

1. A SHORT OVERVIEW

The third quarter of year 2001 was characterized by a considerable growth of current transactions, mainly caused by the rising value of foreign trade transactions in goods and services. Thus, at the end of the quarter, these transactions recorded nearly USD 832 million or 5 percent higher, than the previous quarter. Such growth is mostly due to the increase of current expenditures. Accordingly, the current account deficit for the second quarter of the year accounts for USD 84,2 billion, and is mainly caused by the extension of the foreign trade deficit in goods. Net capital imports of USD 67 million, have covered about 79.6 percent of current deficit and caused the extension of international reserves by USD 29 million.

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

	1993	1994	1995	1996	1997	1998	1999	2000	3M-III '00	3M-III '01
Current Account, nie.	18.8	31.4	36.6	-62.3	-253.7	-65.0	-132.9	-163.1	29.3	-84.2
Merchandise: Exports, fob	111.6	141.4	204.8	243.7	158.6	208.0	275.1	255.4	63.5	58.5
Merchandise: Imports, fob	-620.5	-601.0	-679.8	-922.0	-693.5	-811.7	-937.9	-1,076.4	-261.1	-312.5
Trade Balance	-508.9	-459.6	-475.0	-678.3	-534.9	-603.6	-662.8	-821.0	-197.6	-254.1
Services: Credit	76.3	83.1	98.2	127.3	67.9	86.6	266.7	448.1	117.4	132.8
Services: Debit	-165.3	-97.5	-106.3	-142.3	-101.1	-129.3	-165.4	-430.0	-115.9	-121.3
Income: Credit	19.8	55.6	70.8	83.5	61.6	86.1	85.6	115.9	30.2	43.5
Income: Debit	-31.0	-41.4	-28.5	-12.0	-11.9	-8.7	-10.3	-9.1	-2.5	-4.0
Private Unrequired Transfers	324.1	374.1	348.9	476.0	235.7	421.3	188.4	438.6	143.2	109.9
Official Unrequired Trans., nie	303.9	117.1	128.5	83.4	29.0	82.6	165.0	94.4	54.5	8.8
Capital Account	0.0	21.6	389.5	4.9	2.1	31.1	67.5	78.2	19.5	61.2
Financial Account	104.2	24.2	-414.5	49.6	140.7	16.0	36.8	182.5	27.3	0.0
Direct Investment, nie	68.0	53.0	70.0	90.1	47.5	45.0	41.2	143.0	63.0	33.9
Portfolio Investment, nie	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-25.0	0.0	-13.0
Other Capital, nie	36.2	-28.7	-484.5	-40.5	93.2	-29.0	-4.4	64.5	-35.7	-22.8
Net Errors and Omissions	-24.7	-44.5	7.9	54.8	142.5	69.4	131.3	15.0	-4.2	46.3
Overall Balance	114.9	54.9	30.6	47.0	43.8	59.4	123.5	131.9	75.1	29.2
Reserve and Related Items										
Reserve Assets	-114.9	-54.9	-30.6	-47.0	-43.8	-59.9	-123.6	-131.9	-75.1	-29.2
Use of Fund Credit and Loans	16.6	22.2	11.1	0.0	12.2	7.9	20.9	19.3	3.1	5.9
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	-55.9	-46.1
of which: Revaluation	-3.8	7.3	5.1	-7.3	-15.5	12.6	-26.2	-3.5	-19.2	21.0

Data source: Bank of Albania

Foreign trade developments in goods for the third quarter cannot be considered favorable. Imports evidenced a considerable decline mostly in June and August. Although at 14.3 percent higher against the respective quarter, previous year, the total of trade transactions compared to the previous quarter of the current year decreased by 9.2 percent.

Commodity imports were estimated at USD 312 million or nearly 19,7 percent higher compared to the same period, previous year. Such growth is mostly due to high imports at nearly 1,8 times in "machinery and equipment", "foodstuffs, beverages and tobacco" and "textile and articles". The third quarter as a continuation of the first half of the year had high import growth also under the power crisis effect, which seized the whole of the country. Such crisis was reflected in high imports of "mineral products" where are also included fuels and electricity imports.

Commodity *exports* have declined by nearly 8 against the corresponding quarter, previous year and 33 percent against the preceding quarter, current year. This decline was totally caused by falling re-exports of goods for processing, which are mainly represented by textiles and footwear. "Head, footwear and umbrellas, etc" also comprising the main group of goods for processing have decreased by nearly 45 percent compared to the same period, previous year. Also compared to corresponding quarter, previous year, "base metals", "foodstuffs beverages and tobacco" have fallen by about 36 and 20 percent, respectively.

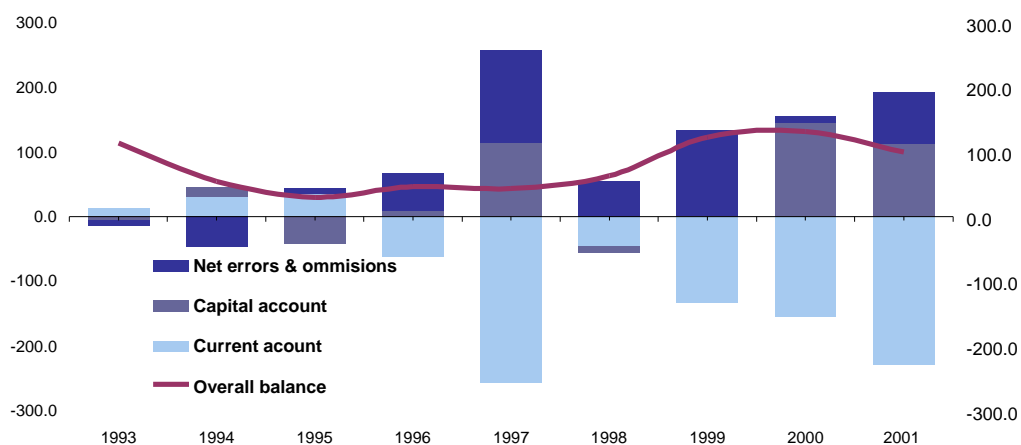
Foreign trade deficit reached at USD 154,1 million or 28,6 percent higher than the corresponding quarter, previous year.

Even this quarter trade is directed to EU countries, occupying about 86 percent of the volume with the rest of the world

Developments in the *trade of service* this quarter evidence increase either on expenditures or income. The surplus in the trade of services reached at USD 11,5 million. Tourism services have the main role in services' balance for this quarter.

The positive income balance is estimated at USD 39,5 million or nearly 42.6 percent higher than the same quarter, previous year. This growth is mainly enabled by higher income from foreign assets investments of the banking system by nearly 27.8 percent and compensation of employees by about 1.7 times.

Current transfers recorded a positive balance of USD 119 million. Emigrant remittances quarter are the main element in current transfers and this quarter estimated at about USD 130,4 million. It is noticed a 24 percent decrease of



current transfers compared to the same period, previous year. Official transfers also had a decline by about 6 times.

CHART 1. BALANCE OF PAYMENTS ACCOUNTS

The relatively high deficit of current transactions is financed by *capital inflows* which positive balance at end-period accounted for about USD 67,1 million. Behind this positive figure stand capital transfers of nearly USD 61,2 million and the positive balance of financial account of nearly USD 5,9 million.

2. CURRENT ACCOUNT

The second quarter reflects a growing volume of current transactions compared to the previous quarter or the corresponding quarter previous year by nearly 5 and 1 percent, recording the figure of USD 832 million. This growth is mainly due to the increase of current expenditures, which at the end of the quarter, recorded USD 458,3 million or about 3 percent higher than the previous quarter. These expenditures increased by about 14,8 percent compared to the second quarter of year 2000.

Current incomes are estimated at USD 374 million or about 12.3 percent lower than the second quarter 2000. To affect this decline were low exports and one-

sided transfers (which were estimated at nearly 35,8 percent lower compared to the third quarter previous year).

Thus, at the end of the third quarter 2001, the current account deficit estimated at about USD 84 million is mainly as a result of a trade deficit in goods.

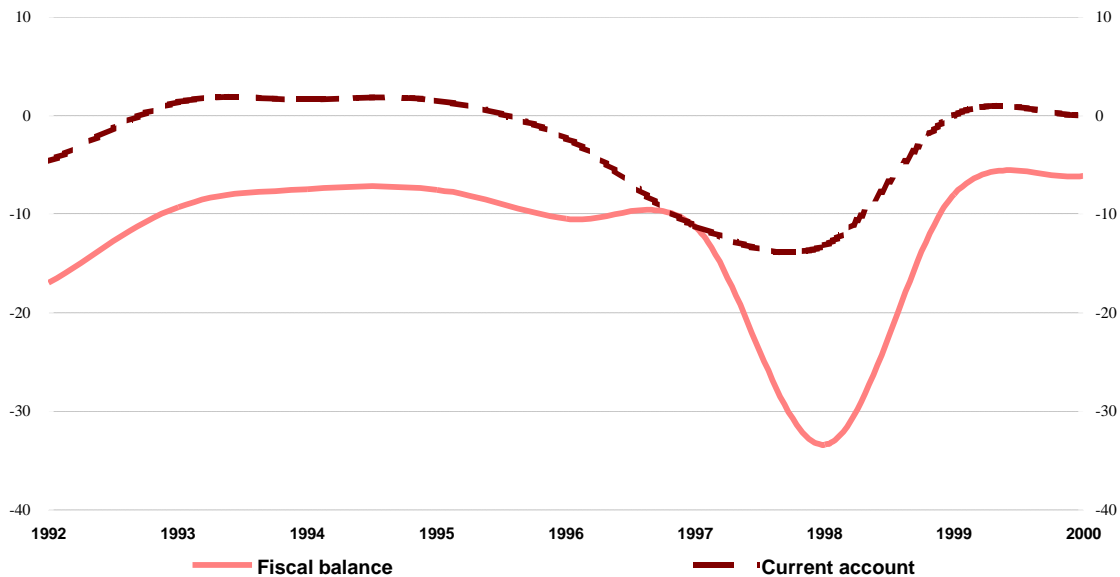


CHART 2. CURRENT ACCOUNT AND FISCAL BALANCE

The current account deficit, excluding official transfers, this quarter accounted for 3,5 times higher, than the same quarter, previous year, recording USD 93,1 million.

2.1 FOREIGN TRADE

The overall volume of foreign trade transactions this quarter, which was estimated at nearly USD 371 million, had a decline of nearly 9 percent compared to the previous quarter. Such decline is mainly due to lower exports that had a significant reduction within the quarter, mainly in July and August. However, compared to the same quarter of year 2000, this volume had nearly 14 percent increase.

Thus, imports recorded nearly USD 312,5 million, and represent 84 percent of the foreign trade volume or 4 percentage points more than the previous quarter

and the corresponding quarter, previous year. However, imports showed a 3 percent decline compared to the second quarter of the year. Compared to the third quarter, previous year, imports were estimated 19.6 percent higher. Unlike the previous year, positive developments in domestic and foreign investments increased the import of machinery and equipment and affected such growth. September represents the month with the highest import volume within the quarter.

Commodity exports at nearly USD 58 million recorded a considerable decline either against the previous quarter by nearly 33.2 percent or against the corresponding period, previous year by nearly 8 percent. The significant decline in exports from domestic production as well as re-exports from goods for processing mainly by textiles and articles and mineral products as prevailing merchandise groups in these exports have been the main factor for that decline. Exports also reached the highest quarterly figure in September.

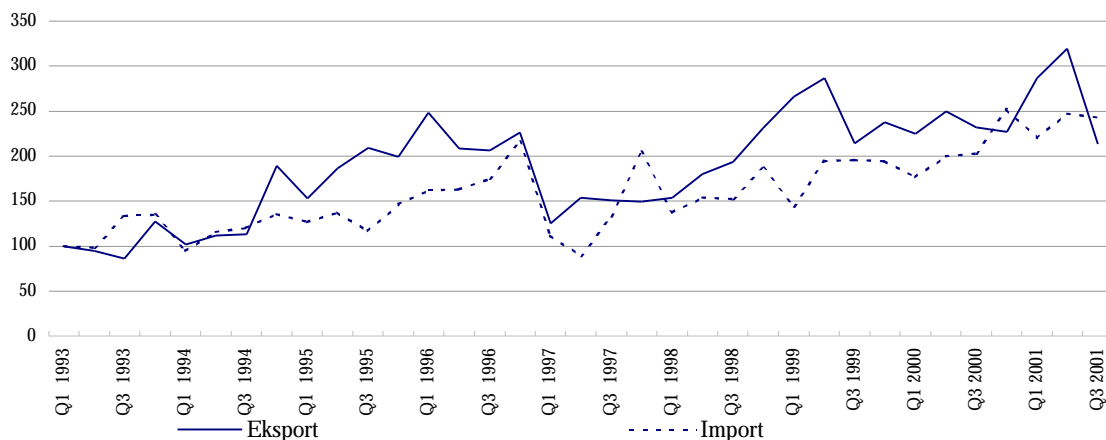


CHART 3. IMPORT AND EXPORT PERFORMANCE TENDENCIES.

Aid imports at nearly USD 2 million were mainly in products of textile industry and machinery and equipment.

The significant decrease in exports this quarter was followed by the extension of foreign trade deficit, recording about USD 254 million at the end of the quarter. This deficit accounted for nearly 28.6 percent higher than the corresponding

quarter previous year or 9 percent higher than the previous quarter, current year.

Gross international reserve at the end of the quarter 2001 was sufficient to cover 6.2 months of imports.

TABLE 2. FOREIGN TRADE BY QUARTERS (IN MILLIONS OF USD)

Period	Export	change in % from previous period	Import	change in % from previous period
T1 1994	27.9	-19.7	-122.1	-29.7
T2 1994	30.7	10.0	-149.0	22.1
T3 1994	30.9	0.6	-155.0	4.0
T4 1994	51.8	67.5	-174.9	12.8
T1 1995	42.0	-19.0	-163.5	-6.5
T2 1995	51.1	21.8	-177.0	8.2
T3 1995	57.3	12.0	-150.4	-15.0
T4 1995	54.5	-4.8	-188.8	25.5
T1 1996	68.0	24.8	-208.4	10.3
T2 1996	57.1	-16.0	-209.6	0.6
T3 1996	56.5	-1.1	-225.2	7.4
T4 1996	62.1	9.9	-278.8	23.8
T1 1997	34.2	-44.8	-143.9	-48.4
T2 1997	42.2	23.2	-114.5	-20.4
T3 1997	41.3	-2.1	-171.1	49.3
T4 1997	40.9	-0.9	-264.0	54.3
T1 1998	42.2	3.2	-176.8	-33.0
T2 1998	49.3	16.8	-198.1	12.1
T3 1998	53.0	7.5	-196.1	-1.0
T4 1998	63.4	19.6	-240.6	22.7
T1 1999	72.9	15.0	-185.6	-22.9
T2 1999	78.4	7.5	-250.1	34.8
T3 1999	58.6	-25.2	-252.1	0.8
T4 1999	65.1	11.1	-250.1	-0.8
T1 2000	61.6	-5.4	-227.3	-9.1
T2 2000	68.5	11.2	-257.3	13.2
T3 2000	63.5	-7.3	-261.1	1.5
T4 2000	62.2	-2.1	-324.3	24.2
T1 2000	78.5	26.2	-288.5	-11.0
T2 2000	87.6	11.6	-318.3	12.3
T3 2001	58.5	-33.2	-312.5	-1.8

Exports and imports' structure by active processing

Trade activity in good for processing this quarter occupied about 44 of trade transactions. Compared to the previous quarter, this volume had nearly 23

percent decline. Meantime, compared to the same quarter previous year, it evidenced a 9 percent rise.

Exports for good for processing this quarter were 28 percent lower compared to the second quarter of the year and 5 percent higher compared to the corresponding quarter, previous year. These exports, generally representing the activity of foreign capital companies mainly of textile and dressing industry, vehicles of transport and leather processing, occupy 38, 30 and 24 percent of the total, respectively, and are still the main merchandise groups of good for processing in the country.

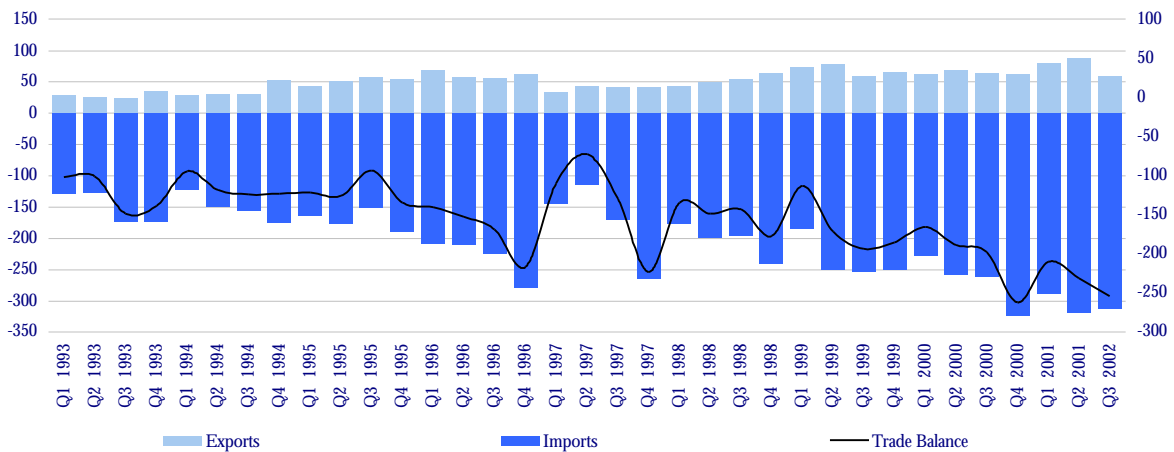


CHART 4. TRADE BALANCE (IN MILLIONS OF USD)

Imports in good for processing this quarter were about 13 percent of total imports. Those were nearly 15 percent higher compared to the third quarter previous year while were about 18 percent lower compared to the previous quarter, current year. Main components of imports in good for processing are imported textiles and articles, products of chemical industry and base metals record 59,16 and 8 percent, respectively.

Import and Export Structure by Groups of Merchandise

The main merchandise groups that represent the largest part of imports and affect its tendencies this quarter are machinery, mechanical and electrical

appliances, mineral products, textiles and articles, chemical industry products and base metals, which are 60.4 percent of total imports.

So *machinery & mechanical and electrical equipments* occupy nearly 19 percent of imports volume. This year increase of investments in the country made possible an increase of the imports of this category by nearly 1,8 times against the corresponding quarter, previous year. Meantime these imports had about 2.4 percent decline compared to the second quarter of the year. Italy, Greece and Germany remain the main markets for these imports.

						2000												2001
	1996	1997	1998	1999	2000	Oct.	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	
Live animals, animals products	47.1	27.4	42.4	41.4	30.3	2.7	2.5	3.0	1.7	1.8	2.5	2.2	2.3	2.5	2.1	1.9	2.5	
Vegetable products	163.0	85.3	83.0	85.9	90.7	6.0	6.4	11.4	7.8	9.0	9.1	10.1	8.9	6.7	7.7	6.0	6.6	
Animal or vegetable fats and oils	26.7	20.7	27.1	18.0	21.3	1.8	1.3	2.2	1.0	1.8	1.1	1.7	1.6	1.5	1.6	0.9	1.2	
Prepared foodstuffs, beverages, tobacco etc.	88.5	47.0	73.0	108.8	97.6	8.4	8.3	8.4	7.6	6.9	8.8	8.0	10.0	7.5	9.0	10.0	9.9	
Mineral products	48.6	49.2	70.0	81.3	141.7	11.8	22.4	16.7	15.9	13.8	17.9	15.5	8.9	15.1	12.3	14.7	15.0	
Products of the chemical	45.1	38.3	61.8	51.4	60.4	4.3	3.4	6.0	3.6	6.1	6.4	7.4	5.9	6.1	6.3	6.1	6.0	
Plastics and their products	21.5	19.9	25.0	26.6	31.9	2.9	2.8	2.7	2.4	2.3	3.3	2.6	3.3	3.0	3.8	3.2	3.0	
Raw hides and skins, leather, travel goods etc.	19.8	14.4	19.0	21.1	19.0	1.4	2.2	1.6	1.9	2.6	2.3	1.8	2.4	1.9	2.3	1.8	2.6	
Wood and articles of wood	7.4	7.6	10.2	16.2	10.4	1.0	0.8	1.1	0.8	0.9	0.7	0.8	1.4	1.0	1.1	0.8	1.2	
Pulp of wood, paper or paperboard	13.4	8.5	12.8	14.3	17.0	1.5	1.2	1.6	1.2	1.2	1.5	1.5	2.0	2.2	2.1	1.4	1.6	
Textiles and textile articles	84.3	66.8	106.2	118.1	128.5	10.8	11.8	11.2	10.1	9.9	10.7	10.4	12.1	12.7	11.7	7.5	10.9	
Footwear, headgear, umbrellas	58.6	36.9	40.4	34.8	27.7	3.5	3.4	3.4	3.3	3.8	4.4	4.3	3.9	4.0	3.4	2.0	3.9	
Articles of stone, plaster, cement, ceramic prod.	22.3	22.3	28.7	30.1	41.9	3.9	4.0	4.1	2.6	3.3	2.8	3.9	4.8	4.2	3.9	4.1	4.7	
Natural or cultured pearls, coin	1.3	0.2	0.4	0.9	2.7	0.0	0.0	0.5	0.0	0.0	0.0	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	11.5	7.9	9.1	6.1	7.5	7.8	8.8	8.4	8.7	8.8	7.0	13.8	
Machinery and mechanical, electrical equipment	151.3	101.9	81.1	108.9	148.9	15.5	14.8	28.9	13.2	12.7	17.5	17.8	20.7	23.3	22.9	13.6	23.8	
Vehicles, aircraft	57.2	31.9	55.1	70.6	80.1	6.3	5.6	6.2	6.2	6.0	5.8	6.1	6.5	5.6	4.7	5.6	5.5	
Optical, photographic, measuring, medical instr.	12.4	8.1	8.7	13.1	18.6	1.7	0.6	4.1	2.1	0.7	2.1	0.8	1.1	1.7	1.0	1.4	4.0	
Arms and ammunitions	0.7	0.5	0.7	2.0	0.4	0.0	0.0	0.0	0.1	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.1	
Miscellaneous manufactured articles	19.1	14.6	21.4	23.6	26.0	2.5	2.6	2.5	1.5	1.9	2.0	2.0	2.5	3.9	2.7	2.1	2.0	
Works of art	0.1	0.0	1.7	0.0	0.3	0.0	0.1	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
TOTAL	933.1	644.4	823.5	943.0	1079	97.6	101.9	124.8	89.3	92.5	106.7	105.6	106.9	111.5	107.5	90.2	118	

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

Mineral products occupying 13 percent of total imports this quarter estimated increase either against the corresponding quarter, previous year or the second quarter of the current year by 6 and 13.7 percent, respectively.

Textiles and articles estimated nearly 6 percent increase against the corresponding quarter previous year, while decreased with 14 percent compared to the second quarter, current year. Such decline is mainly as an aftermath of falling imports for good for processing industry, which remains concentrated in processing textiles. Italy represents the main market for these imports.

Foodstuffs, beverages and tobacco represented 9 percent of imports and were characterized by a growing tendency of 13 percent compared to the previous

quarter of the year and 9 percent against the corresponding period, previous year.

Base metals and articles recorded nearly 40 percent higher than the corresponding quarter, previous year and about 14.4 percent higher than the preceding quarter, occupying nearly 9 percent of total imports. Amongst these merchandise group imports, we may mention iron steel and cast iron articles, which affects significantly this growth.

Trading exports presented a decrease either against the preceding quarter or the corresponding quarter, 2000. Exports decline is mainly a result of falling exports by main merchandise groups such as textiles, footwear, headwear and base metals, which occupy about 73 percent of the total of exports.

TABLE 4. EXPORTS BY 21 GROUPS OF MERCHANDISE.

	1996	1997	1998	1999	2000	2000												2001
						Oct.	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	
Live animals, animals products	6.9	4.1	4.1	3.4	1.8	0.1	0.1	0.1	0.1	0.1	0.1	0.2	0.3	0.4	0.3	0.3	0.2	
Vegetable products	16.0	15.5	16.2	12.6	12.1	1.2	1.2	0.7	1.0	0.8	1.1	0.7	0.6	0.7	0.7	1.0	1.4	
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	2.1	0.9	0.5	0.7	0.8	1.0	0.5	1.0	1.3	1.0	1.1	1.4	
Mineral products	23.1	8.4	23.7	17.5	7.4	0.2	0.1	0.2	0.1	2.3	0.5	1.3	0.1	0.1	0.1	0.2	0.3	
Products of the chemical	2.6	1.2	0.7	0.7	1.4	0.1	0.2	0.2	0.1	0.1	0.1	0.5	0.1	0.2	0.2	0.1	0.3	
Plastics and their products	1.2	0.5	1.1	1.3	0.9	0.0	0.0	0.1	0.0	0.2	0.0	0.1	0.0	0.1	0.0	0.1	0.0	
Raw hides and skins, leather, travel goods etc.	10.2	8.2	6.6	7.0	8.3	0.7	0.8	1.0	1.1	0.9	1.2	1.2	1.2	1.0	0.7	0.3	1.1	
Wood and articles of wood	6.2	5.3	5.6	6.4	7.3	0.7	0.7	0.5	0.5	0.9	0.8	0.6	0.7	0.6	0.6	0.4	1.2	
Pulp of wood, paper or paperboard	3.1	3.7	2.9	4.6	2.6	0.2	0.2	0.3	0.2	0.1	0.1	0.2	0.1	0.2	0.1	0.1	0.1	
Textiles and textile articles	54.7	36.2	69.6	98.3	108.7	6.5	7.4	8.1	8.9	10.4	11.4	8.9	8.6	10.8	8.0	6.0	10.4	
Footwear, headgear, umbrellas	52.6	27.4	40.7	67.9	69.0	5.5	5.9	6.6	6.5	7.6	9.0	9.4	9.7	7.5	4.5	3.4	7.1	
Articles of stone, plaster, cement, ceramic prod.	0.4	0.4	1.7	0.6	0.7	0.0	0.0	0.0	0.1	0.1	0.1	0.1	0.3	0.1	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	0.0	0.0	0.0	4.2	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	2.2	1.7	1.4	2.4	2.3	2.3	2.4	2.9	2.9	0.8	1.2	1.5	
Machinery and mechanical, electrical equipment	3.8	7.4	4.3	12.4	4.4	0.7	0.4	0.2	0.3	0.4	0.3	1.4	1.6	0.7	0.2	0.2	0.3	
Vehicles, aircraft	0.1	0.5	1.2	5.0	0.2	0.0	0.1	0.0	0.0	0.0	0.2	0.0	0.0	0.6	0.0	0.0	0.0	
Optical, photographic, measuring, medical instr.	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	0.5	0.5	0.5	0.0	0.0	0.0	0.0	0.0	0.0	0.4	0.0	0.0	
Miscellaneous manufactured articles	3.2	3.4	6.1	7.9	7.1	0.0	0.7	0.0	0.4	0.5	0.4	0.4	0.6	0.6	0.4	0.2	0.3	
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	0.1	0.0	
TOTAL	224.5	145.9	208.0	274.4	255.9	20.8	21.0	20.4	22.5	27.4	28.6	31.8	27.9	27.8	18.0	14.8	25.6	

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

Textiles and articles mainly derived from domestic processing industry head our exports at a total of 42 percent of the volume. These exports were nearly 2.2 times lower against the preceding quarter or 2 percent lower compared to the corresponding quarter, previous year. Falling re-exports from good for processing industry mainly in July and August has caused such decline.

Head and footwear articles representing nearly 26 percent of total exports show a small increase of 5 percent compared to the third quarter, 2000. Meantime

compared to the second quarter, current year, these exports have had a considerable decline of nearly 43.5 percent. Even that decline has been as result of falling re-exports from good for processing industry in the country.

In contrast to the positive developing tendencies in the first half of the year *base metals and articles* have had a considerable decline. These exports were estimated at 36 percent lower than the corresponding quarter, previous year or nearly 2.4 times lower, than the preceding quarter, current year. Metals represent the main merchandise group in domestic exports.

Trading partners

Albania's trade transactions with the rest of the world are mainly directed to EU countries (with nearly 86 percent of the total). Trade to these countries estimated decline either against the corresponding quarter previous year (8 percent) or the previous quarter, current year (27 percent).

Imports from these countries represent 79 percent and exports 94 percent. Even in this quarter, Italy remained Albania's biggest partner in trade with 50 percent of the trade volume followed by Greece with 29 percent.

Trade with Eastern European countries, represented by Bulgaria, Slovenia, Romania and Russia, occupies only 6 percent of Albania's trade transactions with the rest of the world. Albania's trade with these countries decreased by 7 percent compared to the previous quarter.

Albania's trade transactions with the rest of the world mainly with Turkey, FYROM and Yugoslavia occupy nearly 6 percent and are estimated at 15 percent lower than the previous quarter.

Trade with Italy

Italy remains the principal country in Albania's trade transactions with the rest of the world.

Compared to the previous quarter, current year, trade with Italy had a declining volume of 18.6 percent, recording imports and exports decline by 8 and 37 percent, respectively. Meantime, compared to the first quarter, the volume of

trade with Italy had 4 percent increase. Such growth is reflected at 8 percent in imports while exports to this country have descended by about 5.5 percent. Exports to Italy mainly in head and footwear, textiles and articles also represent the good for processing industry in the country and occupy 38 and 37 percent of the total, respectively. This quarter, declining exports of this category affected exports decline to Italy and on the total of exports, generally.

Main imports with Italy are represented by machinery and mechanical and electrical equipment, textiles articles and vehicles of transport, which occupy 43 percent of imports from this country, respectively.

Trade with Greece

Trade activity with Greece was estimated at 19 percent higher compared to the previous quarter. Such growth effect has been the consequence of either growing imports or exports by 6 and 31 percent respectively. Compared to the third quarter 2000 trade with this country recorded positive rates. So, the foreign trade volume increased by nearly 26.8 percent with 31 percent in imports, while exports decreased by 3 percent. Mineral products and machinery and equipment represent main merchandise groups in imports, occupying 20 and 10 percent of imports from this country, respectively.

Main exports to Greece are represented by "textiles and articles" with 64 percent followed by "foodstuffs, beverages and tobacco" with about 20 percent of exports with this country.

Trade with Germany

Trade volume with Germany had 19 percent decline compared to the second quarter of the year. Such declining volume is due to decreasing imports by 25 percent while exports increased by 8 percent. Compared to the corresponding quarter, previous year, Albania's trade transactions with Germany increased by about 2 percent. Thus, imports with Germany increased by about 10 percent followed by a decrease in exports by about 18 percent.

Vehicles of transport, occupying about 43 percent of imports from Germany are the main cause for the rising volume of imports from this country.

"Textiles and articles" and "vegetal products" represent main exports with Germany occupying 62 and 22 percent of total exports to this country, respectively.

2.2 SERVICES

Services transactions this quarter recorded a positive balance of USD 11,5 million, meantime the previous and the corresponding quarter previous year recorded deficit.

So, services export, (at about USD 133 million) figured nearly 15 and 22.6 percent higher either compared to the third quarter 2000 or the previous quarter, current year.

Services import this quarter recorded USD 121 million or as 11.2 and 5 percent higher either compared to the second quarter 2001 or the corresponding quarter 2000.

Tourism income and expenditures are the main elements in the services balance, occupying nearly 83 and 65 percent of services' export or import, respectively. According to Bank of Albania's estimates, the balance of tourism services at the end of the third quarter, current year recorded a positive value of nearly USD 31.6 million. This method is based on the Bank of Albania's statistical survey results on tourism income and expenditures. It is noticed an increase of tourism income of nearly 19.6 percent against to the preceding quarter of the year. Such growth has been as a result of the growing tourists' number visiting Albania mainly from emigrants coming back home to pass the summer vacations.

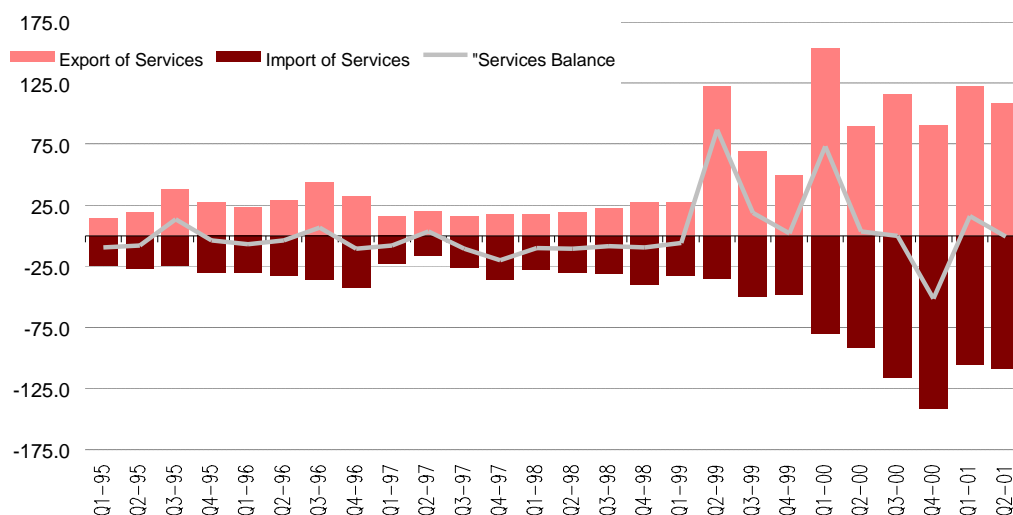


CHART 5. BALANCE OF SERVICES

2.3 INCOME

The positive balance of income this quarter recorded nearly USD 39,5 million. Such surplus value is estimated at 38 or 19 percent higher either compared to the preceding quarter, current year or the second quarter, previous year.

Behind this growth stand compensations of seasonal employees or income derived from the foreign assets investments of the banking system. So, compensations of employees this quarter had 27.8 percent increase against the third quarter 2000. Income from foreign assets investments of the banking system increased by 47.4 percent compared to the previous quarter, meantime, they had 68 percent increase compared to the corresponding quarter, 2000.

2.4 TRANSFERS

The surplus of current transfers of nearly USD 119 million covered nearly 46.7 percent of the foreign trade deficit in goods or was nearly 6 percentage points more than in the previous quarter.

The balance of current transfers is estimated at nearly 20.5 percent higher than the previous quarter, however presented nearly 2 times decline compared to the

corresponding quarter, 2000. Such decline has been the result of the decrease of private and official transfers.

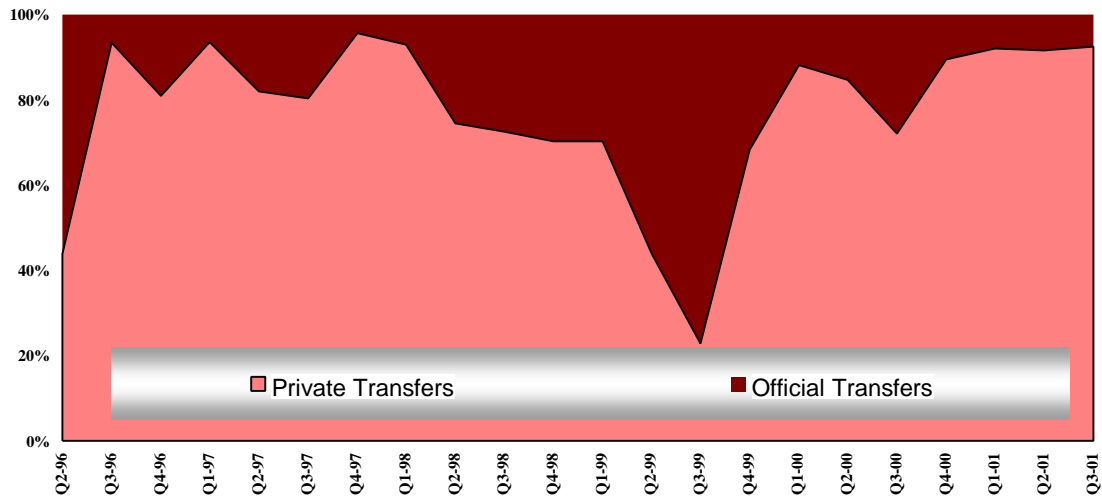


CHART 6. STRUCTURE OF TRANSFERS

Remittances from expatriates this quarter estimated at nearly USD 130,4 million or were nearly at 19,5 percent lower compared to the corresponding quarter, 2000.

Official transfers decreased nearly 6 times compared to the third quarter 2000, too. Different from the previous year when official transfers were mainly represented by aids in goods this quarter the technical assistance was most important item of official transfers.

3. CAPITAL AND FINANCIAL ACCOUNT

The positive balance of capital and financial account at the end of the quarter is estimated at about USD 67 million, financing nearly 79 percent of the current account deficit. The increase of current transfers was followed by the rise of capital transfers, recorded USD 61 million. These inflows of capital covered significantly the current account deficit.

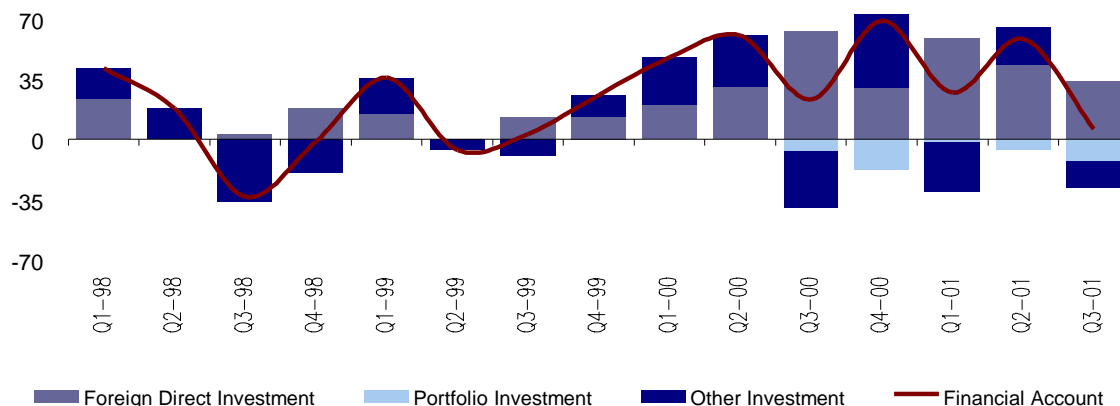


CHART 7. FINANCIAL FLOWS (IN MILLIONS OF USD).

3.1 FINANCIAL LIABILITIES

Financial liabilities of Albanian economy during the third quarter increased at nearly USD 62 million. Such growth represents 71 percent of the growth in the corresponding quarter previous year or is estimated at nearly 9.8 percent higher than that of the second quarter of 2001. The extension of financial liabilities is mainly represented by direct foreign investments¹, credit lines of banking system's foreign loans and deposits.

Direct foreign investments this quarter were estimated at nearly USD 34 million. This figure is nearly 21 percent lower than that of the second quarter or nearly 1.9 times lower than the corresponding quarter, previous year. Such decline has been the result of the reduction of privatizations of large own state enterprises in Albania.

Borrowing. Capitals invested in the form of direct investments are added foreign loan disbursements, which recorded the value of nearly USD 26 million or 4 percent lower than the previous quarter 2001, reaching the same figure with corresponding quarter, 2000.

¹See the accompanying methodological notes at the end.

The disbursement were represented by "General Government" and "Monetary Authority" sectors respectively by 90 and 7 percent. Government's main borrower is World Bank, as previously. Amongst these disbursements we may mentions Use of Fund Credits and Loans at about USD 6 million.

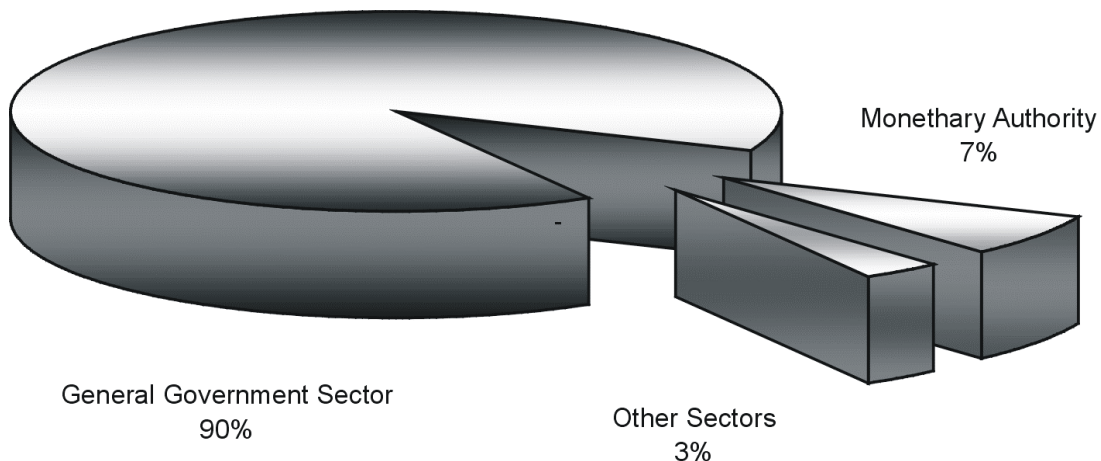


CHART 8. DEBT OUTSTANDING DISBURSED

Debt services in the form of principal payments during the second quarter of the year recorded nearly USD 7 million or 3 times higher than in the third quarter 2000.

Financial liabilities in the form of *non-resident deposits in the banking system* increased by USD 8,1 million. These deposits are mainly in USD and occupy 69 percent of the total, followed by those in DEM, SFr, and GDR and LIT with nearly 28 percent.

3.2 FINANCIAL ASSETS

Claims at the end of the third quarter 2001 had USD 56 million increase. This growth was mainly represented by the increase of public holding of foreign exchange and of deposits with the banking system at respectively USD 15 and 24 million. Portfolio investments, which at the end of the quarter were estimated at 2 times higher than the previous quarter or the corresponding quarter 2000, affected the extension of financial assets.

4. RESERVES

Foreign exchange inflows in the form of capital inflows and current transfers in cash were reflected in the increase of Monetary Authority Reserves by USD 29,2 million (nearly 1.9 times higher than that of the second quarter of the year).

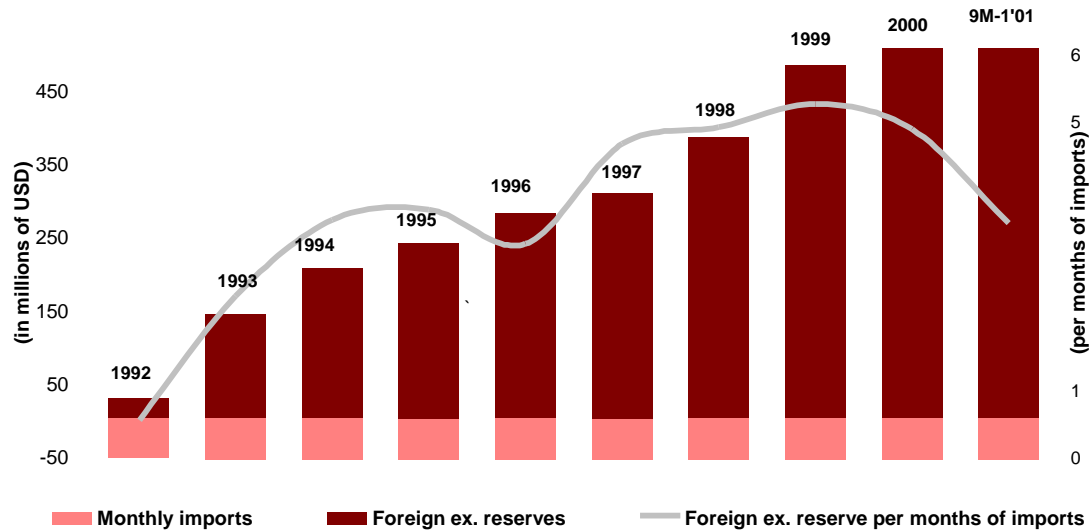


CHART 9. MONETARY AUTHORITY RESERVES

Such growth was recorded mostly in the foreign exchange at nearly USD 25 million. Gross official reserves at the end of the quarter were sufficient to cover 4.5 months of imports (import of services and goods).