

An Overview of Albania's Economic Development Indicators

Secretariat of the Investment
Council

July 2020

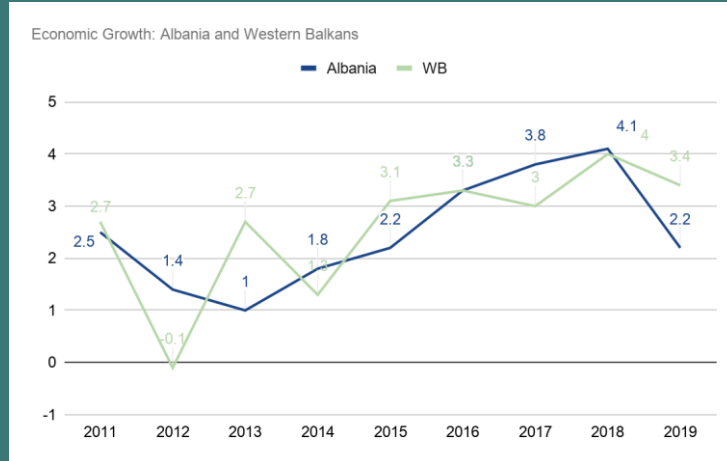
This is a summary of the main macroeconomic indicators of Albania and Western Balcan countries published by national and international official sources

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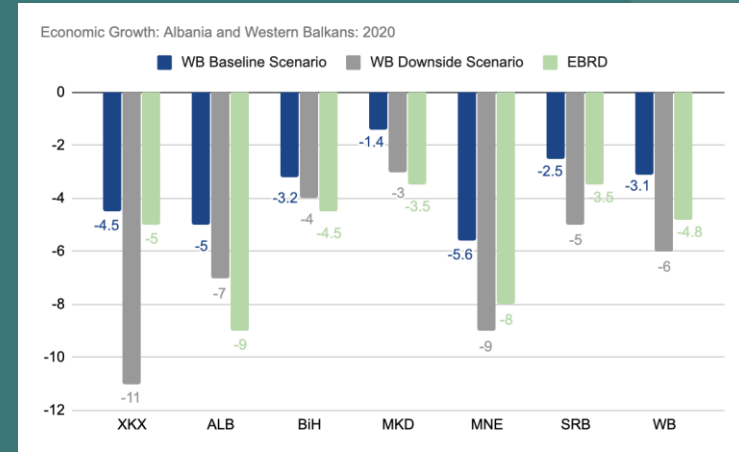
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Economic Growth Performance



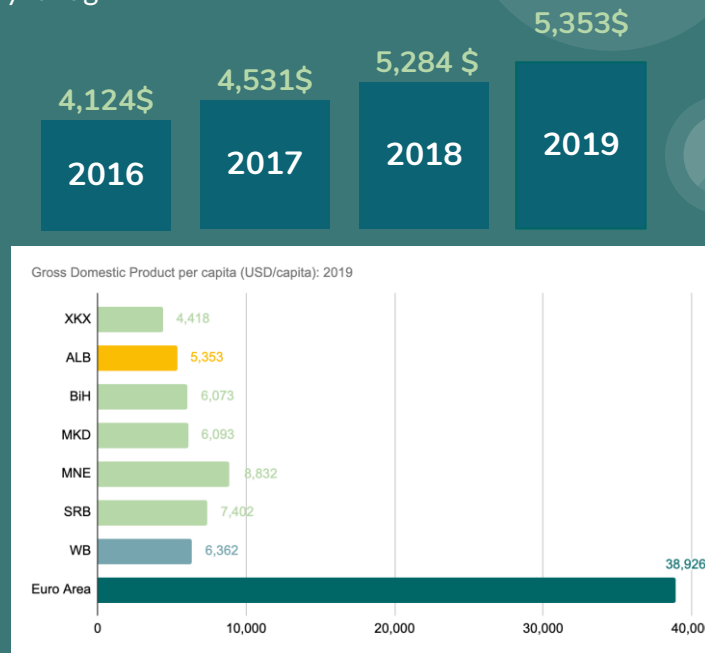
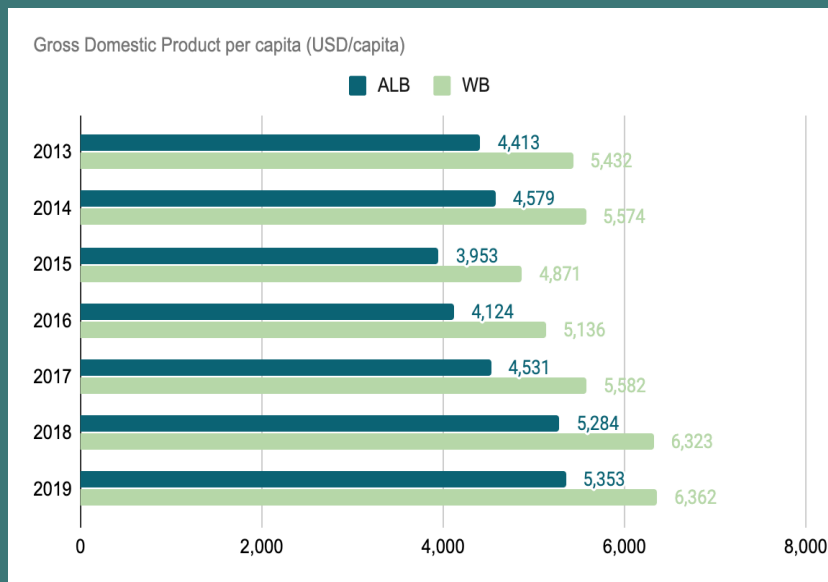
Albania's economic recovery started in 2015, slowed down during 2019, where according to the latest INSTAT estimates the economy grew by only **2.2%** compared to a year ago



The two consecutive civil emergencies, the November 2019 Earthquake and the COVID-19 pandemic, have significantly lowered Albania's, and not only, economic growth forecasts **during 2020**

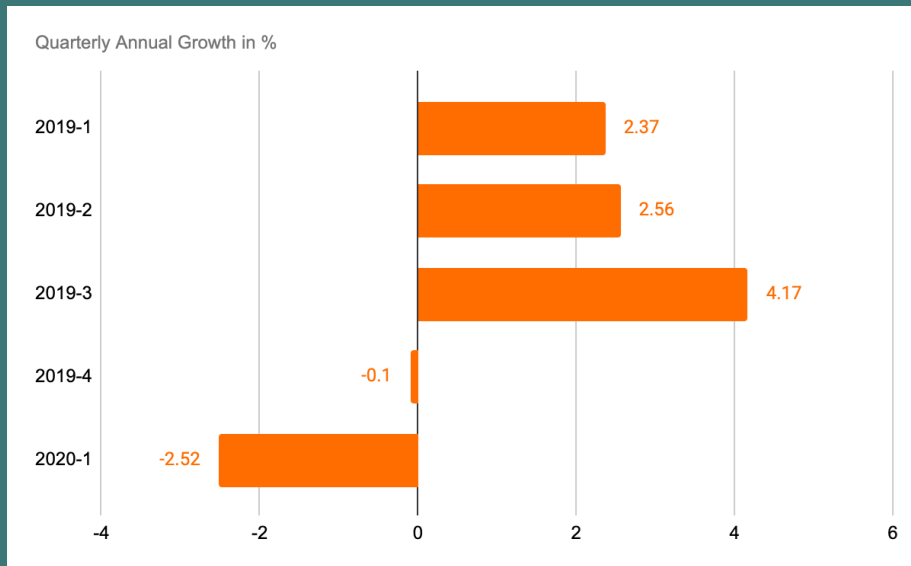
Income Per Capita

For 2019, Albania's per capita income is estimated at **5,353 USD** in current value, at the same levels as a year ago





Economic Growth



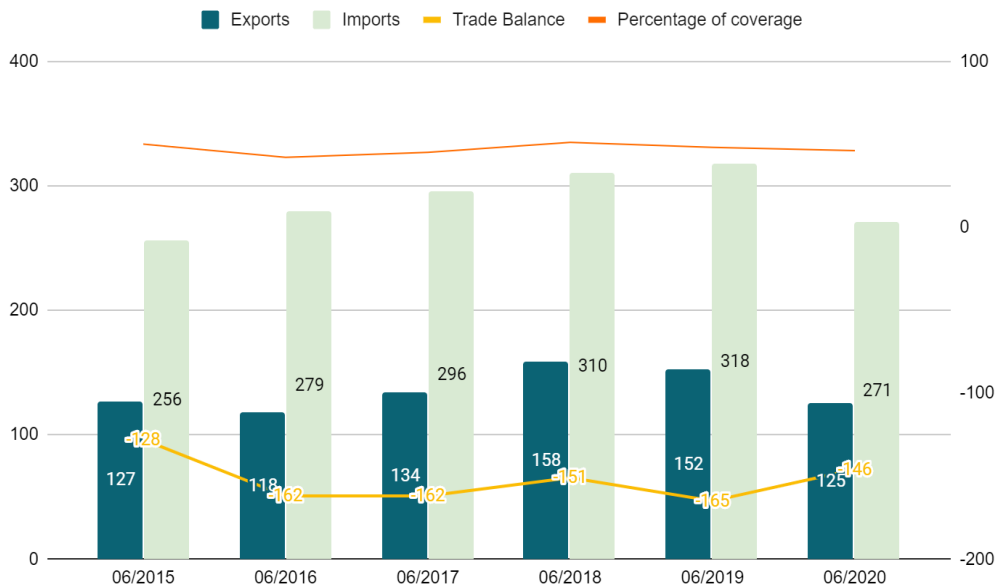
Based on preliminary estimates of INSTAT, Gross Domestic Product in the first quarter of 2020 affected by the situation created by COVID-19, is estimated to decrease by **2.52%**, compared to the first quarter of 2019.

Positive contribution was given mainly by Agriculture, Forestry and Fishing with **+0.71** percentage points and Real estate activities with **+0.19** percentage points

Negative contribution was given mainly by Construction with **-1.29** percentage points and Trade, Transport, Accommodation and Food Service with **-0.58** percentage points.

International Trade

Trade of Goods, billion ALL

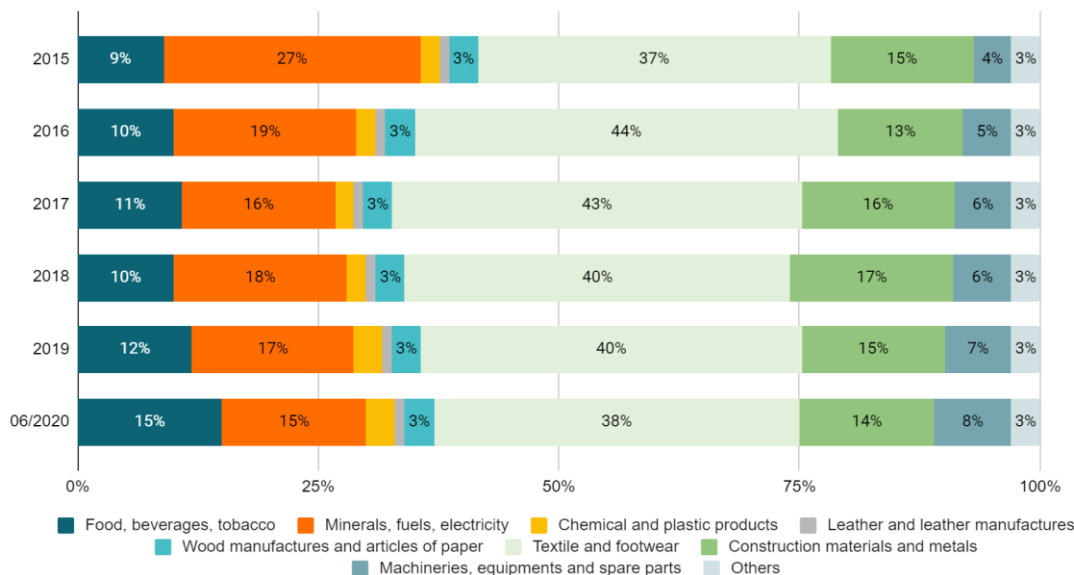


In the first half of 2020, exports of goods reached the value of **ALL 125 billion**, decreasing by **18%**, compared to previous year, and imports of goods reached the value of **ALL 271 billion**, decreasing by **15%**, compared to one year ago.

The trade deficit reached the value of **ALL 146 billion**, decreasing by **12%**, compared to the same period of 2019.

Exports of Goods

Exports as per products, % of total

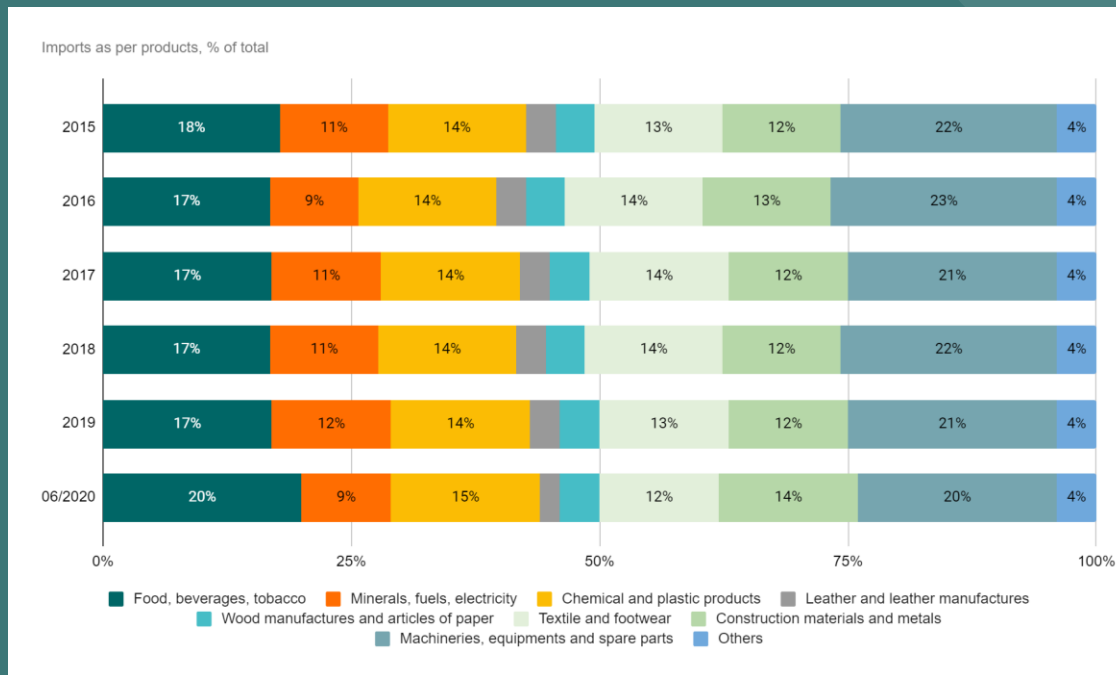


Exports continue to maintain their structure even during the first 6 months of 2020, where most of them are **Textiles** and **Footwear** followed by Minerals, Fuels, Electricity and Foods, Beverages and Tobacco.

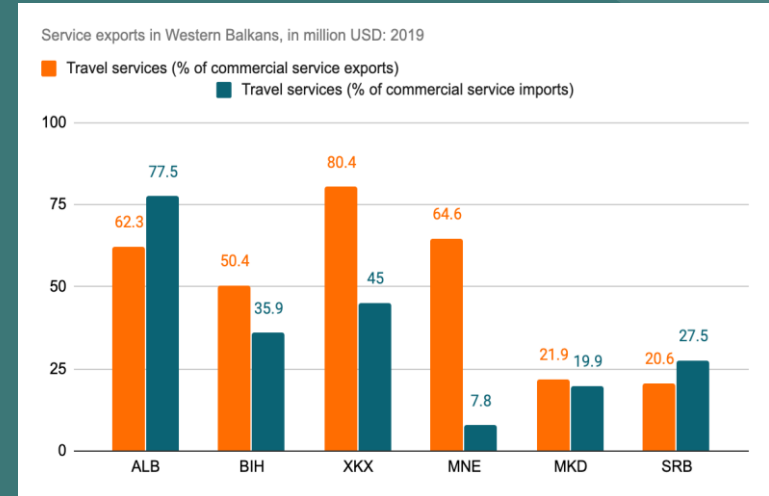
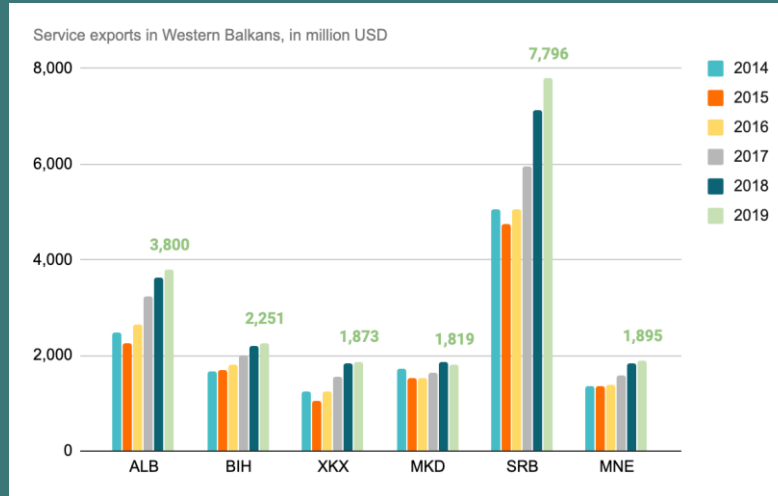


Imports of Goods

The structure of imports of goods continues to be dominated by imports of **Food, Beverages, Tobacco** and **Machinery, equipment and spare parts** and **Chemical and Plastic Products**.

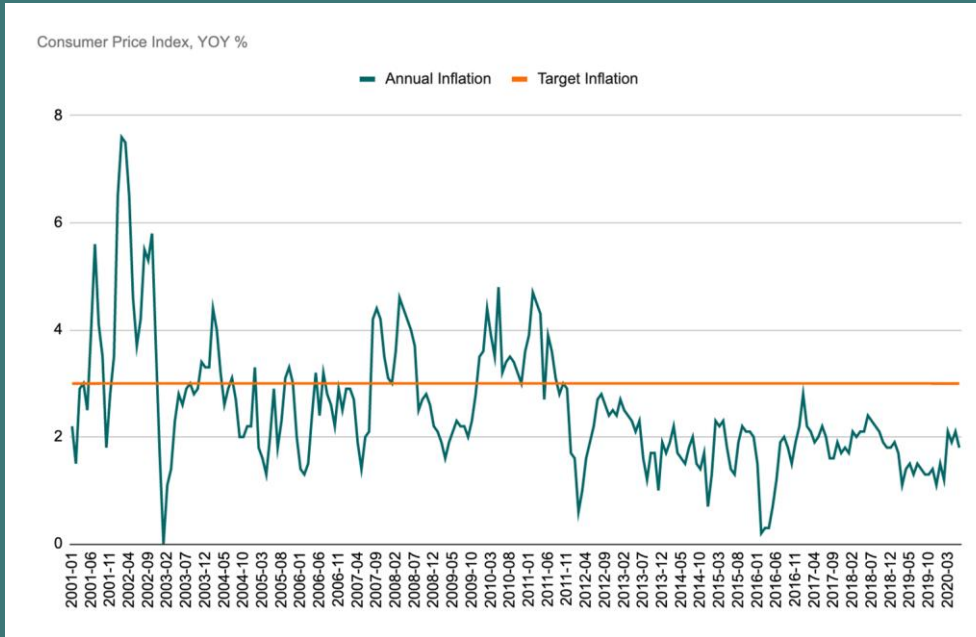


Service Exports Regional Context



Even during 2019, Albania continues to rank second in the region in terms of services exports, dominated by Travel with **62.3%** of total service exports. Serbia is the first in the Western Balkans region in terms of service exports

Consumer Price Index

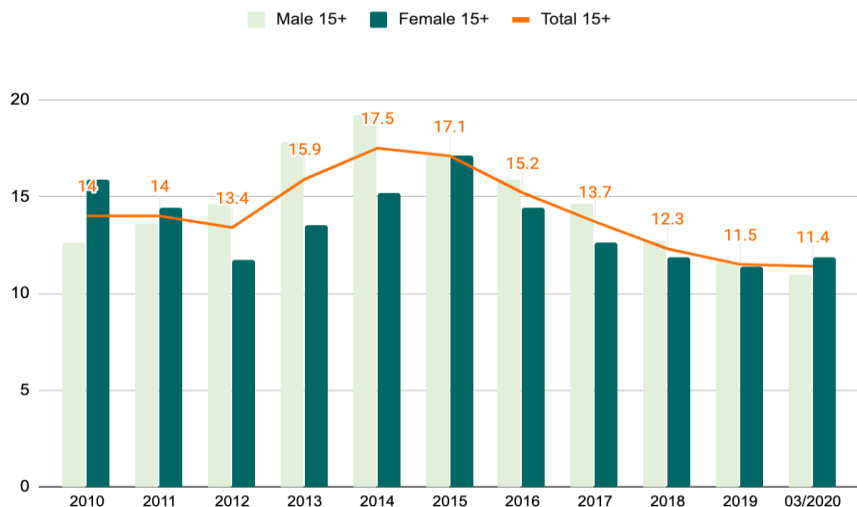


During the first 6 months of 2020, the average annual inflation recorded a value of **1.8%**, higher than same period of 2019 where Inflation recorded a value of **1.5%**.

Based on the graph data, starting from the end of 2011, the monthly inflation on annual basis has been constantly below the Bank of Albania's target of **3%**.

Labor Force

Unemployment rate

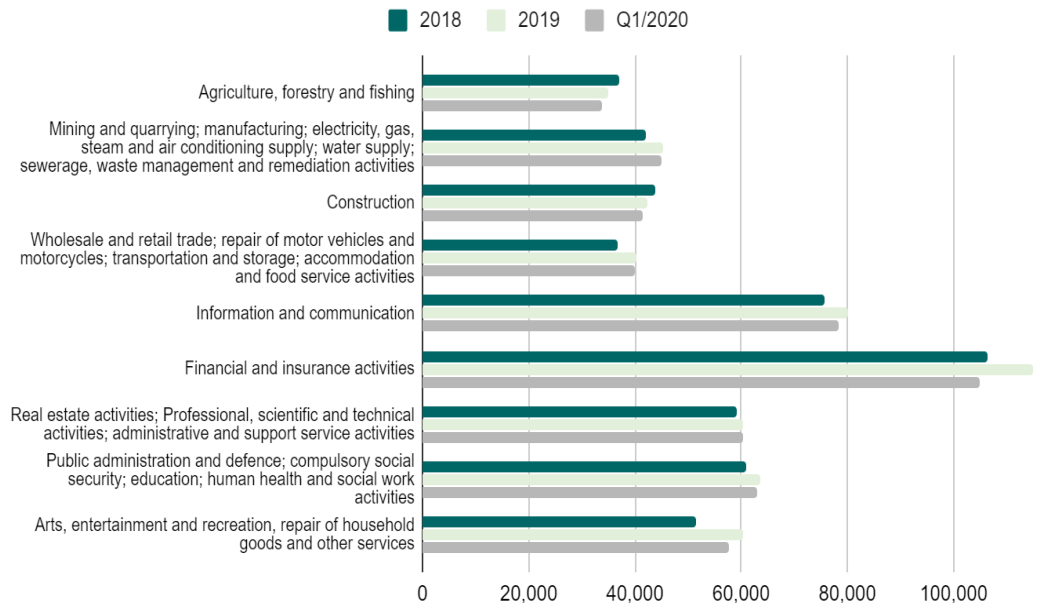


During the first quarter 2020 the unemployment rate has continued the downward pace of recent years, marking a decrease of **0.1 p.p** compared to a year ago.

The regions with the lowest unemployment rate for the population aged 15+ are: Gjirokastra (6.0%), Elbasan (6.4%), and Kuksi (7.2%), while the region with the highest unemployment rate is the region of Lezha (21.9%), Tirana (13.9%) and Durrës (13.9%).

Average Salary by Sectors (In Lek)

Gross average monthly wage per employee by economic activities

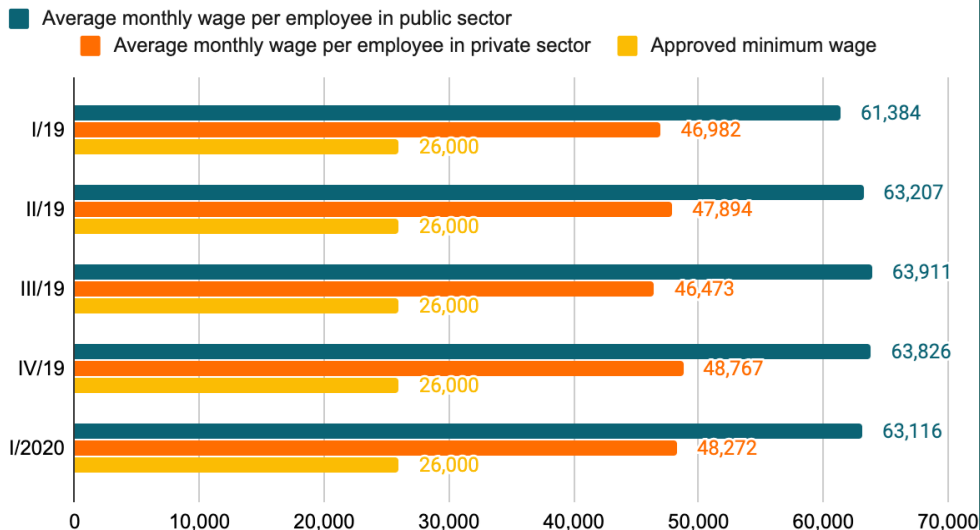


The **highest salaries** were recorded in the sector of "Financial and insurance activities", followed by "Information and Communication". The lowest wages were reported in the "Agriculture, Forestry and Fishing" sector.

Average monthly salary - is the gross salary that an employee receives for the work he has done

Average Wage and Minimum Wage

Average gross monthly wage per employee and approved minimum wage

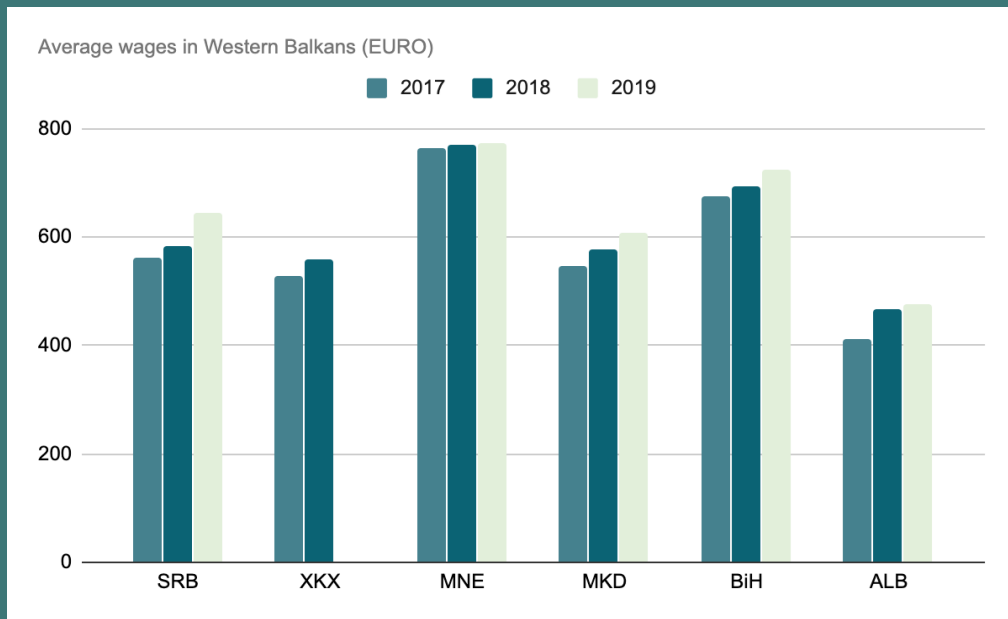


The average salary during Q1 2020 was reported at **53,232 ALL** with an increase of **3.3%** compared to a year ago.

The average monthly salary for an employee in the private sector was **48,272 ALL** with an increase of **2.7%** compared to a year ago; Meanwhile, the average monthly salary for an employee in the public sector was **63,116 ALL**, with an increase of **2.8%** compared to a year ago.

The minimum wage remains unchanged at **26,000 ALL**

Labor Cost for the Western Balkans

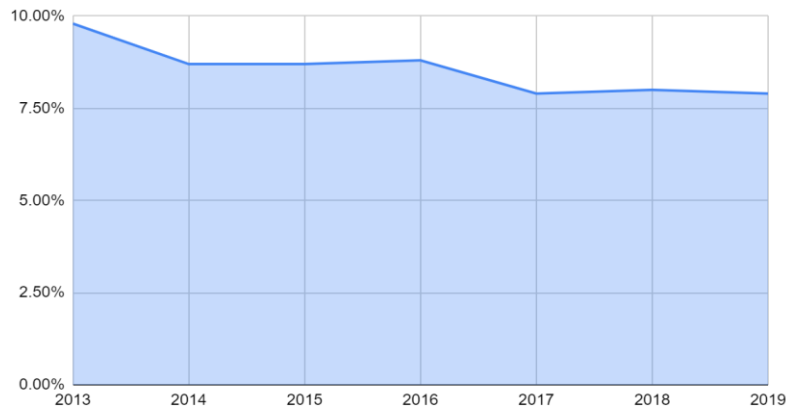


The highest average gross salary in the region is recorded in Montenegro, followed by Bosnia and Herzegovina, while Albania continues to have the lowest average salary in the region

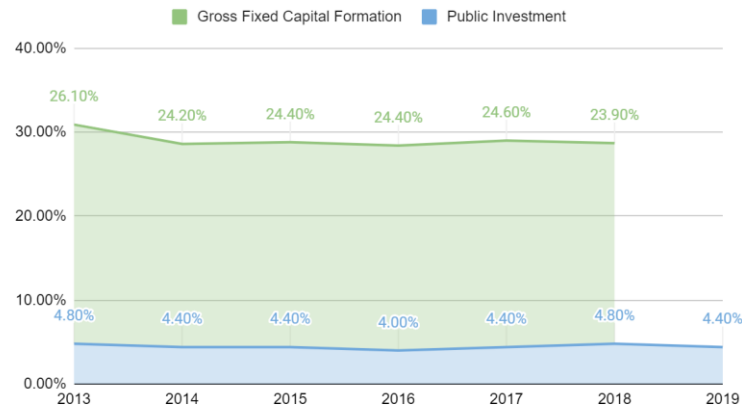
(Note: The Kosovo Institute of Statistics has not yet released data for 2019 average gross wage)

Investments in Albania

Foreign Direct Investment, % of GDP



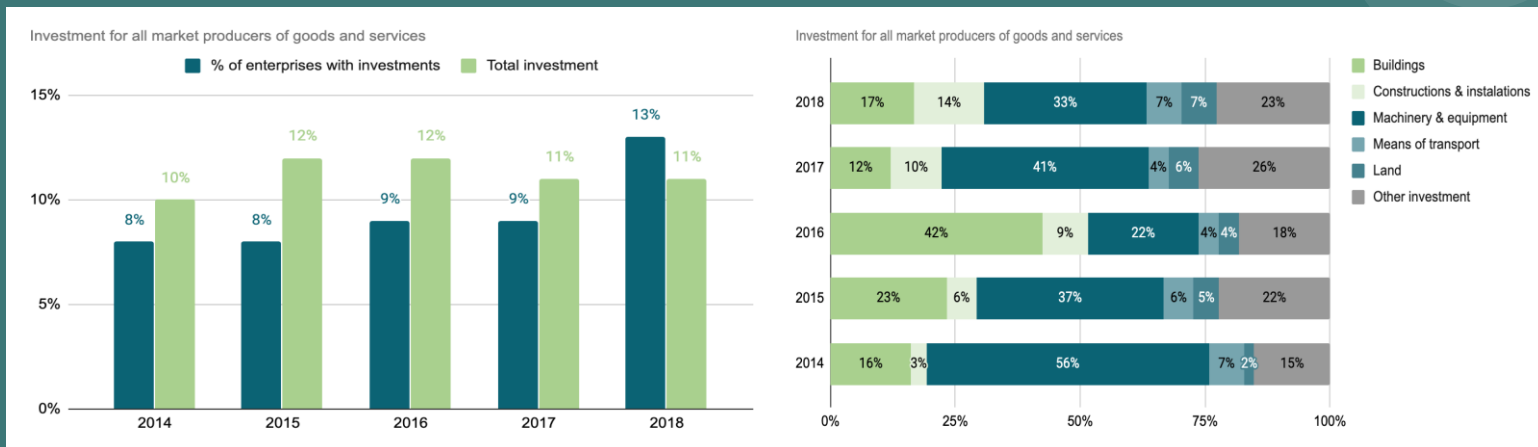
Public, Private and Foreign Investments in Albania, % of GDP



Most investments in the economy come from the domestic sector. During 2018, GFCF was **18.9%** of Gross Domestic Product, while public investments were at the level of **4.8%** of GDP

Note: data for GFCF for 2019 are not yet released from INSTAT

Investments by Sectors

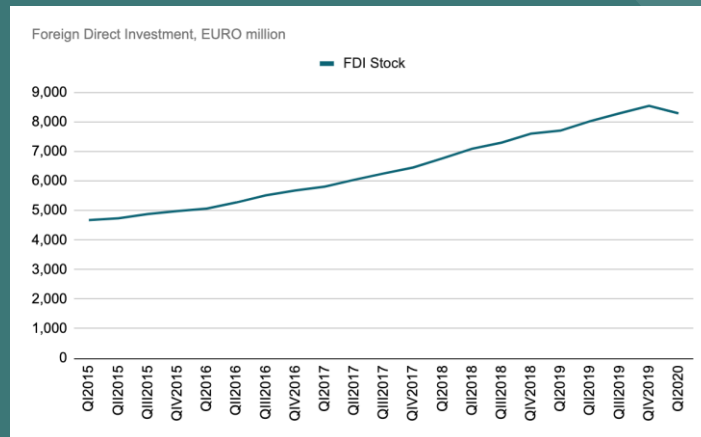
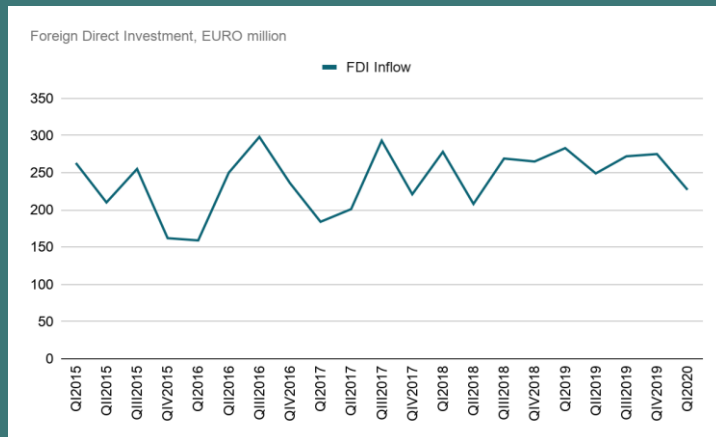


According to the Structural Business Survey, during 2018, private investment increased by **2.8%**, and **38.6%** of Investments come from service providers.

Most Investments during 2018, have been investments in Machinery and Equipment, **33%** of the total, maintaining the same trend of the previous year although with a decrease of **7%**;

During 2018, investments in Buildings, Constructions and Installations, Vehicles, and Land have increased

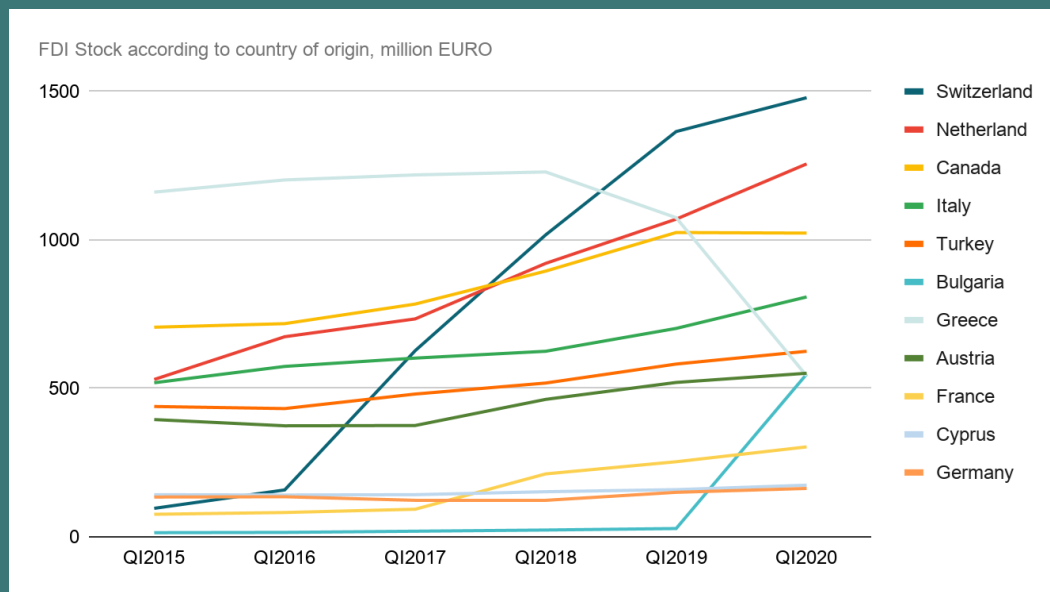
Foreign Direct Investments



During Q1 2020, the inflow of FDI has decreased by **20%** compared to same period of 2019
 Although FDI inflows have been quite variable according to business cycles, since 2015 the FDI stock
 in Albania has maintained an upward trend until QIV 2019;
 In Q1 2020, the FDI stock fell by **3%** compared to the previous quarter; meanwhile compared to a year
 ago it has increased by **8%**



Foreign Direct Investments

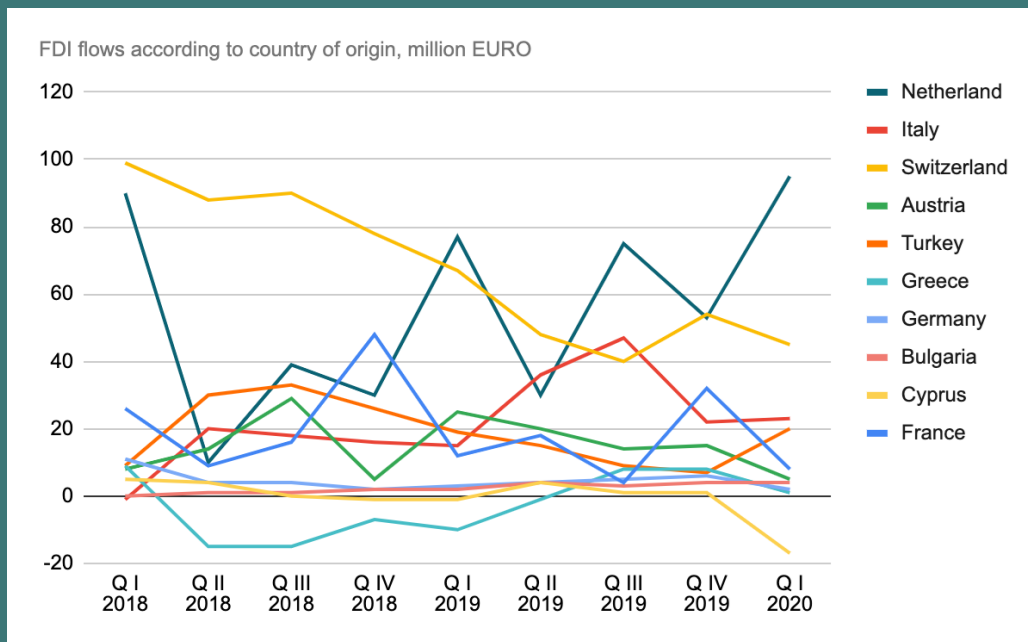


Switzerland continues to lead the FDI stock in terms of volume, even during Q1 2020, with **18%** of the total, followed by the Netherlands and Greece with 14% of the total;

Positive FDI dynamics come from Bulgaria, while Greece has slowed down FDI inflows starting from the first quarter of 2019



Foreign Direct Investments



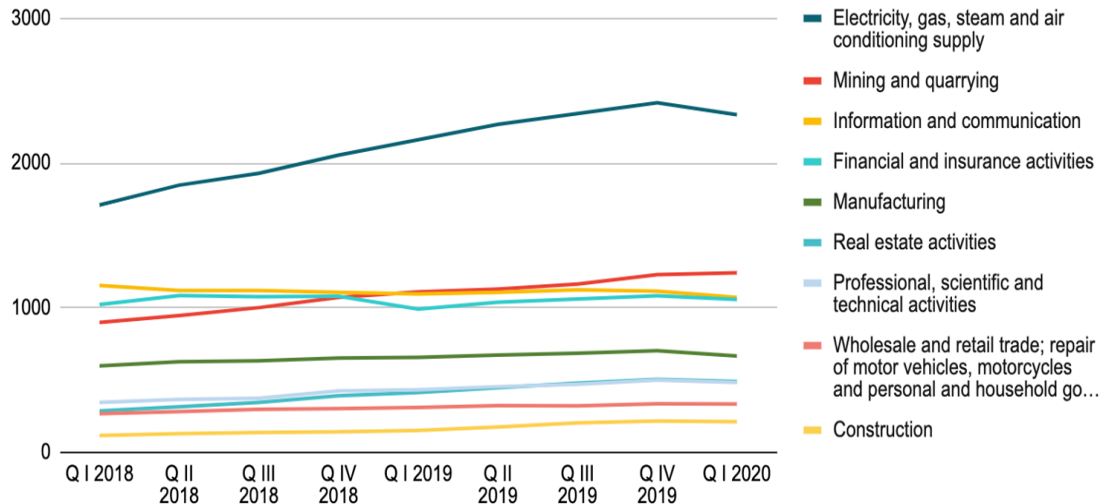
Based on the latest BoA data, FDI inflows from the Netherlands, Turkey and Bulgaria have increased

Meanwhile, inflows from Switzerland, although positive, are declining, followed by Austria and Greece



Foreign Direct Investments

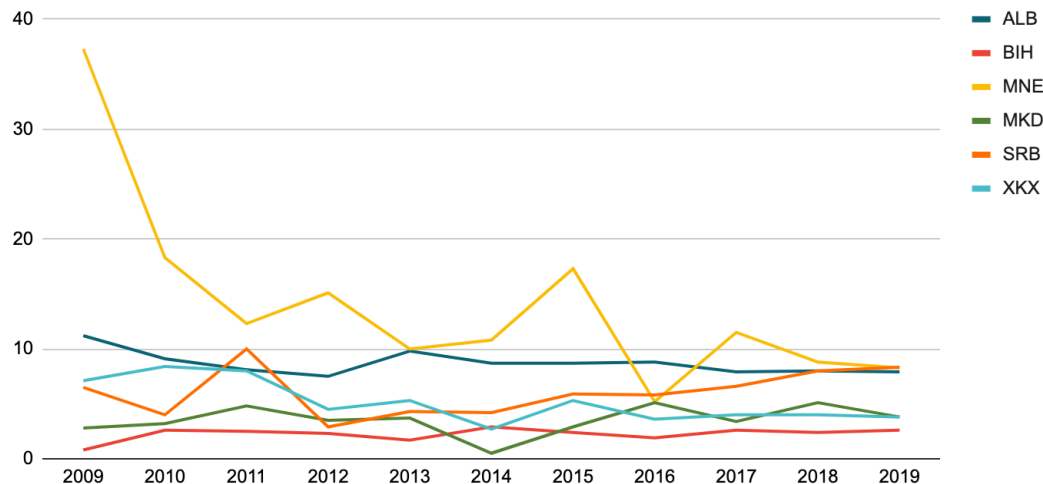
FDI flows according to economic activity, million EURO



The most attractive sectors for FDI remain **Electricity, Mining and Quarrying Industries**, although the latter is declining starting from Q1 2019

FDI Inflows In The Western Balkans

Foreign Direct Investment, net inflows (% of GDP)

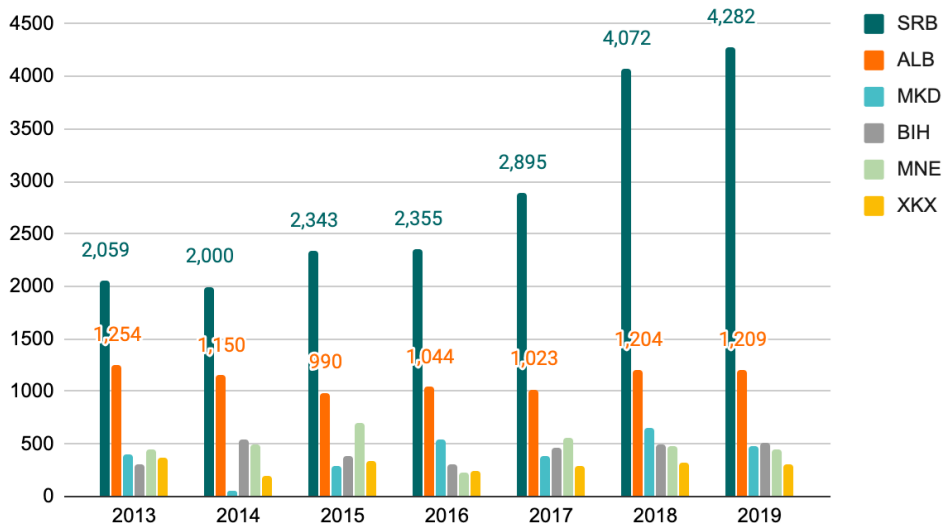


Albania ranks third in the region for FDI with **7.9%** of GDP

Serbia and Montenegro lead the region in terms of FDI inflows which are as much as **8%** of GDP

FDI Inflows In The Western Balkans

Foreign Direct Investment, net inflow (BoP, million USD)



FDI inflows in Serbia amounted to **USD 4 billion** for 2019, while in Albania they reached the figure of **USD 1.2 billion**

The country with the least FDI inflows in the region is Kosovo with **304 million USD**, but with an increasing trend

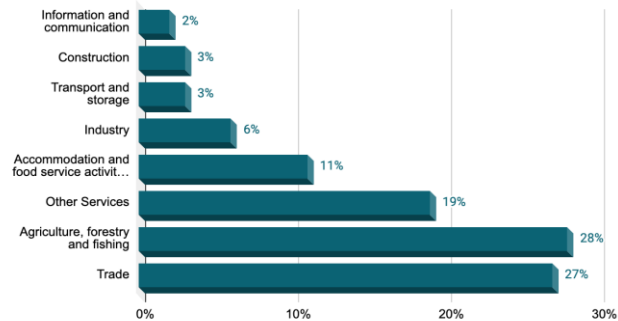
Stock and Enterprise Profile

The structure of enterprises in the Albanian economy is dominated by small enterprises with 1-4 employees

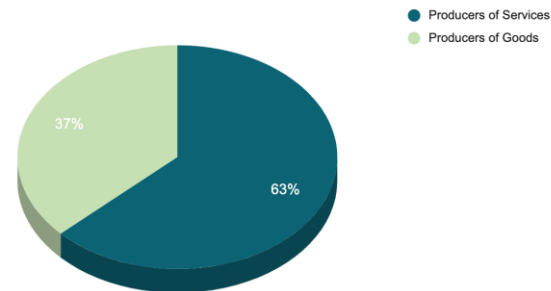
As per number of employees	2012	2013	2014	2015	2016	2017	2018	2019
Total	106,837	111,083	112,537	152,288	160,679	162,452	162,835	162,342
1-4	95,520	99,782	101,025	136,470	145,456	146,304	145,549	144,857
5-9	5,636	5,235	5,387	8,172	7,631	8,023	8,518	8,569
10-49	4,439	4,660	4,647	5,994	5,902	6,297	6,801	6,932
50+	1,242	1,406	1,478	1,652	1,690	1,828	1,967	1,984
Goods Producers	16,413	16,842	16,989	37,950	48,585	53,250	56,916	60,061
1-4	12,592	13,071	13,273	33,255	44,179	48,819	52,269	55,342
5-9	1,718	1,565	1,603	2,080	1,865	1,842	1,858	1,871
10-49	1,650	1,681	1,562	1,971	1,877	1,851	1,987	2,052
50+	453	525	551	644	664	738	802	796
Services Producers	90,424	94,241	95,548	114,338	112,094	109,202	105,919	102,281
1-4	82,928	86,711	87,752	103,215	101,277	97,485	93,280	89,515
5-9	3,918	3,670	3,784	6,092	5,766	6,181	6,660	6,698
10-49	2,789	2,979	3,085	4,023	4,025	4,446	4,814	4,880
50+	789	881	927	1,008	1,026	1,090	1,165	1,188

Active Enterprises By Economic Activity

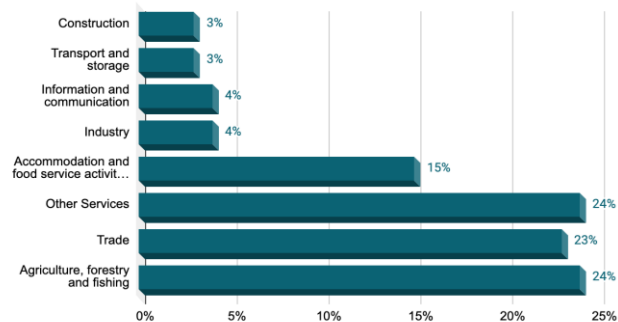
Active Enterprises, end of year 2019



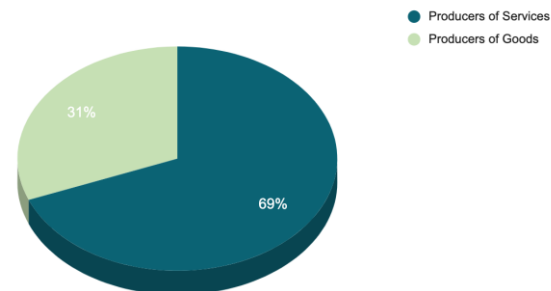
Active Enterprises: 2019



New Enterprises, end of year 2019



New Enterprises: 2019



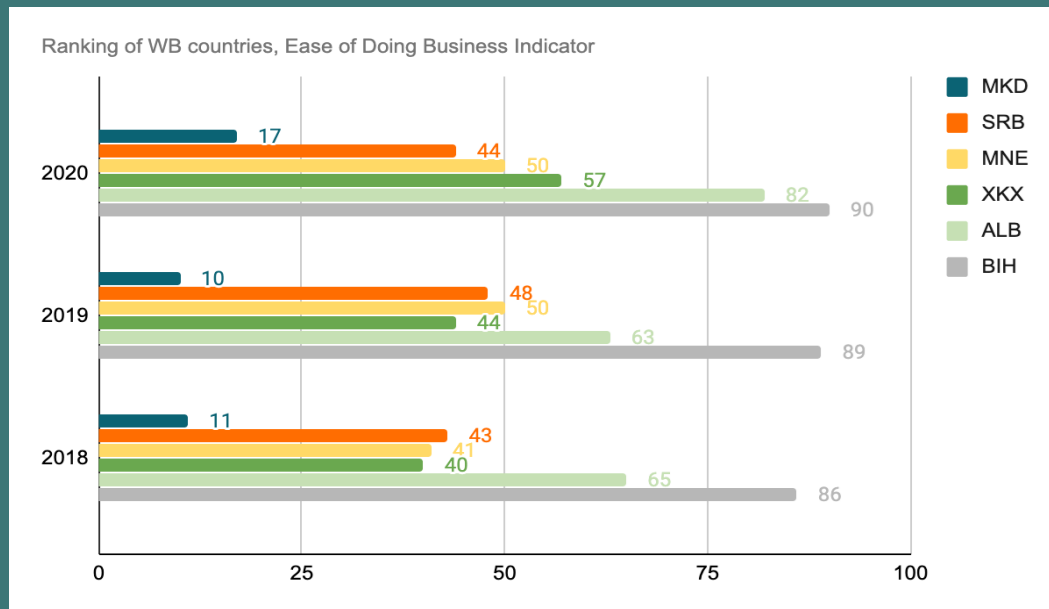
Source: Structural Business Statistic, INSTAT July 2020

Albania's Ranking in International Reports

Corruption Perception Index, Transparency International					
Value 2019	Ranking 2019	Value 2018	Ranking 2018	Value 2017	Ranking 2017
35	106/180	36	99/180	38	91/180
Economic Freedom Index, heritage.org					
Value 2020	Ranking 2020	Value 2019	Ranking 2019	Value 2018	Ranking 2018
66.9	57/180	66.5	52/180	64.5	65/180
Doing business, World Bank					
Value 2020	Ranking 2020	Value 2019	Ranking 2019	Value 2018	Ranking 2018
67.7	82/190	69.5	63/190	68.7	65/190
World Competitiveness Index, World Economic Forum					
Value 2019	Ranking 2019	Value 2018	Ranking 2018	Value 2017	Ranking 2017
57.6	81/141	58	76/140		75/137



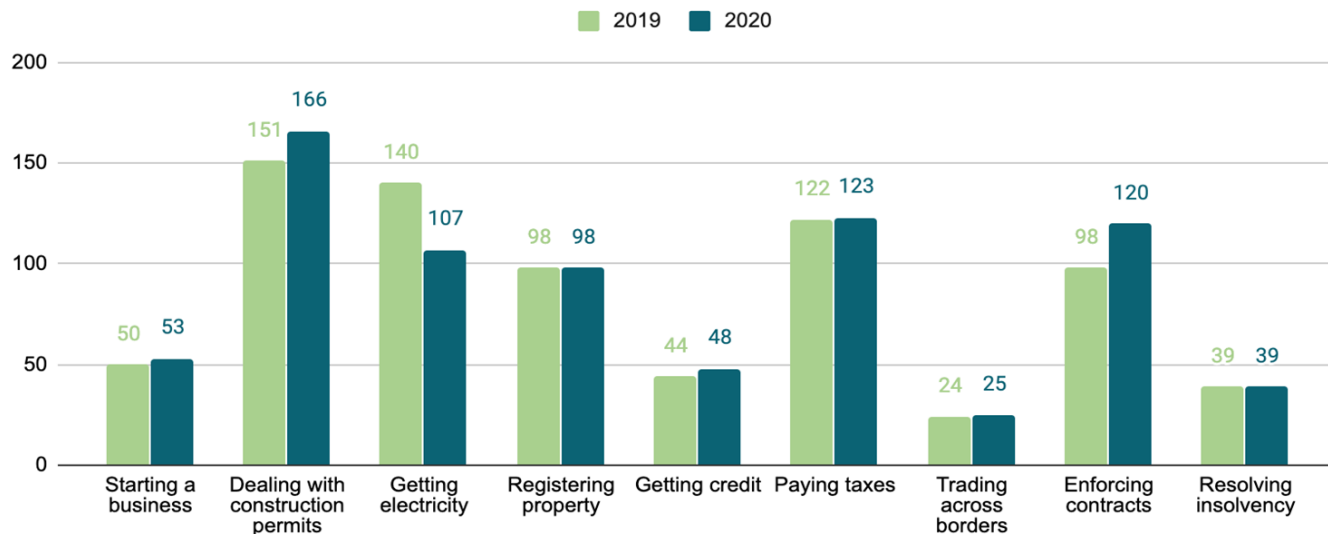
Ease of Doing Business Indicator



North Macedonia has the best ranking in the region although its position deteriorated during the 2020 assessment; Albania has also deteriorated its position during the 2020 assessment, compared to a year ago

Doing Business Indicators

Albania ranking, Doing Business Indicators



Albania ranks the lowest in the area of handling construction permits, energy, fiscal procedures and enforcing contracts.

Cross-Border Trade - DB 2020

Trade across borders - Exports, time and cost

	Albania	Europe and Central Asia	Ranking out of 190 countries
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

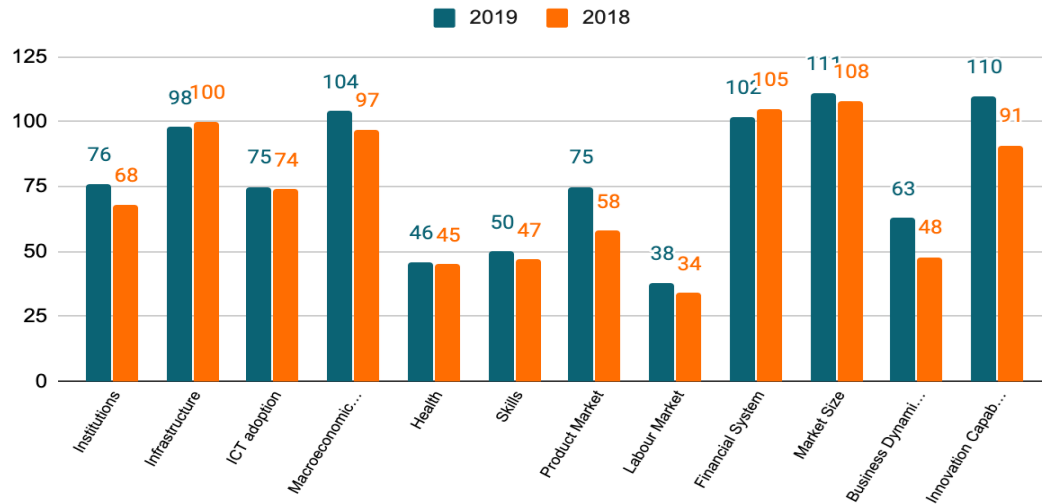
Cross-Border Trade - DB 2020

Trade across borders - Imports

	Albania	Europe and Central Asia	Ranking out of 190 countries
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

Competitiveness Indicators

Competitiveness indicators, Albania ranking



During 2019, the Infrastructure and Financial System indicators have improved; while the Institutions, Business Dynamism and Innovation indicators have deteriorated



Economic Freedom

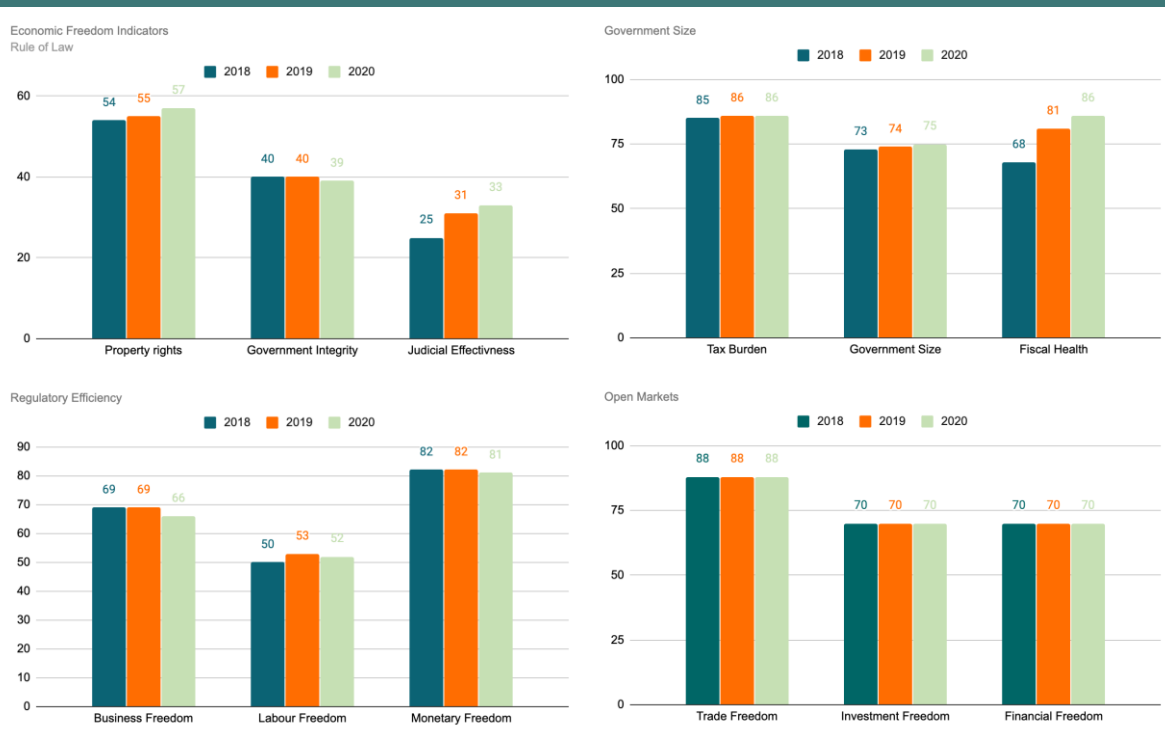


Economic Freedom Index has grown steadily in Albania and 2020 marks the highest value since 2014. **The Albanian economy is considered moderately free.**

Albania's Index stands below the European average (69.8) but above the world average (61.6)

Northern Macedonia has the best world ranking (41) among the Western Balkan countries followed by Kosovo (53), Albania (57), Serbia (65), Bosnia and Herzegovina (82) and Montenegro (91).

Indicators of Economic Freedom



Albania has made progress in controlling the **budget deficit**, **stabilizing public debt** and creating a more **business-friendly environment**;

meanwhile it needs to significantly improve indicators in terms of **property rights**, **judicial effectiveness** and **government integrity**.

EBRD Knowledge Economy Index

EBRD Knowledge Economy Index 2018

	Ranking out of 46 countries	Knowledge Economy Index	Institutions for innovation	Skills for innovation	Innovation system	ICT infrastructure
SRB	13	5.13	5.76	5.46	3.26	6.02
MNE	14	5.04	6.2	5.16	2.88	5.92
MKD	22	4.5	5.74	3.83	3.27	5.18
ALB	25	4.36	5.64	4.79	2.36	4.67
BIH	29	4.1	5.04	4.13	2.88	4.35
XKX	35	3.22	4.81	2.75	3.12	2.2

The knowledge economy is a notion of economic growth according to which Innovation and access to information drive a country's economic growth. To measure it, the EBRD constructed the Knowledge Economy Index by considering 46 economies.

Albania is ranked 4th out of 6 Western Balkan countries and 25th out of 46 economies.