

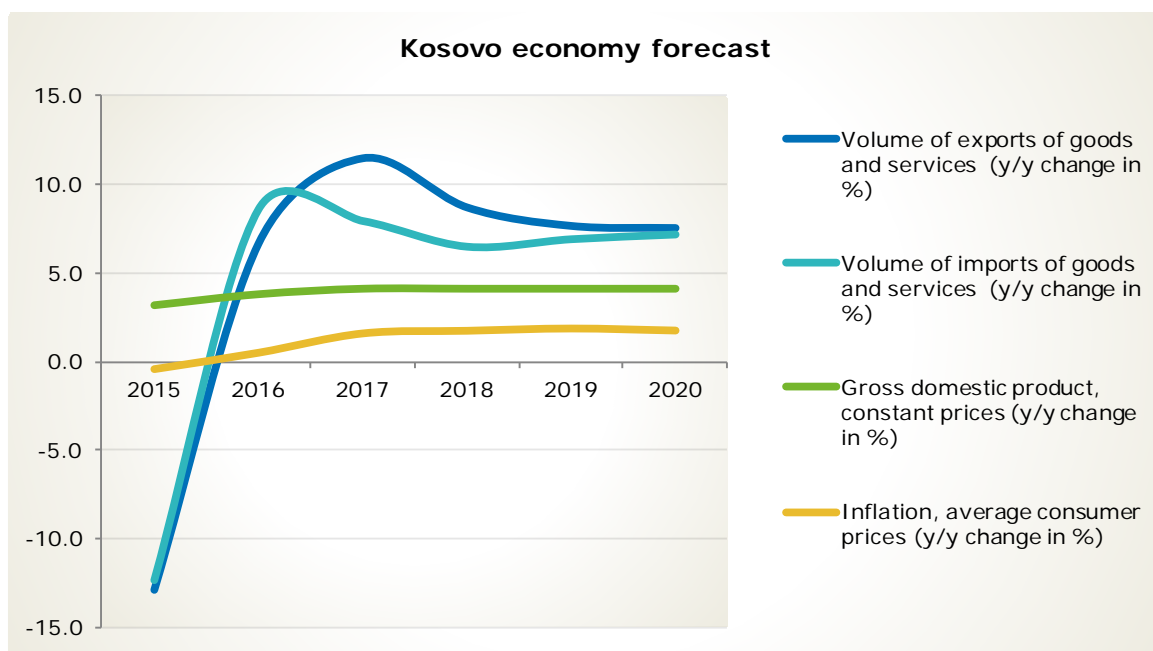
**KOSOVO ECONOMY REPORT**  
Q3 2015

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1. MACROECONOMIC SNAPSHOT AND FORECAST

KOSOVO – MACROECONOMIC SNAPSHOT AS OF Q3 2015	
<b>GDP Growth</b>	3.4% y/y (Q2 2015)
<b>Industrial sales y/y change in</b>	
- Mining	-24.9%
- Manufacturing	10.7%
- Electricity and gas supply	-4.8%
- Water supply	-13.2%
<b>Annual inflation</b>	-1.2%
<b>Unemployment rate</b>	35.3% (2014)
<b>Household loans</b>	17.6% y/y
<b>Gross external debt</b>	EUR 1.912 bln
<b>Current account deficit</b>	EUR 99.9 mln
<b>FDI inflow</b>	EUR 107.6 mln
<b>Foreign trade deficit</b>	EUR 575.4 mln
<b>Number of foreign tourist overnights</b>	12.7% y/y



Source: International Monetary Fund (IMF) World Economic Outlook Database – October 2015

## 2. REAL SECTOR

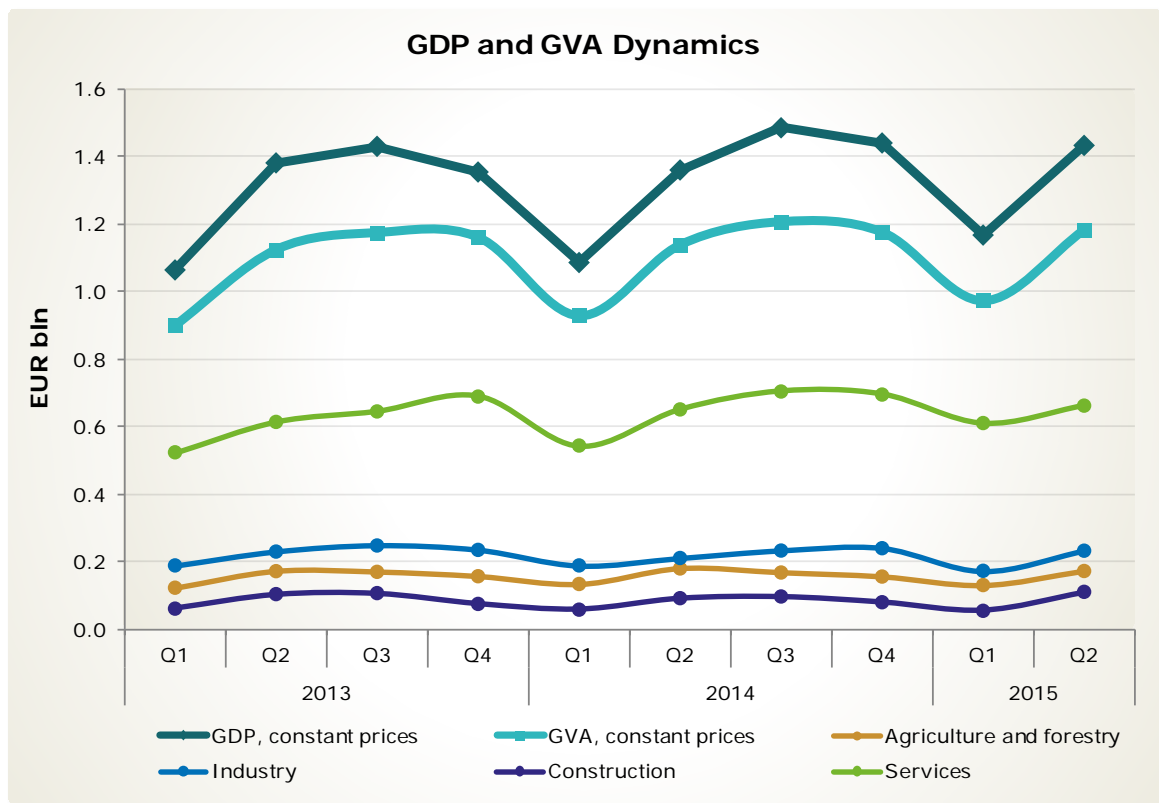
### 2.1. GROSS DOMESTIC PRODUCT (GDP)

**GDP went up by real 3.4% y/y in Q2 2015\*, compared to a 0.2% y/y rise in the previous quarter**

*\*Data for Q3 2015 was not available as of the date of the preparation of this report.*

The country's GDP increased by a real 3.4% y/y and totaled EUR 1.434 bln in Q2 2015, according to preliminary data of Kosovo Agency of Statistics (RKS).

Final consumption, increased in value terms by 5.8% y/y and amounted to EUR 1.472 bln in Q2 2015. Gross capital formation went up by 6.4% to EUR 0.445 bln. Exports grew by 10.3% y/y, while imports increased by 8.7%.



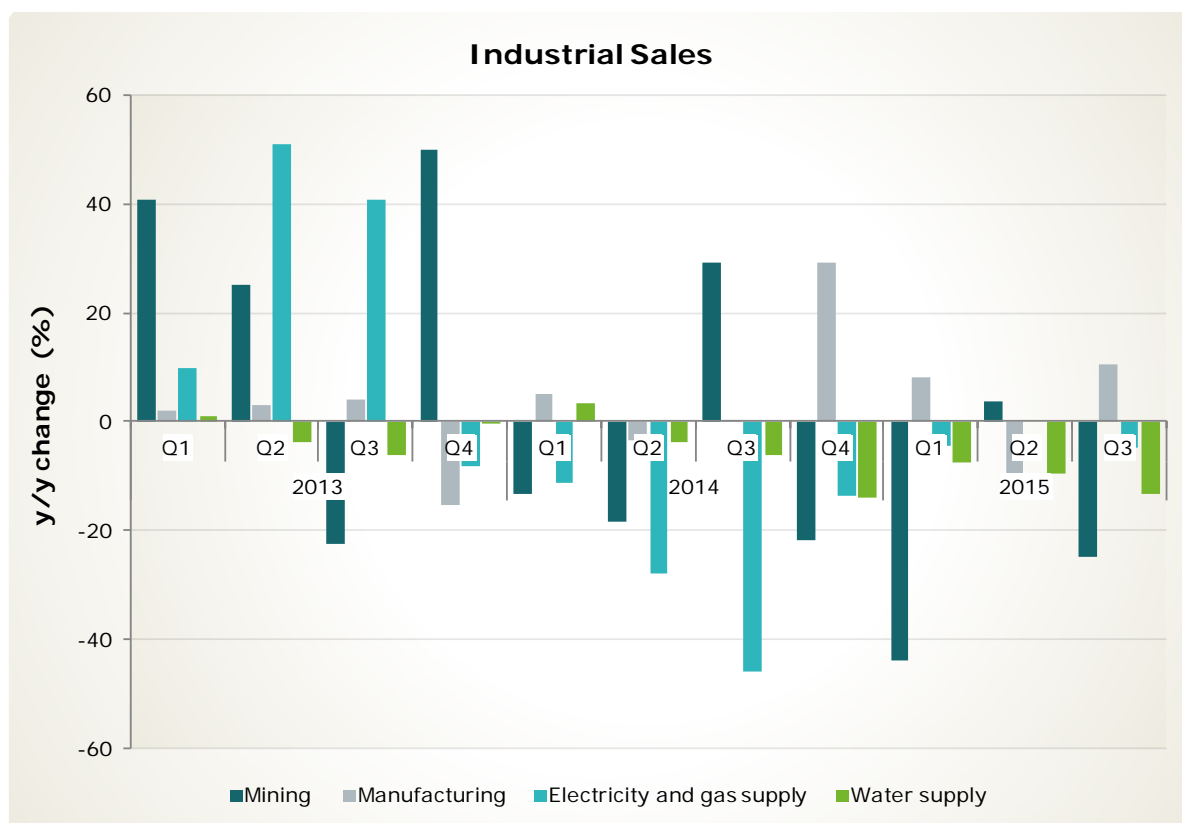
Source: RKS

The gross value added (GVA) generated by the national economy increased in value by 3.9% y/y in Q2 2015 and totalled EUR 1.182 bln. The industrial sector grew in value by 10.2% y/y and its share in the GVA structure went up to 19.8% from 18.6% in the corresponding quarter of the previous year. The services sector recorded a 1.7% annual increase, slicing a 56.1% share in the GVA compared to 57.3% share a year earlier. The agricultural sector registered an annual decline of 4.1%, thus decreasing slightly its share in the GVA to 14.7%, from 15.9%. The construction industry jumped by 20.2% y/y, thus increased its share in the GVA to 9.5% from 8.2%.

## 2.2. INDUSTRIAL SALES

### Industrial sales show mixed results in Q3 2015

Industrial sales in the manufacturing sector increased by 10.7% y/y in Q3 2015, compared to a 11.3% decrease in the previous quarter, RKS data showed. All other industries registered a drop in sales with the highest, of 24.9%, posted by the mining sector, followed by the water supply with a 13.2% fall and the electricity and gas supply industry with 4.8%.



Source: RKS

## 2.3. INFLATION

### Annual deflation of 1.2% in September 2015

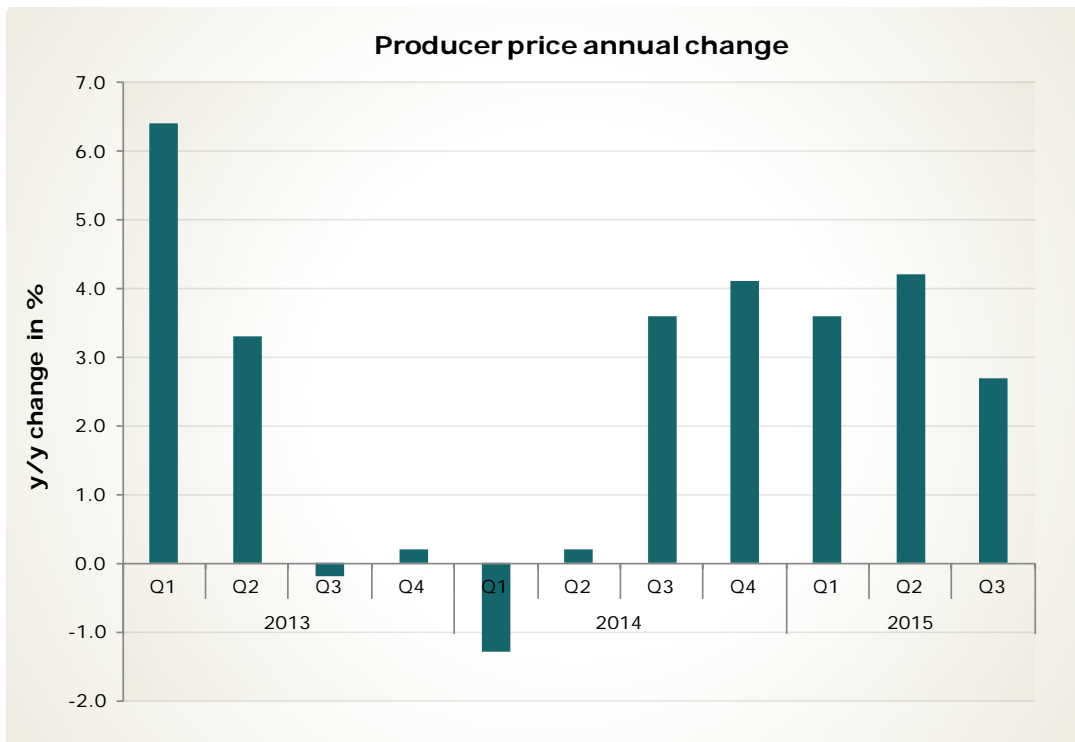
Deflation in Kosovo continued at 1.2% y/y in September 2015, according to RKS. In both August and July 2015 the deflation was 0.7%.

Prices in education services registered the sharpest annual drop of 28.1% in September 2015, followed by the accommodation services, with 15.7%, and the equipment operations of personal transportation with a 13.8% decrease.

Alcoholic beverages increased the most in terms of price levels, by 12.2%. Tobacco products came second, increasing by 9.7% y/y in September 2015, followed by the group of the oil and fats products with 6.0%.



Source: RKS



Source: RKS

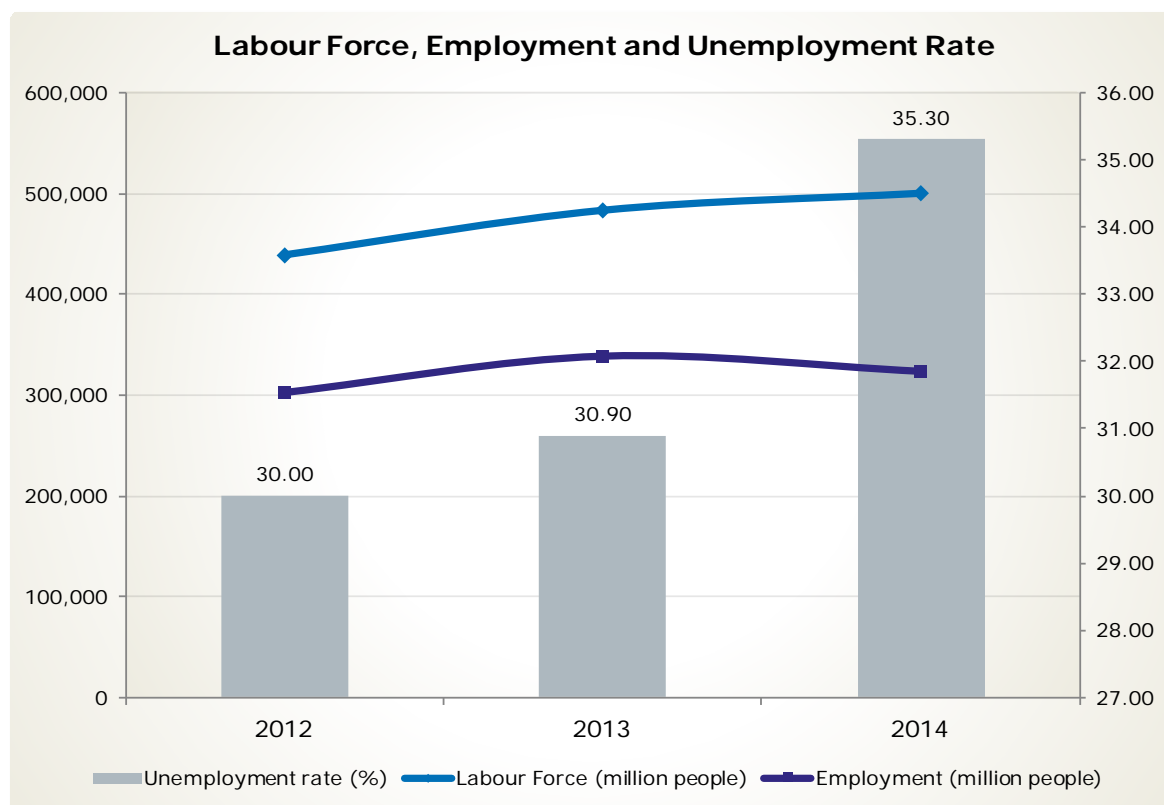
### 3. LABOUR MARKET

#### Unemployment rate went up to 35.3% in 2014\*

\*Data for Q3 2015 was not available as of the date of the preparation of this report.

Unemployment in Kosovo rose to 35.3% of the total labour force in 2014 from 30.9% a year earlier, according to data of RKS.

The employed population aged 15 years and older was 323,508 in 2014, down by 4.4% y/y. The youth (population aged 15-24) unemployment rate went up to 61.0%, compared to 55.3% in 2013.



Source: RKS

#### Average monthly net wage up 4.5% y/y in Q3 2015

The average monthly net salary in the public sector in Kosovo rose by 4.5% y/y to EUR 457 in the third quarter of 2015, according to RKS.

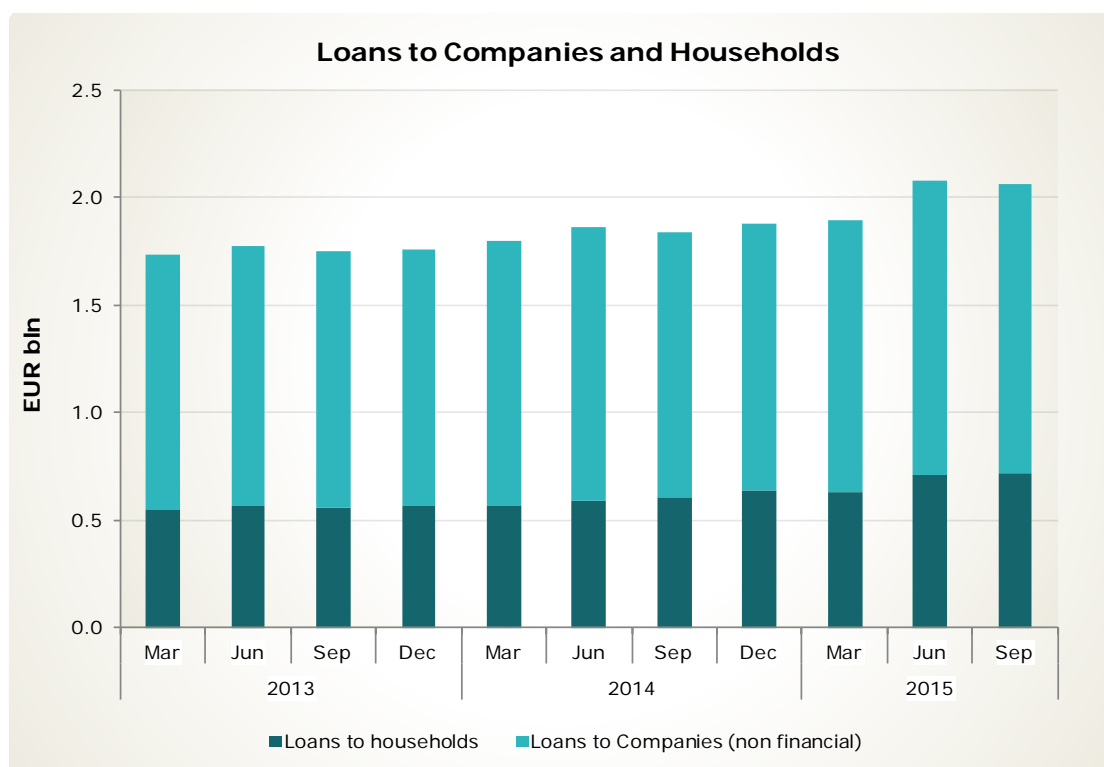
Employees in the public order and security, followed by general services sector, earned the highest salaries, of EUR 511 and EUR 490, respectively. Third in terms of wages was the health sector with EUR 487.

#### 4. BANKING AND INSURANCE

##### *Household loans jumped by 17.6% y/y in September 2015*

Loans to the non-government sector totalled EUR 2.066 bln in September 2015, up by 12.1% y/y, according to the Central Bank of Kosovo (BQK).

Household loans increased by 17.6% to EUR 0.717 bln and loans to non-financial corporations rose by 9.5% to EUR 1.350 bln.



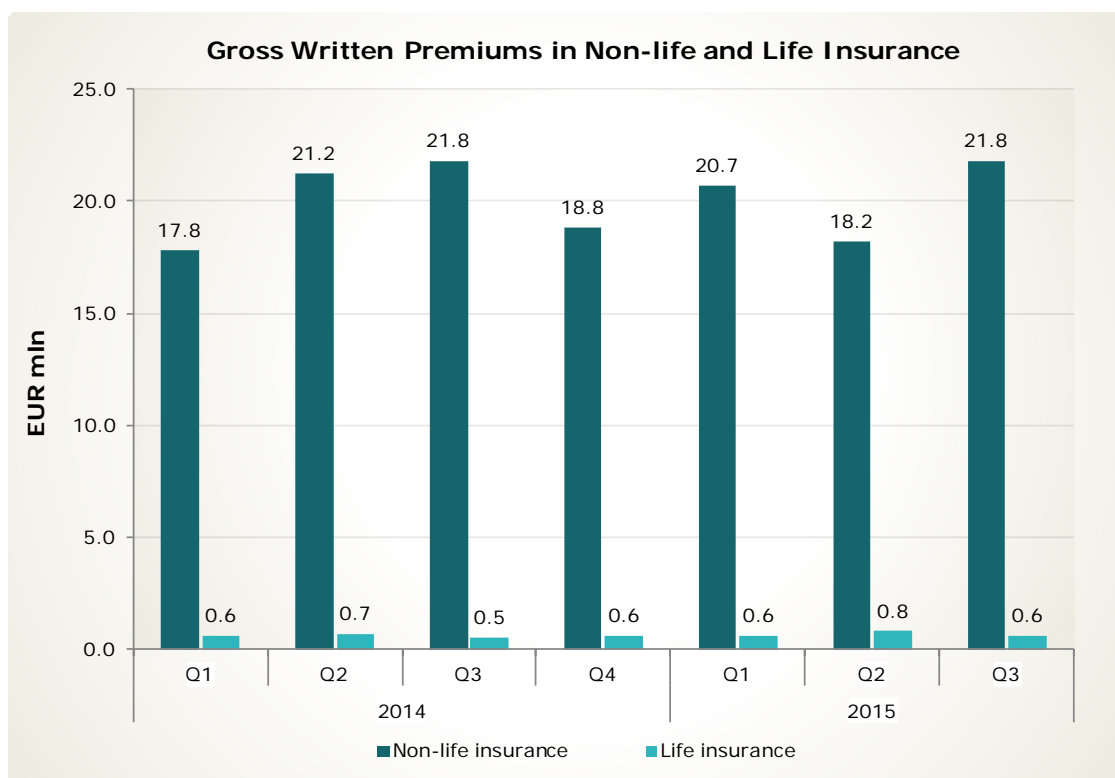
Source: BQK

##### *Premium income inched up by 0.4% y/y in Q3 2015*

The total gross written premiums of the non-life and life insurance companies inched up by 0.4% y/y to EUR 22.4 mln in Q3 2015, according to BQK.

The non-life insurance market remained unchanged in comparison to a year ago, standing at EUR 21.8 mln in the third quarter of 2015, while the life insurance market reached EUR 0.6 mln, up by 20.0% on the year.





Source: BQK

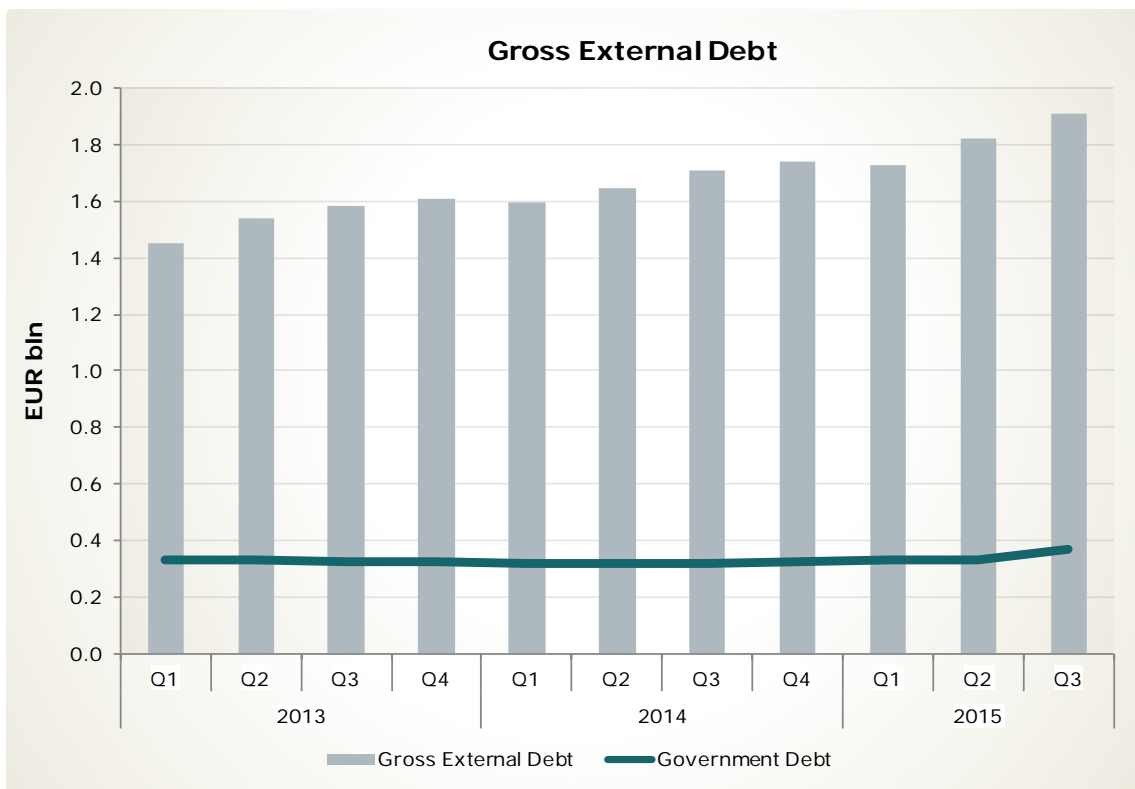
## 5. EXTERNAL SECTOR

### 5.1. FOREIGN DEBT

#### *The gross external debt increased to EUR 1.912 bln at end-September 2015*

The gross external debt stood at EUR 1.912 bln at the end of September 2015, according to BQK. In comparison to September 2014 the gross external debt grew by EUR 0.203 bln.

As of end-September 2015 long-term liabilities amounted to EUR 560.3 mln, or 29.3% of the total debt, and short-term liabilities totalled EUR 561.8 mln, equal to 29.4% of the total debt.



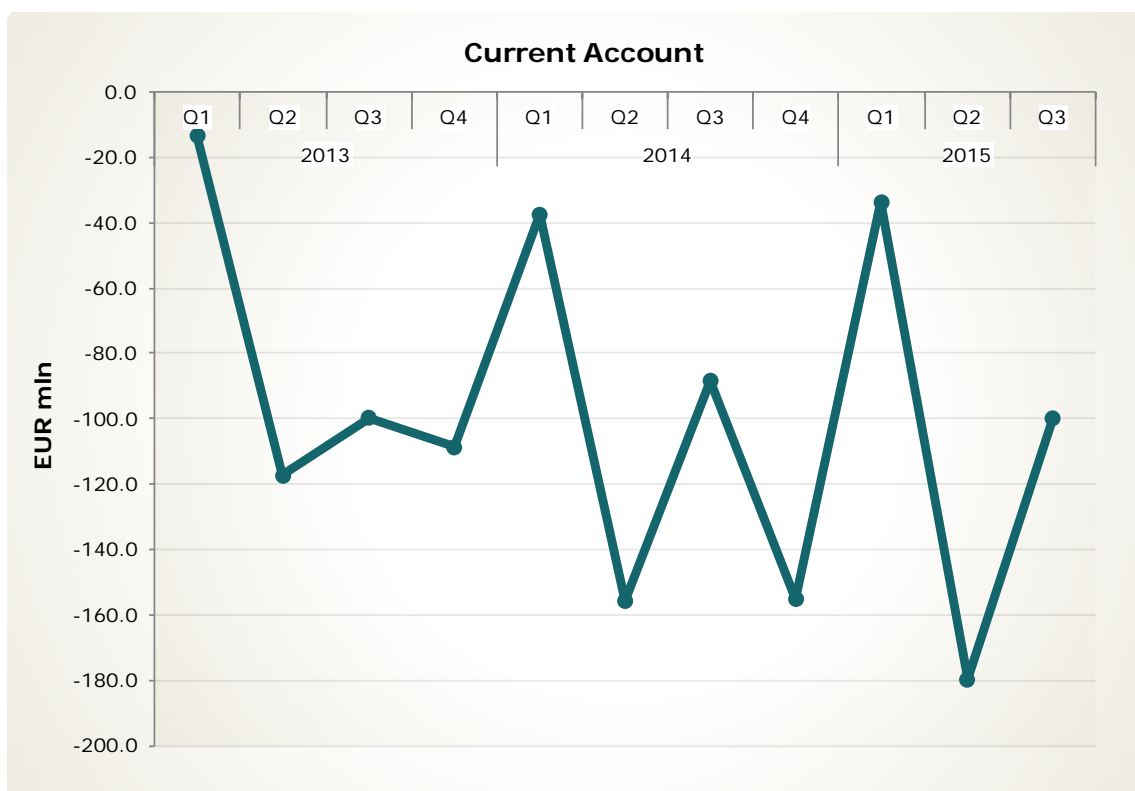
Source: BQK

## 5.2. BALANCE OF PAYMENTS

### *Current account gap widened to EUR 99.9 mln in Q3 2015*

The current account deficit widened to EUR 99.9 mln in Q3 2015 from EUR 179.9 mln in Q2 2015, according to central bank statistics data. In annual terms, the current account gap expanded by 13.0%.

Secondary income inched down by 0.4% y/y to EUR 331.5 mln.



Source: BQK

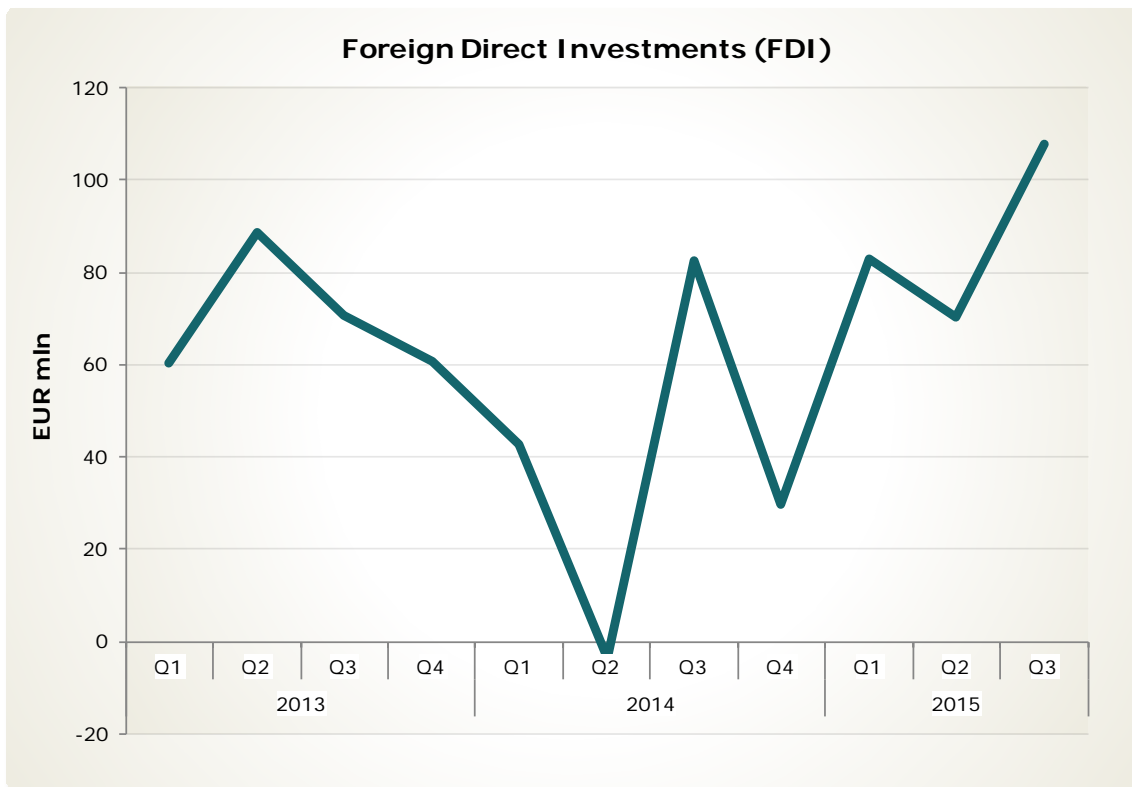
### 5.3. FDI

#### *FDI inflow at EUR 107.6 mln in Q3 2015*

FDI inflow in Kosovo amounted to EUR 107.6 mln in Q3 2015, compared to EUR 82.6 mln a year earlier, according to BQK data.

In Q3 2015 more than half of the total FDI was concentrated in the real estate sector, which attracted investments of EUR 54.8 mln, up by 41.6% compared to a year ago.

In the third quarter of 2015, Switzerland was the biggest foreign investor in Kosovo with FDI of EUR 20.6 mln, the Turkey came second with EUR 16.2 mln and UK was third with EUR 14.8 mln.



Source: BQK

#### 5.4. FOREIGN TRADE

##### *Foreign trade deficit decreased by 1.3% y/y in Q3 2015*

The trade deficit stood at EUR 575.4 mln in Q3 2015, compared to EUR 582.7 mln in Q3 2014, according to BQK data. In comparison to Q2 2015, the trade deficit narrowed by EUR 21.5 mln.

Exports fell by 6.6% to EUR 90.4 mln, while imports decreased by 2.0% to EUR 665.8 mln.



Source: BQK

## 5.5. TOURSIM

### Number of foreign tourist overnights increased by 12.7% y/y in Q3 2015

Tourist overnights of foreigners went up by an annual 12.7% to 33,317 in Q3 2015, according to RKS. The number of foreign tourists rose even higher - by 26.0% y/y to 22,877.

Most foreign tourists visiting Kosovo came from Albania - 4,334, double more than in Q3 2014, followed by tourists from the Germany - 1,957, up 24.1%, and Switzerland - 1,848, up 90.7%.



Source: BQK

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