

1. A SHORT OVERVIEW

Balance of payments developments for the second quarter 2001 were characterized by growing tendencies of Albanian transactions with the rest of the world. It was noticed a considerable growth of current transactions, mainly caused by the increasing of transactions value in foreign trade and services. Thus, the value of current transactions is estimated at about USD 970 million or 3 per cent higher than the preceding period and 10 per cent higher than the second quarter, previous year. Such growth is due to the increase in current transactions. As a result, the current deficit for the second quarter accounts for USD 99.7 million or about 2 times higher than that of the first quarter. The deeply negative balance of current transactions is mostly covered by increased capital imports by about 84 per cent and the rest is financed by other unidentified transactions reflected in Net Errors & Omissions¹.

Monetary Authority Reserves increased by USD 15.3 million. This growth was mainly due to the foreign exchange assets.

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

	1993	1994	1995	1996	1997	1998	1999	2000	3M-II '00	3M-II '01
Current Account, nie.	18.8	31.4	36.6	-62.3	-253.7	-65.0	-132.9	-163.1	-65.4	-99.7
Merchandise: Exports, fob	111.6	141.4	204.8	243.7	158.6	208.0	275.1	255.4	68.5	87.6
Merchandise: Imports, fob	-620.5	-601.0	-679.8	-922.0	-693.5	-811.7	-937.9	-1,076.4	-257.3	-321.1
Trade Balance	-508.9	-459.6	-475.0	-678.3	-534.9	-603.6	-662.8	-821.0	-188.7	-233.5
Services: Credit	76.3	83.1	98.2	127.3	67.9	86.6	266.7	448.1	89.2	108.2
Services: Debit	-165.3	-97.5	-106.3	-142.3	-101.1	-129.3	-165.4	-430.0	-91.9	-106.9
Income: Credit	19.8	55.6	70.8	83.5	61.6	86.1	85.6	115.9	32.3	38.0
Income: Debit	-31.0	-41.4	-28.5	-12.0	-11.9	-8.7	-10.3	-9.1	-1.2	-1.9
Private Unrequired Transfers	324.1	374.1	348.9	476.0	235.7	421.3	188.4	438.6	80.5	90.4
Official Unrequired Trans., nie	303.9	117.1	128.5	83.4	29.0	82.6	165.0	94.4	14.5	6.0
Capital Account	0.0	21.6	389.5	4.9	2.1	31.1	67.5	78.2	19.5	27.8
Financial Account	104.2	24.2	-414.5	49.6	140.7	16.0	36.8	182.5	57.4	55.7
Direct Investment, nie	68.0	53.0	70.0	90.1	47.5	45.0	41.2	143.0	30.0	43.2
Portfolio Investment, nie	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-25.0	0.0	-6.3
Other Capital, nie	36.2	-28.7	-484.5	-40.5	93.2	-29.0	-4.4	64.5	27.4	18.7
Net Errors and Omissions	-24.7	-44.5	7.9	54.8	142.5	69.4	131.3	15.0	-9.7	31.6
Overall Balance	114.9	54.9	30.6	47.0	43.8	59.4	123.5	131.9	5.0	15.3
Reserve and Related Items										
Reserve Assets	-114.9	-54.9	-30.6	-47.0	-43.8	-59.9	-123.6	-131.9	-5.0	-15.3
Use of Fund Credit and Loans	16.6	22.2	11.1	0.0	12.2	7.9	20.9	19.3	3.1	0.0
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	-4.8	-8.1
of which: Revaluation	-3.8	7.3	5.1	-7.3	-15.5	12.6	-26.2	-3.5	-0.2	-10.5

Data source: Bank of Albania

¹ At the deficiency of the balance of payment statistics from official resources, some figures include Bank of Albania's assessments and as of this, it reserves the right to revise these the data when they are made officially available.

Foreign trade activity, during the first quarter increased significantly and estimated about 13.3 per cent higher than that of the first quarter 2001, deepening the foreign trade deficit by 11 per cent. The increase of the foreign trade volume is mainly due to both foreign trade components. Therefore, exports and imports were increased by 16.2 per cent and 12 per cent against the previous quarter, respectively.

Even this quarter, trade activity is oriented to EU countries. More than 82 per cent of the volume of trade transactions throughout the quarter are performed with EU countries.

Services for this quarter showed a slight increase in expenditures and a shrinking of income (this is almost noted by all service categories). So, the surplus of services balance is estimated at about USD 1,3 million. The exports of services estimated at about USD 108 million, mainly caused by tourism services that occupy about 86 per cent of those incomes, and the rest is occupied by telecommunication and government services. The import of services is evaluated at about USD 107 million. Tourism and transport expenditures occupy the main part in imports of services by 60 and 24 per cent, respectively. The transport services increased by about 10 percent, which is mainly due to the import growth.

The positive balance of income increased by USD 10 million or by 38 per cent more than in the previous quarter. This growth is mainly due to the higher income from reserves and the compensation of employees.

Current transfers recorded a positive balance of USD 96 million. Remittances from migrants estimated at about USD 104 million for this quarter played main role in the current transfers. It is noted a decline of those current transfers against the preceding quarter. Official transfers suffered decline as well. As a result, the positive balance of current transfers is estimated at 18 per cent lower.

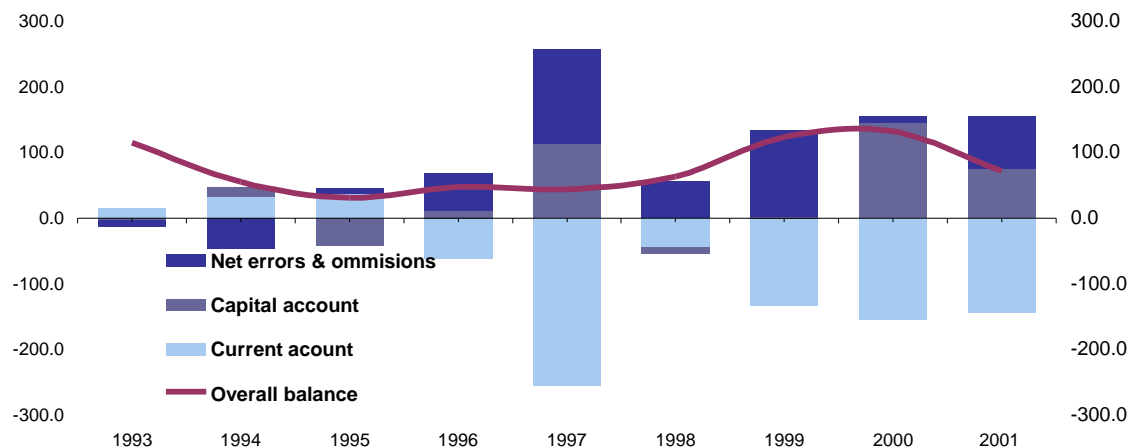


Chart 1. BALANCE OF PAYMENTS ACCOUNTS

The relatively high deficit of current transactions is financed by *capital inflows*, which positive balance at end-period is estimated by about USD 83,4 million. This positive figure is due to the capital transfers of nearly USD 28 million and the positive balance of capital account of about USD 56 million. A significant decline noted by the foreign exchange assets owned by Albanian residents has induced to the financial assets' decline by USD 5,1 million.

2. CURRENT ACCOUNT

The second quarter reflects an increasing volume of current transactions against the previous and the corresponding quarter previous year by about 3 per cent and 10 per cent respectively, recording the figure of USD 790 million. This growth is mainly due to the increase of current expenditures that at end of the quarter estimated about USD 445 million or 10 per cent higher than the previous quarter. Compared to the second quarter 2000, these expenditures increased by about 13 per cent. Thus, at the end of the second quarter 2000, the deficit of the current account is estimated at about USD 99,6 million or 1,5 times higher than the same quarter, previous year and about 2.1 times against the preceding quarter. This deficit is mainly due to

the trade deficit. The current account deficit, excluding current transfers, this quarter is estimated at 1.3 times higher than the same period previous year recording the figure of USD 105 million.

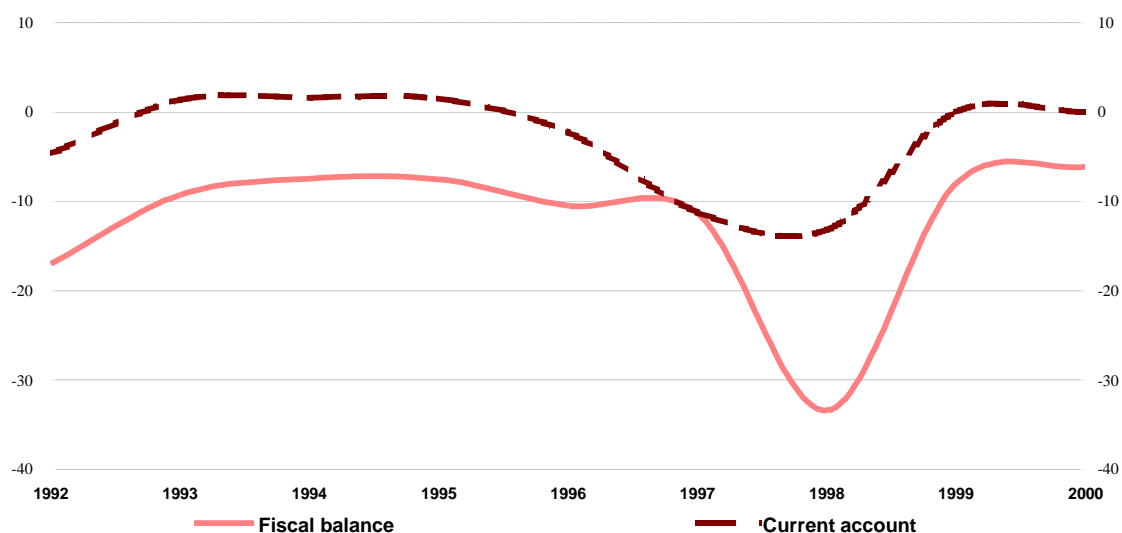


Chart 2. CURRENT ACCOUNT AND FISCAL BALANCE

2.1 FOREIGN TRADE

Trade activity in the second quarter recorded a higher level than at year onset. Identified with a growing trend throughout the quarter, the overall volume of foreign trade is estimated at about USD 409 million or about 12 per cent higher than the previous quarter or about 25 per cent higher compared to the same quarter, previous year. The entire growth is dedicated to either imports or exports.

Imports recording about USD 321 million represent 79 per cent of foreign trade volume. Imports increased by 12 per cent and about 25 per cent compared to the first quarter '01 and the second quarter, previous year, respectively. Positive developments of investment area affected this growth, increasing the import of machinery and equipment. June represents the highest import volume within the quarter.

Exports, recorded about USD 88 million estimating an increase of 11.5 per cent and 28 per cent compared to the preceding quarter and the corresponding quarter, previous year, respectively. Of main role in this

growth were exports from domestic production and exports for processing mainly in textiles and articles and mineral products that are the dominant groups of merchandise for such exports. April represents the highest export figure for this quarter.

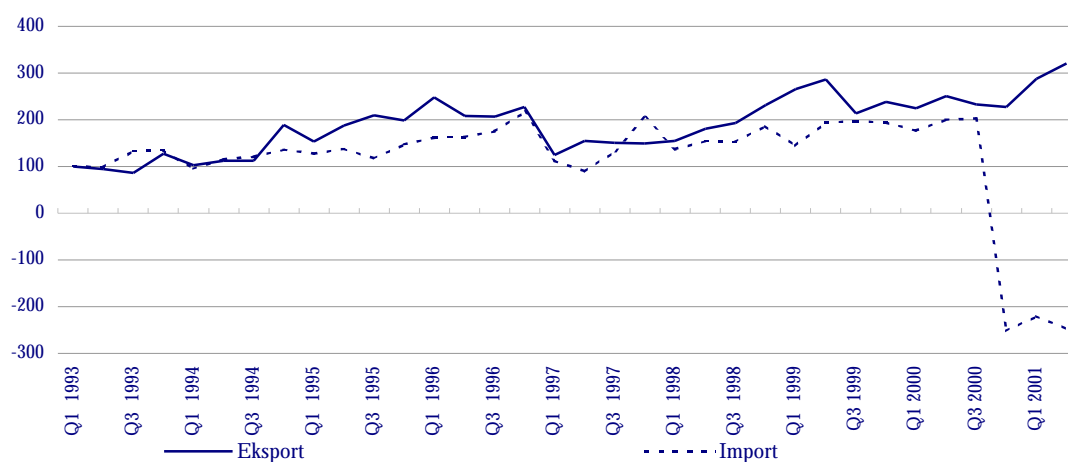


Chart 3. EXPORTS AND IMPORTS TREND

Aids imports estimated at about USD 3 million were mainly in textiles and in machinery and equipment.

The deepening of trade deficit that recorded nearly USD 234 million at end-quarter followed the increase of imports volume. Trade deficit is estimated at about 24 per cent higher than the corresponding period previous year and about 13 per cent higher than the previous quarter. The groups of merchandise such as mineral products, machinery and equipment, foodstuffs and vegetal products caused the deepening of the trade deficit.

The gross official reserves were sufficient to cover 6.5 months of imports.

Table 2. Foreign trade over '94-'01 (in millions of USD)

Period	Export	change in % against the previous period	Import	change in % against the previous period
Q1 1994	27.9	-19.7	-122.1	-29.7
Q2 1994	30.7	10.0	-149.0	22.1
Q3 1994	30.9	0.6	-155.0	4.0
Q4 1994	51.8	67.5	-174.9	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	61.6	-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 2000	78.5	26.2	-288.5	-11.0
Q2 2001	87.6	11.6	-318.3	12.3

The structure of exports and imports for processing

The trade activity in goods for processing showed an increase occupying an important place in our foreign trade by 70 per cent in exports and 16 per cent in imports.

During this quarter *exports* characterized by growing tendency. Domestic exports increased by about 32 per cent compared to the previous quarter, reaching the same level with the corresponding quarter, previous year. Exports for processing increased by 5 per cent and 44 per cent compared to the first quarter '01 and the same quarter previous year, respectively. Exports for processing generally, representing the activity of foreign capital company, mainly in textiles and leather processing industry, occupy 45 per cent and 42 per cent of the total respectively and continue to remain our main groups of merchandise for processing.

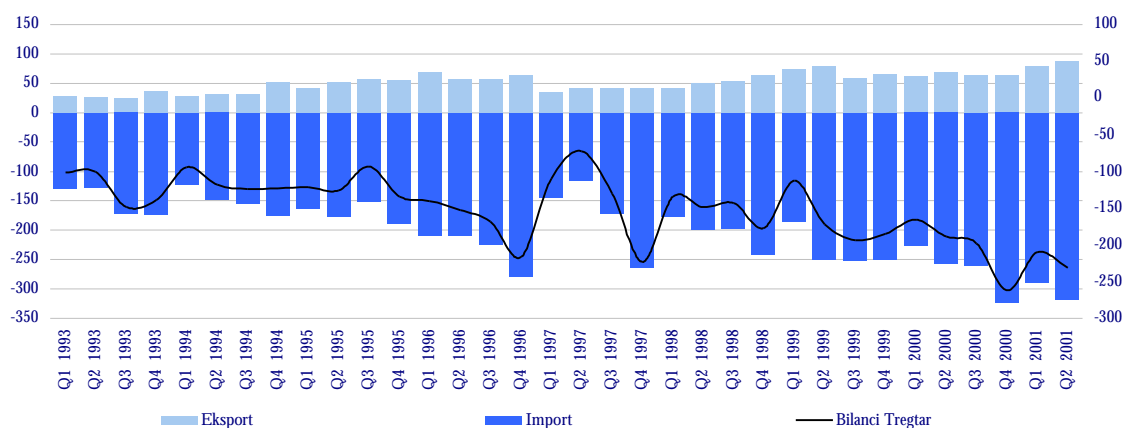


Chart 4. TRADE BALANCE (in millions of USD).

Imports for processing recorded positive development tendencies throughout the second quarter '01. Imports of this category estimated 17 per cent and 5 per cent increase compared to the second quarter previous year and the preceding quarter. The imports for processing consist on textiles, footwear and leather, which occupy 33, 19 and 11 per cent, respectively. Imports on textiles and footwear recorded an increase of 7 per cent import against the corresponding quarter, previous year. Meanwhile, compared to the same period previous year, leather imports were increased by 1.2 times.

Structure of Imports and Exports, by groups of merchandise.

Imports registered growing tendencies throughout the second quarter 2001, recording a volume of USD 321 million. Compared to the second quarter, previous year, imports were estimated at 30 per cent higher. Of significance in this growth were imports of machinery and equipment reflecting the

positive tendencies of investment area in the country. So, the volume of imported machinery and equipment increased by about 2 times compared to same period, previous year and 42 per cent against the previous quarter, respectively. This group of merchandise occupies about 42 per cent of the total of imports. Italy and Greece remain main markets for these imports.

	1996	1997	1998	1999	2000	July	Aug.	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June
Live animals, animals products	47.1	27.4	42.4	41.4	30.3	2.7	1.5	2.1	2.7	2.5	3.0	1.7	1.8	2.5	2.2	2.3	2.5
Vegetable products	163.0	85.3	83.0	85.9	90.7	5.8	7.7	6.3	6.0	6.4	11.4	7.8	9.0	9.1	10.1	8.9	6.7
Animal or vegetable fats and oils	26.7	20.7	27.1	18.0	21.3	1.3	2.0	1.3	1.8	1.3	2.2	1.0	1.8	1.1	1.7	1.6	1.5
Prepared foodstuffs, beverages, tobacco etc.	88.5	47.0	73.0	108.8	97.6	8.8	8.5	9.2	8.4	8.3	8.4	7.6	6.9	8.8	8.0	10.0	7.5
Mineral products	48.6	49.2	70.0	81.3	141.7	11.6	12.5	12.7	11.8	22.4	16.7	15.9	13.8	17.9	15.5	8.9	15.1
Products of the chemical	45.1	38.3	61.8	51.4	60.4	5.5	5.1	5.0	4.3	3.4	6.0	3.6	6.1	6.4	7.4	5.9	6.1
Plastics and their products	21.5	19.9	25.0	26.6	31.9	2.9	3.0	3.1	2.9	2.8	2.7	2.4	2.3	3.3	2.6	3.3	3.0
Raw hides and skins, leather, travel goods etc.	19.8	14.4	19.0	21.1	19.0	1.7	0.8	1.6	1.4	2.2	1.6	1.9	2.6	2.3	1.8	2.4	1.9
Wood and articles of wood	7.4	7.6	10.2	16.2	10.4	1.0	0.8	0.8	1.0	0.8	1.1	0.8	0.9	0.7	0.8	1.4	1.0
Pulp of wood, paper or paperboard	13.4	8.5	12.8	14.3	17.0	1.8	1.4	1.8	1.5	1.2	1.6	1.2	1.2	1.5	1.5	2.0	2.2
Textiles and textile articles	84.3	66.8	106.2	118.1	128.5	14.7	8.6	13.0	10.8	11.8	11.2	10.1	9.9	10.7	10.4	12.1	12.7
Footwear, headgear, umbrellas	58.6	36.9	40.4	34.8	27.7	3.5	3.4	3.7	3.5	3.4	3.4	3.3	3.8	4.4	4.3	3.9	4.0
Articles of stone, plaster, cement, ceramic products, glass	22.3	22.3	28.7	30.1	41.9	3.8	3.1	4.7	3.9	4.0	4.1	2.6	3.3	2.8	3.9	4.8	4.2
Natural or cultured pearls, coin	1.3	0.2	0.4	0.9	2.7	0.1	0.0	0.0	0.0	0.0	0.5	0.0	0.0	0.0	0.0	0.0	0.0
Base metals and articles of base metals	44.8	42.8	54.8	75.8	83.8	7.7	6.0	7.4	11.5	7.9	9.1	6.1	7.5	7.8	8.8	8.4	8.7
Machinery and mechanical appliance, electrical equipment	151.3	101.9	81.1	108.9	148.9	11.8	10.7	11.9	15.5	14.8	28.9	13.2	12.7	17.5	17.8	20.7	23.3
Vehicles, aircraft	57.2	31.9	55.1	70.6	80.1	6.5	6.4	5.1	6.3	5.6	6.2	6.2	6.0	5.8	6.1	6.5	5.6
Optical, photographic, measuring, medical instruments	12.4	8.1	8.7	13.1	18.6	1.9	1.8	1.8	1.7	0.6	4.1	2.1	0.7	2.1	0.8	1.1	1.7
Arms and ammunitions	0.7	0.5	0.7	2.0	0.4	0.1	0.1	0.1	0.0	0.0	0.0	0.1	0.0	0.1	0.0	0.0	0.0
Miscellaneous manufactured articles	19.1	14.6	21.4	23.6	26.0	2.5	1.8	2.0	2.5	2.6	2.5	1.5	1.9	2.0	2.0	2.5	3.9
Works of art	0.1	0.0	1.7	0.0	0.3	0.0	0.0	0.0	0.0	0.1	0.2	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	933.1	644.4	823.5	943.0	1079	92.1	81.9	90.2	97.6	101.9	124.8	89.3	92.5	106.7	105.6	106.9	112

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

TABLE 3. IMPORTS BY 21 GROUPS OF MERCHANDISE

The imports of *mineral products*, occupying 12 per cent of the total of imports this quarter, were estimated at about 16 per cent lower than the previous quarter. However, compared to the same quarter previous year, these imports reflected a 41 per cent increase. The growth of the imports volume in fuels is the main factor on increased imports of mineral products.

Imports of *textiles and articles*, this quarter, estimated growth either compared to the previous quarter or the same quarter previous year by about 15 and 12 per cent respectively. The processing industry in our country consists on textiles. Italy represents the main market for such imports.

During this quarter, imports of *foodstuffs, beverages and tobacco*, occupying 8 per cent of imports, were characterized by growing tendencies against the previous quarter by about 9 per cent. Meantime, they have maintained the same import level compared to the corresponding quarter, previous year.

Imports of *base metals and articles* figured about 28 per cent higher than the corresponding quarter, previous year, representing about 8 per cent of the total of imports. Amongst imports of this group, we may mention iron, steel and cast iron articles that had a significant effect in this growth.

Imports of *vehicles of transport* have maintained same level of the previous quarter but showed a decline of about 14 per cent compared to the previous year.

Meantime, imports of *chemical products* increased against the previous quarter of about 20 per cent. Compared to the second quarter, previous year, these imports were estimated at about 42 per cent higher.

Exports represented growth either compared to the previous quarter or the corresponding quarter previous year. Exports' growth is mainly due to the increase of main groups of merchandise such as textiles, leather products, and base metals.

Exports of textiles and articles, mainly received from the processing industry in our country, dominate our exports occupying 32 per cent of the volume. These exports had 12 per cent increase compared to the corresponding quarter, previous year meantime they decreased by about 8 per cent, compared to the previous quarter.

Table 4. EXPORTS BY 21 GROUPS OF MERCHANDISE

	1996	1997	1998	1999	2000	July	Aug.	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June
Live animals, animals products	6.9	4.1	4.1	3.4	1.8	0.2	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.2	0.3	0.4
Vegetable products	16.0	15.5	16.2	12.6	12.1	1.2	1.4	1.4	1.2	1.2	0.7	1.0	0.8	1.1	0.7	0.6	0.7
Animal or vegetable fats and oils	4.8	0.0	0.5	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
Prepared foodstuffs, beverages, tobacco etc.	9.2	9.0	12.6	12.7	13.7	1.6	1.3	1.6	2.1	0.9	0.5	0.7	0.8	1.0	0.5	1.0	1.3
Mineral products	23.1	8.4	23.7	17.5	7.4	0.6	0.5	0.3	0.2	0.1	0.2	0.1	2.3	0.5	1.3	0.1	0.1
Products of the chemical	2.6	1.2	0.7	0.7	1.4	0.1	0.1	0.1	0.1	0.2	0.2	0.1	0.1	0.1	0.5	0.1	0.2
Plastics and their products	1.2	0.5	1.1	1.3	0.9	0.2	0.0	0.1	0.0	0.0	0.1	0.0	0.2	0.0	0.1	0.0	0.1
Raw hides and skins, leather, travel goods etc.	10.2	8.2	6.6	7.0	8.3	0.6	0.6	0.8	0.7	0.8	1.0	1.1	0.9	1.2	1.2	1.2	1.0
Wood and articles of wood	6.2	5.3	5.6	6.4	7.3	0.8	0.3	1.1	0.7	0.7	0.5	0.5	0.9	0.8	0.6	0.7	0.6
Pulp of wood, paper or paperboard	3.1	3.7	2.9	4.6	2.6	0.1	0.1	0.3	0.2	0.2	0.3	0.2	0.1	0.1	0.2	0.1	0.2
Textiles and textile articles	54.7	36.2	69.6	98.3	108.7	16.4	9.3	13.6	6.5	7.4	8.1	8.9	10.4	11.4	8.9	8.6	10.8
Footwear, headgear, umbrellas	52.6	27.4	40.7	67.9	69.0	6.6	2.7	4.9	5.5	5.9	6.6	6.5	7.6	9.0	9.4	9.7	7.5
Articles of stone, plaster, cement, ceramic products, glass	0.4	0.4	1.7	0.6	0.7	0.1	0.0	0.1	0.0	0.0	0.0	0.1	0.1	0.1	0.1	0.3	0.1
Natural or cultured pearls, coin	0.1	0.1	0.2	0.8	0.5	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	4.2	0.0	0.0
Base metals and articles of base metals	25.4	14.3	9.4	14.6	21.5	1.9	1.8	1.8	2.2	1.7	1.4	2.4	2.3	2.3	2.4	2.9	2.9
Machinery and mechanical appliance, electrical equipment	3.8	7.4	4.3	12.4	4.4	0.4	0.2	0.5	0.7	0.4	0.2	0.3	0.4	0.3	1.4	1.6	0.7
Vehicles, aircraft	0.1	0.5	1.2	5.0	0.2	0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.2	0.0	0.0	0.6
Optical, photographic, measuring, medical instruments	0.2	0.1	0.8	0.4	0.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Arms and ammunitions	0.7	0.0	0.0	0.0	1.7	0.0	0.0	0.0	0.5	0.5	0.5	0.0	0.0	0.0	0.0	0.0	0.0
Miscellaneous manufactured articles	3.2	3.4	6.1	7.9	7.1	0.6	0.2	0.7	0.0	0.7	0.0	0.4	0.5	0.4	0.4	0.6	0.6
Works of art	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
TOTAL	224.5	145.9	208.0	274.4	255.9	24.9	16.1	22.5	20.8	21.0	20.4	22.5	27.4	28.6	31.8	27.9	27.8

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

The imports of *mineral products*, occupying 12 per cent of the total of imports this quarter, were estimated at about 16 per cent lower than the previous quarter. However, compared to the same quarter previous year, these imports reflected a 41 per cent increase. The growth of the imports volume in fuels is the main factor on increased imports of mineral products.

Imports of *textiles and articles*, this quarter, estimated growth either compared to the previous quarter or the same quarter previous year by about 15 and 12 per cent respectively. The processing industry in our country consists on textiles. Italy represents the main market for such imports.

During this quarter, imports of *foodstuffs, beverages and tobacco*, occupying 8 per cent of imports, were characterized by growing tendencies against the previous quarter by about 9 per cent. Meantime, they have maintained the same import level compared to the corresponding quarter, previous year.

Imports of *base metals and articles* figured about 28 per cent higher than the corresponding quarter, previous year, representing about 8 per cent of the total of imports. Amongst imports of this group, we may mention iron, steel and cast iron articles that had a significant effect in this growth.

Imports of *vehicles of transport* have maintained same level of the previous quarter but showed a decline of about 14 per cent compared to the previous year.

Meantime, imports of *chemical products* increased against the previous quarter of about 20 per cent. Compared to the second quarter, previous year, these imports were estimated at about 42 per cent higher.

Exports represented growth either compared to the previous quarter or the corresponding quarter previous year. Exports' growth is mainly due to the increase of main groups of merchandise such as textiles, leather products, and base metals.

Exports of textiles and articles, mainly received from the processing industry in our country, dominate our exports occupying 32 per cent of the volume. These exports had 12 per cent increase compared to the corresponding quarter, previous year meantime they decreased by about 8 per cent, compared to the previous quarter.

Representing 30 per cent of the total exports, exports of *headwear* increased by 14.9 per cent against the previous quarter and 52.7 per cent compared to the second quarter, 2000.

Exports of *base metal* still have the positive tendencies noticed at the beginning of this year. Thus, the second quarter recorded a 33.4 per cent growth against the corresponding quarter, 2000 and about 17 per cent of the preceding quarter. Metals represent the main group of merchandise in domestic exports.

Exports of *mineral products* declined either compared to the preceding quarter or the corresponding quarter, previous year by 3.5 and 2 times respectively.

Trade Partners

Albania's trade activity with the rest of the world is mainly oriented to EU countries. Almost 82 per cent of trade transactions throughout the quarter are developed with EU countries. Trade with these countries estimated growth against the corresponding quarter, previous year (18 per cent). Thus, imports from these countries represent 79 per cent while exports 86 per cent. Italy is Albania's biggest partner with 60 per cent of the trade volume followed by Greece with 20 per cent.

Trade with Eastern European countries has maintained the same level with the current year-onset. Trade transactions with Russia, Bulgaria and Slovenia represent the trade activity with Eastern European countries. Trade transactions with the rest of the world mainly with Turkey, FYROM, USA, Croatia and Yugoslavia are estimated at 41 per cent higher against the corresponding quarter, previous year.

Trade with Italy

Italy dominates the Albania's trade transactions with the rest of the world. Trade volume with Italy showed a 1.7 per cent growth against the preceding quarter, and recorded imports decline by 9.2 per cent and exports increase by 27 per cent. Meantime, compared to the first quarter trade volume with Italy is increased by 16.4 per cent. Such growth is reflected by both trade

components, exports by 29 per cent and imports by 10 per cent. Trade with Italy is represented by exports for processing in prepared articles and by imports in machinery & equipment and textile and articles that occupy 23 and 15 per cent of imports from this country, respectively.

Trade with Greece

Trade activity with Greece, during this quarter, is estimated at 10.7 per cent higher compared to the previous quarter. Such increase is the result of imports' growth by 13 per cent, while exports declined by 11 per cent. Trade with this country recorded positive tendencies compared to the second quarter 2000. So, the trade volume increased by about 27.5 per cent, with 29 per cent in imports and about 11.6 per cent in exports. The main groups of merchandise in imports are machinery & equipment, mineral products, food beverages and tobacco occupying 18,16 and 13 per cent, of imports from this country, respectively.

Trade with Germany

The volume of the trade activity with Germany increased compared to the corresponding quarter, previous year. Such growth is mainly due to import growth by 24 per cent while exports declined by 13 per cent. Compared to the previous quarter, the imports from Germany increased quasi 9 per cent. This increase was offset by exports' decline. The main reason of the growing import volume with Germany is the high imports in transport vehicles, which occupy about 34 per cent of imports, followed by imports of machinery and equipment (by 21 per cent of the total).

2.2 SERVICES

The services' balance recorded a positive balance of USD 1,3 million and occupied 8 per cent of the previous quarter surplus. Such decline on this surplus is mainly due to the shrinking of income. Therefore, the export services decreased by 12 per cent against the previous quarter and amounted about USD 108 million. However, compared to the same period,

previous year, this figure increased by about 21 per cent. Import services, this quarter, recorded USD 107 million and is estimated as grown by about 1.4 per cent compared to previous quarter and by about 16 per cent against the corresponding quarter previous year. At the same time, import growth influenced the transport expenditures, which increased by 7 per cent either, compared to the first quarter or the second quarter, 2000.

The biggest part of services transactions is occupied by tourism services (73 per cent), the rest consists on telecommunication and government services.

Tourism income recorded USD 93 million, declining by 9 per cent against the previous quarter. Although the number of tourists visiting Albania increased, the main reason behind this decrease is the decline of daily expenditures per tourist. However, compared to the same period previous year, incomes from tourism activity increased by 22 per cent.

Tourism expenditures during the quarter, increased by only 2 per cent compared to the preceding quarter. Meantime, compared to the same quarter, previous year these expenditures reflected about 16 per cent increase.

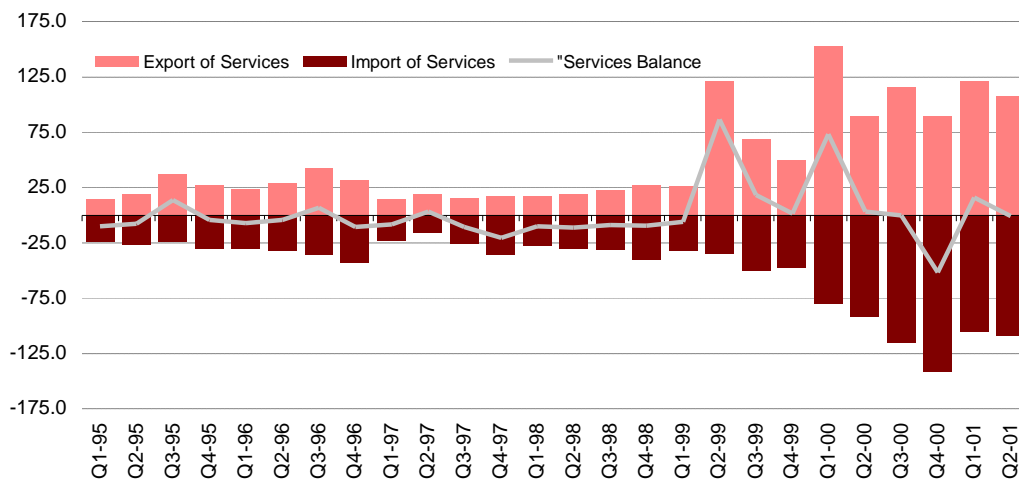


Chart 5. SERVICES BALANCE

2.3 INCOMES

The positive balance of income, this quarter, recorded about USD 36 million. That surplus is estimated at about 38 per cent and 19 per cent higher

compared to the preceding quarter and the corresponding quarter, previous year. Incomes deriving from foreign exchange investments of the banking system played an important role in this growth and reflected a 33 per cent increase even from the compensation of seasonal employees.

2.4 TRANSFERS

The second quarter of the current year recorded surplus of current transfers by USD 96 million. These transfers have covered about 41 per cent of the foreign trade deficit. Current transfers balance is estimated about 1,5 times higher than that of the corresponding quarter, 2000 or by about 1.2 times decline compared to the previous quarter. That decline is mainly due to a decrease of either private or official transfers.

Remittances from migrants, this quarter, estimated decline either against the previous quarter by 16 per cent or the corresponding quarter by about 14 per cent, recording about USD 105 million.

Official transfers, this quarter, decreased by about 16 per cent (representing only 41 per cent of the second quarter transfers, previous year).

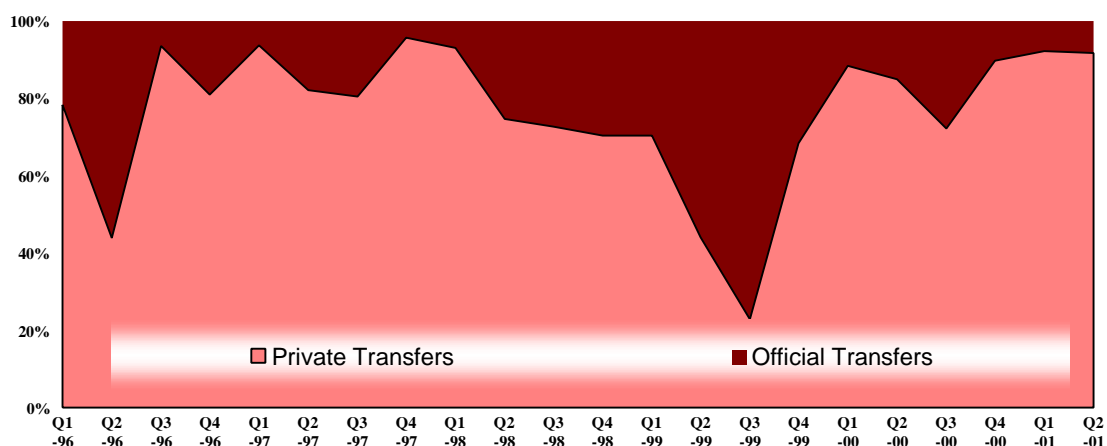


Chart 6. TRANSFERS STRUCTURE

3. CAPITAL AND FINANCIAL ACCOUNT

The relatively high deficit of current transactions is financed by about 84 per cent of capital inflows which positive balance at end-period is estimated at about USD 83 million.

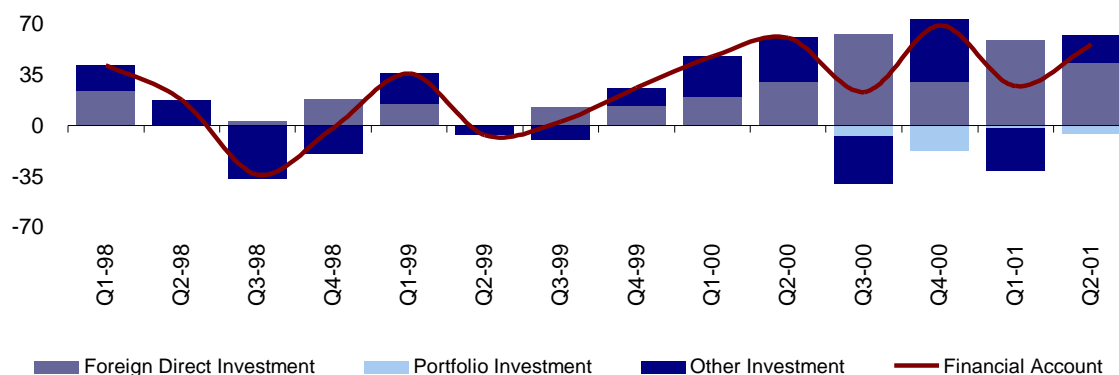


Chart 7. FINANCIAL FLOWS (in millions of USD)T

Net capital imports are estimated as grown by about 52 per cent compared to the first quarter, current year or by about 4 per cent to the corresponding quarter, previous year. Capital transfers valued at about USD 28 million and financial inflows recorded about USD 56 million or about 2.1 times higher than the previous quarter. Such growth is dedicated to the financial assets decline.

3.2 FINANCIAL LIABILITIES

The financial liabilities, this quarter, increased by about USD 51 million. That growth represents about 60 per cent of that of the previous quarter, but estimated about 7 per cent higher than that of the corresponding quarter, previous year. The increase of financial liabilities is mainly represented in the form of foreign direct investments and borrowing from credit lines.

Direct foreign investments were estimated at about USD 43. This figure is about 44 per cent higher than the second quarter 2000. The extension of these capital inflows continues to mainly reflect the privatization effect of large own state enterprises, which is a dominant phenomenon for the increase of financial liabilities and the development of capital and financial transactions.

Borrowing. Capitals invested in the form of direct foreign investments are followed by foreign loan disbursements. These disbursements, this quarter, recorded about USD 22 million, which estimated at about 35 per cent higher than the same period, previous year.

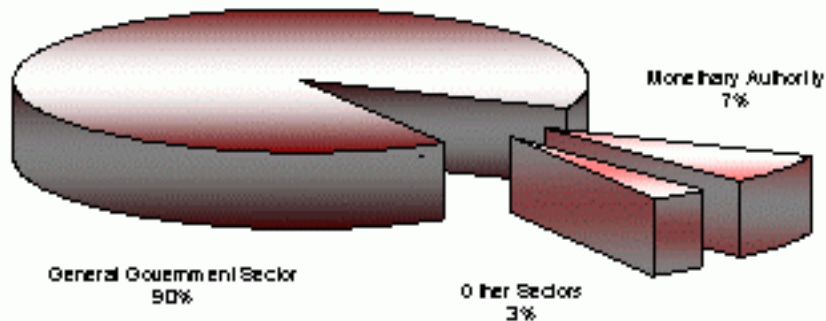


Chart 8. DEBT OUTSTANDING DISBURSED

These disbursements were totally represented by "General government" sector. Government's main borrower is World Bank, as previously.

Debt services in the form of principal payments, during this quarter, recorded USD 11 million and estimated at 2.5 times higher than in the preceding quarter.

Financial liabilities in the form of **non-resident deposits with the banking system** have declined by USD 4,1 million. These deposits are mainly in USD occupying 65 per cent of the total followed by those in DEM, GDR and ITL by about 20 per cent.

Reverse from the preceding quarter that recorded a negative figure by about USD 7 million, this quarter had a slight increase by USD 0,4 million. That increase occupies only 28 per cent of that of the same period, previous year.

3.2 FINANCIAL ASSETS

Financial assets declined by about USD 5 million, which is mainly due to our financial assets' decline in the form of deposits with foreign banks. Thus, our deposits' decline is estimated at about USD 26 million. Meantime, portfolio investments increased by about USD 6,3 million

4. RESERVES

Foreign exchange inflows in the form of financial capitals (mainly loan disbursements and direct investments from privatization) and current transfers in cash are reflected in the expansion of monetary authority reserves by USD 15,3 million (about 3 times higher than that of the second quarter, 2000).

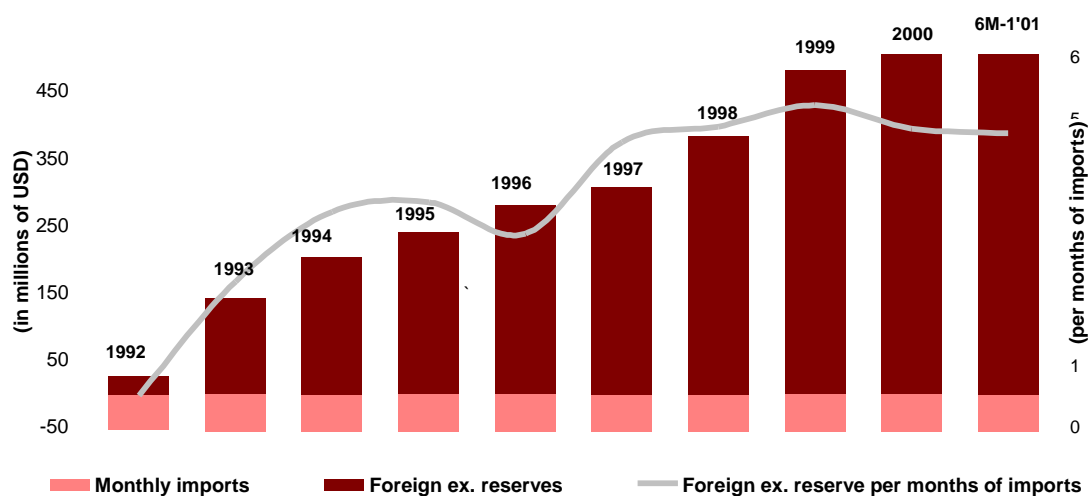


Chart 9. MONETARY AUTHORITIES RESERVES

Such growth is mainly recorded under foreign exchange assets. Gross official reserves at the end of the half-year were sufficient to cover 4.7 months of imports (in goods and services).