



# Weekly Briefing

**Albania economy briefing:**  
**The trends of the Average Individual Consumption in Albania**  
**Marsela Musabelliu**

## China-CEE Institute

Kiadó: Kína-KKE Intézet Nonprofit Kft.

Szerkesztésért felelős személy: Ju Weiwei

Kiadásért felelős személy: Feng Zhongping

 1052 Budapest Petőfi Sándor utca 11.

 +36 1 5858 690

 [office@china-cee.eu](mailto:office@china-cee.eu)

 [china-cee.eu](http://china-cee.eu)

# **The trends of the Average Individual Consumption in Albania**

## **Summary**

*In the decades-long run and with aspiration for being part of the European Union standards, Albania has finally managed to match and outperform some of these standards, namely food prices. As the Cost of Living crisis of 2022 is also dragging in 2023, Albanian households are witnessing more and more of their income channeling mostly on food. As the country has some of the lowest wages in Europe and higher prices for necessities, the continuation of the rise of prices has added considerable financial hardships to the majority of households.*

*This briefing is an overview of the main factors and consequences of the increase in Average Individual Consumption in Albania.*

## **Introduction**

Many times, when it comes to national and international statistics concerning Albania, many figures do not match. Moreover, most of the time, what national statistics highlight and European statistics highlight are very different perspectives and main findings. Recently, data from the EU have published an analysis of what most Albanian citizens know too well: individual spending is much higher, and their cumulative products to purchase are much lower. This also demonstrates that official inflation data do not do justice to the reality on the ground.

## **Per capita consumption in Albania**

In July 2023, Eurostat released its estimations about the per capita consumption of the nations of the continent. It is stated that for Albania, the figure for average consumption is about 5.178 euro (€) for 2022. The figure has an increase of +16.7%, from 4.436 euros per capita in the prior year. In all considerations, this increase is significantly above the European Union (EU) rate, which is fixed at 10%. Needless to argue that the conflict in Ukraine and the consequent rise in fuel, energy, and food prices influenced exponentially. The most visible controversy here is that this increase does not mean an increase in consumption because the

consumption shrank, especially at the end of the year. It means that Albanians spent more and consumed less.

In fact, the increase in expenses of 16.7% is more than twice higher than the official inflation rate for 2022 in Albania. In the European Union (EU), for example, the official inflation rate for 2022 was fixed at 9.2%, while the increase in per capita spending is close to 10%, which shows a match between the two figures. In Albania, there is a different reality because the official inflation rate was fixed at 6.7%, according to the Institute of Statistics (INSTAT), so spending per capita is 2.5 times higher than the base inflation!

Despite the increase in spending their money, which is above the European average, Albanians are the ones who consume the least in the entire continent, the figures show. No other European country among those analyzed registers a per capita consumption figure below 5.178 euro/per year. Furthermore, Eurostat figures demonstrate that an average European spends around 23 thousand euro/per year or more than 4 times more than an Albanian. However, standardized with purchasing power, this difference narrows since an Albanian consumes as much as 40% of a European. Meanwhile, on average, Albanian citizens spent around 2.002 € on food alone from the 1.697 € spent in one year prior, with an increase of +18%. Even this increase is significantly higher than the average of the EU, which is fixed at 11.9%, as well as higher than the increase in consumer prices for food, according to INSTAT. An average European citizen spends around 2.342 euros on food per year, which shows that Albanians spend on food almost the same as Europeans, even though their incomes are significantly lower than in Europe. If we compare it with the Gross Domestic Product (GDP), food expenses translate into 31% of the country's economic output. Over the course of one year, the expenses of an Albanian have increased by an average of 742 €, or about 62 € every month.<sup>1</sup>

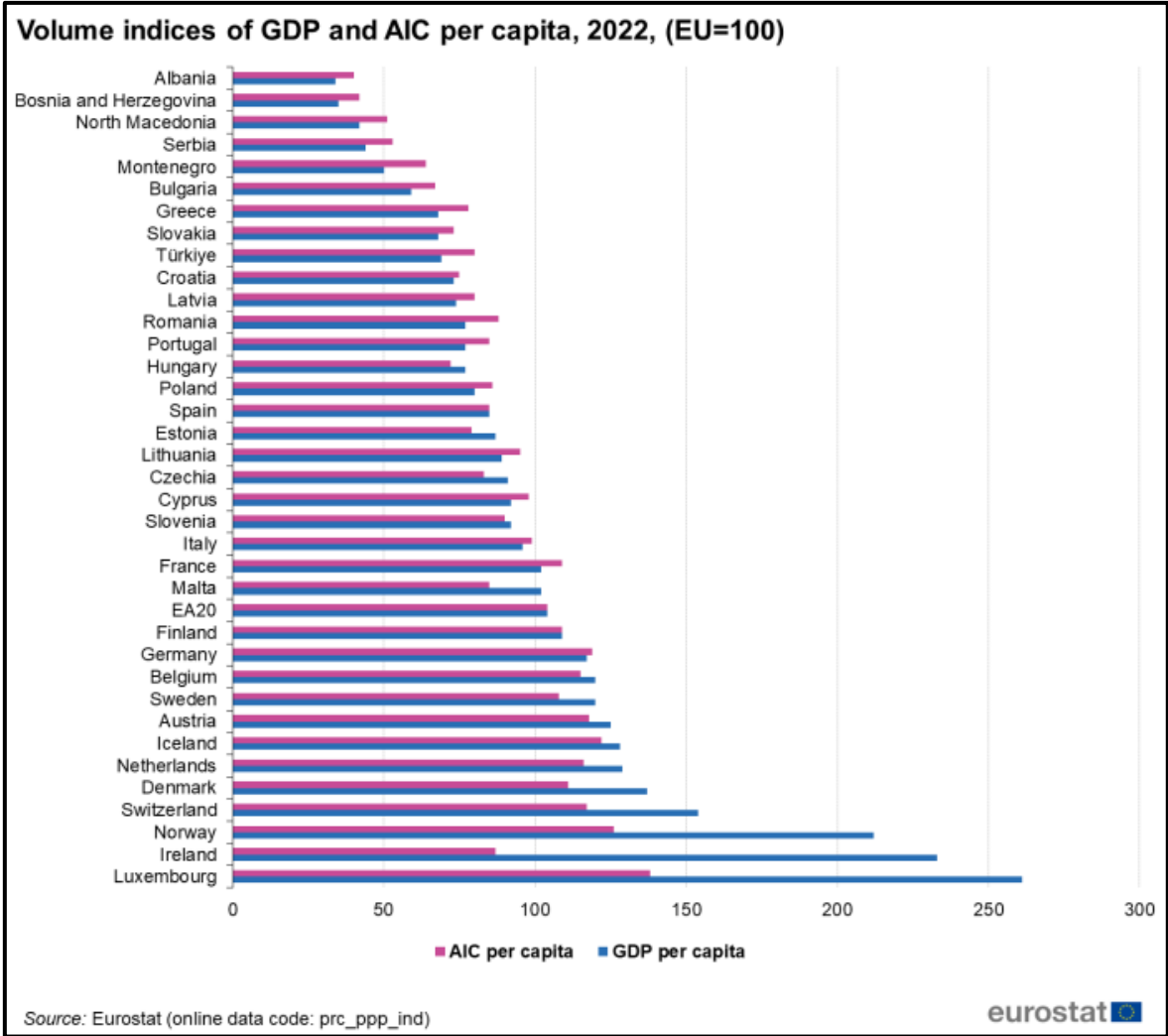
### **Actual individual consumption as a base indicator for material welfare**

While GDP is mainly an indicator of the level of economic activity, actual individual consumption (AIC) is an alternative indicator better adapted to describe the material welfare of households. In international comparisons, the term is usually preferred over the narrower concept of household consumption. Although GDP per capita is an important and widely used indicator of countries' level of economic welfare, consumption per capita may be more useful

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<sup>1</sup> How much has the increase in prices cost us? <https://intel.scantv.al/sa-na-ka-kushtuar-rritja-e-cmimeve-shqiptaret-konsumuan-742-euro-per-fryme-me-shume-gjate-2022-shit-fatura-me-e-kripur-se-ne-be/>

for comparing the relative welfare of consumers.<sup>2</sup> To this end, Eurostat demonstrated that levels of actual individual consumption were somewhat more homogeneous but still showed significant differences across Europe.



Source: Eurostat <sup>3</sup>

**Albanian and continental average**

It is found that the prices for the final consumption in Albania for the year 2022 were as much as 61.3% of the average prices in the European Union. However, food prices matter the

<sup>2</sup> Glossary: Actual individual consumption (AIC). [https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Glossary:Actual\\_individual\\_consumption\\_\(AIC\)](https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Glossary:Actual_individual_consumption_(AIC))

<sup>3</sup> Purchasing power parities (PPPs), price level indices and real expenditures for ESA 2010 aggregates. [https://ec.europa.eu/eurostat/databrowser/view/prc\\_ppp\\_ind/default/table?lang=en](https://ec.europa.eu/eurostat/databrowser/view/prc_ppp_ind/default/table?lang=en)

most and concern most Albanian families.<sup>4</sup> If we are to compare the price of food in Albania and the EU average, subdivided by category, the situation unfolds as below:

Food prices comparison EU/Albania

Product category	Albanian to EU average
Other food [miscellaneous]	114.3
Milk, cheese and eggs	111.7
Soft drinks	108.8
Oils and fats	106.7
Food and non-alcoholic beverages	85.1
Food provisions	83.6
Fish	81.1
Bread and cereals	80.3
Meat	73.4
Fruits, vegetables, potatoes	72.4

Source: SKAN (own graphic elaboration)

The situation is unsettling, to say the least; in a country where the average wage is at least five times lower than in the EU, the food prices are the same and higher than in the wealthy countries. The issue is that this trend is also continuing throughout 2023. In Albania, families spend over 40% of their expenses on food, from 13%, which is the European average, the most of the food prices increase, the less they will consume. Furthermore, the recent elections had a major impact on price increases due to the incredible cash flows before the elections.

Another issue has arisen in the past two years; domestic production has become so uncompetitive that many product categories are being replaced by imports. The best examples are the milk processing industry, with a 14% increase in prices in May, or beer producers (imports of this product have increased by more than 50% in the first months of the year). Meanwhile, an agricultural country like Albania is facing difficulties in providing basic

<sup>4</sup> June 2023 Eurostat update. GDP per capita, consumption per capita and price level indices. [https://ec.europa.eu/eurostat/statisticsexplained/index.php?title=GDP\\_per\\_capita,\\_consumption\\_per\\_capita\\_and\\_price\\_level\\_indices#Relative\\_volumes\\_of\\_consumption\\_per\\_capita](https://ec.europa.eu/eurostat/statisticsexplained/index.php?title=GDP_per_capita,_consumption_per_capita_and_price_level_indices#Relative_volumes_of_consumption_per_capita)

products such as potatoes and onions. The market itself seems to be suffering from the lack of long-term development policies and increased competitiveness.<sup>5</sup>

The question arises, how do Albanians manage to live by this kind of food prices? – Most of them consumed less food, as the data show. A recent Albanian economic analysis shows that the consumption of bread in the districts decreased! Imports for the cereal group fell 25% in 2022 compared to the previous year. The net weight of cereals in 2022 is the lowest recorded in the last 14 years (since 2008).

Bread producers claim that the progress of consumption in Tirana is normal, while in the districts, it is decreasing. The emigration of the population has affected the consumption of bread in the districts. High dairy prices reduce purchasing power by up to 25%, prompting imports. The Milk Processing Industry Association, for example, states that the consumption of cheese has decreased by 25%, while the demand for milk and yogurt products has decreased by 15%.

According to business associations, the high cost of food products has reduced consumption drastically. Even in bars and restaurants, consumption continues to decrease, and producers request the intervention of the state to reduce the VAT on food, as there is a risk of closing factories.<sup>6</sup>

Even if we analyze the monthly level of price change, the situation unfolds as below:

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<sup>5</sup> The elections are over, let the prices rise! <https://www.monitor.al/zgjedhjet-mbaruan-le-te-rriten-cmimet/>

<sup>6</sup> How rising prices and immigration are shrinking consumption. <https://www.monitor.al/si-po-e-tkurr-konsumin-rritja-e-cmimeve-dhe-emigracioni-2/>

### Inflation of basic food products for June 2023

Consumer Price Index (CPI)	June 2023/June 2023
Total of all items	4.5
Food, and non-alcoholic beverages	10.3
Food	10.9
Bread and cereals	4
Meat	10.9
Fish	9
Milk, cheese and eggs	14.4
Oils and fats	-8
Fruits	9.6
Vegetables included potatoes	26.1
Sugar ,jam honey, syrup, chocolates and sweets	4.3
N.e.c. Food	12.4
Non-achoholic beverages	2.3
Coffee, tea and cacao	1.3
Mineral water beverages and soft beverages	3.9
Alcoholic bevereges and tobacco	3.7
Alcoholic beverages	4.2
Tobacco	3.3

Source: INSTAT (own graphic elaboration)<sup>7</sup>

The prices continue to rise every month because of two main reasons, the high dependency on imports and the devaluation of the euro and the strengthening of the Albanian Lek (ALL). The devaluation of the euro has created a series of chain reactions that are catastrophic for internal consumption. Albanian citizens are not used to this exchange rate. It seems several factors seem to have affected it, at least this year. The construction sector is one of the factors that has influenced this decline, starting from a large number of buildings. For the first quarter of the year, there was a value of real estate transactions of around 300 million euro, which is a very high value.

Currency, like any other commodity, is under the law of supply and demand. Undoubtedly, there is a large supply of euro in Albania, and its value decreases. Most Albanian economists agree that informal money has been channeled into the construction sector. This is something that is already confirmed either by national reports or by what is observed on the ground because, in the construction sector, many transactions are made outside the banking system. In addition, in the last 7-8 years, there are estimated more than half a million citizens

<sup>7</sup> INSTAT media release. Inflation by category June 2023.  
<https://www.instat.gov.al/al/temat/%C3%A7mimet/indeksi-i-%C3%A7mimeve-t%C3%AB-konsumit/publikimet/2023/indeksi-i-%C3%A7mimeve-t%C3%AB-konsumit-qershor-2023/>

who have fled Albania, which means that remittances have increased. This affects immensely every sector because around half of the national economy is conducting transactions in euro.

### **Conclusion**

This never-ending trend of price increases is creating a vortex of additional burdens for all, but mostly for low and mid-income consumers. They continue spending more and purchasing less, with the same amount of currency at their disposal. If individuals and households have to take into account their daily food, then there is very little room for overall improvement in the entire economy. There seems to be an unstable parade of factors (Ukraine, euro depreciation, low productivity, heavy reliance on imports, etc.) that are making it difficult by the day, and if they continue, the situation for the second half of 2023 could deteriorate further.