

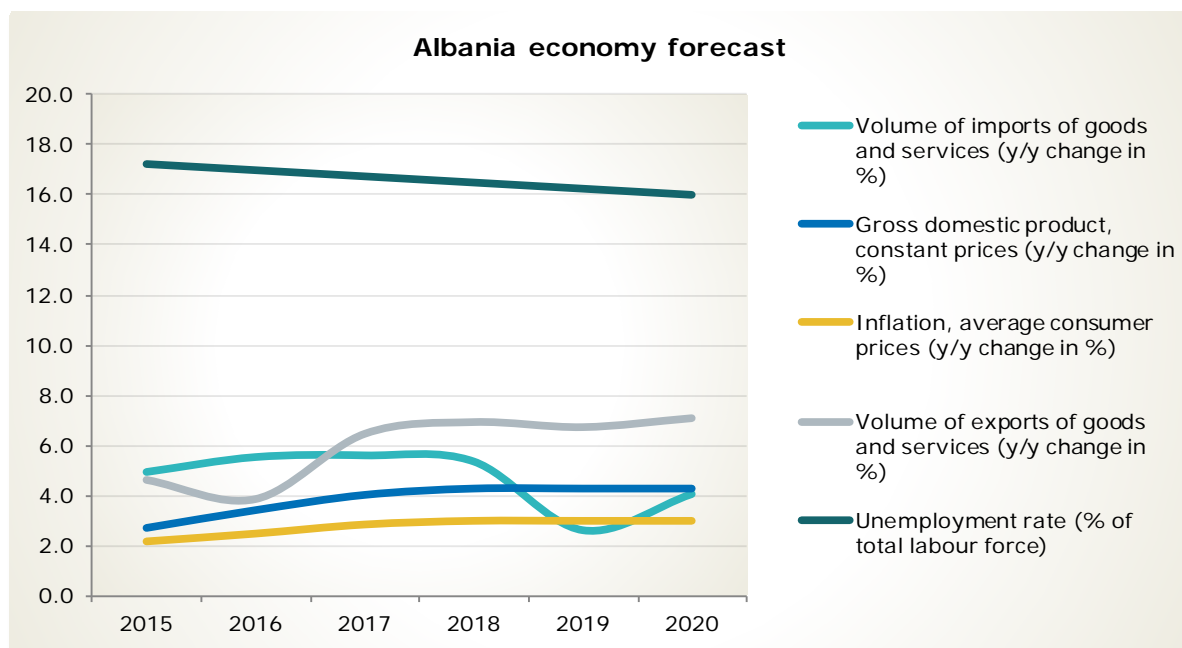
ALBANIA ECONOMY REPORT
Q2 2015

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1. MACROECONOMIC SNAPSHOT AND FORECAST

ALBANIA – MACROECONOMIC SNAPSHOT AS OF Q2 2015	
GDP Growth	2.5% y/y
Business confidence indicator	5.1 pp q/q
Industrial output	9.5% y/y
Industrial sales	4.1% y/y
Retail	3.8% y/y
Inflation	1.4%
Unemployment rate	17.0%
Number of building permits	99
Money supply growth	3.9% y/y
Household loans	2.5% y/y
Gross external debt	EUR 7.257 bln
Current account deficit	EUR -181.0 mln
Foreign trade deficit	ALL -67.985 bln



Source: International Monetary Fund (IMF) World Economic Outlook Database – October 2015

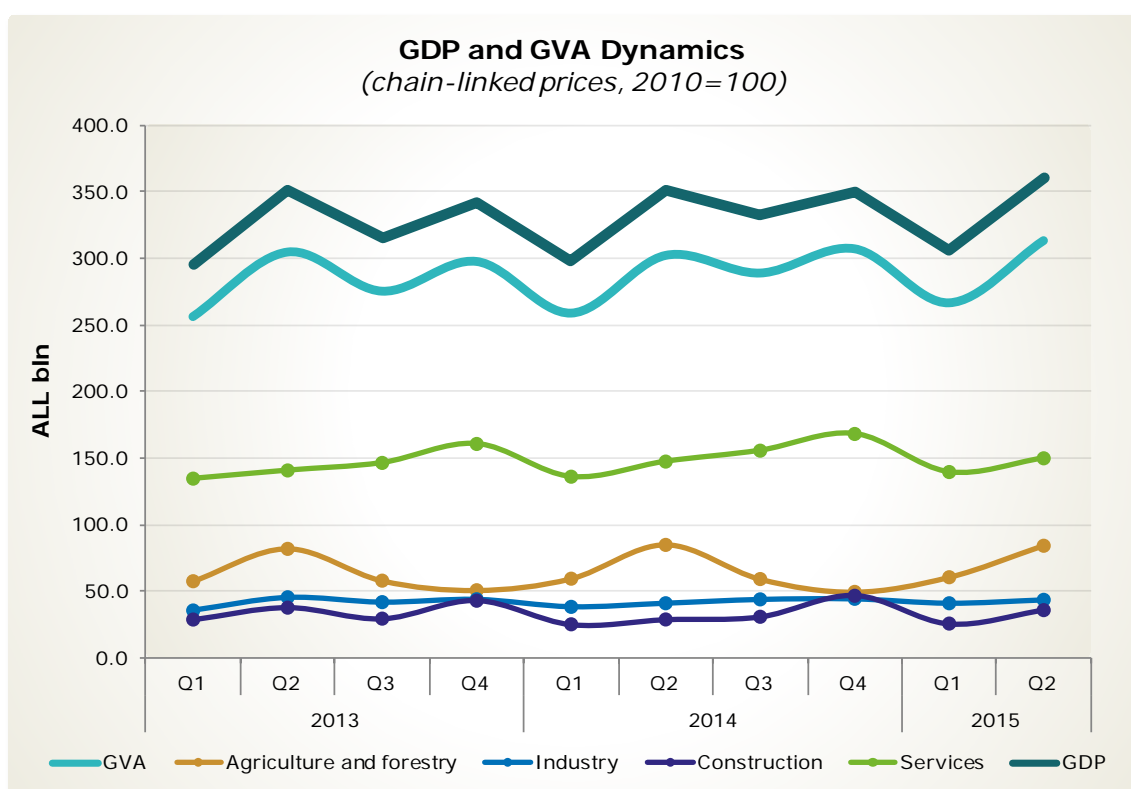
2. REAL SECTOR

2.1. GROSS DOMESTIC PRODUCT (GDP)

GDP went up by 2.5% y/y in Q2 2015, compared to a 0.1% y/y growth in the previous year

The country's GDP increased by 2.5% y/y and totalled ALL 360.210 bln in Q2 2015, according to flash estimates of the Institute of Statistics (INSTAT).

Final consumption, which contributed 86.6% to the GDP, went down by 2.9% y/y. Gross capital formation jumped by 19.0%, contributing 24.0% to the GDP. Imports dropped by 13.8%, while exports fell by 2.5%.



Source: INSTAT

The country's non-seasonally adjusted GVA increased in value by 3.7% y/y and totalled ALL 1,158.098 bln in Q2 2015. The industrial sector grew by 6.3% and its share in the GVA structure increased to 13.8% from 13.5%. The services sector recorded a 2.0% annual decline, slicing a 47.7% share in the GVA, down from 48.7% in the previous year. The agricultural sector registered an annual drop of 4.3% and its share in the GVA shrank to 26.8% from 28.0%.

2.2. BUSINESS CLIMATE

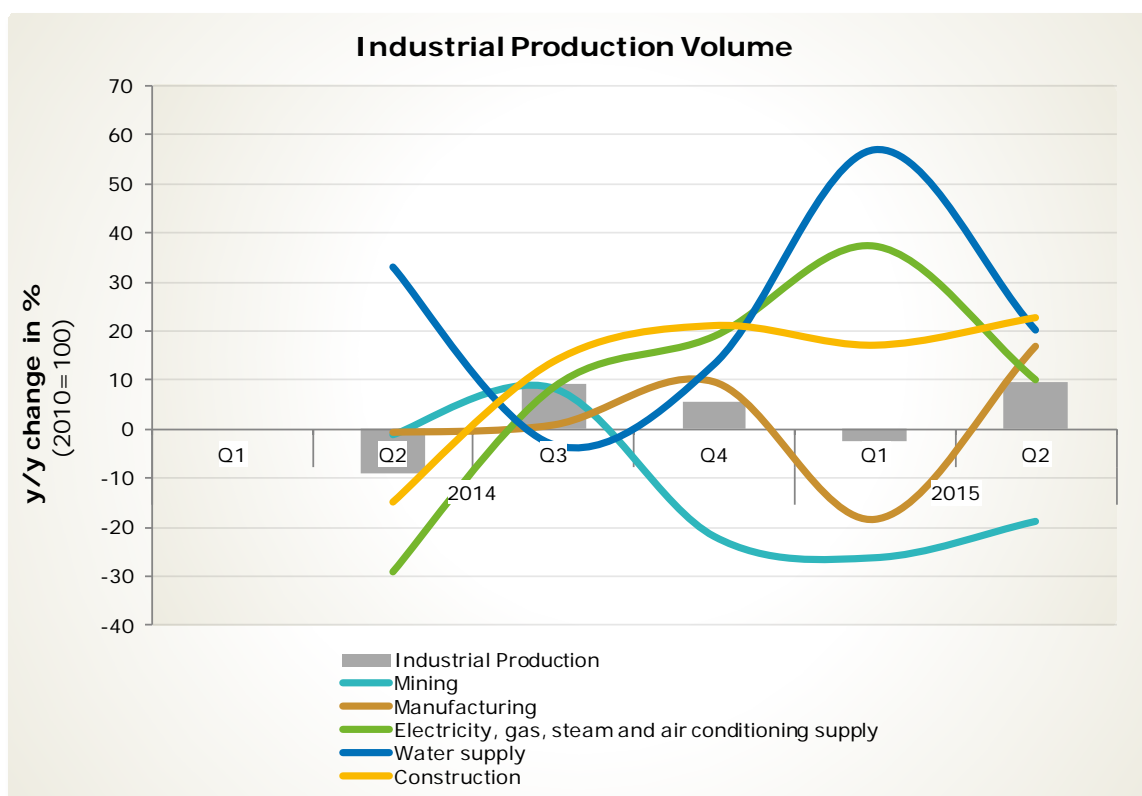
Business Confidence Indicator grew by 5.1 percentage points q/q in Q2 2015

In Q2 2015 the average business confidence indicator went up by 5.1 percentage points q/q, according to Bank of Albania. The downtrend was due to the improved confidence in industry and services, as well as a growth in consumer confidence. Confidence worsened in construction and trade.

2.3. INDUSTRIAL OUTPUT

Industrial output increased by 9.5% y/y in Q2 2015

Industrial output went up by 9.5% on the year in the second quarter of 2015, according to INSTAT. Almost all sectors registered a growth, led by construction, which jumped by 22.7%. Water supply climbed by 20.2%, followed by manufacturing with 16.8% and electricity, gas, steam and air conditioning supply grew by 10.2%. Mining was the only sector to report a drop, of 18.9%.



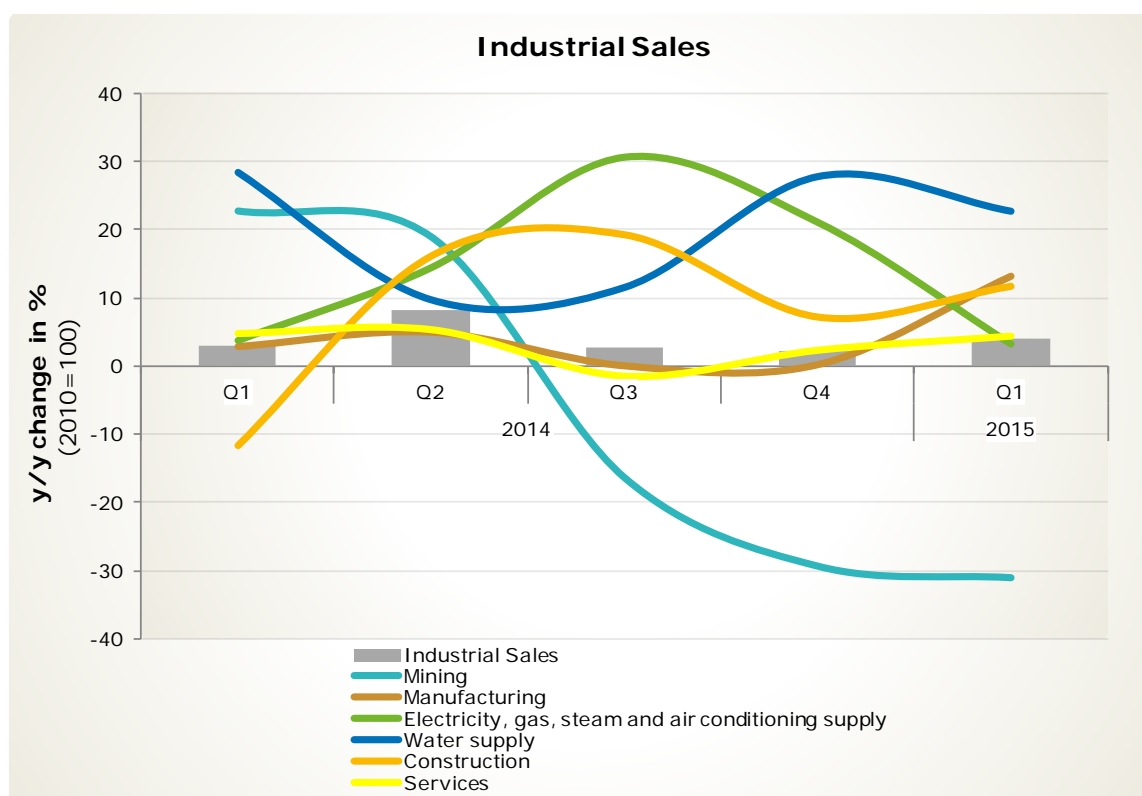
Source: INSTAT

Editor's note: Data for Q1 2014 was not available

2.4. INDUSTRIAL SALES

Industrial sales went up by 4.1% y/y in Q2 2015

Industrial sales increased by 4.1% y/y in Q2 2014 thanks to the 22.8% growth of the water supply sector, and the 13.3% rise of the manufacturing industry. Other sectors to report an annual growth were the construction sector with an increase of 11.8%, followed by the services sector with 4.4%, and the electricity, gas, steam and air conditioning supply sector with 3.2%. The mining sector reported a 30.9% annual drop.



Source: INSTAT

Editor's note: Data for Q2 2015 was not available as of the date of the preparation of this report

2.5. RETAIL

Retail grew 3.8% y/y in June 2015

Retail sales went up by 3.8% y/y in June 2015, according to INSTAT. Retail sale of medical and cosmetics products registered the highest annual rise, of 11.2%. Other retail sale in non-specialised stores marked the sharpest annual decrease, of 6.5%.

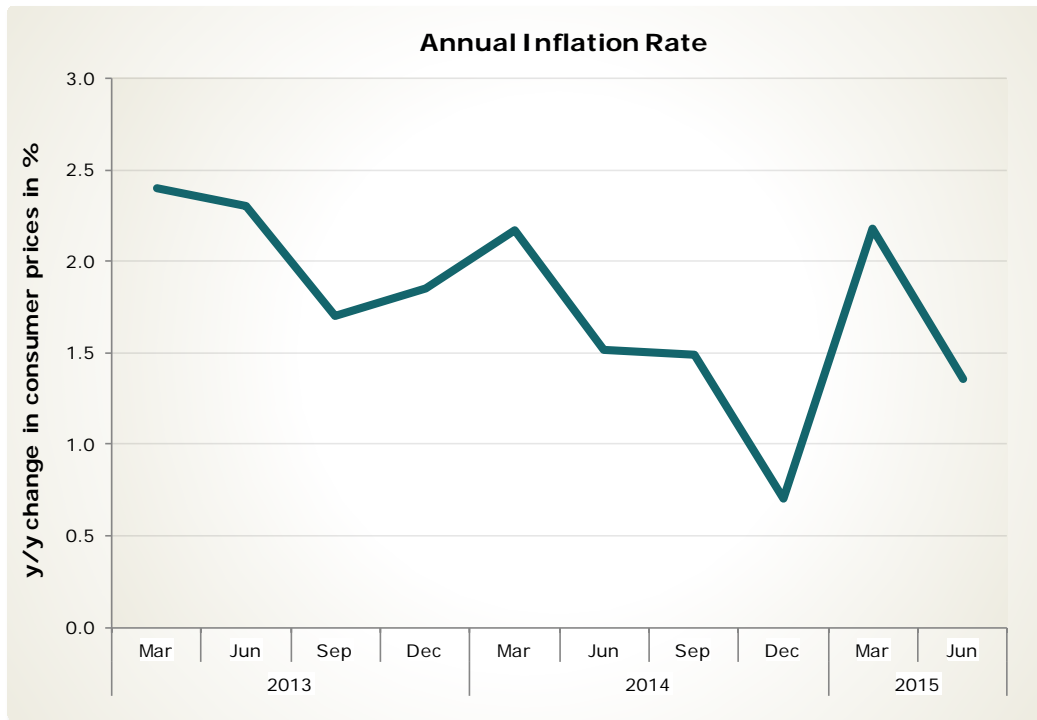


Source: INSTAT

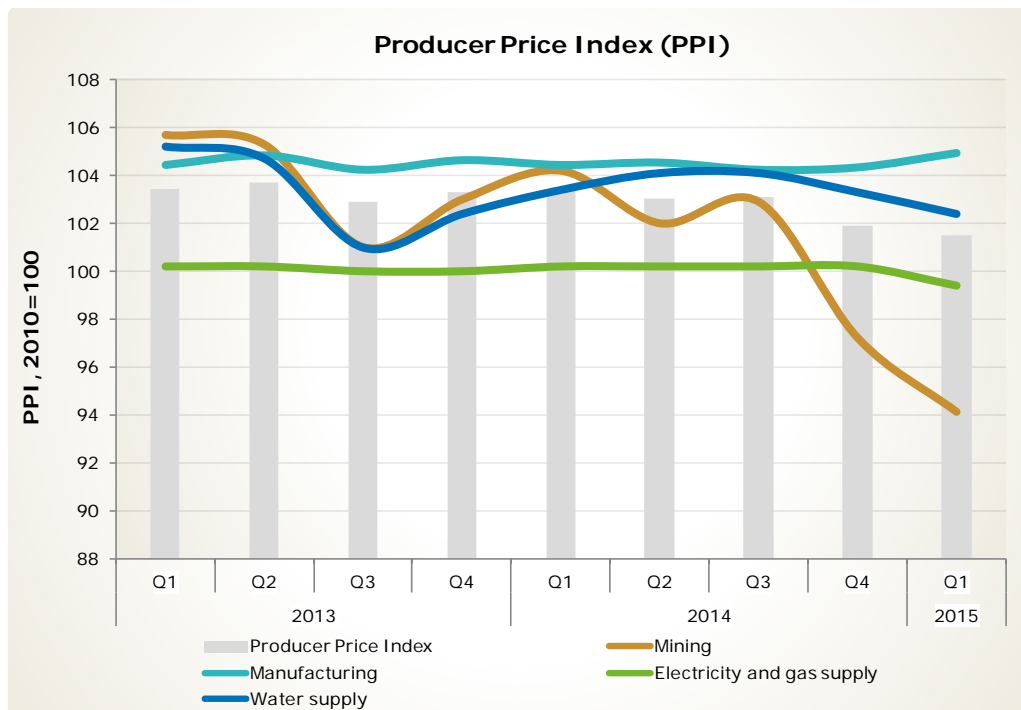
2.6. INFLATION

Annual inflation at 1.4% in June 2015

Annual inflation in Albania was 1.4% as of June 2015, according to INSTAT data. The highest annual increase in consumer prices, of 13.2% was registered by fruits, followed by education services with 10.1% and tobacco with 9.2%. The products and services, which registered the sharpest deflation, were children's clothing with 4.2%, women's clothing with 3.4% and pharmaceuticals with 3.3%.



Source: INSTAT



Source: INSTAT

Editor's note: Data for Q2 2015 was not available as of the date of the preparation of this report

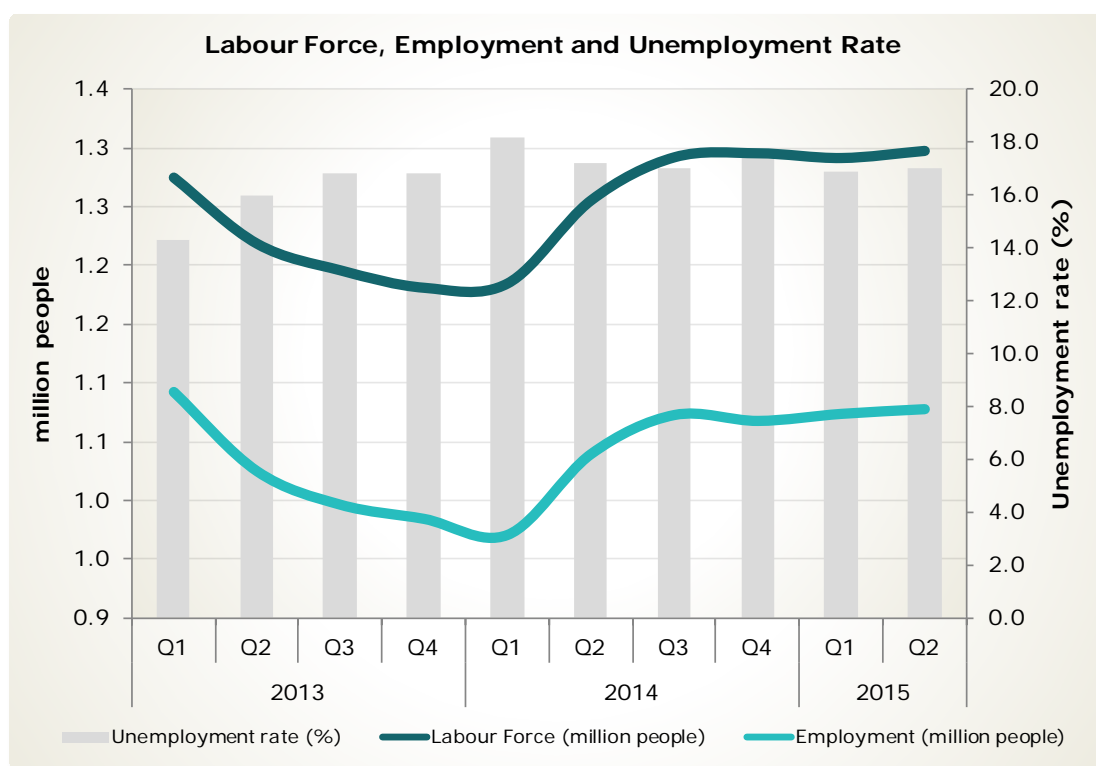
3. LABOUR MARKET

Unemployment rate went down to 17.0% in Q2 2015

Unemployment in Albania decreased to 17.0% of the total labour force in the second quarter of 2015 from 17.2% a year earlier, according to data of INSTAT.

The employed population aged 15 years and older was 1.077 million in Q2 2015, up by 3.7% y/y.

The youth (population aged 15-29) unemployment rate went up to 34.2% from 33.5% in the corresponding quarter of the previous year.



Source: INSTAT

4. CONSTRUCTION AND REAL ESTATE

The number of building permits more than doubled y/y in Q2 2015

The number of building permits issued in Albania in the second quarter of 2015 more than doubled y/y, totalling 99, according to INSTAT data. Permits for construction of non-residential buildings stood at 78, while permits for housing projects were 21. The total area of permits for non-residential buildings marked an annual growth of 2.9% and amounted to 214,000 sq m. The total area of the housing projects, covered by the permits, slumped to 8,000 sq m from 207,000 sq m.

5. MONEY SUPPLY AND BANKING SYSTEM

5.1. ALL EXCHANGE RATE

The exchange rate of the ALL against the EUR decreased to ALL 140.29 at the end of June 2015 from ALL 140.34 at the end of March 2015, and inched up in comparison to ALL 140.26 a year ago, according to Bank of Albania.

ALL Exchange Rate in Q2 2015			
Foreign Currency	end-April	end-May	end-June
EUR	140.53	140.98	140.29
USD	125.61	128.48	125.57
GBP	193.95	196.49	197.50
CHF	133.77	136.51	135.21

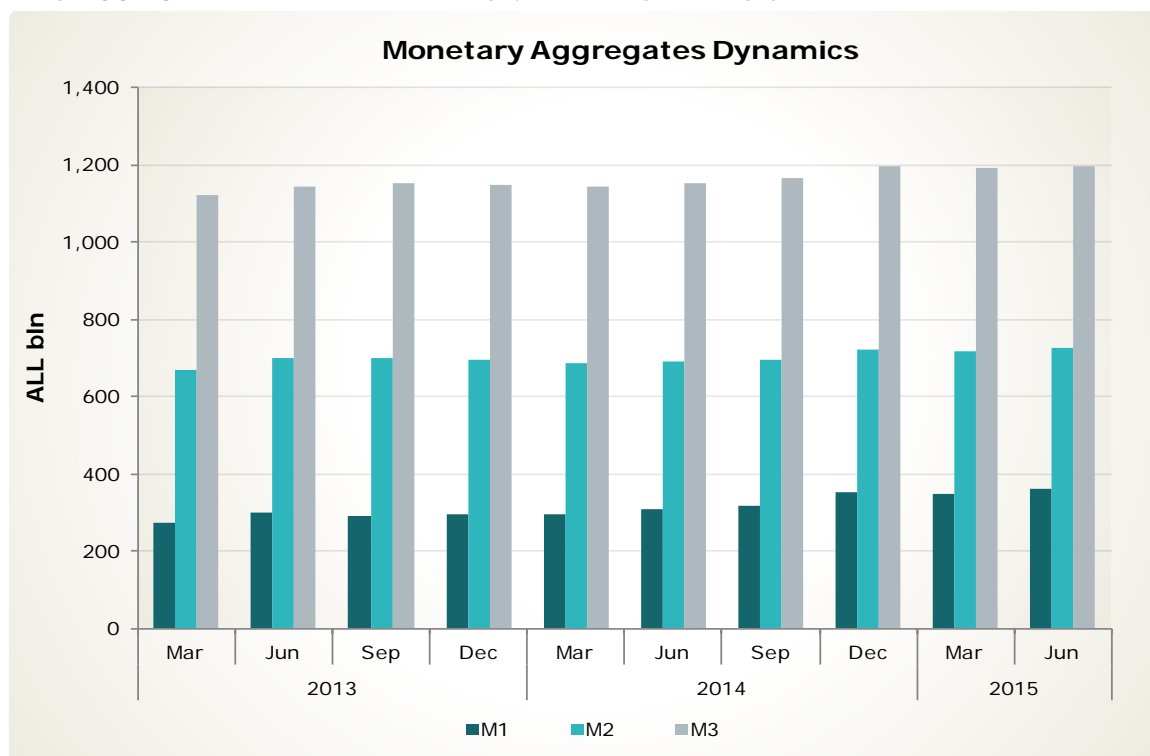
5.2. MONETARY AGGREGATES

Money supply growth was 3.9% y/y at end-June 2015

Broad money (money aggregate M3) increased by 3.9% y/y and reached ALL 1,197.9 bln in June 2015, according to data provided by Bank of Albania.

The M2 money supply grew by 4.8% y/y to ALL 725.4 bln.

Money aggregate M1, or narrow money, jumped by 18.2% y/y to ALL 363.3 bln.



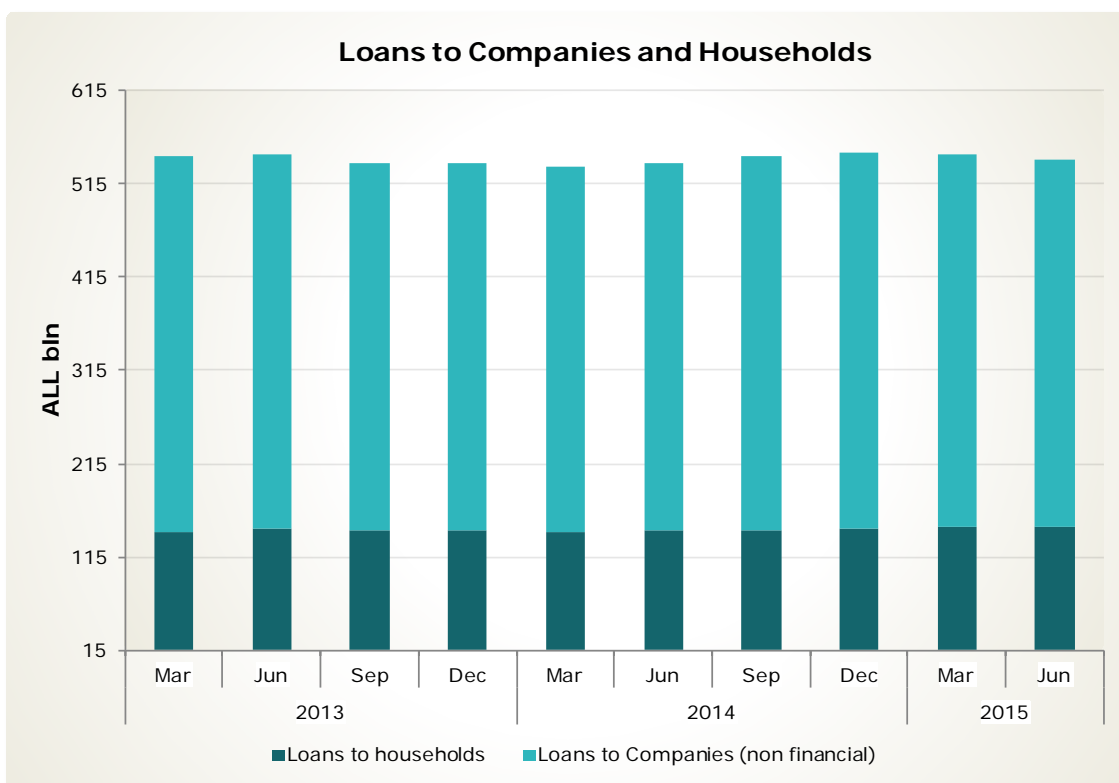
Source: Bank of Albania

5.3. BANKING AND INSURANCE

Household loans increased by 2.5% y/y in June 2015

Loans to the non-government sector totalled ALL 541.2 bln in June 2015, up by 0.8% y/y, according to Bank of Albania.

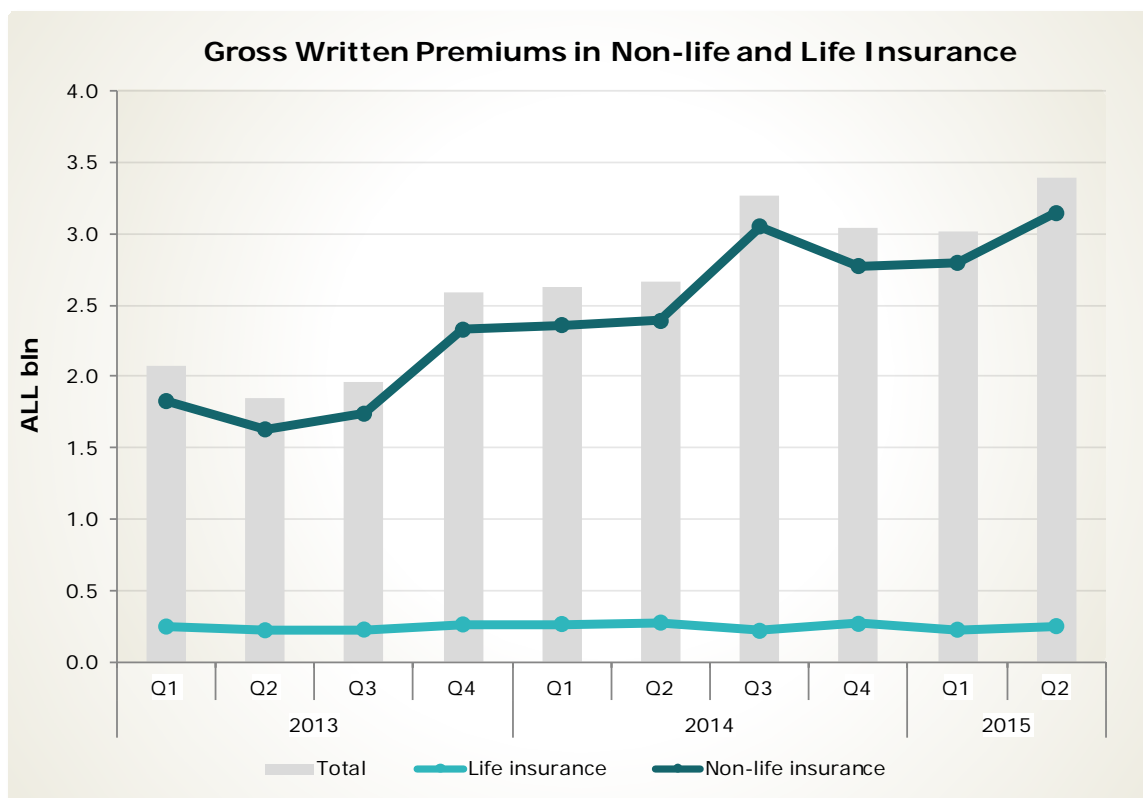
Loans to non-financial corporations grew by 0.2% y/y to ALL 394.1 bln, while household loans rose by 2.5% to ALL 147.1 bln. House purchasing loans nearly tripled to ALL 103.0 bln.



Source: Bank of Albania

Premium income up 27.4% y/y in Q2 2015

The total gross written premiums of the non-life and life insurance companies stood at ALL 3.394 bln, up by 27.4% y/y in the second quarter of 2015, according to the Albanian Financial Supervisory Authority (AMF).



Source: AMF

In the non-life insurance sector the highest annual rise of gross written premiums was registered in the insurance against other damage and loss property segment, which experienced a fourfold growth to ALL 85.4 mln. Marine insurance was on the other end with its premium income shrinking to ALL 64.0 mln from ALL 81.9 mln.

Among the life insurance segments, the leader in terms of annual growth in gross written premiums was the flexible life insurance segment, which nearly tripled its premium income to ALL 986,000. The combined policies generated premium income of ALL 6.3 mln, down from ALL 14.4 mln, thus registering the sharpest annual drop on the local life insurance market.

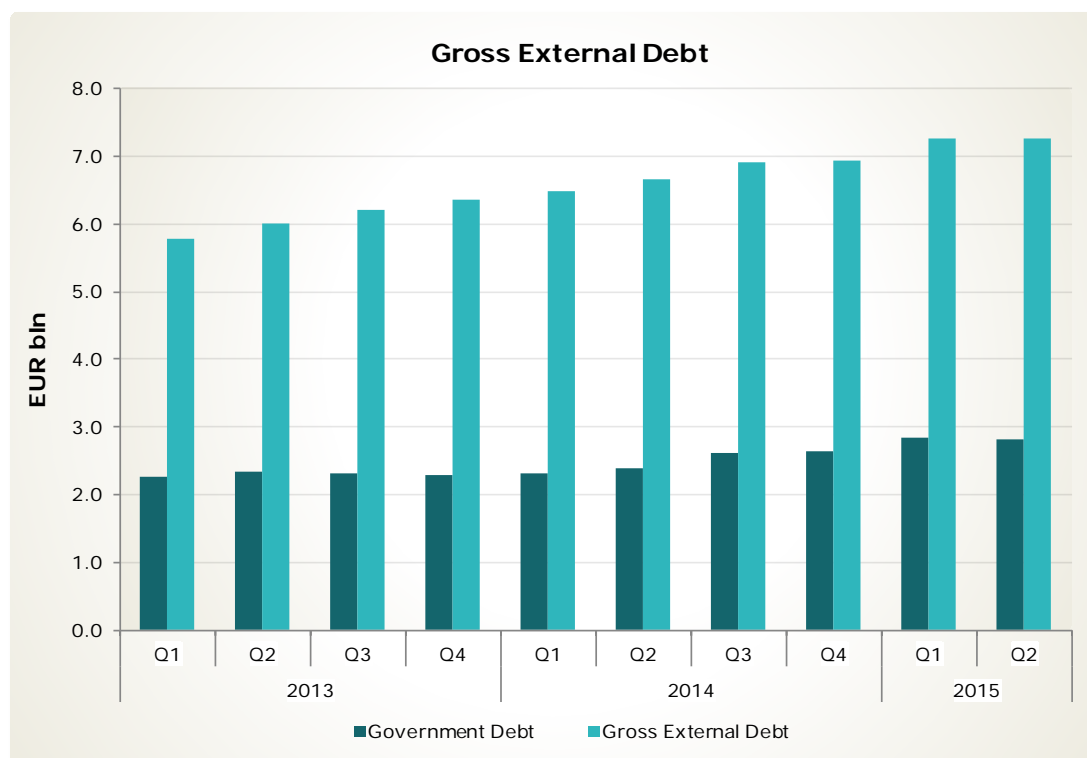
6. EXTERNAL SECTOR

6.1. FOREIGN DEBT

The gross external debt grew to EUR 7.257 bln in Q2 2015

The gross external debt increased to EUR 7.257 bln, up 9.1% on the year in the second quarter of 2015, according to Bank of Albania. In comparison to Q1 2015 the gross external debt declined by EUR 12.0 mln.

In Q2 2015 long-term liabilities amounted to EUR 4.096 bln, or 56.4% of the total debt, and short-term liabilities totalled EUR 1.477 bln, equal to 20.4% of the total debt.



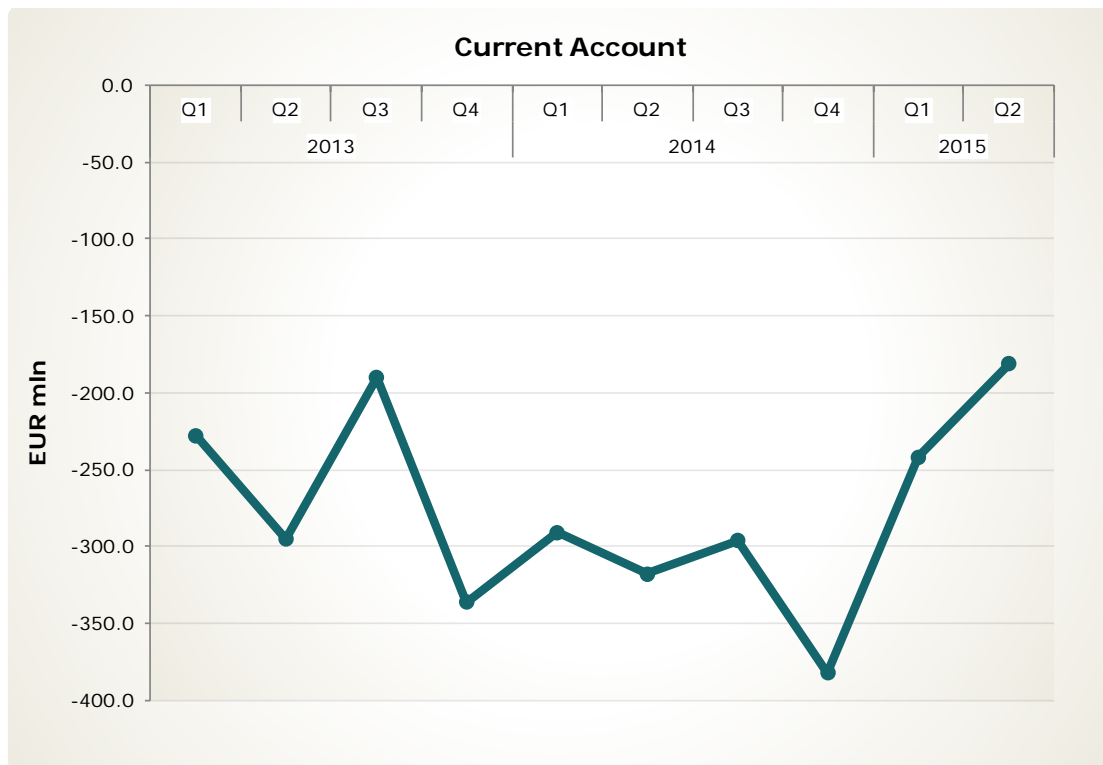
Source: Bank of Albania

6.2. BALANCE OF PAYMENTS

Current account deficit at EUR 181.0 mln in Q2 2015

The current account deficit narrowed to EUR 181.0 mln in Q2 2015 from EUR 242.0 mln in Q1 2015 and EUR 318.0 mln in Q2 2014, according to central bank statistics data.

Secondary income in Q2 2015 jumped to EUR 210 mln from EUR 176 mln in Q2 2014.



Source: Bank of Albania

6.3 FOREIGN TRADE

Foreign trade deficit narrowed by 4.7% y/y in Q2 2015

The trade deficit stood at ALL 67.985 bln in Q2 2015, compared to ALL 71.374 bln in Q2 2014, according to INSTAT.

Albania's most exported products groups were textile and footwear, and minerals, fuels and electricity with their combined share amounting to 64.9% of the total in Q2 2015.

The most imported product groups in Albania in Q2 2015 were machinery and equipment, and food, beverages and tobacco, base metals, and mineral products. They accounted for 45.6% of the total imports in the country in the period under review.



Source: INSTAT

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