

Summary

Euro area economy in facing the economic crisis, based on the preliminary Eurostat estimates, has marked a decline of the economic activity of 15.0 per cent in Q2 2020. Since the economic activity was expected to be characterized with weak dynamics even prior to facing with the global pandemics, the decline marked in the first and the second quarter was mainly attributable to the impact of the measures taken to contain the COVID-19 virus. The new economic and social crisis was reflected also on the dynamics of the prices in euro area, while the inflation rate reached 0.2 per cent. In this period, also the Western Balkans is being faced with this economic crisis, which based on the IMF forecasts realized in April 2020, this region is expected to be characterized with a decline of 5.2 per cent in 2020. According to Kosovo Agency of Statistics (KAS) data, real GDP for the Q1 2020 marked a slowdown annual growth of 1.3 per cent. The dynamics of macroeconomic developments changed direction diametrically in the following months of April and May, with the announcement of the pandemic situation and taking restrictive measures by the Government to prevent the spread of the virus. According to KAS, the economic activity was characterized with a decline of 9.3 per cent in Q2 2020. With a decline were mainly characterized new loans, export of services and also capital expenditures of the government, while, despite the pandemic crisis, remittances, FDI and also export of goods have marked an increase. Consumer prices marked a slowdown increase of 0.6 per cent until June 2020, mainly as a result of the price decline of transport, recreation, footwear and clothing, and also due to the slowdown increase of food prices. Core inflation marked a decline of 0.2 per cent.

Fiscal sector, until June 2020, was characterized with a decline of budget revenues of 10.9 per cent and an increase of budget expenditures of 2.2 per cent. Consequently, Kosovo's budget recorded a primary budget deficit of EUR 111.5 million. Public debt reached EUR 1.3 billion, which is for 16.2 per cent higher compared to Q2 2019. As a percentage to GDP, public debt reached 18.2 per cent, from 16.5 per cent as it was in Q2 2019.

Assets of financial system increased by EUR 238.2 million in Q2 2020, mainly being impacted by increase of the banking sector and pension sector assets. Assets increase of the banking sector is mainly attributable to the high level of deposits collected in this quarter, which at the same time presents the main financing source of the banking activity. While, the expansion of assets of the pension sector came as a result of the collected contributions and return on investments. Insurance sector was characterized with an activity increase. The level of premiums and claims marked a decline, whereas the profit realized was higher. At the same period, microfinance sector marked a slowdown increase of its activity, a satisfactory level of the profit realized and low level of loans with problems.

External sector was characterized with a decline of the current account deficit of 19.0 per cent, which is mainly attributable to the deficit decline of goods and the increase of the positive balance of primary and secondary income. Conversely, the positive balance of services was significantly lower. Within the balance of payments, remittances marked an annual increase of 7.2 per cent, while Foreign Direct Investments (FDI) marked an increase of 48.7 per cent, until June 2020.

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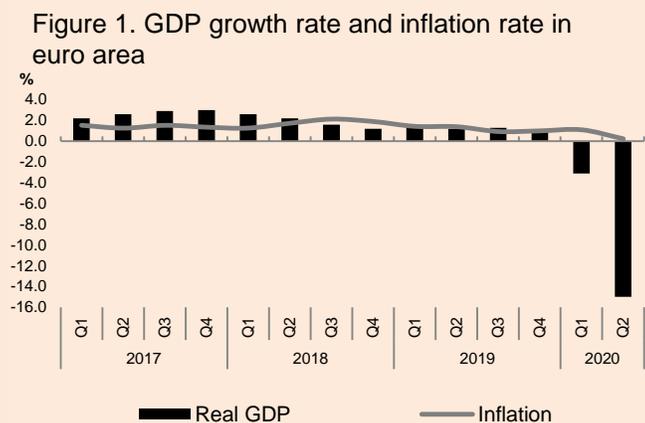
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ABBREVIATIONS

| | |
|-----|---|
| CBK | Central Bank of the Republic of Kosovo |
| CPI | Consumer Price Index |
| EUR | Euro currency |
| FDI | Foreign Direct Investments |
| GDP | Gross Domestic Product |
| IMF | International Monetary Fund |
| IPI | Import Price Index |
| KAS | Kosovo Agency of Statistics |
| MF | Ministry of Finance of the Republic of Kosovo |
| WEO | World Economic Outlook |

Euro area and Western Balkans

According to the preliminary estimates of Eurostat, economic activity in the euro area has marked a decline of 15.0 per cent in Q2 2020 (figure 1). The decline of the economic activity marked in the first and the second quarter of the year represent the deepest contraction of the economic activity since 1995 when Eurostat had started to publish these time series.



Source: Eurostat (2020)

Implementing the containment measures, since March, due to efforts to contain the COVID-19 virus, were translated in a decline of the activity in almost all the member states of euro area. While, by sectors, the highest losses result to have been marked in retail, transport, art activities, entertainment and recreation. For 2020, mainly as a consequence of the health crisis, economic and social crisis caused by pandemics, the European Central Bank (ECB) has forecasted an economic decline of 8.7 per cent.

The decline of the economic activity was translated in weak dynamics also in the level of euro area prices. In Q2 2020, the average rate of the Harmonized Index of

Consumer Prices in euro area was 0.2 per cent (1.4 per cent in Q2 2019) (figure 1).

Aiming at mitigating the effects of pandemics and assisting the economic recovery through the support of financing the real economy (especially businesses and households), in June 2020, the ECB took a decision on the new program of the quantity easing. This program, named as “Pandemic Emergency Assets Purchase Program” increased to EUR 1.35 billion, and is expected to continue at least until the end of June 2021.

Conversely, credit and depository activity in euro area continued to increase, by which were characterized enterprises and households as well. Loans to enterprises marked an increase of 6.5 per cent, while loans to households increased by 3.2 per cent. On the other hand, with a high increase were characterized also deposits of the banking system, where enterprise deposits marked an increase of 17.5 per cent, while household deposits increased by 6.2 per cent.

Also in the Western Balkans, as a consequence of the economic and social crisis caused by COVID-19 pandemics, economic activity in Q1 2020¹ slowed down at 1.3 per cent, from 3.2 per cent as it was in Q1 2019 (table 1).

Table 1. Real GDP growth rate in the Western Balkans

| Description | 2018 Q1 | 2018 Q2 | 2018 Q3 | 2018 Q4 | 2019 Q1 | 2019 Q2 | 2019 Q3 | 2019 Q4 | 2020 Q1 |
|-----------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Serbia | 5.0 | 5.0 | 4.2 | 3.5 | 2.6 | 2.9 | 4.8 | 6.2 | 5.0 |
| Montenegro | 4.8 | 5.2 | 5.3 | 4.9 | 3.0 | 3.2 | 4.7 | 3.1 | 2.7 |
| Kosovo | 2.9 | 4.4 | 3.8 | 4.1 | 4.2 | 4.1 | 4.4 | 3.9 | 1.3 |
| North Macedonia | 0.9 | 3.0 | 3.0 | 3.7 | 3.8 | 3.4 | 3.6 | 3.4 | 0.2 |
| Albania | 4.2 | 4.4 | 4.6 | 3.1 | 2.4 | 2.6 | 4.2 | -0.1 | -2.5 |

Source: National Statistics Offices of the respective countries

¹ The data for Q2 2020 have not been published yet.

The IMF forecasts realized in April 2020, suggested for an average of the economic activity decline of 5.2 per cent that would be marked in the region.

The average inflation rate in Q2 2020 was 0.5 per cent, representing a lower rate compared with 1.8 per cent as it was in Q2 2019. Lower inflation rates were present in almost all of the region countries (table 2). This inflation trend is expected to continue also in other following quarters and based on the IMF, the average inflation rate in 2020 is expected to be 0.7 per cent.

Table 2. Annual inflation rate in the Western Balkans

| Description | 2018 Q1 | 2018 Q2 | 2018 Q3 | 2018 Q4 | 2019 Q1 | 2019 Q2 | 2019 Q3 | 2019 Q4 | 2020 Q1 | 2020 Q2 |
|-----------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Kosovo | 0.0 | 0.7 | 1.4 | 2.2 | 3.2 | 3.3 | 2.6 | 1.7 | 1.1 | 0.2 |
| Montenegro | 3.7 | 3.7 | 2.4 | 1.7 | 0.4 | 0.5 | -0.1 | 1.1 | 0.5 | -1.1 |
| North Macedonia | 2.6 | 2.3 | 2.2 | 1.9 | 1.9 | 1.4 | 0.1 | -0.5 | -0.1 | 0.3 |
| Serbia | 1.6 | 1.8 | 2.4 | 2.0 | 2.4 | 2.3 | 1.3 | 1.4 | 1.8 | 1.0 |
| Albania | 1.9 | 2.2 | 2.2 | 1.8 | 1.6 | 1.4 | 1.4 | 1.3 | 1.6 | 1.9 |

Source: National Statistics Offices of the respective countries

As regards to the developments in the banking sector, also Western Balkans like euro area countries, marked an increase of lending and depository activities. Lending marked an increase of 7.1 per cent, representing a higher rate of increase compared to the rate of 6.2 per cent that had been marked in Q2 2019. Countries which marked the highest increasing rate were Serbia and North Macedonia (13.4 per cent and 8.7 per cent, respectively), being followed by Kosovo and Albania (6.4 per cent and 6.2 per cent, respectively), while Montenegro and Bosnia and Herzegovina marked lower increase rate of lending (5.0 and 2.6 percent, respectively).

Deposits marked even a higher increased rate, reaching an average of 8.4 per cent on the regional level (an increase of 6.8 per cent marked in Q2 2019). The highest increased rate of deposits was marked in Serbia and Kosovo (17.9 percent, and 14.0 percent, respectively), followed by North Macedonia (8.1), Albania (5.4 per cent), Bosnia and Herzegovina (4.7 per cent) and Montenegro (0.3 per cent).

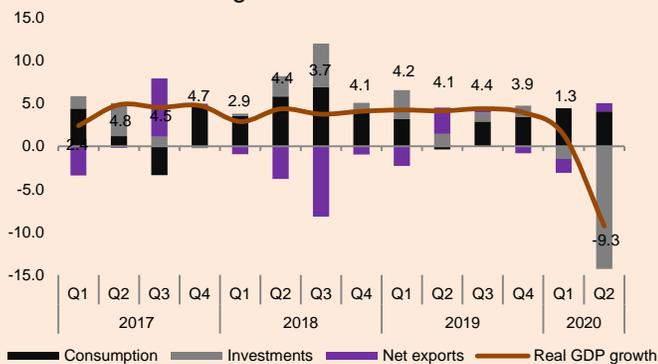
In Q2 2020, EUR currency depreciated against Swiss franc and American dollar (5.8 per cent and 2.1 per cent, respectively), while it was appreciated against other currencies: against Turkish lira with 14.6 per cent, Croatian kuna with 2.2 percent, British pound with 1.4 per cent, Albanian lek with 1.1 per cent, and against Macedonian denar with 0.3 per cent.

Kosovo's Economy

Real Sector

Based on KAS data, economic activity slowed down at 1.3 per cent in Q1 2020, from 4.2 percent as it was in Q1 2019. This economic activity slowdown was attributable mainly to restrictive measures on citizens mobility and closure of certain economic activities, by COVID-19 pandemic announcement in the last two weeks of Q1 2020 and during Q2 2020. Official estimates of KAS on GDP for Q2 2020 suggest a decline of the economic activity of 9.3 per cent. The investment component is estimated to have marked a contribution on the decline of the economic activity, which is estimated to have given a negative contribution of -14.3 percentage points. Conversely, the economic activity was supported by the positive contribution of consumption and of net exports with 4.1 and 1.0 percentage points, respectively (figure 2).

Figure 2. Real GDP growth rate and main contributors to the growth



Source: KAS (2020) and CBK calculations

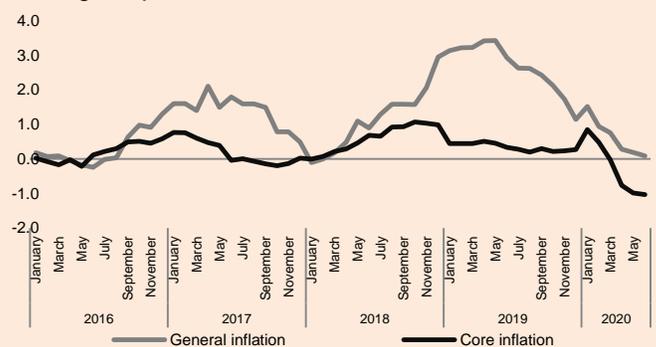
KAS estimates on the economic decline, marked in Q2 2019, are supported also by the decline of new loans, namely consumer and investment loans, the decline of export of services and also the decline of the government capital expenditures. An indication of the

decline of domestic demand is presented also by the decline of goods import with 18.9 per cent marked in Q2 2020. On the other hand, some of the external financing sources (remittances and FDIs), and also the export of goods, marked an increase during this period. On sectoral basis, a decline was marked by construction sector (-47.1 percent), trade, transport, accommodation and food services (-24.4 percent), professional and administrative activities (-16.4 per cent), financial and insurance activities (-6.7 per cent), et., while an increase was marked in the sector of extracting industry, processing industry, electrical energy, supply with water (19.8 per cent), information and communication (29.6 per cent), real estate activities (4.3 per cent), etc.

Prices

The consumer price index marked a slowdown increase of 0.6 percent by June 2020, compared to the same period of 2019 when it had been marked an increase of 3.2 per cent (figure 3).

Figure 3. General inflation and core inflation, annual change in per cent



Source: KAS and CBK calculations (2020)

A higher increase was marked in prices of health services, hotels, household equipment, and services of communication means. Other categories marked a

slowdown increase of prices, namely a decline of prices. Prices of food and non-alcoholic beverages marked a significantly lower increase compared to the same period of 2019, albeit due to the high share they have in the Kosovars consumer basket, they contributed positively by 0.84 percentage points to the overall inflation (table 3).

Table 3. Contribution of specific categories to the general inflation

| Description | Weight 2020 | Inflation rate | Contribution |
|---------------------------------|---------------|----------------|--------------|
| <i>Total</i> | <i>100.0%</i> | <i>0.6</i> | <i>0.63</i> |
| Food and non-alc. beverages | 40.1% | 2.0 | 0.84 |
| Alcoholic beverages and tobacco | 5.7% | 0.3 | 0.02 |
| Footwear and clothing | 4.1% | -0.6 | -0.02 |
| Energy | 7.7% | 0.2 | 0.01 |
| Furnishing | 7.6% | 1.3 | 0.10 |
| Health | 2.1% | 4.8 | 0.10 |
| Transport | 15.7% | -4.3 | -0.67 |
| Communication | 3.8% | 1.0 | 0.03 |
| Recreation | 4.4% | -0.5 | -0.02 |
| Education | 1.0% | 0.1 | 0.00 |
| Hotels | 3.2% | 2.5 | 0.08 |
| Goods and other services | 4.5% | 3.8 | 0.17 |

Source: KAS and CBK calculations

As shown in the table, the Kosovar consumer basket is characterized with a very high share of products with seasonal prices fluctuations (food, energy, alcoholic beverages and tobacco), where the exclusion of these components makes the core inflation to be more stable (figure 3). Core inflation stood at -0.2 percent, which resulted to be lower for 0.9 percentage points than the overall inflation.

Due to the high dependence of Kosovo's economy on import, the dynamic of the Kosovar consumer basket is mainly determined by import price fluctuations, which until June 2020 marked an average decline rate of 2.1 percent (an increase of 3.7 percent in the same period

of 2019). Besides import prices, also producer prices were characterized with a decline which stood at 0.9 per cent, albeit this rate was lower compared to import prices.

Fiscal Sector

Budget revenues² until June 2020 reached a net value of EUR 760.3 million, representing an annual decline of 10.9 per cent, while budget expenditures³ reached the value of EUR 871.8 million, marking an annual increase of 2.2 per cent. Consequently, Kosovo's budget recorded a primary budget deficit of EUR 111.5 million.

COVID-19 pandemic has had an impact on the decline of domestic demand, influencing a decrease of direct tax revenues of 14.1 per cent until June 2020. All the categories of direct tax revenues marked a decline. Corporate income tax and personal income tax, which represent the two main categories of direct tax revenues, marked a decline of 14.9 per cent and 9.0 per cent, respectively. COVID-19 pandemic has had a negative impact also on import of goods, thus causing a decline of 9.5 percent of direct tax income which reached the value of EUR 569.1 million and comprise 74.9 per cent of total budget revenues. A higher decline of budget revenues was marked by non-tax revenues, reaching a value of EUR 76.4 million, which is for 22.3 per cent lower compared to the same period of 2019.

Budget expenditures were characterized with slowdown increase, mainly as a consequence of the delay of the Budget approval for 2020 by the Assembly of Kosovo but also due to the impact of COVID-19 pandemic. The main category which contributed to the

² Within the primary income were not included the revenues from borrowings, income from privatization and donor defined grant receipts.

³ Within budget expenditures are not included debt payments, membership payments at International Financial Organizations (IFO), and returns from deposit funds.

slowdown increase of budget expenditures was the one of capital expenditures, which marked the value of EUR 92.5 million, representing a decline of 23.1 per cent, compared to the same period of 2019. With a decline of 3.2 per cent were characterized also expenditures of goods and services (including also the municipal utilities), which reached the level of EUR 110.3 million. Other categories of budget expenditures were characterized with increase. Government expenditures on wages marked an increase of 7.1 per cent, reaching the value of EUR 326.4 million, while subsidies and transfers increased by 16.4 per cent and reached the value of EUR 348.3 million.

Public debt, in Q2 2020 reached EUR 1.3 billion, which is for 16.2 per cent higher than the public debt marked in the Q2 2019. As a percentage to GDP, public debt reached 18.2 per cent from 16.5 per cent as it was in Q2 2019. This increase of public debt is attributable to the growth of domestic debt with 22.5 per cent (which reached EUR 884.5 million), while public external debt reached EUR 429.6 million, namely marking an increase of 4.9 percent compared to Q2 2019. The share of public external debt to total public debt decreased to 32.7 per cent, from 36.2 per cent as it was in Q2 2019. The threshold of public debt in Kosovo is set by law at 40 per cent, and consequently the level of 18.2 per cent ranks Kosovo in the position of the country with the lowest level of public debt compared to the region countries. Nevertheless, this low level of public debt may quickly surge in the future as a result of the negative impact of COVID-19 pandemic in Kosovo's

economy and due to the Government's plans to finance the budget deficit through the public debt.

Financial Sector⁴

On quarterly basis, assets of financial system increased by EUR 238.2 million, mainly reflecting the increase of the banking sector and pension sector assets. Assets expansion of the banking sector is mainly attributable to the high level of deposits collected in this quarter, which at the same time presents the main financing source of the banking activity. While, the expansion of assets of the pension sector came as a result of the collected contributions and return on investments during this period. Banking sector marked a net profit with a value of EUR 17.9 million in this quarter, which is lower for EUR 3.4 million compared to Q2 2019, mainly as a consequence of the higher increase of expenditures against the slower increase of the sector income. Financial soundness indicators of the sector continued to stand at satisfactory values. Banking sector continued to be characterized with a high credit portfolio quality, and satisfactory coverage with loan loss provisions. The solvency and liquidity indicators continued to remain above the minimum level as recommended by the regulation.

Pension sector was characterized with an activity expansion being impacted by positive return on investments in Q2 2020 (recovering to some extent from the losses incurred during Q1 2020) and collected contributions, albeit at lower level compared to the previous quarters, representing an indication of the

⁴ For more information on financial sector, please refer to: Quarterly Assessment of Financial System (Q2 2020) published at the website of the CBK .

negative impact caused on the economy by COVID-19 pandemic.

Insurance sector during the second quarter of 2020 was characterized with an activity expansion, albeit at a lower level. The level of collected premiums and claims incurred during this period marked a decline, which is interlinked with the COVID-19 pandemic. The insurance sector during Q2 2020 marked a high level of the profit compared to the negative financial results marked in the second quarter of the previous year.

Microfinance sector marked an activity increase during Q2 2020, representing a significantly slower increase compared to the previous period. Despite the negative effects of the pandemic, microfinance sector continued to have a satisfactory performance and a good quality of credit portfolio.

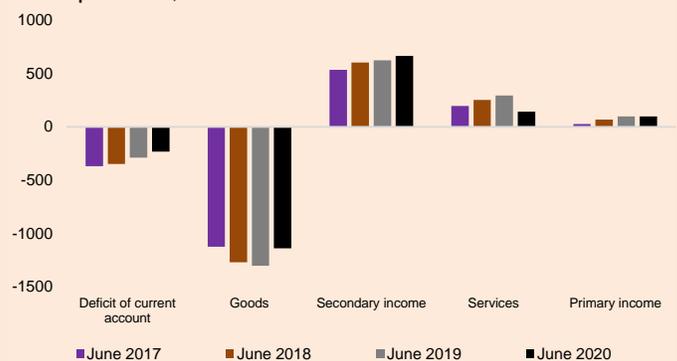
In Q2 2020, Kosovo's Government issued a debt with a quite high value compared to the same period of the previous year. The value of debt issued by Kosovo's Government during Q2 2020 reached a value of EUR 162.4 million. The demand to invest in government securities has always exceeded the amount offered by Kosovo Government.

External Sector

The current account deficit amounted to EUR 233.3 million by June 2020, which is for 19.0 per cent lower compared to 2019. The decline of the current account deficit is attributable to the deficit decline of goods and the increase of the positive balance of primary and secondary income. Conversely, the positive balance of services was significantly lower (figure 4).

The deficit in goods⁵ account reached the value of EUR 1.2 billion in June 2020, representing an annual decline of 12.6 per cent (an increase of 3.4 per cent marked in the same period of 2019). This deficit decline of goods is mainly attributable to the higher increase of export of goods and also the high decline of import.

Figure 4. Current account deficit and its components, EUR million



Source: CBK

The export of goods reached a value of EUR 213.1 million, marking a considerable annual increase of 19.7 per cent (5.3 per cent in June 2019) (figure 5).

Figure 5. Export and import of goods, EUR million



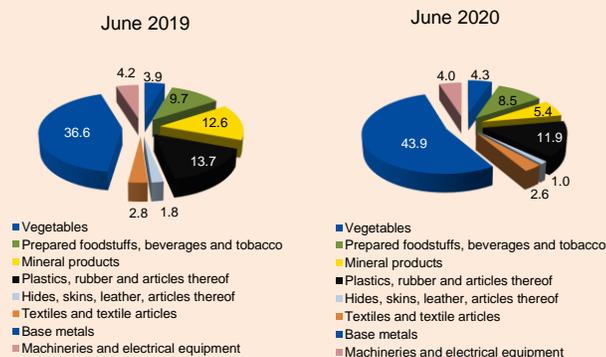
Source: KAS (2020)

The increase of export of goods was more significant in base metals, vegetables, machinery and electrical

⁵ The source of data for import and export of goods in Kosovo is Kosovo Agency of Statistics.

equipment, prepared foodstuffs, and beverages and tobacco. Conversely, a decline was marked by export of mineral products, leather and articles thereof, etc. (figure 6).

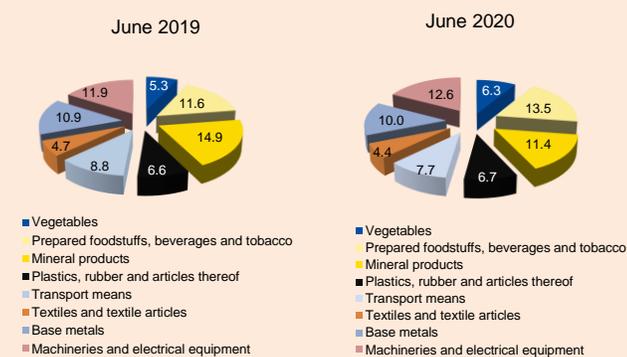
Figure 6. Structure of exports by category, in per cent



Source: KAS (2020)

The value of import of goods reached EUR 1.5 billion, representing a decline of 9.0 per cent compared to the same period of the previous year. The decline of imports has been mainly influenced by the lower level of imports of mineral products (mainly oil products) and base metals, categories which have been characterized by declining prices in international markets.

Figure 7. Structure of imports by category, in per cent



Source: KAS (2020)

With a significant decline were characterized also the import of transport means and textile and articles thereof. Conversely, import of prepared foodstuffs, beverages and tobacco, and import of vegetables has marked an increase (figure 7).

The balance in trade of services marked a value of EUR 141.2 million until June 2020, marking an annual decline of 51.9 per cent. The value of exported services results to have been for EUR 382.8 million or 34.8 per cent less compared to the same period of 2019. Export of services has a high share to GDP (24 per cent in 2019) and is mainly comprised by export of travel services (79 per cent of total export of services was comprised of the export of travel services in 2019), which mainly consist of diaspora expenses of Kosovo during their stay in Kosovo. Considering that half of export of travel services is realized in the third quarter and due to the restrictive measures that were taken by the governments of the countries where Kosovo's diaspora is concentrated, it is projected that the decline of services export in Q3 2020 would be even higher compared to the previous quarter. Consequently, the decline of export of services is expected to be one of the main channels to transmit the crisis. Conversely, the value of imported services was EUR 241.6 million or 17.5 per cent less compared to the same period of 2019. As in export of services also in the activity of import, was marked a decline in travel services, transport services and construction services, which mainly are connected to the restrictive measures taken in order to contain the corona virus.

The balance of the primary income account marked a value of EUR 98.3 million, representing a slight increase of 1.7 per cent. Conversely, the balance of

secondary income reached a value of EUR 665.8 million, which is for 6.9 per cent higher compared to the same period of 2019. Remittances received in Kosovo reached a value of EUR 434.9 million until June 2020, representing a growth of 7.2 per cent compared to the same period of 2019 (figure 8).

Figure 8. Remittances, EUR million



Source: CBK (2020)

Remittances received in Kosovo mainly come from Germany and Switzerland, which represent the countries with a share of 43.1 and 24.3 per cent, respectively, of total remittances in Q2 2020. A considerable amount of remittances was received also from the U.S.A, namely 5.4 per cent of total remittances received in Kosovo. Despite the fact that countries where the Kosovar diaspora is concentrated have highly been impacted by pandemic crisis, remittances marked an accelerated increase. The increase of remittances was continuously of double digit, except in the months of March and April when it had been marked a decline. Remittances sent through money transferring operators marked an increase of 46.3 per cent until June, while remittances sent by banks marked an increase of 19.0 per cent. On the other hand, taking into account the closure of borders and other restrictions, remittances which are received

through “informal” channel marked a decline of 52.3 per cent, until June 2020. The increasing trend of remittances is expected to continue also in the following months (only in July the increase of remittances was 23.9 per cent).

Financial account of the balance of payments marked a value of EUR -284.1 million (EUR -145.1 million, until June 2019). This increase of the negative balance of financial account was mainly as a result of investments abroad, primarily as portfolio investments. Also, liabilities within the financial account marked an increase (25.4 per cent). Within the financial account, FDI in Kosovo reached a value of EUR 164.7 million, which is for 48.7 per cent higher compared to the same period of 2019. This level of FDI increase is attributable to the fact that during the first half of 2020 foreign companies which operate in Kosovo have not distributed a dividend to their shareholders, an indication implying that the crisis might have had an impact on FDI despite their increase. Further more, an increase of FDI was marked in January and June, while along other months it was marked a decline.

Within FDI structure, capital and investment funds in shares reached the value of EUR 128.4 million, marking an increase of 56.5 per cent, while FDI in the form of debt instruments marked an annual increase of EUR 26.3 percent and reached the value of EUR 36.3 million (figure 9).

Figure 9. Structure of foreign direct investments by components, EUR million



Source: CBK (2020)

The increase of FDI was marked mainly in the sectors of financial services, energy, and mining, while the sector of construction and real estate sector were characterized with a decline.

Regarding the origin of FDI, Albania represents the country from where came the majority of FDI until June 2020 (EUR 32.2 million), followed by Germany (EUR 29.2 million), Hungary (EUR 25.8 million), Switzerland (EUR 25.4 million), U.S.A (EUR 13.1 million), etc.

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CBK (2020): Quarterly Assessment of Macroeconomic Developments No. 31 Q2 2020, Central Bank of the Republic of Kosovo

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Macroeconomic selected indicators

| Description | June 2019 | June 2020 |
|---|-----------|-----------|
| Real sector 1/ | | |
| Gross Domestic Product (GDP) (in millions of EUR) | 3,245.3 | 3,073.9 |
| Consumer prices (annual average) | 3.2% | 0.6% |
| Consumer prices (end of period) | 2.9% | 0.1% |
| Fiscal Sector 2/ | | |
| Budget Revenues (in millions of EUR) | 853.5 | 760.3 |
| Budget Expenditures (in millions of EUR) | 853.2 | 871.8 |
| Primary balance (in millions of EUR) | 0.3 | -111.5 |
| Financial sector (in millions of EUR) 3/ | | |
| Assets of financial corporations | 6,666.4 | 7,412.2 |
| of which : Banks | 4,303.4 | 4,849.0 |
| Loans | 2,940.0 | 3,127.4 |
| Deposits | 3,425.3 | 3,903.2 |
| <i>Interest Rates on Loans, end of period</i> | 6.34% | 6.26% |
| <i>Interest Rates on Loans, end of period</i> | 1.28% | 1.54% |
| Interest rate gap | 5.1% | 4.7% |
| External sector,(in millions of EUR) 3/ | | |
| Balance of payments | | |
| Current and capital account | -294.3 | -227.8 |
| of which: remittances | 405.6 | 434.9 |
| Financial account | -145.1 | -284.1 |
| Foreign Direct Investmentsin Kosovo | 110.8 | 164.7 |
| Portfolio investments, net | -31.7 | -388.9 |
| Other investments, net | -260.9 | 214.3 |
| International Investment Position (IIP), net | -462.4 | -709.7 |
| Assets | 4,912.3 | 5,076.3 |
| Liabilities | 5,374.7 | 5,786.1 |
| External debt | 2,155.0 | 2,273.0 |
| Private external debt | 1,663.2 | 1,754.4 |
| Public external debt | 491.7 | 518.6 |

Source:

1/ KAS (2020)

2/ MF (2020)

3/ CBK (2020)

