

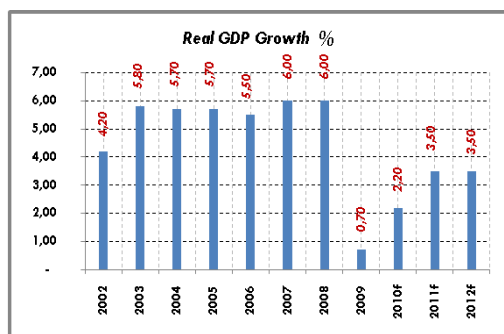
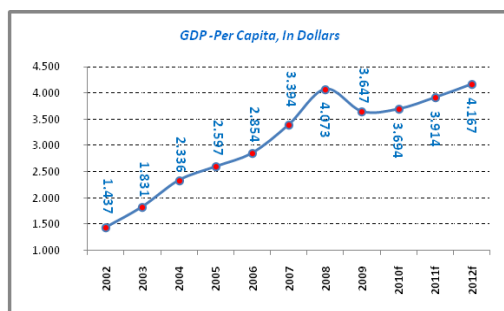
**JCR-ER  
SOVEREIGN RATING**

**Sovereign  
March 2010, 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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(*) Analyst name updated - May 5, 2011			

THE REPUBLIC OF ALBANIA				
Data	2009*	2008*	2007*	2006*
GDP Current Prices LEK (billion)	1,112	1,088	967	882
GDP Current Prices USD (billion)	11.62	12.97	10.30	9.10
Population (million)	3.19	3.18	3.17	3.15
Unemployment Rate (%)	12.50	12.60	13.50	13.80
Annual Inflation Rate (%)	3.50	3.40	2.90	2.50
Real GDP Growth (%)	0.70	6.00	6.00	5.50
Current Account Balance/GDP (%)	-11.63	-15.20	-11.20	-7.20
Broad Money LEK (billion)	872	805	758	651
Off. International Reserves USD (billion)	2.42	2.37	2.14	1.79
Average Exchange Rate LEK per USD	95.72	83.89	90.43	98.,10

\*End of year



**Country Outlook and Rating Perspective**

Albania is a potential candidate country for EU accession and submitted its application for the membership on April 28, 2009 while the trade-related provisions under the Interim Agreement have remained in place and been successfully implemented since early 2006. The free and fair parliamentary elections held in June, 2009 also demonstrated the commendable progress made by the country on its political front. The decision from the EU accession committee is expected to be made final within the next 2 to 3 years and plays 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 3,647 at the end of FY2009 (FY2008: USD 4,073). The official year-end unemployment rate was 12.5%, while more than 18% of the population lives below the poverty line. Almost 60% of all workers are employed by the agricultural sector.

Though the country's trade deficit remained high at over 74%, the current account deficit as a proportion of GDP decreased to 11.6% (FY2008: 15.62%) at the end of FY2009. The budget deficit nevertheless showed slight widening to 5.97% (FY2008: 5.2%) of GDP as a result of the pre-general election expenditure made during the first half of the year by the ruling party.

**Positive Factors**

- Candidate Country for European Union membership
- 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
- An attractive country for foreign direct investment

**Negative Factors**

- Negligible real GDP growth and declining GDP per capita in USD terms
- Risk of timely financing 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"**