

**JCR Eurasia Rating  
SOVEREIGN RATING**

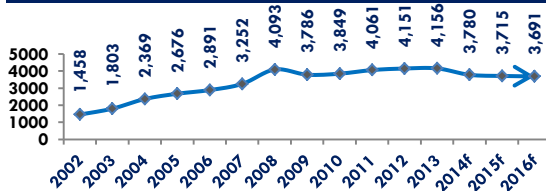
**Sovereign  
April 2014, Review**

<b>ALBANIA</b>		<b>Long-Term</b>	<b>Short-Term</b>
<b>Sovereign</b>	<b>Foreign currency</b>	<b>BB+</b>	<b>B</b>
	<b>Local currency</b>	<b>BB+</b>	<b>B</b>
	<b>Outlook</b>	<b>Negative</b>	<b>Negative</b>
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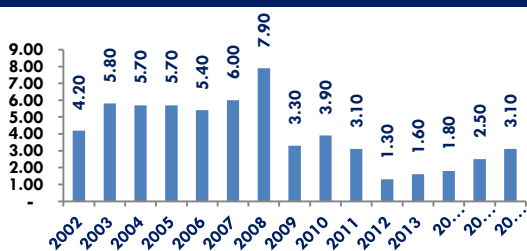
<b>THE REPUBLIC OF ALBANIA</b>						
<b>Data</b>	<b>2013*</b>	<b>2012*</b>	<b>2011*</b>	<b>2010*</b>	<b>2009*</b>	<b>2008*</b>
<b>GDP Current Prices LEK (bill)</b>	1,380	1,360	1,320	1,282	1,144	1,088
<b>GDP Current Prices USD(bill)</b>	13.55	13.40	13.08	12.32	12.04	12.97
<b>Population (ml)</b>	3.26	3.23	3.22	3.20	3.18	3.17
<b>Unemployment Rate (%)</b>	12.70	13.00	13.90	13.49	13.80	13.00
<b>Annual Inflation Rate (%)</b>	2.17	2.40	3.50	3.10	3.53	2.16
<b>Real GDP Growth (%)</b>	1.60	1.30	3.10	3.90	3.30	7.90
<b>Current Account Balance/GDP (%)</b>	-9.33	-9.70	-13.00	-13.42	-16.09	-12.97
<b>Broad Money LEK (bill)</b>	1,147	1,144	1,057	955	871	816
<b>Official International Reserves USD-bill</b>	2,737	2,603	2,471	2,540	2,420	2,370
<b>Exchange Rate LEK per USD</b>	101.86	101.50	100.93	104.09	94.98	83.89

\*End of year

**GDP -Per Capita, In Dollars**



**Real GDP Growth %**



**Country Outlook and Rating Perspective**

Albania continues to face economic weakness and macroeconomic imbalances with the financial sector's exposure to various risks, despite having managed to overcome the global recession in 2008. Under the current circumstances, the political checks and balance mechanisms have largely deteriorated and lost their effectiveness. The high public debt and difficulties inherent in the re-financing of short-term government borrowing persist. In addition, the depth of the Country's fiscal and commercial ties with the Eurozone makes the economy vulnerable to external risks. The absence of secondary markets and weakness of the Country's investor base hardens the management of the public debt burden. Based on the aforementioned reasons above, JCR Eurasia Rating has affirmed the Foreign and Local Currency Sovereign Ratings of the Republic of Albania as BB+ and downgraded the outlook from 'stable' to 'negative'.

**Positive Factors**

- Greater integration with Western Europe
- Successful inflation targeting by the BoA supporting macro-economic stability in the medium-term
- The protection of corporate investors and significant progress in public credit registry reforms
- High levels of capital and liquidity in the banking sector
- The absence of serious religious and ethnic issues
- Importance of Integration process ongoing with the EU in terms of economic stability

**Negative Factors**

- Weak consumer and corporate spending
- Diminishing role of the government in stimulating economic growth in line with the rising budget deficit
- Uncertainties regarding private property rights acting as a deterrent for foreign investors
- Increasing strain with Serbia
- Negative effects of security or economic deterioration in Kosovo
- Relatively high level of organized crime, corruption and grey economy
- High level of public debt and the need for ongoing reform
- Current account deficit that exceeds the critical level
- Extraordinary increase in non-performing loans
- Reduction in worker remittances

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**"Global Knowledge supported by Local Experience"**