



Republika e Kosovës

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Qeveria - Vlada - Government

Ministria e Industrisë, Ndërmarrësisë dhe Tregtisë

Ministarstvo Industrije, Preduzetništva i Trgovine - Ministry of Industry, Entrepreneurship and Trade

PROCESSING INDUSTRY SECTOR C-2021



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CONTENT

Department of Industry	3
Introduction	4
Sector - C (Manufacturing Industry)	5
Sector – C enterprises, by size and sub-sectors	7
General sector - C data.....	7
Processing of food products	8
Manufacture of beverages	9
Manufacture of Textile	10
Manufacture of clothing	11
Manufacture of Leather and Leather Products	12
Manufacture of Wood and of Wood and Cork Products, except Furniture; Manufacture of Articles from straw and interwoven-knitting materials	13
Manufacture of Paper and Paper Products	14
Manufacture of Chemical Products	15
Manufacture of Rubber and Plastic Products	16
Manufacture of non-metallic mineral products	17
Manufacture of Metals	18
Manufacture of Fabricated Metal Products, except Machinery and Equipment	19
Manufacture of Furniture	20
Recommendations	21

INDUSTRY DEPARTMENT
Industrial Policy Division

Department of Industry:

- Provides support in the development of a suitable environment and favorable conditions for promoting competitiveness and sustainable development of the manufacturing industry in Kosovo;
- Researches, analyzes and monitors the implementation of industrial development policies in Kosovo;
- Directs and coordinates policy-making activities with implementing institutions, especially with the Kosovo Investment and Enterprise Support Agency - KIESA, as well as with other policy-making institutions;
- Researches, analyzes and proposes policies for building quality infrastructure;
- Ensures the alignment of local legislation on free movement of goods with EU legislation;
- Directs and coordinates activities with other institutions for the implementation of notification procedures in the field of legislation which covers the free movement of goods under ratified international agreements;

Industrial Policy Division (IPR) was established in 2012 and operates within the Department of Industry in the Ministry of Industry, Entrepreneurship and Trade.

- IPR is responsible for drafting certain policies and measures for the processing industry, Sector C, that will help the development of the private sector in Kosovo,
- IPR analyzes and drafts sector and sub-sector policy documents for industrial development in Kosovo,
- Provides support in creating an environment conducive to promoting sustainable industrial development,
- IPR monitors and evaluates development support schemes for the private sector
- Proposes concrete measures for the advancement of industry in Kosovo.

1. Introduction

The presentation of the data in this brochure provides information taken from the Analytical Report for 2020, which provides basic data for the processing industry of Sector C (NACRev2 - codes 10 to 33), comparison of data with the previous year and the trend of changes for 2018-2020.

<https://mint.rks-gov.net/desk/inc/media/BD3F0555-5309-4AB4-96B3-3DFB64794983.pdf>

Likewise, this brochure, summarizes special parts for sub-sectors such as: Food Processing, Manufacture of Beverages, Textile, Clothing, Leather, Wood, Paper, Chemical Industry, Manufacture of Non-Metallic Products, Fabricated Metal Products (except Machinery and Equipment), Plastic and Rubber, Metals and Furniture Manufacture.

- These data have been processed and analyzed by statistical processors and industrial policy makers in Department of Industry / Ministry of Industry, Entrepreneurship and Trade.

SECTOR - C (PROCESSING INDUSTRY)

The data show that Sector - C, in 2021, has marked an increase in employment by 14%, in turnover 44% and in the number of enterprises, by 6%, compared to 2020.

Within Sector-C, the highest participation in work, in 2021, was recorded in the sector "Processing of food products", with 25%, then under the sector "Production of non-metallic mineral products" with 13.8%, the third. ranks under the sector "Manufacture of mobile phones", with 12.4%, while the sub-sectors have a smaller percentage. The biggest increase of 28% in work was achieved in the sub-sector "Manufacture of furniture", then in the sub-sector "Processing of food products", with an increase of 22.5%, etc.

Table. Sector C, number of enterprises, employees and turnover

Code	Manufacturing Industry Sector-C	Number of enterprises			Number of employees			Turnover		
		2019	2020	2021	2019	2020	2021	2019	2020	2021
10	Manufacture of food products	1,160	1369	1462	6,725	8,081	9,902	272,988,285.79	320,080,653	472,344,066.98
11	Production of beverages	74	78	102	1,823	2,138	2,221	118,109,350.97	106,226,278	215,310,255.20
12	Production of tobacco products	1	2	7	44	26	74	3,820,491.62	1,469,544	9,410,896.98
13	Manufacture of textiles	111	176	173	629	802	809	15,382,963.26	16,064,405	21,739,125.04
14	Manufacture of wearing apparel	210	325	350	856	1,151	1,610	8,514,956.19	9,958,677	18,494,832.71
15	Manufacture of leather and related products	29	43	39	379	420	406	7,156,650.38	5,816,943	8,339,665.13
16	Manufacture of wood and of products of wood and cork	408	477	521	1,429	1,766	2,389	44,504,258.47	46,187,845	78,118,256.02
17	Manufacture of paper and paper products	93	107	102	463	720	646	28,067,238.66	39,799,270	39,551,211.65
18	Printing and reproduction of recorded media	145	177	180	709	785	962	20,090,947.79	19,575,032	41,332,339.78

PROCESSING INDUSTRY SECTOR C-2021

19	Manufacture of coke and refined petroleum products	6	8	8	109	116	179	17,136,402.83	12,659,485	22,415,373.85
20	Manufacture of chemicals and chemical products	85	114	126	624	762	946	27,811,433.84	31,935,510	55,338,301.05
21	Manufacture of basic pharmaceutical products and pharmaceutical preparations	4	7	6	89	103	118	1,223,165.01	1,771,159	4,028,405.79
22	Manufacture of rubber and plastic products	481	572	579	2,793	3,513	3,661	131,057,171.90	140,418,212	198,116,219.72
23	Manufacture of other non-metallic mineral products	443	511	545	4,454	5,082	5,469	279,099,052.93	281,102,702	324,357,558.04
24	Manufacture of basic metals	93	121	128	1,110	1,280	794	90,553,454.17	93,040,815	79,981,380.12
25	Manufacture of fabricated metal products	581	736	770	2,494	3,112	3,065	105,628,083.82	116,637,375	160,666,951.86
26	Manufacture of computer, electronic and optical products	15	25	28	48	71	80	1,733,787.38	1,820,758	3,681,731.95
27	Manufacture of electrical equipment	27	33	44	215	224	261	13,085,468.61	16,714,116	19,947,005.06
28	Manufacture of machinery and equipment n.e.c.	28	33	38	131	174	274	8,815,334.17	17,741,140	10,932,204.35
29	Manufacture of motor vehicles, trailers and semi-trailers	2	N/A	6	47	53	111	1,533,577.98	1,644,936	4,713,085.63
30	Manufacture of other transport equipment	2	8	9	44	54	55	1,680,403.73	2,044,626	2,081,758.78
31	Manufacture of furniture	393	514	549	2,608	3,833	4,915	70,687,899.95	94,977,517	190,907,254.90
32	Other manufacturing n.e.c.	80	98	106	266	281	430	7,066,347.56	6,795,081	16,536,703.69
33	Repair and installation of machinery and equipment	62	103	106	89	144	181	6,157,605.19	4,638,213	5,353,314.37
	in total	4,533	5,637	5,984	28,179	34,691	39,558	1,281,904,332.20	1,389,120,291.43	2,003,697,898.65

Source: Kosovo Agency of Statistics, processed by DIP/DI

2.1 Sector enterprises - C, by size and sub-sectors

Assessing the importance of Sector-C and based on statistical analysis, data were processed in terms of size of enterprises in the sub-sectors of the Processing Industry, for 2021.

According to the size of enterprises, the data show that in Kosovo, 86.3% are micro enterprises, then 11.86% are small enterprises, 1.67%, medium enterprises and 0.17% large enterprises. Within Sector-C (10-33) only five sub-sectors belong to the category of large enterprises.

2.2 General sector data - C (Manufacturing), are as in next:

- Sector C (Manufacturing Industry) has a share of 12.9 % of Kosovo's GDP;
- In 2021, the share of Sector C in GDP dropped by 0.5%, compared to 2020;
- Sector C (Manufacturing Industry) had a share of about 82.8% in overall exports in 2021, and about 92.6% in overall imports;
- Export share in 2021 was 626 million Euros, while in 2020 it was 398 million Euros, indicating that exports in Sector C recorded an increase of 57.2%;
- Imports in 2020, in Sector C was 3.06 billion Euros, while in 2021 it was 4.33 billion Euros, i.e. it increased by 41.73%, whereas in 2020, compared to 2019, it had dropped by 5.9%;
- In 2020, Sector C has a share of 11.8% in the employment rate by economic activity;
- Within Sector C, 22% are export enterprises;
- The effective interest rate in Sector C during 2021 was 5.9 %.

2. PROCESSING OF FOOD PRODUCTS

The food industry includes different types of food products, which are: meat, flour, milk, oil, sugar, various fruits and vegetables, etc. Kosovo has great potential for the development of this sector based on a rich configuration with abundant fertile land for the cultivation of agricultural products, and therefore investors have great opportunities to invest in the food processing industry.



The data of the food processing sub-sector are as follows:

- The Food Processing sub-sector accounts for 25.03% of employment, and 24.43% in the number of enterprises, and 23.57% in annual turnover in Sector C;
- In overall exports, Food Manufacturing has a share of 5.9%;
- In Sector C exports, this sub-sector accounts for 7.1%;
- In overall imports, Food Manufacturing has a share of 12.4%;
- In imports of Sector C, this sub-sector has a share of 13.39%;
- In 2021, the difference in the Food Processing sub-sector, in the five analysed indicators, increased in: the number of enterprises 6.79%, employment 22.53%, turnover 47.57%, exports 33.04 % and imports 24.51%, compared to 2020.

3. MANUFACTURE OF BEVERAGES

Manufacture of beverages in Kosovo as a sector has its history in the production of organic beverages from non-alcoholic and alcoholic beverages. This sector has the potential for economic development of the country taking into account the involvement of the production chain, starting from fruit and vegetable growers to the final manufacturers of beverages, all based on the sources of drinking water in Kosovo, where springs plain and sparkling water as well as fertile soils for planting and fermenting other beverages.



The data of the sub-sector of Manufacture of Beverages are as follows:

- The “Beverage Manufacturing” sub-sector accounts for 5.61% of employment, 1.70% of the number of enterprises, and 10.75% of annual turnover in Sector C;
- In overall exports, Beverage Manufacturing has a share of 4.9%;
- In Sector C exports, this sub-sector has a share of 5.9%;
- In overall imports, Beverage Manufacturing has a share of 2.5%;
- In Sector C imports, this sub-sector has a share of 2.7.%;
- In 2021, the difference in the beverage sub-sector, in the five analysed indicators increased in: the number of enterprises 30.77%, employment 3.88%, turnover of over 100%, exports 24.33 % and imports 50.25%, compared to 2020.

4. MANUFACTURE OF TEXTILES

Sub-sector “Manufacture of textiles” has the potential to increase employment, turnover and increase exports.

There are currently 176 private enterprises, in Kosovo, engaged in the manufacture of textiles, most of them are manufacturers of final products. Textile products from Kosovo were mostly exported to EU countries and CEFTA Countries.



The data of the sub-sector Manufacture of Textiles are as follows:

- Sub-sector “Manufacture of textile” accounts for 2.05% of employment, 2.89% of the number of enterprises, and 1.08% of annual turnover in Sector C;
- In overall exports, Manufacture of textile has a share of 3.0%;
- In Sector C exports, this sub-sector has a share of 3.61%;
- In overall imports, Manufacture of textile has a share of 2.14%;
- In Sector C imports, this sub-sector has a share of 2.31%;
- In 2021, the difference in the textile sub-sector is as follows: in the number of enterprises -1.7%, in employment 0.87%, in turnover 35.32%, in exports 26.05% and in imports 50.59%, compared to 2020.

5. MANUFACTURE OF WEARING APPAREL

The clothing industry in terms of potential, as well as the totality of products, is an important branch in the broad family of industry branches. The branches of the textile and clothing industry are spread, almost all over Kosovo, with a total of 325 enterprises. In terms of sales, most products are sold in the domestic market but some of them are mainly exported to EU countries.



The data of the sub-sector of Manufacture of Wearing Apparel are as follows:

- Sub-sector “Manufacture of apparel” accounts for 4.07 % of employment, 5.85% of the number of enterprises, and 0.92% of annual turnover in Sector C;
- In overall exports, Manufacture of apparel has a share of 1.4%;
- In Sector C exports, this sub-sector has a share of 1.64%;
- In overall imports, Manufacture of apparel has a share of 3.04%;
- In Sector C imports, this sub-sector has a share of 3.28%;
- In 2021, the difference in the apparel sub-sector, in the five analysed indicators increased in: the number of enterprises 7.69%, employment 39.88%, turnover 85.72%, exports 99.19%, and imports 44.34%, compared to 2020.

6. MANUFACTURE OF LEATHER AND RELATED PRODUCTS

Leather industry in Kosovo has its origin in the tradition of leather tanners and searches for leather processing and shoe production and dates from 1945.

Leather-shoe production has started a systematic decline in industrial production since 1989/1990, as a result of the regime which lasted until the war period in 1998/1999.

From the statistical analysis of this sub-sector, this sub-sector has only 43 enterprises.



Data of the sub-sector of Manufacture of Leather and Related Products is as follows:

- Sub-sector “Manufacture of leather and leather products” accounts for 1.03% of employment, 0.65% of the number of enterprises, and 0.42% of annual turnover in Sector C;
- In overall exports, Manufacture of leather and leather products has a share of 0.44%;
- In Sector C exports, this sub-sector has a share of 0.53%;
- In overall imports, Manufacture of leather and leather products has a share of 1.07%;
- In Sector C imports, this sub-sector has a share of 1.15%;
- In 2021, the difference in the sub-sector of leather and leather products is as follows: in the number of enterprises -9.3%, in employment -3.3%, in turnover 43.37%, in exports 42.18%, and imports 31.1%, compared to 2020.

7. MANUFACTURE OF WOOD AND OF PRODUCTS OF WOOD AND CORK, EXCEPT FURNITURE; MANUFACTURE OF ARTICLES OF STRAW AND PLAITING MATERIALS

The wood processing sub-sector in Kosovo is considered potential in all competitiveness analyzes. Of the EU member states, Sweden produced 73 million m³ in 2017, followed by Finland, Germany and France (each producing between 51 and 64 million m³). Almost a quarter (23.2%) of wood production, 28 EU countries in 2017 were used as fuel, while the rest was used for the wood and veneer industry, or for the production of pulp and paper.



Data of the sub-sector of Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials are as follows:

- The “Wood manufacturing” sub-sector accounts for 6.0% of employment, 8.71% of the number of enterprises, and 3.9% of annual turnover in Sector C;
- In overall exports, Wood manufacturing has a share of 1.86%;
- In Sector C exports, this sub-sector has a share of 2.24%;
- In overall imports, Wood manufacturing has a share of 2.09%;
- In Sector C imports, this sub-sector has a share of 2.26%;
- In 2021, the difference in the wood sub-sector, in the five analysed indicators, increased in: the number of enterprises 9.22%, employment 35.28%, turnover 69.13%, exports 34.69% and imports 42.4%, compared to 2020.

8. MANUFACTURE OF PAPER AND PAPER PRODUCTS

The paper sub-sector is among the leading industries in the world, paper consumption and its production is constantly increasing.

Kosovo mainly produces paper sacks, paper bags, corrugated paperboard for packaging, boxes according to market requirements, kitchen paper, toilet paper, tissues, etc.

As for the paper sector, the sub-activity corrugated paper and paperboard, as well as paper and paperboard packaging has a positive trend and there is an increase in exports. If we take into account the number of enterprises and employment within the paper sector, then “Manufacture of household and sanitary goods and of toilet requisites” leads in both enterprise number and employment.



Data of the sub-sector of Manufacture of Paper and Paper Products are as follows:

- The sub-sector “Manufacture of paper and paper products” accounts for 1.63% of employment, 1.7% of the number of enterprises, and 1.97% of annual turnover in Sector C;
- In overall exports, Manufacture of paper and paper products has a share of 0.53%;
- In Sector C exports, this sub-sector has a share of 0.64%;
- In overall imports, Manufacture of paper and paper products has a share of 1.63%;
- In Sector C imports, this sub-sector has a share of 1.76%;
- In 2021, the difference of the paper and paper products sub-sector is as follows: in the number of enterprises -4.67%, in employment -10.28%, in turnover -0.62%, in exports 37.5% and in imports 30.29%, compared to 2020.

9. MANUFACTURE OF CHEMICAL PRODUCTS

The chemical industry is one of the important branches of the modern economy and its products are used in other sectors of the economy, such as agriculture, manufacturing, construction and services.

According to "Chemical Industry Profile, 2019 / MTI", One fifth of companies are supplied with raw materials by local traders, while almost 13% of them are supplied directly by foreign manufacturers. In addition, 25% of companies stated that they use raw materials and intermediates both produced locally and imported. In the end, only 10% of companies rely on domestic supplies, from their own production or other local suppliers.



Data of the sub-sector of Production of Chemical Products, are as follows:

- Sub-sector “Manufacture of Chemical Products” accounts for 2.39% of employment, 2.11% of the number of enterprises, and 2.76% of turnover in Sector C;
- In overall exports, Manufacture of chemical products has a share of 2.89%;
- In Sector C exports, this sub-sector has a share of 3.49%;
- In overall imports, manufacture of chemical products has a share of 7.85%;
- In Sector C imports, this sub-sector has a share of 8.47%;
- In 2021, the difference in the chemical products sub-sector in the five analysed indicators increased in: the number of enterprises 10.53%, employment 24.15%, turnover 73.28%, exports 11.24% and imports 43.01%, compared to 2020.

10. MANUFACTURE OF RUBBER AND PLASTIC PRODUCTS

The main products produced by rubber and plastic enterprises in Kosovo are: production of bags, garbage bags, blowers, plastic bottles, plastic pharmaceutical and jewelry boxes, plastic windows and doors, shutters, plastic pipes for water and sewage, plastic buckets, plastic packaging for yogurt, then tire wrappers, rubber plastics, trapezoidal belts, conveyor belts, various rubber and plastic toys, etc.



Data of the sub-sector Manufacture of Rubber and Plastic Products are as follows:

- Sub-sector “Manufacture of Rubber and Plastic Products” accounts for 9.25% of employment, 9.68% of the number of enterprises, and 9.89% of annual turnover in Sector C;
- In overall exports, Manufacture of rubber and plastic products has a share of 10.39%;
- In Sector C exports, this sub-sector has a share of 12.54%;
- In overall imports, Manufacture of rubber and plastic products has a share of 4.38%;
- In Sector C imports, this sub-sector has a share of 4.73%;
- In 2021, the difference in the Manufacture of rubber and plastic products sub-sector, in the five analysed indicators, increased in: the number of enterprises 1.22%, employment 4.21%, turnover 41.09%, exports 34.75% and imports 35.31%, compared to 2020.

11. MANUFACTURE OF OTHER NON-METALLIC MINERAL PRODUCTS

According to statistical data, Kosovo mainly produces: concrete products for construction purposes, ready-mixed concrete for construction, stone breaking, shaping and final shaping, production of bricks, tiles and construction products in baked clay, production of varnishes, shaping and processing of flat glass etc.



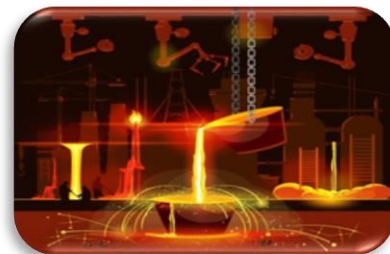
Sub-sector of Manufacture of other non-metallic mineral products

- Sub-sector “Manufacture of non-metallic minerals” accounts for 13.83% of employment, 9.11% of the number of enterprises, and 16.19% of annual turnover in Sector C;
- In overall exports, Manufacture of non-metallic minerals has a share of 2.48 %;
- In Sector C exports, this sub-sector has a share of 3.0%;
- In overall imports, Manufacture of non-metallic minerals has a share of 4.81%;
- In Sector C imports, this sub-sector has a share of 5.19%;
- In 2021, the difference in the non-metallic mineral products sub-sector, in the five analysed indicators, increased in: the number of enterprises 6.65%, employment 7.62%, turnover 15.39%, exports 94.68% and imports 31.55%, compared to 2020.

12. MANUFACTURE OF METALS

Manufacture of Metals involves the separation of the smelting and/or refining activities of ferrous and non-ferrous metals from ore, molten metal or waste, using electro-metallurgical processes and techniques, and other metallurgical processes. It also involves the production of metal alloys and super-alloys by introducing other chemical elements into pure metals.

Enterprises of this sub-sector, use Kosovo's rich resources with metal ores (e.g. nickel), to produce base metals that are usually exported, the production of final products (steel tubes, steel pipes, heating radiators, galvanized steel products, etc.).



The data of the sub-sector Manufacture of Metals are as follows:

- The “Metal Manufacturing” sub-sector accounts for 2.01% of employment, 2.14% of the number of enterprises, and 3.99% of annual turnover in Sector C;
- In overall exports, metal manufacturing has a share of 17.43%;
- In Sector C exports, this sub-sector has a share of 21.03%;
- In overall imports, metal manufacturing has a share of 8.09%;
- In Sector C imports, this sub-sector has a share of 8.73%;
- In 2021, the difference in the metal sub-sector is as follows: in the number of enterprises 5.79%, in employment -38%, in turnover -14%, in exports 17.14% and in imports 57%, compared to 2020.

13. MANUFACTURE OF FABRICATED METAL PRODUCTS, EXCEPT MACHINERY AND EQUIPMENT

This sub sector includes, processing of metal products turning them into final products such as: knives, handles, cylinders, various tools, screwdrivers, wire and some other products. Metal processors in Kosovo can greatly increase the value of metals destined for export and at the same time meet the demands of the local market with better quality and lower prices.



Data of the sub-sector of Manufacture of Fabricated Metal Products, except Machinery and Equipment include as follows:

- Sub-sector “Manufacture of fabricated metallic products, except for machinery and equipment” accounts for 7.75% of employment, 12.87% of the number of enterprises, and 8.02% of annual turnover in Sector C;
- In overall exports, Manufacture of fabricated metallic products has a share of 6.98%;
- In Sector C exports, this sub-sector has a share of 8.42%;
- In overall imports, Manufacture of fabricated metallic products has a share of 3.22%;
- In Sector C imports, this sub-sector has a share of 3.48%;
- In 2021, the difference in the Fabricated metallic products sub-sector is as follows: in the number of enterprises 4.62%, in employment -1.51%, in turnover 37.75%, in exports 66.16% and imports 21.51%, compared to 2020.

14. MANUFACTURE OF FURNITURE

The furniture industry is an industry dominated by micro, small and medium enterprises, both in Kosovo and in other EU countries. The enterprises that deal with the production of furniture are installing the modernized technological process, although they have difficulties, in the absence of finances. However, the products in the sub-sector "Manufacture of furniture" have good quality and also have an upward trend in exports.

Under the furniture production sector in Kosovo, there is an important place with the participation of the number of enterprises, employment, exports and turnover in the manufacturing industry.



Data of the sub-sector of Manufacture of furniture are as follows:

- Sub-sector "Manufacture of furniture" accounts for 12.42% of employment, 9.17% of the number of enterprises, and 9.53% of annual turnover in Sector C;
- In overall exports, manufacture of furniture has a share of 18.52%;
- In Sector C imports, this sub-sector has a share of 22.35%;
- In overall imports, Manufacture of furniture has a share of 1.31%;
- In Sector C imports, this sub-sector has a share of 1.42%;
- In 2021, the difference in the furniture manufacturing sub-sector, in the five analysed indicators, increased in: the number of enterprises 6.81%, employment 28.23%, turnover 100%, exports in the amount of 106 million Euros or over 300%, and imports in the amount of 22 million Euros or 57.48%, compared to 2020.

Conclusions

- The manufacturing/processing industry has a high potential to reduce the trade deficit, taking into account the share of 83% in the overall export, where the coverage of import with export is only 14.4%.
- Exports of manufacturing/processing industry products are from countries where the diaspora is concentrated, which reflects the limited diversification of exports in the global market. The importance of diversification is observed with the expansion of exports to the USA, specifically in the industry of “Furniture manufacturing” sub-sector.
- The manufacturing sector remains stable at around 13% of GDP and continues to hold the third place after services, construction and mining although it contributes to the increase in the value added in manufacturing in the country as well as to the increase in the number of employees.
- The manufacturing industry sector has seen a decline in FDI over the last two years, considering that the diaspora's investments are concentrated in real estate. FDIs in Kosovo come from Germany, Switzerland, USA, etc.
- Bank interest rates are still high for the manufacturing industry at around 6%, which prevents businesses from expanding their production capacities.
- The participation of women in the manufacturing/processing industry continues to be low, although the manufacturing industry sector has the potential for higher employment.
- Imports of the Manufacturing Industry continue to be high, due to the fact that the economy of Kosovo is not managing to intensify the provision of raw materials from local sources that would contribute to the reduction of imports.