

PRESS STATEMENT

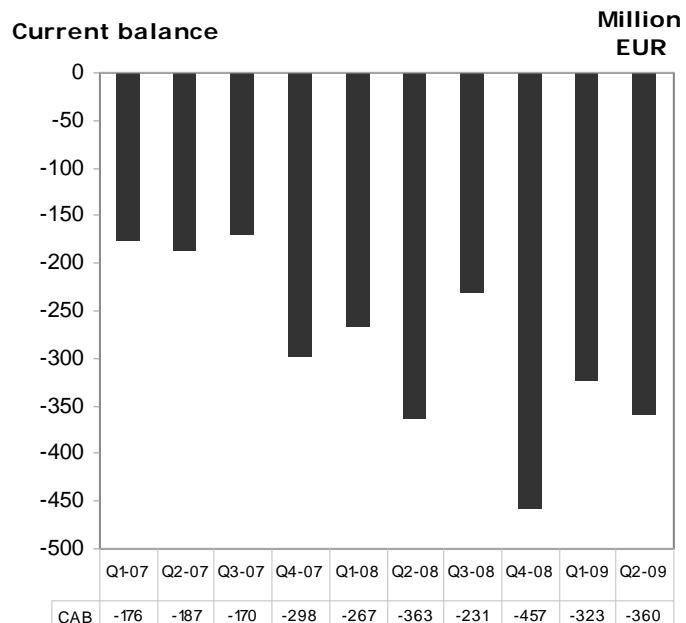
**EXTERNAL SECTOR DEVELOPMENTS IN THE ALBANIAN ECONOMY DURING
 THE SECOND QUARTER OF 2009**

___ **September 2009**

The overall balance of payments for the second quarter of 2009 ended with a growth of foreign assets at EUR 142 million. The second quarter of year yielded with a current account deficit of EUR 360 million. The deficit reduced by about EUR 3 million from EUR 363 million, relative to the second quarter of 2008. Merchandise trade deficit amounted to EUR 567 million relative to EUR 561 million resulting in the second quarter of previous year. Capital inflows accounted for EUR 434 million, by exceeding and totally financing the current deficit.

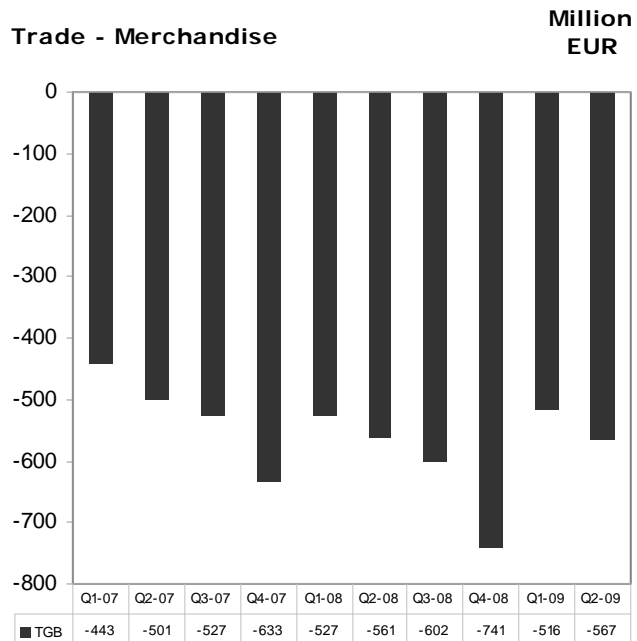
I. CURRENT ACCOUNT

Current transactions of inflow and outflow amounted to EUR 2,203 million during the second quarter 2009, or about 7 percent lower than in the previous year. *Current account* recorded a deficit of EUR 360 million, compared to EUR 363 million resulting for the same period of the previous year. The increase of *current transfers'* surplus and the decrease of *income* deficit category (from EUR 17 million to EUR 11 million) have both affected the reduction of deficit (from EUR 233 million to EUR 237 million). In the meantime, *merchandise* trade deficit increased to EUR 567 from EUR 561 million and the *services* deficit (of EUR 18 million) recorded the same level as the one in the previous year. About 60 percent of current expenses went for financing the *merchandise import*, while foreign currency inflows were provided from export of goods and services (64 percent) and from one-side *current transfers* (30 percent).

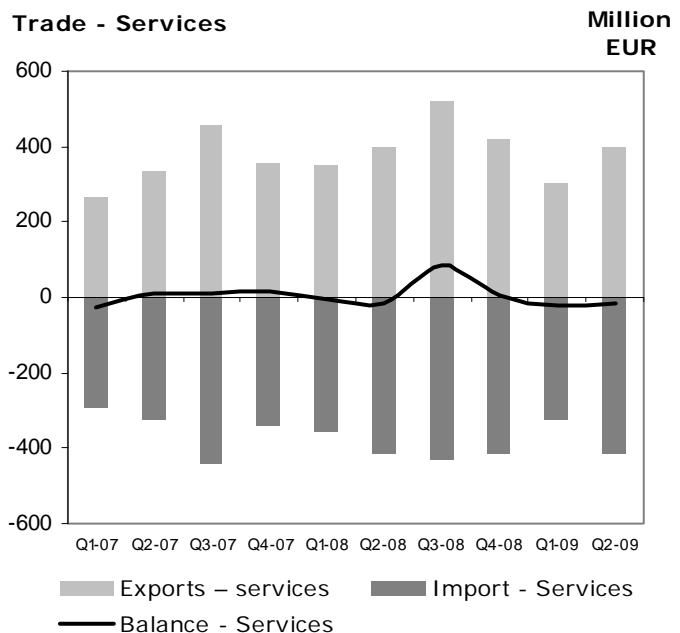


II. MERCHANDISE TRADE

The overall volume of trade exchanges over the second quarter of 2009 recorded EUR 957 million, with an annual reduction of 12 percent. Merchandise sales and purchases represented about 43 percent of current operations. *Exports* recorded an annual fall of 25 percent, accounting for EUR 195 million, while EUR 762 million or 7 percent less than in the previous year was paid for imports. *Trade deficit* was deepened by about EUR 6 million pointing to EUR 567 million. The degree of import coverage from exports fell to 26 percent from 32 percent in the previous year. Payments for Imports increased for *machinery and equipment* (22 percent) and *pharmaceuticals products* (18 percent). In the meantime imports of *fuels* have dropped considerably (51 percent), providing the main contribution on the decrease of imports relative to the previous year. Annual reduction of imports value of fuels by 50 percent, owed mainly to the fall of oil price in the international markets, notwithstanding the amount of imported fuels during this quarter was also lower than in the second quarter of previous year (9 percent). An annual decrease of 10 percent is recorded for the import value of food items. The annual reduction by 25 percent in terms of exports during this period was directly owed to the decline of exports from the domestic output, mainly in metals and crude oil category.



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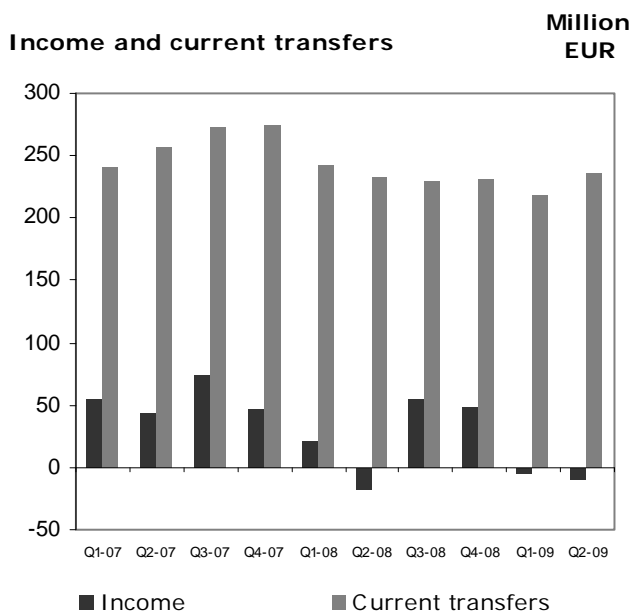
III. OTHER CURRENT ACCOUNT ITEMS

Services account ended with a deficit of EUR 18 million. An improvement relative to the second quarter of 2008 is noted regarding net position for *travel services* category, from the deficit of EUR 30 million to the surplus of EUR 3 million. *Other services* declined considerably, whose positive balance was closed by EUR 9 million from EUR 50 million in year 2008.

Travel services account for the largest share in services revenues and expenditures, by 75% and 71% of the total, respectively. Net balance of travel services recorded a surplus of about EUR 3 million. According to Bank of Albania estimates, travel services export has provided to the domestic economy about EUR 300 million or 20 percent more than in 2008. The growth of revenues during this quarter is attributable to the increase of foreign visitors' number, as well as to the increase in average daily expenses. Albanian residents spent in their travels abroad EUR 297 million or 6 percent more than in the previous year, mainly affected by the rise in average daily expense, while the number of Albanian travellers abroad has recorded a slight increase (3 percent).

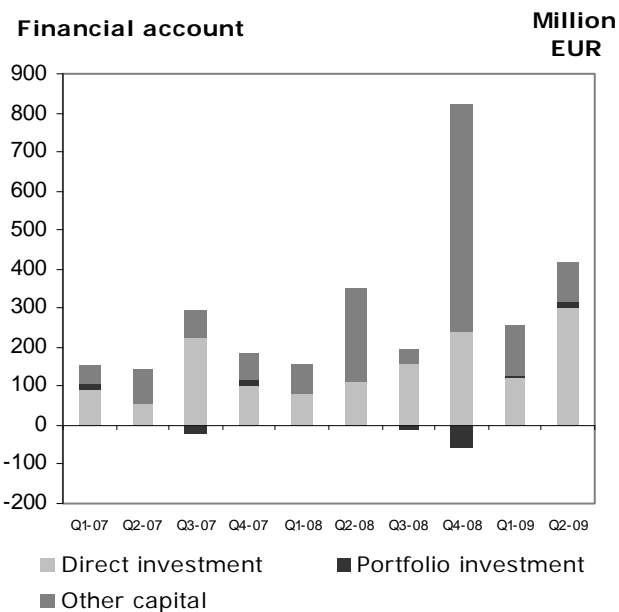
Income account was closed with a negative balance of EUR 11 million. Foreign currency inflows of this category fell by about 15%, while outflows by 20%. The labour of seasonal and border workers and income from investments deposits interests of banking system abroad were two main sources of revenues. In terms of expenditures, Albania paid EUR 12 million to settle interests on its external debt during the second quarter of 2009.

Net *current transfers* were assessed to EUR 237 million, of which EUR 198 million entered in the form of *remittances*. The latter recorded an annual fall of about 4 percent, from EUR 207 million in the previous year. A decline by about 27 percent of outflow transactions of other sectors is noted as well.



IV. CAPITAL AND FINANCIAL ACCOUNT

Albania, recorded a net inflow of EUR 434 million in the *capital and financial* account during the second quarter of 2009. About EUR 16 million entered the country in the form of capital investments grants, whereas EUR 417 million as net financial inflows. Capital inflows have totally financed the current deficit by EUR 360 million. Financial account recorded a growth of financial liabilities of Albania with the rest of world and a reduction of residents' assets abroad. The larger movements in terms of the financial account are recorded in *foreign direct investments, in borrowing and in resident assets abroad*. Inflows in the form of foreign direct investments in the Albanian economy (EUR 313 million) were a dominant factor for the increase of financial liabilities at home.



Granting of long-term and soft loans from abroad during this quarter was EUR 161 million. The *borrowing* regarding public sector (withdrawals) was about EUR 158 million or 59 million higher relative to year 2008. *Private borrowing* recorded a significant low level (EUR 3 million) compared to the same period of previous year, amounting to about EUR 28 million. The increase of these liabilities led to increased liabilities for future external debt payments. *External service debt* for second quarter of year 2009 reduced resident liabilities by EUR 37 million.

Foreign assets invested outside the Albanian economy recorded a net reduction of EUR 132 million. This fall was relevant mainly in investments in the form of banking system *deposits* with non-resident financial institutions (EUR 126 million). Financial assets in the form of *portfolio investments* were reduced as well (EUR 15 million). Reserve assets increased by EUR 142 million. *Foreign Reserve Stuck* as at end of second quarter of 2009 recorded the level of EUR 1,711 million, sufficient to cover 4.2 months of imports of goods and services.

Balance of payments (in EUR million)

	Q1'08	Q2'08	Q3'08	Q4'08	Q1'09	Q2'09
Current account	-267.3	-363.5	-230.7	-457.4	-323.3	-359.8
Merchandise export	206.5	260.4	242	208.6	176.1	195.0
Merchandise import	-733.9	-821.6	-844	-949.5	-692.5	-762.4
Trade balance	-527.3	-561.3	-602	-740.9	-516.4	-567.4
Services: Credit	351.9	397.9	517.7	420.2	302.8	397.5
Services: Debit	-355.2	-415.8	-430.5	-416.8	-324.2	-415.9
Income: Credit	75	66.7	97.2	77.8	63.6	56.4
Income: Debit	-54.5	-84.1	-42.3	-29.3	-67.9	-67.0
Private unrequired transfers	236.9	226.8	217.9	223.7	216.6	225.9
Official unrequired transfers	6.0	6.3	11.3	7.9	2.2	10.7
Capital account	12.9	17.7	27.2	20.3	19.6	16.2
Financial account	154.2	354.7	180.8	764.8	256.9	417.5
Direct investments	81.4	112	157.3	239.8	122.3	301.8
Portfolio investments	1	0.6	-11.7	-59.1	3.0	14.7
Other capital*	74.7	241.8	36	586	133.0	102.8
Net errors and omissions	73.2	0.9	141.1	-237.2	-84.0	67.7
Overall balance	-27.0	9.9	118.5	90.5	-130.9	141.6
Reserve assets	27.0	-9.9	-118.5	-90.5	130.9	-141.6
Use of IMF credit and loans	-2.9	0.3	-0.7	-1.8	-1.3	-1.8
Total change in reserve assets	-66.2	6.8	180.8	97.1	-101.0	116.2
Of which: change due to exchange rate	-39.3	-3	62.3	6.6	29.8	-25.5

* Not including use of IMF credit and loans.
Source: Bank of Albania.

Notes:

Data revision

The Bank of Albania reserves the right to revise the published statistics. In accordance with the revision policies for the statistical information of the Bank of Albania, the balance of payments statistics have been subject to revisions for the period January – March 2009.

Additional information on the Balance of Payments statistics

Complete and updated data on the Balance of Payments are quarterly made available at Bank of Albania's official website, under the directory "Statistics"/Time Series/External Sector Statistics/Balance of Payments.

A detailed material concerning the methodology employed for the compilation of the Balance of Payments statistics is found in the directory "Statistics", "Publications on Statistics", under the title *Balance of Payments Methodology*.