

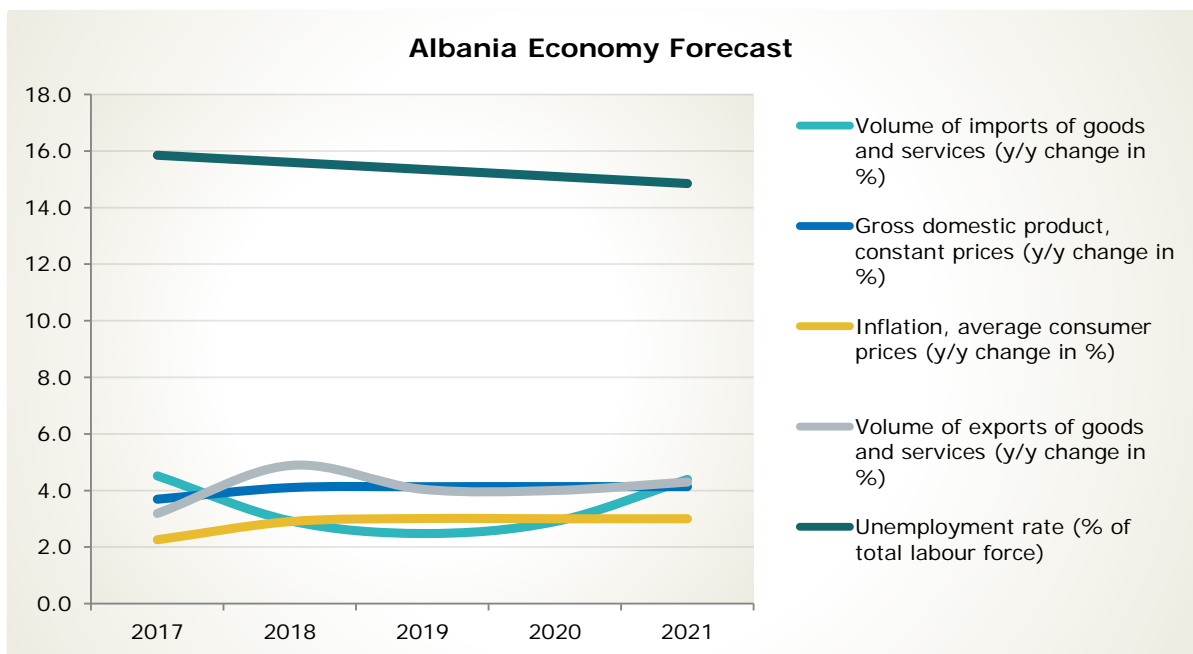
## **ALBANIA ECONOMY REPORT** 2016

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## 1. MACROECONOMIC SNAPSHOT AND FORECAST

ALBANIA – MACROECONOMIC SNAPSHOT AS OF 2016	
GDP Growth	3.5% y/y
Business confidence indicator	9.4 pp q/q
Industrial output	1.2% y/y
Industrial sales	1.7% y/y
Retail sales	8.6% y/y
Annual inflation	2.2%
Unemployment rate	15.2%
Number of building permits	455
Money supply growth	3.7% y/y
Household loans	9.8% y/y
Gross external debt	EUR 7.862 bln
Current account deficit	EUR 240.3 mln
FDI inflow	EUR 288.1 mln (Q3 2016)
Foreign trade deficit	ALL 335.8 bln



Source: International Monetary Fund (IMF) World Economic Outlook Database – April 2017

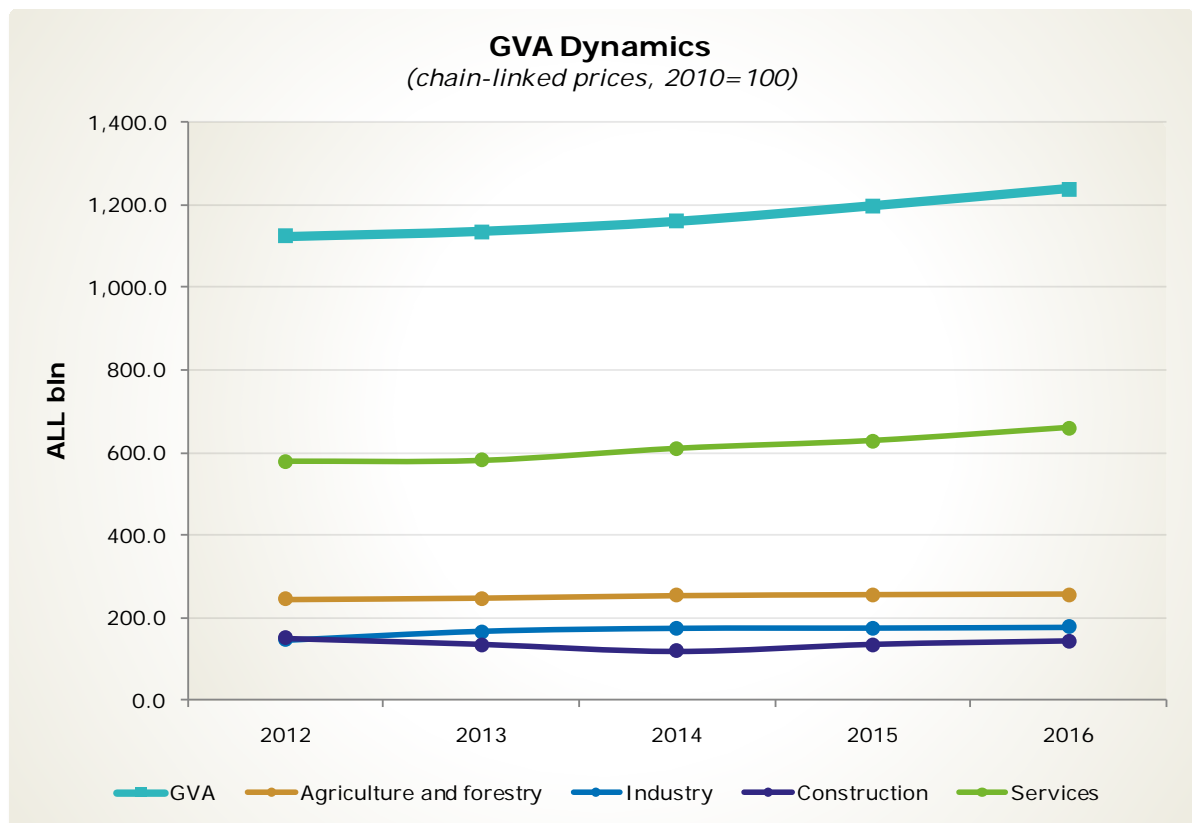
## 2. REAL SECTOR

### 2.1. GROSS DOMESTIC PRODUCT (GDP)

#### *GDP annual growth at 3.5% in 2016*

Albania's GDP increased by 3.5% y/y and totalled ALL 1.407 bln in 2016, according to flash estimates of the country's Institute of Statistics (INSTAT).

Final consumption, which contributed 86.5% to the GDP, went up by 2.5% y/y. Gross capital formation increased by 7.1%, contributing 27.2% to the GDP. Exports and imports grew by 12.7% and 7.4%, respectively.



Source: INSTAT

The country's non-seasonally adjusted GVA increased in value by 3.5% y/y and totalled ALL 1.239 bln in 2016. The industrial sector inched up by 0.5%, but its share in the GVA structure fell to 14.3% from 14.7% in 2015. The services sector recorded a 4.8% annual rise, slicing a 53.2% share in the GVA, up from 52.5%. Construction also grew in value – by 6.1% y/y and its share in GVA went up to 11.7% from 11.4%. The agricultural sector marked an increase of 0.5%, but its share in the GVA shrank to 20.7% from 21.3%.

## 2.2. BUSINESS CLIMATE

### *Business Confidence Indicator increased by 9.4 percentage points q/q in 2016*

In 2016 the average business confidence indicator went up by 9.4 percentage points q/q, according to Bank of Albania.

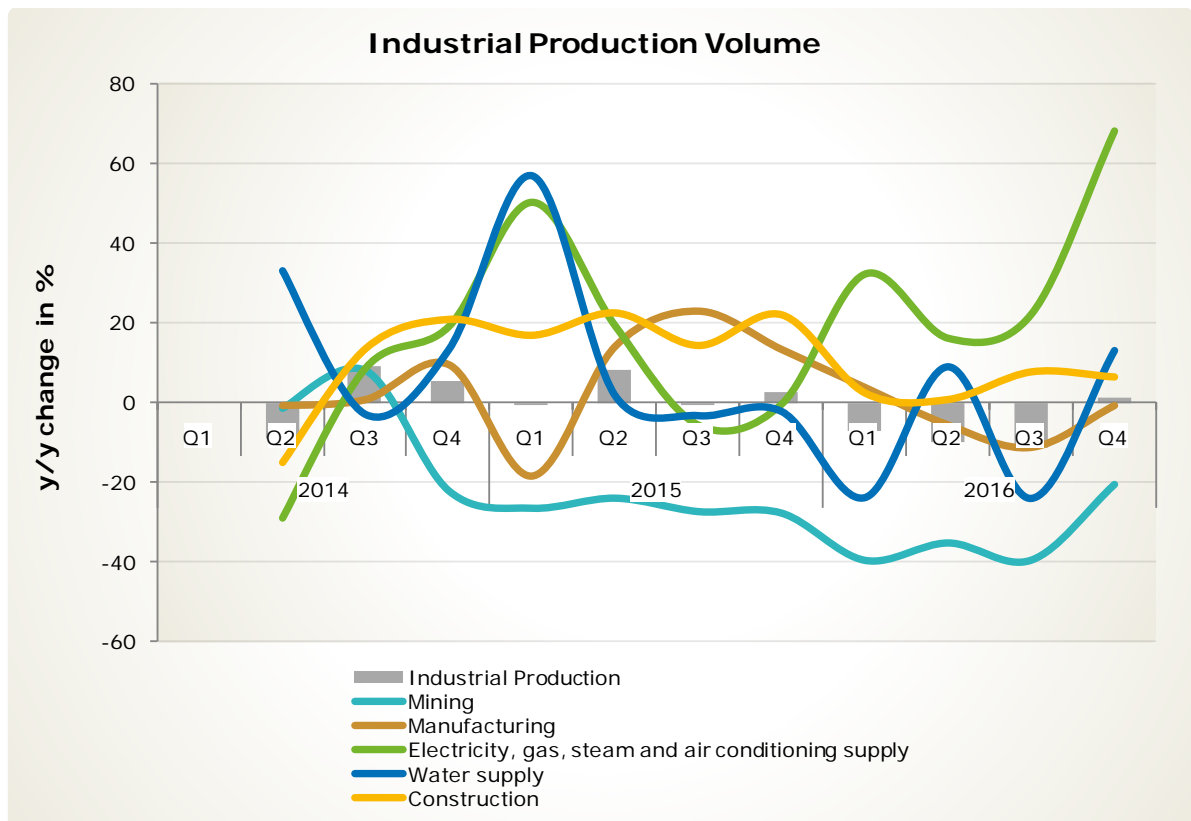
Services confidence indicator reported the strongest growth among all sectors, by 13.2 percentage points q/q, while industry confidence indicator was the only one to decrease, by 3.3 percentage points.

## 2.3. INDUSTRIAL OUTPUT

### *Industrial output increased by 1.2% y/y in 2016*

Industrial output went up by 1.2% in 2016, according to INSTAT.

The output of the electricity, gas, steam and air conditioning supply sector registered the sharpest annual jump, of 68.0%, followed by the water supply and construction sectors with 13.2% and 6.7%. All other sectors registered an annual drop in their output – production in the mining sector fell by 20.3%, and manufacturing output went down by 0.7%.



Source: INSTAT

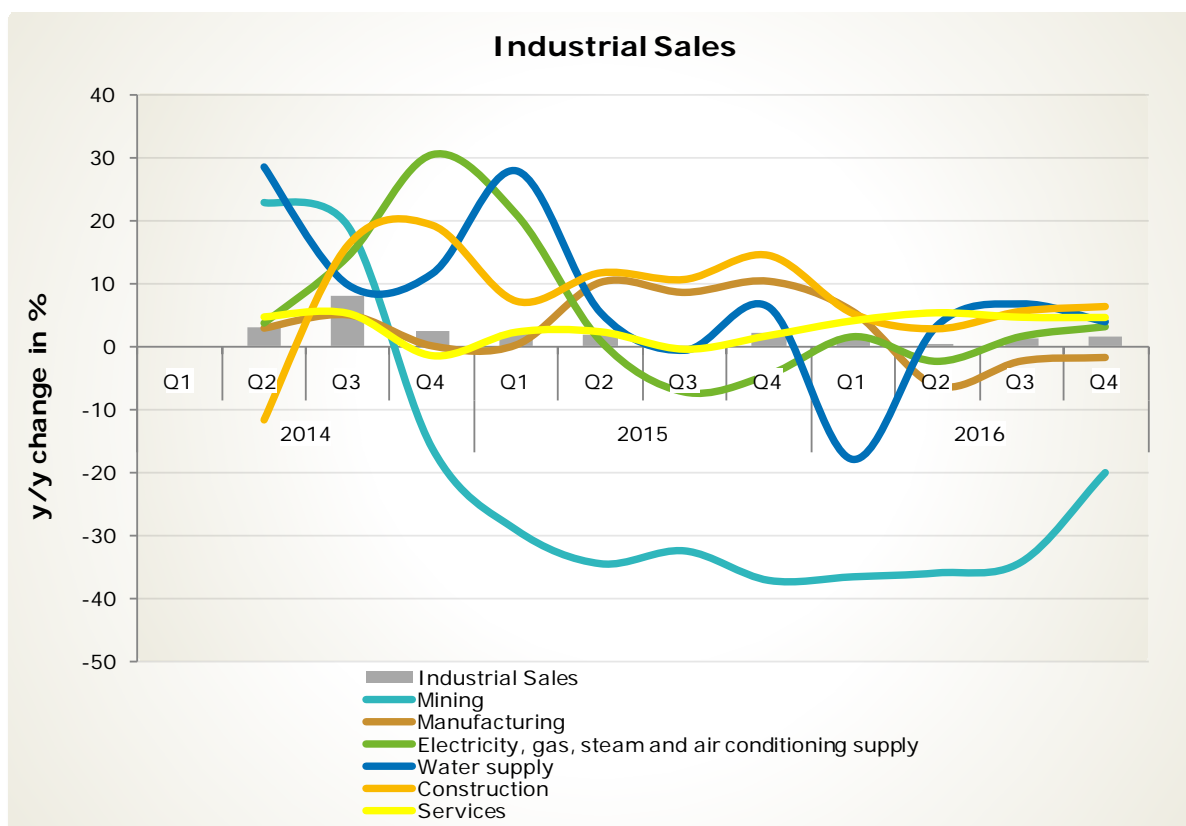
Editor's note: Data for Q1 2014 was not available

## 2.4. INDUSTRIAL SALES

### Industrial sales grew by 1.7% y/y in 2016

Industrial sales went up by 1.7% y/y in 2016 thanks to the 6.4% growth of the construction sector and the rise in the turnover of the water supply and services sectors, by 4.6% and 3.9%, respectively. The electricity, gas, steam and air conditioning supply also grew, by 3.1%.

Sales in the mining sector reported the sharpest annual drop, of 20.1%. The other sector to report an annual decrease in sales was manufacturing with 1.8%.



Source: INSTAT

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

## 2.5. RETAIL SALES

### Retail sales grew 8.6% y/y in 2016

Retail sales went up by 8.6% y/y in 2016, according to INSTAT.

Retail sale of motor fuel registered the highest annual rise, of 10.6%. Retail sale of food, beverages and tobacco in both specialized and non specialized stores marked the slowest annual increase, of 6.2%.



Source: INSTAT

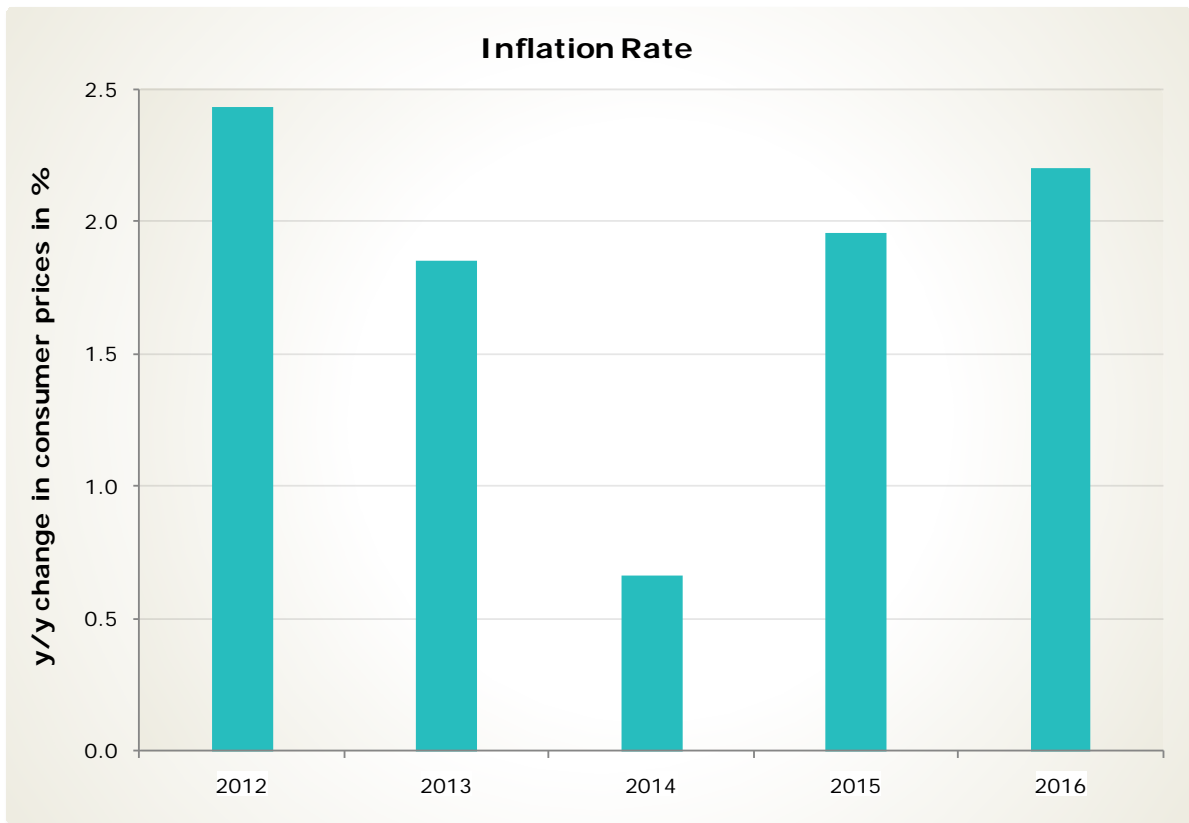
## 2.6. INFLATION

### *Annual inflation of 2.2% in 2016*

The annual inflation in Albania rose to 2.2% in 2016 from 2.0% in 2015, according to INSTAT data.

The highest increase in consumer prices, of 18.5%, was registered in vegetables included potatoes, followed by sugar, jam honey, syrup, chocolates and sweets with 6.8% and milk, cheese, and eggs with 4.7%.

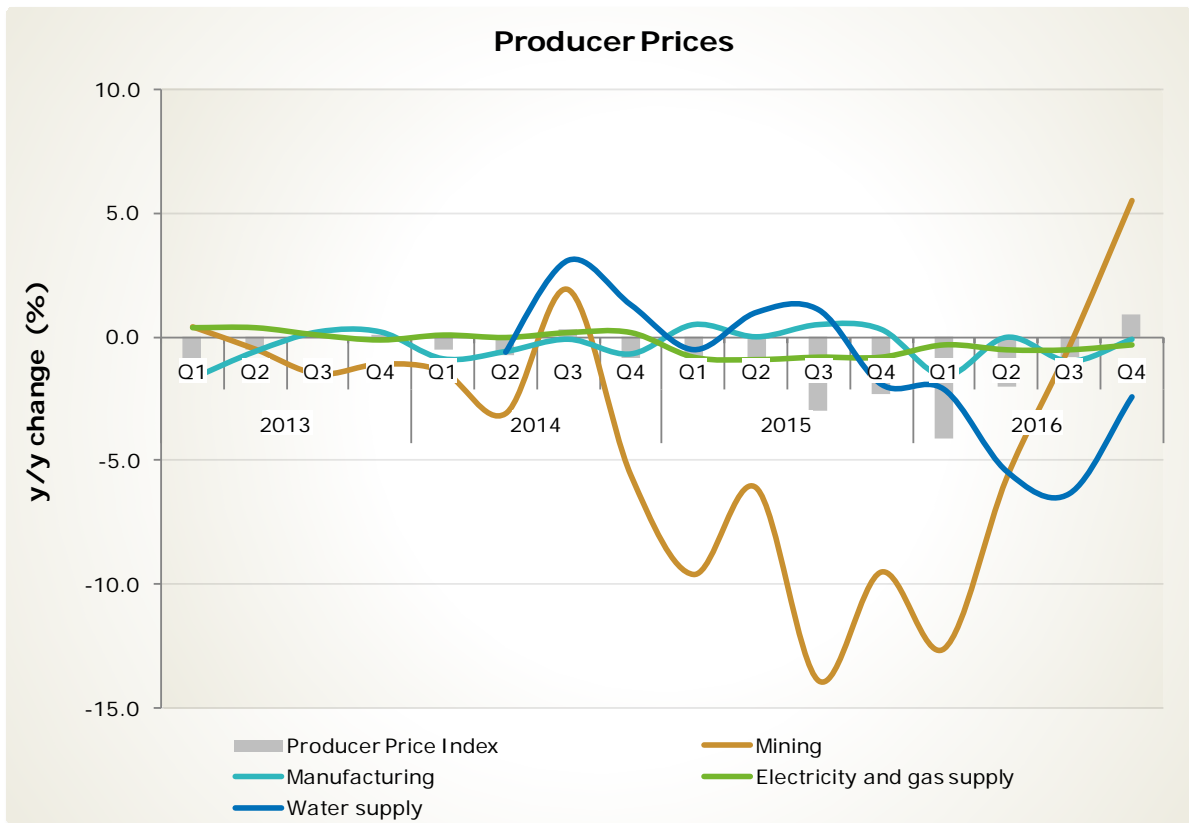
The products and services, which registered the sharpest deflation, were washing, drying and dishwashing machines with 2.9%, transport services with 2.0% and heats and air condition with 1.8%.



Source: INSTAT

Producer prices went up by 0.9% y/y in 2016. The water supply sector recorded the highest annual drop, of 2.4%, followed by electricity, gas, steam and air conditioning with 0.3% and manufacturing with a decline of 0.1%. The mining sector went up by 5.5%. Segment wise, producer prices dropped the most, by 5.7%, in the collection, treatment and disposal of waste and materials recovery sector, while the sharpest increase, of 8.3%, was registered by extraction of crude petroleum and natural gas, and auxiliary services.





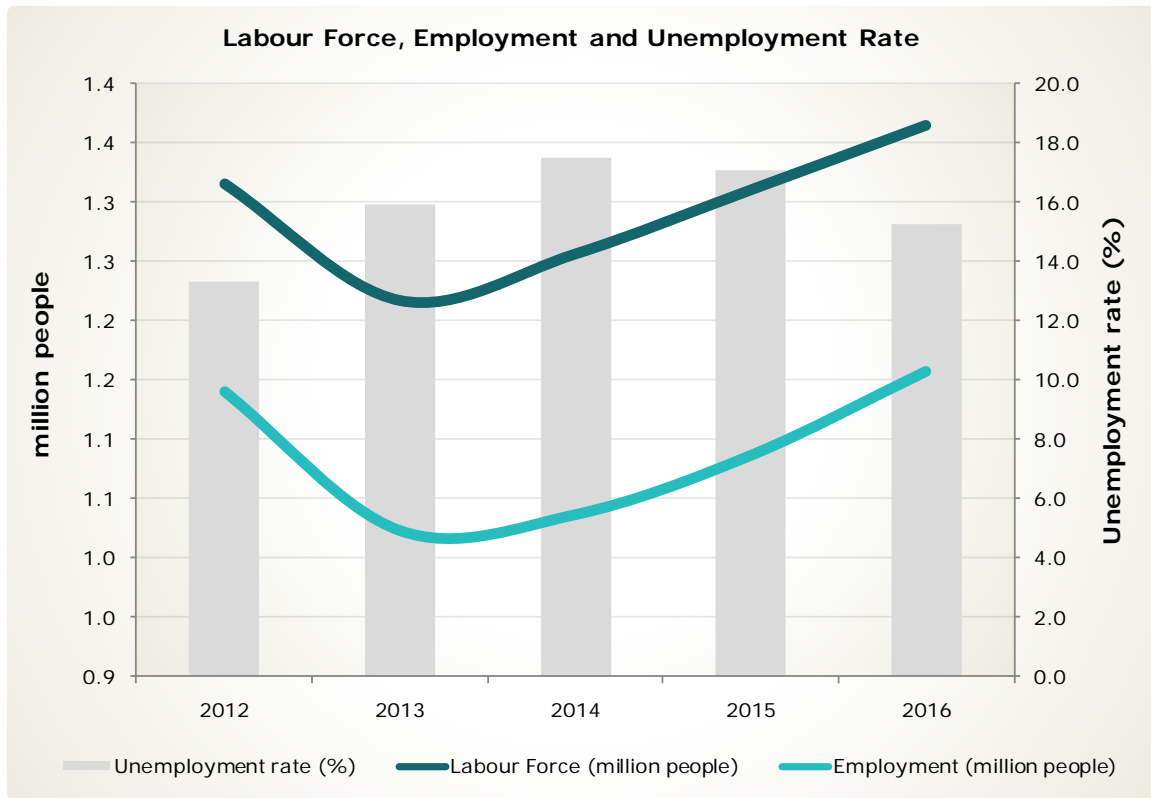
Source: INSTAT

### 3. LABOUR MARKET

#### *Unemployment rate went down to 15.2% in 2016*

Unemployment in Albania narrowed to 15.2% of the total labour force in 2016 from 17.1% in 2015, according to data of INSTAT. The employed population aged 15 years and older was 1.157 million in 2016, up by 6.5% y/y.

The youth (population aged 15-29) unemployment rate went down to 28.9% from 33.2% in 2015.



Source: INSTAT

## 4. CONSTRUCTION AND REAL ESTATE

### *The number of building permits jumped in 2016*

The number of building permits issued in Albania in 2016 totalled 455, compared to 170 in the previous year, according to INSTAT data.

Permits for construction of non-residential buildings stood at 160, up from 122, permits for housing projects jumped to 295 from 48.

The total area, covered by permits for non-residential buildings amounted to 177,213 sq m. The total area of the housing projects, covered by the permits, stood at 202,928 sq m.

## 5. MONEY SUPPLY AND BANKING SYSTEM

### 5.1. ALL EXCHANGE RATE

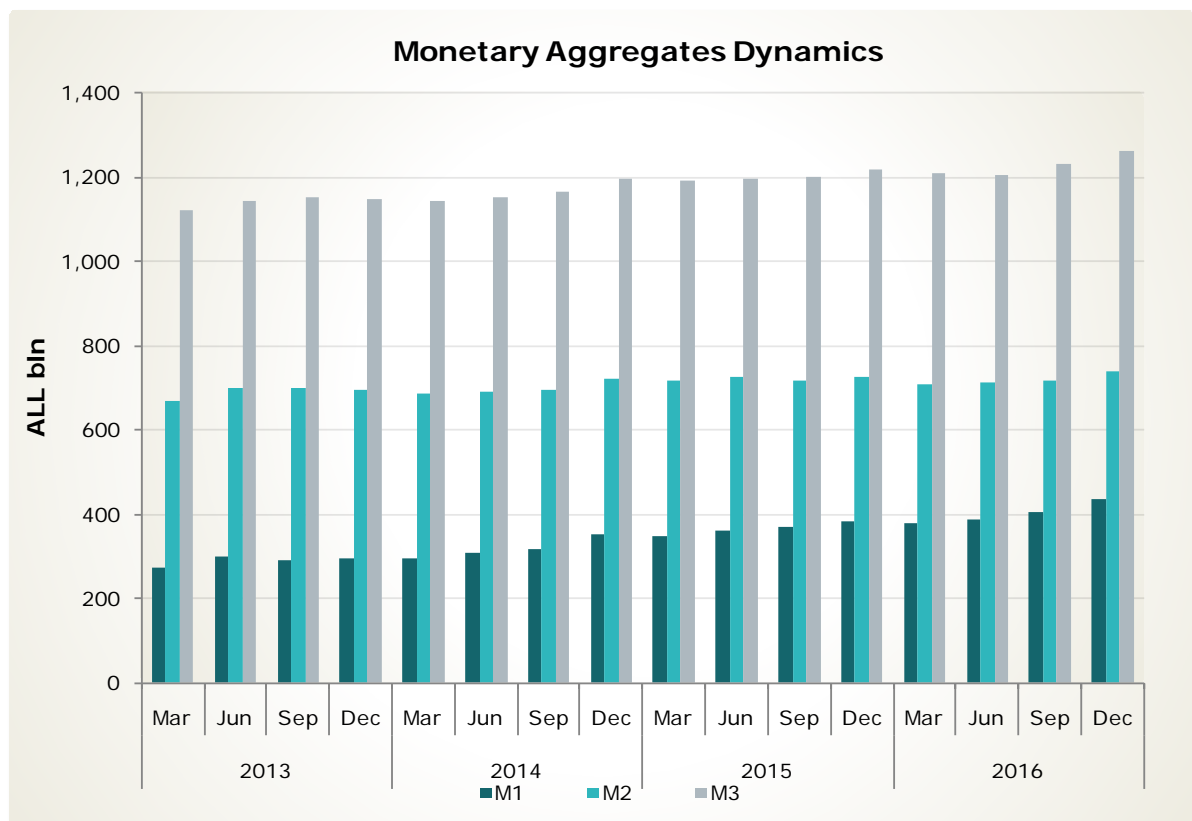
The average annual exchange rate of the ALL against the EUR decreased to ALL 137.371 in 2016 from ALL 139.742 in the previous year, according to Bank of Albania.

ALL Average Annual Exchange Rate				
Foreign Currency	2016	2015	2014	2013
EUR	137.371	139.742	139.974	140.262
USD	124.072	125.961	105.479	105.669
GBP	168.159	192.541	173.621	165.186
CHF	126.011	131.094	115.263	113.999

### 5.2. MONETARY AGGREGATES

*Money supply growth was 3.7% y/y in 2016*

Broad money (money aggregate M3) increased by 3.7% y/y and reached ALL 1,263.4 bln in December 2016, according to data provided by Bank of Albania. The M2 money supply went up by 1.8% y/y to ALL 736.9 bln. Money aggregate M1 jumped by 13.4% y/y to ALL 435.4 bln.



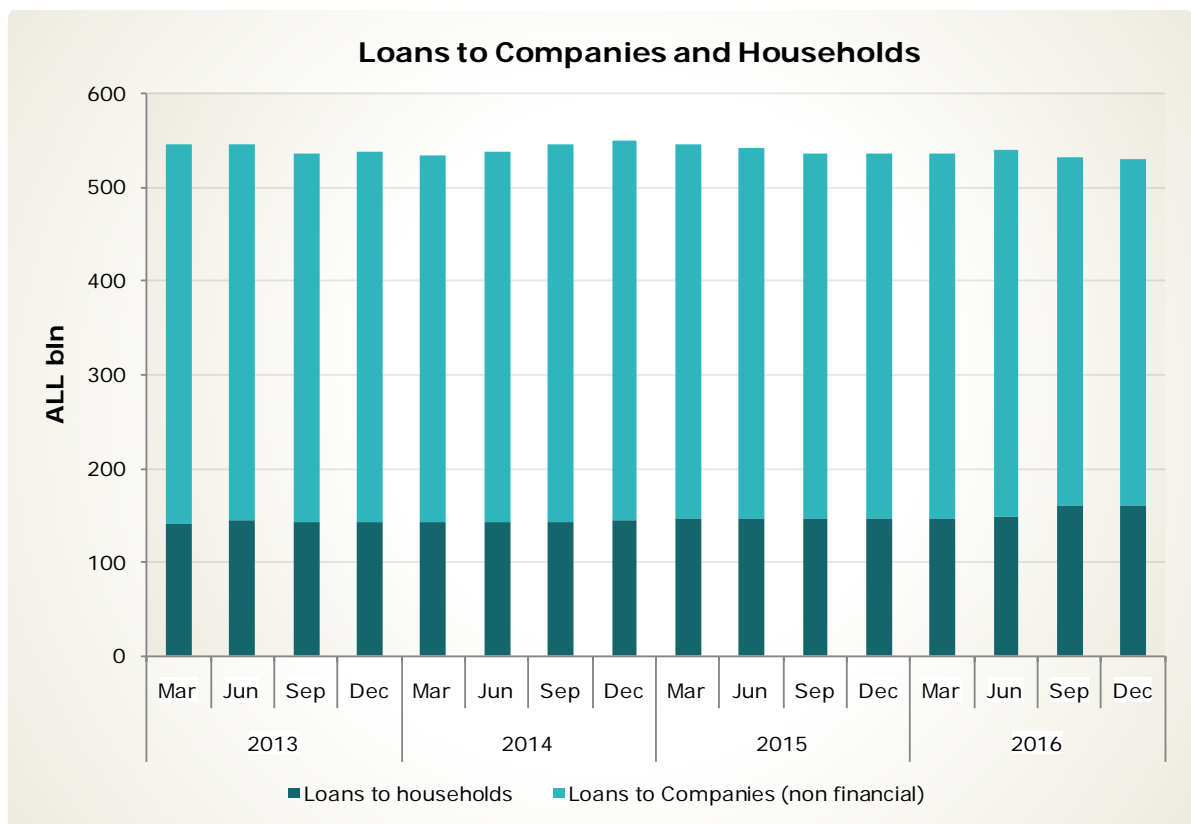
Source: Bank of Albania

## 5.3. BANKING AND INSURANCE

### *Non-government sector loans decreased by 0.8% y/y in Q4 2016*

Loans to the non-government sector totalled ALL 530.8 bln in December 2016, down by 0.8% y/y, according to Bank of Albania.

Loans to non-financial corporations fell by 4.7% y/y to ALL 370.3 bln, while household loans rose by 9.8% to ALL 160.5 bln. House purchasing loans amounted to ALL 103.7 bln, up from ALL 101.4 bln in December 2015.

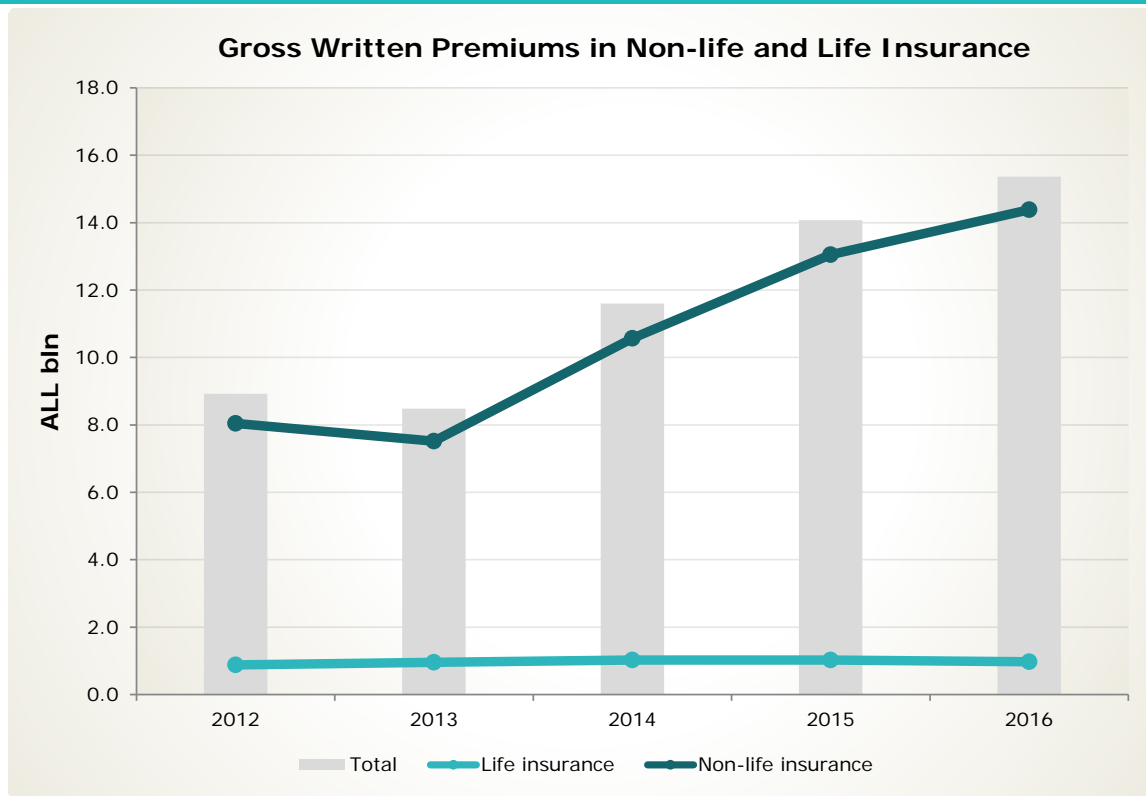


Source: Bank of Albania

### *Insurance premium income up 9.1% y/y in 2016*

The total gross written premiums of the non-life and life insurance companies, excluding reinsurance, stood at ALL 15.362 bln, up by 9.1% y/y in 2016, according to the Albanian Financial Supervisory Authority (AMF).

The rise was fuelled by the 10.2% increase of the non-life insurance sector, which posted gross written premiums of ALL 14.384 bln in 2016. The premiums in the life insurance segment inched down by 4.8% on the year to ALL 977.9 mln.



Source: AMF

In the non-life insurance sector the highest annual rise of gross written premiums was registered in insurance of vessels in see and inland navigation, where premiums soared to ALL 31.484 mln from ALL 5.450 mln. Cargo insurance was on the other end with its premium income shrinking by 12.1% y/y.

Among the life insurance segments, the leader in terms of annual growth in gross written premiums was other insurance, where premium income rose to ALL 0.148 mln, up from 0.050 mln. Pupil and student's life insurance generated premium income of only ALL 1.567 mln, down from ALL 7.370 mln, thus registering the sharpest annual drop on the local life insurance market, of 79.7%.

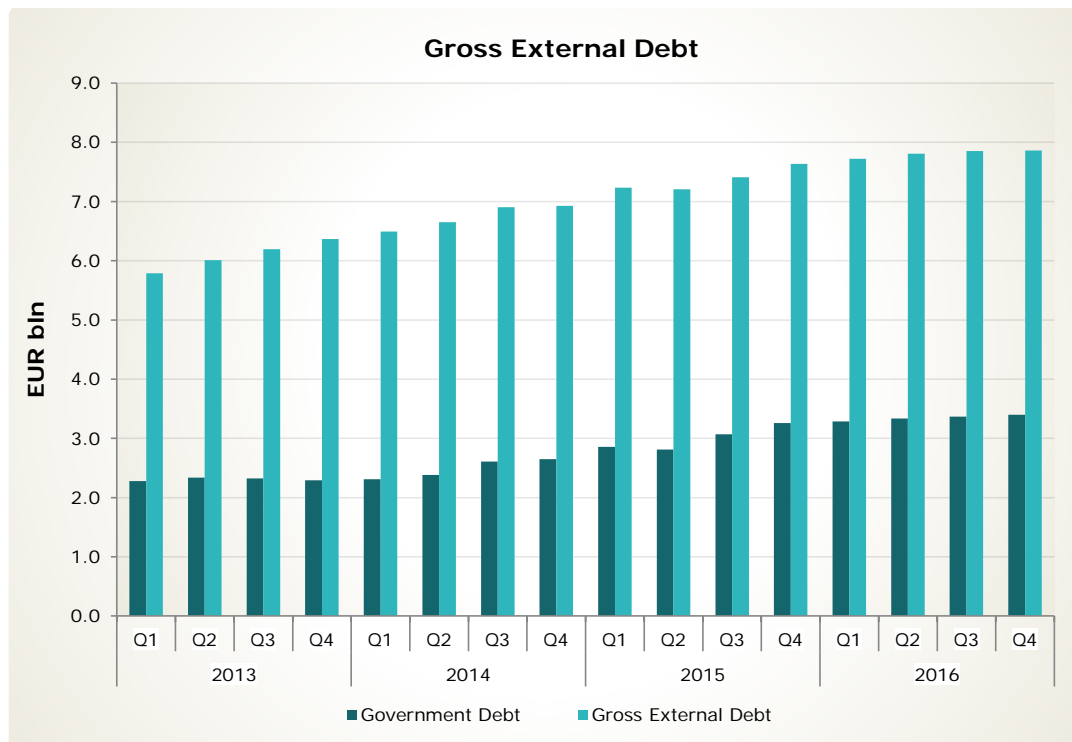
## 6. EXTERNAL SECTOR

### 6.1. FOREIGN DEBT

#### *The gross external debt grew to EUR 7.862 bln in Q4 2016*

The gross external debt totalled EUR 7.862 bln, up by 3.0% on the year in the fourth quarter of 2016, according to Bank of Albania. In comparison to Q4 2015 the gross external debt increased by EUR 228.0 mln.

In Q4 2016, long-term liabilities amounted to EUR 4.534 bln, or 57.7% of the total debt, and short-term liabilities totalled EUR 1.561 bln, equal to 19.9% of the total debt.



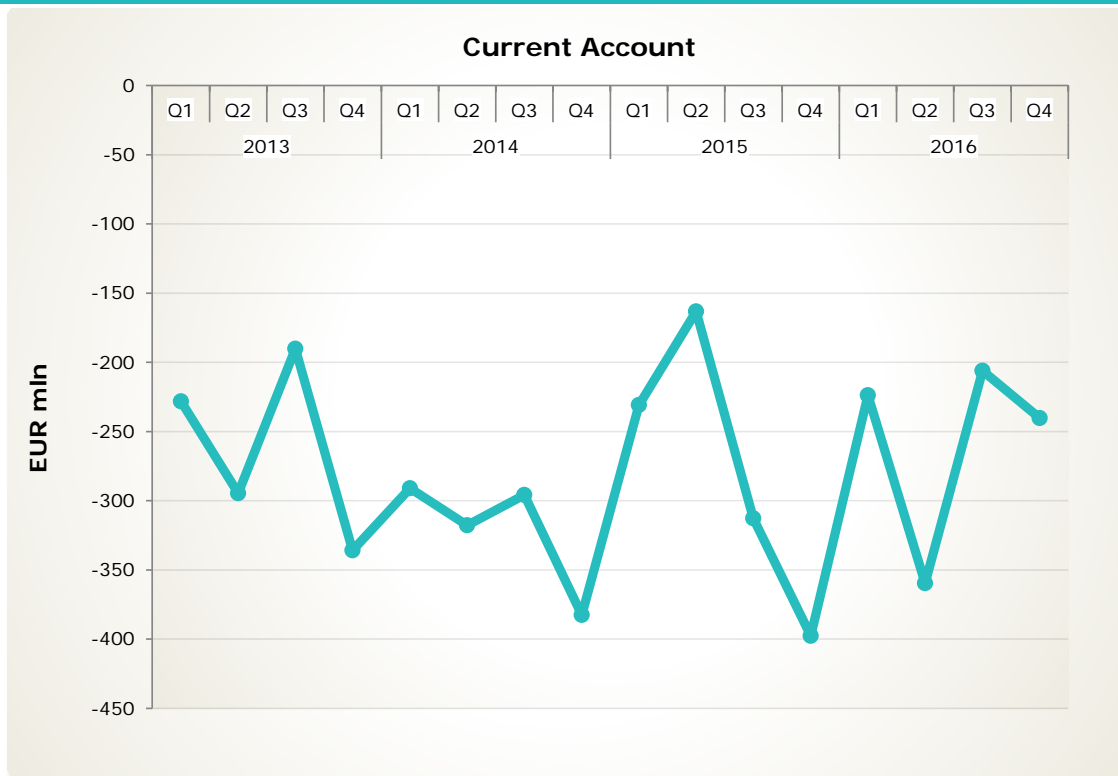
Source: Bank of Albania

## 6.2. BALANCE OF PAYMENTS

### Current account deficit at EUR 240.3 mln in Q4 2016

The current account deficit narrowed to EUR 240.3 mln in Q4 2016 from EUR 397.7 mln in Q4 2015, according to central bank statistics data.

Secondary income in Q4 2016 rose to EUR 224.4 mln from EUR 201.0 mln in Q4 2015.

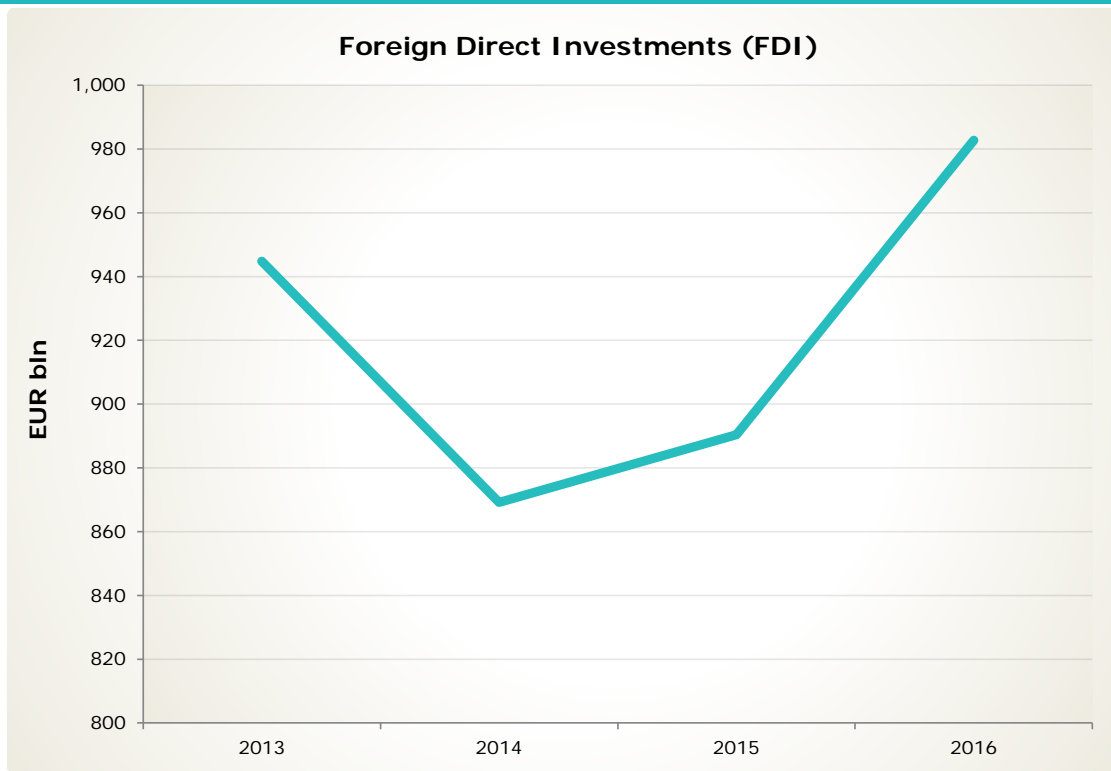


Source: Bank of Albania

## 6.3. FDI

### *FDI in Albania at EUR 982.7 mln in 2016*

Foreign Direct Investments (FDI) in Albania amounted to EUR 982.7 mln in 2016, according to Bank of Albania. In annual terms, the FDI inflow increased by 10.4%, or EUR 92.3 mln.



Source: Bank of Albania

## 6.4. FOREIGN TRADE

### *Foreign trade deficit up by 11.4% y/y in 2016*

The trade deficit stood at ALL 335.8 bln in 2016, compared to ALL 301.4 bln in 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 62.9% of the total in 2016.

The most imported product groups in Albania in 2016 were machinery, equipment and spare parts, 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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