

# The Greek crisis effects on the Albanian economy

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## Abstract

The study of the effects of the crisis of Greece has a special significance for two reasons: The first the large number of Albanian immigrants in Greece, and second is the fact that Greek investments are in sectors of economy.

The first part of the analysis has to do with the effects of immigrants on the Greek crisis, collapse of economic growth in Greece, increased unemployment and poverty, which affects the emigrants.

The second part of the analysis is the impact of the crisis in the Greek banking system, which is analyzed in several aspects: the safety of deposits, the credit of the Albanian economy and the investment banking sector.

The third part of the analysis concerns the reduction of foreign direct investment. Reduction of Greek investments in the banking and telecommunications will grow negative effects.

**Keywords:** Greek Crisis, negative effects, positive effects, the banking system, investment, public debt.

## Introduction

Greece is one of the most indebted countries in Europe. Greece's national debt has reached the figure of \$ 413,600,000,000. The Greek government has paid 14 monthly salaries for employee each year instead of 12 monthly salaries. Additional money was also given many Greeks in retirement.

If Greece does not help, it could affect European countries and most vulnerable economies are: Portugal, Spain and Italia. Also crisis will affect the common European currency. As the main solution to the crisis is tax rate increase: fuel, tobacco, and alcohol, increase the retirement age for two years, reducing government spending and maintaining a fixed percentage for inflation.

**Some of the latest data on the Greek economy:**

1. Total exports to Greece for the period 2009-2010 have not changed are at \$ 21 billion, while imports by \$ 64 billion in 2009 are sitting on \$ 45 billion in 2010. As seen from the figures and imports are two times larger than exports. Exports (2009 estimated) - \$ 21.37 billion. The biggest markets for exports are: Germany, Italy, Bulgaria, USA, UK, Romania
2. Imports (2009 estimated) - \$ 64.27 billion  
Main suppliers: Germany, Italy, France, Holland, Russia
3. Tourism represents the main income for Greece, about 15% of GDP
4. Public debt:  
126.8% of GDP (2009) was increased to 144% of GDP (2010)
5. Inflation:  
1.2% (2009) rose to 4.5% (2010)
6. Unemployment rate:  
9.4% (2009) grew  
in 12% (2010)
7. Current Account Balance:  
- \$ 34430000000 (2009) to  
- \$ 17100000000 (2010)

**The effect of immigrants on the Greek crisis.**

It is clear that the decline in economic growth rates in Greece increased unemployment and poverty, which affects the emigrants. Many of them lose their jobs; they will have difficulty supporting their families in Albania. Some of them will reduce investments in Albania or Greece.

It is clear that an economy with high budget deficits and high public debt, significantly compromised by the severe crisis of debt interest and high levels of inflation. Difficult reforms of the Greek government to restore order in public finances and their economy can resume within a few years Greece in the possibility of higher rates of economic growth. Feel more positive effects of reforms as soon as the immigrants would benefit from them. There is even greater damage to the emigrants, rather than depreciation of wages, the income and savings from high inflation. At banks in Greece are saving billions of thousands of Albanians, which should be protected from high inflation.

By treating the moment only theoretical by some element of the crisis in Greece was also dependent on economic policies that can take the state can be used positively in our economy. In fact, in the case of unemployment created by Albanian immigrants

in Greece economic crisis can still say as long as there is theoretically made a study of true that many of them could potentially be returned or are returning to Albania, will cause an increase unemployment in our country. Return of immigrants despite the fact that lead to increased unemployment as a negative effect could also analyze what else may have it. In fact the return of migrants will also bring different specialties growth of the labor force and a specialized labor with something that would trigger a significant increase of productivity of Albanian companies with this in a long time. Offers in the workforce market will bring a significant improvement in respect of new specialties and experience the carrying out of a country with an economy in advance. Given the fact that Albanian business is developing at high rates based on last year's figures, has the obligatory in today's stage to compete in the market through quality growth in all sectors of the products or services and in variety and ways of satisfying customers for new products or services.

Not forgetting the fact that a good part of the Albanian exports were directed two neighboring countries: Italy and Greece, then the question is can the cheap workers with knowledge of the Greek market, the needs of consumers and business, language, culture can sharing used by businesses in order to affect the intensification of bilateral economic relations especially export growth?

This would trigger a return of migrants to increased numbers of new businesses and reduce unemployment in the contingent to return? This is connected with the desire of emigrants seeking to reintegrate by developing an economic activity. Return migration of immigrants to their countries of origin has shown that the more they find themselves at the opening of their businesses rather than private employment. Desire, their financial possibilities and experiences in a country with developed economy will significantly lead to opening new businesses and increasing competition in various sectors of the economy or the addition of variety of business especially in the field of services.

### **Effect of crisis on the Greek banking system**

Impact on the banking system should be analyzed in several aspects: first on the safety of deposits, second on the credit of the Albanian economy and thirdly, the investment banking sector.

Greek crisis risk on deposits in Albania is zero. This is because the deposits, regardless of whether they are in an Albanian bank or foreign (Greek, Italian, Austrian, German, etc...), they are guaranteed equally under the law approved by the Albanian Parliament.

Coordinated response at European and global level, led to increased confidence of depositors. I stood the risk that a psychological crisis could turn into a crisis of bank

deposits, which would be catastrophic for the economy of each country and for the depositors.

All countries increased level of deposit insurance; the same policy pursued our country, increasing deposit insurance from 700,000 to 2.5 million ALL. So should not be abused by the Greek crisis impact on the safety of bank deposits in Albania. But the crisis in Greece could result in the reduction of lending to the Albanian economy, due to the considerable weight of Greek banks in our banking system. This concern is likely to be real, when some Greek politicians were seeking to restructure their banks, cutting costs, cutting staff, reducing the loan, do not in Greece, but their banks outside Greece.

Given the fact that Albanian banks have focused only on their traditional function has not suffered the same fate at the moment especially as U.S. banks or English and the growth of bank guarantee fund has led the reliability of depositors significantly. In case we assume that there is a massive return of migrants that would be associated with increased bank deposits in Albania? How will it affect the growth for lending to banks for second level as a stimulant and is necessary for business development?

Creation of a financial portfolio assistance for immigrants not only will lead them to the sectors considered as priority by the Albanian government but they also will be presented real needs of the Albanian market based on economic analysis carried out which have led to the recognition of potential markets and the decision of government to be named as a key sector for economic development at least for the coming years.

### **Greek crisis effect on reducing Foreign Direct Investment.**

According to official figures, Greece represents about 28% of foreign investment in the economy.

Based on economic theories, the degree of trade partnership affects the degree of economic interdependence between the two countries. In 2007, the Albanian economy had about 8.3% of exports and imports 14.6% with Greece. In 2008, Greek exports to Albania increased by 19%, while the Albanian exports to Greece increased by about 25%. During the 11-month period of 2009, imports of goods to Greece were 59.4 billion ALL and exports 9.4 billion ALL. The trade deficit is around 50 billion ALL around 380 million ALL return of Albanian immigrants in Greece's economy to imported goods.

Greek business investment represents about 28% of foreign direct investment, while their estimated total of 1.2 billion euro. In terms of grave crisis the country is facing them; Greek companies will have less financial resources available. Reducing investment in banking and telecommunications will create negative effects not only due to the reduced amount of investment, especially due to delays in the development

and modernization of sectors such that estimated very important in increasing productivity the economy of each country. In relation to concrete indicators of our economic partnership with Greece, in deepening analysis of costs and opportunities, our economy could be affected, but Greece's economic crisis does not create a crisis threatens the economy.

## Conclusions

1. Greek crisis has its negative effects, but positive on the Albanian economy, effects. These lie in three directions: the immigrants, the banking system and foreign direct investment.
2. Return of Albanian emigrants in Greece will bring increased unemployment, but on the other hand will bring different specialists growing and working with a specialized arm.
3. The crisis in the Greek banking system has no negative effect on the safety of deposits, but in reducing the level of lending by banks for Albanian businesses.
4. Given the serious crisis that is facing Greece, Greek companies will have less financial resources available to invest in Albania and this would lead to reduced foreign direct investment.
5. The return of mass immigration from Greece, especially in border areas, presents the first task for government fiscal relief to these areas, in order to integrate immigrants.
6. By increasing investment in infrastructure, will have increased public debt and this decay leads to macroeconomic equilibrium, which followed the road and Greece.

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