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*Ministria e Tregtisë dhe Industrisë/ Ministarsvo Trgovine Industrije/ Ministry of Trade
and Industry*

TRADE EXCHANGES OF KOSOVO

2022

Department of Trade – Division of Trade Policy

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Kosovo's economy and the external sector

- **General overview**

Although the global economy faced with increased inflationary pressures as a result of continuous interruptions in supply chains since the pandemic, and recently due to the economic and social consequences caused by the commencement of the war in Ukraine, to which Kosovo is exposed, the economic activity in Kosovo during 2022 developed in a less favorable macroeconomic environment.

The economic activity in Kosovo, according to the estimates of the Kosovo Agency of Statistics (KAS), recorded a real increase of 2.07% in Q3 2022 (CBK), while for 2022, the CBK projections suggest that the economic activity will increase by 3%. The slowdown in the growth of economic activity is expected to be influenced by the lower growth of domestic demand.

The war in Ukraine has increased the risks to the economic outlook and the impact of this crisis has been reflected in the continuous increase in energy, oil and food prices, with negative effects on consumer confidence and purchasing power. The relatively high increase in the global prices of intermediate inputs and energy has caused Kosovo, in the case of importing goods, to import inflation. This increase in inflation is translated into an enormous increase in the prices of many food products in Kosovo. The average annual rate of inflation for 2022 is 11.6%, says the latest report of the Kosovo Agency of Statistics.

Inflation pressures in the eurozone countries, which is a region where Kosovo carries out most of its commercial exchanges, were also reflected in the country's economy. During this year, the economy of Kosovo was reflected by the increase in the prices of imported products, and in particular the increase in the prices of oil derivatives, which also affected the cost of production in the country.

The Producer Price Index (PPI) in Kosovo rose at an annual average of 9.3%. The biggest increases, according to the branches of economic activities, were in the processing of food products. Therefore, developments in the level of prices in the country continue to be determined by the movement of prices in international markets as a result of the high dependence of the country's economy on imports, which is also confirmed by the similar behavior of the consumer price index with the import price index.

The consumer price index (CPI) indicates an expansion of the inflation base, where the majority of the consumer basket (80% of the basket) recorded an increase in prices. Thus, (CPI) recorded an increase with an annual average of 11.6%. The impact of the Kosovo economy from the movement of prices in international markets was also reflected in the increase of the import price index (IPI) which in Q1 2022 reached 21.8%, in Q2 2022 at 23.3%, in Q3 2022 at 17.5% and in Q4 at 13%, annual average 18.7%.

Regarding these data, the factor contributing to the increase in the import value is the increase in prices in the international market, where the import is completely exposed to the increase in prices, while on the other hand, there is a decrease in the import according to the volume/quantity.

- **Trends in the Trade of Goods**

Values of trade in goods - Kosovo during 2022 had a trade deficit that reached €4.7 billion. This trade deficit has increased by approximately €800 million from 2021, which constantly shows us a high trade imbalance.

Exported goods reached a value of €920.4 million (an increase of €164.6 million) or 22% higher than in 2021. While imports reached a value of over €5.6 billion (around €955.1 million higher), specifically an increase of 20.4 %.

Over the last two decades, foreign trade in goods has seen significant growth, increasing from €1.2 billion in 2005 to more than €2.9 billion in 2015, in 2021 it was €5.4 billion and in 2022 it was €6.5 billion (Figure1).

Table 1: Trade balance (in 000 €)

Indicator/Year	2015	2016	2017	2018	2019	2020	2021	2022	Difference (€)	↓↑, % 22/21
Export	325,294	309,627	378,010	367,500	383,491	474,884	755,726	920,405	164,679	21.8%
Import	2,634,693	2,789,491	3,047,018	3,347,007	3,496,942	3,296,635	4,684,198	5,639,393	955,195	20.4%
Trade balance	-2,309,399	-2,479,864	-2,669,008	-2,979,507	-3,113,451	-2,821,751	-3,928,472	-4,718,989	-790,516	20.1%

Figure 1: Foreign trade in goods 2005 – 2022



- **Geographical flow of trade**

Trade with the countries of the EU and the countries of the region participating in CEFTA constitutes the most important part of Kosovo's commercial integration, with around 67% of all foreign trade.

During the year 2022, Kosovo has increased, for a nuance, the integration with other countries outside the CEFTA block and the EU. So, currently, the representation of countries outside these regions in the general structure of Kosovo's main trading partners has changed. The integration of trade with countries outside the region, however, has been done more in favor of imports from these countries to Kosovo and not so much in favor of exports from Kosovo to countries outside the region.

Therefore, in terms of integration with countries outside the EU and CEFTA block, the increase in imports is mainly from Turkey, China and especially Saudi Arabia (the import value has increased by €149.3 million compared to the previous year 2021). Goods imported from these countries cover 28.5% of Kosovo's total imports. The countries with the highest import share in this group are: Turkey (14.9%), China (9.7%) and Saudi Arabia 3.9% share in the total imports in Kosovo, which at the same time also lead the top importing countries of Kosovo.

Figure 2: Top countries for general import in Kosovo 2022

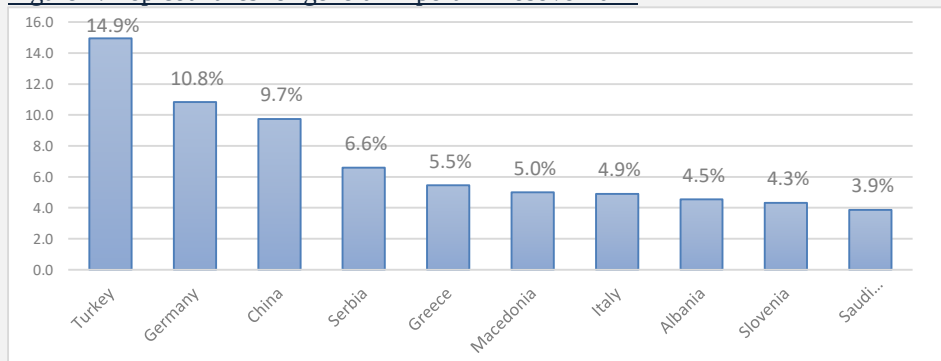


Figure 3: Top countries for the total export of Kosovo 2022



Whereas, regarding the export of goods, they have had a change of trading partners, especially when it comes to the main export partner in the overall export of Kosovo. It is worth noting that during the years 2021/2022, the main partner of Kosovo has been the USA, where 15% of the total value of the export as a destination had the markets of the USA (mattress export). However, the block of member countries in CEFTA and the EU still continue to be the main trading partners. Kosovar goods that are exported to CEFTA countries reach the value of €333.5 million, which covers 36% of the total exports. Whereas exports to EU markets have reached the value of €311.7 million or 34% of total exports. In absolute terms, exports to CEFTA countries and EU countries have increased, while the main partners for the import of goods in Kosovo are the EU countries. Of the CEFTA countries, currently, Serbia, Macedonia and Albania are among the ten largest importers (for more see Table 2).

Table 2: Main partners in the total import 2021 - 2022 (in million €)

Partner	Import 2021	Rank	Total %	Import 2022	Rank	Total %	Difference (%) 2022/2021
Turkey	587.5	2	12.5%	843.0	1	14.9%	43.5%
Germany	611.4	1	13.1%	610.4	2	10.8%	-0.2%
China	452.3	3	9.7%	548.6	3	9.7%	21.3%
Serbia	306.4	4	6.5%	372.1	4	6.6%	21.4%
Greece	205.3	8	4.4%	307.3	5	5.5%	49.7%
Macedonia	242.8	7	5.2%	282.1	6	5.0%	16.2%
Italy	276.4	5	5.9%	275.9	7	4.9%	-0.2%
Albania	266.9	6	5.7%	255.9	8	4.5%	-4.1%
Slovenia	178.6	9	3.8%	243.6	9	4.3%	36.4%
Saudi Arabia	72.0	15	1.5%	218.1	10	3.9%	202.7%

Source: KAS calculated by DTP

Another significant part of exports goes to countries with which Kosovo has a trade agreement or is beneficiary of preferential measures.

Table no. 3 shows the differences that the 10 main export partners have undergone. The USA is the main partner in terms of Kosovo's exports or €136.5 million in export value, the differences in exports from 2021 to 2022 is 10.6% higher.

Table 3: Main partners in total exports 2021-2022 (in million €)

Partner	Export 2021	Rank	Total %	Export 2022	Rank	Total %	Difference (%) 2021/2022
USA	123.4	1	16.3%	136.5	1	14.8%	10.6%
Macedonia	87.0	3	11.5%	119.1	2	12.9%	36.9%
Albania	111.3	2	14.7%	102.0	3	11.1%	-8.4%
Germany	61.8	4	8.2%	87.8	4	9.5%	42.1%
Switzerland	56.2	6	7.4%	70.1	5	7.6%	24.8%
Serbia	44.3	7	5.9%	62.9	6	6.8%	42.1%
Italy	60.2	5	8.0%	46.4	7	5.0%	-23.0%
Montenegro	24.6	8	3.3%	38.3	8	4.2%	55.5%
Slovenia	9.5	17	1.3%	29.7	9	3.2%	212.9%
Netherlands	20.5	9	2.7%	29.1	10	3.2%	41.8%

Source: KAS calculated by DTP

- **Trade with EU countries**

Kosovo's trade exchanges with EU countries reached the value of €2.7 billion, so 41% of Kosovo's trade exchanges, during 2022, were realized with EU countries. So, this means that, as far as exports are concerned, a large part of the exported goods (after CEFTA) went to the EU markets, reaching the value of €311.8 million or 34% of the total exports with an increase of 31% (Table 4).

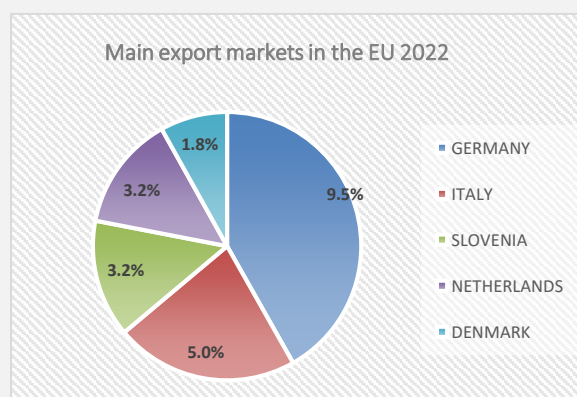
Table 4: Trade balance with EU countries

Indicators/ year	2021	2022	Difference (Euro)	↑↓% 2022/2021	% share in total 2021	% share in total 2022
Export	237,747,099	311,767,581	74,020,481	31.1%	31.5%	33.8%
Import	2,004,169,894	2,388,797,997	384,628,103	19.2%	42.7%	42.3%
Trade balance	-1,766,422,794	-2,077,030,416	-310,607,622	17.6%		

Source: KAS calculated by DTP

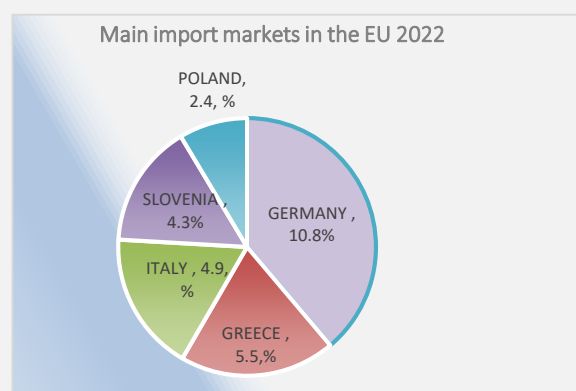
Moreover, we can consider that the most important countries for domestic export from the block of EU countries are: Germany, Italy, Slovenia and the Netherlands, (Fig4). As for the structure of exports dedicated to the EU markets, they are mainly goods belonging to the plastic sector, followed by the mineral sector as well as basic metals and articles thereof (Tab:7).

Figure 4: Top exporting countries in the EU 2022



Meanwhile, imports from EU countries reached a value of over 2.3 billion euros, an increase of 19%. Most of the imported goods are from EU countries (it covers 42% of total imports). Kosovo imports goods mainly from Germany, Greece, Italy, Slovenia and Poland, (Figure 5).

Figure 5: Top importing countries in the EU 2022



The index values presented over the years show that the export of agricultural goods originating from Kosovo to the EU has increased. But what is worth noting is that the ratio of the structure of goods for export is quite promiscuous: industrial goods 87% (non-food) while goods of agricultural, industrial food and beverage composition amount to 13%, (Tables 5 and 6).

Table 5: Export of agricultural products to the EU 2021-2022

Sections of agricultural products / Year	2021 (€)	2022 (€)	Difference	↓↑, 2022/21
Live animals' products of animal origin	10,151	32	-10,119	-99.7%
Herbal products	14,559,052	16,638,244	2,079,193	14.3%
Fats	276,682	891,337	614,655	222.2%
Prepared foods, drinks and tobacco	17,248,111	24,469,135	7,221,024	41.9%
Total	32,093,995	41,998,748	9,904,753	30.9%

Based on the progress of the previous years, we understand that the production of agricultural products will have indicative potential for increased export to the EU. The potential is even greater and sustainable for specialization and increased competitiveness, through the consolidation of the value chain through cross-sectoral exchanges.

Referring to Table no. 6 of exports for industrial/non-food products in the EU, it can be observed that plastic products dominate as the sector exporting the most towards the EU countries with around €79.6 million in 2022, followed by minerals with an export value of €2.5 million and base metals and articles thereof with €41.8 million. Total exports of industrial products with EU countries in 2022 is €269.7 million, an increase of 31% compared to 2021.

Table 6: Export of industrial products to the EU 2021-2022

Industrial products sector / Year	2021 (€)	2022 (€)	Difference (€)	↓↑, 2022/21 (%)
Mineral products	14,895,470	52,517,058	37,621,588	252.6%
Chemical industry products	8,774,222	11,239,143	2,464,921	28.1%
Rubber plastics and articles thereof	45,384,053	79,628,856	34,244,803	75.5%
Leather and articles thereof	3,258,387	4,431,552	1,173,165	36.0%
Wood and wooden articles	3,626,812	6,017,234	2,390,421	65.9%
Paper and paper articles	1,074,943	1,902,030	827,087	76.9%
Textiles and textile articles	6,296,704	9,264,880	2,968,175	47.15
Footwear	2,675,103	2,961,175	286,072	10.7%
Art of stone, plaster, ceramic and glass products	4,552,597	9,702,734	5,150,137	113.1%
Pearls, precious stones, precious metals, etc.	3,937,202	8,053,583	4,116,380	104.6%
Base metals and articles thereof	80,369,430	41,836,889	-38,532,541	-47.9%
Machinery, mechanical and electrical equipment	12,691,772	9,176,914	-3,514,858	-27.7%
Means of transport	3,156,270	5,451,429	2,295,159	72.7%
Optical, medical, photographic, musical instruments, etc.	294,409	1,819,589	1,525,180	518.0%
Weapons and ammunition	0	0	0	#DIV/0!
Various articles produced	14,547,295	25,523,779	10,976,484	75.5%
Works of art	118,435	241,990	123,556	104.3%
Total	205,653,105	269,768,834	64,115,729	31.2%

Source: KAS calculated by DTP

The table below shows the export/import trade exchanges for the year 2022 divided by sections between Kosovo and EU countries. There is a trade deficit in almost all product sectors, both agricultural and industrial.

Table 7: Trade Exchanges of Kosovo and the EU - sections (2022 in million euros)

Sections/Indicator	Export	Import	Trade balance
1 Live animals, products of animal origin	0.0	145.6	-145.6
2 Plant products	16.6	57.7	-41.1
3 Fats	0.9	22.5	-21.6
4 Foods, drinks, and tobacco	24.5	343.2	-318.8
5 Mineral products	52.5	446.2	-393.7
6 Chemical industry products	11.2	242.9	-231.6
7 Plastic rubber and articles thereof	79.6	173.3	-93.7
8 Leather and articles thereof	4.4	1.5	2.9
9 Wood and wooden articles	6.0	48.2	-42.2
10 Paper and paper articles	1.9	30.0	-28.1
11 Textiles and textile articles	9.3	17.6	-8.3
12 Footwear	3.0	4.0	-1.1
13 Art made of stone, plaster, ceramic products, glass	9.7	100.7	-91.0
14 Pearls, precious stones, precious metals	8.1	1.7	6.4
15 Base metals and articles thereof	41.8	123.0	-81.1
16 Machinery, mechanical and electrical equipment	9.2	216.7	-207.6
17. Means of transport	5.5	348.4	-343.0
18 Optical, medical, photographic, musical instruments, etc.	1.8	26.9	-25.1
19 Arms and ammunition	0.0	5.2	-5.2
20 Various items produced	25.5	31.6	-6.1
21 Works of art	0.2	1.8	-1.6
Total	311.8	2,388.8	-2,077

Source: KAS calculated by DTP

• Trade with CEFTA countries

CEFTA is an important trade partner covering 20% of Kosovo's total trade exchange. Kosovar goods exported to CEFTA countries reach the value of €333.5 million, which covers 36% of total exports, an increase of nearly 20%.

Imports from CEFTA countries are over €1 billion, an increase of 12% and cover nearly 18% of total imports in Kosovo (table 8).

Table 8: Trade balance with CEFTA countries

Indicators/ Year	2021	2022	Difference (Euro)	↑↓% 2022/2021	% share in total 2021	% share in total 2022
Export	278,442,934	333,570,616	55,127,682	19.8%	36.8%	36.2%
Import	892,584,595	1,000,652,965	108,068,370	12.1%	19.1%	17.7%
Trade balance	-614,141,661	-667,082,349	-52,940,687	8.6%		

Source: KAS calculated by DTP

Kosovo's main importing partners within CEFTA are Serbia, Macedonia, and Albania. The value imported from these three countries reaches €910 million or 91% of the total imports from the block of CEFTA countries.

Table no. 9 shows the progress of imports from CEFTA countries where the data show that Serbia has recorded the highest growth, in the amount of €65.7 million or 21% more imports than in 2021.

Likewise, Albania and Macedonia are the main importing partners in Kosovo's general imports.

Table 9: Imports from CEFTA countries (million, euro)

Country	Value 2021	Value 2022	Difference 2022/2021	↓↑%, 2022/21	Total Share 2021 (%)	Total Share 2022 (%)	CEFTA Share 2021 (%)	CEFTA Share 2022(%)
Albania	266.9	255.9	-11.0	-4.1%	5.7%	4.5%	30%	25.6%
Bosnia Herzegovina	51.2	66.1	14.9	29.1%	1.1%	1.2%	6%	6.6%
Moldavia	0.3	0.5	0.2	91.3%	0.0%	0.0%	0%	0.0%
Montenegro	25.1	24.1	-1.1	-4.2%	0.5%	0.4%	3%	2.4%
Macedonia	242.8	282.1	39.3	16.2%	5.2%	5.0%	27%	28.2%
Serbia	306.4	372.1	65.7	21.4%	6.5%	6.6%	34%	37.2%
Total	892.6	1,000.7	108.1	12.1%	19.0%	17.7%	100%	100.0%

Source: KAS calculated by DTP

Unlike imports, exports to the CEFTA countries have not undergone a major change with the countries to which Kosovo has exported within this block. Macedonia remains the main partner in terms of exports during the year 2022, where about €119 million or 36% of the total export in CEFTA or close to 13% of the total export of Kosovo were exported. Likewise, the other main partner within CEFTA is Albania, where about €102 million or 31% of the total export with CEFTA or 11% of the total export of Kosovo were exported. Apart from being one of the main importing partners, Serbia is also one of the main exporting partners, as an export partner it is in the 3rd place in the CEFTA block, where about 63 million € or 19% of the total export to the CEFTA countries were exported, as well as 6.8% participation in the total export of Kosovo, (table 9).

Table 9: Exports to CEFTA countries (mil, euro)

Country	Value 2021	Value 2022	Difference 2021/2022	↓↑%, 2022/21	Total Share 2021(%)	Total Share 2022 (%)	CEFTA Share 2021 (%)	CEFTA Share 2022 (%)
Albania	111.3	102.0	-9.4	-8.4%	14.7%	11.1%	40%	31%
Bosnia & Herzegovina	11.2	11.4	0.1	0.9%	1.5%	1.2%	4%	3%
Moldavia	0.0	0.0	0.0	40.4%	0.0%	0.0%	0%	0%
Montenegro	24.6	38.3	13.7	55.5%	3.3%	4.2%	9%	11%
Macedonia	87.0	119.1	32.1	36.9%	11.5%	12.9%	31%	36%
Serbia	44.3	62.9	18.6	42.1%	5.9%	6.8%	16%	19%
Total CEFTA	278.4	333.6	55.1	19.8%	36.8%	36.2%	100%	100%

Source: KAS calculated by DTP

During the statistical analyses, mainly focused on agricultural products, it was understood that even in 2022 we have an increase in exports dedicated to the CEFTA markets. The report of the structure of Kosovo's goods oriented to these markets shows that 80% belong to industrial (non-food) goods and 20% belong to agricultural, industrial, food and beverage goods (Tables 10 and 11).

Table 10: Exports of agricultural products in CEFTA, (2019-2022 in million euros)

Sections/Sector of agricultural products/Year	2019	2020	2021	2022	↓↑, 2021/20	↓↑, 2022/21
Live animals, products of animal origin	1.1	1.2	2.0	11.4	75%	466%
Herbal products	9.3	11.9	13.9	13.5	16%	-3%
Fats	0.7	1.1	1.4	3.5	25%	152%
General foods, drinks and tobacco	27.2	26.9	34.7	37.1	29%	7%
Total	38.4	41.1	51.9	65.5	26%	26%

Source: KAS calculated by DTP

As for the trade balance for Kosovo-CEFTA agricultural goods, imports of agricultural goods exceed exports, which means that the balance results in a high trade deficit. During the years 2019 - 2022 there was an increase in agricultural exports (in total for chapters 0 - 24), ranging from 26% to 35%. Agricultural goods destined for CEFTA countries have increased in 2022 by 26% compared to 2021, which is a similar increase in 2021 compared to 2020 (26%) while increasing by 35% in 2021 compared to 2019.

Plant products and prepared foods and beverages remain a significant potential to increase the export level. This is shown by table no. 10 for exports according to the categorization of agricultural goods/sectors where it can be seen that we have an increase in exports for plant products and the sector of food products and beverages.

Referring to table no. 11, it can be observed that base metals and articles thereof dominate as the most exported products in CEFTA countries with around €130.3 million in 2022, followed by mineral products with a value of €36.8 million as well as export from plastic industry, rubber and articles thereof amounting to €26.3 million export.

Total exports for industrial products towards CEFTA is €268 million, an increase of 18% compared to 2021.

Table 11: Exports of industrial products in CEFTA, (2019 – 2022 in million euros)

Industrial products sector / Year	2019	2020	2021	2022	↓↑, 2022/19	↓↑, 2022/21
5 Mineral products	15.37	11.26	20.8	36.8	139.4%	77.3%
6 Chemical industry products	4.96	6.31	7.7	8.2	64.5%	6.3%
7 Plastic rubber and articles thereof	15.42	16.12	20.5	26.3	70.9%	28.7%
8 Leather and articles thereof	2.47	2.01	3.9	3.1	23.9%	-20.9%
9 Wood and wooden articles	1.97	1.72	3.6	5.4	175.1%	48.8%
10 Paper and paper articles	3.86	3.66	6.3	8.9	130.1%	41.2%
11 Textiles and textile articles	2.3	3.09	3.6	4.1	80.4%	13.8%
12 Footwear	0.48	0.91	0.9	0.8	65.5%	-14.0%
13 Art of stone, plaster, ceramic and glass products	4.06	5.05	9.8	13.9	242.6%	41.9%
14 Pearls, precious stones, precious metals, etc.	0	0.01	0.0	0.0	0.0%	-70.8%
15 Base metals and articles thereof	60.89	100.35	125.3	130.3	114.0%	4.0%
16 Machinery, mechanical and electrical equipment	8.31	8.91	11.7	15.3	84.0%	30.3%
17. Means of transport	1.34	1.97	1.9	2.5	85.5%	32.9%
18 Optical, medical, photographic, musical instruments, etc.	0.12	0.28	0.2	0.4	201.2%	57.7%
19 Arms and ammunition	0	0	0.0	0.0	0.0%	0.0%
20 Various articles produced	4.87	7.92	10.3	12.1	147.8%	17.1%
21 Works of art	0	0.01	0.0	0.0	0.0%	-42.3%
Total	126.4	169.57	226.5	268.0	112.0%	18.3%

Source: KAS calculated by DTP

Table no. 12 shows the trade balance for 2022 between Kosovo and the CEFTA countries divided by sections, where the trade deficit is observed in almost all product sectors, both agricultural and industrial. However, in the leather and leather goods sector we have a positive trade balance.

Table 12: Trade exchanges with CEFTA countries 2022 (in million Euros)

Products sector/Indicator	Export	Import	Trade balance
Live animals, products of animal origin	11.4	28.9	-17.5
Herbal products	13.5	76.6	-63.1
Fats	3.5	27.8	-24.3
Prepared food, beverages, and smoke	37.1	180.9	-143.8
Mineral products	36.8	212.8	-176.0
Chemical industry products	8.2	61.3	-53.1
Plastics, rubber and articles thereof	26.3	45.5	-19.1
Leather and articles thereof	3.1	0.1	3.0
Wood and wooden articles	5.4	34.5	-29.1
Paper and paper articles	8.9	27.0	-18.1
Textiles and textile articles	4.1	4.3	-0.1
Footwear	0.8	2.2	-1.4
Art of stone, plaster, ceramic and glass products	13.9	25.5	-11.6
Pearls, precious stones, precious metals	0.0	0.0	0.0
Base metals and articles thereof	130.3	222.1	-91.8
Machinery, mechanical and electrical equipment	15.3	30.8	-15.5
Means of transport	2.5	0.5	2.0
Optical, medical, photographic, musical instruments	0.4	0.3	0.1
Arms and ammunition	0.0	0.3	-0.3
Various articles produced	12.1	19.1	-7.0
Works of art	0.0	0.2	-0.2
Total	333.6	1,000.7	-667.1

Source: KAS calculated by DTP

- **Trade in goods – exported and imported products**

Access to foreign markets is a crucial determinant of export performance. The profound regulatory transformation that has taken place in the global trading system that intensively promotes trade liberalization either unilaterally or through negotiations, increases the urgency for small countries to rapidly improve their capabilities to be able to compete effectively in changing the trading environment.

In the current trading environment countries will have to compete more and more on an equal basis mainly on the basis of productivity, price, quality and differences in products. The decisive element that explains the positive performance of the export or its lack of success is the capacities in terms of supply. This means that the ability of a country to produce diversified products in the necessary volumes to achieve economies of scale and to meet the demands and with the right quality to meet the technical and sanitary requirements to satisfy the consumer's taste. It is also evident that the determining factor that explains the poor export performance of goods is supply-side constraints. Kosovo is suffering from a chronic merchandise trade deficit, which is related to supply-side constraints.

Export diversification reflects the extent to which a country's exports are spread across a large number of products and/or trading partners. This is the opposite of export concentration, where the greatest focus of trade is on a relatively small number of products and/or trading partners. A country has more diversified exports when it has a broad base of exported products and trading partners. In general, Kosovo's exports have not been diverse and were mainly concentrated in metal and mineral products with low added value, which is characteristic of the weak economic structure. For many years, products from the category of basic metals and minerals have been exported the most, accounting for 70% with the average of the years 2010 - 2015 of all exports at the country level. Compared to the average of the last years, base metals have marked a significant decrease. This decrease is accompanied by improvements in products from the plastic industry and the food industry which have contributed to a somewhat more "equally" distributed export base in recent years, although it still leans heavily towards metal-based industries.

It is worth noting that in absolute terms exports, in all sectors, have recorded a positive annual growth rate (table:17).

Kosovo is a net importer of agricultural products and has kept the trade deficit in constant growth. Therefore, although over the years the manufacturing companies have increased their production and export capabilities in this way, at the same time the imported goods have also multiplied. However, the range of goods produced by Kosovar companies is still limited, not distributed, and quite homogeneous. The structure of exports in general for years has been almost the same. The sectors with export potential are considered to be the sector of metals, minerals, plastics, plant products, the food industry sector, etc. (Figure 6). However, from the analysis of the structure of goods according to the type of the most exported product of Kosovo, we realized that mattress supports and holders are the most exported goods. Their export value has increased from €26 million in 2020 to €123.3 million in 2021 and finally in 2022 it has reached €134.9 million.

Figure 6. Top exporting sectors 2022

Its share in the overall exports of Kosovo at the product level is close to 15%, an increase of 9.4% compared to 2021. Electricity remains one of the products that has been exported the most, where the share in the overall exports of Kosovo is close to 7%, an increase of €53.2 million.



Table 13: Main products exported at the level of general exports in mil € (HS – 4)

Code/ Product	2021	2022	Difference	↓↑, 22/21	Share 2022
	Value	Value	Difference	%	%
9404: Mattress supports and holders	123.3	134.9	11.5	9.4%	14.7%

2716: Electric Energy	10.0	63.2	53.2	529.5%	6.9%
3925: Plastic construction equipment	29.6	49.6	20.0	67.5%	5.4%
7306: Pipes, tubes and other profiles of iron or steel	36.9	42.8	5.9	16.0%	4.7%
7204: Returns and ferric waste	36.2	41.0	4.8	13.1%	4.5%
3921: Plates, sheets, films, strips and other strips, of plastics	13.7	28.1	14.4	105.0%	3.1%
9403: Other furniture and parts thereof	19.2	25.1	5.9	30.8%	2.7%
2202: Waters, including mineral waters and carbonated waters	21.4	24.4	3.0	14.1%	2.6%
3923: Articles for carrying or packing goods, of plastic	15.9	19.2	3.3	20.9%	2.1%
7308: Structures and parts of structures of iron or steel	11.4	19.2	7.7	67.7%	2.1%

Source: KAS calculated by DTP

In recent years, we have seen an increase in the value of exports for agricultural products and those of the agro-processing industry. However, Kosovo still continues to import large amounts of agricultural products, therefore it is more than necessary to reduce the economy's dependence on imports by promoting local production. Despite the not very high level of growth expressed in values, they remain as great resources for production as well as potential for economic growth and sustainability.

Plant products and industrial food products as well as beverages remain a significant potential that will help improve the trade balance and increase competitive advantages. In any case, Kosovo still continues to import large quantities of agricultural products, and as a result the demand for local consumption for processed and unprocessed agricultural products is mainly met by imports.

As regards statistical data and their analysis, the figures show that for the category of agricultural products we have a high trade deficit. During 2022, exports of agricultural products are calculated at 118.9 million euros. Imports marked the value of 1 billion and 196 million Euros.

Table 14: Export of agricultural products (in million €)

Sections/Year	2020	2021	2022	2022/2021	↓↑, 2022/21
Name	Value	Value	Value	Difference	%
Live animals, products of animal origin	1.29	2.2	11.6	9.4	424.8%
Herbal products	31.79	31.9	33.3	1.4	4.3%
Fats	1.43	1.7	4.5	2.8	167.0%
General foods, drinks and tobacco	43.56	57.7	69.6	11.8	20.5%
Total	78.07	93.6	118.9	25.4	27.1%

Source: KAS calculated by DTP

Agricultural products that are classified in the food and beverage industry sector as well as plant products remain a significant potential to increase the value of production in this context and the level of export, which have been increasing for years. The export of food and beverage industry products has increased by nearly 21% (or 11.8 million euros more), the exports of this industry amount to 69.5 million Euros, (Tab 14). The categories of agricultural goods that dominate with a higher percentage of exports to the total agricultural exports are: Water, mineral and carbonated waters (21% of the total export of agricultural goods) or 2.6% share in the general exports of Kosovo (Tab 16) .

Table 15: Total export of agricultural and industrial products in million €

Year	2019	2020	2021	2022
Agricultural Products	65.5	78.1	93.6	118.9

Industrial Products	317.9	396.8	662.1	801.4
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Table 16: Top 10 most exported agricultural products in million €

Year	2021	2022	2022/21	↓↑, 21	2022/ 21	Share 2022
Code/ Product	Value e €	Value e €	Difference e €	%		%
2202: Waters, including mineral waters and carbonated waters	21.4	24.4	3.0	14.1%		2.6%
2203: Beer made from malt	10.0	8.3	-1.7	-16.9%		0.9%
1602: Other prepared or preserved meat, meat offal	3.1	6.7	3.5	113.9%		0.7%
0202: Beef, frozen	0.2	5.3	5.1	2,508%		0.6%
0901: Coffee	3.9	5.2	1.2	31.8%		0.6%
0709: Leguminous vegetables	2.5	4.6	2.1	82.2%		0.5%
2204: Fresh grape wine	4.2	4.4	0.2	5.4%		0.5%
0810: Fresh strawberries, raspberries, blackberries, grapes, blackberries and other fruit	7.0	4.4	-2.6	-36.8%		0.5%
0811: Fruits and nuts	3.8	4.3	0.4	11.4%		0.5%
2005: Other prepared vegetables	3.2	4.2	1.0	31.3%		0.5%

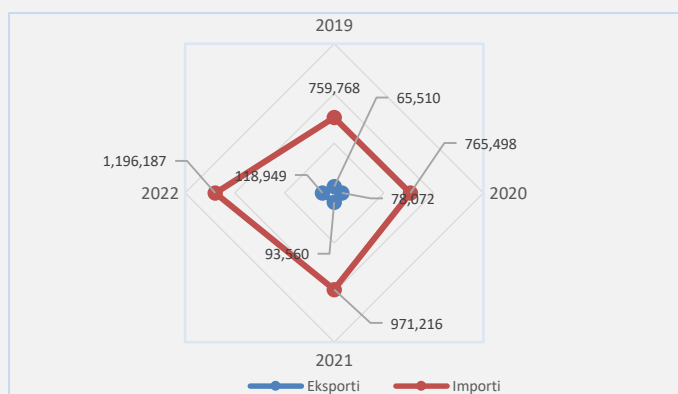
Source: KAS calculated by DTP

With agricultural products, Kosovo has a high trade deficit, which suggests a broader strategy to develop competition in the free economy as well as efforts to improve quality, promote export in the context of creating conditions to encourage the development of a diversified economic base, with high productivity and added value.

Also referring to 2022, statistical data show that agricultural products represent 12% of the value of total exports, while imports of agricultural products cover 21% of Kosovo's total imports.

Regarding this, the local market for agricultural products is also dependent on imports and for this we spend millions of euros per year.

Figure 7. Export and import of agricultural products (000€)



The state of the import balance of agricultural products reflects on the economy of Kosovo, negatively affecting agriculture, the food processing industry, the creation of new industries and other production sectors. On average, 55% of agricultural products originating from Kosovo were oriented to the markets of the region, namely to CEFTA. The amount exported is still relatively

small and they are able to provide only a small part of the demand outside the local market for such products. For this reason, the demand for local consumption for processed and unprocessed agricultural products is mainly met by imports. Statistics for foreign trade, referring to the harmonized system - sections, show us a clear overview of the structure of exports and the state of the production sectors in Kosovo. For more see table 17.

Table 17: Exports by sections 2021 – 2022 (million euros)

Year	2021	2022	2022/2021	↓↑, 2022/21
Sectors	Value	Value	Difference	%
1 Live animals, products of animal origin	2.2	11.6	9.4	424.8%
2 Plant products	31.9	33.3	1.4	4.3%
3 Fats	1.7	4.5	2.8	167.0%
4 Foods, drinks and tobacco	57.7	69.6	11.8	20.5%
5 Mineral products	44.9	104.0	59.0	131.4%
6 Chemical industry products	17.6	20.4	2.8	15.9%
7 Plastic rubber and articles thereof	80.4	127.9	47.4	59.0%
8 Leather and articles thereof	7.8	9.4	1.6	21.1%
9 Wood and wooden articles	10.2	15.6	5.4	52.4%
10 Paper and paper articles	7.6	11.2	3.6	47.9%
11 Textiles and textile articles	25.7	31.6	5.8	22.6%
12 Foot wear	4.1	4.2	0.1	3.4%
13 Art of stone, plaster, ceramic and glass products	19.2	30.4	11.2	58.2%
14 Pearls, precious stones, precious metals, etc.	3.9	9.0	5.0	127.7%
15 Base metals and articles thereof	244.2	212.7	-31.4	-12.9%
16 Machinery, mechanical and electrical equipment	30.8	30.8	0.1	0.2%
17. Means of transport	7.3	11.1	3.9	53.3%
18 Institute of medical optics, photography, music, etc.	1.4	3.1	1.7	118.0%
19 Arms and ammunition	0.0	0.0	0.0	#DIV/0!
20 different articles produced	156.8	179.7	23.0	14.6%
21 Works of art	0.2	0.3	0.1	28.1%
Total	755.7	920.4	164.7	21.8%

Source: KAS calculated by DTP

In the structure of imported goods, at the product level, the most imported goods are led by petroleum oils. Their import value has gone from 385 million Euros in 2021 to 686.9 million Euros in 2022. Their participation in the overall imports of Kosovo is 12%, followed by cars, electricity, steel bars, cigarettes, water, medications etc. Table 18.

Table 18: Main imported products at the level of general imports (million euros)

Year	2021	2022	2022/21	↓↑, 2022/ 21	Share 2022, %
Code/ Product	Value	Value	Difference	%	%
2710: Petroleum oils	385.1	686.9	301.8	78.4%	12.2%
8703: Motor vehicles and other means of transport	298.0	300.7	2.8	0.9%	5.3%
2716: Electric energy	114.0	218.2	104.2	91.3%	3.9%
7214: Other bars and rods of cast iron and steel	130.1	158.4	28.3	21.7%	2.8%
2402: Cigars, cigarettes and cigarillos	87.0	101.2	14.2	16.4%	1.8%
2202: Waters, including mineral waters and carbonated waters	81.1	94.2	13.1	16.2%	1.7%
3004: Medicines	85.6	79.8	-5.8	-6.7%	1.4%
0207: Meat and edible offal	54.6	77.8	23.3	42.6%	1.4%
1905: Bread, cakes, cookies and other products	63.2	73.8	10.5	16.7%	1.3%
0102: Live cattle	47.7	67.8	20.1	42.1%	1.2%

Source: KAS calculated by DTP

Tab.19: Import of agricultural products (million euros)

Year	2021	2022	2022/2021	↓↑, 2022/21
Naming \ Sections	Value	Value	Difference	%
1 Live animals, products of animal origin	198.6	280.2	81.6	41.1%
2 Plant products	175.1	201.8	26.7	15.3%
3 Fats	41.6	61.1	19.5	46.9%
4 Foods, drinks and tobacco	556.0	653.1	97.1	17.5%
Total	971.2	1,196.2	225.0	23.2%

Source: KAS calculated by DTP

Regarding agricultural goods, it is worth noting that in recent years, even though we have an increase in the export of agricultural products and those of the agro-processing industry, Kosovo still continues to import large quantities of these products. Domestic consumption demand for processed and unprocessed agricultural products is mainly met by imports. Referring to the statistical data and their analysis, the figures show that for the category of agricultural products we have a high trade deficit of over 1 billion euros.

Tab.20: Imports by sections 2021-2022 (million euros)

Year	2021	2022	2022/2021	↓↑, 2022/21
Sections	Value	Value	Difference	%
1 Live animals' products of animal origin	199	280.2	81.6	41.1%
2 Plant products	175	201.8	26.7	15.3%
3 Fats	42	61.1	19.5	46.9%
4 Foods, drinks and tobacco	556	653.1	97.1	17.5%
5 Mineral products	629	1,045.5	416.1	66.1%
6 Chemical industry products	356	403.0	47.1	13.2%
7 Plastic rubber and articles thereof	339	384.2	45.4	13.4%
8 Leather and articles thereof	11	12.5	1.7	16.1%
9 Wood and wooden articles	105	124.2	18.9	18.0%
10 Paper and paper articles	64	86.4	22.6	35.5%
11 Textiles and textile articles	236	267.1	31.3	13.3%
12 Foot wear	45	53.9	9.2	20.6%
13 Art of stone, plaster, ceramic and glass products	163	195.0	32.2	19.8%
14 Pearls, precious stones, precious metals, etc.	7	9.9	3.1	45.3%
15 Base metals and articles thereof	519	593.4	74.7	14.4%
16 Machinery, mechanical and electrical equipment	598	624.8	26.6	4.4%

17. Means of transport	451	409.7	-41.7	-9.2%
18 Institute of medical optics, photography, music, etc.	56	64.8	8.8	15.8%
19 Arms and ammunition	6	17.9	12.4	222.6%
20 different articles produced	126	146.3	19.8	15.7%
21 Works of art	3	4.6	1.8	63.8%
Total	4,684	5,359.2	955.2	20.4%

Source: KAS calculated by DTP

So, as the analysis of the presented data shows, the structure of imports has remained approximately the same as in previous years. Imports continue to be dominated by the mineral sector (fuel oil and its products), by the food industry sector by machinery and equipment, see Tab. No. 20.

- **Global Trade**

For better or worse, we now live in a world where the words "supply chain disruption" apply to an amazing number of issues affecting the global marketplace. Food shortages, equipment/other products, climate disaster incidents, political unrest, inflation, the stock market can all be related in some way to ongoing issues with global supply chains.

According to the World Bank Report, global trade growth slowed in the second half of 2022, along with worsening activity in major economies. The weakening of trade reflected the slowdown in global industrial production. After softening to 4 percent in 2022, global trade growth is expected to slow further to 1.6 percent in 2023, mainly reflecting weakening global demand. Managing trade on the global stage has also taken center stage in the policy arena.

The trade war between the United States (US) and China, retaliatory tariffs, sanctions, inflation, political instability, Russia's invasion of Ukraine and Brexit – all have implications for global trade. Of course, some of the more immediate impacts can be traced back to the pandemic, but other political initiatives such as Brexit promise to have consequences that stretch far into the future. Sanctions related to Russia's invasion of Ukraine have roiled global markets with supply chain uncertainty and price volatility, fueling inflation and stressing consumers around the world. Concerns about food availability/supply due to the invasion of Ukraine resulted in a number of countries implementing food export restrictions in 2022. High global inflation has also prompted simultaneous rapid monetary tightening.

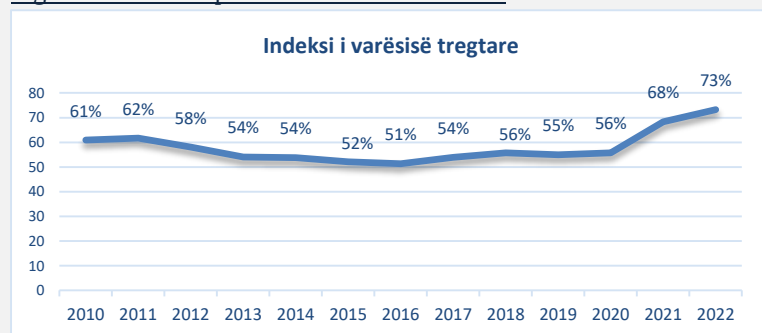
This has had the effect of worsening financial conditions, particularly for less creditworthy emerging markets and developing economies. Growth in 2023 is expected to be the third weakest in nearly three decades, dwarfed only by global recessions.

Full recovery from the pandemic recession is far from over in Emerging Markets and Developing Economies (EMDEs) separately, and the outlook for per capita income is subdued for poverty-stricken countries separately.

- **Trade dependency index**

The relative impact of the economic crisis on international trade can be seen separately in the comparison of exports and imports as a percentage of the gross domestic product. The total value of goods and services in international trade reflects the integration of countries into the world economy. Small countries, their exports tend to be in a limited number of sectors and they need to import more goods and services than larger countries to satisfy domestic demand.

Figure 8: Trade Dependence Index 2010-2022

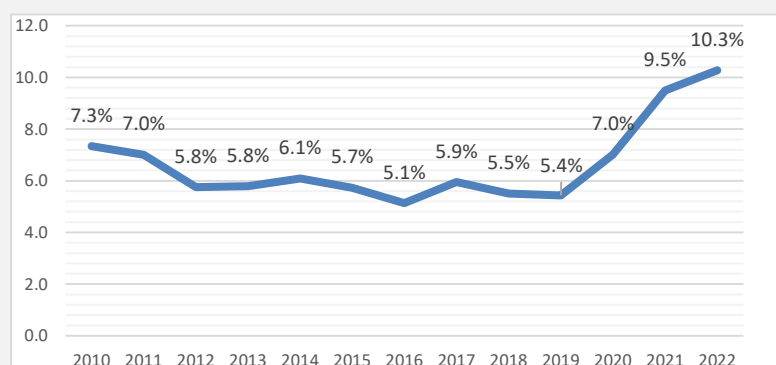


Although many countries try to diversify their exports, agriculture and natural resources still represent a large part of the export basket of many developing countries. From the trade index, which measures the ratio of trade to the value of the

Gross Domestic Product, it gives an overview of the degree of openness of the country in relation to the world. From figure 8 it can be seen how the increase in trade exchanges, i.e., the increase in the value of imports and exports, especially in 2021 and 2022, has influenced this indicator to have a change from the average of 54% for the years 2012-2020 to 68% in 2021 as well as 73% in 2022. However, it is worth noting that here we are dealing with a calculation of the value of foreign trade in relation to GDP, therefore the result of this percentage is necessarily related to the increase in global prices, respectively inflation imported.

Exports trend index

Figure 9: Exports trend index 2010-2022

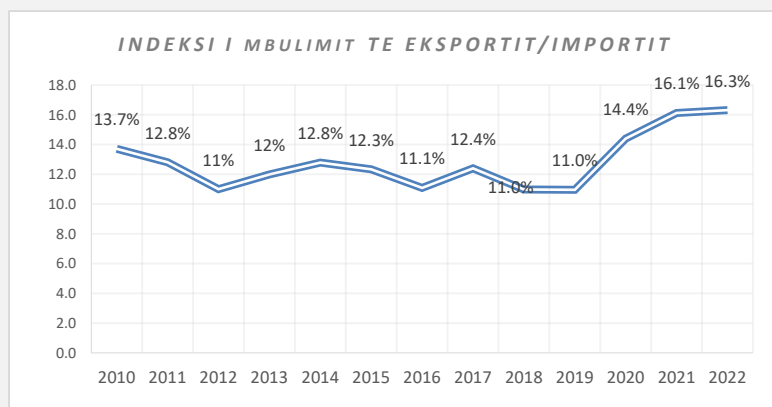


The current export situation in Kosovo and the high trade deficit reflects a low level of competition in the domestic and foreign markets as well as the lack of variety of products. Exported goods account for about 10.3% of GDP (moreover figure 9), and are concentrated in sectors with low added value

components, in particular metals and minerals. This structure presents a number of big problems for the Kosovar economy. It shows a massive lack of long-term sustainability, making it dependent on the international market price etc. The high trade deficit reflects an underdeveloped and narrow domestic production base. The companies competing in international markets are exposed to higher competition for products from foreign production. Entering new markets and finding demand for a new product remains a challenge for the local manufacturing sector. The export trend index shows the degree of reliance of domestic producers on foreign markets. A higher export tendency index will mean a higher tendency of domestic producers to export the product to the foreign market compared to selling in the domestic market. It also means that there is acceptance of your product from your country in international markets.

Export/import coverage index

Figure 11: Export/import coverage index 2010 – 2022



Since the main reason for importing products is to meet the demand for goods that cannot be produced locally, a wide range of goods are imported as domestic production is limited.

While the increase in prices has undoubtedly had a visible effect on foreign trade figures, both in export and import, on the other

hand, according to the data, the coverage rate, i.e., the weight that exports take on imports in the year of the global crisis 2022 is 16.3%. Kosovo imports much more than it exports, the progress of this occurrence from 2010 - 2022 is presented in figure 11.

The possibility to reduce the trade deficit and its impact on GDP is very limited.

- **Structural barriers**

It is evident that the stable and growing deficit of goods trade constitutes a great challenge for the economy of Kosovo. The stability and survival rate of Kosovo's exports, both at the level of the product and the firm, is quite weak. In order for export diversification to be successful, it must be sustainable to include new products in the export package. The lack of cooperation between local and regional suppliers prevents the creation of links between international companies.

An eventual integration of Kosovar input suppliers into regional supply chains would create vertical spillover effects. Limitations in quality infrastructure and capabilities to administer sanitary and phytosanitary measures, technical barriers to trade, limited integration in the value chain are the defining elements that limit Kosovo's trade opportunities.

Lack of market data, lack of institutionalized sources, which provide systematic, reliable and accessible information about the market. Globally, the entire manufacturing industry is changing, many developed countries and mainly those with large economies, will be determinants of the steps to be taken towards the future of digital technology, so digitization and transforming industries will also affect the Kosovar industry.