BULGARIA
95, Evlogi Georgiev blvd.
1142 Sofia
Tel. (+359 2) 9876363
www.bcra-bg.com

Albania

October 2020

Radostina Stamenova
Lead Economic Analyst
stamenova@bcra-bg.com

Kalina Dimitrova
Economic Analyst
k.dimitrova@bcra-bg.com

SOVEREIGN RATING	Initial rating
Date of Rating Committee:	28.10.2020
Date of rating publication:	30.10.2020
Long-term rating:	B+ (ns)
Outlook:	Stable
Short-term rating:	C (ns)

● (ns) – not solicited rating

***BCRA – CREDIT RATING AGENCY AD (BCRA)** is the third fully recognized rating agency in the EU, registered pursuant to Regulation No. 1060/2009 of the European Parliament and of the Council. The credit ratings, assigned by the BCRA are valid throughout the EU and are fully equal to those, of the other agencies, recognized by the European Securities and Markets Authorities, without any territorial or other limitations.*

The report has been prepared and the rating – assigned, based on public information, made available by the Bank of Albania, the Institute of Statistics (INSTAT), the Ministry of Finance and Economy, the World Bank, the International Monetary Fund, the European Commission, BCRA's database etc. BCRA uses sources of information, which it considers reliable, however, it cannot guarantee the accuracy, adequacy and completeness of the information used.

BCRA - CREDIT RATING AGENCY AD **assigns** the following **unsolicited** long-term and short-term sovereign rating of the Republic of Albania and an outlook related to them:

Long-term rating: **B+ (ns)**
Short-term rating: **C (ns)**
Outlook: **Stable**

BCRA's officially adopted **Sovereign Rating Methodology has been applied:** *https://www.bcra-bg.com/files/Sovereign_Methodology_2019_en.pdf*

Notes:

1) Prior to the present publication the credit rating and the rating outlook were disclosed to the rated entity. Following that disclosure amendments in the credit rating and rating outlook have not been executed;
2) During the last two years, BCRA Credit Rating Agency AD has not provided ancillary services to the rated entity or a related third party;
3) The users of the rating can find information on the meaning of each rating category in the Global Scale (https://www.bcra-bg.com/files/global_scale_en.pdf). The definition of default can be found in the Sovereign rating Methodology (https://www.bcra-bg.com/files/Sovereign_Methodology_2019_en.pdf)

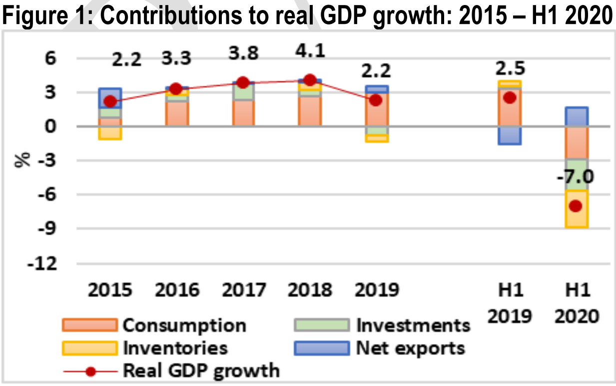
Research report
(for public disclosure)

Albania has undergone a substantial **political** transformation from a centrally planned economy to an independent sovereign multi-party democracy, developing a market-based economy. The country is currently governed by the Socialist Party (SPA) headed by Edi Rama who has been serving as a Prime Minister since 2013. However, the domestic political environment is marked by intense polarization, repeatedly experienced serious tensions and difficulties in reaching consensus, including parliamentary boycotts by opposition parties, allegations of electoral fraud, corruption scandals, and mass protests.

The government seems committed to the goal of integrating into the EU. In 2009, Albania submitted its formal membership application and was granted candidate status by the EU in June 2014. After two unconditional recommendations by the European Commission to open accession negotiations with Albania from 2018 and 2019, on the 25th of March 2020, the members of the European Council finally reached the decision. The start of the formal negotiations is yet to be scheduled, but the road to actual EU accession can easily stretch over a decade.

As part of its efforts to join the EU, Albania is undergoing a series of profound reforms aimed at strengthening domestic institutions and international relations, but it continues to score poorly among Worldwide Governance Indicators. The country has made big progress concerning its political stability over the last decade while the key challenges of rule of law and control of corruption persist.

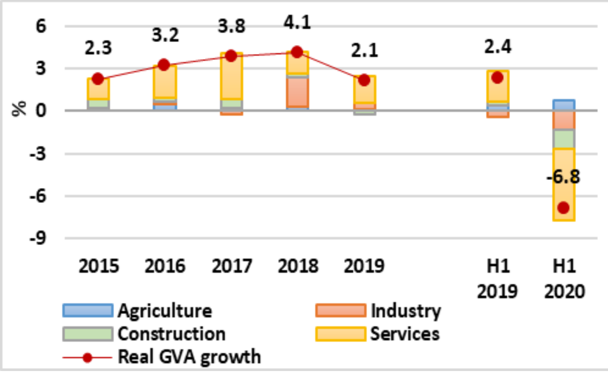
Figure 1: Contributions to real GDP growth: 2015 – H1 2020



Source: INSTAT

Already before the outbreak of the COVID-19 crisis real **GDP growth** decelerated from its period-peak of 4.1% in 2018 to 2.2% in 2019, due to lower electricity production and falling investments after the completion of some large infrastructure projects. Besides, in November 2019, the country was hit by a devastating earthquake with a magnitude of 6.3 of Richter that caused loss of lives and substantial economic damages in several sectors. At the beginning of 2020, aggregate demand in Albania has experienced a second consecutive shock – the global coronavirus pandemic. The confinement measures taken to limit its spread have caused a sharp slump in both domestic and external demand, depressing each of economic growth engines – consumption, investment, and exports. As a result, Albania's GDP contracted by 7% on average in the first half of 2020. Affected by lockdown restrictions, increase in unemployment and decline in confidence, private consumption decreased by 3.5% in real terms, while public consumption also shrank, although more mildly – by 0.8% YoY. Fixed investment fell by 13.2% as investment activity was severely hit by the high uncertainty and shrinking demand. In turn, net exports made a positive contribution to the GDP growth in the first half of 2020, due to the large fall in imports which exceeded in volume the fall in exports. Reflecting the economic fallout in main trading partners, supply chain disruptions and travel restriction, Albanian exports of goods and services declined by 28.3% in real terms and imports decreased by 22.5%, whereas the negative dynamics were more severe among the services trade.

Figure 2: Contributions to real GVA growth: 2015 – H1 2020



Source: INSTAT

The spread of COVID-19 took its toll on almost all economic activities, thus, GVA contracted by 7% in the first half of 2020. The impact was asymmetrical

95, Evlogi Georgiev blvd., fl. 1
1142 Sofia

tel.: (+359-2) 987 6363
www.bcra-bg.com

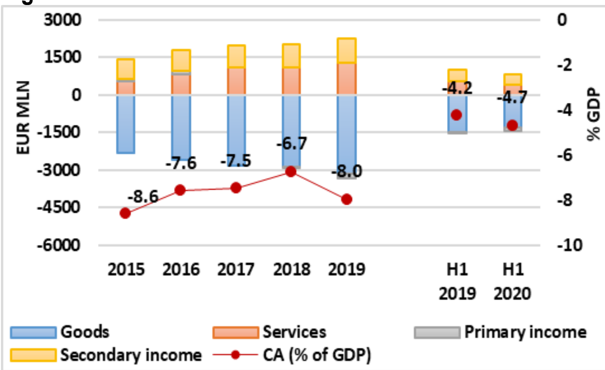
across sectors, but the downturn in the services was particularly hard, especially in trade, transport, accommodation and food services as well as arts and entertainment, which were put at a standstill during the lockdown. The value-added in industry decreased by 9%, whereas manufacturing increasingly felt the disruption of value chains and demand slump in key markets. Construction was also severely affected, recording a negative growth of 14.6%. The only sectors that positively contributed to the country's economic growth in the first half of 2020 were agriculture and real estate.

The IMF projects that the Albanian economy will contract by 4.6% in 2020, followed by a rebound of 3.9% in 2021. However, the recession magnitude and the recovery speed will be shaped by the pandemic evolution and the timelines of the associated containment measures in the country, as well as by the dynamics of the recovery in its main trading partners. These factors are yet increasingly uncertain to predict given the recent surge in global COVID-19 infections with restrictions being reinstated. The economic recovery will receive backing from monetary policy, stepped-up public investment, and targeted government support scheme, but the prospects for a swift rebound may be muted by the aftershocks of the crisis.

Despite its relative openness to **trade**, the Albanian economy is not well-integrated in global supply chains. Traditionally Alania trades most actively with the EU member states, whereas Italy is its most important trade partner, recording the largest exchanged volumes of goods – 47.9% of total exports and 25.3% of total imports in 2019. Other EU members with considerable shares in the country's international trade include Germany, Greece and Spain. Therefore, a prolonged contraction of economic activity in the Eurozone in general, but specifically in Italy, could have a significant adverse effect on Albanian exports.

Following the robust dynamics in 2017 and 2018, Albanian exports of goods contracted by 3.8% in 2019, mainly due to lower external demand for construction materials and metals, as well as falling electricity exports. The negative trend has escalated further in line with the global coronavirus crisis, which disrupted usual consumption patterns and negatively affected the international flow of goods. In the first six months of 2020, total exports decreased by 17.7% in nominal terms, while imports also recorded negative growth of 14.4%, driven by decreases in all product groups except for the foods.

Figure 3: Current account: 2015 – H1 2020



Source: Bank of Albania

International trade dynamics are reflected in Albania's **current account** balance, which is characterized by a persistent deficit, averaging to 7.7% GDP in the last five years. The negative balance is a result of the traditionally large (above 20% of GDP) merchandise trade deficit, whereas trade in services partly compensated it with a positive balance of around 8% of GDP. The secondary income account also had registered surplus, backed by a positive net inflow of personal transfers and official donations, while the balance of primary income turned negative in 2018.

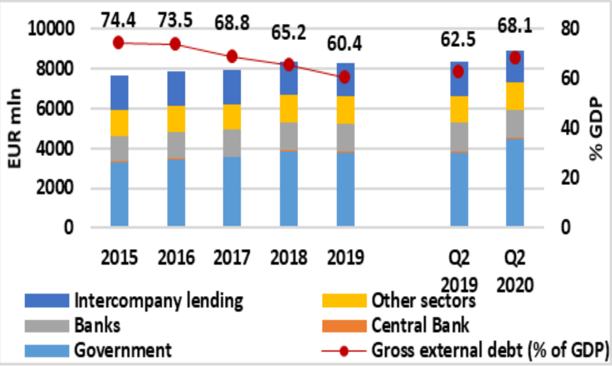
The country's current account deficit slightly increased - from EUR 865 mln (6.7% of GDP) in 2018 to EUR 1 089 mln (8% of GDP) in 2019. However, it is expected to worsen more considerably in 2020 assuming the decrease in tourism exports and lower private transfers. In January – June 2020, the current account posted a deficit of EUR 612 mln, compared to EUR 566 mln in the same period of 2019. Amid a stronger fall in nominal imports of goods than in nominal exports, the merchandise trade deficit decreased by 11.3% YoY, but it was not able to compensate for the deterioration in the other items. The surplus on services was 25.3% lower than a year ago, the primary income deficit rose by 51.9% and the secondary surplus declined by 7.9%.

Albania is largely dependent on **foreign direct investments** which represent an important foreign currency source inflow in financing the current account deficit. FDI inflows in the country have maintained an overall positive trend, averaging to 8.2% of GDP in the last 5 years. Inflows fluctuated

95, Evlogi Georgiev blvd., fl. 1
1142 Sofia
tel.: (+359-2) 987 6363
www.bcra-bg.com

based on the funding levels required for various projects, whereas the energy sector has been at the forefront of recent dynamics. In January-June 2020, FDI inflows amounted to EUR 454 mln, a 16.9% decline compared to the same period of 2019. Currently, the coronavirus crisis has a material negative impact on global investment sentiments, and if the contraction in flows lasts for a longer period, the consequences for developing counties like Albania may be severe.

Figure 4: Gross external debt: 2015 – Q2 2020

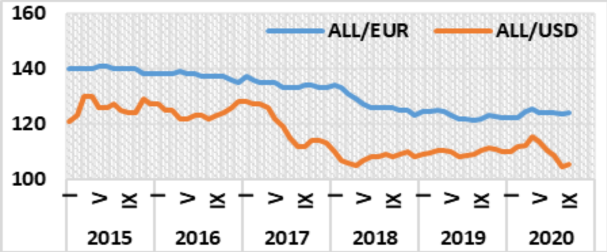


Source: Bank of Albania

The **external debt**-to-GDP has been rapidly decreasing in the past 3 years but is expected to pick up sharply in 2020 amid GDP contraction and escalating financing needs. The stock of the gross external debt increased to EUR 8908 mln (68.1% of GDP) as of end-June 2020, compared to EUR 8246 mln (60.4% of GDP) at the end of 2019. The increase was prompt by government borrowings, thus, their relative share in gross external debt rose to 50%, while FDI-related liabilities accounted for 18.3% of total and were the largest component of the private external debt stock. Although the external debt is sizeable, its composition is not a cause for immediate concern as long-term liabilities constitute more than 80% of total debt.

Given Albania's vulnerability to external shocks and high financing requirements, it is important to maintain adequate **reserves** coverage. Foreign exchange reserves have consistently increased over the last years, covering more than six months of imports of goods and services. In the first half of 2020, reserve assets picked up by EUR 805 mln (24%) to reach EUR 4 165 mln. The increase was primarily due to inflows of foreign currency from the disbursement of funds under the RFI arrangement with the IMF, as well as the Eurobond issuance in June 2020.

Figure 5: Lek ER – monthly average: I 2015 – IX 2020



Source: Bank of Albania

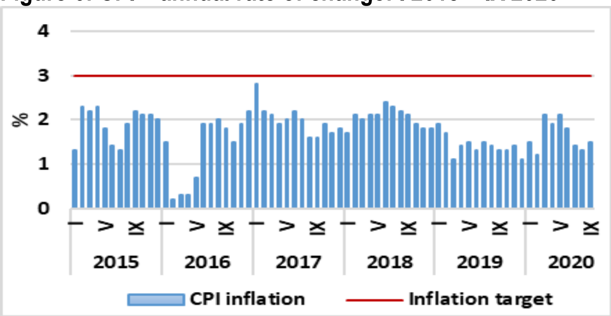
Bank of Albania implements a floating **exchange rate** regime whereby the value of the lek against foreign currencies is generally determined by the market. Reflecting structural improvements in the Albanian economy such as exports growth and increased FDI flows, as well as the de-euroization strategy, the lek to euro exchange rate has shown a general appreciating trend over the last 3 years. However, the challenging environment in the first months of 2020 has put depreciation pressure on the national currency, but the Bank of Albania successfully smoothed the temporary volatility by market interventions in end-March.

Over the last three years (2017-2019), the **labour** force has been expanding despite the decline in the working-age population and the strongly negative net migration levels. The unemployment rate has been persistently high in line with regional peers. It peaked up in 2014 at 17.5% and eased afterward to 11.5% in 2019. Specific structural issues include the prevalent long-term component, the high youth unemployment, large undeclared activities and deficiencies in matching education and needs of the business. In the second quarter of 2020, the employment rate fell by 1.9 pp. YoY to 51.7% while the unemployment rate reached 11.9%, (up by 0.4 pp.) reflecting the adverse effect of the pandemic.

On average, gross **wage** remained on the rise in 2019 and H1 2020 despite economic turbulences. It reached EUR 434, while the minimum wage remained fixed at ALL 26 000 (EUR 211) per month as in 2019. **GDP per capita** for 2019 amounted to EUR 4 766 in nominal terms which stood at only 14.9% of the EU average (or 31% in PPS). Albania figures closely follow the regional peers - North Macedonia and Bosnia and Herzegovina.

CREDIT RATING AGENCY
95, Evlogi Georgiev blvd., fl. 1
1142 Sofia
tel.: (+359-2) 987 6363
www.bcra-bg.com

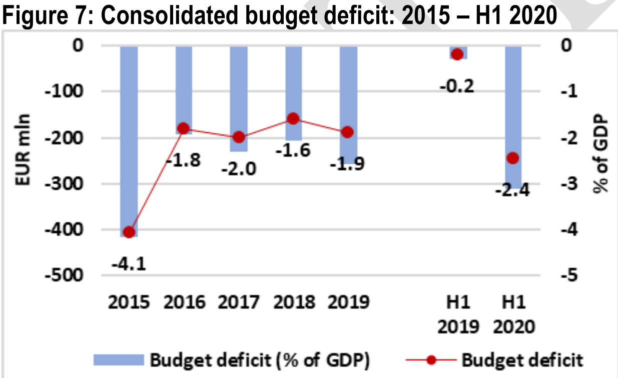
Figure 6: CPI – annual rate of change: I 2015 – IX 2020



Source: INSTAT

The main objective of the Bank of Albania's monetary policy is to achieve and maintain price stability by pursuing low but positive long-term **inflation** rates. In quantitative terms, the central bank's target is set at a 3% annual rate of change in the consumer price index, but the inflation has remained below it since 2012, reflecting the strong exchange rate and low domestic demand pressures on prices. Annual CPI inflation followed a slight upward trend in the first half of 2020, averaging to 1.8%, compared to 1.5% in H1 2019. Inflation growth in this period was mainly determined by the increase in food prices, which outweighed the impact of muted domestic demand and the drop in global oil prices. The change in price level moderated in Q3 2020 and is projected to remain low till the year's end, while recovering demand is projected to contribute to a pick-up in inflation in 2021, still below the 3% target.

Figure 7: Consolidated budget deficit: 2015 – H1 2020



Source: Ministry of Finance and Economy

Public finance vulnerabilities have been reduced over the past years as the government undertook fiscal adjustment measures, focused on broadening the tax base and clearance of unpaid arrears. As a result, positive primary balances have been recorded since 2016, while the overall general government budget deficit has improved to 1.9% of GDP in 2019, from 5.2% of GDP in 2014. However, the devastating earthquake combined with the economic downturn triggered by the coronavirus outbreak will have a strong negative impact on the fiscal gap this year. In particular, a significant deterioration is projected in main revenue sources - receipts from VAT and income taxes.

In parallel, public spending is peaking to address the shocks. Following the earthquake, a reconstruction program had been incorporated in the 2020 budget, revising the deficit target upwards – from 1.6% of GDP to 2.2% of GDP, but a sizeable new increase was necessary, due to the adverse social and economic effects of the COVID-19 pandemic. To counter them, the government has allocated a total of ALL 45 bln (2.8% of GDP) through two support packages with a direct budgetary impact of around 1.2% of GDP. Key measures adopted included: 1) additional funding for the health sector; 2) support for small businesses and the self-employed by paying minimum wages; 3) doubling unemployment benefits; 4) tax deferrals; and 5) sovereign guarantees (of about 1.6% of GDP) to support affected businesses.

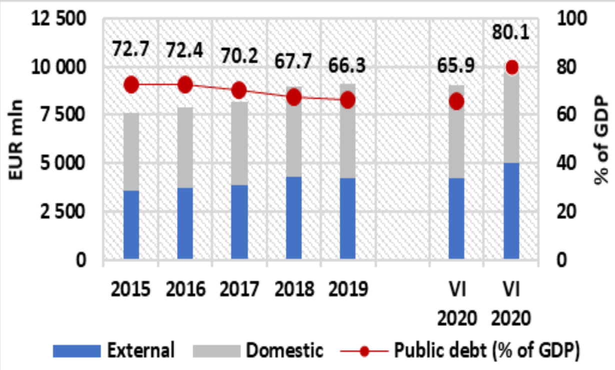
Revenue shortfalls are already visible in the budget execution. Total revenues annually decreased by 13.7% in January – June 2020, mainly due to the sharp drop of 14.1% in tax receipts as well as due to 13.3% lower nontax revenues. In line with the subdued economic activity and tax deferral measures, the fall in tax revenues was mainly a result of lower proceeds from VAT, profit tax and personal income tax. These decreases were only partially offset by the increase in grants, which picked up by 22.1% against the corresponding prior-year period. Concurrently, public expenditures recorded a moderate growth of 1.8%, driven by 21.6% higher social assistance transfers and 0.2% increase in personnel expenses, while interest payments declined by 8% and capital expenditures fell by 3.6%. As a result, the general government budget posted a negative balance of EUR 313 mln (2.4% of GDP projected) as of end-June 2020, which represents a major slippage compared to the deficit of EUR 28 mln (0.2% of GDP) recorded in the first half of 2019.

In line with the observed trends in the first half of the year, the full-year fiscal deficit is now expected to reach about 5.5% of GDP, but the sizeable slippage

95, Evlogi Georgiev blvd., fl. 1
1142 Sofia
tel.: (+359-2) 987 6363
www.bcra-bg.com

is seen as justified in order to limit the combined impact of the earthquake and the COVID-19 outbreak. We believe that the policy trend will be reversed next year as most of the measures adopted in response have temporary nature and are predicted to lead to much smaller additional expenditure in 2021 than in 2020. However, downside fiscal risks are sizeable in case of a steeper decline of economic activity and much slower recovery.

Figure 8: Public debt: 2015 – VI 2020



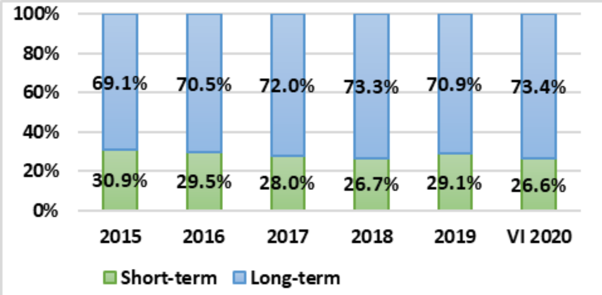
Source: Ministry of Finance and Economy

Public debt is elevated, representing an important source of vulnerability and a key credit rating constraint. The public debt ratio declined from 72.7% of GDP in 2015 to 66.3% of GDP at the end of 2019 but is set to rise to above 80% of GDP in 2020 because of the high financing needs and the fall in GDP. As of end-June 2020, the public debt stood at EUR 10 179 mln or 80.1% of the projected GDP. Compared to the end of 2019, debt stock increased by EUR 1 042 mln (11.4%) in absolute terms, of which EUR 812 mln corresponded to the growth of external debt and EUR 230 mln to domestic debt.

The government requested support from international financial institutions in light of the urgent financing needs. In April 2020, the IMF provided EUR 174 mln emergency support for Albania under the Rapid Financing Instrument. Moreover, the EC decided to provide EUR 180 mln in Macro-Financial Assistance to the country and a EUR 12.7 mln loan was negotiated with the World Bank.

In June 2020, the government has managed to secure EUR 650 mln in a seven-year Eurobond with a favourable interest rate of 3.625%. This is the fourth time Albania has tapped the international markets. The previous Eurobond issue with a maturity of seven years was in 2018, when the government borrowed EUR 500 mln with a coupon rate of 3.5%.

Figure 9: Residual maturity structure of Central government debt: 2015 – VI 2020



Source: Ministry of Finance and Economy

The debt structure has improved in recent years, mainly in terms of reducing exposure to refinancing risk and interest rate risk. The share of debt at floating interest rates decreased to about 15% of the total government debt amount, while a gradual reduction is observed in the concentration of short-term instruments. Due to buyback procedures and increased issuance of long-term instruments (mainly 7 and 10-year bonds), the share of long-term debt at remaining maturity picked up from 60% of total central government debt in 2014 to 73.4% at the end of June 2020. The lengthening of maturity has reduced rollover risks and improved cost efficiency, but further lengthening is needed to help reduce the still high annual financing requirements.

The foreign currency borrowing has provided more favourable financing conditions but has also caused a moderate increase of exposure to the exchange rate risk. The proportion of foreign currency-denominated debt in central government debt picked up from 40.7% in 2013 to 50.9% at the end of June 2020. In line with the strategic objectives, as well as the country's aspirations to integrate into the EU, most (64.4%) of the external debt is denominated in euro. Loans from the IDA and the IMF, denominated in SDRs, accounted for 20.6% of total external debt, while the share of USD dropped to 10.1%. Foreign currency borrowing is set to increase further, which represents a premise for fluctuations both in the debt level, and in the debt servicing costs, however, the risk is partly mitigated by the country's large foreign reserves.

95, Evlogi Georgiev blvd., fl. 1
1142 Sofia
tel.: (+359-2) 987 6363
www.bcra-bg.com

The **banking system**'s assets have been on the rise comprising 98% of GDP on average for the last five years and 91% of the financial system's assets. The equity also incremented as capital remained predominantly foreign and broadly diversified despite the dynamic consolidation process from 2018-2019. It has been boosted by the positive system profitability. As of mid-2020, however, the earliest negative manifestations of the coronavirus crisis affected profitability dynamics.

The activity of Albanian banks is primarily financed with non-financial sector deposits, whose size has grown moderately, driven by households'. Covering two-fold the size of outstanding credit, this ensures satisfactory liquidity resources. Solvency indicators are also well above the required 12% with a total capital adequacy of 18.1% as of June 2020.

In 2019 and the first half of 2020, credit activity was enhanced for both private enterprises and individuals reaching on average 5.9% annual growth for 2019 and 7.5% as of June 2020. This helped the process of cleaning up banks' balance sheets in addition to the active write-offs and loan restructurings. NPL ratio narrowed by 10 pp. for the last five years to 8.1% in mid-2020 while provisioning has been prudent. The growth of the loans denominated in lek was the driver of overall credit activity. Yet, the foreign currency loans dominate the currency structure of outstanding NFS credits with a relative share of 51.1% as of end-June 2020. In 2018, the central bank adopted a de-euroization strategy to limit the exchange rate vulnerabilities in the system. To address possible euro liquidity needs in the presence of market dysfunctions due to the COVID-19 shock, the Bank of Albania had set up a EUR 400 mln repo line with the ECB, which will remain in place until June 2021, unless an extension is decided.

The **monetary policy** has been accommodative in recent years, while the central bank further eased its stance by cutting the key policy rate to a historic low of 0.5% in March 2020. Also, several measures were adopted aimed at supporting credit activity and strengthening capitalisation of the system including suspending dividend distribution until the end of 2020 and temporary regulatory amendments in credit risk management.

Outlook:

The **stable** outlook of the Sovereign Rating of Albania reflects BCRA's opinion that risks are broadly balanced. The COVID-19 outbreak will inevitably translate into a strong economic recession, hence, both fiscal and external metrics will deteriorate significantly this year. However, the fiscal and monetary policy mix has so far been appropriate and supportive to economic stability. The public debt burden is high and gross financing needs are escalating, but the government had already secured funds through external borrowings, which enabled the growth of foreign reserves and their maintenance at a secure level. The banking system is well-capitalized and liquid, but vulnerabilities persist due to the high degree of euroization and weak asset quality. We think that the EU's decision to open accession negotiations with the country will provide a strong anchor for institutional reforms, although the coronavirus crisis may slow their pace.

Positive pressures on the Sovereign Rating and/or the Outlook would be considered:

- Tackling the wide-spread informal economy, as well as strengthening institutions;
- Swift recovery of economic activity, once the COVID-19 outbreak is contained;
- Reduction in external imbalances;
- Stronger than anticipated fiscal results.

Negative pressures on the Sovereign Rating and/or the Outlook may arise in case of:

- Continued fiscal loosening;
- Intensification in external imbalances, due to sudden capital outflows;
- Diminishing foreign reserve.

95, Evlogi Georgiev blvd., fl. 1
1142 Sofia
tel.: (+359-2) 987 6363
www.bcra-bg.com

Regulatory announcements

Rating initiative:

This rating is unsolicited

Unsolicited sovereign rating	
With Rated Entity or Related Third Party Participation	NO
With Access to Internal Documents	NO
With Access to Management	NO

The complete version of BCRA's policy on unsolicited credit/sovereign ratings can be downloaded through the following link:
https://www.bcra-bg.com/files/policy_unsolicited_rating_en.pdf

Clarifying Notes:

There may be some differences in the stated values and changes in the analysed indicators due to the conversion of those values in another currency (namely in EUR). The used exchange rate is the publically announced by the Bank of Albania as the average value for the corresponding period (i.e. yearly, quarterly and monthly). There may also be some differences stemming from using average values for the period rather than end-period values. The cited growth rates in the current report are based on changes in national currency, except for data recorded in EUR (i.e. Balance of payments, External debt, Net international investment position). The data on which the current report is based includes the public data available until October 2020.

Summary of the minutes of the Rating Committee:

On the 28th of October 2020, Rating Committee of BCRA – CREDIT RATING AGECY (BCRA) had a session, on which the **Report regarding the issuing of an unsolicited initial sovereign rating of Albania** was discussed. The session was headed by Dr Kiril Grigorov - chairmen of the Rating Committee.

The members of the Rating Committee reviewed numerous qualitative and quantitative risk factors included in the **Sovereign Rating Model** and analysed in the **Credit Rating Report** in accordance with the **Sovereign Rating Methodology**. Key points discussed included: 1) domestic politics and institutional framework; 2) opening of accession negotiations with the EU; 3) macroeconomic fundamentals and growth outlook; 4) external vulnerabilities; 5) fiscal and monetary measures in respond to the coronavirus crisis; 6) public debt sustainability and 7) banking sector developments.

The sovereign rating and the related outlook have been determined based on the above discussion.

CREDIT RATING AGENCY
95, Evlogi Georgiev blvd., fl. 1
1142 Sofia
tel.: (+359-2) 987 6363
www.bcra-bg.com

Tables:

Country	Development classification
Albania	Emerging and Developing Europe (IMF classification)

MAIN MACROECONOMIC INDICATORS							
	2020 H1	2019 H1	2019	2018	2017	2016	2015
GDP, current prices (EUR mln)	6 150	6 710	13 644	12 821	11 550	10 722	10 257
Final consumption	6 171	6 276	12 521	11 562	10 523	9 889	9 417
Gross fixed capital formation	1 233	1 412	3 072	3 062	2 839	2 613	2 504
Net exports	-903	-931	-1 880	-1 753	-1 739	-1 807	-1 771
Exports of goods and services	1 331	1 945	4 306	4 050	3 646	3 107	2 797
Imports of goods and services	2 234	2 875	6 186	5 803	5 385	4 914	4 568
Real GDP growth (%)	-7.0	2.5	2.2	4.1	3.8	3.3	2.2
GDP per capita (EUR mln)	-	-	4766	4473	4023	3734	3563
Average net monthly wage (EUR)	434	421	426	397	365	346	343
Unemployment rate[1] (%)	11.7	11.8	11.5	12.3	13.7	15.2	17.1
CPI - annual average rate of change (%)	1.8	1.5	1.4	2.0	2.0	1.3	1.9
Average exchange rate ALL/EUR	123.68	123.88	123.01	127.58	134.25	137.33	139.83
Average exchange rate ALL/USD	112.28	109.62	109.85	107.92	119.08	124.17	126.00
EXTERNAL SECTOR							
EUR mln	2020 H1	2019 H1	2019	2018	2017	2016	2015
Current account	-612	-566	-1 089	-865	-866	-813	-884
Goods	-1 309	-1 476	-3 144	-2 871	-2 824	-2 602	-2 299
Services	408	546	1 265	1 110	1 083	797	525
Primary income	-117	-77	-180	-14	28	175	123
Secondary income	406	441	971	907	847	820	768
Foreign direct investment	454	546	1 073	1 020	899	943	890
International reserves	4 165	3 297	3 360	3 399	2 996	2 945	2 880
Gross external debt	8 908	8 339	8 246	8 353	7 949	7 882	7 634
International investment position	-7 168	-6 849	-6 835	-6 333	-5 391	-4 825	-4 419
% of GDP[2]							
Current account	-4.7	-4.2	-8	-6.7	-7.5	-7.6	-8.6
Goods	-10.0	-11.1	-23	-22.4	-24.4	-24.3	-22.4
Services	3.1	4.1	9.3	8.7	9.4	7.4	5.1
Primary income	-0.9	-0.6	-1.3	-0.1	0.2	1.6	1.2
Secondary income	3.1	3.3	7.1	7.1	7.3	7.6	7.5
Foreign direct investment	3.5	4.1	7.9	8	7.8	8.8	8.7
International reserves	31.8	24.7	24.6	26.5	25.9	27.5	28.1
Gross external debt	68.1	62.5	60.4	65.2	68.8	73.5	74.4
International investment position	-54.8	-51.4	-50.1	-49.4	-46.7	-45	-43.1

95, Evlogi Georgiev blvd., fl. 1
1142 Sofia
tel.: (+359-2) 987 6363
www.bcra-bg.com

PUBLIC FINANCE							
EUR mln	**2020 H1**	**2019 H1**	**2019**	**2018**	**2017**	**2016**	**2015**
Total budget revenues	1 577	1 825	3 742	3 526	3 206	2 964	2 712
Total budget expenditures	1 890	1 853	3 999	3 732	3 437	3 158	3 128
Interest payments	122	133	286	286	238	264	276
Consolidated fiscal balance	-313	-28	-256	-206	-231	-194	-416
Primary fiscal balance	-190	105	29	81	7	70	-140
Public debt[3]	10 179	9 013	9 137	9 002	8 182	7 901	7 615
External debt	5 039	4 239	4 227	4 279	3 837	3 738	3 583
Domestic debt	5 140	4 775	4 910	4 724	4 345	4 163	4 032
% of GDP[4]							
Total budget revenues	12.3	13.5	27.4	27.5	27.8	27.6	26.4
Total budget expenditures	14.8	13.7	29.3	29.1	29.8	29.5	30.5
Interest payments	1.0	1.0	2.1	2.2	2.1	2.5	2.7
Consolidated fiscal balance	-2.4	-0.2	-1.9	-1.6	-2.0	-1.8	-4.1
Primary fiscal balance	-1.5	0.8	0.2	0.6	0.1	0.7	-1.4
Public debt[3]	80.1	65.9	66.3	67.7	70.2	72.4	72.7
External debt	39.6	31.0	30.7	32.2	32.9	34.3	34.2
Domestic debt	40.4	34.9	35.6	35.5	37.3	38.2	38.5

BANKING SYSTEM							
EUR mln[5]	**2020 Q2**	**2019 Q2**	**2019**	**2018**	**2017**	**2016**	**2015**
Total assets	12 118	11 604	12 118	11 812	10 867	10 424	9 619
Asset to GDP ratio (%)	-	-	95.5	96.0	99.4	100.5	97.3
Deposits (excl. credit institutions)	8 334	7 976	8 269	7 919	7 389	7 399	7 087
Gross loans to non-financial sectors	4 634	4 408	4 576	4 249	4 078	3 989	3 922
After-tax profit	58	86	163	150	166	69	115
%							
Capital adequacy ratio	18.1	18.5	18.3	18.2	16.6	15.7	16.0
Non-performing loans ratio	8.1	11.2	8.4	11.1	13.2	18.3	18.2
Return on assets (ROA)	1.03	1.55	1.49	1.20	1.54	0.74	1.25
Return on equity (ROE)	9.12	14.26	13.45	12.96	15.71	7.15	13.16
Loan-to-deposit ratio	47.8	49.0	48.2	49.1	51.4	51.7	53.2
Liquid assets to total assets	33.3	34.8	35.7	34.2	30.2	31.3	32.3

[1] Population aged 15 years and over, Labour Force Survey;
[2] GDP ratios for H1 2019 and H1 2020 are calculated using the sum of GDP in the four preceding quarters;
[3] Public debt, defined as general government gross financial liabilities, includes central and local government debt, as well as public guarantees;
[4] Ratios for 2020 are calculated on the basis of GDP amounting to ALL 1 580 960 mln (Ministry of Finance and Economy projection);
[5] The values in EUR are calculated by using the exchange rate of the ALL//EUR at the corresponding period's end.

Sources: Bank of Albania, The Institute of Statistics (INSTAT), Ministry of Finance and Economy, World Bank, Eurostat, International Monetary Fund