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Reducing Inflation: Lessons from Albania's Early Success

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Abstract

Inflation in Albania fell rapidly once comprehensive stabilization policies and market-oriented reforms were launched, in contrast to other transition economies, where price liberalization was generally followed by persistently high inflation. The early reduction of underlying inflation is confirmed by trimmed mean estimates of core inflation, which use a central portion of the commodity-wise inflation distribution. This also demonstrates the usefulness of estimating core inflation for transition economies. The early success in curbing inflation is attributed to the extremely broad scope of initial price liberalization coupled with key supporting measures. It also gives hope for early recovery from Albania's 1997 economic crisis.

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Summary

Albania had one of the most centralized and repressive regimes in the world from the mid-1940s until late 1990. Long after economic reforms were initiated in other centrally planned economies, all retail and wholesale prices continued to be fixed centrally. The first price changes in three decades began in 1990, when the government authorized the sale of fruits and vegetables in parallel markets. But serious price reform began only in 1992, as part of a comprehensive program to stabilize the economy and put the country on the path toward a market economy.

As in other transition economies, inflation in Albania rose quickly during the early stages of transition. But contrary to the experience of most other transition economies—where price liberalization was generally followed by persistently high inflation—inflation in Albania was brought under control rapidly once a comprehensive program was launched in 1992. Most increases in the price level from mid-1992 through 1995 can be accounted for by price liberalization and increases in administered prices. The early reduction of underlying inflation is confirmed by trimmed mean estimates, which are based on a central portion of the commodity-wise inflation distribution. These estimates show low core inflation, and demonstrate the usefulness of estimating core inflation for a transition economy.

The successful early reduction in inflation is attributed to the extremely broad scope of early price liberalization coupled with key supporting measures: policies to foster competition and an early supply response; substantial external assistance; and restrictive financial policies. Reducing inflation quickly was important because it contributed to the early, rapid resumption of growth in Albania—by far the poorest country in Europe. The positive experience from the early years of transition gives hope that following the devastating economic crisis Albania suffered in 1997, high inflation can again be quickly reduced and the basis created for sustained growth.

I. INTRODUCTION

In Albania the demise of communism began later and turned out to be more disorderly than in other central and eastern European countries. Albania had among the most centralized and repressive regimes in the world from the mid-1940s until late 1990. Long after economic reforms were initiated in other centrally planned economies, virtually all economic activities in Albania remained controlled by the state.

As in other transition economies, inflation in Albania rose quickly during the early stages of transition, fueled by the conversion of suppressed inflation into open inflation and by passive monetary financing of a growing fiscal deficit. But contrary to the experience of most other transition economies—where price liberalization was generally followed by persistently high or at best moderate inflation—inflation in Albania was brought under control rapidly once the government embarked on a stabilization program in the summer of 1992. Annual inflation was reduced from triple to single digits within three years. We find that most of the increases in the price level from mid-1992 through 1995 can be accounted for by price liberalization and increases in administered prices. This is confirmed by trimmed mean estimates of core inflation, which show that core inflation was curbed early on. We argue that Albania's uncommon success in achieving an early reduction in underlying inflation to low levels is attributable mainly to the extremely broad scope of early price liberalization. This was supported by complementary policies including (1) measures to foster competition and an early supply response; (2) substantial external assistance; and (3) the implementation of restrictive financial policies.

The paper is organized as follows: Section II details the sweeping price liberalization undertaken and the attendant consumer price developments during 1990-95. Section III describes the consequent changes in relative prices and the consumption basket, and compares them to the experience of other transition economies. Section IV highlights the importance of supporting policies that contributed to Albania quickly curbing inflation following price liberalization. Section V confirms that core inflation was low based on trimmed mean calculations, and demonstrates the value of core inflation estimates for transition economies. Section VI summarizes our conclusions and stresses the importance of the early reduction of inflation to the recovery of output.

II. PRICE LIBERALIZATION AND CONSUMER PRICE DEVELOPMENTS, 1990-1995

Before 1990, only a few elderly Albanians had ever experienced price increases, since all retail and wholesale prices were fixed centrally and had remained unchanged for more than three decades. All consumer goods were strictly rationed. Private production, even of foodstuffs, was prohibited and gray markets were not tolerated. Contrary to other centrally planned economies, black markets were almost unheard of despite widespread shortages. The first change came in July 1990, when the government authorized the sale of fruits and vegetables in parallel markets at freely negotiated prices and state enterprises were granted limited pricing

which quickly led to a parallel market for foreign exchange. This marked the beginning of consumer price inflation in Albania, although the Consumer Price Index (CPI) began to measure changes in the price level only in January 1991 (Table 1).²

Table 1. Annual Price and Exchange Rate Changes, 1990–95

(Percent change)			
	Average CPI	Dec/Dec CPI	Dec/Dec Exchange Rate
1990	—	—	—
1991	35.5	104.1	212.5
1992	226.0	236.6	311.6
1993	85.0	30.9	-3.2
1994	22.6	15.8	-3.3
1995	7.8	6.0	-1.1

Source: Institute of Statistics, Albania

Following the introduction of a parallel market for fruits and vegetables, these items virtually disappeared from the state shops by mid-1991. Liberalization of prices for these goods affected 15 percent of the consumption basket.³ The resignation of Albania's last communist government in June 1991 was accompanied by economic and political chaos, which was reflected in the CPI. Monthly inflation fluctuated around 5 percent in the first ten months of the year (Chart 1 and Appendix I), as central control over the economy collapsed, additional prices were adjusted, and suppressed inflation became open inflation. Official wholesale prices were adjusted by large amounts throughout the second half of 1991, resulting in large increases in budgetary subsidies to consumers. The official exchange rate was devalued for the first time only in August 1991, from 8 to 25 leks/dollar (Table 2), although the parallel exchange rate had depreciated continuously since mid-1990. Passive monetary financing of the ballooning fiscal deficit, along with some further adjustments to controlled consumer prices, initiated a vicious cycle of depreciation—especially in the parallel foreign exchange market—and inflation. Prices of some non-essential industrial consumer goods were freed in

²The first CPI was constructed in early 1992 using December 1990 as a reference base. In view of the rapid growth of parallel markets, the index was designed to reflect prices in both the official and parallel markets. In February 1994 the CPI was revised, reflecting significant shifts in the composition of the consumption basket. This new CPI is based on December 1993=100, but a linked historical series was constructed so that this paper refers only to the new CPI basket. The paper focuses on developments in consumer prices since a producer price index has not yet been constructed for Albania.

³Based on the weights of the CPI, base December 1993 = 100.

Table 3. Time Line of Price Reform

Price Liberalization			
Date	Items freed	Consumption basket (In percent)	
		Freed	Still controlled
Early 1990	All retail prices controlled	0	100
Mid-1990	Private fruits and vegetables	15	85
November 1991	Some non-essential industrial consumer goods	6	79
August 1992	Most remaining consumer goods except for a few essential items	50	29
January 1993	Rice, vegetable oil, and soap	7	2
Early 1994	January: coal, controlled rent, and stamps; March: firewood	1	21
October 1995	Sugar	2	19
Administered Price Increases			
Date	Items affected		
August 1991	Cigarettes		
Fall 1991	Petroleum products (electricity for households reduced)		
March 1992	Drinking water		
Mid-1992	Food: bread, sugar, cooking oil, water, salt; Non-food: firewood, electricity, gasoline, kerosene, central heating for homes (steam), urban transport, medicine, apartment rents, school books, post and telecommunications		
January 1993	Drinking water, electricity, medicine, school books, transportation fares, post and telecommunications		
July 1993	Bread		
Fall 1993	September: kerosene, firewood, coal, natural and liquid gas, and controlled rents; November: electricity		
Early 1994	January-March: water, medicine, transportation, and telephone calls		
April 1994	Electricity and kerosene		
January 1995	Medicine, urban transportation, and school books (effective from August)		

consumption basket (Table 3).⁵ The government also adopted a policy of liberalizing or raising the remaining controlled prices to cost-recovery levels over a three-year period. In August 1992, administered prices were raised several fold, bringing many of them close to cost recovery levels. In particular, the price of bread—which had been unchanged for more than 40 years—was raised almost five-fold. This price adjustment for bread accounted for almost one quarter of the August CPI increase, and these price reforms are estimated to have accounted for at least two-thirds of the increase (Table 4), although the freeing of the exchange rate also contributed. The immediate effect of these price changes was that the CPI skyrocketed by almost 50 percent in August and jumped again in October. Since there were no indexation mechanisms in force and financial policies were restrictive, relative prices adjusted quickly, the exchange rate stabilized, and monthly inflation declined rapidly. After an initial jump in the unified exchange rate to 117 leks/dollar, it recovered quickly and remained relatively stable at about 100 leks/dollar through year-end. Reflecting the dramatic developments during the year, inflation reached more than 225 percent on both an annual average and end-year basis.

Table 4. Contribution of Price Liberalization and Administered Price Increases to Monthly Inflation, 1992–95 1/

(percent change)		
Date	Change in Controlled Price	Monthly CPI
August 1992	30.0	45.7
o/w bread	9.0	
January 1993	4.5	6.8
July 1993	6.3	7.8
September 1993	1.5	4.3
January 1994	1.0	2.0
April 1994	7.0	9.0
January 1995	0.5	1.8
April 1995	0.3	1.7

Source: Albanian authorities and IMF staff estimates.

1/ Liberalization or change in administered price as described in Table 3.

⁵Food items which remained controlled included bread, sugar, cooking oil, water and salt. Non-food goods and services included firewood, electricity, gasoline, diesel, kerosene, central heating for homes, urban transport, medicines, apartment rents, school books and notebooks, and post and telegraph services.

consensus in favor of economic reform.¹¹ By end-1995, these compensations had been discontinued or consolidated into base wages.

III. REALIGNMENT OF RELATIVE DOMESTIC PRICES

Price and trade liberalization, as well as changes in the tax regime, resulted in significant changes in the relative prices of many goods (Chart 2). As in other transition economies, this included large increases in the relative price of some staples (such as bread, olive oil, dried beans, cabbage and sugar). There have also been large relative declines for many items regarded as "luxury goods" by the previous communist regime (ranging from bananas, oranges, candy and sunglasses, to televisions and washing machines). Prices have also come down in relative and even absolute terms for some foods which were previously very scarce, including milk, eggs, chicken, honey, watermelon and soap. The magnitude of these relative price movements are clear from Charts 3 and 4.

The relative price of services initially declined and stayed low through July 1993, as the prices of many state-provided services (e.g., electricity, telecommunications) remained controlled. Prices of services then began a rapid catch-up, however, as some services prices were liberalized and others were adjusted toward cost recovery levels (Chart 5). The relative prices of imported food and non-food goods were also held down by the real appreciation of the exchange rate.

In real terms, the lek is estimated to have appreciated against the U.S. dollar by 106 percent from August 1992 to the end of 1995, based on relative CPI movements (Chart 6).¹² This strong appreciation undoubtedly contributed to keeping the underlying inflation rate low, since—based on the large trade deficit and observation of domestic markets—imported goods appear to account for a significant share of domestic consumption.

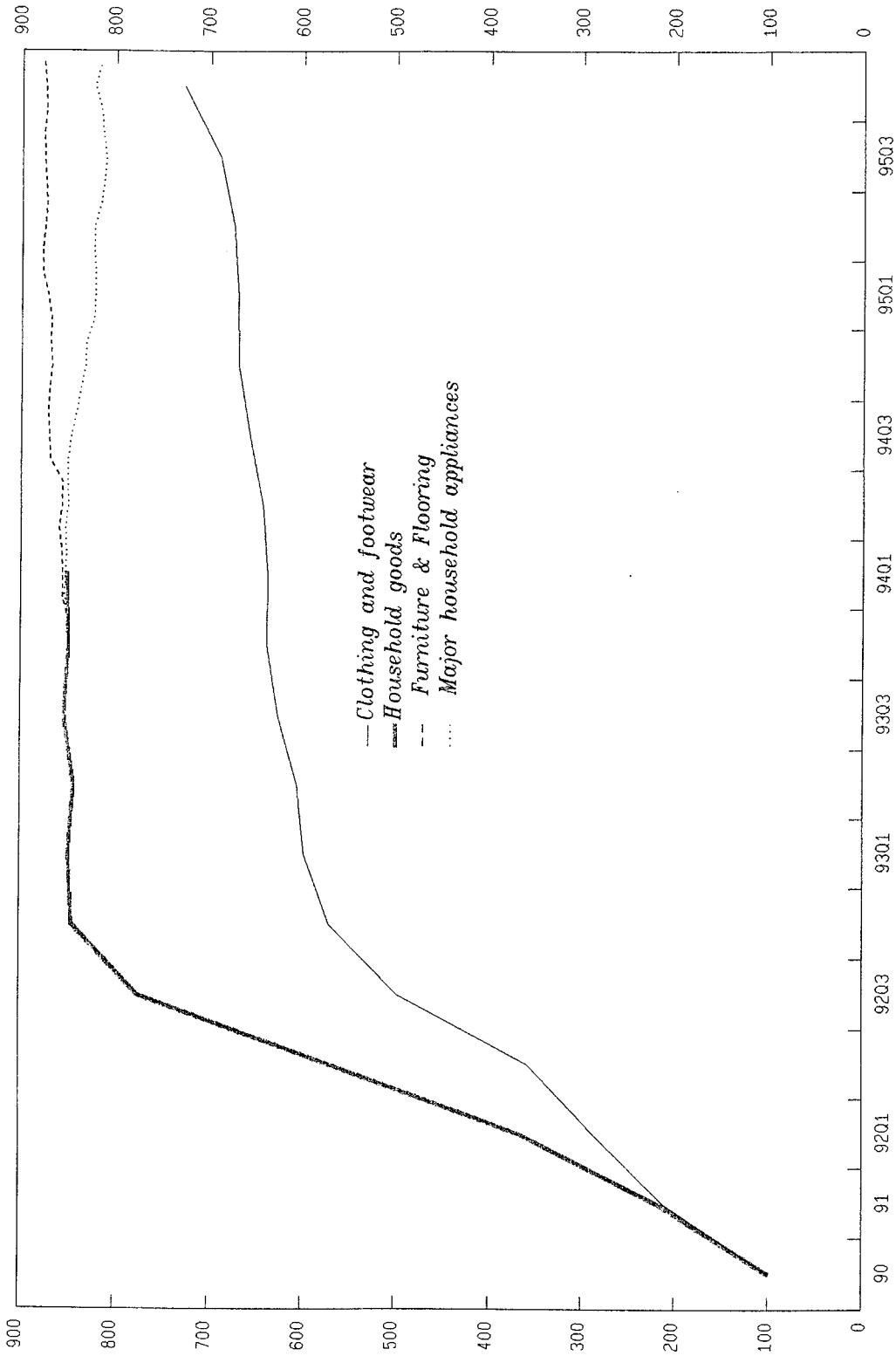
A similar picture emerges if we calculate the internal exchange rate based on simplifying assumptions which would allow us to divide the broad categories of the CPI into traded and nontraded goods.¹³ A few categories can be clearly identified as belonging to one category or the other; for example, medical care, transportation, and communication are classified as

¹¹For further details, see Van Rijckeghem (1994) and Koliadina (1996).

¹²Estimates of the real exchange rate must be treated with caution given continuing shifts in, and uncertainties about, the direction of trade. It would also be preferable to base the real exchange rate calculation on costs rather than on consumer prices, but neither a PPI nor any measure of unit labor costs is available for Albania. The strong appreciation of the CPI-based real exchange rate probably overstates the loss of competitiveness since it fails to take into account potentially large improvements in productivity as the economy responds to market signals.

¹³See Appendix II for the breakdown into traded and nontraded goods.

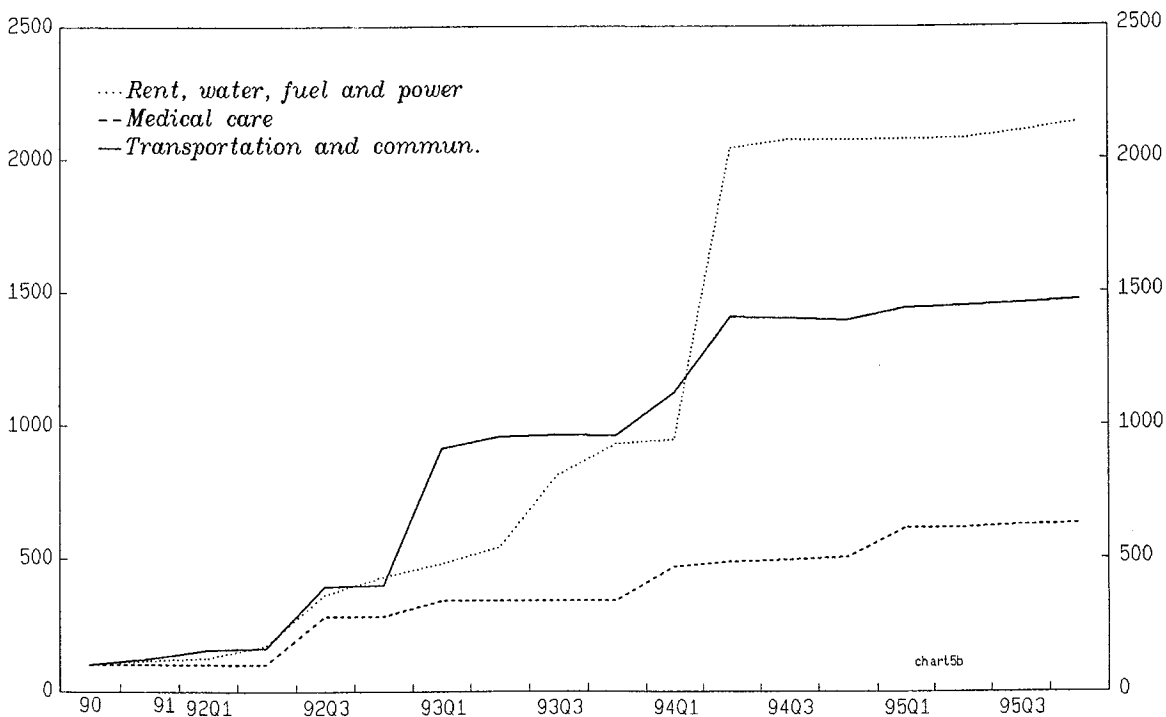
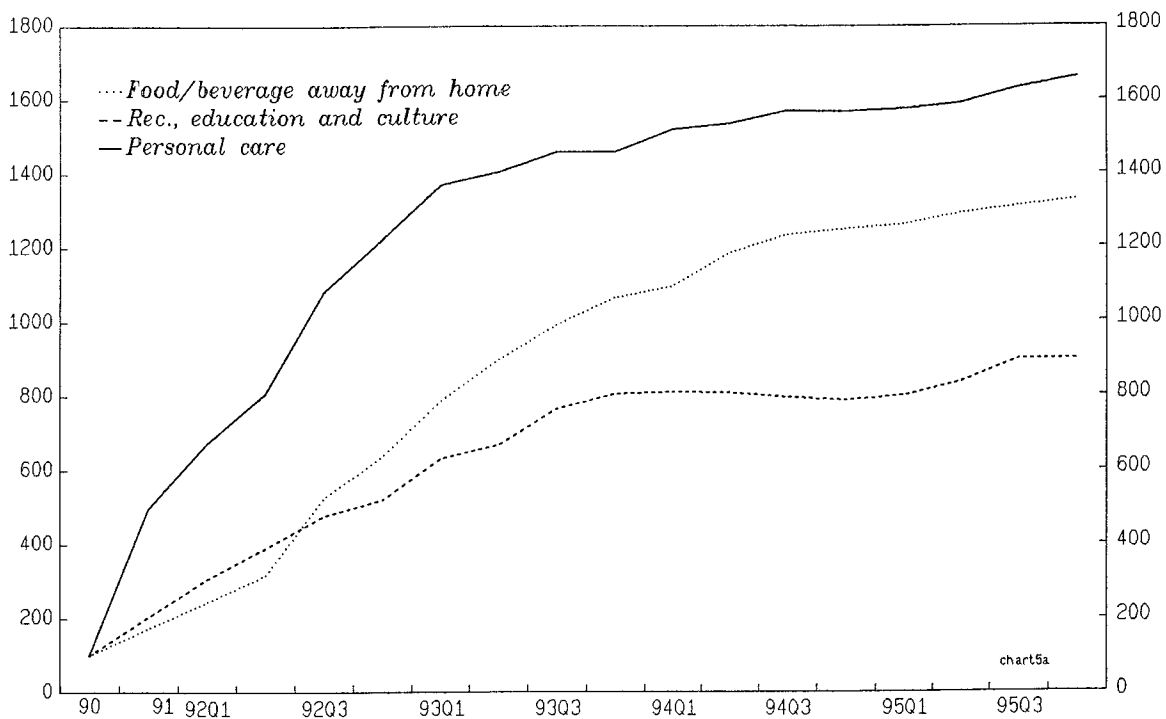
CHART 4
Albania: Non-food Goods Price Developments, 1990-95
(1990=100)



Sources: Institute of Statistics, and IMF staff estimates.

CHART 5

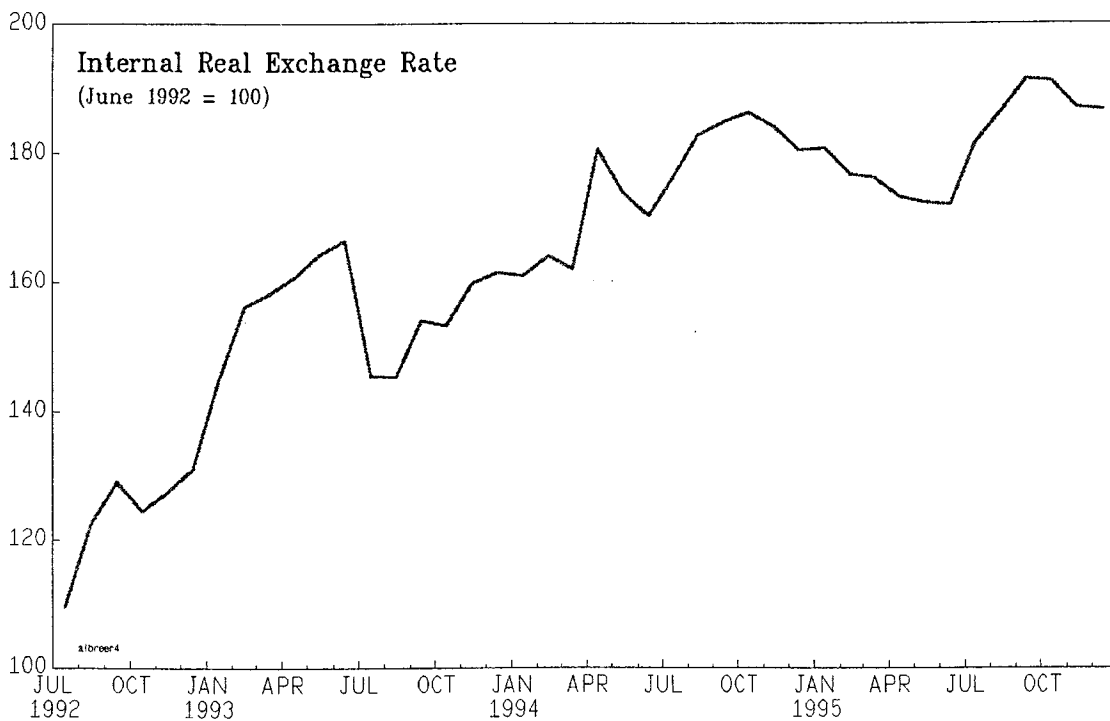
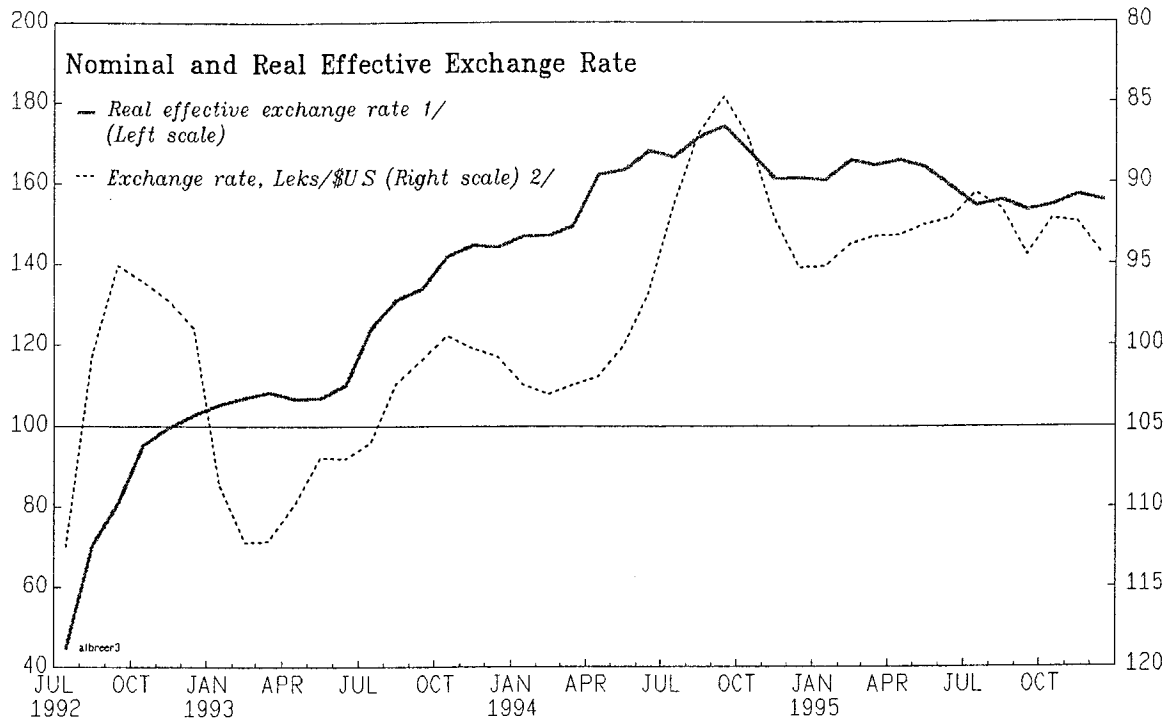
Albania: Services Price Developments, 1990-95
(1990=100)



Sources: Institute of Statistics, and IMF Staff estimates.

CHART 6

ALBANIA: Exchange Rate
July 1992 - December 1995



Source: Data provided by the authorities, and IMF staff estimates.

1/ Index, June 1992=100. Staff estimates based on provisional direction of trade data; an increase indicates an appreciation.

2/ Monthly average of commercial bank rates.

nontraded. Where categories are ambiguous, they are assigned on the basis of what is known about the tradability of major items within the category. This approach yields a share of traded goods in the consumption basket of 57 percent, and suggests that the real exchange rate (measured by the relative movements in the price of nontraded versus traded goods) appreciated by almost 40 percent between end-1992 and end-1995 (Chart 6).

By the end of 1995, the relative price of services reached 15 times the 1990 level, a larger increase than for either food or non-food goods, each of which was about 10 times higher. This pattern in the relative price of services mirrors that observed by De Masi and Koen for many countries of the former Soviet Union.¹⁴ These shifts in relative prices are also evident in the changing structure of the Albanian consumption basket between 1989 and 1993,¹⁵ although it is clear that the share of services—as in other transition economies—remains low by market economy standards (Chart 7).¹⁶ While relative food and non-food good prices have largely stabilized, expenditures on services will continue to increase as more services become available, as the prices of government-owned services are raised to cost-recovery levels (e.g., electricity and urban transportation), and as consumers are forced to pay for electricity and telephone usage.¹⁷

There undoubtedly remains a large gap between the domestic Albanian and international price levels, although detailed price data are not available to undertake a comparison of the sort

¹⁴Russia, the Baltic countries, Kazakhstan, Ukraine, Armenia, Azerbaijan, and Tajikistan in De Masi and Koen (1995) and De Broeck, De Masi and Koen (1995). The same pattern is reported for Poland in Pujol and Griffiths (1996).

¹⁵The comparison between the old and new consumption basket has to be treated with some caution based on how the weights for each were derived. Since no expenditure survey had ever been done, the weights in the initial basket were based on sales data from government retail outlets during 1989, the last year of central planning. In contrast, the 1993 weights were based on a pilot survey of consumption expenditures in the capital, Tirana. The 1993 weights show a surprisingly low share of expenditure on clothing compared with other countries at a similar stage of development. This is explained, however, by the fact that some 10 percent of the population works abroad, and sending clothes home is a common way for Albanian guest workers to transfer remittances to their families.

¹⁶Although as a low-income country, the share in Albania would be expected to remain lower than in higher-income market economies.

¹⁷As of end-1995, “non-technical” losses were almost 45 percent; most of this was attributable to electricity consumption by households which is stolen through illegal connections to the grid. Even among those households which have legal contracts with the electricity company, meter tampering is a widespread problem. Similar problems plague the telephone network, especially on foreign-access lines.

which has been made for some other transition economies.¹⁸ In the case of commodities, for which prices and the trade regime have largely been freed, this is still consistent with the widely observed positive correlation between per capita income and price levels.¹⁹ The gap is even larger for services because of the continued existence of some price controls. As pointed out by Richards and Tersman (1995) for the Baltic states, and by De Masi and Koen (1995) for Russia, convergence toward international price levels is likely to be accompanied by further real exchange rate appreciation.

IV. WHY DID ALBANIA SUCCEED? THE IMPORTANCE OF SUPPORTING POLICIES

Inflation in Albania from 1990 to mid-1992 was fueled initially by the conversion of suppressed inflation (acute shortages of staple goods)²⁰ into open inflation, and by passive monetary financing of the fiscal deficit, which ballooned to more than 50 percent of GDP in the first half of 1992. These pressures fed a vicious cycle of depreciation and inflation. As demonstrated above, however, from mid-1992 through 1994, most of the increases in the CPI can be explained by price liberalization and by administrative price adjustments.

Sweeping price liberalization at an early stage, including liberalization of the exchange rate, meant that producers, traders, and consumers responded to appropriate market price signals from early in the transition process.²¹ It was particularly important that producer prices were liberalized up-front along with the exchange rate, even though this necessitated budgetary subsidies as some consumer prices remained controlled longer. The combination of producers and importers responding to market prices and consumption subsidies quickly being directed to people rather than goods from early on were vital to the rapid response of both production and consumption to market price signals. Comprehensive early liberalization also meant fewer rounds of relative price adjustments in subsequent years, minimizing the sort of price volatility

¹⁸See for example De Masi and Koen (1995) for Russia, or Pujol and Griffiths (1996) for the Višegrad countries and Slovenia.

¹⁹The point is made in greater detail in De Masi and Koen (1995), which undertakes a detailed comparison of price levels in Russia with France.

²⁰Made worse by the breakdown of CMEA trade and the collapse of domestic production.

²¹Comprehensive price liberalization came early in the first serious effort to stabilize and reform the economy (mid-1992). While the process of transition began two years earlier, the limited price changes and other reforms during 1990/91 were more comparable to changes that had already been made during the 1980s in such countries as Hungary and Poland.

which could have translated into larger increases in the general price level.²² In the absence of indexation, the economy quickly returned to low underlying inflation following these price adjustments (Chart 1).

While these aspects of price liberalization were necessary to the successful early reduction of inflation, they were by no means sufficient. In fact, Albania's experience stands out: as stressed by De Masi and Koen, "in the large majority of [transition] countries, price liberalization was followed by lasting, high, open inflation ...".²³ In addition to the comprehensive scope of early price liberalization, we attribute Albania's success to support from: (A) measures to foster competition and an early supply response; (B) substantial external assistance; and (C) sustained restrictive financial policies.

A. Measures to Foster Competition and an Early Supply Response

The early privatization of agricultural production led to a quick supply response. Beginning in mid-1991, farmers spontaneously dismantled the agricultural cooperatives and distributed the land and livestock among themselves. By end-1993, 92 percent of agricultural land had been privatized. Largely as a result of this privatization, total agricultural production increased on average by about 15 percent annually in 1992 and 1993.

At the same time, early privatization of retail trade fostered the rapid growth of retail competition as did the liberalization of external trade. During 1991 and early 1992, most retail shops were formally distributed free of charge or for a nominal fee after being taken over by the people working there. Trade liberalization began in 1990, when the state monopoly on trade was eased with the introduction of import and export licensing. In July 1992, Albania removed all quantitative restrictions on imports. The number of product groups subject to export licenses was progressively reduced,²⁴ and in early 1995 the remaining export licensing requirements were abolished.²⁵

²²Given the high level of inflation that had recently been experienced, rational agents could have assumed that large movements in some prices signaled a renewed inflationary period and immediately raised their prices accordingly. Pujol and Griffiths (1996) suggest an alternative transmission mechanism based on a study of inflation in Poland; they suggest that in the presence of menu costs, continuing large relative price adjustments can impart an upward inflationary bias.

²³Koen and De Masi (1997).

²⁴From 60 to 38, to 21 in late 1992, to 8 in March 1993, and to 5 in March 1994.

²⁵Export bans were introduced for three items, however: on unprocessed wood, as an environmental protection measure; and on scrap metal and copper, to discourage the looting of state enterprises prior to privatization.

Early retail privatization along with external trade liberalization fostered competition and helped to ensure that price liberalization resulted in price competition rather than an opportunity for state enterprises to exploit their previous monopoly power. Moreover, trade liberalization meant that relative domestic prices quickly responded to world price signals. At the same time, the abolition of export licensing encouraged the supply response to price liberalization since prices were no longer kept artificially low to benefit domestic consumers.

B. External Assistance

The international community (led by the European Union and Italy) mobilized a massive aid effort in response to the collapse of the domestic economy and exhaustion of foreign exchange reserves. Official assistance got underway in 1991 and reached a value of almost 50 percent of estimated GDP in 1992 and most than 15 percent in 1993 (Table 5).

Because the assistance was largely in the form of food and commodity aid, rather than financial assistance, it expanded supply as well as demand. The availability of this external aid undoubtedly contributed to price stabilization at an earlier stage than would have been possible had the availability of goods depended entirely on the recovery of domestic production in response to price liberalization and privatization. At the same time, foreign aid included staple goods only through 1992, and they were carefully priced on the domestic market to avoid creating disincentives to the recovery of agricultural production.

C. Restrictive Financial Policies

From the second half of 1992, the newly created central bank was able to start controlling money and credit growth, as rapid cuts in the fiscal deficit made it possible to curb central bank credit to the government (Table 6). Tight fiscal policy was essential to monetary control since central bank credit to the government remained the major source of domestic deficit financing even after the introduction of treasury bills in mid-1994. Hard budget constraints were imposed for the first time on state enterprises, and their access to bank financing was also curtailed.²⁶

As important as fiscal adjustment was the sharp improvement in private savings from 1993 through 1995. This reflected in part positive real interest rates from early 1993, which contributed to a shift from consumption to savings. Higher private savings were also a response to the uncertainties faced by households during the transition, especially high and rising unemployment.

²⁶The importance of hard budget constraints for enterprises is emphasized by the work of Pujol and Griffiths (1996) on Poland. They argue that in the absence of hard budget constraints, the emerging trading sector would bear the brunt of tight monetary policy. This would be counterproductive to reform efforts, and the potential output cost might lead policy makers to reject strong disinflation efforts.

Table 5. Albania: External Assistance, 1991-95

(millions of U.S. dollars, except as noted)

	1991	1992	1993	1994	1995
Current account (excluding official transfers)	-249	-434	-364	-283	-181
Exports	73	70	112	141	205
Imports	281	524	602	601	679
Private transfers (percent of GDP)	8 (0.7)	148 (20.8)	230 (18.7)	264 (13.3)	300 (12.4)
Financing:					
Multilateral support	0	17	51	80	75
Bilateral assistance	81	402	357	191	88
o/w Food and commodity aid (percent of GDP)	81 (7.1)	348 (49.0)	198 (16.1)	107 (5.4)	0 (0)
Memorandum item:					
Gross domestic product ¹	1,139	710	1,228	1,984	2,422

Sources: Data provided by Albanian authorities and donor community; and IMF staff estimates.

1/ The nominal GDP estimates are subject to a high degree of uncertainty. Ratios to GDP should therefore be treated somewhat cautiously.

Table 6. Albania: Main Macroeconomic Indicators, 1990-95

	1990	1991	1992	1993	1994	1995
	(Percent change from previous period)					
GDP and prices						
Real GDP	-10	-28.0	-7.2	9.6	9.4	8.9
Retail prices (average)	--	36	226	85	23	8
(End of period)	--	104	237	31	16	6
Broad money	23	104	153	74	41	52
Real broad money	23	--	-25	34	21	43
Domestic credit	22	100	113	54	31	24
	(In percent of GDP)					
External current account 1/	-6	-22	-61	-30	-14	-8
General government						
Revenue	47	32	24	26	25	24
Expenditures and on-lending	62	62	44	40	37	34
Overall balance 2/	-4	-44	-20	-14	-12	-10
Domestic financing	4	44	20	9	7	6
Broad money/GDP 3/	37	69	54	40	38	48

Sources: Information provided by the Albanian authorities; and IMF staff estimates.

1/ Excluding official transfers.

2/ Including net repayment of arrears.

3/ End-year broad money divided by annual GDP.

Public sector wage policy (covering civil servants, the military, and state enterprise employees) served as an additional nominal anchor during the crucial early stages of reform in 1992 and 1993. The success of Albania's disinflation effort is consistent with the view of Sahay and Végh (1995) that a nominal wage anchor is essential to the success of a money-based stabilization program in a transition economy. They point out that "it is through higher wage bills (either directly through bank credit or indirectly through state subsidies) that most of the money supply makes its way into socialized economies."²⁷ Therefore, if both prices and wages are liberalized before effective monetary instruments are in place, the economy will essentially be left with no nominal anchor.²⁸

As of mid-1992, the average real wage of civil servants had been reduced to about half of the 1990 level, while real wages of state enterprise employees were still at their 1990 level. The policy was, therefore, to allow gradual recovery of real wages for civil servants—without exacerbating inflationary pressures—while reducing real wages for state enterprise employees in line with sharply lower productivity. This policy was implemented with considerable success through 1993 (Chart 8). Civil service wages were increased by 25 percent in real terms, while state enterprise wages were brought down to the same level. Since employment in state enterprises was much higher than in the civil service, the wage decline resulted in a small further decline in average public sector wages through end-1993 (Table 7).

In 1994, real wages in the civil service increased by another 25 percent, while state enterprise real wages increased by 6 percent. Fortunately this recovery of wages did not impair the progress toward curbing inflation, in part because the wage increases were partially offset by a 15 percent employment reduction in the civil service, and probably in part because the key instruments of monetary control were effectively in place by that time. A further wage increase in the second half of 1995 was not offset by employment cuts and coincided with a more expansionary monetary policy, with negative implications for 1996 inflation performance (see below).

Another key factor in the successful early reduction of inflation following price liberalization was the virtual absence of indexation in Albania. In the absence of indexation, relative price adjustments took place quickly and the economy returned to low underlying inflation within one or two months of major price adjustments. This contrasts sharply with the experience of countries with widespread formal or informal indexation of wages and prices. The adverse impact of such indexation on disinflation efforts has been well described for Slovenia,²⁹ and in Pujol and Griffiths (1996) work showing that the inertial quality of Polish inflation through

²⁷Sahay and Végh (1995), p. 4.

²⁸The difficulty of avoiding such an outcome during transition leads Sahay and Végh to prefer an exchange rate anchor *ex ante* for bringing down high inflation.

²⁹See pp. 42–69 of IMF (1998).

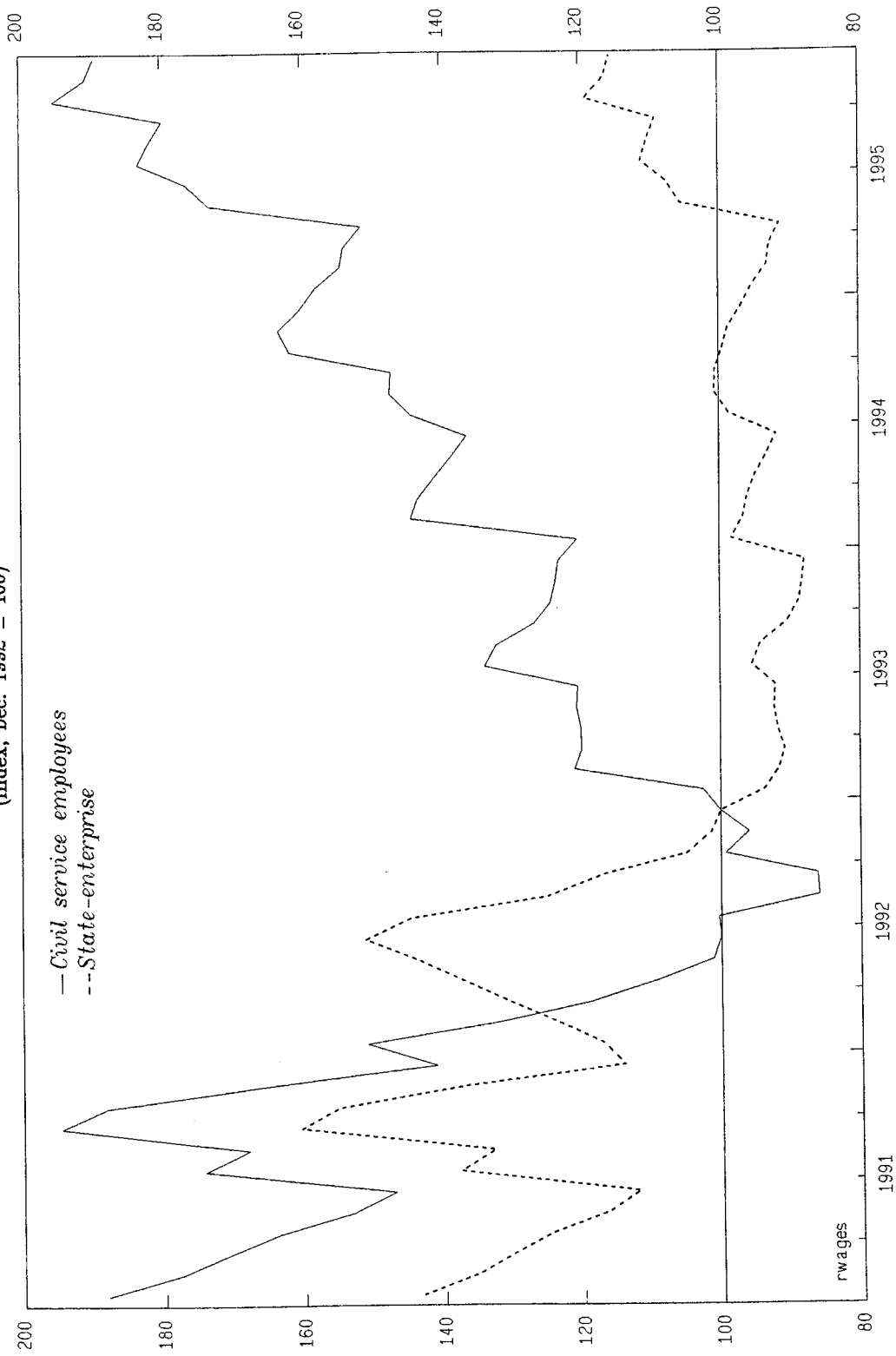
Table 7. Albania: Wages and Employment, 1992-95

	Employment (thousands)	Average monthly wage			Real wage	
		(in US\$)	(in leks)	% change	index 1/ ¹	% change
1992 (1st half average)						
Economy (public sector)	917	32	1596	69.1	84	-11.1
State enterprises	686	34	1718	83.7	92	-4.1
Budgetary institutions	231	25	1237	27.4	62	-31.1
Civilian	173	21	1057	9.0	54	-41.1
Defense and police	58	36	1776	83.0	91	-0.9
(2nd half average)						
Economy (public sector)	663	26	2591	62.3	70	-17.0
State enterprises	450	29	2858	66.4	80	-13.7
Budgetary institutions	213	20	2024	63.6	50	-20.2
Civilian	155	19	1879	77.7	47	-13.3
Defense and police	58	24	2413	35.9	60	-33.7
1993 (1st half average)						
Economy (public sector)	438	30	3123	20.6	64	-8.6
State enterprises	250	29	3024	5.8	64	-20.3
Budgetary institutions	188	31	3254	60.8	62	24.1
Civilian	149	28	2913	55.0	56	19.8
Defense and police	39	43	4565	89.2	88	45.7
(2nd half average)						
Economy (public sector)	379	38	3714	18.9	67	4.2
State enterprises	190	34	3406	12.6	63	-1.3
Budgetary institutions	189	41	4024	23.7	67	8.4
Civilian	150	37	3643	25.1	61	9.7
Defense and police	39	56	5496	20.4	92	5.6
1994 (1st half average)						
Economy (public sector)	337	45	4503	21.2	71	7.1
State enterprises	158	40	4036	18.5	66	4.8
Budgetary institutions	179	49	4916	22.2	72	7.8
Civilian	143	44	4449	22.1	66	7.8
Defense and police	35	68	6796	23.7	101	9.2
(2nd half average)						
Economy (public sector)	320	56	5042	12.0	78	7.3
State enterprises	154	49	4347	7.7	69	4.2
Budgetary institutions	166	64	5687	15.7	82	13.9
Civilian	125	56	5027	13.0	72	9.1
Defense and police	41	86	7697	13.3	111	9.9
1995 (1st half average)						
Economy (public sector)	294	60	5541	9.9	80	2.6
State enterprises	133	49	4533	4.3	68	-1.4
Budgetary institutions	161	68	6352	11.7	86	4.9
Civilian	120	60	5620	11.8	75	4.2
Defense and police	41	91	8518	10.7	115	3.6
(2nd half average)						
Economy (public sector)	278	69	6371	15.0	94	17.5
State enterprises	124	56	5147	13.5	78	14.7
Budgetary institutions	155	78	7267	14.4	99	15.1
Civilian	114	70	6439	14.6	86	14.7
Defense and police	41	104	9593	12.6	131	13.9

Source: Institute of Statistics; and IMF staff estimates.

1/ December 1990 = 100.

CHART 8
ALBANIA
Real Government Wages, 1991-95
(Index, Dec. 1992 = 100)



rwages

1995 largely reflected widespread indexation, especially of wages.³⁰ Such indexation makes the economy less flexible and increases the costs of curbing inflation in several key ways: (i) needed wage differentiation based on productivity is more difficult;³¹ (ii) public sector wage indexation often gives rise to additional demands for indexation, e.g., for pensions, unemployment benefits, and social assistance paid by the budget. Such automatic increases without regard to the fiscal situation make it more difficult to control the fiscal deficit;³² (iii) widespread public sector indexation can generate pressures for indexation of private sector wages, rents, etc.; and finally, (iv) with sticky prices and wages it takes considerably longer than the one to two months observed in Albania for price shocks (e.g., increases in administered prices, depreciation of the currency) to be absorbed by the economy.

V. CONFIRMATION OF LOW UNDERLYING INFLATION

One could calculate underlying inflation by always excluding the same, most volatile components of the CPI—in the case of Albania, we have argued that during 1992–1995 these were predominantly price shocks in response to price liberalization and increases in administered prices. An additional approach to calculating underlying inflation would be to abstract from seasonal variation, which tends to be important in transition economies because seasonal food prices represent a large share of the consumption basket.³³ This is certainly true for Albania, where there has been a robust seasonal pattern in price behavior related to summer harvests (Chart 9).³⁴

³⁰See pp. 15–20 of Pujol and Griffiths (1996), and especially the multiplier effect they find for an energy price shock in the well-indexed Polish economy on p. 19.

³¹See Pujol (1996) for a detailed discussion of the effect of labor market rigidities based on the case of Poland.

³²In principle, this should have the beneficial effect of reducing the authorities' incentive to try to use the inflation tax in the future since it would be less effective. However, indexation would not reduce the likelihood of inflationary policies if they are a result of power struggles within a government rather than an attempt by a monolithic government to maximize the inflation tax. As pointed out in Patinkin (1993), pp. 115–116, inflation is often the result of the finance minister succumbing to the demands of different pressure groups in the economy or to the demands of ministers from different parties in a coalition.

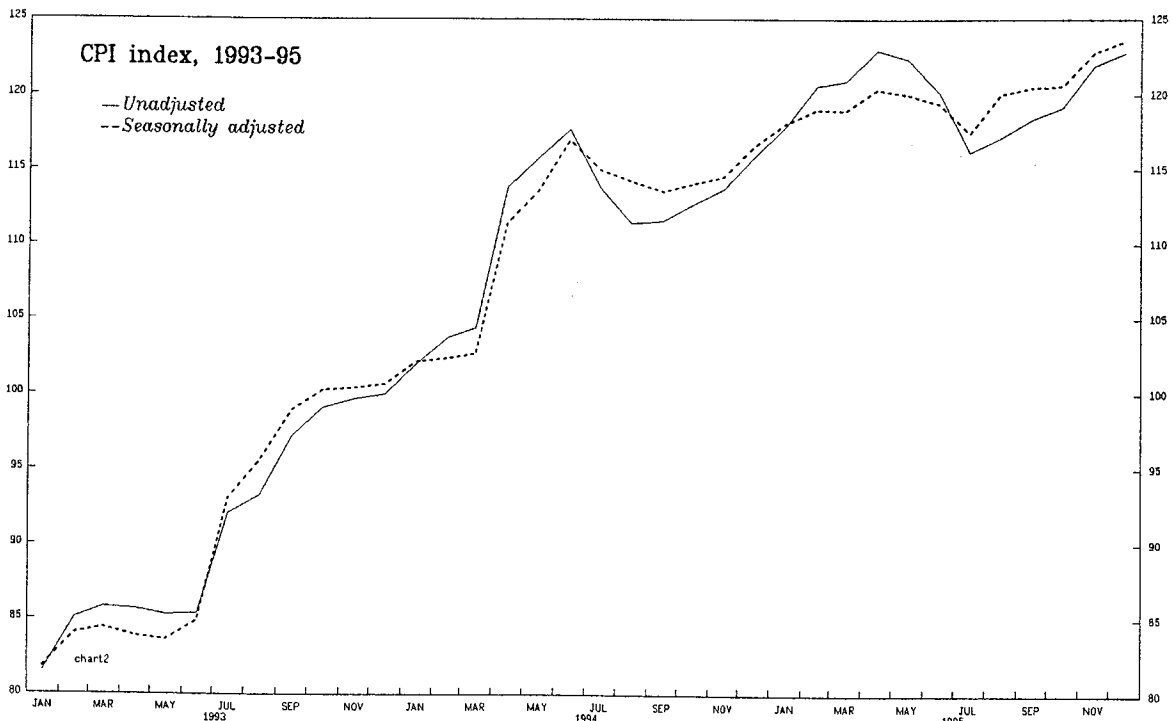
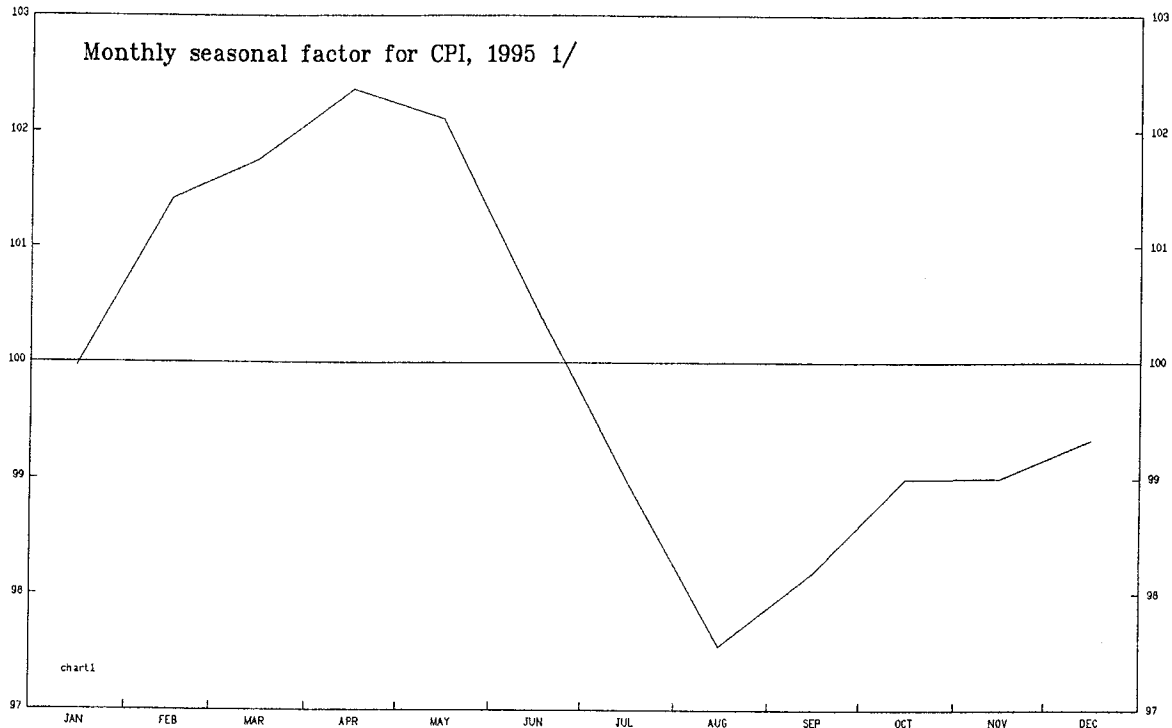
³³See the discussion of “natural” seasonal variation in Koen and De Masi (1997), pp. 8–9. Note that they characterize administered price shocks as “artificial” seasonal variation since they are frequently spaced at regular intervals.

³⁴An X11 seasonal adjustment for the period January 1993–December 1995 yielded an R^2 of 0.86 and highly significant F-statistic of 11.7. There was no evidence of moving seasonality at the 1 percent level.

CHART 9

ALBANIA

Seasonally Adjusted Inflation, 1993-95



Sources: Institute of Statistics and IMF staff estimates.

1/ Seasonal factors derived using X-11 on CPI (1993-95) excluding administered price changes.

In a transition economy, however, relative prices may change well beyond what can be eliminated by selective exclusion of certain items such as food or even administered prices, or exclusion of seasonal variation. This point is reinforced by recent work suggesting that relative price variability associated with price liberalization has a sizable effect at high inflation during initial liberalization, but that other determinants of inflation are more important in the later stages of transition.³⁵

A more general approach is to exclude those items in the CPI which have the biggest or the smallest commodity-wise inflation in each period, i.e., to ignore the tails of the distribution of commodity-wise inflation and concentrate on what happens to most of the prices. This approach is motivated by observations that individual price series (components of the CPI) tend to exhibit substantial skewness.³⁶ Some of these price adjustments might not only be motivated by measurement errors, but also by seasonal factors or supply side shocks which create misleading movements in the aggregate index. A more robust measure of inflation would, therefore, concentrate on the central portion of the commodity-wise inflation distribution where—by definition—relative prices shift the least. The result is a measurement of *core inflation*.³⁷

One could calculate core inflation based on different large central portions of the distribution. The most extreme approach would be to calculate the inflation of only the median item—thereby ignoring the distribution altogether. An alternative is to calculate the "trimmed mean," whereby x percent of each tail of the distribution is removed, and the weighted average of the central $1-2x$ percent is calculated. For example, a 15 percent trimmed mean would be the weighted average of the central 85 percent of the distribution.

We divided the Albanian CPI basket into 16 groups. Nine groups were subcategories of food, beverages, and tobacco—with a collective weight of 72 percent in the CPI basket. The remaining seven groups consisted of non-food goods and services (Appendix III). Monthly estimates for 1993–95 of five alternative measures of core inflation are presented in Table 8.³⁸

For all five alternatives, average monthly inflation for every year is lower than the average inflation of the entire basket, the seasonally adjusted CPI and inflation excluding selected or all food items. However, which of the five alternatives is the best? The most important selection

³⁵Coorey, Mecagni and Offerdal (1996).

³⁶The underlying theoretical argument is that there are two types of price setters; the first group has flexible prices which means that they can adjust prices in every period in response to realized changes in the economy. The second group is changing their prices infrequently as it faces potentially high cost of readjustments. The behavior of the first group can create noises as their price paths can exhibit large transitory fluctuations—price increases and reductions—both due to a short-lived combination of sampling measurement errors and actual price-setting mistakes. Bryan and Cecchetti (1994), pp. 197–99.

³⁷This follows the approach of Bryan and Cecchetti (1994).

³⁸The results for 1992 show a similar pattern.

Table 8. Albania: Alternative Measures of "Core" Inflation 1993-1995

(percentage change each month)

	1993												Monthly
	Jan	Feb	Mar	Apr	May	June	July	Aug	Sep	Oct	Nov	Dec	Ave
Average CPI inflation	6.8	4.3	0.9	-0.1	-0.5	0.1	7.8	1.3	4.3	1.9	0.6	0.3	2.3
Seasonally adjusted CPI <u>1/</u>	6.4	2.7	0.5	-0.6	-0.3	1.5	9.7	2.7	3.5	1.3	0.1	0.2	2.3
Measures of "core" inflation													
12.5% trimmed mean <u>2/</u>	6.6	3.4	0.6	0.7	-0.3	0.4	2.5	1.1	3.3	1.3	0.9	0.2	1.7
25% trimmed mean <u>3/</u>	5.7	3.1	0.6	1.3	-0.2	0.5	1.6	0.9	3.0	0.8	0.8	-	1.5
50% trimmed mean <u>4/</u>	4.6	2.6	0.7	2.1	0.1	0.5	1.2	0.6	1.7	0.4	0.1	-0.2	1.2
75% trimmed mean (median 2) <u>5/</u>	4.0	2.1	0.6	-	-0.2	0.3	0.7	0.6	1.3	0.4	0.1	-0.1	0.8
87.5% trimmed mean (median) <u>6/</u>	2.8	1.0	0.3	-0.1	-0.1	0.8	0.9	0.6	0.7	1.5	0.1	-0.1	0.7
Inflation without bread	10.7	5.1	0.7	-0.1	-0.3	-	2.2	1.2	6.3	2.2	1.7	0.5	2.5
Inflation without seasonal food <u>7/</u>	3.7	3.3	1.4	0.9	0.1	1.7	19.5	1.2	4.1	1.3	-1.2	0.8	3.1
Inflation without food	16.4	10.0	-	1.6	1.7	1.1	1.0	0.5	12.4	0.7	2.4	0.8	4.1
	1994												Monthly
	Jan	Feb	Mar	Apr	May	June	July	Aug	Sep	Oct	Nov	Dec	Ave
Average CPI inflation	2.0	1.7	0.6	9.0	1.7	1.7	-3.3	-2.1	0.1	1.0	0.9	1.9	1.3
Seasonally adjusted CPI <u>1/</u>	1.5	0.2	0.3	8.5	1.9	3.0	-1.7	-0.7	-0.6	0.4	0.4	1.8	1.3
Measures of "core" inflation													
12.5% trimmed mean <u>2/</u>	1.2	1.3	0.4	2.6	0.2	1.4	-0.7	-0.1	0.2	0.6	0.5	1.0	0.7
25% trimmed mean <u>3/</u>	1.2	1.5	0.3	1.8	0.4	1.4	-0.4	-0.1	0.3	-	0.2	0.8	0.6
50% trimmed mean <u>4/</u>	0.9	1.2	0.1	0.4	0.5	0.9	-0.3	-	0.3	-0.2	-	0.2	0.3
75% trimmed mean (median 2) <u>5/</u>	0.7	1.0	0.1	0.4	0.3	1.6	-0.2	0.3	0.7	-0.1	0.1	0.3	0.4
87.5% trimmed mean (median) <u>6/</u>	0.5	1.2	0.1	0.1	0.2	1.4	-0.1	0.3	0.9	-0.1	0.1	0.2	0.4
Inflation without bread	2.5	2.0	0.6	10.7	1.7	1.5	-3.3	-2.5	0.4	1.5	1.2	2.3	1.6
Inflation without seasonal items <u>7/</u>	0.5	0.6	1.0	8.6	1.0	1.6	-0.8	-0.1	0.3	0.3	0.3	0.8	1.2
Inflation without food	1.4	3.3	-0.1	29.1	0.1	1.8	-0.1	0.1	0.2	-0.3	-0.2	0.2	3.0
	1995												Monthly
	Jan	Feb	Mar	Apr	May	June	July	Aug	Sep	Oct	Nov	Dec	Ave
Average CPI inflation	1.8	2.3	0.3	1.7	-0.5	-1.8	-3.3	0.8	1.1	0.7	2.3	0.7	0.5
Seasonally adjusted CPI <u>1/</u>	1.3	0.8	-	1.2	-0.3	-0.5	-1.7	2.2	0.4	0.1	1.9	0.6	0.5
Measures of "core" inflation													
12.5% trimmed mean <u>2/</u>	1.0	0.7	0.1	0.4	-0.3	-1.1	-0.2	1.0	0.5	0.5	1.1	0.9	0.4
25% trimmed mean <u>3/</u>	0.8	0.5	0.3	0.5	-0.2	-0.2	-0.1	0.8	0.3	0.5	1.0	0.6	0.4
50% trimmed mean <u>4/</u>	0.2	0.2	0.3	0.2	-0.2	-0.1	-0.1	0.4	0.4	0.4	0.8	0.4	0.2
75% trimmed mean (median 2) <u>5/</u>	0.1	0.1	0.2	-	-0.2	-0.1	-0.1	0.5	0.4	0.2	1.1	0.9	0.3
87.5% trimmed mean (median) <u>6/</u>	0.1	0.3	0.3	0.1	-0.2	-0.3	-	0.6	0.3	0.1	1.1	0.9	0.3
Inflation without bread	2.1	2.5	0.1	1.8	-0.6	-2.1	-3.3	1.1	1.5	0.8	2.7	0.6	0.6
Inflation without seasonal items <u>7/</u>	0.5	0.7	0.2	0.2	-	-0.1	-0.7	0.8	0.7	0.5	1.0	1.1	0.4
Inflation without food	0.5	0.5	0.5	0.4	0.4	-0.1	0.3	1.0	0.4	0.5	0.8	0.1	0.4

Source: IMF staff estimates based on data of the Institute of Statistics.

1/ Seasonal adjustment with X11.

2/ Average of central 87.5 percent of distribution--using CPI weights--of monthly inflation.

3/ Average of central 75 percent of distribution--using CPI weights--of monthly inflation.

4/ Average of central 50 percent of distribution--using CPI weights--of monthly inflation.

5/ Average of central 25 percent of distribution--using CPI weights--of monthly inflation.

6/ Average of central 12.5 percent of distribution--using CPI weights--of monthly inflation.

7/ Excluding meat, poultry, and fish; dairy products and eggs; oils and fats; fruits and vegetables.

criteria are: (i) low volatility (core inflation should not bounce around as much as the overall index); and (ii) a high degree of correlation with movements in the overall index (to avoid choosing items whose prices hardly change and to have a good predictor of future inflation). Table 9 shows that the 25 percent trimmed mean (average of the central 75 percent of the monthly inflation distribution) has the lowest volatility relative to its own mean, followed by the 12.5 percent trimmed mean, while the correlation of the 12.5 percent trimmed mean with the overall index is slightly higher than for the 25 percent trimmed mean. The 87.5 percent trimmed mean—in this disaggregation the median—has the lowest absolute standard deviation, but its correlation with the overall basket is only 50 percent. In comparison, the seasonally adjusted CPI is slightly less volatile than the overall index, but its absolute and relative standard deviation are larger than those of the 12.5 and 25 percent trimmed mean. The CPI excluding selected or all food items is much more volatile than the overall index—which is the opposite of what one finds in most market economies, but is consistent with the relative price adjustments taking place in transition economies.³⁹

Chart 10 shows monthly core inflation—defined as the 25 percent trimmed mean—against actual inflation. By virtue of its construction, core inflation has lower peaks than actual inflation. Both average monthly core and actual inflation declined after 1993 and began to converge: in 1993, 1.5 percent core monthly inflation versus 2.3 percent actual monthly inflation; in 1994, 0.6 percent versus 1.3 percent; and 1995, 0.4 percent versus 0.5 percent. While in 1993 annual core inflation was 20 percent compared with actual inflation of 85 percent, in 1995 annual core inflation was 6 percent compared with an actual annual average of 7.8 percent. This supports our earlier finding that most of the realignment of relative prices was achieved by 1994.

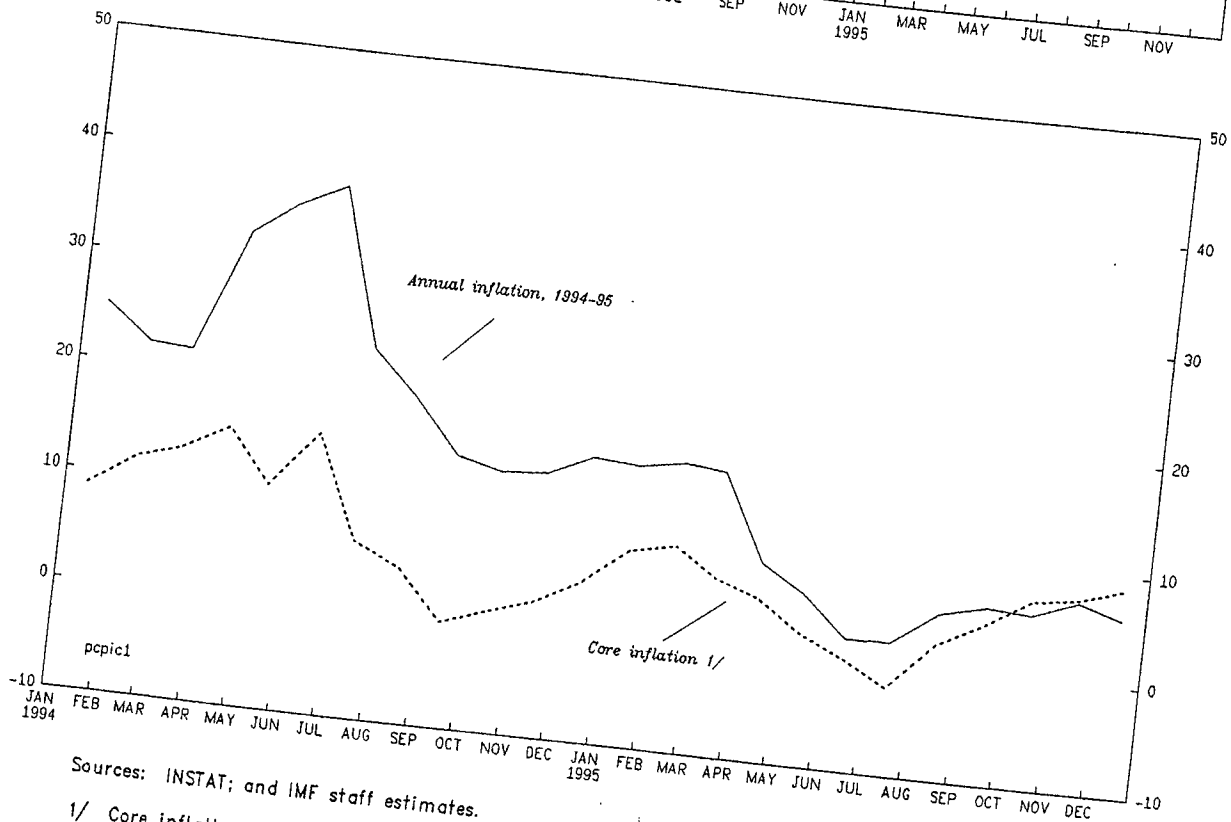
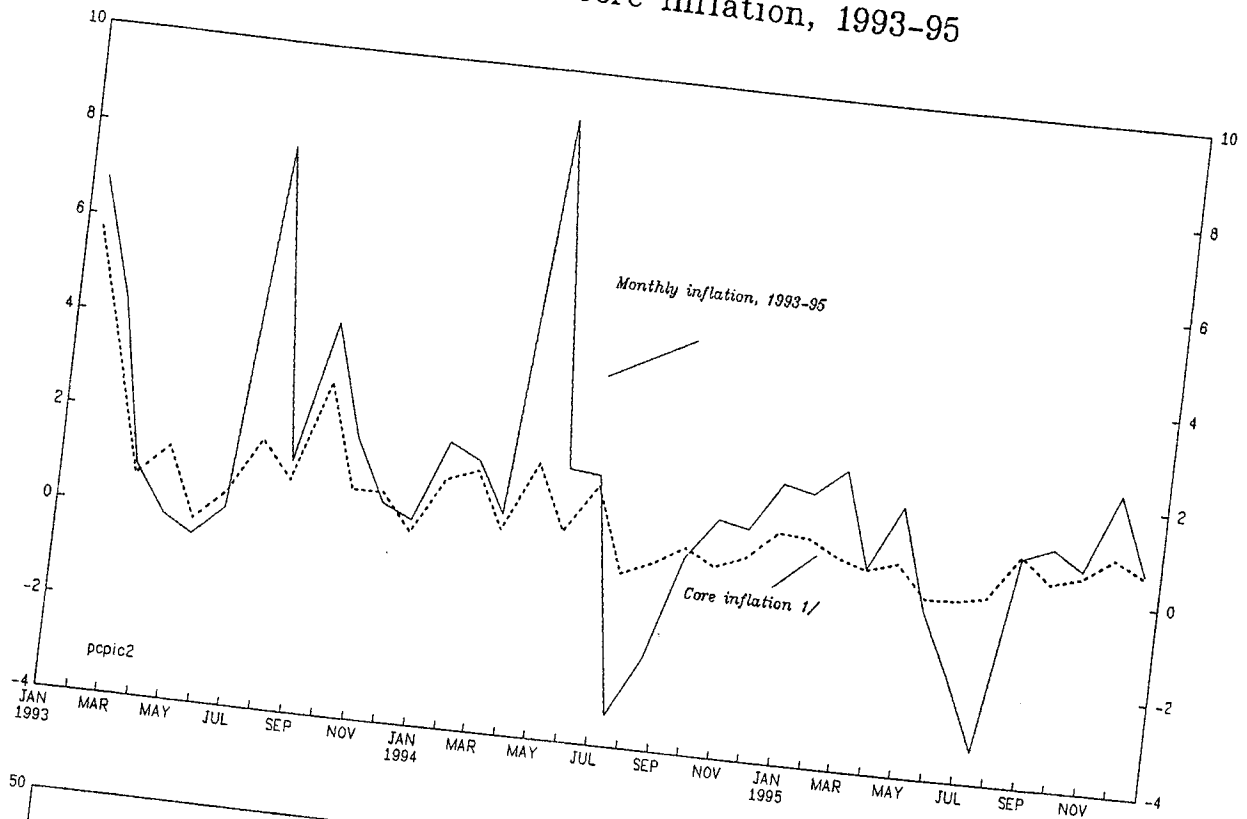
It is noteworthy that core inflation showed an upward trend during the final quarter of 1995, rising to about 10 percent (well above recorded inflation of about 6 percent). Thus core inflation captured the effect of both deferral of administered price adjustments, and a relaxation of wage and monetary policy around mid-1995 in the run-up to general elections in 1996, and correctly foreshadowed an upturn in CPI inflation which only became fully apparent around mid-1996 when CPI inflation rose to 15 percent. This experience demonstrates the value of a core inflation index as an indicator of inflation as a monetary phenomenon, abstracting from both real side shocks (including seasonal variation) and the existence of administered prices and measurement errors that may overstate or understate the true change in the overall price level.⁴⁰

A number of countries produce as a guide for monetary policy estimates of underlying inflation which exclude the most volatile CPI components. For example, the series used by the U.S. excludes food and energy prices; the U.K. excludes mortgage costs; and Canada excludes all three. As noted above, however, in an economy in transition there are many more shifts over time in relative prices than can be captured by excluding any one item (such as food), or even—as we did initially in the case of

³⁹For the Czech Republic, the 40 percent trimmed mean is the best measure of core inflation for the period January 1994–August 1995, with the 20 percent trimmed mean as a very close runner-up; the CPI excluding food is also more volatile than the overall index. Teja (1995), pp. 2–3.

⁴⁰In fact, the time between the relaxation of monetary and fiscal policy and the upturn in core inflation is very similar to the results obtained from preliminary regressions, which suggest that the maximum impact of money growth on inflation is realized after four quarters.

CHART 10
ALBANIA
Actual and Core Inflation, 1993-95



Sources: INSTAT; and IMF staff estimates.

1/ Core inflation defined as central 75 percent of distribution of monthly inflation; three-month moving average, annualized.

Table 9. Albania: Comparison of Alternative Measures of Monthly Inflation

	All items	Seas. adj.	12.5% trim	25% trim	50% trim	75% trim	87.5% trim	CPI excl.		
								bread	seas. food	all food
Mean	1.39	1.33	0.96	0.85	0.59	0.49	0.45	1.59	1.52	2.39
Standard deviation	2.51	2.39	1.34	1.12	0.91	0.77	0.61	2.88	3.42	5.67
Ratio of standard deviation to mean	1.81	1.80	1.39	1.31	1.54	1.57	1.35	1.82	2.24	2.37
(Correlation matrix)										
All items	1.00	0.92	0.81	0.73	0.57	0.56	0.50	0.90	0.75	0.71
Seasonally adjusted	0.92	1.00	0.74	0.66	0.50	0.52	0.49	0.76	0.86	0.66
12.5% trim	0.81	0.74	1.00	0.97	0.87	0.87	0.69	0.88	0.49	0.69
25% trim	0.73	0.66	0.97	1.00	0.94	0.91	0.76	0.82	0.40	0.67
50% trim	0.57	0.50	0.87	0.94	1.00	0.88	0.74	0.65	0.32	0.50
75% trim	0.56	0.52	0.87	0.91	0.88	1.00	0.89	0.66	0.26	0.49
87.5% trim (median)	0.50	0.49	0.76	0.76	0.74	0.89	1.00	0.54	0.28	0.32
CPI excl. bread	0.90	0.76	0.88	0.82	0.65	0.66	0.54	1.00	0.43	0.83
CPI excl. seasonal food	0.75	0.86	0.49	0.40	0.32	0.26	0.28	0.43	1.00	0.40
CPI excl. all food	0.71	0.66	0.69	0.67	0.50	0.49	0.32	0.83	0.40	1.00

Source: Staff calculations based on official CPI data.

Albania—by excluding a set of administered prices. At the same time, such fluctuations can give rise to misleading pseudo-turning points.⁴¹ These concerns highlight the value to policy makers of a comprehensive measure of core inflation such as a trimmed mean estimate.

The tails of the distribution which are excluded from the calculation of core inflation can also provide useful information to policy makers. If a particular product or group of products consistently shows up in the right tail—that is, with unusually large monthly price increases—which are not explained by administered increases or seasonal factors, it may signal a market imperfection such as the exercise of de facto monopoly power. Such information can help in establishing structural reform priorities.

V. CONCLUSIONS AND IMPLICATIONS FOR THE FUTURE

As in other transition economies, inflation in Albania during 1990 through mid-1992 was fueled by the conversion of suppressed inflation into open inflation and by passive monetary financing of the ballooning fiscal deficit. But Albania thereafter achieved remarkable success in reining in inflation, from high triple-digit rates in mid-1992 to single digit inflation by mid-1995. This stands in sharp contrast from the experience of many transition economies where initial price liberalization was followed by prolonged periods of high or at best moderate inflation.

From mid-1992 through 1994, most of the increases in the CPI can be explained by price liberalization and by administrative price adjustments. These price changes resulted in dramatic changes in relative prices in Albania, which mirror the general pattern of relative price realignment observed in other transition economies. In the absence of indexation, the economy quickly returned to low underlying inflation following these price adjustments. The early attainment of low underlying inflation is confirmed by trimmed mean estimates of core inflation. Such a core inflation index is a valuable policy tool for a transition economy, since it abstracts from both real side shocks (including seasonal variation) and the existence of administered prices and measurement errors that may overstate or understate the true change in the overall price level. It is thus a far more useful measure for a transition economy than one constructed just by eliminating selected volatile factors (e.g. food, energy) as is done for many industrial countries.

We attribute the rapid reduction of underlying inflation in Albania to the extremely broad scope of early price liberalization, including the exchange rate. This introduced appropriate market price signals from early in the transition process, and necessitated fewer rounds of subsequent relative price adjustments. While sweeping price liberalization was a necessary condition, it was no means sufficient, and we have described how the early success in taming inflation also depended on key supporting policies. (1) Rapid, comprehensive price liberalization coupled with agricultural privatization revived output, while the privatization and liberalization of retail and external trade fostered price competition. (2) Substantial external assistance expanded supply more rapidly than would have been possible based just on the recovery of domestic production. And (3) restrictive financial policies were implemented steadfastly, including sharp reductions in the budget deficit, strict control over money growth, and an effective nominal wage anchor at the crucial early stage of reform.

⁴¹See Koen and De Masi (1997), p.8.

Reducing inflation quickly was important because it permitted an early, rapid resumption of growth to an average of 9 percent per year during 1993–96. Fischer, Sahay and Végh (1996) found strong evidence that "growth requires stabilization, and stabilization leads to growth".⁴² Albania remains the poorest country in Europe and the devastating economic and social crisis in 1997 further widened the gap. A resumption of sustained, rapid growth will be essential to approach European levels of income. If Sarel (1995) and Ghosh (1997) are correct that the effects of inflation on growth are nonlinear and the critical threshold is around 8–10 percent per annum, then for Albania to achieve the required rates of growth it is vital that the authorities regain the low rate of underlying inflation achieved by 1995. Fortunately, the experience from the early years of transition gives hope that this can be achieved quickly.

⁴²Fischer, Sahay and Végh (1996), p. 19. This confirmed for transition economies the findings of Bruno and Easterly (1995) for developing economies that growth is not sustainable at inflation rates above 40 percent per annum, although the cut-off seems to be around 50 percent for transition economies.

Appendix I. Albania: Monthly Actual and Underlying Inflation

		Actual inflation		Impact of administered price increases	Underlying inflation	
		CPI Index	Monthly Inflation		CPI Index	Monthly Inflation
1990	December	11.12	0.0	0	11.12	0.0
1991	January	11.12	0.0	0	11.12	0.0
	February	11.78	6.0	0	11.79	6.0
	March	12.23	3.8	0	12.23	3.8
	April	12.78	4.5	0	12.79	4.5
	May	13.67	7.0	0	13.68	7.0
	June	14.23	4.1	0	14.23	4.1
	July	15.01	5.5	0	15.01	5.5
	August	15.56	3.7	0	15.57	3.7
	September	16.12	3.6	0	16.12	3.6
	October	16.68	3.4	0	16.68	3.4
	November	18.90	13.3	1.3	18.69	12.0
	December	22.69	20.1	2	22.07	18.1
1992	January	24.95	10.0	0	24.27	10.0
	February	28.49	14.2	0	27.71	14.2
	March	31.69	11.2	0	30.82	11.2
	April	34.53	9.0	0	33.59	9.0
	May	37.22	7.8	0	36.20	7.8
	June	39.37	5.8	0	38.29	5.8
	July	41.96	6.6	0	40.81	6.6
	August	61.12	45.7	30	47.20	15.7
	September	65.38	7.0	0	50.50	7.0
	October	72.86	11.4	0	56.27	11.4
	November	75.38	3.5	0	58.22	3.5
	December	76.37	1.3	0	58.98	1.3
1993	January	81.55	6.8	0	62.98	6.8
	February	85.09	4.3	0	65.72	4.3
	March	85.82	0.9	0	66.28	0.9
	April	85.71	-0.1	0	66.20	-0.1
	May	85.29	-0.5	0	65.87	-0.5
	June	85.41	0.1	0	65.96	0.1
	July	92.09	7.8	6.3	66.97	1.5
	August	93.26	1.3	0	67.82	1.3
	September	97.24	4.3	2.8	68.81	1.5
	October	99.11	1.9	0	70.14	1.9
	November	99.70	0.6	0	70.56	0.6
	December	100.00	0.3	0	70.77	0.3
1994	January	102.02	2.0	1	71.49	1.0
	February	103.75	1.7	0	72.70	1.7
	March	104.40	0.6	0	73.16	0.6
	April	113.80	9.0	8	73.89	1.0
	May	115.76	1.7	0	75.17	1.7
	June	117.68	1.7	0	76.41	1.7
	July	113.75	-3.3	0	73.86	-3.3
	August	111.41	-2.1	0	72.34	-2.1
	September	111.56	0.1	0	72.44	0.1
	October	112.68	1.0	0	73.17	1.0
	November	113.66	0.9	0	73.80	0.9
	December	115.82	1.9	0	75.21	1.9
1995	January	117.85	1.8	0.5	76.15	1.3
	February	120.57	2.3	0	77.91	2.3
	March	120.94	0.3	0	78.14	0.3
	April	122.96	1.7	0	79.47	1.7
	May	122.38	-0.5	0	79.10	-0.5
	June	120.15	-1.8	0	77.66	-1.8
	July	116.18	-3.3	0	75.09	-3.3
	August	117.13	0.8	0	75.70	0.8
	September	118.38	1.1	0	76.51	1.1
	October	119.17	0.7	0	77.02	0.7
	November	121.94	2.3	0	78.81	2.3
	December	122.79	0.7	0	79.36	0.7

Source: Institute of Statistics, and IMF staff estimates.

Appendix II. Albania: Details of the Consumption Basket

Consumer Price Index	1993 Weights	1990 Weights	Traded/Non-traded
Total of all items	1.000	1.0000	
Food, Beverages and Tobacco	0.724	0.630	
Bread and Cereals	0.155	0.132	Traded
Bread	0.122	0.088	
Meat, Poultry and Fish	0.133	0.081	Non-traded
Dairy Products and Eggs	0.130	0.089	Non-traded
Oils and Fats	0.072	0.072	Traded
Fruits and Vegetables	0.150	0.088	Traded
Fruits	0.057	0.026	
Vegetables	0.093	0.062	
Sugar, Coffee, Tea	0.040	0.064	
Beverages at home	0.020	0.042	
Non-alcoholic beverages	0.008	0.011	
Alcoholic beverages	0.012	0.031	
Food & Beverages away from home	0.009	0.020	Traded
Restaurants and Kiosks	0.002	0.004	
Cafes and Bars	0.007	0.008	
Tobacco	0.017	0.042	Traded
Clothing and Footwear	0.028	0.125	Traded
Clothing	0.018	0.076	
Mens's clothing	0.007	0.028	
Women's clothing	0.007	0.033	
Children's clothing	0.002	0.015	
Footwear	0.011	0.018	
Men's footwear	0.005	0.005	
Women's footwear	0.005	0.006	
Children's footwear	0.001	0.006	
Rent, Water, Fuel, Power	0.064	0.053	Non-traded
Fuel and Power	0.023	0.028	
Household goods	0.083	0.057	Traded
Furniture and floor	0.024	0.020	
Major household appliances	0.043	0.021	
Medical care	0.009	0.006	Non-traded
Transportation & Communications	0.052	0.045	Non-traded
Personal transportation	0.020	0.005	
Public transportation	0.020	0.030	
Communication	0.012	0.010	
Recreation, Education & Culture	0.036	0.084	Non-traded
Personal care	0.005	0.010	Non-traded

Source: Institute of Statistics, Albania.

Appendix III. Albania: Underlying Data for Estimates of Core Inflation, 1992-1995

		1992												
		Weights	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Levels														
Tot	Total	1.0000	24.95	28.49	31.69	34.53	37.22	39.37	41.96	61.12	65.38	72.86	75.38	76.37
F	Food, beverages, and tobacco	0.7239	24.29	27.50	30.64	32.93	35.43	37.02	38.87	61.93	65.89	74.76	78.08	78.72
Bre	o/w bread and cereals	0.1547	15.54	16.24	16.91	17.28	17.53	17.83	18.25	61.81	65.15	66.81	66.77	67.04
Mea	Meat, poultry, and fish	0.1328	17.46	19.31	20.56	21.83	23.52	24.61	28.87	61.13	71.31	73.11	75.31	76.93
Di	Dairy products and eggs	0.1299	18.70	19.15	19.88	19.44	19.81	21.31	24.10	50.97	56.67	70.38	79.39	80.01
Oil	Oils and fats	0.0715	28.83	28.72	29.06	28.88	29.11	30.51	32.37	76.35	79.75	93.29	99.19	95.13
F&V	Fruits and vegetables	0.1495	22.48	28.51	36.30	41.59	46.92	48.31	47.87	54.65	56.55	73.73	77.94	78.37
SCT	Sugar, coffee, and tea	0.0402	35.73	38.54	41.20	44.03	46.87	49.99	52.76	89.80	94.11	101.10	100.22	98.42
BaH	Beverages at home	0.0198	38.18	47.12	50.18	53.54	57.49	62.49	67.96	78.76	79.89	88.21	90.85	94.06
Baw	Food and beverages away from home	0.0088	17.54	20.01	22.81	24.41	27.30	29.57	32.90	45.37	49.34	55.65	57.50	59.91
Tab	Tobacco	0.0167	52.17	54.86	58.82	63.15	66.37	67.04	67.88	67.37	69.23	69.19	71.22	72.45
Clo	Clothing and footwear	0.0282	36.16	41.68	45.14	48.99	52.84	56.05	61.47	69.01	77.81	86.01	87.62	89.41
RWF	Rent, water, fuel, and power	0.0641	12.79	13.11	13.41	13.91	16.28	18.36	19.51	38.53	39.09	40.47	40.92	46.24
HG	Household goods	0.0827	29.16	36.24	43.43	54.29	60.72	67.09	74.25	80.22	91.18	98.22	98.55	99.45
MC	Medical care	0.0092	29.27	29.27	29.27	29.27	29.27	29.27	29.27	82.92	82.92	82.92	82.92	82.92
T&C	Transportation and communication	0.0516	13.08	13.60	16.14	16.33	16.71	16.94	22.04	40.53	40.95	41.39	41.57	41.48
REC	Recreation, education, and culture	0.0357	28.38	34.46	37.81	42.02	44.18	48.42	49.56	51.23	59.29	62.96	64.05	64.70
PC	Personal care	0.0046	38.40	42.96	46.01	50.19	52.68	55.31	61.33	69.00	74.18	80.77	82.50	83.97
Percentage changes														
Tot	Total of all items	1.0000	9.96	14.19	11.23	8.96	7.79	5.78	6.58	45.66	6.97	11.44	3.46	1.31
F	Food, beverages and tobacco	0.7239	9.96	13.22	11.42	7.47	7.59	4.49	5.00	59.33	6.39	13.46	4.44	0.82
Bre	Bread and cereals	0.1547	5.21	4.50	4.13	2.19	1.45	1.71	2.36	238.68	5.40	2.55	-0.06	0.40
Mea	Meat, poultry, and fish	0.1328	2.17	10.60	6.47	6.18	7.74	4.63	17.31	111.74	16.65	2.52	3.01	2.15
Di	Dairy products and eggs	0.1299	1.58	2.41	3.81	-2.21	1.90	7.57	13.09	111.49	11.18	24.19	12.80	0.78
Oil	Oils and fats	0.0715	-1.27	-0.38	1.18	-0.62	0.80	4.81	6.10	135.87	4.45	16.98	6.32	-4.09
F&V	Fruits and vegetables	0.1495	20.15	26.82	27.32	14.57	12.82	2.96	-0.91	14.16	3.48	30.38	5.71	0.55
SCT	Sugar, coffee, and tea	0.0402	8.90	7.86	6.90	6.87	6.45	6.66	5.54	70.20	4.80	7.43	-0.87	-1.80
BaH	Beverages at home	0.0198	17.19	23.42	6.49	6.70	7.38	8.70	8.75	15.89	1.43	10.41	2.99	3.53
Baw	Food and beverages away from home	0.0088	8.20	14.08	13.99	7.01	11.84	8.32	11.26	37.90	8.75	12.79	3.32	4.19
Tab	Tobacco	0.0167	10.34	5.16	7.22	7.36	5.10	1.01	1.25	-0.75	2.76	-0.06	2.93	1.73
Clo	Clothing and footwear	0.0282	9.11	15.27	8.30	8.53	7.86	6.07	9.67	12.27	12.75	10.54	1.87	2.04
RWF	Rent, water, fuel, and power	0.0641	3.65	2.50	2.29	3.73	17.04	12.78	6.26	97.49	1.45	3.53	1.11	13.00
HG	Household goods	0.0827	13.95	24.28	19.84	25.01	11.84	10.49	10.67	18.81	3.36	7.72	0.34	0.91
MC	Medical care	0.0092	0.00	0.00	0.00	0.00	0.00	0.00	0.00	183.29	0.00	0.00	0.00	0.00
T&C	Transportation and communication	0.0516	2.51	3.98	18.68	1.18	2.33	1.38	30.11	83.89	1.04	1.07	0.43	-0.22
REC	Recreation, education, and culture	0.0357	12.44	21.42	9.72	11.13	5.14	9.60	2.35	3.37	15.73	6.19	1.73	1.01
PC	Personal care	0.0046	13.11	11.87	7.10	9.08	4.96	4.99	10.88	12.51	7.51	8.88	2.14	1.78
Weighted percentage changes														
Tot	Total of all items	1.0000	7.44	11.01	10.18	6.65	6.69	5.47	8.42	95.88	7.06	11.72	3.71	1.30
F	Food, beverages, and tobacco	0.7239	7.21	9.57	8.27	5.41	5.50	3.25	3.62	42.95	4.63	9.75	3.21	0.59
Bre	Bread and cereals	0.1547	0.81	0.70	0.64	0.34	0.22	0.26	0.36	36.92	0.84	0.39	-0.01	0.06
Mea	Meat, poultry, and fish	0.1328	0.29	1.41	0.86	0.82	1.03	0.62	2.30	14.84	2.21	0.34	0.40	0.29
Di	Dairy products and eggs	0.1299	0.20	0.31	0.50	-0.29	0.25	0.98	1.70	14.48	1.45	3.14	1.66	0.10
Oil	Oils and fats	0.0715	-0.09	-0.03	0.08	-0.04	0.06	0.34	0.44	9.71	0.32	1.21	0.45	-0.29
F&V	Fruits and vegetables	0.1495	3.01	4.01	4.08	2.18	1.92	0.44	-0.14	2.12	0.52	4.54	0.85	0.08
SCT	Sugar, coffee, and tea	0.0402	0.36	0.32	0.28	0.28	0.26	0.27	0.22	2.82	0.19	0.30	-0.03	-0.07
BaH	Beverages at home	0.0198	0.34	0.46	0.13	0.13	0.15	0.17	0.17	0.31	0.03	0.21	0.06	0.07
Baw	Food and beverages away from home	0.0088	0.07	0.12	0.12	0.06	0.10	0.07	0.10	0.33	0.08	0.11	0.03	0.04
Tab	Tobacco	0.0167	0.17	0.09	0.12	0.12	0.09	0.02	0.02	-0.01	0.05	-0.00	0.05	0.03
Clo	Clothing and footwear	0.0282	0.26	0.43	0.23	0.24	0.22	0.17	0.27	0.35	0.36	0.30	0.05	0.06
RWF	Rent, water, fuel, and power	0.0641	0.23	0.16	0.15	0.24	1.09	0.82	0.40	6.25	0.09	0.23	0.07	0.83
HG	Household goods	0.0827	1.15	2.01	1.64	2.07	0.98	0.87	0.88	1.56	0.28	0.64	0.03	0.08
MC	Medical care	0.0092	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.69	0.00	0.00	0.00	0.00
T&C	Transportation and communication	0.0516	0.13	0.21	0.96	0.06	0.12	0.07	1.55	4.33	0.05	0.06	0.02	-0.01
REC	Recreation, education, and culture	0.0357	0.44	0.76	0.35	0.40	0.18	0.34	0.08	0.12	0.56	0.22	0.06	0.04
PC	Personal care	0.0046	0.06	0.05	0.03	0.04	0.02	0.02	0.05	0.06	0.03	0.04	0.01	0.01
Weighted ordered														
12.5 percent trimmed mean			-0.09	-0.03	0.00	-0.29	0.00	0.00	-0.14	-0.01	0.00	-0.00	-0.03	-0.29
25 percent trimmed mean			0.00	0.00	0.03	-0.04	0.02	0.02	0.00	0.06	0.03	0.00	-0.01	-0.07
50 percent trimmed mean			0.06	0.05	0.08	0.00	0.06	0.02	0.02	0.12	0.03	0.04	0.00	-0.01
75 percent trimmed mean			0.07	0.09	0.12	0.04	0.09	0.07	0.05	0.31	0.05	0.06	0.01	0.00
87.5 percent trimmed mean			0.13	0.12	0.12	0.06	0.10	0.07	0.08	0.33	0.05	0.11	0.02	0.01
87.5 percent trimmed mean			0.17	0.16	0.13	0.06	0.12	0.17	0.10	0.35	0.08	0.21	0.03	0.03
87.5 percent trimmed mean			0.20	0.21	0.15	0.12	0.15	0.17	0.17	1.56	0.09	0.22	0.03	0.04
75 percent trimmed mean			0.23	0.31	0.23	0.13	0.18	0.26	0.22	1.69	0.19	0.23	0.05	0.04
75 percent trimmed mean			0.26	0.32	0.28	0.24	0.22	0.27	0.27	2.12	0.28	0.30	0.05	0.06
50 percent trimmed mean			0.29	0.43	0.35	0.24	0.22	0.34	0.36	2.82	0.32	0.30	0.06	0.06
25 percent trimmed mean			0.34	0.46	0.50	0.28	0.25	0.34	0.40	4.33	0.36	0.34	0.06	0.07
12.5 percent trimmed mean			0.36	0.70	0.64	0.34	0.26	0.44	0.44	6.25	0.52	0.39	0.07	0.08
50 percent trimmed mean			0.44	0.76	0.86	0.40	0.98	0.62	0.88	9.71	0.56	0.64	0.40	0.08
25 percent trimmed mean			0.81	1.41	0.96	0.82	1.03	0.82	1.55	14.48	0.84	1.21	0.45	0.10
12.5 percent trimmed mean			1.15	2.01	1.64	2.07	1.09	0.87	1.70	14.84	1.45	3.14	0.85	0.29
			3.01	4.01	4.08	2.18	1.92	0.98	2.30	36.92	2.21	4.54	1.66	0.83

Source: IMF staff estimates based on data of the Institute of Statistics.

Appendix III. Albania: Underlying Data for Estimates of Core Inflation, 1992-1995

		1993												
		Weights	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Levels														
Tot	Total	1.0000	81.55	85.09	85.82	85.71	85.29	85.41	92.09	93.26	97.24	99.11	99.7	100
F	Food, beverages, and tobacco	0.7239	83.25	85.33	86.26	85.48	84.36	84.19	93.88	95.33	97.65	99.98	99.73	100.00
Bre	o/w bread and cereals	0.1547	66.84	67.24	67.35	67.17	66.69	67.24	107.58	108.65	107.85	108.03	101.05	100.00
Mea	Meat, poultry, and fish	0.1328	85.63	91.69	93.66	97.86	99.99	101.67	102.26	101.77	102.29	101.88	100.38	100.00
Di	Dairy products and eggs	0.1299	86.02	87.93	89.33	84.78	82.12	81.03	82.56	85.59	89.55	93.37	98.59	100.00
OH	Oils and fats	0.0715	101.74	98.16	96.21	95.89	96.74	96.76	97.38	98.07	102.21	102.05	101.07	100.00
F&V	Fruits and vegetables	0.1495	84.13	86.37	87.50	85.17	82.23	79.57	84.84	86.62	91.43	97.17	99.16	100.00
SCT	Sugar, coffee, and tea	0.0402	104.18	105.52	105.10	102.77	98.73	98.18	97.98	98.31	97.42	100.83	100.13	100.00
BaH	Beverages at home	0.0198	94.49	97.10	98.53	97.88	97.15	97.85	98.28	98.78	98.74	99.55	99.90	100.00
Baw	Food and beverages away from home	0.0088	64.87	70.59	71.98	78.00	79.34	84.43	87.50	89.52	93.15	95.32	95.64	100.00
Tab	Tobacco	0.0167	77.14	77.94	78.48	78.30	77.85	79.67	89.78	94.14	99.13	100.14	99.98	100.00
Clo	Clothing and footwear	0.0282	90.80	92.93	93.67	94.05	93.97	94.84	95.22	96.41	98.11	99.13	100.00	100.00
RWF	Rent, water, fuel, and power	0.0641	48.39	51.10	51.48	52.99	55.87	58.24	60.63	61.11	87.35	89.12	95.45	100.00
HG	Household goods	0.0827	100.78	100.76	99.89	99.83	99.51	99.25	98.72	99.13	100.53	100.59	100.35	100.00
MC	Medical care	0.0092	82.92	100.01	100.01	100.01	100.01	100.01	100.01	100.01	100.00	100.00	100.01	100.00
T&C	Transportation and communication	0.0516	72.07	95.78	95.03	97.75	98.92	99.36	99.77	100.07	100.08	100.08	100.10	100.00
REC	Recreation, education, and culture	0.0357	69.17	77.89	78.70	80.94	83.09	83.10	83.44	83.37	95.28	96.28	101.52	100.00
PC	Personal care	0.0046	88.06	90.62	93.99	95.46	95.41	96.35	97.55	99.02	99.99	99.96	100.39	100.00
Percentage changes														
Tot	Total of all items	1.0000	6.78	4.34	0.86	-0.13	-0.49	0.14	7.82	1.27	4.27	1.92	0.60	0.30
F	Food, beverages, and tobacco	0.7239	5.75	2.50	1.09	-0.90	-1.31	-0.20	11.51	1.54	2.43	2.39	-0.25	0.27
Bre	Bread and cereals	0.1547	-0.30	0.60	0.16	-0.27	-0.71	0.82	59.99	0.99	-0.74	0.17	-6.46	-1.04
Mea	Meat, poultry, and fish	0.1328	11.31	7.09	2.15	4.48	2.18	1.68	0.58	-0.48	0.51	-0.40	-1.47	-0.38
Di	Dairy products and eggs	0.1299	7.51	2.22	1.59	-5.09	-3.14	-1.33	1.89	3.67	4.63	4.27	5.59	1.43
OH	Oils and fats	0.0715	6.95	-3.52	-1.99	-0.33	0.89	0.02	0.64	0.71	4.22	-0.16	-0.96	-1.06
F&V	Fruits and vegetables	0.1495	7.35	2.66	1.31	-2.66	-3.45	-3.23	6.62	2.10	5.55	6.28	2.05	0.85
SCT	Sugar, coffee, and tea	0.0402	5.85	1.29	-0.40	-2.22	-3.93	-0.56	-0.20	0.34	-0.91	3.50	-0.69	-0.13
BaH	Beverages at home	0.0198	0.46	2.76	1.47	-0.66	-0.75	0.72	0.44	0.51	-0.04	0.82	0.35	0.10
Baw	Food and beverages away from home	0.0088	8.28	8.82	4.80	5.43	1.72	6.42	3.64	2.31	4.05	2.33	0.34	4.56
Tab	Tobacco	0.0167	6.47	1.04	0.69	-0.23	-0.57	2.34	12.69	4.86	5.30	1.02	-0.16	0.02
Clo	Clothing and footwear	0.0282	1.55	2.35	0.80	0.41	-0.09	0.93	0.40	1.25	1.76	1.04	0.88	0.00
RWF	Rent, water, fuel, and power	0.0641	4.65	5.60	0.74	2.93	5.43	4.24	4.10	0.79	42.94	2.03	7.10	4.77
HG	Household goods	0.0827	1.34	-0.02	-0.86	-0.06	-0.32	-0.26	-0.53	0.42	1.41	0.06	-0.24	-0.35
MC	Medical care	0.0092	0.00	20.61	0.00	0.00	0.00	0.00	0.00	0.00	-0.01	0.00	0.01	-0.01
T&C	Transportation and communication	0.0516	73.75	32.90	-0.78	2.86	1.20	0.44	0.41	0.30	0.01	0.00	0.02	-0.10
REC	Recreation, education, and culture	0.0357	6.91	12.61	1.04	2.85	2.66	0.01	0.41	-0.08	14.29	1.05	5.44	-1.50
PC	Personal care	0.0046	4.87	2.91	3.72	1.56	-0.05	0.99	1.25	1.51	0.98	-0.03	0.43	-0.39
Weighted percentage changes														
Tot	Total of all items	1.0000	8.98	4.44	0.65	-0.14	-0.37	0.09	11.16	1.20	5.21	1.85	0.41	0.28
F	Food, beverages, and tobacco	0.7239	4.17	1.81	0.79	-0.65	-0.95	-0.15	8.33	1.12	1.76	1.73	-0.18	0.20
Bre	Bread and cereals	0.1547	-0.05	0.09	0.03	-0.04	-0.11	0.13	9.28	0.15	-0.11	0.03	-1.00	-0.16
Mea	Meat, poultry, and fish	0.1328	1.50	0.94	0.29	0.60	0.29	0.22	0.08	-0.06	0.07	-0.05	-0.20	-0.05
Di	Dairy products and eggs	0.1299	0.98	0.29	0.21	-0.66	-0.41	-0.17	0.25	0.48	0.60	0.55	0.73	0.19
OH	Oils and fats	0.0715	0.50	-0.25	-0.14	-0.02	0.06	0.00	0.05	0.05	0.30	-0.01	-0.07	-0.08
F&V	Fruits and vegetables	0.1495	1.10	0.40	0.20	-0.40	-0.52	-0.48	0.99	0.31	0.83	0.94	0.31	0.13
SCT	Sugar, coffee, and tea	0.0402	0.24	0.05	-0.02	-0.09	-0.16	-0.02	-0.01	0.01	-0.04	0.14	-0.03	-0.01
BaH	Beverages at home	0.0198	0.01	0.05	0.03	-0.01	-0.01	0.01	0.01	0.01	-0.00	0.02	0.01	0.00
Baw	Food and beverages away from home	0.0088	0.07	0.08	0.04	0.05	0.02	0.06	0.03	0.02	0.04	0.02	0.00	0.04
Tab	Tobacco	0.0167	0.11	0.02	0.01	-0.00	-0.01	0.04	0.21	0.08	0.09	0.02	-0.00	0.00
Clo	Clothing and footwear	0.0282	0.04	0.07	0.02	0.01	-0.00	0.03	0.01	0.04	0.05	0.03	0.02	0.00
RWF	Rent, water, fuel, and power	0.0641	0.30	0.36	0.05	0.19	0.35	0.27	0.26	0.05	2.75	0.13	0.46	0.31
HG	Household goods	0.0827	0.11	-0.00	-0.07	-0.00	-0.03	-0.02	-0.04	0.03	0.12	0.00	-0.02	-0.03
MC	Medical care	0.0092	0.00	0.19	0.00	0.00	0.00	0.00	0.00	0.00	-0.00	0.00	0.00	-0.00
T&C	Transportation and communication	0.0516	3.81	1.70	-0.04	0.15	0.06	0.02	0.02	0.02	0.00	0.00	0.00	-0.01
REC	Recreation, education, and culture	0.0357	0.25	0.45	0.04	0.10	0.09	0.00	0.01	-0.00	0.51	0.04	0.19	-0.05
PC	Personal care	0.0046	0.02	0.01	0.02	0.01	-0.00	0.00	0.01	0.01	0.00	-0.00	0.00	-0.00
Weighted ordered														
12.5 percent trimmed mean														
25 percent trimmed mean														
50 percent trimmed mean														
75 percent trimmed mean														
87.5 percent trimmed mean														
75 percent trimmed mean														
50 percent trimmed mean														
25 percent trimmed mean														
12.5 percent trimmed mean														

Source: IMF staff estimates based on data of the Institute of Statistics.

Appendix III. Albania: Underlying Data for Estimates of Core Inflation, 1992-1995

		1994												
		Weights	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Levels														
Tot	Total	1.0000	102.02	103.75	104.40	113.80	115.76	117.68	113.75	111.41	111.56	112.68	113.66	115.82
F	Food, beverages, and tobacco	0.7239	102.23	103.33	104.25	105.82	108.43	110.02	104.6	101.23	101.28	103.01	104.41	107.25
Bre	o/w bread and cereals	0.1547	99.28	98.87	99.44	99.28	99.80	100.58	100.51	100.60	99.42	99.10	98.79	98.80
Mea	Meat, poultry, and fish	0.1328	101.21	102.85	103.59	104.01	104.69	104.04	103.48	102.49	103.21	103.05	102.46	102.36
Dia	Dairy products and eggs	0.1299	101.92	102.61	101.28	99.70	96.14	93.72	90.88	91.04	92.32	98.27	99.96	102.05
Oil	Oils and fats	0.0715	99.37	98.34	97.88	97.74	95.02	97.01	103.25	102.13	98.53	99.83	103.16	107.67
F&V	Fruits and vegetables	0.1495	108.80	111.64	113.27	122.40	137.25	141.33	115.86	99.81	101.21	104.68	109.55	117.88
SCT	Sugar, coffee, and tea	0.0402	101.15	104.84	115.62	110.69	113.31	129.90	128.63	131.29	130.90	129.12	127.43	133.35
BaH	Beverages at home	0.0198	100.53	101.53	101.65	105.22	106.66	105.59	104.46	104.43	104.32	104.25	105.13	105.20
Baw	Food and beverages away from home	0.0088	100.94	101.52	102.91	106.57	108.17	111.20	111.72	113.16	115.86	116.35	116.51	117.38
Tab	Tobacco	0.0167	98.91	100.25	100.34	102.53	103.67	104.11	101.82	102.93	102.52	102.98	102.98	101.97
Clo	Clothing and footwear	0.0282	100.11	100.51	99.92	99.67	99.69	100.71	100.80	101.33	102.92	103.95	104.75	104.90
RWF	Rent, water, fuel, and power	0.0641	100.43	101.28	101.30	213.46	214.90	218.78	219.20	221.29	222.19	220.92	221.13	222.09
HG	Household goods	0.0827	100.47	100.35	100.18	100.34	99.98	99.92	100.02	99.84	99.48	99.10	98.63	98.72
MC	Medical care	0.0092	104.68	136.51	137.12	136.71	137.08	142.77	144.17	144.23	145.22	145.55	145.70	148.17
T&C	Transportation and communication	0.0516	104.48	115.77	116.31	137.07	137.13	145.81	145.28	144.84	145.55	145.27	144.87	144.73
REC	Recreation, education, and culture	0.0357	101.38	101.29	100.68	100.71	100.64	100.44	99.62	99.16	98.89	98.00	97.51	97.95
PC	Personal care	0.0046	101.46	104.33	104.20	104.44	104.77	105.26	105.42	106.23	107.62	107.33	107.54	107.48
Percentage changes														
Tot	Total of all items	1.0000	2.02	1.70	0.63	9.00	1.72	1.66	-3.34	-2.06	0.13	1.00	0.87	1.90
F	Food, beverages and tobacco	0.7239	2.23	1.08	0.89	1.51	2.47	1.47	-4.93	-3.22	0.05	1.71	1.36	2.72
Bre	Bread and cereals	0.1547	-0.72	-0.41	0.58	-0.16	0.52	0.78	-0.07	0.09	-1.17	-0.32	-0.31	0.01
Mea	Meat, poultry, and fish	0.1328	1.21	1.62	0.72	0.41	0.65	-0.62	-0.54	-0.96	0.70	-0.16	-0.57	-0.10
Dia	Dairy products and eggs	0.1299	1.92	0.68	-1.30	-1.56	-3.57	-2.52	-3.03	0.18	1.41	6.44	1.72	2.09
Oil	Oils and fats	0.0715	-0.63	-1.04	-0.47	-0.14	-2.78	2.09	6.43	-1.08	-3.52	1.32	3.34	4.37
F&V	Fruits and vegetables	0.1495	8.80	2.61	1.46	8.06	12.13	2.97	-18.02	-13.85	1.40	3.43	4.65	7.60
SCT	Sugar, coffee, and tea	0.0402	1.15	3.65	10.28	-4.26	2.37	14.64	-0.98	2.07	-0.30	-1.36	-1.31	4.65
BaH	Beverages at home	0.0198	0.53	0.99	0.12	3.51	1.37	-1.00	-1.07	-0.03	-0.11	-0.07	0.84	0.07
Baw	Food and beverages away from home	0.0088	0.94	0.57	1.37	3.56	1.50	2.80	0.47	1.29	2.39	0.42	0.14	0.75
Tab	Tobacco	0.0167	-1.09	1.35	0.09	2.18	1.11	0.42	-2.20	1.09	-0.40	0.45	0.00	-0.98
Clo	Clothing and footwear	0.0282	0.11	0.40	-0.59	-0.25	0.02	1.02	0.09	0.53	1.57	1.00	0.77	0.14
RWF	Rent, water, fuel, and power	0.0641	0.43	0.85	0.02	110.72	0.67	1.81	0.19	0.95	0.41	-0.57	0.10	0.43
HG	Household goods	0.0827	0.47	-0.12	-0.17	0.16	-0.36	-0.06	0.10	-0.18	-0.36	-0.38	-0.47	0.09
MC	Medical care	0.0092	4.68	30.41	0.45	-0.30	0.27	4.15	0.98	0.04	0.69	0.23	0.10	1.70
T&C	Transportation and communication	0.0516	4.48	10.81	0.47	17.85	0.04	6.33	-0.36	-0.30	0.49	-0.19	-0.28	-0.10
REC	Recreation, education, and culture	0.0357	1.38	-0.09	-0.60	0.03	-0.07	-0.20	-0.82	-0.46	-0.27	-0.90	-0.50	0.45
PC	Personal care	0.0046	1.46	2.83	-0.12	0.23	0.32	0.47	0.15	0.77	1.31	-0.27	0.20	-0.06
Weighted percentage changes														
Tot	Total of all items	1.0000	2.02	1.65	0.61	9.01	1.49	1.41	-2.82	-2.09	0.12	1.25	0.96	1.95
F	Food, beverages, and tobacco	0.7239	1.61	0.78	0.64	1.09	1.79	1.06	-3.57	-2.33	0.04	1.24	0.98	1.97
Bre	Bread and cereals	0.1547	-0.11	-0.06	0.09	-0.02	0.08	0.12	-0.01	0.01	-0.18	-0.05	-0.05	0.00
Mea	Meat, poultry, and fish	0.1328	0.16	0.22	0.10	0.05	0.09	-0.08	-0.07	-0.13	0.09	-0.02	-0.08	-0.01
Dia	Dairy products and eggs	0.1299	0.25	0.09	-0.17	-0.20	-0.46	-0.33	-0.39	0.02	0.18	0.84	0.22	0.27
Oil	Oils and fats	0.0715	-0.05	-0.07	-0.03	-0.01	-0.20	0.15	0.46	-0.08	-0.25	0.09	0.24	0.31
F&V	Fruits and vegetables	0.1495	1.32	0.39	0.22	1.21	1.81	0.44	-2.69	-2.07	0.21	0.51	0.70	1.14
SCT	Sugar, coffee, and tea	0.0402	0.05	0.15	0.41	-0.17	0.10	0.59	-0.04	0.08	-0.01	-0.05	-0.05	0.19
BaH	Beverages at home	0.0198	0.01	0.02	0.00	0.07	0.03	-0.02	-0.02	-0.00	-0.00	-0.00	0.02	0.00
Baw	Food and beverages away from home	0.0088	0.01	0.01	0.01	0.03	0.01	0.02	0.00	0.01	0.02	0.00	0.00	0.01
Tab	Tobacco	0.0167	-0.02	0.02	0.00	0.04	0.02	0.01	-0.04	0.02	-0.01	0.01	0.00	-0.02
Clo	Clothing and footwear	0.0282	0.00	0.01	-0.02	-0.01	0.00	0.03	0.00	0.01	0.04	0.03	0.02	0.00
RWF	Rent, water, fuel, and power	0.0641	0.03	0.05	0.00	7.10	0.04	0.12	0.01	0.06	0.03	-0.04	0.01	0.03
HG	Household goods	0.0827	0.04	-0.01	-0.01	0.01	-0.03	-0.00	0.01	-0.01	-0.03	-0.03	-0.04	0.01
MC	Medical care	0.0092	0.04	0.28	0.00	-0.00	0.00	0.04	0.01	0.00	0.01	0.00	0.00	0.02
T&C	Transportation and communication	0.0516	0.23	0.56	0.02	0.92	0.00	0.33	-0.02	-0.02	0.03	-0.01	-0.01	-0.00
REC	Recreation, education, and culture	0.0357	0.05	-0.00	-0.02	0.00	-0.00	-0.01	-0.03	-0.02	-0.01	-0.03	-0.02	0.02
PC	Personal care	0.0046	0.01	0.01	-0.00	0.00	0.00	0.00	0.00	0.00	0.01	-0.00	0.00	-0.00
Weighted ordered														
12.5 percent trimmed mean			-0.11	-0.07	-0.17	-0.20	-0.46	-0.33	-2.69	-2.07	-0.25	-0.05	-0.08	-0.02
25 percent trimmed mean			-0.05	-0.06	-0.03	-0.17	-0.20	-0.08	-0.39	-0.13	-0.18	-0.05	-0.05	-0.01
50 percent trimmed mean			-0.02	-0.01	-0.02	-0.02	-0.03	-0.02	-0.07	-0.08	-0.03	-0.04	-0.05	-0.00
			0.00	-0.00	-0.02	-0.01	-0.00	-0.01	-0.04	-0.02	-0.01	-0.03	-0.04	-0.00
			0.01	0.01	-0.01	-0.01	0.00	-0.00	-0.04	-0.02	-0.01	-0.03	-0.02	0.00
			0.01	0.01	-0.00	-0.00	0.00	0.00	-0.03	-0.01	-0.01	-0.02	-0.01	0.00
75 percent trimmed mean			0.01	0.01	0.00	0.00	0.00	0.01	-0.02	-0.00	-0.00	-0.01	0.00	0.00
87.5 percent trimmed mean			0.03	0.02	0.00	0.00	0.00	0.02	-0.02	0.00	0.01	-0.00	0.00	0.01
87.5 percent trimmed mean			0.04	0.02	0.00	0.01	0.01	0.03	-0.01	0.00	0.01	-0.00	0.00	0.01
75 percent trimmed mean			0.04	0.05	0.00	0.03	0.02	0.04	0.00	0.01	0.02	0.00	0.00	0.02
			0.05	0.09	0.01	0.04	0.03	0.12	0.00	0.01	0.03	0.00	0.01	0.02
			0.05	0.15	0.02	0.05	0.04	0.12	0.00	0.01	0.03	0.01	0.02	0.03
50 percent trimmed mean			0.16	0.22	0.09	0.07	0.08	0.15	0.01	0.02	0.04	0.03	0.02	0.19
			0.23	0.28	0.10	0.92	0.09	0.33	0.01	0.02	0.09	0.09	0.22	0.27
25 percent trimmed mean			0.25	0.39	0.22	1.21	0.10	0.44	0.01	0.06	0.18	0.51	0.24	0.31
12.5 percent trimmed mean			1.32	0.56	0.41	7.10	1.81	0.59	0.46	0.08	0.21	0.84	0.70	1.14

Source: IMF staff estimates based on data of the Institute of Statistics.

Appendix III. Albania: Underlying Data for Estimates of Core Inflation, 1992-1995

		1995												1996		
		Weights	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb
Levels																
Tot	Total	1.0000	117.85	120.57	120.94	122.96	122.38	120.15	116.18	117.13	118.38	119.17	121.94	122.78	125.28	127.45
F	Food, beverages, and tobacco	0.7239	109.77	113.26	113.49	116.12	115.15	112.14	106.42	107.29	108.86	109.62	113.01	114.13	117.31	120.10
Bre	o/w bread and cereals	0.1547	99.03	99.52	99.84	99.48	99.33	100.25	100.05	100.34	100.66	100.73	101.47	103.52	104.76	105.33
Mea	Meat, poultry, and fish	0.1328	105.04	107.51	108.72	110.30	109.89	109.40	109.79	112.08	112.33	112.94	114.11	114.60	116.58	119.68
Dia	Dairy products and eggs	0.1299	104.30	103.36	101.36	100.40	97.26	92.11	90.97	94.67	103.22	104.20	106.05	108.00	108.27	116.64
Oil	Oils and fats	0.0715	107.77	106.93	103.43	104.93	104.78	105.28	105.16	106.05	105.87	109.42	113.08	117.87	126.87	130.79
F&V	Fruits and vegetables	0.1495	125.55	140.81	144.30	156.19	155.25	144.45	117.99	115.94	114.12	115.02	126.33	125.35	133.42	133.69
SCT	Sugar, coffee, and tea	0.0402	133.57	134.48	132.98	132.70	131.90	132.01	130.72	131.22	136.27	134.81	134.70	133.12	131.77	133.74
BaH	Beverages at home	0.0198	104.16	103.64	104.34	104.42	103.82	103.65	103.27	103.40	103.53	103.51	103.61	104.12	104.36	104.83
Baw	Food and beverages away from home	0.0088	117.80	118.05	118.36	118.61	120.52	121.14	121.27	123.28	122.92	123.27	122.59	124.62	124.95	125.28
Tab	Tobacco	0.0167	101.92	101.57	100.60	100.70	98.20	97.75	98.07	98.19	99.11	99.54	99.48	100.61	101.20	102.16
Clo	Clothing and footwear	0.0282	104.75	104.55	104.98	104.59	105.06	105.71	106.09	107.06	108.05	110.70	113.05	114.06	115.11	116.53
RWF	Rent, water, fuel, and power	0.0641	222.15	222.00	222.43	222.36	222.80	222.60	224.37	225.05	225.36	227.04	229.28	229.00	229.86	230.66
HG	Household goods	0.0827	98.52	98.54	98.63	98.65	98.46	97.91	97.78	97.72	98.26	98.46	99.30	99.26	99.79	99.74
MC	Medical care	0.0092	150.51	167.58	180.35	179.46	180.77	179.92	181.18	181.95	182.74	183.54	185.52	184.37	185.63	186.32
T&C	Transportation and communication	0.0516	148.53	148.74	149.32	150.72	150.70	150.25	151.14	151.20	151.18	151.58	151.62	152.37	151.68	151.62
REC	Recreation, education, and culture	0.0357	98.05	99.10	99.49	101.29	103.56	104.04	104.02	110.78	111.42	111.17	111.57	111.43	113.99	115.54
PC	Personal care	0.0046	107.83	108.29	107.92	108.17	109.04	109.07	109.31	110.42	111.86	113.02	113.59	113.86	114.05	114.21
Percentage changes																
Tot	Total of all items	1.0000	1.75	2.31	0.31	1.67	-0.47	-1.82	-3.30	0.82	1.07	0.67	2.32	0.69	2.04	1.73
F	Food, beverages and tobacco	0.7239	2.40	3.18	0.20	2.32	-0.84	-2.61	-5.10	0.82	1.46	0.70	3.09	0.99	2.79	2.38
Bre	Bread and cereals	0.1547	0.23	0.49	0.32	-0.36	-0.15	0.93	-0.20	0.29	0.32	0.07	0.73	2.02	1.20	0.54
Mea	Meat, poultry, and fish	0.1328	2.62	2.35	1.13	1.35	-0.37	-0.45	0.36	2.09	0.22	0.54	1.04	0.43	1.73	2.66
Dia	Dairy products and eggs	0.1299	2.20	-0.90	-1.93	-0.95	-3.13	-5.30	-1.24	4.07	9.03	0.95	1.78	1.84	0.25	7.73
Oil	Oils and fats	0.0715	0.09	-0.78	-3.27	1.45	-0.14	0.48	-0.11	0.85	-0.17	3.35	3.34	4.24	7.64	3.09
F&V	Fruits and vegetables	0.1495	6.51	12.35	2.48	8.24	-0.60	-6.96	-18.32	-1.74	-1.57	0.79	9.83	-0.78	6.44	0.20
SCT	Sugar, coffee, and tea	0.0402	0.16	0.68	-1.12	-0.21	-0.60	0.08	-0.98	0.38	3.85	-1.07	-0.08	-1.17	-1.02	1.50
BaH	Beverages at home	0.0198	-0.99	-0.50	0.58	0.08	-0.57	-0.16	-0.37	0.13	0.13	-0.02	0.10	0.49	0.23	0.45
Baw	Food and beverages away from home	0.0088	0.36	0.21	0.26	0.21	1.61	0.51	0.11	1.66	-0.29	0.28	-0.55	1.66	0.27	0.26
Tab	Tobacco	0.0167	-0.10	-0.34	-0.96	0.10	-2.48	-0.46	0.33	0.12	0.94	0.43	-0.06	1.14	0.59	0.95
Clo	Clothing and footwear	0.0282	-0.14	-0.19	0.41	-0.38	0.46	0.62	0.36	0.91	0.92	2.45	2.12	0.89	0.92	1.24
RWF	Rent, water, fuel, and power	0.0641	0.03	-0.07	0.19	-0.03	0.20	-0.09	0.80	0.30	0.14	0.75	0.99	-0.12	0.37	0.35
HG	Household goods	0.0827	-0.20	0.02	0.09	0.02	-0.19	-0.56	-0.13	-0.06	0.55	0.20	0.85	-0.04	0.54	-0.05
MC	Medical care	0.0092	1.58	11.34	7.62	-0.49	0.73	-0.47	0.70	0.42	0.43	0.44	1.08	-0.62	0.68	0.37
T&C	Transportation and communication	0.0516	2.63	0.14	0.39	0.94	-0.01	-0.30	0.59	0.04	-0.01	0.26	0.03	0.49	-0.45	-0.04
REC	Recreation, education, and culture	0.0357	0.10	1.07	0.39	1.81	2.24	0.46	-0.02	6.50	0.58	-0.22	0.36	-0.13	2.30	1.36
PC	Personal care	0.0046	0.33	0.43	-0.34	0.23	0.80	0.03	0.22	1.02	1.30	1.04	0.50	0.24	0.17	0.14
Weighted percentage changes																
Tot	Total of all items	1.0000	1.77	2.19	0.17	1.43	-0.54	-1.65	-2.84	0.97	1.29	0.68	2.40	0.82	2.09	1.88
F	Food, beverages, and tobacco	0.7239	1.74	2.30	0.15	1.68	-0.60	-1.89	-3.69	0.59	1.06	0.51	2.24	0.72	2.02	1.72
Bre	Bread and cereals	0.1547	0.04	0.08	0.05	-0.06	-0.02	0.14	-0.03	0.04	0.05	0.01	0.11	0.31	0.19	0.08
Mea	Meat, poultry, and fish	0.1328	0.35	0.31	0.15	0.18	-0.05	-0.06	0.05	0.28	0.03	0.07	0.14	0.06	0.23	0.35
Dia	Dairy products and eggs	0.1299	0.29	-0.12	-0.25	-0.12	-0.41	-0.69	-0.16	0.53	1.17	0.12	0.23	0.24	0.03	1.00
Oil	Oils and fats	0.0715	0.01	-0.06	-0.23	0.10	-0.01	0.03	-0.01	0.06	-0.01	0.24	0.24	0.30	0.55	0.22
F&V	Fruits and vegetables	0.1495	0.97	1.82	0.37	1.23	-0.09	-1.04	-2.74	-0.26	-0.23	0.12	1.47	-0.12	0.96	0.03
SCT	Sugar, coffee, and tea	0.0402	0.01	0.03	-0.04	-0.01	-0.02	0.00	-0.04	0.02	0.15	-0.04	-0.00	-0.05	-0.04	0.06
BaH	Beverages at home	0.0198	-0.02	-0.01	0.01	0.00	-0.01	-0.00	-0.01	0.00	0.00	-0.00	0.00	0.01	0.00	0.01
Baw	Food and beverages away from home	0.0088	0.00	0.00	0.00	0.00	0.01	0.00	0.00	0.01	-0.00	0.00	-0.00	0.01	0.00	0.00
Tab	Tobacco	0.0167	-0.00	-0.01	-0.02	0.00	-0.04	-0.01	0.01	0.00	0.02	0.01	-0.00	0.02	0.01	0.02
Clo	Clothing and footwear	0.0282	-0.00	-0.01	0.01	-0.01	0.01	0.02	0.01	0.03	0.03	0.07	0.06	0.03	0.03	0.03
RWF	Rent, water, fuel, and power	0.0641	0.00	-0.00	0.01	-0.00	0.01	-0.01	0.05	0.02	0.01	0.05	0.06	-0.01	0.02	0.02
HG	Household goods	0.0827	-0.02	0.00	0.01	0.00	-0.02	-0.05	-0.01	-0.01	0.05	0.02	0.07	-0.00	0.04	-0.00
MC	Medical care	0.0092	0.01	0.10	0.07	-0.00	0.01	-0.00	0.01	0.00	0.00	0.01	0.01	-0.01	0.01	0.00
T&C	Transportation and communication	0.0516	0.14	0.01	0.02	0.05	-0.00	-0.02	0.03	0.00	-0.00	0.01	0.00	0.03	-0.02	-0.00
REC	Recreation, education, and culture	0.0357	0.00	0.04	0.01	0.06	0.08	0.02	-0.00	0.23	0.02	-0.01	0.01	-0.00	0.08	0.05
PC	Personal care	0.0046	0.00	0.00	-0.00	0.00	0.00	0.00	0.00	0.00	0.01	0.00	0.00	0.00	0.00	0.00
Weighted ordered																
12.5 percent trimmed mean			-0.02	-0.12	-0.25	-0.12	-0.41	-1.04	-2.74	-0.26	-0.23	-0.04	-0.00	-0.12	-0.04	-0.00
25 percent trimmed mean			-0.02	-0.06	-0.23	-0.06	-0.09	-0.69	-0.16	-0.01	-0.01	-0.01	-0.00	-0.05	-0.02	-0.00
50 percent trimmed mean			-0.00	-0.01	-0.04	-0.01	-0.05	-0.06	-0.04	0.00	-0.00	-0.00	-0.00	-0.01	0.00	0.00
			-0.00	-0.01	-0.02	-0.01	-0.04	-0.05	-0.03	0.00	-0.00	0.00	0.00	-0.01	0.00	0.00
			0.00	-0.01	-0.00	-0.00	-0.02	-0.02	-0.01	0.00	0.00	0.00	0.00	-0.00	0.00	0.00
			0.00	-0.00	0.00	-0.00	-0.02	-0.01	-0.01	0.00	0.00	0.00	0.00	-0.00	0.01	0.01
75 percent trimmed mean			0.00	0.00	0.01	0.00	-0.02	-0.01	-0.01	0.00	0.01	0.01	0.01	0.00	0.01	0.02
87.5 percent trimmed mean			0.00	0.00	0.01	0.00	-0.01	-0.00	-0.00	0.01	0.01	0.01	0.01	0.01	0.02	0.02
87.5 percent trimmed mean			0.01	0.00	0.01	0.00	-0.01	-0.00	0.00	0.02	0.02	0.01	0.06	0.01	0.03	0.03
75 percent trimmed mean			0.01	0.01	0.01	0.00	-0.00	0.00	0.00	0.02	0.02	0.02	0.06	0.02	0.03	0.03
			0.01	0.03	0.01	0.00	0.00	0.00	0.01	0.03	0.03	0.05	0.07	0.03	0.04	0.05
			0.04	0.04	0.02	0.05	0.01	0.00	0.01	0.04	0.03	0.07	0.11	0.03	0.08	0.06

Appendix IV. Albania: Estimates of 87.5 percent and 75 percent Trimmed Mean Inflation, 1992-1995

	1992											
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
87.5 percent trimmed mean (Median)												
MEDIAN GOODS	CLO RWF	Dia SCT	Clo SCT	BaH RWF	REC Clo	Bre SCT	SCT Clo	MC F&V	SCT HG	RWF Clo	Clo Tab	Clo Baw
Inflation in median good 1	3.65	2.41	8.30	7.38	5.14	1.71	5.54	183.29	4.80	3.53	1.87	2.04
Inflation in median good 2	9.11	7.86	6.90	3.73	7.86	6.66	9.67	14.16	3.36	10.54	2.93	4.19
Weight of good 1	0.0641	0.1299	0.0282	0.0198	0.0357	0.1547	0.0402	0.0092	0.0402	0.0641	0.0282	0.0282
Weight of good 2	0.0282	0.0402	0.0402	0.0641	0.0282	0.0402	0.0282	0.1495	0.0827	0.0282	0.0167	0.0088
MEDIAN INFLATION	5.32	3.70	7.48	4.59	6.34	2.73	7.24	23.97	3.83	5.67	2.27	2.55

	75 percent trimmed mean											
	Dia	T&C	RWF	Tab	BAH	BaH	BaH	HG	RWF	REC	HG	REC
	CLO	Dia	Clo	BaH	REC	Bre	SCT	MC	SCT	RWF	Clo	Clo
	RWF	SCT	SCT	RWF	Clo	SCT	Clo	F&V	HG	Clo	Tab	Baw
Inflation in median good 1	1.58	3.98	2.29	7.36	7.38	8.70	8.75	18.81	1.45	6.19	0.34	1.01
Inflation in median good 2	3.65	2.41	8.30	7.38	5.14	1.71	5.54	183.29	4.80	3.53	1.87	2.04
Inflation in median good 3	9.11	7.86	6.90	3.73	7.86	6.66	9.67	14.16	3.36	10.54	2.93	4.19
Inflation in median good 4	2.17	15.27	9.72	8.53	1.45	9.60	2.36	70.20	4.45	7.43	2.99	0.40
Weight of good 1	0.1299	0.0516	0.0641	0.0167	0.0198	0.0198	0.0198	0.0827	0.0641	0.0357	0.0827	0.0357
Weight of good 2	0.0641	0.1299	0.0282	0.0198	0.0357	0.1547	0.0402	0.0092	0.0402	0.0641	0.0282	0.0282
Weight of good 3	0.0282	0.0402	0.0402	0.0641	0.0282	0.0402	0.0282	0.1495	0.0827	0.0282	0.0167	0.0088
Weight of good 4	0.1328	0.0282	0.0357	0.0282	0.1547	0.0357	0.1547	0.0402	0.0715	0.0402	0.0198	0.1547
75 percent trimmed mean	2.77	5.06	5.98	5.81	3.25	4.18	4.25	29.06	3.41	6.20	1.28	0.85

	1993											
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
87.5 percent trimmed mean (Median)												
MEDIAN GOODS	HG SCT	Bre Baw	Bre Clo	MC Tab	PC Clo	BaH PC	BaW T&C	HG Baw	Mea Clo	Baw Tab	PC T&C	MC PC
Inflation in median good 1	1.34	0.60	0.16	0.00	-0.05	0.72	3.64	0.42	0.51	2.33	0.43	-0.01
Inflation in median good 2	5.85	8.82	0.80	-0.23	-0.09	0.99	0.41	2.31	1.76	1.02	0.02	-0.39
Weight of good 1	0.0827	0.1547	0.1547	0.0092	0.0046	0.0198	0.0088	0.0827	0.1328	0.0088	0.0046	0.0092
Weight of good 2	0.0402	0.0088	0.0282	0.0167	0.0282	0.0046	0.0516	0.0088	0.0282	0.0167	0.0516	0.0046
MEDIAN INFLATION	2.81	1.04	0.26	-0.15	-0.08	0.77	0.88	0.60	0.73	1.47	0.05	-0.14

	75 percent trimmed mean											
	Tab	Clo	PC	HG	Tab	Oil	REC	T&C	BaW	BaH	MC	T&C
	HG	Bre	Bre	MC	PC	BaH	BaW	HG	Mea	Baw	PC	MC
	SCT	Baw	Clo	Tab	Clo	PC	T&C	Baw	Clo	Tab	Tab	T&C
Inflation in median good 1	6.47	2.35	2.91	-0.06	-0.57	0.02	0.41	0.30	4.05	0.82	0.01	-0.10
Inflation in median good 2	1.34	0.60	0.16	0.00	-0.05	0.72	3.64	0.42	0.51	2.33	0.43	-0.01
Inflation in median good 3	5.85	8.82	0.80	-0.23	-0.09	0.99	0.41	2.31	1.76	1.02	0.02	-0.39
Inflation in median good 4	6.91	20.61	2.76	1.56	0.00	0.44	0.64	1.25	5.30	0.17	0.34	0.00
Weight of good 1	0.0167	0.0282	0.0046	0.0827	0.0167	0.0715	0.0357	0.0516	0.0088	0.0198	0.0092	0.0516
Weight of good 2	0.0827	0.1547	0.1547	0.0092	0.0046	0.0198	0.0088	0.0827	0.1328	0.0088	0.0046	0.0092
Weight of good 3	0.0402	0.0088	0.0282	0.0167	0.0282	0.0046	0.0516	0.0088	0.0282	0.0167	0.0516	0.0046
Weight of good 4	0.0357	0.0092	0.0198	0.0046	0.0092	0.0516	0.0715	0.0282	0.0167	0.1547	0.0088	0.0282

Appendix IV. Albania: Estimates of 87.5 percent and 75 percent Trimmed Mean Inflation, 1992-1995

	1994											
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
87.5 percent trimmed mean Median												
MEDIAN GOODS	HG RWF	BaH Tab	BaH Tab	REC HG	REC Baw	Baw Clo	T&C Bre	MC PC	PC MC	BaH PC	MC PC	Baw HG
Inflation in median good 1	0.47	0.99	0.12	0.03	-0.07	2.80	-0.36	0.04	1.31	-0.07	0.10	0.75
Inflation in median good 2	0.43	1.35	0.09	0.16	1.50	1.02	-0.07	0.77	0.69	-0.27	0.20	0.09
Weight of good 1	0.0827	0.0198	0.0198	0.0357	0.0357	0.0088	0.0516	0.0092	0.0046	0.0198	0.0092	0.0088
Weight of good 2	0.0641	0.0167	0.0167	0.0827	0.0088	0.0282	0.1547	0.0046	0.0092	0.0046	0.0046	0.0827
MEDIAN INFLATION	0.45	1.16	0.11	0.12	0.24	1.45	-0.14	0.29	0.89	-0.11	0.13	0.15

	75 percent trimmed mean											
	BaH	PC	RWF	PC	T&C	Tab	BaH	BaH	BaH	T&C	Tab	Clo
	HG	BaH	BaH	REC	REC	Baw	T&C	MC	PC	BaH	MC	Baw
	RWF	Tab	Tab	HG	Baw	Clo	Bre	PC	MC	PC	PC	HG
Inflation in median good 1	0.53	2.83	0.02	0.23	0.04	0.42	-1.07	-0.03	-0.11	-0.19	0.00	0.14
Inflation in median good 2	0.47	0.99	0.12	0.03	-0.07	2.80	-0.36	0.04	1.31	-0.07	0.10	0.75
Inflation in median good 3	0.43	1.35	0.09	0.16	1.50	1.02	-0.07	0.77	0.69	-0.27	0.20	0.09
Inflation in median good 4	4.68	0.85	0.45	3.56	1.11	4.15	0.15	1.29	2.39	0.23	0.14	1.70
Weight of good 1	0.0198	0.0046	0.0641	0.0046	0.0516	0.0167	0.0198	0.0198	0.0198	0.0516	0.0167	0.0282
Weight of good 2	0.0827	0.0198	0.0198	0.0357	0.0357	0.0088	0.0516	0.0092	0.0046	0.0198	0.0092	0.0088
Weight of good 3	0.0641	0.0167	0.0167	0.0827	0.0088	0.0282	0.1547	0.0046	0.0092	0.0046	0.0046	0.0827
Weight of good 4	0.0092	0.0641	0.0092	0.0088	0.0167	0.0092	0.0046	0.0088	0.0088	0.0092	0.0088	0.0092
75 percent trimmed mean	0.68	1.04	0.08	0.35	0.28	1.57	-0.22	0.35	0.74	-0.12	0.08	0.26

	1995												1996	
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb
87.5 percent trimmed mean Median														
MEDIAN GOODS	REC SCT	Baw PC	Clo RWF	BaH Tab	BaH Oil	MC BaH	REC Baw	Baw SCT	RWF Tab	Bre T&C	REC Clo	BaH Baw	RWF Clo	RWF F&V
Inflation in median good 1	0.10	0.21	0.41	0.08	-0.57	-0.47	-0.02	1.66	0.14	0.07	0.36	0.49	0.37	0.349
Inflation in median good 2	0.16	0.43	0.19	0.10	-0.14	-0.16	0.11	0.38	0.94	0.26	2.12	1.66	0.92	0.204
Weight of good 1	0.0357	0.0088	0.0282	0.0198	0.0198	0.0092	0.0357	0.0088	0.0641	0.1547	0.0357	0.0198	0.0641	0.0641
Weight of good 2	0.0402	0.0046	0.0641	0.0167	0.0715	0.0198	0.0088	0.0402	0.0167	0.0516	0.0282	0.0088	0.0282	0.1495
MEDIAN INFLATION	0.14	0.29	0.26	0.09	-0.24	-0.26	0.01	0.61	0.30	0.12	1.14	0.85	0.54	0.25

	75 percent trimmed mean													
	Baw	HG	HG	PC	HG	RWF	BaH	PC	PC	Tab	MC	PC	Tab	Tab
	REC	Baw	Clo	BaH	BaH	MC	REC	Baw	RWF	Bre	REC	BaH	RWF	RWF
	SCT	PC	RWF	Tab	Oil	BaH	Baw	SCT	Tab	T&C	Clo	Baw	Clo	F&V
Inflation in median good 1	0.36	0.02	0.09	0.23	-0.19	-0.09	-0.37	1.02	1.30	0.43	1.08	0.24	0.59	0.95
Inflation in median good 2	0.10	0.21	0.41	0.08	-0.57	-0.47	-0.02	1.66	0.14	0.07	0.36	0.49	0.37	0.35
Inflation in median good 3	0.16	0.43	0.19	0.10	-0.14	-0.16	0.11	0.38	0.94	0.26	2.12	1.66	0.92	0.20
Inflation in median good 4	0.09	0.14	0.68	0.02	-0.01	0.03	0.22	0.30	0.58	0.20	0.99	1.14	0.25	1.24
Weight of good 1	0.0088	0.0827	0.0827	0.0046	0.0827	0.0641	0.0198	0.0046	0.0046	0.0167	0.0092	0.0046	0.0167	0.0167
Weight of good 2	0.0357	0.0088	0.0282	0.0198	0.0198	0.0092	0.0357	0.0088	0.0641	0.1547	0.0357	0.0198	0.0641	0.0641
Weight of good 3	0.0402	0.0046	0.0641	0.0167	0.0715	0.0198	0.0088	0.0402	0.0167	0.0516	0.0282	0.0088	0.0282	0.1495
Weight of good 4	0.0715	0.0516	0.0198	0.0827	0.0516	0.0046	0.0046	0.0641	0.0357	0.0827	0.0641	0.0167	0.1299	0.0282
75 percent trimmed mean	0.13	0.09	0.23	0.05	-0.17	-0.14	-0.09	0.46	0.42	0.16	1.06	0.89	0.39	0.40

Appendix V. Albania: Estimates of 25 percent Trimmed Mean Inflation, 1992-1995

	1992											
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
25 PERCENT TRIMMED MEAN												
Exclusions	Oil MC	Oil MC	MC PC	Dia Oil	MC PC	MC Tab	F&V MC	Tab PC	MC BaH	Tab MC	SCT Bre	Oil SCT
	HG F&V	HG F&V	HG F&V	HG F&V	RWF F&V	HG Dia	Dia Mea	Mea Bre	Dia Mea	Dia F&V	F&V Dia	Mea RWF
New weights	0.6871	0.6871	0.7540	0.5664	0.7726	0.7615	0.5786	0.6912	0.7083	0.6947	0.5257	0.6914
Bread and cereals	0.1547	0.1547	0.1547	0.1547	0.1547	0.1547	0.1547	0	0.1547	0.1547	0	0.1547
Meat, poultry, and fish	0.1328	0.1328	0.1328	0.1328	0.1328	0.1328	0	0	0	0.1328	0.1328	0
Dairy products and eggs	0.1299	0.1299	0.1299	0	0.1299	0	0	0.1299	0	0	0	0.1299
Oils and fats	0	0	0.0715	0	0.0715	0.0715	0.0715	0.0715	0.0715	0.0715	0.0715	0
Fruits and vegetables	0	0	0	0	0	0.1495	0	0.1495	0.1495	0	0	0.1495
Sugar, coffee, and tea	0.0402	0.0402	0.0402	0.0402	0.0402	0.0402	0.0402	0.0402	0.0402	0.0402	0	0
Beverages at home	0.0198	0.0198	0.0198	0.0198	0.0198	0.0198	0.0198	0.0198	0	0.0198	0.0198	0.0198
Food and beverages away from home	0.0088	0.0088	0.0088	0.0088	0.0088	0.0088	0.0088	0.0088	0.0088	0.0088	0.0088	0.0088
Tobacco	0.0167	0.0167	0.0167	0.0167	0.0167	0	0.0167	0	0.0167	0	0.0167	0.0167
Clothing and footwear	0.0282	0.0282	0.0282	0.0282	0.0282	0.0282	0.0282	0.0282	0.0282	0.0282	0.0282	0.0282
Rent, water, fuel, and power	0.0641	0.0641	0.0641	0.0641	0	0.0641	0.0641	0.0641	0.0641	0.0641	0.0641	0
Household goods	0	0	0	0	0.0827	0	0.0827	0.0827	0.0827	0.0827	0.0827	0.0827
Medical care	0	0	0	0.0092	0	0	0	0.0092	0	0	0.0092	0.0092
Transportation and communication	0.0516	0.0516	0.0516	0.0516	0.0516	0.0516	0.0516	0.0516	0.0516	0.0516	0.0516	0.0516
Recreation, education, and culture	0.0357	0.0357	0.0357	0.0357	0.0357	0.0357	0.0357	0.0357	0.0357	0.0357	0.0357	0.0357
Personal care	0.0046	0.0046	0	0.0046	0	0.0046	0.0046	0	0.0046	0.0046	0.0046	0.0046
New weights--normalized	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000
Bread and cereals	0.2251	0.2251	0.2052	0.2731	0.2002	0.2032	0.2674	0.0000	0.2184	0.2227	0.0000	0.2237
Meat, poultry, and fish	0.1933	0.1933	0.1761	0.2345	0.1719	0.1744	0.0000	0.0000	0.0000	0.1912	0.2526	0.0000
Dairy products and eggs	0.1891	0.1891	0.1723	0.0000	0.1681	0.0000	0.0000	0.1879	0.0000	0.0000	0.0000	0.1879
Oils and fats	0.0000	0.0000	0.0948	0.0000	0.0925	0.0939	0.1236	0.1034	0.1009	0.1029	0.1360	0.0000
Fruits and vegetables	0.0000	0.0000	0.0000	0.0000	0.0000	0.1963	0.0000	0.2163	0.2111	0.0000	0.0000	0.2162
Sugar, coffee, and tea	0.0585	0.0585	0.0533	0.0710	0.0520	0.0528	0.0695	0.0582	0.0568	0.0579	0.0000	0.0000
Beverages at home	0.0288	0.0288	0.0263	0.0350	0.0256	0.0260	0.0342	0.0286	0.0000	0.0285	0.0377	0.0286
Food and beverages away from home	0.0128	0.0128	0.0117	0.0155	0.0114	0.0116	0.0152	0.0127	0.0124	0.0127	0.0167	0.0127
Tobacco	0.0243	0.0243	0.0221	0.0295	0.0216	0.0000	0.0289	0.0000	0.0236	0.0000	0.0318	0.0242
Clothing and footwear	0.0410	0.0410	0.0374	0.0498	0.0365	0.0370	0.0487	0.0408	0.0398	0.0406	0.0536	0.0408
Rent, water, fuel, and power	0.0933	0.0933	0.0850	0.1132	0.0000	0.0842	0.1108	0.0927	0.0905	0.0923	0.1219	0.0000
Household goods	0.0000	0.0000	0.0000	0.0000	0.1070	0.0000	0.1429	0.1196	0.1168	0.1190	0.1573	0.1196
Medical care	0.0000	0.0000	0.0000	0.0162	0.0000	0.0000	0.0000	0.0133	0.0000	0.0000	0.0175	0.0133
Transportation and communication	0.0751	0.0751	0.0684	0.0911	0.0668	0.0678	0.0892	0.0747	0.0729	0.0743	0.0982	0.0746
Recreation, education, and culture	0.0520	0.0520	0.0473	0.0630	0.0462	0.0469	0.0617	0.0516	0.0504	0.0514	0.0679	0.0516
Personal care	0.0067	0.0067	0.0000	0.0081	0.0000	0.0060	0.0080	0.0000	0.0065	0.0066	0.0088	0.0067
25 % TRIMMED MEAN	4.90	7.31	5.86	4.82	4.73	4.74	7.88	63.76	4.76	5.82	2.35	0.79

Appendix V. Albania: Estimates of 25 percent Trimmed Mean Inflation, 1992-1995

	1993											
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
25 PERCENT TRIMMED MEAN												
Exclusions	Bre	Oil	Oil	Dia	F&V	F&V	HG	Mea	Bre	Mea	Bre	Bre
	MC	HG	HG	F&V	Dia	Dia	SCT	REC	SCT	Oil	Mea	Oil
	Mea	Mea	Dia	RWF	Mea	Mea	F&V	F&V	F&V	Dia	RWF	Dia
	T&C	T&C	Mea	Mea	RWF	RWF	Bre	Dia	RWF	F&V	Dia	RWF
New weights	0.6517	0.6614	0.5831	0.5850	0.5237	0.5237	0.5729	0.5521	0.5915	0.5163	0.5185	0.5798
Bread and cereals	0	0.1547	0.1547	0.1547	0.1547	0.1547	0	0.1547	0	0.1547	0	0
Meat, poultry, and fish	0	0	0	0.1328	0	0	0.1328	0	0.1328	0	0	0.1328
Dairy products and eggs	0.1299	0.1299	0	0	0	0	0.1299	0	0.1299	0	0	0
Oils and fats	0.0715	0	0	0	0.0715	0.0715	0.0715	0.0715	0.0715	0	0.0715	0
Fruits and vegetables	0.1495	0.1495	0.1495	0	0	0	0	0	0	0	0.1495	0.1495
Sugar, coffee, and tea	0.0402	0.0402	0.0402	0.0402	0.0402	0.0402	0	0.0402	0	0.0402	0.0402	0.0402
Beverages at home	0.0198	0.0198	0.0198	0.0198	0.0198	0.0198	0.0198	0.0198	0.0198	0.0198	0.0198	0.0198
Food and beverages away from hom	0.0088	0.0088	0.0088	0.0088	0.0088	0.0088	0.0088	0.0088	0.0088	0.0088	0.0088	0.0088
Tobacco	0.0167	0.0167	0.0167	0.0167	0.0167	0.0167	0.0167	0.0167	0.0167	0.0167	0.0167	0.0167
Clothing and footwear	0.0282	0.0282	0.0282	0.0282	0.0282	0.0282	0.0282	0.0282	0.0282	0.0282	0.0282	0.0282
Rent, water, fuel, and power	0.0641	0.0641	0.0641	0	0	0	0.0641	0.0641	0	0.0641	0	0
Household goods	0.0827	0	0	0.0827	0.0827	0.0827	0	0.0827	0.0827	0.0827	0.0827	0.0827
Medical care	0	0.0092	0.0092	0.0092	0.0092	0.0092	0.0092	0.0092	0.0092	0.0092	0.0092	0.0092
Transportation and communication	0	0	0.0516	0.0516	0.0516	0.0516	0.0516	0.0516	0.0516	0.0516	0.0516	0.0516
Recreation, education, and cultu	0.0357	0.0357	0.0357	0.0357	0.0357	0.0357	0.0357	0	0.0357	0.0357	0.0357	0.0357
Personal care	0.0046	0.0046	0.0046	0.0046	0.0046	0.0046	0.0046	0.0046	0.0046	0.0046	0.0046	0.0046
New weights--normalized	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000
Bread and cereals	0.0000	0.2339	0.2653	0.2644	0.2954	0.2954	0.0000	0.2802	0.0000	0.2996	0.0000	0.0000
Meat, poultry, and fish	0.0000	0.0000	0.0000	0.2270	0.0000	0.0000	0.2318	0.0000	0.2245	0.0000	0.0000	0.2290
Dairy products and eggs	0.1993	0.1964	0.0000	0.0000	0.0000	0.0000	0.2267	0.0000	0.2196	0.0000	0.0000	0.0000
Oils and fats	0.1097	0.0000	0.0000	0.0000	0.1365	0.1365	0.1248	0.1295	0.1209	0.0000	0.1379	0.0000
Fruits and vegetables	0.2294	0.2260	0.2564	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.2883	0.2578
Sugar, coffee, and tea	0.0617	0.0608	0.0689	0.0687	0.0768	0.0768	0.0000	0.0728	0.0000	0.0779	0.0775	0.0693
Beverages at home	0.0304	0.0299	0.0340	0.0338	0.0378	0.0378	0.0346	0.0359	0.0335	0.0383	0.0382	0.0341
Food and beverages away from hom	0.0135	0.0133	0.0151	0.0150	0.0168	0.0168	0.0154	0.0159	0.0149	0.0170	0.0170	0.0152
Tobacco	0.0256	0.0252	0.0286	0.0285	0.0319	0.0319	0.0291	0.0302	0.0282	0.0323	0.0322	0.0288
Clothing and footwear	0.0433	0.0426	0.0484	0.0482	0.0538	0.0538	0.0492	0.0511	0.0477	0.0546	0.0544	0.0486
Rent, water, fuel, and power	0.0984	0.0969	0.1099	0.0000	0.0000	0.0000	0.1119	0.1161	0.0000	0.1242	0.0000	0.0000
Household goods	0.1269	0.0000	0.0000	0.1414	0.1579	0.1579	0.0000	0.1498	0.1398	0.1602	0.1595	0.1426
Medical care	0.0000	0.0139	0.0158	0.0157	0.0176	0.0176	0.0161	0.0167	0.0156	0.0178	0.0177	0.0159
Transportation and communication	0.0000	0.0000	0.0885	0.0882	0.0985	0.0985	0.0901	0.0935	0.0872	0.0999	0.0995	0.0890
Recreation, education, and cultu	0.0548	0.0540	0.0612	0.0610	0.0682	0.0682	0.0623	0.0000	0.0604	0.0691	0.0689	0.0616
Personal care	0.0071	0.0070	0.0079	0.0079	0.0088	0.0088	0.0080	0.0083	0.0078	0.0089	0.0089	0.0079
25 % TRIMMED MEAN	5.71	3.11	0.64	1.30	-0.17	0.48	1.64	0.86	3.00	0.82	0.81	0.04

Appendix V. Albania: Estimates of 25 percent Trimmed Mean Inflation, 1992-1995

	1994											
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
25 PERCENT TRIMMED MEAN												
Exclusions	Bre Oil	Oil Bre	Dia Oil	Dia SCT	Dia Oil	Dia Mea	F&V Dia	F&V Mea	Oil Bre	SCT Bre	Mea SCT	Tab Mea
	Dia F&V	F&V T&C	F&V SCT	F&V RWF	SCT F&V	F&V SCT	RWF Oil	RWF SCT	Dia F&V	F&V Dia	Oil F&V	Oil F&V
New weights	0.4944	0.5727	0.6089	0.6163	0.6089	0.5476	0.5850	0.6134	0.4944	0.5257	0.6060	0.6295
Bread and cereals	0	0	0.1547	0.1547	0.1547	0.1547	0.1547	0.1547	0	0	0.1547	0.1547
Meat, poultry, and fish	0.1328	0.1328	0.1328	0.1328	0.1328	0	0.1328	0	0.1328	0.1328	0	0
Dairy products and eggs	0	0.1299	0	0	0	0	0	0.1299	0	0	0.1299	0.1299
Oils and fats	0	0	0	0.0715	0	0.0715	0	0.0715	0	0.0715	0	0
Fruits and vegetables	0	0	0	0	0	0	0	0	0	0	0	0
Sugar, coffee, and tea	0.0402	0.0402	0	0	0	0	0.0402	0	0.0402	0	0	0.0402
Beverages at home	0.0198	0.0198	0.0198	0.0198	0.0198	0.0198	0.0198	0.0198	0.0198	0.0198	0.0198	0.0198
Food and beverages away from home	0.0088	0.0088	0.0088	0.0088	0.0088	0.0088	0.0088	0.0088	0.0088	0.0088	0.0088	0.0088
Tobacco	0.0167	0.0167	0.0167	0.0167	0.0167	0.0167	0.0167	0.0167	0.0167	0.0167	0.0167	0
Clothing and footwear	0.0282	0.0282	0.0282	0.0282	0.0282	0.0282	0.0282	0.0282	0.0282	0.0282	0.0282	0.0282
Rent, water, fuel, and power	0.0641	0.0641	0.0641	0	0.0641	0.0641	0	0	0.0641	0.0641	0.0641	0.0641
Household goods	0.0827	0.0827	0.0827	0.0827	0.0827	0.0827	0.0827	0.0827	0.0827	0.0827	0.0827	0.0827
Medical care	0.0092	0.0092	0.0092	0.0092	0.0092	0.0092	0.0092	0.0092	0.0092	0.0092	0.0092	0.0092
Transportation and communication	0.0516	0	0.0516	0.0516	0.0516	0.0516	0.0516	0.0516	0.0516	0.0516	0.0516	0.0516
Recreation, education, and culture	0.0357	0.0357	0.0357	0.0357	0.0357	0.0357	0.0357	0.0357	0.0357	0.0357	0.0357	0.0357
Personal care	0.0046	0.0046	0.0046	0.0046	0.0046	0.0046	0.0046	0.0046	0.0046	0.0046	0.0046	0.0046
New weights--normalized	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000
Bread and cereals	0.0000	0.0000	0.2541	0.2510	0.2541	0.2825	0.2644	0.2522	0.0000	0.0000	0.2553	0.2458
Meat, poultry, and fish	0.2686	0.2319	0.2181	0.2155	0.2181	0.0000	0.2270	0.0000	0.2686	0.2526	0.0000	0.0000
Dairy products and eggs	0.0000	0.2268	0.0000	0.0000	0.0000	0.0000	0.0000	0.2118	0.0000	0.0000	0.2144	0.2064
Oils and fats	0.0000	0.0000	0.0000	0.1160	0.0000	0.1306	0.0000	0.1166	0.0000	0.1360	0.0000	0.0000
Fruits and vegetables	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
Sugar, coffee, and tea	0.0813	0.0702	0.0000	0.0000	0.0000	0.0000	0.0687	0.0000	0.0813	0.0000	0.0000	0.0639
Beverages at home	0.0400	0.0346	0.0325	0.0321	0.0325	0.0362	0.0338	0.0323	0.0400	0.0377	0.0327	0.0315
Food and beverages away from home	0.0178	0.0154	0.0145	0.0143	0.0145	0.0161	0.0150	0.0143	0.0178	0.0167	0.0145	0.0140
Tobacco	0.0338	0.0292	0.0274	0.0271	0.0274	0.0305	0.0285	0.0272	0.0338	0.0318	0.0276	0.0000
Clothing and footwear	0.0570	0.0492	0.0463	0.0458	0.0463	0.0515	0.0482	0.0460	0.0570	0.0536	0.0465	0.0448
Rent, water, fuel, and power	0.1297	0.1119	0.1053	0.0000	0.1053	0.1171	0.0000	0.0000	0.1297	0.1219	0.1058	0.1018
Household goods	0.1673	0.1444	0.1358	0.1342	0.1358	0.1510	0.1414	0.1348	0.1673	0.1573	0.1365	0.1314
Medical care	0.0186	0.0161	0.0151	0.0149	0.0151	0.0168	0.0157	0.0150	0.0186	0.0175	0.0152	0.0146
Transportation and communication	0.1044	0.0000	0.0847	0.0837	0.0847	0.0942	0.0882	0.0841	0.1044	0.0982	0.0851	0.0820
Recreation, education, and culture	0.0722	0.0623	0.0586	0.0579	0.0586	0.0652	0.0610	0.0582	0.0722	0.0679	0.0589	0.0567
Personal care	0.0093	0.0080	0.0076	0.0075	0.0076	0.0084	0.0079	0.0075	0.0093	0.0088	0.0076	0.0073
25 % TRIMMED MEAN	1.23	1.47	0.29	1.76	0.40	1.43	-0.35	-0.07	0.33	0.00	0.25	0.85

Appendix V. Albania: Estimates of 25 percent Trimmed Mean Inflation, 1992-1995

	1995												1996	
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb
25 PERCENT TRIMMED MEAN														
Exclusions	BaH	Dia	Dia	Dia	Dia	F&V	F&V	F&V	F&V	SCT	BaW	F&V	SCT	HG
	HG	Oil	Oil	Bre	F&V	Dia	Dia	HG	Oil	REC	SCT	SCT	T&C	HG
	Mea	Mea	Mea	Mea	BaW	Oil	Mea	Mea	SCT	Dia	Oil	Oil	Oil	Mea
	F&V	F&V	F&V	F&V	REC	Bre	RWF	Dia	Dia	Oil	F&V	Bre	F&V	Dia
New weights	0.6152	0.5163	0.5163	0.4331	0.6761	0.4944	0.5237	0.5051	0.6089	0.7227	0.7300	0.5841	0.6872	0.6030
Bread and cereals	0.1547	0.1547	0.1547	0	0.1547	0	0.1547	0.1547	0.1547	0.1547	0.1547	0	0.1547	0.1547
Meat, poultry, and fish	0	0	0	0	0.1328	0.1328	0	0	0.1328	0.1328	0.1328	0.1328	0.1328	0
Dairy products and eggs	0.1299	0	0	0	0	0	0	0	0	0	0.1299	0.1299	0.1299	0
Oils and fats	0.0715	0	0	0.0715	0.0715	0	0.0715	0.0715	0	0	0	0	0	0.0715
Fruits and vegetables	0	0	0	0	0	0	0	0	0	0.1495	0	0	0	0.1495
Sugar, coffee, and tea	0.0402	0.0402	0.0402	0.0402	0.0402	0.0402	0.0402	0.0402	0	0	0	0	0	0.0402
Beverages at home	0	0.0198	0.0198	0.0198	0.0198	0.0198	0.0198	0.0198	0.0198	0.0198	0.0198	0.0198	0.0198	0.0198
Food and beverages away from home	0.0088	0.0088	0.0088	0.0088	0	0.0088	0.0088	0.0088	0.0088	0.0088	0	0.0088	0.0088	0.0088
Tobacco	0.0167	0.0167	0.0167	0.0167	0.0167	0.0167	0.0167	0.0167	0.0167	0.0167	0.0167	0.0167	0.0167	0.0167
Clothing and footwear	0.0282	0.0282	0.0282	0.0282	0.0282	0.0282	0.0282	0.0282	0.0282	0.0282	0.0282	0.0282	0.0282	0.0282
Rent, water, fuel, and power	0.0641	0.0641	0.0641	0.0641	0.0641	0.0641	0	0.0641	0.0641	0.0641	0.0641	0.0641	0.0641	0.0641
Household goods	0	0.0827	0.0827	0.0827	0.0827	0.0827	0.0827	0	0.0827	0.0827	0.0827	0.0827	0.0827	0
Medical care	0.0092	0.0092	0.0092	0.0092	0.0092	0.0092	0.0092	0.0092	0.0092	0.0092	0.0092	0.0092	0.0092	0.0092
Transportation and communication	0.0516	0.0516	0.0516	0.0516	0.0516	0.0516	0.0516	0.0516	0.0516	0.0516	0.0516	0.0516	0	0
Recreation, education, and cultur	0.0357	0.0357	0.0357	0.0357	0	0.0357	0.0357	0.0357	0.0357	0	0.0357	0.0357	0.0357	0.0357
Personal care	0.0046	0.0046	0.0046	0.0046	0.0046	0.0046	0.0046	0.0046	0.0046	0.0046	0.0046	0.0046	0.0046	0.0046
New weights--normalized	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000
Bread and cereals	0.2515	0.2996	0.2996	0.0000	0.2288	0.0000	0.2954	0.3063	0.2541	0.2141	0.2119	0.0000	0.2251	0.2566
Meat, poultry, and fish	0.0000	0.0000	0.0000	0.0000	0.1964	0.2686	0.0000	0.0000	0.2181	0.1838	0.1819	0.2274	0.1932	0.0000
Dairy products and eggs	0.2112	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.1779	0.2224	0.1890	0.0000
Oils and fats	0.1162	0.0000	0.0000	0.1651	0.1058	0.0000	0.1365	0.1416	0.0000	0.0000	0.0000	0.0000	0.0000	0.1186
Fruits and vegetables	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.2069	0.0000	0.0000	0.0000	0.2479
Sugar, coffee, and tea	0.0653	0.0779	0.0779	0.0928	0.0595	0.0813	0.0768	0.0796	0.0000	0.0000	0.0000	0.0000	0.0000	0.0667
Beverages at home	0.0000	0.0383	0.0383	0.0457	0.0293	0.0400	0.0378	0.0392	0.0325	0.0274	0.0271	0.0339	0.0288	0.0328
Food and beverages away from home	0.0143	0.0170	0.0170	0.0203	0.0000	0.0178	0.0168	0.0174	0.0145	0.0122	0.0000	0.0151	0.0128	0.0146
Tobacco	0.0271	0.0323	0.0323	0.0386	0.0247	0.0338	0.0319	0.0331	0.0274	0.0231	0.0229	0.0286	0.0243	0.0277
Clothing and footwear	0.0458	0.0546	0.0546	0.0651	0.0417	0.0570	0.0538	0.0558	0.0463	0.0390	0.0386	0.0483	0.0410	0.0468
Rent, water, fuel, and power	0.1042	0.1242	0.1242	0.1480	0.0948	0.1297	0.0000	0.1269	0.1053	0.0887	0.0878	0.1097	0.0933	0.1063
Household goods	0.0000	0.1602	0.1602	0.1909	0.1223	0.1673	0.1579	0.0000	0.1358	0.1144	0.1133	0.1416	0.1203	0.0000
Medical care	0.0150	0.0178	0.0178	0.0212	0.0136	0.0186	0.0176	0.0182	0.0151	0.0127	0.0126	0.0158	0.0134	0.0153
Transportation and communication	0.0839	0.0999	0.0999	0.1191	0.0763	0.1044	0.0985	0.1022	0.0847	0.0714	0.0707	0.0883	0.0000	0.0000
Recreation, education, and cultur	0.0580	0.0691	0.0691	0.0824	0.0000	0.0722	0.0682	0.0707	0.0586	0.0000	0.0489	0.0611	0.0519	0.0592
Personal care	0.0075	0.0089	0.0089	0.0106	0.0068	0.0093	0.0088	0.0091	0.0076	0.0064	0.0063	0.0079	0.0067	0.0076
25 % TRIMMED MEAN	0.80	0.45	0.27	0.46	-0.21	-0.20	-0.08	0.85	0.34	0.51	0.96	0.63	0.94	0.88

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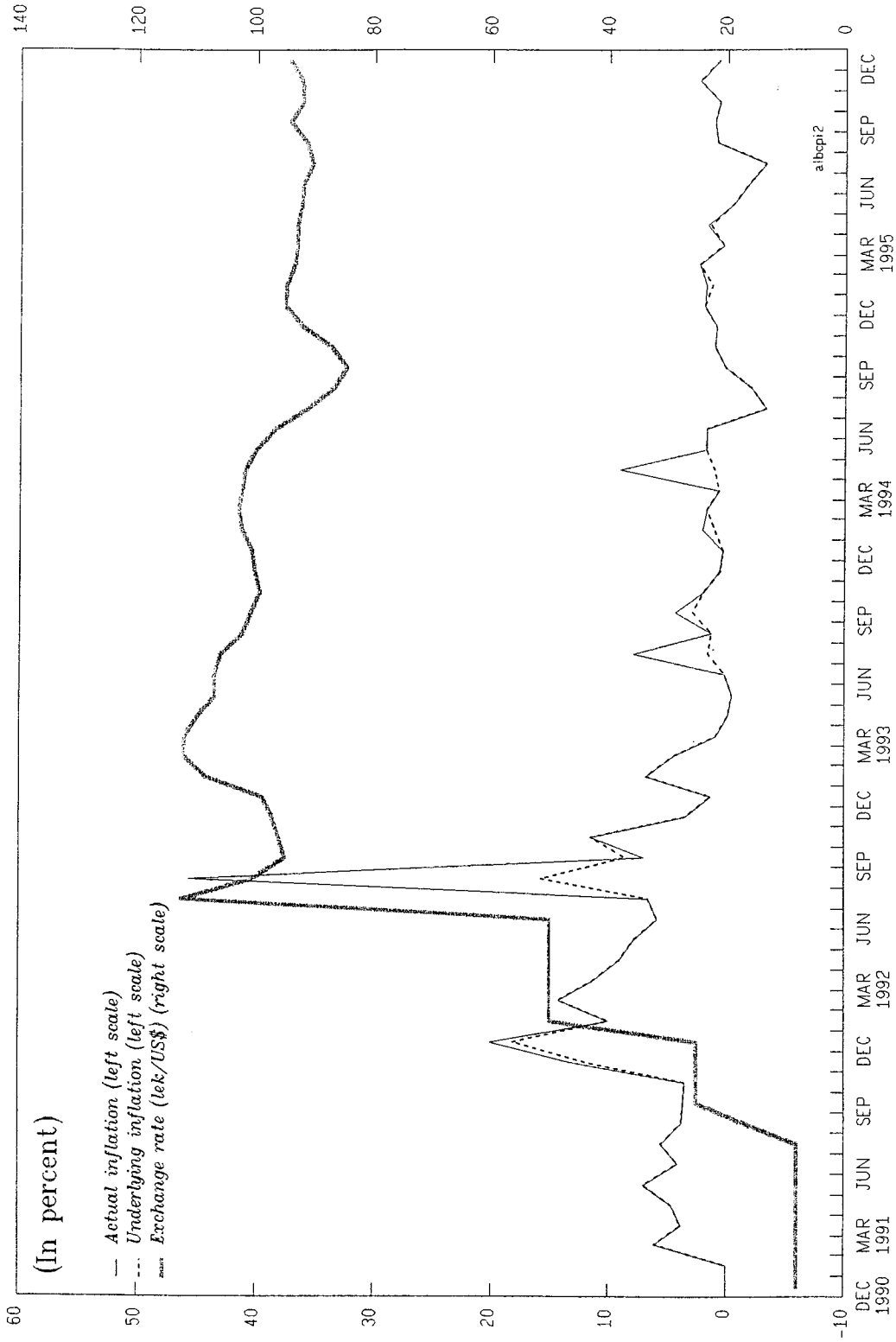
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CHART 1
ALBANIA: Monthly Inflation and Exchange Rate
December 1990 - December 1995



Source: Institute of Statistics and IMF staff estimates.
1/ Defined as actual inflation minus the estimated impact of price liberalization and administered price increases.

November and large adjustments to energy prices were made late in the year. Average annual inflation reached only 36 percent, but by the end of 1991, consumer prices had doubled compared with a year before.

Table 2. Exchange Rate, 1990–95

	(Lek/U.S. dollar) 1/	
	Average	Year-end
1990	8.0	8.0
1991	14.4	25.0
1992	75.0	102.9
1993	102.1	98.7
1994	94.7	95.4
1995	92.8	94.2

Source: Bank of Albania.

1/ Official exchange rate until July 1992; market-determined unified rate thereafter.

In the first half of 1992, monthly price increases were higher than in the previous year, but declined somewhat as the international community mounted a massive effort to provide and distribute food aid (see Section IV.B). Despite a second devaluation of the official exchange rate from 25 to 50 leks/dollar in January 1992, the official rate continued to lag far behind the rate in the parallel market, which by mid-1992 reached more than 130 leks/dollar.

It was only after a new, democratically elected government assumed office in April 1992 that comprehensive economic reform began. The authorities took steps to establish fiscal and monetary control and introduced comprehensive price, trade, and exchange system reforms in mid-1992.⁴ In July 1992, the government abolished import and export licenses for all but a few export products, removed most restrictions on foreign exchange for current transactions, and introduced a floating market-determined exchange rate. At the same time, the biggest step in price liberalization was taken as the new government liberalized most wholesale and retail prices—with the exception of key essential consumer items—affecting half of the

⁴For more details, see Brown, et. al. (1994).

In 1993, the largest increases in the CPI accompanied further price liberalization and increases in important controlled prices during the year. In January 1993, more prices were liberalized—including sugar—and selected administered prices were increased which accounted for about two-thirds of monthly inflation.⁶ During April-June, monthly inflation was zero or slightly negative, reflecting for the first time seasonality related to fruit and vegetable production as well as seasonal appreciation of the exchange rate.⁷ In July 1993, the price of bread was doubled, accounting for virtually the entire spike in monthly inflation. The new bread price was subsequently made a ceiling price for state bakeries as bread prices came under downward pressure due to the entry of private bakeries, which are estimated to have satisfied as much as 90 percent of bread demand by 1995. The government intended to abolish the price ceiling once there was sufficient competition to prevent the state bakeries from exploiting their previous monopoly position.⁸ However, the government repeatedly deferred action, with the consequences described below. In the fall, selected energy prices and controlled rents were increased, adding about one-third to monthly inflation in September. Average inflation was still high at 85 percent in 1993, but 12-month inflation declined to 31 percent by year-end (December/December).

In early 1994, price controls were eliminated for some energy products and controlled rent, while non-energy administered prices were raised, accounting for about one-half of January inflation. In April 1994, electricity and kerosene prices were raised substantially toward cost recovery levels, accounting for at least two-thirds of the spike in monthly inflation. During the rest of 1994 monthly inflation was consistently less than 2 percent, and consumer prices even decreased during two summer months, reflecting a rebound in domestic agricultural production and seasonal appreciation of the exchange rate. Annual average inflation eased to 23 percent and 12-month inflation declined to 16 percent by year-end.

Inflation declined sharply further to single digits during 1995. Several administered prices were increased further in January and April 1995, but had a negligible impact on the CPI. Monthly inflation was again less than 2 percent in most months, and prices fell during the summer months. Annual average inflation was just 8 percent and year-end inflation declined to 6 percent. This good performance came at a price, however, as other adjustments toward cost recovery levels, as well as action on the bread price ceiling, were deferred until after the 1996 general elections.

⁶A ceiling price was reintroduced for sugar, however, at the beginning of Ramadan in the spring of 1994, and was only removed in October 1995.

⁷During the summer, the supply of foreign exchange is expanded by remittances from seasonal employment abroad, while the demand for foreign exchange eases as domestic agricultural products replace many fruits and vegetables which are imported fresh during other seasons.

⁸The bread price was politically sensitive since it was historically the staple food in the Albanian diet, and has a very large weight in the consumption basket—8 percent in 1990 and 12 percent in 1993.

As of end-1995, the weight of controlled prices in the CPI was less than 20 percent. The remaining price controls applied to "essential" goods or items produced under monopolistic conditions. The weight of bread and flour in the CPI is 12.5 percent, so during the roughly two-year period when the bread ceiling price was not binding, the effective weight of controlled prices was reduced to about 7 percent. But given its importance in the consumption basket, the deferral of action on the bread price was critical.

The first indication that the government had postponed liberalization of the bread price too long came when the ceiling price became binding during the winter of 1994/95, during a serious electricity shortage which increased production costs. The government reacted to reduced bread supplies by extending the price ceiling to all bread suppliers and reducing the price of electricity for bakeries. Bread supplies were restored and cost pressures eased with the end of the energy crisis, but by mid-1995 cost pressures re-emerged. The government reacted by reducing other input prices, reducing the tariff rate on wheat and flour, and setting a price ceiling for flour. Nevertheless, by end-1995 the ceiling had again become broadly binding. Some private bakers temporarily defied the ceiling and raised their bread prices by more than 10 percent. There were also widespread reports that bakeries had reduced the size of loaves by up to one sixth to remain within the ceiling. The issue remained contentious but unresolved at year-end. The bread price was finally liberalized in mid-1996 following the elections.

Had the bread price been liberalized in December 1994, we estimate that inflation would have been about 4 percentage points higher in 1995. The experience with the bread price also illustrates the danger of incomplete price liberalization. By not liberalizing the price during the period when the price ceiling was not binding, the government both incurred and imposed substantial costs when it tried to enforce the price ceiling. The government budget lost revenues and eventually incurred new subsidy costs, and the utilities lost revenues. The bakeries' profit margins were squeezed and then disappeared, leading to widespread defaults on baking equipment loans from the state banks. At the same time, consumers were not really protected from the underlying cost increase since loaf size was reduced.

The other controlled prices remained well below cost recovery levels at end-1995, and in fact were further away than a year earlier given the postponement of most price increases during 1995. Nonetheless, price subsidies had been sharply reduced by price liberalization, and as of end-1995 covered only a few items, with a weight of about 1.5 percent in the CPI. The budgetary cost of these consumer price subsidies was reduced from 3.5 percent of GDP⁹ in 1992 to 0.6 percent of GDP in 1995.¹⁰ During the three major rounds of price liberalization, budgetary transfers to households were used to cushion the impact and help maintain the

⁹The nominal GDP estimates are subject to a high degree of uncertainty. Ratios to GDP should therefore be interpreted somewhat cautiously.

¹⁰Water, energy, selected transportation fares, medicines, school books and telecommunications prices remained controlled, with prices ranging from 25 to 60 percent of the cost recovery levels.

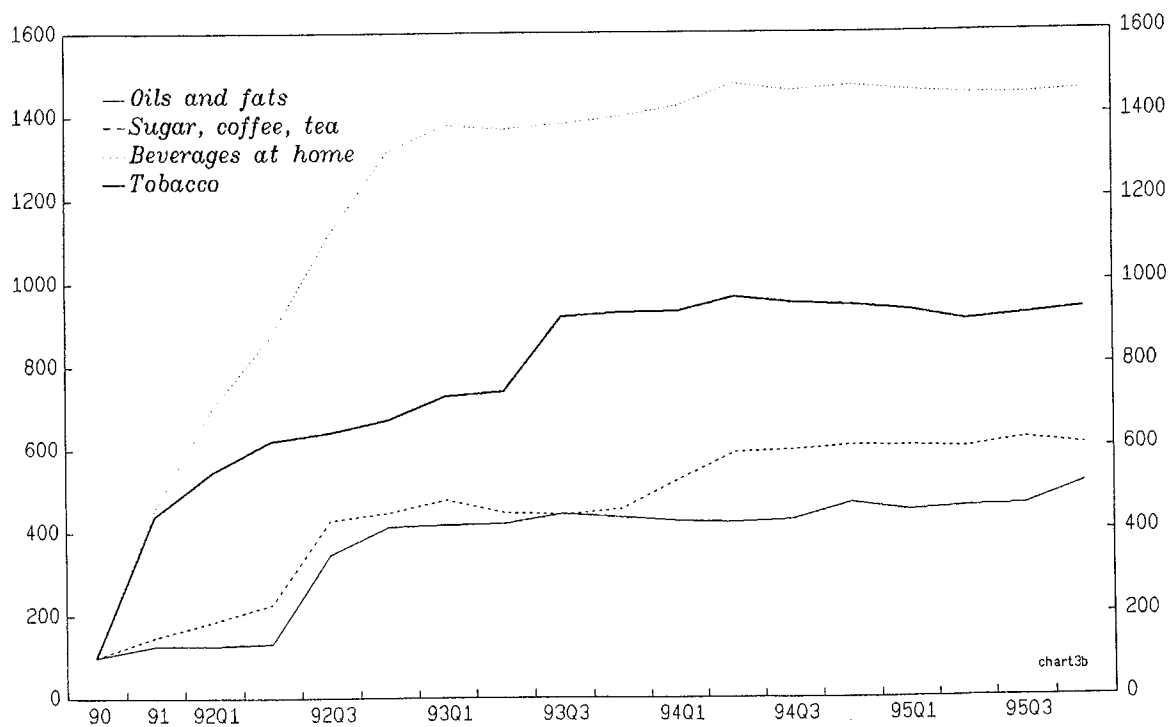
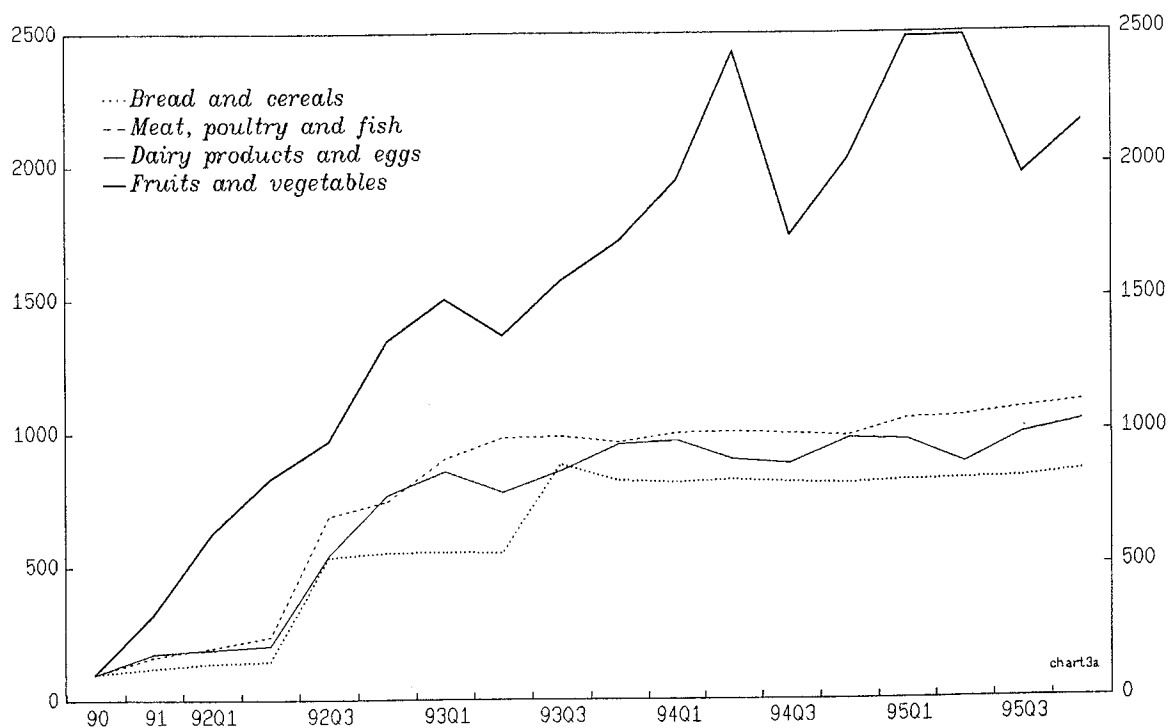
CHART 2
Albania: Relative Price Changes, 1990-95
(1990=100)



Source: Institute of Statistics, and IMF staff estimates.

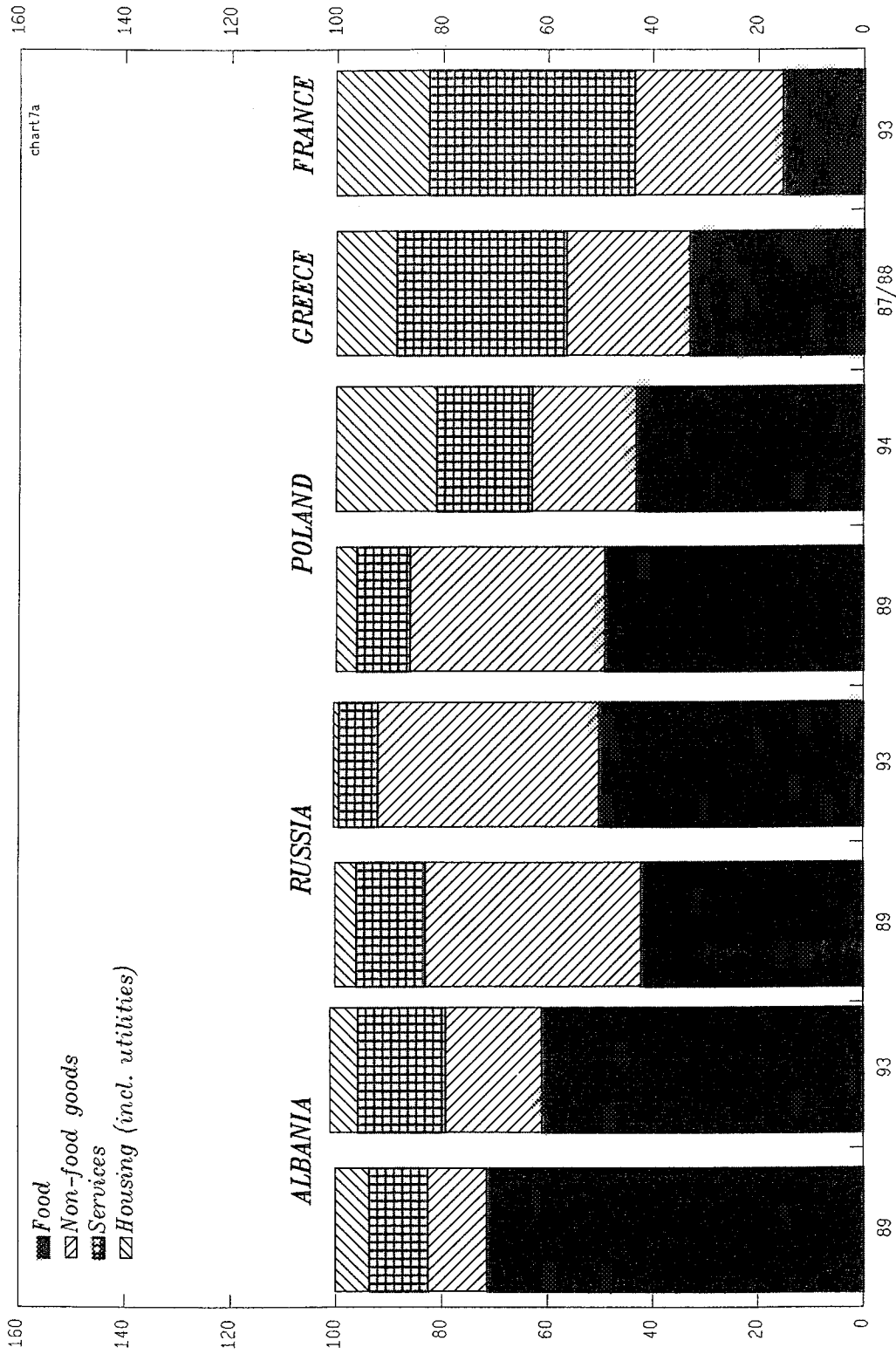
CHART 3

Albania: Food Price Developments, 1990-95
(1990=100)



Source: Institute of Statistics, and IMF staff estimates.

CHART 7
 Albania: Comparison of Consumption Baskets
 (In percent)



Sources: Institute of Statistics (Albania); Goskomstat (Russia); GUS (Poland); National Statistical Service (Greece); INSEE (France); and IMF staff estimates.