FORUMIKS

KOSOVO ECONOMY

AT A GLANCE

Prepared by Secretariat of the National Council for Economy and Investments

June 2026

REAL SECTOR

EXTERNAL SECTOR

FINANCIAL SECTOR

PUBLIC SECTOR

European Bank for Reconstruction and Development

Schweizerische Eidgenossenschaft
Confédération suisse
Confederazione Svizzera
Confederaziun svizra

State Secretariat for Economic Affairs SECO

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EXECUTIVE SUMMARY

Kosovo's economy has maintained a stable growth trajectory in recent years. Following the sharp contraction caused by the COVID-19 pandemic in 2020, economic activity rebounded strongly and has since stabilised at around 4 percent annual growth. In 2025, real GDP expanded by 3.6 percent, demonstrating continued resilience despite a challenging external environment.

Growth remains primarily driven by domestic demand, supported by household consumption, remittances, and rising wages, while investment activity strengthened further in 2025. The economy continues to be dominated by the services sector, with trade, financial services, and construction accounting for a significant share of output. Manufacturing remains an important contributor, although productivity constraints, energy-related challenges, and labour shortages continue to limit its potential. Inflation, which peaked at 11.6 percent in 2022, eased considerably in subsequent years and stood at 3.9 percent in 2025, contributing to a more stable price environment.

Labour market conditions have improved, with unemployment reaching one of its lowest recorded levels in 2024. Nevertheless, labour force participation remains relatively low, particularly among women, while unemployment continues to be highest among younger age groups. Wage growth has remained strong, supporting gradual improvements in purchasing power.

Kosovo's external position continues to be characterised by a large goods trade deficit, partially offset by strong surpluses in services and secondary income. Travel services remain the dominant export category, supported by diaspora-related inflows, while ICT and other business services continue to expand. The current account deficit remained broadly stable at around 8 percent of GDP in 2025. Remittances reached a record level and continue to play a crucial role in supporting household consumption and external stability. Foreign direct investment also increased further, although it remains heavily concentrated in real estate activities.

The financial sector remains stable and well-capitalised, supported by strong credit growth, robust deposit growth, low non-performing loans, and solid profitability. The loans-to-GDP ratio continued to increase, reflecting the expanding role of financial intermediation in the economy.

Fiscal performance has improved significantly since the pandemic period. Following near-balanced budgets and modest surpluses in 2023–2024, the fiscal balance recorded a small deficit of around 0.3 percent of GDP in 2025. Revenue performance remained strong, driven primarily by indirect taxes, while expenditure composition continued to emphasise transfers, subsidies, and public investment. Public debt remains low and well below the 40 percent ceiling established under the fiscal rule, preserving a favourable degree of fiscal space.

Overall, Kosovo's economy continues to demonstrate resilience, supported by stable domestic demand, a sound financial sector, and prudent fiscal management. However, sustaining long-term growth will require strengthening export competitiveness, enhancing productivity, diversifying foreign investment, and increasing labour market participation, particularly among women and young people.

REAL SECTOR

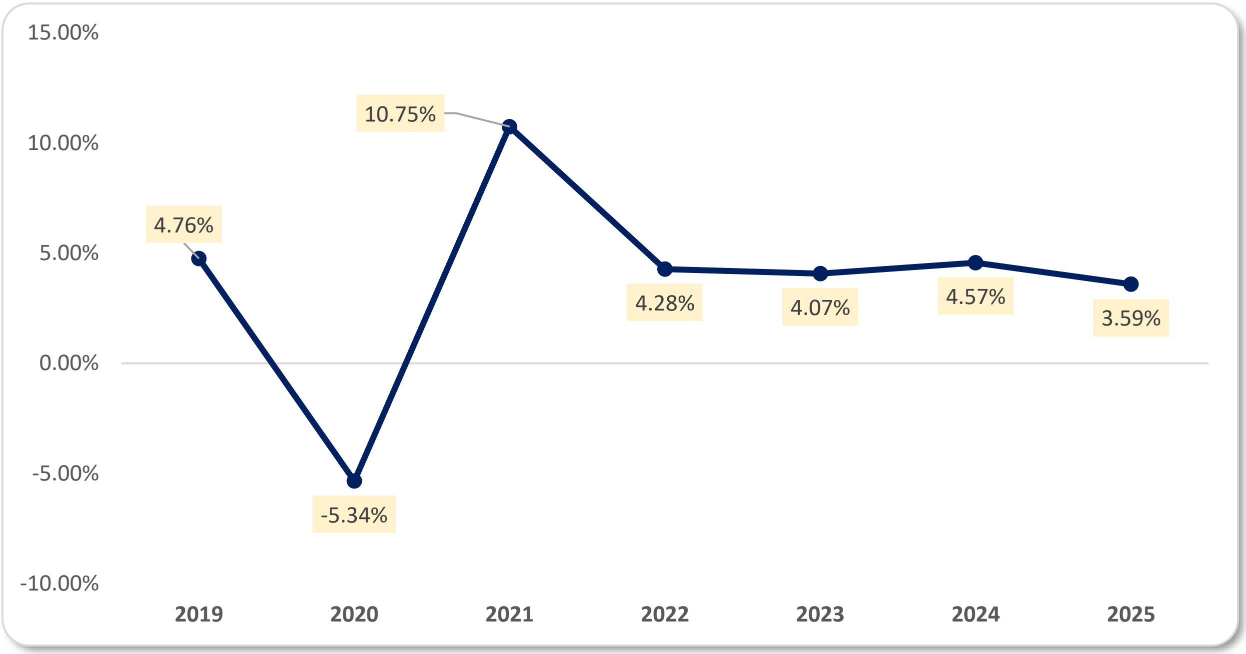
1. GROSS DOMESTIC PRODUCT

Kosovo's economy has experienced notable fluctuations in recent years, shaped by both domestic and global developments. After expanding by 4.8% in 2019, real GDP contracted sharply by 5.3% in 2020, reflecting the impact of the COVID-19 pandemic and the restrictive measures that disrupted economic activity. This was followed by a strong rebound in 2021, when growth accelerated to 10.7%, driven by the recovery of consumption, investment, and services, alongside large inflows of remittances and pent-up demand following the pandemic period.

Since 2022, economic growth has stabilized at a more moderate but steady pace, averaging around 4% annually. Growth has been supported primarily by domestic demand, particularly household consumption and investment activity, while government spending and service-sector performance have also contributed positively. In 2024, real GDP increased by 4.6%, demonstrating continued economic resilience despite a challenging external environment characterised by slower growth in Europe, inflationary pressures, and geopolitical uncertainties.

Preliminary estimates for 2025 indicate that the economy continued to expand, with real GDP growth reaching around 3.6%. Economic activity remained supported by rising consumption, increased investment, strong remittance inflows, and continued growth in service exports, particularly travel-related services. At the same time, net exports continued to exert a negative contribution to growth due to the persistent trade deficit and faster growth of imports compared to exports. Overall, recent trends suggest that Kosovo's economy has maintained macroeconomic stability and steady growth momentum, although structural challenges related to productivity, export capacity, and labour market dynamics remain important for sustaining long-term development.

Figure 1. Real economic growth over the years

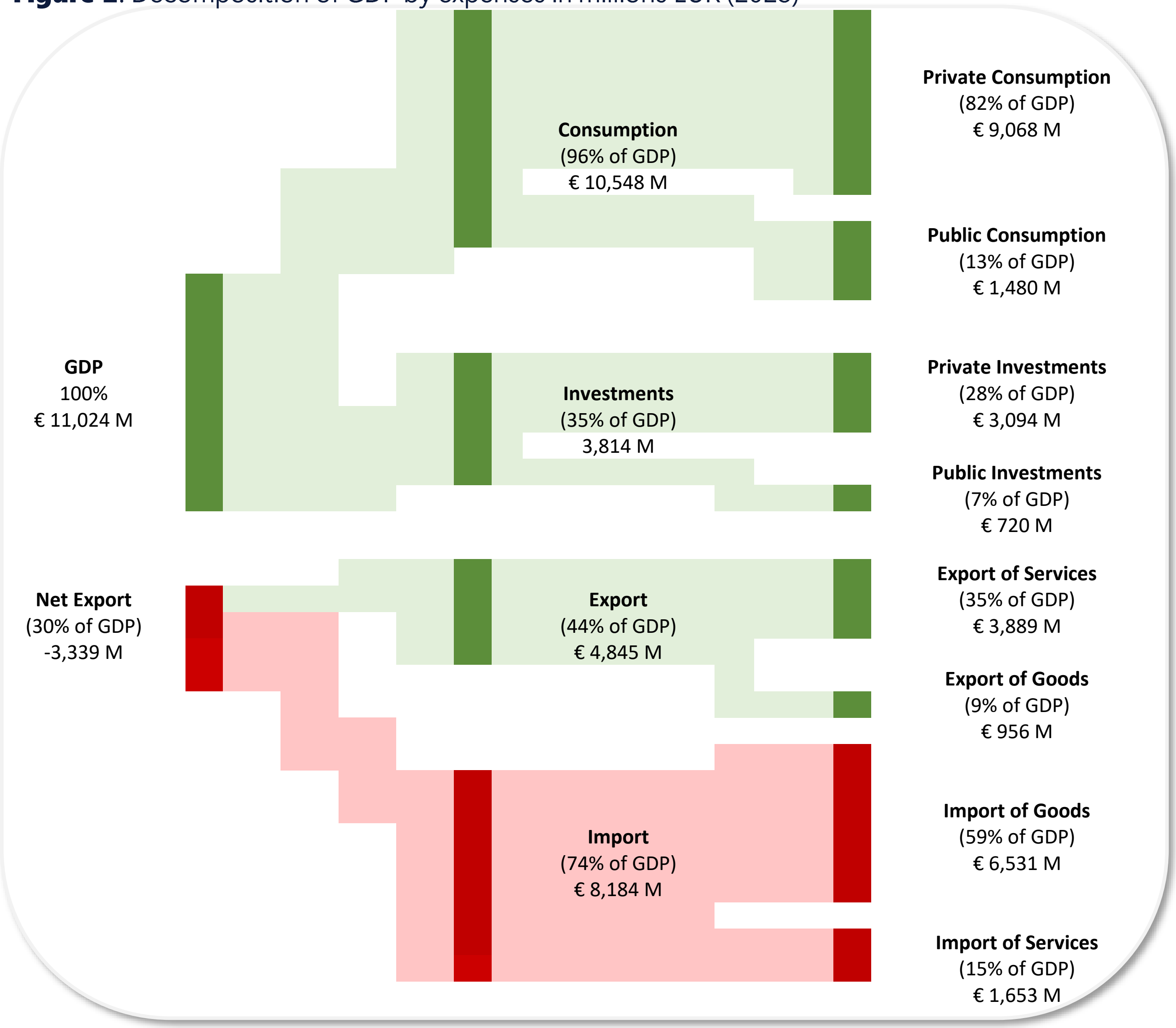


Data source: Kosovo Agency of Statistics

1.1. GDP by expenses

The structure of GDP by expenditure in 2025 remained broadly consistent with previous years, with consumption continuing to be the primary driver of economic activity (Figure 2). Total consumption accounted for approximately 96% of GDP, underlining the central role of household and public spending in supporting economic growth. Investments represented around 35% of GDP, maintaining a relatively stable share compared to recent years. Meanwhile, net exports remained strongly negative, equivalent to around 30% of GDP, reflecting Kosovo’s persistent trade deficit and high dependence on imported goods and services.

Figure 2. Decomposition of GDP by expenses in millions EUR (2025)



Data source: Kosovo Agency of Statistics

This expenditure structure highlights the domestic demand-led nature of Kosovo's economy, where growth continues to be driven primarily by consumption and investment rather than by external demand. Although exports have expanded steadily in recent years, particularly service exports, the large gap between imports and exports continues to reflect structural constraints in the tradable sectors. Strengthening export competitiveness, increasing productive capacity, and diversifying the export base remain essential for reducing external imbalances and supporting more sustainable long-term growth.

Table 1. Real growth of GDP components by expenditure measurement

	2019	2020	2021	2022	2023	2024	2025
Consumption	6.2%	2.4%	7.6%	3.0%	3.5%	4.9%	3.9%
Investments	-1.6%	-7.1%	10.7%	-3.8%	3.5%	6.3%	8.5%
Export	7.6%	-29.1%	76.8%	18.9%	7.2%	9.4%	7.6%
Import	4.5%	-6.0%	31.4%	5.4%	4.7%	8.7%	8.7%

Data source: Kosovo Agency of Statistics

Recent developments in the main GDP expenditure components further reinforce this pattern (Table 1). Consumption recorded steady growth throughout the period, supported by rising incomes, remittance inflows, and resilient domestic demand. Investment activity accelerated in 2025, recording its strongest growth rate in recent years and indicating continued confidence in economic prospects. Exports also expanded, driven largely by service exports, while imports continued to grow at a comparable pace, limiting the contribution of net exports to overall growth. Taken together, these trends confirm that domestic demand remains the key engine of economic expansion in Kosovo, while the economy continues to face the challenge of strengthening its export-oriented sectors.

1.2. GDP by economic activity

Kosovo's economic structure remains service-oriented, with wholesale and retail trade, manufacturing, and construction together accounting for almost 44 percent of total output in 2025. While the overall composition of the economy has remained relatively stable over recent years, it continues to reflect a relatively narrow production base and a strong reliance on domestic demand. Services remain the dominant contributor to economic activity, supported by household consumption, remittance inflows, and growing financial intermediation.

Manufacturing remains one of the largest productive sectors, accounting for around 16 percent of GDP in 2025. After recording modest growth in 2024, the sector showed stronger performance in 2025, suggesting a degree of recovery despite ongoing challenges related to productivity, energy costs, and labour shortages. Construction activity also accelerated, supported by both private and public investment, while accommodation and food services continued to benefit from strong tourism and diaspora-related demand.

Trade remained the largest individual sector of the economy, accounting for nearly 18 percent of GDP, highlighting the importance of domestic consumption in driving economic activity. Financial and insurance activities recorded one of the strongest growth rates in 2025, reflecting the continued expansion of credit and financial services. In contrast, the electricity sector contracted significantly, illustrating the continued volatility of energy-related activity.

The structure of economic activity continues to be dominated by non-tradable sectors, including trade, construction, real estate, and financial services. While these sectors have supported economic growth and employment, Kosovo continues to face a persistent trade deficit and remains dependent on external inflows, particularly remittances and service exports.

Looking ahead, sustaining long-term growth will require further strengthening of productive sectors with higher value-added potential. Enhancing manufacturing competitiveness, supporting the development of digital and knowledge-based services, improving infrastructure reliability, and addressing labour market constraints would help diversify the economic base and support a more balanced and resilient growth model.

Table 2. Structure of GDP by economic activity

Economic Activity	Structure				Real Growth			
	2022	2023	2024	2025	2022	2023	2024	2025
Agriculture, forestry and fishing	9.2%	9.0%	9.3%	9.4%	4.5%	-3.0%	5.2%	3.5%
Mining and quarrying	1.9%	2.0%	2.1%	2.0%	2.9%	4.9%	4.6%	2.7%
Manufacturing	15.9%	16.1%	16.0%	16.0%	9.6%	7.0%	0.6%	3.9%
Electricity, gas, steam and air conditioning supply	4.7%	4.0%	4.0%	3.1%	1.4%	-9.5%	6.1%	-16.9%
Water supply, sewage, waste management and remediation	0.7%	0.7%	0.7%	0.7%	3.0%	4.8%	3.5%	3.1%
Construction	10.7%	10.1%	10.0%	9.9%	-3.1%	3.2%	3.8%	5.7%
Wholesale and retail trade; repair of motor vehicles and motorcycles	17.9%	18.2%	18.1%	17.9%	10.8%	6.9%	2.8%	4.0%
Transportation and storage	5.5%	5.6%	5.6%	5.8%	5.4%	4.5%	2.6%	3.3%
Accommodation and food service activities	2.6%	2.7%	2.7%	2.9%	3.7%	4.2%	5.0%	4.5%
Information and communication	2.5%	2.6%	2.5%	2.6%	9.2%	6.3%	2.6%	3.6%
Financial and insurance activities	4.9%	5.4%	5.4%	5.8%	6.4%	5.4%	3.8%	6.9%
Real estate activities	7.6%	7.4%	7.1%	6.8%	4.1%	3.7%	1.3%	0.8%
Professional, scientific and technical activities	1.7%	1.7%	1.7%	1.7%	7.0%	7.4%	3.1%	4.9%
Administrative and support service activities	0.8%	0.8%	0.8%	0.8%	6.7%	6.4%	1.6%	3.9%
Public administration with doners	6.3%	6.4%	6.5%	6.7%	-0.5%	1.7%	3.1%	1.0%
Education	3.8%	4.0%	4.0%	4.3%	3.2%	-0.8%	1.2%	2.2%
Human health and social work activities	2.6%	2.8%	2.8%	3.0%	3.6%	3.9%	2.5%	1.7%
Arts, entertainment and recreation	0.2%	0.2%	0.2%	0.2%	4.7%	10.7%	1.5%	4.7%
Other service activities	0.4%	0.4%	0.4%	0.4%	2.6%	4.2%	3.0%	2.6%

Data source: Kosovo Agency of Statistics

2. PRICES

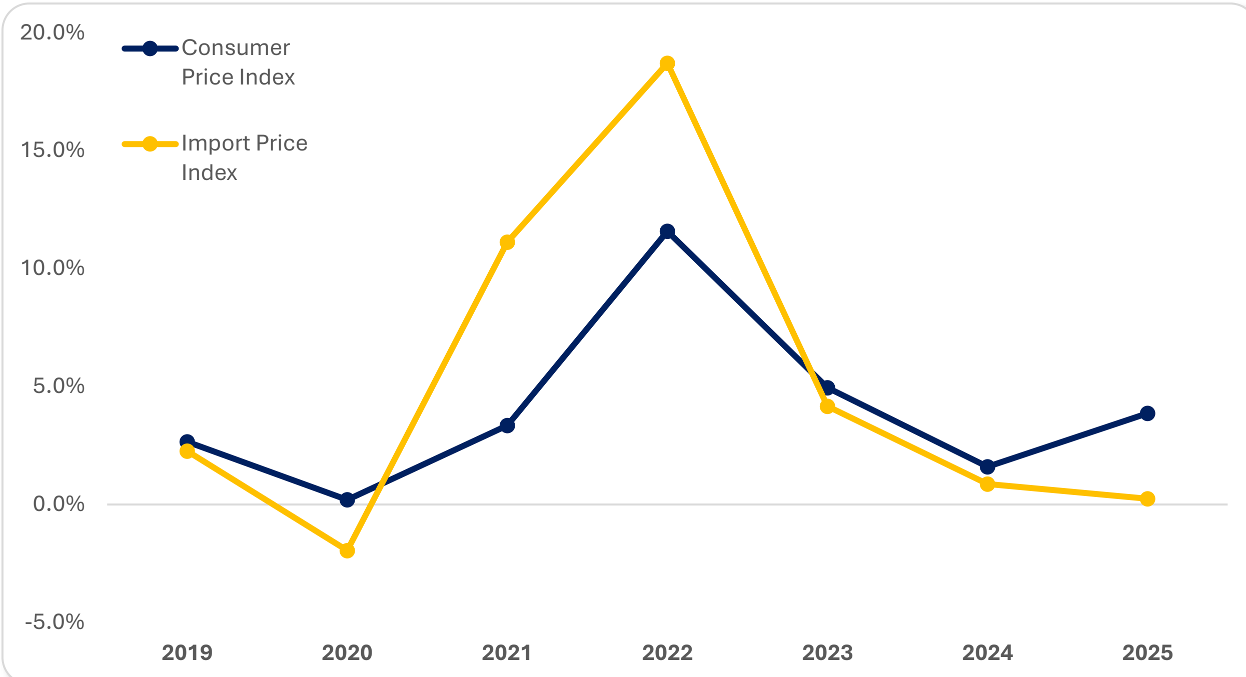
Kosovo's price dynamics in recent years have been shaped by both external shocks and domestic economic developments. Inflation accelerated sharply in 2022, reaching 11.6 percent, driven primarily by surging global energy and food prices. Since then, inflationary pressures have gradually eased, declining to 5.0 percent in 2023 and 1.6 percent in 2024. In 2025, inflation increased moderately to 3.9 percent, remaining well below the levels observed during the post-pandemic inflationary surge and indicating a generally stable price environment.

Table 3. Annual change of CPI by groups of products over the years

	2019	2020	2021	2022	2023	2024	2025
Total CPI - HICP	2.7%	0.2%	3.3%	11.6%	5.0%	1.6%	3.9%
Food and non-Alcoholic Beverages	5.4%	1.7%	2.4%	16.4%	8.4%	2.2%	7.6%
Alcoholic Beverages, Tobacco	2.6%	0.4%	3.3%	4.5%	6.4%	4.1%	4.4%
Clothing and Footwear	0.2%	-0.9%	-0.5%	0.5%	3.4%	2.9%	2.7%
Housing, Water, Electricity, Gas and Other Fuels	0.1%	0.2%	0.7%	12.7%	6.4%	2.7%	4.1%
Furniture household and maintenance	1.3%	0.5%	1.0%	6.8%	7.3%	2.9%	2.7%
Health	0.7%	4.7%	1.1%	2.2%	2.7%	1.2%	4.8%
Transport	0.8%	-5.8%	8.1%	16.8%	-2.2%	-2.0%	-1.5%
Communication	0.2%	1.9%	14.8%	0.3%	-0.5%	-0.7%	-1.4%
Recreation and Culture	0.4%	-0.6%	1.4%	2.6%	2.9%	3.1%	1.8%
Education	-0.7%	0.3%	1.3%	1.3%	1.9%	-0.4%	3.3%
Restaurants and Hotels	1.4%	2.2%	1.8%	10.4%	5.8%	2.0%	6.8%
Miscellaneous goods and services	1.6%	3.4%	1.6%	3.9%	3.8%	2.3%	3.2%

Data source: Kosovo Agency of Statistics

Figure 3. Change of consumer and Import price index y-o-y



Data source: Kosovo Agency of Statistics

The close alignment between the import price index and the consumer price index during 2021–2023 illustrates the strong import-price pass-through characteristic of Kosovo's open and import-dependent economy. With imports accounting for a large share of domestic consumption, external price shocks were rapidly transmitted to consumer prices. However, this relationship weakened in 2025. While import prices remained broadly stable, increasing by only 0.2 percent, consumer prices rose by 3.9 percent, suggesting that inflationary pressures were increasingly driven by domestic factors rather than imported costs.

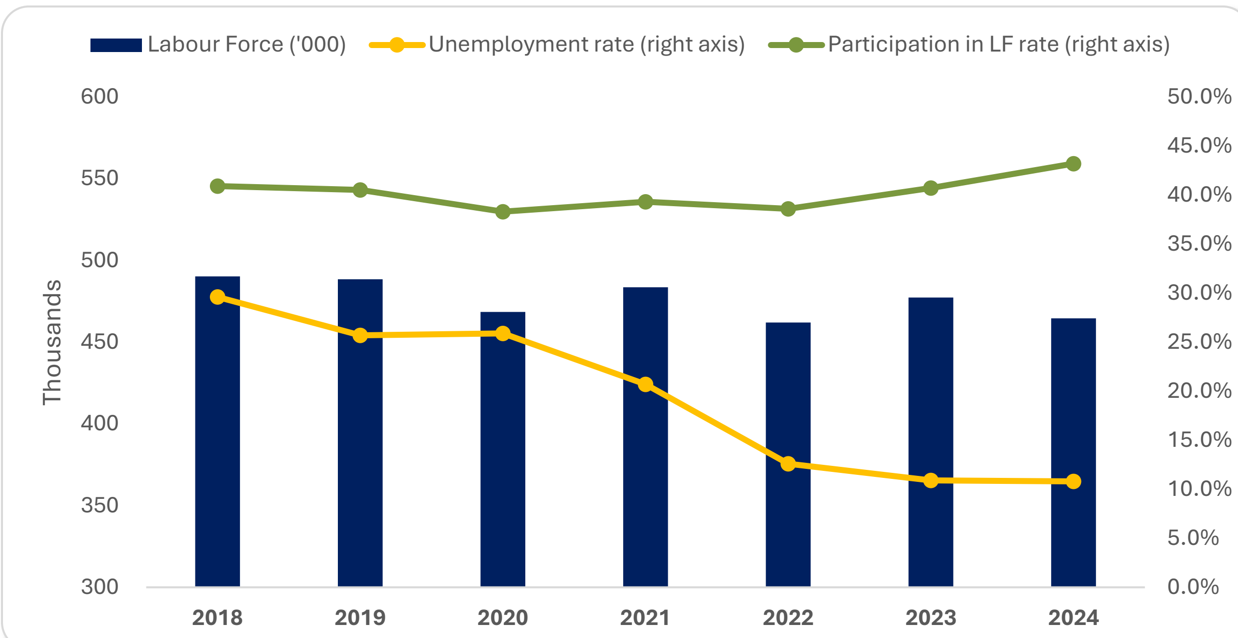
Price increases were particularly pronounced in food and non-alcoholic beverages, restaurants and hotels, health services, and housing-related categories. These developments indicate that part of the inflationary pressure in 2025 was linked to stronger domestic demand, rising labour costs, and adjustments in service-sector prices.

3. LABOUR MARKET

Data on unemployment and labour market indicators are available up to 2024, according to the Kosovo Agency of Statistics. Although more recent figures are not yet published, the 2024 data remain reliable and relevant for assessing current labour market conditions.

The unemployment rate in Kosovo has shown a steady downward trend over the past several years, reaching one of its lowest recorded levels in 2024. This improvement partly reflects positive labour market developments, including job creation in certain sectors and the gradual recovery of economic activity. At the same time, a portion of the decline is associated with demographic and structural factors, such as outward migration which have contributed to a smaller overall labour force.

Figure 4. Labour Force, unemployment rate and labour force participation rate



Data source: Kosovo Agency of Statistics

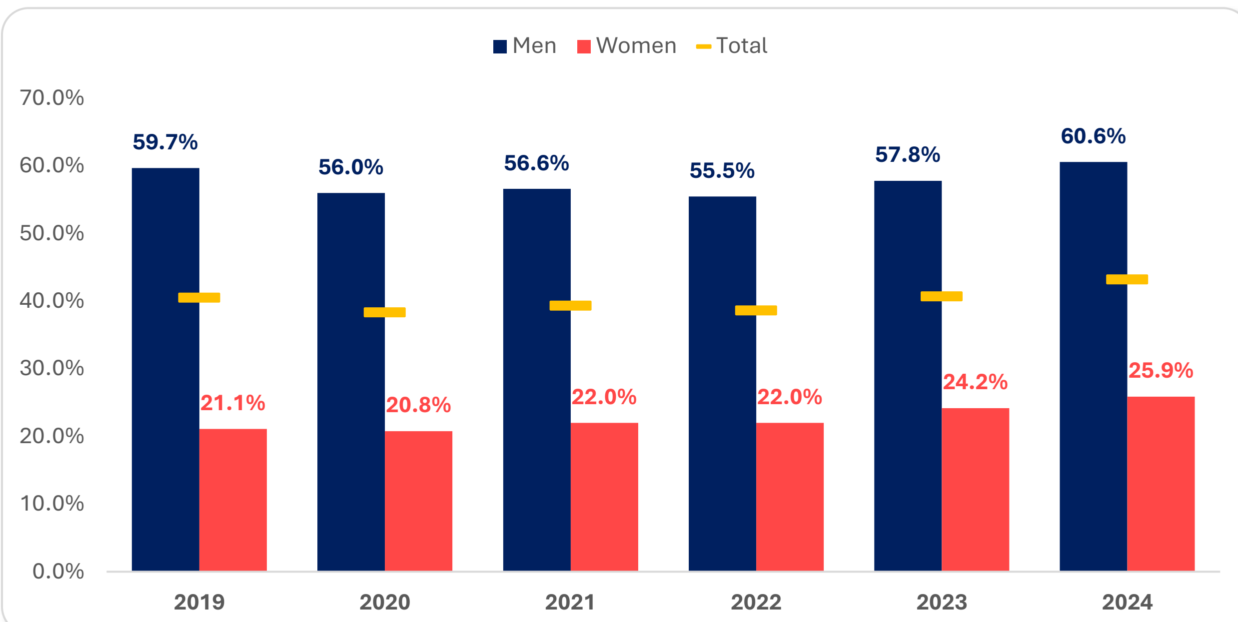
While the labour force has slightly decreased compared with pre-pandemic levels, the labour force participation rate has risen, indicating modest gains in labour market engagement. However, this increase should be interpreted carefully, as it reflects both greater participation and the effects of a smaller labour force base. Overall, the data point to a more stable but still evolving labour market, where improvements in employment coexist with broader demographic pressures.

3.1. Demographic Structure of the Labour Market

The composition of Kosovo's labour market is closely shaped by its demographic profile. With a predominantly young population and ongoing social and economic transitions, demographic characteristics such as age distribution and gender balance continue to play a defining role in labour market dynamics. Understanding these structural features is essential for interpreting participation trends, employment opportunities, and the overall functioning of the labour market.

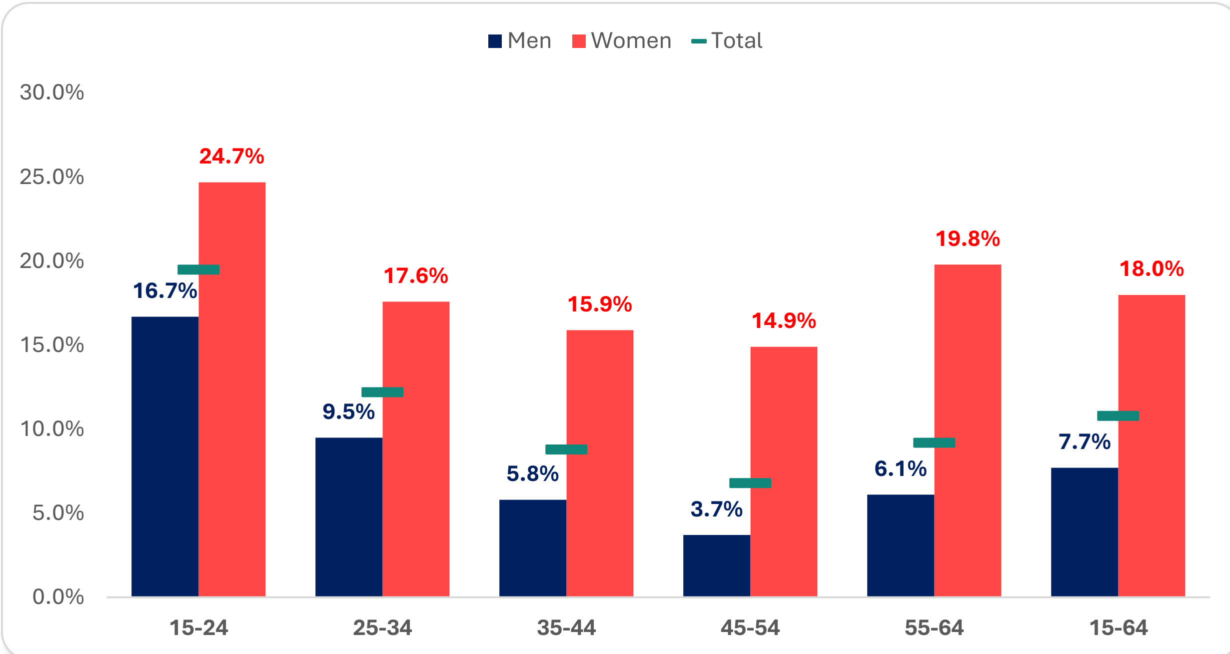
The labour force participation rate in Kosovo continues to differ substantially between men and women. As shown in the figure, participation among men remains in the range of 55–60 percent, while participation among women is much lower, at around 20–26 percent. This means that although women represent roughly half of the total population, their share in the labour force is considerably smaller. Recent years show a slight increase in women participation, but the overall gap between men and women remains wide.

Figure 5. Labour Force participation rate by gender



Data source: Kosovo Agency of Statistics

Figure 6. Unemployment by age group and gender (2024)



Data source: Kosovo Agency of Statistics

Unemployment rates differ considerably across age groups, with the highest levels observed among young people. As shown in the figure, individuals aged 15–24 experience unemployment rates of around 16–25 percent, much higher than the rates recorded for other age groups. Unemployment declines steadily with age, reaching its lowest levels among those aged 45–54. Across all age groups, women record higher unemployment rates than men, a pattern that remains consistent throughout the working-age population. The combined 15–64 category reflects these differences, with overall unemployment influenced most strongly by the higher rates among younger workers.

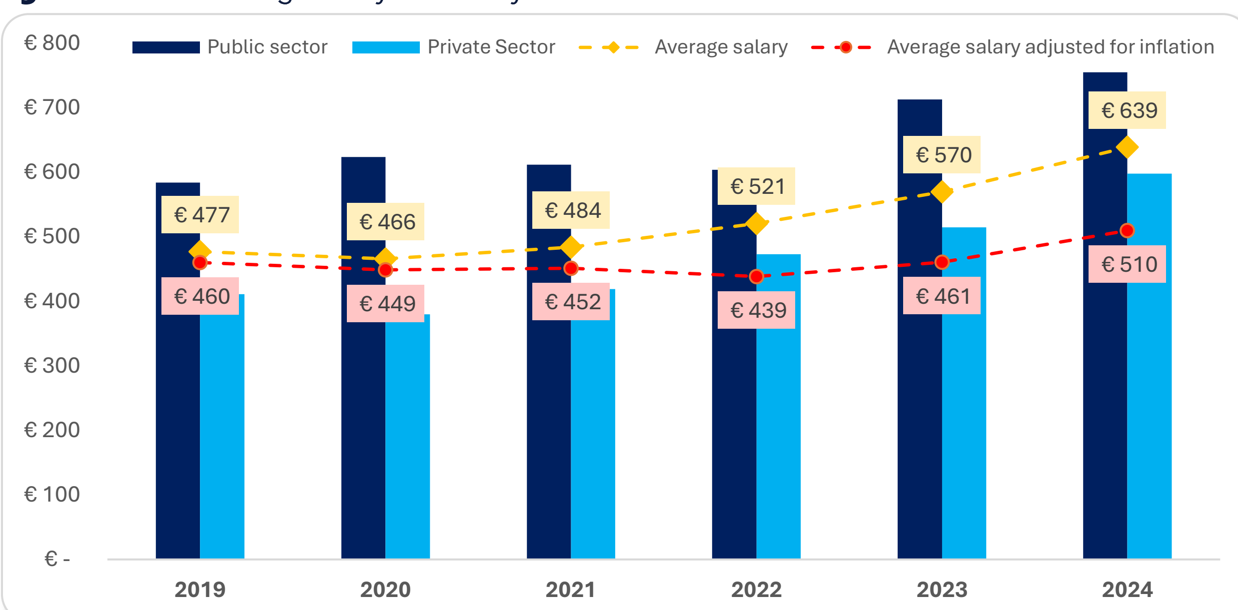
Overall, the demographic structure of Kosovo's labour market is marked by two prominent patterns. First, women continue to participate in the labour force at considerably lower rates than men, resulting in a large and persistent gender gap in labour market engagement. Second, unemployment remains highest among young people, especially those aged 15–24, whose rates are significantly above those of older age groups. These two trends shape much of the labour market's overall performance and provide important context for interpreting broader employment developments in Kosovo.

3.2. Salary levels

An important aspect of the labour market is the level and evolution of salaries, as they directly influence labour supply, productivity, and overall competitiveness. In Kosovo, wage developments are shaped by differences between the public and private sectors in terms of pay structures and employment conditions, which in turn affect each sector's ability to attract and retain qualified workers. Tracking salary trends—both in nominal terms and adjusted for inflation—is essential for assessing workers' purchasing power and the labour market's capacity to sustain real income growth.

Recent data show that nominal wages in Kosovo have continued to rise steadily in recent years, while real wages (adjusted for inflation) have remained relatively stable. In 2024, the average real gross monthly salary reached €510, compared with around €460 in 2019, reflecting modest gains in purchasing power. Public sector wages remain higher on average than those in the private sector, though the gap has narrowed gradually, indicating a slow convergence in earnings across sectors.

Figure 7. Gross average salary over the years



Data source: Kosovo Agency of Statistics

EXTERNAL SECTOR

4. TRADE AND SERVICE BALANCE

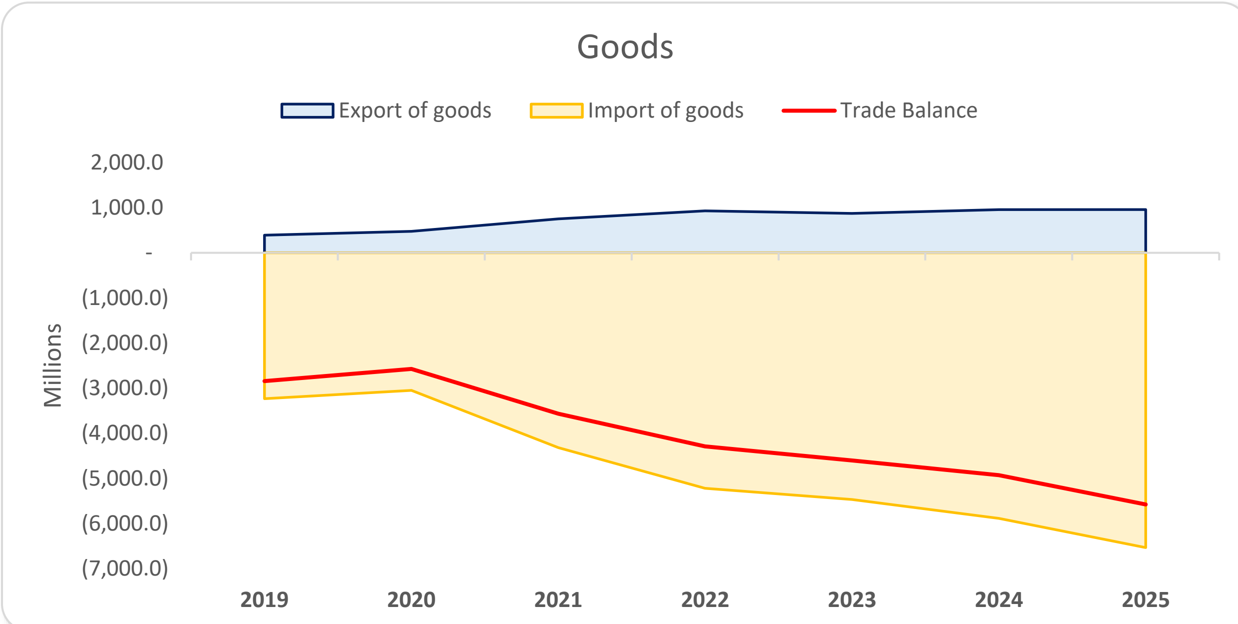
Kosovo’s economy continues to rely heavily on imported goods, while services play an increasingly important role in generating external income. This contrast between a persistent goods trade deficit and a growing surplus in services remains one of the defining characteristics of Kosovo’s external position.

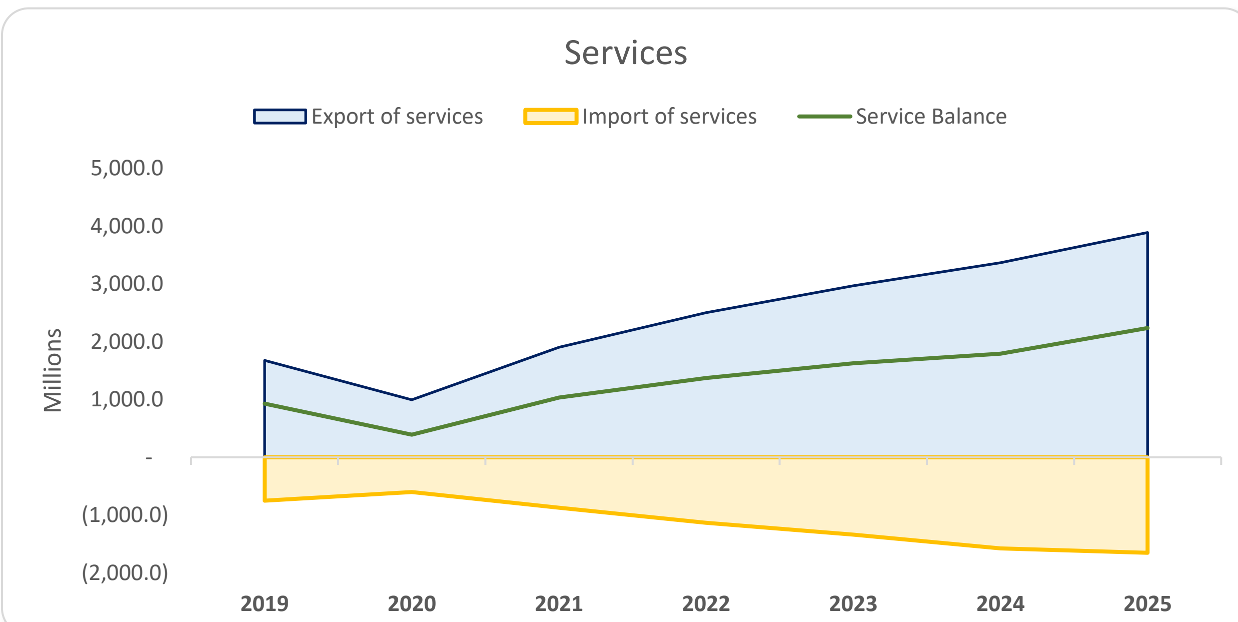
In recent years, external developments have been influenced by global economic conditions, shifts in consumption patterns, and the continued recovery and expansion of international travel and tourism. At the same time, strong ties with the diaspora continue to support both service exports and household spending, reinforcing the importance of travel-related inflows and remittances for the economy.

Data for 2025 show that these structural patterns remain firmly in place (Figure 8). Goods imports increased further, reflecting strong domestic demand and the economy’s continued dependence on imported products. At the same time, service exports continued to expand, generating a substantial surplus that helped offset part of the goods trade deficit. As a result, the services sector remains a key source of external resilience and an important contributor to foreign exchange earnings.

The figures below illustrate the evolution of exports and imports of goods and services over time. While the goods trade deficit has widened gradually alongside economic growth, the steady expansion of service exports has partially mitigated its impact. These developments underline the continued importance of strengthening export capacity and diversifying tradable sectors to improve Kosovo’s external balance over the longer term.

Figure 8. Trade balance of goods and services over the years in millions EUR



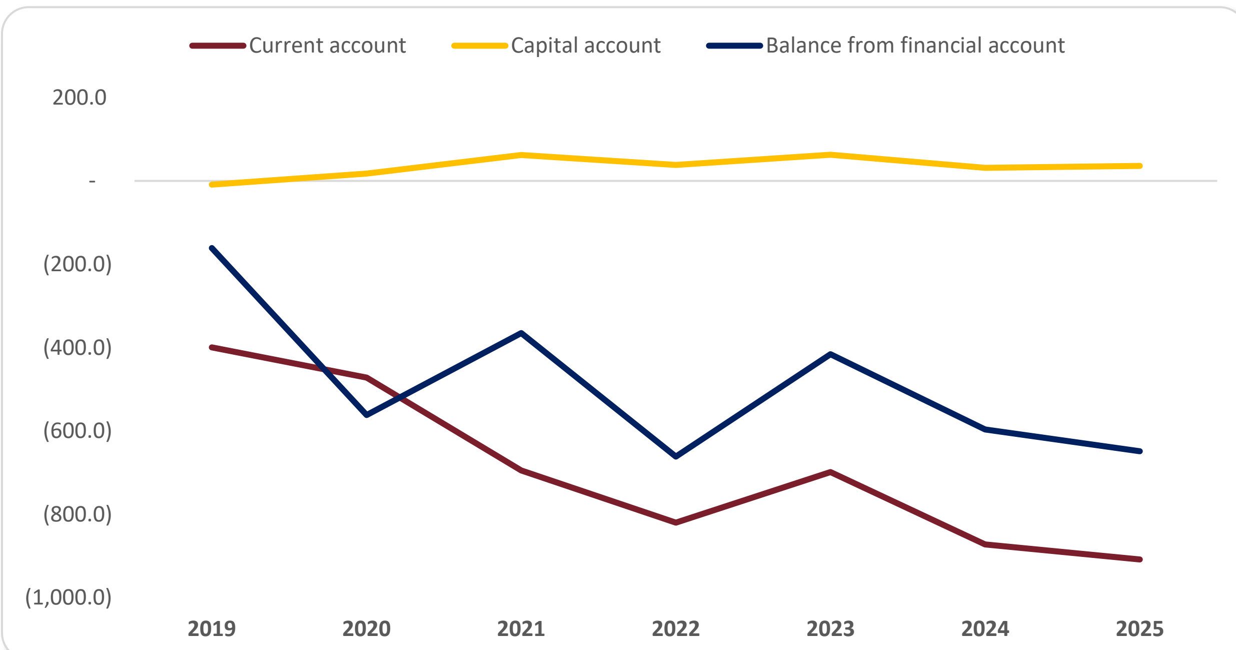


Data source: Kosovo Agency of Statistics

5. BALANCE OF PAYMENTS OVERVIEW

Kosovo's balance of payments continues to reflect a combination of structural import dependence, strong diaspora-related inflows, and steadily rising foreign investment. The current account has remained persistently in deficit over recent years, largely driven by the sizeable goods trade gap. However, consistent surpluses in services and secondary income, particularly remittances, continue to mitigate pressures on the external position. As illustrated in Figure 9, the current account deficit widened in 2021–2022 during a period of elevated global prices and strong import demand, before narrowing in 2023 and remaining broadly stable in 2024–2025.

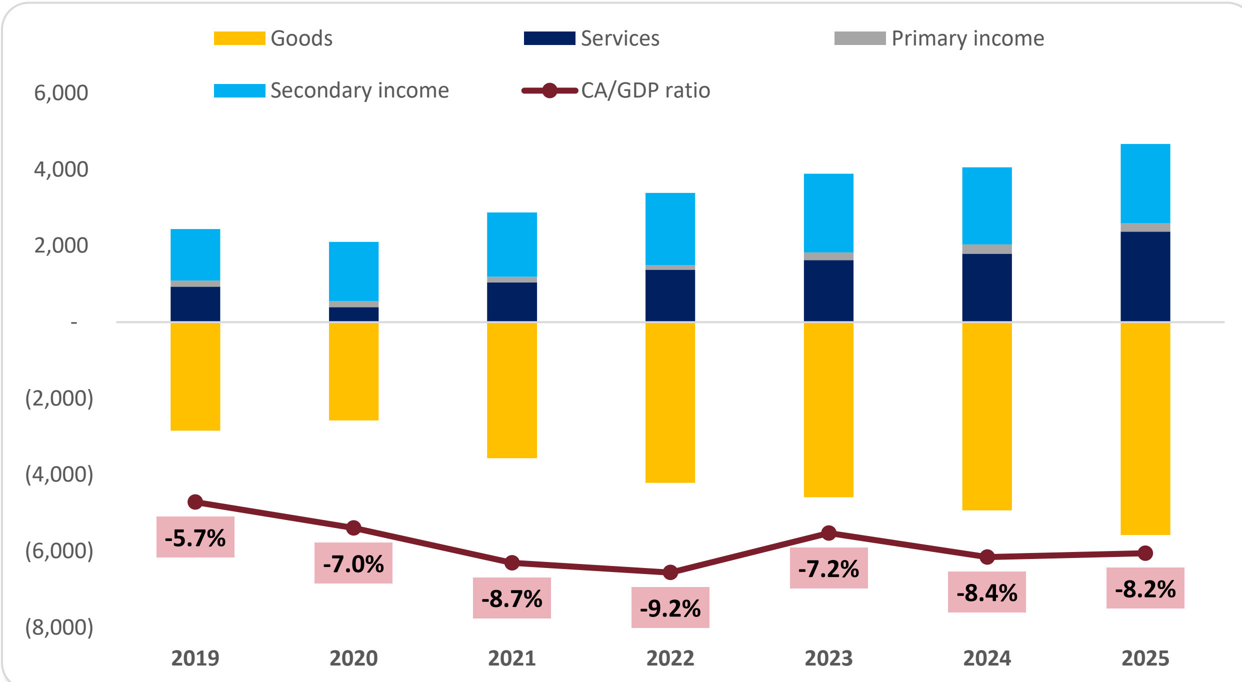
Figure 9. Main components of balance of payments in millions EUR



Data source: Central Bank of Kosovo

The composition of the current account highlights the structural features of Kosovo's economy. The goods deficit remains substantial, reflecting the economy's high dependence on imports. In contrast, services exports which are dominated by travel services linked to diaspora tourism, generate a large and growing surplus. Secondary income, primarily remittances, continues to provide the most important offset to the goods deficit. Primary income remains positive, supported by compensation of employees and income from foreign assets, although its contribution is modest relative to other current account components. As a result, the current account deficit has remained within a relatively stable range of around minus 6–9 percent of GDP over recent years, reaching minus 8.2 percent of GDP in 2025.

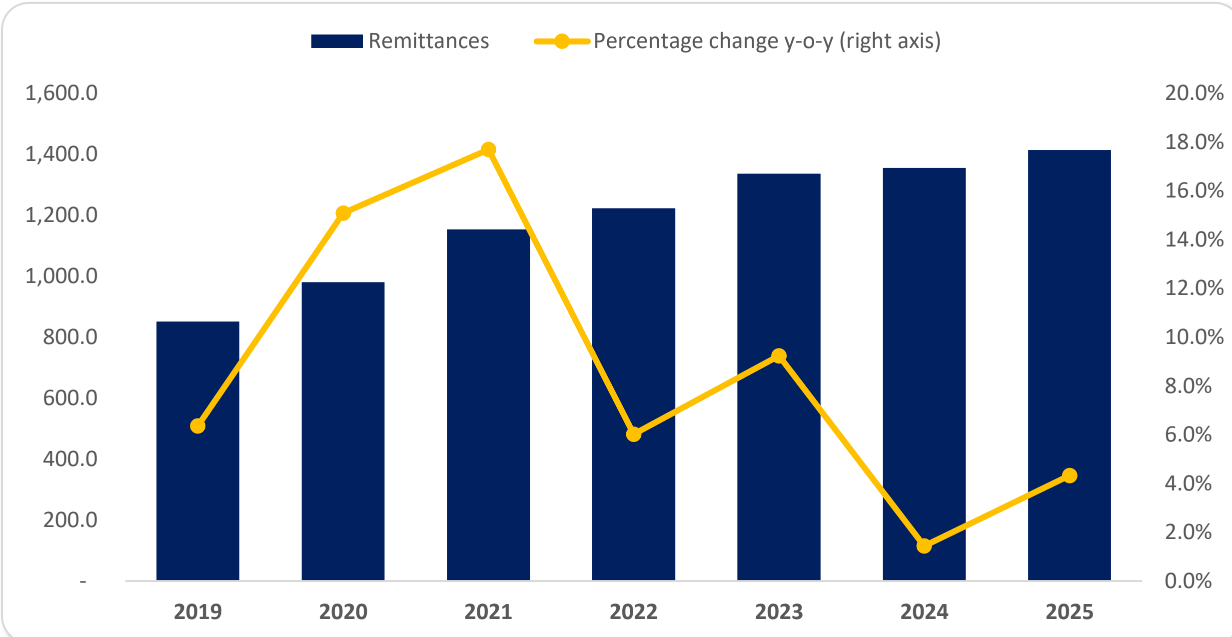
Figure 10. Current Account by components in millions EUR



Data source: Central Bank of Kosovo

Remittances remain a critical component of Kosovo's external stability and an important source of household income. Inflows have increased steadily over time, reaching a record level of approximately €1.4 billion in 2025. Beyond supporting private consumption, remittances play a key role in financing the current account deficit and strengthening the resilience of the economy to external shocks. Their continued growth reflects the strong and enduring economic ties between Kosovo and its diaspora.

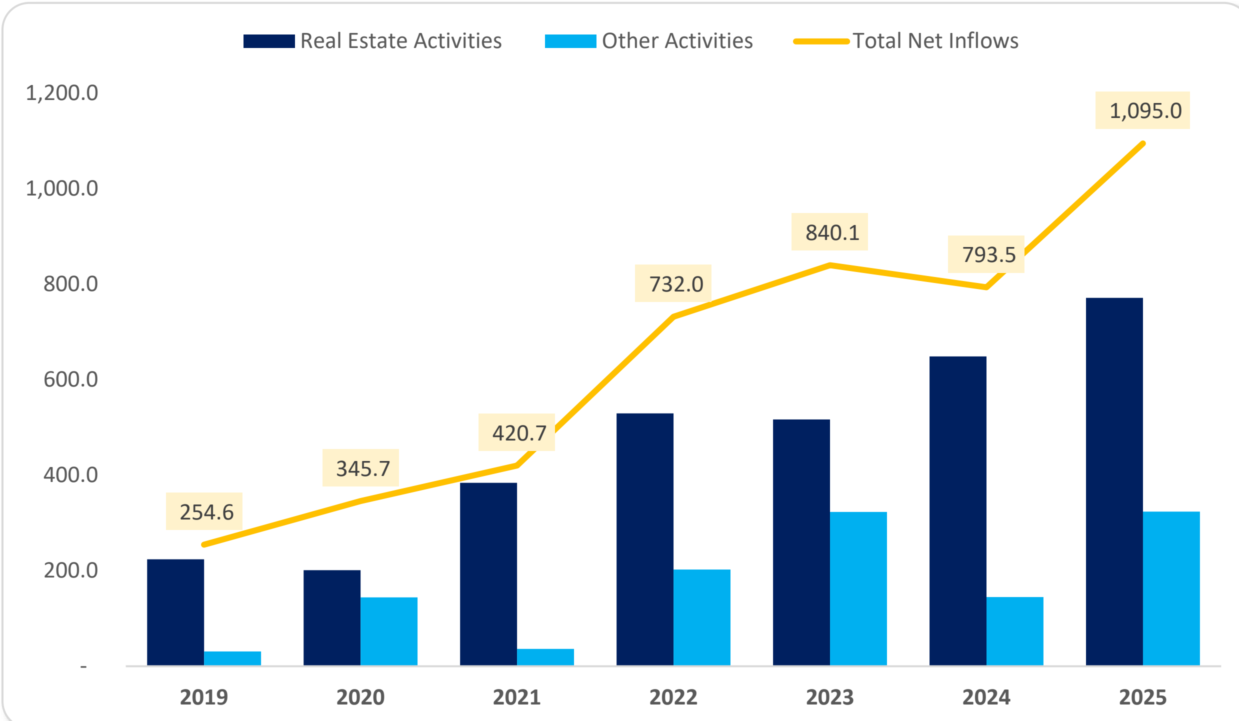
Figure 11. Remittances over the years in millions EUR



Data source: Central Bank of Kosovo

Foreign direct investment has also increased over recent years, reaching its highest recorded level in 2025. However, inflows remain highly concentrated in real estate activities, which accounted for around 70 percent of total net FDI inflows. While these investments support construction activity and domestic demand, they generate relatively limited productivity gains and export potential. Diversifying FDI toward tradable sectors, manufacturing, energy, and higher value-added services would strengthen Kosovo's productive capacity, improve competitiveness, and support more sustainable long-term growth.

Figure 12. FDI net inflow as a total and by main sector(s) in millions EUR



Data source: Central Bank of Kosovo

6. EXPORT

Kosovo's exports of goods and services have expanded significantly over the past decade, driven primarily by the strong growth of service exports. While service exports have continued to increase steadily, exports of goods have shown greater volatility, reflecting domestic production constraints and developments in key export markets. In 2025, goods exports remained broadly unchanged compared with the previous year, while service exports continued to grow strongly, further increasing their importance within Kosovo's overall export structure. The performance of goods exports has also been affected by developments in a relatively small number of product categories that account for a significant share of total exports. In particular, restrictions on mattress exports to the United States affected one of Kosovo's most important export products, contributing to weaker goods export performance during this period.

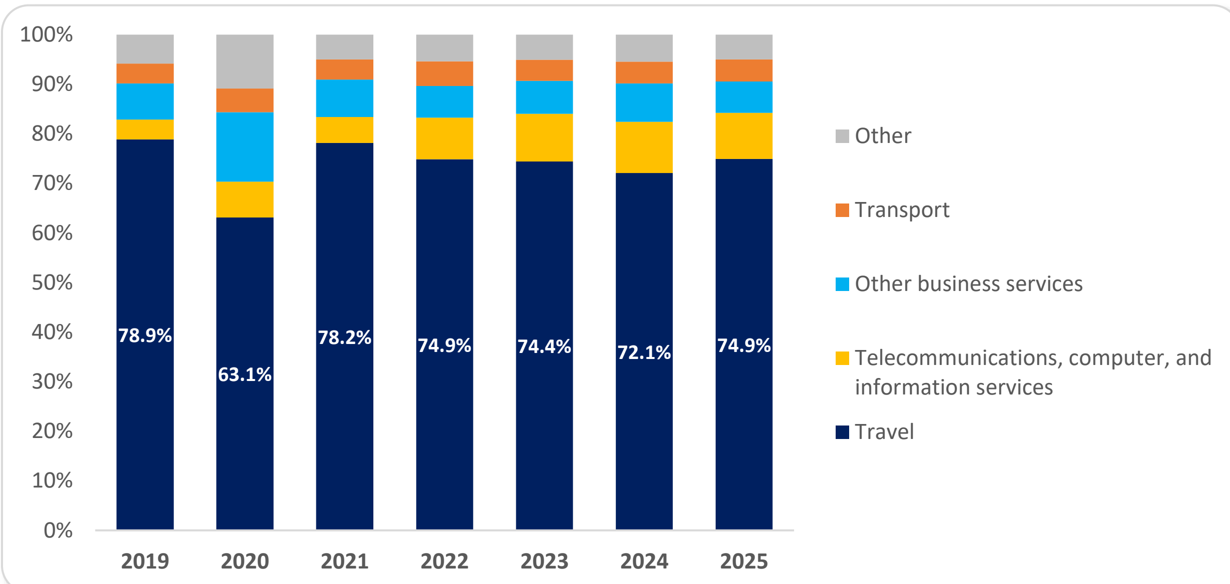
Building on these trends, the remainder of this chapter examines the structure of Kosovo's exports, focusing separately on goods and services. The analysis highlights the main products and service categories driving export performance, their contribution to total exports, and the structural changes that have taken place in recent years. Through this perspective, the chapter provides insights into Kosovo's evolving export base, its increasing reliance on service exports, and the opportunities for further diversification and growth.

6.1. Export of Services

Exports of services remain a central pillar of Kosovo's external sector, consistently accounting for more than two-thirds of total exports of goods and services. Within this category, travel services are by far the dominant component, driven largely by diaspora tourism and visits from Kosovars living abroad. As shown in Figure 13, travel services continue to account for approximately three-quarters of total service exports, highlighting their importance for foreign exchange earnings and the overall external balance. The continued growth of service exports has been one of the main factors supporting Kosovo's external resilience in recent years.

Travel services continue to play a vital economic role. However, their dominant position also highlights the importance of further diversifying Kosovo's service export base. A more balanced export structure would strengthen resilience, reduce dependence on seasonal inflows, and support more stable long-term growth. In this context, the ICT sector stands out as one of the most dynamic components of service exports. Although still considerably smaller than travel services, exports of telecommunications, computer, and information services have expanded steadily over time, supported by a young workforce, strong digital skills, and increasing integration into international markets. This trend points to the growing potential of knowledge-based services to generate higher value added and contribute to a more diversified and competitive export sector.

Figure 13. Structure of export of services by sector



Data source: Central Bank of Kosovo

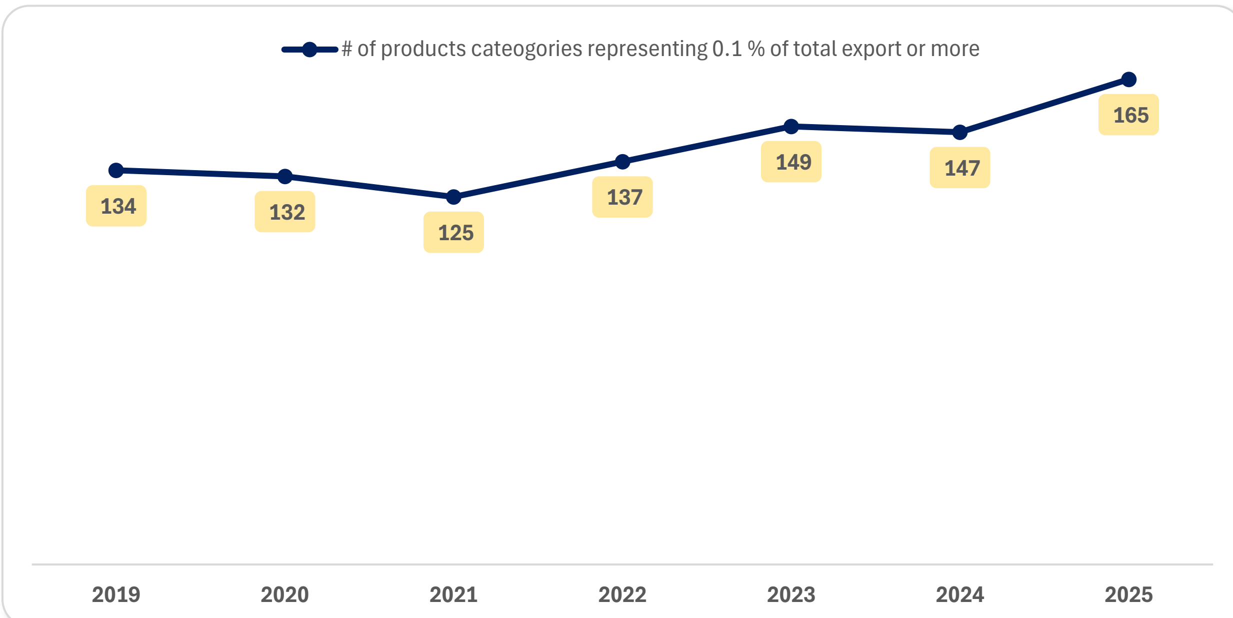
6.2. Export of goods

Exports of goods have represented around 10 percent of GDP in recent years, a level significantly lower than imports of goods and one that continues to contribute to Kosovo's persistent trade deficit. Despite this structural imbalance, there have been notable developments in both the composition and diversification of exported products.

To better understand these dynamics, Figure 14 presents an indicator constructed using detailed 10-digit product-level data from Kosovo Customs. The indicator counts the number of product categories that account for 0.1 percent or more of total goods exports in each year. This threshold provides a practical measure of diversification by capturing how many products contribute meaningfully to the export basket.

The results show that the number of significant export products has generally increased over time, rising from 125 categories in 2021 to 165 categories in 2025. This suggests that, despite the relatively small scale of goods exports, Kosovo has continued to diversify its export structure, with a growing number of products reaching a measurable share of total exports.

Figure 14. Number of product categories representing 0.1% or more of total export



Data source: Kosovo Customs

Another indicator of structural change is the evolution of the products that dominate Kosovo's exports. Over the years, the composition of the leading export categories has changed considerably as global demand, domestic production capacity, and market access conditions have evolved. New products have emerged to represent a meaningful share of exports, while others that previously held a dominant position have declined due to changing market conditions, regulatory developments, or sector-specific challenges. This turnover among leading export products points to a gradually evolving export base and highlights both opportunities for specialization and the need for continued upgrading toward higher-value products.

The table below illustrates these shifts by presenting the five most exported goods for each year from 2019 to 2025. The data show a clear transition in the structure of leading exports. Ferro-nickel dominated exports in earlier years but lost prominence following the temporary suspension of production by the main producer. In contrast, mattresses emerged as the largest export product between 2020 and 2023 before declining after U.S. import restrictions were introduced. Meanwhile, doors, windows, and frames (plastic and aluminium) have consistently remained among the leading export products, highlighting the growing role of the construction-materials industry in Kosovo's export base. More recently, wooden furniture has entered the top five, pointing to emerging opportunities within Kosovo's light manufacturing sector.

Table 4. Top 5 products exported through the years

2019	2020	2021	2022	2023	2024	2025
Ferro-nickel	Ferro-nickel	Mattresses (other materials)	Mattresses (other materials)	Mattresses (other materials)	Electrical energy	Electrical energy
Other ferrous waste & scrap	Doors, windows & frames (plastic)	Ferro-nickel	Electrical energy	Doors, windows & frames (plastic)	Doors, windows & frames (plastic)	Doors, windows & frames (plastic)
Electrical energy	Mattresses (other materials)	Other ferrous waste & scrap	Doors, windows & frames (plastic)	Other ferrous waste & scrap	Soft drinks (sweetened)	Soft drinks (sweetened)
Doors, windows & frames (plastic)	Other ferrous waste & scrap	Doors, windows & frames (plastic)	Other ferrous waste & scrap	Soft drinks (sweetened)	Other ferrous waste & scrap	Wooden furniture (other)
Lead ores & concentrates	Soft drinks (sweetened)	Soft drinks (sweetened)	Sheets & plates (plastic)	Electrical energy	Doors, windows & frames (aluminum)	Other ferrous waste & scrap

Data source: Kosovo Customs

Taken together, these trends suggest that Kosovo's export structure is gradually becoming more diversified. Although a limited number of products continue to account for a significant share of total exports, the increasing number of products reaching meaningful export volumes indicates a broader productive base and greater resilience. Continued progress in manufacturing development and export diversification will be important for strengthening competitiveness and reducing concentration risks over the medium term.

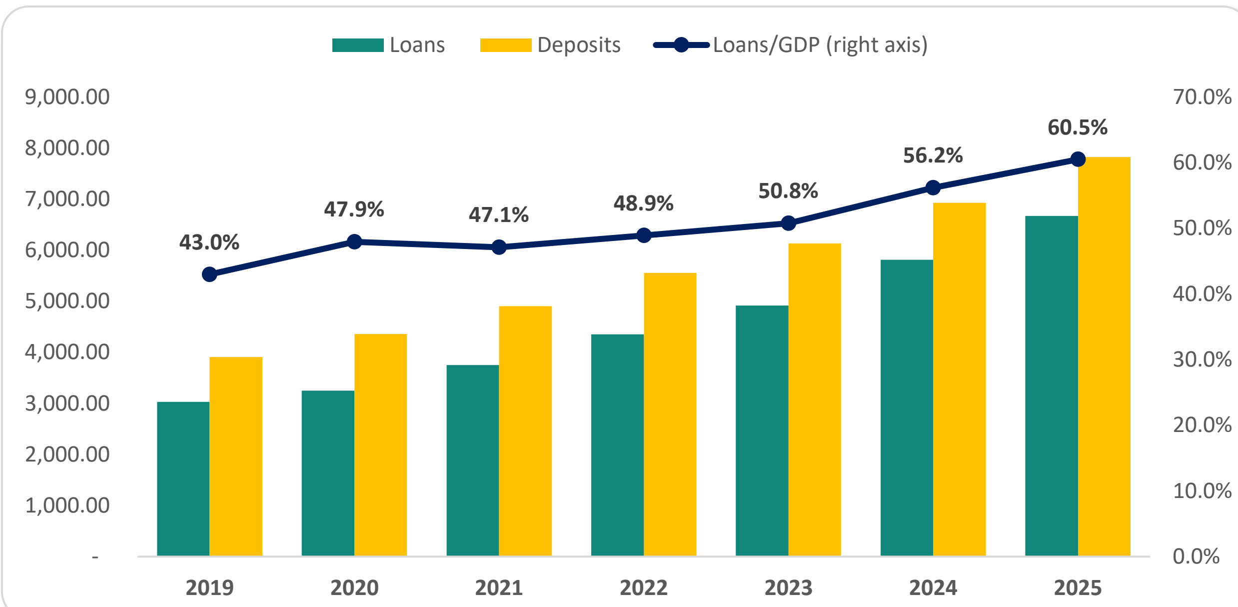
FINANCIAL SECTOR

7. MAIN FINANCIAL INDICATORS

Kosovo's financial sector remains in good overall condition, supported by a stable banking system, healthy asset quality, and solid profitability. Banks continue to dominate financial intermediation, while lending activity has expanded steadily in recent years. Strong loan growth during 2024–2025 pushed the loans-to-GDP ratio above 60 percent, its highest level in recent years (Figure 15).

Deposit growth has also remained strong, supporting a comfortable funding position despite rapid credit expansion. Although the gap between loans and deposits has narrowed gradually, current levels do not indicate pressures on liquidity or financial stability. The continued growth of both loans and deposits reflects confidence in the banking system and favourable financing conditions.

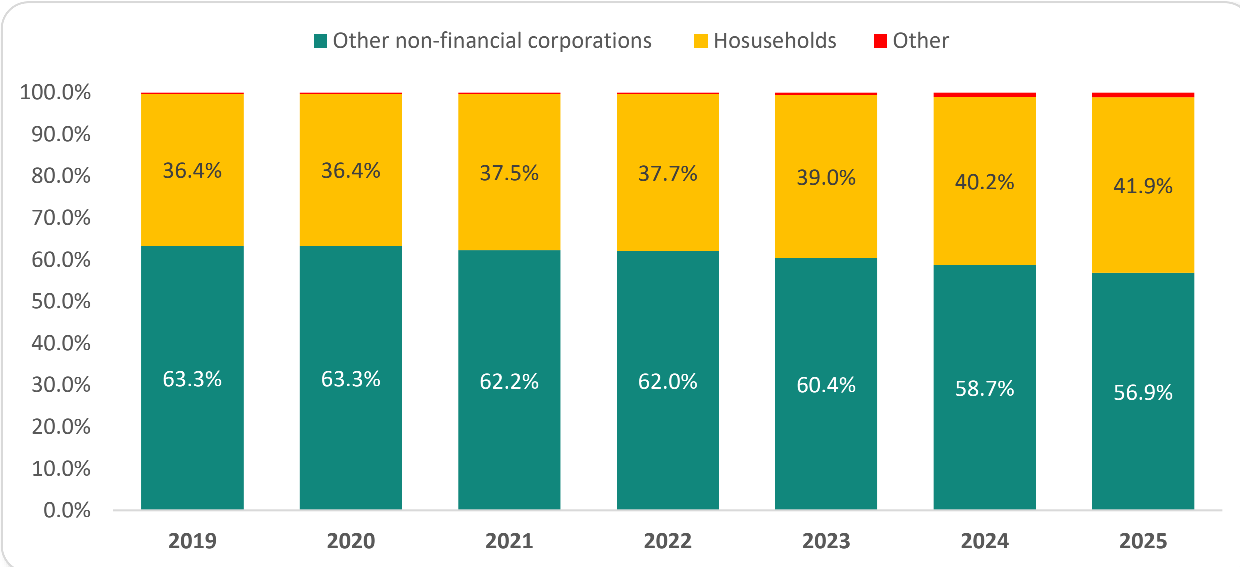
Figure 15. Loans, Deposits in millions EUR and ratio Loans-to-GDP



Data source: Central Bank of Kosovo

The structure of lending has shifted gradually, with loans to households increasing as a share of total credit, while lending to non-financial corporations has declined modestly (Figure 16). This trend reflects growing demand for housing and consumer credit, although a prolonged shift away from enterprise lending could limit credit support for business investment and productivity growth.

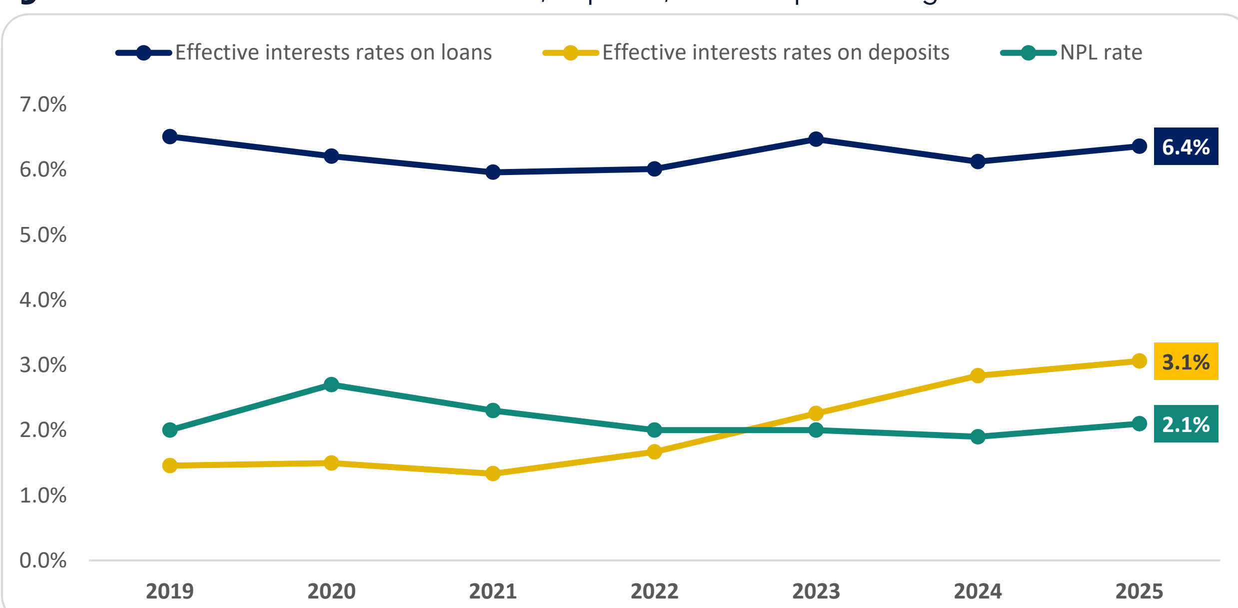
Figure 16. Structure of loans



Data source: Central Bank of Kosovo

Interest rate developments have remained relatively stable. Effective lending rates have fluctuated around 6 percent, while deposit rates have increased gradually since 2022, narrowing the interest rate margin (Figure 17). Importantly, the non-performing loan (NPL) ratio remains low at around 2 percent, indicating that strong credit growth has not been accompanied by a deterioration in asset quality.

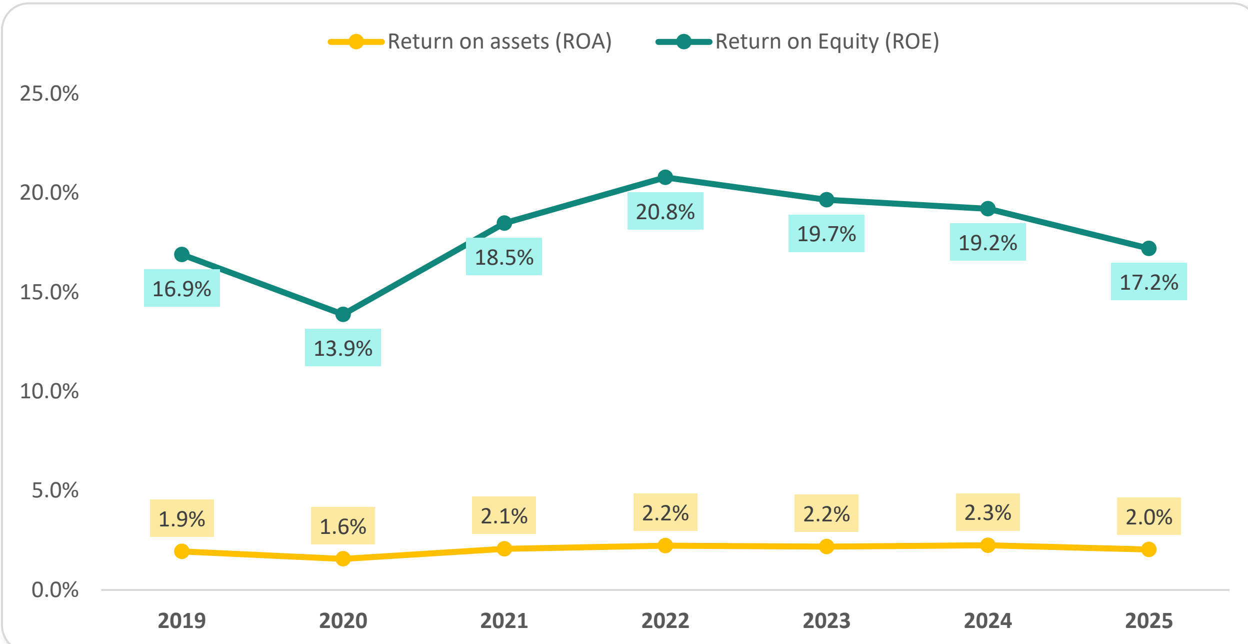
Figure 17. Effective interest rates on loans, deposits, and non-performing loans rate



Data source: Central Bank of Kosovo

Bank profitability remains strong, with both return on assets (ROA) and return on equity (ROE) maintaining healthy levels throughout the period (Figure 18). Overall, the financial sector continues to perform well, characterised by strong credit growth, a solid deposit base, low non-performing loans, and sustained profitability.

Figure 18. Banking sector profitability Indicators



Data source: Central Bank of Kosovo

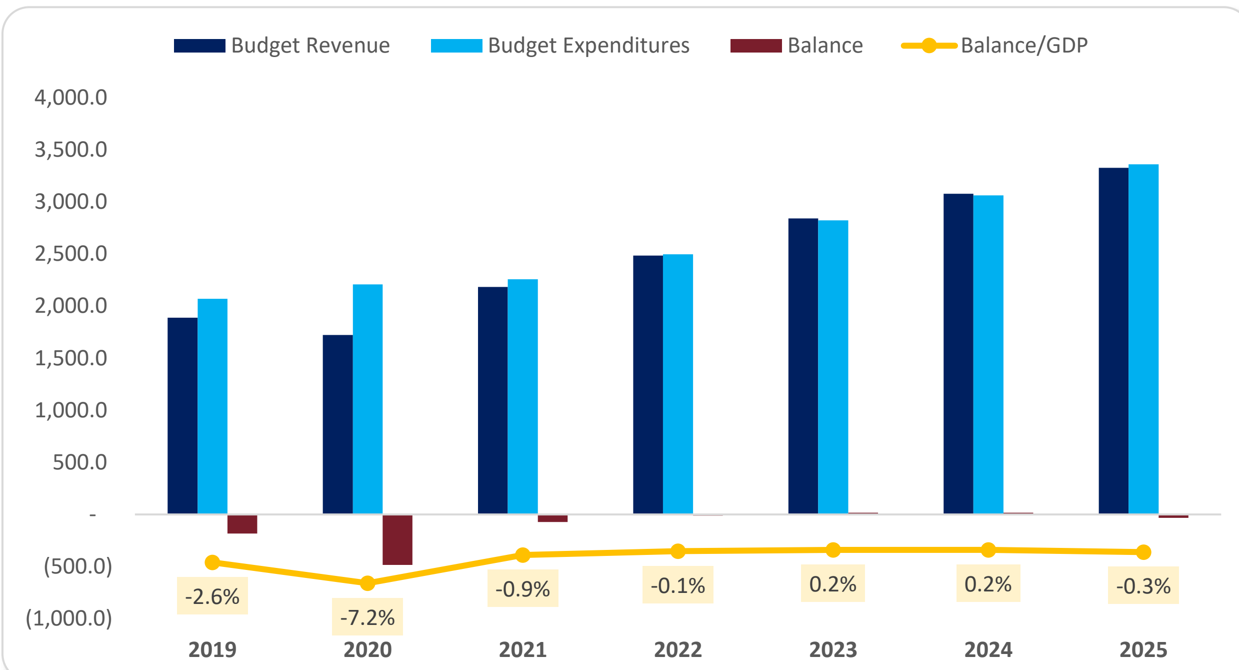
Overall, the financial sector continues to perform well, characterised by strong credit activity, stable asset quality, and solid profitability. The slower growth of deposits and the emerging shift in loan composition require monitoring, but they do not currently pose significant risks to the sector's stability.

FISCAL SECTOR

8. PUBLIC BUDGET AND BALANCE

Kosovo's fiscal balance has shown a clear path of stabilization in recent years, following the large pandemic-related deficit recorded in 2020. After the fiscal balance reached –7.2% of GDP due to emergency measures, the position improved sharply: the deficit narrowed to –0.9% in 2021, remained close to balance in 2022 (–0.1%), and shifted into a small surplus in 2023–2024 (0.2%). This improvement reflects stronger revenue performance, enhanced tax collection, and the gradual withdrawal of temporary pandemic-related spending. Overall, the trend demonstrates a return to a more sustainable fiscal position following the exceptional pressures of the pandemic period.

Figure 19. Main public budget categories performance in millions EUR



Data source: Treasury of Kosovo (monthly fiscal data)

It is important to note that the Balance/GDP ratio shown in the chart is a raw fiscal balance, meaning it includes all expenditures. It does not exclude the items omitted under Kosovo's fiscal rule framework, such as donor-financed capital projects and certain investment expenditures. Therefore, while the figure accurately illustrates the overall fiscal trajectory, it should not be interpreted as the official balance used for assessing compliance with the fiscal rule.

In 2025, the fiscal balance recorded a small deficit of around 0.3 percent of GDP, following two consecutive years of modest surpluses. This outcome reflects expenditure growth that slightly outpaced revenue growth, while remaining broadly consistent with the pattern of low and manageable fiscal imbalances observed in recent years. Despite this deterioration compared with 2023–2024, the fiscal position remains stable, supported by strong revenue performance and a relatively low level of public debt.

Overall, Kosovo's fiscal trajectory continues to reflect prudent fiscal management, improved post-pandemic consolidation, and continued adherence to fiscal rules. The return to a small deficit in 2025 does not represent a significant change in fiscal stance and remains consistent with maintaining long-term fiscal sustainability.

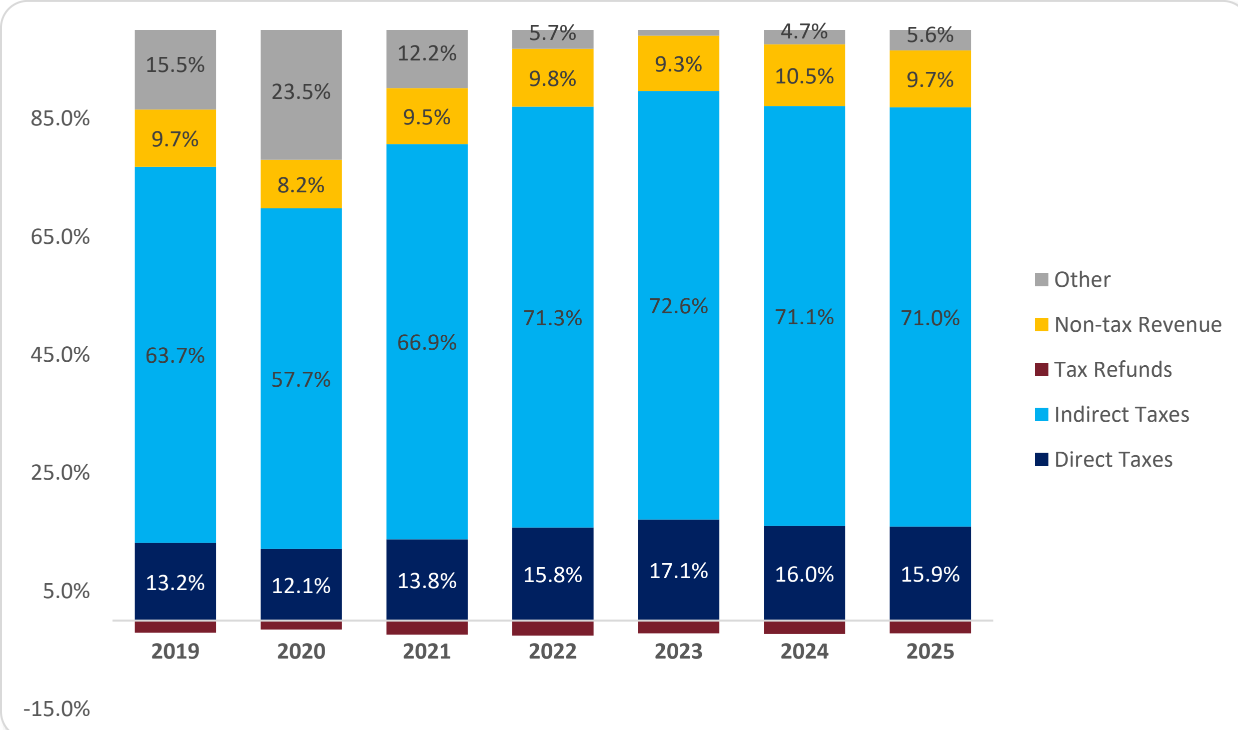
8.1. Public Revenue

Kosovo's public revenue structure has remained relatively stable from 2019 to 2025, with indirect taxes consistently accounting for the largest share of total revenues. Their contribution has ranged between 63–73 percent, reflecting Kosovo's consumption-driven economy and strong reliance on VAT and excise revenues. Direct taxes account for a smaller but gradually increasing share (around 12–17 percent), indicating steady improvements in labour and corporate tax collection.

In nominal terms, public revenues have increased steadily over the years, supported by solid economic activity, higher imports, and improved tax administration. This trend continued in 2025, when budget revenues increased by 8.1 percent compared with the previous year. The sustained growth of revenues reflects both favourable economic conditions and continued improvements in tax collection efficiency.

Non-tax revenues have remained relatively stable, generally contributing around 8–10 percent of total revenues, while tax refunds continue to represent a small share of the overall revenue structure. Movements in the "other" category primarily reflect donor grants, financing operations, and other irregular inflows, explaining the elevated levels observed during the pandemic period. Overall, the revenue structure in 2025 remained broadly aligned with previous years, with indirect taxes accounting for 71.0 percent of total revenues, direct taxes 15.9 percent, and non-tax revenues 9.7 percent (Figure 20).

Figure 20. Structure of public revenue



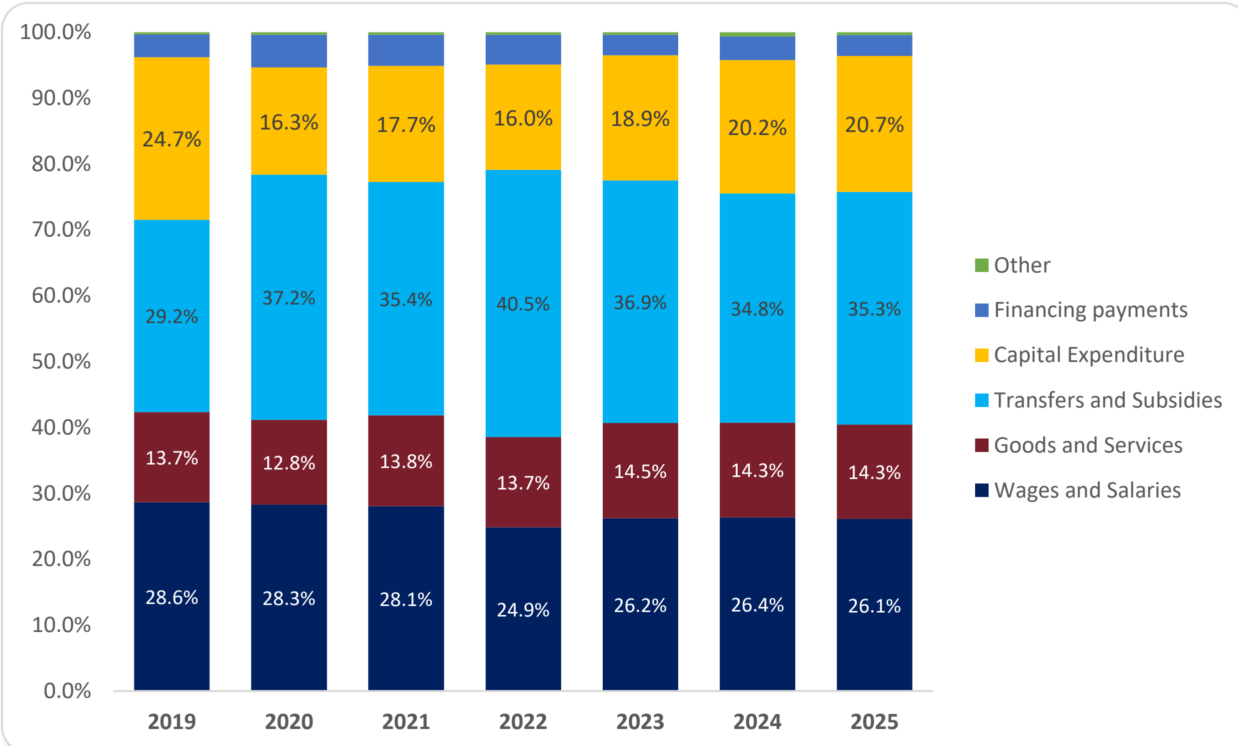
Data source: Treasury of Kosovo (monthly fiscal data)

8.2. Public Expenditures

Public expenditures have increased steadily over recent years, rising by 9.8 percent in 2025 compared with the previous year. Kosovo's expenditure composition has remained relatively stable, although some gradual shifts in spending priorities can be observed. Transfers and subsidies consistently represent the largest share of total expenditures, ranging between 35–41 percent, reflecting the continued emphasis on social support schemes, pension-related spending, and targeted assistance to households and specific groups. This category has gained importance since 2021, indicating a stronger focus on social programmes within the budget.

Wages and salaries have remained relatively stable at around 25–30 percent of total expenditure, while spending on goods and services has consistently accounted for approximately 13–15 percent. Together, these categories reflect the recurrent operational costs of central and local government institutions.

Figure 21. Structure of public expenditure



Data source: Treasury of Kosovo (monthly fiscal data)

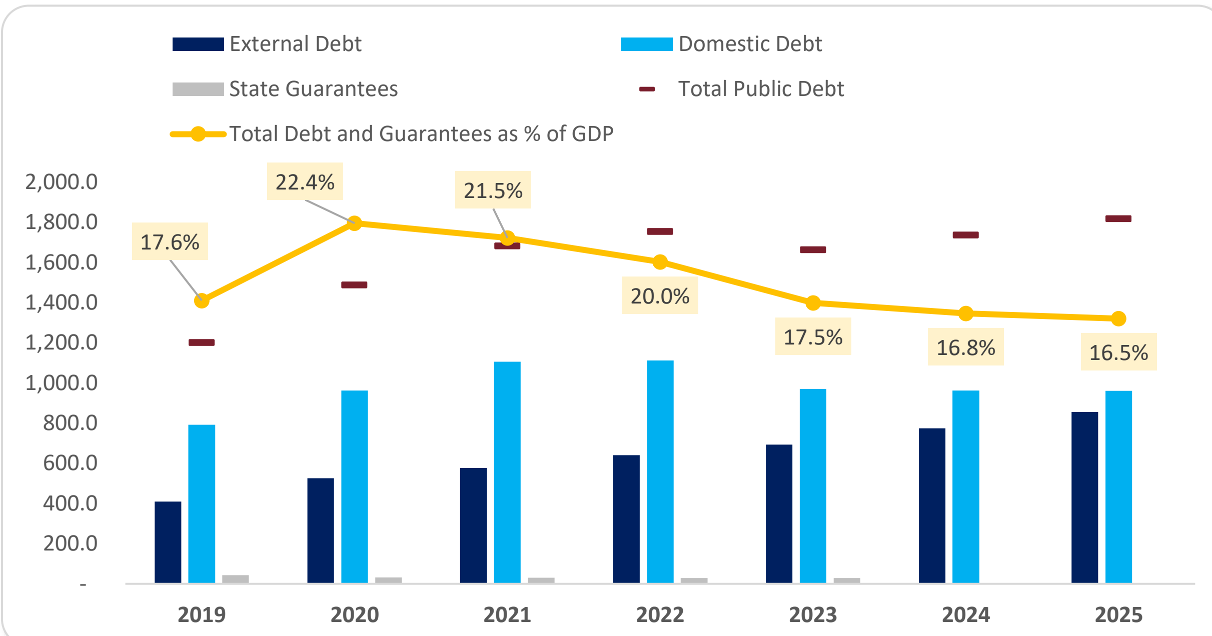
Capital expenditure has represented a smaller share of spending in recent years compared with 2019, although its importance increased again in 2024–2025. In 2025, capital expenditure accounted for around 21 percent of total spending, indicating renewed emphasis on public investment. Despite this improvement, current expenditures continue to absorb the majority of budget resources, reflecting the growing importance of social transfers and recurrent spending commitments.

Financing payments and the "other" category remain limited across all years, consistent with Kosovo's low public debt level and relatively modest interest-related costs. Overall, the expenditure structure remains broadly stable, balancing social spending priorities with continued investment in public infrastructure and development projects.

8.3. Public Debt

Kosovo's public debt remains low by regional and international standards, despite a gradual increase in nominal terms over the period 2019–2025. Both domestic and external debt have grown in line with financing needs, although external debt has expanded more rapidly in recent years. Domestic debt continues to account for a significant share of total public debt, while external debt, primarily sourced from international financial institutions on favourable terms, remains an important source of long-term financing.

Figure 22. Public Debt main indicators in millions EUR



Data source: MFLT, Annual Bulletin on State Debt and State Guarantees 2025

As shown in Figure 22, Kosovo's public debt remains well below the 40 percent of GDP ceiling established under the fiscal rule. Operating at levels far below this threshold provides substantial fiscal space, supports a favourable risk profile, and helps safeguard macroeconomic stability.

Despite the low level of indebtedness, it remains important that future borrowing is directed toward productive and growth-enhancing investments, particularly in infrastructure, human capital, and energy. Ensuring that new debt finances projects with high economic and social returns will strengthen long-term growth prospects while preserving the sustainability of public finances.