

Sovereign Rating

New Update

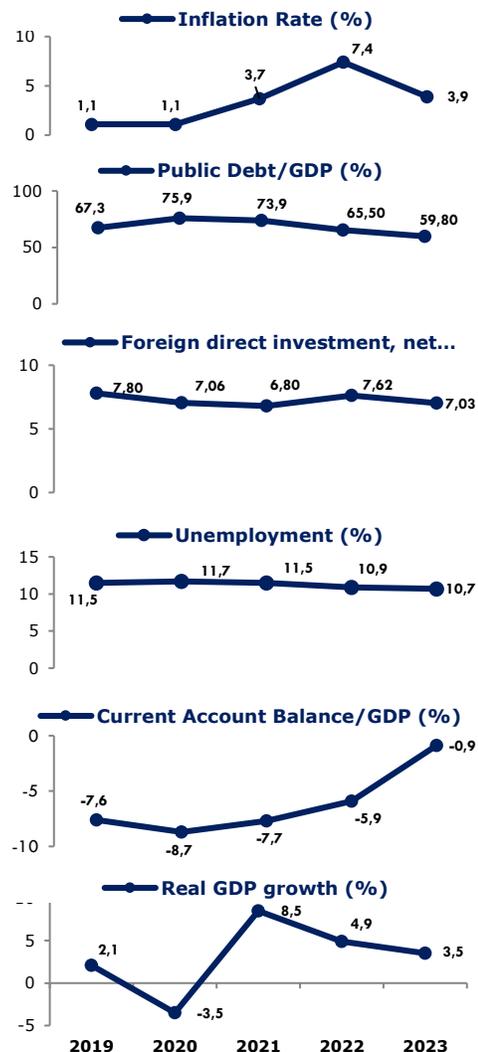
Publishing Date: 15/11/2024

Team Leader

Ezgi Çiçek Yılmaz
 +90 212 352 56 73
ezgi.yilmaz@jcrer.com.tr
Analyst
 Ece Bedir
 +90 212 352 56 73
ece.bedir@jcrer.com.tr

RATINGS

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



Albania

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

Data	2023	2022	2021	2020	2019	2018
Total Population (mn)	2.75	2.77	2.81	2.84	2.85	2.90
GDP, Current Prices (USD bn)	22.82	19.08	17.98	15.19	15.39	15.16
GDP per capita (USD)	8.299	6.870	6.396	5.353	5.395	5.288
Inflation Rate (%)	3.9	7.4	3.7	1.1	1.1	1.8
Unemployment Rate (%)	10.7	10.9	11.5	11.7	11.5	12.3
Trade Balance (USD bn)	-1.22	-1.96	-2.40	-2.20	-2.11	-2.07
Current Account Balance (USD bn)	-0.20	-1.12	-1.38	-1.32	-1.17	-1.02
Total reserves (includes gold), USD (bl)	6.46	5.27	5.63	4.82	3.76	3.89
Public Debt/GDP (%)	59.80	65.50	75.20	75.80	67.40	69.50
LEK per USD (eop)	94.16	108.52	106.9	101.6	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

Albania has depicted considerable resilience in the recent years, come along with the decisive tightening actions made inflation realized at the targeted levels, historically low realization of current account balance mainly financed by the tourism-related revenue inflows, FDIs and remittances. The economic expansion remained robust standing at 3.5% of real GDP growth mainly underpinned by the domestic demand and considerable contribution of tourism sector.

On the other hand, the Country's fiscal performance in 2023 also significantly improved more than expected as debt-to-GDP indicator fell below 60%. Besides, banking sector which keeps material share of the public debt and constituted nearly 90% of GDP, showed improvement in the profitability and capitalization of the system remains above the regulatory minimum in 2023. Whilst PPP projects nearly constitutes one third of GDP, the framework needs to be applied to all sector and the projects is in need of being integrated to government budget with more transparent processes. Albania's EU integration is still on ongoing process with the country's strong commitment and continuing reforms.

Strengths

- Gradually fulfilling targeted inflation level in 2024 which realised at the reasonable levels among regional peers along with the tight monetary policy,
- Significantly reduced current account deficit by relying on tourism-related revenue, FDIs and Remittances in 2023,
- Improving fiscal performance along with declining debt to GDP ratio in 2023,
- Robust GDP growth through tourism sector despite slowing down in 2023,
- Well-capitalized and liquid banking sector,
- Ongoing efforts along with the adoption of the strategy on prevention of ML/FT to be implemented on 2024-2030 after removal from FATF's Grey List.
- Strong political commitment of the authorities for EU integration and high level of ambition prioritizing and making progress in the structural reforms as EU candidate country.

Constraints

- Euroization restricting the efficiency of monetary policy with need to expand the use of LC in the financial system,
- Continuity of relatively high NPL ratio despite its decreasing trend, and high share of government debt securities in the banking sector,
- Relatively low GDP per capita despite having listed at higher rankings among western Balkan countries in 2023,
- 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 revised the sovereign ratings of **Albania** to **'BB+'** from **'BB'** on the Long-Term Foreign and Local Currency with **'Stable'** outlooks.