



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

# Bank Lending Survey in Kosovo

Number 20

CENTRAL BANK OF THE REPUBLIC OF KOSOVO  
CENTRALNA BANK REPUBLIC OF KOSOVO  
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# **Bank Lending Survey in Kosovo and Inflation Expectations**

**(Q2 2024 and expectations for Q3 2024)**

**Number 20**

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## Kosovo Bank Lending Survey (KBLS)

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

In order to increase the analytical capabilities on a better assessment of lending dynamics in Kosovo and expectations on the price level, the Central Bank of the Republic of Kosovo (CBK) has designed and conducted a survey of commercial banks operating in the banking market in Kosovo. The report that will analyze the results of this survey will be published on quarterly basis on the CBK website, in order to provide a broader overview of banks' risk perception and willingness to lend, as well as the behavior of households and enterprises in relation to lending dynamics, as a result. This report highlights lending behavior for the second quarter of 2024, and banks' expectations for lending dynamics for the third quarter of 2024.

In addition to the standard questions, this survey has been supplemented with four additional questions in an effort to identify the current and most evident risks of the banking sector, as well as the breakdown of the orientation of credit supply and demand disaggregated by economic sectors.

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

In the first half of the year, the loan stock recorded a double-digit growth, albeit with a slight slowdown compared to the same period last year. According to the data, new loans issued by the banking sector during the period January-June 2024 recorded a significantly higher annual growth than in the same period last year. This growth was pronounced in the first quarter of the year, while in the second quarter, the growth of new loans slowed down.

**According to the results of the Survey, the dynamics of credit activity, for the second quarter of the year, were influenced to a greater extent by credit demand, while credit supply had marginal changes.** For the upcoming third quarter, banks expect credit activity to continue to be supported by growing credit demand, but with a lower impact than in the second quarter, while credit supply is expected to be tighter.

**For the enterprise segment,** banks reported that lending dynamics were mainly driven by credit demand, while credit supply for this segment showed marginal changes. Banks applied somewhat relaxed credit standards for SMEs, while for large enterprises there were marginal negative changes (table 1). While the support from the KCGF and the reduction in collateral requirements had a positive impact on credit standards for the enterprise segment, the liquidity position of banks, capital constraints on banks operating in the country, and a more cautious approach to risk were among the main factors that contributed to a marginal tightening of credit standards. For the third quarter of 2024, banks' expectations for credit standards are expected to remain similar, more specifically tighter, to those applied during the second quarter of 2024, for both SMEs and large enterprises (table 1). In this case, the liquidity position of banks and the quality of the credit portfolio (non-performing loans) may have tightening potential, but at marginal levels. However, the support from the KCGF and the more positive outlook of domestic banks are expected to have an easing effect on credit standards.

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<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 BLS questionnaire, and time series of the bank lending survey results, are available on the CBK website, on the link of the Bank Lending Survey.

**The terms and conditions applied by banks when granting loans to enterprises** generally remained unchanged for both categories of enterprises. The factors influencing the easing of terms and conditions for both SMEs and large enterprises were the lower collateral requirement and the marginal easing in the amount of the loan allowed for large enterprises (increase in the average loan amount), the support from the KCGF and the falling Euribor rate. As for other payments, except for the interest rate (various fees and commissions), they remained unchanged for both SMEs and large enterprises. While the factors influencing the tightening of the terms and conditions applied, thus neutralizing their effect on the general credit standards applied, were the restrictions on access to capital from parent banks and other banks, the quality of the credit portfolio, and the outlook in global markets.

In the coming quarter, in general, the terms and conditions applied by banks are expected to remain largely similar to the current quarter, with the exception of collateral requirements which are expected to remain unchanged. Capital constraints on domestic banks, the liquidity position of banks and the outlook for global markets have been identified as factors that could negatively impact lending terms and conditions over the coming quarter, factors that are expected to be neutralized by competition and support from the KCGF.

In the second quarter of 2024, a high increase in **credit demand was reported by enterprises**, both for SMEs and large enterprises. In general, the increase in credit demand, according to bank statements, was mainly driven by the increase in demand for financing of inventory and working capital and fixed investments. In the following quarter, a certain increase in credit demand is expected from both SMEs and large enterprises. The slower growth in credit demand is expected to be attributed mainly to the level of demand for financing of fixed investments, and to a lesser extent to the level of demand for financing of inventory and working capital.

**Lending activity to households** continued to expand at a high pace in Q2 2024, supported mainly by **higher demand, but also by favorable credit supply**. Credit standards were eased to some extent for consumer and house purchase loans. Factors that influenced the easing of credit standards during Q2 2024 were interbank competition, positive prospects in the domestic market and increased creditworthiness towards borrowers. In the third quarter of 2024, credit standards applied by banks are expected to be tighter, mainly affecting the consumer credit segment (table 1). Tighter credit standards are expected to be mainly influenced by the potential increase in non-performing loans.

Overall, the terms and conditions for new loans to households eased somewhat during the second quarter of 2024. The results show an easing in the average loan amount, while easing to some extent in loan maturity and collateral requirements, for both home and consumer loans. Banks stated that the easing of terms and conditions for new loans was driven by competition from other banks, the positive outlook for domestic banks, and borrower confidence. For the third quarter of 2024, banks expect the terms and conditions for new loans to remain unchanged.

**On the demand side, household credit demand** increased significantly in the second quarter of 2024, with consumer loans outstripping house purchase loans. According to banks, the increase in consumer loan demand was driven by the need to finance consumer spending and higher consumer confidence, driven by a more optimistic macroeconomic outlook. Meanwhile, the outlook for the real estate market has contributed to the increase in demand for loans for the purchase of real estate. In the third quarter of 2024, banks expect household loans demand to increase, at a level similar to the current one (table 1). This increase is expected to be driven mainly by demand for consumer loan, which accounts for the largest share of total household loans, driven by consumer confidence and the need to finance other household expenses. Also, demand is expected to increase, but at a lower level, for home purchase loans, supported by expectations for favorable prospects in the real estate market.

**Table 1. Banks' assessment on the change of credit supply and demand**

	Supply (Credit standards)		Demand	
	Q2 2024	Q3 2024 (expected)	Q2 2024	Q3 2024 (expected)
<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 second quarter of 2024, banks applied a significantly more relaxed approach to the assessment of new applications, especially for consumer loans to households and for loans to small and medium-sized enterprises (SMEs). This relaxation in the review of new applications was most evident for loans with long maturities for both segments (enterprises and households), while for loans with short-term maturities, banks were more cautious for both segments. In the third quarter of 2024, banks have envisaged a more restrictive approach to the assessment of new loan applications, both for households (consumer and for house purchases) and for enterprises (SMEs and large enterprises).

Access to financing from banks during the second quarter of 2024 was lower compared to the previous quarter. Banks reported lower growth in financing, despite an increase in household deposits. Banks also reported a decrease in financing from enterprise deposits and the interbank money market. Regarding maturity, banks reported slower growth in short-term funding sources, while higher growth in long-term funding (over one year). In the coming quarter, banks generally expect significantly higher growth in funding, driven mainly by the expected growth in deposits from both segments, households and enterprises. Short-term funding is also expected to increase, while long-term funding is expected to remain unchanged.

## Box 1. Methodology

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

The BLS questionnaire is based on the standardized questionnaires used by the Central Banks in the euro area and beyond. However, the BLS questionnaire of the CBK has been modified and adopted to its best and comprehensive way to represent lending developments in Kosovo's banking sector..

The BLS questionnaire 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 loans for house purchase 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 demand for credit (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 BLS questionnaire 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 percent of total banking sector assets and 99.1 percent of total lending in the banking sector.

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

### Generation of the bank lending survey results

The quantification of the answers 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 answers received at the sector level. Initially, the answers are determined by a value based on the intensity of the changes, namely answers where banks stated a considerable tightening/lowering are determined with a value of -1, a double value in size than the one defined for answers when banks declare a tightening/lowering to some extent (value of -0.5). Similarly, the answers have a value of 1 when there is a considerable ease/increase, while those with easing/increase to some extent are determined with a value of 0.5. The results are also weighted based on the participation of banks in total lending to 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 answer 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 ranged from -1 and 1, where positive values of the index represent easing, growth or positive contribution while negative values represent tightening, decline or negative contribution.

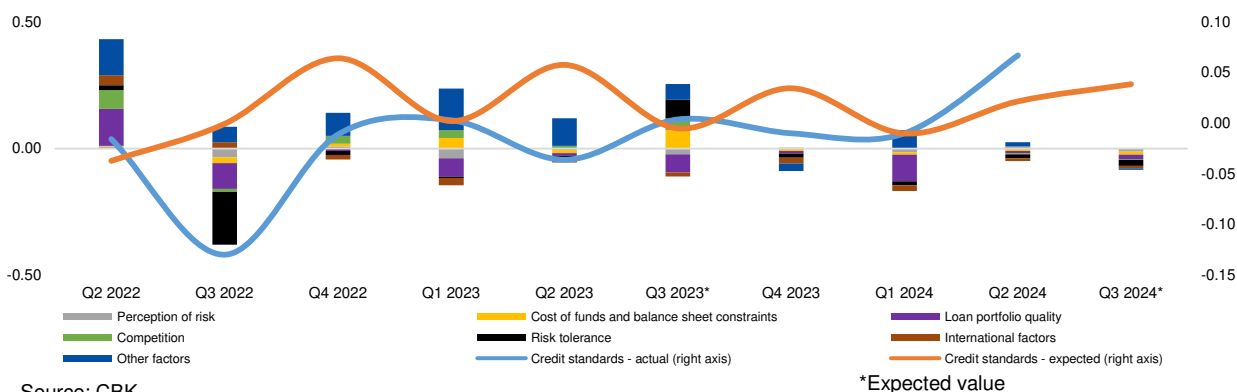
## Developments in credit standards, credit terms and conditions, and in loans demand

### Loans to enterprises

#### Credit standards

During the second quarter of 2024, the result for credit standards (credit policies) applied to enterprises was generally in line with the statements in the previous survey (Q1 2024). Credit supply in the second quarter of 2024 had marginal changes (chart 1).

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



Within the enterprise categories, banks reported marginally tighter credit standards for large enterprises, while easing to some extent for SMEs. The main factors that positively affected credit standards were the support from the KCGF and the lowering in collateral requirements. On the other hand, the factors that negatively affected credit standards were the liquidity position of banks, the capital constraints of banks operating in the country, and the more reserved approach of banks to accepting risks. Other factors that affected credit standards had marginal positive and negative movements and mainly relate to the outlook of banks in the country, access to financing from banks in the country, and pressure from competition between banks.

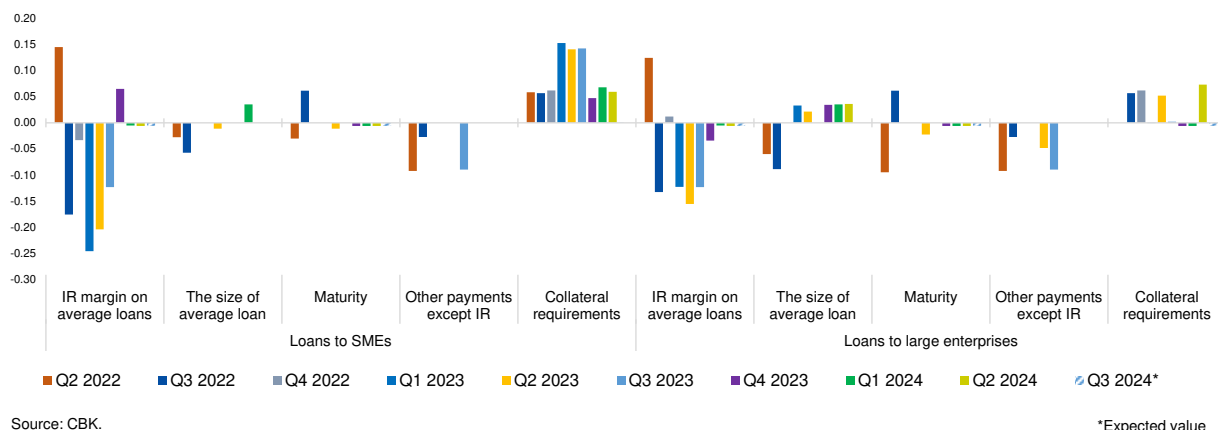
Credit standards in general, in the third quarter of 2024 are expected to remain similar to those applied in the current quarter (Q2 2023), both for SMEs and large enterprises. The support from the KCGF and the positive outlook of banks are expected to contribute positively to the easing of credit standards. On the other hand, other factors, such as the liquidity position of banks and the non-performing loans, in case of their deterioration, may have more pronounced negative implications on the credit standards applied. Other factors are expected to have marginal positive or negative movements in credit standards, such as competition, access to financing from banks operating in the country, etc.

#### Terms and conditions

In the second quarter of 2024, in general, the terms and conditions applied by banks when granting loans to enterprises (the terms specified for a given loan contract) remained largely unchanged for both categories of enterprises (chart 2). Specifically, some ease was applied to the collateral requirement for both SMEs and large enterprises, while marginal ease was noted in the terms and conditions applied to the average loan size for large enterprises. On the other hand, payments other than the interest rate (mainly various fees and commissions), remained unchanged for both SMEs and large enterprises. The terms and conditions applied were negatively affected by restrictions on access to capital by domestic banks, credit quality, the outlook in global markets and restrictions on

access to capital by parent banks. On the other hand, the terms and conditions applied were positively affected by support from the KCGF and the lowering EURIBOR rate.

Chart 2. Changes of terms and conditions applied to enterprises

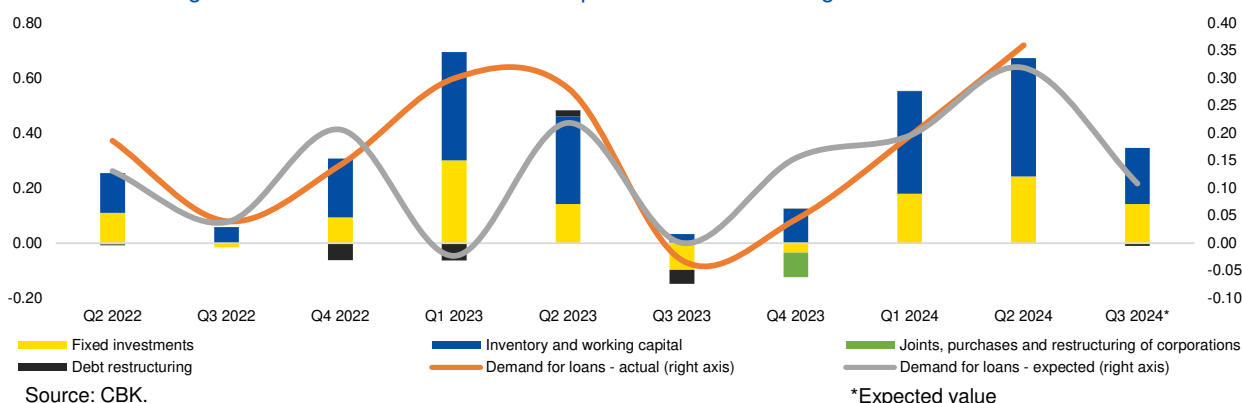


During the next quarter (Q3 2024), in general, the terms and conditions applied by banks are expected to remain unchanged compared to the current quarter. The exception in this case is the collateral requirement, which unlike the current quarter where there was an easing of terms and conditions, is not expected to change in the third quarter. Restrictions on the capital of local banks, the liquidity position as well as the outlook for global markets have been identified as factors that could negatively affect the terms and conditions of lending during the third quarter, however, these factors are expected to be neutralized by competition and support from the KCGF.

### Demand for Loans

During the second quarter of 2024, the demand for loans from enterprises marked a high increase, both for the SME segment and for large enterprises. The high demand in this quarter is also reflected in the previous survey, in which survey (Q1 2024) banks had expressed their expectations for Q2 2024 (chart 3).

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



According to the survey results, changes in the demand for loans from enterprises were mainly driven by the increase in demand for inventory and working capital and fixed investment. The quality of applications received from enterprises improved further in Q2 2024, but compared to the previous quarter, the changes were marginal. Overall, there was an improvement in the quality of applications submitted by SMEs, while the quality of applications from large enterprises remained unchanged.

According to the survey, during Q2 2024 the level of non- performing loans for enterprises increased. Five banks, two of which are systemically important, reported higher levels of non- performing loans. While the other four banks, two of which are systemically important, reported that the level of non- performing loans remained unchanged.

In the next quarter, demand for credit is expected to increase, however, this growth is expected to be significantly slower for both SMEs and large enterprises. The slowdown in demand for loans is expected to be attributed mainly to the demand for financing fixed investments, and to a lesser extent to the demand for financing inventory and working capital.

During the next quarter, banks expect the ratio of non- performing loans to total loans to enterprises to remain unchanged. All banks, except for two banks that are non-systemic and have a low share in total lending, reported that the level of non- performing loans is expected to remain unchanged in the next quarter.

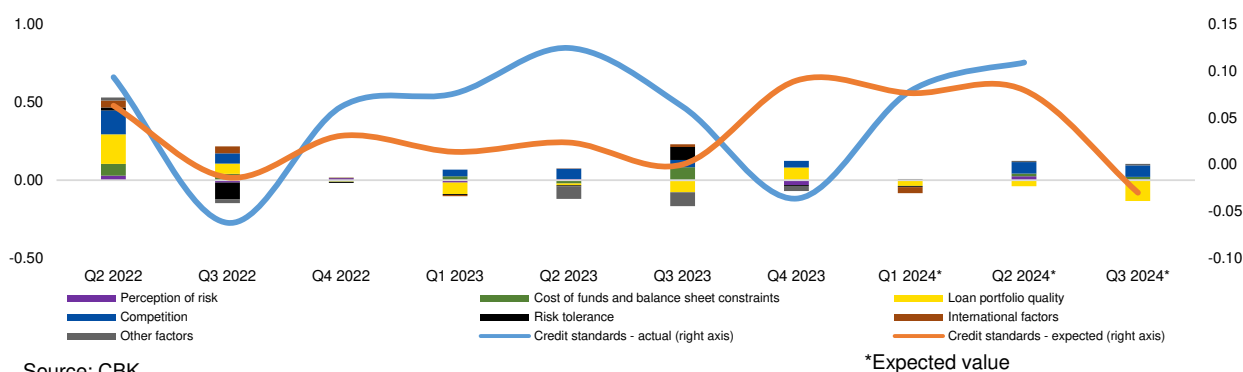
## Loans to households

### Credit standards

Credit standards applied to households during the second quarter of 2024 were eased to some extent. This easing was applied to both consumer and house purchase loans. Expectations for the current quarter, which were stated by banks in the previous survey (Q1 2024), turned out to be similar to the current values, especially for house purchase loans (chart 4). The factors that influenced the easing of credit standards during Q2 2024 were interbank competition, positive prospects in the domestic market and increased credibility towards borrowers.

In the third quarter of 2024, credit standards applied by banks are expected to be tighter, mainly reflecting the consumer credit segment. The factor expected to have the highest impact on the tightening of credit standards in the following quarter will be the potential increase in non-performing loans, while other factors are not expected to have a significant impact on the tightening/easing of credit standards.

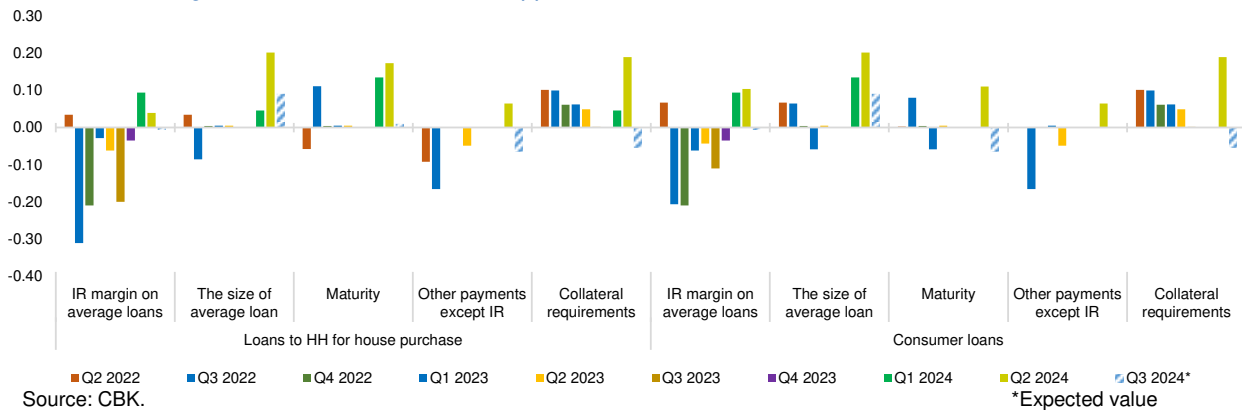
Chart 4. Changes in credit standards applied for households and contributing factors



## Terms and conditions

The terms and conditions for new loans to households were eased to some extent during the second quarter of 2024 for both the consumer and home loan segments. More specifically, the results suggest an easing in the average loan amount, while easing to some extent in loan maturity and collateral requirements, for both home loan and consumer loan categories. The easing of terms and conditions for new loans was influenced by competition from other banks, the optimistic outlook of domestic banks, and the credibility of borrowers (Chart 5).

Chart 5. Changes of terms and conditions applied to households



For the third quarter of 2024, banks generally do not expect changes related to terms and conditions for household loans. More specifically, apart from the interest rate, no changes are expected in loan maturities, collateral requirements and other payments. However, an easing will be only for the average loan size.

## Demand for Loans

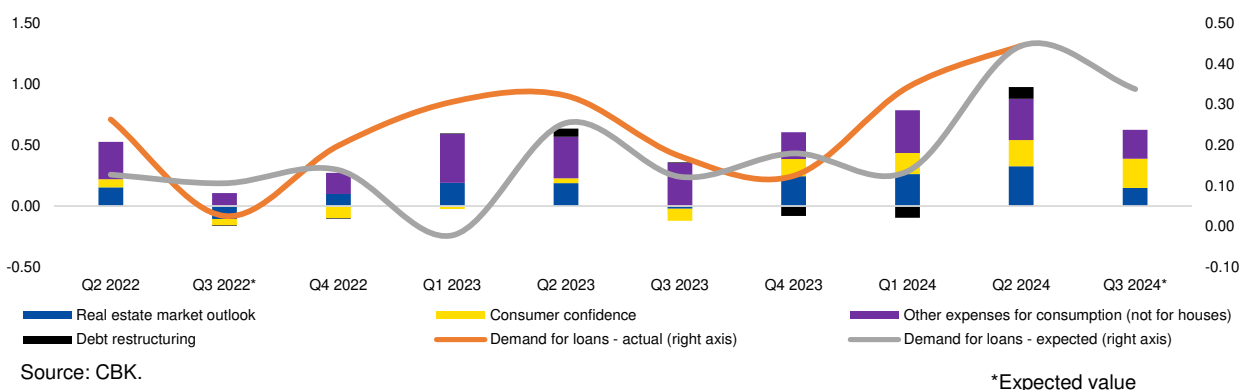
The survey results for Q2 2024 suggest that household demand for loan has increased significantly compared to the survey results for the previous quarter (Q1 2024). If we break down demand for loan by type of household loans, the level of demand was higher for consumer loans, while the increase in demand was more pronounced for loans for house purchases (Chart 6).

According to bank statements, the increase in demand for consumer loans was driven by the need to finance consumer spending and increased consumer confidence, due to the more optimistic macroeconomic outlook. Meanwhile, the increase in demand for loans for real estate purchases was mainly supported by the positive outlook for the real estate market.

Regarding the quality of applications received from households, the quality of consumer loan applications showed some improvement for consumer loans, while the quality of home purchase loan applications marked a slight decline.

Banks reported a deterioration in the quality of their household credit portfolio, driven by the responses of four banks, two of which are systemically important, which reported an increase in their non-performing loan ratio. On the other hand, seven other banks, three of which are systemically important, reported that their non-performing loan ratio remained unchanged.

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



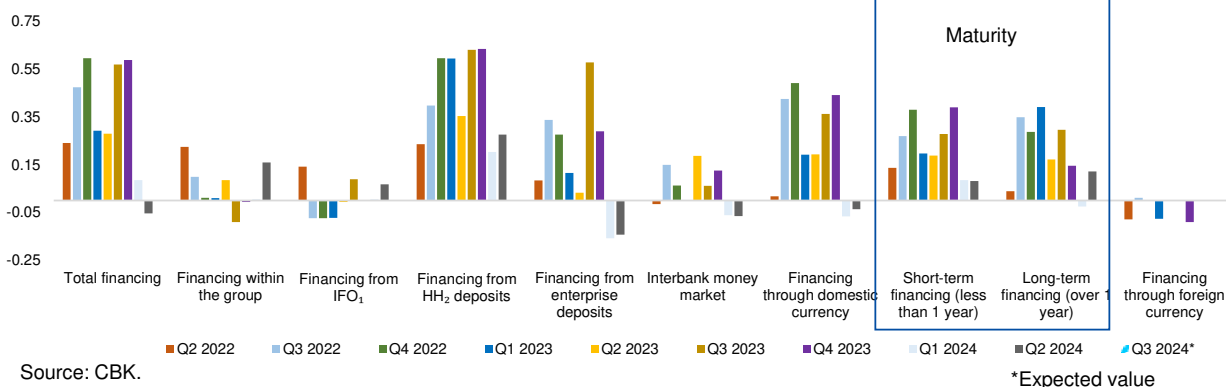
In the third quarter of 2024, banks expect an increase in demand for loans from households, driven mainly by consumer loans, which have the highest share in total loans to the household segment, being influenced by consumer confidence and the need to finance other household expenses. An increase in demand, but at a lower level, is also expected for loans for house purchase, supported by expectations of improvement in the real estate market.

Banks expect some improvement in the quality of applications received for both home and consumer loans. Regarding the quality of the household credit portfolio, nine out of eleven banks do not expect any change in the ratio of non- performing loans, while two banks, one of which is systemically important, expect some deterioration in the ratio of non- performing loans .

### Financing

During the second quarter of 2024, access to financing from banks turns out to be lower compared to the responses in the previous quarter. Banks declared lower growth in financing, despite the increase in household deposits. On the other hand, a decrease in financing from enterprise deposits and financing from the interbank money market was declared (chart 7). Regarding maturity, banks declared that short-term financing has increased more slowly while long-term financing over one year marked a higher growth.

Chart 7. Changes in financing the banking sector



During the next quarter, banks generally expect significantly higher growth in financing, mainly from the expected growth in deposits from both segments, households and enterprises. Also during the third quarter of this year, banks expect an increase in financing with short-term maturity, while long-term financing is expected to remain more stable, without significant changes (chart 7).

## Focused questions results

The survey questionnaire for the second quarter of 2024 has been enriched with four additional questions to identify potential risks in the banking sector, as well as lending modalities and analyzing the orientation of credit supply and demand according to disaggregated segments of economic sectors.

The survey questionnaire conducted in Q2 2024 aims to measure banks' sentiment about the main developments and challenges of the financial sector in the next quarter and the entire year 2024. The impact of bank campaigns - mainly for loans up to 50,000 - 60,000 euros without mortgage, on the demand for loans from households as well as the final purpose of using consumer loans by households (such as financing for real estate, cars, renovation or other purposes) as well as liquidity risk management were additional questions that the CBK has posed to banks through this survey. In their responses, banks stated that the credit campaign for granting loans in the specified amount without mortgage has generally had a positive effect on increasing the demand for loans from households. However, some banks, due to internal restrictions, have set a lower ceiling for the amount of the loan without mortgage. Meanwhile, when asked what the ultimate goal of the increased demand for consumer loans is, banks emphasized that the needs for personal expenses, renovation and car purchases have contributed to the increase in demand for consumer loans. Regarding the question about the liquidity dimension, banks declared a cautious approach to liquidity management, reporting a stable level of key indicators and stating that they do not expect difficulties in maintaining liquidity in the remainder of 2024.

Answers to questions about crediting according to disaggregated segments of economic sectors provide information on the direction of financing the economy that is based on or reflects the dynamics in these specific economic sectors. During the second quarter of 2024, credit standards had negligible marginal changes in almost all economic sectors. The exception was the manufacturing sector, where there was an easing of credit standards, and the construction sector, where there was a tightening of credit standards to some extent. The terms and conditions were tightened to some extent for the construction sector, while remaining unchanged for the manufacturing, services, real estate and trade sectors. On the other hand, the demand for loan increased during this period, with the trade sector representing the highest demand for financing, followed by the real estate and manufacturing sectors.

According to the survey results, during the third quarter, banks are expected to make minor changes - marginal tightenings - in the credit supply for all economic sectors involved. Terms and conditions are expected to remain unchanged, with the exception of the construction sector, for which marginal tightenings are expected. In the same period, credit demand is expected to increase to some extent for the trade, manufacturing and services sectors, while for the real estate sector, demand is expected to increase to a lower level.

## 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 BLS has also been enriched with supplementary questions, which address the expectations of commercial banks for price developments in the country. This helps to complement our publications in terms of analysis, modeling and forecasting.

In the last questionnaire, in addition to banks' statements regarding their estimates of the inflation rate in the second quarter, the questionnaire also addresses banks' expectations for the third 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 the 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 higher for countries that have adopted an inflation targeting strategy. For these countries, inflation expectations, among other things, also serve as an indicator of public confidence in the central bank. If it is believed that the central bank will react to achieve the target, then the expectations of economic agents regarding the inflation rate would also be closer to the target.

Inflation expectations are also important for banks that do not have monetary policy, as they serve as additional information - an important input in determining prices and wages, as well as in the modeling and forecasting process. Furthermore, inflation expectations affect aggregate demand, which then affects the course of inflation.

Unlike actual inflation, which is measured directly, inflation expectations are estimated using indirect methods. Among the most commonly used methods is the method of surveying economic agents: consumers, businesses, commercial banks, etc. The CBK, for the first time, has begun assessing inflation expectations in the third quarter of 2019, initially with commercial banks.

Estimates which are performed by commercial banks are of quantitative forms associated also with the spread of the profitability. Inflation expectations are estimated for different time horizons, starting with estimates for the current quarter and continuing with expectations for the next quarter and for the entire current year. The process of collecting information through surveys is followed by the process of systematizing, processing and aggregating data to find the average inflation expectations from commercial banks.

## Summary of results

According to the survey conducted in July 2024, banks expect the inflation rate in the third quarter of 2024 to remain unchanged from the previous quarter. For the whole of 2024, they predict the inflation rate to be 2.7 percent. This indicates that banks' expectations for inflation have remained unchanged from the previous survey, where they had also predicted an inflation rate of 2.7 percent for 2024.

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

Banks	Q2 2024	Q3 2024	2024
1	2.4%	2.6%	2.5%
2	2.4%	1.9%	2.1%
3	2.1%	1.6%	2.1%
4	3.6%	3.5%	3.5%
5	2.4%	2.5%	2.8%
6	2.4%	3.2%	2.8%
7	2.3%	2.8%	3.9%
8	2.2%	0.2%	1.2%
9	2.2%	2.3%	3.1%
10	2.6%	3.0%	3.1%
11	2.3%	2.3%	2.2%
<b>Average</b>	<b>2.4%</b>	<b>2.4%</b>	<b>2.7%</b>

Source: Commercial banks and CBK calculations.

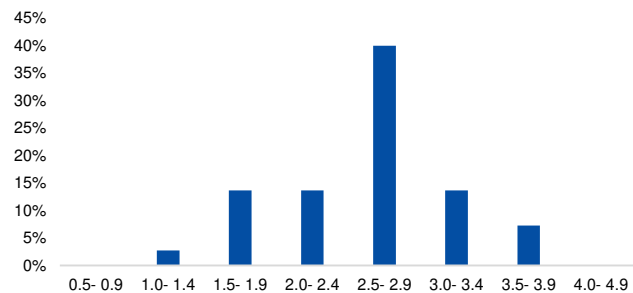
Figure 8 illustrates the reported probability distributions, indicating a relatively high certainty regarding the future inflation outcome. The probability distribution of banks is centered on expected inflation.

In their qualitative comments, banks have mentioned several key factors that have influenced the inflation rate, including the decline in prices in international markets (an important factor for Kosovo's economy due to its high dependence on imports), as well as global anti-inflationary policies and the slowdown in global economic growth.

On the other hand, the risk of inflation rising remains high due to geopolitical factors, especially the war in Ukraine, as Russia and Ukraine are important suppliers of raw materials. Banks have also expressed their expectation that the ECB's interest rate lowering will potentially contribute to rising inflationary pressures. Domestic wage pressures, as well as diaspora spending during the summer, are expected to contribute to increased consumption and, consequently, to higher prices.

In conclusion, banks expect a slowdown in inflation growth during 2024. Data from the Kosovo Agency of Statistics until August 2024 indicate a slowdown in the inflation rate (average rate 2.1 percent). However, expectations for slowdown may be negatively affected by the uncertainty of global developments and sensitivity to them.

**Chart 8. Probability of inflation for Q3 2024**  
(axis-x: inflation expectations, annual change in percent; axis-y: probability)



Source: Commercial banks and CBK calculations.



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