

Summary

Ongoing supply disruptions as well as the new wave of infections had an impact on the economic activity in the euro area which recorded a slow growth of 3.7%, in Q3 2021. However, in September 2021, the ECB revised its economic growth projections to 5.0% for 2021, from 4.6% as it was in June 2021. Countries in the region recorded high growth of economic activity, in Q3 2021, with an average of 11.6%, while the IMF forecasts for 2021 suggest an increase in economic activity of 5.3% for the countries of the region.

Kosovo's economy is estimated to have recovered the economic activity in 2021 as a result of the easing of restrictive measures. According to KAS estimates, real GDP has increased by 12.1% until September 2021, where only in Q3 2021, it was marked an increase of 14.5%. The growth of the economic activity is estimated to have continued in Q4 2021, being supported by the growth of exports of goods and services, the increase of remittances, of FDI, etc.

Consumer prices have increased by 4.3% in Q3 2021, mainly driven by temporary internal and external factors attributable to the recovery effect of the pandemic crisis. The increase of the economic activity in the reporting period was accompanied by an improvement of the budget revenues performance. Budget revenues, in Q3 2021, marked an increase of 38.2%, while budget expenditures marked a decline of 8.3%, making the Kosovo budget record a primary surplus of EUR 132.5 million. Public debt has continued with a double-digit

annual growth of 23.4%, reaching the value of EUR 1.66 billion, while as a percentage of GDP, it has reached 23.0%, in Q3 2021.

In the external sector of the economy, the current account recorded a positive balance of euro 148.3 million in Q3 2021, as a result of the increase in the positive balance of services and secondary income, while the balance of goods and primary income deteriorated. The balance of services reached EUR 668.0 million from EUR 146.5 million in Q3 2020, while the trade deficit of goods reached the level of EUR 1.1 billion - an increase of 45.2% compared to Q3 2020. Export of goods has marked an increase of 65.7%, whereas import of goods increased by 48.0%. Within the balance of payments, a considerable increase was marked also by remittances (17.1%), and FDI (106.1%), in Q3 2021.

The financial system during this period expanded at an accelerated pace as a result of the positive performance of the banking and pension sector. The positive contribution of other sectors to this growth was limited due to their low weight in the total assets of the financial system. Assets of financial system reached the value of EUR 8.6 billion, in Q3 2021. In the banking sector, the activity was supported by the growth of lending and deposits, while the growth recorded in the pension sector was attributed to the significant positive return on investments and contributions received from the contributors.

CONTENTS

Summary	i
Euro area and Western Balkans	6
Kosovo's Economy	7
Real Sector	7
Prices	8
Fiscal Sector	8
External Sector	9
Financial System	12
1.0. Banking Sector	13
1.1. Balance sheet - Assets	13
Performance of the Banking Sector	18
Pension sector	21
Insurance sector	23
Performance of the insurance sector	24
Microfinance sector	24
Assets	25
Performance of the microfinance sector	27
Securities market	28

CHARTS AND TABLES

Chart 1. GDP growth rate and inflation rate in euro area	06
Chart 2. Real GDP growth rate and main contributors to the growth	07
Chart 3. Headline inflation	08
Chart 4. Current account deficit and its components	09
Chart 5. Export and import of goods	10
Chart 6. Main categories of goods export	10
Chart 7. Main categories of goods import	11
Chart 8. Remittances	11
Chart 9. Structure of foreign direct investments	12
Chart 10. Assets value of Kosovo's financial system	12
Chart 11. Concentration of financial system assets	12
Chart 12. Balance sheet of the banking sector	13
Chart 13. Stock of total loans	14
Chart 14. New loans	14
Chart 15. Share in total loans to nonfinancial corporations	14
Chart 16. Annual change on loans to nonfinancial corporations	15
Chart 17. Balance sheet of the banking sector	15
Chart 18. Stock of total deposits	15
Chart 19. Contribution to annual growth of total deposits	16
Chart 20. New deposits	16
Chart 21. Deposits structure by main categories	16
Chart 22. Interest rate on loans and deposits	17
Chart 23. Interest rates on loans to nonfinancial corporations	17
Chart 24. Interest rates on loans to households	17
Chart 25. Interest rates on deposits	18
Chart 26. Profit and profitability indicators of the banking sector	18
Chart 27. Nonperforming loans and loan loss provisions	19
Chart 28. Solvency indicators	19
Chart 29. Liquidity indicators	19
Chart 30. Assets of the pension sector	21
Chart 31. Structure of KPST assets	22
Chart 32. Structure of SKPF assets	22
Chart 33. Return on investments and KPST performance	23
Chart 34. Assets of insurance sector	24
Chart 35. Written premiums and claims paid	24
Chart 36. Assets of the microfinance sector	25
Chart 37. Value of loans to households and to nonfinancial corporations	25
Chart 38. Value of loans to nonfinancial corporations, by economic sectors	26

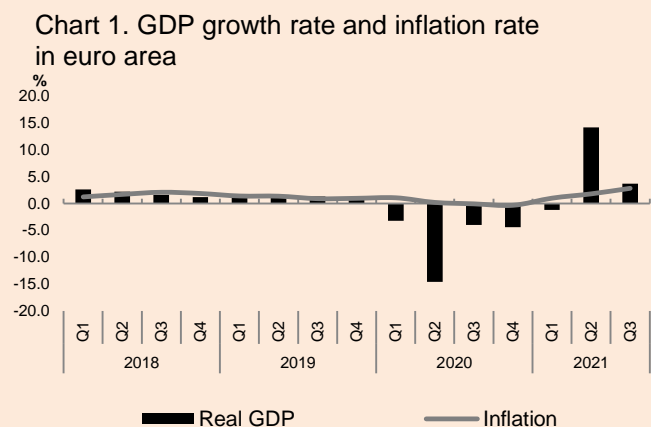
Chart 39. Value of microfinance sector leasing -----	26
Chart 40. Average interest rate on microfinance sector loans -----	26
Chart 41. Average interest rate on loans to enterprises, by economic sectors -----	27
Chart 42. Microfinance sector income and expenses-----	27
Chart 43. Profitability indicators of microfinance sector -----	28
Chart 44. Indicators of loans portfolio quality -----	28
Chart 45. Amount and maturity of issued debt -----	28
Chart 46. Bid to cover ratio-----	29
Chart 47. Structure of Government securities -----	29
Table 1. Contribution of specific categories to headline inflation-----	08
Table 2. Macroeconomic selected indicators -----	31

ABBREVIATIONS

CBK	Central Bank of the Republic of Kosovo
CPI	Consumer Price Index
ECB	European Central Bank
EUR	Euro currency
FDI	Foreign Direct Investments
GDP	Gross Domestic Product
IMF	International Monetary Fund
IPI	Import Price Index
KAS	Kosovo Agency of Statistics
MFLT	Ministry of Finance, Labor and Transfers of the Republic of Kosovo
WEO	World Economic Outlook

Euro area and Western Balkans

The euro area economy was characterized by a recovery in activity, despite of the still high uncertainties about the pandemic dynamics and accompanying obstacles of the health crisis. The easing of containment measures, fiscal stimulus packages as well as the improvement of external demand were reflected in an annual increase of 14.2% in the second quarter of 2021. Estimates for the growth of economic activity in the third quarter have decreased slightly due to ongoing supply disruptions and the new wave of infections with the so-called “Delta” variant of the corona virus, representing factors that were reflected in slower economic growth of 3.7% (chart 1). For 2021, the ECB’s projection for real GDP growth has been revised by 0.4 percentage points, from 4.6% as it was in June 2021 to 5.0% in September 2021.



The average inflation rate, in Q3 2021, was 2.9%. The rise in prices in the euro area, in addition to the increase in demand, was also attributed to temporary pandemic-related factors, such as rising input costs as a result of supply disruptions and the cost increase of energy. Taking into account the current dynamic

assessments and outlook of inflation, which are unanimously considered by central banks to be of a temporary nature, the Governing Council of the ECB decided to keep the monetary policy unchanged, while favorable financing conditions to be maintained with a lower rate of asset purchases under the Pandemic Asset Purchase Program compared to the two previous quarters. For 2021, the ECB has projected an average inflation rate of 2.2%, a rate that is expected to normalize in the next two years to 1.7% and 1.5%, respectively, in 2022 and 2023.

Lending and depositing activities in euro area has continued to be characterized with a slower increase compared to the previous year. Loans to enterprises marked an increase of 1.6% in Q3 2021, while loans to households increased by 4.3%. On the other hand, enterprise deposits increased by 6.5%, while household deposits marked an increase of 6.2%.

Also, the Western Balkan countries marked an economic recovery after being affected by the Covid-19 pandemics. In Q3 2021, the economic activity in these countries was characterized with an average increase of 11.6%. All countries recorded an increase in economic activity, while the highest growth was recorded in Montenegro (25.8%) and Kosovo (14.5%). IMF forecasts suggest an increase of the economic activity in the region with an average of 5.3%, for the year of 2021.

An increase of inflation rate was reported also in the Western Balkan countries, as a result of the growth of the domestic demand and the increase of prices in international markets. The average inflation rate, in Q3 2021, was 3.7%, where Kosovo and Serbia recorded

the highest inflation growth rate of 4.4% and 4.3%, respectively, while Albania recorded the lowest rate (2.4%).

Western Balkans recorded an increase of the lending activity of 8.2%. The highest growth rate was recorded in Kosovo (12.2%), followed by Montenegro (9.0%), Albania (7.0%), Serbia and North Macedonia (6.4% each). Deposits marked an average increase of 13.2%, representing the highest growth rate in the recent years. In terms of deposits, the highest growth rate was recorded in Montenegro and Kosovo (20.9% and 15.1%, respectively), followed by Serbia (11.9%), Albania (9.9%) and Northern Macedonia (8.3%).

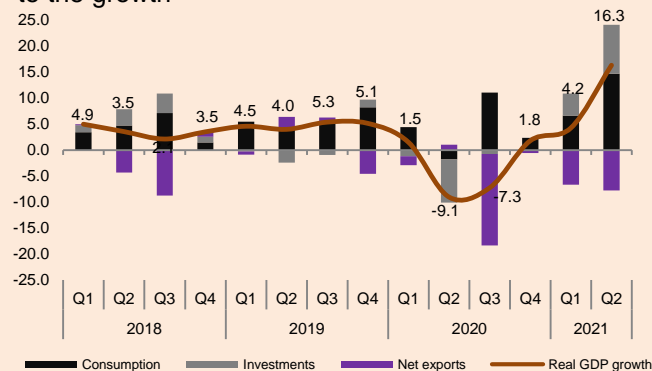
During Q3 2021, EUR appreciated against the Turkish lira (18.9%), the US dollar (0.8%), and the Swiss franc (0.7%), while it depreciated against the British pound (5.5%), the Albanian lek (1.7%), Croatian kuna (0.4%), etc.

Kosovo's Economy

Real Sector

As a result of the ease of containment measures for protecting the public health, economic activity has been characterized with a recovery during 2021. According to KAS estimates, real GDP has increased by 12.1% until September 2021, where only in Q3 2021, it marked an increase of 14.5%. Net exports contributed positively by 12.8 percentage points, while consumption and investments contributed positively by 1.7 and 0.1 percentage points, respectively, to the real GDP growth in Q3 2021 (chart 2).

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



Source: KAS and CBK calculations.

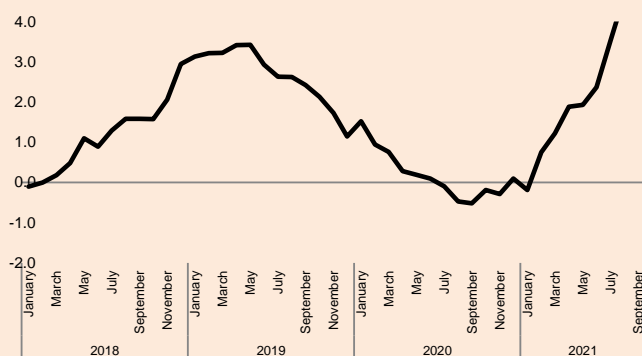
According to KAS, the highest increase of GDP, in Q3 2021, was marked in the sector of hotels and restaurants (95.5%), transport and storage (33.3%), trade (29.1%), etc. Conversely, in the sectors of supply with electricity and construction it was marked a decline of 24.7% and 4.1%, respectively.

Estimates of the CBK suggest that the accelerated increasing trend of the economic activity has continued also in Q4 2021. These estimates are based on direct or indirect indicators which show an increase of export of goods and services in the reporting period, the increase of remittances, FDI, etc. On the other side, the considerable high increase of goods and services import has contributed negatively to the real GDP growth rate, in the reporting period.

Prices

The recovery of the economic activity as well as the increase of prices in foreign markets are reflected in an increase of prices also in Kosovo. In Q3 2021, it was marked an average inflation rate of 4.3% (chart 3).

Chart 3. Headline inflation, annual change in percent



Source: KAS and CBK calculations.

The increasing trend is expected to continue also in the following months, where according to the CBK forecasts, the average inflation rate for 2021, is expected to be 3.2%.

Table 1. Contribution of specific categories to headline inflation, in Q3 2021

Description	Weight 2021	Inflation rate	Contribution
<i>Total</i>	100.0%	4.3	4.3
Food and non-alc. beverages	39.9%	3.1	1.3
Alcoholic beverages and tobacco	6.4%	3.3	0.2
Footwear and clothing	4.2%	-0.6	0.0
Housing, water, electricity	7.8%	2.4	0.2
Furnishing	7.7%	1.7	0.1
Health	2.1%	0.5	0.0
Transport	15.8%	11.0	1.6
Communication	3.3%	16.3	0.5
Recreation and culture	4.2%	2.9	0.1
Education	1.0%	1.1	0.0
Hotels	3.1%	1.3	0.0
Goods and other services	4.6%	1.2	0.2

Source: KAS and CBK calculations

Similar to the CBK forecasts are the expectations of commercial banks as well, which stated that they expect the inflation rate to be 3.4%, in 2021.

Price increase, in Q3 2021, was marked in communication means, transport, alcoholic beverages and tobacco, food and non-alcoholic beverages, etc. Conversely, only prices of footwear and clothing marked a decline (table 1).

Fiscal Sector

Budget revenues,¹ until September 2021, marked an increase of 32.6%, while budget expenditures² marked an increase of 3.2%. Only in Q3 2021, budget revenues amounted to EUR 628.7 million, representing an annual growth of 38.2%, while budget expenditures in this quarter declined by 8.3% and reached the value of EUR 496.2 million. Consequently, Kosovo's budget recorded a primary budget surplus of EUR 132.5 million during this quarter.

The recovery of the economic activity results to have affected the considerable increase of direct tax revenues of 22.8%, in Q3 2021. Tax on personal income, as the main category of the direct tax revenues, increased by 20.5%, while tax on corporate income increased by 13.6%. With an increase of domestic demand, which has affected the growth of imports of goods, there has been marked an increase of 44.5% also in indirect tax revenues, a category that dominates budget revenues by around 77%. In Q3 2021, indirect tax revenues amounted to EUR 484.8 million, where VAT and excise as the two main categories of indirect

¹ Within budget revenues are not included receipts from financing.

² Within budget revenues are not included financing payments.

tax revenues marked a growth of 45.0% and 47.1%, respectively.

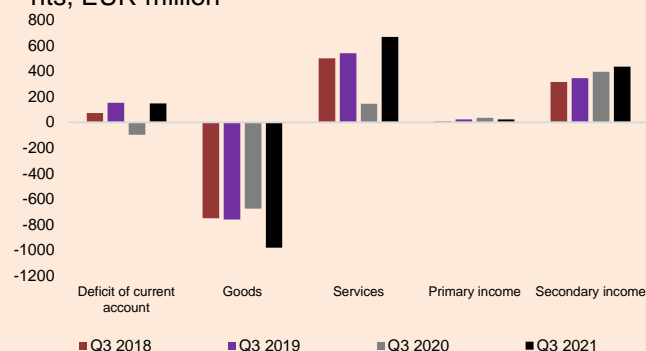
The main category which contributed to the decline of budget expenditures, during Q3 2021, was the one of capital expenditures, which marked the value of EUR 92.8 million, representing a decline of 16.9% compared to Q3 2020. Also, subsidies and transfers marked a considerable decline of 10.6%, reaching the value of EUR 176.7 million. Expenses on salaries marked a decline of 3.6%, reaching the value of EUR 158.0 million, while government expenditures on goods and services (including municipal utilities) marked a slight increase of 0.9% and reached the value of EUR 68.6 million.

Public debt, in Q3 2021, reached EUR 1.66 billion, which is for 23.4% higher than the public debt marked in Q3 2020. As a percentage to GDP, public debt reached 23.0%, from 19.9%, as it was in Q3 2020. The increase of public debt is attributed to the growth of external public debt of 39.8% (which reached EUR 569.5 million), and the increase of domestic debt of 16.2% (which reached to EUR 1.09 billion). The threshold of public debt in Kosovo is set by law at 40% of GDP, and consequently the level of 23.0% ranks Kosovo in the position of the country with the lowest level of public debt compared to the region countries. Nevertheless, this low level of public debt may quickly surge in the future as a result of the negative impact of Covid-19 pandemic in Kosovo's economy and due to the Government's plans to finance the budget deficit through the public debt.

External Sector

External sector of the economy was the main channel through which was transmitted the economic and social crises driven by the Covid-19 pandemic in Kosovo. However, by September 2021, the current account deficit has decreased by 5.3%, while in Q3 2021 has recorded a positive balance of EUR 148.3 million (EUR -97.9 million in Q3 2020) (chart 4).

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



Source: CBK.

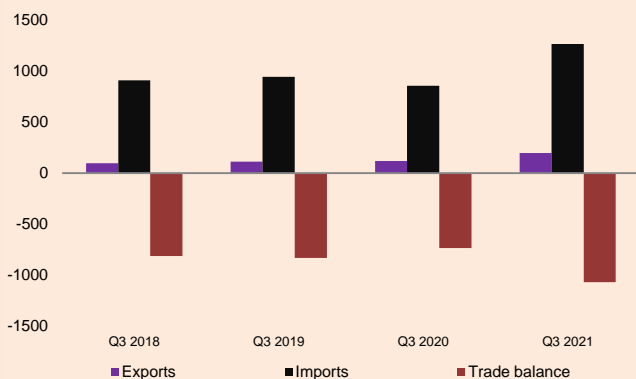
This improvement in the current account balance is attributed to the increase in the positive balance of services and secondary income, while the balance of goods and that of primary income has deteriorated.

With the easing and lifting the restrictive measures, also the trade in services has marked an accelerated increase in 2021. In Q3 2021, the balance in trade of services reached a value of EUR 668.0 million, from EUR 146.5 million as it was in Q3 2020.

The value of export of services amounted to EUR 973.9 million, from EUR 336.2 millions, as it was in Q3 2020. The highest growth was recorded in the export of travel and transport services, where as a result of the largest number of diaspora who visited Kosovo, the export of travel services only in this quarter reached the value of

EUR 864.0 million (EUR 246.3 million in Q3 2020). Also the import of services marked an increase in Q3 2021, where the value of services imported amounted to EUR 306.0 million (EUR 189.7 million, in Q3 2020). Also in terms of import, the highest increase was marked in services of travel and transport. It is worth noting that the export and import of services was higher for 18.0% and 8.0%, respectively, compared to Q3 2019.

Chart 5. Export and import of goods, EUR million



Source: KAS.

Export³ of goods, in Q3 2021, marked an increase of 65.7%, while import of goods increased by 48.0%. Despite the higher growth of exports, the significantly higher level of imports has led to an increase in the trade deficit of goods by 45.2%, reaching the level of EUR 1.1 billion (chart 5). The value of exports of goods, in Q3 2021, was EUR 196.6 million and almost all export categories marked an increase, while a higher increase compared to the same period of 2020, was marked in base metals, mineral products, plastic products, etc. (chart 6).

Chart 6. Main categories of goods export, EUR million



Source: KAS.

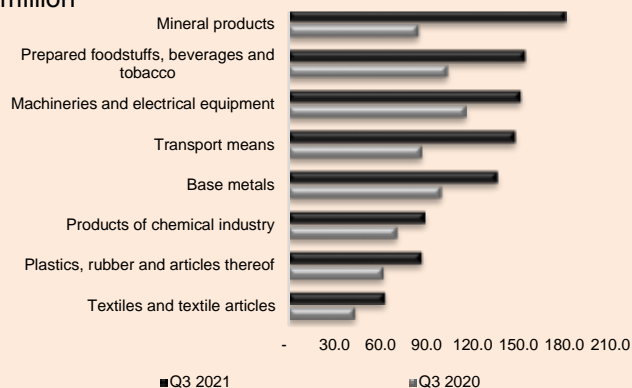
About 34% of exported goods consists of base metal products, where the changes in metal prices in international markets reflect the nominal value of exports. Base metal prices in Q3 2021 marked an increase of 46.3% and this has affected the increase of metals export by 114.1%. Also, the index of energy prices in international markets and also the index of food prices increased by 92.0% and 32.3%, respectively, while the increase in exports of minerals (it is included also the electricity) and prepared foods was 62.3% and 24.6%, respectively, in Q3 2021.

CEFTA member countries and EU countries continue to represent Kosovo's main trading partners for exports, with a share of 38.5% and 30.6% of total exports in Q3 2021. Exports to CEFTA member countries, only in Q3 2021, amounted to EUR 75.8 million, marking an increase of 50.4%, while exports of goods to EU countries was for EUR 60.2 million or 29.8% more compared to Q3 2020. Exports to USA have continued to be characterized with a high increasing trend. In Q3 2021, the share of total exports of goods to USA was 15.3% from only 6.9%, as it was in Q3 2020.

³The source of data for import and export of goods in Kosovo is Kosovo Agency of Statistics.

The value of imports of goods, in Q3 2021, was EUR 1.3 billion, representing an annual increase of 48.0%. As with the export of goods, the high growth of imports of goods, in addition to the growth of domestic demand, was affected also by the high increase of prices in international markets.

Chart 7. Main categories of goods import, EUR million



Source: KAS.

Almost all categories of imports have increased, while the highest increase has been recorded by imports of mineral products (including imports of oil products), followed by means of transport, prepared foodstuff, beverages and tobacco, base metals, etc. (chart 7).

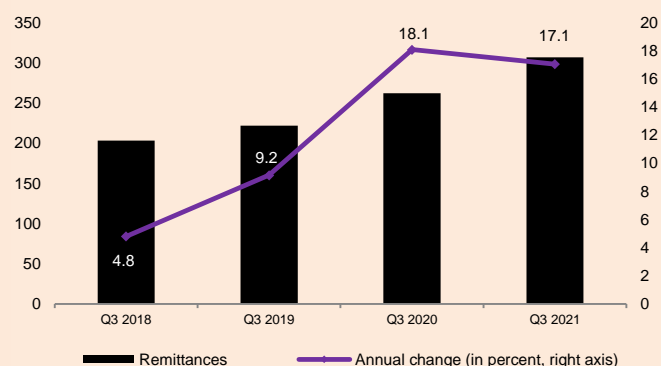
The average price of crude oil increased by 70.5% in Q3 2021, while import of mineral products, which at the same time represents one of the main categories of import of goods, increased by 114.1%.

Regarding the structure of imports by countries, EU countries and CEFTA member countries are the countries from where Kosovo imports most of the goods. In Q3 2021, Kosovo imported about 41.8% of total imports from EU countries or 39.9% more compared to Q3 2020, as well as 19.1% of total imports from CEFTA countries or 34.4% more compared to Q3 2020. A large part of import of goods was also realized

from Turkey and China. Import of goods from Turkey were about 11.7% of total imports or 34.1% more compared to Q3 2020, while imports of goods from China accounted for 9.6% of total imports of goods or 40.9% more compared to Q3 2020.

The primary income account decreased by 35.0% in Q3 2021, mainly as a result of the income from investments, while also the net income from employees compensation were characterized with a slight decrease. The balance of secondary income marked an increase of 10.3%, which is mainly attributable to the higher level of remittances. The high growth rate of remittances in 2020, despite the difficult situation created by the Covid-19 pandemic, has continued also in 2021. Only in Q3 2021, the value of remittances received was EUR 306.9 million or 17.1% more compared to Q3 2020 (chart 8).

Chart 8. Remittances, EUR million

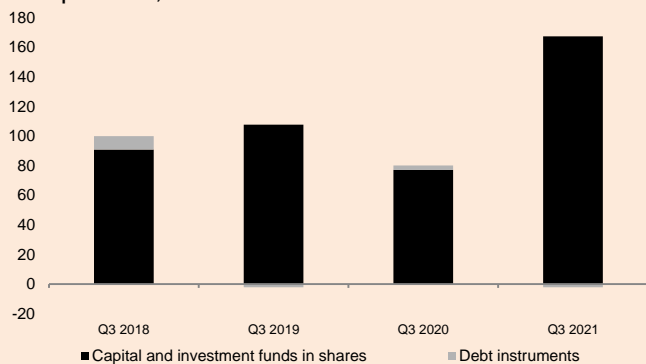


Source: CBK.

In terms of transferring channels, half of remittances (50.1%) came through money transferring agencies, which in Q3 2021 marked a decline of 20.6%. Remittances received through banks marked an increase of 31.1% and comprise 18.0% of total remittances received in Q3 2021.

As a result the opening of the borders and easing of containment measures, remittances through “informal” channel have increased, reaching the level of EUR 97.9 million only in Q3 2021 from EUR 26.5 million, as it was in Q3 2020. Remittances in Kosovo come mainly from Germany and Switzerland with 40.4% and 18.1%, respectively, of total remittances received in the first half of 2021. A considerable amount of remittances was received also from the U.S.A (7.0% of total remittances).

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



Source: CBK.

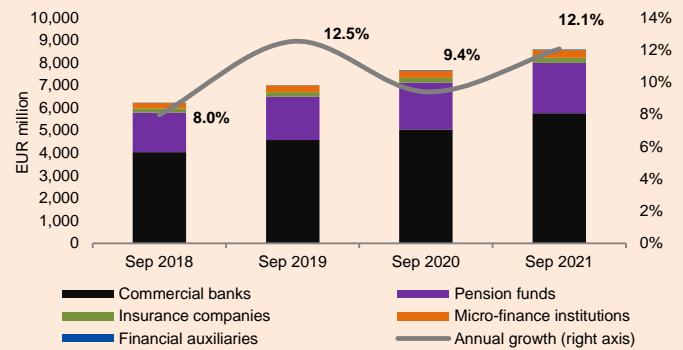
Foreign Direct Investments (FDI) reached the value of EUR 165.2 million in Q3 2021, representing an increase of 106.1%. The high increase of FDI is mainly attributable to the economic recovery, which has been translated into a higher profit realized by reinvestments. Within the structure of FDI, capital and fund of investments in shares reached EUR 167.5 million, while debt instruments marked a decline of EUR 2.3 million (chart 9).

The growth of FDI was recorded mainly in the sectors of real estate, financial and insurance activities, transport, etc., while in the sectors of manufacturing, trade, etc., there has been marked a decline of FDI.

Financial System

The financial system during this period expanded at an accelerated pace, primarily as a result of the positive performance of the banking and pension sector. The positive contribution of other sectors to this growth was limited due to their low weight in the total assets of the financial system.

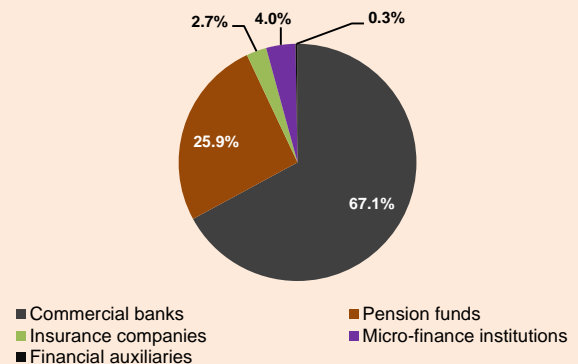
Chart 10. Assets value of Kosovo's financial system



Source: CBK.

At the end of September 2021, financial system assets reached the value of EUR 8.59 billion, representing an annual increase of 12.1% (chart 10).

Chart 11. Concentration of financial system assets, by constituent sectors



Source: CBK.

This double-digit increase was mainly attributed to the increase in the level of deposits of the banking sector, as well as the positive financial performance of pension

funds until September 2021 and new receipts from contributors.

The banking sector continues to have the main share within the financial system and is the main source of financing for businesses and households (chart 11). The pension sector represents 25.9% of the domestic financial market, followed by microfinance institutions, insurances and financial auxiliaries.

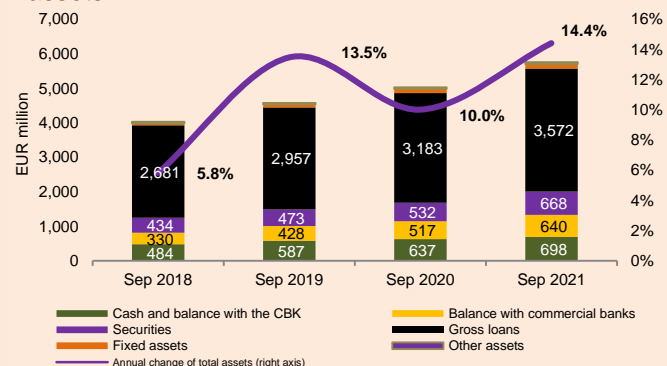
1.0. Banking Sector

Despite the increased risks due to the uncertainties caused by the Covid-19 pandemic, the banking sector has continued to maintain a high level of capitalization, liquidity and profitability, as well as high quality of loans portfolio. Lending activity continued the increasing trend it had had before the pandemic, while deposits continued to grow at a high pace.

1.1. Balance sheet - Assets

The banking sector in recent years has expanded at an accelerated pace, despite the challenges posed by Covid-19, being supported by the high level of deposits collected. In September 2021, total assets of the banking sector reached EUR 5.76 billion, representing an annual increase of 14.4 percent (chart 12). Structure of assets did not mark significant changes compared to previous periods. Loans continue to be the category with the largest share of assets (62.0%), followed by securities (11.6%), cash (12.1%), investments (deposits) held in other banks (11.1%) percent), and the remainder is comprised of other assets.

Chart 12. Balance sheet of the banking sector - assets



Source: CBK.

Investments in securities are mainly oriented towards treasury bills and domestic and foreign government bonds. However, in the last two years there has been an increase in investments in non-government securities, which have a higher risk, but also a higher return on investments. Their weight has reached 6.7% of total securities, from 2.4% as it was in September 2019. Assets held in other banks are mainly in the form of time and current accounts, which are also used to conduct international transactions of bank customers.

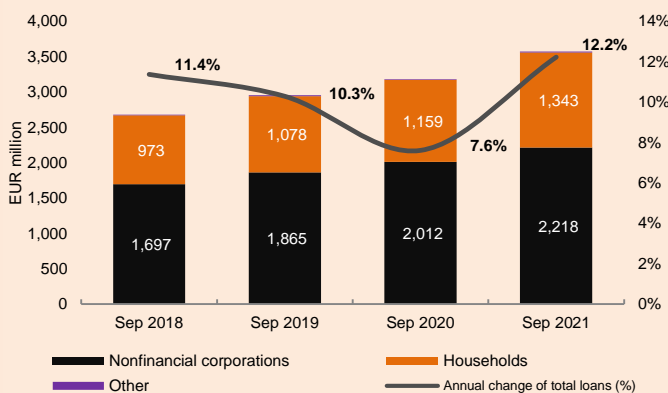
1.1.1 Lending activities

Lending activity marked an accelerated growth compared to the previous year, continuing the pre-pandemic growth trend (chart 13). In September 2021, total loans reached EUR 3.57 billion, representing an annual increase of 12.2% (7.6% in the previous period). To this growth contributed the household sector, which recorded an accelerated growth, and also the non-financial corporations, which at the same time had the main contribution to the growth of total loans.

The accelerated growth of lending to households and to enterprise sector is mainly attributed to the increase in

lending supply by banks based on positive macroeconomic prospects with the economic recovery, high level of liquidity and capital position, good quality of loan portfolio, support from KCGF and the Economic Recovery Package, etc.

Chart 13. Stock of total loans, annual change



Source: CBK.

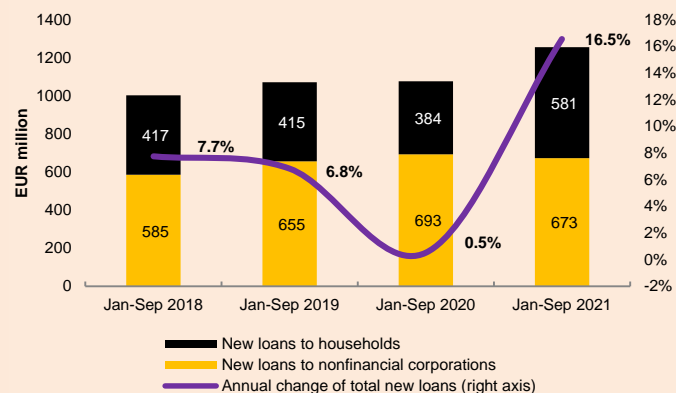
At the same time, also the demand for loans results to have been increased from both segments.

Also in terms of the performance of new loans, they offset the performance of the previous year, marking an accelerated growth during 2021 (until September) (chart 14). This was more emphasized in the household sector, towards which lending increased by 51.4% (-7.6% - until September 2020). The main increasing contribution of new loans to households continue to have those for consumption purposes, which marked an annual increase of 45.1% (-8.3% in the previous period) and have a share of 70%. Meanwhile, new mortgage loans, which have a share of 25% in total new loans to household sector, recorded the highest increase during this period with 75.8% (2.0% in the previous period).

The significant increase of mortgage loans has been influenced by the more favorable conditions offered by

banks for this category, through the low interest rate and the extension of the maturity term.

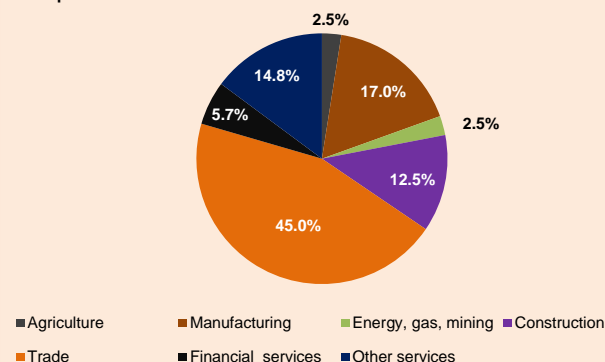
Chart 14. New loans, annual change



Source: CBK.

New loans to nonfinancial corporations, which have the largest share to total loans issued (of 53.7%), decreased by 2.8% during this period (an increase of 5.7% in the previous period). The largest impact on this decline was marked by the performance of new loans with investment purpose (decrease of 25.8%), which have the largest share in total lending to nonfinancial corporations.

Chart 15. Share in total loans to nonfinancial corporations



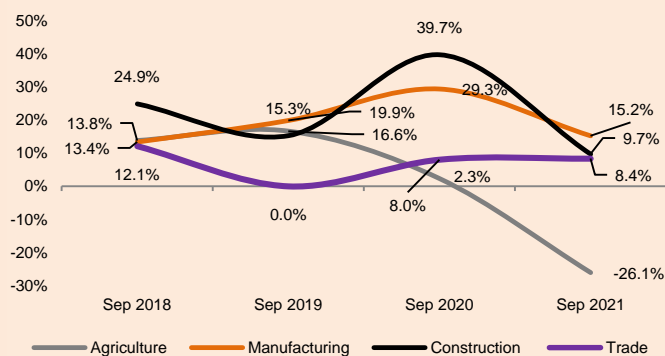
Source: CBK.

Meanwhile, new non-investment loans increased by 54.1% (a decrease of 29.1%, by September 2020).

The stock of loans to nonfinancial corporations continues to be dominated by the trade sector, followed by the manufacturing sector, while the agriculture sector continues to have the lowest share (chart 15).

Loans to the trade sector increased by 8.4% (8.0% in September 2020) and had the highest contribution to the growth of total lending to nonfinancial corporations. Whereas, lending to manufacturing sector marked the highest increase during this period. While, lending to the agriculture sector marked a considerable contraction compared to the previous period (chart 16).

Chart 16. Annual change on loans to nonfinancial corporations, by economic activity



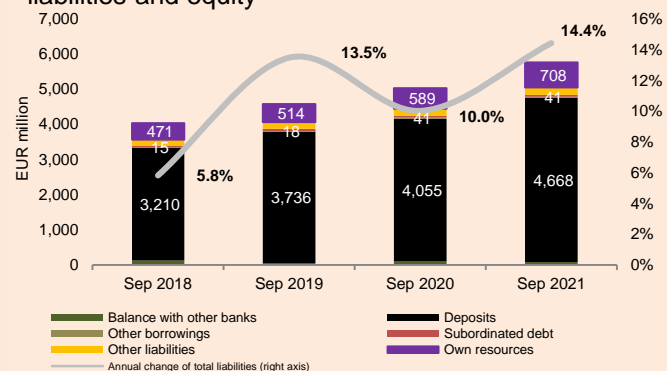
Source: CBK.

In general, by September 2021, the banking sector expanded at a faster pace, being reflected by the performance of deposits. However, lending performance of the sector reached pre-pandemic levels, and is expected to maintain it throughout the rest of the year and in the next year.

1.2. Liabilities and Own Resources

The structure of liabilities and own resources of the banking sector continues to be traditional and consists mainly of deposits (81.0%), own resources (12.3%), and other liabilities.

Chart 17. Balance sheet of the banking sector - liabilities and equity



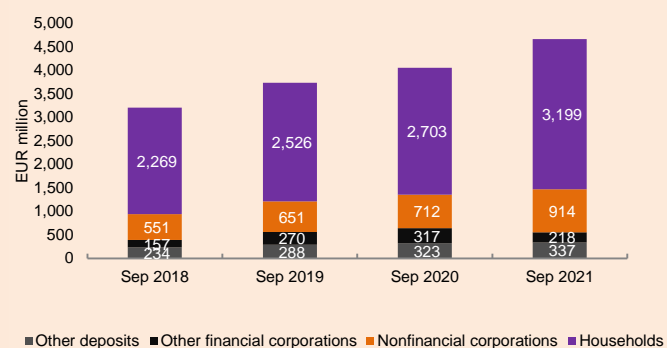
Source: CBK.

Historically, deposits have presented a safe resource of financing and of quite low cost.

1.2.1 Deposits

The value of deposits held at the banking sector reached EUR 4.67 billion at the end of September, representing an annual increase of 15.1% (charts 18 and 19).

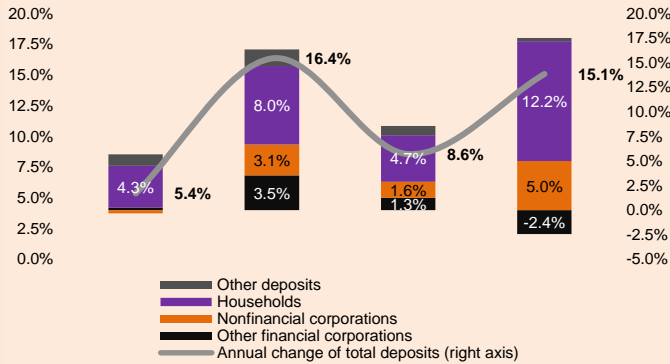
Chart 18. Stock of total deposits



Source: CBK.

Household deposits continued to have the main contribution to the total growth of deposits, followed by nonfinancial corporation deposits.

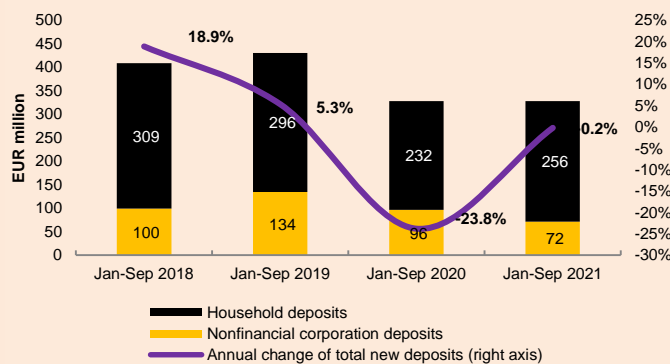
Chart 19. Contribution to annual growth of total deposits, percentage points



Source: CBK.

Other financial corporation deposits (primarily pension funds) marked an increase, mainly as a consequence of reallocation of assets in the external sector.

Chart 20. New deposits, annual change



Source: CBK.

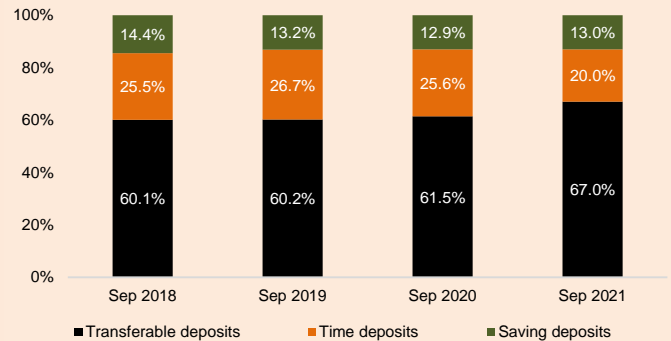
Household deposits, which represent around 68.5% of total deposits, marked an annual increase of 18.3% in September 2021 (7.0% in September 2020), mainly as a result of the higher probability of savings during uncertain time against expenditures, and due to the higher visits from diaspora and remittances received.

Also the level of deposits held in the banking sector by nonfinancial corporations increased during this period

(28.4%), which may reflect, to some extent, the uncertainty of some businesses to invest in capital investments, especially those whose turnover of their business may be negatively affected by the potential closure of the economy or by tightening of the containment measures. By September 2021, the value of new deposits collected⁴ amounted to EUR 327.8 million, which is for 0.2% lower than in the same period of the previous year (chart 20).

The low value of new deposits collected in the recent years reflects the low level of interest rates on time deposits⁵, the structure of which in recent years has contracted against the growth of transferable deposits (chart 21).

Chart 21. Deposits structure by main categories, quarterly change



Source: CBK.

The low level of interest rates on deposits reflects the high liquidity in the banking sector.

New deposits collected from nonfinancial corporations (time deposits) during this period decreased by 25.7%, reaching the value of EUR 71.6 million at the end of the period. Whereas, new deposits collected from households (time deposits), until September 2021

⁴ New deposits include time deposits.

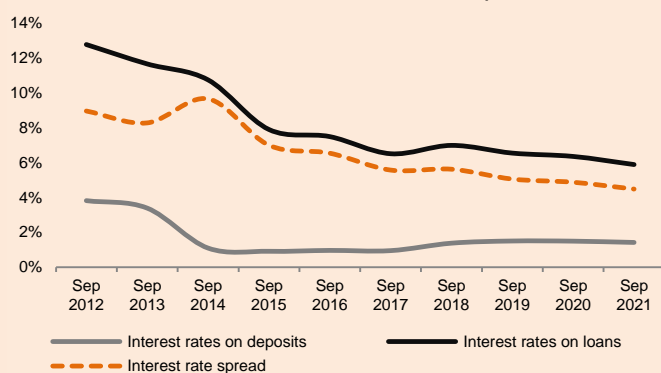
⁵ The average interest rate on time deposits of the banking sector during January - September 2021 was 1.4%.

reached the value of EUR 256.1 million, representing an annual increase of 10.4%.

1.3. Interest rates

Interest rates on loans have marked a gradual decline over the years, thus reaching at an proximate level of the region countries. However, the average interest rate on deposits has remained almost unchanged in recent years, which mainly reflected the high level of liquidity of banks. In September 2021, the interest rate on loans was 5.9% and on deposits at 1.4%, narrowing the interest rate spread of loans and deposits at 4.5 percentage points (chart 22).

Chart 22. Interest rate on loans and deposits

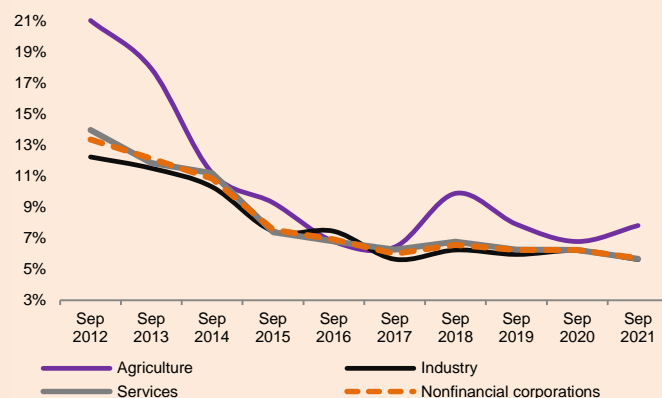


Source: CBK.

1.3.1 Interest rates on loans

Interest rates on loans to nonfinancial corporations, to some extent, are more favorable compared to interest rates on loans to households (chart 23). In September 2021, interest rates on loans to nonfinancial corporations stood at 5.7% (6.2% in September 2020) (chart 23).

Chart 23. Interest rate on loans to nonfinancial corporations

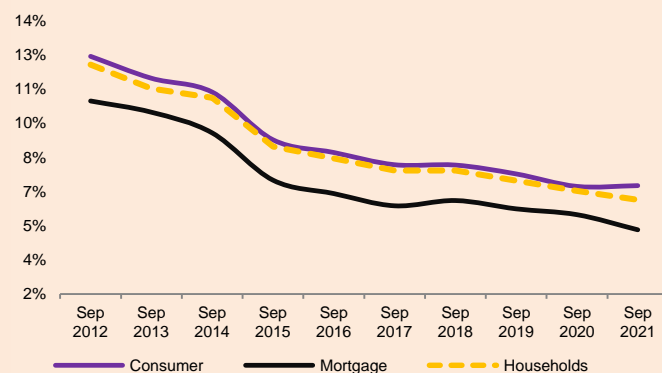


Source: CBK.

Interest rate on loans to services and industry sectors are more favorable compared to loans to agriculture sector.

Higher interest rates on loans to the agriculture sector are a result of the higher risk that this sector bears, although in the recent years there has been a decrease in the cost of financing of this sector (chart 23).

Chart 24. Interest rate on loans to households



Source: CBK.

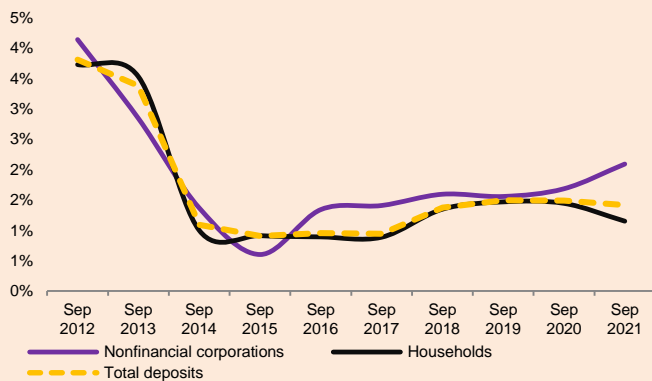
Interest rates on loans to households continued with a declining trend, albeit with a slower pace. Interest rates on this segment stood at 6.1%, in September 2021. A more favorable interest rate was marked by mortgage loans - reflecting the high increase of new mortgage loans during 2021. While, interest rates on

consumer credit were higher than the segment's average, albeit compared to previous periods, there has been marked a significant decline (chart 24).

1.3.2 Interest rates on deposits

Interest rates on deposits continue to remain low, with more favorable rates for nonfinancial corporations (2.1%) compared to those for households (1.2%) (chart 25).

Chart 25. Interest rates on deposits



Source: CBK.

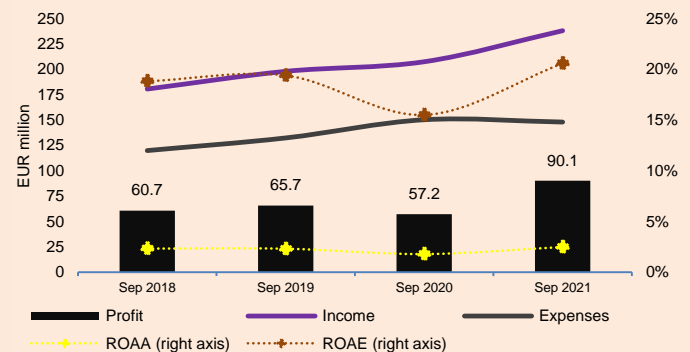
Performance of the Banking Sector

The banking sector, until September 2021, realized a profit with a value of EUR 90.1 million, which is for EUR 32.9 million higher compared to the statement as of end-September 2020 (chart 26). The highest profit realized in this period reflects the performance of income (which increased by 14.8%) and expenditures (which decreased by 1.5%).

Within income, interest income is the category with the largest share (69.9%) and marked an annual increase of 5.1%, an increase mainly attributed to interest income on loans. Non-interest income, which have the lowest share in total income of the sector (27.0%) had

the highest contribution to the growth of sector's income, as they increased by 37.3%. The subcategory which marked the highest increase was the one of fees and commissions, reflecting the cost increase of banking services.

Chart 26. Profit and profitability indicators of the banking sector



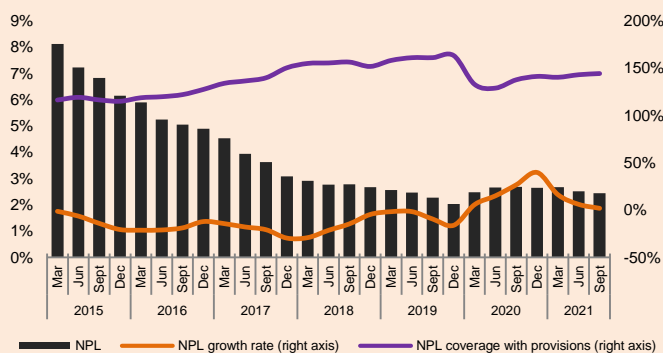
Source: CBK.

Within expenditures, the category of general and administrative expenditures that has the largest share in total expenditures (58.4%) marked an annual increase of 8.1% during this period. Whereas, the second category with the largest share, that of non-interest expenses (22.0%) marked an annual decrease of 13.2% as a result of the decrease of expenses of loan loss provisions. This subcategory had also the highest contribution to the decline of total expenses in this year. The category of interest expenses represents only 12.6% of total expenses and marked an annual increase of 4.6% during this period as a result of the increase in other interest expenses.

Financial Soundness Indicators

The banking sector has inherited from previous years a high level of capitalization, liquidity and high quality of loans portfolio.

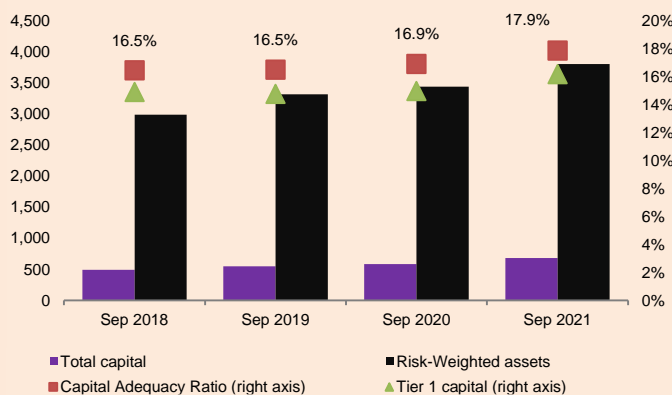
Chart 27. Nonperforming loans and loan loss provisions



Source: CBK.

This has had an impact that even during the critical period of the Covid-19 pandemic last year, the banking sector withstood this unprecedented crisis without deteriorating the loans portfolio quality of the banks and of the sector in general.

Chart 28. Solvency indicator



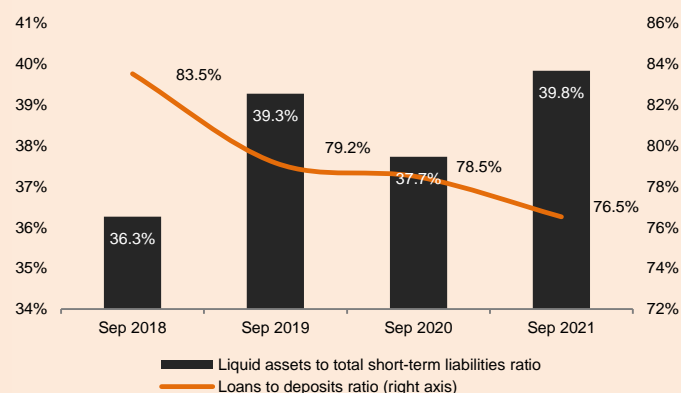
Source: CBK.

The level of nonperforming loans, in September 2021, was 2.4% and with a coverage of loan loss provisions of 144.4% (chart 27). The capital adequacy ratio stood at

17.9%, significantly above the minimum level of 12.0% as required by the regulation (chart 28).

Also, the liquidity level of the sector stood at a higher level compared to the previous period. Hence, the liquid assets to short-term liabilities ratio marked an improvement of 2.1 percentage points compared to the statement as at end-September 2020, standing at the level of 39.8% (chart 29).

Chart 29. Liquidity indicators



Source: CBK.

In general, the banking sector continues to operate in an environment with low levels of loans with problems, high liquidity and well-capitalized.

This has resulted in the sector allocating less expenses for loan loss provisions, and lower level of interest expenses.

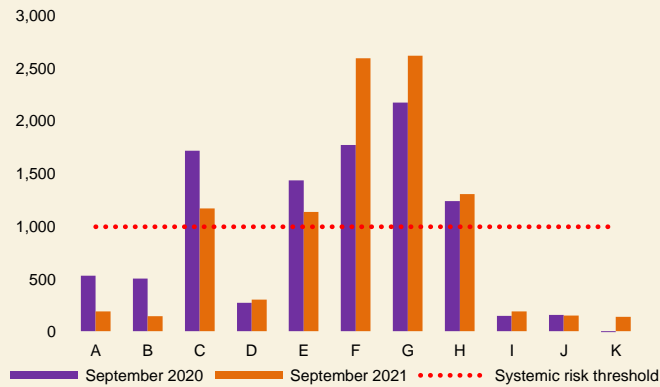
Stable interest income and increasing income from fees and commissions have increased the profit of the banking sector during this period.

Box 1.

Banks with systemic importance⁶

- Five largest banks have resulted with general systemic importance in the banking sector (chart 1).

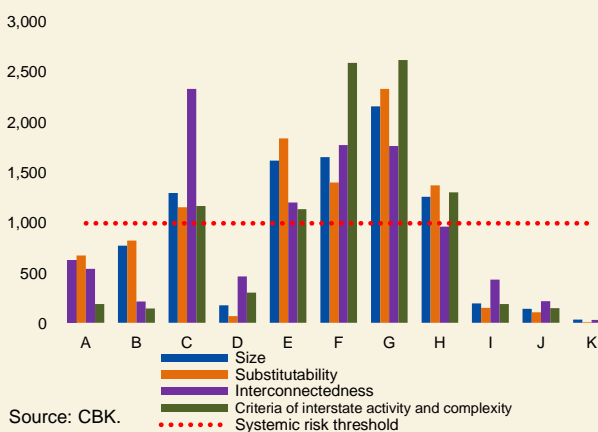
Chart 1. General scale of systemic importance



Source: CBK.

- In the specific criteria, banks of general systemic importance have turned out to be the same also in other constituent criteria (excluding that of interconnectedness) (chart 2).
- The cross-jurisdictional activity and criteria of complexity has the highest level of systemic points, due to the fact that small banks have more limited access in financing with the external sector compared to large banks. Also, only certain banks exercise this right, therefore there is a higher concentration in this criteria.

Chart 2. General scale of systemic importance, by criteria

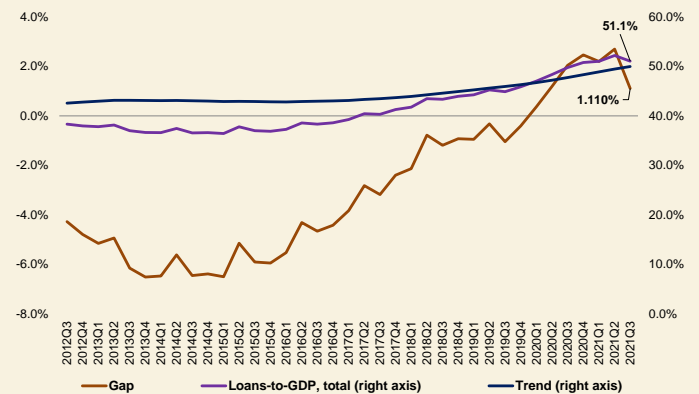


Source: CBK.

Countercyclical capital buffer⁷

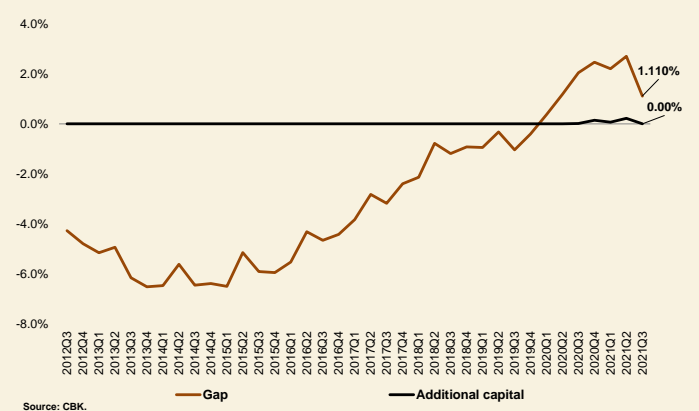
- The calculation of the required capital buffer was made in accordance to the relevant instructions given by the Basel Committee where the demand for capital buffer (as a percentage of risk-weighted assets) is zero when the gap is less than 2 percentage points, and when the gap increases within the range of the value from 2 to 10 percentage points it is required the maintenance of the capital buffer up to the maximum level of 2.5%.

Chart 3. Lending gap



Source: CBK.

Chart 4. Countercyclical capital buffer



Source: CBK.

- Whereas, with the data of September 2021, the loans/GDP gap was below the threshold of 2.0 percentage points, namely 1,110 (chart 3), meaning that the banking sector does not need capital buffer to risk weighted assets (chart 4).

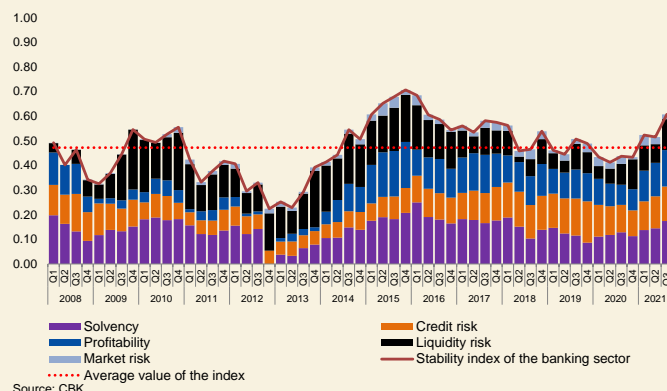
⁶For the theoretical basis and complete methodology of assessment of Banks with Systemic Importance, see the CBK working paper no. 7 "Identification of Banks with Systemic Importance and Additional Capital in Kosovo".

⁷Bank for International Settlements (2010) Guidelines for national authorities operating the counter-cyclical capital buffer, Basel Committee on Banking Supervision.

Stability index of the banking sector⁸

- The stability index of the banking sector is constructed based on the indicators used more frequently in the banking sector, to measure and assess the internal conditions of the banking sector which reflect the stability of the banking sector. The index has been constructed based on the financial indicators of the banking sector, taking the values ranging from 0 to 1, where the higher values represent a risk in decline and vice versa.
- Based on the general aggregated index of the sector's stability, at an average, it was marked a decline of the risk sensitivity (read: a growth of the index) in Q3 2021 compared to Q3 2020.
- The total value of the index, in Q3 2021, was above the average value of the index (chart 5), in contrast to the previous year, where, as a result of the pandemic crisis, the overall index turned out to stand below the historical average values in each quarter.

Chart 5. General stability index of the banking sector and constituent criteria



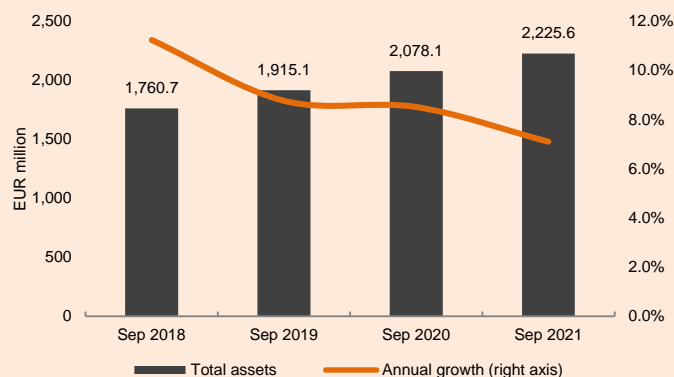
- The improvement of the general stability index of the banking sector, which aims to measure the sensitivity to the main risks from which the banking sector may be hit, came as a result of the high level of liquidity, the recovery of the upward trend of loans with the pre-pandemic period, low level of NPLs, and high level of capitalization (inherited and from the profit realized during this period).

Pension sector

Satisfactory performance in financial markets, as a result of the stabilization to some extent of the global economy, was reflected in the growth of pension sector assets. This increase was mainly attributed to the considerable positive return on investments and contributions received from the contributors.

Pension sector, as the second sector by importance of weight in the financial sector, comprises 25.9% of total assets of the financial system. Assets of the pension sector marked an annual increase of 7.1% in September 2021, reaching the value of EUR 2.23 billion (chart 30). The increase of assets mainly reflects the increase of new contributions and return on investments during the period of January - September 2021.

Chart 30. Assets of the pension sector



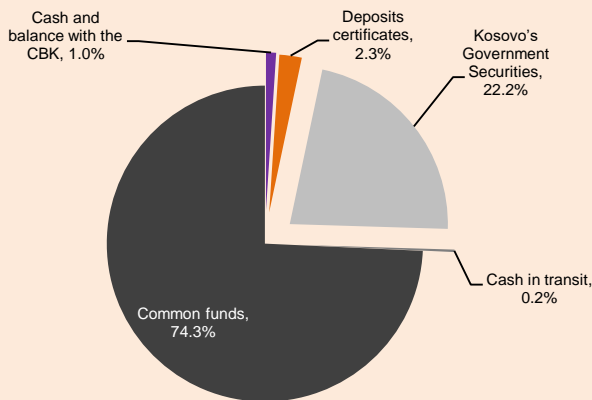
Source: CBK.

Assets of the pension sector consist of 99.6% of assets which belong to Kosovo Pension Saving Trust (KPST) and 0.4% of assets of Slovenian-Kosovo Pension Fund (SKPF).

⁸ For further details on the methodology of construction of the stability index of the banking sector, please refer to the Financial Stability Report no. 9.

Assets structure of KPST is mainly comprised of assets invested abroad, which, over the years their weight gradually declined against the increase of the assets weight invested in the country. Around 74.5% of KPST assets are held abroad. More specifically, in monetary terms, about EUR 1.65 billion are allocated to mutual investment funds and EUR 5.5 million are money in banks (in transit) (chart 31).

Chart 31. Structure of KPST assets (Q3 2021)



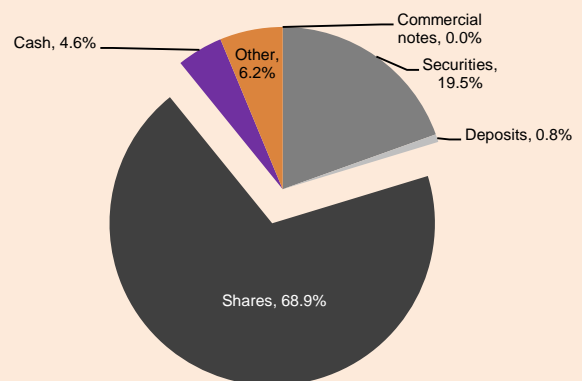
Source: KPST.

The remainder of assets were invested in the country, reaching the value of EUR 564.8 million at the end of September 2021. The largest portion of these assets are invested on treasury bonds and treasury bills of Kosovo's Government, which only in Q3 2021 marked an increase of EUR 10.0 million, whereas if it is compared to the previous year, there was marked an increase of EUR 58.9 million. Cash held at the Central Bank of Kosovo was halved if it is compared with the same period of the previous year. This dynamic can be explained by holding reserves at the CBK against their placement in financial instruments in international markets during 2020, as a result of increased uncertainty due to the impact of the pandemic on global economic activity. Meanwhile, the same category compared to the previous quarter doubled, 22

which gives signals for the return to normality or the adaptation of financial markets to pandemic cycles.

The structure of SKPF assets similar to that of KPST, where around 78.9% of them are invested abroad, and the remainder is invested in Kosovo. SKPF portfolio is mainly comprised of shares invested abroad (68.9%), treasury bonds of foreign governments and of Kosovo's Government (19.5%), cash (4.6%) and other instruments (6.2 %) (chart 32). Total assets of SKPF, until September 2021, reached EUR 9.1 million, representing an annual increase of 11.0%. The increase of the fund's assets reflects the significant annual growth of investments both domestically in Government securities and abroad in shares, namely 23.1% and 23.6%, respectively.

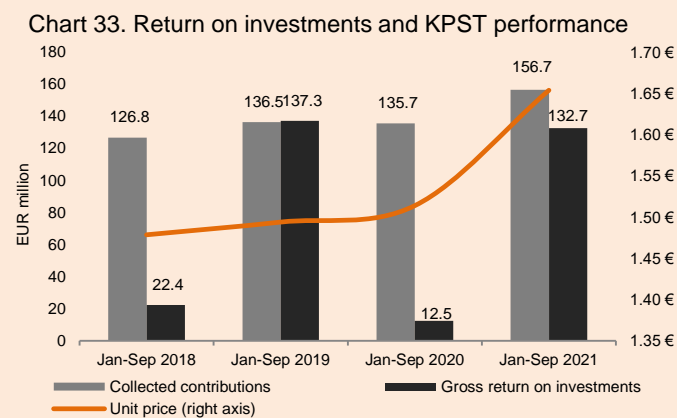
Chart 32. Structure of SKPF assets (Q3 2021)



Source: SKPF.

During the period of January - September 2021, SKPF had a gross return on investments in the amount of EUR 715.7 thousand (negative return on investments of EUR 61.0 million in the previous year). Whereas, the value of new collections of contributors until September 2021 amounted to EUR 381.8 thousands (EUR 392.1 thousands in September 2020).

Until September 2021, contributions collected by KPST reached the value of EUR 156.7 million, representing an annual increase of 15.4%, compared to the same period of the previous year.



Source: KPST.

KPST realized gross return on investments in the amount of EUR 132.7 million during the period of January-September 2021, which is a significant increase compared to the previous year where gross return on investments reached the value of EUR 12.5 million. This performance reached almost the level of return on investments of the year 2019 (EUR 137.3 million). Main contribution on return on investments was given by the performance of funds in international financial markets, where the KPST funds are concentrated. Until September 2021, 92.4% of return on investments came from investments allocated abroad, while 6.8% came from investments in the country, mainly in the form of Government securities and deposits at banks in the country. Implementation of the fund's investment policies and the proper diversification suggest for stable performance through return on investments and increase in the price of the KPST unit over the period ahead. However, the sector needs to be very cautious in managing assets due to

uncertainties in international markets as a result of the increase of inflation and the emergence of a new variant of the virus, which warns of volatile investment movements.

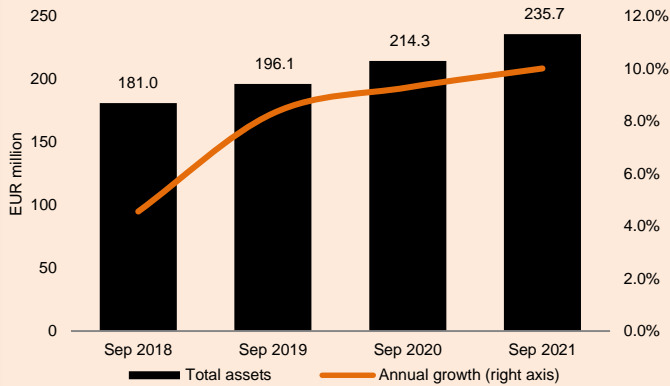
Insurance sector

Insurance sector, until September 2021, was characterized by an activity expansion reflected on assets increase. At the same time, the increase of written premiums and financial income on one hand and the decrease in operating expenses on the other, outweighed the increase of claims incurred. These trends resulted on a positive performance of the sector in September 2021.

Assets of insurance sector by September 2021, reached the value of EUR 235.7 million, representing an annual growth of 10.0% (chart 34). This increase was mainly supported by the increase of deposits held at commercial banks, the increase of investments in Kosovo's Government Securities, as well as the increase of the re-insurer for technical reserves.

Within the capital and liabilities, the highest increase was marked by technical reserves, and especially reserves for gross claims. Provisions for premiums also increased, mainly for unearned premiums. Liabilities of the sector marked an increase of EUR 17.1 million, representing an annual increase of 10.9%. At the same time, the overall level of the capitalization of the sector was characterized by an increase. Until September 2021, total capital increased by EUR 4.4 million, marking an annual increase of 7.7%, mainly as a result of the increase of shareholders capital and the increase of the net profit.

Chart 34. Assets of insurance sector



Source: CBK.

The value of gross written premiums of insurance companies, in September 2021, amounted to EUR 86.9 million, representing an annual growth of 20.2% (an annual growth of 2.2% in September 2020) (chart 35). Within gross written premiums, premiums of the “non-life” category account for 96.0% of total written premiums, whereas “life” premiums comprise 4.0%.

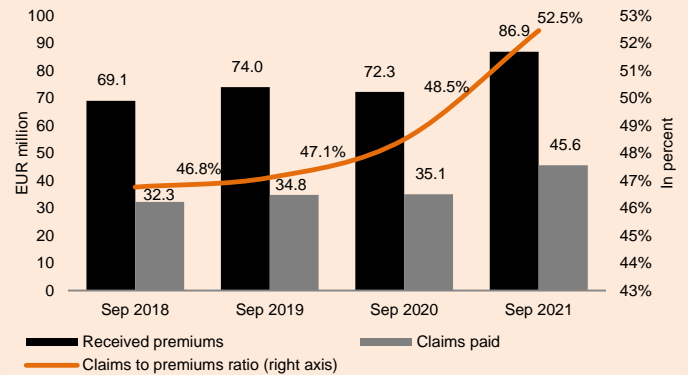
The value of claims paid by the insurance sector (including Kosovo Insurance Bureau) marked a significant growth in September 2021 of 29.9% against the same period of the previous year (an annual marginal increase of 0.6%). In September 2021, claims paid reached a value of EUR 45.6 million (EUR 35.1 million in September 2020) marking an annual increase of 32.0% (chart 35). As a percentage, claims during this period had a higher increase than written premiums, claims to premiums ratio increased to 52.5% (chart 35).

Performance of the insurance sector

Until September 2021, performance of the insurance sector resulted to be positive with net profit of EUR 5.9 million, marking an annual increase of 35.4% (an increase with a value of EUR 1.5 million).⁹

Despite the fact that the losses incurred marked a significant increase until September 2021, the increase of income from premiums and financial income, as well as the decline of operating expenses, contributed to the positive financial result of the sector.

Chart 35. Written premiums and claims paid



Source: CBK.

Microfinance sector

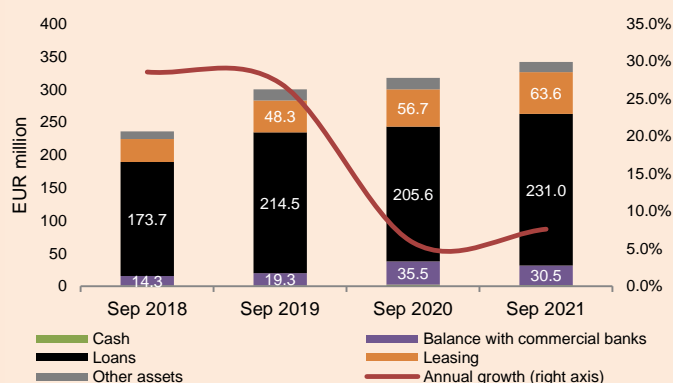
The increase of the sector’s assets, mainly being impacted by the increase of the lending activity, and the significant decline of expenses resulted in a higher financial profit of the sector since its consolidation. Despite the uncertainties associated to the pandemics, loans portfolio quality of the sector continued to be stable.

⁹ From the net profit was deducted profit/loss of the insurance company whose license was revoked in 2019.

Assets

The microfinance sector recorded an annual increase of assets of 7.6% (5.8% annual growth in September 2020), the value of which reached EUR 342.2 million at the end of September 2021. Although the increasing pace of assets accelerated against the slow increase of the previous year, this increase significantly remained at a lower level compared to the increase marked in September 2019 (chart 36).

Chart 36. Assets of the microfinance sector



Source: CBK.

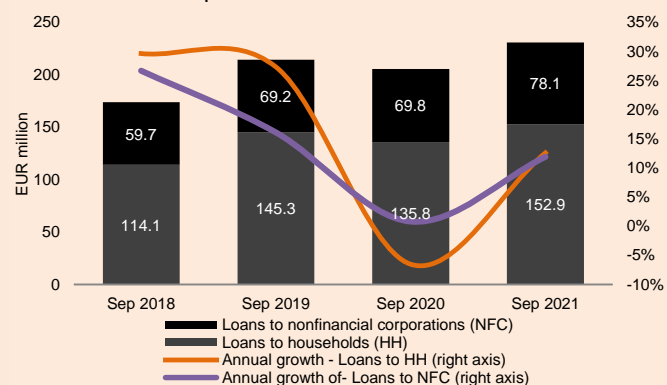
The sector marked a significant decline in the items of cash and the balance with commercial banks, while it marked a double digit increase of loans and leasing. Changes in the structure of assets of the sector suggest an orientation of assets towards the increase of lending activity. These trends of the microfinance sector reflect a return to normality of the economic activity in the country, especially during the third quarter, based on the ease of Covid-19 containment measures, the high number of visits from diaspora and the increase of remittances. With the overcoming of the last wave of Covid-19 infections in September and based on the expectations for a low number of infections during the last quarter of 2021, it can be suggested for further

increase of the credit activity in particular, as well as an increase of assets in general. However, with the emergence of new variants of Covid-19 viruses abroad, there continue uncertainties in dynamics of economic activity in the country, which consequently would affect also the microfinance sector.

Loans

Total loans issued by the microfinance sector marked an accelerated growth of 12.4% in September 2021, while their stock reached the value of EUR 231.0 million. Lending of the sector increased for both categories, nonfinancial corporations and households. Lending to households expanded at a rate of 12.6% (an annual decline of 6.5% marked in September 2020), reaching the value of EUR 152.9 million at the end of September 2021) (chart 37).

Chart 37. Value of loans to households and to nonfinancial corporations



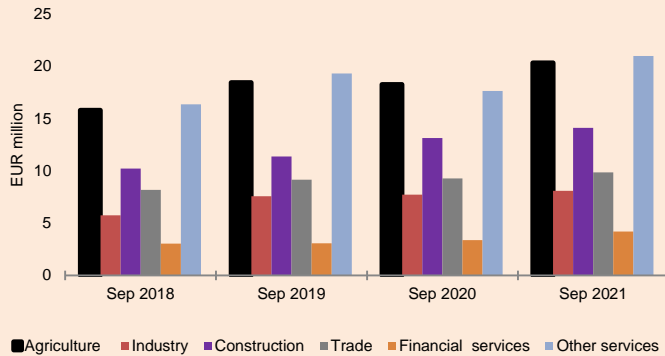
Source: CBK.

Loans stock to nonfinancial corporations marked a value of EUR 78.1 million, representing an annual increase of 11.9% (an annual growth of 0.8% in September 2020).

On sectoral aspect, lending to all economic sectors marked an accelerated increase, besides construction

sector which had slow increase compared to the same period of the previous year.

Chart 38. Value of loans to nonfinancial corporations, by economic sectors



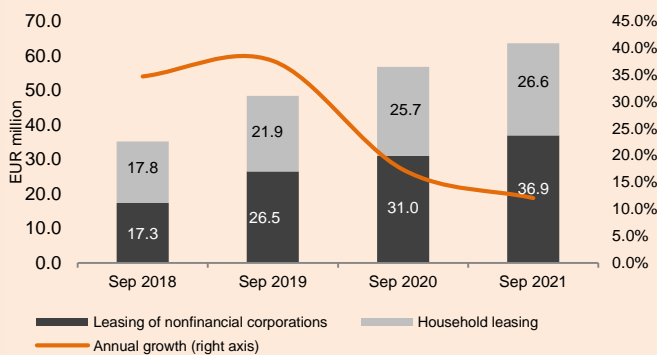
Source: CBK.

The highest increase was marked by the financial services sector, being followed by the sector of other services (chart 38).

Leasing

Leasing expanded until September 2021, albeit at lower level compared to the increasing pace marked in the previous year. The activity of leasing marked an increase with a value EUR 6.8 million (EUR 8.4 million in September 2020), reaching the value of EUR 63.6 million.

Chart 39. Value of microfinance sector leasing



Source: CBK.

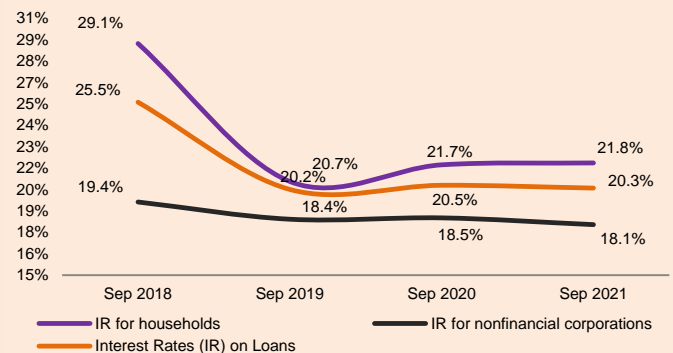
This increase mainly reflects the leasing to nonfinancial corporations, whose value reached EUR 36.9 million, representing an annual increase of 19.0% (chart 39).

Leasing to households was characterized with a slower increase compared to the previous year, marking an annual increase of 3.6% (17.4% in September 2020), while their total value reached EUR 26.6 million, in September 2021.

Interest rates

In September 2021, the average interest rate on issued loans by this sector was 20.3%, or for 0.2 percentage points lower compared to the same period of the previous year (chart 40).

Chart 40. Average interest rate on microfinance sector loans

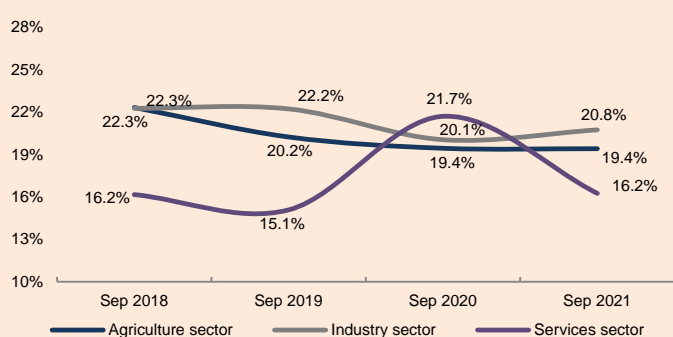


Source: CBK.

Interest rates on loans to households marked an annual increase of 0.1 percentage points, reaching 21.8% (chart 40). By loan categories, the average interest rate on mortgage loans increased by 0.3 percentage points, reaching 19.6%. Whereas, consumer credit was characterized with an increase of 1.1 percentage points, reaching 23.0%.

Also, the average interest rate on loans to nonfinancial corporations decreased by 0.4 percentage points, dropping at 18.1%. On sectoral terms, a more favorable interest rate was marked by loans to services sector, followed by loans to agriculture with an interest rate of 16.2% and 19.4%, respectively (chart 41).

Chart 41. Average interest rate on loans to enterprises, by economic sectors



Source: CBK.

Interest rate on loans to services sector marked a significant decline of 5.5 percentage points compared to the same period of the previous year. Interest rates on loans to agriculture sector stood mainly unchanged, while the interest rate on loans to industry sector increased by 0.7 percentage points (chart 41).

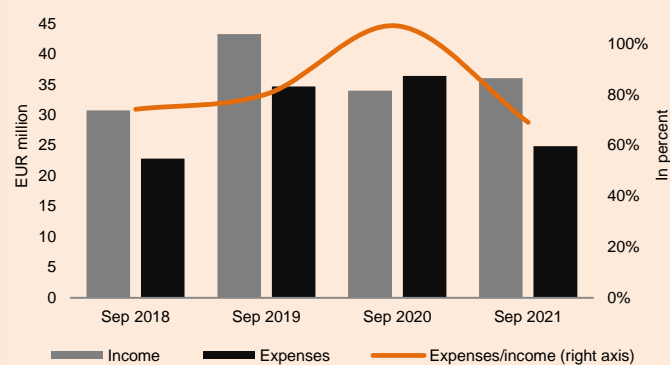
Performance of the microfinance sector

The microfinance sector closed September 2021 with a net profit of EUR 11.8 million against a loss of EUR 2.7 million in September 2020. This was the highest profit since the consolidation of the sector. The high level of financial performance of the sector was influenced by the recovery of the local economy together with the recovery of the economy on the global level as a result of the easing of Covid-19 containment measures. The recovery was accompanied by a significant increase in

demand domestically as well as globally, as a result of deferred investments and accumulated reserves due to the uncertainty brought by the pandemic crisis, especially during the previous year. With the growth of the economic activity and the stabilization of the economy, the sector significantly reduced the provisions for loan losses, an item which increased to high levels during 2020 as a protection against increased credit risk. At the same time, the income of the sector increased, compared to the decline that was marked during the previous year.

The income of the sector marked the value of EUR 36.0 million in September 2021, representing an annual increase of 6.1%. The increase of income was mainly attributed to the increase of non-interest income, namely the increase of other operating income of EUR 1.4 million (chart 42). Meanwhile, interest income marked an annual marginal increase of 0.7%.

Chart 42. Microfinance sector income and expenses



Source: CBK.

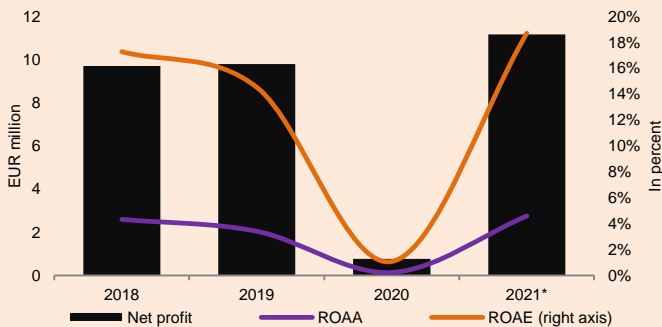
Expenditures of the sector declined to EUR 24.9 million from EUR 36.4 million as they were in September 2020, representing an annual decline of 31.6%. The decline of expenditures mainly reflects the decrease of non-interest expenses, namely loan loss provisions. At the

same time, interest expenses marked a decline, while operating expenses marked an increase.

As a consequence of the recovery of sector's performance, expenses to income ratio marked a significant recovery, declining for 38.1 percentage points compared to the same period of the previous year, standing at the level of 69.0%, in September 2021.

The financial performance of the sector was reflected also on two other profitability indicators, return on average assets (ROAA) and return on average equity (ROAE), which considerably increased in September 2021 at 4.6% and 18.7%, respectively, compared to the low values marked in September 2020 (chart 43).

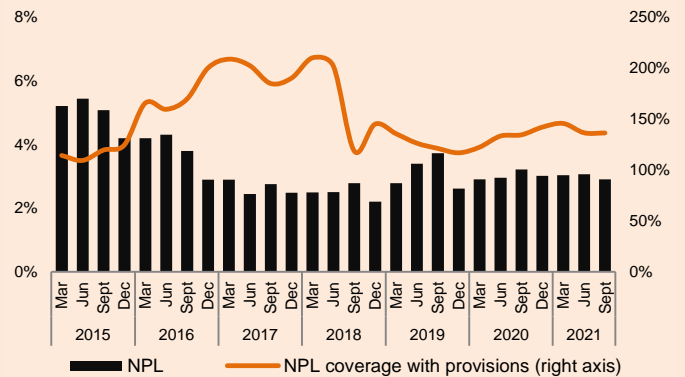
Chart 43. Profitability indicators of microfinance sector



*Profit for 2021 was annualized based on the performance of the sector by September 2021
Source: CBK.

Regarding the indicators of loans portfolio quality of microfinance institutions, nonperforming loans continued to stand at low levels, and additionally were characterized with high coverage with provisions. More precisely, in September 2021, nonperforming loans marked a further decline at 2.9% from 3.2%, as they were in September 2020. While, the coverage of NPL with loan loss provisions reached 136.6% from 134.6% as it was in September 2020 (chart 44).

Chart 44. Indicators of loans portfolio quality

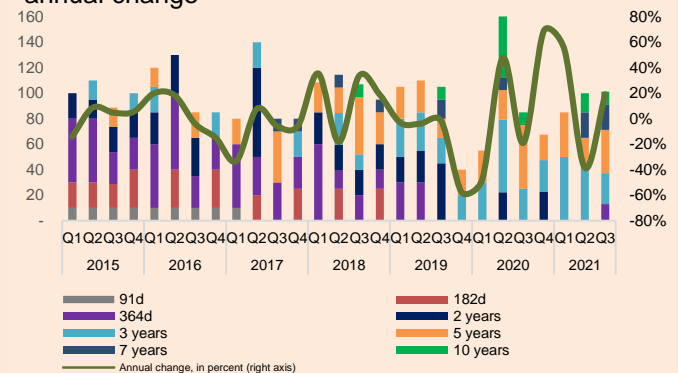


Source: CBK.

Securities market

Until September 2021 the Kosovo's Government realized 16 securities auctions, issuing debt with a lower value compared to the same period of 2020. Also, the demand to invest in auctions exceeded the offer for the same ones.

Chart 45. Amount and maturity of issued debt, annual change

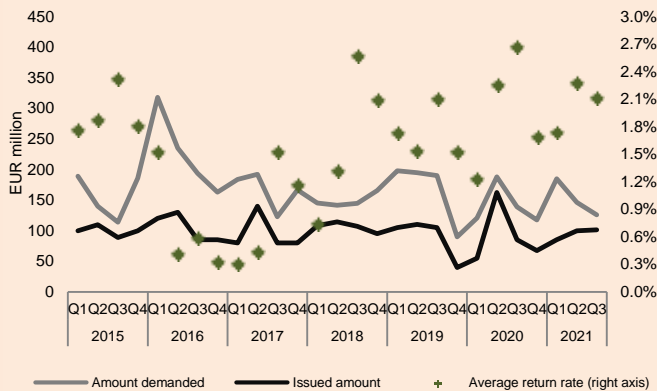


Source: MFLT.

The debt issued by Kosovo's Government marked an annual decline of 5.3% by September 2021, compared to the previous year, resulting at the value of EUR 286.2 million (chart 45). Whereas, if the issuance of debt is compared on quarterly basis, then during the third quarter, the value of issued securities exceeded

the value marked in the third quarter 2020, marking an increase of 19.1%.

Chart 46. Bid to cover ratio



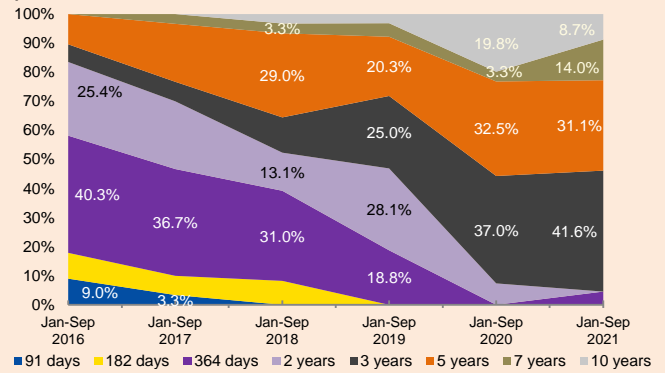
Source: MFLT.

The lack of financial markets in the country, and the limited possibilities to invest in alternative assets is reflected in the demand to invest in Government securities which consistently exceeds the offer. The demand to invest in Kosovo’s Government securities continued to exceed the offer, where the bidding amount was for 1.60 times higher than the amount offered by the Kosovo’s Government. The average interest rate on securities was 2.1% in Q3 2021, representing a lower rate marked in Q3 2020 (chart 46). Similarly, if interest rates are compared on annual basis, the interest rate applied by September 2021 was lower than the interest rate applied until September 2020. The decline of interest rate compared to the

previous period was influenced by the issuance of one treasury bill with a maturity up to 1 year, an instrument with a low interest rate which has had an impact on the average of the instruments until September 2021.

The securities structure is dominated by government bonds, with a maturity of 3 years, followed by securities with a 5 and 7 years of maturity (chart 47).

Chart 47. Structure of Government securities, in percent



Source: MFLT.

Pension funds, the banking sector, public institutions and the insurance companies continued to represent the main investment institutions in the primary market of Kosovo’s Government securities, where the pension sector continues to be the most exposed sector with 45% of the total stock of the internal debt.

The suggested citation of this publication:

CBK (2021): Quarterly Assessment of the Economy No. 36 Q3 2021, Central Bank of the Republic of Kosovo

References

CBK (2021):

- a) Monthly Statistics Bulletin: <https://bqk-kos.org/publications/monthly-statistics-bulletin/?lang=en>
- b) Official CBK statistics, Time series: <https://bqk-kos.org/statistics/time-series/?lang=en>
- c) Results announcements of government securities auctions : <https://bqk-kos.org/announcements/government-securities-2/?lang=en>

KAS (2021):

- a) Harmonized index of Consumer Prices: <https://ask.rks-gov.net/en/kosovo-agency-of-statistics/add-news/harmonized-index-of-consumer-prices-june-2021>
- b) Producer Price Index: <https://ask.rks-gov.net/en/kosovo-agency-of-statistics/add-news/producer-price-index-q2-2021>
- c) Import Price Index: <https://ask.rks-gov.net/en/kosovo-agency-of-statistics/add-news/import-price-index-q2-2021>
- d) Statistical Report on economic enterprises: <https://ask.rks-gov.net/en/kosovo-agency-of-statistics/add-news/statistical-repertoire-on-economic-enterprises-in-kosovo-q2-2021>
- e) External trade statistics: <https://ask.rks-gov.net/en/kosovo-agency-of-statistics/add-news/international-trade-statistics-june-2021>
- f) Quarterly Bulletin: <https://ask.rks-gov.net/en/kosovo-agency-of-statistics/general-statistics/quarterly-bulletin>

Other (2021):

- a) Announcements and Results of Auctions for Government securities: <https://mf.rks-gov.net/page.aspx?id=1,46>
- b) Kosovo Credit Guarantee Fund: <http://www.fondikgk.org/>
- c) Kosovo Pension Saving Trust: <http://www.trusti.org/en/>

Bloomberg (2021): Metal Prices database: [Commodities - Bloomberg](#)

FAO (2021): World Food Prices, Food and Agriculture Organization of United Nations:
<http://www.fao.org/worldfoodsituation/foodpricesindex/en/>

Euribor (2021): Euribor Historical Rates: <http://www.euribor-ebf.eu/euribor-org/euribor-rates.html>

IMF (2021): World Economic Outlook: [World Economic Outlook \(imf.org\)](http://www.imf.org)

Macroeconomic selected indicators

Description	September 2020	September 2021
Real sector 1/		
Gross Domestic Product (GDP) (EUR million)*	3,145.0	3,539.7
Consumer prices (annual average)	0.3%	2.3%
Consumer prices (end of period)	-0.5%	4.9%
Fiscal Sector 2/		
Budget Revenues (EUR million)	1,215.2	1,611.2
Budget Expenditures (EUR million)	1,418.8	1,464.5
Primary balance (EUR million)	-203.6	146.7
Financial sector (EUR million) 3/		
Assets of financial corporations	7,665.0	8,589.4
of which : Banks	5,036.0	5,762.7
Loans	3,182.5	3,572.0
Deposits	4,055.4	4,667.7
<i>Interest Rates on Loans, end of period</i>	6.4%	5.9%
<i>Interest Rates on Deposits, end of period</i>	1.5%	1.4%
Interest rate gap	4.9%	4.5%
External sector,(EUR million) 3/		
Balance of payments		
Current accounts	-315.6	-298.9
of which: remittances	697.0	861.4
Financial account	-376.7	-38.1
Foreign Direct Investments in Kosovo	254.3	388.9
Portfolio investments, net	-34.8	186.0
Other investments, net	-141.1	-211.2
International Investments Position (IIP), net*	-741.1	-960.0
Assets	5,034.2	5,561.6
Liabilities	5,775.3	6,521.6
External debt, total*	2,259.4	2,690.7
Private external debt	1,740.7	2,030.0
Public external debt	518.6	660.7

Source:

1/ KAS (2021);

2/ MFLT (2021);

3/ CBK (2021).

*Data on GDP, IIP and external debt are as of June 2021.

