

Albania



Albania held its elections in June 2009. The Assembly of Albania has 140 members elected, 70 seats belong to the Alliance for Changes, led by Democratic Party, 66 seats belong to Unification for Changes, led by Socialist Party and 4 seats to Socialist Alliance for Integration. Alliance for Changes and Socialist Alliance for Integration are in the process of negotiating the formation of a new government. Albania became a member of NATO in April 2009.

During the last four years, the government sought to lower the cost of doing business by reducing corporate tax rates, small business taxes and employers' social security contributions as well as abolishing customs' duties on imports of machinery and equipment. Partly as a result, The World Bank's Doing Business 2009 report ranked Albania in second place in the world for the extent and depth of the reforms it introduced to improve the business climate during the year to June 2008.

51.3% of the country's 3.1 million population is classified as economically active. At 12.7% in 2008, unemployment is regarded as one of the most significant economic challenges that Albania faces, although this is considerably lower than the 16.4% recorded in 2001. The average monthly gross wage in Albania equates to EUR 311, with agriculture still significantly the largest employment sector. The country's wealth of natural resources, including water, petroleum, coal, bauxite, copper, iron ore and nickel, makes it appealing to local and foreign investors alike.

Unlike most other European countries, Albania continued to enjoy strong GDP growth throughout 2008, averaging 6% across the year. This was driven by a major improvement in the country's electricity supply, successful energy sales to Kosovo and the rapid expansion of credit availability. Other contributory factors included telecommunications, services and government capital expenditure, mainly on the construction of the Durrës – Kukës Highway. The outlook for 2009 is less favourable, although the country is still likely to achieve a growth. This remains considerably better than its neighbours, despite recession in the Eurozone, a likely reduction in the remittances sent home by Albanians working abroad and a decline in the availability of credit. According to INSTAT, the industrial sector suffered more than any other



from the economic crisis, with a 13.2% year-on-year decline in productivity during the first quarter of 2009. High government expenditure during the election process benefited the Albanian economy in the first six months of 2009. Its absence will negatively impact economic growth in the second half of the year.



Even within this context of continued growth, Albania has kept inflation under control with a 3.4% increase in 2008. Declines in international fuel and commodity prices have driven it lower in 2009, and it is now expected to average under 2% in 2009-2010, well below the Bank of Albania's upper limit of 4%. Albania's domestic currency, the Lek, maintained a stable position against the Euro for the whole of 2008 (averaging 123.3), although it depreciated against the US Dollar in the second half of the year.

Tax receipts and income from the privatisation of state-owned enterprises remained the two main sources of financing for government spending. During 2008, the government completed the privatization of Albtelecom and launched the tenders to privatise some major state-owned enterprises, such as ARMO (the Albanian Oil Refinery), OSSH (the Albanian Electricity Distributor) and INSIG (the state-owned insurance company). Only ARMO was privatised in 2008, OSSH's privatisation was concluded in 2009, while the successful bidder for INSIG withdrew.

Exports grew more slowly than imports during 2008 (to EUR 2 billion, against EUR 4 billion), widening the country's trade deficit to EUR – 2,654 million. Albania's main foreign markets are Italy, the Netherlands and Greece which between them buy a majority of the country's exports which mainly comprise metals, minerals, textiles, footwear, and building materials. The current account deficit reached a record level of 15% of GDP in 2008. The decrease in remittances, which have been the primary source of finance for reducing the deficit in recent years, is expected to generate negative pressure.

Government spending has underpinned the construction industry, ranging from major projects such as the Durres – Morine highway that will link Kosovo to the major sea port in Albania, to many smaller schemes to improve the country's existing transport infrastructure. The budget deficit reached 5.6% of GDP in 2009 a growth from 3.4% of GDP in 2007 due to major infrastructure works (especially due to the Durres – Kukes highway).

The four largest sectors of the Albanian economy are services, communications, agriculture and construction. Of these the fastest growing was communications, as the country moves towards a fully liberalised and competitive market. Key developments in 2008 included the privatisation of the remaining state – owned shares in the joint stock company AMC sh.a and the award of the country's third GSM licence to Eagle Mobile. The fourth GSM licence was awarded in 2009 to a consortium including Kosovo Post Communications.

Albania	2005/2007	2007-2008	2008
	<i>Average Values</i>		
	Change (%)	Change (%)	
Population (mil.)	0.4	0.4	3.1
Average monthly gross wage (EUR)	13.3	6.0	310.7
EUR Exchange rate vis-à-vis	-1.1	1.4	123.3
USD Exchange rate vis-à-vis	-2.9	7.0	88.7
	Real change (%)	Real change (%)	EUR mil.
GDP	5.6	6.0	8,628
Private consumption	n/a	n/a	6,740
Public consumption	n/a	n/a	925
Gross fixed capital investments	n/a	n/a	3,145
Exports (goods and services)	n/a	n/a	1,999
Imports (goods and services)	n/a	n/a	4,024
	Nominal change (EUR mil.)	Nominal change (EUR mil.)	EUR mil.
Trade balance	-304	-360	-2,654
Current account balance	-164	-488	-1,319
General government balance	7	-208	-489
General government gross debt	275	270	4,538
External debt	52	317	1,570
Foreign currency reserves	147	199	1,666
	Percentage point change	Percentage point change	%
Economic activity rate	-0.8	-0.1	51.3
Unemployment rate	-0.4	-0.5	12.7
CPI rate (previous year = 100%)	0.2	0.4	3.4
Central bank interest rate	0.3	0.0	6.3
1-year yield on Treasury Bill	-0.3	0.3	6.2
10-year yield on Treasury Bond	n/a	n/a	n/a

Sources used: Reuters EcoWin Pro

Contacts

Albania

Office Managing Partner

Maksim Caslli
+40 21 2075 217
mcaslli@deloittece.com

Function Leaders

Mario Vangjeli
Audit
+355 4 22 77 951
mvangjeli@deloittece.com

Nuriona Sokoli
Audit
+355 4 22 77 950
nsokoli@deloittece.com

Anton Lezhja
Tax
+355 4 22 77 921
alezhja@deloittece.com

Klodiana Bllaci
Tax & BPO
+355 4 22 77 928
kbllici@deloittece.com

Maksim Caslli
Consulting
+40 21 2075 217
mcaslli@deloittece.com

Anton Lezhja
Financial Advisory
+355 4 22 77 921
alezhja@deloittece.com

Artan Gaqo
Enterprise Risk Services
+355 4 22 77 960
agaqo@deloittece.com

Industry Leaders

Mike Jennings
Financial Services
+420 246 042 576
mijennings@deloittece.com

Vladimir Vanek
Energy & Resources
+420 246 042 361
vanek@deloittece.com

Dariusz Nachyla
Technology, Media & Telecommunications
+48 22 511 0631
dnachyla@deloittece.com

Diana Rogerova
Real Estate
+420 246 042 572
drogerova@deloittece.com

Martin Buransky
Public Sector
+420 246 042 351
mburansky@deloittece.com

Country Review Analysts

Tomasz Ochrymowicz
+48 22 511 0456
tochrymowicz@deloittece.com

Rafal Antczak
+48 22 511 0043
rantczak@deloittece.com

Clients & Markets

Matthew Howell
+420 234 078 558
mathowell@deloittece.com

Xhoana Cela
+355 4 2277 934
xcela@deloittece.com

"Deloitte" is the brand under which tens of thousands of dedicated professionals in independent firms throughout the world collaborate to provide audit, consulting, financial advisory, risk management, and tax services to selected clients. These firms are members of Deloitte Touche Tohmatsu, a Swiss Verein ("DTT"). Each member firm provides services in a particular geographic area and is subject to the laws and professional regulations of the particular country or countries in which it operates. DTT helps coordinate the activities of the member firms but does not itself provide services to clients. DTT and the member firms are separate and distinct legal entities, which cannot obligate the other entities. DTT and each DTT member firm are only liable for their own acts or omissions, and not those of each other. Each DTT member firm is structured differently in accordance with national laws, regulations, customary practice, and other factors, and may secure the provision of professional services in their territories through subsidiaries, affiliates, and/or other entities.

Deloitte Central Europe is a regional organization of entities organized under the umbrella of Deloitte Central Europe Holdings Limited, the member firm in Central Europe of Deloitte Touche Tohmatsu. Services are provided by the subsidiaries and affiliates of Deloitte Central Europe Holdings Limited, which are separate and independent legal entities.

The subsidiaries and affiliates of Deloitte Central Europe Holdings Limited are among the region's leading professional services firms, providing services through more than 3800 people in more than 30 offices in 17 countries.

For regional projects and projects requiring regional resources, the services are provided by Deloitte Central Europe Limited, which is an affiliate of Deloitte Central Europe Holdings Limited. Deloitte Central Europe Limited is one of the leading professional services organizations in the country providing services in tax, consulting, risk management and financial advisory services.

Deloitte provides audit, tax, consulting, and financial advisory services to public and private clients spanning multiple industries. With a globally connected network of member firms in 140 countries, Deloitte brings world-class capabilities and deep local expertise to help clients succeed wherever they operate. Deloitte's 165,000 professionals are committed to becoming the standard of excellence.

Deloitte's professionals are unified by a collaborative culture that fosters integrity, outstanding value to markets and clients, commitment to each other, and strength from cultural diversity. They enjoy an environment of continuous learning, challenging experiences, and enriching career opportunities. Deloitte's professionals are dedicated to strengthening corporate responsibility, building public trust, and making a positive impact in their communities.

This publication contains general information only, and none of Deloitte Touche Tohmatsu, its member firms, or its and their affiliates are, by means of this publication, rendering accounting, business, financial, investment, legal, tax, or other professional advice or services. This publication is not a substitute for such professional advice or services, nor should it be used as a basis for any decision or action that may affect your finances or your business. Before making any decision or taking any action that may affect your finances or your business, you should consult a qualified professional adviser.

None of Deloitte Touche Tohmatsu, its member firms, or its and their respective affiliates shall not be responsible for any loss whatsoever sustained by any person who relies on this publication.