

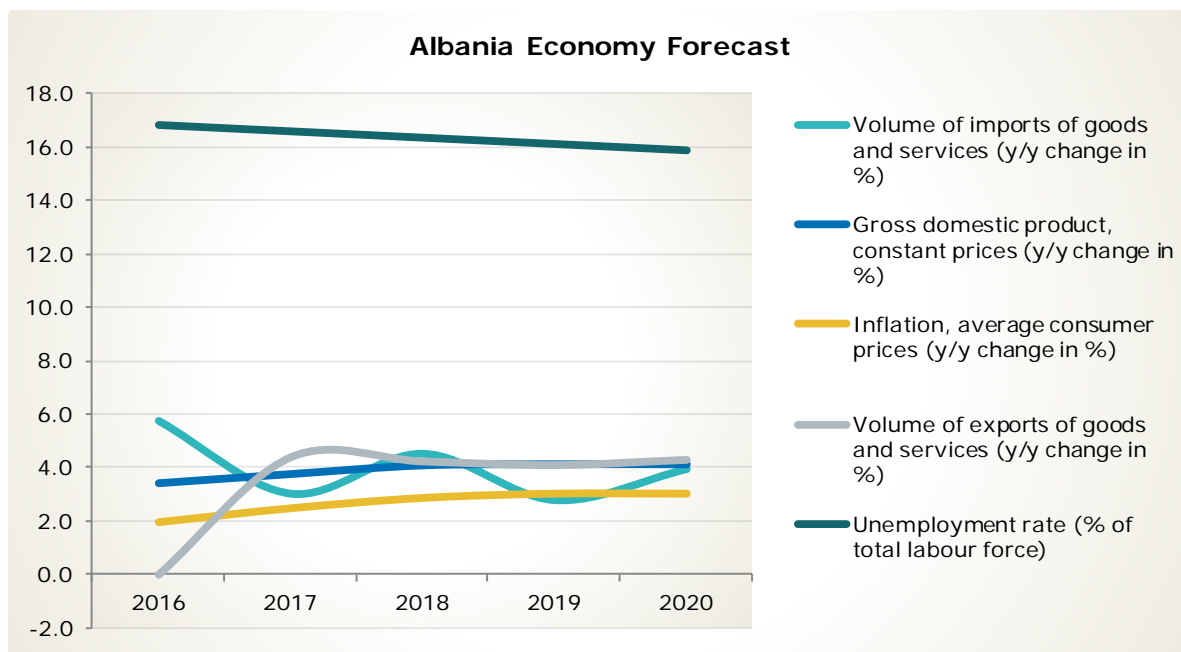
ALBANIA ECONOMY REPORT
2015

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1. MACROECONOMIC SNAPSHOT AND FORECAST

ALBANIA – MACROECONOMIC SNAPSHOT AS OF END-2015	
GDP Growth	2.6% y/y
Business confidence indicator	0.1 pp q/q
Industrial output	1.2% y/y
Industrial sales	2.1% y/y
Retail sales	6.8% y/y
Annual inflation	2.0%
Unemployment rate	17.1%
Number of building permits	170
Money supply growth	1.9% y/y
Household loans	1.0% y/y
Gross external debt	EUR 7.630 bln
Current account deficit	EUR 413.0 mln
FDI inflow	EUR 881.8 mln
Foreign trade deficit	ALL 301.4 bln



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

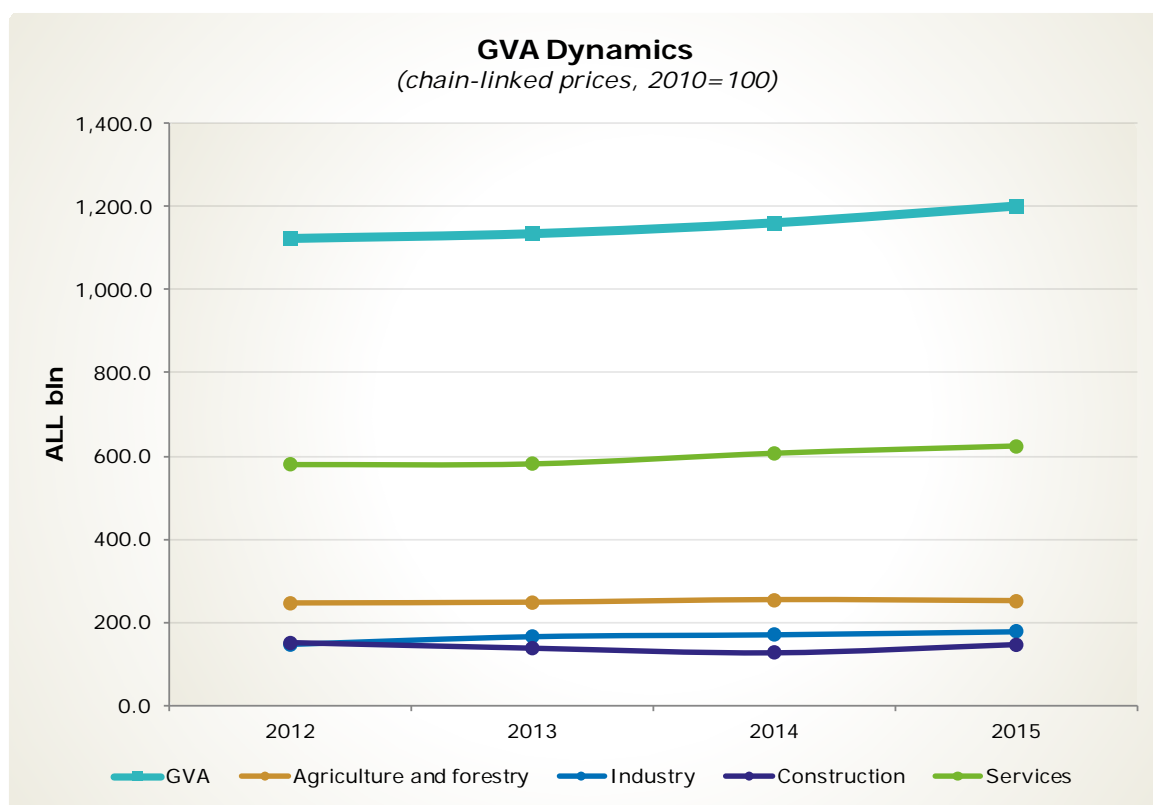
2. REAL SECTOR

2.1. GROSS DOMESTIC PRODUCT (GDP)

GDP annual growth at 2.6% in 2015

Albania's GDP increased by 2.6% y/y and totalled ALL 1,364.6 bln in 2015, according to flash estimates of the country's Institute of Statistics (INSTAT).

Final consumption, which contributed 85.8% to the GDP, inched down by 0.5% y/y. Gross capital formation jumped by 11.3%, contributing 26.4% to the GDP. Imports dropped by 5.8%, while exports shrank by ALL 0.166 bln to ALL 382.3 bln.



Source: INSTAT

The country's non-seasonally adjusted GVA increased in value by 3.4% y/y and totalled ALL 1,199.5 bln in 2015. The industrial sector grew by 4.6% and its share in the GVA structure increased to 14.9% from 14.7% in the previous year. The services sector recorded a 2.7% annual rise, slicing a 51.9% share in the GVA, down from 52.3%. The agricultural sector inched down by 0.9% and its share in the GVA shrank to 20.9% from 21.8%.

2.2. BUSINESS CLIMATE

Business Confidence Indicator increased by 0.1 percentage points q/q in Q4 2015

In Q4 2015 the average business confidence indicator went down by 0.1 percentage points q/q, according to Bank of Albania.

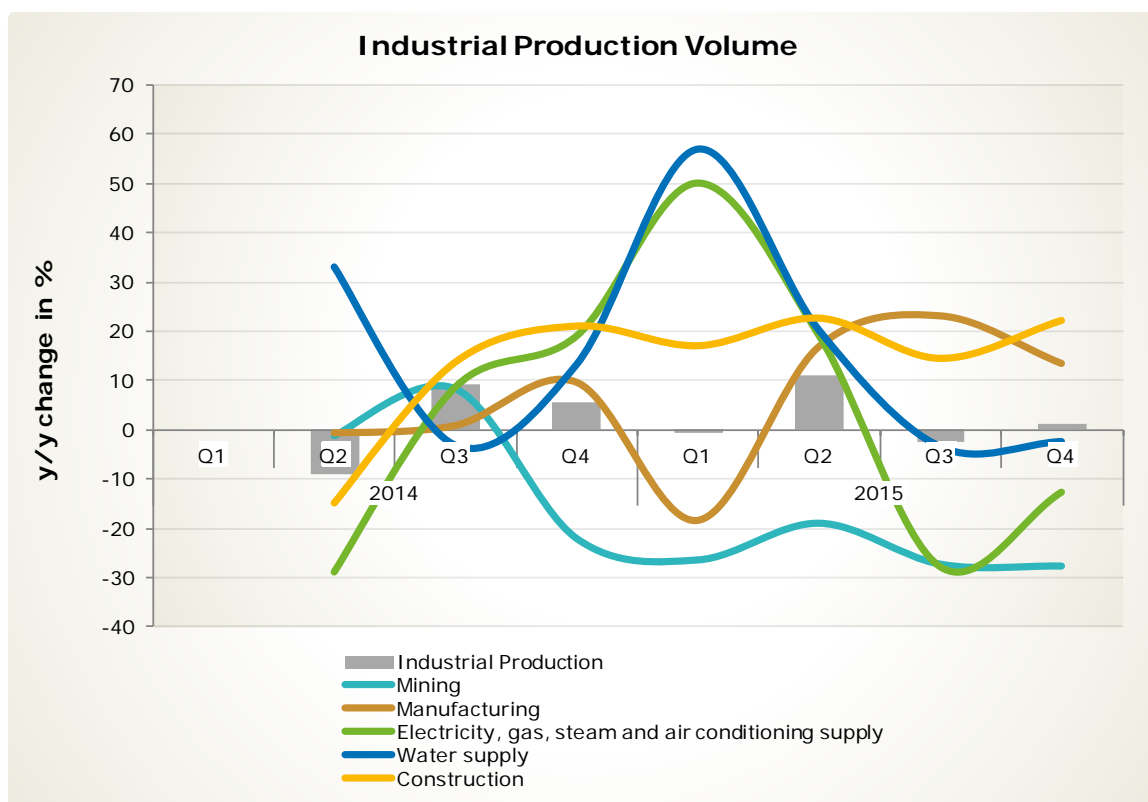
Confidence in the industry, construction, and trade sectors, as well as consumer confidence improved but it could not offset the downward confidence in services.

2.3. INDUSTRIAL OUTPUT

Industrial output increased, by 1.2% y/y in Q4 2015

Industrial output went up by 1.2% on the year in the fourth quarter of 2015, according to INSTAT.

The output of the construction sector registered the sharpest annual jump, of 22.2%, followed by the manufacturing sector with 13.4%. All other sectors registered an annual drop in their output – production in the mining sector fell by 27.5%, the electricity, gas, steam and air conditioning supply output went down by 12.7%, and water supply shrank by 2.3%.



Source: INSTAT

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

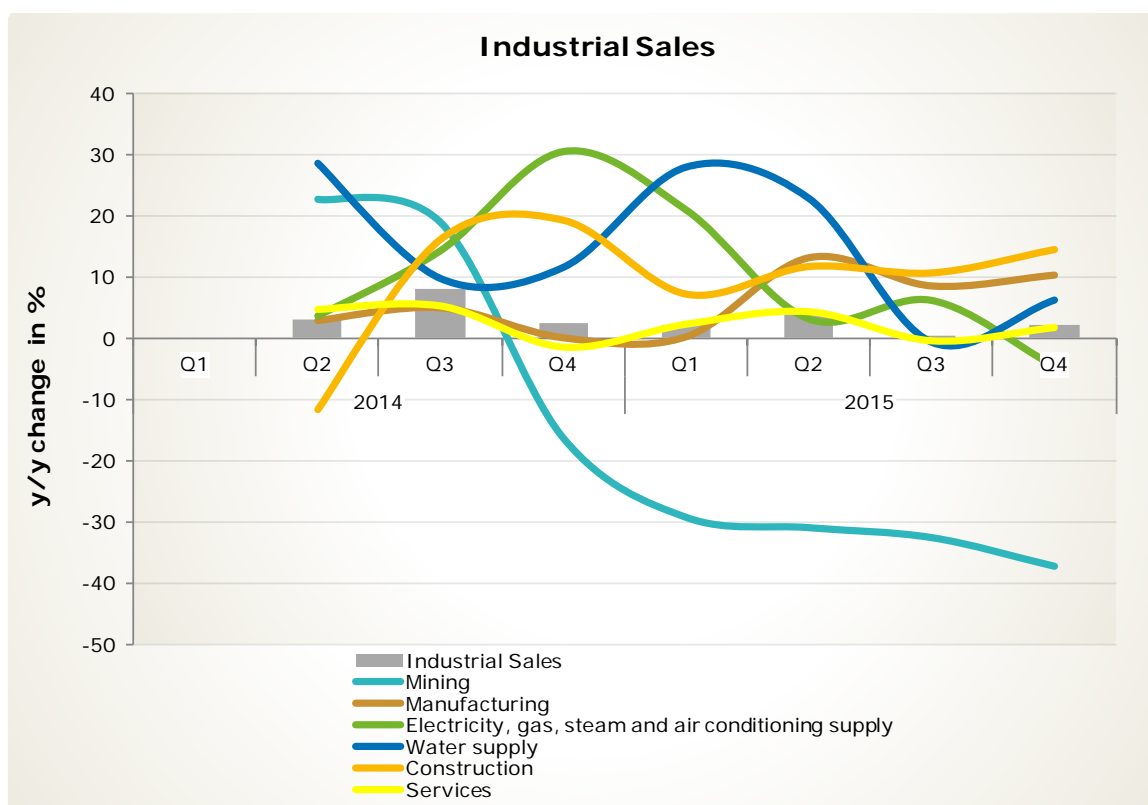
2.4. INDUSTRIAL SALES

Industrial sales grew by 2.1% y/y in Q4 2015

Industrial sales went up by 2.1% y/y in Q4 2015 thanks to the 14.5% growth of the sales in the construction sector, and the 10.4% rise in the turnover of the manufacturing industry, according to INSTAT.

The water supply and the services sectors also reported an annual growth, of 6.2% and 1.8%, respectively.

Sales in the mining sector reported the sharpest annual drop, of 37.2%. The other sector to report an annual drop in sales, of 4.5%, was electricity, gas, steam and air conditioning supply.



Source: INSTAT

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

2.5. RETAIL SALES

Retail sales grew 6.8% y/y in Q4 2015

Retail sales went up by 6.8% y/y in the last quarter of 2015, according to INSTAT.

Retail sale of sale of other goods in specialised stores registered the highest annual rise, of 31.2%. Retail sale of food, beverages and tobacco in specialised stores marked the sharpest annual decrease, of 6.4%.



Source: INSTAT

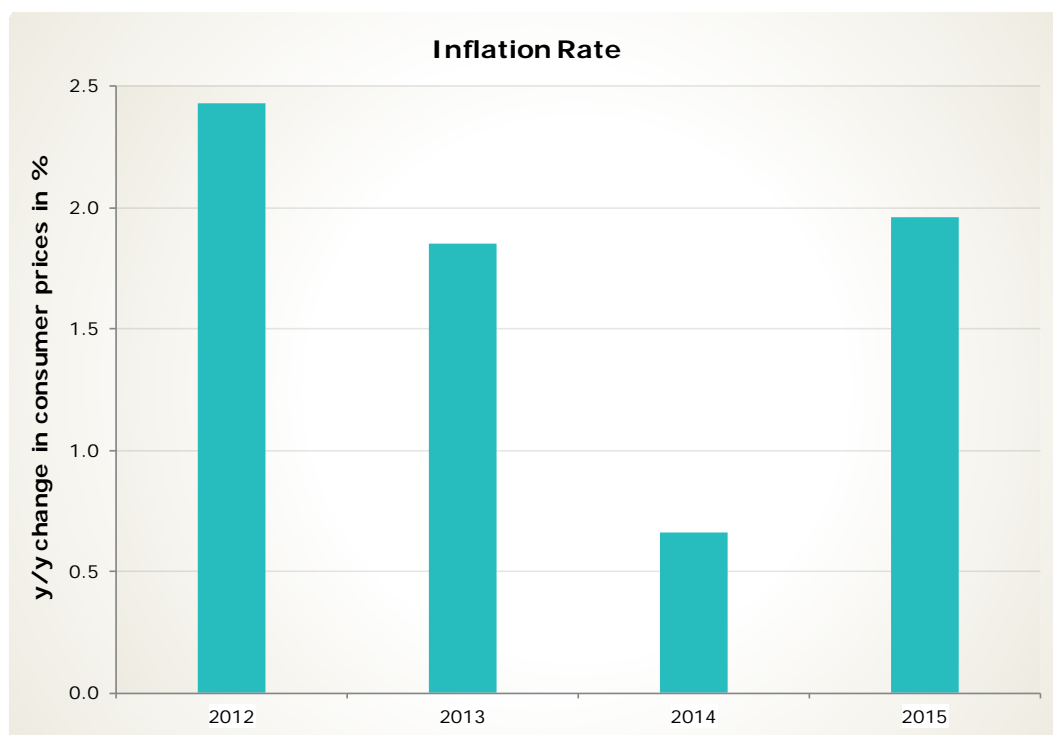
2.6. INFLATION

Annual inflation of 2.0% in 2015

The annual inflation in Albania accelerated to 2.0% in 2015 from 0.7% in 2014, according to INSTAT data.

The highest annual increase in consumer prices, of 23.9%, was registered in vegetables, followed by fruits with 22.7% and washing, drying and dishwashing machines with 4.3%.

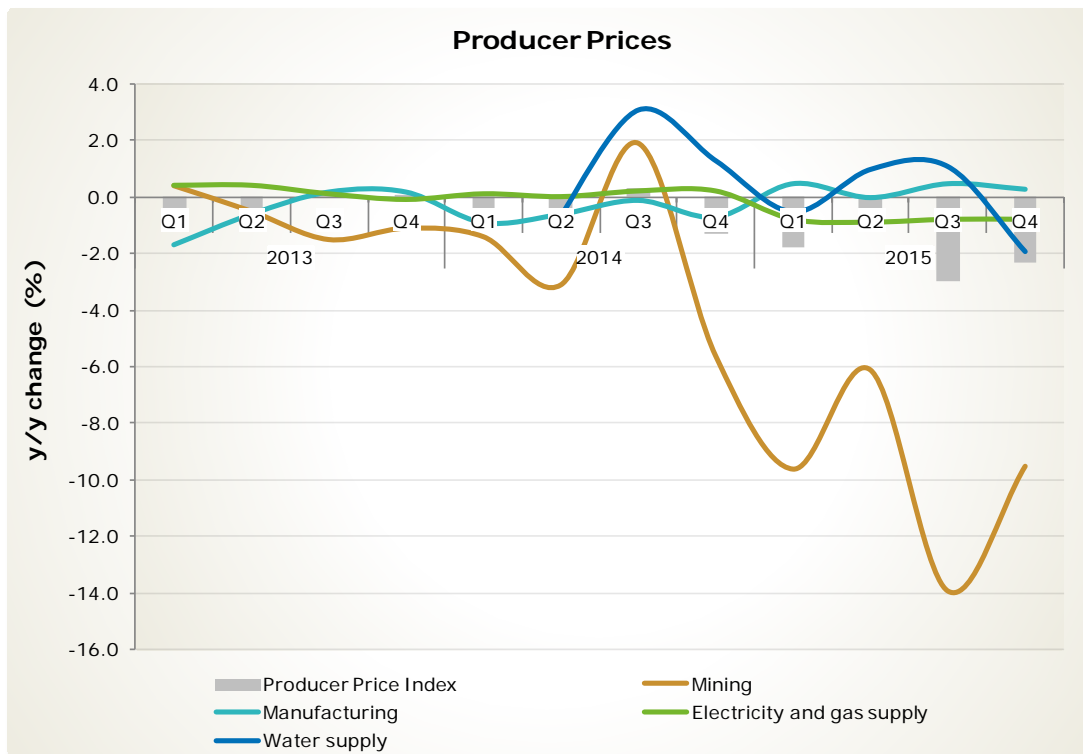
The products and services, which registered the sharpest deflation, were men's footwear, and milk, cheese and eggs with 5.8%, and women's clothing with 5.6%.



Source: INSTAT

Producer prices went down by 2.3% y/y in 2015 with almost all industries registering a decline – of between 9.5% for mining and 0.8% for electricity and gas supply.

Segment wise, producer prices dropped the most, by 15.3%, in the extraction of crude petroleum and natural gas sector, while the sharpest increase, of 6.0%, was registered by manufacture of optics, electronics and computer products.



Source: INSTAT

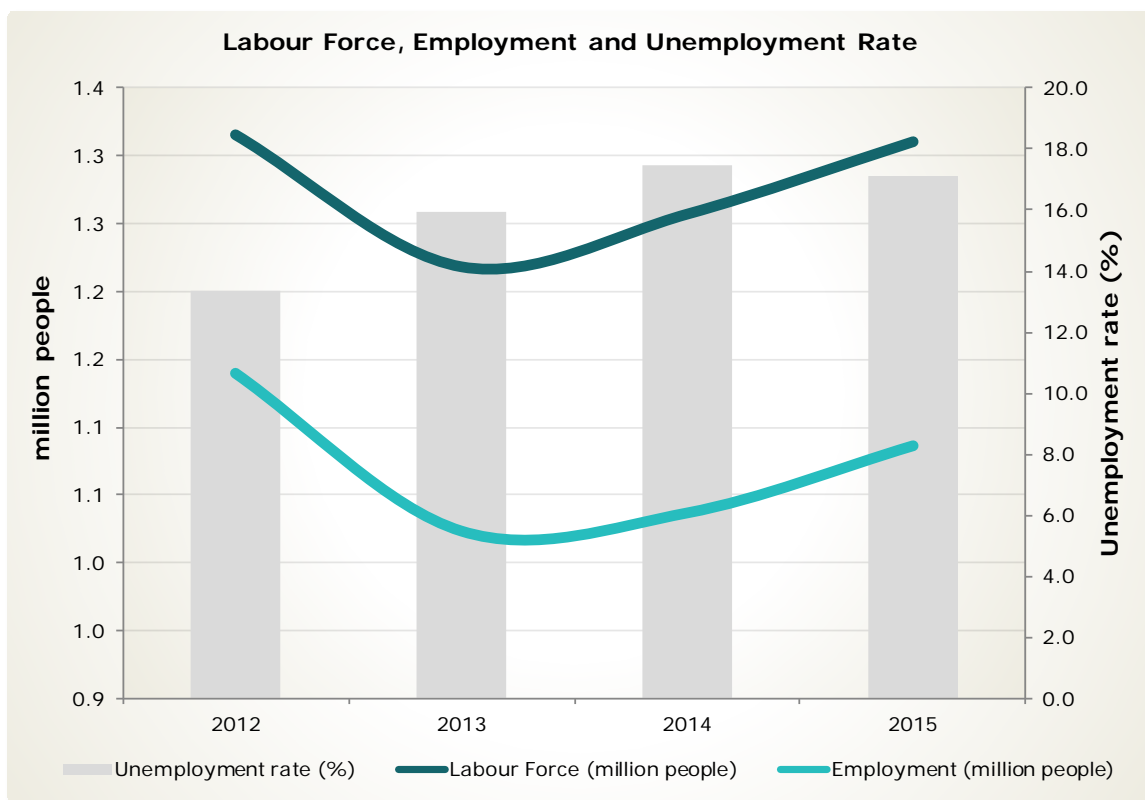
3. LABOUR MARKET

Unemployment rate went down to 17.1% in 2015

Unemployment in Albania narrowed to 17.1% of the total labour force in 2015 from 17.5% in the previous year, according to data of INSTAT.

The employed population aged 15 years and older was 1.087 million in 2015, up by 4.8% y/y.

The youth (population aged 15-29) unemployment rate went up to 33.2% from 32.5% in the the previous year.



Source: INSTAT

4. CONSTRUCTION AND REAL ESTATE

The number of building permits shrank by 37.0% y/y in 2015

The number of building permits issued in Albania in 2015 totalled 170, compared to 270 in the previous year, according to INSTAT data.

Permits for construction of non-residential buildings stood at 122, up from 74, while permits for housing projects slumped to 48 from 196.

The total area, covered by permits for non-residential buildings more than tripled to 284,000 sq m. The total area of the housing projects, covered by the permits, sank to 49,000 sq m from 979,000 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 139.742 in 2015 from ALL 139.974 in the previous year, according to Bank of Albania.

ALL Average Annual Exchange Rate				
Foreign Currency	2015	2014	2013	2012
EUR	139.742	139.974	140.262	139.040
USD	125.961	105.479	105.669	108.184
GBP	192.541	173.621	165.186	171.430
CHF	131.094	115.263	113.999	115.389

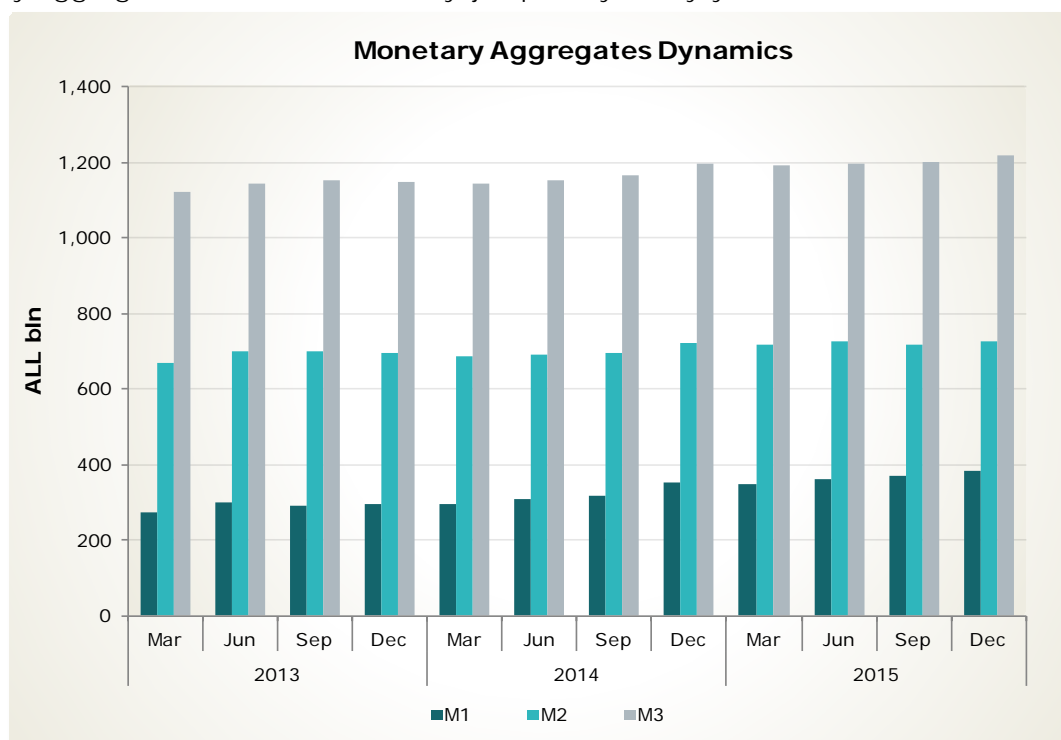
5.2. MONETARY AGGREGATES

Money supply growth was 1.9% y/y at end-December 2015

Broad money (money aggregate M3) increased by 1.9% y/y and reached ALL 1,217.9 bln in December 2015, according to data provided by Bank of Albania.

The M2 money supply inched up by 0.2% y/y to ALL 723.7 bln.

Money aggregate M1, or narrow money, jumped by 8.7% y/y to ALL 384.1 bln.



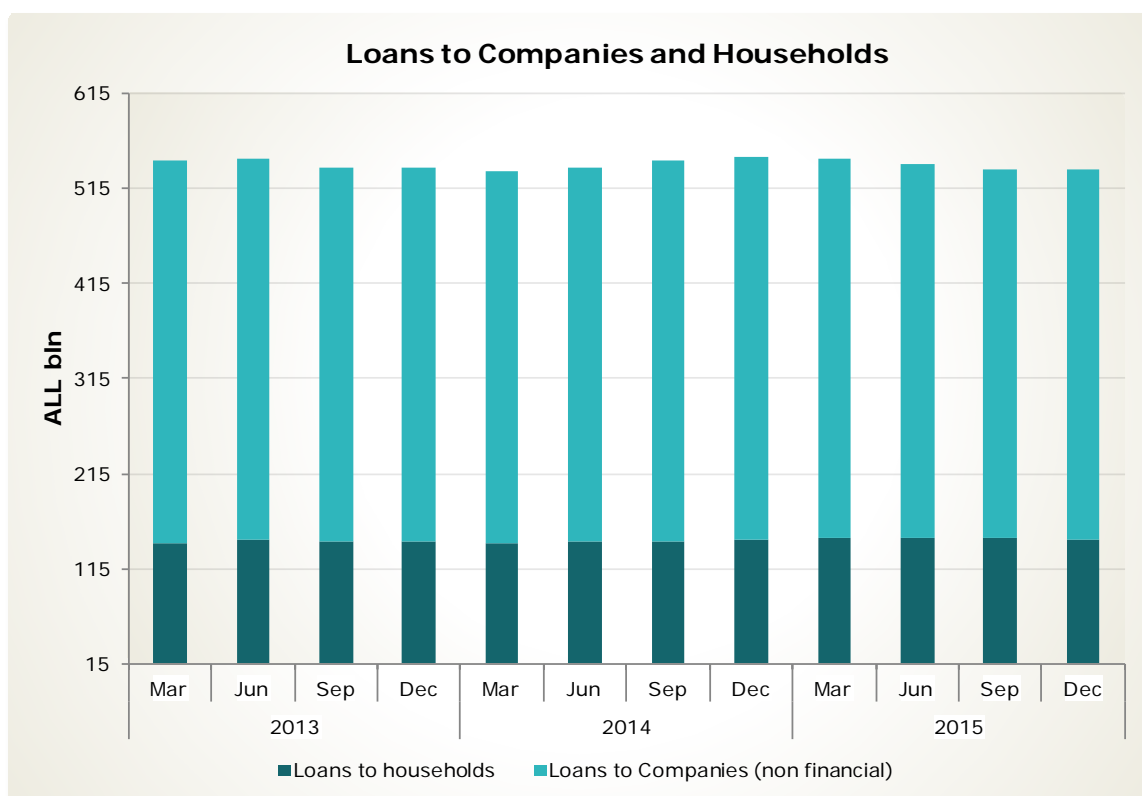
Source: Bank of Albania

5.3. BANKING AND INSURANCE

Household loans increased by 1.0% y/y in 2015

Loans to the non-government sector totalled ALL 534.9 bln in December 2015, down by 2.6% y/y, according to Bank of Albania.

Loans to non-financial corporations fell by 3.9% y/y to ALL 388.8 bln, while household loans rose by 1.0% to ALL 146.1 bln. House purchasing loans amounted to ALL 101.4 bln, down from ALL 102.4 bln.

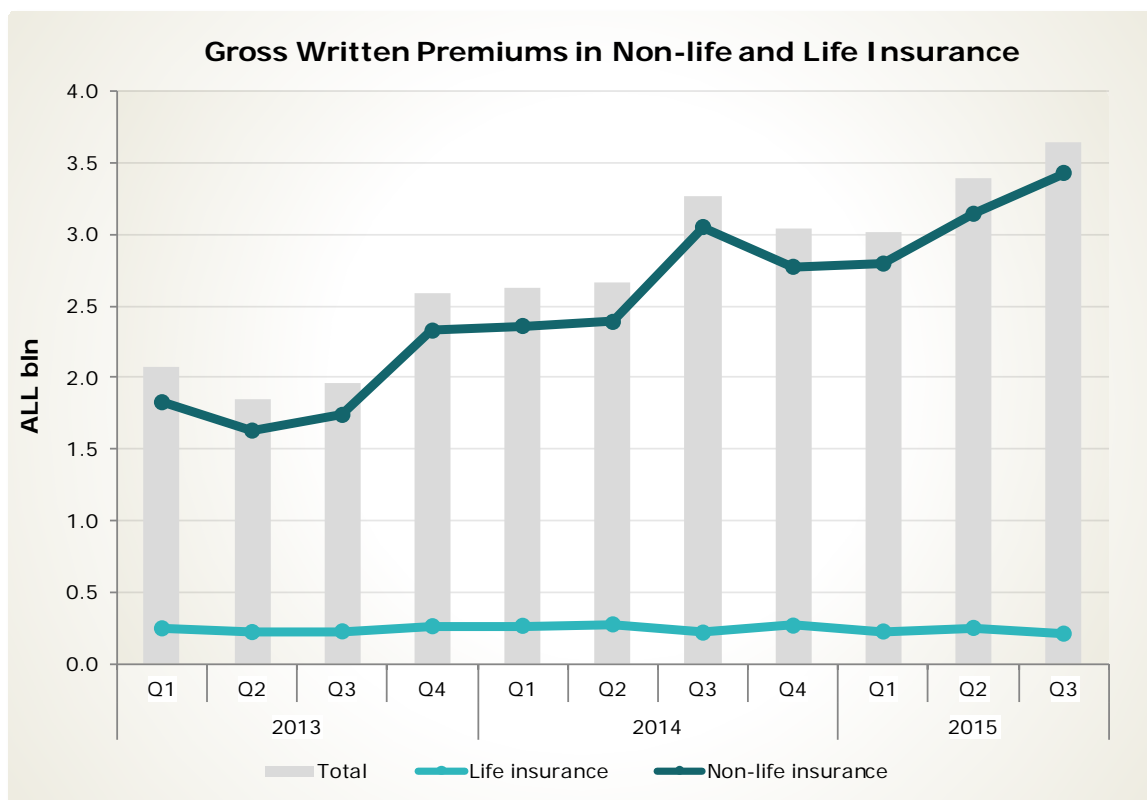


Source: Bank of Albania

Insurance premium income up 21.3% y/y in 2015

The total gross written premiums of the non-life and life insurance companies, excluding reinsurance, stood at ALL 14.073 bln, up by 21.3% y/y in 2015, according to the Albanian Financial Supervisory Authority (AMF).

The growth was fuelled by the 23.4% annual increase of the non-life insurance sector, which posted gross written premiums of ALL 13.047 bln in 2015. The premiums in the life insurance segment inched down to ALL 1.026 bln from 1.027 bln.



Source: AMF

In the non-life insurance sector the highest annual rise of gross written premiums was registered in the aircraft insurance, where premiums soared to ALL 97.1 mln from ALL 0.638 mln. Insurance of sea vessels was on the other end with its premium income shrinking to ALL 5.024 mln from ALL 11.322 mln.

Among the life insurance segments, the leader in terms of annual growth in gross written premiums was the student's life insurance segment, where premium income jumped by 42.9% to ALL 703,000. Sportsmen insurance generated premium income of only ALL 9,000, down from ALL 47,000, thus registering the sharpest annual drop on the local life insurance market, of 80.2%.

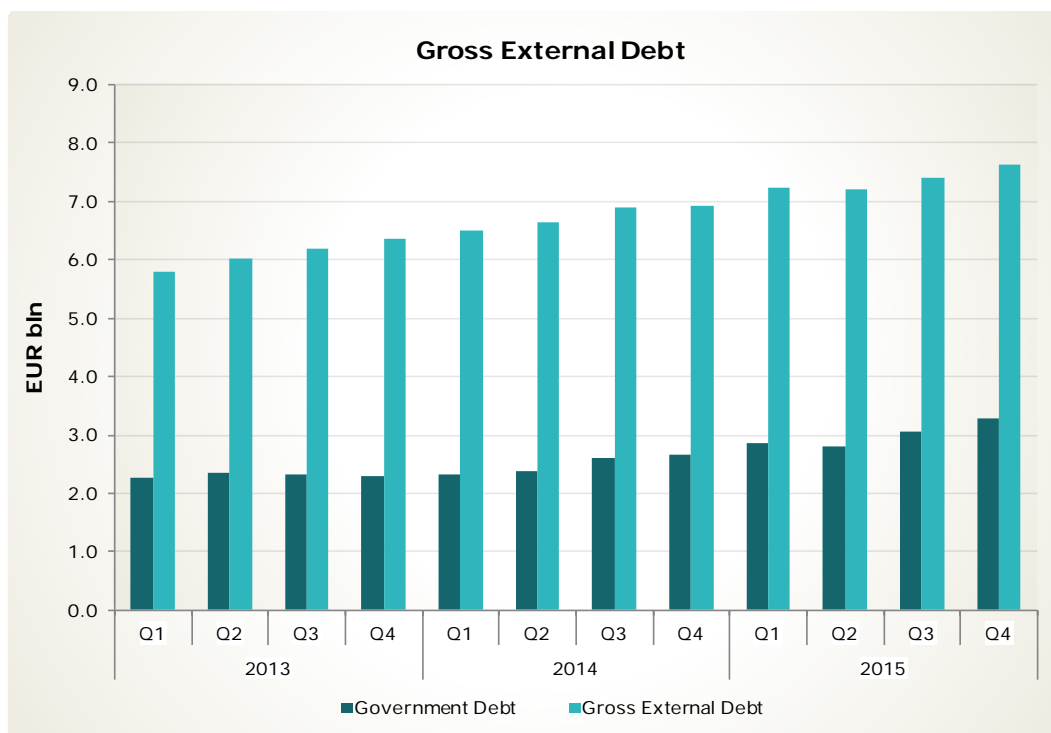
6. EXTERNAL SECTOR

6.1. FOREIGN DEBT

The gross external debt grew to EUR 7.630 bln at Q4 2015

The gross external debt totalled EUR 7.630 bln, up 10.1% on the year in the fourth quarter of 2015, according to Bank of Albania. In comparison to Q3 2015 the gross external debt increased by EUR 239.0 mln.

In Q4 2015, long-term liabilities amounted to EUR 4.464 bln, or 58.5% of the total debt, and short-term liabilities totalled EUR 1.456 bln, equal to 19.1% of the total debt.



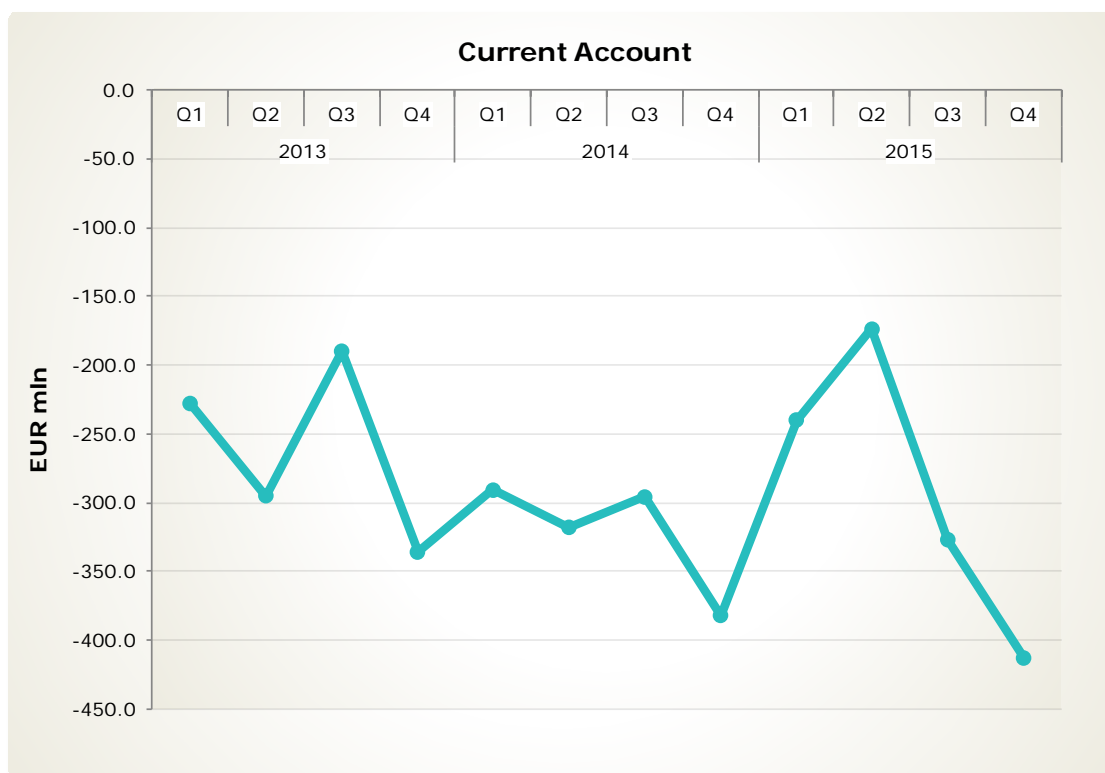
Source: Bank of Albania

6.2. BALANCE OF PAYMENTS

Current account deficit at EUR 413.0 mln in Q4 2015

The current account deficit increased to EUR 413.0 mln in Q4 2015 from EUR 327.0 mln in Q3 2015 and EUR 382.0 mln in Q4 2014, according to central bank statistics data.

Secondary income in Q4 2015 fell to EUR 201.0 mln from EUR 205.0 mln in Q4 2014.



Source: Bank of Albania

6.3. FDI

FDI in Albania at EUR 232.1 mln in Q3 2015

Foreign Direct Investments (FDI) in Albania amounted to EUR 881.8 mln in 2015, according to Bank of Albania.

In annual terms, the FDI inflow grew by 1.4%, or EUR 12.6 mln. During 2015, the highest FDI inflow, of EUR 261.3 mln was registered in the first quarter of the year, while the bottom EUR 168.9 mln was posted in the last quarter of the year.

6.4. FOREIGN TRADE

Foreign trade deficit up by 1.6% y/y in 2015

The trade deficit stood at ALL 301.4 bln in 2015, compared to ALL 296.5 bln in 2014, according to INSTAT.

Albania's most exported products groups were textile, footwear, and minerals, with their combined share amounting to 63.6% of the total in 2015.

The most imported product groups in Albania in 2015 were machinery and equipment, textile and textile products, and mineral products. They accounted for 36.3% of the total imports in the country in the period under review.



Source: INSTAT

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