Republika e Kosovës

Republika Kosova - Republic of Kosovo

Qeveria - Vlada - Government

Ministria e Tregtisë dhe Industrisë

Ministarstvo Trgovine i Industrije - Ministry of Trade and Industry

Departamenti i Industrisë / Department Industrije/ Department of Industry

ANNUAL REPORT OF INDUSTRIAL DEVELOPMENT IN KOSOVO FOR 2017

Volume VI

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Contents

List of abbreviations

KAS	-	Kosovo Agency of Statistics
TAK	-	Tax Administration of Kosovo
EU	-	European Union
KCB	-	Kosovo Consolidated Budget
GDP	-	Gross Domestic Product
CBK	-	Central Bank of Kosovo
DI	-	Department of Industry
KC	-	Kosovo Customs
DIP	-	Division of Industrial Policy
FDI	-	Foreign Direct Investment
CPI	-	Consumer Price Index
PPI	-	Producer Price Index
MTI	-	Ministry of Trade and Industry
CEFTA	-	Central Europe Free Trade Agreement
AARID	-	Annual Average Interest Rate in Deposits
AARIL	-	Annual Average Loan Interest Rate
ODC	-	Other depositary corporations

Introduction

The Division for Industrial Policy (DIP) within the Ministry of Trade and Industry (MTI) is mandated, among others, for the monitoring and analysis of industry development trends in Kosovo. The annual statistical and analytical report regarding the development of industrial activities has been prepared under such mandate.

The purpose of this Annual Report is to present the main development trends of the economy in Kosovo, with particular emphasis on key industrial branches during 2017, as well as a comparative analysis for the last two years, as well as development trend in the industry sectors for the period 2012-2017.

The presentation of data in this Report could serve the policy-makers in the process of economic development in Kosovo, business operators (current and potential ones from the private sector), foreign investors, donors, researchers, academic researchers, etc. More specifically, by providing a clear overview of the main trends affecting the country's industry, this Report will facilitate the work of relevant stakeholders regarding the drafting of a more effective development policy based on measurable indicators.

In addition to the key indicators of sector/industry level (turnover, the number of employees and enterprises, etc.), which have an impact on industrial development, this Report also includes macroeconomic indicators such as the financial market, labour market, foreign direct investment, and foreign trade.

Methodology

The Report of industrial development in Kosovo for 2017 was drafted and analysed by the DIP analysts, who have highlighted the main trends in the field of industrial development in Kosovo.

This Report describes the development of economic sectors in 2017, i.e., it focuses on this period; however, the indicator trends presented include the comparative period in the last two years, as well as that of the six years 2012-2017.

The data were collected by the relevant institutions (KAS, KBRA, TAK, and CBK), whereas the processing, graphical presentation and the analysis was conducted by the Department of Industry, namely the Division for Industrial Policy.

Sector Analysis 2017

Annual turnover, employees and manufacturing enterprises

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

From the analysis of these data concerning the annual turnover for 2017, it can be seen that the food processing sector (10) had the highest percentage with 21.8% of total turnover compared to other processing sectors. Similarly, during this year, this sector marked the highest percentage with 23,2% and remains a leader with regards to the number of employees, as well as the number of manufacturing enterprises with 26.2%.

The second place is occupied by the sector of the production of non-metal minerals products, both by the amount of annual turnover with 21.7%, as well as the number of employees with 16,4%, whereas the number of manufacturing enterprises is ranked fourth.

A significant decrease of the turnover amount can be seen in the rubber and plastics production sector, by 10.6% from 14.2% in the previous year. This sector, which is ranked third in the list of processing industry sectors, marked a slight increase of 0.1% with regards to the number of enterprises, while with regards to the number of employees there is a decrease of 0.7% compared to the previous year.

The data presented in Table 1 show that the wood and corkwood products sector is ranked eighth with a turnover of 3.4%; however, with regards to the number of enterprises, it occupies an important place in the table with 9.6%. When in this sector, it can be seen that furniture production sector is in a more favourable position, where the turnover is 4.8%, while it has marked a participation of 7.7% in the total number of employees within the industrial sectors and the increase of the number of enterprises with 8.1%.

The turnover percentage of the textile production sector during 2017 is only 1.6% of the total amount or it is ranked in the 12th place of the table, whereas as a sector stands a bit better concerning the number of employees and manufacturing enterprises, ranked in the ninth position.
The clothing sector is similar to this, but it has a very low turnover value of only 0.7%.

The metal production in 2017 recorded a turnover value of 6.2%, ranking sixth and compared to 2016, it marked an increase of 72% of the turnover value.

Table 1: Processing industry sector according to NACE REV2 2017

SECTOR C PROCESSING INDUSTRY ACCORDING TO NACE REV 2		Manufacturing enterprises		Number of employees		Annual turnover	
		Amount	%	Amount	%	Amount	%
10	Processing of food products	1,251	26.2	5,786	23.2	227,434,530	21.8
11	Beverage production	78	1.6	1,686	6.7	95,785,190	9.2
12	Tobacco production	1	0.0	80	0.3	0	0.0
13	Textile production	124	2.6	836	3.3	17,232,925	1.6
14	Clothing production	217	4.5	746	3.0	7,426,218	0.7
15	Leather and leather products production	35	0.7	428	1.7	6,672,866	0.6
16	Wood, wood products and cork product production,	458	9.6	1,215	4.9	35,814,961	3.4
17	Paper and paper products production	94	2.0	450	1.8	21,924,010	2.1
18	Printing and reproduction of recorded media	155	3.2	600	2.4	18,076,502	1.7
19	Wood, wood products and cork product production	8	0.2	49	0.2	7,667,889	0.7
20	Chemical products production	97	2.0	585	2.3	22,094,876	2.1
21	Production of basic pharmaceutical products and preparations	9	0.2	219	0.9	4,007,664	0.4
22	Rubber and plastics product production	488	10.2	2,320	9.3	110,300,484	10.6
23	Production of non-metallic minerals products	476	10.0	4,098	16.4	226,562,793	21.7
24	Metal production	102	2.1	1,039	4.2	65,106,448	6.2
25	Fabricated metals products production	575	12.1	2,279	9.1	94,838,130	9.1
26	Computers, electric and optical device production	23	0.5	48	0.2	2,325,824	0.2
27	Electric equipment production	37	0.8	191	0.8	8,568,449	0.8
28	Machinery and p.k.t equipment production	25	0.5	104	0.4	7,199,149	0.7
29	Motor vehicles, trailers and semi-trailers production	2	0.0	31	0.1	783,531	0.1
30	Production of other transporting vehicles	3	0.1	49	0.2	3,334,519	0.3
31	Furniture manufacturing	385	8.1	1,915	7.7	50,079,842	4.8
32	Other p.k.t production	80	1.7	172	0.7	3,686,814	0.4
33	Repairs and machinery and equipment installations	47	1.0	62	0.2	7,547,275	0.7
	Total	4,770	100.0	24.988	100.0	1,044,470,889	100.0

Source: Data from KAS, processed by DIP/ MTI

Number of employees by industry production sector in Kosovo

Data analysis concerning the number of employees in the industrial sectors during 2012-2017 shows that the food processing sector is the sector with the largest number of employees in Kosovo and that this sector has maintained a trend of increase of employees during this reporting period. Data indicate that in 2017, there is an increase of 6.4% or with 346 more employees in the sector of food products, compared to the previous year. These data show a balance of this sector, since in 2013, there was a more prominent increase of employees of 29.64%, while the following year, i.e. 2014 marked the greatest decline in the number of employees for 21.8 %.

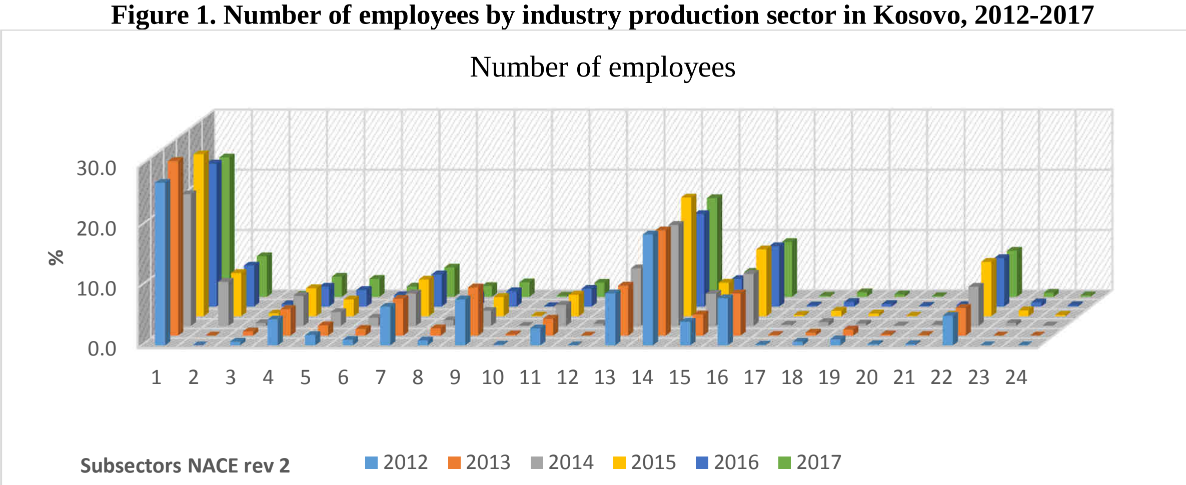
The production of non-metallic mineral products also turns out to be a sector employing a large number of employees. Data over the years indicate that there is a slight decrease of 2%, from 18.9% in 2012 to 16.4% in the last year.

During 2017, there was an increase in the number of employees, though not large, in two sectors, in the production of rubber and plastics products, from 10% to 9.3%, and the metal products manufacturing sector, except machinery and equipment, from 9.7% to 9.1%

The wood and corkwood production sector is one of the sectors that have constantly contributed to employment in Kosovo. In 2012, the total number of employees in this sector was 6.5%. This trend has been maintained in the following years, but in the last three years, there has been a slight decrease.

A similar declining trend is observed in the textile products sector, with about 4.5% of employees in the first three years 2012-2014, whereas in 2016 they declined to 3.2%. Unlike the previous years, in 2017 there has been a slight increase of 0.1%.

Figure 1. Number of employees by industry production sector in Kosovo, 2012-2017



Source: Data from KAS, processed by DIP/ MTI

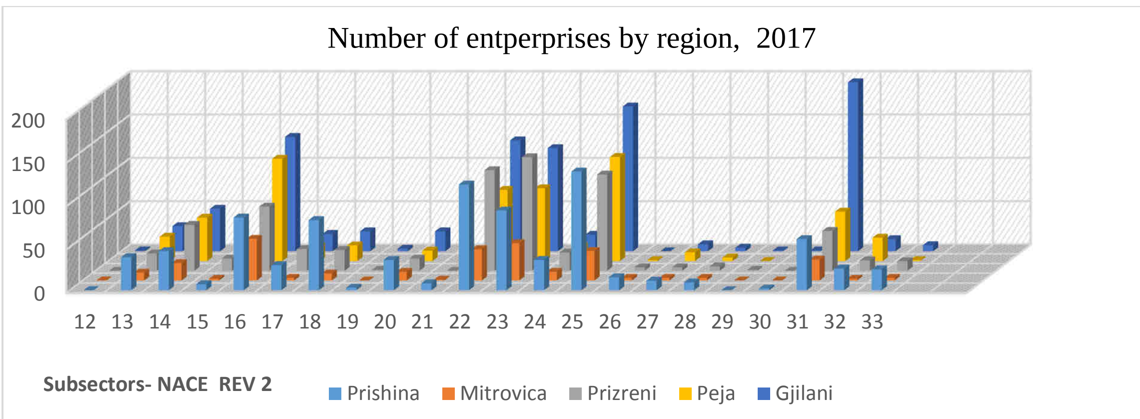
Number of enterprises by industry sector in Kosovo

Data on the concentration of enterprises across different industrial sectors, with regard to sector rankings, show that there are no big fluctuations concerning the number of enterprises in these six years. In 2013 and 2017 there were about 4,770 enterprises, while a higher number was marked in 2014 with 5,259 enterprises in industrial sectors.

The data presented in Figure 2 indicate that the highest concentration of manufacturing enterprises for 2017 was in the region of Gjilan with 1204 enterprises, followed by Prishtina with 1,185, Prizren with 1,052 and the region of Mitrovica with 387, which had the lowest number of enterprises.

The largest number of employees was in the region of Prishtina with 6,660 employees. The analyses indicate that other regions of Kosovo have a similar parallel between the number of enterprises and the employees.

Figure 2. Number of enterprises by region in Kosovo, 2017



Source: Data from KAS, processed by DIP/MTI

Macroeconomic analysis

Gross Domestic Product

As it can be seen in Table 2, during 2017 the economy of Kosovo marked an increase compared to the previous year, as shown by the current price. In fact, the GDP increased for € 297 million, thus its total value increased from € 5.985million in 2016 to € 6.282 million in 2017.

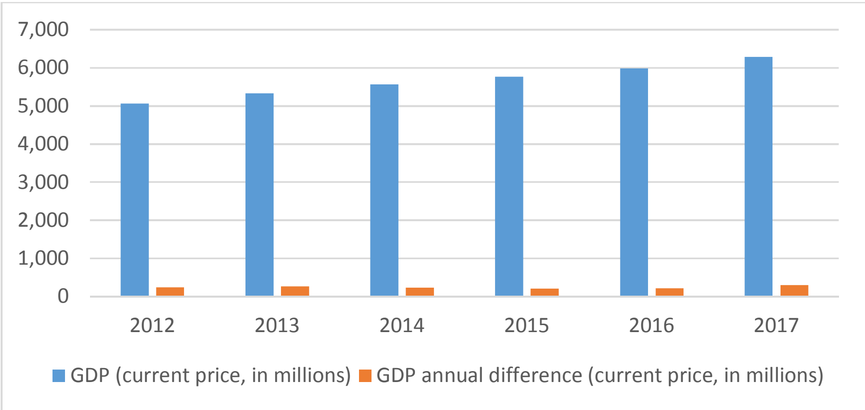
Table 2: GDP, 2012-2017

Year	GDP (current price, in millions)	GDP annual difference (current price, in millions)
2012	5,059	244
2013	5,327	268
2014	5,567	240
2015	5,771	204
2016	5,985	214
2017	6,282	297

Source: Data from KAS, processed by DIP/MTI

As shown in Figure 3, the GDP with current prices in millions has marked a positive trend over the last six years, marking the highest increase (6.28%) in 2017. The GDP growth rate for 2017 was 4.9% higher compared to the previous year.

Figure 3: GDP growth rate



Source: Data from KAS, processed by DIP/MTI

The main contributors of the GDP for 2017 continued to grow, starting with the household final consumption expenditure, followed by the gross capital formation and export of goods and services.

Table 3: Structure of GDP by expenditure 2012-2017 (in EUR million)

Years	2017	2016	2015	2014	2013	2012
Final consumption expenditures	6,146.10	6,060	5,858	5,731	5,331	5,320
Final consumption of households & NPISHs	5,293	5,176	4,964	4,821	4,467	4,478
Government final consumption expenditure	853	884	894	910	864	842
Gross Capital Formation	1,819	1,651	1,601	1,435	1,471	1,465
Net export	(1,683)	(1,726)	(1,652)	(1,599)	(1,476)	(1,727)
Export of goods and services	1,696	1,346	1,274	1,253	1,167	922
Imports of goods and services	3,380	3,072	2,926	2,852	2,642	2,649
GDP	6,282	5,985	5,807	5,568	5,327	5,059

Source: Data from KAS, processed by DIP/MTI

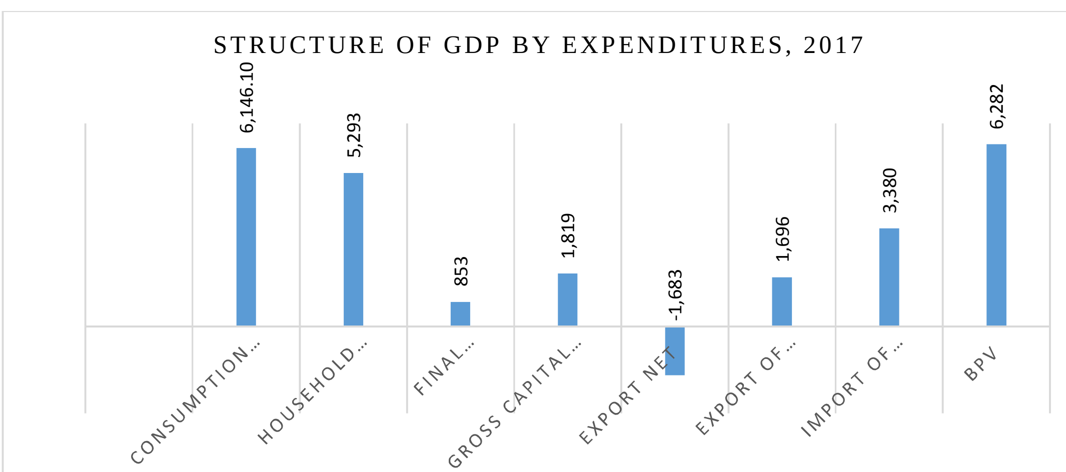
In 2017, the value of exports of goods and services and imports increased by EUR 350 million and EUR 308 million, respectively, compared to the previous year, resulting in a higher trade deficit of EUR 42 million.

On the other hand, the value of Gross Capital increased by around EUR 168 million, while the Government expenditures decreased by EUR 31 million.

Meanwhile, the main macroeconomic component that had a negative impact on the overall GDP value, as in previous years, was the import of goods and services, representing 52% of the GDP.

Figure 4 shows the main components of the GDP during 2017 and it is worth noting that there is no change in their rankings, viewed from the angle of their participation in the overall GDP value. However, the value trends of those components were different.

Figure 4: GDP components by expenditure approach, 2017



Source: Data from KAS, processed by DIP/MTI

Structure of Total Government Revenue 2016-2017

During 2017, the Government Revenue structure, which includes twelve categories, marked some fluctuations in certain categories compared to the previous year. More specifically, the highest increase was on tax on products (EUR 79.8 million), which was mainly a result of the increase in the revenues from VAT (EUR 47.8 million). Similarly, there was an increase in the category of taxes and customs tax on imports excluding VAT (EUR 23.9 million), followed by the category of financial activities and liabilities (EUR 57.2 million), while there was also a slight increase in the payments for sales, amounting to EUR 7.6 million.

A decrease in the government revenue is recorded in the category of current taxes on income, wealth, and so on (EUR 2.9 million), followed by the category of other current transfers (EUR 1.4 million) and other tax categories in production (EUR 0.1 million).

Table 4: Structure of Total Government Revenue 2016-2017

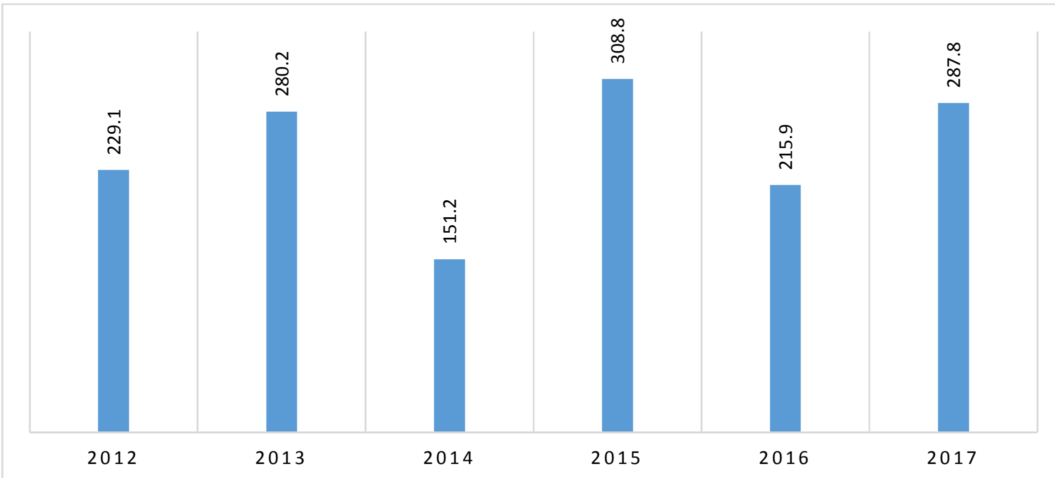
Categories of revenues	2016	2017
Tax on products	1,220.1	1,299.9
Value Added Tax (VAT)	664.4	712.2
Customs and Tax on products excluding VAT	527.4	551.3
Duties on imports	129.9	126.5
Tax on imports excluding VAT and duties	397.5	424.7
Tax on product excluding VAT and tax on imports	28.3	36.5
Other taxes on production	46.4	46.3
Property revenues	7.2	9.4
Current taxes on income, wealth, etc.	236.0	233.1
Other actual transfers	23.1	21.7
Financial activities and liabilities	154.8	212
Payments for non-market output (Sales)	91.7	98.6
Total	1,779.3	1.921.2

Source: Data from KAS, processed by DIP/ MTI

Foreign Direct Investment (FDI) in Kosovo

During 2017, the Foreign Direct Investment in Kosovo marked an increase of EUR 71.9 million compared to 2016. As it can be seen in Figure 5, during 2012-2017 the highest increase was recorded in 2015.

Figure 5: Foreign Direct Investment (in EUR million)



Source: Data from KAS, processed by DIP/ MTI

Foreign Direct Investment by economic activity

As shown in Table 5, the Foreign Direct Investment in Kosovo during 2017 amounted to EUR 287.8 million. The most attractive sector for Foreign Direct Investment once again was real estate, which managed to absorb about 65% of the total value. Other sectors that attracted FDI were construction with 15%, followed by financial services with 19 % of the total value.

Simultaneously, compared to the previous year, the highest value of the FDI was in the financial services sector with EUR 55.3 million, or for EUR 36.3 million more than in 2016, followed by real estate with a higher value for EUR 19.7 million, and finally construction with EUR 16.5 million.

Table 5: FDI by economic sector, 2012 – 2017 (in EUR million)

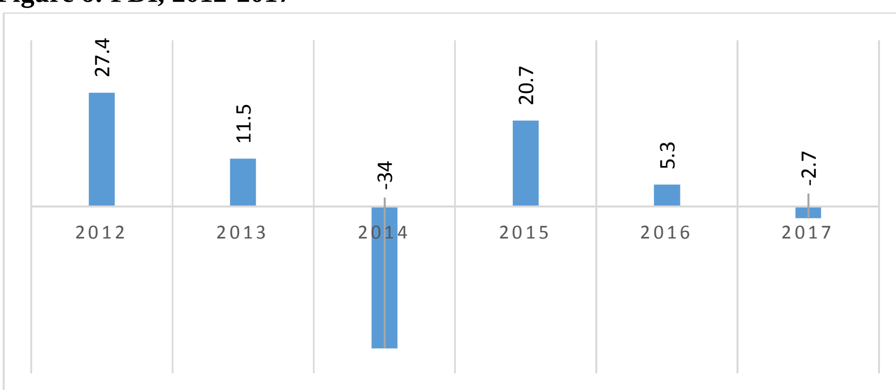
Sector	2012	2013	2014	2015	2016	2017
Agriculture	0.3	0.4	0.2	1.0	1.5	-1.3
Mines	-25.0	-14.1	4.2	-36.9	-22.1	-4.9
Industry	27.4	11.5	-34.0	20.7	5.3	-2.7
Energy	2.2	48.8	13.4	11.9	3.4	-1.0
Construction	31.1	17.3	-19.9	46.3	28.2	44.7
Trade services	9.3	14.6	8.4	12.0	12.8	9.8
Hotels	0.5	0.8	0.4	0.0	0.7	0.8
Transport and Communication	32.4	51.0	-9.1	-6.1	-9.4	-6.6
Financial services	22.4	4.4	41.9	64.3	19.0	55.3
Real estate	115.7	136.1	142.1	189.6	167.6	187.3
Other services	1.8	3.3	2.2	4.5	9.4	4.9
Other activities	11.0	6.2	1.4	1.4	-0.6	1.5
Total	229.1	280.2	151.2	308.8	215.9	287.8

Source: Data from KAS, processed by DIP/ MTI

As shown in Figure 6, the value of FDI in the industry sector during 2017 was the lowest since 2007, with a prominent decline to EUR - 2.7 million compared to EUR 5.3 million in 2016.

Over the years, the highest decrease can be seen in 2014 with EUR -34 million.

Figure 6: FDI, 2012-2017



Source: Data from KAS, processed by DIP/ MTI

Foreign Direct Investment (FDI) by country

The Foreign Direct Investment by country during 2012-2017 has marked continuous changes. The total value of FDI for 2017 was EUR 287, 8 million, which means there has been an increase of EUR 71,9 million compared to the previous year.
The largest increase in FDI by country was recorded for England for EUR 39.7 million, followed by Germany with an increase from EUR 25.7 million to EUR 55.9 million, compared to the previous year.

During 2017, in contrast to 2016, a significant decrease was recorded by the following countries: Switzerland, Turkey, and Albania. However, compared to the previous year, when analysed in nominal terms, the FDI with the highest decline was that of Albania from 28.6 to EUR 2.5 million or for EUR 26.1 million, followed by that of Turkey with EUR 44.4 million to EUR 29.4 million.

Table 6: FDI by country of origin, 2012 – 2017 (in EUR million)

Countries	2012	2013	2014	2015	2016	2017
Great Britain	14.3	10.7	-39.5	26.6	13.6	53.3
Austria	0.4	10.7	30.3	33.5	9.9	20.6
Bosnia & Herzegovina	0	0.2	0.3	0.8	1.2	0.7
Bulgaria	8.1	5.6	14.5	1.6	0.4	0.5
Czech Republic	0.3	0.2	0.4	1.3	0.2	0.7
Cyprus	0.3	0.3	0.3	0.1	0.4	0.8
Egypt	0.1	0	0.1	0	0	0
Estonia	0.2	0.2	0.1	-0.8	0.2	2.5
Arab Emirates	0.8	-0.8	1.3	1.4	3.5	13.4
France	6.3	3.8	3.3	3.2	2.8	3.5
Greece	0.3	-0.4	-0.6	-0.2	-0.4	-0.4
Germany	49.5	21.7	29.4	45.3	25.7	55.9
Hungary	0.4	1.3	1.1	0.1	-1.7	0.7
The Netherlands	-25.6	-0.1	-7.8	-36.4	-28.4	-14.1
Italy	4.4	8.7	3.3	5.7	1.9	7
Kuwait	0.7	2	0.5	0	0.2	0
Canada	1.2	1.2	0.9	1.1	2.5	3
Luxemburg	0.8	2.3	1.2	0.1	0.6	1.8
Macedonia	1.2	4.6	3.2	0.1	3.2	-1.7
Montenegro	4.3	3.1	0.1	0.1	0.1	0
Norway	2.9	4.7	5.9	2.9	3.4	3.5
Russia	0.4	5.7	2.4	0.8	-0.6	-1.4
Slovakia	-	0.2	0.1	0.1	0.8	0.1
Slovenia	9.3	7	-9.4	5.6	-4.5	1.3
Albania	4.7	19.3	20.4	40.1	28.6	2.5
USA	10.8	12.7	14.7	25	22.6	26.5
Turkey	65.6	88.6	20	55.4	44.4	29.4
Switzerland	43.8	41.7	38.2	72.9	61.8	50.6
Others	23.6	25.2	16.6	22.4	23.3	27.3
Total	229.1	280.2	151.2	308.8	215.9	287.8

Source: Data from KAS, processed by DIP/ MTI

Financial Market

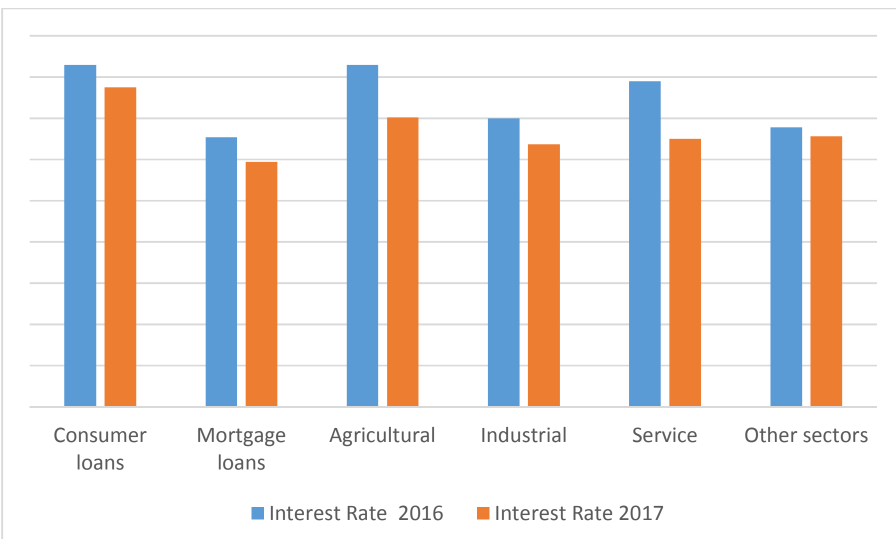
Regarding the Effective Interest Rate of the ODCs in loans, a decrease was recorded in all types of loans during 2017 compared to the previous year with an average interest rate of 0.78%.

Table 7: Effective Interest Rate of the ODCs in loans (%)

	Interest Rate 2016	Interest Rate 2017
Consumer loans	8.29	7.75
Mortgage loans	6.54	5.94
Agricultural	8.29	7.02
Industrial	7	6.37
Service	7.9	6.5
Other sectors	6.78	6.56
Average interest rate	7.47	6,69

As seen in Figure 7, compared to the previous year, in 2017 there was a decline in interest rates, with the sharpest decline in agricultural loans by 1.27%, followed by service with 1.4% and mortgage loans with 0.6%.

Figure 7: Interest rate, 2016-2017 (%)



Source: Data from CBK, processed by DIP / MTI

Price Index

The Production Price Index recorded a relatively slight increase of 0,6% in 2017, reaching EUR 114,5 million compared to EUR 113,8 million in the previous year. Similarly, an increase was marked by the Import Price Index for EUR 4,5 million or 4%, as well as the Consumer Price Index for 1,5% compared to the previous year.

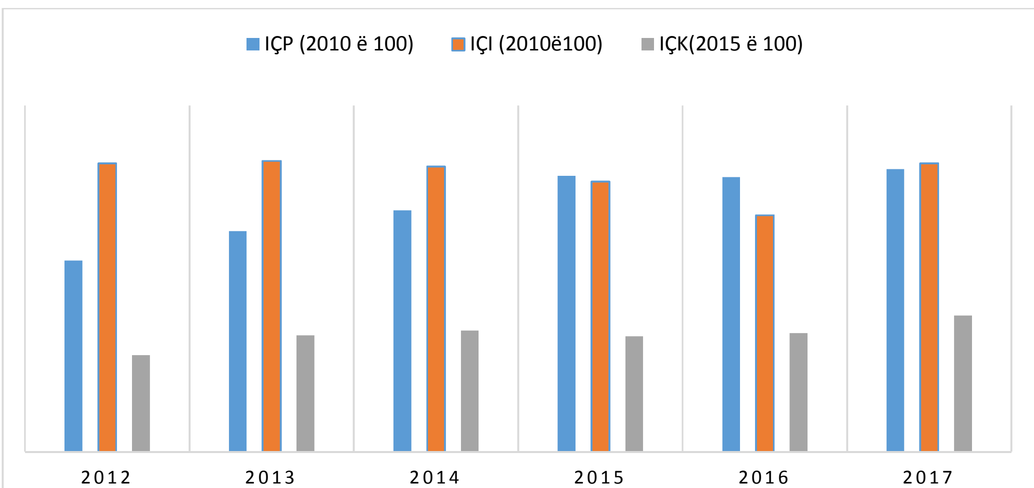
Table 8: Production, consumer and import price index (EUR million)

Year	PPI (2010 & 100)	IPI (2010 & 100)	CPI (2015 & 100)
2012	106.6	115.0	98.4
2013	109.1	115.2	100.1
2014	110.9	114.7	100.5
2015	113.9	113.4	100
2016	113.8	110.5	100.3
2017	114.5	115.0	101.8

Source: Data from KAS, processed by DIP/ MTI

From the figure below it can be seen that there is an increase of the three indices during 2017 compared to the previous years.

Figure 8: Annual changes in Production, Consumption and Import prices, 2012-2017



Source: Data from KAS, processed by DIP/ MTI

External Trade

The data in Table 9 show that the export/import and trade balance in Kosovo is negative during 2013-2017.

Analysis of the export trend shows that year 2017 had an increase in export by 23.5%, and an increase in import by 9.23% compared to 2016.

Compared to 2016, a negative balance is shown in 2017 in the amount of EUR 2 billion 669 million or 7.5%.

Table 9: Value of Exports, Imports and trade balance in Kosovo

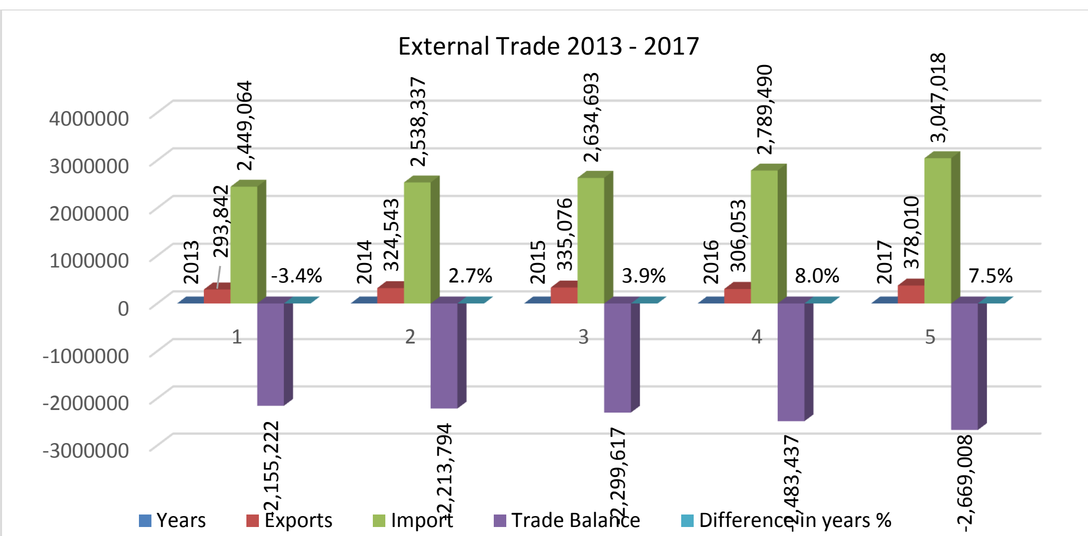
Years	Export	Import	Trade Balance	Difference in years %
2013	293,842	2,449,064	-2,155,222	-3.4%
2014	324,543	2,538,337	-2,213,794	2.7%
2015	335,076	2,634,693	-2,299,617	3.9%
2016	306,053	2,789,490	-2,483,437	8.0%
2017	378,010	3,047,018	-2,669,008	7.5%

Source: Data from KAS, processed by DIP/ MTI

As seen in Figure 10, the import values dominate in the external trade of Kosovo compared to the export values.

In 2017, the processing industry sectors in Kosovo (metal, textiles, wood, chemical industry, plastics and rubber, leather, paper and shoe) have managed to export in the amount of EUR 283,735,120, and to import in the amount of EUR 1,482,885,664.

Figure 9: External trade, 2017



Source: Data from KAS, processed by DIP/ MTI

Exports and Imports to CEFTA, EU and other countries in 2016 - 2017

The data from Table 10 present an overview of import and export values to CEFTA, EU, and other countries for 2016 and 2017, where it is noted that similar sectors of Kosovo industry continue to dominate in the external market.

The exports of 2017 are dominated by the metal sector in the amount of EUR 135,410,356; thus, compared to 2016, this sector had an increase by 21.84%.
Compared to the previous year, the paper sector in 2017 marked the highest value of increase in export with 31%, followed by the plastic and rubber sector with an increase of 23.41%, and the wood sector with 21.81%. While, compared to previous year, the shoe sector marked an export decrease of 19.4%.

Imports continue to be dominated by the chemical industry sector, with the amount of EUR 673,099,031 for 2017; in comparison to the previous year the import value of this sector marked this year's highest value of increase in import by 22.59%.
Compared to the previous year regarding imports, the metal sector ranks second with an amount of EUR 307,104,786 or 11.52%. Compared to 2016, the paper sector marked an increase in the amount of EUR 46,072,496 or 10.38% in 2017.
In general, a trade deficit is noted in external trade in the amount of EUR 1,199,150,544. However, comparing 2017 with 2016, exports have increased by 18.45% against an import increase of 13.43%.

Table 10: Export and Import value to CEFTA, EU and other countries in 2016 - 2017

Articles by Industry	Export		Balance		Import		Balance	
	2016	2017	VALUE 2017-2016	% 2017> 2016	2016	2017	VALUE 2017-2016	% 2017> 2016
Chemical	68,583,015	78,579,573	9,996,558	14.58	549,055,605	673,099,031	124,043,426	22.59
Plastic and rubber	28,871,840	35,629,898	6,758,058	23.41	188,422,517	194,267,121	5,844,603	3.10
Leather	11,192,265	11,826,568	634,302	5.67	8,392,124	9,009,904	617,780	7.36
Wood	3,618,533	4,407,867	789,334	21.81	72,641,885	77,186,306	4,544,421	6.26
Paper	3,977,220	5,210,018	1,232,798	31.00	41,741,640	46,072,496	4,330,856	10.38
Textile	8,784,388	9,941,482	1,157,095	13.17	136,687,770	139,909,718	3,221,948	2.36
Shoe, etc.	3,371,240	2,729,359	(641,882)	(19.04)	35,017,027	36,236,302	1,219,274	3.48
Metal	111,141,960	135,410,356	24,268,396	21.84	275,383,592	307,104,786	31,721,195	11.52
Total	**239,540,462**	**283,735,120**	**44,194,659**	**18.45**	**1,307,342,161**	**1,482,885,664**	**175,543,503**	**13.43**

Source: Data from KAS, processed by DIP/ MTI

Exports and Import with CEFTA countries for industry sectors, 2016 - 2017

Table 11 shows import and export values with CEFTA countries for 2017 and 2016 for chemical industry sectors, plastic and rubber, leather, wood, textile, shoe and metal. It is seen that the same sectors of Kosovo industry continue to dominate also in the external trade with CEFTA countries.

Table 11: Value of exports and imports with CEFTA countries for industry sectors, 2016 - 2017

Articles by Industry	Export		Balance		Import		Balance	
	2016	2017	VALUE 2017-2016	% 2017> 2016	2016	2017	VALUE 2017-2016	% 2017> 2016
Chemical	44,994,845	46,255,343	1,260,498	2.80	164,715,258	235,949,972	71,234,714	43.25
Plastic and rubber	9,532,071	13,203,656	3,671,584	38.52	42,575,654	39,652,417	(2,923,236)	(6.87)
Leather	3,342,837	5,052,034	1,709,197	51.13	95,720	143,824	48,104	50.26
Wood	1,029,611	1,597,993	568,382	55.20	29,477,410	33,142,025	3,664,616	12.43
Paper	2,997,419	4,135,765	1,138,347	37.98	17,273,454	18,645,335	1,371,881	7.94
Textile	783,344	1,067,645	284,301	36.29	5,098,533	4,363,188	(735,345)	(14.42)
Shoe, etc.	1,473,694	1,530,855	57,161	3.88	1,849,701	1,804,797	(44,904)	(2.43)
Metal	41,711,114	61,639,118	19,928,004	47.78	152,696,633	178,467,389	25,770,756	16.88
Total	105,864,934	134,482,410	28,617,475	27.03	413,782,363	512,168,948	98,386,585	23.78

Source: Data from KAS, processed by DIP/ MTI

The export during 2017 is dominated by the chemical industry sector reaching the amount of EUR 46,255,343. While the sector with the highest value regarding exports for 2017 is the wood sector with 55.20% more exports compared to the previous year, with the second highest ranking being the leather sector with 51.13% and the metal sector with 47.78%.

The import continues to be dominated by the chemical sector reaching the amount of EUR 235,949,972 in 2017, while the second highest rating in terms of import is the metal sector, amounting to EUR 178,467,389. Whereas, the highest increase in import in 2017 in comparison to the previous year was marked by the leather sector with 50.26%, followed by the chemical industry sector with 43.25%.

It should be mentioned that compared to 2016, 2017 had a decrease in the textile sector with 14.42%, the plastic and rubber sector with 6.87%, and the shoe sector with 2.43%.

In general, a trade deficit with CEFTA countries is noted in the amount of EUR 377, 686,538; however, the export value in 2017 increased by 27.03% against to an increase of imports by 23.78%.

Exports and imports with EU countries for 2016– 2017

Exports with EU countries for 2017 marked an increase of 26.39%, while imports increased by only 11.14%. Thus, a trade deficit with EU countries is maintained, amounting to EUR 495,828,806.

Table 12: Value of exports and imports with EU countries for 2016– 2017

Articles by Industry	Export		Balance		Import		Balance	
	2016	2017	Difference	Difference %	2016	2017	Difference	Difference %
Chemical	14,575,414	27,048,279	12,472,864	85.57	303,937,708	346,524,601	42,586,893	14.01
Plastic and rubber	13,314,870	15,785,322	2,470,452	18.55	78,597,239	89,100,242	10,503,003	13.36
Leather	7,728,689	6,773,815	(954,874)	(12.35)	1,436,804	989,350	(447,454)	(31.14)
Wood	1,398,541	1,512,745	114,204	8.17	27,817,321	26,117,361	(1,699,960)	(6.11)
Paper	213,061	495,369	282,308	132.50	15,882,997	18,838,890	2,955,893	18.61
Textile	2,800,035	3,656,276	856,240	30.58	12,040,183	12,058,571	18,387	0.15
Shoe etc.	1,858,039	1,159,716	(698,324)	(37.58)	3,293,939	2,934,789	(359,151)	(10.90)
Metal	7,946,484	6,552,667	(1,393,816)	(17.54)	59,791,503	62,249,191	2,457,688	4.11
Total	**49,835,134**	**62,984,187**	**13,149,054**	**26.39**	**502,797,693**	**558,812,993**	**56,015,300**	**11.14**

Source: Data from KAS, processed by DIP/ MTI

The chemical industry sector exported most to EU countries in 2017, reaching the amount of EUR 27,048,279, which means that this sector exported 85.57% more than in the previous year. THe second highest ranking sector in terms of exports increase in 2017 was the plastic and rubber sector reaching the amount of EUR 15,785,322.

Compared to 2016, the paper sector had a higher increase, 132.50%, followed by the chemical industry product sector with an increase of 85.57%.

During 2017, a decrease in export occurred in the shoe sector by 37.58%, metal sector by 17.54%, and leather sector by 12.35%

The chemical industry sector marked the amount of EUR 346,524,601 and continues to dominate in import. The second, regarding imports, is the plastic and rubber sector with an amount of EUR 89,100,242. Compared to 2016, the paper sector marked an increase in import by 18.61%.

The trade balance in the leather sector is at a satisfactory level, even though there was a decrease in export by 12.35% due to the decrease in import by 31.14%.

The shoe sector did not show a good balance in 2017 compared to 2016, where exports decreased by 37.58% compared to the decrease in imports only by 10.90%.

Exports and imports with other countries for 2016 - 2017

Export with other countries for 2017 decreased by 68.6% compared to imports which increased by 5.24%, meaning that a trade deficit with other countries is maintained in the amount of EUR 380,821,390.

Table 13: Value of exports and imports with other countries for 2016 - 2017

Articles by Industry	Export		Balance		Import		Balance	
	2016	2017	Difference	Difference %	2016	2017	Difference	Difference %
Chemical	9,012,756	5,245,015	(3,767,741)	(41.80)	76,626,683	85,865,459	9,238,776	12.06
Plastic and rubber	6,024,899	6,640,921	616,022	10.22	67,342,159	65,514,462	(1,827,697)	(2.71)
Leather	120,739	718	(120,021)	(99.41)	6,859,659	7,876,730	1,017,071	14.83
Wood	1,190,381	1,297,129	106,748	8.97	15,364,278	17,926,920	2,562,642	16.68
Paper	766,740	578,884	(187,856)	(24.50)	8,773,091	8,588,272	(184,819)	(2.11)
Textile	5,201,009	5,217,562	16,553	0.32	119,550,408	123,487,959	3,937,551	3.29
Shoe etc.	39,507	38,788	(719)	(1.82)	29,871,117	31,496,716	1,625,599	5.44
Metal	61,484,363	7,304,318	(54,180,045)	(88.12)	62,501,332	66,388,206	3,886,874	6.22
Total	83,840,394	26,323,334	(57,517,059)	(68.60)	386,888,726	407,144,724	20,255,998	5.24

Source: Data from KAS, processed by DIP/ MTI

Regarding exports with other countries, the plastic and rubber sector increased by 10.22% and the wood sector by 8.97% in 2017

Concerning the metal sector, despite having the highest amount in export, EUR 7,304,318, it decreased by 88.12% compared to 2016. In addition, the leather sector also decreased by 99.41%, followed by the chemical industry sector which decreased significantly by 41.80%, and the paper industry by 24.5%.

In 2017, the highest value in import was also marked by the textile sector in the amount of EUR 123,487,959, whereas the biggest change in import value, compared to other sectors, was marked by the chemical industry sector in the amount of EUR 9,238,459.

Compared to 2016, the wood sector had the highest value of increase by 16.68%, followed by the leather sector by 14.83%, chemical industry sector by 12.06%, etc. On the other hand, a decrease in import was marked by the plastic and rubber industry sector by 2.71% and paper sector by 2.11%.

Labour force

Compared to 2016, the labour force participation rate increased by 4.1% in 2017, thus reaching 42.8%. The data indicate that male participation in labour force was significantly increased by 7% and female participation only by 1.4%. According to these data, we continue to have a low rate of female participation in labour force, despite the fact of the increase in the overall participation, compared to the previous five years.

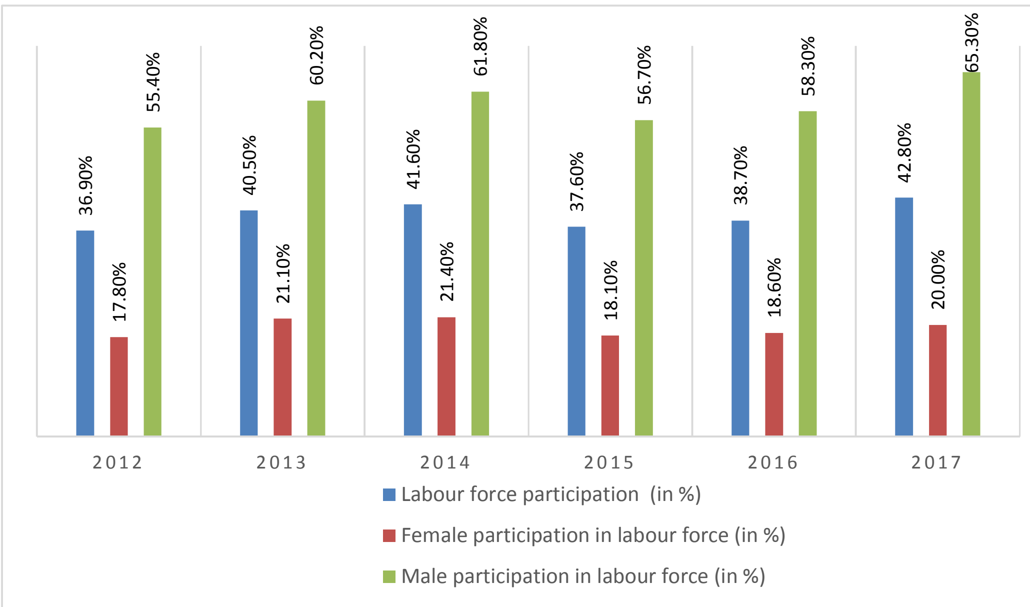
Table 14: Labour force participation 2012-2017 (%)

Year	2012	2013	2014	2015	2016	2017
Labour force participation (in %)	36.9	40.5	41.6	37.6	38.7	42.8
Female participation in labour force (in %)	17.8	21.1	21.4	18.1	18.6	20.0
Male participation in labour force (in %)	55.4	60.2	61.8	56.7	58.3	65.3

Source: KAS

Figure 11 shows that the labour force participation rate during the last six years fluctuated from year to year, marking the highest value of 42.8% in 2017.

Figure 10: Labour force participation, 2012-2017



Source: KAS

Year 2014 marked the highest unemployment rate with 35.3%, while the lowest was in 2016 with 27.5%. Comparing to 2016, the unemployment rate increased by 3% in 2017, thus reaching 30.5%.

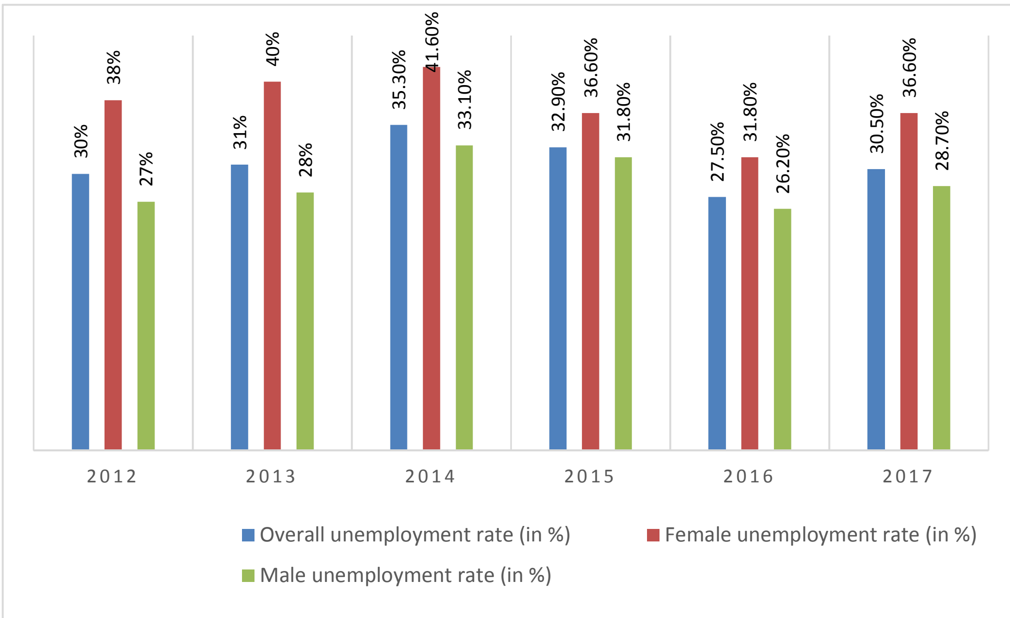
Table 15: Unemployment rate 2012-2017 (%)

Year	2012	2013	2014	2015	2016	2017
Overall unemployment rate (in %)	30	31	35.3	32.9	27.5	30.5
Female unemployment rate (in %)	38	40	41.6	36.6	31.8	36.6
Male unemployment rate (in %)	27	28	33.1	31.8	26.2	28.7

Source: KAS

As seen in Figure 11, the unemployment rate trend marked a significant increase compared to the previous year. It must be mentioned that in 2017, the female unemployment rate increased from 31.8% to 36.6% compared to 2016, while the male unemployment rate increased from 26.2% to 28.7%.

Figure 11: Unemployment rate 2012-2017



Source: KAS

Conclusions:

- During 2017, in the industry sector were 4.770 enterprises with 24.988 employees and with a turnover value of EUR 1,044.470. In terms of annual turnover, the food processing sector (10) marked the highest percentage of 21.8%, compared to other NACE2 processing sectors. This sector also remains the leading sector regarding the number of employees and number of manufacturing enterprises, with 26.2%.

- In 2012-2017, the number of employees marked a decrease in the plastic and rubber production sectors from 10% to 9.3% and in fabricated metal product manufacturing sector, except machinery and equipment, from 9.7% to 9.1%.

- The sector marking the highest increase, compared to the previous year regarding export in 2017, is the paper sector increasing the export value by 31%, while the plastic and rubber sector stands in the second place since it reached the value export to 23.41%. Compared to 2016, in 2017 a decrease in export was marked by the shoe sector of 19.04%.

- The highest rate of import was marked by the chemical industry, which compared to 2016 increased by 22.59% in 2017.

- The overall value of FDI in 2017, compared to 2016, has relatively increased with about 33%; almost every country of origin had an increase of FDI.

- Regarding the bank interest rates, they marked a decrease in 2017 compared to 2016 in almost in all types of loans. Three types of loans with the highest interest rate were consumer loans followed by agricultural loans, while the lowest interest rate was in the service sector.

- Consumer prices in Kosovo are dominated, respectively, by import prices. The data show that the supply of imported goods and services does not respond to the relevant local demand, meanwhile, the supply from the Kosovo goods and services manufacturer is faced with production prices marking continuous growth, therefore it is a factor influencing the decrease of competition in the local trade.

- The overall unemployment rate increased by 3% in 2017 compared to the previous year, from 27.5% to 30.5%.