



REPUBLIC OF ALBANIA
BANK OF ALBANIA



Sheshi "Skënderbej", No. 1, Tirana - Albania • **Tel:** ++355 4 222230; 222750; 235568
• **Fax:** ++355 4 223558 • **Website** www.bankofalbania.org • **E-mail:** public@bankofalbania.org

PRESS RELEASE

DEVELOPMENTS IN THE EXTERNAL SECTOR OF THE ALBANIAN ECONOMY IN THE FIRST QUARTER OF 2005

Balance of payments overview

The current account deficit for the period January-march 2004 was USD 56 million or 23 per cent bigger than the deficit of the same period last year. This period was characterized by higher current expenditures as well as higher current revenues. Total current transactions amounted to USD 1.7 billion, of which USD 863 million were expenditures and USD 807 million revenues. Almost 60 per cent of current expenditures were payments for imports of goods which stood at USD 521 million, whereas the two bigger revenue groups were services and current transfers with respectively USD 265 million and USD 332 million. Current account deficit was totally financed through capital and financial net inflows which amounted to USD 66 million.

Current account

Foreign trade volume, i.e. imports plus exports, for the first three quarters was USD 680 million representing almost 41 per cent of total current transactions. Trade deficit was USD 363 million or 14 per cent bigger than the deficit of the same period last year. Imports stood at USD 521 million and were three times bigger than exports. Imports consisted mainly of consumption products, investment-related products and raw materials used for processing. Exports went up by 16 per cent compared to the same period last year. The growth in exports was triggered mostly by growth in re-exports (textiles and footwear) which make up 81 per cent of the total exports. The balance in services for the first quarter was negative by USD 37 million. Travel is the main source of revenues (USD 196 million out of USD 265 million of total revenues), while travel and transport represent the two bigger expenditure groups (with 63 and 18 per cent of the total expenditures each). Expenditures for tourism have increased faster than revenues compared to last year. Income account has ended the period with a positive balance of USD 46

million. The biggest share of inflows comes from compensation of employees working abroad (around 56 per cent). The rest of inflows is due to interests on portfolio investments or reserve investments from resident abroad. Current transfers, like in the previous years, have been shaped from emigrants' remittances. During the first quarter of 2005 remittances are estimated at USD 255 million, being 25 per cent higher than in the previous year.

Capital and financial account

Net capital and financial flows were USD 66 million and have totally financed the current account deficit. Capital transfers were recorded at USD 47 million while the difference between external financial assets and liabilities was USD 19 million.

Capital imports, performed mainly through absorbing foreign direct investments and extending long-term credits and loan facilities from abroad, brought about an increase of Albania's financial liabilities to the rest of the world, by about USD 64 million. Foreign direct investment inflows amounted to USD 54 million. Foreign credit disbursements, standing at USD 22 million, also contributed to the growth of the country's external liabilities. Albania's financial claims to the rest of the world increased by about USD 44 million. Stock of financial assets as portfolio investments have increased considerably (USD 56 million) reaching USD 201 million by the end of March. While, foreign assets owned by the banking system in the form of foreign deposits decreased by about USD 10 million.

Monetary Authority Reserves

The reserves of the monetary authority (BoA) grew by USD 13 million. At the end of March the stock of foreign exchange reserves was USD 1.4 billion or 4.9 months of imports of goods and services.

BALANCE OF PAYMENTS

in million USD

	Q1 '04	Q2 '04	Q3 '04	Q4 '04	Q1 2005
Current Account, nie.	-45.8	-114.2	-30.8	-167.3	-56.2
Merchandise: Exports, fob	136.5	156.5	148.7	161.7	158.5
Merchandise: Imports, fob	-454.4	-514.6	-554.5	-671.5	-521.5
Trade Balance	-317.9	-358.0	-405.8	-509.8	-362.9
Servises: Credit	220.4	248.3	273.6	261.1	264.7
Servises: Debit	-208.2	-267.4	-280.0	-299.2	-301.7
Income: Credit	42.8	41.8	68.1	51.0	51.4
Income: Debit	-5.3	-8.3	-6.1	-8.6	-5.0
Private Unrequired Transfers	207.8	212.9	298.9	314.3	280.2
Official unrequired Trans., nie	14.6	16.7	20.4	23.9	17.1
Capital Account	34.0	25.7	35.6	37.0	46.6
Financial Account	31.0	220.4	-16.4	151.8	13.4
Direct Investment, nie	35.0	176.7	71.9	57.7	54.0
Portofolio Investment, nie	-1.3	4.0	119.8	-126.1	-56.3
Other Capital, nie	-2.7	39.7	-208.0	220.2	15.7
Net Errors and Omissions	-10.2	-14.6	101.1	39.1	2.8
Overall Balance	14.9	117.4	95.3	60.6	12.7
Reserve and Related Items					
Reserve Assets	-14.9	-117.4	-95.3	-60.6	-12.7
Use of Fund Credit and Loans	6.0	0.0	5.9	0.0	6.1
Memorandum Items					
Total Change in Reserve Assets	-2.6	-113.9	-103.2	-123.4	20.6
of which: Revaluation	-12.3	-3.6	7.8	62.8	-33.3

Source: Bank of Albania