Albania Investment Council
Improving Transparency and Investment Climate

An Overview of Albania's Economic Development Indicators

Secretariat of the Investment Council

July 2021

This is a summary of the main indicators of the economic situation in Albania published by official sources or international organizations.

This document does not represent the views of the Secretariat or the Investment Council.

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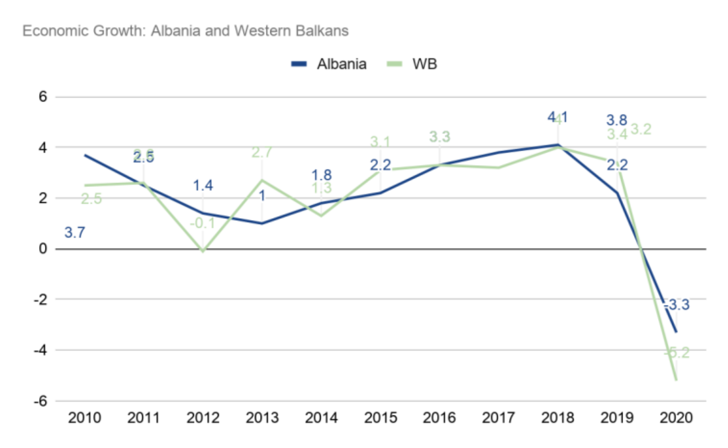
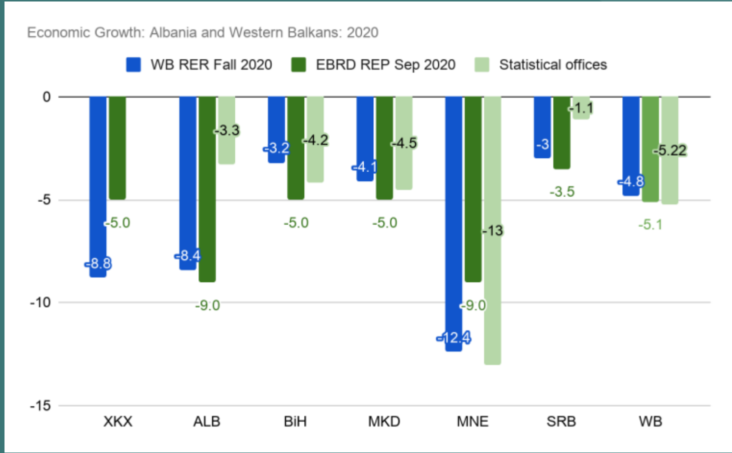
Main Macroeconomic Indicators during 2020

- *During Q1 2021, economy continued growth trajectory initiated by QIV of 2020, marking an annual growth of 5.5%.*
- *Inflation remained below BoA's target of 3% and recorded 1.3% during the first 6M 2021, 0.5 p.p less than first 6M of 2020.*
- *FDI inflows during QI 2021 fell by 1.3% compared to QI 2020, while the FDI stock increased by 14.7%. The Netherlands continues to be the leader in FDI inflows albeit at a declining pace. For QI 2021, extractive industry has been the most attractive activity for FDI.*
- *During QI 2021, the official unemployment rate recorded 11.9% with an increase of 0.5 p.p compared to previous year.*

Economic Growth Performance



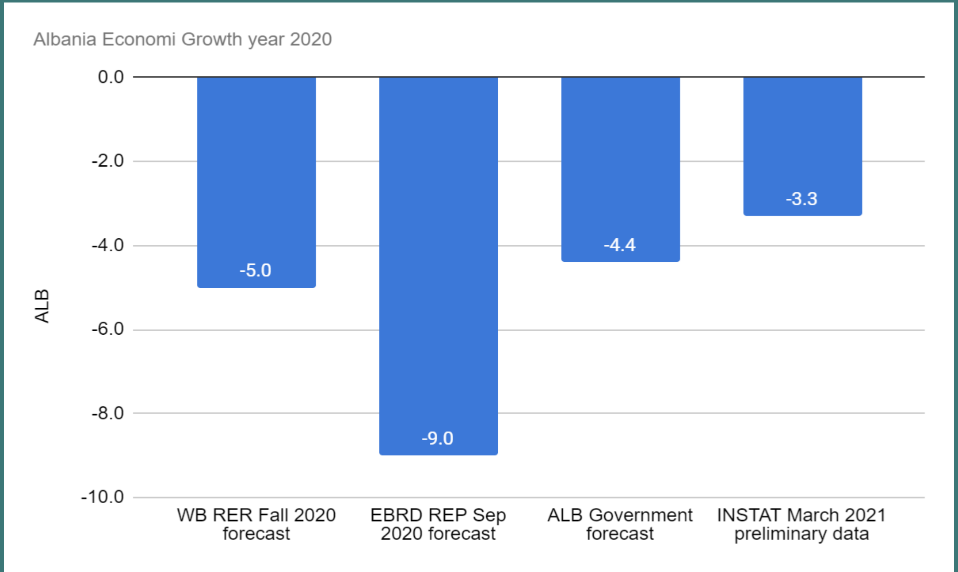
Albania's economic recovery started in 2015, slowed down during 2019, and declined during the 2020 pandemic year with 3.3% based on INSTAT data.



Coping with 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.**

Source: WB, EBRD, INSTAT

Economic Growth Performance

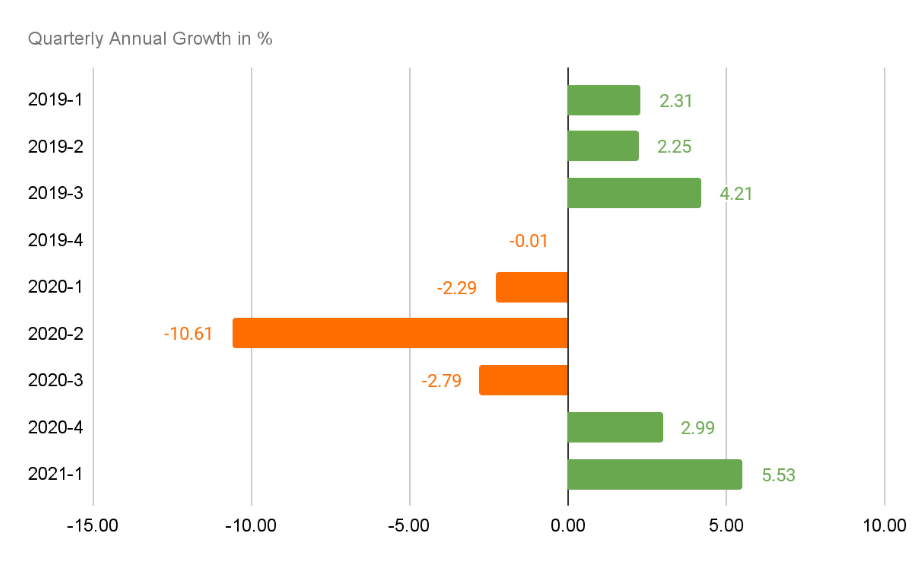


Based on preliminary data, Gross Domestic Product in Albania declined by **3.3%, less than early estimations.**

GDP amounted ALL 1607.9 billion from 1679.2 in year 2019.

Source: INSTAT, March 2021, RER WB, EBRD, MFE

Economic Growth Performance



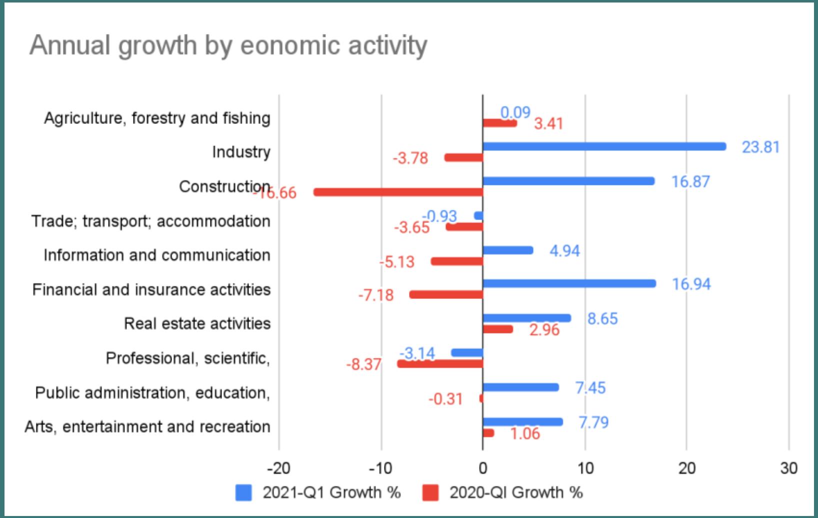
After the 3.3% decrease estimated in 2020, based on INSTAT data, the Albanian economy has begun to recover.

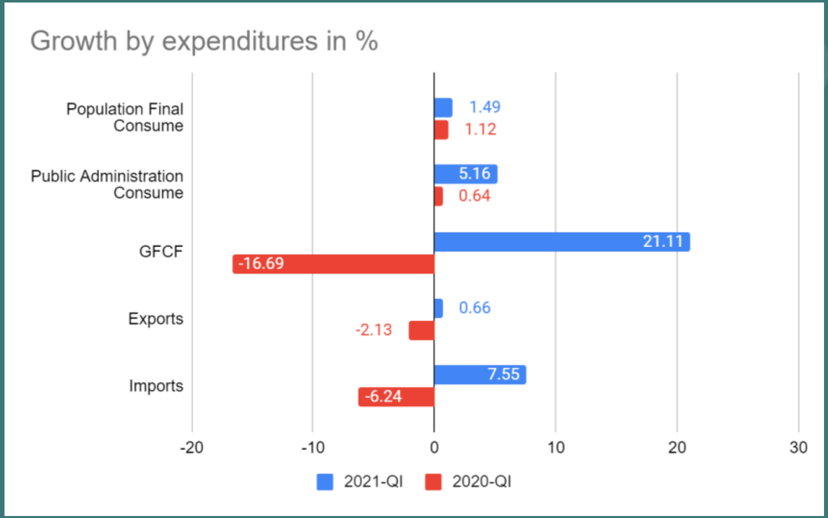
Even during the first quarter of 2021, the country's GDP increased by 5.5%, continuing the growth started since the fourth quarter of 2020.

The largest contribution to the economic growth of QI2021 was given by the activities Energy and Water (2.56 p.p) and Construction (1.09 p.p). Negatively contributed activities: Professional Activities and Administrative Services with -0.20 p.p. and Trade, Transport, Accommodation and Food Service with - 0.14 p.p.

Source: INSTAT, July 2021

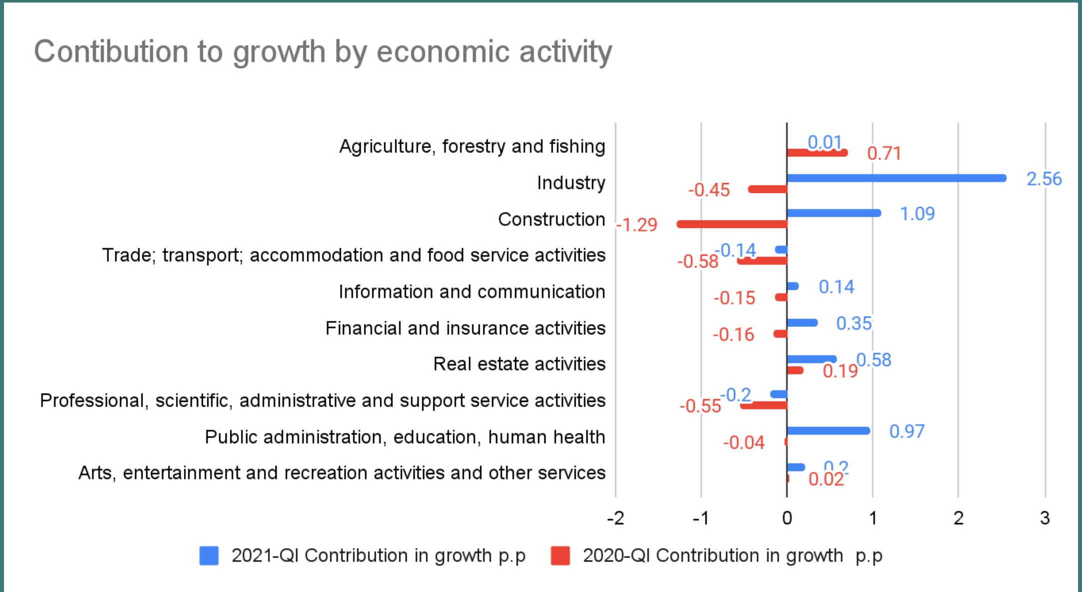
GDP growth by Sectors and Expenditures





Source: INSTAT, July 2021

Contribution to growth



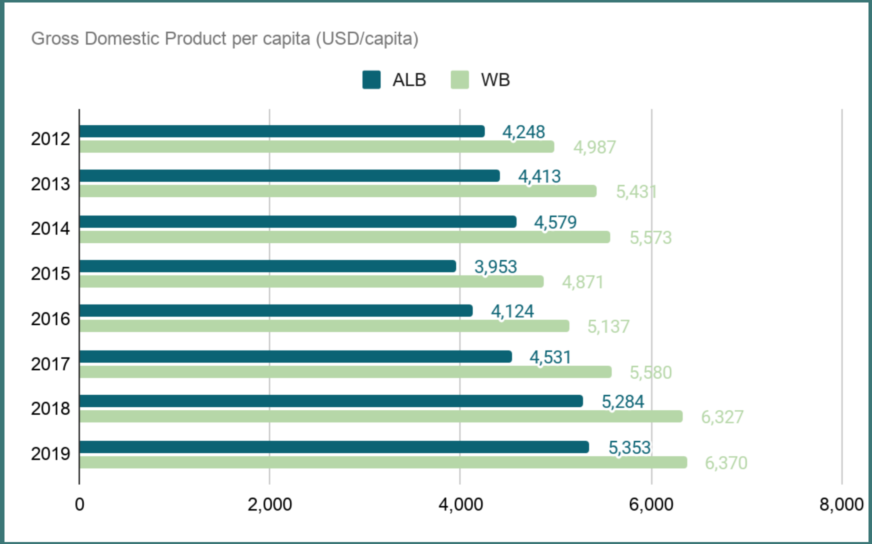
Industry, Construction and Public Administration have contributed the most in GDP growth

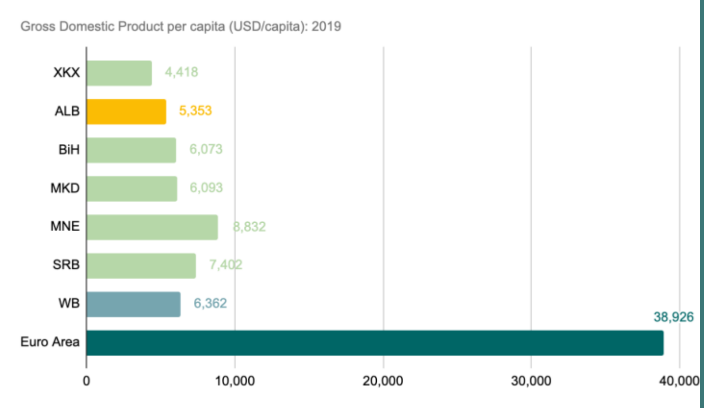
Source: INSTAT, July 2020

Income per Capita

For 2019, Albania's per capita income is estimated at 5,353 USD in current value

2016	2017	2018	2019
4,124$	4,531$	5,284 $	5,353$





Source: World Development Indicators, March 2021

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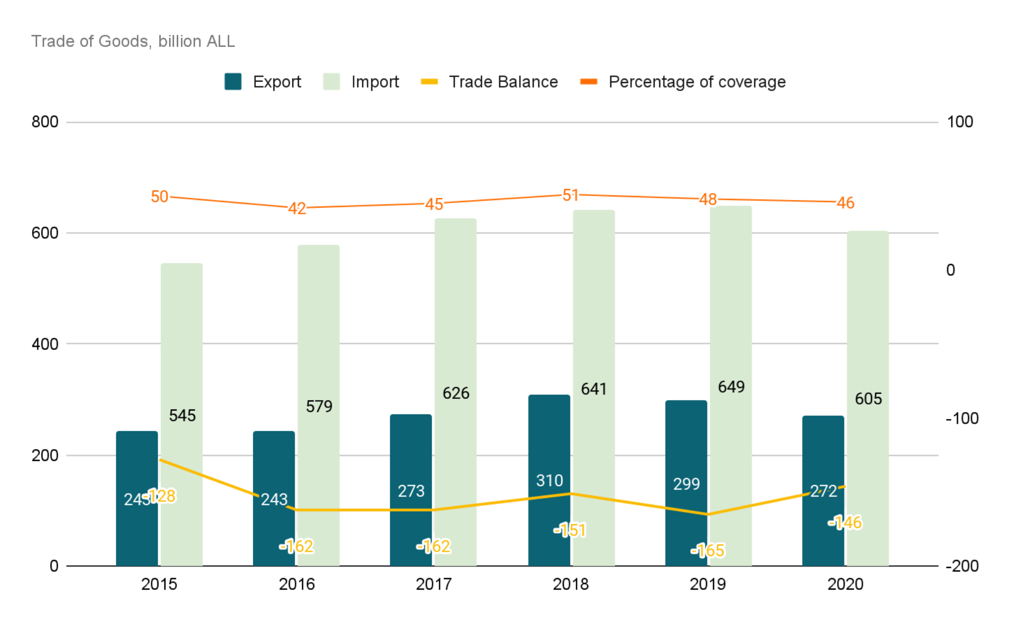
Circulation of Goods in Foreign Trade

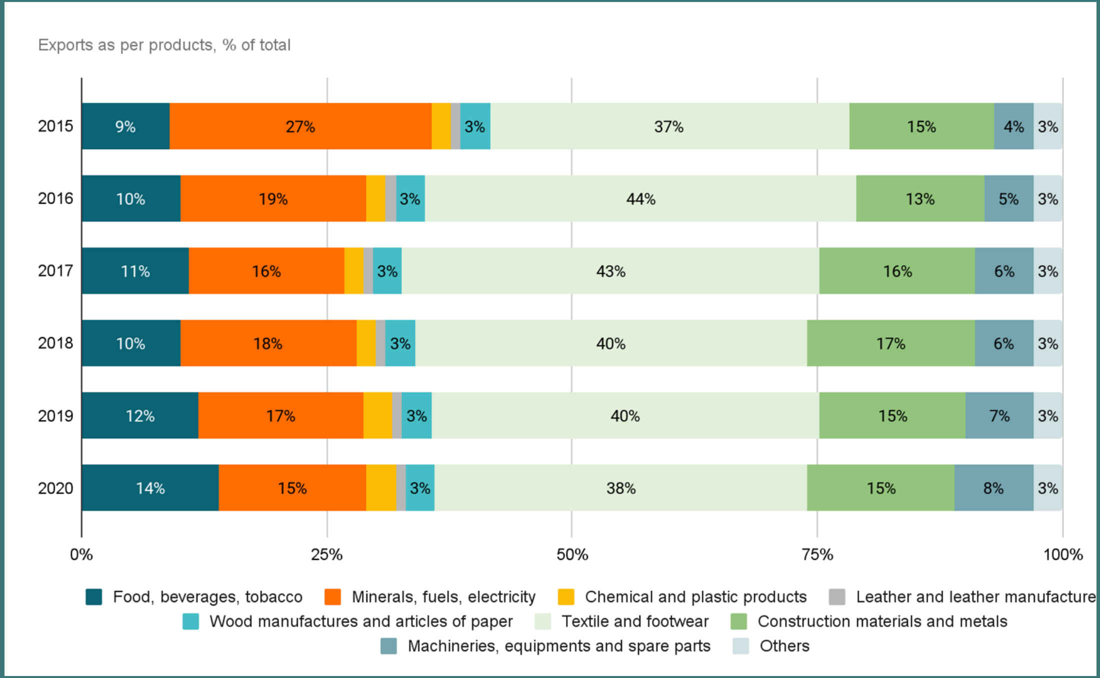


During 2020, exports of goods reached the value of **ALL 272 billion**, decreasing by **9%**, compared to a year ago, and imports of goods reached the value of **ALL 605 billion**, decreasing by **7%**, compared to one year ago.

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

Source: INSTAT, March 2021

Exports of Goods

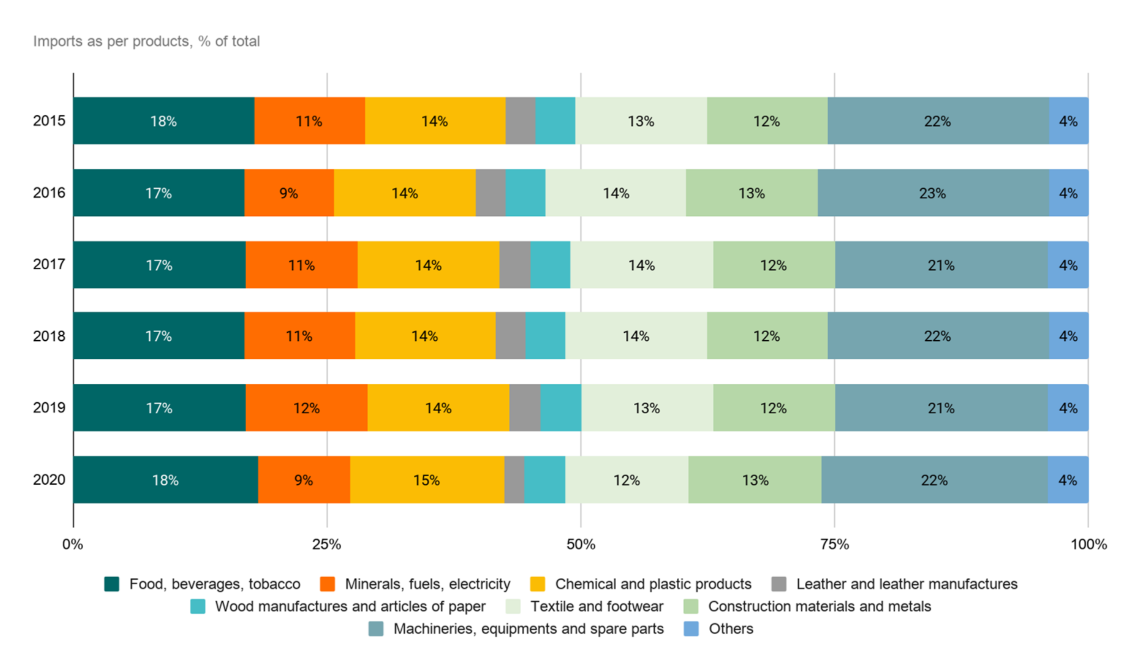


Exports continue to maintain their structure during year 2020, where most of them are Textiles and Footwear followed by Minerals, Fuels, Electricity and Foods, Beverages and Tobacco.

Source: INSTAT, March 2021

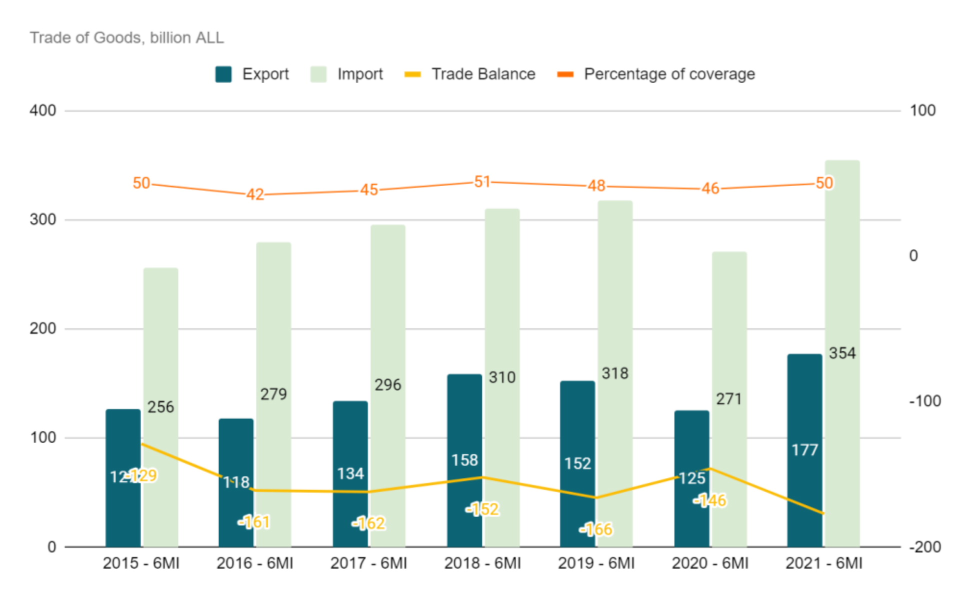
Imports of Goods

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



Source: INSTAT, March 2021

Circulation of Goods in Foreign Trade

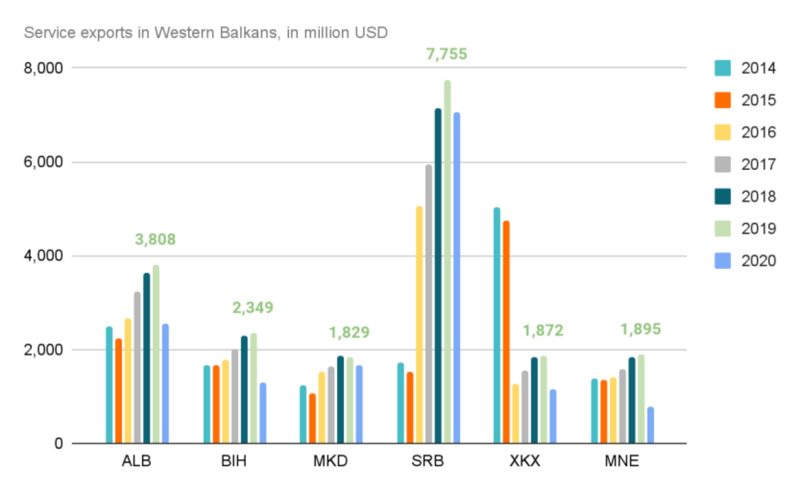


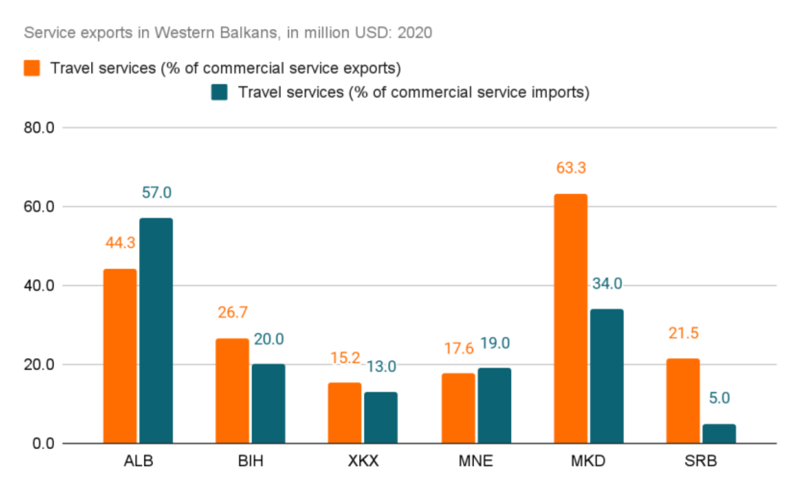
During 6MI 2021 exports of goods reached the value of ALL 177 billion, increasing by 42%, compared to a year ago and imports of goods reached the value of ALL 354 billion, increasing by 30.6%, compared to a year ago .

The trade deficit reached the value of ALL 177 billion, increasing by 21%, compared to the same period of 2020.

Source: INSTAT, July 2021

Service Exports Regional Context





Even during 2020, Albania continues to rank second in the region in terms of services exports, dominated by Travel with 44.3% of total exports. Serbia is the first in the Western Balkans region in terms of service exports

Source: World Development Indicators, July 2021

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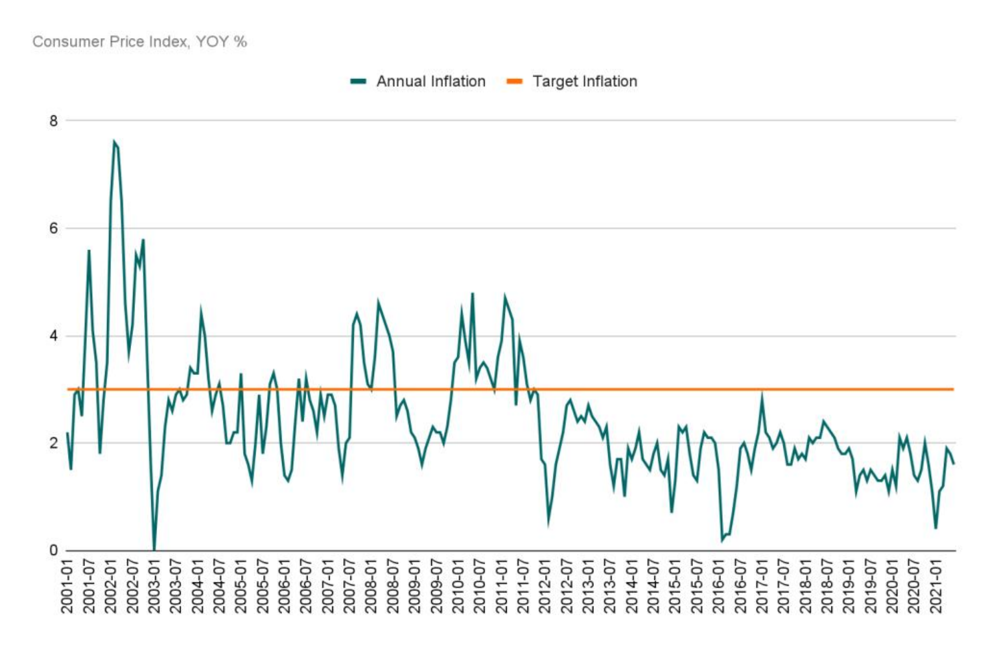
Consumer Price Index

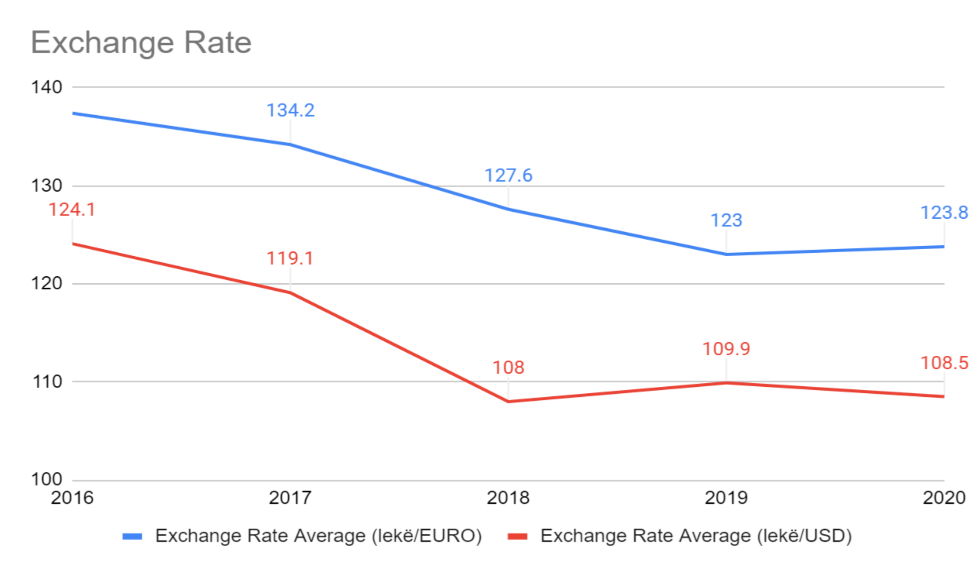


During first 6M 2021, the average annual inflation recorded the value of 1.3%, lower than a year ago, where Inflation recorded the value of 1.8%.

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

Source: INSTAT, July 2021

Exchange Rate

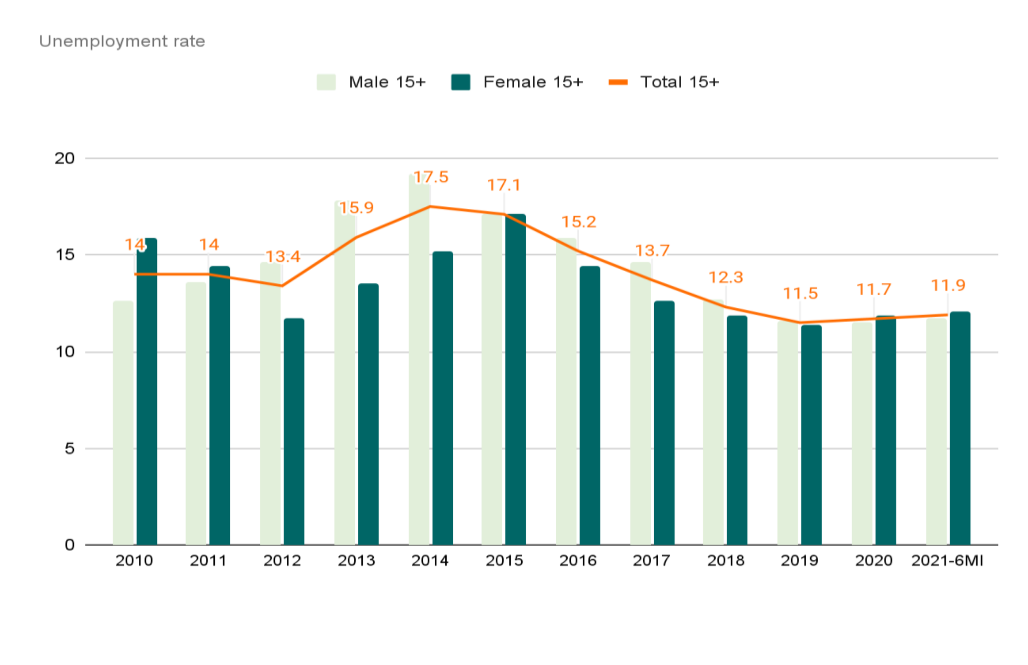


During 2020, the average exchange rate Lek / Euro was 123.8 while Lek / USD was 108.5;

Meanwhile, during 6MI 2021, both the European currency EURO and the US dollar have depreciated against the Albanian lek.

Source: INSTAT, July 2021

Labor Force

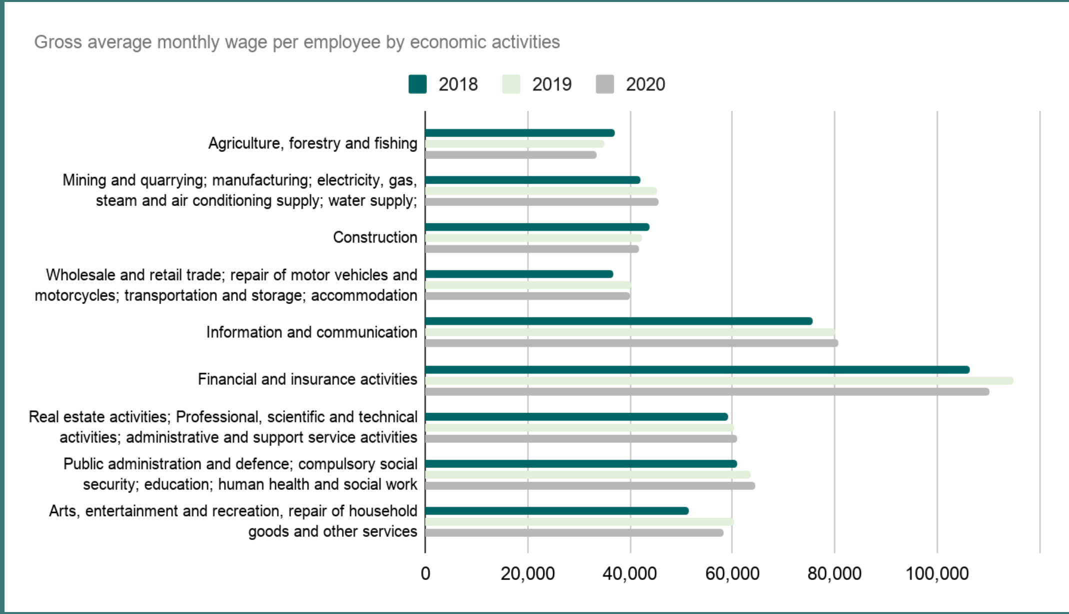


During QI 2021, the unemployment rate increased by 0.5 p.p compared to a year earlier.

Referring to INSTAT data in Q1 / 2021, the number of employees decreased by 25,345 persons compared to a year ago. There is an increase in employment in the public sector by 9,702 persons compared to 2020 / TI; while employment in the private sector (excluding agriculture where there is a decrease of 35,340 persons) increased by only 290 persons.

Source: INSTAT, July 2021

Average Salary by Sectors (In Lek)



The highest salaries were recorded in the sector of "Financial and insurance activities", followed by "Information and Communication".

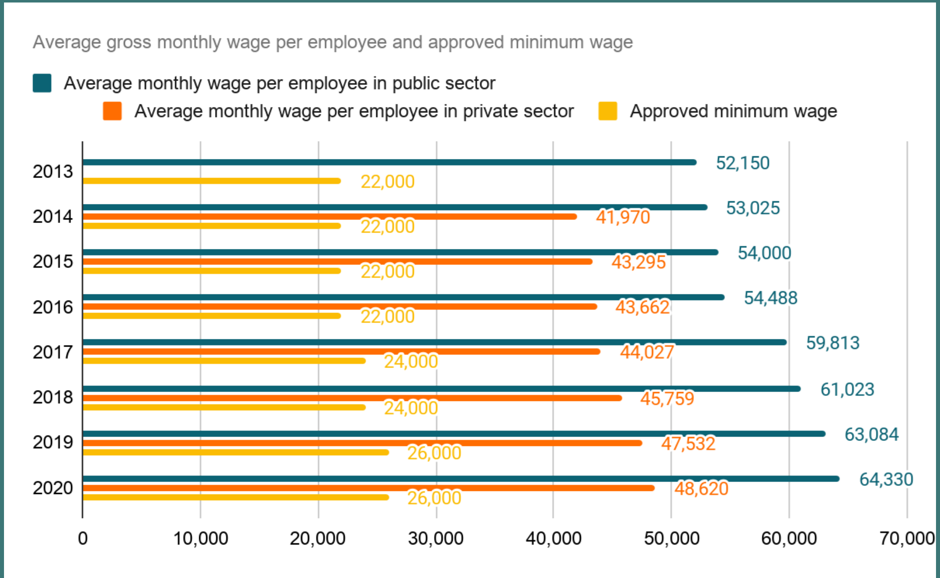
The **lowest wages** were reported in the "Agriculture, Forestry and Fishing" sector.

The **largest decline** it is noted in agriculture and financial activities wages; while the **largest increase** in Public administration and Real estate wages.

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

Source: INSTAT, March 2021

Average Wage and Minimum Wage



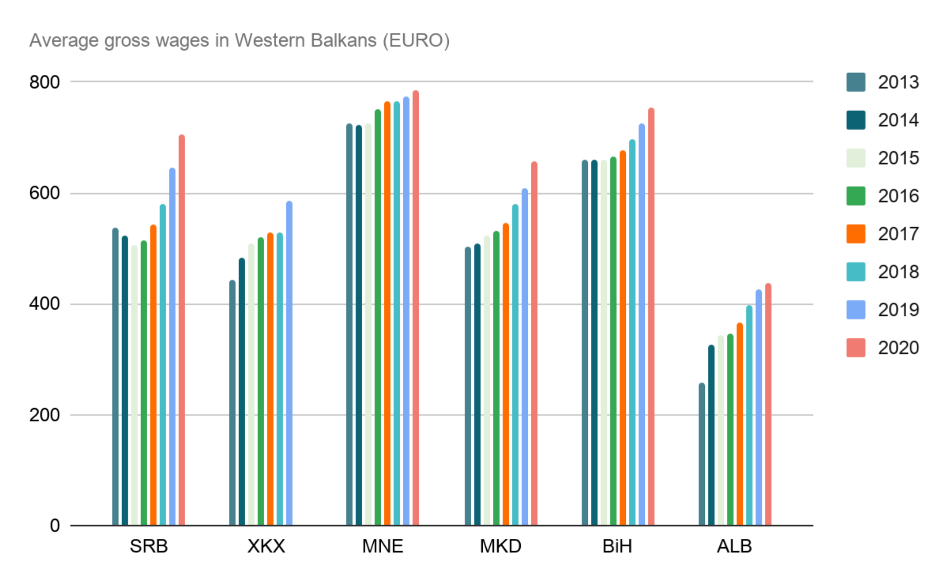
The average salary during 2020 was reported at 56.475 ALL with an increase of 2,1% compared to a year ago.

The average monthly salary for an employee in the private sector was 48.620 ALL with a decrease of 2.3% compared to a year ago; Meanwhile, the average monthly salary for an employee in the public sector was 64.330 ALL, with an increase of 2% compared to a year ago.

The minimum wage remains unchanged at 26,000 ALL.

Source: INSTAT, March 2021

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.**

Source: Countries' statistical offices

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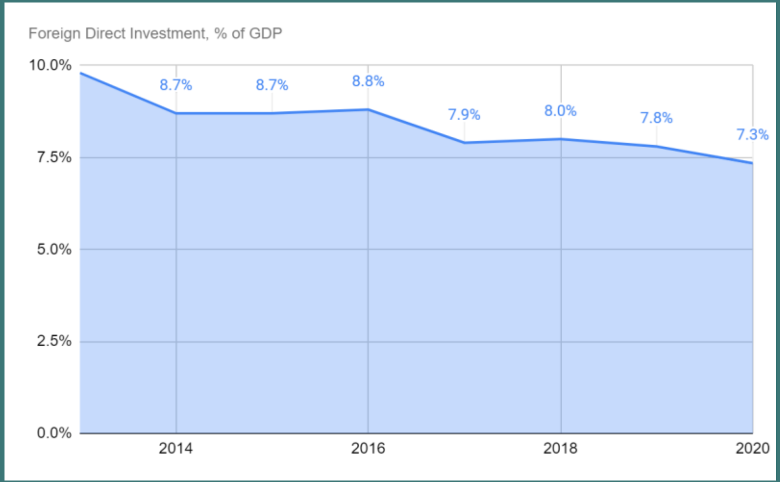
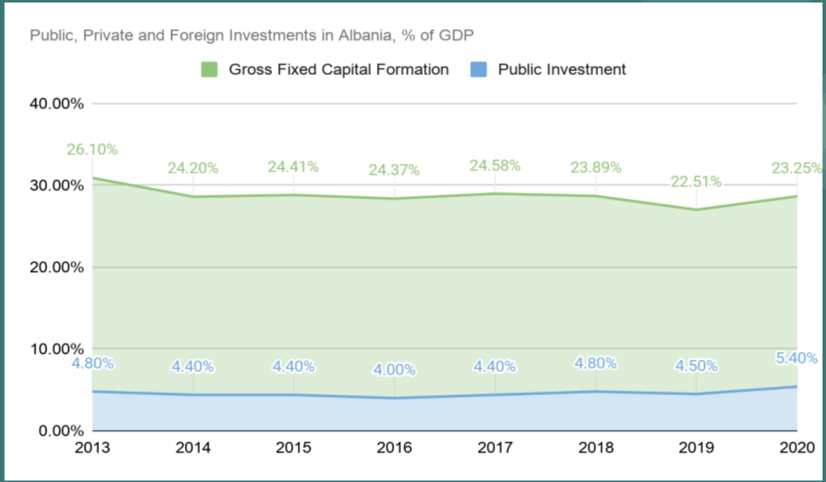
Investments in Albania

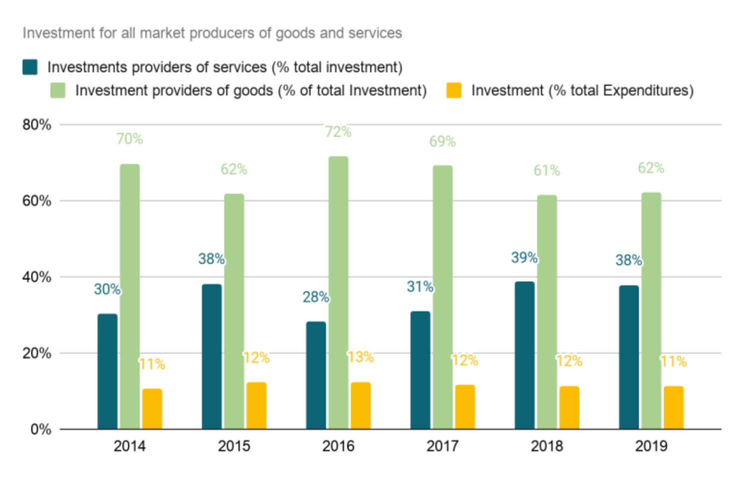


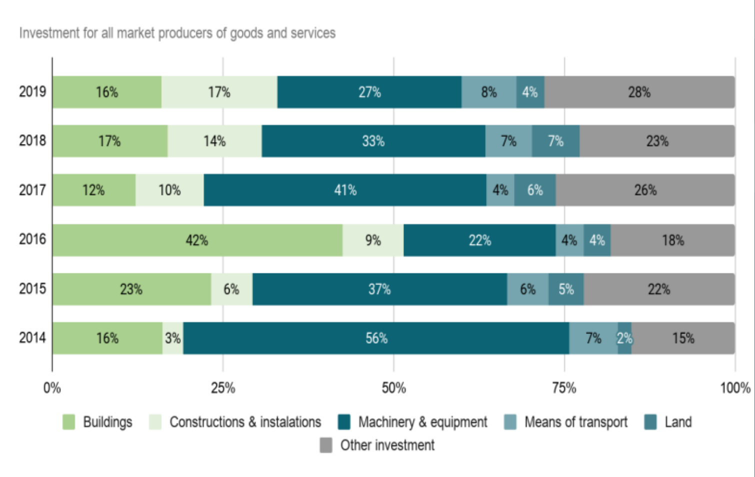


Most investments in the economy come from the domestic sector. During 2020, Gross Fixed Capital Formation reached 23.25% of Gross Domestic Product, while public investments were at the level of 5.4% of GDP

Source: INSTAT, MFE

Investments by Sectors

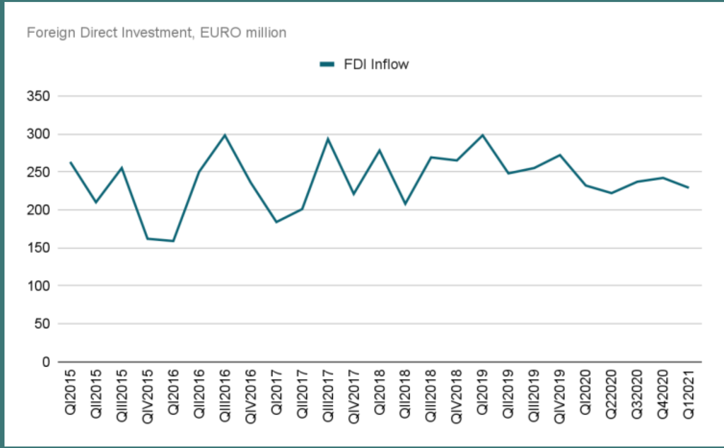


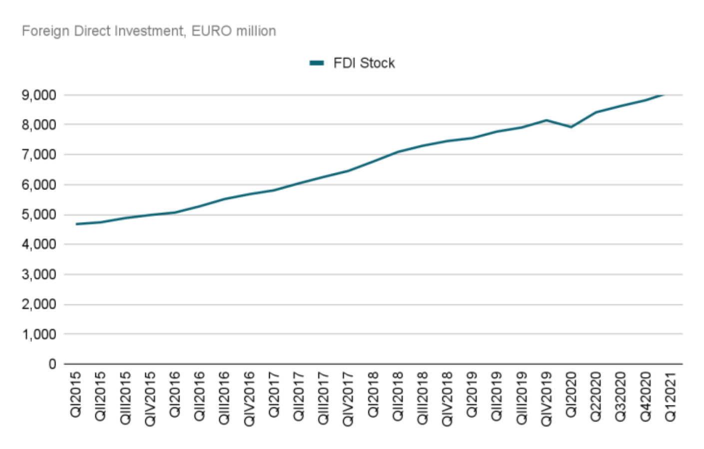


According to the Structural Business Survey, during 2019 private investment increased by 1.5%, and 62.1% of Investments come from goods providers. Most Investments during 2019, have been investments in Machinery and Equipment, 27% of the total, maintaining the same trend of the previous year although with a decrease of 6p.p.

Source: INSTAT, Structural Enterprise Survey, 2019

Foreign Direct Investments

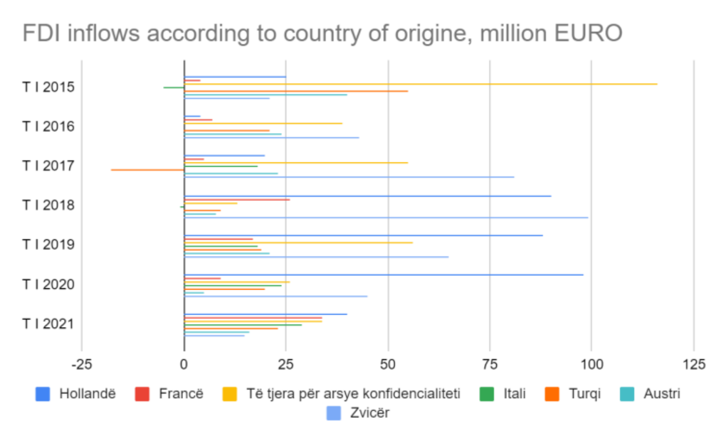


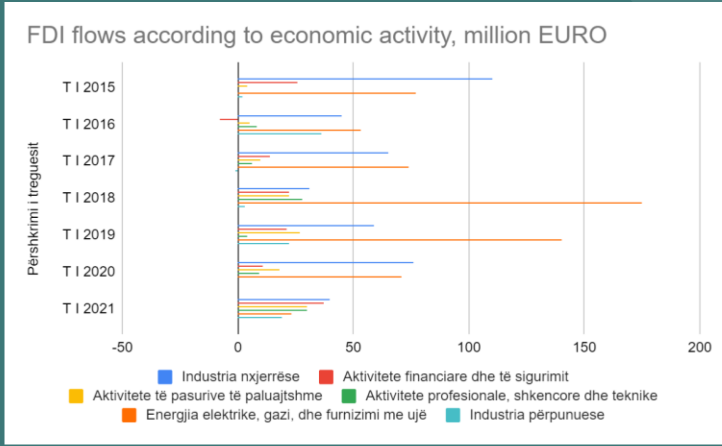


During QI 2021, FDI inflow has decreased by 1.3% compared to a year ago. Although FDI inflows have been quite variable according to business cycles, since 2015 the FDI stock in Albania has maintained an upward trend until QIV 2019 and has started the recovery again during QII 2020.
During QI 2021, the FDI stock was increases by 14.7% compared to a year ago.

Source: Bank of Albania, July 2021

Foreign Direct Investments



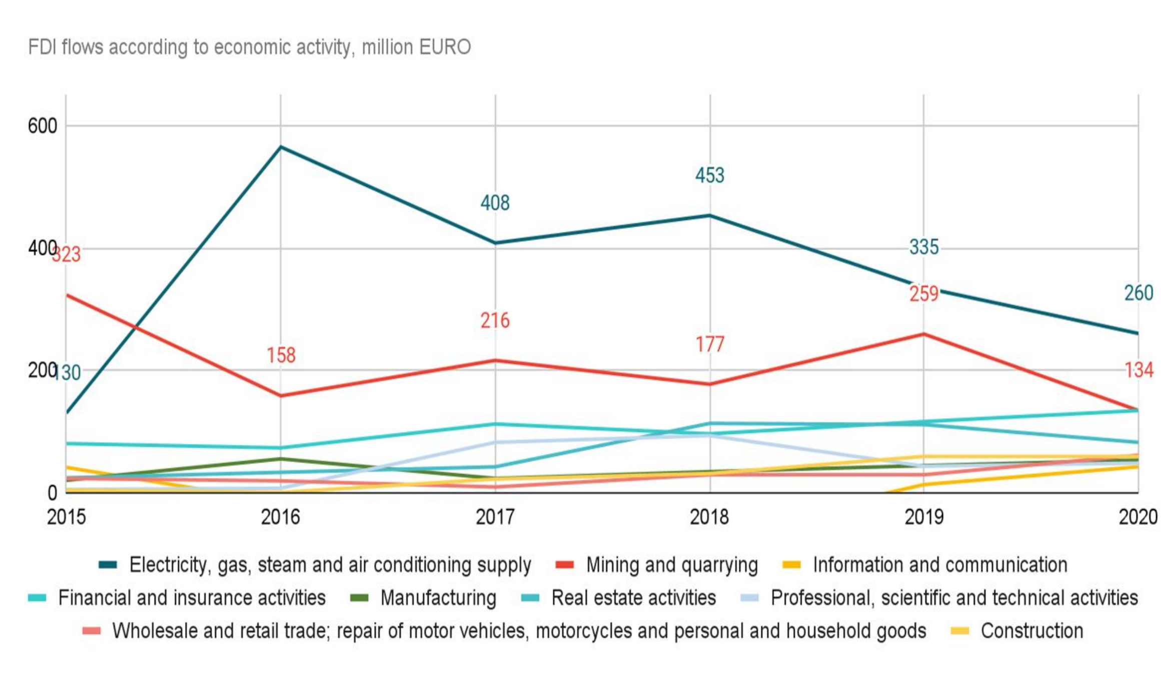


During QI 2021, the Netherlands leads the FDI inflow although declining compared to a year ago;

The extractive industry is the most attractive activity for QI 2021, although it is declining compared to QI 2020.

Source: Bank of Albania, July 2021

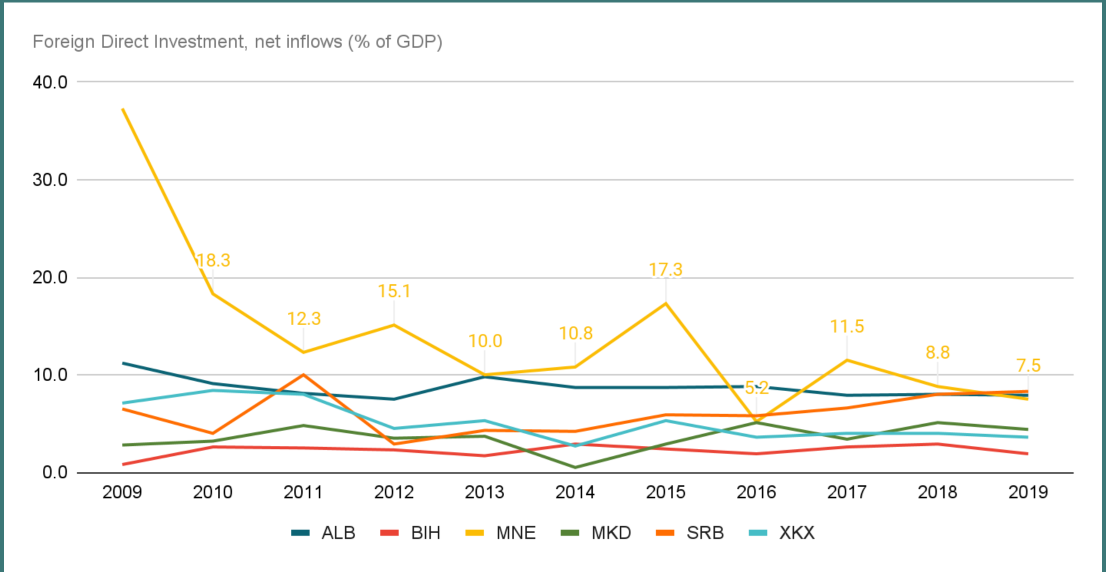
Foreign Direct Investments



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

Source: Bank of Albania, March 2021

FDI Inflows in The Western Balkans



Albania ranks second in the region for FDI with 7.9% of GDP.

Serbia leads the region in terms of FDI inflows which are as much as 8.3% of GDP.

Source: World Development Indicators, March 2021

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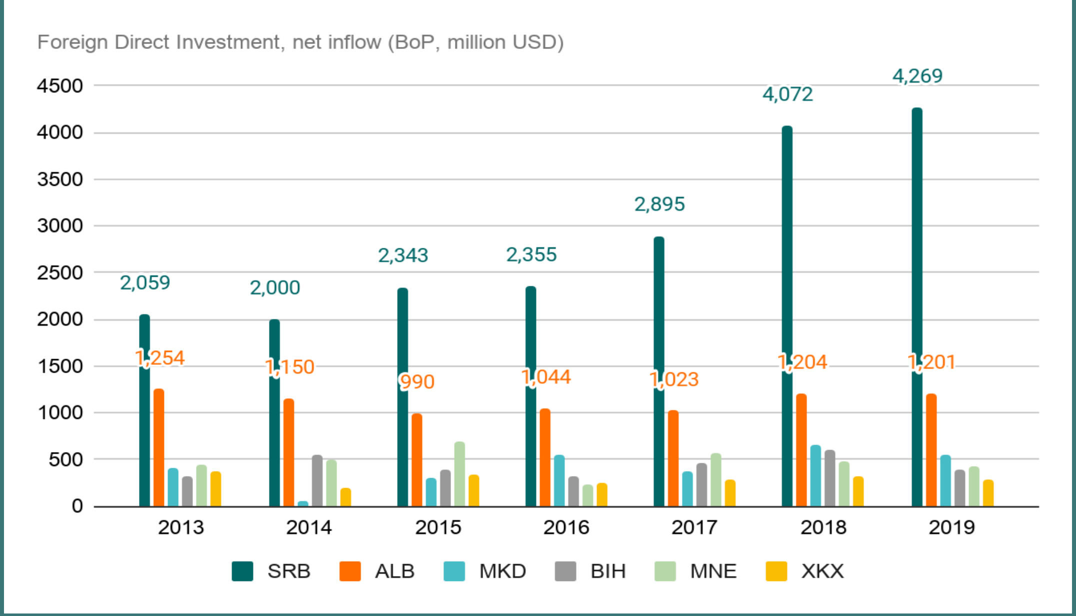
FDI Inflows In The Western Balkans



FDI inflows in Serbia amounted to USD 4,3 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 285 USD million.

Source: World Development Indicators, March 2021

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	2015	2016	2017	2018	2019	2020
Total	**152,288**	**160,679**	**162,452**	**162,835**	**162,342**	**166,386**
1-4	136,470	145,456	146,304	145,549	144,857	149,772
5-9	8,172	7,631	8,023	8,518	8,569	7,583
10-49	5,994	5,902	6,297	6,801	6,932	7,052
50+	1,652	1,690	1,828	1,967	1,984	1,979
Goods producers	**37,950**	**48,585**	**53,250**	**56,916**	**60,061**	**65,042**
1-4	33,255	44,179	48,819	52,269	55,342	60,403
5-9	2,080	1,865	1,842	1,858	1,871	1,704
10-49	1,971	1,877	1,851	1,987	2,052	2,177
50+	644	664	738	802	796	758
Services producers	**114,338**	**112,094**	**109,202**	**105,919**	**102,281**	**101,344**
1-4	103,215	101,277	97,485	93,280	89,515	89,369
5-9	6,092	5,766	6,181	6,660	6,698	5,879
10-49	4,023	4,025	4,446	4,814	4,880	4,875
50+	1,008	1,026	1,090	1,165	1,188	1,221

Source: National Business Register, INSTAT July 2021

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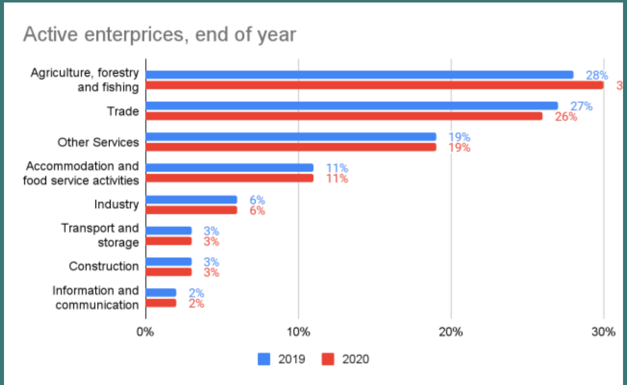
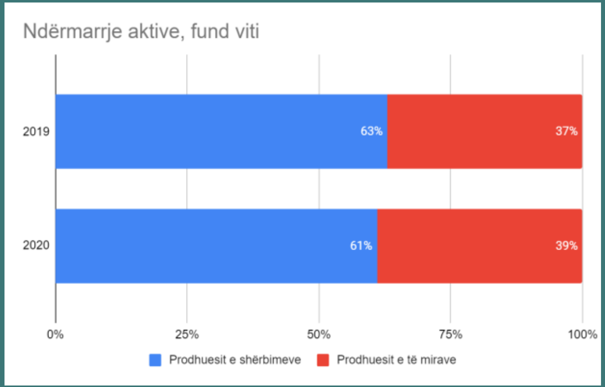
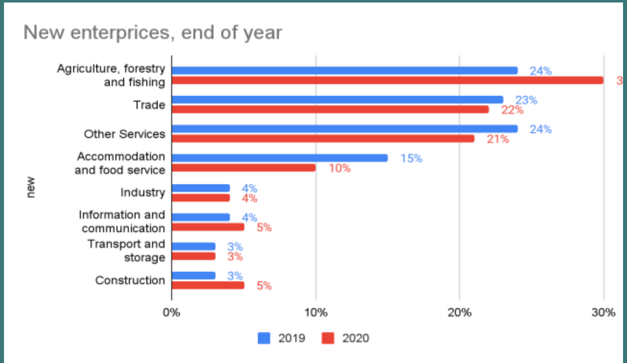
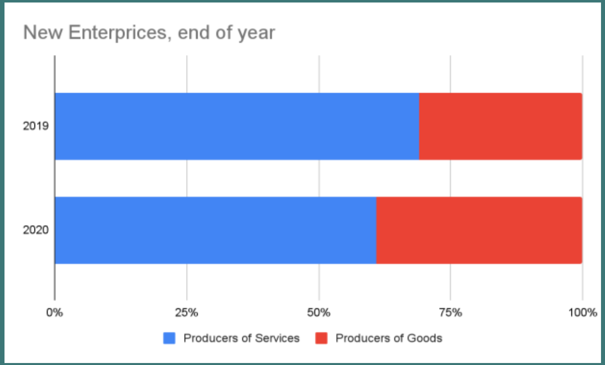
Active Enterprises by Economic Activity



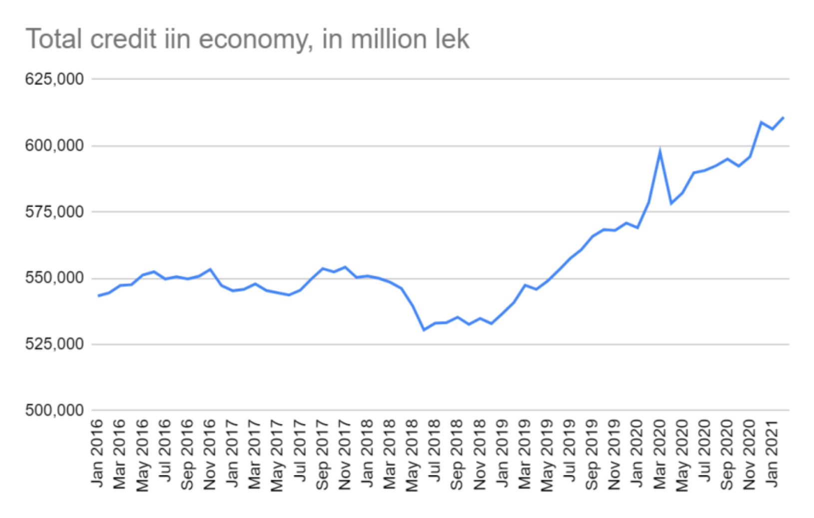


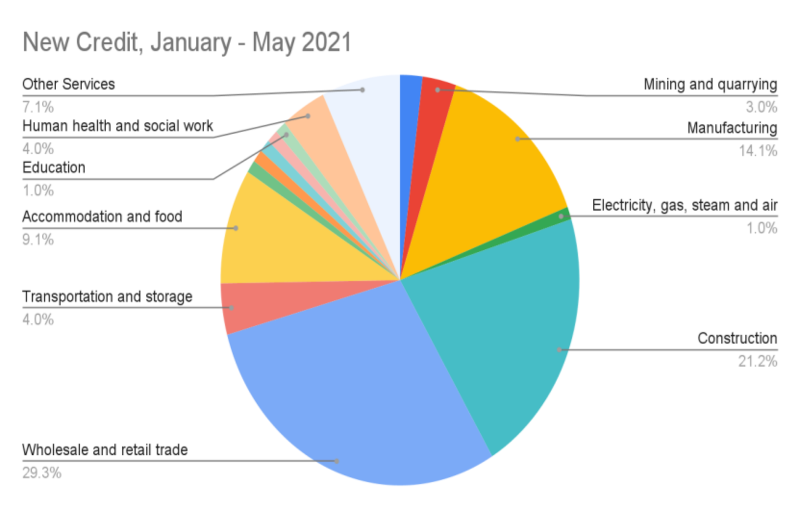




Source: Structural Business Statistic, INSTAT July 2021

Credit to Economy





Total credit to the economy reached ALL 618 billion in May 2021 while most of the new credit went to wholesale and retail trade with 29% of the total.

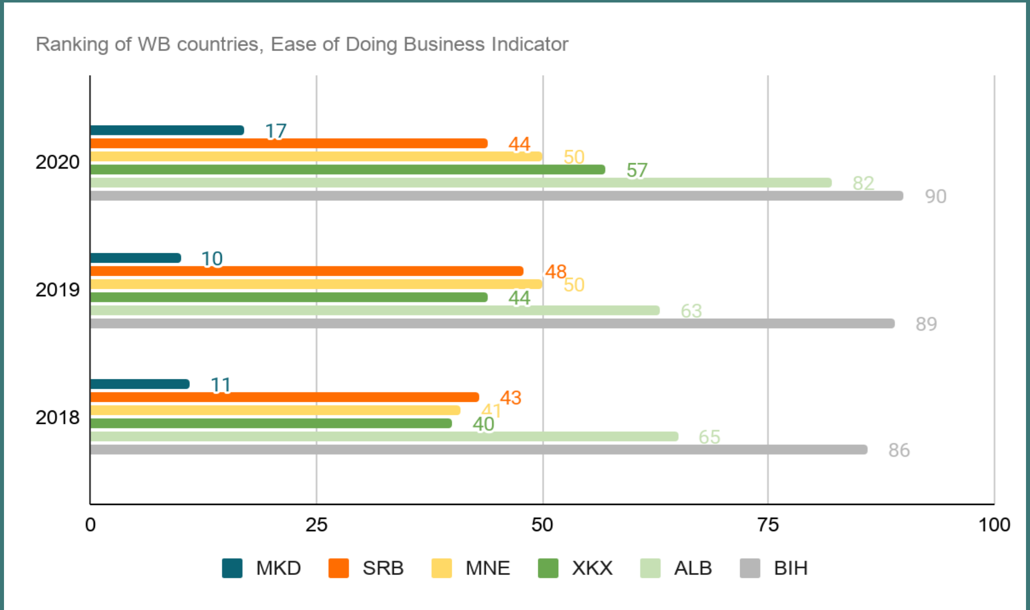
Source: BoA July 2021

Albania's Ranking in International Reports and Indices

Corruption Perception Index, Transparency International							
Value 2020	**Ranking 2020**	**Value 2019**	**Ranking 2019**	**Value 2018**	**Ranking 2018**	**Value 2017**	**Ranking 2017**
36	104/180	35	106/180	36	99/180	38	91/180
Economic Freedom Index, heritage.org							
Value 2021	**Ranking 2021**	**Value 2020**	**Ranking 2020**	**Value 2019**	**Ranking 2019**	**Value 2018**	**Ranking 2018**
65.2	66/180	66.9	57/180	66.5	52/180	64.5	65/180
Ease of 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
Global Innovation Index							
Value 2020	**Ranking 2020**	**Value 2019**	**Ranking 2019**	**Value 2018**	**Ranking 2018**	**Value 2017**	**Ranking 2017**
27.23	83/131	42.42	70/129	29.89	83/126	28.86	115/127

Source: World Bank, Doing Business Indicators

Ease of Doing Business Indicator

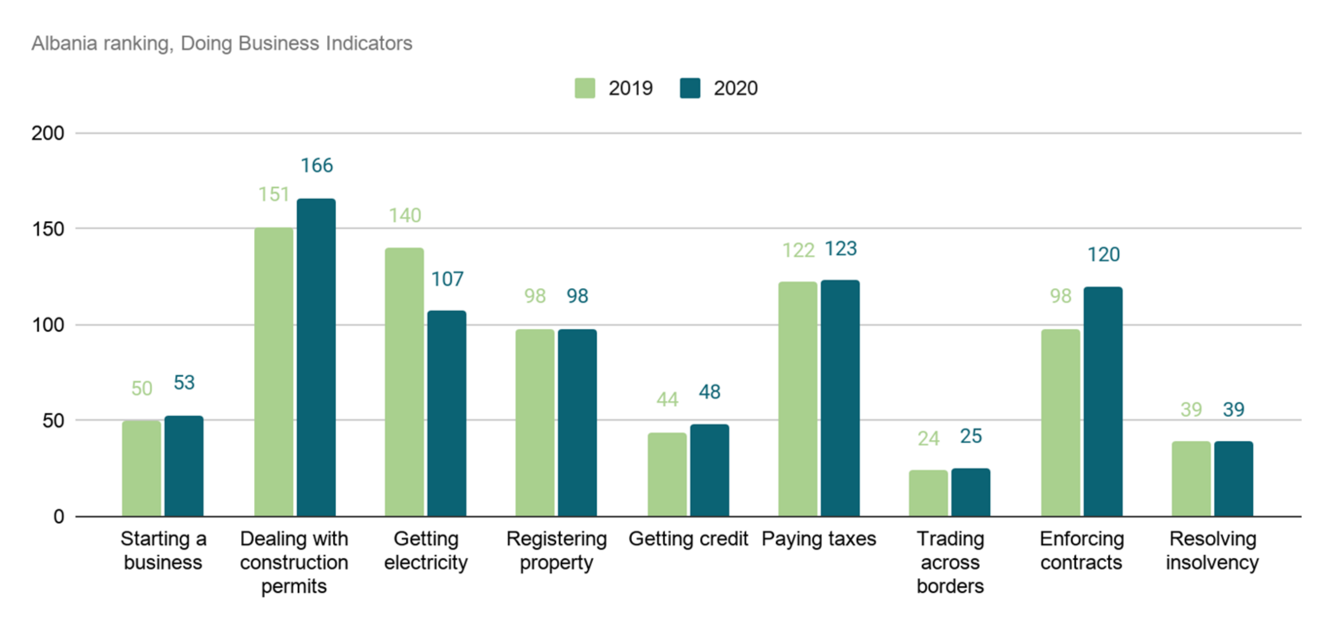


North Macedonia has the best ranking in the region although its position deteriorated during the 2020 assessment;

Albania has also deteriorated its position during the 2020 assessment, compared to a year ago.

Source: World Bank, Doing Business Indicators

Doing Business Indicators



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

Source: WB, Doing Business

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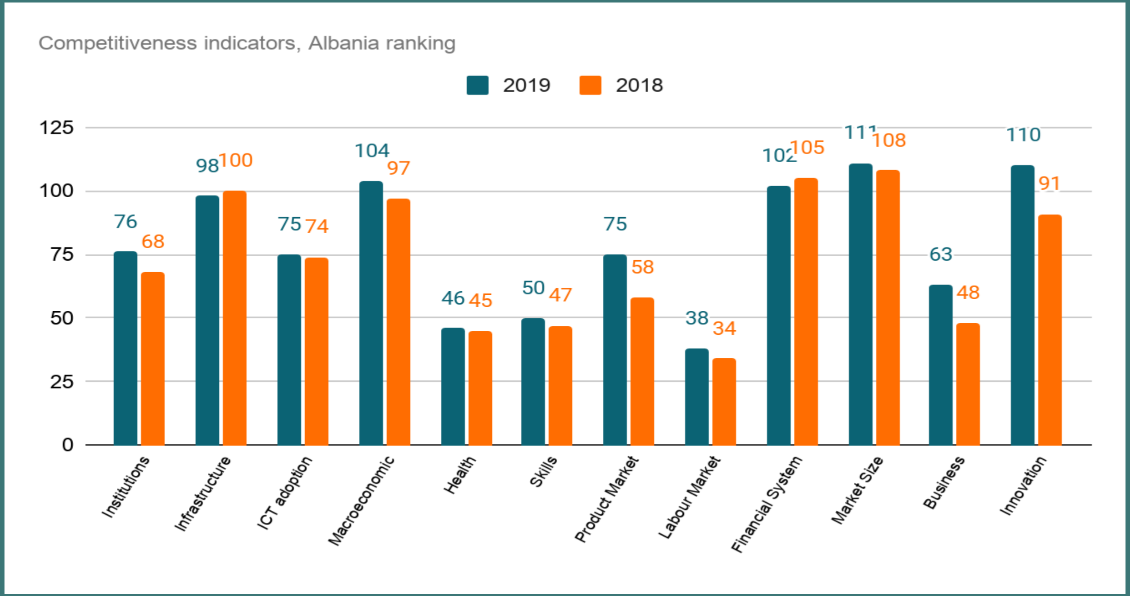
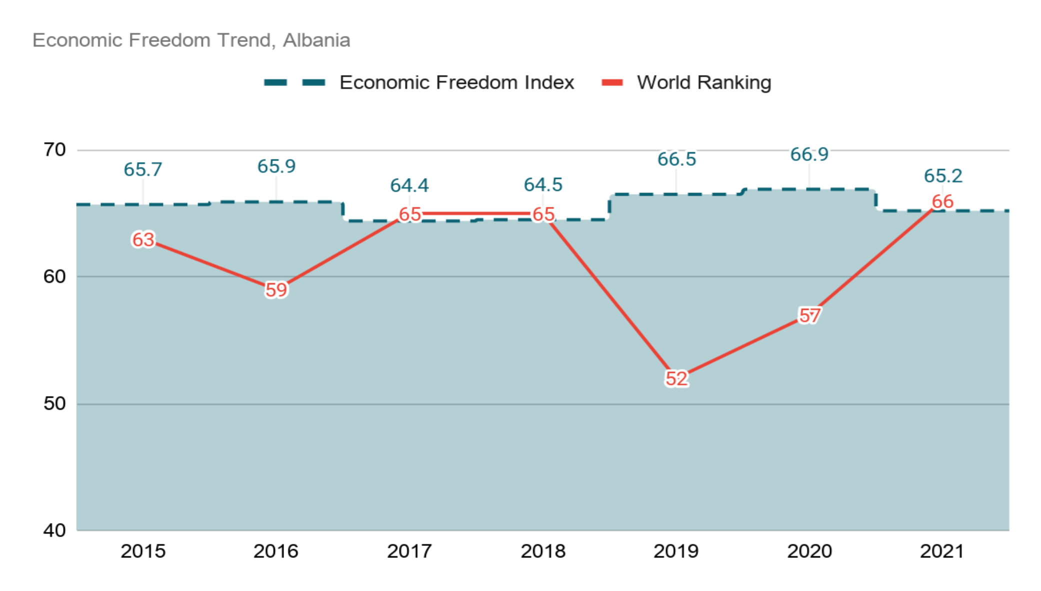
Competitiveness Indicators



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

Source: www.heritage.com

Economic Freedom

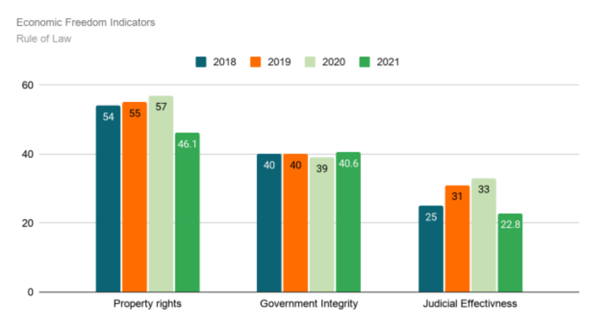


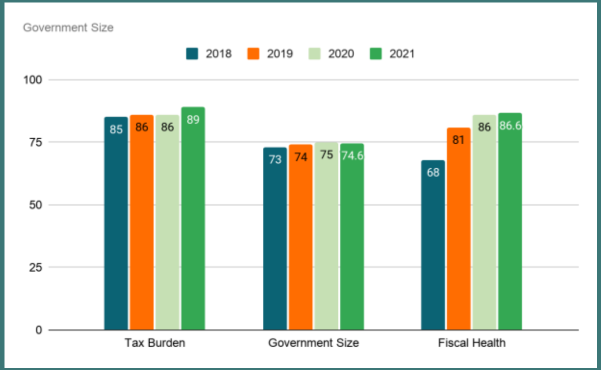
Albania ranks 66th in the world, losing nine positions from last year; Regionally, Albania ranks 35th out of 44 European countries.

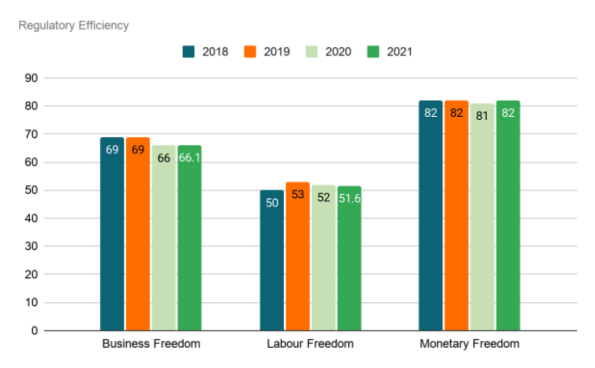
The country stands below the European average (70.1) but is above the world average (61.6).

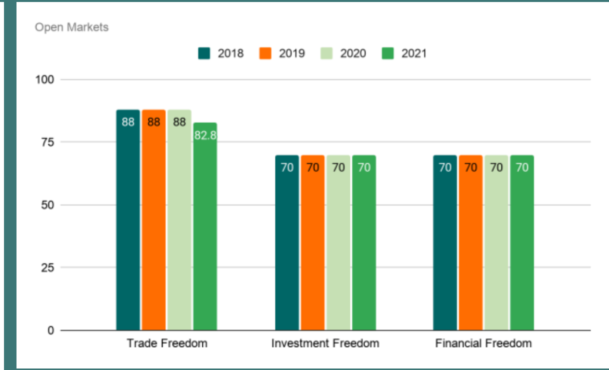
Source: www.heritage.com

Indicators of Economic Freedom









Source: www.heritage.com

Albania Investment Council
Improving Transparency and Investment Climate

Global Innovation Index

	2015	2016	2017	2018	2019	2020
SRB	70	65	58	56	57	53
MNE	40	46	52	55	45	49
MKD	55	62	63	84	59	57
ALB	112	71	115	83	70	83
BIH	122	104	86	68	71	74

Albania ranks 83rd in the Global Innovation Index for year 2021, last in the region; Montenegro leads the region in Innovation according to the last GII report

Source: Global Innovation Index

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About Investment Council in Albania

The Investment Council facilitates the development of mutual trust between the business community and the government in Albania and contributes to an incremental institutionalization of effective policy dialogue. It contributes to the national reform and economic transition process by enhancing institutions, laws and policies that promote market functioning and efficiency.

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REPUBLIKA E SHQIPËRISË
MINISTRIA E FINANCAVE DHE EKONOMISË

European Bank for Reconstruction and Development

Schweizerische Eidgenossenschaft
Confédération suisse
Confederazione Svizzera
Confederaziun svizra

State Secretariat for Economic Affairs SECO

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