



Euro area's economy, based on the preliminary data, in the Q2 2018, was characterized with a slowdown economic increase (with around 1.9 percent), while the inflation rate moved closely to the ECB's target. Despite the slowdown increase of economic activity in euro area, Western Balkan countries were characterized with an accelerated growth of economic activity (4.2 percent in TM2 2018).

According to the recent Kosovo Agency of Statistics (KAS) data, real GDP growth rate marked an annual increase of 4.7 percent in Q2 2018, which basically was supported by the increase of consumption and investments. Since the KAS official data for Q3 2018 have not yet been published, being mainly relied on other indicators which have a higher frequency of publication, the economic growth in Q3 2018 compared to the previous quarter is expected to be lower, primarily as a result of the negative developments in external sector (the decline of exports and the increase of imports) and also due to the slowdown increase of the sources of financing the consumption.

The price level of consumption in domestic economy increased by 1.4 percent in Q3 2018, after a slowdown pace with which was characterized in the first half of 2018. Conversely, core inflation (excluding food, energy, alcoholic beverages and tobacco), reached 0.3 percent or 1.2 percentage points lower compared to the general inflation, mainly as a result of the decline of energy prices.

Fiscal sector during 2018 was characterized with an increase of budget revenues and expenditures with 5.7 percent and 10.4 percent, respectively. Despite the fact that the increased rate of expenditures was higher compared to the increase of revenues, Kosovo's budget marked a primary budgetary surplus of EUR 9.2 million (a surplus of EUR 60.8 million in the same period of 2017). Public debt, in Q3 2018, reached EUR 1.08 billion, which is for 11.9 percent higher than the public debt marked in Q3 2017. The increase of public debt in Kosovo is attributable to domestic debt increase while the external public debt was characterized with a decline. As a percentage to GDP, public debt reached 16.9 percent from 15.7 percent as it was in Q3 2017.

Until August 2018, the external sector was characterized with a deficit increase of current account of 40.3 percent. This increase of current account deficit is attributable to goods deficit increase and the decline of the positive balance of services, while the positive balances of primary and secondary income marked an increase. Within the balance of payments, remittances were characterized with an increase of 6.0 percent while Foreign Direct Investments (FDI) marked a decline of 43.0 percent.

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ABBREVIATIONS

CAR	Capital Adequacy Ratio
CBK	Central Bank of the Republic of Kosovo
CPI	Consumer Price Index
EUR	Euro currency
FDI	Foreign Direct Investments
GDP	Gross Domestic Product
IMF	International Monetary Fund
IPI	Import Price Index
KAS	Kosovo Agency of Statistics
MF	Ministry of Finance of the Republic of Kosovo
REER	Real Effective Exchange Rate
ROAA	Return on Average Assets
ROAE	Return on Average Equity
RWA	Risk-Weighted assets
SEE	Southeastern Europe
WEO	World Economic Outlook

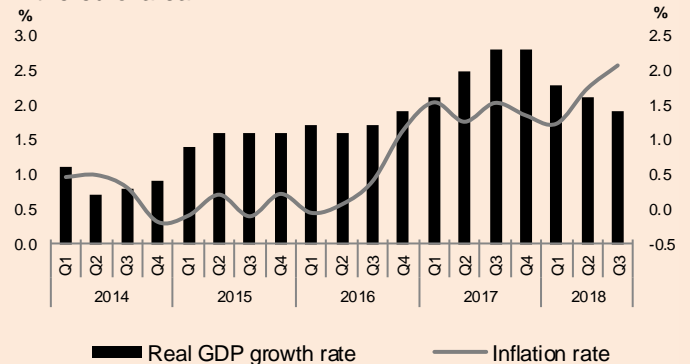
Euro area and Western Balkans

Based on the Eurostat preliminary data, in Q3 2018, euro area economy marked an annual increase of 1.9 percent, representing a slowdown economic increase compared to the previous quarter (2.1 percent in Q2 2018) and also to the same quarter of the previous year (an increase of 2.8 percent in Q3 2017) (figure 1). The slowdown of economic activity may be attributable to some extent to the weakening of the international trade (only in September 2018 it was marked a decline of 1.0 percent of goods export of the euro area), to negative impact of some temporary factors such as unfavorable weather conditions, but also due to the strong pace increase marked in 2017. Expectations on the trend of economic activity in euro area are optimistic, in line with the still high index levels of business and individuals' confidence. According to the European Central Bank (ECB) projections, euro area is expected to mark an economic growth of 2.0 percent in 2018, which is expected to slowdown gradually in the upcoming three years (1.7 percent in 2020). The sustainability of the economic growth in euro area in the upcoming periods may be at risk from uncertainties of trade policies, which may have an impact on business and individuals' confidence, thus consequently negatively affecting investments.

While the beginning of 2018 was characterized with weak inflationary pressures, the overall developments of prices in euro area have shown an increasing trend in the following months, where the inflation rate reached the ECB target of 2 percent. In Q3 2018, the average of Consumer Harmonized Index in euro area

was 2.1 percent as depicted in figure 1, mainly as a result of price increase of energy and food.

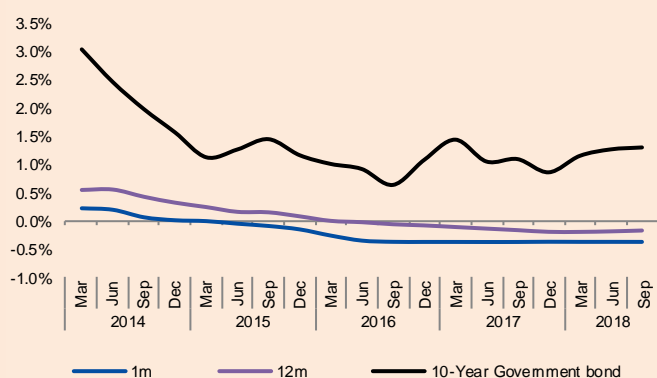
Figure 1. Macroeconomic developments in the euro area



Source: Eurostat (2018)

In October 2018, the Supervisory Committee of the ECB has decided that the monthly program for purchasing assets should be reduced from EUR 30 billion to EUR 15 billion which will continue beyond the end of 2018, and depending on the developments in the level of prices, the program should come to an end. Moreover, the Supervisory Committee has decided to keep unchanged the interest rate on main refinancing operations (0.0 percent), the interest rate on credit and deposits facilities (0.25 percent and -0.40 percent, respectively). The ECB is expected to continue to keep unchanged the interest rate on main refinancing operations beyond time frame set for the quantitative easing program. 1-Month and 12-month Euribor interbank lending rates continued to remain at a negative territory (-0.37 and -0.17 percent, respectively), while the 10-year government bonds yield, in euro area, marked a slight increase in Q3 2018, reaching 1.32 percent (figure 2).

Figure 2. Main interest rates in euro area



Source: ECB (2018)

Credit activity in euro area has marked a slight improvement in Q3 2018. This increase was a result of the expansion of loans to enterprises and to households as well. Loans to enterprises marked an increase of 4.3 percent, while loans to households expanded by 3.1 percent. With the same credit and economic activity movements were characterized also deposits of the banking system. In Q3 2018, enterprise deposits increased by 4.5 percent, while household deposits marked an increase of 4.6 percent.

Economic activity in the Western Balkans, in Q2 2018¹ has marked an annual average increase of 4.2 percent (2.5 percent in Q2 2017). Montenegro, Serbia, and Kosovo marked the highest increase, being followed by Albania, Bosnia and Herzegovina and Macedonia (table 1).

Improvement of the economic activity in these countries was mainly driven by good performance of construction, trade and industry sectors.

Table 1. Annual real GDP growth rate

Description	2016	2017	2017 Q1	2017 Q2	2017 Q3	2017 Q4	2018 Q1	2018 Q2
Bosnia and Herzegovina	3.4	3.4	-3.0	0.9	10.5	2.5	2.0	3.4
Kosovo	4.1	4.2	2.8	4.4	4.4	3.2	3.5	4.7
Montenegro	2.9	4.2	2.9	5.0	4.8	3.9	4.5	4.9
Macedonia	2.9	0.0	0.0	-1.3	1.5	1.0	-1.1	3.0
Serbia	2.8	1.9	1.1	1.6	2.3	2.4	4.9	4.8
Albania	3.4	3.8	3.9	4.3	3.5	3.6	4.5	4.3

Source: National Statistics Offices of the respective countries

In Q3 2018, the average inflation rate reached 1.4 percent in Western Balkans (2.0 percent in Q3 2017). Weaker inflationary pressures were marked in Macedonia (-0.4 percent), Bosnia and Herzegovina (0.4 percent) and in Kosovo (1.4 percent), while in other countries inflation rates were higher. In Montenegro the average inflation rate was 2.4 percent due to the energy price increase and the increase of certain taxes within the regulation of fiscal policies. In Albania, the average inflation rate reached 2.2 percent in Q3 2018 (1.7 percent in Q3 2017), where the domestic pressures on the inflation rate were balanced by the strong overpriced exchange rate.

Regarding developments in the banking sector, the increase of loans and deposits was significant and with emphasized changes among the countries. Until September 2018, the average increased rate of loans was 6.5 percent (4.9 percent until September 2017). Countries which marked higher credit growth were Montenegro and Kosovo (11.4 percent and 10.7 percent, respectively), while Serbia and Macedonia were characterized with lower increase (6.3 percent and -3.3 percent, respectively). Deposits marked higher growth rates compared to loans increase. Until September 2018, the average increased rate of deposits was 7.2 percent. In Macedonia, deposits marked the highest

¹The data for Q3 2018 have not been published yet.

increase with 10.6 percent, followed by Montenegro with 10.3 percent, Bosnia and Herzegovina with 10.0 percent, etc.

In Q3 2018, EUR appreciated against Turkish lira with 60.0 percent and Swiss franc with 1.2 percent, whereas against Albanian lek and Serbian dinar EUR depreciated by 5.2 percent and 1.3 percent, respectively.

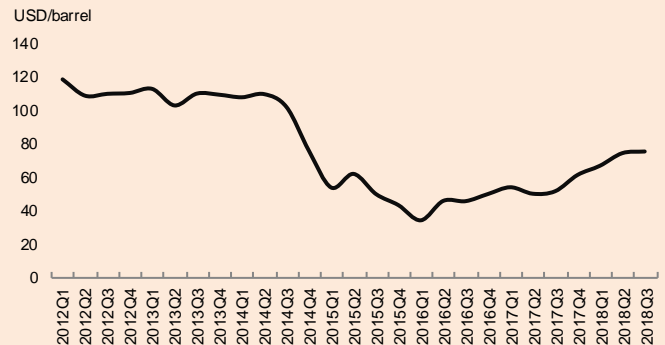
Main commodity prices in international markets

In Q3 2018, commodity prices suffered a shock from geopolitical events and macroeconomic developments, which had an impact on the dynamic changes of supply and demand side in the market.

Energy prices marked an increase of 3.4 percent compared to the previous quarter, while comparing to Q3 2017 the increase was quite high (41.5 percent), primarily due to the reinforcement of sanctions against Iran by USA and the continuous decline of production in Venezuela. Brent crude oil price marked an increase of 1.3 percent compared to the previous quarter, while compared to Q3 2017 the increase reached 45.9 percent. Prices of *Brent crude oil* reached an average value of \$75.5/bbl in Q3 2018 (\$51.7/bbl in Q3 2017). Oil price increase was affected by certain factors which have restraint its export: stocks have rapidly declined as a result of the increase of world demand, agreement among OPEC countries to reduce oil supply, geopolitical tensions in Middle East, etc. Brent crude oil prices are anticipated to fluctuate around the average of \$72/bbl in 2018 and \$74/bbl in 2019. The longer-term outlook for oil prices depends heavily on the balance between rising U.S. oil

production, and the persistence and depth of OPEC production cuts (figure 3).

Figure 3. Brent crude oil price



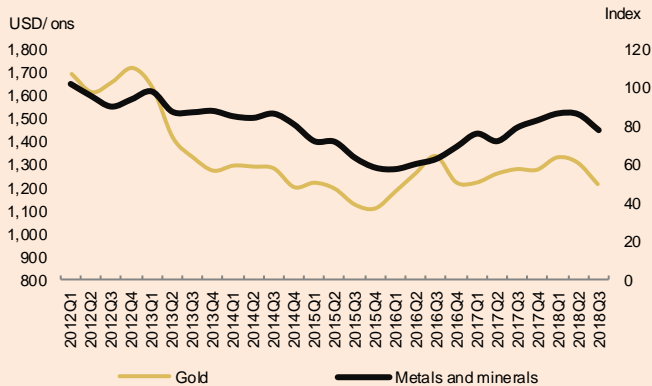
Source: World Bank (2018)

Conversely, prices of metals and minerals marked a decline of 1.8 percent compared to Q3 2017, whereas compared to the previous quarter declined by 9.6 percent (figure 4). The decline of metals prices was a result of the softened global demand, strengthening of the U.S. dollar and the rise of trade tensions between the United States and China. Despite the decline marked in the third quarter, metals prices remained higher in 2018 compared to 2017, as a result of the significant prices increase marked in the first half of 2018, whereas for 2019 prices are projected to remain unchanged. China's economy will have an important role on the global markets of metals, taking into account that it composes 50% of metals consumption on the global level. China is expected to reform mining and processing sectors and will be focused on consumption, which will have an impact on the slowdown increase of metals demand.

Also, gold prices have marked an annual decline of 5.1 percent in Q3 2018, reaching the value of \$1,212.6/ounce. This decline is attributable to the reduction of demand for investments, while the U.S.

Dollar strengthened and the monetary policy tightened in some developed economies, thus reducing the purchase of gold as an investment asset.

Figure 4. Metals prices



Source: World Bank (2018)

In Q3 2018, food price index remained almost unchanged compared to Q3 2017, as a result of the reduction of corn planting and shrinkage of production in Southern America due to weather conditions. In 2018 and later, food prices are expected to stabilize, with a slight rising trend as a consequence of the projected tightness of supply.

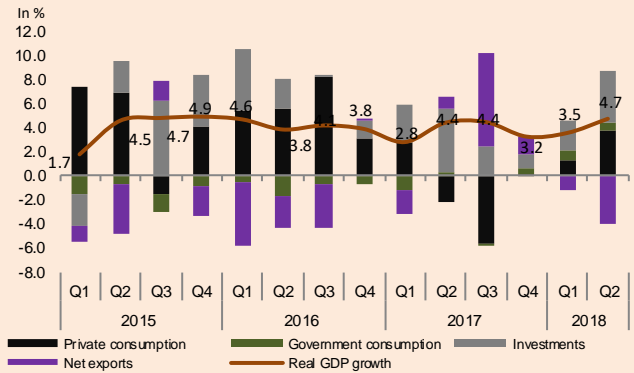
Kosovo's Economy

Real Sector

According to Kosovo Agency of Statistics (KAS) data, real GDP marked an annual growth of 4.2 percent, in the first half of 2018. Only in Q2 2018, real GDP growth rate reached 4.7 percent. The main contribution to the growth came from consumption with 4.5 percentage points and from investments with 4.2 percentage points. Conversely, net exports, as a result of the significant increase of imports, have had a negative

contribution to the GDP growth with 4.0 percentage points (figure 5).

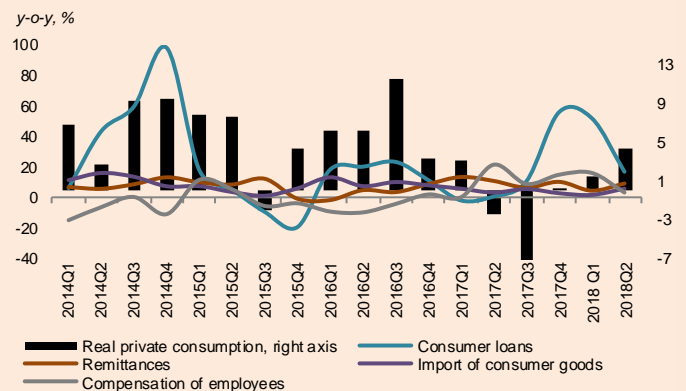
Figure 5. Real GDP growth rate and main contributors to the growth



Source: KAS (2018) and CBK calculations

Private consumption has contributed with 3.8 percentage points (-2.2 percentage points in Q2 2017). This contribution was supported by positive developments which were marked in the main financing sources of private consumption. New loans for consumption, compensation of employees and remittances have accelerated their growth trend, marking an annual increase of 16.8, 9.0 and 3.5 percent, respectively, in Q2 2018.

Figure 6. Private consumption and financing sources

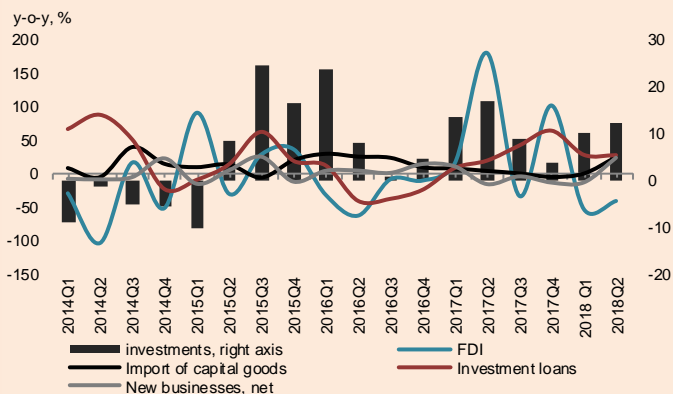


Source: KAS (2018) and CBK calculations

Another indicator of the increase of private consumption, in Q2 2018, is also the increase of the import of consumer goods which marked an increase of 5.8 percent (3.2 percent in Q2 2017) (figure 6). Besides private consumption also public consumption had a positive contribution to real GDP growth rate (0.6 percentage points), due to the increase of current expenditures with 7.2 percent.

The positive contribution of total investments is primarily attributable to the increase of investment loans with 28.7 percent in Q2 2018, meanwhile also the import of capital goods marked an increase of 24.8 percent (figure 7).

Figure 7. Indirect indicators of private investments



Source: KAS (2018) and CBK calculations

Based on manufacturing method, the highest contribution to real GDP growth, in Q2 2018, was marked by financial and insurance activities (0.9 percent each), trade and public administration (0.6 percentage points each), construction (0.5 percentage points), etc. Whereas, the supply with electrical energy had a negative contribution (0.2 percentage points) to the real GDP growth rate.

Despite the KAS official data for Q3 2018 have not yet been published, being mainly relied on other indicators

which have a higher frequency of publication, the economic growth in this quarter compared to the previous quarter is expected to be lower, primarily as a result of the negative developments in external sector (the decline of export and the increase of import) and also due to the slowdown increase of the financing sources of consumption.

Based on current trends, net exports are anticipated to deteriorate in Q3 2018. Export of goods has marked a decline of 8.7 percent, whereas import of goods increased by 10.9 percent. Also, export of services, during July-August 2018 has marked a decline of 3.4 percent, whereas import of services increased by 7.6 percent. Regarding consumption, it is expected a slower increase compared to the previous quarter. New consumer loans have marked a decline of 6.9 percent while remittances marked a slowdown increase of 3.7 percent during the period of July-August 2018. Another signal for expectations of a slower increase of private consumption is also the slowdown increase of import of consumer goods of 3.4 percent (5.8 percent in the previous quarter). On the other hand, current expenditures of the government, which marked an increase of 11.8 percent, are projected to mitigate the negative effects of the slowdown increase of private consumption in the overall consumption. Indirect indicators of private investments show positive signals in the Q3 2018. Import of capital goods and new investment loans have marked an increase of 25.1 percent and 6.4 percent, respectively. Also, the number of new businesses compared to the closed ones, has marked a growth of 10.7 percent, in Q3 2018.

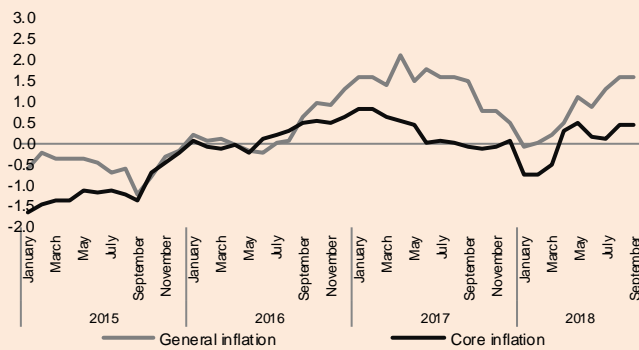
According to the CBK projections, economic activity in 2018 will mark a slight improvement compared to

2017, reaching 4.3 percent (4.2 percent in 2017). This slight improvement is attributable mainly to the strengthened fiscal incentives, credit growth and the increase of remittances in 2018, which are expected to be sustainable sources for financing the economic activity.

Prices

Consumer price index has reached the rate of 0.7 percent until September 2018. The first half of 2018 was characterized with a slowdown increase of 0.3 percent, whereas in Q3 2018 the inflation rate was higher (1.4 percent) (figure 8).

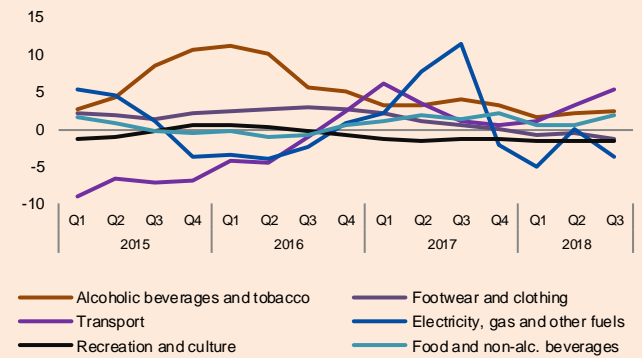
Figure 8. General and core inflation, annual change in percent



Source: KAS and CBK calculations (2018)

Regarding the CPI components, in Q3 2018, with an increase were characterized prices of transport (5.3 percent), followed by prices of restaurants and hotels (2.8 percent), prices of alcoholic beverages and tobacco (2.5 percent), prices of foodstuff and non-alcoholic beverages (2.0 percent), etc. Conversely, a price decline was marked by electricity, gas and other fuels (6.9 percent), prices of recreation and culture (1.6 percent), prices of communication means (1.3 percent), prices of footwear and clothing (1.3 percent), etc. (figure 9).

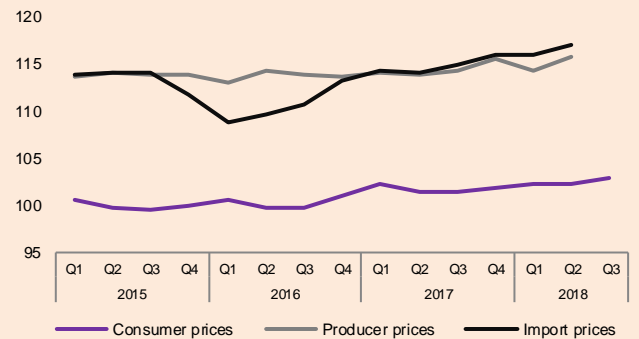
Figure 9. Price movements by main components, annual change in percent



Source: KAS (2018)

Since the Kosovar consumer basket is characterized with a very high share of products with seasonal fluctuations of prices (food, energy, alcoholic beverages and tobacco), then also the base inflation which excludes these components, is more stable (figure 8). A similar trend was noted also in Q3 2018, where the base inflation of 0.3 percent was for 1.2 percentage points lower than the general inflation.

Figure 10. Consumer, producer and import price indices



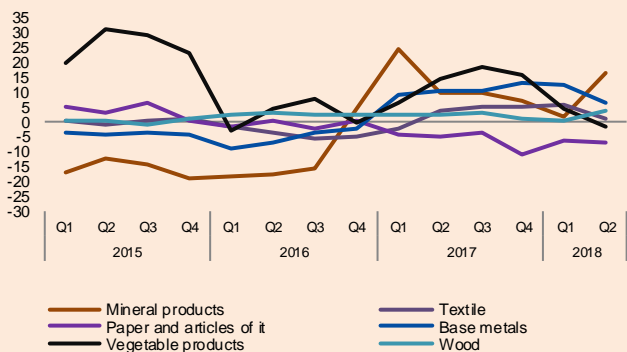
Source: KAS (2018)

As a consequence of the high dependence of Kosovo's economy on imports, the dynamic of the price movements in Kosovo is highly affected by the fluctuations of import prices. Import price index until

June 2018 marked an increase of 0.9 percent (figure 10).

In Q2 2018, prices of mineral products and base metals, which comprise the main categories within import price indices, marked a higher increase (16.7, and 6.2 percent, respectively), while prices of paper and articles thereof and prices of vegetable products marked a more significant price decline (6.6 percent and 1.7 percent, respectively) (figure 11).

Figure 11. Price movements of import, annual change in percent

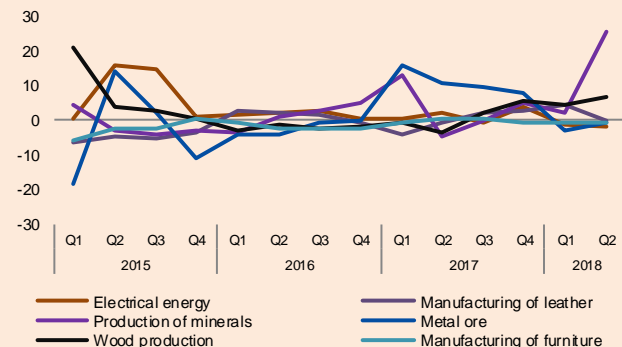


Source: KAS (2018)

Producer price index was characterized with an annual increase of 2.0 percent until June 2018.

Only in Q2 2018, the highest price increase was marked by metals production and wood manufacturing (26.0 percent and 6.8 percent, respectively), while with a price decline were characterized electrical energy, furniture manufacturing, extracting of iron ore (1.5 percent, 0.6 percent, and 0.3 percent, respectively) (figure 12).

Figure 12. Producer price movements, annual change in percent



Source: KAS (2018)

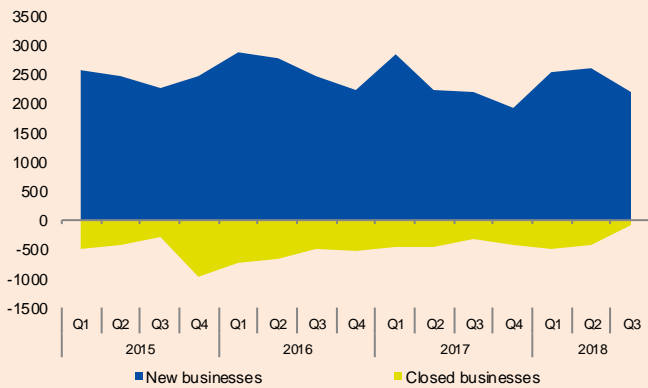
Business registry

An important indicator of developments in the real sector is also the number of new registered businesses. Unlike 2017, which was characterized with a small number of registered enterprises, until September 2018, 7,404 enterprises were registered or 1.4 percent more compared to the same period of 2017. Also, the number of closed enterprises was smaller, dropping to 982 or 17.5 percent lower compared to the same period of 2017. Only in Q3 2018, 2,212 new enterprises were registered representing a same level as in Q3 2017, whereas 93 enterprises were closed or 69.1 percent fewer enterprises than in Q3 2017 (figure 13).

The most preferable economic activity continued to be the trade sector in which were registered 1,964 new enterprises until September 2017 or 0.7 percent more enterprises.

It is encouraging the increase of the number of enterprises in the sector of manufacturing, information and communication.

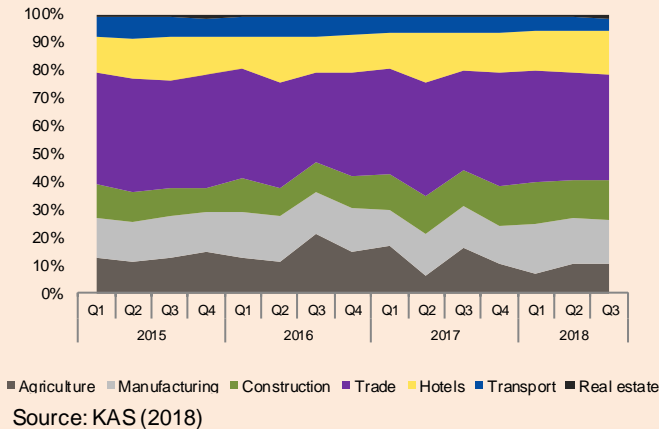
Figure 13. Business registry, non-commulative



Source: KAS (2018)

In the sector of manufacturing were registered 829 new enterprises or 14.5 percent more, whereas in the information and communication sector were registered 377 new enterprises or 12.9 percent more.

Figure 14. Structure of new enterprises



Source: KAS (2018)

A considerable increased number of new registered enterprises was marked also in the construction sector with 715 enterprises or 8.5 percent more, etc. (figure 14).

Fiscal Sector

Until September 2018, fiscal sector was characterized with a better performance of budget revenues and an increase of budget expenditures. Despite the fact that the increased rate of expenditures was higher compared to the increase rate of revenues, Kosovo's budget marked a primary budgetary surplus of EUR 9.2 million (a surplus of EUR 60.8 million in the same period of 2017).

Budgetary revenues² reached EUR 1.30 billion or 5.7 percent more compared to the same period of the previous year. The increase of budget revenues was a result of the economic activity growth but also due to the reforms taken by revenues agencies which aim at narrowing the tax gap. Regarding the type of taxes, it was observed a higher increase of direct tax revenues which are received from personal income and property income taxes. Tax revenues marked an increase of 15.7 percent and reached the value of EUR 207.6 million. With an increase were characterized also indirect tax revenues which are interlinked with import movements which have marked a considerable increase. Indirect income amounted to EUR 991.3 million (an increase of 3.9 percent). Conversely, non-tax revenues, which mainly consist of the revenues from budgetary organizations, marked a decline of 1.2 percent amounting to EUR 136.8 million.

Whereas, budget expenditures³ reached a value of EUR 1.29 billion, representing an annual increase of 10.4 percent. During this period, all categories of budget expenditures were characterized with an increase. The

²Within the primary income were not included the revenues from borrowings, income from privatization, receipts of donor defined grants and receipts from deposits in trust.

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

highest increase was marked by government expenditures on goods and services (including utilities), reaching the value of EUR 158.1 million, which represents an increase of 15.3 percent compared to the same period of 2017. Subsidies and transfers reached a value of EUR 401.5 million marking an increase of 15.0 percent compared to the same period of 2017. The category of salaries which comprises the main category of budget expenses (34.1 percent of total expenses), increased by of 7.1 percent amounting to EUR 439.3 million. As regards to capital expenditures, it was observed a slowdown increase. Until September 2018, capital expenditures marked an increase of 6.2 percent reaching an amount of EUR 297.2 million (an increase of 18.6 percent in the same period of 2017), while only 42.8 percent of budget capital expenditures were realized in 2018 (55.9 percent in the same period of 2017).

Public debt, in Q3 2018, reached EUR 1.08 billion which is for 11.9 percent higher than the public debt marked in the Q3 2017. The decline of public debt in Kosovo is attributed to the growth of domestic public debt of 23.0 percent (which reached EUR 663.5 million), while external public debt declined by 2.2 percent, reaching EUR 416.6 million. Hence, the majority of the public debt (61.4 percent) is comprised of domestic debt, which primarily consists of Kosovo's Government debt to commercial banks (38 percent), pension funds (29 percent), etc. The remainder of the public debt (38.6 percent) consists of the external debt, which mainly is comprised of the debt to International Monetary Fund with 39 percent, International Bank for Reconstruction and Developments with 35 percent,

German Agency for Reconstruction with 12 percent, etc.

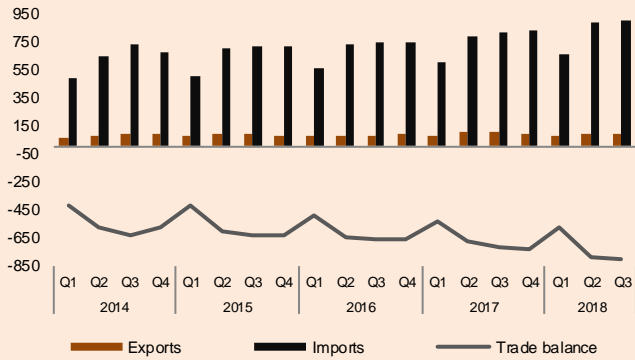
As a percentage to GDP, public debt reached 16.9 percent from 15.7 percent as it was in Q3 2017. Despite the increase marked, this level is still far from the threshold of 40 percent set by the law. Moreover, this level of the public debt ranks Kosovo as the country with the lowest level of public debt compared to the region countries, which according to the IMF, their public debt averages at 59.1 percent.

External Sector

Until August 2018, the external sector was characterized with a deficit increase of current account of 40.3 percent, compared to the same period of the previous year. This increase of current account deficit is attributable to goods deficit increase and the decline of the positive balance of services, while the positive balances of primary and secondary income marked an increase.

The deficit in goods account reached EUR 814.1 million in Q3 2018, representing an annual increase of 13.8 percent. In 2017, it was marked a significant increase of goods export, whereas in 2018 it was observed a decline of goods export and an accelerating increase of imports. This has had an impact on the decline of the coverage of imports by exports to 10.5 percent, in Q3 2018, from 12.8 percent as it was in Q3 2017.

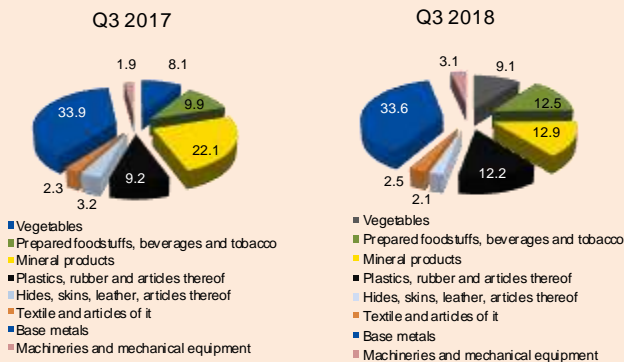
Figure 15. Export and import of goods, in millions of EUR



Source: KAS (2018)

In Q3 2018 export of goods amounted to EUR 95.9 million, which is for 8.7 percent lower compared to Q3 2017 (figure 15).⁴ This decline of export of goods was a result of the slowdown increase of prices in international markets and also due to the stabilization of external demand.

Figure 16. Structure of exports by category, in percent



Source: KAS (2018)

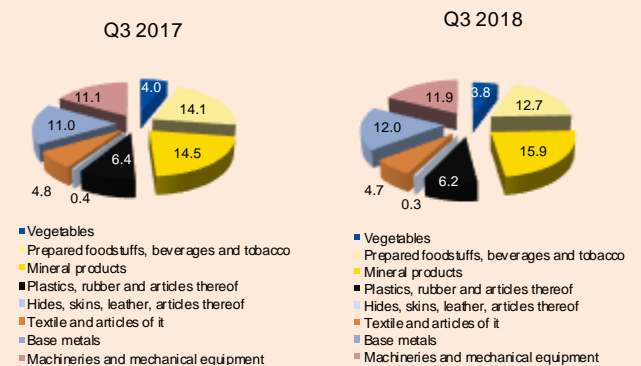
The decline of export of goods during this quarter was more significant in mineral products, base metals and hides and articles thereof. Conversely, with a slight increase was characterized export of plastics and

rubber products, export of foodstuff, export of machinery and electrical equipment, etc. (figure 16).

As a result of the increase of domestic demand, with a considerable increase was characterized the import of goods. In Q3 2018 import of goods amounted to EUR 910.1 million, which is for 10.9 percent higher compared to Q3 2017.

An increase of import of goods was marked almost in all categories, where the highest increase was marked in the import of mineral products, base metals, machineries and electrical products, etc. (figure 17).

Figure 17. Structure of imports by category, in percent



Source: KAS (2018)

The balance in trade of services marked a value of EUR 690.8 million until August 2018, representing a decline of 1.4 percent compared to the same period of 2017. The value of total exported services marked an annual increase of 4.6 percent, reaching EUR 1.1 billion, while the value of imported services marked an increase of 16.4 percent, reaching a value of EUR 417.0 million.

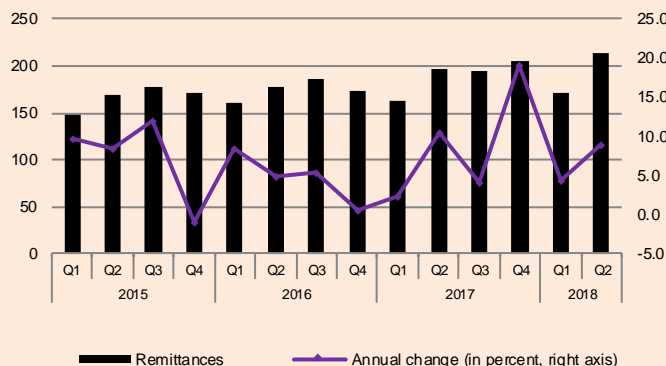
Within export of services, other business services marked the highest increase of 45.4 percent, while travel services, which comprise the main category of

⁴The source of data for import and export of goods in Kosovo is Kosovo Agency of Statistics.

export (82.5 percent), marked an increase of 1.0 percent. Also regarding the import of services, other business services marked the highest increase, followed by pension and insurance services, while computer, information and telecommunication services were characterized with a decline.

The balance of primary income account, until August 2018, marked a value of EUR 89.4 million (EUR 26.9 million in the same period of 2017). The balance of income from the compensation of employees⁵marked an increase of 8.4 percent, while the balance of income realized from investments declined for 44.2 percent. At the same time, the balance of secondary income marked an increase of 11.6 percent, which is attributable to the higher level of remittances. Remittances received in Kosovo, which at the same time represent the largest category within the secondary income account, reached the value of EUR 520.3 million, representing an annual increase of 6.0 percent (figure 18).

Figure 18. Remittances, in millions of EUR



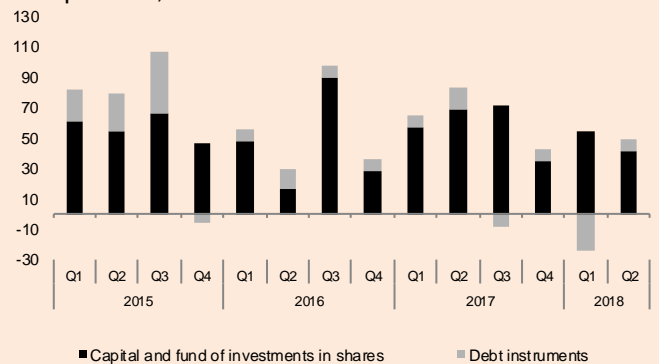
Source: CBK (2018)

Remittances received in Kosovo mainly come from Germany and Switzerland, which represent the countries with a share of 41.1 and 20.5 percent, respectively, of total remittances. A considerable amount of remittances was received also from USA, namely 6.5 percent of total remittances received in Kosovo.

Financial account marked a balance of EUR -77.9 million until August 2018 (EUR -122.9 million in the same period of 2017).

Liabilities and assets, as well, marked a significant lower level compared to the same period of 2017. Liabilities reached the value of EUR 222.1 million (EUR 381.8 million in the same period of 2017), whereas assets reached the value of EUR 144.2 million (EUR 258.9 million in the same period of 2017).

Figure 19. Structure of foreign direct investments by components, in millions of EUR



Source: CBK (2018)

Within liabilities, the main category is comprised by Foreign Direct Investments (FDI), which reached the value of EUR 121.9 million marking an annual decline of 43.0 percent. Within FDI structure, capital and investments fund in shares, reached the value of EUR

⁵Compensation of employees includes wages, salaries and other benefits received by resident workers abroad. In this context, are included seasonal employees or other short-term contracted

employees (less than one year) and custom employees whose interest economic center is in their economy.

119.9 million marking a decline of 38.6 percent, while FDI in the form of debt instruments marked a decline of EUR 2.0 million (EUR 18.6 million in the same period of 2017) (figure 19).

A higher FDI decline was marked by construction and financial sector, whereas in real estate and in trade sector it was marked an FDI increase (EUR 17.7 million and EUR 38.7 million, respectively, more compared to the same period of the previous year). Regarding the origin of FDI, Switzerland represents the country from where came the majority of FDI until August 2018 (EUR 47.1 million), followed by Germany with EUR 29.5 million, Albania with EUR 18.8 million, etc.

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CBK (2018): Quarterly Assessments of Macroeconomic Developments No. 24, Q3 2018, Central Bank of the Republic of Kosovo, Prishtina

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Macroeconomic selected indicators

Description	Q3 2017	Q3 2018
Real sector 1/		
Gross Domestic Product (GDP) (in millions of EUR)	-	-
Consumer prices (annual average)	1.7%	1.4%
Consumer prices (end of period)	1.7%	1.5%
Fiscal Sector 2/		
Budget Revenues (in millions of EUR)	474.9	497.6
Budget Expenditures (in millions of EUR)	416.9	461.3
Primary balance (in millions of EUR)	58.0	36.3
Financial sector (in millions of EUR) 3/		
Assets of financial corporations	5,765.2	6,226.2
of which : Banks	3,811.4	4,033.3
Loans	2,407.2	2,681.1
Deposits	3,046.9	3,210.1
<i>Interest Rate s on Loans, end of period</i>	6.5%	7.0%
<i>Interest Rate s on Loans, end of period</i>	0.9%	1.4%
Interest rate gap	5.6%	5.6%
External sector*,(in millions of EUR) 3/		
Balance of payments		
Current and capital account	295.6	250.7
of which: remittances	131.0	135.8
Financial account	142.1	122.2
Foreign Direct Investmentsin Kosovo	64.8	42.0
Portfolio investments, net	60.3	-91.5
Other investments, net	17.6	27.1
International Investment Position (IIP), net	-182.5	-261.7
Assets	4,664.3	4,754.4
Liabilities	4,846.8	5,016.1
External debt	2,113.8	2,058.3
Private external debt	1,597.3	1,561.7
Public external debt	516.5	496.7

Source:

1/ KAS (2018).

2/ MF (2018).

3/ CBK (2018).

*Balance of payments data cover the months of July and August, whereas for IIP and external debt the data are presented as of Q2.

