

Albania Watch: Construction and tourism keep economy on fast track in Q3

Economic activity accelerated in Q3 2022, reaching 4% yoy growth, compared to 2.7% (revised upwards from 2.2%) in Q2. We confirm our 2022 FY forecast for GDP growth of 3.9%, as upwards revised data in Q2 balances out lower public investments in Q4, as indicated by the fiscal surplus of the first 11 months of 2022. In our opinion, although the government will speed up the tendering process in December, it will not be able to fill the gap. Thus, the contribution to GDP from the public investments in Q4 is projected to be lower than initially forecast.

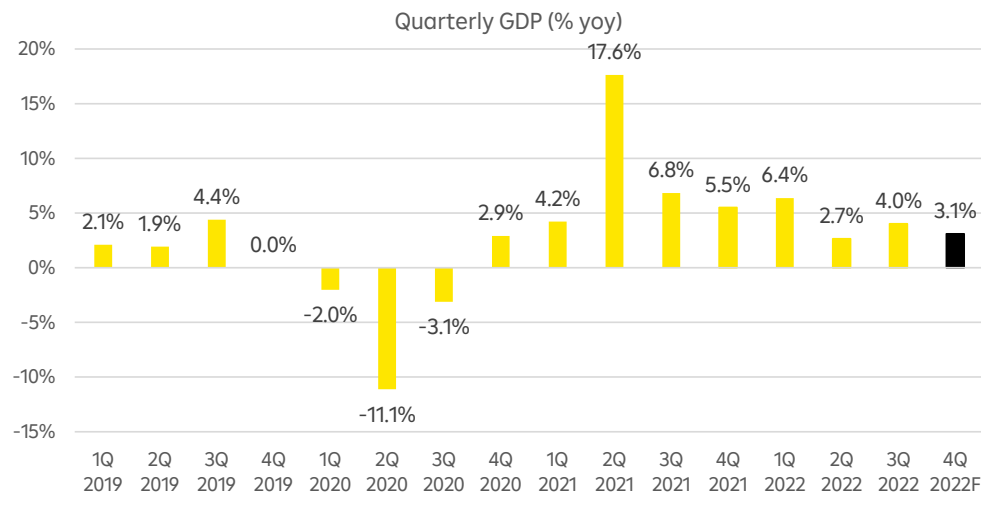


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Growth picks up speed in Q3, after upward revision of growth in Q2

Economic activity **accelerated during Q3 2022, reaching a 4% yoy** growth rate, and improved compared to the previous quarter's slack growth rate of **2.7% (revised upwards from 2.2%)**. This growth rate stood very close to our **projection for Q3 2022 (3.9%)** and we expect the next quarter's figure will hover around **3.1%**.

Growth picks up pace again in Q3, Q4 to land around 3.1%



Source: INSTAT, RBI/Raiffeisen Research

Construction, Tourism and Real Estate account for 90% of GDP growth

The GDP figure for Q3 2022 pertains to robust contributions from **Trade, Tourism and Accommodation (1.9pp), Construction (1pp) and Real Estate (0.8pp)**. The contribution from Trade and services related to Tourism is a nexus for this quarter's economic growth, as it accounts for **approximately 50% of GDP growth**, with the remaining major

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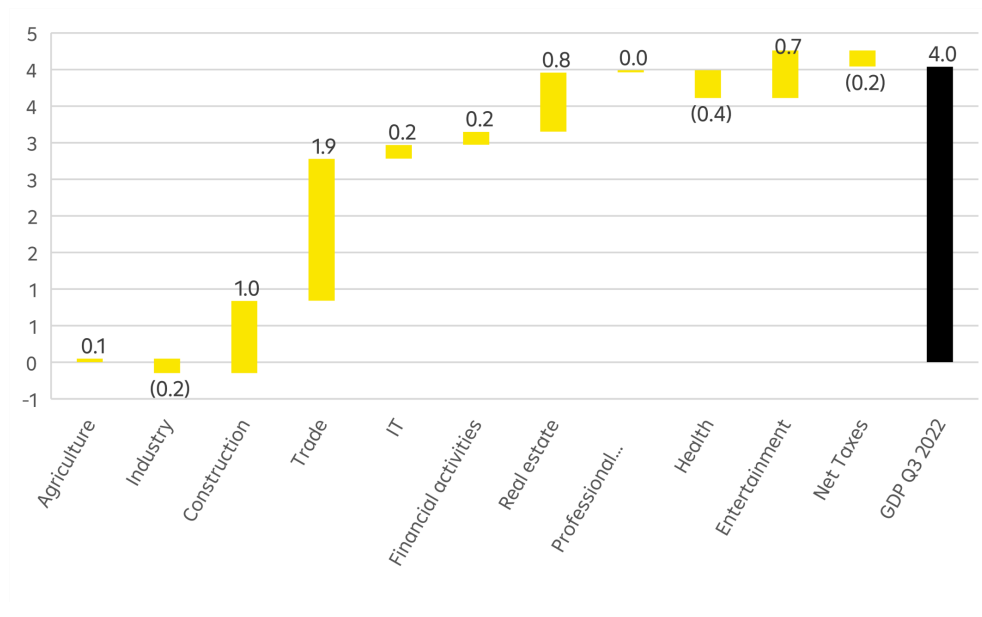
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positive contributions from Construction and Real Estate. In addition, entertainment rallied compared to Q3 2021, by logging a positive **0.7pp contribution to GDP**.

Sectoral contributions to Q3 GDP (in pp)

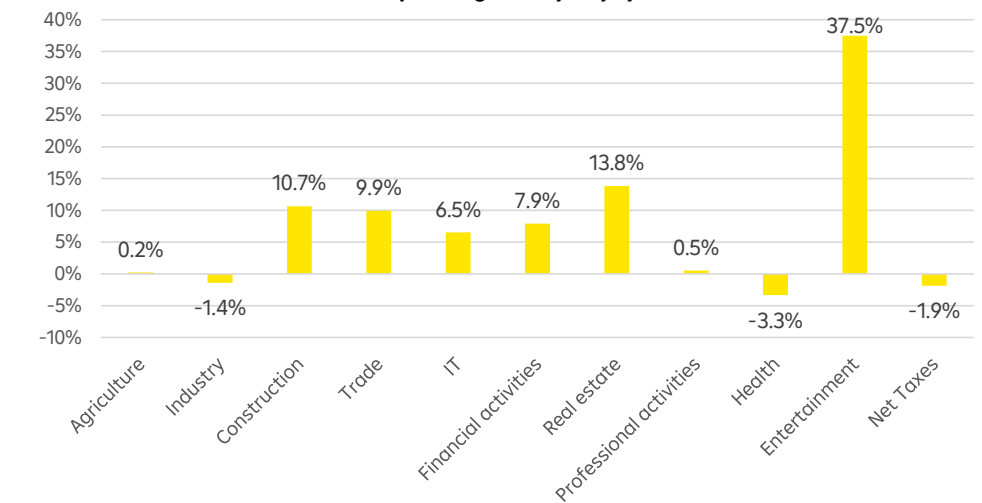


Source: Instat, RBI/Raiffeisen Research

Tourism related services were the engine of growth in Q3

In terms of yearly growth rates, three categories registered double-digit jumps, namely Entertainment (the fastest-expanding activity during Q3 by **37.5%**), followed by **Real estate (13.8%)** and **Construction (10.7%)**. **Trade, Financial activities, and IT also expanded by 9.9%, 7.9% and 6.5%**, respectively. On the other hand, Industry, Health and Net Taxes shrank by **-1.4%, -3.3% and -1.9%**, respectively.

Entertainment becomes the fastest expanding activity in yoy terms



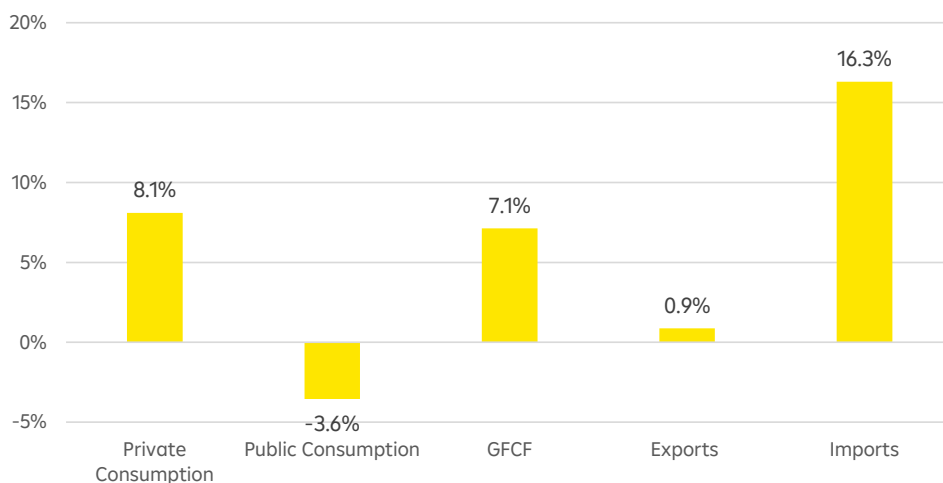
Source: Instat, RBI/Raiffeisen Research

Government fiscal restraint continues to act as a drag on growth in Q3 and Q4

On the expenditure side, **Imports** continued to expand at a rate of **16.3%** (slightly down from the **previous quarter's growth rate of 17%**), followed by **Private Consumption and GFCF posting growth rates of 8.1% and 7.1%, respectively**. It is worth mentioning that **GFCF posted a positive growth rate of 7.1%**, significantly up from the previous quarter's negative growth of -6.7%. Exports of products and services logged a **sluggish**

increase of 0.9%. Public Consumption was the only group to **shrink (-3.6%)**, still an improvement from the previous quarter's negative growth rate of -8.5%.

Private investments recover from the costs shock of the Ukrainian war (% yoy)



Source: Instat, RBI/Raiffeisen Research

We confirm our full year forecast for a **GDP growth of 3.9% in 2022** as upwards revised data in Q2 balance out the expectedly **lower public investments in Q4**, as indicated by the fiscal surplus of the first 11 months of 2022. In our opinion, although the government will speed up the tendering process in December, it will not be able to fill the gap. Thus, the contribution to GDP from the **public investments is projected to be lower** in Q4 2022.

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