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## Gross Domestic Product and The Progress of Economic Growth in Kosovo

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# GROSS DOMESTIC PRODUCT AND THE PROGRESS OF ECONOMIC GROWTH IN KOSOVO

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**Abstract.** After the last war, Kosovo continues to remain among the countries with a low level of development and a high rate of unemployment. The low level of economic growth and the high rate of unemployment remain among the main economic challenges for solution, in this direction the government through the instruments of economic policy, separately the fiscal policy should be oriented in order to create the most favorable environment through alleviating measures towards the sector private. In the framework of the work, the main objective consists in the analysis of the progress of the Gross Domestic Product and the economic growth in Kosovo in recent years, as well as the importance of the fiscal policy in the economic flows.

In this study, the progress of the Gross Domestic Product and the economic growth in Kosovo in recent years are analyzed, where the conclusions and recommendations are given, so that through the instruments and measures of the fiscal policy, a more favorable environment is created for the promotion of economic activity and economic growth in place.

**Key words:** Gross Domestic Product, Economic growth, Fiscal policy, Private sector.

## 1. Introduction

The most relevant economic indicator that reflects the level of development in the country is the Gross Domestic Product. In the framework of the work, the main objectives consist in the analysis of the performance of the Gross Domestic Product and the economic growth in Kosovo in recent years. To achieve the objectives in this study, the analysis method and the comparative method are mainly used, examining in dynamics the issue related to the performance of the Gross Domestic Product and economic growth in the country, as well as the role and importance of fiscal policy in economic flows.

Since the private sector is considered a generator of economic growth and employment, however, high taxes in the post-war years were unfavorable and among the obstacles in business activity. Until the last few years, the fiscal policy as an integral part of the economic policy was not sufficiently in function of stimulating the private sector, but mainly oriented towards filling the budget coffers. So, the Kosovar economy in the

transition period it is going through has had its own development difficulties and the existing climate does not promise any encouragement and faster development.

The research questions of this study include:

- What is the progress of economic growth in Kosovo in recent years?
- What is the progress of economic growth in the countries of the Western Balkans?

Through this study, the conclusions and recommendations given can be served and taken into account by those interested in their field.

In order to answer the questions posed by the questionnaire, it was possible to review the scientific literature, but also important government documents (reports, publications) of the institutions of the Republic of Kosovo.

## **2.The methodology used**

For the finalization of this paper, the presented material has the following support:

- Local and foreign literature, as well as reports and publications from the Kosovo Statistics Agency, the Central Bank of Kosovo, which deal with issues of Gross Domestic Product and economic growth in the Republic of Kosovo.
- The local statistical source was used, the method of analysis and synthesis, tabular and graphic separately, comparative method, etc.

## **3. Literature review**

An important indicator in the economy of a country is the Gross Domestic Product (GDP). The most important economic indicator in the System of National Accounts is the Gross Domestic Product, which represents the performance of a country's economy in a certain period.<sup>1</sup>

The Gross Domestic Product is the result of the work (economic activities) of a country's economy in the sphere of production and consists of all the material goods produced and the various services it performs within a year, or a certain period of time. Gross domestic product is the totality of final products and services realized in a country for a certain period of time (Koka, M. 2014, Macroeconomics). Therefore, according to the production criteria, the Gross Domestic Product represents the value of final products and services produced in the economy of a country in a given period of time. Gross Domestic Product (GDP) is the

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<sup>1</sup> Kosovo Statistics Agency, Statistics of National Accounts Gross Domestic Product Q2 2023, Pristina 2023, pg 13.

market value of all final goods and services produced within a country in a given period of time.<sup>2</sup>

#### **4.Results**

Economic growth is considered among the main macroeconomic objectives of the country's government and represents the overall increase in the production of an economy. Therefore it is considered as the ability of a country's economy to produce more goods and services for consumers. After the end of the war in 1999, Kosovo was in the transition phase, where economic processes had negative trends and the results show that economic development faces many challenges.

The Gross Domestic Product is taken as the most general macroeconomic indicator through which the dynamics of economic development is expressed.

Table 1: Gross Domestic Product in Kosovo

Years	Gross Domestic Product
2020	6,772
2021	7,958
2022	8,594

Source: Kosovo Statistics Agency, Series 5: National accounts statistics, Gross Domestic Product (GDP) according to economic activities and with the expenditure approach 2008-2020, Pristine, 2021, pg. 7. Kosovo Statistics Agency, Statistics of National Accounts, Gross Domestic Product Q1 2022, Pristine, 2022, p.7. Law No. 08/L-193, On Budget Allocations for the Budget of the Republic of Kosovo for 2023.

From the table, on the progress of the GDP, in the period 2020-2022, it can be seen that the value of the GDP had a growth trend in 2021 compared to the previous year 2020. During the period 2020-2022, the Gross Domestic Product had an upward trend from 6.7 billion euros in 2020 to 8.5 billion euros in 2022.

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<sup>2</sup> Mankiw, N. G. & Taylor, M. P., Economics/ Macroeconomics, Translated by: Artan Meci, Jorgji Qirjako, UET Press 2012, pg 38.

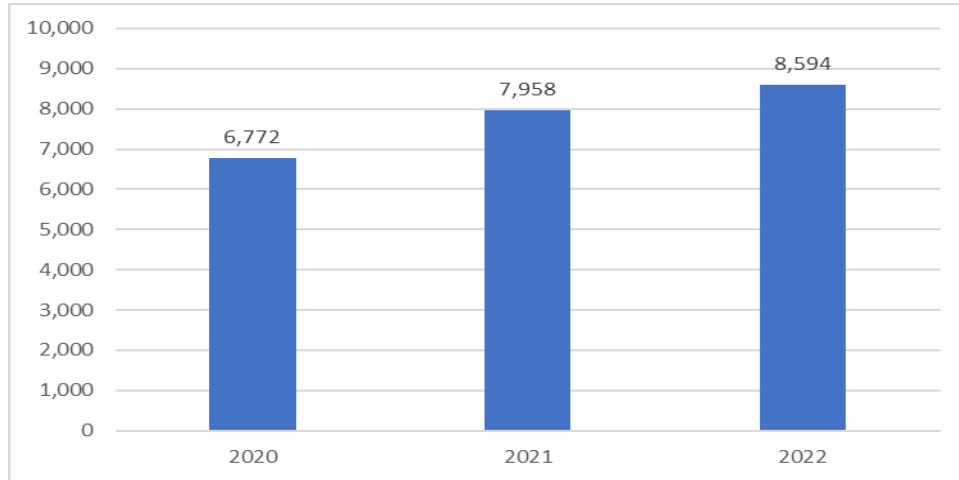


Figure 1: Gross Domestic Product in the period 2020-2022

From the table, on the progress of the GDP, in the period 2020-2022, it can be seen that the value of the GDP had a growth trend in 2021 compared to the previous year 2020. During the period 2020-2022, the Gross Domestic Product had an upward trend from 6.7 billion euros in 2020 to 8.5 billion euros in 2022.

The following table reflects the real GDP rate in Kosovo in the period 2020-2022.

Table 2:

GDP- Real growth rate in Kosovo in the period 2020-2022

Years	2020				2021				2022			
	I	II	III	IV	I	II	III	IV	I	II	III	IV
GDP real growth rate in %	0.26	-12.73	-7.73	0.10	4.12	16.77	14.53	6.36	4.54	2.89	3.26	3.55

Source: Kosovo Statistics Agency, Series 4: National Accounts Statistics, Gross Domestic Product Q4 2021, Pristine, 2022, pg. 3. Kosovo Statistics Agency, National Accounts Statistics Gross Domestic Product Q2 2023, Pristine, 2023, pg. 5. Author calculation.

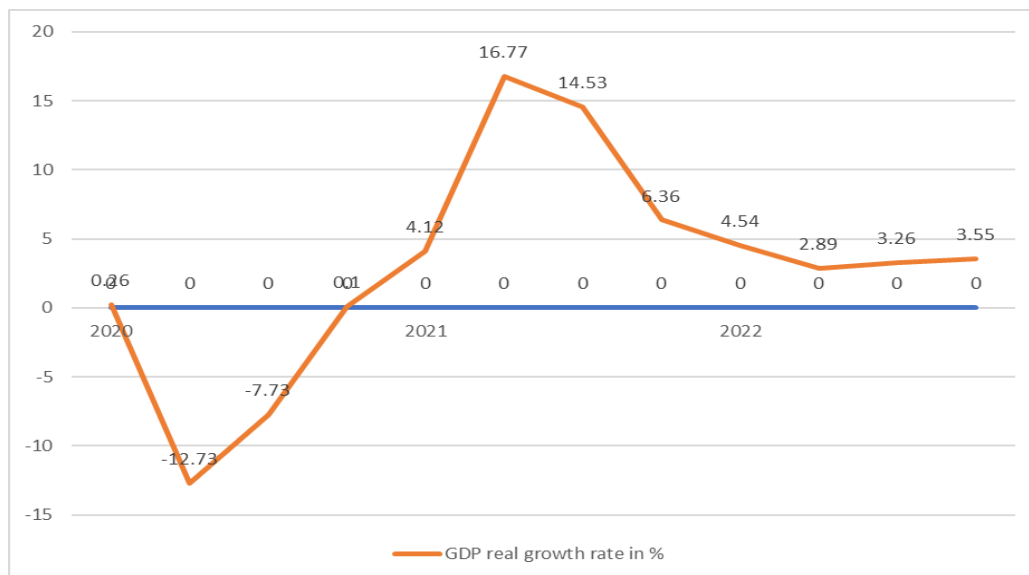


Figure 2: GDP- Real growth rate in Kosovo in the period 2020-2022

The growth rate of the economy represents the rate at which the real GDP grows (Dornbusch, Rudiger, Fischer Stanley, Macroeconomics, Translated by: Marta Muco, Sulo Haderi, Tirana, 2000). Economic growth is never achieved at a constant growth rate. The table and graph reflect the trend of the real GDP growth rate in Kosovo during the period 2020-2021 and 2022. The real GDP growth in 2020 in Q4 was 0.10%, this is as a result of measures and restrictions in the economy with the beginning of the Covid19 pandemic, while at the end of 2020 and in 2021 with the removal of measures and restrictions in the economy (opening of the economy) it is also reflected in economic growth trends with an increase in 2021 in Q4 to 6.36%. In 2022, the GDP growth rate in the fourth quarter was 3.55%.

The following table shows Real GDP Growth (percent) in the countries of the Western Balkans.

Table -3

Real GDP Growth (percent) in the countries of the Western Balkans in the period 2020-2022

	2020	2021	2022
Albania	-3.3	8.9	4.8
Bosnia and Herzegovina	-3.0	7.4	4.0

Kosovo	-5.3	10.7	3.5
North Macedonia	-4.7	3.9	2.1
Montenegro	-15.3	13.0	6.1
Serbia	-0.9	7.5	2.3

Source: World Bank Group, Western Balkans Regular Economic Report, No.23|Spring 2023, pg.6.

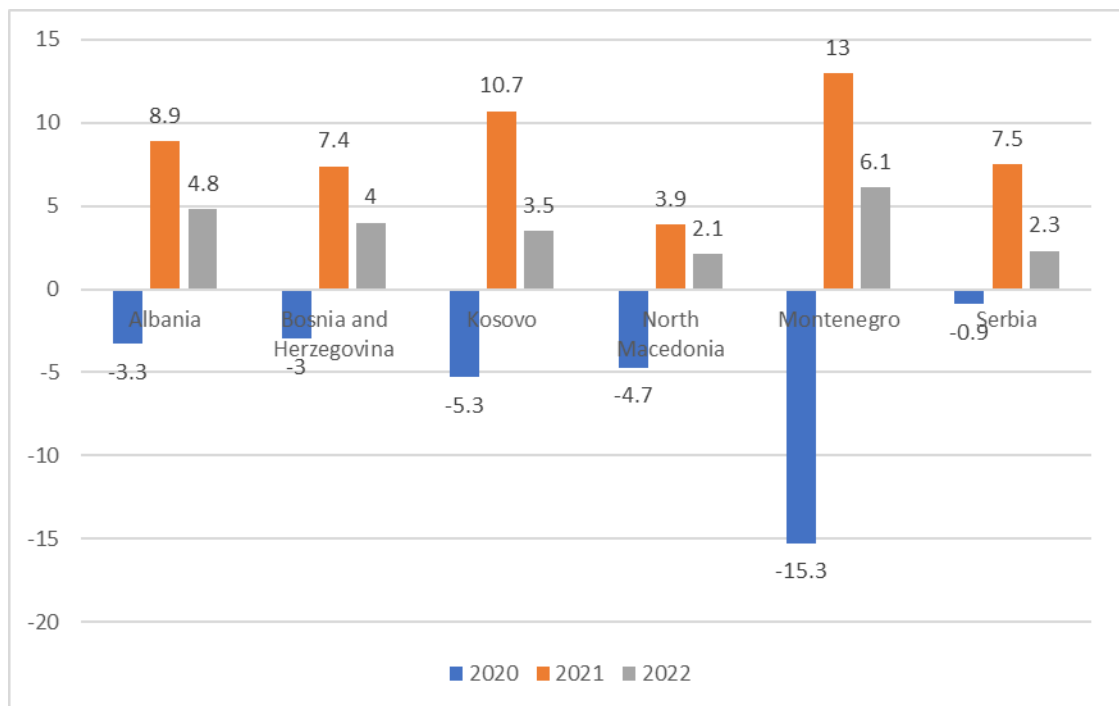


Figure 3: Real GDP Growth (percent) in the countries of the Western Balkans.

Based on the data in table no. 3 and figure no. 3, in 2021 compared to the previous period, a higher trend of GDP growth is observed in all the countries of the region. The countries of the Western Balkans and Kosovo during 2020 as a result of the Covid19 Pandemic had an economic growth trend, while during 2021 after the removal of restrictive measures and the opening of the economy, they had an economic growth trend, having a slower growth trend during the year 2022.

The low trend of economic growth in Kosovo, taking into account the unemployment rate and the high trade deficit, in such an economic situation in the country, the decision-makers should orient the fiscal policy as an instrument of the implemented economic policy for the economic development of the country.

## **5. Conclusions and recommendations**

Economic growth is considered among the main macroeconomic objectives of the country's government. In post-war Kosovo, private capital was mainly focused on service activities, and very little on productive ones.

The progress of the real growth of the Gross Domestic Product with a single-digit rate is considered insufficient in reducing the high rate of unemployment and the high trade deficit. The fiscal reforms applied so far have proven to be relatively efficient. In this regard, given the dynamics of economic flows in the country, there has undoubtedly been a lack of stimulation with measures and instruments of the economic policy implemented in the orientation of private capital in the productive sector.

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