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B A L A N C E O F P A Y M E N T S

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I. INTRODUCTION

Balance of payments synthetically presents the economic and financial relations of Albania with the external world – namely the current and financial transactions.

Net position of current account represents an important and delicate index while estimating the Albanian economy performance during transition period¹. On one side, current deficit reflects the growing power of the economy, regarded as an indication of resources entering into the country to finance the demand for investments, which surpasses national savings.

On the other side, a current deficit reflects a risky imbalance between national savings and domestic investments, as well as the accumulated debt, which the economy is not able to pay. It is difficult to distinguish among these points of view current deficits that are a consequence of the economic growth, stimulating capital inflows, and current deficits that result in the continuous accumulation of debt. At first sight, the deficit reflects the success of economic structural changes, which lead to capital inflows, investments and economic growth.

Seen in another aspect, current deficit reflects the transition process that has not always been well managed. The Albanian economy in transition has been subject of unexpected developments that have conduced to temporary increase of current deficit (1997) and of important structural changes, which might require long-term current imbalances.

High current deficits must necessarily be financed by a rise of liabilities toward the rest of the world or by a reduction of foreign financial assets. From this point of view, the position of capital and financial account is an indicator as important as the current balance. The composition and the structure of liabilities and financial assets along with their movements are an important indicator of expected economic developments.

The national income accounts, which are used to calculate GDP, provide a useful framework for analyzing the correlation between the current account balance and net capital flows and the relationship of balance of payments with domestic savings and investments. Box 1 offers further details on the origin of those relationships.

Box 1. Savings, Investment and Current Account Balance Translating the current account balance into capital flows.

Using national income accounts, we can demonstrate how the equivalence of the current account balance and net capital inflows arises. More specifically, in the national income accounts gross national product (GNP) is treated as a sum of the income derived from producing goods and services under the following categories: private consumption (C), private investments (I_p), government goods and services (G) and exports (X). Imports (M) are treated as a negative item to avoid the double counting of the consumption or investment goods purchased domestically but produced abroad. Thus,

$$\text{GNP} = C + I_p + G + (X - M),$$

where $X - M$ represents net exports plus net factor of income*.

A second basic equation in the national income accounts is based on the insight that any income earned by individuals has four possible uses: it can be consumed (C), saved (S_p for private savings), paid taxes (T), or transferred abroad (T_r). Given that GNP is simply the sum of the income earned by all individuals in the economy, we have:

$$\text{GNP} = C + S_p + T + T_r$$

By equating the two expressions for GNP developed above, we derive the following equation:

$$X - M - T_r = (S_p - I_p) + (T - G),$$

where $X - M - T_r$ represents the current account.

In other words, the current account balance is equal to the private savings and investments balance and government tax balance. Thus, it is clearly evident that a budget deficit should be followed by either a surplus of private savings and investments or a current account deficit. In this context chronic fiscal deficit will be reflected in a continuous deterioration of current account balance. Thus, government fiscal policies can contribute in deteriorating or vice versa the country's foreign position.

A final equation is needed to clarify the connection between the current account balance and the net flow of foreign investment capital: a saved monetary asset can be classified according to the type of assets it purchases. In particular, savings can be used to purchase domestic physical capital, government debt or a foreign asset (FA) of various types. Given that government debt is equal to government budget deficit (G-T), we have

$$S_p = I_p + (G - T) + FA.$$

Rearranging, we have

$$FA = (S_p - I_p) + (G - T) \quad \text{so} \quad FA = X - M$$

* Net factor of income captures the returns on domestic and foreign assets.

II. PERFORMANCE OF ALBANIA'S BALANCE OF PAYMENTS THROUGHOUT 2000

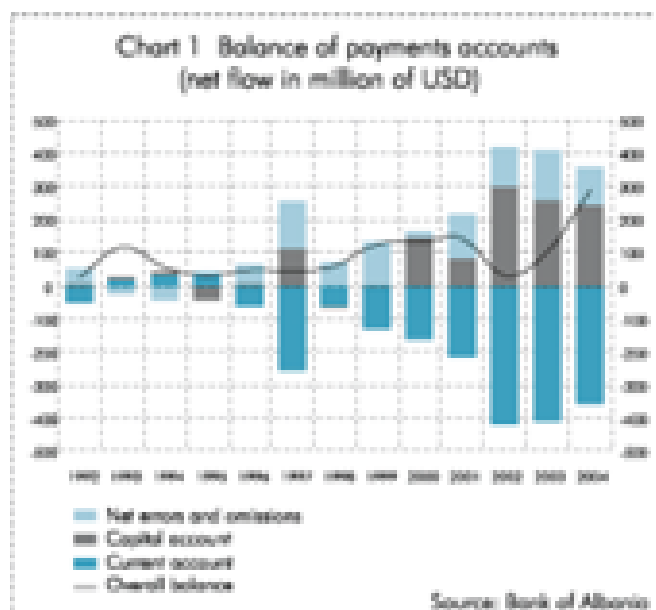
In this second decade of the Albanian transition, the external sector of economy experienced persistent current account deficits, caused by high trade deficit. The capital flows have been generally sufficient to finance current deficit, making possible a positive general balance (notably increased in the last two years).

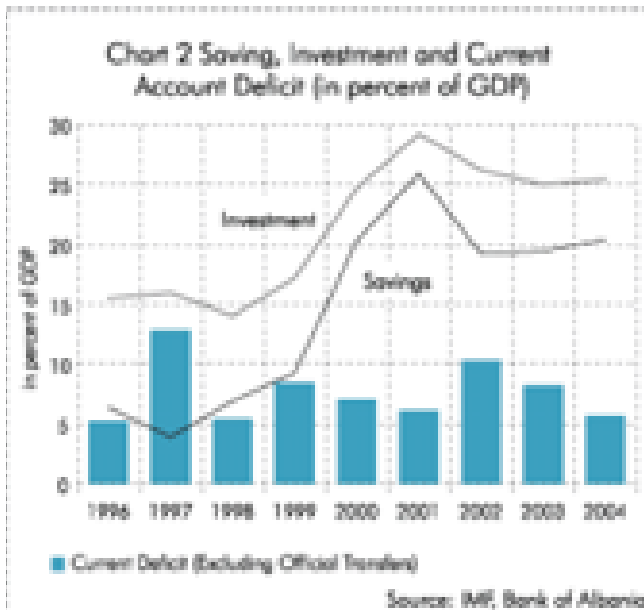
The relative indicator of current deficit (excluding official transfers) to GDP ranged between 7 per cent in 2000 and 5.7 per cent in 2004, reaching the maximum level in 2002 (approximately 10 per cent). In general, it is acceptable that a level of this indicator above 5 per cent should attract the attention of how to cope with it. The estimation of current deficit stability is related first to the analysis of its resources and to the capital flows that finance the current deficit for short-term and long-term periods.

If we refer to current deficit as a difference of savings and investments, we notice that year 2000 was characterized by increases in relative levels of domestic savings and investments to GDP. Savings mainly represent those of the private sector; meanwhile a progressive development is the increase of public savings (the reduction of fiscal deficit). Being -9 per cent of GDP in 1996, public savings² recorded positive terms in 2004, estimated at 0.3 per cent of GDP.

Furthermore, investments increased 15.5 per cent of GDP in 1996 to 25.4 per cent in 2004. Within the structure of investments, private investments considerably increased, representing for the most part the domestic investments (for 2004 they are estimated at 20.2 per cent of GDP from 11 per cent in 1996), while public investments are represented at low levels (from 4.5 per cent of GDB in 1996 to 5.2 per cent in 2004).

Generally, we come to the conclusion that during this period the resource of current deficit has been the increase of private investments.





The high rates of investments have induced the growth of imports and consequently high trade deficits. Trade deficit has always been a constant feature of foreign trade performance, highlighting high levels of deficit of current account. The relative indicator of imports to GDP, throughout 2000, is estimated by an average of 30.9 per cent. In more than 58 per cent of total imports is represented by capital goods and intermediate goods (see Box 2), while the domestic demand for consumer goods remained high.

Although, private investments in the production capital are accompanied by growth of productive capacities for exports, a distinctive feature of foreign economy remains the low level of exports. Throughout 2000, they are estimated

at 7.5 per cent of GDP, covering the financing of only 24 per cent of the volume of imports in the economy.

High deficits over the years have been financed not only by capital trade inflows but also financing possibilities have been noticed within the current account, through emigrants' remittances. During 2000-2004, net flow of current transfers amounted to USD 3.7 billion of which 97 per cent are contributions from the Albanian migration. Remittances for 2004 are estimated at USD 1028 million or approximately 13.5 per cent of GDP.

Current deficits are financed by foreign capital inflows as capital transfers (mostly governmental grants), as well as financial flows as foreign direct investments and foreign borrowing.

More than a half of capital flows have been a contribution of foreign direct investments. They rose considerably compared to their level during 1999 due to privatization process, representing during 2000-2004 an average of 4 per cent of GDP.

However, the problematic situation in Balkans, as well as the lack of an attractive and appropriate environment for foreign direct investments within the country results in modest flows of this indicator. Compared to the total of incomes as current transfers and incomes as foreign credits and investments, the total foreign direct investments performed represents an insignificant figure.

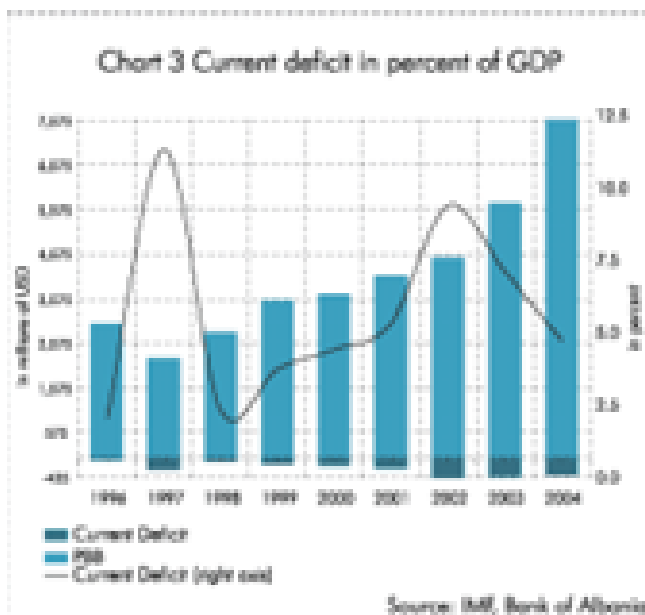
A characteristic of Albania's financial developments with foreign countries over these last years, is the accumulation of foreign debt, increasing so the level of liabilities to repayments and interest expenditures. Albania has till the end of 2004 accumulated an official foreign debt of USD 1.4 billion. This level either in absolute terms or estimated against GDP (during 2000-2004 is estimated at about 19 per cent) or as liabilities stock per capita, is presented

relatively low compared to the countries of the region. The annual added value of foreign debt stock has been increasing in the recent years, by an annual average of USD 230 million for the period of 2000-2004.

Meanwhile, a remarkable development for the last years is the involvement of private sector in the foreign borrowing activity. For 2004 private borrowings reached approximately 34 per cent of the total. The service of foreign debt is evaluated at modest levels, reaching about 4.3 per cent of total exports during 2004, so far from the level of 25 per cent considered in principle as a critical level. Generally, we come to the conclusion that Albania is not close into facing the ability to repay the foreign debt.

Notwithstanding the positive developments that have characterized our goods and services trade over these last years, the opening degree of the economy³ remains at pretty low levels (at an average of 64 per cent for 2000-2004). The objective is focused on the low level of export of goods, which causes the trade (net impact) is not completely activated as a resource of the expansion of the economy. In this context, the deepening of the opening degree is one of the most important challenges of the Albanian economy in the future.

III. GENERAL DEVELOPMENTS OF BALANCE OF PAYMENTS DURING 2004



The favorable economic developments in the country are also reflected in the foreign transactions. Current deficit reduced to 5 per cent of GDP from 7 per cent in 2003. The improvement of current deficit position is impacted by the significant improvement of trade balance. Trade deficit (goods and services) is estimated at 22 per cent of GDP, being reduced by 3 percentage points compared to the previous year. Net capital flows reached a record level of USD 531 million, rendering the current deficit financing completely possible. These flows led also to a considerable growth of foreign reserve, which amounted to USD 1,374 billion by the end of 2004. Albania's foreign reserve is sufficient to cover about 5.1 months of imports of goods and services. Albania's external debt stock⁴ grew to USD 1.674 billion at the end of the year, being equivalent to 22 per cent of GDP from 25 per cent at the end of 2003.

Despite the growth in the volume of transactions of goods and services during 2004, the indicator of the economic opening of Albania⁵ was falling. This year the economic opening of Albania reached the level of 64 per cent from around 66 per cent recorded in 2003. Even though Albania, as a result of the economic growth of 6 per cent for the second year in succession, is estimated as one of the fastest-developed economies in the region, the economic opening degree still leaves room for improvement in comparison with the countries of the region.

In evaluating the stated results, one should take into account the fact that a significant portion of growing transactions volume reflects the annual depreciation rates of the average monthly exchange rate of the reporting currency - US dollar against the Euro (7.7 per cent) and Lek, the domestic currency unit (15.7 per cent) recorded in 2004. As a result of significant exchange rate fluctuations and of the fact that most of transactions between residents and non-residents are made in Euro⁶ and not in the currency in which balance of payments is reported (US dollar), the analysis of current developments should provide for this effect.

	2003	2004	2003	2004
	In millions of USD		As a percentage of GDP	
Current account	(407)	(358)	(7.1)	(4.7)
Trade balance	(1,336)	(1,592)	(23.4)	(21.0)
Export	447	603	7.8	7.9
Import	(1,783)	(2,195)	(31.3)	(28.9)
Services (net)	(83)	(51)	(1.5)	(0.7)
Incomes (net)	170	175	3.0	2.3
Current transfers (net)	842	1,109	14.8	14.6
Capital account (net)	259	243	4.5	3.2
Overall balance	100	288	1.7	3.8

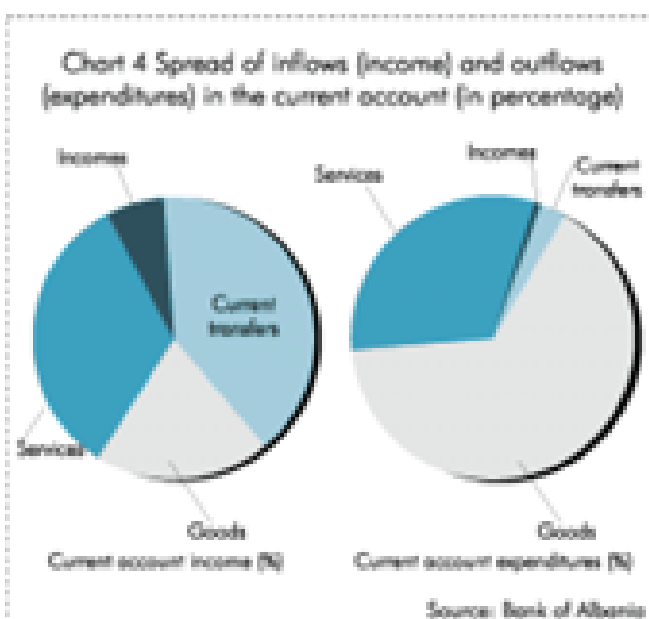
Table 1 Balance of payments accounts

III.1. CURRENT ACCOUNT

Year 2004 is characterized by an intensive activity performed in the external sector of the country, reflected in a considerable growth of current income and expenditures. Current transactions volume increased by 28 per cent compared to 2003, amounting to USD 6.4 billion. More than 96 per cent of current expenditures were intended to purchase goods and services. Current transfers have supplied around 40 per cent of current income, while services and exports of goods 33 per cent and 20 per cent, respectively. Current deficit during this year displays a slight decrease compared to the previous year (about 12 per cent), amounting to USD 358 million and being equivalent to 5 per cent of GDP. The deepening of trade deficit in goods and services was partially balanced by the growth of net factual incomes. Exports of goods have shown a satisfactory performance, regardless of the appreciation of Lek exchange rate. Although the annual growth rate of exports was higher than that of imports, the extremely large share of imports allowed trade deficit increases by about USD 255 million or by 19 per cent.

During 2004 services account marked an increase in terms of income and expenditures. Income increased more than expenditures compared to 2003. Net result of transactions in services brought about a reduction of deficit of this account by about USD 31 million. The positive balance of current inflows as current transfers and income is estimated at about USD 272 million higher than the previous year. This growth has come as a result of current income increase in the form of emigrants' remittances, while the considerable decrease of income from investment interests of the resident units abroad made the positive balance of income account mark a slight increase compared to 2003

Despite the increase in the volume of goods and services transactions during 2004, the indicator of economic opening of Albania has regressed. This year the economic opening of Albania highlighted the level of 64 per cent from 66 per cent in the previous year. Even though



Albania, as a result of the economic growth of 6 per cent for the second year in succession, is estimated as one of the fastest-developed economies in the region, the economic opening degree still leaves room for improvement in comparison with the countries of the region.

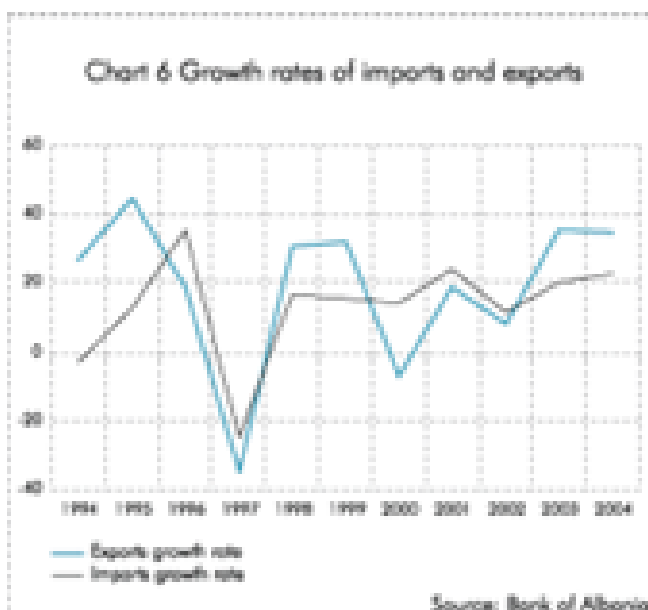
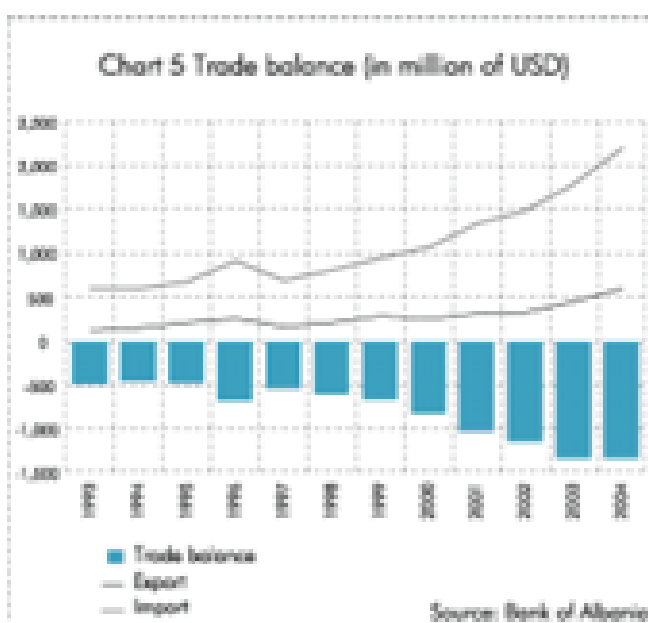
III.1.1 FOREIGN TRADE

Trade transactions represent throughout the year more than 44 per cent of all current exchanges of Albania with the rest of the world. The total trade volume reached USD 2.8 billion, with an annual increase of 25 per cent. The export of goods amounted to USD 603 million, being 35 per cent higher than the previous year. The ameliorative signs of the European economy, the main trading partner of Albania, as well as the structural changes within the country, seem to give the expected effect. Despite the aggravation in

terms of competitiveness⁷, export of goods is characterized by a promising growth over the last two years. The contribution of exports to GDP during this year is estimated at 7.9 per cent.

Exports have financed 27.5 per cent of imports in 2004, from 25 per cent recorded in the previous year. The Albanian economy continues to be an import-oriented economy, where imports represented 78 per cent of the foreign trade volume during 2004. Expenditures for imports of goods are estimated at about USD 2.2 billion. The nominal annual growth of USD 411 million or 23 per cent indicates that this year too has followed the strong upward trend that has characterized imports throughout 2000. The 2004 trade deficit amounted to about USD 1.6 billion, being 19 per cent higher than the one of the previous year. Trade deficit position to GDP is deemed to have improved, being 21 per cent from 23.4 per cent in the previous year. Imports reached 28.9 per cent of GDP during this year. The reduction of the domestic needs for electricity, stimulated by unfavorable atmospheric conditions, as well as the improvement of distribution network and the good-management of electricity, followed by a prudential fiscal policy, have influenced the improved net trade position to GDP.

For a period of 10 years (Chart 6), the annual average growth of exports (19 per cent) has been quicker than the one of imports (13.3 per cent). Meanwhile, after 2001 we may notice higher



growth trends; for this period exports have increased by an average annual rate of 24.4 per cent, while imports by 19.8 per cent. It seems that positive effects for the country's economy mostly accompanied the globalization and regional processes.

- Export of goods

Notwithstanding the positive developments that have characterized the exports of goods during this year, its structure is still suffering the low degree of diversification. Yet, there is little evidence of marketing strategies of the Albanian businesses towards foreign markets. Of particular importance it is also seen the certification of the Albanian items according to European standards.

Presently, exports are for the most part represented by textile products and footwear⁸, of mineral and agricultural products, mainly medical plants. Thus, even this year the export of goods performance was considerably determined by the changes in the domestic processing industry. Exports of this category have performed about 75 per cent of annual income in exports of goods.

The characteristics of exports (small volume and low degree of diversification) reflect the limited capacity of the domestic economy to bid in the international markets competitive goods. The high and growing level of external trade deficit should focus on policies that aim at substituting imports and promoting exports.

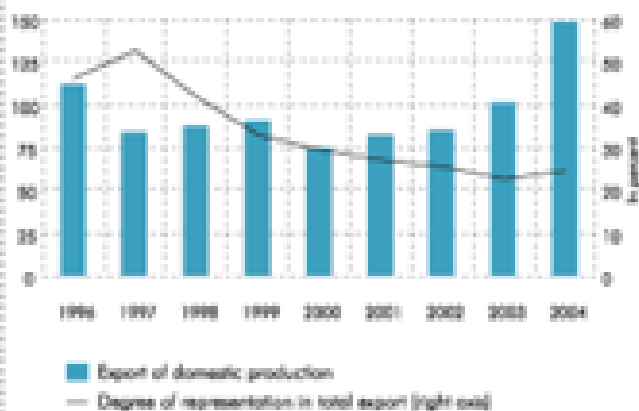
Table 2 Distribution of exports according to SITC classification

Code	Description	2002	2003	2004	2002	2003	2004	2004/2003
		Value in millions of USD			Share in %			Change in %
0	Food products and live animals	5.2	18.9	24.8	1.6	4.2	4.1	31.3
1	Beverages and tobacco	6.2	5.8	9.4	1.9	1.3	1.5	61.2
2	Raw materials	13.3	19.4	23.0	4.0	4.3	3.8	18.4
3	Fuels	7	4.9	16.2	2.1	1.1	2.7	231.0
4	Vegetable and animals fat	0	0.5	0.3	0.0	0.1	0.1	-32.0
5	Chemical products	2.2	2.9	3.5	0.7	0.6	0.6	22.1
6	Manufacturing goods	57.6	77.5	127.0	17.4	17.3	21.0	63.8
7	Machinery and equipment	9.3	15.8	23.7	2.8	3.5	3.9	50.3
8	Other manufacturing goods	229.5	301.5	375.4	69.5	67.4	62.2	24.5
9	Unclassified somewhere else goods	0.0	0.0	0.0	0.0	0.0	0.0	-
	TOTAL	330.2	447.2	603.3	100.0	100.0	100.0	34.9

Promising this year is as well the expansion of exports by the domestic production toward regional markets, stimulated by the Free Trade Agreements in the region. With an annual growth of USD 48 million, our domestic export has raised its representation level in the total exports to 25 per cent, from 23 per cent in the previous year.

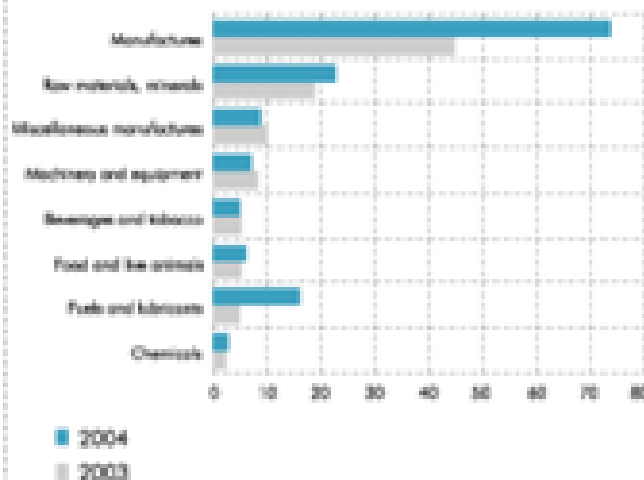
Basic metals and mineral products represent the major share of domestic export. During this year they marked a notable increase (90 per cent and 107 per cent, respectively). The greatest impact in this growth is given by fuels and by cast-iron and steel. A positive tendency shows also the export of drinkable water and beer, especially toward regional countries.

Chart 7 Exports of domestic production (in millions of USD)



Source: Bank of Albania

Chart 8 Export of domestic production (in millions of USD)



Source: Bank of Albania

The development of private sector throughout the transition period has contributed not only in the growth of exports that was evidenced in the above analysis but also in the evolution of products that compete with imported goods. Thereby the contribution in the easing of trade deficit is made by the reduction of imports.

- Import of goods

Variation in goods categories and the great volume of imports (28.9 percent of GDP) reflect the rising demand of the country for consumer goods, intermediate goods and capital goods (see Box 2).

Demand for imports remains high. However, it's a positive fact that annual imports growth is considerably caused by the imports growth in machinery and equipment as well as in vehicles. Imports of these categories during this year raised their representation level to 24 per cent of total expenditures for imports from 21 per cent in the previous year. The high demand of the private sector for capital goods is a positive indicator for the investment level, the renovation of technological basis and its productivity. The most advanced sectors in terms of renovation of technological basis are information technology and communication and construction industry.

Raw material imports for the domestic active processing industry, mainly focused on textile sector, footwear and metals, grew by about 13 per cent. Imports expenditure of this category

represents about 17 per cent of total imports expenditures performed during 2004. The performance of these imports reflects the developments noticed in the re-export sector.

Notwithstanding the significant depreciation of American dollar, oil price rise in the international market maintained expenditures for fuel imports high. The domestic demand for these imports remains high, even though it marked a slight decrease compared to the previous year.

The imported quantity throughout 2004 is estimated at 2.4 per cent lower than in 2003, while due to the price rise, annual expenditures for fuel imports climbed by around 15 per cent. The positive performance of domestic electricity production during 2004 brought about a decrease of electricity imports compared to the previous year.

Code	Description	2002	2003	2004	2002	2003	2004	2004/2003
		Value in millions of USD			Share in %			Change in %
0	Food products and live animals	218.4	268.1	331.3	14.7	14.4	14.5	23.6
1	Beverages and tobacco	56.6	68.8	76.1	3.8	3.7	3.3	10.7
2	Raw materials	58.1	63.7	73.0	3.9	3.4	3.2	14.6
3	Fuels	136.2	158.9	176.6	9.2	8.6	7.7	11.1
4	Vegetable and animals fat	20.8	29.0	33.0	1.4	1.6	1.4	13.8
5	Chemical products	122.1	159.7	207.1	8.2	8.6	9.1	29.7
6	Manufactured goods	338.5	441.0	531.8	22.8	23.7	23.3	20.6
7	Machinery and equipment	321.3	403.4	538.4	21.6	21.7	23.6	33.5
8	Other manufactured goods	215.2	264.7	312.6	14.5	14.3	13.7	18.1
9	Unclassified somewhere else goods	0.0	0.0	0.0	0.0	0.0	0.0	-
	TOTAL	1,487.3	1,857.2	2,280.0	100.0	100.0	100.0	22.8

Table 3 Distribution of imports according to SITC classification

Box 2 Compilation of imports by BEC What is BEC (Broad Economic Categories)?

The classification of foreign trade by Broad Economic Categories offers for the users and analyzers of such statistics the categorization of data trade according to end-use purposes - capital goods, intermediate goods and consumer goods - approximating the three basic classes of goods in the National Accounts System.

Thus it permits to study foreign trade statistics jointly with the other components of general statistics such as industrial statistics and the national income aggregates. The BEC codes can be classified as primary goods and processed goods. In case we can't completely align a commodity to its end-use, the code is generally determined by the predominant end-use.

Capital goods - are used for the production of goods and services, and means of transport, office equipment, etc. are not part of them. Intermediate goods - are used up or transformed for the production of goods and services. We mention here imports of chemicals, crude oil, etc.

Through a correlation one by one of commodities, Harmonized System (HS) codes of foreign trade are converted into BEC codes. Such classification for our data of foreign trade is made possible since 2003.

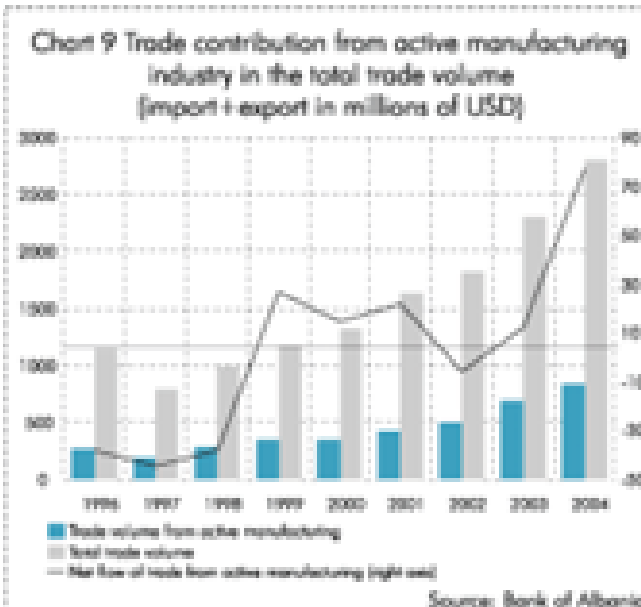
	2003	2004	2004/2003	2003	2004
	Value in millions of USD		Change in %	Structure in %	
Capital goods	215.5	292.7	35.8	11.6	12.8
Intermediate goods	863.3	1029.3	19.2	46.3	45.1
Consumer goods	635.0	749.5	18.0	34.1	32.9
Total	1857.2	2280.0	22.8	100.0	100.0

The table shows us that our import structure is dominated by intermediate goods that have represented 45 per cent of all imports over 2004. The nominal increase of USD 166 million compared to the previous year, speaks for positive developments in the processing industry. The performance of capital goods as well is an optimistic indicator for the level of investments, renovation of technological base, transport, etc. We notice that the category of consumer goods continue to represent a considerable share in the total imports, of 33 per cent.

A more detailed disclosure of commercial import statistics according to BEC classification will be found in the following appendix.

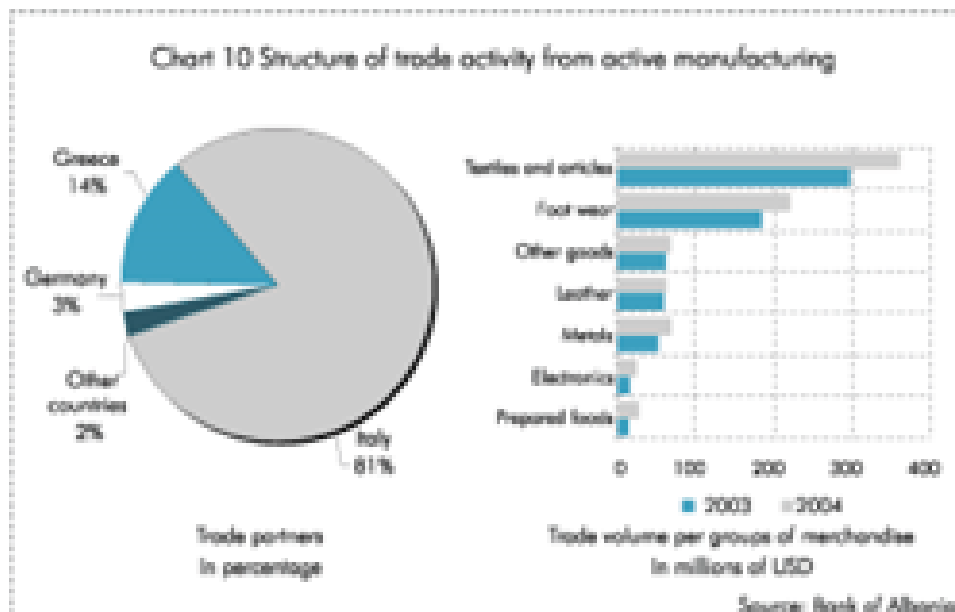
- Trade from active manufacturing industry

From years now, manufacturing industry (with orderer's material) is the main determinant in the Albania's trade activity, highlighting positive developments in the expansion of productive capacities. Initiated since 1996, which represents the year of opening of many domestic manufacturing industry entities, this activity has been growing from year to year.



The added value of goods that comes from manufacturing industry brought about a considerable increase of surplus of this industry, especially during the last two years. During 2004 the net flow is estimated at about USD 77 million from USD 11 million in 2003. With a volume of USD 831 million, the trade from domestic active manufacturing industry counts for 29 per cent of commercial transactions performed during this year. The effect is more visible for exports, by 75 per cent, while imports of raw material for further manufacturing represent 17 per cent of total imports. Exports have increased faster than raw material imports, compared to the previous year. The manufacturing industry with orderer's material is generally represented by the business activity of

foreign capital entities that is organized in small and mid-size companies. The activity is mainly concentrated on the manufacturing of textiles articles, footwear and basic metals. The main investors of this industry are from Italy and Greece.



- Trade partners

By absorbing 90 per cent of total exports, the European Union remains the main destination of the Albanian products. Sales in the European markets have

recorded an annual growth of USD 215 million or 30 per cent compared to the previous year. However, this market has lost ground in the favor of market expansion in the countries of the region.

Exports	Weight in total exports			Change (2004/2003)	
	2002	2003	2004	%	
Total	100,0	100,0	100,0	34,9	
EU countries – 15	92,1	93,3	89,9	30,1	
Italy	71,7	74,9	73,1	31,6	
Greece	12,8	12,9	12,0	25,7	
Germany	5,5	3,4	3,1	23,2	
South East European countries*	3,3	3,2	6,6	177,2	
Of which:					
Former Yugoslavia	2,2	2,4	4,9	179,3	
FYROM	1,5	0,7	1,2	144,4	
Other countries	4,5	3,5	3,5	32,4	

* Representing the countries Albania has Free Trade Agreements with.

Table 4 Distribution of exports by trading partners over years, annual change for 2004

With the free trade agreement with Bosnia-Herzegovina, which entered into force in December 2004, Albania has completed the bilateral framework of Free Trade Agreements in the region. Exports with the South East European countries involved in the process of establishing the free trade zone (SEE-7) increased 2.3 times compared to the previous year, expanding the Albanian exports market in this area from 3 per cent to 7 per cent of total exports. Kosovo and Macedonia represent the largest market for exports of the Albanian products. Also, trade with Turkey is seen as the one showing an interest in the Albanian products. Total sales with this country increased from USD 3.7 million to USD 11.3 million in 2004.

As far as imports are concerned, their trade geography represents a greater variety of markets. The European Union supplies about 65 per cent of the

Imports	Weight in total imports			Change (2004/2003)	
	2002	2003	2004	%	
Total	100,0	100,0	100,0	22,8	
EU countries* – 15	71,1	68,3	65,0	16,8	
Italy	34,7	34,1	32,6	17,4	
Greece	21,9	19,8	18,6	15,4	
Germany	5,6	5,7	6,2	33,7	
South East European countries**	7,7	6,4	5,7	9,4	
Bulgaria	2,0	2,5	2,0	-2,4	
Bosnia - Herzegovina	0,0	0,1	0,0	-8,0	
Croatia	2,3	1,5	1,3	5,2	
Former Yugoslavia	1,1	0,6	0,7	51,6	
FYROM	1,3	0,9	1,0	45,7	
Romania	0,9	0,8	0,4	-32,7	
Moldova	0,0	0,0	0,1	452,9	
Turkey	6,1	6,5	7,1	34,1	
Russia	2,6	2,9	2,8	18,5	
Ukraine	1,2	2,3	2,5	33,4	
Other countries	11,3	13,6	16,9	51,0	

* In May 2004 ten new countries joined the European Union (Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Cyprus, Czech Republic, Slovak Republic and Slovenia), the group being enlarged to 25 Member States. For analysis purposes, the European Union group does not include the new Member States.
** Representing the countries Albania has Free Trade Agreements with.

Table 5 Distribution of imports by trading partners over years, the annual change for 2004

domestic needs for imports. Total imports in this group (USD 1.5 billion) increased by about 17 per cent compared to the previous year). Italy and Greece remain the main trading partners of Albania. Imports from both countries represent 79 per cent of the Albanian economy expenditures in the European Union markets. Imports with the South East European countries involved in the process of establishing the free trade zone (SEE-7) have evidenced a moderate growth. Imports of this group increased by about 9 per cent, while the ratio of these imports to total imports lowered to 5.7 per cent from 6.4 per cent in 2003.

III.1.2 SERVICES

Trade in services became a relevant element toward a global integration. The gradual opening of our country toward a market economy has turned the exchange of goods and services into a more frequent phenomenon. In 2004 services reached 46.3 per cent of GDP, dominating the overall trend of this indicator.

During 2004 net exports of services were estimated at USD -51 million, being lower than the deficit of USD -82.7 million recorded at the end of 2003. In comparison with 2003, service export credits rose by 39 per cent and debits rose by 31 per cent. Narrowing of service deficit is due to the increase of net income in "travel" item, which has also offset the other components of services. The acceleration of economic activity in services provided and/or required to non-residents shows a positive indicator of the opening process and of the Albanian economy integration in the international markets.

The awareness of our economy players to increase the quality and expand the variety of services they provide to non-residents must be positively estimated. Balance of payments has recorded mutual activity (export/import), in service groups that previously have been almost unexplored. Thus, "other services" item - all services excluding transport and travel services - has presented in the recent

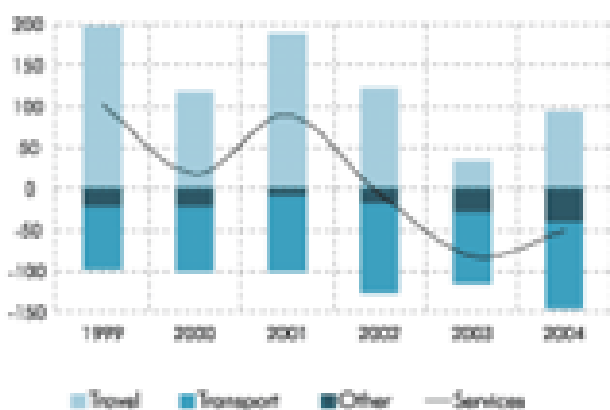
years an average of 41 per cent of all services transactions, in comparison with 1999s that counted an average of 20 per cent.

A remarkable development on balance of services was the registration of net positive flows in "travel" item, which have partially or totally offset the negative balance in "other services" item.

- Travel services

Developments in travel services have affected significantly flows in services account. The travel account balance increased significantly

Chart 11 Services - net flow in millions of USD



Source: Bank of Albania

compared to the previous year. Currently, tourism represents a major source of foreign currency for the Albanian economy. According to Bank of Albania estimations, during 2004 travel exports amounted to USD 735 million, or about 22 per cent higher than goods exports.

Despite the impact of the fluctuations in the exchange rate Euro/USD, considering the fact that payments for tourism services are mainly made in Euro, an annual increase of tourism income was due to an increase in number of foreigners and emigrants and at the same time to the slight increase of daily expenditures. In 2004 the number of foreign citizens who visited Albania increased by 16 per cent compared to 2003. Tourist inflows from Kosovo, Macedonia and Montenegro have been particularly increasing. An increase of tourism expenditures is revealed, which have shown higher growth rates over the recent years. Albania's residents have spent for tourism services abroad about USD 642 million, or as 62 per cent of total emigrants' remittances. In the recent years, tourism has presented, to a large extent, foreign currency inflows through the goods and services exchanges, at amplitude of 45-55 per cent.

Tourism income, in terms of GDP, reached the highest level (about 11 per cent) during the 2000-2002. In 2004 it was estimated at 9.7 per cent of GDP. However, not all tourism incomes remained in the Albanian economy. In fact, it must be considered an outflow of these incomes for providing a part of goods and services consumed by foreign visitors, for capital goods invested in tourism and for other payments outside the country. The demand for imports depends on the growth level and the diversity degree of the Albanian economy. These demands depend also on the capacity of providing substitutes of imported products and on qualified level of tourism offer.

According to the international tourism, it seems relevant and necessary to determine a range of measures for a better policy framework.

During this year, the net income from tourism has financed only 5.6 per cent the trade deficit in goods, compared to 2.5 per cent in 2003.

The highest level of net import financing through net income of tourism is recorded in 1999, at about 30 per cent, which represents also the year with the highest level of net income from tourism.

Increasingly, the tourism is a supporting source for the current account. In particular, the improvement of the domestic infrastructure of tourist services will affect simultaneously the increase of tourism income and the decrease of tourism expenditures. Notwithstanding the strong competitiveness in this sector existing in the region countries (such as Greece, Montenegro, Croatia) and the lack of subsidies, the tourism sector has the potential to positively contribute in the economic growth. Another incentive aspect related to the development policies in this sector is the infrastructure as a primary necessity as well as the international marketing. The infrastructure construction and modernization is a need for the whole economy, not only for tourism sector.

Box 3 Tourism survey

International tourism expressed in considerable values during the last years, presents an important item for the Albanian balance of payments. In order to have an accurate estimation with inflows and outflows generated from tourism, the balance of payments sector has deemed necessary to conduct a tourism survey. The methodology of estimation these inflows and outflows, through statistical surveys, is a practice followed by central banks in compiling balance of payments. The experiences from different countries show that such surveys are harmonized with other statistics reported to the central banks on the duration of stay by foreign tourists in the country, as well as data on the origin and expenditures. In our case, it is impossible to provide such data. Establishing such an information network would serve the improvement of the whole statistical system as well as it would enable the identification of competitive priorities of the country, the demand for tourism services, etc., contributing mainly to the high accuracy of measuring the monetary inflows from tourism. The data provided from monthly reports of the banking system show that a relatively little part of payments for tourism is channeled through the banking system.

“Tourism survey” undertaken by Bank of Albania in collaboration with the Institute of Statistics since 1999, is the base of methodology of estimating tourism income and expenditures. On a quarterly basis throughout the year, around 4000 travelers are subject to direct interviews on major border ports of the Republic of Albania. The population under survey consists of Albanians residents returning from abroad as well as non-resident travelers that leave Albania. The main purpose for this survey consists in calculating the estimated coefficients of duration of stay and the average expenditures per tourist. These coefficients are later combined with the tourist inflow-outflow statistics divided according to nationality, provided by the Ministry of Public Order. The issue faced continuously arises from the inconsistency of the criterion of traveler registration from the Ministry of Public Order with the balance of payments criterion. Given that our country is characterized by enormous flows of emigrants, who are registered based on nationality and not on residency, it is deemed necessary to modify the number of Albanians entering the country.

These data are processed according to two main groups: business and personal. At the end of the analyses the total income and expenditures for tourism are derived, which are presented in “traveling” item, in the current account service category.

The traveling reasons of foreign visitors to Albania are determined on season periods throughout the year. In summer time tourists travel for holiday purposes, while during the rest of the year they rather travel on business and other purposes. Based on the results of analyses during 2004, compared to 2003, the staying of Albanian tourists has been slightly growing for those who travel on business purposes (on average 5 days), while the staying for those who travel for personal purposes is estimated at the same level (on average 11 days). Thus, based on the results of tourism survey during 2004, the expenditures of foreigners traveling on business purposes in Albania have been increasing, while the category of Albanians traveling abroad on business purposes compared to the previous year has decreased. Meanwhile the average annual expenditures for personal purposes have increased for both foreign and Albanian travelers.

After the estimation of quantitative coefficients derived from the tourism survey, the estimation of travel services was made possible as well: tourism income is USD 735 million, while tourism expenditures are USD 642 million.

- Transport and insurance services

Transport services and insurance services in general follow the developments in the trade of goods. The growth of import volume led to the growth of services imports for these categories. Simultaneously, the growing participation of the resident transport companies providing services in foreign trade has considerably raised the income of this category. However, deficits in transport and insurance services increased by the end of the year compared to the previous year.

Due to the favorable geographical position, our country has the competitive advantage of sea transport. During 2004, the establishment of the Maritime Code for Albania indicates a positive signal for the integration and the international competition of transport services⁹. Concerning the insurance services, five other companies were licensed in 2004, expanding the insurance market up to ten companies. This fact presents a higher supply in the market, and as a consequence competitive prices and improvement in quality of provided goods¹⁰.

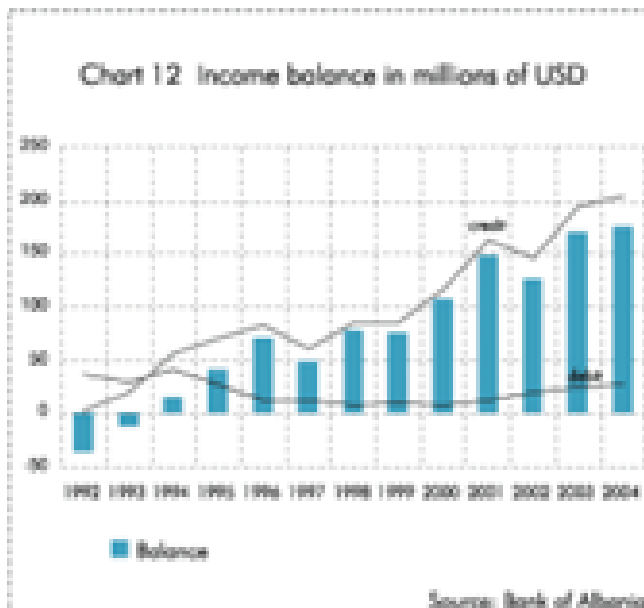
- Other services

“Other services” category has recorded a deficit of about USD 20 million, remaining almost at the same level as in the previous year. During 2004 this category has generated USD 163 million as income inflows or 30 per cent higher than the previous year. Meanwhile, the expenditure for this category reached USD 183 million or increased annually by 35 per cent. The deficit of this year has been caused mainly as a result of the growth of government expenditure deficit and also of the deficit growth in cultural services and business services categories. The government services have a particular nature, as government services usually are non-tradable. Government’s service expenditures recorded an annual increase compared to 2003 (50 per cent).

Meanwhile, income from telecommunications services has recorded a significant increase and therefore this category recorded a positive balance of USD 54 million from USD 27 million in the previous year. The increase of income from communications services, which is expected to continue at higher pace in the future, was due to the expanded range of products provided by the telecommunications entities.

III.1.3 INCOME

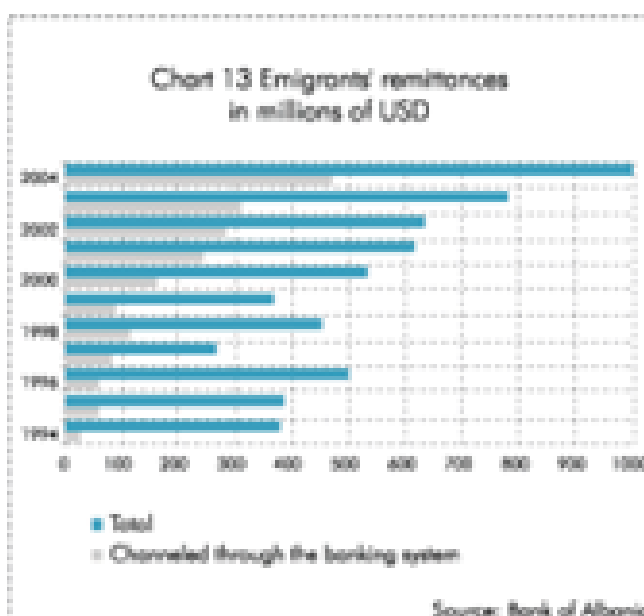
Income and expenditures deriving from the production factors - labor and capital-determine the income profile. Annually, the Albanian economy benefits foreign currency as payments from the work of seasonal employees as well as from the foreign reserve investments of the banking system in the non-resident financial institutions, paying at the same time external debt interests. The positive balance of the income account at the end of 2004 is estimated at about



USD 175 million, being USD 5 million higher than in 2003. The growth of income from the work of employees was due to the rising demand for labor force in Greece during the organization of the 2004 Olympic Games. Income from the work of employees, which is estimated as part of emigrants' remittances, assuming that a part of total number of emigrants is classified in seasonal or border employees category, represent about 75 per cent of the positive balance of income. The net flow of income for this category increased by about USD 21 million, totaling USD 132 million. Meanwhile, the interest income on investments decreased (about USD 13 million). Albania has paid, throughout 2004, USD 22 million to settle the interests on its external debt or 27 per cent higher than the previous year.

III.1.4 CURRENT TRANSFER

Current transfers, like in the past years, have been shaped from emigrants' remittances. The latter ones were estimated at USD 1028 million during 2004, being 32 per cent higher than in the previous year. Given that most of these remittances are denominated in Euro, the annual growth is partly attributed to the strong influence of depreciation of the reported currency -USD- versus the origin currency of remittances -EUR- during 2004 compared to the previous year. Emigrants' remittances represent an important source that supports the Albanian economy, providing a continuous inflow for the financing of the current deficit. Total emigrants' remittances represent about 13.5 per cent in terms of GDP for 2004.



The contribution of transfers to the easing of the trade deficit is estimated at 65 per cent. Emigrants' remittances have been accompanied also by official transfers, mainly as technical assistance (USD 56 million), which showed upward trends (12 per cent). During 2000-2004, remittances indicated high levels of inflows and ongoing growth. This progress is also accompanied by a high volume of remittances channeled through the banking system. This fact shows the increase of confidence of the Albanian emigrants for transferring and saving their money through the banking network. The development of the banking system in Albania is a relevant indicator for the performance of remittances through official channel. Thus, during 2004 solely 30 new branches and banking agency are opened

all over the country. Moreover, this behavior is also influenced by the policies undertaken from the host countries on the elimination of illegal emigration.

III.2 CAPITAL AND FINANCIAL ACCOUNT

While transactions in goods and services appear in the current account of the balance of payments, international sales or purchases of financial assets appear in the financial account, a subdivision of the capital and financial account. The capital and financial account shows the way the balance of payments transactions are financed. Albania's savings are lower than its investments, thus the Albanian economy is a net importer of goods and services. These net imports must be financed by financial inflows from outside the country. At the beginning of the transition period, the cross-border capital flows belonged mainly to public sector. The transition progress is accompanied by relocation in capital inflows composition, moving from public sector to private sector. Whilst government is managing persistently capital flows (borrowings) to finance fiscal deficit and other public investments, private entities are getting more involved or integrated in capital markets. The largest part of these flows consist of FDI but private sector's shares in other investment forms such as bank credits and international debt securities, are getting more important during recent years. The emerging investment resources in financial market instruments may help enlarge the possibilities for investment and consequently to the economic growth.

Net capital flows during 2004 were USD 531 million. These flows could finance the entire current account deficit and also contribute in the growth of foreign reserves. Capital transfers were USD 132 million or 25 per cent less than in 2003, while the financial account was positively closed by around USD 400 million. Capital imports, mostly attributed to the absorption of foreign direct investments and to the extension of long-term credits and loan facilities from abroad, have increased Albania's financial liabilities to the rest of the world by approximately USD 558 million. Compared to the previous year's balance, this figure is 70 per cent higher.

III.2.1 NATURE AND COMPOSITION OF ALBANIA'S FINANCIAL FLOWS

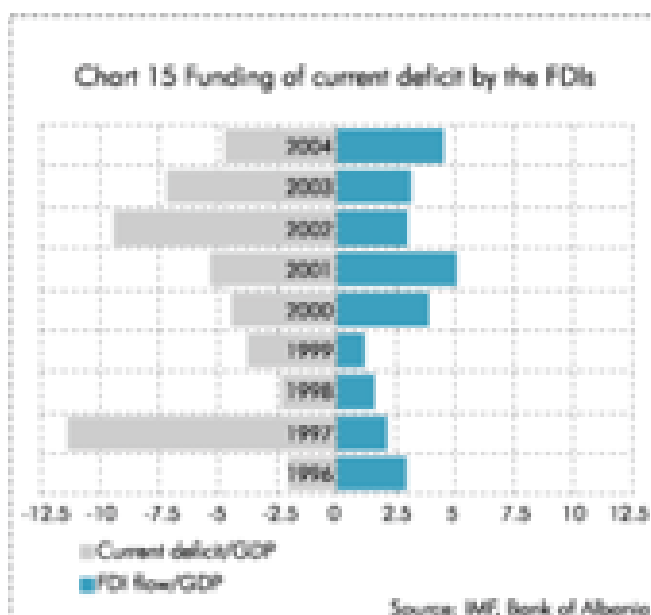
The flows in the financial account are divided into three main categories – direct investments, portfolio investments and other investments.

- Direct investments

Direct investment is defined as a category of international investment in which a resident entity in an economy (direct investor) acquires a lasting



interest in an enterprise resident in another economy (the direct investment enterprise). Direct investment implies a long-term relationship between the direct investor and direct investment enterprise and a significant degree of influence by the direct investor on the management of the direct investment enterprise. The IMF's Balance of Payments Manual (5th edition) recommends a minimum equity stake deemed necessary for an effective voice as 10 per cent. Foreign direct investments are estimated as an important source for covering the current and fiscal deficit (in case foreign direct investments arise from privatization). Also, compared to other financing capacities, foreign direct investments allow the transfer of technology and dissemination of knowledge; contribute to the opening of new job opportunities, help domestic companies emerge in foreign markets, etc.



Foreign direct investments have turned into a dominant factor in building up financial liabilities and in the performance of capital and financial transactions.

During the last decade, the privatization of strategic sectors has been the factor that determined the magnitude and the character of foreign investments in the country. Although Albania presents relatively less restrictions to foreign investors activity relative to other South East European countries, it seems to have absorbed less direct investments in comparison with the countries of the region. Comparable to other inward foreign financial flows such as current transfers, credit lines and other investments, foreign direct investments figure

appears to be low. Inward foreign direct investment flows during 2004 was USD 341 million, due to the progress of privatization program, particularly the Savings Bank to Raiffeisen Bank.

- Portfolio Investments

Financial assets in the form of portfolio investments – mainly as debt securities - are captured and registered for the first time in Albania's balance of payments, in 2000. The essential characteristic of these instruments is that they are tradable. That is, portfolio investments offer investors the flexibility to shift – regardless of the underlying maturity of the instrument invested – capital from one instrument to another.

During a five-year period 2000 – 2004, portfolio investments assets increased and their stock reached USD 146 million at the end of 2004, marking an annual growth of USD 3.6 million. Portfolio investments¹¹ in Albania consist in the acquisition of financial assets - mainly Treasury bills issued by foreign governments - from resident entities, represented completely by commercial banks. Net portfolio investments flows during 2004 increased

by USD 4 million, or they were 6 times lower compared to the previous year. During 2004, particularly during the third quarter, some fluctuations related to investing policies of commercial banks arose because of moves from portfolio investments to deposits and vice versa.

Currencies composition of portfolio investments, during 2004, was dominated by investments in Euro, which account for about 71 per cent of total investments. The continuous depreciation of US currency during the last two years made debt securities in US dollar less preferred. Stock of portfolio investments in these securities was about 28 per cent of total value at the end of 2004, marking a significant decline from the level of 84 per cent at the end of 2003.

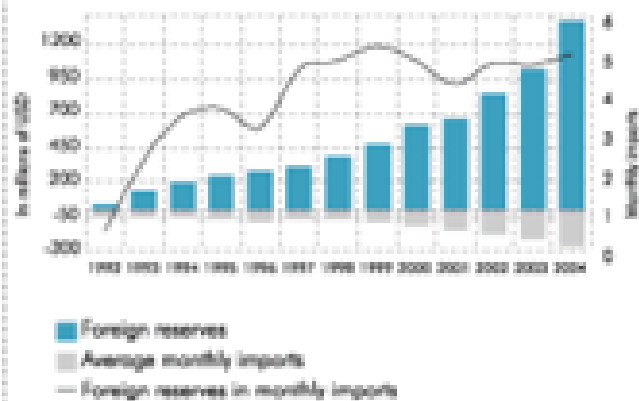
- Other Investments

The “other investments” account includes all financial transactions not considered direct investments, portfolio investments, or reserve assets. In Albania, the “other investment” category comprises mainly loans, currency and deposits and inter-company debts.

An important factor in adding up Albania’s financial liabilities relates to the extension of long-term loans and soft loans from abroad. As a result of the new loan extended during 2004, Albania’s financial liabilities increased by USD 230 million. This includes also the use of loans and credits of USD 12 million from IMF. About one-third of total credit is used by the private sector. This figure is 6 times higher in comparison with the previous year. External debt services in the form of payments of principal and interest totaled to USD 70 million during the year and are estimated approximately at 4.3 per cent of exports of goods and services. Financial liabilities as deposits of non-residents in our banking system have increased by USD 3.4 million. Their structural composition as per currency is dominated by the Euro, at 78 per cent. Trade credits liabilities during 2004 increased by USD 23 million, which are also reflected in the growth of imports for this period of time.

Albania’s financial claims to the rest of the world increased by about USD 159 million or 27 per cent more than in the last year. The major contribution has come from the growth of foreign assets as deposits of resident entities abroad. These high deposit outflows from inside to outside have come from the conversion of “Raiffeisen” bank’s capital and from a restructuring of investment, being transferred from portfolio to deposits. Foreign assets owned by the banking system in the form of foreign deposits grew by about USD 90 million. About 58 per cent of these assets are denominated in US currency, while the rest are in Euro (39 per cent) and in British pound (3 per cent). As regards cash foreign assets, the last quarter of the year marked a considerable growth (USD 22.4 million), while during the previous periods they did not show significant fluctuations. At the end of 2004, cash foreign assets denominated in USD accounted for 26 per cent and those in Euro represented about 70 per cent, while in British pound 3 per cent and in Swiss franc 1 per cent.

Chart 16 Foreign reserves in monthly imports



Source: Bank of Albania

III.3. FOREIGN OFFICIAL RESERVE

Foreign assets inflows as financial capital influenced the growth of foreign reserves of the monetary authority by USD 350 million. Foreign reserves amounted to USD 1.374 billion by the end of 2004. This level of reserves is considered sufficient to cover nearly 5.1 months of imports of goods and services.

IV EXTERNAL DEBT

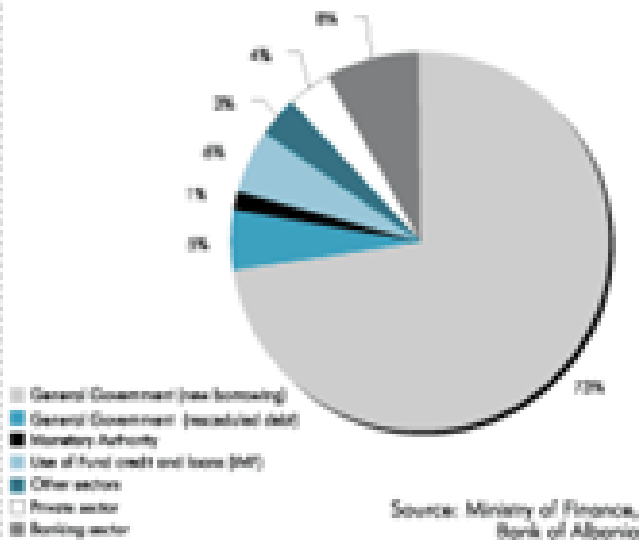
Foreign borrowing allows an economy to invest and consume beyond the limits of current domestic production, creating the capital structure not only by mobilizing domestic savings but also by tapping savings from capital surplus countries.

At the end of 2004, Albania's external debt¹² increased by USD 220 million or 15 per cent compared to the yearend of 2003, reaching the amount of USD 1.674 billion. At present, external debt is estimated at 22 per cent of GDP, being about 3 percentage points lower than in 2003. According to the statistical data, government borrowing occupies the major share in the external debt position.

Albanian Government's external debt is estimated at USD 1.299 billion at the end of 2004, representing around 78 per cent of total external debt. Albania is still recording rescheduled debt, which is estimated at USD 84 million accompanied with an annual increase of USD 9 million. Albanian Government's new external debt increased by USD 155 million, reaching the value USD 1.214 billion. Official external debt, distributed by sectors, is primarily dominated by energetic sector with 29 per cent, followed by transport sector 22 per cent, budget supply 19 per cent and urban and rural infrastructure, water supply and canalization system with 8 per cent to the total. During last ten years, IDA is the main multilateral creditor, covering about 82 per cent of total multilateral credits. Meanwhile, as regards bilateral creditors, Italy and Germany are the most important partners with 40 and 25 per cent, respectively. The main creditors of rescheduled debt are Russia and China.

Year 2004 marked a significant increase in terms of private sector debt. By an annual increase of USD 43 million, private sector debt has raised the representation level to total debt by 3 percentage points and has contributed by 20 per cent in the total growth of external debt relative to the last year. Also, with the increase of foreign borrowing the representation level of the banking system in the total external debt of the country has increased as well. This increase has mainly financed the economy consumption, influencing the growth of consumption imports. It has financed as well the needs for capital and/or capital goods of the companies. Monetary Authority's debt is estimated at USD 120 million, of which USD 96 million have been used as

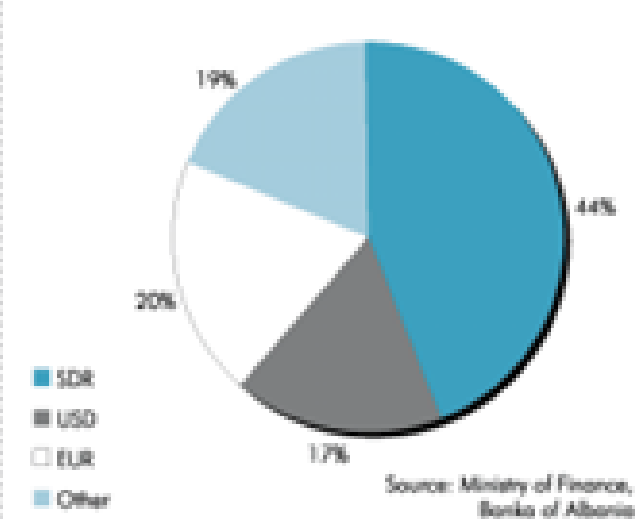
Chart 17 Structure of external debt by sectors



loans from the Fund (IMF). In the other sectors¹³ the debt stock is estimated at USD 54 million and increased 23 per cent compared to 2003.

Data on government debt, which represents to a large extent Albania's external debt with the world, suggest that net transactions have contributed by USD 107 million or 69 per cent to the growth of USD 154 million, while the rest (about 30 per cent) was the result of the exchange rate fluctuations. External debt structure as per currencies is dominated by SDR (about 56 per cent), followed by the European currency unit (12 per cent), US dollar (11 per cent) and other currencies.

Chart 18 Structure of external debt by currencies



The improvement of export capacities raises the confidence in the administrative ability of external debt. Moreover, a positive development for the country during 2004 was the fourth Memorandum signed in July with the International Monetary Fund for supporting poverty reduction and economic growth (PRGF).

ANNEX

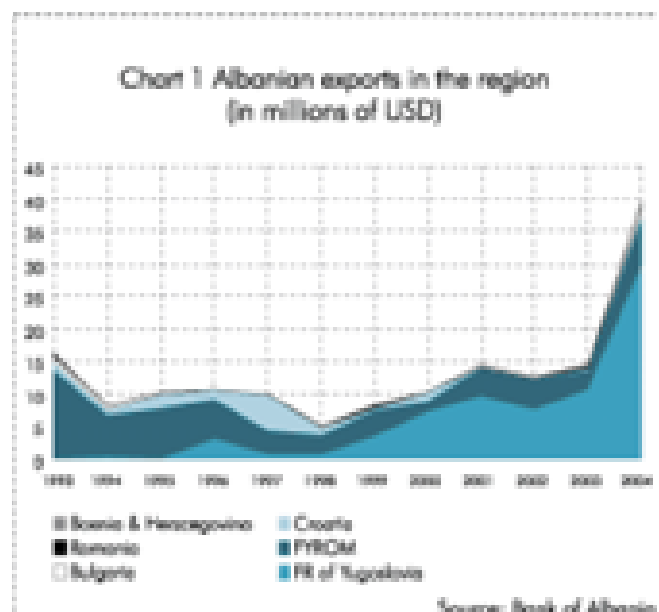
1. TRADE WITH THE REGION COUNTRIES UNDER FREE TRADE AGREEMENTS

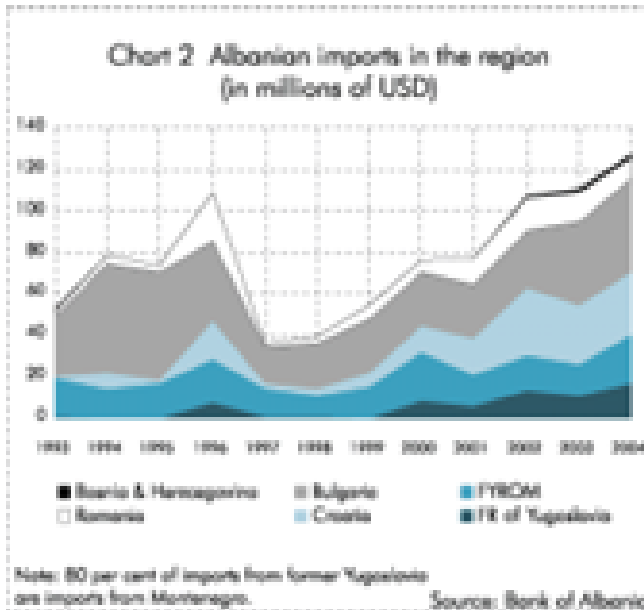
With the Free Trade Agreement signed with Bosnia-Herzegovina (on 8th April 2004) and by entering of this agreement into force (on 1st December 2004), Albania considers as fulfilled the obligation to create the free trading network within the context of regional economic integration.

The expected impacts of commercial liberalization between the countries of the region are considered as multidimensional. The expansion of the market can generate numerous advantages: First, companies are bound to change their "behaviour" in the market. Used to operate in a monopolistic situation, they will have to face the competition of other companies in the market. In order to "survive" they will have to operate effectively and with lower costs, bringing to the consumer the most important thing, lower prices. Second, the expansion of the market permits a better exploitation of scale economies, meaning more production with lower prices and higher quantities. Furthermore, a competitive production environment not only increases the effectiveness of production and management process but also helps improve the productivity of labor market.

Although, the first Free Trade Agreement is applied from two years and half now, Albania's commercial benefits are still considered limited. The partner countries appeared to have been more aggressive in using trade possibilities under facilitated conditions. Even though the trade with the countries of the region we have signed a FTA with, has known positive developments during 2004 (Chart 1), it still remains limited with only two of them (Kosovo and Macedonia).

Meanwhile, the FTA impacts with other countries are still imperceptible. The volume of Albanian exports within the region for this year, reached to 7 per cent from 3 per cent in the previous year.





In terms of imports, transactions with Macedonia, Bulgaria and Croatia represent the major share of trade, indicating also the highest growth rates. Imports are estimated at about USD 130 million, remaining close to the same level of representation toward total of imports as the previous year.

Albania's trade deficit in the region has been decreasing (about 6 per cent) over 2004.

As we mentioned above such agreements, apart from possible profitability, undertake the exposure risk of competitiveness in markets, for which the country might not fully or sufficiently be prepared. For that reason, it is necessary to design programs and policies oriented toward the support of domestic output and particularly to the

sectors that contribute in exports. Establishing the conditions on controlling the products, the increase of their quality, the production cost decrease, the labeling or transport, on applying the contemporary standards throughout the directions of product estimations, is a necessity to place Albania on approximate bases of competitiveness with the partner countries in the region. The improvement of transport and infrastructure is another important factor as well in accelerating the regional trade.

We are giving below a synthetic presentation of commercial developments, throughout 2004, separately with every FTA country.

TRADE WITH MACEDONIA

The FTA with Macedonia is the first on applied for our country (15 July 2002) in the set of regional FTAs. We notice that during 2004, the FTA resulted fruitful for both countries, while during the previous year an annual decrease of trade volume was recorded between the two countries. Macedonia represents the second main partner of Albania in the region, taking 19 per cent of trade exchange volume during 2004. Throughout the year both imports and exports had a positive trend. It's important to note that Albanian exports with this country have evidenced higher annual rates (about 144 per cent) than imports (51 per cent).

A large range of articles, marking as well an increase of commercial agents in exports, characterizes trade exchanges with Macedonia. It's worth noting that the majority of imported and exported industrial products have been totally liberalized. Some of those products that have consolidated their position within the Macedonian market such as wooden furniture, fuels, cement, etc... Meanwhile, as far as concerns the realization of quotas for agriculture products, the performance for imported product lines is revealed positive whereas the realization of quotas in exports is low. Trade deficit with Macedonia, compared to the previous year, has been deepening (about 29 per cent).

TRADE WITH CROATIA

For years Croatia has been listed as our second main source of imports in the region, and is characterized by a significant trade deficit. Even though the Free Trade Agreement with this country works since 1st of June 2003, we experienced a small increase from both sides during 2004. Most imported products from Croatia were electricity and wheat. As regards the fulfillment of export quotas, from a list of 14 products we were able to export only one, while Croatia 3 from 19 products.

TRADE WITH BULGARIA

Bulgaria represents the main trade partner of Albania in the region, taking about 28 per cent of our regional trade volume. Trade exchanges with this country are orientated toward imports, representing 35 per cent of total imports from the region. Meanwhile, exports toward Bulgaria are characterized by pretty small quantities. However, signs of improvement of our exports with this country are noted after the entering into force of the FTA (on 1st September 2003) – exports grew approximately 8 times. We notice that almost for all the products originating from Albania it has been negotiated to apply duty free tariffs, and the list of these products is being enriched during 2004. Albania did not succeed to achieve any of the granted export quotas for this year, whereas Bulgaria has made use of the most part of them. Another characteristic regarding the trade with this country is the variety of the exported products in the Albanian market.

TRADE WITH KOSOVO

The FTA with Kosovo, which is applicable since October 2003, is believed to have given its significant effects during 2004, indicating so a positive turning into trade exchanges between the two countries. The overall trade volume with Kosovo (about USD 31 million) reached approximately 18 per cent of all trade transactions of Albania in the region, from 8 per cent in 2003. Exports had the greatest impact in this increase, which rose almost 3 times. Kosovo is the only partner with whom we have positive trade balance. In the structure of exports as per products, we may mention agriculture products such as beverages and alcoholics, eggs, tobacco, etc... as well industrial products such as basic metals, wooden furniture, detergents, etc. Generally, they are included in the liberalized list of products. Meanwhile, the Albanian market has shown interest in transport equipments, cast-iron tubes, potatoes, fruit juices, etc., that under the FTA are of duty free tariffs. Beer is the only Albanian product that has been exported making use of the granted quotas.

TRADE WITH ROMANIA

Romania is the only country of the region with which our trade exchanges have decreased compared to the previous year, even though year 2004 marks the beginning of the free trade between the two countries (applicable since 1st January 2004). The greatest impact comes from the reduction of imports (33 per cent), while exports are estimated at minimal levels (approximately USD 227 thousand). The representation level of Romania in the trade exchanges of Albania with the region fell into 6 per cent from 12 per cent in 2003. The major part of imports have been industrial products included in duty free

regime. Albania wasn't able to fulfill the quotas granted from Romania, while the latter has exported only 2 of 17 lines of products.

TRADE WITH SERBIA-MONTENEGRO

Trade deficit with these countries have deepened during this year, due to the increase of imports (58 per cent) and decrease of exports (20 per cent). About 66 per cent of imports were performed after the entering into force of the FTA (on 1st August 2004), and among these we may mention two items that showed significant instability and expressed more clearly their effect: wheat and sugar, which are treated under the annual quota regime. While the most exported products are totally liberalized, exports exchanges are pretty small: it wasn't possible to benefit from any of the concessions granted from Serbia and Montenegro.

TRADE WITH BOSNIA-HERZEGOVINA AND MOLDOVA

Trade with these countries is almost undeveloped. Even though during this year we notice pretty modest levels of trade, there are signs of initiation of exchanges. While imports with Bosnia have decreased, those with Moldova experienced a notable growth reaching an approximate value as that of Kosovo. The levels of exports knew various fluctuations throughout the year but they still remain almost inexistent. We cannot speak about FTA's effects since they entered into force at the end of the 2004. The liberalization degree of agriculture sector results to be rather low compared with the Macedonian one, while industrial sector is expected to be totally liberalized.

2. ANALYSIS OF THE SURVEY RESULTS IN TOURISM FOR 2004

2.1 SURVEY METHODOLOGY

The methodology is presented in steps in which every stage of survey is conducted since 1999.

Surveyor - Bank of Albania

Interviewer - On-site interviewer under the supervision of INSTAT

Survey - On-site interviewing

a- Purpose of the survey – The purpose of the survey is the collection of data on the average duration of days and the average daily expenditures of the resident and non-resident tourists, during their respective travel in Albania and abroad.

b- Determination of the population and of the interviewed points – The intended population to be covered through this survey consists of two groups. The first group includes resident tourists (of Albanian nationality or not) that come back from abroad on tourism purposes. The second group includes non-resident tourists (of Albanian nationality or not) that leave Albania after a tourism journey. The points, which are subject of a survey, are the border checkpoints of the Republic of Albania. These interviewed points are

determined by using the data of the Ministry of Public Order on the number of inflow-outflows within the territory of the Republic of Albania for year 2003, as well by providing a representation of 80 per cent of this flow.

c- Sample selection for the survey – The selection of the population for the survey is based on the registrations of the Ministry of Public Order about inflow-outflows within the territory of the Republic of Albania for year 2003. The size of the sample for each border checkpoint is determined by using the method of proportional typical selection, as the most appropriate approach for our case with data divided into groups.

d- Data processing – The compilation and the processing of data is performed at the Bank of Albania by the operators and the specialists of Balance of Payments section. Before starting the processing, the deletion of data from the extreme data is made, as well as the conversion of the reported amounts in different currencies into USD and the conversion of months into days. Frequently, data processing is combined with the verification of the completed questionnaires to better determine the category of tourist and his/her characteristics.

ISSUE

1. The data on the inflow-outflows of the tourists are provided from the Ministry of Public Order four times a year. The criterion on which these data are based is the nationality criterion and not the residency criterion, which would be in compliance with the requirements of the Balance of Payments. Since it was impossible to change the criterion of the registration of travelers in the ports, the data provided by the Ministry of Public Order have been accepted to determine the population. Under these circumstances, these data are adjusted to approximate the population required from the survey. This adjustment consist in correcting mainly the number of Albanian travelers who enter Albania, assuming that a part of them reside abroad and cannot be classified as resident tourists coming back from the journey. For the above reason, terms “Albanian tourists” and “foreign tourists”, in the following analysis, will substitute terms “resident tourists” and “non-resident tourists”.

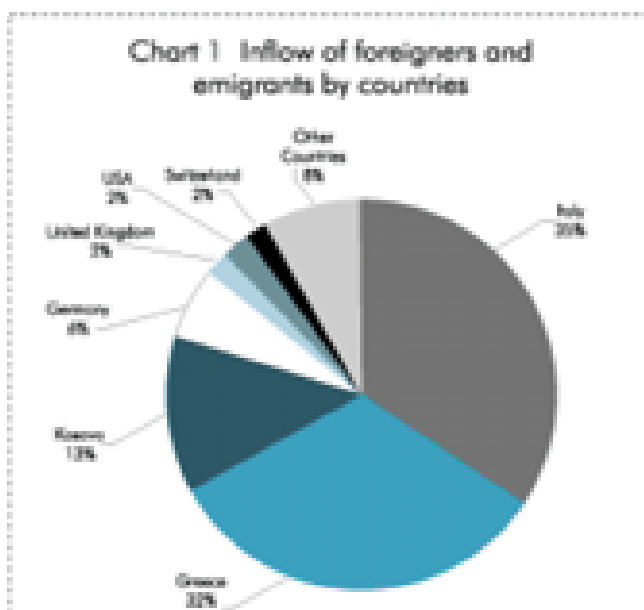
2. Regardless of the interviewers training, the issue of completing the questionnaire has very often demonstrated difficulties in the interviewers' conception. For instance, even though the interviewers are required (even from the questionnaire) to select the tourists according to their residency, so Albania or another country, they continue to be directed to the foreign tourists to fill in the questionnaires for non-residents and to the tourists of Albanian nationality (Albanian emigrants included) to fill in the questionnaires for residents. The quality of responses to the quantitative questions is difficult to be examined due to the inability to provide this information or whatsoever similar information from other sources. For instance, if a questionnaire shows that a non-resident tourist has spent USD 10,000 during a weekly stay in Albania, it is impossible for the surveyor to verify this affirmation or to determine whether the problem arises from the interviewer, who may have completed himself the questionnaire, or from the interviewed tourist, who might not have said the

real figure. However, to minimize errors, the surveyors, while processing the results, eliminate those data that seem to be far from the commonly reported values, that is the extreme values.

2.2. SURVEY RESULTS FOR 2004

Although the number of foreign travelers visiting Albania is small compared to major destinations of Europe, the recent years are characterized by a positive performance in terms of growth of the foreign visitors. According to the data of the Ministry of Public Order, the inflow of foreign citizens increased by an average annual rate of 20 per cent, from 2000 to 2004. The inflow of foreign citizens, during 2004 increased by 16 per cent compared to the previous year. During 2004 the transit travelers are estimated at 12 per cent of total inflow. Year 2003 counted around 112 thousand of transit travelers or 20 per cent of total inflow of foreign citizens. The flow of the Albanian citizens traveling abroad increased as well. The annual growth rate for 2004 is estimated at 25 per cent, while the average growth rate during 2000-2004 is estimated at 12 per cent.

To collect the quantitative and qualitative information the Albanian and foreign citizens are surveyed at border checkpoints of the Republic of Albania. The quantitative data on the estimation of daily average expenditures as well as the estimation of the average duration of days for both foreign and Albanian citizens (for business and personal purposes) are directly used in compiling travel item in the Balance of Payments.



According to the nationality of foreign tourists (where the term "foreign" term represents the residency), this group includes a significant number of the Albanian visitors residing abroad. Their presence varies throughout the quarters, representing in the 40-55 per cent band the total inflow in holiday periods and 25-35 per cent for the rest of the year. Over two years, Albania is dominated by the inflow of Kosovo's visitors. Previously, the major part of visitors comes from neighboring countries, mainly Italy and Greece.

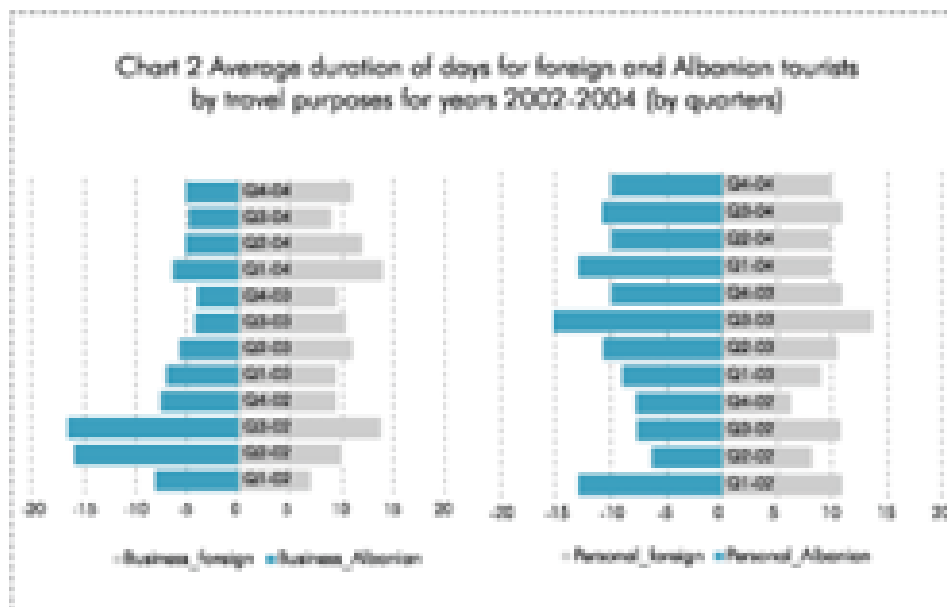
The Kosovo conflict (1999) and the arrival of thousands of Kosovars to Albania have exposed our country in Kosovo people's eyes. After the return of Kosovo's people to their territory and the new beginning of a standard life, the process lasted for a two-year period; Albania had unusual inflows of Kosovo's people, especially in holiday periods. This was also accompanied with the inflow of the Albanians of Macedonia, due to the domestic conflict. The expenditures of Albanian travelers, in foreign currencies, were mainly made toward neighboring

countries such as Italy, Greece and Kosovo. More specifically, 20 per cent of Albanians travel to Kosovo, 20 per cent to Italy and 50 per cent to Greece, for business purposes. Meanwhile, for personal purposes (holidays), 10 per cent of Albanians travel to Kosovo, 40 per cent to Greece and 35 per cent to Italy.

TRAVEL PURPOSES

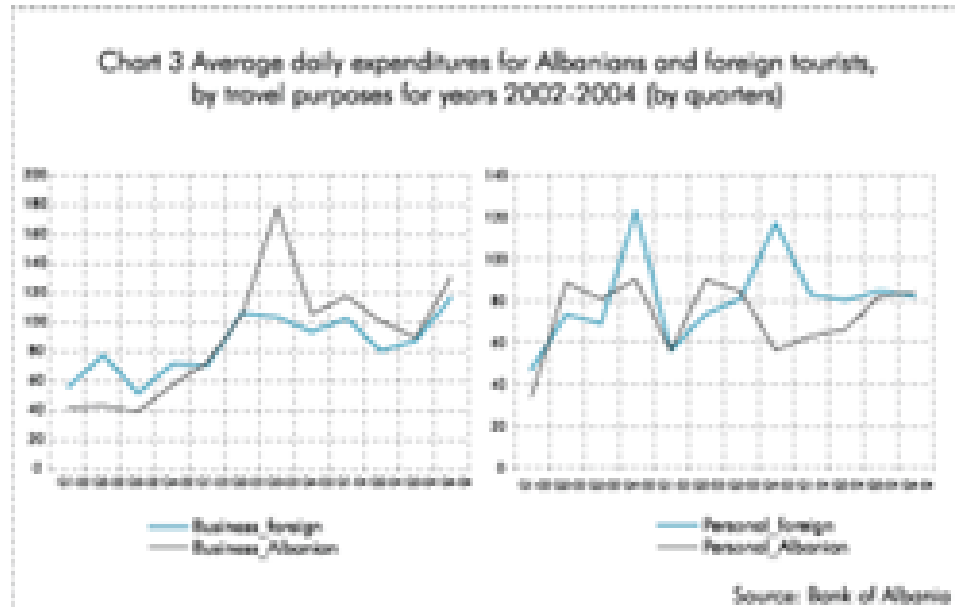
The travel purposes of foreign visitors to Albania are conditioned by the year's seasons. Therefore, the summer season is characterized by tourists who travel for holiday purposes; meanwhile the rest of the year is characterized by tourists who travel for business purposes or other purposes. Thus, an average of 80 per cent of visitors comes to Albania for personal purposes and 20 per cent for personal purposes. The same analysis is made for Albanian tourists who travel abroad. Thus, an average of 30-40 per cent of tourists travels for business purposes and 60 per cent for other purposes.

Chart 2 shows the average duration of days for foreign and Albanian tourists, according to the purposes of travel for the period of 2002-2004. It is noted that the duration of days of the Albanian tourists abroad decreased for those traveling for business purposes and increased for those traveling for personal purposes. The duration of days for foreign tourists varies by 10 days for both purposes.

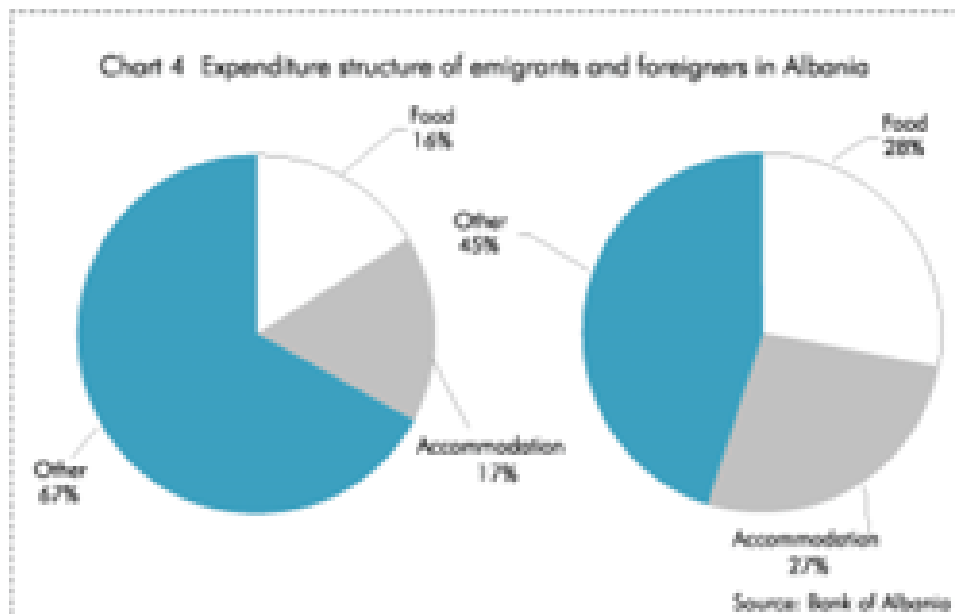


According to the analysis of survey results during 2004, the expenditures of foreigners for business purposes in Albania increased, while the business category of Albanian travelers abroad showed relatively lower expenditures compared to the previous year. On the other hand, the annual average expenditures for personal purposes have been slightly increasing, for both foreign and Albanians travelers.

To analyze qualitative aspects of the foreigners' behavior in the country and vice versa, other survey aspects are to be considered, such as diversification



of expenditures divided for accommodation, food and other purchases, the resident country of the foreigners, etc.



It is noted that “other purchases” category has a significant weight for both emigrants and foreign tourists. Furthermore, given that emigrants generally show a family tourism behavior, the expenditures for accommodation and food take a small share in the total expenditures compared to the foreign tourists.

Meantime, according to the structural distribution of expenditures made by the Albanian travelers abroad, the structural distribution is similar to those of emigrants. Thus, according to the survey results for 2004, an average of 17 per cent represents accommodation expenditures, about 16 per cent food expenditures and the rest of 67 per cent other expenditures (shopping, gifts, etc.).

ANNEX - VOCABULARY

Resident - individuals or companies that have the center of economic interest within the economic territory of a country which complies the statistics (in our case, Albania). According to the category of travel services, in which, actors are individuals who travel, the center of economic interest is the country, where the individuals consume goods and services and participate in the process of goods production as well.

Traveler - according to the IMF, a traveler is an individual who stays for less than a year in a country for all kind of purposes, except for: (a) diplomatic and military personnel who are stationed in a military base or in an embassy and other government agencies; (b) immediate personnel under direct dependence of the above personnel; (c) or persons who are temporarily engaged in another economy and who are paid for their work by a resident entity of that economy.

Tourist - a traveler, who stay at least one night in a country.

"Tourism" in terms of balance of payments - item of balance of payments, where transactions in goods and services are recorded, concerning the tourist's expenditures. According the IMF manual, these transactions are recorded in credits and debits under "travel" item.

"Tourists expenditures" - these are total expenditures in goods and services acquired from travelers or on traveler's account, during a travel.

Travel on personal purposes - all expenditures made by individuals that travel abroad for different business purposes. They include holidays and other cultural, recreational activities, visits on friends and relatives, for pilgrimage purposes and other religious purposes, education, health treatments, etc.

Travel on business purposes – they include expenditures from: a) individuals who go to work in a different country for less than a year, or for business activities such as: sales, business meetings, workshops, etc. b) seasonal and border workers.

ENDNOTES

¹ For a further explanation of current deficit in transition economies refer to “Current Account Balance and External Debt in Transition Economies”, Paul Wachtel and Nouriel Roubini, National Bureau of Economic Research.

² Calculated as a difference between incomes (excluding grants) and current expenditures.

³ Calculated as a ratio of exports plus imports of goods and services against GDP.

⁴ It includes public and private debt.

⁵ Calculated as a ratio of trade volume in goods and services against GDP.

⁶ According to the General Directory of Customs, about 57 per cent of transactions for imports of goods are made in European currency, Euro, 39 per cent in USD and about 4 per cent in other currencies.

⁷ Calculated as a change of annual averages, the real exchange rate was evaluated at 7.3 per cent during 2004, marking a turning of depreciation trend during 2003.

⁸ Processed goods for exports from foreign businesses that conduct their activity in the country.

⁹ In 2004 the Maritime Code for Albania was established, ratifying the establishment and the functioning of the main institutions that regulate the transport activity according to international requirements and standards.

¹⁰ In addition to INSIG Company, two new licensed companies, SICRED and SIGAL LIFE, will provide life insurance to the Albanian insurance market.

¹¹ Currently, Albania does not have financial assets as portfolio investments that may be purchased by non-residents. There is no demand for Treasury bills issued by the Albanian government in domestic currency.

¹² This statistical item does not include the liabilities arising for foreign direct investments.

¹³ This includes companies such as Albtelecom or Albanian Electro-Energetic Corporate (KESH). The Albanian Government is responsible for their debt.

METHODOLOGICAL ANNEX

BALANCE OF PAYMENTS											
in millions of USD											
	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Current Account, nie.	31.4	36.6	-62.3	-253.7	-65.0	-132.9	-163.1	-217.9	-420.8	-406.7	-358.1
Merchandise: Exports, fob	141.4	204.8	243.7	158.6	208.0	275.1	255.4	304.6	330.2	447.2	603.3
Merchandise: Imports, fob	-601.0	-679.8	-922.0	-693.5	-811.7	-937.9	-1,076.4	-1,331.6	-1,485.4	-1,783.5	-2,194.9
Trade Balance	-459.6	-475.0	-678.3	-534.9	-603.6	-662.8	-821.0	-1,027.0	-1,155.1	-1,336.3	-1,591.6
Services: Credit	83.1	98.2	127.3	67.9	86.6	266.7	448.1	533.5	585.0	719.7	1,003.5
Services: Debit	-97.5	-106.3	-142.3	-101.1	-129.3	-165.4	-430.0	-444.2	-590.3	-802.4	-1,054.8
Income: Credit	55.6	70.8	83.5	61.6	86.1	85.6	115.9	162.5	146.9	194.8	203.7
Income: Debit	-41.4	-28.5	-12.0	-11.9	-8.7	-10.3	-9.1	-13.4	-20.6	-24.4	-28.3
Private Unrequired Transfers	374.1	348.9	476.1	235.7	421.3	188.4	438.6	542.6	575.0	781.7	1,033.9
Official Unrequired Trans., nie	117.1	128.5	83.4	29.0	82.6	165.0	94.4	28.1	38.2	60.3	75.5
Capital Account	21.6	389.5	4.9	2.1	31.1	67.5	78.2	117.8	121.2	157.0	132.4
Financial Account	24.2	-414.5	49.6	140.7	16.0	36.8	182.5	97.0	201.6	190.9	386.8
Direct Investment, nie	53.0	70.0	90.1	47.5	45.0	41.2	143.0	207.3	135.0	178.0	341.3
Portfolio Investment, nie	0.0	0.0	0.0	0.0	0.0	0.0	-25.0	-23.4	-36.8	-22.5	-3.6
Other Capital, nie	-28.8	-484.5	-40.5	93.2	-29.0	-4.4	64.5	-86.9	103.4	35.3	49.2
Net Errors and Omissions	-44.5	7.9	54.8	142.5	69.4	131.3	15.0	136.1	121.3	147.4	115.3
Overall Balance	54.9	30.6	47.0	43.8	59.2	123.6	131.9	145.0	28.6	99.6	288.3
Reserve and Related Items											
Reserve Assets	-54.9	-30.6	-47.0	-43.8	-59.2	-123.6	-131.9	-145.0	-28.6	-99.6	-288.3
Use of Fund Credit and Loans	22.2	11.1	0.0	12.2	7.9	20.9	19.3	12.0	5.3	11.1	11.9
Memorandum Items											
Total Change in Reserve Assets	-62.2	-35.7	-39.5	-28.3	-75.9	-97.4	-130.6	-131.0	-97.1	-178.0	-343.0
of which: Revaluation	7.3	5.1	-7.3	-15.5	16.7	-26.2	-1.3	-14.0	68.5	78.4	54.8

Data source: Bank of Albania

BALANCE OF PAYMENTS '03-'04											
in million of USD											
	Q4 '03		Q1 '04		Q1 '04		Q3 '04		Q4 '04		
	Credits	Debits	Credits	Debits	Credits	Debits	Credits	Debits	Credits	Debits	
A. Current account	626.5	-771.9	639.4	-685.2	695.4	-809.6	833.7	-864.5	842.3	-1009.6	
Goods, services and income	365.7	-745.8	399.7	-667.9	446.6	-790.3	490.4	-840.5	473.8	-979.3	
1. Goods, Balance of payments basis	122.9	-501.6	136.5	-454.4	156.5	-514.6	148.7	-554.5	161.7	-671.5	
1a. Goods, reported trade	122.9	-500.1	136.5	-453.5	156.5	-510.6	148.7	-551.0	161.7	-666.8	
1b. Goods from aid		-1.5		-0.7		-3.5		-3.4		-4.7	
1c. Goods from migrants		0.0		-0.2		-0.5		0.0		0.0	
2. Services	198.0	-236.6	220.4	-208.2	248.3	-267.4	273.6	-280.0	261.1	-299.2	
2a. Transport services	20.6	-41.4	19.4	-43.7	22.9	-47.1	26.7	-51.4	29.2	-62.0	
i. Freight services	14.5	-34.9	13.7	-32.3	15.5	-36.7	16.3	-38.9	19.4	-46.7	
ii. Passenger services	5.8	-2.9	3.8	-6.2	4.9	-5.1	6.2	-6.8	6.2	-8.4	
iii. Other	0.2	-3.6	1.9	-5.1	2.5	-5.3	4.2	-5.6	3.6	-6.9	
2b. Insurance	0.9	-5.7	1.1	-5.6	1.6	-6.4	2.2	-6.5	1.7	-7.6	
2c. Travel	144.1	-145.7	160.0	-126.9	175.1	-171.3	207.1	-174.5	193.2	-168.8	
i. Business	51.8	-45.9	72.0	-45.9	75.1	-59.4	90.4	-51.8	94.9	-60.8	
ii. Personal	92.3	-99.8	88.0	-81.1	100.0	-111.8	116.6	-122.7	98.3	-108.1	
2d. Other Services	32.4	-43.9	40.0	-32.0	48.8	-42.7	37.7	-47.6	37.0	-60.8	
i. Communication services	12.6	-3.8	14.6	-4.6	22.9	-6.0	11.9	-3.9	25.8	-6.5	
ii. Construction services	0.4	-0.1	1.2	-0.2	0.4	-0.1	1.4	-0.2	0.4	-0.2	
iii. Computer and Information	0.7	-0.9	0.1	-0.4	0.1	-0.3	0.0	-0.3	0.4	-0.5	
iv. Technical assistance	0.0	-12.6	0.0	-8.1	0.0	-11.1	0.0	-14.1	0.0	-16.1	

v. Government services n.i.e.	1.6	-3.1	1.1	-2.4	1.1	-4.2	0.8	-2.6	3.3	-5.0
vi. Financial services	2.9	-2.4	6.3	-2.3	2.7	-1.1	1.1	-0.9	0.8	-1.1
vii. Bussines cultural and personal	4.0	-8.7	5.7	-4.9	7.4	-5.3	8.9	-13.8	1.3	-12.5
viii. Other	10.2	-12.3	11.0	-9.2	14.3	-14.6	13.6	-11.9	5.1	-18.9
3. Income	44.8	-7.6	42.8	-5.3	41.8	-8.3	68.1	-6.1	51.0	-8.6
3a. Compensation of employees	23.9	-1.3	22.9	-1.3	23.7	-1.4	51.3	-0.9	34.4	-1.2
3b. Investment income	20.9	-6.3	19.9	-4.1	18.1	-6.9	16.8	-5.2	16.7	-7.4
i. Direct Investment income	0.0	-0.3	0.0	-0.1	0.0	0.0	0.0	0.0	0.0	-0.1
-divident	0.0	-0.3	0.0	-0.1	0.0	0.0	0.0	0.0	0.0	-0.1
ii. Portfolio investment income	8.7	0.0	8.1	0.0	8.8	0.0	6.2	0.0	2.7	0.0
equity	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest	8.7	0.0	8.1	0.0	8.8	0.0	6.2	0.0	2.7	0.0
iii. Interest on reserves	7.4	-0.6	10.5	-0.2	7.5	-0.2	7.1	-0.3	8.3	-0.4
iv. Other interest income	4.7	-5.4	1.3	-3.7	1.8	-6.7	3.5	-4.8	5.7	-6.9
4. Current transfers	260.8	-26.1	239.7	-17.3	248.8	-19.2	343.3	-24.0	368.5	-30.3
4a. Foreign official transfers	17.8	0.0	14.6	0.0	16.7	0.0	20.5	-0.2	23.9	0.0
i. Technical assistance	14.0	0.0	10.1	0.0	12.3	0.0	15.7	0.0	17.9	0.0
ii. Cash grants	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
iii. Goods and other	3.8	0.0	4.5	0.0	4.4	0.0	4.9	-0.2	6.0	0.0
4b. Remittances from expatriates	215.3	0.0	204.7	0.0	213.4	0.0	301.0	0.0	309.2	0.0
4c. Other	27.7	-26.1	20.4	-17.3	18.7	-19.2	21.7	-23.8	35.4	-30.3
CURRENT ACCOUNT BALANCE	-145.5		-45.8		-114.2		-30.8		-167.3	
-excluding official transfers	-163.2		-60.4		-130.9		-51.4		-191.2	
B. Capital and Financial Account	109.9		71.0		246.2		25.1		188.8	
I. Capital Transfers	43.8		34.0		25.7		35.6		37.0	
1. Debt Forgivnes	0.0		0.0		0.0		0.0		0.0	
2. Other	43.8		34.0		25.7		35.6		37.0	
II. Financial Account	66.1		37.0		220.4		-10.5		151.8	
1. Liabilities	80.5		81.7		232.1		114.5		129.6	
1a. Foreign direct investment	49.8		35.0		176.7		71.9		57.7	
i. Equity investment	0.0		0.0		0.0		0.0		0.0	
ii. Other capital	49.8		35.0		176.7		71.9		57.7	
1b. Borrowing	46.8		36.6		87.4		33.5		72.1	
i. Official borrowing	44.1		30.6		25.0		26.4		69.3	
i. Private borrowing	2.8		5.9		62.4		7.1		2.8	
1c. Use of Fund credit and loans	0.0		6.0		0.0		5.9		0.0	
1d. Repayments	-12.7		-6.2		-17.4		-7.3		-17.2	
1e. Currency and Deposits	9.1		10.4		-18.6		4.0		7.7	
1f. Trade credits/1	-3.2		-0.1		3.3		5.7		14.3	
1g. Change in arrears /2	0.0		0.0		0.0		0.0		0.0	
1h. Other liabilities	-9.2		0.1		0.7		0.9		-4.9	
2. Assets	-14.5		-44.8		-11.7		-125.1		22.1	
2a. Equity investment	0.0		0.0		-10.9		0.0		-2.7	
2b. Portfolio investment	-1.6		-1.3		4.0		119.8		-126.1	
2c. Deposits	2.9		-41.9		3.9		-237.5		185.4	
2d. Currency /3	-8.7		3.3		-1.2		-0.1		-22.4	
2e. Other assets	-7.0		-4.9		-7.5		-7.2		-12.1	
C. Reserve assets	-21.2		-14.9		-117.4		-95.3		-60.6	
1. Gold	0.0		0.0		0.0		0.0		0.0	
2. Foreign exchange	-23.7		-8.6		-121.4		-87.8		-64.9	
3. SDRs	2.6		-6.3		4.0		-7.6		4.3	
4. Reserve positon in the Fund	0.0		0.0		0.0		0.0		0.0	
D. Net errors and ommissions	56.7		-10.2		-14.6		101.1		39.1	
/1/ Estimated trade credits extended by foreign suppliers										
/2/ Includes interest arrears										
/3/ Includes the estimated change in the hard currency stock with the public										
Data source: Bank of Albania										

IMPORTS BY GROUP OF MERCHANDISE, 2004		1996	1997	1998	1999	2000	2001	2002	2003	2004	2004	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
c.i.f. in millions of USD																							
CODE	DESCRIPTION																						
I	Live animals, animals products	47.1	27.4	42.4	41.4	30.3	28.9	45.9	63.0	66.2	4.8	4.7	5.4	4.4	4.9	5.9	5.1	5.1	5.5	6.0	5.9	5.8	7.9
II	Vegetable products	163.0	85.3	83.0	85.9	90.7	101.9	107.4	119.2	165.5	12.9	14.5	12.8	17.2	10.0	12.0	10.0	10.0	13.1	16.7	15.9	9.2	21.4
III	Animal or vegetable fats and oils	26.7	20.7	27.1	18.0	21.3	20.1	21.9	29.0	33.0	4.1	2.0	3.3	1.6	1.9	2.1	2.1	1.1	2.0	5.6	3.8	3.2	2.2
IV	Prepared foodstuffs, beverages, tobacco etc.	88.5	47.0	73.0	108.8	97.6	108.2	130.8	157.4	180.0	12.4	11.5	12.4	12.7	14.5	16.6	16.2	16.2	20.8	17.3	14.3	14.2	17.1
V	Mineral products	48.6	49.2	70.0	81.3	141.7	184.6	192.3	219.7	245.1	13.5	14.6	18.9	18.7	15.5	13.5	17.4	17.4	24.7	24.2	26.8	23.8	33.6
VI	Products of the chemical	45.1	38.3	61.8	51.4	60.4	71.9	86.4	114.3	151.9	8.9	9.7	14.4	11.6	12.2	13.5	14.3	14.3	12.0	13.0	13.7	13.1	15.5
VII	Plastics and their products	21.5	19.9	25.0	26.6	31.9	37.4	45.1	57.2	68.8	3.4	4.8	4.6	5.1	5.5	5.6	7.4	7.4	5.9	6.0	7.5	6.1	6.8
VIII	Raw hides and skins, leather, travel goods etc.	19.8	14.4	19.0	21.1	19.0	27.6	36.8	55.5	59.8	4.7	4.9	5.7	5.7	6.4	5.3	5.2	5.2	1.8	4.7	6.1	4.8	4.4
IX	Wood and articles of wood	7.4	7.6	10.2	16.2	10.4	12.4	16.5	22.8	32.2	1.5	1.7	2.2	2.1	2.7	2.8	3.2	3.2	3.0	3.0	3.7	3.1	3.2
X	Pulp of wood, paper or paperboard	13.4	8.5	12.8	14.3	17.0	20.5	29.6	36.5	42.3	2.2	3.2	3.3	3.6	3.0	3.0	3.0	3.6	3.7	4.0	4.0	4.0	4.6
XI	Textiles and textile articles	84.3	66.8	106.2	118.1	128.5	138.6	165.1	202.9	235.5	18.3	18.5	18.7	16.9	19.4	21.2	22.2	22.2	12.4	19.9	21.8	21.0	25.1
XII	Footwear, headgear, umbrellas	58.6	36.9	40.4	34.8	27.7	47.4	55.7	65.0	70.6	5.5	5.2	5.5	6.7	6.5	6.4	6.2	6.2	3.6	4.9	6.9	6.7	6.7
XIII	Articles of stone, plaster, cement, ceramic products, glass	22.3	22.3	28.7	30.1	41.9	49.6	58.0	68.2	83.3	3.8	4.4	6.3	4.4	6.7	7.2	7.2	7.2	10.6	7.5	9.2	8.2	7.8
XIV	Natural or cultured pearls, coin	1.3	0.2	0.4	0.9	2.7	0.4	0.4	0.7	1.0	0.1	0.1	0.1	0.1	0.2	0.1	0.0	0.0	0.0	0.1	0.1	0.1	0.1
XV	Base metals and articles of base metals	44.8	42.8	54.8	75.8	83.8	118.2	134.1	177.1	215.0	11.9	14.9	13.6	16.5	19.1	17.5	20.3	20.3	16.8	16.7	22.8	23.2	21.8
XVI	Machinery and mechanical appliance, electrical equipment	151.3	101.9	81.1	108.9	148.9	246.5	241.0	283.2	383.2	21.5	29.2	25.7	32.0	28.6	30.6	37.5	37.5	25.9	26.3	37.5	31.1	57.3
XVII	Vehicles, aircraft	57.2	31.9	55.1	70.6	80.1	70.9	81.0	120.2	155.2	8.5	9.8	11.9	10.3	12.3	12.9	14.1	14.1	12.0	14.5	17.0	12.1	19.9
XVIII	Optical, photographic, measuring, medical instruments	12.4	8.1	8.7	13.1	18.6	20.1	15.2	21.7	40.6	1.7	3.3	2.6	3.2	1.9	2.1	2.1	2.7	2.6	3.3	6.0	6.6	4.6
XIX	Arms and ammunitions	0.7	0.5	0.7	2.0	0.4	0.6	0.7	0.7	0.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.1
XX	Miscellaneous manufactured articles	19.1	14.6	21.4	23.6	26.0	31.6	37.5	42.8	50.0	3.0	3.5	3.2	3.8	3.5	4.0	4.8	4.8	3.0	3.6	5.4	5.1	7.1
XXI	Works of art	0.1	0.0	1.7	0.0	0.3	0.0	0.5	0.0	0.2	0.0	0.0	0.0	0.0	0.1	0.0	0.1	0.1	0.0	0.0	0.0	0.0	0.0
	TOTAL	933.1	644.4	823.5	943.0	1079.3	1337.5	1501.7	1857.2	2280.0	142.7	160.5	170.7	176.6	174.8	182.2	199.0	199.0	179.5	197.3	228.4	201.3	267.0

Data source: General Directory of Customs. Foreign trade statistics are compiled in concordance with BoP methodology framework

EXPORTS BY GROUPS OF MERCHANDISE, 2004																						
f.o.b. in millions of USD	1996	1997	1998	1999	2000	2001	2002	2003	2004	Jan	Feb	Mar	Apr	May	June	July	Aug	Sep	Oct	Nov	Dec	
CODE	DESCRIPTION																					
I	Live animals, animals products	6.9	4.1	4.1	3.4	1.8	2.3	2.1	2.8	2.5	0.1	0.1	0.1	0.3	0.4	0.3	0.2	0.2	0.2	0.2	0.2	0.2
II	Vegetable products	16.0	15.5	16.2	12.6	12.1	11.4	13.1	15.1	19.0	1.5	1.5	0.8	0.5	0.9	2.0	1.2	2.0	3.4	1.8	1.9	
III	Animal or vegetable fats and oils	4.8	0.0	0.5	0.4	0.0	0.0	0.0	0.5	0.3	0.0	0.0	0.0	0.0	0.1	0.0	0.1	0.0	0.0	0.0	0.0	
IV	Prepared foodstuffs, beverages, tobacco etc.	9.2	9.0	12.6	12.7	13.7	14.1	7.3	19.2	27.7	1.1	2.2	1.9	1.1	1.5	3.2	3.8	3.1	3.0	2.8	2.5	
V	Mineral products	23.1	8.4	23.7	17.5	7.4	5.9	9.1	11.9	24.1	0.1	3.2	0.4	3.3	2.4	4.1	4.3	1.4	1.3	1.8	0.9	0.8
VI	Products of the chemical	2.6	1.2	0.7	0.7	1.4	3.0	1.6	2.5	2.2	0.1	0.1	0.2	0.2	0.2	0.2	0.1	0.2	0.3	0.3	0.3	0.1
VII	Plastics and their products	1.2	0.5	1.1	1.3	0.9	1.0	0.7	0.6	1.9	0.1	0.1	0.1	0.1	0.1	0.3	0.1	0.3	0.3	0.3	0.2	0.2
VIII	Raw hides and skins, leather, travel goods etc.	10.2	8.2	6.6	7.0	8.3	10.9	14.8	11.2	13.3	0.6	0.9	1.9	1.3	1.2	1.2	1.3	0.3	1.1	1.5	1.3	0.7
IX	Wood and articles of wood	6.2	5.3	5.6	6.4	7.3	8.7	8.6	8.7	9.5	0.7	0.7	0.8	0.9	0.8	0.7	0.8	0.4	1.1	1.0	0.9	0.7
X	Pulp of wood, paper or paperboard	3.1	3.7	2.9	4.6	2.6	1.7	2.9	9.3	7.1	0.4	0.5	0.5	0.7	0.4	0.5	0.6	0.5	0.8	0.7	0.8	0.9
XI	Textiles and textile articles	54.7	36.2	69.6	98.3	108.7	113.8	124.4	154.8	199.8	16.5	18.2	18.1	15.1	17.2	17.6	19.7	11.3	17.3	15.0	15.9	17.8
XII	Footwear, headgear, umbrellas	52.6	27.4	40.7	67.9	69.0	87.1	95.3	133.5	167.8	13.1	12.0	13.6	14.0	14.6	14.0	17.5	6.7	14.4	16.6	15.5	15.8
XIII	Articles of stone, plaster, cement, ceramic products, glass	0.4	0.4	1.7	0.6	0.7	1.8	1.9	2.1	2.7	0.1	0.1	0.2	0.2	0.2	0.4	0.3	0.2	0.2	0.3	0.2	0.2
XIV	Natural or cultured pearls, coin	0.1	0.1	0.2	0.8	0.5	4.5	0.4	0.4	0.8	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.1	0.1	0.1	0.1
XV	Base metals and articles of base metals	25.4	14.3	9.4	14.6	21.5	24.4	30.8	49.6	85.8	6.2	5.8	5.1	10.9	8.2	7.1	7.7	5.9	7.7	7.1	7.7	6.5
XVI	Machinery and mechanical appliance, electrical equipment	3.8	7.4	4.3	12.4	4.4	7.1	8.4	14.7	21.5	0.8	1.2	1.0	1.5	2.3	3.3	1.8	0.9	1.3	2.4	2.7	2.4
XVII	Vehicles, aircraft	0.1	0.5	1.2	5.0	0.2	0.9	0.9	1.2	2.2	0.1	0.1	0.1	0.9	0.1	0.1	0.1	0.0	0.2	0.1	0.4	0.1
XVIII	Optical, photographic, measuring, medical instruments	0.2	0.1	0.8	0.4	0.5	0.2	0.3	0.3	2.1	0.1	0.0	0.0	0.0	0.0	0.1	0.1	0.1	0.3	0.0	0.5	0.8
XIX	Arms and ammunitions	0.7	0.0	0.0	0.0	1.7	0.4	0.7	0.3	0.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.4	0.1
XX	Miscellaneous manufactured articles	3.2	3.4	6.1	7.9	7.1	5.1	6.8	8.6	11.9	0.7	0.6	0.9	0.8	1.0	1.2	1.7	0.8	1.0	1.0	1.1	1.2
XXI	Works of art	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.2	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	TOTAL	224.5	145.9	208.0	274.4	255.9	304.6	330.2	447.2	603.3	42.6	47.4	46.5	51.9	51.2	53.5	62.0	34.2	52.5	54.8	53.8	53.1

Data source: General Directory of Customs. Foreign trade statistics are compiled in concordance with BoP methodology framework

EXPORT BY COUNTRIES in millions of USD	2004																				
	1996	1997	1998	1999	2000	2001	2002	2003	2004	Jan	Feb	Mar	Ap	May	June	July	Aug	Sep	Oct	Nov	Dec
European Union	179.3	128.3	191.5	256.6	238.7	279.0	304.2	417.0	542.7	40.5	43.8	43.1	45.8	46.1	47.1	56.2	28.1	46.3	48.6	48.4	48.7
AUSTRIA	2.2	2.1	3.3	5.7	1.6	0.7	0.7	5.2	2.0	0.1	0.1	0.1	0.1	0.5	0.1	0.1	0.3	0.1	0.3	0.1	0.2
BELGIUM	2.7	0.8	3.1	2.5	1.3	0.4	0.0	0.1	0.4	0.0	0.1	0.0	0.0	0.0	0.0	0.1	0.0	0.1	0.0	0.0	0.0
UNITED KINGDOM	0.6	0.1	2.5	1.0	0.2	0.2	1.4	0.5	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
DENMARK	0.6	0.5	0.9	3.3	2.7	0.8	0.2	0.2	0.2	0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
FINLAND	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
FRANCE	3.9	2.9	2.5	2.2	2.0	2.0	2.1	2.1	3.1	0.2	0.2	0.2	0.2	0.2	0.3	0.3	0.3	0.3	0.2	0.5	0.2
GERMANY	14.5	10.0	11.8	17.5	17.1	16.8	18.3	15.2	18.7	2.8	2.0	2.0	1.1	0.8	1.1	1.9	1.3	1.6	1.1	1.6	1.4
GREECE	26.9	29.1	41.2	39.7	30.9	39.8	42.4	57.6	72.5	5.6	6.8	5.7	5.5	4.7	6.3	7.6	6.9	6.4	5.9	4.9	6.2
IRELAND	0.1	0.4	0.0	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
ITALY	121.0	74.5	124.3	184.3	181.9	216.9	236.8	334.8	440.9	31.6	34.5	35.1	38.3	39.0	38.9	45.8	18.5	37.7	40.2	40.9	40.3
LUXEMBOURG	0.0	0.2	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
NETHERLANDS	6.4	7.0	1.7	0.1	0.2	0.4	0.4	0.4	1.1	0.0	0.0	0.0	0.1	0.4	0.0	0.0	0.0	0.0	0.2	0.2	0.0
PORTUGALY	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
SPAIN	0.7	0.0	0.2	0.2	0.2	0.3	0.9	0.3	0.7	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.1	0.1	0.1
SWEDEN	0.0	0.8	0.0	0.0	0.6	0.6	1.0	0.6	2.9	0.0	0.1	0.0	0.6	0.3	0.3	0.3	0.7	0.0	0.5	0.0	0.3
Region countries	18.9	13.1	8.9	10.9	12.2	17.6	14.1	19.4	24.1	1.1	1.4	1.1	3.7	2.9	2.1	1.9	2.3	1.7	2.0	2.1	1.9
BULGARIA	0.0	0.0	0.1	0.0	0.1	0.1	0.1	0.2	1.6	0.1	0.4	0.1	0.3	0.2	0.1	0.1	0.2	0.1	0.0	0.1	0.0
BOSNIA HECERGOVINA	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.4	0.0	0.0	0.0	0.1	0.0	0.1	0.0	0.0	0.1	0.0	0.0	0.0
CROATIA	1.4	5.6	1.2	0.4	1.5	0.0	0.1	0.3	0.4	0.1	0.0	0.0	0.1	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0
YUGOSLAVIA	2.8	0.6	0.6	3.4	7.0	9.5	5.1	11.5	2.7	0.2	0.1	0.2	0.2	0.2	0.2	0.3	0.1	0.3	0.3	0.3	0.2
FYROM	5.6	3.8	3.1	4.2	1.7	4.7	4.9	3.1	7.5	0.3	0.3	0.4	0.8	0.5	0.6	0.7	0.8	0.5	0.6	1.1	0.9
RUMANIA	0.1	0.1	0.3	0.1	0.0	0.0	0.1	0.1	0.2	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1
TURKEY	6.5	1.3	1.1	1.1	1.7	3.1	3.4	3.7	11.3	0.4	0.6	0.3	2.2	2.0	1.0	0.7	1.1	0.6	1.1	0.6	0.7

Data source: General Directory of Customs. Foreign trade statistics are compiled in concordance with BoP methodology framework

IMPORT BY COUNTRIES in millions of USD	2004																				
	1996	1997	1998	1999	2000	2001	2002	2003	2004	Jan	Feb	Mar	Ap	May	June	July	Aug	Sep	Oct	Nov	Dec
European Union	708.8	537.8	683.6	754.8	836.1	1,041.2	1,144.9	1,286.7	1480.7	91.4	110.2	113.7	116.0	120.7	129.1	137.7	108.0	124.1	147.0	126.9	155.8
AUSTRIA	10.2	9.2	11.1	17.1	15.4	15.7	23.3	30.9	25.5	2.8	0.8	1.2	1.7	2.1	2.5	2.6	1.4	2.0	2.8	2.7	3.0
BELGIUM	22.5	6.9	8.0	10.3	5.6	9.0	6.8	8.9	17.9	1.9	1.9	0.6	1.0	1.3	0.9	1.0	1.9	2.3	1.2	2.0	2.0
UNITED KINGDOM	12.7	5.9	4.9	9.9	7.6	45.5	41.6	37.2	13.0	0.7	0.5	0.7	0.5	1.5	0.8	0.8	0.8	1.8	1.7	1.9	1.2
DENMARK	5.2	4.1	4.1	5.3	4.0	2.5	4.7	7.4	5.2	0.2	0.1	1.5	0.1	0.1	1.1	0.1	0.1	0.5	0.2	0.1	0.9
FINLAND	0.3	0.0	0.1	2.5	6.5	25.6	1.7	3.0	4.9	0.0	0.7	0.2	0.2	0.4	0.9	0.1	0.1	0.3	0.8	1.2	0.1
FRANCE	26.0	8.4	9.1	11.7	15.9	11.2	14.9	19.2	32.0	3.0	5.4	3.0	1.7	1.6	4.0	2.7	0.9	1.2	3.8	1.5	3.2
GERMANY	54.0	27.4	31.8	52.0	54.4	64.2	72.1	102.9	141.7	7.2	10.4	10.5	10.1	14.1	10.6	13.0	11.8	10.7	14.9	10.9	17.6
GREECE	187.9	170.4	236.7	264.9	304.8	382.6	392.5	399.0	424.0	27.1	29.1	29.2	32.6	34.8	37.3	39.4	37.9	39.7	35.2	35.5	46.2
IRELAND	0.4	0.6	0.2	0.8	2.8	4.6	4.1	2.3	7.3	0.3	0.7	0.5	1.2	0.5	0.6	0.8	0.6	0.4	0.6	0.3	0.8

CURRENT TRANSFERS		2004																						
		1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	Jan	Feb	Mar	Apr	May	June	July	Aug	Sep	Oct	Nov	Dec
in million of USD																								
CURRENT TRANSFERS		491.2	477.4	559.5	264.7	503.9	353.4	533.0	570.8	613.2	841.9	1109.4	74.3	73.2	74.9	75.3	77.7	76.5	106.2	104.8	108.3	113.2	115.0	110.0
Credit		496.8	521.2	596.1	300.0	560.8	536.4	629.0	647.5	671.7	924.2	1200.2	79.9	78.8	81.0	81.6	83.2	83.9	113.5	113.2	116.5	123.2	121.9	123.5
Debit		-5.6	-43.8	-36.6	-35.2	-56.8	-183.0	-96.0	-76.7	-58.5	-82.3	-90.9	-5.6	-5.6	-6.1	-6.3	-5.6	-7.4	-7.3	-8.4	-8.3	-10.0	-6.9	-13.4
Foreign official transfers		117.1	128.5	83.4	29.0	82.6	165.0	94.4	28.1	38.2	60.3	75.5	4.7	4.6	5.3	4.5	5.4	6.8	6.2	6.4	7.7	9.7	6.9	7.3
Credit		118.9	136.6	96.4	32.8	87.7	167.8	97.2	32.3	39.9	61.1	75.7	4.7	4.6	5.3	4.5	5.4	6.8	6.2	6.5	7.8	9.7	6.9	7.3
Debit		-1.8	-8.1	-13.0	-3.8	-5.1	-2.8	-2.8	-4.2	-1.7	-0.9	-0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.1	-0.1	0.0	0.0	0.0
Technical assistance		61.3	31.9	19.8	2.1	37.4	56.6	14.4	18.2	23.4	50.2	55.9	3.4	3.4	3.4	4.1	4.1	4.1	5.2	5.2	5.2	6.0	6.0	6.0
Credit		61.3	31.9	19.8	2.1	37.4	56.6	14.4	18.2	23.4	50.2	55.9	3.4	3.4	3.4	4.1	4.1	4.1	5.2	5.2	5.2	6.0	6.0	6.0
Debit		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Cash grants		0.9	52.4	31.6	7.1	5.6	48.0	57.3	0.0	0.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credit		0.9	52.5	31.6	7.1	5.6	48.0	57.3	0.0	0.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Debit		0.0	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Goods and other		54.9	44.2	32.0	19.8	39.6	60.5	22.7	9.9	14.0	10.1	19.6	1.3	1.2	2.0	0.4	1.3	2.7	1.0	1.2	2.5	3.7	0.9	1.3
Credit		56.7	52.2	45.0	23.6	44.7	63.3	25.5	14.1	15.7	11.0	19.8	1.3	1.2	2.0	0.4	1.3	2.7	1.0	1.3	2.6	3.8	0.9	1.3
Debit		-1.8	-8.0	-13.0	-3.8	-5.1	-2.8	-2.8	-4.2	-1.7	-0.9	-0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.1	-0.1	0.0	0.0	0.0
Remittances from expatriates		377.9	384.6	499.6	266.9	452.3	368.1	530.8	614.9	631.5	778.1	1028.4	68.2	68.3	68.3	71.1	71.1	71.2	100.3	100.3	100.3	103.1	103.1	103.1
Credit		377.9	384.6	499.6	266.9	452.3	368.1	530.8	614.9	631.5	778.1	1028.4	68.2	68.3	68.3	71.1	71.1	71.2	100.3	100.3	100.3	103.1	103.1	103.1
Debit		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Others		-3.8	-35.6	-23.5	-31.2	-31.0	-179.8	-92.2	-72.3	-56.5	3.6	5.5	1.4	0.4	1.3	-0.2	1.2	-1.5	-0.4	-2.0	0.2	0.4	5.0	-0.3
Credit		0.0	0.0	0.1	0.3	20.8	0.4	1.0	0.2	0.3	85.0	96.1	7.0	6.0	7.4	6.1	6.7	5.9	7.0	6.3	8.4	10.4	11.9	13.1
Debit		-3.8	-35.7	-23.6	-31.4	-51.7	-180.2	-93.2	-72.5	-56.9	-81.4	-90.6	-5.6	-5.6	-6.1	-6.3	-5.5	-7.4	-7.3	-8.3	-8.2	-10.0	-6.9	-13.4

Data source: Bank of Albania

CAPITAL AND FINANCIAL ACCOUNT		2004																							
		1992	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	Jan	Feb	Mar	Apr	May	June	July	Aug	Sep	Oct	Nov	Dec
in millions of USD																									
I. Capital Transfers		0.0	21.6	389.5	4.9	2.1	31.1	67.5	78.2	108.4	121.2	157.0	132.4	12.0	10.5	11.6	8.6	8.3	8.8	9.2	11.9	10.0	15.9	11.2	
1. Debt Forgiveness		0.0	0.0	383.0	0.0	0.0	0.0	0.0	0.0	0.0	0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
2. Other		0.0	21.6	6.5	4.9	2.1	31.1	67.5	78.2	108.4	120.8	157.0	132.4	12.0	10.5	11.6	8.6	8.3	8.8	9.2	11.9	10.0	15.9	11.2	
II. Financial Account		30.7	169.7	-223.8	136.0	219.1	125.0	183.2	199.9	128.2	206.2	202.0	398.7	6.1	27.8	3.0	137.5	56.3	26.6	17.4	-51.8	23.9	53.9	19.8	78.1
1. Liabilities		103.9	277.4	-125.8	276.7	162.0	253.2	312.4	271.9	347.0	267.8	327.8	558.0	20.4	25.1	36.2	130.7	75.3	26.1	54.6	23.8	36.1	42.8	12.2	74.7
Ia. Foreign direct investment		20.0	53.0	70.0	90.1	47.5	45.0	41.2	143.0	220.2	135.0	178.0	341.3	11.7	11.7	11.7	131.7	25.0	20.0	28.4	18.2	25.3	20.9	17.0	19.8
i. Equity investment		20.0	53.0	70.0	90.1	47.5	45.0	43.0	143.0	220.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
ii. Other capital		0.0	0.0	0.0	0.0	0.0	0.0	-1.8	0.0	0.0	135.0	178.0	341.3	11.7	11.7	11.7	131.7	25.0	20.0	28.4	18.2	25.3	20.9	17.0	19.8
Ib. Borrowing		36.3	121.9	179.6	86.4	66.1	101.1	125.6	100.2	98.8	149.9	144.4	229.5	9.4	11.3	15.9	6.9	73.8	6.6	10.6	12.8	10.0	10.4	15.3	46.5

i. Official borrowing	36.3	121.9	179.6	86.4	66.1	101.1	125.6	100.2	98.8	145.6	131.4	151.3	7.9	9.1	13.6	6.1	13.0	5.9	8.8	9.4	8.2	9.2	15.2	45.0
i. Private borrowing	---	---	---	---	---	---	---	---	---	4.4	13.0	78.2	1.5	2.2	2.3	0.9	60.8	0.7	1.8	3.4	1.8	1.2	0.1	1.5
1c. Use of Fund credit and loans	0.0	22.2	11.1	0.0	12.2	7.9	20.9	19.3	12.0	5.3	11.1	11.9	0.0	6.0	0.0	0.0	0.0	0.0	5.9	0.0	0.0	0.0	0.0	0.0
1d. Repayments	0.0	-16.9	-101.7	-15.0	-15.9	-9.5	-15.8	-18.5	-23.4	-41.6	-36.6	-48.1	-1.9	-2.9	-1.4	-3.0	-7.2	-7.2	-2.4	-3.1	-1.8	-1.1	-7.2	-8.9
1e. Currency and Deposits	-1.4	-2.8	-3.3	2.9	0.6	3.0	16.0	5.2	42.1	8.3	19.7	3.4	9.8	-3.7	4.3	-2.7	-19.4	3.4	6.0	-1.7	-0.3	5.0	-1.1	3.7
1f. Trade credits/1	0.0	7.3	7.9	25.8	-16.0	4.0	-2.8	22.7	-2.8	6.8	11.1	23.1	-7.6	2.8	4.7	-3.4	5.3	1.4	2.9	-0.6	3.4	9.1	-6.8	11.9
1g. Change in arrears /2	0.0	-29.1	-468.9	0.0	1.3	0.5	0.0	0.0	0.0	1.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1h. Other liabilities	0.0	0.0	0.0	0.0	0.0	0.0	1.8	0.0	0.0	2.6	0.1	-3.1	-0.9	0.0	1.0	1.1	-2.2	1.9	3.3	-1.9	-0.4	-1.6	-5.0	1.6
2. Assets	-73.2	-107.7	-98.0	-140.7	57.1	-128.2	-129.2	-72.0	-218.9	-5.8	-125.8	-159.3	-14.3	2.7	-33.1	6.8	-19.0	0.5	-37.2	-75.6	-12.3	11.1	7.5	3.5
2a. Equity investment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-13.6	0.0	0.0	0.0	0.0	-10.9	0.0	0.0	0.0	0.0	0.0	0.0	-2.7
2b. Portfolio investment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-25.0	-23.4	-43.0	-22.5	-3.6	0.0	0.0	-1.3	0.0	4.0	0.0	3.5	7.0	109.3	-33.3	1.0	-93.8
2c. Deposits	-23.2	-81.3	-61.1	-92.1	56.8	-93.0	-88.8	1.5	-55.6	25.5	-35.4	-90.1	-25.1	12.5	-29.3	1.3	-12.8	15.4	-17.8	-84.3	-135.5	52.2	12.5	120.7
2d. Currency /3	-50.0	-31.3	-35.6	-45.0	3.7	-33.8	-38.4	-41.8	-122.7	31.8	-35.2	-20.4	11.8	-7.8	-0.7	7.8	-6.8	-2.2	-19.2	2.9	16.2	-2.0	-3.8	-16.6
2e. Other assets	0.0	4.8	-1.3	-3.5	-3.5	-1.3	-2.0	-6.6	-17.2	-20.1	-32.8	-31.6	-1.0	-2.0	-1.8	-2.3	-3.3	-1.8	-3.7	-1.3	-2.2	-5.7	-2.1	-4.2
III. Reserve assets	-24.7	-54.9	-30.6	-47.0	-43.8	-59.2	-123.6	-131.9	-145.0	-28.6	-99.6	-288.3	-3.3	-9.6	-2.0	-122.4	4.6	0.4	-30.0	-61.5	-3.8	-8.8	-8.6	-43.2
1. Gold	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2. Foreign exchange	-27.3	-54.9	-30.6	-47.0	-43.8	1.5	-103.0	-128.6	-136.7	-35.0	-98.4	-282.7	-3.3	-3.3	-2.0	-124.6	4.1	-0.9	-22.0	-62.0	-3.8	-9.9	-9.0	-46.0
3. SDRs	0.0	0.0	0.0	0.0	0.0	-60.8	-15.9	-3.4	-8.3	6.4	-1.2	-5.6	0.0	-6.3	0.0	2.2	0.5	1.3	-8.0	0.4	0.0	1.1	0.4	2.8
4. Reserve position in the Fund	2.6	0.0	0.0	0.0	0.0	0.0	-4.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Data source: Bank of Albania

FOREIGN FINANCING in million of USD	COMMITMENT						DISBURSED					
	1999	2000	2001	2002	2003	2004	1999	2000	2001	2002	2003	2004
Balance of Payments	45.0	37.2	35.8	3.5	0.0	0.0	30.0	62.2	31.1	2.3	0.0	0.0
Technical assistance	149.3	112.8	78.0	135.1	139.1	77.8	137.1	63.9	59.8	90.7	90.0	80.2
Humanitarian aid	24.6	0.0	0.0	0.0	0.7	0.0	23.4	0.7	0.1	0.0	0.3	0.0
Food aid	0.1	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0
Commodity aid	36.1	29.4	20.8	3.2	2.3	1.5	7.6	11.0	12.8	2.9	7.7	0.4
Development	279.0	231.5	135.4	159.6	180.1	456.9	115.9	141.3	172.2	135.6	182.5	172.5
Total Foreign Financing	534.1	411.0	269.9	301.4	322.1	536.2	314.0	279.1	276.0	231.4	280.6	253.2
Balance of Payments	0.0	37.2	11.6	3.5	0.0	0.0	10	37.2	6.9	2.3	0.0	0.0
Technical assistance	119.3	93.6	74.5	66.8	78.0	67.8	105.8	58.1	56.4	62.1	56.2	55.9
Humanitarian aid	24.6	0.0	0.0	0.0	0.7	0.0	23.4	0.7	0.1	0.0	0.3	0.0
Food aid	0.1	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0

Commodity aid	36.1	9.8	4.9	3.2	2.3	1.5	1.9	5.4	2.8	2.0	7.5	0.4
Development	115.2	40.4	32.3	31.2	58.6	55.8	49.5	74.3	69.8	37.4	37.5	37.8
Total Foreign Grants	295.3	181.0	123.4	104.8	139.5	125.1	190.7	175.7	136.1	103.8	101.6	94.1
Balance of Payments	45	0.0	24.2	0.0	0.0	0.0	20	25.0	24.2	0.0	0.0	0.0
Technical assistance	30.0	19.2	3.4	68.2	61.1	10.0	31.2	5.8	3.4	28.6	33.8	24.3
Humanitarian aid	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Food aid	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Commodity aid	0.0	19.6	15.9	0.0	0.0	0.0	5.7	5.6	10.0	0.9	0.2	0.0
Development	163.8	191.1	103.0	128.4	121.5	401.1	66.4	67.1	102.4	98.2	145.0	134.7
Total Foreign Loans	238.8	229.9	146.5	196.6	182.6	411.1	123.3	103.4	140.0	127.6	179.0	159.1
Data source: Ministry of Economy												

BANKING DEPOSITS												
in millions of USD												
	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
CENTRAL BANK												
Valuation effect	0.0	0.8	0.1	-1.6	-1.8	3.5	-1.3	20.6	25.4	23.8	26.5	20.3
Gross official reserves*	142.4	204.7	240.5	280.0	308.3	384.2	481.6	532.4	655.0	758.5	935.3	1251.6
Usable Reserves	142.4	204.6	240.3	280.0	308.3	384.2	481.6	532.4	655.0	758.5	935.3	1251.6
Valuation effect	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Vostro Accounts	0.0	0.0	2.9	2.2	0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overdraft Accounts	3.7	8.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Valuation effect	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Cash	0.0	0.0	0.0	2.0	0.0	0.1	1.5	0.1	0.0	0.2	0.1	0.1
BANKING SYSTEM												
Valuation effect	0.0	0.0	0.0	-4.5	-0.5	0.8	-4.9	7.0	13.1	6.1	7.9	13.1
Nostro Accounts	84.7	160.3	226.9	314.6	243.7	342.7	402.5	374.4	424.1	455.2	525.3	664.0
Valuation effect	0.0	0.0	0.0	0.1	-0.1	0.0	-0.3	0.3	0.1	1.9	2.8	3.4
Vostro Accounts	6.1	14.2	10.7	5.8	6.9	13.8	29.0	33.1	79.2	96.6	127.8	127.5
Valuation effect	0.0	0.0	0.0	-0.1	-0.1	0.0	-0.2	0.5	0.1	0.3	0.8	1.0
Cash	7.6	11.8	16.8	35.2	14.5	13.1	20.5	23.3	100.6	33.0	45.4	67.8
Other assets	0.1	0.3	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	3.1	10.0
Other liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.5	3.8	9.3
Data source: Bank of Albania												
* Omitted SDR reserves												

CREDIT LINES											
in millions of USD											
	1994*	1995*	1996	1997	1998	1999	2000	2001	2002	2003	2004
Drawdowns	144.1	190.7	86.4	78.3	109.0	146.5	119.5	107.5	155.2	155.6	241.4
from which:											
Use of Fund Credit & Loans	22.2	11.1	0.0	12.2	7.9	20.9	19.3	12.0	5.3	10.8	11.8598
Principal due	16.9	5.4	15.0	15.9	9.5	15.8	18.5	23.4	41.6	32.9	41.6
Principal paid	71.0	98.4	15.0	15.9	9.5	15.8	18.5	23.4	41.6	32.9	41.6
Increase in arrears	-54.1	-476.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest due	41.4	26.2	10.0	6.9	8.5	8.0	8.1	12.1	18.5	14.4	19.4
Interest paid	8.4	4.2	10	6.9	7.8	8.0	8.1	12.1	18.5	14.4	19.4
Increase in arrears	30.0	0.1	0.0	0.0	0.7	0.0	0.0	0.0	0.0	0.0	0.0
Borrowing	144.1	190.7	86.4	78.3	101.1	146.5	119.5	107.5	155.2	155.6	241.4
Net change in arrears	-24.1	-476.0	0.0	0.0	0.7	0.0	0.0	0.0	0.0	0.0	0.0
Principal falling due	71.0	481.4	15.0	15.9	9.5	15.8	18.5	23.4	41.6	36.6	48.1
from which:											
Debt forgiveness	0.0	383.0	0.0	0.0	0.0	0.0	0.0	9.4	0.4	0.0	0.0

Data source: Ministry of Finance, Banking system and Bank of Albania

* The high figures of debt services are related to the debt forgiven on 1994, 1995

CREDIT LINE ACCORDING THE SECTORS									
in millions of USD									
	1997	1998	1999	2000	2001	2002	2003	2004	
General Government									
Drawdowns	47.2	90.0	108.2	99.0	91.3	120.2	114.5	133.6	
Principal due	0.3	0.6	5.1	1.6	3.0	11.1	14.2	20.8	
Principal paid	0.3	0.6	5.1	1.6	3.0	9.7	14.2	20.8	
Increase in arrears	0.0	0.0	0.0	0.0	0.0	1.4	0.0	0.0	
Interest due	2.8	3.6	3.3	4.5	7.0	6.6	11.9	15.5	
Interest paid	2.8	3.1	3.3	4.5	7.0	6.6	11.9	15.5	
Increase in arrears	0.0	0.5	0.0	0.0	0.0	0.0	0.0	0.0	
Borrowing	47.2	90.0	108.2	99.0	91.3	120.2	114.5	133.6	
Net change in arrears	0.0	0.5	0.0	0.0	0.0	1.4	0.0	0.0	
Principal falling due	0.3	0.6	5.1	1.6	3.0	11.5	14.2	20.8	
Monetary Authority									
Drawdowns	14.7	10.9	8.8	19.4	12.0	6.7	0.0	0.0	
Principal due	0.0	0.0	0.0	7.9	13.3	15.0	10.7	10.6	
Principal paid	0.0	0.0	0.0	7.9	13.3	15.0	10.7	10.6	
Increase in arrears	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Interest due	0.3	2.1	1.6	2.9	3.4	0.9	1.1	0.8	
Interest paid	0.3	2.1	1.6	2.9	3.4	0.9	1.1	0.8	
Increase in arrears	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.0	
Borrowing	14.7	10.9	8.8	19.4	12.0	6.7	0.0	0.0	
Net change in arrears	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Principal falling due	0.0	0.0	0.0	7.9	13.3	15.0	10.7	10.6	

Data source: Ministry of Finance, Bank of Albania

Methodological annex. Definition of balance of payments items and data sources		
Item	Definition	Data sources
A. Current account	Current account balance, presents the net balance of goods, services, income and current transfers	
A.1.Import/Export of goods	Monthly balance of exported goods plus the freight service up to the border line of the exporting country/Monthly balance of imported goods plus the freight services and performed insurance beyond to the border line of the exporting country	Custom declarations- General Directorate of Customs.
-Export of electricity		Albanian Power Corporation

A.2. Services	This category covers all the services performed by the residents for the non-residents(credits) and vice versa(debits), as well as some transactions in goods that for practical reasons are included in the related services.	
A.2.a. Transport services	this category covers all type of transportations (sea, air,land) performed by the residents for the non-residents and vice versa, including freight, passenger transportation, rentals ect	
i. Freight	Freight services performed at the custom frontier of the importing economy by the residents for the non-residents	Estimated value in percentage according to the trade in goods.
ii. Passenger	Passenger services covers all services provided between the compiling economy and abroad or between two foreign economies in the international transportations of the non-residents by residents carriers and vice versa. Included in passenger services are those passenger services performed within an economy by non-residents carriers.	Banking system(Form.1 Bop)
iii. Other transport	Other transport covers other supporting and auxiliary transport services	Banking system(Form.1 Bop)
A.2.b. Insurance services	This category covers the provision of various type of insurance to non-residents by resident insurance enterprises and vice versa. These services cover freight insurance, other direct insurance and reinsurance	Banking system and Form.8 for the insurance enterprises
A.2.c.Travel	Includes expenditure on tourist packages and one-day packages and on goods and services in the country of destination. Travel services include also education and medical treatment in the country of destination. As a rule tourism includes staying abroad for less than one year whereas there is no limit for students and medical patients.	Survey of tourism. Bank of Albania in collaboration with Instat and Ministry of Public Order.
A.2.d. Other services	Services not covered in above categories	Banking system(Form.1 Bop)
i. Communication services	- comprise charges for telecommunication (TV and radio transmission, telegraph, telex and facsimile communication, satellite and cable television, e-mail, etc), postal and courier (packaging, mailing, transportation and delivery of items	Questionnaire of tele-communicatiions enterprises and postal services.
ii. Technical Assistance	Technical assistance covers all the transactions as assistance provided by governments, foreign agencies and institutions.	Form.16 Bop, Ministry of Economy
iii. Government services	A residual category covering government service transactions related to embassies and consular services, military and other public sector services, state fees and external aid received and provided as a service.	Questionnaire on governments services. Ministry of Finance.
iv. Financial Services	Cover financial intermediation services and auxiliary services (other than insurance) related to banking and securities brokerage commission and services fees, asset management, clearing, depository services, financial consulting, etc.;	Banking system (Form.1 Bop)
v. Other	Other services not mentioned above	Banking system (Form.1 Bop)
A.3. Income		
A.3.a. Compensation of employees	Compensation of employees comprises wages, salaries, and other benefits(in cash or in kind) earned by individuals-in economies other than those in which they are residents-for work performed for and paid for by residents of those economies.	Estimation based on remittances
A.3.b. Investment income	Investment income covers income derived from a resident entity's ownership of foreign financial assets	Banking system (Form.1 Bop)
i. Interest on reserves	Interests on reserves cover the interest income on foreign reserves as deposits respectively from the non-resident and vice versa.	Banking system,Balance sheet.
ii. Income on debt(interest)	Consist of the paid interest to direct investors from the associated enterprises.	Form. 12,Bop.Banking System and Ministry of Finance.
iii. Income on equity	Income on equity are comprise dividends and reinvested earnings.	Banking system (Form.1 Bop)
A.4. Current Transfers		
A.4.a. Foreign Official Transfers	Cover all the current transfers between resident public sector and non-residents.	Form.16 i Bop, Ministry of Economy.
i. Technical Assistance		Form.16 i Bop, Ministry of Economy.
ii. Cash grants		Banking system and Bank of Albania
iii. Goods and other		General Directorate of Customs
A.4.b Remittances from expatriates	Covers current transfers by emigrants who are employed in new economies and considered residents there(at least one year)	Estimation from Balance of Payments Sector

A.4.c. Other	Other transfers included those transfers not mentioned above such as gifts, inheritances, tickets sold by and prizes won from lotteries.	Form 1 Bop, Banking system, Ministry of Public Order.
B. CAPITAL and FINANCIAL ACCOUNT		
I. Capital Transfers	Include acquisition and disposal of non produced , non financial intangible assets and debt forgiveness.	Form 1 Bop, Ministry of Public Order.
1. Debt forgiveness	Debt is forgiven by agreement with a creditor entity in on another economy	Ministry of Finance
2. Other	Investment grants consist of capital transfers, in cash or in kind, made by governments to nonresidents units, or vice versa to finance all or part of the costs of acquiring fixed assets.	Ministry of Economic
II. Financial Account	The foreign financial assets of an economy consist of holdings of monetary gold, SDRs and claims on non-residents. The foreign liabilities of an economy consist of indebtness to non-residents.	
1. Liabilities	All the foreign liabilities of an economy consist of indebtness to non-residents	
1.a. Foreign Direct Investment	Direct investment is the category of international investment that reflects the objective of a resident entity in one economy obtaining a lasting interest in an enterprise resident in another economy. (the resident entity is the direct investor and the enterprise is the direct investment enterprise)	Data obtained from the biggest enterprises and FMN' estimations.
1.b. Borrowing	Loans comprise those financial assets created through the direct lending of funds by creditor to a debtor through an arrangement.	
1.b.1 Official Borrowing	Comprises all loans where debtor is the government.	Form, 12 Bop, Banking system and Ministry of Finance
1.b.2 Private borrowing	Comprise all loans where debtor are all private sectors and other public sectors, beyond the government.	
1.c. Use of Fond credits and Loans	Comprises a member country's drawings on the Fund other than those drawn against the country's reserve tranche position	Bank of Albania
1.d. Repayments	Repayments consist of principal payments (not of interests) of all loans	Form, 12 Bop, Banking system and Ministry of Finance
1.e. Currency and deposits	Financial liabilities in form of currencies and deposits of the banks and the non- residents individuals in our banking system.	Foreign currency balance in banking system
1.f. Trade Credits	Trade credits consist of claims and liabilities arising from the direct extension of credit by suppliers and buyers for transactions in goods and services and advance payments for work in progress that is associated with such transactions	Estimation based on the results of the trade credits, provided by the external trade survey
1.g. Change in Arrears	Liabilities arising from loans arrangements and from non-repayments in the given period	Form, 12 Bop, Banking system and Ministry of Finance
2. Assets		
2.a. Equity Investment	Investment in non-resident economy, where more than 10 per cent of the capital is holded by albanian residents	not available
2.b. Portfolio Investment	Portfolio investment includes equity securities, debt securities in the form of bonds and notes , money market instruments and financial derivatives such as options, exluding those involved in direct investments or reserve assets.	Banking System
2.c. Deposits	Financial liabilities in form of deposits of the banking system in foreign banks.	Foreign currency balance in banking system
2.c. Currency	Currency consists of notes and coin that are in circulation and commonly used to make payments	Foreign currency balance in banking system and estimation of Balance of Payments sector on foreign currencies brought by emigrants
2.d. Other Assets	Other assets/liabilities covers all not mentioned above	Foreign currency balance in banking system
C. RESERVE ASSETS	Reserve assets consist of those external assets that are readily available to and controlled by monetary authorities for direct financing of payments imbalances, for indirectly regulating the magnitude of such imbalances through the intervention in exchange markets to affect the currency exchange rate, and/or for other purposes.	Bank of Albania