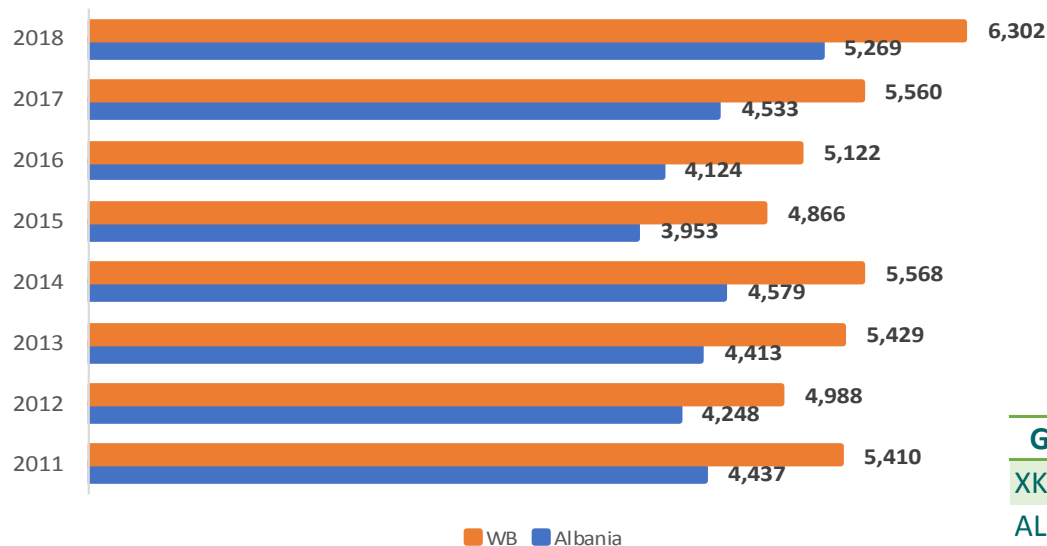


Source: WB, World Development Indicators

After a steady growth at average rate of 6% during 2000-2008, Albanian economy slowed down affected by the global financial and debt crises. The economic recovery was confirmed in 2015, while economic growth continued to improve, and during 2018 reached 4.1%.

Gross Domestic Product per Capita

Figure 2. Gross Domestic Product per capita (USD/capita)



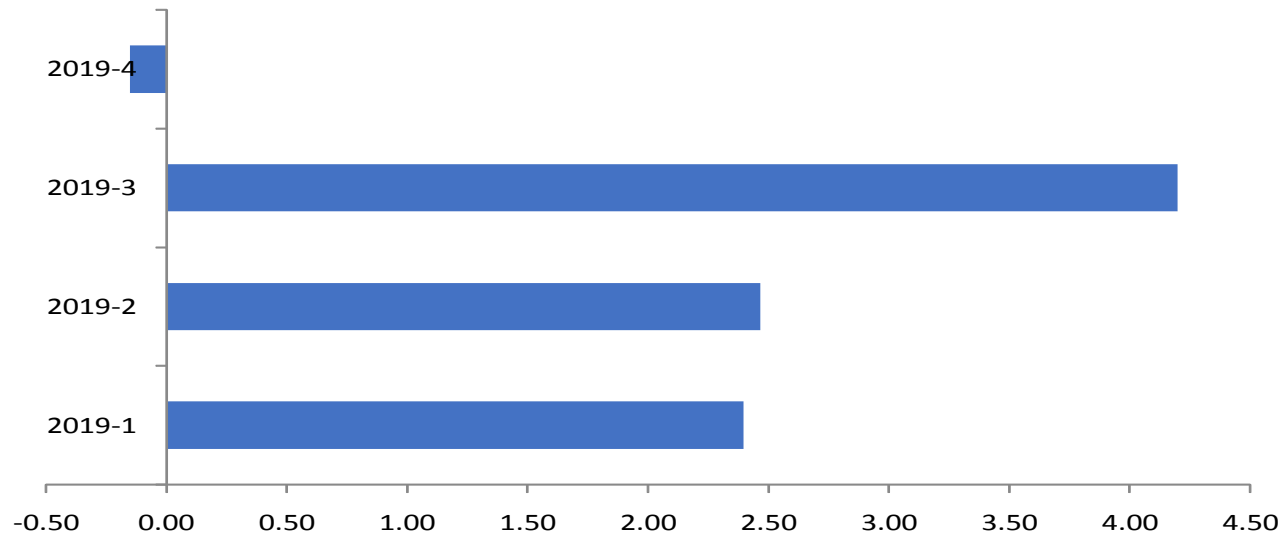
Source: World Development Indicators

In 2018, GDP per capita was estimated to reach 5,269 in current USD increasing 16% compared to 2017. Average GDP per capita in Western Balkans, reached 6,302 in current USD, with Montenegro having the highest GDP per capita, 8,844 USD followed by Serbia with 7,247. Kosovo has the lowest GDP per capita in the region with 4,302 USD

GDP/capita in current USD	2018
XKX	4,302
ALB	5,269
BiH	6,066
MKD	6,084
WB	6,302
SRB	7,247
MNE	8,844
Euro Area	39,928

Gross Domestic Product Growth

Figure 3. Quaterly annual growth in %



Source: INSTAT

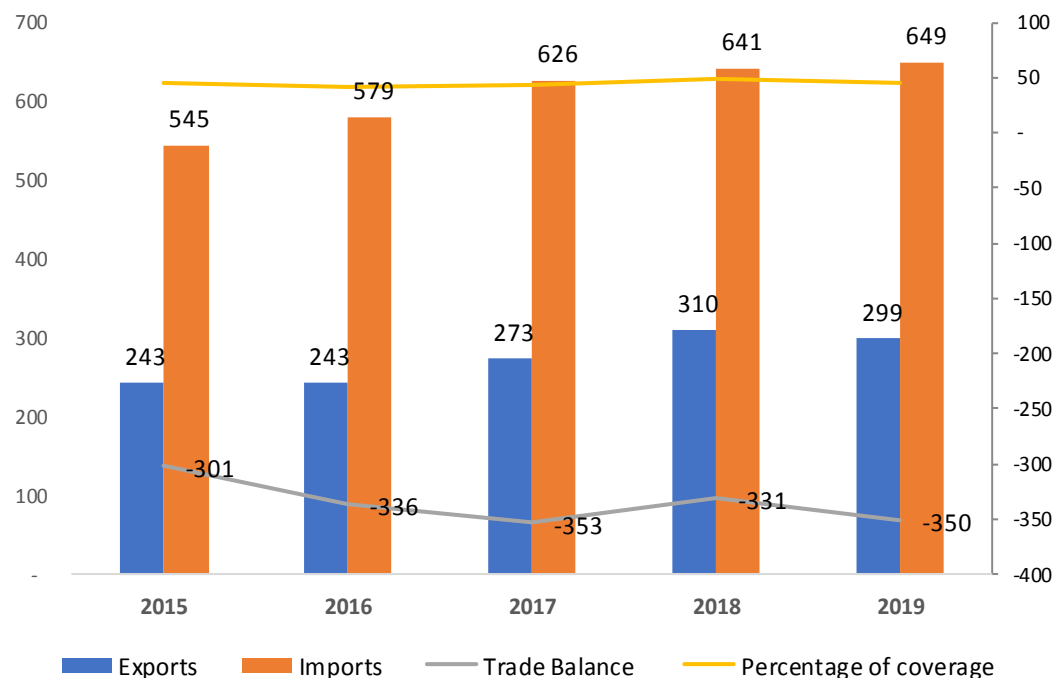
Gross Domestic Product (GDP) in the forth quarter of 2019 decreased by 0.15% % compared to same period of last year.

The main contributor to this decrease is Construction with -1.68 p.p while Industry, Electricity and Water contributed positively with 1.06 p.p.

According to latest INSTAT estimations, GDP growth for year 2019 was 2.21% compared to 2018.

International trade 2010-2018

Figure 4. Trade of Goods, billion ALL



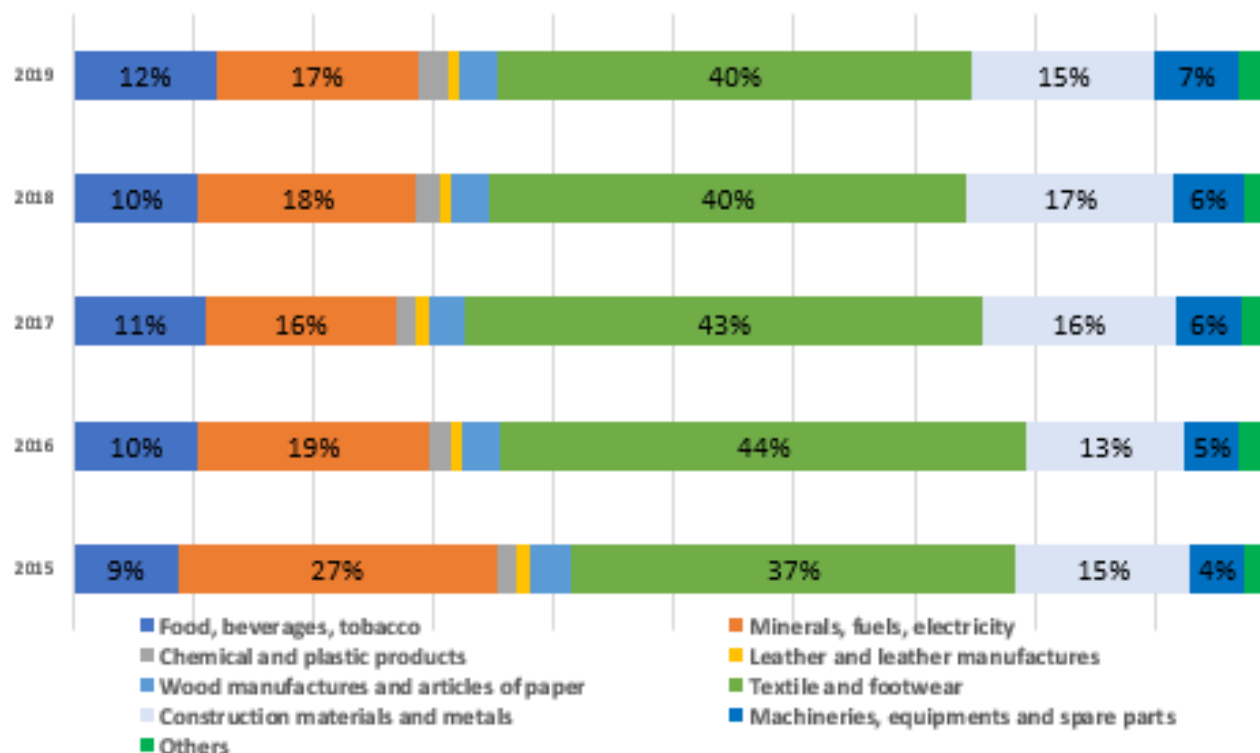
During 2019, the exports of goods amounted to ALL 299 billion, down by 3.5% compared to previous year, while imports of goods reached ALL 649 billion, increased by 1.2% compared to the previous year

The trade deficit amounted ALL 350 billion, increasing by 5.7% compared to 2018

Source: INSTAT

Composition of Albanian Exports

Figure 5. Exports as per products, % of total

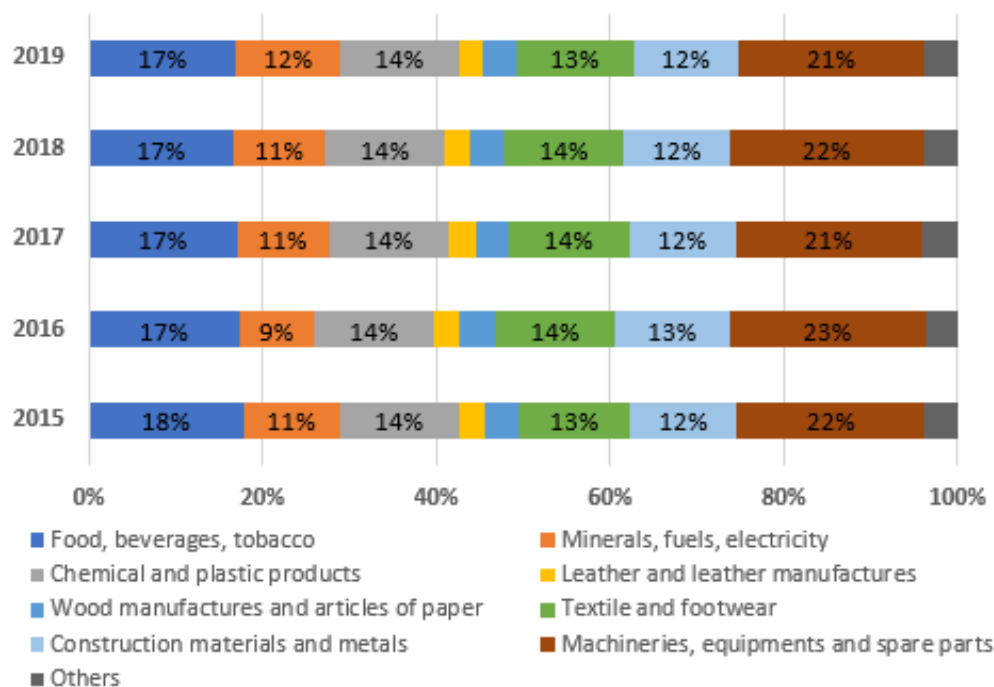


Source: INSTAT

40% of total Albanian exports are "Textile and footwear", 17% are "Minerals, fuels and electricity", 15% are "Construction materials and metals", followed by "Food, beverages and tobacco" with 12%.

Composition of Albanian Imports

Figure 6. Imports as per products, % of total

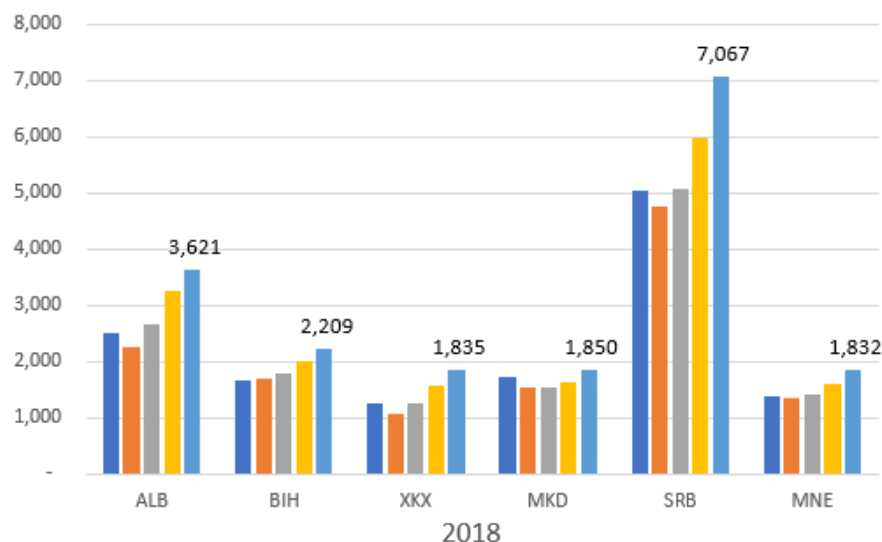


Source: INSTAT

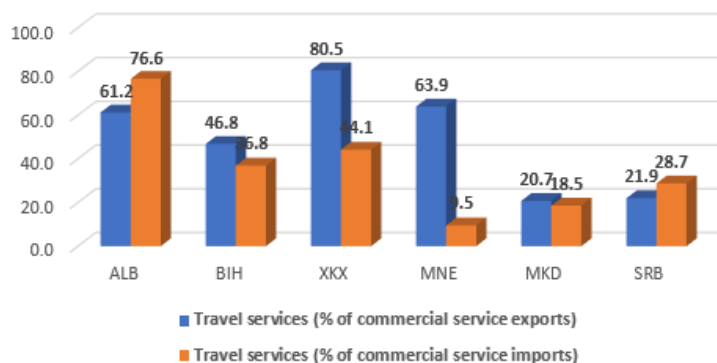
21% of Albanian import basket is Machineries, equipment's and spare parts; 17% of imports are Food, beverages and tobacco, followed by Chemical and plastic products with 14%.

Exports in Services Regional Context

Figure 7. Service exports in Western Balkans, in million USD

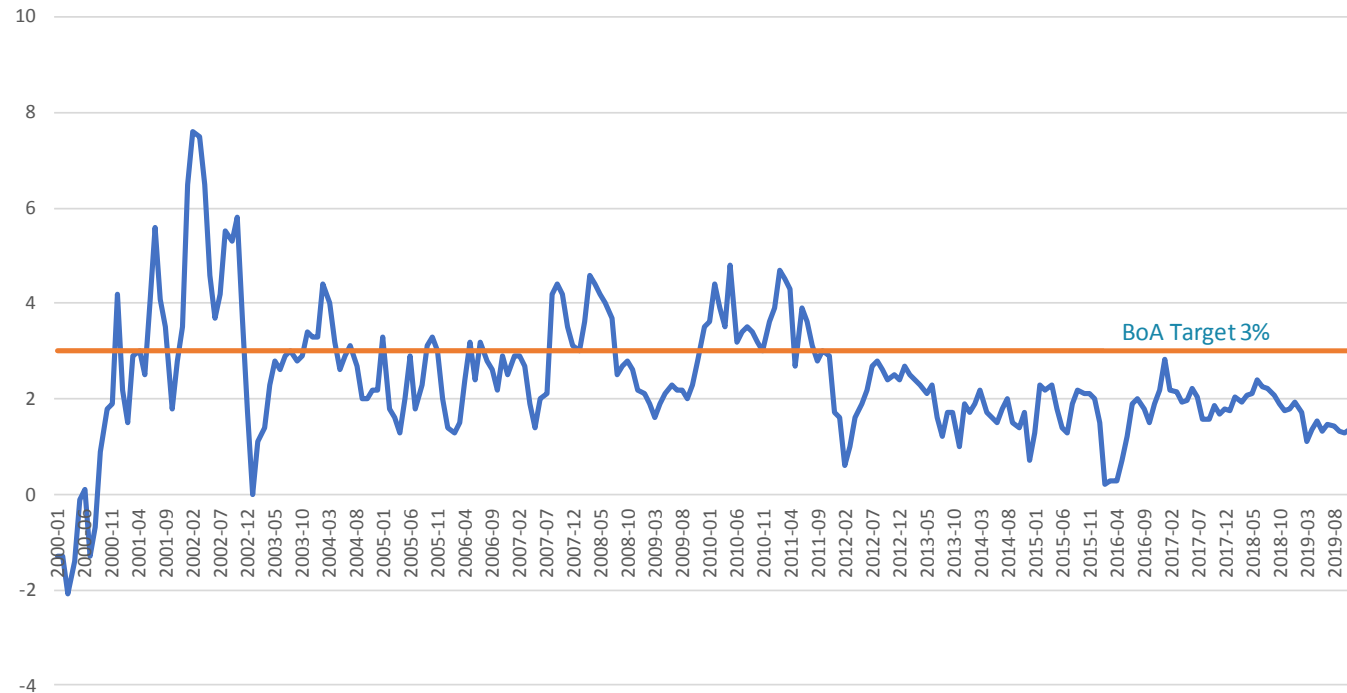


Albania ranks second in the region in terms of service exports, which are mostly dominated by travel at 61.2% of total exports.



Consumer Index Price

Figure 8. Consumer Price Index, yoy %



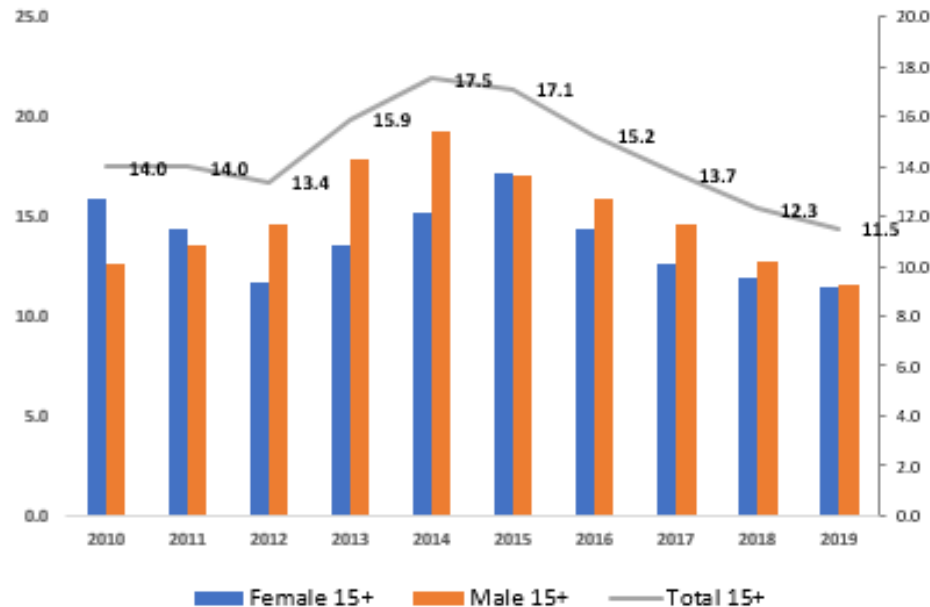
Source: INSTAT

Inflation rate was reported to 1.4% (yoy) 2019, while in 2018 inflation rate was 2%.

According to the graph, monthly annual inflation rate from the end of 2011 has been steadily below the BoA target (3% in the medium term).

Labour Force

Figure 9. Unemployment rate



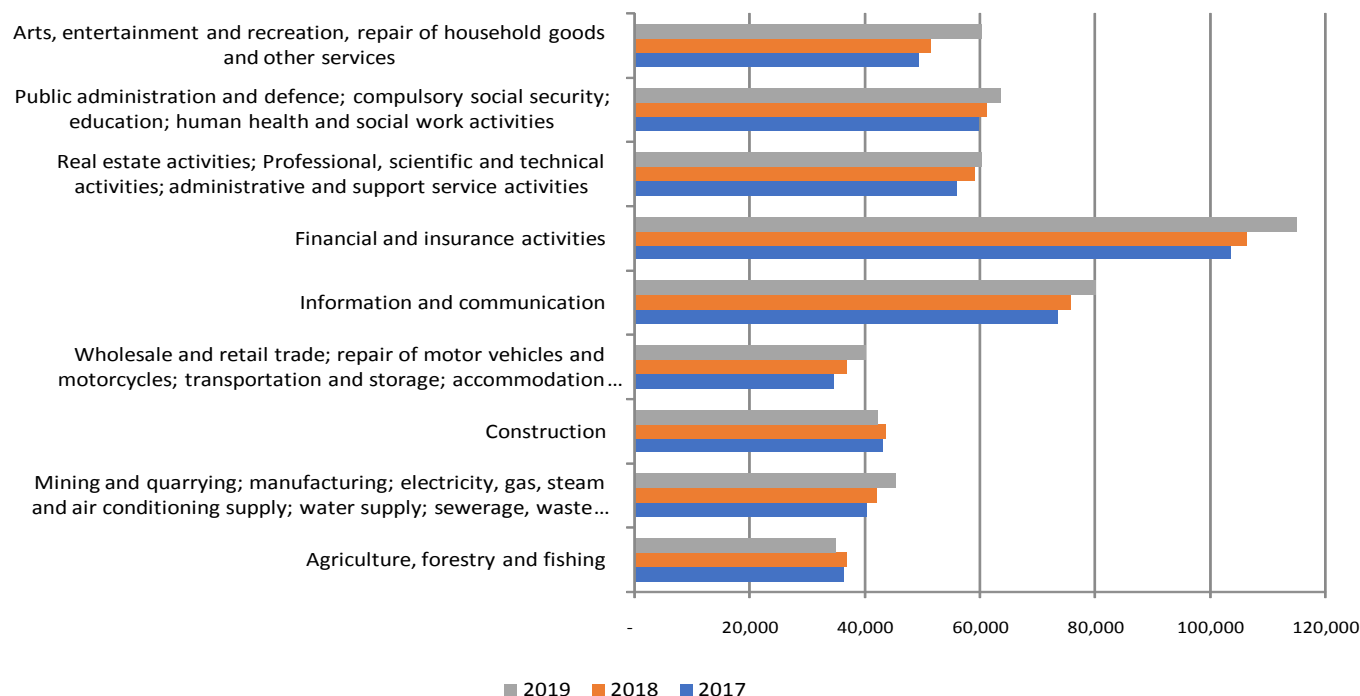
Source: INSTAT

During 2019, employment continued to pick up. The unemployment rate has continued to decline in the last four years, marking a 0.8 pp decrease in year 2019 compared to the previous year.

In 2019, the regions with the lowest unemployment rates for the population aged 15+ are: Elbasan (5.4%), Berat (7.1%) and Kukësi (7.3%). The highest unemployment was recorded in the districts of Lezhe (17.7%), Vloera (15.2%) and Tirane (15%).

Average Wages per Sector (in ALL)

Figure 10 Gross average monthly wage per employee by economic activities



Average monthly wage is the gross wage of an employee for the work performed

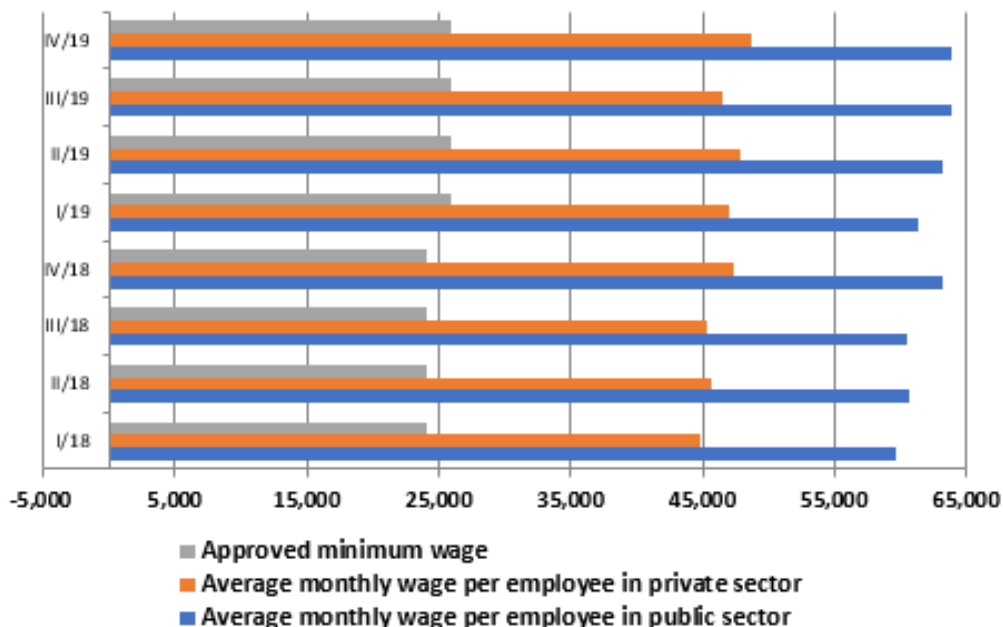
Source: INSTAT

The highest salaries in 2018 were recorded in the "Financial and communication activities" section, followed by "Information and Communication".

Lower salaries are reported in the "Wholesale and Retail Trading" section.

Average Wages and Minimum Wage

Figure 11 Average gross monthly wage per employee and approved minimum wage



Source INSTAT

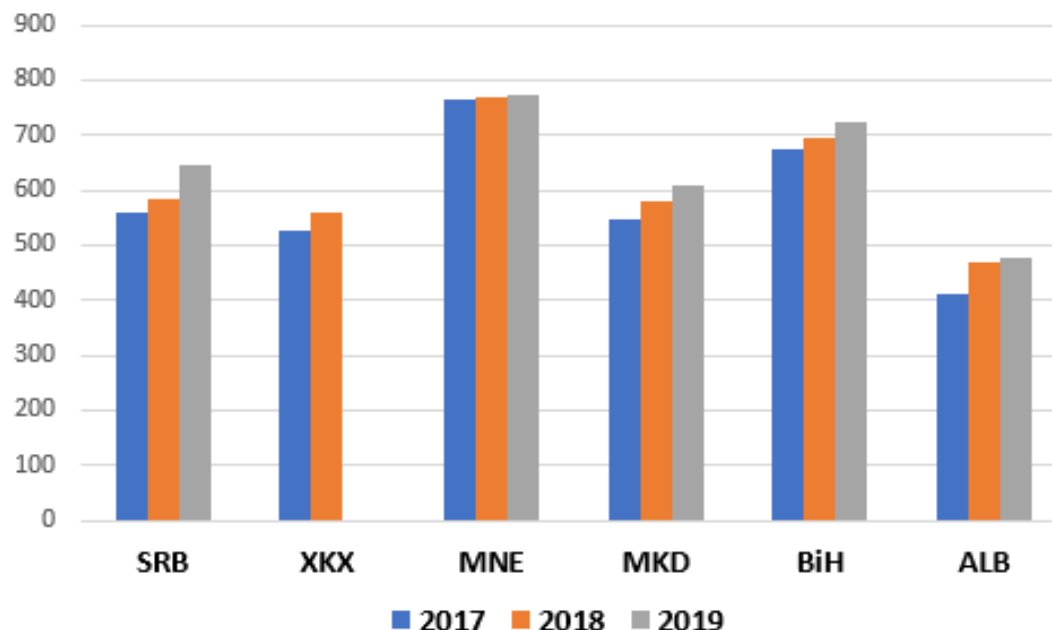
The average salary in 2019 was reported at ALL 53,458 with an increase of 5.7% in annual terms.

The average monthly salary for a job in the private sector was reported ALL 48,767, 5% more than the previous year; meanwhile the average monthly salary for a public sector job is reported at ALL 63,826, with a slight decrease compared to 2018.

The approved minimum wage during year 2019 was ALL 26,000

Wages in WB Countries

Figure 12. Average Wages in Western Balkans (EURO)



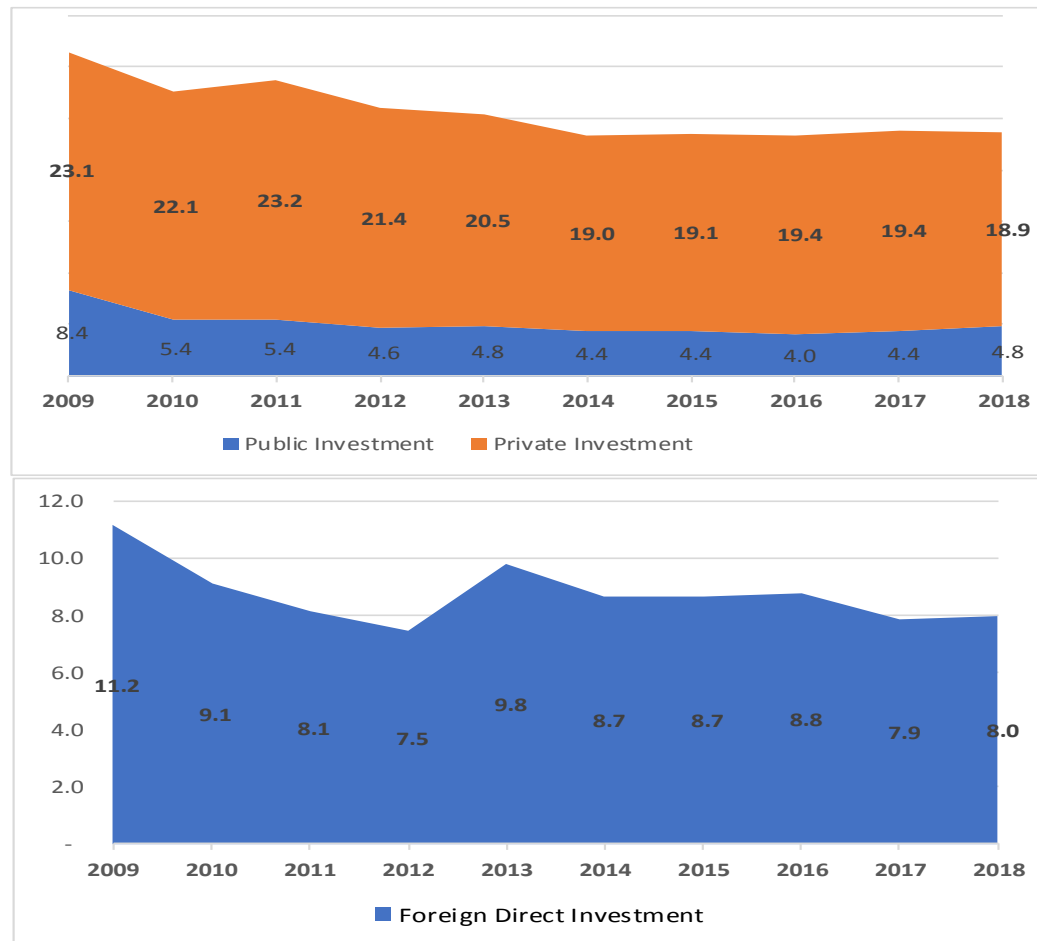
Source: Countries Statistical offices

The highest average gross wage in the region is registered in Montenegro, followed by Bosnia and Herzegovina, while Albania continues to have the lowest average wage in the region.

(Note: The Kosovo Institute of Statistics has not yet released data for 2019 average gross wage)

Investments in Albania

Figure 13. Public, Private and Foreign Investments in Albania, % of GDP

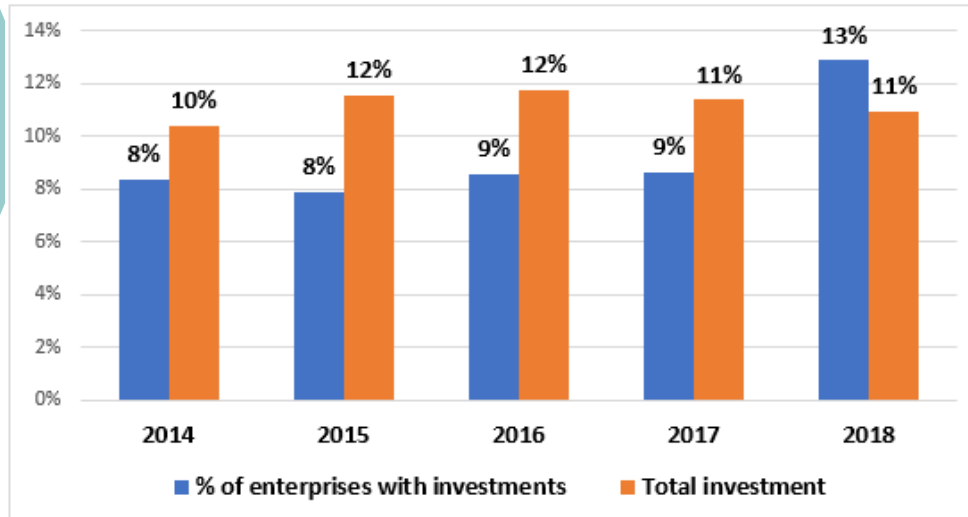


The largest share of investment in the economy comes from the domestic sector, 18.9% of GDP in 2018;

Public investment reached 4.8% of GDP in year 2018. FDI were about 8% of total GDP in year 2018.

Investments per Sector

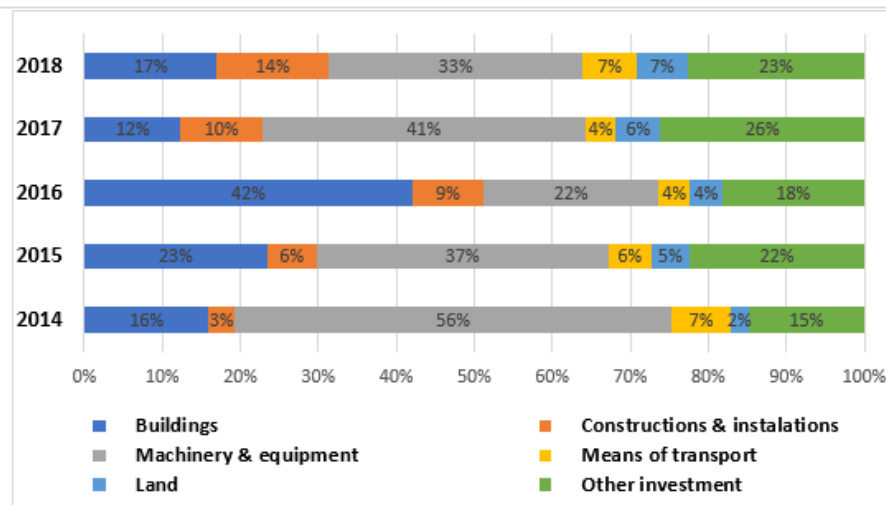
Figure 14. Investments for all market producers of goods and services



According to Structural Enterprise Survey data, during 2018, investments increased by 2.8%, and service providers accounted for 38.6% of total investments.

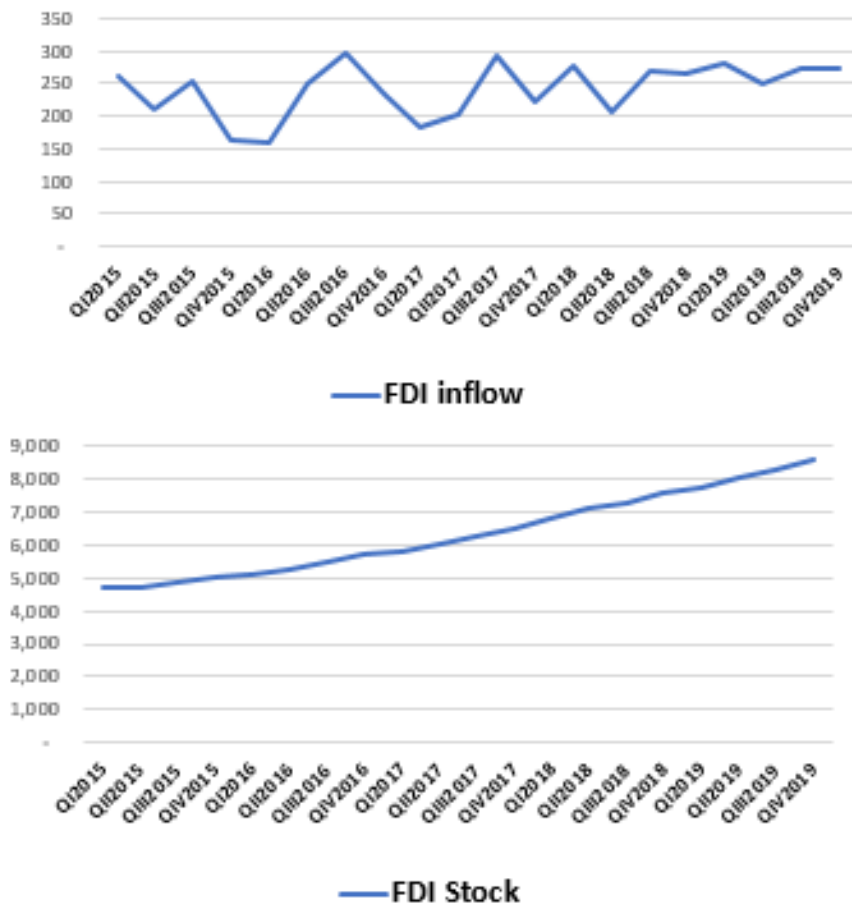
Most of the investments, during 2018, went to Machinery and Equipment, 33% of total investments following same trend of last year although with a decrease of 7% from last year.

During 2018, there was an increase of investment in buildings (5% from last year), in construction and installations (4% from last year); in transportation vehicles with 3%; and in land with 1%.



Foreign Direct Investment

Figure 15. Foreign Direct Investments, EURO million



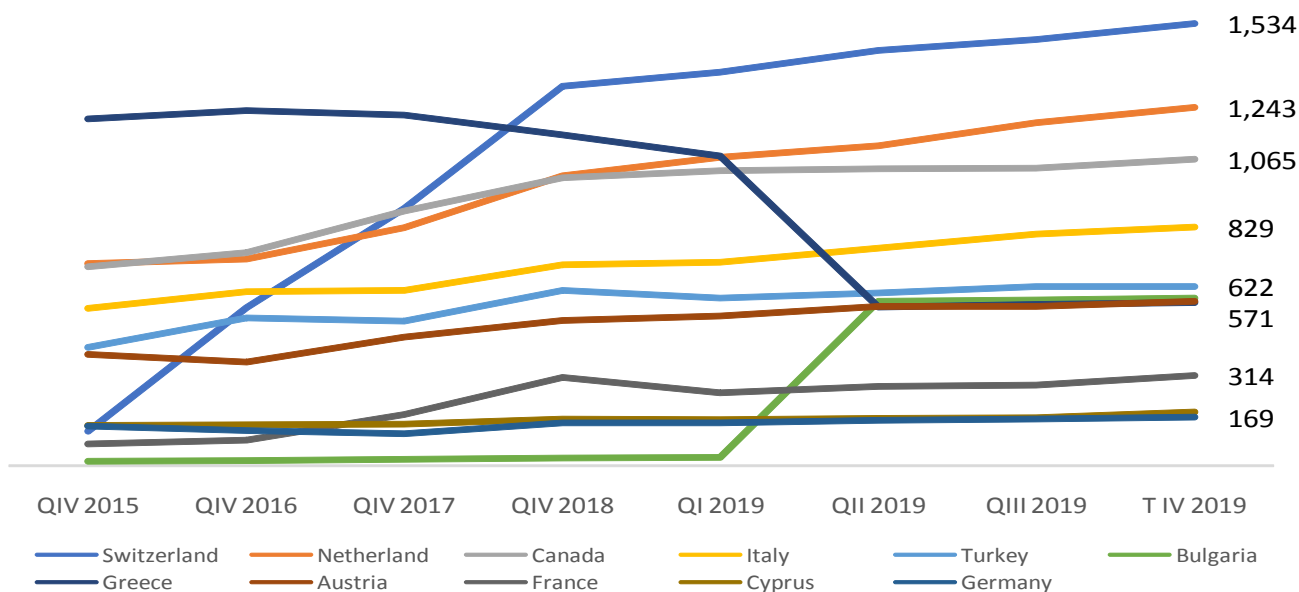
During 2019, FDI inflows increased by 6% compared to the previous year.

Although the flow of FDI has been volatile and following business cycles, after 2015 the stock of FDIs has entered in positive dynamics.

FDIs (in stock) increased 3% if compared to previous quarter and marked an annual growth of 12%.

Foreign Direct Investment

Figure 16. FDI stock according to country of origine, milion EURO



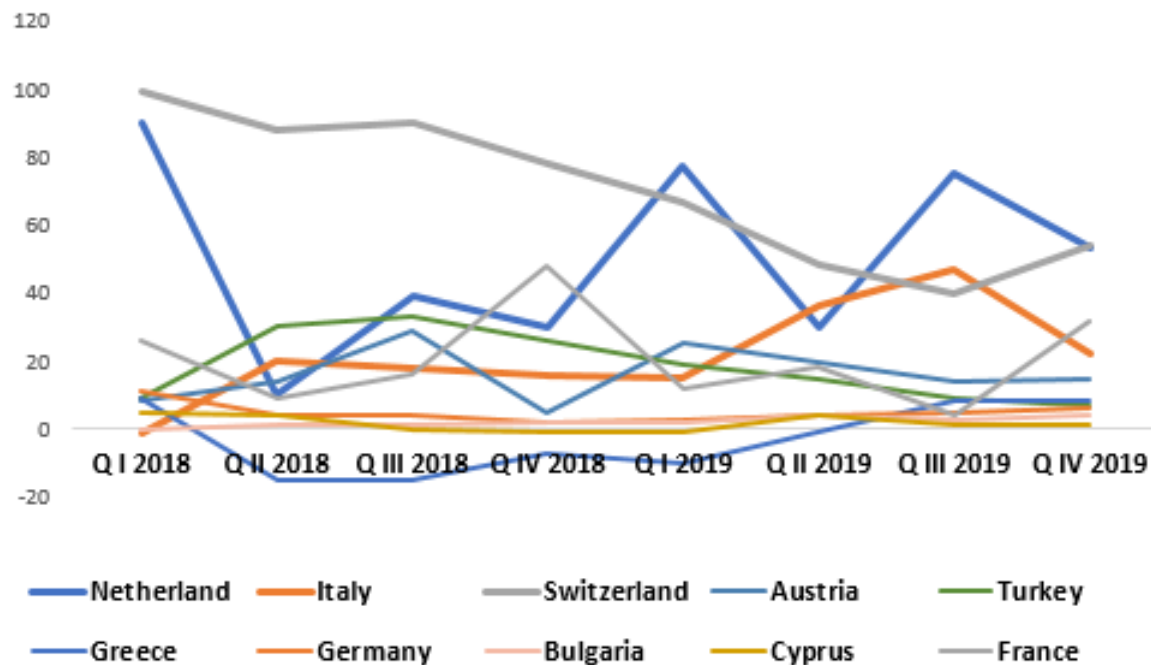
Source: Bank of Albania

Switzerland leads FDI stock in volume terms, 18% of total FDI, followed by Netherlands with 15% of total FDI;

Strong positive dynamics of FDI comes from Bulgaria starting from first quarter of 2019; while Greece marked a strong decrease of FDI's stock starting from first quarter of 2019.

Foreign Direct Investment

Figure 17. FDI flows according country of origine, Million EURO



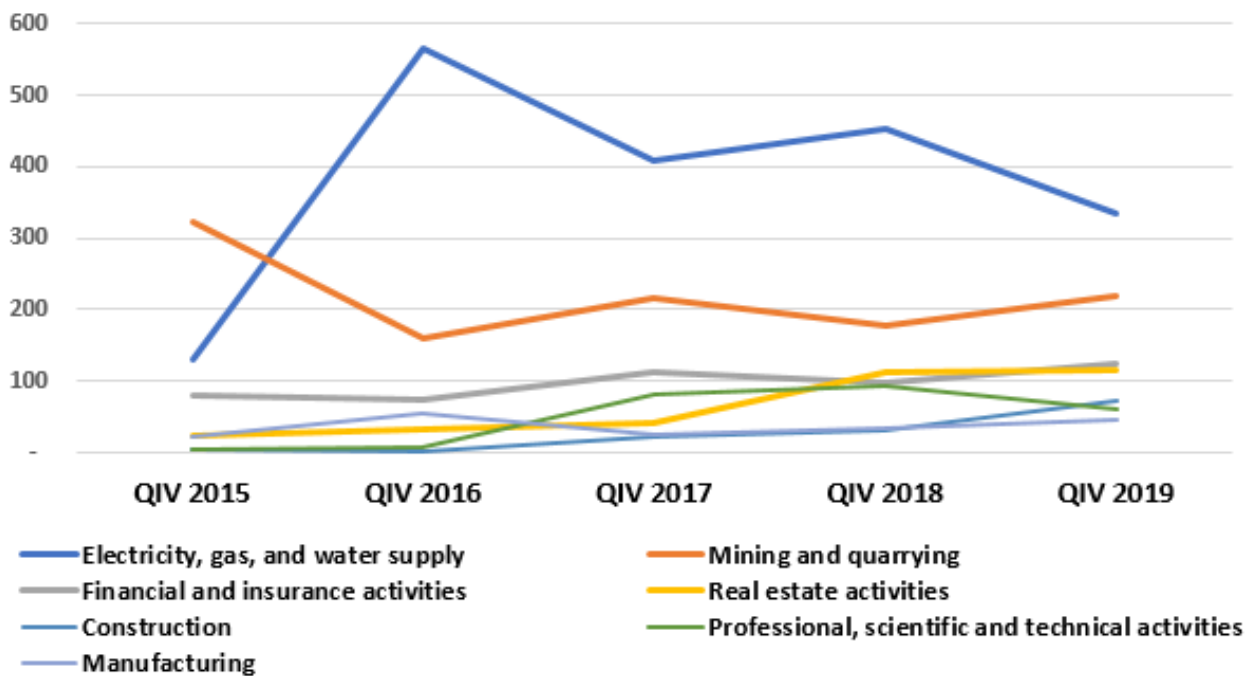
Source: Bank of Albania

According to the latest data from Bank of Albania, Italy FDI inflows in Albania have shown an increase during year 2019, followed by Netherlands and Bulgaria

Meanwhile, FDI inflows from Switzerland have declined during year 2019, followed by inflows from Austria, Turkey; While Greece have shown some improvements during year 2019.

FDI stock as per Economic Activity

Figure 18. FDI Inflows according to economic activity, million EURO



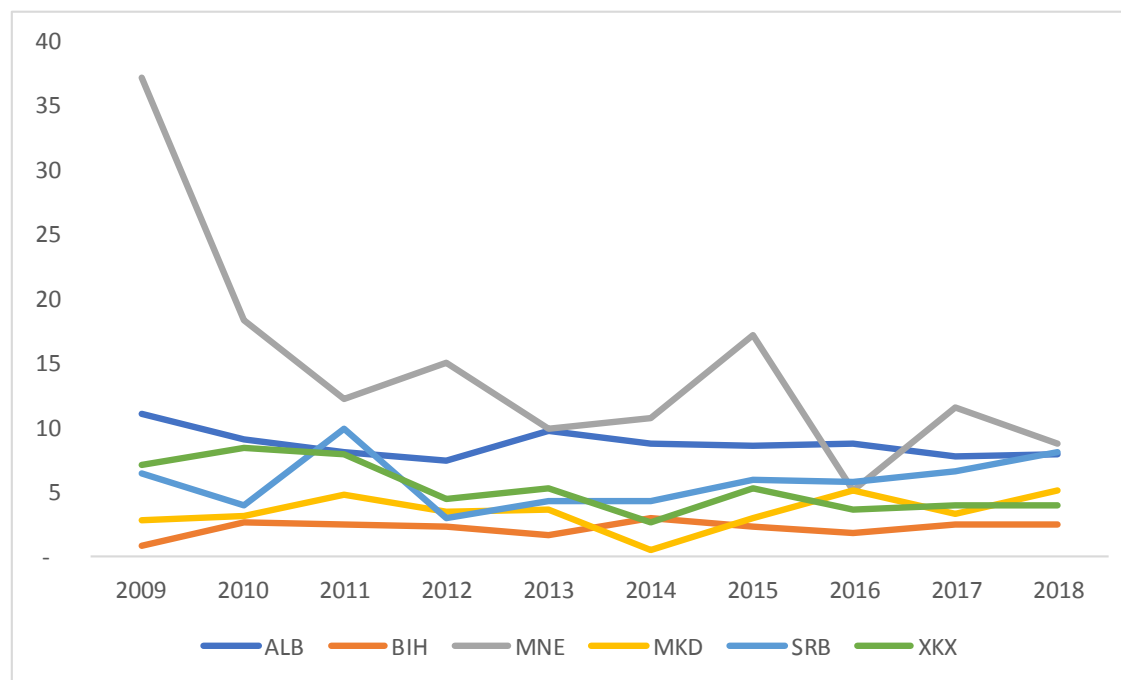
Source: Bank of Albania

The most attractive sectors for FDI remain Energy, gas, steam and air condition supply and Mining and Quarrying.

A slow down in stock of ICT and Transport/Accommodation for Sector is observed starting from the second quarter of 2017.

FDI in the Western Balkans

Figure 19. Foreign direct investment, net inflows (% of GDP)



Albania is ranked second in the region for the value of the foreign investments (8% GDP); first in the region is ranked Montenegro with 9% of GDP.

Last in the region is Bosnia and Herzegovina and Kosovo with respectively 2% and 3% of GDP

Source: World Development Indicators

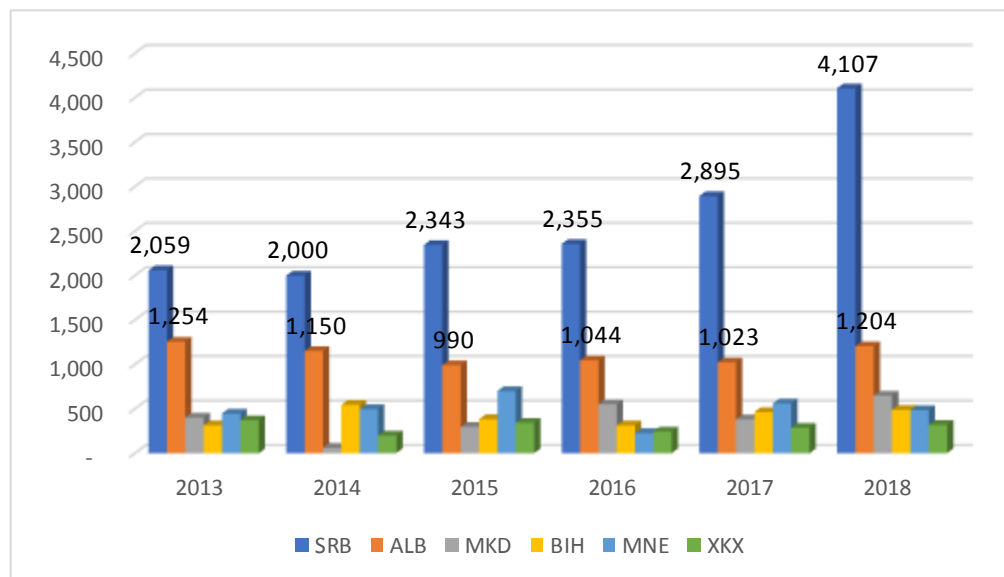
FDI in the Western Balkans

Albania and Serbia are the most attractive countries for FDI in the region of Western Balkans

FDI in Serbia reached 4 billion USD for year 2018; while in Albania FDI were 1.2 billion USD for the same year

The country with lowest FDI inflows is Kosovo with USD 319 million, but with an ever-increasing trend

Figure 20. Foreign direct investment, net inflows (BoP, million US\$)



Source: World Development Indicators

Stock and Profile of Enterprises

Figure 21. Stock of enterprises, end of year

as per number of employees							
	2012	2013	2014	2015	2016	2017	2018
Total	106,837	111,083	112,537	152,288	160,679	162,452	162,835
1-4	95,520	99,782	101,025	136,470	145,456	146,304	145,549
5-9	5,636	5,235	5,387	8,172	7,631	8,023	8,518
10-49	4,439	4,660	4,647	5,994	5,902	6,297	6,801
50+	1,242	1,406	1,478	1,652	1,690	1,828	1,967
Goods Producers	16,413	16,842	16,989	37,950	48,585	53,250	56,916
1-4	12,592	13,071	13,273	33,255	44,179	48,819	52,269
5-9	1,718	1,565	1,603	2,080	1,865	1,842	1,858
10-49	1,650	1,681	1,562	1,971	1,877	1,851	1,987
50+	453	525	551	644	664	738	802
Services Producers	90,424	94,241	95,548	114,338	112,094	109,202	105,919
1-4	82,928	86,711	87,752	103,215	101,277	97,485	93,280
5-9	3,918	3,670	3,784	6,092	5,766	6,181	6,660
10-49	2,789	2,979	3,085	4,023	4,025	4,446	4,814
50+	789	881	927	1,008	1,026	1,090	1,165

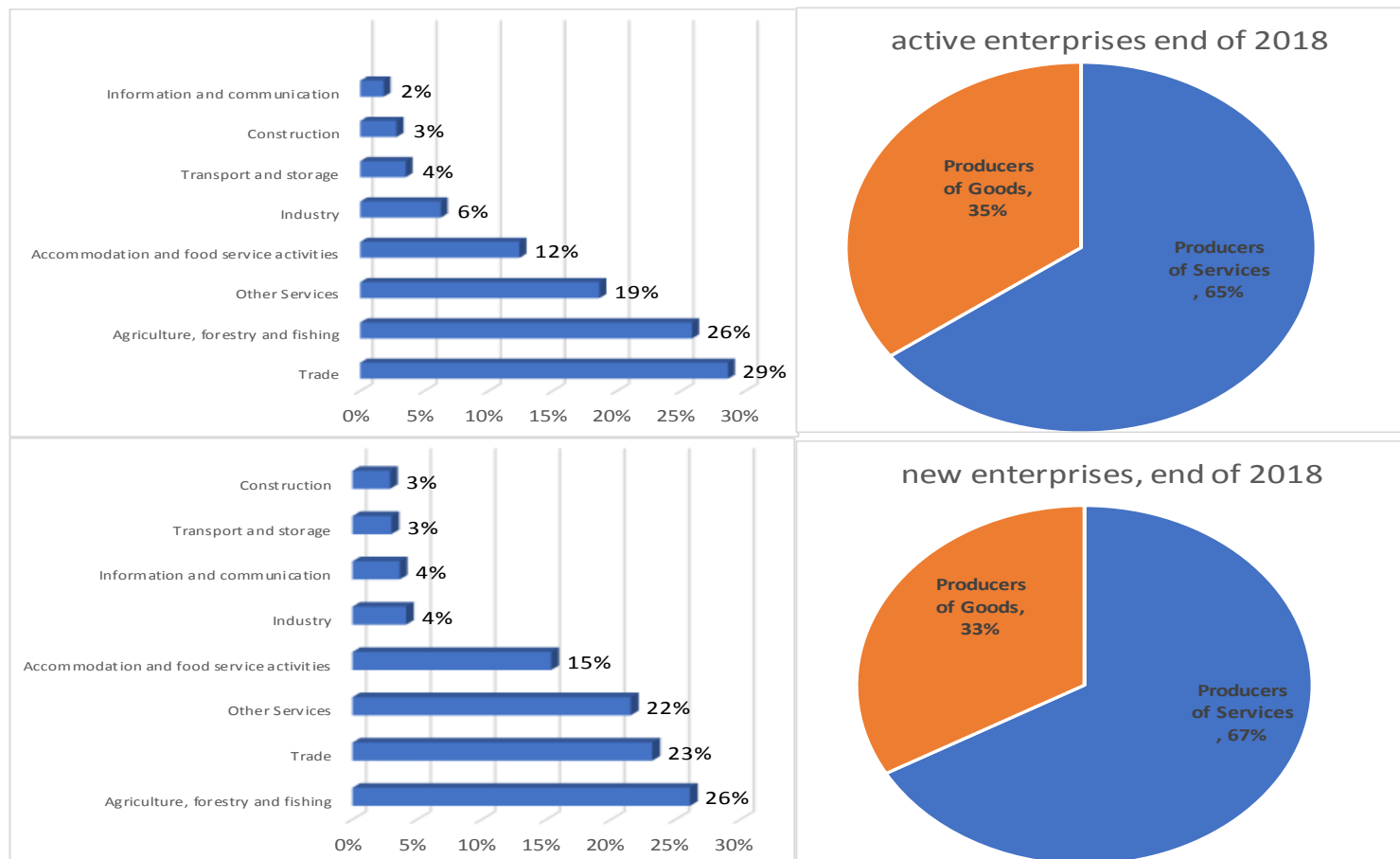
Source: National Business Register, INSTAT

Enterprise structure in Albanian economy is dominated by micro, small and medium enterprises which represent 99% of enterprises.

In 2018, 35% of registered enterprises were operating as producers of goods, 65% were reported as operators in services sector.

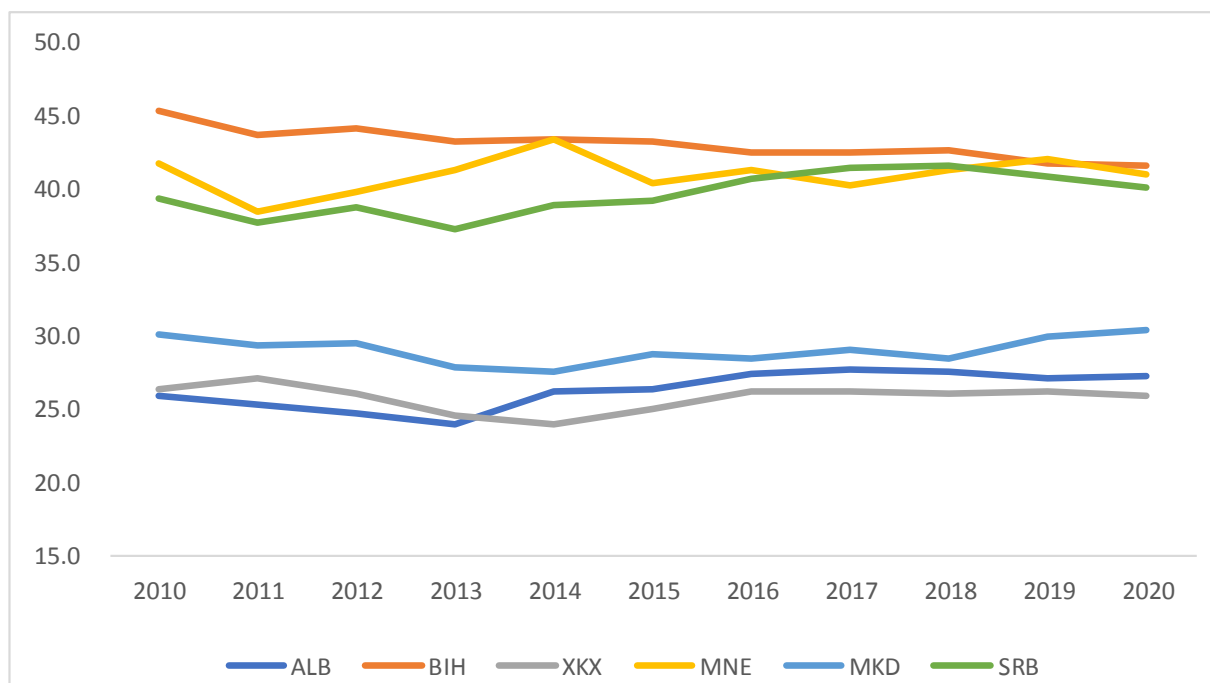
Active Enterprises according to Economic Activity (2018)

Figure 22. Active enterprises, end of year 2018



General Government Revenues in WB

Figure 23. General government revenues, % GDP



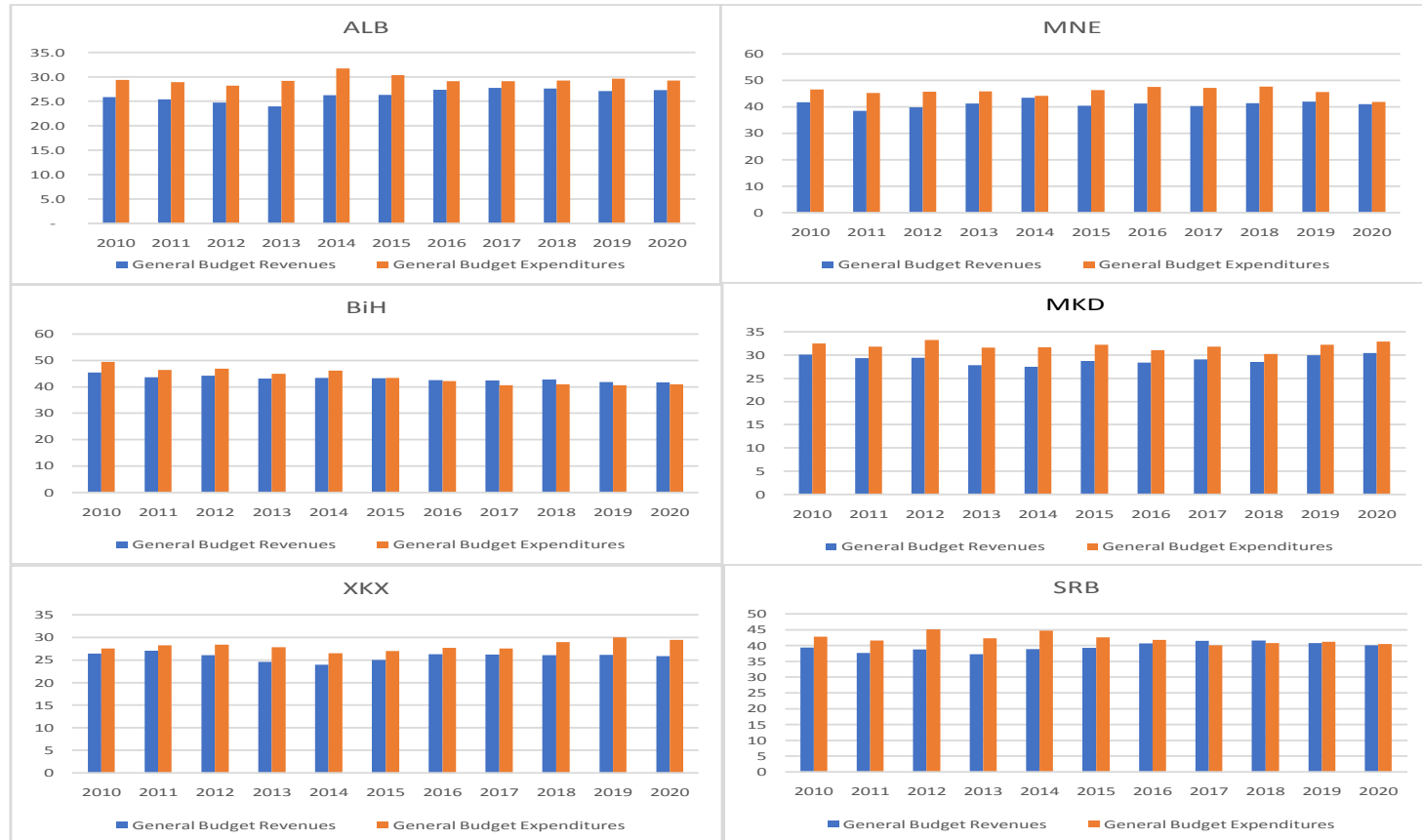
Source: World Economic Outlook, IMF October 2019

Montenegro, Bosnia and Hercegovina and Serbia have general government revenues above WB average of 34.7% of GDP.

Meanwhile, Kosovo, Albania and North Macedonia remain below WB average and have the lowest share of public sector revenues in the region economies, respectively 26.2%, 27.1% and 30% in 2019.

General Government Budget in WB

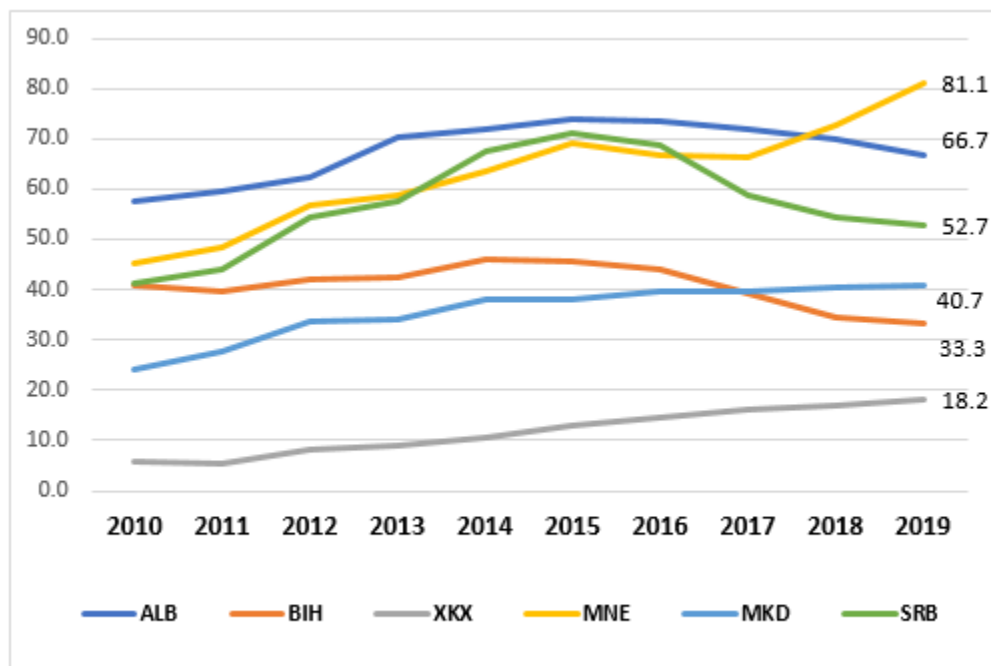
Figure 24. General Government Revenue and Expenditure, % of GDP



Source: World Development Indicators

Public Debt in Western Balkans

Figure 25. Public Debt, % of GDP



Source: World Economic Outlook, IMF October 2019

Public debt remains high, with North Macedonia having the highest rate of public debt, 81.1% GDP in 2019, followed by Albania with 66.7% of GDP in 2019. Kosovo continues to have a lower public debt of around 18% of GDP in 2019, but the trend is increasing.

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 Albania in International Reports and Indexes

Figure 26. Albania Ranking in International Reports

Corruption Perception Index 2019, Transparency International

CPI score 2019	Rank 2019	CPI score 2018	Rank 2018	CPI score 2017	Rank 2017
35	106/180	36	99/180	38	91/180

Economic freedom 2019 Index/ Heritage.org

score 2020	rank 2019	score 2019	rank 2019	score 2018	rank 2018
66.9	57/180	66.5	52/180	64.5	65/180

Doing business, World Bank

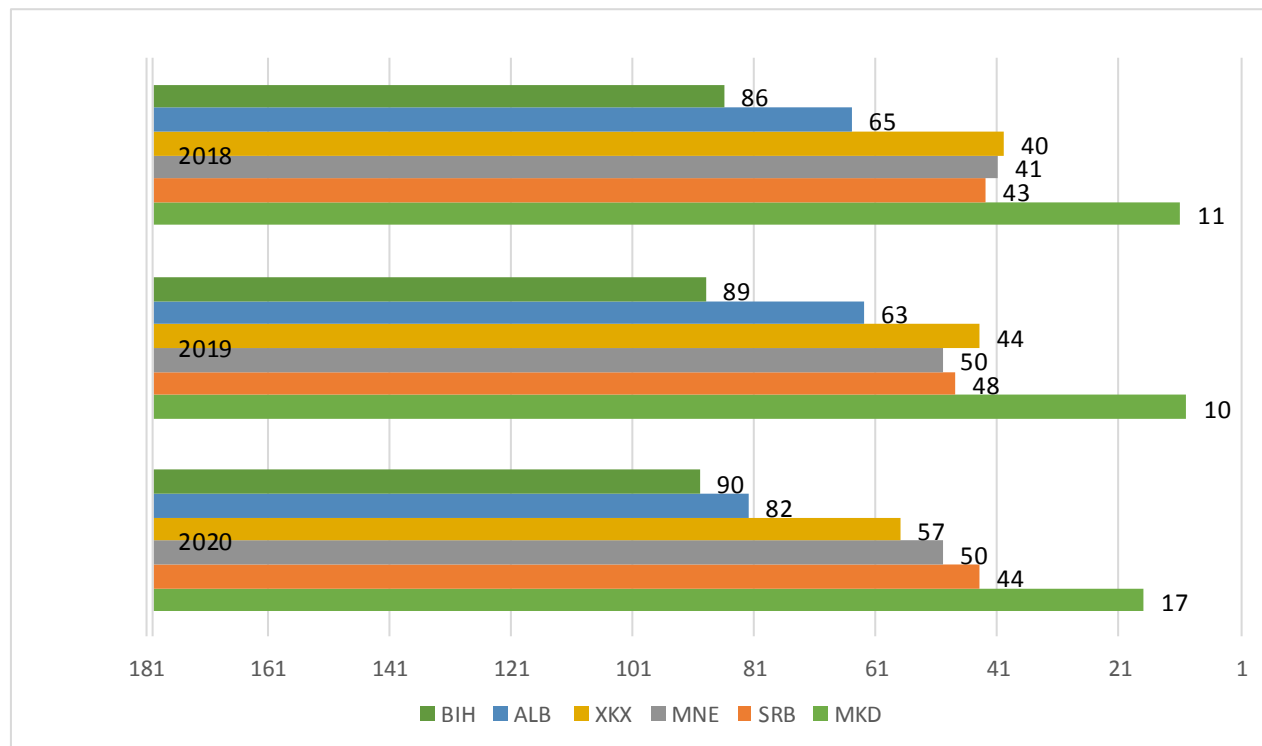
score 2020	rank 2020	score 2019	rank 2019	score 2018	rank 2018
67.7	82/190	69.5	63/190	68.7	65/190

Global Competitiveness Index, World Economic Forum

score 2019	rank 2019	score 2018	rank 2018	score 2017	rank 2017
57.6	81/141	58	76/140		75/137

Ease of Doing Business Indicator

Figure 27. Ranking of WB countries, Ease of Doing Business Indicator

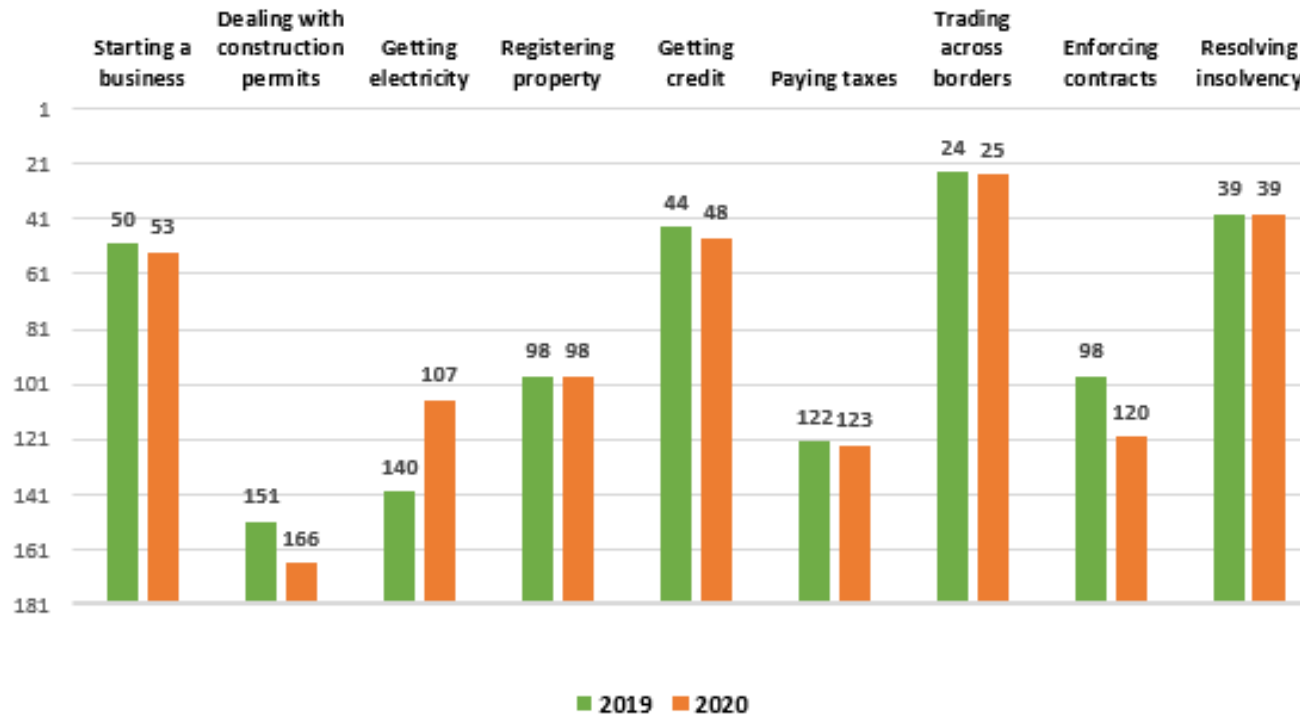


Source: World Bank, Doing Business Indicator

North Macedonia continues to rank best in the region although its position has deteriorated from 2018 DB data

Doing Business Indicators

Figure 28. Albania ranking, Doing Business Indicators



Source: BB, Doing Business

Albania ranks the lowest in the area of dealing with construction permits, getting energy, fiscal procedures and property registration.

Trading across Borders - DB 2020

Figure 29. Trading across borders - Exports cost and time

	Albania	Europe and Central Asia	Ranking out of 190 economies
Time: Border compliance (hours)	9	22.1	
Cost: Border compliance (USD)	55	157.5	
Time: Documentary compliance (hours)	6	24.3	
Cost: Documentary compliance (USD)	10	97.9	
Ranking			24

Source: *Doing Business, WB*

Trading across Borders - DB 2020

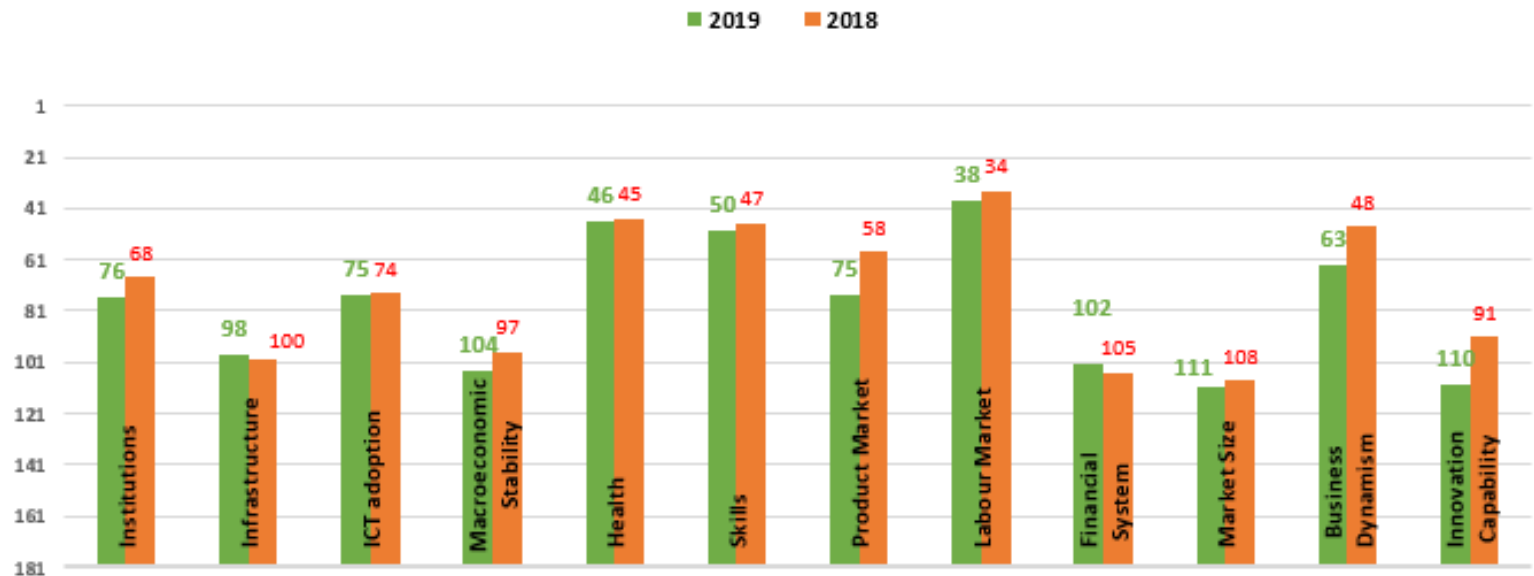
Figure 30. Trade across borders - Imports

	Albania	Europe and Central Asia	Ranking out of 190 economies
Time: Border compliance (hours)	10	21.1	
Cost: Border compliance (USD)	77	162.3	
Time: Documentary compliance (hours)	8	24.7	
Cost: Documentary compliance (USD)	10	93.9	
Ranking			24

Source: Doing Business, WB

Competitiveness Indicators

Figure 31. Competitiveness Indicators, Albania ranking

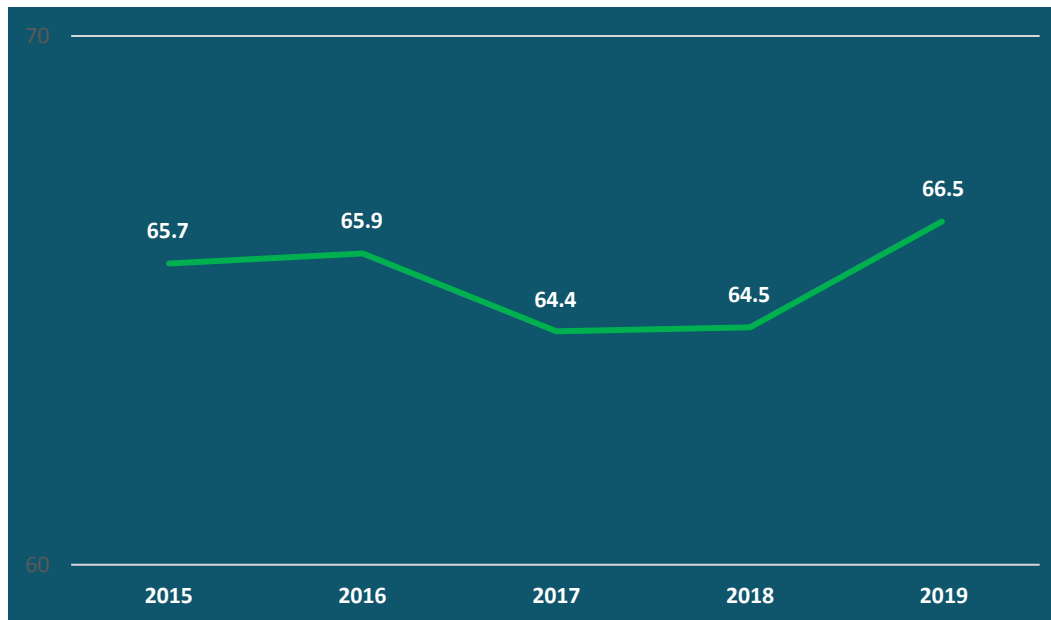


Source: The Global Competitiveness Report, World Economic Forum

During 2019, Infrastructure and Financial System indicators have improved; while, Institutions, Business Dynamism and Innovation are index of competitiveness in significant deterioration.

Economic Freedom

Figure 32. Economic Freedom Trend, Albania



Source: www.heritage.org

Albania ranks 52rd in the world, improving by 2 points since last year.

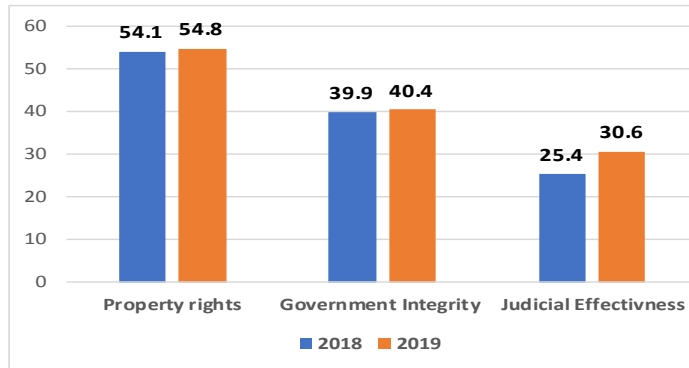
At the regional level, Albania is ranked 27th out of 44 European countries.

The country stands below the European average (68.6), but it is above the world average (60.8)

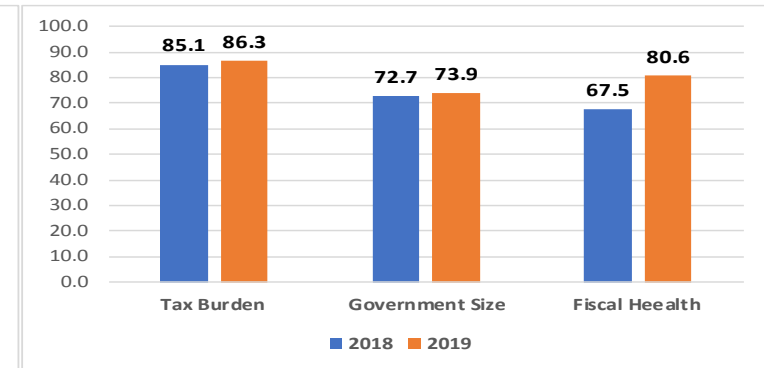
Economic Freedom Indicators

Figure 33. Economic Freedom Indicators

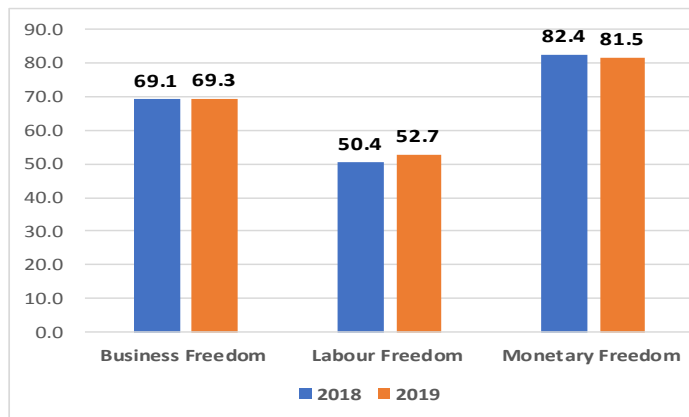
Rule of Law



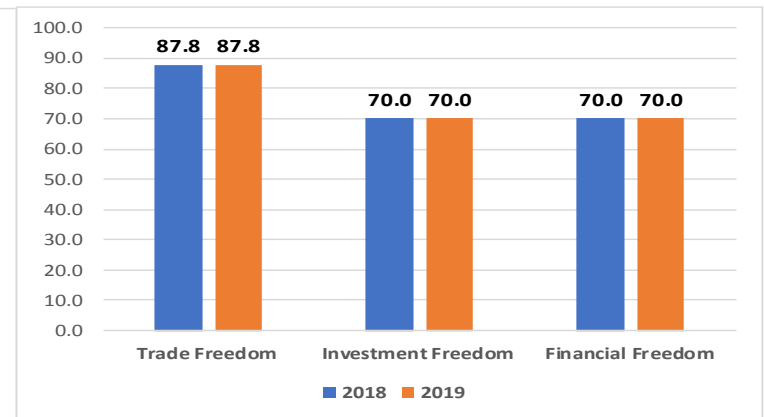
Government Size



Regulatory Efficiency



Open Markets



Source: www.heritage.org

EBRD Knowledge Economy Index

Figure 34. EBRD Knowledge Economy Index 2018

	<i>Ranking out of 46 economies</i>	<i>Knowledge Economy Index</i>	<i>Pillar 1: Institutions for Innovation</i>	<i>Pillar 2: Skills for Innovation</i>	<i>Pillar 3: Innovation System</i>	<i>Pillar 4: ICT Infrastructure</i>
SRB	13	5.13	5.76	5.46	3.26	6.02
MNE	14	5.04	6.20	5.16	2.88	5.92
MKD	22	4.50	5.74	3.83	3.27	5.18
ALB	25	4.36	5.64	4.79	2.36	4.67
BIH	29	4.10	5.04	4.13	2.88	4.35
XKX	35	3.22	4.81	2.75	3.12	2.20

Source: European Bank for Restructions and Development