

**JCR Eurasia Rating  
SOVEREIGN RATING**

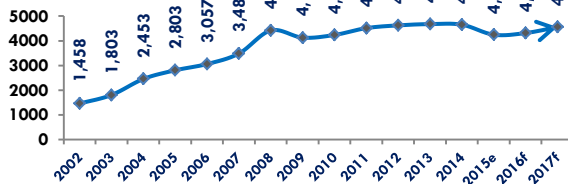
**Sovereign  
June 11, 2015, Review**

<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>Positive</b>	<b>Stable</b>
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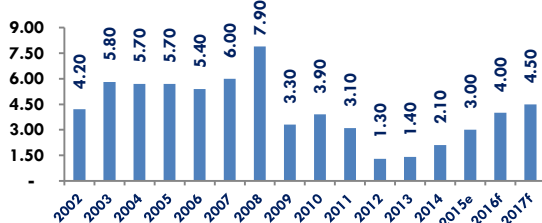
<b>THE REPUBLIC OF ALBANIA</b>						
<b>Data</b>	<b>2014*</b>	<b>2013*</b>	<b>2012*</b>	<b>2011*</b>	<b>2010*</b>	<b>2009*</b>
<b>GDP Current Prices LEK (bill)</b>	1,547.54	1,380.00	1,360.00	1,320.10	1,282.00	1,143.61
<b>GDP Current Prices USD(bill)</b>	13.43	13.55	13.40	13.08	12.32	12.04
<b>Population (ml)</b>	2.89	2.90	2.90	2.90	2.91	2.92
<b>Unemployment Rate (%)</b>	17.50	15.60	13.40	13.90	13.49	13.80
<b>Annual Inflation Rate (%)</b>	1.60	1.90	2.40	3.50	3.10	3.53
<b>Real GDP Growth (%)</b>	2.10	1.40	1.30	3.10	3.90	3.30
<b>Current Account Balance/GDP (%)</b>	-11.80	-9.33	-9.70	-13.00	-13.42	-16.09
<b>Broad Money LEK (bill)</b>	1,184.85	1,147.00	1,144.00	1,057.00	955.00	871.47
<b>Official International Reserves USD-bill</b>	2,662.79	2,737.10	2,603.04	2,471.00	2,540.00	2,420.00
<b>Exchange Rate LEK per USD</b>	115.23	101.86	101.50	100.93	104.09	94.98

\*End of year

**GDP -Per Capita, In Dollars**



**Real GDP Growth %**



**Country Outlook and Rating Perspective**

Albania's heavy public debt, lack of transparent and efficient institutions and need for structural reforms continue to shape its fundamental credit rating. On the other hand, the attainment of EU Candidate Country status, the fiscal consolidation agenda with the guidance of the IMF and the recovery signals from the key trade partner EU region indicates a favorable outlook.

The country's fiscal balance exhibited risks with the majority of the public funding concentrated on the short-term and owned by the domestic banks, increasing the potential impact of a systemic shock. Therefore the Extended Fund Facility of EUR 330mn approved by the IMF and the related comprehensive reform program has the potential to improve the bureaucratic processes and increase the transparency, in addition to strictly monitoring public finances and achieving fiscal consolidation.

The Candidate Country status received by Albania in June 2014 is another positive externality supporting the structural reforms and ameliorating the economic prospects via stronger FDI flows, improved access to international funds and collaboration to reduce regional political tensions. The current government states its commitment to accession to the EU and its dedication to the IMF program. Based on the aforementioned reasons, JCR Eurasia Rating has affirmed the Foreign and Local Currency Sovereign Ratings of the Republic of Albania as BB+ and upgraded the outlook from 'negative' to 'positive'.

**Positive Factors**

- Fiscal consolidation brought about by the IMF program
- Benefits of the EU Candidate Country status on the structural reforms and FDIs
- Commitment of the government to the reformation agenda and long-term investments
- The potential support on the exports due to gradual recovery of the Eurozone
- Satisfactory capitalization levels of the banking sector
- Low inflation levels creating room to the Bank of Albania to maneuver with relaxed monetary policy
- The absence of serious religious and ethnic issues within the country

**Negative Factors**

- High public debt burden and the large share of domestic banks in the funding of government debt
- Weak consumer spending as the high unemployment rates persist and wages maintain their low level
- Property restitution claims engender sizable contingent liabilities
- Political strains with Kosovo and Serbian communities
- Prevalence of systematic corruption, organized crime and informal economy
- Critical level of current account deficit
- Very large level of non-performing loans
- Declining level of expatriate workers' remittances, noting an expected recovery in the near term due to more favorable conditions in the Eurozone

**Publication Date: June , 2015**

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