



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

# MACROECONOMIC DEVELOPMENTS REPORT

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CENTRALNA BANKA REPUBLIKE KOSOVA

CENTRAL BANK OF THE REPUBLIC OF KOSOVO

# Macroeconomic Developments Report

Number 1



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## ABBREVIATIONS

ALL	Albanian Lek
CBK	Central Bank of the Republic of Kosovo
CEFTA	Central Europe Free Trade Agreement
CPI	Consumer Price Index
ECB	European Central Bank
EU	European Union
EULEX	European Union Rule of Law Mission
FDI	Foreign Direct Investments
FED	Federal Reserve System
GDP	Growth Domestic Product
IFO	Institute for Economic Research
IIP	International Investments Position
IMF	International Monetary Fund
IPI	Import Price Index
KAS	Kosovo Agency of Statistics
KFOR	NATO-led Kosovo Force
KTA	Kosovo Tax Administration
NPL	Non-performing Loans
OPEC	Organization of Petroleum Exporting Countries
PPI	Producer Price Index
REER	Real Effective Exchange Rate
SDR	Special Drawing Rights
SEE	Southeastern Europe
UNMIK	United Nations Mission in Kosovo
USA	United States of America
VAT	Value Added Tax

## CONVENTIONS:

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





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## Foreword

Economic activity in Kosovo during 2013 was developed in a more favorable macroeconomic environment. Eurozone recovery was more significant in the major economies of the community, to which Kosovo's economy is more exposed, while peripheral countries were characterized by less favorable developments. Monetary policies that the ECB took during 2013 in order to stimulate the growth of domestic demand and avoid low inflationary pressures led to improvement in the pace of economic growth in the euro area, although external demand remained weak as a result of the ongoing recession in some of the European economies and due to the slow growth of the global economy.

More favorable developments in the main countries of the euro area and in the SEE were also reflected in the Kosovo's economy, where the economic activity in 2013 is estimated to have recorded a real growth of 3.4 percent; a higher growth rate compared to the previous year. The increased economic activity during 2013 is considered to have mainly been driven by the increase in total consumption, and the decrease of the deficit in net exports. Meanwhile, investments compared to the previous year, had almost a neutral contribution. Remittances and consumer loans were the main factors that financed consumption growth in 2013, while the decline in imports and the growth of exports narrowed the deficit, thus marking a positive contribution to the growth. Low inflationary pressures in the euro area, Kosovo's main trading partner, were also reflected in the country's economy resulting in considerably low inflation rate.

Central Bank of the Republic of Kosovo is committed to achieve and maintain the financial and macroeconomic stability in the country and the publication of this report supports this objective by providing an overview of the development assessment of all economic sectors. In this context, during 2014, in cooperation with the IMF, the CBK improved the model for macroeconomic forecasts, and on regular basis, from now on, will present its forecasts for the country's economic activity. For 2014, based on this model, CBK forecasts suggest that the real economic growth rate is expected to accelerate compared with 2013, reaching 3.7 percent. This acceleration of growth is expected to be supported by private consumption growth, while the public consumption is expected to have a positive contribution as well. Regarding investments, their contribution is expected to be almost neutral, as the public investments for 2014 are expected to have a negative performance. However, private investments are expected increase sufficiently as to eliminate the negative contribution of the public investments. Private investments during 2014 are expected to be supported more significantly by the banking sector, which has accelerated the credit growth rate compared to the previous year.

During 2014 fiscal sector is expected to be characterized by an increase in revenues and expenditures. However, the expenditures growth is expected to be higher, resulting in a higher primary deficit compared to the previous year. The external sector is expected to be characterized by a growth of the current account deficit, as a result of the slight deterioration of the trade position in goods and services. Regarding prices, forecasts suggest that the inflation rate will be further declined, reaching around 1 percent, driven by the downward trend of prices of the main commodities on the global level, especially those which Kosovo imports most such as oil and food commodities.

In general, it can be considered that Kosovo's economy has continued to maintain macroeconomic stability, continuing to grow steadily, while for 2014 the pace of economic growth is expected to accelerate further. However, the developments that the global economy is experiencing, despite occasional recoveries, continue to show concern for the regional economies. Consequently, the overall economic performance in the region can still be considered as fragile. Nevertheless,

reaching the higher rates of the economic growth, necessary to address the main problems of the economies of our region, appears to be challenging.

**Bedri HAMZA**

**Governor**

## 1. Executive summary

Global economic developments in 2013 improved and the global economy is expected to continue its gradual recovery during 2014. In 2013, the recovery of economic growth was more significant in developed countries as USA, Japan, United Kingdom and in some developed euro area countries such as Germany and France. Developing countries such as India, Indonesia and Brazil, although continued to have high growth rate and large weight in the global economic growth, in 2013 they were characterized by slower growth pace. In the euro area economy it was recorded a recession for the second year in a row. Within the euro area countries, it was noticed a positive trend in the recovery pace of the major economies such as Germany and France compared with peripheral economies which were characterized with slack developments. Despite the stimulating character of the monetary policy that the ECB maintained during 2013 in order to promote an increase in lending, consequently investments and consumption, lending in euro area remains tight. Countries of the SEE region were characterized by improved economic activity, which is mainly attributed to the increase of exports and to some extent also to the increased foreign direct investments.

Favorable developments in major euro area countries and in SEE were also reflected in the Kosovo's economy, where the economic growth in 2013 was higher than in the previous year. Kosovo's economy recorded a relatively high rate of economic growth in 2013 reaching 3.4 percent. Economic activity in the country during 2013 was supported by increased consumption and the improvement of net exports position, while investments remained almost with neutral effect. Consumption growth is mainly attributed to the growth of remittances and consumer loans during this period, and to the growth of government current expenditures. Investment component in 2013 was characterized with similar position as in the previous year. In the same period, the increase of exports and the decline of imports during 2013 resulted in a lower trade deficit in goods, thus improving the position of net exports, which had a slight positive contribution to the growth.

Deflationary pressures in the euro area, the region with which Kosovo conducts most of its trading activity, were also reflected in the country's economy. In 2013, Kosovo's economy benefited from declining prices of imported products, in particular the decline in the prices of oil products, which also affected the cost of production in the country. The annual average inflation rate in 2013 was 1.8 percent, compared to the rate of 2.5 percent marked in 2012. Developments in the price level in the country continue to be determined by the price movements in the international markets due to the high dependence of the country's economy on imports, which is also confirmed by the similar behavior of the consumer price index to the import price index. At the same time, countries in the region faced higher prices compared to Kosovo, thus making the local products more competitive against the products of the region countries.

The ratio of the current account deficit to GDP in 2013 was 6.4 percent in 2013 (7.5 percent of GDP in 2012), representing the lowest level recorded since 2007. The decline in the current account deficit was primarily as a result of the lower trade deficit, respectively the increase of exports and the decrease of imports. The increase of exports in the country is mainly driven by external demand growth in 2013, especially in the euro area and in the region countries, as well as by the increase of the base metal prices in international markets. At the same time, imports are characterized by decline which to some extent can be attributed to the import substitution with domestic production and to the decline in prices of main products imported in Kosovo. In the context of the balance of payments in Kosovo, current transfers continue to represent an

important category in the context of the narrowing the current account deficit. Within the current transfers, remittances reached a value of euro 620.8 million in 2013, representing an annual increase of 2.5 percent.

Financial account within the balance of payments continues to be dominated by the category of Foreign Direct Investments (FDI). FDI in the country and direct investments of Kosovo's residents abroad was characterized by an increase in 2013. The improvement of the increasing trend of FDI in Kosovo in 2013 represents a very important development for the sustainability of financing the current account deficit. In 2013, FDI in Kosovo, marked an annual growth of 13.5 percent, amounting to euro 259.4 million.

During 2013, the fiscal sector of the country's economy was characterized by a slight decrease in revenues and an increase in expenditures. Kosovo's budget recorded a primary deficit of euro 152.7 million, or 2.9 percent of GDP compared with 2.4 percent of GDP as it was in the previous year. In the same period, general government debt amounted to euro 475.7 million, or 9.1 percent of GDP (8.4 percent in 2012). Kosovo continues to have the lowest level of primary deficit and also the lowest level of public debt compared to other regional countries.

The year 2013 was favorable also in terms of developments in the banking sector. Total loans in 2013 amounted to euro 1.81 billion, representing an annual increase of 2.4 percent. In 2013, the average interest rate on loans was 12.4 percent (13.4 percent in 2012) while average rates on deposits were 3.4 percent (3.6 percent in the previous year). Deposits remain the main source of funding for banks, which in 2013 reached a value of euro 2.45 billion, marking an annual growth of 7.5 percent. The stability of the banking sector remains an important contributor to overall macroeconomic stability. Main liquidity indicators were characterized with an increase, thus making an improvement in the banking sector liquidity position. In addition, the banking sector was continuously characterized by high level of capitalization which exceeded the minimum regulatory requirements. During 2013, the exposure to credit risk increased, where the NPL to total loans ratio in December 2013 reached 8.7 percent (7.5 percent in 2012). However, nonperforming loans remain well covered by provisions (110.6 percent), which reduced the exposure of the sector to credit risk.

Economic growth for 2014 is expected to accelerate compared to the previous year. The main factor of the acceleration of economic growth for 2014 is expected to be the private consumption component while with positive effect is expected to be also the public consumption. Regarding investments, their effect is expected to be neutral. Despite the positive performance of the private investments, the decline of public investments is expected to eliminate the effect of the increasing investments. The trade deficit in goods and services is expected to have a negative impact on the growth which is expected to deteriorate in 2014. CBK forecasts suggest that the real GDP growth for 2014 will be 3.7 percent.

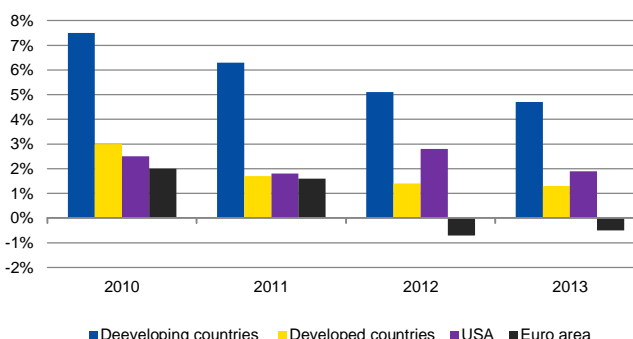
Price movements in 2014 are expected to be characterized by stability as a result of the modest price increase. Forecasts show that the inflation rate for 2014 will be around 1 percent. This level of inflation is expected to be a result of the downward trend in the global prices of the main products, especially those which Kosovo imports more such as oil and food commodities. Also, domestic developments, such as the decline in prices of certain categories as administered prices (e.g. education) are expected to contribute to inflation rate to be moderate. On the other hand, prices of non-tradable sectors may grow as a result of increase in the wages and salaries in the public sector, while inflation could also be affected by the increase in electricity prices.



## 2. Global economy and the euro area

The world economy continued to recover gradually during 2013, albeit with significant differences among the regions. Unlike previous years, the main driver of the global economic growth in 2013 appears to have been shifting from developing economies to developed economies (figure 1). The economic activity growth on the global level is mainly driven by the US economy, Japan, the UK and by some of the most developed countries of the euro area such as Germany and France. In 2013, global economic growth rate reached 3.0 percent. In the first half of 2013, global economic growth was 2.7 percent, accelerating in the second half of the year to 3.7 percent. While compared to the previous year, some of the developed economies were characterized by a more rapid annual growth; developing countries in the same period remained sluggish. However, developing economies continue to be the main contributors of the global growth. Developing economies marked a growth of 4.7 percent in 2013, while the growth rate in the developed economies was 1.3 percent. During 2013, most of the world economies applied stimulating economic policies towards supporting economic activity mainly through the lax monetary policies and the ease of the tight fiscal policies.

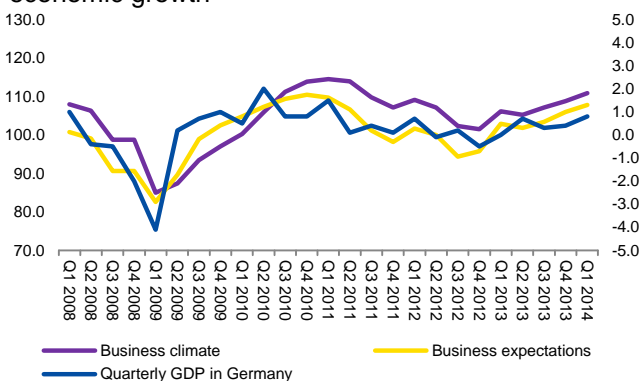
Figure 1. Real GDP growth rate



Source: IMF WEO (April 2014)

Euro area economy continued its recovery during the second half of 2013 from the recession of the first half of the year. During this year, euro area was characterized by an annual decline of 0.5 percent of GDP. However, within the countries in the euro area a difference was noticed in the pace at which major economies were recovered, within the union, as Germany and France compared to the more peripheral euro area economies. Germany recorded an annual growth of 0.5 percent in 2013, where only in the last quarter of 2013 had an annual growth of 1.4 percent. The recovery of the economic activity in Germany is mainly driven by the increase in private and public consumption as a result of lower interest rates that generally dominated the European market. Also, the improvements of the labor market conditions and the improved confidence have contributed to boosting the domestic demand, by reflecting in consumption and higher investments. Perception of improved confidence in Germany in 2013 is estimated by the IFO business index, which is one of the main indicators for assessing the economic activity in Germany. Figure 2 shows that the improvement of the business climate in Germany in 2013 compared to 2012, and the optimistic expectations for 2014 in line with developments in the first quarter of 2014 resulted in an increased economic activity during this period. Outside the major

Figure 2. Business climate in Germany and economic growth



Source: IFO (2014)

economic countries in the euro area, economic growth was mainly driven by export growth and a gradual stabilization of domestic demand. However, the growth of demand in the euro area may be hampered to some extent, in 2014, by the presence of financial fragmentation, low level of lending and high level of corporate debt. Until 2008, the monetary union contributed in the deepening of the financial integration in European countries, while the recent financial crisis is characterized by fragmentation of European financial markets. Financial fragmentation in European countries is mainly presented through the decline of cross-border investments in government bonds and contraction of cross-border lending. Despite the decline of the budget deficit, concerns about public debt remain as the public debt in 2013 reached 95.7 percent of GDP compared to 92.9 percent in 2012. However, forecasts for the economic growth in 2014 are expected to improve the sustainability and overcome the crisis of the public debt, which will be reflected in increasing the level of confidence in the markets and in the decline of the financing cost.

Economic activity marked a more moderate increase in developing countries in 2013 compared to the previous year. Countries like India and Russia in 2013 were characterized with slower growth of 4.4 percent and 1.3 percent, respectively (4.7 and 3.4 percent in 2012, respectively) while China marked an economic growth of 7.7 percent, almost the same as in the previous year. Developing countries were characterized by an increase in exports, which resulted from the increased economic activity in the developed countries. On the other hand, investments remained at a low level, while external financing and domestic financial conditions tightened continuously. Financial markets were mainly stable during 2013, with an exception of the third quarter of the year when they were strained, especially in developing countries. Financial markets became strained mainly due to the FED's statement in May 2013 for the possibility asset tapering in the USA, namely due to the purchase of government securities and mortgage derivatives (packages of a number of insured mortgage loans) within a near future. This program reduced the interest rates in the United States, particularly the cost of mortgage loans and the cost of financing for businesses. While consumers have benefited from the lower cost of house purchase and the lower cost of financing the businesses, investors were more inclined to invest in stock markets in order to realize higher returns than investing in government securities. The increased tensions particularly had an impact in developing markets, where the increased uncertainty led to higher interest rates due to the potential growth rates in the USA, and the depreciation of currencies in some developing countries.

Regarding expectations for the economic activity, the economic growth for the euro area for the next two years is expected to reach 1.2 percent and 1.5 percent, respectively in 2014 and 2015. Also, the projected economic growth in developing countries is expected to mark a growth from 4.7 percent in 2013 to 4.9 percent in 2014 and 5.3 percent in 2015.

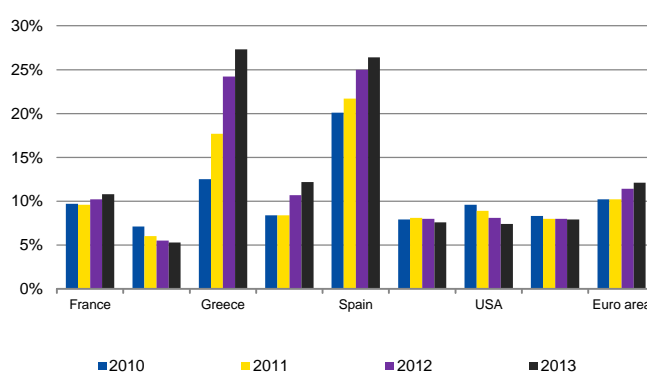
In 2013, the decline of commodity prices in international markets, in particular prices of fuel and food, as well as the slow growth of the global economy mitigated the inflationary pressures. Central banks of the important regions continued to pursue easing monetary policies during 2013, mainly with the aim of boosting the economic activity and avoid the potential risk of possible deflation in the United States, euro area and in Japan. Inflation on the global level in 2013 stood at 3.6 percent, from 3.9 percent in 2012. In the developed countries, namely in the USA, Japan and euro area inflation was below the target set by the central banks at around 2 percent,. In 2013, the inflation rate in the United States, Japan and the euro area stood at 1.5, 0.4, and 1.3 percent, respectively. Developing countries were characterized by a slightly lower inflation rate in 2013 with an average of 5.8 percent, compared to the previous year when the inflation rate stood at 6.0 percent (figure 2).

Low inflationary pressures in developed countries were also a result of the lower costs in labor markets, which are reflected also on the output gap that came from these countries, as well. Unemployment rates for a large part of the developed countries and developing countries marked an increase in 2013 compared to the previous year. An exception is the US economy, which in 2013 was characterized by a decline of unemployment rate, despite low inflationary pressures. The annual unemployment rate in the United States in 2013 stood at 7.4 percent, unlike the previous year when it was 8.1 percent. In the euro area, the unemployment rate in 2013 increased to 12.1 percent from 11.4 percent in 2012. Within the euro area, Germany appears to have improved the situation in the labor market, reducing the annual rate of unemployment to 5.3 percent in 2013 (5.5 percent in 2012). All other developed countries (except Denmark and Estonia), and especially the peripheral euro area countries were characterized by an increase in the unemployment rate in 2013 (figure 3).

Conditions in monetary and financial markets in the developed countries have remained largely supportive to the economic growth. FED's initial statement for the gradual closure of quantitative easing phase had an impact on increasing the tensions in international financial markets, resulting in a temporary increase of long-term interest rates of the securities markets of the American government in late 2013. However, FED remained committed to its policy for keeping interest rates at a low level, a policy that is expected to remain until 2015. Low interest rates through continued monetary easing policies are expected to remain present in euro area as well.

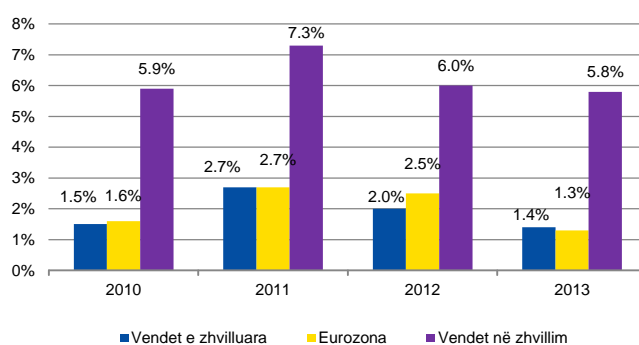
In 2013, debt market conditions marked a recovery mainly as a result of improvements in the perception of the risk level on the markets of countries with debt problems in the euro area. Positive impact on the debt markets in the euro area had also the European Central Bank (ECB) statement on the continuation of the supportive policies of after the further decrease of the base interest rate in November. Risks which further remain a challenge for the euro area, return to the financial risk of fragmentation, which is expected to continue to prevent transmission of monetary policy in all member countries. As a result, lending conditions in the euro area are expected to remain tightened to some extent, while the gradual improvements of weak balance sheets of the banks are expected to result in an increase of lending.

Figure 3. Unemployment, in percent



Source: IMF WEO (April 2014)

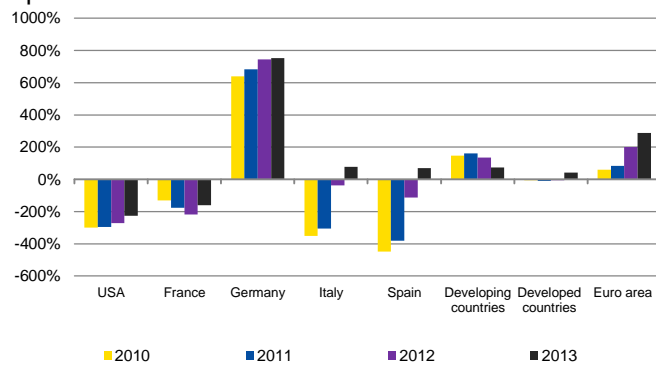
Figure 4. Annual inflation



Source: IMF WEO (April 2014)

In the first half of 2013, slower economic activity contributed also to the reduction of the volume of the global trade. However, economic growth in the second half of 2013 was stronger in the developing countries, thus reflecting in an increase of the trade volume in this period. The volume of the global trade marked an annual growth of 3.0 percent in 2013 (2.8 percent in 2012). The global trade a marked a slower growth than expected, mainly due to slower economic activity in the developing countries. The FED's statement to possibly complete the quantitative program has affected the developing countries in reducing capital flows, further hampering the financing of the current account deficit; a characteristic of many developing countries. The current account deficit ratio to GDP in the most of the developed countries remained almost unchanged. In 2013, the United States reduced the current account deficit to 2.3 percent of GDP (2.7 percent of GDP in 2012), mainly due to export growth during this period (figure 5). On the other hand, the euro area and the developing countries were characterized with a positive balance of the current account with 2.9 and 0.7 percent of GDP, respectively, in 2013 (2.0 and 1.4 percent, respectively, in 2012). Euro area countries were characterized with improved current account, as a result of the recorded surplus in the trade balance. In 2013, the value of exports of the euro area was characterized by faster growth compared to the value of imports, resulting in an improvement of the net exports position. Germany was the country that recorded the highest increase in exports in the euro area.

Figure 5. Current account as a share to GDP, in percent



Source: IMF WEO (April 2014)

### 3. Southeastern Europe

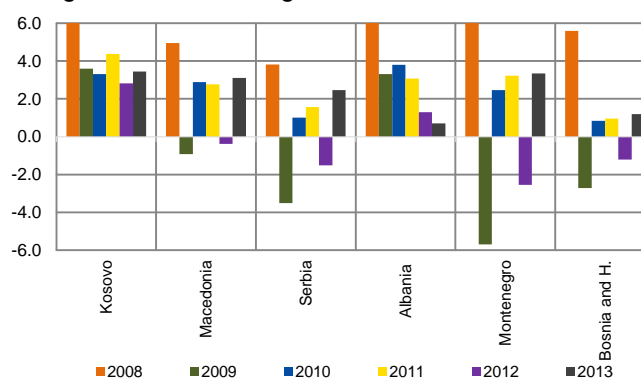
2013 was a year of recovery of the economic activity in all Southeastern European (SEE) countries as the average rate of GDP growth reached 2.3 percent, while in the previous year SEE countries faced recession. In 2013, Montenegro and Kosovo marked the highest growth rate (3.4 percent each), followed by Macedonia (3.1 percent), Serbia (2.5 percent) and Bosnia and Herzegovina (1.2 percent), while Albania marked the lowest growth level (0.7 percent) (figure 6). Regarding the forecasts for 2014, the current data from the IMF and the European Commission suggest that the economic activity in SEE generally is expected to be similar to 2013. However, due to the floods in Bosnia and Herzegovina and Serbia during May 2014, these forecasts may be revised downwards.

In 2013, in almost all SEE countries inflation marked a decrease. According to the European Commission data, the average inflation rate for the SEE countries during 2013 was 2.9 percent compared with an average of 3.5 percent that was recorded in the previous year. Serbia, Montenegro and Macedonia reported the highest inflation rates of (7.3, 3.2, and 2.8 percent, respectively), Albania and Kosovo reported an inflation level of 1.9 and 1.8 percent, while Bosnia and Herzegovina reported a deflation of 0.1 percent (figure 7). The declining trend of inflation continued also in 2014 and according to the European Commission forecasts the inflation rate in SEE is expected to be at around 2.5 percent.

The increase of economic activity in the region has slightly improved the labor market conditions. Recent estimates for 2013 show an average unemployment rate of 26.3 percent in SEE, which is lower for 0.2 percentage points compared to the previous year. The country with the highest unemployment is Bosnia and Herzegovina (44.5 percent), Kosovo (30.9 percent), Macedonia (29.0 percent), and Serbia (22.1 percent), while Montenegro (15.0 percent) and Albania (16.0 percent) have the lowest rate of unemployment.

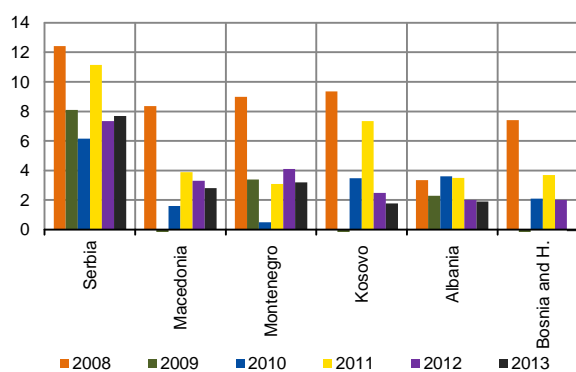
The average rate of the current account deficit for the SEE countries in 2013 was 7.4 percent of GDP, which is for 2.6 percentage points lower compared to the previous year. Montenegro reported the highest rate of current account deficit, while Macedonia the lowest. Besides Albania where the current account deficit widened compared to 2012, other countries marked a reduction of the current account deficit (figure 8). This improvement of the current account deficit was mainly a result of the increased exports of approximately 12.2 percent, while imports marked an

Figure 6. Real GDP growth rate in SEE



Source: IMF (2014) and CBK evaluations for Kosovo for 2014

Figure 7. Annual average inflation in SEE

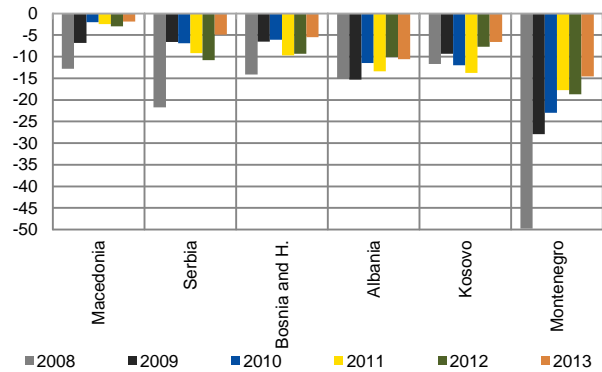


Source: European Commission (2014)

increase of only 0.2 percent. The current account deficit in the region improved also as a result of increased current transfers in most of these countries, while the balance of the Foreign Direct Investment (FDI), which represents a very important component in financing the current account deficit, marked an improvement.

As a result of the austerity measures taken by the governments of the region, there improvements were marked in their budget balances as well. The budget deficit was reduced from an average of 4.3 percent of GDP as it was in 2012, to around 3.8 percent in 2013. The highest budget deficit was marked in Albania (6.2 percent of GDP), followed by Serbia and Macedonia (5.7, and 4.0 percent of GDP, respectively), while other countries are expected to have lower levels of budget deficit. Despite the reduction of the budget deficit, public debt in 2013 in SEE recorded an increase from around 44.3 percent of GDP in 2012 to an average of 46.8 percent of GDP in 2013. Albania and Serbia, besides having the highest level of public debt (70.5 and 65.8 percent of GDP, respectively), are the countries which mostly deepened the public debt in 2013 compared to 2012. Kosovo continues to have the lowest public debt in the region with only around 9.1 percent of GDP. Also for 2014, IMF has forecasted a growth of public debt in SEE, which is expected to reach an average of 48.0 percent of GDP.

Figure 8. Current account deficit in SEE, in percent of GDP



Source: European Commission (2014)

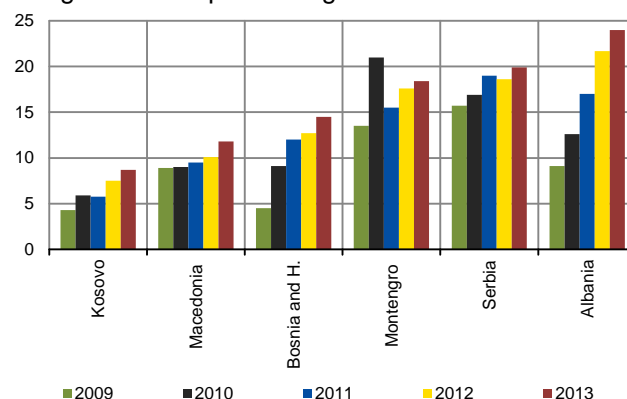
Table 1. Growth rate of loans and deposits in SEE countries

Description	Albania		B and H		Macedonia		Montenegro		Serbia		Kosovo	
	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013
Loans	7.4	-0.2	5.2	2.5	7.3	4.3	-0.7	3.1	12.9	-6.5	3.8	2.4
Deposits	9.4	3.7	2.6	5.1	7.2	4.8	9.0	5.9	10.4	3.3	8.3	7.5

Source: European Commission (2014)

The increase of intermediation activity of the banking sectors in SEE countries has significantly declined. Loans of the banking sector in SEE marked an average growth of 0.9 percent in 2013, compared to the growth of 6.0 percent recorded in the previous year. Deposits marked an average increase of 5.0 percent, while in the previous year the annual growth rate was 7.8 percent. According to the data published by the European Commission, the pace of credit growth slowed in Bosnia and Herzegovina, Macedonia and Kosovo, while in Serbia and Albania the lending activity marked a decline of 6.5 and 0.2 percent, respectively. Also deposits were characterized with a slower growth rate except in Bosnia and Herzegovina where they recorded a higher growth compared to the previous year (table 1).

Figure 9. Non-performing loans in SEE



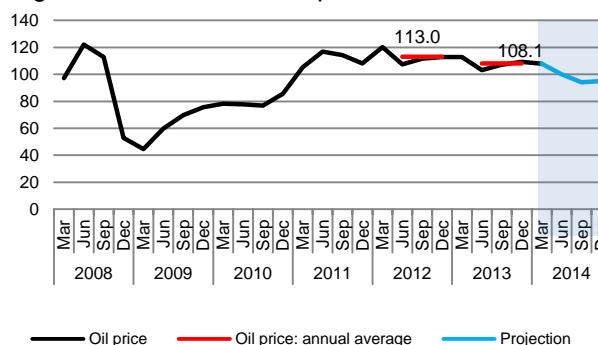
Source: European Commission (2014)

In addition to lower growth rates of loans and deposits, banking systems in SEE region were characterized with deterioration of loan portfolio quality during 2013. Albania reported the highest rate of non-performing loans which reached 24.0 percent, followed by Serbia with 19.9 percent, and Montenegro with 18.4 percent. The NPL increased in Bosnia and Herzegovina from 12.7 percent in 2012 to 14.5 percent in 2013. The lowest rate of non-performing loans continues to be in Kosovo, at only 8.7 percent of total loans in 2013 (7.5 percent in 2012) (figure 9).

### 3.1. Main commodity prices in international markets

Brent crude oil<sup>1</sup> prices in 2013 marked a decline of 4.3 percent compared to 2012. Developments in oil prices during 2013 were driven by an increase in oil production in the USA which at the same time is one of the largest consumers of oil globally. Domestic production and imports decline of this product from the United States led to the total demand decline for imported oil, resulting to an oil price decrease. Besides the increased production in the United States, the increase of the reserves for supply shocks in the developed countries contributed to the current level of oil prices.

Figure 10. Brent crude oil price, in USD



Source: Bloomberg, Deutsche Bank (2014), and CBK calculations

Forecasts for oil prices for 2014 continue to suggest downward trend for around 5-8 percent (Bloomberg, Deutsche Bank, 2014), while in the first quarter of 2014, the annual decline was 4.4 percent (IMF, 2014). The main factors expected to affect in the decline of oil prices in 2014 are the high level of oil production in the USA, the reserves growth in the developed countries and political stabilization in some Middle East countries. Political stabilization in some oil-producing countries in the Middle East has reduced the risk of oil supply, which is expected to affect the price of this product. In addition, there is a possibility of difficulties in reaching an agreement on the supply reduction by the Organization of Petroleum Exporting Countries (OPEC), which is usually done with the aim of increasing oil prices (Bloomberg, 2014). These difficulties in reducing the supply are expected to come as a result of higher needs of exporting countries for oil export, but also the possibility of lifting international sanctions against Iran, which may impact the supply from OPEC countries.

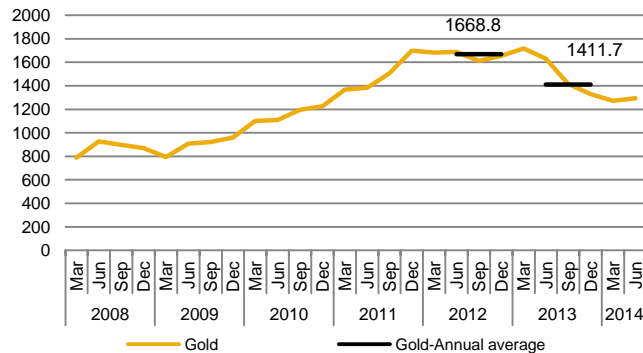
The decline of oil prices may affect to some extent the prices of consumer goods, especially food prices, as oil and electricity represent a very important component in their manufacturing and transportation process. The reduction of oil prices during 2014 is expected to have a positive impact on importing countries of oil as a result of the improved current accounts. Changes in oil prices reflected also in the current account deficit in Kosovo as the data show that the amount of imported oil has risen, while the nominal value of the payment for this product declined significantly.

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

### 3.1.1 Prices of gold

Besides the decline in prices of many commodities exported to the international markets, after a continuous period of growth, the prices of gold decreased as well in 2013 (figure 11). Prices of gold during 2013 marked a decline of 15.4 percent (an increase of 6.4 percent in 2012). Gold is frequently used as a safe asset in global markets against inflation and against uncertainties that cause stock markets and reserves in foreign currency. Despite the increase of demand, expectations for low inflation rates and the possibility of deflation, prices of gold have continuously declined. In addition, debt problems in some euro area countries that were present in 2012 have contributed to create expectations that some countries may sell gold reserves, as the only way of paying back their debt. This has resulted in a decrease in the prices of gold due to the expectations for the supply growth of this product. During 2013 and 2014 gold has also been viewed less as a safe asset since many investors concentrated in other such as capital markets which have relatively higher returns. Current expectations show that the prices of gold may continue to decline also in 2014 but at a slower rate (Bloomberg, 2014). Data for the first quarter of the year confirm the expectations for slower decline in the price of gold as the average price for the first quarter is similar to the average price of the fourth quarter of 2013.

Figure 11. Gold price per ounce

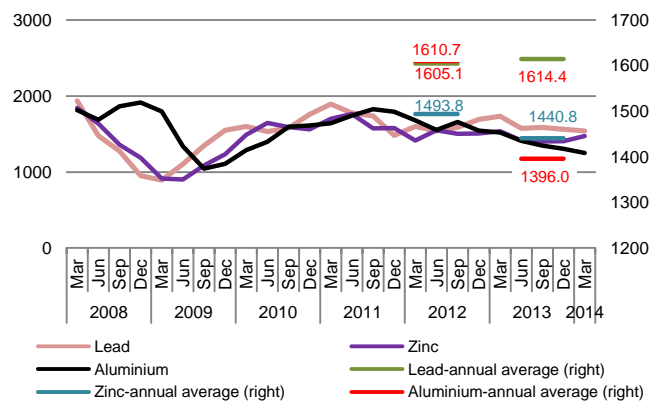


Source: Bloomberg (2014) and CBK calculations

### 3.1.2 Other metal prices

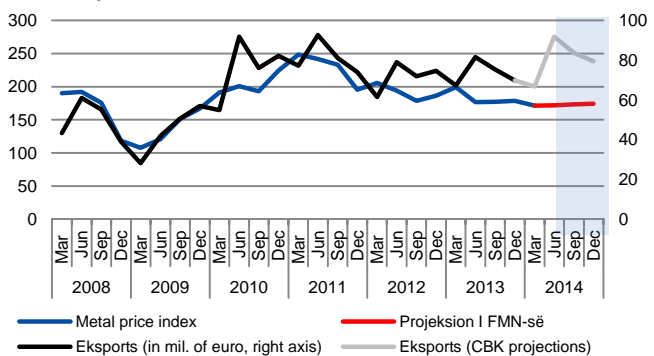
The decline in prices of the main commodities is also reflected in the prices of metals which during the recent years were characterized with small changes and a decreasing tendency. During 2013, metals marked a slight decrease compared to 2012. An exception here is the price of aluminum, which marked a decline of 13 percent as a result of the high supply of this product on the global level. Also the prices of zinc marked a decrease of 3.5 percent due to the high supply, but the decline was more moderate as a result of increased demand in some developing countries. Meanwhile, the price of lead remained at similar level as a result of the recovery of the

Figure 12. Metal prices, in USD per ton



Source: Bloomberg (2014) and CBK calculations

Figure 13. Total exports (flow) and international metal prices



Source: IMF (2014) and KAS (2014)



global automobile industry (figure 12), (ABN-AMRO, 2013). In the first quarter of 2014, metal prices were characterized by a similar trend to the previous year. A decrease of 4.0 and 1.3 percent, respectively, was marked by aluminum and lead, while zinc prices marked an increase of 4.8 percent.

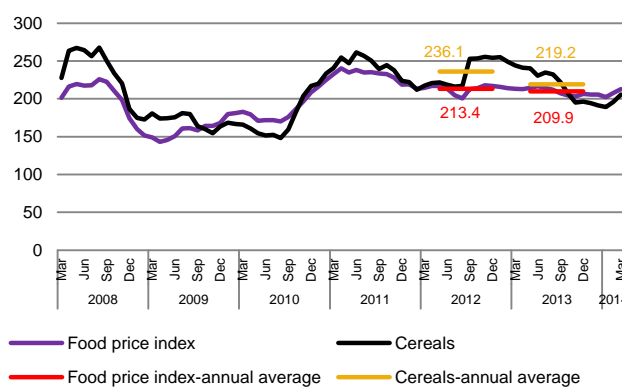
IMF forecasts suggest that the major metal prices are expected to be relatively stable during 2014 as a result of the increased demand and of investments on the global level (IMF, April 2014). Movements in metal prices highly reflect the Kosovo’s economy as Kosovo’s exports have relatively high degree of concentration in metals.

### 3.1.3 Prices of food products

The annual decline in oil prices reflected in food prices as well which on the global level marked a decrease, as the energy is an important component in the process of consumer goods production. Food price index during 2013 marked a decrease of 1.6 percent, which was mainly driven by cereals price decline of 7.2 percent. Among the main factors that had an impact on the decline of food prices on the global level was the relatively stable supply in 2013. However, 2014 could be a year with substantial fluctuations in food prices as

a result of droughts that have characterized some of the developed countries, especially the United States but also floods which occurred in some of the region countries in the first half of 2014.

Figure 14. Food price index

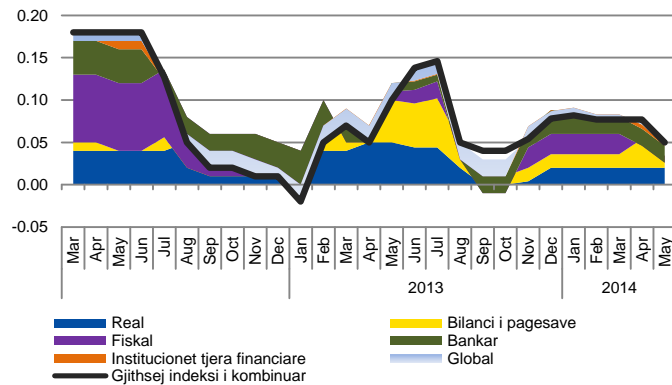


Source: FAOUN (2014)

#### 4. Summary of general macroeconomic developments in Kosovo

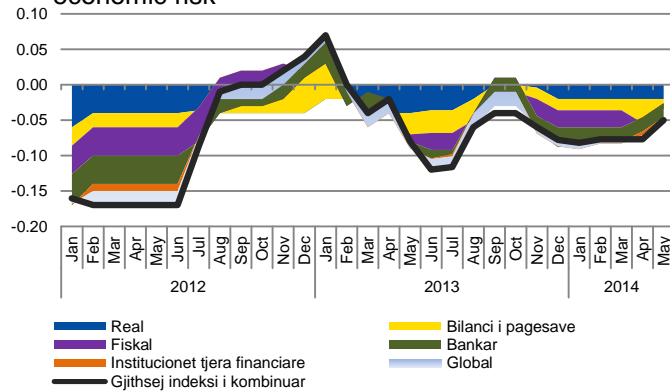
Economic developments in Kosovo during 2013 were mainly positive for all sectors of the economy. The composite index<sup>2</sup> which consists of various macroeconomic indicators reflects sectorial developments and the evaluation of their impact on economic activity (figure 15) and on the economic risk (figure 16). Estimates suggest that almost all sectors had positive impact on the economic activity for most of 2013. This has been particularly emphasized in the second and third quarters of 2013, whereas for a short period (September and October), the slowdown of credit growth has reduced the overall activity. However, these developments were recovered in the last two months of 2013. Another sector with very high impact on the economic activity is considered the external sector, which apart from improvements in the trade balance, is characterized by a significant increase in FDI especially until the third quarter of 2013. Fiscal sector during 2013 had generally a positive contribution by maintaining a relatively stable impact on the index. The implications of the global developments in the last quarter were positive for Kosovo’s economy. These developments during 2013 have generally had an impact on reducing the economic risk during the longest part of the year.

Figure 15. Combined index and sectorial impact in economic activity



Source: CBK (2014)

Figure 16. Combined index and sectorial impact in economic risk



Source: CBK (2014)

Developments in the combined index of the economic activity, in the first months of 2014, show a macroeconomic stability and to some extent a positive activity. As a result of positive activity, also the economic risk during 2014 was negative, which implies a risk decrease in the respective sectors of the appropriate sectors.

<sup>2</sup> The combined index is derived from the different macroeconomic indicators. Each of the economic sector is comprised of different indicators and initially is evaluated their impact on sectors, and hereafter it is evaluated the impact of all the sectors on the total activity and on the economic risk. This impact is evaluated based on the weight assigned to each of the indicators and the numeric values can be from 1.0 which represents a very positive impact to -1.0 which is a very negative impact.

#### 4.1. Gross domestic product

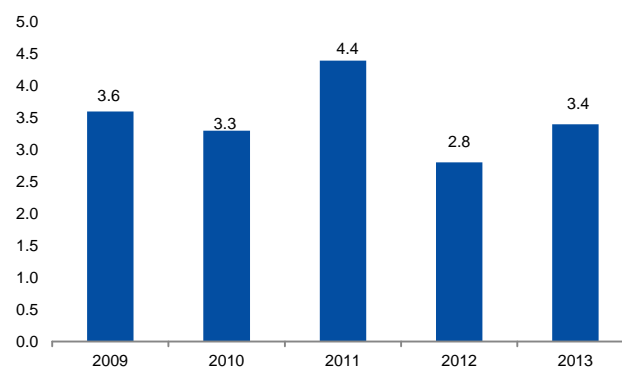
Main macroeconomic indicators suggest that the economic activity in Kosovo in 2013 marked an increase. According to the estimates of KAS, real GDP growth in 2013 was 3.4 percent, or 0.6 percentage points higher than in 2012 (figure 17). Consumption and net exports gave the main contribution to the GDP growth, while investments had a slight negative contribution in 2013. The nominal value of GDP in 2013 based on the KAS is estimated to have reached euro 5.32 billion (figure 18).

The main component of GDP in Kosovo continues to be consumption, with a share of 104.2 percent in 2013. Private consumption during this period is estimated to have recorded a real growth of 2.0 percent, while public consumption marked an increase of 3.3 percent. Private consumption is estimated to have been the contributor of the total consumption growth due to its higher weight (84.4 percent of total consumption). Private consumption growth is mainly attributed to the growth of remittances and consumer loans, while the growth of the government current expenditures contributed to the growth of the public consumption.

Investments, which have a share of 27.6 percent of GDP are estimated to have marked a real decline of 0.3 percent in 2013. However, unlike the previous year when the investments marked a decline of over 10 percent, their position in 2013 is considered to have been stabilized. Investment stability during 2013 is estimated to have been driven by private investments, which comprise around 64.3 percent of total investments. The increase of private investments, among other contributors, is estimated to have been the result of the increase of Foreign Direct Investments (FDI) and investment loans.

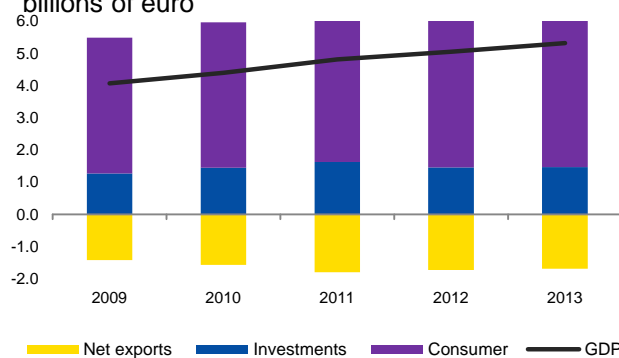
During 2013, net export position in the country was characterized by improvement in real and nominal terms. Position of net exports marked an improvement of 3.6 percent. During 2013, trade in goods balance improved as a result of real growth of exports which marked a growth rate of 12.8 percent and due to the real decline of 2.9 percent of imports. Services real export marked a decrease of 2.2 percent, while their imports marked an increase of 10.1 percent. These developments made the net exports deficit to be lower compared to the previous year, hence marking a positive contribution to the growth.

Figure 17. Real GDP growth rate



Source: KAS (2014)

Figure 18. GDP and its main components, in billions of euro



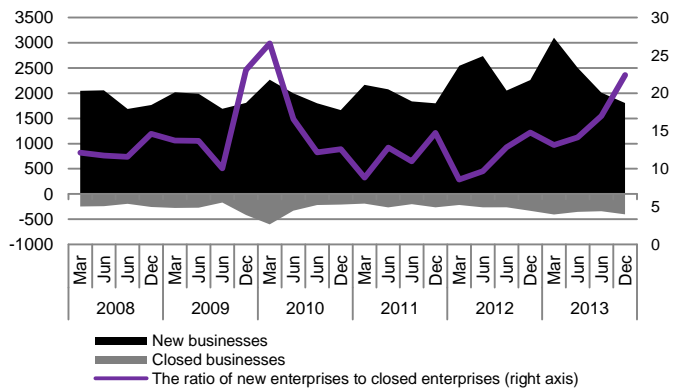
Source: KAS (2014)

### 4.2. Enterprise sector

Developments within private enterprises during 2013 were characterized by deterioration of the new enterprises ratio against the closed enterprises. During 2013, the total number of new enterprises was 9421, or 171 businesses fewer than in the past year. Total number of closed businesses reached 1508, or 427 more than in the previous year. However, considering the high level of new businesses registered in the last two years, closed businesses are expected to mark a growth in number. In comparison with other countries of the region, data on registered businesses continue to be encouraging in Kosovo as the closure of businesses range between 1 and 2 out of 10 newly opened businesses, while other countries faced with over 3 closed businesses out 10 businesses that were opened within the first year. Structure of new registered enterprises remained similar to the previous years, but this year has been characterized by accelerated growth of new businesses in agriculture and real estate, while trade has maintained a similar level to the previous years (figure 20). These data are consistent with the data related to the lending by industry, where an increase of support by banking sector for agriculture, real estate and hotels has been observed, while lending to trade has maintained a similar level to the previous year. Agriculture marked positive development trends and was more supported by the government through subsidies and transfers during this year.

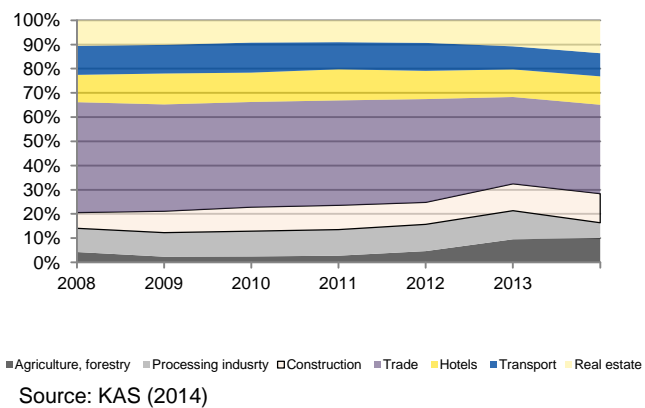
During 2013, the Kosovo Chamber of Commerce (KCC) began to conduct quarterly business survey on the business climate. Based on the survey of KCC conducted with businesses, business activity during 2013 has mainly been positive, especially in the second half of the year, while the first half of the year was characterized by neutral developments (figure 21). Business expectations for the economic activity during the first half of 2014 are reported to be optimistic. Sectors considered as the most optimistic ones for the first half of 2014 were trade, construction, wholesale trade, manufacturing and services sectors, while the retail sector remains with negative expectations.

Figure 19. Business registry, non-cummulative



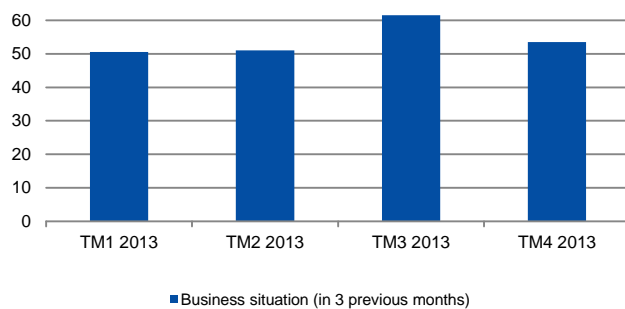
Source: KAS (2014)

Figure 20. Structure of new enterprises



Source: KAS (2014)

Figure 21. Business assessment on business situation in three previous months, index



Source: KCC (2014)

### 4.3. Prices

Kosovo's economy in 2013 had a very low level of inflation, which is in line with global price developments. The average annual inflation rate, expressed through Consumer Price Index (CPI) in 2013 was 1.8 percent, which is lower than the rate of 2.5 percent recorded in 2012.

The main contribution<sup>3</sup> to this level of inflation, during 2013, was given by food and non-alcoholic beverages with 0.8 percentage points, beverages and tobacco with 0.5 percentage points, while, due to the decline of oil prices, transport cost marked a negative contribution of 0.3 percentage points in the overall inflation level (figure 22). This decline in inflation rate is mainly reflected by lower levels of price increases of imported goods as a result of deflationary pressures in the euro area with which Kosovo has the majority of trade exchanges.

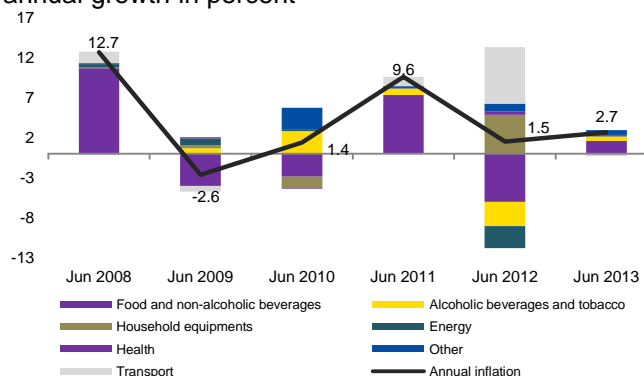
#### 4.3.1 The structure of Inflation and base inflation

Regarding the components of the CPI, a price increase during 2013 was recorded in alcoholic beverages and tobacco with 7.2 percent, clothing and footwear with 2.9 percent, recreation and culture with 2.7 percent, food and non-alcoholic beverages with 2.1 percent, etc., while a price decline was recorded in transport with 1.9 percent and communication with 0.9 percent.

Prices of food and non-alcoholic beverages during 2013 marked a growth of 2.1 percent or 1.2 percentage points more than in the previous year. Within the food category, a more significant growth was recorded in fruits with 9.1 percent and vegetables with 7.9 percent, while due to the rise of yields in agriculture, bread and cereal prices marked a decline of 1.7 percent. Also milk, cheese and eggs prices marked a decline of 0.2 percent (figure 23).

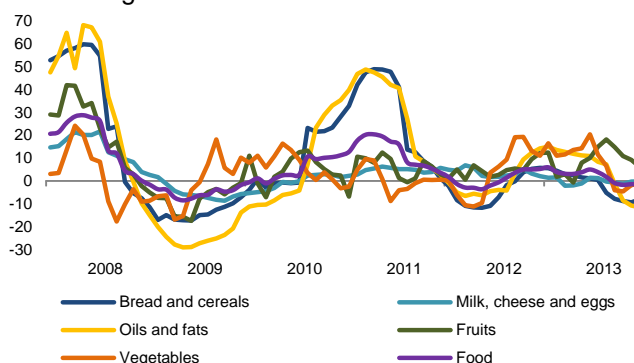
Prices of housing, water and energy during 2013 marked an average growth of only 0.4 percent (an increase of 8.4 percent in 2012).

Figure 22. Inflation and its main contributors, annual growth in percent



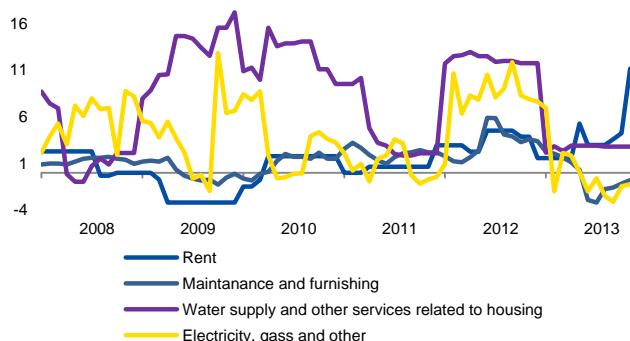
Source: KAS (2014) and CBK calculations

Figure 23. Food prices and its main categories, annual growth



Source: KAS and CBK calculations (2014)

Figure 24. Prices of housing, water and energy, annual growth in percent



Source: KAS and CBK calculations (2014)

<sup>3</sup> Calculation of the CPI components contribution on inflation level, besides the price movements, it is also based on the weight that certain components of the CPI have.

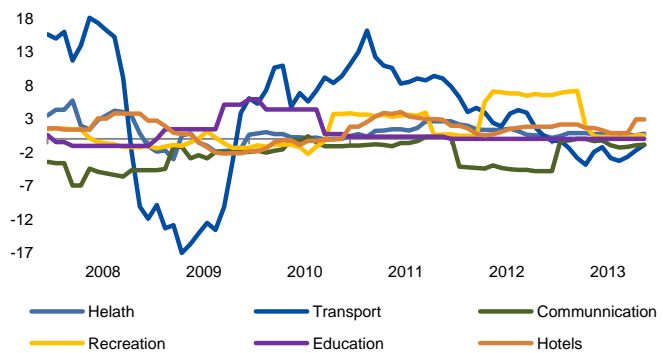
This price increase which was considerably lower compared to the previous year, was as a result of the price decline of electricity, gas and other fuel with 0.2 percent and price declines of maintenance and repair of the dwelling with 0.4 percent. On the other hand, rent marked an increase of 4.2 percent and the increase of water supply and other services related to the dwelling marked a growth of 2.7 percent (figure 24).

The annual average increase of 1.5 percent in prices of services in 2013 was similar to the price increase of this category in the previous year. The increase of prices of services was mainly driven by higher prices of services for recreation with 2.7 percent, hotel services with 1.8 percent, health services with 0.7 percent. On the other hand, prices of transport services and communication marked a decline of 1.9 and 0.9 percent, respectively, while prices of educational services remained unchanged (figure 25).

Kosovar consumer basket is characterized by a very high share of products which have seasonal price movements. These include food, energy, alcoholic beverages and tobacco, which comprise around half of the consumer basket. Prices of these products have determined price movements over the past years, not only due to the high share that they have in the consumer basket but also because of the significant price movements that they underwent (table 2). This makes the impact of these categories in the total price movements to be higher than in other countries which have lower share of these categories in the consumer basket. However, in the recent years, stability in the prices of these products was observed but also a downward trend in the level of the total share in the consumer basket.

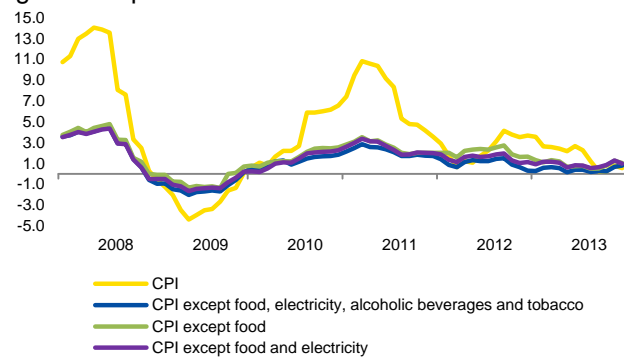
The core inflation, which excludes categories that are characterized by seasonal fluctuations in prices as a result of the supply side, represents a clearer picture regarding inflation in Kosovo. The movement of core inflation was more stable than the general inflation movement (figure 26). More specifically, core inflation, which excludes food, energy, alcoholic beverages and tobacco in 2013 decreased to 0.4 percent from 1.0 percent as it was in the previous year, while core inflation, which excludes only the food was significantly lower than in the previous year (table 2).

Figure 25. Services prices, annual growth in percent



Source: KAS and CBK calculations (2014)

Figure 26. General inflation and base inflation, annual growth in percent



Source: KAS and CBK calculations (2014)

Table 2. The breakdown of CPI

Description	Weight 2013	Annual growth rate, in percent					
		Jun 2008	Jun 2009	Jun 2010	Jun 2011	Jun 2012	Jun 2013
CPI	100.0%	9.1	-2.3	3.5	7.3	2.5	1.8
<i>CPI classification</i>							
Food	37.8%	16.0	-4.4	4.7	12.2	0.9	2.1
Electricity	7.1%	4.9	5.0	4.3	1.2	8.4	0.4
Other goods	22.4%	0.3	2.4	0.7	3.9	4.6	4.4
Services	32.7%	1.9	-2.5	1.9	3.2	1.5	1.5
<i>Base inflation, except:</i>							
Food	62.2%	3.3	-0.6	1.7	2.6	2.1	0.9
Food and electricity	55.1%	2.9	-0.9	1.3	2.5	1.5	0.9
Food, electricity, alcoholic beverages and tobacco	49.9%	3.0	-1.3	1.2	2.2	1.0	0.4

Source: KAS and CBK calculations (2014)

### 4.3.2 Import and Producer Prices

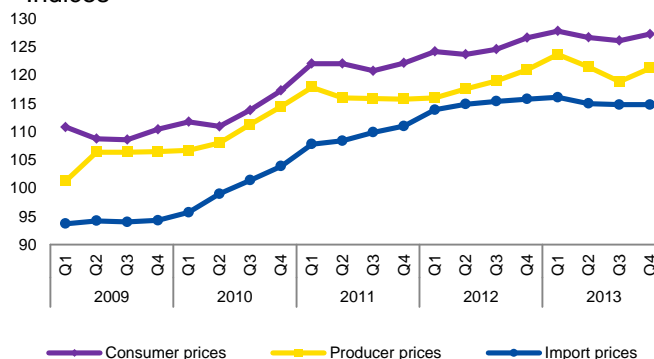
Price movements in Kosovo are very similar to price movements in the international markets due to the high dependence of Kosovo's economy on imports. This is confirmed to some extent by the behavior of similar import price index against the CPI (figure 27). Average import prices during 2013 marked a slight increase of 0.2 percent (5.3 percent increase in 2012). Within import prices, the prices of shoes recorded the highest growth of 11.6 percent in 2013, followed by wood and articles thereof with 8.5 percent, then edible oils with 6.7 percent, etc. On the other hand, prices of base metals marked the highest decline of 3.1 percent, followed by mineral products which consist mainly of oil and its derivatives, which marked a decline of 2.2 percent, while in the previous year marked an increase of 17.3 percent.

Producer prices were characterized by an annual average growth of 2.5 percent, which is significantly higher than the growth of consumer prices and import prices. The growth rate of the producer price was higher also in terms of comparison with the previous year which was characterized by an increase of 1.7 percent in producer prices. This increase in producer price was driven mostly by higher prices which are considered as administered prices such as coal extraction, lignite and minerals which

marked a growth of 37.5 percent, followed by the increase of 21.4 percent in prices of other mining industries. A growth in prices was also marked by the textile industry with 5.9 percent. The impact of the prices growth of these categories in total producer prices was reduced by the decline in prices of metals with 9.7 percent, then the decline in prices of clothing and fur industry with 5.3 percent, production of chemical products with 4.8 percent, etc.

This increase of producer prices may have weakened the competitiveness of Kosovo products against the products of the trading partners. This is also confirmed by the real effective exchange rate (REER) of the euro in Kosovo against the currencies of trading partners which is based on consumer prices. During 2013, REER appreciated for 0.2 percent, which is mainly a result of higher inflation in Kosovo than in the trading partner countries. As regards to the countries, REER marked an appreciation of 0.3 percent against EU countries while depreciated by 0.5

Figure 27. Consumer, Producer and Import Price Indices



Source: KAS (2014)

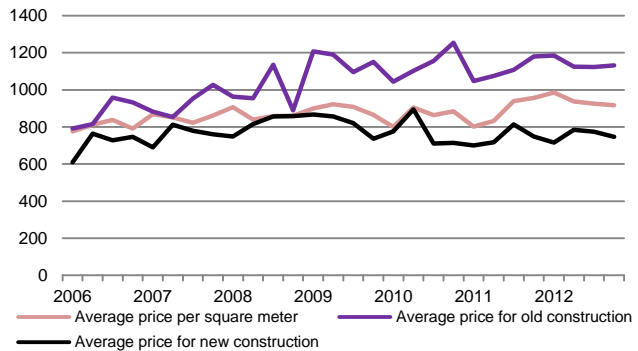
percent against the CEFTA countries, which means that Kosovo products may have reduced competitiveness to EU countries and increase it against CEFTA countries.

### 4.3.3 Real estate prices

During 2013, the Central Bank of the Republic of Kosovo has compiled a database with historical data on the price of real estate in Kosovo as advertised for sale by owners. This database provides records for the period of 2006-2012. During this year, it is expected that the database will be updated with the data of 2013 prices as well. Moreover, the real estate price index is being compiled as one of the important indicators for financial and macroeconomic stability. Figure 28 shows the price listed for the city of Prishtina, which not necessarily represents the final price of the sale, but it shows the requested price from the seller. Taking into account the differences in measuring the surface of new apartments calculated by the builders compared to those which are classified as old buildings, the prices are presented into two separate categories. As shown in figure 29, until 2012, real estate prices have generally had a growth trend, thus marking a price increase of old buildings. Conversely, the prices of new construction are characterized by slight downward trend, which is mainly attributed to increased supply from this category. Besides the increase of supply, loans for real estate purchases marked a slight decrease during 2011-2013 that may also have influenced the decline in real estate prices, especially for new construction (figure 29). Despite the decline of bank lending for the real estate purchases, during the period of 2011-2013 a significant increase in real estate purchases by non-residents was marked, which mainly consists of Kosovar diaspora (figure 30).

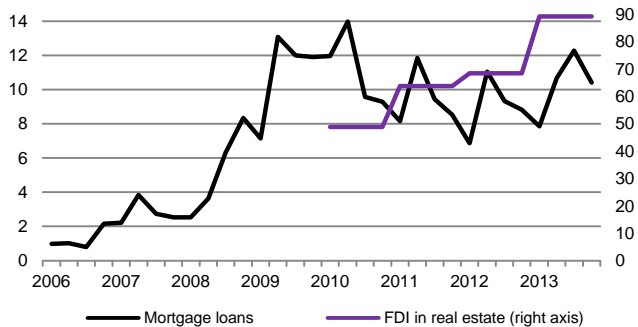
Conversely, banks expect a considerable

Figure 28. Simple average prices of listed apartments in Prishtina, EUR/square meters



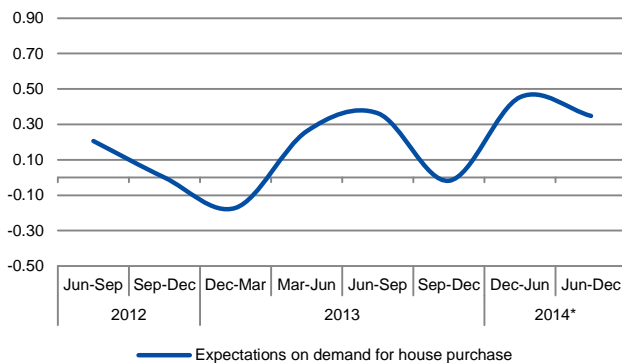
Source: Oferta Suksesi (2013) and CBK calculations

Figure 29. Financing of real estate by the banking system and foreign direct investments, in millions of



Source: CBK (2014)

Figure 30. Banks expectations on the demand of loans by enterprises and growth of loans to enterprises



\*Since 2014, the survey is conducted on semmiannual basis .  
Source: CBK (2014)



increase in loans demand for real estate purchase in the first half of 2014, which consequently may increase the financing of this market (figure 29).

#### 4.3.4. External sector

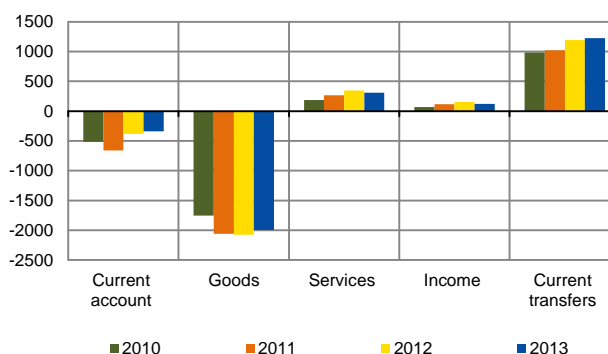
The gradual recovery of the euro area economies, especially in the second half of 2013, and the price increase of main commodities in the international markets during this period was translated in an improved net export position in Kosovo. By declining to the lowest level marked since 2007, the ratio of current account deficit to GDP in 2013 was 6.4 percent (7.5 percent of GDP in 2012). The decline in the current account deficit was mainly attributed to the reduction of the trade deficit that derived from an increase of exports and a decline of imports in 2013. Higher external demand, especially in the region and in some euro area countries, has been reflected in Kosovo's exports in 2013. In addition, the annual depreciation of the Real Effective Exchange Rate (REER) in 2013 may have contributed to some extent to an increase of Kosovo's trade competitiveness against the countries of the region. In 2013, imports were characterized by a decline, which to some extent can be attributed to some import substitution effect and lower import prices, especially oil. The category of services, income and current transfers were characterized with positive balance in 2013, while higher inflows in the capital and financial account strengthened the sustainability of the current account deficit.

#### 4.4.1 Current account

Current account balance continues to be negatively affected by the trade deficit that characterizes the Kosovo's external sector, while the positive balance of services, income and current transfers continues to contribute to the reduction of the current account deficit. In 2013, the current account deficit amounted to euro 339.4 million, which represents a decrease of 10.7 percent compared to the previous year. The narrowing of the current account deficit during this period was primarily driven by the reduction of the trade deficit which resulted from the increase in the value of exports and the decline in the value of imports, while all the other categories within the current account balance continued to be characterized by positive balances.

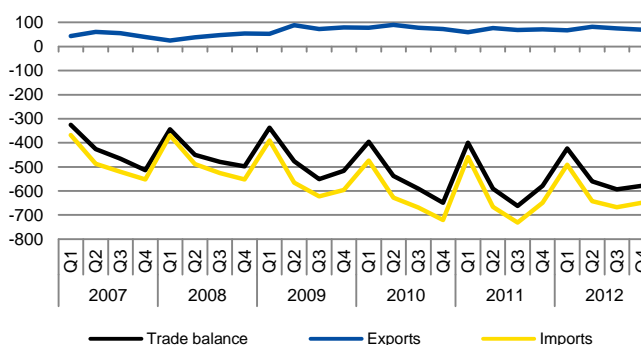
However, the share of Kosovo's exports to total GDP continues to remain low at only 5.7 percent in 2013, while imports continue to have a high share to total GDP with around 43.1 percent. Within the structure of imports, the share of capital goods remains low. Also, in 2013 compared to the previous year, there were indications that the import of intermediate goods marked a decrease while imports of consumer goods increased during this period.

Figure 31. Current account balance, in millions of euro



Source: CBK (2014)

Figure 32. Imports, exports and trade balance, quarterly flow in millions of euro



Source: KAS (2014)

The sustainable improvement of the current account in the subsequent periods is conditioned not only by an increase of production capacities, but also by the continuous increase of competitiveness in the domestic production within the country and in the external markets as well. With the continuous growth of manufacturing and processing capacities of the metal industry, exports of this category are expected to continue to increase, thus reducing the sensitivity that the country's exports have to price changes in international markets of the products that Kosovo exports.

**Goods and services**

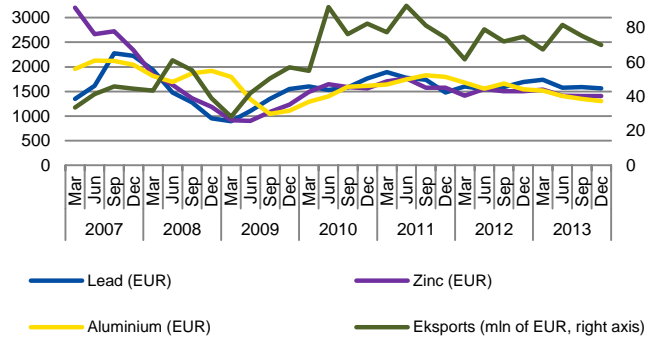
In 2013, trade activity was characterized by increased value of exports and a decline in the total value of imports. Kosovo's trade deficit in 2013 was lower for 2.5 percent compared to 2012 amounting to euro 1.68 billion. The decline of imports of goods and services during 2013 compared to the previous year, and the slight increase of exports of goods and services during this period was reflected in a decline of the trade openness index. In 2013, trade openness, respectively the Kosovo's trade activity ratio to GDP declined to 68.0 percent from 69.9 percent as it was in the previous year.

**Goods**

The deficit in the goods account reached a value of euro 1.99 billion in 2013, representing a decrease of 3.9 percent compared to 2012. The faster growth of the value of goods exported from Kosovo against the goods imported in the country has contributed to an increase of the coverage ratio of imports by exports to 13.3 percent from 12.2 percent as it was a year earlier. Total exports of Kosovo reached a value of euro 293.9 million in 2013, representing an annual increase of 6.5 percent (13.5 percent annual decline in 2012). While the decline in export of goods in 2012 was

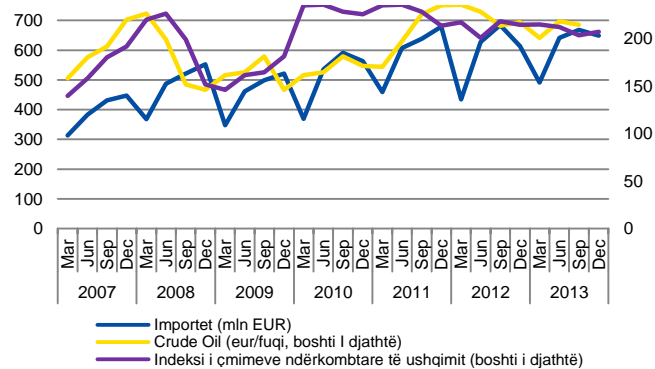
mainly attributed to the lower overall demand in the region and in the EU countries and to the decline of prices of the main components that Kosovo exports, in 2013 were precisely these two factors that influenced the growth of exports of goods. Exports marked an annual growth of 3.8

Figure 33. Total exports (flow) and international metal prices



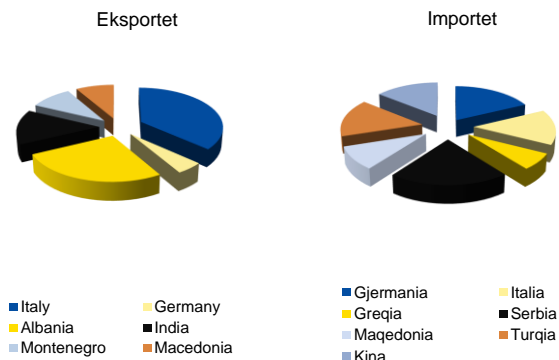
Source: CBK (2014) and Bloomberg

Figure 34. Total imports (flow) and international oil and food prices



Source: CBK (2014), IFS and FAOUN

Figure 35. Exports and imports structure by countries, in percent



Source: CBK (2014)

percent in real terms<sup>4</sup>, representing a lower growth real growth compared to the nominal growth. The higher growth of exports in nominal terms is mainly attributed to the price increase of some mineral products that Kosovo exported during 2013.

Exports continue to be dominated by base metals category, which marked a slight decline in 2013 primarily due to lower metal prices during this period. Otherwise, exports of mineral products, beverages and tobacco, rubber products, plastics and other, as well as agricultural products marked an increase during this period. In 2013, export growth in Kosovo was supported mainly by the increase of export of electricity and zinc and lead concentrate, which are classified within the category of mineral products. Also, in 2013 there were indications of an increase in the domestic production and the subsequent substitution of some imported goods with exports. In this context, the increase of the value of exports of agricultural products, exports of paper and articles thereof, exports of food products such as flour and sugar during 2013, and the decline in the value of imports of these categories can be an indication of the increased domestic production in these categories and the replacement potential substitution of these imported goods with exports.

In 2013, the total value of goods imported in Kosovo was euro 2.45 billion, representing an annual decline of 2.3 percent. In real terms, imports marked a decline of 2.9 percent in 2013. The decrease of the quantity imported in 2013 compared to the previous year indicates a reduction in demand from some sectors of the economy. The decline in imports of machinery, mechanical and electrical equipment as well as the decline in imports of transport vehicles indicates a slowdown in economic activity in the processing industry in 2013. The decline in imports in 2013 was driven by the decline of oil d prices, which was reflected in the reduction of the value of imports of mineral products, which simultaneously have the highest share to total imports of Kosovo.

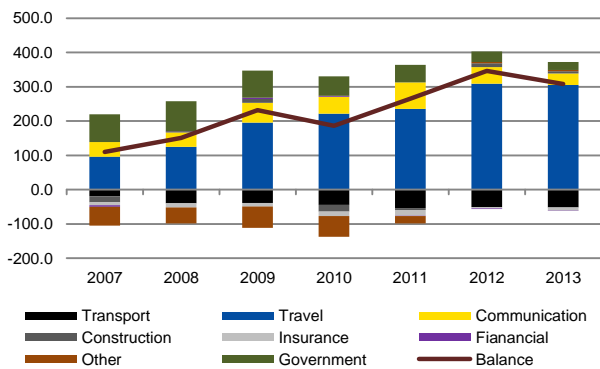
Kosovo's main trading partners continue to be the EU countries. Imports originating from the EU represent 40 percent of the total value of Kosovo's imports. In 2013, the majority of imports came from Germany, Italy and Greece. Regarding other European countries and countries from Asia, Kosovo imports considerable quantities of goods from Turkey and China. Meanwhile, concerning the region, the majority of imports come from Serbia and Macedonia. On the other hand, exports to EU countries account for approximately 44 percent of total Kosovo's exports, mainly concentrated to Italy and a smaller share to Germany. Relating the region countries, Kosovo continues to export more to Albania, Montenegro and Macedonia. India and Turkey also account for a significant share of Kosovo's exports. Kosovo imports mineral products mainly from Italy and Greece, while from Germany imports machinery, mechanical and electrical equipment, transport vehicles, plastic products, tobacco etc. From the regional countries, specifically from Serbia and Macedonia, Kosovo mainly imports mineral products, mechanical and electrical equipment, ceramic products, beverages and food products, etc. Iron and steel products, mechanical and electrical equipment, ceramic products, textile, etc. are imported from Turkey and China. Regarding exports, Kosovo exports to Italy mainly iron and steel, copper products, leather products, etc. Kosovo exports to Albania mainly iron and steel and articles thereof, base metals, plastic products, beverages, mineral products, etc. To Montenegro and Macedonia, Kosovo exports mainly base metals, tobacco, textile products, miscellaneous manufactured articles, articles of paper, stone and ceramic articles, etc.

<sup>4</sup> The calculation of exports and imports on real terms have been based on the Producer Price Index (PPI) and Import Price Index (IPI) as published by the KAS.

**Services**

The trade in services had a positive balance in 2013, but unlike the previous years, the balance of this account marked a decline. The reduction in the balance of services in this period mainly reflects the decline of revenues from sales of services to non-residents, compared to the growth recorded by Kosovar resident payments to non-residents. In 2013, the balance of services was worth euro 308.4 million, representing a decrease compared to the previous year balance of euro 346.2 million in 2012. The category of services attained revenues from an amount of euro 622.0 million, marking an annual decline of 2.1 percent. At the same time, total payments for services purchased from abroad reached a value of euro 313.7 million, representing an annual increase of 8.6 percent. Within services, the highest decline was marked by travel services, telecommunications and government services.

Figure 36. The structure of services exports, net, in millions of euro



Source: CBK (2014)

The main category in the balance of services continues to be the travel category, which mainly consists of sales of services to non-residents. In 2013, the balance of travel services amounted to euro 306.0 million, which compared to the previous year represents an annual decline of 1.1 percent. Exports of travel services was characterized by an increase in 2013, although the increase was more significant in imports of travel services, thus reflecting the overall balance of these services. Revenues from tourism reached euro 406.5 million, an annual increase of 6.3 percent, which primarily consist of expenses which non-residents spend during their stay in Kosovo. At the same time, payments for travel services (mainly Kosovo residents travelling expenses for summer holidays) reached a value of euro 100.6 million, representing an annual growth of 37.7 percent.

The balance of communication services in 2013 amounted to euro 33.1 million (euro 48.3 million in 2012), while the balance of government services reached a value of euro 23.2 million (euro 30.9 million in 2012). In 2013, the balance of communication services decreased primarily as a result of reduced activity of the communication companies in Kosovo’s economy. Also, services for the government, which represent mainly the services offered to the internationals in Kosovo, such as the presence of diplomatic missions and other international institutions like EULEX and KFOR) decreased in 2013 compared to the previous year mainly due to the reduction of staff in the international institutions located in Kosovo. At the same time, payments for Kosovo residents in the diplomatic missions marked an increase.

**Income and current transfers**

Income account had a positive balance of euro 121.8 million in 2013, hence recording a lower level compared to the previous year balance which amounted to euro 154.1 million. The positive balance in the income account marked a decrease in 2013 compared to the previous year mainly due to higher payments relative to lower revenues within investment income. In 2013, revenues in the income account amounted euro 227.7 million, representing an annual decline of 1.2 percent. Conversely, payments marked an increase of 43.6 percent, reaching a value of euro 101.6 million. Income from compensation of employees, which mainly consists of income of employees

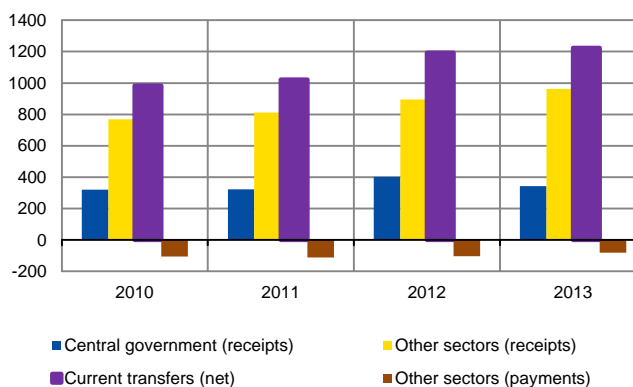
abroad as seasonal workers and employees in Afghanistan and Iraq, is at the same time the largest category of income within the income account. In 2013, income from the compensation of employees amounted to euro 223.2 million (euro 219.9 million in 2012). At the same time, the payments for compensation of employees, which primarily include non-resident workers employed in Kosovo for the period less than one year, amounted to euro 4.3 million in 2013 compared to euro 5.6 million as they were in 2012.

Investment income had a negative balance of euro 97.1 million in 2013 (euro 60.1 million in 2012). Revenues within investment income declined to euro 4.5 million in 2013 (euro 10.6 million in 2012), while payments marked an increase in value reaching euro 101.6 million in the same period (euro 70.8 million in 2012). Investment income primarily consists of income which are generated from investments of local institutions (securities, deposits, etc.) in external markets, while payments consist mainly of income derived from investments of foreign companies operating in the country such as commercial banks and foreign enterprises. In this context, investment income decreased in 2013 primarily as a result of reduced income from CBK investments in foreign markets, namely investments in deposits. Meanwhile, the growth of income payments from investments mainly are attributed to the increased reinvested profit by companies in 2013.

Current transfers continue to represent a category of crucial significance in the balance of payments in Kosovo, thus continually contributing in mitigating the current account deficit. In 2013, the balance of current transfers amounted to euro 1.2 billion, representing an annual increase of 2.4 percent (figure 37). The structure of the current transfers is dominated by the private sector transfers (72.0 percent) and government transfers (28.0 percent). The value of government transfers decreased to euro 341.9 million in 2013, marking an annual decline of 14.8 percent. Current transfers of the Government mainly are comprised from the donor transfers, EULEX and UNMIK.

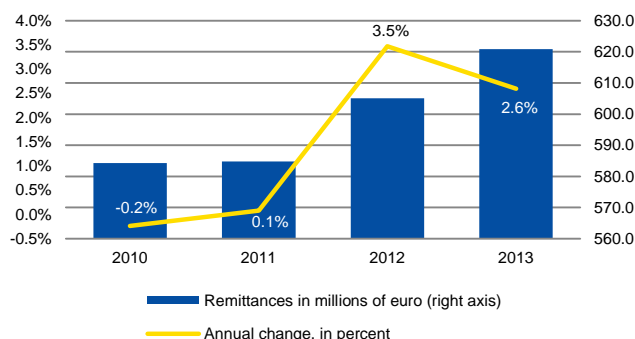
Private sector current transfers remain dominated by remittances, whose net balance represents approximately 62.7 percent of total transfers of the private sector. Remittances received in Kosovo reached a value of euro 620.8 million in 2013, representing an annual increase of 2.5 percent (figure 38). Remittances received in Kosovo come mainly from Germany and Switzerland, comprising around 33 and 24 percent, respectively, of total remittances received in Kosovo. A significant share of remittances is also received from Italy and Austria, accounting for 7 and 6 percent, respectively, of total remittances received in Kosovo. Regarding the channels of transfers

Figure 37. Current transfers, in millions of euro



Source: CBK (2014)

Figure 38. Remittances received



Source: CBK (2014)

of remittances in the country, around 21.2 percent are transferred through the banking system, while 35.2 percent are transferred through money transferring agencies. The remainder of remittances are transferred through informal channels. On the other hand, remittances of non-residents in Kosovo to other countries reached a value of euro 68.8 million (euro 86.1 million in 2012).

#### 4.4.2 Financial account

The balance of financial account in 2013 amounted to euro 123.5 million, compared to euro 130.3 million in 2012. Assets marked an increase of euro 205.1 million, which compared to 2012 are for 36.4 percent lower, while liabilities amounted to euro 328.6 million which compared to 2012 are lower for 27.4 percent. The main contributor within the positive financial account continues to be the category of Foreign Direct Investments (FDI), while a negative impact on the balance of financial account continues to have the consistent growth of portfolio investments outside of Kosovo’s economy (Table 3).

**Table 3. Financial account, in millions of euro**

Description	2008	2009	2010	2011	2012	2013
<b>FINANCIAL ACCOUNT</b>	288.5	109.0	275.9	376.8	130.3	123.5
<b>Assets</b>	227.8	230.6	402.9	93.9	322.3	205.1
Foreign Direct Investments (outflow)	25.0	10.5	34.7	15.7	15.8	17.9
Portfolio investments	109.9	124.8	48.6	57.8	185.7	139.3
Other investments	74.7	190.1	266.2	81.7	-146.3	83.5
Reserve assets	18.2	-94.8	53.4	-61.2	267.2	-35.7
<b>Liabilities</b>	516.3	339.7	678.7	471.4	452.7	328.6
Foreign Direct Investments (inflow)	366.5	287.4	365.8	393.9	229.1	259.4
Portfolio investments	0.0	0.5	-0.7	0.8	0.7	-1.0
Other investments	149.8	51.8	313.6	76.0	222.9	70.2

Source: CBK (2014)

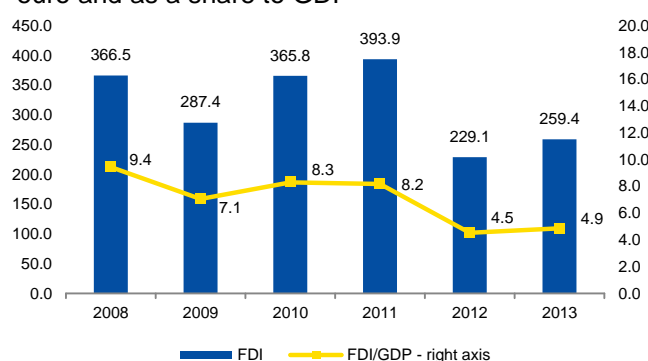
#### Foreign Direct Investments

In 2013, FDI inflows in Kosovo marked an increase of 13.3 percent reaching a value of euro 259.4 million. Kosovo’s residents investments in other countries marked an increase of 13.5 percent reaching a value of euro 17.9 million. Direct investments of Kosovo’s residents outside of Kosovo’s economy are mainly capital investments, which mostly are comprised of real estate purchase.

As a result of the global financial crisis but also due to the slower privatization process, FDI to GDP ratio marked a continuous decline since 2008.

Meanwhile, in 2013 this indicator marked an improvement from 4.5 percent of GDP in 2012 to 4.9 percent of GDP in 2013 (figure 39). Within FDI, intercompany loans and reinvested earnings<sup>5</sup> marked an increase (euro 65.7 and 25.7 million, respectively, more than in 2012), while equity capital was for euro 61.0 million lower than in 2012.

**Figure 39. Foreign Direct Investments, in millions of euro and as a share to GDP**



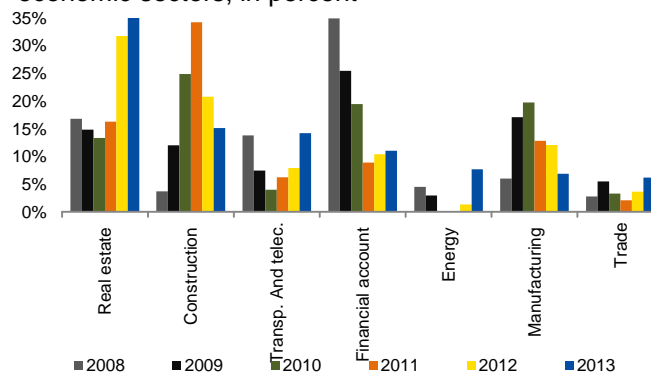
Source: CBK (2014)

<sup>5</sup> The reinvested earnings is that part of the profit that is not distributed as a dividend but is reinvested in the company, while intercompany loans represent lending among the companies which are in FDI relationship.

As shown in figure 40, FDI in real estate, which are mainly equity capital, increased their dominance in the structure of total FDI in 2013. Also the transport and telecommunication sector, financial services, energy and trade, were characterized with an increase, while FDI in construction and manufacturing sector recorded a decline.

Regarding the origin of FDI, Turkey represents the country from where comes the majority of FDI (33.6 percent of total FDI), followed by Switzerland (16.1 percent), Germany (8.4 percent), Albania (7.9 percent), etc. While investments from Turkey marked an increase of 32.3 percent in 2013, investments from Germany and Switzerland declined for 56.2 and 4.8 percent, respectively. It is worth mentioning that it is noticed an increase in interest of investors from Albania in investing in Kosovo. Only in 2013, FDI from Albania were tripled compared with 2012 reaching a value of euro 20.5 million (euro 4.7 million in 2012).

Figure 40. Foreign Direct Investments by main economic sectors, in percent



Source: CBK (2014)

### Portfolio investments, other investments and reserve assets

The balance of portfolio investments during 2013 was euro -140.3 million (euro -184.9 million in 2012). Portfolio investments abroad, mainly in debt securities, reached a value of euro 139.3 million (euro 185.7 million in 2012). The year 2012 was characterized by a substantial change in the form of investments, from deposits to portfolio investments. This change of the form of investments had an impact on lowering the balance of portfolio investments in 2013 compared with 2012. The largest part of portfolio investments is comprised of investments of pension funds in various financial instruments abroad, while the rest belongs to the Central Bank and commercial banks.

The category of other investments in 2013 was characterized by a substantial reduction of the balance. From euro 369.2 million as it was in 2012, the balance of this category decreased to euro 13.4 million in 2013. The high positive balance of other investments in 2012 primarily reflects the CBK withdrawal of deposits from abroad (mainly assets managed on behalf of pension fund) but also the growth of the trade credit. This withdrawal represents an inflow of the capital into the country which positively contributes to the balance of this category. In the same year, these funds were invested abroad in the form of portfolio investments by the pension fund. On the other hand, the lower balance of other investments in 2013 mainly reflects the fact that in 2013 there was no similar deposits withdrawals as in 2012. Also, the tightening of lending by commercial banks in Kosovo and the subsequent increase of investments abroad had an influence on the balance of other investments. In addition, in 2013 trade credit marked a considerable decline. Specifically, in 2013 deposits invested abroad increased to euro 60.5 million, while commercial loans decreased from euro 100.3 million in 2012 to euro 19.1 million in 2013 which is also related to the lower level of imports.

Reserve assets, which are primarily invested in money market instruments and deposits, during 2013 decreased for euro 35.7 million. However, given the fact that Kosovo uses euro as its official currency, which is acceptable in any international transaction, it can be considered that reserve assets in Kosovo have no high importance in comparison with most of other countries.

### 4.4.3 International Investment Position

Net International Investment Position (IIP)<sup>6</sup> at the end of 2013 was positive and marked a value of euro 400.4 million (figure 41). The positive balance of IIP has followed a downward trend until 2011, where as a percentage to GDP reached 2.8 percent. Meanwhile, IIP balance again followed an increase, thus reaching 7.5 percent of GDP in 2013. In the increase of IIP balance contributed net portfolio investments and other investments marking an annual growth of 20.2 percent and 23.8 percent, respectively, in 2013. On the other hand, the balance of direct investments remained negative while marking an increase of 9.6 percent in 2013.

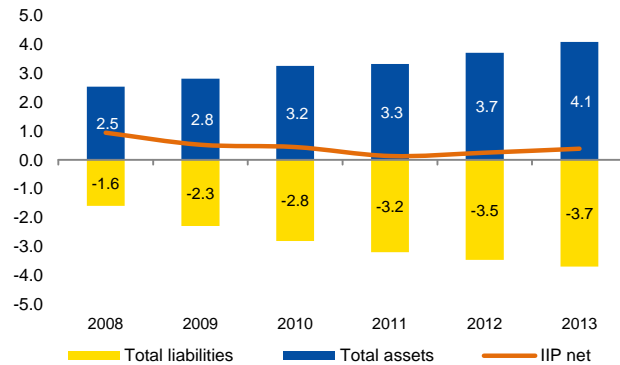
Regarding institutional sectors, the Central Bank and commercial banks have consistently had positive balance (euro 1.5 billion and euro 539.6 million, respectively, in 2013), while other sectors<sup>7</sup> and government had a negative balance (euro 1.3 billion and euro 321.8 million, respectively) (figure 42).

Stock of the asset at the end of 2013 amounted to euro 4.1 billion (annual growth of 10.4 percent). The main contributor to assets growth were portfolio investments which marked an increase of 20.9 percent and other investments which redorded an increase of 11.5 percent. Portfolio investments, which have a significant share in the stock of assets abroad (29.2 percent), are invested primarily in debt securities (65.8 percent), while the remainder (34.2 percent) in equity securities.

### 4.4.4 External debt

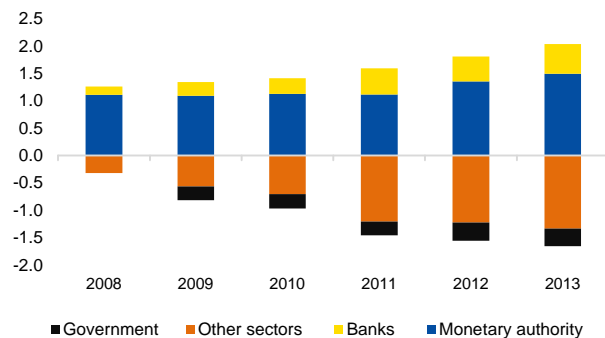
In 2013, Kosovo had a positive net balance of external debt with an amount of euro 1.9 billion, which means that the external sector debt to Kosovo's economy (euro 3.5 billion) is higher than the debt of Kosovo's economy to the external sector (euro 1.6 billion).

Figure 41. International Investment Position, in billions of euro



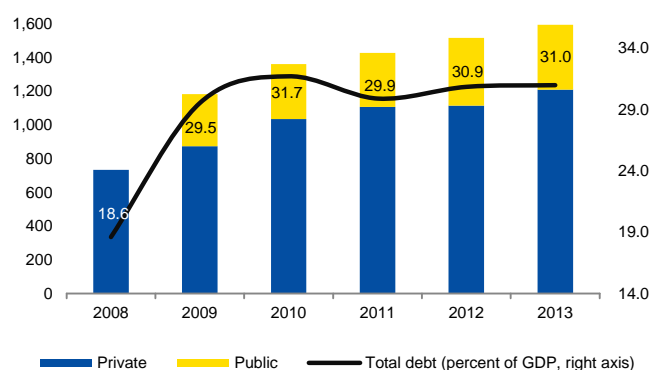
Source: CBK (2014)

Figure 42. Net International Investment Position by institutional sectors, in billions of euro



Source: CBK (2014)

Figure 43. Gross external debt, in millions of euro



Source: CBK (2014)

<sup>6</sup> International Investments Position represents the position at the end of a certain period of time of the external financial assets and liabilities. The position at the end of the period is a result of all transactions from the past, including corrections due to exchange rate movements in order to calculate the value of financial assets/liabilities at the reporting date or changes in market price. Positive balance of the IIP implies that assets invested abroad are higher than the value of assets invested by other countries in Kosovo.

<sup>7</sup> Other sectors are comprised of: pension funds, financial auxiliaries, insurance companies, non-governmental organizations, private companies, and individuals.



Kosovo's external debt, which includes private external debt and public external debt<sup>8</sup>, in 2013 amounted to euro 1.6 billion, which is higher than in 2012 for 5.1 percent. As a share to GDP, gross external debt of 31.0 percent in 2013 was almost the same as in the previous year (figure 43). Also the external public debt has a low share to total gross external debt, which reflects the low level of overall public debt in Kosovo compared to other countries in the region (euro 383.9 million or 24.1 percent of gross external debt).

The largest part of the external debt consists of intercompany loans (figure 44). Foreign companies operating in Kosovo owe external sector euro 672.6 million or 42.2 percent of total external debt. With significant share to the total external debt of Kosovo are also other sectors (euro 329.7 million or 20.7 percent of total external debt).

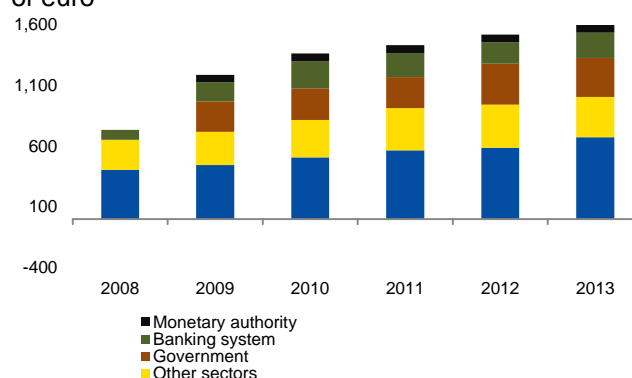
Government external debt with an amount of euro 321.8 million is mainly inherited debt implying that it is a long-term debt and comprises 20.2 percent of the total gross external debt. The stock of gross external debt of the banking system in September 2013 was euro 208.1 million or 13.1 percent of total external debt. This is short-term debt and most of it consists of non-resident deposits. The Central Bank has the lowest share to total external debt (euro 62.1 million or 3.9 percent of total external debt). Central Bank liabilities belong mainly to the stock allocations of the Special Drawing Rights (SDR) from the IMF.

The debt of the external sector to Kosovo's economy at the end of 2013 amounted to euro 3.5 billion. These assets are mainly funds invested abroad as the privatization proceeds and the funds of the Kosovo Pension Saving Fund, which are mainly invested in the form of deposits with 62.1 percent, followed by funds invested in various financial instruments with 34.2 percent, while loans have a share of 3.7 percent.

#### 4.4.5 Fiscal sector

During 2013 the fiscal sector was characterized by a slight decrease in revenue and an increase in expenditures. The total budget revenues<sup>9</sup> marked a decline of 0.4 percent and reached a value of around euro 1.32 billion (24.7 percent of GDP). On the other hand, the value of total budget expenditures<sup>10</sup> amounted to around 1.47 billion (27.6 percent of GDP), which represents an annual increase of 1.9 percent. Consequently, the Kosovo's budget recorded a primary deficit of euro 152.7 million, or 2.9 percent of GDP compared to 2.4 percent of GDP as it was a year earlier (figure 45). The total debt of the government, at the end of 2013, was euro 475.7 million, or 9.1 percent of GDP compared to 8.4 percent in the previous year. Despite the slight increase in 2013, Kosovo has the lowest level of primary deficit but also has a lower level of general government debt compared to other regional countries. More specifically, the primary deficit in 2013 was 2.9 percent of GDP (4.1 percent was the average in the region), while the total government debt was 9.1 percent of GDP (52.9 percent was the average in the region).

Figure 44. Gross external debt by sectors, in millions of euro



Source: CBK (2014)

<sup>8</sup> The public debt includes government and the central bank debt, while private debt is comprised of intercompany loans, banking system, and other sectors.

<sup>9</sup> Within the budget revenues are not included receipts from designated donor grants, internal and external borrowings, revenues from the privatization of KEK distribution.

<sup>10</sup> Within the budget expenditures are not included payments from designated donor grants, debt payments, and the return of borrowings by the public enterprises is treated as a reduction of budget expenditures.

Besides the low level of the primary deficit and the debt burdens, Kosovo has the lowest level of tax burden of the economy in the region, as the budget revenues to GDP ratio in 2013 was 24.7 percent compared to the region average of 33.6 percent. Also the budget expenditures to GDP ratio of 27.6 percent is lower than the average of the region which reaches 37.7 percent.

**Budget revenues**

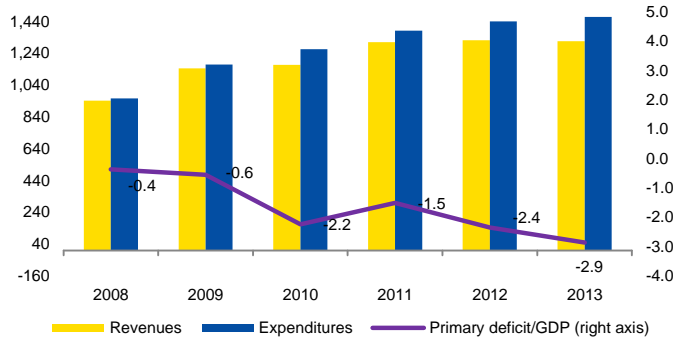
Kosovo’s budget revenues consist primarily of tax revenues, which have a share of around 83.5 percent of total budget revenues. Out of the total tax revenues, 86.0 percent are revenues from indirect taxes, while only 14.0 percent are revenues from direct taxes<sup>11</sup>. Own source revenues have a share of 7.2 percent to total revenues (58.8 percent belong to local governments while 41.2 percent to the central government), whereas other revenues consist of non-tax revenues (6.0 percent) and one-off revenues (3.3 percent).

During 2013, the main contribution to the budget revenues decline of 0.4 percent was given by own source revenues which marked a decline of 8.9 percent and other revenues (mainly the dividend of the public enterprises and grants for the budget support), which marked a decline of 47.8 percent. On the other hand, tax revenues and non-tax revenues marked a growth of 1.0 percent and 11.3 percent, respectively (figure 46).

In addition to the the aforementioned budget revenues classification, they can be classified also as domestic revenues and revenues collected at the border. During 2013, it was marked a better performance in domestic revenues which recorded an annual growth of 7.8 percent reaching euro 270.8 million. The increase in domestic revenues reflects the increase of KTA efficiency in collecting the revenues and facilitating the procedures for declaring and paying the tax liabilities. Also, the increased economic activity in Kosovo during 2013 is considered to have contributed to the increase of domestic revenues.

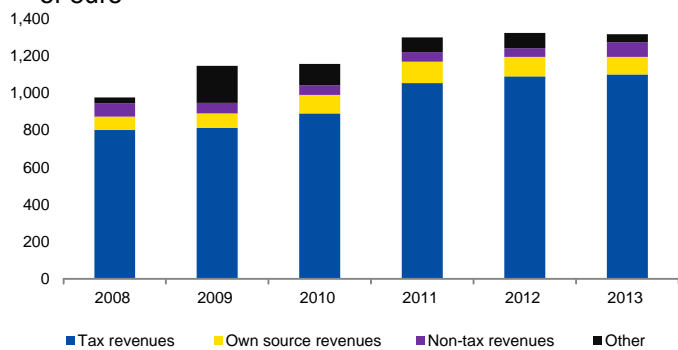
During 2013, all the major categories of local tax revenues were characterized with growth. VAT collected within the country, which has a share of 42.0 percent to the total local tax revenues, marked a growth of 14.9 percent amounting to net euro 113.7 million. Revenues from corporation tax, which simultaneously represent the second largest category within the local taxes (23.3 percent), marked an annual increase of 3.0 percent reaching the value of net euro 63.1 million. Also, revenues from personal income tax marked an annual growth of 2.3 percent amounting to

Figure 45. Budget revenues and expenditures, in millions of euro



Source: MF and CBK calculations (2014)

Figure 46. Structure of budget revenues, in millions of euro



Source: MF and CBK calculations (2014)

<sup>11</sup> Indirect taxes include: domestic VAT and VAT on imports, excise and customs, while direct taxes are comprised of: presumptive tax, profit tax, corporation income tax, personal income tax, etc.

net euro 61.2 million. Within local tax revenues, also the tax income from individual businesses marked an increase of 7.5 percent, which amounted to net euro 27.8 million (figure 47).

Conversely, the revenues collected from the border taxes marked a decline of 1.0 percent reaching the value of net euro 834.1 million. The decrease in revenues from taxes collected at the border mainly reflects the decrease of imports. Despite the slight decline in 2013, tax revenues collected at the border continue to represent the main category of tax revenues (75.5 percent of total tax revenues).

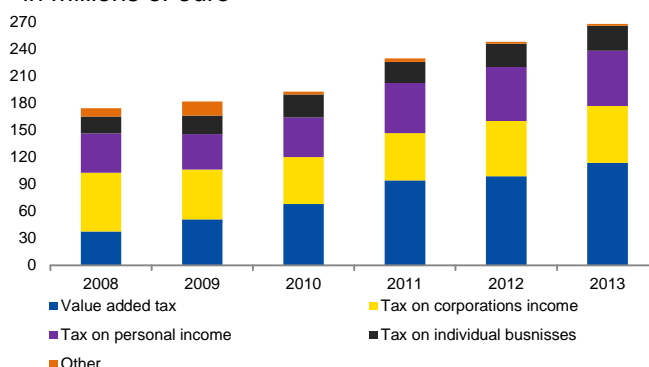
Within the border revenues, the main category remains VAT, with a share of 49.4 percent of total revenues collected at the border (figure 48). In 2013, revenues from VAT collected at the border were characterized by a decrease of 1.6 percent amounting to net euro 411.0 million. Excise revenues collected at the border, which have a share of 36.2 percent of total border revenues, also recorded a slight decline of 0.7 percent amounting to net euro 300.8 million. Revenues from border taxes which account for 14.4 percent of total border revenues, marked an increase of 1.9 percent amounting to net euro 119.5 million.

Own source revenues of the central and local levels reached a value of euro 95.0 million, while in the previous year recorded a value of euro 104.3 million. Fees and charges were characterized by an increase of 7.6 percent and reached a value of euro 42.9 million. Other important items within the budget revenues realized in 2013 were also the royalties which reached a value of euro 24.7 million and dividend from the public enterprises which amounted to euro 43.0 million.

**Budget expenditures**

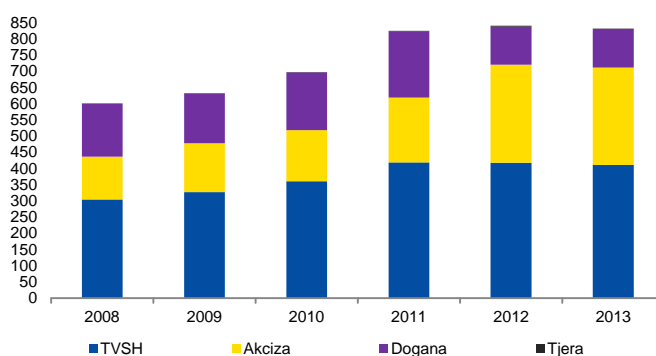
In 2013, the total budget expenditures amounted to around euro 1.5 billion, representing an annual increase of 1.9 percent. Current expenditures consist of wages and salaries, goods and services, and subsidies and transfers which amounted to euro 950.4 million, representing an increase of 7.1 percent compared to the previous year. In the context of current

Figure 47. Net domestic revenues by type of taxes, in millions of euro



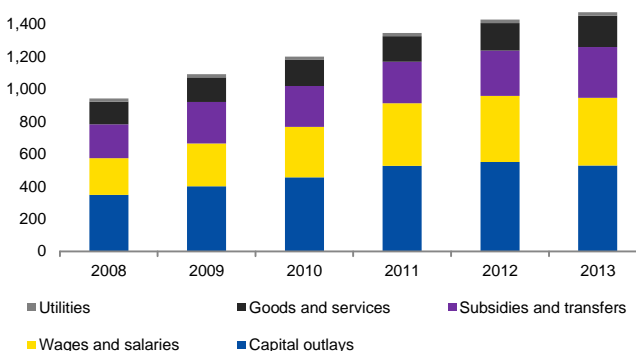
Source: MF and CBK calculations (2014)

Figure 48. Net border revenues by type of taxes, in millions of euro



Source: MF And CBK calculations (2014)

Figure 49. Structure of budget expenditures, in millions of euro



Source: MF and CBK calculations (2014)

expenditures, government expenditures on subsidies and transfers marked a growth of 9.9 percent, reaching euro 317.8 million. Also government expenditures on goods and services and government expenditures on wages and salaries were characterized with an increase of 12.9 percent and 2.3 percent, respectively, reaching euro 215.6 million and euro 417.1, respectively.

Government expenditures on capital investments in 2013 reached a value of euro 524.5 million which is for 3.1 percent lower than in the previous year. Despite this decline, capital expenditures represent the main category of expenditures within the budget expenditures, with a share of 35.7 percent to total budget expenditures (figure 49).

#### 4.4.6 Financial system

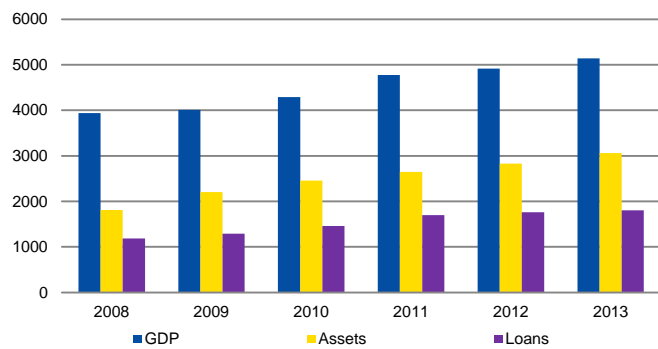
The financial system in Kosovo remains one of the most important contributors to overall macroeconomic stability in the country. The continued growth of financial system activity and the reduction of risks to the system during 2013 were reflected in the growth of the real economy. Total assets of the financial system reached a value of euro 4.2 billion in 2013, corresponding to an annual growth of 10.5 percent. The growth of financial system assets is mainly supported by the growth of pension fund and commercial banks assets during this period, while insurance companies' assets marked a more moderate growth.

The main segment in the domestic financial system remains the banking sector, whose assets comprise around 72 percent of total financial system assets and around 59 percent of GDP. Regarding the support of the private sector through lending, the ratio of total banking sector loans to GDP was around 35 percent.

The banks' lending activity was characterized with an increase in 2013, albeit at a slower rate compared to the

previous year. In 2013, total loans of the banking sector reached a value of euro 1.81 billion, representing an annual growth of 2.4 percent (3.8 percent in 2012). The slower growth rate of bank loans is consistent with the trend shown in the euro area and in the region as a result of the challenging macroeconomic developments which are still present at the global level. The slower credit growth rate that characterized 2013 can be attributed to the tighter supply of bank lending to enterprises to some extent, while the demand for loans was slightly lower from enterprises as well as households (figure 51). The banking sector has continued to support enterprises through higher loan growth for most of the economic sectors in which they operate. Economic sectors which were mostly supported by the banking sector in 2013 were agriculture, mining, energy and other services (hotels and restaurants, real estate and rentals, etc.). The credit support for the agriculture sector has continuously increased in the recent years, a sector which is also supported

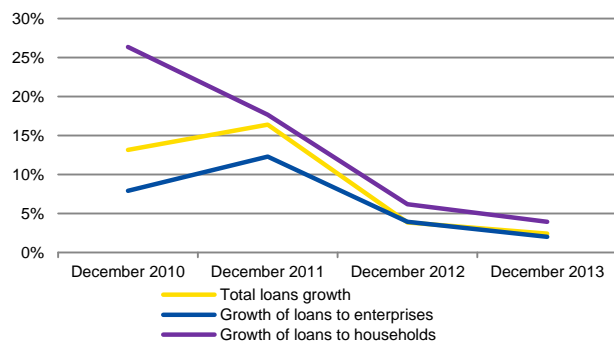
Figure 50. Banking sector assets and loans, in millions of euro



Source: CBK (2014)

during this period, while insurance companies' assets

Figure 51. Growth rate of loans by sectors, in percent



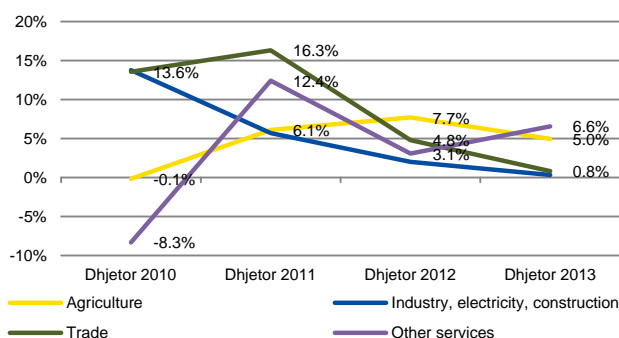
Source: CBK (2014)

by government subsidies to promote the agricultural activities in Kosovo. While the credit growth for mining and energy sector is related to the growth of the economic activity that characterized these two sectors in 2013, the increase of the bank support for other services may reflect an increase of interest from private investors (domestic and foreign) to invest in these two industries. In 2013, lending to the manufacturing and construction sectors was lower, which may reflect to some extent the slowdown of the activity in these two economic sectors.

Average interest rates on loans and deposits were characterized by a downward trend during 2013. The average interest rate on loans decreased to 12.4 percent (13.4 percent in 2012), while deposits interest rates decreased to 3.4 percent (3.6 percent in 2012). Consequently, the interest rates spread on loans and deposits in 2013 narrowed to 9 pp, compared to 9.8 pp in 2012 (figure 53). In line with commercial banks expectation stated in the bank lending survey for 2014, the continued easing of lending standards through the reduction of financing costs is expected to reflect on higher lending activity and thus, higher consumption and investments.

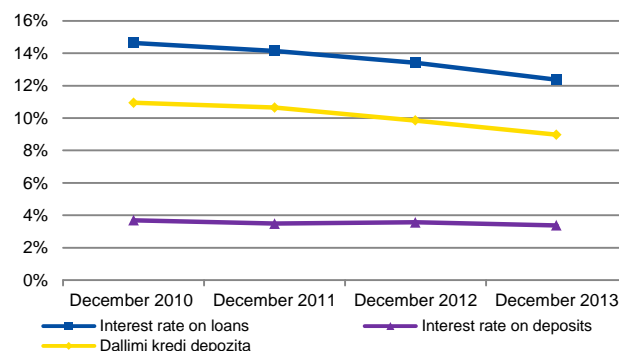
Deposits of the banking sector continued growing in 2013, while remaining the main source of financing for the banking activity. In 2013, the banking system deposits accounted for 80.1 percent of total liabilities, amounting to euro 2.45 billion. The main contributor to the growth of the banking sector deposits was the increase of household deposits, which simultaneously represent the highest share to total deposits (72.5 percent), followed by the deposits of enterprises (22.7 percent of total deposits). The growth of household deposits during 2013 can be partly attributed to higher household funding sources during this period (e.g. remittances, compensation of employees from abroad, etc.), while deposit growth of enterprises during this period can be attributed to some extent to the economic activity slowdown for some enterprises. In terms of maturity, time deposits remain dominated by shorter term maturities of “up to one year” (62.1 percent). It is worth mentioning that the banking sector reliance on short-term

Figure 52. Growth trend of loans by economic sectors, in percent



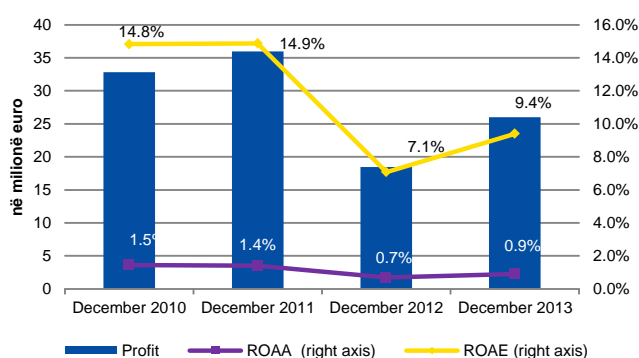
Source: CBK (2014)

Figure 53. Annual average of interest rates, in percent



Source: CBK (2014)

Figure 54. Profitability indicators



Source: CBK (2014)

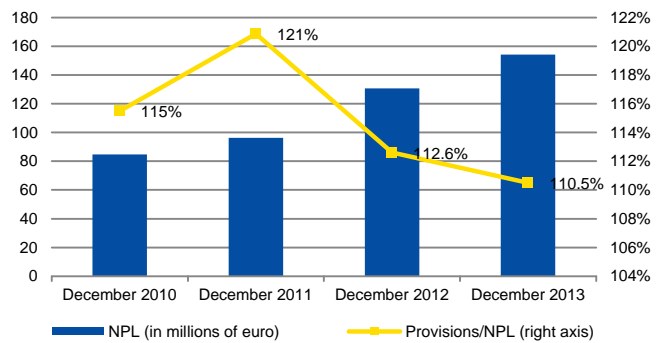
sources of financing inhibits the growth of long-term loans that represent a significant necessity for the country’s economy.

The performance of the banking sector improved in 2013. The net profit of the banking sector recorded an annual growth of 40.7 percent in 2013, amounting to euro 26 million (figure 54).

The stability of the banking sector continues to contribute to the overall macroeconomic stability in the country. In 2013, the key liquidity indicators were characterized with an increase, resulting in an improved liquidity position of the banking sector. The banking sector has consistently been characterized with a high level of capitalization that exceeded the minimum regulatory requirements.

During 2013, the exposure to credit risk increased, where non-performing loans (NPL) ratio to total loans in December 2013 reached 8.7 percent (7.5 percent in 2012). However, non-performing loans remain well covered with provisions (110.6 percent) thus reducing the sector exposure to credit risk (figure 55). The banking sector exposure to market risk, which implies the risk of movements in currency exchange rates and changes in interest rates, marked a decline in 2013.

Figure 55. NPL and provisions



Source: CBK (2014)

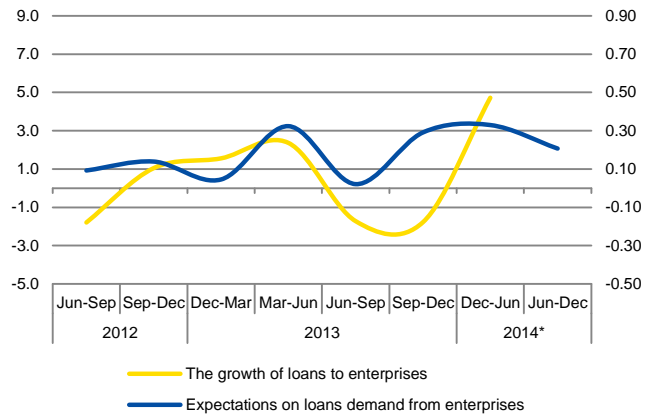
### 5. Banks expectations on lending activity

Expectations of banks on potential developments in the demand for loans in the second half of 2014 indicate an overall increase in demand for loans from enterprises and households.

In the second half of 2014, commercial banks in the country stated that they expect an increase in demand for loans from all enterprise categories. Banks expect a higher demand for loans from small and medium enterprises, while in terms of maturity, expectations indicate an increase in demand for short-term loans. Developments in the trend of lending to enterprises in the first half of 2014 compared to the second half of 2013 show an acceleration of the growth rate of lending to enterprises, which was in line with the bank’s expectations for this period (figure 56).

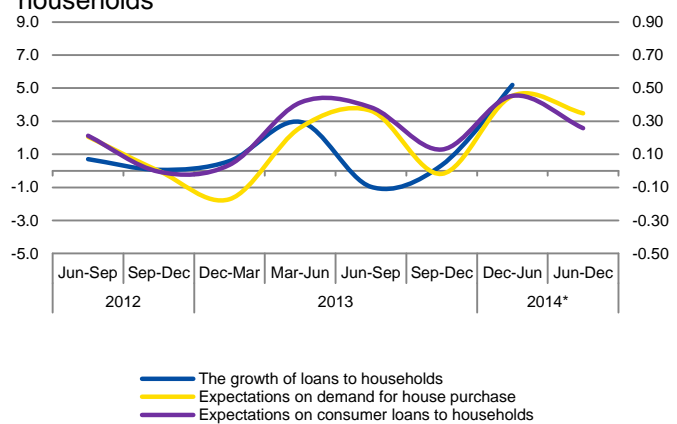
Banks expectations remain optimistic regarding the demand for loans from households during the second half of 2014. Banks stated that they expect an increase on the demand for loans for house purchase and consumer loans during the second half of 2014. The data on developments of the credit supply to households in the first half of 2014 show an acceleration of the growth rate in the first half of 2014 compared with the growth recorded in the second half of 2013 (figure 57).

Figure 56. Banks expectations on loans demand from enterprises and growth of loans to enterprises



\*Since 2014, the survey is conducted on semiannual basis .  
Source: CBK (2014)

Figure 57. Bank expectations on consumer and mortgage loans demand and the growth of loans to households



\*Since 2014, the survey is conducted on semiannual basis .  
Source: CBK (2014)

## 6. Forecasts on main macroeconomic indicators

Economic growth for 2014 is expected to accelerate compared to the previous year. The main factor in the acceleration of the economic growth for 2014 is expected to be the private consumption category while with the positive effect is expected to be the public consumption as well. Regarding investments, their effect is expected to be neutral. Despite the positive performance of the private investments, the decline of the public investments is expected to eliminate the effect of the increasing private investments. The trade deficit in goods and services is expected to have a negative impact on the growth which in 2014 is expected to deteriorate. CBK forecasts suggest that the real GDP growth rate for 2014 will be 3.7 percent.

The banking sector during 2014 is expected to further expand its activities through accelerated credit activity. Total loans of the banking sector are expected to record an annual growth rate of around 5 percent in 2014, compared to the growth of 2.4 percent in 2013. Deposits of the private sector during 2014 are expected to continue the growth trend with which were characterized in the recent years. Private sector deposits growth during 2014 are expected to reach 7.3 percent.

During 2014, the fiscal sector is expected to be characterized with an increase of the budget revenues of 1.8 percent and an increase in the budget expenditures of 4.0 percent. As a result, the primary budget deficit is expected to mark a growth of 23.2 percent and reach euro 188.1 million or 3.0 percent of GDP.

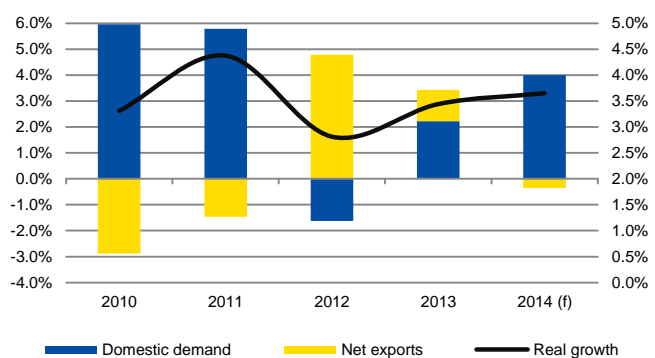
In 2014, the external sector is expected to be characterized with a growth of the current account deficit, as a result of the forecasts for an import growth of around 1.5 percent and forecasts for similar level of exports compared to the previous year. The current account deficit is expected to reach euro 453.6 million, which is 33.6 percent higher than the deficit recorded in the previous year. While the surplus of the capital and financial account is expected to reach euro 271.0 million or 60.7 percent higher than the surplus recorded in the previous year.

The price movements during 2014 are expected to be characterized by stability as a result of the low price increase. The forecasts show that the inflation rate in 2014 will be around 1.0 percent. This level of inflation is expected to be as a result of the downward trend in global prices of main products, especially those which Kosovo imports more such as oil and food products. Also, the domestic developments, such as the reduction in the price of certain categories of administered prices (e.g. education) are expected to contribute to keeping the inflation moderate. Conversely, prices of non-tradable sectors can grow as a result of salary increases in the public sector, while inflation can also be affected by the increase of energy prices.

### 6.1. Gross domestic product

Macroeconomic forecasts for Kosovo's economy during 2014 suggest that economic activity will grow with a faster pace compared to 2013. CBK forecasts suggest that the growth rate of the real GDP in 2014 will reach 3.7 percent. The forecasts in March 2014 suggested that the growth will be 4.0 percent, but due to weaker performance of some sectors of the economy, the growth rate was revised. Weaker performance in 2014 was marked by the fiscal and external sector which

Figure 58. Real GDP growth rate, domestic and external demand, in percent

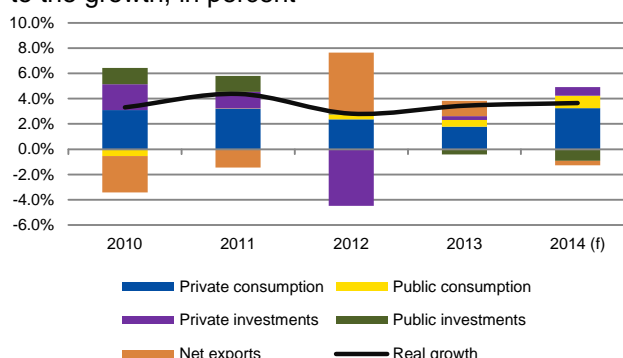


Source: KAS (2014), (f) CBK forecast



deteriorated the indicators of the public investments but also the net exports. These developments were significantly neutralized by positive rapid developments in the financial sector and the increase of salaries for civil servants, which have strengthened consumption and private investments as well (figure 59). Accordingly, during 2014, economic growth has continued to be generated by the domestic demand. The main contributors are expected to be the private and public consumption. On the other hand, investments are expected to have almost neutral effect, driven by the decline in public investments but also weak growth in private investments. External demand or net exports for 2014 is expected to have a negative contribution (figure 59).

Figure 59. Real GDP growth rate and contributions to the growth, in percent



Source: KAS (2014), (f) CBK forecast

As presented in figure 59, the consumption component in 2014 is expected to be the main contributor of the economic growth driven by private and public consumption. Consumption during 2014 is expected to mark a growth of 4.1 percent in real terms, based on expectations that the private consumption will mark a growth of 3.7 percent and public consumption will mark an increase of 6.1 percent. The main factors expected to affect the consumption growth during this period are expected to be the growth of wages and salaries for civil servants, the growth of remittances and the consumer loans growth.

Regarding investments, during 2014, they are expected to be characterized by a real decline of 0.9 percent and will have a negative contribution to the GDP growth with 0.2 percentage points. Investments during 2014 are expected to mark a decline as a result of not implementing a part of the public sector capital projects. Public investments during 2014, in real terms, are expected to mark a decline of 9.3 percent. On the other hand, the component of the private investments is expected to increase as a result of the significant acceleration of loans activity, especially investment loans, from the financial sector. Consequently, real private investments growth is expected to be 3.8 percent.

Net exports of goods and services during 2014 are expected to have a negative contribution to the GDP growth with 0.4 percentage points as a result of faster growth of imports against exports of goods. On the other hand, the trade position in the services is expected to remain positive during 2014. Within goods, current estimates show that exports will have a similar level to the previous year, while imports will mark a slight growth. Regarding services, exports are expected to grow faster than imports.

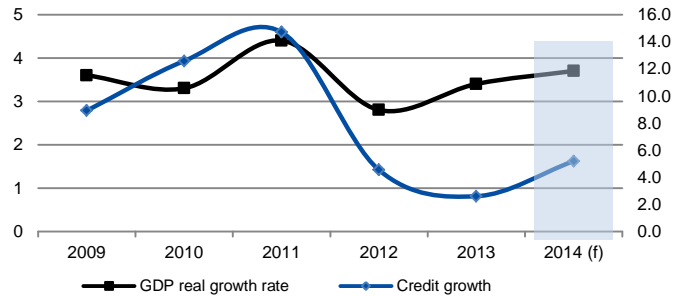
## 6.2. Banking sector

After several years of continuous slowdown of lending, in 2014, lending by the banking sector is expected to mark an accelerated growth rate, recording an annual growth of around 5 percent, compared to the growth of 2.4 percent in 2013. The increase in lending is expected to be faster for households, but also loans to enterprises will mark a growth trend. In addition to the overall improvement of the environment in the country, other important factors expected to affect further the growth is the increased borrowing capacity of households as a result of increased public sector wages. CBK forecasts on lending growth are also in line with bank reports in the bank lending survey, which foresees acceleration on credit activity during the following periods

(figure 60 and 61). Despite the rapid growth of loans, the banking system is expected to maintain a satisfactory level of liquidity and financial soundness in the country. Acceleration of the lending activity in in line with developments in the real sector of the economy, taking into account the significant reflection on the credit activity and its pro-cyclical behavior compared to the GDP growth (figure 61). This pro-cyclical behavior is a result of increased demand in the country (GDP) and consequently, increased demand for loans, which reflects the lower level of risk perceived by banks.

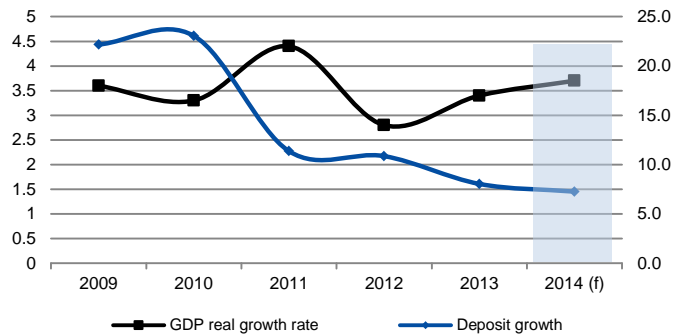
Deposits of the private sector in 2014 are expected to continue with the growth trend with which were characterized in the recent years. The growth rate of private sector deposits during 2014 is expected to be 7.3 percent compared with 8.0 percent in 2013. Unlike loans, which are characterized by pro-cyclical behavior, deposits have more counter-cyclical behavior as when the economy marked faster growth, deposits marked slowdown signs. This behavior of the deposits may be due to the fact that during times of increased economic activity, individuals and businesses may be more inclined to spend/invest, making the pace of deposits growth in the banking sector to slow down.

Figure 60. Credit growth and real GDP growth rate



Source: KAS (2013) CBK (2014), (f) CBK forecasts (2014)

Figure 61. Deposit growth and real GDP growth rate

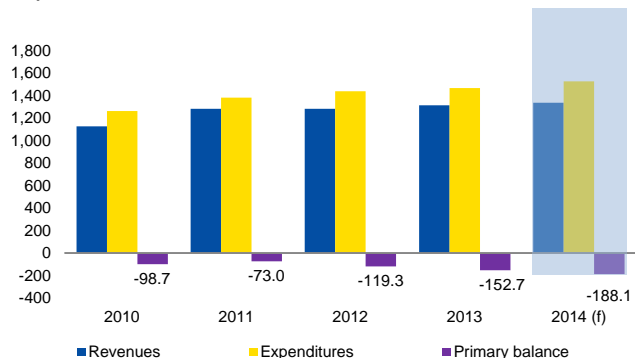


Source: KAS (2013) CBK (2014), (f) CBK forecasts (2014)

### 6.3. Fiscal sector

During 2014 the fiscal sector is expected to be characterized by an increase in budget revenues of 1.8 percent and an increase in budget expenditures of 4.0 percent. Consequently, the primary budget deficit is expected to mark an increase of 23.2 percent and reach euro 188.1 million (figure 62). The primary deficit ratio to GDP is expected to reach the rate of 3.0 percent compared to 2.9 percent in the previous year.

Figure 62. Primary budget revenues and expenditures, in millions of euro



Source: MF (2014) , (f) CBK forecasts

#### 6.3.1 Budget revenues

The primary revenues in 2014 are expected to reach euro 1.34 billion or 1.8 percent more than in the previous year. Budget revenues ratio to GDP, is expected to have almost the same level as in the previous year (24.4 percent of GDP). The increase of budget revenues is expected to be as a result of increased

economic activity, but also due to the continued measures taken against the informal economy. Increased economic activity is expected to be based mainly on increased consumption which, among others, is also driven by the increase in salaries and pensions. Consumption growth along with increased imports is expected to increase the collection of budget revenues.

### 6.3.2 Budget revenues

Primary budget expenditures during 2014 are expected to reach euro 1.53 billion or 4.0 percent more than in the previous year. As a percentage to GDP budget expenditures, similarly to revenues, are expected to have the same share to GDP as in the previous year (27.3 percent). During 2014, the structure of expenditures is expected to mark significant change. Current expenditures are expected to increase their share to total expenditures from 64.7 percent in 2013 to 68.5 percent in 2014. This increase in the share of the current expenditures to total expenditures is mainly attributed to the increase of salaries and wages category which has the largest share within the current expenditures. On the other hand, capital expenditures are expected to reduce their total share from 35.7 percent in 2013 to 31.5 percent to total expenditures. Also, the delays in consolidating the institutions are expected to have a negative effect on the execution of expenditures in general.

### 6.3.3 Financing

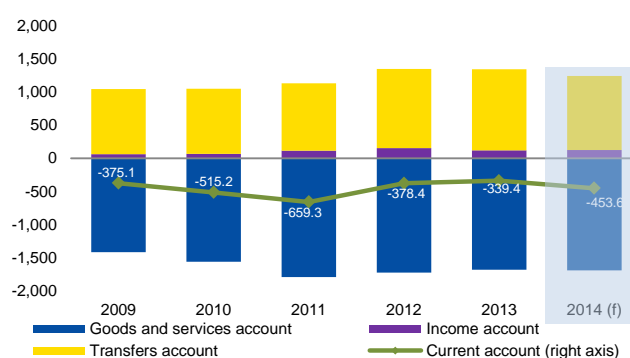
Besides the above mentioned expenditures, net expenditures are expected to reach euro 17.3 million due to the interest of the net public debt (internal and external). This will make the overall balance of the government budget deficit to reach euro 205.5 million or euro 41.3 million more than in the previous year. The overall financing of the deficit is expected to be mainly from domestic borrowings and the privatization proceeds, which are expected to reach a total of euro 132.4 million, while the rest is expected to be financed by reducing the bank balance. Regarding the external public debt, during 2014 the government is expected to pay back around euro 21.9 million owed to various creditors, while new loans including official financing are expected to be around euro 7.6 million.

## 6.4. External sector

In 2014, the external sector is expected to be characterized by an increase in current account deficit. The current account deficit is expected to reach euros 453.6 million (figure 63), which is for 33.6 percent higher than the deficit recorded in the previous year. Meanwhile the surplus of the capital and financial account is expected to reach euro 271.0 million or 60.7 percent higher than the surplus recorded in the previous year.

While, in 2013 a decline was marked in the current account deficit from 7.5 percent of GDP to 6.4 percent of GDP, in 2014 it is expected that the current account deficit will reach 8.1 percent of GDP. Exports of goods are expected to reach the level of euro 307.5 million, representing a slight increase of 0.8 percent. The weak performance of exports is mainly addressed to a considerable decline in metal prices during 2014. The import of goods is expected to reach euro 2.33 billion or 1.5 percent more than in the

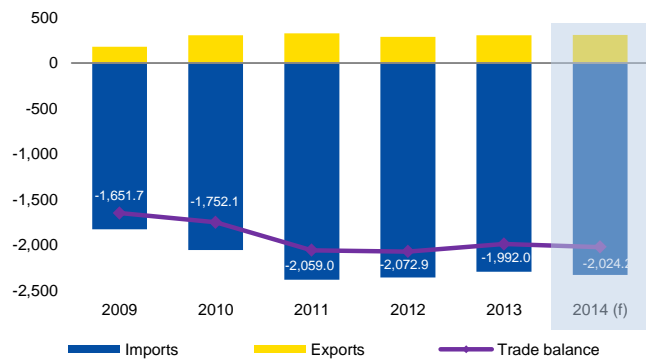
Figure 63. Current account, in millions of euro



Source: CBK (2014). (f) Forecasts

previous year (figure 64). The deterioration of the balance of goods of 1.6 percent is expected to mark a considerable mitigation as a result of the export of services which is expected to reach euro 654.2 million, representing an increase of 5.2 percent, while imports of services from euro 326.0 million are expected to mark a slowdown in growth (from 8.6 percent in 2013 to 3.9 percent in 2014). Exports of services are expected to be generated mainly by higher exports of travel services which are related to immigrant's expenditures in Kosovo, while the growth of import of services is expected to be generated by increased imports of transportation services, travel and construction services. The balance of goods and services is expected to record a trade deficit of euro 1.70 billion, representing an annual increase of 0.7 percent.

Figure 64. Export and import of goods, in millions of euro



Source: CBK (2014), (f) forecast

Imports are expected to mark a growth due to the fact that consumption is expected to be the main generator of the economic growth in 2014, which in addition to the local products is expected to be covered by imports. However, the increase in the value of imports can be neutralized somewhat because oil prices are expected to decline in international markets. On the other hand, the decline in exports of goods with a rate of 5.2 percent until June was caused by the decline of 8.4 percent of metal prices, where the metal prices decline is discontinued and in the rest of the year is expected to mark a growth of 1.0 percent, and consequently, the export of goods are expected to record a slight increase of 0.8 percent.

The balance of the transfers account in 2014 is expected to record a surplus of euro 1.21 billion which is 8.6 percent lower than the surplus recorded in the previous year. This decrease of the surplus is mainly attributed to the decrease of official transfers<sup>12</sup> of 31.5 percent. On the other hand, other private transfers are expected to record a net increase of 0.3 percent. Within the private transfers remittances are included as well which are expected to mark an annual growth of 3.0 percent, mainly driven by positive developments in economies such as Germany and Switzerland, where Kosovar diaspora is mainly concentrated.

The balance of the capital and financial account is expected to reach euro 271.0 million or 60.7 percent more than the balance in the previous year. FDI is expected to remain the major component which for 2014 is projected to be relatively similar to the previous year.

<sup>12</sup> Official transfers include wages of donors and donor designated grants.

## 7. Statistical appendix



Table 1. Main Macroeconomic Indicators

Description	2010	2011	2012	2013	2014 (f)
	<i>In millions of euro (nominal value)</i>				
<b>Gross Domestic Product (GDP)/1</b>	<b>4401.9</b>	<b>4814.6</b>	<b>5058.8</b>	<b>5326.6</b>	<b>5590.6</b>
Consumption	4516.5	4975.5	5320.4	5539.4	5823.1
Investments	1450.6	1632.4	1465.1	1470.9	1463.4
Net exports	-1565.2	-1793.3	-1726.7	-1683.7	-1696.0
	<i>Change in percentage, in nominal 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>3.7</b>
Consumption	2.5	3.0	2.6	2.2	4.1
investments	10.9	7.9	-12.9	-0.3	-0.9
Net exports	7.5	3.7	-12.1	-3.6	1.1
	<i>In millions of euro (nominal value)</i>				
<b>Current account/2</b>	<b>-515.2</b>	<b>-659.3</b>	<b>-378.4</b>	<b>-339.4</b>	<b>-453.6</b>
Import of goods	-2057.1	-2383.9	-2359.8	-2297.1	-2331.7
Export of goods	305.0	324.9	286.9	305.1	307.5
Import of services	-386.1	-352.8	-288.8	-313.7	-326.0
Export of services	573.0	618.5	635.1	622.0	654.2
Remittances/2	584.3	584.8	605.1	620.8	639.4
	<i>In millions of euro (nominal value)</i>				
Total loans of the banking sector to the private sector/2	1456.1	1690.8	1756.5	1799.7	1891.7
Total deposits of the banking sector/2	1936.8	2104.0	2279.1	2449.0	2615.0
	<i>In millions of euro (nominal value)</i>				
<b>Kosovo's budget/3</b>					
Total primary revenues	1128.5	1283.3	1284.3	1316.2	1338.3
Total primary expenditures	1264.7	1382.2	1441.0	1468.9	1527.4
<b>Primary deficit</b>	<b>-98.7</b>	<b>-73.0</b>	<b>-119.3</b>	<b>-152.7</b>	<b>-188.1</b>
	<i>Change in percentage</i>				
<b>Real economic growth/4</b>					
Global	5.2	3.9	3.2	3.0	3.6
Euro area	2.0	1.6	-0.7	-0.5	1.2
European developing countries	4.7	5.4	1.4	2.8	2.4

1/ Kosovo Agency of Statistics for 2010-2013.

2/ Central Bank of the Republic of Kosovo for 2010-2013.

3/ Ministry of Finance for 2010-2013.

4/ International Monetary Fund for 2010-2014.

(f) Forecasts.

Highlighted areas represent CBK forecasts.

**Table 2.1. Balance of payments, main components**

(In millions of euro)

Description	Current account						Capital and financial account			Net errors and omissions
		Goods and services		Income	Current transfers		Capital Account	Financial Account		
		Goods	Services							
2004	-208.3	-1,001.5	-983.1	-18.4	138.3	654.9	79.4	21.9	57.6	128.8
2005	-247.6	-1,087.0	-1,078.5	-8.5	139.1	700.3	72.7	18.9	53.8	174.8
2006	-226.1	-1,144.1	-1,173.1	29.0	158.8	759.2	-14.9	20.8	-35.7	240.9
2007	-214.0	-1,242.3	-1,352.9	110.5	186.3	842.0	10.7	16.5	-5.8	203.3
2008	-460.9	-1,498.2	-1,649.7	151.6	164.0	873.2	298.9	10.5	288.5	162.0
2009	-374.2	-1,419.4	-1,651.7	232.3	61.8	983.4	209.3	100.3	109.0	164.6
2010	-515.7	-1,565.2	-1,752.1	186.9	67.0	982.5	297.2	21.3	275.9	217.6
2011	-658.4	-1,793.3	-2,059.0	265.7	113.8	1,021.1	418.9	42.0	376.8	239.6
2012	-380.2	-1,726.6	-2,072.8	346.2	154.1	1,192.3	143.3	13.0	130.3	236.9
2013	-339.4	-1,683.6	-1,992.0	308.4	121.8	1,222.4	168.1	34.7	133.4	171.3
Q1	-52.6	-260.7	-319.5	58.8	20.9	187.2	-18.3	-0.5	-17.8	70.9
Q2	-135.4	-362.0	-420.0	58.0	26.4	200.2	134.1	4.0	130.1	1.2
Q3	-110.5	-378.4	-448.2	69.8	3.0	265.0	-35.2	5.0	-40.2	145.6
2009 Q4	-75.8	-418.3	-464.0	45.7	115	331.0	128.8	91.9	36.9	-53.1
Q1	-57.9	-276.9	-313.7	36.8	23.7	195.3	14.7	4.7	10.0	43.1
Q2	-137.5	-390.4	-443.1	52.7	24.3	228.6	146.0	3.7	142.3	-8.7
Q3	-191.7	-450.4	-514.6	64.2	-15	260.2	6.5	6.9	-0.5	185.1
2010 Q4	-128.5	-447.5	-480.7	33.2	20.6	298.4	130.0	6.0	124.0	-2.0
Q1	-38.5	-308.3	-382.0	73.8	41.9	227.9	9.2	13.3	-4.0	28.9
Q2	-164.5	-446.2	-514.1	67.9	30.0	251.7	216.5	6.0	210.5	-51.4
Q3	-196.7	-494.3	-557.4	63.1	21.2	276.4	-17.7	6.3	-24.0	214.1
2011 Q4	-258.7	-544.5	-605.5	61.0	20.6	265.1	210.8	16.4	194.4	47.9
Q1	-20.9	-325.5	-372.9	47.4	37.4	267.2	12.9	-0.9	13.8	8.0
Q2	-120.9	-467.4	-548.8	81.4	44.4	302.1	78.3	2.5	75.8	42.6
Q3	-143.5	-482.7	-612.0	129.3	20.3	318.9	-27.7	-1.7	-26.0	171.2
2012 Q4	-94.9	-451.0	-539.1	88.1	52.0	304.1	79.8	13.0	66.7	15.1
Q1	-13.4	-330.2	-389.7	59.5	42.4	274.3	0.5	10.6	-10.1	12.9
Q2	-117.5	-438.9	-517.2	78.3	32.5	288.9	138.3	3.1	135.2	-20.9
Q3	-99.7	-428.0	-550.7	122.7	2.2	326.0	-51.3	9.7	-61.0	151.0
2013 Q4	-108.8	-486.6	-534.4	47.8	44.6	333.2	80.5	11.4	69.2	28.3

Source: CBK (2014)



Table 2.2. Goods

(In millions of euro)

Description	Total goods											
	General merchandise				Adjustments	Goods for processing			Repairs of goods	Goods in ports	Nonmonetary gold	
		Exports FOB	Imports FOB			Processing abroad	Processing in Kosovo					
2007 December	-1,352.9	-1,357.3	152.0	-1,509.4	55.2	3.6	0.0	3.6	-2.1	2.9	0.0	
2008 December	-1,574.8	-1,573.9	193.2	-1,767.1	75.9	1.6	0.0	1.6	-6.5	4.1	0.0	
2009 December	-1,651.7	-1,651.2	160.6	-1,811.8	113.6	3.7	0.0	3.7	-9.1	4.9	0.0	
2010 December	-1,752.1	-1,745.0	288.2	-2,033.2	125.3	2.9	0.0	2.9	-13.4	3.4	0.0	
January	-103.5	-102.9	22.4	-125.3	7.6	0.4	0.0	0.4	-1.2	0.2	0.0	
February	-219.8	-219.0	47.3	-266.3	16.9	1.0	0.0	1.0	-2.2	0.4	0.0	
March	-382.0	-380.6	72.5	-453.1	28.2	1.4	0.0	1.4	-3.5	0.6	0.0	
April	-540.7	-539.0	100.7	-639.7	39.4	2.1	0.0	2.1	-4.7	0.9	0.0	
May	-717.9	-714.9	129.5	-844.4	51.7	2.2	0.0	2.2	-6.4	1.2	0.0	
June	-896.1	-892.8	159.5	-1,052.4	64.0	2.8	0.0	2.8	-7.6	1.5	0.0	
July	-1,081.0	-1,077.6	188.0	-1,265.6	77.9	3.5	0.0	3.5	-8.8	1.9	0.0	
August	-1,274.9	-1,270.6	211.4	-1,482.0	91.8	3.8	0.0	3.8	-10.4	2.3	0.0	
September	-1,453.5	-1,448.3	235.1	-1,683.4	104.4	4.1	0.0	4.1	-12.0	2.6	0.0	
October	-1,657.7	-1,651.1	261.8	-1,912.9	119.0	4.5	0.0	4.5	-14.1	2.9	0.0	
November	-1,846.3	-1,838.7	283.2	-2,122.0	132.7	4.8	0.0	4.8	-15.6	3.2	0.0	
2011 December	-2,059.0	-2,050.7	304.1	-2,354.8	148.4	5.2	0.0	5.2	-17.1	3.5	0.0	
January	-105.2	-103.2	18.7	-121.9	8.2	0.2	0.0	0.2	-1.9	-0.3	0.0	
February	-207.5	-204.5	34.4	-238.9	16.2	0.3	0.0	0.3	-2.7	-0.7	0.0	
March	-372.9	-368.1	58.0	-426.1	28.8	0.7	0.0	0.7	-4.3	-1.3	0.0	
April	-556.3	-548.9	78.4	-627.4	42.2	0.6	0.0	0.6	-6.6	-1.3	0.0	
May	-748.3	-740.2	102.6	-842.8	56.7	1.1	0.0	1.1	-8.4	-0.8	0.0	
June	-921.8	-911.8	131.8	-1,043.6	70.7	1.6	0.0	1.6	-10.9	-0.6	0.0	
July	-1,115.9	-1,104.7	156.6	-1,261.4	85.6	2.1	0.0	2.1	-13.1	-0.2	0.0	
August	-1,318.2	-1,304.5	176.5	-1,481.1	100.2	2.3	0.0	2.3	-16.1	0.1	0.0	
September	-1,533.9	-1,518.5	198.6	-1,717.0	115.7	2.0	0.0	2.0	-17.9	0.4	0.0	
October	-1,716.7	-1,699.9	224.3	-1,924.2	130.0	2.3	0.0	2.3	-19.8	0.7	0.0	
November	-1,894.2	-1,874.7	249.4	-2,124.2	143.7	2.7	0.0	2.7	-22.9	0.7	0.0	
2012 December	-2,072.1	-2,049.7	269.6	-2,319.3	157.4	2.9	0.0	2.9	-25.7	0.4	0.0	
January	-108.7	-109.3	21.2	-130.5	8.8	0.4	0.0	0.4	0.0	0.3	0.0	
February	-231.3	-232.4	43.1	-275.5	19.3	0.7	0.0	0.7	0.0	0.4	0.0	
March	-389.7	-391.7	65.1	-456.8	32.1	1.0	0.0	1.0	0.0	1.0	0.0	
April	-553.8	-556.8	91.6	-648.4	45.6	1.8	0.0	1.8	0.0	1.2	0.0	
May	-725.9	-729.3	117.9	-847.3	59.7	1.9	0.0	1.9	0.0	1.5	0.0	
June	-906.9	-911.1	143.0	-1,054.1	74.4	2.4	0.0	2.4	0.0	1.8	0.0	
July	-1,097.3	-1,102.2	164.6	-1,266.7	89.4	2.5	0.0	2.5	0.0	2.4	0.0	
August	-1,286.9	-1,292.9	186.5	-1,479.4	103.8	3.2	0.0	3.2	0.0	2.9	0.0	
September	-1,457.6	-1,464.5	210.6	-1,675.1	117.7	3.6	0.0	3.6	0.0	3.3	0.0	
October	-1,635.6	-1,642.8	236.1	-1,878.8	131.9	3.6	0.0	3.6	0.0	3.5	0.0	
November	-1,805.8	-1,813.2	257.0	-2,070.2	145.6	3.8	0.0	3.8	-0.1	3.8	0.0	
2013 December	-1,991.9	-1,999.5	278.2	-2,277.7	160.7	3.7	0.0	3.7	-0.2	4.0	0.0	

Source: CBK (2014)

**Table 2.3. Services, net**

(In millions of euro)

Description	Balance											
	Transport	Travel	Communica tions services	Constructi ons services	Insurance services	Financial services	Computer and information services	Royalties and licence fees	Other business services	Personal, cultural, and recreational services	Governmen t services, n.i.e.	
2004	-18.3	-28.1	27.0	12.0	1.0	-7.2	-1.6	-2.9	-1.7	-99.0	-0.3	82.4
2005	-8.3	-29.4	36.9	7.4	0.6	-7.4	-1.8	-4.1	-1.3	-91.1	-1.1	83.1
2006	29.0	-26.8	56.7	28.9	-0.8	-5.6	-2.4	0.2	0.2	-103.7	-0.2	82.4
2007	110.5	-19.2	96.6	42.1	-17.3	-8.7	-4.4	-2.8	-1.7	-55.2	-0.1	81.2
2008	151.6	-40.0	125.0	42.1	3.2	-12.1	0.1	-5.2	-3.2	-46.1	0.1	87.6
2009	232.3	-39.1	195.5	58.3	10.7	-9.6	3.5	-1.5	-3.0	-62.9	0.7	79.7
2010	186.9	-44.1	222.1	49.0	-20.2	-12.8	3.2	-3.7	-2.1	-60.6	-0.2	56.4
2011	265.7	-53.4	235.7	77.0	-5.3	-17.1	-0.8	-0.3	-0.4	-22.0	0.7	51.6
2012	346.2	-50.9	309.3	48.3	11.0	-4.0	-1.4	-0.9	-0.2	3.8	0.3	30.9
2013	308.4	-51.3	306.0	33.1	6.5	-9.4	-0.7	-1.1	-1.8	3.6	0.4	23.2
Q1	58.8	-8.1	46.7	12.6	0.8	-3.5	4.2	-0.3	0.4	-15.0	0.2	20.9
Q2	58.0	-10.6	49.6	12.1	3.7	-1.8	...	-0.6	-2.6	-12.8	-0.1	21.0
Q3	69.8	-8.5	47.4	19.0	4.0	0.1	-0.5	-0.7	-0.3	-10.7	0.3	19.7
2009 Q4	45.7	-11.9	51.9	14.6	2.3	-4.4	-0.2	...	-0.5	-24.4	0.3	18.1
Q1	36.8	-8.1	41.2	11.9	-1.9	-3.3	0.2	-0.2	-1.7	-14.7	-2.1	15.4
Q2	52.7	-9.4	49.3	12.5	...	-3.8	0.0	0.2	-0.6	-10.7	-1.5	16.6
Q3	64.2	-13.1	75.4	13.2	-10.2	-0.4	2.2	-1.9	0.2	-15.0	0.8	13.1
2010 Q4	33.2	-13.4	56.2	11.4	-8.0	-5.3	0.8	-1.9	...	-20.3	2.6	11.2
Q1	73.8	-9.4	53.2	22.8	-3.1	-3.8	-0.3	...	-0.1	0.9	0.1	13.4
Q2	67.9	-14.7	65.5	17.7	-3.8	-5.9	...	0.2	-0.1	-4.9	0.6	13.1
Q3	63.1	-15.1	58.0	19.0	2.7	-2.5	-0.3	-0.4	-0.1	-10.9	...	12.6
2011 Q4	61.0	-14.3	59.0	17.5	-1.2	-5.0	-0.2	-0.1	-0.1	-7.2	...	12.5
Q1	47.4	-8.7	40.8	11.8	-2.8	-5.1	-0.1	-0.4	-0.2	3.8	...	8.2
Q2	81.4	-15.1	68.7	11.7	3.6	-4.1	-0.2	-0.4	...	8.4	...	8.9
Q3	129.3	-16.9	126.9	13.5	6.4	-2.4	-0.5	...	...	-5.0	0.1	7.3
2012 Q4	88.1	-10.2	72.9	11.3	3.8	7.6	-0.5	...	...	-3.4	0.2	6.4
Q1	59.5	-7.5	47.7	12.0	0.1	-1.9	-0.2	-0.4	-0.9	3.4	0.2	7.1
Q2	78.3	-11.0	69.1	7.3	1.6	-0.8	0.2	0.0	-0.5	6.2	0.1	6.0
Q3	122.7	-17.1	119.2	8.6	3.3	-1.5	-0.3	0.0	-0.4	5.0	0.1	6.0
2013 Q4	47.8	-15.7	70.0	5.3	1.4	-5.1	-0.4	-0.7	...	-11.0	...	4.1

Source: CBK (2014)

Table 2.4. Income

(In millions of euro)

Description	Balance	Credit		Debit			
		Compensation of employees	Investment income	Compensation of employees	Investment income		
2004	138.3	158.4	143.0	15.4	-20.1	-0.7	-19.4
2005	139.1	170.5	145.9	24.5	-31.4	-0.7	-30.7
2006	158.8	187.8	147.3	40.5	-29.0	-0.7	-28.3
2007	186.3	235.7	155.6	80.1	-49.4	-0.8	-48.7
2008	164.0	233.3	176.2	57.1	-69.3	-0.8	-68.5
2009	61.8	182.5	169.7	12.9	-120.7	-1.0	-119.8
2010	67.0	176.9	176.1	0.8	-109.8	-4.5	-105.3
2011	113.8	241.3	221.2	20.1	-127.5	-13.1	-114.4
2012	154.1	230.5	219.9	10.6	-76.4	-5.6	-70.8
2013	121.8	227.7	223.2	4.5	-106.0	-4.3	-101.6
Q1	20.9	43.1	38.7	4.4	-22.2	-0.2	-22.0
Q2	26.4	52.3	47.1	5.2	-25.9	-0.2	-25.7
Q3	3.0	45.8	44.1	1.7	-42.8	-0.3	-42.5
2009 Q4	11.5	41.3	39.7	1.6	-29.8	-0.3	-29.5
Q1	23.7	46.1	46.5	-0.4	-22.4	-0.9	-21.5
Q2	24.3	41.5	42.7	-1.2	-17.2	-0.9	-16.3
Q3	-1.5	42.7	41.8	0.9	-44.2	-1.5	-42.7
2010 Q4	20.6	46.6	45.1	1.5	-26.0	-1.2	-24.8
Q1	41.9	56.7	52.6	4.1	-14.7	-2.4	-12.3
Q2	30.0	64.8	58.8	5.9	-34.7	-3.0	-31.7
Q3	21.2	62.4	57.5	5.0	-41.2	-3.3	-37.9
2011 Q4	20.6	57.4	52.3	5.2	-36.8	-4.3	-32.6
Q1	37.4	59.4	55.6	3.8	-21.9	-2.5	-19.4
Q2	44.4	58.3	55.2	3.2	-13.9	-1.6	-12.4
Q3	20.3	56.4	53.7	2.7	-36.1	-0.7	-35.4
2012 Q4	52.0	56.5	55.4	1.1	-4.5	-0.9	-3.5
Q1	42.4	57.3	56.0	1.3	-14.9	-0.6	-14.2
Q2	32.5	55.4	53.9	1.5	-22.9	-1.1	-21.7
Q3	2.2	55.5	54.9	0.6	-53.3	-1.1	-52.2
2013 Q4	44.6	59.6	58.4	1.2	-15.0	-1.5	-13.5

Source: CBK (2014)

**Table 2.5. Current transfers**

(In millions of euro)

Description	Balance	Credit		Debit			
		Central government	Other sectors	Central government	Other sectors		
2004	654.9	823.8	379.5	444.2	-168.8	-7.6	-161.2
2005	700.3	859.0	354.1	504.8	-158.7	-6.2	-152.4
2006	759.2	885.1	327.4	557.7	-125.9	-7.5	-118.4
2007	842.0	935.2	251.4	683.8	-93.1	-6.3	-86.8
2008	873.2	972.3	223.5	748.8	-99.1	...	-99.1
2009	983.4	1,106.8	322.9	783.9	-123.4	...	-123.4
2010	982.5	1,087.4	319.5	767.9	-105.0	...	-105.0
2011	1,021.1	1,133.6	322.2	811.4	-112.5	...	-112.5
2012	1,192.3	1,296.4	401.6	894.9	-104.1	...	-104.1
2013	1,222.4	1,304.0	341.9	962.0	-81.6	...	-81.6
Q1	187.2	214.4	56.9	157.5	-27.2	...	-27.2
Q2	200.2	231.9	59.7	172.2	-31.6	...	-31.6
Q3	265.0	297.0	76.7	220.3	-32.0	...	-32.0
2009 Q4	331.0	363.5	129.6	233.9	-32.5	...	-32.5
Q1	195.3	221.0	65.2	155.8	-25.7	...	-25.7
Q2	228.6	253.3	72.3	181.0	-24.7	...	-24.7
Q3	260.2	286.5	65.7	220.8	-26.3	...	-26.3
2010 Q4	298.4	326.7	116.4	210.3	-28.3	...	-28.3
Q1	227.9	255.1	79.4	175.7	-27.2	...	-27.2
Q2	251.7	280.8	86.6	194.2	-29.1	...	-29.1
Q3	276.4	304.6	81.7	222.9	-28.2	...	-28.2
2011 Q4	265.1	293.0	74.5	218.5	-27.9	...	-27.9
Q1	267.2	293.5	102.1	191.5	-26.3	...	-26.3
Q2	302.1	328.2	118.7	209.5	-26.0	...	-26.0
Q3	318.9	345.2	93.3	251.9	-26.4	...	-26.4
2012 Q4	304.1	329.5	87.5	242.0	-25.4	...	-25.4
Q1	274.3	294.4	83.3	211.0	-20.0	...	-20.0
Q2	288.9	309.4	79.7	229.7	-20.4	...	-20.4
Q3	326.0	346.6	63.0	283.6	-20.6	...	-20.6
2013 Q4	333.2	353.6	115.9	237.7	-20.5	...	-20.5

Source: CBK (2014)

Table 2.5.1. Remittances, by channels

(Flow data, end or period, in millions of euro)

Description	Total		
	Banks	MTC	Other
2004	357.0	.	.
2005	418.0	.	.
2006	467.1	135.1	184.7
2007	515.6	137.1	198.7
2008	608.7	126.3	213.1
2009	585.7	148.8	213.1
2010	584.3	141.3	213.1
2011	584.8	139.7	225.3
2012	605.6	126.5	218.5
2013	620.8	158.9	211.4
Q1	121.8	32.4	46.3
Q2	142.2	30.9	53.3
Q3	174.7	58.0	53.0
2009 Q4	146.9	27.5	60.5
Q1	120.7	34.1	46.3
Q2	145.0	33.4	53.3
Q3	165.0	43.8	53.0
2010 Q4	153.6	30.1	60.5
Q1	125.1	30.3	50.1
Q2	138.2	25.2	55.1
Q3	164.9	48.9	55.7
2011 Q4	156.6	35.2	64.5
Q1	119.1	23.3	47.1
Q2	142.4	21.8	55.0
Q3	175.2	56.3	52.0
2012 Q4	168.9	25.1	64.5
Q1	127.8	33.1	45.6
Q2	144.6	32.9	51.5
Q3	182.2	60.8	52.5
2013 Q4	166.2	32.1	61.8

Source: CBK (2014)

**Table 2.5.2. Remittances, by countries**

(In percentage)

Description	Germany	Switzerland	Italy	Austria	Belgium	USA	Sweden	France	Norway	Canada	England	Danmark	Finland	Holand	Slovenia	Other
2008 Q4	37.7	15.9	13.1	6.2	2.8	2.8	3.7	3.9	19	2.2	15	19	11	12	14	2.6
Q1	34.9	21.4	10.5	5.3	3.7	3.5	3.3	3.4	2.6	17	16	10	11	11	10	4.2
Q2	39.4	19.7	11.3	6.1	2.9	2.6	2.9	4.0	2.4	18	13	0.9	0.9	13	14	15
Q3	37.4	21.2	9.8	6.0	2.8	2.6	3.5	3.8	2.8	2.1	13	0.9	11	10	15	2.2
2009 Q4	38.1	22.0	9.8	5.5	2.8	2.3	3.2	3.9	3.2	19	13	0.8	11	12	13	17
Q1	34.8	21.0	8.8	5.7	2.6	3.9	3.1	3.5	2.8	13	15	0.9	11	12	3.4	4.4
Q2	34.7	20.7	7.9	3.9	2.9	4.7	3.1	3.6	3.1	2.0	17	0.7	0.7	10	3.7	5.9
Q3	33.2	21.4	7.0	6.5	2.5	4.8	3.4	4.0	2.5	2.3	16	0.6	0.9	10	5.6	2.7
2010 Q4	34.1	21.6	7.2	5.5	2.9	3.1	3.7	4.1	2.6	19	13	0.6	0.7	10	4.5	5.3
Q1	32.7	23.7	7.5	5.6	2.8	4.6	3.9	3.8	2.8	15	15	0.7	0.8	12	3.9	3.0
Q2	32.8	23.0	7.0	5.5	2.0	4.0	3.1	3.7	2.8	2.1	13	0.9	1.0	10	3.9	6.1
Q3	33.8	23.4	6.2	5.5	2.9	2.3	3.6	4.2	2.6	2.0	12	0.6	0.8	10	3.3	6.7
2011 Q4	33.7	22.1	7.4	5.5	2.7	3.9	3.4	3.8	2.8	19	14	0.7	0.9	11	4.0	4.9
Q1	30.9	23.7	4.8	6.0	1.1	6.3	3.6	2.8	4.9	0.7	3.2	0.8	0.7	0.5	5.0	5.0
Q2	37.4	26.3	8.4	6.4	6.6	3.9	0.8	0.4	13	0.1	19	0.1	0.1	0.1	5.4	0.8
Q3	34.6	22.6	7.9	5.9	3.2	3.9	3.1	3.2	2.8	15	18	0.7	0.8	0.8	3.6	3.7
2012 Q4	34.5	21.0	8.5	6.2	2.6	3.8	3.3	3.3	2.3	19	18	0.5	0.8	0.0	3.7	5.9
Q1	33.6	22.5	7.5	5.8	2.7	4.2	3.4	3.5	3.0	16	18	0.7	0.9	10	3.7	4.3
Q2	33.3	25.5	5.9	5.7	2.5	4.6	2.5	1.4	2.3	13	4.0	0.8	0.9	10	5.3	3.1
Q3	33.6	24.4	6.6	7.8	2.5	4.3	3.5	4.5	2.3	0.4	19	0.7	0.8	0.9	4.9	1.1
2013 Q4	35.3	22.7	10.6	4.6	1.6	4.4	2.1	5.0	2.7	18	17	0.5	0.6	15	0.5	4.2

Source: CBK (2014)

Table 2.6. Financial account, net

(In millions of euro)

Description	Balance												
	Direct investments				Portfolio investments	Other investments				Financial derivatives	Reserve assets		
	Equity capital	Reinvested earnings	Other capital transactions	Trade credit		Loans	Currency and deposits	Other assets					
2004	57.6	42.9	30.4	9.1	3.5	-32.1	-66.0	63.4	3.7	-133.1	...	-	112.7
2005	53.8	107.6	65.6	16.8	25.2	-17.5	-68.7	64.1	24.1	-156.9	...	-	32.4
2006	-35.7	289.2	185.6	24.8	78.8	-65.4	-181.6	31.5	7.7	-220.8	...	-	-77.9
2007	-5.8	431.0	276.4	41.6	113.0	-34.5	-108.0	50.8	9.4	-168.2	...	-	-294.3
2008	288.5	341.5	197.4	56.2	88.0	-109.9	75.2	66.4	47.1	-38.3	...	-	-18.2
2009	109.0	276.9	196.5	57.2	23.2	-124.4	-138.3	38.6	-64.8	-171.5	59.5	-	94.8
2010	275.9	331.1	223.1	73.3	34.7	-49.2	47.4	167.1	82.3	-202.0	...	-	-53.4
2011	377.5	378.2	270.9	58.0	49.4	-57.0	-5.7	93.3	-40.4	-58.6	...	-	61.2
2012	130.3	213.3	141.3	45.6	26.4	-184.9	369.2	100.3	-5.7	276.8	-2.2	-	-267.2
2013	133.4	241.0	78.7	71.6	90.7	-133.8	5.1	24.0	-10.0	-8.8	...	-	21.0
Q1	-17.8	55.1	32.6	14.9	7.7	-65.5	35.8	-31.5	17.8	49.5	...	-	-43.2
Q2	130.1	62.1	42.5	14.1	5.5	-15.1	55.2	37.0	20.1	-1.9	...	-	27.9
Q3	-40.2	81.2	63.1	16.4	1.7	-33.8	-7.4	20.6	16.7	-104.2	59.5	-	-80.1
2009 Q4	36.9	78.5	58.4	11.8	8.3	-9.9	-221.9	12.4	-119.4	-114.9	...	-	190.2
Q1	10.0	61.0	33.2	15.3	12.5	-18.4	-24.1	-8.9	-5.8	-9.4	...	-	-8.5
Q2	142.3	42.9	41.2	14.0	-12.3	-6.6	147.5	89.4	15.6	42.5	...	-	-41.5
Q3	-0.5	111.4	73.2	20.6	17.5	1.7	29.1	76.2	40.7	-87.8	...	-	-142.6
2010 Q4	124.0	115.8	75.5	23.3	17.0	-25.9	-105.1	10.4	31.8	-147.3	...	-	139.2
Q1	-4.0	81.4	65.0	5.8	10.7	-52.9	28.4	-9.3	2.1	35.6	...	-	-60.9
Q2	210.5	98.4	67.0	11.4	20.0	-49.5	133.3	46.5	-22.3	109.1	...	-	28.2
Q3	-24.0	105.5	91.7	12.6	1.2	-8.6	-118.3	25.8	-37.3	-106.8	...	-	-2.6
2011 Q4	194.4	92.9	47.2	28.2	17.5	54.0	-49.1	30.4	17.0	-96.5	...	-	96.5
Q1	13.8	55.0	29.7	10.6	14.7	-80.8	47.6	-45.9	-45.5	139.1	...	-	-8.0
Q2	75.8	23.5	12.2	6.4	4.9	37.0	32.2	63.2	-3.2	-27.8	...	-	-16.9
Q3	-26.0	88.5	32.3	28.7	27.4	-163.2	254.8	69.5	17.2	168.1	...	-	-206.2
2012 Q4	66.7	46.3	67.1	-0.1	-20.6	22.1	34.6	13.5	25.9	-2.6	-2.2	-	-36.2
Q1	-10.1	57.3	37.3	8.3	11.6	-53.5	-20.1	-60.9	-22.0	62.6	0.2	-	6.3
Q2	135.2	80.9	20.3	18.4	42.1	-82.7	151.7	54.2	25.6	69.7	2.1	-	-14.6
Q3	-61.0	53.9	-4.2	40.5	17.6	-91.8	46.2	23.5	-7.3	28.8	1.1	-	-69.3
2013 Q4	59.3	49.5	24.7	4.1	20.8	87.6	-191.1	7.1	-11.6	-183.0	-3.6	-	113.3

Source: CBK (2014)

**Table 2.7. Financial account, investments abroad**

(Flow data, within the calendar year, in millions of euro)

Description	Investments abroad												
	Direct investments					Portfolio investments	Other investments				Financial derivatives	Reserve assets	
	Equity capital	Reinvested earnings	Other capital transactions	Trade credit	Loans		Currency and deposits	Other assets					
2004	-47.4	0.0	...	.	.	-32.1	-128.0	14.2	-11.7	-130.6	.	-	112.7
2005	-126.5	0.0	...	.	.	-17.5	-141.3	12.2	6.9	-160.5	.	-	32.4
2006	-367.5	-5.6	-5.6	.	.	-65.4	-218.7	5.2	-2.9	-220.9	.	-	-77.9
2007	-508.5	-9.7	-9.7	.	.	-34.5	-170.0	-0.9	-4.5	-164.6	.	-	-294.3
2008	-227.8	-25.0	-25.0	.	.	-109.9	-74.7	-10.8	-1.4	-62.5	.	-	-18.2
2009	-230.6	-10.5	-10.5	-	-	-124.8	-190.1	-3.0	7.9	-195.0	.	-	94.8
2010	-402.9	-34.7	-34.7	-	-	-48.6	-266.2	-4.7	-19.2	-242.2	.	-	-53.4
2011	-93.9	-15.7	-15.7	-	-	-57.8	-81.7	0.3	-24.6	-57.3	.	-	61.2
2012	-322.3	-15.8	-15.8	-	-	-185.7	146.3	...	-31.3	179.8	-2.2	-	-267.2
2013	-200.0	-17.9	-17.9	-	-	-132.8	-70.4	4.8	-30.7	-47.3	2.8	-	21.0
Q1	-68.3	-3.4	-3.4	-	-	-65.6	44.0	-1.2	-8.9	54.1	.	-	-43.2
Q2	-0.9	-2.5	-2.5	-	-	-15.3	-11.1	-1.3	11.6	-21.4	.	-	27.9
Q3	-215.2	-2.2	-2.2	-	-	-34.0	-98.9	0.5	5.7	-105.2	.	-	-80.1
2009 Q4	53.8	-2.5	-2.5	-	-	-10.0	-124.0	-1.0	-0.5	-122.5	.	-	190.2
Q1	-90.7	-8.5	-8.5	-	-	-18.3	-55.4	-3.8	-15.2	-36.4	.	-	-8.5
Q2	-13.4	-4.6	-4.6	-	-	-6.5	39.2	-1.3	-0.9	41.4	.	-	-41.5
Q3	-234.2	-6.9	-6.9	-	-	1.9	-86.6	-0.7	-2.5	-83.5	.	-	-142.6
2010 Q4	-64.6	-14.8	-14.8	-	-	-25.7	-163.3	1.1	-0.6	-163.8	.	-	139.2
Q1	-72.3	-1.8	-1.8	-	-	-53.1	43.5	1.4	-1.3	43.4	.	-	-60.9
Q2	36.5	-3.4	-3.4	-	-	-49.7	61.3	-1.1	-21.3	83.7	.	-	28.2
Q3	-128.2	-5.5	-5.5	-	-	-8.8	-111.2	...	-2.2	-109.0	.	-	-2.6
2011 Q4	70.1	-5.0	-5.0	-	-	53.8	-75.3	...	0.2	-75.4	.	-	96.5
Q1	22.1	-1.7	-1.7	-	-	-81.0	112.8	...	-6.8	119.6	.	-	-8.0
Q2	-13.7	-6.4	-6.4	-	-	37.0	-27.4	...	0.4	-27.9	.	-	-16.9
Q3	-265.4	-3.7	-3.7	-	-	-163.2	107.7	...	-20.9	128.6	.	-	-206.2
2012 Q4	-65.3	-3.9	-3.9	-	-	21.5	-46.7	...	-4.0	-40.5	-2.2	-	-36.2
Q1	-11.1	-3.1	-3.1	-	-	-53.5	39.1	-0.6	-13.1	51.6	1.2	-	6.3
Q2	7.3	-2.6	-2.6	-	-	-81.7	106.1	5.2	10.0	89.7	1.3	-	-14.6
Q3	-201.9	-7.7	-7.7	-	-	-91.8	-33.1	1.3	-12.1	-24.2	1.8	-	-69.3
2013 Q4	0.7	-4.6	-4.6	-	-	87.7	-195.6	-1.1	-15.4	-177.7	-1.4	-	113.3

Source: CBK (2014)



Table 3.1. Foreign direct investments, by activity

(In percent)

Description	Total	Financial services	Production	Real estate	Transport and telecommunication	Electricity	Mining	Construction	Processing industry	Agriculture	Trade services, cleaning, collection	Advising, operation, research	Sanitarian activity	Other
2007	100.0%	23.1%	9.0%	7.0%	29.3%	0.6%	9.4%	12%	8.0%	18%	2.9%	10%	2.9%	3.8%
2008	100.0%	34.9%	6.0%	16.8%	13.8%	4.5%	4.7%	3.7%	8.5%	2.3%	2.7%	0.6%	0.6%	0.9%
2009	100.0%	25.5%	17.1%	14.9%	7.4%	2.9%	2.4%	12.0%	2.4%	4.4%	5.5%	0.9%	0.8%	3.8%
2010	100.0%	19.5%	19.8%	13.4%	4.0%	0.1%	2.7%	24.9%	6.9%	0.6%	3.3%	2.3%	0.7%	1.9%
2011	100.0%	8.9%	12.8%	16.3%	6.2%	0.0%	0.8%	34.3%	0.5%	0.1%	2.1%	2.0%	0.0%	16.0%
2012	100.0%	10.4%	12.1%	31.7%	7.9%	13%	4.6%	20.8%	0.4%	0.1%	3.6%	16%	0.3%	5.1%
2013	100.0%	11.0%	6.9%	35.4%	14.2%	7.6%	0.9%	15.1%	0.0%	0.1%	6.2%	0.7%	0.1%	16%
Q1	100.0%	16.8%	18.4%	19.0%	10.2%	0.0%	1.0%	17.5%	10.5%	15%	2.6%	14%	0.9%	0.3%
Q2	100.0%	27.1%	18.7%	9.7%	0.0%	0.1%	0.2%	15.9%	11.0%	0.1%	5.7%	4.8%	19%	4.8%
Q3	100.0%	22.0%	2.7%	10.5%	5.0%	0.2%	9.6%	38.4%	5.6%	0.1%	2.4%	18%	0.0%	18%
2010 Q4	100.0%	11.8%	39.3%	14.3%	0.8%	0.2%	0.3%	27.8%	0.3%	0.8%	2.5%	13%	0.0%	0.7%
Q1	100.0%	9.4%	10.3%	17.5%	4.7%	0.0%	0.2%	32.4%	0.6%	0.1%	2.5%	1%	0.0%	21%
Q2	100.0%	10.6%	17.2%	10.1%	9.0%	0.0%	2.7%	30.4%	12%	0.1%	3.4%	17%	0.0%	13.8%
Q3	100.0%	3.7%	11.2%	16.1%	10.9%	0.0%	0.0%	34.5%	0.2%	0.2%	2.4%	5.1%	0.1%	15.7%
2011 Q4	100.0%	12.0%	12.6%	21.5%	0.3%	0.0%	0.1%	39.8%	0.0%	0.0%	0.0%	0.0%	0.0%	14.0%
Q1	100.0%	17.5%	6.3%	30.5%	0.0%	0.1%	0.0%	24.4%	0.7%	0.1%	0.5%	16%	0.4%	17.8%
Q2	100.0%	0.0%	8.3%	43.2%	9.2%	0.0%	0.0%	28.7%	10%	0.0%	4.5%	3.5%	0.5%	1%
Q3	100.0%	10.8%	18.8%	27.8%	10.8%	3.8%	0.0%	21.3%	0.0%	0.1%	4.1%	0.6%	0.2%	16%
2012 Q4	100.0%	13.3%	15.0%	25.4%	11.7%	15%	18.3%	8.7%	0.0%	0.1%	5.3%	0.8%	0.2%	0.0%
Q1	100.0%	11.6%	5.7%	37.6%	13.6%	16%	2.9%	17.6%	0.0%	0.0%	8.4%	0.7%	0.1%	0.0%
Q2	100.0%	13.5%	7.5%	27.2%	11.8%	22.6%	0.3%	13.8%	0.0%	0.3%	2.4%	0.4%	0.0%	0.1%
Q3	100.0%	7.5%	10.3%	35.3%	18.3%	16%	0.0%	19.6%	0.1%	0.3%	6.1%	0.9%	0.1%	0.0%
2013 Q4	100.0%	11.5%	4.1%	41.6%	13.2%	4.7%	0.3%	9.5%	0.0%	0.0%	7.7%	0.9%	0.2%	6.3%

Source: CBK (2014)

**Table 3.2. Foreign direct investments, main countries**

(In millions of euro)

Description	Total	of which:									
		Austria	Germany	Slovenia	UK	Switzerland	Turkey	Netherlands	Albania	Un. States	France
2007	440.7	35.4	48.1	56.2	116.2	9.7	5.4	41.2	3.4	8.8	8.6
2008	366.5	51.3	44.0	44.3	36.6	32.1	23.8	22.5	21.9	4.8	3.5
2009	287.4	15.5	75.2	50.8	6.2	22.7	14.5	15.1	23.3	11.8	6.0
2010	365.8	21.1	91.5	34.0	38.9	35.1	4.9	14.5	20.3	12.6	3.8
2011	393.9	19.6	66.6	16.2	80.1	30.9	34.7	14.2	11.2	14.3	0.2
2012	228.6	0.4	49.5	9.3	14.3	43.8	65.6	-26.0	4.7	10.8	6.3
2013	258.5	10.7	21.7	7.0	5.9	41.7	86.8	-16.5	20.5	12.5	3.8
Q1	69.5	4.1	11.6	18.8	1.9	8.4	1.7	0.3	3.5	3.7	1.1
Q2	47.5	5.6	9.9	2.1	-23.3	6.1	1.1	0.9	9.4	5.6	0.8
Q3	118.2	7.0	14.3	10.3	34.0	14.0	12	7.8	5.0	1.2	1.1
2010 Q4	130.6	4.4	55.8	2.8	26.2	6.6	0.8	5.5	2.4	2.1	0.8
Q1	83.2	1.6	21.5	6.3	20.3	7.1	8.5	0.2	2.2	3.3	0.7
Q2	101.8	7.4	10.8	2.8	-	7.8	12.6	15.8	1.4	3.0	-
Q3	111.1	8.9	25.2	5.2	30.2	5.8	16.4	-7.9	2.1	7.4	0.8
2011 Q4	97.8	1.7	9.1	1.9	29.6	10.2	-2.8	6.1	5.5	0.6	-1.3
Q1	56.3	2.3	11.7	2.4	5.8	11.1	4.9	-0.1	0.8	2.6	0.3
Q2	29.9	-10.8	8.1	3.0	4.8	9.0	16.9	-6.3	-5.0	3.1	1.8
Q3	92.3	5.6	21.3	5.3	14.5	9.9	19.5	-7.1	5.8	2.3	2.2
2012 Q4	50.2	3.2	8.4	-1.5	-10.8	13.8	24.2	-12.5	3.1	2.7	1.9
Q1	60.1	5.1	7.5	5.0	12.9	11.3	8.9	-6.0	...	1.4	0.3
Q2	83.3	3.9	-8.3	3.6	13.0	9.3	42.9	-6.4	9.7	3.8	1.2
Q3	61.5	-1.5	14.3	0.0	-14.4	11.0	20.9	-1.8	7.1	4.4	1.7
2013 Q4	54.1	3.2	8.3	-1.5	-0.8	10.1	10.0	-1.3	1.0	3.1	0.6

Source: CBK (2014)

Table 4. External debt, gross position

(In millions of euro)

Description	Public and Publicly Guaranteed Debt						Nonguaranteed Privat Sector							Total Economy (Gross External Debt)		
	General Government		Monetary Authorities		Banks	Other Sectors		Direct Investment: Intercompany Lending								
	Short - term	Long - term	Short - term	Long - term		Short - term	Long - term		Short - term	Long - term						
2007	-	-	-	-	-	-	520.6	48.6	48.6	-	168.8	141.1	27.7	303.2	520.6	
2008	-	-	-	-	-	-	733.2	83.2	83.0	0.2	245.6	194.5	51.1	404.4	733.2	
2009	309.3	249.0	-	249.0	60.3	0.8	59.5	874.6	156.7	156.7	-	275.0	221.2	53.8	443.0	1,184.0
2010	325.9	260.0	-	260.0	65.9	1.7	64.2	1,035.4	221.8	221.8	0.0	308.0	232.7	75.4	505.6	1,361.3
2011	320.0	253.6	-	253.6	66.4	0.7	65.7	1,108.4	196.4	195.2	1.1	346.6	259.8	86.8	565.4	1,428.4
2012 Q1	312.8	247.4	-	247.4	65.3	1.1	64.2	1,004.4	162.1	162.1	-	269.2	183.4	85.9	573.1	1,317.2
2012 Q2	320.9	253.4	-	253.4	67.5	0.7	66.7	1,064.1	151.0	151.0	-	321.8	240.0	81.8	591.3	1,385.0
2012 Q3	361.2	294.2	-	294.2	66.9	0.9	66.0	1,172.1	184.1	184.1	-	378.9	340.6	38.3	609.1	1,533.2
2012 Q4	401.4	336.5	-	336.5	65.0	0.4	64.6	1,115.9	175.6	175.6	-	354.4	321.0	33.5	585.9	1,517.3
2013 Q1	398.0	332.8	-	332.8	65.1	0.3	64.8	1,054.9	185.8	185.8	-	272.5	238.3	34.2	596.7	1,452.9
2013 Q2	394.8	331.1	-	331.1	63.8	0.1	63.7	1,144.4	184.3	184.3	-	321.4	277.1	44.3	638.7	1,539.2
2013 Q3	387.8	324.6	-	324.6	63.2	0.3	62.9	1,188.5	206.8	206.8	-	326.2	278.4	47.7	655.5	1,576.3
2013 Q4	383.9	321.8	-	321.8	62.1	0.3	61.9	1,212.2	208.1	208.1	-	329.7	281.1	48.5	674.4	1,596.1

Source: CBK (2014)

**Table 5.1. ODC balance sheet, assets**

( Flow data, end of period, in millions of euro)

Description	Total assets													
	Cash and balances with CBK	Balances with commercial banks			Securities	Gross loans and lease financing	of which in euro:				Gross loans in non euro currency	Fixed assets	Other assets	
		In euro currency	In non euro currencies				Other financial corporations	Public non financial corporations	Other non financial corporations	House holds				
2001 December	519.8	265.1	212.8	212.8	.	7.5	25.9	__	__	25.9	__	__	4.5	3.9
2002 December	473.7	81.3	292.7	292.7	.	...	86.5	__	__	80.8	5.7	__	9.5	3.7
2003 December	589.2	106.2	106.2	106.2	.	119.6	232.8	__	0.2	193.5	39.0	__	12.3	12.2
2004 December	816.5	116.5	186.0	169.2	16.8	112.3	373.7	__	...	289.9	83.7	__	15.9	12.2
2005 December	984.4	131.7	221.9	201.0	21.0	82.9	513.9	__	...	387.9	126.0	__	16.9	17.0
2006 December	1,161.2	141.1	243.3	218.8	24.5	99.4	636.6	__	...	490.5	146.1	__	23.0	17.9
2007 December	1,435.0	189.0	208.1	173.4	34.7	78.9	892.1	__	0.2	691.3	200.6	__	27.2	39.7
2008 December	1,808.2	218.2	283.9	236.3	47.6	40.5	1,183.4	0.6	0.1	901.7	281.0	__	39.0	43.1
2009 December	2,204.1	322.7	405.6	326.7	78.8	97.0	1,289.0	2.3	0.3	942.9	343.5	__	43.1	46.7
2010 December	2,455.1	307.0	439.1	367.3	71.8	173.4	1,458.7	9.9	6.3	1,004.1	434.2	2.5	44.0	32.9
2011 December	2,649.7	331.5	329.5	251.8	77.7	202.0	1,698.1	17.3	1.5	1,127.0	510.9	7.3	47.4	41.3
June	2,652.3	298.4	265.3	203.3	62.0	215.6	1,776.3	18.3	1.5	1,178.8	538.4	7.6	49.9	46.9
July	2,714.2	333.3	331.3	273.9	57.4	187.1	1,767.1	20.3	1.4	1,165.9	541.1	7.7	56.0	39.4
August	2,770.4	365.1	353.0	296.8	56.2	203.6	1,753.8	19.6	1.4	1,153.1	541.1	7.7	56.0	38.9
September	2,765.3	349.5	307.6	244.3	63.4	255.4	1,758.7	18.6	1.4	1,157.7	542.2	7.6	56.5	37.6
October	2,746.4	354.9	283.4	214.1	69.4	260.0	1,748.4	18.2	1.4	1,153.6	544.9	7.5	56.7	43.1
November	2,804.5	384.2	294.6	238.3	56.2	268.9	1,758.8	18.7	1.4	1,166.2	541.9	7.5	56.1	41.8
2012 December	2,829.3	425.7	287.9	228.0	59.9	256.6	1,763.4	19.8	1.4	1,169.8	542.6	6.9	57.7	38.1
January	2,812.6	390.7	311.9	237.6	74.3	262.5	1,754.9	19.1	0.8	1,165.1	542.1	6.4	57.2	35.4
February	2,837.8	399.6	297.4	220.8	76.6	282.7	1,765.6	19.1	0.4	1,176.9	540.9	7.0	56.6	35.9
March	2,835.7	414.3	270.1	193.1	77.0	275.5	1,782.7	19.9	0.3	1,188.0	545.8	6.7	56.0	37.2
April	2,799.3	394.5	279.3	190.3	89.0	229.5	1,801.6	18.7	0.3	1,203.7	551.0	6.9	56.2	38.2
May	2,825.3	379.8	292.9	205.3	87.6	246.7	1,810.0	18.6	0.3	1,209.1	554.0	7.0	57.4	38.5
June	2,787.0	355.4	261.4	175.4	86.0	246.3	1,825.7	19.1	0.3	1,216.1	561.9	6.9	57.6	40.5
July	2,860.1	402.6	294.3	216.3	78.1	249.8	1,816.0	19.3	0.3	1,203.7	565.3	7.0	57.0	40.3
August	2,968.0	455.0	349.3	270.0	79.3	273.8	1,790.1	17.9	0.3	1,193.6	551.5	6.4	56.7	43.0
September	2,935.4	438.3	328.4	228.5	99.8	276.0	1,798.0	18.8	0.3	1,195.1	556.5	6.3	56.3	38.5
October	2,952.0	452.8	333.6	230.0	103.6	271.7	1,798.8	18.6	0.3	1,186.9	566.5	6.4	55.5	39.5
November	2,976.7	468.4	332.0	239.4	92.6	278.1	1,803.2	18.9	0.3	1,193.4	563.9	6.3	55.2	39.8
2013 December	3,059.3	463.3	339.9	258.8	81.0	354.5	1,805.8	20.4	0.2	1,194.5	563.9	6.1	55.5	40.3

Source: CBK (2014)

Table 5.2. ODC balance sheet, liabilities

(Flow data, end of period, in millions of euro)

Description	Total liabilities											
	Balances from other banks	Deposits					Other borrowings (incl. non neg. CD)	Write-downs, provisions	Other liabilities	Subordinated debt	Own resources	of which:
		Transferable deposits	Other deposits:	Saving deposits		Share capital						
2001 December	519.8	.	492.3	365.4	126.8	–	5.0	...	2.0	...	20.4	18.4
2002 December	473.7	.	427.2	295.9	131.3	–	5.4	...	6.6	1.3	33.2	30.8
2003 December	589.2	1.8	514.0	290.5	223.5	–	8.9	...	17.5	2.0	45.0	44.1
2004 December	816.5	14.3	694.5	281.0	413.5	–	1.4	...	27.9	9.3	69.1	57.7
2005 December	984.4	23.0	836.7	296.6	540.1	–	6.4	...	37.3	7.0	74.0	62.4
2006 December	1,161.2	30.3	924.3	308.9	615.4	–	4.2	...	92.1	7.0	103.3	78.4
2007 December	1,435.0	25.8	1,143.1	380.7	762.4	–	2.7	...	103.7	7.0	152.7	114.9
2008 December	1,808.2	34.9	1,444.1	429.8	1,014.2	–	...	...	129.8	7.0	192.5	145.9
2009 December	2,204.1	58.5	1,744.9	517.8	1,229.5	–	...	...	171.7	24.4	204.6	159.4
2010 December	2,455.1	70.7	1,936.8	671.0	923.2	342.7	23.4	0.1	160.0	33.5	230.5	170.4
2011 December	2,649.7	40.0	2,104.0	699.0	1,056.8	348.2	30.4	0.2	191.3	31.0	252.8	176.6
June	2,652.3	21.3	2,108.5	687.4	1,079.2	341.9	26.8	2.1	205.8	31.0	255.8	181.1
July	2,714.2	15.6	2,171.1	721.1	1,103.2	346.9	26.9	1.8	208.5	31.0	258.1	181.1
August	2,770.4	14.5	2,222.8	745.8	1,125.1	351.9	27.0	1.7	211.7	31.0	260.7	181.1
September	2,765.3	15.1	2,206.5	723.4	1,134.1	349.0	31.0	1.6	215.9	31.0	263.0	181.1
October	2,746.4	13.1	2,194.9	697.6	1,147.9	349.4	26.5	2.0	213.1	31.0	264.7	200.1
November	2,804.5	12.5	2,255.1	738.8	1,165.1	351.2	22.8	1.8	214.4	31.0	265.8	200.1
2012 December	2,829.3	6.0	2,279.1	751.9	1,172.1	355.0	18.9	1.7	221.4	31.0	270.8	200.1
January	2,812.6	4.3	2,265.1	738.9	1,170.9	355.4	19.1	1.6	218.6	31.0	272.6	200.1
February	2,837.8	7.2	2,278.3	744.1	1,178.2	356.0	20.0	1.8	227.4	31.0	271.7	200.1
March	2,835.7	4.0	2,269.4	756.0	1,155.6	357.8	19.4	1.6	233.0	31.0	276.9	200.1
April	2,799.3	3.0	2,231.4	756.8	1,095.4	379.2	19.9	1.2	229.2	31.0	283.2	205.1
May	2,825.3	10.6	2,247.0	776.6	1,096.2	374.3	17.5	1.7	229.9	31.0	287.2	212.3
June	2,787.0	20.2	2,201.3	745.3	1,086.8	369.2	14.8	1.7	239.4	36.3	272.9	218.3
July	2,860.1	6.9	2,271.2	779.7	1,117.0	374.5	11.2	1.7	237.9	55.3	275.7	219.2
August	2,968.0	6.4	2,370.9	867.8	1,120.1	383.1	11.3	2.0	244.4	56.3	276.6	219.2
September	2,935.4	9.8	2,344.7	826.6	1,134.9	383.2	10.8	1.9	239.2	56.3	272.5	219.2
October	2,952.0	11.5	2,354.6	828.4	1,140.7	385.4	10.7	1.9	240.0	56.3	276.8	220.2
November	2,976.7	15.1	2,359.2	833.1	1,135.5	390.5	10.6	2.0	258.8	56.3	274.7	220.2
2013 December	3,059.3	16.5	2,449.0	900.8	1,143.9	404.2	13.4	2.0	244.1	56.3	277.8	221.2

Source: CBK (2014)

**Table 6.1. ODC effective interest rates**

(New contracts, unless otherwise indicated)

Description	Deposit rates		Nonfinancial corporations								Households							
			Transferable deposits	Other deposits						Saving deposits	Transferable deposits	Other deposits					Saving deposits	
				Less than 250.000 euro				More than 250.000 euro				Up to 1 month	Over 1 month and up to 3 months	Over 3 months and up to 6 months	Over 6 months and up to 1 year	Over 1 year and up to 2 years		Over 2 years
				Up to 1 month	Over 1 month and up to 3 months	Over 6 months and up to 1 year	Over 2 years	Up to 1 month	Over 1 month and up to 3 months									
2005 December	3.1	0.3	2.1	2.4	3.4	*	2.9	*	*	1.7	0.0	1.8	2.2	*	3.3	3.9	4.0	1.7
2006 December	3.1	0.4	2.1	2.9	4.3	*	3.1	*	*	1.5	0.0	1.9	2.3	*	3.4	4.2	4.5	1.7
2007 December	4.0	0.5	2.7	2.9	4.4	*	4.3	4.1	*	2.4	0.0	2.6	2.7	*	3.6	4.7	5.3	2.3
2008 December	4.4	0.5	3.1	4.0	5.3	*	3.6	4.9	*	2.9	0.1	3.2	4.6	*	4.5	5.0	3.9	2.7
2009 December	4.0	0.7	3.4	3.4	5.0	*	3.9	4.9	*	2.6	0.3	3.1	3.3	*	4.4	5.0	5.5	2.5
2010 December	3.4	0.6	2.4	3.1	5.0	5.1	*	3.7	*	2.1	0.6	2.6	2.6	3.1	4.5	4.8	5.1	2.2
2011 December	3.6	0.9	2.2	2.9	4.9	5.1	2.6	3.9	5.2	2.2	0.5	2.5	2.5	2.9	4.2	4.6	5.4	2.1
June	3.6	1.0	2.3	*	4.5	*	1.8	3.9	*	2.0	0.7	2.4	2.7	2.9	4.3	4.6	5.5	1.8
July	3.4	0.9	2.1	*	4.3	5.6	1.7	*	*	2.0	0.5	2.0	2.4	2.9	4.3	4.5	5.4	2.0
August	3.9	0.9	2.2	2.9	5.0	*	1.3	*	4.9	2.0	0.5	2.8	2.6	2.8	4.3	4.6	5.4	2.0
September	3.7	1.2	2.1	2.8	3.9	*	1.4	3.9	5.5	2.0	0.5	2.3	2.6	2.7	4.3	3.9	5.3	2.0
October	3.7	0.8	1.9	*	4.9	5.2	*	*	*	2.0	0.5	2.3	2.4	2.7	4.3	4.6	5.2	2.0
November	3.7	1.0	2.5	*	5.0	*	*	3.9	5.2	2.2	0.5	2.2	2.5	2.8	4.3	4.5	5.3	2.0
2012 December	3.7	0.8	*	2.8	*	*	2.7	4.0	4.8	2.1	0.5	2.3	2.5	2.8	4.2	4.5	4.8	2.1
January	3.6	0.9	1.3	2.8	4.8	*	2.9	*	3.6	2.0	0.6	2.3	2.3	2.8	4.1	4.5	5.2	1.7
February	3.6	0.8	1.8	2.1	3.0	*	*	4.0	*	1.9	0.6	2.1	2.4	3.0	4.1	4.6	5.2	1.6
March	3.5	1.0	1.8	*	2.1	*	*	*	5.0	2.0	0.6	2.1	2.5	2.9	3.9	4.4	4.7	1.7
April	3.4	0.8	0.8	1.6	*	4.9	*	*	*	2.0	0.6	1.9	2.2	2.7	3.9	4.5	5.0	1.6
May	3.5	0.7	*	*	4.4	*	2.3	3.7	3.8	2.0	0.6	2.2	2.1	2.7	3.8	4.5	5.0	1.6
June	3.5	0.9	*	*	3.6	*	*	*	*	2.0	0.6	2.0	2.7	2.5	3.9	4.4	4.9	1.6
July	3.6	0.7	*	2.5	*	*	*	*	*	2.0	0.8	2.3	2.2	2.5	3.7	4.5	5.0	1.6
August	3.4	0.7	*	*	*	*	1.7	*	4.8	2.0	0.4	2.3	2.1	2.6	3.7	4.3	4.6	1.6
September	3.4	0.6	0.6	*	*	4.2	*	2.6	*	2.0	0.5	2.1	2.5	2.5	3.6	4.4	4.9	1.6
October	3.3	0.6	1.3	2.3	*	*	*	*	*	2.0	0.4	2.0	2.1	2.3	3.5	4.3	4.8	1.6
November	3.2	0.4	0.5	0.6	*	*	*	*	*	1.8	0.4	1.8	2.1	2.3	3.4	4.1	4.7	1.6
2013 December	2.4	0.5	0.8	*	0.5	*	*	*	*	1.7	0.5	1.7	1.7	2.0	2.9	3.4	4.0	1.7

Source: CBK (2014)

Table 6. 2. ODC effective interest rates

(New contracts, unless otherwise indicated)

Description	Interest rate on loans / 1	Nonfinancial corporations (Loans)									Households (Loans)						
		Investment business loans			Other business loans		Overdrafts (outstanding amounts) 2/	Credit lines (outstanding amounts)	Loans with favourable conditions /4		Overdrafts (outstanding amounts) 2/	Loans with favourable conditions /4		Consumer loans	Mortgage loans / 3		
		Up to 1 year	Over 1 year and up to 5 years	Over 5 years	Up to 1 year	Over 1 year and up to 5 years			Cash over loans	Other loans		Cash over loans	Other loans		Up to 1 year	Over 1 year and up to 5 years	Over 5 years
2005 December	14.5	17.3	13.3	13.3	15.2	14.4	15.1	11.5	...	*	*	...	*	11.5	*	*	*
2006 December	14.7	*	14.5	14.5	13.6	15.2	15.7	12.4	...	*	*	...	*	12.4	*	13.4	*
2007 December	14.1	*	13.8	13.8	*	14.6	15.1	13.7	...	*	*	...	*	13.7	12.9	12.4	*
2008 December	13.8	*	13.9	13.9	14.2	13.4	15.0	13.5	...	*	19.5	...	...	13.5	9.8	10.8	8.1
2009 December	14.1	*	14.3	14.3	*	*	*	...	*	17.8	...	...	13.3	*	10.7	*	
2010 December	14.3	16.1	13.9	*	18.7	14.4	12.7	13.3	7.7	*	22.6	6.6	8.6	14.6	*	11.7	10.3
2011 December	13.9	17.1	13.6	*	16.4	13.8	11.8	12.1	6.1	9.9	16.4	6.0	8.6	14.0	14.3	12.0	10.8
June	13.5	15.5	13.1	10.9	19.8	14.2	10.7	10.9	7.2	9.6	16.2	7.0	8.1	13.5	7.7	11.7	10.5
July	13.1	8.7	12.2	11.9	14.5	15.0	11.2	11.9	7.7	*	16.5	6.3	8.7	13.5	14.2	11.5	10.3
August	13.4	15.9	12.4	*	16.3	14.8	10.7	11.7	6.8	*	16.0	6.7	7.9	13.7	*	11.4	10.1
September	13.8	16.5	13.5	*	14.5	15.8	10.8	11.4	6.4	9.9	16.5	7.2	6.8	13.4	12.1	11.6	9.7
October	13.2	14.2	12.9	10.8	14.7	14.0	11.2	13.8	6.6	10.0	16.1	6.6	6.8	13.3	*	11.4	10.3
November	12.7	14.6	12.2	9.7	14.1	14.4	10.4	10.8	7.1	*	16.1	7.2	8.2	13.3	*	10.4	9.0
2012 December	12.9	15.4	12.0	10.2	15.3	13.7	10.7	11.9	5.9	*	12.5	6.1	8.0	13.1	*	10.8	9.8
January	13.6	12.7	13.7	*	15.5	15.4	10.7	12.6	5.6	*	16.4	6.5	4.8	12.6	11.9	11.2	10.3
February	13.5	14.1	14.0	*	16.7	14.2	9.7	11.6	*	*	15.0	6.5	6.7	12.8	*	11.0	9.8
March	12.6	15.2	12.3	11.0	16.0	13.8	11.0	12.9	7.3	9.9	15.8	6.2	6.7	12.1	*	11.0	9.5
April	12.6	12.9	12.5	10.5	16.1	14.1	10.5	13.4	7.0	10.3	16.9	6.6	5.8	12.0	13.4	11.3	9.7
May	12.3	13.3	13.0	10.2	15.2	13.9	10.7	12.2	7.4	*	15.5	6.9	5.5	11.8	*	11.1	9.6
June	12.0	12.9	11.5	9.4	14.2	13.5	10.3	11.9	6.7	*	13.2	6.8	8.9	12.2	13.6	11.2	9.8
July	12.6	13.0	12.3	*	13.9	13.7	9.3	11.4	3.7	*	14.3	7.4	8.4	12.5	11.2	11.0	9.8
August	12.0	13.8	11.3	10.9	14.3	13.1	10.8	10.7	5.4	11.0	16.6	5.7	5.4	12.4	*	11.0	9.7
September	12.2	13.1	11.9	*	13.8	12.7	10.1	10.8	5.3	*	15.8	6.5	10.1	12.2	*	10.9	9.2
October	11.7	13.6	11.7	10.2	12.5	12.5	10.5	12.7	5.8	*	16.4	6.5	10.1	12.0	9.9	10.7	9.2
November	12.2	13.8	11.3	11.9	14.5	13.5	9.4	11.9	*	*	15.9	6.0	9.8	12.5	13.8	10.4	9.5
2013 December	11.1	12.3	10.9	9.5	11.6	12.9	9.4	11.0	6.0	*	14.4	4.6	7.3	11.7	*	10.4	9.0

Source: CBK (2014)





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