



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

# MACROECONOMIC DEVELOPMENTS REPORT

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BANKA QENDRORE E REPUBLIKËS SË KOSOVËS

CENTRALNA BANKA REPUBLIKE KOSOVA

CENTRAL BANK OF THE REPUBLIC OF KOSOVO

# Macroeconomic Developments Report

Number 2



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## ABBREVIATIONS

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

## CONVENTIONS:

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





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## 1. Executive summary

Global economic activity, during 2014, recovered with a slower pace, while economic growth is having significant different growth rates among the regional countries. Euro area marked positive economic growth rates, however only the first quarter of the year was characterized with a stronger economic growth recovery, while during the following quarters the recovery slowed down. Despite the continuous decline of the key interest rate of the European Central Bank (ECB), euro area was characterized with a lower demand and a decline of inflation rate in 2014, thus raising concerns of a possible entrance into a deflation period.

Western Balkans during 2014 was characterized by weaker economic growth compared to the previous year. The weakened performance of the economic activity in the Western Balkans, during 2014, has made the economic growth to be estimated at only 1.8 percent (2.5 percent in 2013). The low inflation rate, on the global level, as a result of the declining prices in international markets, and the general lower demand in the region has resulted in lower inflation rates of the Western Balkan countries. A common characteristic of the Western Balkan countries remain current account deficit, which in 2014 marked a further increase. Fiscal sector in the Western Balkan countries is characterized by an improvement of the budget balance, while the public debt has continued to remain high. The banking sector in the Western Balkan countries during 2014 was characterized by various developments, where lending in some of the countries marked an increase while in others decreased. Regarding deposits, their growth trend has accelerated in most countries of the region.

Real economic growth rate in Kosovo during 2014, according to CBK estimates was 3.0 percent, which coincides with one of the highest rates of economic growth in the region. This increase was driven by the positive performance of consumption, while investments and net exports are estimated to have negatively affected the real growth rate. The increase of consumption, in 2014, is mainly attributed to the growth of remittances and consumer loans, as well as increasing government current expenditures. Investments in 2014 were characterized by a significant decline, mainly due to the public investment decline. At the same time, the deepening of the goods trade deficit has influenced net exports during 2014 to have a negative contribution to the GDP growth. Despite the increase in exports of goods in 2014, the higher level of imports had an impact on net exports which marked a negative contribution to the economic growth.

Sectorial developments in 2014 show a decline of energy production compared to the previous year. Also, the level of losses in the network of the energy sector continues to remain relatively high, although since 2009 network losses have continuously decreased. With a decline is also characterized the energy consumption during 2014, which can be attributed to more favorable climatic conditions in the first months of 2014. The data on industrial production index show a continuous increase in mining industry and relatively stable behavior of processing industry, during 2014. Regarding the sector of production and distribution of energy, heating and gas, the trends have been very positive.

Despite an increase in consumption, inflation was characterized by a decrease during the first half, especially in the last quarter of 2014. The decrease in inflation rate is mainly as a result of the reduction of imported goods prices, which reflects the strong development relation of the price level in Kosovo with the international market prices. The average inflation rate in 2014 was 0.4 percent, which presents the lowest level of inflation in the recent years. Trade activity was characterized by an increase of exports and imports as well. However, despite the higher growth rate of exports than imports, the higher weight of imports dominated, thus making net exports to have a negative contribution to the economic growth. During this period, foreign direct

investments marked a decline, while remittances proved to be stable source of funding by marking a significant increase.

Fiscal sector was characterized by a slight decrease of revenues and budget expenditures increase during the first half of 2014. Kosovo Budget recorded a primary deficit of euro 22.0 million until June 2014 (euro 7.6 million deficit in the same period of 2013). General government debt in the reporting period was euro 554.4 million or 9.9 percent of GDP compared to 9.1 percent in 2013. Kosovo continues to have the lowest level of general government debt compared to the regional countries (58.1 percent of GDP was the average public debt of the region in 2014). Besides that Kosovo has the lowest level of public debt, during 2014 has marked a slower public debt increase compared to the average of the region.

The financial sector has continued with its steady growth role in supporting the development of the economy. During 2014, the banking sector has eased lending standards and conditions, making loans to accelerate the growth pace and have more favorable conditions for the borrowers. The continued expansion of lending, by the banking sector, continues to be financed mainly by the domestic deposits which have continued to grow in 2014. The banking sector has continued to show a high level of sustainability, thus continuing to have an important role in maintaining macroeconomic stability in the country.

For 2015, our projections suggest that Kosovo's economy will be characterized by an acceleration of economic growth, which is expected to be generated by domestic demand, especially by investments. The increase of domestic demand is expected to cause a slight increase in the inflation rate and is also expected to affect the import growth and, consequently, increase the current account deficit. While the financial account of the balance of payments is expected to improve, mainly due to growth forecasts for foreign direct investments. The fiscal sector is expected to be characterized by increased budget revenues and expenditures, but the expenditures growth is expected to be higher thus having an impact on the primary deficit growth compared to the previous year. Regarding the financial sector, lending activity is expected to accelerate further, thereby serving as an important source of financing the economic growth in 2015.

## 2. Euro area economy

Global economic activity during 2014 was developed in a more difficult macroeconomic environment. The weak real growth that characterized some of the major regions in the first half of 2014, made IMF to revise the projections for the global economic growth. Preliminary projections of IMF suggested a global economic growth of 3.6 percent in 2014, while in July and in October of 2014, IMF lowered its forecast to 3.4, and 3.3 percent, respectively (figure 1). Expectations for a weaker economic activity in 2015 were

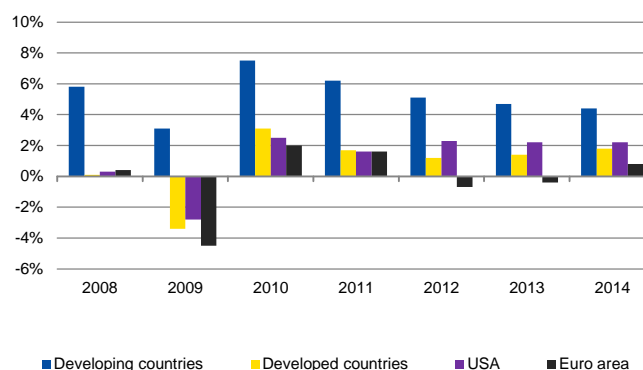
reflected in the revision of previously projected rate of 4.0 percent to 3.8 percent, in October 2014. Economic forecasts vary between the regions and especially between countries, for 2014. The increase of the economic activity on the global level is largely driven by the US and the UK economies, while Japan and the euro area were characterized by a modest economic growth during this period.

The euro area economy is characterized by a weak real growth in 2014. The economic activity in the euro area in the first quarter of the year showed stronger signs of recovery, while the second and third quarter of 2014 showed signs of weakening and almost stagnation growth. Weakening of the economic activity in the second quarter of 2014 and the raised geopolitical tensions between Russia and Ukraine made the IMF to revise the economic projections for the current year and 2015. From an annual growth projected to reach 1.1 percent in July 2014, in October, the IMF lowered expectations at 0.8 percent. Also for 2015, the IMF revised its economic projections for the euro area from 1.5 percent that had previously forecasted to 1.3 percent.

This weak economic growth is not expected to affect the reduction of the public debt. Rather, according to the IMF data, the public debt is expected to reach about 85 percent at the end of 2014 from about 83 percent as it was in the previous year. Almost all euro area countries are expected to deepen the level of public debt, especially countries that are considered to have high levels of the public debt. On the other hand, Greece, which has the highest public debt level in the euro area (174.2 percent of GDP), is expected to reduce it for 1.0 pp. Public debt in the euro area is expected to deepen also due to the fact that almost all the euro area countries are expected to mark a budget deficit which at the euro area level is expected to be 2.8 percent of GDP.

The fragile and volatile economic activity was reflected also through the Economic Sentiment Indicator (ESI) published by the European Commission. ESI includes observations of reliability for different economic sectors (industry, services, construction and retail trade), and households (measured through consumers' confidence). After an upward trend since the end of 2012, ESI decreased especially since May 2014. The deterioration of the ESI especially in the second and third quarter of 2014 was more significant in Italy, Germany and France.

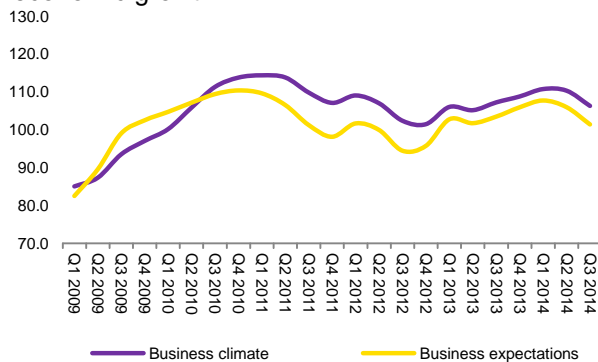
Figure 1. Real GDP growth rate



Source: IMF WEO (October 2014)

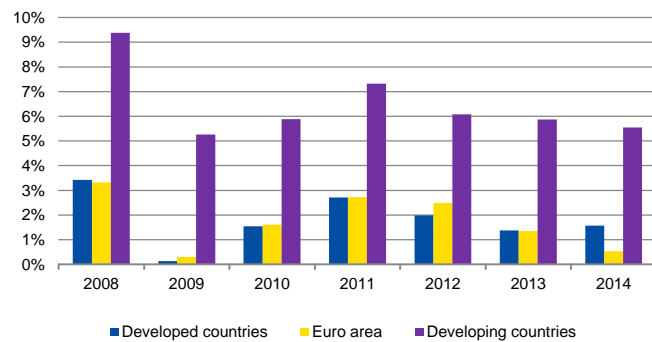
One of the key indicators for assessing the economic activity in Germany, considered as the main economy of the euro area, is also the IFO business index which assesses the business climate, the current state of businesses and business expectations. According to this index, the business climate in Germany in 2014 compared to 2013 was generally optimistic. However, the weakening of the economic activity in the second quarter of 2014 resulted in a deterioration of the business climate in Germany in the third quarter of this year, while expectations for the next six months remained pessimistic (figure 2). Business climate index in Germany marked a decline for the manufacturing sector, wholesale and construction. The economic environment in the member countries of the union may incur in the upcoming quarters by possible weakening investments and exports as a result of raised geopolitical risks, sluggish economic growth and uncertainties in the implementation of structural reforms.

Figure 2. Business climate in Germany and the economic growth



Source: IFO (2014)

Figure 3. Annual inflation

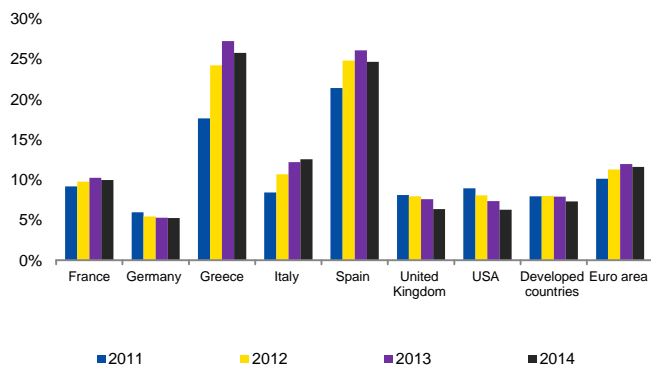


Source: IMF, WEO (October 2014)

In this period, the purchasing power of consumers has been higher, which was attributed to the low level of inflation in the euro area (figure 3). Low inflationary pressures continue to be present in the euro area, mainly due to weak demand, the decline of prices of raw materials in international markets and other structural problems such as high rates of unemployment. In 2014, the euro area economy is expected to be characterized by an inflation rate of 0.5 percent (1.3 percent in 2013).

The continuous structural reforms in the euro area are reflected in the improvements of conditions in the labor markets. However, the full effect of the reforms implemented in the labor markets of some of the euro area countries is expected to have an impact at later period of time. The unemployment rate in 2014 is expected to record a slight decline to 11.6 percent from 11.9 percent as it was in 2013. Within the euro area countries, the labor market in Germany appears to have remained unchanged and the IMF predicts a rate of similar unemployment rate of 5.3 percent in 2014, while Italy, the Netherlands and Finland are expected to be characterized by slight increase of the unemployment rate.

Figure 4. Unemployment, in percent

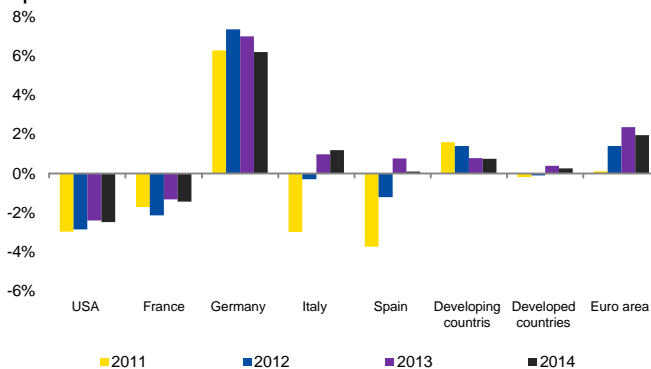


Source: IMF, WEO (October 2014)



Easing monetary policies undertaken by central banks in the developed countries, including the euro area, have continued to support economic growth. The weak economic activity has caused pressure on the ECB to take additional measures to further ease the monetary policy. During 2014, the ECB intervened in interest rates in June and then in September, decreasing them at a record level, in order to promote the demand growth and to normalize the low inflationary pressures. However, the impulse of the easing monetary policy is not transmitted uniformly to the peripheral euro area economies and has not resulted into stronger growth in its main economies. The support of the private sector through the bank lending continued to remain low in 2014 in the euro area, mainly as a result of the still tight lending offer, credit risk and ongoing adjustments in the balance sheet of financial and non-financial sector.

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



Source: IMF, WEO (April 2014)

The euro area is characterized by a positive current account balance of 0.8 percent of GDP in 2014 (2.4 in 2013). The improvement of the current account in the euro area countries is expected to be driven by more rapid growth of exports over the growth of imports, while the continuous depreciation of the euro against other currencies is expected to increase further the competitiveness of the euro area goods.

### 3. Western Balkans<sup>1</sup>

Economic recovery that characterized the Western Balkans during 2013 proves to be fragile, as the performance of the economic activity in the first half of 2014 in these countries appears to have worsened. Economic growth for the Western Balkan countries in 2014 is estimated to be 1.8 percent, which is a lower growth compared to the initial forecast. The revision of the economic growth for the Balkan countries was mainly attributed to the weak economic recovery in the European Union during 2014 and unfavorable developments in some countries of the Western Balkans.

Within the region, the economy of Macedonia was an exception, being characterized by strengthening the economic growth rate in the first half of this year. As a result, the IMF has projected a real economic growth of Macedonian economy with 3.4 percent in 2014 (table 1). The economic activity during 2014 was weakened especially in Serbia and in Bosnia and Herzegovina, which are expected to be characterized by economic decline of 0.5 percent and a weak growth of 0.7 percent, respectively, in 2014. The economic activity in the six countries of the Western Balkans is generally characterized by a poor performance in industrial production and slower activity in construction. It is worth mentioning that the heavy spring rains and subsequent floods severely damaged the economic activity in Bosnia and Herzegovina and in Serbia.

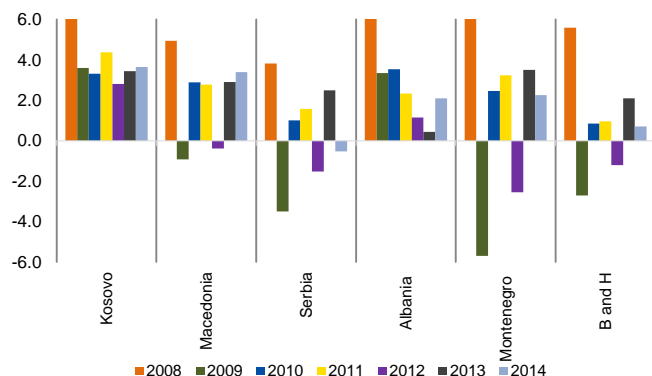
**Table 1. Real GDP growth rate in Western Balkan countries**

Countries	2008	2009	2010	2011	2012	2013	2014
Kosovo	7.2	3.6	3.3	4.4	2.8	3.4	3.0
Macedonia	5.0	-0.9	2.9	2.8	-0.4	2.9	3.4
Serbia	3.8	-3.5	1.0	1.6	-1.5	2.5	-0.5
Albania	7.5	3.4	3.5	2.3	1.1	0.4	2.1
Montenegro	6.9	-5.7	2.5	3.2	-2.5	3.5	2.3
Bosnia and H.	5.6	-2.7	0.8	1.0	-1.2	2.1	0.7

Source: IMF (WEO, 2014), for Kosovo KAS data and CBK estimates for 2014

The general weak demand in the region, followed by the low level of inflation at the global level as a result of the declining prices in international markets (especially food prices), has affected the economic environment in the countries of the Western Balkans to be characterized by low inflation rate. According to the latest IMF projections, as well as the prices trend in the first eight months of 2014, Montenegro is expected to be characterized by a deflation of 0.6 percent. With a low inflation rate are expected to be characterized other countries, including Serbia, which continues to have the highest inflation rate in the region (2.3 percent for 2014) (figure 6).

**Figure 6. Real GDP growth rate in SEE**



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

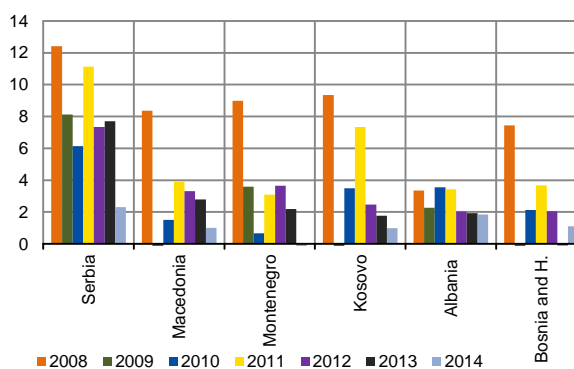
<sup>1</sup> Western Balkans includes: Kosovo, Albania, Macedonia, Bosnia and Herzegovina, Serbia and Montenegro.

Labor markets in the Western Balkan countries continue to share the common characteristic with the high rate of unemployment especially among youth and women, as well as long-term unemployment. According to the IMF, in 2014, the average unemployment rate in the Western Balkan countries is expected to be around 24 percent. Kosovo continues to be characterized by the highest rate of unemployment rate of 30 percent, while Albania is expected to have the lowest unemployment rate with 14 percent in 2014.

A particular challenge for the Western Balkan countries remains high rate of current account deficit that continues to characterize the external sector of these countries. Almost all countries are expected to deepen the current account deficit with the exception of Serbia, which is expected to have a slight improvement (figure 7). This deepening of the current account deficit is largely the result of slower growth of exports and the accelerated growth of imports. Exports of goods and services is expected to mark an average growth of 5.0 percent (8.0 percent increase in the previous year) while imports of goods and services with an average increase of 0.2 percent in the previous year, is expected to reach 7.0 percent in 2014.

During the first half of 2014, primarily as a result of the weakening economic activity, the regional countries as Serbia, Montenegro and Albania reported a decline in the lending activity (table 2). In the same period, the ease of the credit standards by the banking sector is reflected into increased loan portfolio in Macedonia, Bosnia and Herzegovina and Kosovo.

Figure 7. Annual average inflation in SEE



Source: IMF (2015)

Table 2. The growth rate of loans and deposits in the Western Balkan countries

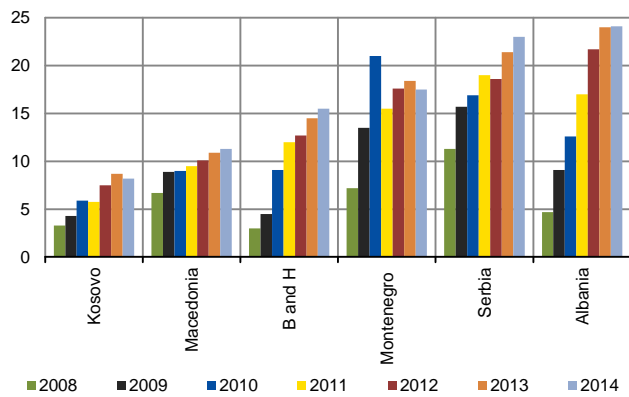
Description	Albania		B and H		Macedonia		Montenegro		Serbia		Kosovo	
	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014
Loans	0.7	-1.8	3.2	3.7	3.6	7.8	4.8	-3.4	-2.9	-5.3	2.8	3.5
Deposits	4.8	1.0	4.4	7.7	3.2	8.7	9.0	6.8	4.4	3.3	4.4	10.0

Source: European Commission – Q3 2014 report; for Kosovo the CBK data.

Regarding deposits in the banking sector, Kosovo and Macedonia recorded the highest growth in the first half of 2014, while Albania reported the lowest growth rate of deposits during this period. Western Balkan countries reported an increase of non-performing loans during 2014. The highest level of non-performing loans, until June 2014, was reported by Serbia and Albania, with 23.0 and 24.1 percent, respectively, while the lowest level of non-performing loans continues to report Kosovo with an average of 8.5 percent (figure 8). However, non-performing loans remain well covered by provisions and the banking sector is well capitalized in the Western Balkan countries.

Fiscal sector during the first half of 2014 was characterized by improved budgetary performance in Albania and Montenegro, mainly as a result of increased revenues resulting from tax increases (Albania) and continuous efforts to improve collection of the budget revenues. Execution of expenditures in Albania and Montenegro remained below the projected level. On the other hand, Serbia and Bosnia and Herzegovina were faced with lower realization of the budget revenues as a result of the market deterioration after the floods in early 2014. In Macedonia, budgetary developments were characterized by increased costs in the first quarter of 2014, although the realization of capital outlays was below the projected level. Also Kosovo was characterized by a similar situation, with salary and pension increases and the reduction of the capital outlays. Serbia marked the highest level of budget deficit (7.6 percent of GDP) and Macedonia (6.0 percent of GDP), while other countries are expected to have lower levels of the budget deficit. Public debt in the Western Balkans, in the first half of 2014, has marked a slight increase from an average of 42.2 percent of GDP at the end of 2013 to 43.0 percent in June 2014. Albania and Serbia are the countries with the highest public debt level (about 64 percent of GDP), while Kosovo has the lowest level of the public debt (10.2 percent of GDP).

Figure 8. Non-performing loans in SEE



Source: European Commission (2015)

## 4. Prices of main goods in international markets

Brent crude<sup>2</sup> oil prices during 2014 marked an average decline of 9.1 percent compared to 2013 (figure 9). The main factor that has contributed to the decline in oil prices during 2014 is considered to have been the significant increase in oil production in the US, making the US among the leading producer on the global level. As a result of increased domestic production, the US has reduced its demand for oil import. The increase of domestic production and the decline of import from the US resulted in a lower demand for imported oil, thus leading to a price decline. In addition, Organization of Petroleum Exporting Countries (OPEC) has not reached an internal consensus to reduce oil production which enabled the continuous price decline of this product.

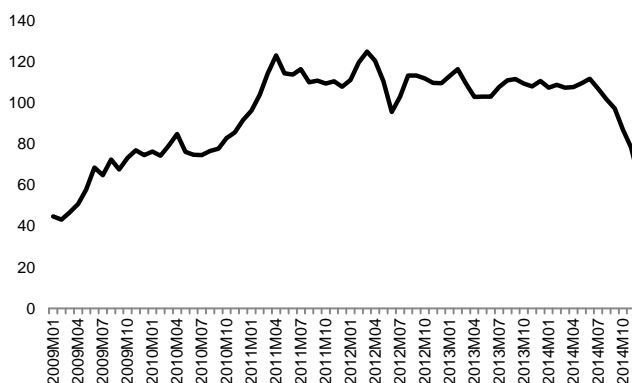
EIA projections (2014) suggest that in 2015 and also in the following year these prices are expected to remain relatively stable. This is because it is not expected any possible shock on the supply side as a result of higher production in the US, while Middle East countries are assumed to have a need to sustain high levels of oil exports.

The decline in oil prices could also affect the prices of consumer goods, especially food prices, since oil and energy represent a very important component in the production process and their transport. Reduction of oil prices in 2014 are expected to positively influence the importing countries contributing to improvement of the current account balance. Changes in oil prices are reflected also in the current account deficit in Kosovo as the data show that the amount of imported oil has increased, while the nominal value of the payment for this product has decreased considerably.

### 4.1. Prices of gold

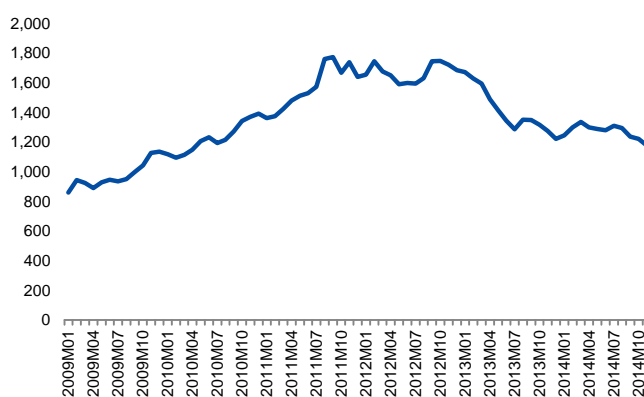
During 2014, also prices of gold recorded a decline (figure 10). The price of gold during this period has marked a decrease of about 10.3 percent. Prices of gold usually are characterized with a price increase in periods when there are high levels of inflation or when major economies are faced with crisis. Inflation during 2014 has not been a concern, but many of the major economies faced difficulties. However, these difficulties have not been able to increase the price of gold. The main reason for not increasing the prices of gold when economic performance in developed countries

Figure 9. Brent crude oil price, in USD



Source: World Bank (2015)

Figure 10. Price of the gold, in USD per ounce



Source: World Bank (2015)

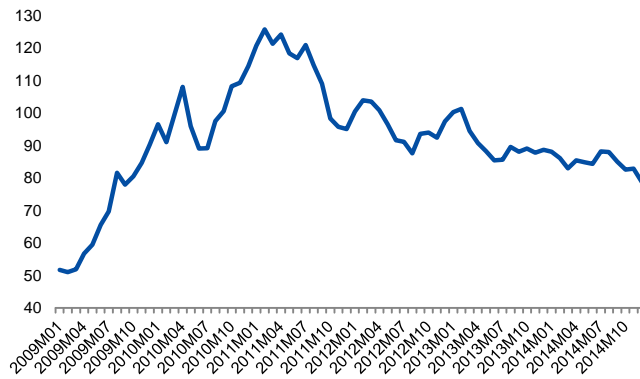
<sup>2</sup> Brent Crude represents commercial classification for oil produced in the Northern Sea as a representative of oil prices on the global level.

was poor could be the reduction of the key refinancing rate of the ECB which has caused the dollar to strengthen against the euro. Strengthening of the dollar usually result into a lower demand for gold, which has prevented the increase in the price of gold. Also during 2015, prices of gold are expected to mainly be stable.

**4.2. Prices of metals and minerals**

The decline in price of main products is also reflected in the prices of metals and minerals which in the recent years were characterized by small changes and a decreasing trend. During 2014, the price index of metals and minerals marked a decline of 6.6 percent (figure 11). Prices of nickel and zinc were characterized by a significant increase of 13.1 and 12.4 percent, respectively. Also aluminum prices were characterized by a slight increase of 1.1 percent, while prices of copper and lead were characterized by a decrease of 6.4 and 2.1 percent, respectively. Movements in metal prices are reflected also in the Kosovo’s economy as the base metals have a high share to total Kosovo’s export.

Figure 11. Metal prices index

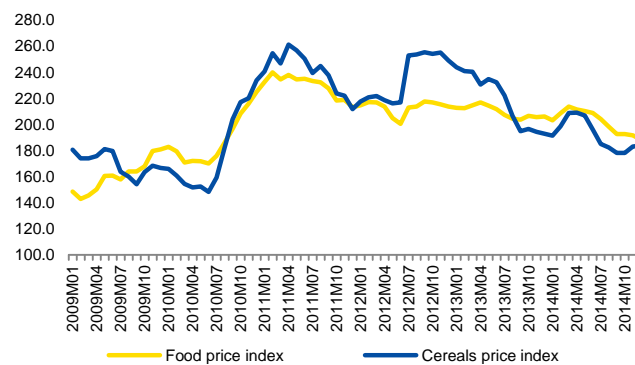


Source: World Bank (2015)

**4.3. Prices of food products**

Food prices continued with a declining trend, which started as of June 2013. Food price index during 2014 compared to the previous year marked a decrease of 3.7 percent (figure 12). Cereal price index marked a decline of 12.5 percent, which may partly be explained by the decline of 9.1 percent of oil prices but also due to the significant supply on the global level. Expectations for 2015 are that food prices will remain relatively similar to 2014 as a result of stable supply (IMF, 2014).

Figure 12. Food and cereal price index



Source: FAO (2015)

## 5. Kosovo's economy

### 5.1. Prices

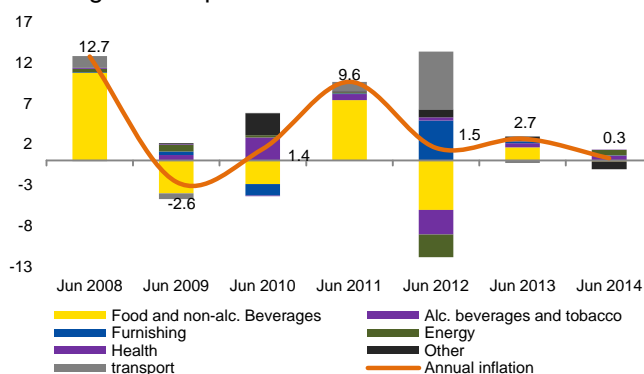
Similar to developments in the global markets, Kosovo's economy was characterized by a declining trend in inflation during the first half of 2014. The annual average inflation rate, expressed by the consumer price index (CPI), until June 2014 was 0.3 percent, which is lower than the rate of 2.7 percent recorded in the same period of the previous year.

The main contribution<sup>3</sup> to this level of inflation until June 2014 was marked by energy with 0.7 percentage points and alcoholic beverages and tobacco with 0.6 percentage points, while clothing and footwear, food and non-alcoholic beverages had a negative contribution with 0.5 and 0.1 percentage points, respectively (figure 13). This decline in the inflation rate is primarily reflected by the low level of price increases of imported goods as a result of deflationary pressures in the euro area countries that Kosovo realizes most of the trading activities.

#### 5.1.1 The structure of inflation and the base inflation

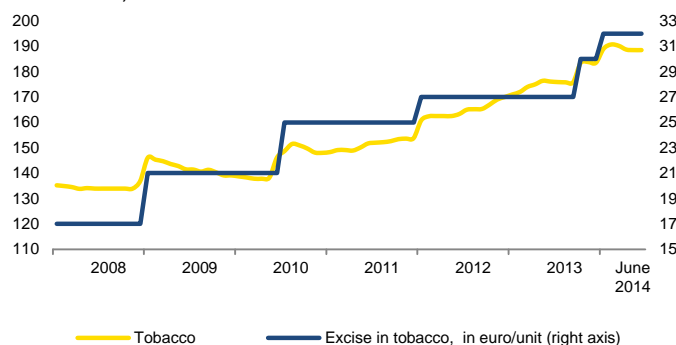
In the first half of 2014, alcoholic beverages and tobacco marked a price increase with 4.8 percent, clothing and footwear with 3.3 percent, energy with 2.4 percent, restaurants and hotels with 2.4 percent, etc., while with a price decline were characterized transport with 1.4 percent, mainly due to the decline in the price of oil products. Apart from transport prices, with a decline were characterized also the prices of communication, food and non-alcoholic beverages, marking a price decline of 1.2 percent each.

Figure 13. Inflation and its main contributors, annual growth in percent



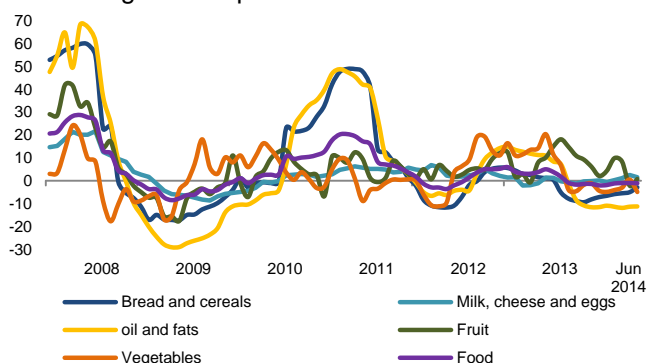
Source: KAS and CBK calculations (2015)

Figure 14. Tobacco price index and excise in tobacco, in euro



Source: KAS and CBK calculations (2015)

Figure 15. Food prices and its main categories, annual growth in percent



Source: KAS and CBK calculations (2015)

<sup>3</sup> The calculation of the contribution of CPI components in the inflation rate, except price movements, is also based on the weight that certain components have in the CPI.

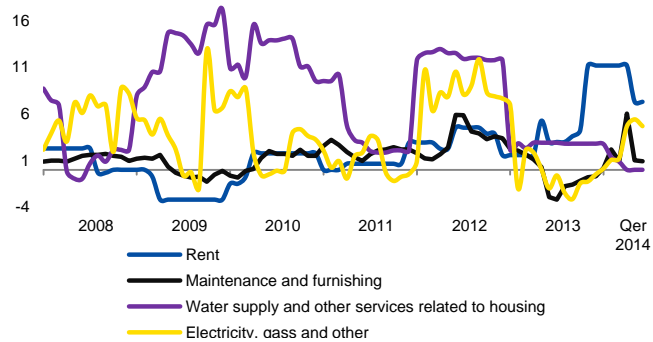
The category of alcoholic beverages and tobacco marked a price increase of 4.8 percent. Within this category, tobacco prices marked a growth of 6.3 percent, while prices of alcoholic beverages declined by 1.1 percent. Tobacco price increase is primarily a result of government's decision to increase tobacco excise tax from euro 30 to euro 32 per unit starting from January 2014. As shown in figure 14, the movements in the prices of tobacco in Kosovo are significantly defined by the excise applied to this product. On the other hand, the category of food and non-alcoholic beverages until June 2014 marked a decline of 1.2 percent while in the same period of the previous year recorded an increase of 4.2 percent. Within the food category, the most significant price decline was recorded in oils and fats by 11.4 percent and bread and cereals by 5.5 percent, while due to unfavorable climatic conditions, prices of fruits marked an increase of 3.9 percent (figure 15).

Prices of housing, water, electricity and other fuels until June 2014 recorded an average growth of 2.3 percent (1.4 percent growth in the same period of the previous year). This higher increase in prices of this category compared to the previous year was due to the increased prices of housing with 5.9 percent and the price increase of electricity and other fuels with 2.6 percent. A price increase of 0.8 percent was recorded also by the water supply and other services related to the housing (figure 16).

Price movement of the electricity, gas and other fuels is significantly determined by the price of electricity per KWh. As shown in figure 17, the energy price index, which is characterized by significant changes (depending on summer and winter rates), is characterized by an upward trend.

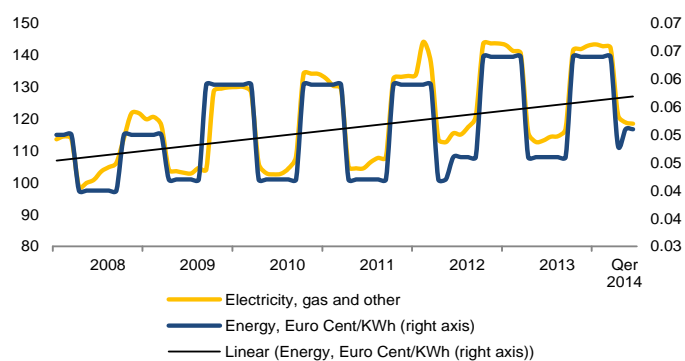
The annual average price of services until June 2014 was nearly the same compared to the same period of the previous year. However, within the category of services were marked different price movements. Price increase was recorded in hotel services by 2.4 percent and health and recreational services with 0.2 and 0.1 percent, respectively. On the other hand, prices

Figure 16. Housing, water and energy prices, annual growth in percent



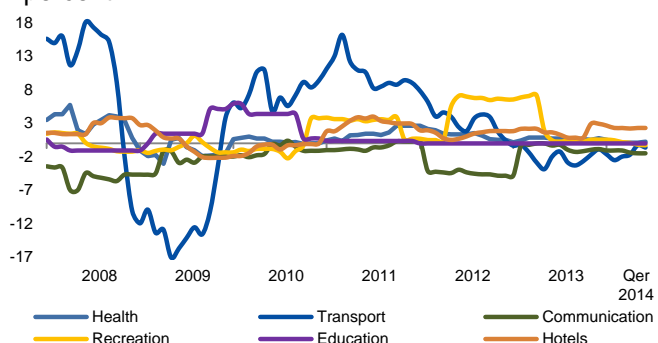
Source: KAS and CBK calculations (2015)

Figure 17. Energy price index and the price for KWh



Source: KAS and CBK calculations (2015)

Figure 18. Prices of services, annual growth in percent



Source: KAS and CBK calculations (2015)



of transport services and communication marked a decline of 1.4 and 1.2 percent, respectively, while prices of educational services remained unchanged (figure 18).

Kosovar consumer basket is characterized by a very high share of products which have seasonal price movements. These include food, energy, alcoholic beverages and tobacco, which account for about half of the consumer basket. Prices of these products have determined the price movement over the past years not only because of the high share which have on the consumer basket but also due to the significant price movement of these products (table 3). This makes the impact of these categories to be higher on the total price movements than in other countries which have lower share of these categories in their consumer basket. However, in recent years there is a stability of prices of these products but also a downward trend in the level of the total share of these products in the consumer basket.

Table 3. The breakdown of CPI

Description	Weights 2013	Annual average growth rate, in percent						
		Jun 2008	Jun 2009	Jun 2010	Jun 2011	Jun 2012	Jun 2013	Jun 2014
CPI	100.0%	12.7	-2.6	1.4	9.6	1.5	2.7	0.3
<i>CPI breakdown:</i>								
Food	37.8%	23.5	-4.8	1.0	16.9	-1.3	4.0	-1.2
Energy	7.1%	4.1	5.2	4.9	1.5	7.9	1.4	2.3
Other goods	22.4%	-0.1	3.6	-1.5	4.7	4.6	4.7	3.3
Services	32.7%	2.5	-3.1	1.8	3.3	1.6	1.5	0.7
<i>Base inflation, not including:</i>								
Food	62.2%	4.2	-0.7	1.0	3.1	2.1	1.1	0.8
Food and energy	55.1%	3.9	-1.0	0.7	3.0	1.6	1.0	0.6
Food, energy, alcoholic beverages and tobacco	49.9%	3.9	-1.4	0.9	2.5	1.1	0.4	0.3

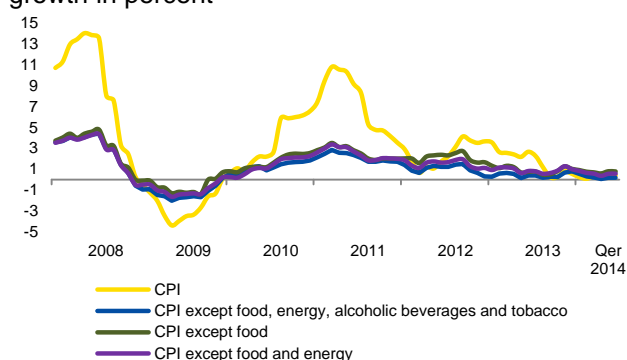
Source: KAS and CBK calculations (2014)

The core inflation, which excludes the categories which are characterized by a more significant price changes, presents a clearer picture as regard to inflation in Kosovo (figure 19). More specifically, the core inflation, which excludes food, energy, alcoholic beverages and tobacco until June 2014 declined to 0.3 percent from 0.4 percent in the previous year. Core inflation has historically been lower than the general inflation, while in the first half of 2014 due to lower food prices core inflation is almost the same as the general inflation (table 3).

### 5.1.2 Prices of tradable and non-tradable goods

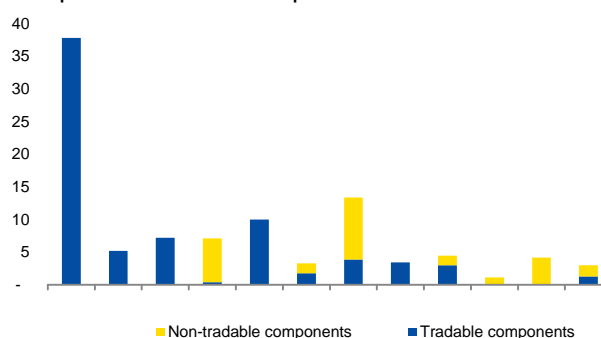
Price movements of tradable and non-tradable goods and services has historically been similar, while in the previous two years there has been a larger stability of non-tradable goods and services prices. Until June 2014, non-tradable goods and services marked a decline of 0.3 percent compared to the

Figure 19. General inflation and base inflation, annual growth in percent



Source: KAS and CBK calculations (2015)

Figure 20. The share of tradable and untradable components in CPI components

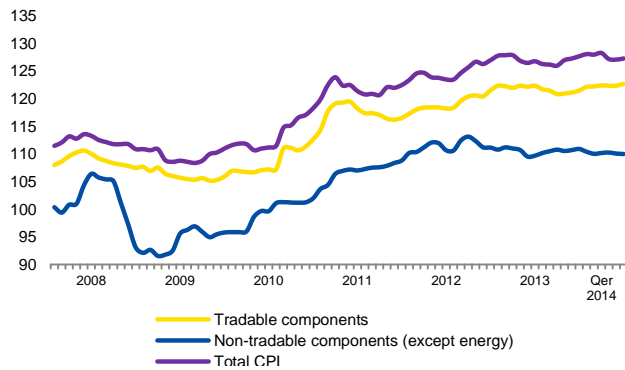


Source: KAS and CBK calculations (2015)

decline of 0.5 percent in the same period of the previous year. On the other hand, tradable goods and services, until June 2014, recorded an increase of 0.1 percent compared to the growth of 3.5 percent, as it was in the same period of the previous year. This inflation decline of the tradable goods and services is mainly due to the decline of import prices.

Since Kosovo's economy is a small economy, it is natural for the tradable components and services to have a high share. Tradable<sup>4</sup> components comprise about 74 percent of Kosovo consumer basket, while non-tradable components (mainly services) account for about 26 percent (figure 20). Consequently, as shown in figure 21, the general price movement in Kosovo is more determined by the components of tradable than non-tradable components.

Figure 21. Total CPI, tradable and untradable components



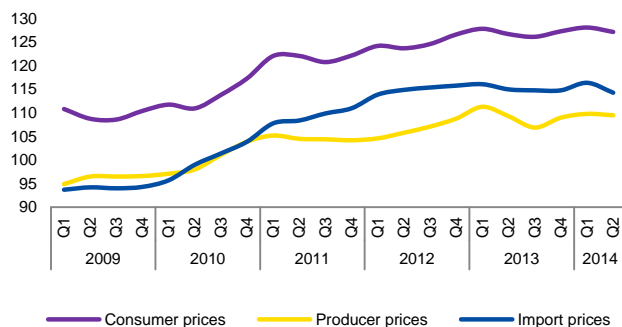
Source: KAS and CBK calculations (2015)

### 5.1.3 Import, producer prices and real effective exchange rate

Price movements in Kosovo are quite similar to price movements in international markets due to the high dependence of the economy on imports. This is confirmed also by the similar behavior of the import price index and the consumer price index (figure 22). Average import prices during the first half of 2014 marked a decline of 0.2 percent (1.0 percent increase in the same period of 2013). Within the import prices, the prices of plant products and footwear recorded the highest growth during the first half of 2014 with 23.0 percent each, followed by base metals with 11.6 percent, then the chemical industry products with 7.1 percent, etc. On the other hand, prices of textile recorded the highest decline of 24.6 percent, followed by transportation with 8.0 percent, and processed food products with 7.4 percent. Also mineral products which mainly consist of oil and its derivatives marked a decline of 6.4 percent compared to the decline of 1.4 percent recorded in the same period of the prior year.

Manufacturing prices marked a decline of 0.6 percent (4.8 percent increase in the same period of 2013). This prices decline was mostly driven by the decline of administered prices such as coal and lignite extraction which marked a decrease of 19.3 percent, followed by price decrease of electrical equipment production with 13.9 percent the production of paper and articles there of (7.9 percent decrease). Also energy prices marked a decrease of 0.7 percent, which are considered to have a large impact in manufacturing prices. The impact of price decline of these categories in total manufacturing prices was reduced to some extent by the price increase of production of chemical products with

Figure 22. Consumer, producer and import price indices



Source: KAS (2015)

<sup>4</sup> Tradable components are considered goods and services traded also in international markets, while untradeable are those goods and services which are only domestically consumed and are not traded in international markets. Consequently, also the factors that affect the prices differ in tradable and non-tradable components. Non-tradable components are affected by factors such as domestic supply and demand while tradable components besides the local supply and demand are also affected by world prices which are formed by the international supply and demand.

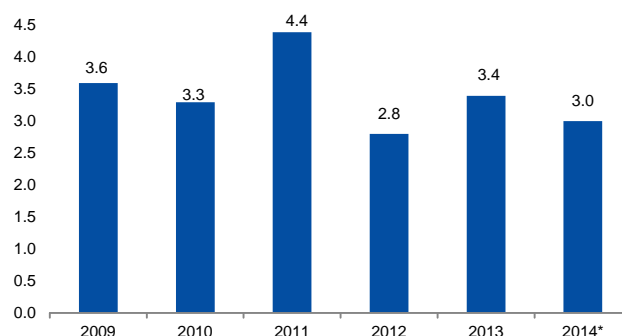
23.6 percent, then the increase of textile prices with 10.1 percent, production of wood and wood products with 9.3 percent, etc.

The real effective exchange rate (REER) of the euro in Kosovo against the currencies of trading partners, which is based on consumer prices, during the first half of 2014, was appreciated with an average of 0.5 percent, which is primarily as a result of higher inflation in Kosovo than in the trading partner countries. REER was appreciated by 0.4 percent against CEFTA countries while it marked a depreciation of 0.3 percent against EU countries, which means that Kosovo's products may have reduced the competitiveness against CEFTA countries, while they have increased competitiveness against the EU countries.

### 5.2. Gross domestic product

Kosovo's economy during 2014 is estimated to have recorded a real growth rate of 3.0 percent (figure 23). Economic growth in 2014 is estimated to have been generated by the private and public consumption, while investments and net exports are estimated to have had a negative effect on the economic growth. The nominal value of GDP, according to the CBK estimates, was euro 5.5 billion in 2014.

Figure 23. Real GDP growth rate

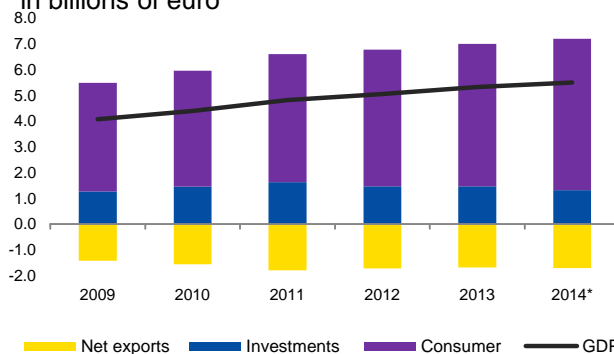


\* Data for 2014 present CBK estimates  
Source: KAS (2015)

Total consumption as the main component of GDP in Kosovo with a share of 107.0 percent, is estimated to be characterized by an increase of 5.8 percent in 2014 compared with the previous year (figure 24). This accelerated growth of consumption is primarily relied on the private consumption growth of 5.8 percent during the period, mainly as a result of larger weight that has (84.5 percent) in total consumption. Private consumption growth of 5.8 percent is mainly attributed to the growth of remittances and consumer loans, while the increase of the current government expenditures (namely wages and salaries and subsidies and transfers) is estimated to have increased the public consumption with 6.2 percent and consequently, the general consumption in the country.

Unlike consumption, total investments in 2014 are estimated to have been characterized by sharp decline. The decline of the total investments of 10.8 percent is mainly attributed to the decline of public investments with 22.5 percent compared to the previous year. Public investments, which in the past presented an important source of the economic growth, in 2014 were estimated to have marked a decrease as a result of not implementing some of the capital projects. The decline in public investments has resulted in the decline

Figure 24. Main GDP components, nominal value, in billions of euro



\* Data for 2014 present CBK estimates  
Source: KAS (2015)

of private investments as well because the failure of the realization of some projects by the public sector may have had a negative impact on the activities of private enterprises that execute these

projects. In addition, also FDI during 2014 have decreased significantly, which is estimated to have been about 32.9 percent. The acceleration of the bank lending activity – the growth of investment loans, has had a positive impact in slowing down the decline of private sector investments which is estimated to have been 4.2 percent during 2014.

While in 2013 net exports contributed positively to the economic growth, as a result of increased exports and decline in imports, net exports in 2014 are estimated to have had a negative contribution to the GDP growth by 0.1 percentage points. The deterioration of net exports position during 2014 is estimated to have been a consequence of deepening the trade deficit of goods with 2.6 percent. Export of goods is estimated to have recorded a nominal growth of 10.4 percent (6.5 percent in 2013), while imports of goods 3.6 percent (annual decline of 2.3 percent in 2013). Despite the exports increase, the higher level of imports has made net exports of goods to contribute negatively to the growth. Regarding trade in services, the nominal value of their exports is estimated to have marked an increase of 14.1 percent in 2014, while their import is estimated to have grown by 18.9 percent.

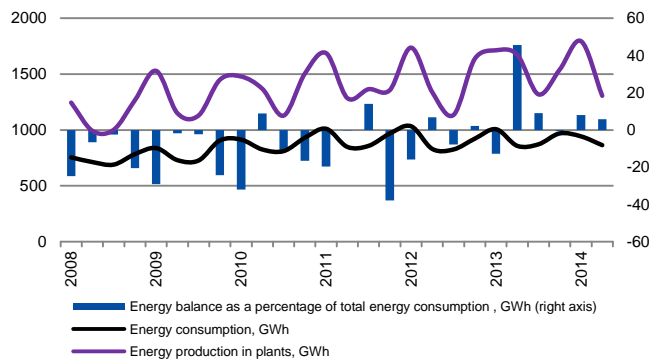
**5.3. Sectorial developments**

**Energy**

The energy sector has continued to maintain a relatively high level of production during the first half of 2014. However, compared with the first half of 2013, production of energy marked a decline of 8.4 percent, but should be noted that 2013 has been a year of the historic maximum level of energy production. However, the level of network losses in the energy sector remains relatively high representing about 39 percent of total production. Since 2009, network losses have declined continuously, marking an annual decrease of about 3 percentage points.

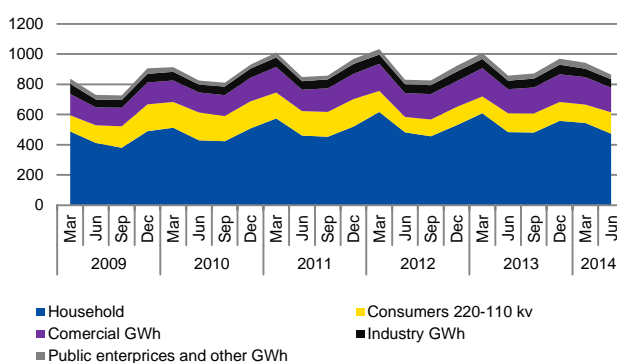
Energy consumption has been relatively stable in the recent years, while in the first half of 2014 consumption has been declining for about 3.1 percent compared with the first half of 2013, which can be attributed to the favorable climatic conditions in the first months of 2014. The more significant decline was marked in the household sector, whose consumption has decreased by 6.8 percent. With consumption growth was characterized only the customers of 220-110 kw, which includes mainly energy trading in other countries. With the decline in energy consumption were also characterized the industry and public enterprises with 5.9 and 3.0 percent, respectively. While, commercial customers have maintained similar level of consumption.

Figure 25. Producer, consumer and energy balance (Giga watt per hour)



Source: KAS (2015)

Figure 26. Energy consumption, by final consumer



Source: KAS (2015)

In the first half of 2014, Kosovo has generated positive balance of energy with 126.3 GWh. Export of energy reached 404.7 GWh which is for 17.9 percent less than the export recorded in the same period of 2013, while energy import increased by 20.1 percent reaching the level of 278.4 GWh. Compared with 2013, the energy balance represents a significant decrease (51.7 percent), but it should be taken into account that in 2013 it was recorded the highest level of export and energy production ever marked. Since 2008, Kosovo was mainly characterized by negative energy balance, therefore maintaining a positive balance in the first half of 2014 is a positive development for the energy sector in the country.

**Transport**

Railway transportation of passenger in Kosovo has been relatively stable in the recent years. On average, during a year, the railway transport is used by about 360 thousand passengers, or about 90 thousand passengers within a quarter (figure 27). In the first half of 2014, the number of passengers who use railway transport marked an increase of 2.2 percent.

Regarding the transport of goods by railway, the trends have been more fluctuating over the years. At an average, over 200 tons of goods within a quarter are transported by railway. In the first half of 2014, the amount of goods transported by railway in Kosovo was 385 tons compared to 503 tons in the same period of the previous year.

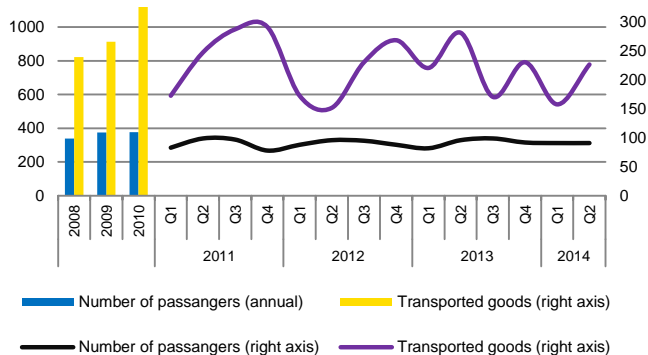
Regarding air transport, the first half of 2014 was characterized by a decrease in the number of passengers and flights.

The decline in the number of flights was 23.3 percent compared to the first half of 2013, while the number of passengers during this period marked an annual decrease of 18.6 percent (figure 28).

**Manufacturing/Industry**

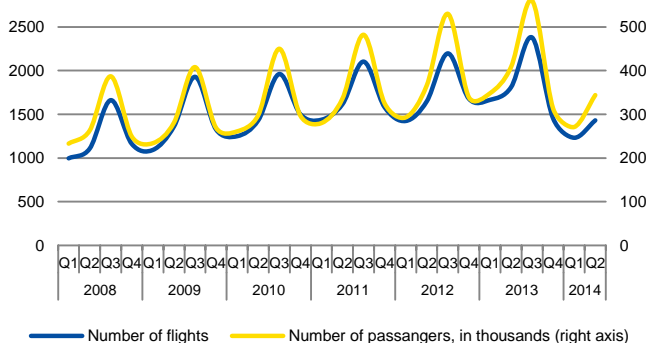
The data on industrial manufacturing index began to be published by KSA during 2014. These data use year 2012 as a base year, while the index shows a continuous increase in production in the extractive industry and relatively stable behavior of the processing industry. Regarding the manufacturing sector and the distribution of energy, heat and gas, trends have been largely positive, being characterized by high increase.

Figure 27. Railway transport in Kosovo



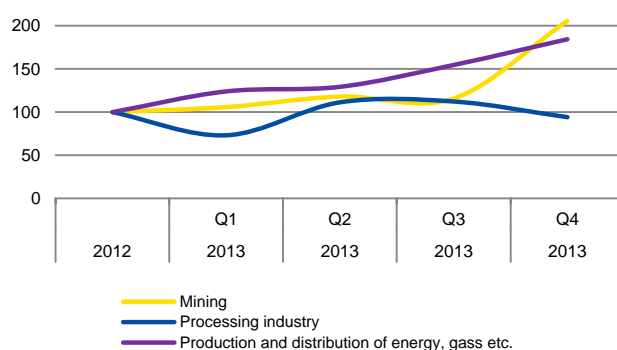
Source: KAS (2015)

Figure 28. Air transport in Kosovo



Source: KAS (2015)

Figure 29. Industrial manufacturing index



Source: KAS (2015)

### 5.3.1 Enterprise sector

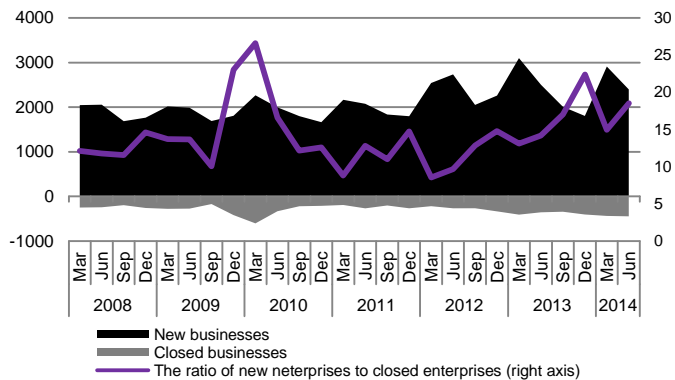
Developments within private enterprises during the first half of 2014 were characterized by a decline in the number of new enterprises in the business registry and an increase in the number of closed enterprises. The total number of new enterprises until June 2014 was 5,311 compared with 5,605 until June 2013. The number of closed enterprises until June 2014 reached 881 compared to 762 as it was until June 2013. Enterprises closed during the first half of 2014 accounted for 16.6 percent of total new enterprises, compared to 13.6 percent in the first half of 2013. The ratio between new enterprises and closed ones in Kosovo, at an average, continues to be more favorable than in other countries. This ratio shows that on average 1.6 Kosovo businesses close out of 10 new opened businesses, while other countries face over 3 businesses which close within their first year out of 10 new opened businesses.

Regarding the structure of new enterprises, the trend has continued to be relatively similar to the previous years. Trading enterprises continue to dominate the structure of new enterprises representing about 31 percent of total enterprises. However, there is a more significant increase of processing enterprises, whose share marked an increase of 11.4 percent from 5.2 percent as it was in 2013.

### 5.4. External sector

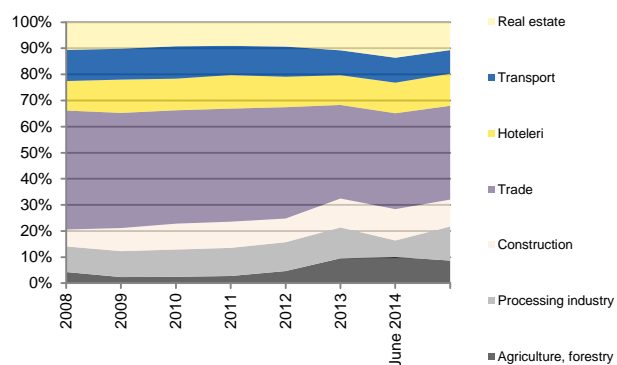
The fragile economic recovery in the euro area and the deteriorated performance in the Western Balkan countries in the first half of 2014 were reflected also in the trading activity of the Kosovo's economy. The weakening of the external demand and the prices decline of raw materials in the international markets, in the first half of 2014, resulted into deterioration in the position of net exports in the country. The balance of payments in Kosovo was characterized by a worsening of the external position mainly due to the deficit increase of the current and capital account and the reduction of the financial account flows during this period. Until June 2014, the current account was characterized by an increased deficit of goods account, a reduction of the positive balance in the services account and the primary and secondary accounts income.<sup>5</sup> Trade deficit increase is mainly attributed to the decrease of the trading activity during this period, expressed through the value decline of the total exports and the weak growth of imports. The decline of the value of Kosovo's exports, until June 2014, mainly reflects the decline in the prices of the main commodities that Kosovo exports, as well as the decline in external demand,

Figure 30. Business registry, non-cummulative



Source: KAS (2015)

Figure 31. Structure of new enterprises



Source: KAS (2015)

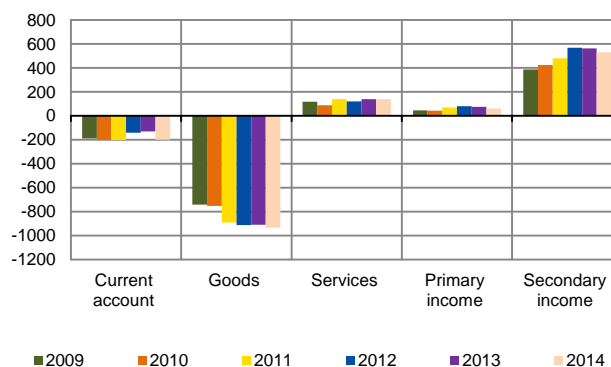
<sup>5</sup> Within the Balance of Payments of Kosovo, the primary income account includes the categories "Compensation of employees" and "Income from investments". The secondary income account is comprised of "Transfers for the Government" and "Private Transfers - which are dominated by remittances".

especially from the region and the euro area. Meanwhile, until June 2014, imports of goods are characterized by a slower annual growth, mainly driven by the decline in the value of imports of the mineral products as a result of the decline of oil prices in international markets. Within the Kosovo's balance of payments, services account was characterized by a decrease of the positive balance in the first half of 2014, mainly as a result of the faster growth in imports of services, during this period, against the slower growth of exports. One of the most sustainable source of financing the household consumption in Kosovo remain remittances whose positive balance continues to contribute in reducing the current account deficit. In the first half of 2014, remittances were characterized by a significant increase of about 7 percent which is reflected in the growth of the economic activity not only by stimulating the consumption, but also the private investment. Within the financial account, the category of foreign direct investment continues to remain the main contributor to the positive balance of this account. However, the value of total FDI received in Kosovo, until June 2014, was significantly lower than the value recorded in the same period of the previous year. The reduction of the FDI value in the first half of 2014, among others, is attributed to the sale of shares of some foreign companies operating in Kosovo to Kosovo residents but also to the distribution of super-dividend<sup>6</sup> of some of the companies.

#### 5.4.1 Current account and capital account

The dynamics of the current account developments in Kosovo continues to be largely determined by developments in the country's trade balance. In the first half of 2014, the current account position in Kosovo deteriorated as a result of increased merchandise trade deficit, while the positive balance in the services account as well as primary and secondary income continues to contribute to the narrowing of the current account deficit. In the first half of 2014, the current account deficit increased to 7.1 percent of GDP, from 4.4 percent as it was in the same period of the previous year. The current account deficit amounted to euro 198.1 million in June 2014, representing a considerable growth of 69.1 percent (figure 32). Increasing the current account deficit during this period was mainly due to the increase of the trade deficit and the reduction of the positive balance of services and primary and secondary income account.

Figure 32. Current account balance, in millions of euro



Source: CBK (2014)

One of the main structural problems of the economy remains the stable improvement of the current account balance, which requires further increase of the manufacturing capacity and an increase of the competitiveness of local products both domestically and in the foreign markets.

Capital account balance<sup>7</sup>, until June 2014 was reduced to euro 0.9 million from euro 13.7 million in the same period of the previous year. The reduction of the capital account during this period is mainly attributed to the decrease of the capital investment grants during this period.

#### Goods and services

<sup>6</sup> The superdividend implies the dividend which is higher than the company's profits. The distribution of the superdividend has an effect on the decrease of the share capital, representing a reduction of FDI.

<sup>7</sup> The capital account represents all transactions which include receipts or payments of (1) capital transfers and (2) transactions of non-produced assets - non-financial assets (such as patents and copyrights).

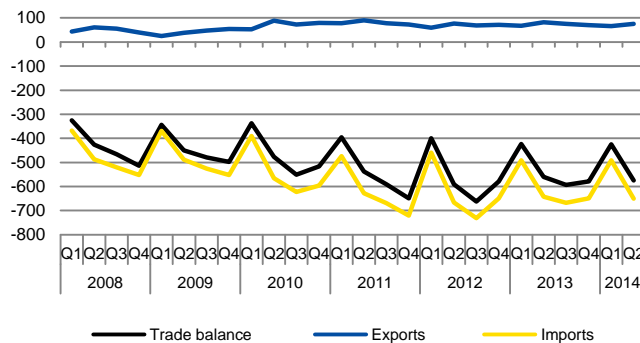
In the first half of 2014, trade activity was characterized by a decline of the exports value and a weak increase in the value of total imports. Reaching the value of euro 793.8 million (28.9 percent of GDP), the trade deficit in goods and services was higher for 3.2 percent in the first half of 2014 compared to the same period of the previous year. While the category of goods was characterized by a decline of exports and a slight increase of imports, the category of services marked a faster growth of imports against the exports in the first half of 2014. The trade activity in the country was characterized by an exports decline and a slight increase of goods import in the first half of 2014, while the increase of the value of services exports was offset to some extent by the faster growth of the services imports value, during this period. In the first half of 2014, the degree of trade openness, representing the ratio of Kosovo's trading activity to GDP reached 60.3 percent, from 59.4 percent as it was in the same period of the previous year.

**Goods**

The deficit in the goods account reached euro 932.0 million in the first half of 2014, representing an increase of 2.5 percent compared to the same period of the previous year (figure 34). The decline of the value of goods exported from Kosovo against the slight increase of the imported goods has made the coverage ratio of imports by exports to decrease to 12.4 percent in June 2014, from 13.1 percent in June of the previous year.

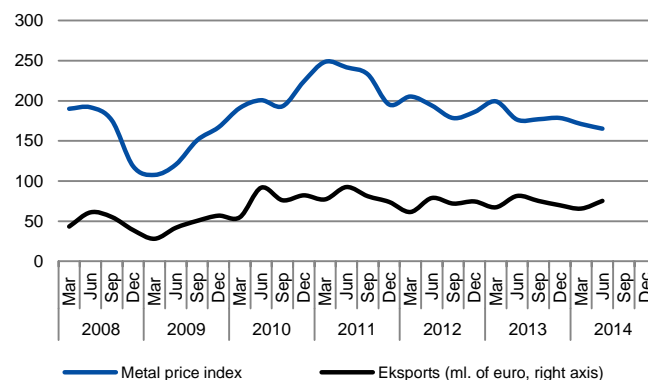
The share of Kosovo's exports to total GDP continued to remain low with only about 5 percent in the first half of 2014. During this period, total exports marked a decline of 5.9 percent compared to the same period of the previous year, reaching a value of euro 141 million (figure 35). While in the previous year the increase of the value of goods exports was primarily attributed to general demand increase in the region and in the EU countries as well as to the price increase of the main components that Kosovo exports. In the first half of 2014 these two factors contributed to the decline of exports.

Figure 33. Imports, exports and trade balance, quarterly flow in millions of euro



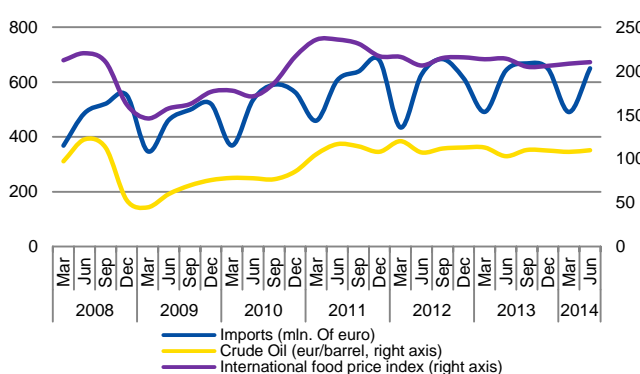
Source: KAS (2015)

Figure 34. Total exports (non-cummulative) and international metal prices



Source: IMF (2014) and KAS (2014)

Figure 35. Total imports (non-cummulative) and international oil and food prices



Source: CBK (2014), IFS and FAOUN



The structure of Kosovo's exports continues to be dominated by the category of base metals, which in the first half of 2014 reduced the share to total exports at 47.2 percent from 50.8 percent in the first half of the previous year. The reduction of the export of these goods was mainly due to the lower metal prices during this period. Also, the decline in production, and consequently, the decrease of the export of electricity in the reporting period is reflected to some extent to the decline of the value of exports of mineral products category, which in June had a share of 16.0 percent of total exports (15.8 percent in June 2013). With a decline of the value of exports until June 2014 marked also the categories of plastic, rubber and other categories as well as exports of machinery, mechanical and electrical equipment, a decline that can be attributed to some extent to the weakening of foreign demand during this period. Otherwise, exports of agricultural products, beverages and tobacco, and textile products during this period marked an increase.

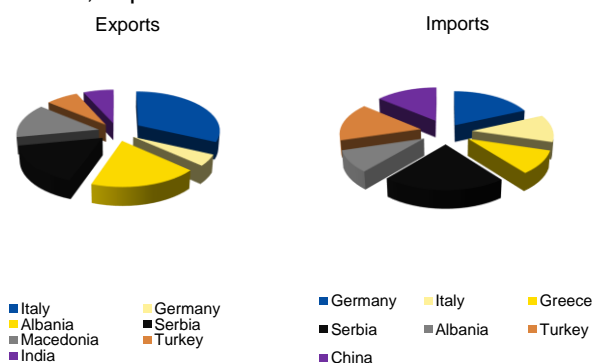
Imports continue to have a high share to total GDP of about 41 percent, in June 2014. In the first half of 2014, the total value of imported goods in Kosovo was euro 1.14 billion, representing a slight increase of 0.7 percent, compared to the same period of the previous year (figure 36). Weaker dynamics of increasing the value of total imports, during the first half of 2014, mainly was attributed to the decrease in the prices of major imported products, mainly mineral products and base metals. The imports value of mineral products, which at the same time present the highest share of total imports in the country (18.0 percent as of June 2014) which are mainly dominated by oil, marked a decline during this period. With the decline was also characterized the total value of imports of base metals which is mainly attributed to the price decrease of metals in this period. On the other hand, the decline in the value of imports of chemical products and imports of transport vehicles, until June 2014, gives indications of an economic slowdown activity in the manufacturing sector in this period. Within the structure of imports, the share of capital goods remained low with about 8.5 percent. In 2014, compared to the previous year, imports of intermediate goods decreased while imports of consumer goods during this period marked an increase. Intermediate goods continue to have the highest share within the total structure of imported goods in the country (about 51 percent), while consumer goods have a share of around 35 percent. The remaining share of 5.6 percent belongs to uncategorized imported goods.

Kosovo's main trading partners remain the EU states. Imports originating from the EU represent 42 percent of total imports of Kosovo. Until June 2014, the majority of imports come from Germany, Italy and Greece. In the context of other European countries and countries from Asia, Kosovo imports significant quantities of goods from Turkey and China. Meanwhile, within the region, the majority of Kosovo's imports come from Serbia, Albania and Macedonia.

On the other hand, Kosovo's exports to EU countries account for approximately 38 percent of total exports and are concentrated mainly in Italy and to less extent in Germany. Concerning the regional countries, Kosovo continues to export more in Albania, Serbia and Macedonia. A significant share of Kosovo exports has as a destination India and Turkey (figure 36).

As in the previous periods, Kosovo continues to import mineral products mainly from Italy and Greece, while from Germany imports machinery, mechanical and electrical equipment, transport

Figure 36. Exports and imports structure by countries, in percent



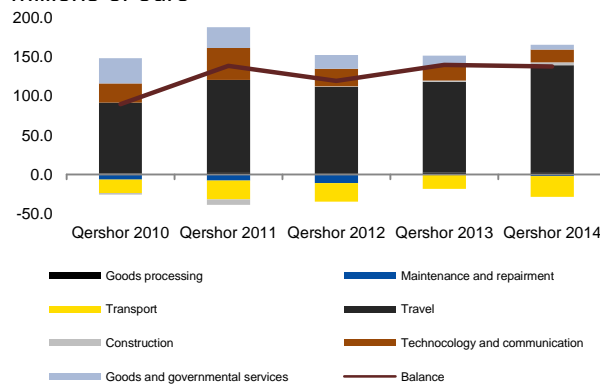
Source: CBK (2015)

vehicles, plastic products, tobacco, etc. From other trading partners in the region, namely from Serbia and Macedonia, Kosovo mainly imports mineral products, mechanical and electrical equipment, ceramic products, beverages and food products, etc. From other European countries and Asia, specifically from Turkey and China, imports consist mainly of iron and steel products, mechanical and electrical equipment, ceramic products, textile, etc. As regard to exports, Kosovo continues to export to Albania mainly iron and steel and articles thereof, base metals, plastic products, beverages, mineral products, etc. To Montenegro and Macedonia, Kosovo exports mainly base metals, tobacco, textile products, paper articles, articles of stone and ceramics, etc.

**Services**

The balance of services had a value of euro 138.2 million in June 2014, presenting a decrease of 1.5 percent, compared to the balance recorded in the same period of the previous year. The reduction of the balance of the services account, in this period, mainly reflects the faster growth of payments to non-residents from the Kosovo residents, against the income growth generated from sales of services to nonresidents. Services account realized an inflow of euro 289.4 million, representing an increase of 12.6 percent compared to the first half of the previous year. While, total payments for services from abroad reached a value of euro 151.2 million, representing a higher expenditures increase of 29.4 percent compared to the previous year.

Figure 37. The structure of net export of services , in millions of euro



Source: CBK (2015)

Within the balance of services, the main category continues to be the travel category (figure 37). Until June 2014, the balance of travel services amounted to euro 136.6 million, which compared to the same period of the previous year represents an annual growth of 17.8 percent. Despite that travel services were characterized by a steady increase of exports and imports, the higher weight of exports in the travel category influenced the overall balance of these services to mark a growth. The income from travel services amounted to euro 173.8 million, representing an annual growth of 21.2 percent, and mainly consist of non-resident expenses during their stay in Kosovo. At the same time, payments for travel services to Kosovo residents amounted to euro 37.2 million, representing an annual growth of 35.7 percent.

In the first half of 2014, the balance of computer services, information and telecommunications was characterized by a decreasing balance to euro 16.4 million from euro 18.9 million in the first half of 2013. Also, with a lower balance of services were characterized the category of other business services and government services, which in the first half of 2014 had a value of euro 8.9 and euro 6.0 million, respectively (euro 10.9 and 13.1 million, respectively, in the first half of 2013). The balance of computer services, information and telecommunications marked a decline during this period mainly due to the decrease of the activity of communication companies of the activity in the Kosovo’s economy, which may have resulted from the continuous enhancement of technology in the context of new products which are offered as free of charge. Also, government services decreased mainly due to the continuous reduction of the international presence in Kosovo (diplomatic missions, EULEX and KFOR), while at the same time, payments to Kosovo’s residents by diplomatic missions abroad marked an increase.

Within the balance of services, services realized for goods processing amounted to euro 2.9 million in the first half, from euro 2.4 million, representing an increase compared to the same period of the previous year.

### Primary income

The primary income account in the first half of 2014 had a positive balance of euro 62.8 million, although this balance was lower compared to the previous year balance with about 16.2 percent. In the first half of 2014, revenues within the income account decreased to euro 102.7 million, representing an annual decline of 8.8 percent. On the other hand, payments marked an increase of 5.9 percent, amounting to euro 40.0 million.

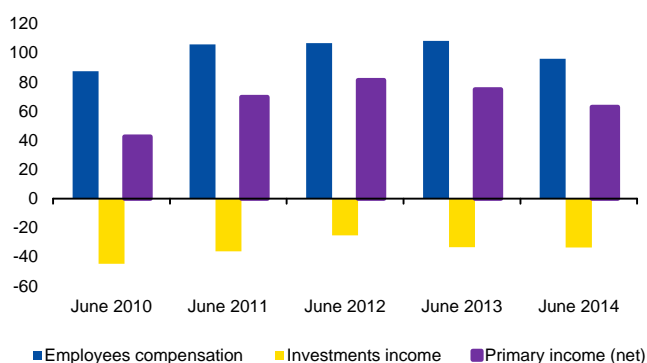
The reduction of the positive balance in the primary income account was mainly due to the slight increase of payments and to the decline of income within the workers compensation account (figure 38). The income from workers compensation, which mainly consist of the income of the workers abroad as the seasonal workers and workers in Afghanistan and Iraq are the largest category of the income within the primary income account. Until June of 2014, the income from the compensation of employees amounted to euro 98.9 million (euro 110.0 million until June 2013). In the same period, workers compensation payments which include nonresident workers working in Kosovo for a shorter than one year period, amounted to euro 2.9 million, compared to euro 1.8 million as they were in the first half of 2013.

Until June 2014, income from investments abroad had a negative balance of euro 33.7 million (euro 33.3 million until June 2013). The income within revenues from investments amounted to euro 3.4 million in the first half 2014 (euro 2.7 million in the first half of 2013), while payments increased their value to euro 37.1 million in the same period (euro 36.0 million in the first half of 2013). Income from investments primarily consists of realized income from investments of the local institutions (securities, deposits, etc.) in the foreign markets, while payments mainly consist of income derived from investments of foreign companies operating in the country, as commercial banks and foreign enterprises. The income increase from investments, in the reporting period, mainly is attributed to the income growth from the CBK investments and commercial banks in the foreign markets, namely investments in securities. Meanwhile, the increase of payments within the income from investments during the first half of the year primarily was driven by the reinvested profit by the foreign companies operating in Kosovo.

### Secondary income

In the first half of 2014, secondary income account amounted to euro 532.0 million, representing an annual decline of 5.6 percent (figure 39). The structure of secondary income continues to be dominated by transfers from other sectors, namely transfers of financial corporations, nonfinancial corporations, households, etc. (71 percent of total secondary income) and from the government transfers (29 percent of total secondary income). The reduction of the balance of secondary income, during the reporting period, was the result of decreasing income within other sectors transfers and government transfers.

Figure 38. Primary income, in millions of euro

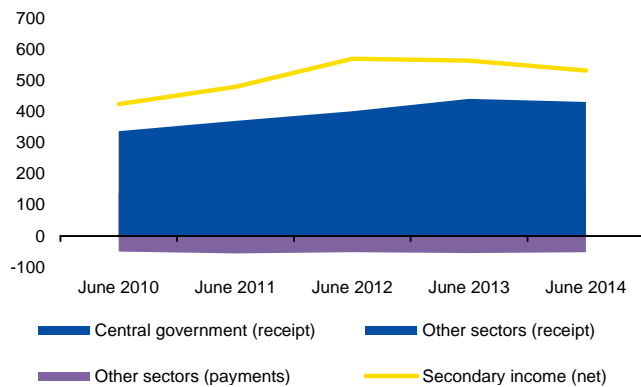


Source: CBK (2015)

In the first half of 2014, the balance of the government transfers (transfer of donors, EULEX and UNMIK) was reduced to euro 153.7 million from euro 176.9 million as it was in the first half of the previous year, mainly due to the decreasing donations. Also the category of other sectors was characterized with reduction of the balance, which in June 2014 amounted to euro 378.3 million (euro 386.4 million in June 2013).

Transfers balance of the private sector was lower in the first half of 2014 compared to the same period of the previous year, mainly due to the donor transfers decline to other non-governmental organizations. Remittances, as a category that dominate 67.2 percent of total transfers of the private sector were characterized by growth in the first half of 2014. Until June 2014, remittances received in Kosovo amounted to euro 291.3 million, representing an annual growth of 6.9 percent (figure 40). Remittances received in Kosovo mainly come from Germany and Switzerland, representing the two countries with a share of 37 and 23 percent of total remittances received in Kosovo. A significant part of remittances is sent also from Italy and Austria, which reach a share of 6 and 4 percent, respectively, of total remittances received in Kosovo. Regarding the transfer of remittance by channel, about 22.3 percent of transfers are realized through the banking system, while 42.2 percent are transferred through money transferring agencies. The remainder is transferred through other channels including informal ones. On the other hand, remittances of non-residents working in Kosovo towards other countries, amounted to euro 36.9 million until June 2014, a decrease of 4.2 percent compared to the same period of the previous year.

Figure 39. Secondary income, in millions of euro

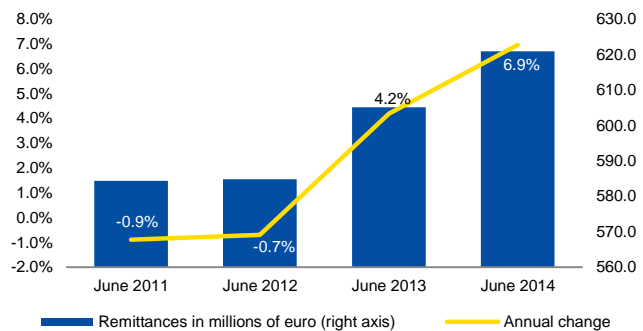


Source: CBK (2015)

### 5.4.2 Financial account

Financial account balance in June 2014 was euro -86.2<sup>8</sup> million compared with the balance of euro -128.1 million in June 2013. This change in the financial account balance is attributed not only to assets reduction but also to the lower level of liabilities compared to the same period of the previous year. Assets marked a decrease of euro 19.8 million while in June 2013 had increased by 6.3 million, while liabilities which in the first half of 2013 had increased by 134.3 million euro in the first half of 2014 increased for euro 66.4 million. Within liabilities, the main category continues to be the category of foreign direct investment, while regarding assets the main category remains constant growth of portfolio investments abroad (table 4).

Figure 40. Remittances



Source: CBK (2015)

<sup>8</sup> Negative balance of the financial account implies more investments realized in Kosovo by non-residents compared to investments of Kosovo residents abroad.

Table 4. Financial account, in millions of euro

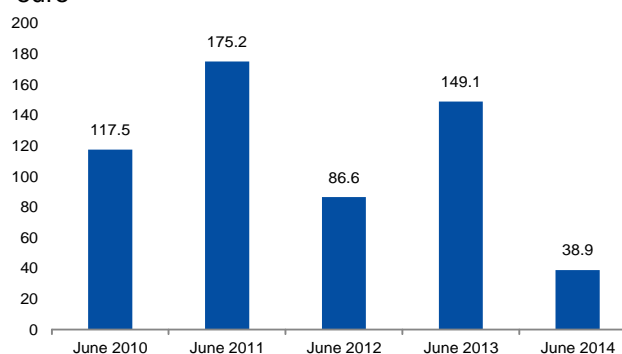
Description	June 2010	June 2011	June 2012	June 2013	June 2014
<b>FINANCIAL ACCOUNT</b>	-152.3	-206.9	-100.2	-128.1	-86.2
<i>Assets</i>	104.5	25.6	-14.2	6.3	-19.8
Foreign Direct Investments (outgoing)	13.6	-5.0	8.1	8.0	1.5
Portfolio investments	24.8	102.8	44.0	135.2	53.4
Other investments	16.3	-104.8	-85.3	-145.2	-46.7
Reserve assets	49.9	32.7	19.1	8.3	-27.9
<i>Liabilities</i>	256.8	232.5	86.0	134.3	66.4
Foreign Direct Investments (incoming)	117.5	175.2	86.6	149.1	38.9
Portfolio investments	0.0	0.0	0.0	0.0	0.0
Other investments	139.3	57.3	-0.6	-14.7	27.5

Source: CBK (2014)

### Foreign Direct Investments

Foreign Direct Investments (FDI) received in Kosovo in the period January-June 2014 amounted to euro 38.9 million which is for euro 110.1 million lower compared to the same period of the previous year (figure 41). Also, Kosovo resident investments in other countries were significantly lower compared to the same period of the previous year which amounted to euro 1.5 million. FDI abroad of Kosovo residents are mainly capital investments, which in most of the cases are real estate purchase.

Figure 41. Foreign direct investments, in millions of euro



Source: CBK (2015)

Within the FDI, investments in equity capital amounted to euro 24.6 million (euro 92.9 million until June 2013) while loans between enterprises were euro 14.3 million or euro 41.9 million less than in the same period of the previous year. The lower value of FDI in the first half of 2014 is mainly attributed to the sale of shares of some foreign companies operating in Kosovo to Kosovo residents but also the distribution of super-dividend<sup>9</sup> by some foreign companies.

Regarding the origin of FDI, Switzerland represents the country from where the most of FDI was invested in the first half of 2014 (euro 15.3 million), followed by Austria, Germany and Albania, which invested approximately euro 13 million each. While, investments by Austria and Albania recorded a growth of 49.5 and 13.5 percent, respectively, compared to the same period of the previous year, investments from Switzerland were lower for 25.6 percent.

### Portfolio investments, other investments and reserve assets

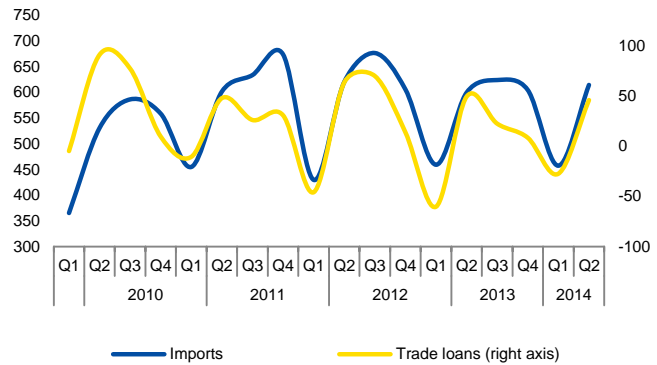
Until June 2014, portfolio investments abroad reached a value of euro 53.4 million (euro 135.2 million until June 2013). The majority of portfolio investments comprised of pension funds' investments in various financial instruments abroad, while the remainder belongs to the Central Bank and commercial banks. Within portfolio investments, it was marked a shift of investments

<sup>9</sup> The superdividend implies the dividend which is higher than the company's profits. The distribution of the superdividend has an effect on the decrease of the share capital, representing a reduction of FDI.

of the Kosovo Pension Saving Fund (KPSF) from investments in debt securities to share capital investments. More specifically, investments in debt securities decreased to euro 16.6 million, while investments in shares marked an increase of euro 70.0 million.

Other investments, which consist mainly of deposits and loans marked a decline of euro 46.7 million. This asset reduction within other investments is attributed to the decline of deposits, which in the first half of 2014 recorded an amount of euro - 57.7 million. On the other hand, commercial bank loans to non-residents marked an increase of euro 7.5 million while also the advances and other receivable accounts recorded an increase of euro 3.4 million. In the context of other investments, liabilities marked an increase of euro 27.5 million. This increase in liabilities was primarily due to the increase of liabilities in the form of trade credit which marked an increase of euro 18.1 million, which can be attributed to the growth of imports because, as shown in figure 42, the movement of trade credit is closely linked to the movement of imports. Besides trade credit, also liabilities in the form of non-resident deposits increased by euro 2.7 million.

Figure 42. Trade loans nad imports, in millions of euro



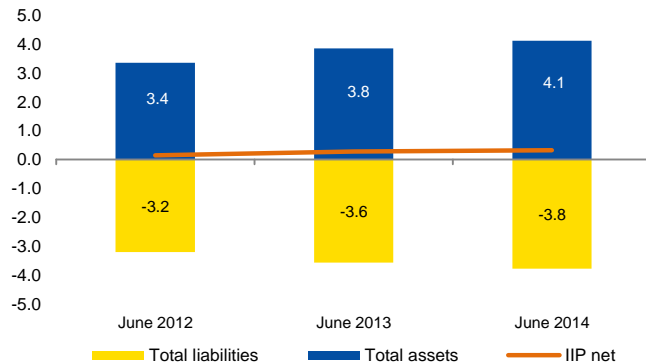
Source: CBK (2015)

Reserve assets, which are invested primarily in money market instruments and in deposits, until June 2014 reduced by euro 27.9 million. However, given the fact that Kosovo uses the euro as its official currency, which is acceptable in any international transactions, it can be considered that reserve assets in Kosovo have no significant importance in comparison to majority of other countries.

**5.4.3 International investment position**

The net International Investment Position (IIP)<sup>10</sup> at the end of June 2014 was positive and had a value of euro 327.8 million (figure 43). Positive balance of IIP has followed an upward trend since 2012, where as a percentage of GDP from 2.9 percent in June 2012 reached 5.9 percent in June 2014. The increase of the IIP balance was

Figure 43. International investment position, in billions of euro



Source: CBK (2015)

influenced by other investments and portfolio investments, whose balance recorded an annual growth of 15.3 and 12.5 percent, respectively, in June 2014. On the other hand, the balance of direct investments continued to be negative (more FDIs were invested in Kosovo by non-residents compared to the FDIs that were invested abroad by Kosovar residents) marking an increase of 5.7 percent. The stock of total FDI realized in Kosovo amounted to euro 2.8 billion in June 2014, which is for 6.3 percent more than the stock of FDI in June 2014. Also the stock of direct

<sup>10</sup> International Investments Position represents the position at the end of a certain period of time of the external financial assets and liabilities. The position at the end of the period is a result of all transactions from the past, including corrections due to exchange rate movements in order to calculate the value of financial assets/liabilities at the reporting date or changes in the market price. Positive balance of the IIP implies that assets invested abroad are higher than the value of assets invested by other countries in Kosovo.

investments, invested abroad by Kosovo residents increased by 18.9 percent and reached a value of euro 148.9 million.

Regarding the institutional sectors, the Central Bank and commercial banks consistently had positive balance (euro 1.4 billion and euro 466.1 million in June 2014), while other sectors<sup>11</sup> and the government have consistently had a negative balance (euro 1.2 billion and euro 318.9 million) (figure 44).

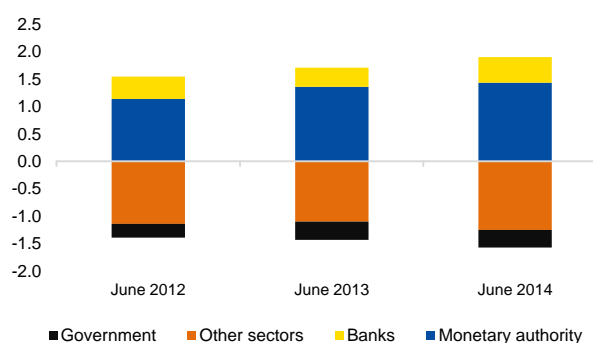
Total assets in June 2014 amounted to euro 4.1 billion (annual growth of 7.0 percent). Asset growth was mostly contributed by portfolio investments which marked a growth of 12.5 percent and other investments which recorded a growth of 10.1 percent. Portfolio investments, which have a significant share in the stock of assets abroad (31.1 percent) are invested mainly in shares in the capital markets (58.7 percent), while the rest (41.3 percent) in debt securities.

#### 5.4.4 External debt

In June 2014, Kosovo had a net positive balance of external debt with an amount of euro 1.6 billion, implying that the external sector debt against the domestic economy (euro 3.2 billion) is higher than the debt of Kosovo's economy to the external sector (euro 1.6 billion).

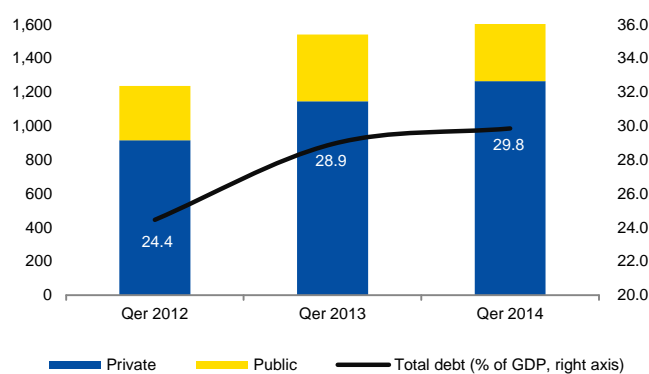
Kosovo's foreign debt, which includes external private and external public debt,<sup>12</sup> in June 2014 amounted to euro 1.6 billion which is for 6.8 percent higher than in June 2013. As a share to GDP, gross external debt reached 29.8 percent (figure 45). Public external debt has a low share to total gross external debt, which reflects the low level of overall public debt in Kosovo compared to other countries in the region. Public external debt at the end of June 2014 had a value of euro 381.9 million or 23.2 percent of gross external debt.

Figure 44. Net international investment position by institutional sectors, in billions of euro



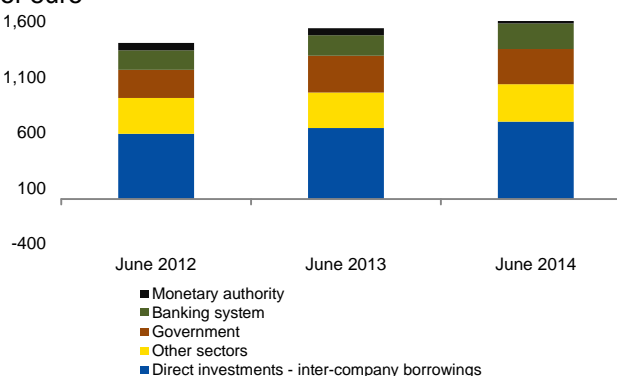
Source: CBK (2015)

Figure 45. Gross external debt, in millions of euro



Source: CBK (2015)

Figure 46. Gross external debt by sectors, in millions of euro



Source: CBK (2015)

<sup>11</sup> Within other sectors are included: pension funds, financial auxiliaries, insurance companies, non-governmental organizations, private companies, and individuals.

<sup>12</sup> The public debt includes government and the central bank debt, while private debt is comprised of intercompany loans, banking system, and other sectors.

The majority of external debt consists of intercompany lending (figure 46). Foreign companies operating in Kosovo owe external sector an amount of euro 697.8 million or 42.4 percent of total external debt. With a significant share in the total external debt of Kosovo are also other sectors (euro 337.3 million or 20.5 percent of total external debt).

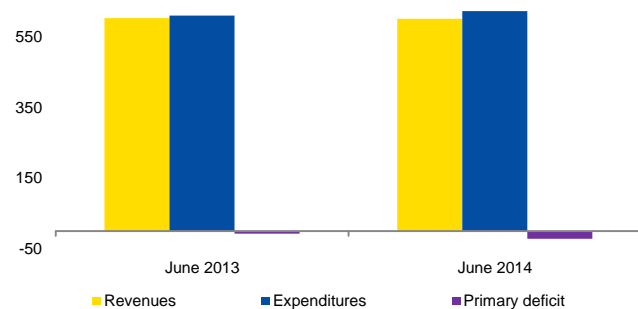
Government foreign debt with an amount of euro 318.9 million is largely inherited debt, implying that it is a long-term debt and represents 19.4 percent of total gross external debt. The stock of gross external debt of the banking system, in June 2014, was euro 229.3 million or 13.9 percent of total external debt. This is a short-term debt and the majority consists of non-resident deposits. CBK has the lowest share to total external debt (euro 62.9 million or 3.8 percent of total external debt). Liabilities of the Central Bank are mainly comprised of allocations of Special Drawing Rights (SDR) from the IMF.

External sector debt to the domestic economy, in June 2014, amounted to euro 3.2 billion. These assets are primarily invested assets abroad as assets of the privatization and Kosovo Pension Saving Funds, which are mainly invested in deposits with 76.2 percent, followed by assets invested in debt securities with 18.1 percent and loans which have a share of 2.7 percent.

**5.5. Fiscal sector**

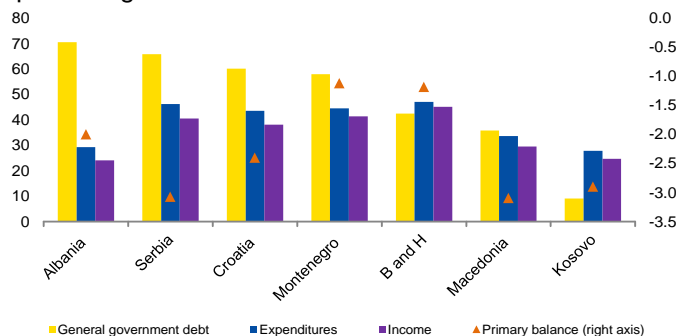
Until June 2014, the fiscal sector was characterized by a slight decrease of revenues and an increase in budget expenditures. The total budget revenues<sup>13</sup> declined by 0.3 percent, reaching a value of about euro 603.0 million. On the other hand, the total value of budget expenditures<sup>14</sup> amounted to euro 625.0 million, representing an annual increase of 2.1 percent. Consequently, the Kosovo’s budget recorded a primary deficit of euro 22.0 million (euro 7.6 million was the deficit in the same period of 2013) (figure 47). The general government debt at the end of June 2014 was euro 554.4 million or 9.9 percent of GDP compared with 9.1 percent at the end of 2013.

Figure 47. Budget revenues and expenditures, in millions of euro



Source: MF and CBK calculations (2015)

Figure 48. Main fiscal indicators of SEE in 2013 as a percentage to GDP



Source: IMF for regional countries, MoF and CBK calculations for Kosovo (2015)

Despite the slight increase, Kosovo has the lowest level of general government debt compared to other regional countries. While the average of the total debt in SEE countries during 2013 was 48.9 percent of GDP, Kosovo had the lowest level of 9.1 percent (figure 48). Moreover, the public debt to GDP ratio in the region during the past two years marked an average growth of 5.1 percentage points, while in Kosovo public debt growth was lower, with only 1.9 percentage points. Besides the lower level of public debt, Kosovo has the lowest tax burden of the economy,

<sup>13</sup> Within the budget revenues are not included receipts from designated donor grants, internal and external borrowings, revenues from the privatization.

<sup>14</sup> Within the budget expenditures are not included payments from designated donor grants, debt payments, and the return of borrowings by the public enterprises is treated as a reduction of budget expenditures.



as the budget revenues to GDP ratio in 2013 was 24.6 percent compared to the regional average of 34.8 percent. Also, the budget expenditures of 27.8 percent to GDP ratio is the lowest compared to the regional average of 38.9 percent.

### 5.5.1 Budget revenues

Budget revenues in Kosovo consist mainly of tax revenues, which in June 2014 had a share of about 85.2 percent of total budget revenues. Own source revenues of the central government and municipalities account for 8.5 percent of total revenues, while the remainder of 6.3 percent is composed of non-tax revenues.

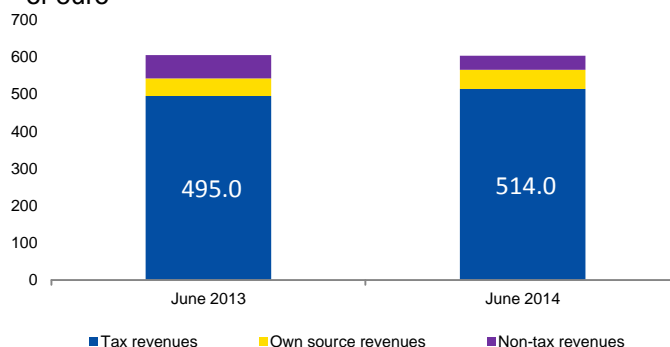
Budget revenues decline of 0.3 percent during the first half of 2014 is mainly because during this period no revenues were collected in the form of dividend from the public enterprises, while in the same period of the previous year were collected euro 30.0 million from dividends. If the revenues from the dividend realized in 2013 were not included, then the budget revenues until June 2014 recorded an increase of 4.9 percent. Tax revenues increased by 3.8 percent and reached a value of euro 514.0 million.

Within tax revenues, revenues from border taxes amounted to euro 383.0 million which were higher for 5.8 percent than in the same period of the previous year, while domestic tax revenues recorded a level of euro 148.0 million which are almost at the same level compared to the same period of the previous year. Own source revenues grew by 8.5 percent and reached the value of euro 51.0 million. Non-tax revenues amounted to euro 38.0 million which are for 39.2 percent lower than in the same period of the previous year, mainly due to the dividend (figure 49).

In the context of domestic taxes, an increase was recorded by the personal income tax and the tax of individual businesses by 12.5 percent and 8.1 percent, respectively, while VAT and tax on corporate income declined by 12.6 percent and 8.3 percent, respectively (figure 50).

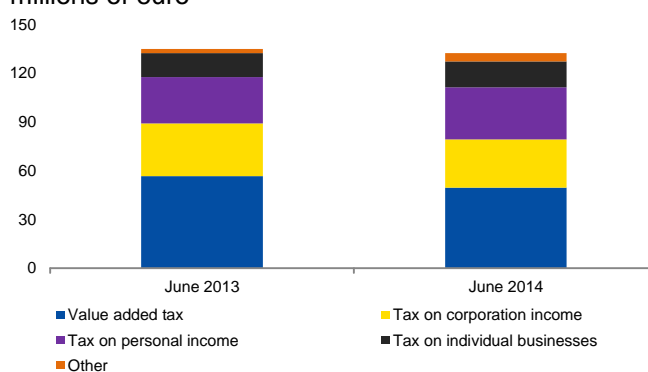
The positive performance of border taxes is a result of increased revenues from all types of taxes, which besides the customs efficiency in combating the informal economy, reflects also the growth of imports. Within border revenues, the main category remains VAT, with a share of 49.3 percent of total border revenues (figure 51). Until June 2014, the

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



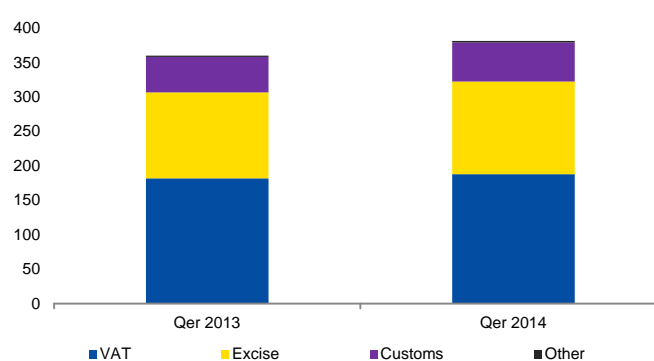
Source: MoF and CBK calculations (2015)

Figure 50. Net domestic revenues by type taxes, in millions of euro



Source: MoF and CBK calculations (2015)

Figure 51. Net border revenues by type of taxes, in millions of euro



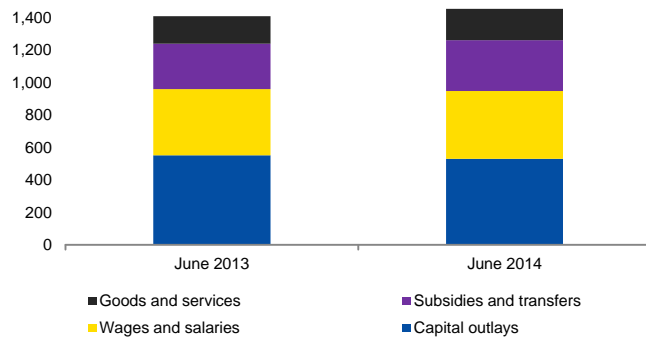
Source: MoF and CBK calculations (2015)

revenues from VAT collected at the border marked a growth of 3.3 percent and amounted to net euro 187.9 million. Border revenues from excise, which have a share of 35.3 percent in total border revenues, marked a growth of 7.9 percent and amounted to net euro 134.7 million. Border tax revenues, representing 14.8 percent of total border revenues, marked a growth of 14.8 percent and amounted to euro 56.4 million net.

**5.5.2 Budget expenditures**

Until June 2014, the total value of budget expenditures reached euro 625.0 million, representing an annual increase of 2.1 percent. Current expenditures, which consist of wages and salaries, goods and services, transfers and subsidies, amounted to euro 488.0 million, representing an annual increase of 16.2 percent compared to the same period of the previous year. In the context of current expenditures, government expenditures on wages and salaries marked a growth of 34.0 percent, reaching euro 233.0 million. With an increase were marked also the government expenditures on subsidies and transfers and expenditures on goods and services. Expenditures on subsidies and transfers increased by 4.2 percent and reached a value of euro 164.0 million, while expenditures on goods and services amounted to euro 91.0 million or 2.8 percent more than the expenditures for this category in the same period of 2013.

Figure 52. Structure of budget expenditures, in millions of euro



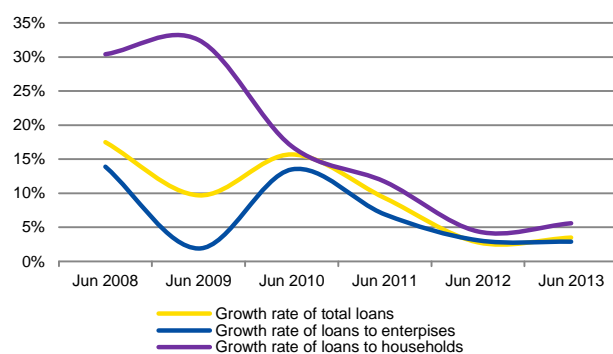
Source: MoF and CBK calculations (2015)

Government expenditures on capital investments until June 2014 amounted to euro 137.0 million which is about 30 percent less than in the same period of the previous year (figure 52). The reduction of the capital investments during this period primarily is addressed to the R-7 highway project completion, which in the first half of 2013 was under implementation.

**5.6. Financial system**

The stability of the financial system is an important pillar for sustainable economic growth. The interrelation of the stability of the banking sector with economic activity continues to consistently be emphasized by policymakers on regional and global level, who are formulating and changing the monetary policy decisions, being based on the macroeconomic projection. The continuous growth of the activity that characterized all segments of the financial system component in Kosovo and the good management of the banking risks has resulted in a good performance and a better liquidity position, good quality loan portfolio and high level of capitalization.

Figure 53. Loans growth rate by sectors, in percent



Source: CBK (2015)

In the first half of 2014, total financial system assets amounted to euro 4.3 billion, representing an annual growth of 12.2 percent. The strengthened growth trend of financial system assets in

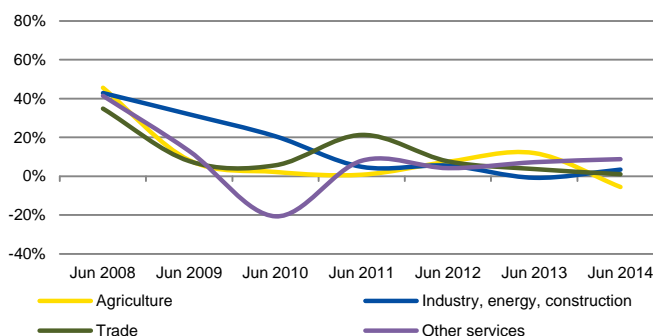
the first half of 2014 is mainly attributed to the assets growth of the commercial banks and pension funds.

The dynamics of the lending activity of the banking sector in the country was characterized by accelerated pace of growth in the first half of 2014. Total bank loans amounted to euro 1.89 billion, representing an annual growth rate of 3.5 percent in June 2014 (2.8 percent in June 2013) (figure 53). Despite the continuous growth of the bank lending, the total loans to GDP ratio remains relatively low with about 35 percent, suggesting further increase of the lending activity.

The accelerated increase of loans during the first half of 2014 is mainly attributed to the more eased offer of the bank lending to enterprises and households. The enterprise demand for loans was generally lower, while the households were characterized by a decrease in demand for loans for house purchase and an increase in demand for consumer loans and other loans.

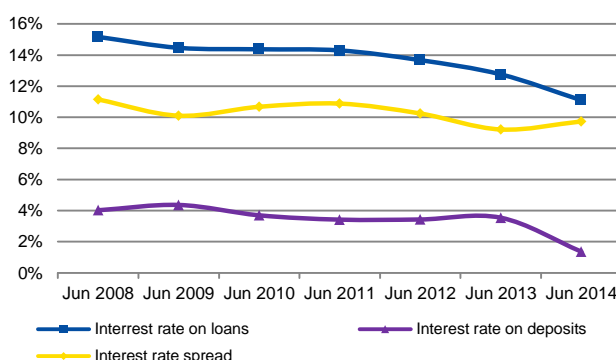
The economic sectors that were provided with a more significant support by the banking sector, in 2014, were manufacturing, energy, trade and other services (hotels and restaurants, real estate and rental and other services). While, in the recent years loan portfolio for the agricultural sector has grown consistently in the first half of 2014 compared to the same period of the previous year, the bank support for this sector has significantly reduced (figure 54). The reduction of the financial support for the agricultural sector, in the first half of 2014, can be attributed to some extent to the completion of the most of the USAID project for the loans guarantee to the agricultural sector, which shows the reluctance of banks to expand the lending activity to the agricultural sector. Therefore, guaranteeing loans through similar schemes can mitigate the exposure of banks to credit risk arising from this sector, as well as can result in reducing the cost of financing for this sector. Interest rates on loans to agriculture continue to be quite high in comparison with loans to other sectors, which discourages the loans demand from this sector. Besides agriculture, also the mining sector

Figure 54. Growth trend of loans by economic sectors, in percent



Source: CBK (2015)

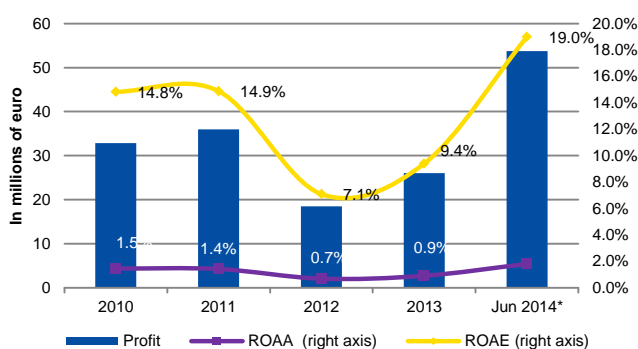
Figure 55. Annual average of interest rates, in percent



Source: CBK (2015)

The reduction of the financial support for the agricultural sector, in the first half of 2014, can

Figure 56. Profitability indicators



\*Data for June 2014 are annualized  
Source: CBK (2015)

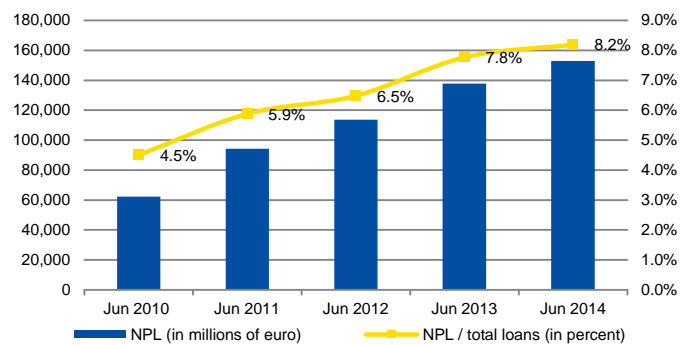
and the construction sector were characterized with a lower support from the banking sector, which may reflect to some extent the slowdown in the activity of these two sectors of the economy.

In the first half of 2014, the more eased commercial banks' lending offer in the country is mainly realized through the reduction of average interest rates on loans. Interest rate on loans decreased to 10.6 percent in June 2014 (12.0 percent in June 2013). However, with a higher declining intensity were characterized the average interest rates on deposits, which in the first half of 2014 declined to 0.6 percent (3.5 percent) (figure 55). Consequently, the interest rate spread marked an increase of 10.0 pp from 8.5 pp as it was in June 2013.

The main source of funding for the banking sector remains deposits, which in June 2014 recorded an annual growth of 10 percent. Deposits of the banking sector in the country amounted to euro 2.42 billion in June 2014, and represented 79 percent of total liabilities of the sector. The banking sector in the country is characterized by an accelerated growth of deposits in the first half of 2014, despite the sharp decline in the interest rate on deposits during this period, reflecting a high stability of deposits in the Kosovo's banking sector.

Until June 2014, the banking sector performance improved significantly, recording net profit with an amount of euro 26.9 million, which represents an annual growth of 77.1 percent compared to the same period of the previous year. Kosovo's banking sector continues to have a high level of sustainability, expressed through the good management of the banking risks. In June 2014, the key liquidity indicators were characterized by an increase, which led to improved liquidity position of the banking sector (figure 56). Also, the banking sector is consistently characterized by high level of capitalization, exceeding the minimum regulatory requirements. Exposure to credit risk in June 2014 against the same period in the previous year can be estimated to have increased, where the Nonperforming Loans (NPL) to total loans ratio reached 8.2 percent (7.8 percent in June 2013) (figure 57). However, it is worth mentioning that since February 2014, the ratio of nonperforming loans to total loans is characterized by a decrease. Non-performing loans continue to have a satisfactory level of coverage by loan loss provisions (116.4 percent in June 2014).

Figure 57. NPL and provisions



Source: CBK (2015)

## 6. Macroeconomic projections for 2015

### 6.1. Gross Domestic Product

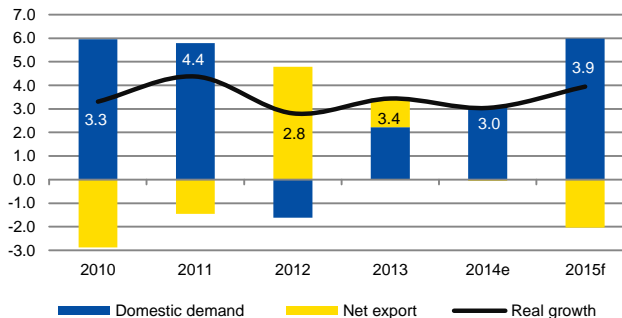
The CBK macroeconomic projections suggest that in 2015 Kosovo’s economy will mark a faster growth trend than in 2014. The real growth rate of GDP in 2015 is expected to be 3.9 percent. This growth is expected to be generated by domestic demand (mainly investments), while net exports is expected to continue to have a negative contribution to the GDP growth (figure 58).

Within domestic demand, investments are forecasted to have the main contribution to the economic growth (figure 59). During 2015, investments are expected to be characterized with a real growth of 17.9 percent and to contribute to the growth of GDP with 4.3 percentage points. Private investments, which comprise 70.0 percent of total investments, are expected to record a real growth of 20.1 percent. At the same period, public investments, which have a share of 30.0 percent in total investments is expected to mark an increase of 13.2 percent.

The increase of the public investments, besides being influenced by the new projects, is also expected to be due to the realization of projects that were planned but not implemented in the previous year. Also, projects of particular importance, as the concession of tourist complex “Brezovica”, the continuation of the Prishtina-Skopje highway project, is expected to affect the growth of private investments. Private investments are expected to grow as a result of the lending activity, which is expected to accelerate due to the decline of the interest rates and the ease of the credit standards for loans approval by banks. As a result of the increased investments, it is expected an increase of their share to total GDP from 24.0 percent in 2014 to 27.4 percent in 2015.

Consumption, as the main component of domestic demand is expected to contribute positively to the economic growth, during 2015, but with a lower rate of contribution than in the previous year. The overall consumption growth is expected to be 1.6 percent, based on the expectation that the private consumption will grow by 1.8 percent and public consumption will mark a growth of 0.3 percent. The main factors which are expected to affect the consumption growth during this period are the salaries increase of the civil servants (the increase of salaries in April 2014 is expected to have an impact in 2015 because the full year effect), the growth of remittances and the growth of the consumer loans. Due to the faster growth of investments, despite the increased

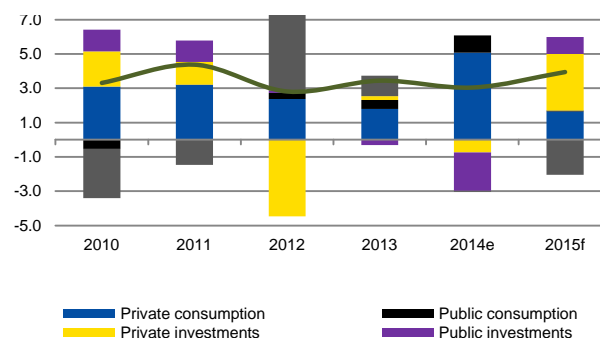
Figure 58. Real GDP growth rate, domestic and foreign demand, in percent



e- estimates, f- forecast

Source: KAS (2013) and CBK for 2014-2015

Figure 59. Real GDP growth rate and its contributors, in percent



e- estimate, f- forecast

Source: KAS (2013) and CBK for 2014-2015

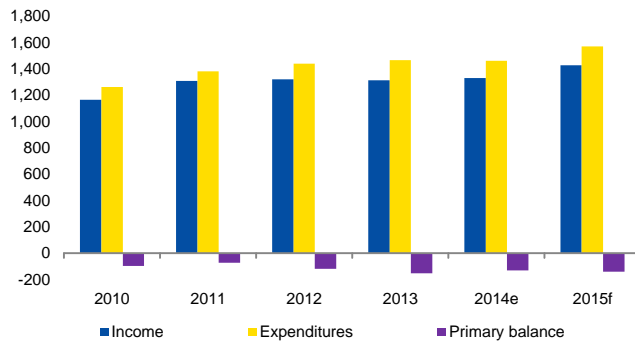
consumption of 1.6 percent, the share of consumption to GDP from 107.0 percent, as it was in the previous year, is expected to decrease to 104.5 percent.

Net exports of goods and services in 2015 are expected to contribute negatively to the GDP growth by 2.0 percentage points. This negative impact of net exports is attributed to the increase of the domestic demand which is expected to result in an increase of import. Within goods, current projections are that exports will increase by 11.6 percent in nominal terms, while imports will increase by about 7.9 percent. The higher level of imports of goods compared to exports will affect the trade deficit of goods which in real terms will deepen for 6.7 percent. On the other hand, the trade position within the services is expected to be positive also in 2015 and to mark an increase of 1.2 percent. This increase in the balance of services category is attributed to expectations for higher exports of services compared to imports.

**6.2. Fiscal sector**

In 2015, budget revenues are expected to mark a growth of 7.4 percent, while budget expenditures are expected to mark an increase of 7.5 percent. Consequently, the primary budget deficit is expected to mark an increase of 8.0 percent and reach euro 142.5 million (figure 60). The primary deficit to GDP ratio is projected to reach 2.5 percent compared to 2.4 percent in the previous year. The primary income during 2015 are expected to reach euro 1.4 billion, or 7.5 percent more than in the previous year. Budget revenues to GDP ratio are expected to have nearly the same level as in the previous year (24.7 percent of GDP). This increase in the budget revenues is expected to be a result of the economic growth, but also to the continuation of combating the informal economy. The increase of the economic activity, based on the growth of domestic demand, along with the increase of import is expected to affect a larger collection of budget revenues.

Figure 60. Primary income and expenditures, in millions of euro



e- estimate, f- forecast  
MoF (2013) and CBK calculations for 2014-2015

Source:

Primary budget expenditures in 2015 are expected to reach euro 1.6 billion or 7.5 percent more than in the previous year. As a percentage to GDP, budget expenditures are expected to grow from 26.6 percent, as they were in 2014, to 27.2 percent in 2015. The year of 2014 was characterized by significant changes in the structure of budget expenditures, where the current expenditures increased while capital expenditures declined. Current expenditures are expected to reduce their total share to 71.8 percent, as they were in 2014, to 70.1 percent in 2015. Wages and salaries as well as transfers and subsidies are expected to grow by 9.5 percent, while goods and services are expected to mark a decline of 15.6 percent. On the other hand, capital expenditures which are expected to mark an increase of 14.3 percent are expected to increase their share to total expenditures from 28.2 percent in 2014 to 29.9 percent in 2015.

The overall budget balance of the government, which includes the primary balance and interest on the public debt, in 2015 is expected to record a deficit with an amount of euro 159.7 million, which is expected to be mainly financed by the domestic borrowing.

### 6.3. Banking sector

In 2015 it is projected that the growth rate of lending to the private sector will be 5.4 percent, which is similar to the previous year (figure 61). Besides the general environment improvement, and the demand increase in the country, other important factors which are expected to affect the further increase of lending is also the decline of interest rates on loans which are expected to stimulate the demand for loans. CBK forecasts for lending growth are also in line with bank reports as stated in the bank lending survey, which forecasts accelerated lending activity during the following periods.

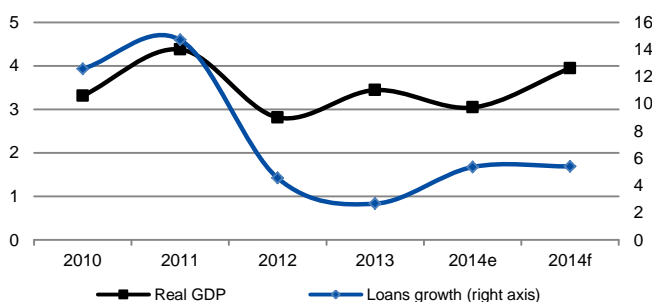
Private sector deposits during 2015 are expected to continue the growth trend that has characterized recent years. The growth of private sector deposits during 2015 is expected to be around 7.7 percent compared to 4.0 percent in 2014 (figure 62). Deposits trend is directly related to the national disposable income which are expected to grow by 4.6 percent in 2015.

### 6.4. External sector

In 2015, the external sector is expected to be characterized by an increase of the current account deficit (figure 63). With an expected additional amount of euro 579.1 million in 2015, the current account deficit is expected to be 40.5 percent higher than in the previous year. At the same time, the balance of capital and financial account is expected to reach euro 394.7 million, representing a surplus increase of 72.0 percent compared to the previous year. The current account deficit is expected to reach 10.0 percent of GDP in 2015, which represents a higher level compared to the previous year when the current account deficit is estimated to have been 7.5 percent of GDP.

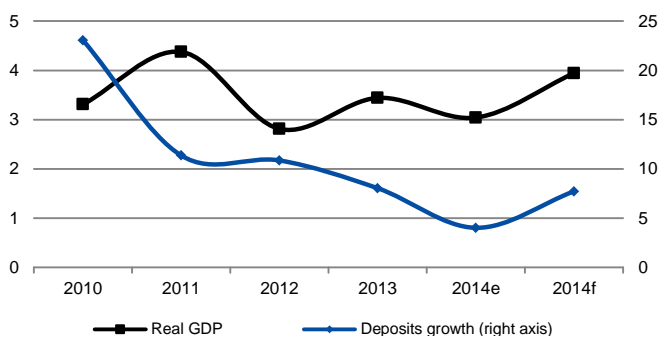
In 2015, exports of goods are expected to reach euro 359.2 million, representing an annual nominal increase of 11.6 percent compared to the previous year. Forecasts for exports growth in 2015 are mainly based on expectations for an activity acceleration of some economic sectors such as agriculture and manufacturing.

Figure 61. Lending to the private sector and real GDP



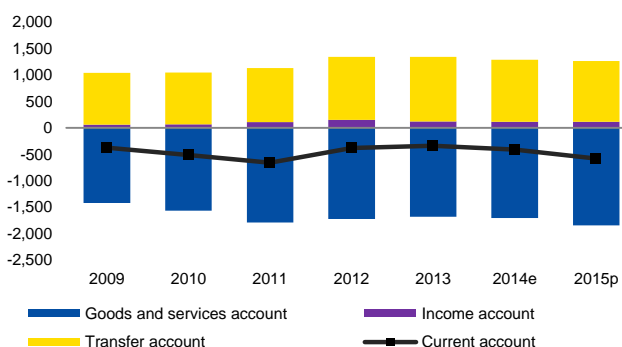
e- estimates, f- forecast  
Source: CBK (2015)

Figure 62. Deposits of the private sector and real GDP



e- estimate, f- forecast  
Source: CBK (2015)

Figure 63. Current account, in millions of euro



e- estimate, f- forecast  
Source: CBK (2015)

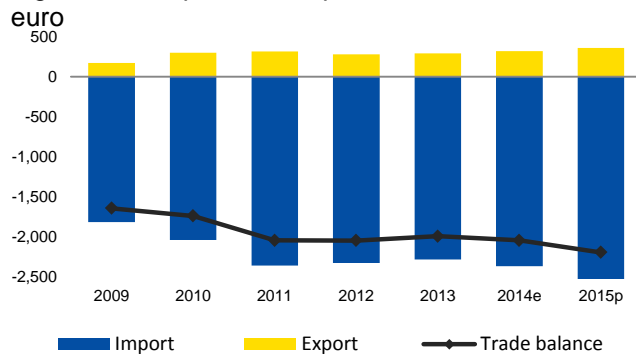
Import of goods is expected to mark a value of euro 2.5 billion in 2015, representing an annual nominal growth of 7.9 percent (figure 64). The increase of the value of total imports is expected to be largely driven by increase in domestic aggregate demand during 2015. The deterioration in the balance of goods with 7.3 percent is expected to be easily mitigated by improving the balance of services which is expected to reach euro 349.7 million and to record an annual growth of 2.5 percent. In 2015, import of services is expected to grow faster than

exports of services, although the higher weight of exports of services will affect the growth of the surplus in the services account. Import of services is expected to reach euro 409.7 million in 2015, representing an annual increase of 7.6 percent. On the other hand, export of services is expected to be characterized by an annual growth of 5.2 percent in 2015, reaching a value of euro 759.4 million. The increase of services import during 2015 is expected to be generated mainly by the increase of import of travel services, transportation and construction services. Meanwhile, the growth of services export during 2015 is expected to be generated mainly by the increase of travel services which mainly represents the expenditure of immigrants during their stay in Kosovo. The balance of goods and services is expected to record a trade deficit of euro 1.8 billion in 2015, representing an annual increase of 8.3 percent.

The balance of transfers account in 2015 is expected to record a surplus of euro 1.2 billion which is for 2.2 percent lower than the surplus recorded in the previous year. This surplus decrease is mainly attributed to the reduction of the government transfers<sup>15</sup> for 15.2 percent. On the other hand, other private transfers are expected to record a net increase of 2.4 percent. In the private transfers are included also remittances which are expected to record an annual growth of 4.5 percent.

The balance of the capital and financial account is expected to reach a level of euro 394.7 million or 72.0 percent more than the balance of this account in the previous year. FDI is expected to remain the main component which for 2015 is projected to be characterized by an increase of 45.0 percent. FDI growth is expected to be attributed to the implementation of projects of particular importance, as the concession of tourist complex “Brezovica” and the continuation of the implementation of Prishtina-Skopje highway.

Figura 64. Eksporti dhe importi i mallrave, në milionë euro



e- estimate, f- forecast  
Source: CBK (2015)

<sup>15</sup> Government transfers include donor salaries and defined donor grants.



## 7. Statistical appendix



Table 1. Main macroeconomic indicators

Description	2010	2011	2012	2013	2014 (v)	2015 (f)
	<i>In millions of euro (nominal value)</i>					
<b>Gross Domestic Product (GDP) /1</b>	<b>4,402.0</b>	<b>4,814.5</b>	<b>5,058.7</b>	<b>5,326.6</b>	<b>5,501.9</b>	<b>5,778.7</b>
Consumption	4,516.5	4,975.5	5,320.4	5,539.3	5,887.7	6,041.6
Investments	1,450.6	1,632.4	1,465.1	1,470.9	1,320.3	1,584.4
Net Exports	-1,565.2	-1,793.3	-1,726.8	-1,683.6	-1,706.1	-1,847.4
	<i>Change in percent, in real terms</i>					
<b>Real GDP growth /1</b>	<b>3.3</b>	<b>4.4</b>	<b>2.8</b>	<b>3.4</b>	<b>3.0</b>	<b>3.9</b>
Consumption	2.5	3.0	2.6	2.2	5.8	1.6
Investments	10.9	7.9	-12.9	-0.3	-10.8	17.9
Net Exports	7.5	3.7	-12.1	-3.6	0.2	6.7
	<i>In millions euro (nominal value)</i>					
<b>Current account /2</b>	<b>-515.7</b>	<b>-658.4</b>	<b>-380.2</b>	<b>-339.4</b>	<b>-412.1</b>	<b>-579.1</b>
Goods Imports	-2,040.8	-2,363.7	-2,332.0	-2,287.0	-2,369.0	-2,556.3
Goods Exports	299.2	316.5	281.9	291.5	321.9	359.2
Services Import	-397.8	-368.9	-317.2	-320.3	-380.7	-409.7
Services Export	574.3	625.2	641.0	632.5	721.8	759.4
Remittances /2	584.3	584.8	605.1	620.8	688.0	719.0
	<i>In millions of euro (nominal value)</i>					
Total banking sector loans to the private sector /2	1,450.8	1,664.1	1,739.5	1,786.0	1,881.3	1,982.8
Total private sector deposits in the banking sector /2	1,713.8	1,908.5	2,115.8	2,285.9	2,377.9	2,561.6
	<i>In millions of euro (nominal value)</i>					
<b>Kosovo's budget/3</b>						
Total primary income	1,128.5	1,283.3	1,284.3	1,315.0	1,331.1	1,429.9
Total primary expenditures	1,264.7	1,382.2	1,441.0	1,468.7	1,463.0	1,572.4
<b>Primary deficit</b>	<b>-98.7</b>	<b>-73.0</b>	<b>-119.3</b>	<b>-153.7</b>	<b>-131.9</b>	<b>-142.5</b>
	<i>Change in percent</i>					
<b>Real economic growth/4</b>						
Global	5.4	4.1	3.4	3.3	3.3	3.8
Euro area	1.9	1.6	-0.7	-0.4	0.8	1.3
European developing countries	4.7	5.5	1.4	2.8	2.7	2.9

1/ Kosovo Agency of Statistics for 2010-2013

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

3/ Ministry of Finance for 2010-2013

4/ International Monetary Fund for 2010-2015

(v) Estimates

(f) Forecast

Highlighted areas present estimates and forecasts of the CBK

Table 2.1. Balance of payments, main components

(In millions of euro)

Description	Balance from current and capital account							Balance from financial account					Errors and omission
	Current account						Capital account	Direct investment	Portfolio investment	Other investment	Reserve assets		
		Goods	Services	Primary income	Secondary income								
2005	-228.7	-247.6	-1,078.5	-8.5	139.1	700.3	18.9	53.8	107.6	-17.5	-68.7	32.4	174.8
2006	-205.2	-226.1	-1,173.1	29.0	158.8	759.2	20.8	-35.7	289.2	-65.4	-181.7	-77.9	240.9
2007	-197.5	-214.0	-1,354.4	112.0	186.3	842.0	16.5	5.8	-431.0	34.5	108.0	294.3	203.3
2008	-450.5	-460.9	-1,644.7	146.6	164.0	873.2	10.5	-288.4	-341.5	109.9	-75.1	18.2	162.1
2009	-273.9	-374.2	-1,646.3	227.8	60.9	983.4	100.3	-113.1	-280.9	124.8	137.8	-94.8	160.9
2010	-494.4	-515.7	-1,741.6	176.4	67.0	982.5	21.3	-275.8	-331.1	48.6	-46.7	53.4	218.5
2011	-616.4	-658.4	-2,047.1	256.3	111.3	1,021.1	42.0	-377.5	-378.9	57.8	4.8	-61.2	238.9
2012	-367.2	-380.2	-2,050.1	323.8	153.6	1,192.5	12.9	-141.0	-213.3	185.7	-374.9	261.4	226.2
2013	-304.7	-339.4	-1,995.6	312.2	121.5	1,222.4	34.7	-132.2	-250.2	139.3	14.4	-35.7	172.5
Q1	-53.3	-57.9	-311.3	34.3	23.8	195.3	4.7	-10.0	-61.0	18.3	24.3	8.5	43.3
Q2	-133.8	-137.5	-440.4	55.5	18.8	228.6	3.7	-142.3	-42.9	6.5	-147.3	41.5	-8.5
Q3	-184.8	-191.7	-511.9	58.9	1.1	260.2	6.9	0.5	-111.4	-1.9	-28.9	142.6	185.3
2010 Q4	-122.5	-128.5	-478.0	27.3	23.8	298.4	6.0	-124.0	-115.8	25.7	105.3	-139.2	-1.5
Q1	-25.2	-38.5	-380.0	72.3	41.3	227.9	13.3	3.8	-81.7	53.1	-28.6	60.9	29.0
Q2	-158.5	-164.5	-511.4	66.7	28.4	251.7	6.0	-210.7	-98.6	49.7	-133.5	-28.2	-52.2
Q3	-190.4	-196.7	-554.4	60.0	21.2	276.4	6.3	23.8	-105.8	8.8	118.1	2.6	214.2
2011 Q4	-242.3	-258.7	-601.5	57.2	20.4	265.1	16.4	-194.4	-92.9	-53.8	48.9	-96.5	47.9
Q1	-21.8	-20.9	-369.4	43.8	37.4	267.2	-0.9	-13.8	-55.0	81.0	-47.8	8.0	8.0
Q2	-118.4	-120.9	-543.0	75.9	43.9	302.3	2.5	-86.4	-23.5	-37.0	-36.9	11.1	32.0
Q3	-145.2	-143.5	-605.5	122.8	20.3	318.9	-1.7	25.9	-88.5	163.2	-255.0	206.2	171.1
2012 Q4	-81.8	-94.9	-532.2	81.3	51.9	304.1	13.0	-66.7	-46.3	-21.5	-35.1	36.2	15.1
Q1	-2.8	-13.4	-390.7	60.6	42.4	274.3	10.6	10.1	-57.3	53.5	20.1	-6.3	12.9
Q2	-114.3	-117.5	-518.6	79.7	32.5	288.9	3.1	-138.1	-83.8	81.7	-150.6	14.6	-23.8
Q3	-90.1	-99.7	-551.9	124.1	2.1	326.0	9.7	58.1	-56.8	91.8	-46.2	69.3	148.1
2013 Q4	-97.5	-108.8	-534.3	47.8	44.6	333.2	11.4	-62.2	-52.4	-87.7	19.1	-113.3	35.3
Q1	-35.4	-38.8	-391.5	61.7	31.4	259.7	3.4	25.8	-37.3	50.2	19.0	-6.2	61.2
2014 Q2	-162.8	-160.2	-540.4	76.5	31.4	272.3	-2.6	-111.9	-0.2	3.1	-93.2	-21.7	50.8

Source: CBK (2015)

Table 2.2. Goods

(In millions of euro)

Description	Total goods									
	General merchandise on a balance of payments basis					Net exports of goods under merchating (credit)			Nonmonetary gold	
	Export		Import	Of which Re-exports (credit)	Goods acquired under merchating (negative credit)	Goods sold under merchating (credit)	Credit	Debit		
2007 December	-1,354.4	-1,354.4	164.1	1,518.5	1.3	...	...	...	...	...
2008 December	-1,644.7	-1,644.7	211.3	1,856.0	1.6	...	...	...	...	...
2009 December	-1,646.3	-1,646.3	172.5	1,818.8	1.3	...	...	...	...	...
March	-311.3	-311.3	54.0	365.3	0.3	...	...	...	...	...
June	-751.7	-751.7	144.4	896.1	1.0	...	...	...	...	...
September	-1,263.6	-1,263.6	218.8	1,482.4	1.7	...	...	...	...	...
2010 December	-1,741.6	-1,741.6	299.2	2,040.8	2.3	...	...	...	...	...
March	-380.0	-380.0	74.9	454.9	0.5	...	...	...	...	...
June	-891.3	-891.3	165.1	1,056.5	1.2	...	...	...	...	...
September	-1,445.7	-1,445.7	244.4	1,690.1	1.9	...	...	...	...	...
2011 December	-2,047.1	-2,047.1	316.5	2,363.7	2.4	...	...	...	...	...
March	-369.4	-369.4	60.4	429.7	0.4	...	...	...	...	...
2012 June	-912.4	-912.4	137.6	1,049.9	0.9	...	...	...	...	...
September	-1,517.9	-1,517.9	208.5	1,726.4	1.6	...	...	...	...	...
2012 December	-2,050.1	-2,050.1	281.9	2,332.0	2.1	...	...	...	...	...
March	-390.7	-390.7	68.5	459.2	0.5	...	...	...	...	...
June	-909.3	-909.3	149.3	1,058.6	1.0	...	...	...	...	...
September	-1,461.2	-1,461.2	221.3	1,682.5	1.7	...	...	...	...	...
2013 December	-1,995.6	-1,995.6	291.5	2,287.0	2.2	...	...	...	...	...
March	-391.5	-391.5	65.8	457.3	0.4	...	...	...	...	...
2014 June	-932.0	-932.0	139.8	1,071.7	1.1	...	...	...	...	...

Source: CBK (2015)

Table 2.3. Services, net

(In millions of euro)

Description	Balance												
		Manufacturing services on physical inputs owned by others	Maintenance and repair services n.i.e.	Transport	Travel	Construction	Insurance and pension services	Financial services	Charges for the use of intellectual property n.i.e.	Telecommunications, computer, and information services	Other business services	Personal, cultural, and recreational services	Government goods and services n.i.e.
2007	112.0	3.6	-2.1	-19.2	96.6	-17.3	-8.7	-4.4	-1.7	39.3	-55.3	...	81.2
2008	146.6	1.6	-6.5	-40.0	125.0	3.2	-12.1	0.1	-3.2	36.9	-46.0	...	87.6
2009	227.8	3.7	-9.1	-39.1	195.9	10.7	-9.6	3.5	-3.0	56.8	-61.7	...	79.7
2010	176.4	2.9	-13.4	-44.1	223.0	-20.2	-12.8	3.2	-2.1	45.4	-61.8	...	56.4
2011	256.3	5.2	-17.1	-53.4	235.0	-5.3	-17.1	-0.8	-0.4	76.8	-18.1	...	51.6
2012	323.8	3.5	-25.7	-50.7	309.9	11.0	-4.0	-1.3	-0.2	47.4	3.1	...	30.9
2013	312.2	3.7	-0.2	-51.4	304.2	6.5	-9.4	-0.7	-1.9	32.1	6.0	...	23.2
Q1	34.3	0.5	-2.9	-8.1	41.4	-1.9	-3.3	0.2	-1.7	11.8	-17.1	...	15.4
Q2	55.5	0.7	-3.4	-9.4	49.5	0.0	-3.8	0.0	-0.6	12.8	-6.8	...	16.6
Q3	58.9	1.0	-3.8	-13.1	75.5	-10.2	-0.4	2.2	0.2	11.4	-16.9	...	13.1
2010 Q4	27.3	0.7	-3.4	-13.4	56.7	-8.0	-5.3	0.8	...	9.5	-21.4	...	11.2
Q1	72.3	1.4	-3.5	-9.4	53.2	-3.1	-3.8	-0.3	-0.1	22.9	1.6	...	13.4
Q2	66.7	1.4	-4.2	-14.7	64.7	-3.8	-5.9	0.0	-0.1	18.0	-1.8	...	13.1
Q3	60.0	1.3	-4.3	-15.1	58.1	2.7	-2.5	-0.3	-0.1	18.5	-11.0	...	12.6
2011 Q4	57.2	1.0	-5.1	-14.3	59.0	-1.2	-5.0	-0.2	-0.1	17.4	-6.9	...	12.5
Q1	43.8	0.7	-4.3	-8.7	42.0	-2.8	-5.1	-0.1	-0.2	11.4	2.5	...	8.2
Q2	75.9	0.9	-6.7	-15.1	68.5	3.6	-4.1	-0.2	0.0	11.2	8.9	...	8.9
Q3	122.8	1.0	-6.9	-16.7	126.9	6.4	-2.4	-0.5	0.0	13.5	-5.6	...	7.3
2012 Q4	81.3	0.9	-7.8	-10.2	72.9	3.8	7.6	-0.5	0.0	11.3	-3.1	...	6.4
Q1	60.6	1.0	...	-7.5	47.6	0.1	-1.9	-0.2	-0.9	11.6	3.8	...	7.1
Q2	79.7	1.4	...	-11.0	68.3	1.6	-0.8	0.2	-0.5	7.3	7.2	...	6.0
Q3	124.1	1.2	...	-17.1	118.8	3.3	-1.5	-0.3	-0.4	8.6	5.5	...	6.0
2013 Q4	47.8	0.1	-0.1	-15.7	69.5	1.4	-5.1	-0.4	0.0	4.6	-10.5	...	4.1
Q1	62.7	1.1	-1.5	-10.6	60.8	3.9	-4.1	-0.9	-0.2	5.1	6.0	...	3.1
2014 Q2	76.5	1.9	-0.5	-15.8	75.8	-0.2	-2.8	-0.4	...	11.3	2.9	0.4	3.9

Source: CBK (2015)

Table 2.4. Income

(In millions of euro)

Description	Balance				Credit				Debit			
		Compensation of employees	Investment income	Other primary income		Compensation of employees	Investment income	Other primary income		Compensation of employees	Investment income	Other primary income
2007	186.3	154.9	31.5	...	239.2	155.6	83.6	...	52.9	0.8	52.2	...
2008	164.0	175.4	-11.4	...	233.3	176.2	57.1	...	69.3	0.8	68.5	...
2009	60.9	168.7	-107.8	...	181.7	169.7	12.0	...	120.7	0.9	119.8	...
2010	67.0	171.6	-104.6	...	186.3	176.1	10.1	...	119.2	4.5	114.7	...
2011	111.3	208.2	-96.9	...	239.1	221.3	17.8	...	127.8	13.1	114.7	...
2012	153.6	214.3	-60.6	...	230.0	219.9	10.1	...	76.4	5.6	70.8	...
2013	121.5	218.9	-97.4	...	227.5	223.2	4.3	...	106.0	4.3	101.6	...
Q1	23.8	45.6	-21.8	...	48.5	46.5	2.1	...	24.7	0.9	23.8	...
Q2	18.8	41.9	-23.1	...	44.2	42.7	1.4	...	25.4	0.9	24.5	...
Q3	1.1	40.3	-39.2	...	44.6	41.8	2.7	...	43.5	1.5	42.0	...
2010 Q4	23.3	43.9	-20.5	...	49.0	45.1	3.9	...	25.6	1.2	24.4	...
Q1	41.3	50.2	-8.9	...	56.1	52.6	3.5	...	14.8	2.4	12.4	...
Q2	28.4	55.7	-27.3	...	63.2	58.8	4.5	...	34.8	3.0	31.8	...
Q3	21.2	54.2	-33.0	...	62.4	57.5	4.8	...	41.2	3.3	37.8	...
2011 Q4	20.4	48.1	-27.7	...	57.3	52.3	5.0	...	37.0	4.3	32.7	...
Q1	37.4	53.1	-15.7	...	59.3	55.6	3.7	...	21.9	2.5	19.4	...
Q2	43.9	53.6	-9.6	...	57.9	55.2	2.7	...	13.9	1.6	12.4	...
Q3	20.3	53.1	-32.8	...	56.4	53.7	2.7	...	36.1	0.7	35.4	...
2012 Q4	51.9	54.5	-2.5	...	56.4	55.4	1.0	...	4.5	0.9	3.5	...
Q1	42.4	55.4	-13.0	...	57.3	56.0	1.2	...	14.9	0.6	14.2	...
Q2	32.5	52.8	-20.3	...	55.4	53.9	1.5	...	22.9	1.1	21.7	...
Q3	2.1	53.8	-51.8	...	55.3	54.9	0.4	...	53.3	1.1	52.2	...
2013 Q4	44.6	56.9	-12.3	...	59.5	58.4	1.1	...	15.0	1.5	13.5	...
Q1	31.4	46.1	-14.8	...	49.6	48.1	1.5	...	18.2	2.0	16.2	...
2014 Q2	31.4	49.9	-18.9	0.1	53.2	50.8	1.9	0.5	21.8	0.9	20.9	0.4

Source: CBK (2015)

Table 2.5. Secondary income

(In millions of euro)

Description	Secondary income			Credit			Debit		
		General government	Financial corporations, nonfinancial corporations, households, and NPISHs		General government	Financial corporations, nonfinancial corporations, households, and NPISHs		General government	Financial corporations, nonfinancial corporations, households, and NPISHs
2007	842.0	245.1	596.9	935.2	251.4	683.8	93.1	6.3	86.8
2008	873.2	223.5	649.7	972.3	223.5	748.8	99.1	...	99.1
2009	983.4	322.9	660.5	1,106.8	322.9	783.9	123.4	...	123.4
2010	982.5	319.5	662.9	1,087.4	319.5	767.9	105.0	...	105.0
2011	1,021.1	322.2	698.9	1,133.6	322.2	811.4	112.5	...	112.5
2012	1,192.5	401.6	791.0	1,296.4	401.6	894.9	103.9	...	103.9
2013	1,222.4	341.9	880.5	1,304.0	341.9	962.0	81.6	...	81.6
Q1	195.3	65.2	130.1	221.0	65.2	155.8	25.7	...	25.7
Q2	228.6	72.3	156.3	253.3	72.3	181.0	24.7	...	24.7
Q3	260.2	65.7	194.4	286.5	65.7	220.8	26.3	...	26.3
2010 Q4	298.4	116.4	182.0	326.7	116.4	210.3	28.3	...	28.3
Q1	227.9	79.4	148.5	255.1	79.4	175.7	27.2	...	27.2
Q2	251.7	86.6	165.1	280.8	86.6	194.2	29.1	...	29.1
Q3	276.4	81.7	194.7	304.6	81.7	222.9	28.2	...	28.2
2011 Q4	265.1	74.5	190.6	293.0	74.5	218.5	27.9	...	27.9
Q1	267.2	102.1	165.2	293.5	102.1	191.5	26.3	...	26.3
Q2	302.3	118.7	183.6	328.2	118.7	209.5	25.9	...	25.9
Q3	318.9	93.3	225.5	345.2	93.3	251.9	26.4	...	26.4
2012 Q4	304.1	87.5	216.6	329.5	87.5	242.0	25.4	...	25.4
Q1	274.3	90.3	184.1	301.3	90.3	211.0	27.0	...	27.0
Q2	288.9	86.6	202.3	316.3	86.6	229.7	27.4	...	27.4
Q3	326.0	69.9	256.1	353.6	69.9	283.6	27.6	...	27.6
2013 Q4	333.2	122.9	210.3	360.5	122.9	237.7	27.4	...	27.4
Q1	259.7	88.9	170.7	285.8	88.9	196.9	26.2	...	26.2
2014 Q2	272.3	64.7	207.6	298.6	64.7	233.9	26.3	...	26.3

Source: CBK (2015)



Table 2.5.1. Remittances, by channels

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

Description	Total			
		Banks	MTC	Other
2004	357.0	.	.	.
2005	418.0	.	.	.
2006	467.1	135.1	184.7	147.3
2007	515.6	137.1	198.7	179.8
2008	608.7	126.3	213.1	269.3
2009	585.7	148.8	213.1	223.8
2010	584.3	141.3	213.1	229.9
2011	584.8	139.7	225.3	219.8
2012	605.6	126.5	218.5	260.6
2013	620.8	158.9	211.4	250.5
Q1	121.8	32.4	46.3	43.1
Q2	142.2	30.9	53.3	58.0
Q3	174.7	58.0	53.0	63.7
2009 Q4	146.9	27.5	60.5	58.9
Q1	120.7	34.1	46.3	40.3
Q2	145.0	33.4	53.3	58.4
Q3	165.0	43.8	53.0	68.2
2010 Q4	153.6	30.1	60.5	63.0
Q1	125.1	30.3	50.1	44.7
Q2	138.2	25.2	55.1	57.9
Q3	164.9	48.9	55.7	60.3
2011 Q4	156.6	35.2	64.5	56.9
Q1	119.1	23.3	47.1	48.7
Q2	142.4	21.8	55.0	65.6
Q3	175.2	56.3	52.0	66.9
2012 Q4	168.9	25.1	64.5	79.3
Q1	127.8	33.1	45.6	49.1
Q2	144.6	32.9	51.5	60.2
Q3	182.2	60.8	52.5	68.9
2013 Q4	166.2	32.1	61.8	72.3
Q1	130.8	29.9	54.6	46.3
2014 Q2	160.3	35.0	68.4	56.9

Source: CBK (2015)

Table 2.5.2. Remittances, by countries

(In percentage)

Description	Germany	Switzerland	Italy	Austria	Belgium	USA	Sweden	France	Norway	Canada	England	Danmark	Finland	Holand	Slovenia	Other
2008	37.7	15.9	13.1	6.2	2.8	2.8	3.7	3.9	19	2.2	15	19	11	12	14	2.6
Q1	34.9	21.4	10.5	5.3	3.7	3.5	3.3	3.4	2.6	17	16	10	11	11	10	4.2
Q2	39.4	19.7	11.3	6.1	2.9	2.6	2.9	4.0	2.4	18	13	0.9	0.9	13	14	15
Q3	37.4	21.2	9.8	6.0	2.8	2.6	3.5	3.8	2.8	2.1	13	0.9	1.1	10	15	2.2
2009 Q4	38.1	22.0	9.8	5.5	2.8	2.3	3.2	3.9	3.2	19	13	0.8	1.1	12	13	17
Q1	34.8	21.0	8.8	5.7	2.6	3.9	3.1	3.5	2.8	13	15	0.9	1.1	12	3.4	4.4
Q2	34.7	20.7	7.9	3.9	2.9	4.7	3.1	3.6	3.1	2.0	17	0.7	0.7	10	3.7	5.9
Q3	33.2	21.4	7.0	6.5	2.5	4.8	3.4	4.0	2.5	2.3	16	0.6	0.9	10	5.6	2.7
2010 Q4	34.1	21.6	7.2	5.5	2.9	3.1	3.7	4.1	2.6	19	13	0.6	0.7	10	4.5	5.3
Q1	32.7	23.7	7.5	5.6	2.8	4.6	3.9	3.8	2.8	15	15	0.7	0.8	12	3.9	3.0
Q2	32.8	23.0	7.0	5.5	2.0	4.0	3.1	3.7	2.8	2.1	13	0.9	1.0	10	3.9	6.1
Q3	33.8	23.4	6.2	5.5	2.9	2.3	3.6	4.2	2.6	2.0	12	0.6	0.8	10	3.3	6.7
2011 Q4	33.7	22.1	7.4	5.5	2.7	3.9	3.4	3.8	2.8	19	14	0.7	0.9	11	4.0	4.9
Q1	30.9	23.7	4.8	6.0	1.1	6.3	3.6	2.8	4.9	0.7	3.2	0.8	0.7	0.5	5.0	5.0
Q2	37.4	26.3	8.4	6.4	6.6	3.9	0.8	0.4	13	0.1	19	0.1	0.1	0.1	5.4	0.8
Q3	34.6	22.6	7.9	5.9	3.2	3.9	3.1	3.2	2.8	15	18	0.7	0.8	0.8	3.6	3.7
2012 Q4	34.5	21.0	8.5	6.2	2.6	3.8	3.3	3.3	2.3	19	18	0.5	0.8	...	3.7	5.9
Q1	33.6	22.5	7.5	5.8	2.7	4.2	3.4	3.5	3.0	16	18	0.7	0.9	10	3.7	4.3
Q2	33.3	25.5	5.9	5.7	2.5	4.6	2.5	1.4	2.3	13	4.0	0.8	0.9	10	5.3	3.1
Q3	33.6	24.4	6.6	7.8	2.5	4.3	3.5	4.5	2.3	0.4	19	0.7	0.8	0.9	4.9	1.1
2013 Q4	35.3	22.7	10.6	4.6	1.6	4.4	2.1	5.0	2.7	18	17	0.5	0.6	15	0.5	4.2
Q1	36.7	21.4	5.9	3.8	2.3	6.0	3.1	4.1	2.3	15	3.1	0.4	0.6	11	0.8	7.0
2014 Q2	36.6	23.7	5.4	4.5	2.1	6.4	2.7	3.2	2.4	13	3.3	0.4	0.6	0.6	15	5.6

Source: CBK (2015)

Table 2.6. Financial account, net

(In millions of euro)

Description	Net lending (+) / net borrowing (-) (balance from financial account)															
	Direct investment				Portfolio investment				Other investment							Reserve assets
	Equity and investment fund shares	Debt instruments	Equity and investment fund shares	Debt securities	Other equity	Currency and deposits	Loans	insurance, pension, and standardized guarantee schemes	Trade credit and advances	Other accounts receivable/payable	Special drawing rights (Net incurrence of liabilities)					
2007	5.8	-431.0	-318.1	-113.0	34.5	57.1	-22.6	108.0	...	168.2	-9.4	...	-50.8	...	...	294.3
2008	-288.4	-341.5	-253.5	-88.0	109.9	21.6	88.3	-75.1	...	38.4	-47.1	...	-66.4	...	...	18.2
2009	-113.1	-280.9	-257.7	-23.1	124.8	0.5	124.5	137.8	-0.5	171.5	64.8	...	-38.6	...	59.5	-94.8
2010	-275.8	-331.1	-296.4	-34.7	48.6	154.6	-106.0	-46.7	0.7	202.0	-82.3	...	-167.1	...	...	53.4
2011	-377.5	-378.9	-329.5	-49.4	57.8	15.7	-57.9	4.8	-0.8	58.6	40.4	...	-93.3	...	...	-61.2
2012	-141.0	-213.3	-186.9	-26.4	185.7	81.3	104.4	-374.9	-0.7	-276.8	5.9	...	-100.3	-2.9	...	261.4
2013	-132.2	-250.2	-158.1	-92.1	139.3	-82.1	221.4	14.4	1.0	22.0	15.3	...	-24.0	...	...	-35.7
Q1	-10.0	-61.0	-48.5	-12.5	18.3	60.0	-41.7	24.3	0.2	9.4	5.8	...	8.9	...	...	8.5
Q2	-142.3	-42.9	-55.2	12.3	6.5	60.5	-54.1	-147.3	0.2	-42.5	-15.6	...	-89.4	...	...	41.5
Q3	0.5	-111.4	-93.8	-17.5	-1.9	9.1	-11.0	-28.9	0.2	87.8	-40.7	...	-76.2	...	...	142.6
2010 Q4	-124.0	-115.8	-98.8	-17.0	25.7	25.0	0.7	105.3	0.2	147.3	-31.8	...	-10.4	...	...	-139.2
Q1	3.8	-81.7	-71.0	-10.7	53.1	48.4	4.7	-28.6	-0.2	-35.6	-2.1	...	9.3	...	...	60.9
Q2	-210.7	-98.6	-78.6	-20.0	49.7	...	49.7	-133.5	-0.2	-109.1	22.3	...	-46.5	...	...	-28.2
Q3	23.8	-105.8	-104.6	-1.2	8.8	47.4	-38.5	18.1	-0.2	106.8	37.3	...	-25.8	...	...	2.6
2011 Q4	-194.4	-92.9	-75.4	-17.5	-53.8	19.9	-73.7	48.9	-0.2	96.5	-17.0	...	-30.4	...	...	-96.5
Q1	-13.8	-55.0	-40.3	-14.7	81.0	20.0	61.0	-47.8	-0.2	-139.1	45.5	...	45.9	...	...	8.0
Q2	-86.4	-23.5	-18.6	-4.9	-37.0	27.0	-64.0	-36.9	...	27.9	3.5	...	-63.2	-5.1	...	11.1
Q3	25.9	-88.5	-61.1	-27.4	163.2	-0.7	164.0	-255.0	...	-168.3	-17.2	...	-69.5	...	...	206.2
2012 Q4	-66.7	-46.3	-66.9	20.7	-215	35.0	-56.5	-35.1	-0.5	2.6	-25.9	...	-13.5	2.2	...	36.2
Q1	10.1	-57.3	-45.6	-11.6	53.5	35.0	18.5	20.1	...	-62.6	22.0	...	60.9	-0.2	...	-6.3
Q2	-138.1	-83.8	-41.6	-42.1	81.7	60.0	21.7	-150.6	1.0	-69.7	-25.6	...	-54.2	-2.1	...	14.6
Q3	58.1	-56.8	-39.2	-17.6	91.8	15.0	76.8	-46.2	...	-28.8	7.3	...	-23.5	-1.1	...	69.3
2013 Q4	-62.2	-52.4	-31.6	-20.8	-87.7	-192.1	104.4	191.1	...	183.0	11.6	...	-7.1	3.6	...	-113.3
Q1	25.8	-37.3	-37.1	-0.2	50.2	...	50.2	19.0	...	-23.6	16.6	...	28.3	-2.3	...	-6.2
2014 Q2	-111.9	-0.2	26.0	-26.2	3.1	70.0	-66.8	-93.2	...	-36.8	-10.8	-3.0	-44.4	1.8	...	-21.7

Source: CBK (2015)

Table 2.7. Financial account, investments in reporting economy

(In millions of euro)

Description	Net acquisition of financial assets														Reserve assets
	Direct investment				Portfolio investment			Other investment							
		Equity and investment fund shares	Debt instruments		Equity and investment fund shares	Debt securities		Other equity	Currency and deposits	Loans	Insurance, pension, and standardized guarantee schemes	Trade credit and advances	Other accounts receivable/payable		
2007	508.5	9.7	9.7	...	34.5	57.1	-22.6	170.0	...	154.6	4.5	...	0.9	...	294.3
2008	2312	28.4	25.0	3.4	109.9	216	88.3	74.7	...	62.5	14	...	10.8	...	18.2
2009	234.6	14.6	10.5	4.0	124.8	0.3	124.5	190.1	...	195.0	-7.9	...	3.0	...	-94.8
2010	405.6	37.4	34.7	2.7	48.6	154.6	-106.0	266.2	...	242.2	19.2	...	4.7	...	53.4
2011	83.7	5.5	5.7	-10.2	57.8	15.7	-57.9	81.7	...	57.3	24.6	...	-0.3	...	-61.2
2012	316.6	15.8	15.8	...	155.7	81.3	104.4	-146.3	...	-179.8	31.3	...	...	2.2	261.4
2013	217.2	30.0	17.9	12.1	139.3	-82.1	221.4	83.5	...	60.5	30.7	...	-4.8	-2.8	-35.7
Q1	90.7	8.5	8.5	...	18.3	60.0	-41.7	55.4	...	36.4	15.2	...	3.8	...	8.5
Q2	13.9	5.1	4.6	0.5	6.5	60.5	-54.1	-39.2	...	-41.4	0.9	...	1.3	...	41.5
Q3	235.1	7.7	6.9	0.9	-19	9.1	-110	86.6	...	83.5	2.5	...	0.7	...	142.6
2010 Q4	66.0	16.1	14.8	1.3	25.7	25.0	0.7	163.3	...	163.8	0.6	...	-1.1	...	-139.2
Q1	73.3	2.8	1.8	1.0	53.1	48.4	4.7	-43.5	...	-43.4	1.3	...	-1.4	...	60.9
Q2	-47.7	-7.8	3.4	-11.2	49.7	...	49.7	-61.3	...	-83.7	21.3	...	1.1	...	-28.2
Q3	128.2	5.5	5.5	...	8.8	47.4	-38.5	111.2	...	109.0	2.2	...	...	...	2.6
2011 Q4	-70.1	5.0	5.0	...	-53.8	19.9	-73.7	75.3	...	75.4	-0.2	...	...	...	-96.5
Q1	-22.1	1.7	1.7	...	81.0	20.0	61.0	-12.8	...	-119.6	6.8	...	...	...	8.0
Q2	7.9	6.4	6.4	...	-37.0	27.0	-64.0	27.5	...	27.9	-0.4	...	...	...	11.1
Q3	265.4	3.7	3.7	...	163.2	-0.7	164.0	-107.7	...	-128.6	20.9	...	...	...	206.2
2012 Q4	65.3	3.9	3.9	...	-215	35.0	-56.5	46.7	...	40.5	4.0	...	...	2.2	36.2
Q1	111	3.1	3.1	...	53.5	35.0	18.5	-39.1	...	-51.6	13.1	...	0.6	-1.2	-6.3
Q2	-4.9	5.0	2.6	2.4	81.7	60.0	21.7	-106.1	...	-89.7	-10.0	...	-5.2	-1.3	14.6
Q3	208.0	13.8	7.7	6.1	91.8	15.0	76.8	33.1	...	24.2	12.1	...	-1.3	-1.8	69.3
2013 Q4	2.9	8.2	4.6	3.6	-87.7	-192.1	104.4	195.6	...	177.7	15.4	...	1.1	1.4	-13.3
Q1	52.1	5.2	5.2	...	50.2	...	50.2	2.7	...	-10.5	12.0	...	0.8	0.5	-6.2
2014 Q2	-71.8	-3.8	8.3	-12.1	3.2	70.0	-66.8	-49.5	...	-47.1	-4.5	...	1.3	0.9	-21.7

Source: CBK (2015)

Table 2.8. Financial account, investments abroad

(In millions of euro)

Description	Net incurrence of liabilities														
	Direct investment			Portfolio investment			Other investment								
		Equity and investment fund shares	Debt instruments		Equity and investment fund shares	Debt securities		Other equity	Currency and deposits	Loans	Insurance, pension, and standardized guarantee schemes	Trade credit and advances	Other accounts receivable/payable	Special drawing rights (Net incurrence of liabilities)	
2007	502.7	440.7	327.8	113.0	...	...	...	619	...	-3.6	13.9	...	517	...	...
2008	519.6	369.9	278.5	914	...	...	...	149.7	...	24.1	48.5	...	77.2	...	...
2009	347.7	295.5	268.3	27.2	...	...	...	52.2	0.5	23.5	-72.7	...	415	...	59.5
2010	6814	368.5	3311	37.4	...	...	...	312.9	-0.7	40.2	101.5	...	1718	...	...
2011	4612	384.4	345.2	39.2	...	...	...	76.8	0.8	-13	-15.8	...	93.1	...	...
2012	457.6	229.1	202.7	26.4	...	...	...	228.5	0.7	97.0	25.4	...	100.3	5.1	...
2013	349.4	280.2	176.0	104.2	...	...	...	69.2	-10	38.5	15.4	...	19.1	-2.8	...
Q1	100.7	69.5	57.0	12.5	...	...	...	312	-0.2	27.0	9.4	...	-5.0	...	...
Q2	156.2	48.0	59.8	-118	...	...	...	108.2	-0.2	11	16.5	...	90.7	...	...
Q3	234.6	19.1	100.7	18.4	...	...	...	115.5	-0.2	-4.3	43.2	...	76.9	...	...
2010 Q4	190.0	132.0	113.6	18.3	...	...	...	58.0	-0.2	16.5	32.4	...	9.3	...	...
Q1	69.5	84.4	72.8	11.7	...	...	...	-14.9	0.2	-7.8	3.4	...	-10.7	...	...
Q2	163.0	90.8	82.0	8.8	...	...	...	72.2	0.2	25.4	-10	...	47.6	...	...
Q3	104.4	111.3	110.1	12	...	...	...	-6.9	0.2	2.1	-35.0	...	25.8	...	...
2011 Q4	124.3	97.8	80.3	17.5	...	...	...	26.4	0.2	-211	16.9	...	30.4	...	...
Q1	-8.3	56.7	42.0	14.7	...	...	...	-65.0	0.2	19.5	-38.7	...	-45.9	...	...
Q2	94.3	29.9	25.0	4.9	...	...	...	64.4	...	...	-3.9	...	63.2	5.1	...
Q3	239.6	92.3	64.8	27.4	...	...	...	147.3	...	39.6	38.1	...	69.5	...	...
2012 Q4	132.0	50.2	70.9	-20.7	...	...	...	818	0.5	37.9	29.9	...	13.5	...	...
Q1	11	60.3	48.7	11.6	...	...	...	-59.2	...	10.9	-8.9	...	-60.3	-10	...
Q2	133.2	88.7	44.2	44.5	...	...	...	44.5	-10	-20.0	15.6	...	49.1	0.9	...
Q3	149.9	70.6	46.9	23.7	...	...	...	79.3	0.0	52.9	4.8	...	22.2	-0.6	...
2013 Q4	65.2	60.6	36.3	24.4	...	...	...	4.5	...	-5.4	3.8	...	8.2	-2.1	...
Q1	26.3	42.5	42.3	0.2	...	...	...	-16.2	...	13.1	-4.5	...	-27.5	2.7	...
2014 Q2	40.1	-3.6	-17.7	14.1	...	...	...	43.7	...	-10.4	6.3	3.0	45.6	-0.9	...

Source: CBK (2015)

Table 3.1. Foreign direct investments, by activity

(In percent)

Description	Total	Agriculture, hunting, forestry, fishing	Mining and quarrying	Manufacturing	Electricity, gas and water supply	Construction	Wholesale, retail trade, repair of motor vehicles etc	Hotels and restaurants	Transport, storage and communication	Financial intermediation	Real estate, renting and business activities	Other services*	Other not elsewhere classified activities
2007	440.7	7.9	4.15	74.8	2.5	5.2	12.7	12.7	129.2	102.0	30.9	4.5	16.9
2008	369.9	8.5	17.4	53.7	16.7	13.5	10.1	2.1	51.0	109.6	62.2	2.1	23.0
2009	295.5	13.1	7.0	57.6	8.7	35.5	16.2	2.4	21.9	75.3	43.9	2.7	11.3
2010	368.5	0.9	17.7	101.1	...	54.2	6.8	...	-6.9	39.4	75.5	13	87.6
2011	384.4	0.6	-5.2	46.9	0.2	133.1	11.6	0.2	29.0	33.0	60.5	11.3	63.2
2012	229.1	0.3	-25.0	27.4	2.2	31.1	9.3	0.5	32.4	22.4	15.7	1.8	11.0
2013	280.2	0.4	-14.1	11.5	48.8	17.3	14.6	0.8	51.0	4.4	136.1	3.3	6.2
Q1	69.5	0.2	0.2	11.5	...	2.0	1.2	...	-3.2	18.8	17.3	0.3	21.3
Q2	48.0	0.2	2.7	16.4	...	-13.3	1.0	...	-4.3	10.0	10.8	0.4	29.2
Q3	19.1	0.3	10.6	22.7	...	41.2	3.5	...	-4.3	-0.3	19.2	0.7	25.6
2010 Q4	132.0	0.2	4.2	50.5	...	29.3	1.1	...	-4.1	10.9	28.3	...	11.6
Q1	84.4	0.1	0.2	9.6	0.0	28.1	2.5	0.0	4.5	8.0	15.4	1.0	15.0
Q2	90.8	0.1	3.0	20.3	0.0	22.4	3.8	0.0	10.4	6.5	11.2	1.8	11.3
Q3	111.3	0.2	-2.7	13.2	0.0	37.9	2.8	0.1	12.7	4.2	18.7	5.9	18.2
2011 Q4	97.8	0.2	-5.6	3.8	0.1	44.8	2.5	0.0	14	14.3	15.1	2.6	18.7
Q1	56.7	0.0	-1.6	2.3	...	7.2	0.2	...	2.5	10.8	24.5	...	10.8
Q2	29.9	0.1	-8.0	1.1	...	4.8	1.1	...	7.4	-7.0	30.4	0.0	0.0
Q3	92.3	0.1	-7.1	18.6	1.6	21.2	3.0	0.3	12.3	11.6	29.9	0.7	0.1
2012 Q4	50.2	0.1	-8.4	5.5	0.6	-2.0	4.9	0.2	10.2	7.0	30.9	1.0	0.1
Q1	60.3	0.0	-4.5	0.8	1.3	12.5	0.8	2.4	10.6	6.9	28.9	0.3	0.2
Q2	88.7	0.3	-5.3	7.1	30.0	15.4	2.2	...	13.8	-7.7	32.5	0.5	0.1
Q3	70.6	0.1	-0.9	1.19	7.2	-13.7	6.2	0.5	19.1	0.2	38.5	1.5	0.0
2013 Q4	60.6	0.0	-3.4	-8.3	10.3	3.1	5.5	-2.1	7.5	5.0	36.2	1.0	6.0
Q1	42.7	0.0	-3.1	-6.6	2.2	9.1	4.8	...	-2.0	10.5	26.7	0.8	0.2
2014 Q2	-3.6	0.0	-0.6	-22.3	7.0	-24.9	2.4	...	-4.1	2.8	34.6	1.2	0.4

Source: CBK (2015)

Table 3.2. Foreign direct investments, main countries

(In millions of euro)

Description	Total	of which:									
		Austria	Germany	Slovenia	UK	Switzerland	Turkey	Netherlands	Albania	Un. States	France
2007	440.7	35.4	48.1	56.2	116.2	9.7	5.4	412	3.4	8.8	8.6
2008	369.9	51.3	44.0	44.3	36.6	32.1	23.8	25.9	21.9	4.8	3.5
2009	295.5	15.5	75.2	50.8	6.2	22.7	14.5	23.1	23.3	11.8	6.0
2010	368.5	21.1	91.5	34.0	38.9	35.1	4.9	17.2	20.3	12.6	3.8
2011	384.4	19.6	66.6	16.2	80.1	30.9	34.7	4.7	11.2	14.3	0.2
2012	229.1	0.4	49.5	9.3	14.3	43.8	65.6	-25.6	4.7	10.8	6.3
2013	280.2	10.7	21.7	7.0	10.7	41.7	88.6	-0.1	19.3	12.7	3.8
Q1	69.5	4.1	11.6	18.8	1.9	8.4	1.7	0.2	3.5	3.7	1.1
Q2	48.0	5.6	9.9	2.1	-23.3	6.1	1.1	1.4	9.4	5.6	0.8
Q3	119.1	7.0	14.3	10.3	34.0	14.0	1.2	8.7	5.0	1.2	1.1
2010 Q4	132.0	4.4	55.8	2.8	26.2	6.6	0.8	6.9	2.4	2.1	0.8
Q1	84.4	1.6	21.5	6.3	20.3	7.1	8.5	1.4	2.2	3.3	0.7
Q2	90.8	7.4	10.8	2.8	...	7.8	12.6	4.8	1.4	3.0	...
Q3	111.3	8.9	25.2	5.2	30.2	5.8	16.4	-7.7	2.1	7.4	0.8
2011 Q4	97.8	1.7	9.1	1.9	29.6	10.2	-2.8	6.1	5.5	0.6	-1.3
Q1	56.7	2.3	11.7	2.4	5.8	11.1	4.9	0.3	0.8	2.6	0.3
Q2	29.9	-10.8	8.1	3.0	4.8	9.0	16.9	-6.3	-5.0	3.1	1.8
Q3	92.3	5.6	21.3	5.3	14.5	9.9	19.5	-7.1	5.8	2.3	2.2
2012 Q4	50.2	3.2	8.4	-1.5	-10.8	13.8	24.2	-12.5	3.1	2.7	1.9
Q1	60.3	5.1	7.5	5.0	12.9	11.3	8.9	-5.9	1.5	1.4	0.3
Q2	88.7	3.9	-8.3	3.6	13.0	9.3	42.9	-0.9	9.7	3.8	1.2
Q3	70.6	-1.5	14.3	...	-14.4	11.0	23.9	4.3	7.1	4.4	1.7
2013 Q4	60.6	3.2	8.3	-1.5	-0.8	10.1	12.9	2.3	1.0	3.1	0.6
Q1	42.7	4.0	11.0	2.6	2.8	8.8	-8.5	-2.3	5.6	3.0	0.5
2014 Q2	-3.6	9.5	2.2	-12.0	-31.9	6.5	4.8	-11.4	7.2	4.0	0.6

Source: CBK (2015)

Table 4. External debt, gross position

(In millions of euro)

Description	Total gross external debt																
	Public and publicly guaranteed external debt								Private sector external debt not publicly guaranteed								Direct investments: crediting between companies
	Government				Central Bank of the Republic of Kosovo				Deposit-Taking Corporations, except the Central Bank				Other sectors				
	Short-term		Long-term		Short-term		Long-term		Short-term		Long-term		Short-term		Long-term		
2007	520.6	-	-	-	-	-	-	-	520.6	48.6	48.6	-	168.8	111.1	27.7	303.2	
2008	736.6	-	-	-	-	-	-	-	736.6	83.2	83.2	-	245.6	194.5	51.1	407.8	
2009	1,191.4	309.3	249.0	-	249.0	60.3	0.8	59.5	882.1	156.7	156.7	-	275.0	221.2	53.8	450.4	
2010	1,371.5	325.9	260.0	-	260.0	65.9	1.7	64.2	1,045.6	221.8	221.8	-	308.0	232.7	75.4	515.8	
2011	1,428.4	320.0	253.6	-	253.6	66.4	0.7	65.7	1,108.4	196.4	196.4	-	346.6	259.8	86.8	565.4	
Q1	1,340.6	312.7	247.4	-	247.4	65.3	1.1	64.2	1,027.9	189.4	189.4	-	264.9	222.0	42.9	573.6	
Q2	1,408.9	321.0	253.5	-	253.5	67.5	0.7	66.7	1,087.9	176.0	176.0	-	321.8	283.0	38.8	590.1	
Q3	1,533.2	361.2	294.2	-	294.2	66.9	0.9	66.0	1,172.1	184.1	184.1	-	378.9	340.6	38.3	609.1	
2012 Q4	1,517.3	401.4	336.5	-	336.5	65.0	0.4	64.6	1,115.9	175.6	175.6	-	354.4	321.0	33.5	585.9	
Q1	1,452.9	398.0	332.8	-	332.8	65.1	0.3	64.8	1,054.9	185.8	185.8	-	272.5	238.3	34.2	596.7	
Q2	1,541.0	394.8	331.1	-	331.1	63.8	0.1	63.7	1,146.1	184.3	184.3	-	321.4	277.1	44.3	640.4	
Q3	1,584.8	387.8	324.6	-	324.6	63.2	0.3	62.9	1,197.0	206.8	206.8	-	326.2	278.4	47.7	664.0	
2013 Q4	1,608.2	383.9	321.8	-	321.8	62.1	0.3	61.9	1,224.3	208.1	208.1	-	329.7	281.1	48.5	686.5	
Q1	1,593.7	379.7	317.5	-	317.5	62.2	0.1	62.1	1,214.0	225.2	225.2	-	302.1	247.5	54.6	686.7	
2014 Q2	1,646.2	381.8	318.9	-	318.9	62.9	0.2	62.7	1,264.4	229.3	229.3	-	337.3	281.4	55.9	697.8	

Source: CBK (2015)



Table 5.1. ODC balance sheet, assets

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

Description	Total assets													
	Cash and balances with CBK	Balances with commercial banks		Securities	Gross loans and lease financing	of which in euro:				Gross loans in non euro currency	Fixed assets	Other assets		
		In euro currency	In non euro currencies			Other financial corporations	Public non financial corporations	Other non financial corporations	House holds					
2001 December	519.8	265.1	212.8	212.8	.	7.5	25.9	—	—	25.9	—	—	4.5	3.9
2002 December	473.7	813	292.7	292.7	.	...	86.5	—	—	80.8	5.7	—	9.5	3.7
2003 December	589.2	106.2	106.2	106.2	.	19.6	232.8	—	0.2	193.5	39.0	—	12.3	12.2
2004 December	816.5	116.5	116.0	116.2	16.8	12.3	373.7	—	...	289.9	83.7	—	15.9	12.2
2005 December	984.4	131.7	221.9	201.0	21.0	82.9	513.9	—	...	387.9	126.0	—	16.9	17.0
2006 December	1,161.2	141.1	243.3	218.8	24.5	99.4	636.6	—	...	490.5	146.1	—	23.0	17.9
2007 December	1,435.0	189.0	208.1	173.4	34.7	78.9	892.1	—	0.2	691.3	200.6	—	27.2	39.7
2008 December	1,808.2	218.2	283.9	236.3	47.6	40.5	1,183.4	0.6	0.1	901.7	281.0	—	39.0	43.1
2009 December	2,204.1	322.7	405.6	326.7	78.8	97.0	1,289.0	2.3	0.3	942.9	343.5	—	43.1	46.7
2010 December	2,455.1	307.0	439.1	367.3	71.8	173.4	1,458.7	9.9	6.3	1,004.1	434.2	2.5	44.0	32.9
2011 December	2,649.7	331.5	329.5	251.8	77.7	202.0	1,698.1	17.3	15	1,127.0	510.9	7.3	47.4	41.3
November	2,804.5	384.2	294.6	238.3	56.2	268.9	1,758.8	18.7	14	1,166.2	541.9	7.5	56.1	41.8
2012 December	2,829.3	425.7	287.9	228.0	59.9	256.6	1,763.4	19.8	14	1,169.8	542.6	6.9	57.7	38.1
January	2,812.6	390.7	311.9	237.6	74.3	262.5	1,754.9	19.1	0.8	1,165.1	542.1	6.4	57.2	35.4
February	2,837.8	399.6	297.4	220.8	76.6	282.7	1,765.6	19.1	0.4	1,176.9	540.9	7.0	56.6	35.9
March	2,835.7	414.3	270.1	193.1	77.0	275.5	1,782.7	19.9	0.3	1,188.0	545.8	6.7	56.0	37.2
April	2,799.3	394.5	279.3	190.3	89.0	229.5	1,801.6	18.7	0.3	1,203.7	551.0	6.9	56.2	38.2
May	2,825.3	379.8	292.9	205.3	87.6	246.7	1,810.0	18.6	0.3	1,209.1	554.0	7.0	57.4	38.5
June	2,787.0	355.4	261.4	175.4	86.0	246.3	1,825.7	19.1	0.3	1,216.1	561.9	6.9	57.6	40.5
July	2,860.1	402.6	294.3	216.3	78.1	249.8	1,816.0	19.3	0.3	1,203.7	565.3	7.0	57.0	40.3
August	2,968.0	455.0	349.3	270.0	79.3	273.8	1,790.1	17.9	0.3	1,193.6	551.5	6.4	56.7	43.0
September	2,935.4	438.3	328.4	228.5	99.8	276.0	1,798.0	18.8	0.3	1,195.1	556.5	6.3	56.3	38.5
October	2,952.0	452.8	333.6	230.0	103.6	271.7	1,798.8	18.6	0.3	1,186.9	566.5	6.4	55.5	39.5
November	2,976.7	468.4	332.0	239.4	92.6	278.1	1,803.2	18.9	0.3	1,193.4	563.9	6.3	55.2	39.8
2013 December	3,059.3	463.3	339.9	258.8	81.0	354.5	1,805.8	20.4	0.2	1,194.5	563.9	6.1	55.5	40.3
January	3,048.5	431.7	383.6	298.3	85.3	355.1	1,794.5	19.1	0.2	1,189.5	559.8	6.0	55.2	28.4
February	3,045.0	396.4	397.2	299.1	98.1	373.2	1,794.3	19.1	0.2	1,190.0	559.3	5.9	54.6	29.4
March	3,053.1	367.6	384.8	295.3	89.5	392.7	1,825.9	20.0	0.2	1,214.9	564.8	5.7	54.2	28.0
April	3,038.3	357.4	355.5	267.7	87.7	397.4	1,839.7	18.8	0.2	1,224.4	571.2	5.8	55.8	32.4
May	3,041.0	338.6	360.8	277.7	83.1	397.4	1,856.8	19.1	0.2	1,229.1	583.4	5.9	55.3	32.2
2014 June	3,059.5	358.2	318.7	232.7	86.0	405.3	1,889.9	20.2	0.2	1,250.9	593.2	5.9	55.2	32.2

Source: CBK (2015)

Table 5.2. ODC balance sheet, liabilities

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

Description	Total liabilities											
	Balances from other banks	Deposits				Other borrowings (incl. non neg. CD)	Write-downs, provisions	Other liabilities	Subordinated debt	Own resources	of which:	
		Transferable deposits	Other deposits:	Saving deposits	Share capital							
2001 December	519.8	.	492.3	365.4	126.8	—	5.0	...	2.0	...	20.4	18.4
2002 December	473.7	.	427.2	295.9	131.3	—	5.4	...	6.6	1.3	33.2	30.8
2003 December	589.2	18	514.0	290.5	223.5	—	8.9	...	17.5	2.0	45.0	44.1
2004 December	816.5	14.3	694.5	281.0	413.5	—	14	...	27.9	9.3	69.1	57.7
2005 December	984.4	23.0	836.7	296.6	540.1	—	6.4	...	37.3	7.0	74.0	62.4
2006 December	1,161.2	30.3	924.3	308.9	615.4	—	4.2	...	92.1	7.0	103.3	78.4
2007 December	1,435.0	25.8	1,143.1	380.7	762.4	—	2.7	...	103.7	7.0	152.7	114.9
2008 December	1,808.2	34.9	1,444.1	429.8	1,014.2	—	...	...	129.8	7.0	192.5	145.9
2009 December	2,204.1	58.5	1,744.9	517.8	1,229.5	—	...	...	171.7	24.4	204.6	159.4
2010 December	2,455.1	70.7	1,936.8	671.0	923.2	342.7	23.4	0.1	160.0	33.5	230.5	170.4
2011 December	2,649.7	40.0	2,104.0	699.0	1,056.8	348.2	30.4	0.2	191.3	31.0	252.8	176.6
November	2,804.5	12.5	2,255.1	738.8	1,165.1	351.2	22.8	18	214.4	31.0	265.8	200.1
2012 December	2,829.3	6.0	2,279.1	751.9	1,172.1	355.0	18.9	17	221.4	31.0	270.8	200.1
January	2,812.6	4.3	2,265.1	738.9	1,170.9	355.4	19.1	16	218.6	31.0	272.6	200.1
February	2,837.8	7.2	2,278.3	744.1	1,178.2	356.0	20.0	18	227.4	31.0	271.7	200.1
March	2,835.7	4.0	2,269.4	756.0	1,155.6	357.8	19.4	16	233.0	31.0	276.9	200.1
April	2,799.3	3.0	2,231.4	756.8	1,095.4	379.2	19.9	12	229.2	31.0	283.2	205.1
May	2,825.3	10.6	2,247.0	776.6	1,096.2	374.3	17.5	17	229.9	31.0	287.2	212.3
June	2,787.0	20.2	2,201.3	745.3	1,086.8	369.2	14.8	17	239.4	36.3	272.9	218.3
July	2,860.1	6.9	2,271.2	779.7	1,117.0	374.5	11.2	17	237.9	55.3	275.7	219.2
August	2,968.0	6.4	2,370.9	867.8	1,120.1	383.1	11.3	2.0	244.4	56.3	276.6	219.2
September	2,935.4	9.8	2,344.7	826.6	1,134.9	383.2	10.8	19	239.2	56.3	272.5	219.2
October	2,952.0	11.5	2,354.6	828.4	1,140.7	385.4	10.7	19	240.0	56.3	276.8	220.2
November	2,976.7	15.1	2,359.2	833.1	1,135.5	390.5	10.6	2.0	258.8	56.3	274.7	220.2
2013 December	3,059.3	16.5	2,449.0	900.8	1,143.9	404.2	13.4	2.0	244.1	56.3	277.8	221.2
January	3,048.5	21.3	2,443.4	887.4	1,134.4	421.7	13.2	16	231.5	56.4	281.0	221.2
February	3,045.0	21.3	2,433.4	890.7	1,113.8	428.8	13.9	15	235.1	56.3	283.4	221.2
March	3,053.1	21.6	2,430.8	910.4	1,085.4	435.0	13.4	15	241.7	56.3	287.8	221.2
April	3,038.3	23.1	2,425.9	920.0	1,062.9	443.0	13.5	12	241.7	57.3	275.5	226.2
May	3,041.0	25.7	2,415.1	926.7	1,035.1	453.2	14.4	12	244.8	57.3	282.5	226.2
2014 June	3,059.5	29.9	2,421.0	957.8	1,006.6	456.6	17.9	12	242.2	57.3	289.9	226.2

Source: CBK (2015)

Table 6.1. ODC effective interest rates

(New contracts, unless otherwise indicated)

Description	Interest rate on deposits		Nonfinancial corporations								Households							
			Transferable deposits	Other deposits						Saving deposits	Transferable deposits	Other deposits						Saving deposits
				Less than 250.000 euro				Equal or more than 250.000 euro				Up to 1 month	Over 1 month up to 3 months	Over 3 months up to 6 months	Over 6 months up to 1 year	Over 1 year up to 2 years	Over 2 years	
				Up to 1 month	Over 1 month up to 3 months	Over 6 months up to 1 year	Over 2 years	Up to 1 month	Over 1 month up to 3 months									
2005 December	3.1	0.3	2.1	2.4	3.4	*	2.9	*	*	17	0.0	18	2.2	*	3.3	3.9	4.0	17
2006 December	3.1	0.4	2.1	2.9	4.3	*	3.1	*	*	15	0.0	19	2.3	*	3.4	4.2	4.5	17
2007 December	4.0	0.5	2.7	2.9	4.4	*	4.3	4.1	*	2.4	0.0	2.6	2.7	*	3.6	4.7	5.3	2.3
2008 December	4.4	0.5	3.1	4.0	5.3	*	3.6	4.9	*	2.9	0.1	3.2	4.6	*	4.5	5.0	3.9	2.7
2009 December	4.0	0.7	3.4	3.4	5.0	*	3.9	4.9	*	2.6	0.3	3.1	3.3	*	4.4	5.0	5.5	2.5
2010 December	3.4	0.6	2.4	3.1	5.0	5.1	*	3.7	*	2.1	0.6	2.6	2.6	3.1	4.5	4.8	5.1	2.2
2011 December	3.6	0.9	2.2	2.9	4.9	5.1	2.6	3.9	5.2	2.2	0.5	2.5	2.5	2.9	4.2	4.6	5.4	2.1
November	3.7	1.0	2.5	*	5.0	*	*	3.9	5.2	2.2	0.5	2.2	2.5	2.8	4.3	4.5	5.3	2.0
2012 December	3.7	0.8	*	2.8	*	*	2.7	4.0	4.8	2.1	0.5	2.3	2.5	2.8	4.2	4.5	4.8	2.1
January	3.6	0.9	1.3	2.8	4.8	*	2.9	*	3.6	2.0	0.6	2.3	2.3	2.8	4.1	4.5	5.2	1.7
February	3.6	0.8	1.8	2.1	3.0	*	*	4.0	*	1.9	0.6	2.1	2.4	3.0	4.1	4.6	5.2	1.6
March	3.5	1.0	1.8	*	2.1	*	*	*	5.0	2.0	0.6	2.1	2.5	2.9	3.9	4.4	4.7	1.7
April	3.4	0.8	0.8	1.6	*	4.9	*	*	*	2.0	0.6	1.9	2.2	2.7	3.9	4.5	5.0	1.6
May	3.5	0.7	*	*	4.4	*	2.3	3.7	3.8	2.0	0.6	2.2	2.1	2.7	3.8	4.5	5.0	1.6
June	3.5	0.9	*	*	3.6	*	*	*	*	2.0	0.6	2.0	2.7	2.5	3.9	4.4	4.9	1.6
July	3.6	0.7	*	2.5	*	*	*	*	*	2.0	0.8	2.3	2.2	2.5	3.7	4.5	5.0	1.6
August	3.4	0.7	*	*	*	*	1.7	*	4.8	2.0	0.4	2.3	2.1	2.6	3.7	4.3	4.6	1.6
September	3.4	0.6	0.6	*	*	4.2	*	2.6	*	2.0	0.5	2.1	2.5	2.5	3.6	4.4	4.9	1.6
October	3.3	0.6	1.3	2.3	*	*	*	*	*	2.0	0.4	2.0	2.1	2.3	3.5	4.3	4.8	1.6
November	3.2	0.4	0.5	0.6	*	*	*	*	*	1.8	0.4	1.8	2.1	2.3	3.4	4.1	4.7	1.6
2013 December	2.4	0.5	0.8	*	0.5	*	*	*	*	1.7	0.5	1.7	1.7	2.0	2.9	3.4	4.0	1.7
January	2.7	0.1	0.8	*	2.4	3.7	*	*	*	*	0.3	1.6	1.7	1.9	2.8	3.3	3.8	1.4
February	2.0	0.3	0.8	0.9	1.5	*	*	*	*	*	0.3	0.9	1.3	1.8	2.1	2.7	*	1.1
March	1.7	0.4	0.5	0.5	*	*	*	*	*	*	0.2	0.8	*	1.5	1.4	2.8	*	0.8
April	0.6	0.2	0.6	0.5	0.4	*	*	*	*	*	0.1	0.4	0.4	0.3	0.7	0.8	1.4	0.7
May	0.6	0.2	0.6	0.6	0.7	0.5	0.1	*	*	0.6	0.1	0.4	0.3	0.3	0.7	0.8	1.5	0.7
2014 June	0.6	0.2	0.4	0.6	*	0.1	0.0	*	*	0.6	0.07	0.3	0.2	0.3	0.6	0.9	1.4	0.5

Source: CBK (2015)

Table 6. 2. ODC effective interest rates

(New contracts, unless otherwise indicated)

Description	Interest rate on loans	Nonfinancial corporations									Households						
		Investment business loans			Other business loans			Overdrafts (outstanding amounts)	Credit lines (outstanding amounts)	Loans with favourable conditions	Overdrafts (outstanding amounts)	Loans with favourable conditions		Consumer loans	Mortgage loans		
		Up to 1 year	Over 1 year and up to 5 years	Over 5 years	Up to 1 year	Over 1 year and up to 5 years	Over 5 years					Cash over loans	Other loans		Up to 1 year	Over 1 year and up to 5 years	Over 5 years
2005 December	14.5	17.3	13.3	13.3	15.2	14.4	...	15.1	115	...	*	...	*	115	*	*	*
2006 December	14.7	*	14.5	14.5	13.6	15.2	...	15.7	12.4	...	*	...	*	12.4	*	13.4	*
2007 December	14.1	*	13.8	13.8	*	14.6	...	15.1	13.7	...	*	...	*	13.7	12.9	12.4	*
2008 December	13.8	*	13.9	13.9	14.2	13.4	...	15.0	13.5	...	19.5	...	...	13.5	9.8	10.8	8.1
2009 December	14.1	*	14.3	14.3	*	...	...	*	*	...	17.8	...	...	13.3	*	10.7	*
2010 December	14.3	16.1	13.9	*	13.7	14.4	*	12.7	13.3	7.7	22.6	6.6	8.6	14.6	*	11.7	10.3
2011 December	13.9	17.1	13.6	*	16.4	13.8	*	11.8	12.1	6.1	16.4	6.0	8.6	14.0	14.3	12.0	10.8
November	12.7	14.6	12.2	9.7	14.1	14.4	*	10.4	10.8	7.1	16.1	7.2	8.2	13.3	*	10.4	9.0
2012 December	12.9	15.4	12.0	10.2	15.3	13.7	*	10.7	11.9	5.9	12.5	6.1	8.0	13.1	*	10.8	9.8
January	13.6	12.7	13.7	*	15.5	15.4	13.5	10.7	12.6	5.6	16.4	6.5	4.8	12.6	11.9	11.2	10.3
February	13.5	14.1	14.0	*	16.7	14.2	*	9.7	11.6	*	15.0	6.5	6.7	12.8	*	11.0	9.8
March	12.6	15.2	12.3	11.0	16.0	13.8	*	11.0	12.9	7.3	15.8	6.2	6.7	12.1	*	11.0	9.5
April	12.6	12.9	12.5	10.5	16.1	14.1	*	10.5	13.4	7.0	16.9	6.6	5.8	12.0	13.4	11.3	9.7
May	12.3	13.3	13.0	10.2	15.2	13.9	*	10.7	12.2	7.4	15.5	6.9	5.5	11.8	*	11.1	9.6
June	12.0	12.9	11.5	9.4	14.2	13.5	8.7	10.3	11.9	6.7	13.2	6.8	8.9	12.2	13.6	11.2	9.8
July	12.6	13.0	12.3	*	13.9	13.7	14.2	9.3	11.4	3.7	14.3	7.4	8.4	12.5	11.2	11.0	9.8
August	12.0	13.8	11.3	10.9	14.3	13.1	11.1	10.8	10.7	5.4	16.6	5.7	5.4	12.4	*	11.0	9.7
September	12.2	13.1	11.9	*	13.8	12.7	13.8	10.1	10.8	5.3	15.8	6.5	10.1	12.2	*	10.9	9.2
October	11.7	13.6	11.7	10.2	12.5	12.5	14.6	10.5	12.7	5.8	16.4	6.5	10.1	12.0	9.9	10.7	9.2
November	12.2	13.8	11.3	11.9	14.5	13.5	*	9.4	11.9	*	15.9	6.0	9.8	12.5	13.8	10.4	9.5
2013 December	11.1	12.3	10.9	9.5	11.6	12.9	*	9.4	11.0	6.0	14.4	4.6	7.3	11.7	*	10.4	9.0
January	11.7	13.1	11.6	10.5	11.9	13.0	*	8.8	12.9	5.9	14.6	5.0	7.5	11.8	10.9	9.7	9.0
February	11.8	10.1	11.6	11.1	11.8	12.5	*	8.8	11.0	3.4	13.8	5.0	6.3	12.0	11.3	9.9	9.0
March	11.2	11.1	10.9	11.8	11.4	12.6	9.0	9.8	10.9	6.6	14.6	3.9	4.3	11.3	*	9.7	9.0
April	10.7	11.7	10.3	9.9	10.3	12.5	*	9.4	11.0	4.0	14.0	4.3	4.1	11.2	9.3	9.8	9.2
May	10.5	11.9	10.0	10.2	11.1	12.1	7.6	9.9	12.0	6.8	11.8	3.9	4.8	10.7	*	9.4	8.7
2014 June	10.6	12.1	9.9	11.0	10.6	12.2	12.1	9.4	11.3	4.2	14.3	4.6	3.6	10.9	9.8	9.5	9.1

Source: CBK (2015)

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