

PRESS STATEMENT

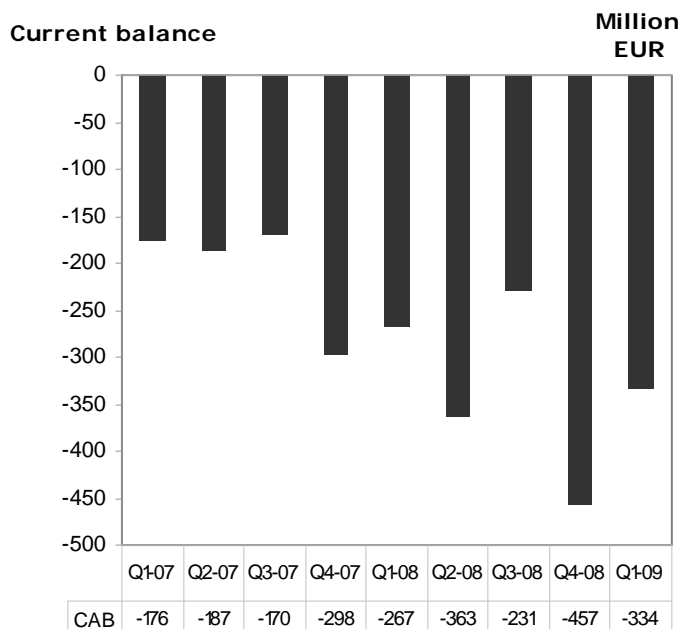
**EXTERNAL SECTOR DEVELOPMENTS IN THE ALBANIAN ECONOMY
FOR THE FIRST QUARTER 2009**

___ June 2009

The overall Balance of Payments for the first quarter of 2009 recorded a reduction of foreign assets of EUR 131 million. The first quarter of year was closed with a current account deficit of EUR 334 million. Compared to the first quarter of 2008, current account deficit increased by about EUR 67 million, from EUR 267 million. Merchandise trade deficit was reduced by EUR 11 million during the first quarter 2009 amounting to EUR 516 million from EUR 527 million in the first quarter of previous year. Capital inflows accounted for EUR 247 million, thus financing about 74 per cent of the current deficit.

I. CURRENT ACCOUNT

Current transactions during first quarter of year 2009 recorded about EUR 1,930 million, 7 per cent lower than in the previous year. *Current account* recorded a deficit of EUR 334 million, compared to EUR 267 million in the same period of the previous year. Deficit deepening reflects the decline of *current transfers surplus* (from EUR 243 million to EUR 213 million), a shift of balance side in suffice *income* category (EUR 20 million) to deficit (EUR



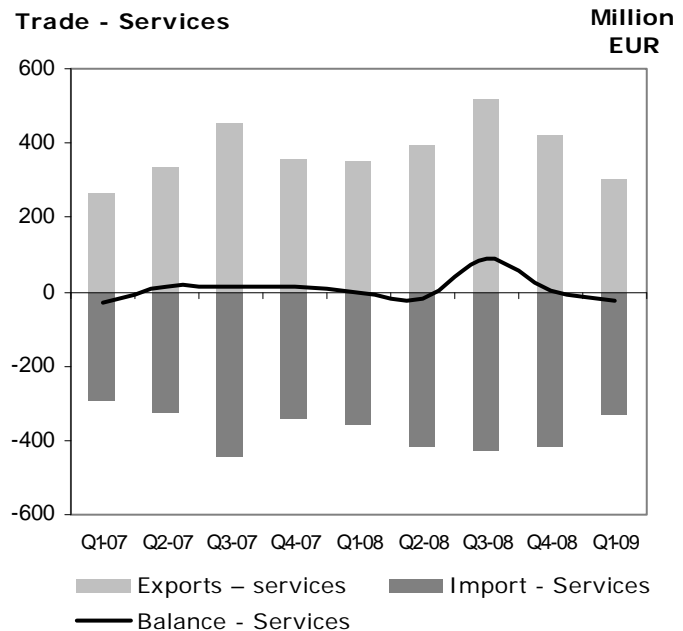
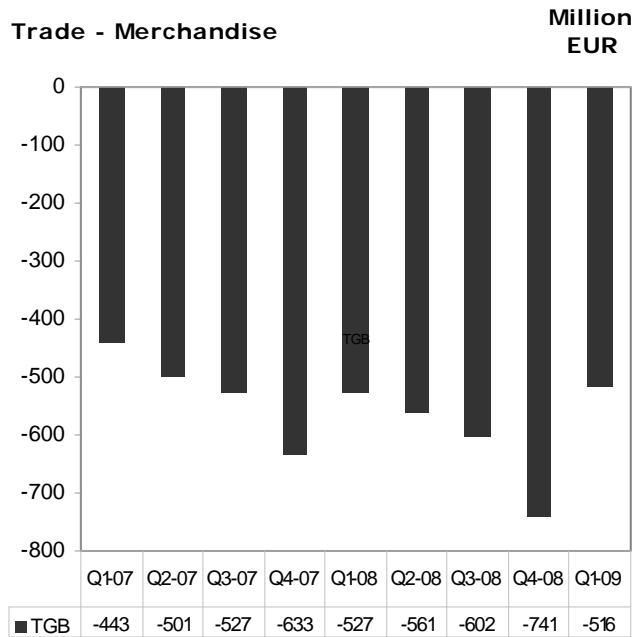
4 million) and deepening of services deficit (from EUR 3 million to EUR 27 million). In the meantime, *merchandise deficit* was reduced to EUR 516 from EUR 527 million. About 61 per cent of current expenses went for financing the *merchandise import*, while foreign currency inflows are provided from exports of *goods* and *services* (60 per cent) and from one-side *current transfers* (32 per cent).

II. MERCHANDISE TRADE

The overall volume of trade exchanges during the first quarter of 2009 recorded EUR 869 million, with an annual reduction of 8 per cent. Merchandise sales and purchases represented about 45 per cent of current transactions. *Exports* recorded an annual decrease of 15 per cent, accounting for EUR 176 million, while EUR 692 million or 6 per cent less than in the previous year was paid for *imports*. *Trade deficit* was reduced by about EUR 11 million amounting to EUR 516 million.

The degree of import coverage from exports declined at 25 per cent from 28 per cent compared to the previous year.

Payments for food imports decreased by 15 per cent and for fuels by 30 per cent. Import values are increased for *machinery and equipment* (4 per cent) as well as for chemical products (19 per cent). The imports value of these four categories recorded about 63 per cent of the overall imports value. In exports side, exports from *textile and footwear industry* declined at 8 per cent. Exports of these categories continue to be ranked the first, providing about 54 per cent of the overall revenues from exports. Metal exports value recorded a considerable decline (by 54 per cent), during the first quarter of year, thus leading export from the domestic output falls by about 23 per cent.



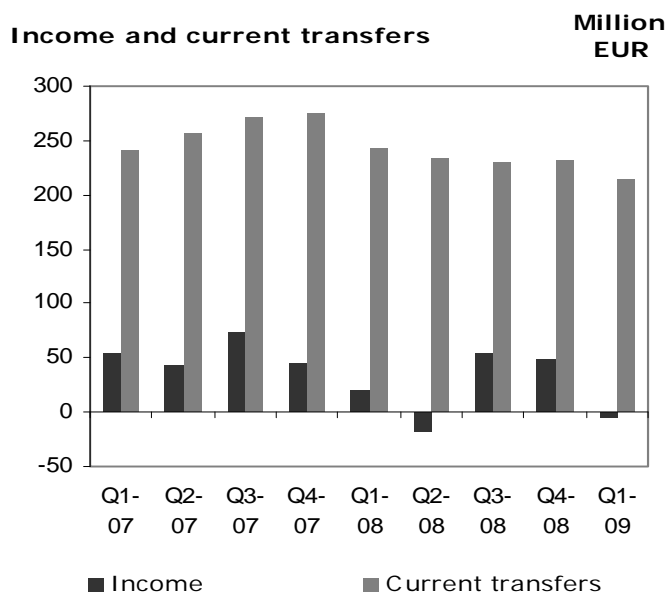
III. OTHER CURRENT ACCOUNT ITEMS

Services account decreased during this quarter, both on the side of revenues and expenditures. Trade exchanges in *services* were about EUR 633 million, with an annual reduction of 10 per cent. Revenues fell by 14 per cent compared to the first quarter of 2008, while expenditures fell by 7 per cent. Net transactions result was the deepening of services deficit, amounting to EUR 27 million compared to EUR 3 million in the previous year.

Travel services account for the largest share in services revenues and expenditure, by 70 per cent and 67 per cent, respectively. Net balance of travel services recorded a deficit of about EUR 10 million. According to Bank of Albania estimations, travel services export has provided to the domestic economy about EUR 212 million or 4 per cent less than in the year 2008. Decreased revenues during this quarter are mainly due to the slight decrease of the average daily expenses of foreign visitors. While, residents have spent in their travels abroad about EUR 220 million or about 4 per cent more than in the previous year. The increase of average daily expenses and a slight increase in of the duration sojourn led to this growth, notwithstanding the number of Albanian travellers recorded a decrease compared to the first quarter of the previous year.

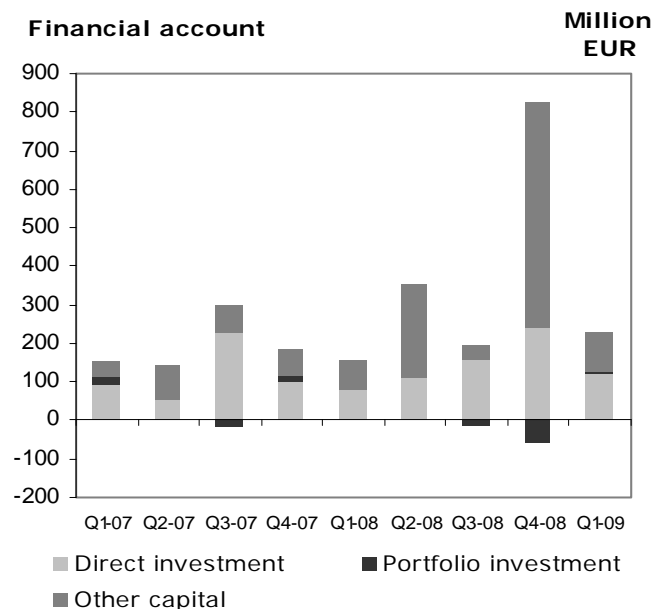
Income account was closed with a negative balance of EUR 4 million. Foreign currency inflows of this category reduced about 15 per cent while, outflows increased by 25 per cent. The labour of seasonal and border workers and income from investments were two main sources of revenues. Albania paid EUR 7.2 million during the first quarter of 2009 to settle interests on its external debts.

Net *current transfers* were estimated to about EUR 213 million, of which about EUR 196 million entered in the form of *remittances*. The latter recorded an annual reduction of about 8 per cent from EUR 213 million in the previous year.



IV. CAPITAL AND FINANCIAL ACCOUNT

Capital movements during the first quarter 2009 resulted to a net inflow of EUR 247 million in the *capital and financial account*. About EUR 20 million entered the country in the form of capital investment grants, whereas EUR 227 million in the form of net financial inflows. Capital inflows have financed 73 per cent the current deficit by EUR 337 million. Financial account recorded a growth of about EUR 150 million in the financial liabilities of Albania with the rest of the world at about EUR 70 million of resident assets abroad. The *increase of Foreign*



Direct Investment by EUR 124 million was the main factor for the growth of liabilities versus non-residents. The reduction of financial assets is mainly due to the reduction of assets in the form banking system *deposits* with non-resident financial institutions at about EUR 60 million.

Granting of long-term and soft loans from abroad during the first quarter of the current year account for EUR 33 million from EUR 23 million resulting for the first quarter in the last year. About 75 per cent of the loan is used for public sector investments. While, *private borrowing* resulted at EUR 9 million, recording a slight decrease compared to the last year. The increase of these liabilities led to increased liabilities for future external debt payments. *External debt service* for the first quarter of 2009 decreased resident liabilities by about EUR 7.3 million.

Reserve assets decreased by EUR 131 million. *Foreign reserve stock* as at end of the first quarter of 2009 recorded the value of EUR 1,595 million, sufficient to cover 4.7 months of imports of goods and services.

Balance of payments (in EUR million)

	T1'08	T2'08	T3'08	T4'08	T1'09
Current account	(267.3)	(363.5)	(230.7)	(457.4)	(334.2)
Merchandise export	206.5	260.4	242.0	208.6	176.1
Merchandise import	(733.9)	(821.6)	(844.0)	(949.5)	(692.5)
Trade balance	(527.3)	(561.3)	(602.0)	(740.9)	(516.4)
Services: Credit	351.9	397.9	517.7	420.2	303.2
Services: Debit	(355.2)	(415.8)	(430.5)	(416.8)	(330.0)
Income: Credit	75.0	66.7	97.2	77.8	63.5
Income: Debit	(54.5)	(84.1)	(42.3)	(29.3)	(67.9)
Private unrequired transfers	236.9	226.8	217.9	223.7	211.2
Official unrequired transfers	6.0	6.3	11.3	7.9	2.2
Capital account	12.9	17.7	27.2	20.3	19.6
Financial account	154.2	354.7	180.8	764.8	226.9
Direct investments	81.4	112.0	157.3	239.8	122.3
Portfolio investments	1.0	0.6	(11.7)	(59.1)	3.0
Other capital*	74.7	241.8	36.0	586.0	103.0
Net errors and omissions	73.2	0.9	141.1	(237.2)	(43.3)
Overall balance	(27.0)	9.9	118.5	90.5	(130.9)
Reserve assets	27.0	(9.9)	(118.5)	(90.5)	130.9
Use of IMF credit and loans	(2.9)	0.3	(0.7)	(1.8)	(1.3)
Total change in reserve assets	(66.2)	6.8	180.8	97.1	(101.0)
Of which: change due to exchange rate	(39.3)	(3.0)	62.3	6.6	29.8

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

Notes:

Data revision

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 – September 2008.

Additional information on the balance of payments statistics

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

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