

## Sovereign Rating

New  Update

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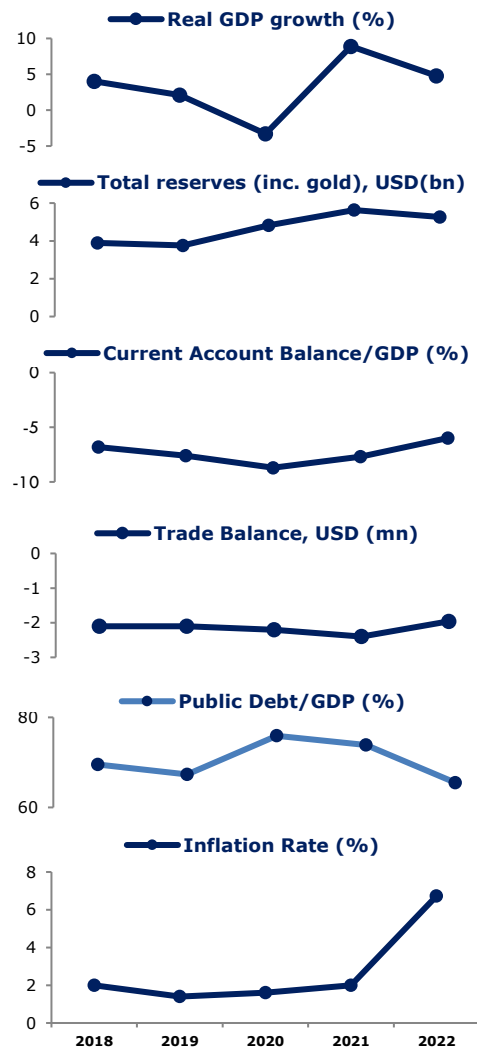
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### RATINGS

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



## 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	2022	2021	2020	2019	2018
<b>GDP, Current Prices (USD bn)</b>	18,88	18,26	15,13	15,4	15,16
<b>GDP per capita (USD)</b>	6.803	6.494	5.332	5.396	5.289
<b>Real GDP growth (%)</b>	4,8	8,9	-3,3	2,1	4
<b>Inflation Rate (%)</b>	6,73	2	1,6	1,4	2
<b>Unemployment (%)</b>	11,1	10,6	11,7	11,5	12,3
<b>Trade Balance, USD (mn)</b>	-1,96	-2,4	-2,2	-2,1	-2,1
<b>Public Debt/GDP (%)</b>	65,50	73,9	75,9	67,3	69,5
<b>Current Account Balance (USD bn)</b>	-1,1	-1,4	-1,3	-1,2	-1,0
<b>Current Account Balance/GDP (%)</b>	-	5,99	-7,7	-7,6	-6,8
<b>Total reserves (inc. gold), USD (bn)</b>	5,3	5,6	4,8	3,8	3,9
<b>LEK per USD (eop)</b>	108,5	106,5	100,8	109,9	107,8

\* 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 managed to show resilient growth despite the volatile challenges stemming from soaring international food and energy prices, tighter global financial conditions and the looming recession fears in Europe.

High public debt burden decreased in 2022 despite still its high level and expected to decrease in the upcoming periods. 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. Besides the legal framework adopted for the PPP Projects is needed to be applied fully and the structure needs to be more transparent. 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. Besides, the Country was removed from list of Jurisdictions Under Increased Monitoring by FATF in 2023.

#### Strengths

- Monetary policy targeting to reduce inflation gradually which realised at the lowest among regional peers,
- GDP growth through tourism and construction sector despite the vulnerable to climate risks,
- Well-capitalized and liquid banking sector,
- Improvement in AML/CFT implementation and removal from FATF's Grey List,
- Authorities strong ambition prioritizing and making progress in the structural reforms as EU candidate country,

#### Constraints

- Euroziation restricting the efficiency of monetary policy with need to expand the use of LC in the financial system,
- Continuity of NPL ratio despite its decreasing trend, and high share of government debt securities in the banking sector,
- High public sector debt despite decreasing in public debt to GDP indicator in 2022,
- Relatively low GDP per capita despite GDP growth in line with the western Balkan countries in 2022,
- Need to improve the fully adoption of framework and transparency for PPPs as off-balance and contingent liabilities,
- Room for Improvements in the Institutional Framework

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.