AN OVERVIEW ON ALBANIAN ECONOMIC DEVELOPMENT INDICATORS

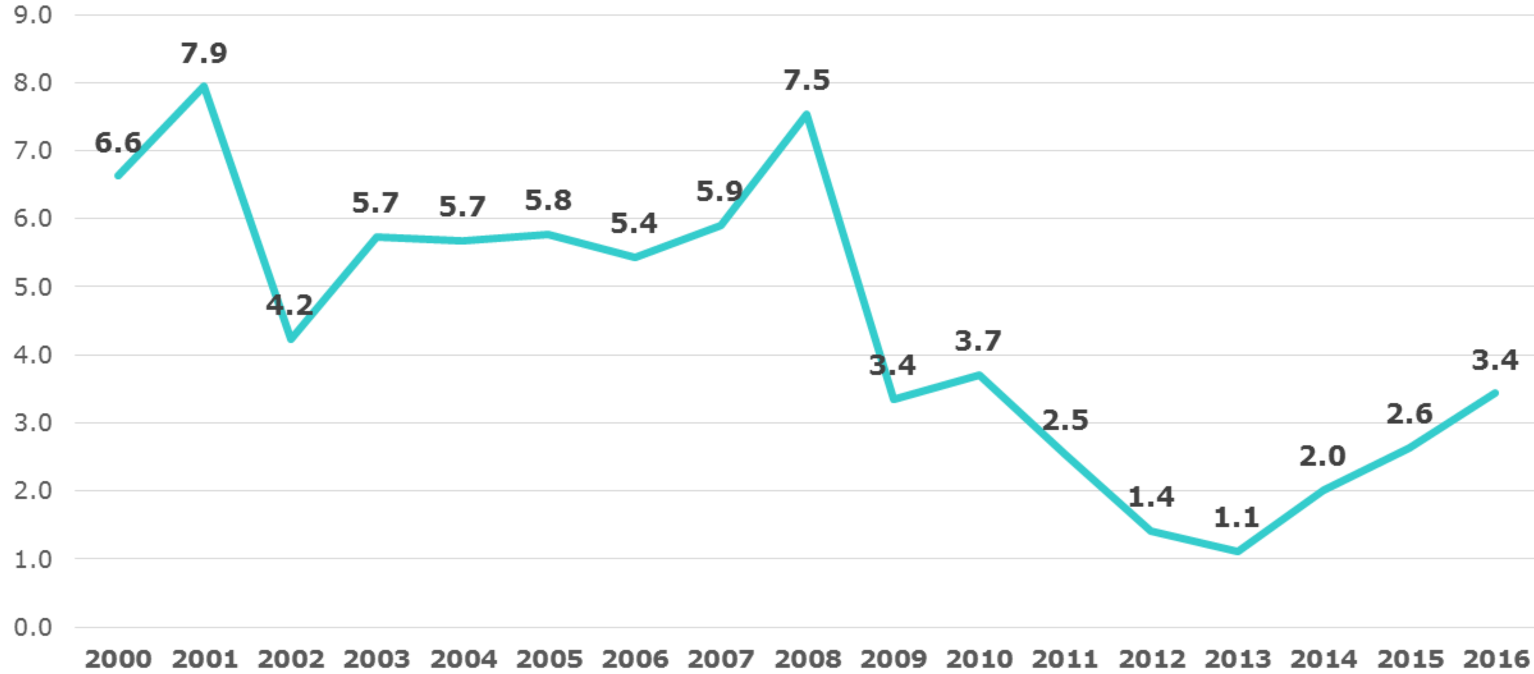
Secretariat of Albania Investment Council

August, 2016

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.

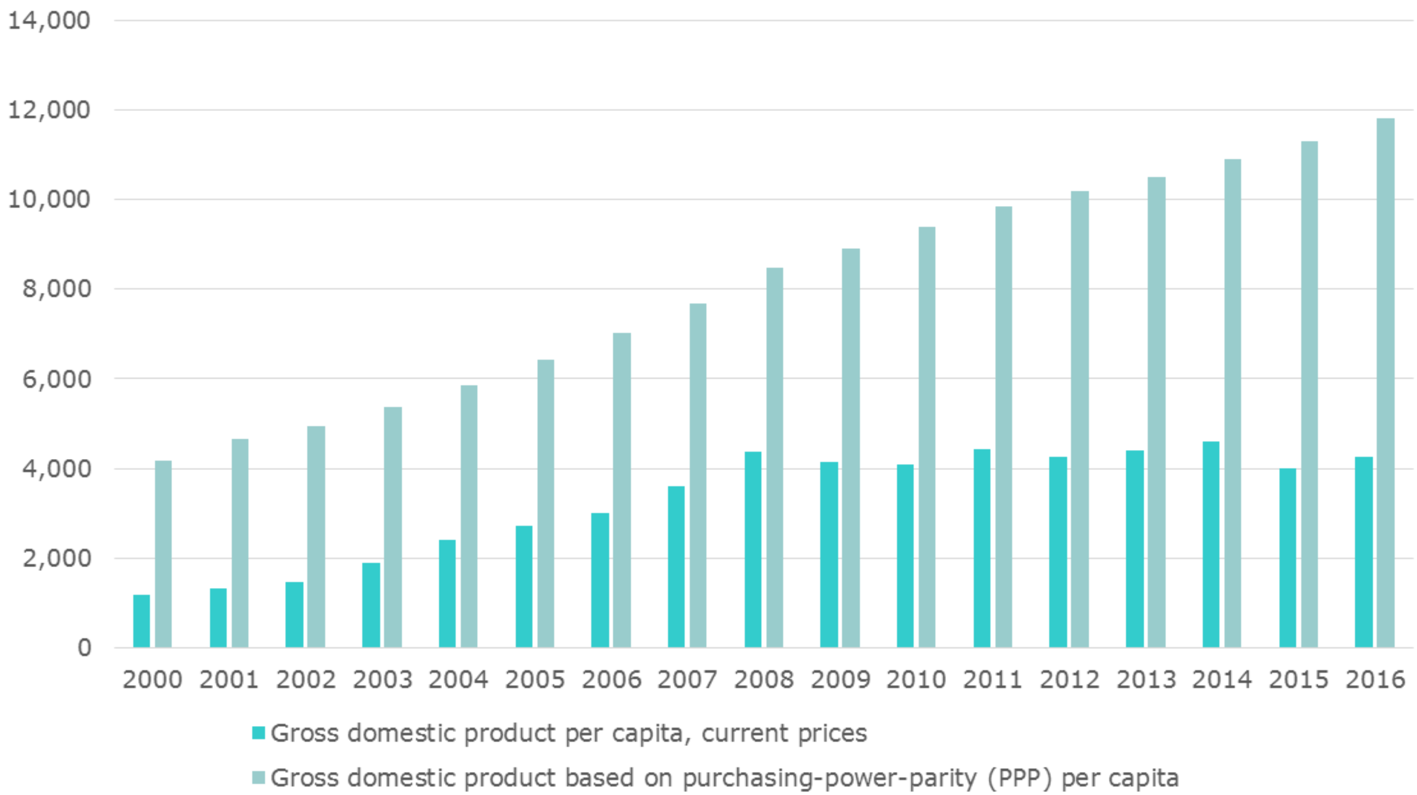
Economic Growth in Years



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.

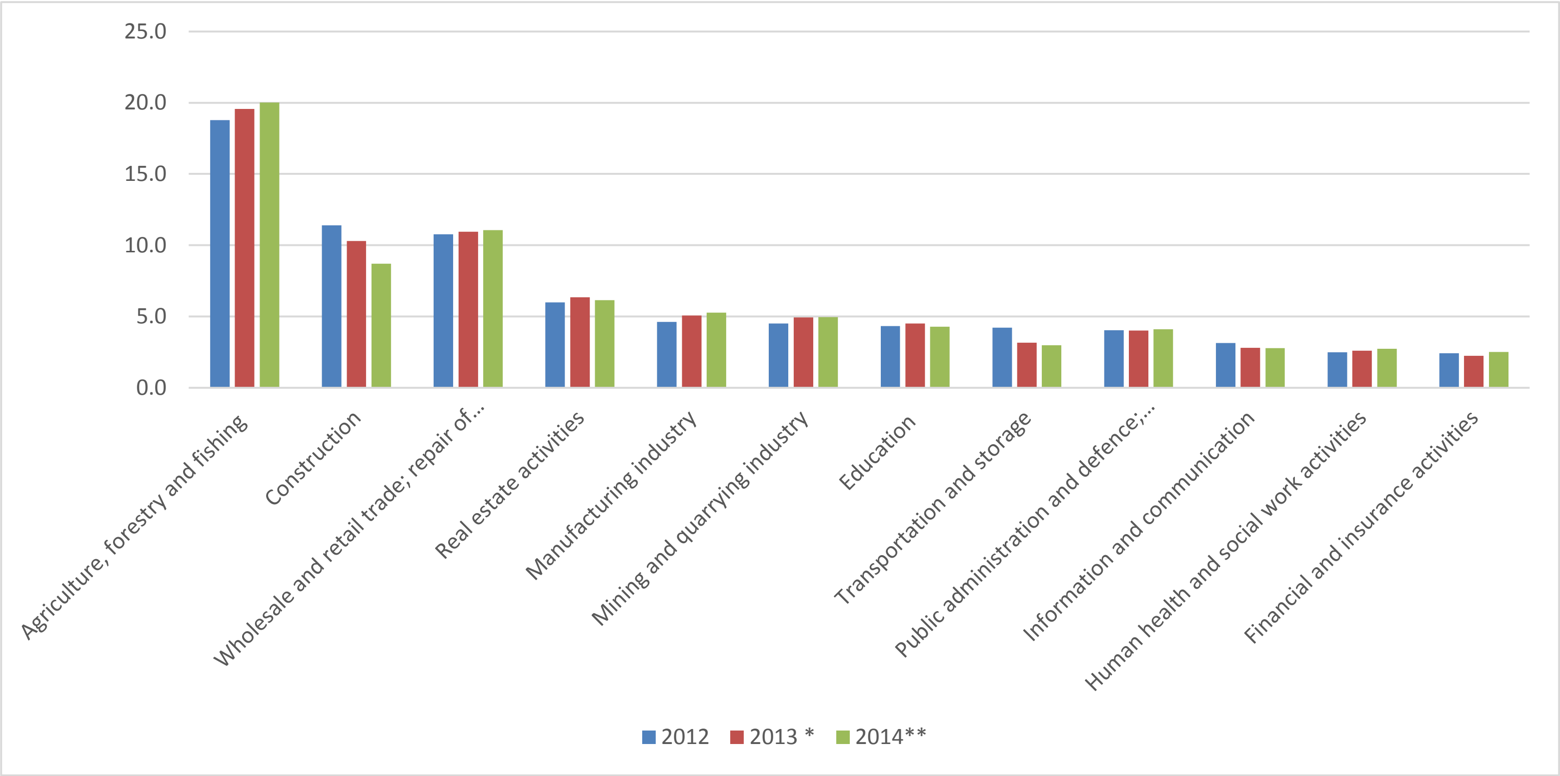
Gross Domestic Product per Capita



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 %)



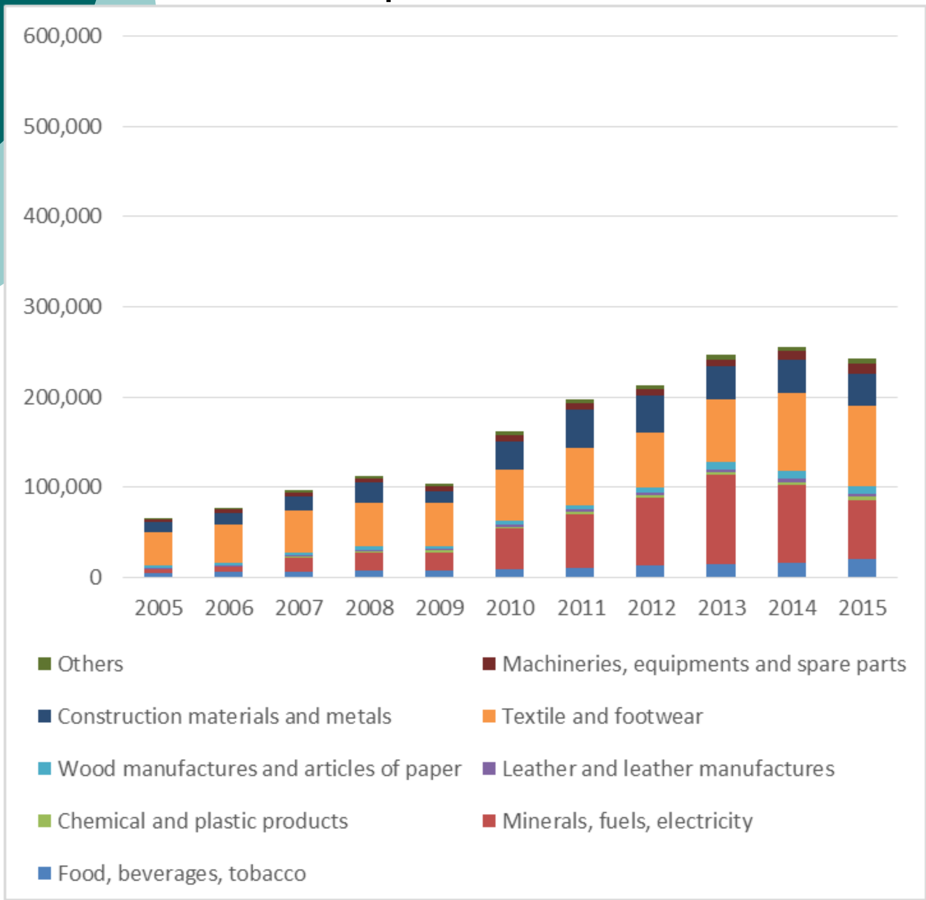
*Source: INSTAT, 2016 Annual National Accounts (Production Methods), * final and ** preliminary*

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 2014 have been agriculture and trade.

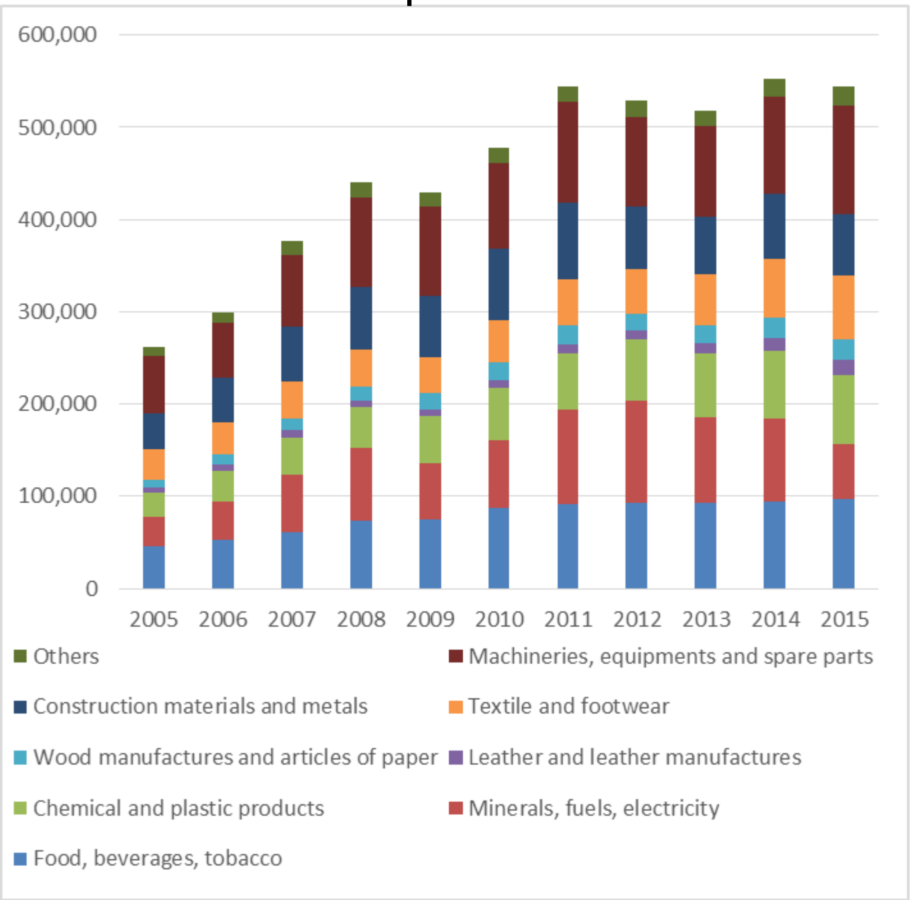
Albanian Exports and Imports as per group of commodities in years (million ALL)

Source: INSTAT, Foreign Trade according commodities 1993- 2015

Exports



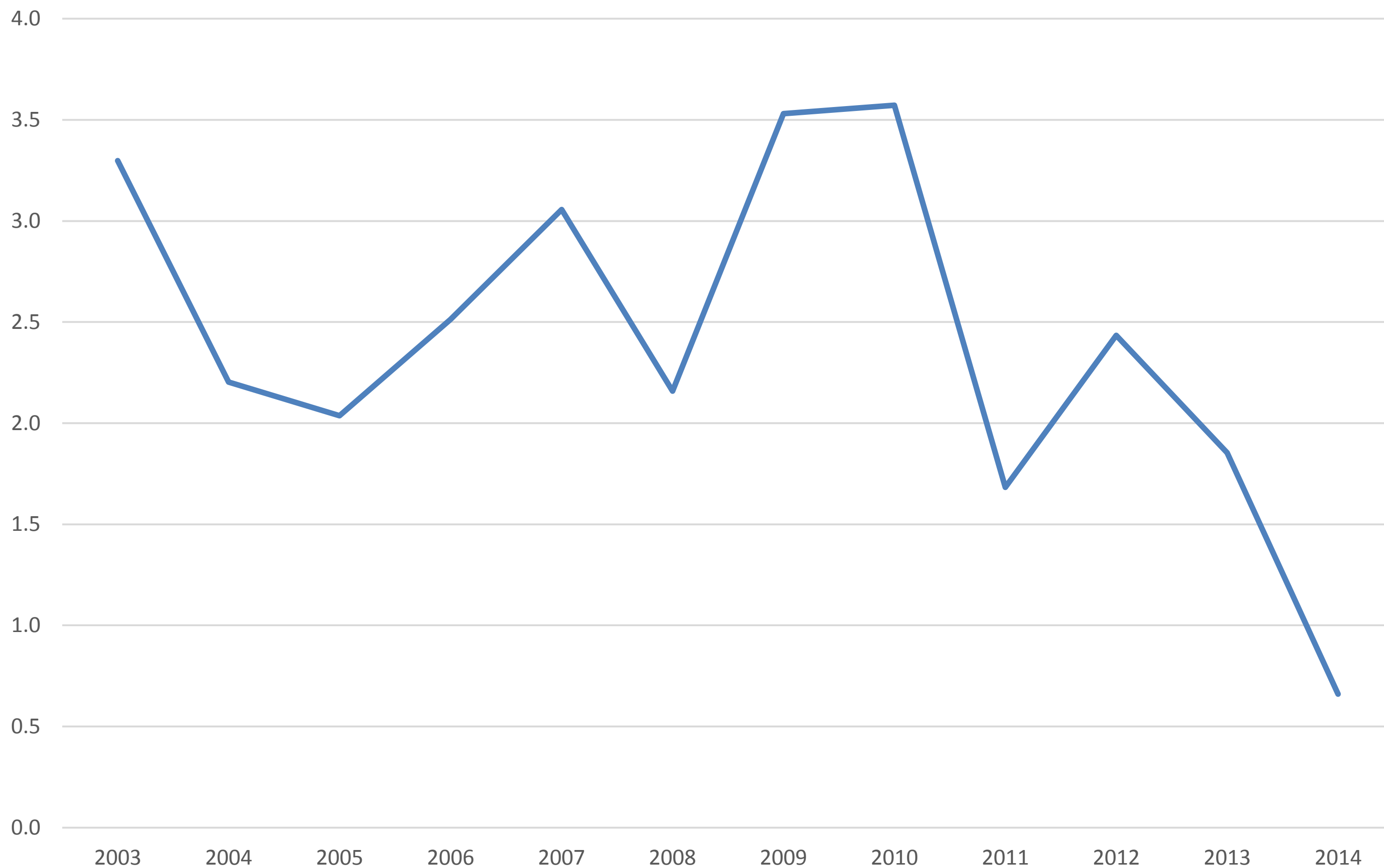
Imports



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

Albania Investment Council
Improving Transparency and Investment Climate

Annual Changes of Consumer Index Price

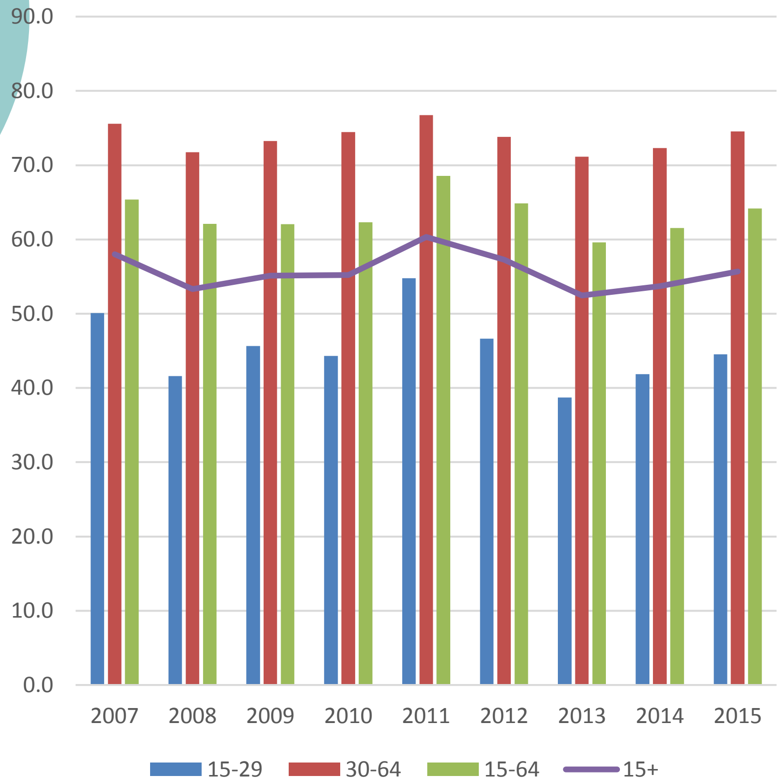


Source: INSTAT, July 2016

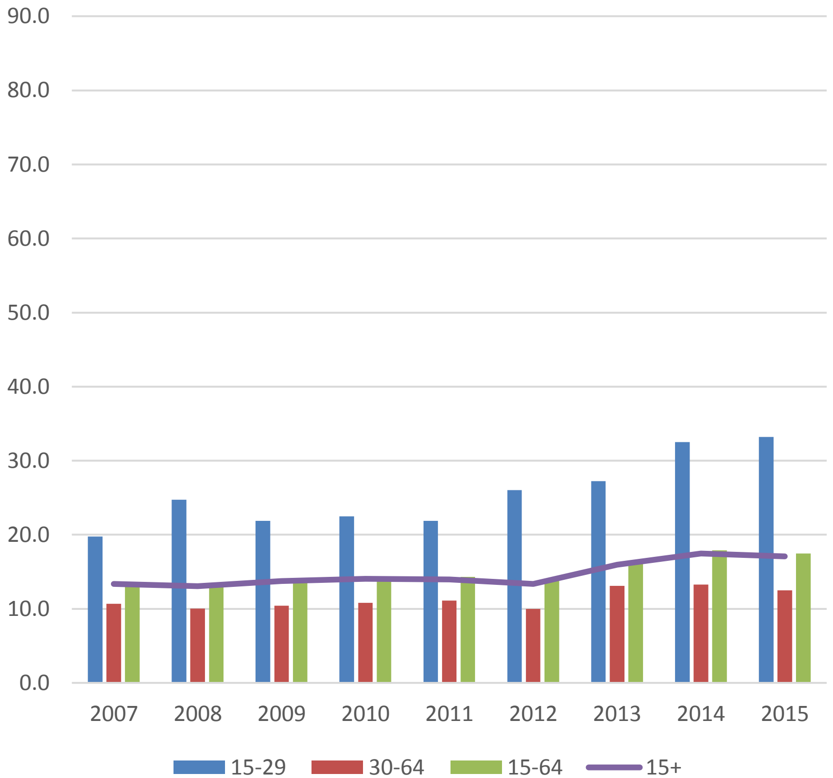
Inflation in all these years has been stable and below the maximum threshold of Bank of Albania, 4% rate.

Labor Force per Age Categories

Participation rate in the labor force (%)



Unemployment %

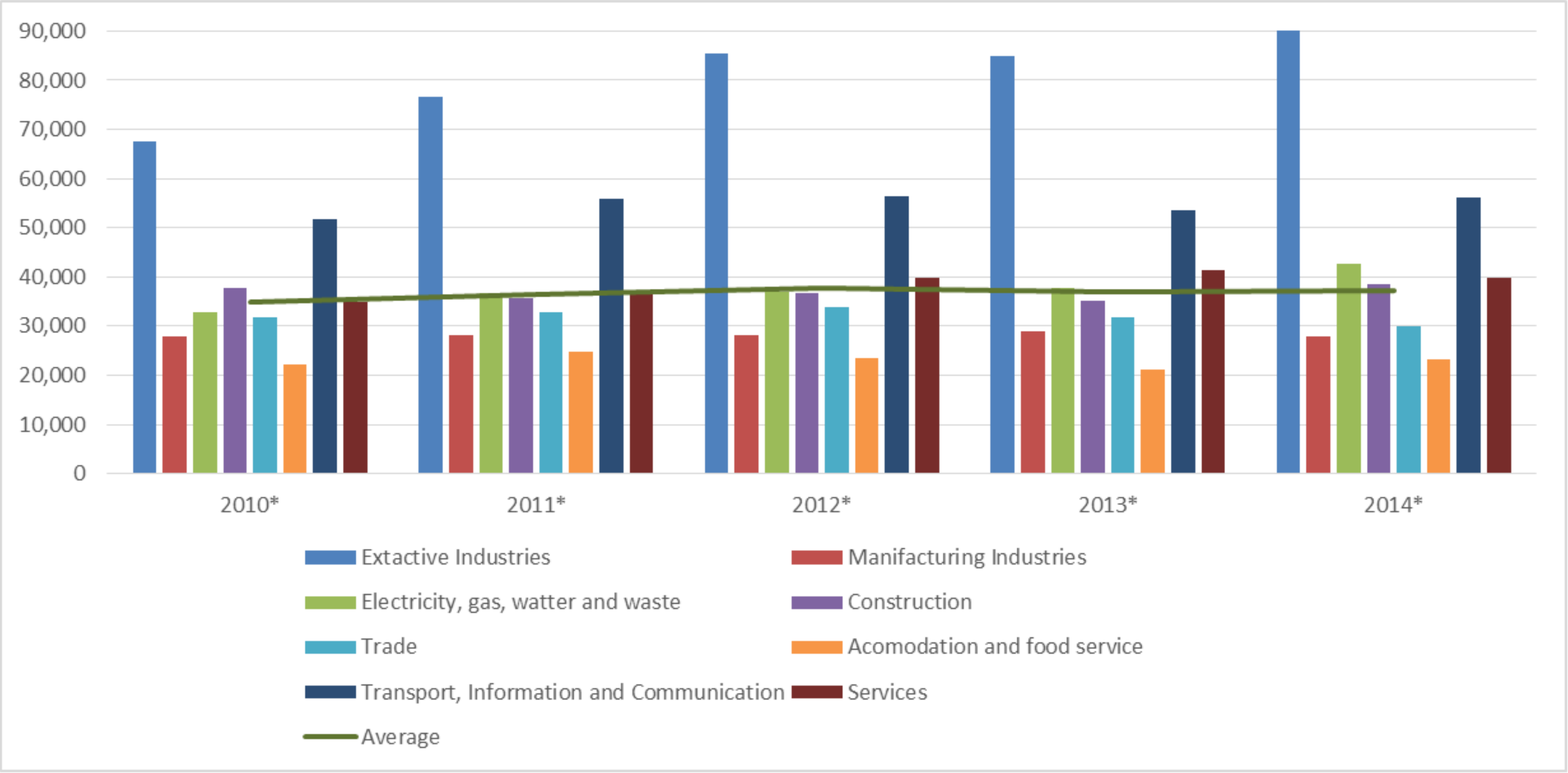


Source: INSTAT, Labor Force Survey, 2007 – 2015

Unemployment among the youth has increased in 2014 and 2015 exceeding 30% of the labour force of this group.

Average Wages per Sector

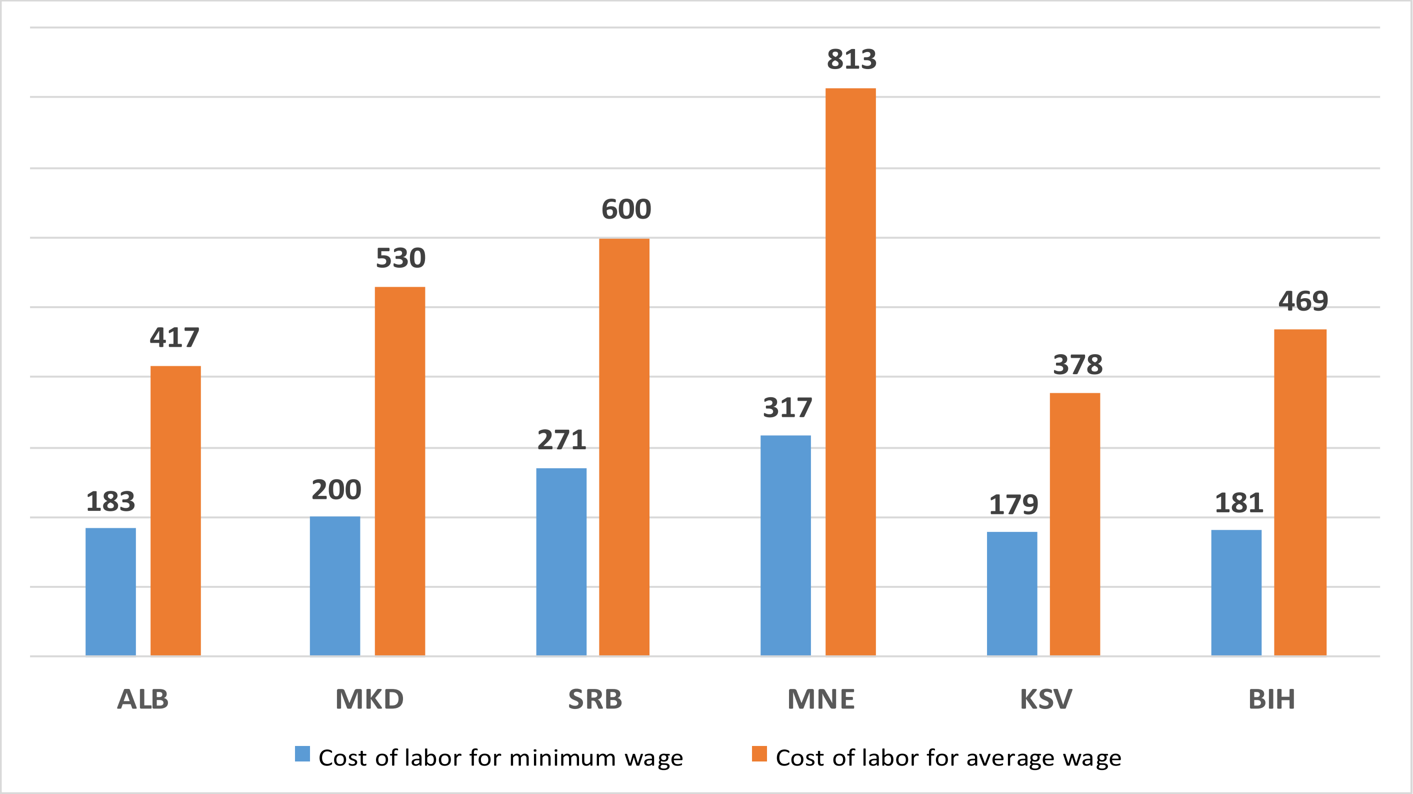
In ALL



Source: INSTAT, Enterprises Survey, 2010 - 2014

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

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

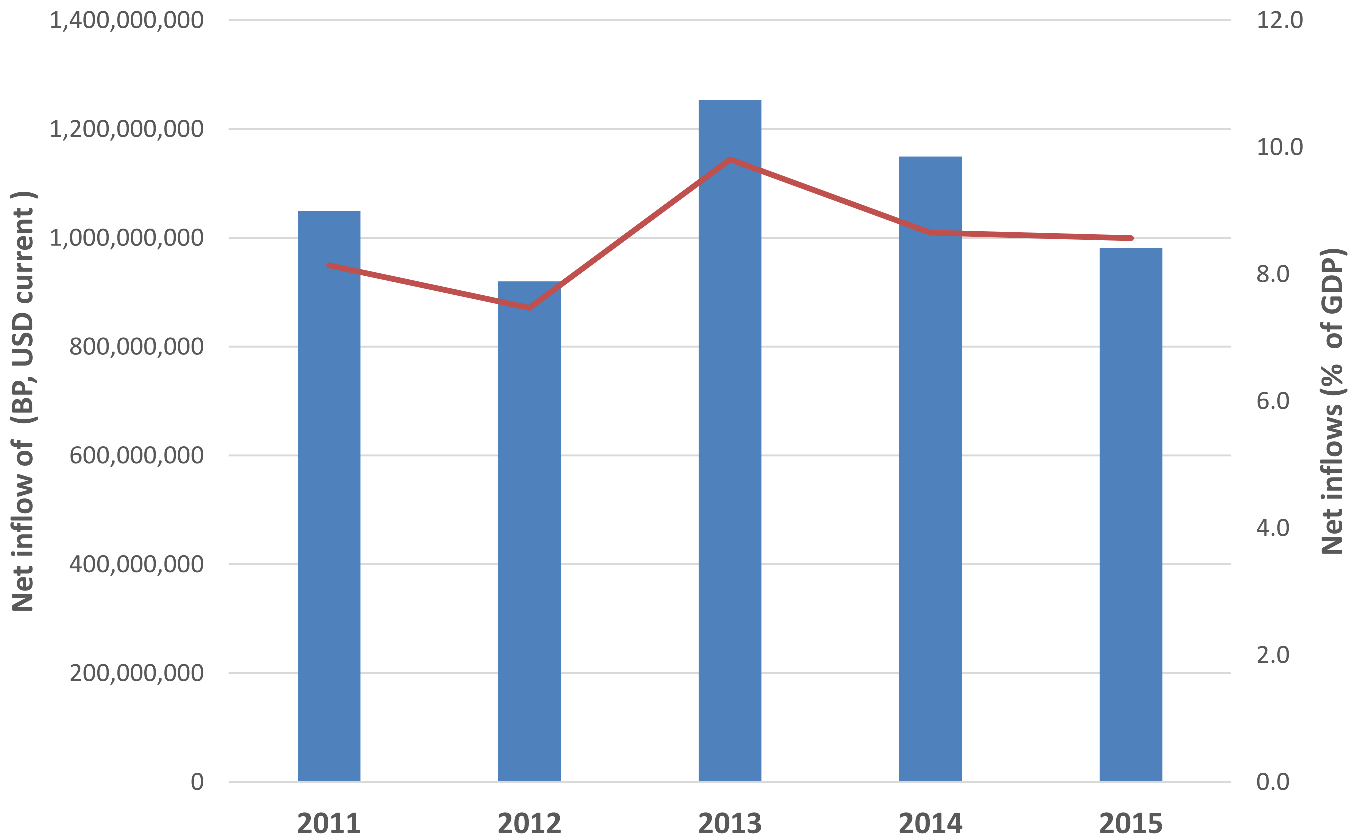


Source: Statistical Offices of Countries, for Albania is used as reference the public administration salary of 2015.

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

Albania Investment Council
Improving Transparency and Investment Climate

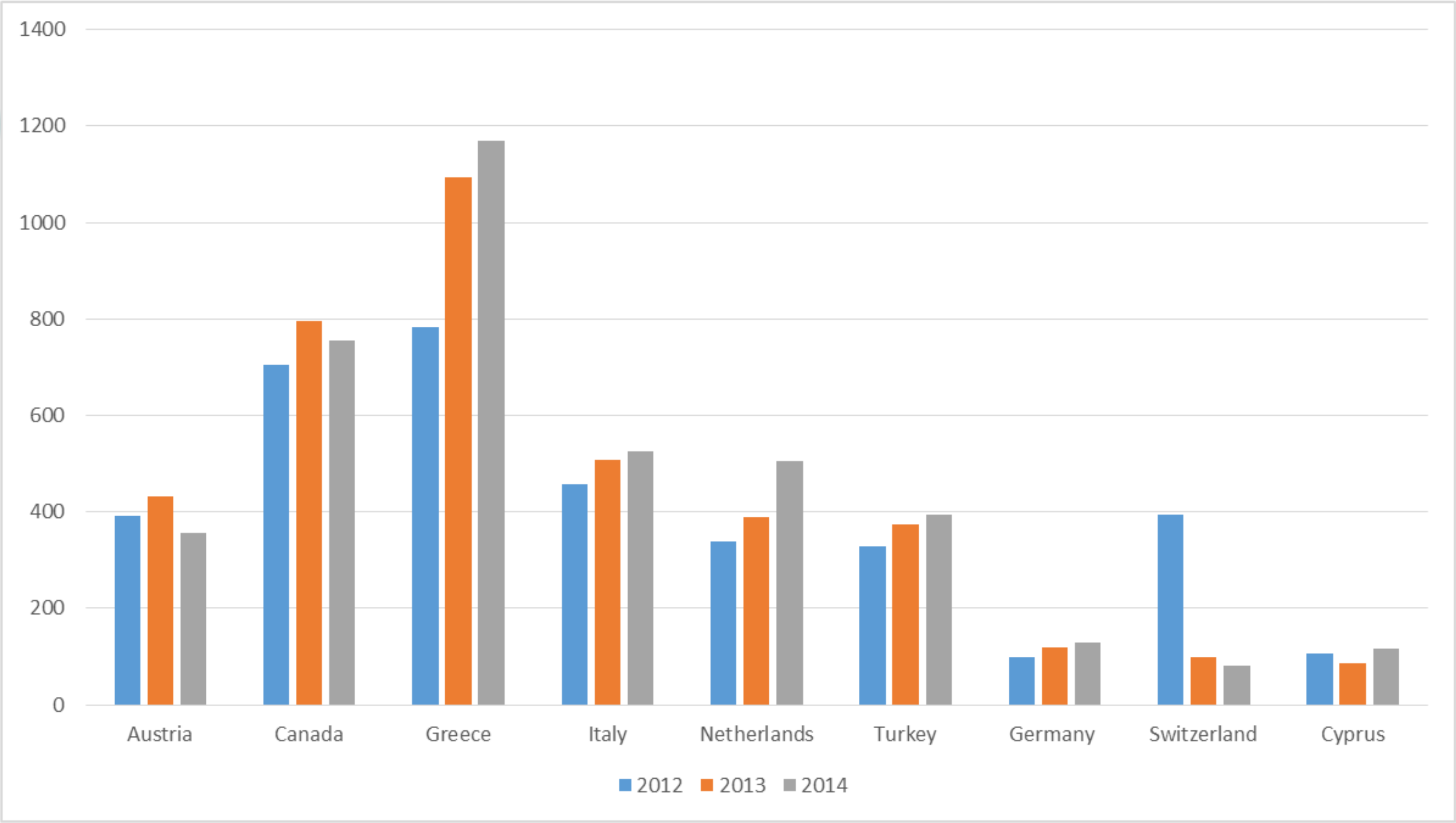
Flow of Foreign Direct Investment



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.

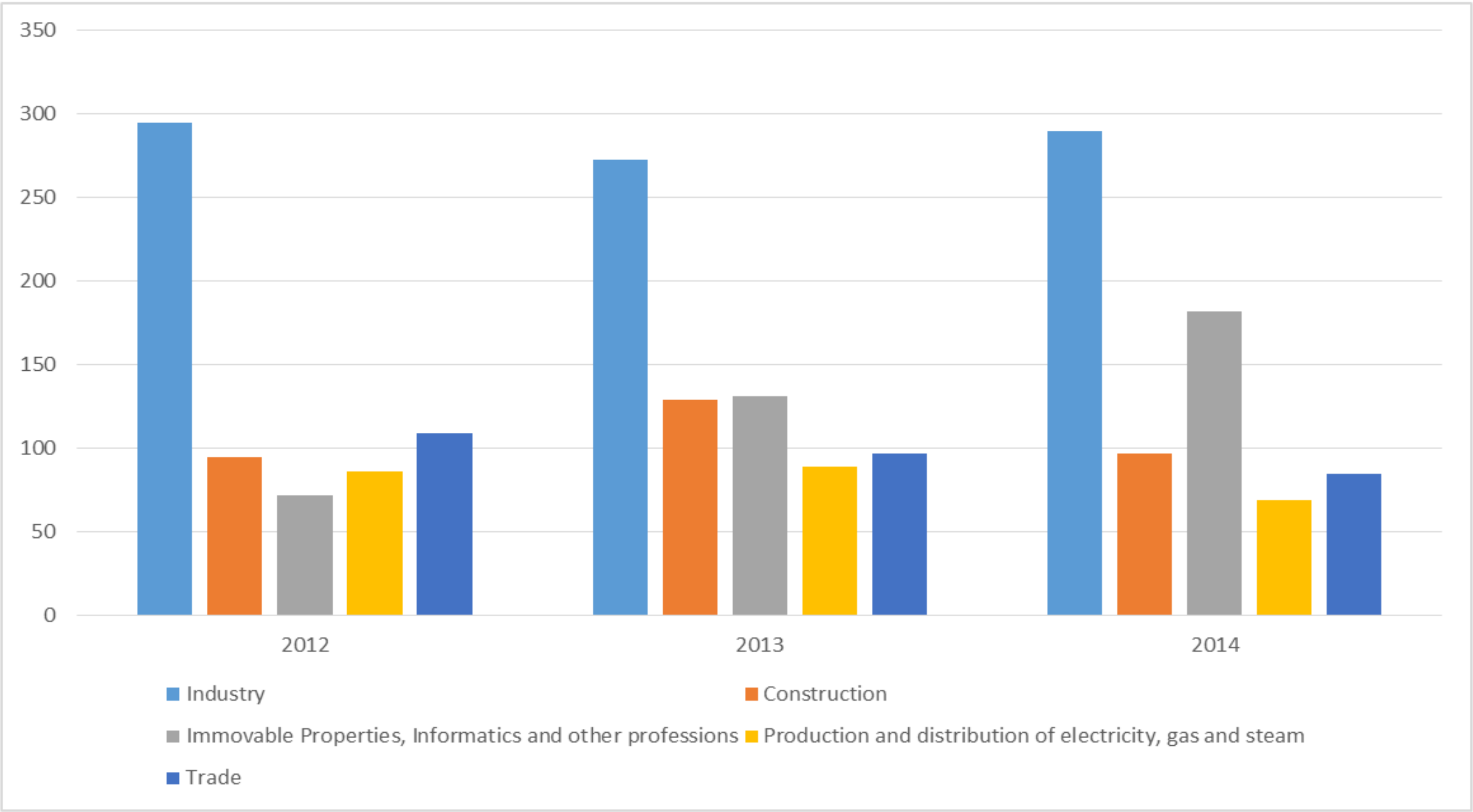
FDI Stock according to Countries of Origin (million EUR)



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)

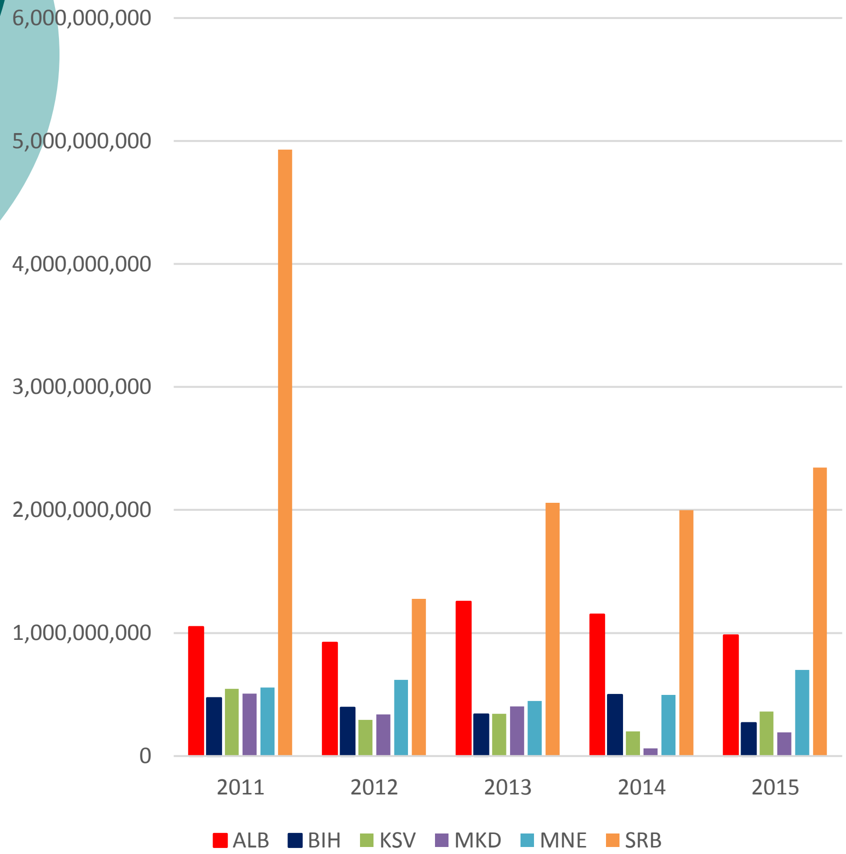


Source: Bank of Albania, September 2015

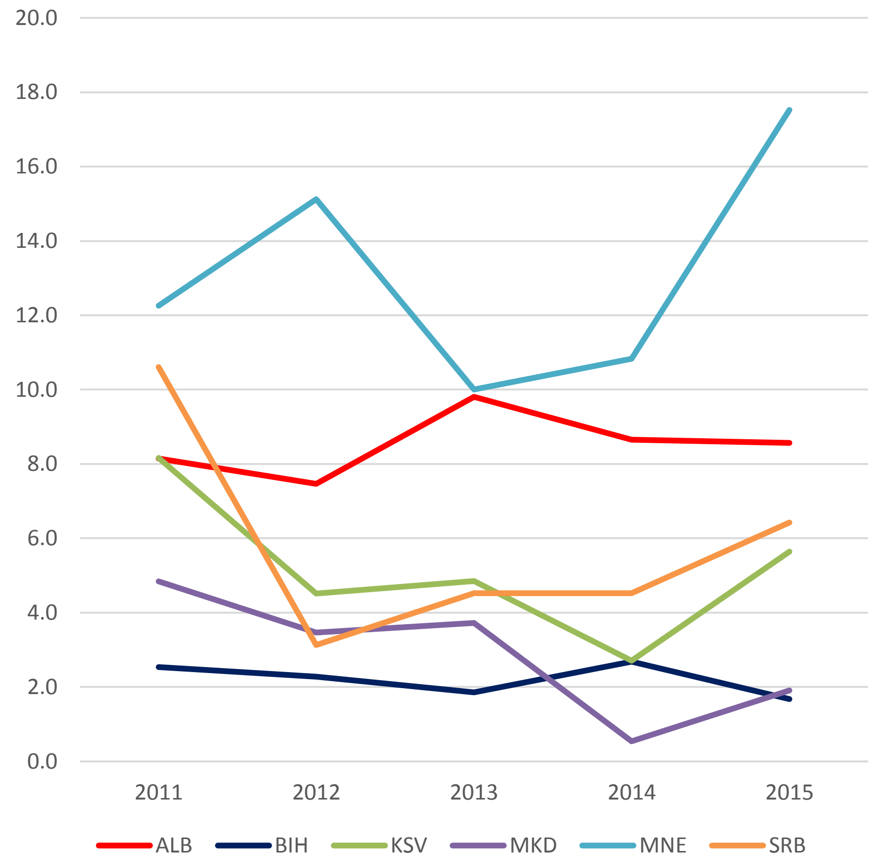
Industry remains the main sector where FDI are oriented, but in the last two years is noted an increase of foreign investments in Real Estate, Informatics, while is decreased the contribution to the construction sector, as a sector facing big difficulties in the recent years.

Flow of FDI in the Western Balkans

In USD current



In % to GDP



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.

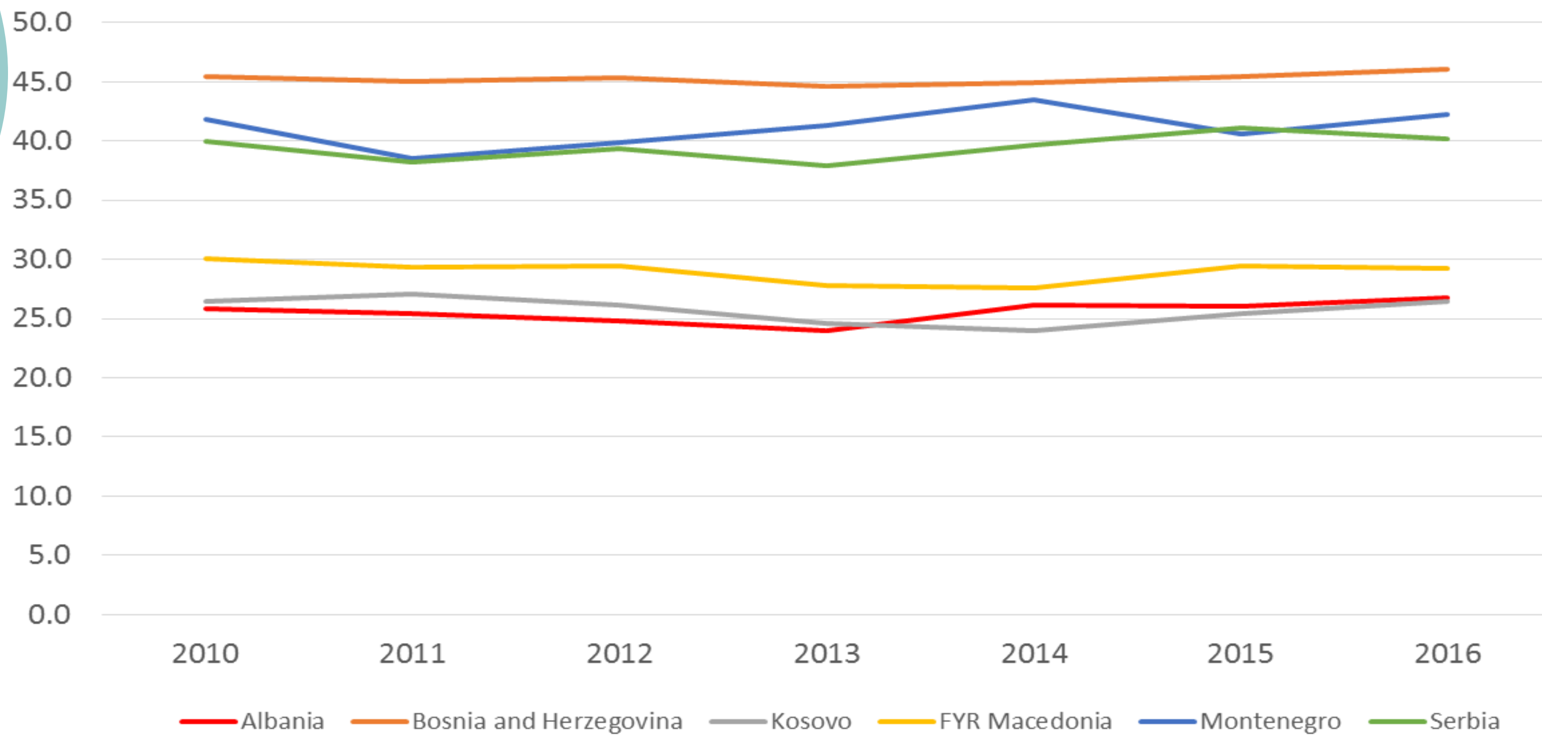
Stock and Profile of Enterprises

Economic Activity	Total/ Number /Percent	Group by the number of employees			
		1-4	5-9	10-49	50+
Enterprises	112.537	101.025	5.387	4.647	1.478
	100%	90%	5%	4%	1%
Producers of goods	16.989	13.273	1.603	1.562	551
	15%	13%	30%	34%	37%
Producers of services	95.548	87.752	3.784	3.085	927
	85%	87%	70%	66%	63%

Source: Enterprise Survey, INSTAT

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

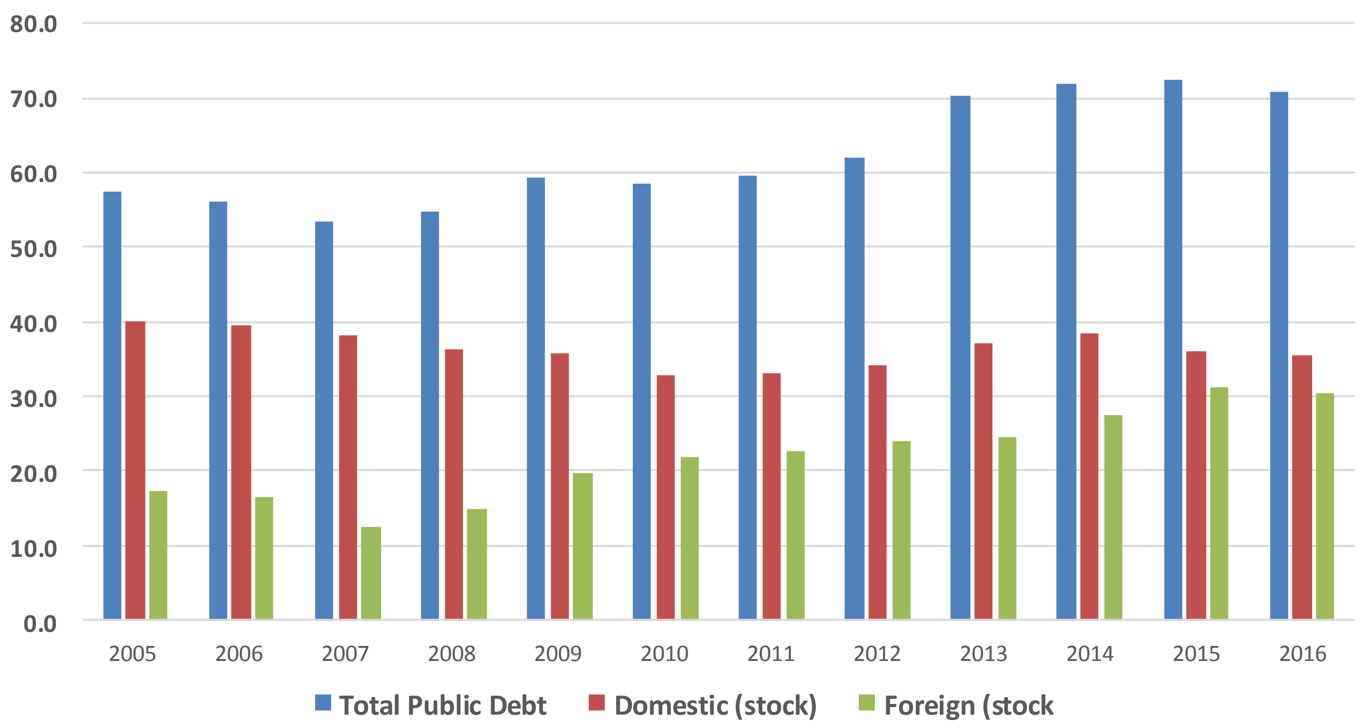
Ratio of Government Revenues to GDP in the Countries of Balkan Region



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



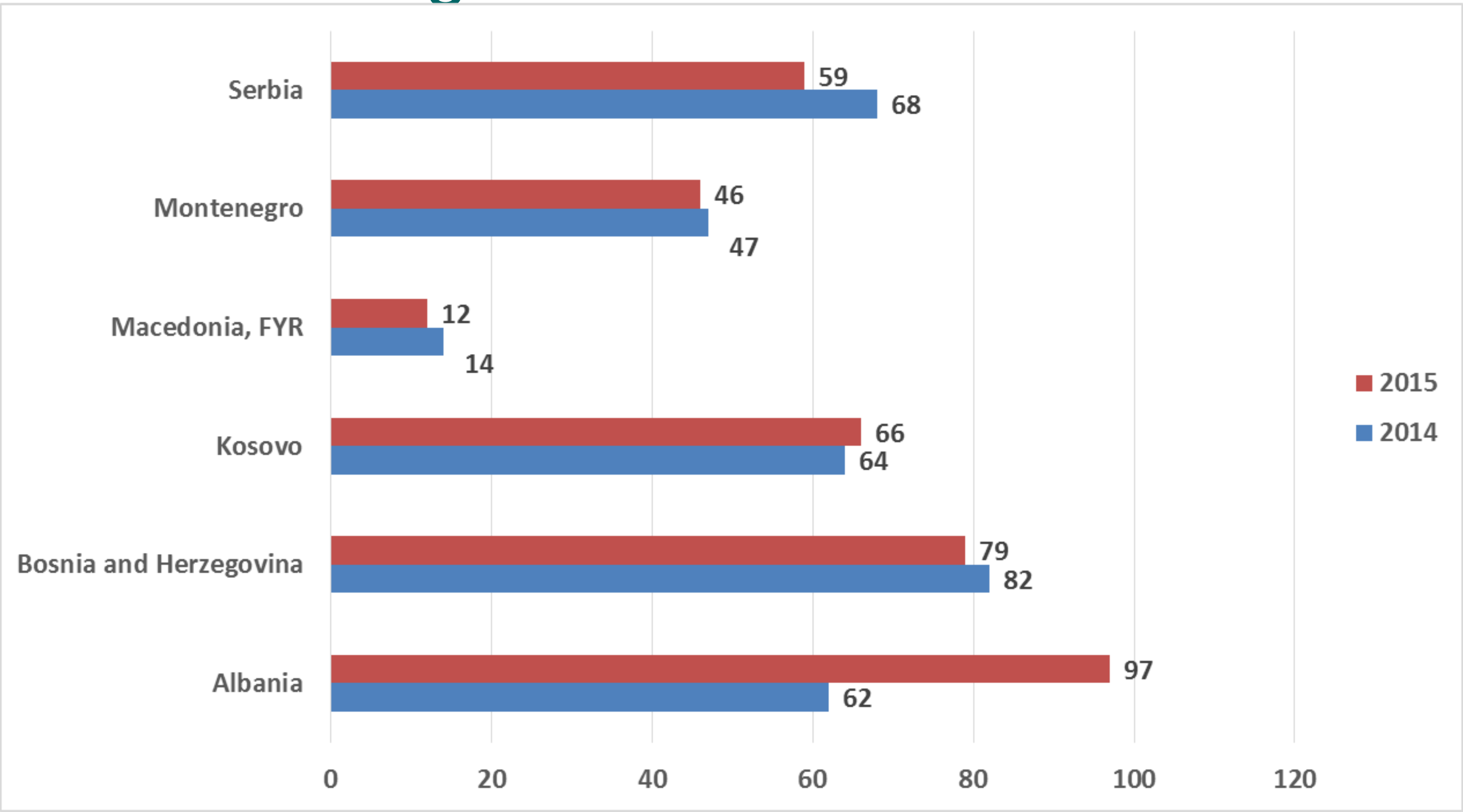
Source: Ministry of Finance, Macroeconomic and Fiscal Framework, 2017 – 2019

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 (≈ 36,500 EUR) – 0%
  b) From 5 Million ALL – 8 million Leke (≈ 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: World Bank Data

1= easiest to 185 = most difficult

Ranking of Albania in International Reports and Indexes

Index/ Report	Organisation	2014	2015
Perception of Corruption	Transparency International	110 (out of 175 countries)	88 (out of 168 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)
World Competitiveness Index	World Economic Forum	95 (out of 144 countries)	97 (out of 140 countries
Best Countries to do Business	Forbes Magazine	-	69 (out of 144 countries)

Albania Investment Council
Improving Transparency and Investment Climate

Doing Business Indicators

Indicator	2014	2015
Starting a Business	54	58
Dealing with Construction Permits	122	189
Getting Electricity	159	162
Registering Property	104	107
Getting Credit	36	42
Protecting Minority Investors	18	8
Paying Taxes	130	142
Trading across Borders	37	37
Enforcing Contracts	96	96
Resolving Insolvency	40	42

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.

Albania Investment Council
Improving Transparency and Investment Climate

Competitiveness Indicators

Indicator	2014-2015
Institutions	103
Infrastructure	90
Macroeconomic Environment	122
Health and Primary Education	62
Higher Education and Training	60
Goods Market Efficiency	93
Labour Market Efficiency	93
Financial Market Development	114
Technological Readiness	91
Market Size	105
Business Sophistication	104
Innovation	120

Albania Investment Council
Improving Transparency and Investment Climate

Economic Freedom Indicators

Indicator	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.