



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

# Bank Lending Survey in Kosovo

Number 21

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CENTRALNA BANKA REPUBLIKE KOSOVA  
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# **Bank Lending Survey in Kosovo and Inflation Expectations**

**(Q3 2024 and expectations for Q4 2024)**

**Number 21**

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## Bank Lending Survey in Kosovo (BLSK)

### Introduction<sup>1</sup>

In order to increase analytical capacities for a better assessment of lending dynamics in Kosovo and expectations for price developments, the Central Bank of the Republic of Kosovo (CBK) has designed and conducted a survey carried out with commercial banks operating in the banking market in Kosovo. The report that will analyse the results of this survey will be published quarterly on the CBK website, in order to provide a broader overview of banks' risk perception and willingness to lend as well as the behaviour of households and enterprises towards lending dynamics, as a result. This report highlights lending behaviour for the period of the third quarter of 2024, and banks' expectations for lending dynamics for the fourth quarter of 2024.

In addition to the standard questions, this survey has been supplemented with four additional questions in an attempt to identify prominent risks in the banking sector, as well as the breakdown of credit supply and demand for enterprises by economic sectors.

### Summary of results<sup>2</sup>

The loan stock at the end of September 2024 reached 5.51 billion Euros, continuing the double-digit growth trend for the fourth consecutive year. Annual lending growth was recorded in both segments, although the growth was more pronounced for households than for enterprises. The performance of new loans issued during the period January-September 2024 generally followed the trend of total lending - according to specific segments, there was a significant increase for households while a slowdown for enterprises.

The results of the third quarter of 2024 survey conducted with banks suggest that lending dynamics were mainly influenced by credit demand, while credit supply had marginal movements. Even for the fourth quarter of 2024, banks expect credit demand to continue to be the driver of credit activity, but unlike the current quarter, the household segment is expected to have the greatest weight in determining the overall dynamics. Regarding credit supply, banks stated that they will apply almost unchanged credit standards for both segments.

For the enterprise segment, the growth in lending, according to the survey results, appears to have been mainly supported by demand, while credit supply was almost unchanged during the third quarter of 2024. Similar to the overall performance of this segment, banks applied almost unchanged credit standards in this quarter for both SMEs and large enterprises (Table 1). The falling Euribor rate, support from the KCGF and the liquidity position in the sector had a positive impact on the credit supply of the banking sector. Factors that appear to have negatively affected credit standards were related to the sector's lower tolerance to the risk carried by the enterprise segment and credit quality - the increase in non-performing loans. For the last quarter of 2024, banks expect credit standards to remain similar to those applied during the third quarter of 2024 for both SMEs and large enterprises (Table 1). Factors that are expected to have a mitigating potential in the credit standards applied by banks in the next quarter also relate to the falling Euribor rate, support from the KCGF, the liquidity position, while unlike the previous quarter, competition from

<sup>1</sup> For more detailed information about the purpose and history of the CBK bank lending survey, see the publication "Bank Lending Survey and Inflation Expectations" No. 1.

<sup>2</sup> The questionnaire and the time series of the BLSK results are available on the CBK website, under the Bank Lending Survey link.

the non-banking sector is also expected to have a mitigating effect. On the other hand, the outlook for the domestic market in the next quarter, the lower risk tolerance for enterprises and credit quality - the increase in non-performing loans are among the main factors that may have a tightening potential in the credit standards applied by banks.

The terms and conditions applied by banks when granting loans to enterprises generally remained largely unchanged for both enterprise segments. However, for large enterprises, a somewhat easing of standards was applied in the size of the loan granted. As for payments other than the interest rate (mainly various fees and commissions), they remained unchanged for both SMEs and large enterprises. On the other hand, the terms and conditions applied were positively affected by the support from the KCGF, the pressure from interbank competition and the liquidity position of banks. Even in the last quarter of 2024, the terms and conditions applied by banks in general are expected to remain largely similar to the third quarter, with the exception of collateral requirements that are expected ease more for SMEs, and the size of the loan that is expected to ease more for large enterprises (increase in the value of the loan).

Regarding the demand for credit from the enterprise segment, the third quarter is historically characterized by weaker demand than the previous and subsequent quarters. However, for Q3 2024, banks reported high credit demand from enterprises, both large enterprises and especially SMEs. Overall, the increase in credit demand, according to banks' statements, was mainly driven by the increase in demand for financing of inventory and working capital and fixed investments. In the following quarter, the credit demand from SMEs is expected to continue to be high, but significantly lower compared to that reported in Q3 2024. Even in the following quarter, the increase in credit demand is expected to be mainly attributed to the demand for financing of inventory and working capital as well as fixed investments.

The activity of lending to households continued to expand at an accelerated pace during 2024, supported mainly by higher credit demand, as credit supply remained unchanged according to banks' statements to the BLS even for Q3 2024. The credit standards applied by banks to households remained largely unchanged in Q3 2024, both for consumer and house purchase loans. Moreover, for the last quarter of 2024, credit standards are expected to remain unchanged for both segments of households (Table 1). The factors that influenced the easing of credit standards during Q3 2024 were interbank competition, banks' liquidity position, borrowers' increased creditworthiness, positive outlook in the domestic market and domestic banks for this segment of the economy. However, they were offset by tightening factors in credit standards for the household segment, such as credit quality related to the increase in the value of non-performing loans and access to total financing for domestic banks. In the following quarter, the factor expected to have an impact on tightening credit standards is the potential increase in non-performing loans, while the good liquidity position, easier access to financing from parent banks (foreign banks operating in the country) and competition in the sector are expected to have an easing effect.

In general, the terms and conditions for new loans to households remained unchanged during the third quarter of 2024. The results generated from the banks' responses reflect a change, namely a somewhat easing only in the size of the loan (average loan amount) for house purchase loans, while for consumer loans they remained unchanged. Competition within the sector, good liquidity position and borrowers' creditworthiness were the factors that influenced the easing of the terms and conditions for house purchase, namely the increase in the average loan amount. For the fourth quarter of 2024, banks expect generally unchanged terms and conditions for new loans, excluding an easing in the interest rate for loans for house purchase, while for consumer loans, similar to the current quarter, no changes are expected in the terms and conditions for obtaining loans.

Credit demand from households increased in the third quarter of 2024, but at a lower rate than in the previous quarter; with demand increasing at a similar level for both consumer and house

purchase loans. According to banks, the need to finance consumer spending and the good outlook for the real estate market had the highest impact on the reported increase in credit demand for both household segments. For the next quarter, banks expect higher growth in credit demand from households, which will be more pronounced for consumer loans (Table 1). Credit demand in the next quarter is also expected to be driven by the positive outlook for the real estate market and the increasing demand for consumer loans.

**Table 1. Banks' assessment of changes in credit supply and demand**

	Supply (Credit standards)		Demand	
	Q3 2024	Q4 2024 (expectations)	Q3 2024	Q4 2024 (expectations)
<b>Enterprises</b>	→	→	↑	↑
SMEs	→	→	↑	↑
Large enterprises	→	→	↑	↔
<b>Households</b>	→	→	↔	↑
Housing loans	→	→	↔	↔
Consumer credit	→	→	↔	↑

- Easing of credit standards/Increase in demand for loans (positive index over 0.20)
- Easing of credit standards/Increase in demand for loans (positive index below 0.20)
- Mainly unchanged (positive index /negative up to 0.05)
- Tightening of credit standards/Decrease in demand for loans (negative index below 0.20)
- Tightening of credit standards/Decrease in demand for loans (negative index over 0.20)

Source: CBK.

In the third quarter of 2024, banks applied a significantly easier approach to assessing new applications for enterprises - especially for small enterprises, while for households it generally remained unchanged, with some easing for loans for house purchases. There was a more pronounced easing in the consideration of new applications for loans with short-term maturity for the enterprise segment, while for households, marginal positive changes in loans with long-term maturity as a result of the easing in house purchase loans were observed. In the last quarter of 2024, banks' approach to assessing new loan applications is expected to ease even more for households (consumer loans and house purchase loans), while for enterprises, it is expected to be similar to the current quarter, both for SMEs and large enterprises.

Access to financing in the third quarter of 2024 is expected to be higher compared to the previous quarter, following the historical trend, which may be a result of the diaspora effect (increase in remittances and exports of domestic services), as well as the business cycle. Banks reported high growth in financing from enterprises and households, with the latter at a slightly lower level than in the previous quarter. Regarding maturity, banks reported slower growth in short-term financing sources, while higher growth in long-term financing (over one year). During the next quarter, banks expect growth in financing that is similar to the current quarter, but the focus will shift from enterprise financing to financing from household deposits, which will have the highest contribution to total financing of the banking sector. Furthermore, higher growth in long-term financing is expected for the following quarter, compared to lower growth in short-term financing.

## Box 1. Methodology

### The questionnaire of the Bank Lending Survey in Kosovo

The questionnaire of the BLSK is based on standardized questionnaire forms used by Central Banks of the Eurozone countries and beyond. However, the CBK questionnaire for BLSK has been modified and adapted in order to best and most comprehensively present lending developments in the banking sector in Kosovo.

The questionnaire of the BLSK consists of 19 questions, which cover changes in the supply and demand for credit, the factors contributing to these changes, and the access to financing of the banking sector, on a quarterly basis. The questions on bank lending focus on two main categories: (i) loans to enterprises, and (ii) loans to households. Furthermore, loans to enterprises are sub-categorized into loans to SMEs and loans to large enterprises, while loans to households are sub-categorized into house purchase loans and consumer loans. For all the above-mentioned categories, changes in credit supply are determined by the credit standards applied during the approval of loans, the terms and conditions applied to new loans, the loan approval rate, as well as the factors influencing their changes. Whereas, changes in credit demand are determined by the credit demand (number of credit applications), the quality of the credit applications received, as well as the factors that affect credit demand. The survey questions are mainly formulated for changes during the previous three months and expectations for the next three months. The questions also cover loans in terms of their maturity and the currency in which they are issued.

In addition to the standard questions, the questionnaire of the BLSK may also contain additional questions on specific issues of interest for explaining developments in the banking sector. While the standard questions cover a three-month period, additional questions may refer to changes over a longer period of time. Ten out of twelve banks operating in Kosovo participate in the survey. Consequently, the participating banks represent the overall banking market and ensure adequate statistical representation, considering that they represent about 98 per cent of total banking sector assets and 99.1 per cent of total lending in the banking sector.

Survey participants are asked to qualitatively indicate the strength of any tightening or easing or the strength of any decrease or increase, reporting changes on a five-point scale as: (i) significantly tightened/decreased, (ii) somewhat tightened/decreased, (iii) unchanged, (iv) somewhat eased/increased, or (v) significantly eased/ significantly.

### Generating bank lending survey results

The quantification of the responses received from individual banks and their aggregation to present the changes at the sector level is achieved through the generation of an index. This index is generated for each category and sub-category of each question, thus providing a quantification unit for the responses received at the sector level. Initially, the responses are assigned a value based on the strength of the changes, more specifically, the responses where banks have stated a significant tightening/decrease are assigned a value of -1, a value twice as large as that assigned to the responses when banks state a somewhat tightening/decrease (value of -0.5). Similarly, the responses when there is a significant easing/increase have a value of 1, while those with somewhat easing/increase are assigned a value of 0.5. The results are also weighted based on the weight that each of the banks has in the total lending of the banking sector. Finally, the weight of each bank according to its share in the credit market is multiplied by the value determined based on the intensity of the response given, obtaining the index in question. Further, the aggregation of the index at the sector level is done through the sum of the indices obtained for each bank. The index values are between -1 and 1, where positive values of the index represent easing, increase or positive contribution and, in contrast, negative values represent tightening, decrease or negative contribution.

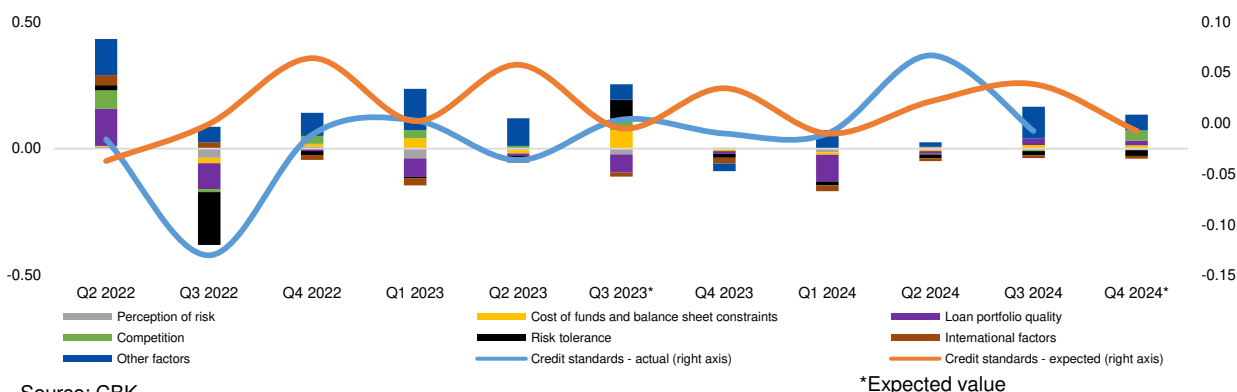
## Developments in credit standards, credit terms and conditions, and credit demand

### Loans to enterprises

#### Credit standards

In the third quarter of 2024, the credit standards applied by banks (credit policies) remained almost unchanged from the previous quarter, which is in line with the banks' reporting in Q2 2024. The credit supply in Q3 2024 had marginal (negligible) changes in the negative direction (Chart 1).

Chart 1. Changes of credit standards applied for enterprises and contributing factors



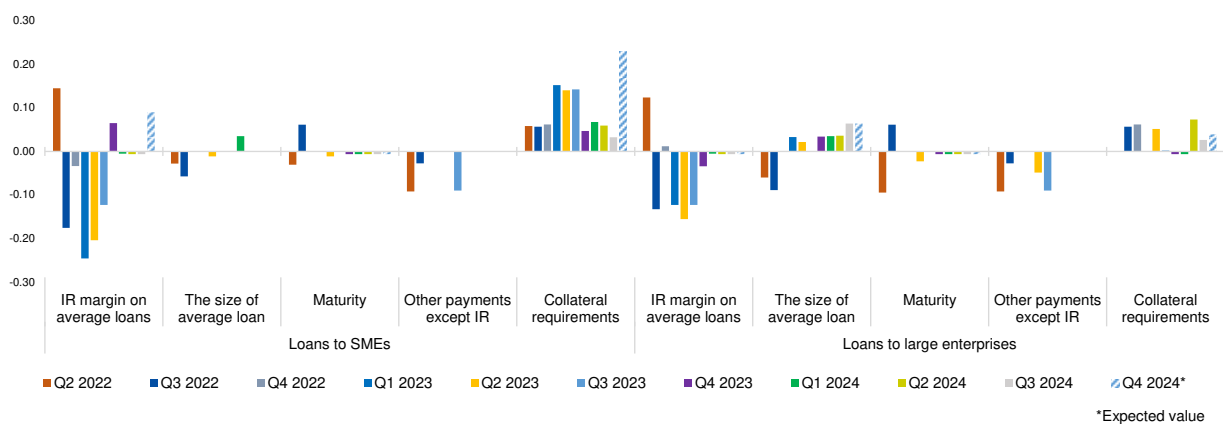
Within the enterprise categories, banks declared marginally tightened credit standards for both large enterprises and SMEs. The main factors that positively influenced credit standards were the falling Euribor rate, the support from the KCGF and the liquidity position of banks. Whereas, the factors that negatively influenced credit standards were the domestic market outlook in this quarter, the reduction in risk tolerance, which was influenced by the increase in the value of non-performing loans. Other factors influencing credit standards had marginal movements in both directions without a significant impact and are related to: the outlook of domestic banks, access to financing from domestic banks and competitive pressure.

In the last quarter of 2024, credit standards are, in general, expected to remain similar to those applied during the current quarter (Q3 2023) for both large enterprises and SMEs. The falling Euribor rate, support from the KCGF and the liquidity position of banks are expected to contribute positively to the easing of credit standards. Meanwhile, factors that are expected to have a potential negative impact on credit standards for enterprises relate to the reduction in risk tolerance, which has also been influenced by the increase in the value of non-performing loans and the outlook for global markets. Other factors are expected to have marginal positive/negative movements in credit standards, such as the outlook of domestic banks, access to financing from domestic banks and competition.

## Terms and conditions

In line with credit standards, the terms and conditions applied by banks when granting loans (the conditions specified for a given loan contract) remained largely unchanged for both enterprise segments in the third quarter of 2024 (Chart 2). Specifically, some easing was applied to the size of the loan granted for large enterprises. There was marginal relief in collateral requirements for both large enterprises and SMEs. Meanwhile, as for payments other than the interest rate (mainly fees and commissions), they remained unchanged for both large enterprises and SMEs. The terms and conditions applied were positively affected by the support from the KCGF, the pressure from interbank competition and the liquidity position. On the other hand, the terms and conditions applied were negatively affected by restrictions on access to capital from local banks, credit quality and the outlook in global markets.

Chart 2. Changes of terms and conditions applied to enterprises



Source: CBK.

\*Expected value

Even in the last quarter of 2024, the terms and conditions applied by banks in general are expected to remain largely similar to the current quarter, with the exception of collateral requirements, which are expected to ease significantly for SMEs. Factors expected to positively affect lending terms and conditions relate to banking competition, support from the KCGF and the falling Euribor rate. Meanwhile, the outlook for global markets may negatively affect lending terms and conditions during the next quarter.

## Credit demand

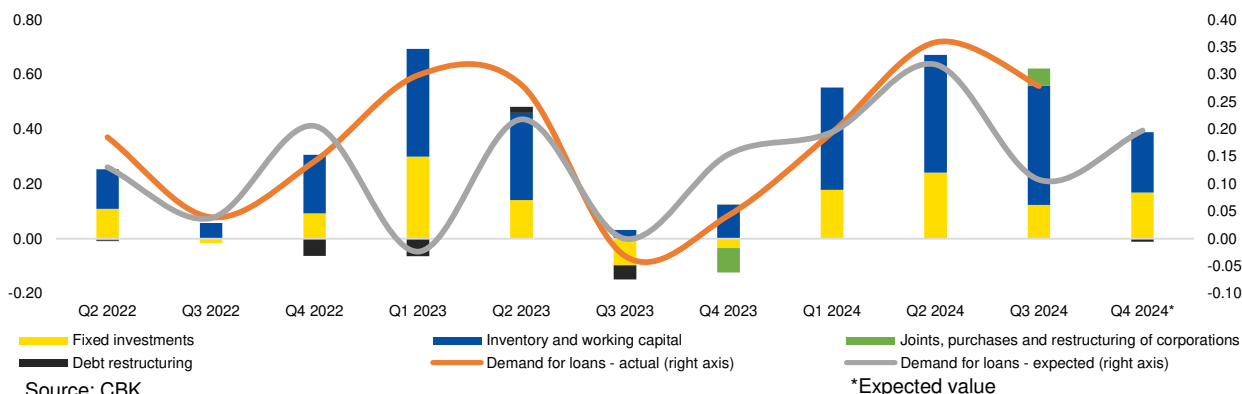
Regarding the credit demand from the enterprise segment, the third quarter of the year is historically weaker than the previous and subsequent quarters. However, in this quarter – Q3 2024, banks stated high credit demand, both for large enterprises and in particular for SMEs. However, in the survey conducted in the previous quarter (Q2 2024), banks had predicted lower credit demand for the current quarter (Q3 2024) (Chart 3).

According to the survey results, overall, the increase in credit demand was driven mainly by the increase in demand for financing of inventory and working capital and fixed investments, but with lower intensity. The quality of applications received from enterprises has improved in Q3 2024 compared to the previous quarter. Accordingly, there was an improvement in the quality of applications submitted by SMEs, both for short-term and long-term credit requests, while the quality of applications from large enterprises remained unchanged.

According to the survey, the level of non-performing loans for enterprises marked a decrease during Q3 2024. Three banks, two of which were systemically important, stated a lower level of non-

performing loans. Meanwhile, seven banks reported no change in the level of non-performing loans, three of which were systemically important.

Chart 3. Changes in demand for loans from enterprises and contributing factors



In the next quarter, the credit demand from SMEs is expected to continue to be high, but significantly lower compared to that reported in Q3 2024. Even in the next quarter, the increase in credit demand is expected to be mainly attributed to the demand for financing inventory and working capital as well as fixed investments.

During the next quarter, banks expect the ratio of non-performing loans to total loans to enterprises to remain unchanged, with the exception of one bank which has stated that there will be a decrease in the level of non-performing loans.

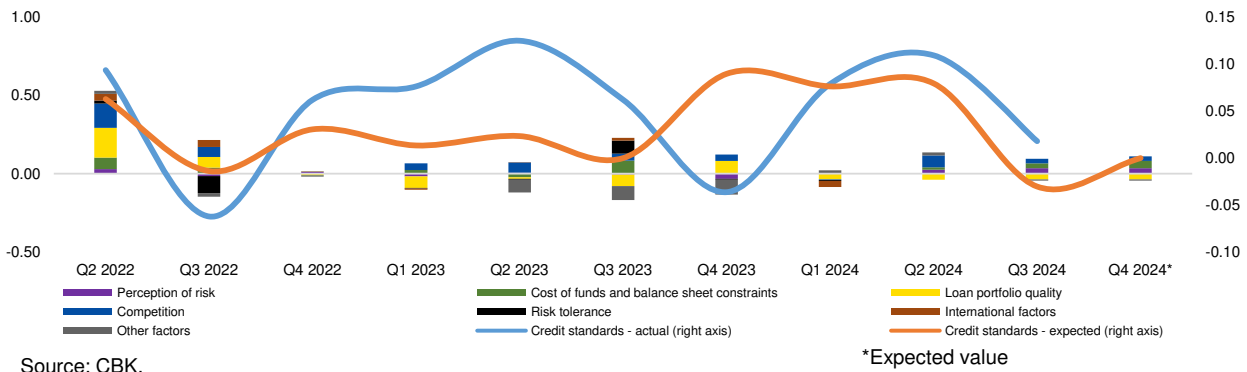
## Loans to households

### Credit standards

Based on the survey results for Q3 2024, the credit standards applied to households remain unchanged, both for house purchase loans and for consumer loans. Expectations for the current quarter, based on the banks' statements in the previous survey (Q2 2024), resulted in a tightening of credit standards, especially for consumer loans (Chart 4). Factors that had a positive impact on credit standards remaining unchanged despite the tightening forecasts in the previous survey were the good outlook in the domestic market, the liquidity position of banks and the borrowers' creditworthiness.

In the fourth quarter of 2024, the credit standards applied by banks are expected to remain unchanged from the current quarter, both for home purchase loans and consumer loans. The factor expected to have a negative impact on maintaining credit standards unchanged in the following quarter will be the potential increase in non-performing loans, while the factors with a positive impact are expected to be the good outlook in the domestic market, the liquidity position of banks and competition from other banks.

Chart 4. Changes in credit standards applied for households and contributing factors

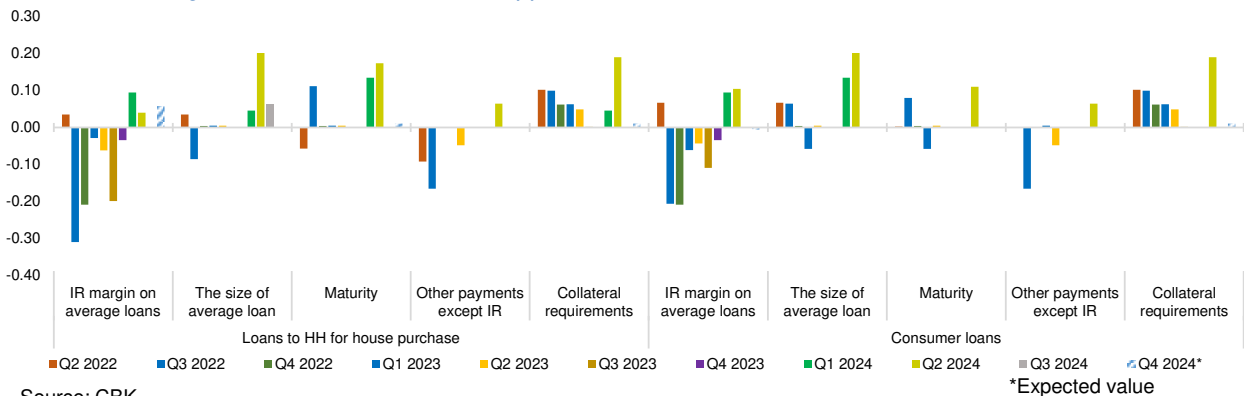


Source: CBK.

Terms and conditions

The terms and conditions for new loans to households were somewhat eased for home purchase loans, while consumer loans remained unchanged during the third quarter of 2024. Specifically, the results generated by the survey reflect an easing in the average amount for home purchase loans, while other terms and conditions remain unchanged for both segments. According to bank statements, the factors that influenced the easing of terms and conditions for home purchase loans were competition from other banks, the good outlook of local banks, and the liquidity position of banks (Chart 5).

Chart 5. Changes of terms and conditions applied to households



Source: CBK.

For the fourth quarter of 2024, banks expect further easing of the terms and conditions for home purchase loans, while no changes are expected for the consumer loan segment. Specifically, easing is expected in the marginal interest rate applied by banks, while the average loan size, maturity and collateral requirements are expected to remain unchanged. The factors that influenced the easing of terms and conditions for new loans in the current quarter are expected to have an impact on the easing in the next quarter as well.

Credit demand

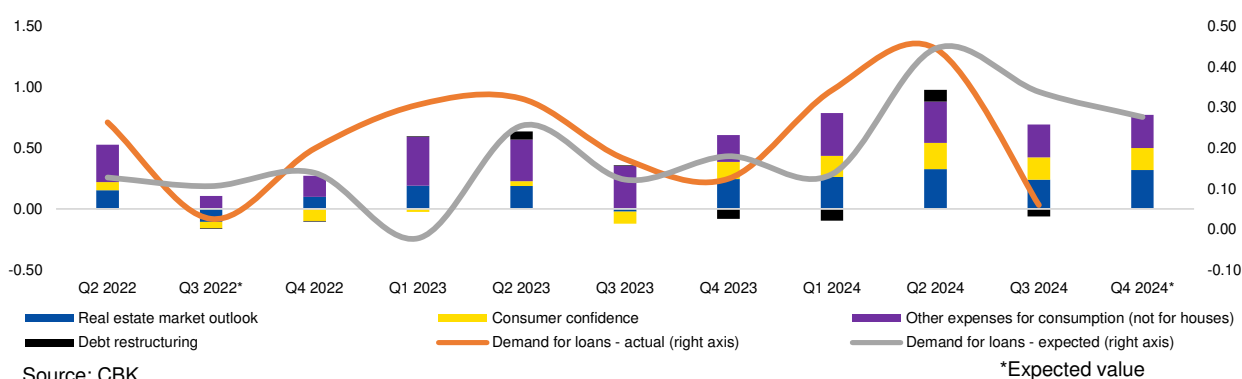
Based on the survey results for Q3 2024, household credit demand has generally increased, but at a lower rate compared to the previous quarter (Q2 2024). It was mainly the small banks and only one systemically important bank which reported some increase in credit demand. Three other systemically important banks reported that their credit demand remained unchanged from the previous quarter (Chart 6).

Banks stated that the need to finance consumer spending and increased consumer confidence (more optimistic macroeconomic outlook) has contributed to the high growth in demand for consumer loans. Meanwhile, the increase in demand for loans for real estate purchases has been positively influenced by the real estate market outlook.

Based on the banks' statements in the survey, the quality of applications received from households remains unchanged. Only one systemically important bank has stated an increase in the quality of applications received.

Regarding the quality of the household credit portfolio, the survey results show a deterioration to some extent in the credit portfolio, but it was lower than in the previous quarter. Within the systemically important banks, only one of them stated an increase in non-performing loans, while four others stated that there was no change in the level of non-performing loans.

Chart 6. Changes in demand for loans from households and contributing factors



In the last quarter of 2024, banks expect an increase in demand for loans from households, although at a slightly lower level than in the current quarter. Consumer loans, as the category with the main weight within the household segment, are expected to show a more pronounced increase, influenced by the need to finance other consumption expenditures and the consumer confidence. Similarly, an increase, but at a lower level, is expected for house purchase loans, supported by expectations for a good outlook in the real estate market.

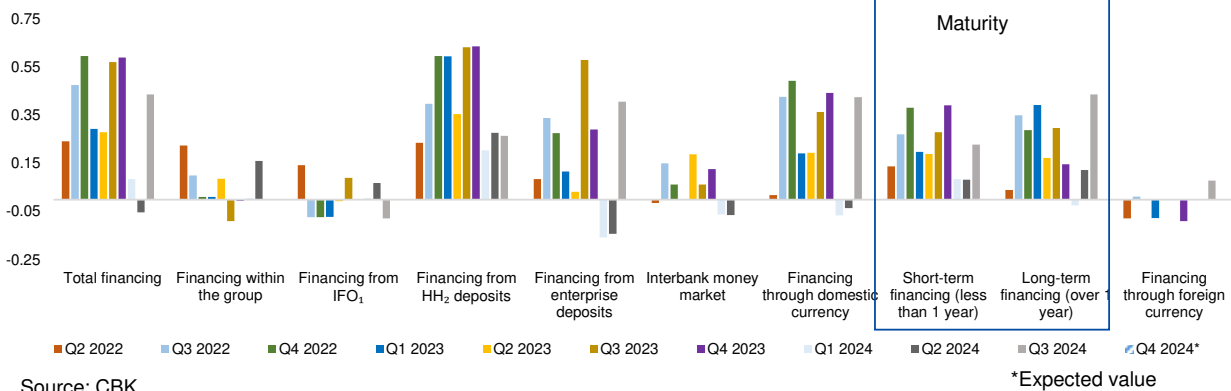
The quality of applications is expected to be somewhat improved, with particular emphasis on the consumer loan category.

For Q4 2024, only one systemically important bank has stated that it expects a deterioration in the quality of its household loan portfolio, while all other banks have stated that they do not expect a change in the quality of their household loan portfolio.

## Financing

Access to financing from banks during Q3 2024 results to be high compared to the previous quarter where banks reported a decline. Based on the survey results, banks reported a high increase in financing mainly as a result of the increase in deposits of enterprises and households (Chart 7). Regarding maturity, a more pronounced increase was recorded in long-term financing (over one year) compared to the increase in short-term financing (less than one year).

Chart 7. Changes in financing the banking sector



Banks expect high growth rates for the last quarter of 2024, driven mainly by the expected increase in deposits from both segments, households and enterprises. Long-term financing is expected to grow more significantly compared to the growth in short-term financing, but at a lower level than in the current quarter (Chart 7).

### Focused question results

To understand credit dynamics beyond the standardized questionnaire, the questionnaire sent to the banking sector in Q3 2024 was supplemented with additional questions that mainly aimed to analyse the dynamics of household lending - the quality of loans for this segment; the indicative percentage of consumer loans not covered by collateral; and expectations for the dynamics of intermediation and financing costs for banks.

In the survey, banks stated that, in general, **the increase in non-performing loans to households** is mainly related to consumer loans and clients in the private sector, who are more sensitive to economic uncertainties. Regarding **the percentage of consumer loans within loans not covered by collateral**, a significant difference was observed between banks, ranging from very low levels of 0.2 per cent - 1 per cent in some cases, to 50 per cent - 80 per cent in others. This varies based on banks' strategies, campaign focus and disbursement goals, with a significant focus on personal spending and improving housing conditions for individuals. **The dynamics of the cost of intermediation and financing** in the following period are expected by banks to be mainly influenced by market interest rates, which some banks expect to gradually reduce. While some banks expect stability or cost reductions, others face pressures from rising interest rates and competition, affecting intermediation margins and liquidity preservation strategies.

Disaggregated responses of banks on enterprises, by sector, indicate the direction of financing of the economy and the dynamics in certain sectors. During the third quarter of 2024, credit standards had negligible marginal changes in almost all economic sectors (marginal tightening). The exception is the construction sector, where there was a somewhat tightening of credit standards. The terms and conditions were somewhat tightened for the construction sector, while in other sectors they remained almost unchanged. On the other hand, the credit demand increased during this period for almost all economic sectors. The sector with the highest demand for financing was trade, followed by services and manufacturing. Meanwhile, the credit demand from the construction sector remained unchanged during this period.

Based on the generated results, during the next quarter, banks are expected to apply changes in credit supply into negative territory; marginal tightening for economic sectors that are not related to construction and real estate. Whereas, in the latter two, there is expected to be some tightening in credit supply. Terms and conditions are expected to remain unchanged with the exception of the

construction sector, which is expected to have marginal tightening. In the same period, credit demand is expected to increase to some extent for the trade, manufacturing and services sector, and to a lesser extent for the construction and real estate sectors.

## Inflation expectations

In order to advance analytical capacities and based on regional and wider best practices, the CBK surveys financial institutions in the country. This is done based on the hypothesis that financial institutions carry over best practices from parent banks and have the necessary expertise to project inflation dynamics. From the third quarter of 2019, the BLSK has also been enriched with additional questions, which address the expectations of commercial banks for price developments in the country. This helps to complement our publications in terms of analysis, modelling and forecasting.

In the last questionnaire, in addition to banks' statements regarding their assessments of the inflation rate in the previous quarter, the questionnaire also addresses banks' expectations for the fourth quarter of 2024 as well as for 2024 in general. The survey also serves as a tool for identifying specific factors that could potentially affect banks' expectations for a given inflation rate.

## Methodology

Inflation expectations play at least two important roles. First, they provide a quantitative summary statistic for the future inflation rate, and second, they can be used to assess the credibility of the inflation target set by central banks. The importance of inflation expectations is greater for countries that have adopted an inflation targeting strategy. For these countries, inflation expectations also serve as an indicator of the public's confidence in the central bank. If the public believes that the central bank will take the necessary actions to achieve the inflation target, then economic agents' expectations for the inflation rate will be closer to the set target.

Inflation expectations are also important for banks that do not have a monetary policy, as they serve as an important input for determining prices and salaries, as well as for the process of economic modelling and forecasting. Furthermore, inflation expectations affect aggregate demand, which then affects the course of inflation.

Unlike actual inflation, which is measured directly, inflation expectations are assessed using indirect methods. One of the most commonly used methods is a survey of economic agents: consumers, businesses, commercial banks, etc. The CBK, for the first time, had started assessing inflation expectations in the third quarter of 2019, initially with commercial banks.

The estimates obtained from commercial banks are quantitative in form and are accompanied by probability distributions. Inflation expectations are estimated for different time horizons: first for the current quarter, then for the next quarter and for the year in general. The collection of information through surveys is followed by the process of systematization, processing and aggregation of data to find the average inflation expectations from commercial banks.

## Summary of results

Based on the survey conducted in October 2024, banks expect the inflation rate in the fourth quarter of 2024 to increase slightly compared to the previous quarter. For the whole of 2024, they expect the inflation rate to be 2.4 per cent, which indicates a decrease in inflation expectations compared to the previous survey, when banks expected an inflation rate of 2.7 per cent for 2024.

Table 2. Banks' inflation expectations, annual change in percentage

Banks	Q3 2024	Q4 2024	2024
1	2.7%	2.8%	2.8%
2	2.4%	2.1%	2.1%
3	2.1%	1.6%	2.1%
4	3.1%	3.1%	3.1%
5	0.2%	2.1%	3.5%
6	1.3%	1.2%	1.7%
7	1.3%	1.7%	2.0%
8	2.4%	0.2%	1.1%
9	2.2%	2.3%	3.1%
10	1.3%	2.4%	2.1%
11	2.4%	2.5%	2.5%
<b>Average</b>	<b>1.9%</b>	<b>2.0%</b>	<b>2.4%</b>

Source: Commercial banks and CBK calculations.

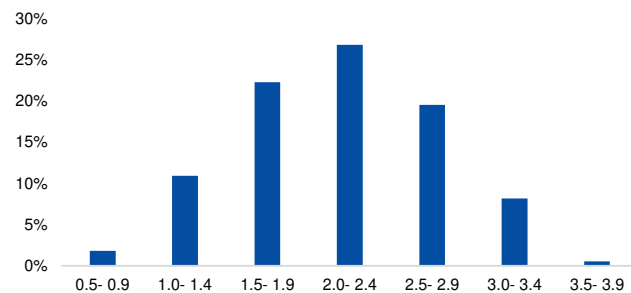
Figure 8 illustrates the probability distributions reported by banks, indicating a relatively high certainty regarding the future inflation outcome. The probability distribution is centred around expected inflation, suggesting a broad consensus among banks about the level of future inflation.

In their qualitative comments, the banks have identified several factors that could influence a slight increase in inflation in the fourth quarter of 2024, such as energy consumption, impacts from international markets and geopolitical developments. The banks emphasize that Kosovo's economy remains highly dependent on imports, making inflation sensitive to the prices of imported products and services, especially energy and other materials that are essential for domestic production and consumption. Any increase in prices in international markets has a direct impact on domestic inflation.

Banks also highlight the potential impact of diaspora spending and public spending, which could boost consumption and lead to price increases. In terms of monetary policy, the European Central Bank's interest rate decline could boost inflation by increasing borrowing and consumption, thereby increasing demand in the economy.

In conclusion, data from the Kosovo Agency of Statistics up to November 2024 show a slowdown in inflation, with an average rate of 1.7 per cent. Although banks' expectations may be affected by global developments and the uncertainty associated with them, they remain relatively high, given the current inflation trend, which is lower than banks' expectations.

**Chart 8. Probability of inflation for Q4 2024**  
(axis-x: inflation expectations, annual change in percent; axis-y: probability)



Source: Commercial banks and CBK calculations.



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