

Summary

- **Euro area economy showed a gradual recovery in Q4 2025, mainly being supported by the domestic demand, which showed sustainability while facing the geopolitical developments.** Although external trade did not contribute positively, private consumption and government consumption were the main drivers of economic growth during this period. This was enabled by the income increase and the slowdown of inflation. Maintaining the same growth rate as in the previous quarter demonstrates the resilience of the euro area economy to external uncertainties. For 2026, projections for economic growth and inflation are accompanied by high uncertainty, considering recent geopolitical developments.
- **Kosovo's economy recorded moderate growth of 3.8% in Q4 2025, reflecting an overall economic slowdown in activity compared to the same period of the last year.** The growth was primarily driven by domestic demand, particularly from investments and private consumption, while government consumption marked a slight decline. Net exports had positive contribution to economic growth for the first time after two years, due to the high increase of services export, which set off the decline of goods exports, and the slowdown of goods imports. Key sectors such as trade, industry, and services (particularly hospitality) supported growth, while a slight increase in new enterprises and a decline in closed businesses were observed. Overall, the year 2025 was characterized by an economic growth of 3.6%, being impacted by domestic and external factors, including institutional and geopolitical challenges.
- **Inflation accelerated to 5.2% in Q4 2025, mainly as a result of the increase of energy prices, services and goods. At the same time, the price increase of food products slowed down marginally.** An increasing tendency was also evident in core inflation, which resulted in 2.7%, influenced primarily by services and goods prices increase. Regarding the sources of inflationary pressures, inflation reflected combined effects from external factors, through imported goods, as well as internal factors, through electricity and services.
- During Q4 2025, **fiscal sector** was characterized by moderate growth in revenues (EUR 855.2 million; +3.8%) and expenditures (EUR 1.16 billion; +4.0%), resulting in a primary deficit of EUR 295.5 million. Revenues growth was mainly supported by direct and indirect taxes, particularly excise duties and VAT, while non-tax revenues increased slightly. On the expenditure side, increases were recorded in wages and subsidies, while capital expenditures grew at a slower pace. Public debt increased to EUR 1.82 billion, but as a percentage of GDP it declined to 16.4%, reflecting a decrease in domestic debt and an increase in external debt.
- **In Q4 2025, the current account deficit narrowed by 27.0% year-on-year, reaching EUR 361.6 million.** This improvement was mainly driven by a slower expansion of the trade deficit, as well as a decline in primary and secondary income inflows. However, the services sector continued to make a positive contribution, providing a stable source of income. Remittances in this quarter reached EUR 365.3 million, marking an annual increase of 6.1%. Similarly, foreign direct investments recorded a 57.7% increase, reaching EUR 296.3 million.
- **Banking sector assets** reached EUR 9.71 billion, reflecting an annual increase of 13.5%, unchanged from the previous year's level. The expansion of assets was mainly supported by lending activity, although the pace of credit growth slowed down due to a deceleration in new loans to both nonfinancial corporations and households. On the other hand, deposits maintained the same growth rate as in the previous year, mainly supported by accelerated growth in household and nonfinancial corporate deposits. The average lending interest rate increased both on a quarterly and annual basis, while the deposit interest rate increased compared to the previous year but remained unchanged on a quarterly basis. The loan portfolio maintained the non-performing loan ratio at 2.1% from the previous quarter, however, on annual basis this ratio recorded a slight increase of 0.2 percentage points. Banking sector profitability showed a slowdown in annual growth, due to lower growth in sector revenues relative to the increase in expenditures. Interest income decelerated, while fees and commissions income accelerated. Key soundness indicators remained at high levels, with the capital position remaining stable compared to the previous quarter but recording a slight annual decline, while liquidity and funding indicators strengthened further.
- **The pension sector** was characterized by continued assets growth, supported by higher contribution inflows and positive investment returns. The investment structure remained mainly concentrated in foreign markets, with high exposure to mutual funds. This performance was also reflected in the increase in the unit price of shares.
- **The insurance sector** recorded a slowdown in the growth of assets and written premiums, particularly in the non-life segment. Claims paid accelerated their growth rate, nevertheless, net profit continued to grow in double digits, supported by higher income growth relative to expenses. Soundness and liquidity indicators remained at satisfactory levels, indicating a stable financial position.
- **The microfinance and non-bank financial sectors** continued to record double-digit assets growth. Financing of activities remained primarily supported by external borrowing, which registered an acceleration in annual growth. Lending activity expanded for both households and nonfinancial corporations, while leasing declined, particularly in the nonfinancial corporate segment. Net profit increased significantly, driven by a stronger rise in income compared to expenses. Meanwhile, non-performing loans remained low and well covered by provisions, indicating a stable portfolio quality.

List of abbreviations

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 Q4 2025, the euro area economy marked a growth of 0.3% compared to Q3, and 1.3% on annual terms. The main contributor to this growth was private consumption (+0.2 percentage points), supported by the increase in nominal wages and the decline in inflation, which strengthened purchasing power. The stable labor market, accompanied by employment growth of 0.2% and an unchanged unemployment rate of 6.3%, had a positive impact on consumer confidence and consumption growth. Government consumption contributed by +0.1 percentage points and increased by 0.7% compared to Q3, mainly as a result of continued economic recovery funds and, to a lesser extent, wage increases in the public sector. Gross capital formation also contributed by +0.1 percentage points. However, high interest rates continued to exert pressure on the real estate market, reflecting a decline in construction activity during November, as well as a decline in industrial production and trade during December 2025. Net exports had a neutral contribution (0 percentage points), confirming that economic growth in Q4 was mainly supported by domestic demand, under conditions of weakening external demand and the easing of the effect of tariffs imposed by the United States.

Inflation in the euro area during Q4 stood at 2.1%, while monthly it fell to 2.0% in December, remaining in line with the European Central Bank's 2% target. The main contribution to inflation continued to come from services (+1.54 percentage points), while alcohol and tobacco contributed by +0.49 percentage points, showing a slowdown in growth compared to Q3. Industrial goods contributed by +0.1 percentage points, while energy continued with a negative contribution (-0.2 percentage points), reflecting the stabilization of prices after the high increases in previous years. Regarding monetary policy, the key interest rates in the euro area, the deposit facility rate, the refinancing rate, and the lending rate—remained unchanged since Q2 2025, at 2.0%, 2.15%, and 2.4%, respectively.

Forecasts for 2026 have been revised due to recent geopolitical developments. The conflict with Iran, which began on 28 February, has significantly affected the ECB's expectations for economic growth and inflation. In this context, the ECB has developed three main scenarios based on the duration and intensity of the conflict.

- The baseline scenario assumes a limited conflict with a moderate impact on markets. In this case, a temporary rise in inflation is expected, accompanied by a slowdown in economic growth, which nevertheless remains positive. The effects are considered transitory, with a rapid recovery of the euro area economy.
- The negative scenario foresees a shock to energy markets, pushing inflation to 3.5% and reducing euro area economic growth to 0.6%.
- The severe scenario foresees an escalation of the conflict, with disruptions to supply chains and transport. In this case, inflation would rise significantly and remain above the ECB's target in the medium term, while economic growth would deteriorate substantially. As a result, the euro area economy could enter a technical recession during the summer of 2026, in an environment of stagflation.

Table 1. Economic growth and inflation in the euro area by baseline scenario and alternative scenarios

Year	Economic growth			Inflation		
	Base	Negative	Severe	Base	Negative	Severe
2025	1.5	1.5	1.5	2.1	2.1	2.1
2026	0.9	0.6	0.4	2.6	3.5	4.4
2027	1.3	1.2	0.9	2.0	2.1	4.8
2028	1.4	1.6	1.9	2.1	1.6	2.8

Source: European Central Bank.

According to projections of the International Monetary Fund published in October 2025, Western Balkan countries marked an average economic growth of 3.1% in 2025, indicating a slowdown in growth compared to 3.7% of the year 2024. Within the region, Kosovo recorded the highest economic growth rate, while Serbia recorded the lowest. Although at a slower pace, this growth reflects the relative resilience of the region's economies in the face of structural challenges and external risks that continue to affect the economic outlook. Geopolitical tensions, trade barriers, and price dynamics in international markets make the region more vulnerable to external shocks. **Meanwhile, projections by the International Monetary Fund for 2026 suggest a slight improvement in growth in the region, to around 3.4%.** The outlook for 2026 indicates that the economies of the Western Balkans are expected to maintain moderate economic growth, supported primarily by private consumption, increased investments, and the gradual stabilization of inflation. However, this outlook remains accompanied by certain risks, mainly related to uncertainties in the global economy and the dynamics of economic growth in European Union countries.

Average inflation rate in the Western Balkan countries was 3.9% in Q4 2025 (4.1% in Q3 2025). Inflation developments within the region were not uniform, reflecting differences across countries. In this context, Kosovo recorded the highest inflation rate in the region, at 5.3%, driven by rising prices of imported consumer goods, as well as domestic pressures related to increases in electricity and service prices. Meanwhile, Albania recorded the lowest inflation rate, at 2.2%, remaining close to the central bank's 3.0% target.

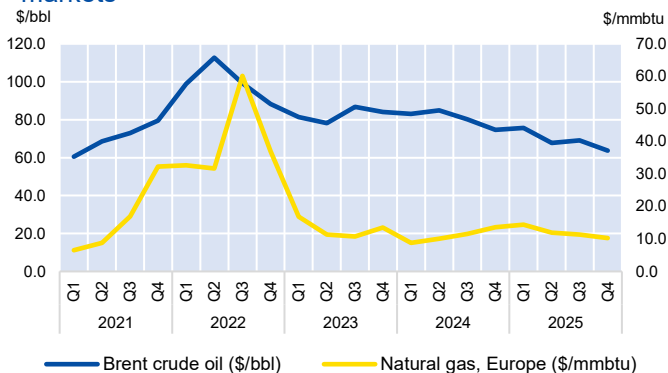
In Q4 2025, the euro exchange rate showed varied oscillations against the currencies of its main trading partners. Compared to the previous quarter, EUR appreciated against the Turkish lira and the British sterling, while remaining almost unchanged against the Macedonian denar. On the other hand, EUR depreciated against the Swiss franc, the Albanian lek, and the US dollar. The depreciation of EUR against the US dollar and the Albanian lek may have increased import costs, contributing to rising prices and affecting consumers' purchasing power. At the same time, the depreciation against the Swiss franc directly affected the real value of remittances, considering that around 18.2% of remittances received during this period originated from Switzerland, with potential implications for private consumption.

2. Main commodity prices in international markets

Main commodity prices in international markets showed slight fluctuations during Q4 2025. The World Bank index recorded an annual decline of 8.4%, concluding 2025 with an average decrease of 6.4%.

The decline in Q4 2025 mainly reflected a decrease in energy prices and certain food and beverage items. On the other hand, prices of metals, minerals, and precious metals continued to rise, driven by increased demand and global uncertainties. For 2026, according to the October projections, the World Bank forecasts a further decline in prices of 6.8%. However, a deterioration of geopolitical tensions in the Middle East could significantly alter price trends, alongside global trade policies and overall global economic activity.

Chart 1. Oil and natural gas prices in international markets

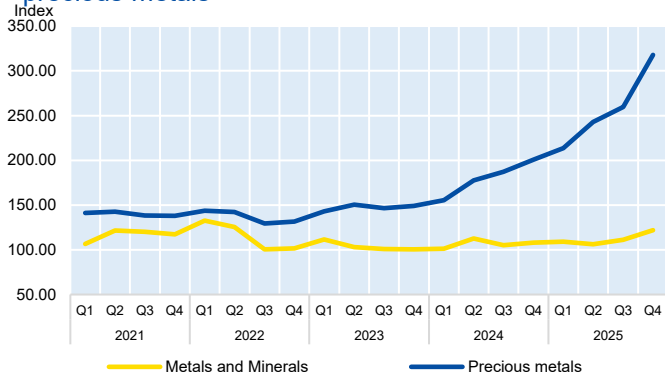


Source: World Bank

The price of Brent crude oil averaged \$63.7 per barrel in Q4 2025, marking an annual decline of 14.7% and concluding 2025 with a decrease of 14.5% (chart 1). A decline was also observed compared to the previous quarter, of 7.8%, as a result of increased global oil supply relative to more moderate growth in demand. The increase in production, particularly from OPEC+ countries following the gradual easing of production cuts, combined with a slowdown in global oil demand—especially from China due to weaker industrial activity and the energy transition—has contributed to the creation of a surplus in the global oil market. These developments were expected to exert downward pressure on oil prices throughout 2026. However, the escalation of geopolitical tensions in the Middle East has been reflected in rising oil prices and represents the main risk to the future trajectory of prices in international energy markets.

Natural gas prices in Europe continued to decline, averaging \$10.3/mmbtu in Q4 2025, representing an annual decrease of 24.4% and a quarterly decline of 9.1%. This development reflects increased global supply of liquefied natural gas (LNG), combined with weaker demand from Asian markets, which facilitated the flow of LNG exports toward Europe. For 2025, natural gas prices in Europe are estimated to have recorded an average increase of 9.1%, with the increase concentrated mainly in the first quarter, which gradually faded in the subsequent period.

Chart 2. Price index of metals and minerals and precious metals



Source: World Bank.

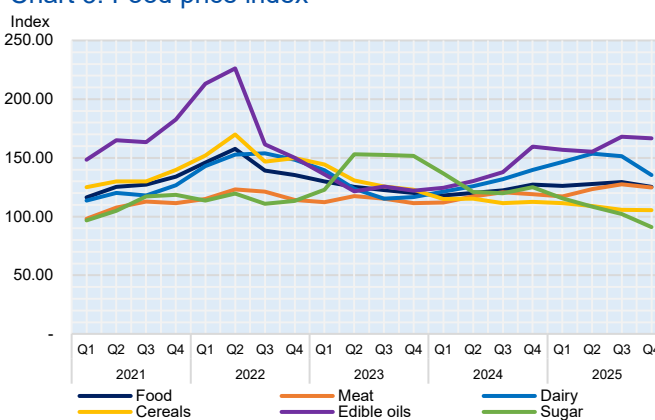
The metals and minerals price index in Q4 2025 recorded an annual increase of 12.9%, bringing the average increase for the entire year 2025 to 5.1%. Compared to the previous quarter, prices of metals and minerals increased by 9.6%, driven by higher prices of copper, aluminum, tin, zinc, and iron ore. This increase reflects relatively stable economic activity and investments in the expansion of renewable energy infrastructure, combined with supply constraints in base metals due to production disruptions. According to

the World Bank, prices of metals and minerals are expected to increase by 0.3% in 2026. Downside risks are linked to the pace of global economic activity, while potential supply disruptions and a possible increase in demand from the electronics sector could raise inflationary pressures.

The precious metals price index in Q4 2025 recorded an annual increase of 58.5% (chart 2), driven by record prices of gold (55.9%), silver (72.1%), and platinum (74.8%). In quarterly terms, this index increased by 22.4%, driven by investments in precious metals as safe-haven assets in an environment characterized by geopolitical tensions and global uncertainty. This trend was also influenced by monetary policy easing in the United States and by sustained gold purchases by central banks. Rising silver prices are also attributed to increased demand from energy transition projects, while platinum prices saw high increases due to constraints on global supply. Overall, precious metal prices are estimated to have increased by 43.5% in 2025.

The food price index, according to Food and Agriculture Organization (FAO), in Q4 2025 recorded an annual decrease of 1.6% (chart 3). The decline was more pronounced in sugar (-27.1%), cereals (-6.2%), and dairy (-3.2%), following an improvement in global supply and weaker demand in some key markets, particularly for dairy. On the other hand, increases were observed in meat prices by 4.8% and edible oils by 7.5%, reflecting the combined pressures of steady global demand and more limited supply. For the full year 2025, food prices recorded an increase of 4.3%. Despite declines in sugar and cereal prices to their lowest levels since 2021, the overall increase was supported by higher prices of dairy, meat, and edible oils, which remained above the previous year's levels.

Chart 3. Food price index



Source: FAO.

3. Kosovo’s Economy

3.1. Economic growth

During Q4 2025, Kosovo’s economy recorded a slowdown in economic activity, with real GDP growth of 3.8%, compared to 4.0% in Q4 2024 (chart 4).

Economic growth was mainly supported by domestic demand, although at more moderate rates. The main contributions came from investments (+1.2 percentage points) and private consumption (+0.6 percentage points). Net exports also contributed positively for the first time in two years, mainly due to strong growth in services exports, which offset the decline in goods exports and the moderate increase in imports.

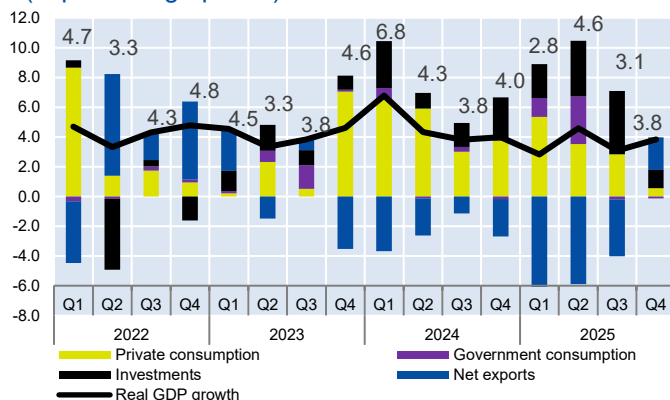
Private consumption continued to contribute positively to economic growth, albeit at a slower pace. In Q4 2025, it grew by 0.6%, compared to 4.1% in Q4 2024. This slowdown is mainly attributed to base effects (high growth rates in previous years) and rising inflation, which reached 5.2% during this period. However, private consumption was supported by key factors such as consumer loans, remittances, and employee compensation. In contrast, government consumption declined by 1.0% (compared to a 1.3% decline in Q4 2024), contributing to the slowdown in overall consumption growth.

Goods exports recorded a real decline of 5.8%, in contrast to a 4.8% increase in Q4 2024. Although exports of mineral products increased by 18.5% (reaching EUR 32.8 million, compared to EUR 28.1 million in Q4 2024), this was not sufficient to offset declines in other categories such as base metals, food products, and plastics, which carry a larger share in total exports. Meanwhile, service exports recorded strong growth of 18.5%, compared to 13.9% in Q4 2024. The main driver of this growth was travel services, supported by increased visits from the Kosovar diaspora during the year-end period.

On the other hand, goods imports grew modestly by 0.9%, significantly lower than the 7.7% increase in Q4 2024, reflecting base effects and the slowdown in private consumption. Imports of services increased by 6.6%, also lower compared to the 11.4% growth in Q4 2024. Although transport and travel services continued to grow steadily, other services contributed to the slowdown. Consequently, the improvement in net exports mainly stems from the improved balance in the services category.

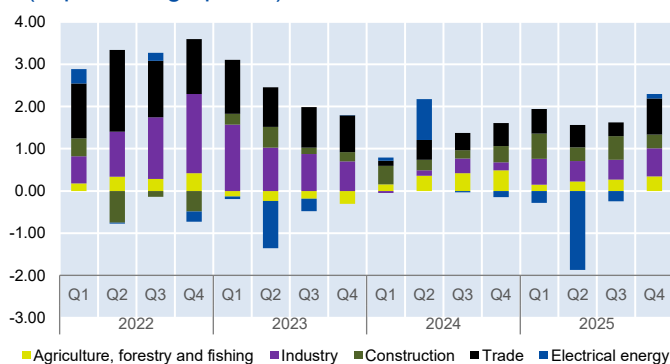
Economic activity during Q4 2025 was supported by several key sectors. Trade and industry made the largest contributions, with +0.9 and +0.7 percentage points, respectively. Positive but smaller contributions were recorded in agriculture and construction, while the electricity sector shifted to a positive contribution (+0.1

Chart 4. GDP by expenditures, 2022-25
(in percentage points)



Source: KAS and CBK calculations.

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



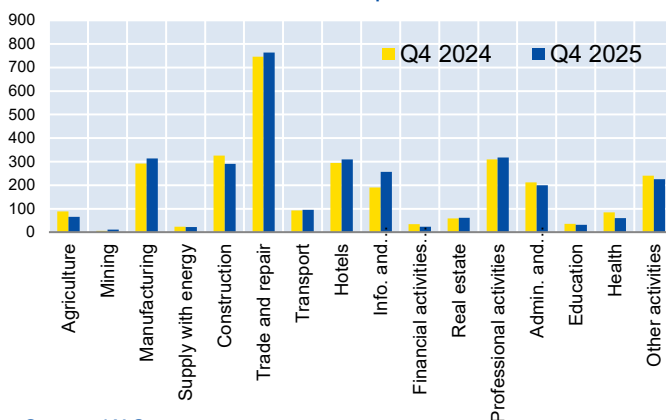
Source: KAS and CBK calculations.

percentage points) for the first time since Q3 2024, supported by higher prices and increased activity in external trade.

On an annual basis, trade grew by 5.7%, manufacturing by 4.6%, while the hotels and restaurants sector recorded the highest growth at 6.6% (5.1% in Q4 2024). The electricity sector registered growth of 4.8%, reflecting improved conditions in this sector.

Economic growth was also reflected in the dynamics of new business registrations. In Q4 2025, 3,044 new enterprises were registered, or 0.3% more than in Q4 2024. Meanwhile, 373 enterprises were closed, or 13.0% fewer than in the same period of the previous year. The sectors with the greatest impact during this period were trade, manufacturing, hospitality, and information and communication activities.

Chart 6. Number of new enterprises



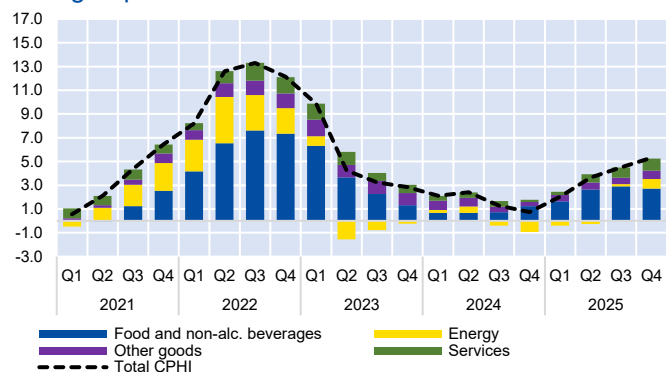
Source: KAS.

Overall, Q4 2025 was characterized by moderate economic growth. The main drivers were investments, followed by consumption and service exports. For the full year 2025, the economy grew by 3.6%. This performance was influenced by domestic factors, institutional formation dynamics, as well as external factors, including geopolitical tensions, which contributed to the slowdown of economic activity in Kosovo.

3.2. Prices

Inflation in Q4 2025 accelerated to 5.2%, from 4.5% in the previous quarter. This acceleration was mainly driven by increases in electricity and service prices, while prices of other goods had a smaller impact. On the other hand, the contribution from food and non-alcoholic beverage prices declined slightly, providing a limited moderating effect on inflationary pressures.

Chart 7. Inflation by contribution of respective subgroups



Source: KAS and CBK calculations.

Annual food price inflation slowed slightly to 9.0% in Q4 2025, compared to 9.1% in the previous quarter. Although the average rate remained almost unchanged, developments within the quarter followed an upward trajectory, with lower rates in October and acceleration in the following months. As a result, the contribution of food to average inflation declined to 2.3 percentage points, compared to 2.4 p.p. in the previous quarter. The main contributors to food inflation remained increases in meat prices (0.9 p.p.), dairy (0.5 p.p.), and fruits as well as bread and cereals (0.3 p.p. each). Meanwhile, the decline in vegetable prices contributed by -0.2 p.p., thus easing inflation. Food price increases continued to be supported by higher import prices of animal products and processed food items, which rose by 14.3% and 4.5%, respectively. In addition, domestic inflationary pressures were observed in food prices, based on data from Kosovo Agency of Statistics regarding agricultural production costs and agricultural product prices. The overall agricultural input cost index increased by 4.0%, driven by higher prices of animal feed, fertilizers, pesticides,

electricity, and machinery. Similarly, the agricultural output price index increased by 1.2%, mainly driven by higher prices of fruits and livestock.

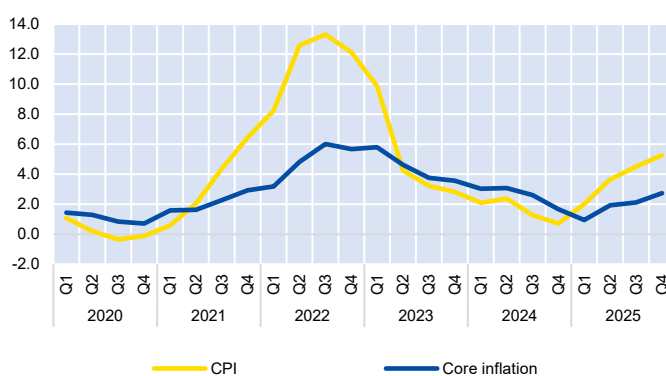
The contribution of energy prices increased to 0.8 p.p., from 0.2 p.p. in the previous quarter. The acceleration in electricity prices (18.0%) and other fuels (10.3%), due to base effects and seasonal demand, added around 0.4 p.p. to overall inflation. At the same time, the slower decline in oil prices to -1.7% (-4.2% in Q3 2025) reduced the negative contribution of this component, thereby increasing inflation by 0.2 p.p.

Meanwhile, price increases for goods and services were more moderate. The contribution from goods prices increased by 0.1 p.p., influenced by higher tobacco prices. Other categories showed fluctuations, but their effects offset each other, resulting in no net impact on overall inflation. The 0.2 p.p. increase in the contribution of services to inflation was mainly driven by higher transport and clinical service prices.

Rising inflationary pressures were also reflected in core inflation, which reached 2.7% (2.1% in the previous quarter). Given that this index excludes energy and food prices, its upward trend reflects increases in goods and service prices.

Inflation continued to be driven by a combination of domestic and external pressures. Higher electricity and service prices pushed domestic inflation to 1.4 p.p., from 1.0 p.p. in the previous quarter. At the same time, imported inflation increased by 0.4 p.p., driven by rising prices of certain food products, tobacco, and other goods, as well as the slower decline in oil prices.

Chart 8. Core and headline inflation of consumption



Source: KAS and CBK calculations.

The Import Price Index recorded an annual increase of 2.5% in Q4 2025. Annual increases were observed in prices of animal products (14.3%), prepared food items, beverages and tobacco (4.5%), mineral products (7.9%), and others. On the other hand, annual price declines were recorded in plant products 3.8%, plastics (-1.8%), base metals (-3.3%), and paper and related products (4.3%).

The Producer Price Index (PPI) recorded an annual increase of 5.4% in Q4 2025 (5.5% in the previous quarter). The main drivers were electricity production prices, which increased by 20.9% annually, and food processing, which increased by 2.2%. Increases were also observed in the production of non-metallic mineral products (0.6%) and fabricated metal products (3.7%), while price declines were recorded in mining and quarrying, beverages, metals, rubber and plastics, and furniture.

The Construction Cost Index increased by 3.5% annually, compared to 3.6% in the previous quarter. This was mainly driven by higher prices of construction, electrical, and plumbing materials (2.6%). Wages also continued to exert inflationary pressures in this sector, with an annual increase of 8.1%, alongside electricity (9.8%), and transport and other costs with slower growth.

Meanwhile, the Residential Property Price Index recorded an accelerated annual increase of 5.5% in Q4 2025, closing 2025 with an overall increase of 4.9%. On an annual basis, price growth was higher in the Prishtina region (5.9%), while other regions recorded growth of 3.4% in 2025, which intensified in the second half of the year.

According to the Central Bank’s projections from October 2025, inflation is expected to slow to 3.4% in 2026, reflecting expectations of a gradual easing of previous inflationary pressures. However, uncertainty surrounding these projections has increased, and the balance of risks is tilted toward higher-than-baseline inflation, mainly due to escalating geopolitical tensions and their effects on global energy and food markets. As these developments are transmitted relatively quickly into domestic prices, they may increase inflationary pressures during 2026.

3.3. Fiscal Sector

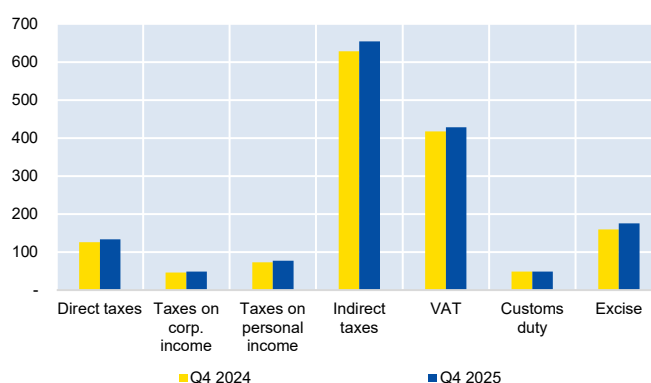
Fiscal sector dynamics in Q4 2025 changed compared to previous quarters, reflecting the seasonal nature of this period, which is typically associated with higher levels of budget spending. **Budget revenues¹ reached EUR 855.2 million, marking an annual increase of 3.8%. At the same time, budget expenditures increased by 4.0%, reaching EUR 1.16 billion. As a result, Kosovo’s budget recorded a primary deficit of EUR 295.5 million in this quarter.**

Tax revenues reached EUR 766.4 million, with an annual increase of 3.5%. During this period, most tax categories recorded growth, with the highest increase in direct taxes. Revenues from direct taxes increased by 5.6%, reaching EUR 133.4 million. Within this category, corporate income tax revenues increased by 5.5%, personal income tax by 6.2%, while property tax revenues declined by 0.9%.

Indirect tax revenues increased by 4.1%, reaching EUR 653.9 million and accounting for 76.9% of total budget revenues. This growth was mainly driven by higher excise revenues (9.9%), due to increased imports, as well as increases in VAT revenues (2.6%) and customs duties (0.1%) (chart 9). **Non-tax revenues reached EUR 84.1 million, marking an increase of 3.3%.** Within this category, revenues from the central government level declined by 6.8% (EUR 42.9 million), while revenues from the local level increased significantly by 25.1%, reaching EUR 24.1 million.

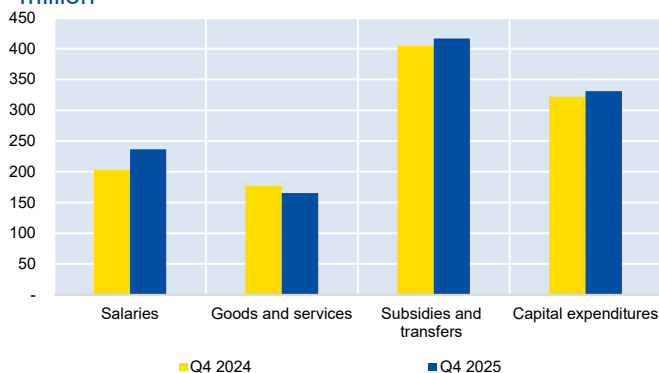
Regarding expenditures,² current expenditures increased by 4.5%. Within this category, wages recorded the highest increase (16.3%), reaching EUR 236.3 million. Spending on subsidies and transfers increased by 3.0%, reaching EUR 416.5 million, while expenditures on goods and services, including municipal expenses, declined by 6.5%, reaching EUR 165.2 million. **Capital expenditures recorded lower growth compared to**

Chart 9. Tax revenues by categories, EUR million



Source: MFLT.

Chart 10. Budget Expenditures by categories, EUR million



Source: MFLT.

¹ Within the budget revenues are not included the receipts from financing, and payments from budget designated grants.

² Budget expenditures exclude financing payments.

current expenditures, reaching EUR 330.9 million, which is 2.6% higher than in the same period of the previous year (chart 10).

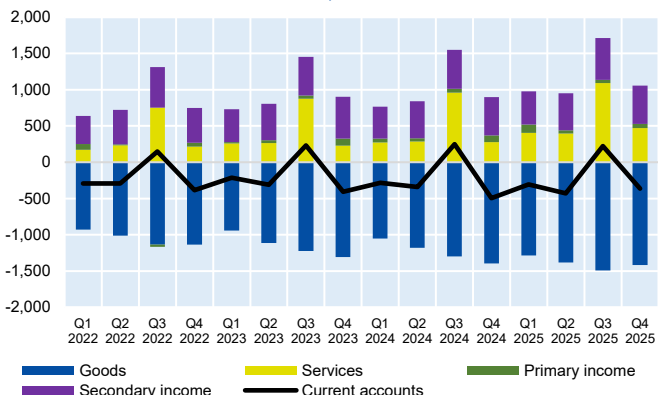
Public debt at the end of 2025 reached EUR 1.82 billion, marking an annual increase of 4.5%. However, as a percentage of GDP, it continued its downward trend, declining to 16.4% from 16.8% in 2024. This dynamic reflects, among other factors, increased government liquidity. In this context, domestic public debt decreased by 1.2% to EUR 961.1 million, while external public debt increased by 10.3%, reaching EUR 854.6 million.

3.4. External Sector

In 2025, the current account deficit reached EUR 878.0 million, marking an annual increase of 0.6%. However, developments in the last quarter of the year indicate a more favorable trend. In Q4 2025, the current account deficit narrowed to EUR 361.6 million, from EUR 495.5 million in Q4 2024, representing an annual decline of 27.0% (chart 11). This development was mainly supported by slower growth in the trade deficit. Meanwhile, the services sector continued to make a positive contribution, generating stable income, particularly from travel and information technology services.

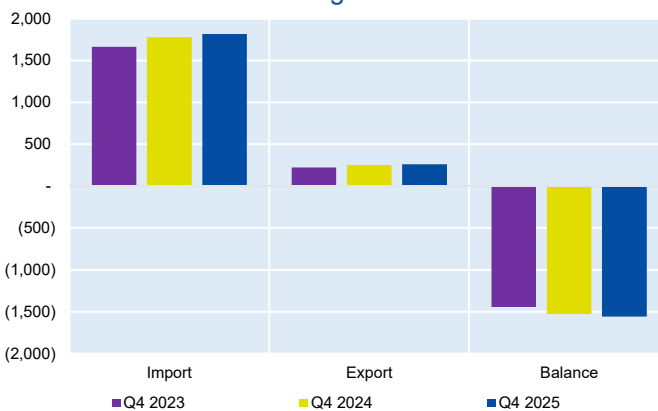
The goods trade deficit in 2025 increased by 13.2%, reaching EUR 5.6 billion, mainly due to the continued growth in imports. This trend was also reflected in Q4 2025, but at a slower pace. During this period, the goods trade deficit increased annually by 2.1%, reaching EUR 1.6 billion (chart 12). This development mainly reflects the increase in imports, which reached EUR 1.8 billion. On the other hand, exports, although showing slight growth, remained at a relatively low level, amounting to EUR 259.0 million and covering only 14.3% of imports. This unfavorable ratio indicates a high dependence of the economy on imports and limited export capacity, making it more vulnerable to international price fluctuations and external risks.

Chart 11. Current account, EUR million



Source: CBK.

Chart 12. Trade balance of goods

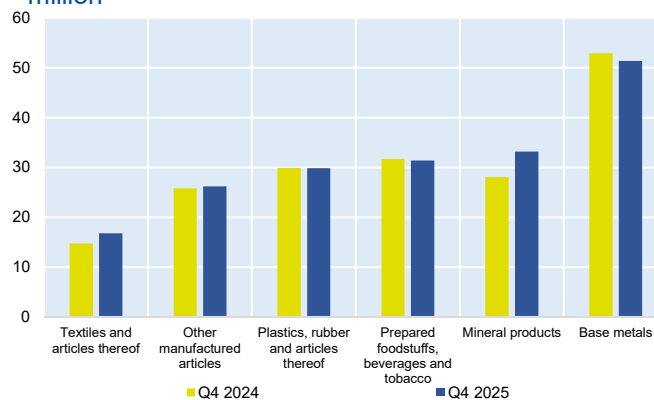


Source: KAS.

Goods exports in 2025 reached EUR 942.1 million, marking a slight decline of 0.2% compared to the previous year. However, in Q4 2025, goods exports increased by 2.4%, reaching EUR 259.0 million. This growth was mainly supported by exports of mineral products, which increased annually by 18.2%, reaching EUR 33.2 million, mainly due to electricity exports. Other important categories, such as base metals, food products, and plastic and rubber products, although recording slight declines, helped maintain a stable trend compared to the same period of the previous year, supporting the modest growth in exports (chart 13). From a geographical perspective, the Western Balkans remains the main trading partner, accounting for 46.9% of total exports, with Albania and North Macedonia as the main destinations. Meanwhile, European Union countries account for 31.3% of exports, with Germany as the main destination.

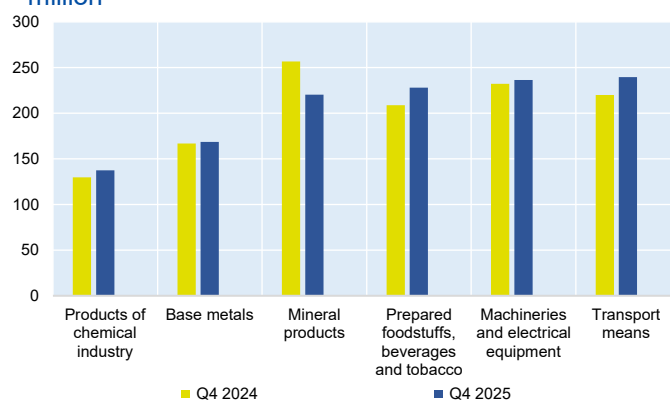
Goods imports in 2025 reached EUR 7.0 billion, marking an annual increase of 10.6%. In Q4 2025, goods imports recorded slower growth of 2.1% (EUR 1.8 billion), mainly due to lower demand for imported goods, reflecting a modest increase of only 3.9% in import volumes. The slowdown was also supported by a decline in electricity imports of about 58.6%, or EUR 22.2 million less. The structure of imports was dominated by transport equipment, machinery, food products, and mineral products. According to main economic categories, intermediate goods accounted for 41.4% of total imports, consumer goods 35.7%, and capital goods 11.9%. Regarding the geographical structure, 44.5% of imports came from EU countries, 13.2% from Turkey, 13.0% from China, and 12.5% from regional countries. The services balance in 2025 reached EUR 2.4 billion, marking an increase of 32.2%. **In Q4 2025 alone, it reached EUR 471.8 million, with an annual increase of 71.3%.** Services exports reached EUR 882.4 million, marking an increase of 39.8%, mainly supported by travel services, which grew by 47.8% and reached EUR 551.8 million. This growth is mainly linked to increased visits from the diaspora. An important contribution also came from computer, information, and telecommunications services, which increased by 18.5% and reached EUR 120.6 million.

Chart 13. Main categories of exported goods, EUR million



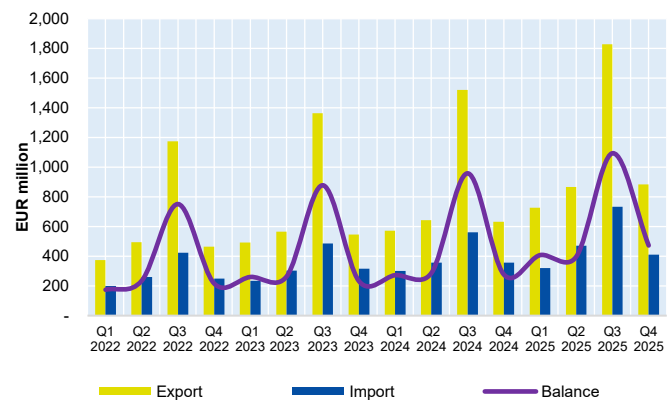
Source: CBK.

Chart 14. Main categories of imported goods, EUR million



Source: CBK.

Chart 15. Balance of services



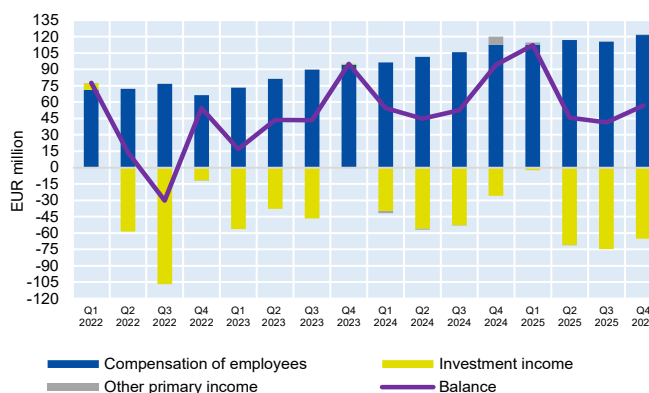
Source: CBK.

On the other hand, service imports reached EUR 410.7 million, marking an increase of 15.4%. Within this category, imports of travel services increased by 33.8%, while transport services increased by 9.1%. The large difference between service exports and imports resulted in a positive balance, with the diaspora playing a particularly important role.

The primary income balance in 2025 reached EUR 256.2 million, while in Q4 2025 alone it amounted to EUR 56.9 million. During this period, compensation of employees reached EUR 121.4 million, marking an annual increase of 7.9%. This suggests increased participation of the resident workforce in foreign labor markets, contributing to higher inflows. In contrast, the investment income balance remained negative at EUR 65.3 million, mainly due to reinvested earnings by foreign investors.

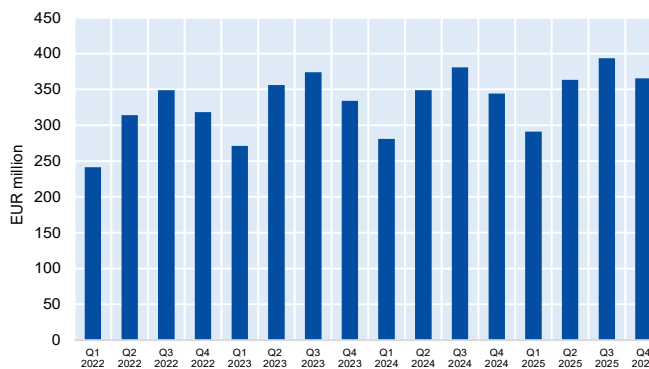
In 2025, secondary income was mainly supported by remittances, which reached EUR 1.4 billion, marking an increase of 4.3%. In Q4 2025 alone, they reached EUR 365.3 million, with an increase of 6.1%. This development represents an acceleration compared to the previous year, when growth was 3.0% in Q4 2024, mainly supported by increased diaspora visits during this period. Growth was recorded on both formal (7.3%) and informal channels (3.2%). Germany and Switzerland remain the main sources of remittances, accounting for 57.5% of total inflows, followed by United States and other EU countries. However, as most remittances originate from EU countries, economic developments in these countries and global uncertainties, including geopolitical and trade tensions, may affect their future trend. Foreign direct investment (FDI) in 2025 reached EUR 1.0 billion, marking an accelerated increase of 30.0%. **In Q4 2025 alone, it reached EUR 296.3 million, with an annual increase of 57.7%.** Investments were mainly concentrated in the real estate sector, which accounted for 65.0% of total FDI, reaching EUR 192.6 million. This increase was driven by rising real estate prices and sustained demand. At the same time, outward direct investments by residents of Kosovo reached EUR 97.0 million, marking an annual increase of 50.8%. These investments are mainly directed toward real estate, trade, and construction in regional countries, reflecting capital diversification and growing interest in investing abroad.

Chart 16. Balance of primary income



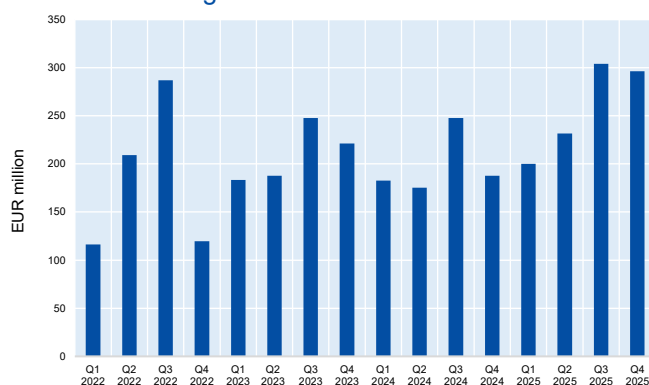
Source: CBK.

Chart 17. Remittances



Source: CBK.

Chart 18. Foreign Direct Investments



Source: CBK.

4. Financial system

The financial system in the country continued to expand in the last quarter of 2025, maintaining an annual growth rate similar to the previous year, although the growth dynamics of some sectors changed in the final quarter. The value of the financial system's assets reached EUR 14.6 billion, marking an annual increase of 14.8% (chart 19).

Growth was mainly supported by the banking sector, which maintained the pace of expansion seen in the previous year, as well as by pension funds and the microfinance and non-bank financial sector, which accelerated growth at the end of the year. The insurance sector continued to grow at a more moderate pace, while the financial auxiliaries sector recorded a decline in assets, in contrast to the accelerated growth observed during the rest of the year and in the previous year. However, due to its small share in the structure of the financial system, the decline in the financial auxiliaries' sector had only a minimal effect on the overall expansion of the system.

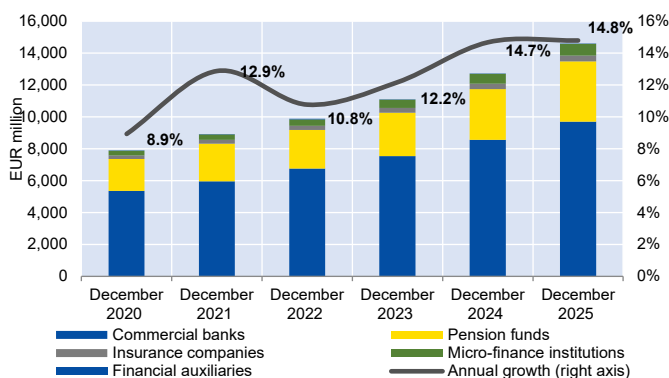
The structure of the financial system remained largely unchanged, with the banking sector dominating with 66.5% of total assets, while the share of pension funds and the microfinance and non-bank financial sector increased slightly to 25.8% and 5.1%, respectively (chart 20).

4.1. Banking Sector

Banking sector continued its expansion also during the reporting period, maintaining the same growth trend as in the previous year. The value of assets reached EUR 9.71 billion, with an annual increase of 13.5% (chart 21). The main contribution came from lending activity, which represents the largest category with 68.7% of total assets, although its growth rate slowed down.

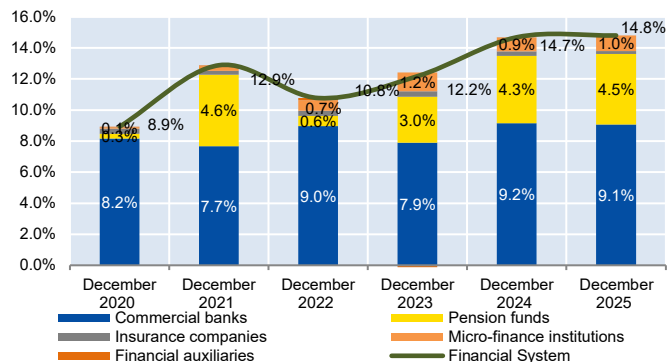
Other asset categories showed varying dynamics, but without significant changes in the overall balance sheet structure. Cash and balances with the Central Bank grew at a slower pace, with annual growth of 3.9%, compared with 13.5% in the previous year. Meanwhile, investments in securities and balances with commercial

Chart 19. Assets value of Kosovo's financial system



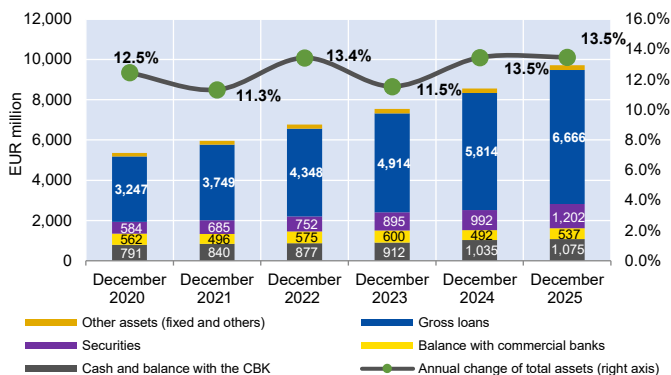
Source: CBK.

Chart 20. Contribution to assets growth of financial system, percentage points



Source: CBK.

Chart 21. Balance sheet of the banking sector - assets



Source: CBK.

banks recorded more accelerated growth this year, following a period of more moderate growth and contraction in the previous year. Specifically, investments in securities increased by 21.2%, up from 10.8%, while balances with commercial banks grew by 9.1% after a decline of 18.0% at the end of the previous year.

The total stock of loans at the end of 2025 reached EUR 6.67 billion, marking an annual increase of 14.7%, lower than the 18.3% recorded in December of the previous year (chart 22). Also in quarterly terms, the growth rate was lower by 2.4 percentage points, reflecting a slowdown in lending to both households and nonfinancial corporations.

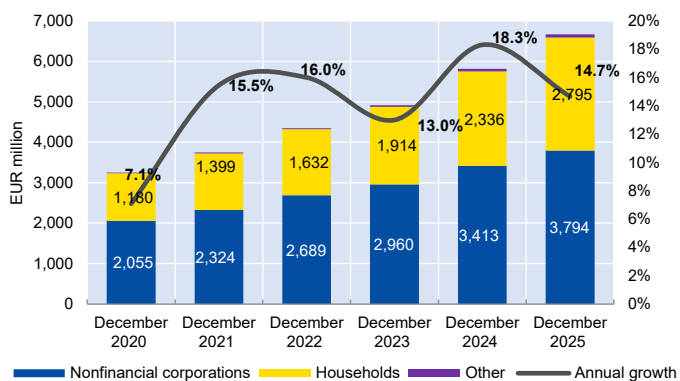
According to the Bank Lending Survey for Q4 2025, credit supply continued to tighten to some extent for households, while remaining largely unchanged for nonfinancial corporations. In terms of lending conditions, banks reported tighter interest rates, while other aspects remained generally unchanged. The main factors affecting supply included developments in the quality of the loan portfolio, specifically a slight increase in non-performing loans, as well as factors related to access to financing and the outlook for the domestic market.

In contrast to credit supply, demand for loans generally increased for both households and nonfinancial corporations. For households, demand increased moderately overall and particularly for consumer loans, while for nonfinancial corporations there was moderate growth in demand from SMEs and largely unchanged demand from large enterprises. The increase in loan demand was mainly driven by the need to finance inventories and working capital for businesses, as well as by increased consumer confidence and household consumption spending. In Q1 2026, banks expect lending standards to remain largely unchanged for both enterprises and households, while demand for loans is expected to increase further.

The main contribution to the expansion of bank lending continued to come from the household segment, whose share is gradually increasing due to its faster growth compared with loans to enterprises (chart 23). In December, household loans accounted for 41.9% of the total loan portfolio, while nonfinancial corporations remained dominant with a share of 56.9%.

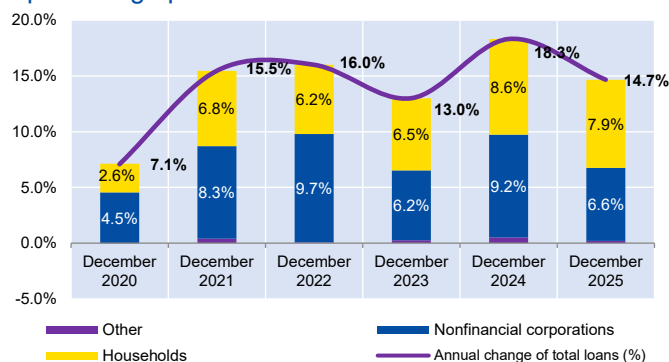
The expansion of lending activity was also accompanied by an accelerated increase in the number of new borrowers, reflecting an expansion of the clients base and a further deepening of financial intermediation.³

Chart 22. Stock of total loans, annual change



Source: CBK.

Chart 23. Contribution to the growth of total loans, in percentage points



Source: CBK.

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

According to the Credit Registry of Kosovo, for the period January–December 2025, the number of new borrowers reached 25,806 individuals, representing an increase of 12.1%, compared with 6.8% in the same period of the previous year.

Loans to nonfinancial corporations continued to grow at double-digit rates, but at a slower pace than in the previous year and previous quarter, reflecting a combination of moderate growth in investment loans and contraction in non-investment loans. In December 2025, the stock of loans to nonfinancial corporations reached EUR 3.79 billion, marking an annual increase of 11.2%, which was 4.1 percentage points lower than in the previous year. In quarterly terms, growth was also lower by 2.8 percentage points.

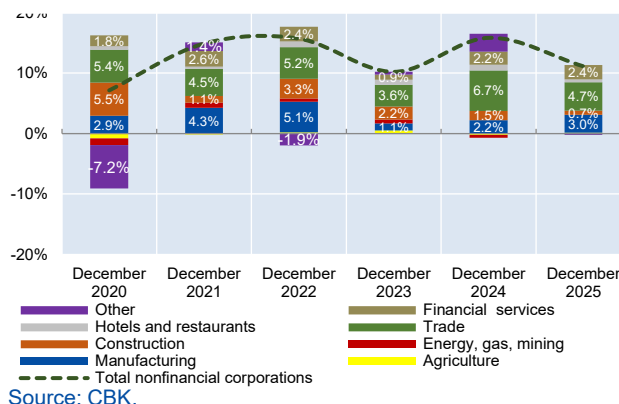
Total new loans issued to nonfinancial corporations by December 2025 reached EUR 1.48 billion, marking slower annual growth of 3.4%, compared with 18.3% in the previous year. New investment loans increased by 9.1%, up from 42.2% in the previous year. Meanwhile, new non-investment loans declined by 6.2%, compared with a decline of 10.5% in December 2024. **However, on a quarterly basis, new loans to nonfinancial corporations increased after declining in the previous two quarters.** Specifically, new loans rose by 21.3%, following a decline of 11.9% in the previous quarter, driven by a 34.4% increase in new investment loans, while non-investment loans decreased by 1.0%.

Lending activity to nonfinancial corporations by economic sector showed mixed dynamics, with slower growth in dominant sectors and accelerated expansion in certain specific sectors.

The trade sector, which remains the most heavily financed sector with a share of 42.1%, recorded slower annual growth of 11.2%, compared with 16.0% a year earlier (chart 24). The construction sector also slowed, with growth of 4.8%, compared with 10.6% in the previous year. Meanwhile, the energy sector continued to decline by 8.0%, compared with a decline of 9.2% in the previous year. Lending to the manufacturing and agriculture sectors accelerated, recording a growth of 16.6%, up from 11.9% for manufacturing, and 7.1%, up from a decline of 9.2% for agriculture (chart 25).

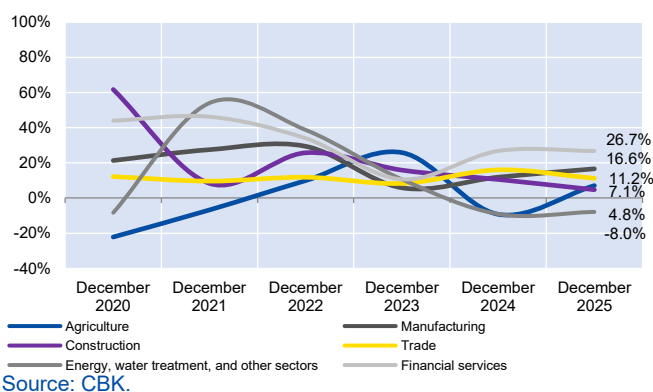
Lending to households continued to grow at high double-digit rates, but more slowly than in the previous year and previous quarter, reflecting more moderate growth in new mortgage loans and a decline in new consumer loans. In December, the stock of household loans reached EUR 2.80 billion, marking an increase of 19.7%, which was 2.4 percentage points lower than in the previous year and 1.0 percentage point lower in quarterly terms. New loans to households reached EUR 1.20 billion (chart 26), marking significantly slower annual growth of 4.2%, compared with 27.9% at the end of the previous year. Specifically, new mortgage loans increased by 26.9%, down from 37.9%, while new consumer loans declined by 0.6%, compared with the growth of 37.9% in the same period of the previous year. **However, on a quarterly**

Chart 24. Contribution to the growth of total lending to nonfinancial corporations, by economic activity



Source: CBK.

Chart 25. Annual change on loans to nonfinancial corporations, by economic activity

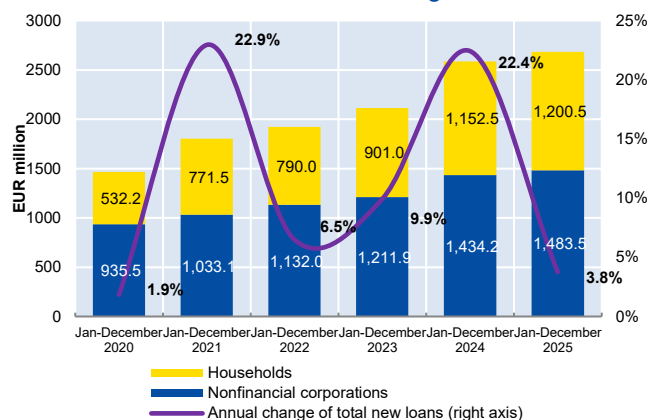


Source: CBK.

basis, new mortgage loans increased after declining for two consecutive quarters, expanding by 28.1% in Q4 2025. Similarly, new consumer loans, unlike the decline in the previous quarter, increased by 6.5%.

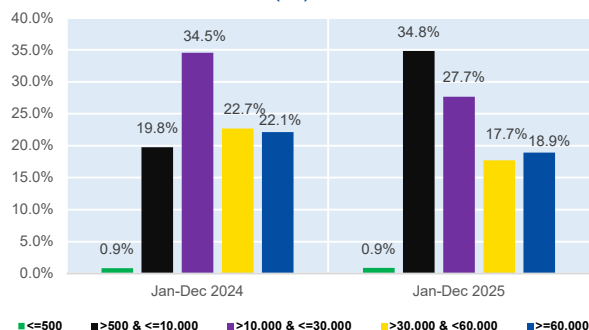
The growth in mortgage lending is also reflected in the maturity structure of the household loan stock, with an increase in loans with longer maturities. Specifically, loans with maturities of over 10 years increased their share to 38.0%, up from 36.7% a year earlier, while categories with maturities of up to 10 years recorded a decline in their share of the total loans portfolio. Nevertheless, the dominant category remained that with maturities of “5–10 years,” accounting for 42.7% of the portfolio.

Chart 26. New loans, annual change



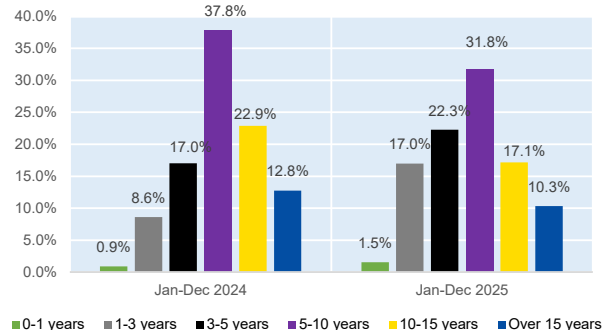
Source: CBK.

Chart 26a. New loans to households by the disbursed value in CRK (%)



Source: Credit Registry of Kosovo.

Chart 26b. New loans to households by maturity



Source: Credit Registry of Kosovo.

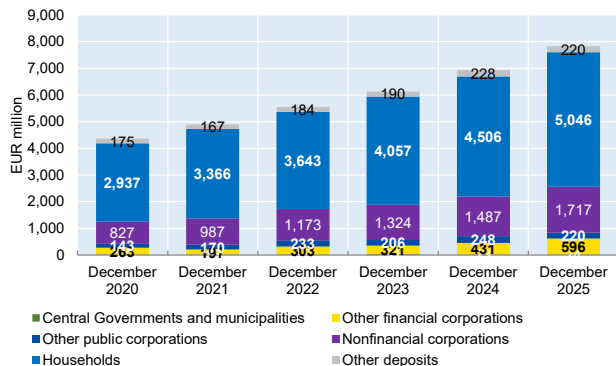
Unlike developments in the stock of loans, new loans showed a tendency toward a decline in both average maturity and average disbursed amount. According to data from the Credit Registry of Kosovo database, the average maturity of new loans issued during the period January–December 2025 fell to 3.7 years, compared with 4.9 years in the previous year. Meanwhile, the average value of new loans declined to EUR 7.2 thousand, from EUR 10.3 thousand in December of the previous year. This trend, consistent with findings from the Bank Lending Survey, suggests that maturity has acted as a mildly tightening factor in lending conditions and standards, limiting the value and term of new loans despite the expansion of the overall loan stock, in line with the regulatory expectations of the Central Bank.

More specifically, in terms of loan value, 34.8% of new loans issued during this period were in the range of EUR 500 to EUR 10,000⁴, making it the dominant category. This represents a shift compared with the same period of the previous year, when loans in the range of EUR 10,000 to EUR 30,000 dominated with a share of 34.5% (chart 26a). 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

⁴ The distribution of amounts into intervals has been made for analytical purposes.

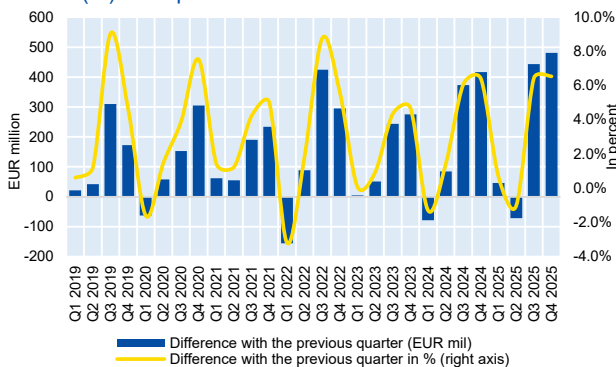
previous year (chart 26b). A decline in the share of new loans issued up to December 2025 was also recorded in the other categories with maturities of over 10 years, while the share of loans with maturities of up to 5 years increased.

Chart 27. Stock of total deposits



Source: CBK.

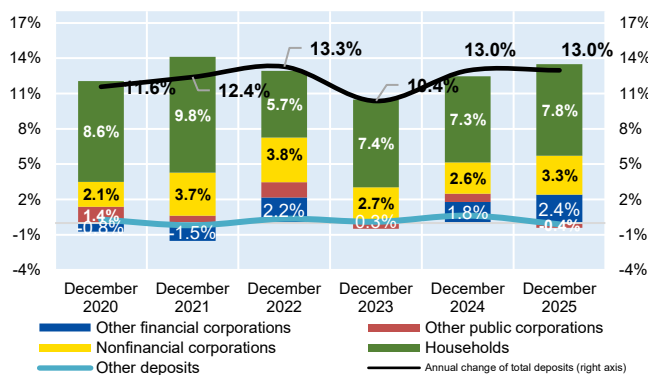
Chart 27a. Diferenca (mil. €) dhe ndryshimi i vlerës (%) së depozitave në kuartale



Source: CBK.

In December 2025, banking sector deposits stock reached EUR 7.82 billion, marking an annual growth of 13.0%, the same as in the previous year (chart 27). On quarterly basis, deposits marked a growth of 6.5%, thus reflecting the characteristic seasonality of the second part of the year, which has historically been associated with a notable increase of deposits (chart 27a). The main contribution to the growth of deposits was marked by household deposits, which dominate the total structure deposits with a share of 64.5% in December 2025 (chart 20). The increase in this segment remains stable, with a slightly accelerated growth pace compared to the previous year, namely an increase of 12.0% from 11.1% marked in the previous year. Corporate deposits also showed accelerated annual growth, with increases of 3.2 and 4.2 percentage points, respectively, while nonfinancial corporations and other financial corporations recorded a growth of 15.5% and 38.5%, respectively (chart 28). Public corporation deposits reversed their trend, declining by 11.4% compared to the growth of 20.6% in the previous year.

Chart 28. Contribution to annual growth of total deposits, percentage points



Source: CBK.

New deposits, which include only term deposits, reached EUR 1.55 billion by Q4 2025, maintaining a high annual growth rate of 32.8%, slightly lower than 34.8% a year earlier. This trend indicates continued depositor interest in term savings in an environment of favorable interest rates.

The household segment, which dominates the majority of new deposits, recorded annual growth of 33.3%, down from 42.0% a year earlier. New deposits of nonfinancial corporations accelerated their growth to 31.6% from 20.7% in the previous year (chart 29).

In Q4 2025, the average interest rate on loans increased both quarterly and annually. Meanwhile, the average deposit interest rate increased compared to the previous year but remained unchanged on a quarterly basis. Specifically, the loan interest rate reached 6.8%, up from 6.6% in Q3 2025, and increased by 0.8 percentage points compared to the same period of the previous year. The deposit interest rate reached

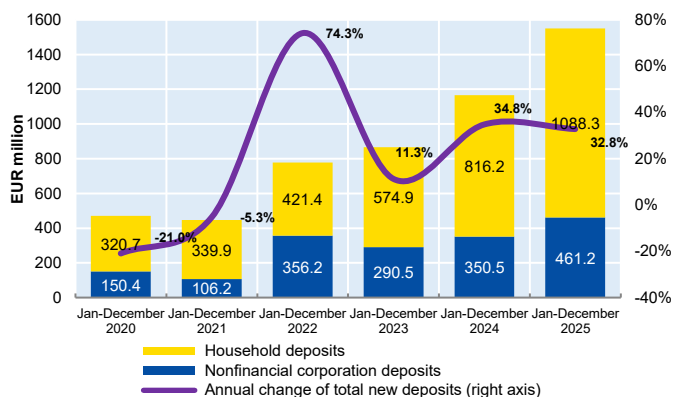
3.2%, compared to 3.0% in the last quarter of the previous year. As a result of the higher increase in loan interest rates compared to deposit rates, the loan-to-deposit interest rate spread widened to 3.5 percentage points from 2.9 percentage points in Q4 2024. Whereas, compared to the previous quarter, this gap marked a slight increase of 0.1 percentage points (chart 30).

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

In December 2025, the share of fixed-rate loans reached 72.6%, increasing by 2.3 percentage points compared to December 2024 and by 0.9 percentage points compared to the previous quarter (chart 31).

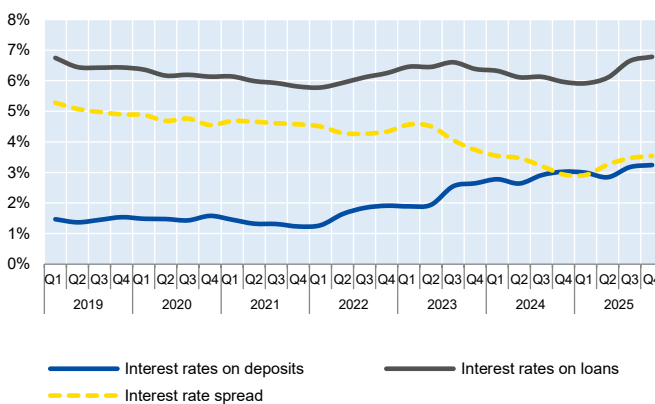
The average interest rate on loans to nonfinancial corporations reached 7.0%, reflecting an annual increase of 0.8 percentage points and a quarterly increase of 0.3 percentage points. Within nonfinancial corporations, interest rates for the services and industry sectors averaged 6.8% (up from 6.0%) and 6.9% (up from 6.2%), respectively (chart 32). The highest interest rate remained in the agriculture sector, reaching 9.1% compared to 8.2% in the previous year.

Chart 29. New deposits, annual change



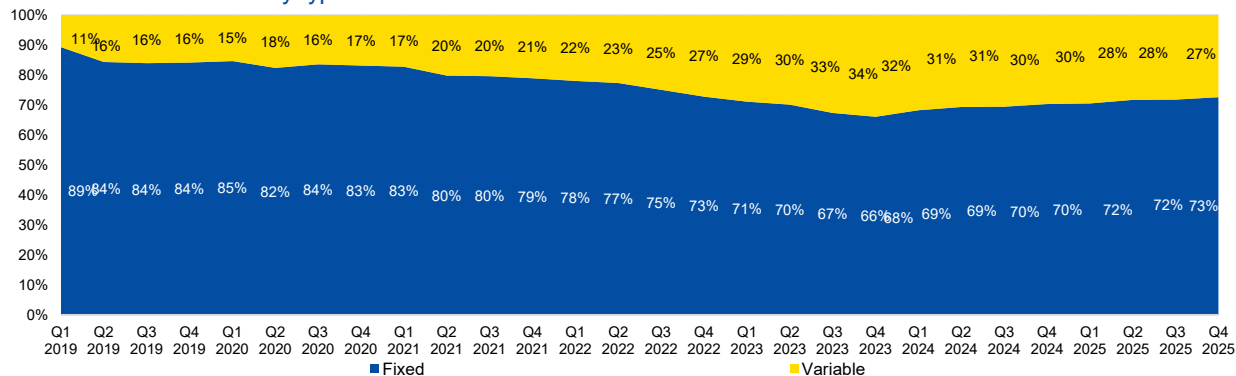
Source: CBK.

Chart 30. Interest rate on loans and deposits



Source: CBK.

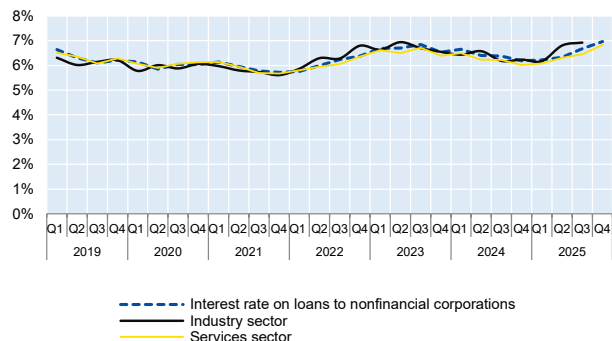
Chart 31. Loans stock by types of interest rates



Source: CBK.

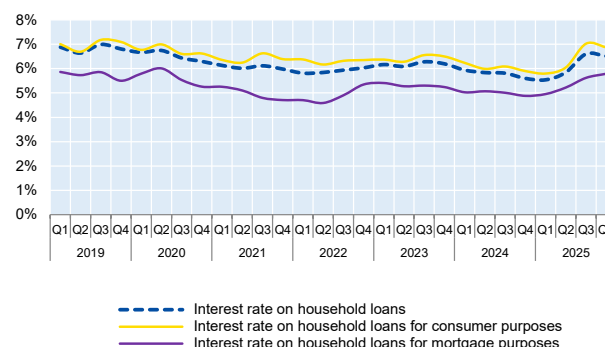
The average interest rate for nonfinancial corporations in December 2025 reached 7.1%, slightly higher than the quarterly average.

Chart 32. Interest rate on loans to nonfinancial corporations



Source: CBK.

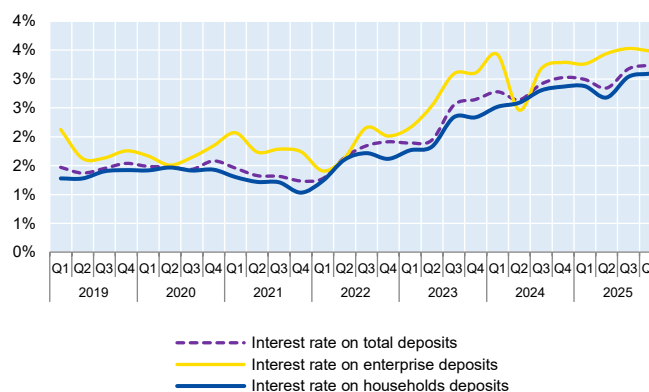
Chart 33. Interest rate on loans to households



Source: CBK.

The average interest rate for households reached 6.5%, up from 5.6% in the last quarter of the previous year, while it decreased slightly by 0.1 percentage points on a quarterly basis. Within households, more favorable rates were offered for mortgage loans, averaging 5.8% (up from 4.9% a year earlier), while consumer loans had an average rate of 6.9% (up from 5.9%). Compared to the previous quarter, mortgage loan rates increased by 0.2 percentage points, while consumer loan rates decreased by the same margin of -0.2 percentage points (chart 33). By December 2025, the average interest rate for households declined slightly to 6.4%.

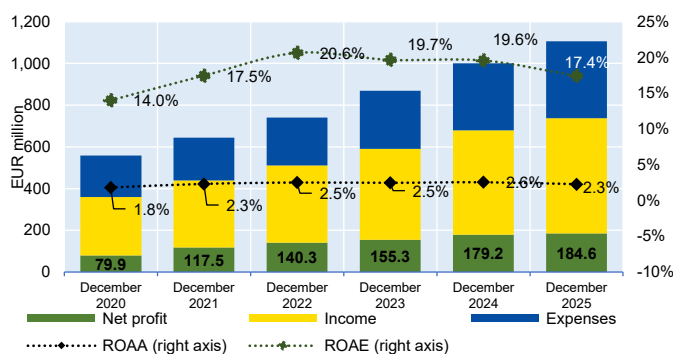
Chart 34. Interest rates on deposits



Source: CBK.

Regarding deposits, the average interest rate for household deposits reached 3.1%, reflecting an annual increase of 0.2 percentage points and a quarterly increase of 0.1 percentage points (chart 34). For nonfinancial corporations, the average deposit interest rate remained at 3.5% compared to the previous quarter, but increased by 0.2 percentage points year-on-year.

Chart 35. Profit and profitability indicators of the banking sector



Source: CBK.

The banking sector's net profit at the end of December 2025 reached EUR 184.6 million, reflecting a slower annual growth of 3.0% compared to 15.4% a year earlier. This development reflects slower growth in income to the increase in expenses ratio.

Interest income, which accounts for around 76% of total income, experienced slower growth, while income from fees and commissions accelerated. Total income reached EUR 552.8 million in December, reflecting annual growth of 10.5%, compared to 15.1% a year earlier.

Interest income from loans increased by 13.7%, down from 18.1%, reflecting slower credit growth. Income from investments in securities declined by 9.0%, compared to the growth of 29.6% in the previous year. Income from placements with banks declined for the second consecutive year, falling to EUR 14.2 million from EUR 16.0 million. Non-interest income, mainly from fees and commissions, reached EUR 118.4 million by December 2025, accelerating annual growth to 14.2% from 8.4% a year earlier.

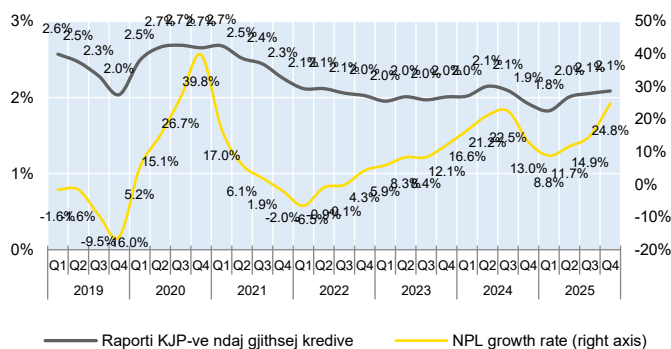
Total expenses of the sector reached EUR 368.3 million, reflecting annual growth of 14.7%, almost similar to 14.9% marked in the previous year.

The largest contribution to expenses growth came from interest expenses, which nevertheless slowed to 36.9% growth compared to 42.2% a year earlier, due to a high base effect. General and administrative expenses also showed a significant slowdown, growing by 7.0% compared to 16.9% in the previous year. However, this category still accounts for the largest share of total expenses at 53.2%. Non-interest expenses recorded accelerated growth of 22.3%, compared to a decline of 5.4% in the previous year, mainly due to increased provisions for loan losses.

Profitability indicators declined compared to the previous year due to faster growth in assets and capital to profit ratio. Return on equity decreased to 17.4% from 19.6%, while return on assets declined by 0.3 percentage points to 2.3% (chart 35).

The non-performing loans (NPL) ratio reached 2.1%, up from 1.9% in December of the previous year, while remaining unchanged on a quarterly basis. The annual increase reflects faster growth in the value of non-performing loans to slower growth in total loans ratio (chart 36).

Chart 36. Annual change of NPL value and NPL to total loans ratio



Source: CBK.

Specifically, the value of non-performing loans reached EUR 138.9 million, with annual growth of 24.8% compared to 13.0% in the previous year, while total loans growth slowed down. Provision coverage for potential loan losses declined to 111.1% from 124.4% in the same period of the previous year, due to faster growth in NPLs to provisions ratio. However, on a quarterly basis, this ratio increased by 0.3 percentage points.

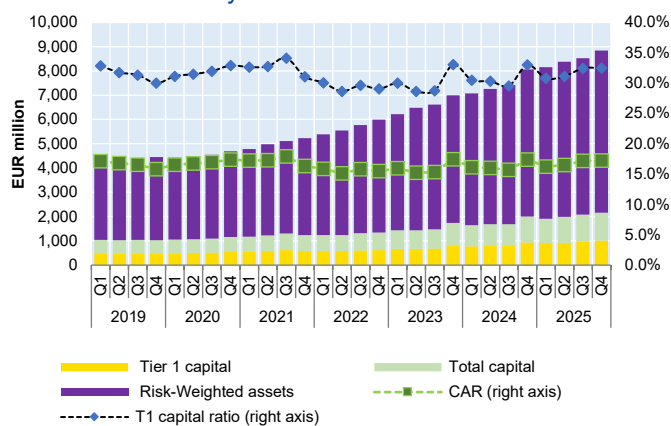
The NPL ratio for nonfinancial corporations increased by 0.3 percentage points annually, while remaining unchanged for households. On a quarterly basis, it remained unchanged for both segments. Specifically, the NPL ratio was 2.5% for nonfinancial corporations and 1.5% for households.

Households recorded slower annual growth in non-performing exposures at 17.5%, down from 34.4% a year earlier, while increasing by 4.8% compared to the previous quarter. Nonfinancial corporations accelerated annual growth in non-performing exposures to 26.6%, up from 6.5% a year earlier, and increased by 4.9% compared to the previous quarter. The increase in non-performing exposures in this segment was mainly driven by the trade sector, where the NPL ratio rose by 0.8 percentage points to 2.3%. However, this development is mainly linked to specific developments in a single institution and does not reflect a broader sector trend. Increases in the NPL ratio were also observed in the construction and real estate sectors, as well as in the communication sector, reaching 2.7% (from 2.6%) and 2.8% (from 1.7%), respectively. In contrast, the agriculture and manufacturing sectors recorded declines in NPL ratios due to faster credit growth to non-

performing loans ratio. The ratios declined to 6.4% (from 6.6%) for agriculture and to 2.6% (from 2.9%) for manufacturing.

The capital adequacy ratio (regulatory capital to risk-weighted assets) stood at 17.2%, reflecting a slight annual decline of 0.2 percentage points, although this figure excludes unaudited period profits. Compared to the previous quarter, it remained unchanged. The annual decline reflects faster growth in risk-weighted assets to capital ratio. Regulatory capital increased by 8.7% annually, down from 15.1% a year earlier, mainly supported by retained earnings. Within the capital structure, 88.5% consists of Tier 1 capital, of which 67.2% is composed of retained earnings. Risk-weighted assets increased by 9.7%, compared to 15.6% a year earlier (chart 37).

Chart 37. Solvency indicator

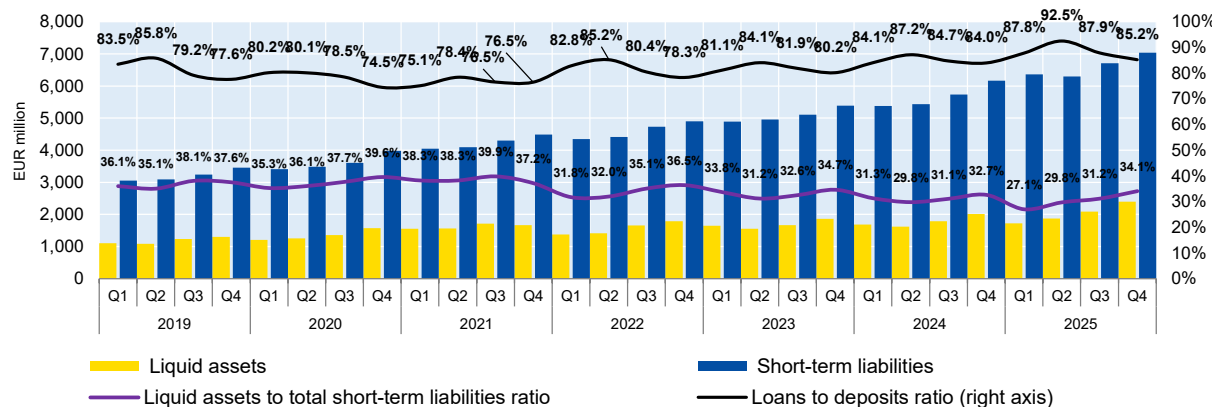


Source: CBK.

Liquidity and funding indicators increased both year-on-year and compared to the previous quarter. The liquidity coverage ratio (LCR) remained well above the regulatory minimum of 100%, reaching 292.0% in December 2025, representing an increase of 81.1 percentage points year-on-year and 56.4 percentage points compared to September of this year. This level indicates that banks hold sufficient liquid assets to withstand net cash outflows over a 30-day stress period. The increase reflects a 20.2% annual expansion in excess liquidity, while net liquidity outflows declined by 13.2%.

The net stable funding ratio (NSFR) increased to 140.8% from 136.0% in December 2024, remaining above the regulatory minimum of 100%, indicating sufficient stable funding for longer-term needs. The liquidity ratio (liquid assets to short-term liabilities) increased by 1.3 percentage points annually to 34.1%. This came as a result of the higher growth in liquid assets (18.9%) compared to short-term liabilities (14.2%). Higher credit growth relative to deposits contributed to a further increase in the loan-to-deposit ratio, reaching 85.2% from 84.0% a year earlier (chart 38). However, compared to the previous quarter, this ratio declined by 2.7 percentage points.

Chart 38. Liquidity indicators



Source: CBK.

4.2. Pension sector

The pension sector recorded sustainable expansion of assets, supported by both the increase in the value of gross investment returns and the growth in contributions collected during the year. These developments reflect the gradual improvements of global financial conditions during the second half of the year, after the fluctuations and uncertainties marked in the beginning of the year which had a negative impact in the investments performance.

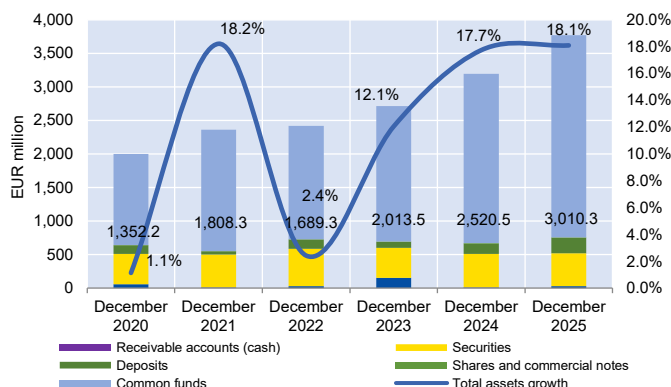
At the end of December 2025, pension sector assets reached EUR 3.8 billion, marking an annual increase of 18.1% (chart 39). The developments dynamic of the sector is determined by the developments in KPST which represents 99.7% of the total assets of the pension sector. KPST assets increased annually to 18.1% compared to 17.8% marked in December 2024. Meanwhile, SKPF increased annually to 13.5% compared to the increase of 14.4% marked in December 2024.

Portfolio of pension funds investments remains focused mainly in foreign markets, which comprise 80% of total investments. At the end of December 2025, the growth trend of investments abroad slowed down compared to the previous year, whereas investments in the domestic market marked an acceleration (chart 40). This dynamic was impacted, among others, also by the increase of interest rates, as a result of increased demand by banks for deposits.

KPST invested 80.1% of its portfolio in foreign markets, marking an annual growth of 19.4%, down from 25.2% in Q4 2024. Of these investments, 99.9% are allocated to mutual funds. Meanwhile, investments in the domestic market recorded a significant annual increase of 13.2%, compared to 4.0% in Q3 2024. Within the domestic market, securities continue to dominate, accounting for 65.3% of the portfolio.

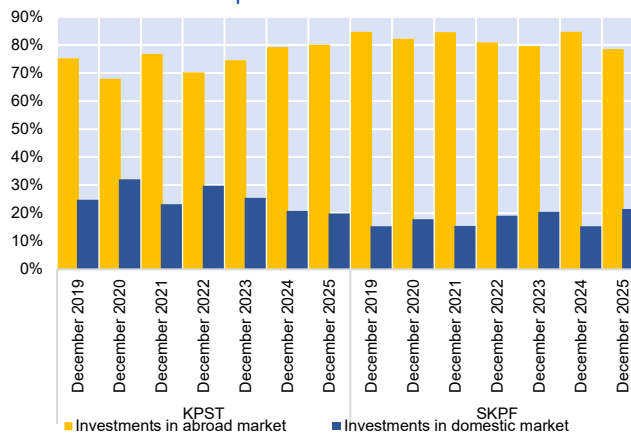
On the other hand, SKPF held 78.5% of its assets in foreign markets and 21.5% in the domestic market. investments in the domestic market recorded a significant increase of 59.1%, compared to the decline of 13.9% in Q4 2024.

Chart 39. Assets of the pension sector



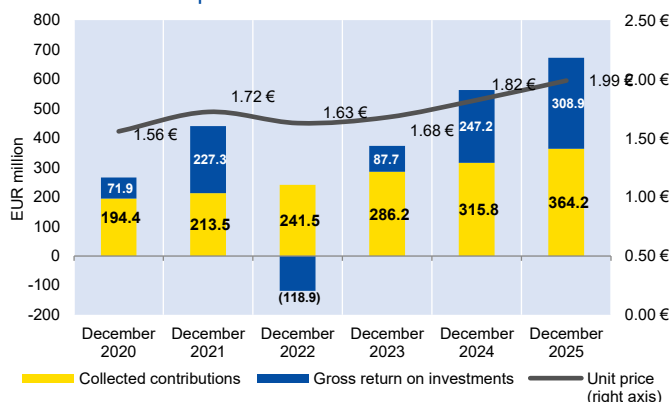
Source: CBK.

Chart 40. Structure of pension funds investments



Source: KPST, SKPF

Chart 41. KPST performance

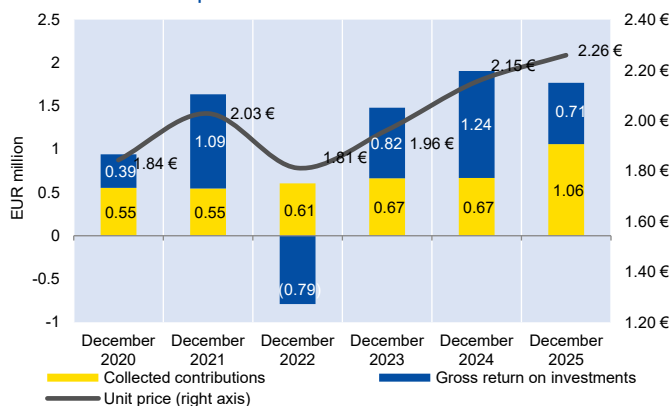


Source: KPST.

KPST recorded an annual growth of 24.9%, increasing the value of accumulated gross returns to EUR 308.9 million by December 2025, from EUR 247.2 million in the previous period. The main contribution to this growth came from the third quarter, accounting for 48.6% of the accumulated return value, followed by Q2 with 33.3% of total returns.

However, after April, the investment portfolios of FKPK showed resilience to market shocks, as well as flexibility during the recovery phase of financial markets, contributing to an improvement in overall returns.

Chart 42. SKPF performance



Source: SKPF

As a result of these developments, the unit price of shares increased slightly to EUR 1.99, from EUR 1.82 at the end of Q4 2024.

On the other hand, SKPF significantly reduced its gross return value to EUR 712.2 thousand by December 2025, from EUR 1.24 million in the previous period. Nevertheless, the share unit price of SKPF increased to EUR 2.26 per unit, from EUR 2.15 year earlier (chart 42).

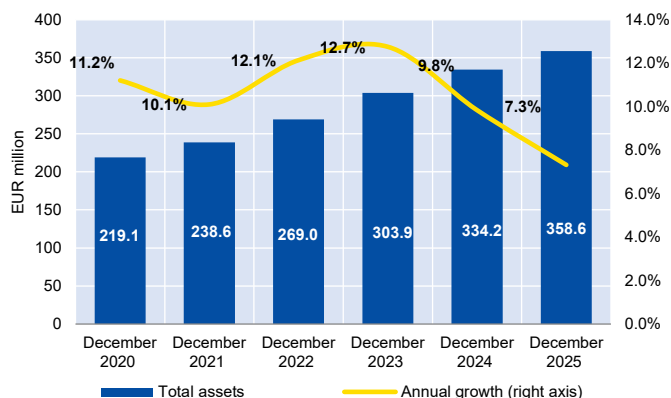
The growth of pension contributions accelerated during 2025, reflecting the expansion of the contributors base and the continuous increase in contributions to the system, which in this period was largely influenced by the increase in the coefficient unit for public servants. The value of contributions collected by the end of December 2025 reached EUR 365.3 million, marking an annual increase of 15.4% , up from 10.3% recorded in the previous period. At the same time, the total number of pension contributors as of December 31, 2025 reached 915.5 thousand, marking an increase of 4.3% compared to 4.8% in the same period of the previous year.

KPST contributions, which represent 99.7% of total contributions, recorded a significant annual increase of 15.3% , up from 10.4% a year earlier (chart 41). Contributions collected by KPST also recorded a significant annual increase of 58.2% by the end of December 2025, compared to an increase of 0.7% in the same period of the previous year, reaching EUR 1.1 million (chart 42).

4.3. Insurance sector

The insurance sector recorded a slowdown in the growth of assets and written premiums, particularly in the non-life segment. At the end of December 2025, sector assets increased to EUR 358.6 million, marking a slowdown in the annual growth rate to 7.3% from 9.8% in December 2024 (chart 43). The non-life insurance segment accounted for 91.7% of total assets, while the life segment covered 8.3% of assets.

Chart 43. Assets of insurance sector



Source: CBK.

The asset structure remained mainly oriented toward highly liquid instruments, dominated by bank deposits and securities.

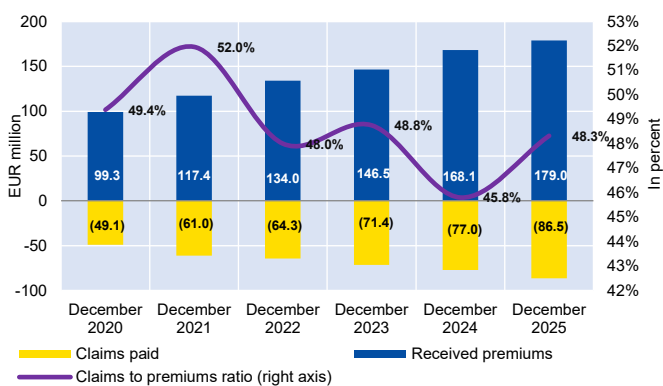
Bank deposits marked an annual increase of 9.6% and

represented the half assets portfolio. Meanwhile, Government of Kosovo securities, as the second most important category in the portfolio, recorded an annual decline of 3.6% from the increase of 4.2% in December 2024. As a result, their share in assets declined by 1.6 percentage points to 14.2%. Similarly, the reinsurance assets (technical reserves of the insurers) marked an annual decline of 1.7% unlike the increase of 16.3% marked in the previous year. As a result, their share to total assets decreased at 13.7% from 14.9% marked in the previous year.

The value of gross written premiums recorded a slowdown in annual growth pace to 6.5% from 14.7% in the same period of the previous year (chart 44). Likewise, gross written premiums from the non-life and life segments recorded slower annual growth of 6.3% and 10.5%, respectively. In non-life insurance, the Motor Third Party Liability category (domestic MTPL) remained dominant, increasing its share to 56.4% of total premiums from 55.5% a year earlier. Annual growth of premiums in this category reached 8.1%, from the increase of 5.7% in the same period of the previous year. In life insurance, the dominant category “Debtor’s Life” recorded annual growth of 16.9%, down from the growth of 28.01% in the previous year.

The total number of policies marked an annual decline, whereas the premiums value increased as a result of the higher weight of the life premiums. The number of policies had a decline of 4.8%, from the growth of 32.6% in the previous period, declining to around 97 thousands policies. This dynamic was mainly driven by the non-life segment, where the number of policies declined annually by 5.8%, while the number of policies in the life segment recorded annual growth of 26.8%. Despite the decline in the number of policies, the average premium increased to EUR 92.4 in December 2025 from EUR 82.6 in December 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.

Chart 44. Written premiums and claims paid



Source: CBK.

Claims paid from the insurance sector marked an annual increase of 12.4% from 7.8% in the previous year, being impacted by the the increase of payments processed by the insurance companies, whereas claims paid by the Kosovo Insurance Bureau marked a decline (chart 44)). Claims paid by insurance companies increased by 14.9%, from the previous increase of 5.7% in the previous period, whereas claims paid by the Kosovo Insurance Bureau declined annually by 10.9%, compared to the growth of 32.3% in the previous period. Meanwhile, claims covered by re-insurers doubled compared to a year earlier.

Within non-life insurance claims paid, the category “Motor Third Party Liability,” with a share of 56.1%, recorded an annual growth of 4.9%, reaching EUR 47.4 million. This increase was mainly driven by claims related to domestic MTPL and subsequently border policies. Meanwhile, the “Health Insurance” a category, which accounted for 25.2% of the total, recorded an annual increase of 11.1%, reaching EUR 21.3 million.

Unlike the decline of the policies number, the number of claims paid recorded a slight increase during the period of January-December 2025, whereas the value of average claim marked a more pronounced increase. The number of claims paid increased for 0.8%, reaching 228.4 thousands compared to the same period of the previous year. Of this number, 227.6 thousand claims were paid by non-life insurance companies and 769 by life insurance companies. Meanwhile, the average of the claim paid marked an increase of 11.5% compared to the previous period, marking a significant higher increase than the dynamic of the claims number.

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– December 2025 period recorded an annual slowdown growth with 12.6%, , from 34.0% a year earlier, reaching EUR 16.6 million. Total income, mainly supported by written premiums, increased by 6.9% to EUR 152.6 million. Conversely, total expenses, dominated by claims paid, increased by 6.2%, reaching EUR 136.0 million. Claims to premiums ratio increased at 48.3% in December 2025 from 45.8% a year earlier, reflecting the cost increase of claims, being mainly impacted by the increase of claim average during the period (chart 44). However, the combined ratio marked a slight decline at 91.3% in December 2025, compared to 91.6% in the previous period.

Return on average assets (ROAA)⁵ marked a slight increase to 5.6% from 5.5% in the previous year, influenced by faster growth of annual gross profit (9.2%) compared to the growth in average assets (7.2%). Also, Return on Average Equity (ROAE) marked a slight increase to 18.2% from 17.8%, as the annual net profit (12.6%) increased faster than the average equity (10.1%).

Financial soundness indicators of the insurance sector remain above regulatory requirements in both of non-life and life segments. The capital to the solvency margin ratio recorded a decline in both segments. The capital-to-guarantee fund ratio also marked a decline in the non-life segment, though an increase in the life segment. 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 100% in all categories, reflecting that sufficient assets continue to support technical reserves in both market segments (table 1).

Table 1. Sustainability indicators

Description	December 2025		December 2024	
	Non-life	Life	Non-life	Life
Capital-to-minimum solvency margin ratio	141.80 %	599.13 %	167.20 %	718.26 %
Capital-to-guarantee fund ratio	170.71 %	180.74 %	186.20 %	175.73 %
Liquid assets-to-technical provisions ratio	97.14 %	148.67 %	94.96 %	151.38 %
Liquid assets to total liabilities ratio	85.06 %	141.06 %	83.68 %	144.38 %
Coverage by technical provisions	113.90 %	114.90 %	111.80 %	114.30 %

Source: CBK.

⁵ For the calculation of ROAA and ROAE 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 ROAE, while gross profit is considered in the calculation of ROAA, in accordance with the IMF methodological guide for Financial Soundness Indicators (FSI 2019 Guide).

4.4. Microfinance and non-bank financial sector

The microfinance and non-bank financial sector recorded an accelerated annual growth in assets, driven by the expansion of lending to both households and nonfinancial corporations. Meanwhile, the leasing activity marked a decline, especially in the segment of nonfinancial corporations.

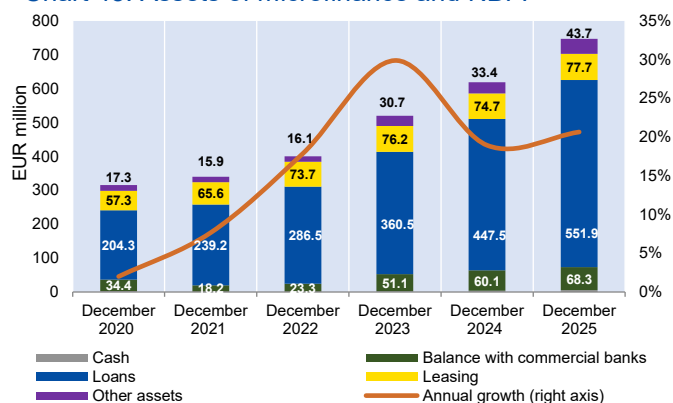
Sector assets reached EUR 747.0 million, recording an annual growth of 20.7%, compared to the increase of 18.9% in the previous year. The asset structure remains dominated by loans, followed by leases and liquid assets held at commercial banks (chart 45). External sourcing of financing, which comprise 90.8% of total financing, marked an annual growth of 20.2%, compared to 17.5% in the previous year. Whereas, internal sources of financing marked a halving of the growth pace, declining at 48.4%.

The stock of sector loans reached EUR 551.9 million, continuing the strong growth trend of 23.3%, , from 24.1% a year earlier. Meanwhile, new loans issued during the year marked a pace slowdown of the annual growth at 19.0% by December 2025 from 29.5% as it was in the previous year.

Stock of loans to households marked an annual growth of 22.7%, from 19.9% in December 2024. While lending to nonfinancial corporations slowdown its growth to 24.3% from 30.8% in December 2024 (chart 46). The relatively higher growth of the loan portfolio for nonfinancial corporations compared to households was reflected in slight structural changes, with the share of household loans declining to 58.7% from 59.0% and the share of loans to nonfinancial corporations increasing to 41.3% from 41.0%.

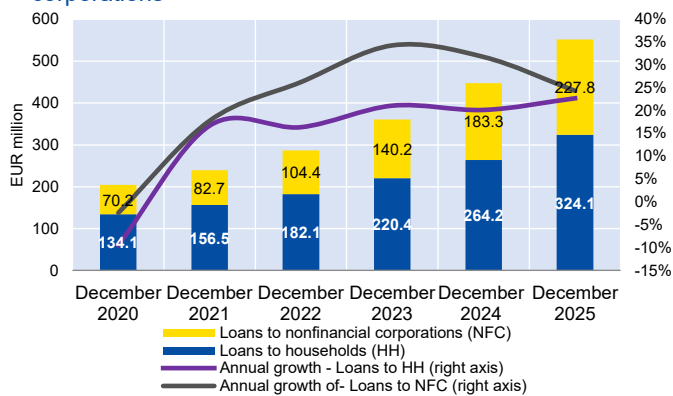
Based on the economic activity, all sectors recorded growth of the loans value, with the industrial sector showing the highest growth rate of 29.0%. However, due to the larger weight of the “other services” sector in the loan portfolio of nonfinancial corporations and its high growth of 25.4%, this sector made the largest contribution to total growth, reaching 9.4%.

Chart 45. Assets of microfinance and NBFi



Source: CBK.

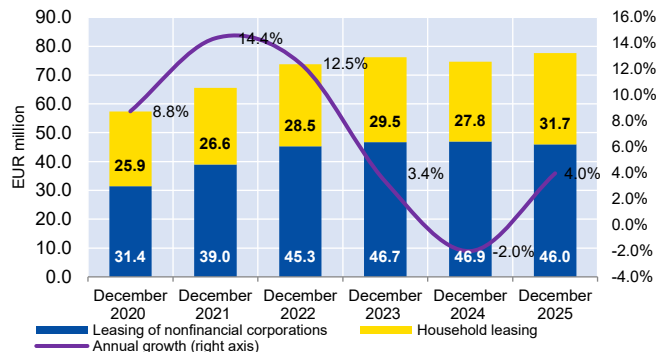
Chart 46. Value of loans to households and to nonfinancial corporations



Source: CBK.

Leasing reduced its share in sector assets, declining to 10.4% from 12.1% a year earlier, influenced by an annual decline in leasing activity of 4.0%. This development was mainly reflected in the nonfinancial corporation segment, which remains dominant with 59.2% of total leasing and recorded an annual decline of 2.0% in December 2025. Whereas, leasing to households continued to grow at an accelerated pace, reaching 14.2% compared to the decline of 5.9% marked in the previous year (chart 47).

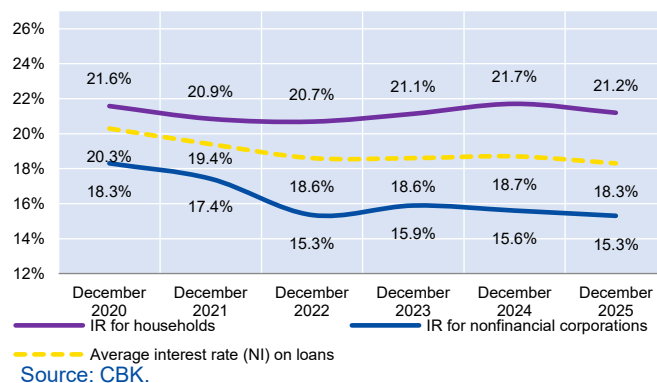
Chart 47. Value of sector leasing



Source: CBK.

The average interest rate on loans issued by the microfinance and non-bank financial sector recorded a slight decline, decreasing by 0.5 percentage points for households and by 0.3 percentage points for nonfinancial corporations (chart 48). Households face higher interest rates than nonfinancial corporations, with a difference of 5.9 percentage points. The interest rate on consumer loans declined by 0.9 percentage points to 23.3%, while the interest rate on mortgage loans declined by 2.9 percentage points to 14.2%. Within loans to nonfinancial corporations, interest rates recorded a slight increase for the agriculture sector and a moderate increase for the industry sectors, while loans to the services sector declined slightly and were characterized by a more favorable rate of 14.5% (chart 49).

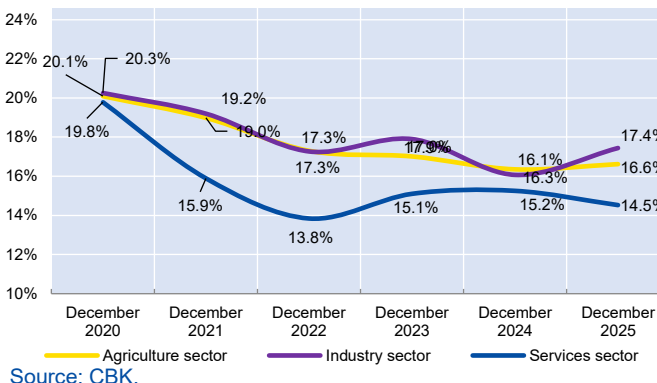
Chart 48. Average interest rate on microfinance and NBFIs sectors



Source: CBK.

Net profit of the sector reached EUR 24.2 million, recording a considerable annual increase of 23.7%, from 8.3% marked in the previous year. This development reflects the higher impact of the income increase from the expanded lending activity, compared to expenditures. Total sector income continued to grow at a high rate of 19.5%, though at a slower pace compared to the previous year, reflecting declining interest rate dynamics, and the effect of a higher comparative base.

Chart 49. Average interest rate on loans to enterprises, by economic sectors



Source: CBK.

However, the high increase in lending activity supported the increase in interest income, which remained the main source of income. Also, non-interest income contributed to the growth, although at a much more moderate rate than last year.

Regarding the expenditures incurred there was observed a slowdown annual growth pace to 18.6%, from 36.2%, reflecting the gradual stabilization of costs following the sharp increases impacted by inflation and high financing costs. Non-interest expenses, primarily personnel and administrative ones, accounted for 47.3% of the total increase of expenses, representing the main contributor to the increase, although their increasing trend slowed down compared to the previous year. Also interest expenses contributed to the increase with 41.3%, albeit it was observed a slowdown pace, which resulted from 63.9% to the increase of 22.9% in December 2025.

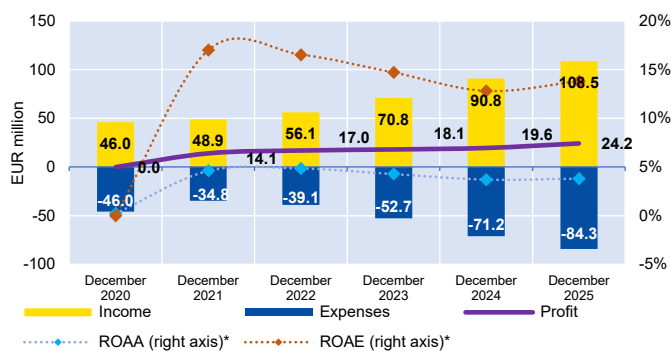
The cost-to-income ratio decreased to 77.7% in December 2025 from 78.4% a year earlier, reflecting faster increase of income compared to the increase of expenses. Consequently, the main profitability indicators improved, where the return on average assets (ROAA) increased to 3.8% from 2.8% and a return on average equity (ROAE) increased to 13.8% from 9.9%.

NPL to total loans ratio in the sector of microfinance and non-bank financial institutions remained unchanged at 1.6% compared to the previous year. However, this indicator marked a decline from the rate of 1.9% as it was in the previous quarter. Meanwhile, the NPL value increased to 19.6%, from 13.4% as it was in the previous year, amounting to EUR 10.2 million in Q4 2025. Loan loss coverage with provisions remained stable, although it declined slightly to 147.6% from 148.4% in the previous period (chart 51). Meanwhile, the non-performing loans ratio remains higher for non-bank financial institutions (NBFIs) compared to microfinance institutions (MFIs). For microfinance institutions, this ratio recorded an annual decline to 1.5% from 1.6%, while for non-bank financial institutions it marked an annual increase to 2.3% from 1.9% in December 2024 (chart 52).

4.5. Securities market of Kosovo's Government

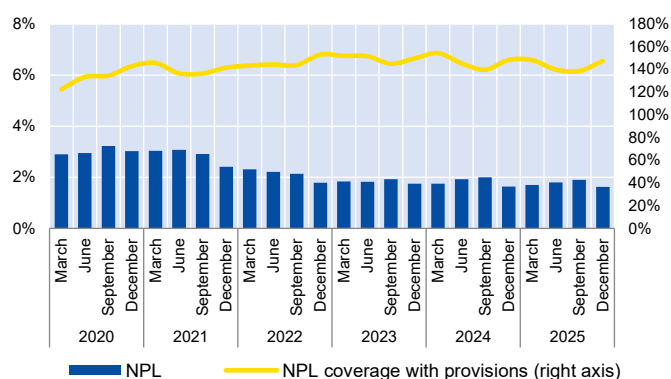
In the last quarter of 2025, the Government of the Republic of Kosovo issued domestic debt in the amount of EUR 80.0 million, increasing the value by EUR 20.0 million compared to the same period of

Chart 50. Profit and profitability indicators of the microfinance sector and NBF1



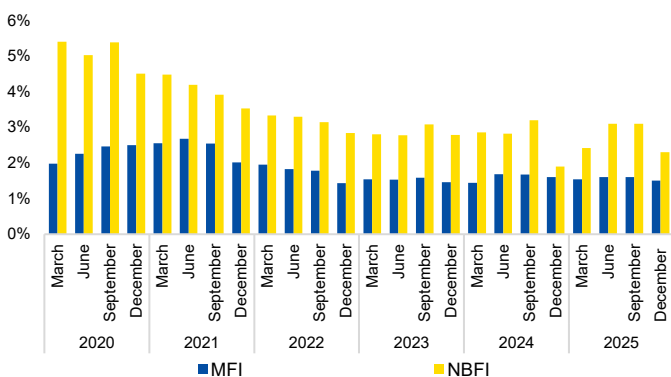
Source: CBK.

Chart 51. Indicators of credit portfolio quality



Source: CBK.

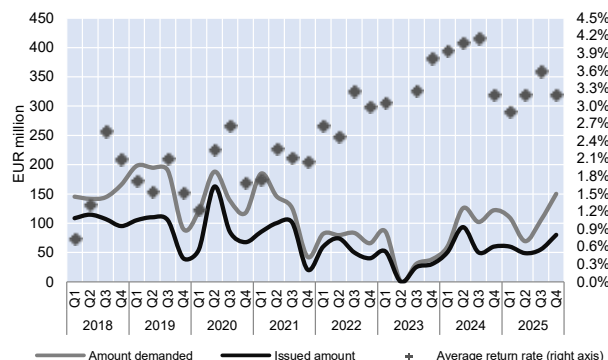
Chart 52. MFI and NBF1 NPL level



Source: CBK.

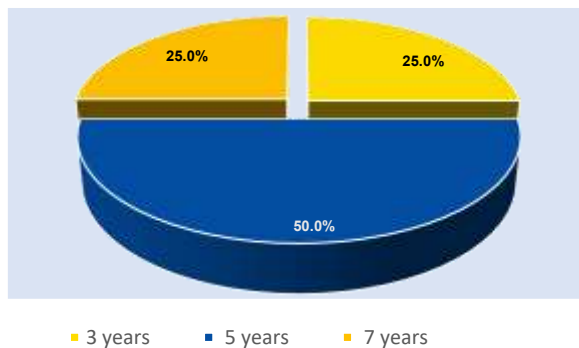
the previous year (chart 53). However, the ratio of domestic debt to Gross Domestic Product (GDP) recorded a decline to 8.67% from 9.34% in December 2024, mainly influenced by the offset of domestic debt.

Chart 53. Bid to cover ratio



Source: Ministry of Finance, Labor and Transfers.

Chart 54. Structure of Government securities by maturity for Q3 2025, in percent



Source: Ministry of Finance, Labor and Transfers.

The return rate in Q4 2025 remained unchanged compared to Q4 2024 whereas marked a decline of 0.4 percentage points compared to the previous quarter, declining to 3.2%. The demand for securities remained high and continued to exceed the offer, albeit the Government issued only half of the demanded amount (chart 53). 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 26.0% and public institutions with 24.0%, while insurance companies accounted for around 5.0% of the government debt stock. By maturity, issuances during this quarter were dominated by five-year bonds, followed by three-year bonds and ten-year bonds (chart 54).

The suggested citation of this publication:

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