

**JCR Eurasia Rating
SOVEREIGN RATING**

**Sovereign
March 2012, Review**

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	2011*	2010*	2009*	2008*	2007*	2006*
GDP Current Prices LEK (bn)	1,358	1,282	1,144	1,088	968	882
GDP Current Prices USD(bn)	13,47	12,32	12,04	12,97	10,30	9,10
Population (mn)	2,80	3,20	3,18	3,17	3,17	3,15
Unemployment Rate (%)	13.25	13.49	13.80	13.00	13.50	13.80
Annual Inflation Rate (%)	1.70	3.10	3.53	2.16	3.10	2.50
Real GDP Growth (%)	2.65	3.90	3.30	7.90	6.00	5.40
Current Account Balance/GDP (%)	-11.47	-13.42	-16.09	-12.97	-9.97	-6,37
Broad Money LEK (bn)	1,057	955	872	816	758	667
Official International Reserves USD(bn)	3,087	2,900	2,420	2,370	2,139	1,796
Average Exchange Rate LEK per USD	100.84	104.09	94.98	83.89	90.43	98.10

*End of year

Country Outlook and Rating Perspective

Albania is a parliamentary democracy with a market-oriented economic system that was the last central and eastern European country to adopt free-market reforms. The Albanian economy underwent a transition from its communist past into an open-market economy in the early 1990s.

Albania is a member of the UN (United Nations), NATO (North Atlantic Treaty Organization), Organization for Security and Co-operation in Europe, Council of Europe, World Trade Organization, Organization of Islamic Cooperation and is one of the founding members of the Union for the Mediterranean. Albania has been a potential candidate for accession to the European Union since January 2003, and formally applied for EU membership on 28 April 2009. Additionally, at the end of 2010, the European Union decided to lift all visa requirements for Albanian citizens and improvements in external sustainability resulted in a €300 million debut Eurobond issue in November 2010.

The economy of Albania maintained macroeconomic stability and positive growth during and in the aftermath of the global crisis. One of the best performing economies in Central and Eastern Europe since 2009, Albania's progress has been marked by a positive GDP growth, an upward trend in GDP per capita, low and improving inflation rate, descending budget deficit to GDP ratio, ascending current account deficit coverage ratio of exports, relatively stable national currency and sustainable fiscal and financial policies. These improvements have led to an upgrade in long-term sovereign rating grades from 'BB' to 'BB+' despite the existence of a large grey economy, relatively undeveloped infrastructure throughout the country, recent debt crisis in its major international trading partners and the political stalemate that have hampered the government's capacity to implement necessary structural reforms.

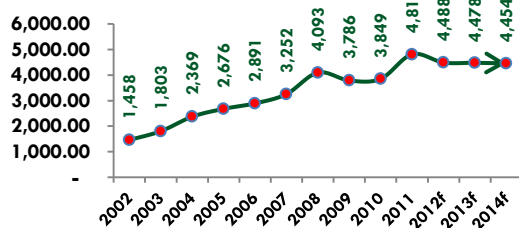
Negative Factors

- Political stalemate seriously hampering parliamentary work,
- Economic woes in the major trading partners and immigrated countries,
- Large trade deficit but with a downward trend,
- Dependence on remittances from expatriate workers with the possible adverse effects of the crisis in major host countries,
- Deficiencies in the legal system and the anti-corruption campaign, relatively high level of organized crime, corruption and grey economy,
- Small Local markets, low income per capita, relatively undeveloped infrastructure,
- Deficiency of advanced financial sector,
- Agriculture based economic structure and outdated industrial technology,
- High unemployment rate but with a downward trend,
- Competition of neighboring countries.

Positive Factors

- Several years of relatively strong GDP growth and ongoing upward trend in GDP per capita,
- Further recovery on low level of inflation,
- Decreasing trend in budget deficit to GDP ratio except election periods,
- Significantly revised current account deficit coverage ratio of exports,
- Limited and appropriate level of foreign debt,
- Improvement in public debt management and banking system oversight,
- Geographic short distance to the majority of regions and markets in Europe,
- Acceptable legal environment and an attractive country for direct investment,
- Comparatively stable national currency and sustainable financial policy,
- Rich natural resources and tourist attractions,
- Increasing integration with EU due to full membership process,
- Positive international relations approach contributing to regional stability.

GDP -Per Capita, In Dollars



Real GDP Growth %

