

Global Inflationary Pressures:

The impact on Kosovo and region

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Executive Summary

The purpose of this short science article is to assess the new circumstances created by current economic developments because of pandemics Covid-19 and the new situation created after the invasion of Ukraine by Russia. In particular, I will be focused in the increase in prices – inflation due to post-covid situation as a result of supply/demand mismatch, higher energy prices, and inflation triggered as a result of invasion of Ukraine by Russia, two major world exporters in commodities and energy.

Economic activities during 2021/2022 have changed due to new circumstances that have arisen. Various health and economic crises have significantly affected the global economy and one of their causes is Covid-19 pandemics. The pandemic overturned every aspect of global supply chains, from customer needs and material availability to manpower and digital skills. The average global GDP has fallen by 2.9 percent from 2019 to 2020. We are still recovering from the economic and health crisis, but we are followed by new uncertainties.

The war in Ukraine has caused major supply disruptions and led to historically higher prices for several commodities. European sanctions on Russia have also pushed up prices for essential products such as oils and cereals. Another facing problem was the increase of energy prices due to the supply and demands on the global wholesale market (BBC).

The impact on the supply chain was due to the sheer complexity of a typical global consumer goods supply chain involving millions of deliveries and thousands of suppliers. To tackle this new challenge “supply chain masters” are creating new end-to-end solutions to innovate a new supply chain – one that cannot be fractured by such black-swan events (BBC).

Abbreviations:

HICP - Harmonized Index of Consumer Prices

GFC – Global Financial Crisis

ERP - Economic Reform Program

FDI - Foreign Direct Investment

NPL - Non-Performing Loans

KAS - Kosovo Agency of Statistics

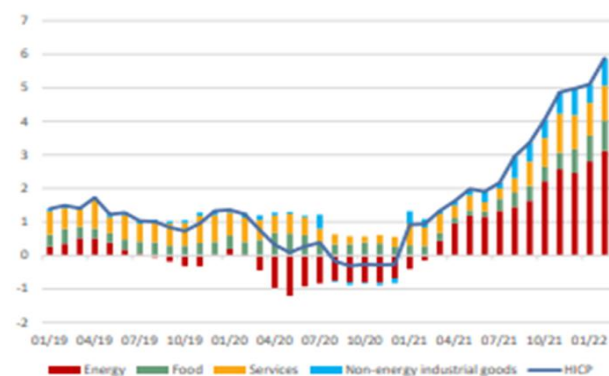
CBK – Central Bank of Kosovo

1.0 Introduction – recent trends in the world

The increases in prices were particularly pronounced for commodities because Russia and Ukraine are large exporters, particularly in energy, fertilizers, grains and metals. These developments in world commodity prices due to disruption in supply chain as a result of invasion of Ukraine by Russia and still going war; have added to a broad-based rise in commodity prices that began in mid-2020 with a surge in demand driven by receding concerns about the COVID-19 pandemic. Demand for commodities rebounded as the global economy recovered, while commodity production increased more slowly, weighed down by several years of weak investment in new production capacity as well as various supply disruptions. Fertilizer prices rose by 220 percent between April 2020 and March 2022, their largest 23-month increase since 2008. The food prices have risen with 84 percent, which is their largest increase in a comparable period since 2008. These increases in prices are having major humanitarian and economic impacts and exacerbating food insecurity and inflation in many countries (World Bank).

Inflation fluctuated sharply during the pandemic, falling to perennial lows after the pandemic erupted, before rising to historic highs at an unexpectedly rapid pace. The economic collapse was marked by falling prices, with inflation decelerating in all euro area countries and dipping into negative territory in 15 out of the 19 countries. From July to December 2020, aggregate prices in the euro area contracted for 5 consecutive months, matching an equally long period of contraction in 2009 after the global financial crisis (GFC). By contrast, the second phase, starting in 2021, was characterized by surprisingly vigorous inflation, culminating at a historical high of 5.9% in February 2022. The extent and speed of this rise came as a surprise, repeatedly exceeding both institutional and market forecasts throughout the year.

Graph 1. Intra-euro area inflation dispersion (% y-o-y)



Source: Eurostat

2.0 Economic situation in Kosovo

2.1 Key developments

Even through social and economic crisis, its macroeconomic scenario projects real GDP to expand by 7-8% during the program period, well above historic trend rates, driven by an ambitious private and public investment program. The ERP envisages a gradual return to the 2% of GDP fiscal deficit ceiling, as prescribed by Kosovo's fiscal rules framework, by 2023. In February 2022, Kosovo increased regulated energy prices, by introducing a two-tier tariff structure for household consumers, maintaining the current electricity prices for households consuming less than 800 kWh and doubling the prices for those above it. The tariffs for non-household consumers, including in the industrial sector, small and medium-sized enterprises, businesses, and wholesale customers, remain unchanged. The government allocated EUR 120 million for energy subsidies; EUR 30 million is earmarked for securing imports of electricity, while the remainder will be used to stabilize electricity prices for small consumers, i.e., households using up to 800 kW, and partially compensate price increases for larger consumers (more than 800 kW).

2.2 Real sector

With the help of diaspora, the economy of Kosovo had a high recovery rate, the provisional estimate of annual GDP growth is 10.5% in 2021. Exports performed very well (78.2), with exports of services and goods increasing by 91% and 51%. Further support for growth came from a strong increase in investment and public consumption, which expanded by 10.2% and 9.1%, respectively. Large remittance inflows and high social transfers contributed to a strong annual increase in private consumption (7.6%). GDP growth was dampened by rapidly rising imports of goods and services (32.5%). In Q4-2021, GDP grew by 6.4% y-o-y on the back of private consumption and exports, which increased by 9.4% and 33.4% y-o-y, respectively. The public consumption increased by 4.5% while investment stagnated on 0.85%.

2.3 Labor market

Regarding labor market, Kosovo continues to have the largest rate of unemployment in the region, the latest data available, account for an unemployment rate of 25.8% (Q1 2021). Furthermore, it is worrying that the rate of inactivity (people that are in the working age but do not look to work) is around 60.5%, which is also very high, even compared with the region, it is the highest. (KAS). On the other hand, the informal activity in Kosovo is expected to be around 25-30% according to international organizations such as World Bank and IMF, and also the number of employees without contract is high, especially in the construction sector. Thus, I believe this is the reason that Kosovo has a very high inactivity rate. Overall, Kosovo has a high unemployment rate and the government should design policies to tackle this issue and create better condition for enterprises and in particular attract foreign capital to invest in Kosovo and use the potential of a very young and talented work force.

2.4 External sector

From 2020 to 2021 the deficit increased for 2.2% (2020 - 7% , 2021 - 9.2%). The main driver was a large surge in goods imports (41%) which offset good export performance and led the merchandise trade deficit to widen to 53% of GDP. The key factor offsetting the merchandise trade deficit is remittances, which increased by 20% in 2021 and amounted to 15.8% of GDP. Further unofficial remittances are reflected in larger errors and omissions (2.5% of GDP) in 2021. Net inflows of the FDI showed a good performance by the 3.9% of the GDP which was partially supported by the ban on dividend distribution. The three months of official reserves Covered 3 months of import in the Q3 2021. In January - February 2022, thankful to the strong performance of plastic and mineral products merchandise exports expanded in total of 40%, while in the export of base metal declined compared to 2021. In the same period, imports increased by 42% on the back of surging imports of mineral products, while the overall merchandise trade deficit widened by 40%. During 2021, the annual inflation performed a rising trend from 0.6% in Q1 to 6.4% to Q4. This rising trend happened due to rising prices of foods and energy (European Commission).

2.5 Financial sector

The foreign owned banking sector was stable and profitable in 2021 because they were supported by the economic recovery. In the second half of 2021, the Central Bank of Kosovo (CBK) gradually lifted the pandemic-related support measures. Timely regulatory forbearance and large inflows from the diaspora supported rapid credit growth, to households. Bank loan growth accelerated to 11.2% in 2021 from 7.1% in the previous year. Deposit growth picked up to 13.8% from 12.2% in 2020. Financial soundness indicators have remained satisfactory. At the end of 2021, the loan-to deposit ratio, and the non-performing loan (NPL) ratio stood at 76.5% and 2.1%, respectively. The NPL ratio remained low at 2.2% in February, and existing NPLs were fully covered by loan loss provisions (150.3%). Bank profitability has surged with the average return-on-equity ratio rising to 17.6% in 2021 from 14% in 2020. For the banking system, the ratio of liquid assets to short-term liabilities stood at 34.1% in February and the capital adequacy ratio was at 14.8%, both standing well above the regulatory minima of 25% and 12%, respectively (European Commission).

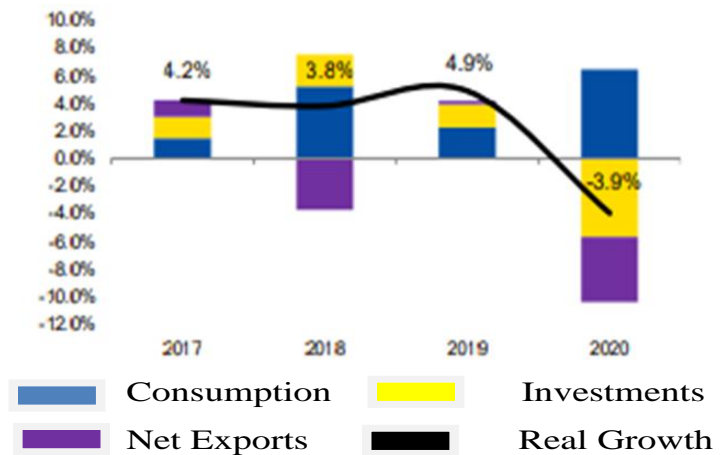
2.6 Fiscal developments

In line with economic recovery, tax revenue surged by 29.8% y-o-y in 2021. Direct and indirect tax income expanded by 25% and 31% respectively and exceeded the revised 2021 budget allocations. Public spending increased by moderate 2.5% as compared to the outcome of 2020. The implementation of the revised 2021 budget was uneven among different categories. Capital spending increased by 11% as compared to 2020, but reached only 76% of the revised 2021 budget allocation. The level of current expenditure was roughly the same as the spending in 2020 due to the implementation of COVID-19 support packages, while its execution rate reached around 95% of the revised 2021 budget (European Commission).

2.7. Internal Economy

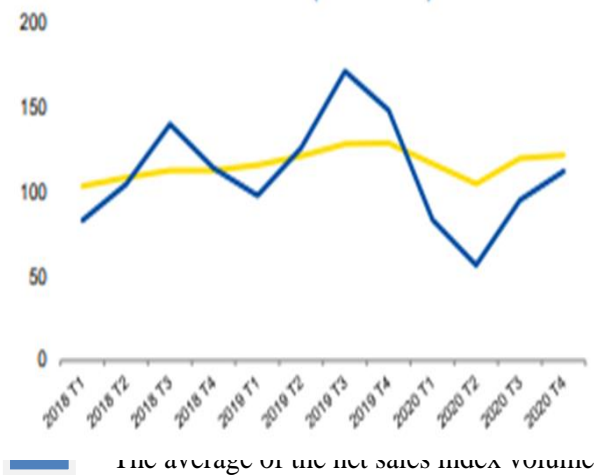
The economy has been **Graph 2. Real GDP growth rate and growing contributors** through difficulties with the spread of the Covid - 19 pandemic, new risks for the society and the economy that resulted with health, economic and social crisis. As every government in the world, Kosovo's government also took restrictive measures in movement, travel

activities, public and non - public activities for the sake of pandemic control. In 2020, the restrictive measures has slowed the economic activity by 1.3 percent in Q1 and reduced the economic growth by 9.3 percent in Q2 and 7.3 percent in Q3. Q4 translated with a recovery of GDP growth by 0.7 percent. The preliminary KAS evaluation has suggested that the economy of Kosovo resulted with economic growth has decreased by 3.9 percent in 2020. Economic activity is expected to recover towards pre-crisis levels in the year 2021, with an increase of about 4.3 percent. The primary components that affected the economic growth were investments (5.7 %) and net exports (4.7%), while the consumer component have supported the economic activity (6.5 %).



The sector of hotels and restaurants, transportation, storage, construction, administrative sector and trade are the reason why GDP scored decline of value. On the other side, sectors as health and social work, energy supply and gas, manufacturing industry, communication, industry extractors contributed in activity growth. Important sectors as services and industry faced a reduction of activity and the rate of employment. According to KSA, the dynamics of mainly affected by the economic crisis e induced by the Covid-19 pandemic. The average of net sales index in the sector of utilities turns out to have marked decrease of 36.2 percent in 2020 (23.1 percentage increase in 2019), and the index average number of employees scored decrease of 6.4 percent (13.2 percent increase in 2019).

Graph 3. Sales and employee indices in the service sector (2015 = 100)



2.8. Prices

The overall demand fell along with dynamics of key good prices were the main indicators of the weak inflationary pressures in Kosovo. The overall price change was noticed along the index of consumer prices (ICP) expanded slowly by 0.2 percent in 2020. Price growth has been affected mostly by transport prices (-5.8%), clothing prices (-0.9%), recreation and culture (-0.6%), electricity and gas (-0.1%). The prices of food and nonalcoholic beverages achieved increase by 1.7 percent (2020), which showed a lower growth rate compared to 5.4 percent (2019). . As a result of the weight of the consumer's pay Kosovo food prices contributed to the slow growth of price increase.

As a result of pandemic circumstances, in the last year, health services increased (4.7 %), followed by prices of restaurants and hotels (2.2 %) and means of communication (1.9%). Price movement in Kosovo are mainly determined by the movement of international market prices, due to lack of imports. Import price index scored an average reduction of 1.9 percent in 2020.

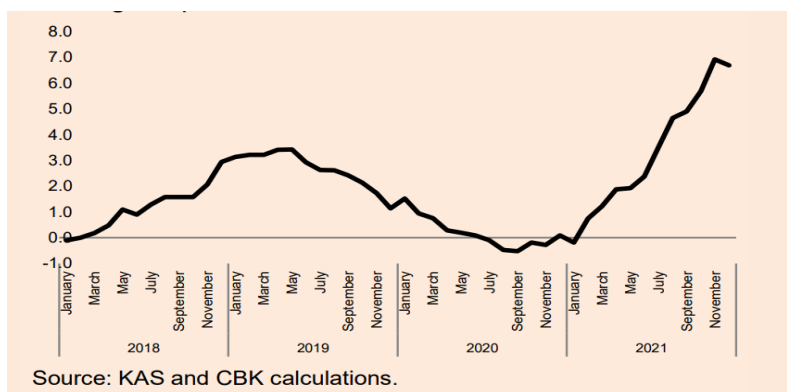
Prices of mineral products (-15.9%) and textile products (-13.8%) scored the highest decrease while the prices of plant products (13.9%) scored the highest increase. The reduction also affected the production price index which scored an average reduction of 0.6 percent. The highest downturn of production prices is marked by extraction of metals (-11.4%) production of machinery and equipment (-4.5%), metal production (-3.4%) and mobile production (-3.3 %).

In fact, price increases were characterized with the production of motor tools (6.5 %), the production of milk and products from (6.4 %), etc.

According to CBK:

Inflationary pressures that accompanied the global economy, as well as the euro area and the countries of the region during

Graph 4: Headline inflation and core inflation, annual change, in percentage



2021, were reflected also in the country's economy. The increase in aggregate demand as a result of the economic recovery, associated with external inflationary pressures as a result of rising energy prices and commodity prices imported from partner countries, led Kosovo to report an increase in aggregate prices in the country, measured through four indices compiled by KAS. Consumer price index increased by 3.4% in 2021, followed by producer price index which increased by 4.9%, construction cost index by 10.9%, and import price index which increased by 11.1%. The highest increase in consumer prices was marked in Q4 2021, when the average inflation rate of 6.4% was recorded. The highest increase in prices during this quarter was recorded in transport, communication means, food and non-alcoholic beverages, electricity, gas and other fuels. The accelerated trend of rising prices is expected to continue in 2022 and according to the CBK forecasts, the average inflation rate for this year is expected to be 6.4%. Like the CBK forecasts are the expectations of commercial banks as well, which stated that the inflation level will be higher this year compared to the previous year. However, given the recent developments, after the Russian invasion of Ukraine, the inflation rate may be even higher (CBK, Quarterly Report).

3.0 Key macroeconomic developments in the region

3.1 Albania

3.1.1 Key developments

On 31 January, the government submitted to the European Commission its Economic Reform Programme for 2022-2024. It foresees economic growth to average around 4% in 2022-24. The macroeconomic scenario could not yet consider the impact of Russia's invasion of Ukraine, on export dynamics and inflation. The program targets fiscal consolidation of moderate pace, largely based on a strong reduction of capital expenditure in 2023, and a positive primary balance from 2024. Albania's government established a "Transparency Board", which sets retail commodity prices based on fixed profit margins as an effort to curb speculation with international commodity prices. The first budgetary amendment in 2022 included a provision of around EUR 230 million (called "Social Resistance Package" of ALL 26 billion, 1.8% of GDP) to keep administered electricity prices stable for households and SMEs, as prices for imported electricity are rising, and to provide additional support to vulnerable households and farmers for facing the increasing fuel and food prices.

3.1.2 Monetary developments

Inflation continued to increase, from average 3.1% in Q4-2021 to 4.4% in Q1-2022, 5.7% driven by strong demand and surging food prices, aggravated by the impact of the invasion of Ukraine on cereals, edible oils, and fuel costs in March, when the inflation rate rose to 5.7%. The Bank of Albania (BoA) expects these inflationary pressures to continue and began to stabilize gradually its extraordinary accommodative policy stance, which had remained unchanged since March 2020. On 23 March 2022, it increased the policy rate by 0.5 pps. To 1.0% and the overnight lending rate by 1 pp. to 1.9%, while it kept the overnight deposit rate unchanged at the current level of 0.1%.

3.1.3 Financial sector

Lending to the private sector increased by 11.8% y-o-y in February, supported by low-risk premia, which facilitated easing of lending standards. The growth of credit to enterprises accelerated to 9.1% y-o-y in Q4, but in contrast to previous quarters, it was more strongly driven by liquidity needs than by investment purposes. Credit to households also continued to grow, by 11.6% (0.7 pps. higher than in Q3), mainly driven by mortgage loans, for which conditions eased. The rising trend in credit growth was mainly supported by lending in lek, although its annual growth slightly decelerated compared with the first half of 2021, to 9.7% in Q4.

3.2 Montenegro

3.2.1 Key developments

On 31 January 2021, the government submitted to the European Commission its Economic Reform Program (ERP) 2022-2024. The program, prepared before Russia's invasion of Ukraine, foresees real GDP to recover to its pre-COVID-19 crisis level in 2022, and to maintain robust growth afterwards. The economy is set to benefit from a strong fiscal stimulus in 2022, which would increase the deficit to 5% of GDP in 2022, followed by a gradual fiscal consolidation in the next two years based on expenditure retrenchment. On 4 February 2022, Prime Minister Zdravko Krivokapić's coalition government fell following a vote of no confidence in Parliament 14 months after the government was formed. On April 20, PM-designate Abazovic called the parliament to hold a session to vote on the new government, relying on the support of 46 out of 81 MPs. On 4 March, Standard&Poor's affirmed Montenegro's 'B/B' long- and short-term foreign and local currency sovereign

credit ratings. The stable outlook reflects the agency's view that economic growth will remain solid and support a gradual consolidation of public finances. However, the recent collapse of the coalition government raises uncertainty about economic and budgetary reforms. On 7 March, Montenegro's digital transition picked up with the first commercial deployment of 5G telecom services. The rollout of the 5G network started in the capital, Podgorica, and it is planned to be extended to the coastal areas in summer.

3.2.2 Monetary developments

After falling by 0.8% in 2020, consumer prices have accelerated since April 2021, to reach an average of 2.5% in 2021. Inflationary pressures also continued in 2022. Consumer prices went up by 6.4% y-o-y in February, after rising 5.4% y-o-y in January. Food and transport (the latter also including fuels) remained the main inflationary factors, growing by 13.1% y-o-y and 12.7% y-o-y, respectively in February. In addition, hotels and restaurants recorded higher prices too, by 4.5% y-o-y in February.

3.2.3 Financial sector

Montenegro's banking sector continued to expand in early 2022. Bank loans increased 6.9% y-o-y in February 2022 after growing by 5.8% y-o-y in January. The increase was driven by loans to the private sector, which expanded by 8.8% y-o-y, while loans to the general government contracted 12.5% y-o-y in February.

3.3 Serbia

3.3.1 Key developments

On 31 January, Serbia submitted its 2022-2024 economic reform programme (ERP). The ERP, prepared before Russia's invasion of Ukraine, projects GDP growth to reach 4.5% in 2022 and 5% thereafter and the general government deficit to gradually decline from 3% of GDP in 2022 to 1% of GDP in 2024. According to the provisional results of the Serbian elections of 3 April 2022, the incumbent President, and Serbian Progressive Party (SNS) leader Aleksandar Vučić was re-elected in the first round with 58.6% of the votes cast. In the general elections, 7 parties passed the 3% quorum for entering the national assembly: the ruling SNS (43.0%), United Serbia (13.6%), the Socialist Party of Serbia (11.5%), Nada/Hope (5.4%), Moramo/We must (4.6%), Dveri (3.8%) and Zavetnici (3.7%). On 7

April 2020 the National Bank of Serbia raised its key policy rate by 50 bps to 1.5%, considering that more persistent than anticipated inflationary pressures called for additional monetary tightening to contain second-round effects on inflation expectations. The rate had remained at a record low level of 1.0% for 16 months.

3.3.2 Monetary development

Annual consumer price inflation continued to accelerate by around 0.4 pps. Per month from November 2021 to March 2022, reaching 9.1% in March, thus largely exceeding the upper bound of the central bank's target tolerance band of 3% +/-1.5 pps. In seven consecutive months. Inflation continued to be driven by food (16.1%) and fuel prices (18.3%).

3.3.3 Financial sector

In February, domestic claims of the banking sector increased by 8.5% y-o-y. Following some acceleration from 10.1% in November 2021 to 10.6% in December, the annual growth of credit to households broadly stabilized at 10.5% in January and 10.4% in February. Similarly, after some acceleration from 5.8% in November 2021 to 7.1% in December, the growth of credit to companies decelerated to 6.7% in January before picking up to 7.0% in February.

4.0 Summary

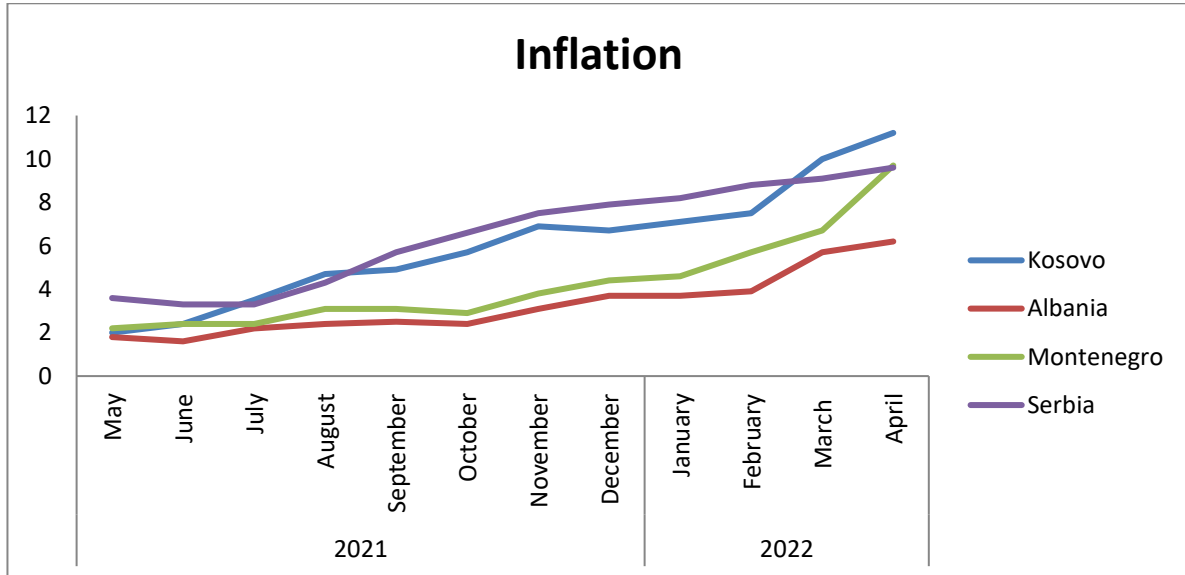
The economy has been through difficulties with the spread of the Covid - 19 pandemic, new risks for the society and the economy that resulted with health, economic and social crisis. The ERP envisages a gradual return to the 2% of GDP fiscal deficit ceiling, as prescribed by Kosovo's fiscal rules framework, by 2023. With the help of diaspora, the economy of Kosovo had a high recovery rate, the provisional estimate of annual GDP growth is 10.5% in 2021 (graph 5). Regarding labor market, Kosovo continues to have the largest rate of unemployment in the region, the latest data available, account for an unemployment rate of 25.8% (Q1 2021). From 2020 to 2021 the deficit increased for 2.2% (2020 - 7% , 2021 - 9.2%). The main driver was a large surge in goods imports (41%) which offset good export performance and led the merchandise trade deficit to widen to 53% of GDP. The key factor offsetting the merchandise trade deficit is remittances, which increased by 20% in 2021 and amounted to 15.8% of GDP. Bank loan growth accelerated to 11.2% in 2021 from 7.1% in the previous year. Deposit growth picked up to 13.8% from 12.2% in 2020. Financial

soundness indicators have remained satisfactory. At the end of 2021, the loan-to deposit ratio and the non-performing loan (NPL) ratio stood at 76.5% and 2.1%, respectively. In line with economic recovery, tax revenue surged by 29.8% y-o-y in 2021. Direct and indirect tax income expanded by 25% and 31% respectively and exceeded the revised 2021 budget allocations. Public spending increased by moderate 2.5% as compared to the outcome of 2020. The overall demand fell along with dynamics of key good prices were the main indicators of the weak inflationary pressures in Kosovo. The overall price change was noticed along the index of consumer prices (ICP) expanded slowly by 0.2 percent in 2020. Price growth has been affected mostly by transport prices (-5.8%), clothing prices (-0.9%), recreation and culture (-0.6%), electricity and gas (-0.1%). Inflationary pressures that accompanied the global economy, as well as the euro area and the countries of the region during 2021, were reflected also in the country's economy (graph 6). The increase in aggregate demand because of the economic recovery, associated with external inflationary pressures as a result of rising energy prices and commodity prices imported from partner countries, led Kosovo to report an increase in aggregate prices in the country, measured through four indices compiled by KAS.

Graph 5. Comparative Graphs, Kosovo and the Region, (Source: trading economics)



Graph 6. Inflation of Kosovo and the regions (May 2021 – April 2021) (Source: trading economics)



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Table 1 : Candidate and potential candidate countries

European Commission, ECFIN-D-1

Candidate and potential candidate countries: Summary table

	2017	2018	2019	2020	2021	ECFIN 2021 Autumn forecast		Q3 21	Q4 21	Q1 22	Jan 22	Feb 22	Mar 22
						2022	2023						
Gross domestic product (in real terms, annual % change)													
Albania	3.8	4.0	2.1	-3.5	8.3	3.7	3.6	6.8	5.5	:	N.A.	N.A.	N.A.
North Macedonia	1.2	2.8	3.9	-6.1	4.2	3.9	3.7	3.0	2.3	:	N.A.	N.A.	N.A.
Montenegro	4.7	5.1	4.1	-15.3	12.4	6.4	3.2	25.8	8.2	:	N.A.	N.A.	N.A.
Serbia	2.1	4.5	4.3	-0.9	7.4	4.3	4.3	7.6	7.0	:	N.A.	N.A.	N.A.
Turkey	7.5	3.0	0.9	1.8	11.0	4.0	4.0	7.5	9.1	:	N.A.	N.A.	N.A.
Bosnia and Herzegovina	3.0	3.3	2.8	-3.2	7.1	:	:	6.9	7.6	:	N.A.	N.A.	N.A.
Kosovo	4.8	3.4	4.8	-5.3	10.5	:	:	14.5	6.4	:	N.A.	N.A.	N.A.
Unemployment													
Albania	14.1	12.8	12.0	12.2	12.1	11.0	10.3	11.6	11.9	:	N.A.	N.A.	N.A.
North Macedonia	22.6	21.0	17.5	16.6	15.8	15.1	14.6	15.9	15.3	:	N.A.	N.A.	N.A.
Montenegro	16.4	15.5	15.4	18.4	16.9	18.5	17.2	15.0	15.7	:	N.A.	N.A.	N.A.
Serbia	14.5	13.7	11.2	9.7	11.0	10.0	9.2	10.5	9.8	:	N.A.	N.A.	N.A.
Turkey	10.9	10.9	13.7	13.1	12.0	12.6	12.2	11.7	11.0	:	12.1	11.4	:
Bosnia and Herzegovina	20.5	18.4	15.7	15.9	17.4	:	:	16.4	16.1	N.A.	N.A.	N.A.	N.A.
Kosovo	30.5	29.6	25.7	25.9	:	:	:	:	:	:	N.A.	N.A.	N.A.
Current account balance* (% of GDP)													
Albania	-7.5	-6.8	-7.9	-8.7	-7.9	-7.3	-7.1	-6.6	-7.7	:	N.A.	N.A.	N.A.
North Macedonia	-1.0	-0.1	-3.3	-3.4	-3.5	-2.6	-2.2	-1.2	-3.5	:	N.A.	N.A.	N.A.
Montenegro	-16.1	-17.0	-14.3	-26.1	-9.2	-15.8	-16.8	-10.1	-9.2	:	N.A.	N.A.	N.A.
Serbia	-5.2	-4.8	-6.9	-4.1	-4.4	-4.3	-4.1	-3.0	-4.4	:	N.A.	N.A.	N.A.
Turkey	-4.8	-2.8	0.7	-5.0	-1.7	-2.2	-1.6	-2.3	-1.7	:	N.A.	N.A.	N.A.
Bosnia and Herzegovina	-4.8	-3.3	-2.8	-3.8	-2.1	-12.9	-5.9	-2.3	-2.1	:	N.A.	N.A.	N.A.
Kosovo	-5.5	-7.6	-5.7	-7.0	-9.2	:	:	-6.0	-8.6	:	N.A.	N.A.	N.A.
Inflation (Consumer price index, annual % change)													
Albania	2.0	2.0	1.4	1.6	2.0	2.8	2.7	2.4	3.1	4.4	3.7	3.9	5.7
North Macedonia	1.4	1.5	0.8	1.2	3.2	2.1	1.8	3.6	4.6	:	6.7	7.6	8.8
Montenegro (HICP)	2.8	2.9	0.5	-0.8	2.5	2.5	1.5	3.7	4.3	:	5.4	6.4	:
Serbia	3.1	2.0	1.8	1.6	4.1	3.6	2.6	4.4	7.3	:	8.3	8.8	:
Turkey	11.1	16.3	15.2	12.3	19.6	17.7	15.4	19.3	25.8	54.8	48.7	54.4	61.1
Bosnia and Herzegovina	1.3	1.4	0.6	-1.1	2.0	:	:	2.4	5.3	:	7.0	8.1	:
Kosovo	1.5	1.1	2.7	0.2	3.3	:	:	4.3	6.4	:	7.1	7.5	:
General government balance** (% of GDP)													
Albania	-2.0	-1.6	-1.9	-6.7	-4.5	-4.0	-3.5	-0.4	-2.7	:	N.A.	N.A.	N.A.
North Macedonia	-2.7	-1.8	-2.0	-8.2	-5.4	-4.9	-4.3	-1.2	-2.0	:	N.A.	N.A.	N.A.
Montenegro	-5.3	-3.9	-2.0	-11.1	-1.9	-0.5	0.2	2.3	-0.7	:	N.A.	N.A.	N.A.
Serbia	1.1	0.6	-0.2	-8.0	-4.1	-2.7	-1.6	-0.5	-3.1	:	N.A.	N.A.	N.A.
Turkey	-2.0	-2.8	-3.2	-2.9	:	-3.5	-3.1	-0.6	:	:	N.A.	N.A.	N.A.
Bosnia and Herzegovina	2.6	2.2	1.9	-5.3	:	:	:	1.2	:	:	N.A.	N.A.	N.A.
Kosovo	-1.3	-2.9	-2.9	-7.6	-1.4	:	:	2.0	-2.7	:	N.A.	N.A.	N.A.

Forecast: ECFIN forecast Autumn 2021 published November 2021.

* Q figures refer to a 4 quarters moving average.

** Q figures refer to the quarterly balance divided by the estimated annual GDP.

Table 2 : Kosovo

TABLE

European Commission, ECFIN-D-1



KOSOVO

		2017	2018	2019	2020	2021	Q3 21	Q4 21	Q1 22	Jan 22	Feb 22	Mar 22
1 Real sector												
Industrial confidence ^{1.1}	Balance	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Industrial production ^{1.2}	Ann. % ch	-1.3	-0.7	2.6	-1.2	:	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Gross domestic product ^{1.3}	Ann. % ch	4.8	3.4	4.8	-5.3	10.5	14.5	6.4	:	N.A.	N.A.	N.A.
Private consumption ^{1.4}	Ann. % ch	2.5	3.8	5.1	1.9	7.6	1.4	9.4	:	N.A.	N.A.	N.A.
Investment ^{1.5}	Ann. % ch	0.6	7.0	-1.6	-7.1	10.2	0.1	0.8	:	N.A.	N.A.	N.A.
Construction index ^{1.6}	Ann. % ch	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Retail sales ^{1.7}	Ann. % ch	12.0	17.4	25.6	-0.4	11.0	24.4	8.4	:	N.A.	N.A.	N.A.
2 Labour market												
Unemployment ^{2.1}	%	30.5	29.6	25.7	25.9	:	:	:	:	N.A.	N.A.	N.A.
Employment ^{2.2}	Ann. % ch	7.6	-3.4	5.2	-4.4	:	:	:	:	N.A.	N.A.	N.A.
Wages ^{2.3}	Ann. % ch	2.1	5.1	5.3	-2.3	:	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
3 External sector												
Exports of goods ^{3.1}	Ann. % ch	22.1	-2.8	4.4	23.8	57.9	65.7	45.6	:	50.9	34.8	:
Imports of goods ^{3.2}	Ann. % ch	9.2	9.7	4.6	-5.7	41.1	48.0	34.8	:	43.4	37.5	:
Trade in goods balance* ^{3.3}	% of GDP	-42.0	-44.6	-44.1	-41.7	-53.2	-48.1	-49.9	:	N.A.	N.A.	N.A.
Exports goods and services* ^{3.4}	% of GDP	27.3	29.1	29.3	21.7	:	33.7	:	:	N.A.	N.A.	N.A.
Imports goods and services* ^{3.5}	% of GDP	53.1	57.3	56.4	53.9	:	63.8	:	:	N.A.	N.A.	N.A.
Current account balance* ^{3.6}	% of GDP	-5.5	-7.6	-5.7	-7.0	-9.2	-6.0	-8.6	:	N.A.	N.A.	N.A.
Direct investment (FDI, inflow)* ^{3.7}	% of GDP	3.3	3.4	2.7	4.2	:	5.0	:	:	N.A.	N.A.	N.A.
International reserves ^{3.8}	mn EUR	939.4	933.9	937.1	969.1	1,060.6	1,192.3	1,060.6	:	1,136.4	1,156.8	:
Int. reserves / months Imp ^{3.9}	Ratio	3.3	2.9	2.8	3.2	:	3.0	:	:	N.A.	N.A.	N.A.
4 Monetary developments												
HICP ^{4.1}	Ann. % ch	1.5	1.1	2.7	0.2	3.3	4.3	6.4	:	7.1	7.5	:
Producer prices ^{4.2}	Ann. % ch	0.6	1.4	0.9	-0.6	4.9	6.9	7.2	:	N.A.	N.A.	N.A.
Food prices ^{4.3}	Ann. % ch	1.2	2.7	8.3	10.1	12.7	3.1	6.3	:	8.8	9.7	:
Broad money liabilities ^{4.4}	Ann. % ch	6.4	7.9	12.0	15.3	12.1	16.9	12.1	:	11.8	11.6	:
Exchange rate EUR/EUR ^{4.5}	Value	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Real effective exchange rate (CPI) ^{4.6}	Index	105.0	104.7	107.1	107.3	109.8	109.8	111.5	:	112.4	113.1	:
5 Financial indicators												
Short-Term interest rate ^{5.1}	% p.a.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Bond yield ^{5.2}	% p.a.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	3.84	N.A.
Stock markets ^{5.3}	Index	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Credit growth ^{5.4}	Ann. % ch	10.5	11.1	10.7	7.7	11.2	12.1	14.5	:	15.7	16.7	:
Deposit growth ^{5.5}	Ann. % ch	8.6	6.5	12.6	12.2	13.8	15.2	12.9	:	11.1	9.5	:
Non-performing loans ^{5.6}	% total	3.0	2.5	1.9	2.5	2.1	2.2	2.1	:	2.1	:	:
6 Fiscal developments												
General government balance** ^{6.1}	% of GDP	-1.3	-2.9	-2.9	-7.6	-1.4	2.0	-2.7	:	N.A.	N.A.	N.A.
General government debt*** ^{6.2}	% of GDP	16.4	17.0	17.6	22.4	23.3	23.0	23.3	:	N.A.	N.A.	N.A.

* Q figures refer to a 4 quarters moving average.

** Q figures refer to the quarterly balance divided by the estimated annual GDP.

*** Q figures in percent of estimated annual GDP from the Budget Law.

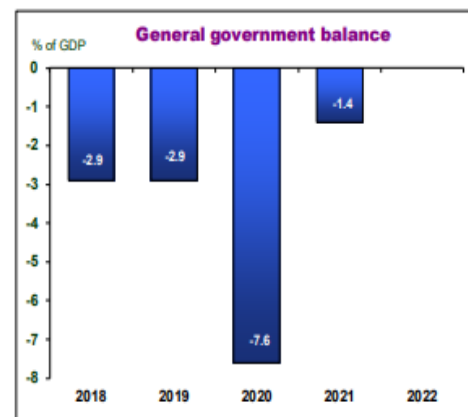
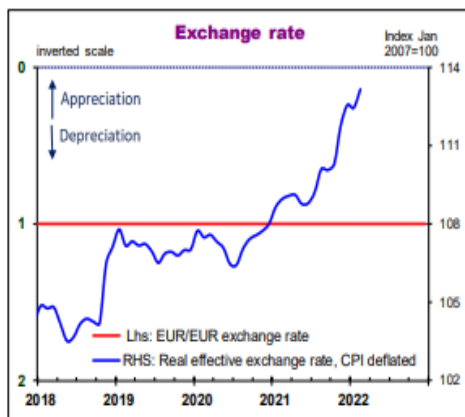
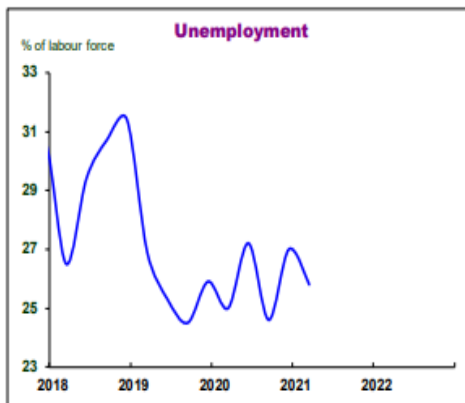
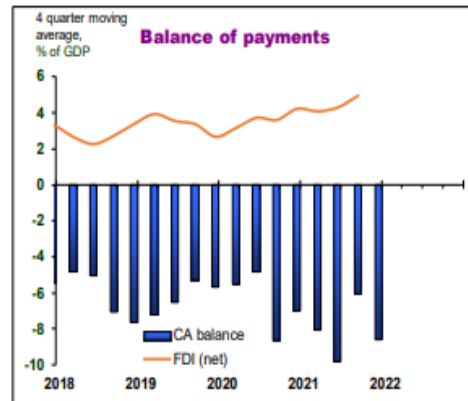
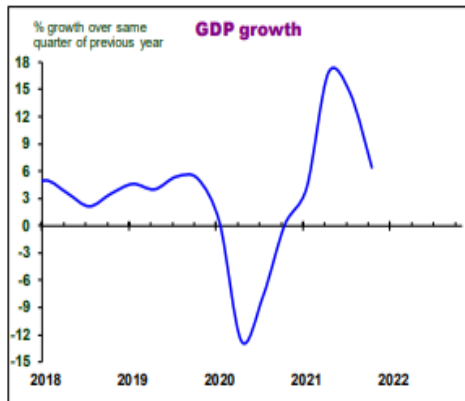
Table 2a : Kosovo

CHARTS



European Commission, ECFIN-D-1

KOSOVO



Source of data: IMF, national sources

Table 3: Albania

CHARTS

European Commission, ECFIN-D-1



ALBANIA

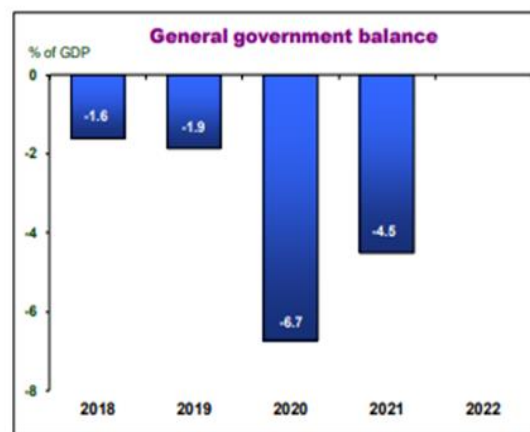
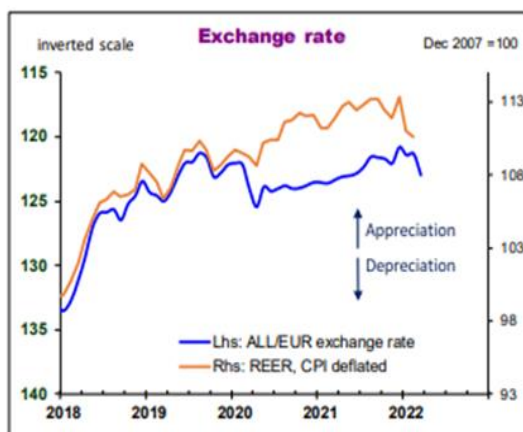
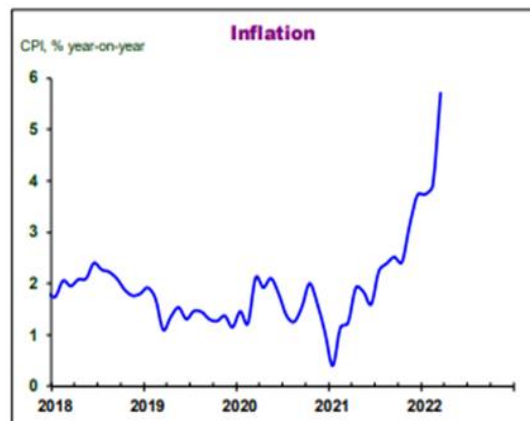
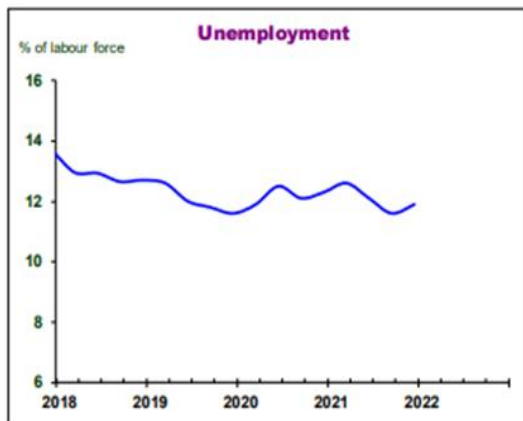
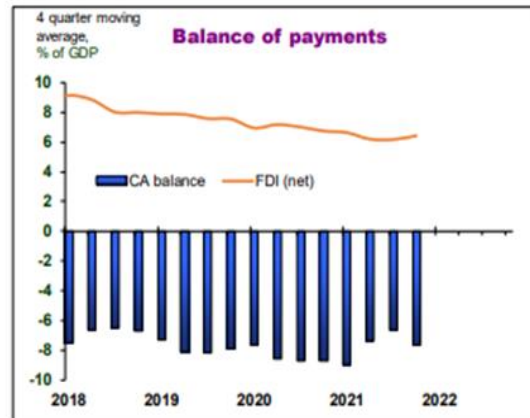
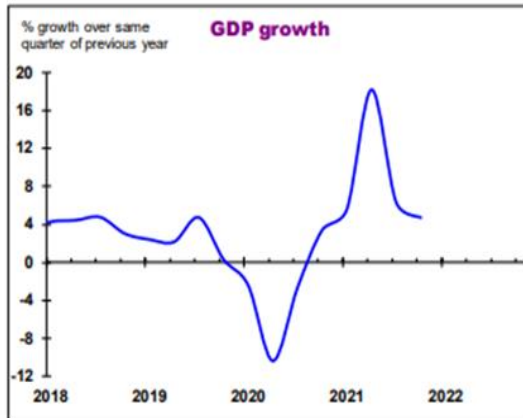


Table 4 : Montenegro

CHARTS

European Commission, ECFIN-D-1



MONTENEGRO

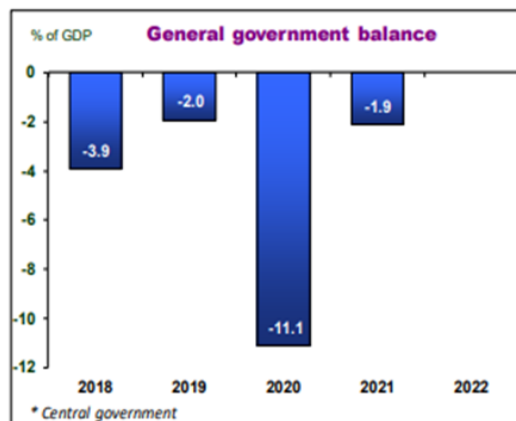
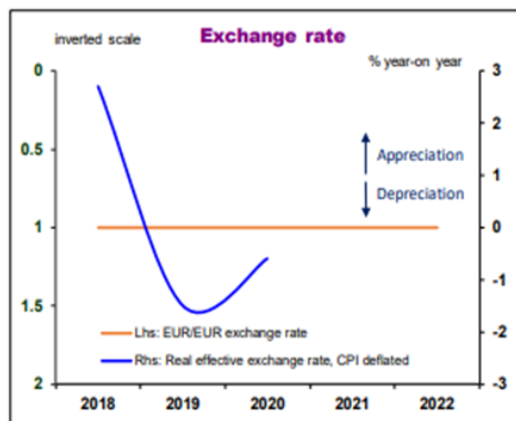
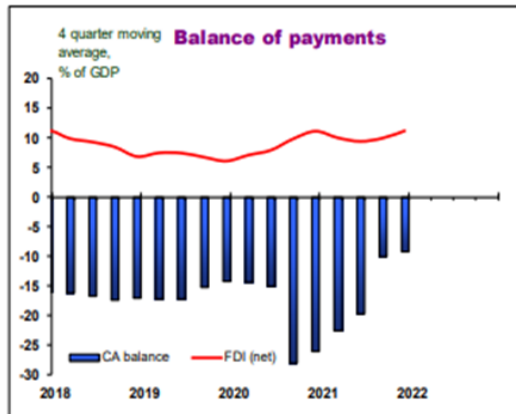
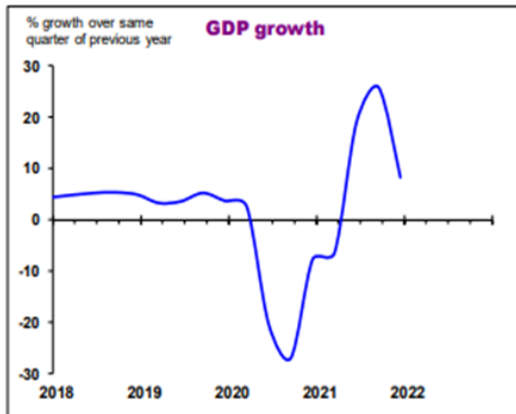


Table 5 : Serbia



SERBIA

