

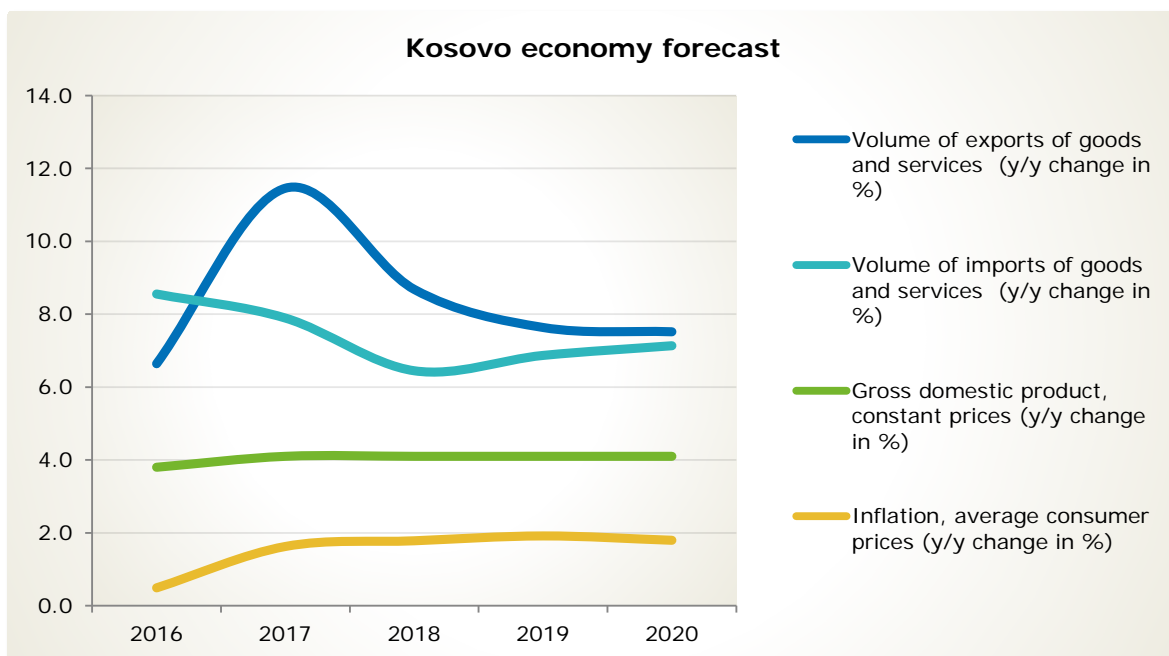
**KOSOVO ECONOMY REPORT**  
2015

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1. MACROECONOMIC SNAPSHOT AND FORECAST

KOSOVO – MACROECONOMIC SNAPSHOT AS OF END-2015	
GDP Growth *	4.0% y/y
Industrial sales y/y change in **	
- Mining	3.5%
- Manufacturing	-13.6%
- Electricity and gas supply	13.3%
- Water supply	-9.7%
Average annual inflation	-0.5%
Unemployment rate ***	35.3%
Household loans	7.4% y/y
Gross external debt	EUR 1.932 bln
Current account deficit	EUR 527.7 mln
FDI inflow	EUR 324.4 mln
Foreign trade deficit	EUR 2.109 bln
Number of foreign tourist overnights	18.2% y/y
* data for Q3 2015	
** data for Q4 2015	
*** data for 2014	



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

## 2. REAL SECTOR

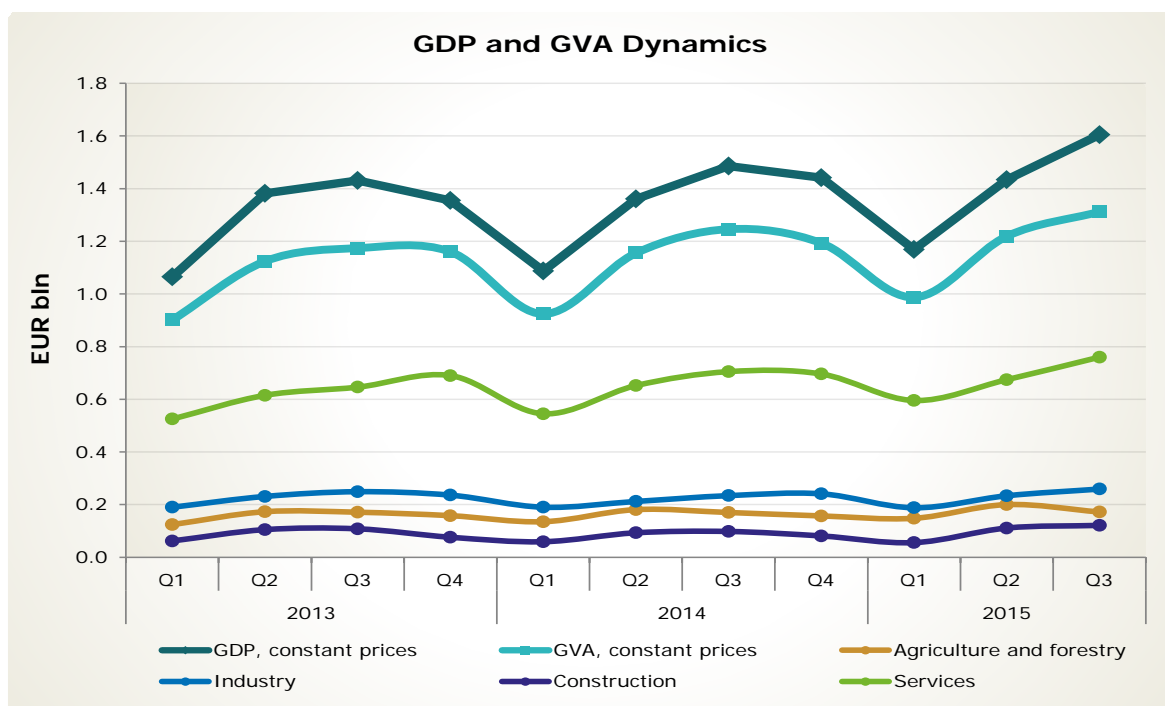
### 2.1. GROSS DOMESTIC PRODUCT (GDP)

**GDP went up by real 4.0% y/y in Q3 2015\*, compared to a 4.8% y/y rise in the previous quarter**

*\*Annual data for 2015 was not available as of the date of the preparation of this report.*

The country's GDP increased by a real 4.0% y/y and totaled EUR 1.605 bln at current prices in Q3 2015, according to preliminary data of Kosovo Agency of Statistics (ASK).

Final consumption, increased in value terms by 2.1% y/y and amounted to EUR 1.578 bln in Q3 2015. Gross capital formation went up by 17.7% to EUR 0.465 bln. Exports grew by 0.3% y/y, while imports decreased by 1.8%.



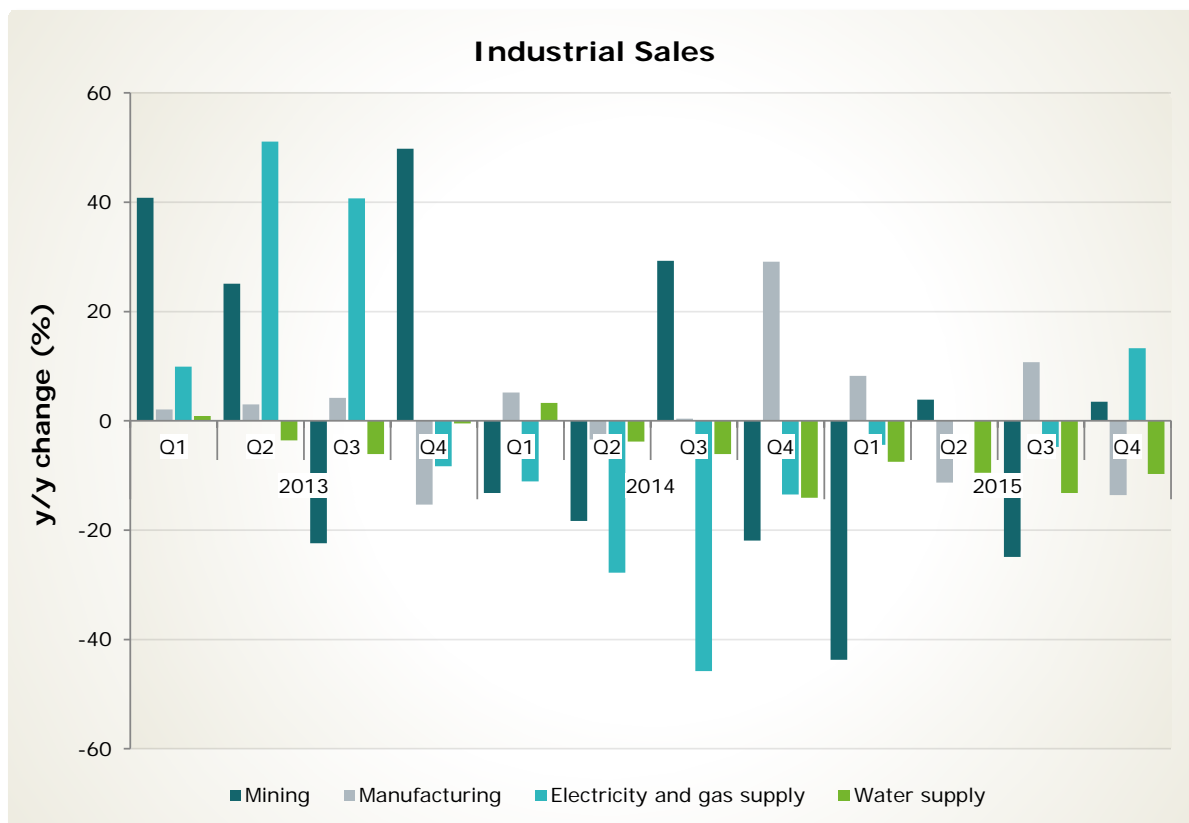
Source: ASK

The gross value added (GVA) generated by the national economy increased in value by 5.3% y/y in Q3 2015 and totalled EUR 1.312 bln. The industrial sector grew in value by 10.7% y/y and its share in the GVA structure went up to 19.7% from 18.8% in the corresponding quarter of the previous year. The services sector recorded a 7.8% annual increase, slicing a 57.9% share in the GVA compared to 56.6% share a year earlier. The agricultural sector registered an annual rise of 1.2%, thus decreasing slightly its share in the GVA to 13.1%, from 13.6%. Construction industry jumped by 23.5% y/y and increased its share in the GVA to 9.2% from 7.9%.

## 2.2. INDUSTRIAL SALES

### Industrial sales show mixed results in Q4 2015

Industrial sales in the electricity and gas supply industry increased by 13.3% y/y in Q4 2015, compared to a 4.8% decrease in the previous quarter, ASK data showed. The mining sector also went up by 3.5%, while manufacturing and water supply sectors registered a drop in sales of 13.6% and 9.7%, respectively.



Source: ASK

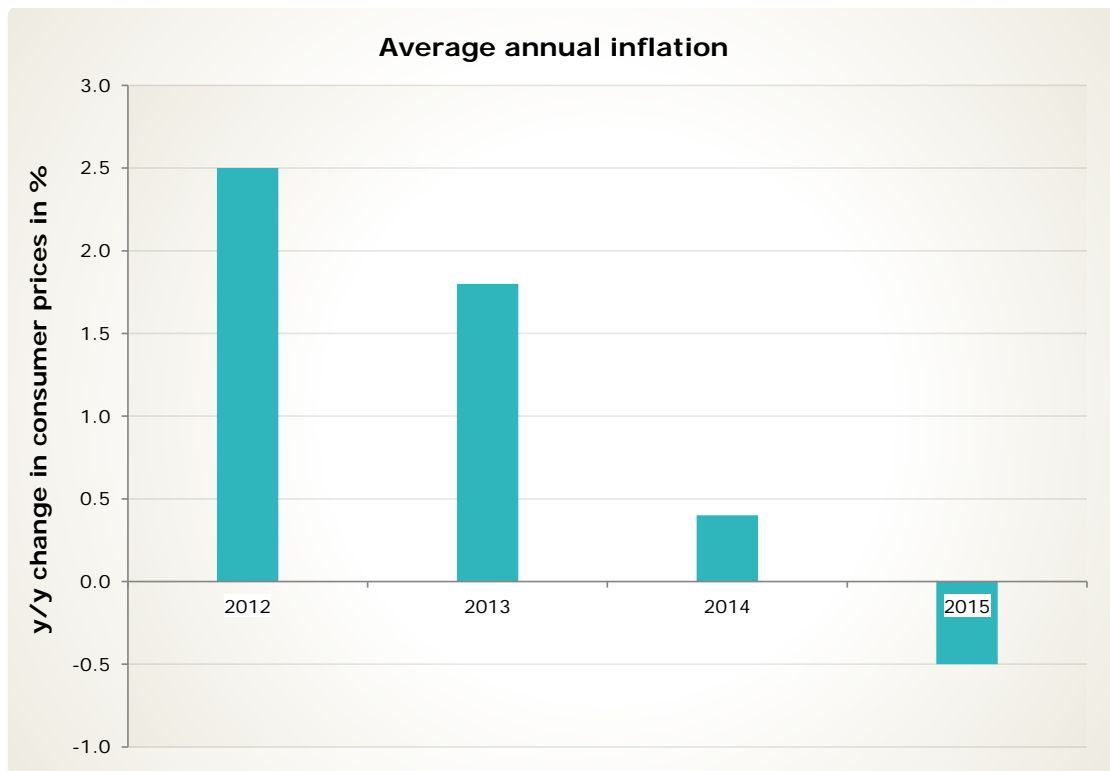
## 2.3. INFLATION

### Annual deflation of 0.5% in 2015

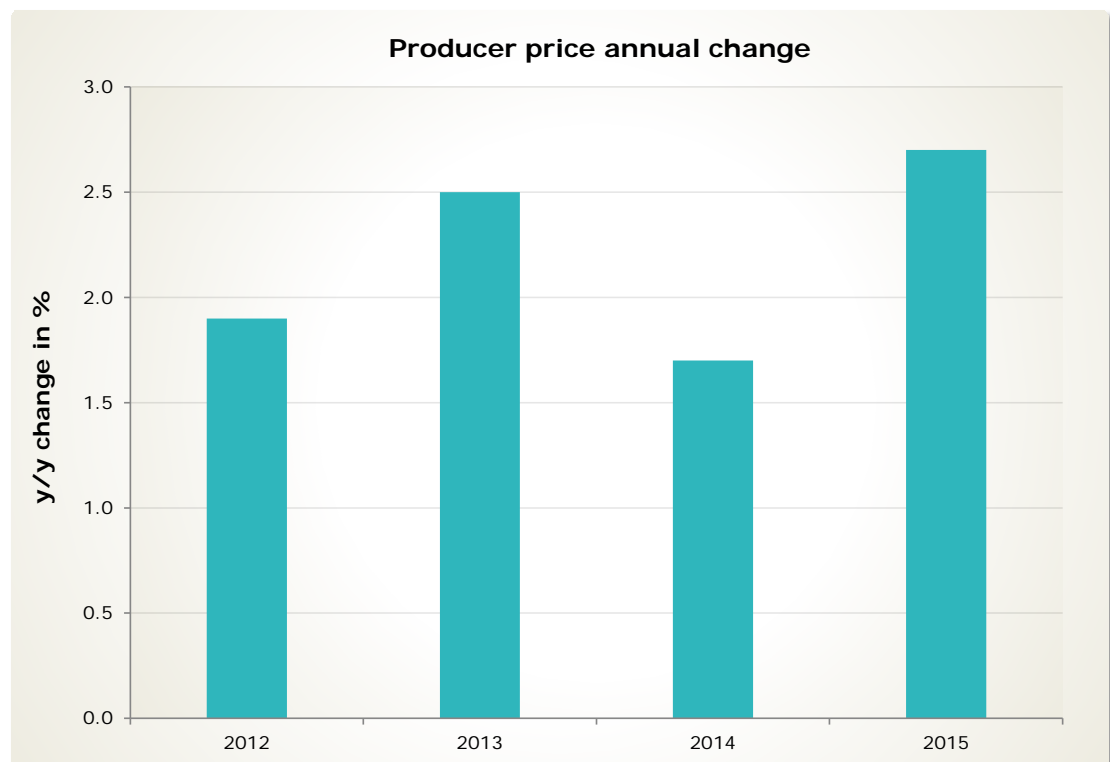
Inflation in Kosovo turned to negative in 2015 at 0.5% y/y, according to ASK. In December 2015 deflation was reported for the thirteenth consecutive month and stood at 0.1%.

Prices in education services registered the sharpest annual drop of 22.6% in 2015, followed by accommodation services, with 12.0%, and equipment operations of personal transportation with a 11.9% decrease.

Alcoholic beverages increased the most in terms of price levels, by 7.3%. Tobacco products came second, increasing by 6.2% y/y in 2015, followed by fruits with 6.0%.



Source: ASK



Source: ASK

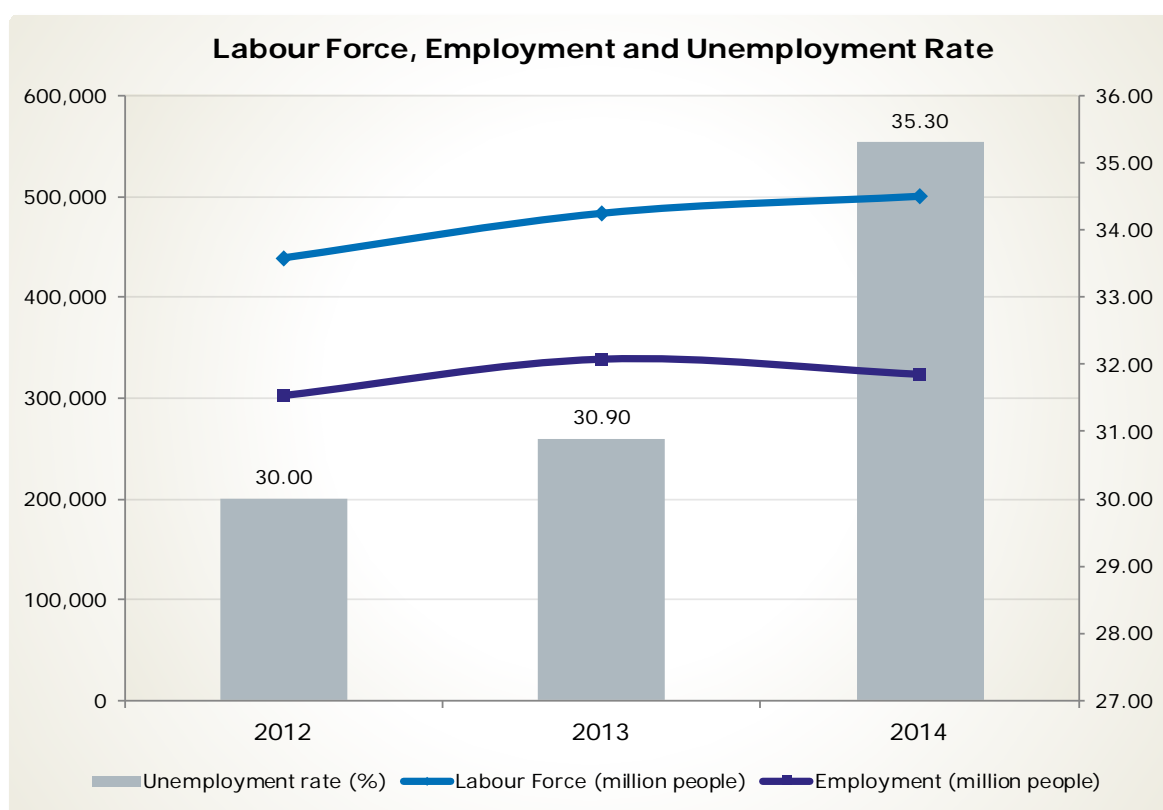
### 3. LABOUR MARKET

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

\*Data for 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 ASK.

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: ASK

#### Average monthly net wage up 8.7% y/y in Q4 2015

The average monthly net salary in the public sector in Kosovo rose by 8.7% y/y to EUR 464 in the fourth quarter of 2015, according to ASK.

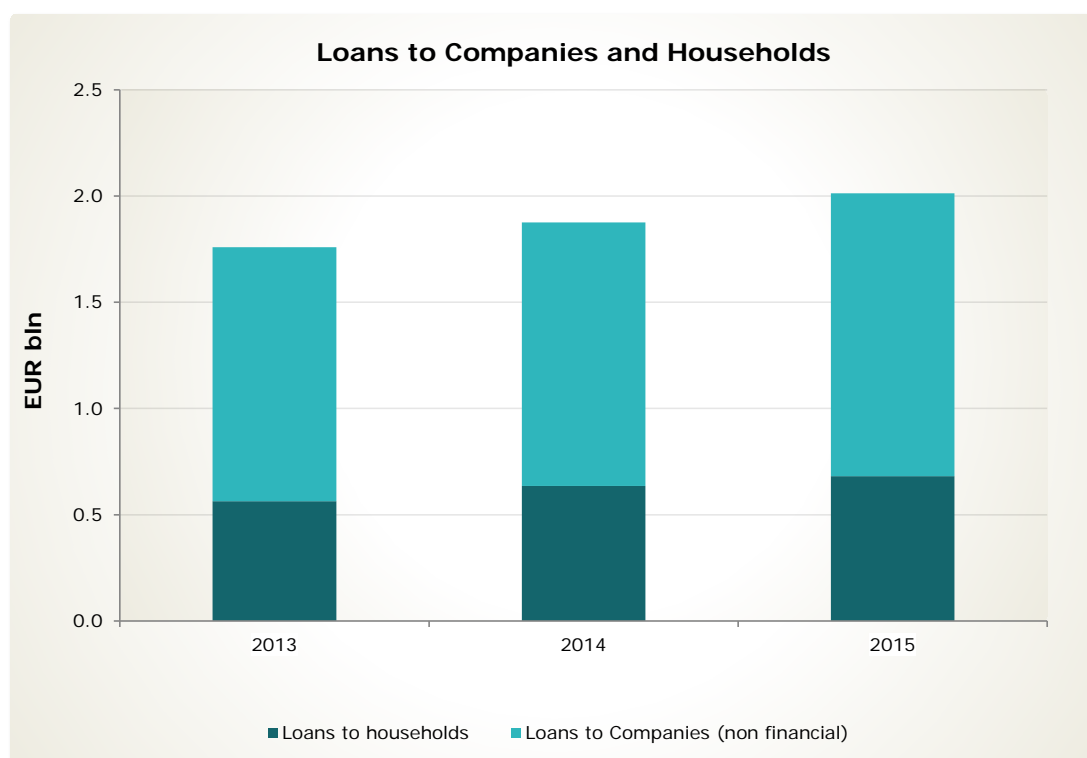
Employees in the public order and security, followed by general services sector, earned the highest salaries, of EUR 521 and EUR 499, respectively. Third in terms of wages was the health sector with EUR 488.

#### 4. BANKING AND INSURANCE

##### *Household loans jumped by 7.4% y/y in 2015*

Loans to the non-government sector totalled EUR 2.013 bln in 2015, up by 7.3% y/y, according to the Central Bank of Kosovo (BQK).

Household loans increased by 7.4% to EUR 0.682 bln and loans to non-financial corporations rose by 7.2% to EUR 1.331 bln.



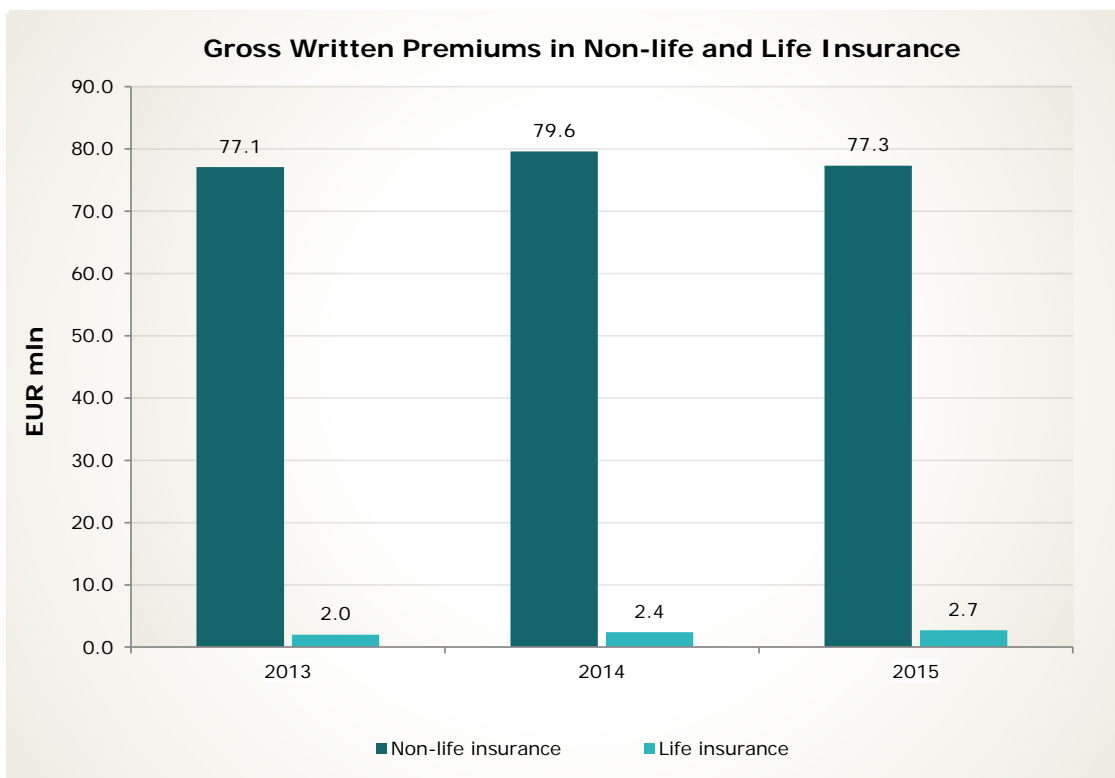
Source: BQK

##### *Insurance premium income inched down by 2.4% y/y in 2015*

The total gross written premiums of the non-life and life insurance companies inched down by 2.4% y/y to EUR 80.0 mln in 2015, according to BQK.

The non-life insurance market decreased in comparison to a year ago, standing at EUR 77.3 mln in 2015, while the life insurance market reached EUR 2.7 mln, up by 12.5% on the year.





Source: BQK

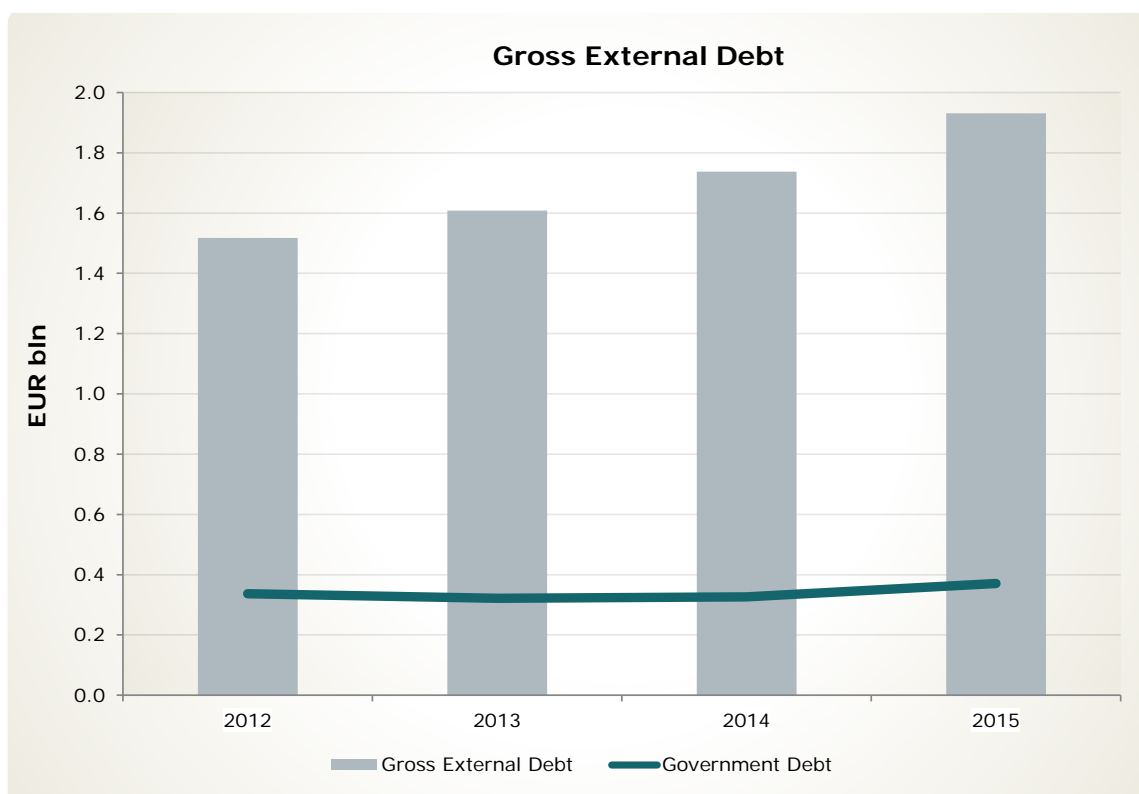
## 5. EXTERNAL SECTOR

### 5.1. FOREIGN DEBT

*The gross external debt increased to EUR 1.932 bln at end-December 2015*

The gross external debt stood at EUR 1.932 bln at the end of December 2015, according to BQK. In comparison to December 2014 the gross external debt grew by EUR 0.194 bln.

As of end-December 2015 long-term liabilities amounted to EUR 580.7 mln, or 30.1% of the total debt, and short-term liabilities totalled EUR 573.0 mln, equal to 29.7% of the total debt.



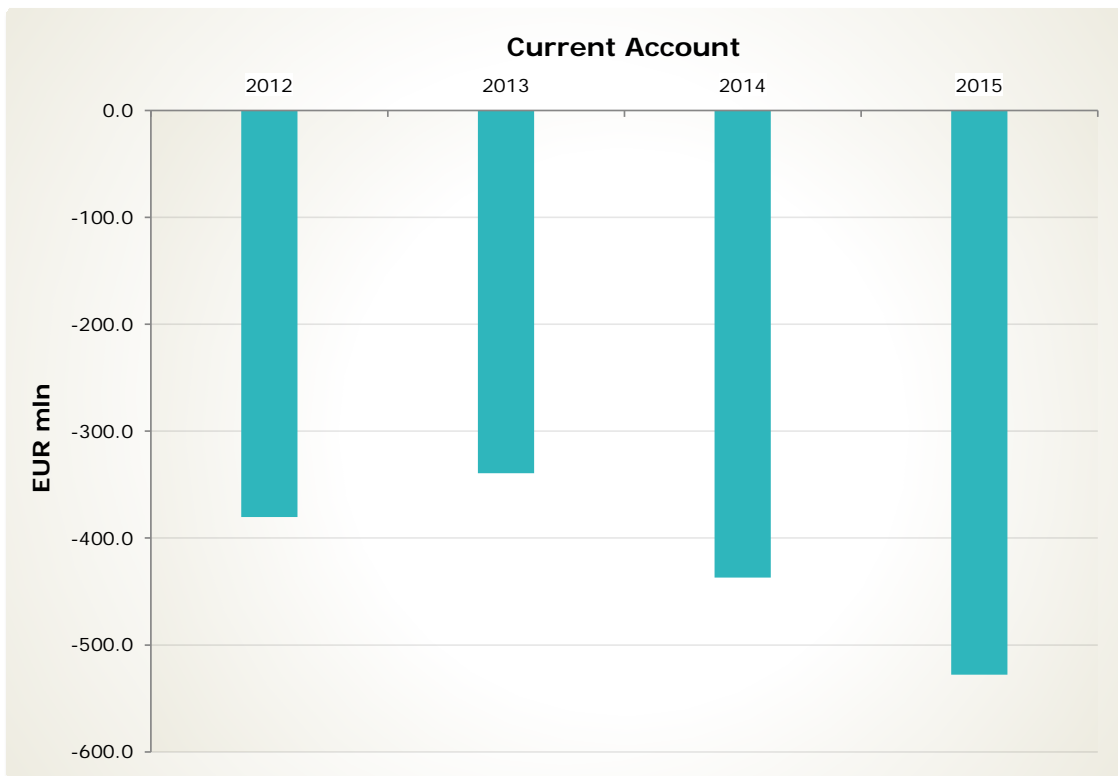
Source: BOK

## 5.2. BALANCE OF PAYMENTS

### *Current account gap widened to EUR 527.7 mln in 2015*

The current account deficit widened to EUR 527.7 mln in 2015 from EUR 437.0 mln in 2014, according to central bank statistics data. In annual terms, the current account gap expanded by 20.8%.

Secondary income fell by 82.5% y/y to EUR 206.0 mln.



Source: BQK

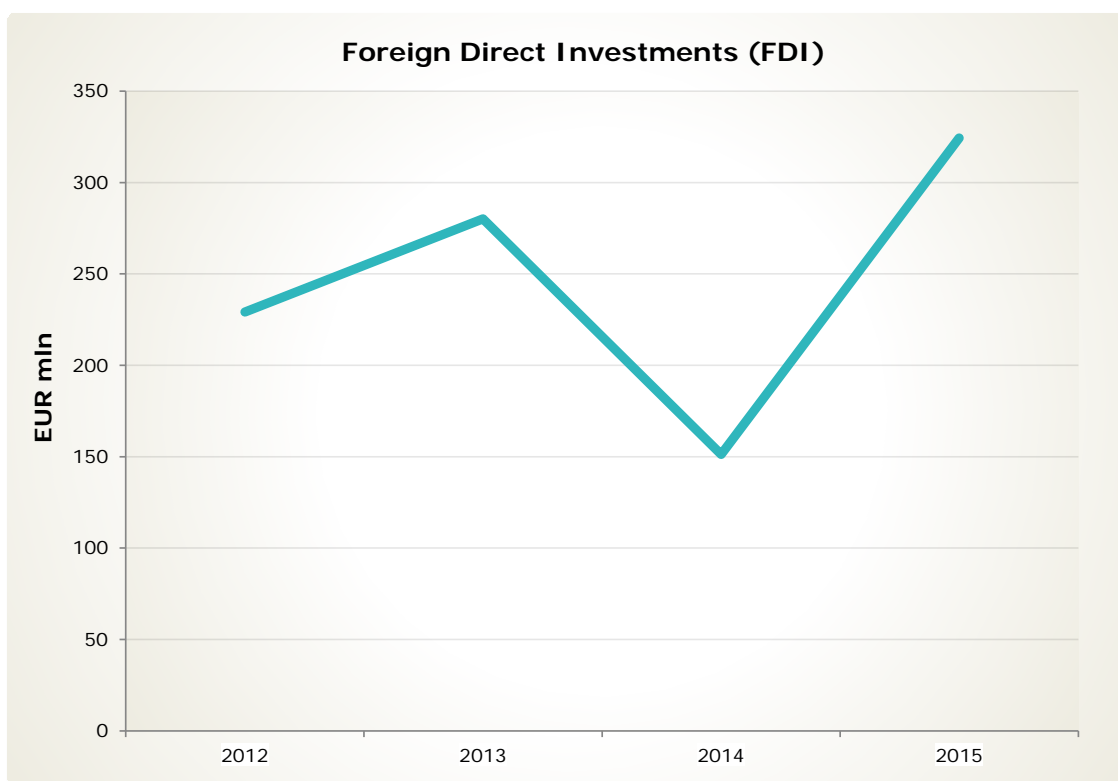
### 5.3. FDI

#### *FDI inflow at EUR 324.4 mln in 2015*

FDI inflow in Kosovo amounted to EUR 324.4 mln in 2015, compared to EUR 151.2 mln a year earlier, according to BQK data.

In 2015 more than half of the total FDI was concentrated in the real estate sector, which attracted investments of EUR 189.6 mln, up by 33.4% compared to a year ago.

In 2015 France was the biggest foreign investor in Kosovo with FDI of EUR 189.6 mln, the USA came second with EUR 64.3 mln and Switzerland was third with EUR 46.3 mln.



Source: BQK

#### 5.4. FOREIGN TRADE

##### *Foreign trade deficit increased by 2.5% y/y in 2015*

The trade deficit stood at EUR 2.109 bln in 2015, compared to EUR 2.059 bln in 2014, according to BQK data.

Exports decreased by 0.6% to EUR 322.5 mln, while imports increased by 2.1% to EUR 2.432 bln.



Source: BQK

## 5.5. TOURSIM

### *Number of foreign tourist overnights increased by 18.2% y/y in 2015*

Tourist overnights of foreigners went up by an annual 18.2% to 120,669 in 2015, according to ASK. The number of foreign tourists rose even higher - by 29.2% y/y to 79,238.

Most foreign tourists visiting Kosovo came from Albania – 17,206, nearly double more than in 2014, followed by tourists from the Germany – 6,194, up 23.8%, and the USA – 6,065, up by 14.8%.



Source: BQK

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