

1. GENERAL OVERVIEW

Balance of payments developments for 2001 evidence a high growth of current transactions mainly caused by the increased value of trade transactions in goods and services. On annual basis, the total of current transactions for 2001 is estimated at about USD 3.5 billion. Besides services, current transfers and the foreign trade in goods have also contributed in this growth. Current account deficit at the end of the year recorded USD 218,5 million or 33.9 percent higher than that of year 2000. However, it is necessary to be evidenced that the current balance omitted official transfers is valued at 4 percent lower, than the previous year.

The positive balance of capital and financial transfers financed about 94 percent of this deficit.

Foreign exchange inflows in the form of financial capitals reflected an increase of monetary authority international reserves by USD 145 million.

TABLE 1. BALANCE OF PAYMENTS OVER YEARS (in millions of USD)

	1993	1994	1995	1996	1997	1998	1999	2000	2001
Current Account, nie.	18.8	31.4	36.6	-62.3	-253.7	-65.0	-132.9	-163.1	-218.5
Merchandise: Exports, fob	111.6	141.4	204.8	243.7	158.6	208.0	275.1	255.4	304.6
Merchandise: Imports, fob	-620.5	-601.0	-679.8	-922.0	-693.5	-811.7	-937.9	-1,076.4	-1,331.6
Trade Balance	-508.9	-459.6	-475.0	-678.3	-534.9	-603.6	-662.8	-821.0	-1,027.0
Services: Credit	76.3	83.1	98.2	127.3	67.9	86.6	266.7	448.1	533.5
Services: Debit	-165.3	-97.5	-106.3	-142.3	-101.1	-129.3	-165.4	-430.0	-444.9
Income: Credit	19.8	55.6	70.8	83.5	61.6	86.1	85.6	115.9	162.5
Income: Debit	-31.0	-41.4	-28.5	-12.0	-11.9	-8.7	-10.3	-9.1	-13.4
Private Unrequired Transfers	324.1	374.1	348.9	476.0	235.7	421.3	188.4	438.6	542.6
Official Unrequired Trans., nie	303.9	117.1	128.5	83.4	29.0	82.6	165.0	94.4	28.1
Capital Account	0.0	21.6	389.5	4.9	2.1	31.1	67.5	78.2	108.4
Financial Account	104.2	24.2	-414.5	49.6	140.7	16.0	36.8	182.5	128.2
Direct Investment, nie	68.0	53.0	70.0	90.1	47.5	45.0	41.2	143.0	220.2
Portfolio Investment, nie	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-25.0	-23.4
Other Capital, nie	36.2	-28.7	-484.5	-40.5	93.2	-29.0	-4.4	64.5	-80.6
Net Errors and Omissions	-24.7	-44.5	7.9	54.8	142.5	69.4	131.3	15.0	127.0
Overall Balance	114.9	54.9	30.6	47.0	43.8	59.4	123.5	131.9	145.0
Reserve and Related Items									
Reserve Assets	-114.9	-54.9	-30.6	-47.0	-43.8	-59.9	-123.6	-131.9	-145.0
Use of Fund Credit and Loans	16.6	22.2	11.1	0.0	12.2	7.9	20.9	19.3	12.0
Liab. Const. Fng Auth. Reserves	...	...	...	...	...	...	...	...	...
Exceptional Financing									
Memorandum Items									
Total Change in Reserve Assets	118.7	-54.8	-30.6	-39.5	-28.3	-75.9	-97.4	-130.5	-116.2
of which: Revaluation	-3.8	7.3	5.1	-7.3	-15.5	12.6	-26.2	-3.5	1.5

Data source: Bank of Albania

The reactivation of the power crisis in the fourth quarter and the opening of 2001 with unfavorable oil price conjectures in the international market, as well as the introduction of telephone operators, AMC and Panaphone -Vodafone, were main factors to affect extension foreign trade deficit, causing rising imports in fuels, machinery and equipment and rising costs in domestic production.

Foreign trade fast developments during 2001 reflected growth in import and export. The overall volume of foreign trade transaction (according to BOP methodology, imports by fob prices) was estimated at USD 136 million, or 23 percent higher compared to the previous year.

According to the foreign trade statistics¹, exports reached the value of USD 305 million and imports by c.i.f. value at USD 1325 million, recording an annual growth of 19 and 24 percent respectively compared to the previous year.

Exports 19 percent growth was the result of the rising volume of processed goods, which continue to have the exclusivity amongst our exports, with nearly 73 percent of the overall volume in exports. Although at a lower level, export from domestic production had an increase by 8 percent as well.

Albania's foreign trade remained directed to transactions with countries of trading community, especially with Italy and Greece, as main partners of this group. Meantime trade in the region remained in very low levels.

Balance of payments statistics for 2001 indicate that the *foreign trade in services* (mainly tourism services) is distinguished as an activity of vital importance for the Albanian economy. Tourism income and expenditures, occupying about 83.6 and 57.8 percent of exported and imported services play the main role in the balance of services. It is evidenced an increase of tourism income throughout the year mainly during the fourth quarter (USD 141.4 million). Such growth has been as an aftermath of the rising number of tourists visiting Albania, mostly of emigrants coming back home.

The positive balance of "income" transactions at the end of the year estimated about USD 149 million or 39.5 percent higher, than in the previous year.

¹ Imports and exports in the following analysis do not contain performed estimations from BOP. Import is reflected in c. i. f.

The whole growth is due to the higher compensations from the work of seasonal employees and borderline workers and cumulative interests from the foreign exchange investments of the banking system by non-resident financial institutions.

At the end of the year, the positive balance of current transfers was estimated at about USD 571 million or nearly 7 percent higher, than in year 2000. The rising surplus of this category is due to the increase of emigrant remittances and the inflow of official transfers, as well as to the declining outflow by other transfers.

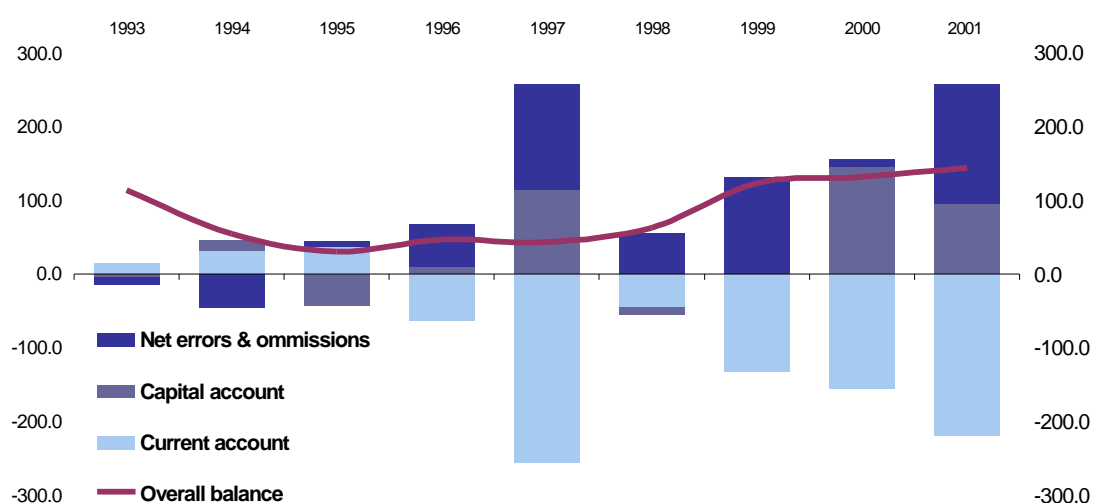


Chart 1. BALANCE OF PAYMENTS ACCOUNTS

The coverage (financing) of such deficit was made possible by the net capital inflows, which recorded USD 237 million at the end of the year. Capital transfers increased by about 38.6 percent against the previous year and are estimated at about USD 108 million.

2. CURRENT ACCOUNT

The fourth quarter recorded the highest volume of current transactions for year 2001 (USD 1.1 billion). Such volume is estimated as increased by 32.8 percent

compared to the previous quarter and 26 percent against the corresponding quarter, previous year. Such growth has been mostly caused by the rising value of foreign trade and services transactions, which this quarter reached the highest values during 2001. Current transfers have also contributed in this growth. Current incomes during the fourth quarter recorded USD 544 million and are estimated at nearly 44 percent higher than the preceding quarter and at about 40.8 percent higher against the corresponding quarter, previous year. Current expenditures are estimated at about USD 570 million or respectively at 23.8 and 15.1 percent higher against the previous quarter and the same quarter, previous year. So, the current deficit recorded USD 26,4 million or nearly 3 times lower, than the third quarter of 2001 and 4 times lower, than the fourth quarter of 2000.

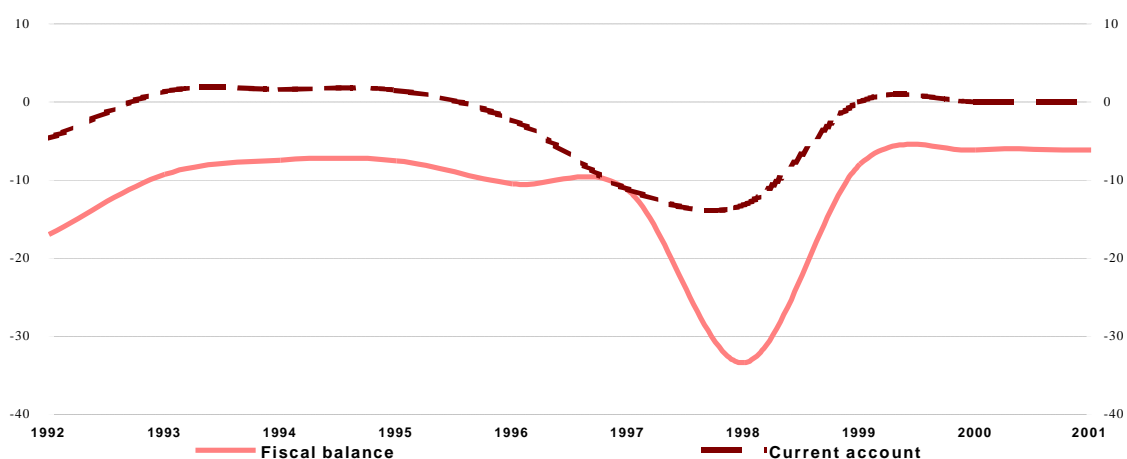


Chart 2. CURRENT ACCOUNT AND FISCAL BALANCE

On annual basis, the total of current transactions is estimated at about USD 3.5 billion or at 14.9 percent higher, than in the previous year.

Current income is estimated at USD 1,6 billion or nearly at 14 percent higher, than in year 2000. Current expenditures are estimated at about USD 1.9 billion or about 16 percent higher, than the previous year. Current deficit at USD 218,5 million recorded 6 percent of GDP from 4.3 percent in year 2000.

However, the current account deficit omitted official transfers this year is estimated at 3.6 percent lower, than the previous year, recording the figure of USD 250,9 million.

2.1 FOREIGN TRADE

The overall volume of foreign trade transactions in the fourth quarter of the year recorded USD 480 million, representing the highest volume registered in the previous quarters. Both foreign trade components estimated growth either compared to the preceding quarter or the corresponding quarter, previous year.

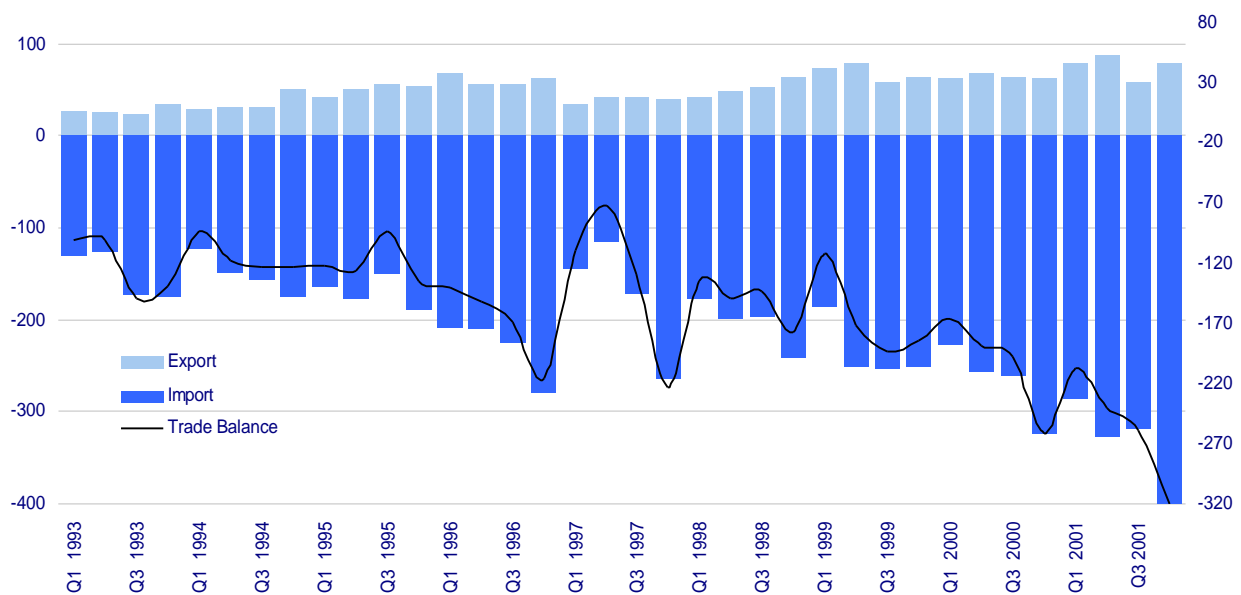


Chart 4. FOREIGN TRADE BALANCE (in USD mln)

Import was at a volume of USD 400, 3 million, representing 83 percent of the foreign trade volume throughout the quarter.

With at nearly 26 percent increase against the preceding quarter, imports of this quarter recorded the highest level attained since our country opening to free market economy. Positive developments in domestic and foreign investment

area reflected increased imports in machinery and equipment and gave their main effect in import growth.

Table 2. FOREIGN TRADE BY QUARTERS FOR THE PERIOD "94-'01
(IN MILLIONS OF USD)

Period	Exports	Difference in % from previous period	Imports	Difference in % from previous period
Q1 1994	28.0	-19.7	-98.6	-29.7
Q2 1994	31.2	10.0	-136.9	22.1
Q3 1994	30.9	0.6	-148.2	4.0
Q4 1994	51.8	67.5	-171.6	12.8
Q1 1995	42.0	-19.0	-163.5	-6.5
Q2 1995	51.1	21.8	-177.0	8.2
Q3 1995	57.3	12.0	-150.4	-15.0
Q4 1995	54.5	-4.8	-188.8	25.5
Q1 1996	68.0	24.8	-208.4	10.3
Q2 1996	57.1	-16.0	-209.6	0.6
Q3 1996	56.5	-1.1	-225.2	7.4
Q4 1996	62.1	9.9	-278.8	23.8
Q1 1997	34.2	-44.8	-143.9	-48.4
Q2 1997	42.2	23.2	-114.5	-20.4
Q3 1997	41.3	-2.1	-171.1	49.3
Q4 1997	40.9	-0.9	-264.0	54.3
Q1 1998	42.2	3.2	-176.8	-33.0
Q2 1998	49.3	16.8	-198.1	12.1
Q3 1998	53.0	7.5	-196.1	-1.0
Q4 1998	63.4	19.6	-240.6	22.7
Q1 1999	72.9	15.0	-185.6	-22.9
Q2 1999	78.4	7.5	-250.1	34.8
Q3 1999	58.6	-25.2	-252.1	0.8
Q4 1999	65.1	11.1	-250.1	-0.8
Q1 2000	61.7	-5.4	-227.3	-9.1
Q2 2000	68.5	11.2	-257.3	13.2
Q3 2000	63.5	-7.3	-261.1	1.5
Q4 2000	62.2	-2.1	-324.3	24.2
Q1 2001	78.5	26.2	-285.4	-12.0
Q2 2001	87.8	11.9	-328.1	15.0
Q3 2001	58.5	-33.4	-317.7	-3.2
Q4 2001	79.8	36.5	-400.3	26.0

The annual achievement in import estimated at 24 percent higher compared to the previous year.

Commodity exports estimated at nearly USD 80 million recording 36 percent increase against the previous quarter and reaching at 28 percent higher compared to the last quarter of 2000 at the same time. In annual basis, export is estimated at 19 percent higher compared to the previous year. Such growth is due to the rising volume of re-exports resulted from processing industry in more than 88 percent of it.

Imports considerable increase was followed by the extension of trade deficit. Thus, at the end of this quarter, this deficit recorded nearly USD 320 million and is estimated as the highest deficit attained over years.

Exports and imports' structure by active processing

Year 2001 recorded positive developments in the domestic good for processing area. Mostly originated in year '96, which represents the opening year for many entities of good for processing industry domestically, this activity culminated in

TRADE	Volume (in millions of USD)			Share (%)			Change (%)	
	T4 2000	T3 2001	T4 2001	T4 2000	T3 2001	T4 2001	T4 2001/T3 2001	T4 2001/T42000
Export total	61.7	58.5	79.8	100.0	100.0	100.0	36.5	29.4
of which:								
Direct export	17.3	14.3	21.5	28.0	24.5	27.0	50.3	24.7
Re-export of good for processing	44.4	44.1	58.3	72.0	75.5	73.0	32.0	31.2
Import total	334.4	319.9	399.6	100.0	100.0	100.0	24.9	19.5
of which:								
Temporary import fot good for processing	44.4	42.6	57.7	13.3	13.3	14.4	35.3	30.0
Import of aids	3.7	2.0	5.2	1.1	0.6	1.3	158.4	38.1

year 2001, recording the highest volumes in exports and imports of this industry.

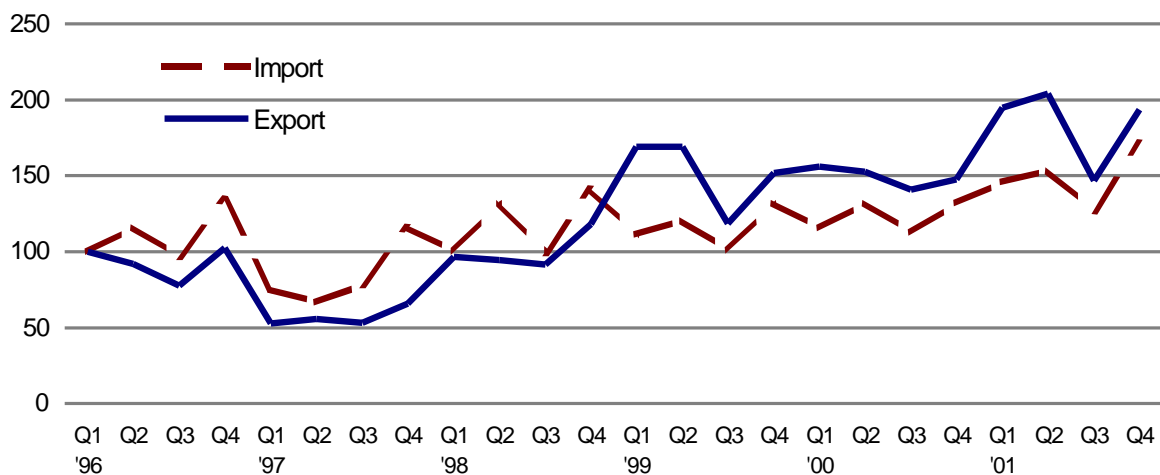
Foreign trade activity in good for processing industry, generally representing the activity of foreign capital companies occupies an important place in foreign trade transactions. These transactions represented 73 percent of exports and 14 percent of imports in the fourth quarter recording increased volumes either

compared to the previous quarter, current year or the corresponding quarter, previous year.

The good for processing industry in the country is mainly concentrated in processing textiles and footwear articles, which altogether represent 75 percent of trade transactions from this industry. Italy represents the main investor in the good for processing area, followed by Greece.

Exports from good for processing estimated increase against the previous quarter, remaining at normal developments tendencies of exports from this industry: the third quarter of the year corresponds with the vacation time and trade transactions from this industry disclose decline. These exports estimated increase compared to the corresponding quarter, previous year, as well. Their annual volume for 2001 reached at 24 percent higher than the previous year maintaining the highest level attained in exports from this industry over years.

Chart 5. PERFORMANCE TENDENCIES OF GOOD FOR PROCESSING TRADE AREA



(Indeks: T1 1996=100).

Exports in textile and footwear articles, recorded increase compared to the previous year occupying 86 percent of the exported volume. Exports from food

processing industry and metal articles recorded increase as well, even occupying only 3 and 5 percent, respectively in exports of this category.

During 2001, *imports* for good for processing have entered the country at a volume of 21 percent higher compared to the previous year. Textiles, footwear, leather and base metal articles had rising volumes, heading imports for raw material for our good for processing industry with 63, 14 and 7 percent of the total imported volume, respectively.

Import and Export Structure by Groups of Merchandise

Trading imports that was estimated at USD 1325 million increased their previous year level by 24 percent, recording the highest level attained since at our country opening to free market economy. These imports noticed increase by all main goods categories; however, rising imports in machinery and equipment and mineral products affected mostly the increase of the overall volume, compared to the previous year.

CODE DESCRIPTION	Volume			Share (%)			Change (%)	
	Q4 2000	Q3 2001	Q4 2001	Q4 2000	Q3 2001	Q4 2001	Q4 2001/Q3 2001	Q4 2001/Q4 2000
I Live animals, animals products	8.3	6.5	9.4	2.5	2.0	2.4	44.3	13.4
II Vegetable products	24.8	20.3	28.5	7.5	6.4	7.2	40.3	15.1
III Animal or vegetable fats and oils	5.4	3.8	7.6	1.6	1.2	1.9	101.1	41.6
IV Prepared foodsstuffs, beverages, tobacco etc.	24.9	28.9	29.0	7.5	9.1	7.3	0.2	16.5
V Mineral products	52.7	42.5	53.4	15.9	13.4	13.5	25.5	1.3
VI Products of the chemical	14.1	18.5	17.7	4.3	5.8	4.5	-4.6	25.3
VII Plastics and their products	8.5	10.0	10.3	2.6	3.1	2.6	3.4	21.9
VIII Raw hides and skins, leather, travel goods etc.	5.4	6.8	8.1	1.6	2.1	2.0	19.2	49.8
IX Wood and articles of wood	2.9	3.2	3.4	0.9	1.0	0.9	8.3	19.1
X Pulp of wood, paper or paperboard	5.7	5.2	5.5	1.7	1.6	1.4	6.2	-2.7
XI Textiles and textile articles	33.8	30.1	41.7	10.2	9.5	10.6	38.6	23.1
XII Footswear, headgear, umbrellas	10.5	9.4	14.2	3.2	3.0	3.6	50.6	34.3
XIII Articles of stone, plaster, cement, ceramic products, glass	12.0	13.0	14.6	3.6	4.1	3.7	12.3	21.7
XIV Natural or cultured pearls, coin	0.5	0.1	0.1	0.2	0.0	0.0	155.7	-71.8
XV Base metals and articles of base metals	29.0	29.8	39.1	8.8	9.4	9.9	31.4	34.9
XVI Machinery and mechanical appliance, electrical equipment	59.7	60.9	77.8	18.1	19.2	19.7	27.6	30.3
XVII Vehiles, aircraft	18.3	16.0	18.1	5.5	5.0	4.6	13.1	-1.2
XVIII Optical, photographic, measuring, medical instruments	6.4	6.3	4.9	1.9	2.0	1.3	-21.6	-23.3
XIX Arms and ammunitions	0.3	0.1	0.2	0.1	0.0	0.1	124.5	-9.5
XX Miscellaneous manufactured articles	7.6	6.6	11.0	2.3	2.1	2.8	65.3	43.8
XXI Works of art	0.0	0.0	0.0	0.0	0.0	0.0	...	...
TOTALI	330.6	317.9	394.5	100.0	100.0	100.0	24.1	19.3

TABLE 3. IMPORTS BY 21 GROUPS OF MERCHANDISE

Also the reduction of fiscal evasion as based on the rising inflow of excise goods, undergoing customs procedures has contributed in the growing volume of imports.

Positive developments in the area of domestic investments had a rising effect of imports throughout the year. The introduction of telephone operators, AMC and Panaphone -Vodafone which started coverage of Albania with telephone waves the second half of the previous year, affected high imports under the item of machinery and equipment (mainly in imported antennas and electric generators), estimated at 65 percent higher against the previous year. The unfavorable oil price conjectures in the international market caused rising imports of fuels. In addition, the continuous power crisis even this year brought higher imports of nearly 29 percent in mineral products compared to the previous year.

Slow rates of agricultural production mainly in the second half of the year affected rising imports by vegetal products. This year, these were estimated at 16 percent higher compared to the previous year.

Imports in metal and metal articles indicated increase, as well. Disclosing growing tendencies along all the quarters of the year, the annual imports by this merchandise group are estimated at 34 percent higher compared to the previous year. To be mentioned amongst the imports within this merchandise group is iron, steel, and cast iron articles.

Trade exports had an increase against either the previous quarter current year or the corresponding quarter, previous year. Export performance is dependent on the developments of good for processing industry in the country, which exports represents more than 2/3 of overall volume.

Exports from domestic production remain insignificant to the performance of our exports. For 2001, these represented only 27 percent of exports overall volume and shows about 8 percent increase compared to the previous year. The increase is mostly due to the rising volume of exports in medical plants, leather, and wood articles. Annual volume of tobacco exports is estimated at 25 percent lower than in the previous year. Fuel exports have almost maintained the previous year level disclosing a slight increase of 3 percent.

TABLE 4. EXPORTS BY 21 GROUPS OF MERCHANDISE.

CODE DESCRIPTION	Volumi			Pesha (%)			Ndryshimi (%)	
	T4 2000	T3 2001	T4 2001	T4 2000	T3 2001	T4 2001	T4 2001/T3 2001	T4 2001/T4 2000
I Live animals, animals products	0.2	0.7	0.5	0.4	1.2	0.6	-37.4	94.1
II Vegetable products	3.0	3.1	3.6	4.9	5.2	4.5	17.3	18.3
III Animal or vegetable fats and oils	0.0	0.0	0.0	0.0	0.0	0.0	...	...
IV Prepared foodstuffs, beverages, tobacco etc.	3.6	3.5	5.2	5.8	6.1	6.6	47.7	46.3
V Mineral products	0.5	0.5	0.9	0.8	0.9	1.1	69.9	79.2
VI Products of the chemical	0.5	0.6	1.2	0.8	1.1	1.5	93.1	150.1
VII Plastics and their products	0.1	0.1	0.4	0.2	0.2	0.6	293.9	262.3
VIII Raw hides and skins, leather, travel goods etc.	2.4	2.1	2.3	4.0	3.6	2.8	8.2	-7.1
IX Wood and articles of wood	1.9	2.1	2.5	3.1	3.7	3.1	17.2	32.3
X Pulp of wood, paper or paperboard	0.7	0.3	0.5	1.1	0.6	0.6	46.4	-27.1
XI Textiles and textile articles	22.0	24.4	30.3	35.7	41.8	37.9	23.9	37.6
XII Footswear, headgear, umbrellas	18.1	15.0	22.5	29.3	25.6	28.2	50.3	24.7
XIII Articles of stone, plaster, cement, ceramic products, glass	0.1	0.3	0.9	0.2	0.4	1.1	242.5	670.4
XIV Natural or cultured pearls, coin	0.1	0.1	0.1	0.1	0.1	0.1	-8.4	-19.0
XV Base metals and articles of base metals	5.3	3.5	5.6	8.7	6.0	7.0	61.4	5.1
XVI Machinery and mechanical appliance, electrical equipment	0.9	0.7	1.7	1.4	1.1	2.1	157.6	100.1
XVII Vehicles, aircraft	0.0	0.1	0.1	0.1	0.1	0.1	8.9	55.6
XVIII Optical, photographic, measuring, medical instruments	0.0	0.0	0.2	0.1	0.0	0.2	793.8	334.3
XIX Arms and ammunitions	0.6	0.4	0.0	0.9	0.7	0.0	-99.6	-99.7
XX Miscellaneous manufactured articles	1.5	0.8	1.4	2.4	1.4	1.8	69.5	-3.3
XXI Works of art	0.1	0.1	0.0	0.2	0.2	0.0	...	...
TOTALI	61.7	58.5	79.8	100.0	100.0	100.0	36.5	29.4

Box. DOMESTIC EXPORTS

Albanian domestic exports are considered as undeveloped. Rural products represent them broadly. Industrial exports have lost their significance with the insolvency of public enterprises. Albania's traditionally produced minerals have been chromium, copper, Ferro-chromium, iron-nickel as well as other products from oil refining industry which to mid 90's comprised a dominant component in income from foreign exchange transactions. Under the centralized economy mostly from the end of 70's to 1990, the production from chrome extracting industry, represented by mines, was the most important component in the mineral industry of the country. In this period, Albania ranked world the second as to the exports of this mineral (after South Africa) and third for its production (after South Africa and Soviet Union).

In 1999, chrome-extracting industry recognized a significant decline by 47 percent compared to that of 1998. The experienced crisis by chrome extracting industry as result of the constant strikes that hit this industry had a negative impact in exports of this mineral even for the subsequent years.

Copper domestic production reached its climax about the end of 80's. In 1999, copper production decreased by about 37 percent compared to the previous year, the production of refined copper had significant decline by 70 percent and that of copper cables and wires followed the decline which had started since at year 1993.

In the past, the production of power, gas and oil as well as the low consumption in fuels made our country, net exporter in electricity. The reduction of power supply made the country lose its status, as net exporter in this sector.

Exports drastic decline in minerals is estimated as the only factor to affect domestic exports decline in volume causing at the same time changes in their structure. The raw material category had a significant decline mainly represented by minerals and fuel exports category including electricity.

Code	DESCRIPTION	1996	2001
0	Food and live animals	6	7
1	Beverages and tobacco	8	8
2	Raw material	22	14
3	Fuels	23	5
4	Vegetals and animals fats	4	0
5	Chemical products	2	3
6	Processed commodities	28	51
7	Machinery and equipment	2	6
8	Other processed commodities	5	6
9	Commodities unclassified anywhere else	0	0
TOTAL		100	100

Table: Structure of exports from domestic production.

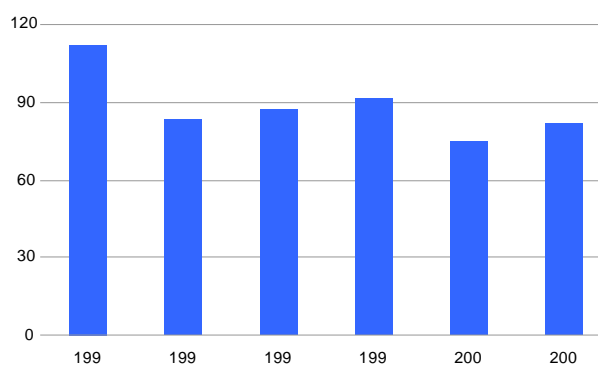


Chart. Export performance from domestic production, in USD mln

Trading partners

Albania's trade activity with the rest of the world is mainly oriented to EU countries. More than 80 percent of Albania's trade transactions throughout the year have been developed with EU countries. Trade transactions during 2001 had a growing tendency by both directions, either in imports or exports, increasing the overall volume of developed trade transactions with this grouping at 23 percent more compared to the previous year.

More than 66 percent of the overall volume of our country developed trade transactions for 2001 is focussed in trade transactions with two European countries, Italy (40 percent) and Greece (26 percent). Trade transactions with both countries have been intensified, recording high levels by both foreign trade components throughout the year. About 71 percent of Albanian exports have been directed to Italy and 33 percent of imports have been arriving from this country recording increase compared to the previous year by 19 and 12 percent, respectively.

Greece has demonstrated interest for Albanian market. Trade with this country reflects growing tendencies over years (excluding the shock period our country encountered in 1997, see. Chart. 6). Greece entering as an investor amongst Albanian telephone operators gave a positive impulse to the intensification of trade transactions with this country. Greece represents 29 percent of imports and 13 percent of exports, in this year. Exports and imports with this country had 29 and 26 percent increase, respectively.

Albania's trade with countries in the region² occupies 13 percent of Albania's total trade transactions with the rest of the world. Trade transactions in the region are mostly focused on imports. 15 percent of imported volume and 6 percent of exported volume represents trade in the region. Imports have been mostly developed with Turkey, Bulgaria, and Slovenia. Exports have been mostly

² In this group, there are included Bulgaria, Bosnia and Herzegovina, Croatia, Yugoslavia (including Montenegro and Kosova) FYROM, Romania and Turkey.

developed with the Yugoslav Republic (including Montenegro and Kosova) and FYROM.

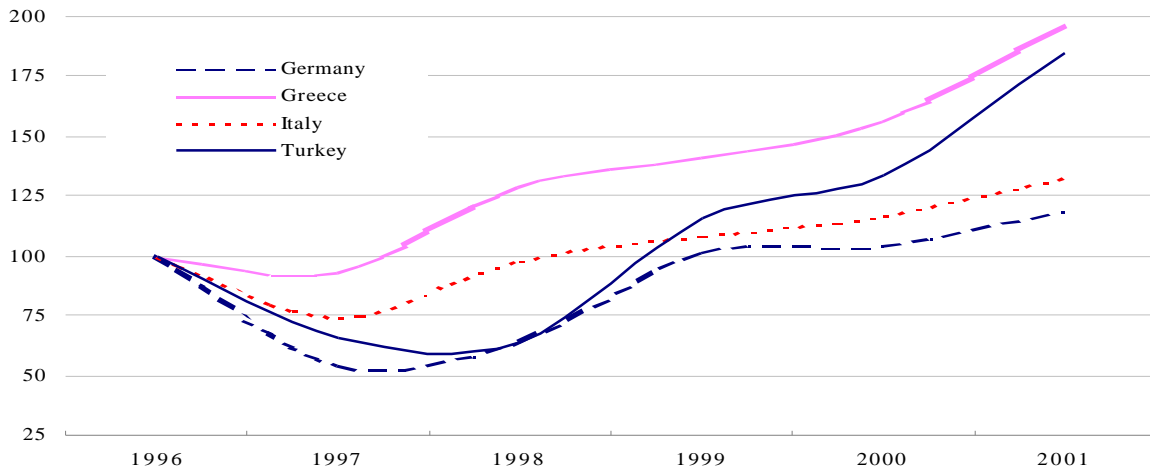


Chart 6. THE TENDENCY OF TRADE TRANSACTIONS OF ALBANIA WITH ITS MAIN PARTNERS. (The volume of imports + exports)
INDEX: 1996=100

Trade transactions with Turkey have been characterized by noticeable growth tendencies during the latest three years. Turkey is already positioned the third amongst Albania's trading partners with the rest of the world with 5 percent of the overall volume of trade transactions for 2001. The intensification of trade transactions with Turkey has been only on imports' side meantime that the latter impact by Albanian export remains weak. The depreciation of Turkish Lire after the crisis the country encountered in November 2000 and February 2001 affected a significant increase (at about 39 percent) of imports from this country, compared to the previous year.

Turkey represents an investor in metal processing industry in the country (Kurum, Elbasan). Thus, considerable imports consist in raw materials in half - prepared products of cast iron and steel.

2.2 Services

Service account surplus for the last quarter 2001 was USD 28.5 million estimated at about 61 percent more than the preceding quarter, current year, meantime that the corresponding quarter, previous year recorded deficit.

On annual basis, service transactions recorded a positive balance of USD 88.6 million, while year 2000 recorded only 20 percent of that.

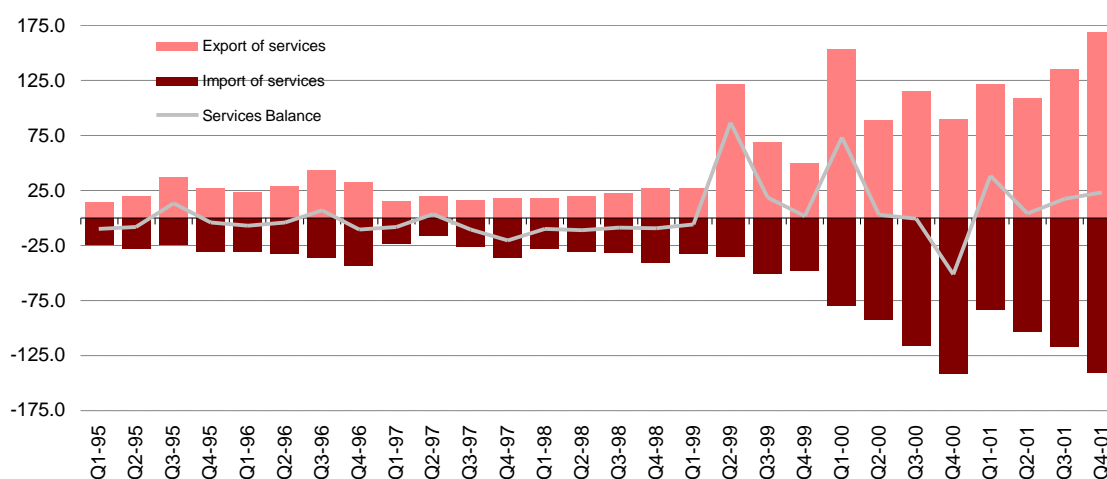


Chart 5. BALANCE OF SERVICES.

Thus, services export (about USD 533,5 million) is estimated at about 19 percent higher than the previous year. Services import recorded about USD 445 million or estimated 34.6 percent increase against the previous year.

According to the Bank of Albania estimates, tourism activity as the main indicator of balance of services recorded a considerable growth in either income (service export) or expenditures (service import). Exported services of tourism activity are estimated at USD 446 million or at 47 percent higher than goods exports while Albanians have spent in their travels abroad about USD 257 million or nearly 42 percent of the total of remittances from expatriates. Therefore, the positive balance of these services at the end of the year was estimated at USD 189 million. As expected, rising volume of imports has caused the extension of

imports of goods transport services and insurance services. Transport services import is estimated at about USD 107 million or about 13.8 percent higher than that of year 2000, meantime insurance service import (about USD 43 million) had nearly 26.6 percent increase. Such service categories have dominated amongst other service transactions.

"Other services" category has recorded a surplus of USD 34 million or 2.9 times higher than in year 2000. Such growth is, especially, due to increased incomes mainly from the development of telephone services. However, their role in developments of the trade of services remains modest and without any noticeable effect.

2.3 INCOME

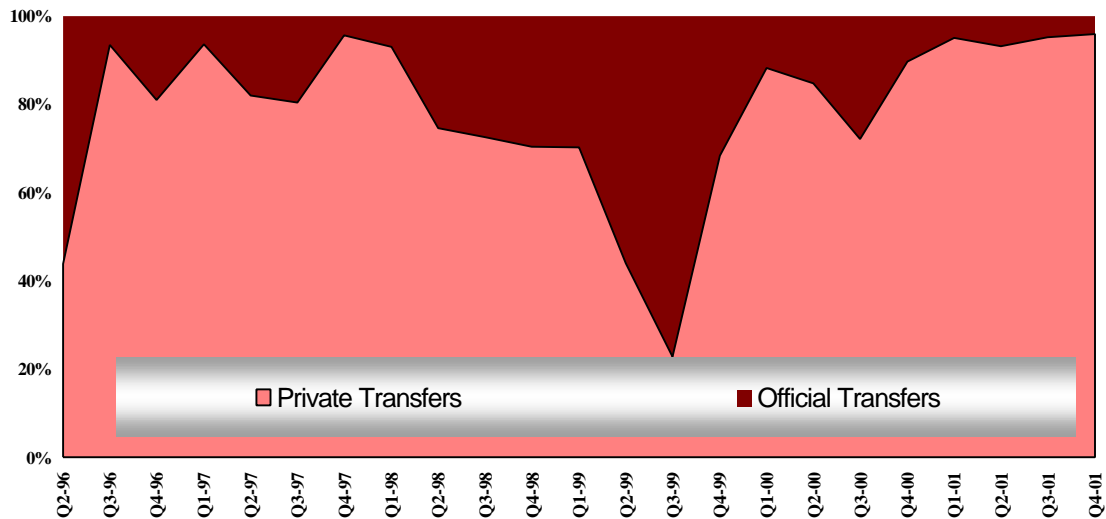
The positive balance of income during the fourth quarter (USD 44.6 million) is estimated as grown by 12 and 44 percent compared to either the preceding quarter or the corresponding quarter previous year, respectively. The compensation of seasonal employees, occupying 53 percent of the total income had a significant effect in this growth.

On annual basis, the balance of income recorded about USD 149 million. Such surplus is estimated as about 39.5 percent higher than that of the previous year. The compensation of seasonal employees this year had 26 percent increase compared to the previous year, recording the figure of USD 84.4 million. The income from foreign exchange investments of the banking system recorded about USD 75 million or 1.5 times higher from 2000. Such growth is due to the increase of our deposit by non-resident foreign banks or institutions.

Meantime, income outflows in the form of interest paid for non-resident deposits by our banking system and foreign debt interests record about USD 13.4 million (or about 47 percent higher, than in the previous year).

2.4 TRANSFERS

Current transfers during the fourth quarter recorded the highest value during the year (USD 221 million) and covered nearly 69 percent of foreign trade deficit. Such growth is mostly attributed to the rising inflow of emigrant income, reaching the figure of USD 235.5 million or 1.8 percent higher, than in the previous



quarter.

Chart 6. STRUCTURE OF TRANSFERS

On annual basis, the balance of current transfers recorded surplus of nearly USD 571 million. Although at nearly 7 percent higher than in the previous year, such surplus has covered about 55.6 percent of the trade deficit in goods or which is nearly 9 percentage points less than in the previous year. That is also attributive to the high growth of trade deficit.

Emigrant remittances for 2001 are estimated at about 15.8 percent higher, than in year 2000. These transfers reflected increase by all quarters and, especially,

the fourth by USD 235 million. The rising inflow of current transfers has been more than sufficient to cover the decline of official transfer items, which this year are estimated at only 33 percent of those in the previous year. This year the most important part of official transfers are technical assistance transfers, representing 56 percent of the total transfers, reverse from the previous year, when official transfers were dominated by aids in cash (59 percent). In addition to the increase of the emigrant remittances and the rising inflow of official transfers, the increase of surplus balance under this category is also due to the declining outflow of other current transfers.

The increase in current transfers is also followed by the increase in capital transfers.

3. CAPITAL AND FINANCIAL ACCOUNT

The fourth quarter of the year recorded a net capital inflow of USD 40.2 million. Although capital transfers (37.5) are increased by 39 percent net capital inflows are at 25 percent lower, than in the previous quarter. This is the result of the decline by nearly 9.8 times that the financial account recorded. The decline is due to our increased assets by non-resident foreign banks or institutions abroad, which have almost offset our financial liabilities.

The positive balance of capital and financial account at the end of 2001 is estimated at about USD 236,6 million and has totally financed the current account deficit. Compared to the previous year, such surplus decreased by nearly 16 percent.

3.1 FINANCIAL LIABILITIES

Financial liabilities increased by about USD 108,8 million or are at 30 percent higher, than those in the previous quarter. On annual basis, the financial liabilities of Albanian economy increased by about USD 347 million. Such growth is estimated at 1.3 times higher, than that of the previous year.

The increase of financial liabilities is mainly represented by direct foreign investments and borrowing lines for foreign credits and deposits of the banking system by non-resident banks and institutions.

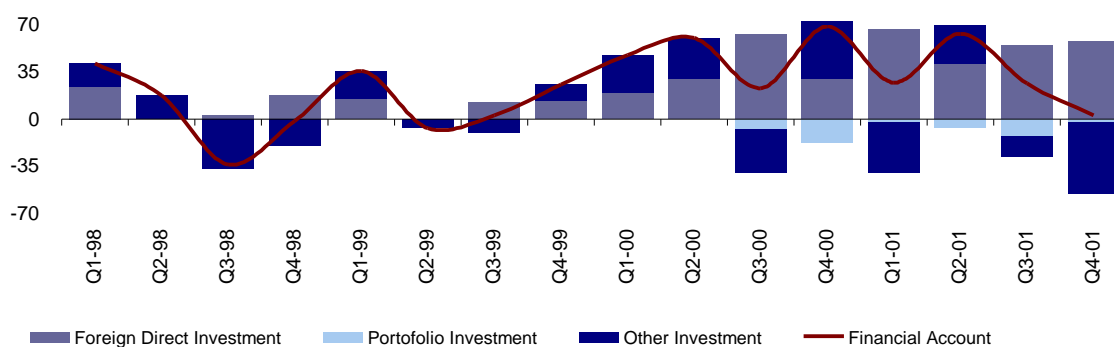


Chart 7. FINANCIAL FLOWS (USD MILLION)

Direct foreign investments during the fourth quarter are estimated at about USD 58 million or USD 220 million on annual basis (about 54 percent higher than the previous year). Such capital inflows are changed into a dominant factor to the increase of financial liabilities and to the development of capital and financial transactions.

External Debt. Capitals invested in the form of direct foreign investments are added foreign loan disbursements. Thus, fourth quarter disbursements recorded USD 25.3 million that occupy nearly 51 percent of the corresponding quarter, previous year.

On annual basis, foreign debt disbursements (including the use of Fund credits and loans of USD 12 million) recorded about USD 111 million.

Almost 86 percent of disbursement was in favor of "General Government" sector representing an increase of this sector liability; about 11.8 percent of the total disbursements were about "Monetary Authority" sector. Such disbursements are mainly represented by World Bank loans through IDA.

External debt services in the form of principal payments during the fourth quarter of the year recorded about USD 5,8 million. On annual basis, external debt repayment recorded about USD 23,4 million that was 25.9 percent higher than the previous year.

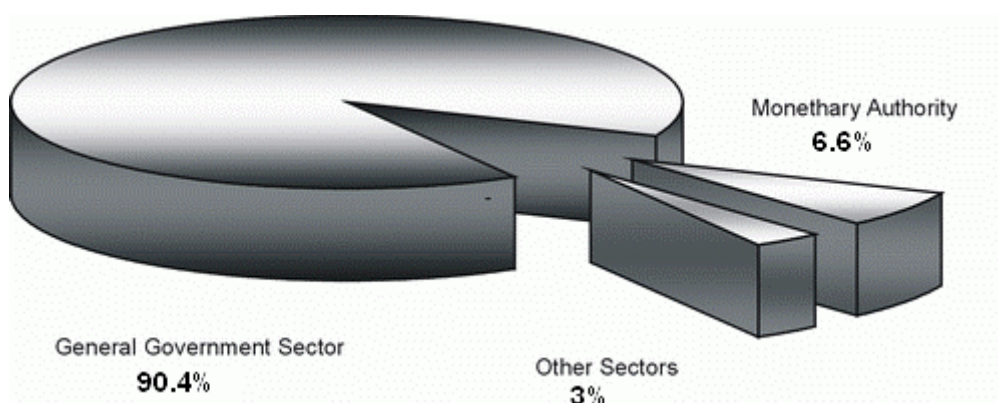


Chart 8. DEBT OUTSTANDING DISBURSED

Financial liabilities in the form of *nonresident deposits* by our banking system for the fourth quarter increased by USD 31.1 million. An important change occurred to the structure of deposits as well. Deposits have been mainly in USD and EURO occupying respectively 32 and 58 percent of the total deposits. Deposit placed in DEM, SFr, LIT, and GDR occupy a small share of only 11 percent. Therefore, EURO deposits, that in the previous quarter occupied the average of 2 percent of non-resident deposits, increased by 56 percentage points during this quarter, reaching their peak in December with a share of 68 percent of all deposits. This was followed by a decline of deposits in USD by 31 percentage points and those in the main European currencies such as DEM, SFr, LIT and GDR by 24 percentage points.

On annual basis, non-resident deposits in the banking system increased by USD 42 million. Such growth is estimated 8 times higher, than the previous year. In

conclusion, this year changed the ratio of deposits in USD to those in EURO reverse from the previous year when deposits have been mainly in USD.

3.2 FINANCIAL ASSETS

In the fourth quarter our financial assets abroad recorded an increase by USD 106 million, where foreign exchange assets in cash occupied 87 percent. Such increase is related to Euro introduction effect in Europe that caused:

the rising inflow of foreign exchange assets in our banking system in the form of Euro components to be converted;

Bank of Albania intervention in the market through the banking system to protect the instant depreciation of Lek,

the increase of emigrant remittances in the form of Euro component currencies,

Our foreign exchange assets abroad increased by USD 219 million at year- end. Such growth is estimated at 3 times higher than that of the previous year and mostly represents the increase of public possessions in foreign exchange assets by USD 123 million.

Banking system deposits increased by USD 56 million after the previous year decline of nearly USD 1,5 million.

Portfolio investments that estimated year- end increase of USD 23,4 billion have also affected the increase of financial assets.

4. RESERVES

Foreign assets inflows in the form of financial equity (mainly foreign credit disbursements and use of IMF fund credits and loans) and current transfers in cash, as well as Bank of Albanian withdrawing foreign exchange, reflected in the

increase of Monetary Authority international reserves by USD 145 million for 2001 (nearly USD 13 million more, than in 2000).

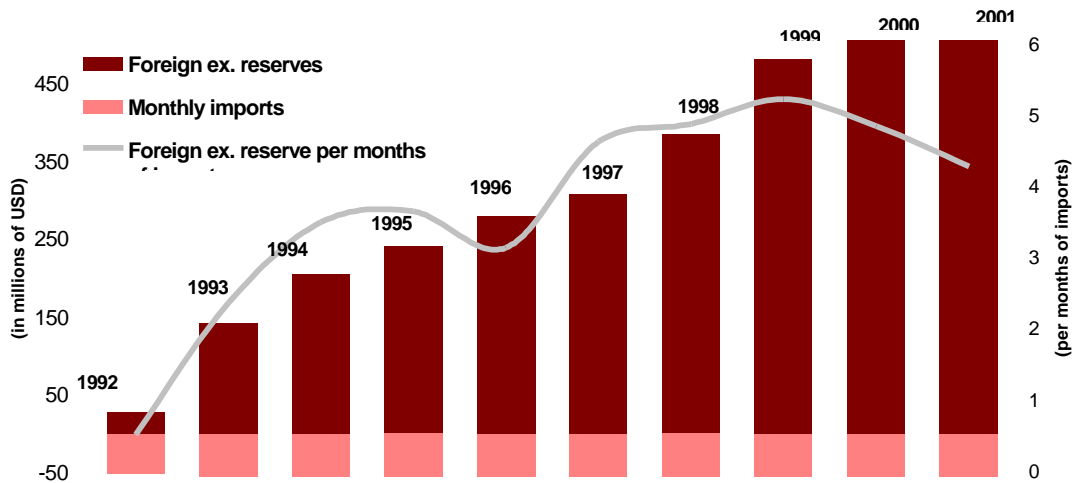


Chart 9. MONETARY AUTHORITY RESERVES

Such growth was mainly recorded in foreign exchange assets. Foreign exchange reserves at year-end were sufficient to afford 6.8 months of imports (goods imports). Rising imports as well as the rising stock of foreign exchange reserves against the previous year enforced this indicator remain at the previous year rate. Foreign exchange assets recorded growth was nearly at USD 137 million.