

### Summary

According to CBK estimates, Kosovo's economy during 2014 was characterized by annual growth of 2.7 percent, based mainly on increased consumption. The investment position and net exports were estimated to have contributed negatively in economic growth. Forecasts for 2015 suggest an accelerated economic growth of 3.5 percent.

The banking sector in March 2015 marked an annual accelerated increase of the lending activity of 4.3 percent (2.4 percent in March 2014). Conversely, deposits marked a slower growth rate of 5.9 percent (7.1 percent in March 2014), mainly due to the sharp decrease of interest rate in deposits. Interest rates on loans and deposits continued to decline during 2015. The average interest rate on loans in March 2015 was 8.9 percent, whereas the average interest rate on deposits was 0.8 percent. Kosovo's banking sector was characterized by improved quality of the loan portfolio, which in March 2015 the share of non-performing loans to total loans decreased to 8.1 percent (8.6 percent in March 2014). The banking sector continues to have satisfactory levels of capitalization and liquidity, which in March 2015 have strengthened compared to the same period of the previous year.

The fiscal sector during the first quarter of 2015 has been characterized with an increase in income and expenditures. As regards to the budgetary income,

there has been a higher increase in domestic revenues, whereas within the structure of expenditures, the increase of the categories of wages and salaries as well as subsidies and transfers has led to significant increase to general government expenditures compared to the same period of the previous year.

In the first quarter of 2015, the external sector is characterized with increased current account and capital account deficit. Within the current account the deficit in trade of goods during this period has shown a slight improvement (1.3 percent), whereas the positive balance of services and primary income decreased (2.9 percent and 27.5 percent). With a decrease was also characterized the positive balance of the secondary income account (2.7 percent), which is mainly attributed to the reduction of the government transfers, while remittances have increased considerably. Up to March 2015, exports grew by 13.5 percent, while imports were characterized by an increase of 0.9 percent. Economic activity in the first quarter of 2015 was supported by two important sources of economic growth in the country, remittances and FDI.

Prices have continued to decline. During the first quarter of 2015, the average rate of deflation was 0.4 percent (0.2 percent inflation in the same period of the previous year).

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

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## ABBREVIATIONS:

|      |                                        |
|------|----------------------------------------|
| CAR  | Capital Adequacy Ratio                 |
| CBK  | Central Bank of the Republic of Kosovo |
| CHF  | Swiss Franc                            |
| CPI  | Consumer Price Index                   |
| EUR  | Euro currency                          |
| FDI  | Foreign Direct Investment              |
| GBP  | The Pound Sterling                     |
| GDP  | Gross Domestic Product                 |
| IMF  | International Monetary Fund            |
| IPI  | Import Price Index                     |
| KAS  | Kosovo Agency of Statistics            |
| NPL  | Non-Performing Loans                   |
| REER | Real Effective Exchange Rate           |
| ROAA | Return on Average Assets               |
| ROAE | Return on Average Equity               |
| RWA  | Risk Weighted Assets                   |
| SEE  | Southeastern Europe                    |
| USD  | United States Dollar                   |
| WEO  | World Economic Outlook                 |

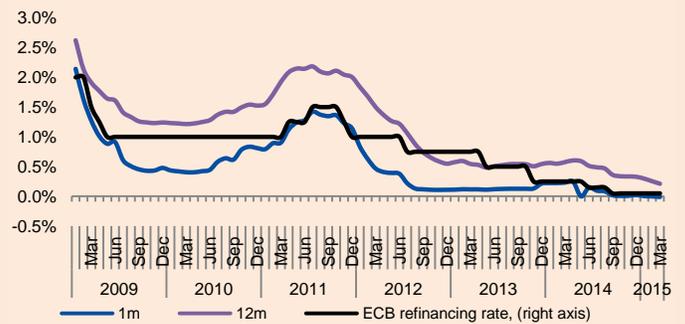
**Euro area and Western Balkans**

During the first quarter of 2015, the euro area was characterized by an accelerated pace of economic growth, exceeding the risk of recession. Compared to the same period of the previous year, in the first quarter of 2015, the euro area economy marked a growth of 1.0 percent. Whereas, compared to the previous quarter, real economic growth rate was 0.4 percent. Increased economic activity in the first quarter of 2015 was concentrated in the central economies of the euro area, especially in Germany, Italy, Spain and France. Economic activity was mainly driven by the manufacturing and services sector, which were characterized by an increase during the first quarter of 2015. Signals for the strengthening of the euro area activity during 2015 rely heavily on low oil prices in international markets, which is expected to be reflected in the growth of consumer confidence and consequently on the growth of domestic demand. Also, the increase in economic activity is expected to be supported by continued growth in exports of euro area, as a result of the depreciation of the euro, as well as the package of new measures of quantitative easing initiated by the European Central Bank (ECB) since March 2015.

According to the ECB, in March 2015, the euro area was characterized with deflation rate of 0.1 percent, compared with the deflation of 0.3 and 0.6 percent, respectively, as it was in February and January. Initial data suggest that the rate of inflation in the euro area is expected to remain very low or negative in the following months, while in the end of 2015 the

inflation rate is expected to gradually increase. For 2015, IMF has projected an annual inflation rate of 0.1 percent. The gradual rise in the inflation rate is expected to be largely driven by the impact of monetary policy easing in aggregate demand in the euro area, the impact of the lower exchange rate of the euro, as well as expectations for a gradual increase in oil prices.

Figure 1. EURIBOR interbank lending and ECB refinancing rate



Source: Euribor (2015) and ECB (2015)

In March 2015, the ECB began quantitative easing program, through which is expected to purchase European government bonds and other securities of the European institutions with an amount of euro 60 billion on monthly basis. The issuance of new money in the European economy aims to avoid deflation and return inflation rate close to the target of the ECB, by stimulating bank lending to businesses and thus recovering the European economy. In the implementation of the proposed program of the European Central Bank for quantitative easing, initially were discussed risks such as the potential insufficiency of government bonds available to meet the commitment to purchase the amount of euro 60

billion per month and the risk which may come from the increased risk taken by investors, hence taking financial stability risk as a result of further declining the interest rates. However, in the first months of the launch of this program, there has been a recovery in the euro area economy, while high officials of the ECB stated that the monetary easing policies will be supplemented by planned macro-prudential policies to ensure the maintenance of the financial stability.

In March 2015, ECB held the base refinancing rate unchanged. However, expectations for the launch of the broad stimulus program as of January 2015 and its launch in March of this year have resulted in lower lending interest rates for 1 month and 3 month interbank Euribor rates. In March 2015, one month Euribor rates declined to an average of -0.010 percent from 0.023 percent as it was in December 2014. On the other hand, average rates for 12-month period decreased to an average of 0.212 percent in March 2015, from an average of 0.329 percent in December 2014.

The performance of the economic activity in the Western Balkans in the first quarter of 2015 is estimated to have marked a progress. Balkan countries, such as Albania, Bosnia and Herzegovina and Montenegro were characterized by increased economic activity during this period, driven mainly by the construction sector, industrial production and investments. Similar to 2014, Serbia continued to mark an economic activity contraction, mainly due to the decline of the private consumption and investments. According to IMF forecasts, the Western Balkan countries are expected to record an average

increase of 2.8 percent of GDP, in 2015. Montenegro is expected to be characterized by the highest rate of economic growth with a growth of 4.7 percent, while Serbia is expected to be the only country with the negative growth of 0.5 percent.

Western Balkan countries in the first months of 2015 were characterized by weak inflationary pressures, impacted mainly by food and energy prices globally. Except Albania and Serbia, which were characterized by an average inflation rate of 1.8 and 0.5 percent respectively, in the first quarter of 2015, all other countries in the region recorded a deflation. Macedonia was characterized by the highest degree of deflation in the first quarter of 2015 (1.3 percent), followed by Bosnia and Herzegovina (0.8 percent), Kosovo (0.4 percent) and Montenegro (0.3 percent).

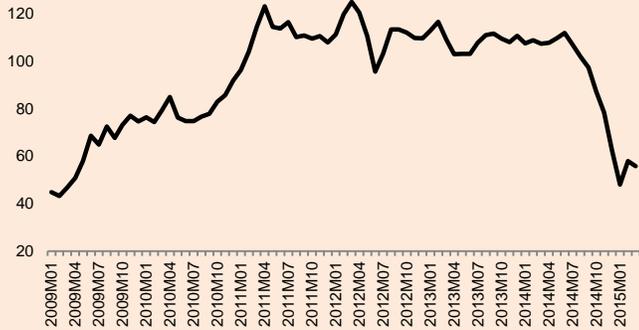
### **The International Price of Oil**

**Oil prices** (brent crude)<sup>1</sup> in the first quarter of 2015 were characterized with an annual decrease of around 50.0 percent compared to the same period of the previous year. The sharpest decline in oil prices was recorded in January 2015, while the following months were characterized by slight increases of the oil price (figure 2).

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<sup>1</sup> 'Brent Crude' represents commercial classification for oil produced in the North Sea as a representative of oil prices on the global level.

Figure 2. Brent crude oil price, in USD per barrel



Source: World Bank (2015)

With a decline in prices during the first quarter were characterized also gold metals (figure 3). The price of gold was around 5.8 percent lower compared to the first quarter of 2014. The largest decline in the price of gold was recorded in March 2015, where 1 gold unit (measurement unit which is equivalent to 31.1 grams of gold called "troy oz") had a cost of around 11.8 percent cheaper than in March 2014.

Figure 3. Gold price, in USD per ounce

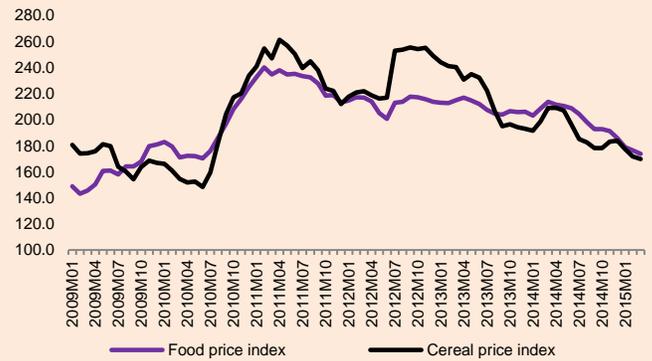


Source: World Bank (2015)

The declining trend of food prices continued in the first quarter of 2015. Compared to the same period of the previous year, the food prices index marked a decline with an average of 15.4 percent, while the

price index of cereals marked an average decrease of 13.4 percent (figure 4).

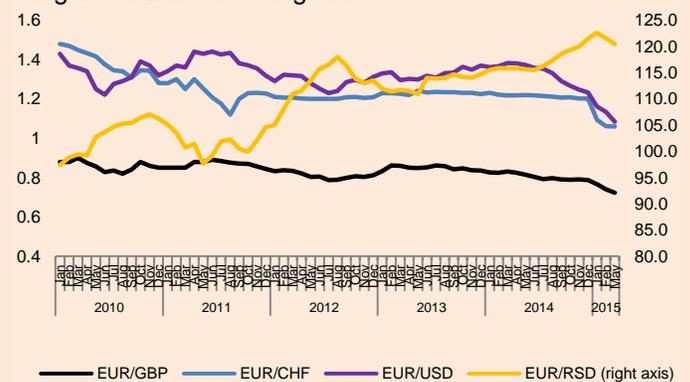
Figure 4. Food price index and cereal price index



Source: FAO (2015)

**Exchange Rate** of euro against major currencies has depreciated during the first quarter of 2015 compared with the same period of 2014. The highest depreciation of the euro was against the US dollar by 17.7 percent, followed by 12.4 percent toward the Swiss franc and British pound by 10.2 percent.

Figure 5. Euro exchange rate



Source: CBK (2014)

The Euro against Albanian Lek and the Macedonian Denar has recorded a slight depreciation in the first quarter of 2015 (0.2 or 0.1 percent), whereas euro

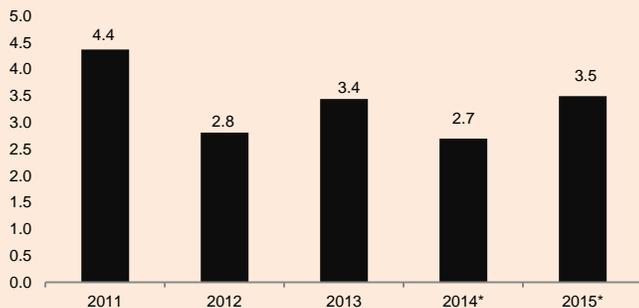
against the Serbian Dinar recorded an appreciation of about 5.0 percent (figure 5).

## Kosovo's Economy

### Real Sector

The economic growth rate, in real terms, in Kosovo for 2014 according to CBK estimates was 2.7 percent (figure 6). Economic growth for 2014 is based mainly on estimates of consumption growth, while investments and net exports are estimated to have contributed negatively. For 2015, it is expected that Kosovo's economy will be characterized by an acceleration of economic growth, which is expected to reach 3.5 percent. The acceleration of the economic growth is expected to be generated by domestic demand and investments.

Figure 6. Real GDP growth rate, in percent



\* The data for 2014 and 2015 present CBK estimates and forecasts.  
Source: KAS (2015)

The data until March 2015 present a higher increase of consumption, which is affected by consumer loans growth, the increase in the of government category of wages and salaries as a result of the wages rise of 25 percent in April of the previous year, then subsidies and transfers, etc. The consumption growth was also

supported by remittances which marked a growth of 21.7 percent in the first quarter of 2015.

On the other hand, public investments until March 2015 marked a decrease of 20.2 percent, while Foreign Direct Investments (FDI) marked an increase of 103.8 percent. The private sector activity was supported also by the banking system loans to enterprises which in the first quarter of 2015 marked an increase of 2.9 percent.

Figure 7. Inflation rate, annual change in percent



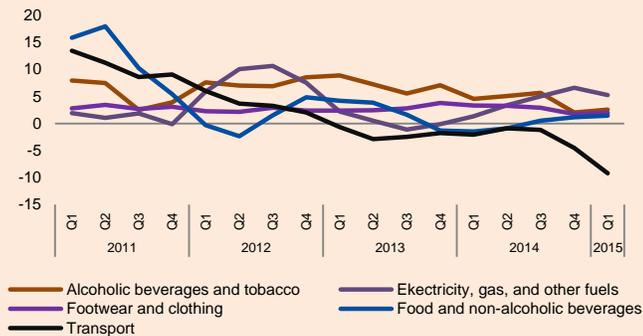
Source: KAS (2015)

Price level in Kosovo, expressed by the Consumer Price Index (CPI) during the first quarter of 2015 was characterized with deflation of 0.4 percent compared to the inflation of 0.2 percent in the same period of the previous year (figure 7).

During the first quarter of 2015, the CPI components such as electricity, gas and other fuels marked a price increase of 5.3 percent, the prices of alcoholic beverages and tobacco marked an increase of 2.6 percent and footwear and clothing marked an increase of 2.0 percent. The prices of food and soft drinks marked an increase of 1.5 percent which represent around 40.9 percent of Kosovo consumer basket, while

in the first quarter of 2014 the prices of food and non-alcoholic beverages declined by 1.4 percent (figure 8). On the other hand, the education services were characterized with a sharp decrease of 28.0 percent, transport services by 9.2 percent and restaurants and hotels marked an increase of 3.2 percent. The decline in the price of educational services is attributed to the last year's decision of the government by which was marked a decline of 50 percent of payment for public university services, while the decline in prices of transportation services is mainly attributed to the price decrease of oil products.

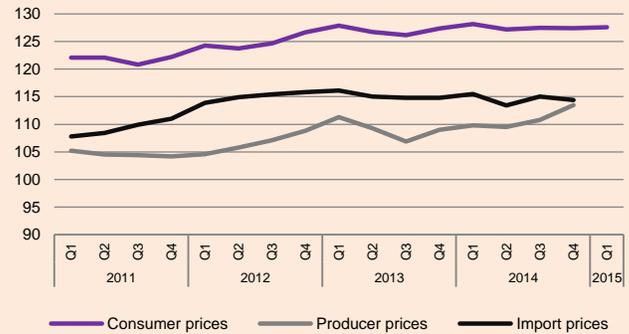
Figure 8. Price movement by components, annual change in percent



Source: KAS (2015)

Price movement in Kosovo is similar to the movement of prices in international markets due to the high dependence of the Kosovo's economy on imports. This is also shown by the similar behavior of import price index and CPI (figure 9).

Figure 9. Consumer, producer and import price indices



Source: KAS (2015)

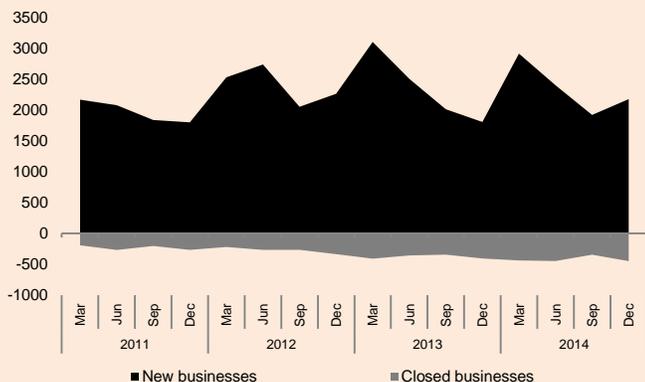
Prices of imports<sup>2</sup> in 2014 marked an average decrease of 0.5 percent (0.2 percent increase in 2013). Within the import prices, the prices of vegetable product and shoes recorded the highest growth with 24.1 and 17.0 percent, respectively, followed by base metals with 12.1 percent, while textile prices recorded the largest decline with 24.0 percent, followed by vehicles with 7.4 percent, mineral products with 6.9 percent and food products with 6.7 percent decrease.

Producer price index in 2014 marked an average annual increase of 1.6 percent while in the previous year, this index had an increase of 2.4 percent. The increase in prices was more significant in the production of chemical products with 39.9 percent and production of wood and its products with 12.9 percent. On the other hand, the decline in producer prices was most evident in the production of electrical equipment with 17.1 percent, followed by the extraction of metal with 15.2 percent, production of paper and paper products with 10.2 percent.

<sup>2</sup> Based on the calendar of publications of KAS, Import Price Index for the first quarter of 2015 will be published on June 16, 2015 and two days later Producer Price Index will be published for the first quarter of 2015.

The decline of prices in the extractive industry and their growth in the processing industry is mainly the result of market movements. Industrial turnover index,<sup>3</sup> which shows the progress in the market, for the the extractive industry marked an average decrease of 8.4 percent in 2014, while industrial turnover index for the manufacturing industry increased by 7.3 percent.

Figure 10. Business registry, non-cummulative



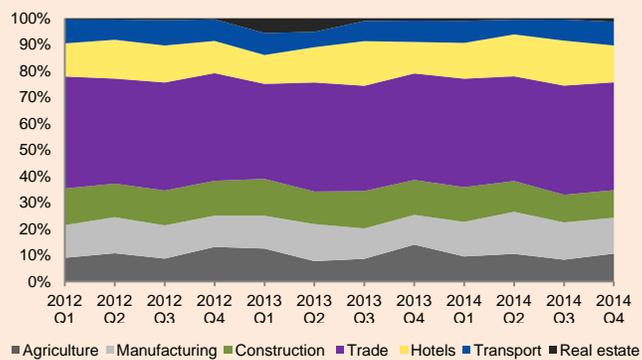
Source: KAS (2015)

The number of the new registered enterprises is decreasing and there is an increase in the number of enterprises closed. The number of new enterprises registered in the first quarter of 2015 was 2,582 which is about 329 fewer enterprises than in the first quarter of 2014, while 501 enterprises were closed or 65 more than in the same period of the previous year (figure 10).

The structure of new registered enterprises was also similar in the first quarter of 2015, dominated by enterprises registered in the trade sector with 784 new companies, followed by manufacturing sector

with 276 new enterprises, agriculture with 255, hotels with 253 companies (figure 11). In almost all important sectors of the economy there was a decline in the number of registered businesses with the exception of agriculture and enterprises with information and communication activities which marked an increase of 50 and 24 companies, respectively, more than in the first quarter of 2014.

Figure 11. Structure of new enterprises



Source: KAS (2015)

### Fiscal Sector

Primary budget revenues<sup>4</sup> in the first quarter of 2015 reached the gross value of euro 293.2 million. If euro 7.6 million of the returns from VAT is excluded and other taxes from Kosovo Customs and from Kosovo Tax Administration, then the primary budgetary income would reach the net value of euro 285.6 million, representing an annual increase of 4.7 percent. In the same period, primary budget expenditures<sup>5</sup> amounted to euro 299.3 million representing an increase of 17.4 percent compared to

<sup>4</sup> Within the primary revenues, the revenues from borrowings, total receipts from donor grants and deposit receipts are not included.

<sup>5</sup> Within the primary expenditure, debt payments, payments from designated donor grants and returns from deposit funds are not included.

<sup>3</sup> The publication "Short-term Statistics of Industry" for March 2015 will be published on June 29, 2015

the same period of the previous year. Consequently, during this period, the budget of Kosovo recorded a primary deficit of about euro 13.7 million compared to the primary surplus of around euro 17.9 million in the first quarter of 2014.

Regarding the structure of budget revenues, there was an increase of revenues collected from local taxes which amounted to the gross value of euro 84.0 million. If euro 6.9 million of the tax administration returns were excluded, then the net revenues from local taxes would mark an increase of 16.7 percent and as such would reach a value of euro 77.0 million. The revenues collected from border taxes amounted to the gross value of euro 167.2 million which are for 1.4 percent higher than in the first quarter of 2014. Net border revenues, which exclude customs returns of euro 0.6 million euros amounted to euro 166.6 million. Non-tax revenues amounted to euro 10.3 million, representing an annual increase of 3.4 percent. On the other hand, own source revenues (central and local) marked a decline of 3.2 percent, reaching a value of euro 23.2 million.

Regarding expenditures, wages and salaries as well as subsidies and transfers increased compared to the first quarter of 2014, while capital expenditures and goods and services marked a decline. Capital investments, which in the first quarter of 2015 represented 10.7 percent of total expenses, amounted to euro 31.9 million representing a decrease of 20.2 percent. Government expenditures on goods and services declined to 11.8 percent and reached a value of euro 34.4 million. On the other hand, government expenditures on wages and salaries marked an

increase of 20.5 percent and reached a value of euro 126.5 million. Subsidies and transfers have also marked an increase of 30.4 percent and reached a value of euro 92.6 million. The increase of these two categories compared to the previous year is mainly attributed to the fact that the government's decision to increase salaries and pensions last year has been implemented after the first quarter of 2014.

In the first quarter of 2015, there is a better execution of planned expenditures (17.3 percent of the annual plan) compared to the same period of 2014 (15.8 percent of the annual plan). Salaries and wages as well as subsidies and transfers marked the best level of performance compared to the plan, while capital expenditures were realized in the amount of 6.9 percent of the annual plan, compared with 7.8 percent rate of implementation in the first quarter of 2014. In the other hand, the realization of budget revenues reached the level of 18.1 percent of the plan for 2015, which records a similar level as in the same period of the previous year.

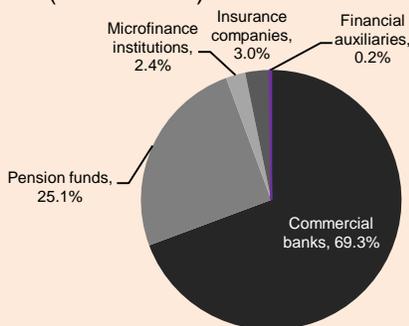
Public debt in March 2015, reached euro 622.1 million compared to euro 582.9 million at the end of 2014, while as a percentage to GDP reached 10.7 percent from 10.6 percent as it was in the previous year. This increase of 6.7 percent of public debt is mainly attributed to the growth of domestic debt, while foreign debt has remained almost unchanged.

### **Financial System**

In March 2015, the value of Kosovo's financial system assets amounted to euro 4.69 billion, marking an annual growth of 10.1 percent. This increase is mainly

attributed to the growth of the assets of pension funds and commercial banks, representing the two sectors which have the highest share in the financial system's assets. Despite the growth of insurance sector, microfinance sector, and financial intermediaries, these sectors had little contribution to the growth of total assets of the system (figure 12).

Figure 12. Assets of Kosovo's financial system, in percent (March 2015)



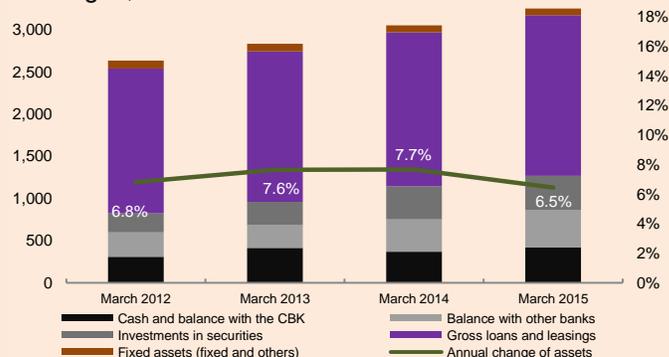
Source: CBK (2015)

## Banking Sector

### Assets

The value of the total assets of the banking sector in March 2015 amounted to euro 3.25 billion, which corresponds to an annual growth rate of 6.5 percent (figure 13). The growth rate is lower compared to the previous year mainly as a result of the slowdown in growth of deposits that represent the main financing source of the banking activities.

Figure 13. Assets of commercial banks, annual changes, in millions of euro



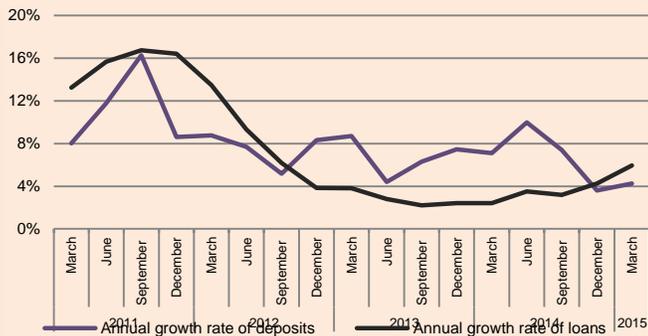
Source: CBK (2015)

The structure of the banking sector assets, in March 2015 was similar to the same period of the previous year. Categories such as balance with other banks and cash and balance with CBK, marked an increase in the share of total assets, whereas loans and securities marked a slight decline in the share. The increase in the share of the category of cash and balance with CBK was mainly a reflection of the slowed down growth of the securities and the balance with other banks, which was also reflected in the investments of the banking sector in the external sector in these two instruments.

The category of the balance with other banks has marked an annual growth of 15.6 percent, which is slower compared to the increase of 42.5 percent in March 2015, which is mainly a result of the slowed growth of time deposits held in the banks outside of the country during this period. Investments in securities, in March 2015 amounted to euro 400.7 million, marking an annual growth rate of 2.1 percent, which is significantly lower than the 42.5 percent growth of the previous year. This development was mainly due to the annual decline of

23.3 percent (31.6 percent increase in March 2014) of investments in foreign government securities, which have a share of 50.9 percent of the total investment portfolio. Unfavorable interest rates on securities of foreign governments have led the banks to reduce investments abroad in this instrument. Investments in Kosovo's Government securities in March 2015 accounted for 49.0 percent of total investments in securities portfolio and marked an annual growth of 54.4 percent. This shows that banks continue to favor investment in securities in the local market, which mainly reflects higher interest rates offered by these investment instruments.

Figure 14. Growth trend of loans and deposits, in percent



Source: CBK (2015)

**Loans**

During the first quarter of 2015, loans continued to accelerate their growth pace. In March 2015, total loans amounted to euro 1.90 billion, representing an annual growth of 4.3 percent (2.4 percent in March 2014) (figure 14). Total new loans issued during the first quarter reached the value of euro 216.3 million, and marked an annual growth of 8.4 percent (figure

15).

Figure 15. Loans value and annual change, in millions of euro



Source: CBK (2015)

According to the bank lending survey, the increased lending activity, is mainly attributed to the supply side of banks, which have eased the lending standards during the period September 2014 - March 2015, while the demand for loans is estimated to have remained broadly unchanged over this period. Banks declared an ease in lending standards for enterprises and for consumer credit during this period. Regarding the loan approval rate, banks have declared to have generally eased procedures for access to lending for SMEs.

In the next six months (March-September 2015), the bank lending offers, expressed through lending standards are expected to remain generally unchanged. However, a number of banks have stated that they expect an ease in lending standards for SMEs, while almost all banks stated that they expect an ease to some extent of lending standards that will apply to households (consumer loans and loans for the

purchase of houses). Regarding the loan approval rate, banks expect that in the next six months the loan approval rate to remain generally unchanged, although it is expected that SMEs and households will have easier access to bank financing.

Unlike the past six months when loan demand was generally lower, in March-September 2015, banks have stated that they expect a loans demand recovery. It is expected that the demand for SMEs will be higher, and also the demand from large enterprises will be high. Banks also expect higher demand from households.

The accelerated increase of the lending activity until March 2015 compared to the same period of the previous year is mainly attributed to the sharp increase of 10.8 percent of loans to households (3.5 percent in March 2014). Loans to enterprises have also marked an increase, which also marked an accelerated increase of 2.9 in March 2015 (2.2 percent in March 2014) (figure 16).

Figure 16. Loans value and annual change, in millions of euro

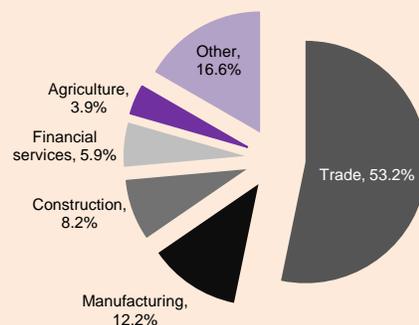


Source: CBK (2015)

The structure of enterprise loans by economic sectors continues to be dominated by loans to the trade sector

with a share of 53.2 percent, followed by manufacturing sector with 12.2 percent and construction with 8.2 percent. The agricultural sector continues to have the lowest access to bank financing, with a share of 3.9 percent of total loans to enterprises (figure 17).

Figure 17. Loans by economic sectors, in percent (March 2015)



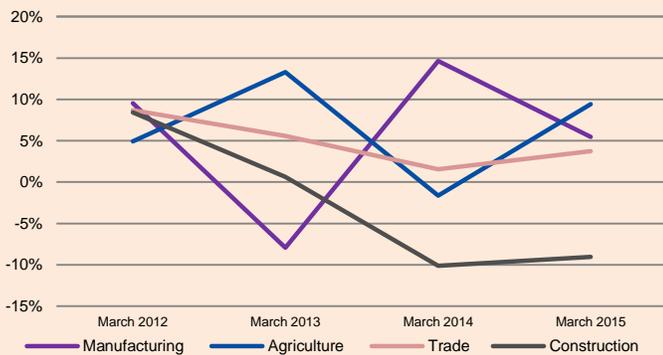
Source: CBK (2015)

During the first quarter of 2015, lending increased to almost all economic sectors ; the only sector that continues to be characterized with a decline is the construction sector. Lending to the agriculture sector was characterized by a more significant growth compared to other sectors. Loans to the agricultural sector in March 2015 recorded an annual increase of 9.4 percent compared to the decline of 1.6 percent in March 2014. The increase is due to the sharp reduction in interest rates offered by banks and also the significant increase in the number of businesses in this sector.

Loans to the trade sector recorded an annual growth of 3.7 percent (1.6 percent in March 2014). Increased lending to the trade sector has been driven by increased activity of Kosovo's trade with other countries and the decrease of interest rates on loans,

which may have increased the demand for loans. The manufacturing sector has recorded an annual growth of loans of 5.5 percent.

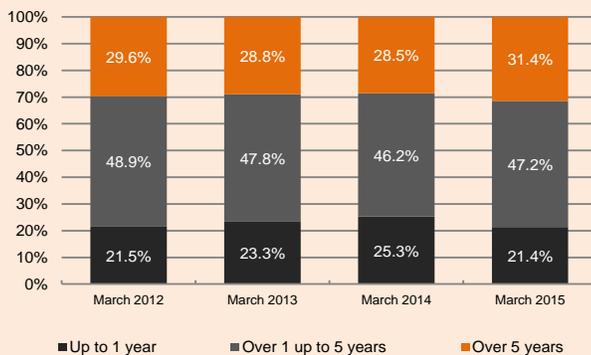
Figure 18. Annual growth of loans, by sectors



Source: CBK (2015)

The construction sector was the only sector that continued to be characterized by declined lending. In March 2015, loans to construction sector recorded an annual decline of 9.0 percent (figure 18). Taking into account the decline in the number of the new registered businesses of the construction sector, may reflect a decline of the activity in this sector and as a result the decline of the loans to construction.

Figure 19. Structure of loans by maturity



Source: CBK (2015)

The structure of loans by maturity remains largely similar to previous years and continues to be

dominated by medium-term loans, namely loans with 'over 1 to 5 years' (figure 19).

Compared to the previous year there is a decline in the share of short-term loans ('up to 1 year'), while there is an increase in the share of medium-term loans and long-term loans ('over 5 years').

The increase in the share of long-term loans to total loans may reflect the easing credit standards and lending conditions by banks.

*The lending activity of the banking sector was characterized by accelerated growth rate during the first quarter of 2015. Household loans have had the highest growth rate. Aside from the construction sector, all economic sectors within the structure of loans to enterprises recorded an increase in lending. The structure of loans by maturity shows increased share of long-term loans.*

### Liabilities

In March 2015, the structure of liabilities of the banking sector continued to be dominated by deposits, which represent the main source of financing for commercial banks in Kosovo. The second category in the structure of liabilities remains that of own resources which in March 2015 recorded an annual growth of 19.9 percent (3.9 percent in March 2014). This increase was as a result of the retained profit from the previous year and accumulated profit during the first three months of 2015.

The category which marked the highest growth within the structure of liabilities was the balance from other banks which recorded an annual growth of 35.6 percent in March 2015. Whereas the category of subordinated debt in March 2015 marked an annual

decline of 16.0 percent compared to the sharp increase of 81.5 percent in March 2014, which was mainly as a result of raising the level of banking capitalization due to the growth of the accumulated profit in 2014.

### Deposits

Total deposits of the banking sector in March 2015 amounted at euro 2.57 billion; marking an increase of 5.9 percent (7.1 percent in March 2014) (figure 20).

Figure 20. Annual change of deposits in commercial banks, in millions of euro

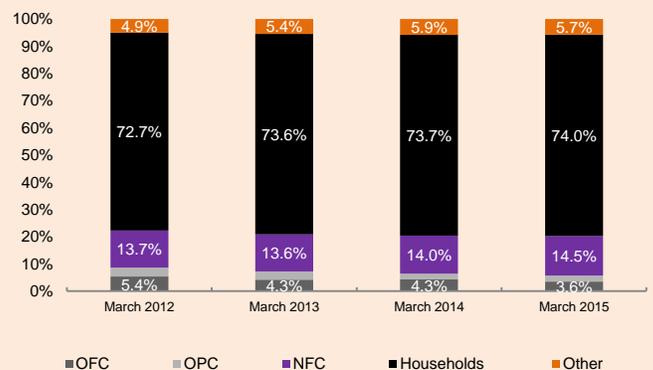


Source: CBK (2015)

The main factor that may have contributed to the slower growth of deposits may be the sharp decline in the interest rate on deposits that has been characterizing the banking sector. Another factor that may have had an impact in the slower growth rate of deposits was the increase of the emigration from Kosovo in the first months of 2015. The structure of deposits in the banking sector continues to be dominated by household deposits, which account for 74.0 percent of total deposits.

The second category in the structure of deposits is that of deposits of enterprises with a share of 20.3 percent in total deposits (figure 21).

Figure 21. Structure of deposits in commercial banks



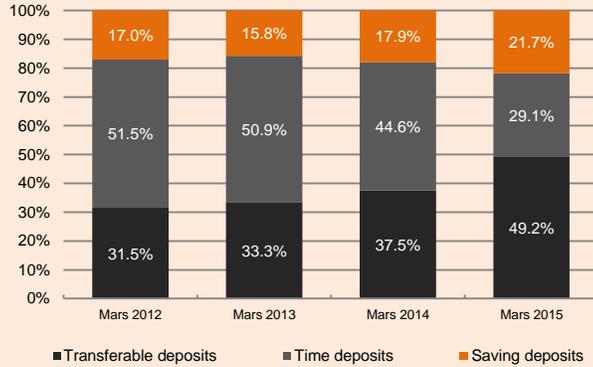
Source: CBK (2015)

In March 2015 the annual growth rate of household deposits was 6.3 percent, which is lower than the growth in the previous year (7.2 percent in March 2014). The slowdown in growth coincided with the sharp decline in interest rates on deposits in March 2015 compared to March 2014. Meanwhile, deposits of enterprises have accelerated the pace of growth increasing to 5.1 percent in March 2015 (4.7 percent in March 2014). The growth of deposits of enterprises could have been affected by interest rate increase in deposits of enterprises in March 2015 compared to March 2014.

The category of other deposits (deposits of non-residents, non-governmental organizations, etc.) recorded an annual growth of 3.6 percent in March 2015 (15.2 percent in March 2014).

The structure of deposits by maturity has changed compared to the previous year when it was dominated by time deposits. In March 2015, most of the deposits were in the form of transferable deposits, which accounted for 49.2 percent of total deposits.

Figure 22. Structure of deposits by maturity, in percent



Source: CBK (2015)

Time deposits accounted for 29.1 percent, while 21.7 percent is represented by saving deposits (figure 22).

Figure 23. Structure of time deposits



Source: CBK (2015)

Significant reduction of the share of time deposits in total deposit structure was affected by the significant decline in interest rates on deposits, which may have discouraged depositors to hold their deposits in this category.

In the structure of time deposits, during the reporting period, there has been an increase in the share of long-term deposits with maturity 'over 2 years' and medium-term deposits 'over 1 to 2 years'. While short-

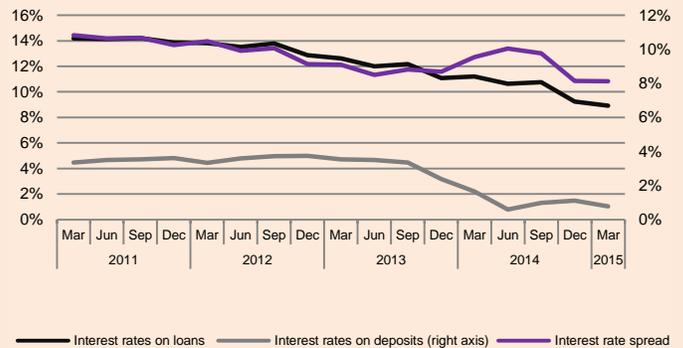
term deposits 'up to 1 year' have decreased the share in the structure of time deposits. These movements were influenced by interest rates, which are higher in deposits with longer term maturity compared with the interest rates in deposits with shorter maturities (figure 23).

*In March 2015, deposits continued to grow but at a slower pace compared to the previous year. Own Resources category, which is the second largest within the structure of liabilities, grew significantly in March 2015 mainly as a result of the sharp growth of the banking sector's profits during the year.*

### Interest Rates

Interest rates on loans and deposits continued to decline during the first quarter of 2015.

Figure 24. Average interest rates, in percent



Source: CBK (2015)

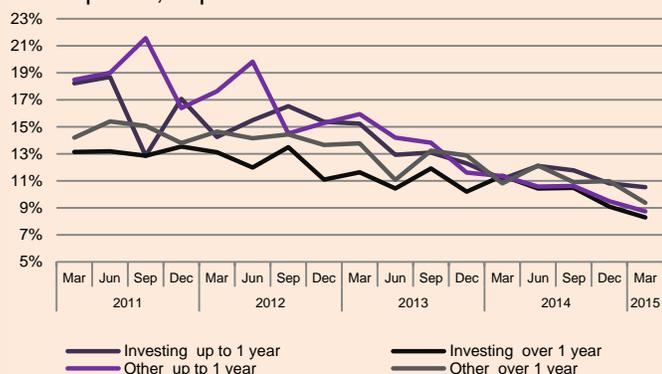
In March 2015, the average interest rate on loans decreased to 8.9 percent from 11.2 percent in March 2014. The decline could have been influenced by the pressure of banking competition and as a result of reduced costs of financing banking activities. The average interest rate on deposits decreased to 0.8 percent from 1.7 percent in March 2014. The decline

is considered to have come mainly due to the sufficient liquidity in the banking sector.

In March 2015, the interest rate spread decreased to 8.1 percent from 9.5 percent in March 2014, as a result of the significant decline in interest rates on loans compared with the decline in deposits (figure 24).

The declining trend of interest rates on loans is expressed in loans to enterprises, as well as those to households. The average interest rate on loans to enterprises in March 2015 decreased to 8.9 percent from 11.3 percent in March 2014. Within the enterprise loans, the most significant decline was recorded in interest rates of investment loans with a maturity of 'over 1 year', which in March 2015 decreased to 8.3 percent from 11.4 percent in March 2014 (figure 25).

Figure 25. Average interest rates on loans to enterprises, in percent



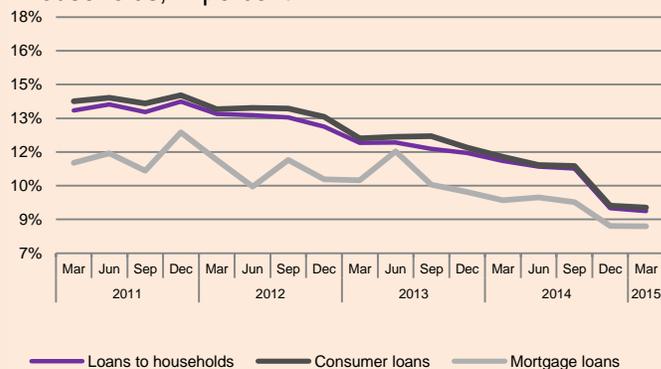
Source: CBK (2015)

Interest rates on loans to specific sectors of the economy declined. The interest rate decline was more significant in agricultural loans and loans to services sector. The average interest rate on loans to the agricultural sector decreased to 11.1 percent in March

2015 from 15.9 percent in March 2014. While the interest rate in services sector loans declined to 9.0 percent from 11.0 percent in March 2014. The industrial sector continues to have the lowest interest rate on loans which stood at 8.7 percent in March 2015 (9.8 in March 2014).

In March 2015, the average interest rate on loans to households decreased to 8.9 percent, from 11.1 percent in March 2014. By the purpose of use, interest rates on consumer loans recorded the largest decline, to 9.0 percent in March 2015 (11.3 percent in March 2014), while the interest rate on mortgage loans decreased to 8.2 percent (9.3 percent in March 2014) (figure 26).

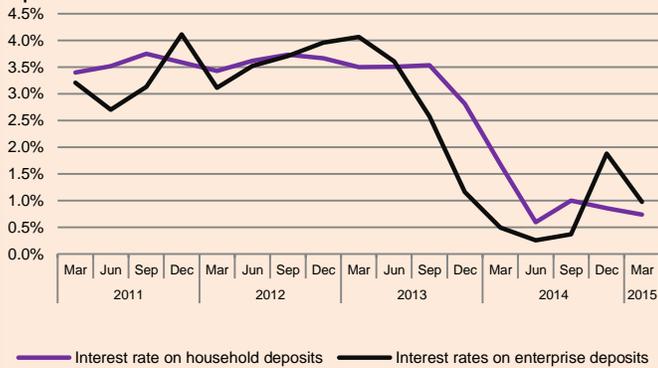
Figure 26. Average interest rates on loans to households, in percent



Source: CBK (2015)

Regarding interest rates on deposits, there is a significant decline in interest in household deposits from 1.7 percent in March 2014 to 0.7 percent in March 2015 (figure 27). While the average interest rate on deposits of enterprises grew at 1.0 percent in March 2015 from 0.5 percent in March 2014.

Figure 27. Average interest rates on deposits, in percent



Source: CBK (2015)

**Performance of the banking sector**

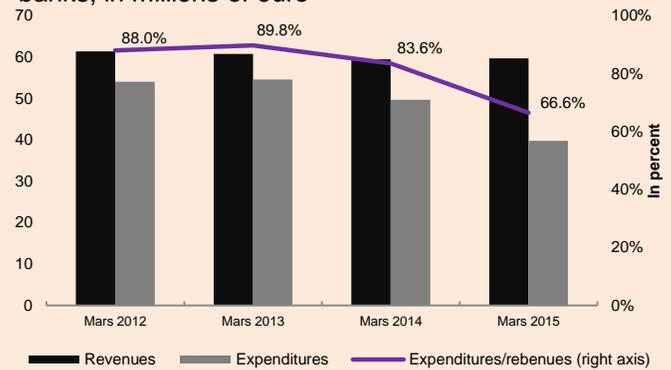
Profitability of the banking sector during the first quarter of 2015 grew significantly compared to the previous years. The banking sector has reported a profit of euro 19.9 million in March 2015, compared with a value of euro 9.8 million recorded as of March 2014. The profit growth was mainly as a result of the decrease of expenditures, while income increased slightly.

Banking sector income as of March 2015 amounted to euro 59.7 million and recorded an annual growth of 0.4 percent. The structure of income continues to be dominated by interest income by 79.2 percent, followed by non-interest income with a share of 20.1 percent, and the remaining part comprises from revaluations income.

Until March 2015, interest income recorded an annual decline of 1.0 percent. This decrease is attributed to the reduction of interest income on loans which is mainly due to the decline of interest rates on loans. Non-interest income as of March 2015 recorded an annual growth of 3.1 percent, and were the main

contributors to the growth of the total income. Within the structure of non-interest income, the category of income from fees and commissions and other operating income recorded an annual increase of 3.3 percent and 0.6 percent, respectively

Figure 28. Revenues and expenditures of commercial banks, in millions of euro

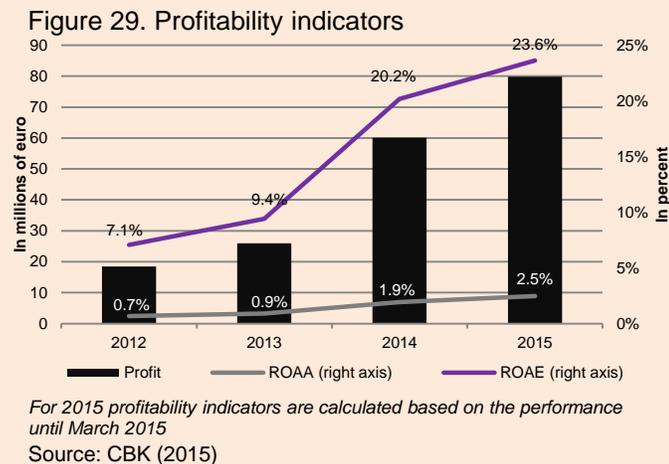


Source: CBK (2015)

The value of total banking sector expenditures as of March 2015 amounted to euro 39.7 million, which is 20.0 percent lower compared to the same period of the previous year. The decrease of the total expenditures was largely as a result of the reduction of interest expenditures, which recorded an annual decline of 53.3 percent. Within the structure of interest expenditures, the category of interest expenses on deposits recorded an annual decline of 59.5 percent, which mainly reflects the decrease in interest rate on deposits.

Also, another contributor to the reduction of total expenditures was the decline of the non-interest expenditures with an annual decrease of 37.1 percent. Within the structure of non-interest expenses, the category of the provisions for loans and other asset losses marked the highest decline of 45.9 percent. The decline of the value of total non-performing loans was

reflected in reduction of provisions for potential loan losses. Meanwhile, general and administrative expenses, which represent the majority of total expenditures, recorded an annual growth of 2.2 percent until March 2015.



Expenditures to income ratio of the banking system improved significantly as a result of the major decrease in expenditures and slight increase in income. In March 2015, this indicator decreased to 66.6 percent compared with 83.6 percent as of March 2014 (figure 28). Also, the profit until March 2015 caused the Return on Average Assets (ROAA) to improve to 2.5 percent from 1.9 percent in 2014, while the Return on Average Equity (ROAE) improved to 23.6 percent, from 20.2 percent in 2014 (figure 29).<sup>6</sup>

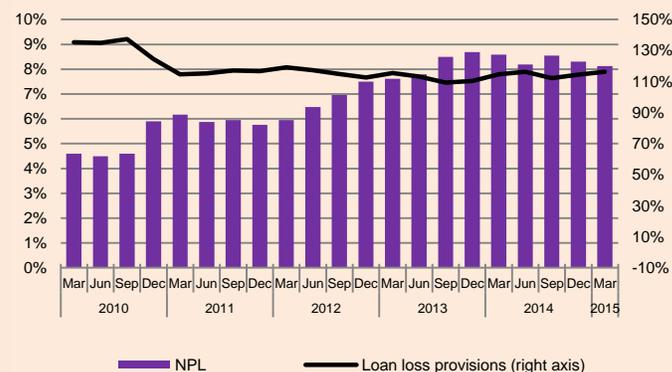
*Banking sector profit continued to grow considerably during the first quarter of 2015 compared to the same period of the previous year. The significant decrease of interest expenses and loan loss provision expenses,*

*represent the major contributor to the growth of the total profit of the banking sector. On the other hand, income recorded only a slight increase.*

### Financial Soundness Indicators

Kosovo's banking sector continues to be characterized by low levels of non-performing loans and satisfactory level loan loss provisions to nonperforming loans.

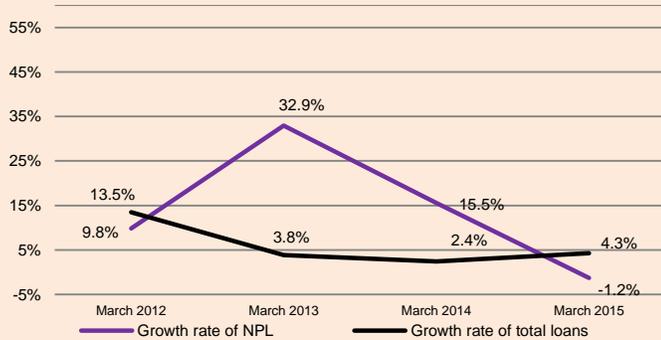
**Figure 30. NPL and loan loss provisions, in percent**



In March 2015, the ratio of non-performing loans to total loans decreased to 8.1 percent from 8.6 percent in March 2014 (figure 30). The decrease of the NPL rate may have been influenced by acceleration of loans growth during this period, but also by the annual decline of 1.2 percent of the value of non-performing loans compared with the growth of 15.5 percent recorded in March 2014 (figure 31). Loan loss provision to non-performing loans in March 2015 improved to 116.4 percent compared with 114.6 percent in March 2014.

<sup>6</sup> ROAA and ROAE for year 2015 are annualized based on performance of the sector by March 2015.

Figure 31. Annual growth rate of total loans and non-performing loans, in percent



Source: CBK (2015)

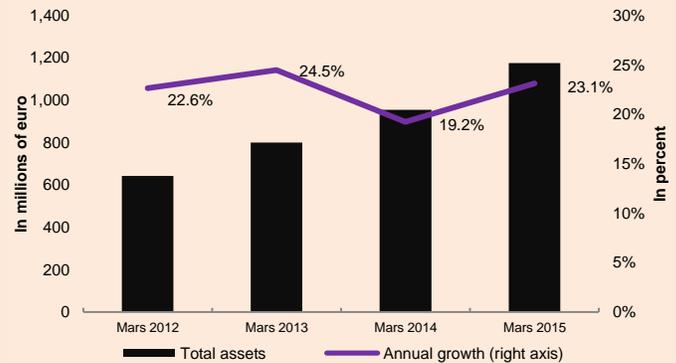
The banking sector continues to have a good level of capitalization. Capital Adequacy Ratio (CAR) reached 18.7 percent in March 2015 from 17.4 percent in March 2014. The strengthening of capitalization of the banking sector is mainly attributed to profits earned by banks in 2014 and accumulated profits over the past three months in the first half of 2015. The banking sector continues to have satisfactory liquidity position. In March 2015, the loan to deposit ratio was 73.9 percent, while the ratio of liquid assets to total short-term liabilities stood at 44.2 percent in March 2015.<sup>7</sup>

### **Pension Funds**

Pension sector assets in March 2015 reached a value of euro 17.1 billion, marking an annual growth of 23.1 percent (figure 32).

The structure of pension sector assets remains similar to the previous periods. Kosovo Pension Saving Fund (KPSF) manages 99.5 percent of total assets, while the remaining of 0.5 percent is comprised of the assets of Kosovo-Slovenian Pension Fund (KSPF).

Figure 32. Assets of pension funds and annual growth



Source: CBK (2015)

KPSF assets during the first quarter of 2015 have continued to grow as a result of new collection of pension contributions and a positive return on investment. In March 2015, the total value of KPSF assets amounted to euro 1.17 billion, recording an annual increase of 23.2 percent. Until March 2015, KPSF has reported euro 54.8 million gross returns on investments, representing the highest return from investment within a quarter. The value of contributions collected up to March 2015 amounted to euro 32.7 million with around 482 thousand contributors.

On the last day of March 2015, the unit price per share reached on euro 1.35 (euro 1.22 in March 2014). KSPF was also characterized by increased activity and performance during the first quarter of 2015. In March 2015, the value of total assets of KSPF reached 6.1 million euros, marking an annual growth of 10.6 percent. This growth is attributed to the return on investments, which until March 2015 amounted to euro 208.3 thousand. On the last day of March 2015

<sup>7</sup> With the CBK regulation the minimum level of the liquid assets to short-term liabilities ratio is required to be 25 percent.

the unit price per share of KSPF reached euro 151.41 (euro 140.81 in March 2014).<sup>8</sup>

### **Microfinance Institutions (MFI)**

Total assets of the microfinance sector in March 2015 reached a value of euro 113.5 million, representing an annual increase of 1.9 percent compared to the decline of 1.5 percent in March 2014 (figure 33).

Figure 33. Assets of microfinance institutions and annual growth



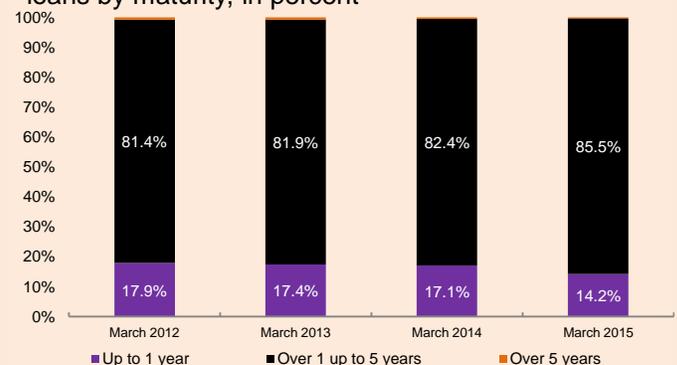
Source: CBK (2015)

The value of total loans amounted to euro 75.2 million in March 2015, marking an annual growth of 1.3 percent (annual decline of 2.0 percent in March 2014). The increase of the total loans came as a result of growth in loans to enterprises, which in March 2015 were 8.0 percent higher compared to March 2014. Meanwhile, loans to households recorded an annual decline of 1.8 percent. The decrease of loans to households may have been affected by competition from the banking sector given that households have significantly increased their lending from banks during this period.

Within the structure of loans by economic sectors, almost all sectors were characterized by increased

lending in March 2015. Loans to the services sector account for 45.8 percent of the total loans to economic sector and were characterized by annual growth of 5.8 percent (annual decline of 1.7 percent in March 2014). Loans to industry, being the second largest category in the structure, have recorded the highest annual growth of 16.7 percent in March 2015 compared with an annual decline of 6.0 percent in March 2014. Within the industry sector, loans for construction were characterized by an annual growth of 14.3 percent in March 2015, unlike the loans for construction in the commercial banks, which have been characterized with a continuous decrease. The third largest category within the loans by economic sector, which is the agricultural sector, has also been characterized with an annual increase of 3.1 percent in March 2015 (a decline of 14.9 percent in March 2014).

Figure 34. Structure of microfinance institutions loans by maturity, in percent



Source: CBK (2015)

The structure of MFI loans by maturity remains similar to previous years, being dominated by medium-term loans. In March 2015, loans with a maturity of 'over 1 to 5 years' had a share of 85.5 percent to total loans, followed by those with maturity

<sup>8</sup> Base value of unit price: KPST =1; KSPF =100.

'up to 1 year' with 14.2 percent and 'over 5 years' with a share of 0.3 percent (figure 34).

The value of lease financing in March 2015 amounted to euro 22.8 million, marking an annual growth of 2.3 percent. Leasing for households were characterized by annual growth of 78.7 percent primarily as a result of increased mortgage lease. While leasing for enterprises recorded an annual decline of 31.2 percent in March 2015 mainly due to the decrease of financial leasing - mortgage loans, and leasing for the purchase of equipment.

The expansion of lending activity of MFIs came as a result of increased borrowings from the external sector, which represents the main source of financing of MFI's activity. In March 2015, loans of MFIs reached a value of euro 82.4 million, representing an annual increase of 1.5 percent (decrease of 2.1 percent in March 2014).

Microfinance institutions continue to be characterized by relatively low level of non-performing loans and satisfactory level of loan loss provisions to non-performing loans. In March 2015, the share of non-performing loans to total loans improved to 5.2 percent, compared with the ratio of 5.8 percent in March 2014. Also, the loan loss provisions to non-performing loans improved to 114.4 percent in March 2015 compared to the level of 106.3 percent in March 2014.

The microfinance sector continues to be characterized by high interest rates on loans, compared to the rates offered by the banking sector. Average effective

interest rate on loans issued by MFIs in March 2015 was 24.1 percent (24.1 percent in March 2014).

Average interest on loans to households in March 2015 was 24.5 percent, which is a similar level to the same period of the previous year. Whereas, the average interest on loans to enterprises was 23.2 percent in March 2015 compared with an average of 18.4 percent in March 2014 (figure 35).

Figure 35. Average interest rate on microfinance institution loans, in percent



Source: CBK (2015)

Within the loans to enterprises, the average interest rate on loans to agriculture and industry in March 2015 decreased to 24.9 percent respectively 23.9 percent (26.0 percent respectively 24.3 percent in March 2014). Whereas, the average interest rate on loans to the services sector rose to 23.6 percent from 22.2 percent in March 2014. The reduction of interest rates for agriculture and industry may have had a positive effect on the growth of lending for these two categories in March 2015 compared to the same period of the previous year.

The microfinance sector up to March 2015, recorded net profit of euro 359.8 thousand compared to the losses of euro 243.1 thousand in the same period of

the previous year. Positive financial performance was the result of income growth alongside reduced expenditures.

In March 2015, the microfinance sector's income amounted to euro 4.9 million, which represents significant annual increase of 6.0 percent compared with 12.1 percent decline recorded in March 2014. On the other hand, expenditures amounted to euro 4.6 million in March in 2015, marking an annual decline of 6.6 percent. The decrease was mainly due to reduction of expenses for provisions for potential loan losses.

Accordingly, Return on Average Assets (ROAA) improved to 1.3 percent (1.1 percent in 2014), while the Return on Average Equity (ROAE) improved to 4.6 percent (4.3 percent in 2014).<sup>9</sup>

### **Insurance Companies**

Total assets of the insurance sector in March 2015 recorded an annual growth of 7.3 percent, reaching euro 141.9 million. Within total assets, non-life insurance assets reached euro 127.4 million, while life insurance reached euro 14.5 million.

The value of written premiums during this period amounted to euro 21.4 million, representing an annual growth of 16.0 percent. Premiums of non-life insurance generated euro 20.7 million, while premiums of life insurance euro 0.6 million. The total value of claims paid up to March 2015 amounted to

euro 8.2 million, of which 5.6 million claims paid under the insurance of the third party liability.

Until March 2015, the insurance sector registered losses from an amount of euro 246.0 thousand, compared to the losses of euro 73.8 thousand in the previous year. Non-life insurance continues to be characterized with losses whereas life insurance is characterized with positive financial performance. Until March 2015, non-life insurance recorded a loss of euro 371.7 thousand compared with losses of euro 347.8 thousand during the same period of the previous year. Life insurance recorded a profit with an amount of euro 125.7 thousand from euro 274.0 thousand until March 2014.

The losses of the insurance sector during this period have negatively affected profitability indicators such as Return on Average Assets (ROAA) and Return on Average Equity (ROAE). ROAA marked a deterioration -0.7 percent (-0.2 percent in 2014) while ROAE deteriorated for -2.1 percent (-0.7 percent in 2014).<sup>10</sup>

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*Pension sector continued to have good financial performance and expansion of activity. Up to March 2015, pension sector recorded the highest rate of return from investment. The microfinance sector was characterized by increased activity and net profit growth during this period. Whereas, insurance sector increased its activity but was characterized by weak financial performance.*

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<sup>9</sup> ROAA and ROAE for year 2015 are annualized based on performance of the sector by March 2015.

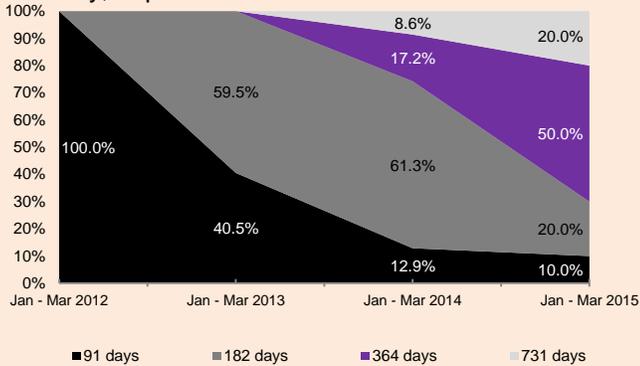
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<sup>10</sup> ROAA and ROAE for year 2015 are annualized based on performance of the sector by March 2015.

**Treasury Bills Market**

During the January-March 2015 period, the amount of securities issued by the Government of Kosovo amounted to euro 100 million compared with the value of euro 116.4 million in the same period of the previous year. This decrease was affected by supply side, the Government of Kosovo, which reduced the amount of securities issued, specifically those with a maturity of 91 and 182 days.

Figure 36. Structure of Government securities by maturity, in percent



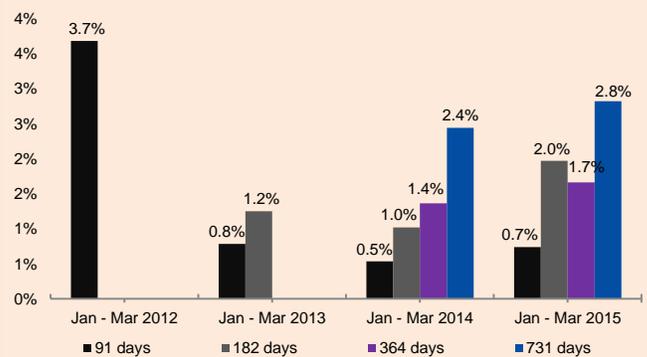
Source: CBK (2015)

Until March 2015, the published calendar of securities had a total of five auctions. Of which, one with a maturity of 91 days, one with a maturity of 182 days, two with maturities of 364 days, as well as one auction with a maturity of two years. Compared with the previous years, there is noticed an increasing trend in issuing securities with longer term maturity (figure 36).

Since the beginning of the issuance of securities in 2012, the amount offered by primary participants of securities consistently exceeded the amount announced by the Treasury Department under the Ministry of Finance. In March 2015, the ratio between

the amount offered by primary market participants and amount announced in the auction was 1.9 times higher which is a similar report with March 2014. The rapid growth in bank lending in the first quarter 2015 as well as the slowdown in deposit growth may have affected the demand for securities from banks not to grow further. Similar effect may have had the displacement of a significant amount of the assets of Kosovo Pension Saving Fund from CBK to the external sector.

Figure 37. Interest rates on government securities by maturity, in percent



Source: CBK (2015)

The average interest rate on securities in the January-March 2015 period was higher (1.8 percent) compared with the same period of the previous year (1.2 percent). Treasury department decision toward issuing securities with longer maturities has affected the average interest rate during this period to be higher compared with the previous period (figure 37).

**External Sector**

In the first quarter of 2015, the current and capital account deficit was worth euro 50.0 million, showing an increase compared with the deficit of euro 34.3 million as it was in the same period of the previous

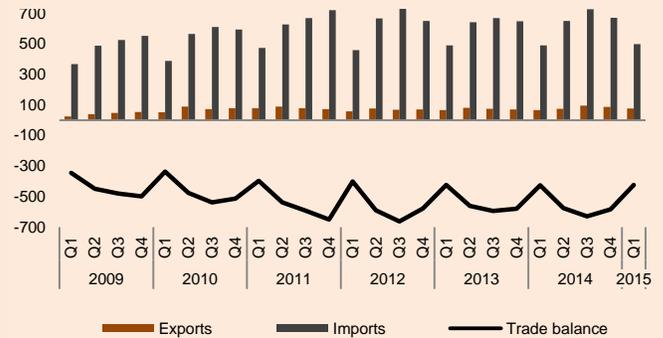
year. The deterioration of the balance of current and capital account in the first quarter of 2015 is mainly attributed to the increase of the deficit of current account during this period. Within the current account, the deficit on trade in goods recorded a slight improvement of 1.3 percent, while the account of services and primary income was characterized by a decrease in the positive balance of 2.9 or 27.5 percent compared to the first quarter of the previous year. Also, secondary income account marked a decline of 2.7 percent, which is mainly attributed to the reduction of government transfers, while remittances have increased considerably.

The deficit in the goods account amounted to euro 386.6 million in the first quarter of 2015, representing a decrease of 1.3 percent compared with the same period of the previous year (figure 38).

Total exports in March 2015 amounted to euro 74.7 million, corresponding to an annual growth rate of 13.5 percent. Export growth during this period is mainly attributed to the increase in the value of exports of base metals, as one of the categories with the highest share within the total exports of the country, as well as growth in exports of plastics and rubber, and exports of food products.

In March 2015, the quantity of exported goods was characterized by an annual growth of 16 percent, in contrast to the 4 percent decline in the previous year.

Figure 38. Exports, imports and trade balance, in millions of euro

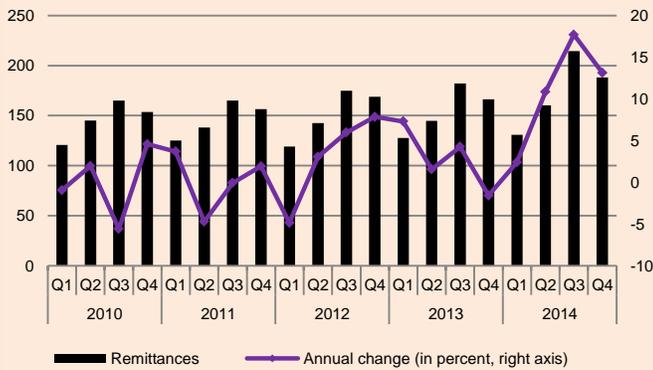


Source: KAS (2015)

The value of total imports in Kosovo in March 2015, amounted to euro 461.3 million, representing an annual increase of 0.9 percent. Within the total imports, the category of machinery and electrical equipment, food products, the category of transport means, were characterized with a growth. As a result of faster growth of the value of exports in February 2015, the coverage rate of imports by exports increased to 16.2 percent from 14.4 percent in the same period of the previous year.

The largest category within the primary income account remained the income from compensation of employees, i.e. the income from workers abroad. In the first quarter of 2015, revenues from the compensation of employees reached a value of euro 53.7 million, an increase of 11.6 percent compared to the same period of the previous year.

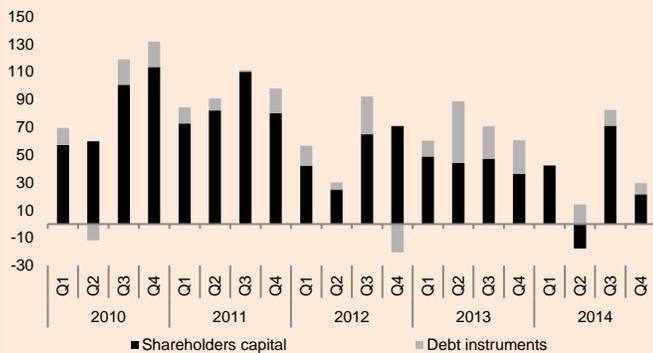
Figure 39. Remittances, in millions of euro



Source: CBK (2015)

Remittances, which represent the largest category within the secondary income account, continue to contribute to the narrowing of the current account deficit. Only in the first quarter of 2015, the value of remittances received in Kosovo amounted to euro 159.3 million, an increase of 21.7 percent compared with the same period of the previous year.

Figure 40. Structure of FDI, in millions of euro



Source: CBK (2015)

In the first quarter of 2015, the value of FDI was characterized by an increase compared to the same period of the previous year. FDI reached a value of euro 87.1 million, an increase compared to the value of euro 42.7 million recorded in the same period of the

previous year. Within the structure of FDI, with a growth in value were characterized categories, equity and investment fund shares and investments in debt instruments.

The sectors that benefited most from the increase in FDI were the sector of real estate, rent and other business activities, and financial services sector.

**Suggested citation for this publication:**

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IMF (2015): World Economic Outlook:

<http://www.imf.org>

## Table 1. Selected Macroeconomic Indicators

| Description                                                  | 2010                                       | 2011           | 2012           | 2013           | 2014           |
|--------------------------------------------------------------|--------------------------------------------|----------------|----------------|----------------|----------------|
|                                                              | <i>In millions of euro (nominal value)</i> |                |                |                |                |
| <b>Gross Domestic Product (GDP)/1</b>                        | <b>4,402.0</b>                             | <b>4,814.5</b> | <b>5,058.7</b> | <b>5,326.6</b> | <b>5,517.7</b> |
| Consumption                                                  | 4,516.5                                    | 4,975.5        | 5,320.4        | 5,539.3        | 5,901.8        |
| Investments                                                  | 1,450.6                                    | 1,632.4        | 1,465.1        | 1,470.9        | 1,331.3        |
| Net Exports                                                  | -1,565.2                                   | -1,793.3       | -1,726.8       | -1,683.6       | -1,715.4       |
|                                                              | <i>Change in percent, in real terms</i>    |                |                |                |                |
| <b>Real GDP growth rate /1</b>                               | <b>3.3</b>                                 | <b>4.4</b>     | <b>2.8</b>     | <b>3.4</b>     | <b>2.7</b>     |
| Consumption                                                  | 2.5                                        | 3.0            | 2.6            | 2.2            | 6.1            |
| Investments                                                  | 10.9                                       | 7.9            | -12.9          | -0.3           | -7.6           |
| Net Exports                                                  | 7.5                                        | 3.7            | -12.1          | -3.6           | 5.0            |
|                                                              | <i>In millions of euro (nominal value)</i> |                |                |                |                |
| <b>Current account/2</b>                                     | <b>-515.7</b>                              | <b>-658.4</b>  | <b>-380.2</b>  | <b>-339.4</b>  | <b>-441.0</b>  |
| Goods Imported                                               | 2,040.8                                    | 2,363.7        | 2,332.0        | 2,287.0        | 2,372.3        |
| Goods Exported                                               | 299.2                                      | 316.5          | 281.9          | 291.5          | 320.8          |
| Services Imported                                            | 398.3                                      | 368.9          | 317.6          | 320.3          | 434.5          |
| Services Exported                                            | 574.3                                      | 625.2          | 641.4          | 632.5          | 770.6          |
| Remittances/2                                                | 584.3                                      | 584.8          | 605.1          | 620.8          | 693.8          |
|                                                              | <i>In millions of euro (nominal value)</i> |                |                |                |                |
| Total banking sector loans to private sector/2               | 1,458.7                                    | 1,698.1        | 1,763.4        | 1,805.8        | 1,882.3        |
| Total deposits of the private sector in the banking sector/2 | 1,936.8                                    | 2,104.0        | 2,279.1        | 2,449.0        | 2,537.5        |
|                                                              | <i>In millions of euro (nominal value)</i> |                |                |                |                |
| <b>Kosovo's budget/3</b>                                     |                                            |                |                |                |                |
| Total primary income                                         | 1,128.5                                    | 1,283.3        | 1,284.3        | 1,315.0        | 1,331.9        |
| Total primary expenditures                                   | 1,264.7                                    | 1,382.2        | 1,441.0        | 1,468.7        | 1,463.6        |
| <b>Primary deficit</b>                                       | <b>-98.7</b>                               | <b>-73.0</b>   | <b>-119.3</b>  | <b>-153.7</b>  | <b>-131.6</b>  |
|                                                              | <i>Change in percent</i>                   |                |                |                |                |
| <b>Real economic growth/4</b>                                |                                            |                |                |                |                |
| Global                                                       | 5.4                                        | 4.2            | 3.4            | 3.4            | 3.4            |
| Euro area                                                    | 2.0                                        | 1.6            | -0.8           | -0.5           | 0.9            |
| European emerging countries                                  | 4.8                                        | 5.4            | 1.3            | 2.9            | 2.8            |

1/ KAS for 2010-2013

2/ CBK for 2010-2013

3/ MF for 2010-2013

4/ IMF for 2010-2015

