Republika e Kosovës

Republika Kosova/Republic of Kosovo

Qeveria /Vlada/Government

Ministria e Tregtisë dhe Industrisë

Ministarstvo Trgovine i Industrije/Ministry of Trade and Industry

Departamenti i Industrisë

Department Industrije/Department of Industry

ANNUAL REPORT OF INDUSTRIAL DEVELOPMENT IN KOSOVO FOR 2016

Volume V

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Content

List of Acronyms

KAS - Kosovo Agency of Statistics

TAK – Tax Administration of Kosovo

EU – European Union

KCB - Kosovo Consolidated Budget

GDP – Gross Domestic Product

CBK – Central Bank of Kosovo

DI – Department of Industry

KC – Kosovo Customs

DIP - Division for developing Industrial Policy

FDI – Foreign Direct Investments

CPI - Consumer Price Index

PPI - Producer Price Index

MTI – Ministry of Trade and Industry

CEFTA – Central Europe Free Trade Agreement

AADIR – Annual Average Interest Rate in Deposits

AALIR – Annual Average Loan Interest Rate

Introduction

The Division for Industrial Policy (DIP), operates under the Ministry of Trade and Industry (MTI), the mandate of which is to monitor and analyze the trends of industry developments in Kosovo. In this regard, has already built a tradition in conducting statistical and analytical annual reports regarding the development of industrial activities, and this report is the fifth in row.

The purpose of this Annual Report is to present the main development trends of the economy in Kosovo, with particular emphasis on main industrial branches during 2016, but also a comparative analysis for the last two years as well as developments trend in the industry sectors for the period 2012-2016. Presented records in this Report are intended to serve in the process of economic development in Kosovo to policy-makers but also stakeholders, as to: economic operators (current and potential businesses from private sectors) foreign investors, donors, academic researches, etc. More specifically, through this Report, which provides a clear overview about the main trends that affect the industry of the country, is aiming to facilitate the work of stakeholders in drafting development policy based on measurable indicators.

Besides the main indicators of sector/industry level (turnover, the number of employees and enterprises), this Report presents indicators of macroeconomic level, financial market, labor market, foreign direct investment and external trade are also included, which in one way or another have an impact on industrial development.

Methodology

The approach to compiling the Report on developments in Kosovo's industry for 2016 is descriptive and positive. On this occasion, intentions of DIP analysts have to highlight the main trends in the field of industrial development in Kosovo.

Considering the fact that this Report is drafted for the economic activities conducted during 2016, its focus covers this period in particular, however the trends of respective indicators include a period of five years, from 2012-2016.

This Report is based on the data collected by the relevant institutions (KAS, KBRA, TAK, CBK), whereas the processing, graphic presentation and analysis is conducted by the Department of Industry, respectively by the Division for developing Industrial Policy (DIP).

Sector Analysis 2016

Annual turnover, employees and manufacturing enterprises

The sectoral analysis in this report includes the processing industry, according to NACE REV2, sectors ranging from 10 to 33, referring to the number of manufacturing enterprises, then the number of employees and the amount of annual turnover for these sectors. In addition to presenting statistical data, the analysis also shows the falls or ups of trends for these indicators in industry sectors, not only for last year, but also for the comparative period of the previous year as well as trends for period over the five year.

From the analyses of these records, concerning the annual turnover for 2016, we can see that food processing sector (10) had the highest percentage, so 18.8% of total turnover comparing to other processing sectors. While last year this, in 2015, this sector was ranked in the second place by 17,6%. During this year, this sector remain leader for the number of employees with the highest percentage of 23.1%, and the number of manufacturing enterprises by 26.65%.

In the second place, both by the amount of annual turnover and the number of employees is the production of non-metal minerals products by 18,3% and 4.9% respectively, whereas the number of manufacturing enterprise is ranked as forth in the list.

A significant increase in the amount of turnover is shown i the rubber and plastics production sector by 14.2% from 11.5% in the previous year. This sector, which is ranked third in the list of processing industry sectors, shows a small growth of 0.3%, with regard to the number of employees and the number of enterprises.

The data illustrated in table no. 1, shows that the wood and cork wood products sector with 3.2% are ranked in the ninth place and with 10.2% in terms of number of enterprises, which has an important place in the table, the third in a row. When we are in this sector, we see that furniture production sector is in a more favorable position where the turnover is 4.9%, while it has marked 7.8% of the total number of enterprises and employees.

The turnover percentage for the textile production sector, during 2016, is only 1.4% of the total value, or is ranked in the 12th place of the table, whereas as a sector stands a bit better concerning the number of employees, ranked in the ninth position with 3.2 % and in the eighth with the number of manufacturing enterprises, and 2.5% of the total value. The clothing sector is similar to this, but it has a very low turnover value of only 0.7%.

Table 1: Process industry sector according to NACE 2016

Process industry sector according to NACE REV2 2016		Manufacturing enterprises		Number of employees		Annual turnover	
		Amount	%	Amount	%	Amount	%
10	Processing of food products	1,226	26,5	5,440	23.1	170,917,867	18.8
11	Beverage production	74	1.6	1,559	6.6	95,645,500	10.5
12	Tobacco production	3	0.1	90	0.4	87,316	0.0
13	Textile production	114	2.5	755	3.2	12,331,441	1.4
14	Clothing production	208	4.5	631	2.7	6,224,289	0.7
15	Leather and leather products production	33	0.7	431	1.8	8,323,733	0.9
16	Wood, wood products and cork product production	472	10.2	1,223	5.2	28,985,903	3.2
17	Paper and paper products production	90	1.9	440	1.9	25,684,586	2.8
18	Printing and reproduction of recorded media	155	3.3	581	2.5	17,740,668	1.9
19	Production of coke and refined petroleum products	4	0.1	12	0.1	2,549,037	0.3
20	Chemical products production	92	2.0	676	2.9	36,427,652	4.0
21	Production of basic pharmaceutical products and preparations	10	0.2	95	0.4	2,493,822	0.3
22	Rubber and plastics product production	466	10.1	2,349	10.0	129,758,635	14.2
23	Production of non-metallic minerals products	468	10.1	3,521	14.9	166,904,852	18.3
24	Metal production	103	2.2	1,050	4.5	32,720,595	3.6
25	Fabricated metals products production	567	12.2	2,297	9.7	96,465,146	10.6
26	Computers, electric and optical device production	16	0.3	42	0.2	4,349,232	0.5
27	Electric equipment production	37	0.8	172	0.7	9,547,722	1.0
28	Machinery and p.k.t equipment production	18	0.4	95	0.4	4,686,265	0.5
29	Motor vehicles, trailers and semi-trailers production	2	0.0	31	0.1	403,081	0.0
30	Production of other transporting vehicles	3	0.1	54	0.2	2,786,176	0.3
31	Furniture manufacturing	363	7.8	1,843	7.8	45,023,000	4.9
32	Other p.k.t production	71	1.5	159	0.7	6,835,487	0.8
33	Repairs and machinery and equipment installations	36	0.8	49	0.2	4,396,029	0.5
	Total	4,631	100.0	23,595	100.0	911,288,034	100.0

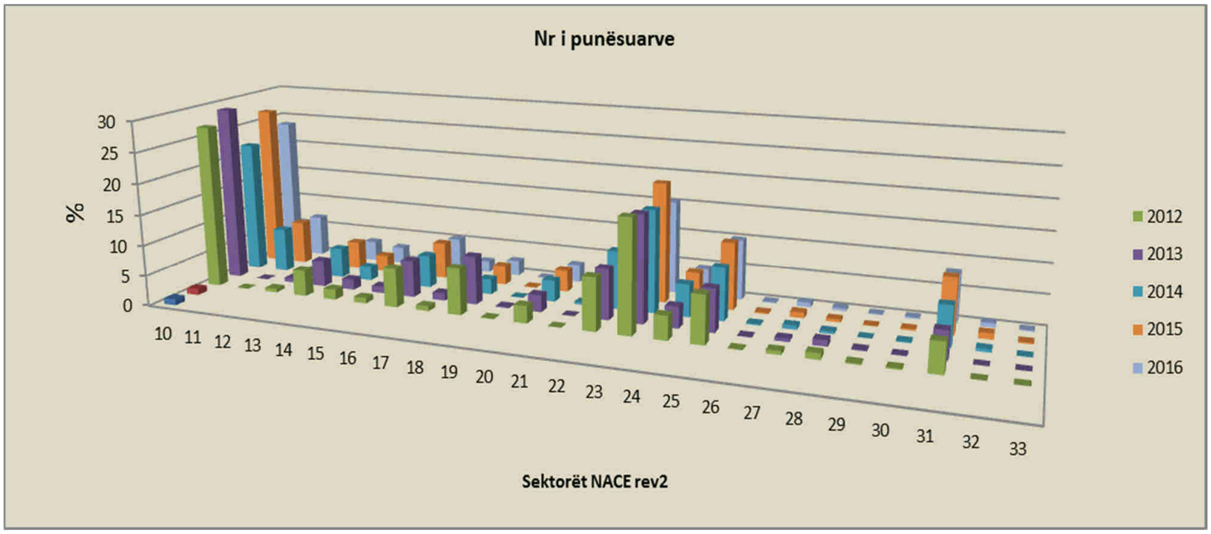
Number of employees by industry production sector in Kosovo, 2012-2016

Data analysis, concerning the number of employees in the industry sectors, during 2012-2016, shows that the food processing sector is the sector with the largest number of employees in Kosovo, and that this sector has maintained a trend of increase of employees over these years. A bigger increase can be seen in 2013, from 24.9% as it was a year before in to 29.64%, while data show that 22% employed in this sector, which a bigger decline that was recorded in the past year, but in 2016 again we have a slight increase of 4.6% or 239 more employees.

The production of non-metallic mineral products also turns out to be a sector in which a larger number of employees are employed. Data for the last five years show that over the years we have a slight decrease of 4% or 18.9%, as it was in 2012 at 14.9% in the last year.
The data show that the increase in the number of employees, though not large, is in two sectors, in the production of rubber and plastics products, from 8.8% to 10%, and to the metal products manufacturing sector, except machinery and equipment from 8% to 9.7%

The wood and cork production sector is one that has constantly contributed to the employment in Kosovo. In 2012, the total number of employees in this sector was 6.5%. This trend has been maintained in the following year, but in the last three years there has been a slight decline, at around 5.2%. A similar trend is seen in the textile sector, with about 4.5% of employees in the first three years 2012-2014 and, as can be seen in the figure below, we had a slight decrease in 2015, to 3.9% same as in 2016, by 3.2%.

Fig. 1. Number of employees by industry production sector in Kosovo, 2012-2016



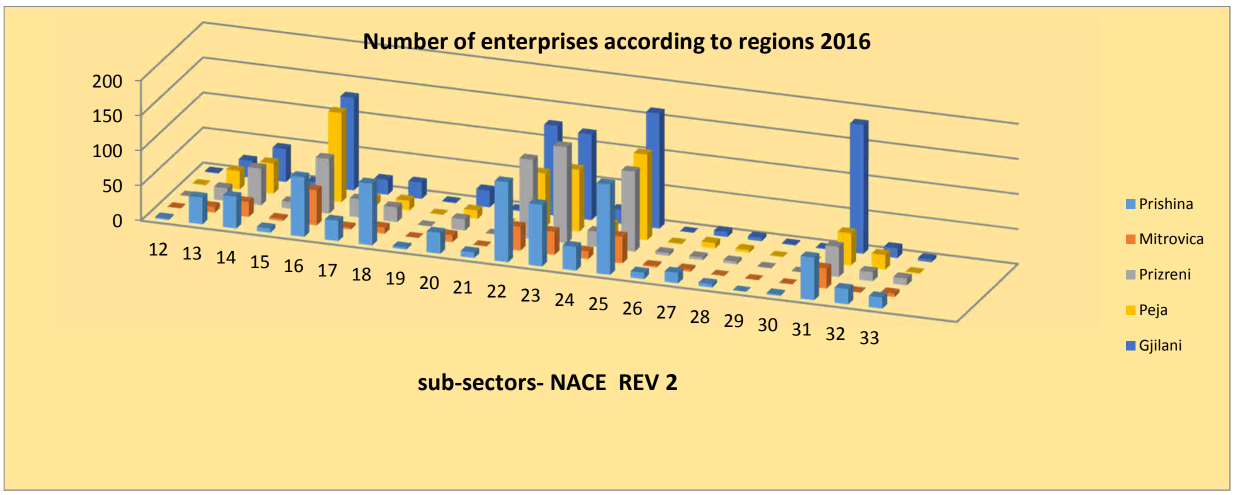
Number of enterprises by industry sector in Kosovo, 2012-2016

Data on focusing enterprises across different industrial sectors, with regard to the sector rankings, shows that we have no big changes concerning the number of enterprises in last five years. The year 2012 and 2016 marked about 4,700 enterprises, while a higher number was marked in 2014 with 5,259 enterprises.

The data illustrated in figure no. 2, indicate the number of manufacturing enterprises through regions of Kosovo, totaling 4,631 in 2016. The largest concentration of manufacturing enterprises and employees is in the Pristina region, ie 1,146 enterprises with 6,234 employees. Data analysis shows that in other regions of Kosovo we have a similar parallels between the number of enterprises and employees.

After Pristina with a larger number of enterprises is ranked Gjilan, with 1,179, followed by Prizren with 1,059, then Peja with 867 and with the smallest number is Mitrovica, with 380 enterprises.

Fig. 2. Number of enterprises, 2016, according to Kosovo's regions



Macroeconomic analysis

Gross Domestic Product

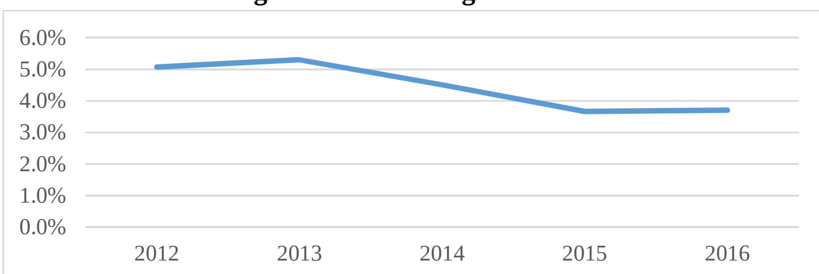
During 2016, Kosovo's economy marked an increase same as priviues year, seen by the expenditure approach. In fact, GDP increased € 214 million, and in this case its total amount is increased from € 5.771m, as it was in 2015 in to € 5.985m in 2016.

Table 2: GDP, 2012-2016

Year	GDP (current price, in millions)	GDP Annual difference (current price, in millions
2012	5,059	244
2013	5,327	268
2014	5,567	240
2015	5,771	204
2016	5,985	214

As can be seen in Figure 3, over the last five years the GDP has marked a positive trend, marking the highest increase (5.3%) in 2013. The GDP growth rate for 2016 compared to the last year that was 3.7%, similar to a year before.

Figure 3: The GDP growth rate

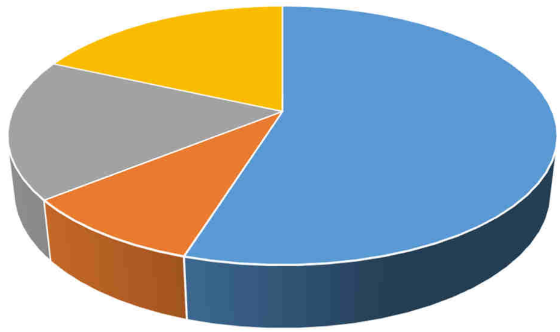


The main contributors of GDP for 2016 continue to remain similar with the previous year, starting with the household final consumption expenditure, and continuing with import of goods and services, net exports, gross capital formation and government final consumption expenditure.

While, the main macroeconomic component that affect negatively in the overall GDP value, as was previous years, is the import of goods and services, representing 51.3% of GDP.

From Figure 4, can be seen the main components of GDP during 2016; in this regard it is worth noting that there is no change in their rankings, viewed from the angle of their approach in the overall GDP value.

Figure 4: Structure of GDP by expenditure approach, 2016



However, the value trends of those components were different. Specifically, while the value of exports of goods and services is increased by € 72m, their import amounted with an increase of € 146m, and results showed a higher trade deficit of € 74m compared to the previous year.

On the other hand, the value of Gross Capital increased for about € 50m, while Government spending fell by € 10m.

At the same time, the final consumption of households, which traditionally represents the highest value of GDP component (about 86.5% of GDP), marked a relatively higher growth of about euro 212 million.

Table 3: Structure of GPD by expenditure approach 2012-2016 (million euro)

	2016	2015	2014	2013	2012
Final consumption of households	6,060	5,858	5,731	5,331	5,320
Final consumption of households economies & IJPSHESH	5,176	4,964	4,821	4,467	4,478
Final consumption of Government	884	894	910	864	842
Gross Capital Formation	1,651	1,601	1,435	1,471	1,465
Net export	(1,726)	(1,652)	(1,599)	(1,476)	(1,727)
Goods and services export	1,346	1,274	1,253	1,167	922
Goods and Servicers imports	3,072	2,926	2,852	2,642	2,649
GDP	5,985	5,807	5,568	5,327	5,059

Structure of Total Government Revenue 2015-2016

The Government Revenue structure, which includes twelve categories, during 2016, compering to previous year, marked instabilities on certain categories. More specifically, the highest increase was on tax on products (Euro 126, 22 million); this was manly an increase from VAT (Euro 80.07 million, taxes and custom tax on imports excluding VAT (Euro 30.91 million). Other relatively high increase in government revenues was marked in the category of current tax on incomes, wealth, and so on Euro 30.93 million), as well as from payments for sales (Euro 14.68 Million).

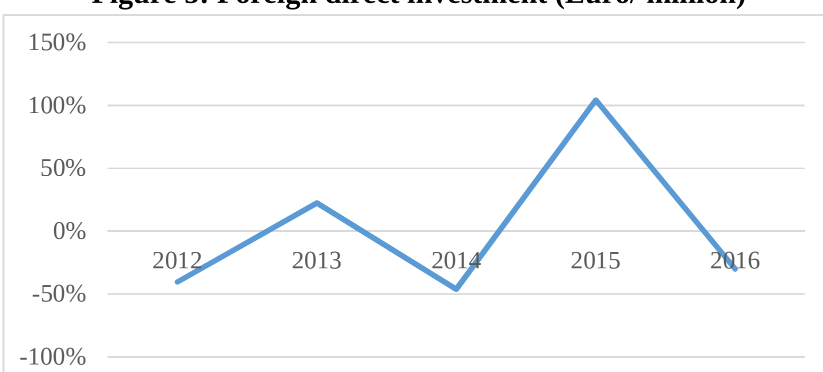
Table 4: Structure of Total Government Revenue, 2015-2016

Categories of revenues	2015	2016
Taxes on products	1,093.9	1,220.1
Value Added Tax (VAT)	584.3	664.4
Customs and Tax on products excluding VAT	486.5	527.4
Duties on imports	130.7	129.9
Tax on imports excluding VAT and duties	355.8	397.5
Tax on product excluding VAT and tax on imports	23.1	28.3
Other taxes on production	57.9	46.4
Property revenues	16.5	7.2
Current income taxes, wealth, etc.	205.1	236.0
Other actual transfers	27.8	23.1
Finance assets and liabilities	227.8	154.8
Payments for non-market output (Sales)	77.0	91.7
Total	1,706.1	1,779.3

Foreign direct investment in Kosovo

During 2016, Foreign Direct Investment in Kosovo marked a decline, after the relatively higher growth that was marked a year before. More specifically, during that period of time, as can be seen in Figure no. 5, their value fell by about 30%.

Figure 5: Foreign direct investment (Euro/ million)



Foreign Investments by economic activity

Also, from Table no. 4, can be seen that FDI in Kosovo during 2016 amounted Euro 215.8 million. The most attractive sector for foreign direct investment again was that real estate, which managed to absorb about 38% of the total value. Other sectors with the highest value of FDI absorbed were construction of 6.4%, followed by financial services by 6.3 %.

At the same time, compared to the previous year, the highest value of FDI was in the financial services sector with about 45.3 million euros, followed by real estate with 22 million, construction with 18 million euros and mining of about 15.4 million euro.

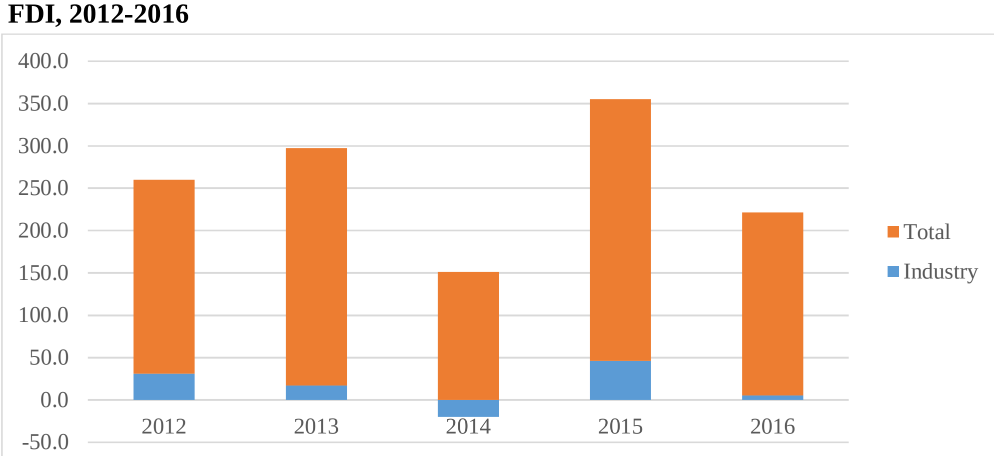
Table 4: IHD by economic activity, 2012 – 2016 (million euro)

Sector	2012	2013	2014	2015	2016
Agriculture	0.3	0.4	0.2	1.0	1.5
Mines	-25.0	-14.1	4.2	-36.9	-22.1
Industry	27.4	11.5	-34.0	20.7	5.3
Energy	2.2	48.8	13.4	11.9	3.4
Construction	31.1	17.3	-19.9	46.3	28.2
Trade services	9.3	14.6	8.4	12.0	12.8
Hospitality	0.5	0.8	0.4	0.0	0.7
Transport and communication	32.4	51.0	-9.1	-6.1	-9.4
Finance Services	22.4	4.4	41.9	64.3	19.0
Real Estate	115.7	136.1	142.1	189.6	167.6
Other services	1.8	3.3	2.2	4.5	9.4
Other activities	11.0	6.2	1.4	1.4	-0.6
Total	229.1	280.2	151.2	308.8	215.9

On the other hand, in 2016 FDI value in the industry sector had a significant decline compared to the previous year. Moreover, such a decline is relatively noticeable if compared to the previous year when the respective value was 20.7 million euro, which means that in 2016 decline of about 75% of FDI in this sector.

In fact, as can be seen in the figure below, the value of FDI in the industry sector has been the lowest since 2007, to only 5.3 million euros or just 1.2% of the total value of FDI, of the respective period.

Figure 6: FDI, 2012-2016

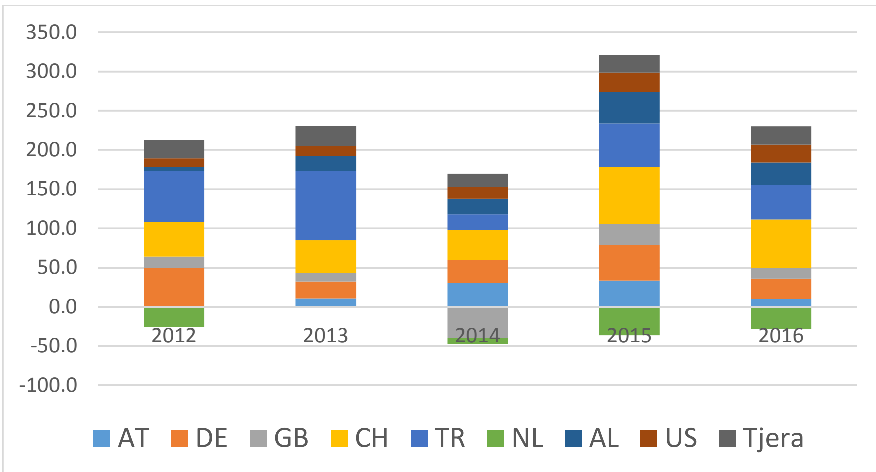


Foreign Direct Investment by country

Given that the overall value of FDI during 2016 compared to the previous year had a significant fall, the value of those investments by almost all countries of origin also marked a decline. In fact, FDI from countries such as Switzerland, Turkey, Albania, and Germany, which represent their resources with relatively large values, recorded a significant decline.

Moreover, as can be seen in the figure below, the FDI origin, similar to the previous years, was comparatively the same during 2016.

Figure 7. IHD by the country of origin, 2012-2016



However, analyzed in nominal terms, compared to the previous year, the FDIs recorded the largest decline were those from Austria (euro23.56 million), followed by Germany (19.59 million euros) and Great Britain (13 million euros).

Table 5: IHD by the country of origin, 2012 – 2016 (million euros)

	2012	2013	2014	2015	2016
Swiss	43.8	41.7	38.2	72.9	61.8
Turkey	65.6	88.6	20.0	55.4	44.4
Albania	4.7	19.3	20.4	40.1	28.6
Germany	49.5	21.7	29.4	45.3	25.7
Other	23.6	25.2	16.6	22.4	23.3
USA	10.8	12.7	14.7	25.0	22.6
England	14.3	10.7	-39.5	26.6	13.6
Austria	0.4	10.7	30.3	33.5	9.9
Arab Emirates	0.8	-0.8	1.3	1.4	3.5
Norway	2.9	4.7	5.9	2.9	3.4
Macedonia	1.2	4.6	3.2	0.1	3.2
France	6.3	3.8	3.3	3.2	2.8
Canada	1.2	1.2	0.9	1.1	2.5
Italy	4.4	8.7	3.3	5.7	1.9
Bosnia	0.0	0.2	0.3	0.8	1.2
Slovakia	-	0.2	0.1	0.1	0.8
Luxemburg	0.8	2.3	1.2	0.1	0.6
Bulgaria	8.1	5.6	14.5	1.6	0.4
Cyprus	0.3	0.3	0.3	0.1	0.4
Kuwait	0.7	2.0	0.5	0.0	0.2
Estonia	0.2	0.2	0.1	-0.8	0.2
Czech Republic	0.3	0.2	0.4	1.3	0.2
Montenegro	4.3	3.1	0.1	0.1	0.1
Egypt	0.1	0.0	0.1	0.0	0.0
Greece	0.3	-0.4	-0.6	-0.2	-0.4
Russia	0.4	5.7	2.4	0.8	-0.6
Hungary	0.4	1.3	1.1	0.1	-1.7
Slovenia	9.3	7.0	-9.4	5.6	-4.5
Netherland	-25.6	-0.1	-7.8	-36.4	-28.4
Total	229.1	280.2	151.2	308.8	215.9

Financial Market

Regarding access to financial capital, in 2016, relatively similar interest rates were recorded for almost all types of loans as in the last five years. The three types of loans with the highest interest rate were agricultural loans, followed by consumer and industrial loans.

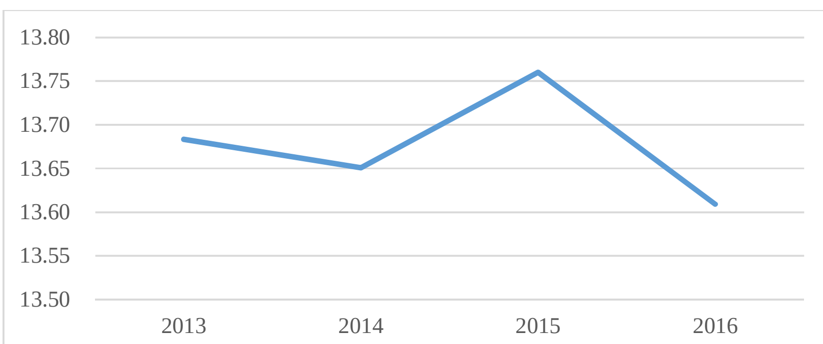
In the list of loans interest differences, the most significant decline in interest rates was recorded in the agricultural, service and industrial loans. On the other hand, only in the case of consumer loans there was marked a relatively low interest rate.

Table 6: IHD by the country of origin, 2012 – 2016 (euro million)

	2012	2013	2014	2015	2016
New loans	14.24	14.22	14.12	14.15	14.14
Client loans	12.70	12.75	12.76	12.75	12.77
Mortgage loans	11.71	11.71	11.67	11.65	11.65
Agriculture	25.48	25.66	25.26	24.87	24.27
Industrial	13.46	13.68	13.65	13.76	13.61
On services	14.01	13.74	13.59	13.17	12.97

The interest rate on industrial loans in 2016 was the lowest since 2013, and as seen in the figure below, the trend fall. However, the respective interest rates are relatively high compared to non-producer sectors (service, consumer and mortgage).

Figure 8: Interest rate, 2012-2016 (in %)



Prices Index

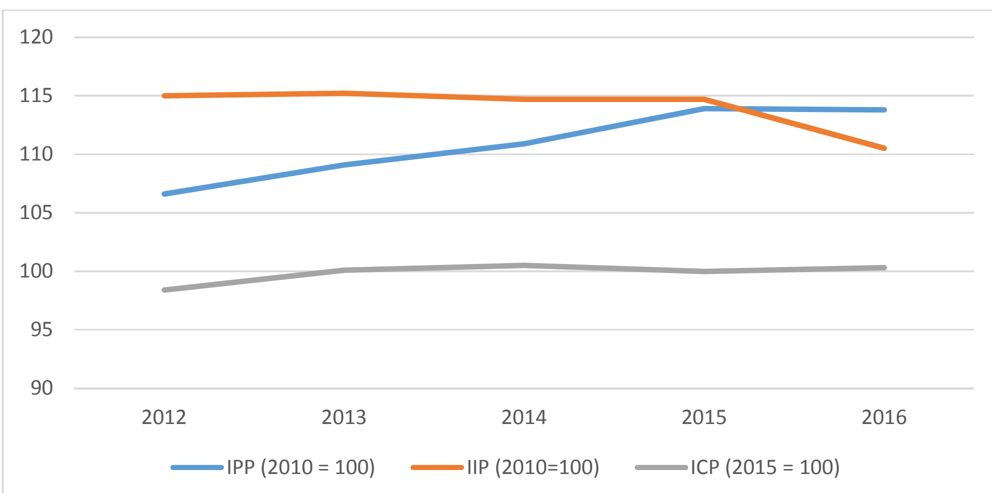
The production and import price index recorded a relatively small increase in 2016 compared to the base year (2010) and compared to the previous year. Meanwhile, such a trend was not evenly reflected in the consumer price index as their index reached a relatively higher value in 2016 compared to the previous year (2015), which at the same time as the basic price of KAS.

Table 7: Production, consumer and import price index by years, 2012-2016

Year	PPI (2010 & 100)	IPI (2010&100)	CPI(2015 & 100)
2012	106.6	115.0	98.4
2013	109.1	115.2	100.1
2014	110.9	114.7	100.5
2015	113.9	114.7	100
2016	113.8	110.5	100.3

From the figure below it can be seen that, as far as the consumer price index is concerned, even during 2016, this index had a continuation of its relatively higher trend of stability on these three indices. Such a thing cannot be said about the IPI, since despite the fact that from 2012 to 2015 there was a relative sustainability, in 2016 was marked a significant decline. On the other hand, the IPI trend since 2012 marked a steady increase. Therefore, an interlinking of these indices can be interpreted as that consumer prices are largely dominated by import prices, especially when we consider the fact that they reach about 51% of the total final consumer value in Kosovo. Thus, these data show that the supply of imported goods and services is non-resilient to the respective domestic demand, while the supply from the Kosovo goods and services provider faces productive prices that mark a continuous increase, serving as a factor to reduce competitiveness in the local market, in particular

Figure 9: Annual change of prices of producer, consumption and import, 2012-2016



Foreign Trade

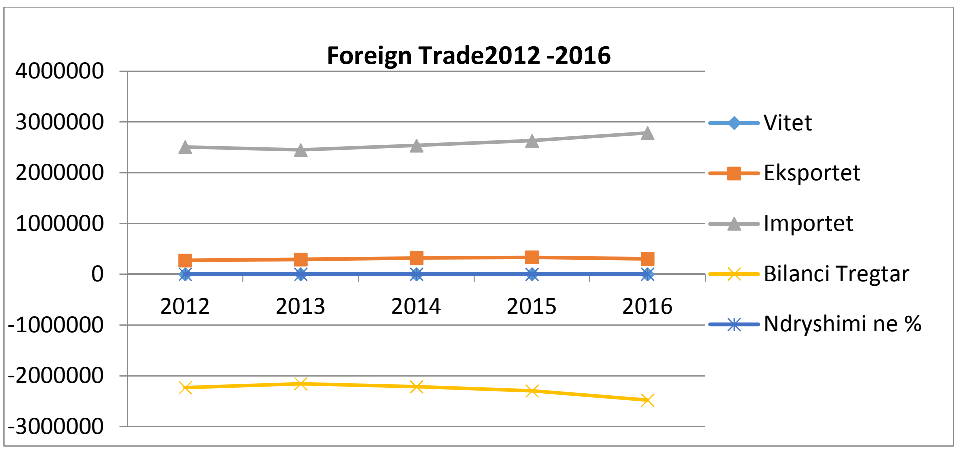
Table 8: Exports, Imports value and trade balance in Kosovo (000')

Year	Exports	Imports	Trade balance	Changes in %
2012	276,100	2,507,609	-2,231,509	3%
2013	293,842	2,449,064	-2,155,222	-3%
2014	324,543	2,538,337	-2,213,794	3%
2015	335,076	2,634,693	-2,299,617	4%
2016	306,053	2,789,490	-2,483,437	8%

From the above table we can see that between 2012 and 2016 the trade balance in Kosovo is negative. In the last five years, this balance has continued to grow steadily except for 2013, with the negative balance declining by 3% compared to 2012.

As far as 2016 is concerned, the negative balance has marked a value of € 2 billion and € 483 million, marking an 8 percent increase, which is the largest in the last five years. This balance for 2016 comes mainly as a result of the decline in exports of Kosovo's economy by 9% from the previous year.

Figure 10: Foreign trade 2016



Also, as can be seen from the graph, import values dominate Kosovo's foreign trade against the smallest export values in the last five years. These results marked a negative trend of the trade balance, while the lowest value was recorded in 2016.

Meanwhile, Kosovo's industry, with the most dominant sectors (metal, textiles, wood, chemical industry, plastics and rubber, leather, paper and footwear) has recorded these foreign trade values for 2016: Exports amounted to 239,582,459 euros, while the import has reached the value of 1,306,924,769 euros.

Table 9: Exports and Imports values toward CEFTA, EU and other countries during 2015 - 2016

Goods based on industry	Exports		Balance		Imports		Balance	
	2015	2016	Changes	Changes in %	2015	2016	Changes	Changes in %
Chemical	44,484,270	68,588,056	24,103,786	54.2	617,988,143	549,055,605	(68,932,538)	(11.2)
Plastic and Rubber	23,470,026	28,871,840	5,401,814	23.0	163,166,193	188,422,517	25,256,324	15.5
Leather	10,769,339	11,192,265	422,927	3.9	7,602,101	8,392,124	790,024	10.4
Wood	2,462,806	3,618,533	1,155,728	46.9	62,448,694	72,641,885	10,193,190	16.3
Paper	2,826,271	3,977,220	1,150,948	40.7	38,738,567	41,741,640	3,003,073	7.8
Textile	11,956,696	8,784,388	(3,172,308)	(26.5)	122,588,622	136,687,770	14,099,149	11.5
Shoes, etc.	3,030,777	3,371,345	340,569	11.2	30,594,320	35,017,027	4,422,708	14.5
Metals	157,731,983	111,178,812	(46,553,171)	(29.5)	260,547,796	275,383,592	14,835,796	5.7
Total	256,732,167	239,582,459	(17,149,708)	(6.7)	1,303,674,436	1,307,342,161	3,667,726	0.3

The records illustrated above, in table no. 9, present an overview of import and export values with CEFTA, EU and other countries for 2016 and 2015.
We can see that similar sectors of Kosovo's industry continue to dominate foreign trade for this period of time, in regard to it, we can specify the metal sector, the chemical industry and the plastics and rubber sector.

The sector that has exported most during 2016 is the metal sector reaching the value of 111,178,812 euros. However, this sector has exported 29.5% less, in value, compared with the previous year. Meanwhile, we notice that the sector with the highest increase in exports for 2016 is the wood sector which has increased the value of exports by 46.9% compared to the previous year, while the paper sector is ranked second with the increase of the value of exports, compared to the previous year, increasing them by 2016 by 40.7%.

On the other hand, imports continue to dominate by the chemical industry, marking a value of 549,055,605 euros for 2016. Although this industry dominates with the highest imports for 2016, compared to the previous year, the value of imports for this sector had a decrease of 11.2%, which results to be the highest for this year. Second place, with regard to the largest imports, is the metal sector with a value of 275,383,592 euros, an increase of 5.7% compared to the previous year. Meanwhile, the sector that recorded the largest increase in imports compared to the previous year is the wood sector where imports amounted to 72,641,885 euro for 2016, reaching a growth of 16.3% compared to 2015.

In general, we can see that we continue to have a foreign trade deficit in the amount of EUR 1,067,759,702, where in 2016 exports decreased by 6.7% against the increase in value of imports by 0.3%.

Table 10: Exports and imports value based to CEFTA countries for 2015 - 2016

Goods based on industry	Export		Balance		Import		Balance	
	2015	**2016**	**Change**	**Change in %**	**2015**	**2016**	**Change**	**Change in %**
Chemical	33,161,660	44,994,845	11,833,185	35.7	219,649,241	164,715,258	(54,933,983)	(25.0)
Plastic and rubber	8,690,895	9,532,071	841,176	9.7	34,626,086	42,575,654	7,949,568	23.0
Leather	1,983,233	3,342,837	1,359,604	68.6	69,314	95,720	26,406	38.1
Wood	808,093	1,029,611	221,518	27.4	26,320,249	29,477,410	3,157,161	12.0
Paper	2,306,237	2,997,419	691,181	30.0	16,374,766	17,273,454	898,688	5.5
Textile	921,145	783,344	(137,801)	(15.0)	4,002,171	5,098,533	1,096,362	27.4
Shoes, etc.	1,894,042	1,473,694	(420,348)	(22.2)	1,813,625	1,849,701	36,076	2.0
Metals	38,768,487	41,747,966	2,979,479	7.7	136,999,417	152,696,633	15,697,216	11.5
Total	88,533,792	105,901,787	17,367,995	19.6	439,854,870	413,782,363	(26,072,507)	(5.9)

Table no.10 shows the import and export values with the CEFTA countries for 2016 and the previous year for the chemical industry, plastics, rubber, leather, wood, paper, textile, leather, and metal industry. We can see that the same sectors of Kosovo industry are continuing to dominate foreign trade with CEFTA countries.

The sector that has exported the most during 2016 is the chemical industry reaching the value of 44,994,845 euros. This sector has exported 35.7% more, in value, compared with the previous year. Also can be seen that the sector with the highest increase in exports for 2016 is the leather sector which has increased the value of exports by 68.6% compared to the previous year. While the footwear sector had a fall in exports in value compering to the previous year, reducing them by 2016 to 22.2%.

On the other hand, imports of the chemical industry sector continue to dominate, amounting EUR 164,715,258 for 2016. Even this sector dominates with the highest imports for 2016, compared to the previous year, the value of imports for this sector has decreased by 25 %, which is the lowest for this year. The second sector, in regard to highest imports is the metal sector with a value of EUR 152,696,633, an increase of 11.5% compared to the previous year. Meanwhile, the sector that has witnessed the largest increase in imports compared to the previous year is the leather goods sector where imports reached the value of 26,406 euros for 2016, which marked an increase of 38.1% compared to 2015.

Overall, it’s clear that we continue to have a trade deficit with CEFTA countries of 396,414,368 euros, however, exports for 2016 in value have increased by 19.6% against the decrease in imports by 5.9%.

Table 11: Value of exports and imports with EU countries for year 2015 – 2016

Goods by industry	Exports		Balance		Imports		Balance	
	2015	2016	Change	Change in %	2015	2016	Change	Change in %
Chemical	8,355,897	14,575,414	6,219,517	74.4	320,697,551	303,937,708	(16,759,843)	(5.2)
Plastic and rubber	8,610,543	13,314,870	4,704,326	54.6	67,336,835	78,597,239	11,260,404	16.7
Leather	8,593,131	7,728,689	(864,442)	(10.1)	1,327,783	1,436,804	109,021	8.2
Wood	908,211	1,398,525	490,314	54.0	27,434,629	27,817,321	382,692	1.4
Paper	227,230	213,061	(14,169)	(6.2)	15,123,740	15,882,997	759,257	5.0
Textile	6,484,303	2,800,035	(3,684,268)	(56.8)	12,566,150	12,040,183	(525,967)	(4.2)
Shoes, etc.	1,079,525	1,858,039	778,515	72.1	2,973,149	3,293,939	320,790	10.8
Metals	49,813,803	7,946,484	(41,867,320)	(84.0)	58,529,201	59,791,503	1,262,302	2.2
Total	84,072,643	49,835,117	(34,237,526)	(40.7)	505,989,038	502,797,693	(3,191,345)	(0.6)

The figures illustrated above in Table no.11 show the import and export values with EU countries for 2016 and the previous year.
The sector with highest exports during 2016, also with EU countries is the chemical industry the value of 14,575,414 euros. This sector has exported 74.4% more, in value, compared with the previous year and has recorded the highest growth compared to the other sectors. Also can be seen that the second highest growth sector in terms of exports for 2016 is the footwear sector which has increased the value of exports by 72.2% compared to the previous year. While the metal sector, compared with the previous year, has reduced exports by 2016 by 84%.

On the other hand, imports of chemical goods continue to dominate, which marked a value of EUR 303,937,708 for 2016. Although this sector dominates with the highest imports for 2016, compared to the previous year, the value of imports for this sector has decreased of 5.2%, which is the highest this year's decline. Second place, with regard to the largest imports belong to the plastic and rubber sector with a value of 78,597,239 euro, an increase of 16.7% compared to the previous year. This sector is also the one that has shown the largest increase in imports compared to the previous year

In general, we can see that we continue to have a trade deficit with EU countries amounting a value of EUR 452,962,576. Exports for 2016 decreased by 40.7%, as compared to imports which had a fall of only 0.6%.

Table 12: Value of exports and imports with the other countries for 2015 - 2016

Goods by industry	Exports		Balance		Imports		Balance	
	2015	2016	Change	Change in %	2015	2016	Change	Change %
Chemical	2,966,712	9,017,797	6,051,084	204.0	77,641,351	76,626,683	(1,014,668)	(1.3)
Plastic and rubber	6,168,587	6,024,899	(143,688)	(2.3)	61,203,272	67,342,159	6,138,887	10.0
Leather	192,975	120,739	(72,236)	(37.4)	6,205,004	6,859,659	654,655	10.6
Wood	746,502	1,190,381	443,879	59.5	8,693,817	15,364,278	6,670,462	76.7
Paper	292,805	766,740	473,936	161.9	7,240,062	8,773,091	1,533,029	21.2
Textile	4,551,248	5,201,009	649,761	14.3	106,020,301	119,550,408	13,530,107	12.8
Shoes, etc.	57,210	39,612	(17,598)	(30.8)	25,807,545	29,871,117	4,063,572	15.7
Metals	69,149,693	61,484,363	(7,665,330)	(11.1)	65,019,177	62,501,332	(2,517,845)	(3.9)
Total	79,579,036	83,845,539	4,266,503	5.4	357,830,528	386,888,726	29,058,198	8.1

Figures in Table no.12 shows an overview of import and export values with other countries for 2016 and the previous year for the same sectors.

The sector that has exported most in 2016 in other countries is the metal sector reaching the value of 61,484,363 euros. However, this sector has exported 11.1% less, in value, compared with the previous year. Also, we can see that the highest growth sector in terms of exports for 2016 is the chemical sector which increased the value of exports by 204% compared to the previous year, its exports reached the amount of 9,017,797 Euro in 2016 from 2,966,712 Euros that were in 2015. While the sector of leather goods is the sector that has declined more in value exports compared to the previous year by 37.4%. for 2016.

On the other hand, imports of textiles continue to dominate by increasing the value of EUR 119,550,408 for 2016. Although this sector dominates with the highest imports for 2016, compared to the previous year, the value of imports for this sector has increased only 12.8%. In the second place, with regard to the largest imports, the chemical goods with the amount of 76,626,683 euros, but still has marked a decrease of 1,3% compared to the previous year. The sector that has marked the highest increase in imports compared to the previous year is the wood sector where imports have grown by 76.7%. Conversely, the sector that had the largest decline in imports compared to the previous year is the metal sector where imports of this industry category declined by 3.9%.

In general, we can see that we continue to have a trade deficit with other countries reaching a value of EUR 303,043,187. Exports for 2016 increased 5.4% slower than imports, which increased by 8.1% in this category of Kosovo's foreign trade.

Labour Force

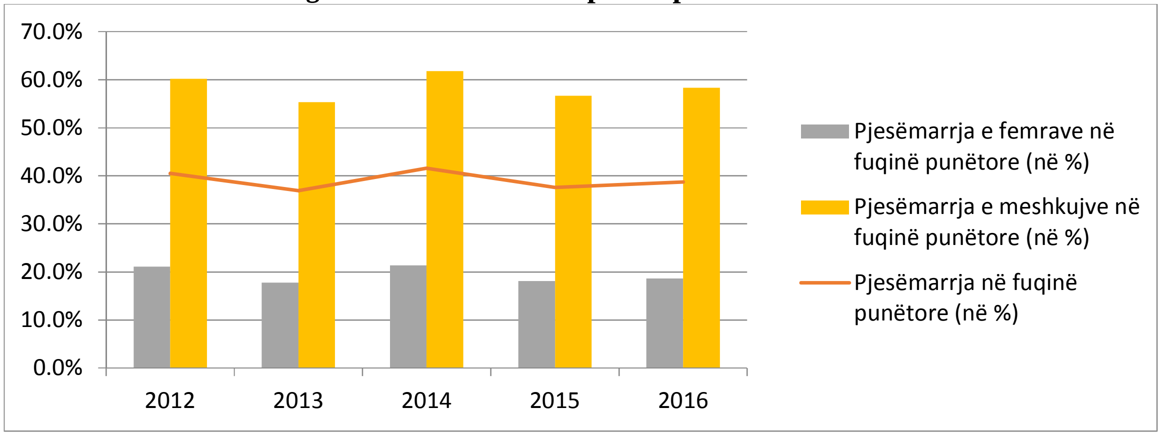
The labor force participation rate in 2016 reached 38.7%. Labor force participation increased significantly by 1.1% compared to 2015. Figures show that the most increase of the labor force rate resulted employment of men with an increase of 1.6% and 0.5% of women.

Table 13: Labour force participation 2012-2016

Year	2012	2013	2014	2015	2016
Labour force participation (in %)	40.5%	36.9%	41.6%	37.6%	38.7%
Women Labour force participation (in %)	21.1%	17.8%	21.4%	18.1%	18.6%
Men Labour force participation (in %)	60.2%	55.4%	61.8%	56.7%	58.3%

From Figure no.11, it can be seen that the participation rate of labor force over the last five years has varied year-on-year, considering the highest rate of 41.6% that was in 2014, and lowest rate of participation of 36.9% in the 2013.

Figure 11: Labour force participation 2012-2016



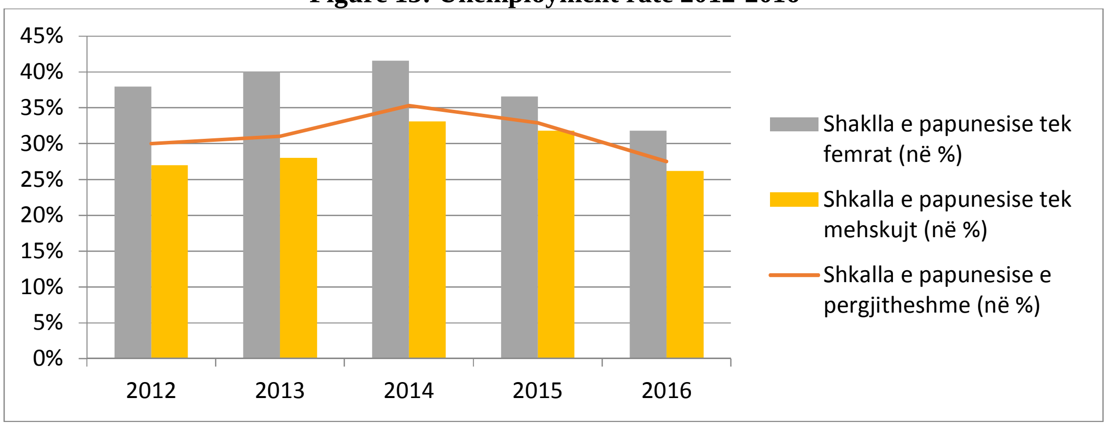
Meanwhile, the overall unemployment rate marks a decline compared to the previous year, reaching 27.5% in 2016. Such a figure represents a lower rate of 5.4% compared to 2015. The decline in the overall unemployment rate was as a result of the decline of the unemployment rate in women by 4.8% and in males by 5.6%.

Table 14: Unemployment rate 2012-2016

Year	2012	2013	2014	2015	2016
Overall unemployment rate (in %)	30%	31%	35.3%	32.9%	27.5%
Unemployment rate among women (in %)	38%	40%	41.6%	36.6%	31.8%
Unemployment rate among men (in %)	27%	28%	33.1%	31.8%	26.2%

As can be seen in Figure no.13, the trend of unemployment rate compared to the previous year marked a decline, marking the lowest rate in the last four years. It is worth noting that compared to the previous year, in 2016, the unemployment rate among women decreased from 36.6% to 31.8%, while men from 33.8% to 26.2%.

Figure 13: Unemployment rate 2012-2016



Conclusions:

During 2016, in the industry sectors, we have 29,395 employees in 4,631 companies and with a turnover value of 911,288,034 euros. The food processing sector (10) has the highest percentage, 18.8%, in terms of annual turnover, for 2016 compared to other NACE2 processing sectors. Also with the highest percentage, 23.1% this sector remains the leader with regard to the number of employees and the number of manufacturing companies with 26.65%.

- Concerning the number of employees 2012-2016, data show that there is a slight increase in the number of employees in two sectors, in manufacturing of rubber and plastics products, from 8.8% to 10%, and in production of fabricated metal products sector, except machinery and equipment from 8% to 9.7%

- The sector with the highest growth in terms of exports for 2016 is the wood sector which has increased the value of exports by 46.9% compared to the previous year, while the paper sector ranked second by increasing the value of exports compared to the previous year for 40.7%. While the chemical industry sector dominates the highest imports for 2016, even though it has been marked by 11.2% increase compared to the previous year.

- During 2016, the total value of FDI compared to the previous year has marked a significant decrease, by about 30%, which means that the value of investments from almost all countries of origin marked a fall.

- As regards access to finance, in 2016, relatively similar interest rates were recorded for almost all types of loans as in the last five years. The three types of loans with the highest interest rate were agricultural loans, followed by consumer and industrial ones, although we see that the interest rate on industrial loans has been downward since 2013 and was the lowest in 2016.

- Consumer prices in Kosovo are mainly dominated by import prices. The data show that the supply of imported goods and services is non-resilient to the respective domestic demand, while the supply from the Kosovo goods and services provider faces productive prices that are constantly increasing, so it is a factor that affects the reduction of competitiveness in the local market.

- Overall unemployment rate had a fall from 32.9% to 27.5% in 2016, representing a fall in overall rates of 5.4% (in women by 4.8% and mal by 5.6%).