

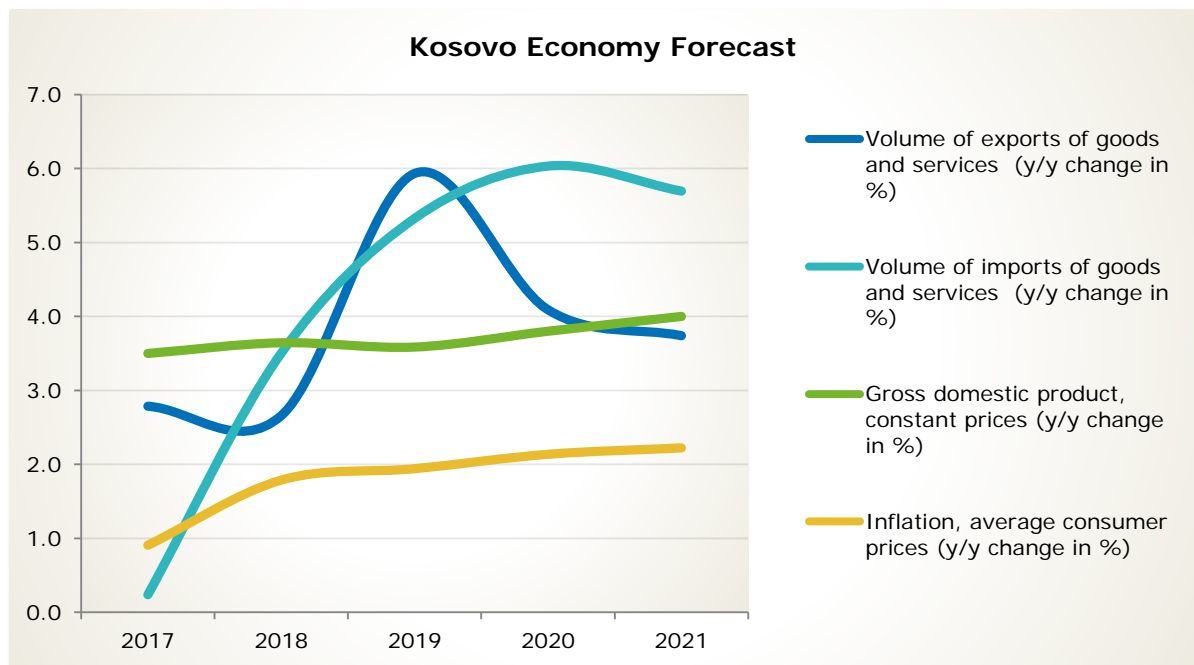
KOSOVO ECONOMY REPORT 2016

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 2016	
GDP Growth	3.4% y/y
Industrial sales y/y change in	
- Mining	-13.5%
- Manufacturing	1.2%
- Electricity and gas supply	14.8%
- Water supply	43.5%
Annual inflation	0.3%
Unemployment rate	27.5%
Household loans	16.8% y/y
Gross external debt	EUR 2.045 bln
Current account deficit	EUR 548.8 mln
Net FDI inflow	EUR 215.9 mln
Foreign trade deficit	EUR 2.480 mln
Number of foreign tourist overnights	9.2% y/y



Source: International Monetary Fund (IMF) World Economic Outlook Database – April 2017

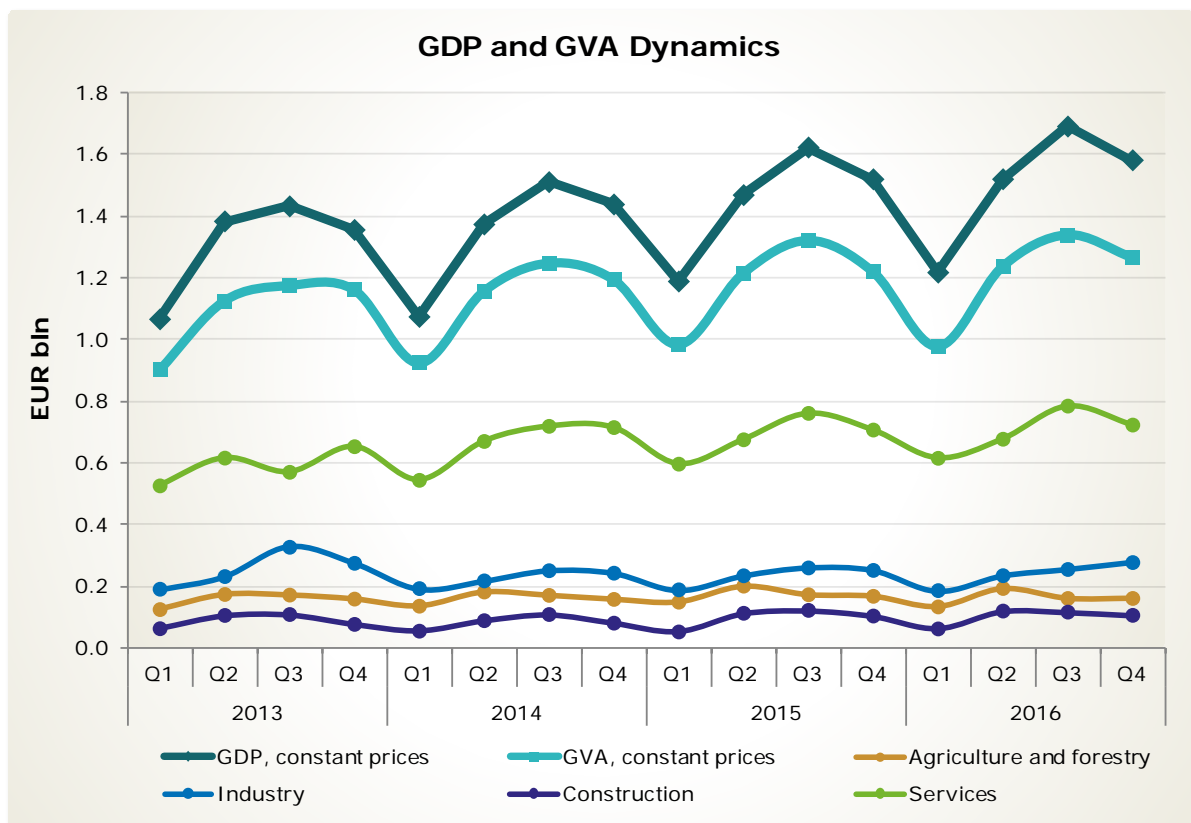
2. REAL SECTOR

2.1. GROSS DOMESTIC PRODUCT (GDP)

GDP went up by real 3.4% y/y in 2016, compared to a 4.1% y/y rise in 2015

The country's GDP increased by a real 3.4% y/y and totalled EUR 6.006 bln at constant prices in 2016, according to preliminary data of Kosovo Agency of Statistics (ASK).

Final consumption, increased in value terms by 3.2% y/y and amounted to EUR 6.071 bln. Gross capital formation went up by 10.7% to EUR 1.768 bln. Exports grew by 2.1% y/y, while imports rose by 6.0%.



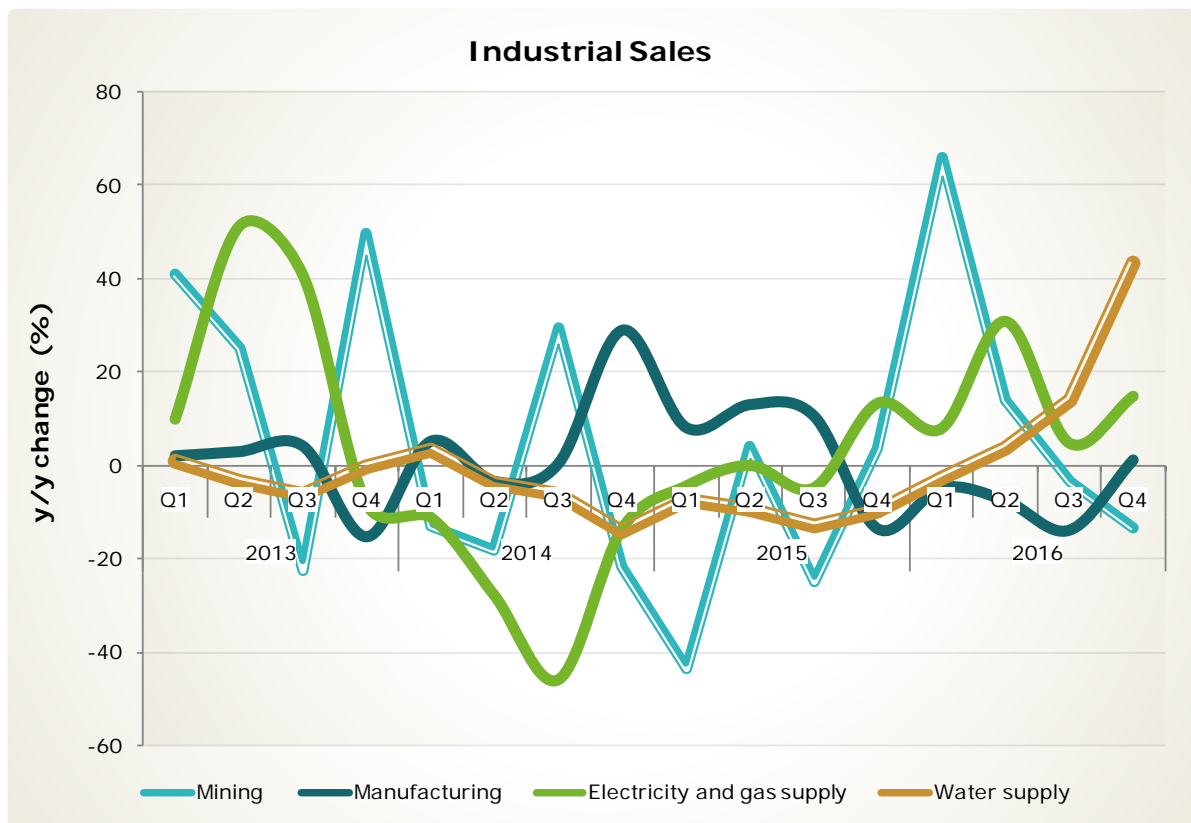
Source: ASK

The gross value added (GVA) generated by the national economy increased in value by 1.7% y/y in 2016 and totalled EUR 4.814 bln. The industrial sector grew by 4.9%, and its share in the GVA structure also increased - to 20.7% from 20.0%. The services sector recorded a 0.3% annual increase, slicing a 57.6% share in the GVA, down from 58.4% a year earlier. The agricultural sector registered an annual rise of 1.6%, but its share in the GVA remained unchanged at 13.4%. The construction industry grew by 3.7% and its share in the GVA increased to 8.4% from 8.2%.

2.2. INDUSTRIAL SALES

Industrial sales show mixed results in Q4 2016

The sales of the water supply sector jumped by 43.5% y/y in Q4 2016, ASK data showed. Industrial sales in the electricity and gas supply, and manufacturing industries increased by 14.8% and 1.2%, respectively. Sales in the mining industry fell by 13.5%.



Source: ASK

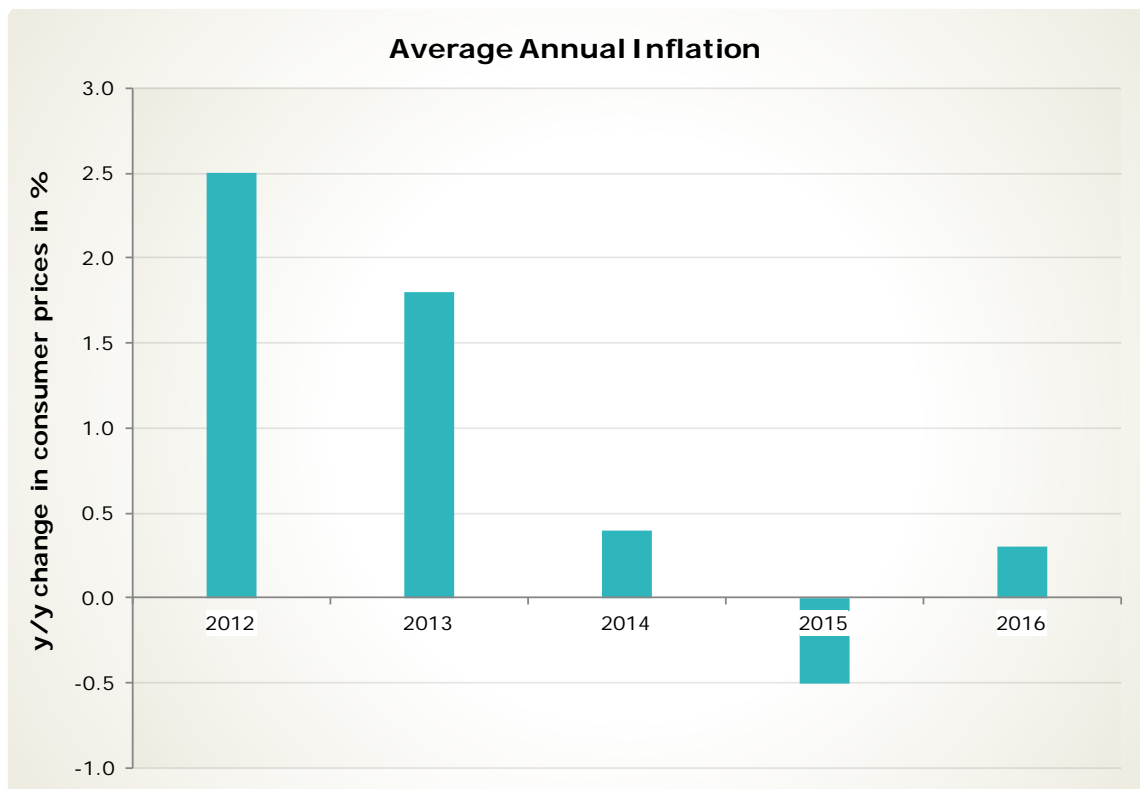
2.3. INFLATION

Annual inflation of 0.3% in 2016

Kosovo registered an annual inflation of 0.3% in 2016, compared to a deflation of 0.5% a year earlier.

Prices of sugar and sweets, and tobacco registered the sharpest annual inflation, of 8.8%, in 2016. Alcoholic beverages had the third highest inflation, of 7.2%.

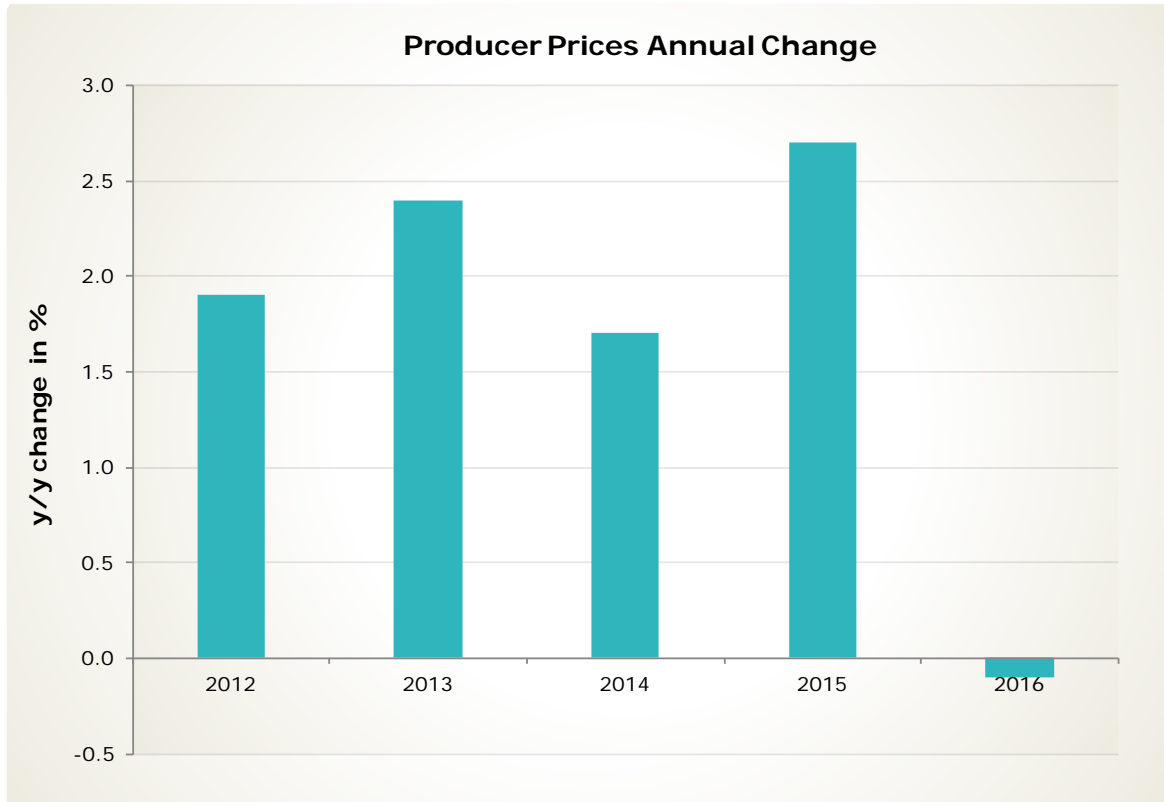
In terms of highest annual deflation, vegetables stood on top with 6.1%, followed by water supply and other residential services with 4.5% and fruits with 3.5%.



Source: ASK

Producer prices in Kosovo inched down by 0.1% y/y in Q4 2016. The steepest fall, of 12.9%, was recorded in production of motor vehicles, trailers and semi-trailers, followed by production of non-metallic mineral products, and food processing, where producer prices went down by 6.7% and 3.3%, respectively.

Only a small number of segments posted an increase in producer prices, led by mining of metal ore, with an annual jump of 76.3%, followed by production of metals with 7.4% and manufacture of fabricated metal products, except machinery and equipment, with 1.2%.



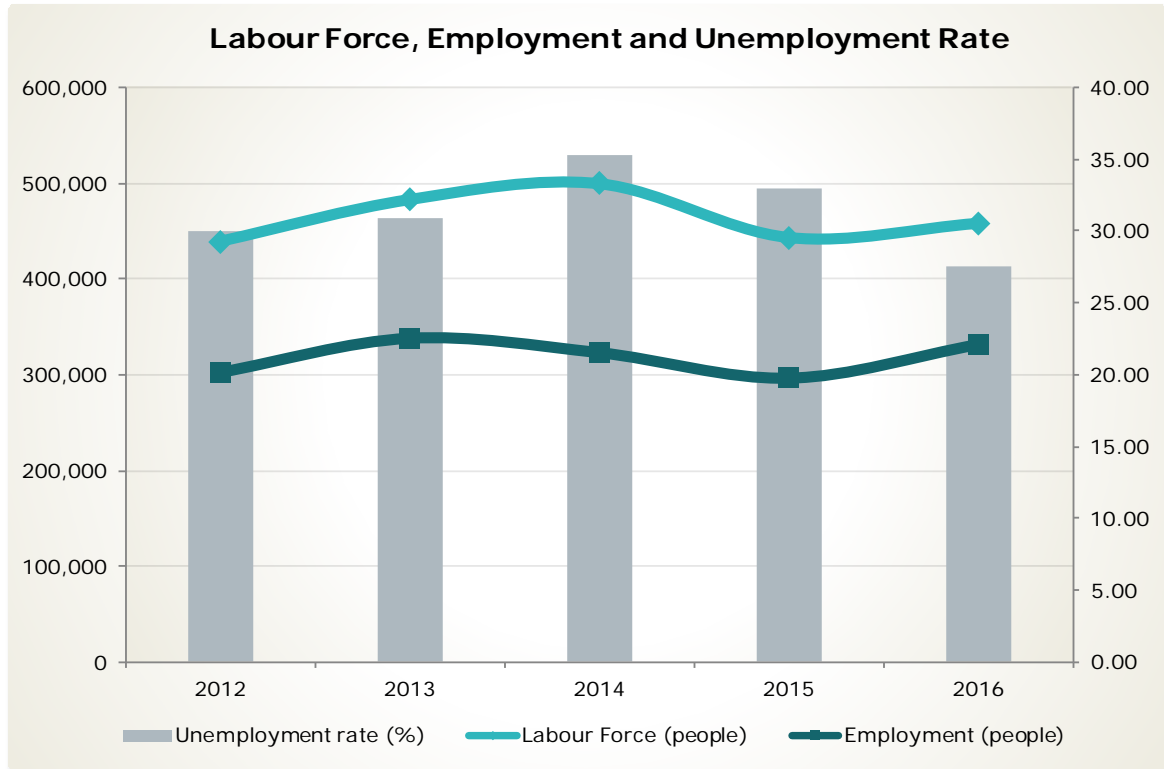
Source: ASK

3. LABOUR MARKET

Unemployment rate at 27.5% in 2016

Unemployment in Kosovo narrowed to 27.5% of the total labour force in 2016 from 32.9% a year earlier, according to data of ASK. The youth (population aged 15-24) unemployment rate also fell - to 52.4% from 57.7%.

The employed population aged 15 years and older increased by 11.7% y/y to 331,763 in 2016.



Source: ASK

Average monthly net wage up 3.8% y/y in 2016

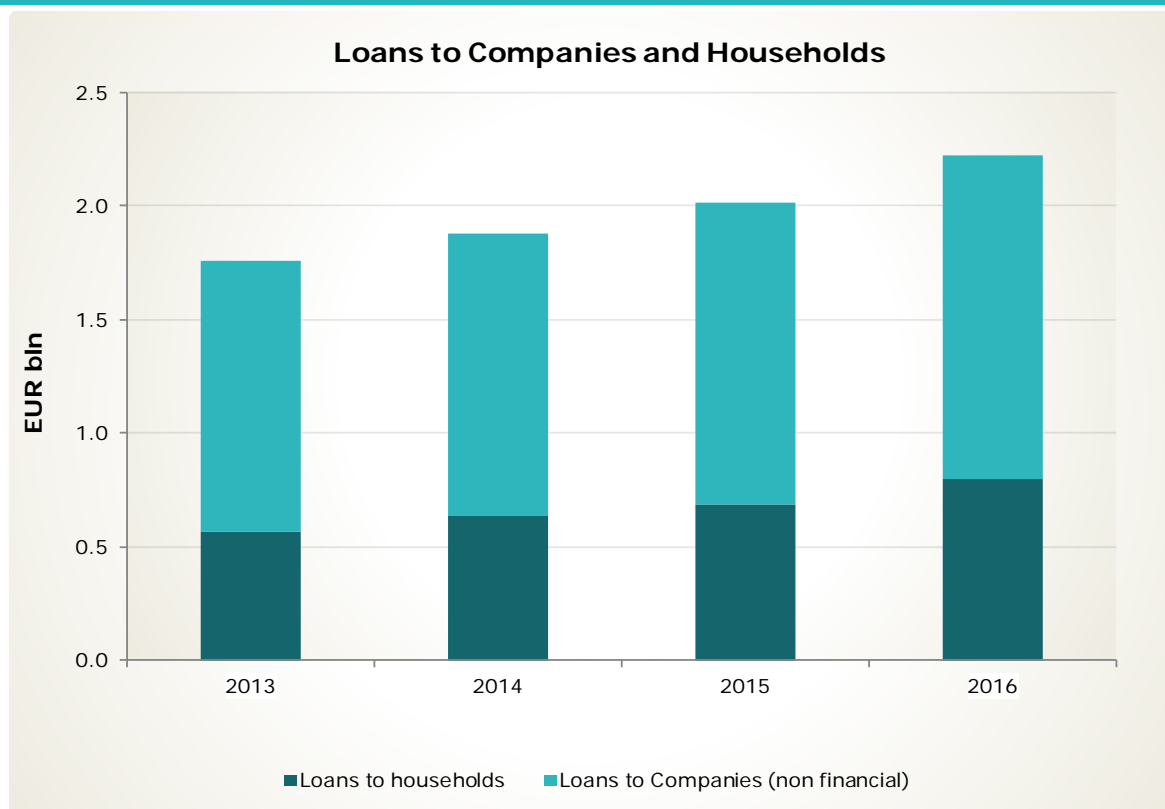
The average monthly net salary in the public sector in Kosovo grew by 3.8% y/y to EUR 463 in 2016, according to ASK.

Employees in the public order and security, followed by general services employees, earned the highest salaries, of EUR 519 and EUR 501, respectively. Third in terms of wages were the healthcare professionals with EUR 494.

4. BANKING AND INSURANCE

Household loans jumped by 16.8% y/y in 2016

Household loans increased by 16.8% y/y to EUR 797.0 mln as of end-2016, according to the Central Bank of Kosovo (BQK). Loans to non-financial corporations rose by 7.4% to EUR 1.429 bln in 2016.

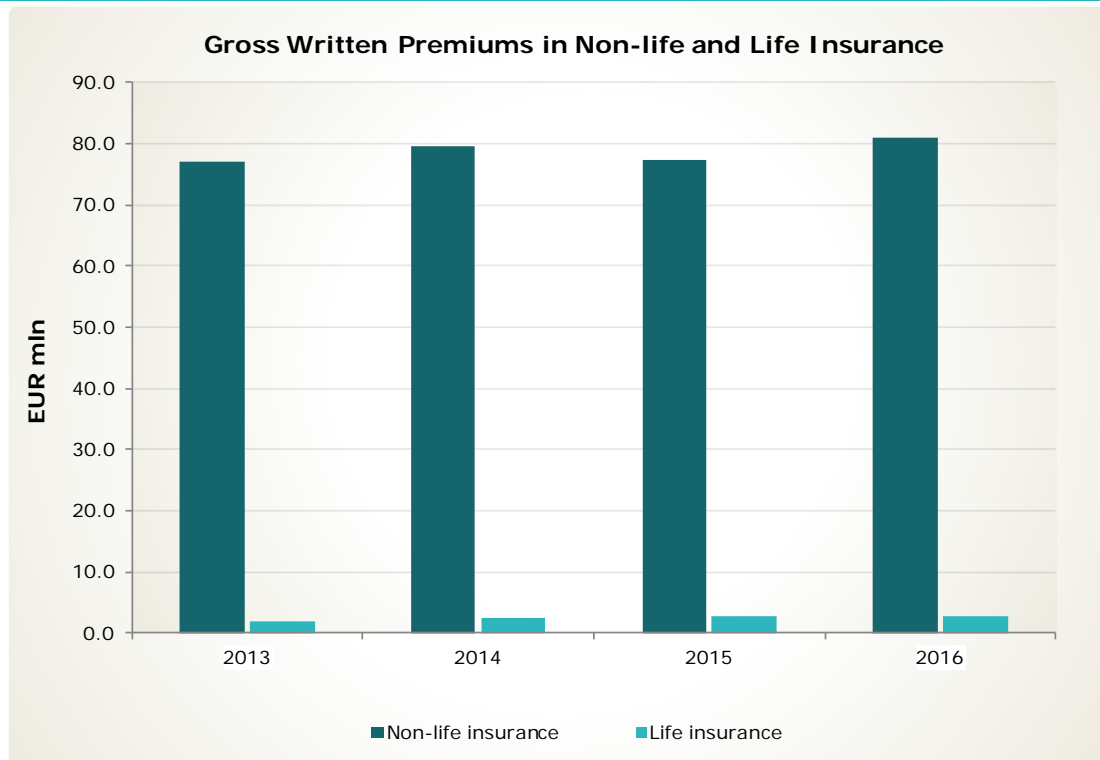


Source: BQK

Insurance premium income grew by 4.4% y/y in 2016

The total gross written premiums (GWP) of the non-life and life insurance companies in Kosovo went up by 4.4% y/y to EUR 83.5 mln in 2016, according to BQK.

The upturn was due to the non-life insurance market, which grew to EUR 80.9 mln from EUR 77.3 mln a year earlier. The life insurance market dropped by 3.7% to EUR 2.6 mln.



Source: BQK

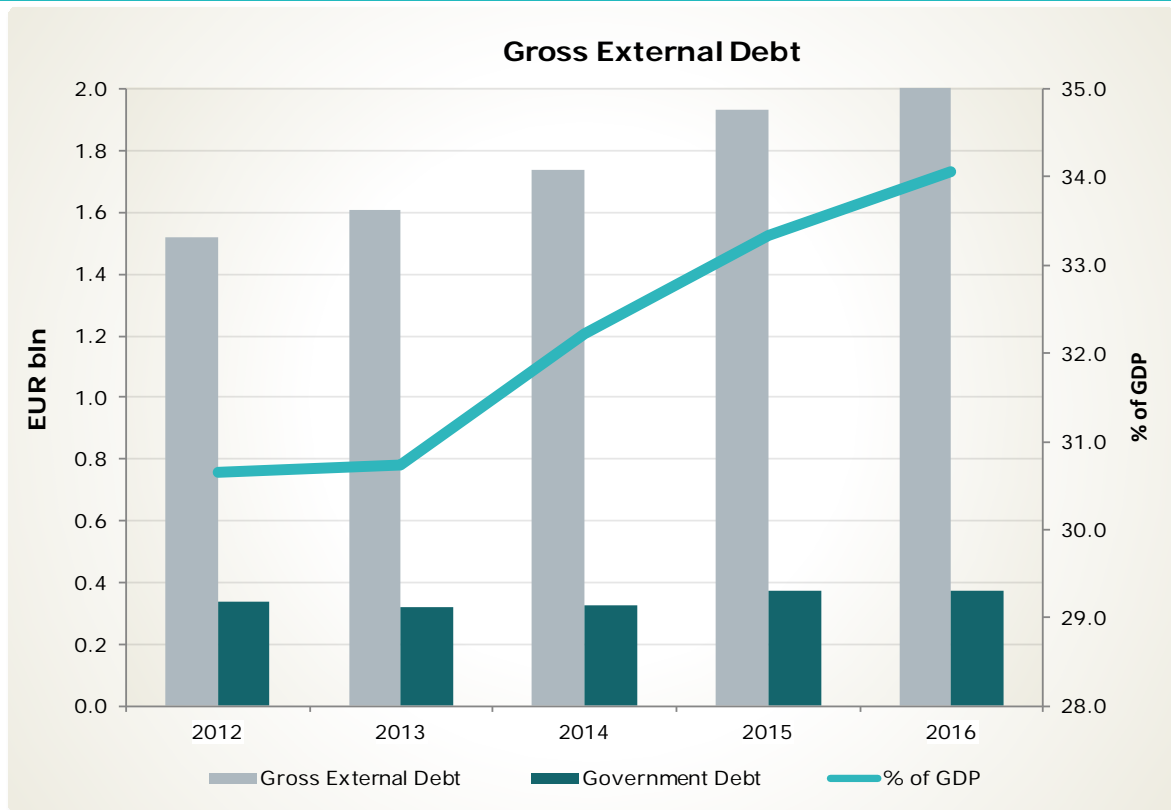
5. EXTERNAL SECTOR

5.1. FOREIGN DEBT

The gross external debt increased y/y to EUR 2.045 bln in 2016

The gross external debt stood at EUR 2.045 bln as of 2016, according to BQK. It grew by 5.9%, or EUR 113.5 mln, in comparison to the previous year. The gross external debt accounted for 34.1% of the country's GDP in 2016, a rise from the 33.3% share in 2015.

In 2016, long-term liabilities amounted to EUR 633.4 mln, or 31.0% of the total debt, rising by 9.1% y/y. Short-term liabilities totalled EUR 589.1 mln, up 2.8% y/y, equal to 28.8% of the total debt.



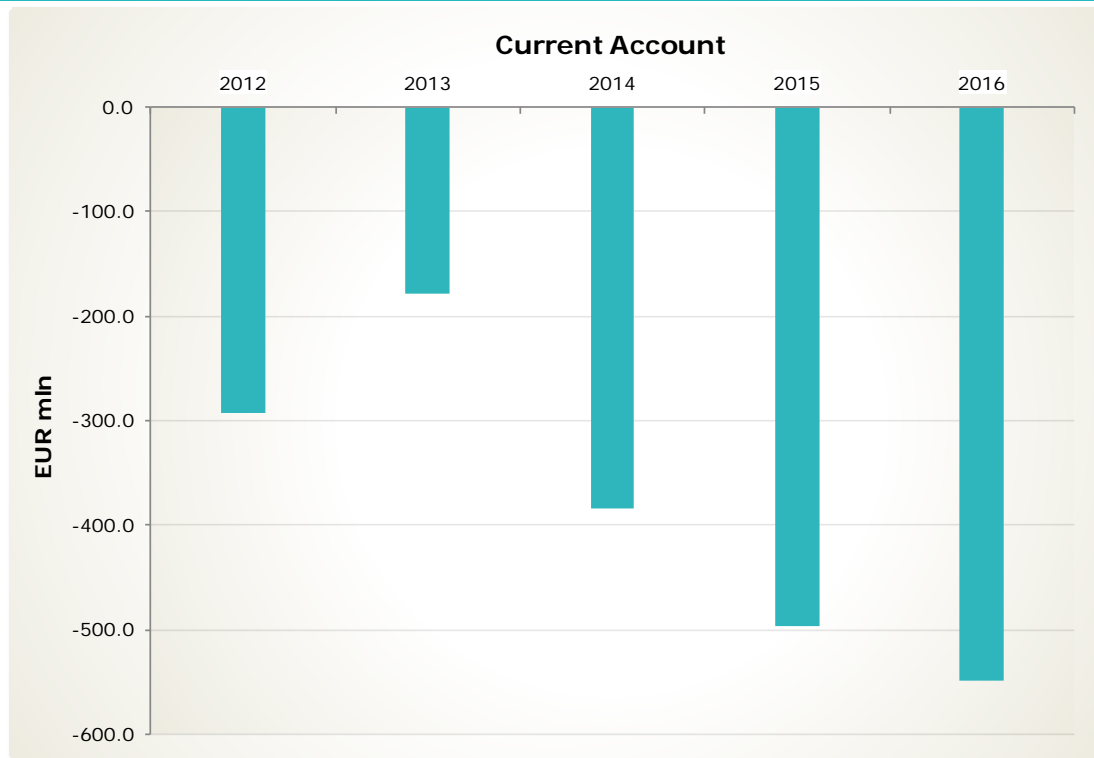
Source: BQK

5.2. BALANCE OF PAYMENTS

Current account deficit widened to EUR 548.8 mln in 2016

The current account deficit widened to EUR 548.8 mln in 2016 from EUR 497.3 mln in 2015, according to central bank statistics data.

Secondary income increased annually to EUR 1.096 mln from EUR 1.062 mln.



Source: BQK

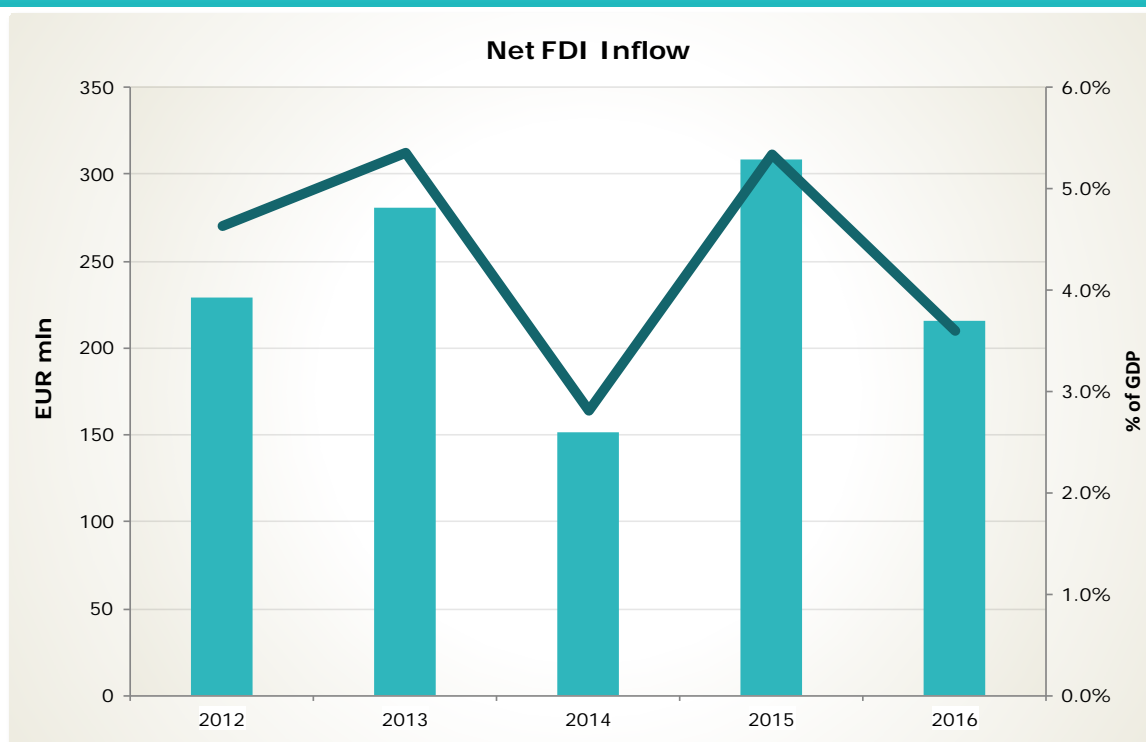
5.3. FDI

Net FDI inflow at EUR 215.9 mln in 2016

Foreign Direct Investments (FDI) net inflow in Kosovo amounted to EUR 215.9 mln in 2016, compared to EUR 308.8 mln a year earlier, according to BQK data.

In 2016, the leading sector in terms of attracted FDI was real estate with EUR 167.6 mln, construction came second with EUR 28.2 mln and the third spot was occupied by financial intermediation with EUR 19.0 mln. Mining and quarrying registered the highest outflow, of EUR 22.1 mln.

Switzerland was the largest foreign investor in Kosovo with FDI of EUR 61.8 mln in 2016, followed by Turkey with EUR 44.4 mln and Albania with EUR 28.6 mln.



Source: BQK

5.4. FOREIGN TRADE

Foreign trade deficit increased by 7.4% y/y in 2016

The trade deficit stood at EUR 2.480 bln in 2016, compared to EUR 2.309 bln in 2015, according to BQK data.

In the last quarter of 2016 alone, the trade deficit amounted to EUR 664.0 mln. Base metal and articles of base metal had the largest share, of 31.3%, in the total exports and in terms of imports, machinery, appliances and electric materials had the highest share, of 13.6%.



Source: ASK

5.5. TOURSIM

Number of foreign tourist overnights increased by 9.2% y/y in 2016

Tourist overnights of foreigners inched up by an annual 9.2% to 131,785 in 2016, according to ASK. They accounted for 67.9% of the total number of tourist overnights in the country.

The number of foreign tourists grew by 5.6% y/y to 83,710. Most foreign tourists visiting Kosovo came from Albania – 15,082, Germany – 7,236 and Turkey – 6,540.



Source: ASK

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