

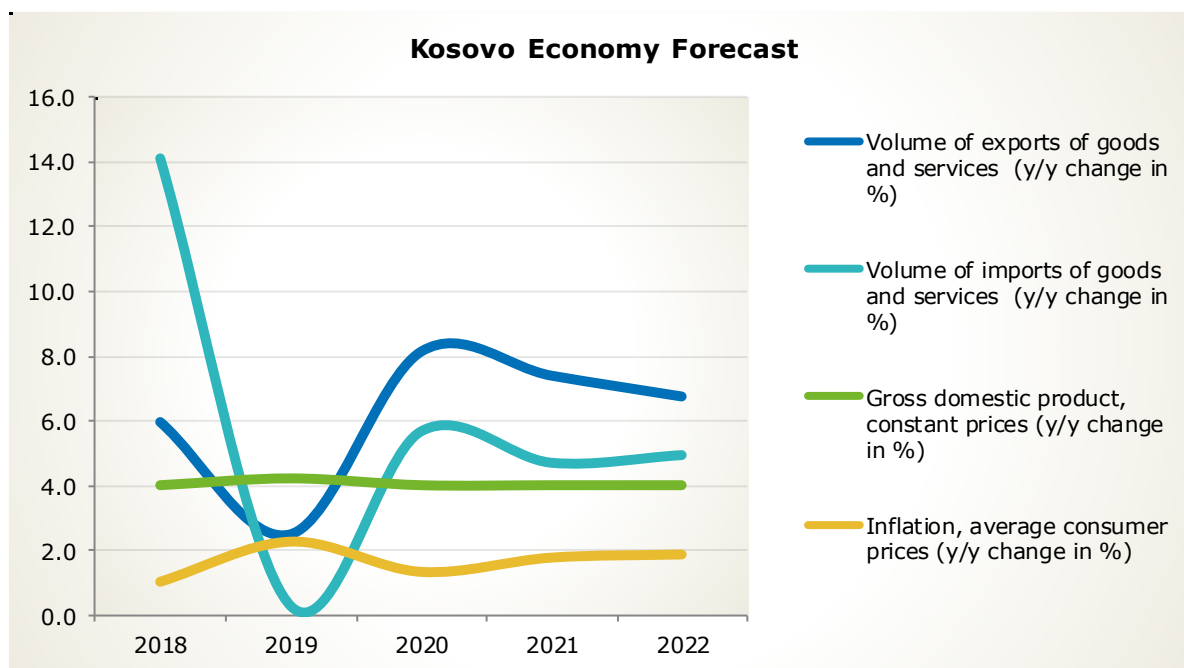
KOSOVO ECONOMY REPORT 2018

CONTENTS

| | |
|--|----|
| 1. MACROECONOMIC SNAPSHOT AND FORECAST | 3 |
| 2. REAL SECTOR | 5 |
| 2.1. GROSS DOMESTIC PRODUCT (GDP) | 5 |
| 2.2. INDUSTRIAL SALES..... | 7 |
| 2.3. INFLATION..... | 7 |
| 3. LABOUR MARKET..... | 9 |
| 4. BANKING AND INSURANCE..... | 10 |
| 5. EXTERNAL SECTOR | 11 |
| 5.1. FOREIGN DEBT | 11 |
| 5.2. BALANCE OF PAYMENTS | 12 |
| 5.3. FDI..... | 13 |
| 5.4. FOREIGN TRADE | 13 |
| 5.5. TOURSIM | 14 |
| 6. MAJOR DEVELOPMENTS | 15 |

1. MACROECONOMIC SNAPSHOT AND FORECAST

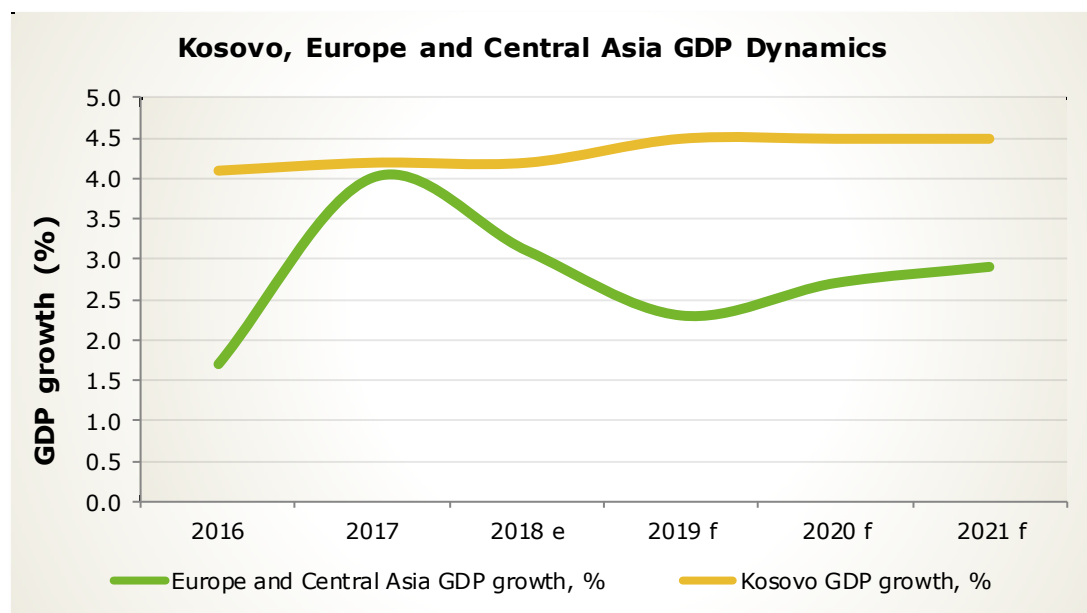
| KOSOVO – MACROECONOMIC SNAPSHOT AS OF 2018 | |
|---|---------------------------|
| GDP Growth | 3.9% y/y |
| Industrial sales y/y change in | |
| - Mining | -15.3% |
| - Manufacturing | -3.6% |
| - Electricity and gas supply | 11.0% |
| - Water supply | -9.4% |
| Annual inflation | 1.1% |
| Unemployment rate | 29.5% |
| Household loans | 11.2% y/y |
| Gross external debt | EUR 2.041 bln |
| Current account deficit | EUR 540.6 mln |
| Net FDI inflow | EUR 213.7 mln |
| Foreign trade deficit | EUR 2.972 bln |
| Number of foreign tourist overnights | 172.1% y/y, as of Q3 2018 |



Source: International Monetary Fund (IMF) World Economic Outlook Database – April 2019

According to the International Monetary Fund (IMF), Kosovo economic performance continues to be solid, with growth in 2019 expected at about 4.2%, up from a real GDP growth rate of 4.0% in 2018. Inflation remains subdued and the external current account deficit has widened. In the same time IMF sees fiscal risks increased on lifted spending, related to social benefit programs.

According to the World Bank estimates from April 2019, GDP growth is likely to remain at 4.2% in 2018, and accelerate to 4.5% in 2019 and 2020. This is higher than the projected growth for Europe and Central Asia, of 3.1% in 2018.



Source: World Bank's Global Economic Prospects, April 2019

The World Bank projects economic growth in Kosovo to reach 4.2% in 2018, as public and private investments are expected to grow, and higher disposable incomes will contribute to private consumption increase of 2.2% on the year. The contribution of net exports will turn to positive because of faster export growth.

Kosovo – GDP, Inflation, Current Account Balance and Debt Dynamics (y/y change in %)

| | 2016 | 2017 | 2018 e | 2019 f | 2020 f | 2021 f |
|---|------|------|--------|--------|--------|--------|
| Real GDP growth, at constant market prices, y/y change | 4.1 | 4.2 | 4.2 | 4.4 | 4.5 | 4.5 |
| Private Consumption | 6.6 | 1.8 | 2.2 | 2.1 | 2.2 | 2.8 |
| Government Consumption | -6.3 | -0.6 | 1.6 | 5.2 | 0.6 | 0.0 |
| Gross Fixed Capital Investment | 7.3 | 5.5 | 14.9 | 14.0 | 11.4 | 10.9 |
| Exports, Goods and Services | 2.4 | 16.8 | 9.0 | 7.4 | 8.5 | 7.4 |
| Imports, Goods and Services | 6.4 | 5.4 | 8.0 | 7.0 | 5.6 | 6.0 |
| Real GDP growth, at constant factor prices (by sectors) | 2.4 | 5.6 | 4.0 | 4.4 | 4.5 | 4.5 |
| Agriculture | 3.1 | 3.7 | 3.0 | 3.1 | 3.2 | 3.2 |
| Industry | 1.6 | 6.5 | 0.4 | 3.5 | 3.9 | 3.9 |
| Services | 2.8 | 5.5 | 6.4 | 5.1 | 5.0 | 5.1 |
| Inflation (Consumer Price Index) | 0.3 | 1.5 | 1.1 | 2.6 | 1.9 | 1.8 |
| Current Account Balance (% of GDP) | -7.9 | -6.0 | -8.7 | -8.9 | -10.3 | -10.7 |

Source: World Bank, Europe and Central Asia Economic Update, April 2019

The outlook is subject to downside risks, which include perceived fragility of the minority government, which can lead to rising fiscal pressures and a delay in fiscal reforms.

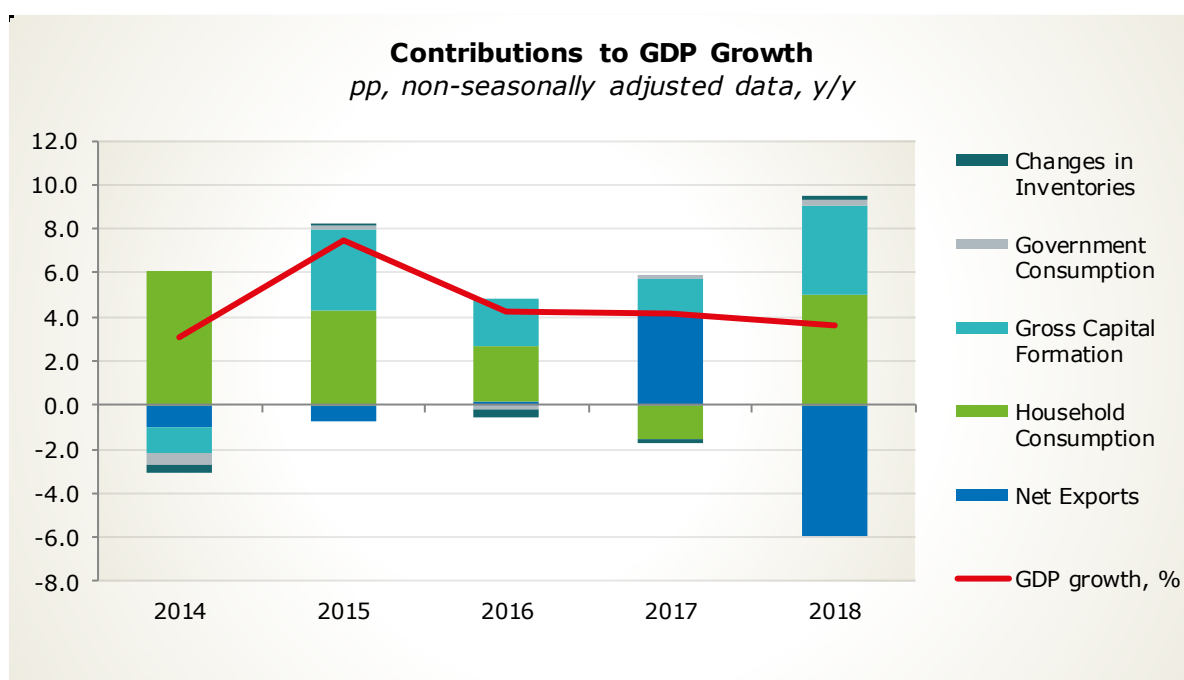
2. REAL SECTOR

2.1. GROSS DOMESTIC PRODUCT (GDP)

GDP went up by real 3.9% y/y in 2018, up from 3.7% in 2017

The country's GDP increased by a real 3.9% y/y and totalled EUR 6.524 bln at constant prices in 2018, according to preliminary data of Kosovo Agency of Statistics (ASK).

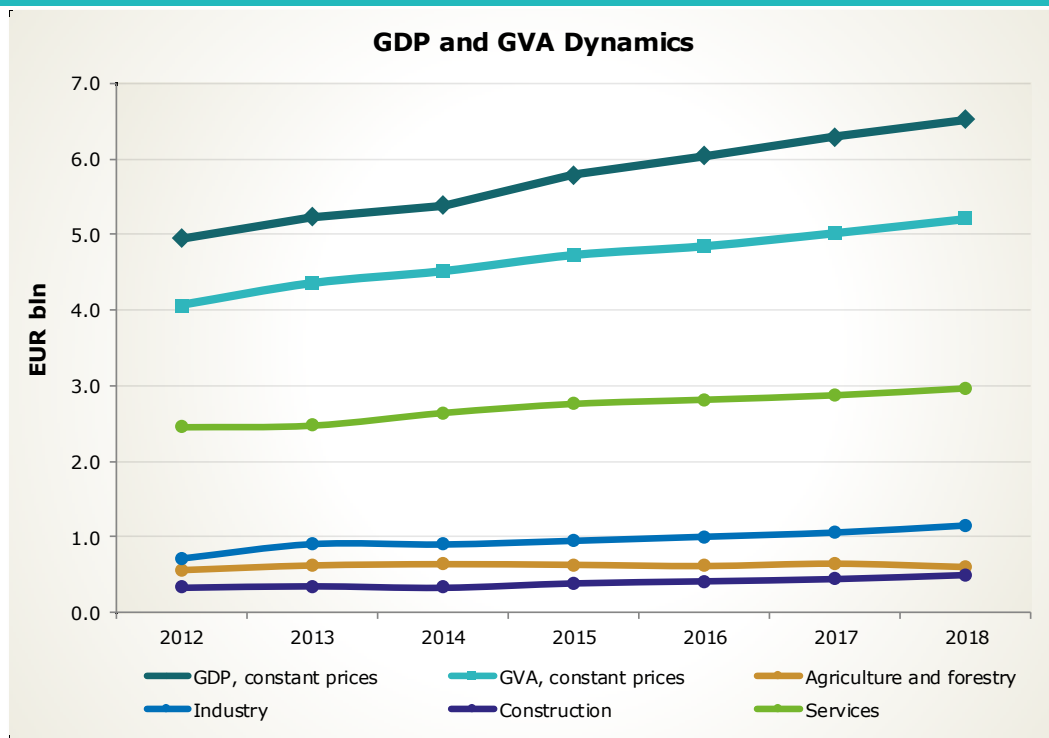
Final consumption increased in real terms by 5.4% y/y and amounted to EUR 6.373 bln. Gross capital formation went up by 14.0% to EUR 2.083 bln. Imports jumped by 12.7% y/y, while exports grew by 3.3%.



Source: SeeNews calculations; ASK

Note: Non-additive data due to direct chain-linking of GDP and its components. Contribution of changes in inventories has been derived as a residual.

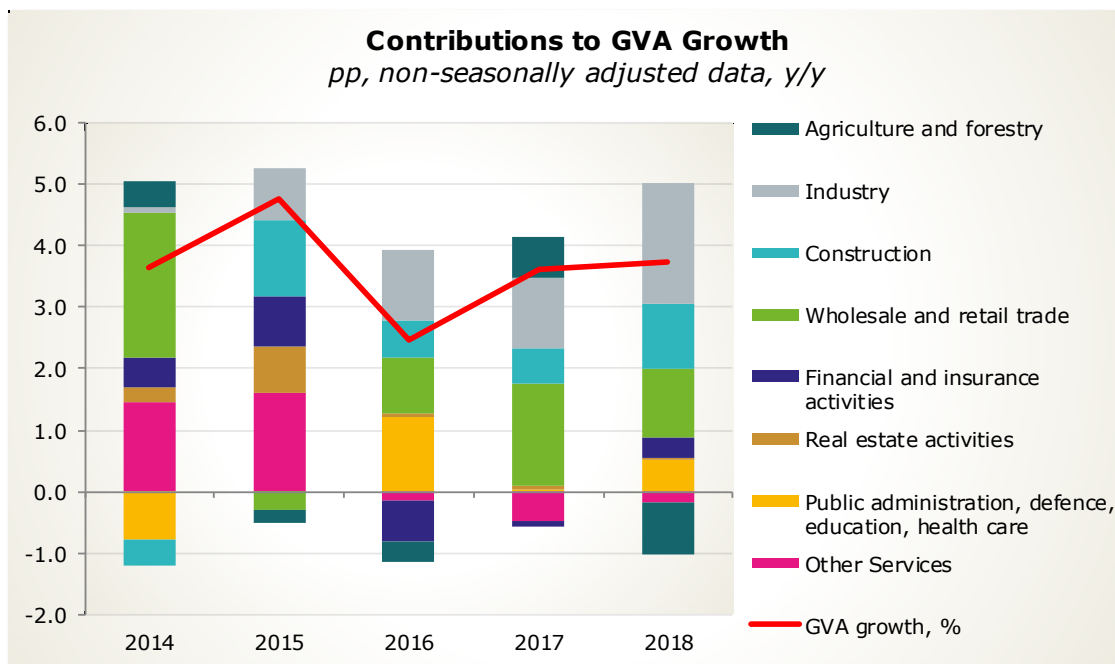
The largest contributor to the GDP growth in the year was the household consumption with 5.0 pp to the overall overall GDP expansion in 2018. Gross capital formation contributed with 4.1 pp to GDP growth while net exports took away 5.9 pp from the GDP increase during the year.



Source: ASK

The gross value added (GVA) generated by the national economy increased in value by 3.8% y/y in 2018 and totalled EUR 5.215 bln. The construction industry surged by 11.7%, while industry recorded an 8.7% annual increase. The agricultural sector registered an annual fall of 7.1%. The services sector grew by 3.2%.

In terms of contributions, the industrial sector added 2.0 pp to the y/y GVA growth in 2018, followed by the construction industry and wholesale and retail trade with 1.1 pp each.



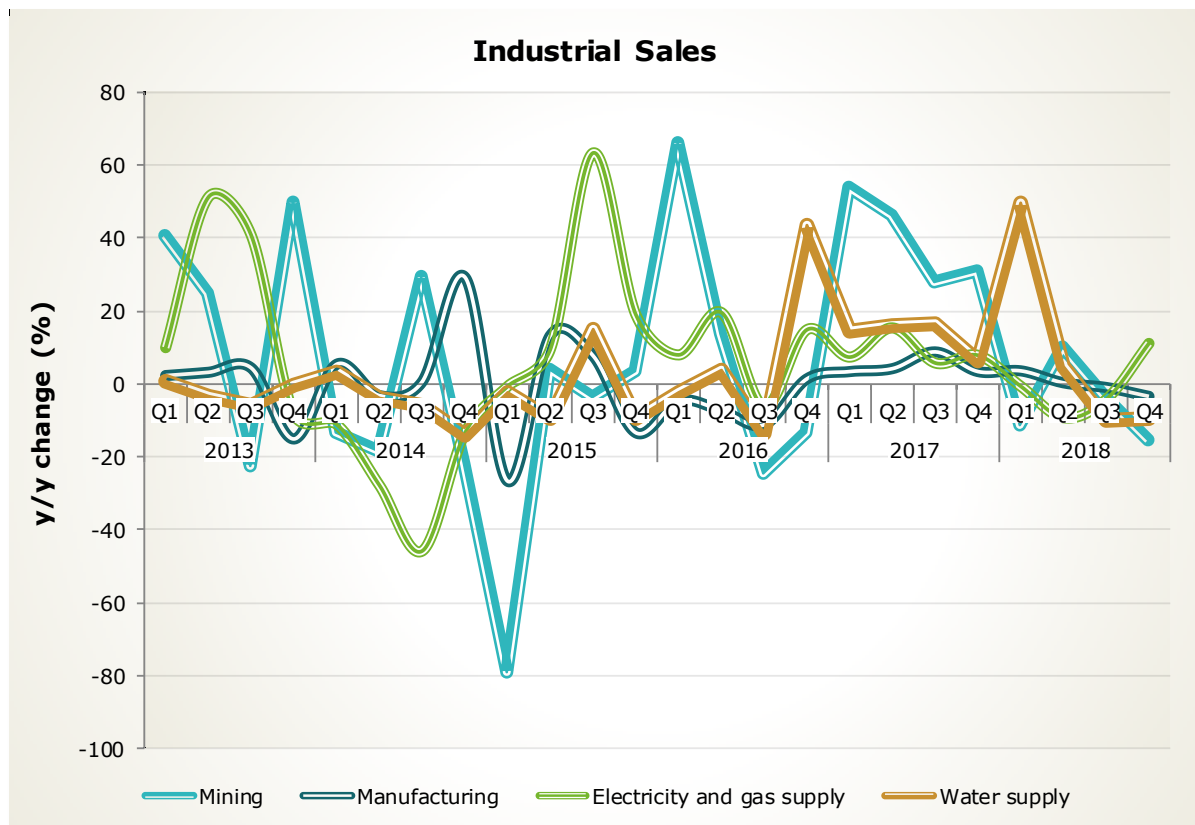
Source: SeeNews Calculations; ASK

Note: Non-additive data due to direct chain linking of GDP and its components.

2.2. INDUSTRIAL SALES

Almost all sectors registered annual decline in industrial sales in 2018

The sales of the mining industry went down by 15.3% y/y in the fourth quarter of 2018, ASK data showed. Sales in the manufacturing industry decreased by 3.6%, and the water supply shrank by 9.4% y/y. Electricity and gas supply sales was the only one sector increased by 11.0% y/y in Q4 2018.

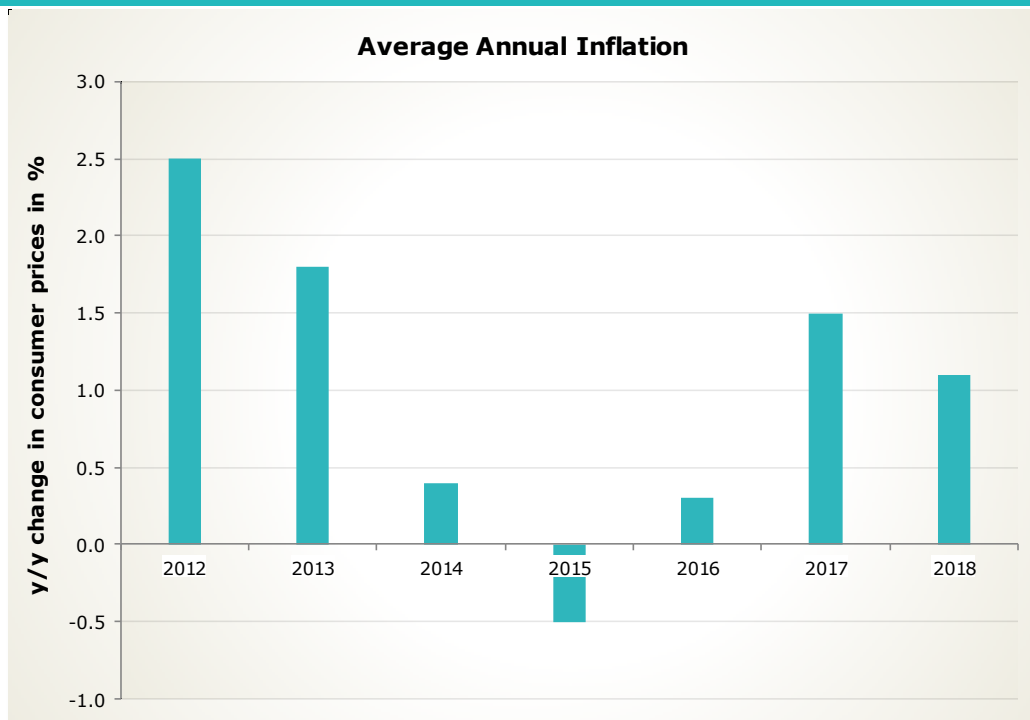


Source: ASK

2.3. INFLATION

Annual inflation accelerated to 1.1% in 2018

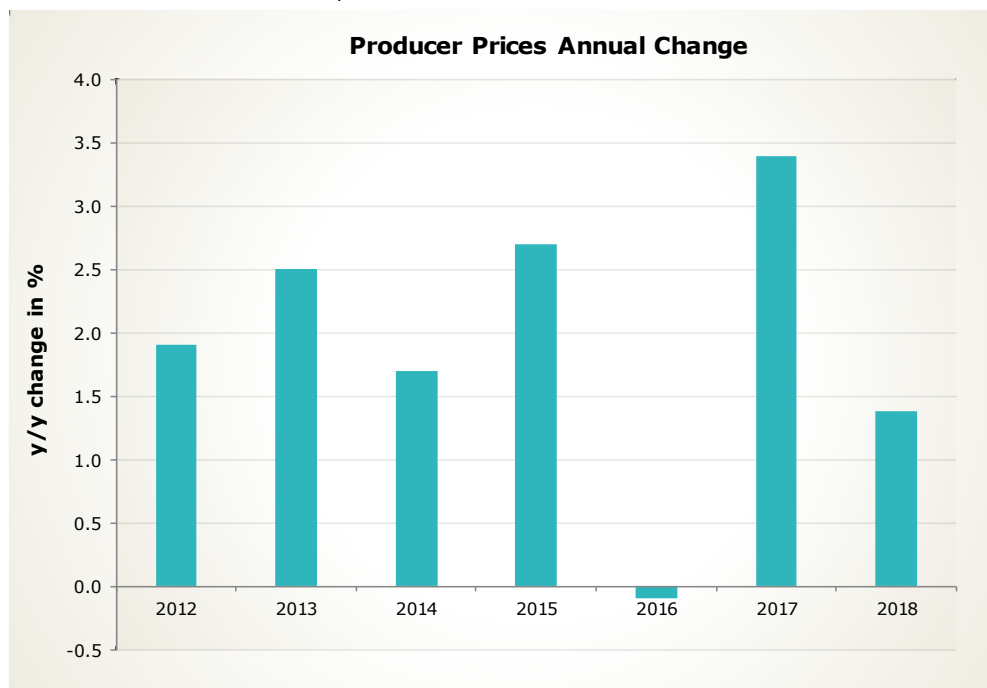
Kosovo registered an annual inflation of 1.1% in 2018, compared to an inflation of 1.5% in 2017 and 0.3% in 2016, according to ASK.



Source: ASK

Producer prices in Kosovo went up by 1.38% y/y in 2018, according to ASK. The largest increase in producer prices by sectors was observed in production of non-metallic mineral products and manufacture of machinery and equipment p.k.t with 5.8% each, followed by production of metals with 4.2%.

In terms of annual decline, the worst performing sectors were mining of metal ore with a drop of 10.3%, manufacture of chemical products - 2.5%, and manufacture of wood and of products of wood and cork, except furniture - 2.4%.



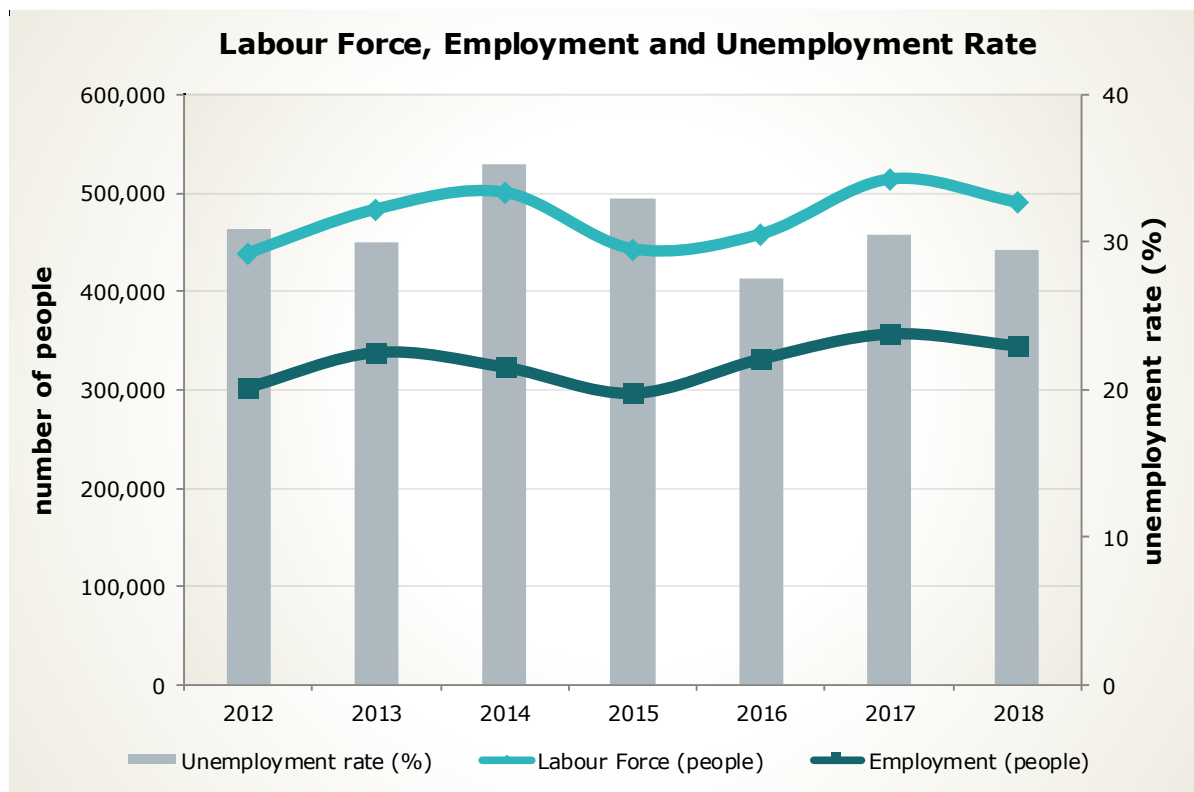
Source: ASK

3. LABOUR MARKET

Unemployment rate at 29.5% in 2018

Unemployment in Kosovo shrank to 29.5% of the total labour force in 2018, down from 30.5% a year earlier, according to data of ASK. The youth (population aged 15-24) unemployment rate inched up to 55.3% from 52.7% in 2016.

The employed population aged 15 years and older decreased by 3.4% y/y to 345,100 in 2018.



Source: ASK

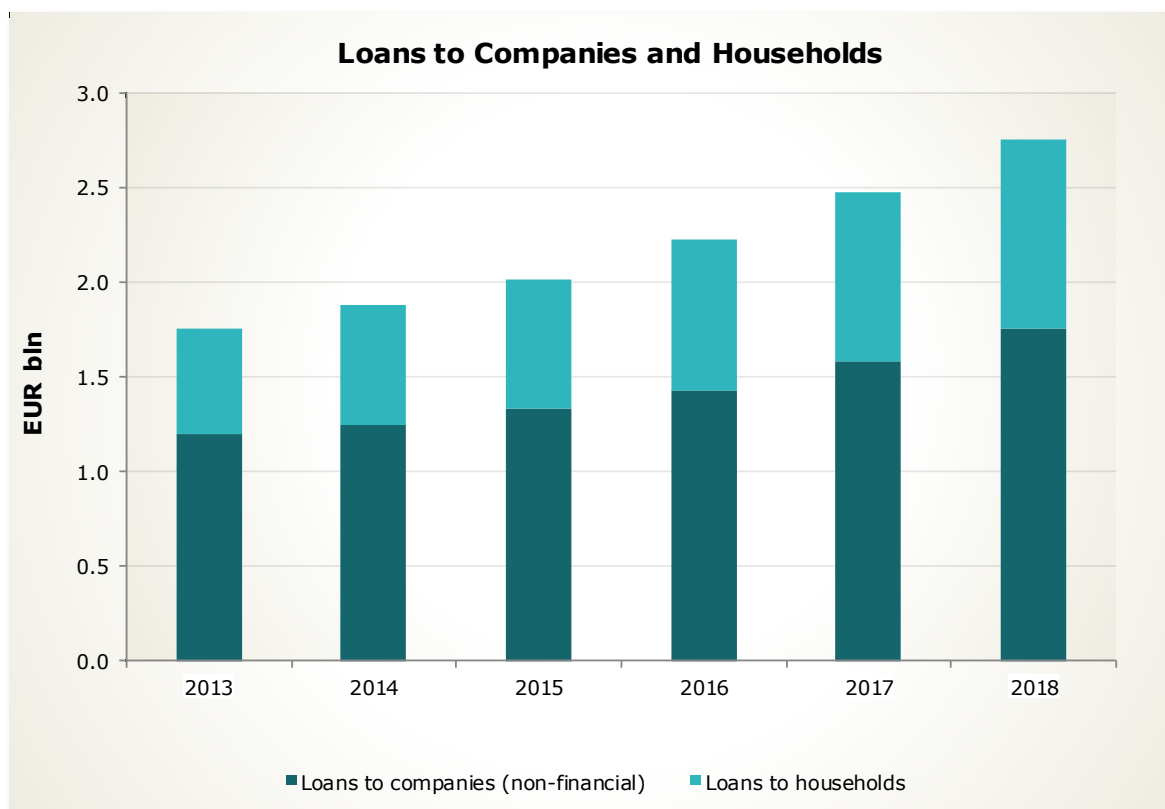
Average monthly net wage up 8.0% y/y in 2018

The average monthly net salary in the public sector in Kosovo increased by 8.0% y/y to EUR 488 in 2018, according to ASK. The highest monthly net salary, of EUR 586, was registered in the public order and security sector, while the employed recreation and culture earned the lowest – EUR 412.

4. BANKING AND INSURANCE

Household loans jumped by 11.2% y/y in 2018

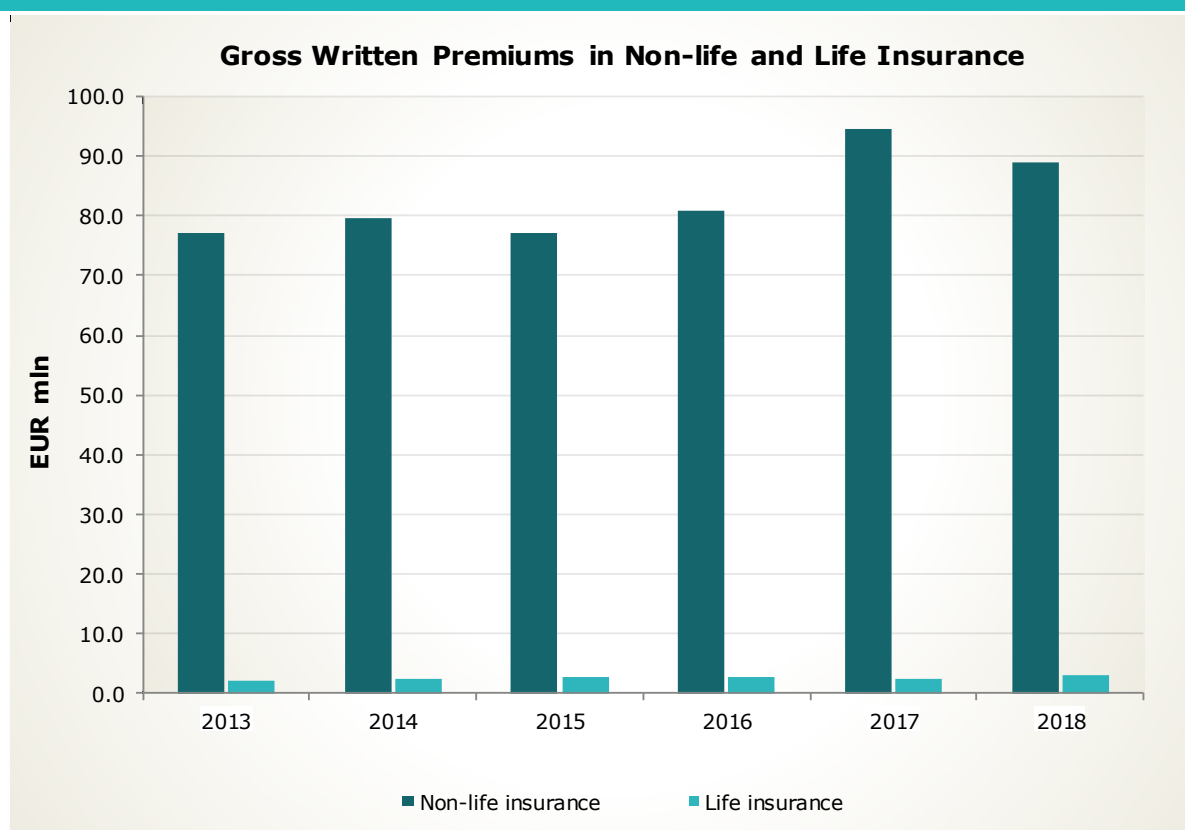
Household loans increased by 11.2% y/y to EUR 999.0 mln as of end-2018, according to the Central Bank of Kosovo (BQK). Loans to non-financial corporations rose by 10.8% to EUR 1.753 bln.



Source: BQK

Insurance premium income registered a decrease of 5.2% y/y in 2018

The total gross written premiums (GWP) of the non-life and life insurance companies in Kosovo went down by 5.2% y/y to EUR 92.100 mln in 2018, according to BQK. The downturn was due to the non-life insurance market, which fell to EUR 89.100 mln from EUR 94.700 mln a year earlier. Life insurance GWP grew by 20.0% y/y to EUR 3.000 mln.



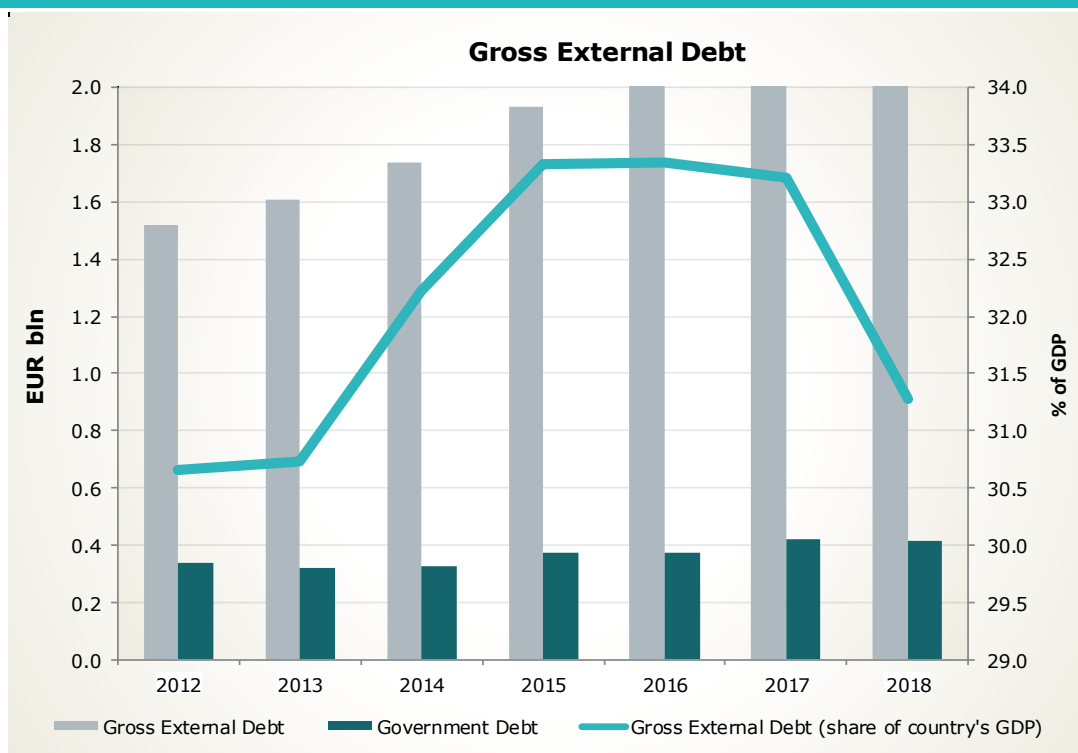
5. EXTERNAL SECTOR

5.1. FOREIGN DEBT

Gross external debt increased y/y to EUR 2.041 bln in 2018

Gross external debt stood at EUR 2.041 bln in 2018, according to BQK. It fell by 2.4%, or EUR 51.0 mln, in comparison to 2017.

In 2018, long-term liabilities amounted to EUR 774.5 mln, or 34.2% of the total debt, up by 8.3% y/y. Short-term liabilities totalled EUR 695.2 mln, down by 1.8% y/y, equal to 29.2% of the total debt.



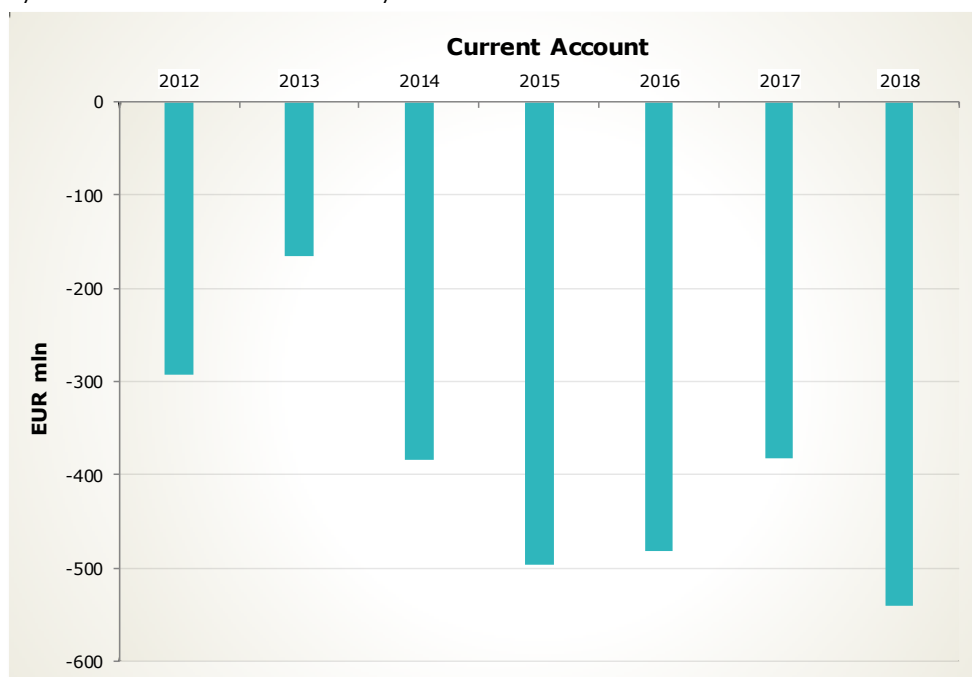
Source: BQK

5.2. BALANCE OF PAYMENTS

Current account deficit increased by 41.1% y/y to EUR 540.6 mln in 2018

The current account deficit expanded by 41.1% y/y to EUR 540.6 mln in 2018, up from EUR 383.2 mln in 2017, according to central bank statistics data.

Secondary income increased annually to EUR 1.260 bln from EUR 1.162 bln in 2017.

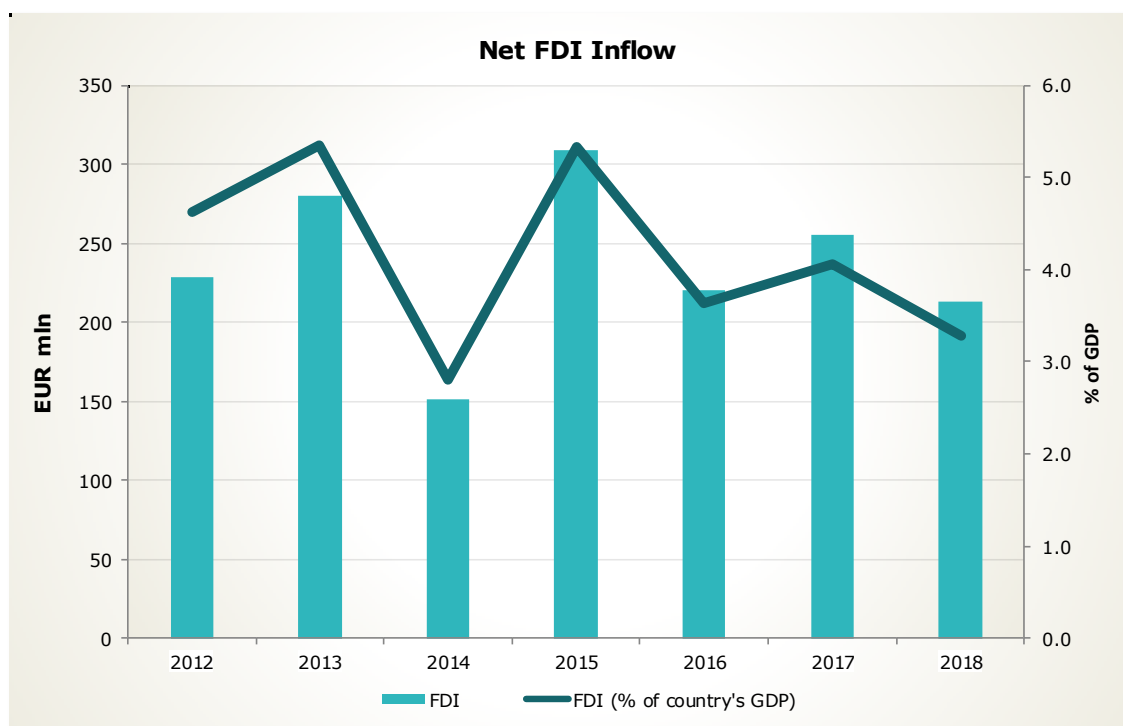


Source: BQK

5.3. FDI

Net FDI inflow at EUR 213.7 mln in 2018, down by 16.3% y/y

Foreign Direct Investments (FDI) net inflow in Kosovo amounted to EUR 213.700 mln in 2018, compared to EUR 255.400 mln a year earlier, according to BQK data. FDI covered 39.5% of the country's current account deficit in 2018 and accounted for 3.3% of its GDP.



Source: BQK

5.4. FOREIGN TRADE

Foreign trade deficit jumped by 11.3% y/y in 2018

The trade deficit stood at EUR 2.972 bln in 2018, up 11.3% y/y, according to BQK data.

Exports declined by 2.9% y/y to EUR 367.0 mln, while imports went up by 9.6% y/y to EUR 3.339 bln in 2018.

In the year under review, the coverage rate of imports with exports stood at 11.0%, down from 12.4% in 2017.



Source: ASK

5.5. TOURSIM

Number of foreign tourist overnights more than doubled y/y in Jan-Sept 2018¹

Tourist overnights of foreigners rose to 241,493 in Jan-Sept 2018 from 107,463 in the first nine months of the previous year, according to ASK. They accounted for 68.0% of the total number of tourist overnights in the country in the period under review. The number of foreign tourists surged to 147,931 from 65,500 in Jan-Sept 2017.

¹ Annual data was not available at the time of preparation of the report.



Source: ASK

6. MAJOR DEVELOPMENTS

EU urges Kosovo to reconsider tax on imports from Serbia, Bosnia

Dec 31, 2018

The European Union (EU) Office in Kosovo has urged the government in Pristina to reconsider the decision to expand the 100% import tax on all goods produced in Serbia and Bosnia to include products manufactured under international brands in the two neighbouring countries.

[Read the full story here](#)

World Bank lending 14.6 mln euro to improve cadastre data, services in Kosovo

Dec 19, 2018

The World Bank has approved a EUR 14.6 mln credit, to be used to increase the quality and availability of land administration and geospatial data and services in Kosovo under a real estate and geospatial infrastructure project (REGIP).

[Read the full story here](#)

EU grants additional 17.2 mln euro to co-finance railway project in Kosovo

Dec 4, 2018

The European Union is providing an additional grant of EUR 17.2mln to co-finance a project funded by the European Bank for Reconstruction and Development for upgrading Kosovo's only international rail link, the bank said.

[Read the full story here](#)

EBRD draft strategy rules out support for Kosovo coal-fired power plant

Nov 14, 2018

The European Bank for Reconstruction and Development (EBRD) has issued a draft energy sector strategy that it will not finance coal projects, following a statement by an environmental group that the international lender is not considering support for a coal-fired power plant project in Kosovo.

[Read the full story here](#)

Kosovo slaps 100% tax on imports from Serbia, Bosnia

Nov 22, 2018

Kosovo government has decided to increase the import tax on all goods produced in Serbia and Bosnia to 100% from 10% in order to protect Kosovo's sovereignty and interests. The decision also bans imports of all products which do not refer to the official and constitutional name of the Republic of Kosovo in their labels, the government said.

[Read the full story here](#)

Germany to grant EUR 60 mln to support projects in Kosovo

Nov 21, 2018

Kosovo's finance ministry said it signed a grant agreement under which Germany is pledging to provide EUR 60.05 mln to support projects in Kosovo in the next two years.

[Read the full story here](#)

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.