

**JCR-ER
SOVEREIGN RATING**

Sovereign
February 2011, Review

THE REPUBLIC OF ALBANIA		Long-Term	Short-Term
Sovereign	Foreign currency	BB	B
	Local currency	BB	B
	Outlook	Stable	Stable
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THE REPUBLIC OF ALBANIA					
Data	2010*	2009*	2008*	2007*	2006*
GDP Current Prices LEK (billion)	1,318	1,143	1,088	967	882
GDP Current Prices USD (billion)	12.67	12.04	12.97	10.30	9.10
Population (million)	3.20	3.19	3.18	3.17	3.15
Unemployment Rate (%)	13.52	13.80	12.60	13.50	13.80
Annual Inflation Rate (%)	3.10	3.53	3.40	2.90	2.50
Real GDP Growth (%)	3.50	3.30	6.00	6.00	5.50
Current Account Balance/GDP (%)	-13.84	-15.32	-12.97	-9.97	-6.37
Broad Money LEK (billion)	955	872	805	758	651
Off. International Reserves USD (billion)	2.12	2.42	2.37	2.14	1.79
Average Exchange Rate LEK per USD	104.00	95.72	83.89	90.43	98.10

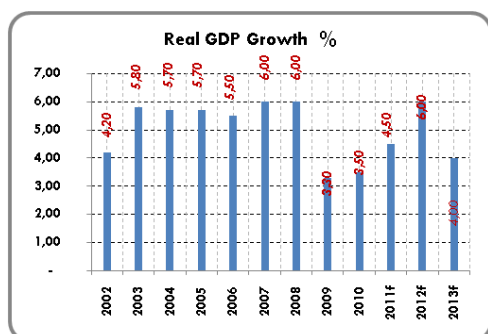
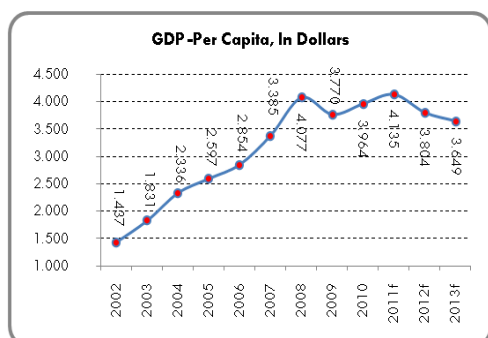
*End of year

Country Outlook and Rating Perspective

As a potential candidate country for EU accession, Albania submitted its application for membership on April 28, 2009. The Western Balkan State's bid to join the EU was given a significant boost in December, 2010, after the bloc lifted all visa requirements on Albanian citizens holding biometric passports. Although this does not negate the existing political and economic challenges, we note that this is an important psychological boost to the 3.2mn population, and should help to anchor Albania's gradual reform over the coming years.

The free and fair parliamentary elections held in June, 2009 demonstrated progress made by the country on its political front. However, with the recent debt crisis in Greece and elevated national political risk as a result of the opposition Socialist Party's ongoing parliamentary boycott, foreign investors' confidence has remained strained. The decision from the EU accession committee is expected to be made final within the next 2 to 3 years and will play a major role in the future status and economic direction of the country.

Albania nevertheless remains one of the poorest countries within the European region with a per capita income of USD 3,964 at the end of FY2010 (FY2009: USD 3,770). The official year-end unemployment rate was 13.2%, while more than 18% of the population lives below the poverty line. More than half of the county's population is employed in the agricultural sector.



Positive Factors

- Candidate Country for European Union membership
- Visa requirements lifted for EU travel
- Low level of inflation
- Limited foreign debt as a percentage of GDP
- Geopolitical importance and geographical closeness to current EU countries
- Availability of qualified and skilled labour force

Negative Factors

- Heightened overall political tension and security concerns
- Risk of timely financing of current account deficit
- Poor legal environment
- Dependence on remittances from expatriate labor force
- Poor infrastructure and energy shortages
- High unemployment rate

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“Global Knowledge supported by Local Experience”