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

Departamenti i Industrisë - Divisioni për Politika Industriale

SECTOR C

Manufacturing Industry

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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
CEFTA	-	Central European Free Trade Agreement
DI	-	Department of Industry
KC	-	Kosovo Customs
DIP	-	Division of Industrial Policy Development
EFTA	-	European Free Trade Association
FDI	-	Foreign Direct Investment
ODC	-	Other Depository Corporations
MIET	-	Ministry of Industry, Entrepreneurship and Trade
AAIRD	-	Annual Average Interest Rate on Deposits
MVA	-	Manufacturing Value Added
WITS	-	World Integrated Trade Solution
WDI	-	World Development Indicators

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Introduction

Historically, Kosovo's industrialization began in the 1960s until the late 1980s, with Kosovar companies being integrated into a wider industrial value chain in the former Yugoslavia. Manufacturing gained a foothold in Kosovo through the manufacturing of, among others, automotive parts, batteries and metalworking. The disintegration of the former Yugoslav federation continued in parallel with a period of rapid de-industrialization. In the post-war period, Kosovo experienced low industrial development.

Dynamic development of the private sector in small and medium enterprises (SMEs), with special emphasis on manufacture and privatization initiatives are the first steps of the processes towards the development of a market economy and integration into regional and international institutions. In Kosovo's economy micro, small and medium enterprises constitute the main pillar of the economy, with about 98%.

Perhaps more than most sectors, manufacturing has a high potential to create significant productivity and additional value gains by attracting new technologies and innovation. Industrial development can also have numerous positive developmental implications beyond the manufacturing sector. Due to various linkages with other sectors of the economy, industrial development can stimulate growth and development in sectors such as agriculture and mining in Kosovo and related service industries.

To have a detailed overview of the state or trends of industry development, industrial policymakers within the Ministry of Industry, Entrepreneurship and Trade, based on processed statistical data, have prepared the Annual Manufacturing Industry Report 2023 to analyze the performance of Sector C across three main dimensions: economic, social and environmental.

The purpose of drafting the Annual Report is to present the main trends in the development of Kosovo's economy, for the period 2020-2022, with a special emphasis on the main industrial branches during 2022, but also a comparative analysis with countries of the region, well as the trend of developments in the Manufacturing Industry sectors.

The data analyzed, contained in this report, can be used by institutions, academicians, policymakers, operating businesses (current and those with potential in the private sector), investors, donors and researchers. The report on Sector C (Manufacturing Industry) provides a more detailed overview of the main trends influencing the country's industry and facilitates the work of all relevant actors in designing more effective development policies, based on measurable indicators.

Methodology

The report was compiled using research methods of various research reports as well as quantitative and qualitative data received from the Kosovo Agency of Statistics, the Central Bank of Kosovo and other relevant institutions.

Quantitative and qualitative data have been processed and analyzed by MIET staff, specifically by statistical data processors and industrial policy makers in the Department of Industry.

In order to provide accurate information presented in tabular and figurative forms, combination and comparison methods were used for the presented data.

Statistical data are processed in the general part for the Manufacturing Industry of Sector C, the general values that include codes 10-33, including a comparison with the Western Balkans countries (WB6). The description of the sub-sectors in this Report is listed according to the codes, as listed in the international nomenclature (NACE-Rev2).

The data for the sub-sectors, in addition to being processed according to the two-digit codes, such as the data on exports and imports, are also presented according to the activities of the three-digit code, while the data for the sub-activities for enterprises, employment and turnover in Kosovo are presented according to the four-digit code.

From the processed statistical data, detailed analyses have been compiled for GDP, FDI, export and import trends in the manufacturing industry, both in the region and with other countries as well as Kosovo's trade indicators (exports and imports) by countries. In this report, data analyzes according to the four-digit code are also presented for the number of employees in the industry, the number of enterprises according to size and the turnover value, according to activities.

After the analysis presented regarding the general data and trends for the Manufacturing Industry, Sector-C, this report also contains the conclusions related to the situation and manufacturing trends in the manufacturing industry in Kosovo.

Sources of information have been cited for all the data used in the Analytical Report on the Manufacturing Industry.

ECONOMIC ANALYSIS

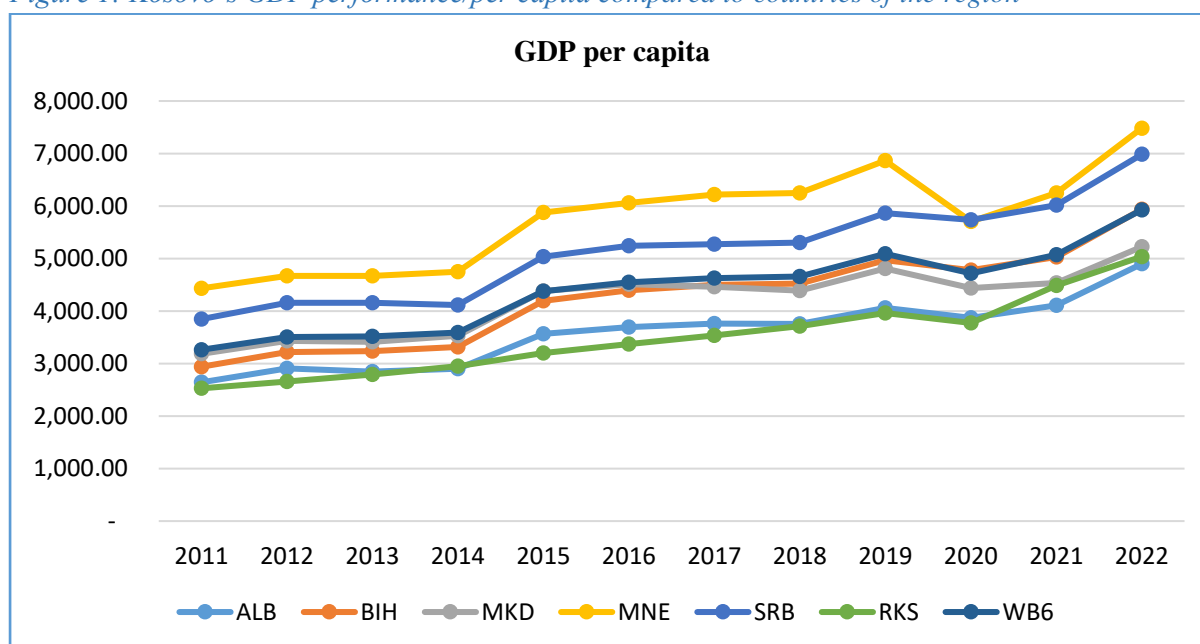
Gross Domestic Product

Gross Domestic Product (GDP) is the most important economic indicator of national accounts, which represents the economic performance of a country at a given period of time.

According to the statistics of the National Accounts "Gross Domestic Product (GDP) 2008-2022)" published in September 2023, the real growth of GDP in 2022 compared to 2021 was 5.22%.

According to the data of "World Development Indicators", in relation to the countries of the Western Balkans and the National Accounts Statistics of Kosovo (2008-2022), Kosovo presents the lowest overall economic performance in GDP capita of €5,037 for the year 2022, which means that it is below the WB6 average of €5,927. Despite the shortage, starting from a low base, Kosovo was growing at a faster rate than its regional counterparts: Kosovo's GDP/capita growth rate was 5.9% over the period 2011-2022 where it exceeded the region by (0.8%), with the exception of Bosnia and Herzegovina which had an increase of 6%, while the WB6 average was 5.1%. However, the existing growth rate needs to be accelerated to ensure it catches up faster with its regional counterparts.

Figure 1: Kosovo's GDP performance/per capita compared to countries of the region



Source: WDI and KAS

The main economic activities that have contributed to GDP growth in the period from 2019-2022 were wholesale and retail trade: repair of vehicles and motorcycles; manufacturing industry; construction, agriculture, hunting, forestry, fishing, real estate business, etc.

Table 1. Gross Domestic Product by economic activity, at current prices (in %)

Nace Rev.2	Economic activities	Year 2018	Year 2019	Year 2020	Year 2021	Year 2022
A	Agriculture, hunting, forestry and fishing	6.5	7.2	7.4	6.9	7.4
B	Extractive industry	2.2	2.0	2.0	1.9	1.5
C	Manufacturing industry	13.1	12.9	13.4	12.9	13.2
D	Electricity and gas supply	3.5	3.4	3.9	3.6	3.8
E	Water supply	0.7	0.7	0.6	0.6	0.6
F	Construction	8.4	8.2	7.7	8.5	8.5
G	Wholesale and retail trade; repair of vehicle and motorcycles	12.5	12.8	12.8	13.6	14.3
H	Transport and storage	4.5	4.4	3.9	4.3	4.4
I	Hotels and restaurants	1.9	2.1	1.6	2.1	2.1
J	Information and communication	1.9	1.9	2.0	1.9	2.0
K	Financial and insurance activities	3.6	3.9	4.1	3.7	3.9
L	Real estate business	7.1	7.0	7.3	6.4	6.1
M	Professional, scientific and technical activities	1.5	1.4	1.6	1.4	1.4
N	Administrative and support activities	0.7	0.7	0.7	0.7	0.7
O	Public administration and protection; compulsory social security	5.8	5.9	6.6	5.5	5.0
P	Education	3.8	3.7	3.8	3.4	3.1
Q	Health and social work activities	2.2	2.2	2.7	2.3	2.1
R	Arts, entertainment and recreation	0.4	0.2	0.2	0.2	0.2
S	Other services	0.4	0.4	0.4	0.3	0.3
T	Household activities as an employer; Undifferentiated goods and services producing activities of households for own use	-	-	-	-	-
	GVA at basic prices	80.6	80.8	82.6	80.2	80.4
	Taxes on products	19.4	19.2	17.4	19.8	19.6
	Subsidies on products	-	-	-	-	-
	Gross Domestic Product	100	100	100	100	100

Source: Kosovo Agency of Statistics/Economic Statistics and National Accounts

According to Table 1, in 2022, wholesale and retail trade and repair of vehicles and motorcycles had the largest share in the GDP (14.3%), followed by the manufacturing industry (13.2%) which, compared to 2021, and has marked an increase of 0.3% as a share of the GDP.

From the total of 20 activities presented in Table, 7 activities marked an increase in 2021, compared to 5 activities in 2022, among which the highest growth was recorded by the activities of wholesale and retail trade and repair of vehicles and motorcycles with an increase of 0.7%.

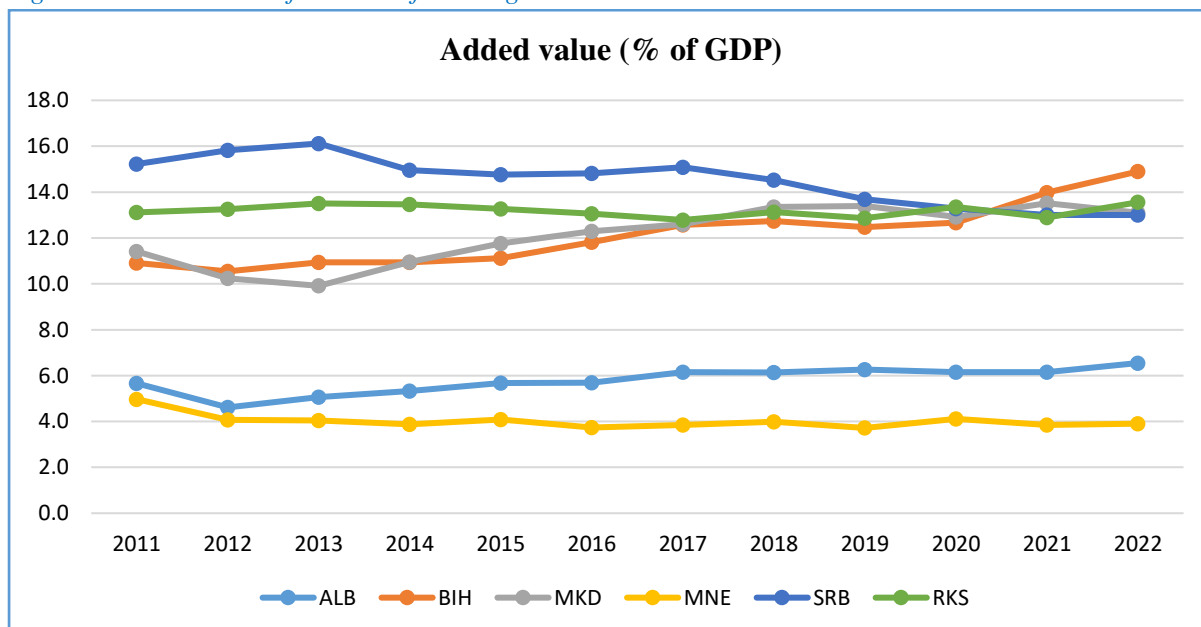
Sector C, manufacturing industry has a share of 13.2 % in GDP.

Share of value added in the GDP

The United Nations System of National Accounts requires that value added be measured either at basic prices (excluding net taxes on products) or at producer prices (including net taxes on products paid by producers, but excluding sales or taxes on value added). Both estimates exclude shipping charges that are billed separately by manufacturers. Total GDP is measured by buyers' prices. Value added by the industry is usually measured in base prices.

In 2022, the level of industrialization of Kosovo, measured by the participation of MVA in GDP, is (13.6%) and exceeds the average of WB6 (10.8%), with the exception of Bosnia and Herzegovina (14.9%). The data for the year 2022 for Serbia and Montenegro have not been published, so the data were taken 2021.

Figure 2. Added value of the manufacturing sector in the GDP



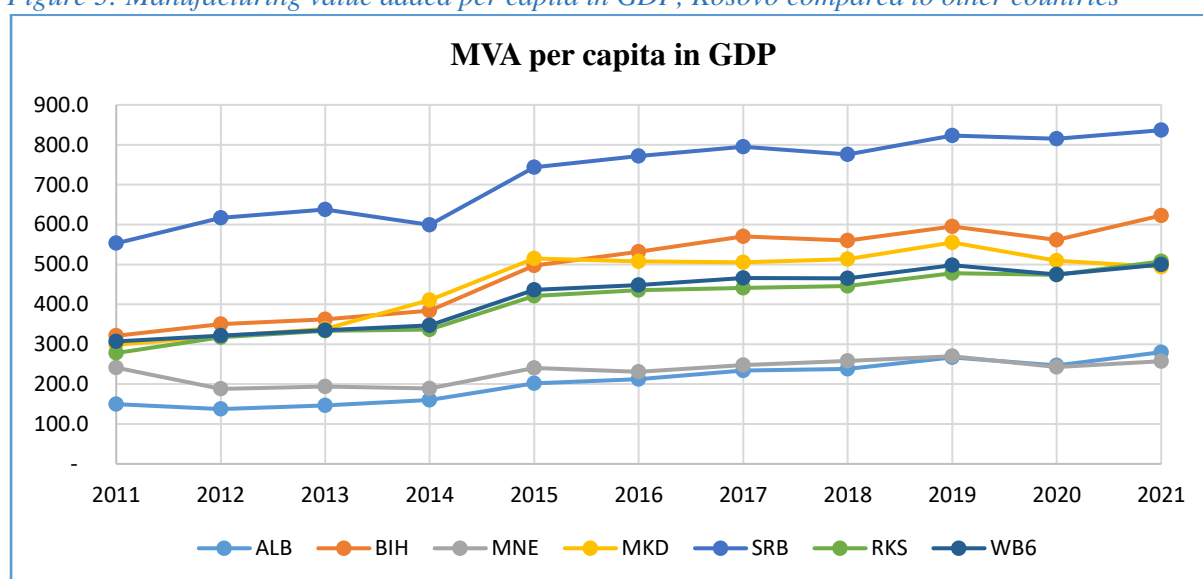
Source: World Development Indicators

Value added per capita

Value added per capita indicates the basis of a country's level of industrialization adjusted for the size of the economy. One of the statistical uses of GDP per capita is the classification of groups of countries according to the stage of industrial development.

The manufacturing capacity of a country is measured by the value added generated in the manufacturing sector per capita. According to this, in 2021 Kosovo was at EUR 507/capita, above the WB6 average of EUR 499/capita, but lower than Serbia, which had a GDP of EUR 836/capita, and Bosnia and Herzegovina EUR 622/capita).

Figure 3: Manufacturing value added per capita in GDP, Kosovo compared to other countries



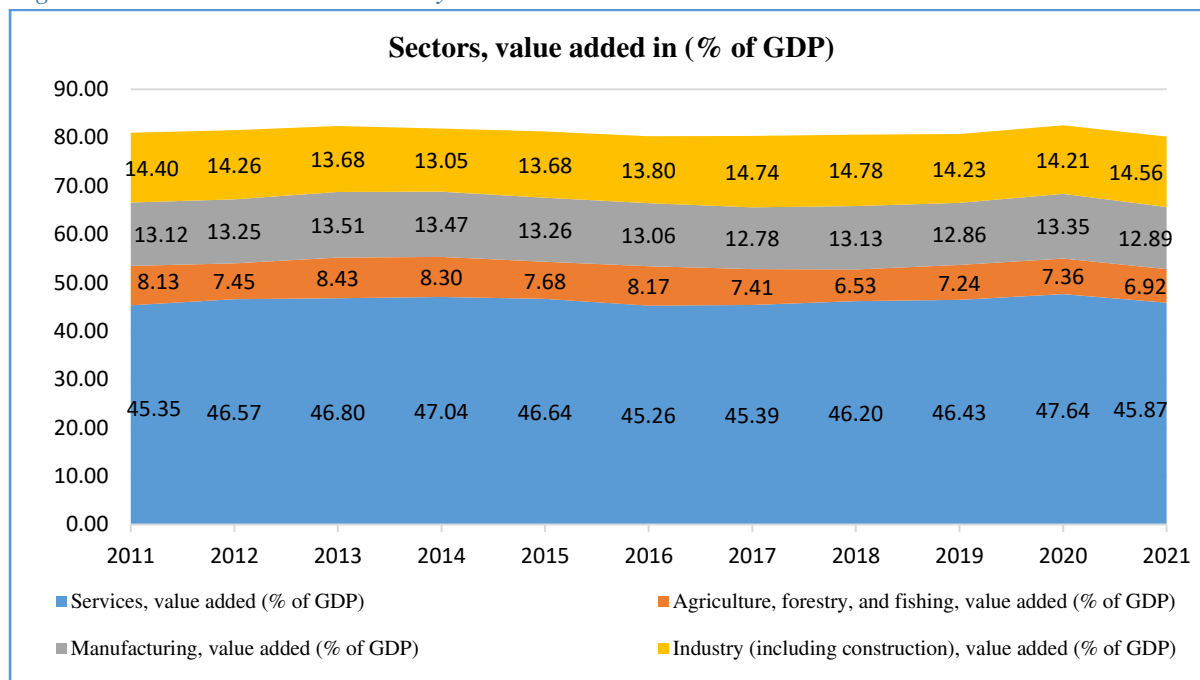
Source: WITS, KAS (processed by DI/DIP staff)

Share of value added in the GDP by sector

Moreover, between 2011 and 2021, Kosovo underwent through few structural changes in the composition of its economy. For the general economy, the importance of manufacturing is relatively limited. The share of the manufacturing value added (MVA) in GDP remained stable, while in 2021 it decreased by 0.46%.

The weight of value added in services accounted for an average of 45%, while mining, including construction, accounted for an average of 14% of GDP during the same period.

Figure 4. Value added in the GDP by sector



Source: WDI, processed by DI/DIP staff

Foreign Direct Investment

Foreign investments directly contribute to the increase of opportunities for economic integration by creating stable and long-term links in international markets.

The world's largest companies transfer their capital to those countries that provide better investment conditions. In addition to lower taxes, cheaper and qualified workforce, companies are also interested in the rule of law in the country of investment, but also in securing investment by the beneficiary country.

Share of manufacturing FDIs in total FDIs for 2022 was 1.84%.

Foreign Direct Investment by economic activity

The data of the Central Bank of Kosovo show that in 2022, the net inflows of FDI in the manufacturing sector were 14.3 million Euros, while in 2021 they decreased by 0.4 million Euros. FDIs in 2020 had a net outflow equivalent to 1.3% of the total net inflows of FDIs in 2021, the outflow decreased to 0.10% and in 2022 we have a positive trend or equivalent net inflow with the participation of the manufacturing/processing industry with 1.84% in total FDIs. Most of the FDIs are oriented to the real estate and construction sectors that have attracted almost 67.37% of all FDI flowing into the country in the last decade, which have little spillover effect).

As for investments, even though Kosovo has the largest share of gross fixed capital formation to GDP in WB6; it is not possible to break down the extent to which this is due to investments in machinery and equipment.

Table 2. FDI by economic sectors, 2016 – 2022 (in million Euros)

Sectors	2016	2017	2018	2019	2020	2021	2022
Agriculture, forestry and fishing	1.3	(1.3)	0.1	1.5	2.8	1.1	0.7
Mines and quarries	(19.1)	(4.9)	(2.7)	(6.9)	29.1	1.4	52.4
Manufacturing	4.2	6.1	(17.7)	14.2	(4.6)	-0.4	14.3
Supply of energy, gas, steam and air conditioning	(0.4)	(0.8)	12.1	13.5	30	(38.8)	44.3
Water supply, sewerage, waste management	0.6	0.0	2.5	(0.6)	0.2	(0.5)	(0.2)
Construction	28.1	5.1	24.8	(17.1)	11.4	16.7	26.7
Wholesale and retail trade, repair of motor vehicles and motorcycles	14.0	9.0	19.6	(6.7)	(8.1)	(4.0)	15.1
Transport and storage	0.9	(0.8)	(0.2)	(6.2)	(16.0)	4.3	(4.1)
Accommodation and food service activities	0.8	1.1	1.8	1.4	1.1	0.7	(4.1)
Information and communication	(4.2)	(3.8)	(9.6)	2.3	1.6	17.3	14.0
Financial and insurance activities	19.0	55.2	15.5	13.9	85.1	24.6	53.9
Real estate activities	139.7	154.7	205.2	223.8	201.1	384.0	523.7
Professional scientific and technical activities	5.8	5.7	5.2	3.4	3.6	5.7	10.7
Administrative and support activities	21.9	23.7	4.7	3.7	0.8	1.4	10.7
Public administration and protection; compulsory social security	1.9	1.3	0.9	1.7	1.1	1.1	1.5
Education	0.8	0.7	0.7	1.3	1.3	1.8	2.2
Human health and social work activities	1.3	(1.0)	(0.4)	0.6	0.3	2.7	1.2
Arts, entertainment and recreation	0.1	0.0	0.5	0.5	(0.1)	0.1	0.6
Other service activities	3.9	3.7	7.2	2.8	1.7	(1.2)	1.2
Unspecified activities	(0.3)	1.5	2.0	7.6	3.0	2.6	12.6

Source: Central Bank of Kosovo / <https://bqk-kos.org/statistikat/serite-kohore/> accessed on 05.07.2023

The data show that in the economic activity of construction from a value of 16.7 million Euros, FDI marked an increase of 10 million Euros or 26.7 million Euros were invested in 2022, as well as in the "Mines and quarries" sector, from a negative value of 1.4 million 52.4 million Euros have been invested. The activity which has gone from a negative value (38.8 million Euros) to an investment value of 44.3 million Euros in 2022 is the activity "Supply of energy, gas, steam and air conditioning". Looking at the investment value, the sector that has recorded the highest investment value is the real estate activity with 523.7 million Euros.

Foreign Direct Investment by country

Foreign Direct Investment (FDI) by countries, during 2015-2022, has a steady trend of increase. The total value of FDIs for 2022 was 777.9 million Euros compared to 420.4 million Euros in 2021, indicating an increase of 85%.

Table 3. FDIs by country of origin, 2015 – 2022 (in million Euros)

Countries		Years							
		2015	2016	2017	2018	2019	2020	2021	2022
AT	Austria	33.5	9.9	20.3	11.2	11.9	27.6	22.9	44.7
DE	Germany	45.3	25.7	55.9	60.3	70.2	67.5	121.9	194.2
SI	Slovenia	5.6	-4.5	1.2	-8.7	6.1	8.1	5.8	21.2
GB	United Kingdom	26.6	13.6	27.0	57.4	0.8	21.4	0.1	-3.4
CH	Switzerland	72.9	61.8	50.6	71.0	61.9	64.1	99.2	155.2
TR	Turkey	55.4	42.7	29.5	12.2	-31.9	14.6	-38	39.0
NL	Netherlands	-36.4	-23.1	-14.1	-39.7	1.9	0.1	7.6	43.7
AL	Albania	40.1	28.6	2.4	22.3	15.2	39.8	50.4	79.8
LU	Luxembourg	0.1	0.6	2.1	1.9	1.3	-2.7	-3.6	1.8
RS	Serbia	0.8	-0.6	-1.4	0.4	0.4	6.0	5.0	-0.7
US	United States	25.0	23.0	20.3	35.5	22.8	29.6	63.7	93.0
FR	France	3.2	2.8	3.6	5.6	3.4	3.7	10.2	9.9
BG	Bulgaria	1.6	0.4	0.5	2.1	1.0	0.9	-0.8	1.4
MK	Macedonia	0.1	3.2	-1.0	1.3	2.0	1.8	1.8	2.0
BA	Bosnia and Herzegovina	0.8	1.2	0.7	0.4	0.1	0.1	0.4	0.3
HR	Croatia	0.1	-1.7	0.7	-1.0	0.9	-1.2	3.0	1.5
MT	Malta	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.8
CY	Cyprus	0.1	0.4	0.8	1.3	2.9	0.9	0.9	1.7
SK	Slovakia	0.1	0.8	0.1	0.5	1.4	0.3	0.3	0.2
CA	Canada	1.1	2.5	3.0	3.2	5.3	4.7	8.8	17.8
CZ	Czech Republic	1.3	0.2	0.7	1.5	0.4	0.5	1.0	0.7
AE	United Arab Emirates	1.4	3.6	13.4	-2.5	3.8	2.8	0.6	4.5
NO	Norway	2.9	3.4	3.5	5.1	4.9	3.2	7.7	7.0
KW	Kuwait	0.0	0.2	0.0	-1.1	0.7	0.1	-0.5	-0.1
ES	Spain	-0.8	0.2	2.5	0.3	0.7	0.0	0.3	0.1
EG	Egypt	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
IT	Italy	5.7	1.9	7.0	2.7	7.9	3.5	8.5	10.4
GR	Greece	-0.2	-0.4	-1.2	-0.3	0.1	-0.1	-1.1	-0.1
HU	Hungary	0.3	0.6	0.4	0.1	19.1	26.1	3.6	14.3
Other	Other	22.1	22.8	26.9	29.1	39.6	22.3	40.7	37.0
Total		308.8	220.0	255.4	272.1	254.8	345.7	420.4	777.9

Source: Central Bank of Kosovo, <https://bqk-kos.org/statistikat/serite-kohore/> accessed on 29.06.2023

Germany remains the country with the highest FDI investments for 2022, amounting to 194.2 million Euros, with an increase of 59.34% compared to 2021. Switzerland ranks second in terms of investments, with 155.2 million Euros, with an increase of 56.45%, followed by the United States with 93 million Euros, with an increase of 46%, and Albania with 79.8 million Euros, with an increase of 58.3%, etc.

Financial market

Regarding the effective interest rates of Other Depository Corporations (ODCs), if we take the average interest rates for the sectors reflected in Table 4, a slight increase in the interest rate was observed in 2022, compared to 2021.

The effective interest rate in the industry sector is 6%.

Table 4. Effective Interest Rates on ODC loans

Sectors	Interest rate 2020	Interest rate 2021	Interest rate 2022
Consumer loans	6.8%	6.4%	6.3%
Mortgage loans	5.7%	5%	4.9%
Agricultural loans	9.3%	7.96%	8%
Industrial loans	6.0%	5.9%	6%
Service loans	6.0%	5.9%	6%
Other sectors	6.3%	6.3%	6.5%

Source: Central Bank of Kosovo, <https://bqk-kos.org/statistikat/serite-kohore/>

Table 4 reflects an increase in effective interest rates in the industry, agriculture, service, and other sectors, while a slight decrease is observed in consumer and mortgage loans.

Domestic loans from banks to the private sector (% of GDP)

The financial market in Kosovo is quite poorly developed for producers. The World Bank estimates that nearly 70% of Kosovar companies finance fixed assets through internal sources, with only 11% relying on bank financing. Kosovo's domestic credit to the private sector, as a percentage of GDP, is 51% (which is the same as the WB6 average) but is well below the OECD average (160%). Furthermore, the percentage of credit in the manufacturing sector to total commercial credit accounted for only 17.3% in 2021.

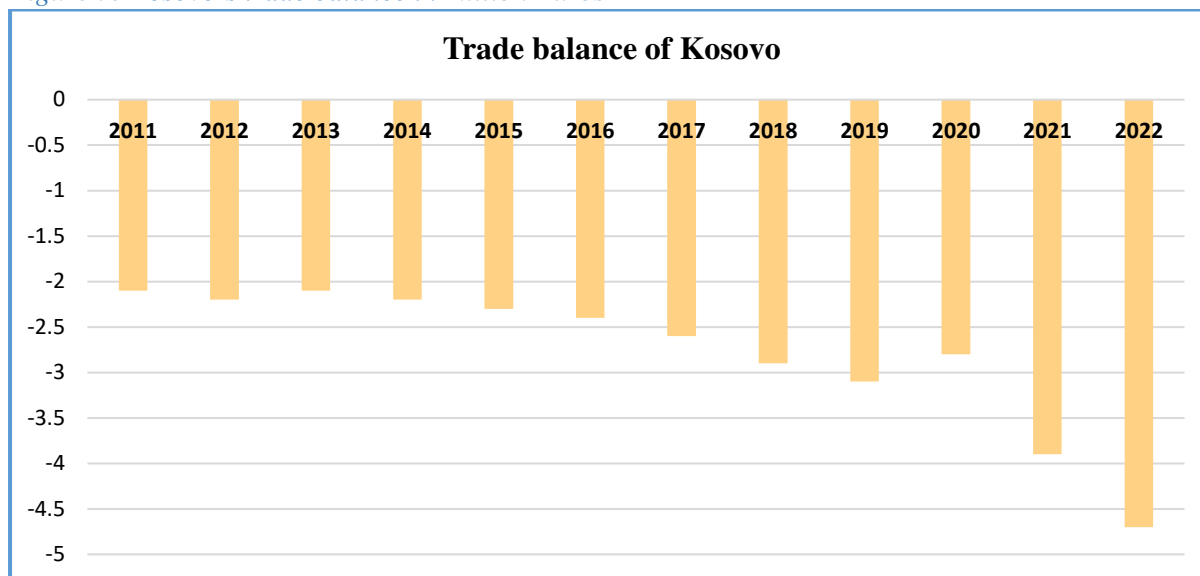
According to the 2022 annual report of the Central Bank of Kosovo, the manufacturing industry ranks second in terms of participation in loans (19.3%), below trade which dominates with a share of 42.7% in total loans. The second sector with the highest participation, the manufacturing sector, recorded a high annual growth of 29.4 percent and it was the sector with the biggest contribution to the increase in total lending according to economic sectors.

Trade balance

The trade balance represents the ratio between exports and imports for a period of one year. In 2022, expressed in financial values, Kosovo exported 920 million Euros and imported 5.6 billion Euros. The ratio between export and import is (1.4:1.6), while the coverage of import with export for the year 2022 is 16.3%. Compared to the previous year in 2022, exports have increased by 22%, while the increase in imports is 20%.

The export-import ratio is (1.4 : 8.6).

Figure 5: Kosovo's trade balance in million Euros

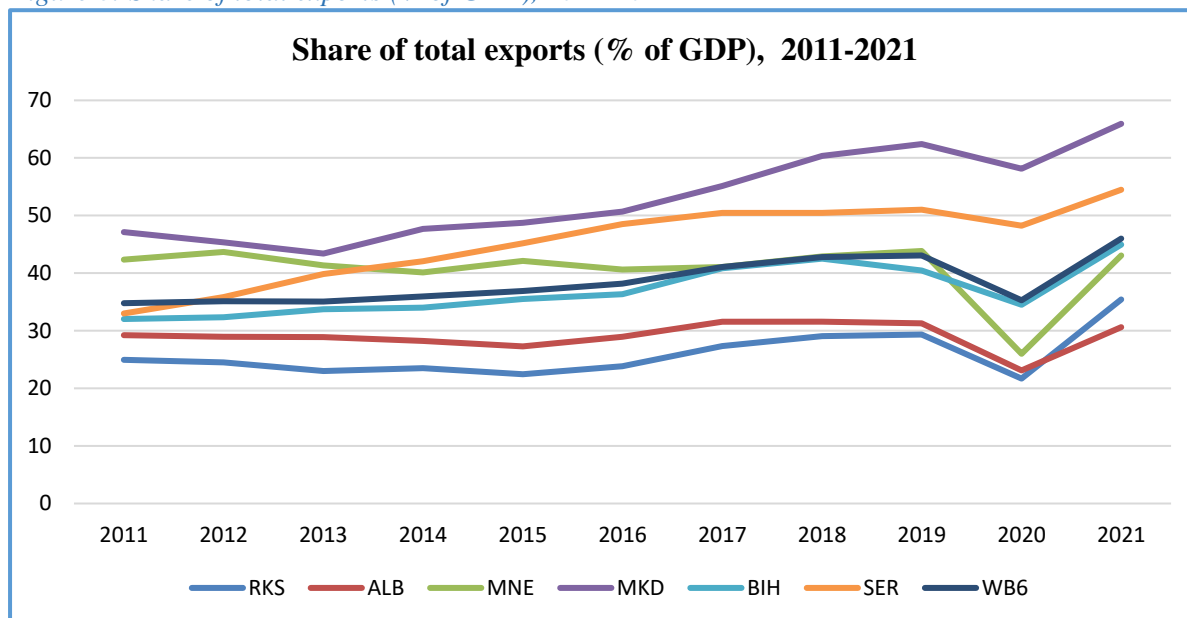


Source: KAS-Foreign Trade Statistics (FTS), June 2023 (processed by DI/DIP staff)

Share of total exports (% of GDP)

The share of exports in GDP compared to 2021 has increased in all the countries of the Western Balkans. The share of Kosovo's exports in the percentage of GDP for 2021 is 35%, while the share of exports in the countries of the Western Balkans is 11% or higher.

Figure 6: Share of total exports (% of GDP), 2011-2021



Source: WDI, KAS (processed by DI/DIP)

According to Figure 6, North Macedonia has the highest share of exports in the GDP (66%) compared to the Western Balkans countries.

1. Export and import with EU, CEFTA, EFTA and other countries for Sector C (Manufacturing industry)

The indicator of the number of exporting enterprises, according to sub-sectors of the manufacturing industry, shows the participation of enterprises in export. According to the OECD, less than 10% of enterprises are exporters in all countries¹.

In the manufacturing industry, the ratio between export and import in 2022 is (1.3:1.7), while the coverage of import with export is 14.6%.

Out of a total of 5,984 enterprises within Sector-C, **1333 or 22% are exporting enterprises**.

The data in Table 5 present a reflection of export and import values with CEFTA, EFTA, EU and other countries, for sub-sectors of Sector-C, for the years 2019-2021.

Sector C has a share of 82.9% in total exports.

• Exports, Sector C

The total value of exports, for the year 2021, to the countries of the EU, CEFTA, EFTA and other countries, was 755.72 million Euros, while the manufacturing industry sector participated with a value of 626.34 million Euros or about 84% of total exports.

Data in Table 8 show that the increase in exports of Sector-C, for 2021, is higher by 57%, compared to previous years, since the increase in exports in 2020 compared to 2019 was 36.6%.

Exports during 2021 in Sector-C are dominated by the sub-sector "Manufacture of furniture" with 22% and with an increase of 317%, compared to the previous year. Furniture products are mainly exported to the USA with 77%, to Switzerland with 8%, etc.

In the second place, in terms of participation in export, ranks the sub-sector "Manufacture of metals" with 21%, while compared to 2020, this sub-sector has increased by 17%. The countries to which most exports of this sub-sector went are Italy with 32%, Albania with 18%, North Macedonia with 15%, etc.

In third place is the sub-sector "Manufacture of rubber and plastic products" with a participation of 12% within Sector-C, while this sub-sector has increased by 34% compared to 2020. The manufacturing of this sub-sector were mainly exported to Germany with 21%, to Switzerland with 14%, to the Netherlands with 12%, to Macedonia and Albania with 7% each, to Serbia with 6.7%, etc.

The sub-sector "Manufacture of fabricated metal products" participated in exports with 8.4% and with a marked increase of 66% compared to 2020. These products were mainly exported

¹ Exports by enterprise size class - OECD iLibrary / https://www.oecd-ilibrary.org/docserver/entrepreneur_aag-2013-11-en.pdf?

to Kazakhstan with 18%, Switzerland and Germany with 15%, North Macedonia with 9%, Albania with 7%, etc.

The sub-sector "Manufacture of food products" ranks fifth with 7%, which in 2021 increased by 33% compared to the previous year. Food products were exported to Albania (17%), Serbia (14%), North Macedonia (11%), Germany (10%), etc.

The sub-sector "Manufacture of beverages" participated with 6% within Sector-C and with an increase in export of 24%, compared to the previous year. Beverage products were mostly exported to Albania with 46%, North Macedonia with 17%, etc.

• Imports, Sector C

The total import to Kosovo from EU, CEFTA, EFTA and other countries for 2021 is 4.684 billion Euros, while Sector-C has participated in the value of 4.338 billion Euros or about 92.63%.

Sector C has a share of 92.63% in total imports.

Imports during 2021 in Sector-C were dominated by the "Manufacture of food products" sub-sector with 13.4%, although compared to 2020; this sub-sector has had a significant increase of 24.5%. These products were imported from Serbia with 10.5%, Italy with 8.74%, North Macedonia with 7.89%, Turkey with 7.75%, Poland with 6.25%, etc.

The sub-sector "Manufacturing of coke and refined petroleum products" ranks second, with a participation of 10% in imports of Sector-C and with an increase of 73.4% from the previous year. These products are mostly imported from Greece with 30%, Saudi Arabia with 14%, Italy with 12%, North Macedonia with 11%, etc.

The sub-sector "Manufacture of motor vehicles, trailers and semi-trailers" ranks third in imports, with a participation of 9% and an increase of 45% compared to 2020. The products of these motor vehicles are mostly imported from Germany (72%), etc.

The sub-sector "Manufacture of metals" ranks fourth, with a participation of 8.7% within Sector-C and an increase of 57% from the previous year. These products were imported from Albania with 35%, North Macedonia with 10%, Ukraine with 8%, Italy with 6.5%, etc.

The sub-sector "Manufacture of chemical products" participated to Sector C with 8.5% in 2021 and recorded an increase of 43% compared to 2020. These products were imported from Germany with 13.5%, Turkey with 13%, China with 9%, France with 6%, etc.

Table 5. Value of exports and imports with CEFTA, EFTA, EU and other countries 2019– 2021

Code	Manufacturing industry, Sector-C	Export			Balance		Import			Balance	
		2019	2020	2021	Difference (2021>2020)	Difference in % (2021>2020)	2019	2020	2021	Difference (2021>2020)	Difference in % (2021>2020)
10	Manufacture of food products	28,424,151.36	33,402,372.88	44,439,203.38	11,036,830.50	33.04	459,196,871.23	466,609,046.82	580,982,202.06	114,373,155.24	24.51
11	Manufacture of beverages	28,665,800.23	29,666,793.39	36,884,711.45	7,217,918.06	24.33	82,588,664.30	77,586,544.73	116,576,207.92	38,989,663.19	50.25
12	Manufacture of tobacco products	-	-	32,000.00	-	-	68,512,606.49	63,009,976.51	87,226,753.91	24,216,777.40	38.43
13	Manufacture of textiles	7,875,908.03	17,948,552.17	22,623,419.15	4,674,866.98	26.05	56,796,552.95	66,662,771.63	100,387,677.75	33,724,906.12	50.59
14	Manufacture of wearing apparel	3,293,023.19	5,156,424.34	10,271,312.07	5,114,887.73	99.19	118,008,278.57	98,738,284.03	142,516,943.74	43,778,659.71	44.34
15	Manufacture of leather and related products	3,080,819.54	2,335,812.77	3,321,006.18	985,193.41	42.18	49,380,964.63	38,212,879.80	50,096,010.97	11,883,131.17	31.10
16	Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials	7,677,012.54	10,409,819.21	14,021,312.71	3,611,494.50	34.69	75,584,593.05	68,913,586.17	98,133,723.16	29,220,136.99	42.40
17	Manufacture of paper and paper products	2,039,439.64	2,893,870.02	3,979,310.25	1,085,440.23	37.51	61,938,776.04	58,771,929.99	76,575,084.54	17,803,154.55	30.29
18	Printing and reproduction of recorded media	-	-	-	-	-	192,046.50	140,039.96	46,396.38	(93,643.58)	(66.87)
19	Manufacture of coke and refined petroleum products	2,655,565.82	1,428,173.61	3,527,500.88	2,099,327.27	146.99	395,650,224.84	246,979,760.45	428,218,367.37	181,238,606.92	73.38
20	Manufacture of chemicals and chemical products	8,160,771.92	19,634,905.19	21,841,644.32	2,206,739.13	11.24	237,989,157.53	257,101,389.35	367,679,412.89	110,578,023.54	43.01

21	Manufacture of basic pharmaceutical products and pharmaceutical preparations	931,976.93	735,067.86	792,946.65	57,878.79	7.87	69,624,461.97	93,239,025.99	114,344,154.47	21,105,128.48	22.64
22	Manufacture of rubber and plastic products	51,494,994.46	58,284,613.04	78,539,277.51	20,254,664.47	34.75	155,217,193.08	151,630,341.62	205,173,799.06	53,543,457.44	35.31
23	Manufacture of other non-metallic mineral products	7,592,128.25	9,613,701.30	18,715,704.11	9,102,002.81	94.68	167,647,853.52	171,245,487.79	225,268,230.22	54,022,742.43	31.55
24	Manufacture of basic metals	75,872,939.29	112,420,890.58	131,693,061.35	19,272,170.77	17.14	264,476,551.92	241,185,291.40	378,882,849.22	137,697,557.82	57.09
25	Manufacture of fabricated metal products, except machinery and equipment	23,451,261.04	31,730,428.78	52,724,138.82	20,993,710.04	66.16	112,031,510.36	124,107,528.74	150,806,844.07	26,699,315.33	21.51
26	Manufacture of computer, electronic and optical products	5,318,945.82	8,256,502.33	11,425,043.55	3,168,541.22	38.38	108,667,847.51	108,189,194.60	152,991,201.85	44,802,007.25	41.41
27	Manufacture of electrical equipment	4,180,545.40	3,768,112.38	5,580,052.30	1,811,939.92	48.09	148,011,315.93	151,215,298.70	189,308,975.86	38,093,677.16	25.19
28	Manufacture of machinery and equipment n.e.c.	8,057,317.86	9,424,222.44	15,165,124.02	5,740,901.58	60.92	217,871,513.60	206,678,136.71	306,918,216.18	100,240,079.47	48.50
29	Manufacture of motor vehicles, trailers and semi-trailers	2,924,958.97	4,086,495.42	6,167,183.79	2,080,688.37	50.92	299,743,201.02	268,176,636.63	389,833,231.61	121,656,594.98	45.36
30	Manufacture of other transport equipment	87,518.23	106,339.81	136,498.63	30,158.82	28.36	8,368,461.37	15,983,817.52	54,965,924.63	38,982,107.11	243.88
31	Manufacture of furniture	15,316,687.30	33,561,425.11	139,977,652.84	106,416,227.73	317.08	49,691,848.08	38,988,969.43	61,399,762.64	22,410,793.21	57.48
32	Other manufacturing n.e.c.	4,599,984.53	3,596,557.03	4,483,504.59	886,947.56	24.66	46,106,308.49	47,986,428.74	60,462,523.65	12,476,094.91	26.00
	Total	291,701,750.35	398,461,079.66	626,341,608.55	227,880,528.89	57.19	3,253,296,802.98	3,061,352,367.31	4,338,794,494.15	1,277,442,126.84	30.29

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

2.1. Export and import with EU countries, including the United Kingdom

Exports with EU countries in 2021 amounted to 214.7 million Euros, indicating an increase of 48.97%, while the value of imports is 1.936 billion Euros and represents an increase in imports by about 37% compared to 2020.

Based on Table 9, in the total Kosovo-EU commercial exchanges for 2021, exports to the United Kingdom participated with 11%, while imports with 89%, i.e. there is an increasing trend of exports compared to the previous year.

Table 6. Value of exports and imports with EU countries, including the United Kingdom for 2019– 2021

Code	Manufacturing industry, Sector-C	Export			Balance		Import			Balance	
		2019	2020	2021	Difference (2021>2020)			2019	2020	2021	Difference (2021>2020)
10	Manufacture of food products	10,200,710.55	13,178,958.60	17,179,830.50	4,000,871.90	30.36	270,298,066.20	261,901,243.38	308,563,207.74	46,661,964.36	17.82
11	Manufacture of beverages	5,473,128.63	6,456,618.94	8,788,137.63	2,331,518.69	36.11	55,107,797.10	40,596,444.54	47,128,736.73	6,532,292.19	16.09
12	Manufacture of tobacco products	-	-	-	-	-	49,255,240.41	46,168,805.65	61,876,079.98	15,707,274.33	34.02
13	Manufacture of textiles	3,788,717.63	3,840,869.08	6,621,300.33	2,780,431.25	72.39	7,929,205.65	7,127,854.00	8,322,175.58	1,194,321.58	16.76
14	Manufacture of wearing apparel	2,042,388.01	1,890,517.46	2,270,618.94	380,101.48	20.11	7,432,895.22	5,676,436.48	7,355,443.44	1,679,006.96	29.58
15	Manufacture of leather and related products	2,570,831.25	1,442,825.65	2,284,910.39	842,084.74	58.36	4,252,600.02	3,238,301.52	4,513,662.97	1,275,361.45	39.38
16	Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials	3,112,584.10	4,743,204.51	5,602,674.06	859,469.55	18.12	38,620,394.41	30,195,842.71	41,126,446.57	10,930,603.86	36.20

17	Manufacture of paper and paper products	192,086.18	590,510.97	983,641.10	393,130.13	66.57	34,051,389.79	27,748,346.19	31,268,884.43	3,520,538.24	12.69
18	Printing and reproduction of recorded media	-	-	-	-	-	47,165.52	21,713.70	15,709.20	(6,004.50)	(27.65)
19	Manufacture of coke and refined petroleum products	535.05	45,994.86	53,090.28	7,095.42	15.43	205,572,380.02	135,657,078.52	204,390,317.26	68,733,238.74	50.67
20	Manufacture of chemicals and chemical products	3,137,342.94	10,259,254.03	11,095,702.02	836,447.99	8.15	139,793,906.33	140,242,511.42	197,631,933.27	57,389,421.85	40.92
21	Manufacture of basic pharmaceutical products and pharmaceutical preparations	17,520.00	-	188,217.30	-	-	47,944,225.47	57,724,657.19	72,364,412.75	14,639,755.56	25.36
22	Manufacture of rubber and plastic products	25,466,885.43	28,403,227.43	43,512,318.02	15,109,090.59	53.19	81,664,634.12	73,875,700.18	102,356,952.76	28,481,252.58	38.55
23	Manufacture of other non-metallic mineral products	1,834,013.95	2,290,815.98	5,087,419.34	2,796,603.36	122.08	60,825,685.50	51,408,920.13	75,867,923.83	24,459,003.70	47.58
24	Manufacture of basic metals	20,690,712.12	36,720,531.68	60,598,720.23	23,878,188.55	65.03	59,298,364.72	46,357,191.42	69,573,854.37	23,216,662.95	50.08
25	Manufacture of fabricated metal products, except machinery and equipment	9,464,910.03	15,629,796.69	22,124,098.14	6,494,301.45	41.55	52,897,096.94	51,310,860.99	60,002,250.16	8,691,389.17	16.94
26	Manufacture of computer, electronic and optical products	2,287,040.96	3,291,252.08	5,301,162.67	2,009,910.59	61.07	28,988,870.78	25,053,553.88	30,385,260.62	5,331,706.74	21.28
27	Manufacture of electrical equipment	869,658.06	888,130.18	1,445,195.53	557,065.35	62.72	53,098,346.80	48,787,559.90	61,554,973.30	12,767,413.40	26.17
28	Manufacture of machinery and equipment n.e.c.	2,944,540.30	3,833,599.99	6,308,983.77	2,475,383.78	64.57	112,081,734.77	99,365,153.16	166,765,317.33	67,400,164.17	67.83
29	Manufacture of motor vehicles, trailers and semi-trailers	1,329,593.58	1,219,522.33	3,152,393.75	1,932,871.42	158.49	275,939,984.88	234,483,389.92	355,053,751.17	120,570,361.25	51.42

30	Manufacture of other transport equipment	9,133.96	5,660.66	69,751.44	64,090.78	1132.21	2,003,524.33	2,078,898.90	4,398,768.87	2,319,869.97	111.59
31	Manufacture of furniture	5,518,831.18	6,863,507.74	9,132,559.59	2,269,051.85	33.06	11,603,778.03	7,456,528.64	10,879,403.78	3,422,875.14	45.90
32	Other manufacturing n.e.c.	3,519,163.57	2,579,009.15	2,970,800.84	391,791.69	15.19	14,667,964.57	15,902,511.31	15,139,025.31	(763,486.00)	(4.80)
	Total	104,470,327.48	144,173,808.01	214,771,525.87	70,597,717.86	48.97	1,613,375,251.58	1,412,379,503.73	1,936,534,491.42	524,154,987.69	37.11

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

- **Exports with EU countries, including the United Kingdom**

In terms of exports to EU countries, the sub-sector "Manufacture of metals" ranks first with 28%, while it has recorded a high increase in exports (65%) compared to 2020. The country in which the most exported metal products is Italy (70%).

The sub-sector "Manufacture of rubber and plastic products" participates with 20% in the total exports to EU countries, while compared to the previous year, it has increased by 53%. These products were mainly exported to Germany with 38%, followed by the Netherlands with 22%, Italy with 9%, etc.

In 2021, the sub-sector "Manufacture of fabricated metal products" participated with 10%, marking an increase of 41.6% compared to the previous year. Exports of fabricated metal products are destined for the market in Germany (36%), the Netherlands (17%), France (13%), etc.

Export growth to the EU countries in 2021 compared to 2020 has been recorded in the sub-sector "Manufacture of food products" - 30%. In the total exports of Sector-C with EU countries, this subsector participates with 8%. The products of this sub-sector were exported to Germany with 27%, Italy with 18%, the Netherlands with 11%, etc.

- **Imports with EU countries, including the United Kingdom**

From the data presented in Table 9, it is observed that out of 23 sub-sectors, only 21 of them have an increase in imports with EU countries during 2021, while 2 sub-sectors of Sector C have recorded a decrease.

The sub-sector "Manufacture of motor vehicles, trailers and semi-trailers" in 2021 participated with 18% within Sector C and has recorded an increase of 51%. Motor vehicle products were imported mainly from Germany with 79%, etc.

The sub-sector "Manufacture of food products" participated in imports with 16% within Sector C, but in 2021 there was an increase in imports by 18% compared to 2020. Food products were imported from Italy with 16%, Croatia with 10%, Poland with 12%, Slovenia with 9%, etc.

The sub-sector "Manufacture of coke and refined petroleum products" participated within Sector-C imports with EU countries with 10%, with an increase of 51% in 2021 compared to the previous year. The imports mainly came from Greece with 62% and from Italy with 25%.

The sub-sector "Manufacture of chemical products" participated with 10% in the total imports with EU countries within Sector C. In 2021, there has been an increase in imports by 41%, compared to the previous year. Chemical products are imported from Germany with 25%, from France with 12%, from Italy with 10.59%, from Poland with 9.2%, etc.

The sub-sector "Manufacture of machinery and equipment n.e.c." participates in imports from EU countries with 8.6%, marking an increase of 68% in 2021 compared to the previous year. The highest imports came from Germany with 43.6%, followed by Italy with 21%, Spain with 12.7%, etc.

The participation in imports of the sub-sector "Manufacture of rubber and plastic products" is 5.2%, with an increase of 38.6% compared to 2020. The products of this sub-sector were imported from Germany with 46%, from Italy with 10%, from Bulgaria with 9%, etc.

2.2. Exports and imports with CEFTA countries

Table 7 shows the values of imports and exports with CEFTA countries for sub-sectors (10 to 33) within Sector-C.

In general, exports with CEFTA countries within Sector C have increased by 19% in 2021, while imports have increased by 45.5%.

Table 7. Value of exports and imports with CEFTA countries for the industry sectors, 2019 – 2021

Code	Manufacturing industry, Sector-C	Export			Balance		Import			Balance	
		2019	2020	2021	Difference (2021>2020)			2019	2020	2021	Difference (2021>2020)
10	Manufacture of food products	14,357,962.18	15,822,484.52	22,767,316.22	6,944,831.70	43.89	63,581,293.51	93,560,843.04	135,004,596.35	41,443,753.31	44.30
11	Manufacture of beverages	21,341,142.71	20,740,122.01	25,583,798.36	4,843,676.35	23.35	22,472,368.09	32,540,492.94	60,383,339.42	27,842,846.48	85.56
12	Manufacture of tobacco products	-	-	32,000.00			1,645,261.50	2,277,951.00	2,304,417.39	26,466.39	1.16
13	Manufacture of textiles	3,040,604.31	5,228,563.64	6,765,045.39	1,536,481.75	29.39	1,108,200.27	2,822,984.26	3,539,437.39	716,453.13	25.38
14	Manufacture of wearing apparel	517,408.79	488,449.48	701,680.57	213,231.09	43.65	511,477.99	1,132,013.28	1,860,176.61	728,163.33	64.31
15	Manufacture of leather and related products	500,696.70	877,298.80	991,476.72	114,177.92	13.01	719,700.93	1,222,866.53	1,485,880.59	263,014.06	21.51
16	Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials	1,879,859.73	1,744,933.42	3,217,748.30	1,472,814.88	84.41	15,500,859.88	19,325,981.97	26,047,554.60	6,721,572.63	34.78
17	Manufacture of paper and paper products	1,790,001.45	2,188,547.87	2,855,782.09	667,234.22	30.49	13,921,943.96	17,775,005.88	24,872,627.95	7,097,622.07	39.93
18	Printing and reproduction of recorded media	-	-	-			-	-	-	-	
19	Manufacture of coke and refined petroleum products	2,655,010.77	1,382,178.75	3,474,410.60	2,092,231.85	151.37	70,576,780.70	33,593,347.96	80,178,589.36	46,585,241.40	138.67

20	Manufacture of chemicals and chemical products	4,795,288.74	6,602,405.92	8,373,783.40	1,771,377.48	26.83	17,719,070.31	33,877,240.24	43,869,214.50	9,991,974.26	29.49
21	Manufacture of basic pharmaceutical products and pharmaceutical preparations	579,108.09	86,049.36	362,227.18	276,177.82	320.95	5,823,574.61	10,450,113.77	11,783,801.83	1,333,688.06	12.76
22	Manufacture of rubber and plastic products	14,537,627.77	15,555,357.82	19,420,942.46	3,865,584.64	24.85	21463573.9	26,491,523.57	38,593,792.36	12,102,268.79	45.68
23	Manufacture of other non-metallic mineral products	3,597,513.73	4,921,744.61	8,758,261.02	3,836,516.41	77.95	56,526,379.01	72,491,495.96	80,660,753.42	8,169,257.46	11.27
24	Manufacture of basic metals	21,059,759.26	66,234,411.33	63,720,210.12	-2,514,201.21	-3.80	134,771,893.14	136,655,869.68	201,607,539.75	64,951,670.07	47.53
25	Manufacture of fabricated metal products, except machinery and equipment	7,218,038.23	9,224,505.71	11,356,341.40	2,131,835.69	23.11	8,159,565.03	18,128,793.07	23,641,801.82	9,969,228.04	30.41
26	Manufacture of computer, electronic and optical products	1,932,229.50	3,201,790.63	3,955,946.95	754,156.32	23.55	49,994.83	230,590.18	523,521.50	292,931.32	127.04
27	Manufacture of electrical equipment	2,108,626.08	1,498,768.21	2,185,450.47	686,682.26	45.82	12,778,039.02	19,164,292.92	24,509,876.26	6,386,253.90	27.89
28	Manufacture of machinery and equipment n.e.c.	3,495,179.99	3,957,021.33	5,412,952.68	1,455,931.35	36.79	3,163,047.99	8,038,065.30	11,286,908.01	4,875,017.31	40.42
29	Manufacture of motor vehicles, trailers and semi-trailers	810,090.04	1,538,426.36	1,242,990.34	(295,436.02)	(19.20)	344,331.00	634,105.24	398,200.90	(289,774.24)	(37.20)
30	Manufacture of other transport equipment	43,530.78	47,315.01	51,976.97	4,661.96	9.85	8,487.17	165,502.77	223,385.13	157,015.60	34.97
31	Manufacture of furniture	3,282,665.87	4,387,380.58	6,086,720.15	1,699,339.57	38.73	6,715,247.71	7,349,145.23	11,146,903.75	3,797,758.52	51.68
32	Other manufacturing n.e.c.	775,137.63	786,967.29	1,010,302.56	223,335.27	28.38	133,691.20	1,065,362.68	818,945.86	(246,416.82)	(23.13)
	Total	110,317,482.35	166,514,722.65	198,327,363.95	31,812,641.30	19.11	457,694,781.75	538,993,587.47	784,741,264.75	245,747,677.28	45.59

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

- **Exports with CEFTA countries**

Exports with CEFTA countries in Sector-C during 2021 were dominated by the sub-sector "Manufacture of metals", with a participation of 32%. In 2021, this sub-sector recorded a decrease in exports by 4% compared to 2020. The countries to which the most metal products were exported are: Albania with 38%, North Macedonia with 30% and Serbia with 24%, etc. The sub-sector "Manufacture of beverages" participates in exports to these countries with 12.9%. This sub-sector has recorded an increase in exports by 23% compared to 2020. Beverage products were mainly exported to Albania with 66%, North Macedonia with 24%. Participation in the exports of Sector-C with the CEFTA countries was also recorded in the sub-sector "Manufacture of food products" by 11.4%. In 2021, this sub-sector increased by 43.8% compared to the previous year.

The products of this sub-sector were exported to Albania - 33%, Serbia - 27%, North Macedonia - 23%, etc.

The sub-sector "Manufacture of rubber and plastic products" participates in Sector C exports with 10%. This sub-sector has recorded an increase in exports of 24.85% compared to the previous year. The countries to which most rubber and plastic products were exported are Albania with 29%, North Macedonia with 29.6% and Serbia with 27%.

An increase in exports of 13% was recorded by the sub-sector "Manufacture of leather and leather products", but with a low participation in Sector-C - only 0.53%. The countries to which leather products were exported are Albania with 76.06%, Montenegro with 5.54%, etc.

- **Imports with CEFTA countries**

Kosovo's imports with CEFTA countries in 2021 are characterized by a marked increase in products from Sector-C (Manufacturing Industry) in the largest number of sub-sectors.

Within the sub-sectors of Sector C, the highest participation in imports with CEFTA countries is from the sub-sector "Manufacture of metals" with 25.7%. In 2021, this sub-sector recorded an increase in imports by 47.5% compared to 2020. Metal products were mainly imported from Albania with 66%, North Macedonia with 19%, etc.

The sub-sector "Manufacture of food products" participates in imports with CEFTA countries with 17%. But in 2021 there was an increase of 44.3% in imports compared to the previous year. Food products were imported from Serbia with 45%, North Macedonia with 34%, etc.

The sub-sector "Manufacture of non-metallic mineral products" ranks third in terms of participation in imports (10 %.) In 2021, this sub-sector marked an 11% increase in imports compared to 2020. Products for this sub-sector were imported from Albania with 41%, from North Macedonia with 40%, etc.

The highest increase in imports with CEFTA countries within Sector C during 2021 was recorded under the sub-sector "Manufacture of coke and refined petroleum products" over 100% compared to 2020. Coke products are imported from North Macedonia with 60%, from Albania with 18%, from Serbia with 22%, etc.

2.3 Exports and imports with EFTA countries

Kosovo's exports to EFTA member countries in 2021 reached 50 million Euros, marking an increase of 29%, while imports reached 34.6 million Euros, with an increase of 39% compared to 2020.

Table 8. Value of exports and imports with EFTA countries for industry sectors, 2019 - 2021

Code	Manufacturing industry, Sector-C	Export		2021	Balance		Import			Balance	
		2019	2020		Difference (2021 >2020)	Difference in % (2021>2020)	2019	2020	2021	Difference (2021 >2020)	Difference in % (2021>2020)
10	Manufacture of food products	769,721.14	940,383.22	896,030.46	(44,352.76)	(4.72)	1,174,757.97	1,269,685.90	1,440,169.39	170,483.49	13.43
11	Manufacture of beverages	936,411.26	1,165,846.05	1,285,285.42	119,439.37	10.24	520,749.71	334,431.68	469,526.79	135,095.11	40.40
12	Manufacture of tobacco products	-	-	-			9,304,367.00	4,924,526.54	7,225,952.56	2,301,426.02	46.73
13	Manufacture of textiles	81,883.57	474,158.46	359,836.12	(114,322.34)	(24.11)	119,480.66	110,129.59	108,644.07	(1,485.52)	(1.35)
14	Manufacture of wearing apparel	121,479.90	351,781.10	340,398.27	(11,382.83)	(3.24)	1,000,551.16	1,114,344.29	1,353,448.97	239,104.68	21.46
15	Manufacture of leather and related products	7,137.07	4,551.06	4,782.75	231.69	5.09	31,469.11	58,184.98	33,822.05	(24,362.93)	(41.87)
16	Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials	2,601,368.57	3,869,950.84	4,730,568.65	860,617.81	22.24	1,722,671.09	1,417,783.31	1,675,787.13	258,003.82	18.20
17	Manufacture of paper and paper products	38,656.39	89,680.54	98,626.44	8,945.90	9.98	408,142.57	420,023.52	387,783.89	(32,239.63)	(7.68)
18	Printing and reproduction of recorded media	-	-	-				-	-		
19	Manufacture of coke and refined petroleum products	20.00		-			520,882.13	353,981.98	388,517.99	34,536.01	9.76
20	Manufacture of chemicals and chemical products	164,444.14	293,053.61	2,125,023.41	1,831,969.80	625.13	798,371.46	912,702.40	2,008,042.19	1,095,339.79	120.01

21	Manufacture of basic pharmaceutical products and pharmaceutical preparations	-	540,300.00				2,171,639.95	1,981,112.15	1,784,475.36	(196,636.79)	(9.93)
22	Manufacture of rubber and plastic products	7,498,335.98	10,592,959.00	10,884,862.08	291,903.08	2.76	1,329,700.29	950,653.8	1,962,641.09	1,011,987.29	106.45
23	Manufacture of other non-metallic mineral products	1,584,746.34	2,136,675.17	3,578,711.16	1,442,035.99	67.49	1,255,337.25	881,333.64	1,095,502.76	214,169.12	24.30
24	Manufacture of basic metals	1,434,712.54	1,320,338.20	1,822,666.42	502,328.22	38.05	766,561.06	822,106.27	1,360,596.91	538,490.64	65.50
25	Manufacture of fabricated metal products, except machinery and equipment	4,971,062.92	5,705,004.31	8,639,380.62	2,934,376.31	51.44	1,777,431.56	906,513.45	1,369,090.92	462,577.47	51.03
26	Manufacture of computer, electronic and optical products	603,544.66	439,115.44	717,524.39	278,408.95	63.40	1,718,210.78	2,421,932.54	4,363,064.53	1,941,131.99	80.15
27	Manufacture of electrical equipment	1,128,991.17	1,318,182.27	1,756,016.24	437,833.97	33.21	1,061,129.13	1,017,043.46	1,101,156.70	84,113.24	8.27
28	Manufacture of machinery and equipment n.e.c.	378,588.70	218,351.44	259,835.02	41,483.58	19.00	3,250,076.84	2,614,280.30	2,774,468.14	160,187.84	6.13
29	Manufacture of motor vehicles, trailers and semi-trailers	276,287.72	471,186.08	390,298.40	(80,887.68)	(17.17)	238,394.11	250,053.79	380,193.87	130,140.08	52.04
30	Manufacture of other transport equipment	31,353.49	53,274.14	14,520.22	(38,753.92)	(72.74)	248,216.59	406,871.36	309,589.87	(97,281.49)	(23.91)
31	Manufacture of furniture	6,337,998.92	8,596,968.62	11,748,506.87	3,151,538.25	36.66	1,033,619.27	836,766.14	999,467.30	162,701.16	19.44
32	Other manufacturing n.e.c.	207,443.92	158,198.95	381,545.22	223,346.27	141.18	1,160,181.67	828,910.48	2,021,349.01	1,192,438.53	143.86
	Total	29,174,188.40	38,739,958.50	50,034,418.16	11,294,459.66	29.15	31,611,941.36	24,833,371.57	34,613,291.49	9,779,919.92	39.38

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

- **Exports with EFTA countries**

The sub-sector "Manufacture of furniture" participated in Sector C exports with EFTA countries with 23.4% in 2021. Within the sub-sector, there has been an increase of 36% compared to 2020. These products were mainly exported to Switzerland with 98%.

Second in terms of exports to EFTA countries is the sub-sector "Manufacture of rubber and plastic products" with a participation of 21.7% within Sector C. In 2021, this sub-sector has increased by 3 % compared to 2020, and the products of this sub-sector were mainly exported to Switzerland - 99.6%.

The exports of the sub-sector "Manufacture of fabricated metal products" to EFTA countries participated with 17%. This sub-sector in 2021 has recorded an increase in export by 51.4% compared to the previous year and the products of this sub-sector have recorded the highest export to Switzerland (91.8%).

Within Sector-C, the sub-sector "Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials" ranks fourth with 9%. In 2021, exports increased by 22% compared to the previous year, and wood products were mainly exported to Switzerland with 99.8%.

- **Imports with EFTA countries**

Imports with EFTA countries are dominated by participation in imports from the sub-sector "Manufacture of tobacco products" with 20.9%. In 2021, this sub-sector increased by 47% compared to 2020. Tobacco products were mainly imported from Switzerland with 100%.

The sub-sector "Manufacture of computers, electronic and optical products" participates with 12.6% in terms of imports from EFTA countries. There has been an increase of 80% in 2021 compared to the previous year. These products were mainly imported from Switzerland with 55.1% and from Norway with 44.9%.

The sub-sector "Manufacture of machinery and equipment n.e.c." participates in imports with 8%, while within the sub-sector, in 2021, there has been an increase of 6% compared to the previous year. These products are mainly imported from Switzerland with 98.7%.

Out of 23 sub-sectors, 5 experienced a decrease in imports from EFTA countries. In 2021, the largest decrease was recorded in the sub-sector "Manufacture of leather and leather products" by 42%, and "Manufacture of other means of transport" by 24% compared to the previous year.

2.4. Exports and imports with other countries

Exports with other countries for the year 2021 have recorded a value of 163 million Euros, indicating that there has been an increase of over 100% compared to 2020

Imports with other countries, have marked the value of 1.528 billion Euros in 2021, showing an increase of 45.8% compared to 2020. Kosovo's trade with other countries is 90% of the value of imports and 10% of exports.

Table 9. Value of exports and imports with other countries for 2019 - 2021

Code	Manufacturing industry, Sector-C	Export			Balance		Import			Balance	
		2019	2020	2021	Difference (2020 > 2019)	Difference in % (2020 > 2019)	2019	2020	2021	Difference (2020 > 2019)	Difference in % (2020 > 2019)
10	Manufacture of food products	3,095,757.49	3,460,546.54	3,596,026.20	135,479.66	3.91	124,142,753.55	109,877,274.50	135,974,228.58	26,096,954.08	23.75
11	Manufacture of beverages	915,117.63	1,304,206.39	1,227,490.04	(76,716.35)	(5.88)	4,487,749.40	4,115,175.57	8,594,604.98	4,479,429.41	108.85
12	Manufacture of tobacco products	-	-	-			8,307,737.58	9,638,693.32	15,820,303.98	6,181,610.66	64.13
13	Manufacture of textiles	964,702.52	8,404,960.99	8,877,237.31	472,276.32	5.62	47,639,666.37	56,601,803.78	88,417,420.71	31,815,616.93	56.21
14	Manufacture of wearing apparel	611,746.49	2,425,676.30	6,958,614.29	4,532,937.99	186.87	109,063,354.20	90,815,489.98	131,947,874.72	41,132,384.74	45.29
15	Manufacture of leather and related products	2,154.52	11,137.26	39,836.32	28,699.06	257.69	44,377,194.57	33,693,526.77	44,062,645.36	10,369,118.59	30.77
16	Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials	83,200.14	51,730.44	470,321.70	418,591.26	809.18	19,740,667.67	17,973,978.18	29,283,934.86	11,309,956.68	62.92
17	Manufacture of paper and paper products	18,695.62	25,130.64	41,260.62	16,129.98	64.18	13,557,299.72	12,828,554.40	20,045,788.27	7,217,233.87	56.26
18	Printing and reproduction of recorded media	-	-	-			144,880.98	118,326.26	30,687.18	(87,639.08)	(74.07)
19	Manufacture of coke and refined petroleum products	-	-				118,980,181.99	77,375,351.99	143,260,942.76	65,885,590.77	85.15

20	Manufacture of chemicals and chemical products	63,696.10	2,480,191.63	247,135.49	(2,233,056.14)	(90.04)	79,677,809.43	82,068,935.29	124,170,222.93	42,101,287.64	51.30
21	Manufacture of basic pharmaceutical products and pharmaceutical preparations	335,348.84	108,718.50	242,502.17	133,783.67	123.06	13,685,021.94	23,083,142.88	28,411,464.53	5,328,321.65	23.08
22	Manufacture of rubber and plastic products	3,992,145.28	3,733,068.79	4,721,154.95	988,086.16	26.47	50,759,284.77	50,312,464.07	62,260,412.85	11,947,948.78	23.75
23	Manufacture of other non-metallic mineral products	575,854.23	264,465.54	1,291,312.59	1,026,847.05	388.27	49,040,451.76	46,463,738.06	67,644,050.21	21,180,312.15	45.58
24	Manufacture of basic metals	32,687,755.37	8,145,609.37	5,551,464.58	(2,594,144.79)	(31.85)	69,639,733.00	57,350,124.03	106,340,858.19	48,990,734.16	85.42
25	Manufacture of fabricated metal products, except machinery and equipment	1,797,249.86	1,171,122.07	10,604,318.66	9,433,196.59	805.48	49,197,416.83	53,761,361.23	65,793,701.17	12,032,339.94	22.38
26	Manufacture of computer, electronic and optical products	496,130.70	1,324,344.18	1,450,409.54	126,065.36	9.52	77,910,771.12	80,483,118.00	117,719,355.20	37,236,237.20	46.27
27	Manufacture of electrical equipment	73,270.09	63,031.72	193,390.06	130,358.34	206.81	81,073,800.98	82,246,402.42	102,142,969.60	19,896,567.18	24.19
28	Manufacture of machinery and equipment n.e.c.	1,239,008.87	1,415,249.68	3,183,352.55	1,768,102.87	124.93	99,376,654.00	96,660,637.95	126,091,522.70	29,430,884.75	30.45
29	Manufacture of motor vehicles, trailers and semi-trailers	508,987.63	857,360.65	1,381,501.30	524,140.65	61.13	23,220,491.03	32,809,087.68	34,001,085.67	1,191,997.99	3.63
30	Manufacture of other transport equipment	3,500.00	90.00	250.00	160.00	177.78	6,108,233.28	13,332,544.49	50,034,180.76	36,701,636.27	275.28
31	Manufacture of furniture	177,191.33	13,713,568.17	113,009,866.23	99,296,298.06	724.07	30,339,203.07	23,346,529.42	38,373,987.81	15,027,458.39	64.37
32	Other manufacturing n.e.c.	98,239.41	72,381.64	120,855.97	48,474.33	66.97	30,144,471.05	30,189,644.27	42,483,203.47	12,293,559.20	40.72
	Total	47,739,752.12	49,032,590.50	163,208,300.57	114,175,710.07	232.86	1,150,614,828.29	1,085,145,904.54	1,582,905,446.49	497,759,541.95	45.87

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

- **Exports with other countries**

Based on the data presented in Table 12, it is noted that exports to other countries are dominated by the sub-sectors of "Manufacture of furniture" and "Manufacture of textiles" as a result of trade agreements between local companies and the USA.

The sub-sector "Manufacture of furniture" ranks first in terms of participation in exports to other countries with 69%, with an increase of over 100% in exports in 2021 compared to the previous year, i.e. increase of around 100 million Euros. Furniture products are mainly exported to the USA with 95%, etc.

The sub-sector "Manufacture of fabricated metal products" participated in Sector C exports with 6.5%, while in 2021 it marked a significant increase of over 100% compared to the previous year. The products produced by this sub-sector are mainly exported to Kazakhstan (90%).

The sub-sector "Manufacture of textiles" ranks third with participation in exports to these countries with 5.5%. In 2021, there was an increase of over 5.6% compared to the previous year. Textile products were mainly exported to the USA (88.7%).

- **Imports with other countries**

Within Sector-C, the sub-sector "Manufacture of Coke and refined petroleum products" participates with 9% in imports, while in 2021, this sub-sector increased by 85% compared to 2020. These products were imported from Saudi Arabia with 43%, Israel with 15%, Turkey with 14%, etc.

The sub-sector "Manufacture of food products" ranks second in imports with a participation of 8.5% within Sector-C in 2021. This sub-sector has recorded an increase in imports by 23.8% compared to 2020. Food products were imported from Turkey with 33%, Brazil with 31%, etc.

The sub-sector "Manufacture of clothing apparel" participates in imports with 8.3%, marking an increase of 45% in 2021 compared to the previous year. Clothing products were imported from Turkey with 57%, China with 19%, etc.

The sub-sector "Manufacture of machinery and equipment n.e.c." ranks third with participation in imports of 7.9% in 2021 and an increase of 30% compared to the previous year. Machinery products were imported from China with 45.4%, Turkey with 35.8%, etc.

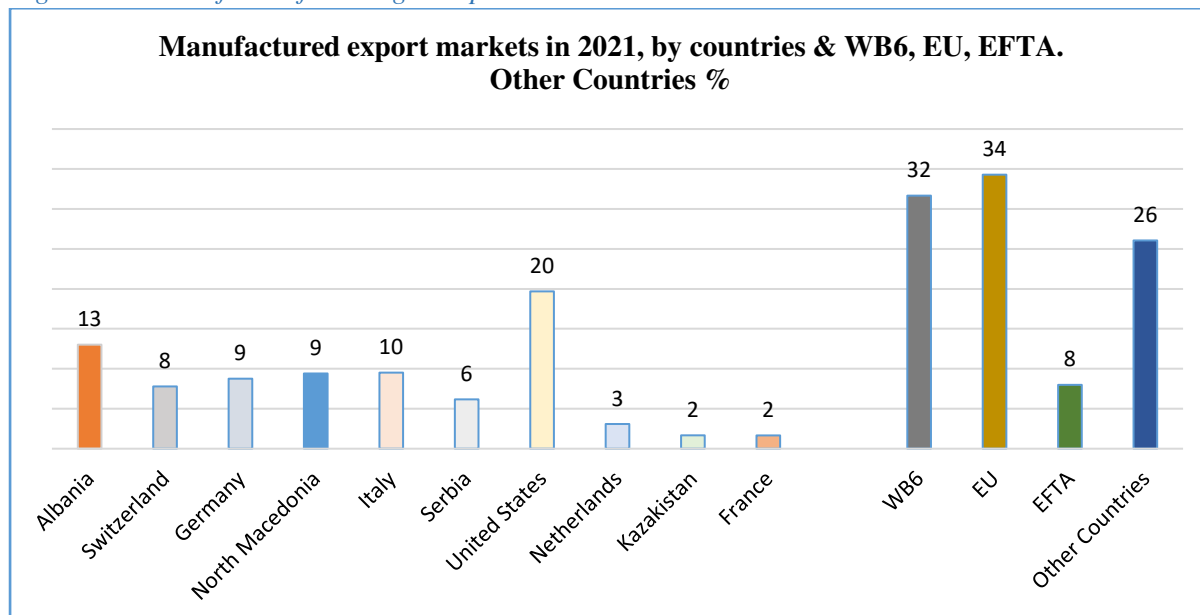
The sub-sector of "Printing and reproduction of recorded media" is the only one that marked a decline (74%).

Geographic diversity of exports and imports

According to 2021 export data, the most targeted markets of Kosovo products were mainly WB6 and EU countries.

According to these data, the Kosovo market is mainly diversified in approximately 10 countries, which are considered large markets.

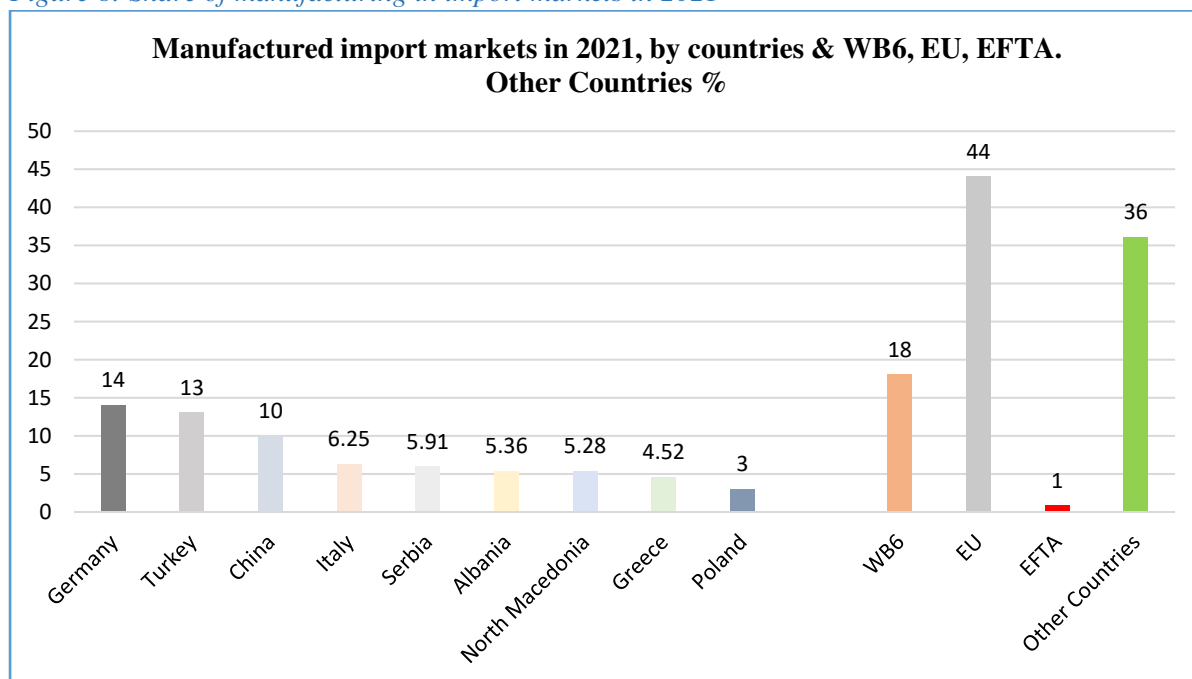
Figure 7: Share of manufacturing in export markets in 2021



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

According to 2021 import data, the most targeted markets were mainly the EU and other countries. According to these data, Kosovo's import is mainly dependent on approximately 9 countries.

Figure 8: Share of manufacturing in import markets in 2021



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

SOCIAL ANALYSIS

Workforce

According to the labour law in Kosovo, an employment relationship can be established with any person from the age of eighteen (18) years. The workforce consists of employed persons and unemployed persons, while inactive persons are not considered part of the workforce. The workforce participation rate is the percentage of the working age population of a country that is actively engaged in the labour market.

Kosovo faces substantial social challenges manifested in high poverty and unemployment, with eighteen percent (18%) of Kosovo's population living below the poverty threshold and 5.1% living in extreme poverty (WB and KAS report, 2019). Moreover, every sixth employed Kosovar is considered a working poor (European Social Policy Network, ESPN report, 2019).

The national percentage of unemployment is at a considerable level. According to data from the Kosovo Agency of Statistics for 2022, the unemployment rate is 12.6%, with vulnerable groups such as women (16.5%) and youth aged 15-24 years of both genders (33%) particularly affected.

Share of Sector-C in overall employment

This section of the report analyzes the the data related to the number of enterprises and the number of employees.

In addition to the presentation of statistical data, the analysis also shows the trends of the decrease or increase of employment in the industrial sectors, not only in the last year but also for the comparative period with the previous year as well as the trends in the three-year period.

The comparative data in Table 12 show that, during the last three years, there has been an increase in employment and in the number of enterprises, which a positive indicator for the two analyzed indicators is. The analyzed data also show that in 2022 the participation of the total number of enterprises increased by 2.97% and the number of employees by 5.86% compared to the previous year.

Sector C- Manufacturing industry has a share of 11% in the employment rate by economic activity.

The manufacturing sector can make a significant contribution to mitigating these challenges by providing inclusive employment opportunities and better wages. However, the manufacturing sector offers relatively limited employment opportunities, currently employing about 11% of the workforce in 2021, up from 13% in 2015.

Table 10. Sector C, number of enterprises and employees

Code	Manufacturing industry	Number of enterprises			Number of employees		
	Sector C	Year 2020	Year 2021	Year 2022	Year 2020	Year 2021	Year 2022
10	Manufacture of food products	1369	1462	1503	8,081	9,902	9,914
11	Manufacture of beverages	78	102	102	2,138	2,221	2,195
12	Manufacture of tobacco products	2	7	5	26	74	28
13	Manufacture of textiles	176	173	179	802	809	914
14	Manufacture of wearing apparel	325	350	397	1,151	1,610	1,562
15	Manufacture of leather and related products	43	39	39	420	406	454
16	Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials	477	521	506	1,766	2,389	2,296
17	Manufacture of paper and paper products	107	102	111	720	646	658
18	Printing and reproduction of recorded media	177	180	174	785	962	842
19	Manufacture of coke and refined petroleum products	8	8	5	116	179	121
20	Manufacture of chemicals and chemical products	114	126	123	762	946	816
21	Manufacture of basic pharmaceutical products and pharmaceutical preparations	7	6	7	103	118	121
22	Manufacture of rubber and plastic products	572	579	626	3,513	3,661	4,260
23	Manufacture of other non-metallic mineral products	511	545	547	5,082	5,469	5,228
24	Manufacture of basic metals	121	128	122	1,280	794	1,416
25	Manufacture of fabricated metal products, except machinery and equipment	736	770	790	3,112	3,065	3,595
26	Manufacture of computer, electronic and optical products	25	28	27	71	80	107
27	Manufacture of electrical equipment	33	44	39	224	261	274
28	Manufacture of machinery and equipment n.e.c.	33	38	34	174	274	168
29	Manufacture of motor vehicles, trailers and semi-trailers	N/A	6	8	53	111	70
30	Manufacture of other transport equipment	8	9	4	54	55	45
31	Manufacture of furniture	514	549	600	3,833	4,915	6,172
32	Other manufacturing n.e.c.	98	106	110	281	430	470
33	Repair and installation of machinery and equipment	103	106	104	144	181	149
	Total	5,637	5,984	6,162	34,691	39,558	41,875

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

The data from Table 12 shows that Sector-C marked an increase in 2022 in terms of the number of enterprises by about 3%, while the highest increase was recorded at 6.16% in 2021, compared to the previous year.

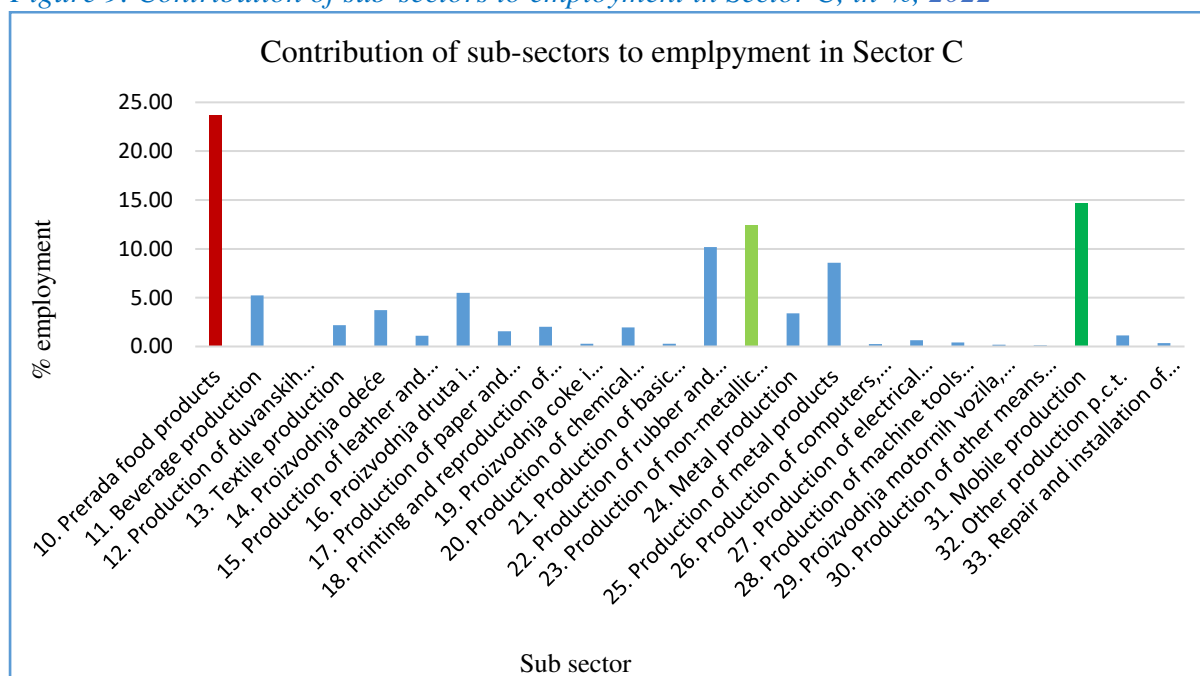
Likewise, employment in 2022 increased by about 5.9%, while an increase of 14.03% in employment was recorded in 2021 compared to the previous year.

Contribution of sub-sectors to total employment in Sector C

The contribution of the manufacturing/processing sector to the overall employment in Kosovo for the year 2022 is 8.9%.

Employment by sub-sectors represents the contribution of each sub-sector in the creation of jobs within Sector-C, (manufacturing/processing sector), presented as follows:

Figure 9. Contribution of sub-sectors to employment in Sector C, in %, 2022



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

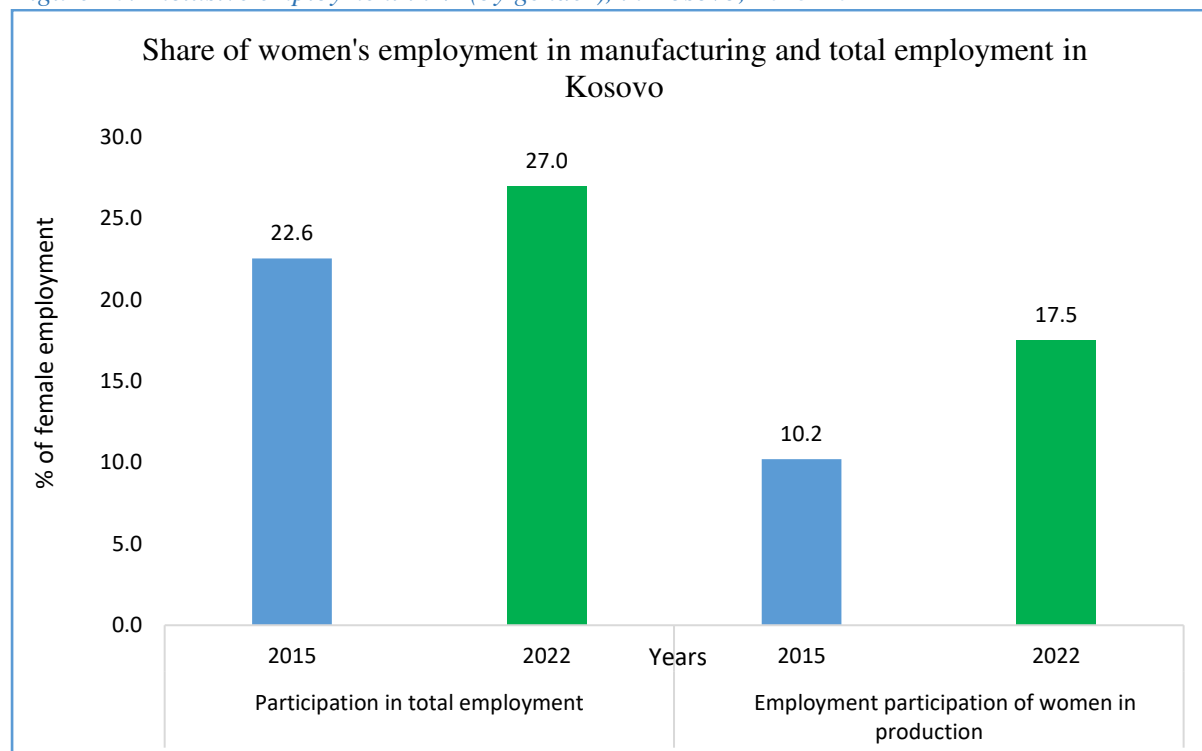
Based on the data presented in Figure 8, the highest contribution to employment in the manufacturing/processing sector in Kosovo is created by sub-sector 10-Manufacture of food products with about 24%, followed by sub-sector 31-Manufacture of furniture with about 15%, while the third ranking sub-sector is 23-Manufacture of non-metallic mineral products with about 13%.

Women employed in Sector C

Kosovo had the lowest rate of participation of women in manufacturing, taking into account some barriers such as non-respect of labor contracts, which is still characterized by a high degree of informality and unfavorable working conditions, especially in relation to the employment of women and young people.

Until now, according to the data for the years 2015-2022, the participation of women in employment is very low, especially in the manufacturing sector. The slow trend of women's employment has remained steady in the country, but with promising data of positive growth in employment by gender.

Figure 10: Inclusive employment in % (by gender), in Kosovo, 2015-2022



Source: KAS (processed by DI/IP)

Based on the published data from Figure 9, the general employment of women in Kosovo in 2015 was 22.5%, while in 2022 there was a slight increase to about 27%, marking a growth of 4.5%. On the other hand, the share of women's employment in manufacturing in total employment was low in Kosovo in 2015 (10.22%), while in 2022 it marked an increase of about 17.5%, indicating positive growth of 7.3%.

Employment elasticity

Global changes in the labor markets have created great opportunities, to the extent that even developed economies have difficulties in maintaining the employment elasticity. Changes come from many factors or from unforeseen crises, such as the Covid-19 pandemic, but also as a consequence of the digital transformation. Elasticity may bring changes in relation to productivity at work, depending on the direction of the annual growth rate, i.e. led by employment or productivity.

Table 11: Employment elasticity compared to other countries

Countries	Annual employment growth rate	Annual MVA growth rate	EE	Classification
Albania	4.7%	3.7%	1.29	Employment-led
Bosnia and Herzegovina	2.0%	1.7%	1.18	Employment-led
Montenegro	2.4%	0.6%	3.84	Employment-led
North Macedonia	0.9%	-0.5%	(2.04)	Led by increased unemployment
Serbia	4.9%	1.5%	3.25	Employment-led
Kosovo	2.8%	2.5%	1.11	Employment-led
WB6	3.7%	1.5%	2.39	Employment-led

Source: WDI, UNIDO, ILO, ASK (processed by DI/DIP staff)

The analysis shows that during 2015-2020, Kosovo's manufacturing sector grew annually at a compound rate of 2.5%, while employment in industry grew by 2.8% during the same period. According to these data, it is estimated that the growth rate in Kosovo is directed (led) by employment. Looking at the table in general, it turns out that in most of the countries of the Western Balkans we have the same situation, i.e. the increase is driven by employment.

From the analyzes made, the sub-sectors classified as having an increase in employment in addition to the increase in value added within Sector-C are the sub-sector of “Manufacture of beverages” with a positive elasticity of 1.8% and the sub-sector of “Manufacture of textiles” with a positive elasticity of 3.15%.

As for the other sub-sectors, the wood sector has a positive elasticity of 4.7%, the paper sub-sector of 1.18%, the sub-sector of chemical products of 7.4%, the sub-sector of pharmaceutical products of 9.53%, the plastic and rubber sub-sector of 1.06%, the sub-sector of non-mineral products of 12%, and the sub-sector of fabricated metal products of 9.51%.

Wages in manufacturing

The increase in labor productivity is positively translated into an increase in wages in manufacturing. Referring to the data from Table 11, the productivity growth rate in Kosovo in 2020 is 1.6% and wage growth is 5.6%. In all comparative countries of WB6, the wage growth rate was positive even though they did not record a negative annual labor productivity rate.

Table 12: Wages

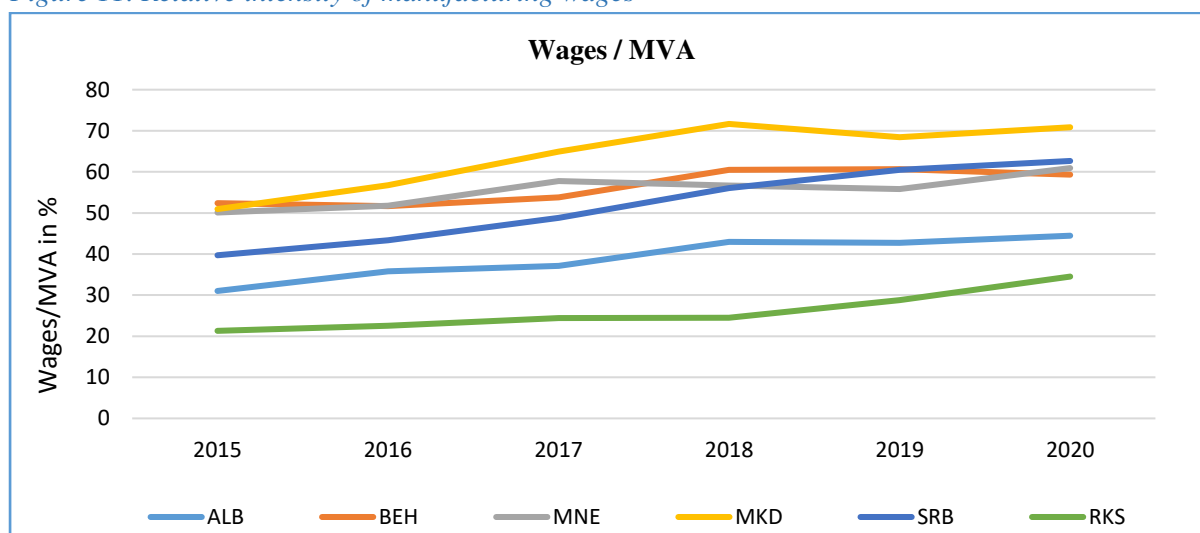
Countries	Salary increase rate	Productivity growth rate
Albania	10.10%	-1.01%
Bosnia and Herzegovina	3.81%	-0.30%
Montenegro	5.17%	-1.38%
North Macedonia	9.54%	-3.26%
Serbia	11.10%	-0.28%
Kosovo	5.65%	1.57%

Source: WDI, UNIDO, KAS (processed by DI/DIP staff)

Relative intensity of wages in industrialization

Between 2015 and 2020, manufacturing sector wages increased by an average of 11%. The increase in earnings for workers is also confirmed by the study of the relative wage intensity, measured as a percentage of manufacturing wages as part of the GDP. This indicator measures the share of GDP that goes to workers in the manufacturing sector in the form of wages. Figure 7 below shows that relative wage intensity in Kosovo has increased from 21% (2015) to 35% (2020). In short, with a growing manufacturing sector, the total manufacturing wage bill has increased. However, it still results in the lowest relative wage intensity in the region. All comparative countries account for more than 40% of the share of wages in MVA.

Figure 11. Relative intensity of manufacturing wages



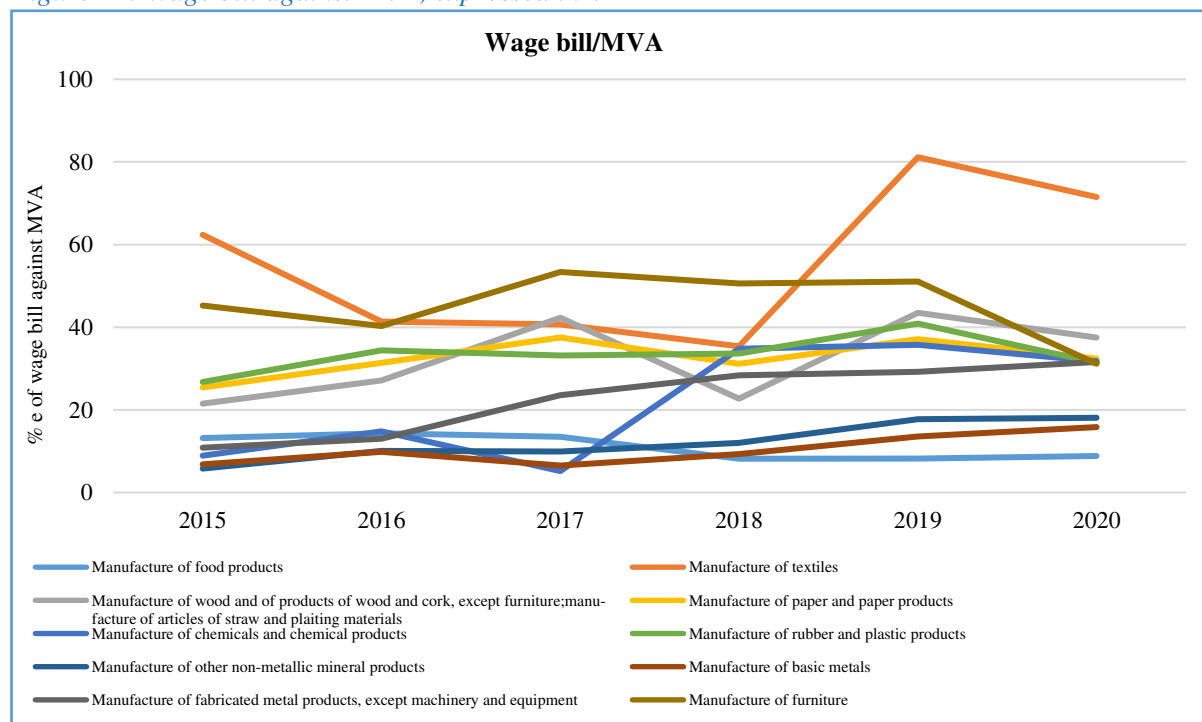
Source: Country indicators

Total wages in Sector C against Manufacturing Value Added (MVA)

It presents the ratio between the bill of the total cost of wages for Sector-C and the manufacturing value added.

Figure 10 presents some of the sub-sectors of Sector-C showing the percentage ratio of the PES to the total wage bill for the sub-sector.

Figure 12: Wage bill against MVA, expressed in %



Source: Kosovo Agency of Statistics (processed by DI/DIP staff)

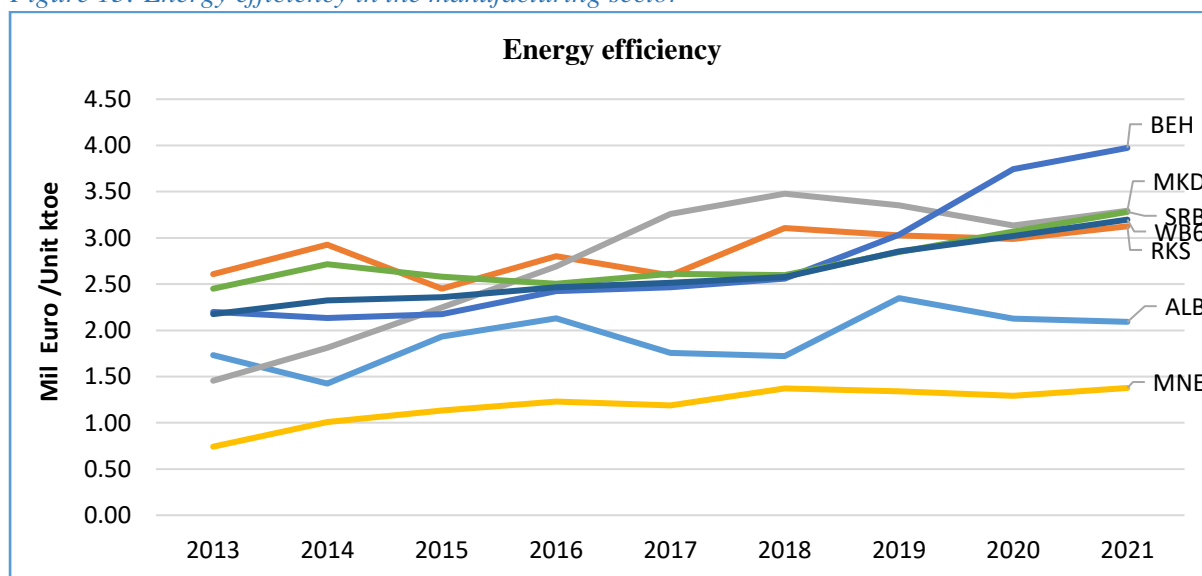
ENVIRONMENTAL ANALYSIS

Energy efficiency in the manufacturing sector

In Kosovo in 2021, the value of energy efficiency in manufacturing was 3.13 million Euros per unit of ktoe (kilo tons per unit of oil equivalent), which is less than the average of WB6 countries with 3.20 million Euros/ktoe. BiH had the highest value of energy efficiency with 3.97 million Euros/ktoe, while Montenegro had the lowest value of 1.38 million Euros/ktoe.

In 2013, the energy efficiency was 2.61 million Euros/ unit of electricity, while in 2021 efficiency increased by 20%, reaching 3.13 million Euros per unit of electricity.

Figure 13: Energy efficiency in the manufacturing sector

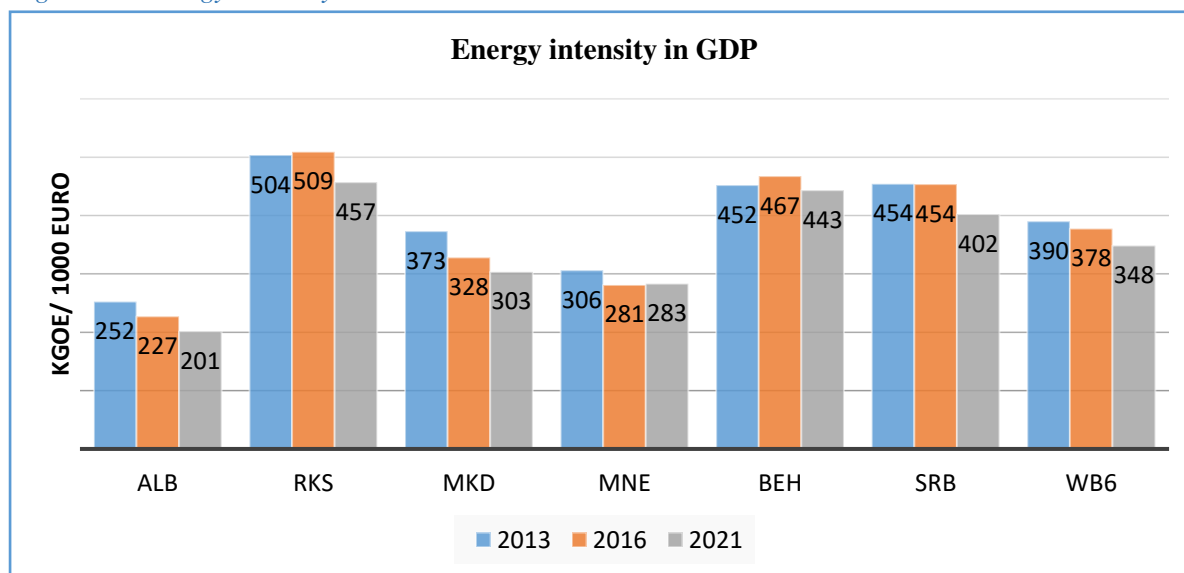


Source: International Energy Agency (IEA) (processed by DI/DIP staff)

Energy intensity in manufacturing

Energy intensity in Kosovo (the amount of energy used to produce a unit of GDP) has improved significantly over time, with a decrease of 12.28% from 2013 to 2021, much higher than the average of the Western Balkan countries.

Figure 14: Energy intensity

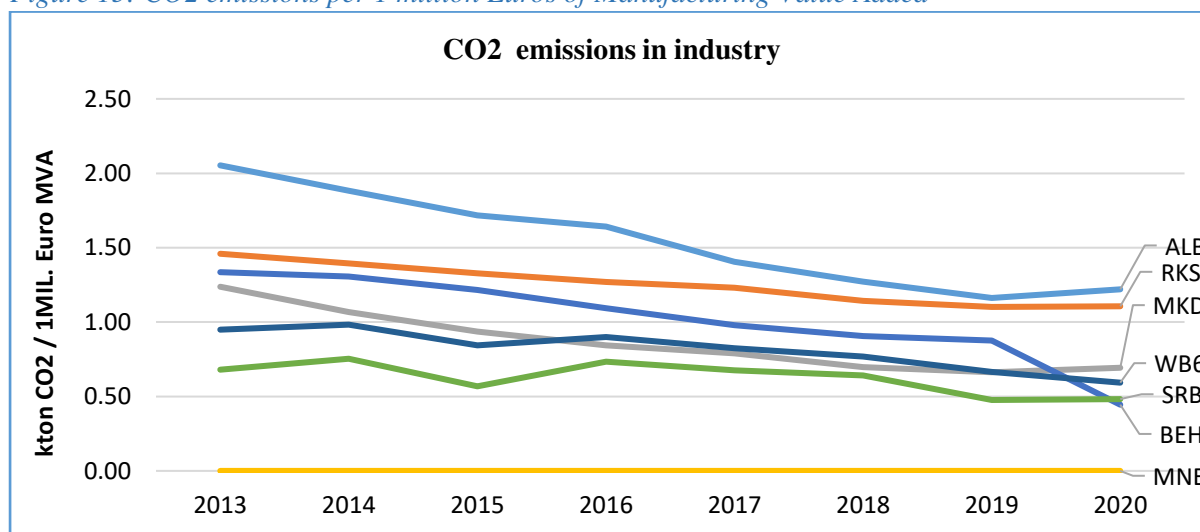


Source: International Energy Agency (IEA)

CO2 emissions

Kosovo's CO2 emissions in the manufacturing sector are 1.1 tons of CO2 per 1 million EUR in PES, with a decrease of 31.5% from 2013 to 2020, but still above the WB6 average. Bosnia and Herzegovina has the lowest emission of 0.44 kton of CO2, followed by Serbia with 0.48 kton of CO2 per 1 million euro of GDP, while for Montenegro there is no data on CO2 emissions.

Figure 15: CO2 emissions per 1 million Euros of Manufacturing Value Added

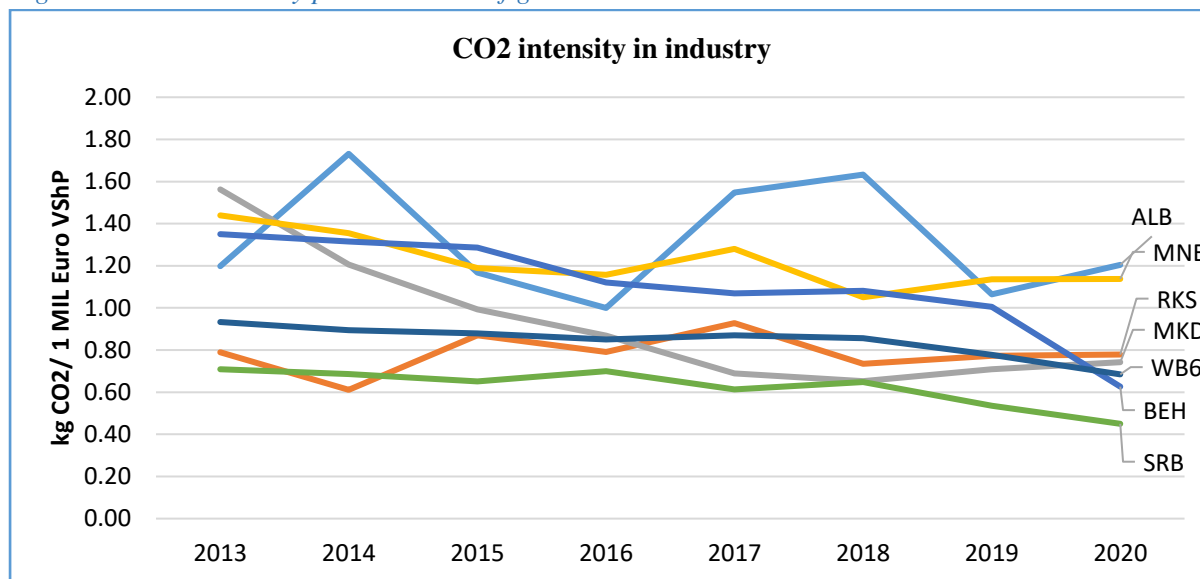


Source: International Energy Agency (IEA) (processed by DI/DIP staff)

CO2 intensity per manufacturing value added

Kosovo reduced its CO2 intensity by EUR 1 million of PES, at a similar annual rate to other WB6 countries, with the exception of Bosnia and Serbia which have a slightly faster pace. In 2020, the intensity of CO2 emissions was higher than Serbia, North Macedonia and BiH, and lower than Montenegro and Albania.

Figure 16: CO2 intensity per €1 million of generated MVA



Source: International Energy Agency (IEA) (processed by DI/DIP staff)

Conclusions

- Even though Kosovo has shown an increase in GDP per capita and has grown faster than the countries in the region, it is still below the WB6 average.
- The manufacturing sector remains stable in terms of participation in GDP; however, compared to 2021 it has shown a decline and continues to rank second after trade, even though it contributes to the increase in the manufacturing value added in the country, as well as to the increase in the number employees.
- Kosovo's industrialization, measured by the participation of MVA in GDP, shows stability over the years and is higher compared to Montenegro, Albania and North Macedonia.
- The structure of the economic composition of Kosovo, based on the participation of MVA in GDP, continues to be dominated by the services sector, with an average of 45%, while the manufacturing sector participates with an average of 13% of MVA in GDP.
- Foreign direct investments affect economic growth, with most FDI are oriented to the real estate and construction sector, which have a lower spillover effect.
- Bank interest rates are still high for the manufacturing industry at 6%, which prevents businesses from expanding their manufacturing capacities.
- The manufacturing/processing industry has high potential in reducing the trade deficit, taking into account the participation in the total export with 83%, where the coverage of import with export is only 14%.
- Exports of manufacturing/processing industry products are from countries where the Diaspora is concentrated, which reflects the limited diversification of exports in the general market. The importance of diversification is observed with the expansion of exports to the USA, such as the case with the sub-sector "Manufacture of furniture".
- 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.
- The manufacturing industry sector has the potential for higher employment of women, but the participation of women in employment in this sector continues to be low, compared to WB6 countries.

- In terms of productivity and wages, Kosovo and other WB6 countries have an increase in wages, although Kosovo has recorded an increase in the rate of productivity, while other countries have a negative rate in productivity.
- Energy efficiency in the manufacturing/processing industry in Kosovo continues to grow over the years, but remains below the average of WB6 countries and better than Albania and Montenegro.
- CO2 emissions in the manufacturing/processing industry in Kosovo continue to decrease over the years, but remain above the average of WB6 countries and below CO2 emissions in Albania and North Macedonia.

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