

An Overview of Albania's Economic Development Indicators

Secretariat of the Investment
Council

April 2024

This is a summary of the main macroeconomic indicators 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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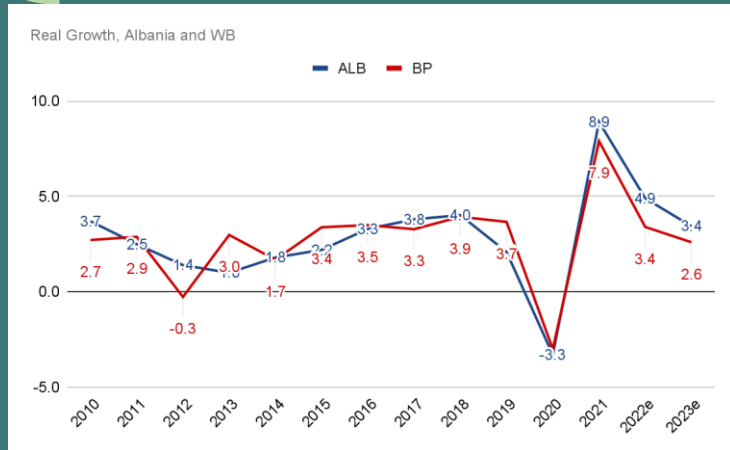
Main Macroeconomic Indicators Progress

- ❖ *In 2023, the economy saw a 3.44% growth compared to the previous year, as per INSTAT's initial assessments.*
- ❖ *Inflation averaged 4.8% for the year, surpassing the Central Bank's 3% target.*
- ❖ *Foreign Direct Investment (FDI) flows increased by 8.7% from 2022, with FDI stock rising by 20.3%. FDI inflows in 2023 totaled 1,492 million Euros, with 54% reinvested profits.*
- ❖ *The Netherlands led in FDI inflows for the year, trailed by Italy and Turkey, while FDI stock was dominated by the Netherlands and Switzerland.*
- ❖ *Official unemployment stood at 10.7% in 2023, down 0.2 percentage points from the previous year.*
- ❖ *Top performers in export growth included Kosovo (8.3%), Greece (13.1%), and China (2.7%). Notable increases in imports were seen from China (21.0%), Germany (5.2%), and the USA (32.3%).*

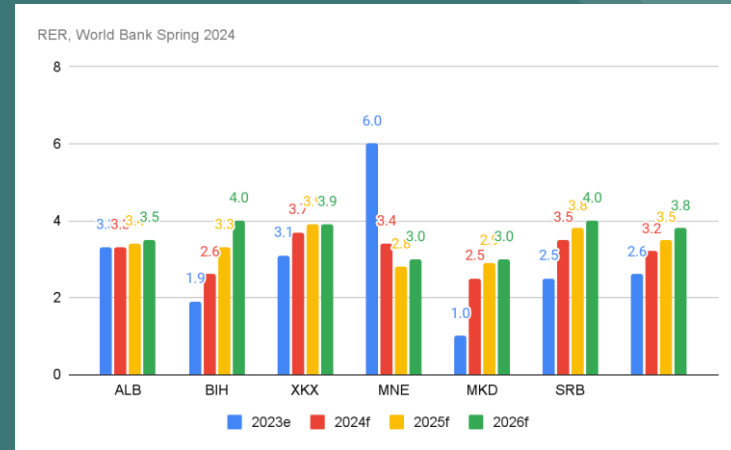
Albania's performance according to Global Indexes

- ❖ *According to the Corruption Perceptions Index, Albania has secured the 98th position out of 180 countries globally, marking an improvement of three places from the previous year. Montenegro boasts the highest ranking among the six Western Balkan countries, standing at 63rd place.*
- ❖ *Albania is classified as "Relatively Free" according to the Index of Economic Freedom, positioning its economy as the 48th freest among 177 nations.*
- ❖ *In the Global Innovation Index for 2023, Albania holds the 83rd spot, the lowest in the region, while Serbia leads in innovation.*
- ❖ *Regarding the Economic Complexity Index, Albania is positioned 76th out of 133 countries.*
- ❖ *In terms of the Advanced Border Technology Readiness Index, Albania falls into the category of countries rated below average, in contrast to other Western Balkans countries which are classified as above average.*

Economic Growth Performance

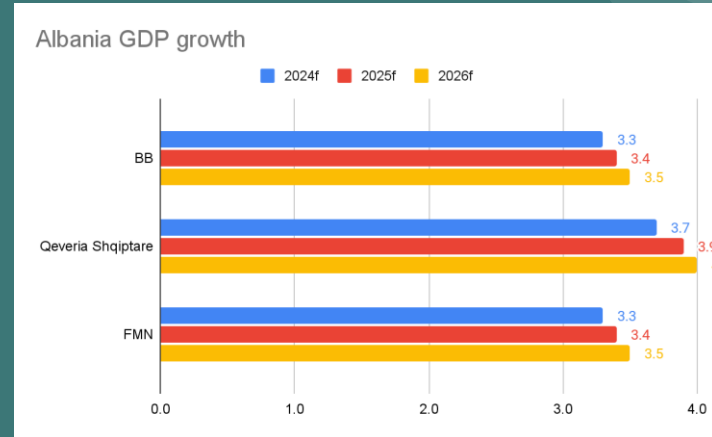
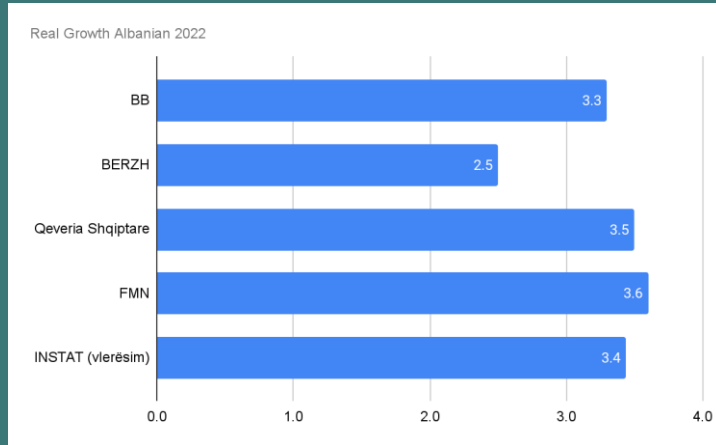


Albania's economic rebound, initiated in 2015, decelerated in 2019 and experienced a decline of -3.3% in 2020, a lesser contraction than initially anticipated, attributed to the impact of the COVID-19 pandemic. INSTAT's preliminary assessments suggest a growth of 3.4% in 2023, while the World Bank forecasts a 2.6% uptick for the Western Balkan economy.



According to the WB estimates, Montenegro is expected to witness the most substantial GDP growth in 2023, with a projected increase of 6%, trailed by Albania and Kosovo with growth rates of 3.3% and 3.1%, respectively. North Macedonia is anticipated to experience the lowest growth, estimated at just 1.0%. Serbia and Bosnia and Herzegovina are forecasted to achieve sustainable growth of up to 4% by 2026. In contrast, Albania is expected to maintain a more moderate growth trajectory, reaching up to 3.5%.

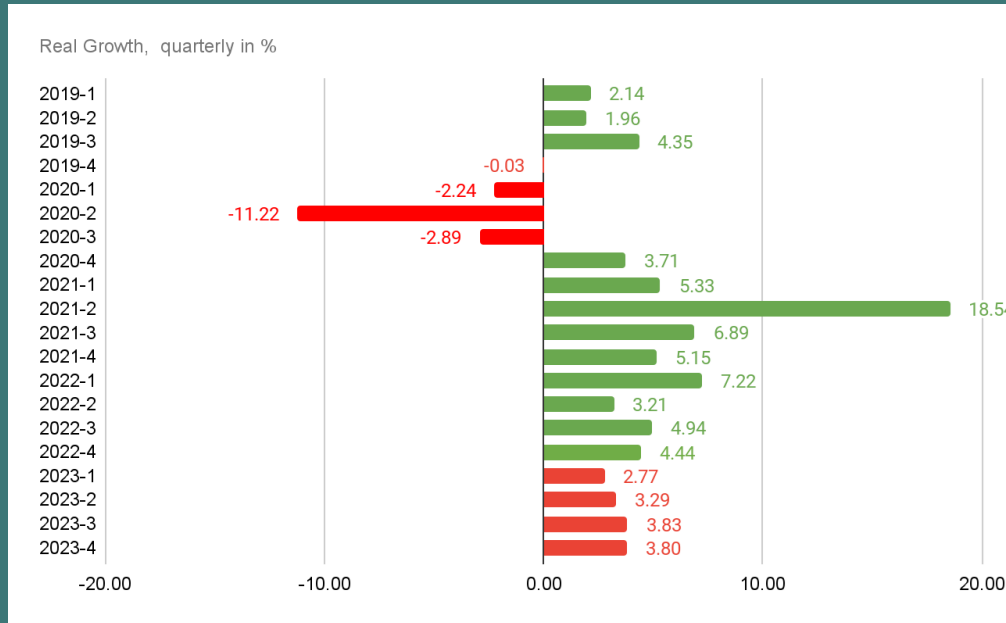
Economic Growth Performance



According to preliminary data from INSTAT, Albania's Gross Domestic Product grew by 3.4% in 2023. However, the economic growth forecasts provided by the World Bank and IMF for the period 2024 to 2026 are lower compared to those projected by the Albanian government.



Economic Growth Performance

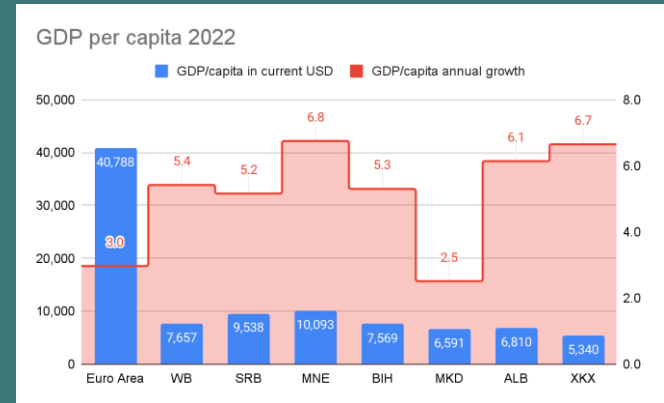
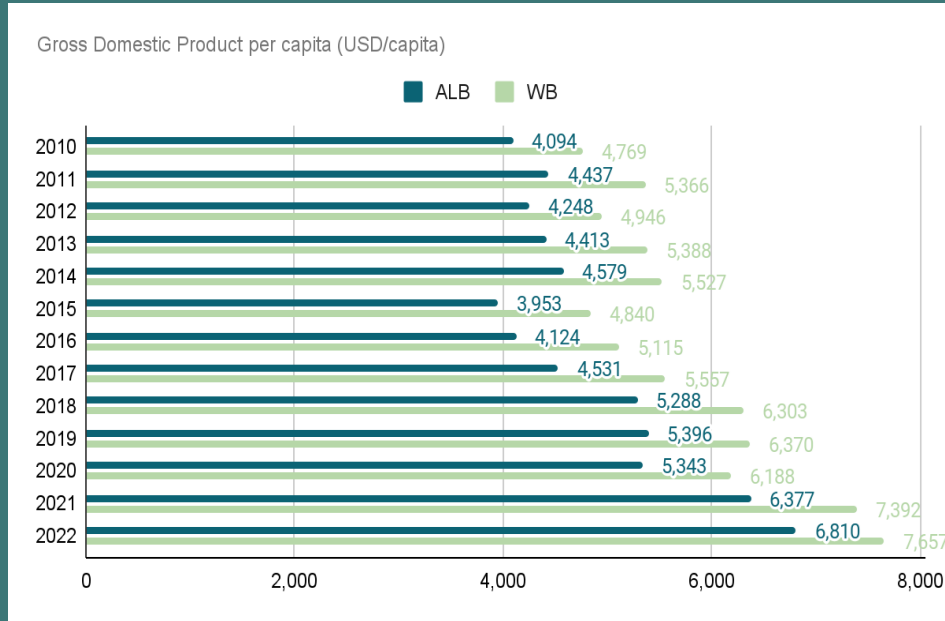


The Gross Domestic Product (GDP) in constant prices for the year 2023 is anticipated to increase by 3.8% compared to 2022. Positive contributions to this growth were made by various sectors: Construction contributed +1.28 percentage points (p.p.), Public Administration, Education, and Health contributed +1.01 p.p., Professional Activities and Administrative Services contributed +0.66 p.p., Real Estate Activities contributed +0.58 p.p., Arts, Entertainment, and Leisure as well as other service activities contributed +0.46 p.p., Information and Communication contributed +0.28 p.p., Financial and Insurance Activities contributed +0.15 p.p., and Trade, Transport, Accommodation, and Food Service contributed +0.07 p.p.

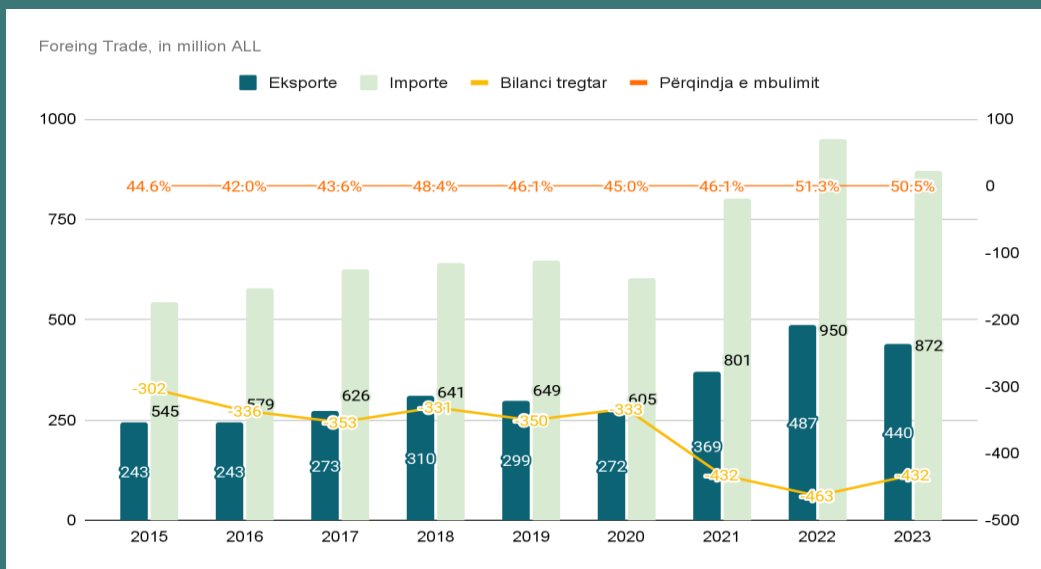
On the contrary, the group comprising Agriculture, Forestry, and Fisheries made a negative contribution of -0.72 p.p., while Industry, Energy, and Water contributed negatively with -0.23 p.p.

Income per Capita

For 2022, Albania's per capita income is estimated at **6,810 USD** in current value



Circulation of Goods in Foreign Trade

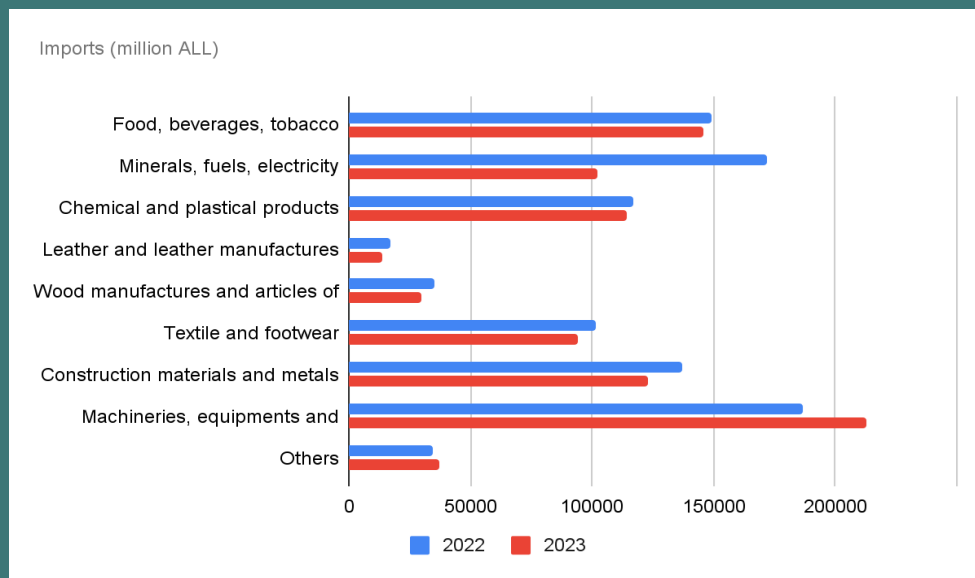


In 2023, the value of goods exported amounted to 440 billion ALL, marking a decrease of -9.5% compared to the preceding year. Similarly, imports of goods totaled 873 billion ALL, showing a decrease of -8.2% compared to the previous year.

Consequently, the trade deficit stood at 432 billion ALL, witnessing a decline of -6.7% compared to the figures recorded in 2022.

Moreover, the coverage percentage of exports to imports decreased to 50.5% from 51.3% in 2022.

Circulation of Goods in Foreign Trade

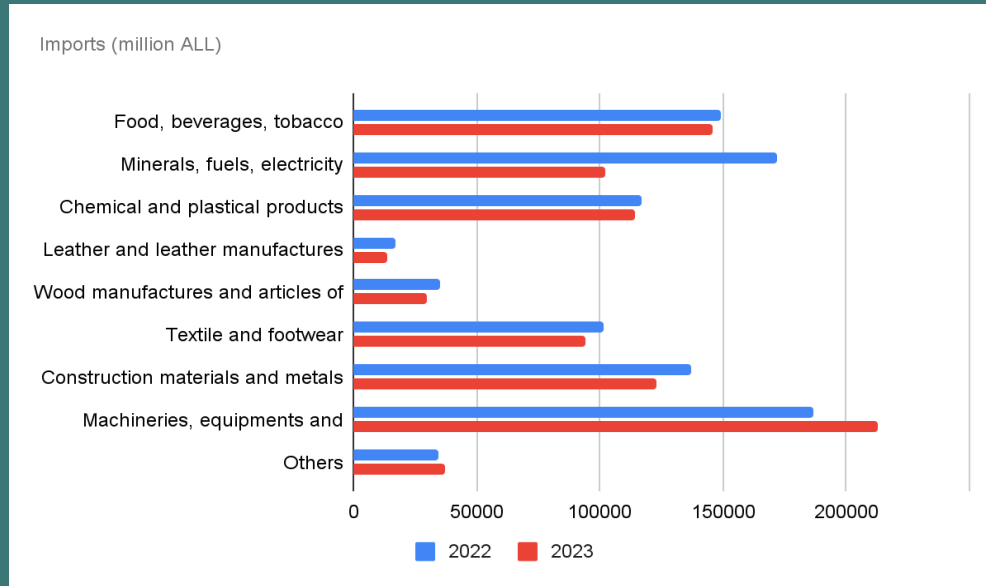


In 2023, imports experienced a decline of -8.2% compared to the previous year.

Contributing to this annual decrease in imports were several groups: "Minerals, fuels, electricity" with a negative impact of -7.3 percentage points, "Construction materials and metals" with -1.5 percentage points, "Textiles and shoes" with -0.8 percentage points, among others.

Conversely, the group "Machinery, equipment, and spare parts" had a positive impact, contributing +2.7 percentage points to the import figures.

Circulation of Goods in Foreign Trade



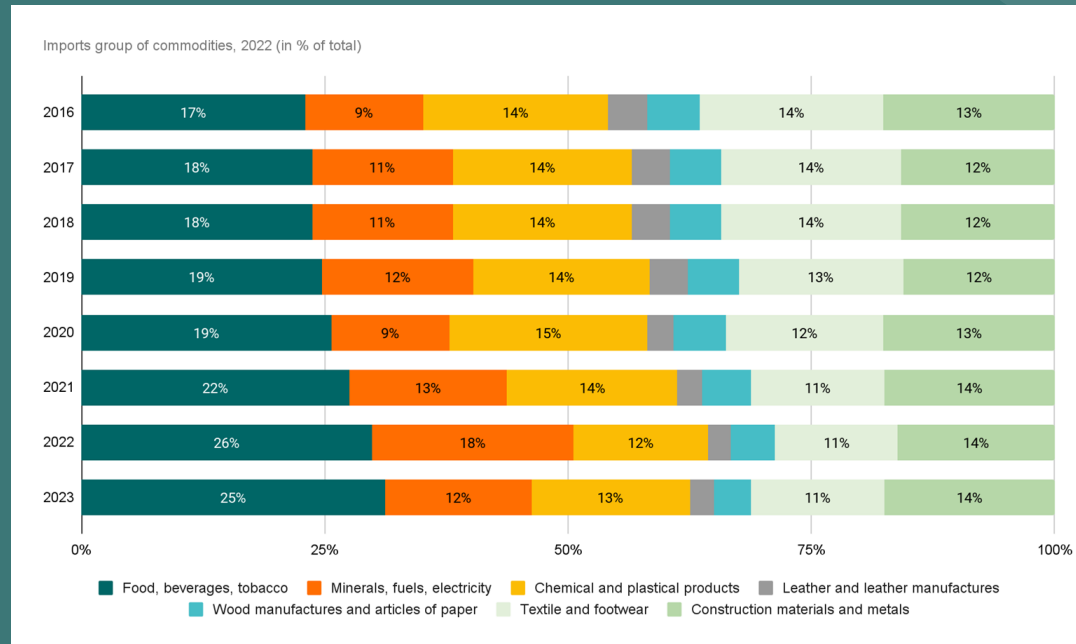
During the current year, exports witnessed a decline of -9.5% compared to the previous year.

Contributing to this annual decrease in exports were various groups, including "Construction materials and metals" with a negative impact of -4.5 percentage points, "Minerals, fuels, electricity" with -2.8 percentage points, "Textiles and shoes" with -1.8 percentage points, among others.

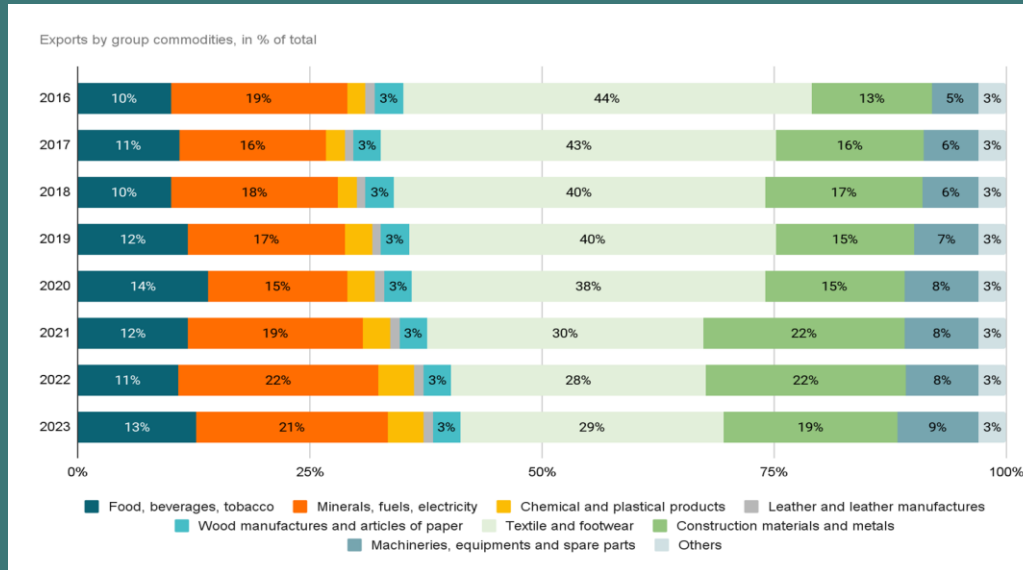
Conversely, the group "Food, drinks, tobacco" had a positive impact, contributing +0.8 percentage points to the export figures.

Imports of Goods

In 2023, the composition of goods imports was primarily characterized by a notable presence of Food, beverages, and tobacco, a trend that has been steadily rising over the years. Additionally, Construction materials and minerals, along with chemical and plastic products, also featured prominently in the import structure.



Exports of Goods

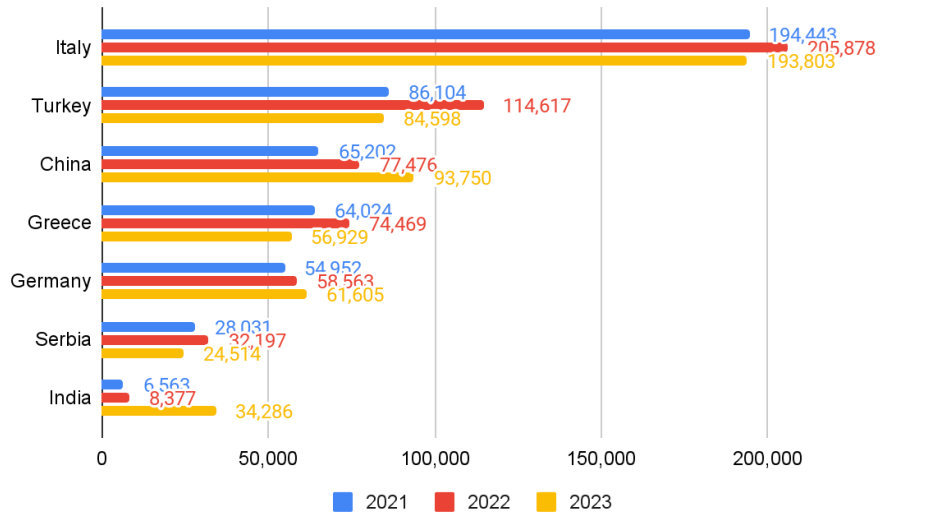


Exports by product categories have retained their structure from the previous year.

However, analyzing the trends from 2016 to 2023, there is a noticeable pattern of declining percentage of total exports within the "Textiles and shoes" category, alongside an uptick in exports of "Construction materials and minerals" and "Minerals, fuels, electricity."

Circulation of Goods in Foreign Trade

Imports, main partners in million Lek

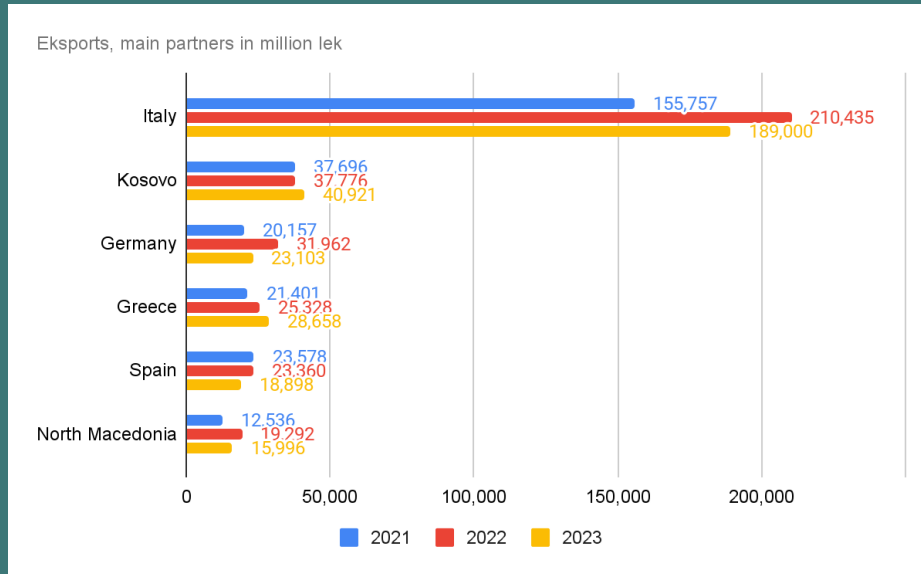


In 2023, trade relations with EU countries represented 57.9% of total trade.

From January to December 2023, exports to EU nations accounted for 71.8% of the overall export volume. Key trading partners included Italy (29.2%), China (7.9%), Turkey (6.8%), and Greece (6.5%).

Throughout the year, Albania experienced notable declines in exports to several countries compared to the previous year, such as Italy (10.2%), Germany (27.7%), and Spain (19.1%). Conversely, exports saw significant growth with countries like Kosovo (8.3%), Greece (13.1%), and China (2.7%).

Circulation of Goods in Foreign Trade

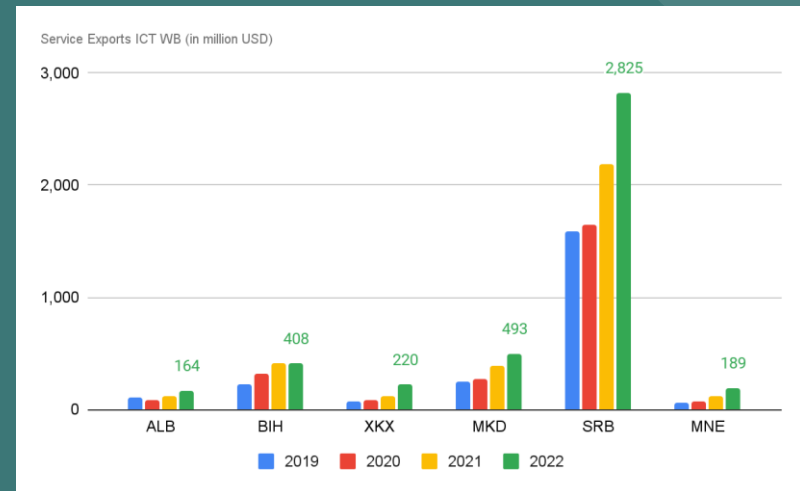
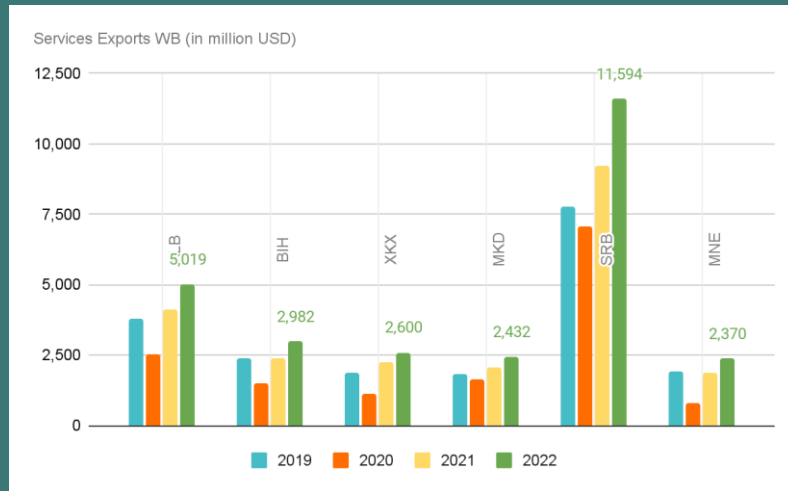


From January to December 2023, imports from EU countries comprised 50.9% of the total import volume.

Throughout the year, Albania experienced significant decreases in imports from several countries compared to the previous year, including Italy (5.9%), Turkey (26.2%), and Greece (23.6%).

Conversely, imports from countries such as China (21.0%), Germany (5.2%), and the USA (32.3%) witnessed considerable growth during the same period.

Service Exports Regional Context

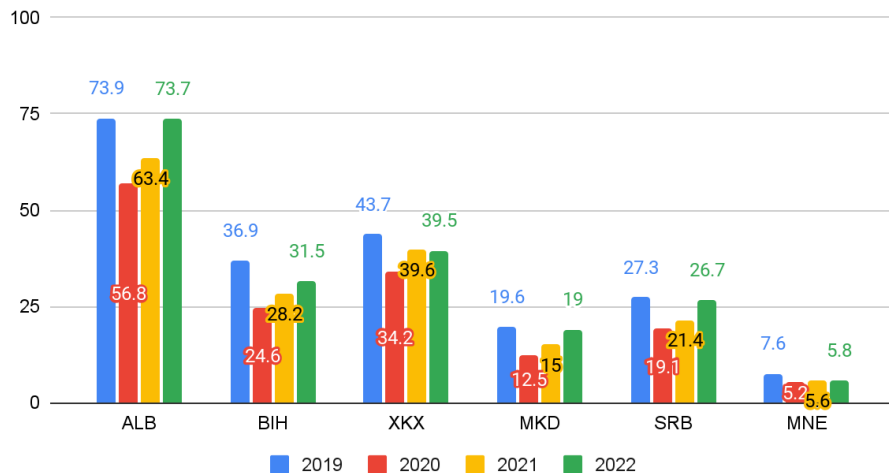


In 2022, Albania maintained its position as the second-highest exporter of services in the region. Serbia claimed the top spot for service exports in the Western Balkans.

Conversely, Albania ranked at the bottom in the region for the export of ICT services.

Travel Imports

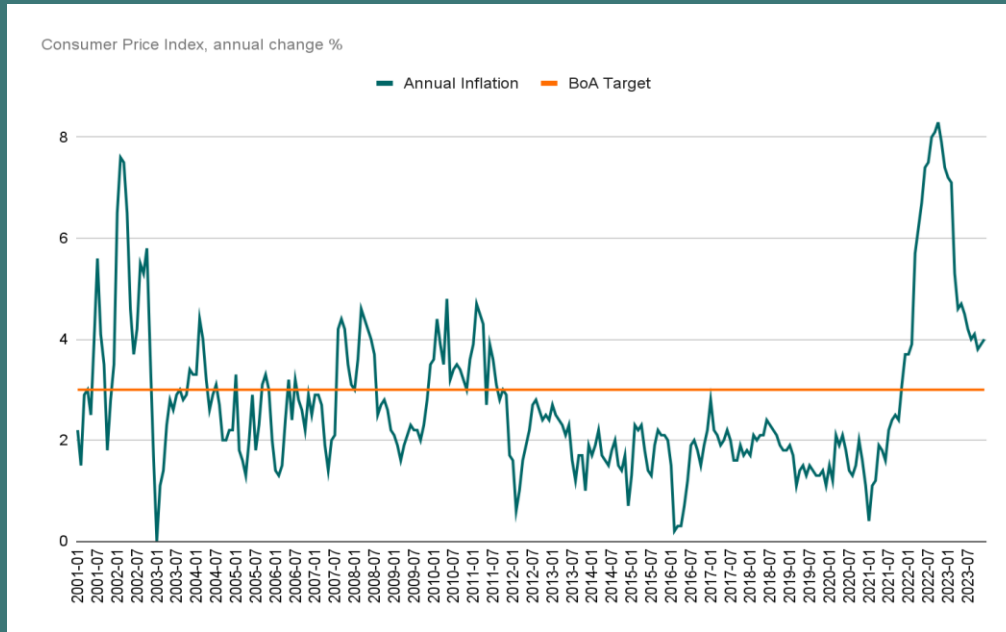
Imports in Traveling (% of Service Imports)



Albania holds the top position in the region regarding the percentage of imports in travel compared to the total import of services. In 2022, this indicator stood at 73.7% of the total import of services. Following Albania, Kosovo ranks second with 39.5%, followed by Bosnia and Herzegovina with 31.5%.



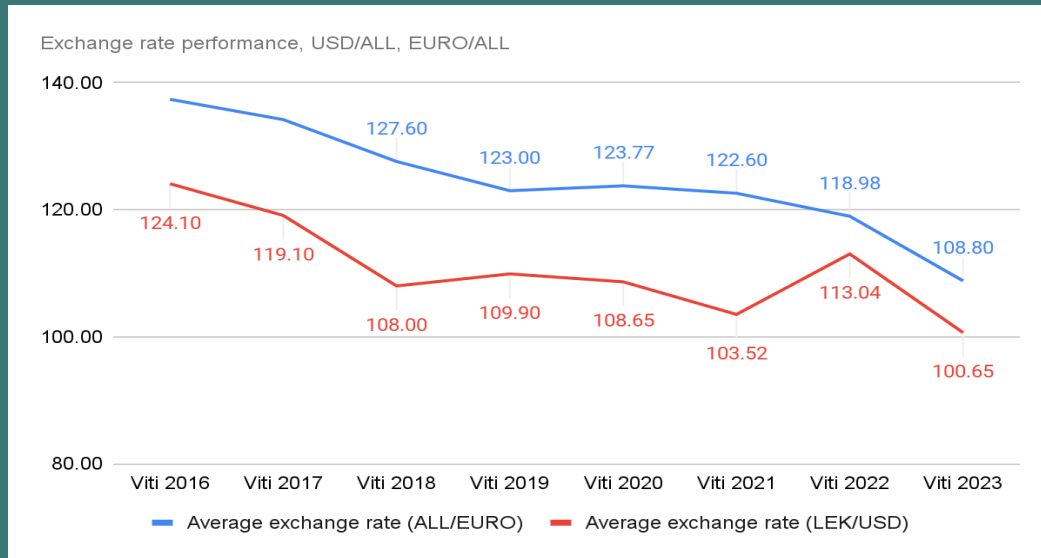
Consumer Price Index



In 2023, the average annual price increase decreased to 4.8% from 6.7% in 2022.

Furthermore, analyzing the chart data since the end of 2011, monthly inflation rates on an annual basis have consistently remained below the Bank of Albania's target of 3%. However, upward trends were observed starting from November 2021, where inflation surpassed the BoA's target and peaked in October 2022 at 8.3%. Despite subsequent downward trends, inflation has persisted above the BoA's target of 3%.

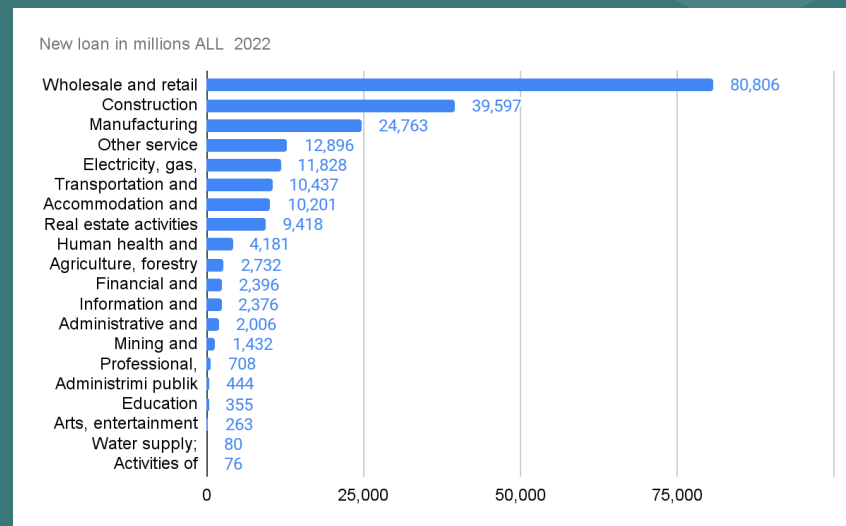
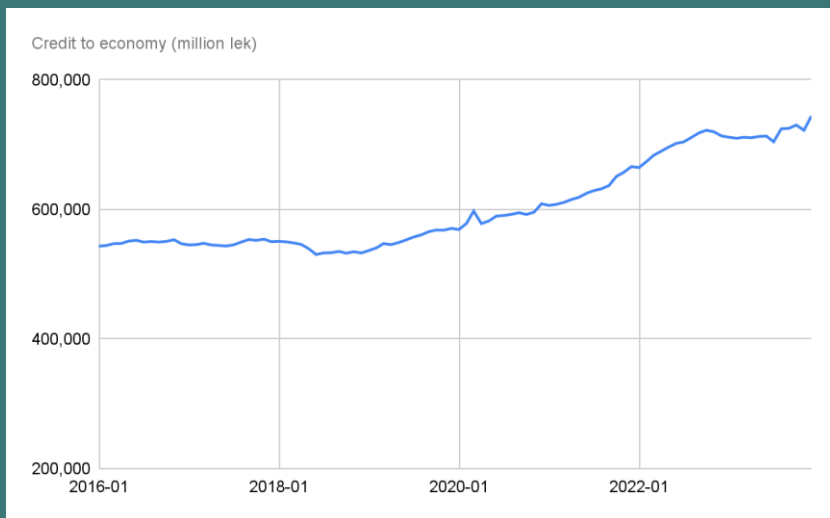
Exchange Rate



Throughout 2023, the average exchange rate of Lek/Euro was 108.8 while Lek/USD was 100.65;

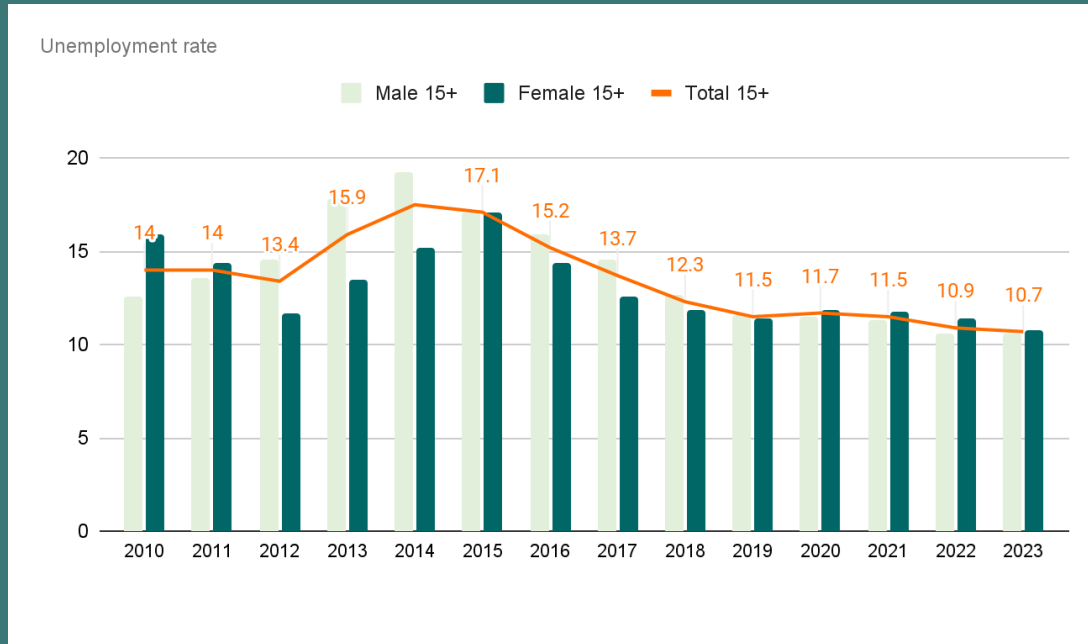


Credit to Economy



In December 2023, total credit to the economy amounted to ALL 744 billion. The majority of new credit extended during 2023 was directed towards wholesale and retail trade, construction, and manufacturing sectors.

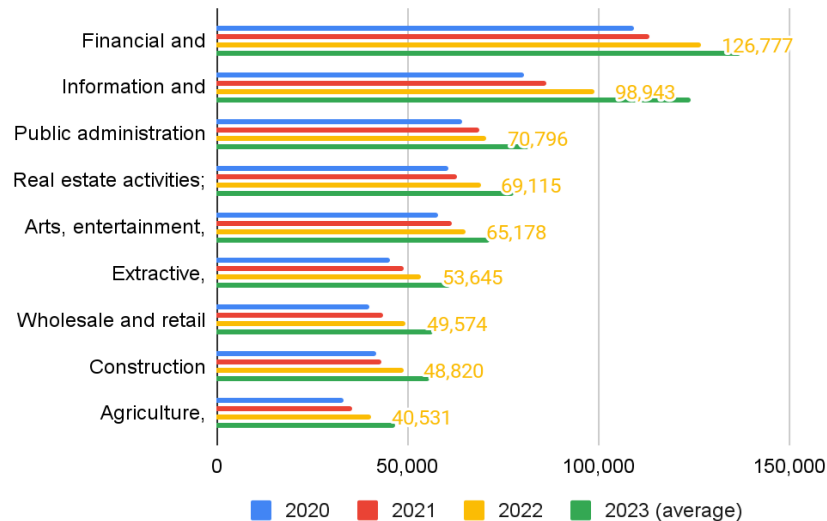
Labor Force



In 2023, according to preliminary data, the unemployment rate decreased by 0.2 percentage points compared to the previous year.

Average Salary by Sectors (In ALL)

Average monthly gross salary according to main activities



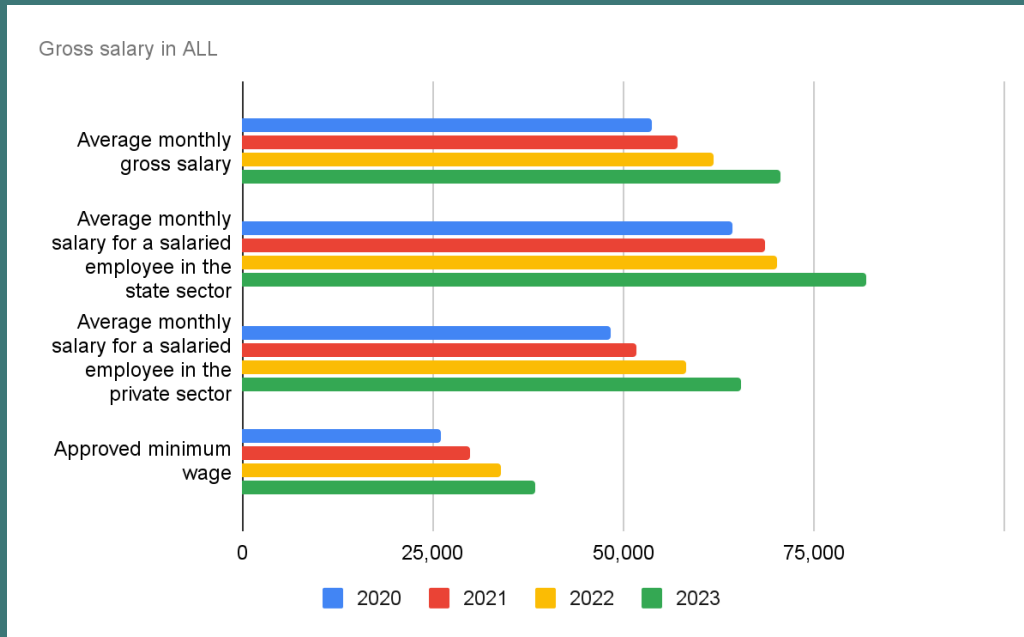
Average monthly salary - is the gross salary that an employee receives for the work he has done

In 2023, according to preliminary data, the "Financial and insurance activities" sector recorded the highest salaries, followed by the "Information and Communication" sector, reflecting a trend that has been consistently observed. Conversely, the "Agriculture, Forestry, and Fisheries" sector reported the lowest salaries.

Throughout 2023, there was an observed increase in the average salary across all sectors, averaging at 14%. The sectors experiencing the highest growth in average salary were ICT activities, Public Administration, and Agriculture.



Average Wage and Minimum Wage



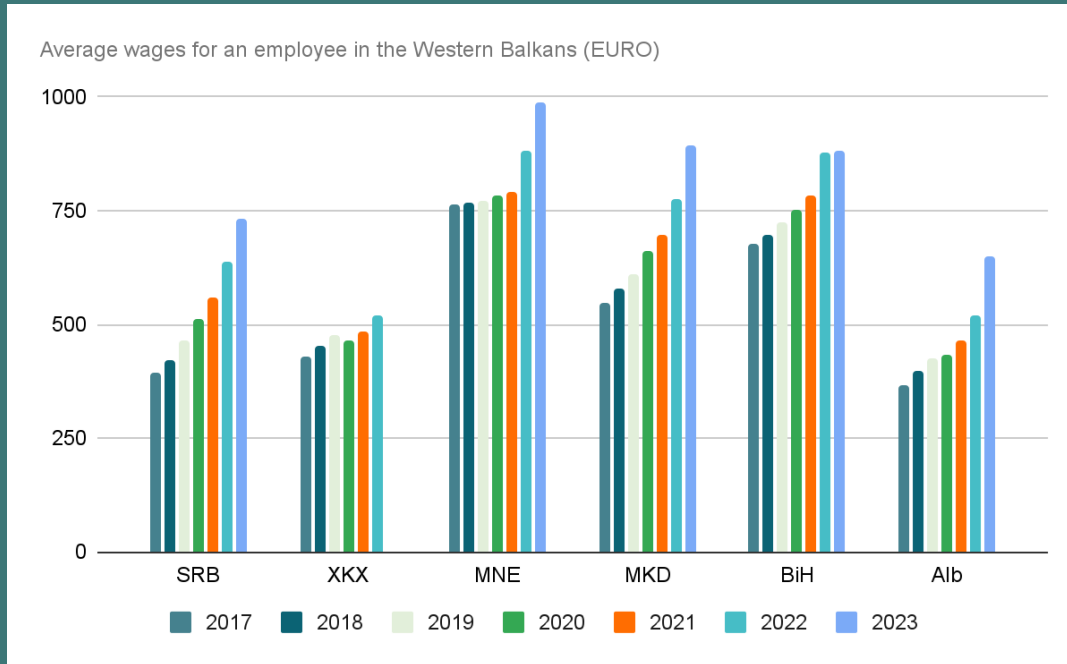
Preliminary data for 2023 reveals that the average salary stood at 70,530 ALL, marking a 14% increase compared to the previous year.

In the private sector, the average monthly salary for employees reached 65,554 ALL, reflecting a 12.6% increase compared to the previous year. Conversely, in the public sector, the average monthly salary for employees amounted to 81,898 ALL, indicating a 16.9% increase compared to the previous year.

The minimum wage rose to 40,000 ALL as of the second quarter of 2023.

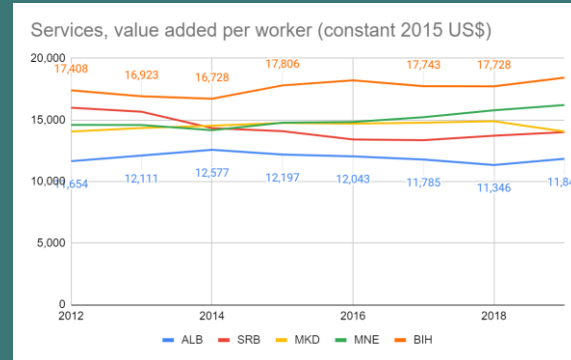
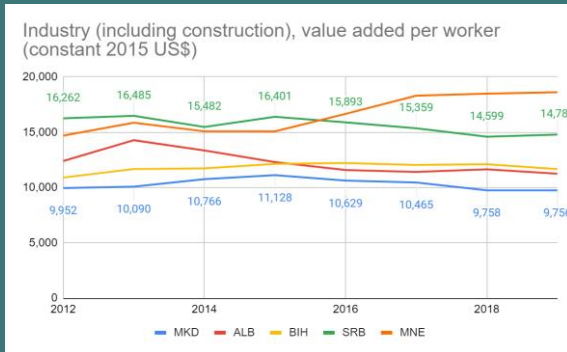
Note: data are averages of quarterly figures published by INSTAT.

Labour Cost for the Western Balkans



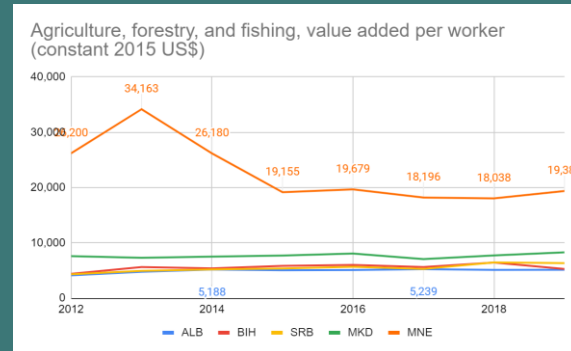
Montenegro reported the highest average gross salary in the region, followed by Serbia and Bosnia and Herzegovina. Conversely, Albania and Kosovo persist with the lowest average salaries in the region.

Added value per employee in the Western Balkans



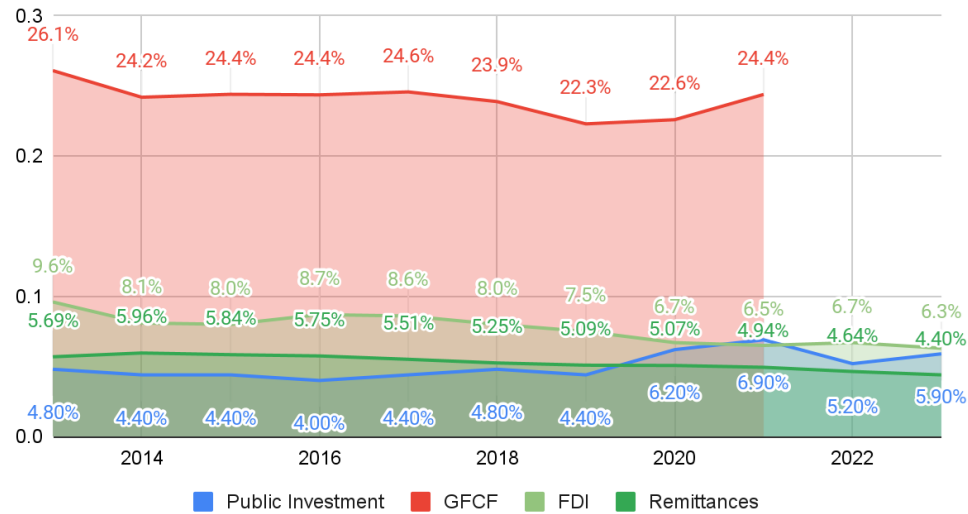
In the region, Albania holds the lowest rank in terms of labour productivity in Services (\$11,844) and Agriculture (\$5,139), and second to last in Industry (including construction) (\$9,756).

Montenegro stands out for leading in Agriculture productivity with a significant difference from other Western Balkans (WB) countries (\$19,384), as well as Industry productivity (\$18,624). Meanwhile, Bosnia & Herzegovina leads in Services productivity (\$18,432).



Investments in Albania

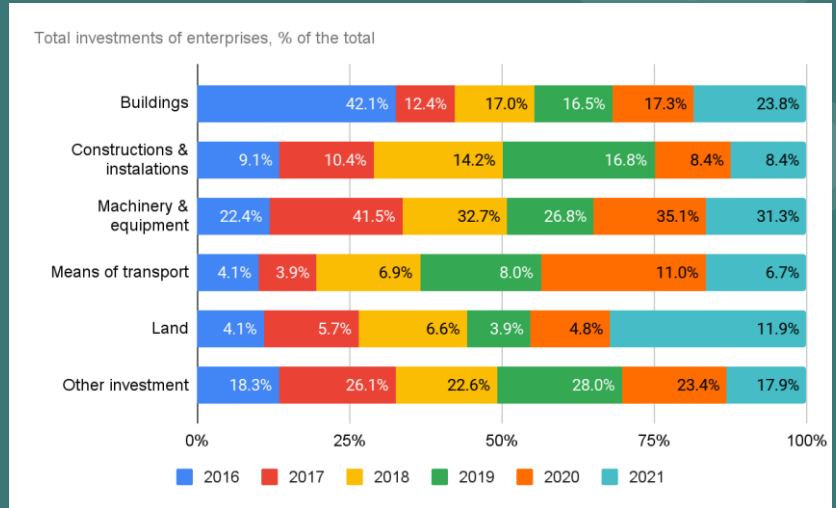
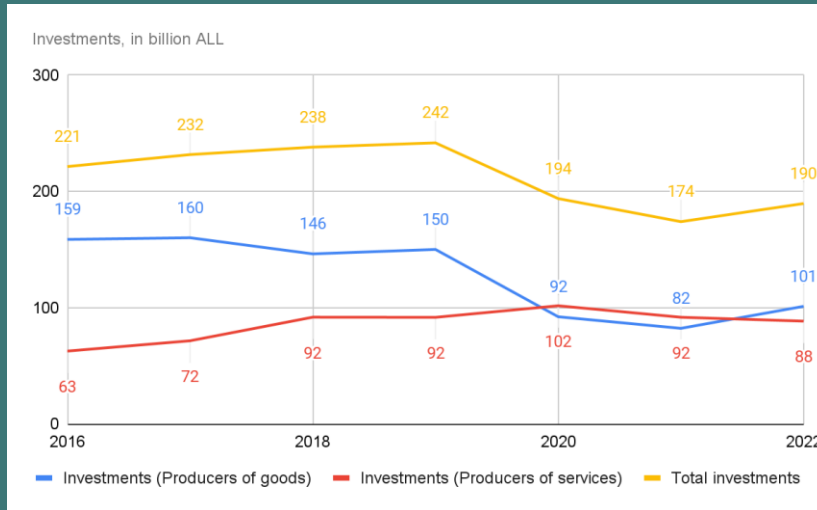
Public Investment, GFCF and FDI



The gross fixed capital formation reaches 24% during 2021.

During 2023, Public Investments reached 5.9% of GDP, while Foreign Direct Investments reached 6.3% of GDP, while Remittances reached 4.4% of GDP.

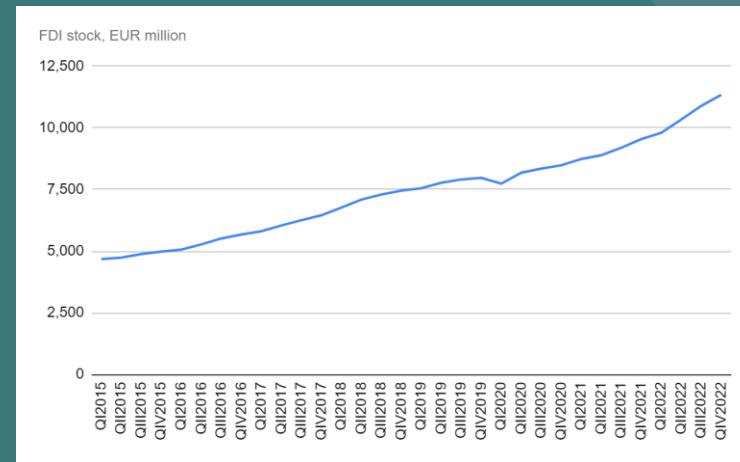
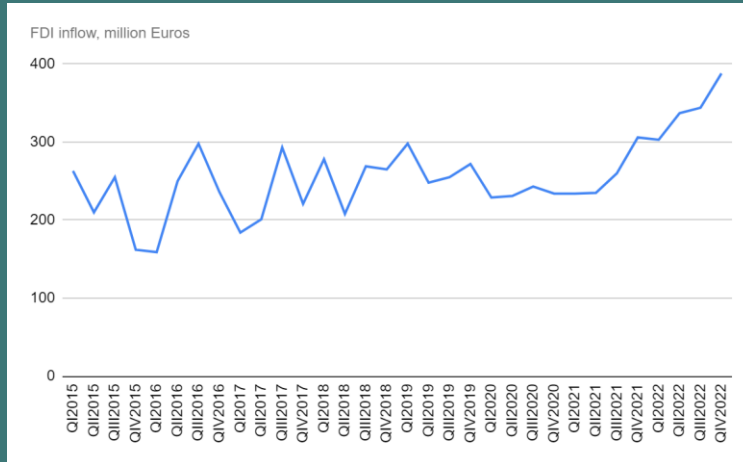
Investments by Sectors



As per the Structural Survey of Enterprises in 2022, there was an 8.9% rise in private investments, with 53% originating from goods producers, a shift from the previous year where services producers predominated.

In 2021, the majority of investments were allocated to Machinery and Equipment, constituting 25.3% of the total, marking a 6 percentage point decrease from the previous year.

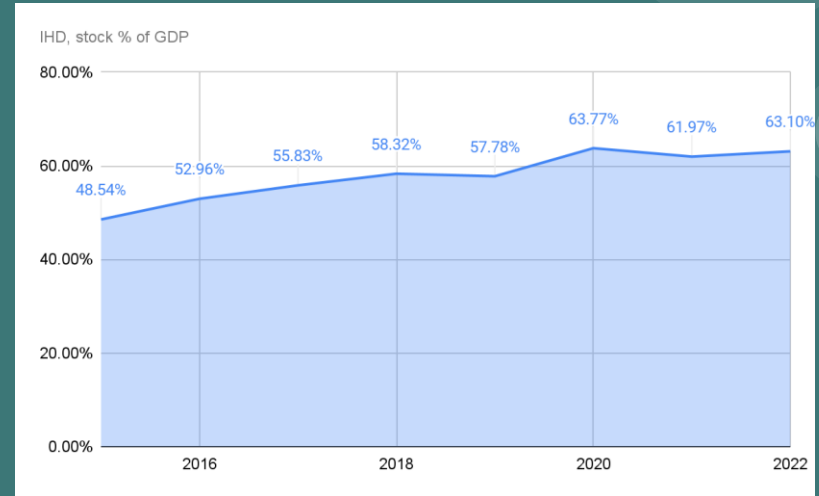
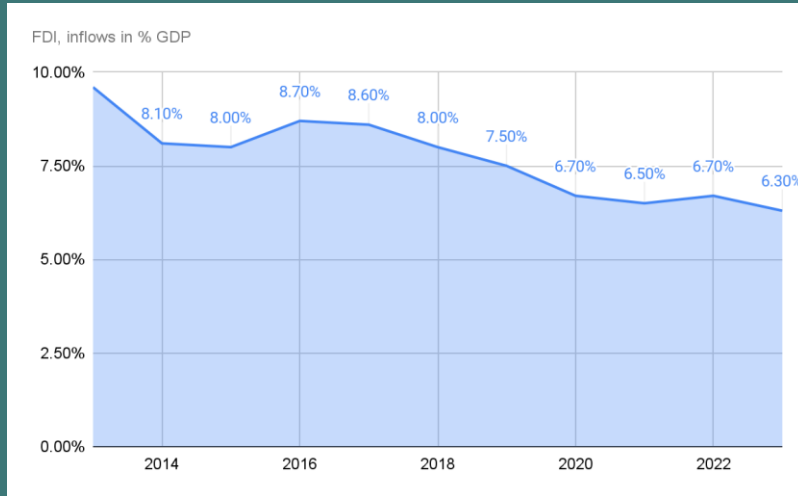
Foreign Direct Investments



In 2023, Foreign Direct Investment (FDI) inflow increased by 8.7% compared to the previous year. Despite FDI inflows showing variability in line with business cycles, the stock of FDI in Albania has generally exhibited an upward trajectory since 2015, with a slight dip until 2019, followed by a recovery in 2020.

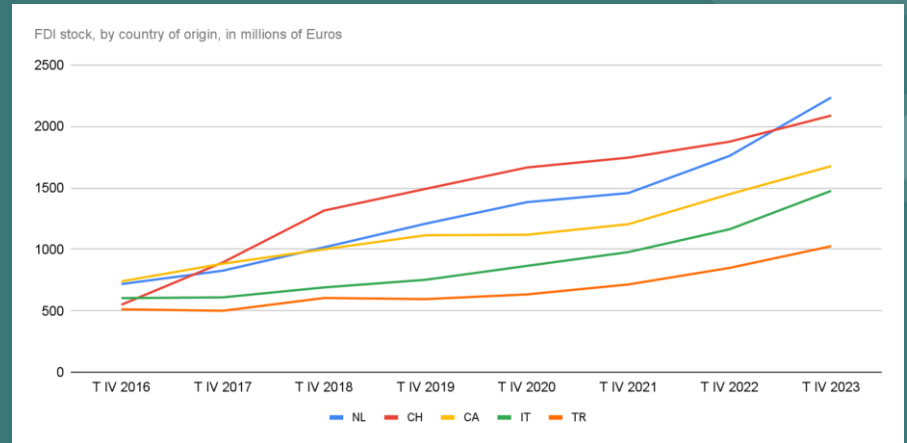
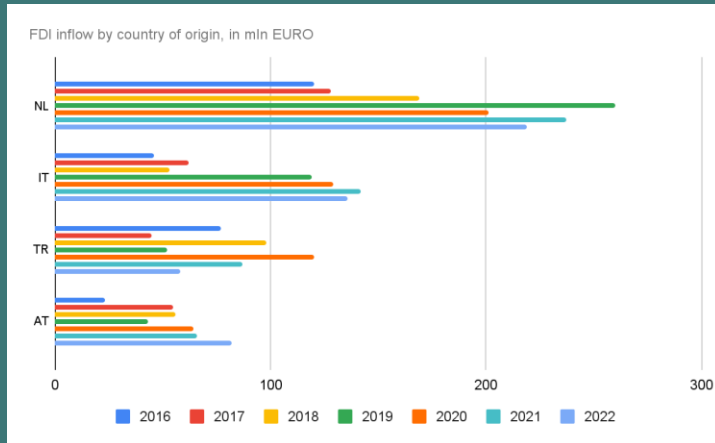
During 2023, FDI flows amounted to 1.492 million Euros, with reinvested profits accounting for 54% of the total, a figure that has been increasing since 2017. Furthermore, in 2023, the FDI stock surged by 20% compared to the previous year, reaching a total of 13.309 million Euros.

Foreign Investments in Albania



Foreign Investment flows in Albania maintained the same trend throughout 2023, 6.7% of GDP, while the FDI stock reached 63% of GDP.

Foreign Direct Investments

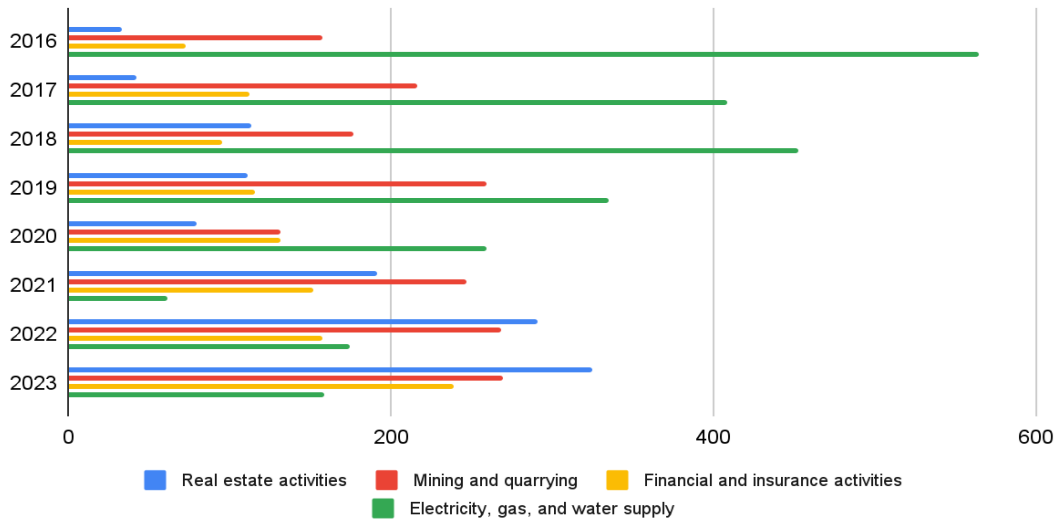


In 2023, the Netherlands attracted the highest FDI inflow, totaling 300 million Euros, followed by Italy with 203 million Euros and Turkey with 179 million Euros.

Furthermore, in T-IV 2023, the Netherlands held the top position in FDI stock, amounting to 2,235 million Euros, followed closely by Switzerland with 2,088 million Euros.

Foreign Direct Investments

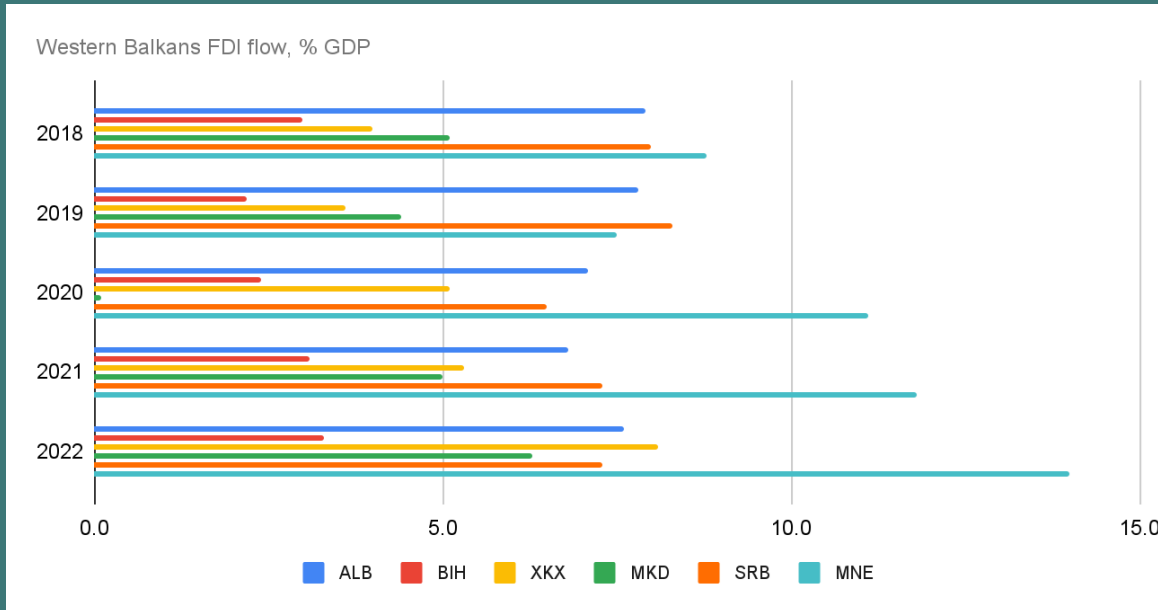
FDI flow according to economic activity, in millions of Euros



Throughout 2023, the Real Estate Activities sector remained the most enticing for Foreign Direct Investment (FDI), receiving 325 million Euros, marking an increase of 11.7% compared to 2022. Following closely behind were the Extractive Industry sector with 270 million Euros and the Financial and Insurance Activities sector with 239 million Euros.



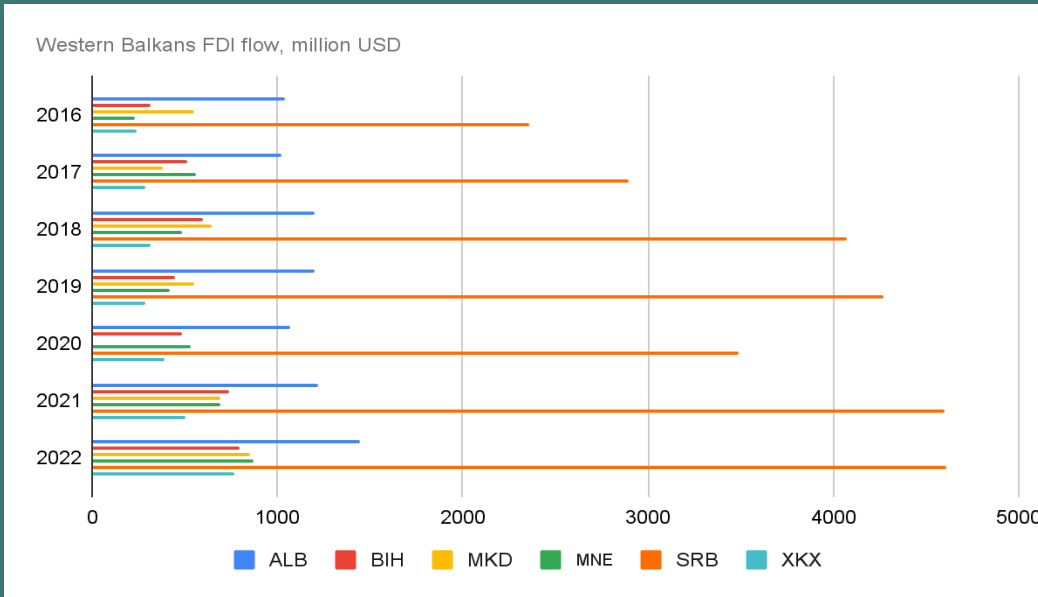
FDI Inflows in the Western Balkans



In 2022, Albania secured the third position in the region for Foreign Direct Investment (FDI), accounting for 7.6% of its GDP. Montenegro maintained its lead in the region, with FDI inflows amounting to as much as 14% of its GDP, followed by Kosovo, which notably improved its position in the region with 8.1% of GDP for 2022. Kosovo experienced the most significant increase, with a rise of 2.8 percentage points, followed by Montenegro with a 2.1 percentage point increase compared to the previous year.



FDI Inflows in the Western Balkans



In 2022, Serbia attracted FDI inflows totaling 4.6 billion USD, whereas Albania received 1.4 billion USD.

Bosnia & Herzegovina registered the lowest FDI inflows in the region for 2022, amounting to USD 798 million.

Kosovo saw the most substantial increase in FDI flows, experiencing a surge of 52.5%, followed by Montenegro and North Macedonia with growth rates of 25.8% and 22.7%, respectively.



Stock and Enterprise Profile

The structure of enterprises in the Albanian economy is dominated by small enterprises with 1-9 employees.

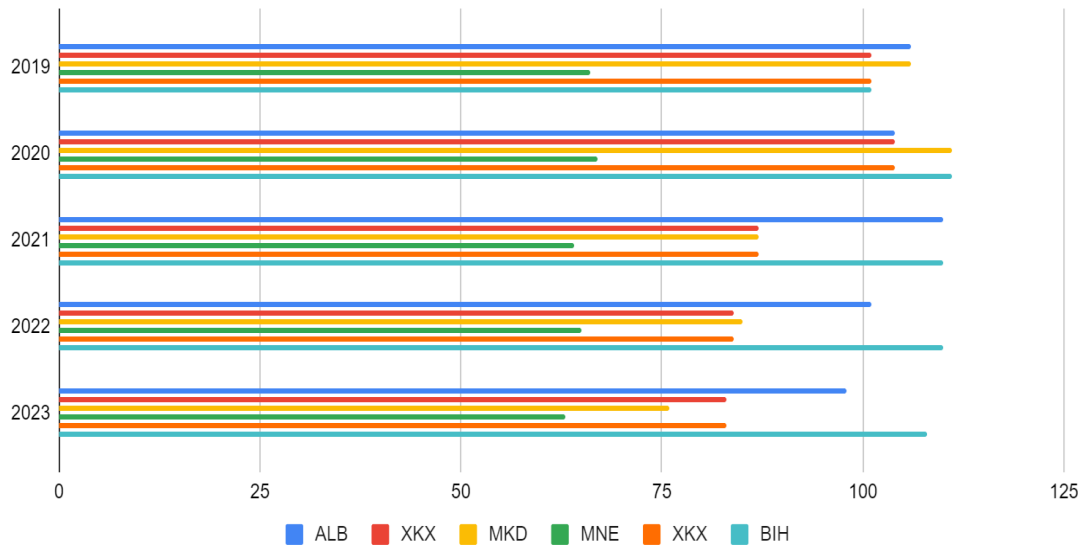
Indicators	Number of enterprises						
Year	2016	2017	2018	2019	2020	2021	2022
Micro Enterprises (1-9 employees)	102,965	101,595	100,876	96,924	95,558	97,022	106,132
Small Enterprises (10-49 employees)	4,413	4,839	5,246	5,736	5,674	5,608	5,842
Medium Enterprises (50-249 employees)	996	1,077	1,147	1,251	1,173	1,227	1,306
SME (1-249 employees)	108,373	107,511	107,269	103,911	102,405	103,857	113,279
Large Enterprises (250+ employees)	152	166	181	179	169	174	181
Total	108,526	107,677	107,450	104,090	102,574	104,031	113,460

Indicators	Number of employees						
Year	2016	2017	2018	2019	2020	2021	2022
Micro Enterprises (1-9 employees)	194,015	192,817	194,867	196,403	186,400	191,250	206,598
Small Enterprises (10-49 employees)	87,796	95,574	102,950	114,451	111,347	111,318	115,007
Medium Enterprises (50-249 employees)	98,491	107,171	113,911	122,330	114,767	121,002	128,026
SME (1-249 employees)	380,302	395,563	411,727	433,184	412,514	423,570	449,631
Large Enterprises (250+ employees)	89,363	97,350	103,979	97,669	91,472	95,669	98,311
Total	469,665	492,913	515,706	530,853	503,986	519,240	547,942

Stock and Enterprise Profile, does not include agriculture, fisheries, monetary and financial intermediation activities, public administration and defense as well as activities of international organizations

Corruption Perception Index (ranking of 180 countries)

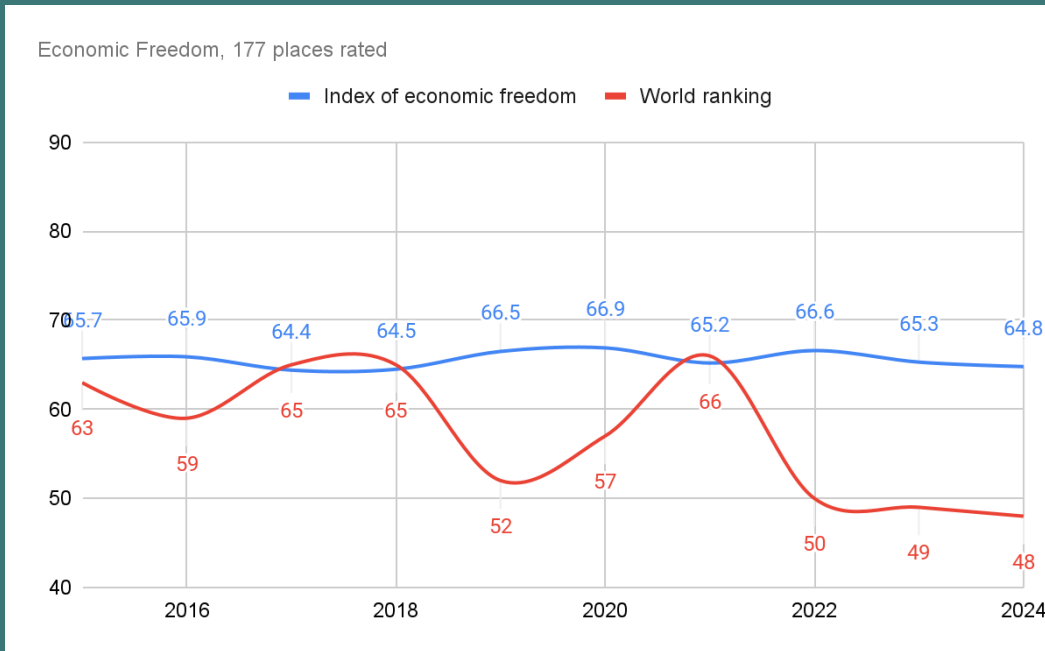
Corruption Perception Index, ranking 180 economy



Albania has improved its global ranking to 98 out of 180 countries, climbing three places compared to the previous year. Its index rating has also risen from 36 to 37 for the year 2023.

Montenegro holds the highest ranking among all six Western Balkan countries, securing the 63rd position out of 180. It is followed by North Macedonia at 76th place and Kosovo at 83rd place.

Economic Freedom

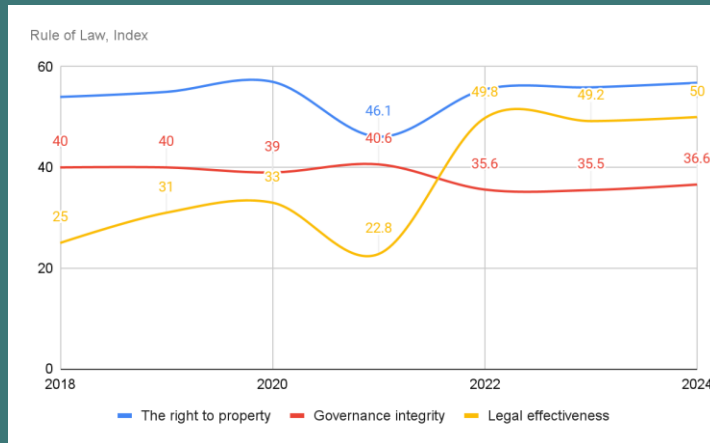


Albania's economy is assessed with a 64.8 index of economic freedom, positioning it as the 48th freest economy in the 2024 Index of Economic Freedom.

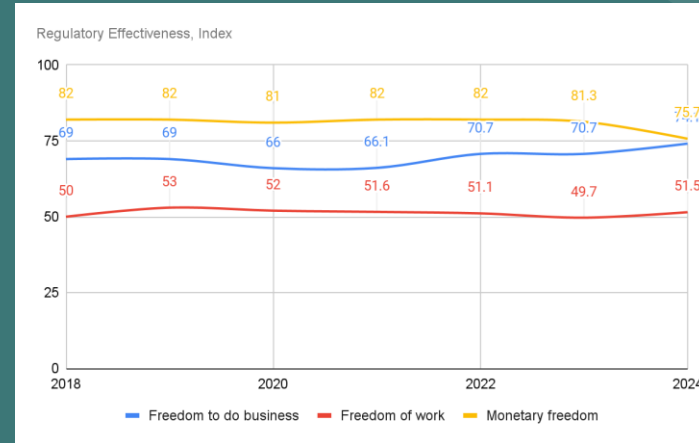
Compared to the previous year, its rating has decreased by 0.5 points. Within the European region, Albania holds the 27th position out of 44 countries.

Albania is categorized as "Relatively Free" in terms of economic freedom.

Indicators of Economic Freedom

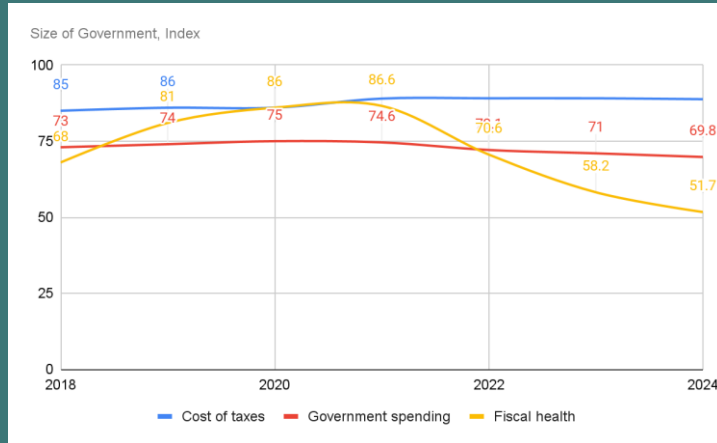


In Albania, the rule of law is perceived as weak. However, the right to property is esteemed higher than the global average, and legal effectiveness surpasses the world average. Conversely, the integrity of governance is rated below the world average.

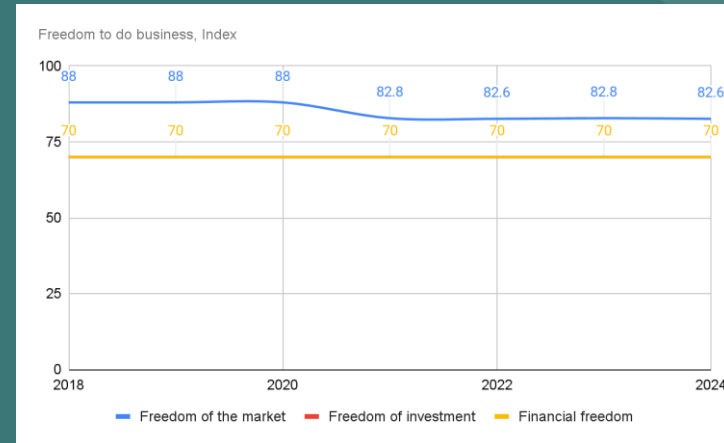


The regulatory framework as a whole is fairly well-established, yet efficiency remains a challenge. While the business freedom score exceeds the global average, the labour freedom score falls below it. On the other hand, the monetary freedom score significantly surpasses the world average.

Indicators of Economic Freedom

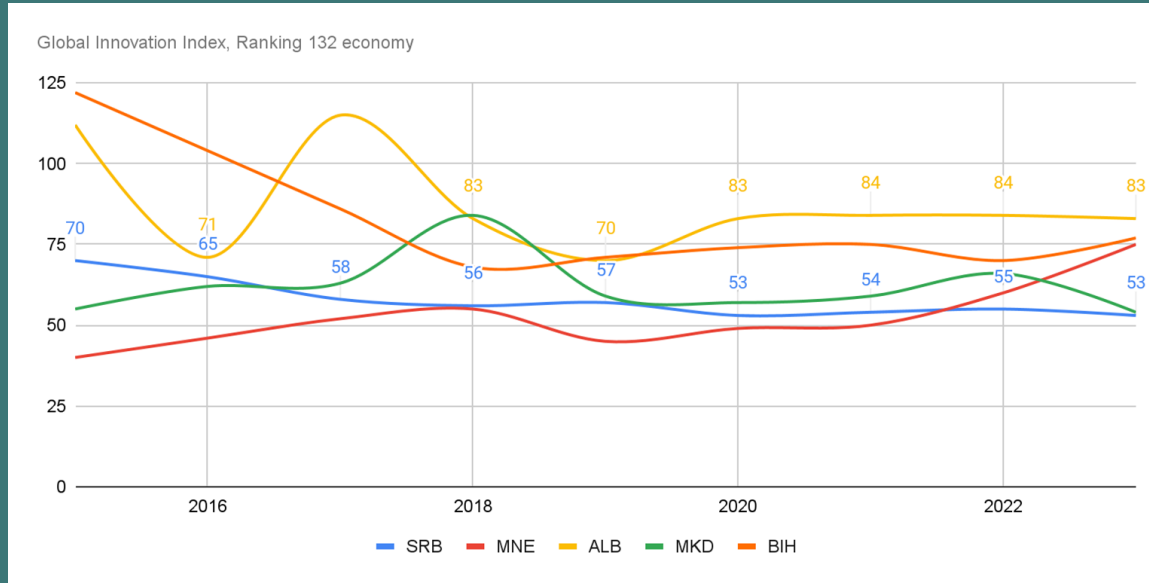


The highest individual income tax rate stands at 23%, while the top corporate tax rate is 15%. The tax burden equates to 19% of GDP. Government expenditure over the average three-year period amounts to 31.7% of GDP, with a budget deficit of -5.0% of GDP. Public debt reaches 65.5% of GDP.



The average trade tariff rate stands at 3.7%, and over 190 non-tariff measures are currently enforced. Overall, the country exhibits a level of openness to foreign investment that surpasses the global average, yet investment laws are deficient in transparency. Despite facing a challenging environment, the banking sector maintains relatively strong capitalization.

Global Innovation Index

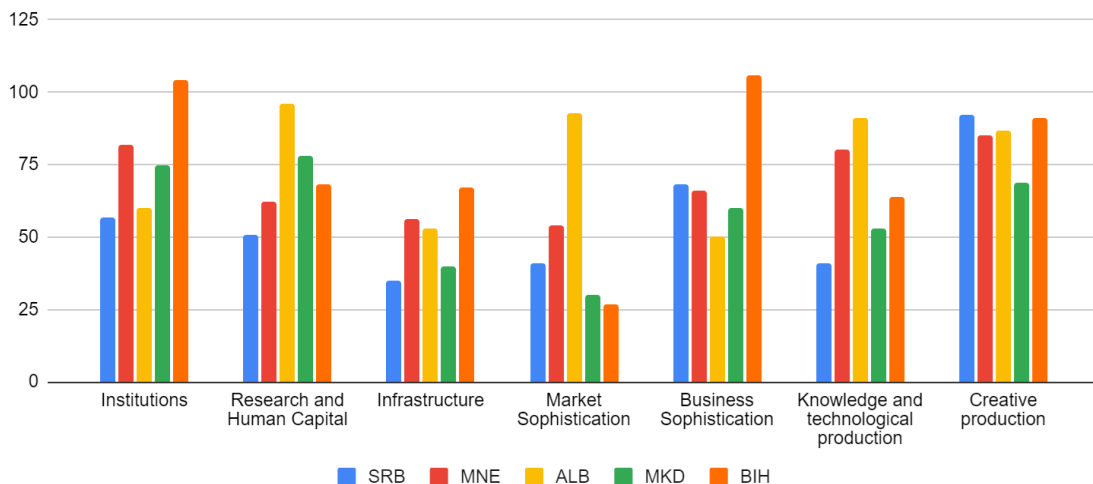


Albania ranks 83rd in the Global Innovation Index for 2023, last in the region.

Serbia leads the region in Innovation according to the latest GII report.

Global Innovation Index

Global Innovation Index, Ranking 32 economi

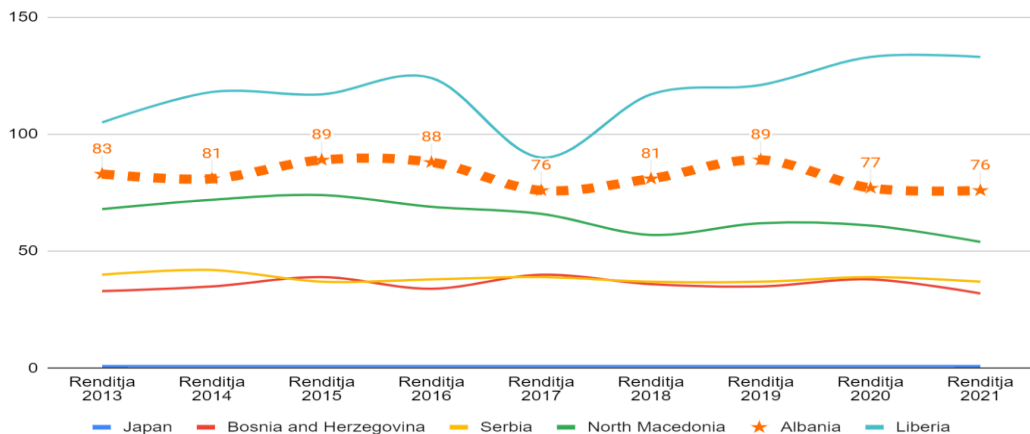


Albania demonstrates low rankings in Research and Human Capital, Market Sophistication, and Knowledge and Technological Production, as well as Creative Production.

However, Albania excels in Business Sophistication, Infrastructure, and Institutions.

Economic Complexity Index

The Economic Complexity Index, ranking n 133 economy

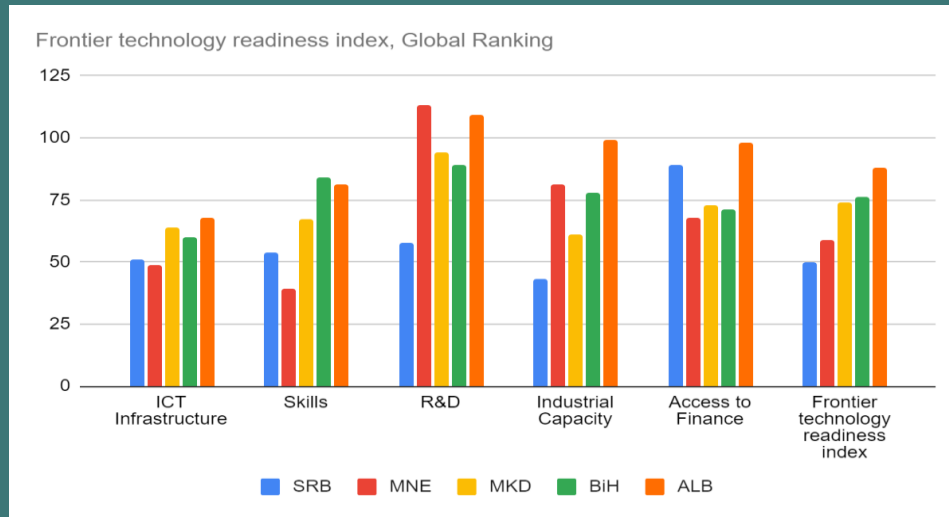


Albania ranks 76th in terms of the Economic Complexity Index, while Bosnia & Herzegovina ranks 32nd, and Serbia 37th.

Japan ranks first, while Liberia ranks last (133).

Index of Economic Complexity - Ranks countries based on how diverse and complex their export basket is

Technology Readiness Index - Ranking



Albania is included in the group of countries that are rated below-average, in contrast to other WB countries which are classified above-average. It ranks best in ICT infrastructure and below in R&D.

SRB	Upper middle
MNE	Upper middle
MKD	Upper middle
BIH	Upper middle
ALB	Lower middle

The Advanced Frontier Technology Readiness Index, developed by UNCTAD, evaluates the readiness of countries to adopt and adapt advanced frontier technologies. It assesses 166 economies and categorizes them into four groups: low, below-average, above-average, and high.