

KOSOVO ECONOMY REPORT

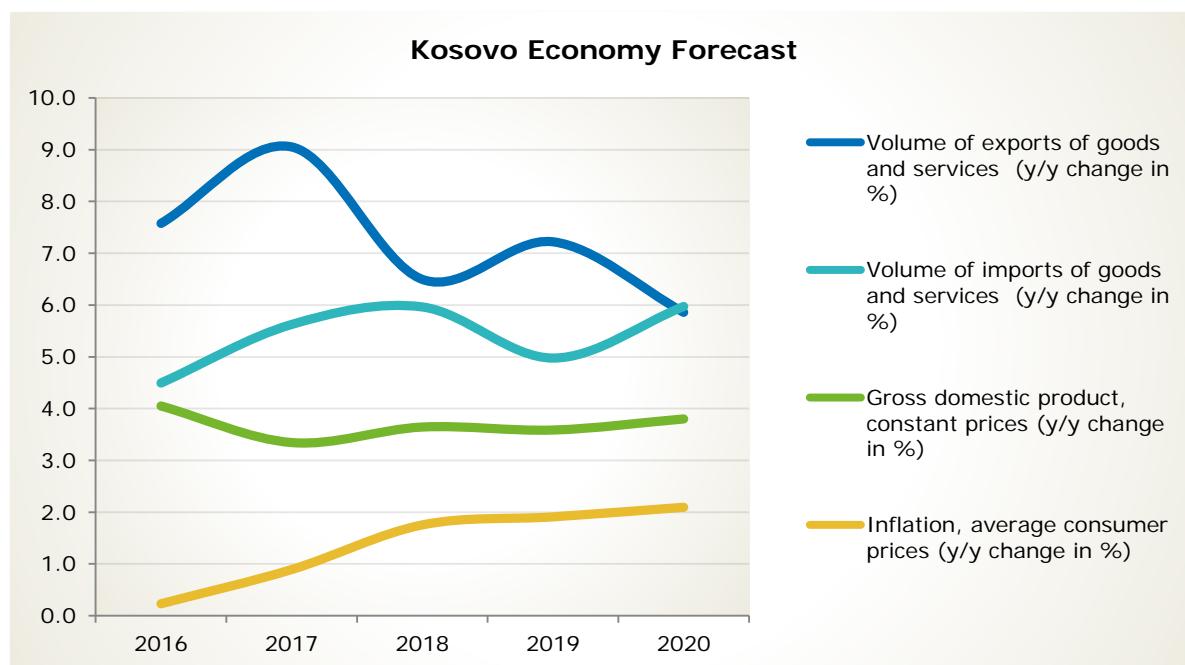
Q2 2016

CONTENTS

1. MACROECONOMIC SNAPSHOT AND FORECAST	3
2. REAL SECTOR	4
2.1. GROSS DOMESTIC PRODUCT (GDP)	4
2.2. INDUSTRIAL SALES.....	5
2.3. INFLATION.....	5
3. LABOUR MARKET.....	7
4. BANKING AND INSURANCE	8
5. EXTERNAL SECTOR.....	10
5.1. FOREIGN DEBT	10
5.2. BALANCE OF PAYMENTS	11
5.3. FDI.....	12
5.4. FOREIGN TRADE	13
5.5. TOURSIM	14

1. MACROECONOMIC SNAPSHOT AND FORECAST

KOSOVO – MACROECONOMIC SNAPSHOT AS OF Q2 2016	
GDP Growth	3.3% y/y
Industrial sales y/y change in	
- Mining	13.9%
- Manufacturing	-7.5%
- Electricity and gas supply	30.8%
- Water supply	3.8%
Annual deflation	0.3%
Unemployment rate	32.9% (2015)
Household loans	15.2% y/y
Gross external debt	EUR 2.003 bln
Current account deficit	EUR 212.5 mln
Net FDI inflow	EUR 29.200 mln
Foreign trade deficit	EUR 655.6 mln
Number of foreign tourist overnights	0.6% y/y



Source: International Monetary Fund (IMF) World Economic Outlook Database – October 2016

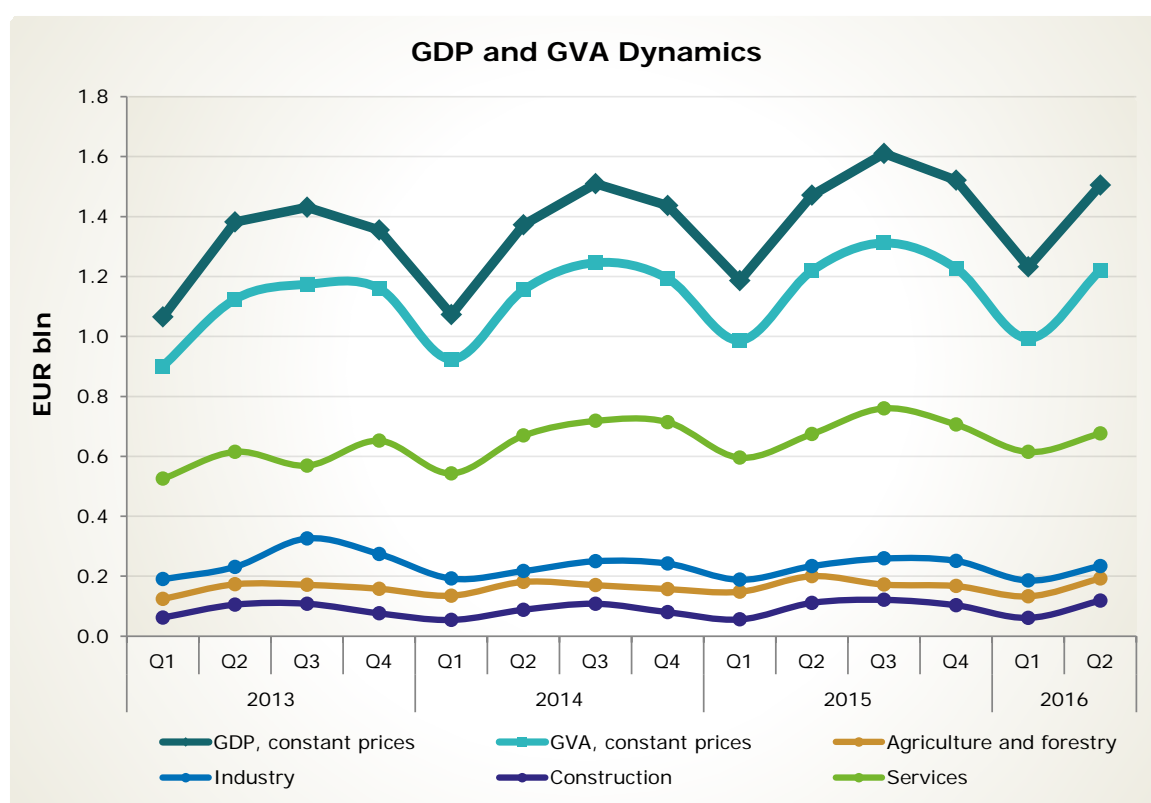
2. REAL SECTOR

2.1. GROSS DOMESTIC PRODUCT (GDP)

GDP went up by real 3.3% y/y in Q2 2016, compared to a 4.8% y/y rise in the year-ago quarter

The country's GDP increased by a real 3.3% y/y and totalled EUR 1.505 bln at constant prices in Q2 2016, according to preliminary data of Kosovo Agency of Statistics (ASK).

Final consumption, increased in value terms by 2.8% y/y and amounted to EUR 1.557 bln. Gross capital formation went up by 11.6% to EUR 489.9 mln. Exports inched down by 1.3% y/y, while imports rose by 7.5%.



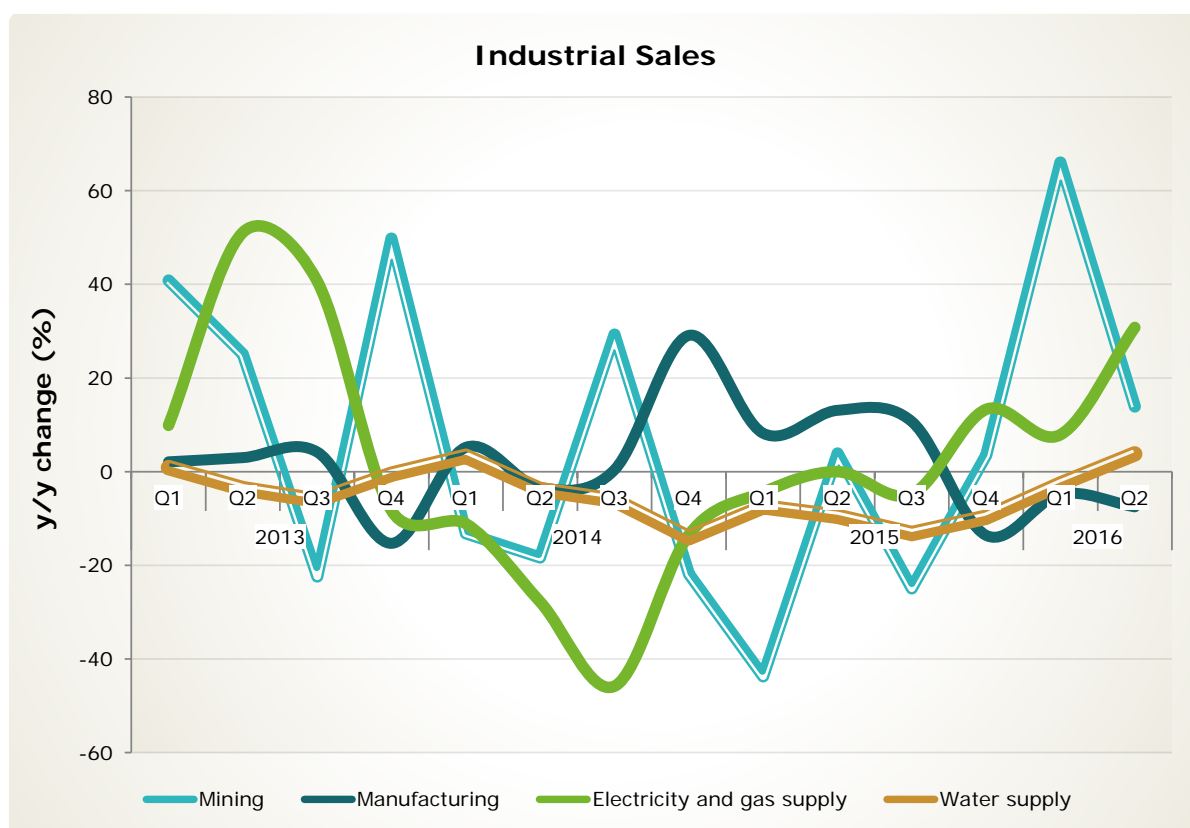
Source: ASK

The gross value added (GVA) generated by the national economy increased in value by 0.2% y/y in Q2 2016 and totalled EUR 1.221 bln. The industrial sector inched up by 0.1% and its share in the GVA structure remained unchanged, at 19.2%. The services sector recorded a 0.3% annual increase, slicing a 55.4% share in the GVA, up from 55.3% a year earlier. The agricultural sector registered an annual decline of 3.8%, thus narrowing its share in the GVA to 15.8%, from 16.4%. The construction industry jumped by 6.7% and raised its share in the GVA to 9.7% from 9.1%.

2.2. INDUSTRIAL SALES

Industrial sales show mixed results in Q2 2016

Electricity and gas supply jumped by 30.8% y/y in Q2 2016, ASK data showed. Industrial sales in the mining and in the water supply industries increased by 13.9% and 3.8%, respectively. Sales in the manufacturing industry fell by 7.5%.



Source: ASK

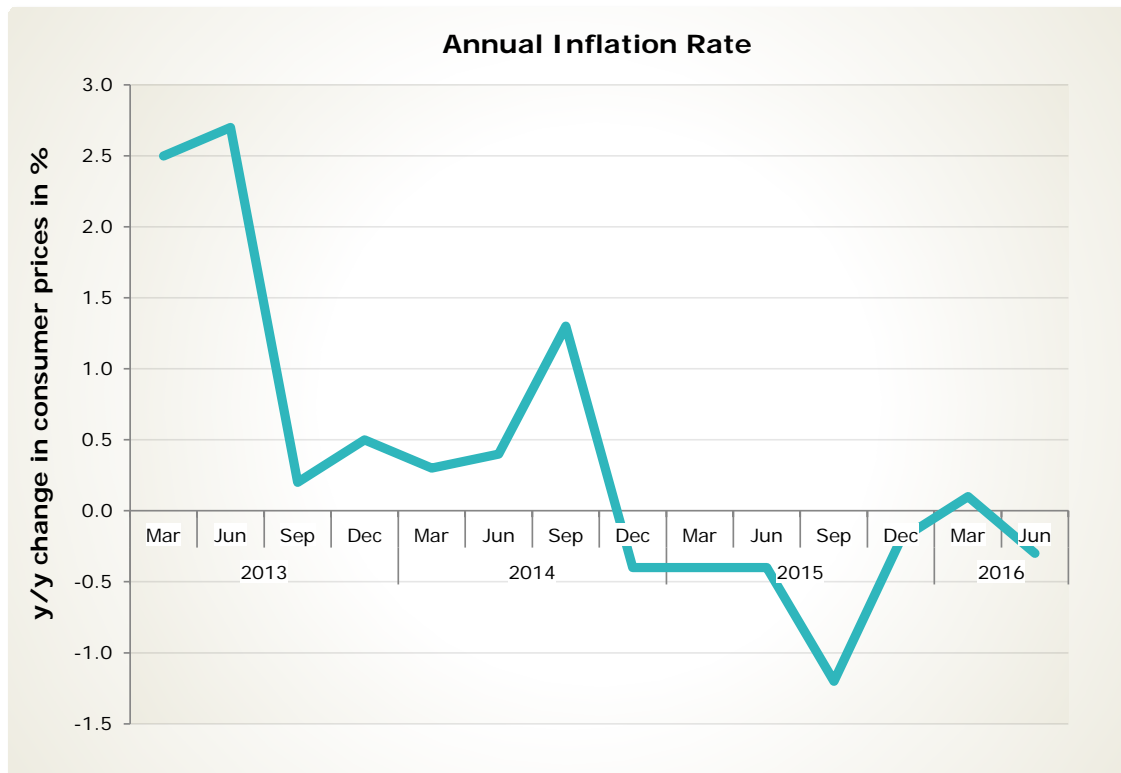
2.3. INFLATION

Annual deflation of 0.3% in June 2016

Kosovo registered a deflation of 0.3% in June 2016, compared to a deflation of 0.1% a year earlier.

Prices of tobacco registered the sharpest annual inflation, of 10.7%, in June 2016, followed by sugar and sweets with 9.0%, alcoholic beverages with 5.8%.

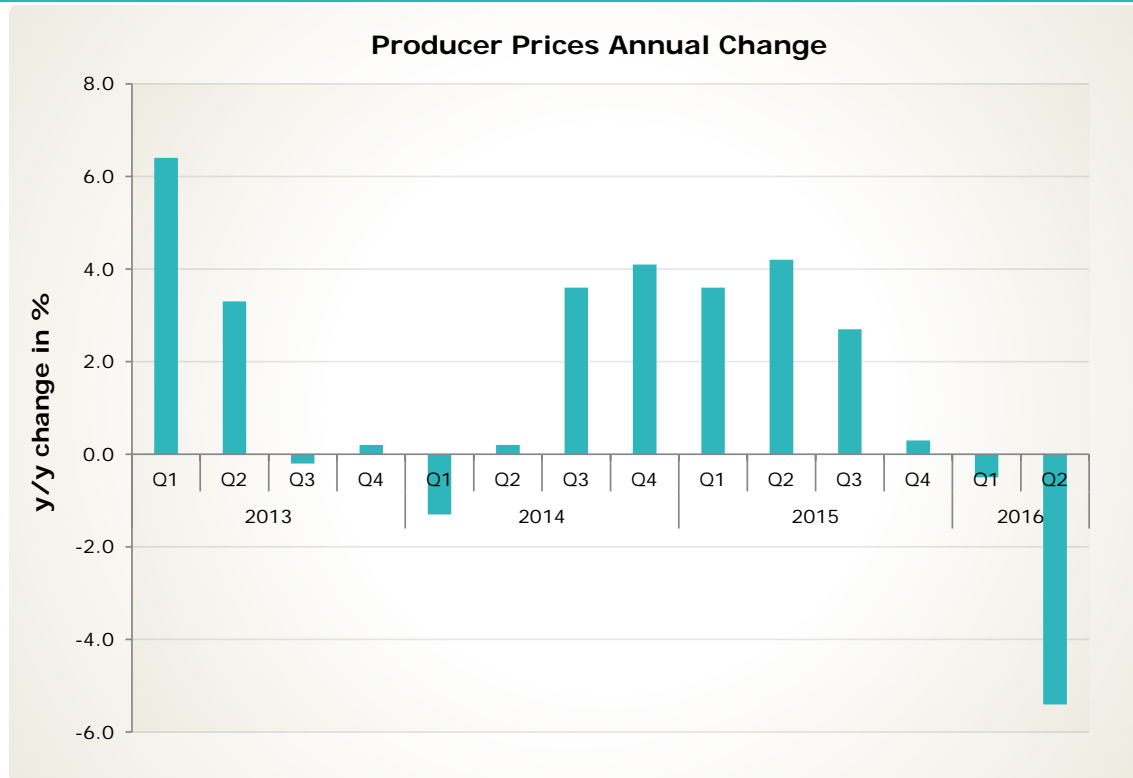
In terms of highest annual deflation, vegetables stood on top with 9.5%, followed by fruit – 7.9% and water supply services – 6.7%.



Source: ASK

Producer prices in Kosovo shrank by 5.4% y/y in Q2 2016. The steepest fall was recorded by the electricity, gas, steam and air conditioning supply, by 16.5%, followed by production of motor vehicles, trailers and semi-trailers and manufacture of electrical equipment, down by 12.9% and 7.0%, respectively.

Only a small number of segments posted a slight increase in producer prices, led by manufacture of fabricated metal products, except machinery and equipment, with an annual growth rate of 2.6% and followed by manufacture of leather and leather products with 2.1% and collection, treatment and supply of water with 1.2%.



Source: ASK

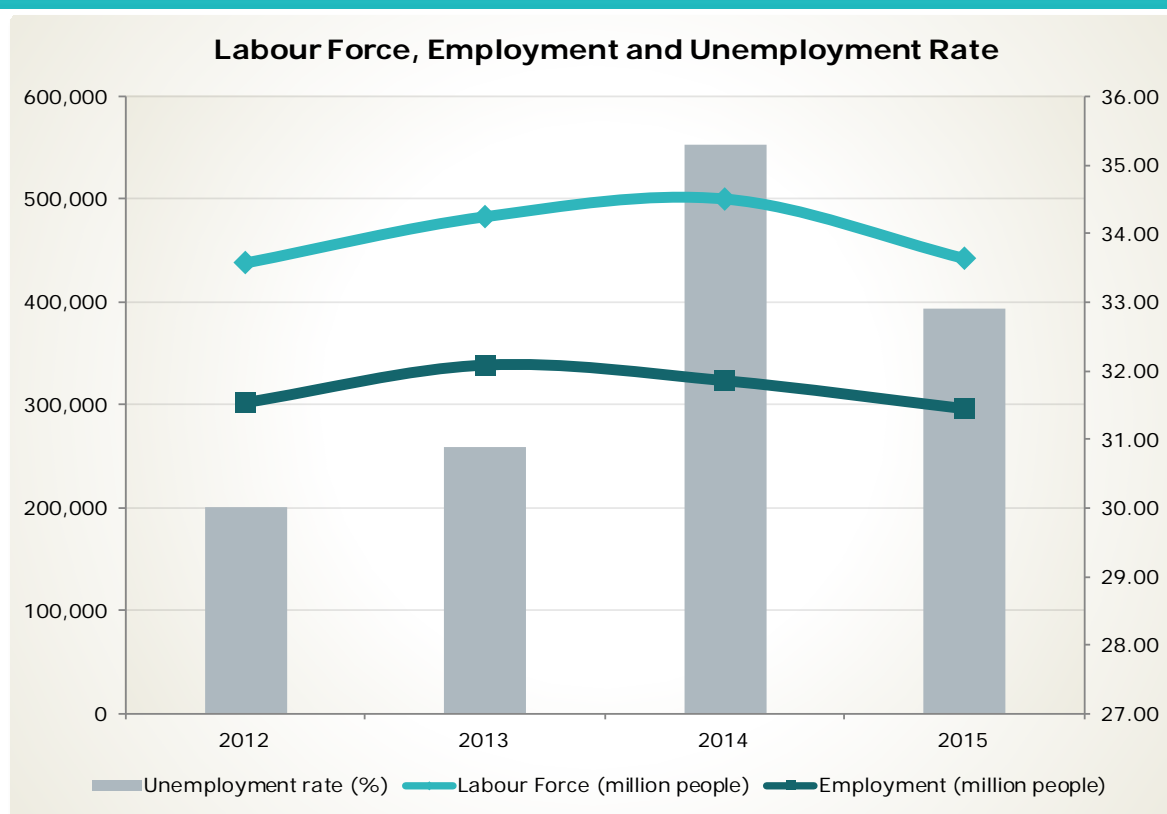
3. LABOUR MARKET

*Unemployment rate went down y/y to 32.9% in 2015**

**Only annual data is available.*

Unemployment in Kosovo fell to 32.9% of the total labour force in 2015 from 35.3% a year earlier, according to data of ASK. The youth (population aged 15-24) unemployment rate also narrowed, to 57.7% from 61.0%.

Labour force in 2015 diminished by 11.5% y/y in 2015 to 442,716. The employed population aged 15 years and older counted 296,940 in 2015, down by 8.2% y/y.



Source: ASK

Average monthly net wage up 6.4% y/y in Q2 2016

The average monthly net salary in the public sector in Kosovo rose by 6.4% y/y to EUR 468 in the second quarter of 2016, according to ASK.

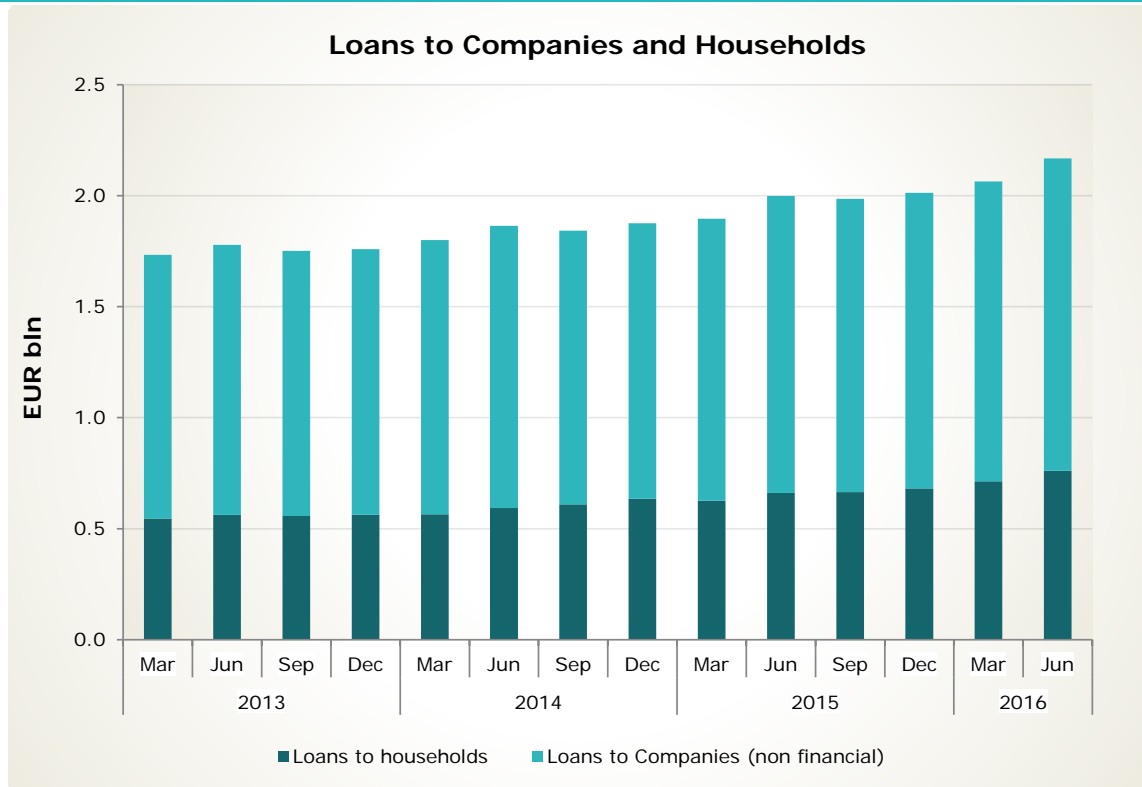
Employees in the public order and security, followed by general services sector, earned the highest salaries, of EUR 519 and EUR 501, respectively. Third in terms of wages were the healthcare professionals with EUR 496.

4. BANKING AND INSURANCE

Household loans jumped by 15.2% y/y in June 2016

Loans to the non-government sector totalled EUR 2.174 bln as of June 2016, up by 8.4% y/y, according to the Central Bank of Kosovo (BQK). In April 2016 their value was EUR 2.103 bln, rising to EUR 2.143 bln in May.

As of June 2016, household loans increased by 15.2% to EUR 761.0 mln and loans to non-financial corporations rose by 5.2% to EUR 1.407 bln.

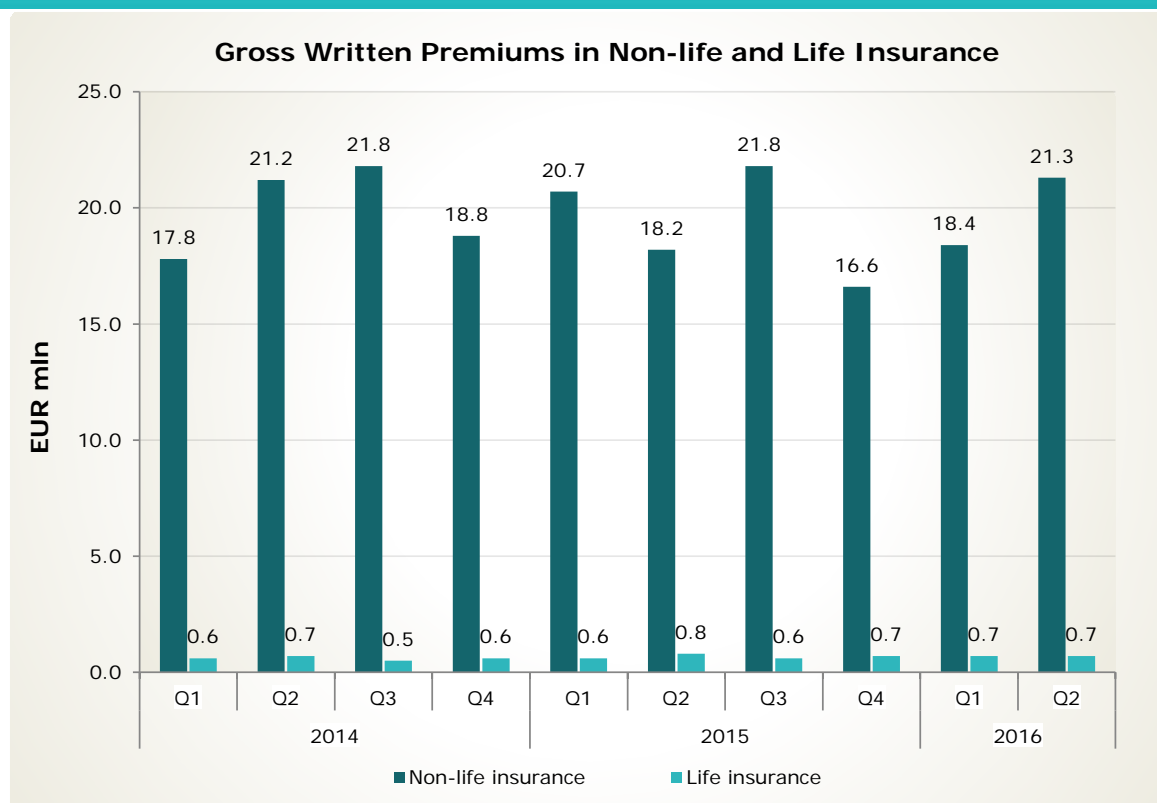


Source: BQK

Insurance premium income jumped by 16.3% y/y in Q2 2016

The total gross written premiums (GWP) of the non-life and life insurance companies in Kosovo went up by 16.3% y/y to EUR 22.1 mln in Q2 2016, according to BQK.

The upturn was due to the non-life insurance market, which grew to EUR 21.3 mln from EUR 18.2 mln a year earlier. The life insurance market dropped by 12.5% to EUR 700,000.



Source: BQK

5. EXTERNAL SECTOR

5.1. FOREIGN DEBT

The gross external debt increased y/y to EUR 2.003 bln in Q2 2016

The gross external debt stood at EUR 2.003 bln as of Q2 2016, according to BQK. It grew by 9.4%, or EUR 172.2 mln, in comparison to a year ago. Compared to the previous quarter, the gross external debt increased by 3.9%. It equalled 1.33 times the country's annual GDP, up from 1.25 times in the same period of the previous year.

As of Q2 2016, long-term liabilities amounted to EUR 605.4 mln, or 30.2% of the total debt, rising by 18.6% y/y. Short-term liabilities totalled EUR 597.7 mln, up 5.8% y/y, equal to 29.8% of the total debt.

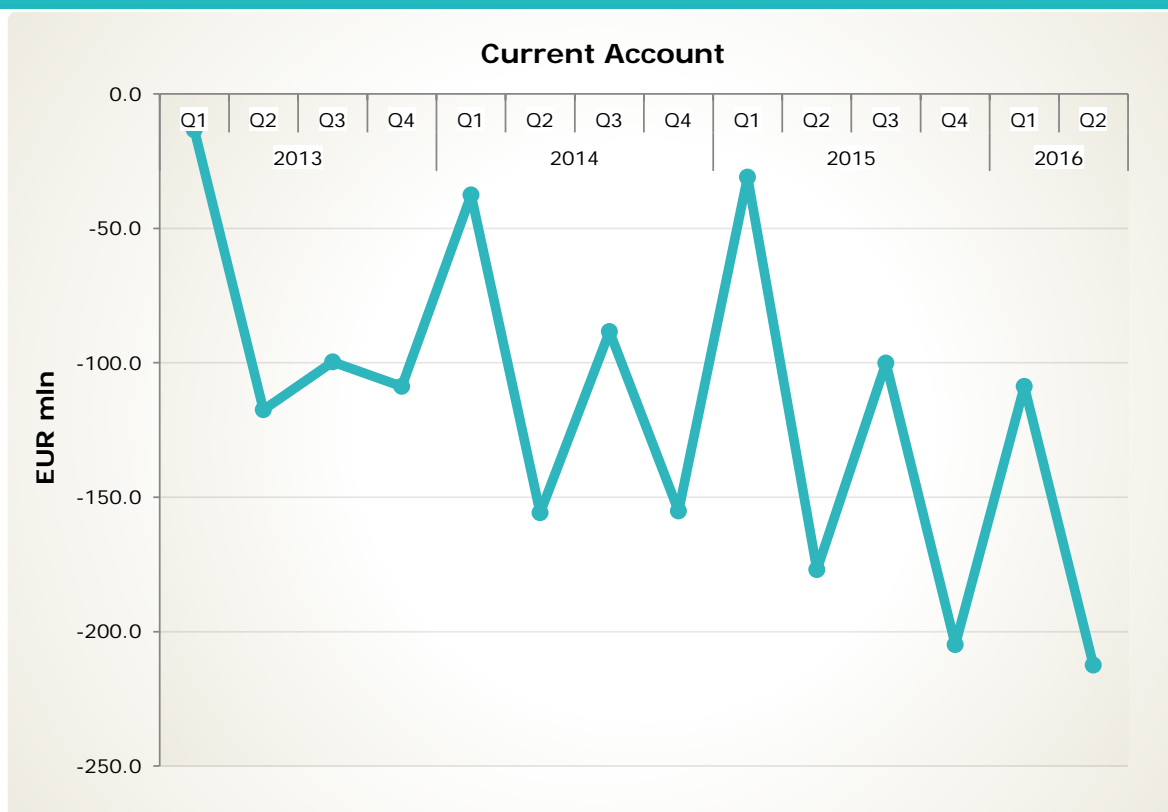


5.2. BALANCE OF PAYMENTS

Current account gap widened to EUR 212.5 mln in Q2 2016

The current account deficit widened to EUR 212.5 mln in Q2 2016 from EUR 177.0 mln in Q2 2015, according to central bank statistics data. Compared to the previous quarter, Q1 2016, the current account deficit almost doubled.

Secondary income decreased annually to EUR 274.2 mln from EUR 281.4 mln. Compared to the previous quarter, it increased by 12.4%.



Source: BQK

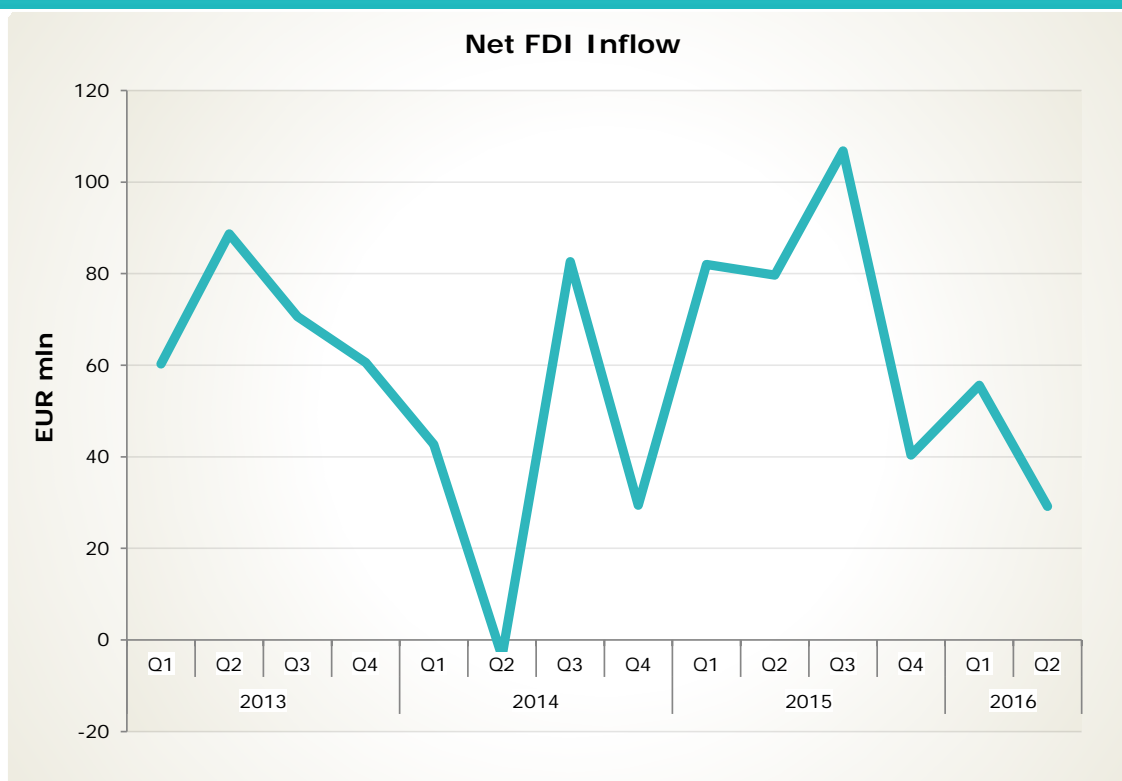
5.3. FDI

Net FDI inflow at EUR 29.2 mln in Q2 2016

Foreign Direct Investments (FDI) net inflow in Kosovo amounted to EUR 29.2 mln in Q2 2016, compared to EUR 79.7 mln a year earlier, according to BQK data.

In Q2 2016, the leading sector in terms of attracted FDI was real estate with EUR 19.7 mln, construction came second with EUR 15.5 mln and the third spot was occupied by the manufacturing sector with EUR 3.0 mln. Financial intermediation registered the highest outflow, of EUR 9.3 mln.

In the quarter under review, Switzerland was the largest foreign investor in Kosovo with FDI of EUR 13.4 mln, followed by Albania with EUR 10.4 mln and the UK with EUR 9.6 mln.



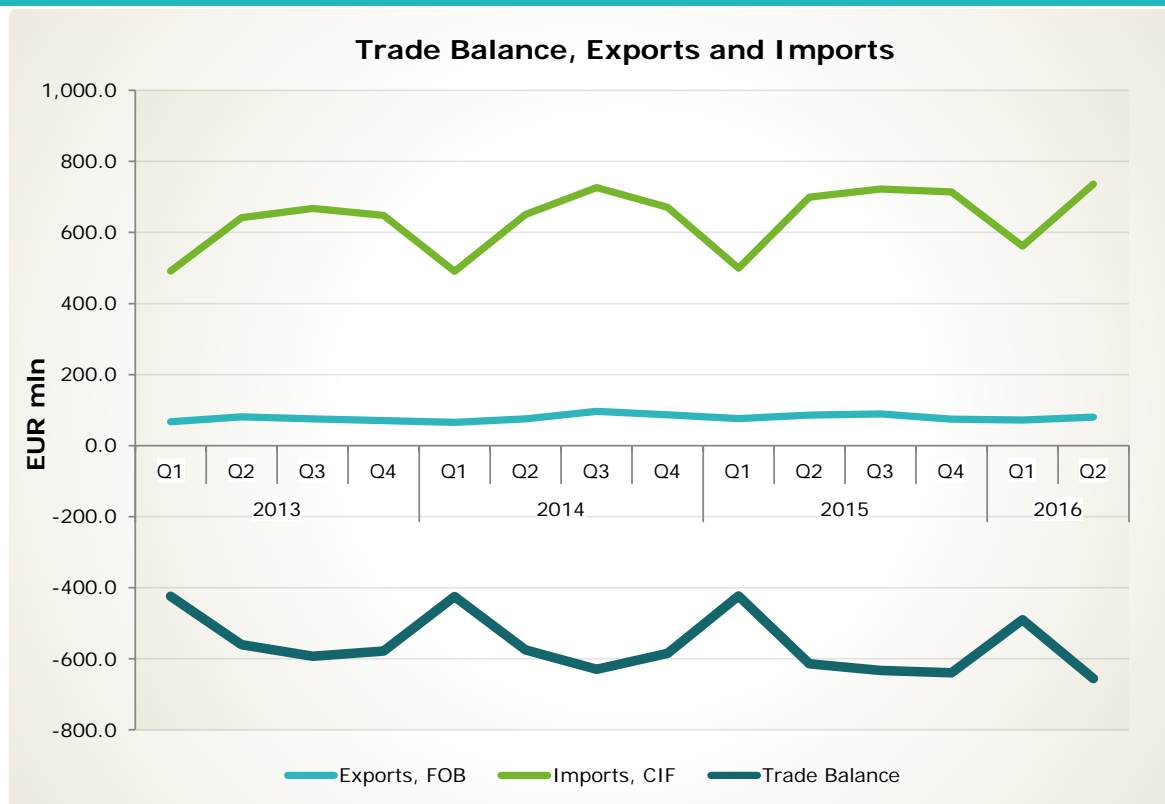
Source: BQK

5.4. FOREIGN TRADE

Foreign trade deficit increased by 6.7% y/y in Q2 2016

The trade deficit stood at EUR 655.6 mln in Q2 2016, compared to EUR 614.1 mln in the corresponding quarter of the previous year, according to BQK data.

In the second quarter of 2016, manufactured goods classified chiefly by material had the largest share, of 32.5%, in the total exports, and a share of 23.2% in terms of imports.



Source: ASK

5.5. TOURSIM

Number of foreign tourist overnights increased by 0.6% y/y in Q2 2016

Tourist overnights of foreigners inched up by an annual 0.6% to 33,119 in Q2 2016, according to ASK. They accounted for 66.7% of the total number of tourist overnights in the country.

The number of foreign tourists fell by 4.3% y/y to 21,280. Most foreign tourists visiting Kosovo came from Albania – 4,076, Turkey – 2,244 and United States – 1,716.



Source: ASK

DISCLAIMER:

Whilst the information contained in this Profile has been given in good faith and every effort has been made to ensure its accuracy, SeeNews cannot guarantee the accuracy of this information and hereby expressly disclaims any responsibility for error, misinterpretation and any and all loss, disappointment, negligence or damage caused by reliance on the information contained in the Profile or any failure or alleged failure in the delivery of the Service referred to herein, or in the event of bankruptcy, liquidation or cessation of trade in any company, individual or firm referred to herein. Confirmation of the information accuracy should be sought from the establishments concerned. Unless otherwise stated, the copyrights and any other rights in all material on this site are owned by SeeNews. Use of this Profile is provided by SeeNews

subject to the following Terms and Conditions:

1. Use of this Profile constitutes your acceptance of these Terms and Conditions which take effect when you first use this Profile. SeeNews reserves the right to change these terms and conditions at any time by posting changes on line. You are responsible for reviewing regularly information posted on line to obtain timely notice of such changes. Your continued use of the Profile after changes are posted constitutes your acceptance of this agreement.
2. Neither SeeNews nor other related parties, whilst endeavouring to provide 24/7 availability, will be held liable if for any reason the Profile is unavailable at any time.
3. Access to this Profile may be suspended temporarily or permanently and without notice.
4. Whilst SeeNews endeavours to ensure that the information on this site is correct and up-to-date, no warranty, express or implied, is given as to its accuracy and SeeNews does not accept any liability for error or omission.
5. Part of this Profile contains materials submitted to SeeNews by third parties. Third parties are responsible for ensuring that materials submitted for inclusion on this Profile complies with national and relevant international law. SeeNews cannot guarantee the accuracy of this material and hereby expressly disclaims any responsibility for error, omission or inaccuracy in the material, misinterpretation and any all loss, disappointment, negligence or damage caused by reliance on the information contained in the Profile or any failure or alleged failure in the delivery of the services referred to herein, or in the event of bankruptcy, liquidation or cessation of trade of any company, individual or firm referred to herein. Confirmation of the information accuracy should be sought from the establishments concerned or from SeeNews upon explicit request.
6. SeeNews shall not be liable for any damages (including, without limitation, damages for loss of business or loss of profits) arising in contract, tort or otherwise from the use of or inability to use this Profile, or any data contained in it, or from any action or decision taken as a result of using this Profile or any such information.
7. SeeNews accepts no responsibility for the content of any site to which a hypertext link from this Profile exists. Such links are provided for your convenience on an "as is" and "as available" basis with no warranty, express or implied, for the information provided within them.
8. If any of these terms should be determined to be illegal, invalid or otherwise unenforceable by reason of the laws of any state or country in which these terms are intended to be effective, then to the extent and within the jurisdiction in which that term is illegal, invalid or enforceable, it shall be severed and deleted from the clause concerned and the remaining terms and conditions shall remain in full force and effect and continue to be binding and enforceable.
9. By accessing and reading any part of this Profile, you should have accepted these Terms in full.

Copyright

All rights reserved. Downloads and print extracts of SeeNews content are allowed for personal and non-commercial use only. Re-publication or re-distribution of content, including by framing, is strictly prohibited without the prior written consent of SeeNews.