

### Summary

Euro area's economy was characterized with a slowdown economic activity increase, in Q4 2018 (with around 1.2 percent), while the inflation rate increased, moving closely to the ECB target. Despite the slowdown increase of economic activity in euro area, Western Balkan countries were characterized with an accelerated growth of economic activity (3.9 percent in TM3 2018 from 3.3 percent in Q3 2017).

According to the recent Kosovo Agency of Statistics (KAS) data, real GDP growth rate marked an annual increase of 3.5 percent in Q3 2018, which basically was supported by the increase of investments and consumption, whereas net exports had a negative impact. Due to the lack of official data for Q4 2018 which have not yet been published by KAS, thus being relied on other more frequently published indicators and on the quarterly CBK projection, the economic quarterly and annual growth, in Q4 2018, was estimated to have marked a higher rate with around 3.8 percent. Estimates on a higher quarterly growth, besides being relied on the increase of domestic demand, are also based on the slowdown increase of deficit on the net export component as a result of the higher increase of exports and the slowdown increase of imports. The price level of consumption in domestic economy increased by 2.2 percent, in Q4 2018, after a slower growth pace with which it was characterized in the previous quarters.

However, base inflation (excluding food, energy, alcoholic beverages and tobacco), resulted to have reached

lower rates for 1.4 percentage points standing at 0.8 percent in Q4 2018, primarily as a result of the decline of energy prices.

Fiscal sector until November 2018 was characterized with an increase of budget revenues and expenditures with 4.4 percent and 13.0 percent, respectively. Despite the fact that the increased rate of expenditures was significantly higher compared the increase of revenues, Kosovo's budget registered a lower deficit with 0.8 percent of the GDP. Public debt, in Q4 2018, reached EUR 1.1 billion, which is for 9.7 percent higher than the public debt marked in the Q4 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 17.1 percent from 16.2 percent as it was in Q4 2017.

In Q4 2018, the external sector was characterized with an annual deficit increase of current account of 31.2 percent. As a percentage to GDP, current account deficit it was estimated to have reached 14.5 percent, from 11.7 percent as it was in Q4 2017. This increase of current account deficit is attributable to goods deficit increase and the decline of the surplus of services and of primary income, whereas the balance of secondary income marked an increase. Within the balance of payments, remittances and Foreign Direct Investments (FDI) marked an annual increase of 3.6 percent and 46.4 percent, respectively.

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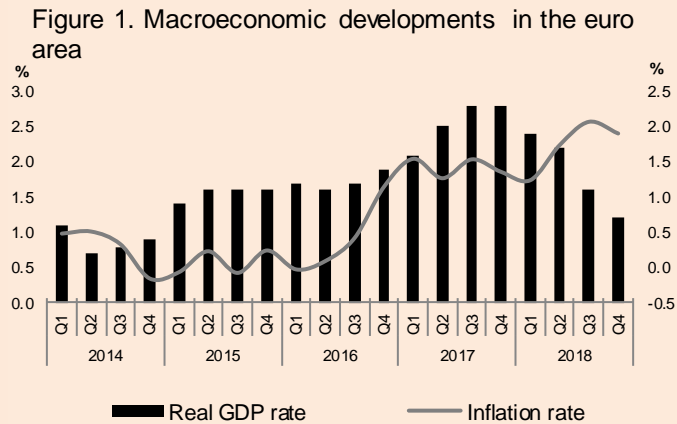
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## ABBREVIATIONS

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 European Union Statistics Agency (Eurostat) preliminary data, in 2018 euro area economy marked an annual increase of 1.8 percent, representing a slowdown economic increase compared to the previous year (2.4 percent in 2017). The first quarter was characterized with a higher increase of economic activity with 2.4 percent, whereas the following quarters marked weaker increase which dropped down to 1.2 percent in Q4 2018 (figure 1).



Source: Eurostat (2019)

The slowdown economic activity was attributable primarily to the impact of the weaker international trade, of some temporary factors such as not favorable weather conditions, the decline of vehicle manufacturing, and due to the strong increase marked in 2017. Expectations on economic activities in the forthcoming periods are not very optimistic mainly due to the increase of uncertainties concerning the future trading relationships, which may affect the business confidence. Henceforth, European Central Bank (ECB) projections suggest a slowdown economic growth in the following three years (1.5 percent in 2021).

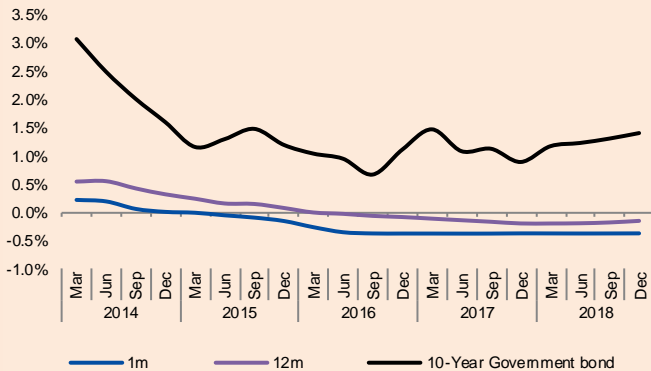
Despite the weaker inflationary pressures marked in the beginning of 2018, the dynamic changes throughout the year resulted in an increase of inflation rate of 1.7 percent in 2018 (1.4 percent in 2017). In Q4 2018, the average of Consumer Harmonized Index in euro area was 1.9 percent as depicted in figure 1, which is mainly as a result of price increase of energy and food.

An important contribution to the increase of inflation rate was given by monetary expansionary policies and non-conventional measures taken by the ECB within the quantitative easing program. In October 2018, the Supervisory Committee of the ECB has decided that the monthly program for purchasing assets should be reduced from euro 30 billion to euro 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. In December 2018, the ECB Supervisory Committee has decided to terminate the program for purchasing assets and has noted that aims to continue reinvestment on payment of full principals by assets which mature (which were bought within the program), for a long period of time, for as long as it is assessed as needed to ensure favorable conditions of liquidity in the market. The forecast for annual inflation rate for 2019 is around 1.6 percent, while prospects for a slowdown economic increase have had an impact on forecasts of the mid-term period to be not very optimistic regarding the achievement of the level determined by monetary objectives.

Moreover, in December 2018, 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 -0.14 percent, respectively), while the 10-year government bonds yield, in euro area, marked a slight increase in Q4 2018, reaching 1.39 percent (figure 2).

Figure 2. Main interest rates in euro area



Source: ECB (2019)

Credit activity in euro area in loans to enterprises and loans to households, as well, continued to increase also in Q4 2018. Loans to enterprises marked an increase of 2.8 percent, while loans to households expanded by 3.0 percent. With the same credit and economic activity movements were characterized also deposits of the banking system. In Q4 2018, enterprise deposits increased by 3.5 percent, while household deposits marked an increase of 4.3 percent.

Economic activity in the Western Balkans, in Q3 2018<sup>1</sup> has marked an annual average increase of 3.9 percent (3.3 percent in Q3 2017). Montenegro and Albania

marked a higher increase, being followed by Serbia, Kosovo and Macedonia (table 1).

Table 1. Annual real GDP growth rate

Description	2017 Q1	2017 Q2	2017 Q3	2017 Q4	2018 Q1	2018 Q2	2018 Q3
Bosnia and Herzegovina	-3.0	0.9	10.5	2.5	2.0	3.4	
Kosovo	2.8	4.4	4.4	3.2	3.5	4.7	3.4
Montenegro	2.9	5.0	4.8	3.9	4.5	4.9	5.0
Macedonia	0.0	-1.3	1.5	1.0	0.9	3.0	3.0
Serbia	1.6	1.8	2.2	2.5	4.8	4.9	3.8
Albania	3.9	4.3	3.5	3.7	4.4	4.2	4.5

Source: National Statistics Offices of the respective countries

In Q4 2018, the average inflation rate reached 1.7 percent in Western Balkans (2.1 percent in Q4 2017). Lower inflation rates were present more in Macedonia (1.2 percent), Albania (1.5 percent) and Montenegro (1.7 percent), whereas in Kosovo, Serbia, and in Bosnia and Herzegovina inflation rates stood at around 2 percent.

Regarding developments in the banking sector, the increase of loans and deposits was significant and with emphasized changes among the countries. In Q4 2018, the average increase of loans was 6.2 percent (5.9 percent in Q4 2017). Countries which marked higher credit growth were Montenegro and Kosovo (11.2 percent and 9.2 percent, respectively) while other countries were characterized with lower increase of lending, except Albania which reported to have marked a decline in lending with 3.4 percent. Deposits marked higher growth rates compared to loans increase. In Q4 2018, the average increase of deposits was 10.0 percent in the region. In Macedonia deposits marked the highest increase with 20.9 percent, followed by Serbia with 15.2 percent, Bosnia and Herzegovina with 9.9 percent, Kosovo with 7.8 percent, etc.

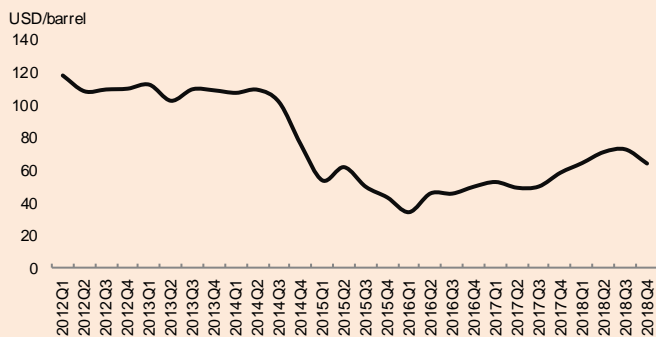
<sup>1</sup> The data for Q4 2018 have not been published yet, whereas for Bosnia and Herzegovina nor the data for Q3 2018 have been published.

During Q4 2018, EUR appreciated against the Turkish lira with 40.2 percent, whereas it was depreciated against other major currencies and also against the currencies of the region. EUR was depreciated against U.S. dollar with 3.1 percent, Swiss franc with 2.3 percent, Albanian lek with 6.8 percent, Croatian kuna with 1.5 percent and Serbian dinar with 0.6 percent.

**Main commodity prices in international markets**

In Q4 2018, commodity prices suffered a shock from geopolitical events and macroeconomic activities which had an impact on the dynamic changes of supply and demand side in the market.

Figure 3. Brent crude oil price



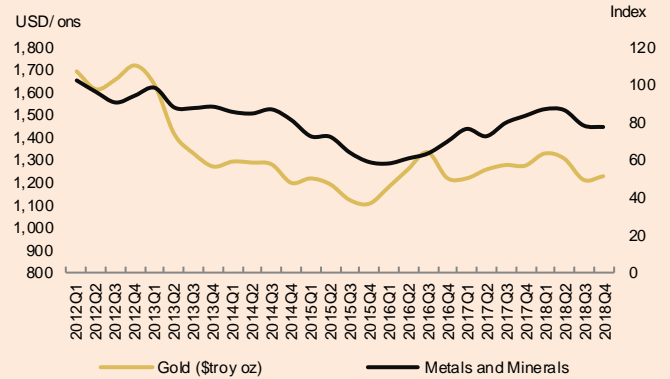
Source: World Bank (2019)

Energy prices marked an increase of 11.5 percent compared to Q4 2017, primarily due to the reinforcement of sanctions against Iran by USA and the continuous decline of manufacturing in Venezuela. Prices of crude oil marked an increase of 9.6 percent compared to Q4 2017. Prices of *Brent crude oil* reached an average value of \$64.3/bbl in Q4 2018 (\$58.7/bbl in Q4 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. 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).

Conversely, prices of metals and minerals marked a decline of 7.2 percent compared to Q4 2017, whereas compared to the previous quarter declined by 1.0 percent (figure 4).

Figure 4. Metals prices



Source: World Bank (2019)

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 fourth 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 are projected to remain unchanged. China's economy will have an important role on global markets of metals, taking into account that it composes 50% of metals consumption on the global level. China is expected to reform the process of 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 3.6 percent in Q4 2018, reaching the value of \$1,228.8/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, which has reduced the purchase of gold as an investment asset.

Also, the food price index marked a decline of 3.3 percent compared to Q4 2017. In 2019, food prices are expected to stabilize, with a slight rising trend as a consequence of the projected tightness of supply.

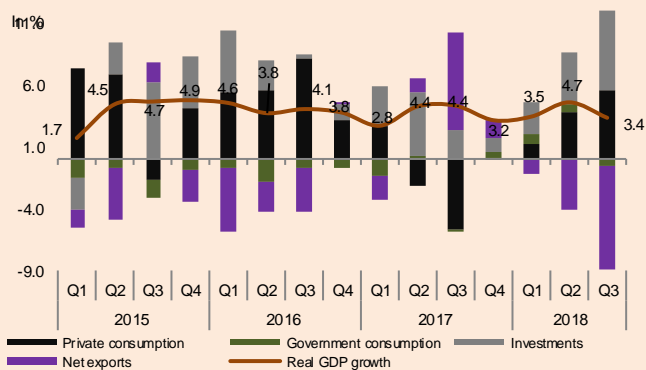
## Kosovo's Economy

### Real Sector

According to the data of Kosovo Agency of Statistics (KAS), real GDP for the whole quarters of 2018 marked an annual growth of 3.9 percent.

While the first half of the year was characterized with an accelerating the increase of the economic activity compared to the previous year, in the third quarter it was marked a slowdown increase with 3.4 percent.

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



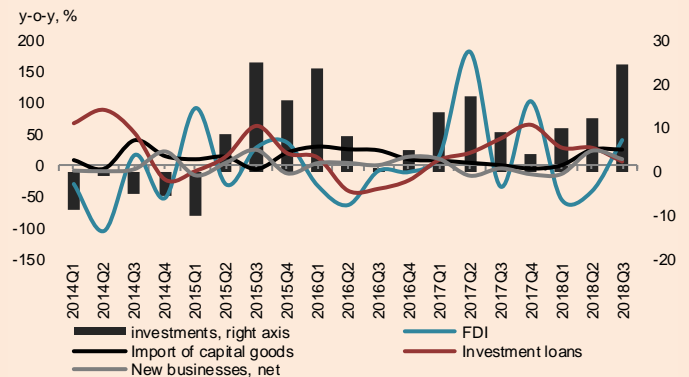
Source: KAS (2019) and CBK calculations

The main contribution to the growth came from investments with 6.8 percentage points and

consumption with 5.0 percentage points. Conversely, net exports, as a result of the significant increase of imports and the decline of exports, have had a negative contribution to the GDP growth with -8.4 percentage points (figure 5).

The positive contribution of total investments is primarily attributable to the increase of investment loans with 6.4 percent, the increase of FDI with 41.0 percent in Q3 2018, meanwhile also the import of capital goods marked an increase of 25.1 percent (figure 6).

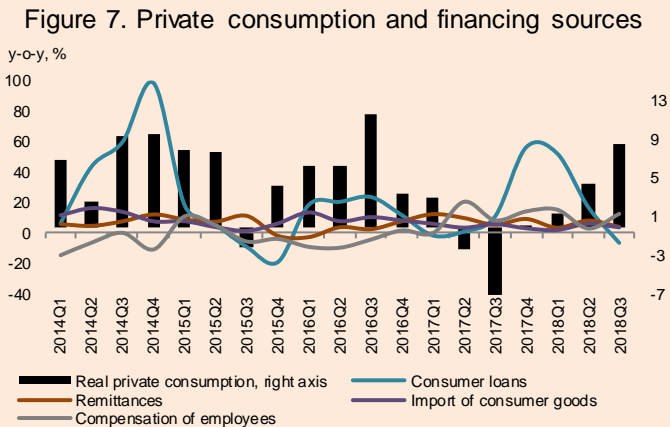
Figure 6. Indirect indicators of private investments



Source: KAS (2019) and CBK calculations

Private consumption has contributed with 5.6 percentage points (-5.7 percentage points in Q3 2017). This contribution was supported by positive developments which were marked in the main financing sources of private consumption. Remittances and compensation of employees have marked an annual growth of 4.8 and 13.2 percent, respectively, in Q3 2018. Another indicator of the increase of private consumption, in Q3 2018, is also the increase of the import of consumer goods which marked an increase of 3.4 percent (figure 7). Besides the increase of private consumption, also current expenditures of the

government marked an increase of 17.1 percent in Q3 2018.



Source: KAS (2019) and CBK calculations

Based on manufacturing method, the highest contribution to real GDP growth in Q3 2018 was marked by trade (2.2 percentage points), construction (1.1 percent each), and financial and insurance activities (0.6 percentage points each). Whereas, the supply with electrical energy, gas and water and the processing industry had a negative contribution (0.2 percentage points each) to the real GDP growth rate.

Although, the official data published by KAS on real GDP for Q4 2018 have not been published yet, based on other indicators which are published more frequently and based on quarterly projections, the CBK estimations on the quarterly and annual economic growth for Q4 2018 were higher (around 3.8 percent). The CBK expectations for this quarterly increase mainly rely on dynamic changes in the external sector during the recent months of the year (the increase of export and the slowdown increase of import), but also on the increase of capital expenditures and current expenditures of the government.

Regarding consumption, the CBK projections suggest a slower increase compared to the previous quarter. New consumer loans have marked a quarterly decline of 9.9 percent in Q4 2018, while remittances marked an increase of 5.9 percent during the period of October-November 2018. Also, expectations for a slower quarterly increase of private consumption are relied also on the slowdown increase of import of consumer goods of 2.8 percent in the reporting period (3.4 percent in the previous quarter). On the other hand, current expenditures of the government, which marked an increase of 10.2 percent, are expected to mitigate the negative effects of the slowdown of private consumption in the overall consumption. Indirect indicators of private investments show positive signals in the Q4 2018. Import of capital goods and new investment loans have marked an increase of around 20 percent each. Also, the number of new businesses versus the closed ones, has marked a growth of 31.4 percent, in Q4 2018.

According to the CBK projections, economic activity in 2019 will mark a slight improvement compared to 2018, reaching the rate of 4.2 percent (4.0 percent in 2018). This slight improvement is mainly attributable to the expectations of decreasing the negative contribution of net exports in the economic activity, but also to the strengthened fiscal incentive and the increase of lending and remittances, which are expected to continue to be sustainable sources for financing the economic activity.

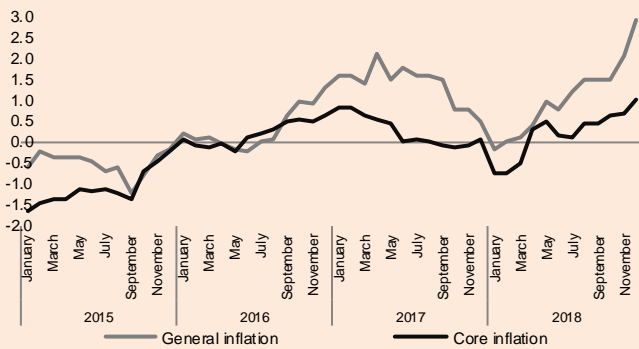
### Prices

Consumer price index has reached the rate of 1.1 percent in 2018. The first half of 2018 was



characterized with a slowdown increase (0.3 percent), whereas in the second half it was marked a higher price increase. Only in Q4 2018, the average inflation rate was 2.2 percent (figure 8).

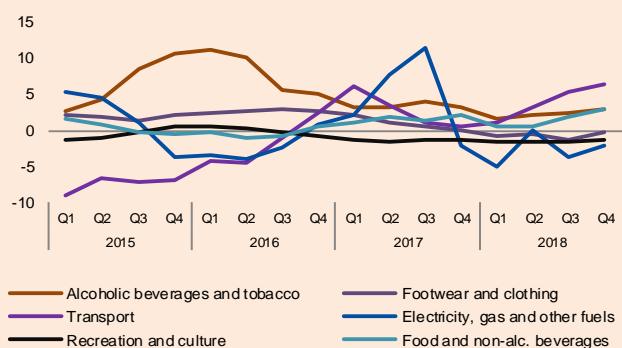
**Figure 8. General inflation and core inflation, annual change in percent**



Source: KAS and CBK calculations (2019)

Regarding the CPI components, in Q4 2018, with an increase were characterized prices of transport (6.3 percent), followed by prices of foodstuff (3.7 percent), prices of alcoholic beverages and tobacco (3.0 percent), and prices of restaurants and hotels (2.4 percent). Conversely, a price decline was marked by electricity, gas and other fuels (4.7 percent), prices of recreation and culture (1.2 percent), prices of communication means (0.5 percent), prices of footwear and clothing (0.2 percent), etc. (figure 9).

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

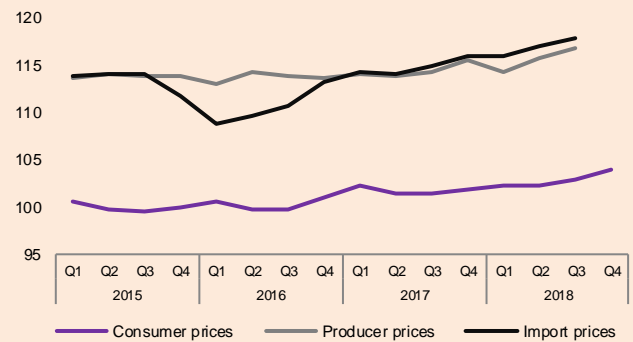


Source: KAS (2019)

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).

In Q4 2018, core inflation stood at 0.8 percent, which resulted to be lower for 1.4 percentage points than the general inflation.

**Figure 10. Consumer, producer and import price indices**



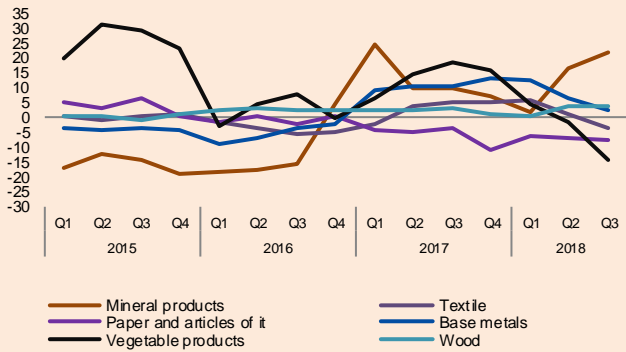
Source: KAS (2019)

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 in the Q3 2018 marked an increase of 2.5 percent (figure 10).

In Q3 2018, prices of mineral products and base metals, which comprise the main categories within import price indices, marked a higher increase (21.9, and 2.2 percent, respectively), while prices of vegetable products and prices of paper and articles thereof marked a more significant price decline (14.2 percent and 7.3 percent, respectively) (figure 11).

In Q3 2018, producer price index was characterized with an annual increase of 2.3 percent.

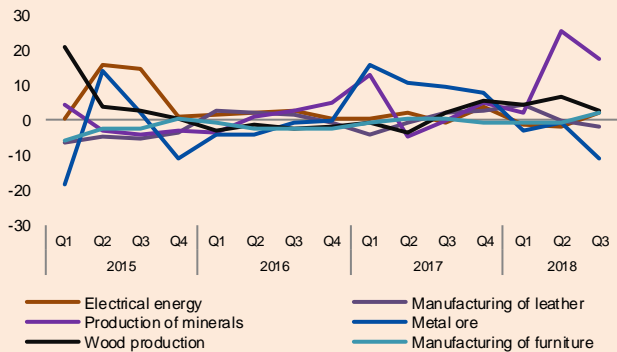
Figure 11. Import price movements, annual change in percent



Source: KAS (2019)

The highest price increase was marked by metals production and wood manufacturing (18.0 percent and 2.9 percent, respectively), while with a price decline were characterized extracting of iron ore and manufacturing of leather (11.1 percent, and 1.9 percent, respectively) (figure 12).

Figure 12. Producer price movements, annual change in percent



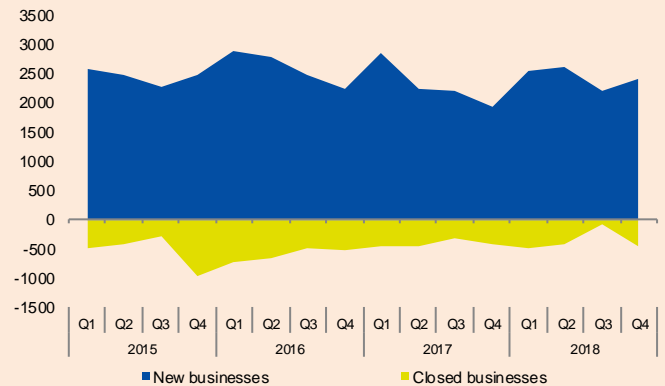
Source: KAS (2019)

### 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, in 2018 were registered 9,805 new enterprises or 6.3 percent more compared to 2017. Also, the number of closed

enterprises was smaller, which dropped to 1,426 or 12.1 percent lower compared to the same period of 2017. Only in Q4 2018, 2,401 new enterprises were registered or 25.0 percent more compared to Q4 2017, whereas 444 enterprises were closed or 2.8 percent more than in Q4 2017 (figure 13).

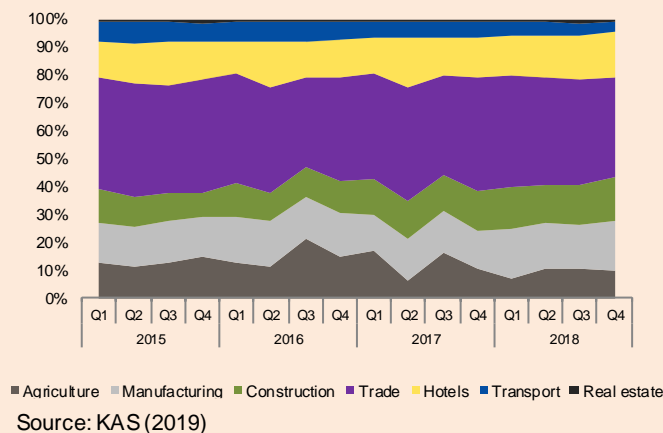
Figure 13. Business registry, non-commulative



Source: KAS (2019)

The largest number of new registered enterprises continued to be concentrated in trade sector with 2,525 new enterprises, followed by manufacturing sector with 1,109 enterprises, hotels with 988 enterprises and construction with 959 enterprises (figure 14). Compared to the first quarter of 2017, in most of the sectors it was marked a lower number of registered enterprises. In the producer sector were registered 219 more enterprises, in construction sector 120 more enterprises, in trade sector 63 more enterprises were registered, etc. Whereas, sectors which marked a lower number of registered enterprises were the agriculture sector (196 fewer enterprises), transport (38 fewer enterprises), financial activities (26 fewer enterprises), etc.

Figure 14. Structure of new enterprises



### Fiscal Sector

Budget revenues<sup>2</sup> until November 2018 reached a net value of EUR 1.60 billion, representing an annual increase around 4.4 percent. 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 observed a higher increase of direct taxes which reached the value of EUR 249.3 million (an increase of 11.8 percent), while indirect tax income marked an annual increase of 2.9 percent and reached the value of EUR 1.2 billion. Non-tax revenues marked an increase of 0.9 percent and reached the value of EUR 174.2 million.

Whereas, budget expenditures<sup>3</sup> reached a value of EUR 1.66 billion, representing an annual increase of 13.0 percent. During this period all categories of budget expenditures were characterized with an increase. Government expenditures on wages and salaries marked an increase of 7.6 percent and reached a value of EUR 540.0 million. Government expenditures on

goods and services (including also the municipal utilities) marked an increase of 17.2 percent and reached a value of EUR 203.7 million. Subsidies and transfers increased by of 13.0 percent and reached the value of EUR 499.6 million. Capital investments, which represent around 25.5 percent of total budget expenditures, marked an increase of 18.6 percent and reached the value of EUR 422.0 million. Consequently, as a result of the higher increase of budget expenditures compared to revenues, Kosovo's budget registered a primary deficit of EUR 57.2 million compared to the surplus of EUR 65.9 million in the same period of 2017, while as a percentage to GDP, primary deficit was 0.8 percent.

Public debt, at the end of 2018 reached EUR 1.1 billion which is for 9.7 percent higher than the public debt marked in 2017. As a percentage to GDP, public debt reached 17.1 percent from 16.2 percent as it was in 2017. This increase of public debt in Kosovo is attributed to the growth of domestic debt of 17.8 percent (which reached EUR 676.6 million), while public external debt marked a decline of 1.4 percent, reaching EUR 416.1 million. The share of public external debt to total public debt decreased to 38.1 percent from 42.4 percent as it was in 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 59.1 percent.

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

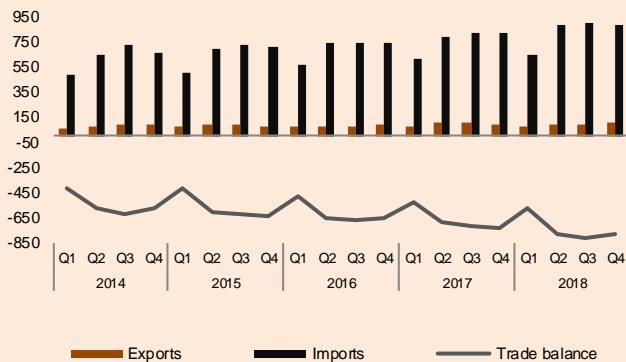
<sup>3</sup> Within budget expenditures are not included debt payments, membership payments at International Financial Organizations (IFO), and returns from deposit funds.

**External Sector**

Only in the fourth quarter of 2018, the current account deficit amounted to EUR 255.6 million which is for 31.2 percent lower compared to Q4 2017. As a percentage to GDP, current account deficit was estimated to have reached 14.5 percent, from 11.7 percent as it was in Q4 2017. This increase of current account deficit is attributable to goods deficit increase and the decline of the surplus of services and of primary income, whereas the balance of secondary income marked an increase.

The deficit in goods account<sup>4</sup> reached EUR 784.3 million in Q4 2018, representing an annual increase of 6.5 percent. As a percentage to GDP, current account deficit was estimated to have reached 44.5 percent, representing the same level as it was in Q4 2017. Since the previous quarters of 2018 were characterized with a decline of goods export, in Q4 2018 was recored a significant increase of goods export and a slowdown increase of import. This dynamic resulted in an increased coverage rate of imports by exports of 11.6 percent, from 11.3 percent in Q4 2017.

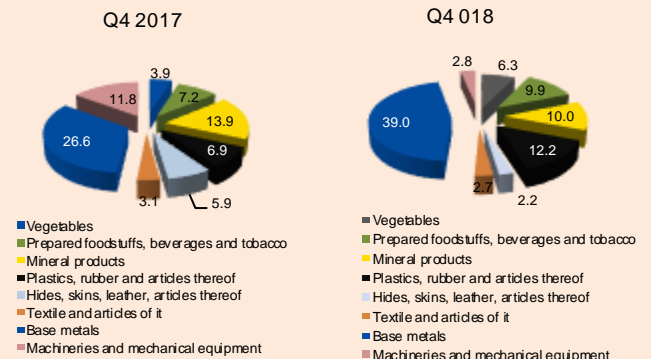
Figure 15. Export and import of goods, in millions of EUR



Source: KAS (2019)

In Q4 2018 export of goods amounted to EUR 102.5 million, which is for 9.5 percent lower compared to Q4 2017 (figure 15).

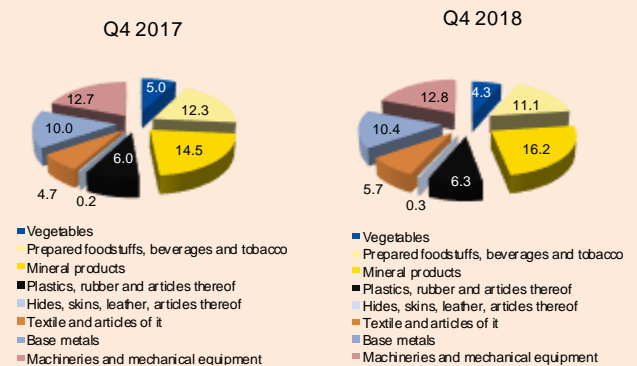
Figure 16. Structure of exports by category, in percent



Source: KAS (2019)

The increase of export of goods during this quarter was more significant in base metals, plastics, rubber and articles thereof, prepared foodstuff and vegetables. On the other hand, a decline was marked by export of machinery and mechanical equipments, mineral products, leather and articles thereof, etc. (figure 16).

Figure 17. Structure of imports by category, in percent



Source: KAS (2019)

In Q4 2018 import of goods amounted to EUR 886.8 million, which is for 6.8 percent higher compared to Q4

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

2017. A higher increase was marked in import of mineral products, textile and articles of it, base metals, machineries and mechanical equipment, etc. (figure 17).

The balance in trade of services marked a value of EUR 71.1 million in Q4 2018, representing a decline of 4.9 percent compared to Q4 2017. The value of total exported services marked an annual increase of 9.4 percent, reaching EUR 219.7 million, while the value of imported services marked an increase of 18.0 percent, reaching a value of EUR 148.6 million.

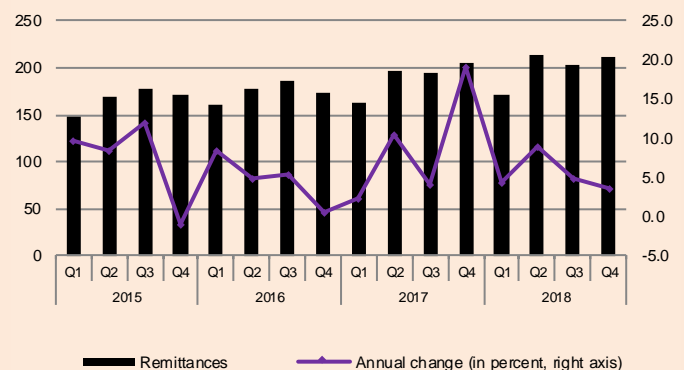
Within export of services, other business services marked the highest increase of 23.8 percent, while travel services, which comprise the main category of export (54.3 percent of total export of services in Q4 2018), marked a decline of 3.8 percent. Also in import of services, other business services marked a higher increase (47.2 percent), followed by pension and insurance services (21.0 percent), while travel services and maintenance and repair services marked a decline (3.4 percent and 0.4 percent, respectively).

The balance of the primary income account reached the value of EUR 50.1 million, in Q4 2018, representing a decline of 34.3 percent. At the same time, the balance of secondary income marked an increase of 2.1 percent, which is mainly attributable to the higher level of remittances. Remittances received in Kosovo, which represent the main category within the secondary income account marked a value of EUR 212.5 million in Q4 2018, or 3.6 percent higher compared to Q4 2017 percent.

Remittances received in Kosovo mainly come from Germany and Switzerland, which represent the

countries with a share of 39.9 and 21.3 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.

**Figure 18. Remittances, in millions of EUR**



Source: CBK (2019)

Financial account marked a balance of EUR -149.7 million in Q4 2018 (EUR -70.6 million in Q4 2017).

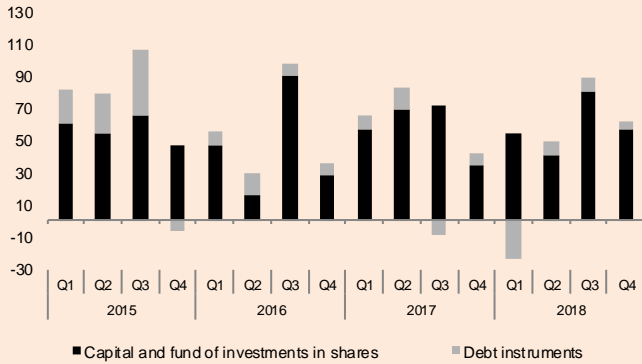
Liabilities and assets, as well, marked a significant lower level compared to Q4 2017. Liabilities reached the value of EUR 21.3 million or 76.9 percent less compared to Q4 2017, whereas assets reached the value of EUR -128.4 million (EUR 21.8 million in Q4 2017).

Within liabilities, the main category is comprised by Foreign Direct Investments (FDI), which reached the value of EUR 61.9 million marking an annual increase of 46.4 percent compared to Q4 2017.

Within FDI structure, capital and investments fund in shares, reached the value of EUR 57.8 million marking an increase of 68.8 percent, while FDI in the form of debt instruments reached the value of EUR 4.1 million representing the half of the amount compared to Q4 2017 (figure 19).

The higher level of FDI was marked in the real estate sector (EUR 40.7 million), albeit comparing the Q4 2017 it marked a decline of 9.0 percent.

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



Source: CBK (2019)

The second sector by importance was financial services sector, where the FDI level amounted to EUR 19.5 million or 1.1 percent more compared to Q4 2017. Regarding the origin of FDI, Germany represents the country from where came the majority of FDI in Q4 2018 (EUR 20.8 million), followed by Switzerland with EUR 18.8 million, Albania with 10.7 million, etc.

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CBK (2019): Quarterly Assessments of Macroeconomic Developments No. 25, Q4 2018, Central Bank of the Republic of Kosovo, Prishtina

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## Macroeconomic selected indicators

Description	2017	2018
Real sector 1/		
Gross Domestic Product (GDP) (in millions of EUR)	6,413.8	6,739.0
Consumer prices (annual average)	1.5%	1.1%
Consumer prices (end of period)	0.5%	2.9%
Fiscal Sector* 2/		
Budget Revenues (in millions of EUR)	1,530.4	1,598.1
Budget Expenditures (in millions of EUR)	1,464.5	1,655.3
Primary balance (in millions of EUR)	65.9	-57.2
Financial sector (in millions of EUR) 3/		
Assets of financial corporations	5,907.9	6,322.9
of which : Banks	3,869.8	4,183.9
Loans	2,485.5	2,755.5
Deposits	3,094.5	3,364.6
<i>Interest Rates on Loans, end of period</i>	6.8%	6.0%
<i>Interest Rates on Loans, end of period</i>	1.3%	1.5%
Interest rate gap	5.5%	4.5%
External sector,(in millions of EUR) 3/		
Balance of payments		
Current and capital account	-395.0	-575.0
of which: remittances	689.8	731.4
Financial account	-284.3	-287.2
Foreign Direct Investments in Kosovo	255.4	231.7
Portfolio investments, net	14.7	-79.9
Other investments, net	-156.9	-104.5
International Investment Position (PNI), net*	-78.6	-113.7
Assets	4,774.8	5,001.4
Liabilities	4,853.4	5,115.1
External debt, total*	2,069.2	2,089.5
Private external debt	1,570.7	1,594.7
Public external debt	498.5	494.8

Source:

1/ KAS (2019), GDP for 2018 is the CBK estimate;

2/ MF (2019);

3/ CBK (2019).

\*Data for the fiscal sector are until November, whereas for IIP and external debt are until September.

