The Kosovo Business Climate Findings from the 2nd quarter of 2017

AUGUST 17, 2017
KOSOVO CHAMBER OF COMMERCE
Dear friends and colleagues,

Initiative to begin with the publication of the report, "Business Monitoring in Kosovo" by Kosovo Chamber of Commerce, is a very important step to provide accurate information for the business community within Kosovo and abroad. This would be a guide for the business community at home and abroad about the business climate in the country.

Kosovo Chamber of Commerce throughout this study aims besides informing the business community's perception of Kosovo business trends, as well as to promote Kosovo’s business values and to contribute to their alignment with European values.

Kosovo Chamber of Commerce throughout its activities aims to increase the general level of awareness of the society about the value of entrepreneurship that Kosovo possesses. Regarding to this, an important role in the creation of these internal values in Kosovo and placing them in the regional and international market, has the business community, which impacts the improvements in the economic welfare and society in general. Hence, improving the image of our country and attracting foreign investors through various forms of partnership.

This publication will be distributed first of all to all the companies who participated in the study, all governmental institutions, business organizations, diplomatic offices, donor organizations and all other stakeholders who directly or indirectly influence the promotion of economic activities of Kosovo. Also this study will be distributed to those who helped to improve the image of Kosovo and its values within Kosovo and abroad.

Since early 2013, this study will take place on regular quarterly bases.

Sincerely yours,

Safet Gërxhaniu

President
Executive summary

Kosovo Chamber of Commerce has the first time implemented the Business Climate Survey in Kosovo. The information derived from the survey can facilitate decision making for business people and policy makers. Also foreign direct investors seek for such information. Business Monitor Surveys are considered a very important information source on economic activities of a country. They are applied in all EU member countries as well as in most economically more advanced countries all over the world. The survey is representative and focused in four sectors: manufacturing, construction, service and trade sectors. The Business Monitor Survey collects information from business managers on their assessment of the economic situation and on their intentions and expectations for the immediate future. Qualitative information can be obtained quickly, easily and often more reliable than quantitative figures. The results provide insights on tendencies, not on quantities. They complement official quantitative statistics which can be delivered much later only.

With regard to expectations for employment in next three months the employment outlook in Kosovo in the near future is moderately positive. Only about two percent of businesses expect that employment will decline; 33 percent are optimistic that employment will increase and remaining 64 percent highlighted that employment will remain the same. Broken down by sectors findings suggest that expectations for the three coming months are lowest for the retail and wholesale sectors whereas the construction and manufacturing sectors seem to be the most optimistic sectors. In regional dimension, construction companies of Prishtina, Mitrovica and Prizren regions have higher expectations for employment compared to other regions. Manufacturing enterprises of Ferizaj have the highest employment expectations followed by Prishtina and Prizren. Optimistic expectations are even better in relation to the business situation for the coming six months: around 48 percent of companies expect their business situation to improve. It is found that again the retailing is the sector with lowest expectations, though much worse compared to the reference for the three next months. Sectors with highest expectations are services and manufacturing. In regional level manufacturing companies of Ferizaj region have higher expectations for the next 6 months. Service sector in Prishtina region has the highest expectation for a better business activity, followed by Peja and Prizren regions.

Besides overall and in detailed analyses by sectors this study as well has assess business barriers. From data collected it is found that insufficient financial means and high interest rates seems to be the most prominent obstacles to do business in Kosovo.
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1. Introduction and methodology

The Kosovo Chamber of Commerce (KCC) conducted first time a Business Monitor Survey to gauge the perception of business people about the prevailing business climate in the country. The information derived from the survey may help to improve decision making for business people and policy makers. Also foreign direct investors seek for such information. Business Monitor Surveys are considered a very important information source on economic activities of a country. They are applied in all EU member countries as well as in most economically more advanced countries all over the world.

The survey will be conducted quarterly and provide details on how companies perceive their current business situation and assess their business outlook. In this way, the KCC will be enabled to forecast economic tendencies.

The business monitor survey is designed and conducted under the responsibility of KCC and at the beginning financially supported by the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ).

For the second quarter 470 companies were pooled. The companies were selected from lists provided by official Authorities of Kosovo. The participation in the survey was voluntary, since the quality of the results depends on the willingness of entrepreneurs to participate. The interviews were conducted by face to face interviews between end of June and early July 2017. The results of the survey are used only to produce aggregated statistics and are not utilized for any other purposes. Individual data obtained from the survey are not used for any publication. The data collected have been compiled and analyzed in-house.

The Business Monitor Survey collects information from business managers on their assessment of the economic situation and on their intentions and expectations for the immediate future. Qualitative information can be obtained quickly, easily and often more reliable than quantitative figures. The results provide insights on tendencies, not on quantities.

The Survey is designed to collect the view of senior managers regarding issues, such as the business situation, volume of production, order books, prices and employment, to assess the business climate in the country. The multiple-choice questions call for judgments on recent developments in the past three months, an assessment of the current situation, or expectations for the next three to six months. The answers are formulated as follows: “increased, remained unchanged, decreased” or “improved, remained unchanged, deteriorated”. By using a three-point scale for the answer options the survey provides a small variance of data. This allows gaining statistically representative results even while polling a smaller number of companies than it would be the case with quantitative survey questions. To further increase the representativeness the sample was stratified by main contributing sectors (Manufacturing (Food processing; recycling; wood processing; metal processing and production of construction material), Construction, Wholesale and Retail, selected Services (transport, professional services and hotels and restaurants) and the size of companies (small, medium, large): A higher sample fraction with regard to large and medium sized companies and lower ones with regard to small companies. The reason for this is that as business performance in smaller companies as rule is more homogenous than in big companies.
Agriculture has not been included because this sector’s short term movements are heavily depending on seasons and climatic conditions and less in accordance with general economic developments. Table 1 outlines the number of completed questionnaires according to sectors and sample size. As it can be noted from Table 1 the size classes are not in line with standard classification but this classification was done taking into account the Kosovo context i.e. a large company is considered if 50 and more employees. This classification is also applied by Kosovo Administration Office.

Table 1: Summary of questionnaires according to sectors and size class

<table>
<thead>
<tr>
<th>Sectors</th>
<th>Questionnaires</th>
<th>%</th>
<th>Small (0 – 9)</th>
<th>Medium (10 – 49)</th>
<th>Large (&gt; 50)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Services</td>
<td>116</td>
<td>25</td>
<td>82</td>
<td>24</td>
<td>10</td>
</tr>
<tr>
<td>Retail</td>
<td>179</td>
<td>38</td>
<td>151</td>
<td>22</td>
<td>6</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>85</td>
<td>18</td>
<td>31</td>
<td>39</td>
<td>15</td>
</tr>
<tr>
<td>Wholesales</td>
<td>42</td>
<td>9</td>
<td>20</td>
<td>21</td>
<td>1</td>
</tr>
<tr>
<td>Construction</td>
<td>48</td>
<td>10</td>
<td>15</td>
<td>22</td>
<td>11</td>
</tr>
<tr>
<td>Total</td>
<td>470</td>
<td>100</td>
<td>299</td>
<td>128</td>
<td>43</td>
</tr>
<tr>
<td>Percentage by size class</td>
<td></td>
<td></td>
<td>64%</td>
<td>27%</td>
<td>9%</td>
</tr>
</tbody>
</table>

The basic procedure used for the processing of data is to calculate the frequency distribution of answers, their percentage shares as well as the balances of the percentage of positive minus negative answers. Balances enable to use just one figure to characterize different judgments stemming from the three point scale. Furthermore, the survey applies weighting procedures in order to improve the representativeness of the data. The results for each sector are weighted according to the sector’s contribution to the gross domestic product.

Table 2: Weighting

<table>
<thead>
<tr>
<th>Sector</th>
<th>Value added (partly estimated)</th>
<th>Weights</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manufacturing</td>
<td>399.431</td>
<td>0.20</td>
</tr>
<tr>
<td>Construction</td>
<td>398.162</td>
<td>0.20</td>
</tr>
<tr>
<td>Wholesale*</td>
<td>361.654</td>
<td>0.18</td>
</tr>
<tr>
<td>Retail*</td>
<td>361.654</td>
<td>0.18</td>
</tr>
<tr>
<td>Services</td>
<td>511.959</td>
<td>0.25</td>
</tr>
<tr>
<td>Overall</td>
<td>2032.860</td>
<td>1</td>
</tr>
</tbody>
</table>

Source: KAS; * since we could not get the data on the contribution of wholesale and retail in total trade we assumed that their contribution is equal.
2. Results of the survey

2.1 Overall results

Findings from this quarter indicate that more than 86 percent of companies evaluate their business situation as good and satisfactory. However there are 14 percent of the interviewed businesses that stated that their business situation is unsatisfactory. As conclusion the overall business situation in Kosovo seems currently to be satisfactory. Current business situation in this quarter is more optimistic compared to the previous quarter.

![Figure 1: Business situation is valued as (% of companies)](image)

The balance (the difference between positive and negative assessments of the business situation), shows positive trend for this quarter. The overall situation is considered favourable for the Kosovar businesses. In the first six months of the year 2017 the business situation trend has increased compared to the same period of the year 2016.
With regard to expectations for employment in next three months the first half of the year (2017) indicates positive expectations. Only 2% of the interviewed enterprises expect to reduce the number of employees. However, compared to Q1 of 2017, in this quarters expectations went down for 9 pp.

**Figure 2: Expectations for employment in next 3 months (% of companies)**

**Assessment of the current situation: Balance**

[Chart showing assessment of the current situation: Balance with data points from 2013 Q1 to 2017 Q2]
As expected from the results, the balance shows deterioration in regard to employment expectations. 

As always, Kosovo business community is very optimistic. In the six-month period, businesses expect tend to be more positive than the three-month expectations. Around half of the interviewed enterprises expect their business activity to improve during the second half of the year 2017. However, the expectations have deteriorated compared to the first quarter of this year (13 pp.). The situation is about the same, compared to the same period of previous year.

Figure 3: Expectations for business situation in next 6 months (% of companies)

The balance indicated a deterioration of about 9 pp., compared to the previous quarter of this year. The situation is however about the same compared to the same quarter of the year 2016.
2.1.1 Business climate indicator

The climate indicator is a measure for economic activity in the country. It is the arithmetic mean between situation and expectation indicator. Climate indicator is the average of the balance of assessment of current situation and expectations for the coming six months. It adjusts expectations with current situation assessment. For example when expectations are that the situation will remain the same and the evaluation of the current situation is bad that the average shows that climate will be negative. For example when expectations are that the situation will remain the same and the evaluation of the current situation is good that the average shows that climate will be positive. This adjusts expectations from a starting good position. Business climate indicator remains positive, however the trend started to drop slightly in this quarter, compared to the previous one.
2.1.2 Confidence Indicator

While the indicator of the business climate focuses on the situation of profit of enterprises (current and expected), confidence indicator (confidence index) puts more emphasis on business activity (current and expected) no matter how profitable it is. Confidence indicator is widely used in the economic analysis of the European Commission and is available to all EU member states.

Confidence indicator in 2017 started to increase. The trend keeps going up, with an increase of pp. in the current quarter, compared to the previous one. Confidence indicator in this quarter is significantly more positive compared to the same period of the year 2016, it shows an increase of about 9.3pp. By confidence indicator it may be noted that business expectations are proportional to increasing reliability.
2.2 Sectorial overview

In this section responses on three common questions are analyzed according to sectors. Table 3 outlines information on the balance, i.e. the difference between positive (business situation/employment will improve/increase) and negative responses (business situation/employment will deteriorate/decline) all weighted according to Table 2. As it can be noted from Table 3 companies in the trade sector, especially wholesaling are the ones that are least satisfied with their current business situation, whereas construction is the sector where companies are most satisfied, this logically influenced by the season effects.

As for expectations concerning employment in next three months, trade sector scores lowest, i.e. their expectations are not that promising, whereas construction again is in this respect the most optimistic sector, followed by manufacturing sector. For the next 6 months, retail is the sector with lowest expectations, though much worse compared to the reference for the three next months. Sectors with highest expectations are services, manufacturing, and construction.

### Table 3: Findings for all sectors on three common monitoring indicators

<table>
<thead>
<tr>
<th>Current situation</th>
<th>Construction</th>
<th>Manufacturing</th>
<th>Retail</th>
<th>Wholesale</th>
<th>Services</th>
<th>Weighted balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>We evaluate our business situation as: good; satisfactory; unsatisfactory</td>
<td>50</td>
<td>43</td>
<td>28</td>
<td>-2</td>
<td>31</td>
<td>31</td>
</tr>
<tr>
<td>Expectations in the next three months</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The number of employees in the coming months will: increase; remain the same; decrease</td>
<td>48</td>
<td>39</td>
<td>19</td>
<td>19</td>
<td>26</td>
<td>27</td>
</tr>
<tr>
<td>Expectation in the next six months</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Our business situation in the coming next six months will: improve; remain the same; decrease</td>
<td>54</td>
<td>55</td>
<td>8</td>
<td>23</td>
<td>62</td>
<td>43</td>
</tr>
<tr>
<td>Weights</td>
<td>0.2</td>
<td>0.2</td>
<td>0.18</td>
<td>0.18</td>
<td>0.25</td>
<td></td>
</tr>
</tbody>
</table>

More detailed data are provided in Figure 4, 5 and 6.

Figure 4 shows that least satisfied with current business situation are companies operating in the wholesale sector, followed by the retail sector. Significantly better is - according to the interviewed companies - the current business situation in the construction, the manufacturing and the services sector (see Figure 4).
With regard to expectations for employment in next three months half of the companies of construction sector expect employment to increase. This is by far the most optimistic sectorial employment outlook for this sector. On the other hand, a very high share of companies (74%) operating in the services sector expect employment to remain the same. However, expectations for employment to decline range only between 2-5 percent of companies across sectors. Trade sector is facing its hardest times, as seen from the expectation in regard to employment. So in total, the employment outlook in Kosovo in the near future is very positive.
Again, as we move to a longer time span (six months) question, expectations on the business outlook improve. More than half of businesses foresee their business situation to improve. Only less than 12 percent of companies expect situation to worsen. Best prospects for the next 6 months are noted by the services sector where more than 65% of the interviewed companies of this sector expect that the business situation will improve followed by the construction sector, manufacturing and the less optimistic are the retail and wholesale sectors. With regard to unfavorable forecast i.e. that the business situation will deteriorate again the retail and wholesale sectors are found to have worse expectations whereas for other sectors expectations are about the same.

**Figure 6: Expectations for business situation for next 6 months (% of companies)**

<table>
<thead>
<tr>
<th>Sector</th>
<th>Improve</th>
<th>Remain the same</th>
<th>Deteriorate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retail</td>
<td>68</td>
<td>12</td>
<td>20</td>
</tr>
<tr>
<td>Wholesale</td>
<td>63</td>
<td>30</td>
<td>12</td>
</tr>
<tr>
<td>Construction</td>
<td>58</td>
<td>38</td>
<td>4</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>56</td>
<td>43</td>
<td>1</td>
</tr>
<tr>
<td>Services</td>
<td>65</td>
<td>32</td>
<td>3</td>
</tr>
</tbody>
</table>

Expectations for the next 6 months

- **Improve**
- **Remain the same**
- **Deteriorate**
2.3 Sectoral Analysis

2.3.1 Manufacturing
Findings presented in Figure 7 in general reveal that companies in the manufacturing sector do not have the problem of holding unsold stock: about 64 percent of the companies indicated that their unsold stock is normal and about 27 percent stated that their unsold stock is too small. It remains open, if this shortage of stocks is due to a lack of finance or supply problems. An interesting finding is that only about 3 percent of companies said they do not maintain stocks, implying that they produce per demand.

Figure 7: The stock of unsold goods (% of companies)

Only about 1 percent of manufacturing companies responded that they bulk of unfilled orders is relatively large (Figure 8). The big majority of companies 39 percent of industrial companies complain about a too small backlog of orders; more than half of the interviewed enterprises of manufacturing sector are satisfied with the current stock of orders (55%).
More than 35 percent of the interviewed companies do not export (Figure 9). From those that export about 26 percent of the companies stated the current incomplete orders are too small, and the remaining do not have the problem with in-completed orders for exports.
Results presented in Figure 10 reveal that for almost 56 percent of manufacturing enterprises the demand situation in the last three months (companies were interviewed in June 2017) improved; for 33 percent it remained the same whereas for about 11 percent of companies the demand got worse in the last three months.

Figure 10: The demand in last 3 months has (% of companies)

![Graph showing demand situation in last 3 months](image)

In line with responses related to the demand situation in the previous three months, the production in the past three months in 56% of the companies increased, respectively went down in 7% of cases and remained unchanged in 37 percent of manufacturing companies (Figure 11).

Figure 11: Production in past 3 months has (% of companies)

![Graph showing production in past 3 months](image)
With regard to price changes in the previous three months about 13 percent of companies declared that their prices have increased; 7 percent of the enterprises of this sector have reported their prices have gone down whereas majority of companies kept their prices unchanged (80% of companies).

Figure 12: Prices in past 3 months (% of companies)

Majority of companies in the manufacturing sector expect their production activity in next three months to increase (69%); 29 percent expect that the production level will remain unchanged and only 2 percent indicated that they expect their production to decline (Figure 13).

Figure 13: Expectation for production in next 3 months (% of companies)
The export expectations are outlined in Figure 14. As shown, companies are quite optimistic for the future export trend. The majority of companies expect to export more or at least the same amount, whereas only 1 percent foresee a decline in export activity.

**Figure 14: Expectations for export in next 3 months (% of companies)**

Manufacturing questionnaire includes a question related to the capacity usage. As it can be noted from the figure below, 5 percent of the companies work with less than 51 percent capacity usage. Only 12 percent responded to fully utilize their capacity. Compared to most other European countries the degree of capacity utilization is rather low in the manufacturing sector of Kosovo.

**Figure 15: Capacity usage (% of companies)**
2.3.2 Construction

Results presented in Figure 16 show that companies in the construction sector consider the development of their business in the last 3 months to have increased (46%). 40 percent of the construction companies indicated the business activity in the last months to have remained unchanged. About 15 percent of the business participating in the survey have indicated that their business activity has deteriorated. The positive result was probably to a significant extent caused by a good weather conditions during spring and summer.

![Figure 16: Development of business in last 3 months (% of companies)](image)

Regarding the demand situation in construction sector, about 67 percent of the companies consider the level of current orders to be adequate for the referring period, whereas about 14 percent considered it as too small. About 19 percent of construction companies stated their current orders to be too large.

![Figure 17: Current orders considered (% of companies)](image)
In regard to price development in the next three months, about 27 percent of the companies expect the prices to go up (Figure 18). Most of the companies indicated that prices will remain unchanged (67%). Only 6 percent of companies expect prices to decline.

**Figure 18: Expectations for price changes in next 3 months (% of companies)**

Regarding capacity utilization (Figure 19) only 8 percent of companies interviewed worked with less than 51 percent capacity usage and 25 percent of the interviewed companies reached a capacity utilization between 71-80 percent. Only 4 percent were able to fully utilize their capacities.

**Figure 19: Capacity usage (% of companies)**
2.3.3 Retail

Half of the retailing sector enterprises have stated that their business activity in the last three months remained the same. Quite a significant percentage of companies of this sector mentioned an increase in their respective businesses (about 38%), and about 12 percent faced difficulties in their business activity.

![Figure 20: Development of business in last 3 months (%)](chart)

The clustered bar chart in Figure 21 shows that the majority of companies interviewed consider the current volume of stocks to be adequate (80%); around 12 percent of companies consider their stocks to be too small, only 8 percent of companies stated their current volume of stocks to be too large.

![Figure 21: Current volume of stocks (% of companies)](chart)
More than 70 percent of the interviewed retailing enterprises expect in the next coming months their orders to increase; about 21 percent expect orders to remain the same and about 9% to do gawn. (Figure 22).

**Figure 22: Expectations of orders over the next 3 months (% of companies)**

Retailing sector has optimistic expectations. About 77% of the companies expect their business activity to increase, which indicates the highest level of expectations compared to the last quarters. About 19 percent expect business activity to remain unchanged and only 4 percent expect to deteriorate.

**Figure 23: Expectations of business activity over the next 3 months (% of companies)**
The presumably price increase in coming three months appears to be moderate: Only 8% of retailers expect an increase of prices. The big majority (74%) of companies expect no price change ahead and a considerable percentage (18%) of firms even expect declining prices (Figure 24).

![Figure 24: Expectations of prices over the next 3 months (% of companies)](image)

### 2.3.4 Wholesale

Wholesaling sector mostly (about 50%) indicates to have kept their business activity unchanged. A share of companies is equally split in those which in the last three months had a decrease or an increase over in regard to the business development (26% each group).

![Figure 25: Development of business in last 3 months (% of companies)](image)
The pie charts show the assessment of current stocks. Nearly 90 percent of the wholesaling companies said their current stocks are adequate (normal for the period of the year), 10 percent said they are too large, and only 2 percent highlighted the volume of stocks to be too small (Figure 26.)

**Figure 26: Current volume of stocks (% of companies)**

Concerning the presumable development of demand, in the next three months, 52 percent of companies were quite optimistic and expect orders to increase over the next three months, for about 38 percent of the companies the orders will probably remain unchanged and about 10 percent expect orders to decrease over the next three months.

**Figure 27: Expectations of orders over the next three months (% of companies)**
Expectations for the next three months for the wholesaling sector are very optimistic. Only 2 percent of the companies expect their business activity to decline and for about 40 percent will remain unchanged. Thus, the overall business outlook for the coming six months appears improving to companies.

Figure 28: Expectation of business activity over the next 3 months (% of companies)

The expected price trend in coming three months is rather stable: The overwhelming part of companies (73%) expects no change in prices. Only about 5 percent expect even to decline the prices in the coming months. A considerable percentage also expect to increase the prices (22%).

Figure 29: Expectations of prices over the next 3 months (% of companies)
2.3.5 Services

For almost 90 percent of service companies the business situation in the last three months has been either improving or remained unchanged; for about 11 percent the business situation was unsatisfactory (see Figure 30).

Figure 30: Business situation in past 3 months (% of companies)

![Business situation in the last 3 months](chart)

Turnover in the past three months remained in about half of the companies unchanged. Of the remaining companies a larger share reported an improve than a decrease of turnover (39 percent compared to about 12%; Figure 31).

Figure 31: Turnover in the past 3 months

![Turnover in the last 3 months](chart)
Companies indicated that for about 45 percent of them turnover in the last three months remained unchanged; for around 40 percent in has improved; whereas 16 percent of them indicated a decline in turnover (Figure 32).

**Figure 32: Turnover in the past 3 months compared to previous year (% of companies)**

![Turnover in the past 3 months compared to previous year (% of companies)](image)

A sign of a difficult economic situation of many service companies might be reflected in the fact that about 38 percent of companies consider their current backlog of orders to be too small.

About 58 percent of the interviewed companies as sufficient. Relatively high is the backlog of orders only in 4% of the services companies.

**Figure 33: Current backlog of orders (% of companies)**

![Current backlog of orders (% of companies)](image)
In about two thirds of service companies (75%) the number of employees remained stable in the past three months; in 15 percent of cases the number has increased and in about 10 percent of the interviewed companies of the services sector the number of employees has decreased (Figure 34).

**Figure 34: Employees in the past 3 months (% of companies)**

With regard to turnover in the next three months the majority of companies (72 percent) stated that turnover in the next three months will increase and for about 27 percent it will remain unchanged; only less than 1 percent expect the turnover to decrease (Figure 35).

**Figure 35: Turnover in the next 3 months (% of companies)**
With regard to price changes in the next three months 91 percent of companies expect unchanged prices. The remaining share equally split into those expecting higher or lower prices (4.1%).

Figure 36: Expectation of prices in the next 3 months (% of companies)

3. Barriers to sectorial development

One chapter of the questionnaire was focused on identifying barriers with which companies are faced with. As it can be noted from Table 4 lack of financial means is the main barrier that businesses face. High interest rates is found as another important barrier faced by Kosovo businesses, followed by the barrier that costumers do not pay on time. Lack of qualified staff is always mentioned among the biggest barriers.

Table 4: Barriers to do a business according to sectors

Business barriers for Q2 2017
4. General statement and conclusions

This Business Climate Survey has collected information from business managers on their assessment of the economic situation and on their intentions and expectations for the immediate future. Nearly 470 companies were interviewed in the manufacturing, construction, service and trade sectors. Main findings derived from this survey is that as qualified by companies in covering sectors the overall business situation in Kosovo seems currently to be satisfactory.

**Current situation:** Compared with the previous quarter, the situation is presented with an increase of 8pp; 86% of the surveyed companies in all sectors stated that they had better business situation in this period, compared to the previous quarter;

The situation in this quarter appears significantly better compared to the same period of the previous year, while in Q2 of 2016, 30% of businesses had declared good business situation, in this quarter 45% of surveyed businesses highlighted the business situation as satisfactory, respectively a 15pp increase. This quarter represents the best current situation among all quarters since 2013.

**Employment expectations:** Employment expectations are positive, however compared with previous quarter we have a 9pp drop. Our businesses expect to run their daily basis business activity with the current number of employees. The construction sector in this quarter has the highest expectations for employment, which is also based on the fact that Q2 of the year contains the largest business activity for this sector. Higher employment expectations has also the manufacturing sector, with a slightly lower percentage compared to the previous quarter, while other sectors have lower expectations for employment growth.

**Expectations for the next six months** are optimistic, however compared with the previous quarter we have a 13 pp decrease. The biggest expectations for the next 6 months are from services and the manufacturing sector; while negative expectations come mainly from the retail sector, followed by the wholesale sector. Expectations are almost the same with the same period of the previous year.

**Business climate:** Businesses reported to have a very good business situation. Business climate index, compared to the previous quarter is about the same in this quarter, but significantly better compared to the same period of the previous year.

**Confidence indicator:** has increased compared to previous quarter, but also compared to the same period of the last year. Business confidence in this quarter is among the highest levels since the beginning of 2013, respectively 25.5.