

Economy of Albania

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An extremely poor country by European standards, Albania is making the difficult transition to a more open-market economy. The collapse of communism in Albania came later and was more chaotic than in other east European countries and was marked by a mass exodus of refugees to Italy and Greece in 1991 and 1992. Attempts at reform began in earnest in early 1992 after real GDP fell by more than 50% from its peak in 1989.

The democratically elected government that assumed office in April 1992 launched an ambitious economic reform program to halt economic deterioration and put the country on the path toward a market economy. Key elements included price and exchange system liberalization, fiscal consolidation, monetary restraint, and a firm income policy. These were complemented by a comprehensive package of structural reforms including privatization, enterprise, and financial sector reform, and creation of the legal framework for a market economy and private sector activity. Most prices were liberalized and are now at or near international levels. Most agriculture, state housing, and small industry were privatized. Progress continued in the privatization of transport, services, and small and medium-sized enterprises. In 1995, the government began privatizing large state enterprises.

Results of Albania's efforts were initially encouraging. Led by the agricultural sector, real GDP grew by an estimated 11% in 1993, 8% in 1994, and more than 8% in 1995, with most of this growth in the private sector. Annual inflation dropped from 25% in 1991 to single-digit numbers. The Albanian currency, the lek, stabilized. Albania became less dependent on food aid. The speed and vigor of private entrepreneurial response to Albania's opening and liberalizing was better than expected. Beginning in 1995, however, progress stalled, with negligible GDP growth in 1996 and a 9% contraction in 1997. A weakening of government resolve to maintain stabilization policies in the election year of 1996 contributed to renewal of inflationary pressures, spurred by the budget deficit which exceeded 12%. Inflation approached 20% in 1996 and 50% in 1997. The collapse of financial pyramid schemes in early 1997 -

which had attracted deposits from a substantial portion of Albania's population - triggered severe social unrest which led to more than 1,500 deaths, widespread destruction of property, and an 8% drop in GDP. The lek initially lost up to half of its value during the 1997 crisis, before rebounding to its January 1998 level of 143 to the dollar. The new government, installed in July 1997, has taken strong measures to restore public order and to revive economic activity and trade.

Albania is currently undergoing an intensive macroeconomic restructuring regime with the International Monetary Fund and World Bank. The need for reform is profound, encompassing all sectors of the economy. However, reforms are constrained by limited administrative capacity and low-income levels, which make the population particularly vulnerable to unemployment, price fluctuation, and other variables that negatively affect income. The economy continues to be bolstered by remittances of some 20% of the labor force that works abroad, mostly in Greece and Italy. These remittances supplement GDP and help offset the large foreign trade deficit. Most agricultural land was privatized in 1992, substantially improving peasant incomes. In 1998, Albania recovered the 8% drop in GDP of 1997 and pushed ahead by 7% in 1999. International aid has helped defray the high costs of receiving and returning refugees from the Kosovo conflict. Largescale investment from outside is still hampered by poor infrastructure; lack of a fully functional banking system; untested or incompletely developed investment, tax, and contract laws; and an enduring mentality that discourages bureaucratic initiative.

Statistics

GDP

- Purchasing power parity - \$16.13 billion (2003 est.)
- Real growth rate: 7% (2003 est.)
- Per capita: purchasing power parity - \$4,500 (2003 est.)

Agriculture

(Wheat, maize, potatoes, sugar beets, cotton, and tobacco) 47.5%

- Industry: (Textiles, timber, construction materials, fuels, semi-processed minerals)

24.6%

- Services: 27.8% (2003 est.)

Population Below Poverty Line: 30% (2001 est.)

Household Income or Consumption by Percentage Share

- Lowest 10%: NA%
- Highest 10%: NA%

Inflation Rate (Consumer Prices): 2.4% (2003)

Labor Force

- 1.35 million (not including 352,000 emigrant workers) (2003 est.)

By Occupation

- Agriculture 57%
- Non-agricultural private sector 20%
- Public sector 23% (2003 est.)

Unemployment Rate: 15.8% officially; may be as high as 30% (2003 est.)

Budget

- Revenues: \$1.36 billion
- Expenditures: \$1.627 billion, including capital expenditures of \$406 million (2003 est.)

Industries

Food processing, textiles and clothing; lumber, oil, cement, chemicals, mining, basic metals, hydropower

Industrial Production Growth Rate: 2.7% (2003 est.)

Electricity - Production: 5,289 GWh (2001)

Electricity - production by source:

- *fossil fuel*: 2.9%
- *hydro*: 97.1%
- *other*: 0%
- *nuclear*: 0% (2001)

Electricity

- *Consumption*: 5,898 GWh (2001)
- *Exports*: 221 GWh (2001)
- *Imports*: 1,200 GWh (2001)

Oil

- *production*: 5,952 barrel/day (946 m³/d) 2001
- *consumption*: 22,400 barrel/day (3,560 m³/d) 2001
- *exports*: NA (2001)
- *imports*: NA (2001)
- *proved reserves*: 185.5 million barrel (29,490,000 m³) 37257

Natural gas

- *production*: 30 million m³ (2001 est.)
- *consumption*: 30 million m³ (2001 est.)
- *exports*: 0 cu m (2001 est.)
- *imports*: 0 cu m (2001 est.)
- *proved reserves*: 3.316 km³ (37257)

Agriculture

Products: wheat, maize, potatoes, vegetables, fruits, sugar beets, grapes; meat, dairy products

Exports

\$425 million f.o.b. (2003 est.)

Commodities: textiles and footwear; asphalt, metals and metallic ores, crude oil; vegetables, fruits, tobacco

Export Partners

- Italy: 73.2%
- Germany: 5%
- Greece: 4.3% (2003 est.)

Imports

\$1.76 billion f.o.b. (2003 est.)

Commodities: machinery and equipment, foodstuffs, textiles, chemicals

Import Partners

- Italy: 37.9%
- Greece: 21.3%
- Turkey: 5.9%
- Germany: 5.4%
- Bulgaria: 2% (2003 est.)

Debt- External: \$1.41 billion (2003)

Economic Aid

ODA: \$315 million (top donors were Italy, EU, Germany) (2000 est.)

Currency

1 Lek (ALL) = 100 qintars

Exchange Rates

Leke per US dollar - 121.863 (2003), 140.155 (2002), 143.485 (2001), 143.709 (2000), 137.691 (1999)

Fiscal Year

Calendar year

References

Much of the material in this article comes from the CIA World Factbook 2003 and the 2003 U.

S. Department of State website.

External links

- Albanian Economic Development Agency (official site) (*http://www.aeda.gov.al*)
- Bank of Albania (official site) (*http://www.bankofalbania.org*)
- U.S. Department of Energy - Country Report on Albania (*http://www.eia.doe.gov/emew/world/country/cntry_AL.html*)

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