



ODA EKONOMIKE | KOSOVA CHAMBER  
E KOSOVËS | OF COMMERCE

# Business Climate in Kosovo Q3 - 2023



Pristina, 2023



# MEASURING INDICATOR OF TREND IN BUSINESS

Third quarter of 2023



ODA EKONOMIKE | KOSOVA CHAMBER  
E KOSOVËS | OF COMMERCE





## Dear friends and colleagues

The initiative to resume the publication of the "Business Monitoring in Kosovo" report by the Kosovo Chamber of Commerce is an important step that ensures accurate information for businesses in Kosovo. The Kosovo Chamber of Commerce aims, through this study, not only to inform the business

community about the trends in Kosovo's businesses but also to promote the values of Kosovo's businesses and contribute to aligning them with European values. Throughout its activities, the Kosovo Chamber of Commerce has aimed to raise the overall awareness of society regarding the value of entrepreneurship that Kosovo possesses. In this regard, the business community plays a crucial role in creating internal values in Kosovo and establishing them in national and international markets, influencing the prosperity of the economy and society as a whole. Therefore, to enhance the image of our state and attract foreign investors towards various forms of partnership, this publication will be distributed primarily to all companies that have participated in the study, all state institutions, business organizations, diplomatic offices, donor organizations, and all interest groups directly and indirectly influenced by the promotion of Kosovo's economic activities. Moreover, this study will be distributed to those who have contributed to enhancing the image of Kosovo and its values both inside and outside the country. Starting from 2023, this study will be regularly published on a quarterly basis.

Sincerely

Lulzim Rafuna

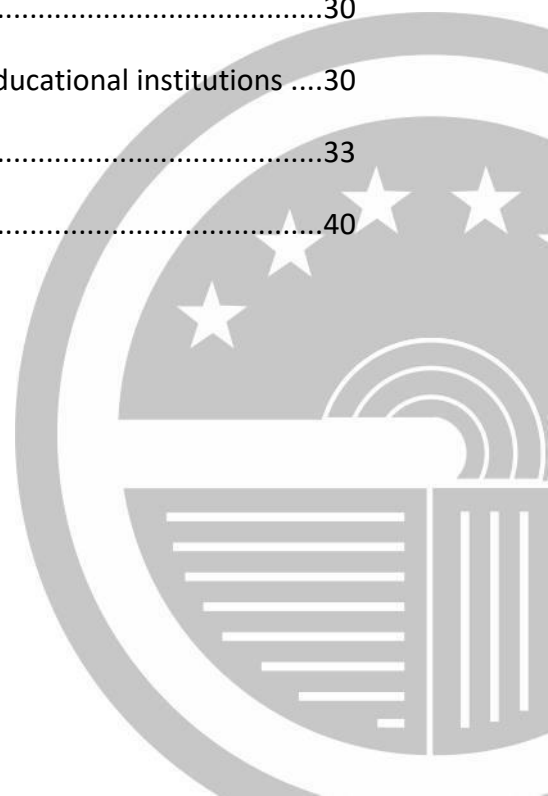
President of Kosovo Chamber of Commerce





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## Summary

The study of the business climate in Kosovo has served as an essential tool to assess and monitor the economic environment in the country. The Kosovo Chamber of Commerce has taken a significant step in implementing this study, thus creating a robust information infrastructure for businesses and investors.

Business climate surveys provide a comprehensive overview of business conditions, identifying challenges, problems, and significant changes in the economic environment. This information is crucial for business leaders and policymakers, enabling them to make informed decisions. For foreign investors, these data offer an assessment of the potential and risks of investing in Kosovo.

Monitoring business analysis is an important source of information for a state's economic activity, helping authorities identify factors influencing competition and the development of various economic sectors. This type of monitoring is widely used in EU member states and developed economies globally.

The implementation of the business climate study by the Kosovo Chamber of Commerce represents a significant step towards improving the economic environment and promoting investments in the country. This analysis ensures that economic policies and decisions in Kosovo are based on accurate and verified data.

Surveys focusing on different sectors such as production, construction, services, retail, and wholesale provide a broad perspective on the economic situation in Kosovo. These sectors are essential for the country's economy and trade activity.

Monitoring business analysis through information collection from business managers is an important method for evaluating the economic situation and their expectations for the future. Qualitative information, including assessments and opinions of managers, offers a quick and facilitated perspective for identifying trends and developments in various industries and sectors of the economy.



The business climate in Kosovo is not seen as favorable, and expectations are that this situation will continue in the next two quarters.

The overall business situation in Kosovo is assessed as unsatisfactory, with only 13% of companies considering their business situation as good, 24.40% as satisfactory, and 62.60% as unsatisfactory. This indicates that businesses in Kosovo face a level of fragility in their activity during this quarter. This assessment by businesses results from a lack of reflection in economic stability, non-increase in production activity, non-creation of new business opportunities, lack of capital investments locally and centrally, and the absence of measures and policies to improve the business climate in the country. This assessment is made by the companies themselves and reflects their perception at a specific moment.

However, it is essential to understand that the business situation can change rapidly in the context of changes in the economy, policies, and other external factors. Business expectations for the next quarter indicate a mild expectation for employment in Kosovo, with around 11.20% of businesses predicting an increase in the number of employees. This clear sign of disbelief in economic activity growth and the need for additional workforce comes as a result of businesses' lack of confidence in mass staff recruitment, predicting multiple movements starting from January 2024. On the other hand, only 3.20% of enterprises expect a reduction in the number of employees, a figure twice as high as the previous quarter, while 85.60% of them expect the number of employees to remain almost unchanged.

The increase in the number of businesses stating unfavorable business activity and anticipating its continuation is unwelcome news for economic development in Kosovo. However, it is concerning to hear that businesses expect an unfavorable development in their activity over the next six months. About 18.20% of businesses predict a worsening of activity or unfavorable development, while 66.60% expect their business situation to remain the same, even though they consider it unsatisfactory. This indicates a clear sign of declining optimism and confidence in economic growth and business performance.

Expectations of this nature often result from various factors such as inflation, lack of cash flow, the construction season that may bring a decline in trading activity, lack of capital investments, export decline, and a decrease in activity in the construction sector.



The business climate in Kosovo is generally perceived as unfavorable by many businesses, and business expectations indicate a low level of optimism. Pessimism expressed by businesses is based on hopes and expectations for various factors that may affect commercial activity and business performance. However, it's important to understand that expectations are conditioned by current conditions and may change if the situation changes. Overall, this level of business expectations indicates that the business climate in this quarter and the next two quarters will be challenging for the private sector in Kosovo.







## 1. Introduction and methodology

The Kosovo Chamber of Commerce has undertaken a significant initiative by conducting the monitoring and analysis of businesses for the third quarter of 2023. This effort aims to assess the business perception regarding the economic climate in Kosovo. The study focuses on providing a crucial source of information, bringing together qualitative and quantitative data to assist business stakeholders, policymakers, and foreign investors in making informed decisions.

This type of monitoring and analysis is successfully practiced in EU member states and economically developed countries, demonstrating its importance and effectiveness in the economic planning and development process. With this study, the Kosovo Chamber of Commerce aims to promote a culture of information and transparency about the business climate in the business sector, ensuring a sustainable information base for decision-making and the formulation of economic policies in the country.

The research on monitoring and analysis of businesses in Kosovo is conducted quarterly, providing detailed insights into companies' perceptions of the current situation and their expectations. The representativeness of the sample is achieved by interviewing 500 selected companies from key sectors of the economy, including production, construction, wholesale, and retail trade, as well as service sectors.

The survey includes a combination of questions allowing companies to express their assessments regarding recent developments, the current situation, and expectations for the future. To ensure representation and accurate analysis, the sample structure is determined using a classification based on the size of companies, their specific sectors, and their respective regions.

The process of surveying and monitoring businesses is coordinated and directed by the Kosovo Chamber of Commerce, ensuring the organization and interpretation of data in a qualitative and reliable manner. The collected data have been processed by the Department for Economic Analysis and Strategic Communication at the Kosovo Chamber of Commerce, responsible for providing the necessary information for economic actors and policymakers.





This business analysis process represents a significant effort to ensure a clear and comprehensible overview of the business climate in Kosovo. Furthermore, this study provides a crucial information base for various factors influencing the economic development of the country.

Table 1 contains the completed questionnaires based on sectors and the sample. In the table, the size of the classes is determined according to standard classifications used to categorize companies into different groups based on their number of employees. The standard classifications are as follows:

- ✓ Companies with 1-9 employees are considered micro-enterprises.
- ✓ Companies with 10-49 employees are considered small companies.
- ✓ Companies with 50-249 employees are considered medium-sized companies.
- ✓ Companies with more than 250 employees are considered large companies.

These classifications assist in the assessment and analysis of changes in the business situation by grouping them according to their size in terms of employees. Through this segmentation, it is possible to evaluate the impact and expectations of businesses based on their size.

**Table 1: A summary of questionnaires based on sectors and company sizes**

Sectors	Questionnaires	%	Micro (0-9)	Small (10 - 49)	Medium (50 - 249)	Big (>250)
Manufacturing	112	22.40%	48	45	18	1
Services	118	23.60%	80	29	8	1
Construction	72	14.40%	27	31	11	3
Retail	112	22.40%	54	41	15	2
Wholesale	86	17.20%	29	43	13	1
Total	500	100	238	189	65	8
Percentage by size			47.60%	37.80%	13%	1.60%



Table 2 shows the distribution of the sample according to regions based on the number of active businesses in the Tax Administration of Kosovo (ATK). This distribution is determined based on the percentage of active businesses in each region of the ATK. According to the provided data, the table indicates that in the used sample, the percentages of businesses by regions are as follows: Ferizaj: 13%, Gjakova: 10%, Gjilan: 9%, Mitrovica: 9%, Peja: 10%, Pristina: 33%, Prizren: 16%.

This represents the percentage of businesses included in the sample from each region of the ATK, considering the number of active businesses in each region.

**Table 2: A summary of the questionnaires based on region and size of companies**

Regions	Questionnaires	%	Micro (0-9)	Small (10 - 49)	Medium (50 - 249)	Big (>250)
Prishtinë	165	33%	53	83	27	2
Mitrovicë	45	9%	32	8	3	2
Pejë	50	10%	35	10	3	2
Prizren	80	16%	16	41	22	1
Ferizaj	65	13%	43	15	6	0
Gjilan	45	9%	18	23	4	0
Gjakovë	50	10%	41	9	0	1
Total	500	100	238	189	65	8
Percentage by size			47.60%	37.80%	13%	1.60%

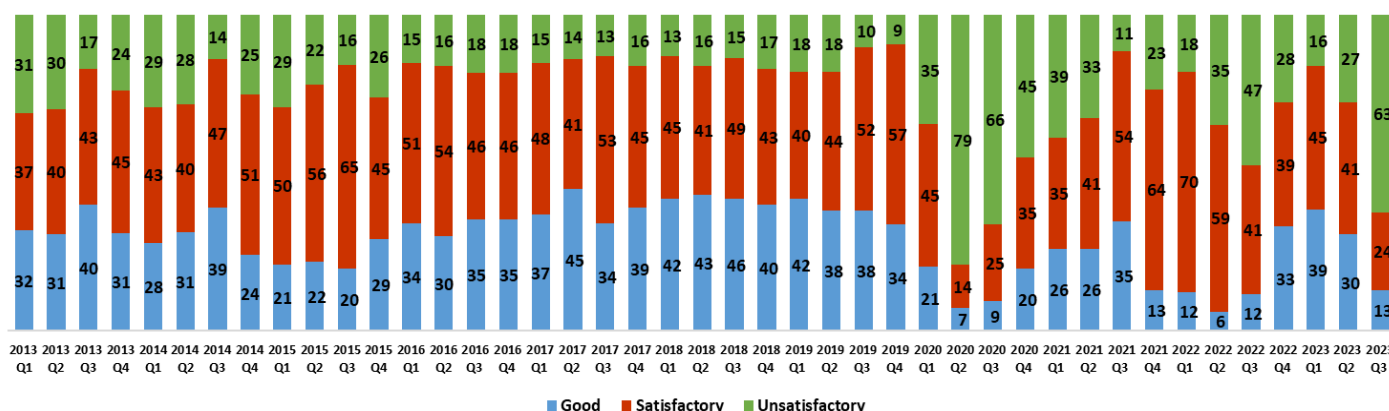


## 2. General results

According to the results of the third quarter of this year, professional analysis reveals that only a percentage of 13% of companies assess their business situation as good, while a figure of 24% considers it satisfactory. In contrast, the majority of 63% of the interviewed companies expressed dissatisfaction with their business situation. Taking a general overview, it can be concluded that the overall current business situation for companies in Kosovo is considered unfavorable.

When compared to the quarters of this year, it is observed that each quarter has brought an increase in the unsatisfactory business environment. Figure 1, which illustrates the assessment of the business situation in percentage for the companies, clearly indicates that only a small portion of them is content with the current business situation. This trend generally indicates a continuous challenge for the business sector in Kosovo during this year.

Figure 1: Business Situation Assessment (% of companies)



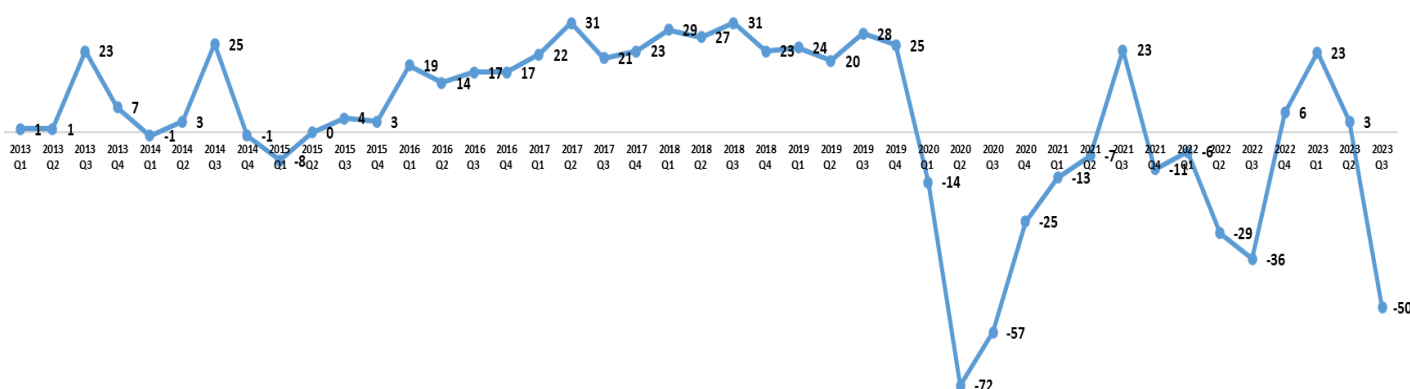
In the analysis of another aspect of the business climate assessment, the focus is on the balance, an important parameter that determines the difference between positive and negative assessments of the business situation. In this context, the results show a rather negative trend for this quarter. Compared to the previous business situation (Q2 2023), there is a decline of 53 percentage points (p.p.), a significant change indicating a noticeable deterioration in the current business climate in Kosovo.



When comparing the situation of this quarter (Q3 2023) with the same period in 2022 (Q3 2022), there is also a significant deterioration with a decline of 14 p.p. This suggests that the current state of the business climate has worsened compared to the same time last year. It is important to note that this decline comes after the first and second quarters of 2023 had a positive balance in assessing the business climate situation.

Meanwhile, Figure 2, which presents the assessment of the current state in the form of a balance, clearly illustrates this negative trend. A low balance indicates that the majority of surveyed companies have expressed a negative perception of the business situation. This current state of the business climate makes it clear that this quarter has been characterized as a significant challenge for the business sector in Kosovo.

**Figure 2: Assessment of the Current State: Balance**



The third quarter of this year marks a reduction in employment expectations, following a negative trend from the past two quarters of this year. About 11% of the participating companies in this study express the intention to increase the number of employees in the upcoming period.

However, this positive forecast is limited to a relatively small percentage of businesses and is expected to have a limited impact on reducing unemployment at the national level.



On the other hand, the majority, around 86% of surveyed businesses, state that they will maintain the same number of employees, indicating a level of stability in this aspect. Only 3% of enterprises anticipate reducing the number of employees, a figure that signifies a decrease compared to the 22% reported in the previous quarter.

This result is a consequence of various factors that the private sector and our country are currently grappling with. Various influences, including global economic conditions, local policies, and internal developments within the sector, have affected the expectations and decisions of companies regarding the workforce.

**Figure 3: Employment Expectations for the Next Three Months (% of Companies)**

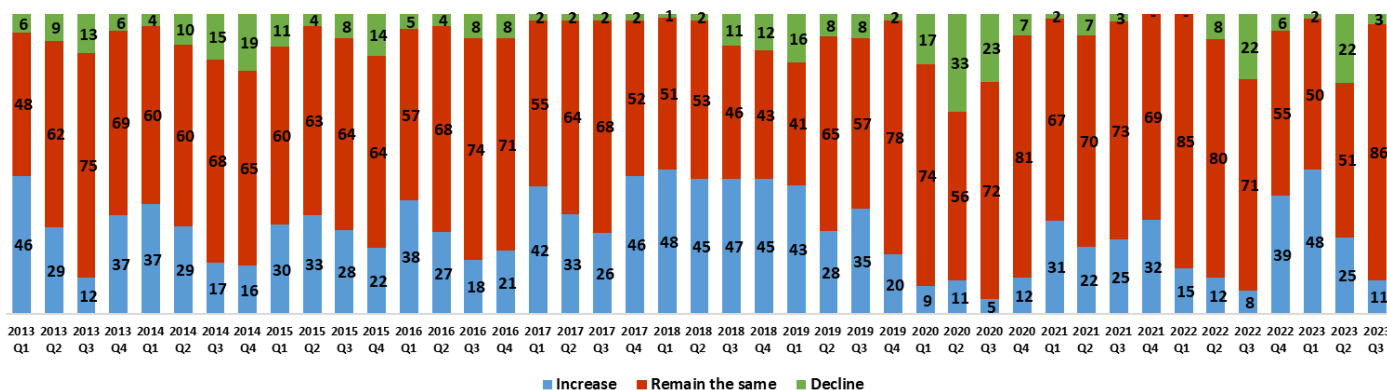


Figure 4 depicts an interesting development during this quarter, showing a considerable increase in the employment expectations balance. A comparison with the previous quarter indicates a growth of 5 percentage points (p.p.), a figure confirming a positive trend, although not highly dominant. This increase follows a relatively challenging period where expectations for employment were low.

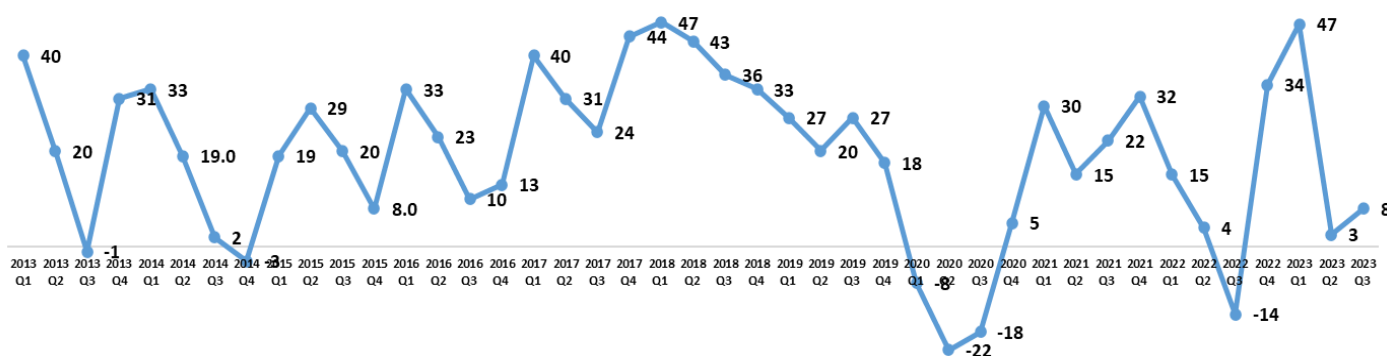
The previous quarter had lower expectation levels, so the growth in the Employment Expectations Balance for this quarter is seen as a positive change, albeit a modest one.

Importantly, this rise in employment expectations is linked to a larger number of companies in this quarter stating that they will maintain their current number of employees. This is a clear sign of stability and the care expressed by businesses regarding their workforce. At the same time, there is an increase in the percentage of companies that only wish to retain their



current number of employees, indicating a more cautious approach to balancing their structure. In another context, a significant decline has been observed in the percentage of companies expressing interest in increasing the number of employees in the future.

Figure 4: Employment Expectations: Balance



The business community in Kosovo expresses a cautious and skeptical outlook regarding expectations for the development of their activities during the next six months. Only 11% of surveyed businesses express positive expectations for the improvement of the business situation, while a majority of 71% expects the situation to remain the same. On the other hand, 18% of companies anticipate a deterioration in the business situation.

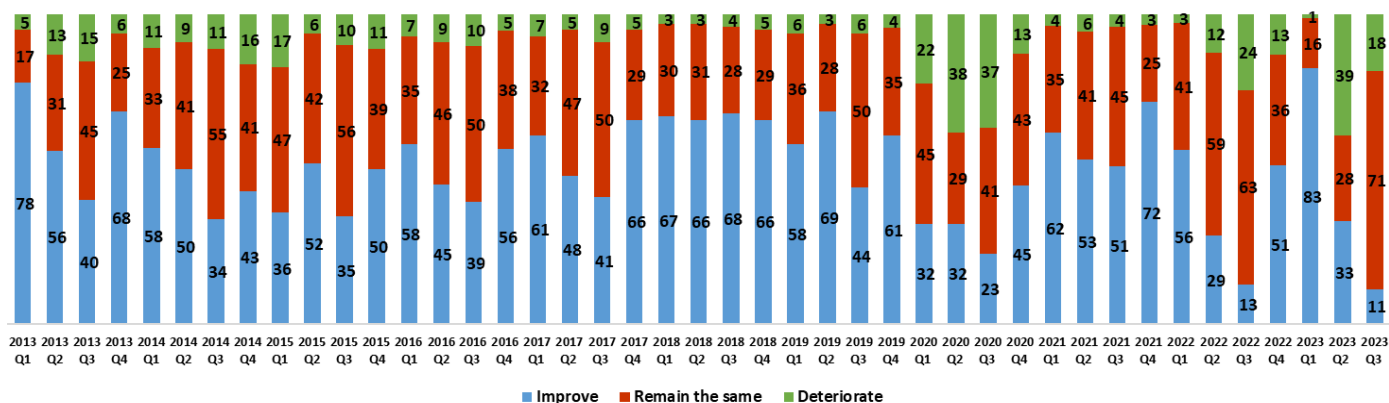
These limited expectations for improvement and the trend of a considerable number of companies predicting a worsening in their activities indicate a low level of optimism in the business community.

This scenario of predicting a challenging period comes in the context of a significant decline in expectations compared to the same quarter of 2022, marking a decrease of 2 p.p.

For the upcoming period, expectations have undergone a considerable reduction, showing a decrease of 22 p.p. compared to the same expectations of the previous quarter. This decline in expectations for the next 6 months between the two quarters indicates a deeper sense of uncertainty and concern regarding the business climate in Kosovo. Businesses demonstrate a high level of concern for possible developments and reflect a contemplation of the anticipated challenges in the short term.



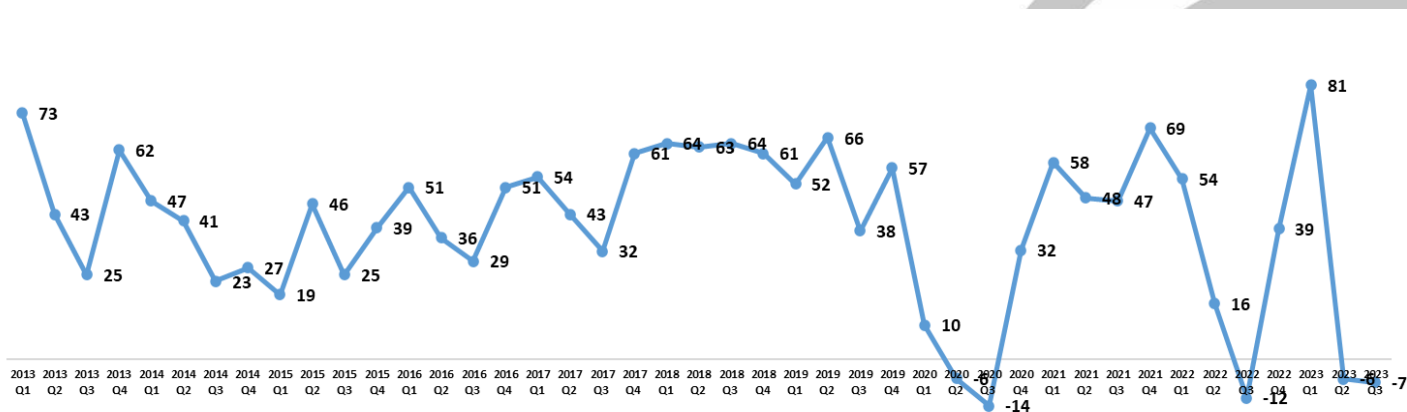
Figure 5: Expectations for the business situation in the next 6 months (% of companies)



The presented findings highlight a clear trend in the decline of expectations, which is also reflected in the business situation balance. Detailed analysis indicates a significant decrease in expectations for the business situation in the next 6 months, foreseeing a considerable deterioration. Based on these results, the expected balance is projected to be -1 p.p., interpreted as an indication of a decline in expectations to improve the business situation in the next 6 months.

This negative trend in expectations signifies a high level of concern and uncertainty in the business community regarding future developments. The decline in expectations in the near future suggests a challenging and difficult environment for businesses in Kosovo, impacting the sustainability and short-term outlook of the private sector. Such expectations of a decline in the business situation balance serve as an alarm for an economically sensitive and insecure environment.

Figure 6: Expectations for the Next 6 Months: Balance







## 2.1. Business Climate Indicator

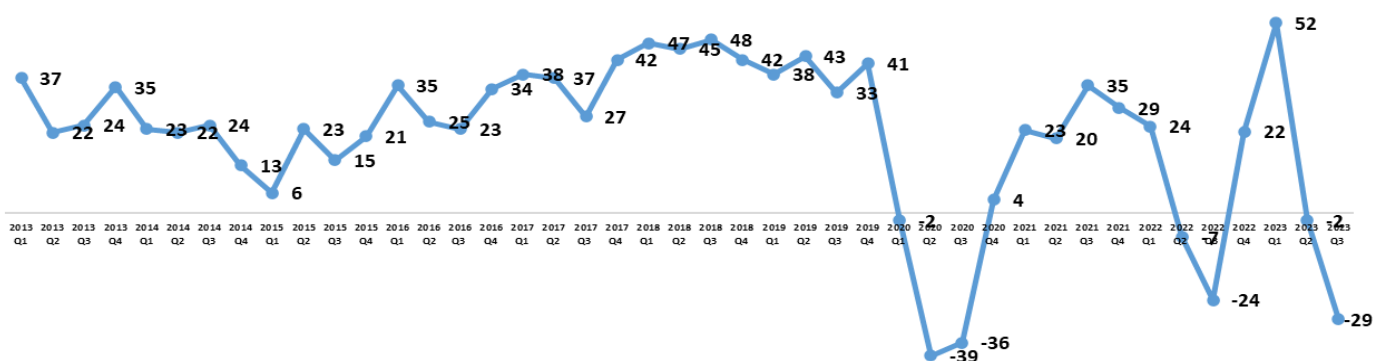
The Business Climate Indicator is an important tool for assessing the overall economic condition of the country. This indicator, which uses an arithmetic average between the current situation and expectations for the future, provides a conclusion about the level of economic assessment in a six-month period.

In the current quarter, Q3 2023, the Business Climate Indicator shows a decline of around 20 percentage points compared to the previous period. This indicates that the business climate in Kosovo has started to develop in an unfavorable and unstable manner for local enterprises.

The unfavorable situation of the Business Climate Indicator indicates a negative development in the economic context of the country.

This recent event suggests that enterprises are facing challenging conditions, reflecting an insecure and unsuitable environment for their operations in Kosovo. This result emphasizes the need for attention and appropriate measures from economic stakeholders and policymakers to improve the conditions and business climate in the country.

Figure 7: Business Climate in Kosovo





## 2.2. Confidence indicator

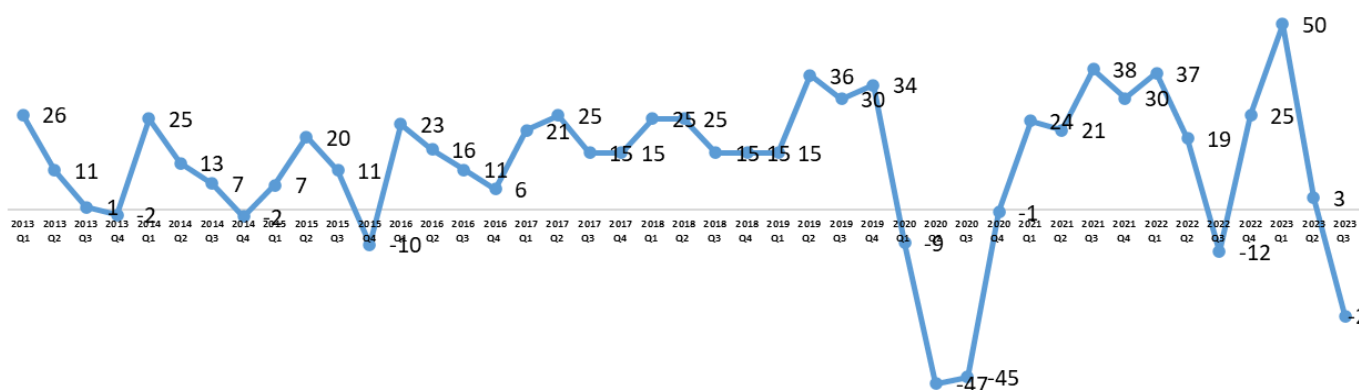
The Business Climate Index focuses on evaluating the profitability situation of enterprises, including current aspects and expectations for the future. However, the Confidence Indicator, known for its importance in assessing business activity, provides a broader perspective on the level of confidence, regardless of the concrete income that an enterprise may realize. This confidence indicator has a long history of use in the economic analysis of the European Commission and is widely used for all member states of the European Union.

In 2023, in the second quarter, the Confidence Indicator recorded a significant reduction in the confidence scale compared to the previous period, including a decrease of 32 percentage points in the third quarter of 2023. This downward trend began in the second quarter of 2023, marking a substantial loss of confidence by 47 percentage points compared to the first quarter of 2023.

Meanwhile, comparing the third quarter of 2023 with the same period in 2022, there is also a decline in the confidence indicator by 17 percentage points.

These changes in the confidence indicator represent a high level of decline in optimism and confidence in business activity. Although it still shows a certain level of confidence, this loss of confidence in the improvement of the economic situation indicates that positive prospects for business development have undergone a significant reduction for the future.

Figure 8: Business Confidence in Kosovo





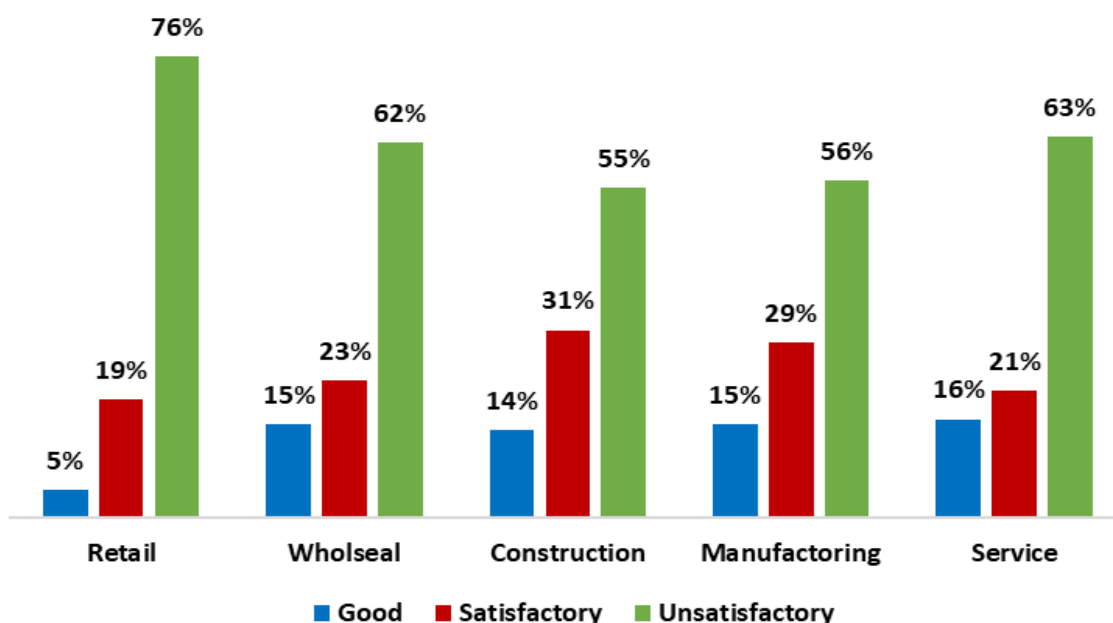
### 2.3. Sectoral Overview

Figure 9 is a graphic illustration that outlines the dimensions of the current business situation in the five main sectors included in this survey. The assessment of the business situation for each sector has been done using a three-level scale, with which each subject has evaluated their current state.

Based on the results presented in Figure 9, all analyzed sectors express a negative outlook, assessing their business situation as unfavorable. The average rating scale for the business situation for all sectors reaches around 62% as unfavorable, highlighting a general sense of uncertainty and challenge in their operational environment.

Data analysis shows that all sectors are affected by an unfavorable situation, demonstrating the negative impact created by difficult economic conditions. Figure 9 provides a clear overview related to the current perceptions of enterprises in these sectors and confirms their common challenges in the present period.

**Figure 9: Business Situation Assessment (% of companies)**



The analysis of employment expectations for the next three months reveals a clear picture of the business climate in different sectors. The obtained results indicate a low trend of



employment expectations in all sectors, presenting an unpromising outlook for the near developments. This decline in expectations carries the characteristics of an uncertain environment and a low level of optimism for capacity expansion and new personnel recruitment.

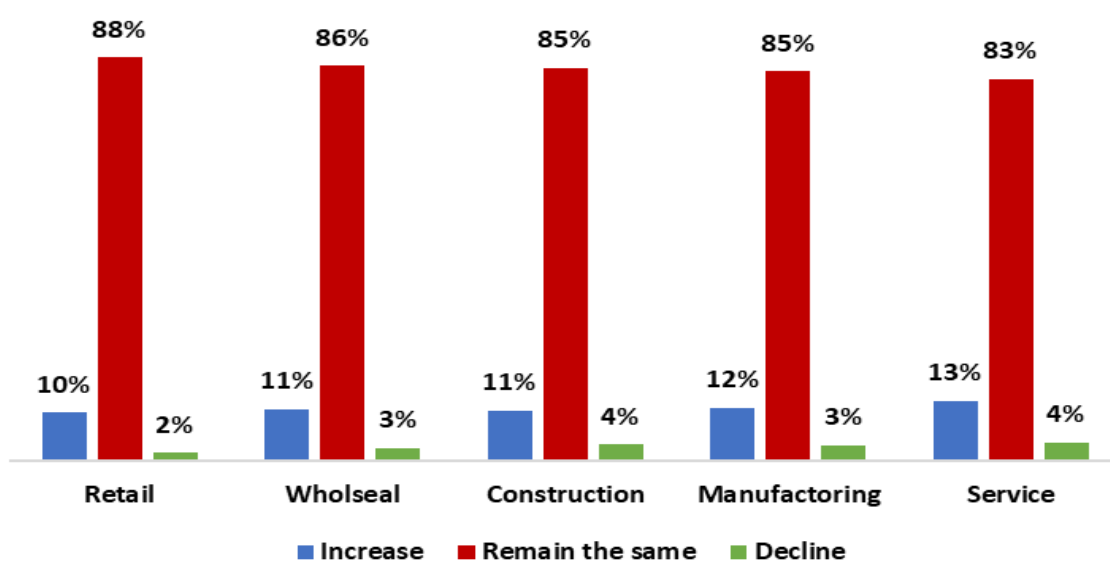
In the context of possible forecasts for the movement of the workforce from January 1, 2024, companies express caution in recruiting new staff, displaying an uncertain sentiment regarding recruitment possibilities.

Some sectors, under the influence of factors such as export decline, lack of capital investments in the country, and other obstacles, have expressed the need to focus more on retaining existing employees rather than expanding their capacities.

Moreover, a few companies have started to explore the possibility of recruiting foreign employees, a change that can be interpreted as an effort to address potential labor shortages domestically.

Figure 10 presents this analysis by illustrating these trends through a graphical representation, emphasizing the importance of this information in understanding the business climate and prospects for the job market in the country.

**Figure 10: Employment Expectations for the next three months**

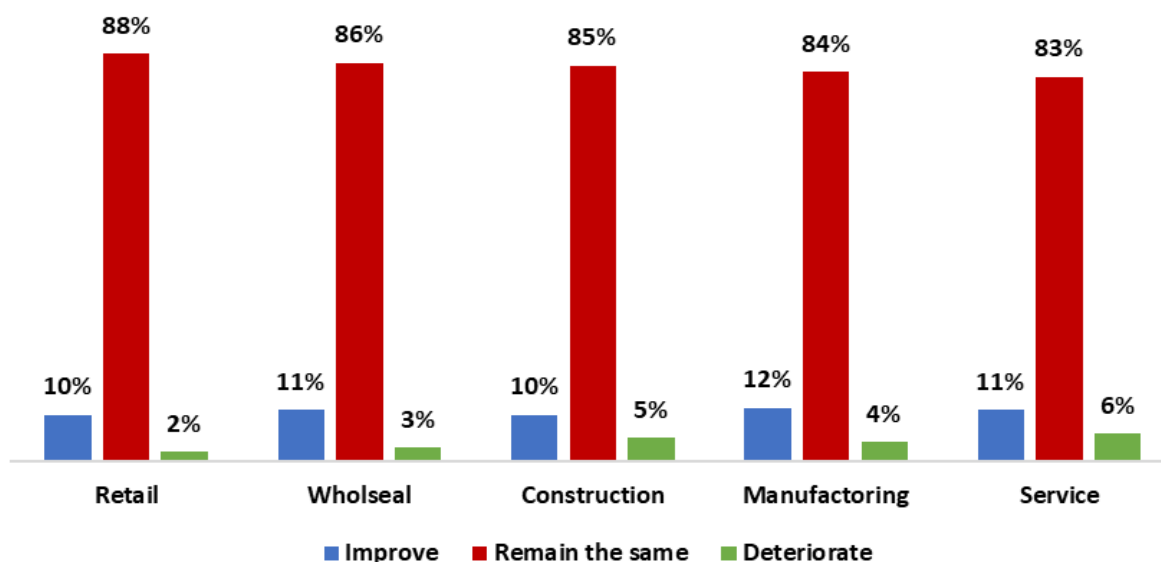




The analysis for the upcoming period, based on sector expectations for the next six months, reveals a non-optimistic outlook and a lack of high confidence in the improvement of the business situation. The results indicate a trend toward general skepticism, with the majority of sectors characterized by a significant decrease in expectations for the future. This lack of optimism and low expectations in sectors indicate a challenging and unfavorable environment for business development in the near future. For various reasons, such as global economic conditions, changes in market demand, or local factors, companies do not express sufficient confidence in the possibilities of growth and improvement of their economic conditions in the near future.

This analysis portrays an overall impression of pessimism and anticipated difficulties for economic sectors in the coming period, emphasizing the need for careful strategies and measures to overcome potential challenges and ensure sustainability in business activities.

**Figure 11: Expectations for the business situation for the next 6 months (% of companies)**





### 3. Sectoral Analysis

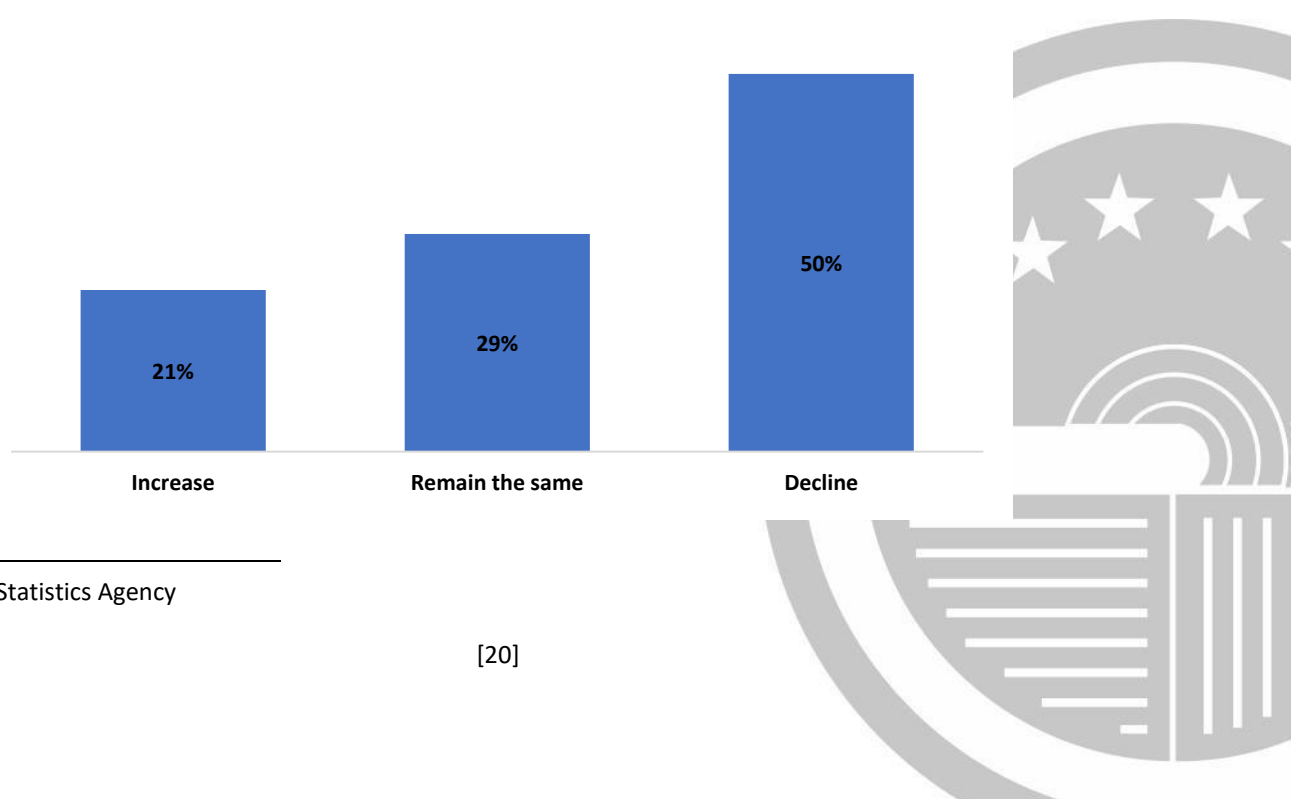
#### 3.1. Manufacturing Sector

The manufacturing sector in Kosovo continues to face numerous challenges that have created a low level of competitiveness, including both internal and external factors. The contribution of this sector to Gross Domestic Product is comparable to some countries in the region; however, to achieve further growth and create new jobs, further improvements are still needed.

In this quarter, the manufacturing sector has experienced a decline in its production activity, continuing the negative trend observed in the two previous quarters. In the period from January to September 2023, there has been a decline of up to 25% in exports compared to the same period last year<sup>1</sup>. This decrease in exports has limited the sector's activity, especially due to the lack of capital investments at the central level. Only 30% of the planned capital investments for 2023 have been realized so far, and a similar low rate of investments is observed at the local level.

This context has had a negative impact on many manufacturing businesses in the country, leading to numerous disruptions in their activities. The decline in exports and the lack of investments are factors that have emphasized the need for special supportive measures for this sector to stimulate its growth and development in the future.

**Figure 12: Production in the last 3 months (% of companies)**



<sup>1</sup> Kosovo Statistics Agency

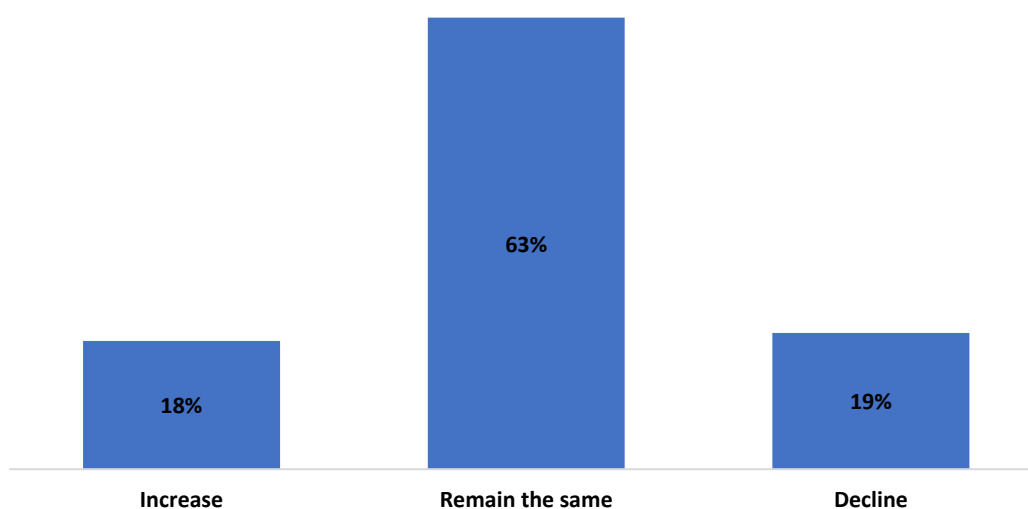


In the manufacturing sector, only about 18% of companies have favorable expectations for the next three months and anticipate an increase in their production lines. For a percentage of 63%, maintaining the current production level is expected, while only 19% have stated that they anticipate a decline in production activity. These results reflect a complex situation in which the

manufacturing sector in Kosovo finds itself, following the trend of deep skepticism about positive developments in the next three months.

Several factors contribute to this less optimistic outlook, including a lack of investments, a decline in exports, and other internal barriers faced by SMEs in Kosovo. In the context of these challenges, the majority of companies express strong skepticism about expressing positive expectations for the growth of production lines. This lack of confidence is concerning for the overall outlook of the manufacturing sector, negatively impacting the possibility of improving their performance and creating more jobs in this sector (see Figure 13).

**Figure 13: Expectations for production in the next three months (% of companies)**



### 3.2. Construction sector

The construction sector in the third quarter of 2023 has continued to face significant challenges, especially in the field of housing sales. This sector has begun to register a

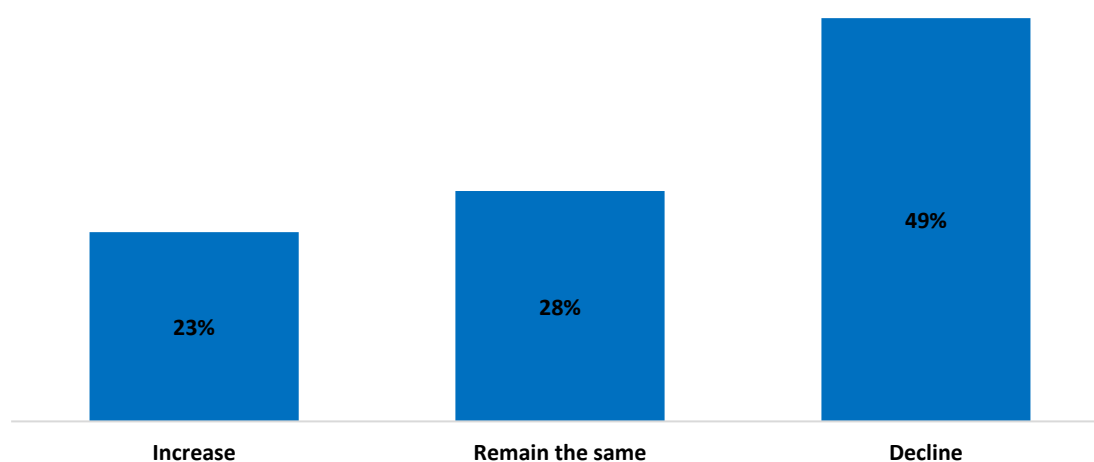




considerable decline in sales that started from 2022, showing a decrease of 10% compared to 2021<sup>2</sup>. This negative trend continues in 2023, as confirmed by the surveyed companies.

Figure 14 clearly illustrates that the construction sector has been negatively affected, with around 28% of construction companies reporting that the business situation has remained unchanged, while about 49% have declared a significant deterioration in their business activity. Only 23% of companies have reported growth in the last 3 months. The decline in performance in this sector is part of a broader scenario of challenging factors, including the lack of cash flow, inflation, political instability, and the planning of the movement of many families after January 1, 2024. These factors have created an insecure environment and have made companies in the construction sector face significant difficulties. (see Figure 14).

**Figure 14. Business Development in the Last Three Months (% of companies)**



For the construction sector, the outlook for the next quarter reflects a challenging and less optimistic climate. Only 16% of companies express expectations for an improved situation, while the majority of 65% expect the situation to remain more or less the same. On the other hand, 19% of businesses anticipate a decline. This situation is influenced by various factors,

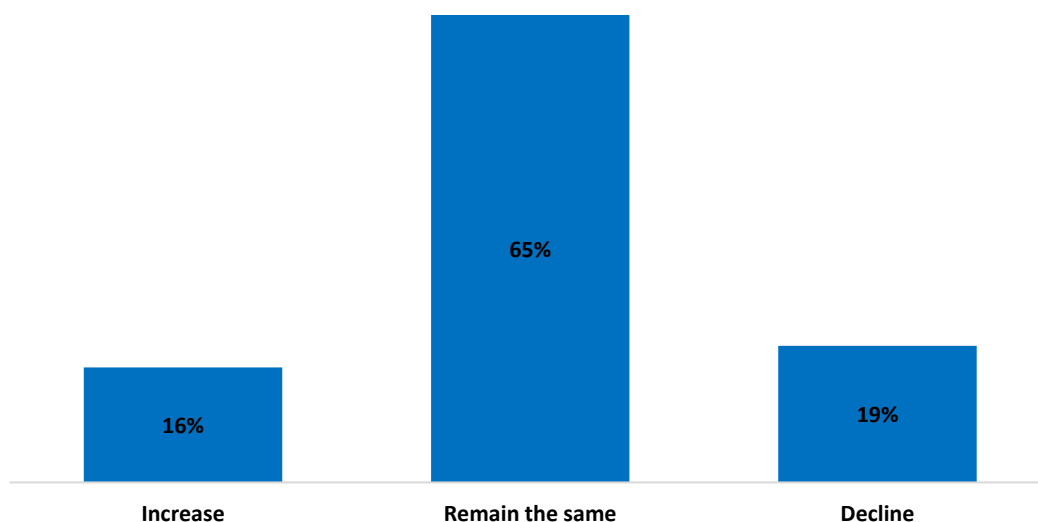
<sup>2</sup> Kosovo Statistics Agency



including seasonal factors, as we enter the winter season, where many companies reduce their activity due to harsh conditions.

The results indicate a less optimistic perspective for this sector in the near future. The high level of uncertainty and the mismatch of hopes for an improvement in the economic situation in the next three months express a challenging climate and ongoing difficulties for construction companies. This scenario directly impacts their activity and brings a subdued outlook for this sector in the coming period. (see Figure 14).

**Figure 15: Expectations for the Next Three Months (% of companies)**



### 3.3. Retail sector

In the retail sector, nearly 49% of companies have reported that their business activities remained unchanged during the last three months.

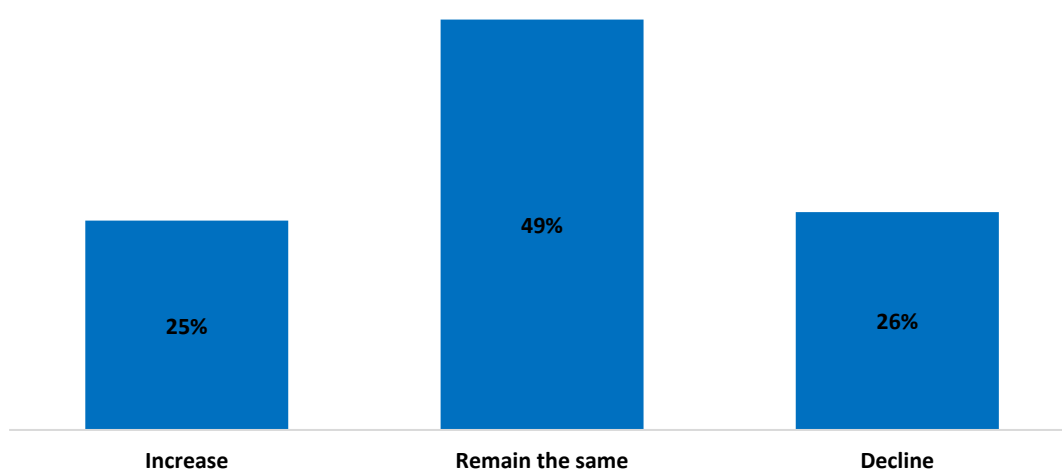
A percentage of 25% of companies have noted an improvement in their activities, while 26% of companies reported a worsened state compared to the previous quarters. This uncertain situation is the result of various factors, including rising prices, inflation, lack of cash flow, etc.

Survey results indicate that a significant portion of companies in the retail sector has experienced a relatively similar situation during the last three months, considering this period



as a continuation of an unfavorable state, according to their evaluation. A certain percentage of 29% of companies have observed a decline in their activities, while another part of 25% has declared that they have experienced growth in this last quarter. (See Figure 16). These results reflect a complex and fluctuating landscape for companies in the retail trade sector.

**Figure 16: Business development in the last three months**

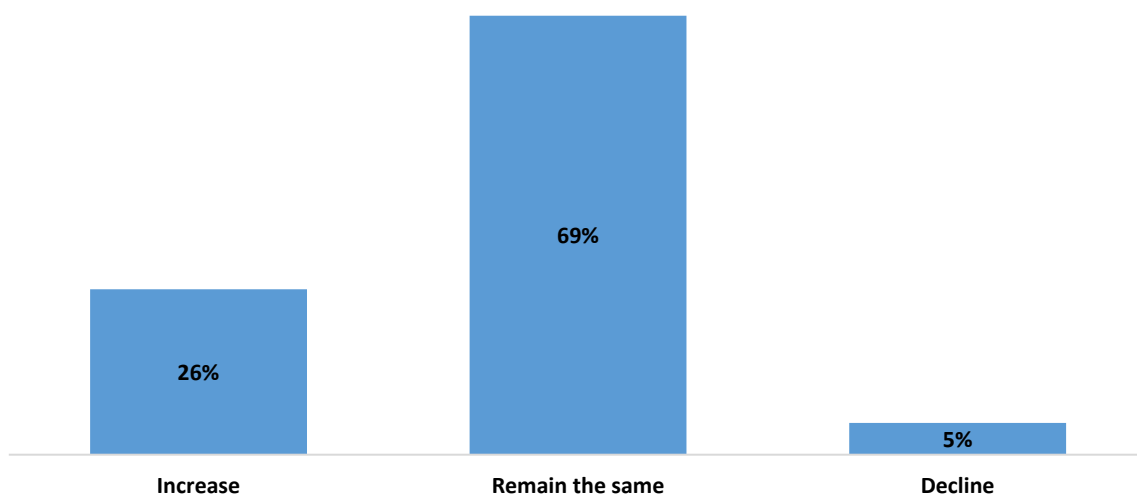


The retail trade sector displays a high level of optimism regarding expectations for their business performance in the upcoming three months. Approximately 26% of companies in this sector anticipate an increase in business activity in the near future. A percentage of 69% expect the situation to remain unchanged, while only 5% anticipate a decline in their business performance.

This level of optimism indicates that the majority of companies in the retail trade sector have strong confidence in the growth of their activities. Positive expectations are associated with factors such as year-end holidays and the potential influx of the diaspora, as well as an increase in remittances from the diaspora in the upcoming quarter. These expectations reflect confidence that the climate will be favorable and that there could be an upswing in sales. (see Figure 17).



Figure 17: Expectations regarding business activity in the next three months (% of companies)



### 3.4. Wholesale sector

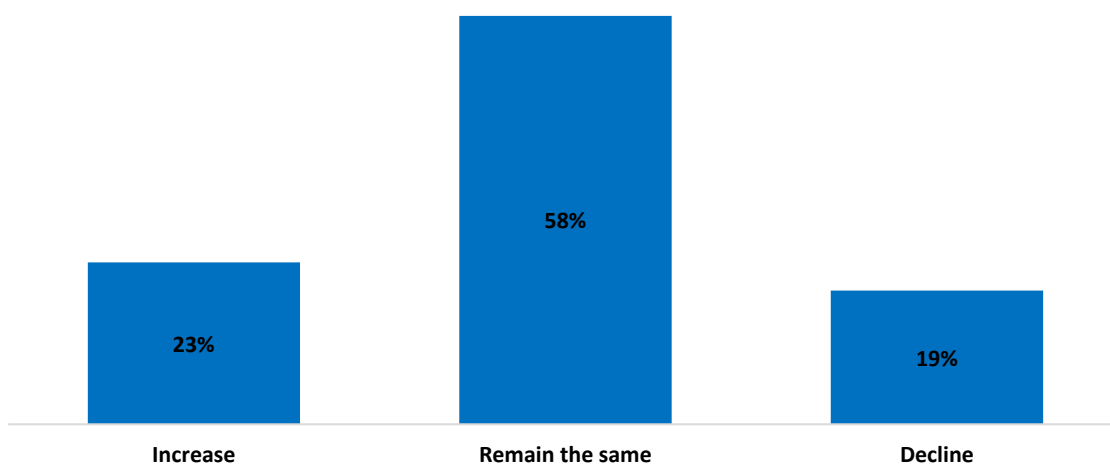
The results presented in Figure 18 indicate that around 23% of wholesale traders consider that the development of their business over the past three months has been an improvement. Responses from surveyed companies in this sector show that approximately 58% of them reported no significant change during this period. However, 19% of the companies reported a decrease in business activity over the last 3 months.

In analyzing the reasons for this decline, companies in this sector emphasize that one of the main causes is the rise in prices, inflation, lack of cash flow, a decrease in sales from wholesale businesses, a decline in purchases from the hotel and restaurant sector, etc.

This indicates that trading conditions may be implicated in the performance shift of companies and a decrease in business activity in some cases. (see Figure 18).



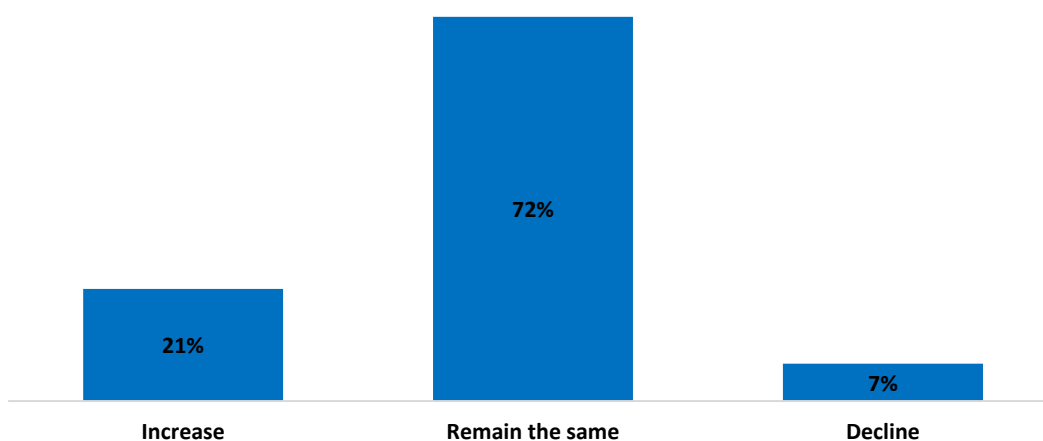
**Figure 18: Business development in the last three months (% of companies)**



Roughly 21% of companies operating in the wholesale trade sector express their expectations for an improvement in business activity. This figure indicates a moderately optimistic level of confidence among companies, revealing a moderate expectation for positive development in the upcoming period. The majority, 72% of companies, do not anticipate any significant change in their economic situation, maintaining a relatively stable state. Meanwhile, 7% of respondents have predicted a deterioration in their business activity.

This low level of optimism and confidence among companies indicates that most of them expect a positive climate only if they manage to increase their sales, positively impacting the wholesale trade sector, which may benefit from year-end holidays, the return of the diaspora, or an increase in remittances. (see Figure 19)

**Figure 19: Expectations of business activity in the next three months (% of companies)**



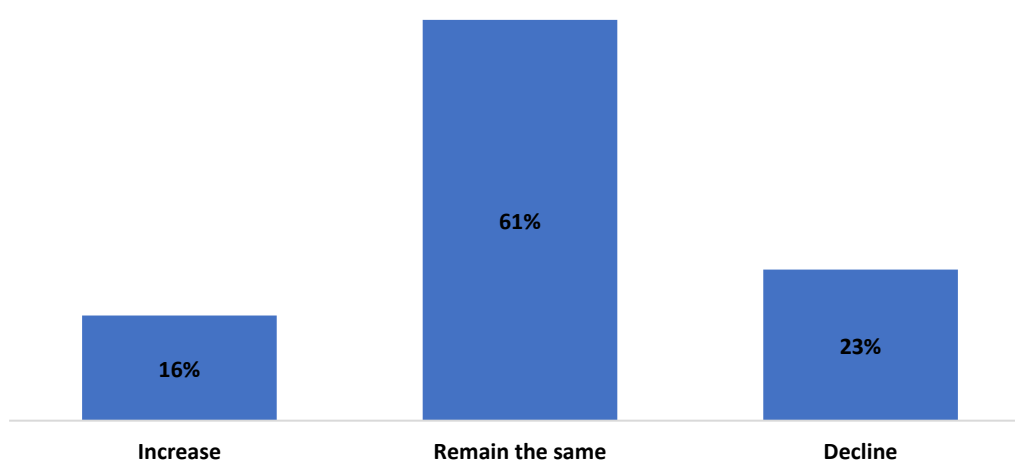


### 3.5. Services sector

From the research results obtained from companies operating in the wholesale trade sector, only 16% of them have stated that the business situation has improved in the last three months. This indicator indicates a relatively small percentage of companies reporting positive performance during this period. Around 61% of the companies reported that the business situation has remained unchanged, while 23% of them reported a decline in their business situation. This indicates that even these companies in this sector are affected by the unfavorable situation in our country.

The high percentage of companies that have not seen any significant changes indicates that there are still challenges and difficulties to be addressed in this sector to improve performance and achieve better stability in the future. (see Figure 20)

**Figure 20: Business Situation in the Last Three Months (% of Companies)**

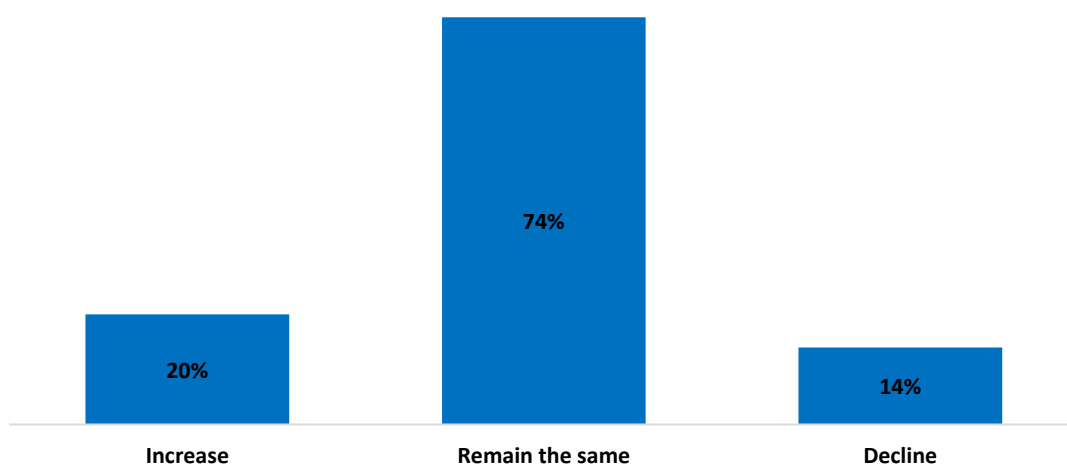


According to the research results, expectations for the next three months in the wholesale trade sector appear limited and not very optimistic. Around 74% of companies stated that their expectations for business activity in the next three months will remain unchanged, indicating current stability in their level of operations. On the other hand, about 20% of surveyed businesses express expectations for favorable development or growth in business activity, a sign representing a positive outlook for the future period.



In contrast, only 14% of companies anticipate a low state or deterioration in business activity, and this relatively low percentage indicates a considerable level of skepticism and lack of confidence in the future performance of this sector. (see Figure 21)

**Figure 21: Expectations for business activity in the next three months (% of companies)**



## 4. Barriers to sectoral development

### 4.1. Barriers to business development in Kosovo

From the results of the Business Climate survey for the third quarter of 2023, several barriers and challenges faced by companies in their development emerge. These challenges impact their performance and operations, bringing about, among other things:

- **Lack of orders:** Approximately 53% of companies report facing a lack of orders, a problem influenced by various factors that affect all sectors of the country.
- **Lack of qualified personnel:** Around 70% of companies express difficulties in employing qualified personnel, an aspect that makes it challenging for them to improve the quality of the services and products they offer.
- **Lack of technical capacities:** About 32% of companies report small technical capacities, a limitation that can hinder innovation and the improvement of technological processes.





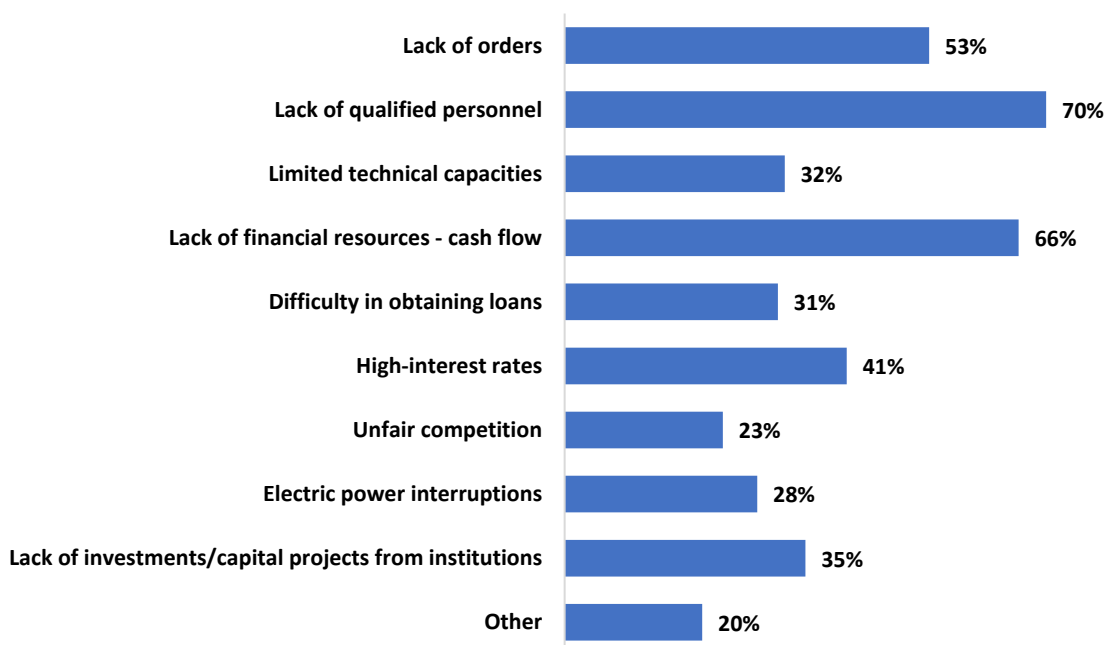
- Lack of cash flow: Approximately 66% of companies identify the lack of cash flow as a barrier that can affect their ability to manage their business activities and relationships with partners and clients.
- Difficulty in obtaining credit: Around 31% of companies state that they face difficulty in obtaining credit, a hindrance that can impede their investments and growth.
- High-interest rates: Approximately 41% of companies express that high-interest rates are another barrier that affects their expenses and ability to obtain credit.
- Unfair competition: About 23% of companies encounter non-competitive competition, a situation that poses challenges to their efforts to increase performance and survive in the market.
- Power interruptions: Approximately 28% of companies face unplanned power interruptions during the day, affecting their activities.
- Lack of investments/capital projects from institutions: Around 35% of companies state that the lack of investments/capital projects from central and local institutions has impacted their business activities.
- Others: In addition to these, companies mention other barriers such as unannounced fines from the Tax Administration, laws, and regulations approved by institutions without consulting businesses.

These pieces of information provide important insights into the current needs and challenges of businesses in the country. They are also crucial for the government and its policies, enabling the development of measures and policies that improve the business climate and encourage economic development.





Figure 22: Business Doing Barriers Across All Sectors



## 5. Challenges of enterprises related to workforce recruitment

### 5.1. Current situation of collaboration between companies and educational institutions

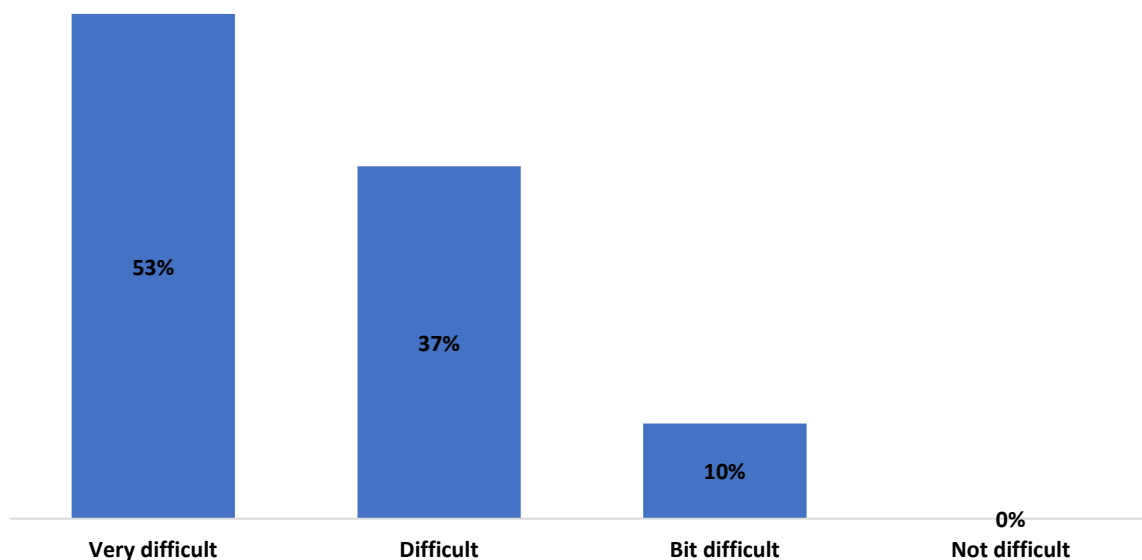
The analysis shows that the majority of companies face a pronounced challenge in finding qualified employees. Overall, 53% of companies express that finding qualified personnel is impossible, characterizing this aspect as a very difficult task. Meanwhile, 37% of companies assess this situation as difficult, while only 10% report finding qualified employees a bit difficult.

This result emphasizes an increased need for qualified staff in the job market and indicates a potential lack of specific skills that the surveyed companies are seeking. The identified challenge in finding qualified personnel may have an impact on the daily operations of



businesses and also create the need for enhanced strategies and efforts in recruiting and training qualified employees.

**Figure 23: Difficulties in finding qualified employees**

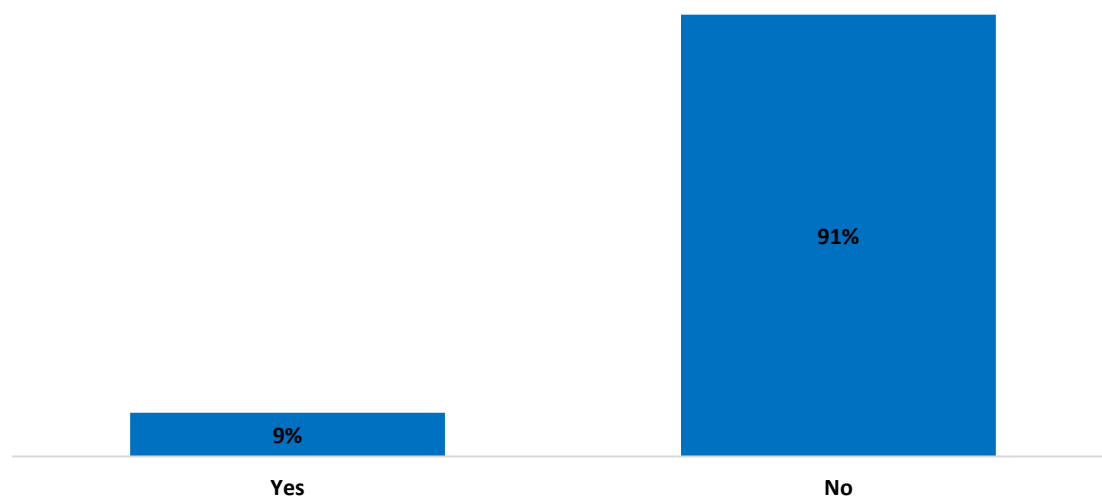


The research results indicate that collaboration between companies and vocational schools or educational institutions in Kosovo is still at relatively low levels. Only 9% of the surveyed companies have signed a Memorandum of Cooperation (MoC) with any vocational school or educational institution. This figure illustrates that there is still significant room for the development and growth of this collaboration within the initiatives of Vocational Training in the Work Based Learning (WBL) and the Dual Education System in Kosovo.

It implies that businesses in Kosovo can enhance their connections with educational institutions, contributing to the preparation and development of a qualified workforce that meets their specific needs. This can be seen as an opportunity to improve the alignment of young people's skills with the demands of the labor market, creating a better match between vocational schools and the needs of companies.



**Figure 24: Cooperation (Memorandum of Cooperation) between companies and vocational school/educational institution**



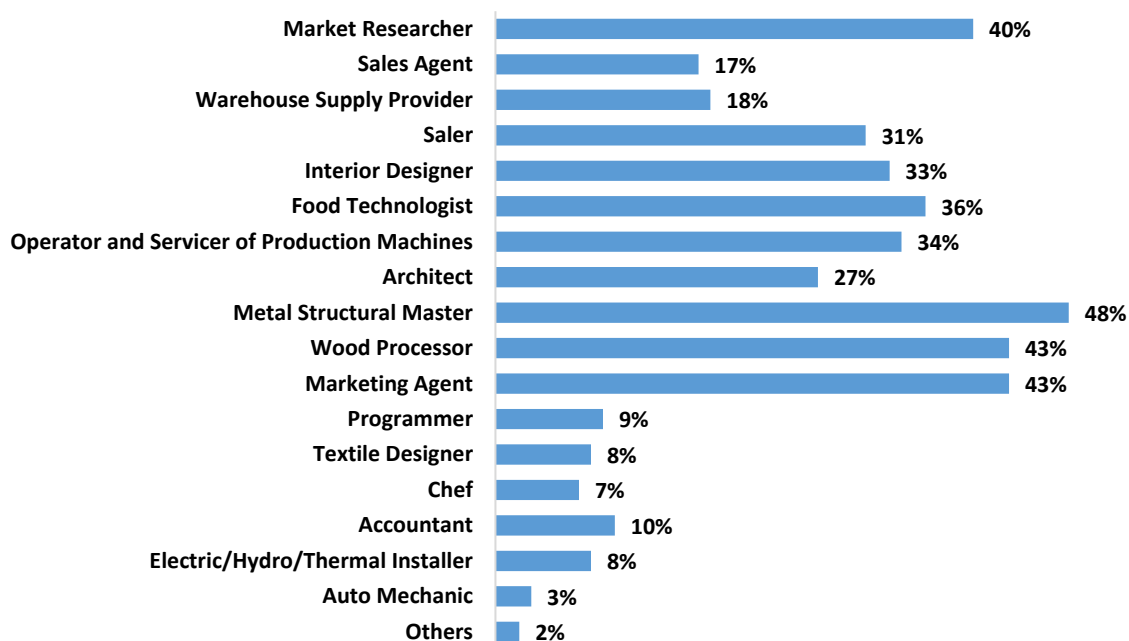
In the context of the labor market in Kosovo, identifying deficit profiles indicates the need for better alignment of jobseekers' skills with the demands of the labor market. Some of the professions that appear to be in shortage and in demand are:

- ✓ Market Researcher
- ✓ Sales Agent
- ✓ Warehouse Supply Provider
- ✓ Saler
- ✓ Interior Designer
- ✓ Food Technologist
- ✓ Operator and Servicer of Production Machines
- ✓ Architect
- ✓ Metal Structural Master
- ✓ Wood Processor
- ✓ Marketing Agent
- ✓ Programmer
- ✓ Textile Designer
- ✓ Chef
- ✓ Accountant
- ✓ Electric/Hydro/Thermal Installer
- ✓ Auto Mechanic
- ✓ Others (Hairdresser, Metalworker, Builder, Meat Processor/Butcher, Glass Processor, Driver)





**Figure 25: Deficient Profiles in the Labor Market**



## 5.2. Challenges in the Job Market for the next year

Businesses express significant concern about the emigration of employees after visa liberalization, showing a general sense of insecurity and potential challenges in the job market. According to survey results, 67% of businesses consider this situation to be very worrisome, while 27% see it as a worrisome issue. Only a small portion, 4%, describe it as a bit worrying, and just 2% express no worrying.

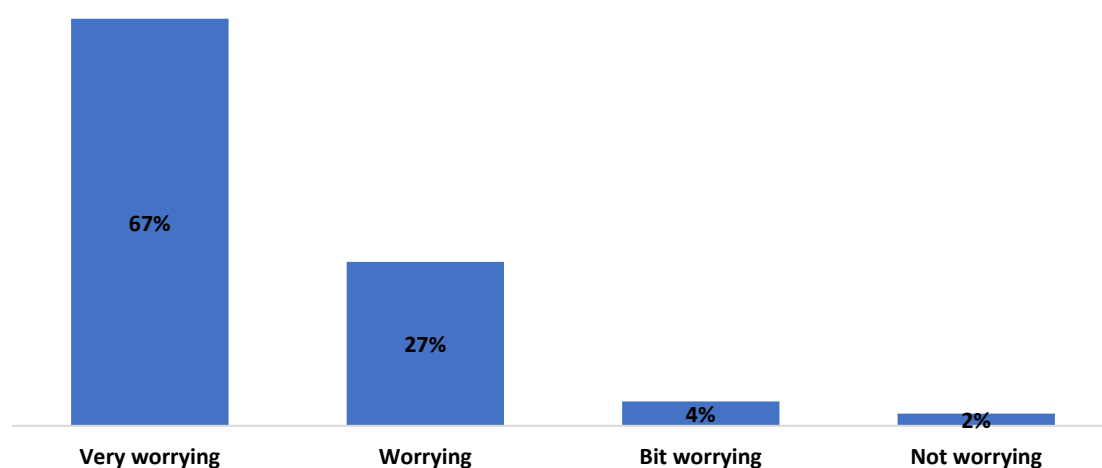
This high level of concern is understandable in the context of visa liberalization, where there is expected to be freer movement of citizens from Kosovo to other countries. In this situation, companies are worried about the loss of qualified employees and their skills, leaving a gap in the local job market and contributing to challenges in recruitment and retention of employees.

This concern can have a direct impact on the performance of companies, as they may face difficulties in retaining and developing their human capacities. To address this issue, specific measures and policies from both the government and businesses may be necessary, including support for the dual system for high-demand profiles, scholarships for deficit profiles,



subsidizing companies that collaborate and contribute to and closely cooperate with educational institutions to ensure a sustainable flow of qualified employees into the local job market through dual-system or on-the-Work Based Learning.

**Figure 26: Business Concerns about Worker Emigration after January 1, 2023, with Visa Liberalization**



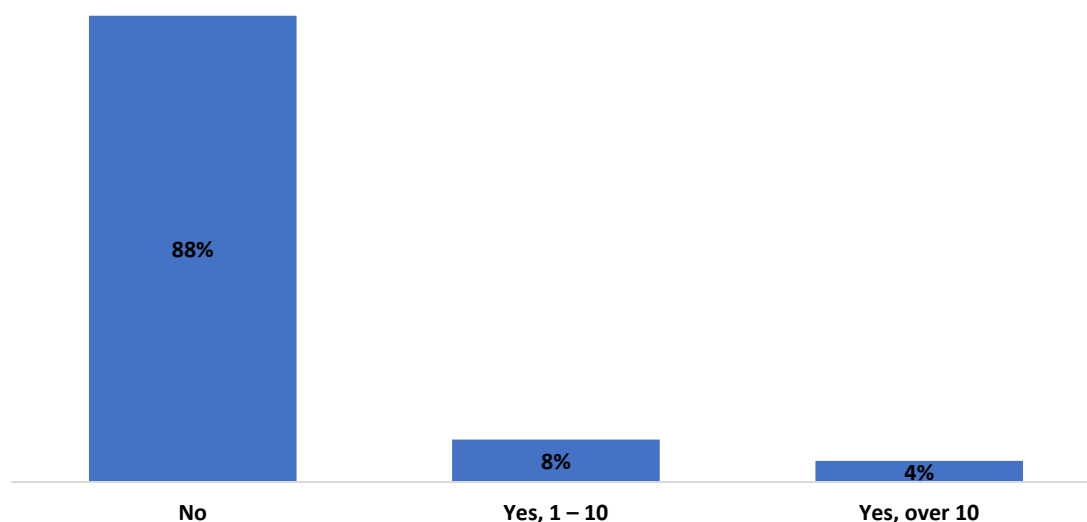
The research results indicate that the majority of local companies have little or no previous experience in employing foreign employees. Specifically, 88% of companies have had no experience in hiring foreign employees. Meanwhile, a relatively small portion, 8%, have experience in employing foreign employees in a range from 1 to 10 foreign employees, while only 4% have experience with more than 10 foreign employees.

This result suggests that, overall, local companies have not extensively engaged in the use of foreign labor. Nevertheless, companies that have recruited employees from foreign countries come from sectors such as construction, manufacturing, including metal processing, furniture, PVC, and food processing sectors.





**Figure 27: Experience with hiring foreign employees by local companies**



The research results indicate that the majority of companies are cautious and critical when it comes to increasing the number of foreign employees in the future. In total, 88% of companies have stated that they do not plan to recruit foreign employees in the next six months.

However, a small percentage of companies, 8%, anticipate hiring a number ranging from 1 to 10 foreign employees, while 4% are willing to include more than 10 foreign employees in their teams.

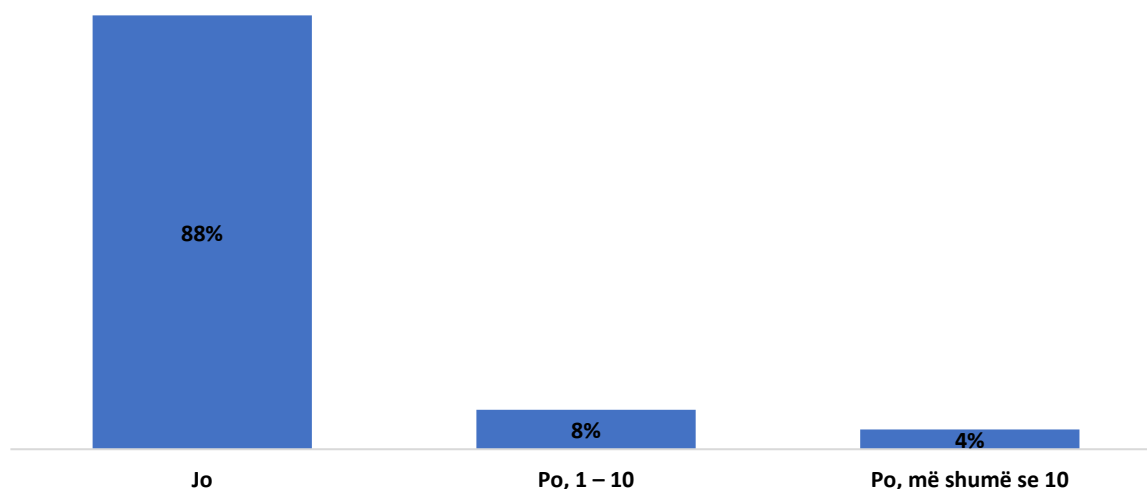
This relatively small percentage suggests that companies are careful in their hiring strategies and carefully assess their current needs and workforce capacities. If the situation changes or the need for specific skills increases, they may change their stance in the future.







Figure 27: Hiring of foreign employees by local companies at any time or currently



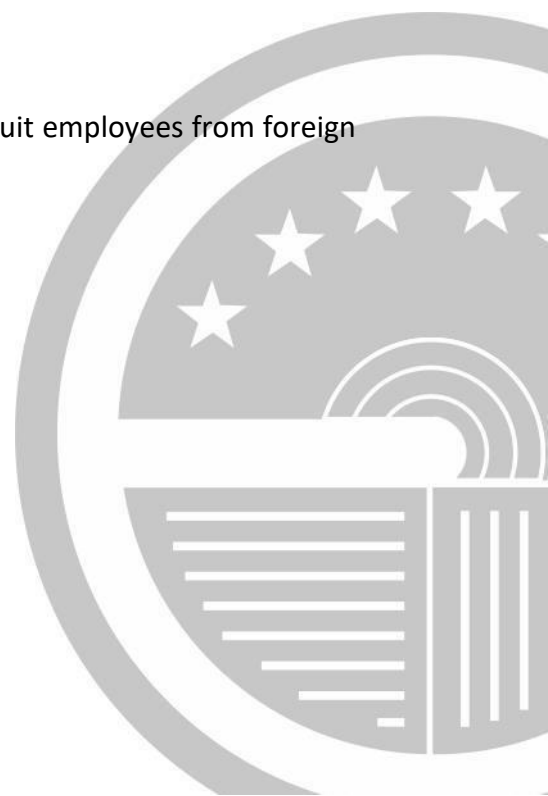
Some of the channels that will be used for recruitment are as follows:

Private recruitment agencies (60%): The majority intend to use the services of private recruitment agencies to identify and secure foreign employees.

Public employment agency (14%): A smaller portion of companies plan to use the services of public employment agencies for the recruitment of foreign employees.

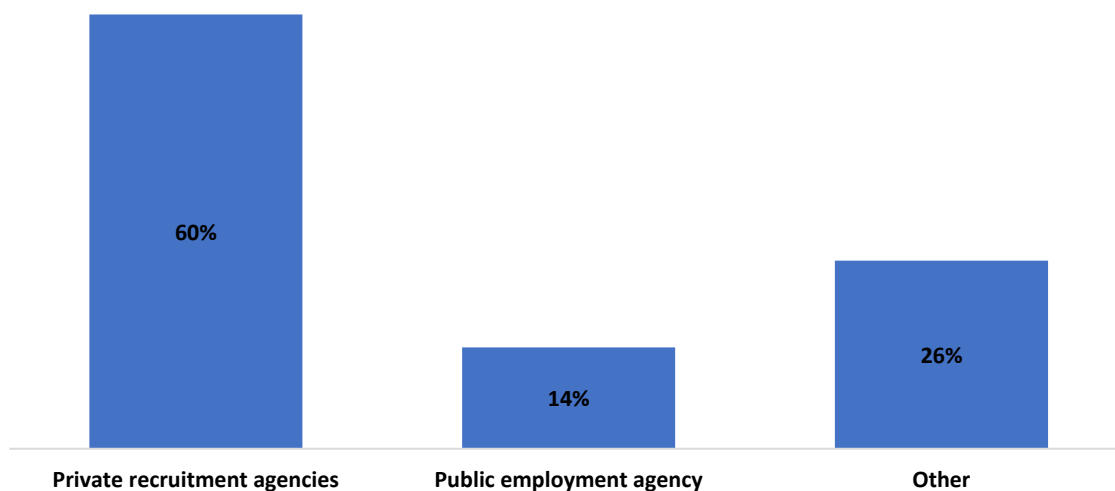
Other (26%): A considerable portion of companies have identified alternative methods for recruiting foreign employees, including various enhanced opportunities in the job market, direct collaboration with vocational schools or training institutions, or the use of other specialized channels.

This explains the diversity of methods used by companies to recruit employees from foreign countries.





**Figure 28: Form of recruitment of foreign employees by local companies**



Recruitment planning for foreign employees is done for specific positions. Based on the survey results, companies have expressed that the need for foreign labor is in various positions with different qualification levels.

**Low qualification (18%):** The smallest expected portion for recruiting foreign employees is in positions with low qualifications. This may include employees with skills and experience in specific fields.

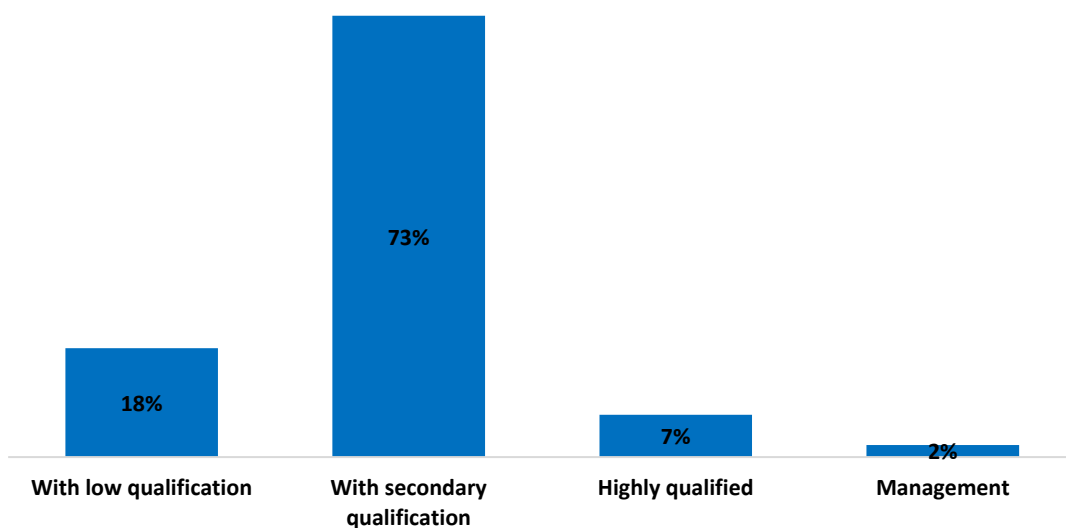
**Medium qualification (73%):** The majority expect recruitment of foreign employees with medium qualifications. This interest may be related to companies' needs for specialized skills and high-level knowledge in certain operational areas.

**High qualification (7%):** In specific cases, there is a certain interest in recruiting foreign employees with high qualifications. This may include professionals and specialists who can bring deep knowledge and expertise in specific disciplines.

**Managerial (2%):** A smaller portion of companies expresses the need for foreign labor in managerial positions. This indicates that some companies may be interested in utilizing the leadership and managerial skills of foreign employees to direct and coordinate their operations.



Figure 29: Positions for which local companies would recruit foreign employees



Companies consider several key factors for the employment of migrant employees. The analysis of the research and company assessments shows that the main factors taken into account are:

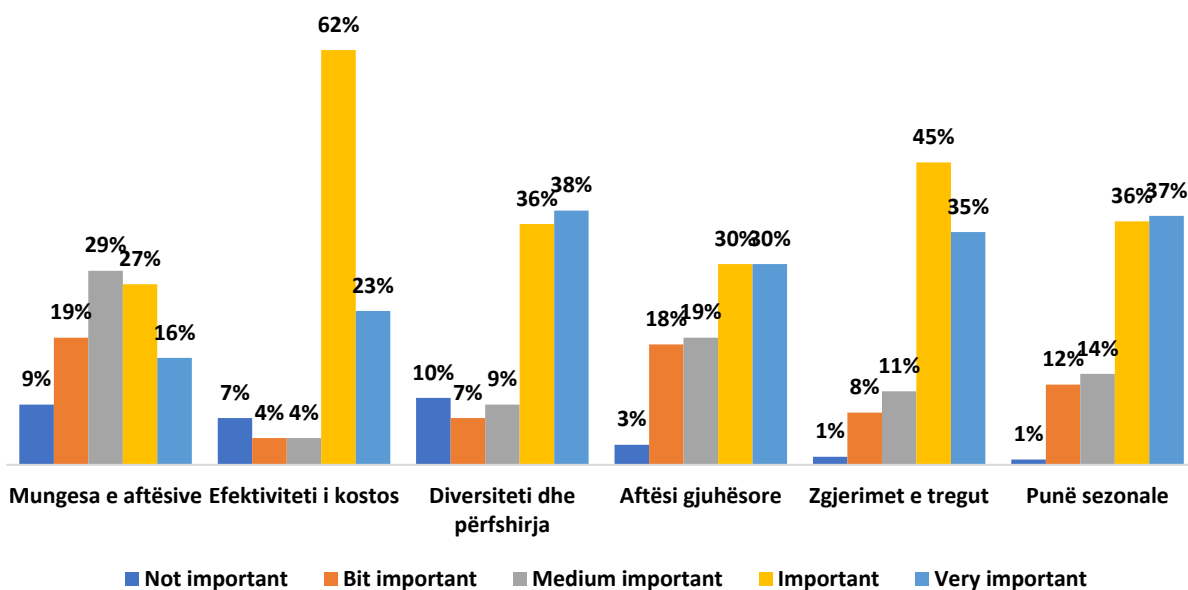
- **Skills shortage:** In the search for qualified and skilled workforce, companies appreciate migrant employees for their contribution in filling specific skill gaps and meeting their needs.
- **Cost effectiveness:** Due to high competition and market pressures, companies assess the cost effectiveness that migrant employees can bring. In some cases, they may offer a more economical alternative compared to local employees.
- **Diversity and inclusion:** The inclusion of migrant employees brings an important aspect of diversity to the work environment. Companies see this as an asset, as diversity can bring new ideas, different perspectives, and a culturally richer environment.
- **Language proficiency:** Good language skills of migrant employees can be a key factor for successful communication in the work environment. The ability to communicate effectively can positively impact team performance and collaboration.



- Market expansions: In cases where companies plan business expansions and the opening of new markets, they value the role of migrant employees in facilitating this process and adapting to new market demands.
- Seasonal work: In sectors involving seasonal work, migrant employees are often valued for their flexibility and willingness to engage in specific periods of intensive work.

Incorporating these factors into the decision-making process for the employment of migrant employees improves recruitment strategies and creates a more sustainable and adaptable model for the needs of companies.

Figure 30: Factors considered in the employment of migrant employees





## 6. General Statement and Conclusions

This business monitoring study, which included 500 companies from the manufacturing, construction, services, wholesale, and retail sectors in Kosovo, is a fundamental analysis of the economic situation and challenges faced by local companies. The main objective of the research was to assess the current economic situation and climate of the companies, as well as to identify their intentions and expectations for the fourth quarter of 2023 and the future period.

The key results drawn from this study generally indicate that the business situation in Kosovo is assessed as unfavorable by the surveyed companies. However, a decline in expectations for the fourth quarter of 2023 has been observed, marking a perceived change in economic conditions.

In this context, the main barrier that emerges is the lack of orders, identified by around 53% of the companies. Additionally, the lack of qualified personnel, limited technical capacities, and financial challenges such as the lack of cash flow and difficulties in obtaining loans have emerged as fundamental challenges affecting the performance of companies.

On the other hand, these identified challenges can be treated as an opportunity to take corrective measures and create supportive policies for local companies. Alongside this, it is crucial for local institutions and the government to take concrete measures to address these challenges by providing financial resources, improving infrastructure, and creating favorable conditions for business development.

In conclusion, this analysis provides a clear overview of the economic conditions and challenges of companies in Kosovo, offering an essential basis for discussions and future actions towards advancing the business climate and sustainable economic growth.





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