



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

Balance of Payments Report

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Number 11

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ABBREVIATIONS:

BEC	Broad Economic Categories
BEEPS	Business Environment and Enterprise Performance survey
CBK	Central Bank of the Republic of Kosovo
CEFTA	Central Europe Free Trade Agreement
CPI	Consumer Price Index
ECB	European Central Bank
EU	European Union
EULEX	European Union Rule of Law Mission
FDI	Foreign Direct Investments
GDP	Growth Domestic Product
IPI	Import Price Index
KFOR	NATO-led Kosovo Force
NEER	Nominal Effective Exchange Rate
PPI	Producer Price Index
REER	Real Effective Exchange Rate
SAK	Statistical Agency of Kosovo
SEE	Southeastern Europe

CONVENTIONS:

" — "	event does not exist
" . "	event exists, data are not available
" ... "	nil or negligible
(e)	estimate
(p)	preliminary
(r)	revised

1. Foreword

Economic activity in Kosovo continues to be characterized with positive developments with the exception of the trade balance which is characterized by large deficit. Real sector of the economy during 2011 was characterized with a growth rate of around 5 percent primarily driven by the private sector. Moreover, the public sector continues to have a positive impact on the economic activity, with respect to revenues and expenditures, and particularly regarding capital investments. The financial sector remains one of the most important pillars of economic development in the country, by continuously supporting businesses and households with loans, at the amount of euro 1.7 billion. Businesses represent the main absorber of the loans; while credit to households is also continuously growing. Moreover, financial sector is also one of the economic activities with the highest rate of foreign direct investments. This is reflected through foreign direct investments (FDI) by economic activity, which continuously comprised a share of above 20 percent of total FDI.

However, the external sector is presented with a relatively less favorable position in Kosovo economy, especially with regard to trade balance. Kosovo's trade balance is consistently characterized with a relatively large deficit, which in many cases represents an indicator of the level of competitiveness of the country. In addition, trade in services is considered to steadily expand its activity, thus continuously concluding the reporting period with positive balance and making Kosovo a net exporter in this respect. Despite the chronic current account deficit, remittances in Kosovo are among the most important components which contribute in narrowing this deficit. Financial account of Kosovo's Balance of Payments remains with positive balance, and it is characterized with a relatively good level of foreign direct investments, this way distinguishing Kosovo from most of the regional countries. Positive developments were marked in the other investments account of Kosovo, which also represents an important contributor of finance in Kosovo.

Central Bank of the Republic of Kosovo continuously informs the public on the economic developments in the country via regular publications. Also, the publication of statistics, which is under CBK responsibility, consistently contributes in the notice and continued promotion of Kosovo at the national, as well as at the international level. Publication of *Balance of Payments Report* analyzes the key developments in the external sector and Kosovo's economy in general. Through this publication, CBK aims to continuously contribute in the economic debate in the country, informing the citizens, professionals and relevant authorities on the key developments in the Kosovo economy and the challenges ahead.



Gani Gërguri
Governator

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2. Economic Developments in the Eurozone and Southeastern Europe¹

Economic growth in the eurozone is estimated to be 1.5 percent in 2011, representing a slower increase compared to 2010. Economic growth in the eurozone is primarily driven by the exports growth, given that demand from developing countries has marked a recovery during this period. Another important factor in economic growth in the eurozone continues to be the growth of domestic demand. Whereas, among the factors with negative impact on eurozone economic activity the lower confidence in the economic activity due to the government debt in some of the eurozone countries. Nevertheless, in countries like Germany and France confidence indices were characterized with positive developments. Positive developments in the eurozone countries are essentially driven by exports and low interest rates which have stimulated the overall demand in these two countries. Consequently, among the main contributors to the positive growth of the Eurozone during 2011 were net exports, while the impact of private consumption and investments was limited.

Unemployment rate in eurozone countries during 2011 was lower compared with the previous year. During 2011 unemployment rate was 9.9 percent compared with 10.1 in 2010. Eurozone during 2011 was characterized by inflation level of 2.8 percent, thus exceeding the target of the ECB to keep inflation at around 2 percent.

Public debt in some eurozone countries continues to be the main factor causing concerns over their economic performance. Public debt in the eurozone amounted to 86.8 percent of GDP by the end of 2011. The budget deficit continues to deepen in some EU countries, including countries that are considered to have problems with debt. At the eurozone, the deficit grew up in September 2011, reaching 3.6 percent of GDP. Greece, Portugal and Ireland continue to be the countries with the most significant problems in financing the public debt, but also with the loss of confidence over the solvency of the debt of these countries. As a result, interest rates on 10 year bonds amounted at about 30 percent for Greece, about 12 percent for Portugal and about 8 percent for Ireland.

The countries of Southeastern Europe (SEE) in 2011 recorded a moderate economic growth. In Q3 2011, Montenegro recorded the highest growth rate in the region, with 3.5 percent. Also, Macedonia, Croatia and Serbia recorded a real GDP growth rate of 2.3, 0.7 and 0.5 percent, respectively. The key contributors to economic growth in the SEE countries in 2011 were investments and private consumption. Exports from the SEE grew faster than imports, however, despite improvements, most of the regional countries are experiencing relatively high current account deficit, except Croatia.

Even though most of the regional countries during this period were characterized by economic growth, their current account deficit during 2011 is considered to have reached a relatively high level as a result of continuous growth of domestic demand. Conversely, foreign direct investments marked a recovery during 2011, however, they still remaining below the level of the pre-crisis period of 2008-2009.

SEE countries during January-September 2011 faced a relatively high inflation rate. The highest level of inflation was recorded in Serbia (over 10 percent). Other regional countries had an average inflation of 4 percent. Moreover, during this period, the labor market in the SEE countries was characterized by slight decline in the unemployment rate. In Croatia, the unemployment rate was lower by 1.2pp, standing at 12.2 percent in September 2011.

¹ International Monetary Fund (2011): Regional Economic Outlook, European Central Bank (2011): Monthly Bulletin, European Commission (2011): EU Candidates and Pre-Accession Countries; Economic Quarterly, Business Monitor International (2011) Emerging Europe Monitor.

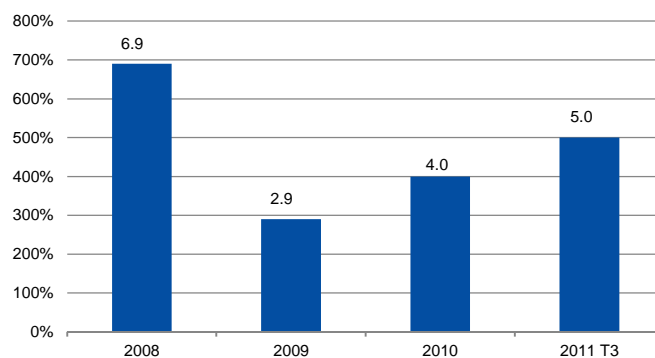
Similarly, in Montenegro, the unemployment rate declined by 0.2pp, standing at 11.1 percent, and in Macedonia declined by 0.1pp reaching the level of 31.2 percent.

During 2011, euro depreciated against most major world currencies, where the most significant depreciation was recorded against Swiss franc by 4.1 percent (1.23 SFR/EUR), followed by the U.S. dollar with 1.65 percent (1.32 USD/EUR), and British pound by 0.7 percent (0.84 GBR / EUR). Also, the euro currency depreciated against most of the currencies of the SEE countries. During 2011, euro depreciated against the Albanian Lek, Serbian Dinar and the Macedonian Denar, whereas against Croatian Kuna appreciated by 1.5 percent.

3. Macroeconomic developments in Kosovo

Economic activity in Kosovo is consistently experiencing positive growth rate despite the challenges caused by fluctuations in regional and global economy. Real economic growth during 2011 was around 5.0 percent (3.9 percent in 2010). In nominal terms, Gross Domestic Product (GDP) during 2011 reached over euro 4.7 billion. During 2011, the main components of the GDP in Kosovo are considered to have experienced positive

Figura 1. Real GDP growth



Source: CBK (2011)

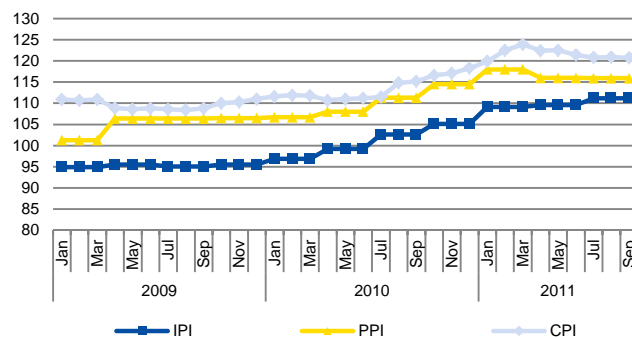
developments, especially consumption and investments. Conversely, the trade deficit continues to be a negative contributor to the economic growth in the country. Despite of the economic activity which is continuously recording positive growth rates, ongoing problem for the economy appears to be the high unemployment rate which exceeds the figure of 40 percent of the labor force in Kosovo (SAK, 2009).

Consumption as the main category of GDP reached a level of share of around 107 percent of GDP. Private consumption largely continues to be supported by remittances, and also from loans of the financial system which continued the growing trend. The overall structure of consumption is dominated by private sector consumption, while the share of public consumption was similar to the previous year. Lending by the banking sector continues to be one of the important factors in financing the economy of the country. Loans issued by the banking system, operating in Kosovo, by the end of September 2011 amounted to euro 1.65 billion, representing a growth rate of 16.7 percent. Of the total loans issued in the economy, 30.1 percent comprise loans issued to households, while the remaining are loans to businesses. Lending to households also continued to grow. As one of the important source of consumer financing, until September 2011 loans to households recorded an annual growth of 18.1 percent, reaching a value of euro 499.4 million. Also, remittances, as one of the key sources of financing consumption in Kosovo, until September 2011, recorded an annual growth of around 4 percent, amounting to euro 393.3 million. On the other hand, government expenditures on goods and services consumption decreased, affecting negatively the overall consumption. Nevertheless, the rise in public sector wages and salaries had a positive impact on private consumption in the country.

Also, investments continued to increase, while a significant support to investment activity continues to be the lending of banking sector, foreign direct investments and public sector investments. Investments reached a share of about 35 percent of GDP. Lending to businesses until September 2011 reached euro 1.1 billion, representing 67.8 percent of the total loans (a growth of 14.4 percent). Foreign Direct Investment (FDI) grew significantly until September 2011, reaching a value of euro 292.7 million. Public investments during the period January-September 2011 also represent an important component within the overall structure of investments in Kosovo. Public investments during this period amounted at euro 324.7 million, representing an annual growth of 39 percent.

Price movements in Kosovo are largely affected by the import prices. The first half of 2011 was characterized by inflationary pressures, however, the pressures eased during the period July-September 2011. Consumer Price Index (CPI) in Kosovo for the period January-September 2011 recorded an average annual growth of over 8 percent compared with the same period of the previous year, whereas in September the year-on-year growth was 4.8 percent (Figure 2). The main contributor to price increase in Kosovo were prices of cereals and fuel, which also appear as a category with relatively high share in total imports. Prices of imported products, expressed through the Import Price Index (IPI), have significant impact on the overall level of CPI. Until September 2011, IPI recorded an annual growth of 10.4 percent. Also, prices of producers' price in Kosovo, expressed through the Producer Price Index (PPI), recorded an annual average growth of of 7.3 percent.

Figure 2. Consumer, Import and Producer Price Index



Source: SAK (2011)

Relatively high rate of inflation in Kosovo during 2011 is also reflected in the real effective exchange rate (REER), which from January to September 2011 appreciated against EU and CEFTA countries by 5.2 and 3.2 percent, respectively. The appreciation of Kosovo's REER against the trading suggests loss of Kosovo competitiveness in external markets.

4. Balance of Payments in Kosovo

Kosovo's external position during January-September 2011 was characterized by deepening current account deficit. The main contributor to the growing current account deficit appears to be the trade balance. Although exports of goods grew during this period, the high level of imports, and their growth resulted in a deepening of the trade deficit. Conversely, services trade had a positive balance which doubled compared to of the previous year. Income and transfers until September 2011 was characterized by an increase of positive balance, thus being an important component in narrowing the current account deficit. Also the capital and financial account recorded a positive balance until September 2011, where the main contributors of this balance are continuously the foreign direct investment and other investments. During this period, foreign direct investments grew by 22.9 percent.

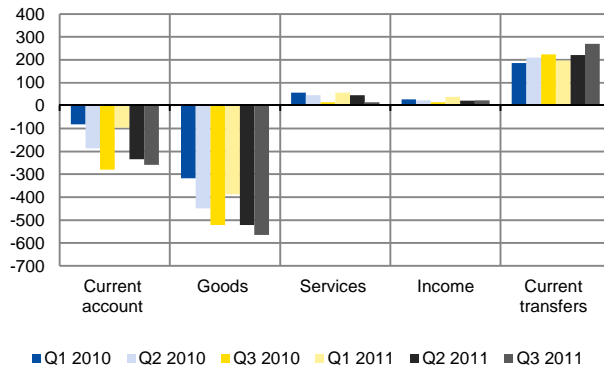
4.1 Current account

Until September 2011, the current account deficit of Kosovo reached euro 588.4 million, recording a growth of 7.2 percent, which is lower than the growth recorded in the previous year (17.7 percent). The current account deficit to GDP ratio in September 2011 reached 16.8 percent compared to 17.7 percent in September 2010. The main contributor to this current account deficit was the trade balance of goods, which has continued to grow during 2011 (Figure 3). However, the trade deficit to some extent was narrowed by the positive balance of trade in services given that Kosovo is a net exporter. The main category within the current account inflow is represented by current transfers, which in September 2011 had a share of 47.6 percent of total inflows in this account. While current account outflows are primarily intended for the purchase of goods and represent 77.6 percent of total current account.

4.1.1 Goods and services

Continuous growth of trade activity between Kosovo and other countries has affected the degree of market openness (measured as the sum of exports and imports in report to GDP) marking an upward trend in recent years (57.4 percent until September 2011, 55.9 percent until September 2010). High dependence of Kosovo's economy on imports resulted in a significantly higher level of imports compared to the level of exports. Consequently, the imports to exports ratio stands in a relatively low level (13.7 percent), a level that has not changed significantly from the same period of the previous year (Figure 4). Until September 2011, Kosovo trade balance recorded a deficit of euro 1.5 billion (43.6 percent of GDP), representing an annual increase of 13.4 percent. Kosovo exports, until September

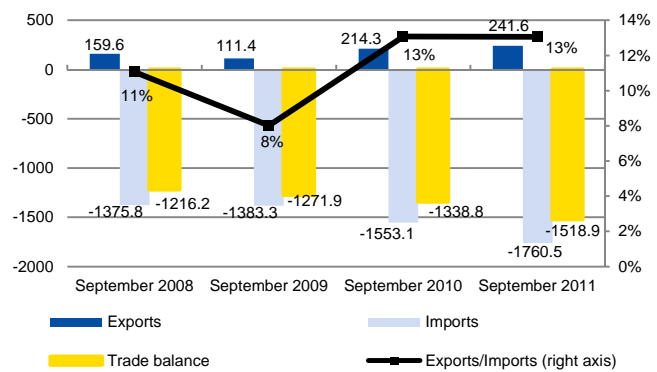
Figure 3. Current account balance, in millions of euro



Source: CBK (2011)

September

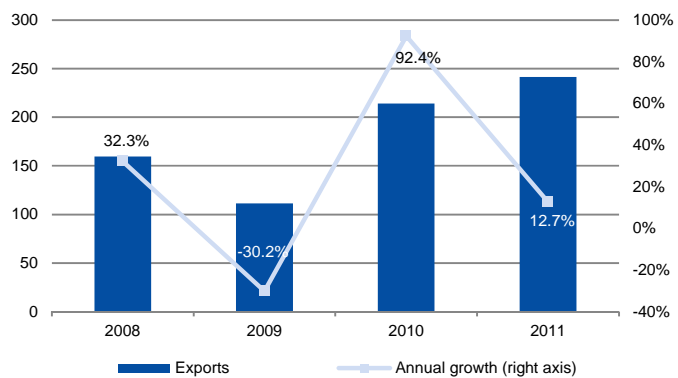
Figure 4. Trade balance, in millions of euro



Source: CBK (2011)

significantly higher level of imports compared to the level of exports.

Figure 5. Exports, in millions of euro



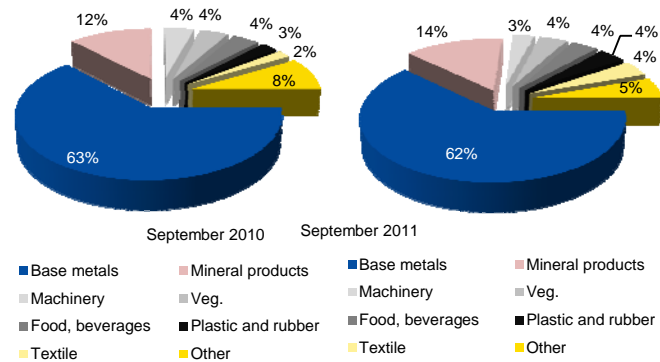
Source: CBK (2011)

2011 amounted at euro 241.6 million, marking an annual increase of 12.7 percent. Kosovo's exports experienced a positive trend, with the exception of year 2009 when exports decreased due to the global financial crisis (Figure 5). Exports during the last four years increased on average by euro 30 million a year or around 27 percent.

The structure of Kosovo exports remains dominated by the base metals category, with the share of 62.1 percent (62.9 percent in September 2010) (Figure 6). The share of base metals to total exports shows a relatively high degree of concentration in Kosovo's exports. Consequently, the overall performance of the country's exports may remain sensitive to developments in the external demand for this category of products. Base metals, until September 2011 reached a value of euro 177.1 million and marked an annual increase of 11.3 percent, representing the main contributors to overall growth in exports. Mineral products represent the second largest category, with a share of 14 percent of total exports. Export of mineral products mainly include minerals and ores ground. Mineral products, until September 2011 reached a value of euro 32.7 million and recorded an annual growth of 36.4 percent. Other important categories within the structure of exports are machinery, food and beverages, vegetables as well as plastic and leather. These categories of exports, up to September 2011, are represented with 3.8 percent in total exports of Kosovo.

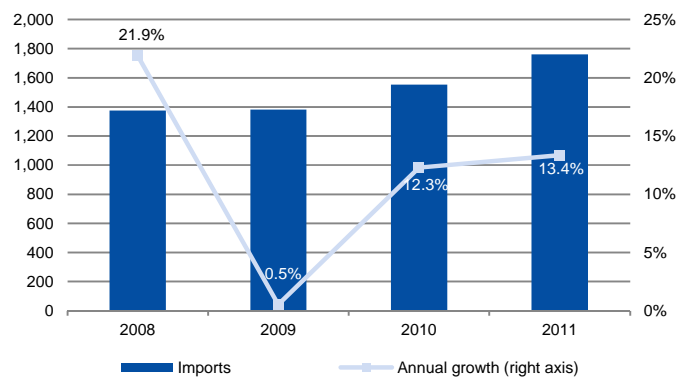
Until September 2011, Kosovo imports reached the value of euro 1.76 billion and marked an annual increase of 13.4 percent (Figure 7).

Figure 6. Structure of exports, in percent



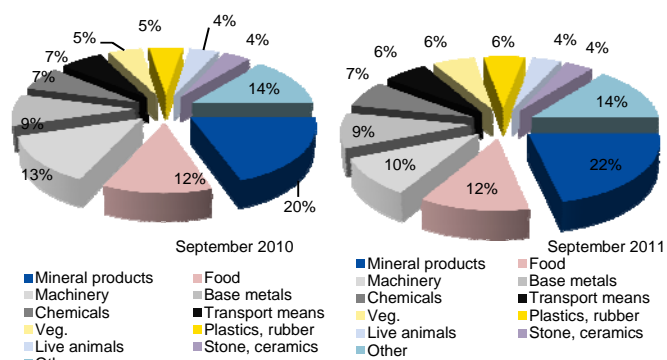
Source: CBK (2011)

Figure 7. Imports, in millions of euro



Source: CBK (2011)

Figure 8. Structure of imports, in percent



Source: CBK (2011)

However, the nominal growth of 13.4 percent mainly reflects price increase of imported products, respectively, increased oil prices. The annual real growth of imports until September 2011 was around 4 percent.

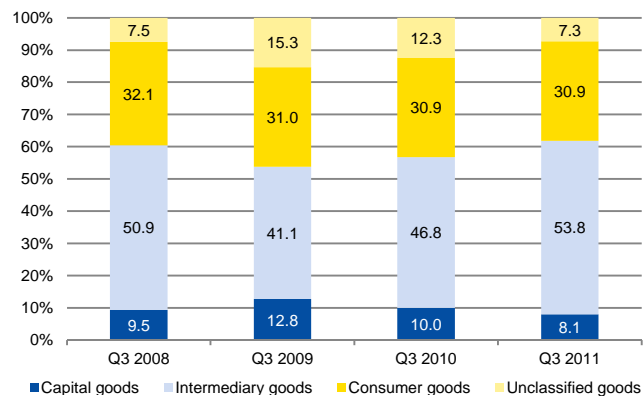
The structure of Kosovo imports continues to be similar to previous years. Largest category of imports continues to be represented by mineral products, which until September 2011 increased their share to 21.5 percent, compared with 19.6 percent in September 2010 (Figure 8). Within the mineral products, Kosovo mostly imports fuel and ceramic products. The value of imports of mineral products, up to September 2011 was euro 379.1 million, representing an annual increase of 24.6 percent. The second category in total imports of Kosovo consists of food and beverages which recorded 12.2 percent, followed by machinery and equipment which were represented with 10.1 percent of total imports in Kosovo (13.4 percent until September 2010). Machinery and equipment, up to September 2011 reached a value of euro 178.4 million, representing an annual decline of 14.2 percent. Another important category of products imported in Kosovo consists of base metals, which participated with 9.4 percent (8.9 percent until September 2010). Imports of food products, up to September 2011, was represented by 12.2 percent in the structure of total imports, maintaining a similar share to the same period of last year. However, the value of imported food products recorded annual growth of 12 percent, which could serve as an indicator of increased consumption in the country.

The structure of imported products according to Broad Economic Categories (BEC) until September 2011 was similar to previous years. Intermediate products were the category with the largest contribution to total growth of imports, with 14.2pp. In the increase of imports has contributed the consumer goods as well, but at a lower level (4.1pp). On the other hand, capital goods contributed negatively to the imports growth with 0.9pp. Largest category of imports, based on the BEC classification is being represented by the intermediate products (53.8

percent), which by the third quarter of 2011 reached a value of euro 946.8 million and recorded an annual growth of 30.3 percent (Figure 9). According to BEC classification, the second category with the share of 30.9 percent is represented by consumer goods. Consumer goods, up to September 2011 reached a value of euro 543.6 million and marked an annual increase of 13.2 percent. Despite the upward trend in value,

consumer goods have maintained similar share during the past four years (about 31 percent of total imports). The growth of intermediate goods and consumer goods can be an indicator of domestic demand growth during January-September 2011. Capital goods until the third quarter of 2011 reached a value of euro 141.8 million. In the past two years, capital goods recorded negative annual growth trend (8.7 percent annual decline until September 2011; 12.3 percent annual decline until September 2010). Also, during the last two years the share of capital goods in total imports of Kosovo has decreased annually by 2pp. Low share

Figure 9. Imports by BEC



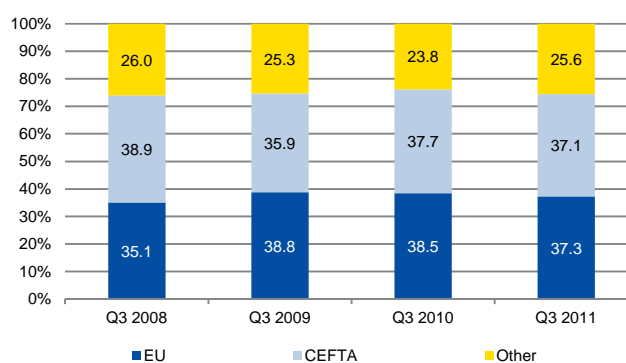
Source: CBK (2011)

and the decline of imported capital goods may indicate production and investment activity in the country. Moreover, the large share of intermediate goods in total imports indicates that the production activity in the economy remains largely dependable on imports of raw materials from abroad.

Kosovo's main trading partners are the European Union (EU) and CEFTA countries for imports. In the third quarter of 2011, Kosovo imported about 37 percent of total imports from EU countries and 37 percent of total imports from the CEFTA countries (Figure 10).

Within the EU countries, imports from Germany represent the largest share, with 11.6 percent of total imports (13 percent up to September 2010). Imports from Germany up to September 2011 amounted euro 204.6 million with an annual increase of 1.3 percent. The largest share of the imported goods from Germany consists of transport means. Italy ranks as the second trading partner after Germany. Imports from Italy marked a growth rate of 5.9 percent in September 2011 compared to 4.4 percent in September 2010. Kosovo imports from Italy amounted at 103.8 million and represent around 6 percent of total Kosovo imports.

Figure 10. Structure of imports by trading partners



Source: CBK (2011)

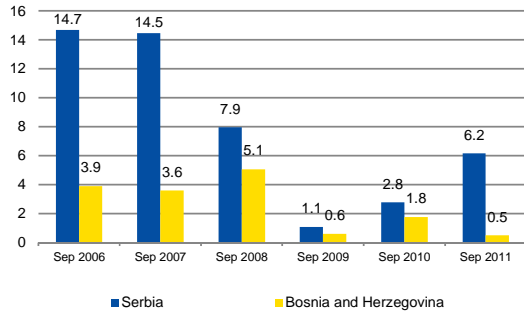
During the same period last year, Greece had the second largest share in total imports of the country, however, as a result of increased imports from Italy, imports from Greece decreased their share in Kosovo's total imports, from 5.9 percent in September 2010 to 4.4 percent in September 2011, ranking as the third regarding the Kosovo imports.

The imports from CEFTA countries, up to September 2011 recorded a growth of 11 percent. Kosovo continues to import a large share of goods from Macedonia (15.9 percent of total imports) mostly mineral products. Until September 2011, imports from Macedonia recorded an annual growth of 20.3 percent, compared to 6 percent annual growth, one year ago. On the other hand, from January-September 2011 it was noticed a significant slowdown in imports from Serbia, marking an annual growth of 3.4 percent, compared to 23.4 percent annual growth in September 2010. Increased imports from Macedonia and the slowdown in imports from Serbia, largely reflects the reciprocity measures imposed on Serbia's goods during the period August-September 2011. Albania ranks third in terms of imports in Kosovo. Imports from Albania amounted euro 66.9 million and recorded an annual increase of 25.8 percent (see Box 1).

Box 1. Implementation of reciprocity measures to Serbia and Bosnia and Herzegovina

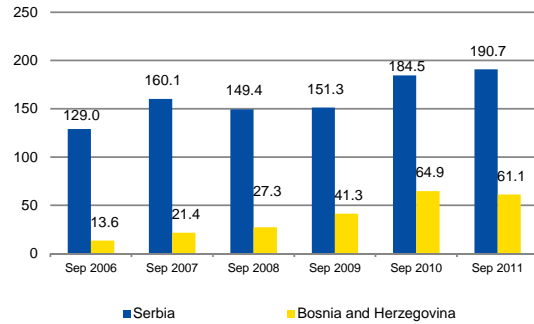
After declaring independence in February 2008, Kosovo customs stamps changed from "UNMIK

Figure 11. Exports to Serbia and Bosnia and Herzegovina, in millions of euro



Source: CBK (2011)

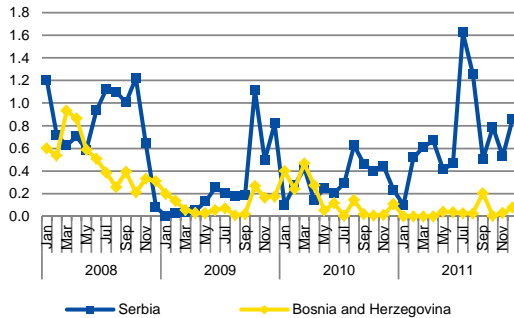
Figure 12. Imports from Serbia and Bosnia and Herzegovina, in millions of euro



Source: CBK (2011)

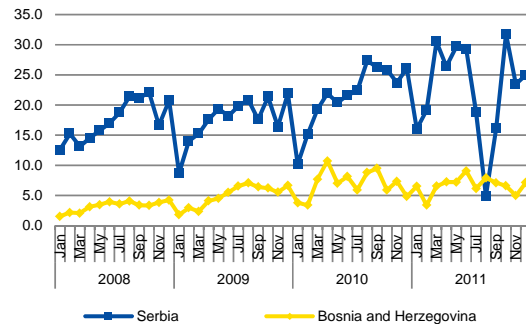
Customs" to "Customs of Kosovo". As a result of the stamps change, Serbia and Bosnia and Herzegovina since December 4, 2008 have blocked the export as well as the use of their territory for transit of Kosovo products. Consequently, starting in December 2008, the Kosovo exports in these two countries have fallen drastically (Figure 11).

Figure 13. Monthly exports, in millions of euro



Source: CBK (2011)

Figure 14. Monthly imports, in millions of euro



Source: CBK (2011)

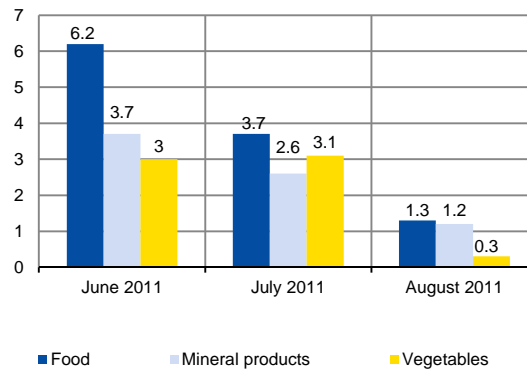
The Kosovo exports to Serbia and Bosnia and Herzegovina, have had a low base even before Kosovo's membership in CEFTA. For example, during the last six years, Kosovo has exported in Serbia only about 5.2 percent of total exports. A similar situation remains with exports to Bosnia and Herzegovina, where during the last six years Kosovo, has exported only 2.1 percent of total exports. Since Kosovo changed the stamps labels (from 2008 to 2011), and as a result of trade blockades these two states have imposed to Kosovo products, the exports to Serbia have dropped to 1.8 percent, whereas the share of Kosovo exports to Bosnia and Herzegovina have dropped to 0.5 percent of total Kosovo exports.

Meanwhile, unlike the relatively low base of Kosovo exports to these two countries, imports from Serbia and Bosnia and Herzegovina are significantly higher (Figure 12). In the past six years, Kosovo has imported from Serbia about 12.1 percent of total imports. Even after the declaration of independence (from 2008 until 2011), imports from Serbia continued with a high level and have not changed much regarding their share to total imports (about 11 percent of total imports). Moreover, imports from Bosnia and Herzegovina in the last six years were about 2.7 percent of total imports, whereas after the declaration of independence, their share of imports has increased for 0.9pp.

In response to the blockade of Kosovo's goods by Serbia and Bosnia and Herzegovina, in July of 2011, the Government of the Republic of Kosovo made the decision to also impose trade reciprocity measures towards Serbia and Bosnia and Herzegovina products. Under these measures, the decision taken was to not recognize the Serbia's customs stamps and to prohibit the import of the goods containing these stamps. Also, the Government of the Republic of Kosovo made the decision to not recognize customs stamps of Bosnia and Herzegovina and imposed a custom duty of 10 percent on all the goods containing customs stamps of Bosnia and Herzegovina.²

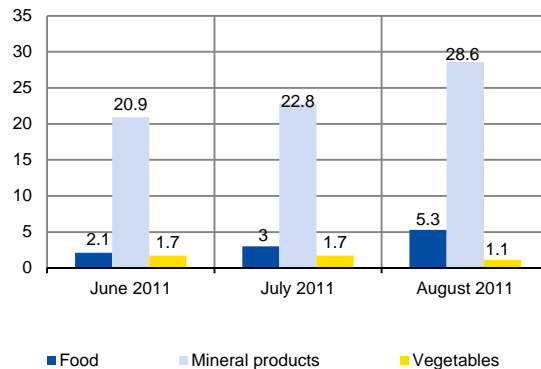
The principle of reciprocity measures of Kosovo, which started implementing on late July 2011, and continued during the following month, was reflected in an immediate drop of Kosovo exports as well as imports from Serbia and Bosnia and Herzegovina (Figure 13 and Figure 14). However, in the month of July, a sudden increase of electricity power export to Serbia appeared (Figure 13). After a month of the application of the reciprocity measures, imports from Serbia slowed the pace of growth significantly, to 2.9 percent (24.1 percent monthly increase in June 2011). Despite the trade reciprocity measures at the time, a relatively small amount of goods from Serbia continued to enter Kosovo. However, these were goods, whose documents have been processed prior the decision for trade reciprocity. In addition, as a result of the customs duty of 10 percent applied in goods with

Figure 15. Imports of the appropriate products from Serbia, in millions of euro



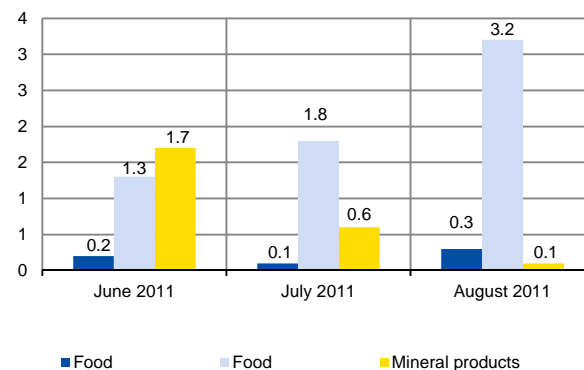
Source: CBK (2011)

Figure 16. Imports of the appropriate products from Macedonia, in millions of euro



Source: CBK (2011)

Figure 17. Imports of the appropriate products from Albania, in millions of euro



Source: CBK (2011)

² In the decision on the reciprocity principle in trade relations, it is stated: 'Custom stamps and tax administration stamps of the Republic of Serbia are not recognized. All the goods accompanied by documentation containing the cited stamps are banned from entering Kosovo. Customs stamps of the Republic of Bosnia and Herzegovina are not recognized. Customs duty of 10 percent shall apply to all the goods accompanied by documentation containing these stamps'.

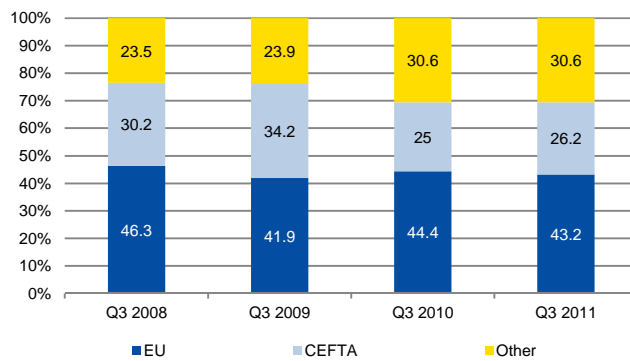
customs stamps of Bosnia and Herzegovina, the value of goods imported from this country marked a slower growth of 17.2 percent in August 2011 (29.4 percent monthly increase in June 2011).

On the other hand, during the implementation of trade reciprocity measures by Kosovo, imports from Macedonia gained a dominating position in the structure of Kosovo imports (16 percent of total imports), whereas imports from Albania and Croatia almost doubled from the second quarter to the third quarter of 2011. Regarding imported products, within the CEFTA member countries, Kosovo mostly imports mineral products, food and vegetables. With the beginning of the reciprocity measures application, a decline of imports of these products from Serbia was noticed, and at the same time, an increase of these products imported from Macedonia and Albania happened (Figure 15, 16, 17). Despite the application of reciprocity measures to Serbia and Bosnia and Herzegovina, Kosovo imports continued with positive trend (20.3 percent monthly increase in August 2011), as well as quarterly (61 percent in the third quarter 2011). The prohibition of imports from Serbia and Bosnia and Herzegovina was largely replaced by imports from Macedonia and Albania. Therefore, it can be said that the reciprocity measures did not affect the total value of imports but affected the substitution of products imported from Serbia and Bosnia and Herzegovina with import of products from Macedonia and Albania.

In September 2011, Kosovo and Serbia reached an agreement, according to which, Serbia recognized the Kosovo customs stamps. Soon after, Bosnia and Herzegovina also recognized Kosovo customs stamps as well. Consequently, Kosovo started the recognition of Serbia and Bosnia and Herzegovina customs stamps. This decision marked the end of the trade reciprocity measures applied by Kosovo towards Serbia and Bosnia and Herzegovina goods.

EU and CEFTA countries represent Kosovo's main trading partners also in terms of exports, with a share of 43.2 and 26.2 percent, respectively, of total exports (Figure 18). Within EU countries, during the last three years Italy represented the main destination for Kosovo's exports given that 26.8 percent of total exports were towards this country. Until September 2011, exports to Italy amounted euro 64.9 million and recorded an annual increase of

Figure 18. Structure of exports by trading partners



Source: CBK (2011)

7.3 percent. The products exported to Italy are mainly nickel ore. In the second place regarding the exports of Kosovo is Germany, where up to September 2011 exports has almost doubled and reached a value of euro 14.6 million. Other EU countries, such as Austria and Belgium, also have significant share in exports of Kosovo. The amount of goods exported from Kosovo to Austria in September 2011 was euro 4.9 million, which is similar to that of a previous year, while exports to Belgium decreased from 7.5 million in September 2010 to 4.7 million in September 2011.

Exports to CEFTA member countries increased by 18.3 percent compared to the same period of the previous year. Geographical distribution of Kosovo exports to CEFTA member countries remains similar to previous years, with Albania and Macedonia representing the major destinations with share of 10.6 and 9.8 percent, respectively, of total Kosovo exports. Until September 2011, the value of Kosovo exports to Albania did not change significantly compared to the same period of the previous year (euro 25.6 million), while the value of exports to Macedonia amounted euro 23.8 million, marking an annual growth of 25.1 percent. The amount of Kosovo exports to Serbia and Bosnia & Herzegovina is relatively low; euro 6.2 and 0.5 million, respectively. Exports to Bosnia & Herzegovina are showing a

downward trend, which reflects the trade barriers this country is imposing to Kosovo's goods. Despite the Serbia trade barriers to Kosovo, exports to this country have almost doubled since the last year; however basis of these exports remains relatively low (euro 6.2 million), (see Box 1).

4.1.2 Service account

The trade of services up to September 2011 was characterized by positive balance of euro 116.3 million, compared to euro 55.6 million in September 2010 (Figure 19). Increase of this positive balance reflects the faster growth of revenues from the sale of services to non-residents, compared to the increase of payments for services purchased from abroad by Kosovo residents. More specifically, the positive balance in the period January-September 2011 primarily reflects increased revenues from communication services and other business services.

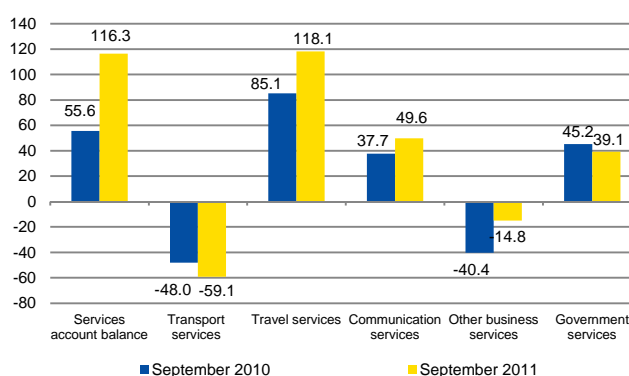
Revenues from travel services recorded an annual growth of 18.9 percent, while payment for these services declined by 11 percent. Consequently, this category recorded a positive balance of euro 118.1 million. Revenues from travel services primarily include personal travel. At the same time, revenues from communication services rose by 34.4 per cent, while payments for communication services were reduced for about 76

percent. Rapid growth of communication services revenue and the reduced payment on these services made the balance of this account in September 2011 reach the amount of euro 49.6 million (euro 37.7 million up to September 2010). Other services that recorded surplus during January-September 2011 were government services and cultural and personal services. Conversely, all other categories of services, like other business services, insurance services, etc., concluded this period with a negative balance.

4.1.3 Income

Until September 2011, as a result of generating revenues at the amount of euro 183.8 million and payment in the amount of euro 102.3 million, the income account recorded a positive balance of euro 81.5 million. Unlike the same period last year when the balance of income had decreased annually by 9.6 percent in September 2011, the balance switched to a positive growth rate of 25.7 percent. This change came as a result of 32.7 percent growth of revenues in the income account, compared to the growth of 1.7 percent a year ago. Increased income receipt of 28.9 percent in the reporting period was caused mainly by increased revenues of compensation of employees of 28.9 percent (0.8 percent increase by September 2010)³. At the same time, revenues from compensation of employees represent the dominant category of the income account (91.9 percent), amounting at euro 168.9

Figure 19. Services account, in millions of euro



Source: CBK (2011)

³ Compensation of employee includes wages, salaries, and other economic benefit received from Kosovo employee abroad for the short-term work (up to one year).

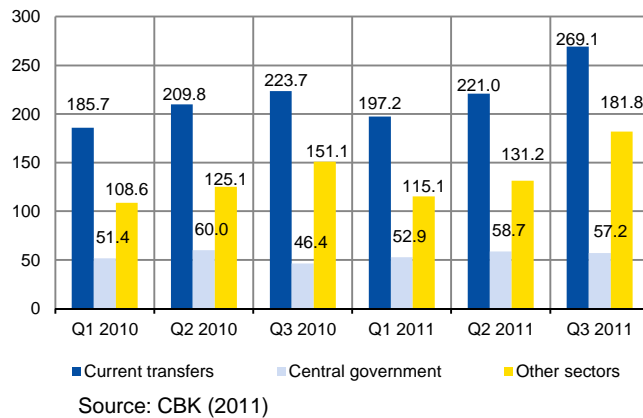
million in September 2011. Most of the revenues from compensation of employee during the period January-September 2011 consist of Kosovo workers income in Afghanistan and Iraq, and by local staff employed in KFOR. Increase was also marked in the category of investment income, which doubled in value, reaching euro 14.9 million in September 2011. This increase was primarily due to increased income from interest on deposits held abroad by commercial banks operating in Kosovo.

4.1.4 Current transfers

One of the most important categories of the balance of payments, which has consistently contributed to narrowing the current account deficit, is the current transfers.

This is because the current account is continuously characterized by a positive balance. Until September 2011, the balance of current account amounted to euro 687.3 million, representing an annual growth of 11 percent (Figure 20). Current

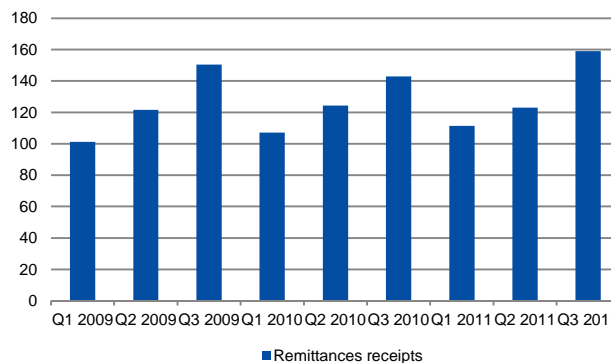
Figure 20. Current transfers, in millions of euro



transfers consist of government transfers (33.3 percent) and private transfers (66.7 percent). Central government transfers, up to September 2011, reached a value of euro 428.2 million and marked an annual increase of 11.3 percent, indicating a slowdown in growth compared with September 2010 when these transfers recorded an annual growth of around 78 percent.⁴ Within current government transfers are mainly included donors transfer, EULEX and UNMIK.

On the other hand, remittances represent the largest private sector of current transfers (over 40 percent of the total private transfers). Balance of remittances during the first nine months of 2011 amounted to euro 315.8 million compared with euro 306.4 million in the same period last year (3.1 percent annual increase in September 2011; 4.9 percent in September 2010). Until September 2011, Kosovo has received euro 393.3 million of remittances from Kosovo emigrants (euro 375.0 million in September 2010), while remittances of non-resident emigrants working in Kosovo toward other countries amounted

Figure 21. Remittances receipts, in millions of euro



at euro 77.4 million (euro 68.5 million in September 2010), (Figure 21).

⁴ Higher growth in current transfers, by 78 per cent in September of 2010 reflects the increased staff and other expenditures undertaken by EULEX durin 2010.

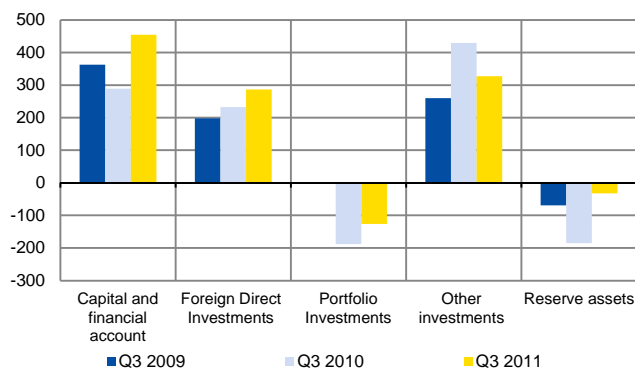
Majority of remittances coming in Kosovo are inflows from EU member countries, mainly Germany (34 percent), Switzerland (23 percent), Austria and Italy with the 2 percent each, and a smaller percentage by USA and Canada (by 2 percent each). In the last two years, income from remittances in Kosovo has increased by a slowing trend. This is because the unemployment in EU countries has increased and general employment conditions have worsened. Despite positive developments in the first two quarters of 2011 in the Eurozone, third quarter unemployment rose again in these countries.

4.2 Capital and Financial Account

Capital and financial account continues to be characterized with a positive balance, reaching a value of 475.0 million euros in September 2011 (an increase of 54.6 percent compared to September 2010). Capital account balance amounted 20.7 million euros in September 2011, compared with 18.5 million euros in September 2010, which consists of donations to the government. Financial account, which includes Foreign Direct Investment (FDI),

portfolio investments and other investments, until September 2011, had a balance of 454.3 million euros. As shown in Figure 11, the main contributor within the financial account continued to be the category of other investments, followed by FDI, whereas with negative impact on the positive financial account balance is caused by continues increase of the portfolio investments and reserve assets outside Kosovo’s economy.

Figure 22. Net financial account, in millions of euro

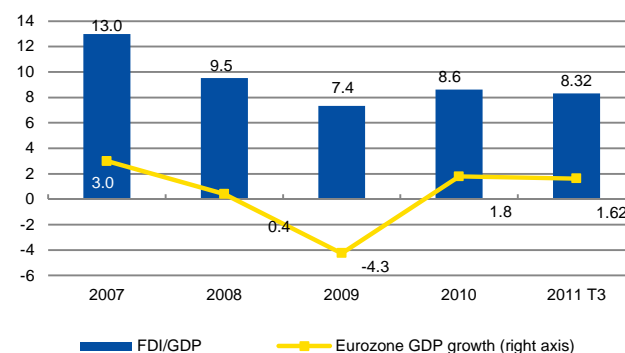


Source: CBK (2012)

4.2.1 Foreign Direct Investments

Foreign Direct Investment until September 2011 had a balance of 285.8 million euros, which represents an increase of 22.9 percent compared with the same period of the previous year. The balance of FDI of 285.8 million euros is as a result of euro 292.7 million of FDI inflow in Kosovo, whereas 6.9 million are outflow or investments of Kosovo residents in other countries.

Figure 23. Foreign Direct Investments as percentage to GDP



Source: CBK (2011)

As shown in Figure 23, FDI in Kosovo over the last five years have maintained a similar level, averaging around 9 per cent of GDP, whereas in 2007 and 2008, FDI reached the highest level, which was primarily as a result of licensing of the second mobile phone company and investments made by this

company. As a result of the crisis, in 2009 FDI recorded a sharp decline, whereas in 2010-2011 FDI began to recover again though at a slower pace. Foreign direct investments in Kosovo continue to be highly sensitive to developments in the Eurozone economies, which also represent the main source countries of FDI in Kosovo. Despite the relatively slow recovery, Kosovo continues to be among the best regional performers in terms of FDI based on the FDI Performance Index for 2010. Estimates for 2011 cannot be presented due to the lack of data at the regional level (Box 2).

Box 2. Performance of FDI in Kosovo⁵

Based on the results of the performance index of FDI, it can be noticed that the SEE region has had a positive performance of FDI during the last four years. Despite the positive performance, it should be noted that all countries of the region have experienced decrease of performance, with the exception of Kosovo and Albania which even during 2010 experienced improvements in the performance of FDI. FDI Performance Index in Kosovo reached at 4.8, which represents a relatively good performance compared to the size of the economy. Albania also represents a country where the FDI performance index is constantly increasing. In 2010, the index of FDI performance in Albania increased to 5.2, which represents a significant increase compared to 2007 when the index score was 1.6. Although the performance of the FDI was significantly deteriorated, Montenegro has the best regional position with an index value of 10.7.

Table 1. Index of FDI Performance

Description	2007	2008	2009	2010
Albania	1.64	2.63	4.16	5.25
Kosovo	3.44	3.28	3.77	4.87
Bosnia and Herzegovina	3.61	1.99	1.53	0.79
Bulgaria	7.85	6.37	5.03	2.80
Montenegro	6.32	7.14	16.39	10.72
Serbia	2.33	2.12	2.30	1.98
Croatia	2.25	2.18	2.23	0.34
Macedoni	2.27	2.10	1.39	1.3
FDI in SEE	3.99	3.26	3.23	2.00

Source: CBK 2010

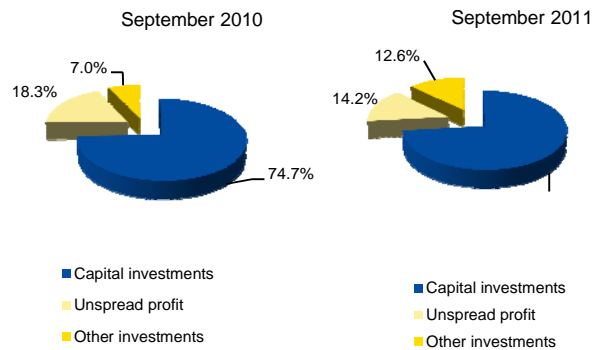
Potential sources for attracting FDI in Kosovo are also the Kosovo emigrants. Investment capacities of Kosovo emigrants are estimated to be very high and their accumulated savings are over euro 1.5 billion a year (Havolli and Jazbec, 2011). Over the last decade, Kosovar diaspora has considerably participated in the overall level of FDI, which have mainly been oriented at real estate assets, but also in other economic activities. Kosovar emigrants have also been important participants in the privatization process, a process which is considered to have attracted considerable level of FDI in Kosovo. An empirical study of Havolli and Jazbec (2011) considers factors that determine the level of FDI from expatriates in Kosovo. Based on this study, there are three main factors that significantly affect the emigrants' decision to invest: 1) the immigrant's age, 2) perceptions of the immigrant on the business environment in Kosovo, and 3) the immigrant's income. One of the findings of this research is that perception of immigrants regarding the business environment in Kosovo is considered as the main factor in increasing the probability of migrants' investments. This shows that the probability to

⁵ The formula for calculating the FDI performance index is: $IHDx = \frac{IHDx}{PBBi} \cdot \frac{PBBw}{IHDw}$. In this equation, IHDx represents performance index, while IHDi represents the amount of FDI in the economy and IHDw the amount of FDI globally. PBBi represents the GDP of the economy, while PBBw represents the global GDP.

invest in Kosovo increases if the migrant perceives the Kosovo business environment as favourable. This finding is important because policies may be oriented towards reflecting a positive environment for business, making Kosovo a rather attractive environment for emigrant’s investments. Increasing emigrants’ investments would also positively reflect to foreign investors, given emigrants would serve as a positive signal to these investors and promote the overall economic environment.

In a study of macroeconomic level, the thesis of Kiçmari (2009) evaluates the factors influencing the attraction of foreign direct investment in the countries of Central and Eastern Europe. The findings of this study conclude that the major factors that determine the level of FDI in these countries are the size of the economy, market potential, trade openness to other countries but also the economic integration of these countries with other countries of the world. The process of privatization in most countries is also considered as a very important factor that has contributed to attract FDI in this region. Another important factor in determining the

Figure 24. Structure of FDI by investments

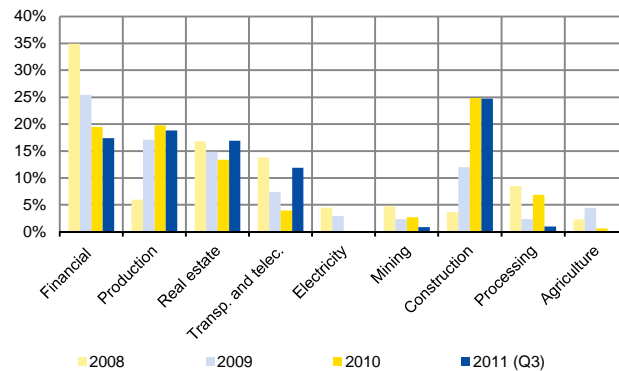


Source: CBK (2011)

FDI in the region of Central and Eastern Europe is considered the macroeconomic stability. Therefore, it appears that market expansion is one of the main motives for FDI inflows in the region of Central and Eastern Europe. Regarding Kosovo, the free trade agreements with regional countries, trade preferences with the EU, macroeconomic stability, trade openness and the continuation of the privatization process, have contributed in a rather in relatively good investment climate in terms of the aforementioned factors.

Kosovo Residents' investments outflows are capital investments, which mainly consist of real estate purchases abroad. FDI invested in Kosovo are mostly capital investments, and their share is 73.2 percent, and until September 2011 increased by 22.0 percent. Reinvested earnings are represented by 14.2 percent of total FDI, whereas other investments (mainly composed of intercompany loans) comprise a share of 12.6 percent and marked a significant yearly increase, from 13.6 million euros in September 2010 to 36.9 million by September 2011.

Figure 25. Foreign Direct Investments by economic activity, in percent

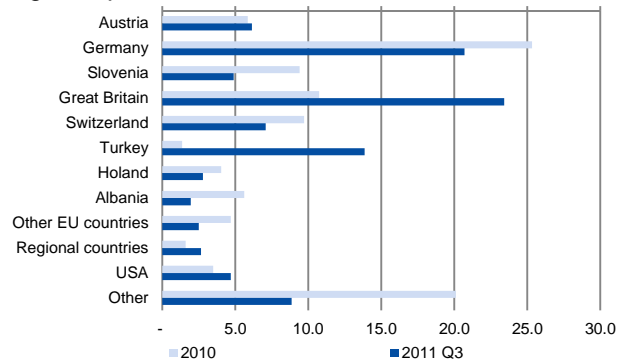


Source: CBK (2011)

FDI in Kosovo are predominantly concentrated in economic sectors like construction with 24.8 percent, manufacturing by 18.8 percent, financial sector by 17.4 percent, real estate by 16.9 percent, followed by transport and telecommunications sectors with a share of 11.9 percent of total FDI. As shown in Figure 25, year 2011 was similar to the year 2010 with regards to the structure of FDI. Processing industry has marked a sharp decline during this period, whereas higher growth rate was noticed in transport and telecommunication sectors.

EU countries continue to represent the main source of FDI in Kosovo. Unlike last year, when the majority of FDI had Germany as a country of origin, (25 percent of total FDI) in January-September 2011, Great Britain became the country of origin with the majority of FDI in Kosovo (23.4 percent of total FDI). A significant increase of FDI until September 2011, was noted from Turkey which was the third ranked country with regarding to the share of FDI in Kosovo. In addition, Switzerland, Austria, Slovenia and the USA, continue to represent countries with significant levels of FDI in Kosovo (Figure 26).

Figure 26. Foreign Direct Investments by country of origin, in percent



Source: CBK (2011)

4.2.2 Portfolio Investment, other investments and reserve assets

Portfolio investments abroad until September 2011 marked an annual decline compared with the same period of the previous year. The value of portfolio investments amounted 126.9 million euros in September 2011 (187.5 million euros in September 2010). The increase of portfolio investments reflects the perceptions of local financial institutions on the overall environment in global financial markets. From the amount of 126.9 million euros, most of the portfolio investments (75.3 percent) are investments of pension funds in various financial instruments abroad. The share of pension funds in total portfolio investments is larger compared to the same period of the prior year. The remaining of 24.7 percent of the portfolio investments represents investments of local banks in the financial markets instruments.

The category of other investments, one of the most significant categories within the financial account, until September 2011 had a balance of euro 327.5 million. The positive balance of this category until September 2011 decreased annually by 23.7 percent (429.0 million euros in September 2010). The decline in other investments is a result of a decline in assets for about 34 percent (64.7 percent of total other investments) and increased liabilities by 7.1 percent (32.3 percent of total other investments).

Assets under other investments category until September 2011 amounted at 212.1 million euros, which consist withdrawals of deposits placed outside the Kosovo economy in the previous years. On the other hand, during this period a decline of assets was recorded, mostly representing loans to non-resident institutions.

The liabilities in the other investments account, until September 2011 reached a value of 115.4 million euros. The main component in other investment liabilities continues to be the category of trade credit, which during this period reached a value of 91.2 million euros (an increase of 44.6 percent). The increase in trade credit can be an indicator of solvency of domestic companies, and can also serve as a measure of confidence by international companies to local companies. A substantial share within in liabilities is represented by the

loans of international institutions to the economy of Kosovo, which until September 2011 amounted at 44.7 million (20.9 million euros until September 2010).

Reserve assets up to September 2011 increased by 32.2 million euros. Growth rate of reserve assets under the Balance of Payments during the reporting period was significantly lower compared to the same period of the last year. However, it may be considered that reserve assets in Kosovo are a category with a relatively low importance in comparison with most of other countries, given that Kosovo uses Euro as its legal tender, which represents an acceptable currency in any international transaction (Box 3).

Box 3. Current Account under Euroisation

The sustainability of balance of payment's current account presents a serious challenge for many countries. The countries of Southeast Europe face a current account deficit, which is mainly as a result of lack of competitiveness and productivity. However, the SEE countries, as a result of the depreciation of regional currencies against euro, in recent years have shown improvements in current account balance.

The current account deficit in Kosovo has increased continuously, mostly driven by the deepening of trade deficit. Factors affecting the trade deficit are numerous, including the continuous growth of domestic demand, local currency appreciation against many regional currencies, the lack of production in the domestic economy and lack of capacity utilization in the domestic economy. Long-term trade deficit on the other hand is considered as an indicator of lack of competitiveness, but it does also reflect transition, which in many cases is characterized by the collapse of production.

Despite the fact that the current account deficit contributes negatively to the Kosovo economic growth, the sustainability of this deficit is not considered as a threat that could influence the economy through exchange rate risk. Kosovo generally does not face risks of depreciation, exchange rate shocks or lack of confidence in the currency because of using Euro. A slight degree of risk in the context of the exchange rate comes from some specific products (such as petroleum) which are traded in U.S. dollars, therefore significant change between the euro and the dollar may affect the prices of these products and thus may deepen the trade deficit. In addition, the other indicators related to exchange rate, the sustainability of current account in Kosovo stand very well. For example, countries with their own national currency use the foreign debt to intervene in foreign exchange reserves in order to keep a stable exchange rate. Nevertheless, Kosovo does not need a debt and currency market intervention, as Kosovo's main trading partners are countries of the Eurozone. Besides the Eurozone, Euro is a currency that is held as a reserve by the majority of the CEFTA countries, so any transaction in this currency is easily made.

Monetary policies of central banks of main trading partners are mostly oriented towards exchange rate stability against the euro by pegging their currency with Euro. Therefore, the nominal effective exchange rate between Kosovo and trading partners did not experience major changes as a result of the monetary policy followed by the SEE countries. On the other side, the real effective exchange rate is characterized by appreciations of the currencies' exchange rate in Kosovo against most of the trading partners, mainly driven by the increase of the consumer price index in Kosovo.

Special Topics*

* The views expressed in the Special Topics are those of the author(s) and do not necessarily reflect views of the Central bank of the Republic of Kosovo. The Special Topics describe research in progress by the author(s) and are published to elicit discussions and comments.

5. Capacity Utilization Rate of the Firms in Western Balkans: Evidence from BEEPS 2009 survey

Sokol HAVOLLI* dhe Albulenë KASTRATI^a

5.1. Introduction

This study aims to identify the production capacity utilization rate at the firm level and factors that may influence this rate for manufacturing firms in the Western Balkan countries, based on survey data of BEEPS 2009 (Business Environment and Enterprise Performance Survey). Considered as one of the main factors that may impact the widening of the output gap in Western Balkans, capacity utilization is an important topic to investigate, even though it appears as a not very much exploited topic in the literature. Moreover, capacity utilization is a particularly relevant factor in the region countries, considering that many of the Western Balkan countries face relatively high trade deficit and lack in competitiveness. Therefore, the increase of the capacity utilization, amongst others, would contribute in the decrease of the trade deficit in the region countries. Descriptive statistics presented in this article suggest that a relatively large manufacturing capacity of firms in the Western Balkans remains unutilized, whereas the potential determinants of the capacity utilization rate are mainly related with the infrastructural factors and with the competition that regional firms face. In addition, the informal economy which many of the Western Balkans, is also regarded as one of the important obstacles that firms surveyed in BEEPS 2009 face.

Based on the survey data from BEEPS 2009, in the global level, the reporting firms utilize around 73.2 percent of the manufacturing capacity. Capacity utilization rate of manufacturing firms operating in Eastern Europe and Central Asia, which mainly represent developing countries, is around 72 percent. Whereas, the South Eastern European (SEE) countries indicate a higher rate of manufacturing capacity utilization, of around 78.1 percent (arithmetic average). However, the level of utilization of productive capacities of the firms in developing countries continues to be lower compared with developed countries, where firms utilize around 85.7 percent of their production capacities. Croatia represents the country with the highest level of capacity utilization in the region, with 85.1 percent of capacity used, followed by Montenegro with 76.5 percent of capacity used.

5.2. The determinants of production capacity utilization

Capacity utilization represents the maximum amount that can be produced through the use of the overall available resources of the firm, such as machinery, capital and workforce. However, the production capacity of the firm is not always fully utilized. Production capacity, with machinery and labour available, can also be under-utilized (capacity utilization below 100 percent) and over-exploited (Ayaagri et al., 2007).

Capacity utilization of the firm's resources represents an economic concept, whose importance is constantly growing. However, the literature in this area remains

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underdeveloped and the definition of this concept is not clearly straightforward. The level of the firm's production capacity utilization is an important indicator in assessing the output gap in the economy (Graff and Sturm, 2010). Moreover, capacity utilization of the firm also indicates the level of efficiency of the existing resources used in the firm. At the macroeconomic level, manufacturing capacity utilization is the relation between the actual and potential output (Baccardo, 2004). At the firm level, production capacity utilization usually is defined as the level of capacity that the firm uses to generate goods and services (Aloi and Dixon, 2002).

The level of capacity utilization represents a firm's varying indicator, which varies depending on the external demand for products and services, and also depending on the firm's capabilities to produce and its internal management of the resources at disposal (Shapiro, 1989). For example, under-utilization of production capacity may represent a temporary phenomenon, which may reflect a decline in demand for that product or as a result of business cycle behaviour in a given time. In addition, the full capacity utilization, not necessarily represents an optimal state of the firm. Also, in certain cases, it may be the firm's strategy to temporarily operate with under-utilized capacities and reduce the production tempo. One of the factors that may affect the firm's decision to utilize a higher rate of production capacity is the level of firm's sales. If the firm's sales increase, the firm's production rate is expected to increase. However, if the firm's sales are expected to increase, the firm can raise the current production in order to meet the increasing demand for sales in the future.

The openness of the economy and the export promotion is one of the factors that can motivate firms to export, and utilize their resources more efficiently (Boccardo, 2005). The decision to participate in new markets and firms getting involved in exports could lead to improved productivity, and therefore higher utilization of production capacity (Damijan and Kostevc, 2005). This is because the firm's participation in foreign markets presents an extra opportunity for the placement of the firm's products. This provides an incentive for the firm to increase its production capacity, compared with the case when the firm products destination is for domestic market only. Economic openness and the involvement of the firms in exporting activities are particularly considered as important for the developing countries, such as region countries are (Biesbroeck, 2003; Blalock and Gertler, 2004).

The exposure of the local firms in foreign markets through exports can also increase the competitive pressure on them. Firms that export are actively exposed to a greater competitive pressure and are forced to improve faster than firms that produce for local market only. The increased competition is expected to have a positive effect on the efficiency of utilization of existing resources of the firm and thus could increase productivity (Fagnart et al., 1997). Local firms that target international markets are more motivated to increase investments in technology and operations aimed at a better utilization of manufacturing capacity. Also, a more efficient mobilization of underutilized resources from all sectors of the economy may positively reflect on economic performance (McCulloch et al., 2010).

Access to finance also represents one of the most important factors, especially in transition countries, which could affect the level of manufacturing capacity utilization. Access to finance increases the activity and operations of the firm and thus increases the efficiency of utilization of productive capacities. The BEEPS survey data indicate that from all the firms

from Western Balkan countries that have applied for loans, about 6.5 percent of them have responded that their applications for credit have been rejected. Moreover, the firms in this region appear to “self-select” themselves from applying for a loan, due to their perceived barriers on the process. Financial constraints to obtain a loan or other sources of funding may prevent the development of the firm and additional investment decisions and can therefore lead to lower rates of capacity utilization (Claessens and Tzioumis, 2006; Rahaman, 2011).

Ownership of the firm is also considered one of the important features on the overall performance of the firm. According Kiçmari (2009), foreign firms may have better performance if they are driven by the efficiency increase motive, while if they are market seeking, efficiency is not their primary objective.

Infrastructural services such as electricity and regular water supply represent key factors for the wellbeing of the firm's operations. Studies have shown that insufficient supply of electricity adversely affects the productivity of the firm, investment decisions and capacity utilization (Dollar et al., 2005).

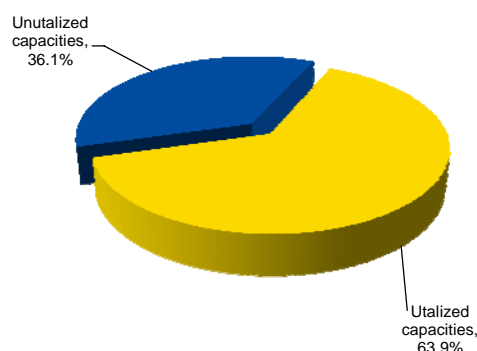
Besides the aforementioned factors that could directly affect the level of manufacturing capacity utilization, other factors such as the so-called 'third factors', may also impact the level of capacity utilization, which vary from state to state. For example, such factors are trade agreements, macroeconomic stability, labour market regulation, enforcement of contracts, etc. This is because the institutional and regulatory factors also affect the firm's performance and decisions to increase/decrease the firm's productive capacity, or as it defined in the Global Development Report 2005: 'The factors that shape opportunities and motivate firms to invest productively , create new jobs and expand as businesses'.

5.3. Firms' Capacity Utilization Rate in Western Balkans Countries

5.3.1 Kosovo

Kosovo remains the country with the lowest rate of capacity utilization by firms. The manufacturing sector in Kosovo utilizes only 63.9 percent of production capacity, whereas 36.1 are unutilized resources. This level of capacity utilization in Kosovo represents a significant contributor to the growth of output gap in the country (Figure 1). At the industry level, plastics and rubber industry have the highest rate of capacity utilization, which

Figure 1. Utilization of manufacturing capacity in Kosovo



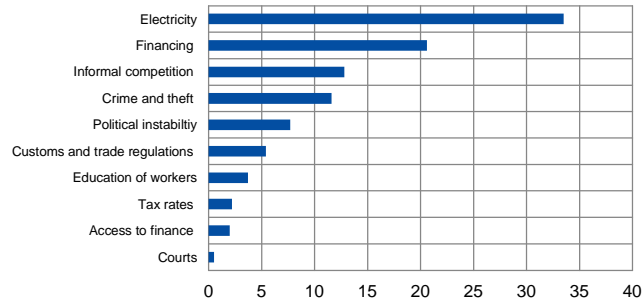
Source: Beeps (2009)

amounts to 83.0 percent of manufacturing capacity. These industries are followed by the food processing industry which utilizes around 76.5 percent of its manufacturing capacity. Production of food industry is also a growing industry, especially considering the continuous growth of domestic demand. The industry with the lowest rate of production capacity utilization is the industry of minerals and non-metallic products. Although Kosovo

is considered as a relatively rich economy with minerals, the outdated technology of this industry is considered as a factor affecting the low rate of utilization of productive opportunities.

The problem of unutilized capacities of the local firms that operate in Kosovo may be addressed with regard to ability to compete against the regional ones. For example, imports of prepared foodstuffs represents 11.8 percent of total imports, whereas including other food products such as oils, vegetables and animals, the import of these products represents about 20 percent of total imports. Thus, the relatively high demand for foodstuffs, together with the

Figure 2. Obstacles reported by firms in making business in Kosovo, in percent



Source: Beeps (2009)

unutilized capacities of domestic firms, may imply an unsatisfactory level of competitiveness of local firms. On the other hand, the competition pressure from international firms is reported as one of the main drivers of reducing production costs for around 40 percent of firms in Kosovo. Therefore, the competitive pressure from outside is positively affecting the efficiency of the firms operating in Kosovo. Therefore, competitive pressure, via improving efficiency, is also expected to improve the competitive position of local firms against foreign markets.

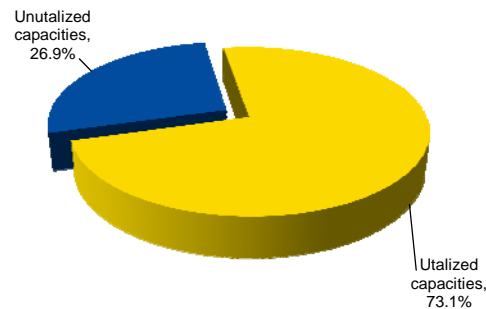
The BEEPS data also indicate that the foreign competition pressures are reported as one of the main challenges of the exporting local firms. This is because exporting firms in Kosovo have a higher rate of manufacturing capacity utilization compared to the average rate in Kosovo, which means that local firms that aim to access foreign markets, need to increase efficiency and reduce production costs. According to the BEEPS 2009 survey, capacity utilization of exporting firms in Kosovo is 73.5 percent. The duration of the firm's existence in the market may be considered as a proxy for technology or experience of the firm. Firms that operate after the year 2000 (that is after the period of the war in Kosovo) have a higher level of manufacturing capacity utilization (72.4 percent), which means that they may dispose a more efficient technology compared with the firms established before 1999, whose capacity utilization rate is 66.8 percent. Regarding firm size, the data suggest that small firms utilize their production capacity better than the medium size companies. Small firms in Kosovo utilize 71.2 percent of their capacity, whereas medium-size companies utilize 66.5 percent of production capacity.

The problem of the low rate of capacity utilization in Kosovo may have deepened considering other obstacles of firms, such as a regular supply with electricity. As Figure 6 suggests, electricity as well as perceptions of corruption are considered as the biggest problems of reporting firms in realizing their business in Kosovo. Informal competition is another factor which undermines domestic production.

5.3.2 Albania

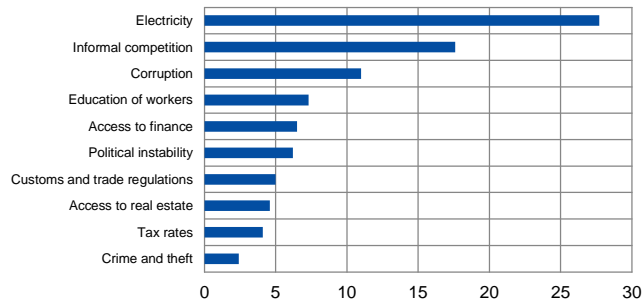
The capacity utilization rate of production firms in Albania's economy is 73.1 percent, whereas the remaining 26.9 per cent are unutilized capacity (Figure 3). Based on the characteristics of the firms, the data suggest that capacity utilization of exporting firms is similar to the average of the economy. On the other hand, the international certification of products did not affect in utilizing a higher rate of capacities. The capacity utilization of the firms obtaining international certification is 71.8 percent. With regard to specific industries, higher capacity utilization rate is observed in mineral products industry (79.7 percent) and chemical products industry (with 79.4 per cent). With regard to the size of the firms, small firms utilize better their capacities, followed by medium and large sized firms. Ownership also has an important role in capacity utilization rate of the firms. For example, foreign-owned firms in Albania utilize better their manufacturing capacity (83.1 percent), compared with domestic-owned firms, which utilize a lower rate of their available capacities (74 percent).

Figure 3. Utilization of manufacturing capacity, in Albania



Source: Beeps (2007)

Figure 4. Obstacles reported by firms in making business in Albania, in percent



Source: Beeps (2007)

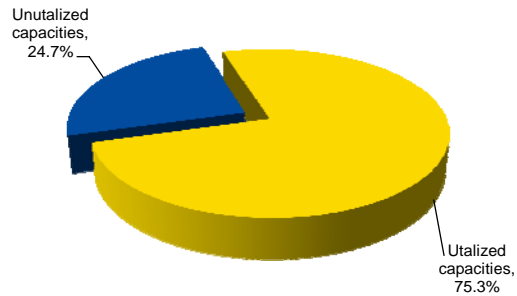
Based on data from the BEEPS 2009 survey, one of the main obstacles to doing business in Albania for the manufacturing sector is the electricity supply. As Figure 4 suggests, only 7.2 percent of firms surveyed reported no shortage of electricity supply, whereas the remaining firms report that they are faced with electricity outages. The second most important obstacle to doing business in Albania is reported to be informal economy, whereas corruption represents the third biggest obstacle for reporting firms. Nevertheless, despite not being reported, the productivity of the firms may also be considered as an important contributor in the capacity utilization of these firms. On the other hand, relatively high competitive pressures from foreign firms (as a result of productivity) can affect the aggregate demand for domestic goods and also the competitiveness of domestic firms.

5.3.3 Bosnia and Herzegovina

The capacity utilization rate of manufacturing firms in the economy of Bosnia and Herzegovina presents a higher rate than the Eastern Europe and global average. In this economy, the manufacturing sector utilizes 75.3 percent of production capacity (Figure 5).

Capacity utilization rate based on firms' characteristics indicate different results compared with the country average. For instance, exporting firms utilize 79.9 percent of manufacturing capacity, which represents a relatively higher rate when compared with the average in the economy. Also, firms with international certifications for their products have a relatively high capacity utilization rate (80.2 percent). The firms with the foreign ownership in Bosnia and Herzegovina are characterized with lower production capacity utilization (72.3 percent) when compared with the firms with domestic ownership (77.9 percent). The lower rate of capacity utilization of foreign owned firms can be explained through the orientation of this firms to gain larger market share rather than and increase the operating efficiency (Kiçmari, 2009). Regarding the firm size, large firms in Bosnia and Herzegovina utilize 74.5 percent of production capacity, compared with the 79.3 percent capacity utilization of the small firms, whereas the medium sized firms enjoy the highest rate of capacity utilization (86.3 percent). The main obstacle to doing business for the firms in Bosnia and Herzegovina is reported as the political instability and the tax rates. In addition, similarly with most of the countries in the region, firms in Bosnia and Herzegovina also report the informal competition as the third biggest obstacle to doing business.

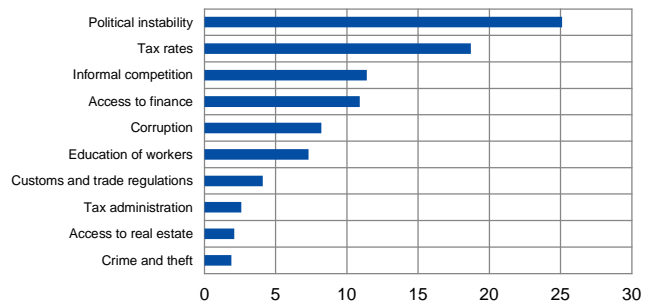
Figure 5. Utilization of manufacturing capacity, in Bosnia and Herzegovina



Source: Beeps (2009)

lower production capacity utilization (72.3 percent) when compared with the firms with domestic ownership (77.9 percent). The lower rate of

Figure 6. Obstacles reported by firms in making business in Bosnia and Herzegovina, in percent

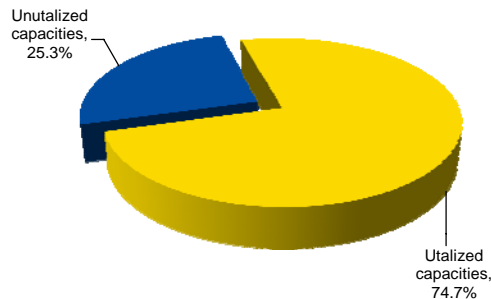


Source: Beeps (2009)

5.3.4 Macedonia

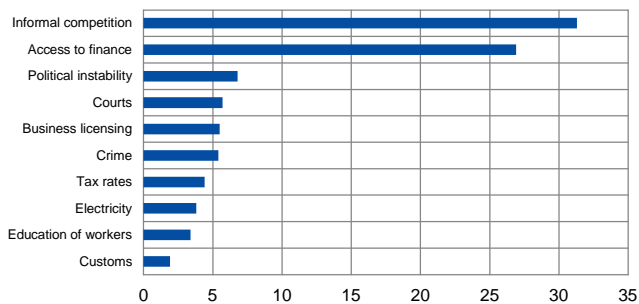
The manufacturing firms operating in Macedonia utilize around 74.7 percent of their capacities. The remaining of 25.3 percent remain unutilized resources (Figure 7). Based on the firms' characteristics, firms with the lowest rate of capacity utilization are the firms which experience more frequent power outages. Regarding the size of the firms, small firms have the highest rate of manufacturing capacity utilization (86.1 percent) followed by large firms (77.3 percent). Medium size firms have the lowest rate of capacity utilization (75.2 percent). Exporting firms in Macedonia utilize more capacity vs. firms that do not export (76.6 percent). Firms obtaining international certification for their products enjoy the highest rate of capacity utilization, reaching at 76.9 percent. Firms in Macedonia report the informal economy as the main obstacle to doing business, and unlike many countries in the region, access to finance is considered as the second biggest obstacle followed by the lack of political stability in this country. A distinguished characteristic of the firms in Macedonia is that the judiciary is also reported as a problem in doing business. Also, the licensing procedures for businesses are reported as a problematic barrier during the period 2009-2010.

Figure 7. Utilization of manufacturing capacity in Macedonia



Source: Beeps (2009)

Figure 8. Obstacles reported by firms in making business in Macedonia, in percent

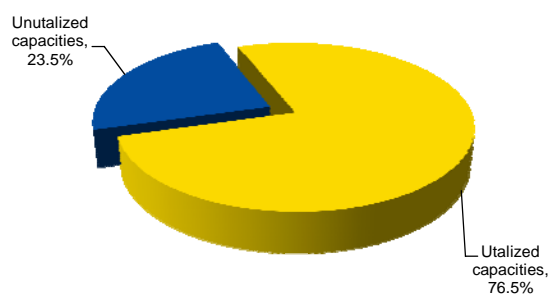


Source: Beeps (2009)

5.3.5 Montenegro

Manufacturing firms in Montenegro utilize 76.5 percent of their production capacity (Figure 9). The rate capacity utilization in Montenegro is higher than the average in Eastern Europe and SEE countries, but also higher than the global average for developing countries, too. Based on firms' characteristics,

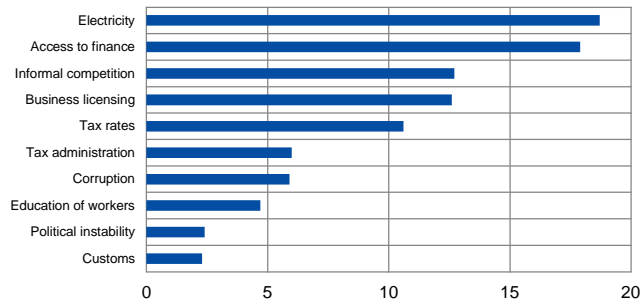
Figure 9. Utilization of manufacturing capacity in Montenegro



Source: Beeps (2009)

foreign-owned firms have lower rate of manufacturing capacity utilization. The relatively low rate of capacity utilization of the foreign firms operating in Macedonia may be explained by the tendency of these firms to rather enter the regional market and not necessarily increase their efficiency. On the other hand, domestic owned firms have the highest level of manufacturing capacity utilization (only 14.1 percent of local firms' capacities in Montenegro remain unused). The main obstacles to doing business reported from the firms operating in Montenegro are similar with the obstacles faced by other firms in the region. The main obstacle reported is the weak electricity supply, followed by the financial constraints. Similar to other regional firms, informal competition is reported as the third biggest obstacle to doing business.

Figure 10. Obstacles reported by firms in making business in Montenegro, in percent

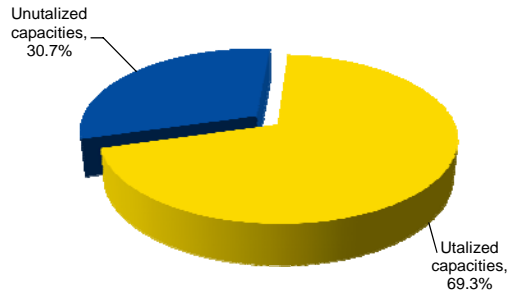


Source: Beeps (2009)

5.3.6 Serbia

Serbia appears to be among the countries with the lowest capacity utilization (69.3 percent) in the region, which ranks below the regional and global average (Figure 11).

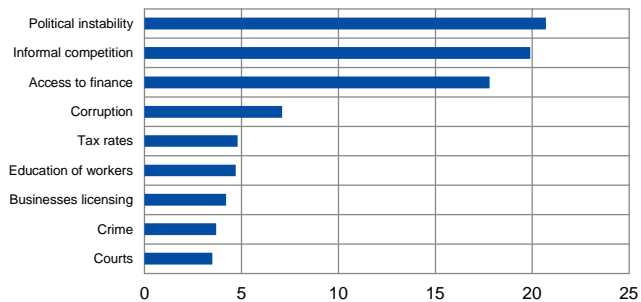
Figure 11. Utilization of manufacturing capacity in Serbia



Source: Beeps (2009)

Based on firms' characteristics in Serbia, exporting firms have a relatively high level of manufacturing capacity utilization. Also, firms with international certifications for their products use about 80 percent of manufacturing capacity. Foreign companies utilize productive capacity around 83.1 percent, while 78.2 percent of capacities are utilized from domestic firms. Firms leading to a lower capacity utilization rate in the economy are mainly small and medium sized firms. Despite the problems with electricity supply, firms in Serbia did not report problems with electricity. The main obstacle to do business reported by the firms in Serbia appears to be the political instability in this

Figure 12. Obstacles reported by firms in making business in Serbia, in percent



Source: Beeps (2009)

country, followed by informal competition and access to finance. Corruption is also reported to be one of the main obstacles to doing business in Serbia.

5.4. Conclusion

Despite the high trade deficit experienced by regional countries, the capacity utilization rate remains low compared to developed countries. However, in comparison with developing countries, the performance can be considered as relatively good. Given the characteristics of the firms, it can be considered that competitiveness ability of these firms against firms of EU is lower, including foreign firms. Even though the expectations are that exporting firms from the SEE countries use available resources more efficiently, yet firms in the SEE countries still have underutilized capacity. For example, Macedonia and Bosnia and Herzegovina, despite representing countries with a relatively high level of exports to GDP, still continue to have a high degree of unutilized capacity.

Being part of the transition process, SEE countries were followed by uneven developments. Consequently, the quality of infrastructural services in these countries seems to have stalled. Therefore, infrastructural problems, such as power outages, together with the institutions' inefficiency (e.g. the presence of the informal economy) are reported as major problems in almost all the countries of the region. The improvement of the obstacles reported by firms can increase the rate of the utilization of production capacities and reducing the production costs, and thus can contribute to improving the trade balance in these countries.

6. Statistical appendix

1. Balance of payments

(Non-cumulative data, in millions of euro)

Description	Current account						Capital and financial account			Net errors and omissions
		Goods and services		Income	Current transfers		Capital Account	Financial Account		
		Goods	Services							
2004	-208.2	-1001.4	-983.1	-18.3	138.3	654.9	79.4	219	57.6	128.8
2005	-247.5	-1086.9	-1078.5	-8.3	139.1	700.3	72.7	18.9	53.8	174.8
2006	-226.1	-1144.1	-1173.1	29.0	158.8	759.2	-14.9	20.8	-35.7	240.9
2007	-354.1	-1309.4	-1368.0	58.6	186.3	769.1	91.3	16.5	74.8	262.8
2008	-628.7	-1587.1	-1668.2	81.1	164.0	794.4	462.8	10.4	452.4	165.9
Q1	-100.4	-287.6	-323.4	35.8	20.9	166.3	59.2	1.8	57.4	41.2
Q2	-187.1	-386.8	-425.3	38.5	28.8	170.8	177.6	5.3	172.3	9.5
Q3	-178.8	-425.0	-453.9	28.9	21.8	224.5	139.6	7.1	132.4	39.2
2009 Q4	-137.2	-453.3	-470.8	17.6	11.5	304.6	166.6	93.9	72.7	-29.4
Q1	-82.3	-295.6	-318.1	22.4	27.7	185.7	49.8	5.3	44.6	32.5
Q2	-186.1	-418.6	-449.3	30.7	22.7	209.8	71.1	4.5	66.6	115.0
Q3	-280.5	-518.8	-521.2	2.4	14.5	223.7	186.3	8.7	177.6	94.2
2010 Q4	-183.5	-477.4	-487.4	10.0	24.2	269.7	245.6	6.9	238.7	-62.1
Q1	-95.3	-330.8	-387.4	56.6	38.3	197.2	84.8	12.4	72.3	10.5
Q2	-234.3	-476.1	-521.0	44.9	20.8	221.0	190.3	3.7	186.7	44.0
2011 Q3	-258.8	-550.4	-565.1	14.7	22.5	269.1	199.9	4.6	195.3	58.9

2. Services – net

(Non-cumulative data, in millions of euro)

Description	Balance											
	Transport	Travel	Communications services	Constructions services	Insurance services	Financial services	Computer and information services	Royalties and licence fees	Other business services	Personal, cultural, and recreational services	Government services, n.i.e.	
2004	-18.3	-28.1	27.0	12.0	1.0	-7.2	-1.6	-2.9	-1.7	-99.0	-0.3	82.4
2005	-8.3	-29.4	36.9	7.4	0.6	-7.4	-1.8	-4.1	-1.3	-91.1	-1.1	83.1
2006	29.0	-26.8	56.7	28.9	-0.8	-5.6	-2.4	0.2	0.2	-103.7	-0.2	82.4
2007	58.6	-36.3	61.7	42.1	-17.3	-8.7	-4.4	-2.8	-1.7	-55.2	-0.1	81.2
2008	81.1	-61.7	84.2	42.1	3.2	-12.1	0.1	-5.2	-3.2	-54.1	0.1	87.6
Q1	35.8	-15.8	31.3	12.6	0.8	-3.5	4.2	-0.3	0.4	-15.0	0.2	20.9
Q2	38.5	-11.4	30.9	12.1	3.7	-1.8	...	-0.5	-2.6	-12.8	-0.1	21.0
Q3	28.9	-15.2	13.2	19.0	4.0	0.1	-0.5	-0.7	-0.3	-10.7	0.3	19.7
2009 Q4	17.5	-19.3	31.0	14.6	2.3	-4.4	-0.2	...	-0.5	-24.4	0.3	18.1
Q1	22.4	-12.5	31.2	11.9	-1.9	-3.3	0.2	-0.2	-1.7	-14.7	-2.1	15.4
Q2	30.7	-15.7	33.6	12.5	...	-3.8	0.0	0.2	-0.6	-10.7	-1.5	16.6
Q3	2.4	-19.8	20.2	13.2	-10.2	-0.4	2.2	-1.9	0.2	-15.0	0.8	13.1
2010 Q4	10.0	-20.1	39.6	11.4	-8.0	-5.3	0.8	-1.9	...	-20.3	2.6	11.2
Q1	56.6	-14.8	44.5	19.8	-3.1	-3.8	-0.3	...	-0.1	0.9	0.1	13.4
Q2	44.9	-21.6	52.8	14.3	-3.8	-5.9	...	0.2	-0.1	-4.9	0.6	13.1
2011 Q3	14.7	-22.8	20.8	15.6	2.7	-2.5	-0.3	-0.4	-0.1	-10.9	...	12.6

3. Services – credit

(Non-cummulative, in millions of euro)

Description	Credit											
	Transport	Travel	Communications services	Constructions services	Insurance services	Financial services	Computer and information services	Royalties and licence fees	Other business services	Personal, cultural, and recreational services	Government services, n.i.e.	
2004	246.8	22.4	73.4	27.3	10.1	7.6	1.9	1.4	...	16.7	0.7	85.2
2005	265.0	22.3	88.2	31.5	14.6	7.6	1.8	2.0	...	10.5	0.6	86.0
2006	319.0	22.8	109.3	48.9	14.0	10.2	2.1	2.8	0.3	22.2	0.9	85.4
2007	335.0	31.6	111.5	56.6	2.9	11.5	1.5	1.7	0.1	32.4	0.5	84.7
2008	351.6	28.9	136.8	55.9	8.9	12.1	2.7	1.4	0.5	13.6	0.8	90.0
Q1	98.6	6.6	40.1	15.9	3.4	2.5	4.5	0.3	0.9	2.6	0.2	21.5
Q2	107.6	6.7	48.5	16.7	4.9	2.9	0.7	0.3	0.1	5.8	...	21.0
Q3	123.3	9.6	55.4	20.5	4.7	7.0	...	0.1	0.2	5.7	0.4	19.8
2009 Q4	99.1	7.2	44.1	17.5	2.7	2.5	0.1	1.2	...	4.5	0.2	19.1
Q1	93.7	6.9	43.6	16.2	0.8	2.3	0.3	0.4	0.2	6.8	0.2	16.0
Q2	120.6	9.8	57.4	17.6	1.1	3.1	0.1	0.9	...	12.9	0.4	17.3
Q3	137.7	7.3	73.2	20.6	2.5	7.2	2.3	0.2	0.3	7.9	1.0	15.2
2010 Q4	123.6	7.2	55.2	22.6	2.0	3.0	1.0	1.1	0.1	14.3	2.9	14.2
Q1	126.9	7.6	55.0	25.5	1.0	2.5	0.2	0.7	...	20.2	0.8	13.4
Q2	133.0	4.9	68.1	24.8	0.7	2.3	...	0.8	...	17.3	0.9	13.1
2011 Q3	160.7	8.5	83.9	22.9	8.3	5.5	0.1	0.2	...	18.7	...	12.6

4. Services – debi

(Non-cummulative data, in millions of euro)

Description	Debit											
	Transport	Travel	Communications services	Constructions services	Insurance services	Financial services	Computer and information services	Royalties and licence fees	Other business services	Personal, cultural, and recreational services	Government services, n.i.e.	
2004	-265.1	-50.5	-46.4	-15.3	-9.1	-14.8	-3.5	-4.3	-1.7	-115.7	-1.0	-2.8
2005	-273.3	-51.7	-51.3	-24.1	-14.0	-14.9	-3.6	-6.1	-1.3	-101.6	-1.7	-2.9
2006	-289.9	-49.6	-52.5	-20.0	-14.8	-15.8	-4.5	-2.5	-0.1	-125.9	-1.1	-3.0
2007	-276.5	-67.9	-49.7	-14.5	-20.2	-20.2	-5.9	-4.5	-1.8	-87.5	-0.7	-3.5
2008	-270.5	-90.6	-52.6	-13.8	-5.7	-24.2	-2.5	-6.5	-3.7	-67.6	-0.7	-2.4
Q1	-62.7	-22.3	-8.8	-3.3	-2.7	-6.0	-0.4	-0.6	-0.5	-17.6	-0.1	-0.6
Q2	-69.1	-18.1	-17.6	-4.6	-1.2	-4.6	-0.7	-0.8	-2.7	-18.6	-0.1	0.0
Q3	-94.5	-24.8	-42.3	-1.5	-0.7	-6.9	-0.5	-0.9	-0.5	-16.4	-0.1	-0.1
2009 Q4	-81.5	-26.5	-13.1	-2.8	-0.5	-6.9	-0.3	-1.1	-0.5	-28.9	0.1	-1.0
Q1	-71.3	-19.4	-12.4	-4.3	-2.7	-5.6	0.0	-0.6	-1.9	-21.5	-2.2	-0.6
Q2	-89.9	-25.4	-23.7	-5.1	-1.1	-6.9	-0.1	-0.6	-0.6	-23.6	-1.9	-0.7
Q3	-135.2	-27.1	-53.0	-7.4	-12.7	-7.6	-0.1	-2.1	-0.2	-22.8	-0.2	-2.0
2010 Q4	-113.6	-27.3	-15.6	-11.3	-10.0	-8.3	-0.2	-3.0	0.0	-34.5	-0.3	-3.1
Q1	-70.3	-22.3	-10.5	-5.7	-4.1	-6.3	-0.5	-0.7	-0.1	-19.3	-0.7	0.0
Q2	-88.1	-26.5	-15.3	-10.5	-4.5	-8.2	...	-0.6	-0.1	-22.2	-0.3	0.0
2011 Q3	-145.9	-31.3	-63.1	-7.3	-5.6	-7.9	-0.3	-0.7	-0.1	-29.6	0.0	0.0

5. Income

(Non-cumulative data, in millions of euro)

Description	Balance	Credit		Debit			
		Compensation of employees	Investment income	Compensation of employees	Investment income		
2004	138.3	158.4	143.0	15.4	-20.1	-0.7	-19.4
2005	139.1	170.5	145.9	24.5	-31.4	-0.7	-30.7
2006	158.8	187.8	147.3	40.5	-29.0	-0.7	-28.3
2007	186.3	235.7	155.6	80.1	-49.4	-0.8	-48.7
2008	164.0	233.3	176.2	57.1	-69.3	-0.8	-68.5
Q1	20.9	43.1	38.7	4.4	-22.2	-0.2	-22.0
Q2	28.8	52.3	47.1	5.2	-23.5	-0.2	-23.3
Q3	21.8	45.8	44.1	16	-24.0	-0.2	-23.7
2009 Q4	11.5	41.3	39.7	16	-29.8	-0.3	-29.5
Q1	27.7	48.9	46.5	2.5	-21.3	-0.9	-20.4
Q2	22.7	44.5	42.7	18	-21.8	-0.9	-21.0
Q3	14.5	45.3	41.8	3.5	-30.8	-1.5	-29.3
2010 Q4	24.2	49.6	45.1	4.6	-25.4	-1.2	-24.2
Q1	38.3	56.7	52.6	4.1	-18.4	-2.4	-15.9
Q2	20.8	64.8	58.8	5.9	-44.0	-3.0	-40.9
2011 Q3	22.5	62.4	57.5	5.0	-40.0	-3.3	-36.6

6. Current transfers

(Non-cumulative data, in millions of euro)

Description	Balance	Credit		Debit			
		Central government	Other transfers	Central government	Other transfers		
2004	654.9	823.8	379.5	444.2	-168.8	-7.6	-161.2
2005	700.3	859.0	354.1	504.8	-158.7	-6.2	-152.4
2006	759.2	885.1	327.4	557.7	-125.9	-7.5	-118.4
2007	769.1	862.2	251.4	610.8	-93.1	-6.3	-86.8
2008	794.4	898.9	261.6	637.3	-104.5	-5.4	-99.1
Q1	166.3	193.5	69.8	123.7	-27.2	...	-27.2
Q2	170.8	202.4	61.2	141.3	-31.6	...	-31.6
Q3	224.5	256.5	84.7	171.8	-32.0	...	-32.0
2009 Q4	304.6	337.1	185.7	151.5	-32.5	...	-32.5
Q1	185.7	211.4	77.1	134.3	-25.7	0.0	-25.7
Q2	209.8	234.5	84.7	149.8	-24.7	0.0	-24.7
Q3	223.7	250.1	72.7	177.4	-26.3	0.0	-26.3
2010 Q4	269.7	297.9	126.5	171.4	-28.3	0.0	-28.3
Q1	197.2	226.4	82.1	144.3	-29.2	0.0	-29.2
Q2	221.0	252.0	89.7	162.3	-31.1	0.0	-31.1
2011 Q3	269.1	299.3	87.3	211.9	-30.2	0.0	-30.2

7. Financial account – net

(Non-cummulative data, in millions of euro)

Description	Balance												
	Direct investments					Portfolio investments	Other investments				Financial derivatives	Reserve assets	
	Equity capital	Reinvested earnings	Other capital transactions	Trade credit	Loans		Currency and deposits	Other assets					
2004	57.6	42.9	30.4	9.1	3.5	-32.1	-66.0	63.4	3.7	-133.1	...	-	112.7
2005	53.8	107.6	65.6	16.8	25.2	-17.5	-68.7	64.1	24.1	-156.9	...	-	32.4
2006	-35.7	289.2	185.6	24.8	78.8	-65.4	-181.6	31.5	7.7	-220.8	...	-	-77.9
2007	74.8	431.0	276.4	41.6	113.0	-36.6	-29.4	67.7	9.4	-106.5	...	-	-290.3
2008	452.4	341.5	197.4	56.2	88.0	16.8	117.2	53.5	47.1	16.6	...	-	-23.1
Q1	57.4	58.1	36.6	14.9	6.6	3.8	39.2	22.6	17.8	-1.1	0.0	-	-43.7
Q2	172.3	62.1	42.5	14.1	5.5	23.4	58.9	64.3	20.1	-25.6	0.0	-	27.9
Q3	132.4	78.2	63.1	16.4	-1.3	-27.1	161.5	29.4	16.7	55.9	59.5	-	-80.2
2009 Q4	72.7	78.5	58.4	11.7	8.3	-56.6	-139.4	-13.3	-119.4	-6.7	0.0	-	190.3
Q1	44.6	65.0	41.2	11.3	12.5	-91.7	79.5	-5.0	-24.0	108.5	0.0	-	-8.3
Q2	66.6	36.9	35.3	15.2	-13.7	-45.9	117.1	18.4	4.3	94.4	0.0	-	-41.6
Q3	177.6	130.7	96.6	16.6	17.5	-50.0	232.4	43.8	22.0	166.6	0.0	-	-135.6
2010 Q4	238.7	125.7	92.9	15.8	17.0	-43.5	18.0	36.2	16.8	-35.0	0.0	-	138.5
Q1	72.3	89.4	71.7	7.0	10.7	-44.8	83.5	26.0	26.8	30.8	0.0	-	-55.8
Q2	186.7	69.8	33.3	16.5	20.0	-35.6	122.1	38.0	-1.0	85.1	0.0	-	30.3
2011 Q3	195.3	126.6	102.3	18.1	6.2	-46.5	121.8	27.4	-5.9	100.3	0.0	-	-6.7

8. Financial account – investments in reporting economy

(Non-cummulative data, in millions of euro)

Description	Investments in Kosovo										
	Direct investments					Portfolio investments in Kosovo	Other investments				
	Equity capital	Reinvested earnings	Other capital transactions	Trade credit	Loans		Currency and deposits	Other liabilities			
2004	105.0	42.9	30.4	9.1	3.5	-	62.0	49.1	15.3	-2.4	...
2005	180.2	107.6	65.6	16.8	25.2	-	72.6	51.9	17.2	3.6	...
2006	331.8	294.8	191.2	24.8	78.8	-	37.0	26.3	10.7	0.0	...
2007	519.6	440.7	286.1	41.6	113.0	-	78.9	68.7	13.8	-3.6	...
2008	503.5	366.5	222.3	56.2	88.0	-	137.0	64.3	48.4	24.2	...
Q1	107.4	61.5	40.0	14.9	6.6	.	45.9	23.7	26.7	-4.5	.
Q2	158.2	64.6	44.9	14.1	5.5	.	93.6	65.6	8.5	19.4	.
Q3	180.7	80.4	65.3	16.4	-1.3	.	100.3	28.9	11.0	0.9	59.5
2009 Q4	-42.8	80.9	60.9	11.7	8.3	.	-123.7	-12.3	-119.0	7.6	.
Q1	82.8	65.8	41.9	11.3	12.5	0.0	17.0	-1.1	-8.8	27.0	.
Q2	63.3	37.2	35.7	15.2	-13.7	0.0	26.1	19.7	5.2	1.1	.
Q3	196.8	132.2	98.1	16.6	17.5	0.0	64.6	44.5	24.5	-4.3	.
2010 Q4	195.6	126.6	93.8	15.8	17.0	0.0	69.0	35.1	17.4	16.5	.
Q1	135.9	91.0	73.4	7.0	10.7	0.0	44.9	24.6	28.1	-7.8	.
Q2	104.1	70.1	33.6	16.5	20.0	0.0	34.0	39.2	20.3	-25.4	.
2011 Q3	168.2	131.6	107.3	18.1	6.2	0.0	36.6	27.4	-3.7	12.8	.

9. Financial account – investments abroad

(Non-cummulative data, in millions of euro)

Description	Investments abroad												
	Direct investments					Portfolio investments	Other investments				Financial derivatives	Reserve assets	
	Equity capital	Reinvested earnings	Other capital transactions	Trade credit	Loans		Currency and deposits	Other assets					
2004	-47.4	...	...	-	-	-32.1	-128.0	14.2	-11.7	-130.6	...	-	112.7
2005	-126.5	...	...	-	-	-17.5	-141.3	12.2	6.9	-160.5	...	-	32.4
2006	-367.5	-5.6	-5.6	-	-	-65.4	-218.7	5.2	-2.9	-220.9	...	-	-77.9
2007	-444.9	-9.7	-9.7	-	-	-36.6	-108.3	-0.9	-4.5	-102.9	...	-	-290.3
2008	-51.1	-25.0	-25.0	-	-	16.8	-19.8	-10.8	-1.4	-7.7	...	-	-23.1
Q1	-49.9	-3.4	-3.4	0.0	0.0	3.8	-6.6	-12	-8.9	3.5	0.0	-	-43.7
Q2	14.1	-2.5	-2.5	0.0	0.0	23.4	-34.7	-1.3	11.6	-45.0	0.0	-	27.9
Q3	-48.3	-2.2	-2.2	0.0	0.0	-27.1	61.2	0.5	5.7	55.0	0.0	-	-80.2
2009 Q4	115.4	-2.5	-2.5	0.0	0.0	-56.6	-15.7	-1.0	-0.5	-14.3	0.0	-	190.3
Q1	-38.3	-0.7	-0.7	0.0	0.0	-91.7	62.5	-3.8	-15.2	81.6	0.0	0.0	-8.3
Q2	3.3	-0.3	-0.3	0.0	0.0	-45.9	91.0	-1.3	-0.9	93.2	0.0	0.0	-41.6
Q3	-19.2	-1.4	-1.4	0.0	0.0	-50.0	167.8	-0.7	-2.5	170.9	0.0	0.0	-135.6
2010 Q4	43.1	-0.9	-0.9	0.0	0.0	-43.5	-51.0	1.1	-0.6	-51.5	0.0	0.0	138.5
Q1	-63.6	-1.6	-1.6	0.0	0.0	-44.8	38.7	1.4	-1.3	38.5	0.0	0.0	-55.8
Q2	82.6	-0.2	-0.2	0.0	0.0	-35.6	88.1	-1.1	-21.3	110.5	0.0	0.0	30.3
2011 Q3	27.1	-5.0	-5.0	0.0	0.0	-46.5	85.3	0.0	-2.2	87.5	0.0	0.0	-6.7

10. Remittances - by channels

(Non-cummulative data, in millions euro)

Description	Total		
	Banks	MTC	Other
2004	357.0	-	-
2005	418.0	-	-
2006	467.1	135.1	184.7
2007	515.6	137.1	198.7
2008	535.4	126.3	213.1
Q1	101.2	22.3	45.8
Q2	121.6	26.1	51.6
Q3	150.4	27.6	50.7
2009 Q4	132.4	24.0	58.7
Q1	107.0	26.3	46.3
Q2	124.4	27.1	53.3
Q3	143.5	22.2	53.0
2010 Q4	136.6	20.1	60.5
Q1	111.3	20.6	50.1
Q2	122.9	18.5	55.1
2011 Q3	159.1	17.3	55.7

11. Remittances – by countries

(Non-cumulative data, in millions of euro)

Description	Germany	Switzerland	Italy	Austria	Belgium	USA	Sweden	France	Norway	Canada	England	Danmark	Finland	Holand	Slovenia	Other
2008	37.7%	15.9%	13.1%	6.2%	2.8%	2.8%	3.7%	3.9%	1.9%	2.2%	1.5%	1.9%	1.1%	1.2%	1.4%	2.6%
Q1	34.9%	21.4%	10.5%	5.3%	3.7%	3.5%	3.3%	3.4%	2.6%	1.6%	1.6%	1.0%	1.1%	1.1%	1.0%	4.2%
Q2	39.4%	19.7%	11.3%	6.1%	2.9%	2.6%	2.9%	4.0%	2.4%	1.8%	1.3%	0.9%	0.9%	1.2%	1.4%	1.5%
Q3	37.4%	21.2%	9.8%	6.0%	2.8%	2.6%	3.5%	3.8%	2.8%	2.1%	1.3%	0.9%	1.1%	1.0%	1.5%	2.2%
2009 Q4	38.1%	22.0%	9.8%	5.5%	2.8%	2.3%	3.2%	3.9%	3.2%	1.9%	1.3%	0.8%	1.1%	1.2%	1.3%	1.7%
Q1	34.8%	21.0%	8.8%	5.7%	2.6%	3.9%	3.1%	3.5%	2.8%	1.3%	1.5%	0.9%	1.1%	1.1%	3.4%	4.4%
Q2	34.7%	20.7%	7.9%	3.9%	2.9%	4.7%	3.1%	3.6%	3.1%	2.0%	1.7%	0.6%	0.7%	1.0%	3.7%	5.9%
Q3	33.2%	21.4%	7.0%	6.5%	2.5%	4.8%	3.4%	4.0%	2.5%	2.3%	1.6%	0.6%	0.9%	1.0%	5.6%	2.7%
2010 Q4	34.1%	21.6%	7.2%	5.5%	2.9%	3.1%	3.7%	4.1%	2.6%	1.9%	1.3%	0.6%	0.7%	1.0%	4.5%	5.3%
Q1	32.7%	23.7%	7.5%	5.6%	2.8%	4.6%	3.8%	3.8%	2.8%	1.5%	1.5%	0.7%	0.8%	1.2%	3.9%	3.0%
Q2	32.8%	23.0%	7.0%	5.5%	2.0%	4.0%	3.1%	3.7%	2.8%	2.1%	1.3%	0.9%	1.0%	1.0%	3.9%	6.1%
2011Q3	33.8%	23.4%	6.2%	5.5%	2.9%	2.3%	3.6%	4.2%	2.6%	2.0%	1.2%	0.6%	0.8%	1.0%	3.3%	6.7%

12. Foreign direct investments – by activity

(Non-cumulative data, in millions of euro)

Description	Total	Financial services	Production	Real estate	Transport and telecommunication	Electricity	Mining	Construction	Processing industry	Agriculture	Trade services, cleaning, collection	Advising, operation, research	Sanitarian activity	Other
2007	100.0%	23.1%	9.0%	7.0%	29.3%	0.6%	9.4%	1.2%	8.0%	1.8%	2.9%	1.0%	2.9%	3.8%
2008	100.0%	34.9%	6.0%	16.8%	13.8%	4.5%	4.7%	3.7%	8.5%	2.3%	2.7%	0.6%	0.6%	0.9%
2009	100.0%	25.5%	17.1%	14.9%	7.4%	2.9%	2.4%	12.0%	2.4%	4.4%	5.5%	0.9%	0.8%	3.8%
2010 Q1	100.0%	16.8%	18.4%	19.0%	10.2%	0.0%	1.0%	17.5%	10.5%	1.5%	2.6%	1.4%	0.9%	0.3%
Q2	100.0%	27.1%	18.7%	9.7%	0.0%	0.1%	0.2%	15.9%	11.0%	0.1%	5.7%	4.8%	1.9%	4.8%
Q3	100.0%	22.0%	2.7%	10.5%	5.0%	0.2%	9.6%	38.4%	5.6%	0.1%	2.4%	1.8%	0.0%	1.8%
Q4	100.0%	11.8%	39.3%	14.3%	0.8%	0.2%	0.3%	27.8%	0.3%	0.8%	2.5%	1.3%	...	0.7%
Q1	100.0%	13.9%	13.7%	14.0%	7.0%	0.4%	0.0%	42.1%	0.6%	0.1%	5.6%	2.5%	0.0%	0.1%
Q2	100.0%	20.5%	30.9%	19.6%	17.3%	0.0%	5.2%	-3.8%	2.3%	0.2%	3.1%	3.4%	0.0%	1.2%
2011Q3	100.0%	17.7%	11.9%	17.2%	11.3%	0.0%	-2.5%	35.9%	0.2%	0.1%	2.5%	5.4%	0.1%	0.0%

13. Direct investments – main countries

(Non-cumulative data, in millions of euro)

Description	Total	of which:									
		Slovenia	Germany	Austria	Switzerland	Great Britain	turkey	Holand	Albania	USA	France
2007	440.7	56.2	48.1	35.4	9.7	116.2	5.4	41.2	3.4	8.8	8.6
2008	366.5	44.3	44.0	51.3	32.1	36.6	23.8	22.5	21.9	4.8	3.5
2009	287.4	50.8	75.2	15.5	22.7	6.2	14.5	15.1	23.3	11.8	6.0
2010 Q1	65.8	18.8	11.6	4.1	8.4	1.9	1.7	0.3	3.5	3.7	1.1
Q2	37.2	2.1	9.9	5.6	6.1	-23.3	1.1	0.9	9.4	5.6	0.8
Q3	132.2	10.3	14.3	7.0	14.0	34.0	1.2	7.8	5.0	1.2	1.1
2010 Q4	126.6	2.8	55.8	4.4	6.6	26.2	0.8	5.5	2.4	2.1	0.8
Q1	91.0	6.3	21.5	1.6	7.1	32.3	8.5	0.2	2.2	3.3	0.7
Q2	70.1	2.8	10.8	7.4	7.8	0.0	12.6	15.8	1.4	3.0	0.0
2011Q3	131.6	5.2	28.2	8.9	5.8	36.2	19.4	-7.9	2.1	7.4	0.8

14. Exports by trading partners – main partners

(Cumulative, within the calendar year, in million of euro)

Description	Total exports									
	Europe								Non-european countries	
	European union						CEFTA	Other european countries		
	EU 15		EU 10		EU 2					
2001 December	10.6
2002 December	27.6
2003 December	35.6	35.1	14.9	13.7	1.0	0.2	18.2	2.0	0.5	
2004 December	56.6	55.5	16.6	15.0	1.2	0.4	23.5	15.4	1.0	
2005 December	56.3	54.2	21.8	19.2	1.5	1.2	29.9	2.6	2.0	
2006 December	110.8	109.4	42.3	23.4	5.2	13.7	51.7	15.4	1.3	
2007 December	165.1	156.8	69.3	53.1	5.1	11.1	65.1	22.4	8.3	
2008 December	198.5	171.1	94.0	80.8	10.5	2.7	61.5	15.6	27.3	
November	149.0	130.4	64.3	57.6	4.0	2.6	48.4	17.7	18.6	
2009 December	165.3	144.2	71.3	64.0	4.3	2.9	53.5	19.5	21.1	
January	15.8	12.1	7.9	6.9	0.3	0.7	3.6	0.7	3.6	
February	31.4	26.2	17.0	15.3	0.7	1.1	7.5	1.6	5.2	
March	52.6	45.7	29.7	26.3	1.5	1.9	13.1	2.9	6.8	
April	78.0	65.7	41.0	36.3	2.4	2.4	18.8	5.9	12.3	
May	111.0	92.2	55.8	50.4	2.6	2.8	25.1	11.3	18.8	
June	141.7	117.0	68.7	62.1	3.3	3.2	34.0	14.4	24.7	
July	162.9	133.1	78.0	70.1	3.9	4.1	39.1	15.9	29.9	
August	189.2	150.5	85.8	76.6	4.4	4.9	45.8	18.8	38.7	
September	214.3	169.9	95.2	84.2	5.3	5.7	53.5	21.1	44.5	
October	242.7	190.6	106.2	93.9	6.1	6.2	59.6	24.8	52.1	
November	268.7	212.4	120.2	107.0	6.7	6.5	64.9	27.4	56.2	
2010 December	294.0	233.4	131.5	116.8	7.7	7.1	70.9	31.0	60.6	
January	22.9	18.9	12.6	11.5	0.9	0.1	5.5	0.8	4.0	
February	48.5	42.6	29.3	26.5	2.1	0.8	11.2	2.0	5.9	
March	74.8	64.7	43.7	39.4	3.5	0.9	18.0	3.0	10.1	
April	104.1	89.6	56.8	51.0	4.9	1.0	24.9	7.9	14.5	
May	133.4	109.9	67.3	60.3	5.8	1.2	31.6	11.1	23.4	
June	164.2	135.4	77.5	69.6	6.6	1.3	38.2	19.7	28.8	
July	193.5	160.2	86.6	77.3	7.7	1.5	48.1	25.5	33.4	
August	217.3	177.6	93.7	83.8	8.1	1.8	56.3	27.6	39.6	
2011 September	241.6	196.6	104.3	93.9	8.5	1.9	63.3	29.0	45.0	

15. Imports by trading partners – main partners

(Cumulative within the calendar year, in millions of euro)

Description	Total imports								
	Europe							Other European countries	Non-european countries
	European union (EU)			CEFTA					
EU 15	EU 10	EU 2							
2001 December	684.5								
2002 December	854.8								
2003 December	973.1	842.2	276.2	174.0	68.5	33.7	443.6	122.4	130.9
2004 December	1,063.3	947.1	424.7	284.0	93.4	47.3	368.7	153.6	116.2
2005 December	1,157.5	1,017.5	439.7	296.3	98.5	44.9	440.4	137.5	139.9
2006 December	1,305.9	1,153.6	454.3	286.5	104.9	62.9	536.3	163.0	152.3
2007 December	1,576.2	1,350.4	572.9	382.7	118.0	72.3	579.6	197.9	225.8
2008 December	1,928.2	1,654.8	702.0	490.4	150.9	60.6	717.8	235.0	273.4
November	1,738.7	1,493.4	676.5	501.8	125.9	48.8	625.7	191.2	245.3
2009 December	1,935.5	1,659.2	755.0	559.8	141.3	54.0	692.5	211.7	276.3
January	103.4	84.6	32.3	22.8	6.6	2.9	38.6	13.8	18.8
February	230.7	191.1	82.5	59.5	17.6	5.4	78.5	30.1	39.6
March	390.0	331.1	148.2	109.3	29.5	9.4	136.5	46.5	58.9
April	570.2	491.6	222.8	164.6	45.5	12.7	204.3	64.5	78.7
May	750.8	649.4	295.2	219.3	59.1	16.8	270.4	83.7	101.5
June	938.7	805.1	363.7	270.1	73.2	20.5	341.1	100.3	133.6
July	1,154.7	995.8	453.4	335.0	88.7	29.7	420.3	122.1	159.0
August	1,361.7	1,173.9	527.2	388.4	104.8	34.1	506.4	140.3	187.8
September	1,553.1	1,339.3	597.9	439.3	119.9	38.6	586.3	155.2	213.7
October	1,749.2	1,508.5	674.7	496.9	134.6	43.2	657.9	175.9	240.7
November	1,936.1	1,668.0	742.4	546.4	148.4	47.5	730.4	195.2	268.1
2010 December	2,144.9	1,839.8	821.3	604.6	164.3	52.3	799.0	219.5	305.1
January	132.7	110.7	44.1	32.0	9.0	3.2	49.1	17.5	22.0
February	281.8	232.6	100.0	73.4	19.1	7.5	97.6	35.0	49.2
March	472.3	389.9	168.3	123.8	31.1	13.3	171.3	50.3	82.4
April	668.2	557.7	237.3	174.2	43.3	19.8	247.2	73.2	110.5
May	880.6	740.8	312.8	230.7	56.3	25.8	330.3	97.8	139.8
June	1,093.5	922.2	389.9	288.7	70.7	30.5	415.4	117.0	171.3
July	1,315.6	1,107.5	477.7	356.3	85.3	36.1	494.5	135.3	208.1
August	1,544.8	1,302.5	570.8	423.8	101.9	45.1	574.6	157.1	242.3
2011 September	1,760.5	1,486.2	657.1	488.2	117.3	51.7	652.5	176.5	274.3

16. Imports by trading partners and broad economic categoris

(Cumulative within the calendar year, in millions of euro)

Description	As of September 2011												
	Total	I. Live animals and animal products	II. Vegetable products	III. Animal or veg. fats and oil - edib.	IV. Prepared foodstuffs, bever. and tob.	V. Mineral products	VI. Products of the chem. Or allied industry	VII. Plastics, rubber and darticles thereof	XIII. Artic. Of stoneplastic, ceramic, glass	XVI. Machinery, appliances, electrical, etc.	XIX. Weapons and munition	XX. Artikuje pèzier	XXI. Art works
Total	1,760.5	70.6	101.7	16.5	214.3	379.1	123.2	100.2	62.3	67.2	178.4	109.6	18.3
Europe	1,486.2	39.8	82.2	16.1	195.2	347.0	114.6	81.0	40.5	55.5	135.6	99.7	11.6
European Union (EU)	657.1	30.8	31.1	5.2	86.8	84.1	62.6	44.7	9.6	24.9	83.0	95.6	10.2
BE 15, of which:	488.2	12.9	21.0	1.2	51.9	81.7	40.9	34.9	7.5	18.7	62.6	92.1	7.2
Austria	25.8	1.0	2.0	0.0	9.4	0.5	4.0	1.7	0.1	0.2	2.0	0.2	0.2
France	22.6	0.1	4.8	0.0	0.8	0.1	3.0	1.1	0.1	0.2	2.9	8.3	0.3
Germany	204.6	6.9	0.3	0.1	25.3	4.3	11.7	22.1	1.3	1.5	33.4	71.6	4.3
Greece	75.6	0.1	4.9	0.2	4.4	42.1	7.3	5.0	0.7	1.7	2.1	0.0	0.5
Italy	103.8	1.1	4.1	0.5	6.2	34.0	8.3	2.8	1.5	8.4	13.9	5.3	0.8
Holand	13.9	2.5	4.0	0.4	2.1	0.3	0.9	0.5	0.7	0.1	1.1	0.2	0.4
Spain	13.1	0.1	0.7	0.0	0.1	0.0	0.8	0.3	1.6	6.1	1.3	1.1	0.1
Sweden	5.1	0.0	0.0	0.0	0.0	0.0	0.2	0.5	0.0	0.0	1.8	1.8	0.1
United Kingdom	12.7	0.1	0.0	0.0	3.2	0.0	2.1	0.2	0.1	0.1	2.4	3.3	0.2
BE 10, of which:	117.3	17.3	1.7	0.5	20.2	0.9	17.6	6.9	0.6	2.6	16.3	3.1	2.9
Check Republic	15.1	0.9	0.0	0.0	0.2	0.6	2.6	0.8	0.0	0.5	2.2	2.1	0.0
Poland	21.9	1.6	0.1	0.1	5.8	0.0	1.8	1.1	0.1	0.6	2.6	0.2	0.0
Hungary	23.3	6.7	1.0	0.3	3.0	0.0	1.6	2.4	0.2	0.8	4.4	0.1	0.4
Slovenia	51.4	8.1	0.5	0.1	9.9	0.2	10.8	2.3	0.3	0.5	6.3	0.2	2.3
BE 2	51.7	0.6	8.5	3.5	14.8	1.5	4.2	2.9	1.5	3.5	4.1	0.3	0.1
Bulgaria	37.0	0.6	8.3	3.5	8.4	0.8	1.4	2.0	1.3	3.0	2.8	0.2	0.1
Rumania	14.7	0.0	0.2	0.0	6.4	0.6	2.7	0.9	0.1	0.6	1.3	0.1	0.0
Other European countries	176.5	0.4	8.4	0.6	20.1	22.0	13.9	12.0	27.9	4.8	22.4	2.9	1.3
of which:													
Turkey	129.9	0.4	6.1	0.6	19.7	2.9	8.2	9.5	25.7	4.5	16.9	2.4	0.5
Switzerland	20.1	0.0	0.3	0.0	0.2	4.4	3.1	1.8	0.7	0.1	4.9	0.5	0.8
CEFTA	652.5	8.6	42.7	10.3	88.3	240.9	38.0	24.3	3.0	25.9	30.2	12	0.1
Albania	66.9	1.0	4.5	0.8	1.3	16.5	0.4	0.4	0.0	1.4	0.6	0.0	0.0
Bosnia and Herzeg.	61.1	2.5	0.8	1.0	7.5	13.9	3.0	0.4	0.1	0.2	1.1	0.0	0.0
Croatia	45.4	1.0	1.9	0.5	8.5	8.3	6.2	2.0	0.1	2.4	9.1	0.3	0.1
Montenegro	8.2	0.0	0.1	0.0	1.9	0.4	0.0	0.2	0.0	0.0	0.3	0.0	0.0
Macedonia	279.4	1.9	9.6	1.2	24.4	177.1	12.0	10.8	1.0	4.5	8.0	0.0	0.0
Moldavia	0.3	0.0	0.2	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Serbia	190.7	2.2	25.7	6.8	44.7	24.6	16.4	10.5	1.7	17.5	10.8	0.7	0.0
Other Non European countries	274.3	30.8	19.4	0.4	19.1	32.2	8.6	19.2	21.8	11.7	42.8	10.0	6.7
of which:													
USA	26.5	12.2	0.2	0.0	0.3	0.0	2.9	0.6	0.1	0.0	3.5	1.6	2.4
China	119.9	0.0	1.2	0.0	1.1	0.1	3.0	11.5	15.3	10.3	29.3	2.0	2.4
Brasil	28.3	15.2	2.5	0.0	9.8	0.0	0.3	0.0	0.0	0.0	0.2	0.0	0.0
Japan	9.0	0.0	0.0	0.0	0.0	0.0	0.5	0.4	0.0	0.0	3.3	3.9	0.7
Other	90.7	3.4	15.5	0.4	7.8	32.1	1.8	6.8	6.3	1.3	6.6	2.5	1.1

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