

An Overview of Albania's Economic Development Indicators

Secretariat of the Investment
Council

April 2022

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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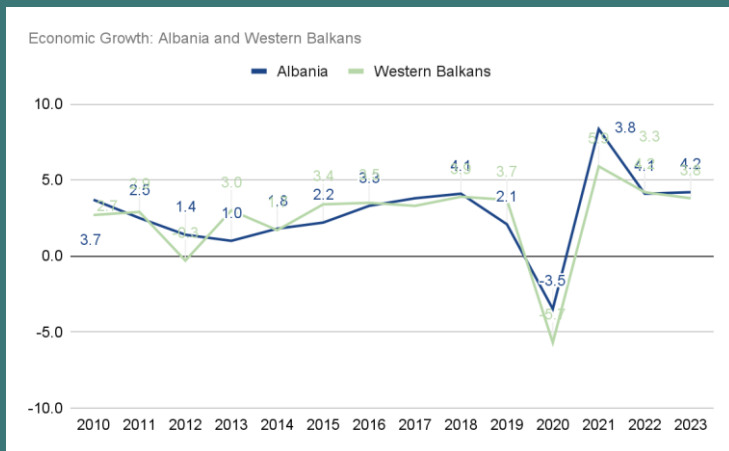
- National Accounts
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- Labour Market
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 - Global Innovation Index



Main Macroeconomic Indicators Year 2021

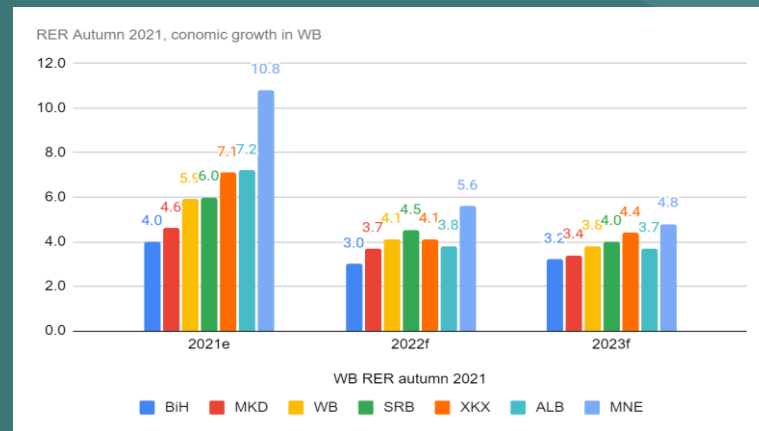
- ❖ *During 2021, economic growth was 8.4% compared to last year*
- ❖ *Inflation remained below Bank of Albania's target of 3%, recording an average annual value of 2.1% but with increasing trends (during November, December 2021 inflation marked 3.1% and 3.7%, respectively).*
- ❖ *FDI inflows during 2021 increased by 10% compared to 2020, while the FDI stock increased by 12.5%. The Netherlands continues to be the leader in FDI inflows with 237 million Euros. The extractive industry continues to be the most attractive activity for FDI.*
- ❖ *In 2021, the official unemployment rate recorded 11.6% with a decrease of 0.1 p.p compared to previous year.*

Economic Growth Performance



Albania's economic recovery started in 2015, slowed down during 2019 and fell during 2020 by 3.5%, a smaller decline compared to initial forecasts, as a result of the COVID19 pandemic 19.

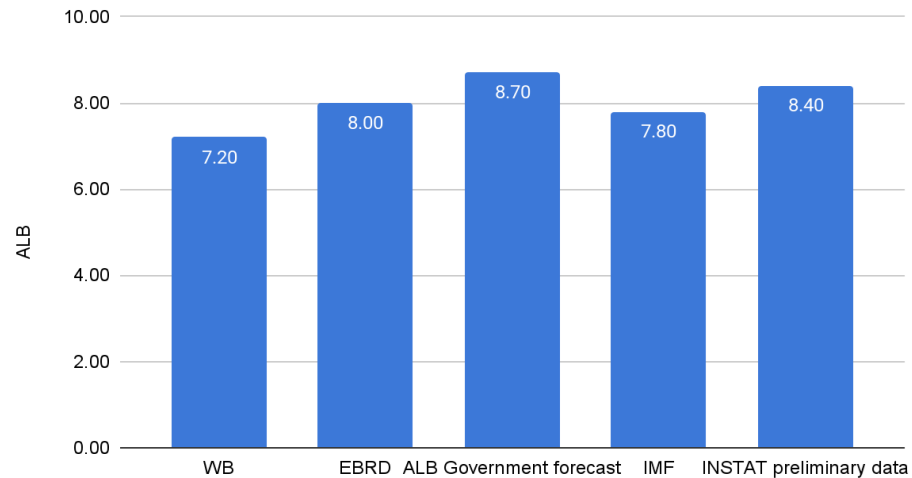
Year 2021 marked an increase of 8.4%, while economic growth will continue during 2022-2023 with lower rates.



According to World Bank, Albania's economic recovery during 2021 is estimated to be second in the region after Montenegro. The WB forecasts that during 2022 and 2023 economic growth in the region will slow down.

Economic Growth Performance

Albania Economic Growth year 2021



Based on preliminary data, Gross Domestic Product during 2021 in Albania increased by 8.4% within the forecasts of the Albanian government.

GDP is estimated to be ALL 1890.3 billion from 1644 in 2020.



Economic Growth Performance

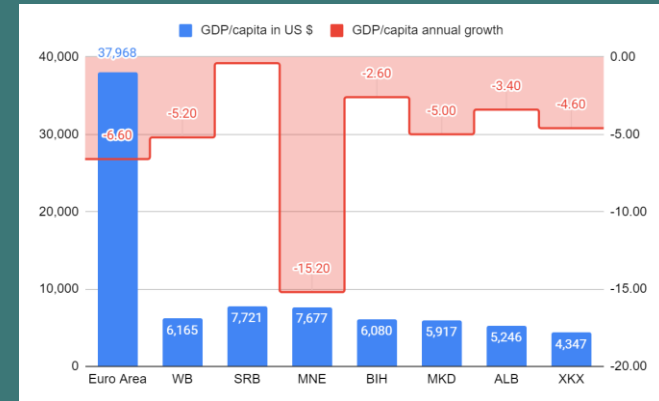
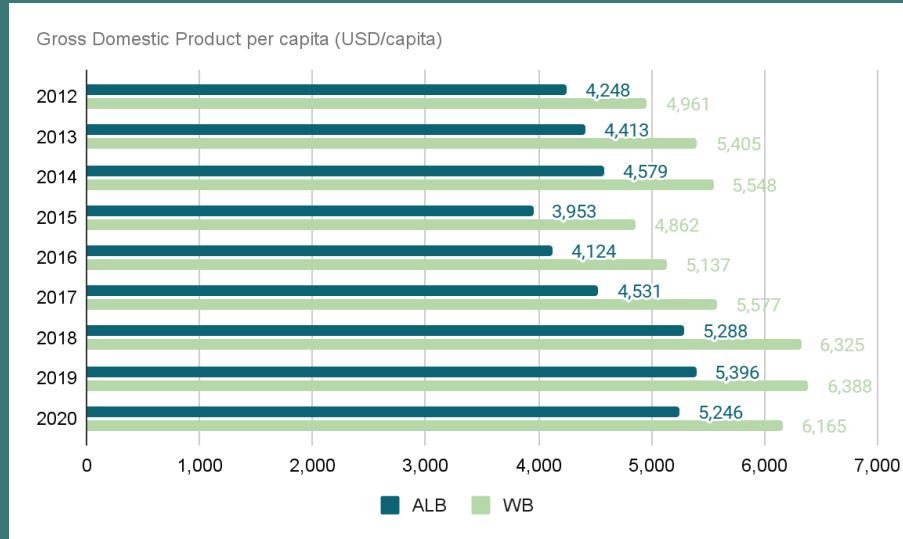


GDP based on INSTAT, during QIV of 2021 continued the positive growth initiated in QI of 2021, although with slower rate (5.52%, compared to the fourth quarter of 2020).

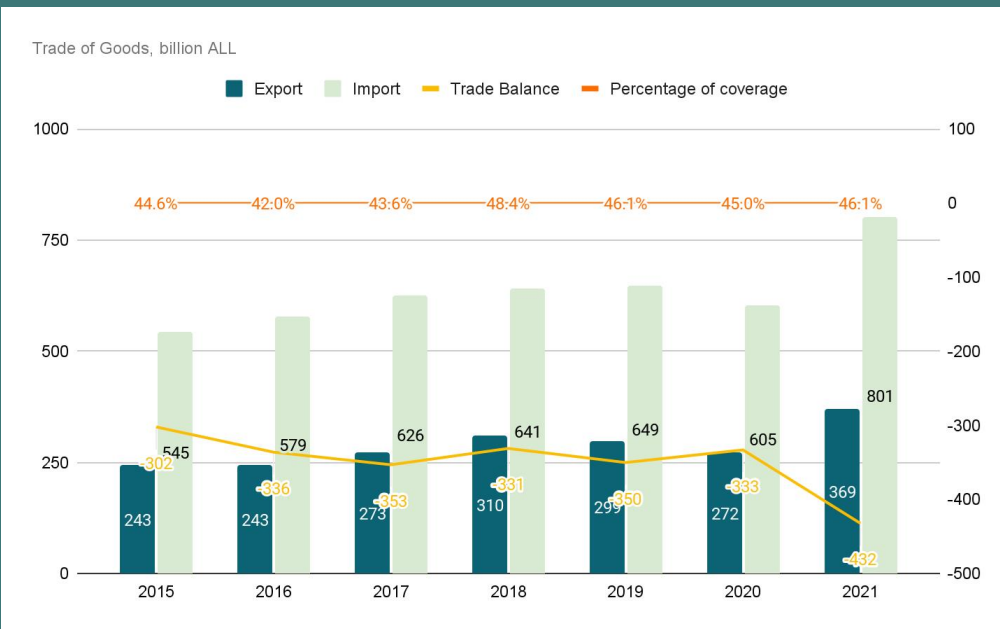
Main positive contribution was given by: Construction with +1,82p.p, Trade, Transport, Accommodation and Food Service with +1,03p.p, Real estate activities with +0,73p.p, Agriculture, Forestry and Fishing with +0.27p.p, Public administration. Negatively contributed: Professional Activities and Administrative Services with -0.29p.p, Industry, Energy and Water with -0.02p.p.

Income Per Capita

For 2020, Albania's per capita income is estimated at **5,246 USD** in current value



Circulation of Goods in Foreign Trade



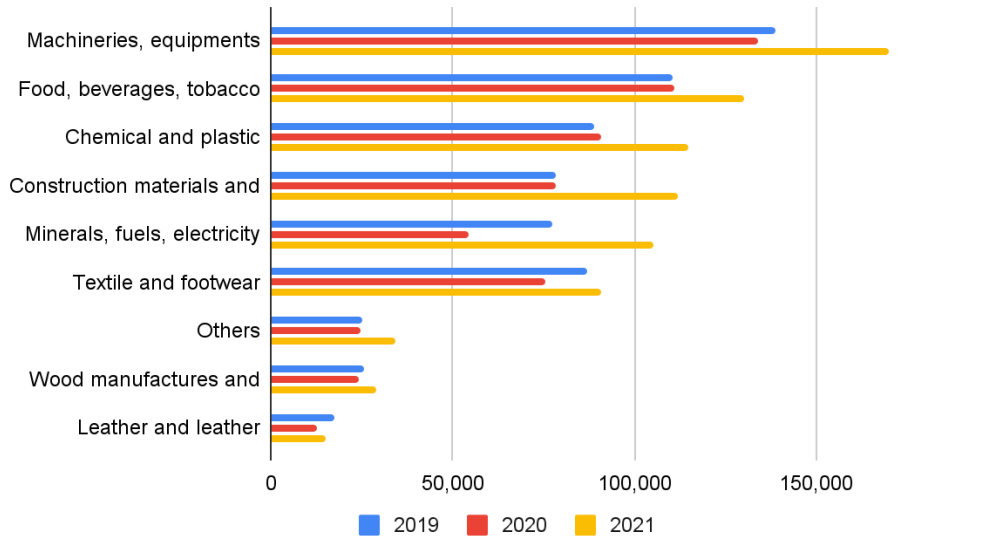
In 2021, exports of goods reached 369 billion ALL, increasing by 35.6%, while imports of goods reached 801 billion ALL, increasing by 32.3%, compared to 2020.

The trade deficit reached 432 billion ALL, increasing by 29.6%, compared to the same period of 2020.

The percentage of export coverage to imports increased to 46.1%

Circulation of Goods in Foreign Trade

Imports of Goods, mln ALL

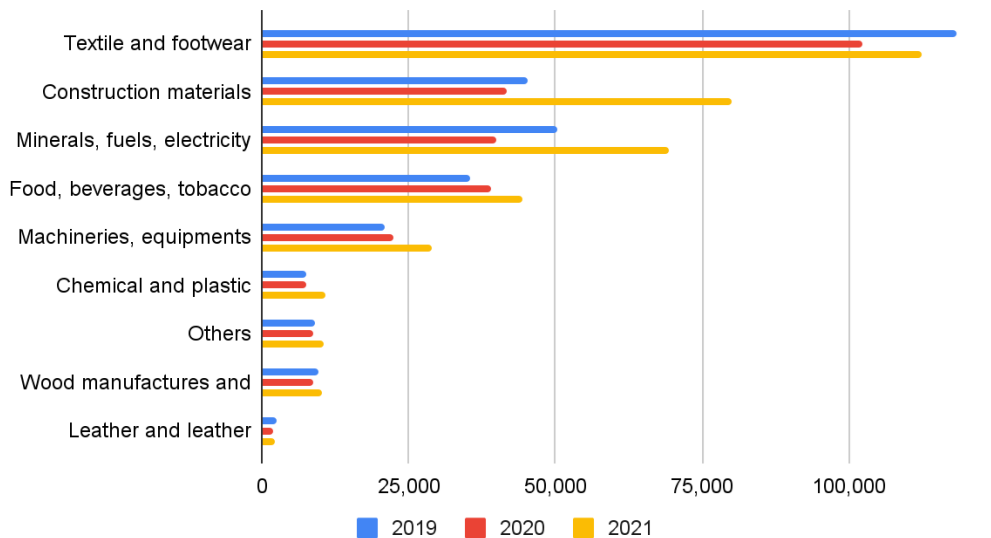


Imports during 2021, have increased in all commodities, exceeding even the levels of 2019.

The largest increase is observed in the group Minerals, Fuels and Electricity.

Circulation of Goods in Foreign Trade

Exports of Goods, mIn ALL



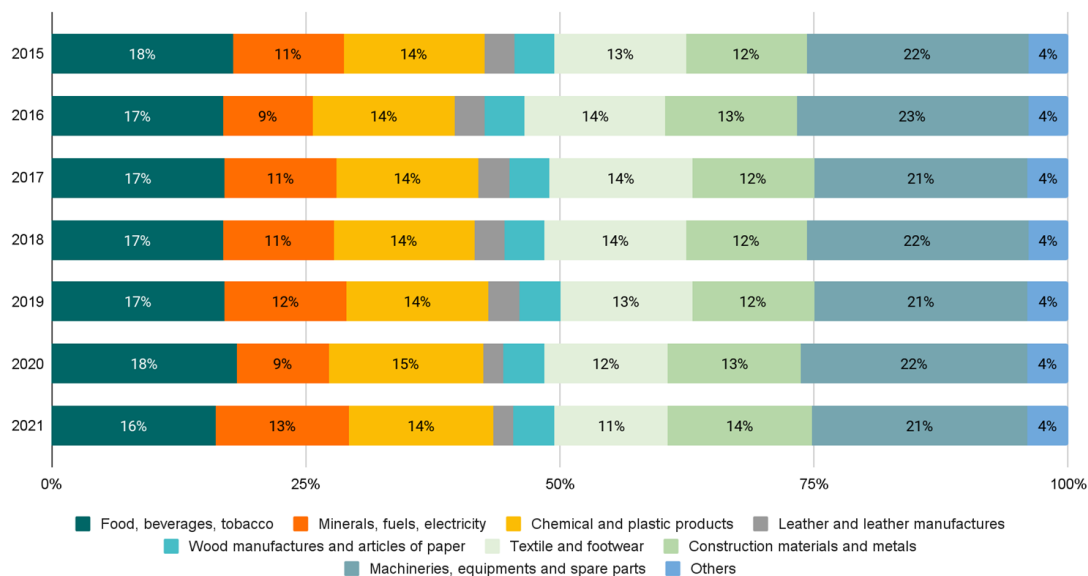
The highest growth in exports during 2021 are observed in Construction Materials and Metals and Minerals, Fuels and Electricity



Imports of Goods

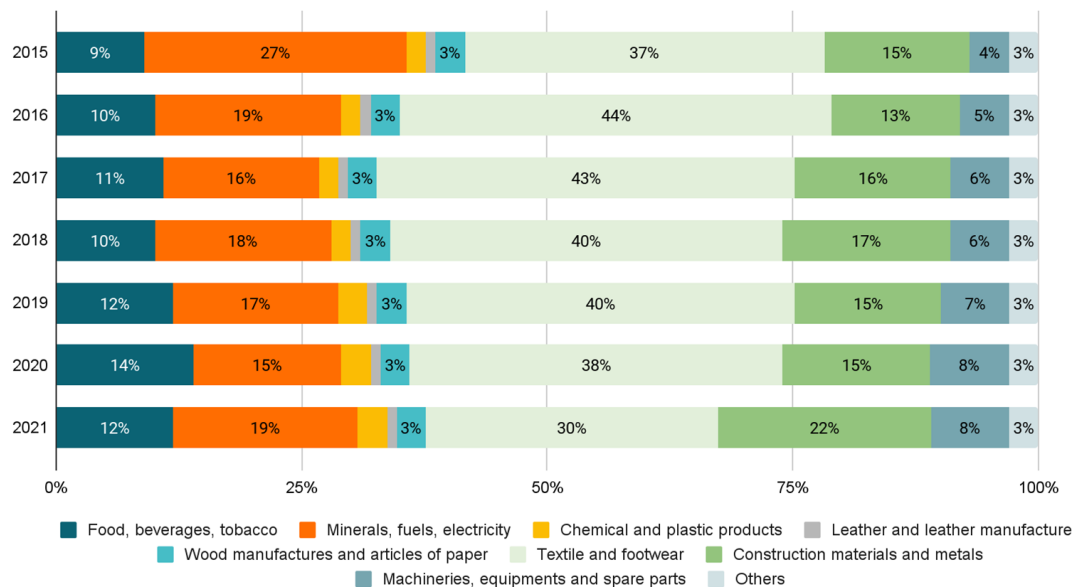
The structure of imports of goods continues to be dominated by imports of Machinery, equipment and spare parts, Food, Beverages, Tobacco and Chemical and Plastic Products.

Imports as per products, % of total



Exports of Goods

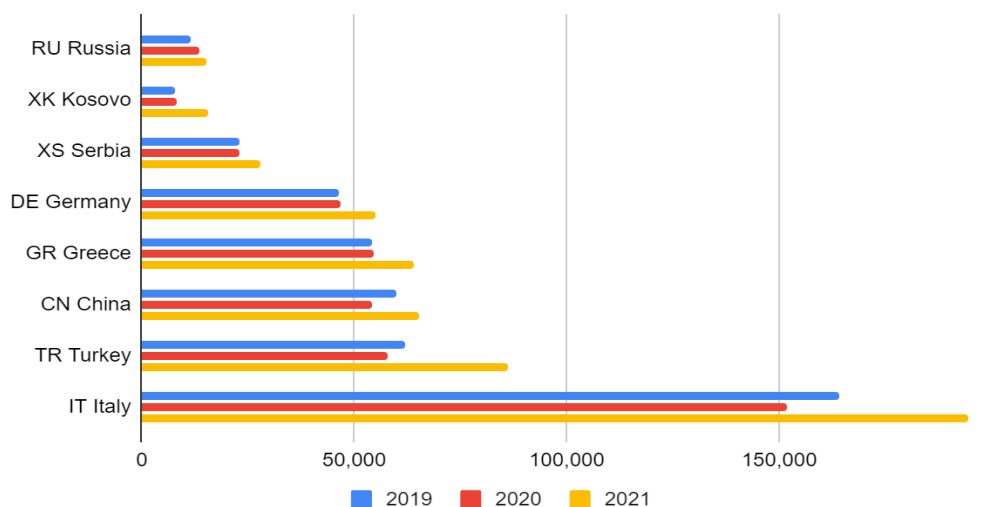
Exports as per products, % of total



Exports continue to maintain their structure during year 2020, where most of them are **Textiles** and **Footwear** followed by Minerals, Fuels, Electricity and Foods, Beverages and Tobacco.

Circulation of Goods in Foreign Trade

Imports, Main Partners in mln ALL



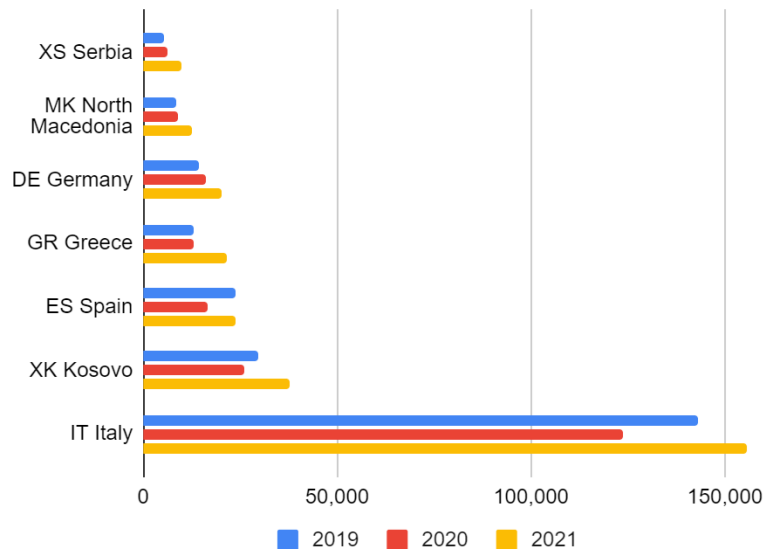
Trade exchanges, for 2021, with EU countries account for 60.0% of all trade.

During the period January - December 2021, exports to EU countries accounted for 72.2% of total exports and imports from EU countries accounted for 54.4% of total imports.

The main trading partners are: Italy (29.9%), Turkey (7.8%), Greece (7.3%) and Germany (6.4%).

Circulation of Goods in Foreign Trade

Exports, Main Partners in mln ALL

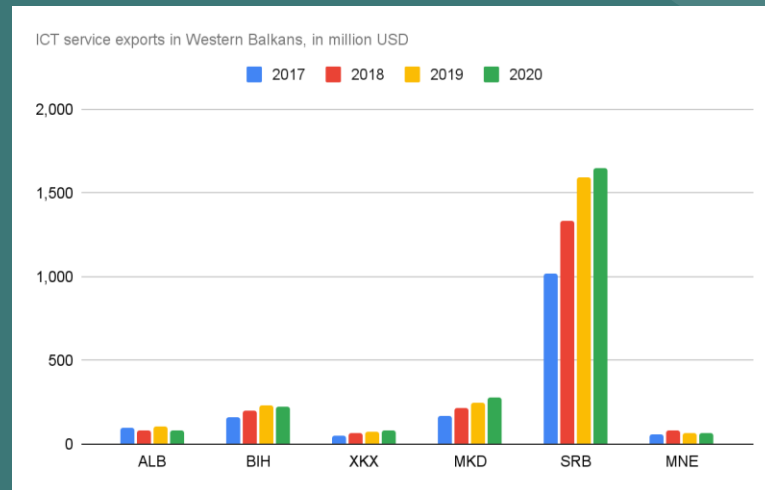
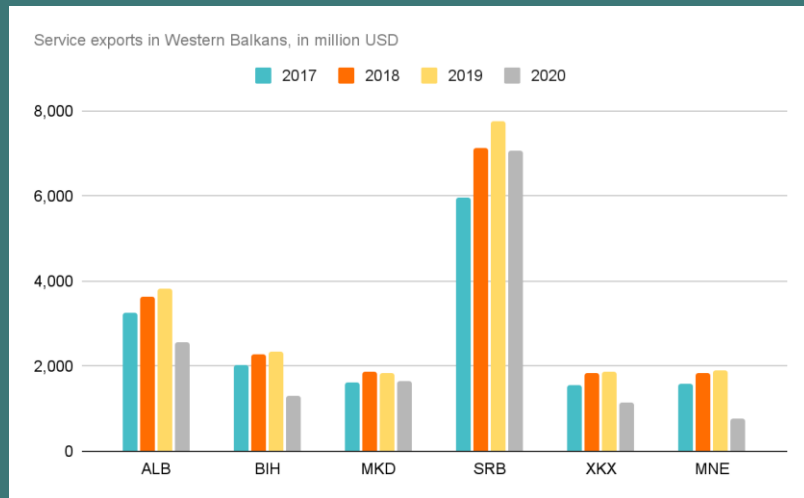


During 2021, the countries with which Albania has had a large increase in exports, compared to previous year, are: Italy (26.1%), Kosovo (43.6%) and Spain (42.0%). While the countries with which exports have had the largest decline are: Ukraine (14.7%) and Russia (49.3%).

Increase in imports, compared to a year ago, was observed with: Italy (27.9%), Turkey (48.6%) and China (20.7%). While the country with which imports have had the largest decline is: Ukraine (6.6%).

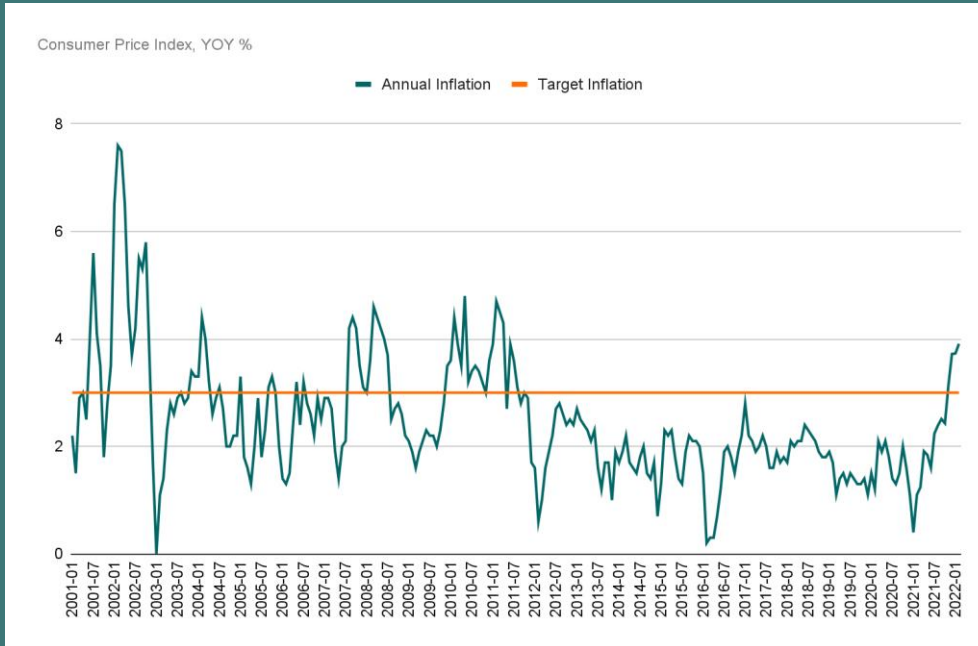


Service Exports Regional Context



Even during 2020, Albania continues to rank second in the region in terms of exports of services, dominated by Travel. Serbia is the first in the Western Balkans region in terms of service exports. Meanwhile, Albania is 4th in the region in terms of exports of ICT Services, after Serbia, the Republic of Northern Macedonia and Bosnia and Herzegovina.

Consumer Price Index

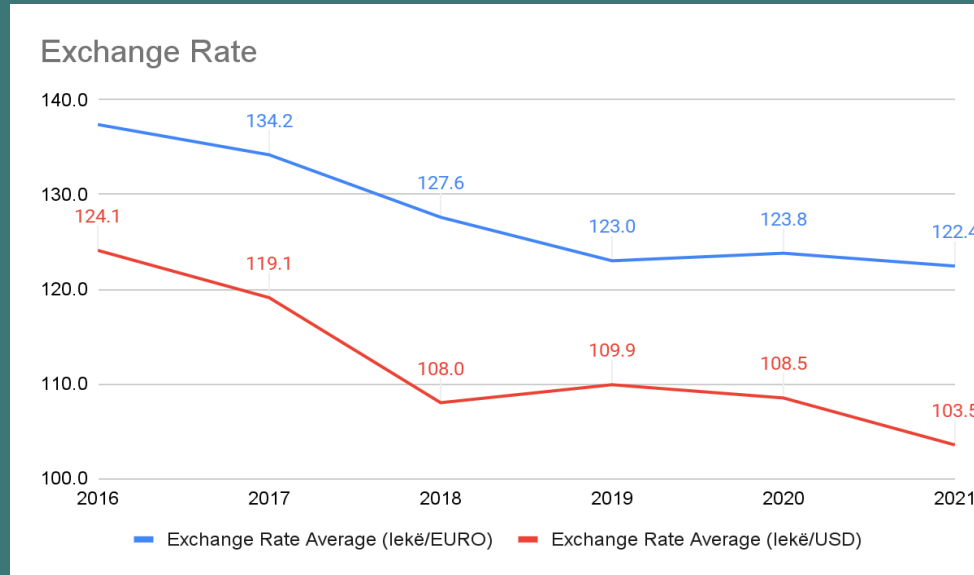


During 2021, the average inflation on annual basis recorded the value of 2.3%, higher than 2020, where Inflation recorded 1.6%.

Based on INSTAT data, starting from the end of 2011, monthly inflation on annual basis has been consistently below the Bank of Albania's target of 3%, but upward trends have been observed starting from November 2021, where registered Inflation exceeded the BoA target.

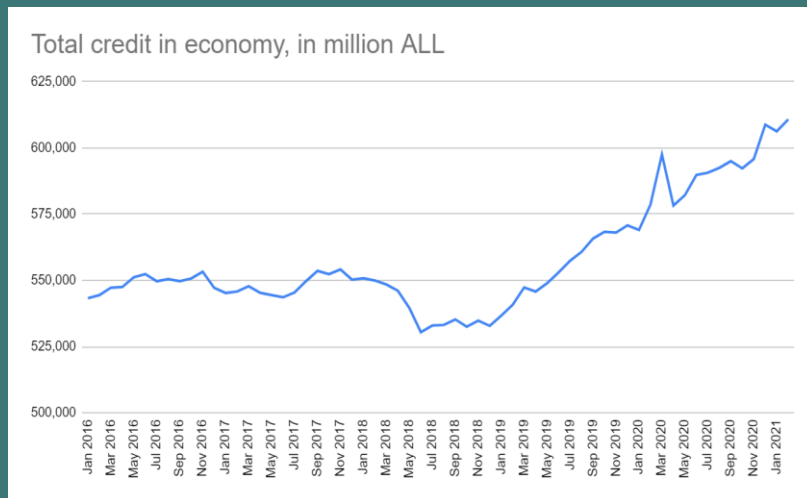


Exchange Rate



During 2021, the average exchange rate Lek / Euro was 122.4 while Lek / USD was 103.5

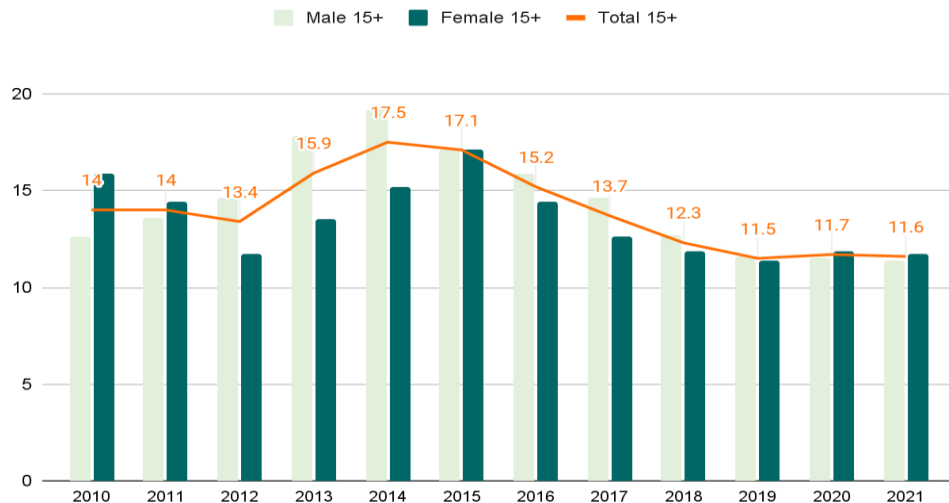
Credit to Economy



Total credit to the economy reached ALL 666.2 billion in December 2021, while most of the new credit during 2021 went to Wholesale & retail trade, Construction and Manufacturing

Labor Force

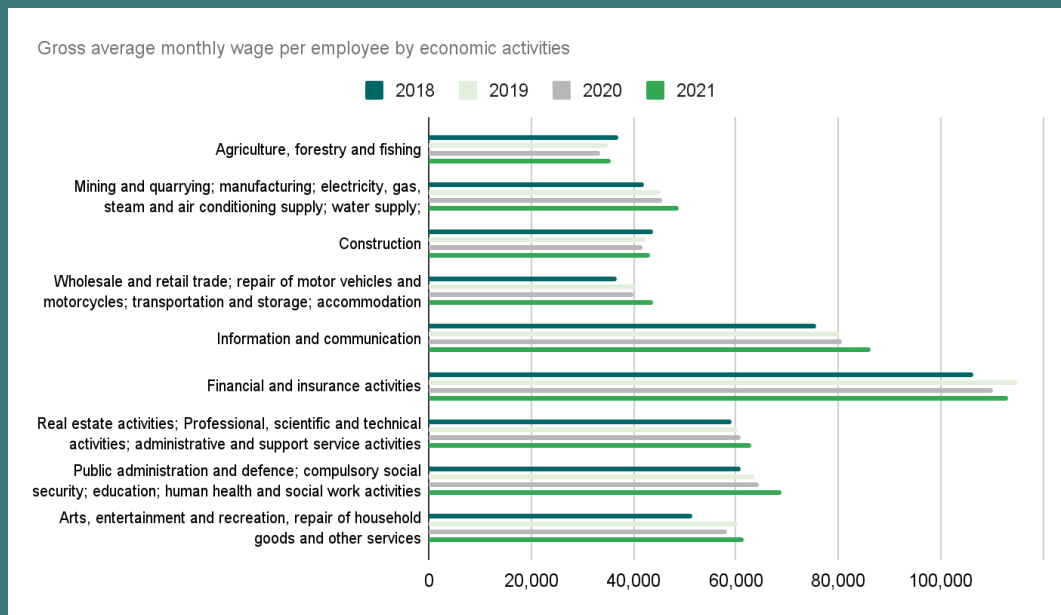
Unemployment rate



During 2021, based on preliminary data, the unemployment rate decreased by 0.1 p.p compared to the previous year.

Referring to INSTAT, data in 2021, the number of employees increased by about 5404 people compared to a year ago.

Average Salary by Sectors (In ALL)

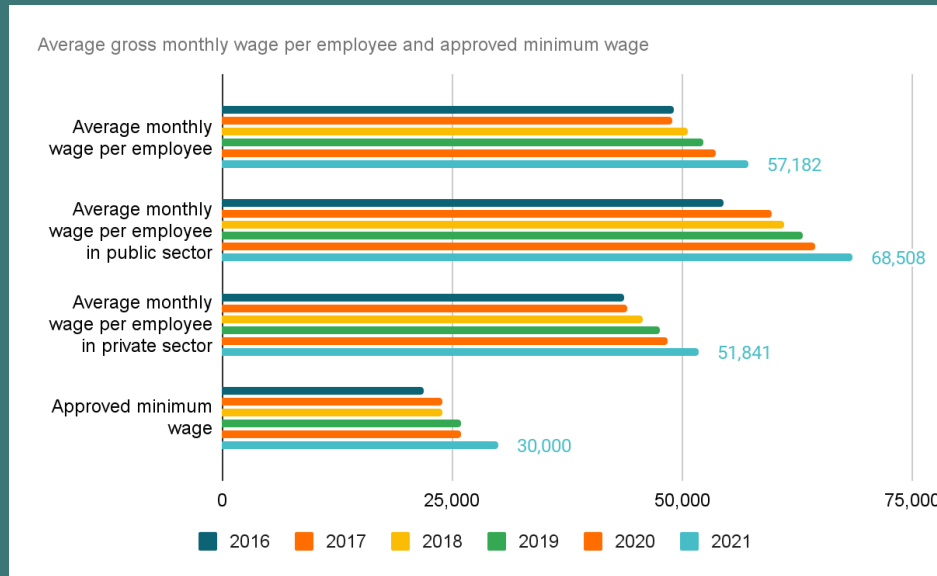


During 2021, the highest salaries were recorded in the sector of "Financial and insurance activities", followed by "Information and Communication". The lowest salaries were reported in the sector "Agriculture, Silviculture and Fisheries".

During 2021, the average wage has increased in all sectors and the largest increase is observed in Trade, Extractive Industries, IT, Public Administration and Agriculture.

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

Average Wage and Minimum Wage



The average salary during 2021 (referring to preliminary data) was reported at 57182 ALL with an increase of 6.6% compared to 2020

The average monthly salary for an employee in the private sector was 51841 ALL with an increase of 6.4% compared to a year ago;

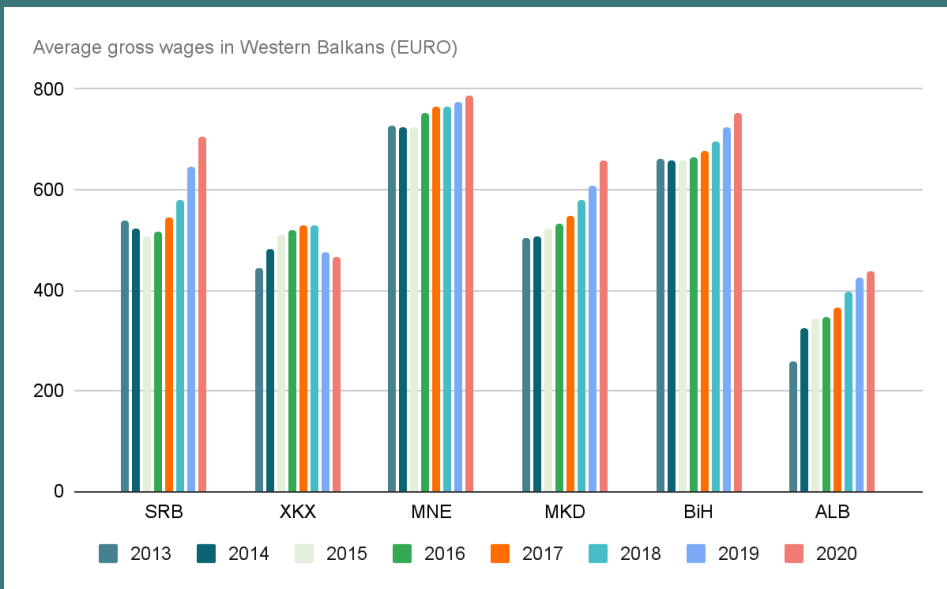
Meanwhile, the average monthly salary for an employee in the public sector was 68508 ALL, with an increase of 7% compared previous year.

The minimum wage was increased to 30000 ALL

Note: data are averages of quarterly figures published by INSTAT

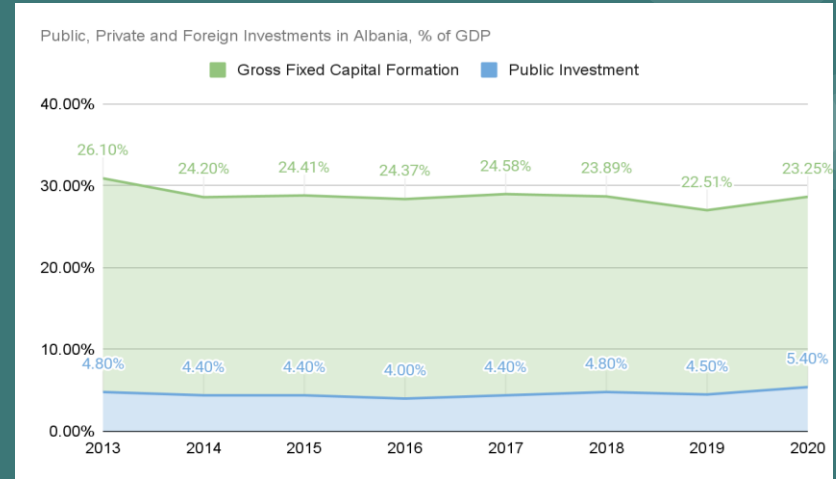
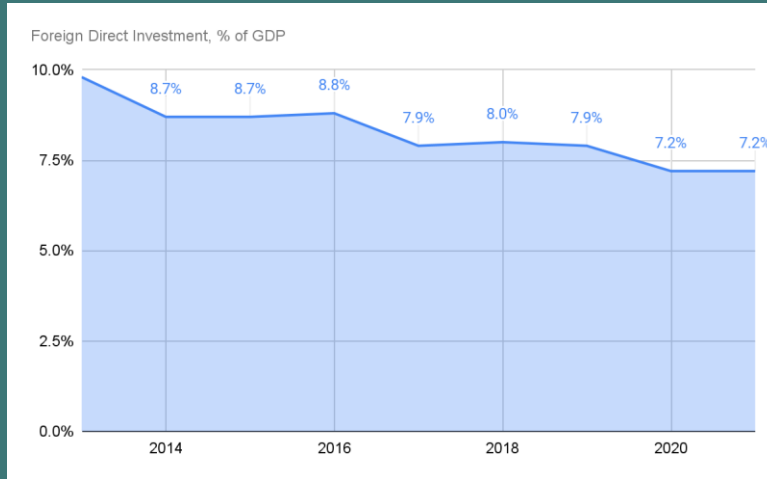
Source: INSTAT, March 2022

Labor Cost for the Western Balkans



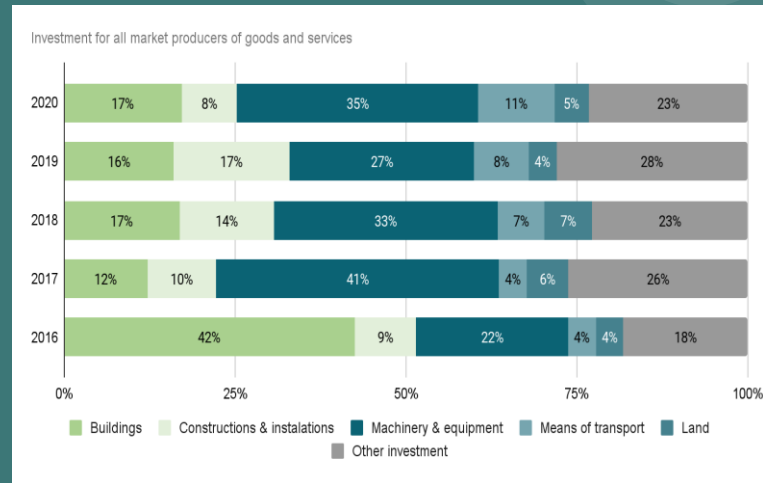
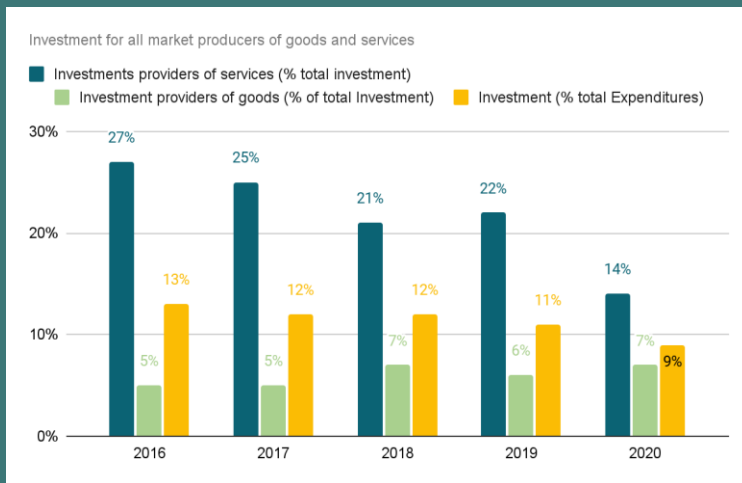
The highest average gross salary in the region is recorded in Montenegro, followed by Bosnia and Herzegovina, while Albania continues to have the lowest average salary in the region

Investments in Albania



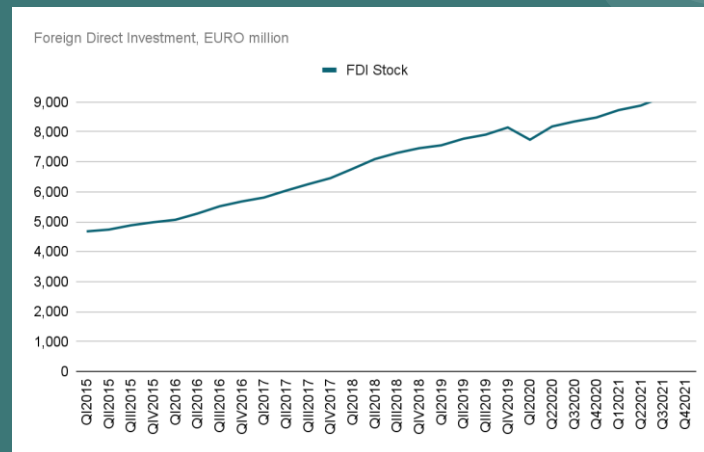
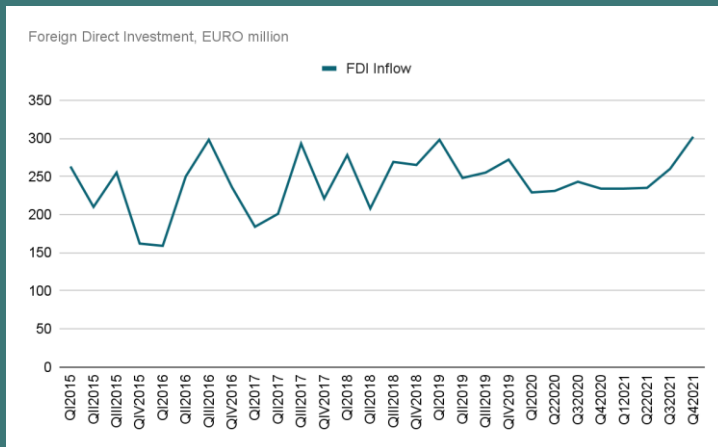
FDI inflows in Albania maintained the same trend during 2021, 7.2% of GDP. Most investments in the economy come from the domestic sector. During 2020, Gross Fixed Capital Formation reached 23.25% of GDP, while public investments were at the level of 5.4% of GDP.

Investments by Sectors



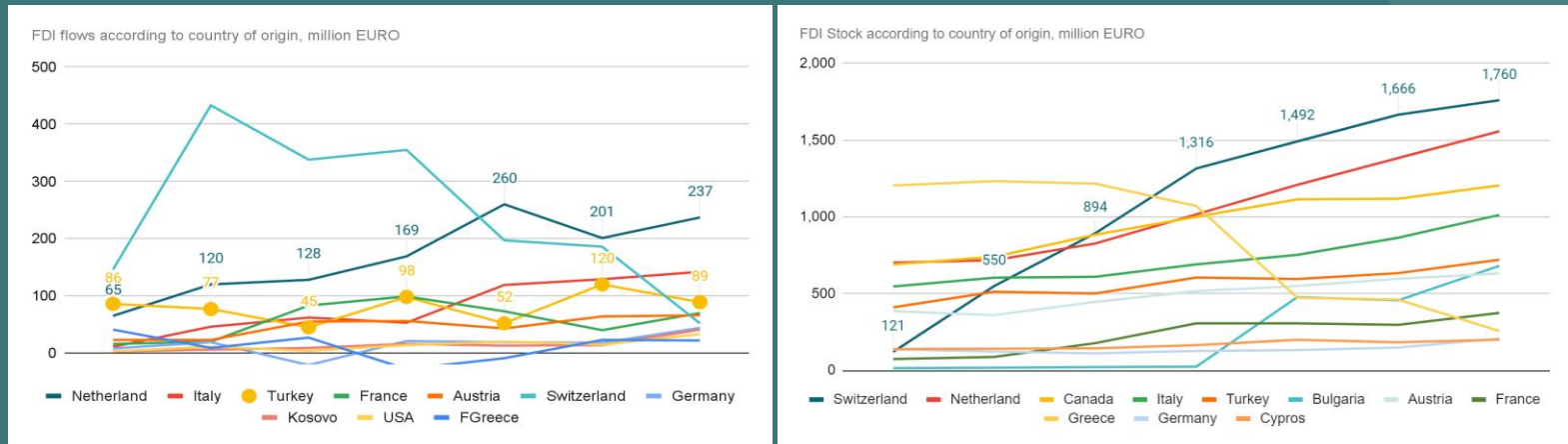
According to the Structural Business Survey, during 2020, private investment fell by 2p.p, and 62.1% of Investment came from producers of goods. Most Investments during 2020, have been investments in Machinery and Equipment, 35% of the total, increasing compared to a year ago by 8p.p

Foreign Direct Investments



During 2021, FDI inflows increased by 10% compared to previous year. Although FDI inflows have been quite variable according to business cycles, since 2015 the FDI stock in Albania has maintained an upward trend until QIV 2019 and has started the recovery again during QII 2020. Meanwhile, during 2021, the stock of FDI increased by 12.5% compared 2020 reaching 9.538 million Euros.

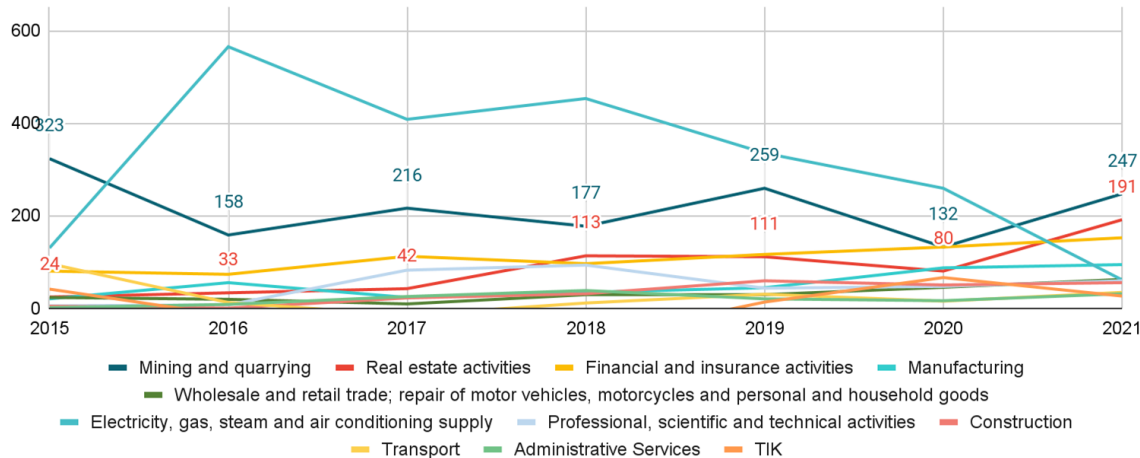
Foreign Direct Investments



The Netherlands is the country with the highest inflow of FDI for 2021, 237 million Euros, followed by Italy with 142 million Euros and Turkey with 89 million Euros. Meanwhile, Switzerland continues to lead the FDI stock in the country for 2021, reaching 1760 million Euros, although with a downward flow of flows starting from 2016

Foreign Direct Investments

FDI flows according to economic activity, million EURO

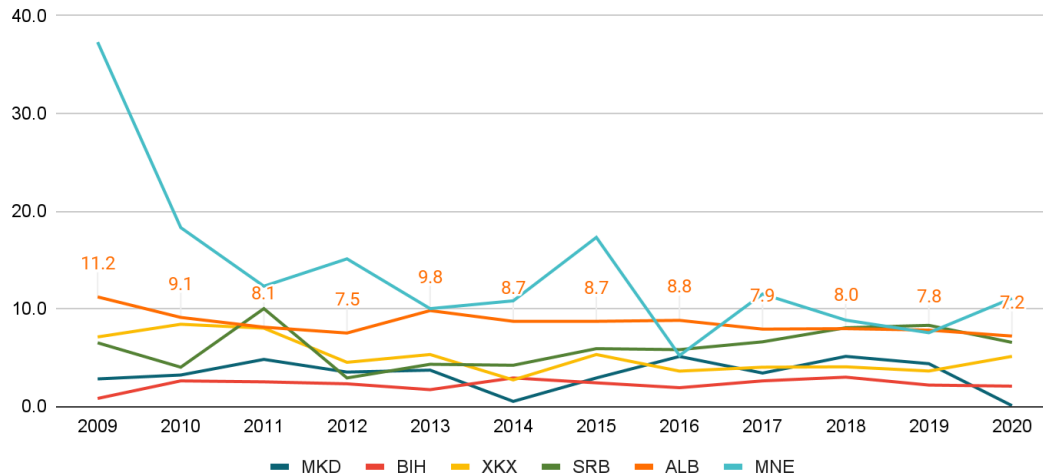


During 2021, the most attractive sector for FDI is Mining and Extractive Industries followed by Real Estate Investments and Financial and Insurance Activities.

Investments in Electricity, gas and water supply have decreased significantly during 2021, a decrease of 76% compared to 2020.

FDI Inflows In The Western Balkans

Foreign Direct Investment, net inflows (% of GDP)



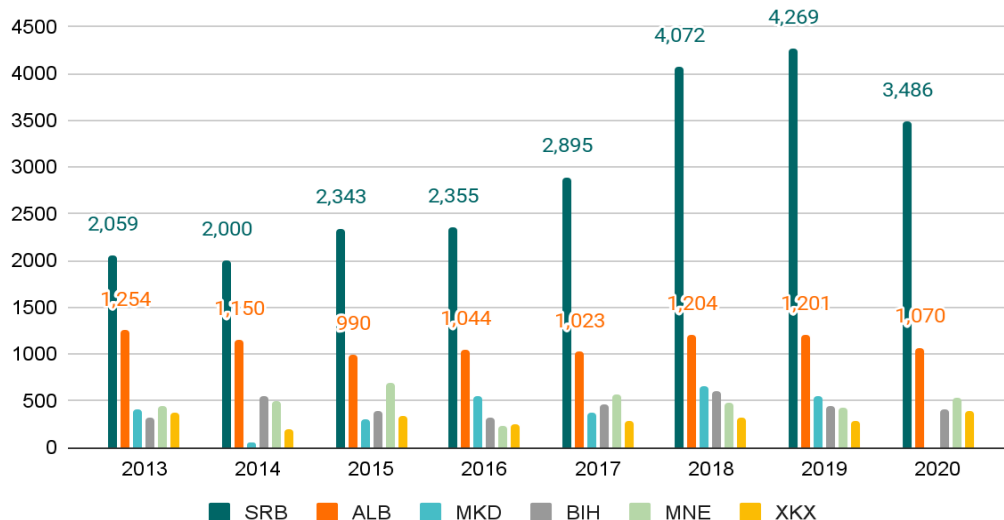
Albania ranks second in the region for FDI with 7.19% of GDP

Montenegro leads the region in terms of FDI inflows which in 2020 were 11.1% of GDP.

In Serbia FDI decreased during 2020, by 1.8p.p

FDI Inflows In The Western Balkans

Foreign Direct Investment, net inflow (BoP, million USD)



FDI inflows to Serbia were USD 3.5 billion for 2020, while in Albania they reached the figure of USD 1 billion

The country with the lowest FDI inflows in the region for 2020 is the Republic of Northern Macedonia.

Stock and Enterprise Profile

The structure of enterprises in the Albanian economy is dominated by small enterprises with 1-4 employees

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

Numër	2017	2018	2019	2020
All producers	107,677	107,450	104,090	102,574
1 - 4	94,834	93,995	88,915	88,082
5 - 9	6,761	6,881	8,008	7,476
10 - 49	4,839	5,246	5,736	5,674
50 +	1,243	1,328	1,430	1,342
Producers of goods	13,701	13,560	13,220	12,925
1 - 4	9,599	9,396	8,932	8,366
5 - 9	1,669	1,626	1,612	1,834
10 - 49	1,752	1,817	1,911	2,010
50 +	680	720	765	715
Producers of services	93,976	93,890	90,870	89,649
1 - 4	85,235	84,599	79,983	79,717
5 - 9	5,092	5,254	6,397	5,642
10 - 49	3,087	3,429	3,825	3,664
50 +	562	608	665	627

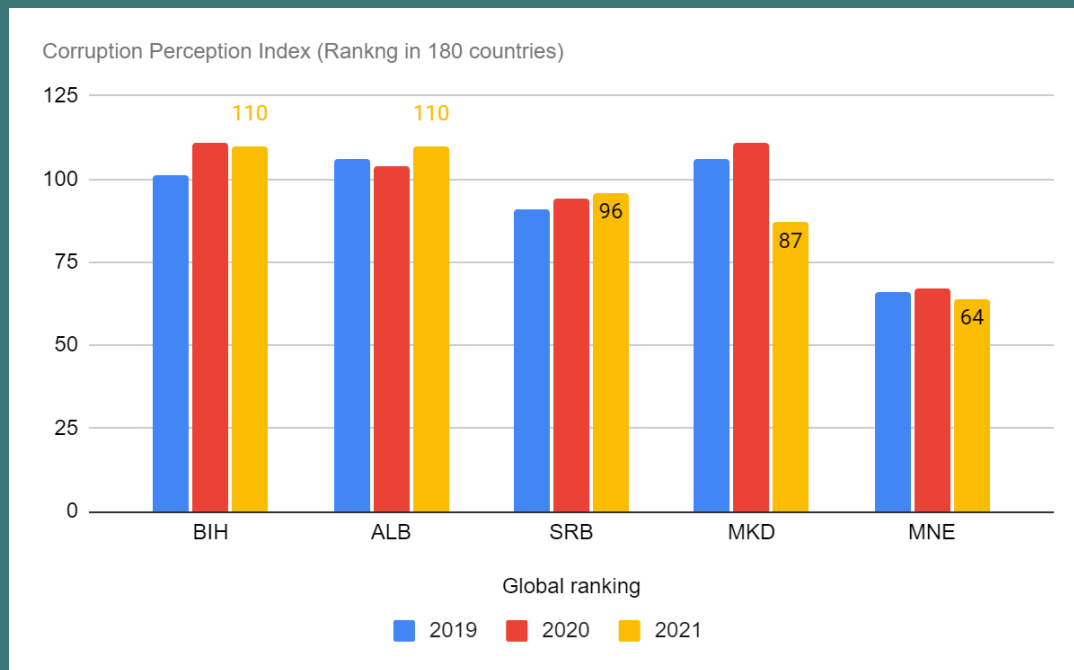
Stock and Enterprise Profile

The structure of enterprises in the Albanian economy is dominated by Micro, Small and Medium Enterprises which provide 74% of investments in the economy

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

	Number of Enterprises		Employed		Investments in mln ALL	
All	102,574	100.0%	503,986	100.0%	193,882	100.0%
MSME (1-249 employed)	102,405	99.8%	412,514	81.9%	143,444	74.0%
Micro	95,558	93.2%	186,400	37.0%	25,818	13.3%
Small	5,674	5.5%	111,347	22.1%	62,475	32.2%
Medium	1,173	1.1%	114,767	22.8%	55,151	28.4%
Big Enterprises (250+ employed)	169	0.2%	91,472	18.1%	50,438	26.0%

Corruption Perception Index (ranking of 180 countries)



Albania ranks 110/180 in the world, deteriorating its position from last year.

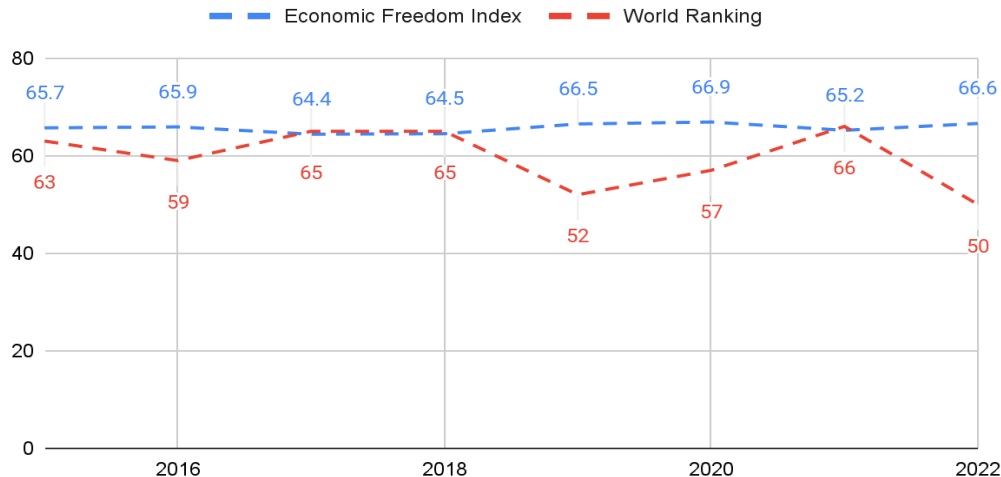
Albania score for 2021 is 35 lower than previous year (36).

Montenegro has the best ranking from all six regional countries (64/180).



Economic Freedom

Economic Freedom Index and World Ranking

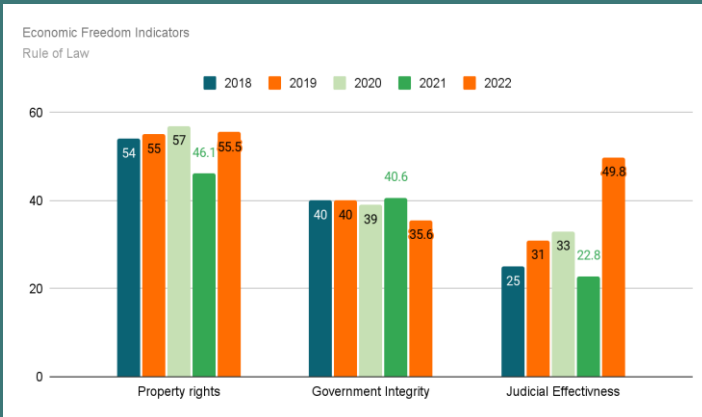


Albania ranks 50th in the world and is considered moderately free, improving its position from last year;

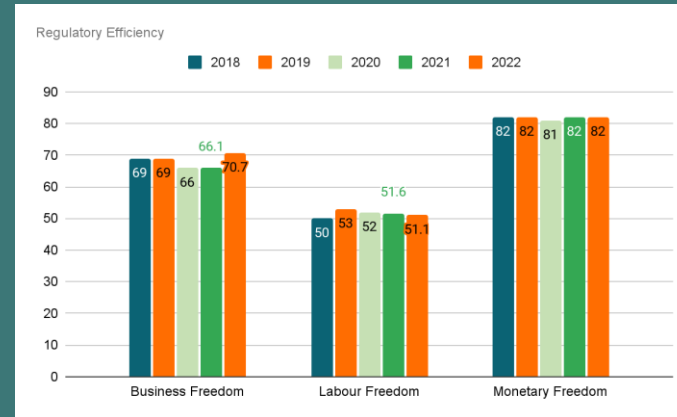
At the regional level, Albania is ranked 30th out of 45 European countries

The country is below the European average (69.5) but is above the world average (60)

Indicators of Economic Freedom

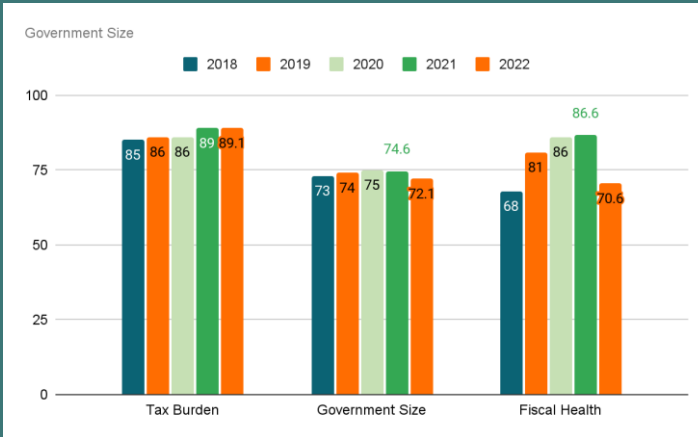


In Rule of Law, Albania has improved its score in Property Rights, and Judicial Effectiveness, while there is deterioration in Government Integrity score

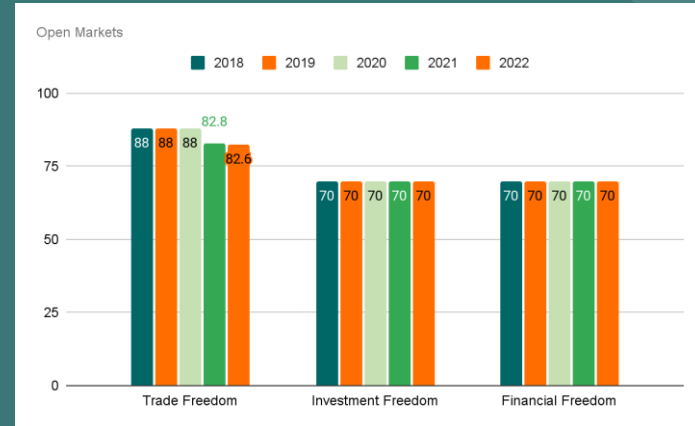


As per Regulatory Efficiency, Albania has improved its score in Business Freedom, while there is no improvement in Labour Freedom and Monetary Freedom

Indicators of Economic Freedom



As per Government Size, during 2022, there is no major change in the Index of Tax Burden, while there is a deterioration in the Index for Fiscal Health and there is no change in Government Size score.



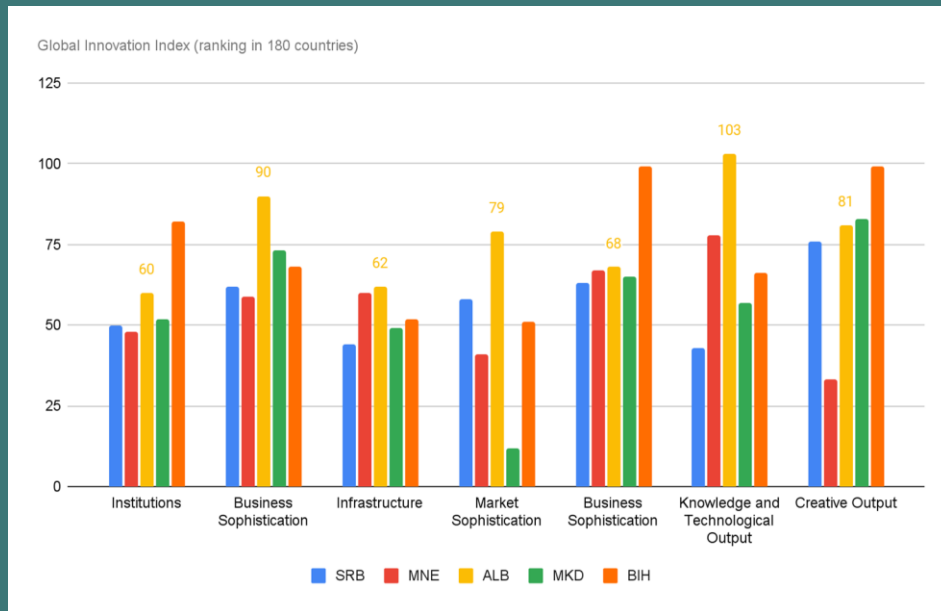
No major change in Open Markets for year 2022. No change in Investment Freedom and Financial Freedom Index, while Trade Freedom Index is 82.6 from 82.8 in 2021

Global Innovation Index

	2015	2016	2017	2018	2019	2020	2021
SRB	70	65	58	56	57	53	54
MNE	40	46	52	55	45	49	50
ALB	112	71	115	83	70	83	84
MKD	55	62	63	84	59	57	59
BIH	122	104	86	68	71	74	75

Albania ranks 84rd in the Global Innovation Index for year 2021, last in the region; Montenegro leads the region in Innovation according to the last GII report

Global Innovation Index



Albania ranks lower in Knowledge and Technology Production, Human Research and Capital, Creative Production and Market Sophistication;

About Investment Council in Albania

The Investment Council facilitates the development of mutual trust between the business community and the government in Albania and contributes to an incremental institutionalization of effective policy dialogue. It contributes to the national reform and economic transition process by enhancing institutions, laws and policies that promote market functioning and efficiency.

Secretariat of Albania Investment Council – Team

The work of the Investment Council is supported by the Secretariat, an independent body of professionals selected and contracted by the EBRD to directly engage with the business community.

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