



Republika e Kosovës

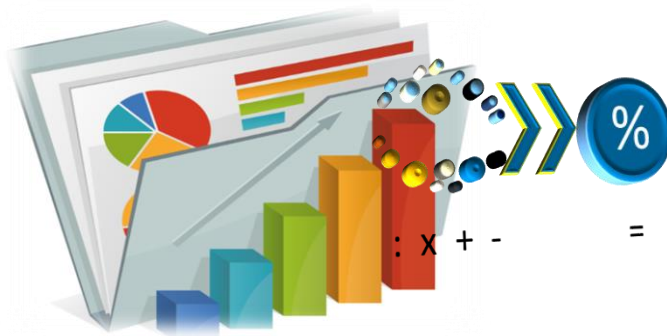
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Ministria e Industrisë, Ndërmarrësisë dhe Tregtisë

Ministarstvo Industrije, Preduzetništva i Trgovine - Ministry of Industry, Entrepreneurship and Trade

MANUFACTURING INDUSTRY SECTOR C - 2022



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CONTENTS

Introduction.....	3
Sector C (Manufacturing industry).....	4
General overview of Sector C.....	4
Manufacture of food products.....	5
Manufacture of beverages.....	6
Manufacture of textile.....	7
Manufacture of wearing apparel.....	8
Manufacture of leather and leather products.....	9
Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials.....	10
Manufacture of paper and paper products.....	11
Manufacture of chemical products.....	12
Manufacture of rubber and plastic products.....	13
Manufacture of non-metallic mineral products.....	14
Manufacture of metals.....	15
Manufacture of fabricated metal products, except machinery and equipment.....	16
Manufacture of furniture.....	17

1. INTRODUCTION

Dynamic development of the private sector in small and medium enterprises (SMEs) especially in the manufacture sector and privatization initiatives are the first steps of the processes towards the development of a market economy and integration into regional and international institutions. In Kosovo's economy micro, small and medium enterprises constitute the main pillar of the economy, with about 98%.

Manufacturing has a high potential to create significant productivity and additional value gains by attracting new technologies and innovation. Industrial development can also have numerous positive developmental implications beyond the manufacturing sector.

To have a detailed overview of the current situation and industry development trends, the Department of Industrial Policy (DIP) prepared the brochure with data on the manufacturing sector and its sub-sectors with potential such as manufacture of food, beverages, textile, wearing apparel, leather, wood, paper, chemical industry, manufacture of non-metal products, fabricated metal products (except machinery and equipment), plastic and rubber, metals and furniture.

These data were processed and analyzed by statistics processors and industrial policymakers in the Department of Industry/Ministry of Industry, Entrepreneurship and Trade.

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

GENERAL OVERVIEW OF SECTOR C (MANUFACTURING INDUSTRY)

The manufacturing sector can make an important contribution to inclusive employment and better wages, although it currently offers relatively limited employment opportunities. Sector C - Manufacturing industry participates in the employment rate by economic activity with around 11%. The data also show that in 2022 Sector C marked an increase in employment by 6%, in turnover by 12.5% and in the number of enterprises by 3% compared to 2021, while the employment of women in industry marked an increase by 5 %.

2.2 Sector C (Manufacturing industry):

- Sector C (Manufacturing industry) participates in Kosovo's GDP with 13.2%;
- In 2022, Sector C participation in the GDO increased by 2.32% compared to 2021,
- In terms of GDP value added by sectors, Industry participates with 12.89%,
- In 2022, the level of industrialization of Kosovo, measured by the participation of MVA in GDP, is 13.6%,
- In 2021, the manufacturing industry participated in total exports with about 82.9% and in total imports with about 92.63%,
- Of the 6162 enterprises in Sector C, about 22% are exporters,
- Participation in exports was EUR 626 million in 2021, marking an increase of 57.2%,
- Sector C imports reached EUR 3.06 billion in 2021 and EUR 4.33 billion in 2021, indicating an increase of 41.73%, while compared to 2019 there was a decrease of 5.9% in 2020;
- Sector C participates with 11.8% in the employment rate by economic activity;
- The effective interest rate in the manufacturing sector is 6%.
- Net inflows of FDI in the manufacturing sector were EUR 14.3 million.

2. MANUFACTURE OF FOOD PRODUCTS

The food industry includes different types of food products, such as: meat, flour, milk, oil, sugar, various fruits and vegetables, etc. The growth of this sub-sector is not expected to stand out as a locomotive of large job creation, despite the fact that the sub-sector is currently a significant source of employment. However, the pronounced trade deficit can be addressed through certain actions aimed at increasing the internal and external competitiveness of the products of this sub-sector. The sub-sector has considerable import substitution potential. Policies aimed at improving the sub-sector's competitiveness, including increasing firm size and economies of scale, and potentially improving supply chain integration, can act to improve the trade balance and potentially lead to intensive growth of jobs.



Overview of the Manufacture of Food Products Sub-sector:

- Manufacture of food products participates with 23.7% in employment, 24.4% in the number of enterprises and 21.7% in annual turnover (Year 2022);
- This sub-sector participates with 5.9% in total exports (Year 2021);
- This sub-sector participates with 7.1% in Sector C exports (Year 2021);
- Manufacture of food products participates with 12.4% in total imports (Year 2021);
- Manufacture of food products participates with 13.39% in Sector C imports (Year 2021).

3. MANUFACTURE OF BEVERAGES

The manufacture of beverages in Kosovo as a sector has its history in the manufacture of organic beverages from non-alcoholic and alcoholic ones. The beverage sub-sector it is not the locomotive of Sector C, but it is an "infant" industry that must be supported to further deepen the positive trend of output and employment growth, including the increase in export competitiveness, as well as the further deepening of the efficiency of energy consumption at the sub-sector level.



Overview of the Manufacture of Beverages Sub-sector:

- Manufacture of beverages participates with 5.24 % in Sector C employment, 1.66 %, in the number of enterprises and 7% in annual turnover (Year 2022);
- This sub-sector participates with 4.9% in total exports (Year 2021);
- This sub-sector participates with 5.9% in Sector C exports (Year 2021);
- Manufacture of beverages participates with 2.5% in total imports (Year 2021);
- Manufacture of beverages participates with 2.7% in Sector C imports (Year 2021).

4. MANUFACTURE OF TEXTILE

The Manufacture of textile sub-sector has potential for increased employment, turnover and exports. The sub-sector has marked an increase in energy consumption at a rate greater than the increase in the PES, which highlights the need for measures to improve energy efficiency. This sub-sector has considerable potential to increase employment, especially of vulnerable groups such as girls and women. The main goal of the policies should be focused on the growth of the sub-sector as a source of employment, thus contributing to the third objective of expanding employment.



Overview of the Manufacture of Textile Sub-sector:

- Manufacture of textile participates with 2.18 % in employment, 2.90 %, in the number of enterprises and 1.27% in annual turnover (Year 2022);
- This sub-sector participates with 3.0% in total exports (Year 2021);
- This sub-sector participates with 3.61% in Sector C exports (Year 2021);
- Manufacture of textile participates with 2.14% in total imports (Year 2021);
- Manufacture of textile participates with 2.31% in Sector C imports (Year 2021).

5. MANUFACTURE OF WEARING APPAREL

The wearing apparel industry is an important branch in the industry family both in terms of potential and totality of products. The sub-sector has a negative employment CAGR despite the high MVA, but care should be taken to monitor the new data for the years 2021 and 2022, because the employment growth in 2020 (of 1,510) was almost doubled compared to 2019 (768). The capacity of the sub-sector should be viewed within the employment objective, especially for vulnerable groups such as women.



Overview of the Manufacture of Wearing Apparel Sub-sector:

- Manufacture of wearing apparel participates with 3.73% in employment, 6.44% in the number of enterprises and 0.83% in annual turnover (Year 2022);
- This sub-sector participates with 1.4% in total exports (Year 2021);
- This sub-sector participates with 1.64% in Sector C exports (Year 2021);
- Manufacture of wearing apparel participates with 3.04% in total imports (Year 2021);
- Manufacture of wearing apparel participates with 3.28% in Sector C imports (Year 2021).

6. MANUFACTURE OF LEATHER AND LEATHER PRODUCTS

The leather industry in Kosovo has its origins in the tradition of tanners and saraches for leather processing and shoe production and dates back to 1945. Manufacture of leather shoes declined starting from 1989/1990 as a result of the regime and lasted until the war period in 1998/1999.

Despite the decline in CAGR for the period 2015–2020, there is a positive impact on employment generation. However, caution should be taken because the high CAGR of employment appears as such considering the low employment base in 2015 (of 247), while employment decreased from 855 in 2019 to 633 in 2020. The latter may have been affected by the Covid-19 pandemic. The sub-sector should be considered in combination with the wearing apparel and textile sub-sectors for the potential increase of synergy between them in the development of new products as well as in the generation of employment for vulnerable groups.



Overview of the Manufacture of Leather and Leather Products Sub-sector:

- Manufacture of leather and leather products participates with 1.1% in employment, 0.6% in the number of enterprises and 0.5% in annual turnover (Year 2022);
- This sub-sector participates with 0.44% in total exports (Year 2021);
- This sub-sector participates with 0.53% in Sector C exports (Year 2021);
- Manufacture of leather and leather products participates with 1.07% in total imports (Year 2021);
- Manufacture of leather and leather products participates with 1.15% in Sector C imports (Year 2021).

7. MANUFACTURE OF WOOD AND OF PRODUCTS OF WOOD AND CORK, EXCEPT FURNITURE; MANUFACTURE OF ARTICLES OF STRAW AND PLAITING MATERIALS

The manufacture of wood sub-sector in Kosovo is considered to have potential in all competitiveness analyses. Of the EU member states, Sweden produced 73 million m³ in 2017, followed by Finland, Germany and France (each producing between 51 and 64 million m³). Almost a quarter (23.2%) of the wood production of the EU-28 countries in 2017 was used as fuel, while the rest was used for the wood and veneer industry, or for the production of pulp and paper.



This sub-sector lacks export competitiveness, with a negative trade balance (EUR 5.8 million). The support of the sub-sector should be seen in the context of the production of inputs or intermediate products for other sub-sectors, such as carpentry, construction, metal, etc.

Overview of the Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials sub-sector:

- Manufacture of wood participates with 5.48% in employment, 8.21% in the number of enterprises and 3.82% in annual turnover (Year 2022);
- This sub-sector participates with 1.86% in total exports (Year 2021);
- This sub-sector participates with 2.24% in Sector C exports (Year 2021);
- Manufacture of wood participates with 2.09% in total imports (Year 2021);
- Manufacture of wood participates with 2.26% in Sector C imports (Year 2021).

8. MANUFACTURE OF PAPER AND PAPER PRODUCTS

The paper sub-sector is among the main industries in the world as the consumption of paper and its production is constantly increasing.

In Kosovo, the following products are produced mainly: paper sacks, paper bags, corrugated cardboard for packaging, boxes according to market requirements, kitchen paper, toilet paper, napkins, etc.

This is a sub-sector with potential (niche), but it is not seen as a sub-sector that can become a serious driver in any of the industrial policy objectives. The sector has a negative trade balance (EUR 8.5 million euros). This may be a result of lack of competitiveness, and the nature of trade policies.



Overview of the Manufacture of Paper and Paper Products Sub-sector:

- Manufacture of paper and paper products participates with 1.6% in employment, 1.8% in the number of enterprises and 1.9% in annual turnover (Year 2022);
- This sub-sector participates with 0.53% in total exports (Year 2021);
- This sub-sector participates with 0.64% in Sector C exports (Year 2021);
- Manufacture of paper and paper products participates with 1.63% in total imports (Year 2021);
- Manufacture of paper and paper products participates with 1.76% in Sector C imports (Year 2021).

9. MANUFACTURE OF CHEMICAL PRODUCTS

The chemical industry is one of the important branches of the modern economy and its products are used in other sectors of the economy, such as agriculture, manufacturing, construction and services.

The sub-sector has a deep negative trade balance. This balance highlights the lack of competitiveness of the sub-sector in relation to imports. However, the sub-sector as such is not considered to be employment intensive.



Overview of the Manufacture of Chemical Products Sub-sector:

- Manufacture of chemical products participates with 2% in employment, 2% in the number of enterprises and 2% in annual turnover (Year 2022);
- This sub-sector participates with 3.49% in total exports (Year 2021);
- This sub-sector participates with 3.48% in Sector C exports (Year 2021);
- Manufacture of chemical products participates with 7.85% in total imports (Year 2021);
- Manufacture of chemical products participates with 8.47% in Sector C imports (Viti 2021).

10. MANUFACTURE OF RUBBER AND PLASTIC PRODUCTS

The main products that are produced by rubber and plastic enterprises in Kosovo are bags, garbage bags, inflatable bottles, plastic bottles, plastic pharmaceutical and jewelry boxes, plastic windows and doors, roller blinds, plastic pipes for water and sewage, plastic buckets, plastic yogurt packaging, then tire wraps, rubber plastics, trapeze belts, conveyor belts, various rubber and plastic toys, etc.

This sub-sector is characterized by significant labor force commitment. Thus, it is an important sub-sector for the advancement of the third objective of the industrial policy related to the generation of employment. It is seen as a generally healthy sub-sector with growth potential and contribution also to the expansion of the positive trade balance. The policy implications are that this sub-sector can be supported within the fourth objective related to the creation of a circular economy, including technology automation and digitization. Also, the European market has a demand for more sophisticated products related to this sector, which can serve to further increase the supply capacity of this sub-sector.



Overview of the Manufacture of Rubber and Plastic Products:

- Manufacture of rubber and plastic products participates with 10% in employment, 10% in the number of enterprises and 11.5% in annual turnover (Year 2022);
- This sub-sector participates with 10.39% in total exports (Year 2021);
- This sub-sector participates with 12.54% in Sector C exports (Year 2021);
- Manufacture of rubber and plastic products participates with 4.38% in total imports (Year 2021);
- Manufacture of rubber and plastic products participates with 4.73% in Sector C imports (Viti 2021).

11. MANUFACTURE OF NON-METALLIC MINERAL PRODUCTS

According to statistical data, the following are mainly produced in Kosovo: concrete products for construction purposes, mixed concrete ready for construction, stone breaking, shaping and giving the final shape, production of bricks, tiles and construction products in baked clay, production of varnishes, shaping and processing of flat glass, etc. There is a significant negative trade balance in this sub-sector (EUR 16 million). However, it is a sub-sector with considerable influence within Sector C, especially in employment.



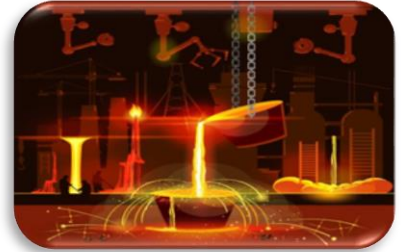
Overview of the Manufacture of Non-Metallic Mineral Products

- Manufacture of non-metallic mineral products participates with 12.48% in employment, 8.8% in the number of enterprises and 8.8% in annual turnover (Year 2022);
- This sub-sector participates with 2.48% in total exports (Year 2021);
- This sub-sector participates with 3.0% in Sector C exports (Year 2021);
- Manufacture of non-metallic mineral products with 4.81% in total imports (Year 2021);
- Manufacture of non-metallic mineral products with 5.19% in Sector C imports (Year 2021).

12. MANUFACTURE OF METALS

The manufacture of metals includes the separation of smelting and/or refining activities of non-ferrous and ferrous metals from ore, molten metal or waste, using electro-metallurgical processes and techniques and other metallurgical processes. It also involves the production of metal alloys and super-alloys by introducing other chemical elements into pure metals.

The sub-sector has a high negative trade balance of EUR 75 million euros. This sub-sector has challenges considering the fact that the GDP is declining and the pronounced trade balance indicates serious problems in competitiveness. However, the reason for the decrease in energy consumption is related to the fact that it is a large enterprise in this sub-sector. In the potential case of growth with other companies, there could be higher energy consumption, which calls into question the argument of increasing energy efficiency. It is under the sector with a decreasing MVA, which could be an indicator that care must be taken in supporting policies and whether it has the potential to generate jobs. Also, there are political problems with the activation of certain mines, as well as smelters. The environmental impact of this sub-sector is potentially negative, so care must be taken for mitigating measures.



Overview of the Manufacture of Metals Sub-sector:

- Manufacture of metals participates with 3.38% in employment, 2% in the number of enterprises and 4.5% in annual turnover (Year 2022);
- This sub-sector participates with 17.43 % in total exports (Year 2021);
- This sub-sector participates with 21.03% in Sector C exports (Year 2021);
- Manufacture of metals participates with 8.09 % in total imports (Year 2021);
- Manufacture of metals participates with 8.73% in Sector C imports (Viti 2021).

13. MANUFACTURE OF FABRICATED METAL PRODUCTS, EXCEPT MACHINERY AND EQUIPMENT

This sub-sector includes the processing of metal products by transforming them into final products such as: knives, gloves, cylinders, various tools, screwdrivers, wire and some other products. Metal processors in Kosovo can add to a large extent the value of the metals destined for export and at the same time meet the demands of the local market with better quality and lower prices.

The positive increase in GDP and employment coincides with a negative trade balance (EUR 20.8 million). The sub-sector contributes to the growth of the construction sector.

Ways should be identified to support the connections between sub-sector 24 and 25 as well as with the construction sector.



Overview of the Manufacture of fabricated metal products, except machinery and equipment sub-sector

- Manufacture of fabricated metal products, except machinery and equipment participates with 8.5% in employment, 13% in the number of enterprises and 8.8% in annual turnover (Year 2022);
- This sub-sector participates with 6.98% in total exports (Year 2021);
- This sub-sector participates with 8.42% in Sector C exports (Year 2021);
- Manufacture of paper and paper products participates with 3.22% in total imports (Year 2021);
- Manufacture of paper and paper products participates with 3.48% in total imports (Year 2021).

14. MANUFACTURE OF FURNITURE

The furniture industry is dominated by micro, small and medium enterprises, both in Kosovo and in other EU countries. The enterprises that manufacture furniture are upgrading to modernized technological processes even though they have difficulties due to lack of finances. However, the products in the manufacture of furniture sub-sector have good quality and mark a growth trend in exports. This sub-sector in Kosovo has an important participation in terms of the number of enterprises, employment, exports and turnover in manufacturing industry.

Despite the positive GDP and the positive trade balance, there is a negative correlation between GDP and employment (with a decrease in CAGR of 0.4%). This is an important and driving sector for the country's economy and for Sector C. Although employment growth is a matter to be monitored, the sub-sector should be further supported to deepen export competitiveness and increase employment..

Overview of the Manufacture of Furniture Sub-sector:

- Manufacture of furniture participates with 15% in employment, 10% in the number of enterprises and 11% in annual turnover (Year 2022);
- This sub-sector participates with 18.52% in total exports (Year 2021);
- This sub-sector participates with 22.35% in Sector C exports (Year 2021);
- Manufacture of furniture participates with 1.31% in total imports (Year 2021);
- Manufacture of furniture participates with 1.42% in Sector C imports (Year 2021).



Brochure prepared by the Department of Industry/**Division for Industrial Policy.**

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