



A754-Economic Report 2023

KOSOVO

30th of June 2024

Executive Summary

Even though Kosovo achieved the highest economic growth within the region, its economy was impacted by global challenges, leading to a slower GDP growth from 4.3% in 2022 to 3.3% in 2023. Inflation decreased from 11.6% in 2022 to 4.9% in 2023. The financial system continued to expand in 2023, ending the year with accelerated assets growth. The banking sector maintained high levels of capitalization, liquidity, and asset quality, with low levels of non-performing loans. The Government's fiscal consolidation efforts further reduced the fiscal deficit and public debt to 0.5% and 19.5% of GDP respectively. Bilateral trade with Switzerland increased, with Switzerland becoming the fifth destination for Kosovo's export of goods. FDI from Switzerland remained strong, positioning it as the second largest investor in Kosovo. Looking ahead, the IMF projects a growth rate of 3.8% of GDP for 2024 for Kosovo. As commodity prices normalize, current account deficits are expected to narrow. FDI should continue to rise due to European firms' near-shoring efforts but could face short-term challenges from regional tensions and judicial inefficiencies. The introduction of a ban on Serbian goods further complicates the economic landscape, adding another layer of uncertainty to Kosovo's trade dynamics. EU visa liberalization to Kosovo was instated in January 2024. Experience from other western Balkan countries suggest that visa liberalization may not lead to increase in irregular migration, but the existing trends of legal labor force migration, combined with lack of decent jobs and persistent high reservation wage, may lead to more difficulties for the private sector on filling vacant positions in the medium term (3-5 years).

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1 ECONOMIC OUTLOOK AND ECONOMIC POLICY DEVELOPMENTS

Macro-Economic outlook

According to preliminary data, **real GDP growth** went down to 3.3 % in 2023 compared to 4.3% in 2022. The decrease of net exports negatively contributed to growth. At the same time, increased public investment, and a further growth in remittances (14% of GDP) had a positive impact.¹ Foreign Direct Investment (FDI) increased by 12%, however, 65% remains concentrated on unproductive sectors such as real estate/construction. In addition to remittances, Kosovo's economy is still largely fueled by diaspora through exports of services. On a positive note, ICT services continue to contribute to services export. The **current account deficit** decreased to 7.7% of GDP from 10.3% in 2022.

Inflation in Kosovo averaged 4.9% in 2023 and **has decelerated rapidly** from its peak of 11.6% in 2022.² Given that **Kosovo is a net importer of energy and food, the significant decrease in inflation is driven mainly by the stabilization of prices in these two categories. Nevertheless**, prices for food and non-alcoholic products grew above average at 8.4%. **To mitigate the inflation consequences**, the Government of Kosovo adopted a large fiscal package worth 4.3% of the GDP including significant energy subsidies. Moreover, the Government adopted price control measures by setting maximum trade margins on petroleum products.³

The **total government revenue** amounted to € 2'860.7 m in 2023 (29.6% of GDP),⁴ with an increase of 9% compared to the year 2022. Regarding **budget expenditures**, current expenditures increased by 8.4%, while capital expenditures increased by 40.8%. **Kosovo's fiscal consolidation pace** over the last two years was the strongest among emerging European economies. **Kosovo's fiscal deficit** further decreased, declining to 0.2% of the GDP, thanks to the increase in revenues, driven by economic recovery, formalization of the economy and inflation. **Public debt of Kosovo** further **decreased to 17.5% of GDP**, in comparison to 20.9% in 2022. Kosovo has the **lowest debt-to-GDP ratio in the Western Balkans** (WB).⁵

Despite a challenging external environment, Kosovo's financial sector remains robust: in 2023, the **ratio of regulatory capital to risk-weighted assets** in Kosovo's financial sector was 16.1% compared to 15.8% in 2022. The percentage of **nonperforming loans in Kosovo's financial sector was 2.1%**. This figure reflects a relatively stable and healthy banking sector compared to regional standards.⁶

According to the latest available data (Q1 2023), the **unemployment rate stands at 11.5%, while 34.9% of the working age population is employed**, the rest not being economically active. There are still significant gender imbalances, although slightly improving, with respectively 51.5% of men and 18.5% of women employed. Likewise, women's labor force participation remains much lower than men's (22.8% vs. 56.4%).⁷ Emigration of labor is deepening the skills shortages. Future Schengen Visa liberalization effects on labor are still unclear but based on experiences in the WB, the effects may be moderate.⁸ In 2023, Kosovo experienced notable increases in real wages, as a part of Kosovo's broader economic growth and the minimum wage.⁹

¹ IMF, Republic of Kosovo IMF country report no. 24/147

² Kosovo Agency of Statistics, Source: <https://ask.rks-gov.net/Releases/Details/8148>, accessed 2024 June 05

³ IMF Country Report No. 23/372, p. 5/ <https://kosovotwopointzero.com/kujt-ti-ndihmoje-qeveria/>

⁴ <https://askapi.rks-gov.net/Custom/8e3e17b7-a1b4-4aa8-97b8-aab967ce3961.pdf>

⁵ IMF, Republic of Kosovo IMF country report no. 24/147, Worldbank Kosovo 2023

⁶ IWF Country Report No. 23/54, Republic of Kosovo, 2022, Article IV Consultation – Press Release latest data available.

⁷ askdata.rks.gov.net

⁸ IMF, Republic of Kosovo IMF Country report no. 24/147

⁹ <https://albaniandailynews.com/news/minimum-wage-in-kosovo-becomes-eur-250--1>

2024 outlook

The political instability caused by tensed relations between Kosovo and Serbia and a weak performance in the dialogue process could have a negative impact on the economy overall, but could particularly affect FDI attraction, and contribute to further labor migration. The growth in the entire WB is expected to moderately accelerate in 2024 to reach 3.2%. Assuming that international commodity prices ease by the end of 2024, public investments, which accelerated to 6.8% in 2023, are expected to remain steady at 6.3% for 2024. According to the World Bank, Kosovo's economic growth is projected to speed up to 3.7 % in 2024.

The medium-term outlook remains positive within a context of high uncertainty.¹⁰ Inflation in Kosovo is projected to be about 2.9% in 2024. While tax revenues are expected to slightly decrease to 28.8% of GDP in 2024, expenditures of the government are expected to remain constant for next year increasing by 0.5 percentage points (p.p).¹¹ The poverty rate is expected to slightly decrease to 21.7% in 2023.¹²

Business climate

According to the World Bank's Doing Business report 2020 (discontinued since then), where Kosovo ranked 57th out of 190 countries, Kosovo scores particularly high in terms of ease of opening a business (e.g. no minimum capital requirement). Other key comparative advantages include low corporate taxes (10%) and VAT rates (8% for essential goods and 18% for other imported goods) as well as relatively low labor costs and **ease of access of business registration procedures** through the Kosova Business Registration Agency (KBRA) online platform (<https://arbk.rks-gov.net/>).¹³

Whilst Kosovo continues to face structural challenges **several steps were taken to improve the business and investment climate**. These include a reduction in the backlog of pending cases by the Commercial Court, improved public-private dialogue in the framework of the National Council for Economy and Investment (NCEI), further alignment of competition legislation with the EU acquis 22, reduction of informality and trade facilitation measures via reduced customs clearance fees.¹⁴ Kosovo continued to remain outside of the green card system, which still represents a financial burden.¹⁵

As part of the **Administrative Burden Prevention and Reduction Program 2022-2027**, the government has streamlined processes to make it easier for businesses to obtain necessary permits and licenses, enhancing overall efficiency and reducing wait times.¹⁶ Kosovo has significantly expanded its e-government services and is preparing to simplify and digitize permits and licenses.¹⁷

In 2023, Kosovo made again a **tiny progress in the fight against corruption and organized crime**: In the Transparency International's Corruption Perceptions Index 2023 ranks Kosovo 83rd out of 180 countries (up from 104th in 2020).¹⁸ Despite a significant anti-corruption legislation being adopted, Kosovo's 2023 European Commission report indicates limited progress, with corruption remaining a significant concern.¹⁹ Kosovo **improved its ranking in the 2023 Economic Freedom Index** from 86th (2022) to 75th out of 184 countries.²⁰

¹⁰ [World Bank Press Release](#), October 2023.

¹¹ IMF, Republic of Kosovo IMF Country report no. 24/147 p. 31.

¹² World Bank ECA Economic update Spring 2023 p. 84. [IMF, Republic of Kosovo IMF country report no. 24/147, Worldbank Kosovo 2023](#)

¹³ <https://www.state.gov/reports/2023-investment-climate-statements/kosovo/>

¹⁴ [European commission Kosovo 2023 report](#), p. 65

¹⁵ Information sheet 2024 Berlin Economics.

¹⁶ [Administrative Burden Prevention and Reduction Program 2022-2027, Republic of Kosovo](#).

¹⁷ [European commission Kosovo 2023 report](#)

¹⁸ [Corruption Perception Index Kosovo](#), Kosovo (41/100), North Macedonia (42/100), Serbia (36/100), Albania (37/100) BIH (35/100)

¹⁹ [European commission Kosovo 2023 report](#)

²⁰ [Heritage Foundation Kosovo](#), lagging however behind Albania (48th/184 countries) and Serbia (60th/184 countries)

2 PRIORITY SECTORS AND OPPORTUNITIES FOR SWISS COMPANIES

According to the Kosovo Investment and Enterprise Support Agency (KIESA), the main investment opportunities are in the Information and Communication Technology (ICT) and Business Process Outsourcing (BPO) sectors; mining and metal processing; energy; textile and leather processing; wood processing as well as tourism.²¹ The European Investment Council (EIC) also suggests investment potential in the banking, insurance, oil, pharmaceutical, automotive industries, sustainable finance and the transition to a sustainable economy.²²

Primary sector

The share of the primary sector in the GDP in 2022 grew to 8.8% from 8.4% in 2021. Agriculture is the main contributor with 7%, while mining contributes with 1.8%. According to World Bank estimates for 2023, the agricultural sector increased by 3.3%.²³ The agricultural sector faces structural challenges including: small farm size, high production costs, land fragmentation, limited diversification of production, poor irrigation infrastructure, obsolete technologies, lack of specialization, limited storage capacity, as well as weak or dysfunctional linkages between the primary producer and the processor, and between producers and the market.²⁴

Industrial sector

In 2023, industrial goods accounted for 42.84% of total goods exports in comparison to 45.87% in 2022.²⁵ However, the industrial sector was estimated to grow at 3.7% at constant factor base prices for the year 2023.²⁶ The industrial sector in Kosovo accounts for about 13.2% of the GDP.²⁷ This includes the manufacture of food products, beverages, fabricated metal products, and rubber and plastic products. Notwithstanding a low level of digitalization in the manufacturing sector, manufacture of computer, electronic and optical products is the most digitalized of the industries.²⁸ Kosovo's new "**Strategy for Industry Development and Business Support 2030**" intends inter alia to unlock the potential of the manufacturing sector. KIESA remains a key player on implementing this strategy.²⁹

Service sector

The services sector recorded an increase of 2.6% in 2023.³⁰ Services have continued to increase their positive contribution within the current account reaching a net value of EUR 1.63 billion in 2023. The **export of services was mainly driven by an increase in ICT services by 35.95%**, reaching € 285.8 m (up from € 210.1 m in 2022) as well as **increase in travel services** by 17.7%, reaching a value of € 2.207 billion (up from € 1.875 billion in 2022).³¹ On the other hand, the **increase in the import of services** was attributed to the travel component, which comprise 47% of the total import of services.

Energy sector

Despite possessing the world's fifth-largest lignite coal reserves (12.5 billion tons), Kosovo faces challenges due to its aging coal-fired power plants. To align with EU standards and achieve full decarbonization by 2050, **Kosovo's National Energy Strategy for 2022-2031**, adopted in March 2023, aims to increase the share of renewable energy sources in its generation mix from 6.5% to 13% by 2025 and to at least 35% by 2031.³² The total electricity

²¹ KIESA, Investment opportunities sheet

²² <https://eic-kos.eu/publications/whitebook/white-book-2023/> p.87

²³ Worldbank Sheet Kosovo 2023

²⁴ <https://thedocs.worldbank.org/en/doc/d5f32ef28464d01f195827b7e020a3e8-0500022021/related/mpo-xkx.pdf>.

²⁵ https://askdata.rks-gov.net/pxweb/en/ASKdata/ASKdata_External%20trade_Monthly%20indicators/01_exp_bec.px/

²⁶ <https://thedocs.worldbank.org/en/doc/d5f32ef28464d01f195827b7e020a3e8-0500022021/related/mpo-xkx.pdf>.

²⁷ <https://mint.rks-gov.net/desk/inc/media/88E4588B-A244-429A-9FB3-1A42F5CB1B4A.pdf>

²⁸ <https://mint.rks-gov.net/desk/inc/media/88E4588B-A244-429A-9FB3-1A42F5CB1B4A.pdf>

²⁹ White book 2023, p. 13

³⁰ https://bqk-kos.org/wp-content/uploads/2024/01/CBK_QAE_-Q3-2023.pdf p. 7

³¹ Central Bank of Kosovo, Excel Sheet 27 "Services" – updated 2024.

³² <https://balkangreenenergynews.com/kosovo-outlines-energy-transition-until-2031-in-strategic-document/> and

production for 2023 was 5534.19 MWh. The import of energy in 2023 was 3'425 GWh.³³ Based on the Strategy, the Government of Kosovo approved the Energy Strategy Implementation Program in September 2023.³⁴ Also, the law on energy efficiency, fully transposing EU directives, was approved in April 2023. The law seeks to modernize the energy sector, reducing carbon intensity and increasing energy efficiency.

Additionally, Kosovo held its first solar auction in May 2023 to attract investments in renewable energy, shifting to an auction-based system to reduce corruption and improve efficiency.³⁵ The bid has been awarded to a consortium led by the Swiss company (Orllati) in 2024. However, challenges remain, particularly in coupling electricity markets with neighboring Albania and ensuring compliance with the latest EU energy integration standards.³⁶ The lack of energy security gives rise to significant costs for business and represents one of the biggest obstacles to attracting high-quality FDI.³⁷

Potential for Swiss companies

Thanks to a young and multilingual (English and/or German speaking) population (28.2% of the population speaks one foreign language and 15.9% more than one foreign language)³⁸ as well as relatively low average salaries (also in regional comparison), all in geographical proximity (with daily air links), Kosovo is a potential nearshore destination for a number of European foreign investors. Also, Swiss companies show an interest in outsourcing part of their business, in the BPO sector, in the form of ICT and customer relations services, and in the manufacturing sector, outsourcing part of the serial production (parts, assembly, etc.) concerning manufacturing. Based on the experience of Orllati, by winning the public bid for renewable solar energy, the investment in renewable energy sources can be also a potential source of attracting Swiss FDI in Kosovo.

³³ https://askdata.rks-gov.net/pxweb/en/ASKdata/ASKdata_Energy_Monthly%20indicators/tab01.px/table/tableViewLayout1/

³⁴ <https://me.rks-gov.net/en/blog/the-energy-strategy-implementation-program-approved/>

³⁵ [European commission Kosovo 2023 report](#), p. 70

³⁶ <https://www.state.gov/reports/2023-investment-climate-statements/kosovo/> and <https://www.energy-community.org/implementation/report/Kosovo.html>

³⁷ [European commission Kosovo 2023 report](#), p. 68.

³⁸ No newer data available. Ministry of Industry, Entrepreneurship and Trade, Internal Document, March 2023.

3 FOREIGN ECONOMIC POLICY

3.1 Host country's policy and priorities

Kosovo is actively working to bolster its foreign economic policy with an emphasis on attracting foreign investment, increasing production capacity, and enhancing exports, though specific strategies remain somewhat broad. **The Government's Economic Reform Program (ERP) for 2023-2025** focuses on structural reforms, featuring initiatives to support the development of start-up spaces and provide grants for innovative projects aimed at boosting export levels. Despite challenges, Kosovo performed well economically with declining inflation, increased household consumption, and a banking sector that remained liquid and well-capitalized.³⁹

In June 2023, Kosovo's Assembly approved a new **Law on Sustainable Investment**. The law aims to attract investments, remove barriers, and ensure compliance with public interests by partially transposing EU regulations on FDI screening. It establishes two new agencies: the Agency for Investment and Export (AIE) and the Agency for Support to Enterprises in Kosovo (ASEK), which will replace the former KIESA. The law is pending a constitutional review before it can enter into force.⁴⁰ A significant milestone is also the new **Law on Business Inspections** approved in 2023,⁴¹ which aims to improve the effectiveness and transparency of business inspections, thus further alleviating administrative challenges for businesses.⁴² Moreover, in 2023, **the Strategy for Industrial Development and Business Support (SIDBS) 2030** was adopted by the Government of Kosovo in 2023. This strategic document includes an action plan for the period 2023-2025 and aims to foster structural transformation in Kosovo's economy, promote higher income levels, and enhance the socio-economic well-being of its citizens.⁴³

Adopted by the European Commission in November 2023, the **Growth Plan for the WB with four pillars** aims to bring the region closer to the EU. This is to be achieved by offering some of the benefits of EU membership before accession, boosting economic growth, and accelerating socioeconomic convergence. The €6 billion growth plan, to be implemented between 2024 and 2027, aims to double the size of the WB economies within the next 10 years.⁴⁴

Kosovo has advanced efforts to **establish a sovereign fund**. It aims to assume control of socially owned enterprises and assets currently **managed by the Privatization Agency of Kosovo (PAK)**, as well as some publicly owned enterprises overseen by the Ministry of Economy, following improvements in their financial performance. However, establishing the fund alone won't resolve issues of poor financial performance and management, which reflect broader weaknesses in corporate governance and oversight within publicly owned enterprises.

3.2 Outlook for Switzerland (potential for discrimination or comparative advantage)

The Swiss cooperation strategy in Kosovo, set by SECO, DEZA, and PHRD, focuses on democratic governance, economic development, water and health, migration, and peace and security. SECO aims to improve conditions for SMEs, attract investors, generate jobs, reduce administrative burdens, and develop sustainable urban infrastructure, including modern water systems and efficient energy use. Given the progressive liberalization of trade and capital movements between Kosovo and the EU under the Stabilization and Association Agreement (SAA) and Switzerland's preferential access to the EU market, the potential for discrimination remains low.⁴⁵

³⁹ IMF Press Release PR24/198, IMF Executive Board Completes Kosovo's Second Reviews

⁴⁰ RPHS Law of 27.11.23.

⁴¹ <https://qzk.rks-gov.net/ActDetail.aspx?ActID=53067>

⁴² <https://kryeministri.rks-gov.net/wp-content/uploads/2024/01/Raporti-Final-Englisht-Updated-1.pdf>

⁴³ <https://mint.rks-gov.net/Page.aspx?id=2.3.1453>

⁴⁴ EU Growth Plan, Enlargement

⁴⁵ Testing Resilience No. 23, Spring 2023.

4 FOREIGN TRADE

4.1 Developments and general outlook

In terms of trade policy, Kosovo is part of the regional Free Trade Agreement (FTA) "**CEFTA**" since 2007. Kosovo's part main economic strategy is to strengthen its relationship with EU (European Union) through the Stabilization and Association Agreement (SAA). The SAA concluded with the EU, which entered into force in April 2016 also foresees the progressive liberalization of trade with EU members. Furthermore, a negotiation of an FTA, which primarily focuses on reducing or eliminating tariffs and other barriers to trade in goods, between Kosovo and the European Free Trade Agreement (**EFTA**), led by Switzerland, began in June 2022. While EFTA initially aimed for a basic agreement, Kosovo requested including services which EFTA agreed to in March 2024. A third round of negotiations was concluded in June 2024, where significant progress was made, bringing the negotiations closer to conclusion for the next round.⁴⁶

In June 2023, Kosovo imposed a **ban on the entry of trucks carrying goods originating from Serbia**.⁴⁷ This measure was implemented primarily for security reasons following tensions related to the arrest of three Kosovo police officers by Serbian forces. Initially, all Serbian products and trucks were restricted from entering Kosovo. Then, in July 2023 the safety measure was relaxed by being removed for raw material and semi-processed products.⁴⁸ The loss of Serbia as a major importer for certain products pushed Kosovo to seek alternative markets and substitute goods, seen the relative higher prices for goods and products.⁴⁹ The EU has repeatedly encouraged Kosovo to lift the ban.

4.1.1 Trade in goods

The trade deficit in goods further deepened in 2023 by 7.1%. Export of goods declined in 2023, reaching a total of € 863 m in 2023. The main export groups are: 22 % base metals and articles thereof; 18% are various manufactured items; 14% consist of plastics, rubber and articles thereof; 11% are prepared foodstuffs, drinks, and tobacco; 6% are mineral products; and 5% are textiles and articles thereof. The first destination of **Kosovar exports** remains the CEFTA member countries, led by North Macedonia (14.1% of the total) and Albania (13.3% of the total). EU countries together account for 32.3% of exports, with Germany (10.8%) and Italy (4.5%) as top destinations within the EU. The United States are individually the leading export destination (12.3%).

Import of goods increased in 2023, by 5%. According to the data of the main groups for imports: 15% are mineral products; 12% are prepared foodstuffs, beverages and tobacco; 11% is made up of machinery and mechanical and electrical equipment; 10% are base metals and articles thereof; 10% are the means of transport.⁵⁰ EU countries together account for 43% of total imports, with an increase by 6.5% with Germany (12.8%), Greece (5.6%) and Italy (5.2%) being the main countries of origin of goods imported by Kosovo. Country wise, Turkey (15%) and China (11%) were the most important importing partners for Kosovo. Kosovo in 2023 imported goods worth € 198 m from Serbia (in 2022: € 370 m).⁵¹ **Despite the ban on the import of Serbian goods as well as recurring tensions**, in 2023, Serbia is 9th in the ranking of the largest importers in Kosovo.⁵²

⁴⁶ EFTA 11.06.2024. Public Report

⁴⁷ <https://n1info.rs/english/news/kosovo-amends-decision-bans-only-serbian-goods/>

⁴⁸ <https://zeri.info/ekonomia/522718/ndalimi-i-importit-ne-kosove-i-kushtoi-serbise-mbi-150-milione-euro-per-6-muaj/>

⁴⁹ <https://www.kosovo-online.com/en/news/society/citizens-consequences-banning-import-serbian-products-everything-more-expensive-and>

⁵⁰ <https://ask.rks-gov.net/Releases/Details/8158>

⁵¹ <https://ask.rks-gov.net/Releases/Details/8158>

⁵² <https://zeri.info/ekonomia/522718/ndalimi-i-importit-ne-kosove-i-kushtoi-serbise-mbi-150-milione-euro-per-6-muaj/>

4.1.2 Trade in services (if data available)

Kosovo's positive trade balance in services continued to grow (19%) in 2023, reaching a record of € 1'628.9 m in 2023: while service imports (debit) amounted to € 1'337.2 m (+18.60%), service exports (credit) amounted to € 2'966.2 m (+18.55 %).⁵³ The positive balance of services resulted in improving the current account balance. **The largest exporting sector remains by far travel services, generating an estimated € 2.1 billion in 2023 (€ 1.8 billion in 2022), which represents approximately 74% of Kosovo's service exports (75% in 2022).** Service exports in the ICT and BPO sector also continued to increase (+35.98%), reaching € 285.7 m in 2023 and thus again contributing to a trade surplus in this sector (+43.20%). Kosovo exports services to Germany, Switzerland, Austria, Albania, United Kingdom, United States, and more.⁵⁴

4.2 Bilateral trade

Although modest volume-wise, bilateral trade in goods between Switzerland and Kosovo continued to increase in 2023. The total trade in goods between Kosovo and Switzerland, increased by 4.2% year to year. While Kosovar data indicate a trade balance in goods of € 29.3 m in favor of Kosovo,⁵⁵ Swiss data indicate a deficit of CHF 9 m in disfavor of Switzerland. The main difference consists in the value of goods imported from Switzerland to Kosovo.⁵⁶ In 2022, Kosovo exported € 454 m services to Switzerland, while it imported € 32 m. Compared to 2021, trade of services increased by 26%.

Switzerland became the 25th country of origin of **goods imported by Kosovo** (vs. 27th in 2022), reaching € 50 m (+22% compared to 2022). Switzerland remained the 5th destination of **Kosovar exports**, reaching € 75 m (+8% compared to 2022).⁵⁷ According to the Swiss customs, exports to Kosovo in 2023 amounted to CHF 64 m (-9.86% of decrease compared to 2022), whilst imports of goods from Kosovo amounted to CHF 73 m (14.06% of increase compared to 2022).⁵⁸ According to the Swiss Export Risk Insurance (SERV), the current insurance exposure to Kosovo is 0. But as the OECD country risk for Kosovo (category 6 out of 7) is quite high, any insurance application would have to be examined quite restrictively.⁵⁹

4.2.1 Trade in goods

The main products exported by Switzerland to Kosovo remained vehicles (41.1%), which is an increase of 11.5% compared to the year before. By contrast, while exports from the chemical and pharmaceutical industries (20.5%) only increased slightly (+1.3%), exports from the agricultural sector (9.2%) decreased drastically (-64.2%). With regard to products imported by Switzerland from Kosovo, manufactured goods constituted 52.4% of exports to Switzerland, including primarily plastics and rubber products (24.2%) and furniture (25.7%), which constitutes a slight decline compared to 2022.⁶⁰

4.2.2 Trade in services (if data available)

The main export category of services to Switzerland are travel expenses of diaspora and ICT services. For 2022, the total of ICT export was € 47.4 m compared to € 24.9 m the previous year. According to the latest data available, Switzerland is no longer the leading destination for ICT services exports, the United States having surpassed Switzerland since 2022.⁶¹

⁵³ Kosovo Central Bank. Excel sheet 27 "services"

⁵⁴ Kosovo Central Bank, Excel sheet 21.1 "Services by country and activity". Descending in EUR m. Updated 2022.

⁵⁵ Kosovo Central Bank, Excel sheet 35 "exports – by trading partner" – Excel sheet 37 "imports – by trading partner".

⁵⁶ <https://trade.efta.int/#/country-graph/CH/XK/2023/HS2> These discrepancies (also noted in trade relations with EU member states), probably stem from the use of different valuation methodologies.

⁵⁷ Kosovo Central Bank. Excel sheet 36 "imports by trading partner" and 35 "exports by trading partner"

⁵⁸ Swisimpex.

⁵⁹ Information from SERV, 27th of May 2024.

⁶⁰ Swisimpex.

⁶¹ Kosovo Central Bank. Excel sheet 27 "Services by country and activity", last update 2022.

5 DIRECT INVESTMENTS

5.1 Developments and general outlook

In 2023, Kosovo's development funds were impacted by the **EU punitive measures** in place since summer 2023, following the Government's failure to de-escalate the tensions in northern Kosovo after the mass protests of May 2023. The funds of the Instruments of Pre-Accession (IPU funds) were frozen and remained frozen in the beginning of 2024, which continues to impact the economic development of Kosovo in the short term.

The **Foreign Direct Investment (FDI)** in Kosovo remained largely unimpacted. FDI had a positive growth of 12% but almost 65% is concentrated on unproductive sectors such as real estate/construction. The main FDI sector in Kosovo – the diaspora-dominated **real estate** sector – witnessed a decline of 3% in 2023, amounting to € 511.2 m. The **financial and insurance** activities sector however witnessed a large growth in 2023, growing from € 51.9 m in 2022 to € 175.6 m in 2023. Lastly, the **electricity and gas** sector saw a major growth in 2023, rising from € 29.5 m in 2022 to € 62.5 m in 2023.⁶²

Germany remains the largest investor in FDI, with 22.5% of total FDI (€ 190.4 m in 2023), Switzerland remains the second largest with 20.8% (€ 175.8 m in 2023).

5.2 Bilateral investment

As noted above, Switzerland continues to remain the second largest foreign investor, with a total of € 1.053 billion between 2008 and 2023, which represents around 20% of the total share.⁶³ Averaging around €65 million yearly between 2008 and 2023, investments surged after 2018. This increase was particularly notable after the COVID-19 pandemic ended, peaking in 2023.⁶⁴ Swiss investments mainly stem diaspora investment in real estate/construction and from small and medium-sized enterprises (SMEs), often owned by double-nationals. Swiss companies in Kosovo are active in a wide range of sectors, including: banking and fintech, insurance, IT and BPO, food processing, machinery, mechanics, energy and tourism. The Lugano-registered "Mabetex Group" (which owns inter alia "Banka Ekonomike", the luxury hotel "Swiss Diamond" and the insurance company "Siguria"), headed by billionaire and former foreign minister Behgjet Pacolli, remains the largest investor in Kosovo and by far the largest Swiss investor.

If the investment in the renewable energy bid (mentioned above) materializes, then Swiss FDI in energy is expected to increase gradually from 2025. The total amount of investment in this bid is expected to be € 70 m.⁶⁵

In 2023, Kosovar investments in Switzerland amounted to € 44.4 m, which is 4.7% of foreign investments made by Kosovo.⁶⁶ As such, while Albania is largely in the lead, Switzerland remains the 6th country of destination of Kosovar direct investment.⁶⁷

⁶² Kosovo Central Bank. Excel sheet 34 "Foreign Direct Investments – by country". Updated March 2024.

⁶³ Kosovo Central Bank. Excel sheet 34 "Foreign Direct Investments – by country". Updated March 2024.

⁶⁴ Kosovo Central Bank. Excel sheet 34 "Foreign Direct Investments – by country". Updated March 2024.

⁶⁵ Ministry of Economy, Nënshkruhet marrëveshja për zhvillimin e projektit të ankandit të parë solar prej 100 MW Source: <https://me.rks-gov.net/blog/nenshkruhet-marreveshja-per-zhvillimin-e-projektit-te-ankandit-te-pare-solar-prej-100-mw/>. Accessed June 2024.

⁶⁶ Kosovo Central Bank. Excel sheet 34a "Direct investment in Kosovo by geographical breakdown". Updated March 2024.

⁶⁷ Kosovo Central Bank. Excel sheet 34a "Direct investment in Kosovo by geographical breakdown". Updated March 2024.

6 ECONOMIC AND TOURISM PROMOTION

6.1 Swiss foreign economic promotion instruments

Switzerland enjoys an excellent image and very high reputation in Kosovo, including thanks to the quality of its products and the opportunities for investment and support from the diaspora. However, due to the relatively small size of the Kosovo market, Switzerland does not deploy any foreign economic promotion instruments in Kosovo besides the SECO Start-up Fund which offers loans to investors with domicile in Switzerland and who plan on expanding their company's activity in emerging economies, including Kosovo. There are, however, several chambers of commerce which contribute to strengthening bilateral economic relations and which have opened the door to a cooperation with Swiss Global Enterprise as well as with Swiss contact's senior expert program. One of them is the **OEZK** (Oda Ekonomike Zvicerano Kosovare or Swiss-Kosovar Business Association) established to foster economic collaboration between Switzerland and Kosovo, supporting business contacts, outsourcing, market entry, and investment opportunities.

6.2 The host country's interest in Switzerland

Kosovo's continuously expanding exports to Switzerland, in particular as regards manufactured goods, demonstrate a keen interest for the Swiss market. Kosovar companies are also increasingly present in fairs such as Bau Basel. In the service industry, Swiss clients represent an important market, especially for Kosovar companies active in the ICT and BPO sector. This also influences the strong interests of Government of Kosovo to include services as part of the EFTA.

ANNEX 1 – Economic structure

Economic structure of the host country

	2019	2022
Distribution of GDP		
Primary sector	9.5%	8.8%
Manufacturing sector	22.1%	13.2%
Services	57.8%	60.4%
- of which public services	n/a	n/a

Distribution of employment	2019	2021⁶⁸
Primary sector	5.2%	2.8%
Manufacturing sector	15.1%	14.8%
Services	67.1%	71.9%
- of which public services	n/a	28.3%

Source(s):

EU Commission Report 2021 for data 2019, 2021 and 2022

[Kosovo Agency of Statistics](#)

Latest data available

⁶⁸ Latest data available.

ANNEX 2 – Main economic data

Host country's main economic data

	2022	2023	2024
GDP (USD bn)*	9.363	9.8	10.1
GDP per capita (USD)*	5'290	5'451	5'690
Growth rate (% of GDP)*	3.5%	3.3%	3.8%
Inflation rate (%)*	11.6%	4.9%	2.9%
Unemployment rate (%)*	n/a	15.1%	14.0%
Fiscal balance (% of GDP)*	-0.5%	-0.2%	-1.6%
Current account balance (% of GDP)*	-10.1%	-7.7%	-6.0%
Total external debt (% of GDP)**	19.3%	17.3%	18.8%
Debt-service ratio (% of exports)**	n/a	3.5%	3.8%
Reserves (months of imports)**	2.4	2.4	2.5

* Source: IMF Country Report No. 24/147, World Economic Outlook, June 2024

▪ www.imf.org/external/pubs/ft/weo

** Source: IMF, Press Release PR24/198

▪ www.imf.org/external/country/index.htm

ANNEX 3 – Trade partners

Trade partners of the host country Year: 2023

Rank	Country	Exports from the host country (EUR million)	Share	Change ⁶⁹	Rank	Country	Imports to the host country (EUR million)	Share	Change ¹⁰
1	Northern Macedonia	121.59	14.1%	+1.2%	1	Turkey	877.12	14.8%	-0.1%
2	Albania	114.87	13.3%	+2.2%	2	Germany	757.52	12.8%	+2.0%
3	USA	106.32	12.3%	-2.5%	3	China	650.01	11.0%	+1.3%
4	Germany	93.60	10.8%	+1.3%	4	Greece	330.93	5.6%	+0.1%
5	Switzerland	75.62	8.8%	+1.2%	5	Albania	328.27	5.5%	+1.0%
6	Serbia	49.64	5.8%	-1.0%	6	Northern Macedonia	310.88	5.3%	+0.3%
7	Montenegro	44.98	5.2%	+1.0%	7	Italy	308.03	5.2%	+0.3%
8	Italia	38.66	4.5%	-0.5%	8	India	292.93	5.0%	+4.2%
9	Turkey	20.24	2.3%	-0.2%	9	Poland	156.47	2.6%	+2.2%
10	Austria	20.15	2.3%	+0.6%	10	Slovenia	127.82	2.2%	-2.1%
						Switzerland	36.50	0.6%	-0.1%
..	CEFTA	343.62	39.8%	+3.6%	..	CEFTA	926.61	15.7%	-2.0%
..	EU27	278.60	32.3%	-1.6%	..	EU27	2.543.23	43.0%	+0.8%
..	Total 1-10	685.67			..	Total 1-10	4'139.98		

Source(s): <https://askapi.rks-gov.net/Custom/38e41b46-b4e7-4af8-bbe2-2ec43ac926e9.pdf>

Kosovo Agency of Statistics⁷⁰

⁶⁹ Change from the previous year in %

⁷⁰ Different method used by Central Bank of Kosovo. See p. 9.

ANNEX 4 – Bilateral trade

Bilateral trade between Switzerland and the host country

	Export (CHF million)	<i>Change (%)</i>	Import (CHF million)	<i>Change (%)</i>	Balance (in million)	Volume (in million)
2017	40.1	36.2	26.9	56	13.17	67
2018	52.5	31.1	37.2	38.4	15.3	52.5
2019	52.1	-0.7	32.9	-11.7	19.26	85
2020	48.1	-7.8	40.7	23.8	7.36	88.2
2021	62.2	29.3	51.9	27.7	10.26	114.1
2022	70.9	14.1	64.7	24.6	6.22	135.6
<i>(Total 1)*</i>						
2023 (I-VI)**	63.7	-10.2	73.1	13	-9.4	136.8

*) 'Economic' total (total 1): not including gold bars and other precious metals, currencies, precious stones and gems, works of art and antiques

***) Change (%) from the previous year

Exports	2022 (% of total)	2023 (% of total)
1. Vehicles	33.2%	41.1%
2. Agriculture, forestry and fisheries products	21.1%	9.2%
3. Chemical and pharmaceutical products	15.8%	15.2%
4. Machinery, equipment, electronics	9%	8.9%
Imports	2022 (% of total)	2023 (% of total)
1. Miscellaneous products ⁷¹	25.5%	23.9%
2. Leather, rubber, plastic	26.1%	24.2%
3. Metals	24.5%	20.9%
4. Agriculture, forestry and fishery	5.4%	5.2%

Sources:

Federal Office for Customs and Border Security

Kosovo Central Bank Excel Sheet 35 "Exports – by trading partner"

⁷¹ E.g. musical instruments, home furnishing, toys, sports equipment, etc.

ANNEX 5 – Main investing countries

Main investing countries in the host country

Year: 2023

Rank	Country	Direct investment (EUR, stock)	Share	Variation (stock)	Inflows over past year (EUR)
1	Germany	1,093.1	17.49%	20.21%	190.4
2	Switzerland	1,011.2	16.18%	18.66%	175.8
3	Turkey	501.8	8%	6.10%	57.5
4	USA	455.1	7.28%	7.11%	67.0
5	Austria	394.2	6.31%	6.73%	63.4
6	Albania	371.0	5.94%	6.79%	64.0
7	Slovenia	275.5	4.41%	3.61%	34.0
8	Great Britain	175.7	2.81%	5.11%	48.1
9	Italy	85.9	1.37%	1.25%	11.8
10	France	66.8	1.07%	1.13%	10.6
...	EU27	1,820.10	29.14%	23.29%	219.33
	Total	6,250.4	100%	100%	941.93

Source(s): Central Bank of Kosovo

Excel Sheet 34a "Direct investment in Kosovo by geographical breakdown". Updated March 2024.