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Ministry of Industry, Entrepreneurship, Trade and Innovation

Department of Industry
Division for Industrial Policy

SECTOR C Industry

INDUSTRY REPORT 2025

INDUSTRY PRODUCTION / MANUFACTURING

Economic Performance • Social • Environmental
Performance



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List of abbreviations

KAS	-	Kosovo Agency of Statistics
TAK	-	Tax Administration of Kosovo
European Union	-	European Union
KCB	-	Kosovo Consolidated Budget
GDP	-	Gross Domestic Product
CBK	-	Central Bank of Kosovo
DI	-	Department of Industry
KC	-	Kosovo Customs
DIP	-	Division for Industrial Policy Development
FDI	-	Foreign Direct Investments
ODC	-	Other Depository Corporations
MIET	-	Ministry of Industry, Entrepreneurship and Trade
AAIRD	-	Average Annual Interest Rate on Deposits
VSHP	-	Manufacturing Value Added
WITS	-	World Integrated Trade Solution
WDI	-	World Development Indicators
KTOE	-	Kiloton of oil equivalent

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1. INTRODUCTION

The manufacturing industry constitutes one of the main pillars of Kosovo's economic development, contributing to increased manufacturing, job creation, increased exports and generation of value added in the economy. The development and transformation of this sector aims to increase the competitiveness of the economy, advance manufacturing capacities and improve the socio-economic well-being of citizens.

The gradual transformation of industry in Kosovo requires continued investment in manufacturing capacities, technology, innovation and human capital development, as well as the creation of a favorable environment for investment and sustainable industrial development. These factors are essential for increasing productivity, strengthening competitiveness and expanding the country's manufacturing base.

The manufacturing industry has high potential for creating value added, increasing productivity and generating new jobs. At the same time, its development promotes the adoption of new technologies and innovation and the strengthening of supply chains. Furthermore, industrial development creates positive effects on other sectors of the economy, supporting the development of agriculture, mining and service sectors related to manufacturing activities.

To provide a detailed overview of the state and development trends of the industry, industrial policy makers within the Ministry of Industry, Entrepreneurship, Trade and Innovation, based on processed statistical data, have prepared the Annual Report on the Manufacturing Industry 2025. The report analyzes the performance of Sector C – Manufacturing Industry – through three main dimensions: economic, social and environmental.

The purpose of the Annual Report is to present the main trends in the development of the manufacturing industry, to analyze the performance of the main industrial branches, to provide a comparative analysis with the countries of the region and to highlight the most important developments in the sector. Through this analysis, it is intended to identify the challenges, opportunities and factors that affect the development of the manufacturing industry in Kosovo.

The data and analysis presented in this report can serve public institutions, policy makers, the academic community, businesses, investors, donors, researchers and other stakeholders. The report on Sector C (Manufacturing Industry) provides a detailed overview of the main trends affecting the development of the industry in Kosovo and serves as a basis for designing more effective development policies, supported by measurable indicators and data-based analysis.

2. METHODOLOGY

The report was drafted based on the analysis of relevant reports and studies, as well as quantitative and qualitative data provided by the Kosovo Agency of Statistics (KAS), the Central Bank of the Republic of Kosovo (CBK), the World Bank and other relevant institutions.

Quantitative and qualitative data were processed and analyzed by the staff of the Ministry of Industry, Entrepreneurship, Trade and Innovation (MIETI), namely by statistical data processors and industrial policy drafters in the Department of Industry.

To ensure accurate and comparable presentation of results, the data were analyzed using comparative and analytical methods, while the results were presented in the form of tables and figures.

The overall analysis of the manufacturing industry (Sector C) is based on aggregated data covering subsectors with NACE Rev.2 codes, 10–33. The main indicators are also compared with the Western Balkan countries (WB6), while the description of the subsectors in this report is presented according to the official NACE Rev.2 classification.

Data on exports, imports, economic activities, enterprises, employment and turnover in Kosovo are presented according to the four-digit classification of NACE Rev.2, enabling a more detailed analysis of each subsector.

Based on the processed statistical data, analyses have been compiled covering three main dimensions: economic, social and environmental. These dimensions are treated in an integrated manner to provide a comprehensive overview of the state and development of the manufacturing industry in Kosovo.

After analyzing the general indicators and trends of the manufacturing industry (Sector C), the report presents the main conclusions regarding the current situation, developments and trends of the sector in Kosovo.

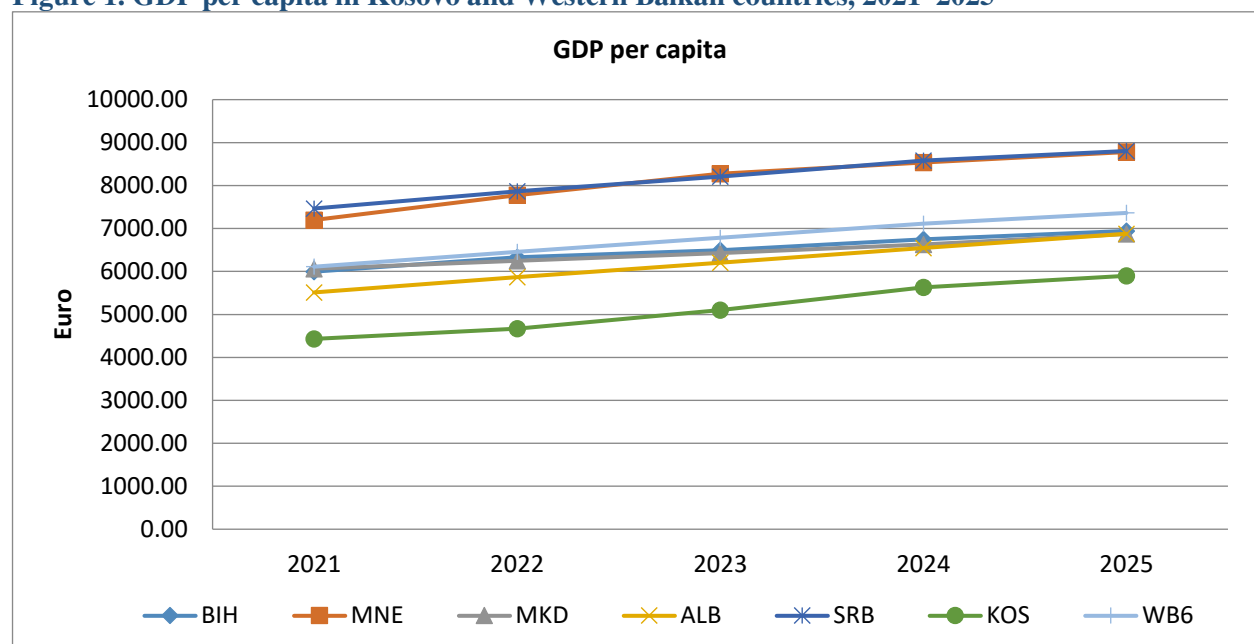
All data and information used in this Annual Report has been cited from relevant sources, in accordance with reporting and transparency standards.

3. ECONOMIC ANALYSIS

3.1. Gross Domestic Product (GDP) per capita

Gross Domestic Product (GDP) per capita is one of the main macroeconomic indicators used to assess the level of economic development and the average standard of living in a country. This indicator represents the value of GDP divided by the number of inhabitants and allows for comparison of economic performance between countries, regardless of the size of the economy or population.

Figure 1. GDP per capita in Kosovo and Western Balkan countries, 2021–2025



Source: World Bank

The figure presents the performance of GDP per capita in the Western Balkan countries during the period 2021–2025. The data show that all countries in the region have recorded continuous growth in this indicator, reflecting the expansion of economic activity and the gradual improvement of per capita income.

Kosovo has recorded a positive trend throughout the analyzed period. GDP per capita increased from 4,429.9 Euros in 2021 to 5,898.6 Euros in 2025, representing a cumulative increase of about 33.2%. Compared to 2024, GDP per capita increased by 4.7%, going from 5,631.7 Euros to 5,898.6 Euros.

However, despite this growth, Kosovo continues to have the lowest GDP per capita among the Western Balkan countries. In 2025, GDP per capita in Kosovo was around 1,464 Euros lower than the regional average (WB6), which reached 7,362.8 Euros. This indicates that the country's level of economic development still remains below the regional average.

In 2025, Serbia (8,804.4 Euros) and Montenegro (8,780.0 Euros) recorded the highest level of GDP per capita in the region, while Bosnia and Herzegovina (6,943.6 Euros), Albania (6,877.1 Euros) and North Macedonia (6,873.0 Euros) were positioned above Kosovo, but with smaller

differences between them. This shows that the economies of the region are following a similar growth trajectory, while the gap between Kosovo and other countries continues to remain significant.

The trend analysis shows that the growth rate of GDP per capita in Kosovo was higher in the years 2022–2024, while in 2025 the growth was moderate. This development suggests a phase of stabilization of economic growth after the higher rates of previous years.

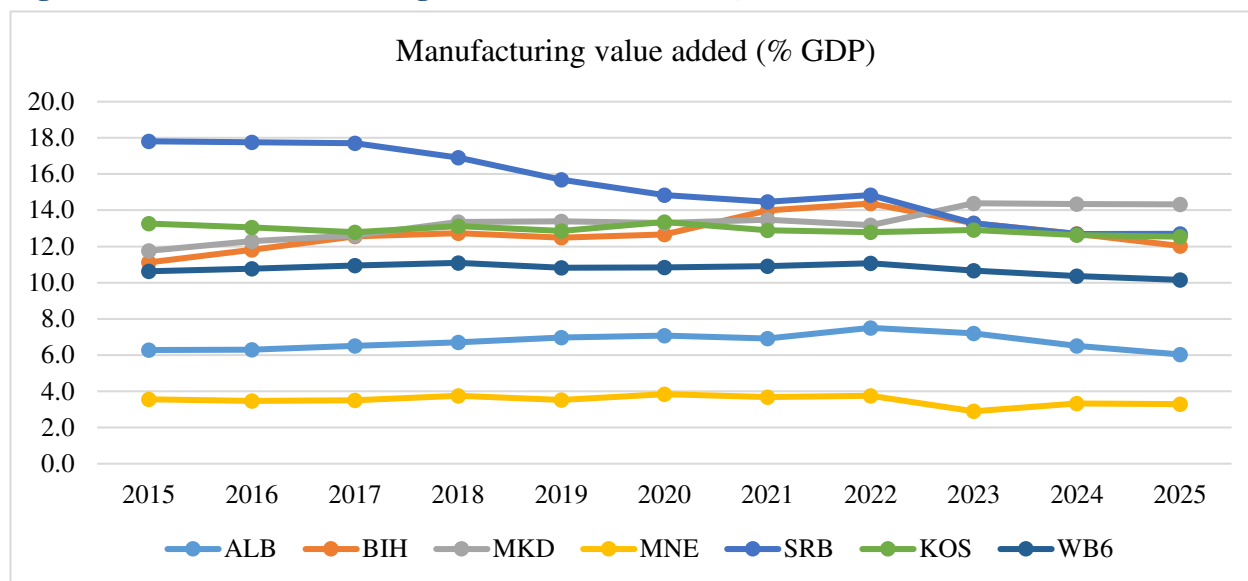
For the manufacturing industry, the growth of GDP per capita is a positive indicator, as it reflects the expansion of economic activity and the growth of the domestic market potential. However, the fact that Kosovo remains below the regional average indicates that there is still considerable room for increasing productivity and expanding manufacturing capacities, technological advancement and increasing value-added exports. Accelerating the development of the manufacturing industry remains one of the main factors for narrowing the gap with other Western Balkan economies.

3.2. Share of manufacturing value added in the GDP

The share of value added of the manufacturing sector in the Gross Domestic Product (GDP) is one of the most important indicators for measuring the level of industrialization of an economy. This indicator reflects the contribution of the manufacturing sector to the creation of overall economic value and is widely used to assess the economic structure, industrial transformation and competitiveness of countries.

According to the United Nations System of National Accounts (SNA), value added is estimated at basic prices, excluding net taxes on products, while Gross Domestic Product (GDP) is calculated at purchasers' prices. For this reason, the share of value added of the manufacturing sector in the GDP represents a standardized and internationally comparable indicator for analyzing the role of the manufacturing industry in the economy.

Data for the period 2015–2025 show that the manufacturing sector in Kosovo has maintained a relatively stable share in GDP, consistently positioning itself above several countries in the region and close to countries with more developed industrial bases in the Western Balkans.

Figure 2. Share of manufacturing value added in the GDP, 2015–2025 (%)

Source: World Development Indicators¹

During the period 2015–2025, the share of the manufacturing value added in the GDP in Kosovo fluctuates between 12.5% and 13.4%, reflecting a relatively stable structure of the manufacturing industry. In 2015, this share was 13.26%, while in 2025 it is estimated at 12.54%, which represents a decrease of only 0.72 percentage points over an eleven-year period. This fluctuation is relatively small and shows that the manufacturing industry has maintained an important role in the GDP, despite the economic crises, the COVID-19 pandemic and the ongoing challenges in international supply chains.

Compared to other Western Balkan countries, Kosovo ranks among the countries with the highest participation of the manufacturing sector in the economy. In 2025, the participation of the manufacturing sector in Kosovo was 12.54%, higher than in Albania (6.03%) and Montenegro (3.33%), and slightly higher than in Bosnia and Herzegovina (12.03%). On the other hand, North Macedonia remains the country with the highest participation in the region (14.33%), while Serbia registers 12.69%.

Trend analysis shows that Albania and Montenegro are characterized by an economic structure with a greater orientation towards the service sector, especially tourism, which is reflected in the relatively low participation of the manufacturing sector in the GDP. On the other hand, Bosnia and Herzegovina, Serbia, North Macedonia and Kosovo are economies with a stronger industrial base, albeit with different development dynamics.

North Macedonia is the only country that has recorded a stable growth throughout the analyzed period, going from 11.76% in 2015 to 14.33% in 2025. This development is related to the expansion of foreign direct investment in the manufacturing industry, the development of technological-industrial zones and greater integration into European supply chains.

¹ **Note:** Data for Serbia and Montenegro for 2025 were not available in the World Development Indicators database at the time of writing. To maintain the comparability of the time series, 2024 values for these two countries have been used for 2025.

Kosovo presents a stable profile compared to most countries in the region. Manufacturing industry in Kosovo has maintained an almost constant share of GDP at around 13%. This stability indicates an industrial base that, although still modest in absolute size, has demonstrated resilience to economic shocks and maintained its contribution to the national economy.

However, stability should not be interpreted as increased industrialization. The almost unchanged participation of the manufacturing sector in the GDP over more than a decade indicates that the expansion of industrial activity has followed the overall pace of the economy, without increasing the relative weight of industry in the country's economic structure. This implies that achieving a deeper industrial transformation requires greater investments in technology, automation, innovation, increased productivity, expansion of manufacturing capacities and greater integration into regional and European value chains.

In regional terms, the data confirm that Kosovo is better positioned than some Western Balkan economies in terms of the contribution of the manufacturing industry to the GDP, but still remains below the level of North Macedonia, which represents the most advanced model of industrialization in the region. This position creates a favorable basis for the further development of the manufacturing sector, provided that industrial policies focus on increasing private investment, technological modernization, human capital development and the expansion of higher value-added exports.

3.3. Manufacturing Value Added per capita

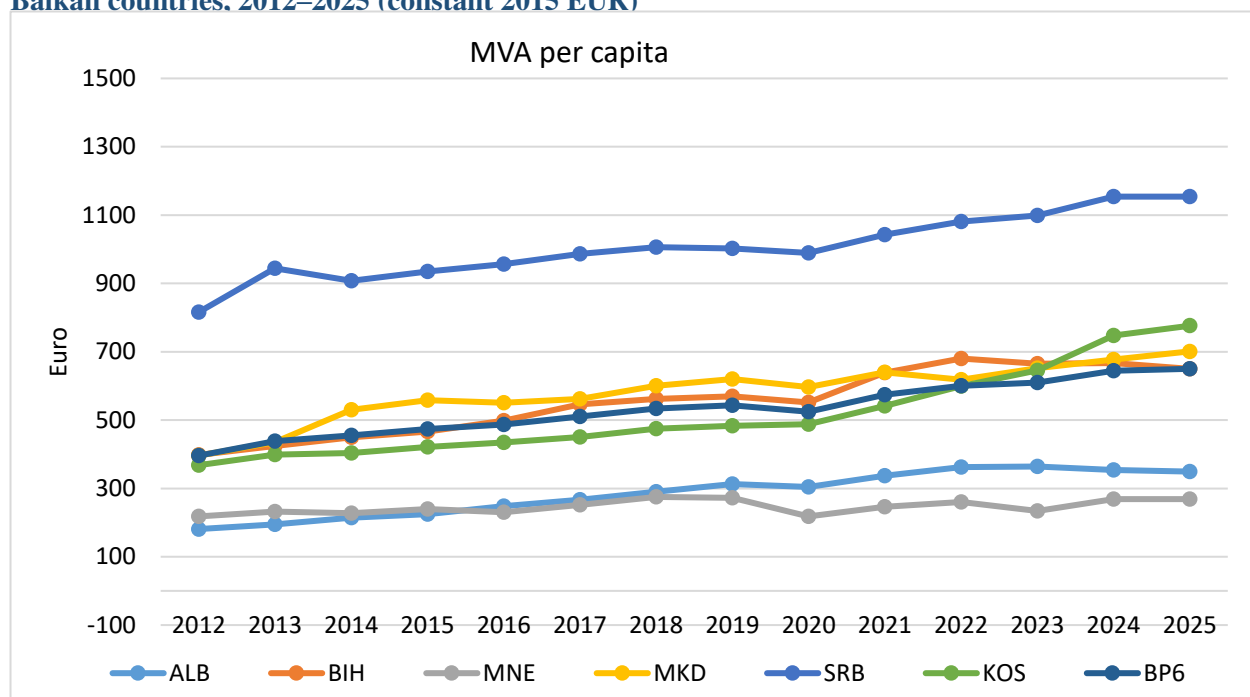
Manufacturing Value Added per capita (MVA per capita) is an important indicator for measuring the level of industrialization and productive capacity of an economy. This indicator represents the economic value created by the manufacturing sector per inhabitant and is used to compare industrial performance between countries, taking into account population size.

Manufacturing value added per capita is calculated by dividing the value added of the manufacturing sector by the number of inhabitants of a country. For the purposes of this report, the World Bank data (World Development Indicators) for the indicator "Manufacturing, value added (constant 2015 US\$)" were used, which were then converted into Euros using the average exchange rate of the base year 2015 (1 USD = 0.9012 EUR). This approach ensures the maintenance of comparability over time and eliminates the impact of price changes and currency fluctuations.

During the period 2012–2025, Kosovo recorded a significant increase in the manufacturing value added per capita. In 2012, this indicator was 368 Euros per capita, while in 2025 it reached 776 Euros per capita, marking an increase of about 111% during this period.

The increase in this indicator indicates an improvement in the manufacturing capacity of the Kosovo economy and a gradual expansion of the role of the manufacturing sector in creating economic value. Particularly after 2020, Kosovo registered an acceleration in growth, with the manufacturing value added per capita increasing from 488 Euros in 2020 to 747 Euros in 2024.

Figure 3. Manufacturing value added per capita (MVA per capita), Kosovo compared to Western Balkan countries, 2012–2025 (constant 2015 EUR)



Source: World Development Indicators (WDI), compiled by the staff of the Department of Industry / Division for Industrial Policy.²

Figure 3 presents the development of manufacturing value added per capita in the Western Balkan countries. The data show that Serbia continues to have the highest level of this indicator in the region, with 1,154 Euros per capita in 2025, followed by Kosovo with 776 Euros, North Macedonia with 701 Euros and Bosnia and Herzegovina with 650 Euros.

In 2025, Kosovo exceeded the Western Balkans (WB6) average of 650 Euros per capita, reaching a level about 19% higher than the regional average. This development represents a significant improvement compared to 2012, when Kosovo was below the WB6 average.

However, compared to Serbia, Kosovo still has a significant gap in the level of manufacturing value added per capita. In 2025, Kosovo's level is about 67% of Serbia's level, indicating the existence of a gap in manufacturing capacities, industrial productivity and the level of development of the manufacturing sector.

This shows significant progress in the manufacturing sector in Kosovo over the last decade, but at the same time highlights the need for further investments in technological modernization, increased productivity, workforce development, and orientation towards products with higher value added.

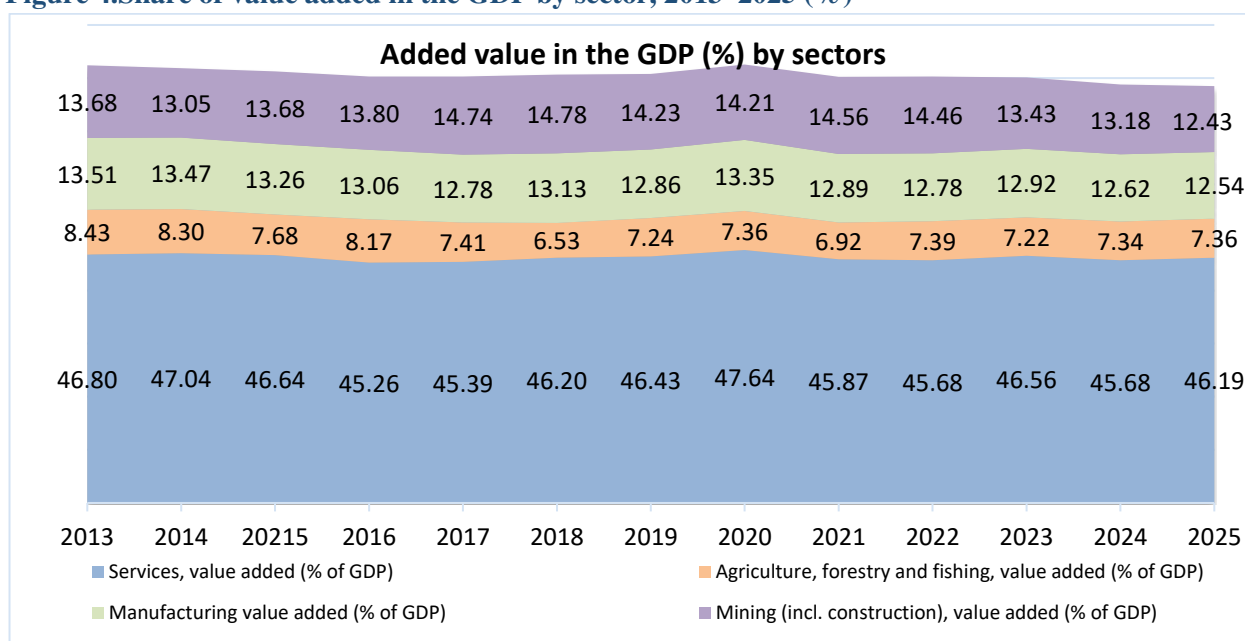
²Methodological note: Source data are in constant 2015 US dollars. To align with the reporting currency of this document, they have been converted to Euros using the average exchange rate of 2015 (1 USD = 0.9012 EUR). For Montenegro and Serbia, the 2024 value has been used for 2025 due to the lack of data published in the WDI.

3.4. Share of value added in the GDP by sectors

The sectoral structure of Kosovo's economy during the period 2013–2025 remained relatively stable, with a continued dominance of the services sector and a more limited role for the manufacturing sector. The data show that the share of manufacturing value added in the GDP has moved in a relatively narrow range throughout the period, but with a slight downward trend in recent years.

In 2025, services account for 46.19% of the GDP, while manufacturing accounts for 12.54%. In the same year, agriculture, forestry and fishing account for 7.36%, while the aggregate of mining and construction accounts for 12.43%. These data illustrate the relative weight of the main sectors in the creation of value added and provide the basis for assessing the role of industry in the overall economic structure of Kosovo.

Figure 4. Share of value added in the GDP by sector, 2013–2025 (%)



Source: World Development Indicators (WDI), World Bank; prepared by the staff of the Department of Industry/ Division for Industrial Policy

The data presented in Figure 4 show that the services sector has maintained its dominant position in the value added structure of the Kosovo economy throughout the period. Its share has been relatively stable, mainly moving around the level of 46% of GDP. In 2025, this share reached 46.19%, compared to 45.68% in 2024. The increase of 0.51 percentage points in 2025 indicates a slight strengthening of the relative weight of services in the overall economy.

In the case of the manufacturing sector, the data show a more stable situation, but with a slight downward trend in the long term. The share of manufacturing value added in the GDP has decreased from 13.51% in 2013 to 12.54% in 2025. In the most recent period, this share decreased from 12.92% in 2023 to 12.62% in 2024 and 12.54% in 2025. Thus, in the last two years, the relative weight of manufacturing has decreased by 0.38 percentage points.

However, this development should be interpreted with caution. The decline in the share of manufacturing in the GDP does not necessarily imply a decline in the absolute value of manufacturing. Sectoral participation is a relative indicator and is affected both by the

performance of the manufacturing sector itself and by the growth rate of other sectors of the economy. For this reason, the change in the share of manufacturing should be analyzed together with indicators of absolute value added, industrial manufacturing, employment, productivity, investment and exports.

Another important development is presented in the mining and construction aggregate. After relatively high levels during 2017–2018, when the participation of this aggregate was around 14.7%, its weight has followed a downward trend and in 2025 it reached 12.43%, compared to 13.18% in 2024. Meanwhile, agriculture, forestry and fishing have maintained a relatively stable weight in recent years, reaching 7.36% of GDP in 2025.

From an industrial development perspective, these results show that the Kosovo economy has not yet experienced a significant structural shift towards manufacturing. The weight of the manufacturing sector has remained for a long period at around 13% of GDP and, despite developments in manufacturing capacities, investments and the expansion of exports, there has been no evidence of a sustainable increase in its share in the total value created in the economy.

This underlines the need for industrial policy to focus not only on expanding manufacturing capacities, but especially on increasing the value added and productivity of industry. Priority should be given to investments in modern technology and equipment, automation and digitization of manufacturing processes, development of workforce skills, innovation, energy efficiency and use of renewable resources, as well as greater integration of local enterprises into regional and European value chains.

In this context, the 2025 result should serve as a reference point for monitoring the industry's performance in the coming years. The objective should not be only to increase the number of enterprises or manufacturing capacities, but to create a more productive, more technological and more capable industrial base to generate value added, to export higher-end products and to contribute more to economic growth.

In this regard, the analysis of the share of manufacturing in the GDP should be complemented with other indicators of industry performance, in particular the absolute manufacturing value added, value added per employee, employment in industry, investments, productivity, exports of processed products and the degree of manufacturing of exports. The combination of these indicators will enable a more complete assessment of the progress and competitiveness of Kosovo's processing industry.

3.5. Foreign Direct Investment

Foreign Direct Investment (FDI) constitutes an important source of capital for economic development and can contribute to the expansion of manufacturing capacities, the transfer of technology and knowledge, increased productivity and the integration of local enterprises into regional and international value chains. For industrial development, the orientation of FDI towards manufacturing and processing activities is of particular importance, as these investments have the potential to influence the creation of value added, the growth of exports, the development of professional skills and the strengthening of the competitiveness of the economy.

In the case of Kosovo, assessing FDI requires considering not only the overall value of investments, but also their structure by economic activity. For this reason, the following analysis

focuses on the sectoral distribution of FDI during the period 2016–2025, with particular attention to the manufacturing sector.

3.5.1. Foreign Direct Investment by economic activity

The following table presents the development of FDI by economic activity in Kosovo during the period 2016–2025, in million Euros. The presentation of the ten-year series allows for the assessment of changes in the sectoral structure of investments and the identification of sectors that have attracted the largest share of foreign capital. For the purposes of this report, special attention is paid to the manufacturing sector, due to its role in expanding the industrial base and increasing Kosovo's export capacities.

Table 1. Foreign Direct Investment by economic sectors, 2016 – 2025 (in million Euros)

Sector	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Agriculture, forestry and fishing	1.3	(1.3)	0.1	1.5	2.8	1.1	0.7	0.7	0.4	0.3
Mining and quarries	(19.1)	(4.9)	(2.7)	(6.9)	29.1	1.4	18.6	22.9	-0.9	16.4
Manufacturing	4.2	6.1	(17.7)	14.2	(4.6)	-0.4	8.9	17.2	15.7	31.9
Power, gas, steam and air conditioning supply	(0.4)	(0.8)	12.1	13.5	30	(38.8)	29.5	58.5	-32	47.6
Water supply, sanitation, waste management	0.6	0.0	2.5	(0.6)	0.2	(0.5)	(0.2)	0.2	0.0	6.5
Construction	28.1	5.1	24.8	(17.1)	11.4	16.7	26.5	11.8	5.1	8.9
Wholesale and retail trade, repair of motor vehicles, motorcycles	14.0	9.0	19.6	(6.7)	(8.1)	(4.0)	17.6	16.6	1.5	42.5
Transport and storage	0.9	(0.8)	(0.2)	(6.2)	(16.0)	4.3	(4.1)	(-8.5)	(-4.6)	(-6.7)
Accommodation and food service activities	0.8	1.1	1.8	1.4	1.1	0.7	(4.1)	0.2	0.5	0.7
Information and Communication	(4.2)	(3.8)	(9.6)	2.3	1.6	17.3	14.0	12.9	7.2	26.5
Financial and insurance activities	19.0	55.2	15.5	13.9	85.1	24.6	51.9	176.6	137.0	124.9
Real estate activities	139.7	154.7	205.2	223.8	201.1	384.0	529.5	517.1	648.6	771.3
Professional, scientific and technical activities	5.8	5.7	5.2	3.4	3.6	5.7	10.9	7.4	5.3	5.7
Administrative and support activities	21.9	23.7	4.7	3.7	0.8	1.4	10.7	-1.0	-0.5	4.7
Public administration and defense; compulsory social security	1.9	1.3	0.9	1.7	1.1	1.1	1.5	1.5	0.7	0.3
Education	0.8	0.7	0.7	1.3	1.3	1.8	2.2	1.8	0.0	00

Sector	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Human health and social work activities	1.3	(1.0)	(0.4)	0.6	0.3	2.7	1.2	0.7	2.5	2.8
Art, entertainment and recreation	0.1	0.0	0.5	0.5	(0.1)	0.1	0.6	0.6	0.0	0.7
Other service activities	3.9	3.7	7.2	2.8	1.7	(1.2)	1.1	(-1.0)	1.1	1.5
Unclassified	(0.3)	1.5	2.0	7.6	3.0	2.6	14.9	3.8	5.9	8.7
Total	220.0	255.4	272.1	254.6	345.7	420.7	732.0	840.1	793.5	1095.0

Source: Central Bank of Kosovo <https://bqk-kos.org/statistikat/serite-kohore/> accessed on 14/07/2026

The analysis of data for the period 2016–2025 shows that the sectoral structure of Foreign Direct Investment in Kosovo remains concentrated in real estate activities. In 2025, investments in this activity reached 771.3 million Euros, representing about 70.4% of the total FDI, which was 1,095.0 million Euros. The dominance of this activity indicates that a significant part of foreign capital continues to be oriented towards real estate, while the share of direct investments in manufacturing activities remains relatively limited.

In this context, the increase of FDI in the manufacturing sector constitutes a positive development. Investments in manufacturing increased from 15.7 million Euros in 2024 to 31.9 million Euros in 2025, or by 16.2 million Euros. As a result, the share of the manufacturing sector in total FDI reached about 2.9% in 2025. Although this increase is significant in relative terms, the share of manufacturing in total FDI remains low and does not yet indicate a significant shift in the structure of investments towards manufacturing activities.

In 2025, in addition to real estate, significant FDI flows were also recorded in financial and insurance activities (124.9 million Euros), energy, gas, steam and air conditioning supply (47.6 million Euros), wholesale and retail trade (42.5 million Euros) and information and communication (26.5 million Euros). This shows that foreign investment is present in a relatively wide range of economic activities, but the structure continues to be dominated by real estate activities.

From an industrial development perspective, this structure highlights the need for greater orientation of investment promotion policies towards manufacturing sectors and activities with high potential for creating value added. In particular, priority should be given to investments that create new manufacturing capacities, bring in advanced technology and knowledge, increase productivity and create links between foreign investors and local enterprises.

For Kosovo's industrial sector, increased manufacturing FDI can contribute to expanding manufacturing capacities, diversifying the economic base, increasing export potential, and integrating local enterprises into regional and European value chains. For this reason, it is of particular importance to orient investment policies towards activities with export potential, technology, innovation, productivity, and quality employment.

3.5.2. Foreign Direct Investment by country of origin

The structure of Foreign Direct Investment (FDI) by country of origin provides an important insight into the main sources of foreign capital in Kosovo and the level of geographical diversification of investments. In addition to the overall value of FDI, the analysis by country of origin is particularly important for identifying potential economic partners for developing long-term cooperation, transferring knowledge and technology, and directing investments towards sectors with higher value added.

Data for the period 2015–2025 show that foreign investments in Kosovo originate mainly from European countries, while countries with which Kosovo has strong economic and business ties, including countries where the Albanian diaspora is present, also play an important role. The structure presented in the table below allows for the identification of changes in the origin of foreign capital and the dynamics of investments from major economic partners.

Table 2. FDI by country of origin, 2015 – 2025 (in million Euros)

Countries		Years										
		2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
AT	Austria	33.5	9.9	20.3	11.2	11.9	27.6	22.9	44.7	63.6	72.1	59.8
DE	Germany	45.3	25.7	55.9	60.3	70.2	67.5	121.9	194.4	196.0	202.3	283.9
SI	Slovenia	5.6	-4.5	1.2	-8.7	6.1	8.1	5.8	20.0	34.3	25.9	49.9
GB	Great Britain	26.6	13.6	27.0	57.4	0.8	21.4	0.1	-25.0	49.2	17.9	24.0
CH	Switzerland	72.9	61.8	50.6	71.0	61.9	64.1	99.2	155.7	172.6	188.3	251.5
TR	Turkey	55.4	42.7	29.5	12.2	-31.9	14.6	-38	30.2	63.4	4.6	18.8
NL	Netherlands	-36.4	-23.1	-14.1	-39.7	1.9	0.1	7.6	61.6	14.7	1.9	29.5
AL	Albania	40.1	28.6	2.4	22.3	15.2	39.8	50.4	47.3	64.5	89.0	101.5
LU	Luxembourg	0.1	0.6	2.1	1.9	1.3	-2.7	-3.6	1.8	1.3	1.3	2.5
RS	Serbia	0.8	-0.6	-1.4	0.4	0.4	6.0	5.0	-0.7	1.5	-9.9	8.8
US	United States	25.0	23.0	20.3	35.5	22.8	29.6	63.7	97.8	66.7	87.1	93.4
FR	France	3.2	2.8	3.6	5.6	3.4	3.7	10.2	9.9	11.0	2.8	20.0
BG	Bulgaria	1.6	0.4	0.5	2.1	1.0	0.9	-0.8	1.4	0.6	0.8	0.9
MK	Macedonia	0.1	3.2	-1.0	1.3	2.0	1.8	1.8	3.0	5.1	12.3	12.9
BA	Bosnia and Herzegovina	0.8	1.2	0.7	0.4	0.1	0.1	0.4	0.3	0.7	-0.1	0.7
HR	Croatia	0.1	-1.7	0.7	-1.0	0.9	-1.2	3.0	1.5	9.4	1.5	4.9
MT	Malta	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.8	1.7	3.2	-0.2
CY	Cyprus	0.1	0.4	0.8	1.3	2.9	0.9	0.9	1.7	2.1	0.0	0.3
SK	Slovakia	0.1	0.8	0.1	0.5	1.4	0.3	0.3	0.2	0.1	0.4	1.9
CA	Canada	1.1	2.5	3.0	3.2	5.3	4.7	8.8	17.8	13.3	13.3	8.5
CZ	Czech Republic	1.3	0.2	0.7	1.5	0.4	0.5	1.0	0.7	2.0	1.5	3.5
AE	United Arab Emirates	1.4	3.6	13.4	-2.5	3.8	2.8	0.6	4.2	-0.9	6.2	5.4
NO	Norway	2.9	3.4	3.5	5.1	4.9	3.2	7.7	7.0	6.3	7.2	9.0
KW	Kuwait	0.0	0.2	0.0	-1.1	0.7	0.1	-0.5	-0.1	0.4	0.1	0.1

Countries		Years										
ES	Sopanja	-0.8	0.2	2.5	0.3	0.7	0.0	0.3	0.1	0.9	0.3	1.1
EG	Egypt	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
IT	Ital	5.7	1.9	7.0	2.7	7.9	3.5	8.5	10.4	12.0	19.4	20.6
GR	Greece	-0.2	-0.4	-1.2	-0.3	0.1	-0.1	-1.1	-0.1	-0.3	0.2	0.7
HU	Hungary	0.3	0.6	0.4	0.1	19.1	26.1	3.6	8.2	11.3	-12.3	9.0
Other	Other	22.1	22.8	26.9	29.1	39.6	22.3	40.7	37.0	36.5	56.1	72.1
Total		308.8	220.0	255.4	272.1	254.8	345.7	420.4	732.0	840.1	793.5	1095.0

Source: Central Bank of Kosovo, <https://bqk-kos.org/statistikat/serite-kohore/> accessed on 18/07/2026

Data analysis for 2025 shows a significant increase in net FDI inflows, which reached 1,095.0 million Euros, compared to 793.5 million Euros in 2024. This represents an increase of 301.5 million Euros, or about 38.0%, reflecting a significant expansion of foreign capital invested in Kosovo.

According to the structure of FDI by country of origin, Germany and Switzerland were the two main sources of foreign capital during 2025. Investments from Germany amounted to 283.9 million Euros, representing about 25.9% of total FDI, while those from Switzerland amounted to 251.5 million Euros, or about 23.0% of the total. Albania also ranks among the most important sources of investment, with 101.5 million Euros, or about 9.3% of the total.

Overall, these three countries represented around 58.2% of total FDI in 2025, indicating a relatively high concentration of foreign capital in a limited number of markets. In addition, significant contributions were also recorded from the United States of America, Austria, Slovenia and other European countries, attesting to a broader base of investment sources, although the main weight continues to be concentrated in a few countries.

Compared to 2024, significant increases were recorded in investments from Germany, which increased from 202.3 million Euros to 283.9 million Euros, as well as investments from Switzerland, which increased from 188.3 million Euros to 251.5 million Euros. Similarly, FDI from Albania increased from 89.0 million Euros to 101.5 million Euros. Increases were also recorded from several other countries, including Slovenia, the United States of America and Austria, although with different intensities.

From the perspective of industrial development, the origin of FDI is important not only because of the volume of capital invested, but also for the potential that these investments have to bring technology, managerial knowledge, new manufacturing standards and access to international markets. In this regard, the presence of countries with developed economies and advanced industrial capacities, such as Germany, Switzerland and other European Union countries, represents an important potential for attracting investments with a greater impact on the development of the manufacturing and processing sector.

However, the increase in FDI by country of origin does not necessarily imply their orientation towards sectors with higher productivity and value added. For this reason, the analysis of the origin of capital should be assessed in relation to the sectoral structure of investments. The main challenge remains the orientation of a larger part of foreign capital towards the manufacturing and processing industry, technology, innovation and activities with higher export potential.

In this context, the increase in investments from key markets during 2025 creates opportunities for strengthening investment promotion policies and developing a more targeted approach towards foreign investors. The potential of companies from Germany, Switzerland, European Union countries and other developed markets can be used to attract projects that contribute to the expansion of manufacturing capacities, the transfer of technology and the creation of stronger links between foreign investors and local enterprises.

3.6. Financial market

3.6.1. Effective interest rates on loans by sectors

Access to finance and its cost are important factors for the development and competitiveness of enterprises in the manufacturing and processing sector. The ability to secure financing on suitable terms directly affects the ability of enterprises to make investments in machinery and equipment, new technologies, automation, expansion of manufacturing capacities and improvement of work processes.

In this context, interest rates on bank loans constitute an important indicator of the cost of borrowing. Their level influences the decision-making of enterprises to finance investments and the economic feasibility of new projects. For the manufacturing sector, access to financing at affordable costs is particularly important, given the need for relatively high capital investments and the longer payback period.

The following table presents the performance of effective interest rates for ODC loans by economic sectors during the period 2020–2025.

Table 3. Effective interest rates for ODC loans by sector, 2020–2025 (%)

Sector	Interest Rate 2020	Interest Rate 2021	Interest Rate 2022	Interest Rate 2023	Interest Rate 2024	Interest Rate 2025
Consumer Loans	6.8%	6.4%	6.3%	6.4%	6.1%	6.4%
Mortgage Loan	5.7%	5%	4.9%	5.3%	5%	5.4%
Agricultural	9.3%	7.96%	8%	9.1%	8.7%	8.7%
Industrial	6.0%	5.9%	6%	6.8%	6.4%	6.5%
Service	6.0%	5.9%	6%	6.6%	6.2%	6.4%
Other sectors	6.3%	6.3%	6.5%	6.9%	6.8%	7.4%

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

Data analysis shows that the effective interest rate on loans in the industrial sector has shown moderate fluctuations during the period 2020–2025. The rate of 6.0% in 2020 decreased slightly to 5.9% in 2021, while in the following years it increased, reaching the highest level of 6.8% in 2023. In 2024, the rate decreased to 6.4%, while in 2025 it increased slightly to 6.5%.

Compared to the previous year, the increase of 0.1 percentage point in 2025 is minimal and does not represent a significant change in financing conditions for the industrial sector. In this regard, the performance of interest rates suggests a relatively stable level of borrowing costs for industrial enterprises over the last two years.

Compared to other sectors, the interest rate for industrial loans in 2025 was lower than the rate for agricultural loans, which was 8.7%, and lower than the rate for the other sectors category, which reached 7.4%. On the other hand, it was only slightly higher than the rate for services sector loans, which was 6.4%. Consumer and mortgage loans had rates of 6.4% and 5.4%, respectively.

This structure shows that the industrial sector has not faced the highest interest rates in the credit market. However, the level of interest rates should be assessed in relation to the specific characteristics of industrial investments. Manufacturing and processing enterprises usually require financing for capital projects with higher value and longer investment return periods. For this reason, even relatively small changes in the cost of financing can affect decisions to make or postpone investments.

For the manufacturing and processing sector, access to finance remains important not only from an interest rate perspective, but also in terms of loan tenure, collateral requirements, repayment period and the availability of financial products tailored to long-term investments. Consequently, the interest rate constitutes only one of the elements that determine the overall financing conditions for enterprises.

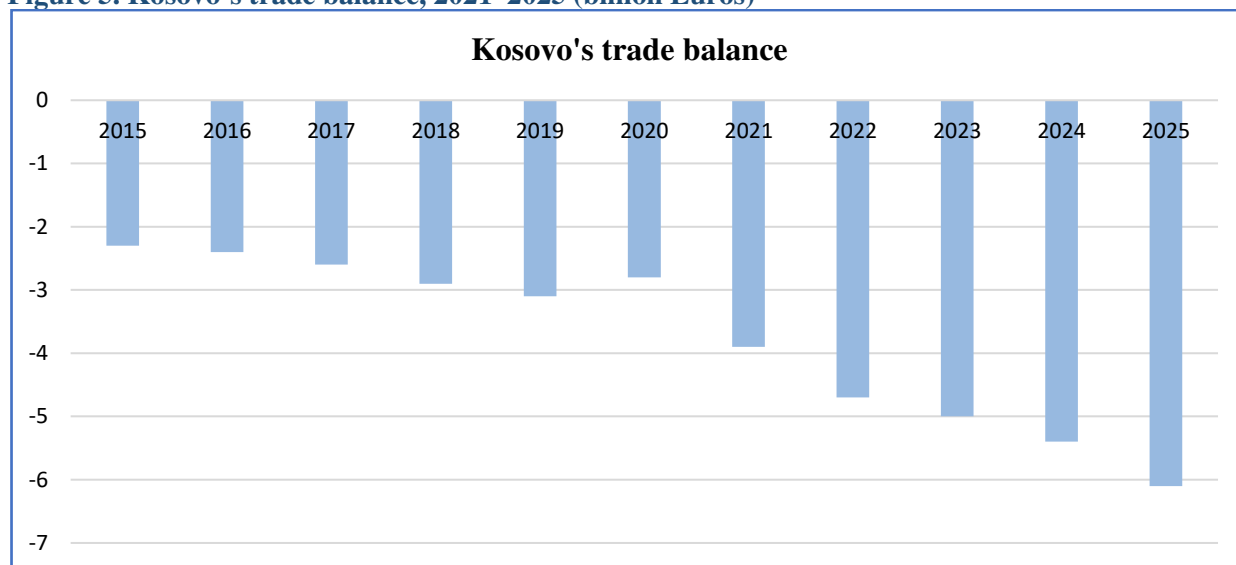
Overall, the data for 2025 show that the cost of financing through bank loans in the industrial sector has remained relatively stable compared to 2024. The slight increase in the interest rate to 6.5% does not suggest a significant deterioration in borrowing conditions. However, in order to strengthen manufacturing capacities and promote industrial investments, it is of particular importance to ensure access to long-term financing sources that are appropriate to the specific needs of the manufacturing and processing sector.

3.7. Kosovo's trade balance

The trade balance represents the difference between the value of exports and imports of goods and constitutes one of the main indicators for assessing foreign trade performance.

In 2025, Kosovo exported 942.13 million Euros, while imports amounted to around 7 billion Euros. As a result, the country continued to register a high trade deficit. The ratio between exports and imports was approximately 1:7, while the coverage of imports with exports was around 13.4%.

This structure indicates a significant dependence of the economy on imports and underlines the importance of strengthening domestic manufacturing capacities, increasing competitiveness, and expanding the export base.

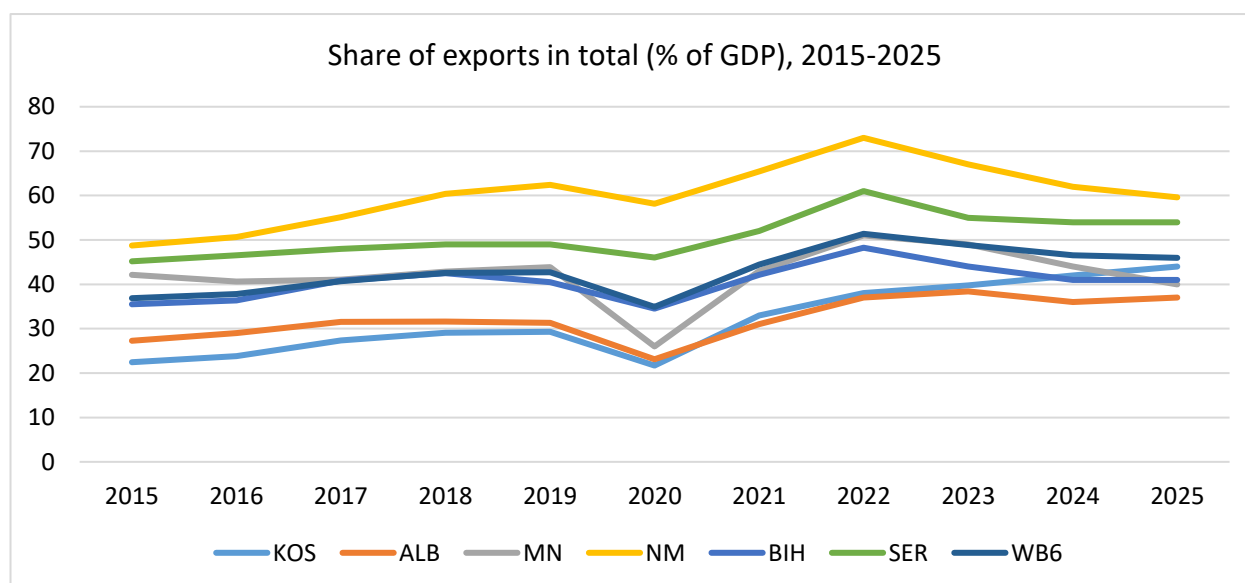
Figure 5. Kosovo's trade balance, 2021–2025 (billion Euros)

Source: KAS-Foreign Trade Statistics (FTS), 2025 (processed by DI/DPI staff)

3.7.1. Share of exports in the GDP

Based on the data presented in Figure 6, the highest share of exports in the Gross Domestic Product (GDP) in 2025 was recorded by North Macedonia with about 60%, followed by Serbia with about 54%, and Bosnia and Herzegovina with about 44%.

Kosovo and the WB6 average represent similar levels, around 43% and 42% respectively, while Albania has the lowest share with around 37%. Montenegro ranks at around 40% of GDP.

Figure 6. Share of total exports in GDP, 2015–2025 (%)

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

Kosovo has had a solid increase in the share of exports in GDP over the years and has recorded an increase of 2%. Albania has also recorded an increase of 1%, while there was a decrease in:

North Macedonia by 2%, Montenegro by 4%, while Bosnia and Herzegovina and Serbia have not seen any change.

Overall, data show that Kosovo continues to lag behind regional countries in terms of the share of exports in the economy, while the positive trend of recent years demonstrates a gradual increase in export capacities. However, to achieve levels comparable to those of regional countries, it remains necessary to increase the competitiveness of the domestic industry, diversify export products and expand access to international markets.

3.8. Foreign trade of the processing industry

3.8.1. Summary of foreign trade performance

Foreign trade constitutes one of the main indicators for assessing the competitiveness, export capacity and degree of integration of the Kosovo processing industry in regional and international markets. The analysis of exports and imports enables the assessment of the sector's performance, the identification of subsectors with export potential, the identification of key markets and the assessment of the industry's degree of dependence on imports.

According to data from the Kosovo Agency of Statistics (KAS), a total of 7,168 enterprises are active in Sector C – Processing industry, of which 2,644 enterprises have realized exports worth over 10,000 Euros. This represents about 36.9% of enterprises active in the sector and indicates that a significant part of the manufacturing base is oriented towards foreign markets.

During the period 2023–2025, exports of the processing industry increased from 712.9 million Euros in 2023 to 735.9 million Euros in 2025, while in 2024 they reached the highest level of 739.5 million Euros. In the same period, imports increased from 5.255 billion Euros in 2023 to 5.684 billion Euros in 2025.

Table 4. Sector C foreign trade, 2023–2025 (million Euros)

Indicator	2023	2024	2025	Difference 2025/2024
Exports	712.9	739.5	735.9	-0.48%
Imports	5,255.3	5,655.8	5,684.4	+0.51%
Trade balance	-4,542.4	-4,916.3	-4,948.5	Deterioration

Source: KAS, processed by DPI/DI.

The data shows that, although exports have increased in absolute terms during the period 2023–2025, their growth rate has been slower compared to imports. During 2025 alone, exports recorded a marginal decline of 0.48%, while imports increased by 0.51%.

As a result, the Sector C trade deficit widened from around 4.54 billion Euros in 2023 to around 4.95 billion Euros in 2025. This indicates that the increase in export capacity, although positive, is still not sufficient to offset the increase in imports.

In 2025, for every 1 Euro exported by the processing industry, around 7.7 Euros of goods were imported. This report shows the industry's significant dependence on external supplies and underlines the need to increase domestic manufacturing capacities and products with higher value added.

3.8.2. Structure of foreign trade by market groups

The structure of foreign trade shows that the EU and CEFTA are the main export markets of the processing industry, while the EU and other countries constitute the main sources of imports.

To enable a more complete analysis of the trend, the table presents the last three years and the annual difference 2025/2024.

Table 5. Sector C exports by market groups, 2023–2025 (million Euros)

Market group	2023	2024	2025	Difference 2025/2024
EU, including the United Kingdom	242.7	281.6	281.8	+0.07%
CEFTA	259.5	285.2	300.2	+5.26%
EFTA	71.5	79.8	91.4	+14.53%
Other countries	139.2	92.8	62.5	-32.67%
Total	712.9	739.5	735.9	-0.48%

Source: KAS, processed by DPI/DI.

In the period 2023–2025, exports to CEFTA have shown continuous growth, from 259.5 million Euros in 2023 to 300.2 million Euros in 2025. In 2025, exports to CEFTA increased by 5.26%.

Exports to EFTA have shown the best relative performance, increasing from 71.5 million Euros in 2023 to 91.4 million Euros in 2025 and by 14.53% in 2025 alone.

On the other hand, exports to other countries have decreased significantly, from 139.2 million Euros in 2023 to only 62.5 million Euros in 2025. The 32.67% decline in 2025 constitutes the most unfavorable development among the main market groups.

Table 6. Sector C imports by market groups, 2023–2025 (million Euros)

Market group	2023	2024	2025	Difference 2025/2024
EU, including the United Kingdom	2,297.5	2,603.8	2,635.3	+1.21%
CEFTA	726.4	617.4	596.5	-3.39%
EFTA	35.4	40.2	49.4	+22.85%
Other countries	2,196.0	2,394.4	2,396.9	+0.10%
Total	5,255.3	5,655.8	5,684.4	+0.51%

Source: KAS, processed by DPI/DI.

From an import perspective, the overall growth in 2025 was relatively low, at 0.51%, but the differences between markets were different. Imports from EFTA increased by 22.85%, while imports from CEFTA fell by 3.39%. Imports from the EU increased by 1.21%, while those from other countries remained almost unchanged.

An important element of the trade structure is that EFTA is the only group of markets with which the processing industry achieves a trade surplus. In 2025, the surplus reached about 42.0 million Euros, while with the EU, CEFTA and other countries the industry recorded a deficit.

3.8.3. Trade balance by market groups

The trade balance of Sector C for the period 2023–2025 shows a significant deficit in trade relations with most market groups. To better understand the structure and performance of this deficit, Table 4 presents the trade balance by main market groups, calculated as the difference between exports and imports. The data show that, in addition to the high deficit with the EU and other countries, trade relations with CEFTA have improved during the period, while the balance with EFTA has remained positive.

Table 7. Sector C trade balance, 2023–2025 (million Euros)

Market group	2023	2024	2025
EU, including the United Kingdom	-2,054.8	-2,322.1	-2,353.4
CEFTA	-466.9	-332.2	-296.3
EFTA	+36.1	+39.6	+42.0
Other countries	-2,056.8	-2,301.5	-2,334.4
Total	-4,542.4	-4,916.3	-4,948.5

Source: KAS, processed by DPI/DI. Calculations are made as exports minus imports.

The trade balance of Sector C during the period 2023–2025 is characterized by a significant deficit, which has deepened during the analyzed period. To identify the structure of this deficit, the analysis is divided according to the main market groups: the European Union, CEFTA, EFTA and other countries. The trade balance is calculated as the difference between exports and imports.

The data show that CEFTA has recorded the most significant improvement in the trade balance during the analyzed period. The deficit towards this group of markets has been reduced from 466.9 million Euros in 2023 to 296.3 million Euros in 2025. This development shows an improvement in the trade position of Sector C in relation to CEFTA markets, although the balance remains negative.

In relation to EFTA, Sector C has maintained a positive trade balance, which has gradually improved from 36.1 million Euros in 2023 to 42.0 million Euros in 2025. Although the value of the surplus is relatively limited, the positive trend indicates a more favorable trade position towards this group of markets.

On the other hand, the European Union, including the United Kingdom, and other countries constitute the main source of Sector C's trade deficit. The deficit with the EU has increased from 2.05 billion Euros in 2023 to 2.35 billion Euros in 2025, while with other countries it has increased from 2.06 billion to 2.33 billion Euros over the same period.

As a result of these developments, the overall trade deficit of Sector C has deepened, going from 4.54 billion Euros in 2023 to 4.92 billion Euros in 2024 and to 4.95 billion Euros in 2025. This

shows that, despite the improvement in the balance with CEFTA and the stable surplus with EFTA, these developments have not been sufficient to offset the increase in the deficit with the EU and other countries.

3.8.4. Exports and imports by subsectors of the processing industry

The analysis by subsector is particularly important, as it shows not only the level of exports, but also the specialization structure of the processing industry and the sectors where there is the greatest potential for expanding export capacity.

For this reason, it is appropriate to present 2023, 2024 and 2025 in this table, while calculating the difference in 2025 compared to 2024. The source data enable this analysis directly.

Table 8. Sector C exports and imports by subsectors, 2023–2025 (million Euros)

Code	Subsector	Exports 2023	Exports 2024	Exports 2025	Difference 2025/2024	Imports 2023	Imports 2024	Imports 2025	Difference 2025/2024
10	Food products	73.6	77.6	93.0	+19.87%	735.2	812.1	900.4	+10.87%
11	Beverages	54.1	68.1	69.7	+2.22%	144.1	145.5	153.7	+5.63%
12	Tobacco products	0.3	—	—	—	112.0	132.4	157.7	+19.05%
13	Textile	17.9	24.7	26.1	+5.50%	103.1	103.9	116.6	+12.17%
14	Wearing apparel	28.0	32.9	35.4	+7.67%	196.9	219.3	246.6	+12.49%
15	Leather	5.6	5.7	4.4	-23.62%	74.9	79.6	78.2	-1.78%
16	Wood and wood products	13.5	15.6	14.3	-8.11%	76.9	83.3	84.0	+0.82%
17	Paper and paper products	7.8	9.4	8.2	-12.84%	98.1	96.3	101.5	+5.36%
19	Coke and refined petroleum products	13.0	6.6	4.7	-28.38%	642.2	641.6	132.2	-79.39%
20	Chemical products	28.3	34.5	33.4	-3.04%	335.7	354.9	366.8	+3.35%
21	Pharmaceutical products	1.4	2.1	1.5	-31.27%	110.8	152.3	186.8	+22.65%
22	Tires and plastics	117.2	116.4	116.8	+0.37%	234.1	251.6	282.7	+12.33%
23	Non-metallic mineral products	25.0	31.5	30.5	-3.23%	275.5	277.5	310.7	+11.99%
24	Metals	61.0	62.4	48.4	-22.35%	423.7	445.7	456.9	+2.51%
25	Fabricated metal products	79.1	106.3	104.3	-1.90%	282.0	196.0	211.5	+7.95%
26	Computers, electronics and optics	7.0	7.7	12.1	+56.87%	145.4	157.9	163.5	+3.52%
27	Electrical equipment	13.1	15.4	16.5	+6.69%	195.0	211.9	241.0	+13.69%

Code	Subsector	Exports 2023	Exports 2024	Exports 2025	Difference 2025/2024	Imports 2023	Imports 2024	Imports 2025	Difference 2025/2024
28	Machinery and equipment	15.9	20.6	20.3	-1.31%	342.8	416.6	452.6	+8.62%
29	Motor vehicles	8.4	9.4	12.5	+34.13%	558.5	699.5	816.4	+16.71%
30	Other means of transport	0.5	0.7	1.3	+82.50%	12.2	16.7	25.0	+49.75%
31	Furniture	130.6	75.7	74.9	-0.98%	63.0	67.5	87.7	+29.98%
32	Other manufacturing n.e.c.	12.0	16.3	7.7	-52.53%	93.0	93.4	111.8	+19.69%
Total		712.9	739.5	735.9	-0.48%	5,255.3	5,655.8	5,684.4	+0.51%

Source: KAS, processed by DPI/DI.

The structure of exports in 2025 shows that the export base of the processing industry is mainly focused on tires and plastics, fabricated metal products, food products, furniture, and beverages.

Exports of food products recorded a significant increase of 19.87%, reaching 93.0 million Euros. However, imports of this subsector reached 900.4 million Euros, indicating a very large gap between export capacity and demand covered through imports.

The rubber and plastics subsector remains the largest exporter in 2025, with 116.8 million Euros, although exports were almost unchanged compared to 2024. Meanwhile, imports increased by 12.33%.

Fabricated metal products continue to have an important export base, with 104.3 million Euros in 2025, after a level of 106.3 million Euros in 2024.

A positive development was evidenced in computers, electronic and optical products, where exports increased by 56.87%, from 7.7 million Euros in 2024 to 12.1 million Euros in 2025. Although the base remains relatively low, the growth rate suggests potential for the development of activities with higher technological intensity.

Similarly, exports of motor vehicles increased by 34.13%, while exports of other means of transport increased by 82.50%. However, in the case of motor vehicles, the increase in exports is accompanied by much higher imports, which reached 816.4 million Euros.

A negative development was identified in other non-food products, where exports fell by 52.53%, as well as in pharmaceutical products, where exports fell by 31.27%.

3.8.5. Trade of the processing industry with the European Union

The EU, including the United Kingdom according to the classification used in the source data, remains one of the main markets for processing industry exports and the main source of imports.

Table 9. Sector C Trade with the EU, 2023–2025 (million Euros)

Indicator	2023	2024	2025	Difference 2025/2024
Exports	242.7	281.6	281.8	+0.07%
Imports	2,297.5	2,603.8	2,635.3	+1.21%
Trade balance	-2,054.8	-2,322.1	-2,353.4	Deterioration

Source: KAS, processed by DPI/DI.

Exports to the EU have increased significantly from 242.7 million Euros in 2023 to 281.8 million Euros in 2025, but in 2025 they have remained almost at the same level as the previous year.

On the other hand, imports have increased from 2.297 billion Euros in 2023 to 2.635 billion Euros in 2025. As a result, the trade deficit with the EU has widened and remains one of the main components of the overall processing industry deficit.

Table 10. Main exporting subsectors to the EU, 2025 (million Euros)

Subsector	Exports 2025	Difference 2025/2024
Tires and plastics	64.5	+1.00%
Fabricated metal products	45.2	+5.64%
Furniture	32.8	+17.82%
Food products	27.8	+20.01%
Beverages	19.9	+24.90%

Source: KAS, processed by DPI/DI.

The increase in exports of food products, furniture and beverages to the EU is particularly important, as it shows opportunities for the expansion of value-added products in the European market.

3.8.6. Trade of the processing industry with CEFTA

CEFTA represents a strategically important market for Kosovo's processing industry. Data show a continuous improvement in the trade position during the period 2023–2025.

Table 11. Sector C trade with CEFTA, 2023–2025 (million Euros)

Indicator	2023	2024	2025	Difference 2025/2024
Exports	259.5	285.2	300.2	+5.26%
Imports	726.4	617.4	596.5	-3.39%
Trade balance	-466.9	-332.2	-296.3	Improvement

Source: KAS, processed by DPI/DI.

In 2025, exports to CEFTA reached 300.2 million Euros, while imports fell to 596.5 million Euros. As a result, the trade deficit narrowed by about 35.9 million Euros compared to 2024.

Table 12. Main exporting subsectors to CEFTA, 2025 (million Euros)

Subsector	Exports 2025	Difference 2025/2024
Tires and plastics	55.2	+25.83%
Fabricated metal products	42.1	-8.93%
Mobile	37.6	-10.07%
Food products	34.9	+22.13%
Beverages	28.2	-9.92%

Source: KAS, processed by DPI/DI.

The increase in exports of food products and fabricated metal products is particularly positive. At the same time, the decline in overall imports from CEFTA has helped improve the trade balance.

3.8.7. Trade of the processing industry with EFTA

EFTA represents a special case in the trade structure of the processing industry, as it is the only group of markets with which Sector C achieves a trade surplus.

Table 13. Sector C trade with EFTA, 2023–2025 (million Euros)

Indicator	2023	2024	2025	Difference 2025/2024
Exports	71.5	79.8	91.4	+14.53%
Imports	35.4	40.2	49.4	+22.85%
Trade balance	+36.1	+39.6	+42.0	Improvement

Source: KAS, processed by DPI/DI.

Exports to EFTA increased by about 28% during the period 2023–2025, while the trade surplus expanded from 36.1 million Euros to 42.0 million Euros.

Table 14. Main exporting subsectors to EFTA, 2025 (million Euros)

Subsector	Exports 2025	Difference 2025/2024
Tires and plastics	24.2	+9.27%
Fabricated metal products	20.7	+37.10%
Furniture	20.5	+20.34%
Food products	4.6	-19.40%
Beverages	3.7	+19.96%

Source: KAS, processed by DPI/DI.

EFTA's performance is particularly relevant from a competitiveness perspective, as it shows that a portion of Kosovo's products have managed to create a trade surplus in markets with relatively high demands for quality, standards, and fulfillment of technical requirements.

3.8.8. Trade of the processing industry with other countries

Table 15. Sector C trade with other countries, 2023–2025 (million Euros)

Indicator	2023	2024	2025	Difference 2025/2024
Exports	139.2	92.8	62.5	-32.67%
Imports	2,196.0	2,394.4	2,396.9	+0.10%
Trade balance	-2,056.8	-2,301.5	-2,334.4	Deterioration

Source: ASK, processed by DPI/DI.

This category represents the most unfavorable development from an export perspective. Exports fell from 139.2 million Euros in 2023 to only 62.5 million Euros in 2025.

The decline in exports in 2025 by 32.67%, combined with the almost unchanged imports, has led to the expansion of the trade deficit to around 2.334 billion Euros.

This situation suggests the need to diversify export markets, identify barriers that limit access to markets outside the EU and CEFTA, and strengthen support for enterprises targeting new markets.

4. SOCIAL ANALYSIS

4.1. Labor force

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

According to the CBK report, referring to the (KAS Labor Force Survey, age 15-64), the labor force participation rate in 2024 was 43.2%, representing an annual increase of 2.5%.

The employment rate was higher among men, at 55.9%, an annual increase of 2.5% compared to the previous year, while the percentage of employed women was 21.2%, an annual increase of 1.4% compared to 2023.

Official labor market statistics show that the average unemployment rate in 2024 was 10.8%, a lower level than in the same period the previous year.

On a gender basis, the Kosovo labor market is characterized by a higher unemployment rate among women at 18% compared to men at 7.7%. However, education has improved prospects in the Kosovo labor market, with the highest unemployment rate for people without education at around 55.9%, while the lowest for those with higher (tertiary) education at 6.5%.

4.2. Participation of Sector C in total employment, number of enterprises and turnover

The processing industry, classified in Sector C, constitutes one of the main pillars of manufacturing activity in Kosovo and is of particular importance for economic development, job creation, expansion of the manufacturing base and generation of economic turnover.

To assess the development of the processing industry, this section analyzes data for the period 2023–2025, through three main indicators: number of enterprises, number of employees and annual turnover. The analysis by economic activities of Sector C allows the identification of changes in the structure of the industry, activities that have expanded their capacities, as well as those that have declined.

Comparing these indicators for three years simultaneously allows for the assessment not only of the increase in the number of enterprises, but also of the intensity of economic activity, the capacity for job creation, and the contribution of different sectors to the overall turnover of the processing industry.

The following table presents the structure and performance of these indicators according to economic activities of Sector C for the years 2023, 2024 and 2025.

Table 16. Sector C, number of enterprises, employees and turnover, 2023–2025

Code	Manufacturing Industry	Number of enterprises			Number of employees			Turnover		
	Sector-C	Year 2023	Year 2024	Year 2025	Year 2023	Year 2024	Year 2025	Year 2023	Year 2024	Year - 2025
10	Manufacture of food products	1535	1620	1683	12,360	8,921	13,532	561,085,852.31	660,164,389.40	808,164,634.28
11	Manufacture of beverages	94	89	98	2,327	2,773	2,688	196,667,417.27	148,014,883.41	265,386,930.80
12	Manufacture of tobacco products	4	9	5	48	37	29	5,839,657.34	5,604,569.61	4,484,071.65
13	Manufacture of textile	200	205	217	1,151	1,549	1,445	31,186,657.96	27,601,472.24	50,553,146.67
14	Manufacture of wearing apparel	404	430	446	2,118	1,193	2,719	22,958,140.57	28,116,087.29	38,639,069.26
15	Manufacture of leather and leather products	39	32	29	365	360	322	10,527,865.53	10,307,597.18	12,798,365.18
16	Manufacture of wood and products of wood and cork	504	507	519	2,910	1,965	2,814	88,625,018.18	108,771,505.13	121,264,912.80
17	Manufacture of paper and paper products	120	124	163	827	488	1,083	50,665,776.87	46,261,876.30	64,175,937.39
18	Printing and remanufacturing of recorded media	179	192	163	1,235	342	1,212	33,840,325.42	54,389,149.73	56,089,257.59
19	Manufacture of coke and refined petroleum products	6	4	3	186	57	184	15,672,577.76	13,159,608.61	20,870,958.95
20	Manufacture of chemical products	139	141	163	1,127	395	1,405	51,600,390.37	70,009,989.83	93,655,144.02
21	Manufacture of basic pharmaceutical products and herbal preparations	7	7	7	217	471	205	4,661,311.69	5,008,936.04	7,349,732.10
22	Manufacture of rubber and plastic products	670	657	725	4,655	3,563	5,280	278,546,416.86	251,494,648.47	302,506,434.67
23	Manufacture of non-metallic mineral products	562	568	608	5,851	4,151	6,163	487,503,084.12	488,371,124.33	567,623,531.71
24	Manufacture of metals	124	134	122	955	1,207	1,036	111,455,645.52	144,061,478.22	214,896,377.18
25	Manufacture of fabricated metal products	836	894	972	3,869	5,606	4,785	246,434,152.11	237,150,073.36	281,339,773.57
26	Manufacture of computers, electronic and optical products	29	27	26	131	189	99	5,072,127.09	4,585,598.30	7,976,063.56
27	Manufacture of electrical equipment	44	47	48	306	173	454	23,538,225.43	22,821,912.12	38,092,393.39
28	Manufacture of machinery and equipment n.e.c.	38	42	51	324	499	346	8,680,562.01	14,896,945.69	15,673,641.43
29	Manufacture of motor vehicles, trailers and semi-trailers	6	10	8	119	33	163	2,345,947.16	5,463,654.24	6,410,288.97
30	Manufacture of other means of transport	3	5	4	54	41	49	1,894,727.98	2,002,673.55	2,493,349.26
31	Manufacture of furniture	655	736	823	5,739	8,976	5,609	231,832,198.56	98,649,056.07	157,562,100.63
32	Other manufacturing n.e.c.	129	144	150	644	438	675	24,259,084.38	24,218,448.92	29,650,117.92
33	Repair and installation of machinery and equipment	117	143	135	250	1,174	259	4,533,136.45	8,515,330.90	11,400,651.68
	Total	6,444	6,767	7,168	47,768	44,601	52,556	2,499,426,298.94	2,479,641,008.94	3,179,056,884.66

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

The data from Table 16, for the period 2023–2025, show a strengthening of the activity of the manufacturing industry in 2025, which is reflected in the three main indicators analyzed: the number of enterprises, employment, and turnover. In 2025, the number of enterprises in Sector C increased to 7,168, compared to 6,767 in 2024, while the number of employees reached 52,556, from 44,601 the year before. At the same time, the turnover of the sector increased from about 2.48 billion Euros to 3.18 billion Euros.

The different growth rates of these indicators are particularly significant. While the number of enterprises increased by 5.9%, employment increased by 17.8%, and turnover by 28.2%. This shows that the growth of the industry in 2025 is not only the result of an increase in the number of enterprises, but to a significant extent of the expansion of the activity of existing enterprises and the increase in their manufacturing and economic capacities.

The faster growth of turnover compared to employment and the number of enterprises represents a positive development from the point of view of economic performance. However, this result should be interpreted with caution, as the growth of turnover can be affected by changes in prices, the structure of manufacturing and the volume of sales. For this reason, it should not be automatically considered as an increase in real productivity without additional indicators on physical manufacturing and value added.

From a structural point of view, the manufacturing industry continues to be concentrated in a few main activities. The food industry is the activity with the largest share in terms of both the number of enterprises and employment and turnover. In 2025, this activity generated around 808 million Euros in turnover and employed 13,532 people. Also of considerable importance are non-metallic mineral products, rubber and plastics, fabricated metal products, furniture, wood and beverages.

In particular, the non-metallic mineral products industry has seen significant growth, with a turnover of around 568 million Euros in 2025, while the manufacturing of fabricated metal products has reached around 281 million Euros. These activities are of particular importance for the manufacturing base and for linkages with other sectors of the economy.

Another important element is that the development of the sector is not uniform across all activities. Some industries have seen significant increases in turnover and employment, while others have experienced fluctuations or declines in one or more indicators. This points to differences in performance, competitiveness and the structure of activities within the manufacturing industry, highlighting the need for more targeted analyses by sector.

Overall, the data shows that 2025 represents a year of expansion for the manufacturing industry, with an increase in the enterprise base, increased employment and, above all, a significant increase in turnover. This development strengthens the role of industry in the economy and creates a better basis for increasing value added, developing value chains and increasing the competitiveness of local manufacturing.

From an industrial policy perspective, the results suggest that the focus should not be solely on increasing the number of enterprises, but on increasing their capacities, productivity, technology, value added and ability to integrate into markets and value chains. In this regard, activities with a high weight in manufacturing, employment and turnover represent particular potential for interventions and policies oriented towards industrial development.

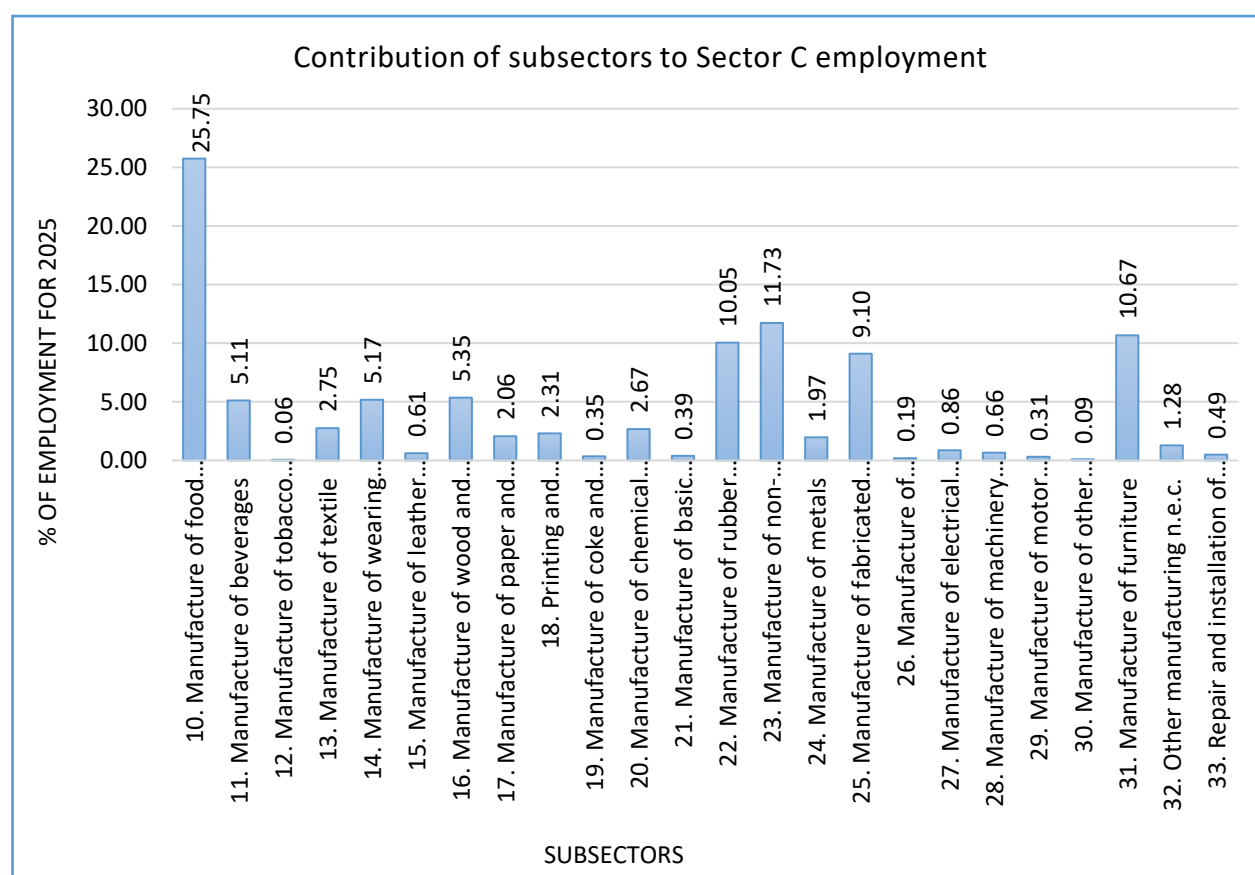
Note: Employment data are data prepared by TAK, but was sent to us by KAS. The data according to the Survey have not yet been processed.

4.3. Contribution of sub-sectors to Sector C employment

The manufacturing industry represents an important component of the labor market in Kosovo. In 2025, Sector C – Manufacturing Industry contributes about 12% to total employment by economic activity.

To assess the employment structure within the manufacturing industry, the contribution of each subsector to the total number of employees in Sector C is presented below. This analysis enables the identification of the activities that have the greatest weight in job creation and the level of employment concentration within the manufacturing industry.

Figure 7. Contribution of subsectors to Sector C employment, 2025 (%)



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

The data presented in Figure 7 show that employment in the manufacturing industry is concentrated in a limited number of subsectors. The largest contribution to Sector C employment in 2025 is Manufacture of food products, with about 25.75% of total employment in the sector.

After the food industry, the following are the Manufacture of non-metallic mineral products, with about 11.73%, and the Manufacture of furniture, with about 10.67%. The Manufacture of rubber and plastic products also has a significant share, with about 10% of Sector C employment.

These four subsectors together represent over 58% of total manufacturing employment, indicating a significant concentration of jobs in a few key activities. In particular, the weight of about a quarter of the food industry indicates its structural importance for the labor market and the country's manufacturing base.

Other subsectors have lower individual contributions, below 10%, indicating a more dispersed employment structure in other industry activities. This structure implies that developments in some key subsectors can have a direct impact on the overall employment performance in the manufacturing industry.

In terms of industrial policies, the concentration of employment in these subsectors presents both an opportunity and a need for targeted interventions. Supporting investment, technological modernization, developing professional skills and increasing productivity in subsectors with a high weight in employment can have a significant impact on further increasing employment and the competitiveness of the industry.

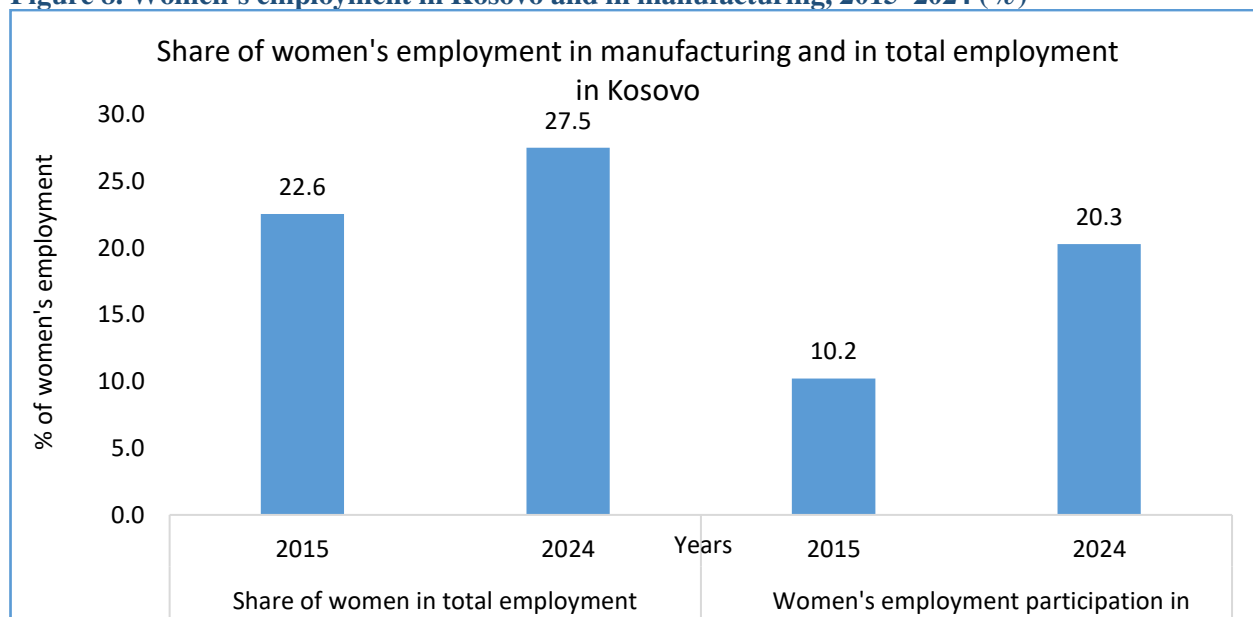
At the same time, the development of subsectors with a lower weight in employment can contribute to the diversification of the industrial structure, the creation of new jobs and the reduction of employment concentration in a few key activities.

Overall, the employment structure in 2025 shows that the food industry, non-metallic mineral products, furniture, and rubber/plastics are the main pillars of employment in the manufacturing industry, while other subsectors complement the employment structure and offer potential for diversification and expansion of the industrial base.

4.4. Employment of women in Sector C

Women's participation in the labor market, and particularly in Sector C – Manufacturing, remains an important indicator of labor force inclusion and the sector's overall development. Data for the period 2015–2024 show that, although women's participation in overall employment and manufacturing has increased, their level of involvement in the manufacturing sector continues to be relatively low.

This development should be analyzed in the context of barriers affecting women's participation in the labor market, including informality, respect for labor contracts, and employment conditions. These factors can particularly affect women's opportunities to enter and remain in the manufacturing sector.

Figure 8. Women's employment in Kosovo and in manufacturing, 2015–2024 (%)

Source: KAS (processed by DI/DPI)

An even more pronounced development is observed in the manufacturing sector, where women's participation has increased from 10.2% in 2015 to 20.3% in 2024, or by about 10.1 percentage points. This indicates that the rate of growth of women's employment in manufacturing has been significantly higher than the growth of their participation in overall employment.

However, despite this positive trend, women's participation in manufacturing remains lower than their participation in overall employment, indicating that Sector C has not yet fully exploited the potential of the female workforce. Therefore, further increasing women's employment in manufacturing requires measures that address working conditions, formalize employment relationships, and create more equal opportunities for employment and professional advancement.

In conclusion, the 2015–2024 trend can be assessed as positive, as women's participation in manufacturing has almost doubled during the analyzed period. However, the 2024 level shows that there is still considerable room for improving women's inclusion in Sector C and for greater utilization of their potential in the development of the sector.

4.5. Employment elasticity

Global changes in labor markets have created great opportunities for even developed economies to have difficulty maintaining employment elasticity. Changes can also come from many factors, whether from crises that may be unforeseen, such as the Covid-19 pandemic, but also as a result of digital transformation. Elasticity may change in relation to labor productivity depending on where the annual growth rate will be oriented, whether from employment or productivity.

Table 17. Employment elasticity compared to other countries, 2015–2023

Countries	Annual employment growth rate	Annual GDP growth rate	EE	Distribution
Albania	3.3%	9.7%	0.34	Driven by productivity
Bosnia and Herzegovina	2.3%	8.3%	0.27	Driven by productivity
Montenegro	1.2%	4.4%	0.28	Driven by productivity
North Macedonia	0.5%	7.1%	0.7	Driven by productivity
Serbia	3.8%	4.7%	0.81	Driven by productivity
Kosovo	7.8%	5.8%	1.35	Employment-driven
WB6	3.1%	5.9%	0.52	Driven by productivity

Source: VShP - WDI; *Employment in Manufacturing*, UNIDO, ASK (processed by DI/DPI staff)

The analysis presented in Table 17 shows that between 2015-2023, the manufacturing sector in Kosovo grew annually at a compound rate of 5.8%, of labor productivity in relation to employment in the industry, which has increased by 7.8%, during the same period. According to these data, it is estimated that the growth rate in Kosovo is driven by employment, which is the concentration of business aimed at expanding employment in relation to the interest in investing in digitization and advanced manufacturing technology. If we look at Table 17 in general, it turns out that in the Western Balkan countries we have a situation where most countries have their growth rate driven by labor productivity, while this year the analysis for the state of Kosovo presents us with a change in the elasticity of employment driven by the rate of employment growth, specifically in the opening of new jobs. The percentages in the WB6 countries do not present any significant discrepancy, but the data in both indicators are below 10% of the growth rate.

Increasing labor productivity is one of the important factors that influences the improvement of economic performance and the creation of conditions for wage growth in the manufacturing sector. In this context, the analysis of the relationship between productivity and wages represents an important indicator for assessing the development and competitiveness of the manufacturing sector.

Based on the data presented in Table 18, in 2023 Kosovo recorded a labor productivity growth rate of 4.80%, while the wage growth rate reached 10.27%. These data show a positive development of both indicators, with significantly higher wage growth compared to productivity growth.

Compared to the Western Balkan countries, Kosovo has one of the highest wage growth rates. The rate of 10.27% is the second highest in the group of countries analyzed, after Albania with 10.94%. At the same time, productivity growth in Kosovo of 4.80% is higher than in Bosnia and Herzegovina (4.60%), Montenegro (1.10%) and Serbia (3.47%), but lower than in North Macedonia (5.39%) and Albania (6.85%).

4.6. Wages and productivity in the manufacturing/processing sector

Increasing labor productivity is one of the important factors that influences the improvement of economic performance and the creation of conditions for wage growth in the manufacturing sector. In this context, the analysis of the relationship between productivity and wages represents an important indicator for assessing the development and competitiveness of the manufacturing sector.

Based on the data presented in Table 18, in 2023 Kosovo recorded a labor productivity growth rate of 4.80%, while the wage growth rate reached 10.27%. These data show a positive development of both indicators, with significantly higher wage growth compared to productivity growth.

Table 18. Wages and productivity in the manufacturing sector, 2023

Countries	Salary growth rate	Productivity growth rate
Albania	10.94%	6.85%
Bosnia and Herzegovina	5.10%	4.60%
Montenegro	3.39%	1.10%
North Macedonia	4.68%	5.39%
Serbia	6.91%	3.47%
Kosovo	10.27%	4.80%

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

The comparison shows that Kosovo in 2023 had a favorable dynamics of wage growth, ranking among the countries with the highest performance in WB6. However, the wage growth of 10.27% is more than double the productivity growth of 4.80%. This difference is important from the perspective of the competitiveness of the sector, since in the long term the sustainability of wage growth should be accompanied by an increase in productivity and value added per employee.

In this respect, Kosovo performs better than some WB6 countries in terms of both indicators, but the difference between the pace of wage growth and productivity indicates the need for faster growth in labor productivity. For the manufacturing sector, this implies a particular importance of investments in technology, modernization of equipment, digitalization of processes, development of professional skills and increasing the efficiency of manufacturing processes.

At the same time, the fact that all the WB6 countries compared have positive rates of both wage and productivity growth indicates an overall positive trend in the regional labor market and economic performance.

Overall, the data for 2023 show that Kosovo has made significant progress in increasing wages and productivity in the manufacturing sector. The high wage growth rate is particularly positive, placing Kosovo among the most dynamic countries in the WB6. However, the gap between wage growth and productivity growth poses a challenge for long-term competitiveness.

Therefore, policies for the development of the manufacturing sector should be oriented not only towards improving the level of wages, but also towards increasing productivity, value added and efficiency of enterprises. Such an approach would enable wage growth to increasingly rely on the performance and productivity of the economy, contributing to a more sustainable and competitive development of the manufacturing sector.

4.7. Relative wage intensity in the manufacturing industry

Relative wage intensity is an important indicator for assessing the role of labor in the creation and distribution of value added in the manufacturing sector. This indicator measures the share of Gross Value Added (GVA) that is distributed to workers in the form of wages and, therefore, helps to assess the relative weight of labor costs in the economic performance of the manufacturing sector.

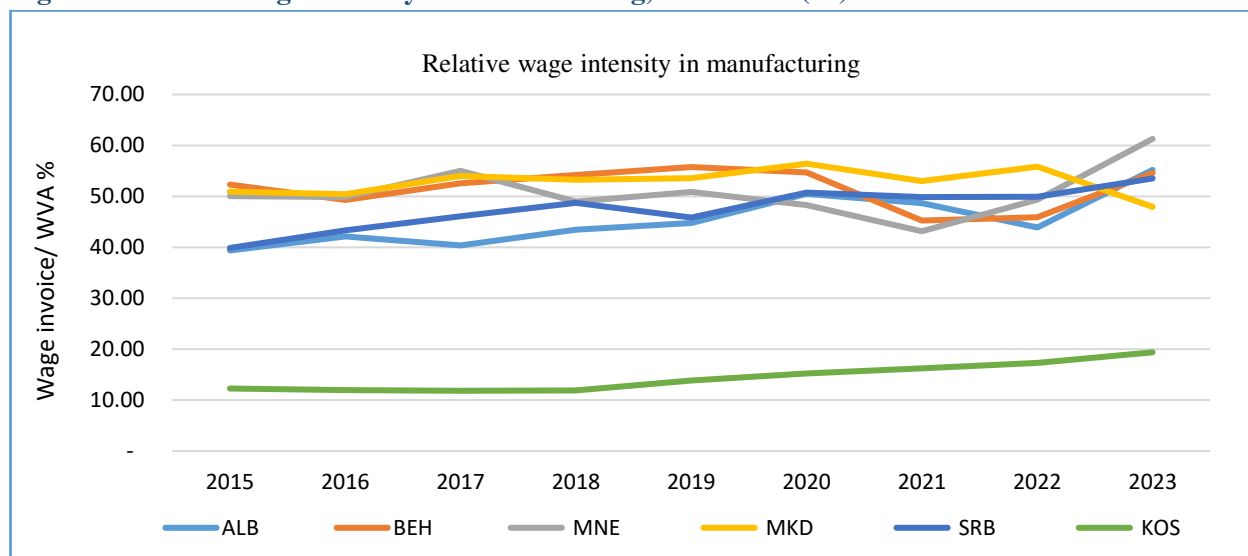
Based on the data presented in Figure 9 and the corresponding table, in Kosovo the relative wage intensity in the manufacturing sector has marked a significant increase during the period 2015–2023. The indicator has increased from 12.25% in 2015 to 19.38% in 2023, indicating that the share of the manufacturing sector’s GDP attributable to wages has increased over the years.

However, the dynamics of this indicator have not been the same throughout the period. In the years 2015–2017, the relative wage intensity in Kosovo has been relatively low and has marked a slight decrease, from 12.25% to 11.83%. After 2017, a clear upward trend is observed, reaching 13.84% in 2019, 15.23% in 2020, 16.21% in 2021, 17.32% in 2022 and 19.38% in 2023.

This trend shows that during the last years of the analyzed period, the growth of the wage bill has been more pronounced in relation to the GDP of the sector. This can be interpreted as a gradual increase in the share of labor income in the value created by the manufacturing sector.

Despite this positive development, the level of relative wage intensity in Kosovo remains significantly lower compared to other Western Balkan countries. For this reason, the increase in the indicator should be assessed not only in terms of the domestic trend, but also in relation to the structure and performance of the manufacturing sector in the comparator countries.

Figure 9. Relative wage intensity in manufacturing, 2015–2023 (%)



Source: WDI, UNIDO, KAS Country Indicators (processed by DI/DPI staff)

The data presented in the table shows a significant difference between Kosovo and other Western Balkan countries in terms of relative wage intensity in the manufacturing sector. In 2023, Kosovo had a relative wage intensity of 19.38%, while Albania had 43.89%, Bosnia and Herzegovina 54.59%, Montenegro 61.28%, North Macedonia 47.93% and Serbia 53.51%. This shows that, although Kosovo has significantly improved its position over the period 2015–

2023, it continues to have the lowest relative wage intensity among the countries compared. In 2023, Kosovo's indicator was about half or less of the level recorded in most of the WB6 countries. The difference is particularly large compared to Montenegro, where the relative wage intensity reaches 61.28%, as well as to Bosnia and Herzegovina and Serbia, where this indicator is above 53%.

From a structural perspective, this difference suggests that the share of GDP distributed in the form of wages in the manufacturing sector in Kosovo is significantly lower than in the comparator countries. However, this indicator should be interpreted with caution: a lower wage intensity does not automatically imply a weaker performance of the sector, as it can also be influenced by the level of productivity, the capital structure, the technology used, the cost structure, the level of wages and the way in which value added is created and distributed.

On the other hand, the increase in the indicator in Kosovo from 12.25% in 2015 to 19.38% in 2023 represents an increase of about 7.13 percentage points, or approximately 58% in relative terms. This indicates a significant change in the share of wages within the GVA of the manufacturing sector.

However, Kosovo's pace of improvement should be assessed in the context of the large gap with its comparator countries. In 2023, even the country with the lowest intensity after Kosovo, Albania, had a level of 43.89%, about 24.5 percentage points higher than Kosovo. This underlines that, despite the progress achieved, the manufacturing sector in Kosovo is still characterized by a relatively low share of wages in the value added created.

Overall, the data show a gradual and steady improvement in the relative wage intensity in the manufacturing sector in Kosovo, especially after 2017. This development is positive as it indicates an increase in the share of labor compensation in the sector's value added.

However, the gap with the WB6 countries remains very large. Therefore, the challenge for the manufacturing sector in Kosovo is not only to increase nominal wages, but to create conditions for wage increases to be accompanied by increases in productivity, value added, technology, formalization and sophistication of manufacturing processes.

In this sense, the increase in relative wage intensity should be seen as part of the process of structural transformation of the industry. The improvement of this indicator, accompanied by increased productivity and value added, could contribute to the creation of better jobs, increased competitiveness of the sector and the gradual improvement of Kosovo's position in relation to other economies in the region.

4.8. Average salary by economic activity

According to the data in Table 12, the average wage in sector C – Manufacturing has shown a continuous increase during the period 2023–2025. The gross wage has increased from €451 in 2023 to €586 in 2025, while the net wage from €404 to €528. This indicates an improvement in the level of labor compensation in the manufacturing sector and a positive wage trend during the analyzed period.

Table 19. Average salary by economic activity in Kosovo, 2023–2025 (Euro)

Years	Sector	Gross	Net
2023	C - Manufacturing	451.00€	404.00€
2024	C - Manufacturing	528.00€	451.00€
2025	C - Manufacturing	586.00€	528.00€

Source: KAS (processed by DI/DPI)

The increase in gross salary from €451 to €586 represents a cumulative increase of around 30% over the period 2023–2025. In particular, the increase from 2024 to 2025 is around 11%, confirming a positive trend, but at a more moderate pace in the last year.

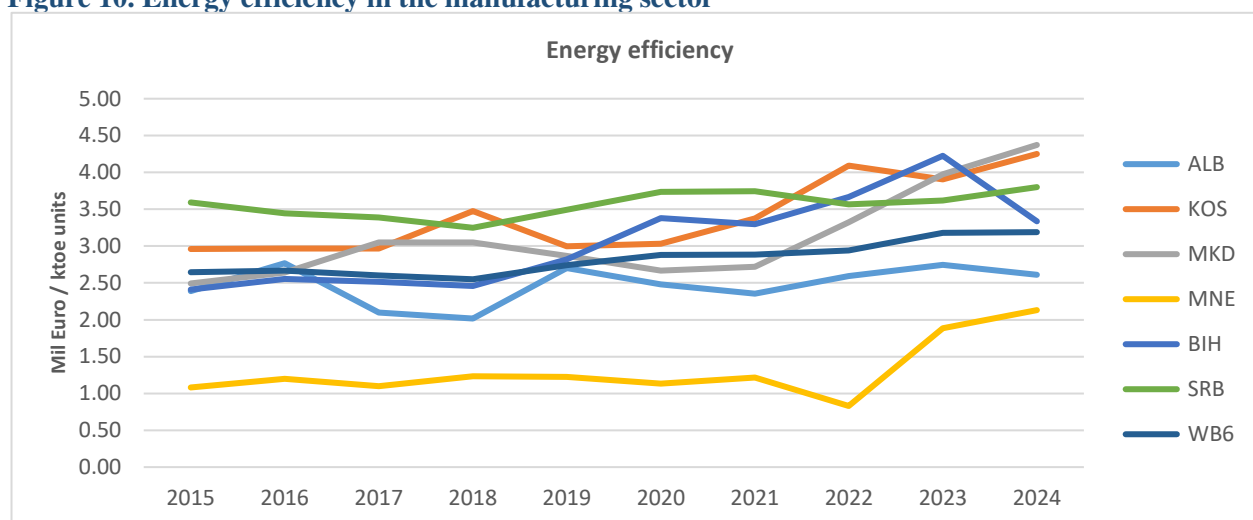
Overall, wage growth indicates a gradual improvement in compensation conditions in the manufacturing sector. However, the pace of wage growth must be accompanied by increases in productivity and value added, so that wage improvements are based on the performance and competitiveness of the sector.

5. ENVIRONMENTAL ANALYSIS

5.1. Energy efficiency in the manufacturing sector

In 2024, Kosovo achieved a level of 4.25 million Euro/ktoe of energy efficiency in the manufacturing sector, exceeding the average of the Western Balkan countries (WB6), which was 3.19 million Euro/ktoe. This result shows a significant improvement in energy productivity in the manufacturing sector, especially compared to 2015, when the indicator for Kosovo was 2.96 million Euro/ktoe.

Figure 10. Energy efficiency in the manufacturing sector



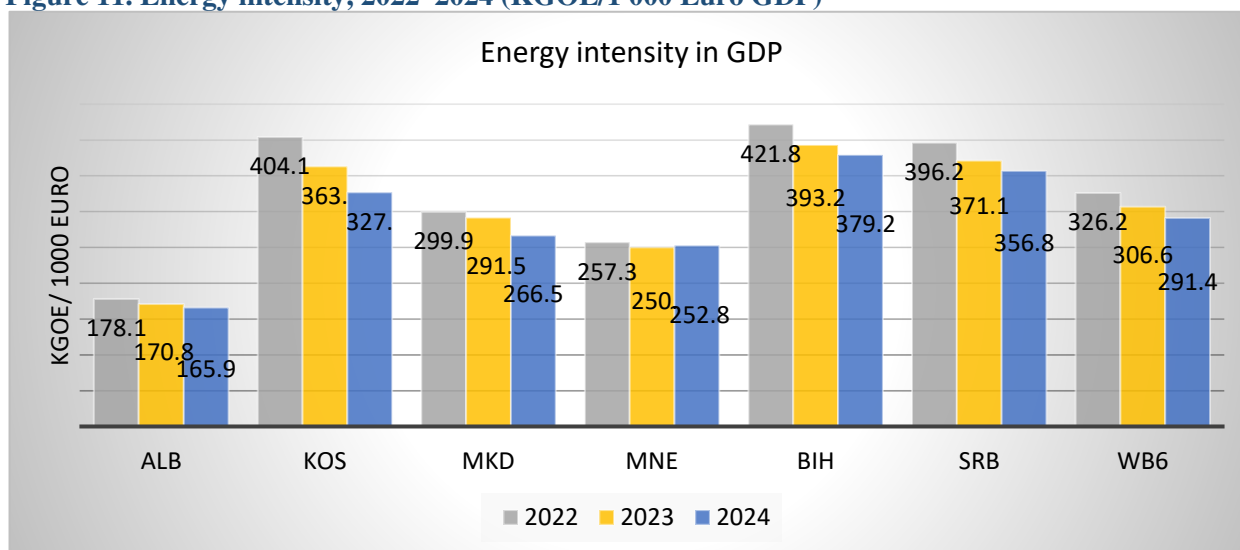
Source: Eurostat (processed by DI/DPI staff).

The performance presented in the graph shows that energy efficiency in Kosovo had a generally positive trend during the period 2015–2024. The increase in the indicator from 2.96 to 4.25 million Euro/ktoe means that for each unit of energy consumed, a greater economic value has been created. The improvement has been particularly pronounced after 2021, when the indicator increased from 3.38 in 2021 to 4.09 in 2022 and then to 4.25 in 2024.

Compared to other WB6 countries, Kosovo ranks among the best performing countries in 2024, behind North Macedonia, which had 4.37 million Euros/ktoe. This shows that the manufacturing sector in Kosovo has made significant progress in the efficient use of energy. However, the remaining gap with the best regional performer shows that there is still room for further improvements through the modernization of technologies, improvement of manufacturing processes and more rational use of energy.

5.2. Energy intensity in manufacturing

Energy intensity represents the amount of energy needed to create 1,000 Euros of GDP. For this indicator, a lower value means better energy performance, as it indicates that less energy is required to generate the same economic value. In 2022, Kosovo had an energy intensity of 404.14 KGOE/1,000 Euros of GDP, while estimated data for subsequent years show a decline in this indicator.

Figure 11. Energy intensity, 2022–2024 (KGOE/1 000 Euro GDP)

Source: Eurostat (processed by DI/DPI staff).

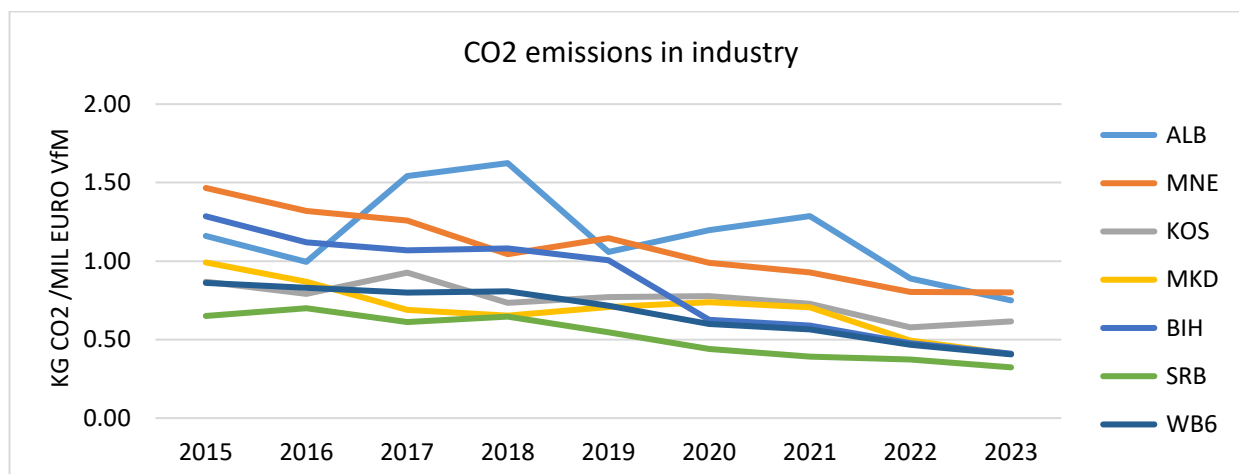
The graph shows a significant improvement in Kosovo's energy intensity, which has decreased from 404.14 KGOE/1,000 Euros of GDP in 2022 to 363 in 2023 and 327 in 2024. This decrease indicates improved energy efficiency and implies that the economy is requiring less energy to create a unit of GDP.

However, despite this progress, Kosovo continues to have a higher energy intensity than the WB6 average. In 2024, the regional average was 291.37 KGOE/1 000 Euro GDP, while Kosovo had 327. The difference shows that the Kosovar economy still has a relatively high energy consumption in relation to the value created. Consequently, improving this indicator remains one of the main areas where the competitiveness and efficiency of the manufacturing sector can be increased.

It should be noted that the values for 2023 and 2024 are based on estimated trends, as the document highlights the lack of official data for these years. For this reason, these values should be interpreted with a certain degree of caution.

5.3. CO₂ emissions

CO₂ emissions per unit of value added in manufacturing represent an important indicator for assessing the climate impact of the manufacturing sector. In Kosovo, the indicator has fluctuated during the analyzed period, but in 2023 a value of 0.6166 kg CO₂ per million Euros of GVA was recorded, compared to 0.5778 in 2022.

Figure 12. CO₂ emissions per unit of value added in manufacturing, 2015–2023

Source: International Energy Agency (IEA), processed by DI/DPI staff.

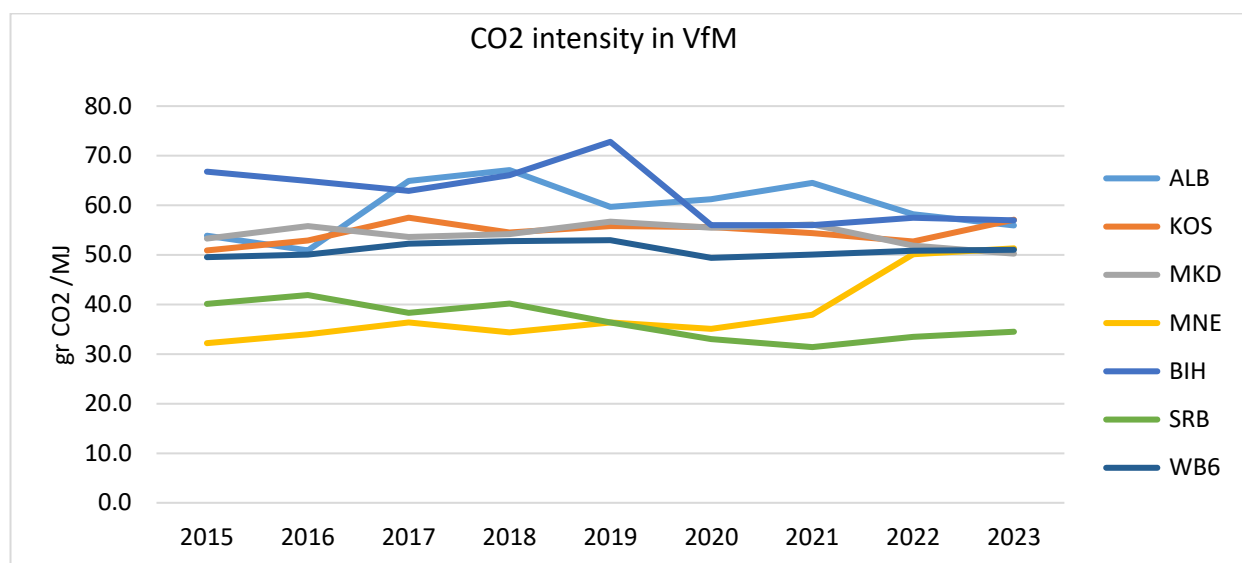
The data show that, in the long term, Kosovo has managed to significantly reduce its emissions intensity. In 2015, the indicator was 0.8689 kg CO₂ per million Euros of GDP, while in 2023 it was 0.6166. This represents a significant improvement compared to the beginning of the period.

However, the development of 2023 presents a less positive signal, as the indicator increased compared to 2022. At the same time, Kosovo continues to be above the WB6 average, which in 2023 was 0.4060 kg CO₂ per million Euros of GDP. The difference shows that Kosovo's manufacturing sector still generates more emissions per unit of value created than the regional average.

This situation shows that improving energy efficiency is not sufficient on its own to ensure sustainable emission reductions. Further improvement must also be linked to changing the structure of energy consumption and the use of lower carbon-intensive technologies.

5.4. CO₂ intensity in energy consumption

The CO₂ intensity of energy consumption indicates the amount of emissions generated per unit of energy consumed. This indicator is particularly important for assessing the degree of carbonization of energy consumption in the manufacturing industry. In 2023, Kosovo recorded 57.09 g CO₂/MJ, compared to 52.7 g CO₂/MJ in 2022.

Figure 13. CO₂ intensity of energy consumption in the manufacturing industry, 2015–2023

Source: International Energy Agency (IEA), processed by DI/DPI staff.

The graph shows that the CO₂ intensity in Kosovo increased in 2023, from 52.7 to 57.09 g CO₂/MJ. This increase shows a deterioration in the indicator and implies that the energy consumed in the manufacturing sector has been more carbon-intensive compared to the previous year.

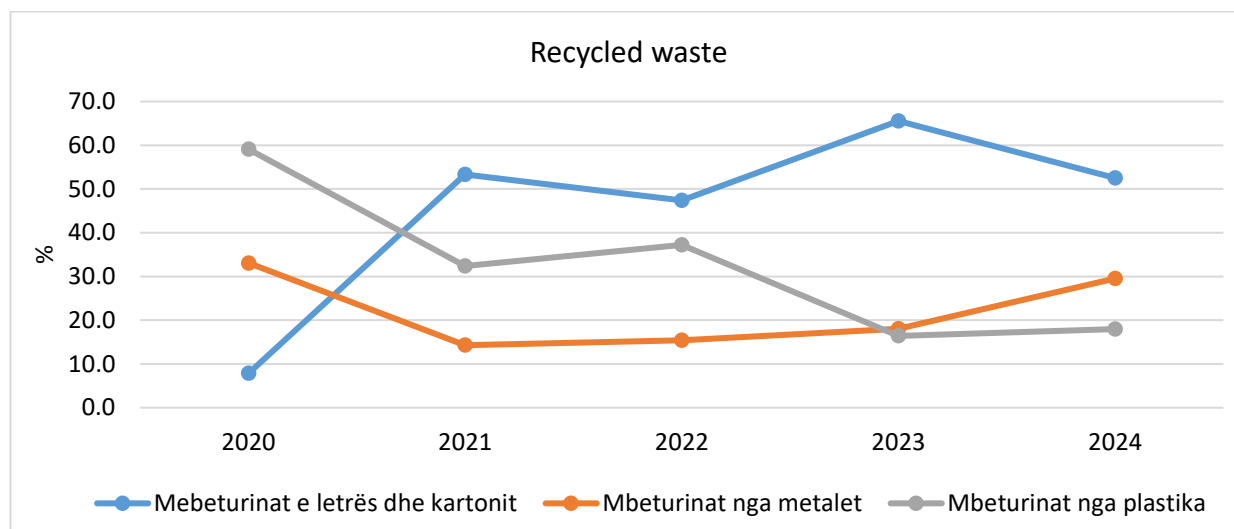
Kosovo's position is particularly important in the regional comparison. In 2023, the WB6 average was 51.01 g CO₂/MJ, while Kosovo had the highest value of 57.09 g CO₂/MJ among the countries presented. On the other hand, Serbia had the lowest level, with 34.48 g CO₂/MJ.

This difference shows that Kosovo's challenge is not only related to the amount of energy consumed, but also to the structure and source of this energy. For this reason, energy efficiency measures must be accompanied by measures to reduce the carbon intensity of the energy used.

5.5. Green and circular economy

5.5.1. Waste treated by type

In 2024, the amount of recycled waste included 11,557 tons of paper and cardboard, 3,954 tons of plastic and 6,503 tons of metals. In addition to the absolute quantities, the structure of the treated waste is also of particular importance, which shows how the weight of different categories has changed over the years.

Figure 14. Waste treated by type, 2020–2024 (%)

Source: Kosovo Agency of Statistics, processed by DPI/MINTI.

The data presented in the graph show significant changes in the structure of recycled waste during the period 2020–2024. The share of paper and cardboard waste has increased from 7.8% in 2020 to 52.5% in 2024. This change indicates a significant increase in the role of these materials in the recycling system.

In contrast, plastics have marked a significant decline in the structure of treated waste, from 59.1% in 2020 to 18.0% in 2024. In 2024, an increase in the share of metals to 29.5% is also observed, from 18.1% in 2023.

These developments indicate a change in the structure of recycled materials, but the percentages should be interpreted together with the absolute quantities. An increase in the share of a category does not necessarily imply an increase in its total quantity, if the total volume of waste treated changes at the same time. For this reason, the assessment of progress in the circular economy should be based, whenever data are available, on the combination of the quantity recycled, the structure of waste and the recycling rate in relation to the waste generated.

6. SUMMARY OF MAIN FINDINGS

The analysis of economic, social and environmental indicators shows that the year 2025 marked significant developments in Kosovo's manufacturing industry. Sector C continued to play an important role in creating economic value, employment, expanding the manufacturing base and diversifying the economy, but structural challenges remain in productivity, competitiveness, investment orientation and decarbonization of the industry.

In the economic dimension, the share of manufacturing value added in GDP was 12.54% in 2025, while manufacturing value added per capita reached 776 Euros. These results indicate a consolidated industrial base, but further growth must rely on productivity, technology, innovation and products with higher value added.

Foreign Direct Investment reached 1,095.0 million Euros in 2025. In the manufacturing sector, FDI increased to 31.9 million Euros, from 15.7 million Euros in 2024. The growth is positive, but the share of manufacturing in total FDI remains low and the overall investment orientation continues to be focused on real estate.

Foreign trade remains one of the main challenges. Sector C exports reached 735.9 million Euros in 2025, while imports reached 5.684 billion Euros, resulting in a trade deficit of 4.948 billion Euros. For every 1 Euro of manufacturing exports, about 7.7 Euros of goods were imported. However, exports to CEFTA and EFTA increased, and EFTA remained the only group of markets with a trade surplus.

In the social dimension, the number of Sector C enterprises increased to 7,168, the number of employees to 52,556, while turnover reached around 3.18 billion Euros. The growth in turnover was faster than the growth in employment and the number of enterprises, but this development should be interpreted together with indicators of physical manufacturing and value added to assess real productivity.

Women's share in manufacturing employment improved significantly over the period 2015–2024, but considerable room for growth remains. At the same time, wage increases need to be accompanied by increases in productivity and value added, so that the improvement in compensation is sustainable and supports competitiveness.

In the environmental dimension, energy efficiency in manufacturing reached 4.25 million Euro/ktoe in 2024 and was above the WB6 average. However, energy intensity remained higher than the regional average, while CO₂ intensity in energy consumption reached 57.09 g CO₂/MJ in 2023, the highest level among the countries compared. This underlines the need for investments in efficient technologies, renewable energy and lower-emission processes.

In the green and circular economy, the 2024 data show changes in the structure of treated waste. Progress in recycling is positive, but expansion of capacities for collection, separation, recycling and reuse of industrial waste is required. Overall, the findings support the orientation of industrial policies towards a more productive, technologically advanced, export-oriented, inclusive and environmentally sustainable model.

7. CONCLUSIONS

The analysis of economic, social and environmental indicators shows that Kosovo's manufacturing industry during 2025 has maintained and expanded its importance in the economy, but still faces limitations related to productivity, investment structure, import dependence, technology and environmental performance.

- Sector C has seen an increase in the number of enterprises, employment and turnover in 2025, demonstrating expansion of industrial activity.
- The share of manufacturing value added in GDP remains relatively stable, which indicates that the expansion of industry has not yet brought about a significant increase in its relative weight in the economic structure.
- FDI in manufacturing has increased significantly, but the overall orientation of foreign investment continues to be focused on real estate and other non-manufacturing sectors.
- Sector C's trade deficit remains high; export growth has not been sufficient to offset imports, although performance towards CEFTA and EFTA represents positive developments.
- The employment structure shows concentration in several main subsectors, especially in the food industry, non-metallic mineral products, furniture and rubber/plastics.
- Women's participation in manufacturing has improved, but considerable room remains for increasing their inclusion in the labor market and in higher-value positions.
- Wage growth is positive, but sustainable compensation growth requires that it be accompanied by increases in productivity and value added.
- Energy efficiency has improved, but energy intensity and carbon intensity remain significant challenges.
- The circular economy and recycling have marked positive developments, but strengthening of capacities and infrastructure for industrial waste management is required.

8. RECOMMENDATIONS

Based on the report's findings, it is recommended that industrial development policies be oriented towards these priorities:

8.1. Increasing productivity and competitiveness

Promote investments in automation, digitization, modern technology and more efficient equipment, so that the growth of the industry is not only based on increasing the number of employees, but also on increasing productivity.

8.2. Support for productive investments

Create more appropriate financial and fiscal mechanisms for enterprises that invest in new manufacturing capacities, technology, innovation and products with higher value added.

8.3. Workforce development

Strengthen vocational education and training in line with industry needs, especially in the technical, digital and advanced manufacturing technology fields.

8.4. Increasing women's participation in industry

Take measures to eliminate barriers to women's employment and advancement, including improving working conditions, formalizing employment, and creating equal opportunities.

8.5. Energy efficiency and decarbonization

Accelerate investments in energy-efficient equipment, renewable energy sources and low-CO₂ emission technologies.

8.6. Development of the circular economy

Increase capacities for the collection, separation, recycling and reuse of industrial waste and promote more efficient use of raw materials.

8.7. Strengthening exports and integration into regional and European markets

Support enterprises to improve product standards, certification, innovation and export capacities, with the aim of increasing the integration of Kosovo industry into regional and European value chains.

8.8. Improving the industry monitoring system

Continue to improve the collection and harmonization of industry data, so that public policies are based on comparable, regular and as up-to-date indicators as possible.

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