

Dear journalists and media representatives,

I feel honoured to meet you today to jointly mark the end of a successful year for the Central Bank of the Republic of Kosovo and the country's financial system, which with its activity has continued to be a very important contributor to the support of development and stability of the country's economy.

Effective communication with the media on a continuous basis has, without a doubt, been part of this success. CBK has continuously paid special attention to public transparency, by being open to media regarding all public interest issues. In order to further advance our cooperation, during this year, we have also organized a workshop with journalists where we had the opportunity to talk closely about important topics related to the work of CBK and the financial system of Kosovo. In addition, in order to facilitate access to information for journalists, we have appointed a CBK spokesman who greatly facilitated communication between the CBK and the media. These all indicate that we are continuing to advance our transparency towards the public and we remain committed to continue this in the future.

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Now, please allow me present to you a summary of the developments that characterized the country's economy and the financial system during 2018, taking into account the latest available data.

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Preliminary estimates suggest that the country's economy during 2018 recorded a real growth rate of about 4%, mainly supported by the increase in domestic demand, while the deepening of trade deficit had a negative impact on the growth

rate. The factors with the most significant impact on the financing of economic growth included the acceleration of credit growth for the private sector, the increase of public expenditures and the increase of remittances, which by September amounted to euro 587,9 million, which is 6.1 % higher compared to the same period last year.

Kosovo's economy, as estimated by CBK, is expected to have the similar economic growth rate next year, when the real growth rate is expected to be around 4.2%.

As regards developments at the general price level, the average inflation rate by the end of 2018 is expected to be around 1%.

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Banking activity during this year was characterized by credit growth, improved conditions for private sector access to loans, and further strengthening of the sustainability situation. Banking sector loans amounted to EUR 2.7 billion in October 2018, recording an annual growth of 11.6%. The main source of financing of banking sector activity remains deposits, the value of which during this period amounted to EUR 3.2 billion, which represents an annual growth of 6.9%.

Interest rates on loans continued to decline which decreased to 6.6% from 6.8% in the same period last year, indicating the continued ease of access to bank financing. Financial health indicators continued to show a high level of sustainability of this sector in all respects. In particular, it is worth mentioning the very good quality of the loan portfolio with a non-performing loans ratio of only 2.7% in October 2018, which, compared to last year when it was 3.6%, marked a further decrease.

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Other sectors of the financial system were also characterized by favourable developments. The value of assets of the pension sector in September 2018 amounted to EUR 1.76 billion, marking an annual growth of 11.2%. Return on pension fund investments continued to be positive, indicating an increase in the value of pension savings of citizens.

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The insurance sector continued to increase its insurance activity as well as compensate the insured against damages. The total written premium value of insurance companies in September 2018 was EUR 69.1 million, which represents an annual growth of 4.8%. On the other hand, the value of the damages paid amounted to EUR 31.5 million, marking an annual growth of 8.2%. Increased damages paid, in addition to increasing the number of insurance policies, also reflect the more responsible behaviour of insurance companies against insured persons.

The insurance sector has continued to have positive financial performance for the second consecutive year, which represents a very important development for the sustainability of this sector.

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Another important sector of the financial system is the microfinance institutions sector, which is continuing to accelerate the lending rate, becoming a sector that is increasingly contributing to the growth of competition in the credit market. The total value of this sector's loans in October 2018 amounted to EUR 177.7 million, marking an annual growth of 29.1%. However, a falling interest rate from the current average level of 23.1% would make this sector even more competitive and with greater role in supporting the domestic economy.

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The Central Bank of the Republic of Kosovo with all its capacities has continued to support the sustainable development of the financial system, providing all the necessary infrastructure to support the development of financial institutions and at the same time ensuring that their activity provides financial stability. Harmonization of the regulatory framework with the recent international developments in this area, more specifically in the European Union, has continued to be an important priority of the CBK during this year, which caused the drafting of various regulations which advance different aspects of the banking regulation, such as: the Regulation of IFRS 9 *Financial Instruments*, and the Regulation on Non-performing Loans and Restructurings. The application of Regulation IFRS 9 *Financial Instruments* will result in lower reserves for credit losses at the banking sector level and will reduce the cost of preparing and auditing the banks' financial statements since banks will only report under the international financial reporting framework - IFRS. The Regulation on Non-Performing Loans and Restructurings will enable the application of the same criteria for the identification of Non-performing Loans and Restructuring and it fully complies with the criteria applied in the EU.

In recent years, the CBK has increased its engagement towards the protection of the rights of financial services consumers, thus directly serving to the protection of the public interest. Such engagement, either through financial education programs or through corrective measures to financial institutions, will continue to increase during the upcoming periods.

During 2018, the CBK, in addition to the advancement of internal capacities, has been very active in the field of international cooperation. As regards this, I would

like to emphasize the signing of the memorandum of understanding with the European Central Bank, which paves the way for increased cooperation with this institution. Also, ensuring an LEI international code for the Republic of Kosovo was of a special importance. Through this code, the Central Bank of the Republic of Kosovo is treated equally with other central banks in the execution of financial transactions.

A more detailed disclosure of the economic and financial developments and CBK activities during 2018 can be found in the CBK Annual Report, which will be published in the first half of the next year.

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Before we move on to your questions, I would like to inform you that the CBK has continued even this year with the announcement of the already traditional competition for the "Young Economist" award, and I would like to thank and congratulate all the candidates for their papers submitted for this competition. This activity aims to stimulate research activity in the field of economy among young people.

Based on the evaluation of the professional commission for the evaluation of these papers, I am pleased to announce today the three winning research papers of this award, hoping that this will motivate the authors of these research papers and other young people to continue and advance even further their research work.

The author **Jeton Zogjani** is awarded the first place with the paper **“The efficiency and impact of banking electronic services: evidence for Kosovo”**

The author **Venera Ratkoceri** is awarded the second place with the paper “**The impact of Remittances and Foreign Direct Investments on Economic Growth - Evidence from Albania**”.

The author **Bedri Hasanaj** is awarded the third place with the paper “**Characteristics of Kosovo's economic growth in the last decade**”

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Finally, let me wholeheartedly thank you for the cooperation, professionalism and correctness you have shown in covering the financial and economic developments this year and let me wish you and your family great health, happiness and success for 2018.

You are now welcome to ask questions.