



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

# Bank Lending Survey in Kosovo

Number 24

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# **Bank Lending Survey in Kosovo**

*(Q2 2025 and expectations for Q3 2025)*

Number 24

**PUBLISHER**

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## **ABBREVIATIONS**

**BLSK – Bank Lending Survey in Kosovo**

**KCGF – Kosovo Credit Guarantee Fund**

**SME – Small and Medium Enterprise**

## Bank Lending Survey in Kosovo (BLSK)

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

In order to increase the analytical capabilities on a good assessment of lending dynamic activities in Kosovo and expectations on the price level, the Central Bank of the Republic of Kosovo (CBK) has designed and conducted a survey with commercial banks which operate in the banking sector of Kosovo. The report that will analyze the results of this survey will be published on a quarterly basis on the CBK website, in order to provide a broader overview of banks' risk perception and banks' willingness to lend, as well as, the behavior of households and enterprises against the dynamics in lending. This report highlights the credit behavior for the second quarter of 2025, and the banks' expectations for the lending dynamics for the third quarter of 2025.

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

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<sup>1</sup>For more detailed information about the background of the CBK bank lending survey, please refer to the publication "Bank Lending Survey and Inflation Expectations" No. 1.

## Summary

*The lending dynamics during the third quarter were driven by both demand and credit supply, with the latter having a higher impact. The credit supply tightened to some extent, particularly for households, while in the case of enterprises the tightening was more pronounced among large enterprises. On the other hand, there was higher demand for individual loans within households and for SME loans in the enterprise segment. In the following quarter, the credit supply is expected to be more favorable for the enterprise segment, while credit demand is also expected to be higher. For households, the credit supply is expected to remain tight, whereas credit demand is expected to remain broadly unchanged.*

*Based on the survey results, credit standards for enterprises tightened, particularly for large enterprises, while for SMEs the tightening was more limited. The main factors contributing to this dynamic were the accelerated credit growth in the previous quarter compared to deposit growth, access to financing, and the outlook of the domestic market, which reduced the risk appetite. Credit terms and conditions moved in different directions, albeit with an overall trend toward tightening, driven in particular by interest rates. The approval rate increased, mainly for SMEs, while for large enterprises it remained almost unchanged. Loan demand grew at a slower pace compared to the previous quarter due to the decline in demand from large enterprises, which was partly offset by increased demand from SMEs, especially for short-term loans. Non-performing loans increased during this quarter, whereas in the following quarter a slower increase is expected, implying an improvement in credit quality. For Q3 2025, credit standards and conditions are expected to remain broadly unchanged, with a tightening tendency for large enterprises. Credit demand is expected to be higher, mainly from SMEs, while demand from large enterprises is expected to be lower compared to the previous quarter.*

*As regards to households, credit standards were generally constrained, as for house purchase and for personal consumer credit as well. Within the framework of the provided terms and conditions, a tightening was reported in the interest rate, while there was also tightening—though to a lesser extent—in the average loan size, collateral requirements, and other charges besides the interest rate. The approval rate recorded a slight increase, unlike the previous quarter when it had marked a sharp rise. Loan demand increased to some extent, mainly as a result of higher demand for consumer loans and short-term loans, while demand for mortgage loans remained almost unchanged. The increase in consumer loan demand is assessed to have been driven by higher consumption expenditures and improved consumer confidence. Credit quality improved slightly, mainly as a result of a small decline in nonperforming loans in one systemically important bank. In Q3 2025, loan demand is expected to remain unchanged, while a marginal tightening of credit standards for households in general is expected (Table 1).*

*Banks' access to financing remained broadly unchanged in Q2 2025, unlike the previous quarter when an increase was recorded. Financing from household deposits declined, but this was partly compensated by bank financing within the group and from deposits of nonfinancial corporations. In the following quarter, access to financing is expected to increase, mainly as a result of higher deposits from households and nonfinancial corporations.*

*For the whole of 2025, banks expect the inflation rate to be 3.0%, while only for the third quarter of this year they expect it to be around 3.1% (according to Table 2). These expectations are in line with the upward trend in inflation, which in June 2025 alone recorded an increase of 4.3%.*

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

	Supply (Credit standards)		Demand	
	Q2 2025	Q3 2025 (expected)	Q2 2025	Q3 2025 (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)

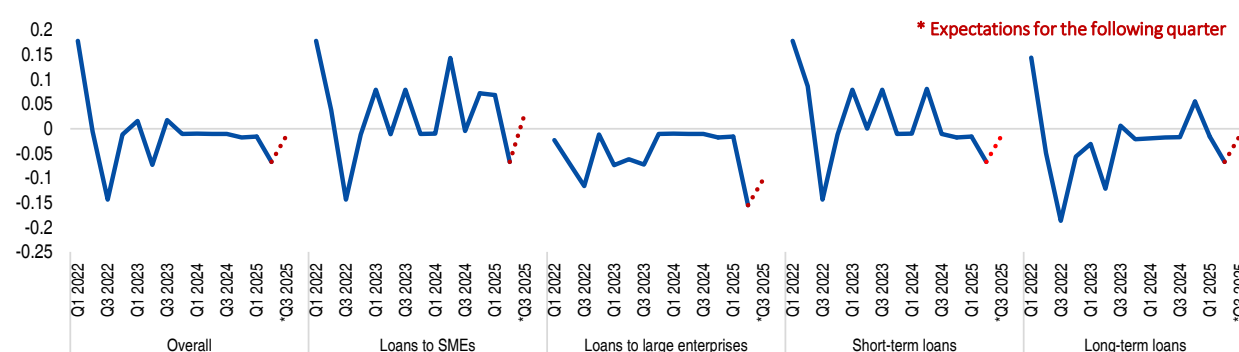
Source: CBK.

## 1.0. Loans to enterprises

### 1.1. Credit Standard

Based on the results of the bank lending survey for Q2 2025, credit standards for enterprises tightened overall, but with a more pronounced effect for large enterprises (Chart 1). For SMEs, a tightening of credit standards was reported by two banks, one of which is systemically important, whereas for large enterprises, three banks reported tighter standards, two of which are systemically important.

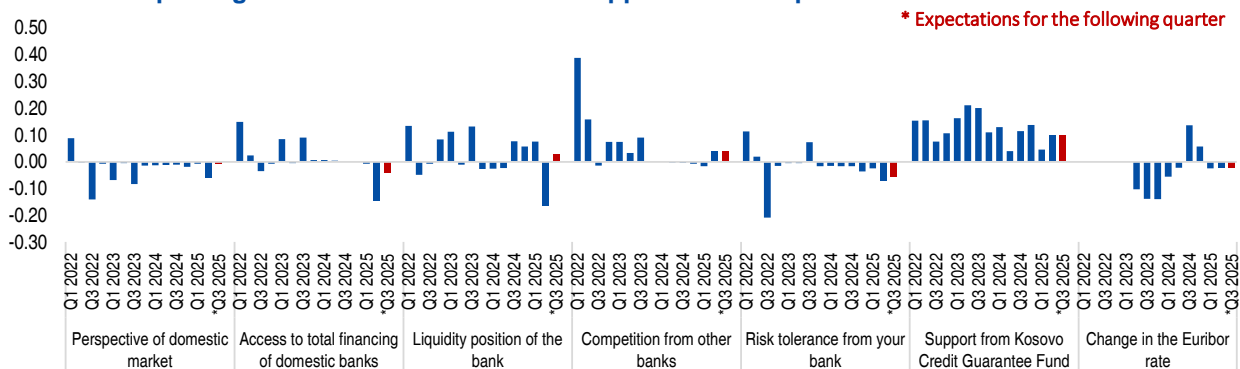
**Chart 1. Credit standards applied for enterprises**



Source: CBK.

The main factors that negatively affected credit standards, namely tightening during the second quarter of the year, were the accelerated credit growth (beyond their planning), banks' overall access to financing as a result of higher funding costs, slower growth of deposits compared to credit growth, as well as the outlook of the domestic market. Support from the Kosovo Credit Guarantee Fund (KCGF) continued to remain a key positive contributor to banks' credit supply (Chart 2).

**Chart 2. Impacting factors on credit standards applied for enterprises**



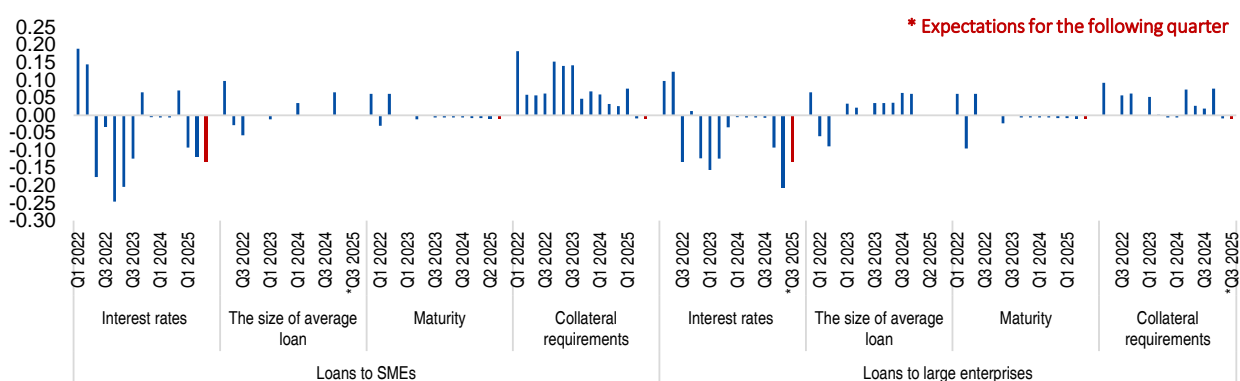
Source: CBK.

For Q3 2025, credit standards are expected to tighten but at a lower level compared to the current quarter. According to two banks, one of which systemically important, credit standards for large enterprises will tighten again in the next quarter, but at a lower level compared to the current quarter. Meanwhile, for SMEs, banks stated that they will apply more eased credit standards, but only marginally. The factors expected to drive tighter credit standards are: lower tolerance for risk-taking, banks' overall access to financing, and, to a lesser extent, the domestic market outlook. On the other hand, the factors that will ease credit standards, particularly for SMEs, are: support from KCGF, improvement in credit quality, liquidity position, and banking sector competition.

### 1.2. Terms and conditions

In Q2 2025, terms and conditions applied to enterprises hovered in both directions but leaned toward negative territory—tightening—for both SMEs and large enterprises (Chart 3). Specifically, for SMEs, one systemically important bank reported an easing of other charges besides the interest rate, while two banks, one of which systemically important, reported a tightening of lending interest rates. Loan maturities, collateral requirements, and average loan size remained almost unchanged. For large enterprises, terms and conditions were reported to be similar to those for SMEs, except for lending interest rates, which were reported to be significantly tighter compared to SMEs.

**Chart 3. Terms and conditions applied for credit standards for enterprises**



Source: CBK.

The main factors that negatively affected credit terms and conditions, namely contributed to their tightening during the second quarter of the year, were the position and accelerated credit growth, banks' overall access to financing, constraints in banks' capacity induced by slower deposit growth compared to loans, the domestic market outlook, as well as the quality of the loan portfolio. These factors mainly influenced the tightening of lending interest rates, thereby also reducing the appetite

for risk-taking. Support from KCGF continues to contribute positively to credit terms and conditions, but this effect was neutralized by other developments in the banking market.

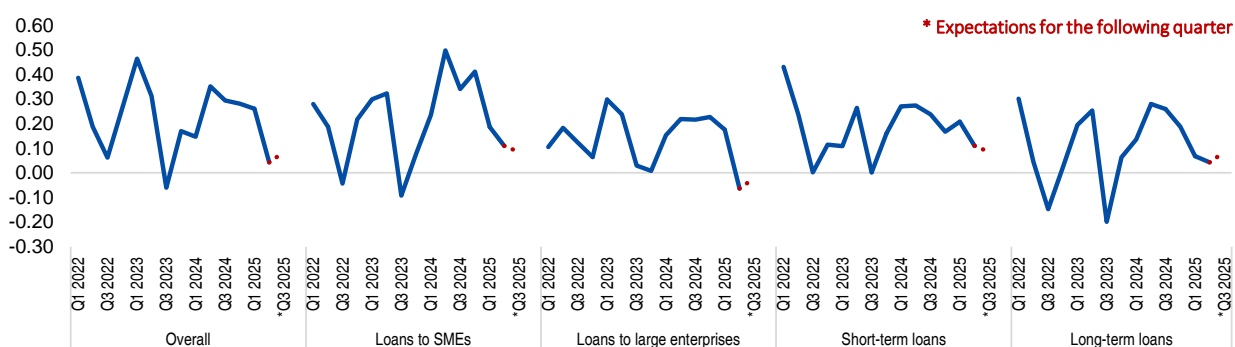
*In the following quarter, terms and conditions applied by banks are expected to follow the trend of the current quarter—tightening, but at a lower level. Only two (systemic) banks indicated that they expect tightening of lending interest rates, both for SMEs and large enterprises. The determining factors in the tightening of terms and conditions may be banks' access to financing and competition (cost) in securing funding. Meanwhile, the factors expected to ease banking terms and conditions are banking sector competition and the outlook of the domestic market.*

In Q2 2025, the loan approval rate for enterprises increased. Loans for SMEs—both short-term and long-term—were characterized by a significantly higher approval rate compared to loans for large enterprises, although compared to the previous quarter, the overall approval rate was lower. In the following quarter, the approval rate is expected to decline, mainly due to a drop in loan approvals for large enterprises, while for SMEs is a forecast for an increase, but at a lower level than in the current quarter.

### 1.3. Demand for loans

According to the survey results for Q2 2025, loan demand from enterprises, despite an overall increase, was significantly lower compared to the previous quarter. This was the result of a decline in loan demand from large enterprises, while the overall decrease was offset by higher loan demand from SMEs, particularly for short-term loans. The dynamics of enterprise loan demand in Q2 2025 were influenced by two systemically important banks, and by most non-systemically important banks (Chart 4).

**Chart 4. Household demand for loans**



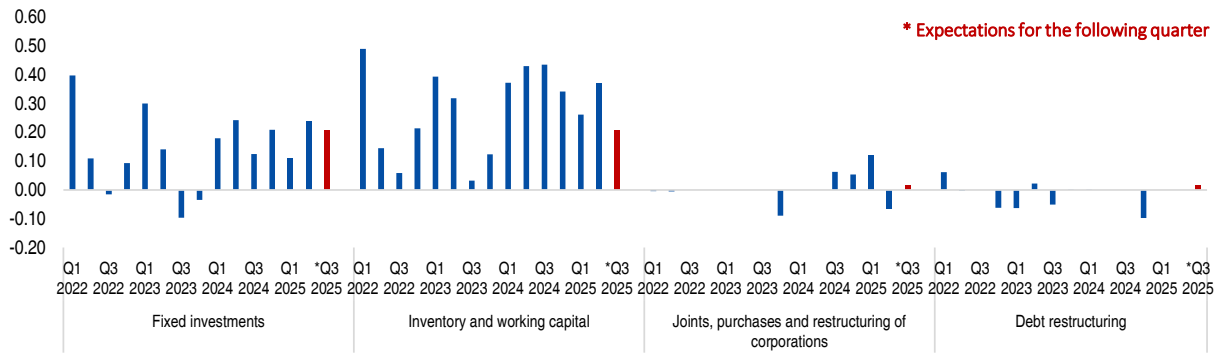
Source: CBK.

The main factors influencing overall enterprise loan demand were the need to finance fixed investments, as well as inventories and working capital, which were emphasized mainly by systemically important banks. Meanwhile, the need of joint financing, acquisitions, and corporate restructuring had a negative effect on overall loan demand, as this factor declined, according to one systemically important bank (Chart 5).

**The quality of loan applications** received from enterprises, similar to the previous quarter, remained unchanged—a trend expected to continue in Q3 2025.

*In Q3 2025, loan demand is expected to be higher compared to the current quarter, as indicated by four banks, one of which is systemically important. Similar to Q2 2025, the increase will be driven by SMEs, while the decline in demand from large enterprises will be at a lower level. Enterprise loan demand is expected to be largely influenced by the need to finance fixed investments and inventories and working capital.*

**Chart 5. Factors which affected the credit demand from enterprises**



Source: CBK.

### 1.4. Credit quality

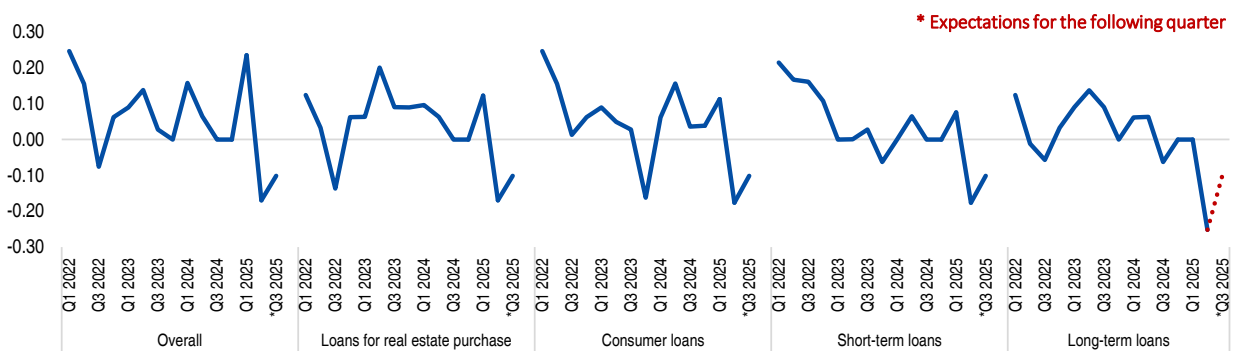
Banks generally reported an increase in the level of non-performing loans (NPLs). This increase was driven by the results of three banks, one of which is systemically important. *For Q3 2025, a slight increase in NPLs is expected, influenced by the statements of two non-systemically important banks.*

## 2.0. Loans to households

### 2.1. Credit Standard

According to the survey results for Q2 2025, credit standards applied to households generally were tightened to some extent (Chart 6). This development was influenced by two systemically important banks, which stated a moderate tightening of credit standards, both for consumer loans and for housing loans. Meanwhile, only one non-systemically important bank reported an easing of standards for housing loans, while the other banks reported credit standards that remained broadly unchanged during the second quarter of the year.

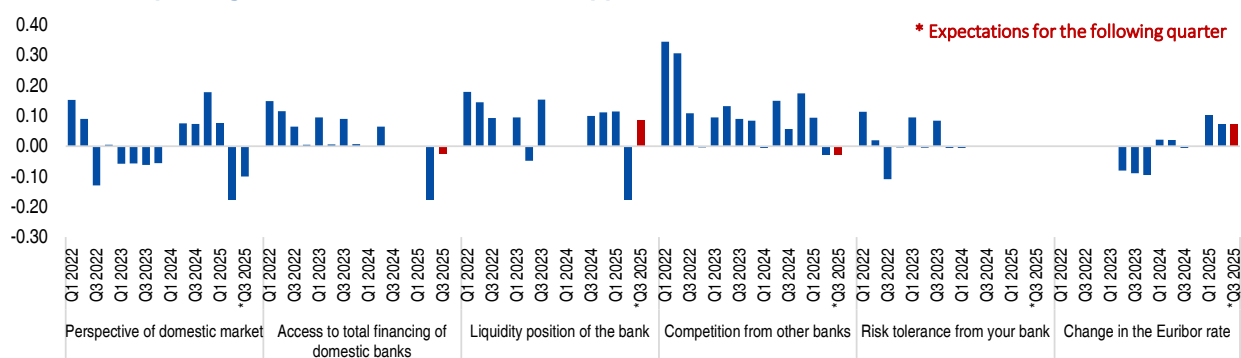
**Chart 6. Credit standards applied for households**



Source: CBK.

The factors that negatively influenced credit standards during the second quarter were the outlook of the domestic market, the real estate market outlook, banks' overall access to financing, accelerated credit growth, and the credit-to-deposit ratio, driven by slower growth of deposits compared to loans (Chart 7).

**Chart 7. Impacting factors on credit standards applied for households**



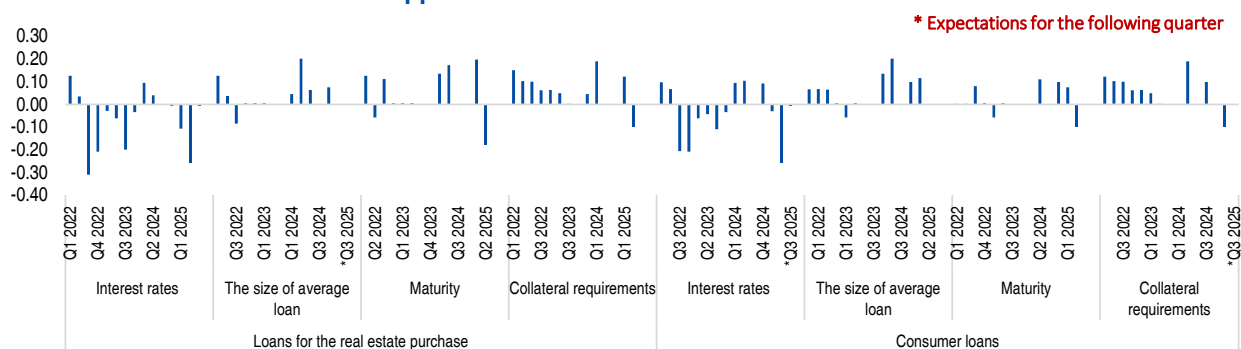
Source: CBK.

For Q3 2025, credit standards for households are expected to tighten overall, but at a lower level compared to the second quarter. According to the survey results, only one systemically important bank stated that it expects a tightening of standards, both for consumer loans and for housing loans.

## 2.2. Terms and conditions

In Q2 2025, terms and conditions applied to new household loans moved mainly in the negative direction (Chart 8). Three systemically important banks and one non-systemically important bank stated a tightening of interest rates, both for consumer loans and for housing loans. A moderate tightening was also stated in maturities, collateral requirements, and other charges besides the interest rate. The factors that influenced the tightening of applied terms and conditions were the domestic market outlook, the real estate market outlook, liquidity position, and overall access to financing of domestic banks.

**Chart 8. Terms and conditions applied for credit standards for households**



Source: CBK.

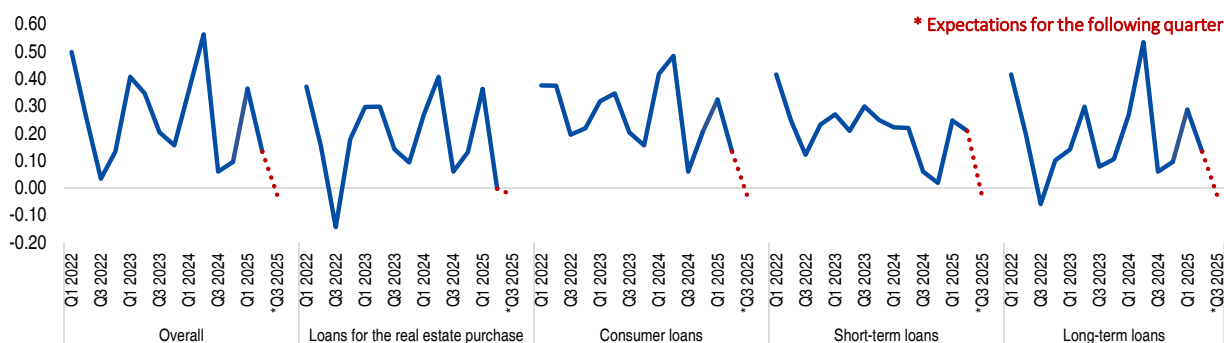
In the following quarter, the terms and conditions applied to households are expected to remain unchanged, both for housing loans and consumer loans.

The approval rate of household loan applications recorded a slight increase, unlike the previous quarter which was characterized by a sharp rise in the approval rate.

### 2.3. Demand for loans

Overall loan demand from households increased moderately, unlike the previous quarter when it recorded a sharp increase (Chart 9). Consumer loans increased moderately, while housing loans were characterized by largely unchanged demand. Consequently, by maturity, there was higher demand for short-term loans compared to long-term loans.

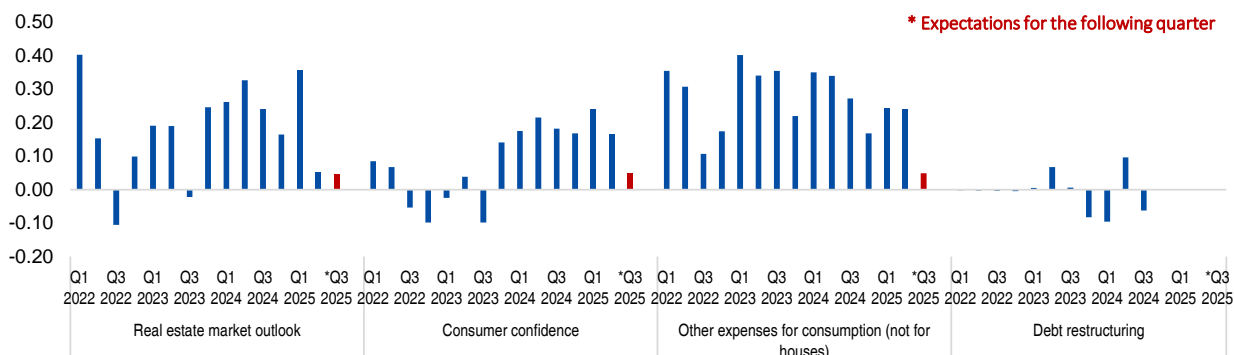
**Chart 9. Household demand for loans**



Source: CBK.

The increase in household loan demand during this quarter was mainly influenced by higher other consumption expenditures and improved consumer confidence (Chart 10). *For Q3 2025, demand is expected to remain broadly unchanged, both for consumer loans and housing loans.*

**Chart 10. Factors which affected the credit demand from households**



Source: CBK.

The quality of applications received from households improved moderately, according to the statement of one systemically important bank. Other banks stated that the quality of loan applications remained largely unchanged. *Likewise, expectations for the following quarter are that the quality of applications will remain broadly unchanged.*

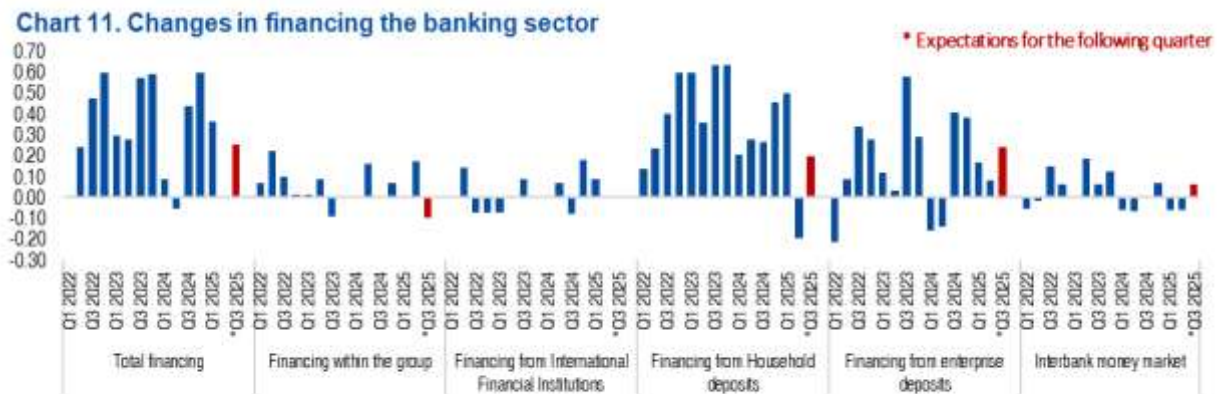
### 2.4. Credit quality

The quality of the loan portfolio for households improved slightly as a result of the decline in nonperforming loans in one systemically important bank. With the exception of two banks with a low share in lending, which reported an increase in the level of nonperforming loans, the other banks stated that the level remained mostly unchanged.

*The quality of the loan portfolio for households is expected to remain mostly unchanged in the following quarter of 2025.*

### 3.0. Financing

Access to financing during Q2 2025 generally remained unchanged, unlike the previous quarter when access to financing increased. Financing from household deposits declined, as indicated by four systemically important banks, while only one systemically important bank stated a slight increase in financing from this segment. During this period, financing within the group and from corporate deposits increased to some extent, which partially offset the decline in household deposits. By maturity, long-term financing increased, while short-term financing declined (Chart 11).



Source: CBK.

*In Q3 2025, access to financing is expected to increase, mainly as a result of higher deposits from households and nonfinancial corporations.*

#### 3.1. Summary of focused questions.

The survey questionnaire for Q2 2025 was supplemented with two additional questions, which aimed to identify the credit supply factors that contributed to the increase in the stock of loans in the first half of 2025, as well as to assess banks' perceptions regarding the impact of increased liquidity pressures on lending dynamics.

According to banks' statements, in the first half of 2025, the increase in lending was mainly driven by strong demand from businesses and households, while **on the supply side it was influenced by campaigns for credit products, support from KCGF, and increased interbank competition, which resulted in more favorable lending conditions.** Macroeconomic stability created a suitable environment for credit expansion, while in some cases, the accelerated pace of lending compared to the plan and the increase in NPLs led banks towards a more cautious approach. Regarding the question on the impact of increased liquidity pressures on lending activity, most banks reported a stable liquidity position. Nevertheless, they emphasized that pressure on funding costs and the slowdown in deposit growth have led to greater caution in liquidity management, including diversification of funding sources and improving the portfolio structure.

As for the disaggregated responses of banks for enterprises by economic sectors, regarding credit standards as well as the conditions and terms applied, these remained mostly unchanged, with a slight tightening trend, particularly in the conditions offered to the construction sector. Similar to the previous quarter, credit demand increased across all sectors, with particular emphasis on the residential real estate sector, followed by manufacturing, services, and trade. *In the following quarter, credit standards as well as the terms and conditions applied are expected to remain similar to the current quarter. Furthermore, credit demand is also expected to be similar to banks' reports for Q2*

2025, with the residential real estate (housing) sector expected to have higher demand compared to other economic sectors.

#### 4.0. Results summary on inflation expectations

According to the survey conducted in July 2025, banks expect the inflation rate in the third quarter of 2025 to be around 3.1%, while for the whole year 2025, they expect inflation to reach 3.0%. This represents a significant increase compared to the level of 1.6% in 2024.

**Table 2. Inflation expectations of banks, annual change in percent**

Banks	Q2 2025	Q3 2025	2025
1	3.3%	3.4%	3.4%
2	3.6%	3.1%	3.0%
3	2.7%	2.8%	2.8%
4	3.6%	3.0%	2.3%
5	3.4%	3.7%	3.2%
6	4.3%	4.0%	4.2%
7	3.2%	3.7%	4.5%
8	3.2%	3.1%	3.2%
9	2.2%	2.8%	2.8%
10	3.8%	1.8%	1.2%
<b>Average</b>	<b>3.3%</b>	<b>3.1%</b>	<b>3.0%</b>

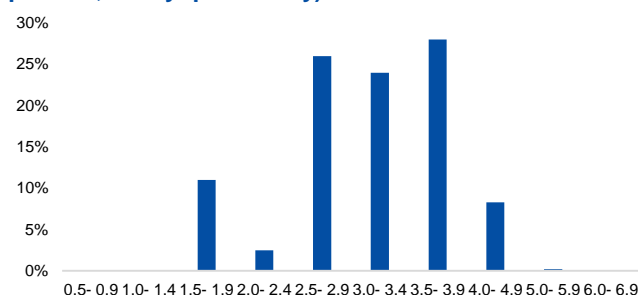
Source: Commercial banks and the CBK calculations.

Chart 12 presents how banks assess the probability of different levels of inflation. The distribution of these assessments shows considerable uncertainty, as there is no clear concentration of forecasts around a single value. This suggests a lack of consensus among banks regarding the expected level of inflation.

Despite the anticipated stability of the domestic economy, banks report that inflation expectations continue to be influenced by uncertainties in global developments. Key factors include geopolitical tensions and conflicts between states, which have a direct impact on global supply chains and international prices. Another important factor is the increase in energy costs, which is expected to negatively affect overall inflation developments. The rise in energy tariffs for businesses is expected to add to manufacturing costs, leading to a chain reaction in the prices of other products.

Inflation expectations are also linked to the high dependence of the domestic economy on imports, making it vulnerable to fluctuations in international prices—particularly for energy and food products. Moreover, global trade barriers and the temporary suspension of certain tariff policies by the U.S. have helped maintain some degree of stability, but the risk of further escalation remains high. In this context, most banks expect a slight increase in inflation in the coming months, driven mainly by energy prices and ongoing uncertainties in global markets. Finally, data from the Kosovo Agency of Statistics for the second quarter of 2025 show a notable increase in inflation, with an average rate of 3.6%, compared with 2.0% in the previous quarter. For the whole of 2025, banks expect the inflation rate to be 3.0%. These expectations are in line with the upward trend in inflation, which in June 2025 alone recorded an increase of 4.3%.

**Chart 12. Probability of inflation for Q3 2025 (axis-x: inflation expectations, annual change in percent; axis-y: probability)**



Source: Commercial banks and CBK calculations.

## Box 1. Methodology

The questionnaire of the Bank Lending Survey in Kosovo

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

The BLSK questionnaire contains 19 questions, which cover the changes in credit supply, in the demand for loans, factors which contribute in these changes and the access of the banking sector to financing, on quarterly basis. Questions on bank lending are focused on two main categories: (i) loans to enterprises, and (ii) loans to households. Moreover, loans to enterprises are sub-categorized in to loans to SMEs and loans to large enterprises, while loans to households are sub-categorized in housing loans and consumer credit. For all the above mentioned categories, changes in loan supply conditions are defined by credit standards applied in the process of loans approval, terms and conditions applied for new loans, the approval rate of loans, and the factors which affect their changes. Meanwhile, the changes in the demand for loans are defined by the demand for loans (the number of applications for loans), the quality of the applications received, and the factors which affect the demand for loans. The questions of the survey primarily are designed to obtain a feedback for changes over the past three months and changes expected in the following three months. Also, questions cover loans in the aspect of their maturity and the currency in which they were granted. Besides the standard questions, the BLSK questionnaire may contain also additional questions on specific issues in order to explain the developments in the banking sector. While standard questions cover a three-months period, additional questions may refer to changes occurred during a longer period of time. The survey conveys ten out of eleven banks operating in Kosovo. Consequently, the participating banks represent the general banking market and ensure a proper statistical representation, taking into account that they represent 98% of total assets of the banking sector, and 99.1% of total lending of the banking sector. The survey participants are asked to indicate, in a qualitative manner, the strength of any tightening or easing or the strength of any decrease or increase, reporting changes using the following five-point scale: (i) tightened / decreased considerably, (ii) tightened / decreased somewhat, (iii) basically no change, (iv) eased / increased somewhat or (v) eased / increased considerably.

The generated results of the bank lending survey

Quantifying of the answers received from individual banks and their aggregation to present the changes on the level of the sector is achieved by generating the appropriate index. This index is generated for each category and sub-category of each of the questions, thus giving a quantifying unit for the answers received on the level of the sector. Initially, the answers are determined by a value based on the strength of the changes, namely answers where banks stated a considerable tightening/lowering are determined with a value - 1 a double value in size than the one defined for answers when banks state tightening/lowering to some extent (a value of -0.5). Similarly, answers have a value of 1 when there is a considerable ease/increase, while those with ease/increase to some extent are determined with a value of 0.5. Results are also weighed based on the weight that each of the bank has in total lending of the banking sector. Consequently, the weight of each bank based on its share on the credit market is multiplied with the value determined based on the intensity of the given answer, thus obtaining the index in question. Furthermore, the aggregation of the index on the sector's level is performed through the sum of the indices obtained for each of the bank. The values of indices are ranged from -1 to 1, where the positive values of the index represent ease, increase or positive contribution, whereas negative values represent tightening, decline or negative contribution.

## Inflation Expectations

Inflation expectations have at least two important roles. First, they offer summarized quantitative series for inflation rate in the future, and secondly, they may be used to assess the confidence of the objective of inflation set by the central banks. The importance of inflation expectations is more significant for the countries which have adopted the strategy of targeting the inflation. For these countries, inflation expectations, among others, serve also as an indicator of the public confidence towards the central bank. If the public believes that the central bank will take the necessary actions to achieve the inflation target, then the expectations of economic agents for the inflation rate will be closer to the set target.

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

Unlike actual inflation, which is measured directly, inflation expectations are estimated using indirect methods. One of the most widely used methods is the survey of economic agents: consumers, businesses, commercial banks, etc. The CBK, for the first time, has 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 assessed for different time horizons: initially for the current quarter, then for the next quarter and for the whole 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 of inflation expectations from commercial banks.



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