



BANKA QENDRORE E REPUBLIKËS SË KOSOVËS
CENTRALNA BANKA REPUBLIKE KOSOVA
CENTRAL BANK OF THE REPUBLIC OF KOSOVO

CBK BULLETIN

Directorate for
Economics Analysis
and Statistics

Number 7

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Balance of Payments of Kosovo

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Printed in 100 copies.

ABBREVIATIONS:

BOP	Balance of Payments
BPM5	Balance of Payments Manual (5th edition)
c.i.f.	Cost, Insurance, Freight
CA	Current Account
CBK	Central Bank of the Republic of Kosovo
CEFTA	Central European Free Trade Agreement
DEAS	Directorate for Economics Analysis and Statistics of the CBK
ECB	European Central Bank
ESS	Enterprise Survey Statistics
EU	European Union
f.o.b.	Free on Board
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
IMF	International Monetary Fund
ITRS	International Transactions Reports System
ITS	International Trade Statistics
KEK	Kosovo Energy Corporation
KFOR	NATO-led Kosovo Force
KPST	Kosovo Pension Saving Trust
MEF	Ministry of Economy and Finance
MTC	Money Transfer Companies
MTI	Ministry of Trade and Industry
n.i.e.	Not Included Elsewhere
NATO	North Atlantic Treaty Organization
ODA	Other Donor Assistance
ODC	Other Depository Corporations
OECD	Organization for Economic Cooperation and Development
PAK	Privatization Agency of Kosovo
PIP	Public Investment Program
SAD	Single Administrative Document
SDR	Special Drawing Rights
SEE	South East Europe
SLA	Service Level Agreement
SNA	United Nations System of National Accounts 1993
SOK	Statistical Office of Kosovo
UN	United Nations
UNMIK	United Nations Interim Administration Mission in Kosovo
WB	World Bank
WTO	World Trade Organization

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1. General Characteristics

Kosovo Balance of Payments (BOP) for 2007 is characterized by a deepening current account (CA) deficit and a surplus in the capital and financial account. The high reliance of the Kosovo economy on trade, relatively low level of domestic production, the growth of private consumption and recent increases in the price level have led to a soaring level in the volume of imports, which represents the main driver of the CA deficit. On the other hand, capital and financial account has marked a considerable surplus, which is mainly attributed to the increase of FDI inflows (Table 1).

CA deficit in 2007 reached 16.8% of GDP, driven mainly by the deficit in the goods and services account. The annual growth of 49.1% in exports, given the low base, was not sufficient to outpace the import growth of 20.2%, letting the trade deficit further deepen in 2007. Nevertheless, the recent growth of exports contributed to the improvement of exports-to-imports ratio.

CA deficit in the Kosovo economy is offset to a large extent by remittances of the Kosovo emigrants abroad which have shown to be a strong and reliable source of finance for the Kosovo economy.

Table 1. Kosovo Balance of Payments, in millions of euro

	2004	2005	2006	2007
1. CURRENT ACCOUNT	-404.1	-410.3	-444.2	-560.3
A. Goods and services	-992.9	-1,087.8	-1,166.2	-1,372.0
1. Goods	-972.3	-1,043.7	-1,142.1	-1,341.1
2. Services	-20.6	-44.2	-24.1	-30.9
B. Income	33.5	37.2	43.8	65.5
1. Compensation of employees	31.7	31.8	31.4	31.4
2. Investment income	1.8	5.4	12.4	34.1
C. Current transfers	555.3	640.3	678.2	746.3
1. Central government	335.5	366.4	317.7	319.3
2. Other sectors	219.8	273.9	360.5	426.9
2. CAPITAL AND FINANCIAL ACCOUNT	141.0	96.9	20.2	108.0
A. Capital account	2.4	2.0	3.2	2.6
1. Capital transfers	2.4	2.0	3.2	2.6
B. Financial account	138.6	94.9	17.0	105.4
1. Direct investment	18.6	80.0	245.7	413.7
2. Portfolio investment	-37.8	-32.7	-83.5	-42.9
3. Other investment	45.1	15.2	-67.3	24.9
4. Reserve assets	112.7	32.4	-77.9	-290.3
NET ERRORS AND OMISSIONS	263.1	313.5	424.0	452.3
Memorandum item:				
Foreign assistance	196.0	218.9	203.9	217.3

Capital and Financial Account balance in 2007 reached euro 108.0 million from euro 20.2 million in 2006. This increase derived mainly from the increase in FDI and other investment inflows (mainly trade credit) as well as due to lower portfolio investment outflows during 2007 (euro 42.9 million) compared to 2006 (euro 83.5 million). Lower portfolio investment outflows during 2007 reflect partly the orientation of investments

¹ IMF staff GDP estimates have been revised upwards assuming an underestimated household consumption in the previous estimates. Nominal GDP for 2007 was revised from euro 2.4 billion to euro 3.3 billion.

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by the banking sector towards the domestic economy, financing to some extent the CA deficit. The main source of finance for the CA deficit in the Kosovo economy are FDI inflows which have continuously grown in the recent years, contributing to the external position sustainability. The positive contribution of FDI and other investments to the positive Capital and Financial Account balance was offset to some extent by the increase in reserve assets.

2. Current Account

The CA deficit after foreign assistance deepened further in 2007 amounting euro 560.3 million (euro 444.2 million in 2006), and as a share to GDP increased to 16.8% in 2007 compared to 14.4% in 2006. The external position excluding the foreign assistance is more worrying. The CA deficit before foreign assistance amounted at euro 777.6 million (23.3% of GDP in 2007 over 20.9% of GDP in 2006), mainly driven by the deficit in the goods and services balance (euro 1.3 billion), which was offset to some extent by the surplus in the income account (euro 65.5 million) and current transfers account (euro 746.3 million). The increase of the CA deficit in 2007 might partially be a reflection of the increase in international prices since the third quarter of 2007, combined with increased private consumption and low level of domestic production.

2.1. Goods

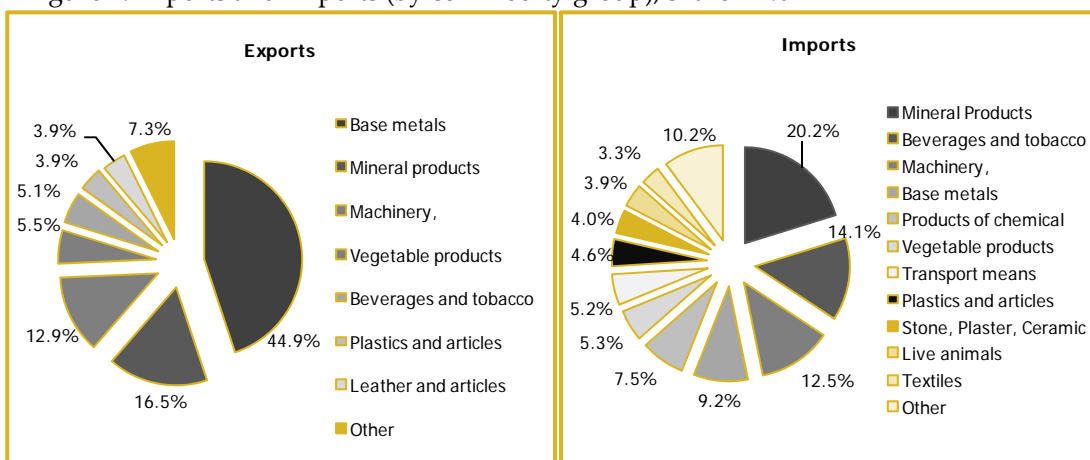
Trade deficit in the Kosovo economy has further deepened during 2007, driven by the increase of imports (Table 2). The deficit in the trade balance is mainly caused by the trade in goods deficit which in 2007 stood at euro -1.3 billion (40.2% of GDP), an increase of 17.4% compared to 2006. Both exports and imports grew in volume as well as in share to GDP in 2007. Amounting at euro 165.1 million, exports marked an annual growth of 49.1% in 2007 (Table 2). As a share to GDP, exports increased by 1.4 pp in 2007 over 2006, accounting for 4.9% of GDP. Amounting euro 1.5 billion, imports were 20.2% higher in 2007 relative to 2006, reaching 45.1% of GDP. The coverage of imports by exports improved to 11.0% in 2007 (8.8% in 2006), following the growth in exports.

Table 2. Trade in Goods, in millions of euro, unless otherwise indicated

	2004	2005	2006	2007
Exports	57.3	56.3	110.8	165.1
Imports	-1,029.6	1,100.0	-1,252.9	-1,506.2
Trade balance	-1,006.7	-1,091.2	-1,195.2	-1,341.1
Trade balance (% of GDP)	-45.1	-36.7	-38.6	-40.2
Export to import ratio (in %)	-5.6	-5.5	-8.8	-11.0

The foreign trade commodity structure was similar compared to previous years. The category of base metals represented 44.9% of total exports, mainly composed of iron and steel. Consisting mainly of mineral oils and fuels, mineral products accounted for 16.5% of total exports in 2007 (5.7% in 2005, 17.0% in 2006). The increase in exports of mineral products since 2005 is a result of the privatization process, since the export of this category of products is mainly carried by two privatized companies (Ferronikel and Llamkos). An increase was noticed also in the category of machinery, appliances, electrical equipments etc., which in 2007 represented 12.9% of total exports (6.9% in 2006). Although from a low base, this category of exports marked a substantial annual growth in volume (178.5%) amounting euro 21.3 million in 2007.

Figure 1. Exports and Imports (by commodity group), share in %



The category of mineral products accounted for 20.2% of total imports in 2007 (18.5% in 2006), representing the largest import category. Import of mineral products mainly consists of mineral fuels and oils. The increase in the import of this category, to some extent, is attributed to the increase in international oil prices in 2007. The import of prepared foodstuffs, beverages and tobacco composed 14.1% of total in 2007, while 12.5% of total imports consisted of machinery, appliances and electrical equipment (Figure 1).

Facilitated by CEFTA, trade among the neighboring countries has intensified in recent years, considering that since 2006 trade with these countries continuously grew both in volume and as a share to total trade. Moreover, the independence of Kosovo may further facilitate trade with the rest of the world by joining other international organizations, such as the World Trade Organization (Box 1). CEFTA countries (36.6% of exports and 36.7% of imports) and the EU (40.1% of exports and 35.2% of total imports) remained Kosovo’s main trading partners in 2007. As regards to individual countries, exports to Albania grew by 50.3% compared to the same period in the previous year, accounting for 11.5% of total exports. Exports to Serbia accounted for 10.1% of total in 2007 (18.9% in 2006) following a decline of 19.9% in volume. Exports to Macedonia reached 9.3% of total in 2007 (8.8% in 2006), following an annual increase of 58.2% in volume. With regard to imports, main trading partners are Macedonia and Serbia, representing 15.0% and 14.1% of total, respectively. Attaining 9.1% of total imports, Germany represents another important trading partner for Kosovo. The largest share of imports originating from Macedonia are mineral products (62.1% of total imports from Macedonia), while imports originating from Serbia are mainly prepared foodstuff, beverages and tobacco (30.7% of total imports from Serbia). Whereas, imports from Germany mainly consist of vehicles and other transport means that represent 48.1% of imports from this country.

Box 1. World Trade Organization

Aiming at promoting economic development, on July 10, 2008, the International Monetary Fund (IMF) and the World Bank (WB), received the application for admission from the Republic of Kosovo. Shortly after, the IMF and the WB acknowledged Kosovo's application and declared consideration of membership application "in due course."

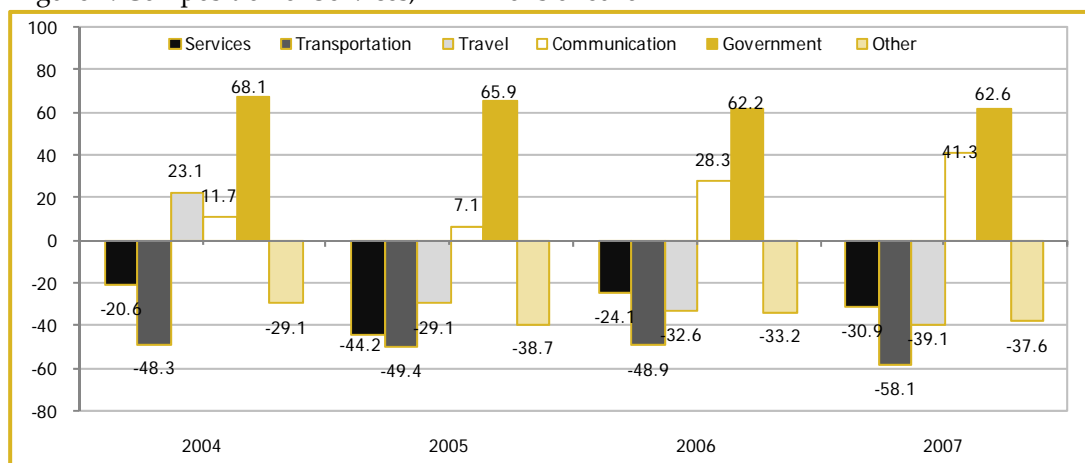
The Republic of Kosovo is also expected to apply for membership in the World Trade Organization (WTO). The WTO is an organization for trade liberalization where member nations present and negotiate trade agreements/disputes with each other. The WTO was established on January 1st, 1995. Accession process at WTO is a series of negotiations between the applicant country and member countries. Initially, potential members play the role of an observer (in order to familiarize with the membership requirements and the accession process), followed by the process when they inform the WTO on their trade and economic policies. After drafting the membership terms jointly with the WTO, the potential member will need 2/3 of votes from the WTO General Council for accession.

In accordance with the rules and policies required by the WTO, the Ministry of Trade and Industry (MTI) in 2007 has notably developed a roadmap for Kosovo's accession to WTO and supported the preparation of procedures for application. Kosovo fulfills an important pre-requisite for a membership in WTO as it is an independent customs territory with a defined political status. However, the Kosovo's accession in WTO faces many challenges that the MTI in cooperation with Kosovo's government and with international support needs to face. Substantial institutional reform in the field of trade policy with careful focus in improving MTI's capacity to deal with trade/tariff policies and assessing existing trade-related laws in compliance with WTO standards are some of the necessary conditions for a WTO membership. Institutional reforms in trade/tariff policies have already begun and the MTI is developing economic policies with specific focus on meeting the WTO standards.²

2.2. Services

As in the previous years, the balance of services in 2007 ended with a deficit amounting at euro 30.9 million, an annual increase of 28.0% (Figure 2). Since 2003, this deficit was mainly driven by transport services (euro -58.1 million) as well as travel services (euro -39.1 million). Surpluses recorded in communication services (euro 41.3 million) and government services (euro 62.6 million), to some extent, counterbalanced the deficit in services account in 2007.

Figure 2. Composition of Services, in millions of euro



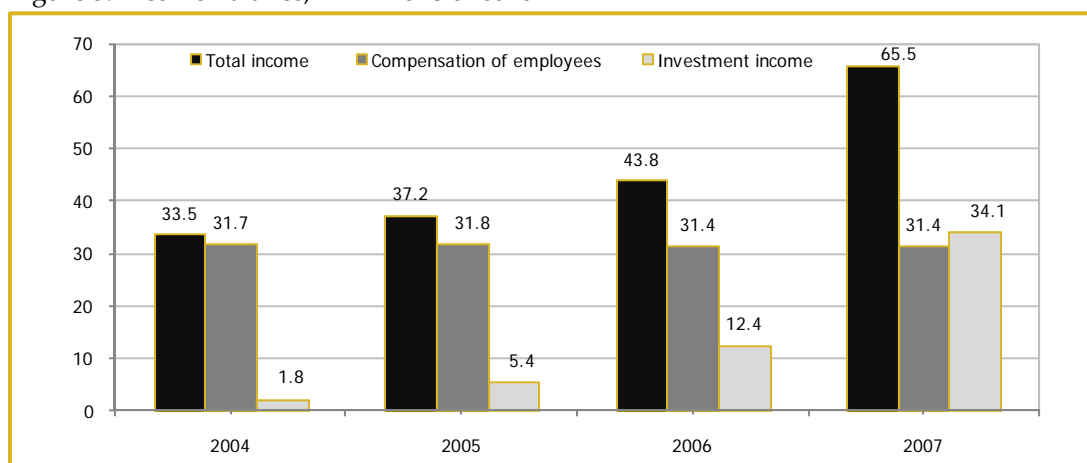
² Retrieved from www.cbei-ks.org

Growing annually by 28.0% and 18.9%, respectively, the deficit in transport and travel services maintained an upward trend since 2004. Transport services deficit was driven by an annual increase of 30.7% in the deficit of other transport services, which explains 91.8% of the deficit in transportation services. The deficit in the travel services account was maintained mainly by the annual increase of 11.2% in personal travel deficit that represents 87.2% of the deficit in travel services. Government services balance stood at euro 62.6 million in 2007, an annual increase of 0.7%. Growing annually by 13.3%, the deficit in the category of other services amounted at euro 37.6 million in 2007.

2.3. Income

Surplus in the income account increased further in 2007, amounting euro 65.5 million which is an annual increase of 49.4% (Figure 3). This growth is mainly driven by net investment income that increased from euro 12.4 million in 2006 to 34.1 million in 2007, while net income from compensation of employees remained stable at euro 31.4 million.

Figure 3. Income Balance, in millions of euro



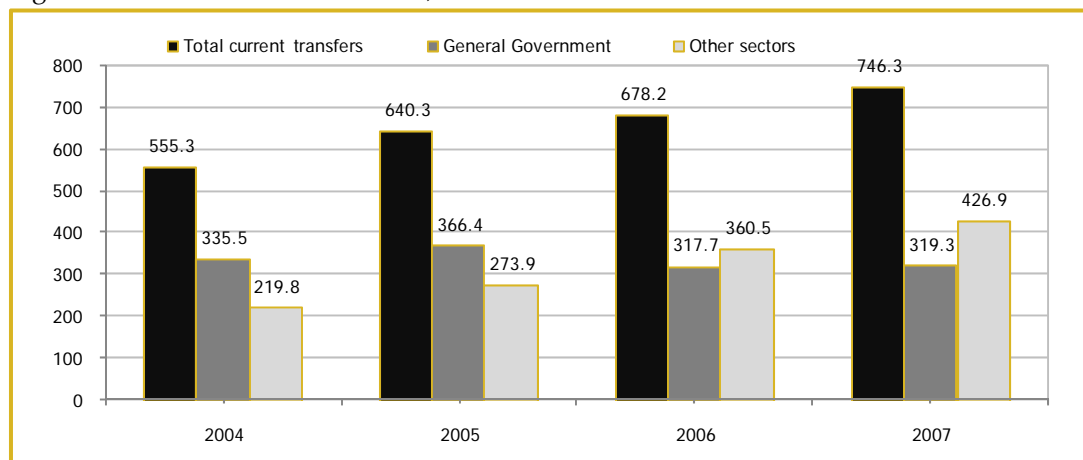
Income received from abroad amounted euro 111.3 million in 2007, which is an increase of 54.7% compared to 2006. Amounting at euro 79.9 million (71.8% of total income received), earnings from investments abroad grew by 97.1% in 2007 over 2006. This growth is mainly attributed to the increase in the KPST income from investments abroad (mainly portfolio investments), which represented 38.8% of total investment income received. CBK income from investments abroad amounted at euro 34.4 million in 2007 (43.0% of investment income received), of which 74.5% is income from investments in deposits. The income that non-residents receive from investments in Kosovo recorded an annual growth of 63.1%, standing at euro 45.9 million in 2007.

2.4. Current Transfers

Amounting euro 746.3 million in 2007, net current transfers marked an annual increase of 10.0% in 2007 (Figure 4). The increase in current transfers mainly derives from the increase in net other sector transfers (mainly remittances), which in 2007 amounted euro 426.9 million. Net transfers of general government (UNMIK and donor transfers) remained fairly stable in 2007, amounting euro 319.3 million.

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Figure 4. Current Transfers Balance, in millions of euro



The most important item in current transfers remain worker remittances (net), which in 2007 amounted euro 372.0 million, an annual increase of 21.9%. The inflow of remittances of Kosovar emigrants recorded an annual increase of 11.7%, amounting euro 521.7 million in 2007, while the outflow of remittances (international staff in Kosovo) marked an annual decrease of 6.7%, amounting euro 89.7 million (euro 96.2 million in 2006). Remittances continue to have an important role in reducing the current account deficit.

3. Capital and Financial Account

Year 2007 recorded a positive growth in the balance of Capital and Financial Account which reached at euro 108.0 million compared to euro 20.2 million in 2006. Capital Account balance was euro 2.6 million while the Financial Account balance reached euro 105.4 million (euro 17.0 million in 2006), an increase which is mainly attributed to FDI inflows.

Financial Account inflows in 2007 reached euro 497.7 million, of which euro 421.2 million are FDI and the remaining other investments such as trade credit, loans and deposits. Investments abroad (mainly deposits and portfolio investments) amounted at euro 392.3 million in 2007 compared to euro 304.0 million in 2006.

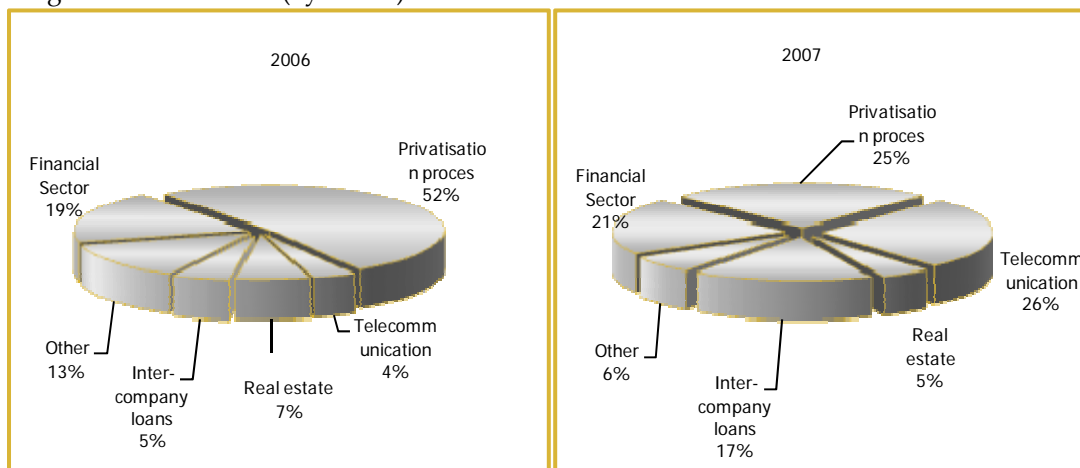
3.1. Foreign Direct Investments

FDI inflows in Kosovo increased from euro 250.0 million in 2006 to euro 421.1 million or 12.6% of GDP in 2007, which is close to the average of the SEE region (see Box 2). About 73.1% of FDI are equity capital, resulting from the license of a mobile telephony operator, privatization process and investments in financial sector. In addition, 9.9% of FDI is represented by reinvested earnings in the financial sector, while the remaining 17.0% of FDI are other capital transactions composed of inter-company loans. Inter-company loans consisted of investments in telecommunication and mining.

While in 2006 privatization represented 51.8% of total FDI inflows, in 2007 it accounted for 24.8%. This is mainly due to the decline by 19.2% in the volume of FDI in privatization (from euro 129.5 million to euro 104.6 million) as well as the increase of FDI in the telecommunication sector, which accounts for around 29.3% of total FDI inflows (euro 123.2 million) in 2007. FDI in financial sector represented 20.3% of total FDI inflows in Kosovo during 2007 (euro 85.9 million). FDI in financial sector consists of reinvested earnings (38.3%) and equity capital (61.7%) as new entries in banking sector occurred during 2007. During this period, Banka Kombëtare Tregtare from Albania, Komercijalna Banka from Serbia, and Türk Ekonomi Bankasi from Turkey entered the Kosovo banking market. In addition, Nova Ljubljanska Banka from Slovenia purchased

the majority of shares of Kasabank and Bank e Re e Kosovës what later resulted in a merger called NLB Prishtina.

Figure 5. FDI Inflows (by sector)



Inter-company loans in 2007 were 16.9% of total FDI compared to 5.4% in 2006, while the share of real estate purchase to total FDI inflows declined to 4.6% in 2007 from 6.8% in 2006, despite the increase by 14.0% in volume. FDI outflows from Kosovo during 2007 amounted euro 7.5 million, an increase of 3.2 million compared to 2006. FDI outflows are mainly composed of equity capital.

BOX 2. FDI in the SEE Countries

During the recent years, the Balkan region has experienced large inflows of FDI. As shown in Table 3, Croatia and Serbia are leaders in terms of volume, while Montenegro has the highest inflows as a share to GDP. As it is shown in the table below, the share of FDI to GDP in Kosovo (12.6%) is close to the average of the region (13.6%).

Table 3. FDI Inflows in the SEE Countries and FDI Performance Index*

Country	FDI inflows (EUR millions)	Share of FDI inflow to GDP	FDI Performance Index
Albania	463	5.83	1.91
Bosnia and Herzegovina	1478	13.80	4.52
Croatia	3626	9.67	3.16
Macedonia	239	4.31	1.41
Montenegro	1008	41.60	13.62
Serbia	2258	7.61	2.49
Kosovo	421	12.60	4.14
SEE countries Average	1356.14	13.63	4.46

Source: Vienna Institute for Economic Studies and CBK

FDI performance index* gives an indication that the region of Western Balkans performs relatively well compared to the relative size of its economy. The best performance in region is noticed in Montenegro with an index of 13.6 indicating that this country attracts FDI 13.62 times more than the relative size of its economy. Bosnia and Herzegovina is another country that has a relatively large index compared to its

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economy size followed by Kosovo with FDI performance index of 4.14. Compared to 2006, when this index was 3.0, it is noticed an improvement in the FDI performance in Kosovo which is similar to that of the region.

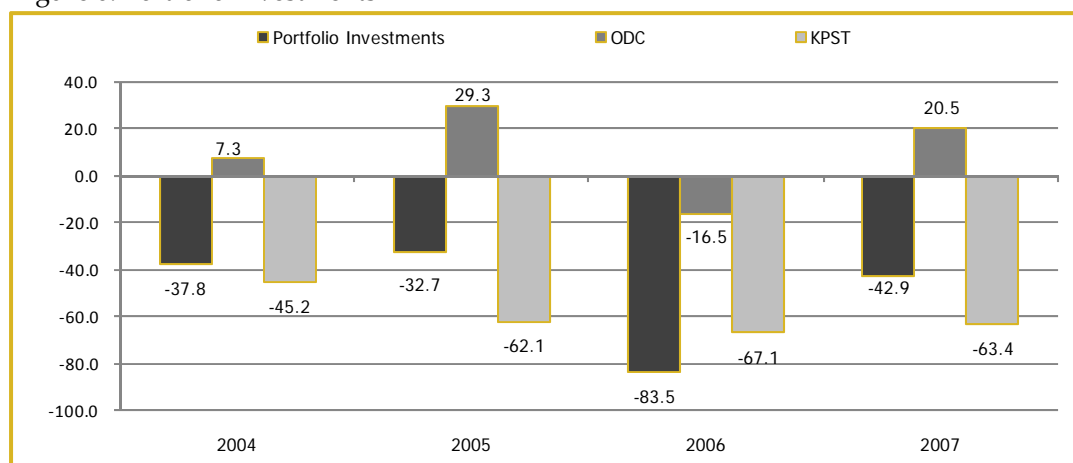
Foreign investors in Balkan are mainly interested in sectors like financial sector, transport and communications, and manufacturing, while most of the investments occurred during the privatization of publicly-owned enterprises. In each country presented in Table 3 more than 65% of FDI is in the above mentioned sectors. In Kosovo, financial sector has a share of 20.7%, while manufacturing is represented by approximately 15% of total FDI. FDI in communication represents around 30% of total FDI in Kosovo, mainly composed of investments in internet service providers and telecommunication.

*The FDI performance index (FDIx) is calculated as follows: $FDIx = \frac{FDI_i / GDP_i}{FDI_w / GDP_w}$ where, FDI index (FDIx) shows the performance of FDI in the reporting economy (*i*), FDI_i represents the volume of FDI in the reporting economy, while FDI_w shows the world FDI inflows. GDP_i stands for the GDP of the reporting economy while GDP_w for the world's GDP. If the index is equal to one, the amount of FDI that a particular country receives is in accordance with the relative size of its economy. If the index is greater than one, it means that the particular country receives more FDI compared to its relative size of the economy. If the index is lower than one, FDI inflows in that country are lower compared to its relative size of the economy.

3.2. Portfolio Investments

The net value of portfolio investments amounted euro -42.9 million in 2007 compared to euro -83.5 million in 2006. This is mainly due to the decrease of investments in securities abroad by commercial banks, which reached euro 20.5 million in 2007 from euro -16.5 million in 2006. The positive balance of banking sector portfolio investments was mainly due to the increase in domestic lending which induced banks to direct their investments towards the domestic economy. In addition, KPST portfolio investments abroad declined to euro 63.4 million in 2007 from euro 67.1 million in 2006.

Figure 6. Portfolio Investments

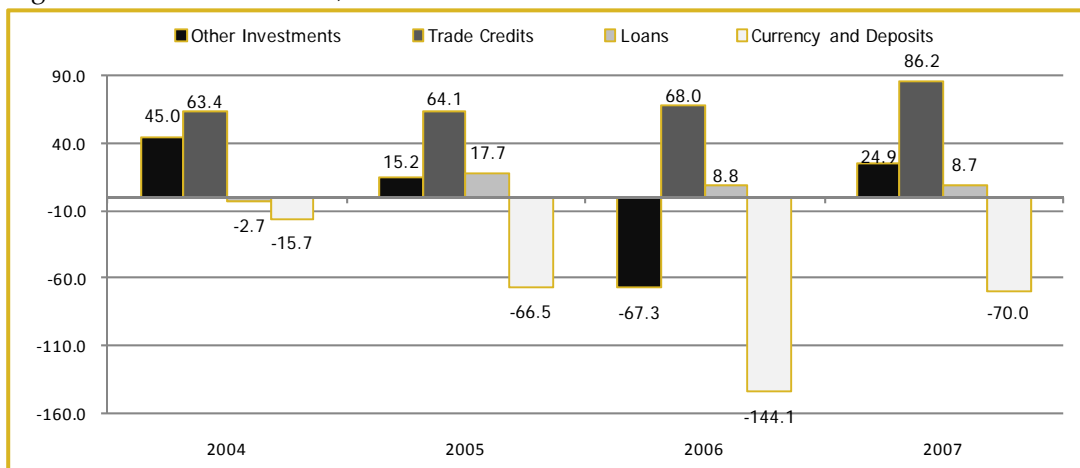


3.3. Other investments

Investments such as trade credit, loans and deposits are grouped in the category of other investments and, as a result of an outflow of euro 51.7 million and inflow of euro 76.6 million, the balance of this category for 2007 was euro 24.9 million. In the category of other investments, net trade credits are the largest component amounting at euro 86.2 million (euro 68.0 million in 2006). Net loans remained broadly stable in 2007 amounting at euro 8.7 million. The net position of currency and deposits amounted euro -70.0 million in

2007 compared to euro -144.1 million in 2006. This is mainly due to lower placements abroad by CBK (other than those included in reserve assets) and withdrawal of a portion of deposits by ODC.

Figure 7. Other Investments, in millions of euro



3.4. Reserve assets

Reserve assets in Kosovo consist of CBK claims on nonresidents (currency, deposits and investments in securities other than shares), excluding the PAK and the pension funds deposits. Reserve assets increased by euro 290.3 million over 2006, bringing the stock reserves at euro 646.5 million in 2007. Following an annual increase of 81.5%, the stock of reserves is sufficient to finance about 4.9 months of imports (3.3 months of imports in 2006). The CBK deposits abroad represent the largest share of reserve assets (72.1% of total) while the remaining part is shared by securities other than shares (21.8%) and currency (6.1%).

4. Methodological Notes

The Central Bank of the Republic of Kosovo (CBK) is responsible for compiling the Balance of Payments Statistics for Kosovo. Based on the law no. 03/L-074 on the CBK. The main data sources for compiling BOP statistics are International Transaction Reporting System (ITRS), International trade statistics (ITS) and Enterprise Survey Statistics (ESS). Data are supplemented with information received from other sources (UNMIK and Donors) as well as own (Statistics Department) estimates. The compilation of BOP statistics is made in accordance with the IMF Balance of Payments Manual, fifth edition (BPM5). The BOP statistics are published in several CBK publications such as: CBK Annual Report, CBK Bulletin and CBK Monthly Statistics Bulletin. .

Balance of payments is one of the key economic statistical information that systematically summarizes, for a specific period of time, the economic transactions of Kosovo residents with the rest of the world. Economic transactions are inward transactions (receipts) and outward transactions (payments). Receipts from the rest of the world are recorded in the credit side and include economic transactions such as exports of goods, exports of services, income inflows, financial inflows and incomings transfers. Conversely, payments by domestic citizens to the rest of the world (nonresidents) are recorded in the debit side and include economic transactions such as imports of goods, import of services, income outflows, financial outflows and outgoing transfers.

Conceptually, an economic transaction has two sides: something of economic value is provided and something of equal value is received through the double-entry recording system. When an economic value is provided (e.g. Kosovo exports) a credit entry is made, and when an economic value is received (e.g. Kosovo imports) a debit entry is made. Where something of economic value is provided without something of economic value in exchange the double entry system requires an offset to be imputed (a transfer entry) of equivalent value. For example, food imported as aid requires a debit entry for the goods item and a credit transfer as offset. The example below illustrates how the double entry system is applied. By definition, under the double-entry system credit entries must equal debit entries.

Credit entries	Debit entries
Changes in all economic resources provided by Kosovars to nonresidents, including:	Changes in all economic resources received by Kosovars from nonresidents, including:
- Exports of goods and services	- Imports of goods and services
- Income receivable	- Income payable
- Transfers which are offsets to debit entries	- Transfers which are offsets to credit entries
- Increase in financial liabilities of the Kosovo to non-residents	- Increase in financial claims of Kosovo on non-residents

RESIDENCY CRITERIA. Residents of Kosovo are legal entities registered and operating in Kosovo and natural persons whose domiciles (households) are located in Kosovo and who do not leave Kosovo for a period exceeding one year (except diplomats, students and medical patients). Due to its specificity, special emphasis has been put on the treatment of UNMIK, KFOR, and international staff in Kosovo (excluding UNMIK staff).

- 1) **Treatment of UNMIK.** Based on the residency criteria (BPM5, paragraph 88), UNMIK is an international organization and, therefore, fulfills conditions to be classified as a nonresident of Kosovo. In this case, distinction should be made between the UNMIK as institution as well as UNMIK staff:

- a. UNMIK as an institution is treated as nonresident in BOP transactions;

- b. UNMIK international staff residency is determined on the basis on the length of their stay in Kosovo:
- i. UNMIK international staff with a contract for one year and more is treated as resident of Kosovo;
 - ii. UNMIK international staff with a contract of less than a year is treated nonresident of Kosovo.

Data source for UNMIK rely on “UNMIK’s Impact on the Kosovo Economy” published in July 2006. The data on UNMIK are updated based on the information provided directly from UNMIK.

The assumptions and estimates related to transactions of UNMIK as institutions and the staff is as follows:

- a. Spending of UNMIK (as institution) for goods and services purchased from Kosovar companies are considered as UNMIK import of local goods and services (exports of government services).
- b. UNMIK international staff that are considered as residents spend around 14% of their salaries in Kosovo. The remaining part of 76% are send in their home countries (remittances) and 10% is spend for traveling abroad (travel services).
- c. UNMIK international staff as nonresident (short-term international staff of UNMIK) spend 14% of their salary in Kosovo for living allowance.

Through a hypothetical example we tried to show implication of UNMIK in Kosovo’s BOP, based on above mentioned assumptions:

Assuming that UNMIK budget is €100, breakdown is as follows:

— Wages to resident international staff	60
— Wages to nonresident international staff	3
— Wages to local staff	17
— Imported goods	8
— Imported local goods	2
— Imported services	6
— Imported local services	4
Total UNMIK’s Budget	100

By applying the previous example into the double entry system, records in BOP will be as follows:

	Credit	Debit
Current account		
Travel Services		
UNMIK nonresident staff spending for living allowance (14% * 3)	0.4	
UNMIK resident staff spending for traveling abroad (10% * 60)		-6.0
UNMIK nonresident staff salaries		-3.0
Government services		
Spending of UNMIK (as institution) for local goods and services (2+4)	6.0	
Current transfers		
Total wages of UNMIK staff (60+3+17)	80.0	
Remittances of expatriates (76%*60)		-45.6

Due to the mentioned treatment of UNMIK, its expenses for import of goods and import of services other than those purchased in Kosovo are considered as nonresident–nonresident transactions, therefore they are not recorded in BOP statistics.

- 2) **Treatment of KFOR.** KFOR is a NATO-led international force responsible for establishing a safe and secure environment in Kosovo. KFOR entered Kosovo on June 12, 1999 under a United Nations mandate, after the adoption of UN Security Council Resolution 1244. KFOR is a military contingent and, therefore, a nonresident of Kosovo;
- 3) **Treatment of International Staff in Kosovo (excluding UNMIK staff).** In accordance with the SNA 93 and the BPM5 the international staff in Kosovo engaged in technical assistance or other activities on behalf of the Kosovo institutions is treated based on the length of their stay. However, the international staff of Foreign Liaison Offices and other offices of international organizations in Kosovo (diplomats, military personnel, and other employees of such organizations and their family members, who reside in Kosovo and enjoy immunity and diplomatic privileges) are treated as nonresidents of Kosovo.

CURRENT ACCOUNT. The Current Account comprises the acquisition and provision of goods and services, income, and current transfers between the country and the rest of the world.

- 1) **Goods.** The source of the data on international trade statistics is UNMIK customs service, processed by the SOK. The CBK receives on a monthly basis the data on international trade statistics from the SOK, based on the SLA between the two institutions. CBK makes adjustment for coverage and classification by application of c.i.f. / f.o.b. ratio of 6.5% (5% for transportation and 1.5% for insurance), excluding imports from neighboring countries which are valued at f.o.b. basis. Adjustments are made by analyzing the value of c.i.f. to total value of imports of goods for a specific period, based on the information from Single Administrative Documents (SAD);
- 2) **Services.** Trade in services covers the provision of services by residents to nonresidents and vice versa. The services component of the BOP consists of: transportation, travel, government services (not included elsewhere) and other services, which are subdivided into further items (communication, construction, insurance, financial, computer and information, royalties and license fees, other business services, personal services and government services);
 - a. *Transportation.* Covers sea, air and other (i.e. rail, land and pipeline) transport. It includes the movement of passengers and freight and other related transport services, such as chartering of aircraft with crew, cargo handling, storage and warehousing, towing, pilotage and navigation, maintenance and cleaning, and commission and agents' fees associated with passenger/freight transportation. The passenger transport is estimated based on the number of average passenger air fares travelling through International Prishtina Airport multiplied with the average cost of one ticket. The data on passenger transportation are retrieved from the International Prishtina Airport. The value of freight transport services is estimated on the basis of difference between the value of imported goods at c.i.f. and f.o.b. values (debit side). The ratio of freight transport to the total amount of c.i.f. imports is considered to be 5%. Receipts for commission and agent fees for transport related services as well airport landing fees are recorded in credit side;
 - b. *Travel services.* Cover services provided to nonresidents during trips in Kosovo (credit), and provided to Kosovo residents during similar trips abroad (debit). The exceptions are those military and diplomatic personnel (i.e. KFOR and Liaison Offices), whose expenditure are recorded under government services.
 1. *Business travel.* Covers all type of business activities such as carrier crews stopping off or lying over; government employees on official travel; employees of international organizations on

official business (e.g. technical assistance); and employees doing work for enterprises that are not resident in the economies in which the work occurs. Business travel is estimated based on the data from enterprise surveys and data from ITRS.

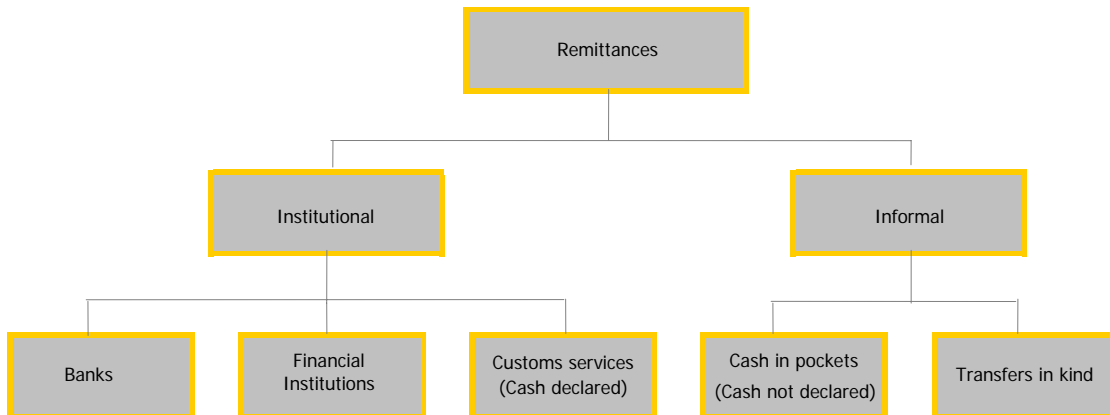
2. *Personal travel* includes all travelers going abroad and coming in Kosovo other than business travel. This includes also expenses for accommodation of UNMIK short-term (resident) staff in Kosovo (in credit side) and spending for travel abroad of UNMIK long-term (nonresident) staff considered as residents of Kosovo (in debit side). It is assumed that the short-term international staff spends around 14% of their salaries in Kosovo for commodities. This estimate is done based on the study conducted by Economic Policy Office of UNMIK's Pillar 4. Another important source of information for personal travel is derived from Household Budget Survey regarding consumption by Kosovar diaspora during their visits in Kosovo. The expenditure of Kosovars going for vacation is done by combining the information from central banks in the region (Bank of Albania and Central Bank of Montenegro), as well as ITRS data.
 - c. *Government services (not included elsewhere)*. Is a residual category covering government service transactions (including those of international organizations) not contained in the previous classifications. Government services include also all transactions by liaison offices, and export of goods and services to KFOR. Sources of the data are different such as ITRS, Liaison Offices, municipalities, etc.
 - d. *Other services*. Under this category are included exports and imports of communication services, construction services, insurance services, financial services, royalties and license fees, personal, cultural and recreational services and other business services. Under other business services (debit) are recorded salaries of UNMIK international employees with a contract for less than one year, and which are treated as a nonresident. Source of data are enterprise surveys and ITRS.
- 3) **Income**. The income component relates to income earned from two factors of production: labor and capital. Consequently, the income consists of compensation of employees and investment income:
- a. *Compensation of employees*. Covers wages, salaries and other benefits paid to non-resident workers in the country, or received by resident workers abroad. In this context, includes seasonal or other short-term workers (less than one year) and border workers who have centers of economic interest in their own economies. Compensation of employees paid to Kosovars working for international organizations, and KFOR are recorded under credit side (excluding local employees working for UNMIK which are recorded under current transfers). The compensation of employees is calculated based on various sources of information including data collected directly from UNMIK, KFOR, MEF, Liaison Offices, and from other international organizations;
 - b. *Investment income*. Covers receipts and payments of income associated with external financial assets and liabilities. The main component of investment income represents income from direct investments, portfolio and other investments. The most typical form of income from abroad is interest earned from deposits or securities with foreign banks. In the debit side are included payments to direct investors in Kosovo like dividends, reinvested earnings, interest paid for loans borrowed from abroad, etc. The main sources of information on the investment income are reports of commercial banks, insurance companies and the CBK;
- 4) **Transfers**. Transfers are offsetting entries for real resources or financial items provided without receiving in return any good, service, or financial item. Transfers are separately identified as either current or capital transfers;
- a. *Capital transfers* consist of transfers (1) involving ownership of fixed assets, (2) transfers of funds linked to, or conditional upon, acquisition or disposal of fixed assets, or (3) cancellation of liabilities by creditors without any counterparts being received in return.
 - b. *Current transfers* are sub-divided into those of central government and other sectors;
 - i. General government includes:
 - (1) Grants to the Kosovo Consolidated Budget (Donor Designated Grants);

- (2) Donor aid, in kind (Public Investment Program);
- (3) Direct spending of the UNMIK;
- ii. Other sectors – whose current transfers are further divided into:
 - (4) Worker remittances (mainly migrants transfers);
 - (5) Other transfers – include insurance premiums and claims, pensions, some grants related to different institutions.

The main data sources for the estimate of current transfers are UNMIK, MEF (donor coordination unit), ITRS, and Household Budget Survey (conducted from the SOK).

Worker remittances. Cover current transfers by migrants who are employed in other economies and considered residents there. A migrant is a person who comes to an economy and stays for a year or more. Persons who stay in new economies for less than a year are considered nonresidents; their transactions are appropriate mainly to the component for compensation of employees (BPM5, paragraph 269 through 272).

Estimate of inflows from Kosovo migrants living abroad. The estimate of incoming remittances is done based on main channels of the flows. A variety of data sources is used to measure income flow. We focused mainly to identify registered flows coming through official channels (banks, MTCs and money declared at the Customs Authorities) and remittances coming through informal channels (not declared, such as cash that pass through customs, non-cash transactions like goods transferred from migrants living abroad (see scheme below).



Estimate of outflows of resident foreigners. In debit side of remittances, the estimate includes remittances related to (1) international staff - long term working for UNMIK and (2) other international staff engaged in other projects (e.g. PIP). It is estimated that international staff sends 76% of their salaries to their relatives. Data source in debit side are the budget of UNMIK, Ministry of Economy and Finance for Official Development Aid in Kosovo.

Other Donor Assistance (ODA) to the government. Technical assistance is ongoing support of the international community to strengthen the institutional aspect of the Kosovo Institutions ODA to Kosovo has been mainly committed and disbursed through: capital investment, technical assistance, supply of equipment, credit (investments in infrastructure), training and other. Records in BOP are made based on the Report conducted by the Donor Coordination Center. The assumptions and estimates related to ODA transactions and the staff are similar as in the case of UNMIK.

CAPITAL ACCOUNT. Under *capital account* are included investments in construction made by KFOR and migrant transfers. The main sources of information for migrants’ transfers are KFOR data and ITRS.

FINANCIAL ACCOUNT. Covers transactions in foreign financial assets (claims on nonresidents) and foreign financial liabilities (liabilities to nonresidents). The four categories (direct investment, portfolio investment, other investment and reserve assets) are based primarily on the relationship between the parties, and secondly on the nature of the instrument involved.

1. **Direct investments.** Is a category of international investment that, based on the equity ownership of at least 10%, reflecting a lasting interest by resident in one economy (the direct investor) in the resident enterprise in another economy (the direct investment enterprise). Using this criterion, a direct investment relationship can exist between a number of affiliated enterprises, whether the linkage involves a single chain or a number of chains. The components of direct investment transactions are:
 - a. Equity capital - comprises investment in branches, shares in subsidiaries and associates (except non-participating preferred shares that are treated as debt securities), and other capital contributions;
 - b. Reinvested earnings - consist of the off-setting entry to the corresponding current account income item: it is the direct investor's share of the undistributed earnings of its branches, subsidiaries and associates;
 - c. Other capital - covers all other inter-affiliate financial transactions (borrowing and lending of funds), including debt securities and trade credit.

Following the international standards (IMF, ECB, Eurostat and OECD) direct investment flows are recorded on a directional basis (rather than the more usual assets/liabilities basis): direct investment abroad – as an asset, and direct investment in the reporting country – as a liability. Direct investment abroad covers net investment by parent companies resident in Kosovo in their foreign branches, subsidiaries and associated companies. Direct investment in Kosovo covers the net investment by foreign companies in their affiliates located in Kosovo. The CBK uses different sources of information for the calculation of FDI. The main sources of information for the estimate of FDI in Kosovo are Kosovo Trust Agency (KTA), commercial banks reports (ITRS) to CBK, Enterprise Surveys.

2. **Portfolio investment.** Covers the acquisition and disposal of equity and debt securities, which cannot be classified under direct investment or reserve assets transactions. The securities involved are traded (or tradable) in organized and other financial markets. Debt securities cover bonds and notes, which have an original maturity term of more than one year, and money market instruments with original maturity of one year or less. Data on debt securities in the case of Kosovo includes investments in securities abroad from CBK and commercial banks. The main sources of information on portfolio investment are the data provided by the CBK, and commercial banks operating in Kosovo.
3. **Other investment.** Covers assets and liabilities other than those classifiable to direct investment, portfolio investment or reserve assets. It comprises short and long-term loans, currency and deposits, trade credits and other assets and liabilities. Short-term trade credits comprise the advance payment by nonresidents for the future exports (on the liability side) and expected post-payments from nonresidents for exports (on the asset side). The estimate of trade credits is done by using the ratio of those two categories to total imports and exports reported in ITRS. Information about currency and deposits, loans and other assets are obtained from balance sheet of commercial banks, balance sheet of CBK, MEF (government deposits abroad), balance sheet of other financial institutions, ITRS (deposits and loans of non-financial entities with abroad) and enterprise surveys (other accounts payable/receivable).
4. **Reserve assets.** Based on BPM5 (paragraph 424), reserve assets consist of those external assets that are readily available to, and controlled by, monetary authorities for direct financing of payments imbalances, for indirectly regulating the magnitude of such imbalance through intervention in exchange markets to affect the currency exchange rate and/or for other purposes. Reserve assets consist of:

- Monetary gold,
- Special Drawing Rights (SDR),
- Reserve position in the Fund,
- Foreign Exchange,
- Other claims.

In the Kosovo case, reserve assets are only in the form of foreign exchange. Therefore, the reserve assets are composed from almost all CBK claims on non-residents (Currency, Deposits and Securities other than shares), by deducting encumbered deposits at CBK (Kosovo Trust Agency and Pension Funds).

NET ERRORS AND OMISSIONS. The sum of the credit entries should in principle equal the sum of the debit entries over the period. In practice, because some transactions may not be captured or because of differences in coverage, valuation and timing of transactions, exact symmetry does not occur and the balancing item *net errors and omissions* is inserted to balance the overall account. Ideally, the scale of this item should be relatively small in relation to the combined value of all credit and debit transactions expressed in absolute terms.

5. Statistical Appendix

Table 1.
Kosovo of Balance of Payments
(In millions of euro)

Description	2004	2005	2006	2007
1. CURRENT ACCOUNT	-404.1	-410.3	-444.2	-560.2
A. Goods and services	-992.9	-1,087.8	-1,166.2	-1,372.0
1. Goods	-972.3	-1,043.7	-1,142.1	-1,341.1
2. Services	-20.6	-44.2	-24.1	-30.9
2.1. Transportation	-48.3	-49.4	-48.9	-58.1
2.2. Travel	-23.1	-29.1	-32.6	-39.1
2.3. Communications	11.7	7.1	28.3	41.3
2.4. Construction	-0.9	-8.7	-5.3	-13.3
2.5. Insurance	-7.3	-7.1	-6.0	-8.6
2.6. Financial services	-0.5	-0.6	-0.8	-0.8
2.7. Computer and information	-3.6	-4.7	-4.1	-2.9
2.8. Royalties and license fees	-0.2	0.0	-0.2	-0.2
2.9. Other business	-16.6	-17.6	-16.8	-12.0
2.10. Personal, cultural and recreational	0.0	0.0	0.0	0.0
2.11. Government	68.1	65.9	62.2	62.6
B. Income	33.5	37.2	43.8	65.6
1. Compensation of employees	31.7	31.8	31.4	31.4
2. Investment income	1.8	5.4	12.4	34.2
2.1. Direct investment	-12.3	-16.8	-24.8	-41.8
2.2. Portfolio investment	5.3	16.3	23.8	43.3
2.3. Other investment	8.8	6.0	13.4	32.7
C. Current transfers	555.3	640.3	678.2	746.3
1. Central government	335.5	366.4	317.7	319.3
1.1. Donors (Budget)	92.0	106.9	129.4	139.7
1.2. UNMIK (Budget)	243.5	259.5	188.4	179.6
2. Other sectors	219.8	273.9	360.5	426.9
2.1. Workers' remittances	168.7	221.7	305.1	372.0
2.1.1. Migrants abroad	357.0	418.0	467.1	521.7
2.1.2. UNMIK (staff)	-141.5	-141.9	-96.2	-89.7
2.1.3. Donors (staff)	-46.8	-54.4	-65.9	-60.0
2.2. Other transfers	51.2	52.2	55.4	54.9
2. CAPITAL AND FINANCIAL ACCOUNT	141.0	96.9	20.2	108.0
A. Capital account	2.4	2.0	3.2	2.6
1. Capital transfers	2.4	2.0	3.2	2.6
2. Acquisition/disposal of non-produced, non-financial assets	0.0	0.0	0.0	0.0
B. Financial account	138.6	94.9	17.0	105.4
1. Direct investment	18.6	80.0	245.7	413.7
1.1. Equity capital	9.6	63.2	207.4	300.5
1.2. Reinvested earnings	9.1	16.8	24.8	41.6
1.3. Other capital	0.0	0.0	13.5	71.6
2. Portfolio investment	-37.8	-32.7	-83.5	-42.9
2.1. Assets	-37.8	-32.7	-83.5	-42.9
2.1.1. Equity securities	0.0	0.0	0.0	0.0
2.1.2. Debt securities	-37.8	-32.7	-83.5	-42.9
2.2. Liabilities	0.0	0.0	0.0	0.0
2.2.1. Equity securities	0.0	0.0	0.0	0.0
2.2.2. Debt securities	0.0	0.0	0.0	0.0
3. Other investment	45.1	15.2	-67.3	24.9
3.1. Assets	-10.7	-50.8	-138.3	-51.7
3.1.1. Trade credits	14.2	12.2	5.2	5.0
3.1.2. Loans	-11.7	6.9	0.4	9.4
3.1.3. Currency and deposits	-13.3	-69.9	-143.8	-66.1
3.1.4. Other assets	0.0	0.0	0.0	0.0
3.2. Liabilities	55.8	66.0	71.0	76.6
3.2.1. Trade credits	49.2	51.9	62.8	81.1
3.2.2. Loans	9.0	10.8	8.5	-0.7
3.2.3. Currency and deposits	-2.4	3.4	-0.2	-3.9
3.2.4. Other liabilities	0.0	0.0	0.0	0.0
4. Reserve assets	112.7	32.4	-77.9	-290.3
NET ERRORS AND OMISSIONS	263.1	313.5	424.0	452.3

Table 2.
Current Account Balance
(In millions of euro)

Description	2004	2005	2006	2007
Credit				
Export of goods and services				
Export of goods	57.3	56.3	110.8	165.1
Export of services	155.6	158.3	174.8	191.7
Total export of goods and services	212.9	214.6	285.5	356.8
Income				
Compensation of employees	31.7	31.8	31.4	31.4
Investment income	15.4	24.5	40.5	80.1
Total income	47.1	56.3	71.9	111.5
Current transfers				
Central government	335.5	366.4	317.7	319.3
Other sectors	426.7	489.3	538.3	592.7
Total current transfers	762.2	855.7	856.0	912.0
Total	1,022.2	1,126.7	1,213.5	1,380.3
Debits				
Import of goods and services				
Import of goods	-1,029.6	-1,100.0	-1,252.9	-1,506.2
Import of services	-176.2	-202.5	-198.9	-222.6
Total import of goods and services	-1,205.8	-1,302.5	-1,451.8	-1,728.8
Income				
Compensation of employees	0.0	0.0	0.0	0.0
Investment income	-13.6	-19.1	-28.1	-45.9
Total income	-13.6	-19.1	-28.1	-45.9
Current transfers				
Central government	0.0	0.0	0.0	0.0
Other sectors	-206.9	-215.4	-177.8	-165.7
Total current transfers	-206.9	-215.4	-177.8	-165.7
Total	-1,426.3	-1,537.0	-1,657.7	-1,940.4
Balances				
Trade in goods and services				
Trade in goods	-972.3	-1,043.7	-1,142.1	-1,341.1
Trade in services	-20.6	-44.2	-24.1	-30.9
Trade in goods and services	-992.9	-1,087.8	-1,166.2	-1,372.0
Income				
Compensation of employees	31.7	31.8	31.4	31.4
Investment income	1.8	5.4	12.4	34.2
Total income	33.5	37.2	43.8	65.6
Current transfers				
Central government	335.5	366.4	317.7	319.3
Other sectors	219.8	273.9	360.5	426.9
Total current transfers	555.3	640.3	678.2	746.3
Total (Current balance)	-404.1	-410.3	-444.2	-560.2

Table 3.
Trade Balance, (c.i.f.)
(In millions of euro)

Description	2004	2005	2006	2007
Exports				
Live animals and animal products	0.0	0.5	0.3	0.6
Vegetable products	2.6	2.9	5.1	9.1
Animal or vegetable fats and oils - edible	0.0	0.0	0.1	0.0
Prepared foodstuffs, beverages and tobacco	3.8	4.6	6.2	8.4
Mineral products	2.4	3.2	18.8	27.3
Products of the chemical or allied industries	1.0	1.2	1.2	0.9
Plastics, rubber and articles thereof	3.7	1.0	3.2	6.5
Hides, skins, leather and articles thereof	5.9	6.1	7.2	6.5
Wood and articles of wood	0.4	0.4	0.8	1.7
Cellulosic material, paper and articles thereof	0.4	0.4	0.7	1.0
Textiles and textile articles	1.4	0.6	0.7	1.2
Footwear	0.1	0.1	0.1	0.1
Articles of stone, plaster, ceramic and glass	1.8	0.4	0.7	1.2
Pearls, precious, stones, metals, jewelry, etc.	0.1	0.2	0.2	0.2
Base metals and articles of base metal	19.7	24.8	53.1	74.1
Machinery, appliances, electrical equipment, etc	9.2	6.5	7.7	21.3
Transport means	2.0	2.3	1.4	1.5
Optical, medical and musical instruments	1.1	0.4	0.3	0.4
Arms and ammunition	0.0	0.0	2.5	0.0
Miscellaneous manufactured articles	0.7	0.4	0.6	2.8
Other	0.5	0.3	0.0	1.0
Total	56.9	56.3	110.7	165.1
Imports				
Live animals and animal products	52.4	54.0	50.5	61.2
Vegetable products	68.1	57.2	73.0	83.4
Animal or vegetable fats and oils - edible	7.3	11.0	15.3	17.3
Prepared foodstuffs, beverages and tobacco	165.4	163.3	180.6	222.7
Mineral products	173.1	207.3	241.7	317.6
Products of the chemical or allied industries	98.0	91.1	107.7	118.9
Plastics, rubber and articles thereof	42.5	51.0	60.7	72.5
Hides, skins, leather and articles thereof	1.0	1.5	2.2	2.5
Wood and articles of wood	29.9	30.5	30.3	35.3
Cellulosic material, paper and articles thereof	33.4	23.5	27.6	31.7
Textiles and textile articles	31.2	35.9	45.1	52.4
Footwear	10.4	11.3	14.3	16.3
Articles of stone, plaster, ceramic and glass	54.9	51.5	57.0	62.9
Pearls, precious, stones, metals, jewelry, etc.	0.3	0.3	0.4	0.6
Base metals and articles of base metal	77.5	90.3	122.6	144.3
Machinery, appliances, electrical equipment, etc	116.8	119.2	153.3	196.6
Transport means	50.2	104.2	79.3	82.1
Optical, medical and musical instruments	15.1	15.3	14.3	19.1
Arms and ammunition	0.5	0.1	0.5	0.4
Miscellaneous manufactured articles	35.4	28.9	29.5	37.7
Other	0.0	0.1	0.1	0.1
Total	1,063.2	1,147.5	1,305.9	1,575.6

Source: Customs Service and SOK.

Table 3.(Cont'd).
Trade Balance, (c.i.f.)
(In millions of euro)

Description	2004	2005	2006	2007
Balances				
Live animals and animal products	-52.4	-53.6	-50.1	-60.6
Vegetable products	-65.6	-54.4	-67.9	-74.3
Animal or vegetable fats and oils - edible	-7.3	-11.0	-15.3	-17.3
Prepared foodstuffs, beverages and tobacco	-161.6	-158.7	-174.4	-214.3
Mineral products	-170.6	-204.1	-222.9	-290.3
Products of the chemical or allied industries	-96.9	-89.9	-106.6	-118.0
Plastics, rubber and articles thereof	-38.8	-50.0	-57.5	-65.9
Hides, skins, leather and articles thereof	4.9	4.6	5.1	4.0
Wood and articles of wood	-29.5	-30.1	-29.5	-33.6
Cellulosic material, paper and articles thereof	-33.0	-23.2	-26.9	-30.6
Textiles and textile articles	-29.8	-35.3	-44.4	-51.1
Footwear	-10.2	-11.1	-14.2	-16.2
Articles of stone, plaster, ceramic and glass	-53.1	-51.1	-56.3	-61.7
Pearls, precious, stones, metals, jewelry, etc.	-0.1	0.0	-0.2	-0.5
Base metals and articles of base metal	-57.7	-65.5	-69.5	-70.2
Machinery, appliances, electrical equipment, etc	-107.6	-112.7	-145.7	-175.3
Transport means	-48.2	-101.9	-77.9	-80.6
Optical, medical and musical instruments	-13.9	-14.9	-14.0	-18.7
Arms and ammunition	-0.5	-0.1	2.0	-0.4
Miscellaneous manufactured articles	-34.7	-28.6	-28.9	-34.9
Other	0.5	0.3	-0.1	0.9
Total	-1,006.2	-1,091.2	-1,195.1	-1,409.6

Source: Customs Service and SOK.

Table 4.
Adjustments to Trade in Goods
(In millions of euro)

Description	2004	2005	2006	2007
Exports				
Overseas trade statistics (f.o.b.)	56.5	56.3	110.8	165.1
Coverage adjustments				
Local consumption of goods by KFOR				
Other adjustments	0.4	0.0	0.0	0.0
Total coverage adjustments	0.4	0.0	0.0	0.0
Total	56.9	56.3	110.8	165.1
Imports				
Overseas trade statistics (c.i.f.)	-1,069.2	-1,147.5	-1,305.9	-1,575.6
of which: from neighboring countries	330.7	396.9	489.7	508.7
Coverage adjustments				
Donor import	-5.0	0.0	0.0	0.0
Unrecorded imports	n/a	n/a	n/a	n/a
Electricity (transit and other adjustment)	-3.4	-1.2	0.0	0.0
Total coverage adjustments	-8.4	-1.2	0.0	0.0
Classification adjustments				
Freight	36.9	37.5	40.8	53.3
Insurance	11.1	11.3	12.2	16.0
Total classification adjustments	48.0	48.8	53.1	69.3
Other adjustments				
Goods for processing	0.0	0.0	0.0	0.0
Repairs on goods	0.0	-0.1	-0.1	0.0
Total other adjustments	0.0	-0.1	-0.1	0.0
Total	-1,029.6	-1,100.0	-1,252.9	-1,506.2

Source: Customs Service, SOK and CBK

Table 5.
Services
(In millions of euro)

Description	2004	2005	2006	2007
Credit				
Transport	24.2	24.3	25.0	33.4
Travel	26.6	25.9	25.8	25.9
Communications services	27.0	31.0	48.2	55.7
Construction services	-	-	-	-
Insurance services	6.6	7.1	9.4	10.2
Financial services	-	-	-	-
Computer and information services	0.1	0.9	0.8	0.9
Royalties and license fees	-	-	-	-
Other business services	0.2	0.3	0.3	0.0
Personal, cultural, and recreational services	-	-	-	-
Government services, n.i.e.	70.9	68.8	65.2	65.6
Total	155.6	158.3	174.8	191.7
Debits				
Transport	(72.4)	(73.6)	(73.9)	(91.5)
Travel	(49.7)	(54.9)	(58.4)	(64.9)
Communications services	(15.3)	(24.0)	(19.9)	(14.5)
Construction services	(0.9)	(8.7)	(5.3)	(13.3)
Insurance services	(13.9)	(14.2)	(15.4)	(18.8)
Financial services	(0.5)	(0.6)	(0.8)	(0.8)
Computer and information services	(3.7)	(5.6)	(4.9)	(3.8)
Royalties and license fees	(0.2)	0.0	(0.2)	(0.2)
Other business services	(16.8)	(17.9)	(17.1)	(12.0)
Personal, cultural, and recreational services	-	-	-	-
Government services, n.i.e.	(2.8)	(2.9)	(3.0)	(3.0)
Total	-176.2	-202.5	-198.9	-222.6
Balance				
Transport	-48.3	-49.4	-48.9	-58.1
Travel	-23.1	-29.1	-32.6	-39.1
Communications services	11.7	7.1	28.3	41.3
Construction services	-0.9	-8.7	-5.3	-13.3
Insurance services	-7.3	-7.1	-6.0	-8.6
Financial services	-0.5	-0.6	-0.8	-0.8
Computer and information services	-3.6	-4.7	-4.1	-2.9
Royalties and license fees	-0.2	0.0	-0.2	-0.2
Other business services	-16.6	-17.6	-16.8	-12.0
Personal, cultural, and recreational services	0.0	0.0	0.0	0.0
Government services, n.i.e.	68.1	65.9	62.2	62.6
Total	-20.6	-44.2	-24.1	-30.9

Table 6.
Income
(In millions of euro)

Description	2004	2005	2006	2007
Credit				
Compensation of employees	31.7	31.8	31.4	31.4
Investment income	15.4	24.5	40.5	80.1
Total	47.1	56.3	71.9	111.5
Debit				
Compensation of employees	0.0	0.0	0.0	0.0
Investment income	-13.6	-19.1	-28.1	-45.9
Total	-13.6	-19.1	-28.1	-45.9
Balance	33.5	37.2	43.8	65.6

Table 7.
Current Transfers
(In millions of euro)

Description	2004	2005	2006	2007
Credit				
Central government	335.5	366.4	317.7	319.3
Other transfers	426.7	489.3	538.3	592.7
Total	762.2	855.7	856.0	912.0
Debits				
Central government	0.0	0.0	0.0	0.0
Other transfers	-206.9	-215.4	-177.8	-165.7
Total	-206.9	-215.4	-177.8	-165.7
Balance	555.3	640.3	678.2	746.3

Table 8.
Capital Account
(In millions of euro)

Description	2004	2005	2006	2007
Credit				
Capital transfers	2.4	2.0	3.2	4.5
Acquisition/disposal of nonproduced nonfinancial assets	0.0	0.0	0.0	0.0
Total	2.4	2.0	3.2	4.5
Debits				
Capital transfers	0.0	0.0	0.0	-1.9
Acquisition/disposal of nonproduced nonfinancial assets	0.0	0.0	0.0	0.0
Total	0.0	0.0	0.0	-1.9
Balance	2.4	2.0	3.2	2.6

Table 9.
Financial Account (by instruments)
(In millions of euro)

Description	2004	2005	2006	2007
Investment abroad				
Direct investment abroad				
Equity capital	n/a	n/a	-4.3	-7.5
Reinvested earnings	n/a	n/a	n/a	n/a
Other capital transactions	n/a	n/a	n/a	n/a
Total direct investment abroad	0.0	0.0	-4.3	-7.5
Portfolio investment abroad				
Debt securities	-37.8	-32.7	-83.5	-42.9
Total portfolio investment abroad	-37.8	-32.7	-83.5	-42.9
Other Investments abroad				
Trade credit	14.2	12.2	5.2	5.0
Loans	-11.7	6.9	0.4	9.4
Currency and deposits	-13.3	-69.9	-143.8	-66.1
Other assets	0.0	0.0	0.0	0.0
Total other Investments abroad	-10.7	-50.8	-138.3	-51.7
Reserve assets				
Foreign Exchange	112.7	32.4	-77.9	-290.3
Total reserve assets	112.7	32.4	-77.9	-290.3
Total	64.2	-51.2	-304.0	-392.3
Investments in Kosovo				
Direct investment in Kosovo				
Equity capital	9.6	63.2	211.7	308.0
Reinvested earnings	9.1	16.8	24.8	41.6
Other capital transactions	0.0	0.0	13.5	71.6
Total direct investment in Kosovo	18.6	80.0	250.0	421.2
Portfolio investment in Kosovo				
Total portfolio investment abroad	0.0	0.0	0.0	0.0
Other Investments in Kosovo				
Trade credit	49.2	51.9	62.8	81.1
Loans	9.0	10.8	8.5	-0.7
Currency and deposits	-2.4	3.4	-0.2	-3.9
Total other Investments in Kosovo	55.8	66.0	71.0	76.6
Total	74.4	146.0	321.0	497.7
Net transactions (net credits less net debits)				
Direct investment				
Equity capital	9.6	63.2	207.4	300.5
Reinvested earnings	9.1	16.8	24.8	41.6
Other capital transactions	0.0	0.0	13.5	71.6
Total net direct investment	18.6	80.0	245.7	413.7
Portfolio investment				
Debt securities	-37.8	-32.7	-83.5	-42.9
Total net portfolio investment	-37.8	-32.7	-83.5	-42.9
Other Investments				
Trade credit	63.4	64.1	68.0	86.2
Loans	-2.7	17.7	8.8	8.7
Currency and deposits	-15.7	-66.5	-144.1	-70.0
Other assets	0.0	0.0	0.0	0.0
Total net other investment	45.0	15.2	-67.3	24.9
Reserve assets	112.7	32.4	-77.9	-290.3
Total reserve assets	112.7	32.4	-77.9	-290.3
Total	138.6	94.9	17.0	105.4

Table 10.

Financial Account (by sector)

(In millions of euro)

Description	2004	2005	2006	2007
Investments abroad				
Monetary authority (CBK)	104.7	-47.7	-243.6	-416.4
Other Depository Corporations	-65.5	-9.0	-47.5	26.6
Central government	-0.7	3.5	1.0	0.9
Other sectors	25.7	2.0	-13.9	-3.4
Total	64.2	-51.2	-304.0	-392.3
Investments in Kosovo				
Monetary authority (CBK)	4.9	-2.1	-3.0	-0.1
Other Depository Corporations	15.1	23.9	55.1	68.4
Central government	0.0	0.0	0.0	0.0
Other sectors	54.4	124.1	268.9	429.5
Total	74.4	146.0	321.0	497.7
Total Investment				
Monetary authority (CBK)	109.6	-49.7	-246.6	-416.6
Other Depository Corporations	-50.4	15.0	7.6	95.0
Central government	-0.7	3.5	1.0	0.9
Other sectors	80.1	126.1	255.0	426.0
Total	138.6	94.9	17.0	105.4

