

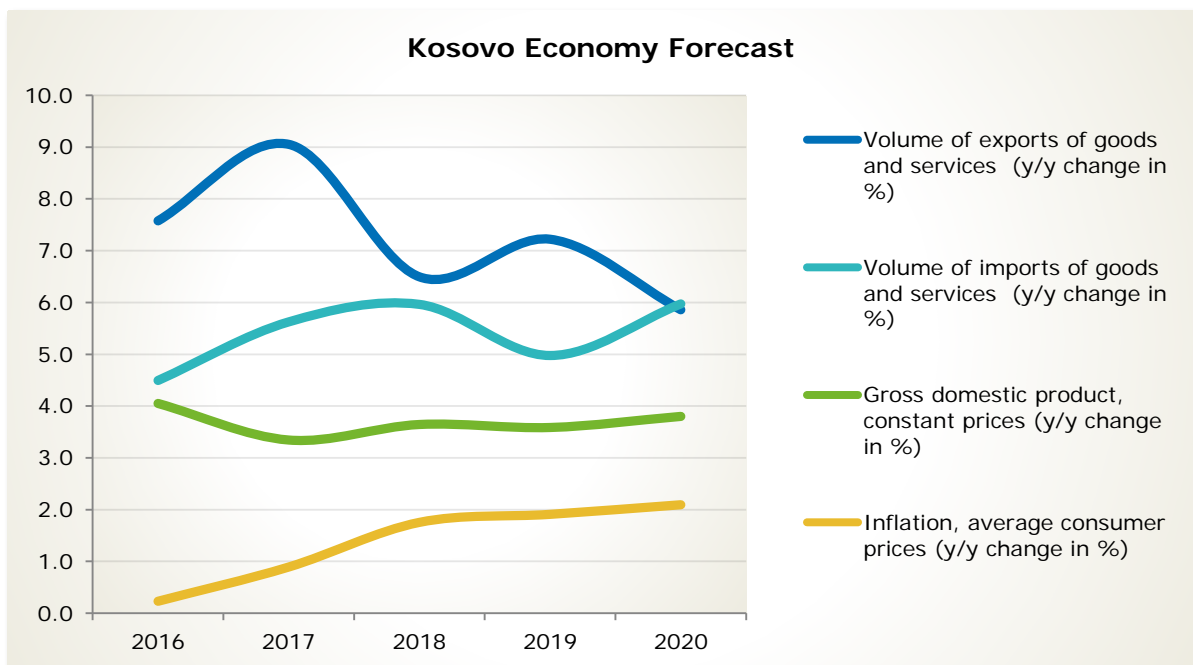
## KOSOVO ECONOMY REPORT Q3 2016

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## 1. MACROECONOMIC SNAPSHOT AND FORECAST

KOSOVO – MACROECONOMIC SNAPSHOT AS OF Q3 2016	
<b>GDP Growth</b>	3.8% y/y
<b>Industrial sales y/y change in</b>	
- Mining	-3.3%
- Manufacturing	-13.9%
- Electricity and gas supply	4.8%
- Water supply	14.1%
<b>Annual inflation</b>	0.6%
<b>Unemployment rate</b>	27.5%
<b>Household loans</b>	17.4% y/y
<b>Gross external debt</b>	EUR 2.014 bln
<b>Current account deficit</b>	EUR 64.2 mln
<b>Net FDI inflow</b>	EUR 97.500 mln
<b>Foreign trade deficit</b>	EUR 670.6 mln
<b>Number of foreign tourist overnights</b>	23.6% y/y



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

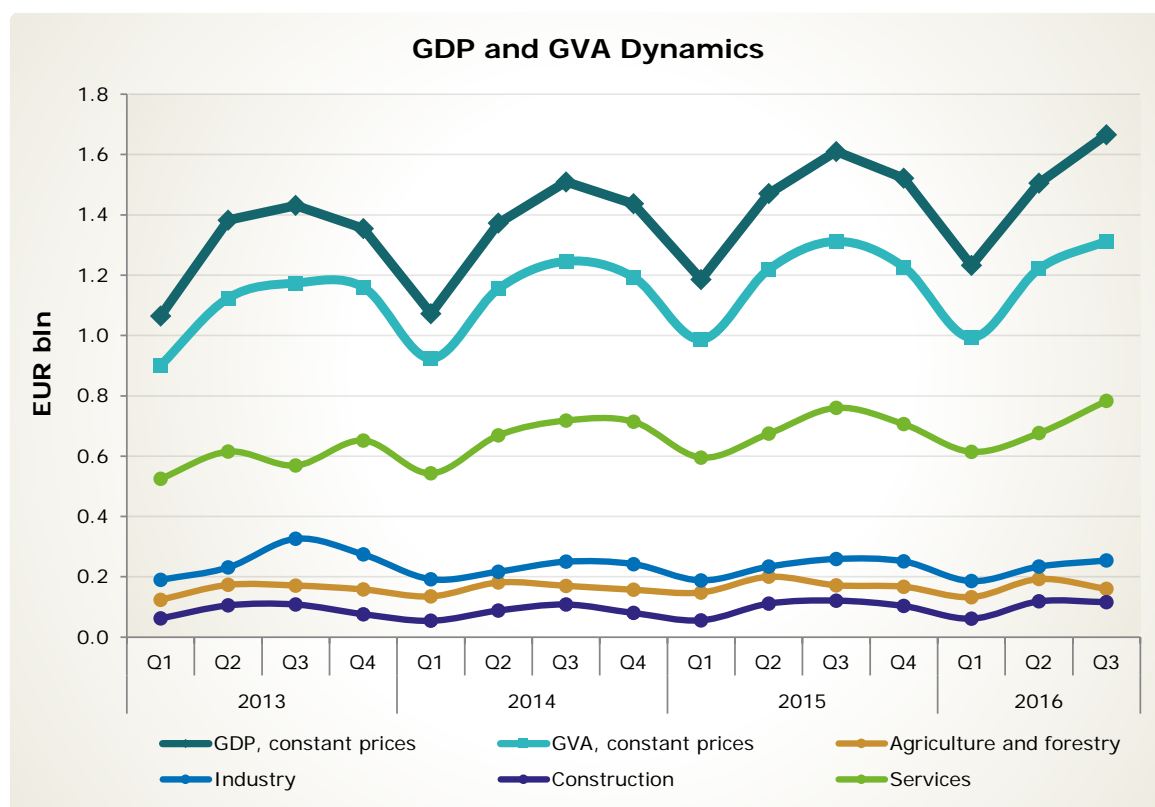
## 2. REAL SECTOR

### 2.1. GROSS DOMESTIC PRODUCT (GDP)

*GDP went up by real 3.8% y/y in Q3 2016, compared to a 4.0% y/y rise in the year-ago quarter*

The country's GDP increased by a real 3.8% y/y and totalled EUR 1.666 bln at constant prices in Q3 2016, according to preliminary data of Kosovo Agency of Statistics (ASK).

Final consumption, increased in value terms by 5.0% y/y and amounted to EUR 1.670 bln. Gross capital formation went up by 0.5% to EUR 470.4 mln. Exports inched up by 2.8% y/y, while imports rose by 4.5%.



Source: ASK

The gross value added (GVA) generated by the national economy increased in value by 0.1% y/y in Q3 2016 and totalled EUR 1.313 bln. The industrial sector inched down by 1.9%, and its share in the GVA structure also decreased to 19.3%. The services sector recorded a 3.1% annual increase, slicing a 59.7% share in the GVA, up from 57.9% a year earlier. The agricultural sector registered an annual decline of 7.0%, thus narrowing its share in the GVA to 12.2%, from 13.1%. The construction industry fell by 4.3% and its share in the GVA decreased to 8.8% from 9.2%.

## 2.2. INDUSTRIAL SALES

### Industrial sales show mixed results in Q3 2016

Water supply jumped by 14.1% y/y in Q3 2016, ASK data showed. Industrial sales in the water supply electricity and gas supply industry increased by 4.8%. Sales in the manufacturing and the mining industries fell by 13.9% and by 3.3% respectively.



Source: ASK

## 2.3. INFLATION

### Annual inflation of 0.6% in September 2016

Kosovo registered an inflation of 0.6% in September 2016, compared to a deflation of 1.2% a year earlier.

Prices of transport services registered the sharpest annual inflation, of 11.8%, in September 2016, followed by sugar and sweets with 8.1%, tobacco with 5.1%.

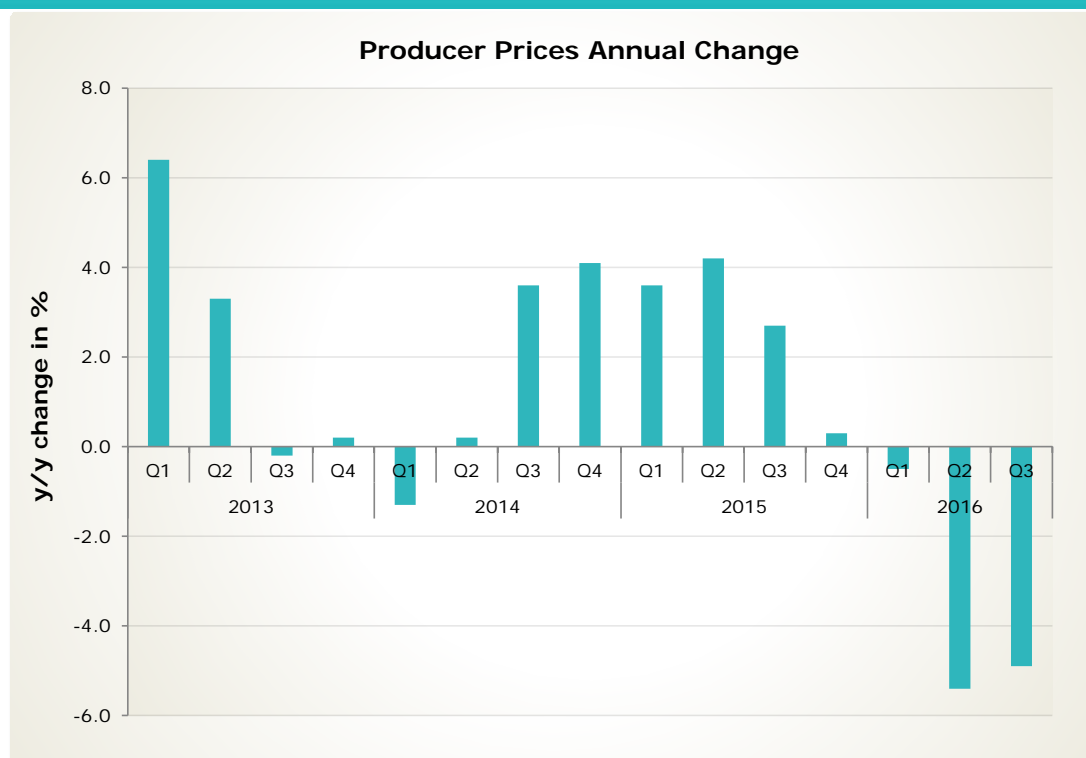
In terms of highest annual deflation, fruit stood on top with 7.7%, followed by vegetables – 3.3% and bread and cereals – 2.8%.



Source: ASK

Producer prices in Kosovo shrank by 4.9% y/y in Q3 2016. The steepest fall was recorded by the electricity, gas, steam and air conditioning supply, by 16.0%, followed by production of motor vehicles, trailers and semi-trailers and production of non-metallic mineral products, down by 12.9% and 7.2%, respectively.

Only a small number of segments posted a slight increase in producer prices, led by manufacture of metals, with an annual growth rate of 5.4% and followed by manufacture of electrical equipment with 3.1% and manufacture of fabricated metal products, except machinery and equipment, with 2.1%.



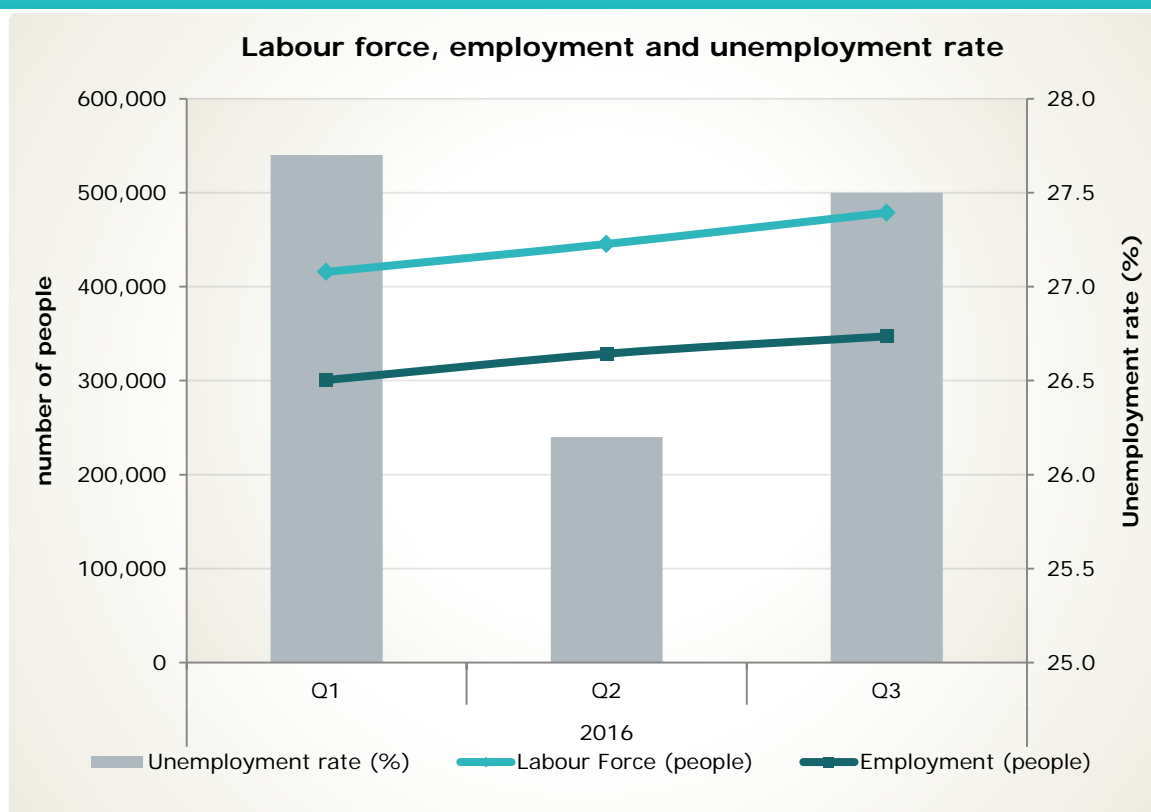
Source: ASK

### 3. LABOUR MARKET

#### *Unemployment rate at 27.5% in Q3 2016*

Unemployment in Kosovo grew to 27.5% of the total labour force in Q3 2016 from 26.2% quarter earlier, according to data of ASK. The youth (population aged 15-24) unemployment rate also widened, to 52.7% from 51.0%.

The employed population aged 15 years and older in Q3 2016 increased by 5.6% q/q in Q3 2016 to 347,185.



Source: ASK

### Average monthly net wage up 1.8% y/y in Q3 2016

The average monthly net salary in the public sector in Kosovo rose by 1.8% y/y to EUR 465 in the third 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 492.

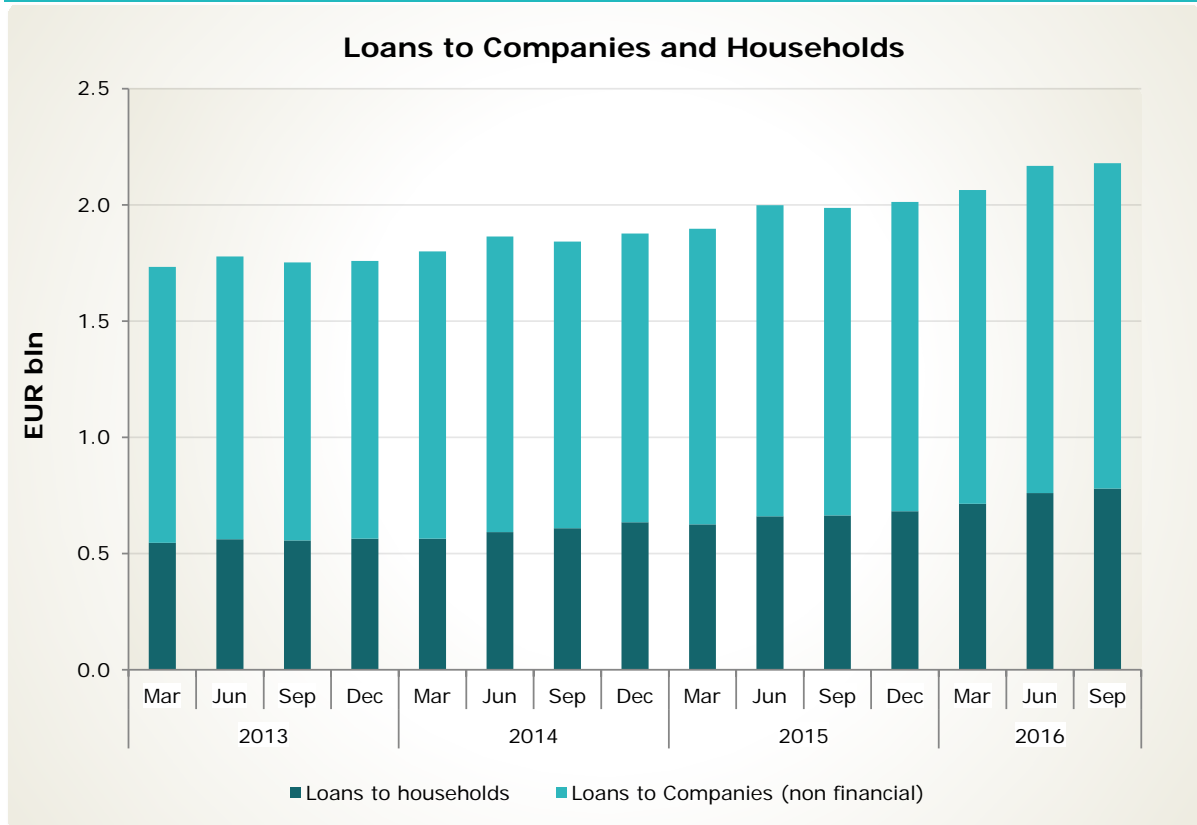
## 4. BANKING AND INSURANCE

### Household loans jumped by 17.4% y/y in September 2016

Loans to the non-government sector totalled EUR 2.184 bln as of September 2016, up by 9.6% y/y, according to the Central Bank of Kosovo (BOK). In July 2016 their value was EUR 2.184 bln, falling to EUR 2.169 bln in August.

As of September 2016, household loans increased by 17.4% to EUR 779.7 mln and loans to non-financial corporations rose by 5.9% to EUR 1.400 bln.



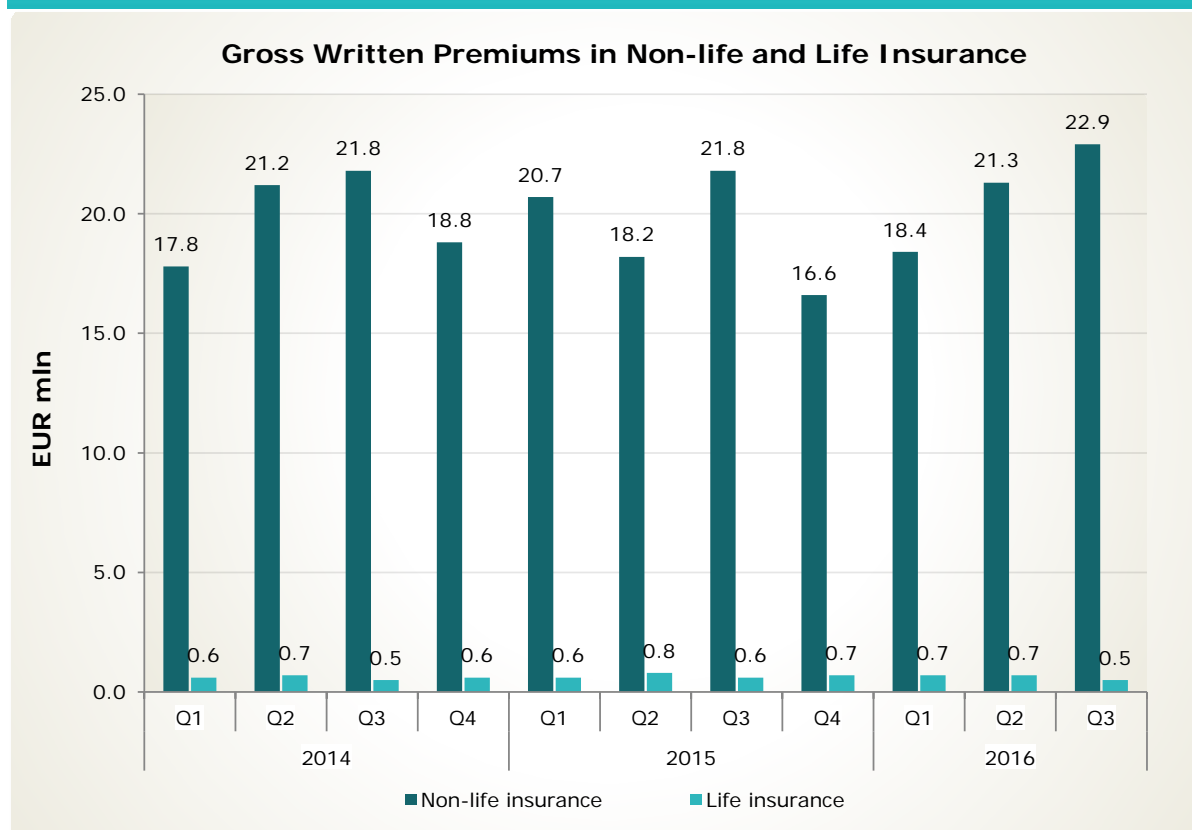


Source: BQK

### Insurance premium income jumped by 4.5% y/y in Q3 2016

The total gross written premiums (GWP) of the non-life and life insurance companies in Kosovo went up by 4.5% y/y to EUR 23.4 mln in Q3 2016, according to BQK.

The upturn was due to the non-life insurance market, which grew to EUR 22.9 mln from EUR 21.8 mln a year earlier. The life insurance market dropped by 16.7% to EUR 500,000.



Source: BQK

## 5. EXTERNAL SECTOR

### 5.1. FOREIGN DEBT

*The gross external debt increased y/y to EUR 2.014 bln in Q3 2016*

The gross external debt stood at EUR 2.014 bln as of Q3 2016, according to BQK. It grew by 4.9%, or EUR 94.5 mln, in comparison to a year ago. Compared to the previous quarter, the gross external debt increased by 0.6%. It equalled 1.21 times the country's annual GDP, up from 1.19 times in the same period of the previous year.

As of Q3 2016, long-term liabilities amounted to EUR 608.1 mln, or 30.2% of the total debt, rising by 8.5% y/y. Short-term liabilities totalled EUR 599.0 mln, up 6.6% y/y, equal to 29.7% of the total debt.



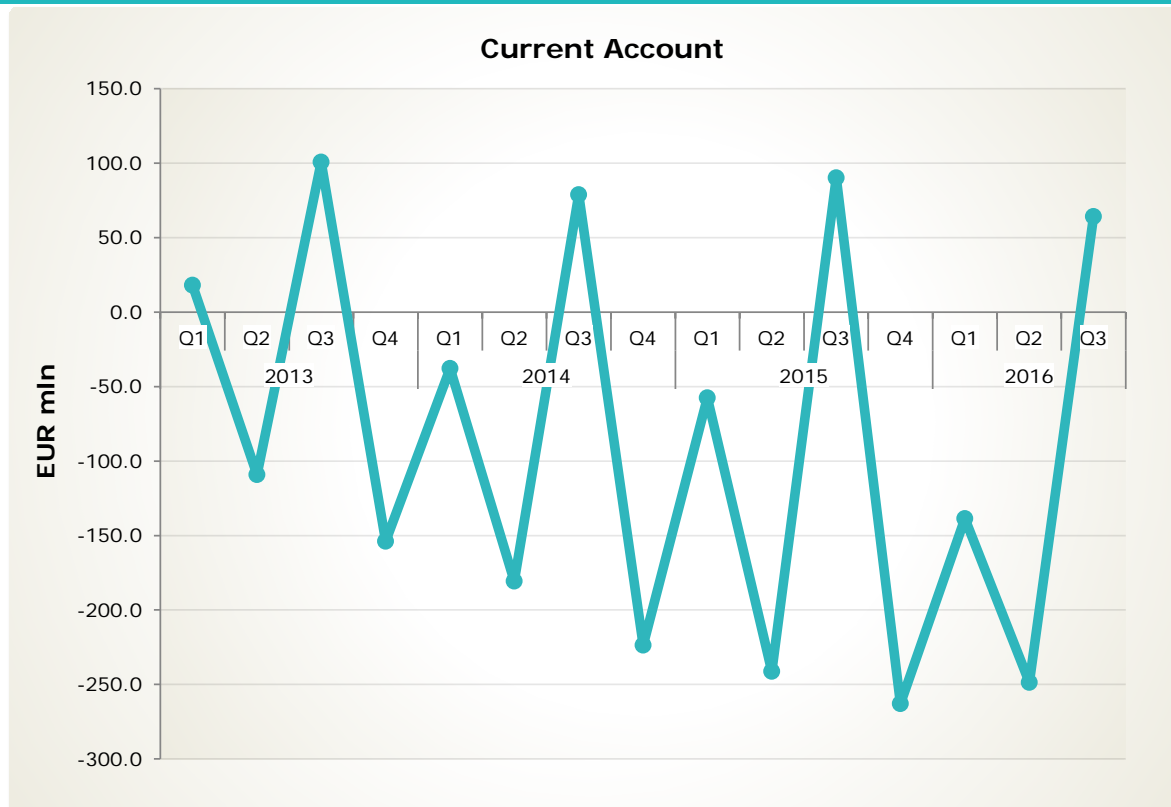
Source: BQK

## 5.2. BALANCE OF PAYMENTS

### *Current account surplus widened to EUR 64.2 mln in Q3 2016*

The current account surplus widened to EUR 64.2 mln in Q3 2016 from EUR 90.2 mln in Q3 2015, according to central bank statistics data.

Secondary income increased annually to EUR 289.3 mln from EUR 282.0 mln. Compared to the previous quarter, it increased by 3.9%.



Source: BQK

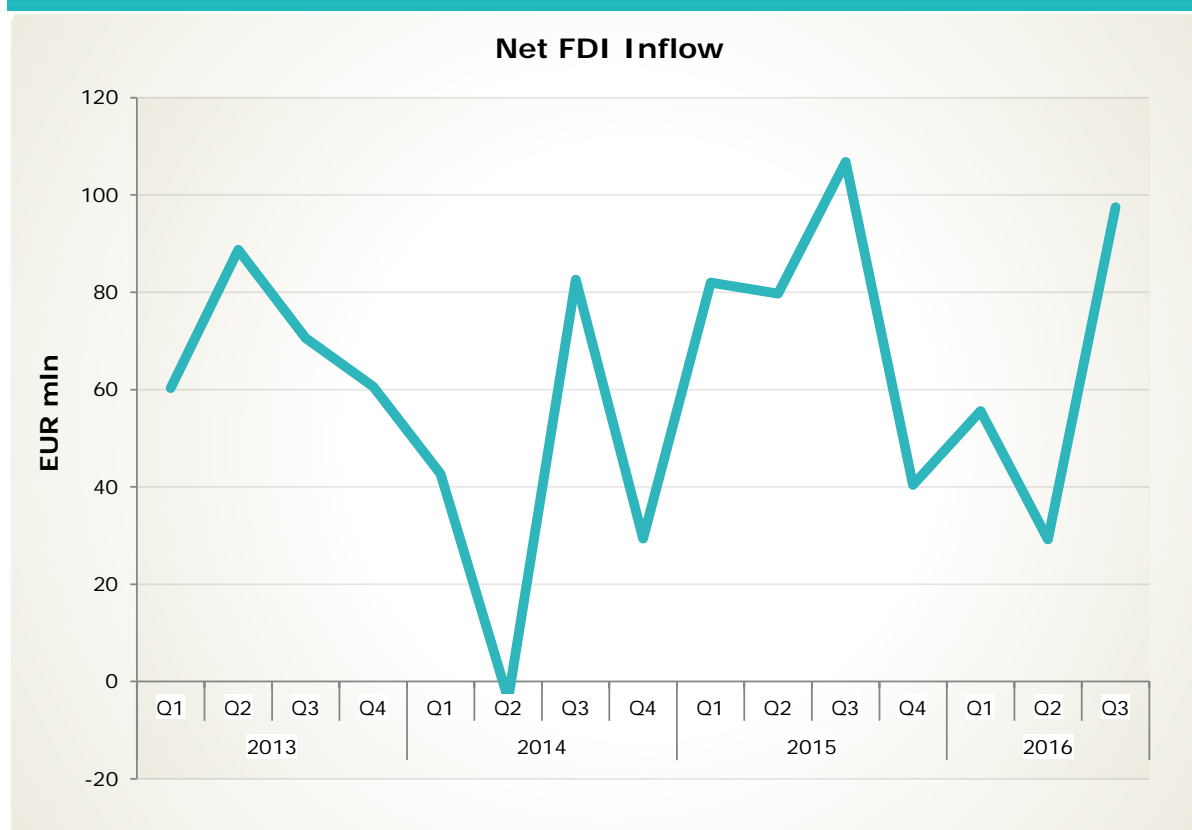
### 5.3. FDI

#### Net FDI inflow at EUR 97.5 mln in Q3 2016

Foreign Direct Investments (FDI) net inflow in Kosovo amounted to EUR 97.5 mln in Q3 2016, compared to EUR 106.8 mln a year earlier, according to BQK data.

In Q3 2016, the leading sector in terms of attracted FDI was real estate with EUR 51.9 mln, construction came second with EUR 37.3 mln and the third spot was occupied by the wholesale and retail sector with EUR 4.6 mln. Mining and quarrying registered the highest outflow, of EUR 3.8 mln.

In the quarter under review, the UK was the largest foreign investor in Kosovo with FDI of EUR 35.5 mln, followed by Switzerland with EUR 16.9 mln and Germany with EUR 15.8 mln.



Source: BQK

## 5.4. FOREIGN TRADE

### *Foreign trade deficit increased by 6.0% y/y in Q3 2016*

The trade deficit stood at EUR 670.6 mln in Q3 2016, compared to EUR 632.7 mln in the corresponding quarter of the previous year, according to BQK data.

In the third quarter of 2016, mineral products had the largest share, of 21.7%, in the total exports and in terms of imports prepared foodstuffs, beverages and tobacco had the highest share of 14.2%.



Source: ASK

## 5.5. TOURSIM

### *Number of foreign tourist overnights increased by 23.6% y/y in Q3 2016*

Tourist overnights of foreigners inched up by an annual 23.6% to 41,167 in Q3 2016, according to ASK. They accounted for 72.8% of the total number of tourist overnights in the country.

The number of foreign tourists grew by 14.1% y/y to 26,096. Most foreign tourists visiting Kosovo came from Albania – 3,746, Germany – 2,729 and Switzerland – 2,443.



Source: ASK

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