



Developments in Kosovo Economy

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Content



- Five pillars of CBK responsibility
- Developments in the banking sector
- Developments in the Balance of Payments
- Developments in the real sector

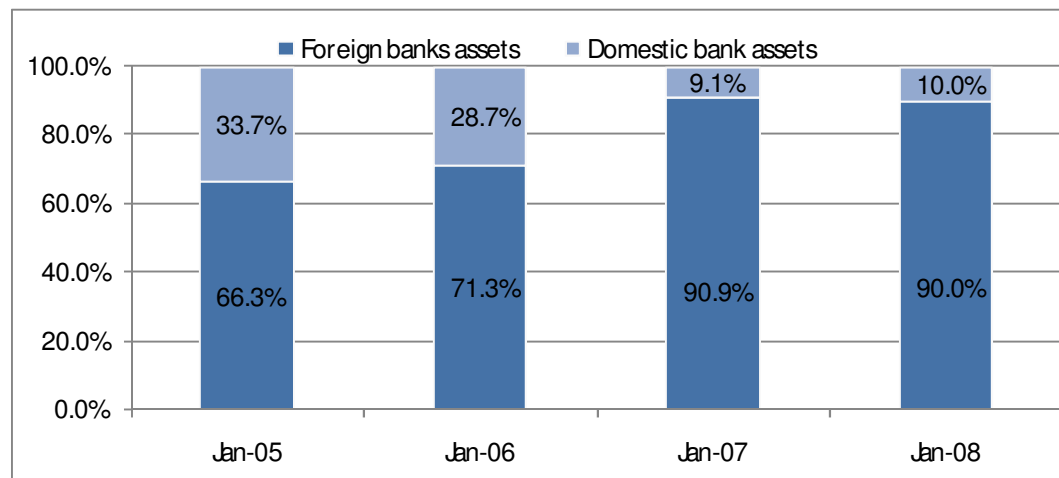
Five pillars of CBK responsibility



- Economic advise to the Government
- Fiscal Agent for the Government
- Financial Regulator
- Ensuring stable and efficient payment system
- Ensuring protection of depositors

Developments in the Banking Sector

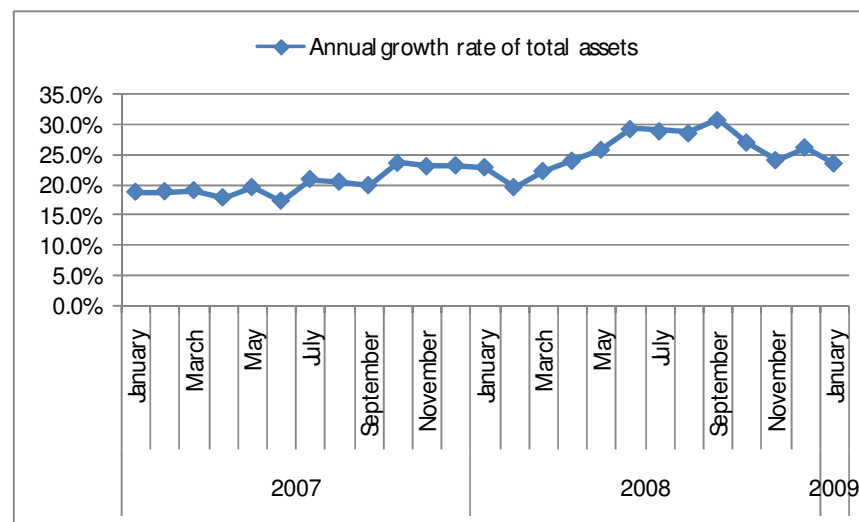
- Kosovo banking sector numbers 8 banks, of which 6 foreign and 2 domestically owned.
 - The dominance of foreign banks is also explained by the ownership structure of banking sector assets.



Developments in the Banking Sector

- Banking sector assets marked a considerable growth during year 2008.

- The amount of total assets reached euro 1.8 billion in 2008 – 26.3% higher than in 2007.



Developments in the Banking Sector

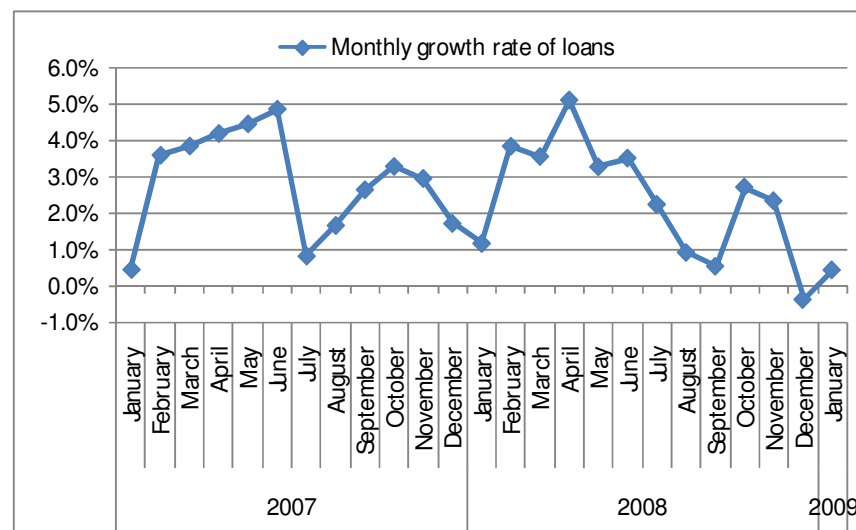
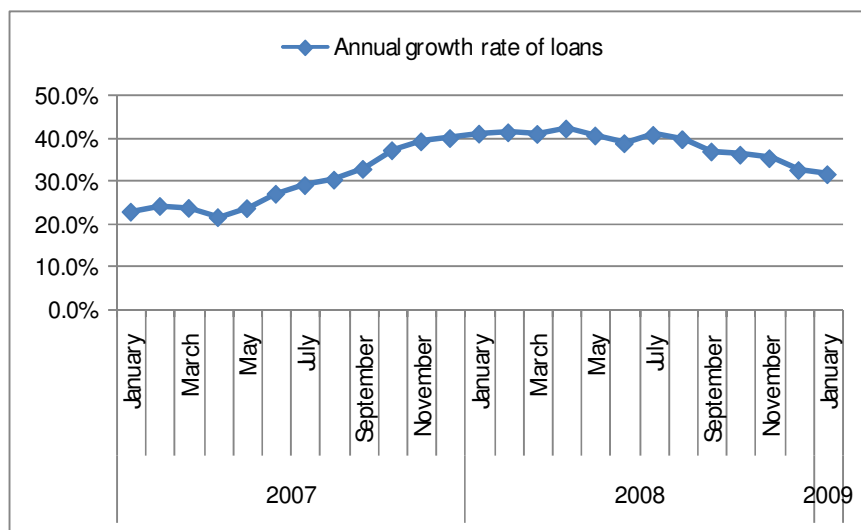
- The balance sheet structure in 2008 remained mainly the same compared to previous periods.

Structure of assets (%)	2007	2008
Cash and balances with CBK	13.2	12.1
Balances with commercial banks	14.5	15.7
Securities	5.5	2.2
Gross loans and leasing	62.3	65.4
Fixed assets	1.9	2.2
Other assets	2.6	2.4

Structure of liabilities (%)	2007	2008
Balances from commercial banks	1.8	1.9
Deposits	79.8	79.9
Other borrowings	0.2	-
Other liabilities	7.6	7.6
Own resources	10.6	10.6

Developments in the Banking Sector

- Annual growth rate of loans in 2008 was 32.7%.
 - The second half of the year was characterized by a slowdown in the growth rate of loans.



Developments in the Banking Sector

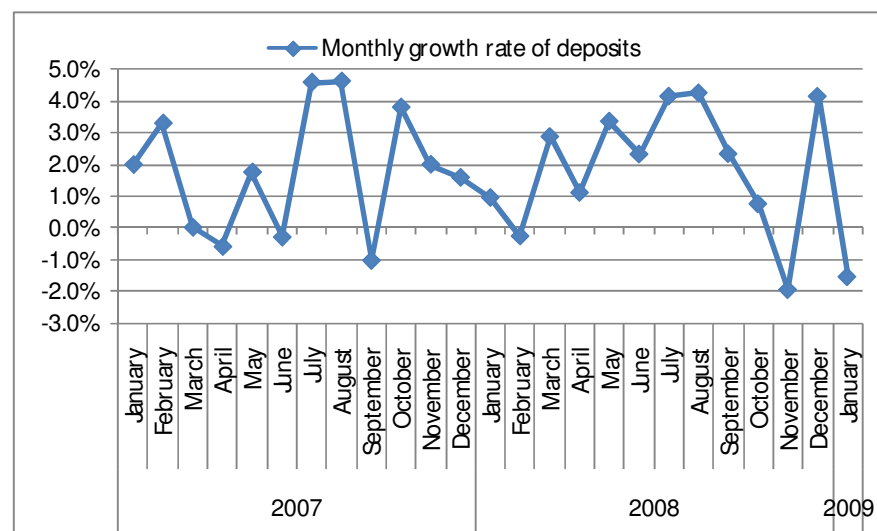
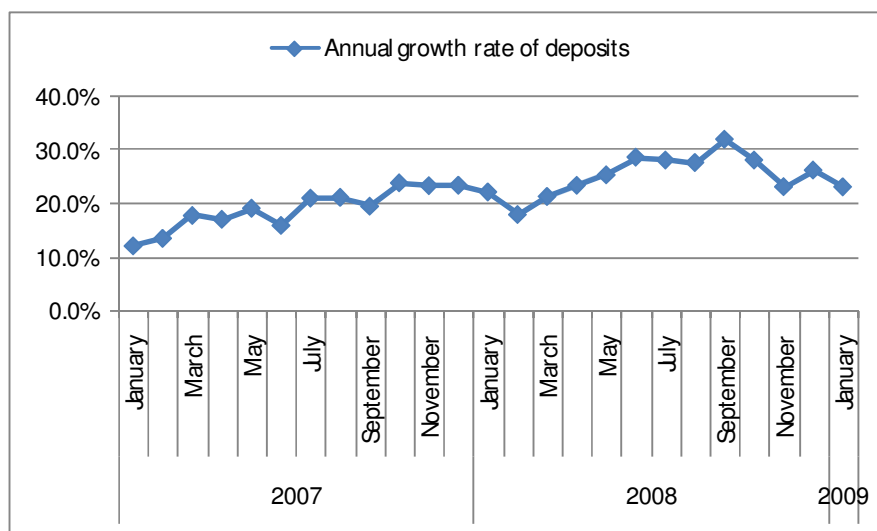
- The structure of loans by sectors remains unchanged.
 - ▣ The largest share of loans (around 76%) is extended to enterprises, while the rest is extended to households.
 - ▣ Loans extended to the trade sector continue to represent the largest share of loans (around 60%).

- The share of loans with maturity over 2 years to total loans has increased to 68% (61% in 2007).

- The share of Non-Performing Loans in the total portfolio in 2008 stood at 3.3% (4.1% in 2007).

Developments in the Banking Sector

- Deposits in the banking sector reached the value of euro 1.4 billion in 2008 – 26.4% higher than in 2007.



Developments in the Banking Sector



- The largest contributor in the banking sector deposits remain households, generating around 58% of total deposits.
- Time and saving deposits compose around 70% of total deposits (67% in 2007), while the remaining part is transferable deposits.

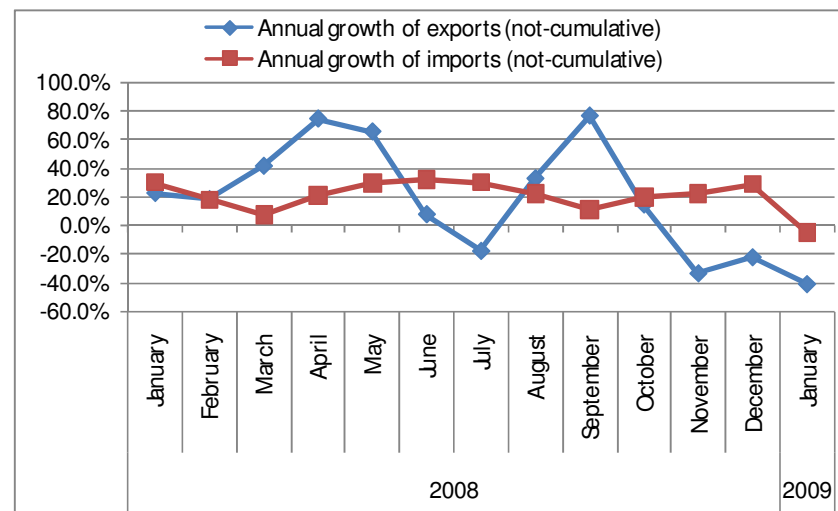
Developments in the Banking Sector



- Kosovo banking sector remains profitable, solvent and liquid.
 - ▣ Return on Average Assets was 2.2%, while Return on Average equity was 20.2% in 2008.
 - ▣ Capital Adequacy Ratio was 16.5%.
 - ▣ Loan to Deposits ratio was 81.9%.

Developments in Balance of Payments

- Trade deficit in 2008 reached euro 1.7 billion or 45.2% of GDP, compared to 41.2% of GDP in 2007.
- In 2008, imports reached the amount of euro 1.9 billion (22.3% higher than in 2007), while exports amounted euro 196.4 million what is for 19.0% higher than in 2007.
- Observed on monthly basis, end of 2008 and beginning of 2009 indicates a drop in exports compared to a year before, while imports declined only in January 2009.



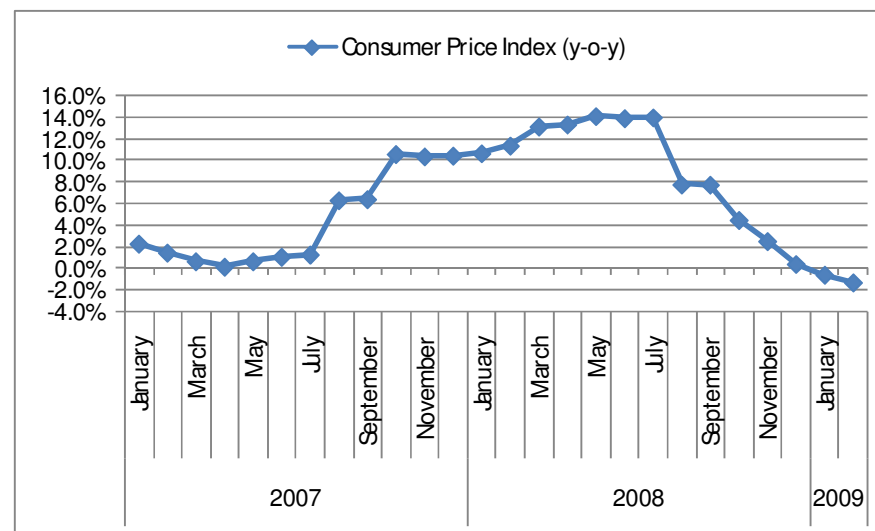
Developments in the Balance of Payments



- Foreign Direct Investments (FDI) in 2008 amounted at around euro 350 million, what represents an annual decline of 16.9%.
- Decline in FDI level, compared to last year, mainly results from the interruption of privatization process.
- Remittances in 2008 recorded an amount of euro 533 million, presenting 2.5% annual increase (annual growth rate in 2007 was 11.7%).

Developments in the real sector

- Real economic growth projection for 2008 was 5.4%, while for 2009 growth rate is expected to be at 3.8% (IMF estimates).
- Inflation rate at end 2008 was 0.5% (10.5% in 2007), while beginning of 2008 was characterized by a deflation of -0.5%.



Developments in the real sector

- Financial crisis in developed countries is being reflected also in real sectors of their economies.
- Kosovo economy, as an open economy, is sensitive to these developments.
- Main channels through which recession in other countries could be reflected in Kosovo economy are: remittances, foreign direct investments, and exports.
- Factors that would influence in softening the negative effects in real sector are: expansion of credit from banking sector, continuity of privatization process, increase of capital investments/ recent tax rate cuts by government.



Thank you