

Responding to the Coronavirus Crisis

Update on Albania (13/05/20)



EBRD Policy Comparator

Financial Sector			Direct support to firms					Payment holidays			Temporary controls		Support to individuals				Increased social benefits			Health	External Assistance
Policy rate reduced	Liquidity increased	Prudential req. loosened	Wage subsidies	Tax/ social sec. contr. deferred	Loan subsidies	Guarantees	Inspections/ audits suspended	Loans	Rent	Utilities	Prices	Exports	Universal transfers	Self-employed	Pensioners	Low income households	Enhanced sick leave	Enhanced unemp. benefits	Public works	Additional spending	(available or negotiated)
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Economic channels of disruption

Tourism, private consumption, services

- Severe lockdown (curfew, schools, all non-essential businesses closed and private traffic suspended) has caused sharp halt to economic growth.
- Tourism (more than a fifth of GDP) will be heavily negatively affected by lockdowns in source countries and cancelled bookings.
- Trade (especially outward processing trade in the fashion industry) with Italy (close to 50% of exports and 27% of imports) to be hit hard
- Remittances (around 10% of GDP) to decline, with a negative impact on consumption

Selected crisis impact indicators

EBRD GDP growth outlook (May 2020)	2020: -9%
	2021: 12%
Sales decline (Albanian Manufacturers Union survey, March 2020)	> 50% in March at 61% of companies
	100% in April at 21% of companies
Share of bars/restaurants facing bankruptcies by end-2020 (Association of bars and restaurants; April 2020)	50%
Increase in the number of unemployed (from end-2019 to 20 April 2020)	37%

Crisis response measures to date

Support for healthcare, workers and businesses

- Two support packages to businesses, healthcare and people in risk, including sovereign guarantee fund for tourism, clothing and manufacturing businesses, state aid to companies experiencing difficulties to pay workers' wages, emergency payment for employees in tourism and those dismissed from large companies, income support for micro businesses and self-employed, cancellation or write-off of penalties on late payments of energy bills for more than 200 thousand people and additional funding for medical personnel
- Small businesses not to pay profit tax in 2020
- Suspension of four PPP contracts and public procurement procedures
- BoA cut the policy rate by 50 bp, to 0.5%

Selected crisis response indicators

Value of two support packages	EUR 560 million in total
Payment holidays for loans, for those applying (months)	3 months
Committed external assistance	EC MFA: EUR 180 million
	IMF's RFI: EUR 174 million
	EU: EUR 50.7 million (reallocated from Instrument for Pre-Accession Assistance)

Key short-term priorities

Provide liquidity to the economy, particularly SMEs, the tourism and fashion industry, and revenue support to vulnerable individuals