

invest in Albania



FACTSHEET

MANUFACTURE Sector



OVERVIEW

Albania has a strong and vibrant manufacturing sector, which is driven by highly successful enterprises in the textile and footwear industry. Having this great experience and skilled labor force, Albania offers a great potential to diversify its own economy by passing from the textile and footwear industry to the automotive industry. The sector represents about 5.7% of GDP while accounting for about 10.9% total employment.

From 2017 to 2019, exports in manufacturing increased by 4.5% and there's a 3.5% increase in imports of machineries and equipment in these years. It's a cost-competitive Inward Processing industry primarily driven by the garment and high-quality leather footwear production with a significant expertise accumulated over the last 20 years. The main markets are Italy, Germany, Greece, France and the Netherlands.

EXPORTS

Textiles and Footwear play a decisive role in the Albanian economy. They represent about 39.6% of total exports (2019) and more than 40% of the labor force in the processing industry. In 2019 the most exported industrial products were "Textiles and Footwear", "construction materials and metals" and "machinery, equipment and spare parts."

The manufacture sector has been continuously diversifying the range of its exports, as indicated by the increase of exports of machinery, equipment and spare parts by 16% compared to year 2018 and by 38.5% in a span of two years.

FAST FACTS

- 1€ LEASE**
of state-owned property
- 0 % VAT**
for import of machinery & equipment
- 39.9% EXPORTS**
Total of textile and footwear exports

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WHY INVEST IN MANUFACTURE



SKILLED AND COST-COMPETITIVE WORKFORCE

- Over 1,000,000 of the population of Albania are young and well-educated professionals.
- 47.1% of Albania's population is under the age of 35 and the median age is 37 years.
- Most competitive wage rates in the region workforce, with an official minimum wage of 26.000 ALL (approx. 214 Euro).
- The manufacturing sector in Albania has an average gross monthly wage of 350 Euro.
- The 2019 Global Competitiveness Index ranks Albania highest in the region for the skill of current and future workforce compared to other Western Balkan Countries.



EDUCATED WORKFORCE

- 35 VET Schools in different cities of Albania.
- A main asset is the Polytechnic University of Tirana, which provides highly qualified workers.
- High literacy rate (97.6%) and high number of graduates from secondary and tertiary education.
- Excellent language skills: English, Italian, French, German, Spanish, etc.



STRATEGIC LOCATION

- At the crossroads of Europe's major transit corridors.
- Lower transit costs to key markets.
- Well-connected transportation network:
 - 1 international airport
 - 4 ports
 - 15 border crossing points
- Distance from Tirana to some main destinations in EU cities:
 - Budapest, Hungary 960km; Turin, Italy 1300km; Vienna, Austria 1340km; Munich, Germany 1340km; Frankfurt, Germany 1750km; Cologne, Germany 1930km Paris, France 2190km; Prague, Czech Republic 1550km.



SECTORIAL INCENTIVES

The government has rolled out the Textile and Footwear Industry Package 2014, giving a strong stimulus to the fashion industry.

-  The Government provides a **symbolic tariff of € 1 leasing contract**, when renting government property for:
 - Manufacturing activities, with investment levels above 300,000,000 (three hundred million) ALL 2.4 Million Euro;
 - Inward processing of goods, which will provide not less than 50 jobs.
-  Instant reimbursement of VAT, in the case of taxpayers with a zero risk, and within 30 days in the case of exporter taxpayers;
-  Exemption from VAT on import of machinery and equipment;
-  Different financing incentives for professional on the job training;
-  Facilitation of Customs Procedures;
-  Simplification of procedures on the Employment and Social Security;
-  Zero-Rated VAT for the supply of processing services of non-Albanian goods intended for re-export. (Fiscal Package 2019)
-  5% Rate of Corporate Income Tax for legal persons with economic activities in the automotive industry.



PRESENCE OF FOREIGN MANUFACTURERS

Supported by 20 years of experience in production industry for important companies in Western Europe, Albanian manufacturing companies have improved their processes as they have transitioned from manufacturers with ordered material to genuine manufacturers. Furthermore, there is a greater number of factories able to offer finalized products. Albania has had a 'boom' in the textile and shoe manufacturing, not only producing for the local market but mostly partnering and exporting for some of the biggest European and U.S. brands like Zara, Gianfranco Ferre, U.S. Polo to mention a few. Shifting manufacturing to the Albanian clothing and shoe market is favorable for a lot of foreign brands

because the wages are lower compared to the same wage in a European city. The cost of production is much lower in Albania than in surrounding countries. One further advantage is the geographical closeness with western European countries. Delivering the final products to them is faster and more flexible compared to Asian countries like Vietnam, India, and China. Recently there was an increased interest in automotive sector. Foreign companies such as Forchner, PSZ Albania, Giobert, and recently Yura from South Korea have already invested in the manufacturing sector in Albania, especially in plastic and wire harness manufacturing.





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