

Summary

- **In Q3 2025, the euro area economy recorded an annual growth of 1.4%, primarily supported by an increase in investment. However, the trade balance had a negative impact on the growth. Inflation remained close to the European Central Bank's (ECB) target, at approximately 2.1%, with the main contribution coming from services and a negative impact from energy prices.** Interest rates remained unchanged and the ECB forecasts an economic growth of 1.2% for the full year 2025. **Average economic growth in the Western Balkans reached 3.1%, reflecting the region's resilience in the face of structural challenges.** Nevertheless, geopolitical tensions, trade barriers, exposure to fluctuations in the euro area economy, and internal factors, including political uncertainty, continue to pose risks to the growth outlook.
- **Kosovo's economy recorded moderate growth of 3.1% in Q3 2025, reflecting a slowdown compared to the same period of the last year.** The growth was primarily driven by domestic demand, particularly private consumption and investments, while public consumption had a negative contribution. Goods exports continued their declining trend, while services exports were characterized with a slight increase. At the same time, goods imports grew significantly, impacting the trade balance. Based on the sectors, construction and industry were the main contributors to economic growth, while the energy sector contributed negatively. Despite the economic slowdown, there was a significant increase in the registration of new businesses. For the whole year 2025, the CBK projects economic growth of 3.9%, supported by consumption, investments, and the export of services, while imports are expected to have a negative impact.
- **Inflation accelerated to 4.5% in Q3 2025, driven mainly by rising prices for food, energy, and services, while prices for other goods remained almost unchanged.** An increasing trend was also evident in core inflation, which resulted in 2.1%, influenced primarily by service prices increase. In terms of origin, inflation reflected combined pressures from external factors via imports and the domestic economy via services.
- **The fiscal sector in Q3 2025 marked a growth in both revenues and budget expenditures.** Primary budget revenues reached EUR 892.5 million, marking an annual increase of 7.8%. Budget expenditures also increased by 7.3%, reaching EUR 809.7 million. As a result, the primary budget surplus reached EUR 115.7 million.
- **The current account in Q3 2025 resulted in a positive balance of EUR 230.7 million, although it recorded an annual decrease of 6.7%, primarily due to a widening of the goods trade deficit.** The stable performance of the services balance, together with the positive contribution of primary and secondary income, managed to compensate for the negative pressure from goods trade. Remittances in this quarter reached EUR 393.7 million, an increase of 3.4%, while Foreign Direct Investment (FDI) increased by 20.6%, reaching EUR 298.7 million.
- **The banking sector recorded an accelerated annual growth in assets, reaching EUR 9.14 billion, primarily as a result of credit expansion.** However, on a quarterly basis, the pace of credit growth slowed and stabilized for the second consecutive quarter, following a decline in new investment loans to non-financial corporations and overall new loans to households. Deposits marked an accelerated growth, mainly influenced by the expansion of household deposits. The average interest rate on loans and deposits increased, reaching 6.9% and 3.1%, respectively, at the end of September 2025. The credit portfolio continues to be of good quality, with a marginal increase in the level of non-performing loans (NPLs) from the previous quarter, while compared to the previous year this level remained unchanged. The profit of the banking sector decreased, as a result of slower growth in income compared to the growth in expenses. Key stability indicators of the sector, including the capital position as well as liquidity and funding indicators, further strengthened.
- **The pension sector** recorded a further increase in the value of assets, supported by growth in collected contributions and positive returns from investments. Investments remained concentrated in foreign markets, with a high exposure to mutual funds. As a result, the unit share price increased, reflecting the performance of the portfolio.
- **The insurance sector** experienced a slowdown in the growth of assets and written premiums, particularly in the non-life segment. Claims paid increased, while net profit also recorded growth, supported by increased income and stable expense management. Sustainability and liquidity indicators remained at healthy levels.
- **The microfinance and non-bank financial sector** continued its double-digit growth, but at a slower pace. The financing of activity is mainly supported by borrowing from the external sector, which showed a slower growth trend. Lending expanded for both households and nonfinancial corporations, whereas leasing activity declined, particularly in the non-financial corporate segment. Net profit growth slowed due to a faster increase in expenses, while non-performing loans remained low and well-provisioned.

List of abbreviation

CBK	Central Bank of the Republic of Kosovo
CPI	Consumer Price Index
ECB	European Central Bank
EUR	Euro currency
FAO	Food and Agriculture Organization
FDI	Foreign Direct Investments
GDP	Gross Domestic Product
IMF	International Monetary Fund
IPI	Import Price Index
KAS	Kosovo Agency of Statistics
MFLT	Ministry of Finance, Labor and Transfers
MMBTU	Metric Million British Thermal Unit
NFC	Nonfinancial corporations
WEO	World Economic Outlook

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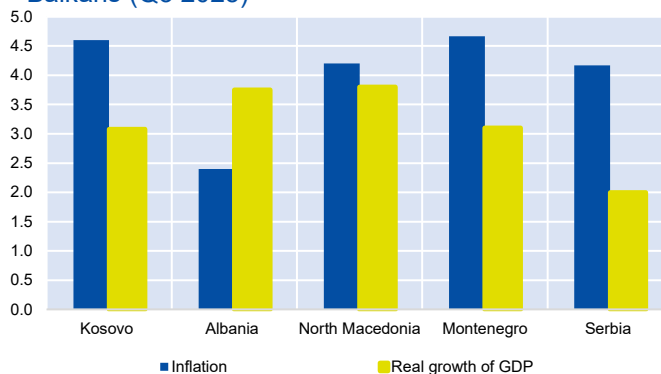
1. Euro area and Western Balkans

In Q3 2025, the euro area economy recorded quarterly growth of 0.3% and annual growth of 1.4%. The primary contributor to this growth was gross capital formation (investment), adding +0.2 percentage points. Given that investment had contributed negatively in the previous quarter, its recovery represents the most significant positive development in the euro area's economic dynamics. Other categories of aggregate demand also contributed positively: private consumption, public consumption, and changes in inventories each added +0.1 percentage point to economic growth. However, the trade balance had a negative impact on growth, subtracting -0.2 percentage points. The increase in investment led to a rise in import values, particularly from the United States and Asian countries. Meanwhile, slower economic growth among key trading partners limited demand for euro area exports. Consequently, imports exceeded exports, resulting in the trade balance's negative contribution to economic growth. Among the bloc's largest economies, Spain and France recorded economic growth of 0.6% and 0.5% respectively, while Germany and Italy showed no change. For the full year 2025, the European Central Bank (ECB) has revised its growth forecast upward to 1.2%, an improvement from the 0.9% projection published in March.

Inflation in the euro area reached 2.1% in Q3 2025, with a rate of 2.2% recorded in September, remaining in line with the ECB's 2% target. The main contributors to inflation were services with 1.49 percentage points, food, alcohol & tobacco with 0.58 percentage points, industrial goods with 0.2 percentage points. Energy had a slightly negative contribution to inflation (-0.03 percentage points), reflecting stabilized energy prices and the fading of base effects. Although gas and oil prices may show monthly fluctuations, there is no observed sustained upward pressure. The main interest rates in the euro area remained unchanged compared to Q2 2025. The deposit facility rate was held at 2.0%, the main refinancing rate at 2.15%, and the marginal lending facility rate at 2.4%. This reflects the cautious stance of the ECB's monetary policy, aimed at maintaining price stability.

The economies of the Western Balkans recorded average growth of 3.1% in Q3 2025 (chart 1). North Macedonia recorded annual growth of 3.8%, primarily driven by a significant increase in investment, particularly in construction and infrastructure. Albania also registered a growth of 3.8%, supported mainly by exports and public consumption. Montenegro's economic activity grew by 3.1%, fueled by domestic demand and real wage growth. Serbia recorded the region's lowest growth at 2.0%, due to a decline in investment and a widening the trade deficit. Overall, this pace of growth indicates the region's resilience. However, geopolitical tensions, trade barriers, and exposure to fluctuations in the euro area economy make the region vulnerable to external shocks. Uncertainties stemming from global trade policies, combined with domestic factors including political uncertainty, continue to pose additional risks to the medium-term growth outlook. The IMF's October 2025 projections also suggest the Western Balkan region is expected to achieve average economic growth of 3.1% in 2025 and 3.4% in 2026. **Inflation in the Western Balkan countries accelerated from 3.7% in Q2 2025 to 4.1% in Q3 2025, driven primarily by rising food and service prices in an environment where wage growth pressure remained present.** The highest inflation rate was recorded in Montenegro at 4.7%, while Albania posted the lowest rate at 2.4%.

Chart 1. Economic growth and inflation in Western Balkans (Q3 2025)



Source: Respective statistical agencies.

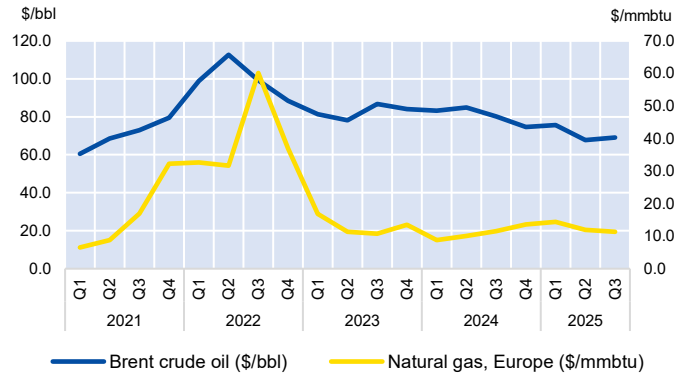
In Q3 2025, the euro exchange rate showed varied fluctuations against the currencies of its trading partners. Compared to the previous quarter, the euro appreciated against the Turkish Lira, the US Dollar, and the British Pound, while it depreciated against the Albanian Lek and the Swiss Franc. The euro exchange rate remained almost unchanged against the Macedonian denar.

2. Main commodity prices in international markets

Prices for basic commodities in international markets showed slight fluctuations during Q3 2025. The World Bank's Commodity Price Index registered an annual decline of 7.1%, influenced primarily by year-on-year decreases in energy prices and certain food categories. However, on a quarterly basis, slight inflationary pressures were evident, driven mainly by volatility in energy prices and increases in the prices of metals and minerals. Consequently, the World Bank's projection for the fall in commodity prices in 2025 was revised from -12.4% (in April) to -7.4% (in October). For 2026, the World Bank forecasts a further price decline of 6.8%. However, the outlook remains subject to high uncertainty, linked to geopolitical developments, global trade policies, and the trajectory of global economic activity.

The price of Brent crude oil averaged \$69.0 per barrel during Q3 2025, marking an annual decline of 13.9% (chart 2). On a quarterly basis, a slight increase of 1.8% was recorded, primarily driven by rising prices in June and a subsequent slower decline. This resulted from reduced exports from the Middle East and uncertainties surrounding global supply. However, faster-than-expected production increases from OPEC+ and high inventory levels in the US partially neutralized the upward price pressures. Looking ahead, a slowdown in global economic activity and increased production from OPEC+ are expected to exert downward pressure on oil prices. However, their trajectory remains exposed to potential risks, particularly from geopolitical and trade tensions and their implications for supply.

Chart 2. Oil and natural gas prices in international markets

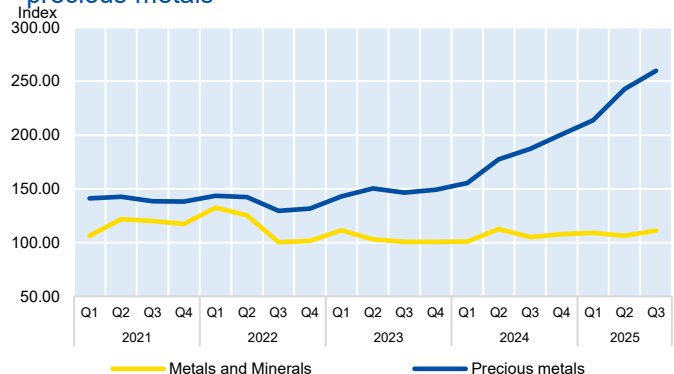


Source: World Bank.

Natural gas prices in Europe fell to an average of \$11.3 per mmbtu during Q3 2025, marking a year-on-year decline of 1.8% and a quarterly decline of 4.9%. This drop was dictated by lower demand from the energy sector and an increase in liquefied natural gas (LNG) exports to Europe. These developments were partly driven by an escalation of trade tensions between Asia and the United States, including the imposition of tariffs, which led to a redirection of LNG exports towards the European market. As of November, natural gas prices are estimated to have risen by 13.9%, exceeding the World Bank's 2025 forecast of 10.4%. For 2026, a decrease of 10.7% is projected.

The metals and minerals price index in Q3 2025 recorded an annual increase of 5.6% and a quarterly increase of 4.4% (Chart 3), reflecting relatively stable economic activity in major economies. The increase was primarily supported by demand for aluminum, copper, and tin, driven by investments in expanding renewable energy infrastructure and other energy transition projects. Rising iron ore prices reflected increased steel production in China, although persistently low demand from the construction sector there continues to exert downward pressure on this category.

Chart 3. Price index of metals and minerals and precious metals



Source: World Bank.

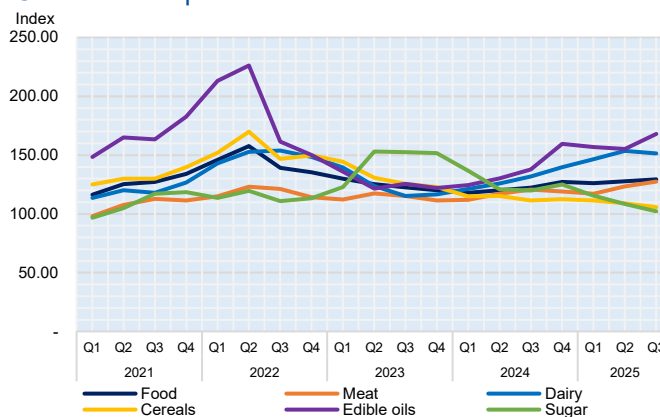
Meanwhile, nickel prices continued to fall due to an increase in global supply. According to the World Bank, metals and minerals prices are estimated to have increased by 3.9% as of November and are expected to remain largely unchanged in 2026. Downside risks are linked to the trajectory of global economic activity, particularly in China, while potential supply bottlenecks and increased potential demand from the electronics sector could exert inflationary pressures.

The precious metals price index in Q3 2025 recorded an annual increase of 38.8% (Chart 3), dictated by record gold prices, which increased by 39.5% year-on-year, silver by 34.2%, and platinum by 44.2%. In quarterly terms, this index rose by 6.9%, driven by investments in gold and silver as safe-haven assets and central bank gold purchases, in an environment characterized by geopolitical tensions and global uncertainty. Rising silver prices are also attributed to increased demand from energy transition projects, while platinum prices saw high gains due to constraints on global supply. Precious metals prices are estimated to have risen by 41.0% as of November, while a more moderate increase is forecast for 2026.

The FAO Food Price Index for Q3 2025 resulted in a year-on-year increase of 5.8%, driven by higher prices for oils, dairy, and meat compared to Q3 2024 (Chart 4).

Compared to the previous quarter, the index increased by 1.3%, influenced mainly by an 8.1% rise in oil prices and a 3.3% rise in meat prices. These developments were driven by high import demand for meat, which exceeded supply in international markets, as well as increased demand for vegetable oils from the biofuels sector. On the other hand, cereal and sugar prices declined in quarterly terms, primarily due to steady supply and favorable global production prospects. Similarly, a milder decline was seen in dairy prices, which remained largely unchanged during the quarter, as a result of softening demand in some major importing markets, such as Asia, and an increase in supply.

Chart 4. Food price index



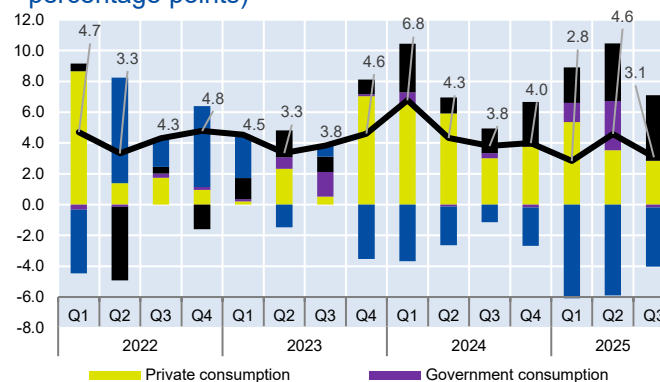
Source: FAO.

3. Kosovo's Economy

3.1. Economic growth

During Q3 2025, Kosovo's economy recorded a slowdown growth compared to the same period of previous year. According to the data from the Kosovo Agency of Statistics (KAS), real GDP growth reached 3.1%, down from 3.8% in Q3 2024 (Chart 5). This development reflects a moderation in the pace of economic activity, in an environment characterized by higher inflationary pressures. Economic growth during this period was primarily supported by domestic demand, albeit at more moderate rates. The highest contributions to GDP growth came from investments with +4.3 percentage points, private consumption with +2.8 percentage points. Trade Deficit: Narrowed compared to the first half of the year, due to a decline in services imports and a slower rise in goods imports. Meanwhile exports of goods continued a declining trend, while services exports recorded a slight increase.

Chart 5. GDP by expenditures, 2022-25 (in percentage points)

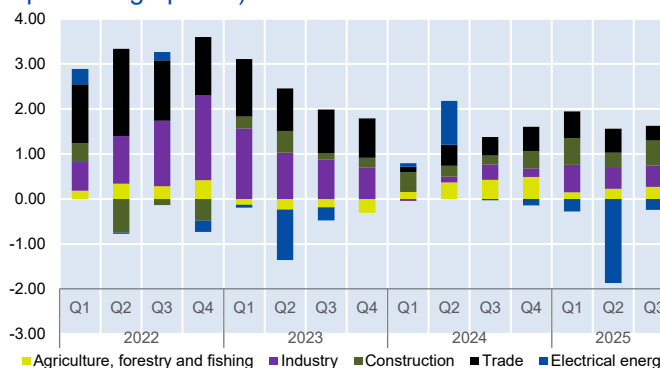


Source: KAS and CBK calculations.

Private Consumption continued to contribute positively to economic growth, albeit at a slower pace. In Q3 2025, private consumption grew by 4.2%, compared to 4.4% in Q3 2024. This slowdown is linked primarily to declining consumer loans and elevated inflation, which reached 4.5% during this period, negatively impacting consumers' purchasing power. Nevertheless, private consumption was supported by rising remittances and employee compensation. Public Consumption recorded a decline of 1.7%, compared to growth of 3.0% in Q3 2024, negatively impacting overall consumption.

Exports of Goods recorded an annual decline of 6.8%, compared to growth of 7.1% in Q3 2024. This decline was influenced mainly by weaker performance of base metals and mineral products, including electricity, reflecting both domestic production constraints and weaker external demand. Exports of Services grew by 4.0%, a lower increase compared to the 8.1% growth in Q3 2024.

Chart 6. GDP by main activities, 2022-25 (in percentage points)

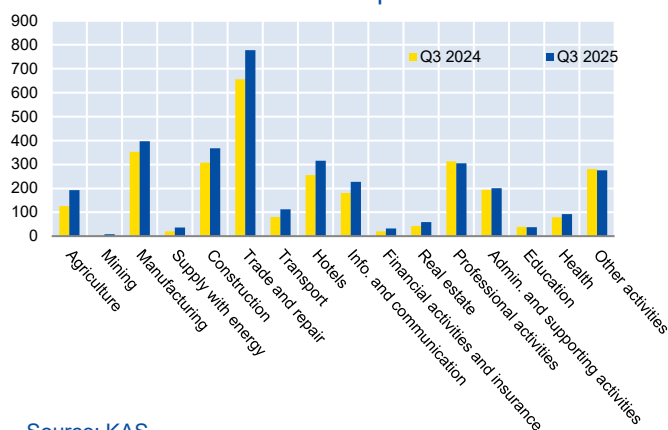


Source: KAS and CBK calculations.

Imports of Goods saw high growth of 11.9%, nearly double the 6.8% increase in Q3 2024. This rise reflects sustained domestic demand, although growth slowed compared to the first half of 2025. Imports of services fell by 5.1%, compared to a 12.4% increase in Q3 2024. Although transport and travel services continued to grow steadily, other services contributed to the decline in real growth of this component.

Economic activity in Q3 2025 was primarily supported by construction and industry, which contributed most to GDP growth. This development reflects a significant year-on-year increase in construction activity and expansion in processing industry, trade, and financial & insurance services, driven by robust local demand. The agriculture sector also contributed positively to economic growth. In contrast, the electricity supply sector continued to have a negative impact on economic activity due to declining production (chart 7).

Chart 7. Number of new enterprises



Despite the economic slowdown, business registrations was characterized with a significant increase. In Q3 2025, 3,437 new businesses were registered, 16.4% more than in Q3 2024. The sectors with the largest impact during this period were trade, manufacturing, hotels, and professional activities. Meanwhile, 278 businesses were closed, which is 27.9% fewer than during the same period in the previous year.

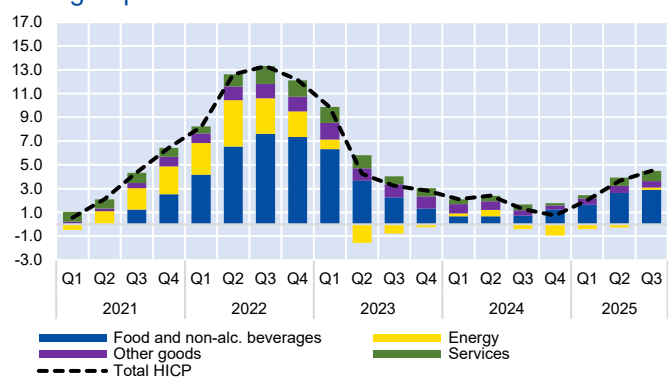
Source: KAS.

Overall, Q3 2025 was characterized by moderate economic growth, led by private consumption and investment, compared to the previous quarter where the public sector's role was more pronounced. However, the decline in goods exports and high growth in goods imports remain structural challenges for improving the trade balance and achieving sustainable economic growth. For the year 2025, the projections of the Central Bank of Kosovo (CBK) suggest an economic growth of 3.9%, with the main contributors being consumption, investment, and services exports, while imports are expected to have a negative impact on economic growth.

3.2. Prices

Inflation in Q3 2025 accelerated to 4.5% , from 3.7% in the previous quarter. This acceleration was driven by rising prices for food, electricity, and services, while the contribution of other goods remained unchanged (chart 8). An increasing trend was also evident in core inflation, influenced primarily by rising service prices.

Chart 8. Inflation by contribution of respective subgroups



Source: KAS and CBK calculations.

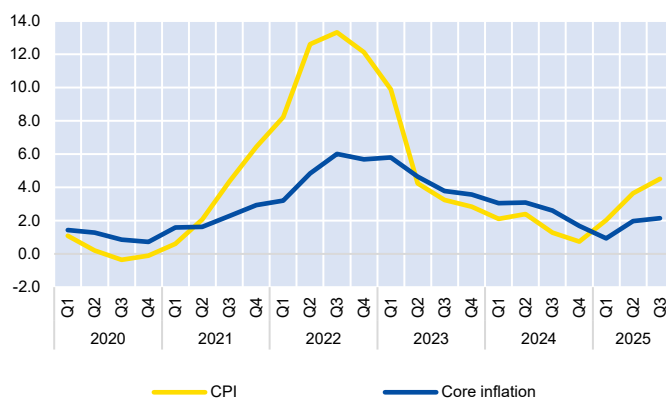
The annual increase in food prices accelerated to 9.1% in Q3 2025, compared to 8.0% in the previous quarter, reflecting the impact of international developments via the import channel. According to the import price index, prices for animal and vegetable products rose by 8.0% and 2.4%, respectively. In the domestic market a more pronounced increases were recorded for fruits (13.9%), meat (12.4%), vegetables (8.7%), edible oils (8.4%), and dairy products (7.8%). An additional impact on the increase in food prices was also driven by the rise in agricultural production costs of 2.4%. Consequently, inflationary pressures were evident in the agricultural and livestock production price indices, which rose by 8.2% and 3.0%, respectively.

Fuel prices recorded an annual decline of 4.2%. However, on a quarterly basis, they increased by 1.9%, reflecting developments in international markets. On the other side electricity prices showed a sharp annual increase of 17.0%, due to tariff hikes implemented in 2025. Other fuel prices continued to fall year-on-year, but the rate of decline slowed to -3.2% (from -4.7% in the prior quarter), as a result of the approaching winter season.

Contribution of food increased on the average inflation rate at 2.4 percentage points, against the increase of 2.1 percentage points in the previous quarter. The main contributors within food inflation were meat (+0.8 pp), dairy (+0.4 pp), and fruits, vegetables, bread & cereals (each +0.3 pp). The contribution of energy resulted with +0.2 pp, moving into positive territory after four quarters of negative contribution. This shift was influenced almost equally by the slower decline in oil prices and the increase in electricity tariffs. The contribution of other goods remained almost unchanged, while the contribution of services expanded by 0.2 pp, primarily as a consequence of the price increase of touristic packages, gastronomic services, and transportation.

The increase of inflationary pressures was reflected also in the core inflation, resulting at 2.1 percent in Q3 2025 (chart 9). Although food prices are excluded from the core inflation index, their effect was evident through rising prices for gastronomic services, which were a primary contributor to core inflation. The upward trend in core inflation also reflects price increases in transport services, health services, recreational and cultural services, education, and communication services. Conversely, a moderating effect on core inflation came from the slower growth in prices for clothing, furniture, housing, and other goods and services.

Chart 9. Core and headline inflation of consumption



Source: KAS and CBK calculations.

The origin of inflationary pressures in Q3 2025 reflects a combination of external and domestic factors. External Pressures: Food and energy were the main drivers of inflation. Dependence on imports meant that rising trends in international markets translated into imported inflation contributing 3.5 percentage points to the overall rate. At the same time, increases in electricity prices and services contributed to the expansion of domestic inflation by 1.0 p.p.

The import price index recorded a slight annual decline of 0.2% in Q3 2025. Increases were evident in prices for imported animal products (8.0%), vegetable products (2.4%), and prepared foods, beverages, and tobacco (2.6%). Declines were recorded despite international market trends for edible oils 2.7% and base metals 4.7%, as well as in imported mineral products by 2.2%. An annual decline was also marked in the prices of mineral products of 2.2%.

Producer Price Index marked an annual increase of 5.5% in Q3 2025. Main drivers resulted to be prices of electricity with 20.8%, food product processing with 3.1%, non-metallic mineral product manufacturing with 0.4%, and furniture manufacturing with 7.8%. Whereas a price decline was observed in the extractive industry, rubber and plastics, and beverages.

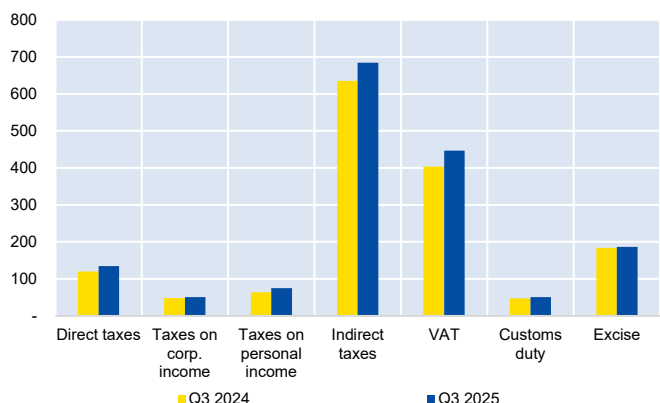
The construction cost index showed a slowed annual increase of 3.6% in Q3 2025. Its trajectory was primarily determined by construction material prices, which rose by 2.9%. Wages also continued to exert upward pressures in this sector, alongside electricity, transport, and other operating costs. A decline was observed in machinery prices.

As of November, the annual inflation rate stood at 3.7%. According to the Central Bank of Kosovo (CBK) forecasts the year of 2025 is expected to close with an average inflation rate of around 3.8%, whereas the year of 2026 is projected to be slowdown to 3.4%. This deceleration is expected to be supported by the decline projection in international commodity prices and the base effect. Primary Risks to this projection are linked to potential supply shocks for food and energy goods in case of escalating geopolitical tensions and adverse climatic conditions, and the widening of inflationary pressures from electricity tariff increases into the prices of domestic goods and services.

3.3. Fiscal Sector

The fiscal sector recorded a growth during Q3 2025, both in revenues and in budgetary expenditures. Primary budget revenues¹ reached net value of EUR 892.5 million, marking an annual increase of 7.8%. Also budget expenditures² increased by 7.3%, reaching a value of EUR 809.7 million. As a result, the primary budget surplus for Q3 2025 reached EUR 115.7 million.

Chart 10. Tax income by categories, EUR million



Source: MFLT.

Tax revenues in Q3 2025 reached EUR 798.5 million, marking an increase of 10.3 percent compared with Q3 2024. During this period, the two main categories of tax revenues—direct taxes and indirect taxes—recorded positive trends. Revenues from direct taxes increased by 12.2% , reaching EUR 134.5 million. Within this category, revenues from corporate income tax rose by 5.8% , while revenues

¹ Within budget revenues are not included receipts from borrowings among the countries.

² Within budget expenditures are not included financing payments.

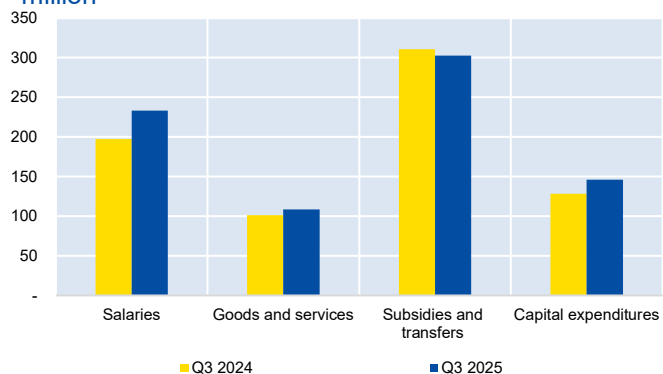
from personal income tax recorded a higher increase of 17.1% , reflecting the low comparative base of the previous year. Property tax revenues increased by 10.5%.

Indirect taxes, which account for the largest share of total tax revenues, increased by 7.7% compared with the same period of the previous year. Within this category, value-added tax (VAT) revenues dominated, increasing by 10.5% to reach EUR 446.2 million. This growth was mainly supported by a nominal increase in imports of 8.6% , as well as a 5.1% increase in private consumption. Following VAT, revenues from customs duties increased by 7.7%, reaching EUR 51.1 million. According to Customs reports, this increase is associated both with the growth in import values and with reforms undertaken to combat customs fraud and informality. Meanwhile, excise tax revenues recorded a modest increase of 1.6% and reached EUR 186.6 million (chart 10), reflecting the structure of imports during this period, including slower growth in imports of excise-subject goods.

Non-tax revenues declined by 9.8%, reaching EUR 92.5 million. Within this category, revenues from the central government decreased by 12.1% to EUR 47.5 million, while revenues from local government increased by 24.4%, reaching EUR 22.1 million.

Regarding budget expenditures, current expenditures increased by 5.9%. Within this category, wage expenditures rose by 1.6%, reaching EUR 197.3 million. Expenditures on goods and services, including municipal expenditures, increased by 7.6% and reached EUR 107.6 million. Meanwhile, expenditures on

Chart 11. Budget Expenditures by categories, EUR million



Source: MFLT.

subsidies and transfers declined by 2.6%, reaching EUR 302.6 million. The high base from the previous year is the main explanatory factor for this decline, as the overall level of expenditures in this category remains high. Capital expenditures increased by 14.0% compared with the same period of the previous year, reaching EUR 146.0 million (chart 11).

The public debt-to-GDP ratio increased to 16.0% in Q3 2025, compared with 15.5% in Q3 2024. This slight increase resulted from the growth of external public debt, while domestic public debt declined. In absolute terms, public debt amounted to EUR 1.77 billion in Q3 2025, recording an increase of 8.8% compared with Q3 2024. External public debt increased by 22.1%, reaching EUR 849.4 million, while domestic public debt decreased by 11.0%, reaching EUR 921.2 million.

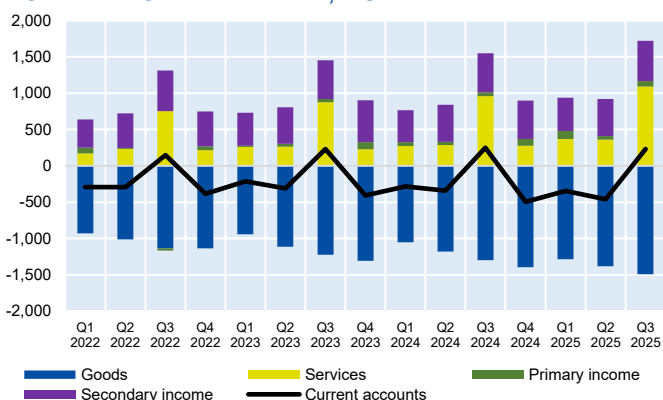
External public debt includes financial obligations to international institutions, such as the International Development Association (32% of external debt), the International Monetary Fund (20%), the European Union (12%), and the International Bank for Reconstruction and Development (8%), among others. Domestic public debt mainly consists of Government of Kosovo liabilities (securities) held by pension funds (41%), commercial banks (25%), and public institutions (24%).

3.4. External Sector

Unlike the dynamics of the first half of 2025, the current account in Q3 2025 recorded a positive balance of EUR 230.7 million, but with an annual decline of 6.7% (chart 12).

This development is mainly related to the increase in the merchandise trade deficit, which continues to be the key determining factor of the current account. The negative impact from goods trade was offset by the positive performance of other components, resulting in an overall positive balance. In particular, the services balance—mainly supported by travel services—together with primary and secondary income, contributed to maintaining a positive current account balance.

Chart 12. Current account, EUR million



Source: CBK.

The merchandise trade deficit widened by 13.2%, reaching EUR 1.6 billion (chart 13). This widening primarily reflects higher imports, which reached EUR 1.9 billion, driven by increased domestic demand. On the other hand, exports remained at a low level, amounting to EUR 245.8 million and covering only 13.1% of imports. This unfavorable ratio indicates the economy’s high dependence on imports and limited export capacities, exposing it to international price fluctuations and external risks.

Goods exports recorded a slight decline of 0.5% in Q3 2025, mainly due to weak performance in several key categories, including mineral products and base metals (chart 14). Mineral products declined by 20.2%, contributing negatively by 2.8 percentage points to overall export performance, mainly as a result of reduced electricity exports. Base metals declined by 11.1%, contributing -2.5 percentage points to total exports, reflecting weaker external demand and domestic production challenges. In contrast, food products, plastic products (including rubber), and vegetable products contributed positively, partially mitigating the overall decline in exports. From a geographical perspective, the Western Balkans remains the main trading partner, accounting for 48.1% of total exports, with Albania and North Macedonia as the main destinations. EU countries account for 32.6% of total exports, with Germany as the main destination. This structure indicates a strong reliance on the regional market, while also highlighting potential for expansion and integration into global supply chains.

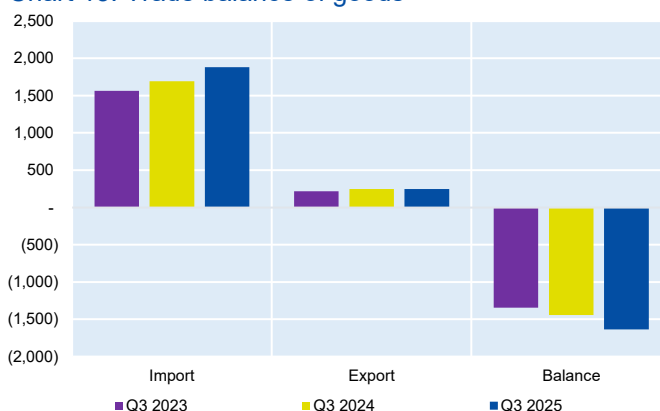
Imports of goods increased by 11.2%, reaching EUR 1.9 billion, driven mainly by higher volumes of imported goods reflecting increased domestic demand. Growth was concentrated primarily in consumer goods (14.7%) and intermediate goods (10.6%), while capital goods remained unchanged. By major categories, imports of mineral products contributed 2.5 percentage points, mainly due to increased electricity imports.

The transport equipment category contributed significantly to this increase with 2.1 percentage points, influenced by the reduction of customs tariffs on vehicles imported from South Korea. In addition, imports of food items contributed 1.0 percentage point, driven by stable consumer demand (chart 15). Geographically, EU countries accounted for around 42.3% of total imports, followed by China with 14.9% and regional countries with 13.1% of imports.

The balance of services reached EUR 1.1 billion, recording an annual increase of 14.0% (34.9% of GDP).

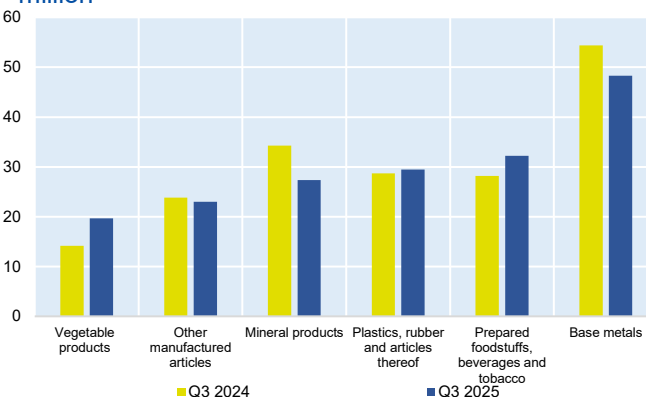
Exports of services reached EUR 1.7 billion, increasing by 9.0%, mainly supported by travel services, which rose by 8.0% to EUR 1.4 billion, reflecting higher numbers of travelers and visits from the diaspora. On the other hand, imports of services reached EUR 563.0 million, recording a modest increase of only 0.3%. Within this category, imports of travel services increased by 6.6%, while transport services

Chart 13. Trade balance of goods



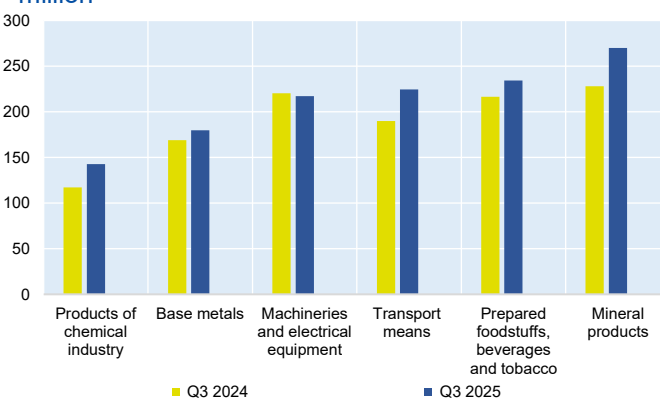
Source: KAS.

Chart 14. Main categories of exported goods, EUR million



Source: CBK.

Chart 15. Main categories of imported goods, EUR million

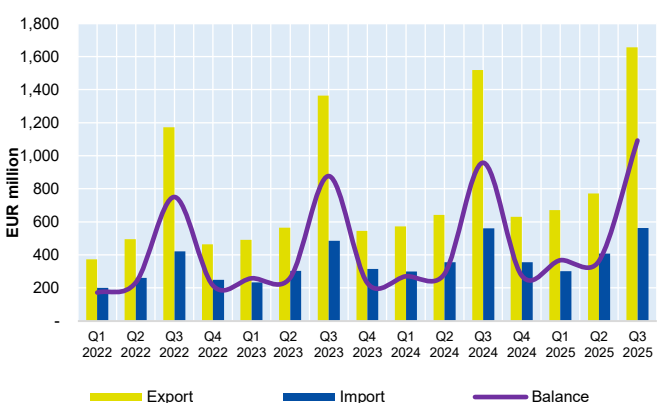


Source:

major categories, imports of mineral products contributed 2.5 percentage points, mainly due to increased electricity imports.

significantly to this increase with 2.1 percentage points,

Chart 16. Balance of services



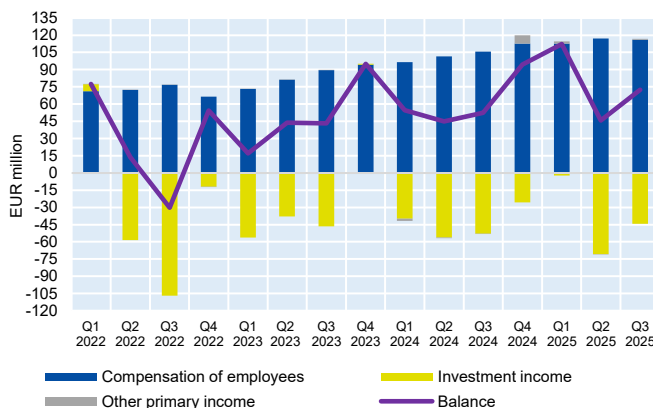
Source: CBK.

reflecting higher numbers of travelers and visits from the diaspora. On the other hand, imports of services reached EUR 563.0 million, recording a modest increase of only 0.3%. Within this category, imports of travel services increased by 6.6%, while transport services

increased by 5.4%. The large gap between service exports and imports resulted in a positive services balance (chart 16), with the role of the diaspora being particularly significant.

The primary income balance recorded a notable improvement, reaching EUR 72.5 million, or an increase of 38.4% compared with the same period of the previous year (chart 17). This development mainly reflects continued growth in compensation of employees, which increased annually by 9.6% to EUR 115.8 million. This increase indicates intensified participation of resident labor in foreign labor markets, contributing to higher inflows and stabilization of the current account. In contrast, the investment income balance remained negative at EUR 44.3 million, mainly due to reinvested earnings by foreign investors.

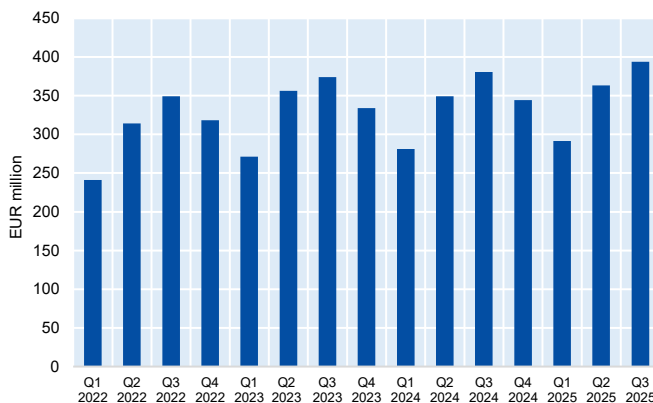
Chart 17. Balance of primary income



Source: CBK.

Remittances in Q3 2025 reached EUR 393.7 million (12.6% of GDP), recording an increase of 3.4% (chart 18). Moreover, this trend accelerated compared with the previous year, when growth was only 1.8% in Q3 2024, mainly supported by higher numbers of travelers and diaspora visits during this period. Growth was recorded in both formal channels, which increased by 3.7%, and informal channels, which increased by 2.9%. Germany and Switzerland continue to be the main sources of remittances (55.4% of the total), followed by the United States and other EU countries. However, given that the majority of remittances received in Kosovo originate from EU countries, developments in the economic activity of these countries, as well as increased uncertainties, including geopolitical and trade tensions, represent important factors for future growth trends.

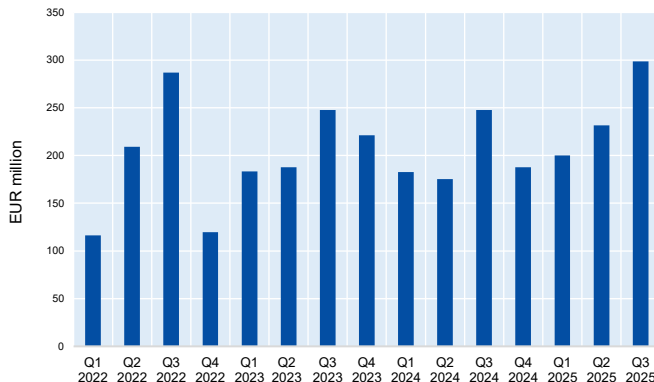
Chart 18. Remittances



Source: CBK.

Foreign direct investments (FDI) reached EUR 298.7 million in Q3 2025, recording an annual increase of 20.6% (chart 19). FDI was mainly concentrated in the real estate sector, which accounted for 75.8% of total FDI and reached EUR 226.5 million. Growth was largely driven by diaspora demand and rising real estate prices in the country. In addition, increased FDI was recorded in financial activities, insurance, trade, and mining. Meanwhile, direct investments by Kosovo residents abroad reached EUR 106.6 million, almost double compared with the same period of 2024, reflecting increased interest in investments in regional countries and capital diversification.

Chart 19. Foreign Direct Investments

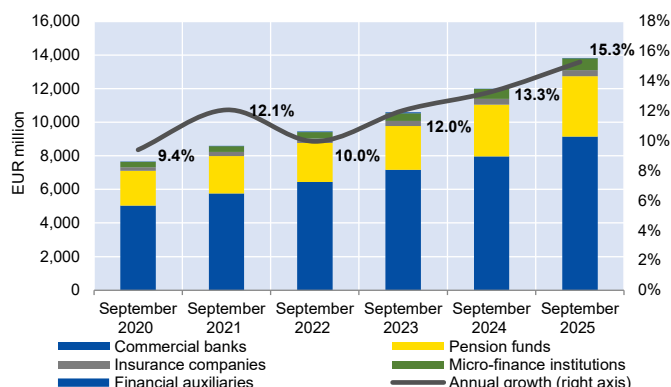


Source: CBK.

4. Financial system

The financial system recorded accelerated annual growth for the third consecutive quarter of 2025. The value of financial system assets reached EUR 13.82 billion, recording annual growth of 15.3%, compared with 13.3% in the same period of the previous year (chart 20). The dynamics of developments by sector remained the same as in the first part of the year; the banking sector and financial auxiliaries recorded accelerated annual growth, while pension funds, the insurance sector, and the microfinance and non-bank financial sector slowed their annual growth rates.

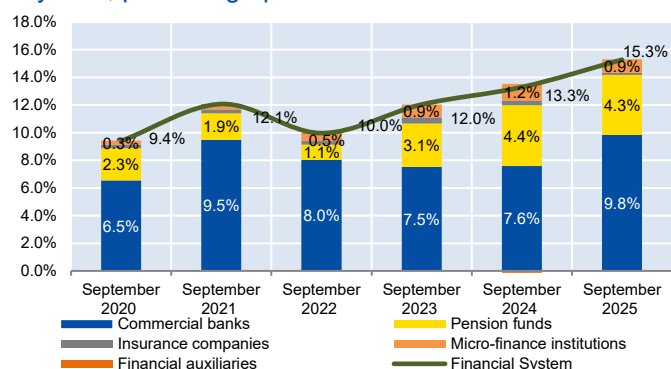
Chart 20. Assets value of Kosovo's financial system



Source: CBK.

The development of the financial system continues to be mainly supported by the banking sector, which accounted for around two-thirds (66.2%) of total system assets by September 2025 (chart 21). Pension funds, as the second-largest sector by weight in the system, recorded slower annual growth of 16.9%, down from 17.7% in the previous year, mainly as a result of the high base from last year. Nevertheless, their share in total system assets increased to 26.1%, or by 0.4 percentage points compared with a year earlier. Similarly, the insurance sector and the microfinance and non-bank financial sector slowed their growth pace, recording growth of 5.7% and 18.6%, respectively, compared with 12.5% and 27.5%. However, the microfinance and non-bank financial sector managed to slightly increase its share in the system due to its relatively higher growth rate, expanding to 5.1% from 4.9%. Meanwhile, the insurance sector recorded a decline in its share by 0.2 percentage points, falling to 2.6%. The financial auxiliaries sector continued to grow at an accelerated pace, as in the rest of the year, recording growth of 26.1%. This development follows a sharp decline of 63.4% in the previous year, which resulted from the reclassification of two operators from the financial auxiliaries category to the microfinance and non-bank financial institutions category. Nevertheless, due to its small weight within the financial system, this sector's contribution to overall growth remained minimal.

Chart 21. Contribution to assets growth of financial system, percentage points

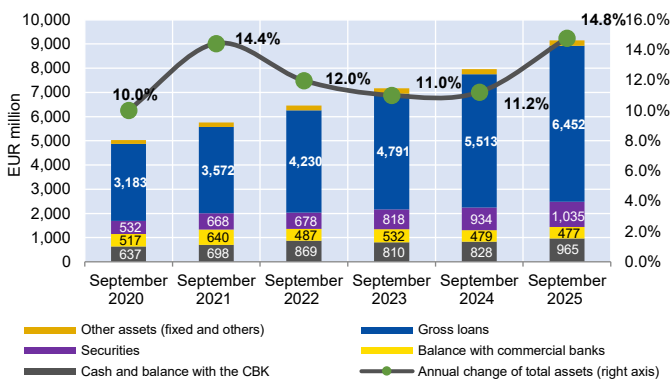


Source: CBK.

4.1. Banking Sector

Assets of the banking sector reached EUR 9.14 billion, recording an accelerated annual growth of 14.8 percent, compared to 11.2 percent in September of the previous year (Chart 22). This acceleration was driven mainly by the expansion of lending, as the sector's core activity, accounting for 70.6% of total assets. A positive contribution was also made by cash and the balance with the CBK, which increased by 16.6% from 2.2% a year earlier. Meanwhile, the category of securities was characterized by annual growth of 10.8% , slowing by 3.4 percentage points compared to September of the previous year. This development reflects a slowdown in investments in foreign securities to 10.1% , from 21.2% growth a year earlier. In contrast, investments in domestic securities recorded accelerated growth of 13.5% , following a decline of 5.4% in the previous year. The only item characterized by contraction was the balance with commercial banks, recording a decline of 0.3% compared to an increase of 10.1% in the previous year.

Chart 22. Balance sheet of the banking sector - assets



Source: CBK.

In Q3 2025, the stock of total loans reached EUR 6.45 billion, recording accelerated annual growth of 17.0%, up from 15.1% in September of the previous year (chart 23). In quarterly terms, however, the growth rate slowed by 2.3 percentage points. These developments reflect strong growth in new lending in the first quarter of this year, in contrast to the second and third quarters, when new loans were characterized by a quarterly decline.

According to the Bank Lending Survey for Q3 2025, as in the previous quarter, the slowdown in credit growth reflects, among other factors, a tightening of credit supply for both households and non-financial corporations. More specifically, credit supply tightened to some extent for households overall, both for housing loans and for personal/consumer loans. For enterprises, the tightening was slightly more pronounced for large firms. Regarding terms and conditions, tightening was reported in interest rates and average loan size for both segments, while for the household segment tightening was also reported in loan maturity. The main factors determining the tightening of credit supply were banks' lower risk tolerance, access to overall funding, constraints in banks' capacity, and perceptions regarding the economic outlook in the domestic market.

Credit demand showed mixed developments across segments. For households, demand remained largely unchanged, characterized by a moderate decline in personal/consumer loans.

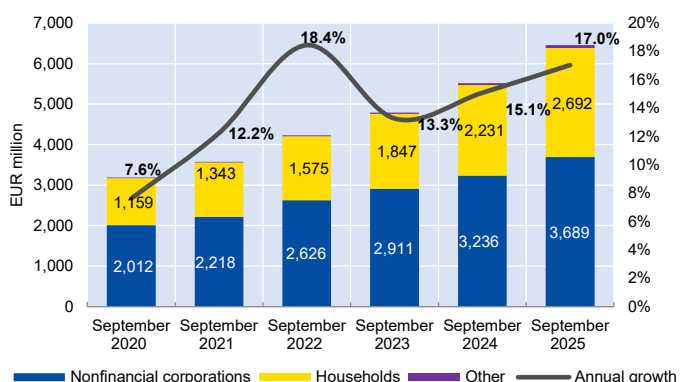
Meanwhile, in the enterprise segment, demand increased to some extent for SMEs, while it remained largely unchanged for large enterprises. The main factors affecting credit demand were inventory financing and working capital for enterprises, while for households consumption expenditures played a key role. In Q4 2025, banks expect an easing of credit standards for both segments. Credit demand is expected to be higher from enterprises, while for households it is expected to remain at levels similar to the current quarter.

Portfolio data show that annual growth in total loans has been supported almost equally by the two main segments: non-financial corporations and households (chart 24). Loans to non-financial corporations continue to dominate the structure of total loans, with a share of 57.2%. However, their share has gradually declined over the past five years in favor of the household segment, reflecting market orientation toward expanding lending to individuals and real estate.

The expansion of lending activity is also reflected in the accelerated growth in the number of new borrowers. According to the Credit Registry, the number of new borrowers during the period January–September 2025 reached 18,752 individuals, an increase of 13.3%, compared with 5.0% in the same period of the previous year, indicating further deepening of financial intermediation.³

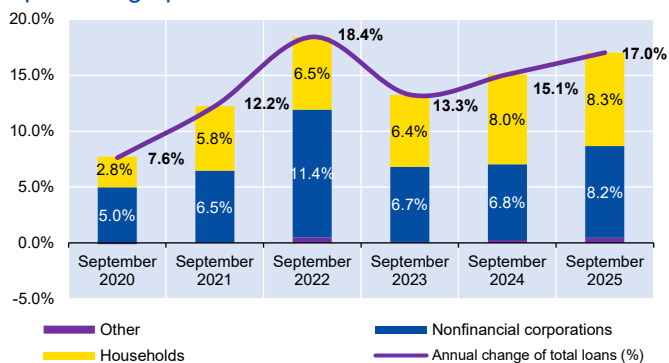
Loans to non-financial corporations reached EUR 3.69 billion, with accelerated annual growth of 14.0%, compared with 11.2% in September of the previous year. In quarterly terms, however, a decline in lending was recorded, influenced by a reduction in new loans. The dynamics of annual growth in total loans to non-financial corporations were driven by an increase in new investment loans, while non-investment loans declined for the second consecutive year. Total new loans disbursed to non-financial corporations up to Q3 2025 reached EUR 1.10 billion, recording annual growth of 13.0%, up from 5.5% in the previous year. Within new loans, investment loans increased by 25.9%, compared with 19.3% in the previous year. Meanwhile, new non-investment loans declined by 5.6%, from 12.5%. **In quarterly comparison, the stock of total loans to non-financial corporations declined by 0.4%, as a result of the decrease in new loans for the second**

Chart 23. Stock of total loans, annual change



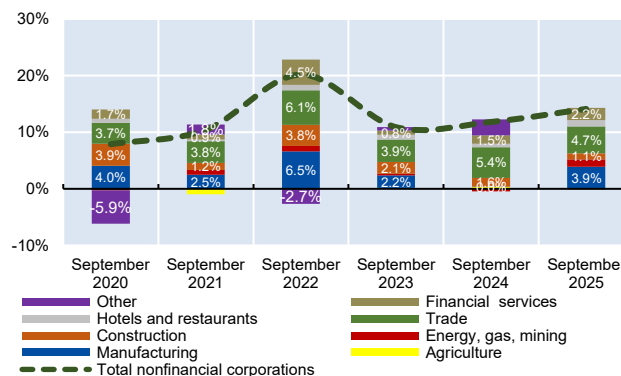
Source: CBK.

Chart 24. Contribution to the growth of total loans, in percentage points



Source: CBK.

Chart 25. Contribution to the growth of total lending to non-financial corporations, by economic activity



Source: CBK.

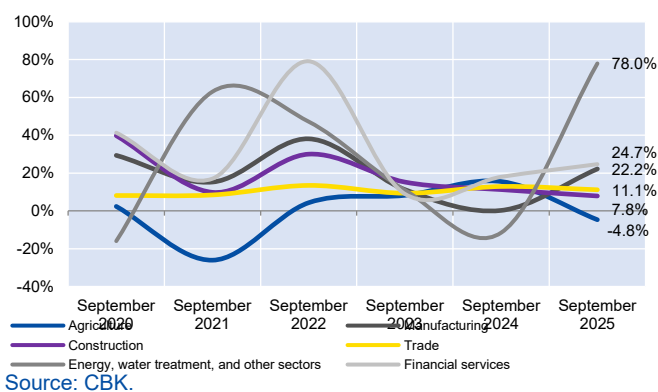
³ This refers to new borrowers recorded in the Credit Registry of Kosovo database.

consecutive quarter. More specifically, new loans to non-financial corporations fell by 11.9% compared with the previous quarter, driven by a 20.7% decline in new investment loans. On the other hand, non-investment loans increased by 9.7%, partially offsetting the decline in total new loans from the previous quarter.

Lending activity to non-financial corporations was characterized by heterogeneous developments across economic sectors.

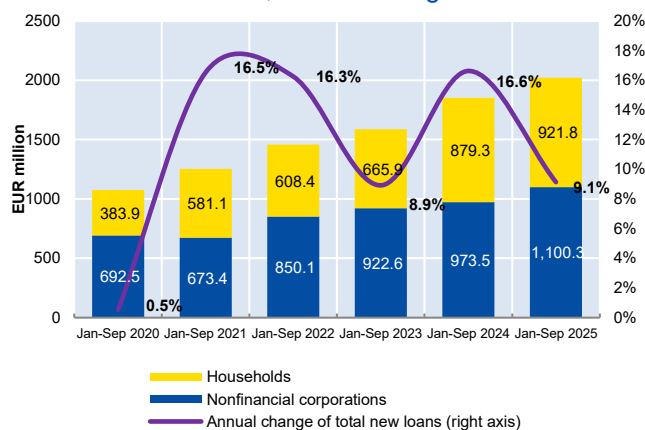
More specifically, in the trade sector, the annual growth rate of lending slowed to 11.1%, from 12.9% a year earlier. Nevertheless, trade remains the dominant sector in the loan portfolio, accounting for a share of 41.2%. In contrast, lending to the manufacturing sector recorded accelerated annual growth of 22.2%, up from only 0.2% in the previous year, thus becoming the second-largest contributor to the growth of total loans (chart 25). Similarly, lending to financial services also accelerated, recording growth of 24.7%, compared with 18.0% in the previous year (chart 26). The energy, water treatment, and related sectors also recorded an accelerated annual growth of 78.0%, following a decline of 11.6% in the previous year. This dynamic was driven by a sharp increase in lending to this sector in September of this year, as well as the effect of a low comparative base. By contrast, lending to the agriculture sector declined by 4.8%, compared with growth of 15.4% in the previous year. Developments in lending are also partly reflected in Tax Administration data on turnover by sector. Data for manufacturing and energy indicate accelerated growth in turnover, in line with lending developments up to Q3 2025, while in other sectors, turnover and lending followed different dynamics.

Chart 26. Annual change on loans to nonfinancial corporations, by economic activity



The stock of household loans reached EUR 2.69 billion, recording a slightly slowed down annual growth of 20.6%, compared to 20.8% in the same period of the previous year. The dynamics of loan growth to households were influenced by strong growth in new mortgage loans, with particular emphasis in the first quarter of the year, while in the third quarter the overall lending activity of households continued the slowdown which began in the second quarter of 2025. By September 2025, total new loans to the household segment reached EUR 921.8 million, recording a decelerated annual growth of 4.8%, down from 32.0% in September of the previous year. More specifically, new mortgage loans recorded growth of 38.1%, up from 27.3% a year earlier (chart 27). Meanwhile, new consumer loans recorded a decline of 1.9%, compared with growth of 35.5% in the same period of the previous year. **However, in quarterly comparison, new mortgage loans declined for the second consecutive quarter, contracting by 19.7% in Q3 2025. Similarly, unlike the growth recorded in the previous quarter, new consumer loans declined by 26.8%.**

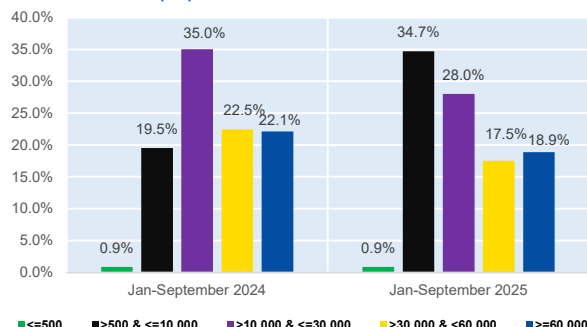
Chart 27. New loans, annual change



The strong annual growth of mortgage loans was also reflected in the maturity structure of the household loan stock, showing an increase in long-term loans. Specifically, loans with maturities of “over 10 years” increased their share to 37.8%, from 36.0% a year earlier, while other maturity categories of up to 10 years recorded a decline in their share of the total loan portfolio. Nevertheless, the dominant category remained that with maturities of “5–10 years,” accounting for 42.7% of the portfolio.

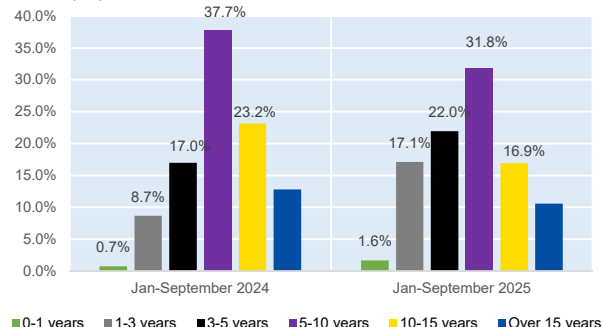
In contrast to developments in the loan stock, new loans showed a tendency toward a decline in average maturity and average disbursed amount. According to data from the Kosovo Credit Registry (KCR) database, the average maturity of new loans disbursed during the January–September 2025 period declined compared with the previous year, falling to 3.7 years from 5.0 years. These developments are in line with the results of the Bank Lending Survey in Kosovo, according to which banks have tightened lending conditions, including restrictions on the maturity of new loans to households. Meanwhile, the average value of new loans was EUR 7.2 thousand, similar to EUR 7.3 thousand in Q2 2025, but significantly lower compared with EUR 10.5 thousand in the third quarter of the previous year.

Chart 28a. New loans to households by the disbursed value in CRK (%)



Source: Credit Registry of Kosovo

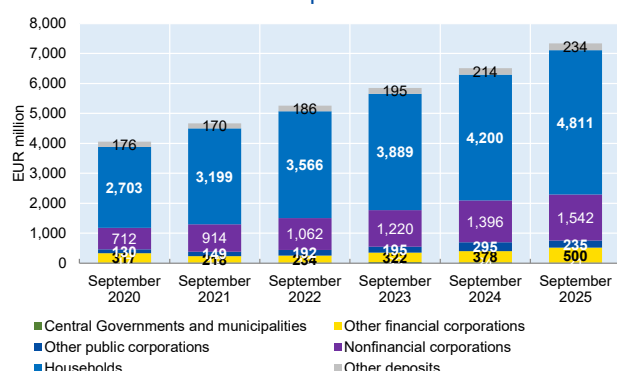
Chart 28b. New loans to households by maturity in CRK (%)



Source: Credit Registry of Kosovo

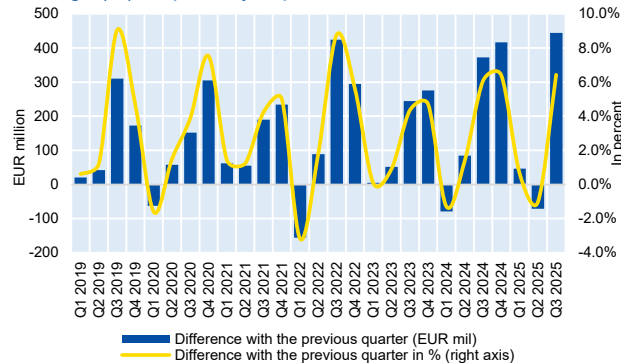
More specifically, in terms of the value of new loans disbursed during this period, 34.7% were in the range of “EUR 500–10 thousand,” positioning this as the dominant category. This represents a change compared with the same period of the previous year, when loans in the “EUR 10–30 thousand” range dominated, with a share of 35.0% (chart 28a). In terms of maturity, the main category remained that with maturities of “5–10 years,” representing 31.8% of total new loans, although its share declined by 5.9 percentage points compared with the previous year (chart 28b). Other categories with maturities over 10 years also recorded a decline in their share of new loans disbursed up to September 2025, while an increase was recorded in the share of loans with maturities of up to 5 years.

Chart 29. Stock of total deposits



Source: CBK.

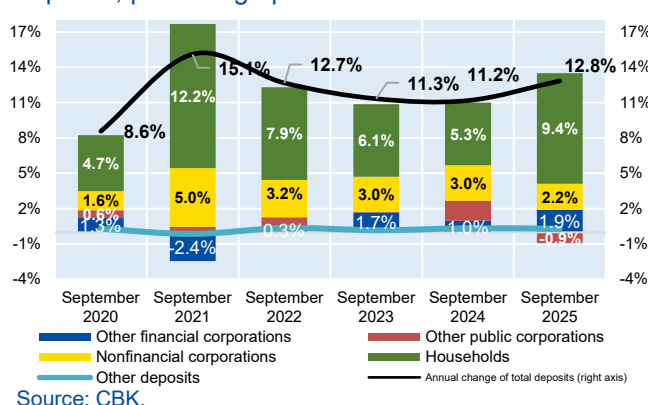
Chart 29a. Difference (EUR mil) and value change (%) of quarterly deposits



Source: CBK.

At the end of the third quarter of 2025, the stock of deposits in the banking sector reached EUR 7.34 billion, recording accelerated annual growth of 12.8%, up from 11.2% (chart 29). Compared with the previous quarter, deposits increased by 6.4%. The dynamics of quarterly deposit growth were in line with the characteristic seasonality of the second half of the year, which has historically been associated with a notable increase in deposits (chart 29a). Household deposits continued to be the main contributor to growth in the total deposit stock, supported by the accelerated growth rate and their high share of 65.5% of total deposits. By September 2025, the stock of household deposits reached EUR 4.81 billion, recording annual growth of 14.5%, up from 8.0% in the previous year. Meanwhile, deposits of non-financial corporations reached EUR 1.54 billion, recording decelerated annual growth of 10.4%, down from 14.4% in the previous year. Deposits of financial corporations, unlike in September of the previous year, recorded accelerated growth of 32.3% this year, compared with 17.4% in September 2024 (chart 30). On the other hand, deposits of public corporations were characterized by an annual decline of 20.4%, following growth of 51.6% a year earlier. The decline in public corporation deposits was mainly influenced by large depositors, particularly from the energy sector, under conditions of increased electricity imports. In September 2025, deposits accounted for 80.3% of total liabilities and equity of the banking sector, recording an annual decline of 1.4 percentage points, mainly as a result of the increased share of balances with commercial banks, own funds, and subordinated debt.

Chart 30. Contribution to annual growth of total deposits, percentage points

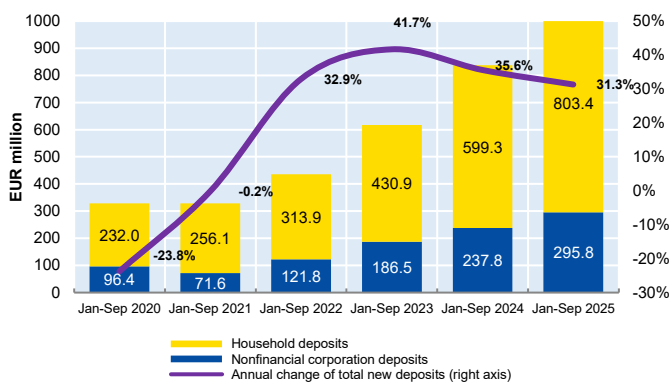


Source: CBK.

New deposits, which include only time deposits, reached EUR 1.10 billion by Q3 2025, recording decelerated annual growth of 31.3%, down from 35.6% a year earlier, due to the high base effect in the previous year.

This development was influenced by slower growth in new deposits across both segments—households and non-financial corporations. More specifically, the household segment recorded annual growth of 34.1%, down from 39.1% in September of the previous year, and remains the main contributor to the growth of total new deposits. Similarly, new deposits of non-financial corporations recorded slower growth of 24.4%, compared with 27.5% in the previous year (chart 31).

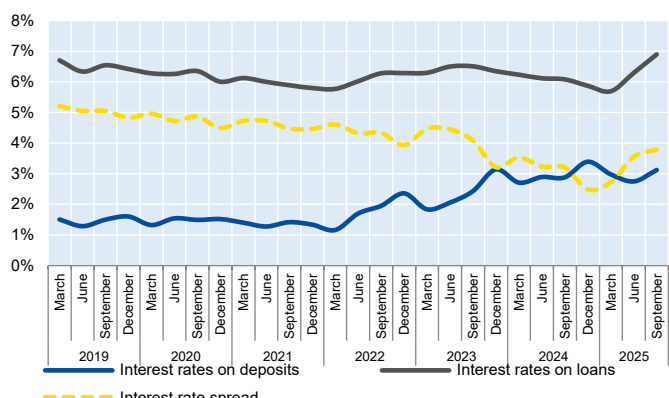
Chart 31. New deposits, annual change



Source: CBK.

The average lending interest rate in Q3 2025 continued the upward trend observed in the second quarter. Likewise, unlike in the previous quarter, the deposit interest rate also increased, reflecting intensified competition among banks for deposit-based funding. More specifically, in September 2025, the lending interest rate reached 6.9%, up from 6.3% in June 2025, representing an increase of 0.8 percentage points compared with September of the previous year. Meanwhile, the deposit interest rate reached 3.1%, up from 2.7% in June 2025 and 2.9% in September of the previous year. As a result of the stronger increase in lending rates relative to deposit rates, the loan–deposit interest rate spread reached 3.8 percentage points, an increase of 0.2 percentage points compared with the previous quarter and 0.6 percentage points compared with September 2024 (chart 32).

Chart 32. Interest rate on loans and deposits

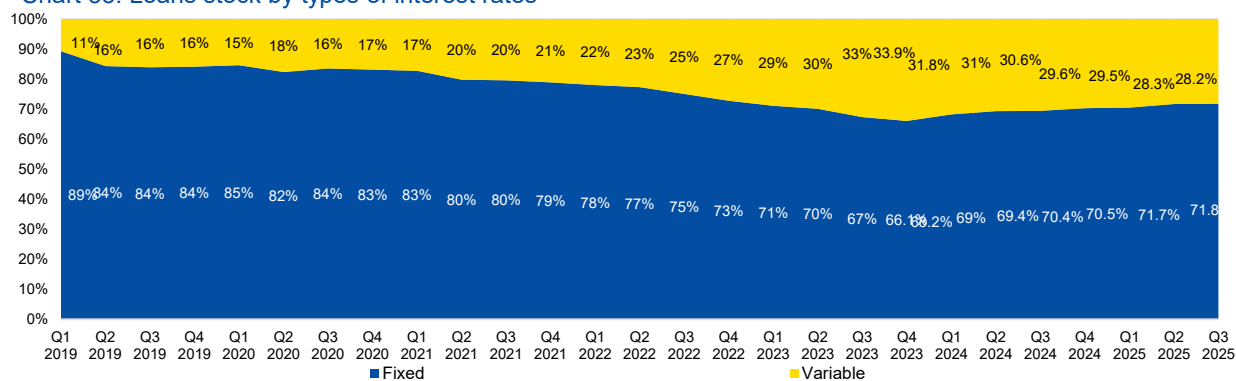


Source: CBK.

The structure of loans by type of interest rate continued to be characterized by a growing share of fixed-rate loans.

Specifically, in September 2025, the share of loans with fixed interest rates reached 71.8%, up from 69.4% in the same period of the previous year. Compared with the previous quarter, the structure remained almost unchanged, recording a marginal increase of 0.1 percentage point in the share of fixed-rate loans (chart 33).

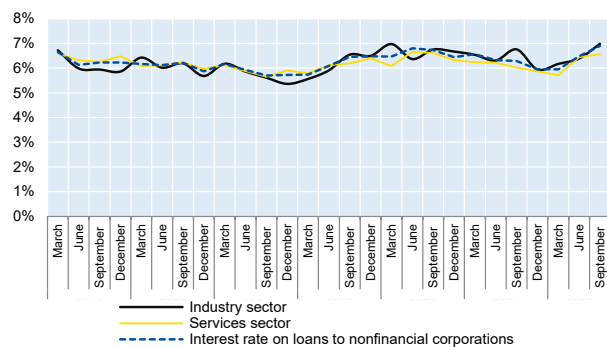
Chart 33. Loans stock by types of interest rates



Source: CBK.

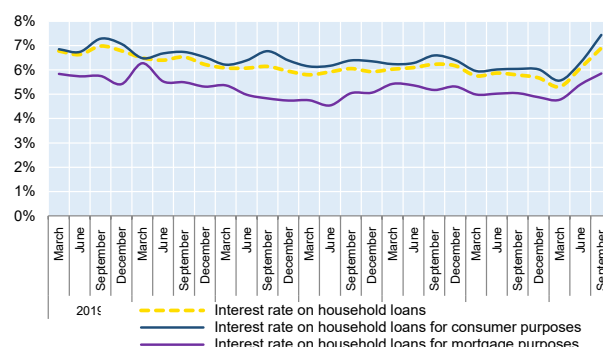
The average interest rate on loans to non-financial corporations reached 6.9%, increasing by 0.6 percentage points compared with the same period of the previous year and by 0.4 percentage points compared with June of this year. Within non-financial corporations, the average interest rate for the industrial and services sectors increased both year-on-year and compared with the end of the previous quarter, reaching averages of 7.0% and 6.6%, respectively (chart 34). According to the economic sectors, the largest increase was recorded in the agriculture sector, where the interest rate reached 8.9%.

Chart 34. Interest rate on loans to nonfinancial corporations



Source: CBK.

Chart 35. Interest rate on loans to households

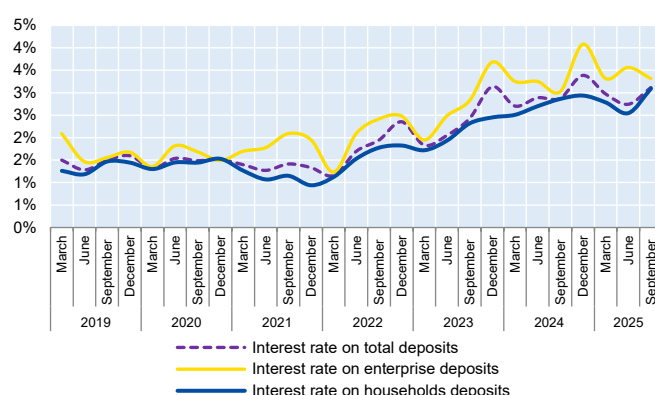


Source: CBK.

The average interest rate for households reached 6.9%, increasing by 1.1 percentage points compared with the previous year and by 0.8 percentage points compared with June of this year. Within the household segment, consumer loans recorded the most pronounced increase in interest rates, reaching 7.4%, up from 6.3% in June of this year and 6.0% in September of the previous year. Meanwhile, the interest rate on mortgage loans reached 5.8%, representing an increase of 0.8 percentage points compared with a year earlier and 0.4 percentage points more than at the end of the previous quarter (chart 35).

Regarding deposits, the average deposit interest rate for households reached 3.1%, recording an annual increase of 0.2 percentage points and an increase of 0.5 percentage points compared with June of this year (chart 36). For non-financial corporations, the average deposit interest rate recorded an annual increase of 0.3 percentage points, reaching 3.3%. However, compared with June of this year, this rate declined by 0.2 percentage points.

Chart 36. Interest rates on deposits



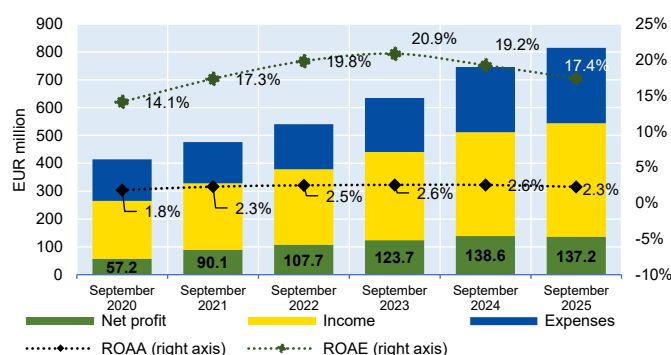
Source: CBK.

The net profit of the banking sector in Q3 2025 amounted to EUR 137.2 million, representing an annual decline of 1.0%,

compared to a growth of 12.1% one year earlier. This dynamic reflects slower growth in revenues relative to the increase in expenditures. Total revenues reached EUR 407.1 million, recording an annual growth of 9.1%, down from 17.7% a year earlier. The deceleration in revenues growth was mainly driven by interest income, which accounts for around 76.9% of total revenues and recorded growth of 11.2%, compared with 20.0% in the previous year. More specifically, interest income from loans increased by 12.9%, down from 23.9%, mainly as a result of slower growth in new loans compared with the previous year and the application of lower interest rates in the first quarter of this year, a period during which new lending expanded at a high pace. Income from investments in securities recorded accelerated growth of 43.8%, compared with 1.7% a year earlier. Meanwhile, income from placements with banks declined for the second consecutive year, falling to EUR 11.7 million from EUR 18.7 million in September of the previous year, mainly as a result of a decline in balances with commercial banks. Non-interest income—mainly fees and commissions—reached EUR 84.1 million by the end of September 2025, recording decelerated annual growth of 7.0%, down from 9.7% a year earlier, mainly due to a decline in other operating income of EUR 2.1 million.

Sector expenditures reached EUR 269.9 million, recording decelerated annual growth of 15.1%, compared with 21.3% in the same period of the previous year. This development was mainly influenced by the performance of general and administrative expenses, which slowed their growth rate to 8.1% from 19.5% and reached EUR 142.9 million. Interest expenses also slowed their annual growth to 32.4% from 43.9%, reflecting the high base of the previous year. By contrast, non-interest expenses recorded accelerated growth of 27.6%, compared with 9.0% in the previous year.

Chart 37. Profit and profitability indicators of the banking sector



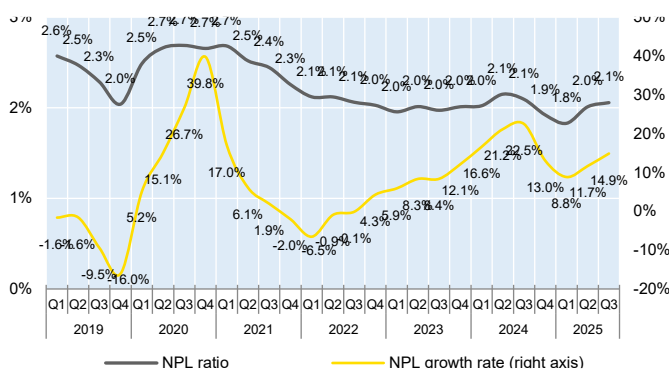
Source: CBK.

Profitability indicators declined compared to the previous year, as a result of faster growth in assets and capital relative to the profit. More specifically, the return on equity decreased to 17.4% from 19.2% a

year earlier, while return on assets recorded an annual decline of 0.3 percentage points, falling to 2.3% (chart 37).

The non-performing loans (NPL) ratio reached 2.1%, marking a marginal increase of 0.05 percentage points compared to the previous quarter, while remaining unchanged on an annual basis. This development compared to the previous quarter reflects the accelerated growth of non-performing loans relative to the slower growth of total loans (chart 38). Specifically, the value of non-performing loans reached EUR 132.3 million, recording an increase of 3.4% compared to June of this year, while total loans increased by only 1.1%. On the other hand, coverage with provisions for loan losses declined to 110.8% from 123.8% in the same period of the previous year and from 115.4% in June of this year. This decline reflects the slower pace of growth in provisions relative to the expansion of non-performing loans.

Chart 38. Annual change of NPL value and NPL to total loans ratio



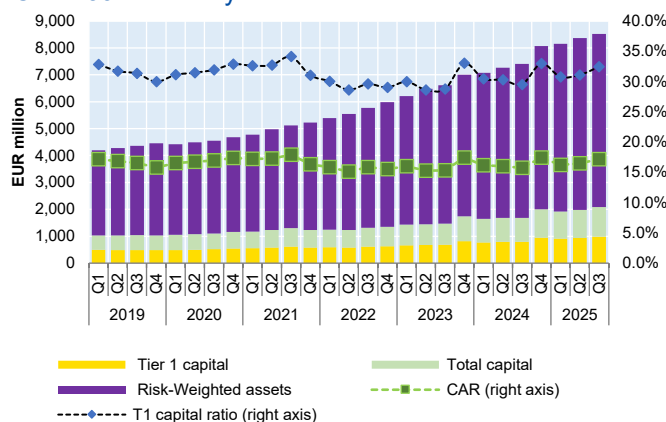
Source: CBK.

The NPL ratio continues to be lower for the household segment compared to non-financial corporations, while in both segments a slower annual growth of non-performing exposures was recorded, but an increase compared to the previous quarter.

More specifically, the NPL ratio for non-financial corporations was 2.5%, while for households it was 1.5%. Households were characterized by a slower annual growth of non-performing exposures, with an increase of 11.8% compared to 41.8% a year earlier, while on quarterly basis they recorded an increase of 8.3%. Non-financial corporations slowed the annual growth of non-performing exposures to 13.6% from 17.9% a year earlier, while compared to the previous quarter they recorded an increase of 1.5%. The main contribution to the increase in non-performing loans within non-financial corporations came from the trade sector, which reached a level of 2.2% from 1.5% in the previous year. However, this growth was mainly driven by specific developments in one institution and does not reflect the general dynamics of the sector. The communication sector ranked second in terms of contribution to the increase in non-performing loans, reaching a level of 3.1% from 1.2% in the previous year. Meanwhile, the construction and real estate sector recorded the largest decline in non-performing loans, a decrease of 16.4%, followed by agriculture with a decline of 12.1%. Consequently, the level of non-performing loans in the construction and real estate sector decreased by 0.8 percentage points to 2.6%, while in the agriculture sector it decreased by 1.2 percentage points to 6.3%.

The capital position, expressed through the regulatory capital ratio to risk-weighted assets, reached 17.2% from 15.7% in the previous year. Compared to the previous quarter, this indicator increased by 0.7 percentage points. This development reflects higher growth in capital relative to the growth of risk-weighted assets. Specifically, regulatory capital of the sector recorded an annual increase of 22.9% from 14.5% a year earlier, mainly supported by the growth of retained earnings as well as additions to core capital by several banks. Within the capital structure, 88.7% consists of Tier 1 capital, of which 66.3% is composed of retained earnings. Meanwhile, risk-weighted assets recorded growth of 12.5% from 11.4% a year earlier (chart 39).

Chart 39. Solvency indicator

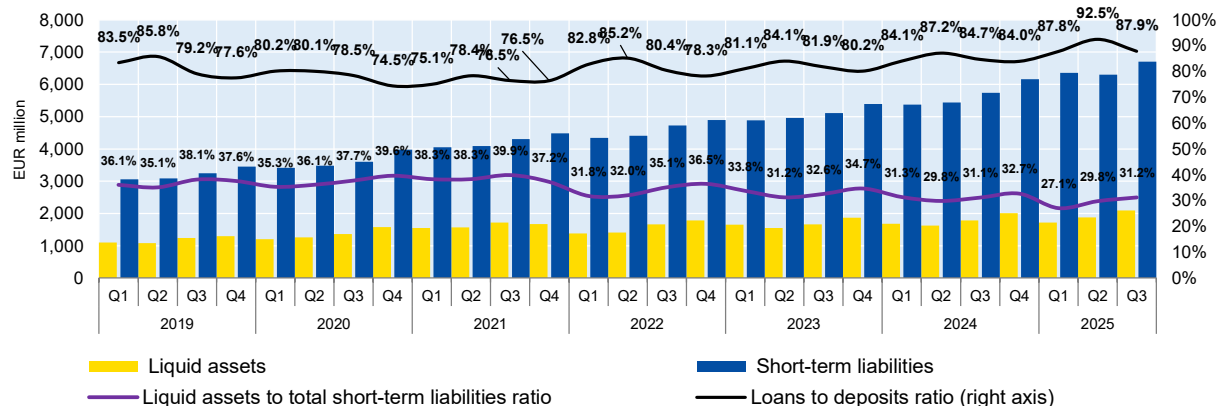


Source: CBK.

Liquidity and funding indicators strengthened in Q3 2025, in contrast to the declining trend in the first part of the year. The liquidity coverage ratio (LCR) reached 235.6% in September 2025, marking an increase of 24.2 percentage points compared to the previous year and 61.0 percentage points compared to the previous quarter, indicating that banks hold sufficient liquid assets to meet cash outflows over a 30-day stress period. At the end of September 2025, excess liquidity was 18.3% higher than a year earlier, while net liquidity outflows were 6.2% higher over the same comparative period. The net stable funding ratio (NSFR) also increased, reaching 137.8% from 137.3% in September 2024, or an increase of 4.8 percentage points compared to June of this year. The levels of the LCR and NSFR liquidity indicators remain above the regulatory requirements of the Central Bank of Kosovo of 100%. The liquidity ratio—expressed as the ratio of liquid assets to short-term liabilities—increased to 31.2% from 31.1% a year earlier, and from 27.2% in June of this year. This resulted from a 21.1% increase in total liquid assets compared to a 5.4% increase in short-term liabilities

from the previous quarter. On the other hand, faster growth in lending relative to deposits led the loan-to-deposit ratio to reach 87.9% from 84.7% a year earlier (chart 40). However, on a quarterly basis, this ratio declined by 4.6 percentage points, as a result of accelerated deposit growth relative to the slowdown in lending.

Chart 40. Liquidity indicators



Source: CBK.

4.2. Pension sector

The pension sector recorded further expansion of assets, supported by both the increase in the value of gross investment returns and the growth in contributions. These developments reflect the gradual stabilization of global financial conditions, following a beginning of the year characterized by volatility and uncertainty in international financial markets, which had negatively affected investment returns.

At the end of September 2025, assets of the pension sector reached EUR 3.6 billion, recording an annual increase of 16.9% (chart 41). The dynamics of sector developments remain largely determined by KPST, which represents 99.7% of total assets and recorded an annual growth of 16.9%, down from 17.7% in September 2024. Meanwhile, SKPF recorded a more pronounced slowdown in its annual growth rate to 7.2%, from 14.2% in September 2024.

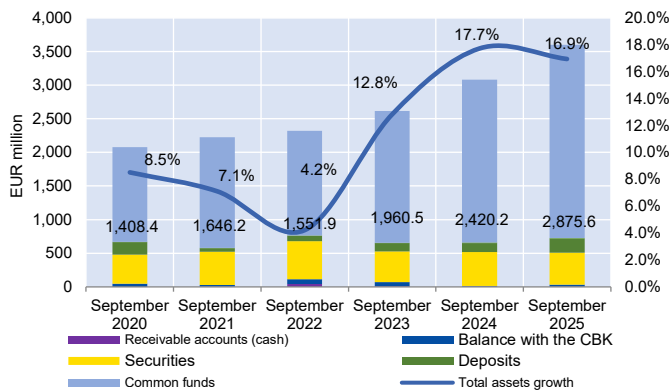
The investment portfolio of both pension funds remains concentrated in foreign markets. However, the growth rate of these investments slowed compared to the same period of the previous year. This dynamic was influenced by developments at the beginning of the year, when volatility and uncertainty in international financial markets increased demand for safer positioning, directing a larger share of investments toward the domestic market. This orientation was also supported by rising interest rates, as a result of increased demand by banks for deposits.

KPST invested 80.2% of its portfolio in foreign markets, recording annual growth of 18.8%, down from 23.1% in Q3 2024. Of these investments, 99.9% are allocated to mutual funds. Meanwhile, investments in the domestic market recorded a significant annual increase of 10.0%, compared to 1.2% in Q3 2024. Within the domestic market, securities continue to dominate, accounting for 66.1% of the portfolio.

On the other hand, SKPF held 78.7% of its assets in foreign markets and 21.3% in the domestic market. Investments in the domestic market recorded a substantial increase of 62.7%, compared to 1.9% in Q3 2024.

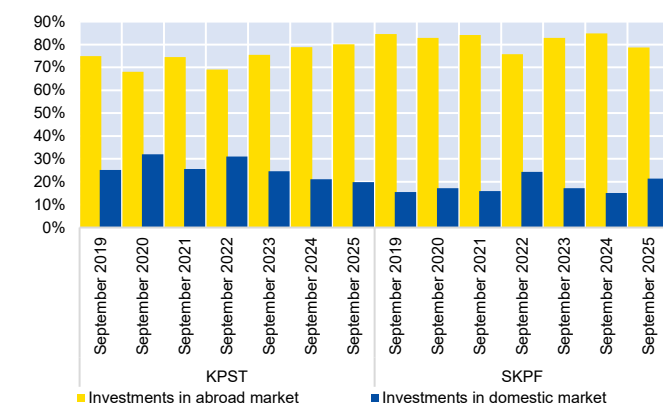
KPST recorded an increase in the value of accumulated gross returns to EUR 212.5 million by September 2025, from EUR 202.6 million in the previous period. This increase was mainly driven by the performance in Q3, during which an annual increase of 77.0% was recorded, the highest compared to previous quarters.

Chart 41. Assets of the pension sector



Source: CBK.

Chart 42. Structure of pension funds investments

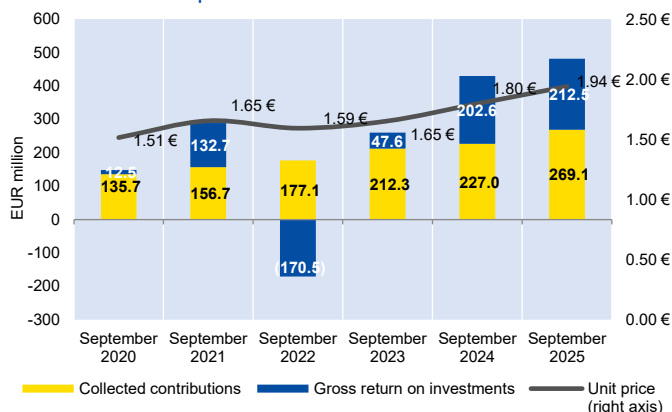


Source: KPST, SKPF

During April 2025, global financial markets were characterized by significant declines, inter-related to geopolitical tensions and the increase in trade tariffs at the global level. However, nearly six months after this period of instability, data reported as of 30 September 2025 show that KPST’s investment portfolios demonstrated resilience to market shocks, as well as flexibility during the recovery phase of financial markets, contributing to an improvement in overall returns.

As a result of these developments, the unit price increased slightly to EUR 1.94, from EUR 1.80 at the end of Q3 2024.

Chart 43. KPST performance

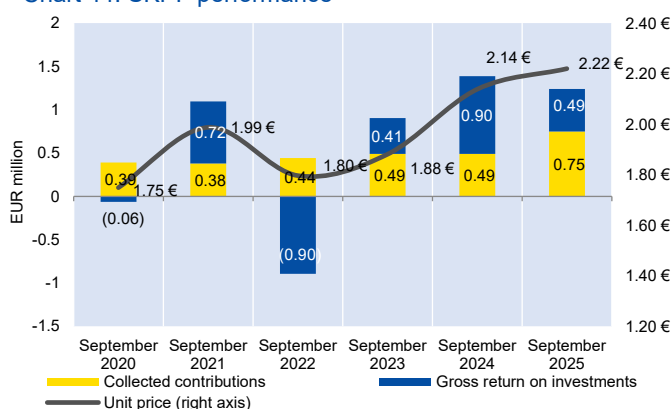


Source: KPST

On the other hand, SKPF significantly reduced the value of gross returns to EUR 485.3 thousand by September 2025, from EUR 899.5 thousand in the previous period. Nevertheless, the unit price of SKPF shares increased to EUR 2.22, from EUR 2.14 a year earlier (chart 44).

The value of contributions collected by the end of September 2025 reached EUR 269.9 million, recording a significant annual increase of 18.6%, compared to 6.9% in the previous period. The total number of pension contributors as of 30 September 2025 reached 905.2 thousand, marking an increase of 4.3% compared to the same period of the previous year.

Chart 44. SKPF performance



Source: SKPF

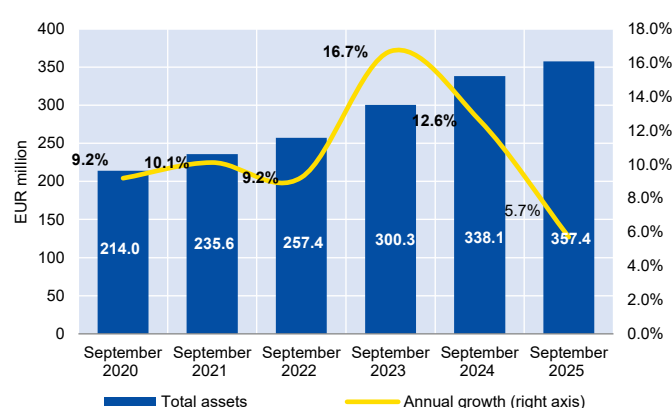
The increase in the value of contributions was mainly supported by the increase in the coefficient unit for public servants, which was implemented in two phases during the year, while the increase in the number of pension contributors had a more limited impact on this dynamic.

KPST contributions, which represent 99.7% of total contributions, recorded a significant annual increase of 18.6%, from 6.9% a year earlier (chart 43). Contributions collected by SKPF also recorded a significant annual increase of 51.9% by the end of September 2025, following a decline of 0.3% in the same period of the previous year, reaching EUR 745.3 thousand (chart 44).

4.3. Insurance sector

The insurance sector recorded a slowdown in the growth rate of assets and written premiums, particularly in the non-life segment. Paid claims increased, while net profit remained positive, supported by higher revenues and prudent expense management. Solvency and liquidity indicators remained at satisfactory levels, reflecting a stable financial position.

Chart 45. Assets of insurance sector

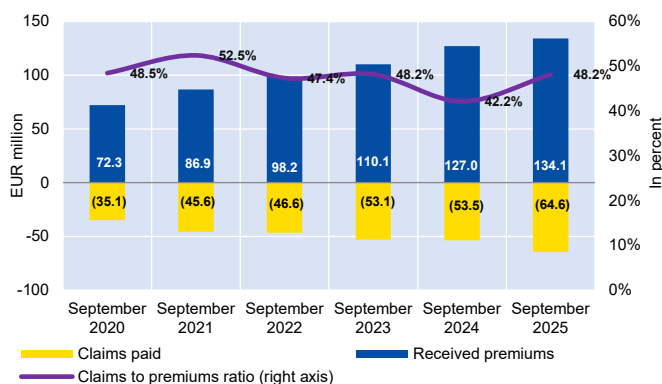


Source: CBK.

At the end of September 2025, sector assets increased to EUR 357.4 million, marking a significant slowdown in the annual growth rate to 5.7%, from 12.6% in September 2024 (chart 45). The non-life insurance segment accounted for 91.8% of total assets, while the life segment covered 8.2% of assets. The asset structure remained mainly oriented toward highly liquid instruments, dominated by bank deposits and securities. Bank deposits recorded an annual growth of 10.1%, increasing their share of total assets from 46.8% to 48.7%. Meanwhile, Government of Kosovo securities, as the second most important portfolio category, recorded a reversal in growth, contracting by 4.7% in September 2025 from the growth of 40.8% in September 2024. As a result, their share in assets declined by 1.6 percentage points to 14.3%. Similarly, reinsurance assets (technical reserves of reinsurers) recorded an annual decline of 4.7%, compared to growth of 5.1% in September 2024, reducing their share of total assets to 14.4% from 16.0% a year earlier.

The value of gross written premiums recorded a significant slowdown in annual growth to 5.6%, from 15.3% in the same period of the previous year (chart 46). Likewise, gross written premiums from the non-life and life segments recorded slower annual growth of 5.6% and 4.9%, respectively. In non-life insurance, the Motor Third Party Liability category (domestic MTPL) remained dominant, increasing its share to 56.5% of total premiums from 55.3% a year earlier. Annual growth of premiums in this category reached 8.7%, reflecting the same growth pace as in the same period of the previous year. In life insurance, the dominant category “Debtor’s Life” recorded annual growth of 6.8%, down from growth of 21.4% in the same period of the previous year.

Chart 46. Written premiums and claims paid



Source: CBK.

The total number of policies recorded an annual decline of 6.9%, from the growth of 32.5% in the previous period, falling to around 1.45 million policies. This dynamic was mainly driven by the non-life segment, where the number of policies declined annually by 7.9%, while the number of policies in the life segment recorded annual growth of 24.6%. Despite the decline in the number of policies, the average premium increased to EUR 92.2 in September 2025 from EUR 81.3 in September 2024, due to the higher weight of policies with higher premiums in the life segment, which offset the decline in the number of non-life policies.

Claims paid by insurance companies and the Kosovo Insurance Bureau recorded a significant annual increase of 20.7%, compared to 0.9% recorded in the previous year (chart 46). Claims paid by insurance companies increased annually by 24.0%, following a decline of 1.3% in the previous period, while claims paid by the Kosovo Insurance Bureau declined annually by 8.3%, compared to growth of 24.6% in the previous period. Meanwhile, claims covered by reinsurers doubled compared to a year earlier.

Within non-life insurance claims paid, the category “Motor Third Party Liability,” with a share of 54.4%, recorded annual growth of 10.1%, reaching EUR 34.3 million. This increase was mainly driven by claims related to domestic MTPL and subsequently border policies. Meanwhile, the “Health Insurance” category, which accounted for 21.2% of the total, recorded an annual decline of 0.19%, reaching EUR 27.2 million.

Contrary to the decline in the number of policies, the number of claims paid during the January–September 2025 period increased by 5.9 thousand claims, reaching 171.9 thousand compared to the same period of the previous year. Of this number, 171.3 thousand claims were paid by non-life insurance companies and 613 by life insurance companies. Meanwhile, the average claim increased by 6.0% during the January–September 2025 period compared to the previous period. This development was influenced by an increase in higher-value claims, rising repair and service costs, and inflationary pressures in the market.

Net profit for the January–September 2025 period recorded a significant annual increase of 27.5%, from 14.3% a year earlier, reaching EUR 13.3 million. Total revenues, mainly supported by written premiums, increased by 5.4% to EUR 112.9 million. Expenses, dominated by paid claims, increased by 3.0%, reaching EUR 99.6 million. Despite the improvement in financial results, the claims-to-premiums ratio increased to 48.2% in September 2025 from 42.2% a year earlier, reflecting faster growth in claims compared to premiums (chart 46). However, the combined ratio recorded a slight decline to 89.7% in September 2025 from 90.6% in the previous period, as the reduction in the expense ratio—from 33.3% to 32.7%—supported improvement in the overall indicator.

Average return on assets (ROA)⁴ declined to 6.1% from 7.5%, influenced by faster growth of average assets (8.2%) compared to the decline in annual gross profit (-12.6%). Similarly, average return on equity (ROE) declined to 19.8% from 26.5%, as average capital grew faster (9.4%) than annual net profit (-18.1%).

Financial soundness indicators of the insurance sector remain above regulatory requirements in both the non-life and life segments. The capital-to-solvency margin ratio increased slightly in non-life insurance and remained high in life insurance. The capital-to-guarantee fund ratio also recorded a slight increase in both segments. Meanwhile, liquidity indicators maintain a solid position, with the ratio of liquid assets to technical provisions and to liabilities increasing in the non-life segment, but recording a slight decline in life insurance. Coverage with technical provisions recorded a slight increase and continues to remain solid, with ratios above

⁴ For the calculation of ROA and ROE indicators, trailing twelve months (TTM) profit is used, which includes data from the last 12 months of the reporting period. Net profit is used in the calculation of ROE, while gross profit is considered in the calculation of ROA, in accordance with the IMF methodological guide for Financial Soundness Indicators (FSI 2019 Guide).

100% in all categories, reflecting that sufficient assets continue to support technical reserves in both market segments (table 1).

Table 1. Sustainability indicators

Description	September 2025		September 2024	
	Non-life	Life	Non-life	Life
Capital-to-minimum solvency margin ratio	145.99 %	658.10 %	144.40 %	753.90 %
Capital-to-guarantee fund ratio	172.61 %	178.30 %	157.60 %	164.90 %
Liquid assets-to-technical provisions ratio	95.10 %	147.38 %	92.96 %	150.03 %
Liquid assets to total liabilities ratio	82.78 %	141.92 %	81.60 %	143.43 %
Coverage by technical provisions	112.00 %	111.20 %	110.30 %	110.70 %

Source: CBK.

4.4. Microfinance and non-bank financial sector

The microfinance and non-bank financial sector continued to record double-digit asset growth, but with a pronounced slowdown in the annual growth rate, similar to the previous quarter. Lending activity expanded in both segments of the sector, while leasing activity declined, particularly in the non-financial corporate segment.

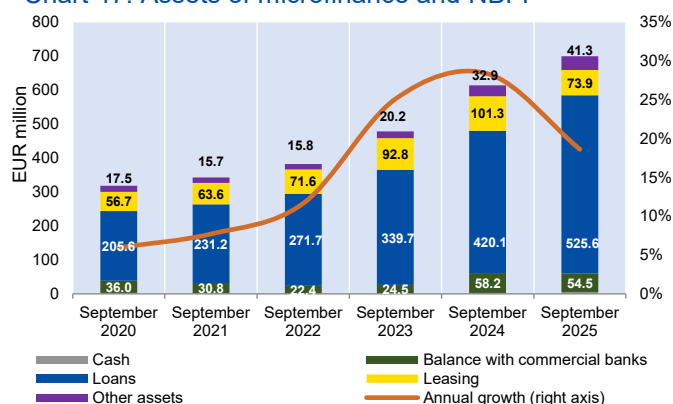
Sector assets reached EUR 700.7 million, recording an annual growth of 18.6%, albeit at a slower pace compared to 27.5% in the previous year. The asset structure remains dominated by loans, followed by leases and liquid assets held in commercial banks (chart 47).

External funding sources, which account for 91.1% of total financing, recorded a slowdown in annual growth to 16.4%, from 21.8% in the same period of the previous year. Meanwhile, financing from domestic sources recorded a significant annual increase of 107.1%, from 63.8% in the same period of the previous year, reflecting their increasing role in the overall financing structure of the sector.

The stock of sector loans reached EUR 525.6 million, continuing the strong growth trend of 25.1%, from 23.7% a year earlier. Lending to households recorded an accelerated annual growth of 23.6%, from 18.2% in September 2024, while lending to non-financial corporations slightly slowed its growth rate to 27.3%, from 32.8% in September 2024 (chart 48). Nevertheless, the relatively higher growth of the loan portfolio for non-financial corporations compared to households was reflected in slight structural changes, with the share of household loans declining to 58.9% from 59.6% and the share of loans to non-financial corporations increasing to 41.1% from 40.4%. Based on economic activity, all sectors recorded growth, with the industrial sector showing the highest growth rate at 36.1%. However, due to the larger weight of the “other services” sector in the loan portfolio of non-financial corporations and its high growth of 28.4%, this sector made the largest contribution to total growth, reaching 10.6%.

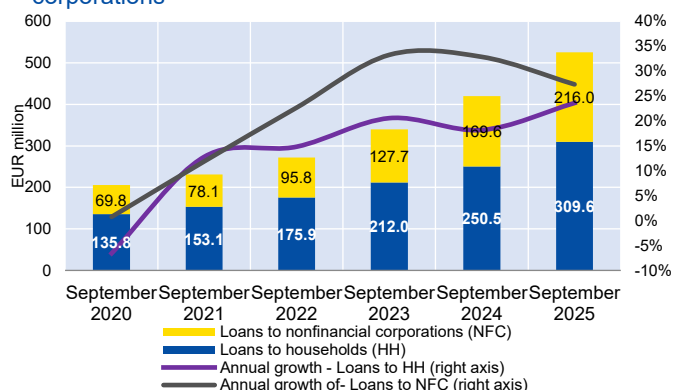
Leasing reduced its share in sector assets, declining to 10.5% from 12.9% a year earlier, influenced by an annual decline in leasing activity of 3.2%. This development was mainly reflected in the non-financial corporate segment, which remains dominant with 59.4% of total leasing and recorded an annual decline of

Chart 47. Assets of microfinance and NBF



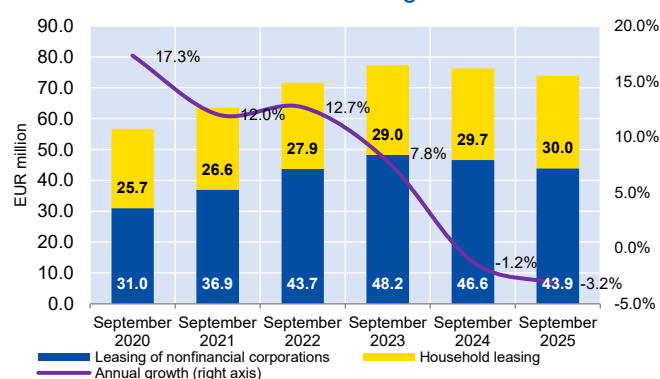
Source: CBK.

Chart 48. Value of loans to households and to nonfinancial corporations



Source: CBK.

Chart 49. Value of sector leasing



Source: CBK.

5.8% in September 2025. Meanwhile, leasing to households continued to grow, but at a slower pace, reaching 1.0% compared to 2.2% a year earlier (chart 49).

The average interest rate on loans issued by the microfinance and non-bank financial sector recorded a slight decline, decreasing by 0.4 percentage points for households and by 0.1 percentage points for non-financial corporations (chart 50). Households face higher interest rates than non-financial corporations, with a difference of 5.7 percentage points. The interest rate on consumer loans declined by 1.7 percentage points to 22.3%, while the interest rate on mortgage loans declined by 3.8 percentage points to 15.2%. Within loans to non-financial corporations, interest rates recorded a slight increase for the agriculture and industry sectors, while loans to the services sector declined slightly and were characterized by the most favorable rate at 17.4% (chart 51).

Net profit of the sector reached EUR 17.1 million, recording a slowdown in the annual growth rate to 12.0%, from 19.1% a year earlier.

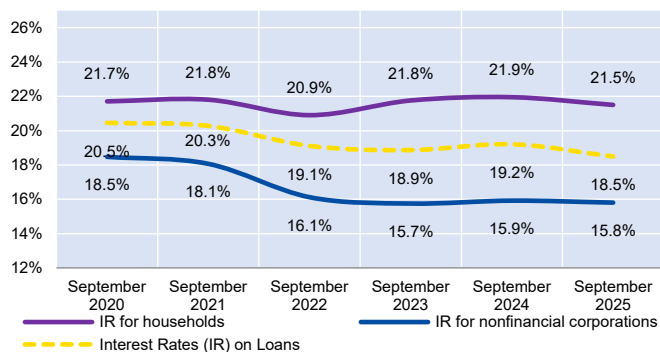
This reflects the higher impact of rising expenses compared to income. Total sector revenues continued to grow at a high rate of 20.1% during the reporting period, but at a slower pace compared to the previous year, reflecting declining interest rate dynamics and, among other factors, the effect of a higher comparative base.

Growth continued to be mainly supported by interest income, which remains the dominant source of revenues, reflecting the expansion of lending activity. Non-interest income also contributed to growth, although at a much more modest rate than last year. Total expenses also slowed their annual growth rate to 22.6%, from 38.6%, reflecting the gradual stabilization of costs following the sharp increases in recent years driven by inflation and high financing costs. The main contribution to this slowdown came from interest expenses (30.5% from 76.0%), which continued to grow but at a lower intensity. Meanwhile, non-interest expenses recorded growth of 18.4% (from 20.2%), mainly influenced by personnel and administrative expenses (9.8% from 16.1%).

The cost-to-income ratio increased to 78.5% in September 2025, from 76.9% a year earlier, reflecting slightly faster growth in expenses relative to revenues. Consequently, the main profitability indicators declined, with average return on assets (ROA) decreasing to 3.5% from 4.1% and average return on equity (ROE) decreasing to 12.6% from 14.0%.

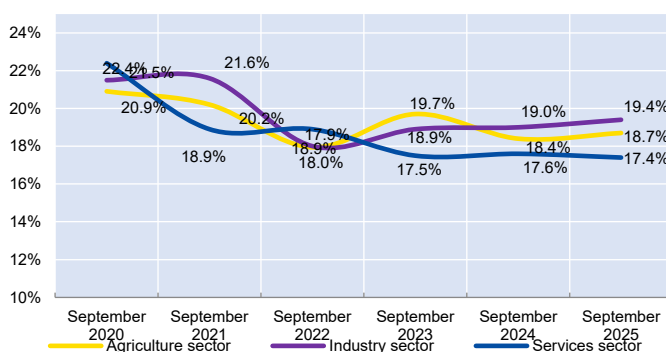
The ratio of non-performing loans to total loans in the microfinance and non-bank financial institutions sector remained unchanged compared to the previous quarter, but recorded a slight decline to 1.8% from 1.9% at the end of September 2024, as a result of faster growth in the overall loan stock compared to non-performing loans.

Chart 50. Average interest rate on microfinance sector and NBF1



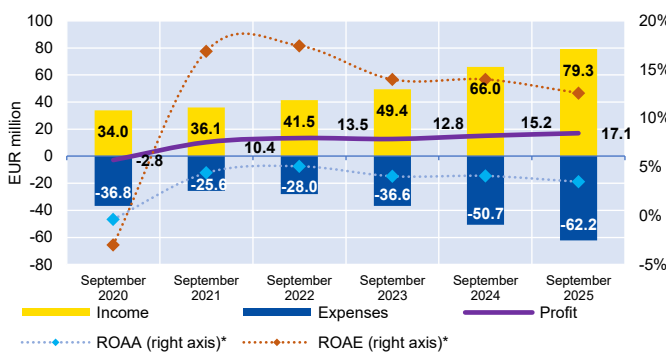
Source: CBK.

Chart 51. Average interest rate on loans to enterprises, by economic sectors



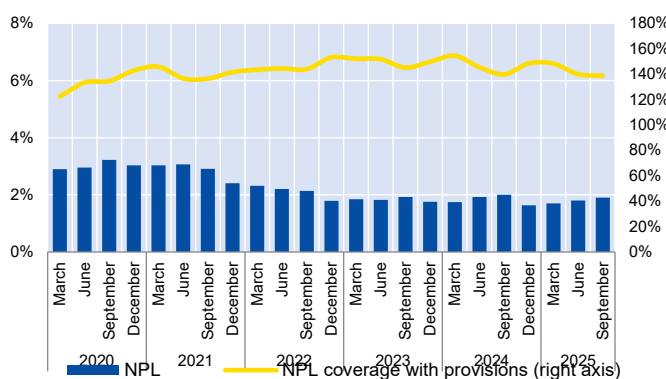
Source: CBK.

Chart 52. Profit and profitability indicators of the microfinance sector and NBF1



Source: CBK.

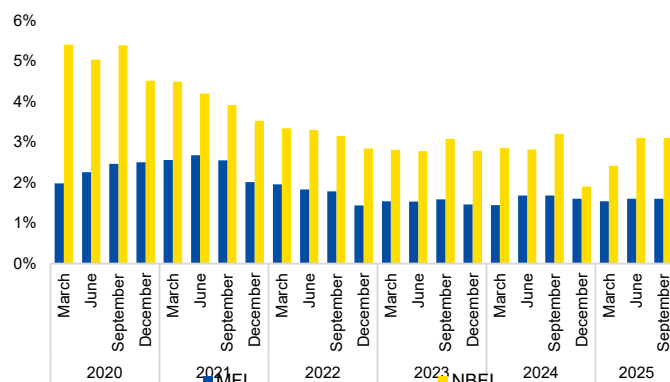
Chart 53. Indicators of credit portfolio quality



Source: CBK.

Loan loss coverage remained stable, although it declined slightly to 138.7% from 139.8% in the previous period (chart 53). Meanwhile, the non-performing loan ratio remains higher for non-bank financial institutions (NBFIs) compared to microfinance institutions (MFIs). For microfinance institutions, this ratio recorded an annual decline to 1.6% from 1.7%, while for non-bank financial institutions it declined annually to 3.1% from 3.2% in September 2024 (chart 54).

Chart 54. MFI and NBFi NPL level

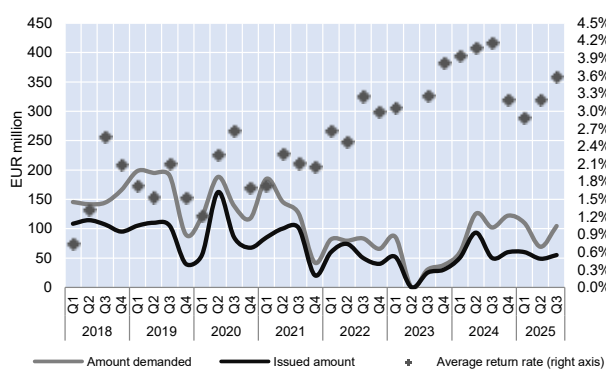


Source: CBK.

4.5. Securities market of Kosovo’s Government

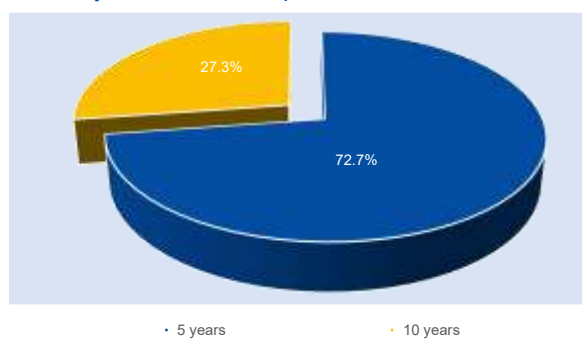
In the third quarter of 2025, the Government of the Republic of Kosovo issued domestic debt in the amount of EUR 55.0 million, increasing the value by EUR 5.0 million compared to the same period of the previous year (chart 55). However, the ratio of domestic debt to gross domestic product (GDP) recorded a slight decline to 8.31% from 8.83% in September 2024, mainly influenced by the amortization of domestic debt.

Chart 55. Bid to cover ratio



Source: Ministry of Finance, Labor and Transfers.

Chart 56. Structure of Government securities by maturity for Q3 2025, in percent



Source: Ministry of Finance, Labor and Transfers.

Despite the yield in Q3 2025 being lower compared to Q3 2024, demand for securities remained high and exceeded supply. Nevertheless, the government issued only approximately half of the requested amount (chart 55).

By investor type, pension funds continued to be the main investors in the domestic debt market, holding 41.0% of the total stock, followed by commercial banks with 25.0% and public institutions with 24.0%, while insurance companies accounted for around 6.0% of the government debt stock.

By maturity, issuances during this quarter were dominated by ten-year bonds, followed by five-year bonds (chart 56).

The suggested citation of this publication:

CBK. Quarterly Assessment of the Economy No. 52 Q3 2025, Central Bank of the Republic of Kosovo

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IMF: [International Monetary Fund \(IMF\)](#)

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World Bank: Commodity Markets: [Commodity Markets \(www.worldbank.org\)](#)



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