

**JCR Eurasia Rating  
SOVEREIGN RATING**

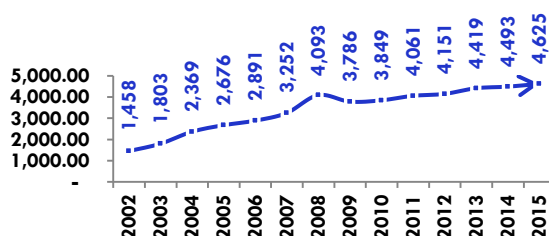
**Sovereign  
March 2013, Review**

<b>ALBANIA</b>		<b>Long Term</b>	<b>Short Term</b>
<b>Sovereign</b>	<b>Foreign currency</b>	<b>BB+</b>	<b>B</b>
	<b>Local currency</b>	<b>BB+</b>	<b>B</b>
	<b>Outlook</b>	<b>Stable</b>	<b>Stable</b>
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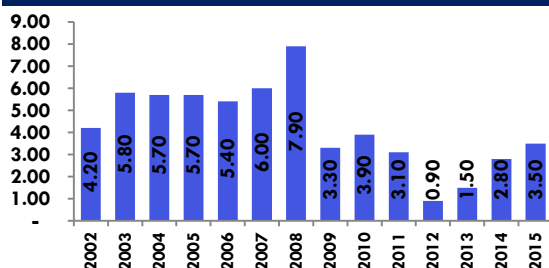
<b>THE REPUBLIC OF ALBANIA</b>							
<b>Data</b>	<b>2012*</b>	<b>2011*</b>	<b>2010*</b>	<b>2009*</b>	<b>2008*</b>	<b>2007*</b>	<b>2006*</b>
<b>GDP Current Prices LEK (bill)</b>	1,360	1,320	1,282	1,144	1,088	968	882
<b>GDP Current Prices USD (bill)</b>	13.40	13.08	12.32	12.04	12.97	10.30	9.10
<b>Population (ml)</b>	3.23	3.22	3.20	3.18	3.17	3.17	3.15
<b>Unemployment Rate (%)</b>	13.00	13.90	13.49	13.80	13.00	13.50	13.80
<b>Annual Inflation Rate (%)</b>	2.10	3.50	3.10	3.53	2.16	3.10	2.50
<b>Real GDP Growth (%)</b>	0.90	3.10	3.90	3.30	7.90	6.00	5.40
<b>Current Account Balance/GDP (%)</b>	-9.70	-12.23	-13.42	-16.09	-12.97	-9.97	-6.37
<b>Broad Money LEK (bill)</b>	1,210	1,057	955	872	816	758	667
<b>Official Int'l Reserves USD (bill)</b>	3,200	2,900	2,900	2,420	2,370	2,139	1,796
<b>Avg. Exchange Rate LEK per USD</b>	101.50	100.93	104.09	94.98	83.89	90.43	98.10

\*End of year

**→ GDP -Per Capita, In Dollars**



**■ Real GDP Growth %**



**Country Outlook and Rating Perspective**

The Albanian economy has felt relatively less effects of the Eurozone than expected thanks to successful governmental expansionary fiscal policies. In 2012 the level of financial risk, despite a minor decrease in the current account deficit, increased slightly from 2011 due to the increase in external debt. However, the level of overall economic risk has fallen due to an increase in per capita income and relative decreases in inflation and budget deficits. Previous levels of political risk continue. Therefore, JCR ER confirms the sovereign rating of The Republic of Albania as 'BB+'. In addition, despite changing global balances, Albania has been successful in maintaining its risk positions. High public debt and the current account deficit are the most important factors influencing the Country's Sovereign Rating result.

**Positive Factors**

- Successful macro prudential policies of the Bank of Albania
- Stable inflation rates
- High levels of capital and liquidity in the banking sector
- The absence of serious religious and ethnic issues
- Importance of Integration process ongoing with the EU in terms of economic stability
- Importance given to measures to stimulate foreign investors
- Government's successful expansionary fiscal policies

**Negative Factors**

- Increasing strain with Serbia
- Negative effects of security or economic deterioration in Kosovo
- Relatively high level of organized crime, corruption and grey economy
- High level of public debt and the needs for ongoing reform
- Economic challenges peculiar to the slowdown period
- Current account deficit that exceeds the critical level
- Extraordinary increase in non-performing loans
- Decreasing tax revenue
- General recession in Europe and economic difficulties, particularly in Italy and Greece
- Reduction in worker remittances

**Publication Date: March 25, 2013**

**"Global Knowledge supported by Local Experience"**