

Sovereign Rating

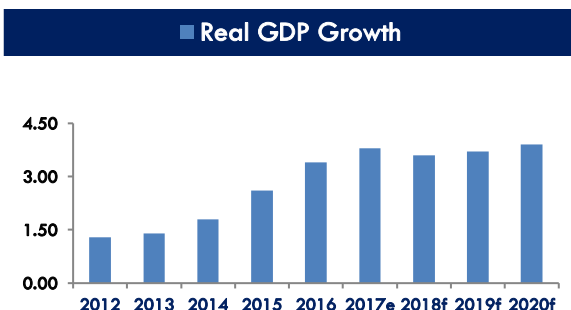
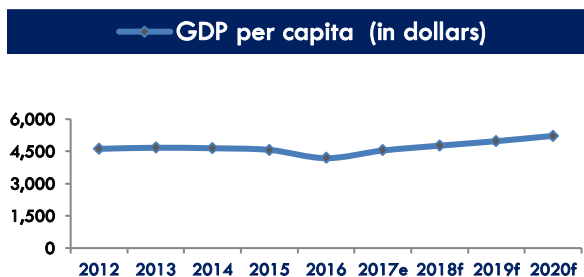
Albania, Republic of

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	Stable	Stable

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Data	2018*	2017*	2016*	2015*	2014*
GDP Current Prices LEK (bn)	1,654	1,553	1,475	1,434	1,394
GDP Current Prices USD (bn)	15.34	13.04	12.14	13.21	13.43
Population (mn)	2.9	2.9	2.9	2.9	2.9
Unemployment (%)	12	13.4	15.2	17.1	17.5
Annual Inflation (avg, %)	1.9	2	1.23	1.9	1.6
Real GDP Growth (%)	4	3.8	3.4	2.6	1.8
Current Account Balance/GDP (%)	-6.2	-7.5	-7.6	-8.6	-10.8
Broad Money LEK (bn)	1,264	1,266	1,263	1,218	1,195
Official Int. Reserves USD-bn	3.3	3	3.1	2.5	2.7
Exchange Rate LEK per USD (eop)	107.82	111.1	128.17	125.79	115.23

*End of year or the most recent data available



Country Outlook and Rating Perspective

Macroeconomic performance of Albanian economy continues to be market by high government debt burden, moderate income growth, external financing requirements stemming from current account deficit and prevalence of FX in the monetary system. In the previous periods, Extended Fund Facility programme with the IMF provided an anchor for much needed fiscal consolidation. EU candidacy process and reforms in the bureaucratic system also provided support, even though the pressing political uncertainties indicate a slowdown in that regard is possible.

Treasury yields have fallen in tandem with fiscal consolidation, despite of heavy government borrowing to finance the deficit. External debt of the government is further factor for potential vulnerabilities.

On the monetary front, Bank of Albania continues its accommodative growth policy with low interest rates, though credit growth is limited and euroization of the market is evident in both lending and deposits.

The past few months have been stage to major political tensions, with suspension of local mayoral elections debated at the leadership level. As such, given the chasm in the political sphere, gaining traction with respect to reforms and policies might prove difficult. However, EU accession process, in our view, continues to a major anchor to streamline the institutional reforms.

In this regard, JCR Eurasia Rating has affirmed the Foreign and Local Currency Sovereign Ratings of the Republic of Albania as **“BB+”** and revised the outlook as **“Stable”**.

Positive Factors

- Continuing GDP growth, supported by infrastructure projects, among others
- Improvement in central government budget balance
- Stimulatory monetary policy of Bank of Albania, supporting growth
- Accession process and EU candidate country status and positive externalities stemming thereof,
- Well-capitalized banking sector

Negative Factors

- Significant debt load of the public sector, both domestic and external
- Slow consumption and income growth, limiting real sector growth potential
- Prevalence of informal economy and need for institutional reforms
- Persistent current account deficit, requiring external fund flows and inducing vulnerabilities
- Sizable non-performing loan portfolio of the banking Sector

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“Global Knowledge supported by Local Experience”