

## **ALBANIA ECONOMY REPORT**

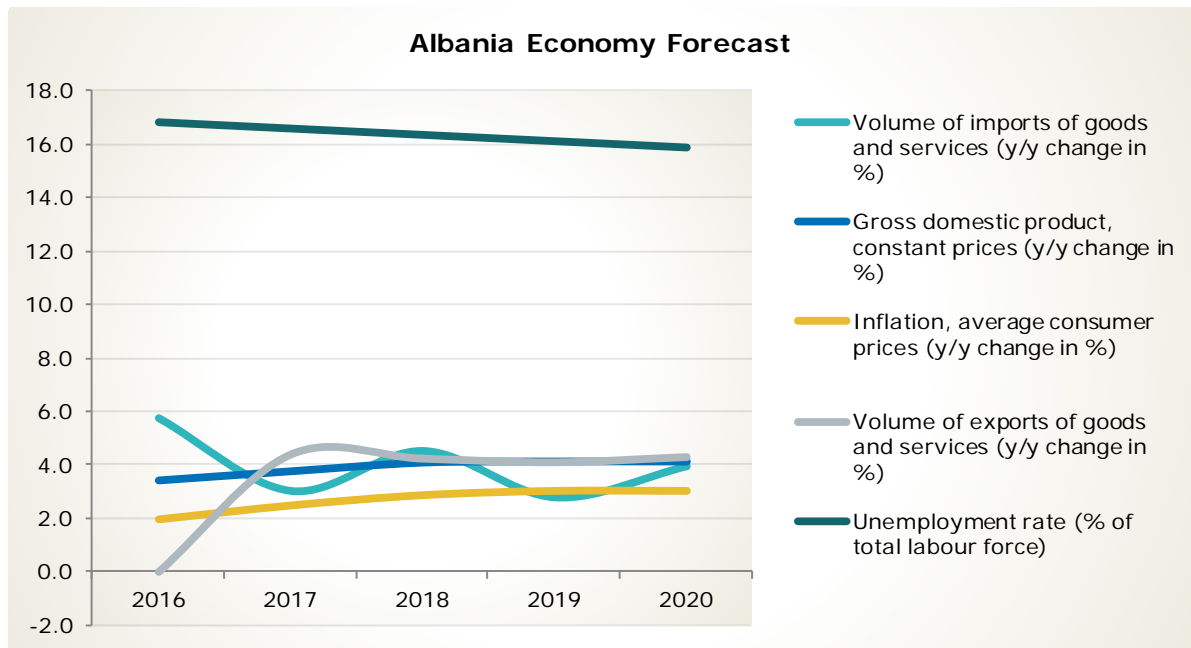
Q1 2016

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## 1. MACROECONOMIC SNAPSHOT AND FORECAST

ALBANIA – MACROECONOMIC SNAPSHOT AS OF Q1 2016	
GDP Growth	3.0% y/y
Business confidence indicator	-5.7 pp q/q
Industrial output	-1.3% y/y
Industrial sales	3.7% y/y
Retail sales	4.7% y/y
Annual inflation	0.3%
Unemployment rate	16.6%
Number of building permits	65
Money supply growth	1.4% y/y
Household loans	-0.1% y/y
Gross external debt	EUR 7.735 bln
Current account deficit	EUR 258.0 mln
FDI inflow	EUR 152.2 mln
Foreign trade deficit	ALL 69.9 bln



Source: International Monetary Fund (IMF) World Economic Outlook Database – April 2016

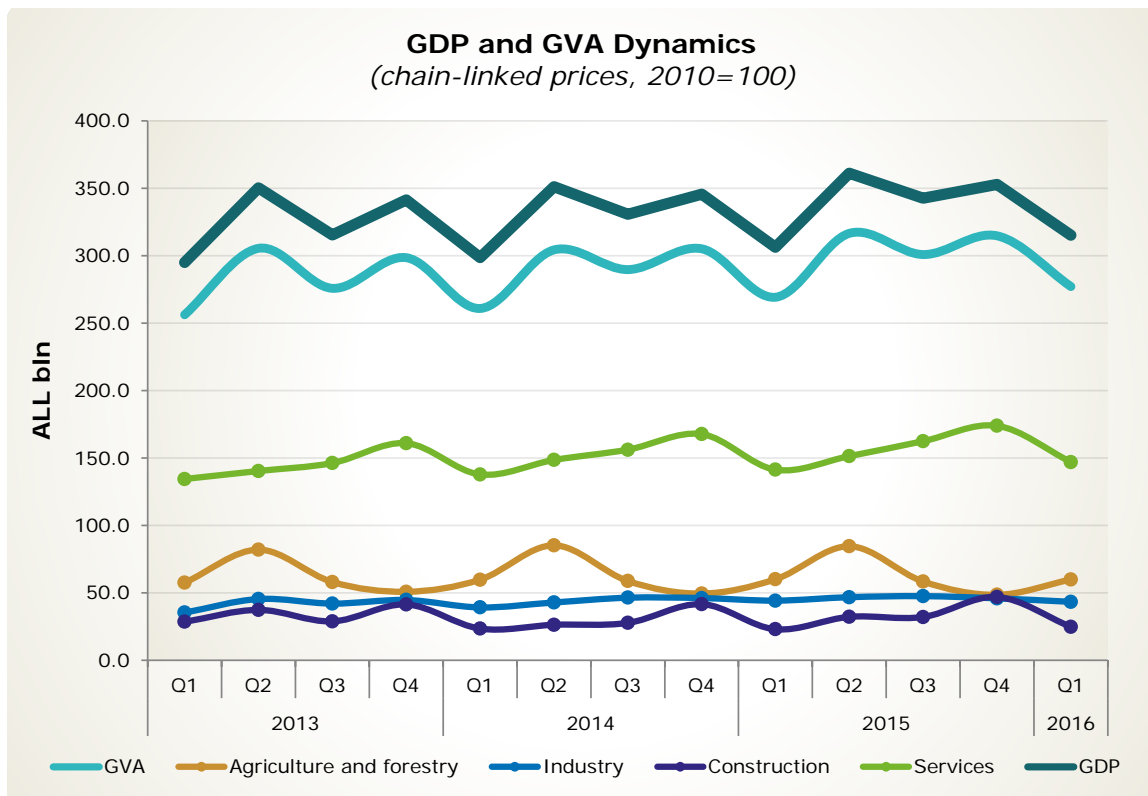
## 2. REAL SECTOR

### 2.1. GROSS DOMESTIC PRODUCT (GDP)

#### *GDP annual growth at 3.0% in Q1 2016*

Albania's GDP increased by 3.0% y/y and totalled ALL 315.2 bln in Q1 2016, according to flash estimates of the country's Institute of Statistics (INSTAT).

Final consumption, which contributed 89.5% to the GDP, inched up by 1.2% y/y. Gross capital formation increased by 7.3%, contributing 23.2% to the GDP. Exports and imports grew by 10.3% and 6.1%, respectively.



Source: INSTAT

The country's non-seasonally adjusted GVA increased in value by 2.9% y/y and totalled ALL 277.1 bln in Q1 2016. The industrial sector fell by 2.0% and its share in the GVA structure decreased to 15.7% from 16.5% in the previous year. The services sector recorded a 1.1% annual rise, slicing a 53.1% share in the GVA, up from 52.5%. The agricultural sector inched down by 0.3% and its share in the GVA shrank to 21.6% from 22.3%.

## 2.2. BUSINESS CLIMATE

### *Business Confidence Indicator decreased by 5.7 percentage points q/q in Q1 2016*

In Q1 2016 the average business confidence indicator went down by 5.7 percentage points q/q, according to Bank of Albania.

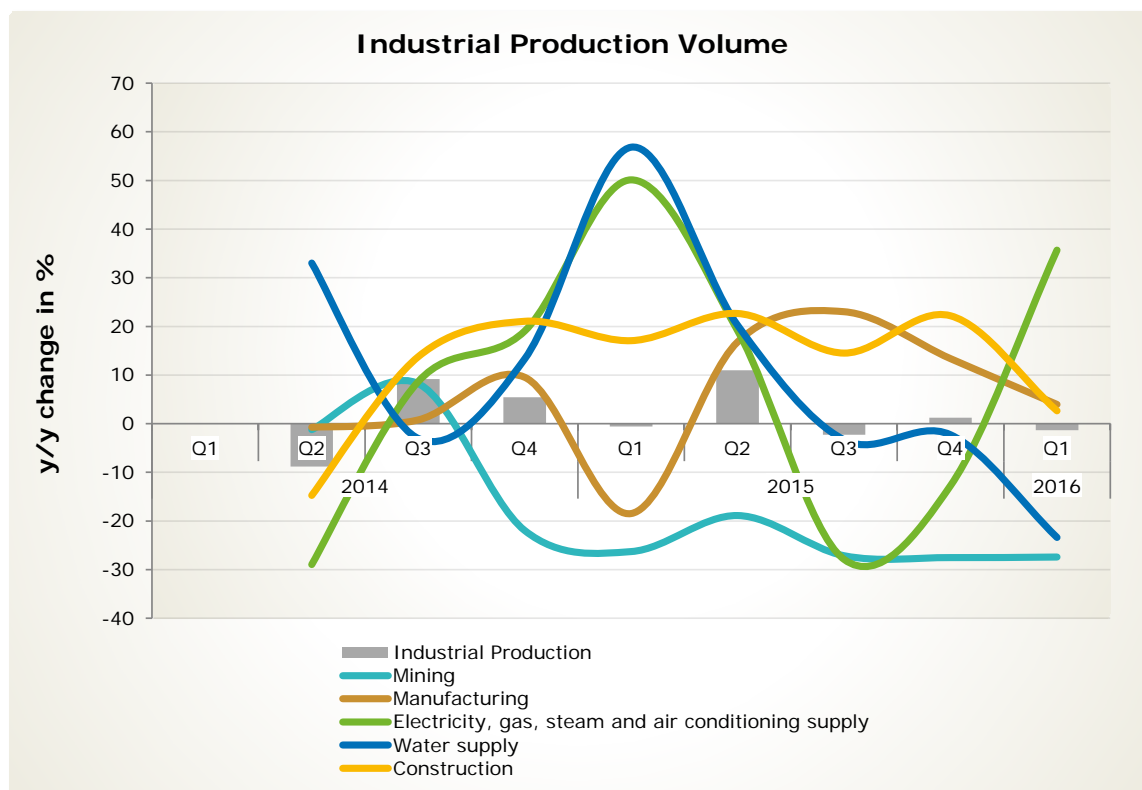
Confidence reported a decrease in all sectors.

## 2.3. INDUSTRIAL OUTPUT

### *Industrial output decreased, by 1.3% y/y in Q1 2016*

Industrial output went down by 1.3% on the year in the first quarter of 2016, according to INSTAT.

The output of the electricity, gas, steam and air conditioning supply sector registered the sharpest annual jump, of 35.7%, followed by the manufacturing sector with 4.0% and the construction sector with 2.7%. All other sectors registered an annual drop in their output – production in the mining sector fell by 27.4% and water supply output went down by 23.4%.



Source: INSTAT

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

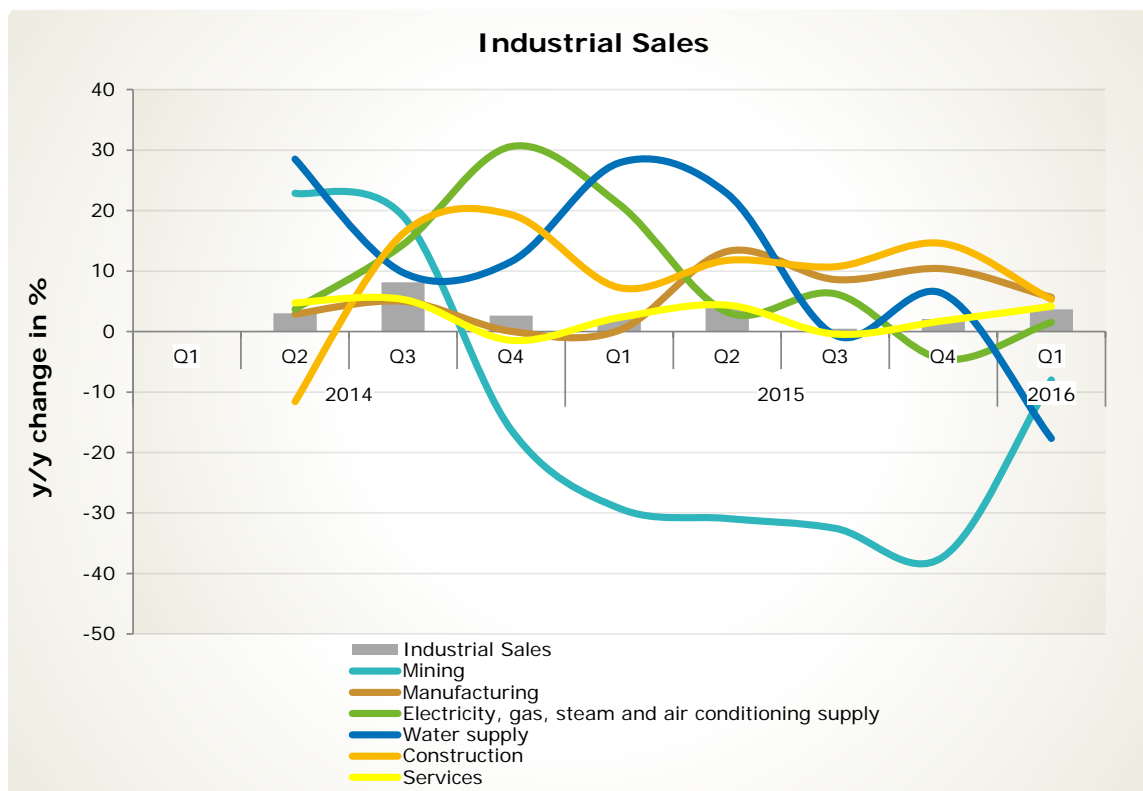
## 2.4. INDUSTRIAL SALES

### Industrial sales grew by 3.7% y/y in Q1 2016

Industrial sales went up by 3.7% y/y in Q1 2016 thanks to the 5.7% growth of the sales in the manufacturing industry, and the 5.3% rise in the turnover of the construction sector, according to INSTAT.

The services and the electricity, gas, steam and air conditioning supply sectors also reported an annual growth, of 4.2% and 1.5%, respectively.

Sales in the water supply sector reported the sharpest annual drop, of 17.7%. The other sector to report an annual drop in sales, of 8.0%, was mining.



Source: INSTAT

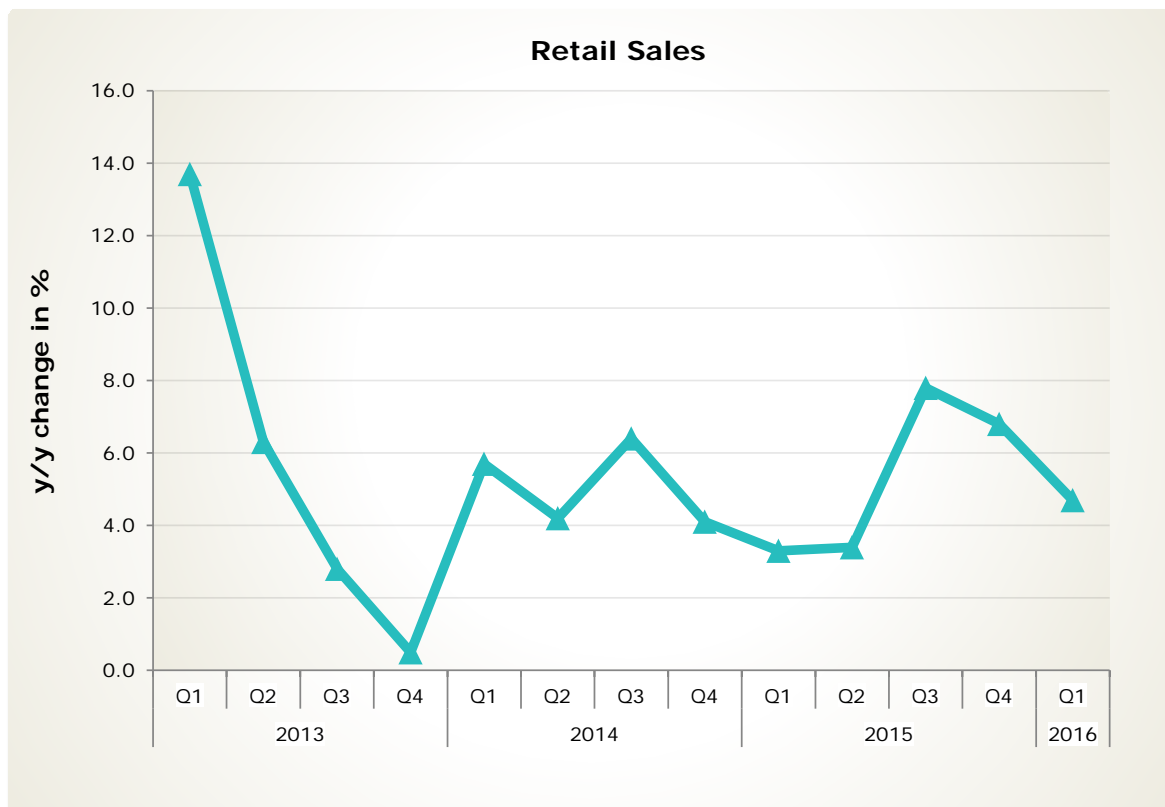
Editor's note: Data for Q1 2014 was not available

## 2.5. RETAIL SALES

### Retail sales grew 4.7% y/y in Q1 2016

Retail sales went up by 4.7% y/y in the first quarter of 2016, according to INSTAT.

Retail sale of other goods in specialised stores registered the highest annual rise, of 9.1%. Retail sale of motor fuel in specialised stores marked the sharpest annual decrease, of 3.1%.



Source: INSTAT

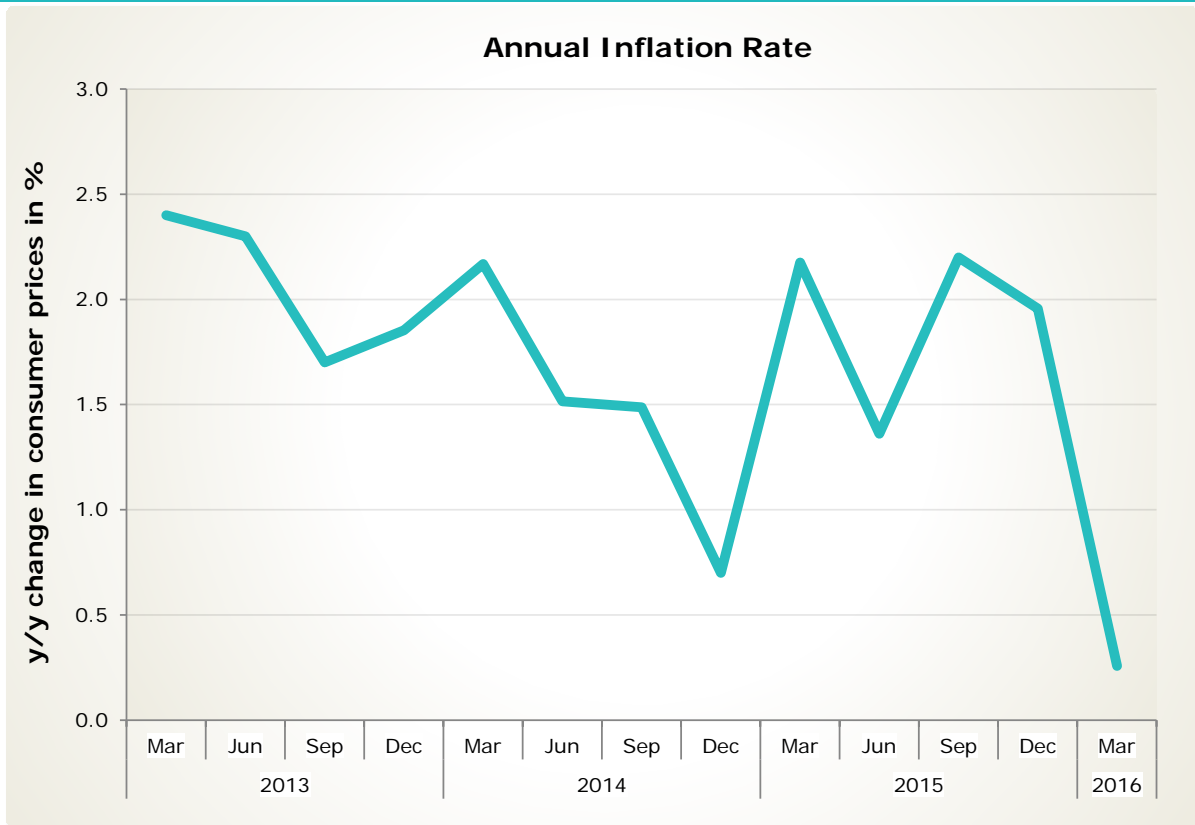
## 2.6. INFLATION

### *Annual inflation of 0.3% in March 2016*

The annual inflation in Albania accelerated to 0.3% in March 2016 from 2.2% in March 2015, according to INSTAT data.

The highest increase in consumer prices, of 28.1%, was registered in fruits, followed by vegetables with 8.7% and education service with 4.8%.

The products and services, which registered the sharpest deflation, were equipment operations of personal transportation with 7.3% and women's clothing with 5.3%.

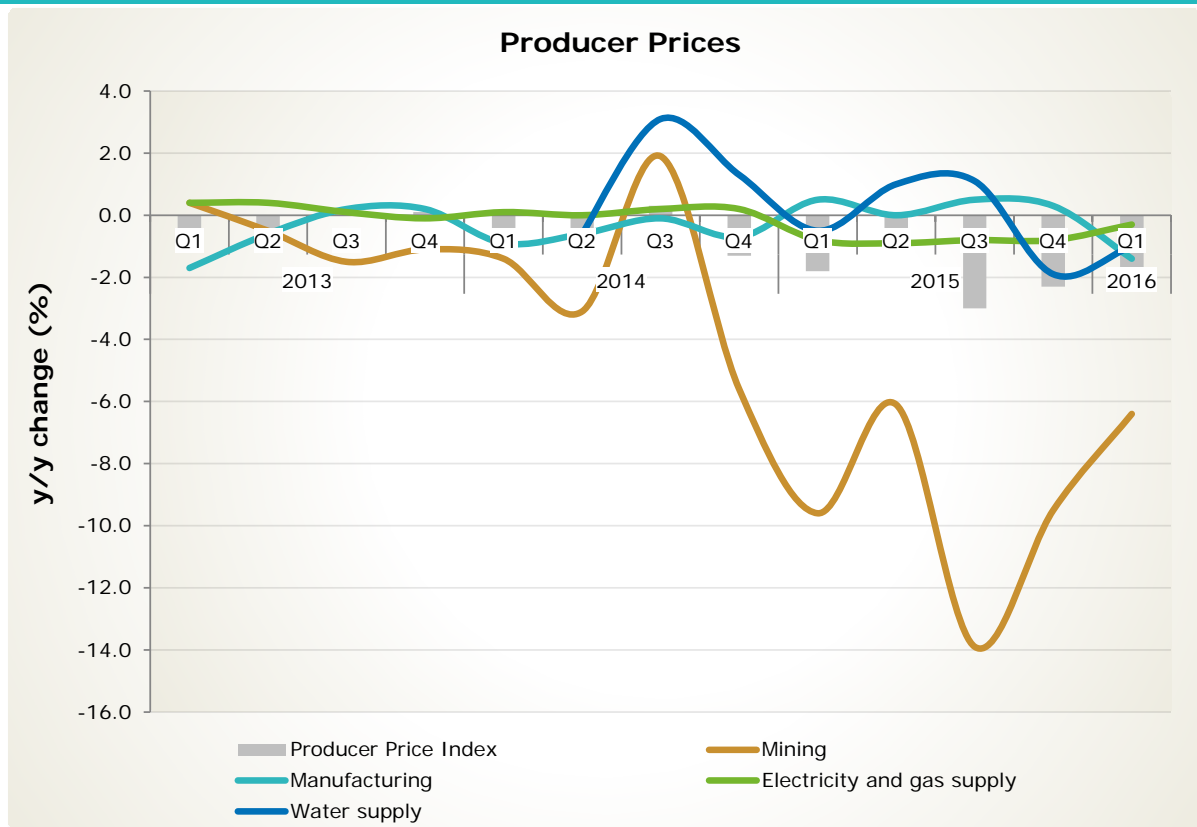


Source: INSTAT

Producer prices went down by 4.1% y/y in Q1 2016 with all industries registering a decline – of between 12.6% for mining and 0.3% for electricity and gas supply.

Segment wise, producer prices dropped the most, by 18.3%, in the extraction of crude petroleum and natural gas sector, while the sharpest increase, of 7.5%, was registered by manufacture of machinery and equipment.





Source: INSTAT

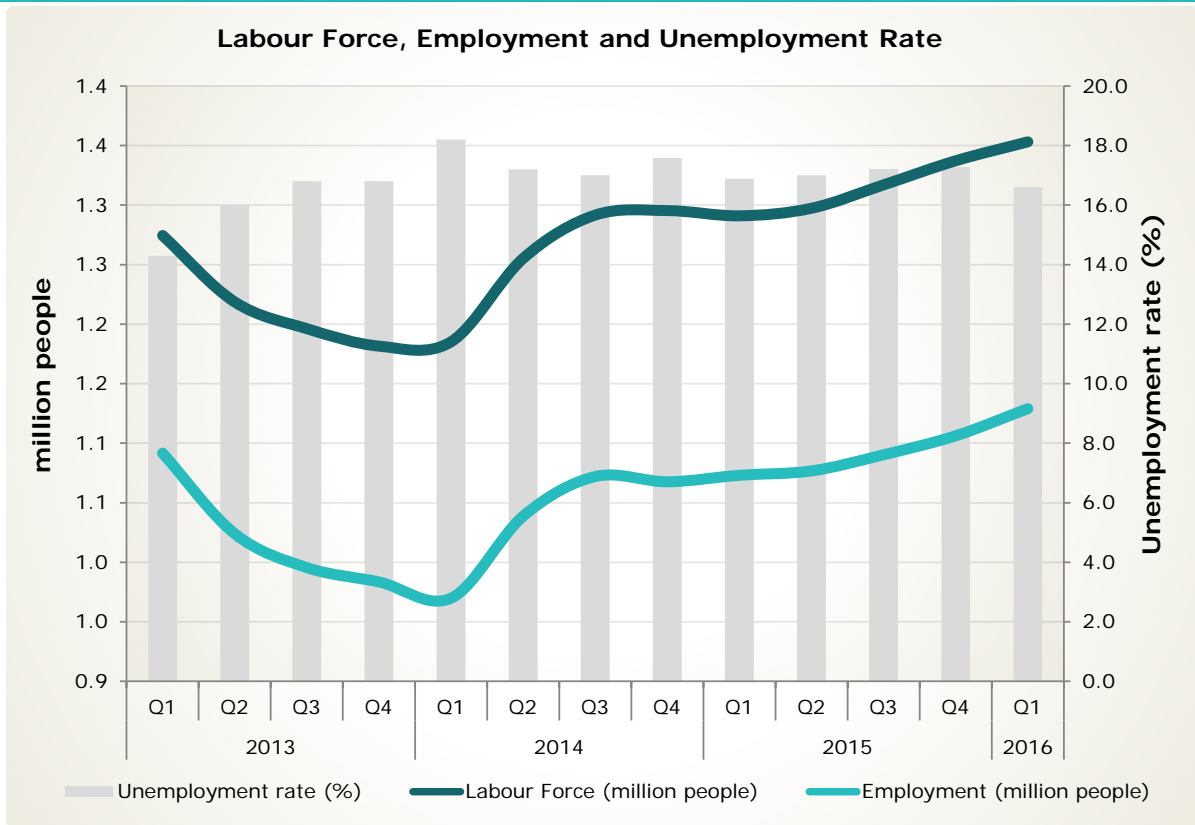
### 3. LABOUR MARKET

#### Unemployment rate went down to 16.6% in Q1 2016

Unemployment in Albania narrowed to 16.6% of the total labour force in Q1 2016 from 16.9% in the corresponding quarter of the previous year, according to data of INSTAT.

The employed population aged 15 years and older was 1.129 million in Q1 2016, up by 5.2% y/y.

The youth (population aged 15-29) unemployment rate went down to 30.4% from 34.1% in Q1 2015.



Source: INSTAT

## 4. CONSTRUCTION AND REAL ESTATE

### *The number of building permits jumped 4.6 times y/y in Q1 2016*

The number of building permits issued in Albania in Q1 2016 totalled 65, compared to 14 in the corresponding quarter of the previous year, according to INSTAT data.

Permits for construction of non-residential buildings stood at 27, up from 4, while permits for housing projects jumped to 38 from 2.

The total area, covered by permits for non-residential buildings amounted to 36,171 sq m. The total area of the housing projects, covered by the permits, stood at 25,999 sq m.

## 5. MONEY SUPPLY AND BANKING SYSTEM

### 5.1. ALL EXCHANGE RATE

The average annual exchange rate of the ALL against the EUR decreased to ALL 138.301 in Q1 2016 from ALL 140.340 in the previous year, according to Bank of Albania.

ALL Average Annual Exchange Rate			
Foreign Currency	Q1 2016	Q4 2015	Q1 2015
EUR	138.301	138.458	140.340
USD	125.497	126.416	124.777
GBP	179.456	191.853	188.892
CHF	126.207	127.650	131.346

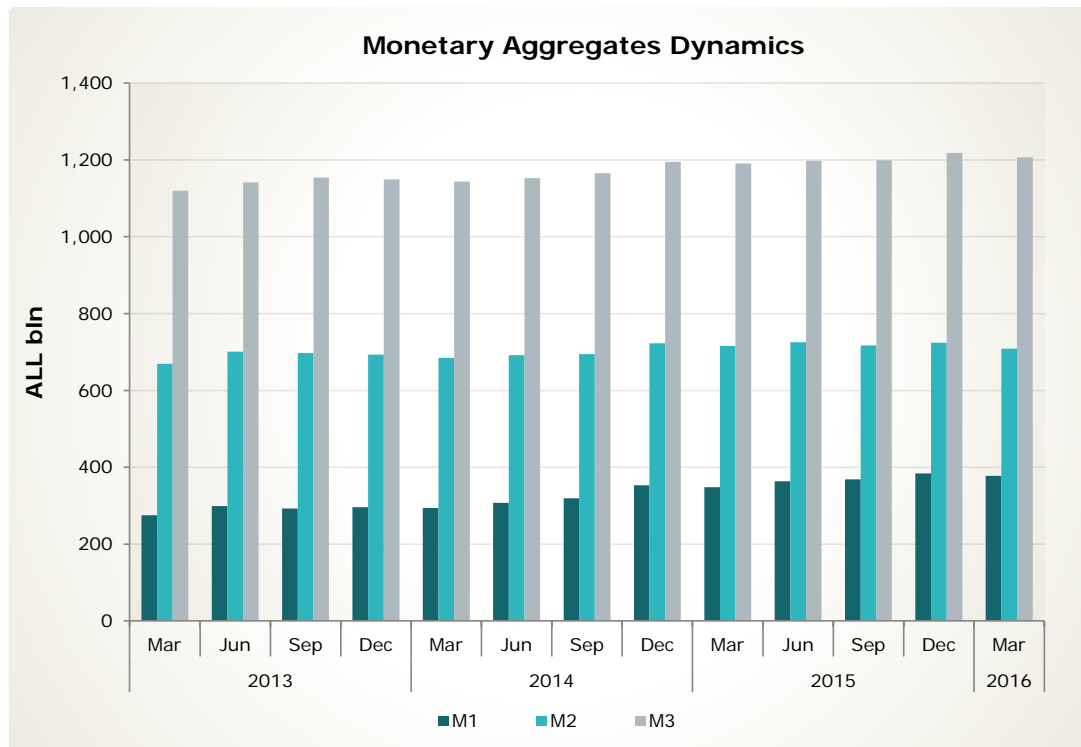
### 5.2. MONETARY AGGREGATES

*Money supply growth was 1.4% y/y in Q1 2016*

Broad money (money aggregate M3) increased by 1.4% y/y and reached ALL 1,206.9 bln in March 2016, according to data provided by Bank of Albania.

The M2 money supply went down by 1.0% y/y to ALL 708.7 bln.

Money aggregate M1, or narrow money, jumped by 8.4% y/y to ALL 377.3 bln.



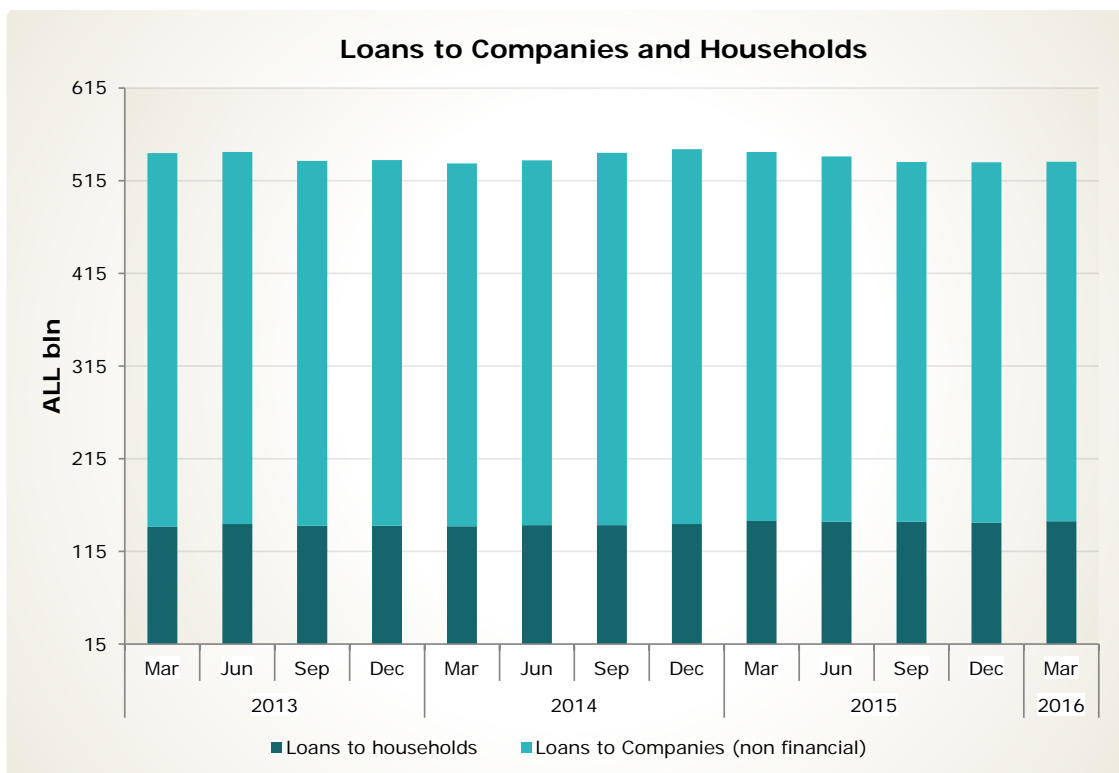
Source: Bank of Albania

## 5.3. BANKING AND INSURANCE

### *Household loans decreased by 0.1% y/y in Q1 2016*

Loans to the non-government sector totalled ALL 535.5 bln in March 2016, down by 2.0% y/y, according to Bank of Albania.

Loans to non-financial corporations fell by 2.7% y/y to ALL 387.8 bln, while household loans inched down by 0.1% to ALL 147.7 bln. House purchasing loans amounted to ALL 102.5 bln, down from ALL 103.2 bln.

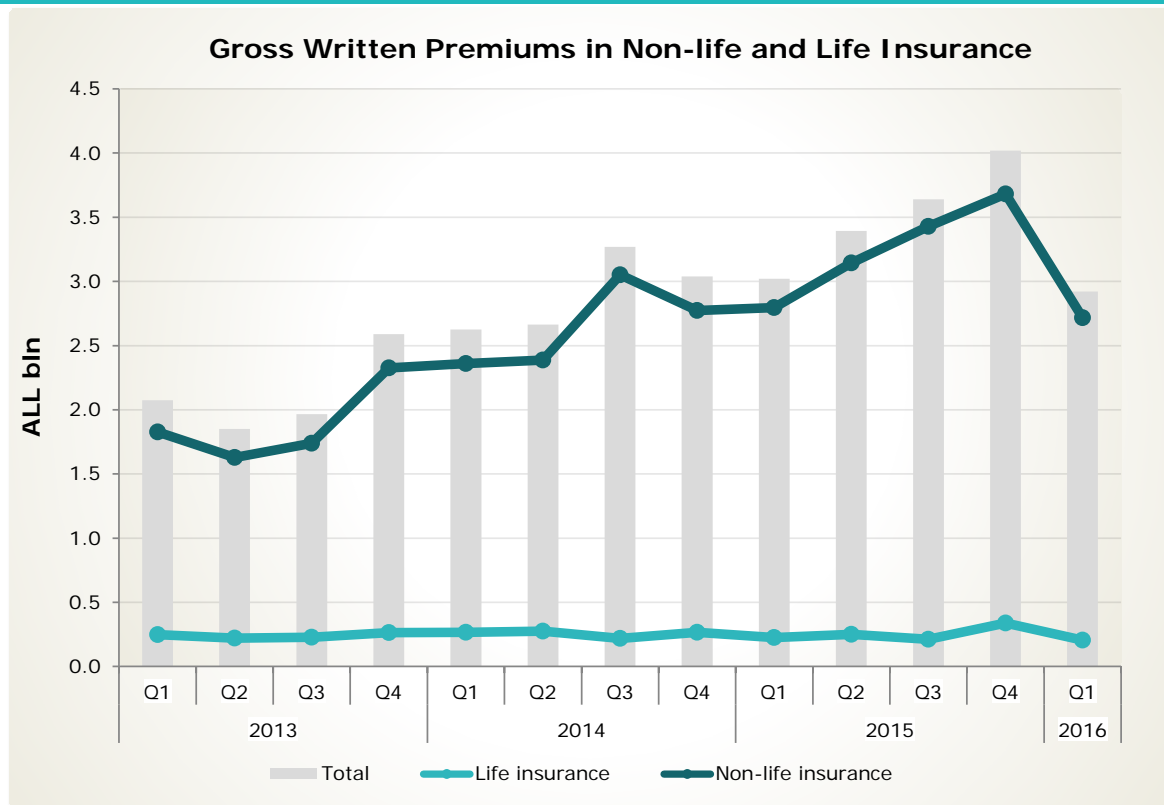


Source: Bank of Albania

### *Insurance premium income down 3.3% y/y in Q1 2016*

The total gross written premiums of the non-life and life insurance companies, excluding reinsurance, stood at ALL 2.921 bln, down by 3.3% y/y in Q1 2016, according to the Albanian Financial Supervisory Authority (AMF).

The fall was fuelled by the 2.8% decrease of the non-life insurance sector, which posted gross written premiums of ALL 2.716 bln in Q1 2016. The premiums in the life insurance segment inched down to ALL 205.0 bln from 226.0 bln.



Source: AMF

In the non-life insurance sector the highest annual rise of gross written premiums was registered in the see vessels insurance, where premiums soared to ALL 0.042 mln from ALL 0.016 mln. Insurance of aircraft liability was on the other end with its premium income shrinking to ALL 0.076 mln from ALL 0.387 mln.

Among the life insurance segments, the leader in terms of annual growth in gross written premiums was the pupil and student's life insurance segment, where premium income jumped 5.5 times to ALL 0.272 mln. Flexi plan insurance generated premium income of only ALL 0.208 mln, down from ALL 0.355 mln, thus registering the sharpest annual drop on the local life insurance market, of 41.4%.

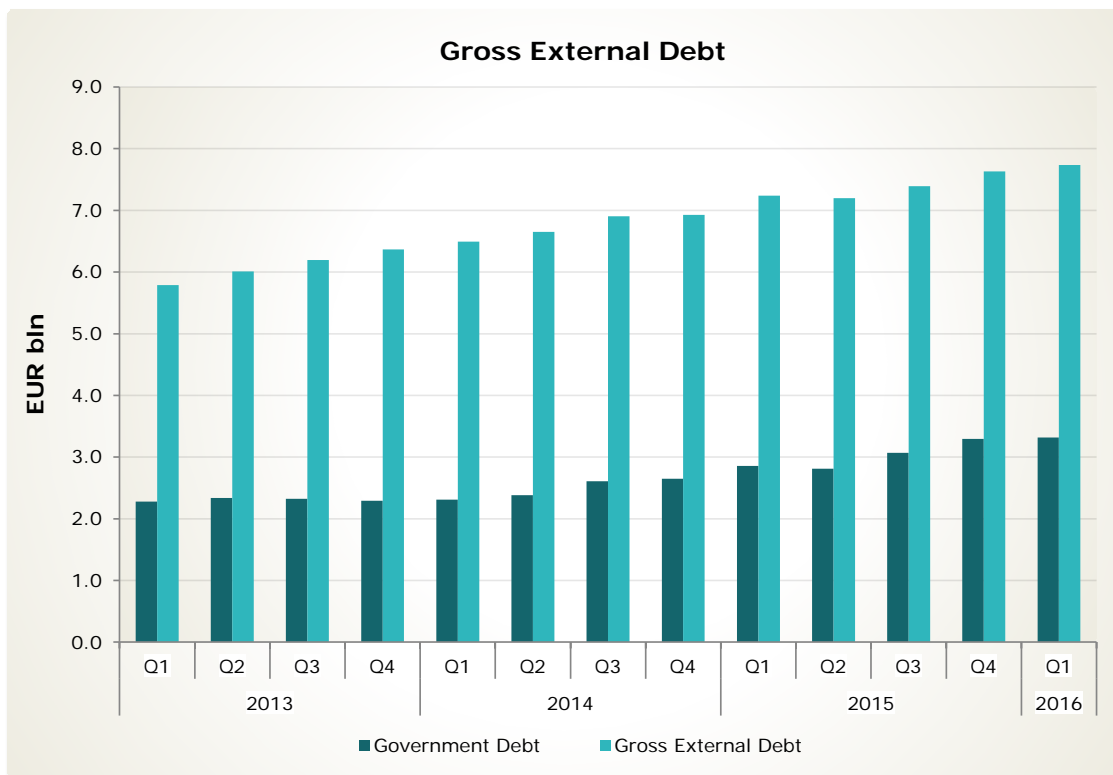
## 6. EXTERNAL SECTOR

### 6.1. FOREIGN DEBT

*The gross external debt grew to EUR 7.735 bln at Q1 2016*

The gross external debt totalled EUR 7.735 bln, up 6.9% on the year in the first quarter of 2016, according to Bank of Albania. In comparison to Q1 2015 the gross external debt increased by EUR 497.0 mln.

In Q1 2016, long-term liabilities amounted to EUR 4.488 bln, or 58.0% of the total debt, and short-term liabilities totalled EUR 1.483 bln, equal to 19.2% of the total debt.



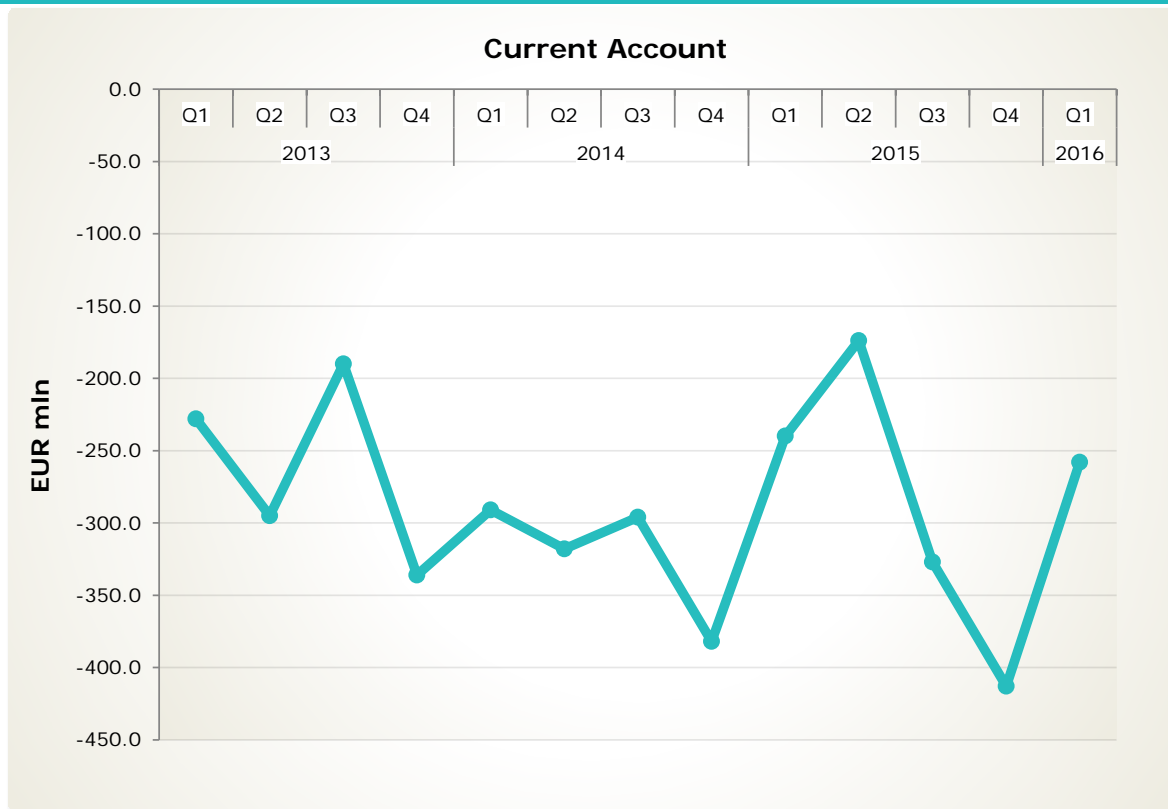
Source: Bank of Albania

## 6.2. BALANCE OF PAYMENTS

### Current account deficit at EUR 258.0 mln in Q1 2016

The current account deficit increased to EUR 258.0 mln in Q1 2016 from EUR 240.0 mln in Q1 2015, according to central bank statistics data.

Secondary income in Q1 2016 fell to EUR 161.0 mln from EUR 181.0 mln in Q1 2015.



Source: Bank of Albania

### 6.3. FDI

#### *FDI in Albania at EUR 152.2 mln in Q1 2016*

Foreign Direct Investments (FDI) in Albania amounted to EUR 152.2 mln in Q1 2016, according to Bank of Albania. In annual terms, the FDI inflow decreased by 41.8% or EUR 109.1 mln.

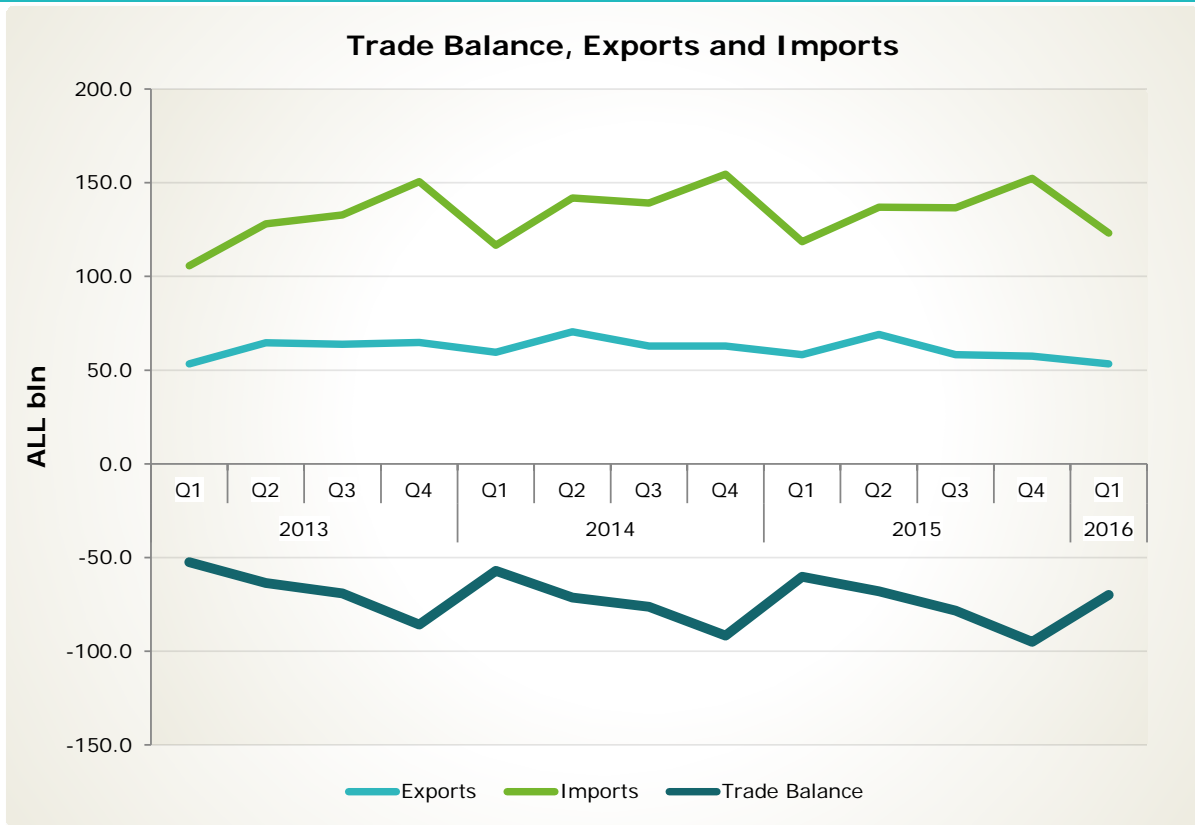
### 6.4. FOREIGN TRADE

#### *Foreign trade deficit up by 16.6% y/y in Q1 2016*

The trade deficit stood at ALL 69.894 bln in Q1 2016, compared to ALL 60.224 bln in Q1 2015, according to INSTAT.

Albania's most exported products groups were textile and footwear, and minerals, fuels and electricity, with their combined share amounting to 64.1% of the total in Q1 2016.

The most imported product groups in Albania in Q1 2016 were machinery and equipment, and food, beverages and tobacco. They accounted for 39.9% of the total imports in the country in the period under review.



Source: INSTAT

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