

BEST'S COUNTRY RISK REPORT

Albania CRT-4

August 22, 2018

Region: Europe

[Country Risk Criteria Procedures](#)

[Guide to Best's Country Risk Tiers](#)

- The Country Risk Tier (CRT) reflects A.M. Best's assessment of three categories of risk: Economic, Political, and Financial System Risk.
- Albania's economy grew 3.9% in 2017, supported by improving external conditions. GDP is forecast to expand at 3.7% for 2018 and to range between 3.5% and 4.0% over the medium term.
- Despite ongoing fiscal consolidation efforts, Albania continues to have high levels of public debt. Government efforts to lower debt levels include a "deficit brake" and improved institutional oversight.
- A.M. Best categorizes the majority of countries in the region as CRT-1 and CRT-2. Notable exceptions are many of the Eastern European countries such as Belarus and Ukraine.



- Country Risk Tier 1 (CRT-1)** Very Low Level of Country Risk
- Country Risk Tier 2 (CRT-2)** Low Level of Country Risk
- Country Risk Tier 3 (CRT-3)** Moderate Level of Country Risk
- Country Risk Tier 4 (CRT-4)** High Level of Country Risk
- Country Risk Tier 5 (CRT-5)** Very High Level of Country Risk

Regional Summary: Eastern Europe

- The Eastern European countries are at various stages of bringing their legal, economic, and political frameworks to be more in line with European Union standards. The region has a great deal of economic potential, as it further integrates with the global markets of the European Union, but all of its countries would ultimately benefit from more transparent and less cumbersome regulatory environments.
- Economic growth in 2017 was robust and is expected to continue in 2018 on growing domestic consumption, fueled by rising wage and falling unemployment rates. Additionally, funds provided by the EU's Structural and Investment Funds will continue to drive public spending.
- Although many Eastern European countries are classified as emerging markets or frontier markets, reforms have enhanced economic stability and regional political power.
- Risks for the region include the potential for tightening global financial conditions, currency volatility, an increase in government influence on state-run institutions potentially undermining independence, and high levels of corruption.

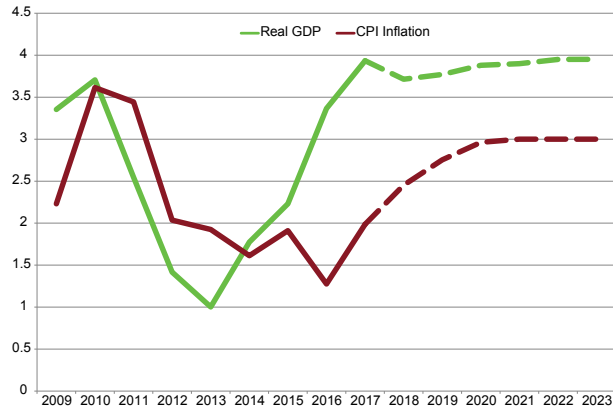
Vital Statistics 2017		
Nominal GDP	USD bn	13.18
Population	mil	2.9
GDP Per Capita	USD	4,583
Real GDP Growth	%	3.9
Inflation Rate	%	2.0
United Nations Estimates		
Literacy Rate	%	97.6
Urbanization	%	59.3
Dependency Ratio	%	44.0
Life Expectancy	Years	78.5
Median Age	Years	32.9
Insurance Statistics		
Insurance Regulator	Albanian Financial Supervisory Authority	
Premiums Written (Life)	USD mil	10
Premiums Written (Non-Life)	USD mil	125
Premiums Growth (2016 - 2017)	%	9.3
Regional Comparison		
	Country Risk Tier	
Albania	CRT-4	
Bosnia and Herzegovina	CRT-5	
Bulgaria	CRT-4	
Hungary	CRT-3	
Romania	CRT-3	
Slovenia	CRT-2	

Source: IMF, UN, Swiss Re, Axco and A.M. Best



Copyright © 2018 A.M. Best Company, Inc. and/or its affiliates. All rights reserved. No part of this report or document may be reproduced, distributed, or stored in a database or retrieval system, or transmitted in any form or by any means without the prior written permission of the A.M. Best Company. While the data in this report or document was obtained from sources believed to be reliable, its accuracy is not guaranteed. For additional details, refer to our *Terms of Use* available at A.M. Best website: www.ambest.com/terms.

Economic Growth (%)



Source: IMF World Economic Outlook and A.M. Best

Economic Risk: High

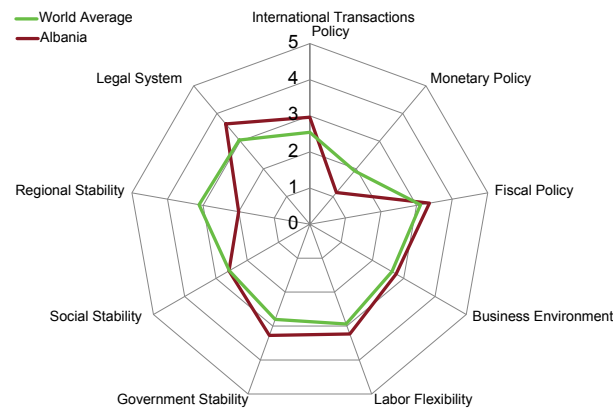
- Agriculture remains an important industry, accounting for approximately 20% of the country's GDP. Other important sectors include metals and mining, oil and natural gas, textiles, and a growing tourism industry.
- Albania has close ties with Greece and Italy through remittances, as well as trade and banking sector relationships. As a result, the country is vulnerable to spillover effects from a decline in growth in the EU, or possible debt restructuring in these countries.
- The economy has benefitted from large, energy-related foreign direct investment projects and rising levels of consumer confidence. Unemployment levels have fallen, and credit to households is increasing.

Political Risk: Moderate

- Political control tends to fluctuate between the Socialist Party of Albania and the Democratic Party of Albania. The current coalition government, the Alliance of a European Albania, consists of 37 parties and is led by the Socialist Party of Albania.
- The government seems committed towards the goal of integration into the EU and continues its market-friendly reforms to improve the business operating environment. In its effort to join the EU, the country has taken measures to strengthen its institutional framework.
- Although the operating environment has improved over recent years, as a result of government efforts to harmonize legislation with EU standards, corruption remains high. The judiciary can still be influenced by politics, limiting judicial independence. Additionally, the system is underfunded, leading to long delays in the resolution of disputes.
- Other challenges for the government include high levels of public debt, increasing immigration issues, a growing terrorism threat, and the significant presence of organized crime involved in drug and weapons trafficking

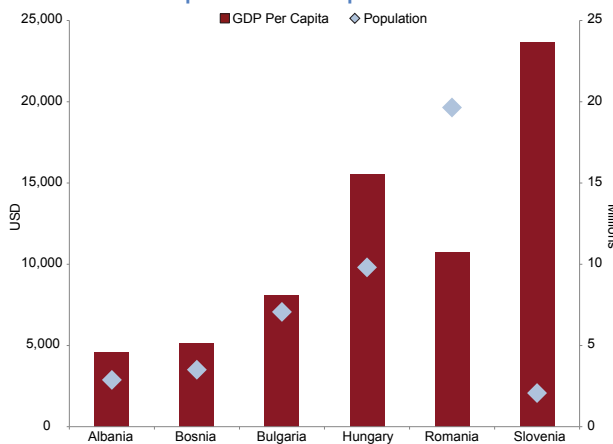
Political Risk Summary

Score 1 (best) to 5 (worst)



Source: A.M. Best

GDP Per Capita and Population



Source: IMF and A.M. Best

Financial System Risk: High

- The Albanian Financial Supervisory Authority (AFSA) is responsible for the regulation and supervision of the financial services industry. The AFSA includes the supervision of the insurance sector.
- In 2017, the country exited from a three-year IMF supported program worth USD400 million. The program was put in place to control rising levels of government debt, which was threatening the stability of the economy, and to restore sustainable economic growth.
- The banking system is well-capitalized and remains liquid. However, strengthening its supervisory capacity has been recommended. Additionally, supervision of non-bank financial institutions and developing capital market institutions should be augmented, to ensure higher degrees of transparency and the maintenance of government standards.