

Sovereign Rating

New Update

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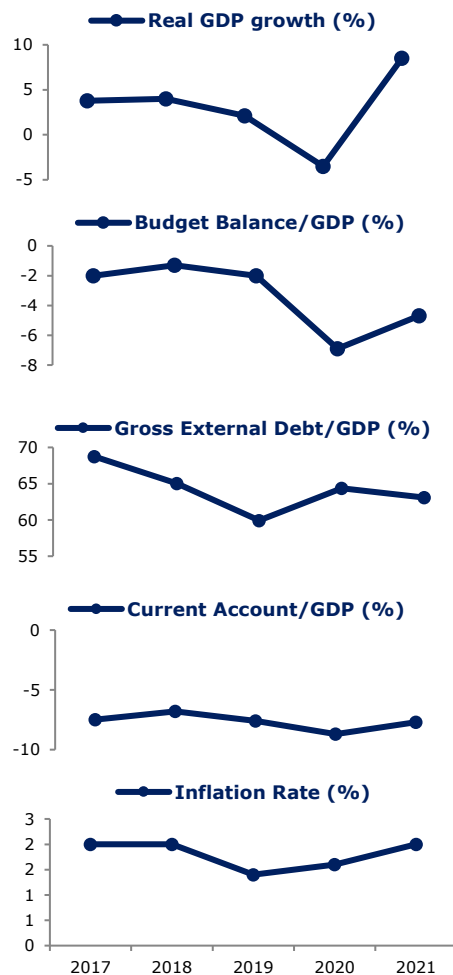
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RATINGS

		Long Term	Short Term
Sovereign	Foreign Currency	BB	-
	Local Currency	BB	-
	Outlook	FC	Stable
LC		Stable	-



* JCR-ER, the World Bank, IMF, Bank of Albania, Instat

Albania

JCR Eurasia Rating has affirmed the sovereign ratings of **Albania** as '**BB**' on the Long-Term Foreign and Local Currency with '**Stable**' outlooks.

Data*	2021	2020	2019	2018	2017
GDP, Current Prices (USD bn)	18.3	15.1	15.4	15.2	13.0
Total Population (mn)	2.8	2.8	2.9	2.9	2.9
GDP per capita (USD)	6,494	5,332	5,396	5,289	4,531
Real GDP growth (%)	8.5	-3.5	2.1	4.0	3.8
Inflation Rate (%)	2.0	1.6	1.4	2.0	2.0
Unemployment Rate (%)	10.6	11.7	11.5	12.3	13.7
Budget Balance/GDP (%)	-4.7	-6.9	-2.0	-1.3	-2.0
Public Debt/GDP (%)	73.9	75.9	67.3	69.5	71.9
Current Account Balance (USD bn)	-1.4	-1.3	-1.2	-1.0	-1.0
Current Account Balance/GDP (%)	-7.7	-8.7	-7.6	-6.8	-7.5
Gross External Debt/GDP (%)	63.1	64.4	59.9	65.0	68.7
LEK per USD (eop)	106.5	100.8	109.9	107.8	111.1

* JCR-ER, the World Bank, International Monetary Fund (IMF), Bank of Albania (BoA), Instat
 **eop: End of period, bn: Billion, mn: million

In the recent years, the Albanian economy has exposed to multiple shocks such as the earthquake of November 2019, the global pandemic of Covid-19, Russia's war in Ukraine and the economic recession in Europe currently. The earthquake caused great physical and humanitarian damages while the pandemic disrupted supply chains, decimated demand and significantly increased uncertainties across the world. Although Albania's direct exposures to Russia's war in Ukraine are limited, with twin deficits and high government debt, Albania now faces challenges stemming from soaring international food and energy prices, tighter global financial conditions which are likely to persist, and the economic recession in Europe.

High public debt burden is a persisting issue, exacerbated by the fiscal packages introduced as a response to the multiple shocks. External fiscal support has been helpful as well though commitment to abide by the fiscal consolidation agenda is important. On the other hand, potential debt service requirement from Public-Private Partnership (PPP) projects accounted as contingent liabilities could induce pressures. Banking sector is well-capitalized, and asset quality while improving is still an important issue. High public debt and subsequently large financing needs of the government results in absorption of funds as securities. Euro is prevalent in the banking system, comprising half of loans and deposits. On the other hand, European Union (EU) candidacy process is still ongoing, and the EU maintains its position as an important financial and governance anchor.

Strengths

- Relatively high GDP growth in 2021 despite its limited scale of economics,
- Well-capitalized and liquid banking sector,
- Opportunity and ease to access appropriate financial resources from the EU and IFIs through being the EU candidate country status,
- Commitment to fiscal discipline and track record, despite mandatory diversion in the post pandemic period,
- Intention to carry out structural reforms required for becoming an EU member.

Constraints

- High public sector debt burden in both domestic and external segments,
- Relatively low GDP per capita despite GDP growth in 2021,
- Despite improvements, sustained NPL ratio of the Banking Sector and significant share of Euro deposits in the system,
- Contingent liabilities and off-balance sheet exposures stemming from PPPs and energy investments,
- Room for improvements in the institutional framework,
- Increasing energy and fuel prices due to potential risks arising from the Russia-Ukraine conflict, and a remarkable increase in CPI of 2022 as a result.

Considering the aforementioned factors and developments, JCR Eurasia Rating has affirmed the Long-Term Foreign and Local Currency Ratings of Albania as "**BB**" with "**Stable**" outlooks.