

4. A SHORT OVERVIEW

Year 2000 started with a very intensive activity in the external sector of economy expressed in the considerable growth of current income and expenditures, and capital inflows.

So, the current account deficit at end-quarter recorded USD 47,1 million, mainly caused by the extension of trade deficit.

The deficit of current transactions is financed by capital inflows, which positive balance at end-period estimated about USD 56 million and represents 80 per cent of that of the first quarter, previous year.

This positive figure is due to the capital transfers of nearly USD 28 million and the positive balance of financial account by about USD 48 million.

The monetary authority reserves in the first quarter, current year were increased by USD 56 million. The main factor to lead growth to foreign exchange reserves has been the direct foreign investments disbursement from privatization.

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

	1993	1994	1995	1996	1997	1998	1999	2000	3M-I '00	3M-I '01
Current Account, nie.	14.7	31.2	36.6	-62.4	-253.7	-45.2	-132.9	-155.6	-16.1	-47.1
Merchandise: Exports, fob	111.7	141.3	204.8	243.7	158.6	208.0	275.1	255.9	61.6	78.5
Merchandise: Imports, fob	-601.6	-601.0	-679.8	-922.0	-693.5	-811.7	-937.9	-1,070.1	-227.3	-285.4
Trade Balance	-489.9	-459.7	-475.0	-678.3	-534.9	-603.6	-662.8	-814.1	-165.7	-206.9
Services: Credit	77.5	83.1	98.2	127.3	67.9	94.6	266.7	448.1	153.3	122.7
Services: Debit	-162.0	-97.5	-106.3	-142.3	-101.1	-133.7	-165.4	-429.3	-80.0	-106.7
Income: Credit	64.9	55.6	70.8	83.5	61.6	86.1	85.6	115.9	19.0	28.6
Income: Debit	-31.0	-41.5	-28.5	-12.0	-11.9	-8.7	-10.3	-9.1	-2.0	-2.4
Private Unrequired Transfers	274.8	374.1	348.9	476.0	235.7	437.7	188.4	438.6	52.3	110.6
Official Unrequired Trans., nie	280.4	117.2	128.5	83.4	29.0	82.5	165.0	94.4	7.0	7.1
Capital Account	0.0	21.6	389.5	4.9	2.1	31.1	67.5	78.2	19.5	29.1
Financial Account	104.2	24.2	392.2	49.6	140.7	14.1	36.8	180.6	34.4	28.6
Direct Investment, nie	58.0	52.9	70.0	90.1	47.5	45.0	41.2	143.0	20.0	58.2
Portfolio Investment, nie	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-25.0	0.0	-1.8
Other Capital, nie	35.5	-6.9	-95.0	-35.6	95.3	0.6	-11.2	62.6	14.4	-34.8
Net Errors and Omissions	-9.9	-44.6	7.9	54.9	142.5	55.0	131.2	9.4	-44.7	47.9
Overall Balance	114.9	54.8	30.6	47.0	43.8	63.3	116.7	131.9	6.2	56.3
Reserve and Related Items										
Reserve Assets	-114.9	-54.8	-30.6	-47.0	-43.8	-63.3	-116.7	-131.9	-6.2	-56.3
Use of Fund Credit and Loans	16.6	22.2	11.1	0.0	12.2	7.9	20.9	19.3	13.1	6.1
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	5.4	-34.5
of which: Revaluation	-3.8	7.3	5.1	-7.3	-15.5	12.6	-26.2	-3.5	-11.5	-13.7

Foreign trade activity increased significantly and estimated about 27 per cent higher than that of the first quarter 2000. A similar growth is dedicated to either imports or exports. Imports were estimated at 285 USD or 26 per cent higher than that of the first quarter 2000, while exports recorded USD 79 million with the same growth of the same period, previous year. Hence, the foreign trade deficit at end-quarter had 25 per cent increase compared to the same period, previous year.

Services balance, this quarter, returned to positive figures after the deficit of the last three-quarters of 2000. The surplus of services for the first quarter is estimated about USD 16 million and occupies only 22 per cent of that recorded in the first quarter, previous year. The export of services, estimated at about USD 123 million, is mainly due to tourism services that occupy 80 per cent of that amount while the rest is represented by telecommunication and official services. The import of services is estimated at USD 107 million. Tourism and transport expenditures occupy the main share of 60 per cent and 22.4 per cent respectively in import of services. This increase of about 18 per cent is mainly dedicated to import growth.

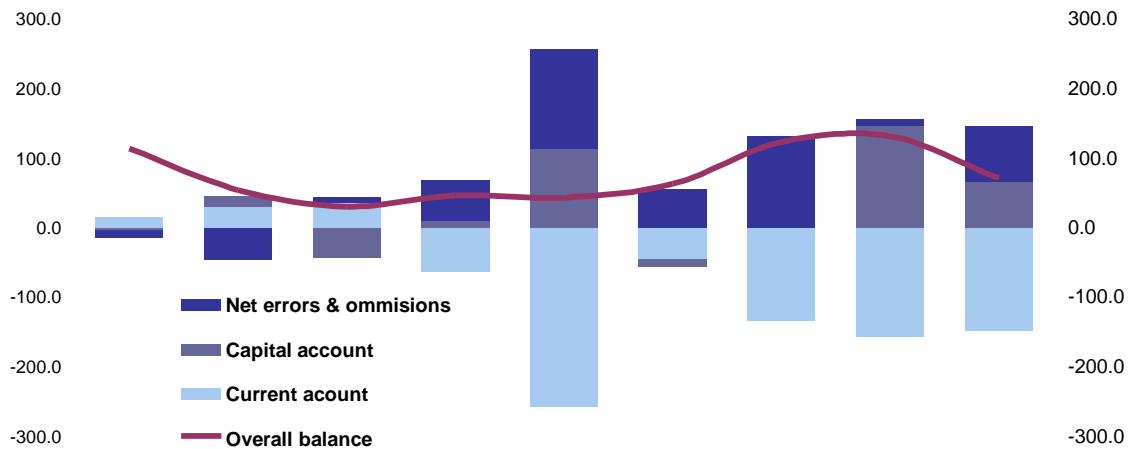
The balance of income is estimated at about USD 26 million or 54 per cent higher than the first quarter, previous year. Higher investment income and the compensation of seasonal workers mainly enable such growth.

Current transfers recorded a positive balance of USD 118 million. Of main role in this surplus were emigrant remittances that for the current quarter accounted for about USD 124 million or about 2 times higher than in the first quarter, previous year.

Net capital flows at end-period are estimated at about USD 56 million and represent 80 per cent of the first quarter previous year. This positive figure is due to the capital transfers of nearly USD 28 million and the positive balance of financial account by about USD 48 million. Financial liabilities against non-residents noticed an increase by about USD 84 million, where direct foreign

investment and foreign loan disbursements played main role. Hence, the direct foreign investments recorded USD 58 million, mainly affected by privatization.

It is important to be mentioned the appearance of portfolio investments this quarter.

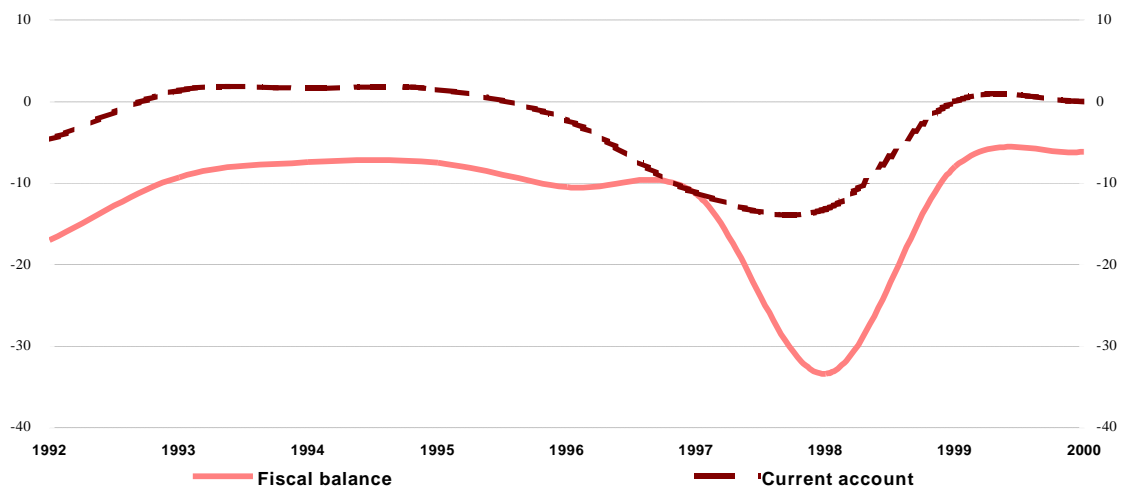


Graphic 1. BALANCE OF PAYMENTS ACCOUNTS

4. CURRENT ACCOUNT

The current account deficit, at the end of the first quarter 2001 is estimated at USD 47 million or 3 times higher than that of the first quarter, previous year, meantime it occupies only 46 per cent of the previous quarter. The current account deficit is mainly affected by the trade deficit in goods.

The current account deficit, excluding the official transfers, is estimated at 2.2 times higher, than the same period previous year, but represents about 22 per



cent of that in the previous quarter, recording the figure of USD 54,2 million.

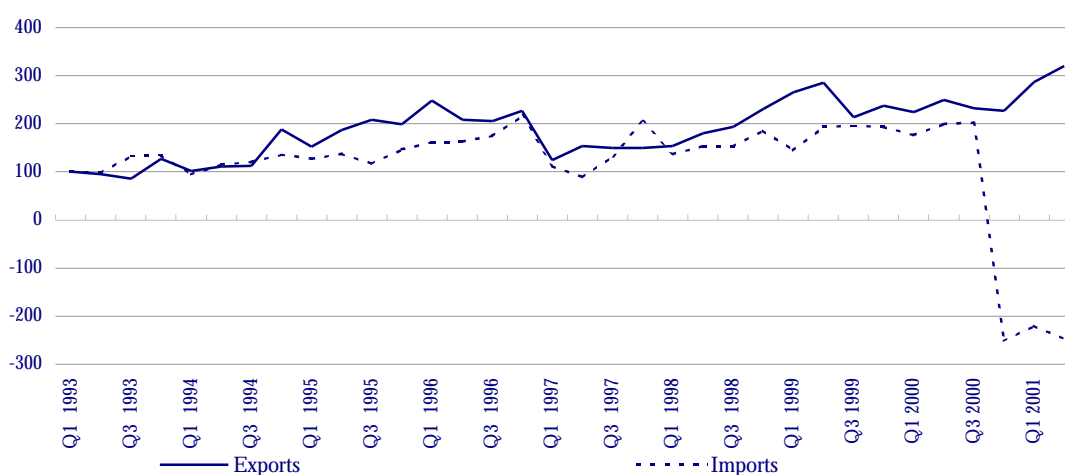
Graphic 2. CURRENT ACCOUNT AND FISCAL BALANCE

2.1 FOREIGN TRADE

The first quarter 2001 recorded a restore of Albania's trade transactions with the rest of the world. The overall volume of foreign trade transactions of the first quarter valued USD 364 millions or about 6 per cent lower than the previous quarter. However, the trade volume estimated about 26 per cent higher compared to the first quarter, previous year. The entire growth is dedicated to either imposts or exports.

Imports estimated at about USD 285 million represent the highest volume accomplished at early year terms. Although 11 per cent lower than the fourth quarter previous year, imports are estimated at 25 per cent higher against the corresponding period, previous year. Such growth is dedicated to higher imports of mineral products and the positive developments of investment area, increasing the import of machinery and equipment. Compared to the previous quarter imports are estimated at about 11 per cent lower.

March represents the highest import volume within the quarter. Exports at USD 79 million recorded growth either compared to previous quarter by nearly 26 per



Graphic 3. EXPORTS AND IMPORTS TREND

cent or the corresponding quarter, previous year by about 27 per cent. The export of groups of merchandise particularly in mineral products, textiles and articles and exports for processing played the main role in this growth (about 30per cent).

March represents the highest figure even in exports this quarter.

Aids imports are estimated a decrease compared to the previous quarter and corresponding quarter, respectively of 2 times and 1.5 times decrease either, last year. Aids were mainly in products of textile industry and in machinery & equipments.

The increase of the trade volume was accompanied with a deepening of trade deficit, which at end-quarter recorded about USD 207 million. This deficit is valued at about 25 per cent higher than the corresponding term, previous year. To this term, trade deficit has been more sensitive by mineral products and machinery & equipment. Meantime compared to the previous quarter, trade deficit is estimated at 21 per cent lower.

Gross international reserves in the first quarter 2001 were sufficient to cover 6,8 months of imports.

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

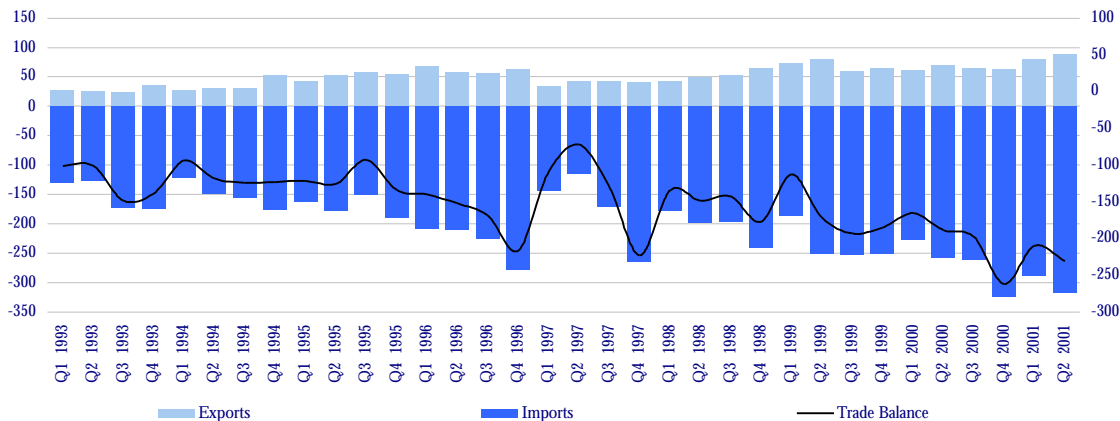
Period	Exports	Change in % against the previous period	Imports	Change in % against the previous period
Q1 1994	27.9	-19.7	-122.1	-29.7
Q2 1994	30.7	10.0	-149.0	22.1
Q3 1994	30.9	0.6	-155.0	4.0
Q4 1994	51.8	67.5	-174.9	12.8
Q1 1995	42.0	-19.0	-163.5	-6.5
Q2 1995	51.1	21.8	-177.0	8.2
Q3 1995	57.3	12.0	-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
Q1 2001	87.6	11.6	-318.3	12.3

Structure of Export and Import for processing

Trade transactions in the area for processing; share an important place in our country's trade with the rest of the world, by 70 per cent in exports and 16 per cent in imports.

Both export for processing and export from domestic production increased this quarter. So, compared to the first quarter 2000, domestic exports or exports for processing estimated an increase of 35 per cent and 25 per cent, respectively. Exports for processing, representing the activity of foreign capital company, mainly in textiles and leather processing industry increased about 26 per cent.

Representing 46 and 39 per cent at total exports for processing; textiles and footwear exports remain the main groups of merchandise for processing in our country.



Graphic 4. Trade Balance (in millions of USD)

Imports for processing recorded positive developments at early year. Imports of this category are estimated at 3 times higher compared to the first quarter previous year. Import in textiles, footwear and leather represent the main part of the import for processing, respectively 36 per cent, 17 per cent and 10 per cent. The import of textiles and footwear recorded an increase of 3.1 times against the corresponding quarter last year. Imports of leather increased by 3.2 times, compared to the same period previous year, as well.

Structure of Imports and Exports by groups of merchandise

Imports recorded growing tendencies throughout the first quarter, 2001. The increase of imports is mainly focused in mineral, textiles, and machinery & equipments. Year-onset disclosed positive development tendencies in investment area. So, the volume of imported machinery & equipment increased by 1.7 per cent compared to the first quarter 2000, occupying 15 per cent of the total of imports.

TABELA 3. IMPORTS BY 21 GROUPS OF MERCHANDISE

	1996	1997	1998	1999	2000	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Live animals, animals products	47.1	27.4	42.4	41.4	30.3	3.6	2.5	2.1	2.7	1.5	2.1	2.7	2.5	3.0	1.7	1.8	2.5
Vegetable products	163.0	85.3	83.0	85.9	90.7	6.4	10.1	6.1	5.8	7.7	6.3	6.0	6.4	11.4	7.8	9.0	9.1
Animal or vegetable fats and oils	26.7	20.7	27.1	18.0	21.3	3.4	2.0	1.8	1.3	2.0	1.3	1.8	1.3	2.2	1.0	1.8	1.1
Prepared foodstuffs, beverages, tobacco etc.	88.5	47.0	73.0	108.8	97.6	8.1	7.5	9.6	8.8	8.5	9.2	8.4	8.3	8.4	7.6	6.9	8.8
Mineral products	48.6	49.2	70.0	81.3	141.7	8.7	9.1	10.3	11.6	12.5	12.7	11.8	22.4	16.7	15.9	13.8	17.9
Products of the chemical	45.1	38.3	61.8	51.4	60.4	5.9	3.3	4.5	5.5	5.1	5.0	4.3	3.4	6.0	3.6	6.1	6.4
Plastics and their products	21.5	19.9	25.0	26.6	31.9	2.3	2.8	3.2	2.9	3.0	3.1	2.9	2.8	2.7	2.4	2.3	3.3
Raw hides and skins, leather, travel goods etc.	19.8	14.4	19.0	21.1	19.0	1.7	1.5	2.0	1.7	0.8	1.6	1.4	2.2	1.6	1.9	2.6	2.3
Wood and articles of wood	7.4	7.6	10.2	16.2	10.4	0.7	0.8	1.1	1.0	0.8	0.8	1.0	0.8	1.1	0.8	0.9	0.7
Pulp of wood, paper or paperboard	13.4	8.5	12.8	14.3	17.0	1.1	1.5	1.2	1.8	1.4	1.8	1.5	1.2	1.6	1.2	1.2	1.5
Textiles and textile articles	84.3	66.8	106.2	118.1	128.5	9.0	11.5	11.1	14.7	8.6	13.0	10.8	11.8	11.2	10.1	9.9	10.7
Footwear, headgear, umbrellas	58.6	36.9	40.4	34.8	27.7	2.5	3.5	2.8	3.5	3.4	3.7	3.5	3.4	3.4	3.3	3.8	4.4
Articles of stone, plaster, cement, ceramic products, glass	22.3	22.3	28.7	30.1	41.9	3.1	4.1	3.5	3.8	3.1	4.7	3.9	4.0	4.1	2.6	3.3	2.8
Natural or cultured pearls, coin	1.3	0.2	0.4	0.9	2.7	0.9	0.4	0.7	0.1	0.0	0.0	0.0	0.0	0.5	0.0	0.0	0.0
Base metals and articles of base metals	44.8	42.8	54.8	75.8	83.8	7.9	6.5	5.8	7.7	6.0	7.4	11.5	7.9	9.1	6.1	7.5	7.8
Machinery and mechanical appliance, electrical equipment	151.3	101.9	81.1	108.9	148.9	10.9	9.2	9.9	11.8	10.7	11.9	15.5	14.8	28.9	13.2	12.7	17.5
Vehicles, aircraft	57.2	31.9	55.1	70.6	80.1	7.7	6.2	7.3	6.5	6.4	5.1	6.3	5.6	6.2	6.2	6.0	5.8
Optical, photographic, measuring, medical instruments	12.4	8.1	8.7	13.1	18.6	1.2	1.0	2.1	1.9	1.8	1.8	1.7	0.6	4.1	2.1	0.7	2.1
Arms and ammunitions	0.7	0.5	0.7	2.0	0.4	0.1	0.0	0.0	0.1	0.1	0.1	0.0	0.0	0.0	0.1	0.0	0.1
Miscellaneous manufactured articles	19.1	14.6	21.4	23.6	26.0	1.9	3.0	2.1	2.5	1.8	2.0	2.5	2.6	2.5	1.5	1.9	2.0
Works of art	0.1	0.0	1.7	0.0	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.2	0.0	0.0	0.0
TOTAL	933.1	644.4	823.5	943.0	1079	87.1	86.5	87.3	92.1	81.9	90.2	97.6	101.9	124.8	89.3	92.5	107

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

Imports of mineral products, occupying 17 per cent of the total imports, this quarter, are estimated at about 6 per cent lower than the previous quarter. However, compared to the first quarter previous year, these imports increased by 1.8 times.

Imports of *textiles and articles* estimate 14 per cent growth against the previous quarter. Italy represents the main market for these imports.

Imports of *foodstuffs, beverages and tobacco* were characterized by falling tendencies of nearly 7 per cent compared to the previous quarter imports. Meantime compared to the previous year-onset, the imports of this group of merchandise increased by 12 per cent.

Imports of *base metals and articles* recorded an increase of about 1.5 times against the corresponding period, previous year.

Imports of *transport vehicles* maintained the same level with the previous quarter imports but indicated a decrease (by about 21 per cent) against the previous year.

The import of *chemical industry product* evidenced an increase by about 18 per cent compared to the previous quarter imports. These imports are estimated at 7per cent lower than the first quarter previous year.

Meantime, *footwear and headwear* imports showed positive tendencies. These kinds of imports are estimated around 35 per cent and 12 per cent higher than the corresponding period, last year and the preceding quarter, respectively.

Exports indicate growth either against the previous quarter or the corresponding quarter 2000. Exports' growth is mainly due to the increase of exports in groups of merchandise textiles and base metals.

Exports in textiles and footwear, mainly deriving from goods for processing, occupy 39.2 per cent of the volume of the exports. These merchandise group of exports increased by 39per cent or 39.5per cent respectively compared to the corresponding or the preceding quarter, previous year.

Table 4. EXPORTS BY 21 GROUPS OF MERCHANDISE

	1996	1997	1998	1999	2000	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Live animals, animals products	6.9	4.1	4.1	3.4	1.8	0.1	0.3	0.3	0.2	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1
Vegetable products	16.0	15.5	16.2	12.6	12.1	0.7	0.8	0.8	1.2	1.4	1.4	1.2	1.2	0.7	1.0	0.8	1.1
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	0.3	0.8	1.7	1.6	1.3	1.6	2.1	0.9	0.5	0.7	0.8	1.0
Mineral products	23.1	8.4	23.7	17.5	7.4	0.3	1.3	3.7	0.6	0.5	0.3	0.2	0.1	0.2	0.1	2.3	0.5
Products of the chemical	2.6	1.2	0.7	0.7	1.4	0.1	0.1	0.0	0.1	0.1	0.1	0.1	0.2	0.2	0.1	0.1	0.1
Plastics and their products	1.2	0.5	1.1	1.3	0.9	0.0	0.2	0.1	0.2	0.0	0.1	0.0	0.0	0.1	0.0	0.2	0.0
Raw hides and skins, leather, travel goods etc.	10.2	8.2	6.6	7.0	8.3	0.6	0.6	0.7	0.6	0.6	0.8	0.7	0.8	1.0	1.1	0.9	1.2
Wood and articles of wood	6.2	5.3	5.6	6.4	7.3	0.6	0.5	0.5	0.8	0.3	1.1	0.7	0.7	0.5	0.5	0.9	0.8
Pulp of wood, paper or paperboard	3.1	3.7	2.9	4.6	2.6	0.2	0.3	0.2	0.1	0.1	0.3	0.2	0.2	0.3	0.2	0.1	0.1
Textiles and textile articles	54.7	36.2	69.6	98.3	108.7	7.6	7.5	10.2	16.4	9.3	13.6	6.5	7.4	8.1	8.9	10.4	11.4
Footwear, headgear, umbrellas	52.6	27.4	40.7	67.9	69.0	6.3	5.8	5.2	6.6	2.7	4.9	5.5	5.9	6.6	6.5	7.6	9.0
Articles of stone, plaster, cement, ceramic products, glass	0.4	0.4	1.7	0.6	0.7	0.1	0.0	0.1	0.1	0.0	0.1	0.0	0.0	0.0	0.1	0.1	0.1
Natural or cultured pearls, coin	0.1	0.1	0.2	0.8	0.5	0.0	0.0	0.0	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Base metals and articles of base metals	25.4	14.3	9.4	14.6	21.5	1.7	2.3	2.2	1.9	1.8	1.8	2.2	1.7	1.4	2.4	2.3	2.3
Machinery and mechanical appliance, electrical equipment	3.8	7.4	4.3	12.4	4.4	0.2	0.2	0.6	0.4	0.2	0.5	0.7	0.4	0.2	0.3	0.4	0.3
Vehicles, aircraft	0.1	0.5	1.2	5.0	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.2
Optical, photographic, measuring, medical instruments	0.2	0.1	0.8	0.4	0.5	0.0	0.3	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	0.0	0.0	0.0	0.5	0.5	0.5	0.0	0.0	0.0
Miscellaneous manufactured articles	3.2	3.4	6.1	7.9	7.1	1.2	0.6	0.5	0.6	0.2	0.7	0.0	0.7	0.0	0.4	0.5	0.4
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	20.0	21.7	26.8	24.9	16.1	22.5	20.8	21.0	20.4	22.5	27.4	28.6

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

Exports of group *foot and stuff wear* that represent 30 per cent of the total exports reflect an increase of 28 per cent against the previous quarter and 20 per cent against the same quarter last year.

Exports in *base metals* disclose positive developing tendencies throughout the current year-onset. Thus, the first quarter recorded 1.5 times higher than the corresponding quarter previous year. Metals represent the main group of merchandise amongst domestic exports.

Mineral products recorded export growth either against the previous quarter or the corresponding term previous year, by 5.7 and 15 times respectively.

Trade Partners

Albania's trade transactions with the rest of the world are mainly directed to EU countries. More than 86 per cent trade transactions are developed with EU countries. Trade with these countries estimated growth against the corresponding quarter, previous year (24per cent). So, imports from these countries represent 77 per cent while exports 95 per cent. Compared to the same quarter previous year, either imports or exports estimate 29 or 23 higher, respectively. Even this quarter, Italy remains Albania's largest partner in trade with 42 per cent of the trade volume followed by Greece with 24 per cent.

Compared to the previous year-onset, trade with Eastern European Countries, increased by about 18per cent. The expansion of trade activity with Russia and Slovenia largely effected import growth with Eastern European Countries. Exports to these countries are estimated at 26 per cent lower than the first quarter, previous year. Trade transactions with Turkey, FYROM, USA, Croatia, and Yugoslavia are estimated at 41 per cent higher compared to the corresponding quarter, previous year.

Trade with Italy

Italy heads Albania's trade transactions with the rest of the world. To the preceding quarter onward, trade volume with Italy disclosed increase by 1.7 per cent, recording imports' decline by 9.2 per cent and exports' growth by 27 per cent. Meantime, compared to the first quarter, trade volume with Italy increased by 16,4 per cent. Such growth is reflected by both trade components, either in exports by 29 per cent and imports by nearly 10 per cent. The growing trade volume in textiles and footwear had the largest effect in this growth.

Trade with Greece

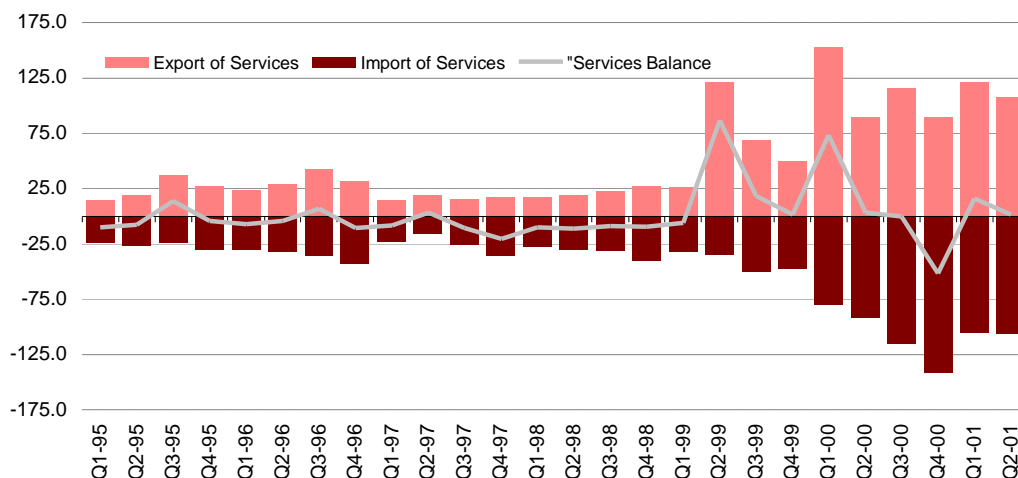
Transactions with Greece, this quarter, were estimated at 4.5 per cent lower than the previous quarter. Such decline is due to the decrease of imports by 6.9 per cent, while exports increased by 25 per cent. Compared to the first quarter 2000, trade with Greece marked positive tendencies. So the trade volume indicated about 25 per cent growth with the increase of 24 per cent in imports and about 36 per cent in exports.

Trade with Germany

Compared to the previous quarter and the corresponding quarter previous year, trade with Germany increased by 12.7 per cent and 23.8 per cent respectively. Both trade components estimated growth against the previous year imports by 7 per cent and exports by 4 per cent. High imports in vehicles of transport comprise the main cause for the extension of import volume.

2.2 SERVICES

After subsequent deficits recorded in the last three quarters 2000, the services' balance returned again to positive figures. Thus, the surplus of services' balance in the first quarter recorded about USD 16 million and represents 22 per cent of the first quarter, previous year. The services' export, estimated at about USD 123 million, represents about 80 per cent of the same period, previous year. Compared to the preceding quarter, the services' export increased by about 33 per cent. The growth of export services is due to tourism income that occupies 80 per cent of the total and the rest is consisting of telecommunication and government services.



Graphic 5. SERVICES BALANCE

Services' import, this quarter, shares about 83 per cent of the previous quarter and is estimated at about 1.3 times higher than the first quarter, previous year, recording the figure of USD 107 million. This growth is mainly due to the large increase in import services from tourism activity, that record about USD 63 million at end-quarter or 1.4 times higher than corresponding, period previous year. The increase of imports has reflected in transport and insurance services.

2.3 INCOME

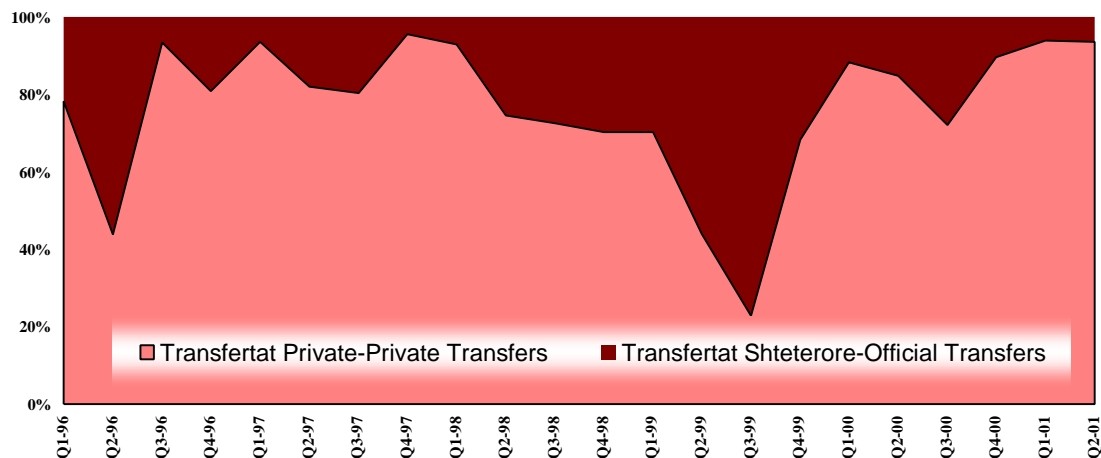
The positive income balance recorded about USD 26 million, this quarter. This surplus estimated at about 54 per cent higher than the same period previous year, and occupies about 18 per cent of the previous quarter.

Compensations of employees and the income from reserves have played an important role herewith.

2.4 TRANSFERS

The first quarter recorded a positive balance of current transfers of USD 118 million. That balance is estimated at about 2 times higher than that of the first quarter 2000 and about 1.5 times lower than that of the preceding quarter. However, these transfers covered about 57 per cent of the trade deficit.

Remittances estimated at about USD 124 million or about twice higher than in the previous quarter 2000, occupying about 69 per cent of that recorded in previous quarter. A similar figure may be considered a reliable indicator for an

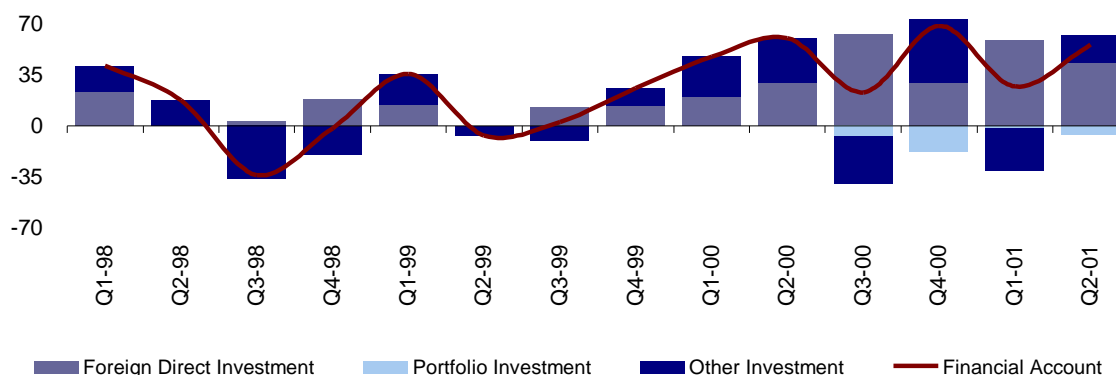


Graphic 6. TRANSFER'S STRUCTURE

optimistic forecast of remittances, which at normal developments should amount over USD 600 million till the end of the year. This quarter, the official transfers decreased (representing only 37 per cent of the previous quarter transfers). Meantime, they reached the level of the previous year-onset.

3 CAPITAL AND FINANCIAL ACCOUNT

The relatively high deficit of current transactions is totally financed by capital inflows which positive balance at end-period is estimated at about USD 67 million.



Graphic 7. FINANCIAL FLOWS (in millions of USD)

Such surplus is about 56 per cent higher than that of the previous quarter and about 26 per cent higher, than that of the first quarter 1999. This relatively high figure is due to capital transfers and the increase of liabilities in form of foreign direct investments, borrowings and use of fund credits and loans and the expansion of non-resident deposits with the banking system as well.

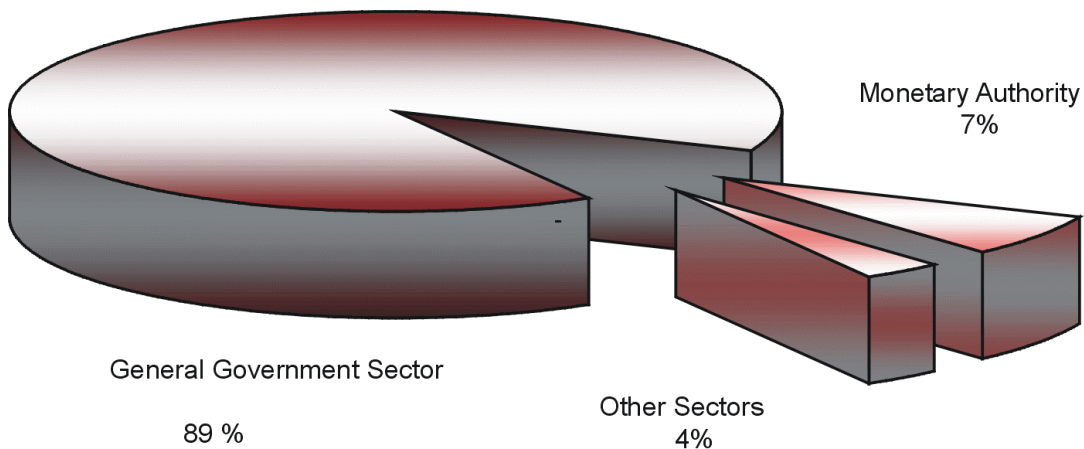
3.2 FINANCIAL LIABILITIES

Financial liabilities of Albanian economy increased about USD 47 million during the quarter. This figure is about 23 per cent higher than that of the previous quarter or 21 per cent higher than that of the first quarter 1999.

Foreign direct investments are estimated at about USD 58 million, this quarter. Such figure is about 3 times higher than that of the first quarter last year and 2 times higher than that of the previous quarter. The increase of capital inflows at the current year-onset mainly reflects the privatization effect of own state enterprises. On February foreign direct investments from privatization increased by USD 42 million reflected to the growth of the reserves asset.

Borrowing. Capitals invested in the form of direct investments are followed by the disbursements of credit lines. Those disbursements recorded USD 24 million or about 2 times higher than the same period previous year, representing about 48 per cent of the previous quarter disbursements.

Disbursements were totally represented by the general government sector. Albania's main borrowers are World Bank (IDA) Germany and Italy.



Graphic 8. DEBT OUTSTANDING DISBURSED

Use of Fund Credit and Loans at the end of the first quarter amounted at USD 6,1 million; meantime the previous quarter recorded none. This figure occupies about 46 per cent of that in the corresponding quarter, previous year.

Debt services in the form of principal payments during the first quarter recorded about USD 4,3 million.

Financial liabilities in the type **of non-resident deposits with the banking system** increased by USD 8,1 million. This figure represents about 60 per cent of that recorded in the first quarter 2000; meantime these deposits decreased by about USD 10 million in the previous quarter. Deposits are mainly in USD and occupy 86 per cent of the total deposits followed by those in DEM, GDR and ITL by about 12 per cent.

Reverse from the previous quarter, that recorded a positive figure of USD 22 million, trade credit, this quarter marked negative figures of about USD 7 million. This is phenomenon happens every years' beginning because in is in the first

quarter of the year that it is performed payment for trade credits in the previous year-end.

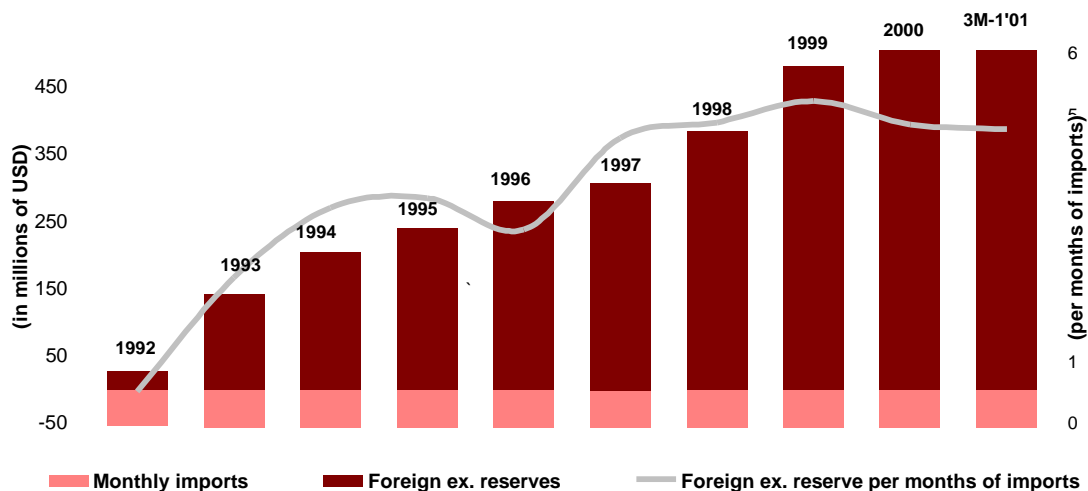
3.2 FINANCIAL ASSETS

Financial assets increased by about USD 57 million. This figure is 4 times higher than the previous quarter increase or about 11 times higher than that of the corresponding quarter, previous year. Such growth is mainly due to assets' growth in the form of domestic deposits by USD 51 million.

At the same time, it is important to be to mention that the increase of portfolio investments by about USD 2 million is a previously acquainted phenomenon in the third quarter 2000.

4. RESERVES

Monetary authority reserves for the first quarter '01 increased by about USD 56 million. That growth is estimated at about 23 per cent higher than that of the previous quarter or about 9 times higher than that of the corresponding quarter. Capital inflows in the form of foreign direct investments from the privatisation



Graphic 9. Monetary Authorities Reserve

have been the main factor of growth to foreign exchange reserves. At the same time loan disbursements from Use of Fund Credit and Loans in the framework of

ESAF-2 program have increased SDR-holdings by USD 8.1 billion at end-quarter. The reserve stock at the end of the first quarter, 2001 recorded USD 648 million.