

JCR Eurasia Rating  
SOVEREIGN RATING

Sovereign  
08/06/2017, Review

REPUBLIC OF ALBANIA		Long-Term	Short-Term
Sovereign	Foreign currency	BB+	B
	Local currency	BB+	B
	Outlook	Positive	Stable
Sevket GULEC/sevketg@jcrer.com.tr Group Head/Member of Rating Committee			
Özgür Fuad ENGİN/ozgur.engin@jcrer.com.tr Analyst: +90 212 352 56 74			

THE REPUBLIC OF ALBANIA						
Data	2016*	2015*	2014*	2013*	2012*	2011*
GDP Current Prices LEK (bill)	1,557	1,434	1,394	1,380	1,360	1,320
GDP Current Prices USD(bill)	12.1	13.2	13.4	13.6	13.4	13.1
Population (ml)	2.9	2.9	2.9	2.9	2.9	2.9
Unemployment (%)	15.2	17.2	17.5	15.6	13.4	13.9
Annual Inflation (avg, %)	1.3	1.9	1.6	1.9	2.4	3.5
Real GDP Growth (%)	3.4	2.6	1.8	1.4	1.3	3.1
Current Account Balance/GDP (%)	-12.1	-10.8	-12.9	-10.8	9.7	-13
Broad Money LEK (bill)	1,263	1,218	1,195	1,148	1,123	1,070
Official International Reserves USD-bill	3.1	2.6	2.7	2.7	2.6	2.5
Exchange Rate LEK per USD (eop)	128.17	125.79	115.23	101.86	101.5	100.93

\*End of year or the most recent data available

**Country Outlook and Rating Perspective**

Macroeconomic outlook and fiscal foundation of Albania continue to be closely related with large public debt and the need for further structural reforms. The country's notable potential for growth and recent positive developments with regards to reduced borrowing rates underpin strong capacity to develop. Furthermore, the EU candidacy and the ongoing Extended Fund Facility (EFF) with the IMF support the outlook and underlying fundamentals of the country.

Following five-year EUR 450mn Eurobond issuance in 2015 November, Albania finalized issuance of 10-year fixed and float rate LEK denominated bonds at much lower yields. The accommodative monetary policy of Bank of Albania with key rates falling down to 1.25% provides significant flexibility to financial institutions.

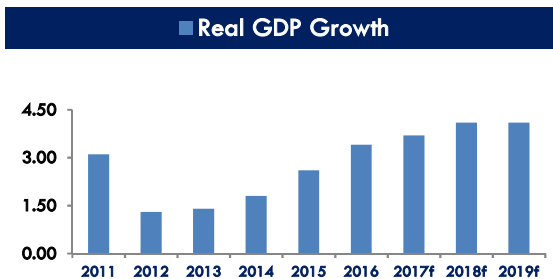
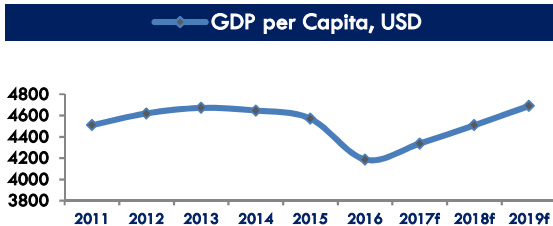
The ongoing negotiations between Albania and the EU for accession provides a good anchor for structural reforms, investment climate and encourages FDI flows to the country. Considering the current government's efforts to maintain commitment to establish a favorable business environment and bolster integration with key markets and Albania is expected to recover to its potential growth rates. In this regard, JCR Eurasia Rating has affirmed the Foreign and Local Currency Sovereign Ratings of the Republic of Albania as "BB+" outlook as "Positive".

**Positive Factors**

- Strong fiscal consolidation and subsequently decreasing budget deficit
- Reduction in the borrowing costs of the central government
- Successful conclusion of the IMF Program and improvements in structural reforms
- FDI flows and positive expectations given the reform plans of the government
- Accommodative monetary policy of the central bank
- The potential support on the exports due to gradual recovery of the Eurozone
- Sufficient capitalization levels of the banking sector

**Negative Factors**

- Large nominal size of the public debt
- Despite slight improvements, notable and persisting unemployment
- Predominance of the informal economy and notable room for improvement in transparency of core institutions
- Highly significant level of current account deficit, necessitating sizable and consistent external funding
- Persisting and large NPL ratios of the banking sector, limiting lending growth
- Internal political conflicts and uncertainties induced by instability in the parliament



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