

Sovereign Rating

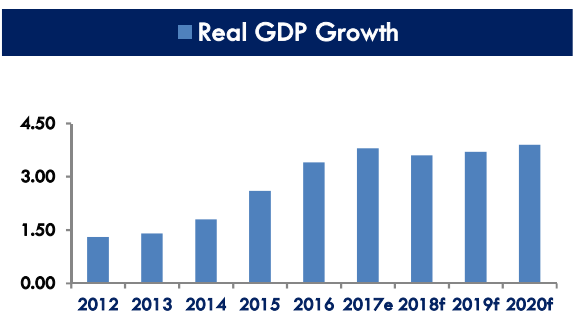
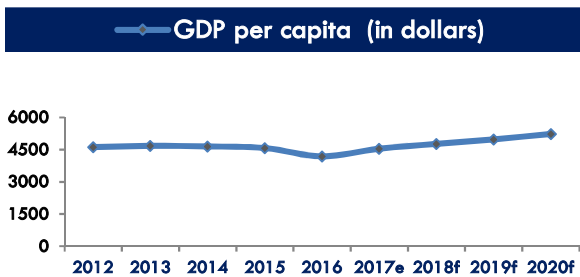
Albania, Republic of

Republic of Albania		Long-Term	Short-Term
<input type="checkbox"/> New <input checked="" type="checkbox"/> Update			
Sovereign	Foreign currency	BB+	B
	Local currency	BB+	B
	Outlook	Positive	Stable

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Data	2017*	2016*	2015*	2014*	2013*	2012*
GDP Current Prices LEK (bn)	1,553	1,475	1,434	1,394	1,380	1,360
GDP Current Prices USD(bn)	13.04	12.14	13.21	13.43	13.55	13.40
Population (mn)	2.9	2.9	2.9	2.9	2.9	2.9
Unemployment (%)	13.4	15.2	17.1	17.5	15.6	13.4
Annual Inflation (avg, %)	3	2.2	1.9	1.6	1.9	2.4
Real GDP Growth (%)	3.8	3.4	2.6	1.8	1.4	1.3
Current Account Balance/GDP (%)	-6.9	-7.6	-8.6	-10.8	-10.8	-9.7
Broad Money LEK (bn)	1,266	1,263	1,218	1,195	1,148	1,123
Official Int. Reserves USD-bn	3.2	3.1	2.5	2.7	2.7	2.6
Exchange Rate LEK per USD (eop)	111.10	128.17	125.79	115.23	101.86	101.5

*End of year or the most recent data available



Country Outlook and Rating Perspective

Albania’s macroeconomic position continues to be underpinned with strong growth, fiscal consolidation guided by the programme with IMF and sufficient foreign currency reserves. Sizable infrastructure projects particularly in energy sector are an important driver of economy and pave the road for future growth. Additionally, the EU candidacy process and reforms in the bureaucratic system support the underlying perspectives and fundamentals of the economy.

Commitment to fiscal consolidation, controlled public debt and stabilized political framework help keep the yields relatively low, even though increasing debt market depth could further support the pricing mechanism and there is a degree of volatility. Bank of Albania recently reduced the policy rate to 1% to further accommodate growth. Credit growth in the banking sector however, remains relatively slow despite moderate growth in real terms, with special emphasis given on growth in local currency lending as a rating consideration.

The negotiations with the EU for accession and the ongoing policy reforms are positive to attract foreign investment and ameliorate investment climate. On the flipside, high banking sector NPL level and potential trade shock due to headwinds in neighboring countries might induce challenges.

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

- Consistent growth supported by infrastructure projects
- Fiscal consolidation and modest government borrowing rates
- Positive environment for FDI inflows and improvements in the
- Stimulatory monetary policy of Bank of Albania, supporting growth
- EU candidate country status and positive externalities stemming thereof,
- Sufficient capitalization levels of the banking sector

Negative Factors

- High public debt stock despite improvements,
- Pressurized consumer spending due to high unemployment and limited wage growth
- Predominance of the informal economy and notable room for improvement in transparency of core institutions
- Notable level of current account deficit, necessitating sizable and consistent external funding
- Persisting and large NPL ratios of the banking sector

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“Global Knowledge supported by Local Experience”