WORLD BANK GROUP

Western Balkans Regular Economic Report
No. 28 Fall 2025

COUNTRY FACTSHEET

Kosovo

Economic growth remains resilient despite heightened domestic and external uncertainties, supported by consumption and investment activity. Over the medium term, growth is expected to stay close to 4 percent.

In 2025, inflationary pressures re-emerged, driven by higher energy and food prices, and eroding real disposable incomes.

Prolonged delays in forming a new government could negatively impact investment and slow progress on structural reforms, with detrimental impacts on the projected growth path.

After growing by 4.4 percent in 2024, Kosovo's economic growth slowed to 3.6 percent in the first quarter of 2025 as household consumption eased and external demand weakened. Real wages increased by 10.3 percent in 2024, supported by a higher minimum wage, but formal employment grew only modestly, averaging 1.4 percent in the first half of 2025.

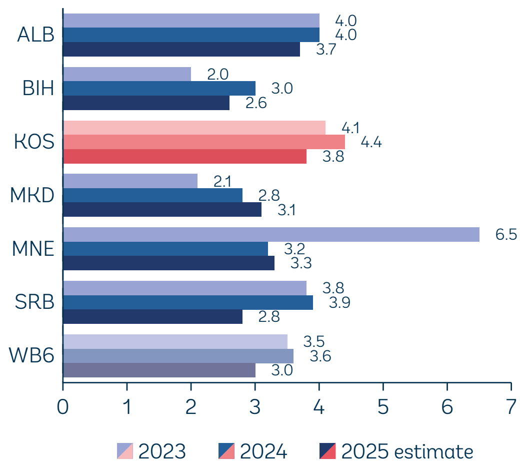
Higher domestic demand, including through higher government consumption, together with rising prices of food, beverages, electricity, and services fueled inflation in the first half of 2025. Consumer inflation reached 4.3 percent in July 2025, bringing the January – July average to 3 percent. Fiscal and financial sector risks remain limited, providing a stable backdrop for the economy despite slowing growth.

> *Kosovo's economic growth remains robust and could be further boosted with enhanced competition and diversification. Raising female labor force participation could unlock further the potential for economic growth, and, in this respect, addressing the lack of affordable childcare is critical.*
>
> **Carole Megevand**
> *World Bank Country Manager for Kosovo and North Macedonia*

Growth is expected to stabilize around Kosovo's potential of 4 percent over the medium term. Prolonged delays in forming a new government could slow the implementation of the structural reform agenda and delay access to external financing, including under the new EU Growth Plan for the Western Balkans. Continued geopolitical uncertainty and a further weakening of external demand could weigh on exports and Foreign Direct Investments, with detrimental impacts on growth.

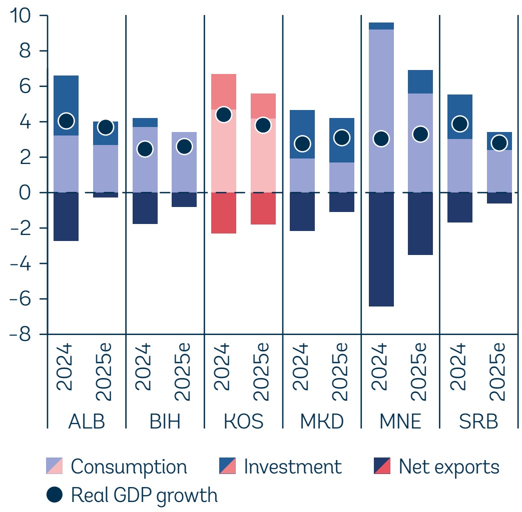
Real GDP growth

Percent



Annual Growth Composition

Percentage point



Source: National statistical offices and World Bank estimates.
Note: WB6 = Western Balkans six; e = estimate.

For more information and previous editions of the Western Balkans Regular Economic Report, click [here].